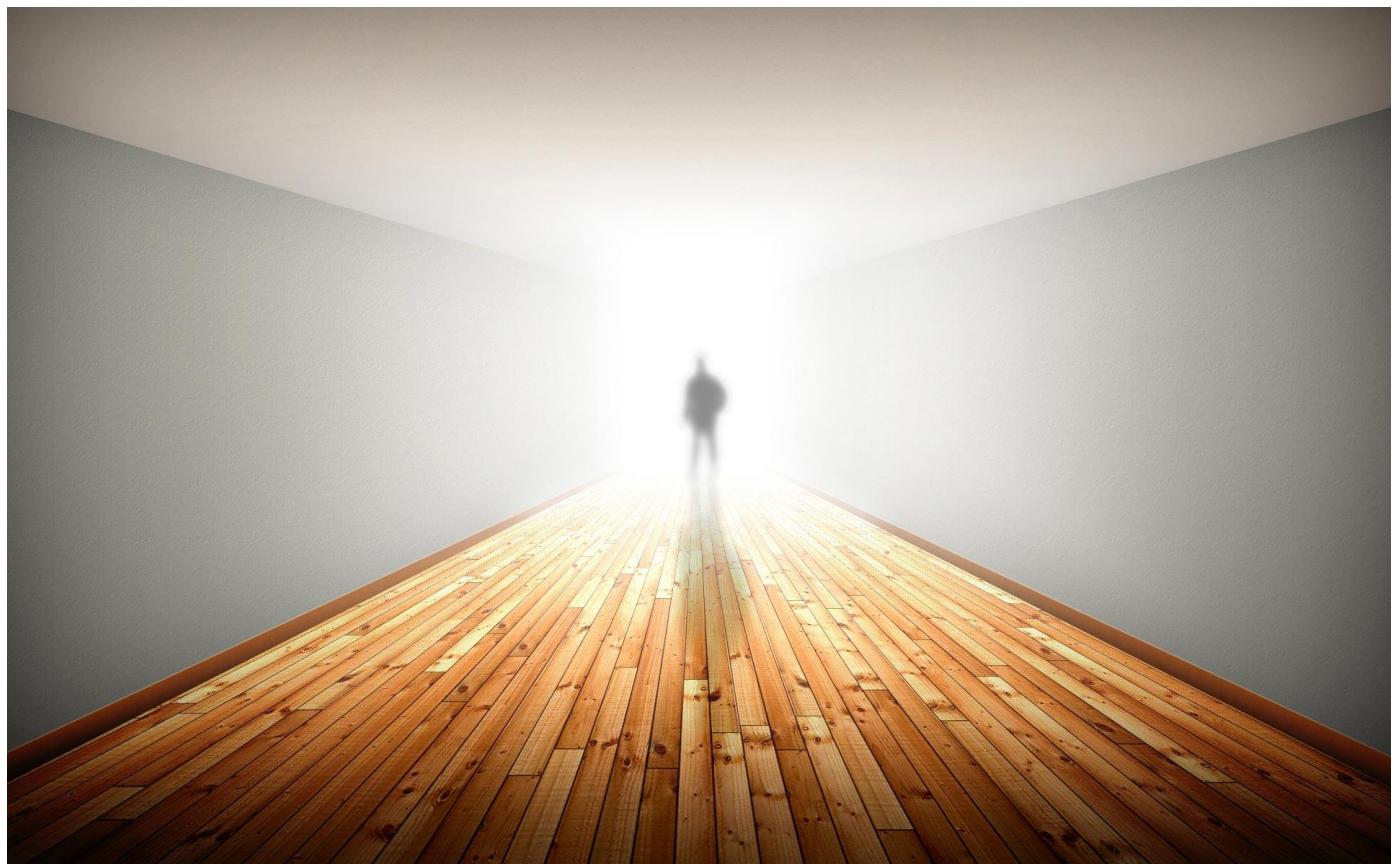




Skënderbeg

Investment Management

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Put into perspective

Ahead of the mainstream

January 2019

Written by

Bruno Schneller, CAIA & Miranda Ademaj

Contents:

- Hedge funds (page 3)
- Markets (page 6)
- Think tank (page 16)
- Time out (page 18)

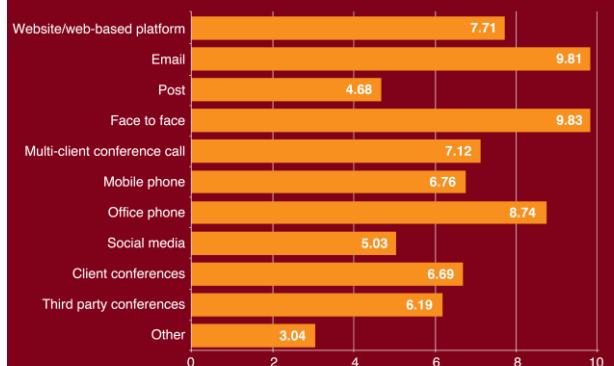
***"The best investors in the world have more of
an edge in psychology than in finance."***

– Morgan Housel

HEDGE FUNDS

Face-to-face access prized above all else

Figure 5: Rank the tools your firm currently uses to communicate with its investors and/or potential investors in order of importance, with 1 being the most important. If you do not use a particular distribution strategy, do not give it a ranking and tick the corresponding N/A box to the right.



Note: Respondents were asked to rank multiple options. Numbers represent a weighted frequency of rankings awarded to each option.

