



## Ad hoc announcement pursuant to Art. 53 LR

Zug, 3 April 2023

### Alpine Select Ltd.: Annual results, portfolio development and investment activities, corporate actions 2022 | Outlook and dividend distribution 2023

#### Annual Result 2022

For Bond and Equity Investors alike, there were few places to hide in 2022. The year turned out to be packed with unexpected events dominating the fragile capital markets. Rising interest rates, recession risks, continued geopolitical conflicts, energy crises and corporate earnings downgrades weighed down on investor sentiment and revalued risk assets as well as fixed income securities (bonds).

It was the worst year since the global financial crisis (2008) for equity indices: NASDAQ: -32.2%, S&P 500: -18.5%, CSI 300: -27.3% and the SMI detracted 16.7%. Notably, the Total Bond Index which tracks U.S. Investment Grade (IG) bonds declined 13% in 2022 which is the worst 12-month return since 1980.

The Alpine Select portfolio unfortunately could not escape without scars. The total return to shareholders in the year was -15.4% (decrease of the share price from CHF 14.30 to CHF 12.10. This includes a dividend of CHF 1.00 per share which was paid out to shareholders in May 2022). The Net Asset Value («NAV») recorded a decrease for the same period (from CHF 14.88 to CHF 11.77). Throughout the year, the shares traded at or near the NAV.

In the FER financial reporting, Alpine Select reports an annual loss of CHF 29.98 million as of 31 December 2022. In the comparative period (year 2021) a profit of CHF 24.05 million was reported.

#### Portfolio Development and Investment Activities

##### Special Situations / Discounted Assets

The Alpine Select special situations portfolio, which includes discounted assets and merger arbitrage opportunities, such as Vifor Pharma, Arena Pharma, Castle Alternative Invest, and IP Group, contracted CHF -12.8 million.

During 2022 Alpine Select engaged in three inefficiently priced M&A arbitrage positions; Vifor Pharma, Arena Pharma and Biohaven Pharma (all deals are closed). These investments contributed CHF +1.76 million. Given the attractive market valuations in Q4 2022, the following positions have been redeployed:

- Cheyne Total Return Credit Fund, a long-biased corporate credit strategy with a defined maturity of Dec-2024 manages an Investment Grade Credit risk portfolio. Alpine Select feels comfortable taking Investment Grade (IG) risk and given the historic selloff in IG bonds it increased this position with an expected return to maturity of around 40% (as of reporting date).
- Idorsia Convertible Bond holdings (maturity 2024 and 2028) were built, representing a yield to maturity of 8% and 13% respectively on reporting date. Idorsia, a leading Swiss Biotech company with a robust pipeline of various late-stage clinical assets is facing a liquidity gap which Alpine Select believes they will solve and thus secure the going concern of the company and due repayment of the bonds.

The position in Castle Alternative Invest (+20%) will remain in the Alpine Select portfolio until liquidation in the second half 2023. The stock has been delisted and all holdings were liquidated into cash.

The largest dragging position in the overall Alpine Select portfolio over the year was IP Group (-59%) as market rotation out of growth/tech stocks has played its part. Alpine Select continues to believe that the company has a selection of impressive investments and that its shares are fundamentally undervalued. At a significant 55% discount to its NAV, IP Group's shares trade at the value of its top-five holdings (incl. net cash). Not only does its top-four portfolio companies have significant valuation uplift potential in the near term, but that leaves the remaining more than 90 companies in the portfolio essentially valued at zero.

## Digital Assets

Venture capital and other growth-oriented assets decreased in the hostile environment of 2022. The digital assets universe could not recover from the collapse of the Terra Luna ecosystem and the centralized player FTX / Alameda Fund. Other prominent funds like Three Arrows Capital went into liquidation and crypto borrowing-lending platforms such as Celsius or Voyager suspended customer withdrawals before filing for bankruptcy. Poor risk management and missing guidelines for centralized entities came at a hefty price for the up to that point rapidly growing industry.

Alpine Select also acknowledge that decentralized finance is not perfect, however DeFi markets have so far demonstrated themselves to be orderly and efficient. No DeFi app (e.g. Uniswap) has had to pause or required emergency financing given the 2022 contagion. Centralized players were mainly responsible for the negative headlines triggering further de-leveraging and the further fall in value of various digital assets.

