



Skänderbeg

Alternative Investments

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Put into perspective

Ahead of the mainstream

March 2018

Written by

Bruno J. Schneller, CAIA & Miranda Ademaj

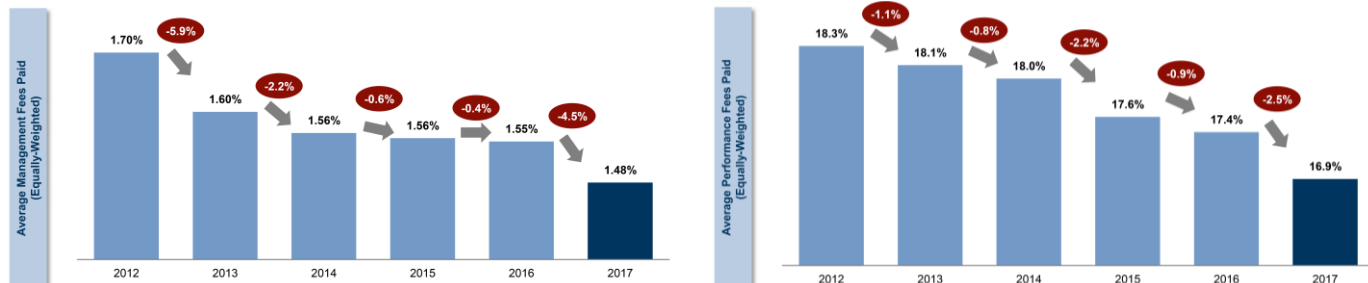
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- Time out (page 16)

***"A slave doesn't want to be free.
He wants to be slave supervisor."
– Gabriel Laub***

HEDGE FUNDS

Fees have been falling in the hedge fund industry



Goldman Sachs

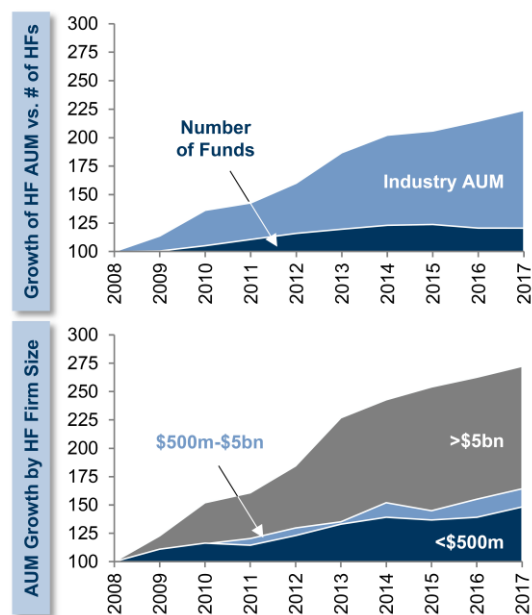
Are alpha males worse investors?

Wide boys



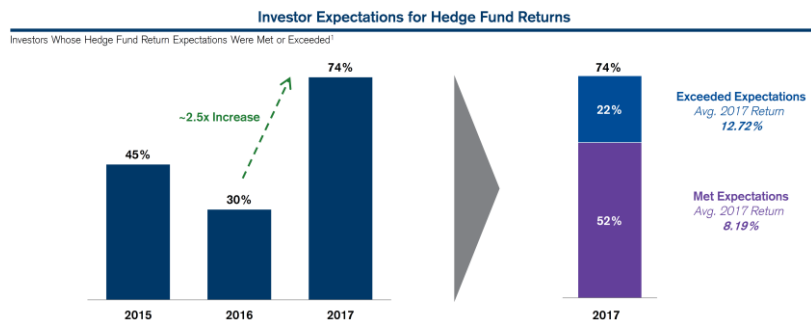
The Economist

Increasing concentration in the hedge fund industry



Goldman Sachs

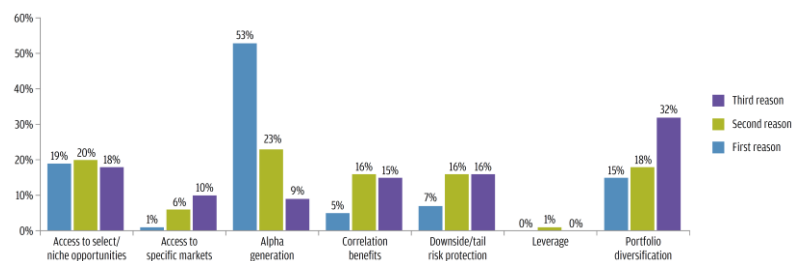
Hedge funds outperformed expectations in 2017



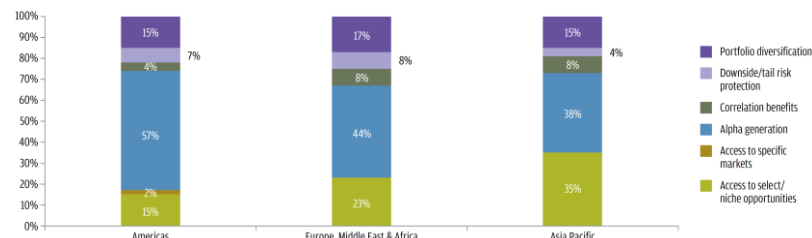
Credit Suisse

The role of hedge funds in investor portfolios

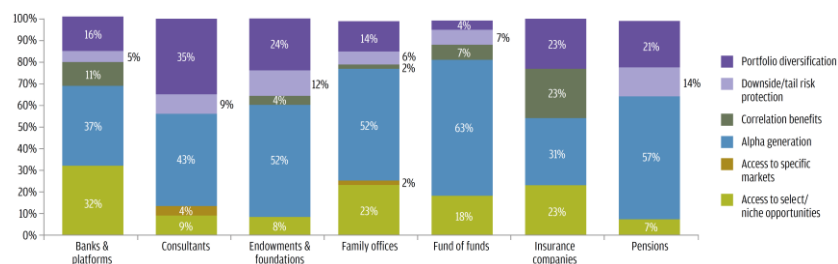
Breakdown of top three reasons for investing in a hedge fund



