

# CS (Lux) Europe Equity Absolute Return Fund

a subfund of CS Investment Funds 2 - Class IB EUR

## Investment policy

This Equity Fund invests long and short in European equities using a fundamental, bottom-up investment approach. The aim is to achieve positive absolute returns irrespective of the market environment and to maintain a low correlation to general equity markets. With a broadly diversified portfolio and a low market exposure, volatility is likely to be lower than in traditional equity funds.

## Fund facts

### Fund managers

Felix Meier, Jan Berg, Gianfranco Iafigliola

|  |            |
|--|------------|
| <b>Location</b>                                    | Zürich     |
| <b>Fund domicile</b>                               | Luxembourg |
| <b>Fund currency</b>                               | EUR        |
| <b>Close of financial year</b>                     | 31. May    |
| <b>Total net assets (in millions)</b>              | 13.68      |
| <b>Inception date</b>                              | 14.07.2016 |
| <b>Management fee in % p.a.</b>                    | 0.70       |
| <b>TER without performance fee (05.2018) in %</b>  | 1.12       |
| <b>Performance fee in % with Highwatermark</b>     | 15.00      |
| <b>Swinging single pricing (SSP) <sup>3)</sup></b> | Yes        |

### Unit Class

**Category IB**  
(capital growth)

|                               |              |
|-------------------------------|--------------|
| <b>Unit class currency</b>    | EUR          |
| <b>ISIN number</b>            | LU1358777438 |
| <b>Bloomberg ticker</b>       | CSEIIBE LX   |
| <b>Net Asset Value</b>        | 982.04       |
| <b>Min. Investment Amount</b> | 500'000      |

<sup>3)</sup> 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 % | 7.07   | 6.12    |
| Sharpe ratio               | -1.12  | -0.05   |

## Fund Exposures

|                           |        |
|---------------------------|--------|
| Total gross exposure      | 180.00 |
| Long exposure             | 88.19  |
| Short exposure            | -91.81 |
| Net exposure              | -3.62  |
| Number of long positions  | 52.00  |
| Number of short positions | 69.00  |

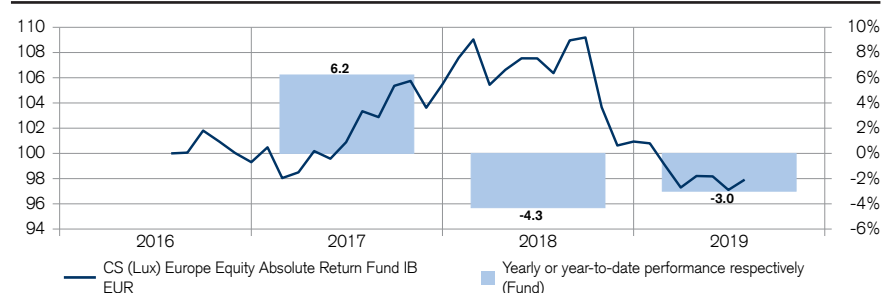
## Top 2 long transactions

|      |                         |
|------|-------------------------|
| Buy  | DANONE 0.167%/16-031120 |
| Buy  | BUZZI UNICEM            |
| Sell | DANONE 0.167%/16-031120 |
| Sell | THYSSEN KRUPP           |

## Top 2 short transactions

|       |                     |
|-------|---------------------|
| Short | DATALOGIC           |
| Short | SALVATORE FERRAGAMO |
| Cover | POSTE ITALIANE      |
| Cover | GRANDVISION NV      |

## Net performance in EUR (rebased to 100) and yearly performance <sup>2)</sup>



## Net performance in EUR <sup>2)</sup>

|      | 1 month | 3 months | YTD   | 1 year | 3 years | 5 years |
|------|---------|----------|-------|--------|---------|---------|
| Fund | 0.84    | -0.30    | -3.00 | -7.94  | -2.08   | -       |

