AFM

Autonomous Fund Management

Newsletter January 2021

Introduction

Autonomous Fund Management (AFM) is a portfolio and fund-management procedure designed for the digital marketplace. Instead of relying on traditional research and analysis, it uses algorithms and safety nets to obtain better and more stable results.

AFM replaces the emotional or subjective content in portfolio management with formulae and available technology.

It operates autonomously and human intervention is required only when unpredictable events such as delistings, profit warnings, takeovers, etc. occur.

AFM's objective is to outperform an index of choice on a regular basis, not to grow a portfolio in absolute terms.

Conceived in the early 1980's, AFM originally suffered from the lack of essential tools such as streaming quotes, web-based trading, API links (Note), databases and cloud computing.

AFM works directly on the user's account which remains the exclusive property of the investor.

AFM performance figures 2020 - live accounts

Live accounts 2020

Account	Last $	Account change $	Account change %	SPX %	AFM contribution %	AFM contribution $
Live081	$ 1,313,611	$65,584	+5.26%	+4.86%	0.39%	$4,881
Live181	$ 1,314,687	$231,258	+21.34%	+16.26%	5.09%	$55,104
Live281	$ 1,363,485	$238,177	+21.17%	+16.26%	4.91%	$55,214
Live381	$ 1,303,992	$234,202	+21.89%	+16.26%	5.63%	$60,266
Live481	$ 1,313,847	$65,290	+5.23%	+4.86%	0.37%	$4,560
Total	**$ 6,609,623**	**$834,511**				$180,025
S&P 500	3,756.07					

Live accounts 081 and 481were added in November 2020

AFM-managed live accounts outperformed the S&P500 index by 5.2% in 2020

J	F	M	A	M	J	J	A	S	O	N	D	2020
-0.14%	0.22%	1.33%	1.29%	0.86%	-0.42%	0.19%	0.10%	0.08%	0.34%	0.34%	0.23%	**5.20%**

Notice the gap between the S&P500 and the AFM portfolios in the above chart as it expands over time.
AFM-managed accounts achieve their goal slowly without taking risks (next page).

AFM-managed accounts (181, 281, 381)	
31.12.19	3'278'528
31.12.20	3'982'164
2020 change	703'636
%	21.5%

S&P500	
31.12.19	3'230.78
31.12.20	3'756.07
Change	525.29
	16.3%

AFM contribution	
$	170'483
	5.2%

January 2021

Statistics

Number of daily trades varies between 50 and 100.

At $0.60/trade, broker commissions and SEC fees amount to approx. $13'000 pa. but represent only a small % of the yearly AFM contribution.

The Average Daily deviation between the S&P500 and AFM accounts amounted to +0.0175% in 2020 net (see Stability below).

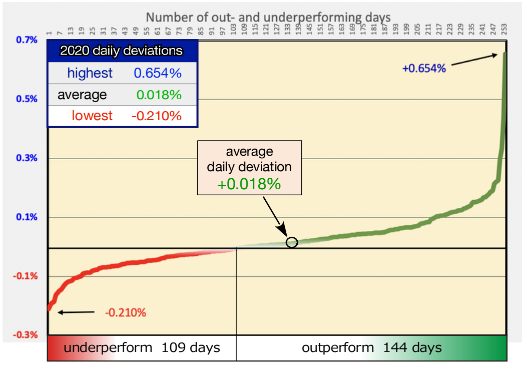
Which in turn represents 5.2% for the year.

2020 AFM statistics	
No. of trades	21'000
Broker comm.	$12'600
SEC fees	$700

Stability

AFM takes advantage of the overreaction of price movements to extract savings. This is accomplished using a series of interactive algorithms accompanied by parameters, safety nets and oversight.

- AFM is non-speculative – no shorts, no margin, no hedging, no options and no high-frequency trading.
- Portfolios are composed of blue-chip positions derived from the index of choice.
- A particularity of AFM is that it largely reduces the impact of dominating positions. AFM is able to neutralize the effects within a portfolio should shares for example of Amazon, Apple or other behemoths suddenly react, one way or the other.
- A large number of S&P500 positions are held at all times in the account.



