



# Autonomous Fund Management

## Newsletter May 2021

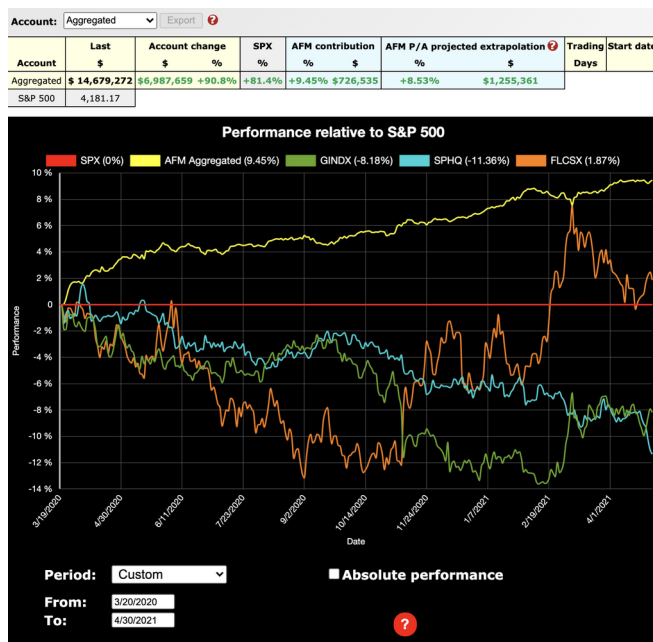
### Introduction

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

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

### AFM over time

The below figures show aggregated AFM-managed GUEST account performance compared to 3 similar exchange-traded funds. Both **relative** to the S&P500 and in **absolute** terms. See Note below and page 2 for details.



AFM is not a traditional investment vehicle, but an operating procedure in compliance with today's environment where executions are instantaneous and commissions and SEC fees irrelevant.

Once configured and launched, AFM-managed accounts are supervised:

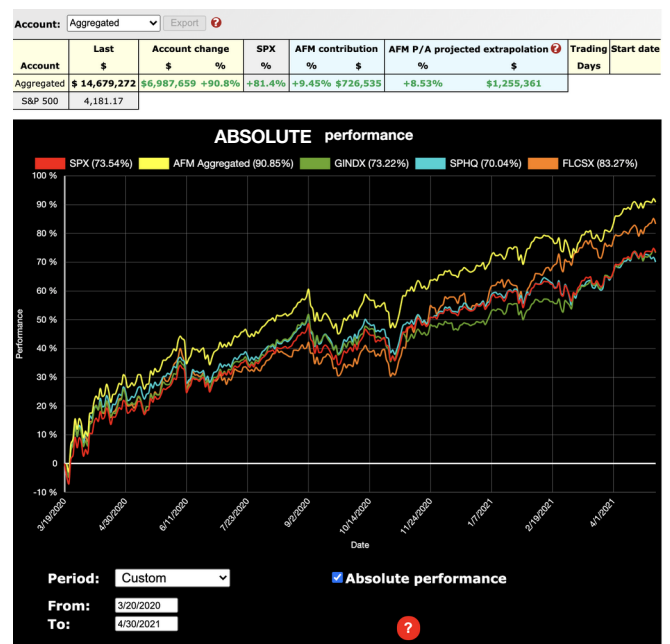
Inaccurate or unreasonable stock prices, exaggerated swings in markets, unexpected events, mergers/takeovers/delisting, etc., require manual intervention.

Why are AFM-managed accounts so stable?

1. AFM is computer-driven and continuously analyses all components of the S&P500 index.
2. Portfolio configuration is practically identical to that of the S&P500 index.

Performance and configuration of GUEST and Live portfolios (not shown) are very similar.

Note: To view each of the GUEST accounts separately, readers may access [afmsa.ch](https://afmsa.ch) and change "aggregated" to "all".



## Statistics

ABSOLUTE performance		
	2020	YTD
SPX	16.3%	12.70%
AFM	21.5%	14.24%
SPHQ	15.1%	8.6%
GINDX	5.6%	15.8%
FLCSX	6.6%	17.1%

RELATIVE to SPX		
	2020	YTD
AFM	5.2%	1.54%
SPHQ	-1.1%	-4.1%
GINDX	-10.6%	3.1%
FLCSX	-9.7%	4.4%

**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.

LAST 12 MONTHS					
	Strategy	Avg monthly diff. to index	Standard Deviation (monthly diff.)	% outperfm. months	Category
AFM	Enhanced Indexing	0.25%	0.34%	83%	Large Blend
SPHQ	Enhanced Indexing	-0.45%	1.04%	33%	Large Blend
GINDX	Enhanced Indexing	-0.21%	1.69%	33%	Large Blend
FLCSX	Actively managed	0.46%	2.24%	50%	Large Blend

### 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

### 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.

### 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

## Using AFM

AFM requires an account at a brokerage firm providing an API link (see Note)  
The account remains at all times property of the owner.

### Standard setup

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

1. A **Master Account** to which AFM has no access.
2. A number (usually 3-6) of **sub-accounts** funded through the **MA**.

AFM subsequently configures the sub-account portfolios and launches the procedure.

Master account	
sub-account	1
	2
	3
	4
	etc.

### Constraints

The account holder needs to advise AFM if he wishes to access the sub-accounts through his broker website. Any outside action may cause the procedure to dysfunction.

### .... 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 0.03% 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.

### Contact

Interested parties may address [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.