WIS INVESTMENTS

Investment Strategy: Board Proposal to Investors

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WIS INVESTMENT, Lugano

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SUMMARY

BOARD OVERVIEW

The WIS Investments fund was established in October 2020 by 6 USI students in Lugano. The founders decided to start this fund driven by a strong motivation and confidence in their abilities. The members of the Management Board have different backgrounds, that allow them to diversify the Board knowledge in a synergetic way.

In particular, it is made up of an IT ace, two banking and finance professionals, two quantitative finance specialists and a digital finance expert. The different sectorial background of the founders allows the board to gather an overview of the economic, by grasping analytical and technical aspects from different point of view necessary for the optimal administration of the fund.

MISSION & VISION

The name and logo of WIS embody the founders' concept and mission. WIS, from Old English, is synonym for prudent, discreet, experienced: generally, describes someone that has the power of discerning and judging rightly. Whereas the logo is inspired by the ancient Greek symbol for strength and wisdom: the owl. In fact, being the bird of prey able to see in the darkness, is skilled to juggle uncertainty.

Like an owl, WIS Investment has the objective of wisely and responsibly manage the capitals entrusted by investors, ensuring returns even in periods of intense uncertainty such as the one we are currently going through.

To keep the promises made to investors, the team ensures the use of the best tools and techniques available. Thanks to the support of the IT specialist, the codes used are solid and well implemented. Market analysis, on the other hand, is conducted both from a quantitative and a qualitative point of view in an attempt not to miss trends and opportunities. The code is implemented in Python and market information is mainly sourced from a cross-research on Yahoo Finance and Bloomberg.

INTERNATIONAL FINANCIAL ENVIRONMENT ANALYSIS

MACRO ANALYSIS: MARKET SITUATION AT OCTOBER 2020
The Covid-19 epidemic effects continue to weigh on the global economy, intensifying the risks for various countries which encounter great difficulties from a health point of view and from the increased macroeconomic scenarios uncertainty. Despite the political interventions, the reduction of international trades is heavily affecting the global economy and in particular the financial sector.
The fear for a close second contagion wave and lack of trust in governments' decisions could affect the markets for longer term than expected before.

DRIVERS THAT MAINLY INFLUENCE THE GLOBAL MARKETS TODAY
- **COVID-19**: a severe global pandemic crisis that modified consumers' habits, the demand-offer balance and trading expectations
- **GREEN ECONOMY**: sensibilization of consumption driven by an eco-friendlier awareness promoted by several government policies and NGO associations worldwide
- **WORLD RELEVANT NEWS**: politics (ex: US 2020 presidential election) and relevant news that have impact on every market, on home and international level, including securities and currency exchange markets.

SECTORS THAT ARE ATTENTION WORTHY TODAY:

1. **HEALTHCARE & PHARMACEUTICAL INDUSTRY**: the pandemic that has affected 2020 has boosted the healthcare system, mostly in the US market, by the increasing demand for care devices and services. Furthermore, the race for a covid-19 vaccine has driven lot of attention on this sector.
2. **SOFTWARES & TECHNOLOGY**: the 2020 pandemic correlated needs, like social distancing and home-working, have enhanced the positive trend that the sector boasts from several years
3. **E-COMMERCE, ONLINE RETAILERS and WEB SERVICES**: the social distance required by the pandemic situation has boosted the e-commerce industry and the people worldwide need of keeping in touch with dear ones has increased the use of Social Media and Streaming Services
4. **PARCEL, POST AND DELIVERY**: alongside with the demand for online retailers, also the delivery sector has increased
5. **CONSUMER DISCRETIONARY SELECT SECTOR**: the crisis has enhanced the consumption of basic commodities (like food, home and self-care products) instead of luxury goods
6. **RENEWABLE ENERGY**: worldwide attention on renewable energy instead of traditional energy companies that, on the contrary, has suffered the current crisis
7. **COMMODITIES**: during crisis this kind of assets are always considered as the safest investments opportunities because considered as instrument for reserve of value

