ARIAD
ASSET MANAGEMENT

ARIAD Active Allocation Strategy

Reliable Risk Buffer for Your Portfolio

confidential and for internal use only

Content

Executive Summary

Goals of the strategy

✓ **Capital preservation**
- *Risk-averse management* *e.g. no stock selection risk*

✓ **Ongoing returns**
- *Absolute-Return-Target*: annual minimum return
- *Relatives Performance-Target*: participation in boom phases

✓ **Responsibility**
- We take care of the market timing: when and how much to invest

Implementation via Equity Index Rate Control

- Focus on high-return asset class equity
- *Investment in indices (EStoxx50, S&P500, NIKKEI225)*
- By means of highly liquid, quoted futures and options that enable us to profit from falling, rising and sideways stock market phases

Continuous Further Development

- Since the launch of the strategy (11/2008), the *dual benchmark* (400BP or 25% EuroStoxx50 TR) has been reached or exceeded most of the time.
- Even the performance of 100% EuroStoxx50 TR was greatly exceeded in this period – with only around half as much volatility
- With an average *investment rate of only +20%*

Professional Management

- Comprehensive macro analysis of the markets as a basis of the exposure control
- *Rule-based risk management* depending on performance *(flexible risk budget)*

Since 01.02.2016, the successful ARIAD Active Allocation Strategy has also been implemented in German **mutual funds**.

Background and Strategy

Investors' wishes to the fore

Investors' Demands

The current market environment

1. **Capital preservation**

Due to the continuing low-interest phase, "no-risk" investments with positive interest are hardly available any more. As a result, investors are forced to invest in riskier assets - but this requires risk compensation for the portfolio on an alternative level.

Since the 1980s, the mixing of pension market products, whose performance has long profited from falling interest rates, has been used as a risk buffer – but this source of income is hardly available any more and makes it necessary to have an alternative risk buffer.

2. **Ongoing returns**

The low-interest phase impairs the attractiveness of pension and interest products. Ongoing return and planning capabilities are still possible by means of stocks paying dividends. However, as a result, capital preservation is at risk due to the risk of falling stock prices, with the result that a **risk reduction** e.g. through diversification, is of key importance.

However, in times of concerted central bank policies and globalised markets, diversification with other asset classes is extremely difficult.

3. **Responsibility**

The risks and spreading of responsibility is often underestimated for investments in equity. In the case of an investment in a equity fund always invested at 100%, the adviser/investor bears 90% of the responsibility for the return: through the choice of timing (when to invest how much?).

Risk management (investment rate control: when to quit with how much) thus also lies with the adviser/investor.

Investors' Demands

1. **Capital preservation** ✓

2. **Ongoing returns** ✓

3. **Responsibility** ✓

Our response to the current situation

Risk-Averse Management in the Asset Class Equity :

- ✓ No adding other asset classes (risk exclusion)
- ✓ No stock selection (focus on equity indices)
- ✓ Minimal liquidity risks (only quoted derivatives)
- ✓ Limited currency risks
- ✓ No issuer risks
- ✓ Rule-based risk management

Absolute-Return-Ziel:

- ✓ Annual minimum return:
  400BP

Relatives Performance-Ziel:

- ✓ Participation in boom phases:
  25% EuroStoxx50 TR Performance

Dual Benchmark

Use of futures & options: allows yield generation in all market conditions

Assuming 100% responsibility for performance

- ✓ Timing decision
- ✓ Investment decision
- ✓ Risk management

Everything in professional hands of ARIAD Asset Management GmbH

Implementation of the Goals

... via
equity exposure control

In our view, equity index exposure control is the best way to do justice to **our clients' wishes for ongoing returns with simultaneous capital preservation and participation** in stock markets that are performing well.

The frequent criticism of rate control and the simultaneous basis for the "Buy&Hold" approach is that missing a few high performing stock market days dramatically impairs stock performance.

