

# Newsletter December 2017

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

AC TIGER FUND - TIGER VALUE FUND (FCP-SIF)													
Launch date	12 Dec 2008	Total Gross Exposure	103.2%	Total Long Exposure	75.3%								
AuM	\$118m / € 98m	Total Net Exposure	47.5%	Total Short Exposure	27.8%								
	<b>NAV*</b>	<b>WKN</b>	<b>ISIN</b>	<b>Bloomberg</b>	<b>Reuters</b>								
Share Class A	€ 2,252.54	A0Q5LH	LU0400329677	TIGERAA LX EQUITY	LP68023199								
Share Class B	€ 2,465.90	A0RDZZ	LU0400329750	TIGERAB LX EQUITY	LP68023200								
Share Class U	\$ 999.79		LU1647855136	TIGERU 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.)									
Share Class A	125.3%	9.4%	1.57x	6.2%									
Share Class B	146.6%	10.5%	1.69x	6.5%									
POSITIONS													
Number of Positions		Weightings (% of Gross)											
Long Positions	50	Long		Short									
Short Positions	33	Top 5	21.5%	10.1%									
Total No. Positions	83	Top 10	33.7%	17.3%									
MONTHLY NET RETURN													
Share Class A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	-	-	-	-	-	-	-	-	-	-	-	0.003%	0.003%
2009	0.56%	1.73%	0.46%	2.87%	3.60%	5.51%	1.21%	4.35%	1.05%	0.62%	1.26%	-1.29%	24.04%
2010	0.50%	0.06%	2.22%	-0.32%	-3.08%	2.04%	0.05%	0.58%	3.25%	1.62%	0.18%	-0.41%	6.75%
2011	3.43%	-0.21%	1.47%	2.14%	0.25%	-0.81%	-1.32%	-3.41%	0.45%	-1.72%	-2.24%	0.86%	-1.31%
2012	4.48%	1.51%	1.35%	-1.68%	-1.05%	-0.37%	-0.59%	0.69%	1.85%	0.57%	-0.53%	1.44%	7.79%
2013	3.57%	1.49%	-0.66%	0.24%	2.70%	-0.67%	0.95%	0.07%	3.00%	2.66%	1.14%	-0.54%	14.73%
2014	1.88%	2.56%	0.63%	2.61%	0.63%	-0.34%	-2.19%	-0.42%	-1.20%	-1.32%	1.83%	1.14%	5.82%
2015	2.07%	3.13%	4.23%	0.99%	1.54%	-1.60%	1.41%	-1.20%	-2.10%	3.89%	1.45%	1.60%	16.29%
2016	-3.91%	0.21%	4.43%	1.40%	-0.99%	-1.85%	0.91%	1.05%	0.41%	0.22%	0.15%	2.70%	4.58%
2017	1.96%	1.31%	3.33%	0.22%	2.12%	0.97%	-1.07%	-1.23%	-0.77%	0.45%	0.39%	0.41%	8.30%
Share Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	-	-	-	-	-	-	-	-	-	-	-	0.02%	0.02%
2009	0.62%	1.87%	0.52%	3.25%	3.90%	5.95%	1.34%	4.62%	1.08%	0.70%	1.38%	-1.26%	26.51%
2010	0.57%	0.10%	2.40%	-0.28%	-3.04%	2.08%	0.05%	0.62%	3.32%	1.80%	0.19%	-0.36%	7.57%
2011	3.62%	-0.18%	1.56%	2.27%	0.21%	-0.71%	-1.28%	-3.37%	0.49%	-1.68%	-2.20%	0.90%	-0.59%
2012	4.52%	1.55%	1.39%	-1.64%	-1.01%	-0.33%	-0.54%	0.73%	1.89%	0.61%	-0.49%	1.40%	8.23%
2013	3.78%	1.62%	-0.67%	0.30%	2.91%	-0.69%	1.05%	0.11%	3.23%	2.87%	1.24%	-0.53%	16.15%
2014	2.04%	2.75%	0.71%	2.81%	0.70%	-0.32%	-2.15%	-0.37%	-1.16%	-1.28%	1.87%	1.19%	6.84%
2015	2.09%	3.33%	4.55%	1.09%	1.69%	-1.68%	1.53%	-1.24%	-2.06%	4.03%	1.58%	1.74%	17.69%
2016	-3.87%	0.26%	4.49%	1.52%	-1.01%	-1.84%	0.95%	1.10%	0.46%	0.27%	0.20%	2.91%	5.30%
2017	2.13%	1.43%	3.58%	0.27%	2.30%	1.07%	-1.03%	-1.19%	-0.73%	0.50%	0.43%	0.45%	9.47%
Share Class U	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-	-	-	-	-	-	-	-0.99%	-0.91%	0.62%	0.67%	0.60%	-0.02%
MARKET CAPITALISATION													
	Pos. No	%Gross	Net Exp	Long	Short								
Large (>€5bn)	30	36.3%	4.8%	21.1%	-16.3%								
Mid (>€1bn)	21	26.4%	12.7%	19.9%	-7.2%								
Small - Mid (€0.5-€1bn)	10	13.3%	5.2%	9.5%	-4.3%								
Small (€50m-€500m)	19	23.2%	23.9%	23.9%	0.0%								
Micro (<€50m)	3	0.9%	0.9%	0.9%	0.0%								
Total	83	100.0%	47.5%	75.3%	-27.8%								
SECTOR EXPOSURE													
	Pos. No	%Gross	Net Exp	Long	Short								
Technology	15	18.3%	11.0%	14.9%	-4.0%								
Media/Retail	14	16.8%	6.6%	11.9%	-5.3%								
Industrials/Materials	15	22.5%	16.2%	19.7%	-3.5%								
RE/Financials	11	13.8%	6.0%	10.1%	-4.2%								
Auto/Transport	11	10.6%	-4.3%	3.3%	-7.6%								
Energy/Renewables	10	14.5%	13.6%	14.2%	-0.7%								
Healthcare	1	1.0%	1.1%	1.1%	0.0%								
DAX / MDAX	6	2.5%	-2.6%	0.0%	-2.6%								
Total	83	100.0%	47.5%	75.3%	-27.8%								
ASSET ALLOCATION													
	Pos. No	%Gross	Net Exp	Long	Short								
Equity	63	88.7%	51.9%	71.7%	-19.8%								
Fixed Income	5	4.0%	3.1%	3.6%	-0.5%								
Future													
Option	15	7.2%	-7.5%	0.0%	-7.5%								
Total	83	100.0%	47.5%	75.3%	-27.8%								