THE US MARKET AND THE S&P100 INDEX

In order to exclude the exchange rate risk, WIS investments fund decided not to invest in securities listed in foreign exchange markets. As shown in the graph below, which reports the US Dollar Index, the volatility of exchange rates has been very high in the recent periods.
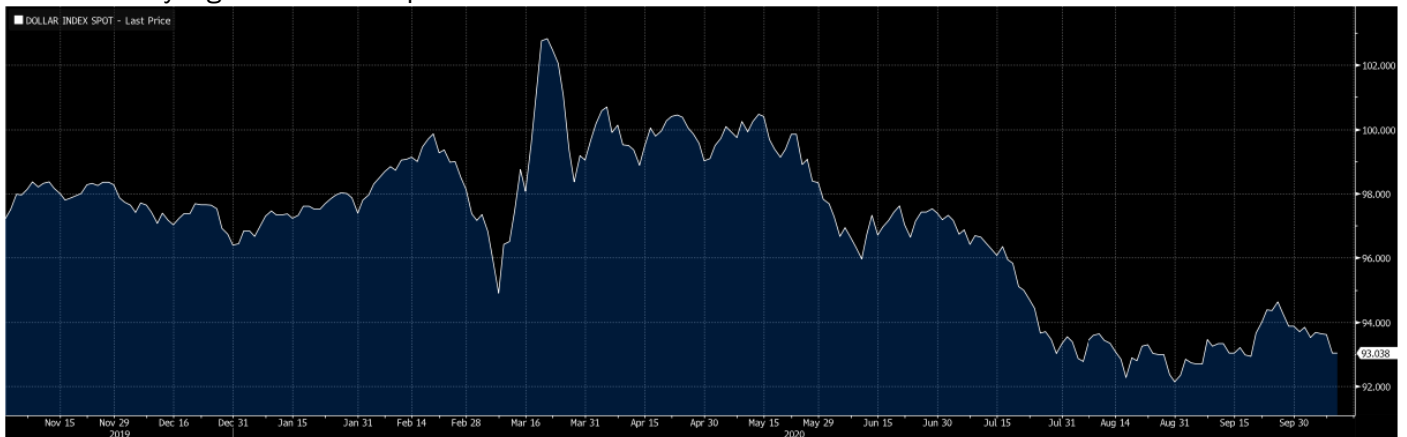

VOLATILITY OF RETURNS OF DOLLAR INDEX SPOT OVER THE LAST YEAR: Source: Bloomberg.com

With respect to foreign trends, the US market has demonstrated to be stronger and more stable during the crisis that has overwhelmed the 2020 global economy.
For this reason, WIS has focused its investment strategy on this market.
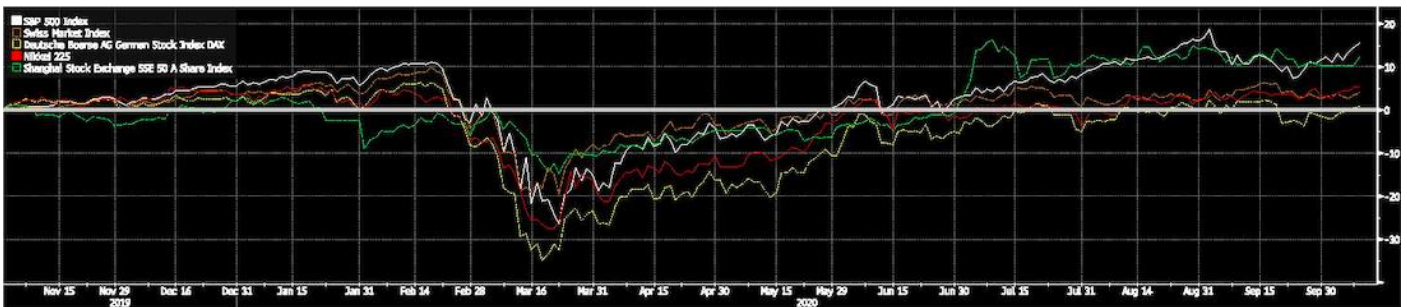
VOLATILITY OF RETURNS OF PRINCIPAL GLOBAL INDEXES OVER THE LAST YEAR:
S&P500 (US market), SMI (Swiss Market), DAX (German Market), NIKKEI (Japan Market), SEE (Shangai Market); Source: Bloomberg.com

