TUNGSTEN
Investment Funds

Factsheet – Share Class S, April 2020

Tungsten SYNERGON L3 UI

Tungsten SYNERGON L3 is a global diversified Multi-Asset / Multi-Strategy fund under a daily liquid UCITS-Structure.

The strategy is constructured with three revenue generated sources (Risk Premiums, Tactic and Alpha), which is the reason of L3 in the fund name. With an equal-weighted sources of income and the adoption of the various independent strategy components (internal and external), there is a pronounced diversification effect compared with the classic balanced portfolios like Multi-Asset approaches. The expected high Sharpe ratio and an outperformance in the negative risk premium senario are the key aims in this strategy. The fund would normally lie in a 4-5% volatility environment and persuing an expected return of 4-6% above the Euribor (1M).

Fund details

Subscription / redemption price	84.72
Fund domicile / currency	DE / EUR
ISIN / WKN	DE000A2H5XS8 / A2H5XS
Bloomberg	UITSL3S Equity
Total assets	EUR 55 mn.
Dividend policy	distributing
Management fee	0.65%
Administrator fee	0.19%
Performance fee	10%, HWM, 2% Hurdle

Strategic Components and ideal Weighting Scheme

Level 1 Beta / Factor — 33%

Global Risk Premuim
Risk Parity Construction

Level 2 Variables Beta — 33%

QuantMatrix
Systematic
Trading

CAA
Cross Asset
Discretionary, Opportunist

Level 3 Idiosyncratic Income — 33%

Hybrid
Title Specified Income Predominantly from Stock Selection

Historical statistics

Accumulated return	-15.24%
Return p.a.	-7.10%
Volatility	7.23%
Sharpe Ratio	-0.94
Best month	1.57%
Worst month	-14.14%
Monthly average return	-0.57%
% positive months	48.15%
Average gain	0.57%
Average loss	-1.63%
Max. drawdown (monthly)	-16.65%
Current drawdown (monthly)	-15.85%

Monthly Performance in % (net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.08%	-2.71%	-14.14%	0.95%									-15.60%
2019	1.57%	-0.58%	0.56%	0.07%	-0.41%	1.11%	0.64%	0.62%	-0.35%	-0.56%	0.70%	0.07%	3.48%
2018		-0.26%	-0.05%	-0.04%	0.31%	0.33%	0.44%	-0.20%	-0.27%	-1.50%	-0.28%	-1.45%	-2.95%

Contact details

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Level 1

Global Risk Premium

After the extreme distortions in March, we experienced another historically noteworthy recovery in April. The S&P rose by almost 13%, its strongest increase since 1974! Dynamic upward movement was driven by the everlasting belief in the "Fed put" and a quick end to restrictions in the wake of the pandemic. The strong performance of the stock market was accompanied by mixed developments in the bond market. US government bonds continued to rise, but in the Eurozone only the long end in the Nordic countries was able to gain, while Italian BTB's, as an example of Club Med bonds, again lost almost 2%. Level 1 was able to benefit appropriately from the market recovery and the fall in implied volatility in line with its risk. We remain concerned about equity market risks should earnings expectations be significantly revised downwards again, or should a second, stronger than expected pandemic wave occur. We are very concerned about the outlook for the bond markets, as the monetary and fiscal measures that are currently providing the calming effect cannot remain unaffected.

Contribution (Gross)[1)]

180 bps

Level 2

Systematc Discretionary Trading

The sharp change in direction in the equity markets in April led to a negative contribution from the sector predominantly due to losses from the trend-based models. While the portfolio recorded a positive result in US equity indices, it incurred losses in European but also Asian indices. The result from trades in the bond markets was positive. Here the strategy was able to achieve moderate gains in both North American and European bonds. The contribution from currencies was also mildly profitable. The portfolio gained during the volatile sideways movement of the EUR against the USD, but incurred a loss from the rise of the AUD against the USD.

-10 bps

Discretionary Asymmetric Trading

At the beginning of April we were still in the middle of the Corona crisis. Although the stock markets had recovered by more than 10% from their lows in March, volatility in the mid-50s was still at levels that we had previously only seen in the financial crisis. In the middle of such a crisis, sharp equity setbacks are no longer an extreme risk, but merely a possible scenario. Positions that still helped to establish stability in volatility trading in March were extremely expensive at the beginning of April. We decided to create long straddle profiles with a shorter time horizon, given the high intraday movements. By the middle of the month, we were able to generate positive contributions easily until it seemed sensible to retract the conventional straddle profiles. This turned out to be clearly premature, so that we had to accept severe hedging losses, especially at the end of the month.

-95 bps

Contribution (Gross)[1)]

-105

Level 3

Title Specified Income - Basket from L/S Equity Strategies

Last month, it was the managers who had already failed to reduce their risk in March and were recovering, who improved even further in April. Managers who, on the other hand, took the risk, got off to a slow start. The previous behavior that large cap growth stocks, i.e. the Apples, Googles, Facebooks etc., performed better than small value stocks at the other end of the spectrum remained the most conspicuous topic. What has been driven to new extremes in the meantime and is absolutely untypical for the previous behavior after stock crashes had bottomed out. This leads to the following conclusions: a) in corona times everything is different or b) was this not the bottom yet? A manager who initially only closed his fund has now put it into liquidation. The further procedure is still unclear at present.

Contribution (Gross)[1)]

20 bps