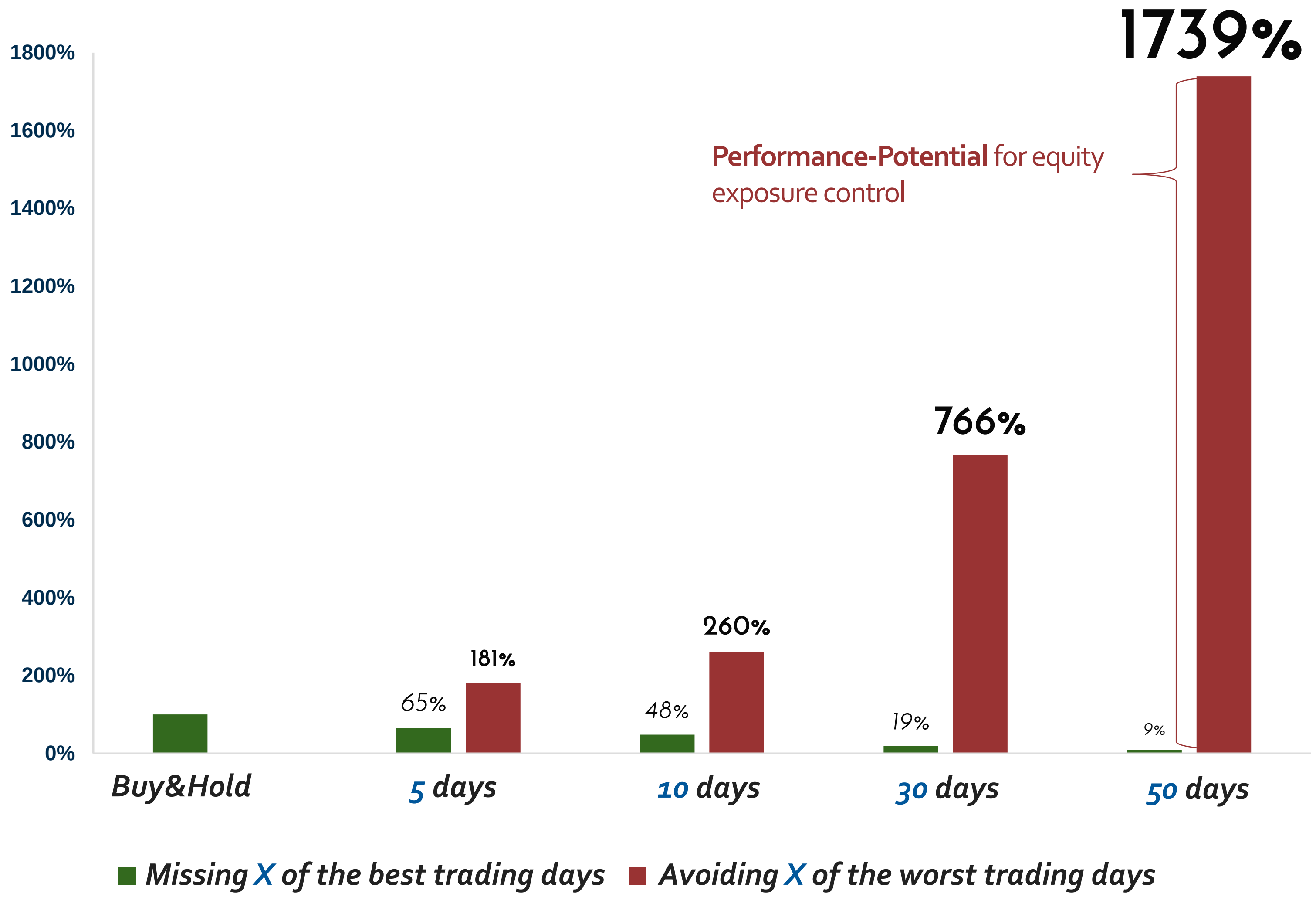
However, the diametrically opposite potential of the Buy&Hold approach that can be exploited through **professional equity rate control** during bad market phases is often withheld (see graph on the right).

By focusing on the **asset class equity**, we avoid the mixing in or additional risks of alternative investment forms.

