



# Autonomous Fund Management

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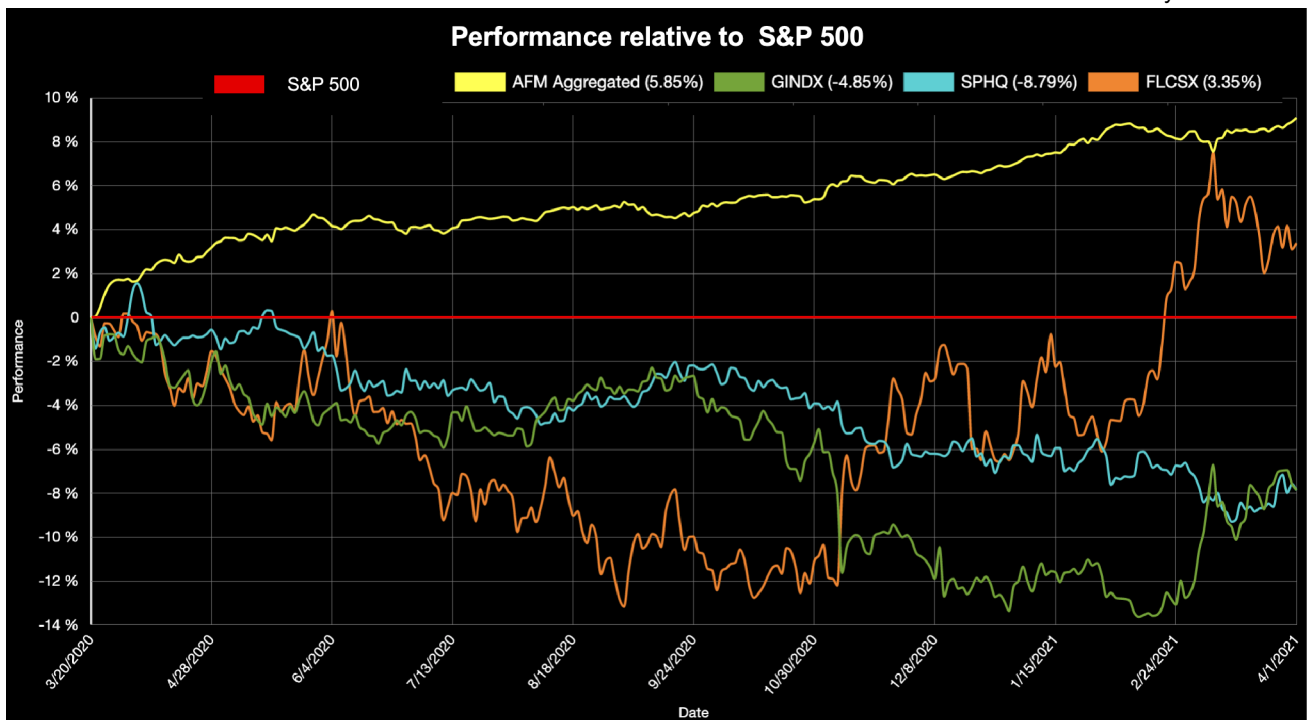
## Introduction

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 mathematics and safety nets to obtain better and more stable results.

Detailed information is provided on the AFM website [afmsa.ch](http://afmsa.ch)

## Comparative performance data - last 12 months

source: [finance.yahoo.com](http://finance.yahoo.com)



The above chart shows how aggregated AFM paper accounts **gradually** outperformed the S&P 500 index when compared to 3 similar funds.

AFM's standard deviation is only slightly above those of pure index funds (next page) and much lower than those of other enhanced index funds. This accounts for its stable performance.

More detailed analysis, including both relative and absolute data over different time periods, can be found by accessing the AFM website. It is also possible to watch AFM-managed accounts evolve in real time during market hours.

**GINDX** - The Gotham Index Plus Fund was created as an investment that seeks to more closely track an index than purely active funds by combining an index investment with an active long/short overlay. The Fund generally seeks 100% net long exposure by being 190% long vs. 90% short (100% index + active long/short overlay). The Fund seeks to outperform the S&P 500 over most annual periods. The Fund is not a passive index fund.

For each \$100 invested in Gotham Index Plus, we start with \$100 of U.S. stocks that seek to track the S&P 500® Index. Next, we select long and short positions (from a large cap investment universe) that we believe are the cheapest and most expensive, respectively, relative to our assessment of value. Finally, we net positions that appear in both the index portion and the actively managed long/short overlay, with the result being a portfolio with an overall exposure of approximately \$190 long and \$90 short.

For the active long/short overlay, the Co-CIOs and their team of equity analysts employ Gotham's proprietary analytical framework to evaluate stocks within the coverage universe on measures of absolute and relative value.

**SPHQ** - The Invesco S&P 500 Quality ETF is based on the S&P 500 Quality Index. The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index tracks the performance of stocks in the S&P 500® Index that have the highest quality score, which is calculated based on three fundamental measures, return on equity, accruals ratio and financial leverage ratio.