PwC / Alternative Investment Management Association (AIMA)

Gross and net exposure over the last 5 years



Goldman Sachs

US cyclicals versus defensive sector long/short ratios since 2017



Goldman Sachs

Hedge funds' missed opportunity: closing the gender gap

The hedge fund world is undergoing a period of profound change due to performance headwinds, pressure to lower fees, and increased competition from other alternative-asset classes. Savvy managers are going to great lengths to adapt. But most of the industry is overlooking one of the biggest barriers to future success: our massive gender gap. Less than 5% of the world's 100 largest hedge funds are currently run by women, and women hold only 10% of portfolio-management and investment-team roles across the industry. This is evidence of a missed opportunity.

The HFRX Diversity Women index, which reflects returns linked to women-run hedge funds, has outperformed the HFRI Fund Weighted Composite index over the past three, five, and 10 years. While this shouldn't be considered an indicator of how female managers will perform in the future, the results warrant exploration.

Numerous academic and industry-commissioned studies have found evidence of ways in which women's approaches to investing diverge from men's. The most notable ones include adhering more to analysis rather than instinct, prioritizing long-term returns over immediate gains, and generally trading securities less frequently.

There are a few clear steps that firms could take immediately.

Rethinking recruitment

Even though the number of college students pursuing finance and math degrees is close to evenly split along gender lines, most internships and entry-level jobs at hedge funds still belong to men. Firms can start levelling this out and identifying a larger pool of women investors by emulating what Silicon Valley is already successfully doing on college campuses.

Tech firms, ranging from Apple to Salesforce.com, have reimagined how they strike a connection with tomorrow's talent. Companies such as Apple have used their digital footprint to share stories, information, and social-media content about their culture and life in the industry.

Others have sponsored hackathons and on-campus gamification experiences that replicate what a day in the life could be like. This type of communication has an inclusive, welcoming effect that is often lacking in the alternatives world. Leading hedge funds could forge an ongoing dialogue with students about the appeal of a career in investing — whether through regional events, sponsorships, guest-lecturing programs, or hosting classes at their offices. We can't expect young women to embrace our industry out of school if they don't understand it or feel welcomed.

Creating the right infrastructure

Many firms have made great strides when it comes to recognizing that women, particularly mothers, require more workplace flexibility. It finally is no longer taboo to take full maternity leave, periodically work remotely, and sometimes maintain flexible hours. We need industry standards to ensure that women at hedge funds have access to this infrastructure and that their organizations fully support them in using it. Respected outfits such as the Managed Funds Association and Alternative Investment Management Association can help provide guidance for all firms.

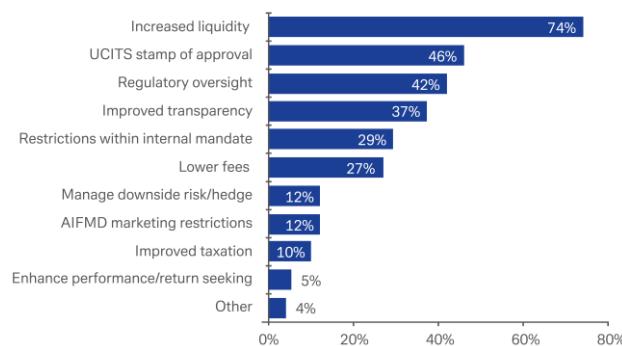
Investing in women

It is a difficult asset-gathering climate, but that doesn't mean we should stop trying to increase access to capital for current and future women-run funds. Allocators of capital, ranging from funds of funds to public pensions, can play a critical role. Setting specific allocation targets for female managers, even if it's only 20% over the next five to 10 years, will help ensure that women don't remain perpetual outliers in the industry. We also need more programs like the ones supported by New York City Comptroller Scott Stringer.

The Comptroller's [Diversity Working Group](#) was formed in 2017 to identify opportunities for greater diversity among emerging and established investment managers hired by the city's pension plans. There is no silver bullet for increasing the number of women in our industry. But if we want a stronger and more diverse industry in the years to come, we must take meaningful and substantive steps today.

Financial News

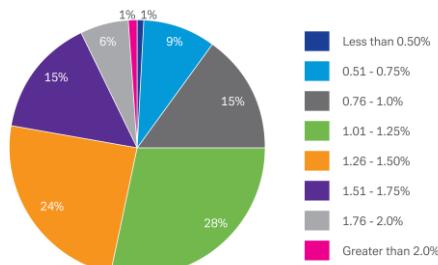
Main reasons for investing in alternative UCITS strategies



Deutsche Bank

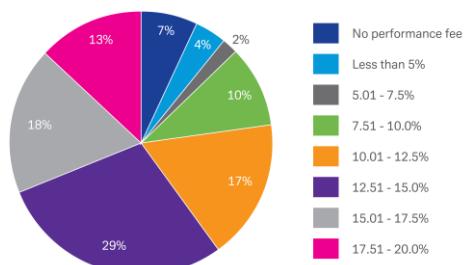
Average TER* charged by alternative UCITS funds

*TER includes management fees and additional expenses but does not include performance fees



[Deutsche Bank](#)

Average performance fee charged by alternative UCITS funds



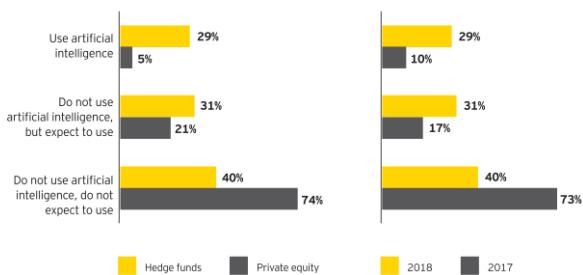
[Deutsche Bank](#)

The impact of artificial intelligence on front-office models is significant

How would you describe your organization's current state in using artificial intelligence to support the investment process?