The stock selection risk is thus ruled out in the ARIAD Active Allocation Strategy.

Using **highly liquid futures and options**, the strategy invests only in the most important indices: EuroStoxx50, S&P500 and Nikkei225. This investment concept makes **yield generation in all market phases** possible and the aim.

Performance-Comparison with Buy&Hold (being always in the market)
of an investment in the S&P500 during 01/01/1980 and 31/01/17 (37 years)



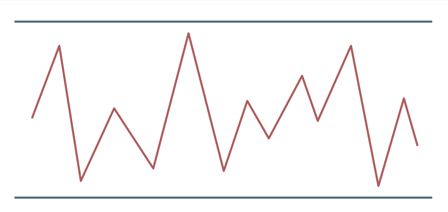
An Overview of the Investment Concept

Current Financial Market Situations:

- *Global access to the markets*
- *More market participants with different goals*

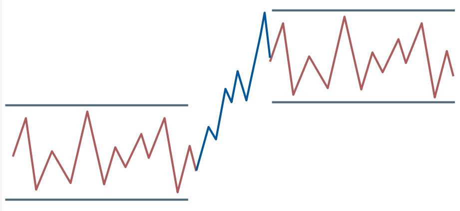
=> The consequence is noisy markets

No strong Trend
(sideways movement)



80% of the time

Short-term Trend Phases
(up or down)



20% of the time

The aim of the ARIAD Active Allocation Strategy:

Earn a continuous return with strategy combination

Use return potential from all market phases:

Equity exposure control via

Premium generation via covered option transactions with **Options**

Classical equity exposure via **Futures** *(long/short)*

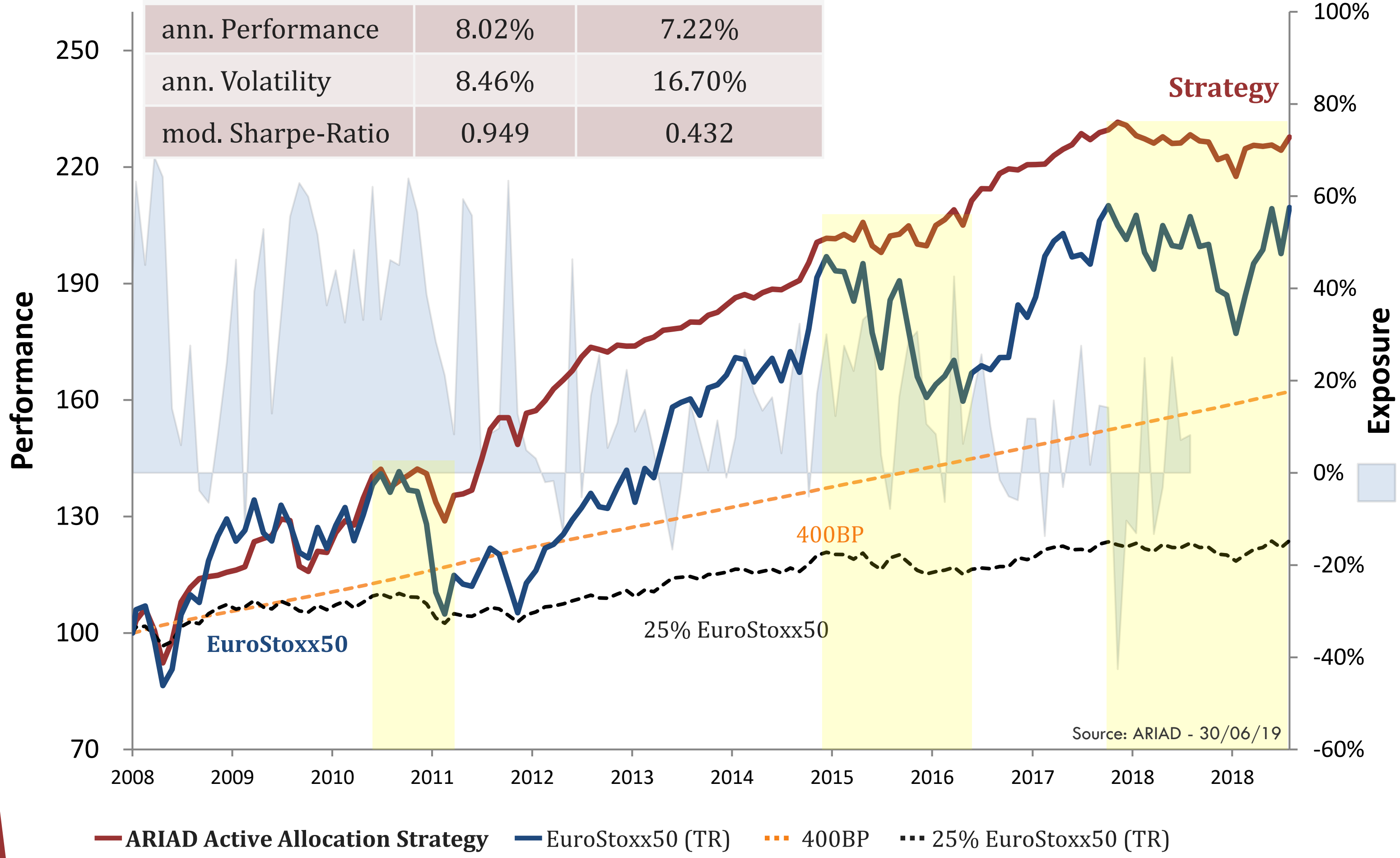
Results of the Strategy:

