

December 7, 2020



WIS Investments

Periodical overview



WIS Investments, Lugano

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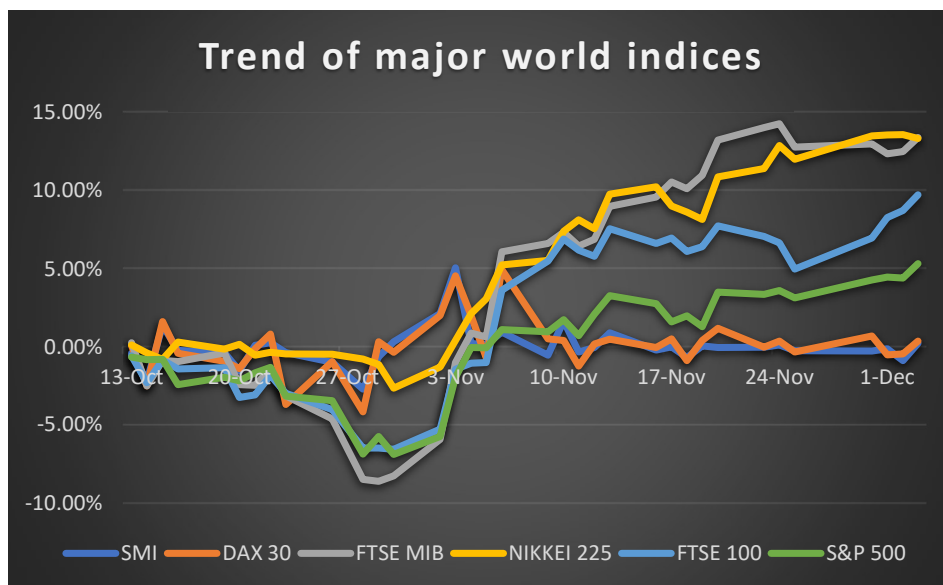
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Note: this report refers to data collected until December 4, 2020.

Markets outlook

Worldwide financial markets have shown overall upwarding trends, mainly due to the releasement of news connected to the vaccines against Covid-19 that has boosted general cautious optimism.

The American market is the one that has driven the most recent trends: its movement is overall upwarding even though the climb is daily quite volatile since indecision and uncertainty are still dominant in Wall Street. Since the 23rd of November, the vaccine optimism and the presidential transition Trump to Biden have boosted the American financial markets confidence causing the industrial and energetic sector to show the most brighten signs of recovery. However, this growing boost has been very short term: at the end of November, the US government data releasement about the higher worrisome unemployment rate have corroded the optimism for the Pfizer vaccine.



The European markets have positively reacted at the end of the last month to the news regarding the vaccine. However, with the start of December and new public restrictions imposed by some governments, European financial markets have slowly sunk. The only European market that has shown positive signs has been the English FTSE 100, with a particular enhancement of its energetic sector, as its government has officially approved the Pfizer vaccine as tradable and announced that it could be distributed from the next week on. The other European authorities are pondering the approval of this vaccine as well, further news about it are expected to come in the very short term: the European market stand cautious.

The Japanese market is the one that, as depicted in the last round market scenario, has shown higher optimism: the up-trending NIKKEI 225 is signal for the Japanese hope deriving by the vaccines, following the US path.

However, this positive sign, that can be mainly found on Japanese and American markets, has come upon an obstacle: the pharmaceutical company Pfizer has announced a revision on it supply effective capacity, enhancing some worries on the global markets.

The performance recorded in the last three months by the S&P 100 index and the S&P 500 index recorded a growth of 7% and 5.4%.

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The outlook for the U.S. economy is positive thanks to the news related to the pharmaceutical sector which presents an effective and ready for distribution vaccine, this is the key element underlying the recovery of the U.S. economy.

The decision of the Federal Reserve on November 5, 2020 saw interest rates maintained at 0-0.25% and we expect the Fed to maintain this position as we argue that for the time being this formulation is particularly accommodating. This decision may currently prove to be in support of economic activity, which depends primarily on fiscal policy. The intention of the FED is certainly to stimulate economic activity in the USA.

The forecast for 2021 will focus on vaccines that prove to be highly effective and if they are distributed quickly one can hope for a faster than expected return to normal, with monetary stimulus remaining accommodating, bringing a recovery of the stock markets.