The strategy proposed by WIS is focused on securities listed on the S&P 100 Index because, as shown in the next chart, it is one of the most profitable. Furthermore, it is well known that during rough markets Large-cap stocks tend to outperform Middle and Small-cap stocks because investors usually prefer quality and stability becoming more risk-averse.
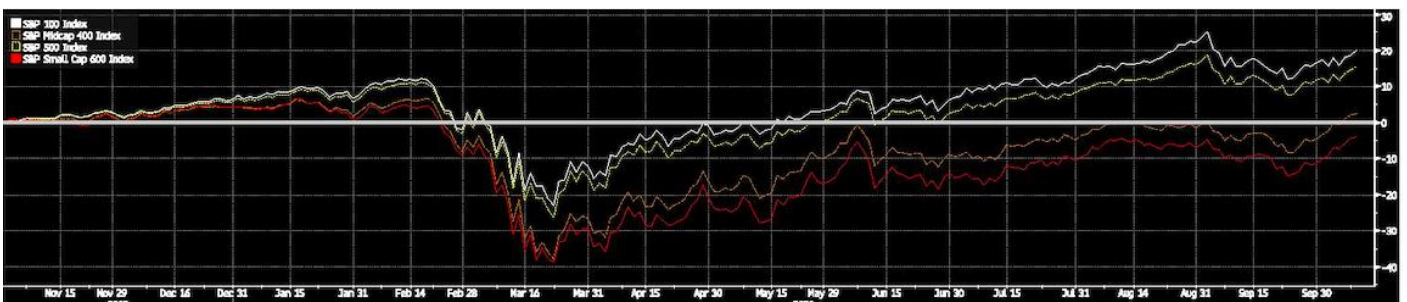
VOLATILITY OF RETURNS OF PRINCIPAL INDEXES IN THE US MARKET OVER THE LAST YEAR:
S&P500, S&P BigCap100, S&P MidCap400, S&P SmallCap600; Source: Bloomberg.com

PORTFOLIO OPTIMIZATION STRATEGY & BACKTEST

INVESTING STRATEGY

The WIS Investments fund aims at achieving high levels of Sharpe Ratios based on the historical returns of the components of the S&P 100 Index, using exclusively long positions.
To reach the investment objectives and therefore to reach the highest returns possible, as a trading strategy, the fund uses a Markowitz optimization.
The aim is to select the weights of each stock, using Python, by maximizing the Expected Sharpe Ratio of the portfolio and on the base of last 4 years returns.
The approach that WIS deals, resulting from a consistent quantitative optimization in Python, develops as follows:

WIS STRATEGY: REALIZATIONS	
Expected Annual Return	27.10%
Annual Volatility	16.40%
Annual Sharpe Ratio	1.53

The investing strategy of the fund is designed to match and even challenge to exceed the performance of the benchmark.

BACKTESTING

To show the success of the fund's strategy, it was backtested. Precisely, the portfolio is optimized in 2016 based on the previous 4 years of returns and rebalanced monthly for the following period. This test demonstrates how the portfolio, suggested by WIS trading strategy, would have performed over the period 2016-2020.
In the following chart, it is possible to see the results of the backtest compared with the S&P 100 Index returns, which is the fund's benchmark. Specifically, we assume to invest $ 1'000 in our fund and in the benchmark in January 2016 and compute the cumulative returns.
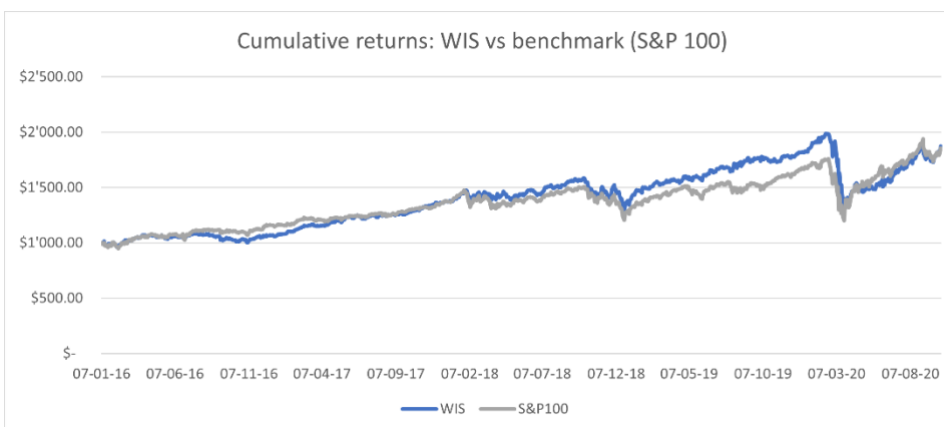
As visible from the graph describing the cumulative returns of WIS strategy and its benchmark between 2016 and 2020, WIS strategy would have outperformed the benchmark for almost the whole period.