Top reasons for investing in a hedge fund across region

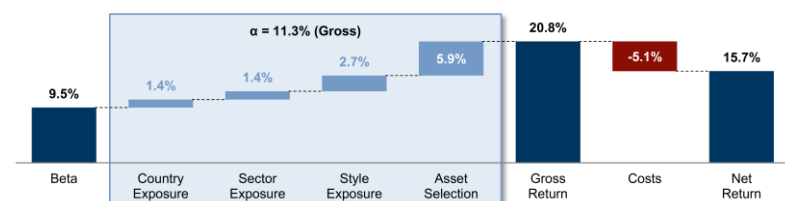


Top reasons for investing in a hedge fund by investor type



JP Morgan

Fundamental equity returns decomposition, 2017



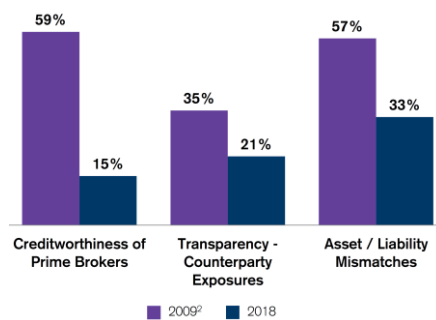
Goldman Sachs

Risk management is now the top factor for investors



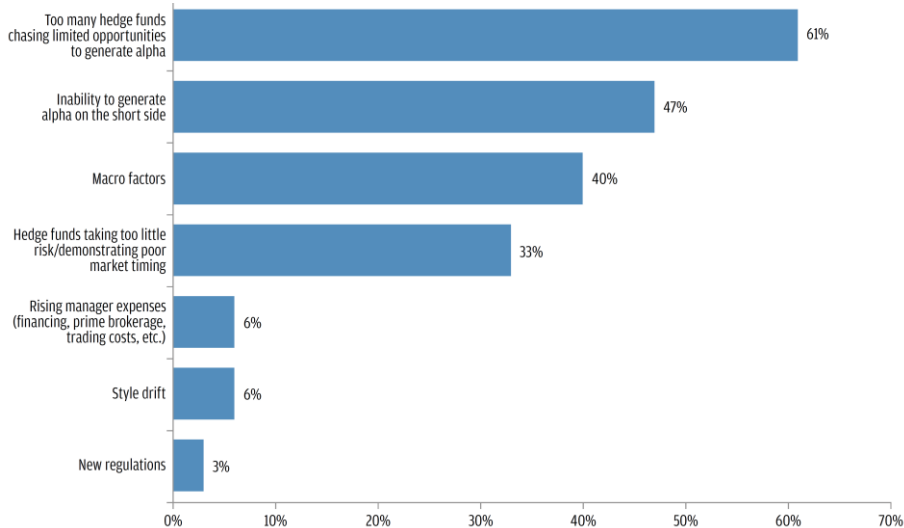
Credit Suisse

10-year lookback: Changes in due diligence focus



Credit Suisse

Main reason for hedge funds underperforming broader market indices



JP Morgan

Hedge funds produce higher risk-adjusted returns than equities, bonds – research

Hedge funds delivered more consistent returns than equities or bonds over the short and long term, says new research by data provider Prequin and the Alternative Investment Management Association. The two organizations looked at hedge fund performance relative to equities and bonds on a risk-adjusted basis over one, three, five and 10 years. Prequin and AIMA used the Sharpe ratio to represent risk-adjusted returns across more than 2,300 individual hedge funds, with a higher ratio showing a better gain.

The Sharpe ratio of hedge funds reporting to Prequin's All-Strategies Hedge Fund index in 2017 was 0.65, vs. 0.4 for the S&P 500 and 0.18 for the Bloomberg Barclays Global Aggregate Bond index. Over three years, the Sharpe ratio for hedge funds was 1.37, compared to 0.98 for

equities and 0.09 for bonds. Over five years, hedge funds delivered a 1.58 Sharpe ratio, vs. 1.46 for equities and -0.24 for bonds. And over 10 years, these hedge funds' Sharpe ratio was 0.73, vs. 0.41 for equities and 0.13 for bonds.

In monetary terms, the value of hedge fund performance gains in 2017 was about \$250 billion, said Prequin and AIMA. Calculations were net of all fees and excluded net inflows to strategies. Performance in general was better for hedge funds in 2017, with about 32% of those in the sample producing a double-digit return, up from about 23% in 2016. Calendar-year 2017 hedge fund returns were 11.49%. The three-year annualized return was 7.01%; five years, 7.77%; and the 10-year period through 2017, 7.21%.

"We already knew that 2017 was a good year for hedge funds, with 11% returns for the average fund and gains in every month of the year," said Jack Inglis, CEO at AIMA, in a statement accompanying the data. "But this new research makes an important contribution to the debate about hedge fund performance over the long term since it shows that hedge funds have produced consistent and competitive returns for the last 10 years."

[Pensions & Investments](#)

Asset managers have "gone backwards" on gender

The UK's asset management industry has "gone backwards" on gender representation, says the City grandee who last year co-led a government review into women in business. Speaking to the Telegraph, GlaxoSmithKline chair Sir Philip Hampton said that the sector needed to boost its efforts to attract more women after seeing earlier progress go into reverse.

"It should be one of the most gender-neutral industries you can think of – it's about analysis and judgment. But it's overwhelmingly male," he said. "It should be a sector where women feel comfortable and it isn't. It's one of those sectors that has gone backwards." He added that a failure to address the industry's own issues was reducing asset manager's own attempts to ensure greater diversity at board level among companies they hold. UK firms which employ more than 250 staff will have to publicly disclose their gender pay disparities by April this year. The finance sector is expected to be one of the poorest performing.

[Citywire](#)

Hedge fund flows and name gravitas

[Juha Joenväärä](#)

University of Oulu - Economics; Imperial College London

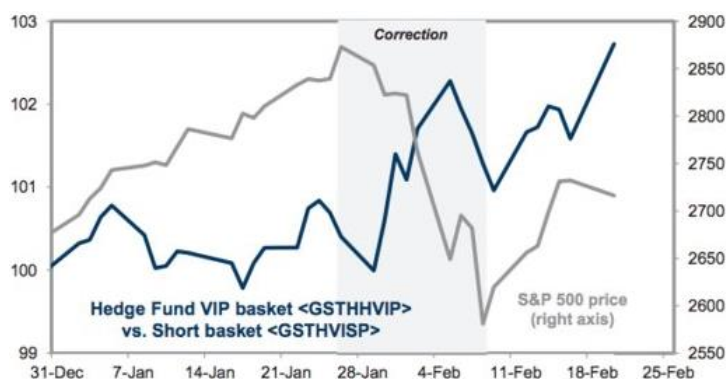
[Cristian Ioan Tiu](#)

University at Buffalo; TIAA Institute

Abstract: We document that investors allocate more flows to hedge funds whose names exhibit gravitas - defined as a combination of words from geopolitics and economics, or suggesting power. The economic effects are relatively large: averaging across our models, adding one more word with gravitas to the name of the average fund brings more than a quarter million dollars more in quarterly flows. We also document that having a name with gravitas is associated with abnormal negative performance: high name gravitas funds have lower returns, alphas, Sharpe ratios and manipulation-proof performance measures, higher volatilities and maximum drawdowns as well as higher probabilities of extinction than the funds with lower name gravitas. Although we find evidence that investors learn about the true investment abilities of their funds and respond less to gravitas as they do so, the chasing gravitas behavior survives all these controls. From the point of view of hedge fund managers, we document that funds with more name gravitas report to fewer databases, suggesting that giving the fund a "good" name serves as an alternative form of marketing. Finally, we show that our results are robust to a generous battery of additional tests, including corrections for potential endogeneity issues or for whether the fund only accepts qualified investors.