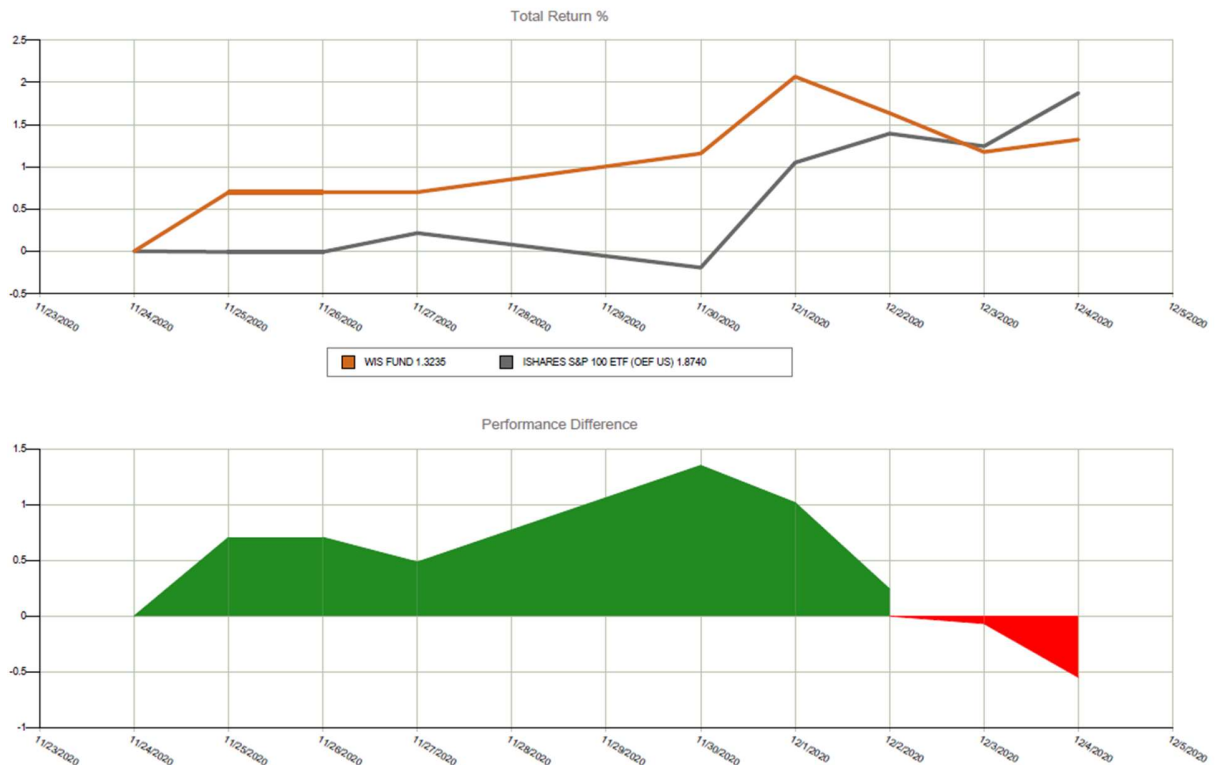
Despite the positions between the United Kingdom and the European Union still seem distant, the British Prime Minister and the President of the European Commission have agreed to make a final attempt in the hope of finding an understanding on future trade relations. The topics of discussion concern the Level Playing Field, governance and fisheries. The idea of leaving the European Union without a trade agreement would have catastrophic consequences for the UK and beyond. In light of this information we expect that by 31 December 2020 a trade agreement with robust Level Playing Field guarantees will be in place to protect the economies of countries such as France, the Netherlands, Denmark, Belgium, Spain and Italy from unfair British competition.

To conclude, the oil trend is on the rise after the agreement of the Opec countries, which have decided to increase production again as of January. Brent oil is around \$49 per Barrel, while Brent oil is around \$49 per barrel and Greggio WTI registers a price around \$46. This increase pushes energy stocks such as Eni, Saipem and Tenaris, and also projects us positively on a vision related to transport.

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Performance of the third round

The good strategy applied in the second round to rebalance WIS' portfolio, allowed the fund to have a positive return for this period. On the one hand, for these weeks, the return of the fund is 1.32% while, on the other hand, the S&P 100 (benchmark) had a return of 1.87%. Hence, even though the return is very good, WIS slightly underperformed the benchmark in this round.



However, as noticeable from the graph above, the fund overperformed the benchmark for almost the whole period. Only in the last few days the performance of the index went up more than the one of the fund did.

