

# WEM Sovereign Bonds EUR

## Conservative 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 WEALTH EFFECT

## WEM Sovereign Bonds EUR

Basic characteristics of an investment

<b>Geographic orientation</b> Eurozone	<b>Benchmark</b> Bloomberg Barclays Euro AGG Government Index	<b>Riskiness</b> „3“ lower risk
<b>Target Gross Profitability</b> >2% p.a.*	<b>Investment time span</b> 2 years	<b>Minimum deposit</b> 5.000,- EUR

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

# Detailed **characteristics** of the investment

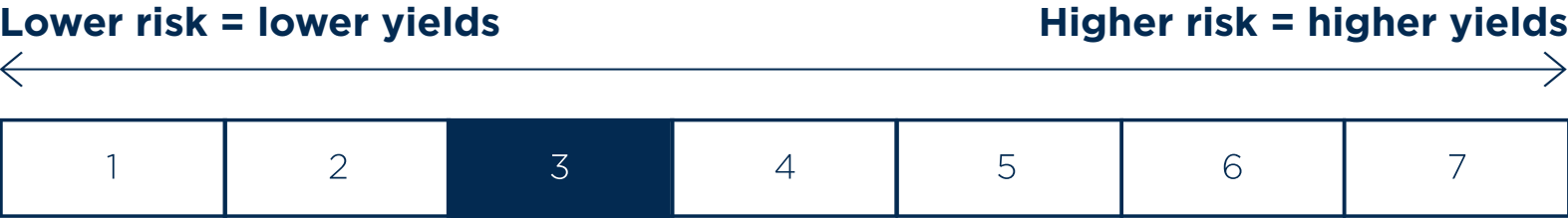
Ideal time span: 2 years

Reference currency: EUR

Asset Class: Sovereign bonds emitted by the governments of Eurozone countries

Efficiency of investment: Sharpe Ratio 0,79\*

Riskiness of investment: Standard Deviation 3,61%\* Monte Carlo VaR 95% 1d 0,33% / 1m 1,75%\*\*



Types of risks: Market risk, emitent´s default risk, interest risk, low liquidity risk, political and geopolitical risk

Capital guarantee: No

Liquidity: 100% (at standard market conditions)

Portfolio duration: 7,5

\* Calculated based on simulated and historical performance in the past at a 5-year time period from 2 January 2014 to 2 January 2019 (calculation of the standard deviation is annualised)

\*\* Simulated VaR, Monte Carlo method used; VaR 95% 1d = the probability that the portfolio will not generate a higher loss within a specified time interval.



# Safe **investing**

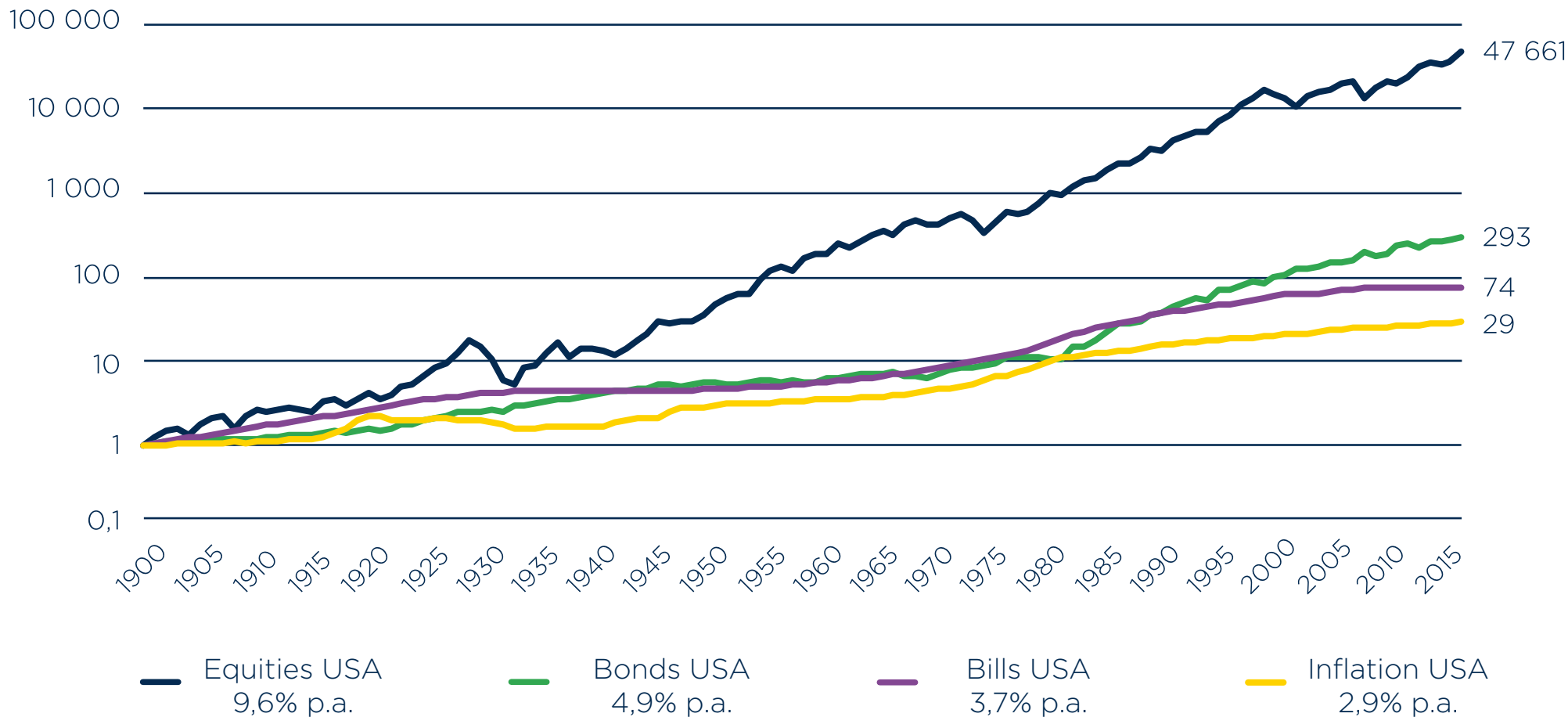
We understand conservative investors very well and therefore we try to bring to market products with which every client will feel safe. Due to the low risk profile, the quality of bond titles and the geopolitical situation of their issuers, we can be confident that the risks associated with this strategy are at a minimum level.