All alternative funds

Hedge funds only



Hedge funds Private equity 2018 2017

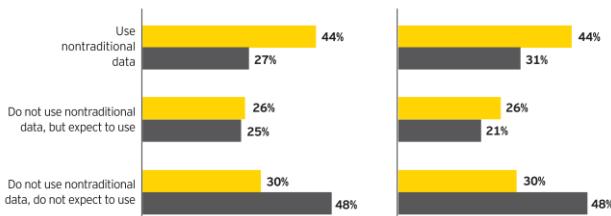
[EY](#)

Use of big data continues to proliferate

How would you describe your organization's current state in using next-generation data (e.g., social media sentiment vs. market data) to support the investment process?

All alternative funds

Hedge funds only

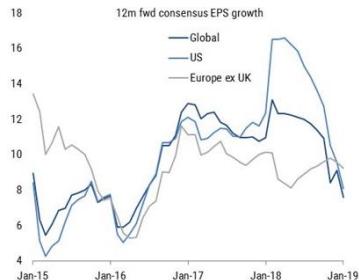


Hedge funds Private equity 2018 2016

[EY](#)

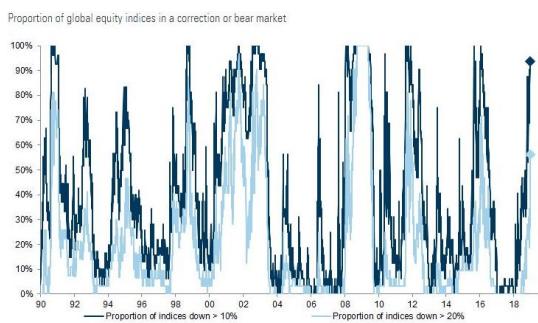
MARKETS

12m forward consensus EPS growth



[Morgan Stanley Research](#)

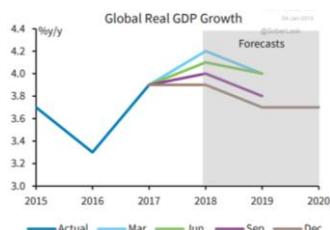
Most equity indices are now in a bear market, and almost all at least in a correction



Note: Based on 32 country indices (11 from Europe, 5 from North America, 11 from EM and 5 from other regions).

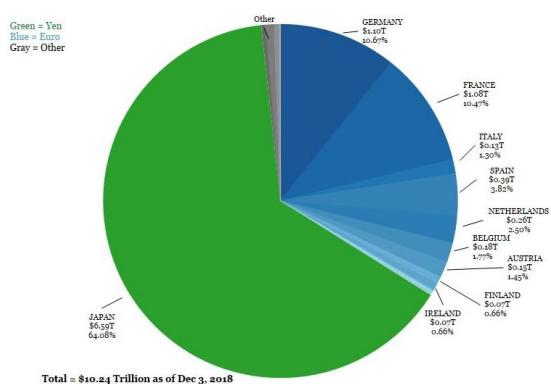
[Goldman Sachs](#)

2018 was a year of revising down...



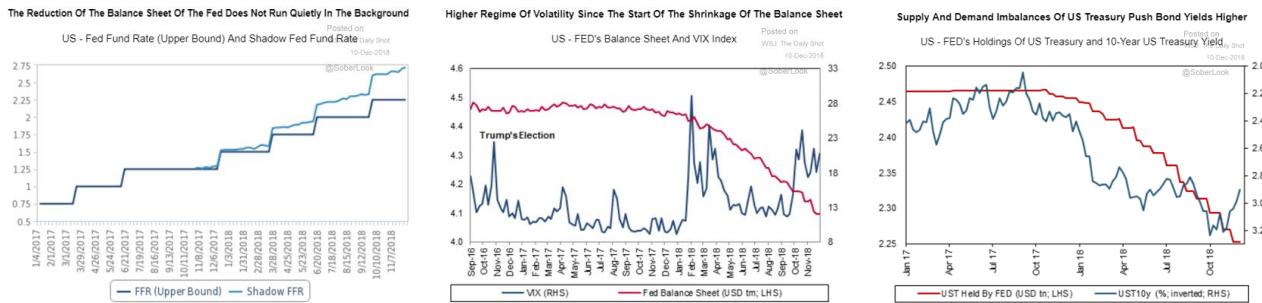
[Barclays Research](#) (via [WSJ's Daily Shot](#))

Market value of negative-yielding debt



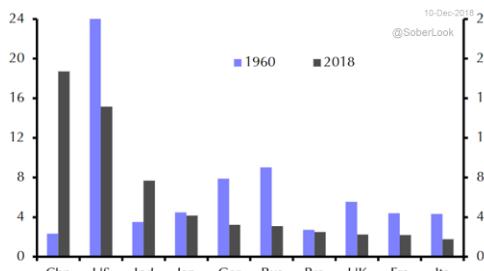
[Bianco Research](#)

The reduction of the balance sheet of the Fed does not run quietly in the background



Fitch Solutions (via WSJ's Daily Shot)

Share of world GDP of 10 biggest economies (%), PPP terms)



Capital Economics (via WSJ's Daily Shot)

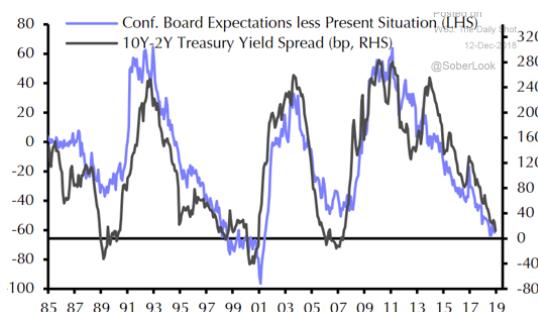
Is 2019 going to be the year of the profit margin problem?