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 – December 2017

### ○ Returns: +0.41% (class A)/ +0.45% (class B)/ +0.60% (class U)

In December, the Tiger Value Fund (“TVF”) had a net return of +0.41% for share class A and +0.45% for share class B, making a cumulative positive net return of +8.30% and +9.47% for 2017 and +125.3%/+146.6% since inception (share class A/B). Our FX hedged USD share class U had a net return of +0.60% in December, making a cumulative net return of -0.02% since the inception in August.

### ○ Commentary: Review of 2017 – low correlation with equity markets

In 2017 the Tiger Value Fund had a good first half of the year but a mixed second half. Although the second half of 2017 was burdened by muted performance of value positions and losses in our short book, we stabilized the performance in Q4 and recovered almost half of the losses incurred in Q3 to close up 8.3% and 9.5% for the A and B classes respectively. While equity markets such as the DAX were down -0.8% in December the Tiger Value Fund was up with +0.41% for share class A and +0.45% for share class B.

For 2017 the performance of the TVF was inline with previous years in terms of relative volatility and participation. The TVF hit a new record low (based on monthly data) in terms of realized volatility in 2017 with 4.7%/4.9% (A/B class) vs. the DAX at 9% (based on monthly data), inline with our historical volatility of 30-50% of the realized volatility of the DAX. Also the participation rate of 66.3%/75.7% (TVF class A and B return/DAX return), was inline with our historical average of 66.5%/76.4% in up years. Remarkably, the correlation and beta was unusually low in 2017 with a correlation to the DAX of 21.6% (50.3% since inception) and a beta of 0.10 (0.17). Overall, the TVF continued to deliver a very attractive risk adjusted return in 2017 largely uncorrelated with the broader European equity markets inline with our stated investment objective.

### TVF vs. Hedge Fund Peers

Although there is only limited December performance data on Hedge Funds available so far it looks like that we were roughly inline with most of our peers: the Eurekahedge UCITS Europe Long/Short Hedge Fund Index<sup>1</sup> was up +0.27% in December and +4.98% in the year 2017 and at the most recent November update the CS Hedge Fund Long/Short Equity Index<sup>2</sup> was up +10.5% in the year-to-date. This compares with the TVF which was up +8.30/+9.47% (share class A/B) in the year 2017.

Over the last nine years the TVF has built a strong risk-adjusted track record with a consistent outperformance of its peers which was achieved with a low average gross and net adjusted exposure of only 85% and 35% respectively. The TVF share class B has produced a compound average net return of 10.55% p.a. and has outperformed its peers such as the CS Hedge Fund Long/Short Equity Index<sup>2</sup> on average by more than 4%-points per year since its inception in December 2008.

### Performance Attributions

In the year 2017 our top 10 attributors were Ferratum (+236bp), Bauer AG (+210bp), Tom Tailor (+194bp), PNE Wind (+157bp), MLP (+151bp), FACC (+136bp), Singulus (+134bp), ElringKlinger (+125bp), AT&S (+121bp) and Freenet (+115bp). While we have sold Bauer AG, Tom Tailor, FACC, Singulus and Freenet we have kept positions at the remaining attributors. At our top 5 detractors

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<sup>1</sup> Source: [http://www.eurekahedge.com/Indices/IndexView/Special/590/Eurekahedge\\_UCITS\\_Europe\\_Long\\_Short\\_Equities\\_Hedge\\_Fund\\_Index](http://www.eurekahedge.com/Indices/IndexView/Special/590/Eurekahedge_UCITS_Europe_Long_Short_Equities_Hedge_Fund_Index)

<sup>2</sup> Source: EUR Broad Index on [www.hedgeindex.com](http://www.hedgeindex.com)