The targets clearly exceeded

Performance

Average equity index **exposure of approx. 20%.**
Nevertheless, a return superior to the stock market (EXtoxx50) - with low volatility.

	Strategy	EStoxx50 (TR)
ann. Performance	8.02%	7.22%
ann. Volatility	8.46%	16.70%
mod. Sharpe-Ratio	0.949	0.432



Our investment strategies can entirely or partially be implemented in special and mutual funds.
Performance/data shown is not a guarantee for the future.

In the **performance year 2011**, a bear market year for stocks, the annual result of the strategy was **+6.3%**

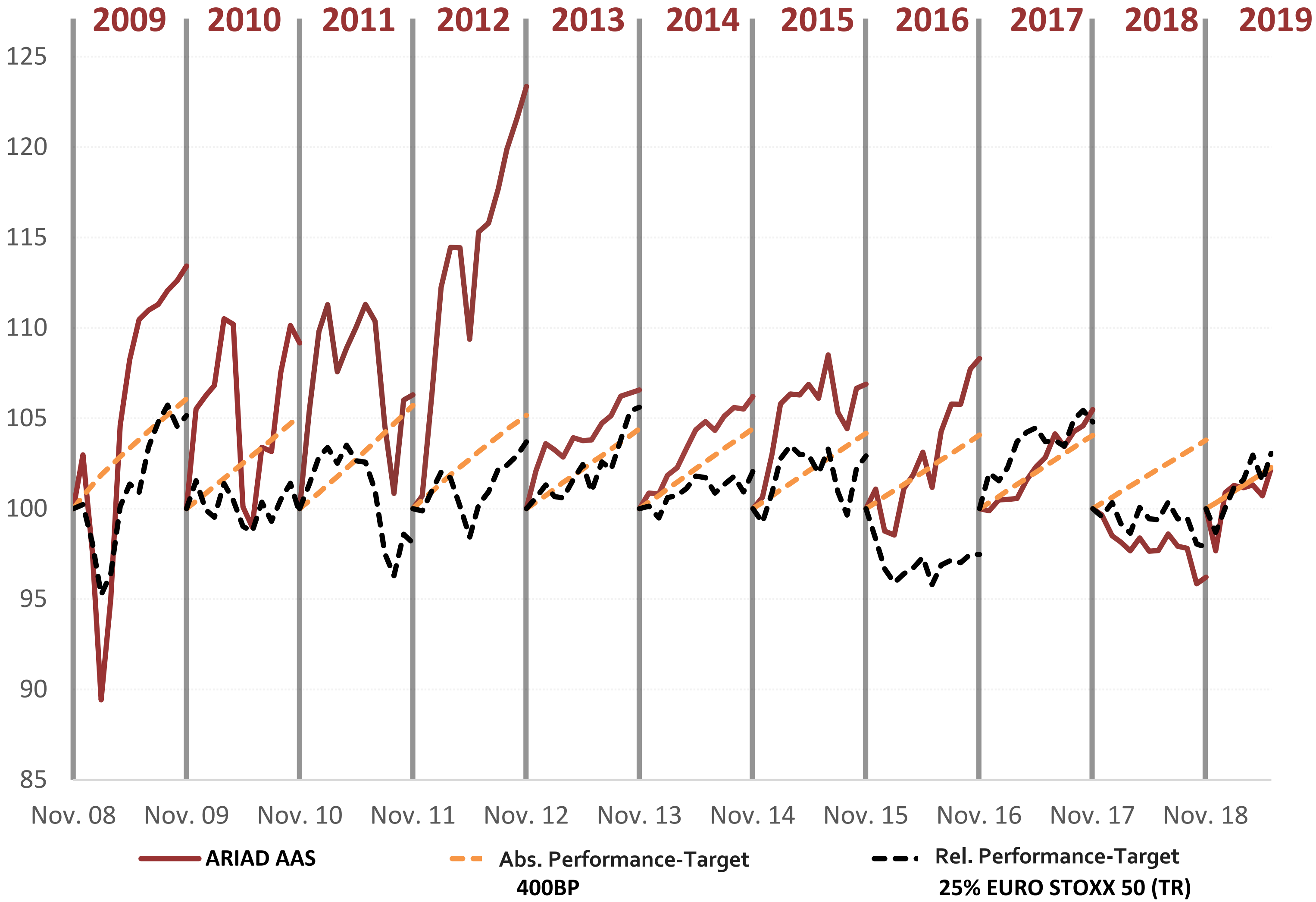
In **2012** the asset class equity lost approx. 21% between March and June.

The strategy was hardly affected by the drawdown and in the middle of the year had a performance of +10%.

Strategy Performance Pattern:

- Achieving goals in difficult bear market years (2011/2015)
- Outperformance in stable stock market years (2010/2013/2014)
- Significant outperformance in years with well-defined, changing trends (2009/2012)