Knowledge Leaders Capital

Yield curve & consumer expectations vs present

The spread between the Conference Board's consumer expectations and the present situation sentiment has been a strong predictor of economic downturns. It remains correlated with the 10yr - 2yr Treasury spread.



Capital Economics (via WSJ's Daily Shot)

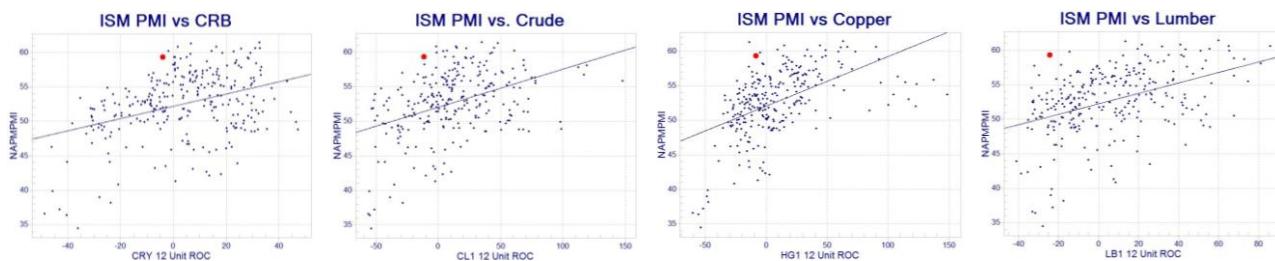
Core PPI inflation is set to slow sharply



China: M1 growth is not yet responding to PBOC loosening, implying a further GDP growth slowdown



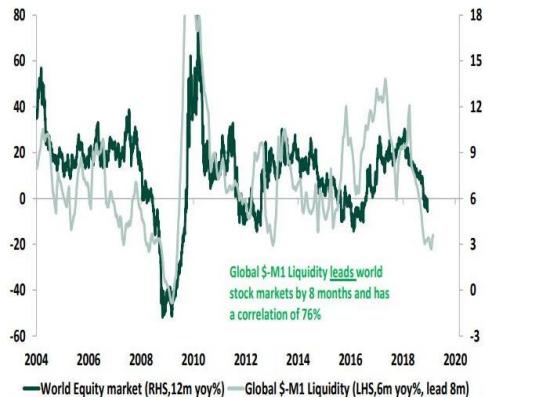
Someone's wrong



Not Jim Cramer

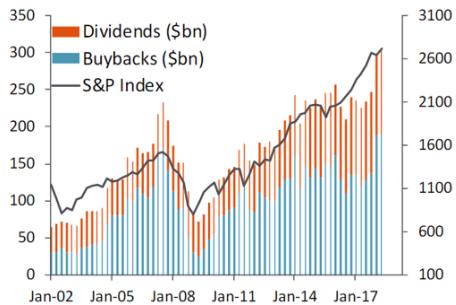
Global \$-liquidity estimate points to continued equity weakness

There is a strong relationship between the change in global \$-liquidity (M1) and the performance of the global stock market. Global \$-liquidity leads the global stock market by an average of eight months. If there is no boost to global \$-liquidity, we expect this relationship to hold. As a result, the risk of further downside potential for stock markets across the world would remain intact.



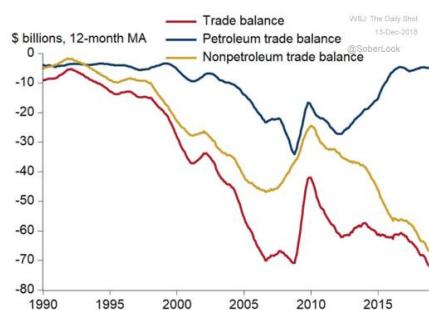
Nedbank (via Zero Hedge)

The rise in stock prices is related to dividend increases and share buybacks



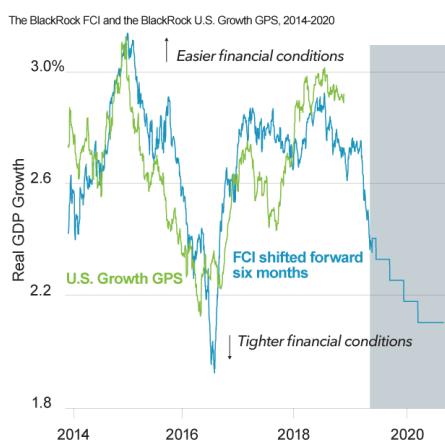
[Piper Jaffray](#)

US: Petroleum and non-petroleum trade balance



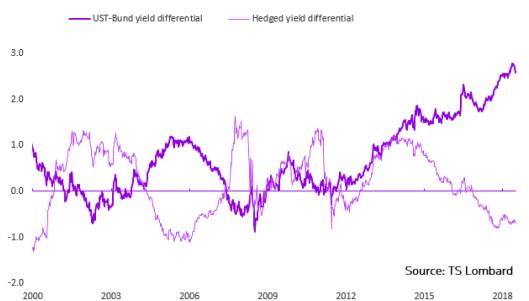
[Oxford Economics \(via WSJ's Daily Shot\)](#)

Tighter times



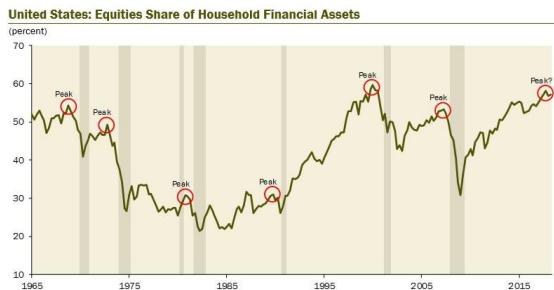
[BlackRock](#)

