



DEEP RESEARCH FUND - RETURN ANALYSIS

Explanation of the net return in 2020

The year 2020 was the year when the Corona pandemic broke out. The net return of the Deep Research Fund A-class was +12.7% in the year 2020. Below you can find more information on how this return came about.

Operational contribution

Revenue of our portfolio companies declined on average -3.6%. Nevertheless, about a third of our companies benefited from the pandemic. These benefits included online retail sales and revenue from support service in the fight against the pandemic. The pandemic affected most companies negatively though, as was evident in the average profit margin decline of -17.6%.

Valuation

The average valuation gain of +43.0% was ultimately responsible for the positive net return in 2020. We found some interesting new investments, which we purchased at a mean profit multiple of 13. The five stocks we sold to make room for the new investments we sold at an average profit multiple of 27. The +43.0% contribution is therefore a mix of on the one hand disciplined implementation of the "buy low, sell high" principal, and on the other hand the market's regained confidence at the end of the year.

Use of earned cash

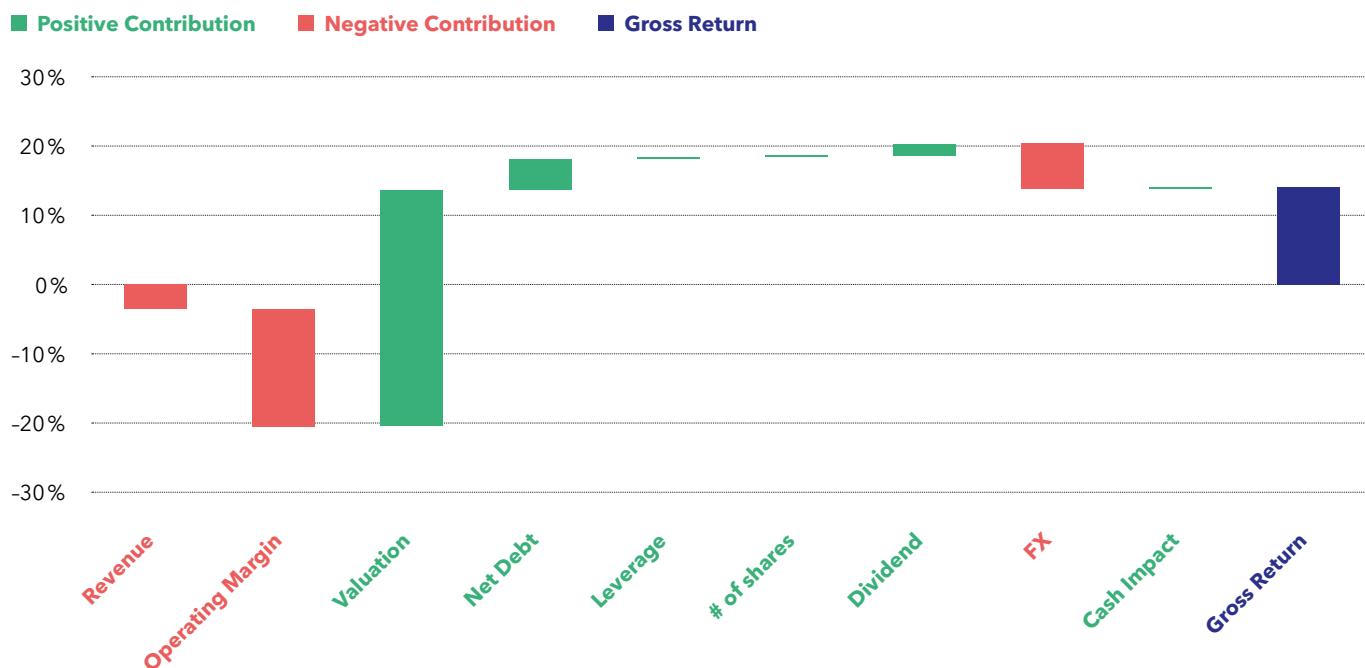
All our companies remained profitable in 2020. The average profit margin of our portfolio companies was 18.3%. The companies kept most of the earned cash, which led to a decrease in net debt. This had a positive contribution of +3.9% to the return. The net dividend yield was +1.7%. The contribution from share buyback driven reductions in share count was merely +0.2%, which was less than in other years.

Other

The cash impact was a positive +0.3% at an average investment level of 97.5%. The TER was 1.3%.

Explanation of the net return of +12.7% in 2020

Deep Research Fund - Class A



Gross Return	14.1%
Total Expense Ratio (TER)	-1.3%
Other	0.0%
Net Return	12.7%

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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