

WEM Equity US

Actively Managed Portfolio

Wealth Effect Management o.c.p., a.s.



WEALTH EFFECT

MANAGEMENT

o.c.p.



WEALTH EFFECT MANAGEMENT





WEM is a dynamic and **innovative company**

Our clients have trusted us with care for their financial life for over 10 years. International experience combined with the long-term familiarity with the Slovak financial market enables us to bring our clients the same standard and quality of care that is common on mature Western markets. We build on traditional values such as honesty and trust. We believe that only a high moral credit of our team can secure our clients sufficient protection of their property in any life situation.

To reach the highest level of professionalism and transparency we have founded the company WEM o.c.p., which is part of the WEM Group. The investment firm enables us to create products and services of unique character.



WEM Equity US

Basic characteristics of an investment

Geographic orientation USA	Benchmark Index S&P 500	Riskiness „6“ higher risk
Target Gross Profitability > 10% p.a.*	Investment time span 3 years	Minimum deposit 30.000.- EUR

*calculated based on simulated and historical performance and before deduction of fees, commissions and before tax

Detailed **characteristics** of the investment

Ideal time span: 3 years
Reference currency: USD
Efficiency of investment: Sharpe Ratio 1,28*
Riskiness of investment: Standard Deviation 17,13%*
Monte Carlo VaR 95% 1d 1,52% / 1m 8,35%**