Hedging costs erode rate advantage for US debt



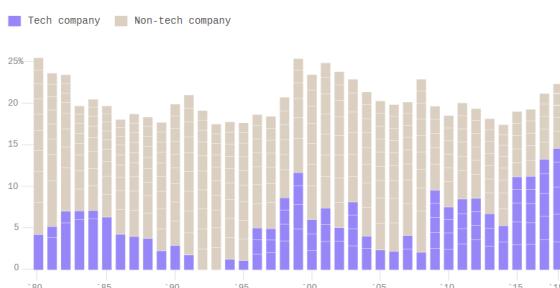
[TS Lombard \(via Reuters\)](#)

Households extremely exposed to the equity markets



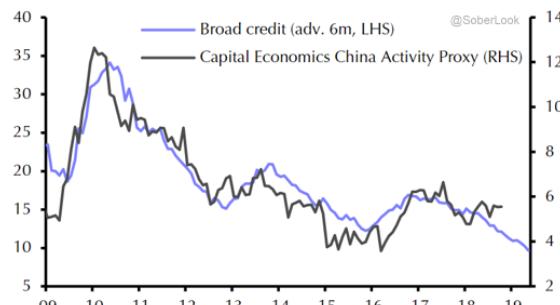
[Gluskin Sheff](#)

Top 10 companies' share of the S&P 500, 1980-2018



[Axios](#)

Slower credit expansion does not bode well for China's economic activity

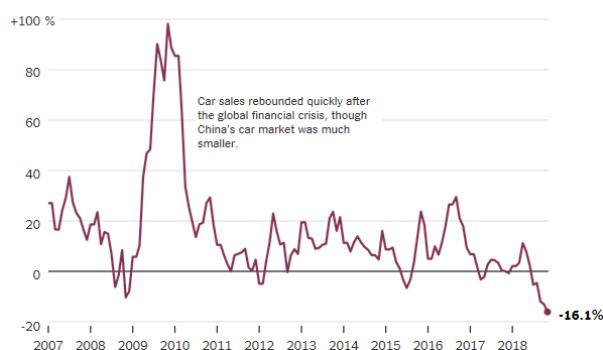


[Capital Economics \(via WSJ's Daily Shot\)](#)

A sudden stall: China's car sales

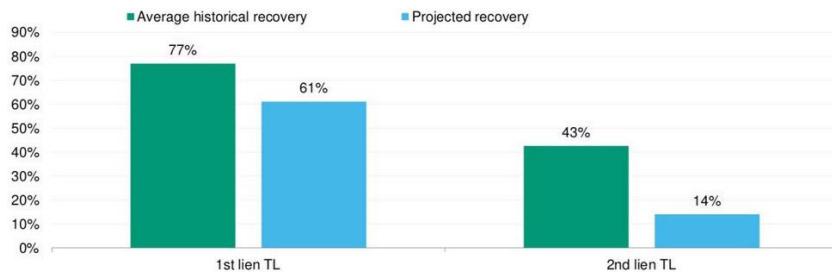
Many economists distrust China's economic statistics, but car sales tend to be reliable because cars are easily counted and mostly sold by multinationals with good record keeping. The recent plunge in car sales is one of the clearest signs of economic trouble in China.

Annual percentage change in passenger cars sold.



[The New York Times](#)

Current LGDA's point to lower recoveries



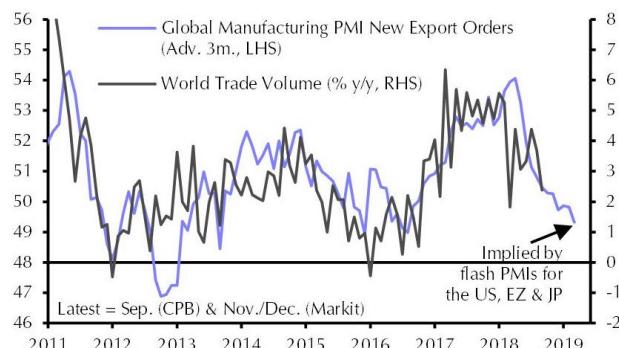
[Moody's Investors Service \(via Robin Wigglesworth\)](#)

Rent growth has outpaced wages



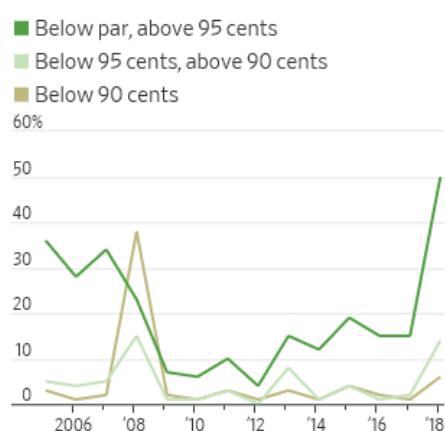
[Credit Suisse \(via WSJ's Daily Shot\)](#)

World trade likely to slow further



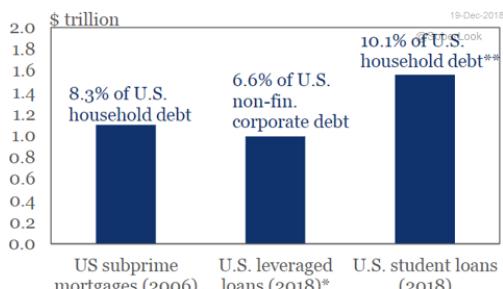
[Capital Economics](#)

