

# Newsletter February 2020

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

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Launch date	12 Dec 2008	Total Gross Exposure	76.7%	Total Long Exposure	63.7%	Long Equity Exposure	63.1%							
AuM	\$ 59m / € 54m	Total Net Exposure	50.8%	Total Short Exposure	13.0%	Net Equity Exposure	50.1%							
Share Class A	NAV* € 2,054.85	ISIN LU0400329677	Bloomberg TIGERAA LX EQUITY	Share Class U	NAV* \$ 962.90	ISIN LU1647855136	Bloomberg TIGERVU LX EQUITY							
Share Class B	€ 2,274.03	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.)										
Share Class A	105.5%	6.7%	0.99x	7.1%										
Share Class B	127.4%	7.6%	1.10x	7.3%										
POSITIONS														
Positions (excl. Options/FI)		Weightings (% of Gross)												
Longs	25	Long	Short											
Shorts	16	Top 5	6.8%											
Positions	41	Top 10	12.0%											
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%	
2018	0.02%	-0.11%	-2.45%	0.09%	-0.17%	-3.99%	2.20%	-2.14%	-1.58%	-3.14%	-2.73%	-7.43%	-19.73%	
2019	4.37%	0.23%	-0.91%	1.44%	-4.53%	1.09%	2.81%	1.72%	0.49%	1.98%	3.69%	2.92%	16.05%	
2020	2.02%	-4.01%											-2.07%	
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%	
2018	0.07%	-0.07%	-2.41%	0.13%	-0.13%	-3.95%	2.25%	-2.10%	-1.54%	-3.09%	-2.69%	-7.40%	-19.33%	
2019	4.41%	0.26%	-0.87%	1.48%	-4.49%	1.13%	2.86%	1.76%	0.53%	2.03%	3.73%	2.96%	16.64%	
2020	2.06%	-3.97%											-1.99%	
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%	
2018	0.24%	-0.04%	-2.21%	0.24%	0.20%	-3.78%	2.41%	-1.91%	-1.23%	-2.86%	-2.44%	-7.22%	-17.39%	
2019	4.34%	0.43%	-0.65%	1.69%	-4.27%	1.31%	3.06%	2.07%	0.73%	2.27%	3.38%	3.18%	18.68%	
2020	2.19%	-3.87%											-1.76%	
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 – February 2020

#### ○ **Returns: -4.01% (class A)/-3.97% (class B)/-3.87% (class U)**

In February, the Tiger Value Fund (“TVF”) had a net return of -4.01% for share class A and -3.97% for share class B, making a cumulative net return of -2.07%/-1.99% for share class A and B for the year-to-date and +105.5%/+127.4% since inception (share class A/B). Our FX hedged USD share class U had a net return of -3.87% in February.

#### ○ **Commentary: Down month but outperformed HF peers and markets**

While equity markets sold-off by -8.4% and -8.3% for the DAX and EuroStoxx 600 the Tiger Value Fund declined -4.01%, -3.97% and -3.87% (share class A, B and U) in February. Although we are not satisfied with our year-to-date performance of -2.07%, -1.99% and -1.76% (share class A, B and U) the Tiger Value Fund outperformed other European Long/Short Equity Hedge Funds which are down -3.89% on average (YTD) according to a Morgan Stanley study from last weekend.

The draw down at the Tiger Value Fund was caused by several factors. At the beginning of February, we couldn't participate in the market rally as we started the month with a net exposure of only 20-30% and suffered a loss from the takeover of a short position. In addition, our defensive investments such as Tele Columbus, Drillisch and United Internet sold-off as much or even worse than the overall equity markets. Towards the end of February, we closed our index hedges and many of our single short positions as they had reversed sharply from the highs set earlier in the month. In hindsight, we were slightly too early as the market collapsed very quickly towards the end of the month. As a result of our short covering our net equity exposure temporary increased from below 30% to 50.1% or 46.4% excluding Bayer Call Options at month end.

