



Investment Philosophy

SilverCross Global Small-Cap Fund invests in a portfolio of 25-35 high-quality smaller companies. It invests in companies with defensible business models across global developed markets.

The Manager applies four core principles in its stock selection. Its aim is to drive attractive long-term investment returns in excess of the benchmark while keeping portfolio turnover low.

Core Principles

- 1. Create Value** with a sustainable business model.
- 2. Compound Growth** thanks to a scalable business model.
- 3. Undervaluation** implies an asymmetric risk / reward profile.
- 4. Insider Ownership** ensures alignment with management.

Fear Is Just A State Of Mind

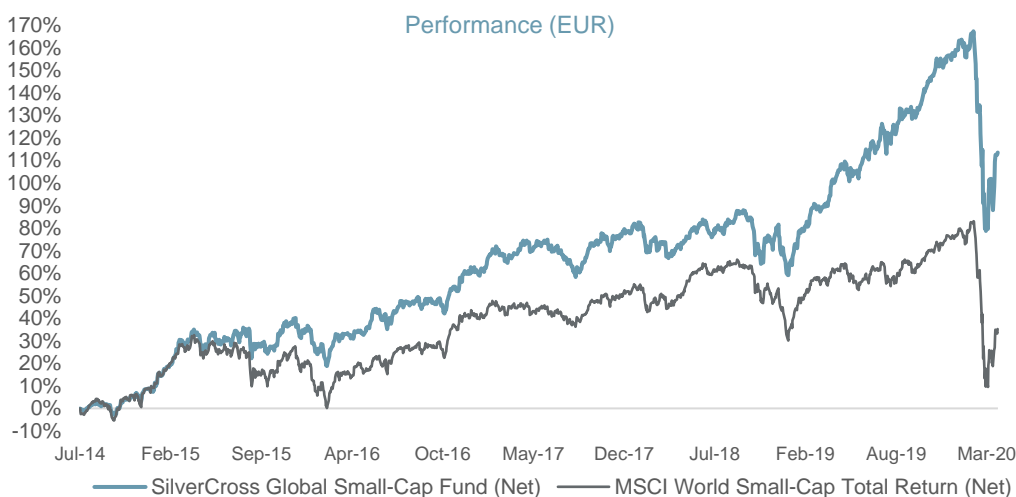
Last week, the global small-cap index rose by a whopping 14%. That is the biggest gain since inception of the index in 1998. The S&P500 rose by the most since 1974. Especially companies with weaker balance sheets rose strongly, having been hit badly during the recent pummeling of the stock market. This phenomenon is also known as a 'crap rally.' This phenomenon happens more often after a strong stock market decline and can last for a while, depending on the size of the previous decline. During the financial crisis of 2008/09, weak companies had declined by 80-99%. In the four months from the bottom in March 2009, the stock of these companies rose very rapidly. A bankruptcy was priced in but was avoided thanks to central bank measures that resulted in ultra-low interest rates. High quality companies gained much less for a while, only to fully catch up afterwards.

Back to today. From the bottom on 23 March 2020, the global small-cap index has risen by 23%. This recovery follows a decline of more than 40% in only 33 days. On balance, the index is now 26% below its all-time high while SilverCross Global Small-Cap Fund declined by 20%.

Many investors believe the recent gains in the stock market are a 'bear market rally' - a temporary recovery in a downward trend. At the same time, we hear that investors are prepared to buy shares, but only at lower levels, because they expect shockingly bad corporate news that is yet to come. Our response to that is: No doubt there will be bad news ahead. The question is to what extent the stock market has discounted this already.

What we do know is that the dislocation we experienced in stock prices several weeks ago was extreme. It was caused by a combination of low liquidity and panic. An interesting index to follow is the [Fear & Greed Index](#) which is published daily by CNN. This index currently indicates a 'Neutral' level after having indicated 'Extreme Fear' just about a week ago. Fear especially leads to few buyers for stocks. Significantly lower stock prices are the result. History shows that these moments of Extreme Fear have been rare chances to buy stocks cheaply.