Proportion of US investment-grade bonds that trade in each range



[The Wall Street Journal](#)

Buildup in leveraged loans and student loans—on a par with subprime loans before the crisis



The Institute of International Finance (via WSJ's Daily Shot)

Rates dislocated with growth slowdown



Credit Suisse (via WSJ's Daily Shot)

Real broad Dollar TWI & manufacturing output (% y/y)



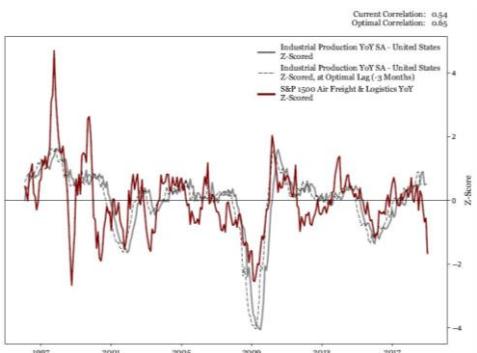
Capital Economics

The ongoing trade tensions with China will be a drag on US business investment (CapEx)



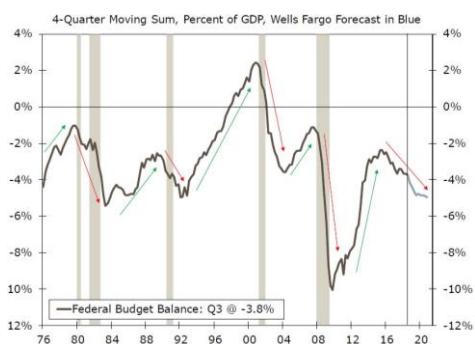
Pantheon Macroeconomics (via WSJ's Daily Shot)

S&P 1500 Air Freight & Logistics decline has strong implications for 3m forward industrial production



[Renaissance Macro](#)

US budget: Deteriorating in an expansion



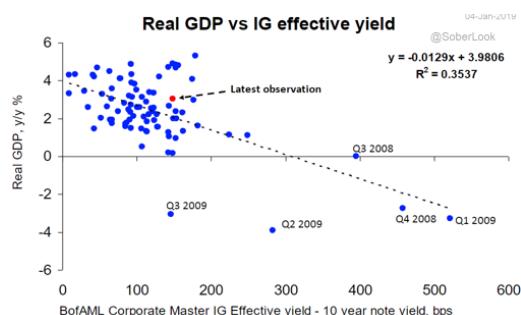
[Wells Fargo \(via Tracy Alloway\)](#)

It looks as if the rally in the S&P 500 could only continue if the Fed suspends its balance sheet shrinking



[Yardeni Research](#)

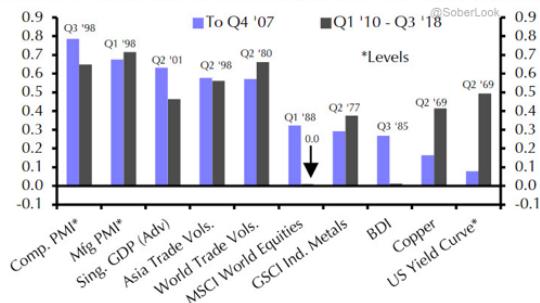
Historical relationship suggests IG spread has to get to 300bps before it triggers a recession



[Deutsche Bank Research \(via WSJ's Daily Shot\)](#)

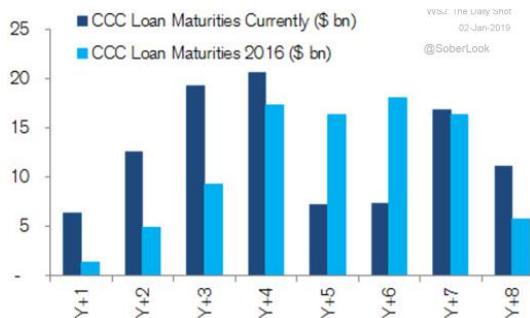
How do different indicators correlate to GDP growth

Chart 11: Correlations of q/q GDP Growth and q/q Changes in Indicators (Unless Otherwise Stated) (Dates refer to Start Date of Correlation for Pre-Crisis Period)



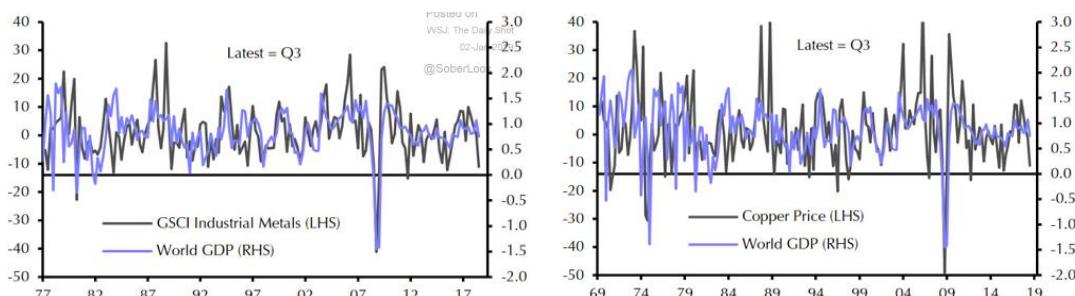
Capital Economics (via WSJ's Daily Shot)

Maturity wall for CCC leveraged loans (now and in 2016)



Credit Suisse (via WSJ's Daily Shot)

The selloff in industrial metals doesn't bode well for the world GDP



Capital Economics (via WSJ's Daily Shot)

Significant central bank tightening since early 2018



Credit Suisse (via WSJ's Daily Shot)

Video of the month

How activist investor Paul Singer made his billions

Aggressive, tenacious and litigious Paul Singer may be the most feared investor in the world—by hedge fund rivals, companies and even countries. This is how he made billions through activist investing.