Lower risk = lower yields

Higher risk = higher yields



Types of risks: FX risk, Firm specific risk, Market risk

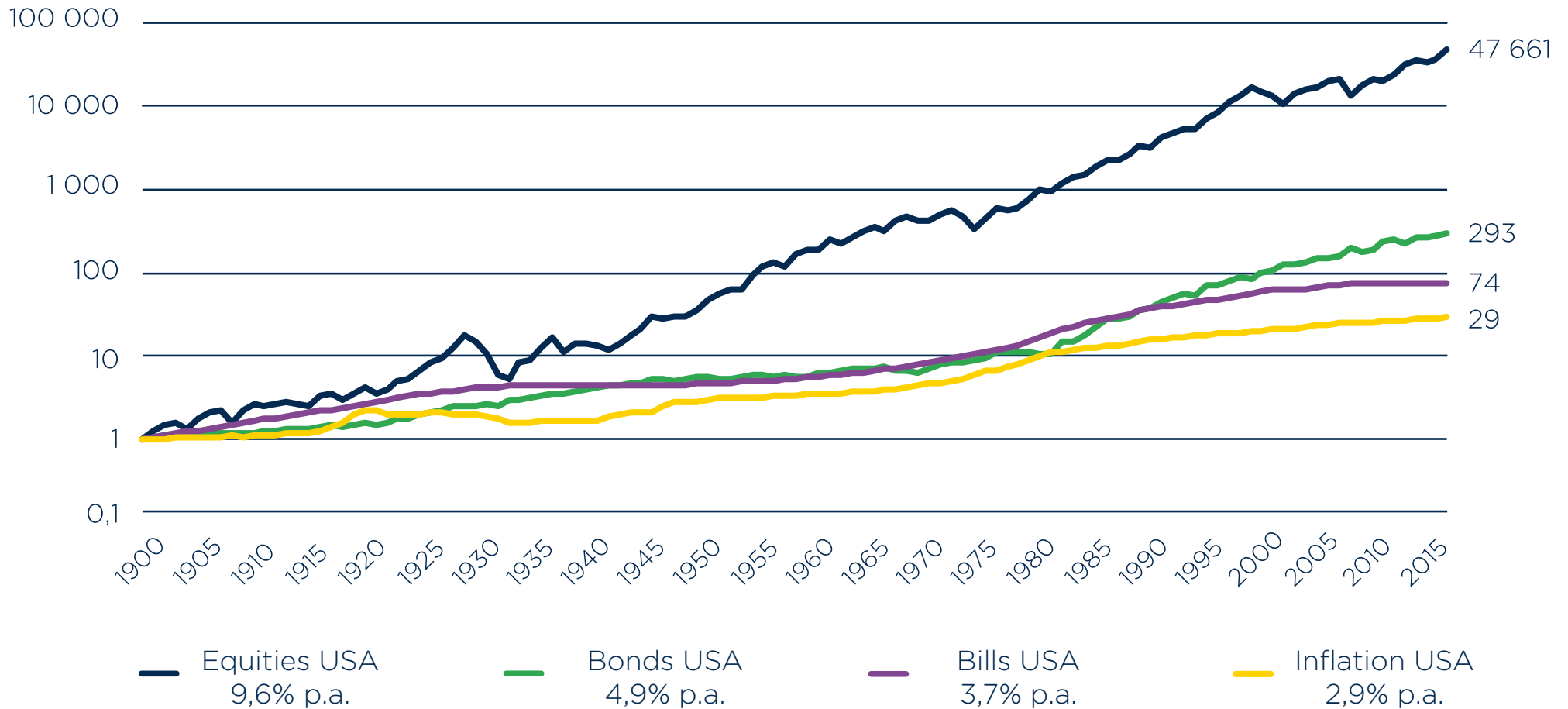
Capital guarantee: Nie

Hedging: Realised in case of need

Liquidity:: 100% (at standard market conditions)

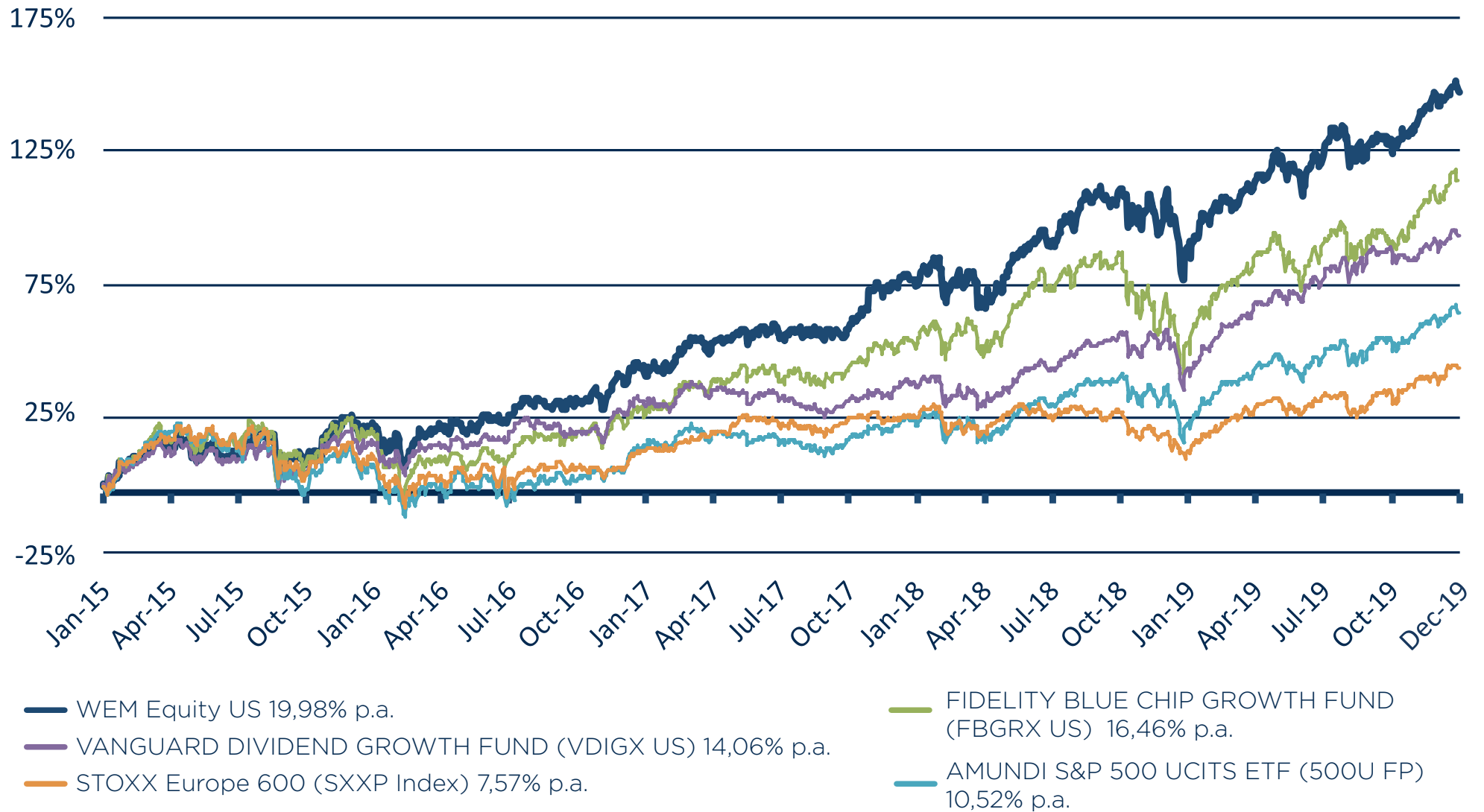
* Calculated based on simulated and historical performance in the past at a 5-year time period from 2 January 2015 to 2 January 2020 (calculation of the standard deviation is annualised)