Our services also include access to the client zone, where you can check the value of your investment at any time. We will be pleased if you check us regularly.

However, it still holds true that we constantly try to bring our clients better results than they expect, and therefore this conservative strategy also brings above-standard evaluation to its risk profile.





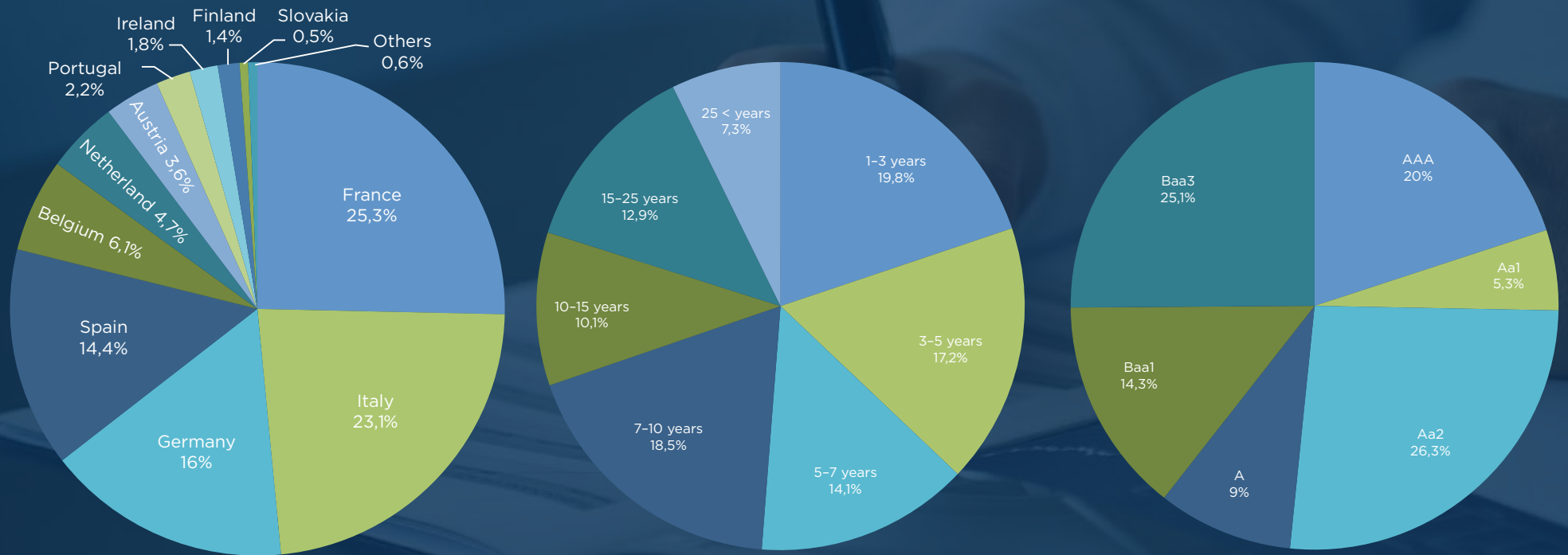


Comparison of the cumulated overall appreciation of the American shares and bonds investment, and of the US money marked investment, in USD for the past 117 years. The value of the invested USD 1 in shares in 1900 increased to USD 47,661 (USD 1,654 after deducting inflation) in 2017; in case of bonds, to USD 293 (USD 10.2 after deducting inflation) and in case of money marked, 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)



# Composition of portfolio according to countries, maturity and ratings of bonds in the WEM Sovereign Bonds EUR portfolio



# Investment **Goal**

The goal of the bond portfolio is to gain yields from the price fluctuations of corporate bonds with a maturity ranging from 1 to 25 years, whose credit quality is always within the investment scale. The geographical focus is solely on sovereign bonds (gilt-edged securities) emitted by the governments of the Eurozone.

The portfolio invests in bonds in such a way as to copy by its profitability the selected index: Bloomberg Barclays Euro Aggregate Government Index.

The portfolio should ensure the clients a suitable and safe diversification of their total investment and property. In case of decrease or significant volatility on the capital markets, the portfolio should keep its relatively stable value.

The portfolio is composed of only such bonds the value of which (i.e. the total market capitalisation) is more than EUR 2 billion. The bonds portfolio value resources are: coupon yield and return on bonds price movements.

At all times, 100% of the portfolio's value will be invested in bond ETFs. No derivatives will be included in the portfolio.



