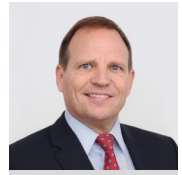


The Bear Market has arrived

The stock markets have significantly corrected in 2022, but only reduced the overvaluation from 2021, which was caused by the liquidity glut of the central banks in response to the Corona crisis. Corporate earnings estimates are still unrealistically high and will continue to put pressure on the stock markets. We assume that the consolidation phase of the markets, similar to the one after the valuation exaggeration in the 1990s or before the great financial crisis in 2008, will last a few years. This means that passive investments that map regions or countries will not earn anything in the foreseeable future.

In this environment, it pays to pursue very active investment strategies and rely on managers who are among the best in their niche. With a long/short approach, you are also protected against further negative surprises and can make money in a sideways moving or falling market environment. The high volatility and increasing focus on corporate earnings in the second phase of this bear market provides a good environment for highly specialized long/short managers. Some of our customers take a similar view and have launched together

with us interesting long/short certificates over the past months in various special investment themes, which are accepting additional assets and are open to everyone (see table below). Our managers see excellent opportunities on the long side in markets that have corrected -50% and more as quality companies are now relatively cheap again. At the same time, for the short side, there are enough companies that will not meet the lofty profit targets.














Stefan Steiner

If a longer running war in Ukraine leads to a prolonged recession, a third phase of the bear market will occur. In this situation, too, liquid alternative investments are a much better option than long-only investments in stocks, bonds or real estate. We recommend reallocating a good portion of your portfolio into alternative strategies that complement your current asset allocation. Holding a lot of cash makes little sense due to the elevated inflation level.

For more information please contact Stefan Steiner at ss@cb-partners.com.

Crossbow Solutions

Strategy	Solution	Currency	NAV	Mid July	YTD	2021	2020	Factsheet June
Alpha Strategies - Fixed Income Complement	Liquid Alpha	CHF	1011.74	-0.44%	-1.34%	2.12%	9.26%	
	Liquid Alpha	EUR	987.06	-0.55%	-0.94%	1.88%	9.56%	
	Global Trading	USD	1073.37	-0.12%	6.34%	0.75%	3.62%	
	Equity Arbitrage	EUR	969.72	-0.11%	-2.77%	4.45%	7.49%	
Portfolio Diversifiers	Global Commodity 0.5/5	USD	1130.66	-1.02%	14.16%	26.36%	27.57%	
	Global Commodity 1.5/0	USD	1131.93	-0.80%	12.09%	28.24%	28.13%	
	Digital Asset	USD	745.29	-	-43.03%	234.07%	166.91%	
	Digital Alpha	USD	1001.77	-	-2.16%	46.40%	45.46%	
Equity Themes - Equity Complement	Global Growth	USD	1000.00	-1.12%	-3.12%	3.19%	20.49%	
	Energy Transition	USD	969.00	-1.90%	3.73%	6.91%	29.10%	
	Greater China	USD	985.52	-0.50%	-3.68%	14.43%	19.18%	

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Opportunities in Chinese High Yield Debt

The Asian High Yield Bond Market has a size of ca. USD 300 bn. China (incl. HK / Macau) is 2/3 of the market, and the Chinese Real Estate sector accounts for a significant part of outstanding bonds. Real estate and related sectors account for ca. 28% of China's GDP. Real estate prices and debt taken on by real estate developers as well as real estate buyers had grown to an excessive level over the last 5 years.

In summer 2021, President Xi announced the "Common Prosperity" framework and the Chinese government announced that debt reduction would be one of its major tasks. More specific details emerged in the form of their "three red lines" policies. These policies, which focus on leverage and liquidity levels, were designed to curtail the build-up of debt in the real estate sector, and to improve its financial strength via strict deleveraging criteria.

It quickly became apparent that the Chinese government was walking a difficult and narrow path - trying to tackle deep structural problems in the real estate sector, whilst avoiding a hard landing that could derail their ambitious economic targets. After much speculation, Evergrande Group and Kaisa Group Holdings, two of China's largest housing developers, both defaulted on bond repayments in December 2021, confirming market fears.

While the broader Markit iBoxx USD Asia ex-Japan High Yield TR Index fell -29.5% over the past 12 months, and was -19.8% ytd to July 15, 2022, the picture is even worse for Chinese real estate companies. The following chart shows the performance of the China real estate high yield index, which lost -66.9% over 12 months, and is -49.3% ytd.



Defaults in China property continue to pile up. In 1H22, 21 issuers defaulted on USD 34 bn of bonds, which translated into a 10% default rate. The implied default rates for the sector is now well above 50%. Several Chinese developers defaulted on their entire bond exposure even after they managed to extend some near-term maturities just months be-

fore. Additionally, extended lockdowns and strict implementation of zero-COVID policy exacerbated the sector-wide liquidity problems.

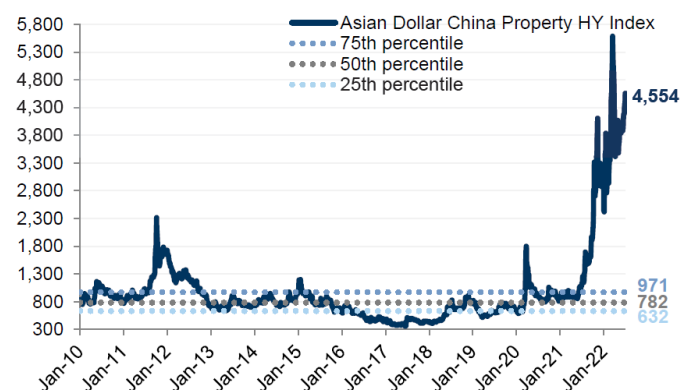


Ivo Felder

China property - a series of restructuring, asset disposals and deleveraging to come

Now things are improving on the margin as strict lockdowns have been lifted and the government went from trying to restrict home sales to trying to do anything to encourage them. However, the outlook is murky as the capital losses are so large for offshore investors that the system has been saturated by unwilling holders. There is currently just not enough capital to absorb the selling pressure at prices which would be deemed attractive at any other point in time and so things have gone to levels no buyer assumed they would see.