CUMULATIVE RETURNS: WIS vs S&P100 (2016-2020):
comparison between the strategy that WIS has optimized by its Python algorithm and the benchmark;
*source of data: yahoo.finance.com*

ASSET ALLOCATION

PORTFOLIO COMPOSITION

The table below shows the securities embedded in the WIS Investments fund's portfolio, which require the investor to commit $ 100'000'000.
All these equities are listed in the S&P 100 Index. Those stocks were picked, as we explained in the previous paragraphs based on a Markowitz optimization.
The weights of each stock in our fund is reported in the next pie chart.

Security	Symbol	Currency
Apple Inc.	AAPL	$
Amazon.com Inc.	AMZN	$
Costco Wholesale Corporation	COST	$
Danaher Corporation	DHR	$
The Home Depot, Inc.	HD	$
Eli Lilly and Company	LLY	$
Lockheed Martin Corporation	LMT	$
Lowe's Companies, Inc.	LOW	$
Mastercard Incorporated	MA	$
Microsoft Corporation	MSFT	$
NextEra Energy, Inc.	NEE	$
NIKE Inc.	NKE	$
Target Corporation	TGT	$
UnitedHealth Group Incorporated	UNH	$
Visa Inc.	V	$
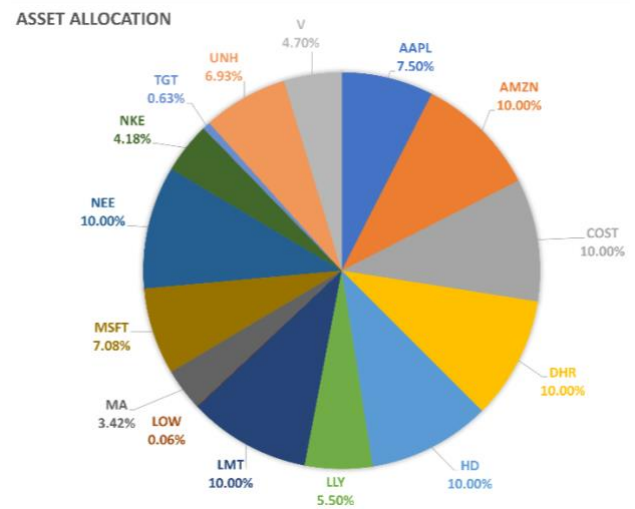
The remaining amount of the $ 100'000'000 budget that is not invested due to rounding is simply held in cash.
The securities in the WIS Investments fund belong to 7 different sectors: utilities, technology, consumer cyclical, consumer defensive, healthcare, industrials and financial services.
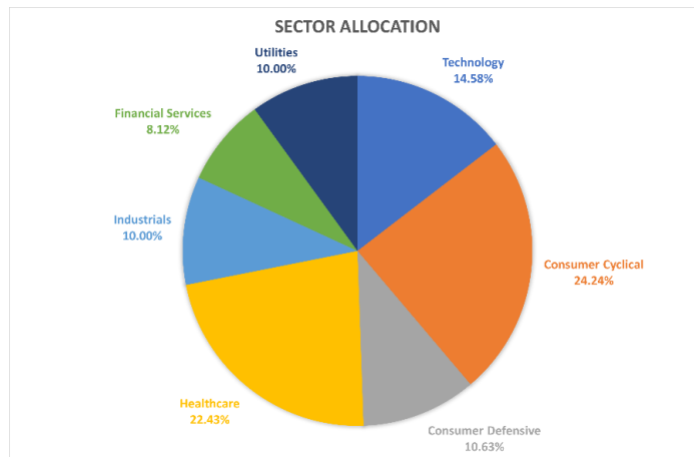
The aim of a portfolio with stocks belonging to multiple sectors is to have a broadly diversified portfolio.

USEFUL EXTERNAL SOURCES

USEFUL LINKS:
https://finanza.economia-italia.com/previsioni-mercati-finanziari-borse-valori
https://www.credinvest.ch/Upload/pdf/Andamento_mercati_finanziari.pdf

DATA SOURCES:
Bloomberg.com
Finance.Yahoo.com