Transtec (44bp), Metro (42bp), Delticom (41bp), MBB (32bp) and Francotyp-Postalia (29bp) we sold Transtec but kept the other detractors as we see a good risk-reward ratios for the remaining positions. In December our top long attributers were ElringKlinger (+48bp), Ferratum (+45bp) and Dialog Semiconductor (+33bp). At ElringKlinger we profited from a broker upgrade which caused a short squeeze in the tight German lending market and Ferratum continued its uptrend after the company announced its online banking partnership with Thomas Cook. We believe that Ferratum's continued product roll-outs should result into an acceleration of its topline growth in 2018. We bought Dialog Semiconductor after the recent share price slump when the company announced that Apple is planning for a second source for the power chip in the iPhone 2019. Now Dialog is probably the cheapest technology stock in our universe with a single digit PER 2018. We expect a strong 2018 and believe that analyst consensus has become too bearish on Dialog and that the stock has significant recovery potential driven by new customer announcements and record financial results. Also, the Chinese stakeholder Tsinghua may continue to increase its stake of currently 9% and cause more takeover speculation.

The performance of our single short book burdened the performance once again in December as several negative catalysts such as profit warnings and share placements continued not to work out in an overall positive market environment. In addition the uncertainty of the German Investment Tax Act (GITA 2018) tightened the German lending market significantly and caused short squeezes in selective single names with high short interest. Our single short book (incl. single put options) had a net negative result of -80bp. We rolled over some of our DAX option hedges and also booked some profits which lowered our overall index hedging costs to -5bp in December. Also for 2017 our short book had overall negative attributions from single shorts incl. single stock put options of 455bp and 111bp from our DAX index hedges. We will continue to hedge via out of the money DAX Puts and single stock Put Options which gives us additional downside protection in case of a larger market correction.

#### **Fund Assets**

In 2017 the assets of the Tiger Value Fund increased by EUR 41.5m from EUR 56.5m to EUR 98.0m (+73.5%) thereof EUR 36.3m net asset inflow and EUR 5.2m performance related achieving our goal to cross EUR 80m in AuM in 2017. For 2018 we have planned various marketing activities and will aim to grow the fund assets significantly by year end.

#### **o Outlook: 2018 - the year of monetary policy normalisation**

Since the Global Financial Crisis (GFC), financial conditions have been extremely easy with 0% (or negative) interest rates and most central banks engaging in quantitative easing. Nine years after the trough of the GFC, central banks will in 2018 normalise monetary policies and we believe this will be a very significant event for financial markets.

The normalisation process has in fact already started with the FED reducing its treasury and MBS holdings by \$10bn per month (since October 2017), increasing in quarterly steps to \$50bn during 2018. At the Bank of Japan (BOJ), with little fanfare, the balance sheet actually shrank (-\$3.9bn) in December for the first time since the launch of its massive QQE in 2012. In turn, the ECB has since January 2018 reduced its Asset Purchase Program (APP) to €30bn per month, from €60bn previously, with the intention of ending the program in 2018.

Consequently, sometime in the middle of 2018 the net QE volumes from the 3 largest central banks will turn negative which will most likely have meaningful impact on financial markets. In particular, volatility should return to more normal levels after being significantly depressed in 2017 when the annualised

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

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volatility fell to 10.6% from 21.3% in 2016 for the DAX. While global equity markets remained buoyant in December, volatility has already started to creep up with the 30-day realized volatility of the DAX hitting 11.3% at the end of December from a low of 4.4% in October.

#### **Positioning – top picks for 2018**

We have started 2018 with our typical above average net equity exposure (around 45%) to benefit from the customary January reallocation trade. After a disappointing performance for many value stocks in 2017, we have already seen a revived interest in the first few days of 2018 for many of these previously discarded stocks. Our general market outlook has not changed, we still expect a more volatile sideways trading market where stock picking will become increasingly important. While its understandably tempting to follow the markets current exuberance and chase the latest speculative bubble (exemplified by Bitcoin presently), we remain committed to our well tried and tested catalyst value stock picking strategy based on our 10 point scoring model and risk/reward premise and which has served us well in the last 9 years.

We have started to re-position the Fund for 2018 and will continue to do so in January by adding to our long and short positions. Our top investment ideas include Metro (strong stable cash flows; recovery in Russia), Dialog Semiconductor (technology at single digit PER; strong quarter ahead), Ferratum (Fintech with strong profitable growth), Strabag (German infrastructure play with significant discount to peers), Hochtief/Abertis (takeover will result in significant synergies) and Software AG (profits from new Internet-of-things platform; strong earnings growth). The top picks which we haven't discussed yet will be highlighted in our next newsletters. We would like to thank our investors for your continued trust and look forward to another exciting year!

#### ***The Tiger Value Fund Desk, 8<sup>th</sup> January 2018***



**Matthias Rutsch**



**Marc Schädler**



**Peter Irlblad**

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## 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 and fixed income) with a target net long exposure of around 20-50%. 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	2.0%
Fund Structure	Open-ended multi-class	Share Class B	1.5%
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	monthly*	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>	PriceWaterhouseCoopers



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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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