Continuously Meeting Goals



Source: ARIAD - 30/06/19

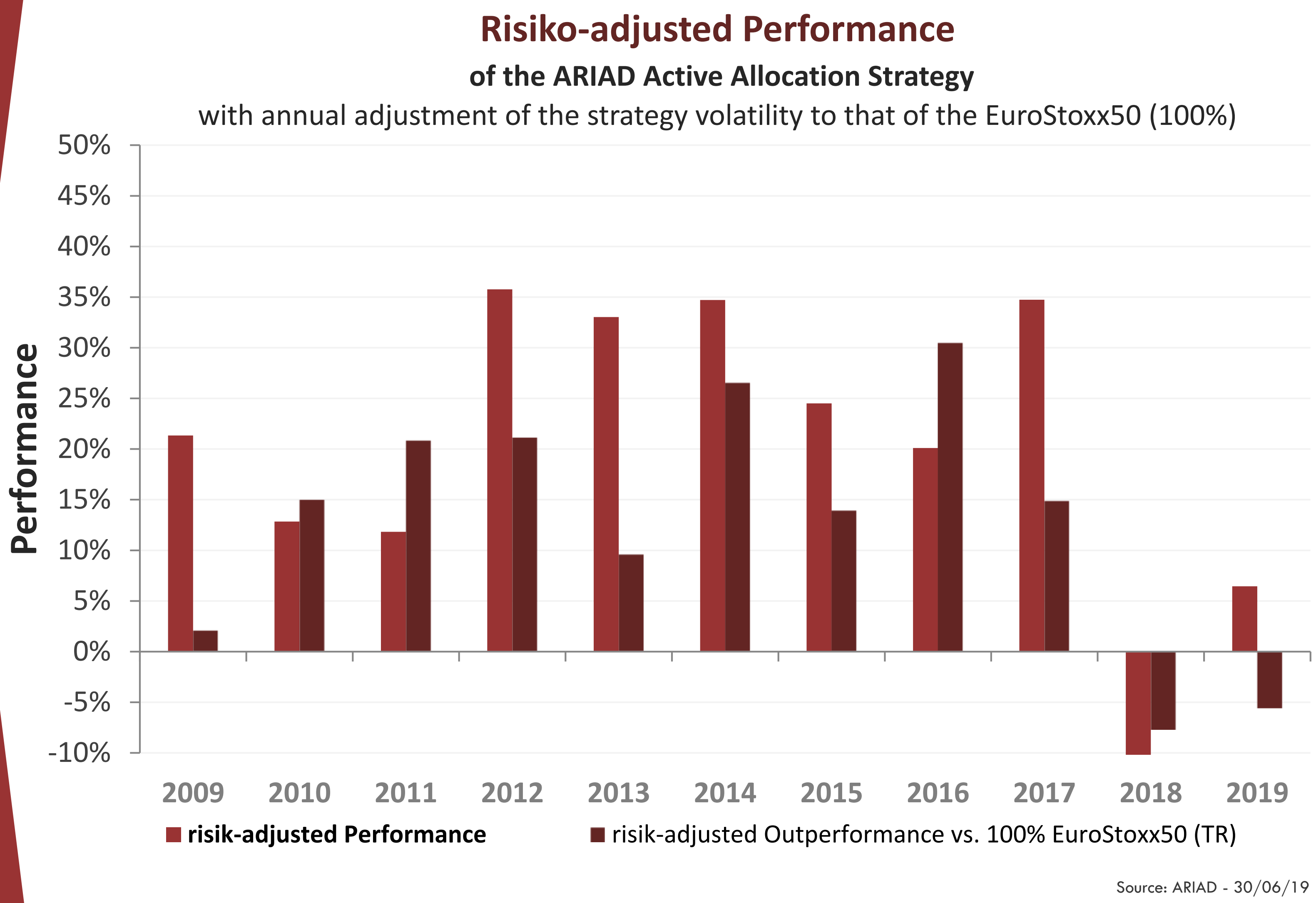
Business year starting Nov. 08	Performance
2009	+13.42%
2010	+9.17%
2011	+6.30%
2012	+23.36%
2013	+6.56%
2014	+6.20%
2015	+6.88%
2016	+8.31%
2017	+5.48%
2018	-3.79%
2019 (June)	+2.22%
Performance in % p.a.	8.02%
Volatility in % p.a.	8.46%
Mod. Sharpe-Ratio	0.949

Source: ARIAD - 30/06/19

Our investment strategies can entirely or partially be implemented in special and mutual funds.

Performance/data shown is not a guarantee for the future.

Risk-adjusted Performance



With special funds the target volatility can be set by the investor.

Performance/data shown is not a guarantee for the future.

The **quality of an investment strategy** must measure up to the **risk-return ratio**.

The ARIAD Active Allocation Strategy aims, among other things, to achieve a risk-return ratio as good as possible.

The graph on the left shows that this has been achieved **since the launch of the strategy**:

Every year the strategy volatility is compared to that of the EuroStoxx50 (TR) and thus a ratio is calculated. The strategy return is multiplied by this factor to achieve the original risk-return ratio. This results in the **risk-equivalent return** (pale red): i.e. the return that the strategy would have achieved with the same volatility as the EuroStoxx50 (TR).

The **excess return of the strategy** in comparison to the EuroStoxx50 (TR) is shown in dark red. In most cases, there is a clear outperformance.

Management of the Strategy

Experienced managers for your investment

Investment Process

How do we systematise decisions on equity index exposure?

Macroeconomic US-cycle

Question:
How encouraging is the performance of the US lead economy for equities?