- There have not been two consecutive months in 2020 where AFM-managed portfolios underperformed the index (p.1).
- A further proof of stability is to be found in the Average Daily Spread (difference between account performance and that of the S&P500 index). In AFM-managed portfolios it is +0.018%, the average amount the account outperforms the market index every day.
- Unlike traditional funds, performance of AFM-managed funds is determined by
  - a) average daily Outperformance (+0.018%) and
  - b) Standard Deviation (0.115%), a direct measure of stability.

  both of which can be acted upon by adjusting algorithms and the accompanying parameters.

AFM provides one of the safest index-tracking management tools available.

Performance

AFM outperforms a market index by trading not by investing and therefore generates high turnover.

Outperforming a market index occurs over time, not on a regular basis. This is due to unpredictable events such as takeovers, profit warnings, de-listings, etc. over which AFM has neither control nor prior knowledge.

Cost effectiveness

AFM does not engage in research, analysis or other fund management activities.

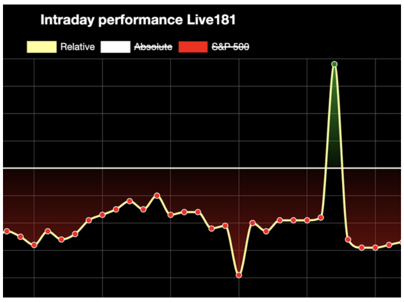
It operates autonomously and only oversight is required. The procedure is exceedingly cost effective.

Particularties

Research and Analysis being practically impossible on a large scale, AFM has applied a different approach to achieve better and more stable results.

Mathematics, algorithms and safety nets replace traditional research. The following is what separates AFM from traditional fund management:

- AFM takes neither company details nor performance figures into account. The price of a share is the general consensus of it's value at any particular moment. How it will perform in the near future is unpredictable.
- AFM is interested in the fluctuation of a share price and it's immediate consequences.
- Price movements of all securities contained in a particular index are analysed in real time and interconnected algorithms determine what actions need to be undertaken. No human interference is involved apart from oversight.
- AFM is for fund managers, family offices and the like, providing a capital gains revenue stream by outperforming the market. Using 2020 as an example, a $13M account would provide an extra $540K and still perform as well as an index fund (afmsa.ch > GUEST > History > Period > Previous Year).
- AFM is not for the private investor who chooses his stocks and enjoys checking performance.
- The AFM website is purely consultative. It provides no direct access to any of the accounts, be they live or paper.



Spikes may appear from time-to-time in the Intraday charts.

The AFM website updates every 4 minutes and spikes are partial orders not fully accounted for by the broker at the time of the update.

Spikes self-correct a few minutes later.

To see Autonomous Fund Management in real time please visit www.afmsa.ch during market hours. Check both Intraday and History, for up to the minute relative and absolute performance figures over a series of time frames.

Using AFM

AFM requires an account at a brokerage firm providing an API link (see Note)
Apart from funding the account, AFM takes care of the next steps.

Standard setup

For best results, AFM-managed accounts should be separated into 2 categories:

1. A **Master Account** under control of the owner to receive funds. AFM has no access to the MA.
2. Owner distributes funds to the **sub-accounts** (usually 3-6) and grants trading permission to AFM.
3. AFM sets up the sub-account portfolios using different configurations, algorithms and parameters to stabilize long-term performance.
4. The procedure is launched.

Master account	
sub-account	1
	2
	3
	4
	etc.

Account holder & AFM constraints

Account holders can view sub-account activity through the AFM website with a username and password. For security reasons the website is purely consultative. To intervene the owner needs to pass through the broker website.

Accessing sub-accounts through the broker website needs to be handled with care:

- Interfering with sub-accounts under AFM control is not recommended. Such action will cause the program to dysfunction.
- The same applies to transferring funds and/or securities in/out of a sub-account. AFM needs prior notification in order to make the necessary adjustments.

.... other

The investor retains full ownership of his account at all times.

- AFM's objective is to outperform an index of choice over time on a relative basis.
- The AFM website provides detailed information not generally available on the broker website.
- An investor can follow the performance (both in relative and absolute terms) of his portfolios in real time. And much more.

Fees

Investors pay a monthly oversight fee depending on the sub-accounts' net worth. No performance commissions or other expenses are charged.

AFM does not share in broker commissions or other retro-commission arrangements.

For help and further information info@afmsa.ch.

Note: API is the acronym for Application Programming Interface, a software intermediary that allows two applications to talk to each other. Brokerage firms usually provide such a link.