[SSRN](#)

Hedge fund favorite positions outperformed during the S&P 500 correction

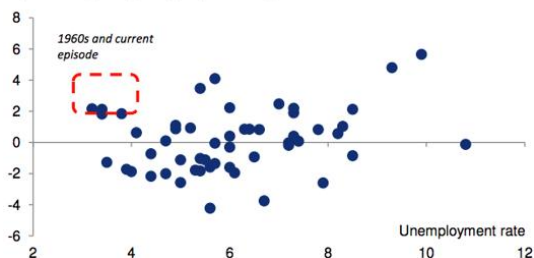


[Goldman Sachs](#) (via [Business Insider](#))

MARKETS

Only 60s, current period saw large fiscal stimulus with unemployment at 4%

3-year change in cyclically-adjusted budget deficit



Deutsche Bank Research (via [WSJ's Daily Shot](#))

Is fertility a leading economic indicator?

Figure 1: Conception and GDP Growth Rates

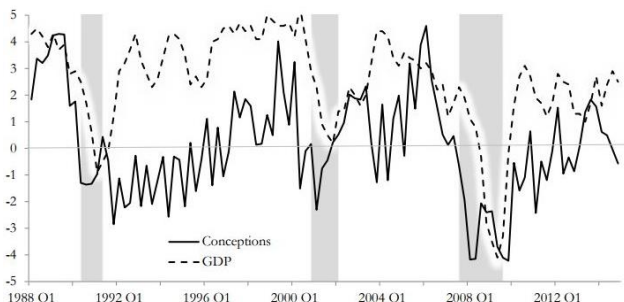
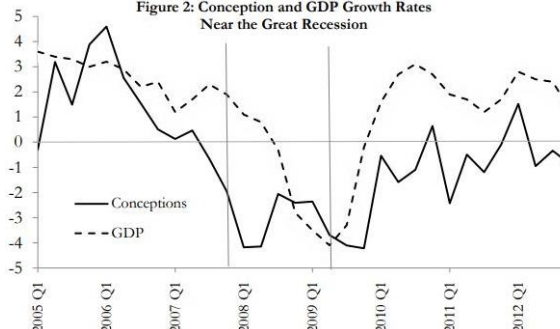


Figure 2: Conception and GDP Growth Rates Near the Great Recession



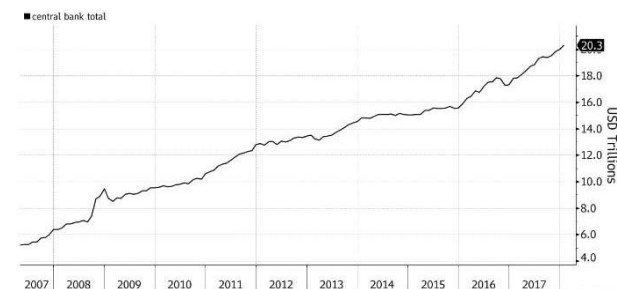
National Bureau of Economic Research (via [CNBC](#))

The year of the dog could have bulls happy

Zodiac Sign	S&P 500 Return
Dog	15.3%
Goat	14.9%
Tiger	13.8%
Ox	13.5%
Rabbit	10.6%
Pig	10.5%
Monkey	9.2%
Dragon	8.7%
Horse	6.3%
Rat	3.2%
Rooster	1.8%
Snake	0.8%

LPL Financial (via [MarketWatch](#))

Only four largest central bank balance sheets show liquidity still being pumped into system



Bloomberg (via [Zero Hedge](#))

18 cognitive bias examples show why mental mistakes get made

Cognitive bias

When it comes to assessing risk, humans often fail to make rational decisions because our brains take mental shortcuts that prevent us making the correct choice. Since the 1960s behavioural scientists and psychologists have been researching these failings, and have identified and labelled dozens of them. Here are some that can cause havoc when it comes to assessing risks in business

ORIGIN
The notion of cognitive biases was first introduced by psychologists Amos Tversky and Daniel Kahneman in the early 1970s. Their research paper, 'Judgment Under Uncertainty: Heuristics and Biases', in the Science Journal has provided the basis of almost all current theories of decision-making and heuristics. Professor Kahneman was awarded a Nobel Prize in 2002 after further developing the ideas and applying them to economics.

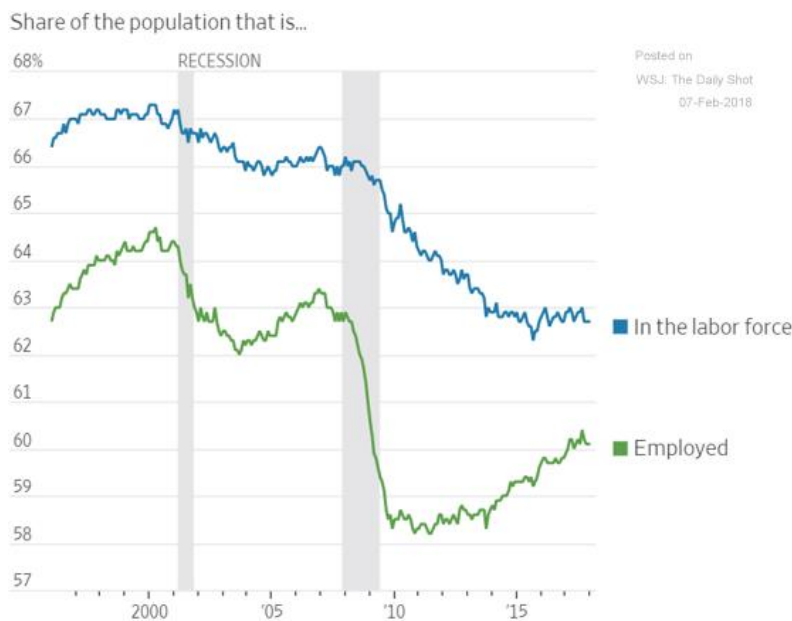
● Social ● Financial ● Failure to estimate ● Short-termism