**FLCSX** - Fidelity Large Cap Stock Fund is a diversified domestic equity strategy with a large-cap core orientation.

Normally investing at least 80% of assets in common stocks of companies with large market capitalizations (companies with market capitalizations similar to companies in the Russell 1000 Index or the S&P 500). Investing in either "growth" stocks or "value" stocks or both.

## Statistics

Source: finance.yahoo.com

Monthly <b>absolute</b> performance													
	2020												
	J	F	M	A	M	J	J	A	S	O	V	D	2020
<b>SPX</b>	-0.2%	-8.4%	-12.5%	12.7%	4.5%	1.8%	5.5%	7.0%	-4.0%	-2.7%	10.8%	3.7%	<b>16.3%</b>
<b>AFM</b>	-0.3%	-8.2%	-11.2%	14.0%	5.4%	1.4%	5.7%	7.1%	-3.9%	-2.4%	11.1%	3.9%	<b>21.5%</b>
IVV	0.0%	-8.5%	-12.7%	12.7%	4.8%	1.5%	5.9%	7.0%	-4.2%	-2.5%	10.9%	3.3%	16.3%
PREIX	-0.1%	-8.3%	-12.8%	12.8%	4.7%	1.5%	5.6%	7.2%	-4.2%	-2.7%	10.9%	2.9%	15.5%
SPHQ	-1.0%	-8.4%	-9.7%	12.3%	5.3%	0.2%	4.1%	8.0%	-2.9%	-4.2%	9.8%	3.4%	15.1%
GSPFX	-1.6%	-8.7%	-10.6%	12.2%	3.9%	2.3%	5.3%	7.1%	-4.3%	-3.0%	9.8%	2.0%	12.4%
GINDX	-3.6%	-9.8%	-10.3%	12.1%	2.9%	2.0%	5.3%	8.4%	-4.2%	-4.2%	8.1%	1.6%	5.6%
FLCSX	-2.7%	-9.2%	-15.1%	10.4%	3.7%	1.1%	2.4%	5.9%	-4.0%	-2.7%	16.1%	4.3%	6.6%

Monthly <b>relative</b> to SPX													
	2020												
	J	F	M	A	M	J	J	A	S	O	V	D	2020
<b>AFM</b>	-0.1%	0.2%	1.3%	1.3%	0.9%	-0.4%	0.2%	0.1%	0.1%	0.3%	0.3%	0.2%	<b>5.2%</b>
IVV	0.2%	-0.0%	-0.2%	-0.0%	0.3%	-0.4%	0.3%	-0.0%	-0.2%	0.2%	0.1%	-0.4%	0.0%
PREIX	0.1%	0.2%	-0.3%	0.1%	0.2%	-0.3%	0.1%	0.2%	-0.3%	0.1%	0.2%	-0.8%	-0.7%
SPHQ	-0.8%	-0.0%	2.8%	-0.4%	0.7%	-1.7%	-1.4%	1.0%	1.0%	-1.5%	-0.9%	-0.3%	-1.1%
GSPFX	-1.4%	-0.3%	1.9%	-0.5%	-0.6%	0.5%	-0.2%	0.1%	-0.4%	-0.3%	-1.0%	-1.7%	-3.9%
GINDX	-3.4%	-1.4%	2.2%	-0.6%	-1.6%	0.2%	-0.2%	1.4%	-0.2%	-1.5%	-2.6%	-2.1%	-10.6%
FLCSX	-2.5%	-0.8%	-2.6%	-2.3%	-0.9%	-0.7%	-3.1%	-1.1%	-0.1%	0.1%	5.4%	0.6%	-9.7%

LAST 12 MONTHS					
	Strategy	Average monthly diff. to index	Standard Deviation (monthly diff.)	% outperfm. months	Category
<b>AFM</b>	Enhanced Indexing	<b>0.34%</b>	0.44%	83%	Large Blend
IVV	Indexing	<b>0.02%</b>	0.23%	50%	Large Blend
PREIX	Indexing	<b>-0.04%</b>	0.29%	67%	Large Blend
SPHQ	Enhanced Indexing	<b>-0.32%</b>	0.93%	33%	Large Blend
GSPFX	Enhanced Indexing	<b>-0.25%</b>	0.77%	25%	Large Blend
GINDX	Enhanced Indexing	<b>-0.25%</b>	1.69%	33%	Large Blend
FLCSX	Actively managed	<b>0.33%</b>	2.34%	50%	Large Blend

**Enhanced Indexing (EI)** is a management approach that attempts to amplify the returns of an underlying portfolio or index and outperform strict indexing. It also attempts to minimize tracking error.

This type of investing is considered a hybrid between active and passive management; it combines elements of both approaches.

**EI** is used to describe any strategy that is used in conjunction with index funds for the purpose of outperforming a specific benchmark.

**Large-blend funds** are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

## Other matters

Outperformance is a capital gain, not a dividend. Last year's 5.2% outperformance by the aggregate Live accounts was tax free.

Three interacting components determine AFM performance:

1. Portfolio configuration,
2. Algorithms,
3. Parameters.

Portfolio configuration requires constant servicing due to changes in the S&P 500 index (delistings, mergers, etc.).

AFM is a Long-Only Relative Performance procedure.

Short sales, long/short positions and options are not applied.

## 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's 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](mailto:info@afmsa.ch).

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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.