

CS (Lux) Small and Mid Cap Alpha Long/Short Fund

a subfund of CS Investment Funds 2 - Class UBH GBP

Investment policy

The CS (Lux) Small and Mid Cap Alpha Long/Short Fund aims to generate absolute positive returns by exploiting the inefficiencies of the small and mid-cap markets in Europe with a focus on German speaking countries. The portfolio managers buy the equities they think will perform best, while at the same time selling stocks in companies that, in their views, will underperform the market. The objective is to create a portfolio that has lower volatility, less correlation with the equity markets and a better risk-adjusted performance than a long-only fund.

Fund facts

Fund manager	Felix Meier
Fund manager since	26.07.2010
Location	Zurich
Fund domicile	Luxembourg
Fund currency	EUR
Close of financial year	31. May
Total net assets (in millions)	190.33
Inception date	30.01.2015
Management fee in % p.a.	1.30
TER without performance fee (05.2018) in %	1.66
Performance fee in % with Highwatermark	20.00
Benchmark (BM)	No Benchmark
Swinging single pricing (SSP) ²⁾	Yes

Unit Class	Category UBH (capital growth)
Unit class currency	GBP
ISIN number	LU1144418990
Bloomberg ticker	CSSUBHG LX
Net Asset Value	1'140.31

²⁾ For more details, please refer to the relevant chapter "Net Asset Value" of the Fund's prospectus.

Fund Statistics

	1 year	3 years
Annualized volatility in %	11.21	9.56

Fund Exposures

Total gross exposure	154.60
Long exposure	95.80
Short exposure	-58.80
Net exposure	36.99
Number of long positions	81.00
Number of short positions	56.00

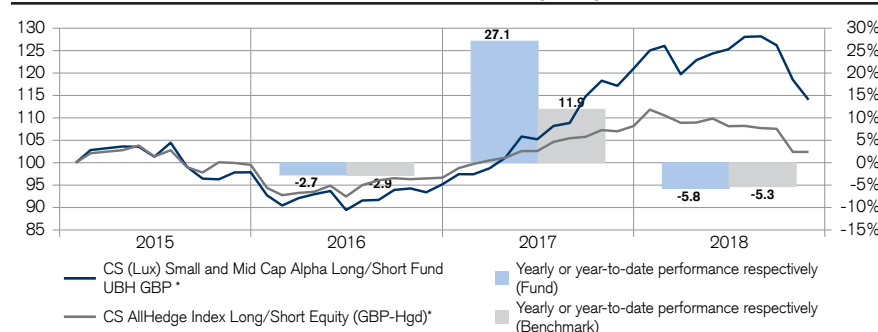
Top 2 long transactions

Buy	MORPHOSYS
Buy	MONCLER
Sell	BASF reg s 2%/12-051222
Sell	COVESTRO

Top 2 short transactions

Short	POSTE ITALIANE
Short	UBI BANCA
Cover	POSTE ITALIANE
Cover	AUTO TRADER

Net performance in GBP (rebased to 100) and yearly performance ¹⁾



The document reflects performance of the shareclass CS (Lux) Small and Mid Cap Alpha Long/Short Fund UBH GBP extended with track record of already existing, equivalent by distribution type and valuation currency retail shareclass.

* Please note that fund performance in the chart is shown as at the date of the factsheet, benchmark performance is shown as at the previous month.

Net performance in GBP ¹⁾

	1 month	3 months	YTD	1 year	3 years	5 years
Fund	-3.78	-11.04	-5.76	-2.67	16.56	-

Historical monthly performance in % ¹⁾

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	3.34	0.81	-5.02	2.64	1.19	0.76	2.21	0.09	-1.55	-6.10	-3.78	-	-5.76
2017	2.37	-0.03	1.37	2.39	4.67	-0.58	2.82	0.62	5.41	3.08	-0.96	3.28	27.11
2016	-5.26	-2.44	1.80	0.95	0.79	-4.54	2.38	0.13	2.44	0.35	-0.91	1.92	-2.73
2015	-	2.82	0.40	0.37	-0.06	-2.14	3.09	-5.13	-2.68	-0.16	1.59	0.04	-