With today's knowledge it appears unlikely to us that high quality companies will again reach the extremely low stock prices seen a few weeks ago. The decline in the number of new coronavirus infections and deaths per day, in combination with monetary and fiscal stimulus measures seems to have put a bottom in the stock market. At the same time, we anticipate bankruptcies and rescue missions for companies that will leave existing equity investors empty handed.



As of 14 April 2020	YTD	2019	1-Year	3-Year ¹	5-Year ¹	Inception ¹
SilverCross Global Small-Cap TR Net	-16.1%	53.9%	5.5%	8.2%	9.8%	14.2%
MSCI World Small Cap TR Net	-22.9%	28.7%	-16.3%	-2.2%	0.5%	5.4%

¹Annualised

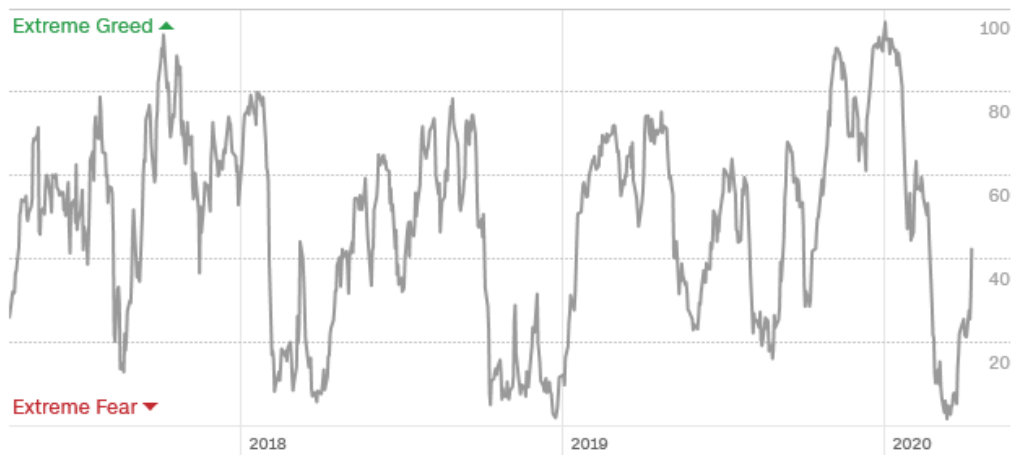


Fund Details

Managers:	David Simons Chris Andrews
Inception date:	30 July 2014
Currency:	EURO
Share Class:	A
Management Fee:	1.15%
Total Expense Ratio:	1.40%
Minimum Investment:	100,000
ISIN code:	NL0010832242
Bloomberg:	SCGSCFA NA

We are especially thinking about companies already under structural pressure caused by technological disruption, such as retailers, oil & gas companies or companies with a weak balance sheet, such as operators of cinemas and cruise ships, as well as other companies with high fixed cost bases.

Fear & Greed Over Time



Source: CNN.com

At the moment, there is much discussion among economists about the shape of the economic recovery once the lockdowns are lifted. Will there be a V, L-shape or Nike swoosh shaped recovery? Nobody knows. What seems logical today can prove to be irrelevant in four weeks. Unfortunately, stock prices always seem to anticipate these types of changes. Once it is clear how the recovery is taking shape, stock prices have already discounted this. The global economy only slowly recovered from the financial crisis of 2008/09. Shortly after the crisis, we called this slow recovery the 'new normal.' It proved to be no obstacle for the start of the longest bull-market ever. Who could have anticipated that?

Waiting for more clarity is therefore nothing else than 'market timing.' As a reader of our updates, you are undoubtedly aware that we don't spend time on timing the market. We have never met anyone who has been successful timing the market with any consistency.

In our company analyses, we assume that 2020 and 2021 are more or less written off from an economic perspective. The value of a company is however determined by the free cash flows over the long term. One year without profit mathematically pressures the value of a company by just 3%. Of course there is reason to be cautious. But is a market wide decline of 40% relatable to the average decline in the value of companies?

Some companies will recover more quickly than others. We position the portfolio of SilverCross Global Small-Cap Fund such that there is a balance between both types of companies. We are being led by data. For example, from China, which is already seeing its economy recover. It provides an indication that Europe and the USA will likely follow a similar path.