## Historical monthly performance in % <sup>2)</sup>

| Year | Jan   | Feb   | Mar   | Apr  | May   | Jun   | Jul   | Aug   | Sep  | Oct   | Nov   | Dec   | YTD   |
|------|-------|-------|-------|------|-------|-------|-------|-------|------|-------|-------|-------|-------|
| 2019 | -0.14 | -1.69 | -1.82 | 0.94 | -0.03 | -1.09 | 0.84  | -     | -    | -     | -     | -     | -3.00 |
| 2018 | 2.00  | 1.35  | -3.30 | 1.12 | 0.86  | -0.01 | -1.09 | 2.44  | 0.21 | -5.07 | -2.93 | 0.31  | -4.30 |
| 2017 | 1.19  | -2.43 | 0.46  | 1.71 | -0.60 | 1.31  | 2.43  | -0.45 | 2.41 | 0.37  | -2.01 | 1.79  | 6.22  |
| 2016 | -     | -     | -     | -    | -     | -     | 0.30  | 0.06  | 1.75 | -0.86 | -0.89 | -0.73 | -     |

## Market commentary

The fund was up in July and benefited from its defensive positioning in terms of net exposure (-3.62% at the end of the month) and good stock-picking. Our short positioning in materials and industrials paid off as risk aversion increased somewhat towards the end of the month, putting under pressure cyclical names. To name a few, we benefited from our shorts in Billerudkorsnas and Eramet. In the industrial space, our short positions in Alfa Laval and AF Poyry were among our best contributors. In this month, our picks in consumer discretionary were negative contributors, with our long in Moneysupermarket and our short in Tod's being our worst contributors. Moneysupermarket has climbed approx. 50% year-to-date and investors took profits after the company reported somewhat slower growth between Q1 and Q2. Tod's is facing a challenging relaunch of its brand which we believe will need significant investment and take a bigger toll on profitability than consensus is expecting. The market is disregarding the weak trends for Tod's as some investors believe the family-dominated company could be taken over. From a stock-picking point of view, we would highlight our short position in Italian renewable plastics unicorn Bio On, which was our biggest contributor in July. A US hedge fund issued a report highlighting serious accounting irregularities and took the view that the real financial situation is in a precarious state, if not unsustainable. The report also questioned the ability of the company to scale up the production process which was also our main reason for the short position in the company. The industrialization of the innovative methods for the production of biodegradable plastics looks much more challenging than the company is suggesting. It was our best contributor of the month with a contribution of 99bps. Easy money is again blurring risk signals and forcing uncertain investors to chase the rally by hunting either quality growth names or defensive business models with higher-than-average earnings visibility. However, signs that the global economy is slowing down are intensifying and company outlooks are becoming more and more prudent as a range of issues linked to the US-China trade dispute, US tariff threats to the EU, the Brexit process, political upheaval in Hong Kong, and a beaten-down automotive industry is materially impacting business conditions around the world. Hopes for a V-shaped recovery in the second half which the market was assuming are vanishing. We therefore prefer to keep our below-average net exposure and focus on structural long-term plays in the small- and mid-cap space.

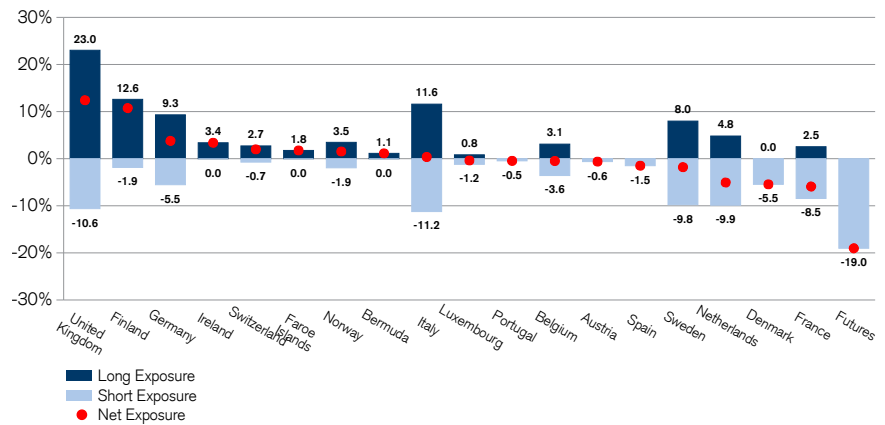
<sup>1)</sup> The calculation of the risk indicator is based on the CESR/10-673 Directive. The risk indicator is based on historic and partly simulated data; it cannot be used to predict future developments. The classification of the Fund may change in future and does not represent a guarantee. A classification into category 1 is not a risk-free investment either.