[Click to watch](#)

[Bloomberg](#)

Tweet of the month

 David Einhorn
@davidein

Following

I want to thank @elonmusk for the shorts.
He is a man of his word! They did come with
some manufacturing defects. #tesla



6:14 AM - 10 Aug 2018

835 Retweets 4,021 Likes



[David Einhorn](#)

Joke of the month

"When my first wife lost her credit card, I made no attempt to get it back, because the guy was spending less than she was." – Warren Buffett

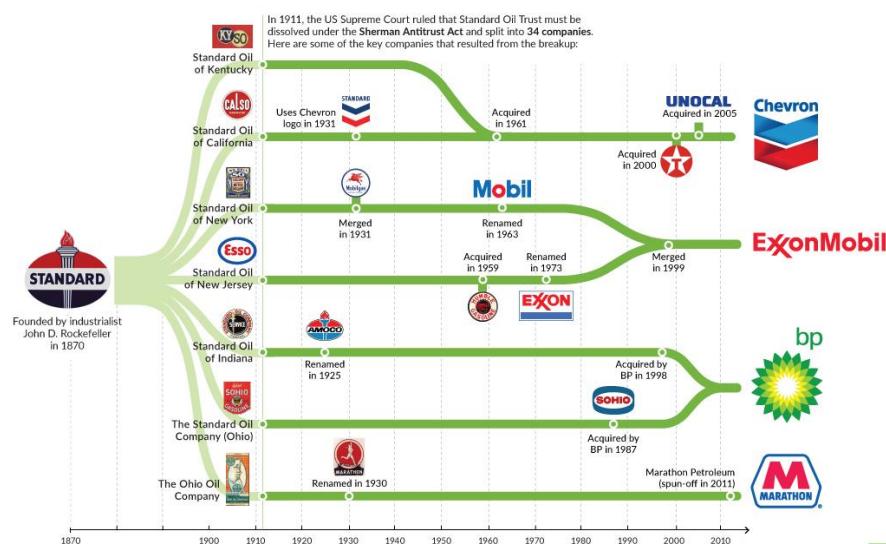
Cartoon of the month



THINK TANK

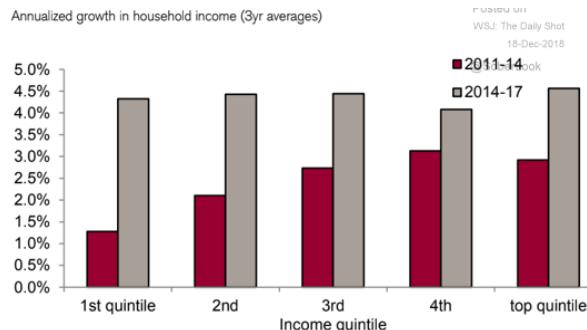
The evolution of Standard Oil

Following the remnants of John D. Rockefeller's oil juggernaut



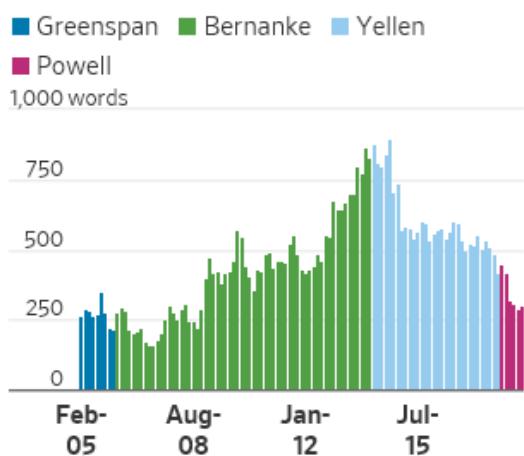
[Visual Capitalist](#)

Household income has picked up across distribution



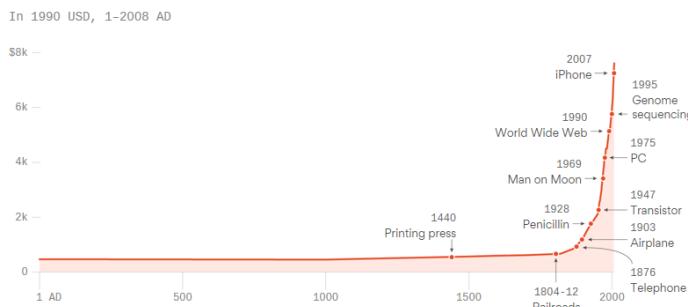
[Credit Suisse \(via WSJ's Daily Shot\)](#)

Length of post-meeting statements under different Federal Reserve chairs



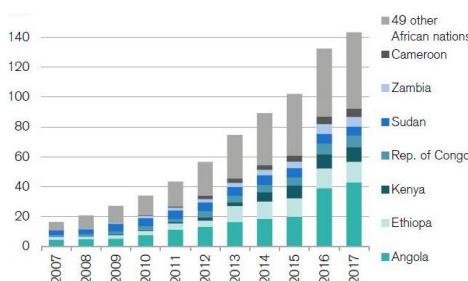
[The Wall Street Journal](#)

Technology has over-saturated us: World GDP per capita and human accomplishments



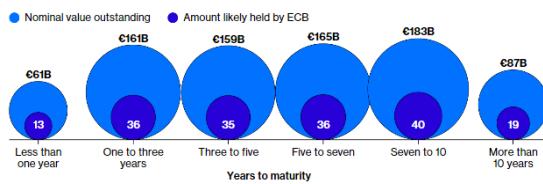
[Axios](#)

Chinese loans to African governments (cumulative, USD billion)



[Credit Suisse \(via Zero Hedge\)](#)

On average, the ECB holds 22% of any one bond in its portfolio

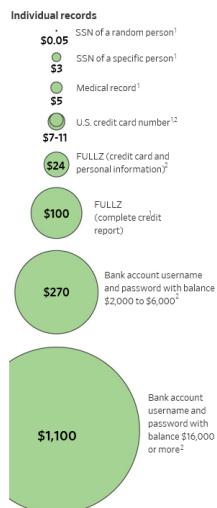


Sources: European Central Bank; Bloomberg

Note: The 22 percent estimate is based on the calculation that the ECB holds €180B of corporate bonds with a total issuance of €820B.