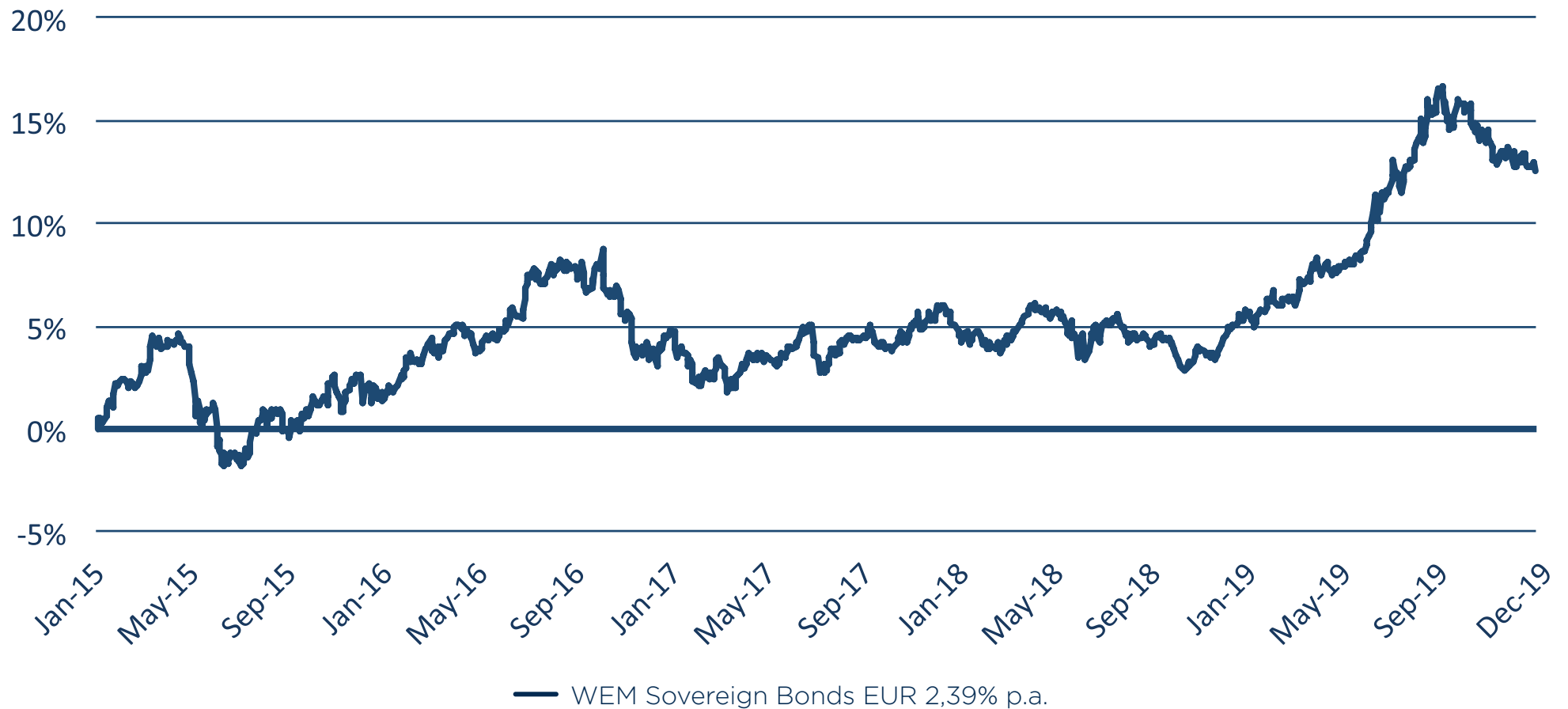


# Instruments of **Portfolio Management**

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.



Simulated and historical (from 1 January 2015) cumulated percentage performance of WEM Sovereign Bonds EUR portfolio over the last five years (from 1 January 2015 to 31 December 2019). All revenues are presented before deduction of fees and commissions and before tax. 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 2015) performance of the WEM Sovereign Bonds portfolio, statistical information on the portfolio, potential portfolio loss in case of repeating selected negative economic events

	Profit	Loss		P/L	Date	<b>The impact of events on the portfolio:</b>	<b>Loss</b>
Number of Days	718	585	Best 1	0,93%	15.06.2019	Greece Financial Crisis 2015	2,30%
Percentage Ratio	55,1%	44,9%	Best 2	0,77%	15.08.2019	Lehman Default in the US 2008/2009	0,48%
Average Performance	0,16%	-0,18%	Best 3	0,72%	18.09.2015	High volatility Jan / Apr 2018	-0,88%
Standard Deviation	0,14%	0,17%	Worst 1	-1,11%	05.05.2015	The Emerging Markets Crisis 1998	-0,59%