<sup>2)</sup> 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.

## Countries in %

|                | Long  | Short  | Net    |
|----------------|-------|--------|--------|
| Austria        | -     | -0.62  | -0.62  |
| Belgium        | 3.09  | -3.58  | -0.49  |
| Bermuda        | 1.13  | 0.00   | 1.13   |
| Denmark        | 0.00  | -5.45  | -5.45  |
| Faroe Islands  | 1.75  | 0.00   | 1.75   |
| Finland        | 12.60 | -1.86  | 10.74  |
| France         | 2.54  | -8.45  | -5.91  |
| Germany        | 9.31  | -5.53  | 3.78   |
| Ireland        | 3.38  | 0.00   | 3.38   |
| Italy          | 11.58 | -11.23 | 0.36   |
| Luxembourg     | 0.82  | -1.20  | -0.38  |
| Netherlands    | 4.81  | -9.87  | -5.06  |
| Norway         | 3.47  | -1.94  | 1.53   |
| Portugal       | -     | -0.46  | -0.46  |
| Spain          | -     | -1.49  | -1.49  |
| Sweden         | 7.98  | -9.77  | -1.80  |
| Switzerland    | 2.71  | -0.73  | 1.98   |
| United Kingdom | 23.02 | -10.61 | 12.41  |
| Futures        | -     | -19.02 | -19.02 |

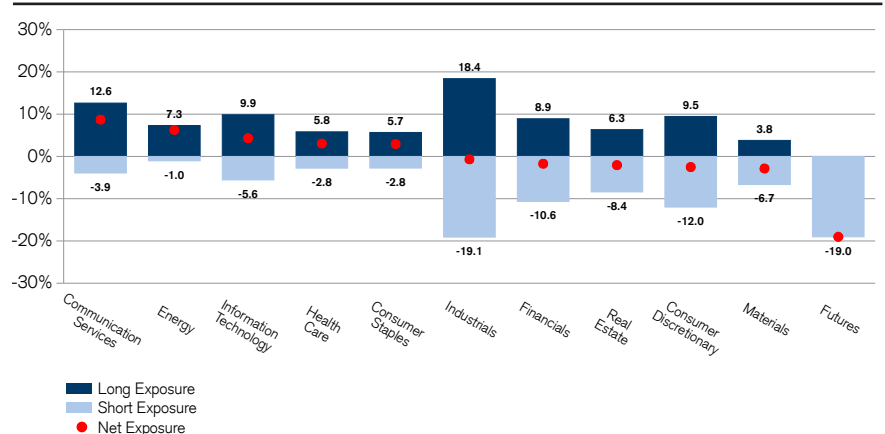
## Country Exposure



## Sectors in %

|                        | Long  | Short  | Net    |
|------------------------|-------|--------|--------|
| Communication Services | 12.62 | -3.92  | 8.70   |
| Consumer Discretionary | 9.46  | -11.98 | -2.52  |
| Consumer Staples       | 5.67  | -2.75  | 2.92   |
| Energy                 | 7.31  | -1.04  | 6.27   |
| Financials             | 8.91  | -10.64 | -1.73  |
| Health Care            | 5.82  | -2.77  | 3.05   |
| Industrials            | 18.40 | -19.08 | -0.68  |
| Information Technology | 9.86  | -5.56  | 4.30   |
| Materials              | 3.79  | -6.66  | -2.86  |
| Real Estate            | 6.34  | -8.40  | -2.06  |
| Futures                | -     | -19.02 | -19.02 |

## Sector Exposure



## Potential risks

The Fund's risk and reward profile does not reflect the risk inherent in future circumstances that differ from what the Fund has experienced in the recent past. This includes the following events which are rare but can have a large impact.

