BUCHER FINANZMARKTANALYSEN

Marketing Material

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IO Funds

INVEST WITHOUT EMOTIONS

THE LONGHEDGE

TLH

Investors

Investors are usually impatient and emotionally driven. Short-term gains are classified as "skills", losses are ignored or realized. As some people like to say:

"back and forth makes pockets empty".

What if one would try to turn such aspects into a strategy. To participate in the positive development of the financial markets in the long term and to eliminate emotions by means of clear guidelines?

In this presentation we would like to introduce an investment approach, which is a combination by two differently thinking managers. An interesting strategy for long-term investing without emotions.

Facts

Financial studies show that systematic, rule-based investing without emotions has a better risk adjusted return than the active investment approach. In the long term (5+ years), one already achieves higher returns than active investors. Depending on the investment approach and risk distribution, it can also significantly reduce investment risks.

Common approach, opposing opinions

For over 15 years, the asset manager **IO-Funds** has been pursuing equity strategies (funds & portfolios) that are based on a systematic, rule-based approach (investing without emotions). They do not believe that it is possible to predict the development of the financial markets in the long term. Thus, they put their focus on risk management. In their view, this is the only component in an investment strategy where the manager can exert influence. The rest is luck. Their successful results over the last 15 years support these statements.

Bucher Finanzmarktanalysen has been dealing with the global market for over 25 years. During this time, several models and strategies have been developed for different asset classes. Their focus is on dynamic market analysis. Adapting to the circumstances and making changes if necessary. Their risk models are based on a systematic, rule-based approach to exclude the influence of the manager.

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Although the two firms have **opposing views** on the assessment of financial markets, they have a common denominator. In the area of risk management, both managers rely on a systematic, rule-based investment strategy. Simple and clear in handling as well as implementation. Both companies invest only in highly liquid investment instruments that can be traded daily. This improves the risk profile or the so-called "risk adjusted return".

Strategy

The American stock market is one of the largest and still the most important financial markets in the world. It combines over 55% of the largest companies in the world. If we look at this market over the last 50 or even 90 years, we can see that 75% of the time the annual return has been positive. Over 38% it has been in the +10% to +20% range. Where against the negative years, 47%, between -0% to -10% negative returns resulted. However, in the short term (1-3 months), equity markets can suffer significant losses, as recently in 2020, 2018, 2012, etc. Corrections of over 20% and more are always possible. Thus, in the long term, the losses are moderate and should be ignored. In the short term, however, show considerable potential.

If one could additionally profit from the large, short-term corrections, this would have a positive long-term impact on a "long" stock strategy without having to sell the underlying stocks in each case. Or as already mentioned: *"back and forth makes pockets empty".*

Based on this knowledge, own experience and results, IO Funds has combined its Long Momentum Strategy with Bucher Finanzmarktanalysen (Short Momentum Strategy). This has resulted in the following joint strategy.

The Longhedge

THE LONGHEDGE, as we call this investment approach, has an average of 45 stocks from the universe of the U.S. equity index. The stocks are selected using a rule-based investment strategy and managed according to the equally weighted approach. On average, an adjustment takes place every 12 months in order to keep the risks of the individual investments in balance. At the same time, shares are replaced or added. Everything is rule-based, systematic without emotion. Thus the investor is always US shares physically "long". He owns the "strongest" shares from a basket of shares (index) calculated according to a model.

Bucher Finanzmarktanalysen takes care of the short-term "events" with its "short momentum" strategy. As already mentioned, it is based on a systematic, rule-based investment approach and tracks the performance of the "S&P500" index. This index (basket) combines the largest companies in the USA and partly in the global economy. Based on concise term indicators (market volatility, interest rate changes, currency, etc.), a "market sensitivity" is calculated. This is intended to provide indications as to whether a possible "market correction" could occur in the short term. Using "futures" on the S&P500 index, one tries to anticipate these corrections. One enters thereby a negative position (short). To limit the risks of short selling, a "buy order" is also placed at the same time. This is to limit the possible "false signal" and thus loss potential (risk management).

Advantages and disadvantages

The advantage of this investment approach is that an equity portfolio can be efficiently hedged at very low cost. The risk of the "short position" futures is significantly reduced by the possibility of 23 hours trading and the simultaneous "buy limit". If a "false signal" has occurred, the permanent stock "long" strategy should reduce the loss of the "futures" position. During strong market corrections, hedging can have a very positive, long-term impact on the equity portfolio. The systematic, rule-based investment strategy without emotional influence should result in another positive component in the overall concept.

