

# Newsletter October 2019

## AC TIGER FUND – TIGER VALUE FUND (FCP-SIF)

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<b>Launch date</b>	12 Dec 2008	<b>Total Gross Exposure</b>	81.9%	<b>Total Long Exposure</b>	58.1%	<b>Long Equity Exposure</b>	56.2%						
<b>AuM</b>	\$ 58m / € 53m	<b>Total Net Exposure</b>	34.4%	<b>Total Short Exposure</b>	23.8%	<b>Net Equity Exposure</b>	32.4%						
<b>Share Class A</b>	<b>NAV*</b> € 1,966.24	<b>ISIN</b> LU0400329677	<b>Bloomberg</b> TIGERAA LX EQUITY	<b>Share Class U</b>	<b>NAV*</b> \$ 918.87	<b>ISIN</b> LU1647855136	<b>Bloomberg</b> TIGERVU LX EQUITY						
<b>Share Class B</b>	€ 2,172.40	LU0400329750	TIGERAB LX EQUITY										
NET PERFORMANCE METRICS				FUND PERFORMANCE vs. CS HF INDEX L/S EQUITY **									
	Return (since inception)	Return (p.a.)	Sharpe Ratio***	Volatility (p.a.)									
<b>Share Class A</b>	96.6%	6.4%	0.86x	7.9%									
<b>Share Class B</b>	117.2%	7.4%	0.96x	8.1%									
POSITIONS													
<b>Positions (excl. Options/FI)</b>	<b>Weightings (% of Gross)</b>												
Longs	25	<b>Long</b>	<b>Short</b>										
Shorts	25	<b>Top 5</b>	28.5%	11.7%									
Positions	50	<b>Top 10</b>	45.2%	17.3%									
MONTHLY NET RETURN													
<b>Share Class A</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Year</b>
<b>2008</b>	-	-	-	-	-	-	-	-	-	-	-	0.003%	<b>0.003%</b>
<b>2009</b>	0.56%	1.73%	0.46%	2.87%	3.60%	5.51%	1.21%	4.35%	1.05%	0.62%	1.26%	-1.29%	<b>24.04%</b>
<b>2010</b>	0.50%	0.06%	2.22%	-0.32%	-3.08%	2.04%	0.05%	0.58%	3.25%	1.62%	0.18%	-0.41%	<b>6.75%</b>
<b>2011</b>	3.43%	-0.21%	1.47%	2.14%	0.25%	-0.81%	-1.32%	-3.41%	0.45%	-1.72%	-2.24%	0.86%	<b>-1.31%</b>
<b>2012</b>	4.48%	1.51%	1.35%	-1.68%	-1.05%	-0.37%	-0.59%	0.69%	1.85%	0.57%	-0.53%	1.44%	<b>7.79%</b>
<b>2013</b>	3.57%	1.49%	-0.66%	0.24%	2.70%	-0.67%	0.95%	0.07%	3.00%	2.66%	1.14%	-0.54%	<b>14.73%</b>
<b>2014</b>	1.88%	2.56%	0.63%	2.61%	0.63%	-0.34%	-2.19%	-0.42%	-1.20%	-1.32%	1.83%	1.14%	<b>5.82%</b>
<b>2015</b>	2.07%	3.13%	4.23%	0.99%	1.54%	-1.60%	1.41%	-1.20%	-2.10%	3.89%	1.45%	1.60%	<b>16.29%</b>