Longest Sequence (Days)	9	8	Worst 2	-1,08%	12.03.2015	"Black Monday" 1987	-0,30%
Average Sequence (Days)	2,25	1,84	Worst 3	-1,02%	11.10.2016	Bear Market (S&P 500 -20%)	-0,19%

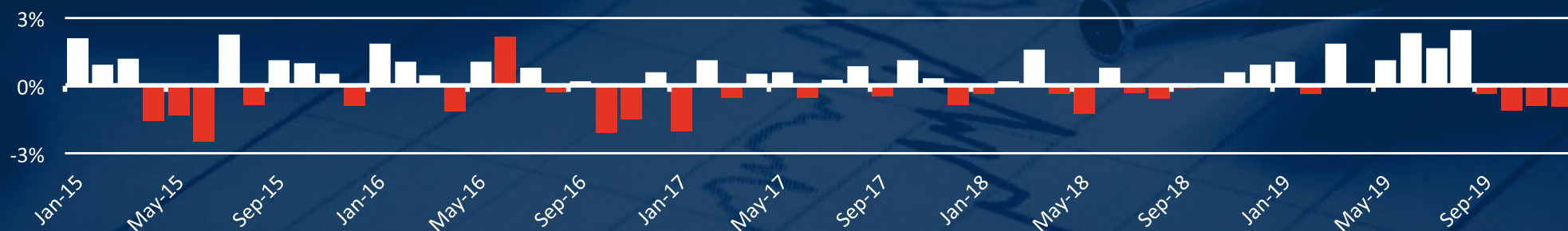
## Portfolio profit for particular periods:

	cumulative	p.a.
From 1.1.2015 to 31.12.2019 (5 years)	12,54%	2,34% p.a.
From 1.1.2016 to 31.12.2019 (4 years)	10,8%	2,6% p.a.
From 1.1.2017 to 31.12.2019 (3 years)	7,60%	2,44% p.a.
From 1.1.2018 to 31.12.2019 (2 years)	7,70%	3,74% p.a.
From 1.1.2019 to 31.12.2019 (1 year)	6,78%	6,78% p.a.

## Portfolio profit:

For 2015	1,44%
For 2016	3,20%
For 2017	-0,10%
For 2018	0,92%
For 2019	6,78%

\* All revenues are presented before deduction of fees and commissions and before tax



Simulated and historical (from 1 January 2019) performance of the WEM Sovereign Bonds portfolio on a monthly basis (from January 1, 2015 to December 31, 2019, ie for 5 years). Source: Bloomberg Professional Terminal

# Our **Team**



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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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