As always, every strategy involves its risks. The market risk should be mentioned first. Then the strategy or the concept of an investment strategy. In our case we consider the biggest risk as follows:

a) Market risk, sudden market drop without a hedge on our equity positions.

b) Portfolio hedged, sudden rise of the stock markets

c) Momentum strategies (long as well as short) yield poor results

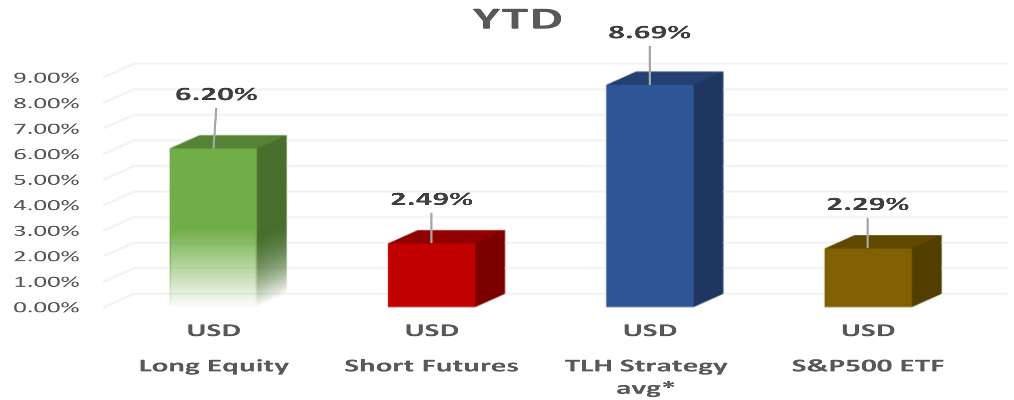
In the first risk scenario a) the stock portfolio would suffer a loss like an ordinary stock investor. If the "short" signal sets in later, it can contribute to a flattening of the losses. Scenario b) would be conditionally negative, since the "long equity strategy" would absorb part of the loss and the "short" futures would be cancelled by the "buy limit" after a certain time (price increase).

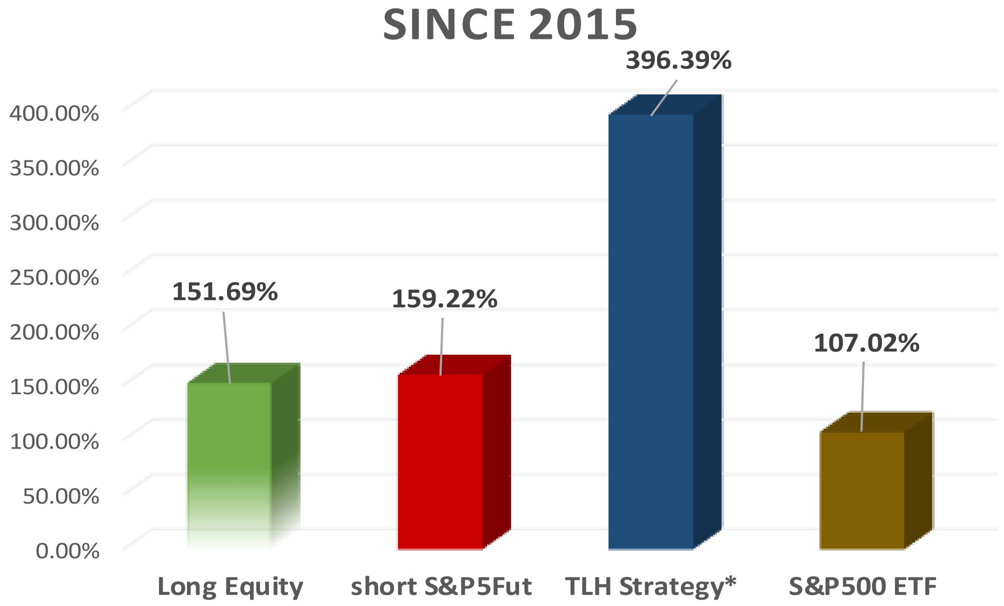
Thus, in the worst case c) a worse return than the underlying reference index S&P500 can arise.

THE LONGHEDGE STRATEGY

05.02.2021			s-Inception	
STRATEGY	**Curr**	**YTD**	**2015-2021**	**p.a.**
Long Equity	USD	6.20%	148.35%	16.31%
Short Futures	USD	2.49%	159.22%	17.14%
TLH Strategy avg*	USD	8.69%	396.39%	30.48%
S&P500 ETF	*USD*	*2.29%*	*107.02%*	*12.84%*

STATISTIC	Hedge	2015-2021
reduced risk	1	26





Strategies	Acc Perf	p.a.	2021	2020	2019	2018	2017	2016	2015
Long Equity	151.69%	16.56%	6.20%	46.01%	21.81%	-0.53%	25.45%	9.75%	-2.70%
short S&P5Fut	159.22%	17.14%	2.49%	31.40%	17.60%	26.12%	5.22%	11.79%	10.33%
TLH Strategy*	***396.39%***	***30.48%***	**7.83%**	**69.67%**	**35.47%**	**23.03%**	**27.61%**	**19.38%**	**6.87%**

Benchmark	Acc Perf	p.a.	2021	2020	2019	2018	2017	2016	2015
S&P500 ETF	107.02%	12.84%	2.29%	18.02%	31.03%	-4.44%	20.93%	11.87%	1.23%

***TLH Strategy**

Is the accumulated average total return of the two strategies. Since this is currently only a simulation with real data, the total return achieved by the TLH portfolio is only an indication after administration costs and performance fee of 10%. The long equity and short futures are the actual returns achieved on the individual strategies after costs (0.35%) without performance fee calculation.

Commission & Contact

Commission Certificate solution

Management fee	0.00% p.a.
Performance fee	10.00%*
Administration issuer	0.35% p.a.

*only in case of positive performance of the portfolio,
no minimum threshold (hurdle rate / high water mark)

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