Some of the main statistics for the fund and the benchmark for the period between November 24, 2020 and December 4, 2020 are summarized in the next table:

	WIS		S&P 100	
	Daily	Annualized	Daily	Annualized
Return	1.32%	41.58%	1.87%	58.91%
Volatility	0.47%	7.53%	0.55%	8.79%
Sharpe ratio	2.78	5.52	3.38	6.70

Beta and alpha of the fund with respect to the benchmark for the period have been calculated but turned out to be irrelevant from a statistical point of view. For this reason, below the beta and alpha of the fund from the beginning of the AMC:

- $\beta = 0.83$
- $\alpha = -0.0012$

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The summary output of these statistics are as follows:

<i>Regression Statistics</i>	
Multiple R	0.88106655
R Square	0.776278266
Adjusted R Square	0.770063774
Standard Error	0.005470449
Observations	38

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.003738159	0.003738159	124.914183	2.93275E-13
Residual	36	0.001077329	2.99258E-05		
Total	37	0.004815488			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
α	-0.001210317	0.000890199	-1.359602578	0.182411193	-0.003015724	0.00059509	-0.003015724	0.00059509
β	0.833377034	0.074565108	11.17650138	2.93275E-13	0.682151986	0.984602083	0.682151986	0.984602083

From a statistical point of view, we notice that the α of the fund is not significant since the P-value is too big. Instead, the β of the fund is more significant, having a P-value lower than 0.5.

Performance analysis

In this section, a further analysis about the performance of the fund and the benchmark has been carried out, in order to attribute the performance to the sectors and stocks in the portfolio of WIS.

As for the sectors, in the table below are reported the weights and returns of each of them in WIS' portfolio and in the benchmark:

Sector	Average weights (%)		Return (%)	
	Portfolio	Benchmark	Portfolio	Benchmark
Health Care	26.13	12.82	2.28	3.81
Consumer Discretionary	24.00	12.40	0.14	0.23
Information Technology	23.07	31.51	4.03	3.07
Consumer Staples	12.46	7.65	0.12	0.85
Utilities	7.42	1.60	-2.84	-2.88
Industrials	4.38	5.81	-2.44	0.71
Communication Services	2.54	15.08	3.20	1.99
Materials	/	0.44	/	1.79
Financials	/	9.36	/	0.01
Energy	/	2.331	/	-0.08
Real Estate	/	0.65	/	0.65

For this third round, since the performance of the fund and the benchmark were very similar, also from a sector point of view there are not great differences. Nevertheless, the Industrials sector is probably the one that influenced in negative WIS and allowed the benchmark to realize a greater return for the period. In fact, as visible from the table above, in this sector the weights in the fund and the S&P 100 are quite similar but the performance in WIS is strongly negative while in the benchmark is slightly positive.

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In order to understand deeply why the performance differed from that of the benchmark, it is necessary to analyze the positions from the securities point of view:

Security	Sector	Average weights (%)		Return (%)
		Portfolio	Benchmark	
Danaher Corp.	Health Care	7.37	0.70	2.83
Abbot Laboratories	Health Care	7.26	0.95	0.27
Thermo Fisher Scientific	Health Care	2.54	0.91	7.98
Johnson & Johnson	Health Care	2.49	1.92	4.45
Bristol-Myers Squibb	Health Care	2.49	0.71	-1.44
Gilead Sciences	Health Care	2.48	0.38	2.17
Eli Lilly & CO	Health Care	0.91	0.58	2.45
Amgen	Health Care	0.59	0.65	3.97
Amazon.com	Consumer Disc.	7.58	6.78	1.43
Target Corp.	Consumer Disc.	7.41	0.45	-1.59
Nike Inc.	Consumer Disc.	6.54	0.84	2.05
McDonald's	Consumer Disc.	2.46	0.81	-3.51
Paypal Holdings	Information Tech.	7.83	1.25	5.71
Apple Inc.	Information Tech.	7.71	9.57	6.15
Microsoft Corp.	Information Tech.	7.54	8.12	0.23
Costco Wholesale	Consumer Staples	7.53	0.85	-0.30
Mondelez	Consumer Staples	2.48	0.41	2.09
Procter & Gamble	Consumer Staples	2.46	1.73	-0.61
NextEra Energy	Utilities	7.42	0.73	-2.84
United Parcel Service	Industrials	2.51	0.60	-3.15
Union Pacific Corp.	Industrials	1.10	0.70	-0.80
Lockheed Martin Corp.	Industrials	0.77	0.46	-2.45

Analyzing the single positions in the portfolio and in the benchmark, that the securities that drove down the performance of the fund are: Bristol-Myers Squibb, Target Corp., McDonald's, NextEra Energy and the stocks in the Industrials sector. All of these stocks not only had negative returns in the period considered, but also had a greater weight in WIS than in the S&P 100.

