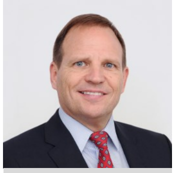
Newsletter October 2020
Overview Alternative Investments

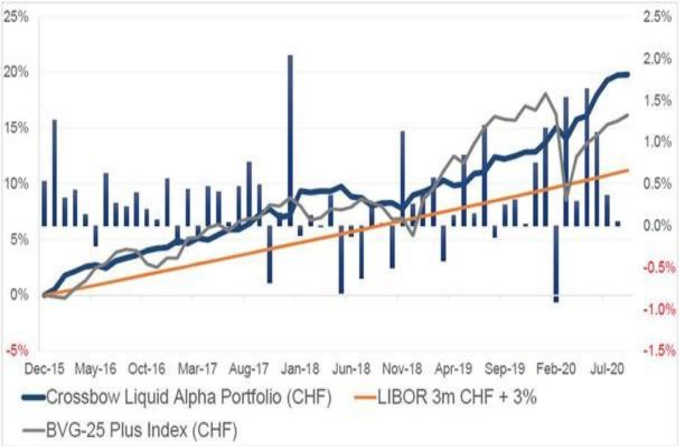
How can investors make money in the next 12 months?

What is an attractive investment at current equity and bond markets valuations? With equity markets near all-time highs and bond markets at negative interest rates despite a global pandemic that is not under control and a likely double-dip recession with more severe consequences in 2021, investors are struggling for an investment opportunity that is going to make money in 2021.

We are launching a conservative alternative certificate that invests in 5 - 10 underlying hedge funds with the target to achieve a positive return of +3%-5% per annum regardless of the market environment. The product can be used as a substitute for cash or bonds and targets minimal volatility together with high liquidity. The actively managed certificate provides diversification in a single transaction and minimizes transaction costs due to institutional terms at the certificate level. In addition, bank commissions are much cheaper for investments in certificates compared to hedge funds and they are booked faster and more easily in the safe-keeping accounts of private investors. Crossbow Partners is going to seed the certificate with internal money and can show a proven track record that met expectations even during the sharp correction of March 2020. Align your capital with us for the launch of the certificate at the end of November 2020.



Stefan Steiner



Please contact Stefan Steiner at ss@cb-partners.com for more information.

Bonds (USD)	Sep YTD	2019	2018	3Y CAGR	5Y CAGR	5Y Std Dev
Switzerland Gov Bonds 1-10Y TR	1.07%	3.05%	3.52%	2.82%	2.06%	2.22%
FTSE WGBI (ex-Citi WGBI All Maturities)	7.14%	5.90%	-0.84%	4.37%	3.95%	5.43%
Barclays Global HY TR	-0.58%	12.56%	-4.06%	2.69%	6.08%	8.94%
HFRI Event-Driven Index	-2.18%	7.49%	-2.13%	1.60	4.05%	7.51%
HFRI Relative Value Index	-2.16%	7.42%	-0.43%	1.88%	3.40%	5.50%
Crossbow Credit Distressed Portfolio	3.09%	8.13%	2.73%	5.00%	5.75%	5.33%
Crossbow Alpha Portfolio	6.42%	7.35%	1.77%	5.39%	4.21%	2.43%
Equities (USD)	**Sep YTD**	**2019**	**2018**	**3Y CAGR**	**5Y CAGR**	**5Y Std Dev**
SMI TR Index	0.23%	34.05%	-4.17%	9.88%	9.55%	10.66%
MSCI AC World TR	1.37%	26.60%	-9.41%	7.12%	10.30%	14.42%
MSCI EM TR	-1.16%	18.42%	-14.57%	2.42%	8.97%	17.36%
HFRI Equity Hedge Index	2.48%	13.71%	-7.14%	3.80%	5.64%	8.99%
HFRI Macro Systematic Diversified Index	-2.84%	7.08%	-6.62%	0.53%	-0.65%	7.15%
Crossbow Equity Hedged Portfolio	6.42%	9.68%	-3.83%	4.35%	2.98%	4.37%
Crossbow Trading Portfolio	-0.21%	4.04%	1.70%	2.49%	3.17%	4.28%
Crossbow Trendfollowing Portfolio	-0.01%	12.36%	-0.74%	4.83%	3.02%	5.78%
Others (in USD)	**Sep YTD**	**2019**	**2018**	**3Y CAGR**	**5Y CAGR**	**5Y Std Dev**
BVG-25 Plus	0.68%	14.04%	-0.13%	5.43%	5.67%	4.64%
BVG-40 Plus	-0.95%	17.23%	-1.49%	5.56%	6.44%	6.32%
BVG-60 Plus	-2.80%	21.75%	-3.31%	5.86%	7.55%	8.69%
SXI Real Estate Funds TR Index	3.39%	24.30%	-2.40%	8.88%	8.81%	6.95%