- ANCHORING EFFECT**
Relying too much on the initial piece of information offered when making decisions
"The first test seemed OK. Do we need to look any more?"
- AVAILABILITY HEURISTIC**
Overestimating the importance and likelihood of events given the greater availability of information
"I saw something very similar to this on LinkedIn. We need to take it seriously"
- BANDWAGON EFFECT**
Uptake of beliefs and ideas increases, the more that they have already been adopted by others
"The whole department knows there's no problem here"
- BELIEF BIAS**
Basing the strength of an argument on the believability or plausibility of the conclusion
"I didn't quite follow your argument but the conclusion seems about right"
- BLIND SPOT BIAS**
Viewing oneself as less biased than others
"Let's ignore Sarah's views on this one. She's biased"
- CLUSTERING ILLUSION**
Erroneously overestimating the importance of small clusters or patterns in large data
"This is the second week in a row that this has happened. There must be a problem"
- CONFIRMATION BIAS**
Focusing on information that only confirms existing preconceptions
"We did loads of simulations. Most of them showed there's no problem"
- COURTESY BIAS**
Giving an opinion/conclusion that is viewed as more socially acceptable so as to avoid causing offence/controversy
"The last time we discussed this the meeting lasted for hours. Let's move on"
- ENDOWMENT EFFECT**
The tendency for people to ascribe more value to things merely because they already own/have them
"I know it will cost a fortune to fix but it cost us £15,000. We can't just throw it away."
- GAMBLER'S FALLACY**
Believing that future probabilities are altered by past events, when in fact they are unchanged
"The conveyor belt broke three times last month. It's pretty unlikely it'll happen again."
- HYPERBOLIC DISCOUNTING**
Preferring a smaller, sooner payoff over a larger, later reward
"Let's just get the deal done ASAP"
- ILLUSION OF VALIDITY**
Overestimating our ability to make accurate predictions, especially when data appears to tell a coherent "story"
"This worked fine in the factory in the Korea, it should work fine here"
- OSTRICH EFFECT**
Avoiding negative financial information by pretending it doesn't exist
"Looks like we've run out of time to discuss this"
- POST-PURCHASE RATIONALISATION**
Tendency to retroactively ascribe positive attributes to an option one has selected
"We made a good call on that one"
- REACTIVE DEVALUATION**
Devaluing an idea because it originated from an adversary or opponent
"Our competitors are only doing well because their products are cheap"
- RISK COMPENSATION**
Taking bigger risks when perceived safety increases, being more careful when perceived risks increases
"Now we've got the new equipment we can cut the time spent on maintenance"
- STATUS QUO BIAS**
Preferring the current state of affairs over change
"If it ain't broke - don't fix it"
- STEREOTYPING**
Assuming a person has characteristics because they are a member of a group
"Dave from tech is worried - but frankly the tech team are always pessimists"

RACONTEUR

Visual Capitalist

Labor force growth weakness, driven by aging population, will cap the GDP expansion going forward



Note: Seasonally adjusted
Source: Labor Department

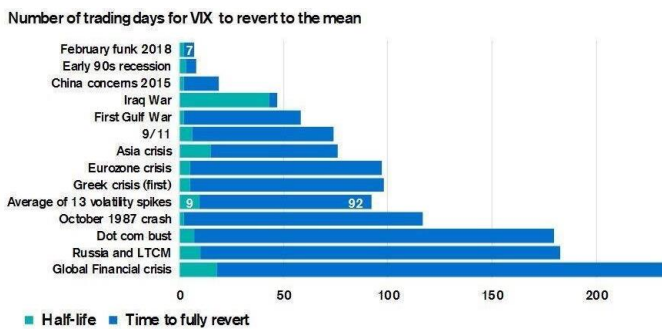
The Wall Street Journal (via WSJ's Daily Shot)

Low correlations within vs. across sectors increasingly make stock selection critical



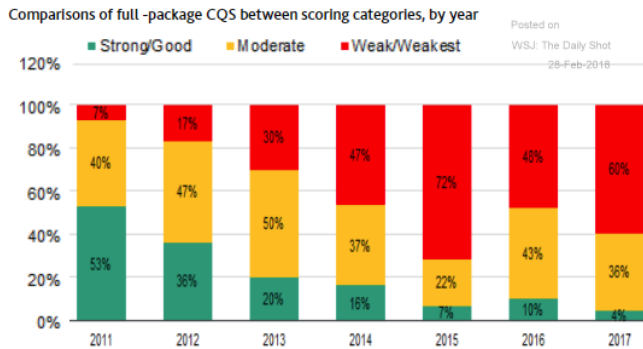
Goldman Sachs (via [WSJ's Daily Shot](#))

Mean reversion is rapid, and February 2018 was remarkable



Reuters

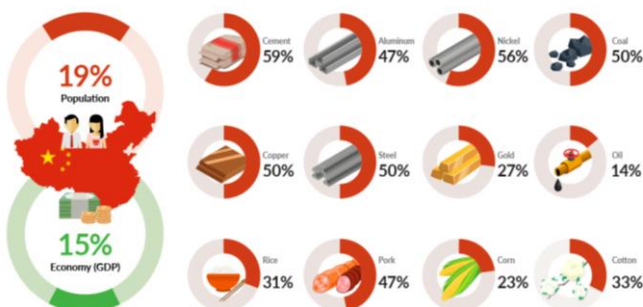
Average CQS falls to weak protection



Moody's Investors Service (via [WSJ's Daily Shot](#))

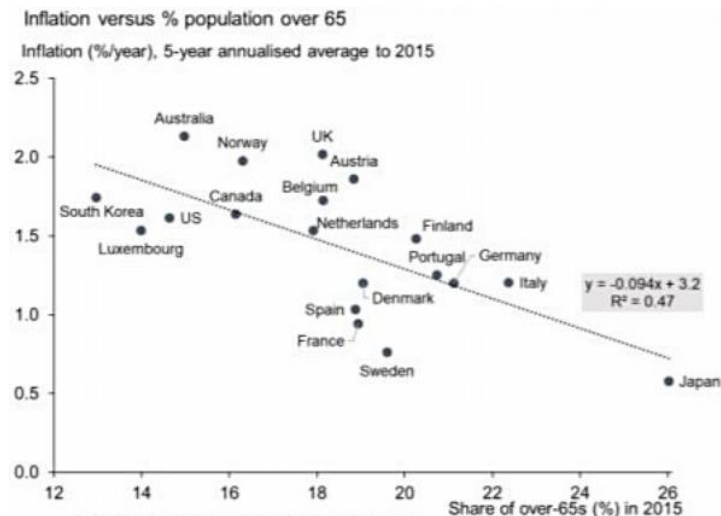
China's staggering demand for commodities

