



DEEP RESEARCH FUND - RETURN ANALYSIS

Explanation of the net return in 2019

The net return of the Deep Research Fund A-class was +32.7% in the year 2019. Below you can find more information on how this return came about.

Operational contribution

The growth in the portfolio companies' revenue added +7.0% to the return. We had two companies going through a transformation period, which led to a decline in profit margin. This factor contributed -2.0% to the return, however, excluding those two companies, it would have been a positive contribution.

Valuation

After last year's market decline at year-end, there was a big recovery in 2019. Valuation gains added +29.1% to the return. 13.4% thereof was due to the market valuation increase, and 15.7% due to selling three stocks that overextended their valuation. We sold them at a mean profit multiple of 22.4x whereas the stocks we replaced them with had a mean multiple of 11.4x profit.

Use of earned cash

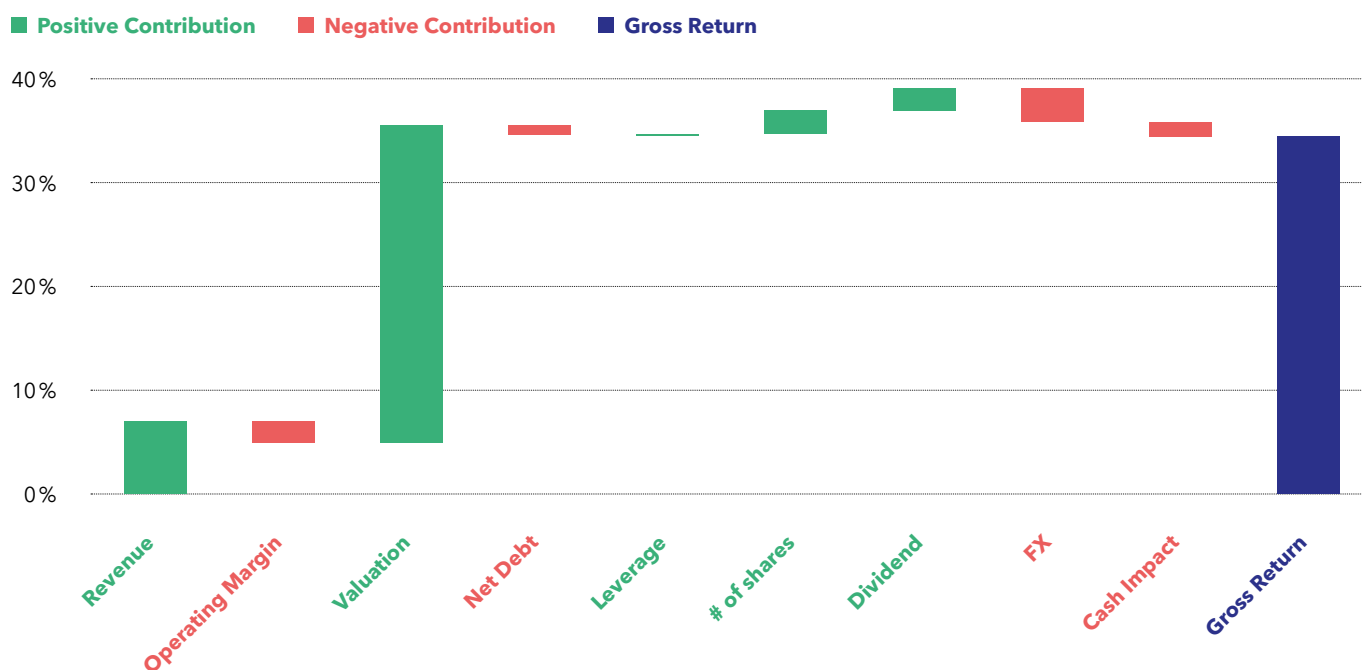
Our companies once again used more cash than what they earned, leading to a slight increase in net debt (-0.7% contribution). The resulting dividend yield was +2.1% and the reduction in share count from buy backs added +1.7%.

Other

The cash drag was -1.4% at an average investment level of 96%. The TER was 1.4%.

Explanation of the net return of +32.7% in 2019

Deep Research Fund - Class A



Gross Return	34.4%
Total Expense Ratio (TER)	-1.4%
Other	-0.3%
Net Return	32.7%

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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