

KTS
CAPITAL
MANAGEMENT



KTS weekly update Nr. 19

The 28st of May 2021

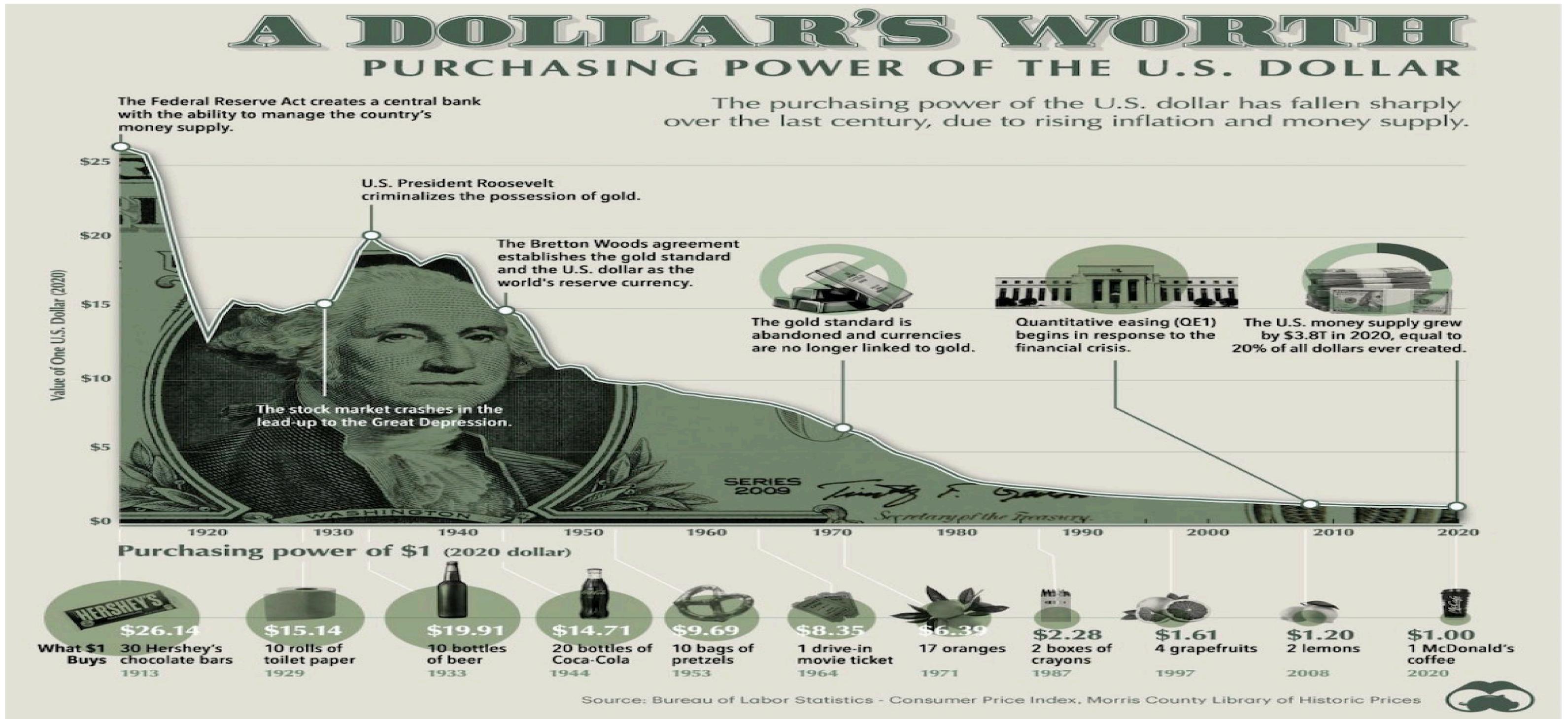
Inflation and the new 30-40 years paradigm

- The economist Mr. Alfonso Peccatiello, Head of Fixed income at ING, created an important long term chart. Market participants are worrying about the sudden short term increase of inflation and are actually forgetting the long term trend. As we can observe in the chart below, we are still in a long term downtrend. With a **global debt / GDP at 365% and growing**, authorities will keep nominal rates low to preserve negative real rates and deflate debt burdens.