Half or more of all steel, copper, coal, nickel, and cement goes there



Visual Capitalist

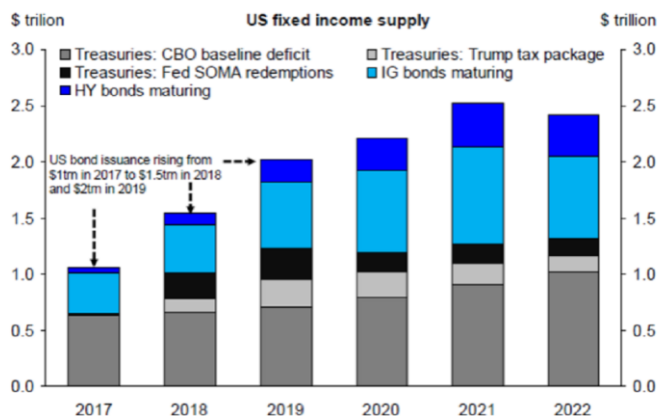
Countries that have older populations run lower inflation



Oxford Economics

"Explosion" in US bond supply endangers global market rally

Explosion in US fixed income supply risks pushing rates higher, credit spreads wider, dollar down, and ultimately S&P500 lower



Deutsche Bank Research (via Bloomberg)

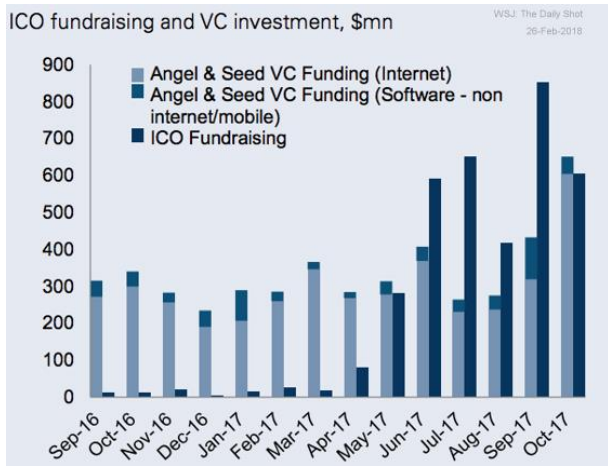
The difference between high- and low-inflation economies has fallen to an all-time low

EM inflation interquartile range (difference between 75th and 25th percentiles)



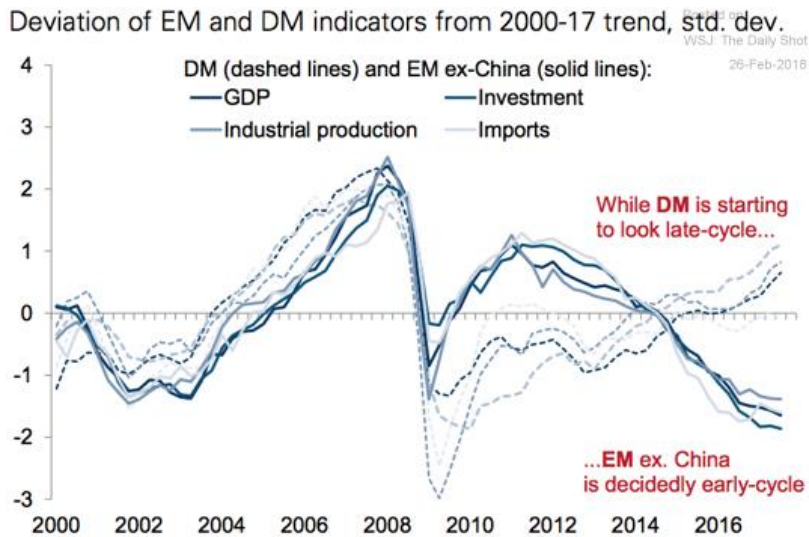
Goldman Sachs (via WSJ's Daily Shot)

ICOs outpacing venture capital



Goldman Sachs (via WSJ's Daily Shot)

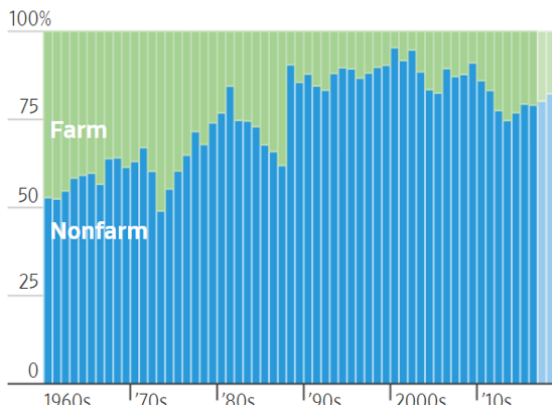
Analysts think that EM economies are still in the early part of the cycle



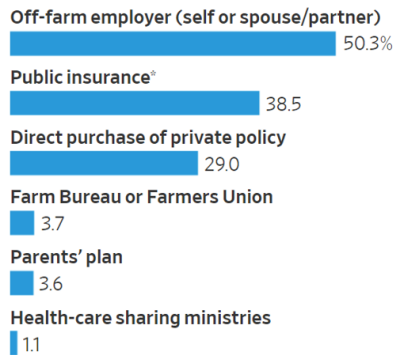
Goldman Sachs (via WSJ's Daily Shot)

Most US farmers are not making a living from farming

Source of farm household income



Outside employers are a major source of health insurance for farmers.



The Wall Street Journal (via WSJ's Daily Shot)

Video of the month

The David Rubenstein Show: Paul Singer

"The David Rubenstein Show: Peer-to-Peer Conversations" explores successful leadership through the personal and professional choices of the most influential people in business. Renowned financier and philanthropist David Rubenstein travels the country talking to leaders to uncover their stories and their path to success. The fourth episode of season three features Elliott Management Founder and Co-CEO Paul Singer.



[Click to watch](#)

[Bloomberg](#)

Tweet of the month



[Ramp Capital](#)

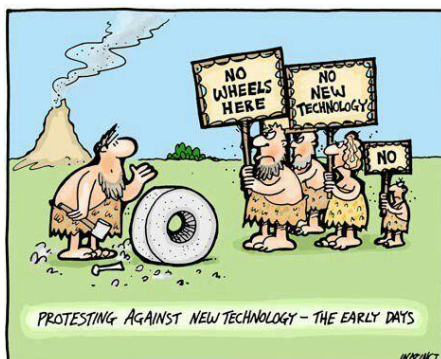
Joke of the month

her: he's probably thinking about other girls.