** Simulated VaR (in EUR), Monte Carlo method used; VaR = the probability that the portfolio will not generate a higher loss within a specified time interval



Comparison of the cumulated overall appreciation of the American shares and bonds investment, and of the US money market investment, in USD for the past 117 years. The value of the invested USD 1 in shares in 1900 increased to USD 47,661 (USD 1,654 after deducting inflation) in 2017; in case of bonds, to USD 293 (USD 10.2 after deducting inflation) and in case of money market, to USD 74 (USD 2.6 after deduction of inflation) in 2017. The investment revenues are provided before deduction of fees and commissions, and before taxation.

Source: Elroy Dimson, Paul Marsh, and Mike Staunton, *Triumph of the Optimists*, Princeton University Press, 2002, and subsequent research (Credit Suisse Global Investment Returns Yearbook 2018, Summary Edition - Dimson, Marsh, Staunton)



Comparison of the simulated and historical (from 1 January 2018) cumulative percentage performance of the WEM Equity US portfolio over the past five years with selected TOP managed open-ended mutual funds from the US (with an investment strategy focused exclusively on US stocks, including reinvested dividends) and a selected major pan-European equity index. All revenues are converted into EUR currency and are shown before deduction of fees and commissions, and before tax. The brackets refer to Bloomberg Ticker. Source: Bloomberg Professional Terminal. The presented data refer to the past. Profitability in the past is not a reliable indicator of future results.

Investment **Goal**

The goal of the portfolio is to steadily surpass the benchmark (known as positive “Alpha”).

Portfolio management is executed on the basis of Markowitz Portfolio Theory which sees to achieve “product diversification” - minimization of the portfolio’s risks while preserving its yields.

The portfolio invests in a selected and limited number of company shares, selected by a fundamental analysis. Prior to selecting the companies, a selection of industrial sectors with the potential to surpass the growth of the US GDP is effectuated. This selection is followed by the selection of key companies within the sectors, which are expected to contribute to the growth of each given sector the most.

The portfolio consist exclusively of shares quoted on the NYSE and NASDAQ stock exchange, with market capitalization over 10 billion USD. The portfolio value is formed by: capital yield, dividend yield and yield from the movement of currency pairs. Of the total value of the portfolio, the majority will always invest in shares, the remaining amount will always be the exclusive cash.





Instruments of **Portfolio Management**

The main instrument of our Portfolio Management is Bloomberg Professional Terminal. The Bloomberg Company is among the world's TOP companies in providing financial information on a global level.

Bloomberg Terminal enables effective administration of the stock portfolio, for it offers complex real-time information about both the financial and non-financial development of various types of assets, crucial information about individual economies, data about stock and other financial indices, analysts' comments, qualified prognoses, analyses, etc.

Speaking from the experience of a portfolio manager who has been using the system for many years, (especially its "PORT, PRTU a EMSX" function designed specifically for effective portfolio management), it is feasible to surpass the global Benchmark and reach high yields comparable to the TOP global financial administrators, even in Slovakia.

Description of portfolio **stocks**



VISA INC-CLASS A SHARES

Visa Inc., a payments technology company, operates as a retail electronic payments network world wide.



Oracle Corporation develops, manufactures, markets, sells, hosts, and supports database and middleware software, application software, cloud infrastructure, hardware systems, and related services worldwide.



ALPHABET INC-CL A

Alphabet Inc., through its subsidiaries, builds technology products and provides services to organize the information. The company offers Google Search that provides information online.