Furthermore, as explained above, the Industrials sector is the one that mostly influenced in negative the performance of the fund. This is due to the fact that, inside this sector, the securities picked by WIS are (almost) the only one with negative returns and also have a greater exposure.

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Macro strategy

The WIS fund has decided to rely on macro strategies for these last investment period in addition to the Markowitz Sharpe ratio optimization proposed since the foundation of the fund. Whereas the investment period covered for this last round is quite short, the macro trends forecasting strategy had to be specifically defined with a three-week horizon realization.

Overview of the strategy

The overall strategy proposed for this last investment period is as follows:

- 75% of the portfolio rebalanced using the Markowitz Sharpe Ratio optimization
- 25% of the portfolio rebalanced on the basis of macro trends concerning five different objects equally weighted:
 - o 5% invested in Bond ETFs and based on Yield curve forecasting
 - o 5% invested in ETFs on currencies
 - o 5% invested in ETFs on commodities
 - o 5% invested in Stocks based on national trends
 - o 5% invested in Stocks based on global trends

Yield curve

The Fixed income market is doubtless the asset class with the highest trading volume and is the most affected by the Yield curve (besides the credit rating). The monetary policy promoted by the developed economy were expansive even before the Coronavirus crisis occurred. Two months ago the Federal Open Market Committee (FOMC) had explicitly communicated the intentions of keeping low or even lower the interest rates until 2023, promoting a maximum employment and therefore the next adjustments are more likely to deteriorate even more the Fixed Income market yields.

	Strong Growth	Slow Growth
High Inflation	Overheated	Stagflation
Low Inflation (or deflation)	Goldilocks	Lost decade

Source: Lasse Heje Pederson, *Efficiently Inefficient How Smart Money Invests and Market Prices Are Determined*

According to the four economic environments depending on growth and inflation proposed by the table above, what distinguishes the U.S. economy is a “Lost decade” situation because of a Slow Growth and a quite Low inflation.

Even though the bond yields have already fallen down, we can expect that in order to face the Covid-19 crisis, the FED will decide to lower even more the interest rates in the short term, lowering the bond yields and raising the overall bond prices.

The WIS fund analysts expect from the very short run a slight decrease on the interest rate promoted by the U.S Central Bank and therefore, in case of deterioration of the bond yield, the new long positions on the iShares Core U.S. Aggregate Bond ETF (AGG US) and the iShares US Treasury Bond (GOVT US) will be profitable.

Currencies

A country foreign exchange rate is an important tool that allows to understand the healthiness of a specific economy and the level of his stability. The exchange rates fluctuate based on the law of demand and supply and is mostly affected by the following factors:

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- **Inflation:** a country with high (low) inflation rates typically can be traduced with a depreciation (appreciation) of domestic currency;
- **Interest rates:** higher interest rates promoted by a central bank affect positively the currency value because foreign capital is attracted;
- **Public debts/deficit:** a large public deficit and debt are unattractive for foreign investors because they higher the default risk and incentive an increase of money supply and consequently a decrease of the currency rate;
- **Political stability:** a stable government of a country enhances the attractiveness of the investments and increases the currency value;
- **Capital gains of domestic security/economic growth:** profitable domestic investments opportunities are very attractive for foreign capitals and consequently affect positively a currency.

The U.S dollar (USD) has been analyzed using the over mentioned factors and accordingly with the exchange rates trend of the USD there is an expected depreciation of this currency in the short-term. In fact, the U.S inflation has raised over the last months as well as the public debt and the economic growth has been negatively affected by the Coronavirus crisis. Hence, the Invesco DB US Dollar Index Bearish Fund (UDN US) position has been opened in order to gain from the depreciation of the USD over the next short investment horizon using an ETF that seeks to track the Bloomberg Barclays US Aggregate Bond Index.

The European Union (EU) has been quite profitable in terms of capital gains of both exchange markets and economic growth during the last period attracting foreign investors. Although the interest rates are still not attractive, the EU market is facing a very low inflation according to the Consumer Price Index (CPI) and this is positive in terms of currency appreciation. Thus, it has been decided to open an ETF position on the Invesco Currency Shares Euro Trust (FXE US), in order to gain from the Euro appreciation.