him: I can't believe I did not BTDFD off the 200-day moving average

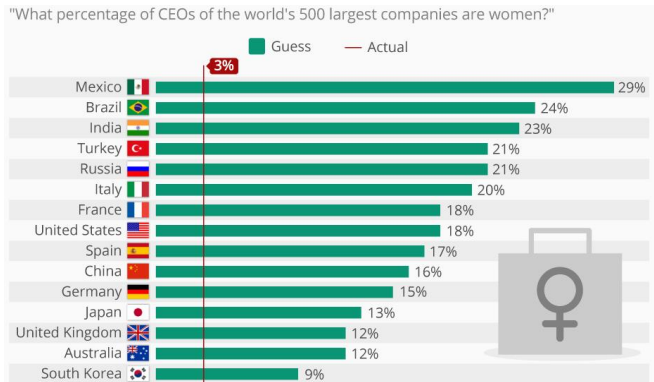


Cartoon of the month



THINK TANK

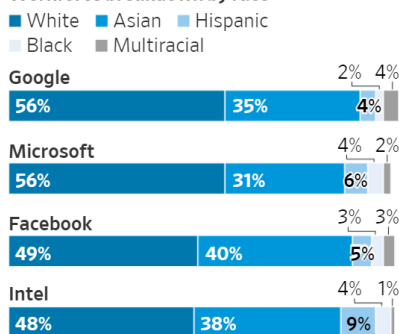
Proportion of female CEOs is hugely overestimated



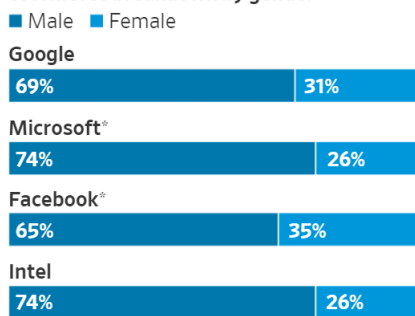
Statista

White males still comprised the bulk of US employees at top tech giants

Workforce breakdown by race

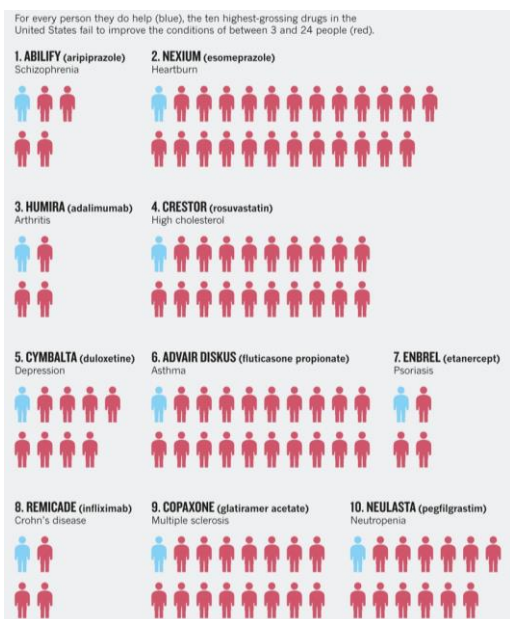


Workforce breakdown by gender



The Wall Street Journal (via WSJ's Daily Shot)

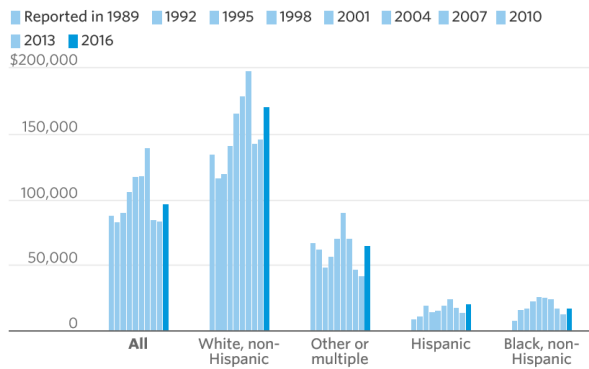
Imprecision medicine



Nature

Wealth rises for everyone, but gaps are still wide

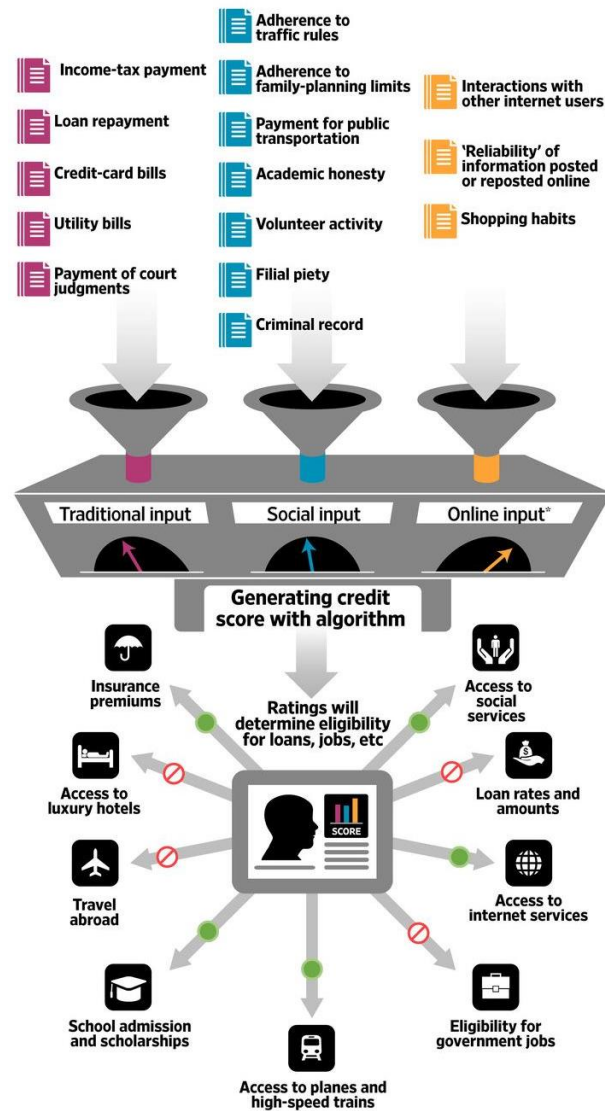
Median household net worth, by race/ethnicity of the head of household, in 2016 dollars



The Wall Street Journal (via [WSJ's Daily Shot](#))

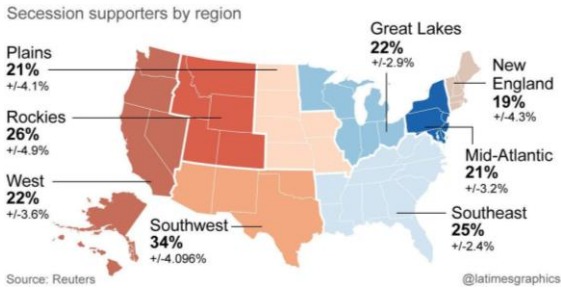
China watching

Beijing wants to create a nationwide 'social-credit' system that compiles digital records of citizens' social and financial behavior to calculate a personal rating that will determine what services they are entitled to — and what blacklists they go on. Here's a look at how the system might work.