Psychology of the Market

Question:
How encouraging is the psychological condition of the market participants' consensus?

Market Issues

Question:
How likely are new or existing subjects to encourage equities?

Scoring

5 Scoring Parameter	
z.B. **Fed-Policy**	++

4 Scoring Parameter	
z.B. **Greed/Fear**	+

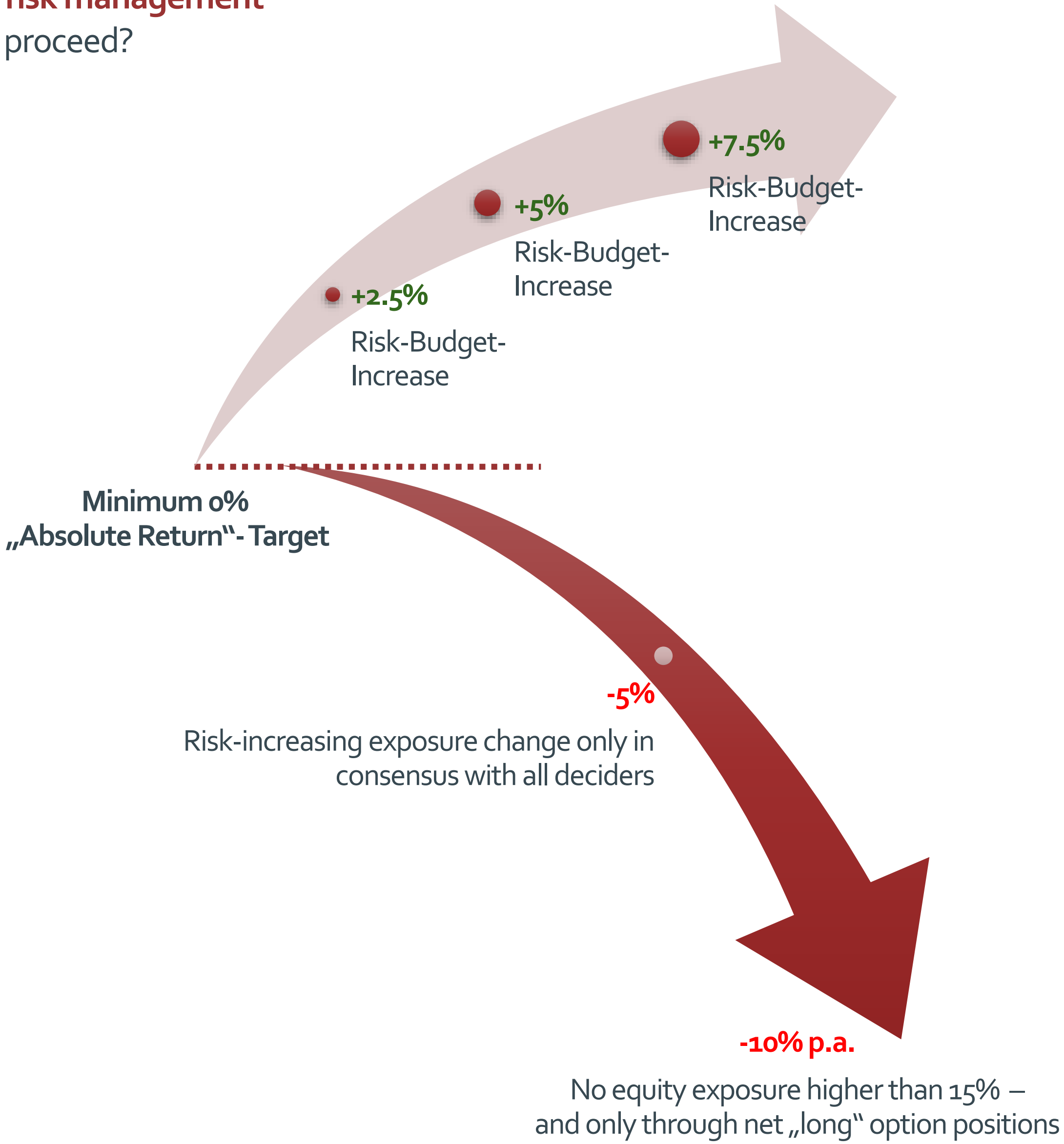
3 Scoring Parameter	
US-Interest-Cycle	–

Scores of the 12 parameters are added up and give a signal for equity exposure control

Risk-Management

Procedural risk management

How do we proceed?