There have been fair value losses on each investment in this asset class. The Rockaway Blockchain investment was down 50%; Swissrex Crypto Fund position detracted 46% and Zurich based L1 Digital SICAV decreased 57%. After the reporting date, the digital asset market saw positive momentum returning and while the snapshot performance YoY might look drastic, the allocations were made with a long-term vision at valuations leaving the portfolio in the profit zone for this asset class.

Despite the backdrop in valuations, Alpine Select remains an advocate for further blockchain adoption. It went almost unnoticed that in November 2022 "the merge on Ethereum" happened. The successful coming together of the ETH mainnet to the new proof-of-stake consensus layer, the Beacon Chain, went seamlessly. With this achievement, Ethereum eliminated the need for energy-intensive mining and instead enabled the network to be secured using staked ETH (switching from *Proof of Work* to *Proof of Stake*). This was an encouraging achievement for the Ethereum vision making one big step towards more scalability, security, and sustainability.

Alpine Select maintains a diversified venture-driven exposure of over CHF 5.9 million to the digital assets industry as per 31 December 2022. Given the ongoing and opportunistic profit taking we essentially have zero cost for that longer-term exposure currently locked in. Alpine Select's Digital Asset Class P&L since inception is at CHF +6 million.

## East Asia Exposure

After a significant contribution of the CSI 300 Index in 2021 the selected local managers also had a rough 2022 detracting CHF 1.7 million. While the broader Chinese market fell -27.3%, the Equity Long/Short Funds performed as following: FengHe Asia Fund (-4.8%), GH China Century Fund (-14.6%) and Value Multiplier Fund (-16%).

The Northwest Feilong Fund, dedicated to exploiting inefficiencies in China's convertible bond market, came in at -7.6% for 2022.

## Annual Shareholders' Meeting 2022

At the annual shareholders' meeting held on 18 May 2022, shareholders passed all agenda items and proposals submitted by the Board of Directors of Alpine Select. The distribution of a dividend of CHF 1.00 gross per registered share was paid to shareholders on 25 May 2022.

## Annual Report 2022

The annual report 2022 of Alpine Select can be viewed and downloaded online from 6 April 2023 at <https://www.alpine-select.ch/en/investors#downloads>.

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## Outlook 2023

Looking ahead Alpine Select believes that the 2023 COVID re-opening rally and supply chain normalization is temporary. Deglobalization and the war in the Ukraine are inflationary events with long legs and as the global economy faces several structural headwinds with deglobalization, higher inflation, and rising interest rates, we might witness a slow-down in economic growth.

Entire business models might be challenged given the new reality and eventually Real Estate prices won't be as accommodative for investors as they were in the last years.

One first sign of structural stress was seen early March 2023 when the US regulator shut down two regional banks to protect depositors following a cash crunch and the Swiss Government in a coordinated effort with the Swiss National Bank arranged for UBS to merge with Credit Suisse.

A prolonged area of elevated inflation after years of accommodative zero inflation and zero yield environment is taking its toll and in these oversold markets, discounted and mispriced assets with an attractive risk/reward profile can be found. Given Alpine Select's mandate, the company will actively take positions to execute and realize opportunities for its shareholders. Therefore, Alpine Select maintains a cash position of 15.85% as per 31 December 2022 to act swiftly.

Finally, Alpine Select is closely monitoring the impact of the geopolitical battlegrounds (US, EU, China) and their economic and financial consequences. The Company's overall asset allocation is rigorously challenged along the evolving macro view.

## Proposed Dividend Distribution

The board of directors will propose to the ordinary shareholders' meeting 2023 to distribute a dividend of CHF 1.00 gross per outstanding share.

For further information, please contact Claudia Habermacher ([chabermacher@alpine-select.ch](mailto:chabermacher@alpine-select.ch)) or visit the website [www.alpine-select.ch](http://www.alpine-select.ch).

## About Alpine Select

Alpine Select Ltd is an investment company domiciled in Zug and has been listed on the SIX Swiss Exchange since 1998. The Company offers its shareholders the key benefit of investing into a diversified alternative investment portfolio. Alpine Select maintains an active and constructive dialogue with management and board of directors of its portfolio companies in the best interest of its shareholders. Alpine Select does not charge any management or performance fees.