Long term downtrend of interest rates (source Alfonso Peccatiello/Bloomberg)

Long term purchasing power



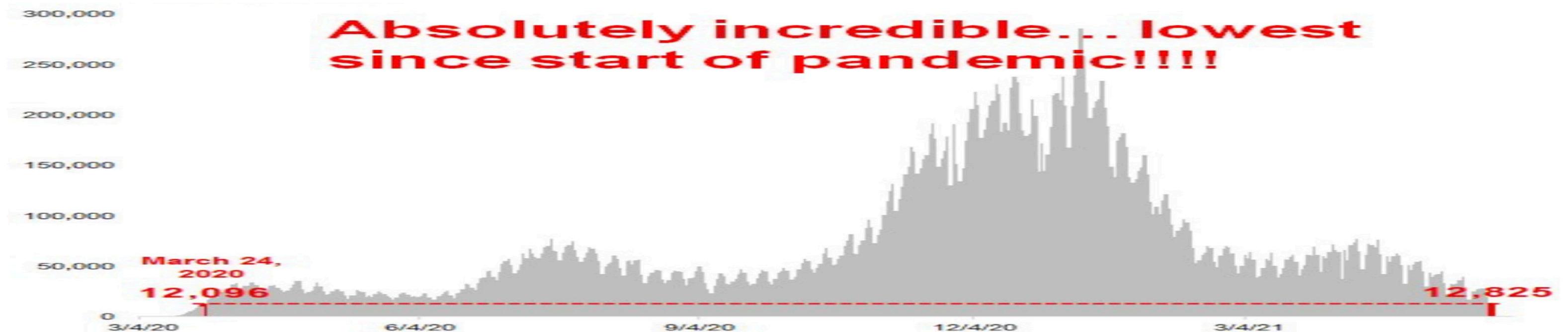
A picture is worth a thousand words: the purchasing power of the USD. This is the best and simple explanation of the long term dilemma of pension plans PP

Debate on inflation

- Academics are adding more confusion to the inflation debate.
- The economist Mr. Larry Summer expresses his concerns on the front page of the Financial Times digital edition. All his arguments are of course very valuable (Biden administrations' policy is a clear shift towards more redistribution, intensive use of fiscal leverage in the country, etc.).
- The economist Mr. Paul Krugman wrote in the New York Times that there is absolutely no reason to be concerned about the explosion of the M2 monetary aggregate.
- The Nobel-Prize economist Mr. Milton Friedman and Ms. Anna Schwarz are convinced that the central bank controls M2 with monetary policy but this is totally false.
- KTS does not want to go into academic discussions and tries to “keep things simple”. Most of market participants are proposing to buy TIPS, global inflation-linked bonds, as hedge against inflation. In our opinion, those investments vehicles are too expensive. Others are proposing the purchase of real assets like real estate, gold and commodities. Some are also diversifying with currencies. KTS is reducing the inflation risk in the portfolio, by keeping a short duration for the fixed income part of the portfolio, being invested in factoring, short term direct lending and micro credit. In addition KTS is invested in precious metals, selected commodities, and also equity. We are not adding real estate exposure in our discretionary portfolios, because most of our clients already own a substantial part of wealth in real estate. We think that the biggest hidden risk in current portfolios is the fixed income part, where most of our competitors are still invested with very low quality and longer duration. KTS is avoiding this kind of risk since several years.