The Great Britain Pound (GBP) has been considered by the WIS fund as a good investment opportunity since the Brexit negotiations has to come to an agreement before the end of the year and therefore restore a political stability in Great Britain (GB) . Considering that the only beneficial solution for both the parties is to re-establish similar economic agreement as before the Brexit, the EU is more likely either to allow some benefits to the GB or to mediate a retreat of the Brexit announcement. Moreover, the capital gain from the security market over the last period of time has been positive as well as the economic growth. The inflation has also been pretty stable and low which represents a good indicator for the expected appreciation of a currency. For these reasons, a position on Invesco Currency Share British Pound Sterling Trust (FXB US) has been selected by the fund using this ETF which allows to track the GBP.

Commodities

Among the commodities, the highest volatility during the last year has been reached by OIL falling even to a historical negative price of 37.63 USD because of the lock-down policies implemented to face the pandemic crisis. After the oil crash realized during the month of April, the situation seems to normalize slowly as well as the oil price which raised over 46 USD. The positive and serious intention of the overall governments to distribute the vaccines among the world population will, according to the managers of WIS fund, positively affect the OIL price which is still almost 20 USD below the initial price of January. In the near future it will be indeed created a shock demand due to a comeback to normality in terms of global movements and transportations. Coherently with the short USD exposure presented in the previous section (Currencies), the WIS' analysts are aware of the negative correlation between the USD and the OIL price and this is also a confirm of the position previously taken.

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Thus, the Pro Shares Ultra Bloomberg Crude Oil (UCO US) ETF has been chosen as this ETF tracks the Bloomberg Commodity Balanced WTI Crude Oil Excess Return Index with a performance that corresponds to twice (200%) the daily performance of its benchmark.

Momentum at Country level

It is well known that, nowadays, financial markets globally are mostly influenced by the COVID-19 pandemic. The UK will be the first country in the world to begin a vaccination campaign. Furthermore, the UK has relaxed the restrictions in the country. In addition, the country plans to further loosen the restrictions during the Christmas period. WIS forecasts that these moves by the UK government and the NHS (National Health Service) will generate a positive response by the stock market in the UK in the near future.

Another factor that has been taken into account for our near future vision is that by December 31st the EU and UK have to find a deal on Brexit. There is a lot of trade between EU and UK and with no deal prices in UK shops could rise. That is due to the fact that countries with no free trade agreements must trade according to rules set by WTO (that means reintroduction of taxes on trade between UK and EU). On the other hand, UK government sources says that the chances of a no deal are receding. These are the main reasons that pushed the managers of WIS to invest in an ETF that tracks the returns of the FTSE 100.

On the other hand, the decision of buying an ETF that is the inverse of the S&P 500 comes primarily from hedging purposes. In fact, WIS fund is mainly invested in securities listed in the S&P 100 and having an ETF that is bearish on the index should be a hedge to the fund.

Momentum at global themes

The results of the U.S presidential election has been a relief in terms of future green energy prospective since the democratic party member Joe Biden during his campaign has announced a revolutionary approach of the U.S policy about environment renewable topic, embracing the Paris climate agreement again. Since even before the presidential outcomes the global warming has been a relevant and alarming question, the global investment trend will be accelerated in the short run. In fact, the capital exposure on financial assets regarding eco-friendly companies are not only respectful from an ethical point of view but also very performing. Hence, for the global theme investment strategy, the Invesco Solar ETF (TAN US) fund has been purchased taking benefits on the high returns, both into the short and long investment horizon.

Risk exposure of the macro strategy

The strategy of WIS is exposed to various kind of risks that are worth attention. Among these, one of the main risks the fund is exposed to, is the interest rate risk. In fact, for the yield curve section the fund relies on the assumption and belief that interest rates will remain low or will be even cut further. This should allow the price of the bonds to go up. However, if the interest rates should be raised, the strategy would not benefit as expected the portfolio of WIS.

Another risk relative to the application of the macro strategy may be due to tensions between the EU and the Great Britain that might occur about the Brexit. Difficulties in finding an agreement could cause high volatile markets in the U.K. (and not only), generating losses for WIS, which invested in an ETF that tracks the FTSE 100 and in an ETF that tracks the value of the British Pound.

Moreover, in the case of a third wave of the pandemic and consequently another lockdown, new restrictions may cause additional difficulties in markets such as transportations. This would negatively

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affect oil prices and since WIS opened a new leveraged position that tracks the price of CRUDE oil, this would have negative effects on the portfolio.