Certificates: a different and easier way to invest in hedge funds

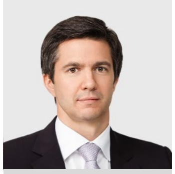
Hedge funds have long been exclusive to high net worth investors and institutions, as their high minimum investments (typically USD 1 mn) make them inaccessible to „small“ investors. Given this constraint, building a diversified portfolio of hedge funds is even more challenging for small investors. The cumbersome transaction paperwork associated with hedge funds can also be another hurdle for such investors.

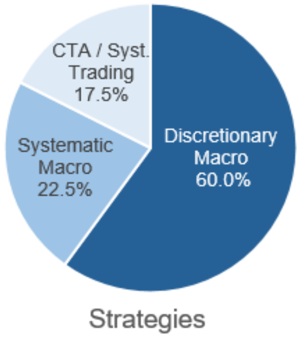
Funds of hedge funds (‘FoHFs’) address some of these problems by providing access to a portfolio of hedge funds through a single product, however usually also requiring 7-digit minimums. FoHFs also require adequate fund structures as well as a large minimal capital pool (say USD 20 mn) to limit the cost impact of the said structure.

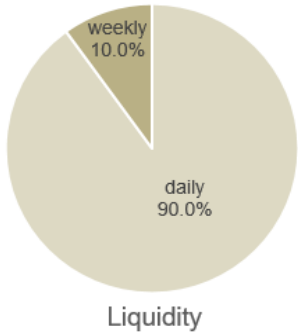
UCITS compliant hedge funds represented a clear step to make hedge funds accessible to small investors thanks to low minimum investments (sometimes as low as USD 1’000), attractive liquidity terms (e.g. daily, weekly) and easier transaction processes. Given the UCITS constraints, the most common hedge fund strategies replicated in UCITS format are L/S Equity, CTA and Macro. For many years though, the overall quality of UCITS compliant managers available in those strategies was lagging their offshore counterparts. This situation has improved and it is today possible to build compelling alternative portfolios out of UCITS hedge funds. A UCITS FoHF, however, has similar requirements (legal structure, required capital pool) than an offshore FoHF.

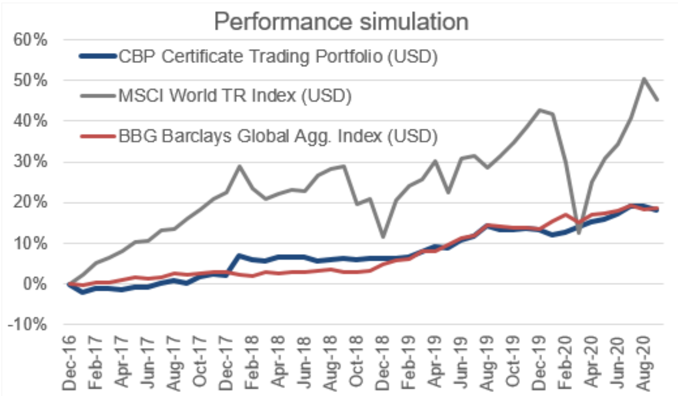
This is where certificate securities represent an attractive proposition for investing relatively small amounts in a liquid, diversified portfolio of hedge funds without the above mentioned requirements (and costs) of FoHFs, as certificates are relatively easy (and cheaper) to setup. An investor disposing of USD 1 mn can have his own tailor-made certificate, hence avoiding any impact from other investors’ subscriptions and redemptions. Smaller investment tickets are possible and would be combined in a commingled certificate (a minimum overall size of about USD 1 mn is desirable to guarantee diversification, as many UCITS funds have USD 100 k or higher as minimum investment).

As an example, the below portfolio is due to launch in a certificate format and is invested in Discretionary Macro, Systematic Macro and CTA hedge funds, most of them UCITS funds with daily liquidity (the least liquid one is weekly), i.e. the certificate can offer a very attractive liquidity as well. Importantly, all these funds are managed by established managers, some of them having managed the same or similar strategies within offshore funds for more than 20 years.


David Friche







Correlation to CBP Certificate	
MSCI World TR Index (USD)	BBG Barclays Global Agg. Index (USD)
0.23	0.12

Given its focus on so-called Trading strategies, this certificate will seek to deliver attractive returns (Libor +3%-5%) with limited downside and low correlation to traditional markets. As Macro and CTA strategies typically benefit from higher market volatility, this certificate should provide attractive diversification and protective properties within traditional portfolios.