<u>**The concept is simple:**</u>

With a positive development, the initial risk budget is gradually increased to the 2.5% mark and can be used for new positioning.

In the case of falling back below the relevant 2.5% mark, the risk budget is reduced again accordingly.

Below the minimum return the absolute return risk is weighted higher than the benchmark risk, so that the risk budget will generally be reduced.

Summary

The ARIAD Active Allocation Strategy…

✓ **Combines capital preservation and ongoing interest earning**

Two internal management goal targets (Dual Benchmark):

- Absolute performance target: annual minimum return (400BP)
- Relative performance target: Participation in stock market boom phases (25% EStoxx50)

✓ **Taking full responsibility for your investment**

- The strategy makes the decisions:
  - when…
  - and how much…
  - …to invest in which equity indices

✓ **Potentially profit under all market conditions**

- Invest in the equity indices EuroStoxx50, S&P500 and Nikkei225
- Avoid stock selection risks
- Use of highly liquid, quoted equity options & futures

✓ **Great transparency**

- Thanks to an easily understandable strategy
- Invest only in the asset class equity
- Avoid risks from mixing asset classes other than equities
- Rule-based risk management

Capital preservation ✓

Ongoing returns ✓

Responsibility ✓

Further Information

The ARIAD Active Allocation Strategy :
has been implemented in a mutual fund since February 2016:

ARIAD Active Allocation - I (WKN A14N7U)
www.monega.de

As an institutional investor you can **register for a monthly update** on the strategy at www.ariad.de.

Contact Information

ARIAD Asset Management GmbH
Hohe Bleichen 13
20354 Hamburg

Telefon: +49 40 180 301 20
FAX: +49 40 180 301 22
www.ariad.de

Disclaimer

ARIAD Asset Management ("ARIAD") is not an accounting firm and is not authorised to advise directly on accounting and cannot give accounting advice. The information and material presented in this document are provided to you for information purposes only and are not to be used or considered neither as advice nor as an offer to enter into any transaction. This document may not be reproduced in whole or in part or made available without the written consent of ARIAD. The distribution of this information may be restricted by local law or regulation in certain jurisdictions.
All information and opinions presented in this document have been obtained or derived from sources believed by ARIAD to be reliable, but ARIAD makes no representation as to their accuracy or completeness and ARIAD accepts no liability for loss arising from the use of the material presented in this document unless such liability arises under specific statutes or regulations. This document is not to be relied upon in substitution for the exercise of independent judgment and for consultation of an external accounting firm.
This material is provided to you by ARIAD solely for informational purposes, is intended for your use only and does not constitute an offer or commitment, a solicitation of an offer or commitment, or any advice or recommendation, to enter into or conclude any transaction (whether on the indicative terms shown or otherwise).
This material has been prepared by ARIAD based on assumptions and parameters determined by it in good faith. The assumptions and parameters used are not the only ones that might reasonably have been selected and therefore no guarantee is given as to the accuracy, completeness or reasonableness of any such quotations, disclosure or analyses. A variety of other or additional assumptions or parameters, or other market factors and other considerations, could result in different contemporaneous good faith analyses or assessment of the transaction described above. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Opinions and estimates may be changed without notice. The information set forth above has been obtained from or based upon sources believed by ARIAD to be reliable, but ARIAD does not represent or warrant its accuracy or completeness. This material does not purport to contain all of the information that an interested party may desire. In all cases, interested parties should conduct their own investigation and analysis of the transaction(s) described in these materials and of the data set forth in them. Each person receiving these materials should make an independent assessment of the merits of pursuing a transaction described in these materials and should consult their own professional advisors.