



Autonomous Fund Management

Newsletter February 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.

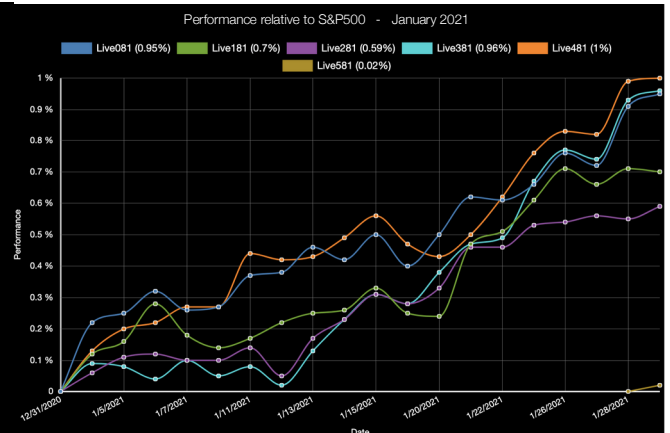
Conceived in the early 1980's, AFM originally suffered from the lack of essential tools such as streaming quotes, web-based trading, API links, databases and cloud computing.

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

Performance figures January 2021

Account	Last \$	Account change \$ %	SPX %	AFM contribution % \$
Live081	\$ 2,899,159	\$-21,628 -0.16%	-1.11%	+0.95% \$22,401
Live181	\$ 2,891,894	\$-27,367 -0.41%	-1.11%	+0.71% \$16,439
Live281	\$ 2,891,025	\$-29,611 -0.52%	-1.11%	+0.59% \$14,104
Live381	\$ 2,898,908	\$-20,511 -0.15%	-1.11%	+0.97% \$22,818
Live481	\$ 2,901,741	\$-19,250 -0.11%	-1.11%	+1.01% \$23,595
Live581	\$ 2,847,357	\$-55,432 -1.91%	-1.93%	+0.02% \$625
Total	\$ 17,330,084	\$-173,799 n/a	n/a	n/a \$99,982
S&P 500	3,714.24			

Live accounts 081 and 481 were added in November 2020



AFM-managed live accounts outperformed the S&P500 index by

\$99,982

in January

On January 29, all accounts were credited with an extra \$600,000 and a new account 581 was created with an injection of \$2,952,000.

AFM-managed accounts (081, 181, 281, 381, 481, 581)	
01.01.21	11'601'094
29.01.21	11'570'033
January change	-31'061
%	-0.27%

S&P500	
01.01.21	3756.07
29.01.21	3714.24
January change	-41.83
%	-1.11%

AFM contribution	
\$	99'982
%	0.86%
Avg. daily contribution	0.045%

Understanding AFM

As mentioned previously, AFM replaces research and analysis with mathematics and safety nets. Subjectivity is removed from the process and replaced by other equally important functions:

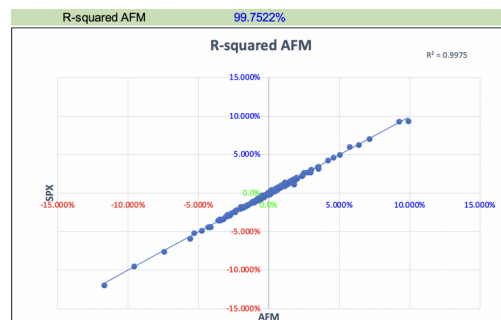
1. **Oversight.** The composition of the S&P 500 changes constantly. Some companies de-list, others merge or split. This requires oversight and the reconfiguration of all portfolios.
2. **Safety.** AFM's first order of business has always been safety. Portfolios are configured in such a way so as not to stray too far from the index.

An analysis of portfolios under AFM management has shown that the Standard Deviation around average AFM performance is close to that of an Exchange-traded Index Fund around it's index.

3. **R-Squared** is a statistical measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index.

AFM's reading of 99.75% means it's movement is extremely correlated with that of the S&P 500. This high percentage can be usually only found in index funds.

The strength of AFM is to, on the one hand, have the same stability as those funds that replicate the performance of an index and on the other, to outperform that same index.



AFM provides one of the safest index-tracking management tools available
(Performance comparison, next page)

4. **Performance.** AFM out- or underperforms the index on a daily basis by small amounts. When checking intraday progress, a 0.01% out- or underperformance may seem insignificant. Taken over a full year (253 trading days) it would amount to 2.5% annually, a +0.04% daily move would amount to a 10% annual, etc. This is hypothetical and contrary to fact. A simple indication of how AFM is performing.



AFM performance can be followed in real time during market hours (Intraday) or over longer periods (History).

In 2020, AFM accounts outperformed the index 57% of the time and underperformed 43%.

Over time computers have been configured to outperform the worlds best chess players.

By using a different approach based on mathematics, computers are now able to outperform a stock market index.

5. **Return on investment.** AFM contributions are capital gains, not dividends and therefore tax free. The 5.2% annual return on live accounts in 2020 overshadows the annual S&P500 taxable dividend return of 1.55%. The AFM contribution is more than 4 times greater (see Note).

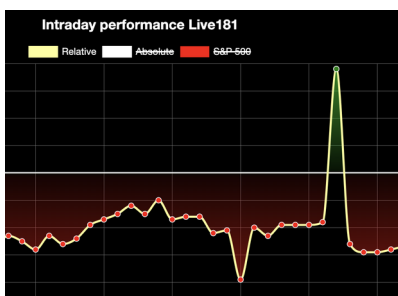
Note: S&P 500 Dividend Yield is currently at 1.55%, compared to 1.62% last month and 1.80% last year.

Particularities

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 its 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 its 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 - 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.

2020 performance comparison

		Perform. 2020	Beta	R Squared	Morningstar Rating
Autonomous Fund Management (AFM)		5.20%	1.01	99.75	
Top Index Funds tracking S&P 500:					
iShares Core S&P 500 ETF	IVV	0%	1.00	100	Gold
T. Rowe Price Equity Index 500	PREIX	-0.21%	1.00	100	Silver
Invesco S&P 500® Quality ETF	SPHQ	-1.00%	0.93	95.41	Silver
Average US Large-Cap Blend Funds		-1.94%	1.00	95.13	
(includes both actively and passively managed funds)					

Source: morningstar.com

To see Autonomous Fund Management in real time please visit www.afmsa.ch during market hours. Login as **GUEST** > **Intraday** and **History**, for up to the minute relative and absolute performance figures.

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.

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 reconfigure the setup.

.... 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-account net worth. No performance commissions or other expenses are charged.

There is a one-time portfolio configuration fee of 0.025% which also applies to any increase/decrease in portfolio assets by the investor when under AFM management.

No termination charges are applied.

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.