We had limited attributors which are worth mentioning except for Drägerwerk (DRW8 GY, DRW3 GY). Last Friday our position in Drägerwerk added +58bp as the shares were up 6.8% and 13.1% (common and preferred shares). The company, which we bought in January and February, produces safety equipment such as air filtration masks as well as hospital monitoring and medical ventilation systems. It profits from the high demand due to the Coronavirus in ventilation systems and medical consumables which the company sells mainly to hospitals. We expect the company to post a good Q1 and Q2 which will be significantly above analyst consensus estimates. In addition, the stock still trades on just 4-5x EV/EBITDA 2021 a 50-60% discount to its peer group.

On the negative side our performance was burdened by various long positions. Among our worst detractors we had Tele Columbus (-97bp), EnergieKontor (-38bp), AMS (-18bp), Agfa (-37bp), Cancom (-26bp), Singulus (-23bp), Drillisch (-18bp), VA-Q-TEC (-20bp), Zeal Network (-23bp), Ferratum (-20bp), Sixt PFD (-39bp) and Holidaycheck (-18bp). We selectively increased, reduced or sold several long positions in recent weeks, but we now see a significant rebound potential for our long positions once positive catalysts start to materialize.

Over the next weeks and months, we expect positive news flow for various long positions such as Bayer (Glyphosate settlement), Tele Columbus (good Q4 and outlook; significant upside via break-up), Zeal Network (consensus upgrades), Drillisch/United Internet (mediation outcome and national roaming), VA-Q-TEC (pharmaceutical customers and logistic partners to accelerate growth), Ferratum (good Q4 and outlook; strong profit growth in 2020), Agfa (unlocking value via break-up) and EnergieKontor (strong profit growth in 2020/21).

The short book only added +140bp in February, as we lost -54bp via the takeover bid at a short position and started to cover our index hedges a bit too early. We booked our profits at our DAX option and future hedges and will re-hedge via DAX Futures on any short-term market rallies until we re-positioned with catalyst laden single shorts. We will also continue to add selectively to catalyst laden long positions.

#### o **Outlook: Now what?**

While it took a few weeks longer than we had anticipated, the financial markets have finally started to discount a more adverse outcome of the COV-19 outbreak with the DAX losing -8.4% and the Stoxx Europe 600 declining -8.3% in February. As we discussed last month, we believe the economic impact will be very significant in the short-term and possibly also in the medium term. Besides the short-term supply and production disruptions, the demand destruction could have a longer lasting impact and could be even more significant. Consumer confidence will be hit at a time when the manufacturing sector is already in or close to recession which could tip the global economy into contraction. Moreover, with interest rates already at zero or negative, central banks have little additional firepower to combat economic weakness. Importantly, the efficacy of interest rate cuts in this environment have to be questioned other than having a potential psychological soothing effect on financial markets.

This time around, the sledgehammer in the policy toolbox is likely to be fiscal stimulus. We have already seen Italy pledging €3.6bn in tax credits for affected companies and cash handouts of HK\$10,000 to every permanent adult resident in Hong Kong. More is certainly coming but not all countries have the fiscal space. While Germany have ample space to stimulate the economy, the US is already running a 5% deficit to GDP after the 2018 tax cut which limits its ability to further stimulate the economy.

After the recent years' massive debt pileup by the corporate sector, the question is also how resilient companies are even to a short-term economic hit. High yield spreads have blown out to more than 500bp from just above 300bp in early January and refinancing in this market could become difficult. Debt service ability will be in focus in coming months for highly leveraged companies and could exacerbate the economic weakness. We will be on the lookout for companies that may be in distress over the coming weeks and months as potential shorts.

While the performance for the month was negative, we have realized quite some profits on the short side and are ready to re-short at higher levels. Much of the negative attribution from our long positions should be temporary and most of them are fundamentally largely uncorrelated to the broader economy and have potent near-term catalyst that can drive value appreciation even in the event of a further sell off (e.g. Tele Columbus, Drägerwerk, EnergieKontor, Drillisch/United Internet, Zeal Network). As before, we remain vigilant to further volatility and expect our net and gross exposure to be managed very actively in coming weeks and months with the current elevated level of 50% being the high end of our expected range and 20% the anticipated low end.

***The Tiger Value Fund Desk, 3<sup>rd</sup> March 2020***

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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 7-10% p.a. with strong focus on capital preservation.

### Investment Strategy

The Investment Advisor is specialized on a fundamental European long/short equity strategy. 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 20-30 long investments (excl. residual positions, options and fixed income linked positions) 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 faxed 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 AG
<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

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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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