



DEEP RESEARCH FUND - RETURN ANALYSIS

# Explanation of the net return in 2017

The net return of the Deep Research Fund A-class was +17.6% in the year 2017. Below you can find more information on how this return came about.

## **Operational contribution**

The main source of return was once again revenue growth across our portfolio companies, which added +12.0% to the return. 20 out of the 21 companies recorded positive revenue growth in 2017. Profit margins declined slightly on average, leading to a -1.5% return impact. Two stocks in particular are going through a heavy investment phase, which required a short-term sacrifice at the margin level.

## **Valuation**

The valuation gain this year added +10.8%. We found three interesting new investments, which we were able to add to the portfolio at attractive prices.

## **Use of earned cash**

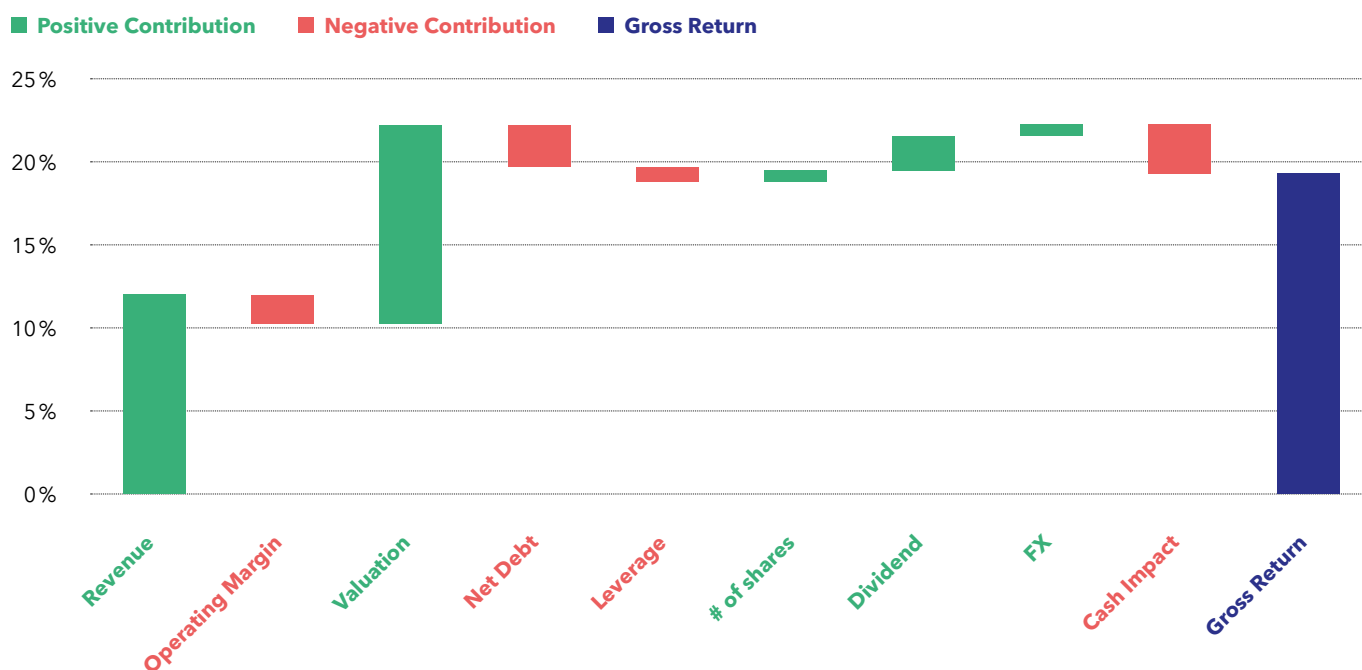
The increase in net debt was caused by two large acquisitions. The positive outlook led once again to heavy reinvestments and payout in the form of dividends and share buybacks. The net dividend yield was +2.1% and the reduction in share count added another +0.6%.

## **Other**

The fund held 12.4% of the available capital in cash throughout the year, which caused a -2.9% cash drag. As we wrote last year, our aim is to continue to reduce that going forward. Finally, the TER of 1.6% was a sequential improvement of 0.9% due to the growth of the fund. As the fund continues to grow, we expect the TER to decline further.

**Explanation of the net return of +17.6% in 2017**

Deep Research Fund - Class A



<b>Gross Return</b>	19.3%
<b>Total Expense Ratio (TER)</b>	-1.6%
<b>Other</b>	-0.1%
<b>Net Return</b>	<b>17.6%</b>

We analyze and report annually on the different factors that led to the Deep Research Fund's return. The return of the fund is in principal comprised of the capital gains, dividend payments and currency exposures of the various stocks in the fund. We go one step further and analyze the capital gains of the stocks in more details.

On our website at [www.deepresearchfund.ch](http://www.deepresearchfund.ch) in the section Insights, you can read the report called "return analysis" that provides a detailed explanation of our return analysis with a description of how the return can be broken down into the shown factors.

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