APPLE INC

Apple Inc. designs, manufactures, and markets mobile communication and media devices, personal computers, watches, and portable digital music players worldwide.



AMAZON.COM INC

Amazon.com, Inc. operates as an online retailer globally. It operates Amazon Web Services (AWS) segments. The company serves consumers through retail websites, such as amazon.com.



WORKDAY INC-CLASS A

Workday, Inc. provides enterprise cloud applications for finance and human resources in the United States and internationally. It offers applications for customers to manage critical business functions that enable them to optimize their financial.



UnitedHealth Group™

UNITEDHEALTH GROUP INC

United Health Group operates as a diversified health and well-being company in the United States. The company's UnitedHealth care segment offers consumer-oriented health benefit plans and services for national employers, public sector employers, mid-sized employers, small businesses, and individuals; and health care coverage, and health and well-being services to individuals aged 50 and older.



MICROSOFT CORPORATION

Microsoft Corporation develops, manufactures, licenses, sells and supports software products. The company offers operating system software, server application software, enterprise and consumer application software, software development tools, and Internet and Intranet software. Microsoft is in addition developing video game consoles and digital music devices.



WAL-MART STORES INC

Wal-Mart Stores, Inc. operates retail stores in various formats worldwide.

BERKSHIRE HATHAWAY INC.

BERKSHIREHATHAWAY INC-CL B

Berkshire Hathaway, Inc. is a publicly owned investment manager. Through its subsidiaries, the firm primarily engages in the insurance and reinsurance of property and casualty risks business.

facebook

FACEBOOK

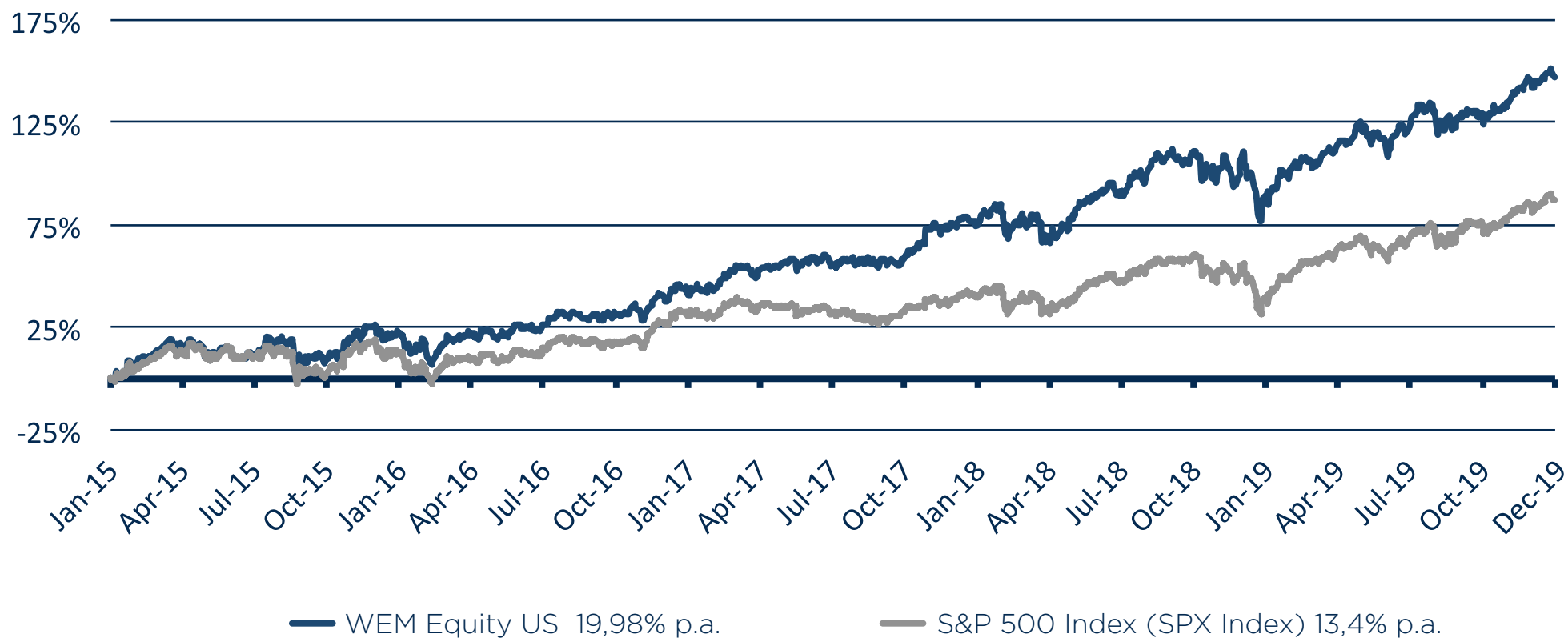
Facebook, Inc. operates as a social net working company worldwide.