Certificates are relatively easy to setup instruments and have a low cost structure. Using them to invest in UCITS or other liquid hedge funds managed by seasoned managers can result in a very efficient and attractive exposure to alternative return sources with high liquidity and low investment amounts.

Please contact David Friche at df@cb-partners.com for more information.

Practical Considerations of ESG in Multi-Asset Portfolios

A team of Schroders has shared in an article some of the lessons they have learned in the process of creating ESG multi-asset portfolios. Their key findings were:

1. Asset owners and managers of multi-asset portfolios should have an ESG philosophy that can be applied across multiple ESG components. When constructing a total asset portfolio, asset owners can position their assets on a spectrum from non-sustainable to sustainable investing. An asset owner may choose to have a lower sustainability budget with some non-sustainable components in order to improve diversification and reduce risk.

2. Removing asset classes in pursuit of a high sustainability budget can be expensive in terms of risk, illustrating the importance of the availability of asset class components to a sustainable multi-asset portfolio.

3. Substituting non-ESG components for ESG components can result in improved diversification, at least in equities. Given a reasonable sustainability budget, it appears that asset owners are able to achieve both their traditional risk and return objectives, as well as their sustainability objectives, in an actively managed multi-asset portfolio.

4. There are two main types of asset allocation that an asset owner must consider – strategic asset allocation and dynamic asset allocation. For asset owners who are on a journey towards 100% sustainability in their assets, the strategic asset allocation should incorporate ESG. For dynamic asset allocation, the relevance of ESG to the decision depends on the time horizon of the view, with extra ESG insights more likely to influence the medium term than the short term.

5. There is a wide variety of ways in which each of the components can be managed using an ESG approach. The article shares some of the dilemmas they have faced when deciding how to manage these components appropriately. Where possible, they believe that the component should be managed with a sustainable approach as this seeks to identify truly long-term businesses.

6. The total impact of a multi-asset portfolio's investments is the most important (though the hardest to measure!), to ensure it is making the best use of its sustainability budget. Implementing ESG at a total portfolio level is not necessarily a straightforward process, and requires consideration of a number of factors, some of which are complex to address. However, they firmly believe that taking these considerations into account can help investors make better investment decisions and should be central to any investor's ESG multi-asset portfolio construction process.

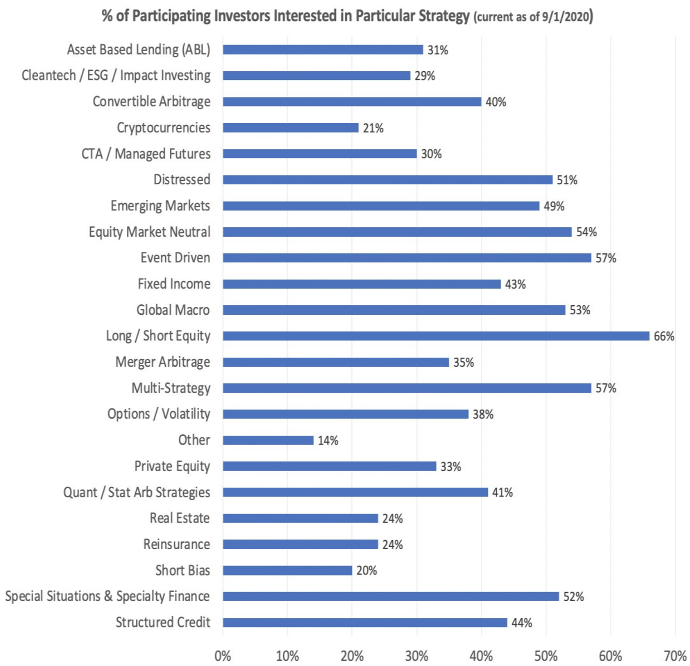
Armin Vogel

Hedge Fund's Mid-Year Trends and Strategies Currently In Demand

Based on the registration information of nearly 300 "approved" investors at the "Gaining The Edge – Global Virtual Cap Intro" event, Agecroft Partners received a high quality insight into the investors preferences.

The larshare among all strategies captured was long/short equity with 65% gest of respondents. Followed by multi-strategy (57%), equity market neutral (54%), global macro (53%), special situation/ specialty financing (52%) and distressed (51%).

A few niche strategies that are beginning to gain interest include cryptocurrencies at 21% and cleantech / impact investing at 29%. Below is a full breakdown of the survey results.



If you wish additional information on any of the above, please contact av@cb-partners.com.