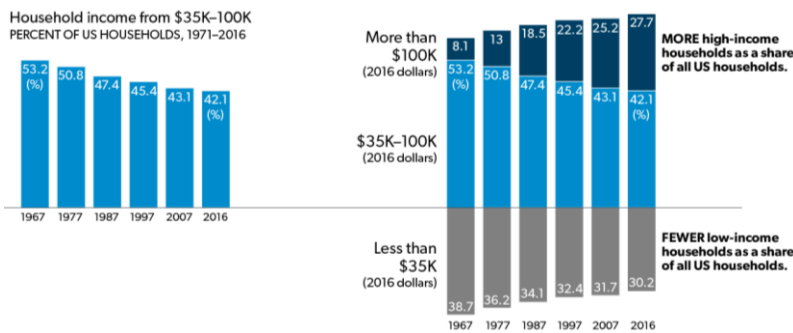
The Wall Street Journal

Poll: Nearly one in four in America would favor secession



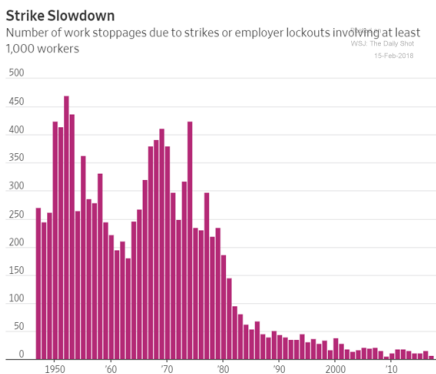
[Los Angeles Times](#)

Yes, the US middle class is shrinking, but it's because Americans are moving up



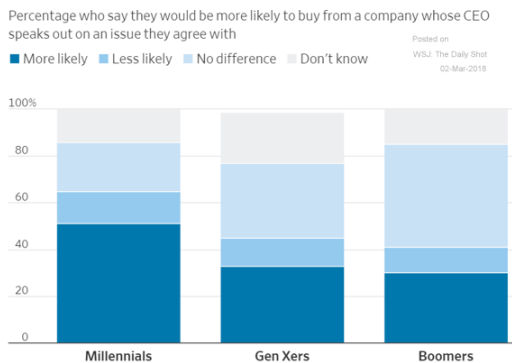
[American Enterprise Institute](#)

Large-scale worker strikes are almost nonexistent in the US these days



[The Wall Street Journal](#) (via [WSJ's Daily Shot](#))

Would you buy more product if you agree with the CEO's public views on major issues?



[The Wall Street Journal](#) (via [WSJ's Daily Shot](#))

TIME OUT

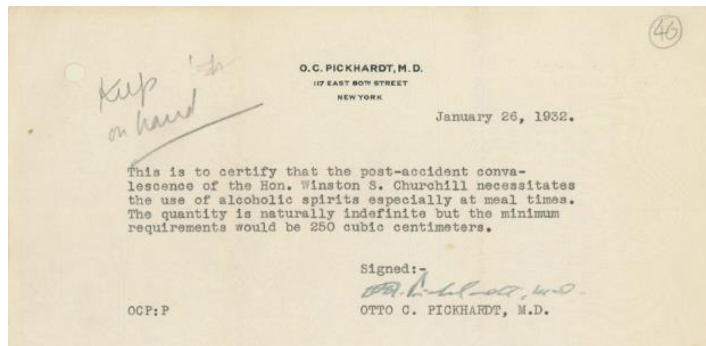
Chinese-made condoms too small, Zimbabwe's health minister complains

A Chinese condom manufacturer says it is considering making its products in different sizes after Zimbabwe's health minister complained that contraceptives made in China and exported to the African nation were too small for its men. Health Minister David Parirenyatwa made the comments at an event in the capital Harare last week to promote HIV/Aids prevention, according to the website New Zimbabwe.com.

"The southern African region has the highest incidence of HIV and we are promoting the use of condoms," Parirenyatwa was quoted as saying. "Youths now have a particular condom that they like, but we don't manufacture them. We import condoms from China and some men complain they are too small."

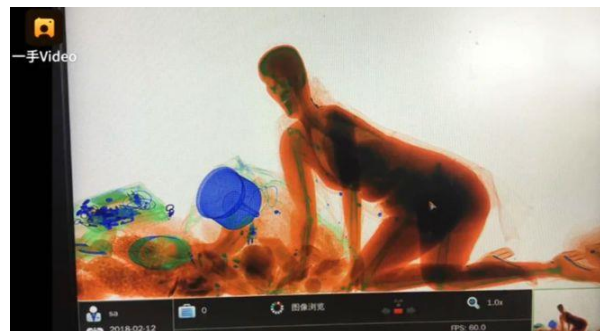
[South China Morning Post](#)

Churchill was prescribed lots of booze by his doctor



[Metro](#)

Chinese woman joins handbag in X-ray machine

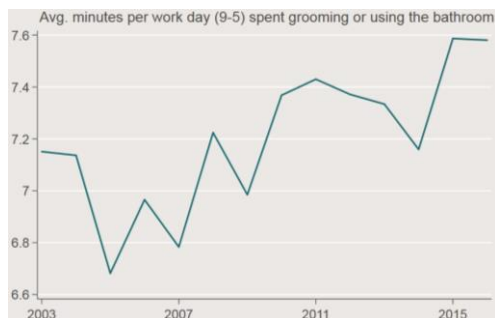


Worried about your bags being stolen at security? One Chinese woman joined her handbag through an X-ray machine to prevent just that. Staff at Dongguan Railway Station in southern China were shocked to find the silhouette of the train commuter on their X-ray monitors.

An online video showed the bizarre incident took place on Sunday during the Lunar New Year travel rush. After climbing off the conveyor belt, the woman checked her bags and left. Extraordinary X-ray images show the woman kneeling on all fours behind her luggage, still wearing high-heeled shoes. It is unclear why the woman was so anxious about her handbag, but many people in China carry large amounts of cash when travelling home for Chinese New Year.

[BBC](#)

Are smartphones increasing bathroom time at work?



[Gray Kimbrough](#)

Monkeys use trees to catapult themselves out of Japanese laboratory

A group of 15 monkeys at Kyoto University's primate research institute in Aichi Prefecture, which are the focus of a string of high-profile scientific studies, escaped from their forest home which is encased by a 17ft high electric fence. The monkeys made their bid for freedom by using tree branches to fling themselves one by one over the high voltage electric fence located nearly three meters away.

However, despite the intelligence shown in their great escape, the primates appeared unsure as to what to do with their newfound freedom: the monkeys remained by the gates of the research center and were lured back into captivity by scientists armed with peanuts. "It was an incredible escape and the first time something like this has ever happened," Hirohisa Hirai, the deputy head of the Primate Research Institute told the Daily Telegraph. "We think that maybe there was some kind of dispute among the monkeys in the forest and so this group decided to leave."