Portfolio rebalancing

After the macro strategy, WIS' portfolio has been accordingly rebalanced. In particular the following changes have been made:

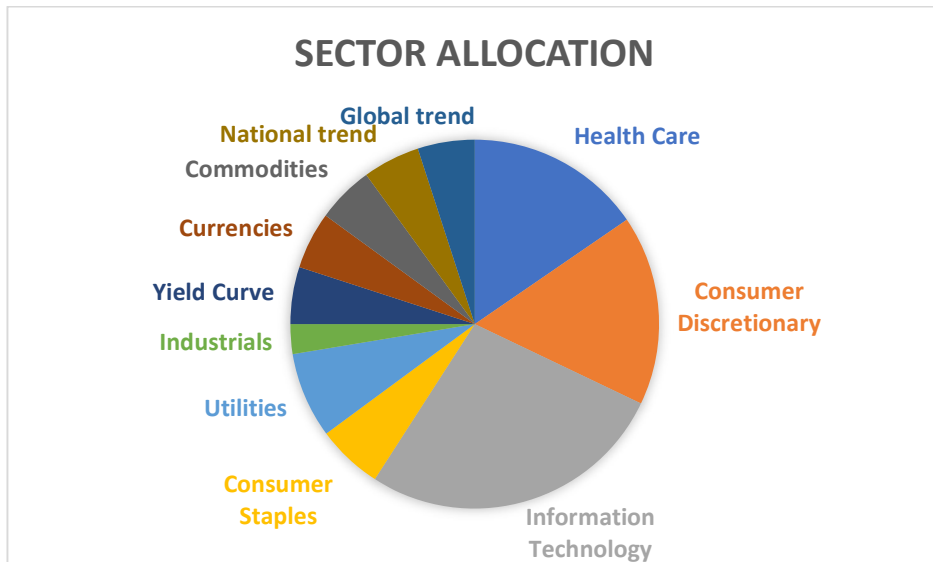
- Closed positions: Amgen Inc., Bristol-Myers Squibb, Gilead Sciences, Johnson & Johnson, Netflix Inc., Procter & Gamble, Thermo Fisher Scientific Inc., Union Pacific Corp., United Parcel Service.
- Open positions: salesforce.com Inc., iShares Core U.S. Aggregate Bond, iShares US-Treasury Bond, Invesco DB US Dollar Index Bearish Fund, Invesco CurrencyShares Euro Currency Trust, Invesco CurrencyShares British Pound Sterling Trust, ProShares Ultra Bloomberg Crude Oil, Direxion Shares Etf Trust-Direxion Daily S&P 500 Bear 1x Shares, iShares Core FTSE 100 UCITS, Invesco Solar ETF

After this process, the securities embedded in the portfolio of the fund are shown in the next table:

Security	Symbol	Weight
Apple Inc.	AAPL	7.5%
Abbott Laboratories	ABT	7.5%
Amazon.com Inc.	AMZN	7.5%
Costco Wholesale Corporation	COST	7.5%
Danaher Corporation	DHR	7.5%
Eli Lilly and Company	LLY	0.91%
Lockheed Martin Corporation	LMT	0.78%
McDonald's Corp.	MCD	2.5%
Microsoft Corporation	MSFT	7.5%
NextEra Energy, Inc.	NEE	7.5%
NIKE Inc.	NKE	6.59%
Paypal Holdings Inc.	PYPL	7.5%
Target Corporation	TGT	7.5%
Salesforce.com Inc.	CRM	7.5%
ETFs	Symbol	Weight
iShares Core U.S. Aggregate Bond	AGG	2.5%
iShares US-Treasury Bond	GOVT	2.5%
Invesco DB US Dollar Index Bearish Fund	UDN	1.67%
Invesco CurrencyShares Euro Currency Trust	FXE	1.67%
Invesco CurrencyShares British Pound Sterling Trust	FXB	1.67%
ProShares Ultra Bloomberg Crude Oil	UCO	5%
Direxion Shares Etf Trust-Direxion Daily S&P 500 Bear 1x Shares	SPDN	2.5%
iShares Core FTSE 100 UCITS	ISFD	2.5%
Invesco Solar ETF	TAN	5%

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As shown in the following pie chart, the sector with the most important weight in the portfolio of WIS is the Information Technology:



The Health Care and Consumer Discretionary sectors also carry an important weight in the portfolio of the fund. This is due to their preponderance in the benchmark, the S&P 100 index. However, for the first time in its history, WIS introduced in its portfolio assets that are not stocks in order to have an even more diversified portfolio and try to outperform the benchmark, trying to exploit macroeconomic trends.