



Ad hoc announcement pursuant to Art. 53 LR

Zug, 12 September 2022

Alpine Select Ltd.: Half-year results and information on the course of business in the first half of 2022

- Alpine Select Ltd. («Alpine Select», the «Company») ended the financial reporting period (1 January to 30 June 2022) with a loss of CHF 25.9 million. In the comparative period (as per 30 June 2021) a profit of CHF 11.6 million was reported.
- The share recorded a negative performance of -9.09% over the first six months of 2022, after paying a dividend of CHF 1.00 per registered share in May 2022. The Net Asset Value («NAV») declined by -17.94% over the same period.

Portfolio Development and Investment Activities

There were few places for investors to hide in the first half of 2022. Geopolitical and energy crises dominated the markets. Asset valuations fell, for bonds and equities alike.

H1-22 has proven to be the worst first half for US equities since 1970. The S&P Index declined by -21%, Nasdaq by -30% and the SMI by -17%. Meanwhile, bonds have suffered too, which is a rare dynamic given bonds' typical role as a portfolio balancer when risk assets decline. The U.S. aggregate bond index declined more than -10% in the first six months.

Special Situations / Discounted Assets

Alpine Select's special situations portfolio, which includes core discounted assets and merger arbitrage opportunities, such as Vifor Pharma, Arena Pharmaceuticals, Castle Alternative Invest («Castle AI»), and IP Group, decreased by CHF 10.9 million in H1 2022.

The M&A arbitrage positions in Vifor Pharma and Arena Pharmaceuticals contributed CHF +0.9 million and have both been cashed in. Given the current attractive market valuations, Alpine Select was able to redeploy into the following positions:

- 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. Due to the selloff in bonds, the fund currently holds a portfolio with an expected return to maturity of around 40%.
- The Company also opened another M&A arbitrage opportunity in Biohaven Pharmaceutical, which it expects to return around 10% on an annualized basis. The deal is expected to close early next year.
- Idorsia Convertible Bond holdings (maturity 2024 and 2028) were built, representing a yield of 8% and 9% to maturity on trade date.

The position in Castle AI (+12%) will be held until liquidation in early 2023. The stock has been delisted and all holdings were liquidated into cash. The discount to NAV (cash) is at 4.75%.

The largest dragging position in the Alpine Select portfolio over the first six months was IP Group (-43%) as market rotation out of growth/tech has played its part. However, Alpine Select continues to believe that IP-Group has a selection of impressive investments, and that the IP stock is not getting the attention it deserves. At a significant 50% discount to its NAV, IP Group's shares trade slightly below the value of its top-five holdings plus its net cash. Not only do the IP Group top-five holdings 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. To round up, the largest position, Oxford Nanopore, is listed and liquid.

Digital Assets

Venture capital and other 'growth-oriented' assets decreased in the hostile liquidity environment of the first half 2022. In particular, the digital assets universe came under pressure as leverage unwound following the collapse in Terra's UST and Luna Token. Prominent crypto hedge fund Three Arrows Capital went into liquidation and crypto borrowing-lending platforms such as Celsius or Voyager suspended customer withdrawals before filing for bankruptcy. The operational risk management mistakes made at these centralized actors came at a high price.

Decentralized Finance is not perfect, however DeFi markets have so far demonstrated to be orderly and efficient. No DeFi app (e.g. Uniswap) has had to pause withdrawals or required emergency financing given the H1-22 contagion. Centralized players were mainly responsible for the negative headlines triggering further de-leveraging with price impact on the various assets.

Further notable returns from the Alpine Select portfolio: Rockaway Blockchain Fund was down 54%; SwissRex fund lost 51% and the Zurich based L1D Fund was down 60%. After 30 June 2022, the digital asset market saw positive momentum returning. While the snapshot performance might look drastic, Alpine Select has made its investments in the digital asset sector with a long-term vision at valuations that leave the portfolio well in the profit zone for this asset class.

Despite the backdrop in valuations, Alpine Select remains an advocate for further blockchain adoption through its investment partners at Rockaway Capital, the Company could secure an USD 1 million stake in a16z funds, which is one of the most important capital providers in the still maturing digital asset industry. Alpine Select's Digital Assets Allocation P&L since inception is at CHF +8.6 million.

East Asia Exposure

After a significant contribution and relative outperformance of the CSI 300 Index in 2021 Alpine Select's selected local managers were still able generate alpha in H1-22, albeit at a lower degree.

While the broader Chinese market fell -9.2%, the Equity Long/Short Funds performed as following: Value Multiplier Feeder Fund (+5.2%), Fenghe Asia (USTE) Fund (-6.7%) and GH China Century Offshore Feeder Fund (-9.5%).

The Northwest Feilong Fund, dedicated to exploiting inefficiencies in China's convertible bond market, came in at -3% for the first six months of 2022.

Annual Shareholders' Meeting

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.

Outlook

Deglobalization and the war in the Ukraine are inflationary and soaring commodity prices are evidence of a rather prolonged area of elevated inflation after years of accommodative zero inflation and zero yield environment. In these oversold markets the Company starts to see discounted and mispriced assets with an attractive risk/reward profile. Given Alpine Select's mandate, the Company will actively take positions to execute and realize arbitrage and special situations opportunities for its shareholders.

Looking ahead evidence suggests that the world continues to experience several separate inflation cycles, all largely still dating back to the reopening post-Covid (with the exception of the energy price rally due to the Ukraine conflict). Early economic data supports the notion that commodity inflation, supply chain pressures, and labor demand have all peaked.

The team at Alpine Select continues to closely monitor the impact of the geopolitical battlegrounds and their economic and financial consequences. The Company's overall asset allocation is rigorously challenged along the way.

Alpine Select will publish its semi-annual report 2022 on 19 September 2022.

For further information, please contact Claudia Habermacher (chabermacher@alpine-select.ch) or visit our website 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.