The following chart shows the spread of the Asian China Property HY Index over the past 12 years:



Source: ICE-BAML, Goldman Sachs Global Investment Research

Markets are clearly cheap by any historic measures, pricing in the worst case scenario. But the timing of sustained spread narrowing is hard to forecast. At this time, there is still selling pressure from long-only funds and ETFs that have lost much more and where investors are capitulating.

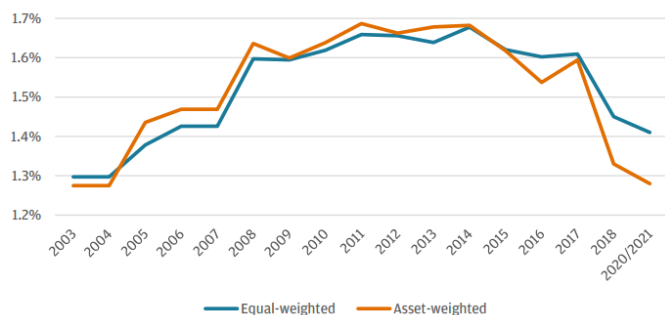
The outlook for property companies is tough and many if not most private developers are destined to go out of business. But despite that end point there will be restructurings, asset disposals and a broad deleveraging that can generate significant returns for those willing to deal with the restructurings. Those who are able to absorb and work through have the opportunity now to double their money over the next two years.

For more information please contact Ivo Felder at if@cb-partners.com.

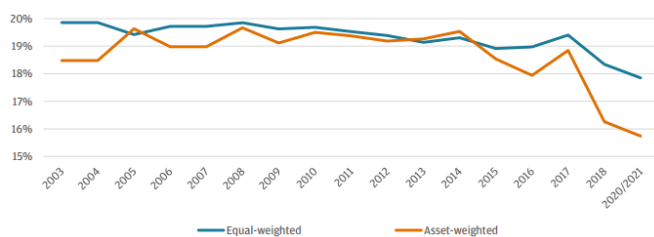


Hedge Fund Terms Analysis

J.P. Morgan produced a report, focusing on hedge fund fees and terms. They witness a decline in hedge fund manager fees, and show that the pace of this decline has slowed most recently.



Average management fee over time



Average performance fee over time

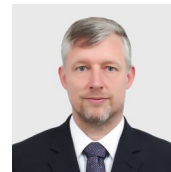
For new launches, they note headline fees increasing, with the average founder share class management and incentive fees at 1.3% and 17% vs. 1.2% and 15% in 2019.

The recent proliferation of multi-strategy/multi-portfolio manager hedge fund platforms is an enticing proposition for would-be hedge fund managers, as evidenced by the continued decline in the number of launches. Over 500 new hedge funds launched in the first three quarters of 2021, far below the 968 that launched in all of 2015.

Hedge funds launching in the past 18 months have tended to be larger than in historical years, with the median launch size totaling USD 100 million (compared to USD 59 million in 2019).

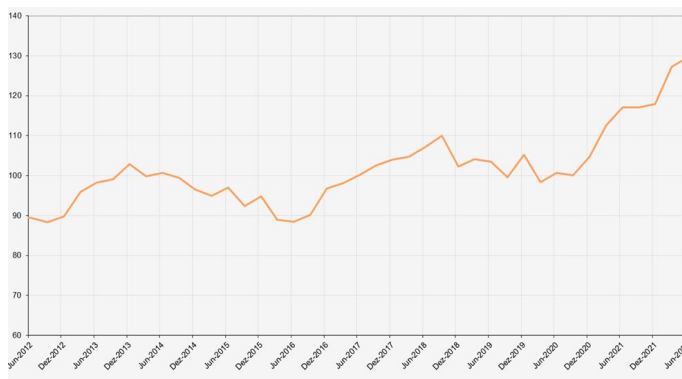
Launches in the EMEA region have been the largest with average assets under management at launch of USD 335 million vs. Asia Pacific with USD 255 million and USD 180 million in the Americas.

Swiss pension fund liabilities benefit from high discount rates



Armin Vogel

According to a press release from Tili Tower Watson, the Willis Towers Watson Pension Index for Switzerland rose by a further +2.5% in Q2 as companies' pension liabilities fell more than their assets over the period. The funded ratio was 129.7% as at 30 June 2022.



WTW Pension Index for Switzerland

Start left at 90%, Maximum right at 129.7%

Bond yields, based on an underlying discount rate, rose sharply for the second consecutive quarter this quarter, leading to a further decline in liabilities of more than 10% since December 2021. Corporate bond yields increased by approximately 0.9% during the quarter, which is also in line with the increase in the first quarter.

According to the Pictet 2005 LPP-40 Plus Index, the average yield of a Swiss pension fund in the second quarter of 2022 was -8.5%, which corresponds to an annual yield of -13.3%. However, most Swiss pension funds have reacted rather cautiously to this development so far.

Next Crossbow Event - Save the Date

On Wednesday, October 19, 2022 from 4:00 p.m. we are holding an event in the Zunfthaus zur Waag in Zurich, to which we cordially invite you.

A separate invitation will follow in due course.

If you wish the above mentioned paper or attend our event, please contact Armin Vogel at av@cb-partners.com.