Market commentary ¹⁾

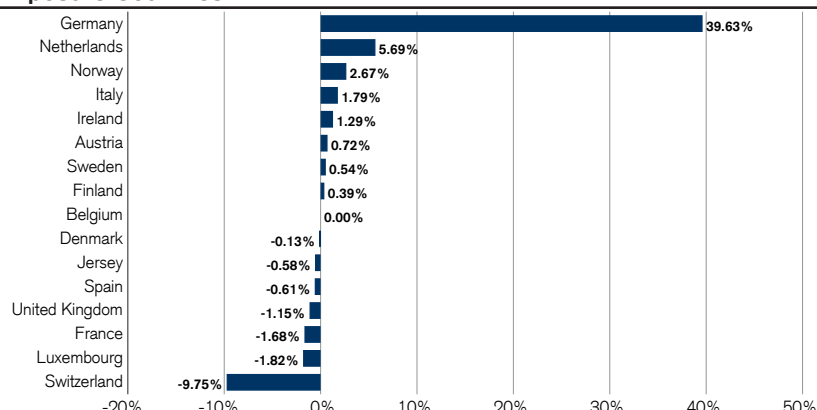
In November the fund suffered the sell-off in smaller companies, that have been hit particularly hard due to higher risk premiums. While the net exposure was at long-term average levels of around 30%, the fund's sector allocation did not help in the recent environment. Our longs in IT and Industrials were not well protected by our shorts in real estate, which have still been regarded as safe haven. Wirecard and Rib Software were among our worst long contributors. We have been highlighting Wirecard as a potential structural winner in the fintech e-payment arena for many years and we believe the recent pullback does not bring into question the company's future growth profile. We like Rib Software's risk-reward profile, especially after its recent share price decrease. Q3 results were solid and the group is on track to meet its FY18 guidance. The real driver of Rib's valuation is its partnership with Microsoft (MTWO). Rib has signed up three managed service providers and is deploying the money from the capital increase undertaken in March. Our best contributors were Morphosys and Osram. Morphosys, in our view, is on track to evolve into a fully-fledged biopharmaceutical company. After the release of good clinical data, MOR 208 is developing into a 1st-line therapy against blood cancer, implying greater peak sales potential than the EUR900m assumed by many analysts in the market for 2nd-line treatment only. The antibody is not partnered, which means that 100% of potential revenues remain in the group. Morphosys is making preparations to hire sales people over the next 24 months. We are long Osram, the German light manufacturer, because of its valuation and potential private equity interest in the name. In our short book, Bechtle and The Restaurant Group were our best contributors. Computer and office supplies retailer Bechtle is richly valued and highly sensitive to growth; the recent sell-off in IT names weighed on its stock. Weak consumer demand for restaurants is weighing on the shares of the Restaurant Group. Siemens Gamesa and Auto Trader were our worst shorts. Weak pricing for renewable energy equipment, raw material cost inflation and ongoing difficulties in the integration process between Siemens and Gamesa were the reasons for our short case. Pressure on margins did not materialize as expected in Q4. We were short Auto Trader because of a potential slow-down in the digital automotive marketplace, which has yet to materialize. Equity markets, and especially European cyclical and growth-oriented smaller caps, have been sold off heavily in recent weeks. The move would be consistent with market participants pricing in a recession sometime in the next couple of quarters. The end of QE, a rising supply of US Treasuries at more attractive terms, an on-off trade war and political challenges in the EU are clearly weighing on sentiment. Investors are finding comfort at the moment by interpreting the sell-off using flat yield curves, commonly associated with recessionary signals. The recent slow-down in growth in Europe, especially Germany, has mainly been related to the introduction of WLTP (worldwide light vehicle testing procedure) in the auto sector. Valuations for export-oriented European cyclical stocks at the moment in our view do not factor in an orderly continuation of economic trends. We have used the correction to add exposure to our long book as the gaps to price targets have increased. We keep on our short in real estate stocks, which we believe could come under pressure if interest rates increase.

¹⁾ Historical performance indications and financial market scenarios are not reliable indicators of future performance. The performance data do not take into account the commissions and costs incurred on the issue and redemption of fund units.

Allocation by Country in %

	Long	Short	Net
Austria	0.99	-0.27	0.72
Belgium	0.00	0.00	0.00
Denmark	0.98	-1.11	-0.13
Finland	0.39	0.00	0.39
France	1.25	-2.94	-1.68
Germany	70.28	-30.66	39.63
Ireland	1.29	0.00	1.29
Italy	3.53	-1.74	1.79
Jersey	0.00	-0.58	-0.58
Luxembourg	0.08	-1.90	-1.82
Netherlands	10.07	-4.38	5.69
Norway	3.23	-0.56	2.67
Spain	0.00	-0.61	-0.61
Sweden	1.19	-0.65	0.54
Switzerland	0.00	-9.75	-9.75
United Kingdom	2.51	-3.66	-1.15

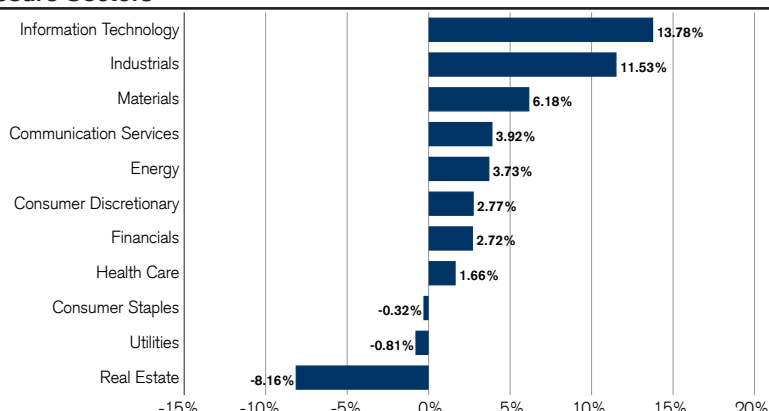
Net Exposure Countries



Allocation by Sector in %

	Long	Short	Net
Communication Services	10.12	-6.21	3.92
Consumer Discretionary	9.63	-6.86	2.77
Consumer Staples	2.10	-2.41	-0.32
Energy	3.73	0.00	3.73
Financials	8.20	-5.48	2.72
Health Care	9.22	-7.56	1.66
Industrials	24.16	-12.63	11.53
Information Technology	16.35	-2.57	13.78
Materials	11.87	-5.69	6.18
Real Estate	0.10	-8.26	-8.16
Utilities	0.32	-1.13	-0.81

Net Exposure Sectors



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