MCDONALD'S CORP

McDonald's operates and franchises a network of fast food restaurants.





Comparison of the simulated and historical (from 1 January 2018) cumulated percentage performance of the WEM Equity US portfolio over the last five years with the major US stock index (including reinvested dividends). All revenues are converted into the EUR currency and are shown before deduction of fees and commissions, and before tax. The brackets refer to Bloomberg Ticker. Source: Bloomberg Professional Terminal. The presented data refer to the past. Profitability in the past is not a reliable indicator of future results.

Simulated and historical (from 1 January 2019) performance of the portfolio in the past, statistical information on the portfolio, parameter "Alpha" and potential portfolio loss in case of repeating selected negative economic events

	Profit	Loss		P/L	Date	The impact of events on the portfolio:	Loss
Number of Days	717	586	Best 1	5,69%	26.12.2018	Stock Market Crash in Japan 1989/1990	-22,5%
Percentage Ratio	55,03%	44,97%	Best 2	4,57%	26.08.2015	Financial Crisis in the US 2008/2009	-20,6%
Average Performance	0,76%	-0,77%	Best 3	4,23%	27.08.2015	The Emerging Markets Crisis 1998	-20,2%
Standard Deviation	0,69%	0,79%	Worst 1	-6,26%	24.08.2015	"Black Monday" 1987	-20,0%
Longest Sequence (Days)	13	7	Worst 2	-4,39%	21.08.2015	Lehman Brothers Bankruptcy in 2008	-14,2%
Average Sequence (Days)	2,19	1,76	Worst 3	-4,23%	10.10.2018	US Debt Ceiling Risk 2011	-13,5%

Portfolio Profit for Individual Periods:

	cumulative	p.a.
From 1.1.2015 to 31.12.2019 (5 years))	148,55%	19,98% p.a.
From 1.1.2016 to 31.12.2019 (4 years))	104,26%	19,56% p.a.
From 1.1.2017 to 31.12.2019 (3 years))	75,17%	20,56% p.a.
From 1.1.2018 to 31.12.2019 (2 years))	41,57%	19% p.a.
From 1.1.2019 to 31.12.2019 (1 years))	30,3%	30,3% p.a.

Profit / Loss for individual years:

	PORT	SPX
For 2015	22,3%	9,8%
For 2016	16,6%	12,8%
For 2017	23,6%	4,8%
For 2018	8,6%	-1,6%
For 2019	30,3%	31,4%

* *All revenues are converted into EUR and before deduction of fees, commissions and before tax, calculated as of 2.1.2020



Our **Team**



Peter Štadler
Chairman of the Board of Directors
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Type of Document

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The investment strategy presented in this investment survey does not have to be suitable or appropriate for each client or a potential client, depending on their familiarity with and experience in the field of investment concerning the particular investment strategy, their financial situation, including ability to bear losses, and on their risk tolerance, and investment objective.

Risk Warnings

Investment in financial tools included in the investment strategy presented in this investment survey is connected with risk. The investment value and the revenue from it can fall as well as rise and there is no guarantee of return of the originally invested sum. Profitability in the past is not a reliable indicator of future profitability. This document cannot be taken as an explanation of all risks connected with investment in the particular investment strategy and the related financial tools or with use of an investment service. All risks presented in this document can combine, which can result in a higher total risk connected with the particular investment. Due to the fact that the investor's property is invested in shares according to a particular investment strategy, the investment is subject to risks concerning share investment. This document is property of the company Wealth Effect Management o.c.p., a.s. Any further use, reproduction, publishing, copying of this document or any of its part is subject to prior approval of the company.



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