<b>2016</b>	-3.91%	0.21%	4.43%	1.40%	-0.99%	-1.85%	0.91%	1.05%	0.41%	0.22%	0.15%	2.70%	<b>4.58%</b>
<b>2017</b>	1.96%	1.31%	3.33%	0.22%	2.12%	0.97%	-1.07%	-1.23%	-0.77%	0.45%	0.39%	0.41%	<b>8.30%</b>
<b>2018</b>	0.02%	-0.11%	-2.45%	0.09%	-0.17%	-3.99%	2.20%	-2.14%	-1.58%	-3.14%	-2.73%	-7.43%	<b>-19.73%</b>
<b>2019</b>	4.37%	0.23%	-0.91%	1.44%	-4.53%	1.09%	2.81%	1.72%	0.49%	1.98%			<b>8.75%</b>
<b>Share Class B</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Year</b>
<b>2008</b>	-	-	-	-	-	-	-	-	-	-	-	0.02%	<b>0.02%</b>
<b>2009</b>	0.62%	1.87%	0.52%	3.25%	3.90%	5.95%	1.34%	4.62%	1.08%	0.70%	1.38%	-1.26%	<b>26.51%</b>
<b>2010</b>	0.57%	0.10%	2.40%	-0.28%	-3.04%	2.08%	0.05%	0.62%	3.32%	1.80%	0.19%	-0.36%	<b>7.57%</b>
<b>2011</b>	3.62%	-0.18%	1.56%	2.27%	0.21%	-0.71%	-1.28%	-3.37%	0.49%	-1.68%	-2.20%	0.90%	<b>-0.59%</b>
<b>2012</b>	4.52%	1.55%	1.39%	-1.64%	-1.01%	-0.33%	-0.54%	0.73%	1.89%	0.61%	-0.49%	1.40%	<b>8.23%</b>
<b>2013</b>	3.78%	1.62%	-0.67%	0.30%	2.91%	-0.69%	1.05%	0.11%	3.23%	2.87%	1.24%	-0.53%	<b>16.15%</b>
<b>2014</b>	2.04%	2.75%	0.71%	2.81%	0.70%	-0.32%	-2.15%	-0.37%	-1.16%	-1.28%	1.87%	1.19%	<b>6.84%</b>
<b>2015</b>	2.09%	3.33%	4.55%	1.09%	1.69%	-1.68%	1.53%	-1.24%	-2.06%	4.03%	1.58%	1.74%	<b>17.69%</b>
<b>2016</b>	-3.87%	0.26%	4.49%	1.52%	-1.01%	-1.84%	0.95%	1.10%	0.46%	0.27%	0.20%	2.91%	<b>5.30%</b>
<b>2017</b>	2.13%	1.43%	3.58%	0.27%	2.30%	1.07%	-1.03%	-1.19%	-0.73%	0.50%	0.43%	0.45%	<b>9.47%</b>
<b>2018</b>	0.07%	-0.07%	-2.41%	0.13%	-0.13%	-3.95%	2.25%	-2.10%	-1.54%	-3.09%	-2.69%	-7.40%	<b>-19.33%</b>
<b>2019</b>	4.41%	0.26%	-0.87%	1.48%	-4.49%	1.13%	2.86%	1.76%	0.53%	2.03%			<b>9.21%</b>
<b>Share Class U</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Year</b>
<b>2017</b>	-	-	-	-	-	-	-	-0.99%	-0.91%	0.62%	0.67%	0.60%	<b>-0.02%</b>
<b>2018</b>	0.24%	-0.04%	-2.21%	0.24%	0.20%	-3.78%	2.41%	-1.91%	-1.23%	-2.86%	-2.44%	-7.22%	<b>-17.39%</b>
<b>2019</b>	4.34%	0.43%	-0.65%	1.69%	-4.27%	1.31%	3.06%	2.07%	0.73%	2.27%			<b>11.26%</b>
MARKET CAP EXPOSURE							ASSET ALLOCATION						
SECTOR EXPOSURE													
DACH Region > 80% (country of origin); DACH-linked Region > 90% (country listing)													

