



DEEP RESEARCH FUND - RETURN ANALYSIS

# Explanation of the annual return, 2016 to 2024

The net return of the Deep Research Fund A-class since its inception in 2016 has been +9.2%. Below, you can find more information on how this return was achieved.

## Operating performance

In our investment process we focus on companies with competitive advantages and products that are experiencing a natural demand. Accordingly, our portfolio companies have recorded an average annual revenue growth of +6.5% over the past eight years. This fluctuated from -3.6% during the pandemic in 2020 to +13.0% during the recovery in 2022. The operating margin deteriorated only minimally over the years and remained relatively stable. Today, the average profit margin stands at 22.3%.

## Valuation

The Deep Research Fund follows a value investing strategy, where stocks are bought at low prices and sold when they become too expensive. This disciplined approach has resulted in an annual valuation gain of +5.2%. Since we replace expensive stocks in the portfolio with cheaper ones, the overall valuation of the portfolio has remained relatively stable throughout the years.

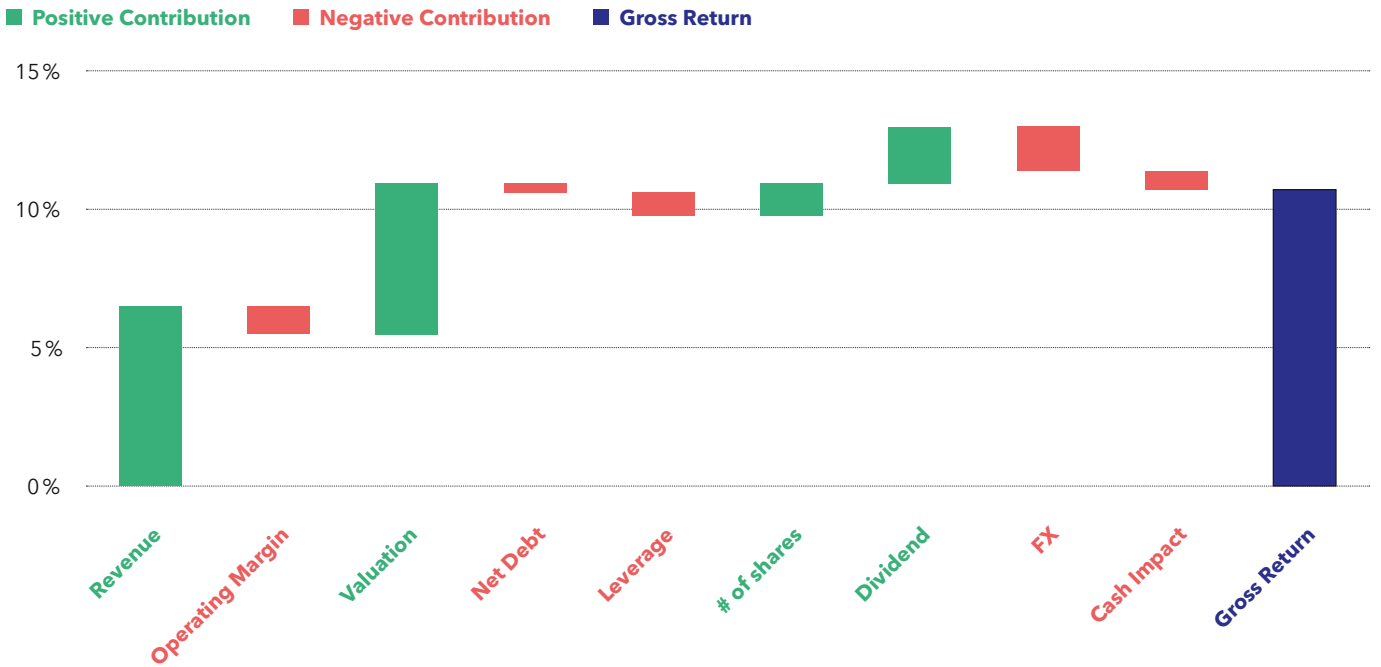
## Use of income

In our communication with the management of our companies, we consistently emphasize the importance of avoiding excessive debt. As of the end of December 2024, the average capital structure in our portfolio stands at 1.1x ND/EBITDA. Therefore, we do not generate returns from leverage. Our companies use their profits to either reinvest in their business, buy back shares, or pay dividends. The annual net dividend yield amounted to +2.1%. Share buybacks have also contributed positively to returns by reducing the number of outstanding shares, adding +1.1% to performance.

## Miscellaneous

The appreciation of the Swiss franc negatively impacted the annual return by -1.4%. The cash allocation also had a negative contribution of -0.7%, with an average investment level in the fund of 5.7%. However, after the initial years of 2016-2017, we have been more than 97.0% invested, which lowered the cash impact to -0.3%. Similarly, the average Total Expense Ratio was 1.5%, but it has since decreased to just 1.3%.

**Explanation of the net return of 9.2% since inception in 2016**  
 Deep Research Fund - Class A



<b>Gross Return</b>	10.7%
<b>Total Expense Ratio (TER)</b>	-1.5%
<b>Other</b>	0.0%
<b>Net Return</b>	<b>9.2%</b>

We regularly analyze the different factors contributing to the returns of the Deep Research Fund and report on them annually. Portfolio returns typically comprise three components: capital gains, dividend payments and currency exposures. We have developed a method to analyze the true drivers of returns in more detail. These might include business expansion, margin improvement, smart buying or selling strategies, or simply the cash earned by the company.

At [www.deepresearchfund.ch](http://www.deepresearchfund.ch) (in the section "Insights", under "Return Break-down"), you can find a detailed explanation of our analysis with a description of how the returns are broken down into the listed factors.

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