US daily new cases of covid

- In US the number of new cases felt at the level of the pandemic's start, back in March 2020. According to the magazine "The economist", America's shopping malls are filled with people splurging stimulus cheques and Australia's restaurants have been rammed for months. The situation in the developed markets is improving dramatically and businesses are starting to invest, so capital spending (CAPEX) is rising at an annual rate of 15% (for both hard stuff like machines/factories and intangibles, like software).
- On the other hand, emerging markets are still suffering. Argentina is again in hard lockdown, India's situation is not improving and adds risk of high contagion spreading all over Asia.
- Overall, the vaccination process is making progress, but we are still far from a full normalization, especially in the emerging markets.



Number of new covid cases in U.S. (Source Flowbank / Fundstrat, State Health Dep)

TOP 50 U.S. Hedge funds by AuM

- Despite the disastrous performance during 2020, the HF Renaissance still has USD 81 bio AuM.
- Our best in class Fund Alkeon is also among the top funds, with USD 23 Bio AuM.
- The manager of Alkeon has always been “under the radar”. In fact is never on the press, contrarily to many other managers, which are “making a lot of noise” around them, but at the end of the day reached discrete performances and AuM. People and media are mostly blinded from noises, instead of focusing on facts.
- KTS is intensively working since years (more than 25) with the goal to discover such outstanding “unnoticed” managers.

Institution Name	Equity Assets (\$ Billions)	Institution Name	Equity Assets (\$ Billions)
Renaissance Technologies LLC	\$81	Southpoint Capital Advisors LP	\$7
Citadel Advisors LLC	75	Davidson Kempner Capital Management LP	6
D. E. Shaw & Co. LP	73	SRS Investment Management LLC	6
AQR Capital Management LLC	72	Oaktree Capital Management LP	6
Millennium Management LLC	67	Glenview Capital Management LLC	6
Adage Capital Management LP	50	Magnetar Financial LLC	6
Tiger Global Management LLC	43	Scopus Asset Management LP	6
Acadian Asset Management LLC	37	Perceptive Advisors LLC	6
Two Sigma Advisers LP	35	K2/D&S Management Co. LLC	6
Viking Global Investors LP	35	RTW Investments LP	6
Two Sigma Investments LP	31	RA Capital Management LP	6
Icahn Associates Holding LLC	25	Avoro Capital Advisor LLC	6
Alkeon Capital Management LLC	23	Meritage Group LP	6
Marshall Wace North America LP	22	BlueSpruce Investments LP	5
Baker Bros. Advisors LP	22	Palestra Capital Management LLC	5
Point72 Asset Management LP	20	Starboard Value LP	5
Farallon Capital Management LLC	18	Abrams Capital Management LP	5
Coatue Management LLC	18	Route One Investment Co. LP	5
Third Point LLC	18	ExodusPoint Capital Management LP	5
Balyasny Asset Management LP	17	New Mountain Vantage Advisers LLC	5
Holocene Advisors, LP	16	Stockbridge Partners LLC	5
Melvin Capital Management LP	14	Hudson Bay Capital Management LP	5
Voloridge Investment Management LLC	14	Heights Capital Management, Inc.	5
Altimeter Capital Management LP	13	Weiss Multi-Strategy Advisers LLC	4
The Baupost Group LLC	13	Mirova US LLC	4
Echo Street Capital Management LLC	12	Senator Investment Group LP	4
Whale Rock Capital Management LLC	11	The WindAcre Partnership LLC	4
Greenoaks Capital Partners LLC	11	Paulson & Co., Inc.	4
Pershing Square Capital Management LP	11	Himalaya Capital Management LLC	4
OrbiMed Advisors LLC	11	Moore Capital Management LP	4
Soroban Capital Partners LP	11	Rock Springs Capital Management LP	4
ValueAct Capital Management LP	11	Luxor Capital Group LP	4
Maverick Capital Ltd.	10	Woodline Partners LP	4
Squarepoint OPS LLC	9	Sachem Head Capital Management LP	4
Triam Fund Management LP	9	FPR Partners LLC	4
Steadfast Capital Management LP	8	PAR Capital Management, Inc.	4
SCGE Management LP	8	Chilton Investment Co. LLC	4
Matrix Capital Management Co. LP	8	SoMa Equity Partners LP	4
Eminence Capital LP	8	Tudor Investment Corp.	4
Pentwater Capital Management LP	8	Candlestick Capital Management LP	4
Cubist Systematic Strategies LLC	8	40 North Management LLC	4
Schonfeld Strategic Advisors LLC	7	Spyglass Capital Management LLC	4
Zimmer Partners LP	7	PointState Capital LP	4
Laurion Capital Management LP	7	Jericho Capital Asset Management LP	4
Sculptor Capital LP	7	Darsana Capital Partners LP	4
Redmile Group LLC	7	Avidity Partners Management LP	3
Alyeska Investment Group LP	7	Kayne Anderson Capital Advisors LP	3
Samiyn Capital LLC	7	Peak6 Capital Management LLC	3
Suvretta Capital Management LLC	7	Deerfield Management Company LP	3
Appaloosa LP	7	Senvest Management LLC	3