[The Telegraph](#)

China regulates Buddhist reincarnation

In one of history's more absurd acts of totalitarianism, China has banned Buddhist monks in Tibet from reincarnating without government permission. According to a statement issued by the State Administration for Religious Affairs, the law, which goes into effect next month and strictly stipulates the procedures by which one is to reincarnate, is "an important move to institutionalize management of reincarnation."

But beyond the irony lies China's true motive: to cut off the influence of the Dalai Lama, Tibet's exiled spiritual and political leader, and to quell the region's Buddhist religious establishment more than 50 years after China invaded the small Himalayan country. By barring any Buddhist monk living outside China from seeking reincarnation, the law effectively gives Chinese authorities the power to choose the next Dalai Lama, whose soul, by tradition, is reborn as a new human to continue the work of relieving suffering.

[Newsweek](#)

Job interview...



[You Had One Job](#)

Man fined for pretending to be ghost in Portsmouth cemetery

A man has been fined for pretending to be a ghost and other rowdy behavior in a cemetery. Anthony Stallard pleaded guilty at Portsmouth magistrates court to using threatening or abusive words or behavior likely to cause distress. The court heard that the 24-year-old had been out drinking with friends when they went to Kingston cemetery in Portsmouth, where they started to play football.

A Hampshire police spokesman said that witnesses complained to police about Stallard's rowdy behavior and his pretending to be a ghost. "The witnesses reported the group engaging in rowdy behavior and one of them throwing their arms in the air and saying 'woooooo'," he said. Stallard, of Southsea, Hampshire, was fined £35 and ordered to pay a £20 victim surcharge and £20 in costs.

[The Guardian](#)

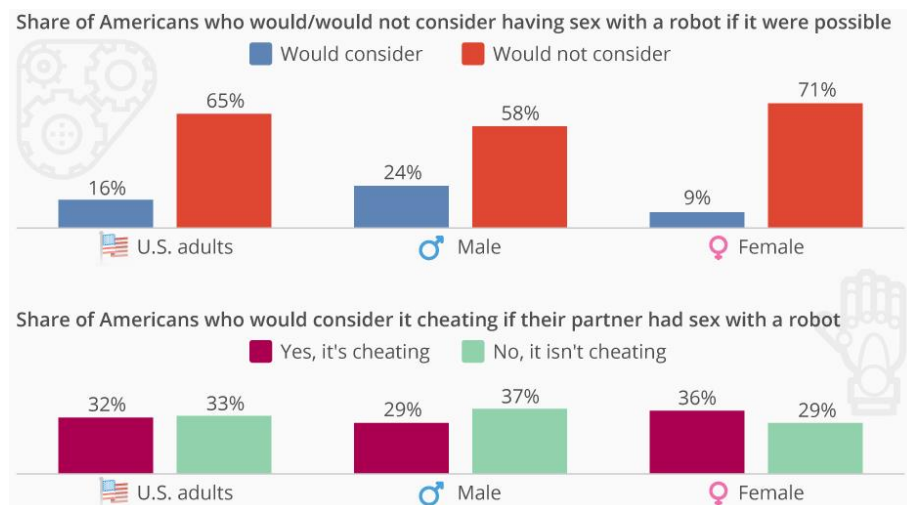
Choose a network...

CHOOSE A NETWORK... 

FBI Surveillance Van	  
GTBONAS	  
RegsTruthorDare	  
Other...	

[Helene Meisler](#)

Would you have sex with a robot?



[Statista](#)

A Swiss village is offering 70,000 Francs to families to move in, settle down and change their lives



There is a small picturesque mountainside village in Switzerland near Leukerbad in the beautiful Canton of Valais. The village of Albinen is a calm and peaceful town with the stunning mountainous area. It is remote though and the village is going through a population crisis. The village has always been small, but many residents have left for "Big city life".

Young residents left the village to seek their fortunes elsewhere. The school had to close down, the parks were empty and trade in the local shops and stores suffered. Young people moved to the larger Swiss cities to seek their fame and secure their future. Will they be tempted to come back for money?

As a result, local residents have demanded council to do something to help reverse the decline and improve village future. Upon the request, now the council has decided to grow their village economy and change the way the people live and they're paying people to move in. Yes! they are offering 70,000 Swiss Francs for people who are willing to come and live in the village for at least 10 years. Who wouldn't want to live somewhere – quiet, beautiful and scenic? You'll need to do your research. Each adult is being offered just over 25,000 Swiss Francs and each child around 10,000 Swiss Francs. So a family of four comprising two adults and two kids are looking at the 70,000 Swiss Francs.

[News Magnum](#)

White people practicing Yoga are xenophobes, Michigan State professor claims

White people are ruining sacred things at an alarming rate, according to Michigan State professor Shreena Gandhi, who recently penned the essay "Yoga and the Roots of Cultural Appropriation." Gandhi, a professor of religious studies at MSU, claims that Americans who practice yoga are contributing to white supremacy and colonialism. I'm unsure that the staff over at Michigan State are in a position to be pointing fingers right now, but that's a topic for another day.

She [writes](#):

Yoga was often used as a tool to show the British that Indians were not backwards or primitive, but that their religion was scientific, healthy, and rational. This was a position they were coerced into... Beyond its utility, yoga became popular, in part, because it reinforced European and Euro-American ideas of India... Yoga became — and remains — a practice which allows western practitioners to experience the idea of another culture while focusing on the self.

...Yoga contributes to our economic system, but never forget this system is one built upon exploitation and commodification of labor, often the labor of black people and people of the global south.

The professor offers exactly zero evidence whatsoever to back up her claims, which begs the question whether Gandhi herself is subconsciously playing into racial stereotypes. It certainly sounds like a stereotype to say yoga grew popular in the West because it allowed westerners to focus on themselves. Is it not a stereotype to claim all westerners are self-centered? All easterners are focused more on their communities and shared values?

[The Smoke Room](#)

Bruno J. Schneller, CAIA



Bruno J. Schneller is the CIO of Skänderbeg Alternative Investments AG. Prior to establishing the company, Bruno worked at investment boutique and fund of hedge funds pioneer BrunnerInvest AG.

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The multiple award-winning, UCITS-compliant **Skänderbeg Fund*** specializes in long/short equity strategies and offers investors access to exceptional hedge fund investments on a global scale. The fund of hedge funds was launched in February 2014 with a concentrated portfolio of 10-15 small to mid-sized managers who are typically overlooked by larger shops.

For more information on Skänderbeg Alternative Investments AG, please visit www.skenderbeg.ch.

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