

The European Value Fund

Strength in Fundamentals - Your Path to Prosperity

Asset Management GRA 6555



April 4th 2024

Value-Focused Fund: Safeguarding Your Investments

The European Value Fund (EVF) is a long-short value fund that invests in companies with sustainable and competitive advantages, with strong fundamentals. Our approach is designed to minimize the risk of our investments while simultaneously outperforming the market. EVF prioritizes safe, long-term returns for our investors which is why we focus on solid fundamentals which often means consistent dividends as well. The fund takes advantage of the historically high return of value-stocks and market mispricing caused by behavioral biases. EVF has delivered an annualized return of 10.59% since 1992, surpassing the benchmark's 8.86%, a trend we aim to maintain.

Strategic Value Investing in European Markets

Our investment universe is centered in Europe, with all of our investments made within Switzerland, Austria, and Germany. In our value investment strategy, we aim to purchase companies with a high book-to-market ratio. Therefore, we have decided to selectively acquire companies that fall within the top 10 percent highest tier of book-to-market value. To truly leverage our value strategy, we have also chosen to short the bottom 10 percent of companies with the lowest book-to-market value. This disciplined and consistent approach is the cornerstone of our methodology to create substantial value for our clients. To ensure that we maintain the risk profile, and an allocation and ownership profile with companies that fit our fund's criteria, we rigorously rebalance our portfolio on a monthly basis. This practice not only aligns with our strategic vision but also helps us to respond adeptly to market dynamics, securing our position to capitalize on undervalued opportunities while reducing risks associated with overvalued assets. Our steadfast commitment to this strategy aims to yield consistent, long-term returns for our investors. Our primary objective is to safeguard our clients' interests, and we are confident that our investment universe, and our strategy accomplish just that.

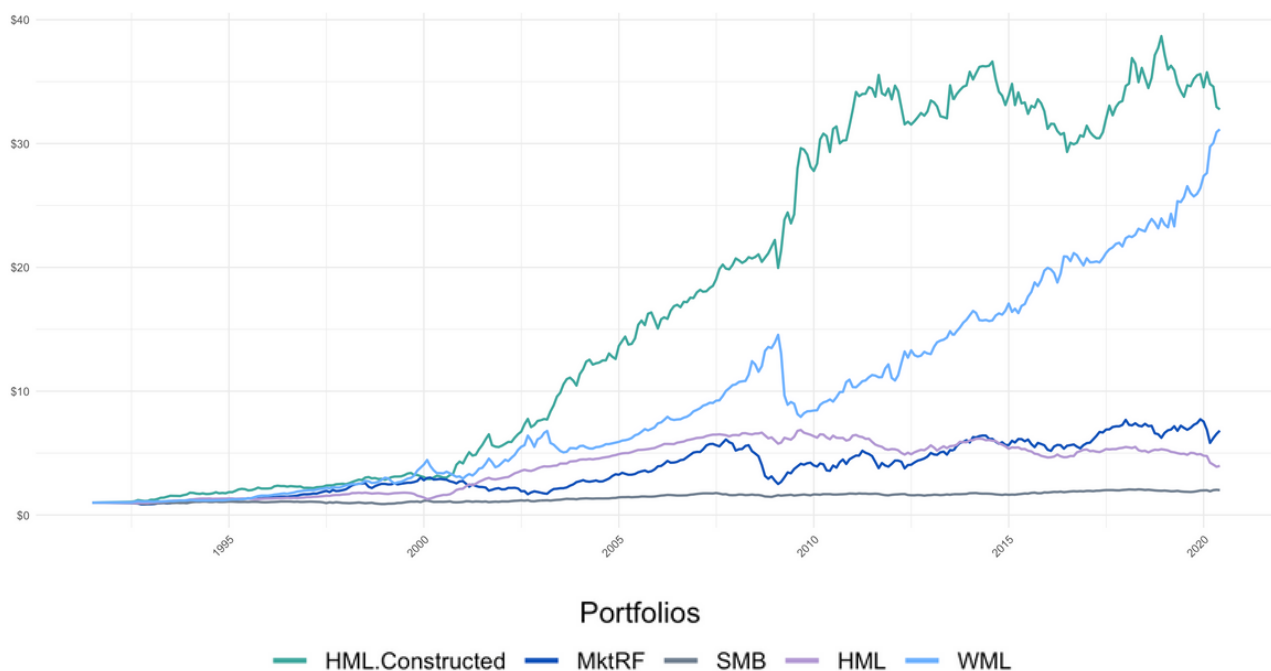
Aligned with Economics Principles: Our Strategy

Our investment strategy is in harmony with economic reasoning for several reasons. We strategically acquire fundamentally strong companies when they are trading below their intrinsic value, effectively identifying mispricing in the market. Mispricing in the market often arises from a combination of market inefficiency and behavioral biases, including overoptimism or extreme fears, which create significant valuation differences. By taking long/short positions, we capitalize on these psychological biases, and market inefficiencies, securing profit as the market corrects itself. Maintaining a balanced approach with both long and short positions, the returns on HML effectively reflect the superior performance of undervalued stocks over their overvalued counterparts, thereby neutralizing the impact of general market trends on the results. By adjusting for market conditions and firm size, our strategy integrates a layer of risk management through adaptability to market phases while reducing the impact on systemic risks. Furthermore, the historical resilience of value stocks gives us confidence that our strategy will stand the test of time, delivering robust returns for our investors. Over time, stock prices convert to the underlying fundamentals, which our strategy takes advantage of. Monthly rebalancing ensures that we continuously capture this value premium, positioning our strategy for sustained success.

Performance metrics	Values
Sharpe Ratio	0.85956
CAPM Alpha	0.00918
FF3 Alpha	0.00760
FF3 Momentum Alpha	0.00755
Cumulative Excess Return	\$32.75

Portfolio Value Over Time

Portfolio Comparison of MktRF, HML, SMB, WML and Constructed HML



Market Peaks and Valleys: Our Approach

Our value investment strategy exhibited its peak performance in the aftermath of the financial crisis (2008-2009), notably capitalizing on the market's rapid recovery phase. During this chaotic period, many fundamentally strong companies were undervalued due to the pervasive fear and uncertainty, allowing our strategy to acquire quality stocks at significant discounts. The subsequent market rebound, fueled by economic stimulus and recovery, provided exceptional returns as these undervalued assets corrected towards their intrinsic values. Conversely, our strategy faced a challenging period from 2014-2016, coinciding with the sharp decline in oil prices. This event significantly impacted the energy sector, causing widespread volatility and negatively affecting the broader market sentiment. Our value-based holdings, particularly those within or correlated to the energy sector, experienced diminished returns due to the sudden shift in fundamentals, underscoring the strategy's vulnerability to sector-specific shocks and the importance of diversification. Regarding trading costs, our strategy incurs a 0.1% fee on both purchases and sales of stocks, slightly impacting our net returns. While these costs are relatively low, frequent rebalancing could accumulate significant expenses over time, emphasizing the need for efficient trade execution.

As history has shown, our strategy exhibits robustness in downturns. Notably, it demonstrates an ability to profit from economic cycles that render value stocks cheaper. This has enabled EVF to offer investors limited risk, as well as a return above the market average, something EVF expects to continue doing in the future.