	Equity Assets (\$ Billions)	As a % of Total
Largest 50	\$1,068	60%
Largest 100	1,301	73
Total 807	\$1,793	100%

Source: FactSet, data compiled by Goldman Sachs Global Investment Research

Picture Title

Amazon

- Greenpeace claims Amazon is disposing goods, which are not sold from third party providers. Greenpeace claims to be in possession of internal protocols from the Amazon logistic centre in Winsen. But other independent researchs are showing that Amazon started already in 2019 a FBA donation program (easy to find by searching in Google), where it makes possible to automatically donate unwanted inventory to selected charities, not only in U.S., but also in France and other countries. It looks like, Greenpeace does not want to see the whole truth?
- DC attorney general sues Amazon on antitrust grounds, claiming the company's practices have unfairly raised prices for consumers and suppressed innovation. Basically Amazon is supposed to illegally maintain monopoly power through pricing contracts with third-party sellers. Apparently Amazon requires third-party sellers who want to do business on the online marketplace to abide by its business agreement and until 2019, Amazon included a clause as a "price parity provision", which prohibited sellers from offering their products on a competitor's online marketplace at a lower price than what their products sold for on Amazon. Amazon quietly removed that provision in March 2019 amid growing antitrust scrutiny, but added a similar clause, referred to as its "fair pricing policy", enabling Amazon to impose sanctions on a seller that offers their product for a lower price on a competing online marketplace. Amazon spokesperson explained that, Amazon takes pride in the fact that offers low prices across the broadest selection, and like any store they reserve the right not to highlight offers to customers that are not priced competitively. Adding, the relief that Attorney General (AG) seeks would force Amazon to feature higher prices to customers, oddly going against core objectives of antitrust law. In our eyes, Amazon's model makes perfectly sense, but as argued in the past, we will always experience such antitrust attacks on the U.S. giant techs, because they have just become too big and powerful. For this reason, we reduced our exposure in FAANG and invested more in value, energy, precious metals, etc.

RIMAC AUTOMOBILI

- We are proud to announce that KTS / Victrix has acquired a stake in Rimac Automobili, the most promising electric sport cars manufacturer, other than drivetrains and battery systems supplier for some of the most important car manufacturers worldwide. KTS / Victrix joins, amongst others, Volkswagen Group' Porsche Engineering Group and the Hyundai Motor Group.

THE BRAVE GENERATION meets **THE FUTURE INNOVATION**

E. Fittipaldi
F1 World Champion

Mate Rimac
Rimac Automobili

KTS
CAPITAL
MANAGEMENT

VICTRIX

E-Motion
Investment Fund

Vision | Future | ESG | Renewable | Sustainability | Safety

THE TRUSTED PARTNER FOR FAMILIES & ENTREPRENEURS

Picture Title

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