



DEEP RESEARCH FUND - RETURN ANALYSIS

Explanation of the net return in 2018

The net return of the Deep Research Fund A-class was -11.6% in the year 2018. Below you can find more information on how this return came about.

Operational contribution

The main positive contributor to the return in 2018 was the revenue growth across our portfolio companies of +9.4%. Major investments and turnaround situations - one of which we added this year - led to a decline in the average profit margin of our companies. While we are not pleased with the -4.2% of this factor, we understand that long term investing requires short-term patience until the planted trees bear fruits.

Valuation

The stock market had a bad year overall. The price-to-earnings ratio of the S&P500 experienced the third largest decline of the last 40 years. 70% of our stocks also experienced a valuation decline, leading to the lowest valuation of the Deep Research Fund's still young history. The valuation factor contributed -13.6%.

Use of earned cash

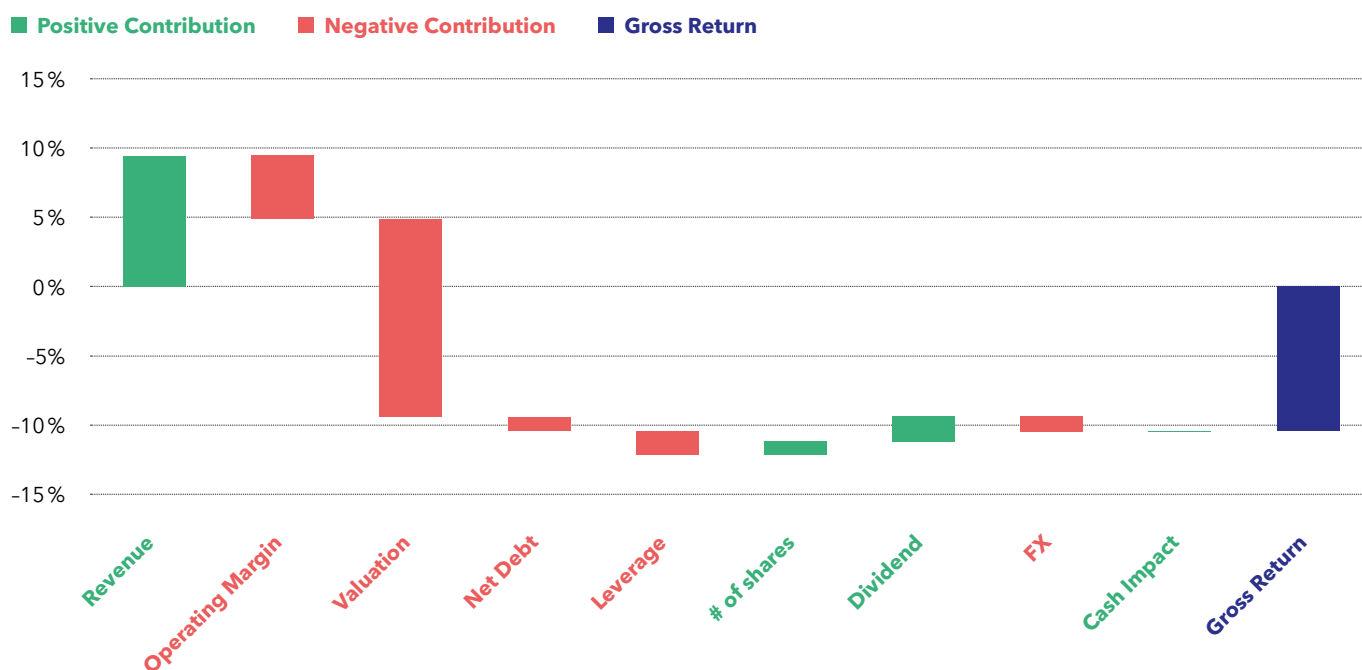
The companies used more cash than they earned to pay dividends and buy back shares, hence, the slight increase in net debt (-1.1% contribution). The net dividend yield was +1.8% and the reduction in share count contributed a further +1.1%.

Other

The net cash impact was zero and the TER was 1.5%.

Explanation of the net return of -11.6% in 2018

Deep Research Fund - Class A



Gross Return	-10.4%
Total Expense Ratio (TER)	-1.5%
Other	0.4%
Net Return	-11.6%

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 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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