



DEEP RESEARCH FUND - RETURN ANALYSIS

# Explanation of the net return in 2021

The net return of the Deep Research Fund A-class was +28.3% in the year 2021. Below you can find more information on how this return came about.

## **Operational contribution**

Revenue of our portfolio companies increased on average +8.2%, reflecting the continuous recovery after the initial phases of the pandemic. Furthermore, after a decrease in 2020, profit margins strongly rebounded in 2021 with a +30.0% positive contribution to the portfolio performance. Operating leverage as a result of increased revenue, and cost cutting measures were contributing factors to the improvement in profitability.

## **Valuation**

Valuation had a negative impact on our portfolio, with an average decline of -13.2%. Our strategy allows us to place less relevance on short-term valuation moves, and confidently focus on the long-term opportunity of our investment portfolio. This year, we sold one company at a 28 profit multiple (EV/EBIT) and added one at a profit multiple of 8.

## **Use of earned cash**

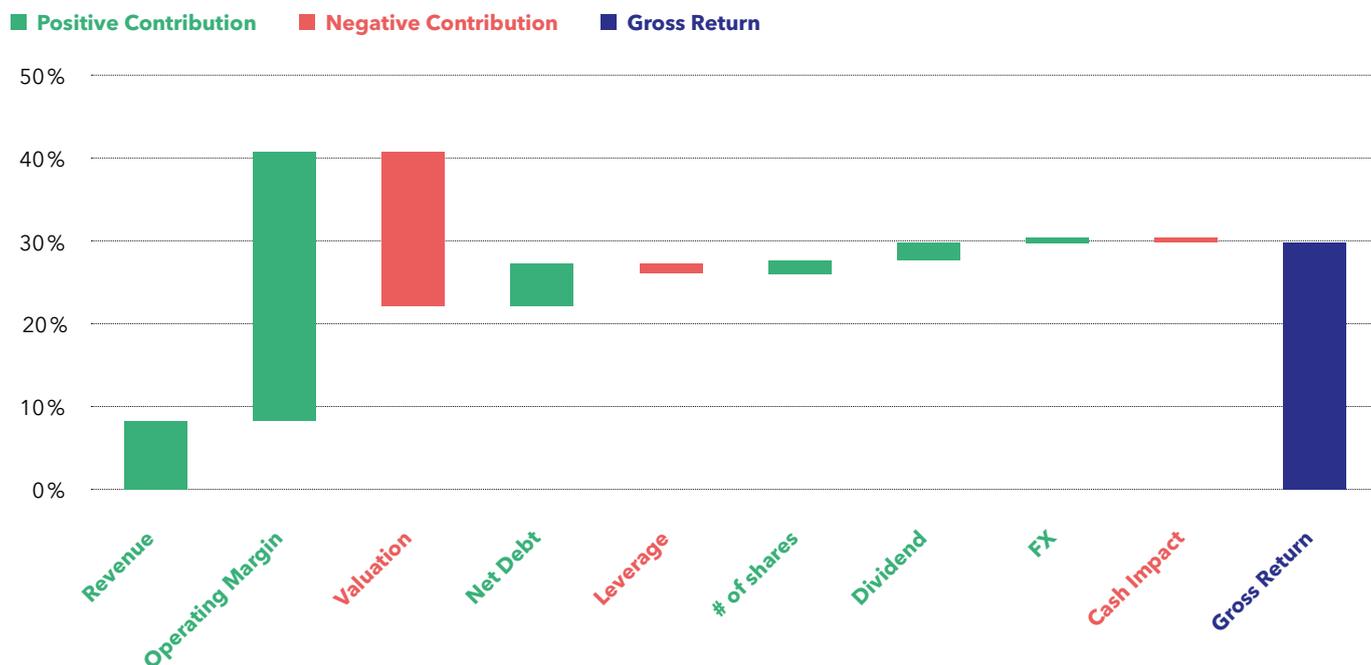
Given the cash generating capabilities of our companies, in 2021 they were able to increase the cash position on their balance sheets by +4.2% on average. However, we want to mention that one company sold a large portion of their business, which provided a +3.2% contribution. The net dividend yield was +2.1%. Our companies were also able to repurchase a portion of their shares outstanding, which led to a positive +1.2% effect on overall performance.

## **Other**

The cash position impact was -0.6% at an average investment level of 97.3%. The TER was 1.3%.

**Explanation of the net return of +28.3% in 2021**

Deep Research Fund - Class A



<b>Gross Return</b>	29.8%
<b>Total Expense Ratio (TER)</b>	(1.3%)
<b>Other</b>	(0.2%)
<b>Net Return</b>	28.3%

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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