Source: TAM/EFA; \* NAV daily calc. by EFA; \*\*www.hedgeindex.com, Broad Indexes - CS Hedge Fund Index Long/Short Equity; \*\*\* TAM inhouse calculation

## Tiger Value Fund – October 2019

### o **Returns: +1.98% (class A)/+2.03% (class B)/+2.27% (class U)**

In October, the Tiger Value Fund (“TVF”) had a positive net return of +1.98% for share class A and +2.03% for share class B, making a cumulative net return of +8.75%/+9.21% for share class A and B for the year-to-date and +96.6%/+117.2% since inception (share class A/B). Our FX hedged USD share class U had a net return of +2.27% in October, making a cumulative net return of 11.26% for the year to date.

### o **Commentary: Good performance despite low net exposure**

In October, we had an adjusted average net equity exposure of around 24% significantly below the average of 35% in September as we took profits on good performing small caps. As a result of our new long ideas and some short covering our net equity exposure stood at 32.4% at month end. Overall the performance of our long book was positive although several value investments and small caps are still lagging the overall equity market performance. Our key success factor over the last months was our contrarian stock picking and catalysts approach.

In our long book our top positive attributors were PNE Wind (+96bp), Tele Columbus (+93bp), EnergieKontor (+49bp), VA-Q-TEC (+48bp) and Bayer (+43bp). We have sold our PNE shares which profited from Morgan Stanley Infrastructure Partners who announced a takeover bid of 4 Euro per PNE share. The takeover of PNE also draw more investor attention towards other mispriced renewable assets such as EnergieKontor and ABO Invest. Low interest rates and a high demand for renewable assets as well as Germany’s bottleneck to approve new renewable projects has resulted into a significant revaluation of solar and wind parks.

On the negative side we had several positions such as Ferratum (-46bp) and Singulus (-11bp) which still didn’t perform. Both positions suffered from continued selling pressure due to a lack of positive news and are now trading at a mid-single digit PER 2020.

Tele Columbus (TC1 GY) is another position with significant share overhang and selling pressure as the company was one of the worst performers in 2018 and 2019. After several disappointments many frustrated investors haven’t recognized that the investment case now has turned to the positive. After Oliver Samwer/Rocket Internet took the 12% share overhang from Threadneedle end of October Tele Columbus shares started to perform. We still see a misperception in the market as positive news such as the announcement of the new wholesale customer Telefonica Deutschland triggered sellers after an initial positive share price reaction. The new customer win confirms our channel checks on the Tele Columbus network quality which attracts also wholesale customers supporting our growth scenario. We would expect at least one more wholesale business partner to join the Tele Columbus network before the potential NetCo sale materializes. The latest NetCo deals imply multiples of 13-25x EBITDA which would value the Tele Columbus NetCo assets between Eur 1.7bn and 3.2bn implying a negative value for its retail business at its current market capitalization of just Eur 0.3bn and Eur 1.4bn net debt. We expect a strong performance of our Tele Columbus position with several positive catalysts over the coming months and stay invested.

On our single shorts (-68bp) it became more challenging to profit from negative earnings surprises as earnings expectations have come down significantly with too many investors looking to buy after poor earnings announcements. As equity markets such as DAX and MDAX were up 3.5% and 1.4%

respectively our DAX Put Option hedges burdened our performance by another -7bp. We will continue to apply additional DAX Put hedges to be prepared for a larger market draw down.

#### o **Outlook: Earnings recovery already being priced in**

European equity markets had another strong month in October with the DAX advancing +3.5% and the Stoxx Europe 600 (SXXR) gaining +1.0% despite continued lackluster economic data and poor Q3 earnings results. While Q3 earnings seem to reflect the poor economic environment with the Stoxx Europe 600 now expected to decline -8.4% y/y for Q4 2019 earnings growth is expected at +7% and for 2019 as a whole +1%, which seems quite optimistic given the accelerated economic slowdown. For 2020 consensus estimates are even higher at +13%. Given the strong market recovery and optimistic consensus estimates, a fairly substantial earnings recovery is already priced into the market. The DAX now trades at a 12-month trailing P/E of 19x, the highest since the 2008/09 recession. On forward P/E, the ratio is 15.5x, the highest since March 2015. This implies an overall quite poor risk/reward for the DAX and the European equity markets.

The recent equity market rally has mainly been underpinned by easier monetary policy (as we alluded to in last month's newsletter "it's Déjà vu all over again"). As expected, the FED cut the fed funds rate another 25bp last week. In addition, the FED is performing daily REPO's and a "temporary" QE to the tune of \$60bn per month to raise bank reserves in the US banking system after the liquidity crunch earlier in September. In Europe, the ECB restarted QE on November 1, buying back €20bn of bonds monthly on an open-ended basis. Despite these efforts, bond yields have been rising in both the US and Europe in recent months. Notwithstanding slower growth and more monetary stimulus, bond yields seem to have bottomed, at least short term.

As mentioned previously, we remain defensively positioned and mainly exposed to contrarian and catalyst investment ideas. In our opinion, growth stocks remain significantly overvalued and overcrowded longs and while some cyclical/industrial stocks look fairly inexpensive, earnings estimates are still too high, and the economic cycle has still not bottomed (contrary to current market belief). We believe that the Fear Of Missing Out (FOMO) can drive the equity market higher which would create more short selling opportunities as earnings estimates are further lowered, but we find also ample long ideas with various value stocks still trading at multiyear lows.