The big difference with previous crises is that the coronacrisis has been induced by us knowingly limiting economic activity. We will also prove to be capable of scaling up the economy once this appears responsible to do so. There will be companies that benefit significantly from a different way of working. More work from home, less time spent in the office. A couple of examples of what is going to change: more software, online shopping, online learning, food delivery and online payment, at the expense of need for office space, retail stores and business travel. This offers companies the opportunity to optimise their cost base. Also, weaknesses in existing supply chains will be tackled. For example, companies are less likely to want to rely on single sourcing from China. In healthcare we will have to make it possible to quickly and cost efficiently scale up and down capacity. We will take these structural changes into account when selecting new investments.



The coming weeks and months will undoubtedly remain uncertain. We are living in challenging times. As a society we will learn from the mistakes we have made in approaching this epidemic. This crisis offers opportunities as well. Not at the expense of others. Quite the opposite. There is a need for new solutions, innovation. Companies with a strong financial position, run by entrepreneurs with vision and guts can contribute to those solutions. As it stands, we are confident that the companies in SilverCross Global Small-Cap Fund will emerge stronger from this crisis and will have recovered their profitability by 2021 or 2022.

Never Give Up!

With kind regards,
David Simons & Chris Andrews

Disclaimer

This material is for informational purposes only and is not marketing. It is not intended as an offer or solicitation with respect to the purchase or sale of any security. The contents of this document should not be treated as advice in relation to any potential investment.

Securities discussed herein may not be held in the portfolio at the time you receive this presentation.

Any performance figures are provided net of all fees unless otherwise stated and are calculated on a time-weighted, total return basis.

Funds which specialize in a particular region or market sector, such as small cap equity, may entail higher risks than those which hold a very broad spread of investments.

Past investment results are not necessarily indicative of future investment results. The value of all investments and the income derived therefrom can decrease as well as increase. This may be partly due to exchange rate fluctuations in investments that have an exposure to currencies other than the base currency of the Fund.

Reference to market indices or other measures of relative market performance over a specified period of time are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to the index. The composition of the index will not reflect the manner in which a portfolio is constructed.

The information and any opinions have been obtained from or are based on information from sources believed to be reliable, but accuracy can not be guaranteed. No liability is accepted by IBS Fund Management BV ("IBS FM") or the SilverCross Global Small Cap Fund ("the Fund") in relation to the accuracy or completeness of the information contained in this document. The information in this document is not comprehensive and is presented for informational purposes only. All opinions and estimates constitute our view as of the date of this presentation and are subject to change without notice.

IBS FM is the Manager of the Fund. The Fund is a fund for joint account (fonds voor gemene rekening) organised and established under Dutch law. Under Dutch law the Fund is not a legal entity nor a partnership, commercial partnership or limited partnership, but a contractual arrangement sui generis between the Manager, Stichting Bewaarder SilverCross ("the Title Holder") and each of the Investors separately, governing the assets and liabilities acquired or assumed by the Title Holder for the account and risk of the Investors. IBS FM and the Fund do not provide investment advice, tax advice or legal advice and all investors are strongly urged to consult their own tax or legal advisors concerning any potential investment. Before making any investment decision, investors are advised to check the investment horizon and category of the Fund in relation to any objectives or constraints they may have. Investors must read the latest Fund prospectus and the Key Investor Information Document ("KIID"), available at our offices and on our website www.silvercross-im.com. The Fund is available only for investors for whom this investment is suitable, and who have the knowledge and experience to fully assess the characteristics and risks of the Fund. An initial investment in the Fund must be at least EUR 100.000.

Investors shall undertake to respect the legal, regulatory and deontological measures relative to the fight against money laundering and financing of terrorism, as well as the texts that govern their application, and if modified investors shall ensure compliance with the applicable texts. Investors will allow IBS FM and the Fund to comply at all times with these regulations.

This material is never intended as an offer or solicitation for people living in a specific jurisdiction which does not authorize the distribution of the Funds mentioned herein. The Fund is not available for US Persons.

IBS FM holds an AIFMD license by virtue of article 2:65 of the FMSA. Please visit the website of the Dutch Financial Markets Authorities for the public register (ww.afm.nl).