[Bloomberg](#)

The price for freshly stolen personal data, email addresses and passwords varies widely



[The Wall Street Journal](#)

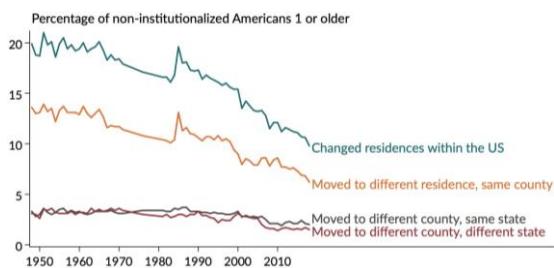
TIME OUT

"Hello, my government isn't doing what I told it to do"



Quoth the Raven

Americans are now about half as likely to move as they were in the 1950s

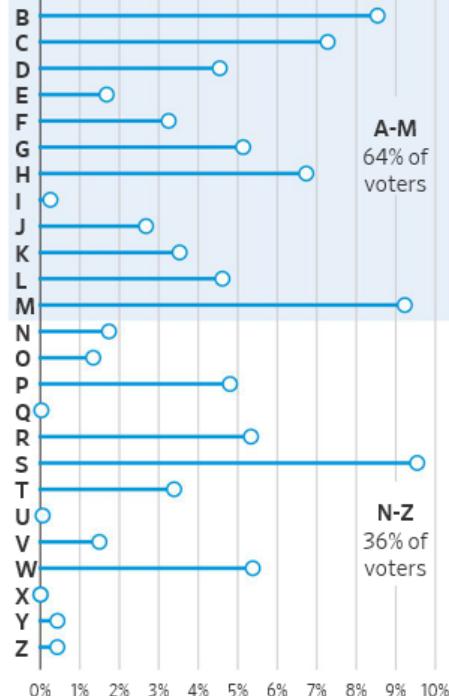


Gray Kimbrough

Voting lines based on splitting the alphabet in half are likely to be vastly unequal

Percentage of all voters whose surnames start with the particular letter

The Wall Street Journal



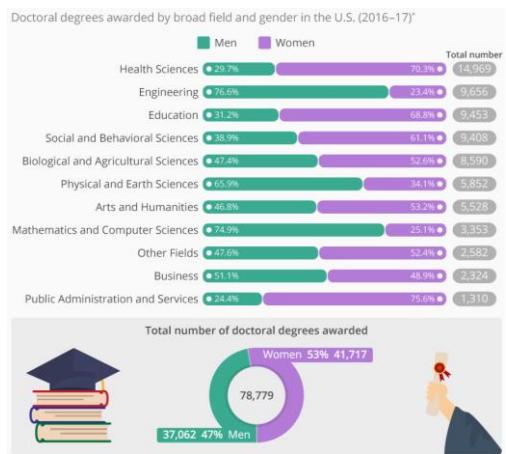
The Wall Street Journal

China's provinces rival countries in population size



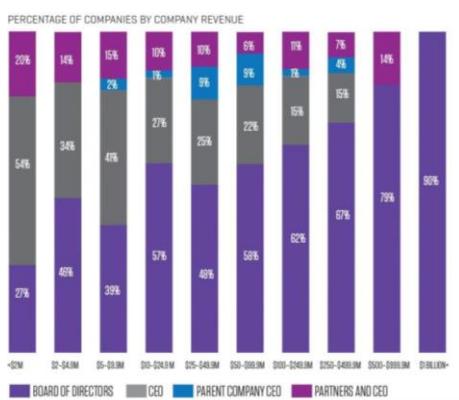
[Visual Capitalist](#)

US women earned more PhDs than men in 2017



[Statista](#)

Who approves CEO compensation packages?



[Chief Executive Research](#)

Bruno Schneller, CAIA



Bruno Schneller is the co-founder and CIO of Skënderbeg Investment Management AG. Prior to establishing the company, Bruno worked at investment boutique and fund of hedge funds pioneer BrunnerInvest AG.

Prior to BrunnerInvest AG, Bruno worked at AXA Private Equity in 2007 and at Zurich-based hedge fund Naissance Capital Ltd. in 2006.

 [LinkedIn profile](#)

Miranda Ademaj



Miranda Ademaj is the co-founder and CEO of Skënderbeg Investment Management AG.

Prior to establishing the company, Miranda worked at BrunnerInvest AG and Sallfort Privatbank AG. Before that, she worked at Credit Suisse for several years.

 [LinkedIn profile](#)

About us

Liechtenstein-based **Skënderbeg Investment Management AG**, wholly-owned subsidiary of Swiss-based Skënderbeg Alternative Investments AG, is an asset manager authorized and regulated by the Financial Market Authority Liechtenstein (FMA). The company is incorporated in Vaduz under number FL-0002.579.371-8. To subscribe to our monthly "Put into Perspective" newsletter, please visit www.skenderbeg.li.

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