***The Tiger Value Fund Desk, 5<sup>th</sup> November 2019***



**Matthias Rutsch**



**Marc Schädler**



**Peter Irbld**

# Newsletter October 2019

## AC TIGER FUND – TIGER VALUE FUND (FCP-SIF)

### Objectives

The objective is to identify undervalued companies with external catalysts and/or initiate pro-active measures to create shareholder value. The fund aims for a 5 year return of 10-15% p.a. with strong focus on capital preservation.

### Investment Strategy

The Investment Advisor is a specialized fundamental European long/short equity investment manager. The investment philosophy is based on seeking out undervalued value creating companies where we see upcoming catalysts and/or value creation measures that could improve the intrinsic value of the company and drive shareholder returns. At the same time we seek to profit from identifying overvalued value destroying companies where the intrinsic value is continuously being eroded. For each position we perform a detailed analysis including a 360 degree research process and 10 point scoring system (further details are available in our DDQ of investor presentation). The managers foresee a direct dialog with the company as well as with other shareholders to support management to initiate value creating measures. Their partner network i.e. other shareholders, consultants, sector experts, media etc. will help to impact positive change.

The fund intends to engage in 20-40 long investments (excl. residual positions, options and fixed income) with a target net long exposure of around 20-60%. The geographic focus is likely to be Germany, Switzerland and Austria.

Fund Information		Fee Structure and Risk Management	
Currency	EUR	Admin/Custodian Fee	Up to 0.49%
Legal Entity	FCP-SIF	Advisory (Mgmt) Fee	
Fund Domicile	Luxembourg	Share Class A/U	2.00%
Fund Structure	Open-ended multi-class	Share Class B	1.50%
Style mandate	Long/Short and Active Value	Performance Fee	
Investment Minimum		Share Class A/U	20%
Share Class A/U	€ 125,000 /US-\$ 125,000	Share Class B	15%
Share Class B	€ 5,000,000	Hurdle Rate	None
Sub. Frequency	Monthly	High Water Mark	Yes
Red. Frequency	Monthly	Eligible Investors	See Issue Document
Redemption Notice		Leverage	Maximum 200% of NAV
Share Class A/U	5 business days*	Fund Benchmark	CS HF Index L/S Equity
Share Class B	6 months		

\*) The redemption notice has to be send to the Administrator five business days prior to month end (cut-off 5pm). Therefore the redemption term is monthly with a notice period of 5 days. Please see the offering document for further information.

Investors: Sales documents may not be forwarded to investors other than those who meet the 'experienced investor' requirements under the Law of 2007.

### Fund Advisor Details and Service Providers

<b>Management Company</b>	Alceda Fund Management SA
<b>Investment Advisor</b>	Tiger Asset Management GmbH
<b>Swiss Representative</b>	ACOLIN Fund Services AG
<b>Prime Broker/Custodian</b>	SEB AB / SEB SA
<b>Administrator</b>	European Fund Administration SA
<b>Auditor</b>	Price Waterhouse Coopers

**Sales documents may not be forwarded to investors other than those who meet the 'experienced investor' requirements under the Law of 2007 as amended from time to time.**

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Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "thinks," and similar expressions are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include, among other things, those matters discussed as "Risk Factors," in the Issue Document of the Fund, as well as (1) general economic and business conditions; (2) new governmental regulations and changes in, or the failure to comply with existing governmental regulation, (3) legislative proposals that impact our industry or the way we do business, (4) competition, and (5) our ability to attract and retain qualified personnel.

Although we believe that these statements are based upon reasonable assumptions, we can give no assurance that our goals will be achieved. Given these uncertainties, prospective investors are cautioned not to place undue reliance on these forward-looking statements. We assume no obligation to update or revise any forward-looking statements contained on this document or provide reasons why actual results may differ. The investment objectives and methods summarized herein represent the current intentions of the Investment Advisor. Depending on conditions and trends in the securities markets and the economy in general, we may pursue any objectives, employ any investment techniques or purchase any type of security that we consider appropriate and in the best interest of the funds, whether or not described herein. The discussion herein includes and is based upon numerous assumptions and opinions of the Investment Advisor concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the investment strategy of the Fund will achieve profitable results for the Fund.

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