

Tom Capital Growth Fund (TCGF)

Annual Report 2020 - Outlook 2021



Annual Performance 2020: -20.9% Unsurprisingly, COVID-19 loomed large.

January-March: Positive contribution of **systematic forecasts overwhelmed by volatility extraction**

At the beginning of 2020, we upgraded all forecasts from partially to fully machine-learning based. Our models were designed to add value both through forecasting and volatility extraction. We halted trading on March 2 after COVID-19-induced turbulences triggered two circuit breakers: value at risk rose above our tolerance and the draw-down of our fund reached -25% YTD.

We analyzed the behavior of our forecasts and volatility extraction separately. Most of our 20 systematic forecasts were correct in the first three months of the year including the beginning of the crisis. Their contribution to our Q1 result was +2%. They achieved a diversification effect equivalent to ten fully independent investments, in line with the theoretical profile detailed in our company presentation that we are happy to share.

The contribution of our volatility extraction process during Q1 however was -25.7%. In the last week of February, volatility spiked to 7 standard deviations and our model turned the portfolio from being long 200% bonds and 40% equities to only 50% in bonds but 200% in equities, betting on a quick reversion and thus triggering the drawdown. Progress on the research front allowing us to significantly increase the number of forecast and our belief that extreme volatility events will likely increase in the future led us to forego the volatility extraction component of our process in favor of a more stable risk-return profile.

April-December: Focusing on forecasts as return drivers produced a positive performance of +3.7%

Our machine-learning models allowed us to increase diversification to 116 forecasts in 29 markets by year-end. This is the equivalent of 15 fully independent investments (up from 10). We gradually increased our target exposure, ultimately aiming for an annual return of 15% with an average volatility of 7.5. We paused investing during the US elections and the year-end Holiday Season assuming unpredictable short-term events.

On an annualized basis the fund returned 5.8% since April 2020. This is well within our expected range given the tapered exposure and trading breaks. The return volatility as well as the monthly average of positive forecasts also lie within expectations.

Furthermore, the live performance since April had very little correlation to all major asset classes as highlighted by the chart on the right.



Outlook 2021: Continuing to add diversification

On January 4, we will commence trading with 140 forecasts in 35 markets. This will increase our diversification to an equivalent of 16 fully independent investments and allow us to slightly increase exposure. We plan to further raise the number of forecasts, and, if the diversification plays as planned, adjust the exposure to ultimately yield a higher target annualized return without increasing risk.

Our motivation: Performance and progress on our forecasts promise stable and attractive returns

The year 2020 was a severe test for our investors and ourselves and we are very grateful to our clients and colleagues for their support throughout this period. Our forecast models withstood the stress test of this year and allowed us to build a process that can solidly stand on its own. The result is a sophisticated yet robust systematic fund with the following attributes:

Low risk	With a max exposure of 400% the effective exposure will be between 100% and 200%, with no asset class except bonds ever exceeding 50%. The expected value at risk of 5-6% is well below that of an equivalent 100% investment in the S&P 500.
Attractive profile	Our level of diversification has lifted our risk-return and correlation profiles to increasingly attractive levels.
Measurable	Thanks to machine learning, we can produce an unbiased and representative walk-forward simulation, which allows us to measure future behavior with a high level of confidence.

**This is a mathematically transparent approach with measurable inputs and results.
We are happy to present our strategy to you in further detail.**

Disclaimer

The Tom Capital Growth Fund is a contractual fund under Swiss law of the category "other funds for alternative investments" with special risks that implements its investment strategy through derivative financial instruments as described in 1.2 of the fund prospectus and §8 of the fund contract (use of equity, bond and currency derivatives based on an allocation process defined in the fund prospectus with integrated fund contract). Based on the instruments and the investment techniques used, the risks of the Tom Capital Growth Fund are not comparable to those of a conventional securities fund. In particular, the gross exposure of the investments may reach up to 585% (including credit) of the net asset value. Investors' attention is explicitly drawn to the risk information described in the fund prospectus. Under extraordinary circumstances, investors in the fund need to be prepared and capable to suffer the partial or total loss of capital. The information in this document is given for information purposes only and does not qualify as investment advice. No liability is assumed for the accuracy and completeness of the information. Opinions and assessments contained in this document may change and reflect the point of view of Tom Capital in the current economic environment. This document qualifies as marketing material. Investments should only be made after a thorough reading of the current prospectus and/or the fund regulations, the current annual and semi-annual reports (the "legal documents"), as well as after consulting an independent finance and tax specialist. The performance of past values and returns is no indicator of their current or future development. The performance of values and returns does not include the fees and costs which may be charged when buying, selling and/or switching units.