- Credit risk: Issuers of assets held by the Fund may not pay income or repay capital when due. The Fund's investments generally have low credit risk.
- Liquidity risk: Assets cannot necessarily be sold at limited cost in an adequately short timeframe. The Fund's investments may be prone to limited liquidity. The Fund will endeavor to mitigate this risk by various measures. In addition, short selling of securities may expose the Fund to particular liquidity risk.
- Counterparty risk: Bankruptcy or insolvency of the Fund's derivative counterparties may lead to payment or delivery default.
- Operational risk: Deficient processes, technical failures or catastrophic events may cause losses.
- Political and Legal risks: Investments are exposed to changes of rules and standards applied by a specific country. This includes restrictions on currency convertibility, the imposing of taxes or controls on transactions, the limitations of property rights or other legal risks.

This section is not exhaustive, for more risks, please refer to the Prospectus.

## Contact

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Data sources: Credit Suisse, otherwise specified.

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Alternative investments (e.g. Hedge Funds or Private Equity) are complex instruments and may carry a very high degree of risk. Such risks can arise from extensive use of short sales, derivatives and debt capital. Furthermore, the minimum investment periods can be long. Hedge Funds are intended only for investors who understand and accept the associated risks. The primary characteristic that an investment in Non-Traditional Funds entails is the broad use of financial derivatives. Acquiring derivative financial instruments may involve elevated financial leverage. More financial leverage may be created through debt and short-position transactions, and this additional financial leverage may potentially involve considerably greater losses than the sum invested in the financial derivative itself. Non-Traditional Funds may invest in securities in unusual situations, i.e. securities of companies that are involved in the process of reorganization and liquidation, which may generate higher returns, but which imply a high level of risk and less liquidity than other investments. Non-Traditional Funds usually tend to be domiciled in offshore countries or territories whose regulatory standards and, in particular, supervision standards are not as strict as the respective standards in Spain. Many Non-Traditional Funds do not adopt fixed diversification guidelines for their investments and, therefore, may be highly focused on certain sectors or markets. The Fund may make investments in emerging markets, which entails the risks associated with a certain degree of political instability and some relatively unpredictable financial markets and economic growth patterns, such as an increased risk of confiscation and nationalization, confiscatory taxation, restrictions on the repatriation of funds, etc. Investments in Non-Traditional Funds are subject to restrictions on transfers and redemptions. The transfer of investments is normally subject to approval by the Fund, and redemption of the investment is usually only authorized after an initial period of non-transferability. The redemption of holdings normally requires long periods of advance notice. In most cases, there is no liquid market for investments in Non-Traditional Funds. In addition, it is important to note the enormous quantity of subcategories of funds of this type that exist on the market. One risk factor that should be considered is the dependence on key employees of the Fund (Portfolio Managers). The remuneration of the portfolio managers may include incentives based on performance which, combined with the fact that the level of Management transparency may not be as high as with other more regulated markets, may prompt these managers to make riskier or more speculative investments. The levels of experience of the managers may differ from one to another. Potential investors in Non-Traditional Funds should carefully consider the various risk factors when evaluating the suitability of their investment. This document does not contain an exhaustive listing of all of the risks associated with investments in Non-Traditional Funds. Investors should also assess the aforementioned risk factors by reading the prospectus of the fund in which they intend to invest. Investments in Non-Traditional Funds entails a high level of risk and are only suitable for experienced investors who completely understand and are willing to assume the risks that these investments entail and the exposure to potential losses that could affect the total investment.

CS (Lux) Europe Equity Absolute Return Fund IB EUR: This fund is domiciled in Luxembourg. The representative in Switzerland is Credit Suisse Funds AG, Zurich. The paying agent in Switzerland is Credit Suisse (Schweiz) AG, Zurich. The prospectus, the simplified prospectus and/or the Key Investor Information Document (KIID) and the annual and half-yearly reports may be obtained free of charge from the representative or from any branch of Credit Suisse AG in Switzerland.

### Important information for investors in Spain

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