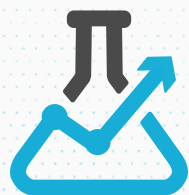




Improve your ROI

Can intelligent technology help you
achieve higher performance?



FormulaStocks

Investing with an informational advantage

Investment outcomes can be predicted with increased accuracy using proprietary technology. We offer a solid edge based on information not generally available to the market, yielding higher returns obtained with lower risk. Intelligent technology is set to revolutionize investing.

“Machine learning is the new wave of investing for the next 20 years and the smart players are focusing on it.”
- As commented on Bloomberg.

FormulaStocks performance

Log scale graph

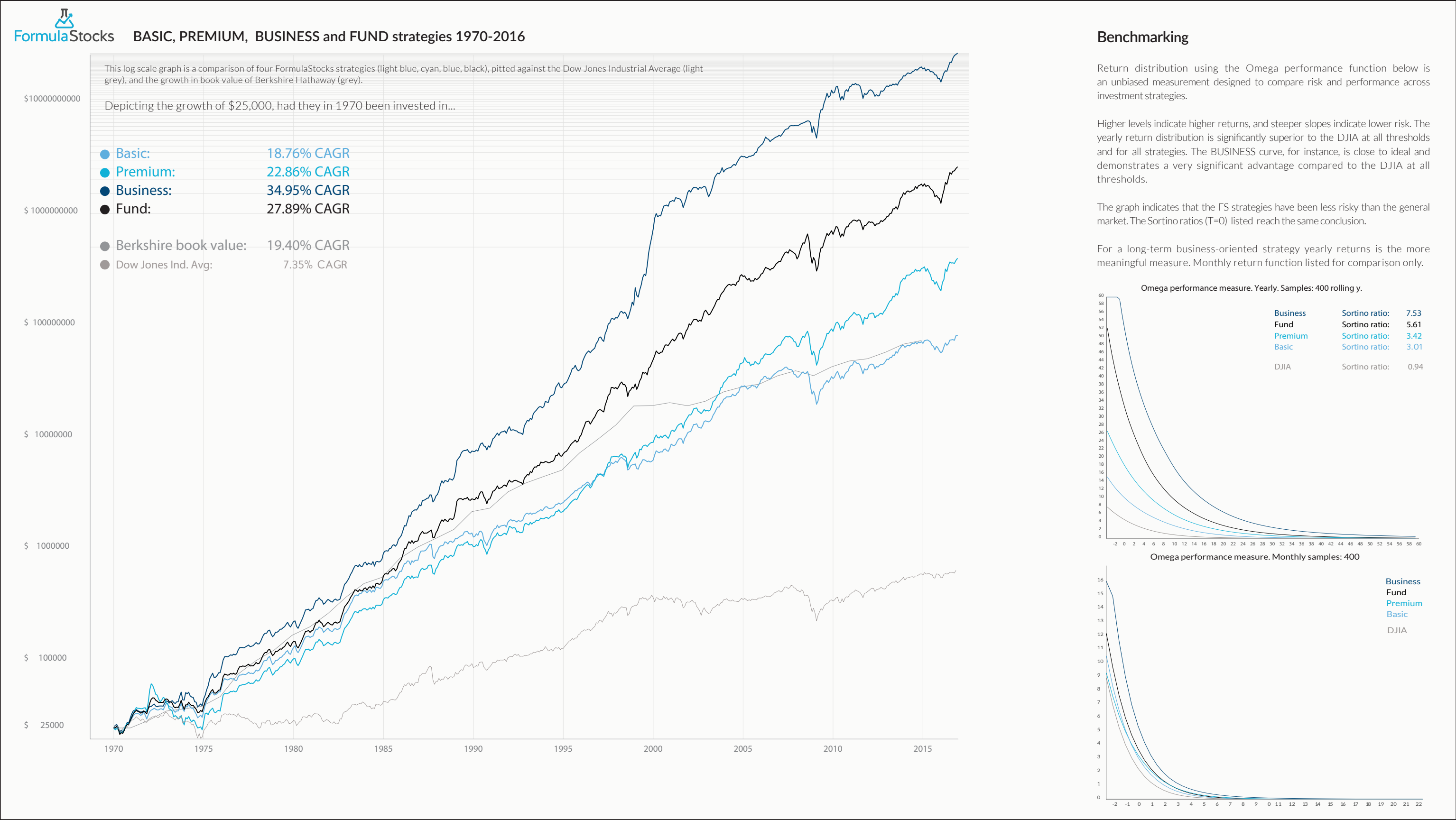


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Intended audience

The contents of this brochure is intended for accredited or sophisticated investors and others with an investment background. This includes, amongst others, industry professionals, investment managers, CEOs, CFOs, family offices, high-net-worth individuals, trusts, funds, alternative investment vehicles, financial institutions, financial advisors, CFPs®, CFAs and CPAs.

What if it was possible to identify some of the coming years’ winners in the markets today with an 89% or 92% average success rate(*)?

(*) Based on averages of cumulatively 10,130 recommendations.

Would you want to know more?

INTRODUCTION

We specialize in the development of a new breed of advanced investment strategies, establishing outperformance versus market averages through an informational advantage.

Intelligent technology can be one of the keys to unlocking better performance, combined with classic fundamental analysis and a modern scientific rules-based approach.

14 years ago we started a product development cycle using machine learning – well ahead of most industry participants. We would like to invite you on a tour of an idea and a groundbreaking product that may be able to assist you in obtaining better performance for you or your customers.

We call it [Formula Stocks](#).

What does it do? It beats the market by understanding businesses and strategies better than the competition, thus gaining a durable informational advantage or edge.

How does it do it? FormulaStocks uses expert systems, big data, and machine learning to develop a set of technologies, which we label Intelligent Investment Technology™ or IIT™. Through this technology we have learned more about what really works in certain equity investing contexts than is generally known by market participants, and upon this solid foundation we have built new and better proprietary investment methods.

How can it help you or your customers? We offer products that can improve return on capital, whether personal, corporate, or institutional. You can subscribe to recommendations based on the technology, which has outperformed the S&P 500 89% of the time for the last 45 years, creating CAGRs of up to ~34% with average geometric IRRs above 50%. Recommendations are based on sound business and investment logic.

Now, let us first tell you more about why such an informational advantage matters, and then how it is achieved.

💡 WHAT IS MACHINE LEARNING?

Machine learning is the study of computer algorithms that improve through experience. As a branch of the artificial intelligence field it deals with algorithms that can learn from and make predictions based on input data and utilize these to reach even more optimal predictions and decisions.

A MATTER OF PROBABILITIES

Our proprietary technology has so far been able to predict a number of investment successes in the future with a degree of certainty in the neighborhood of 89 and 92%, respectively. (1)

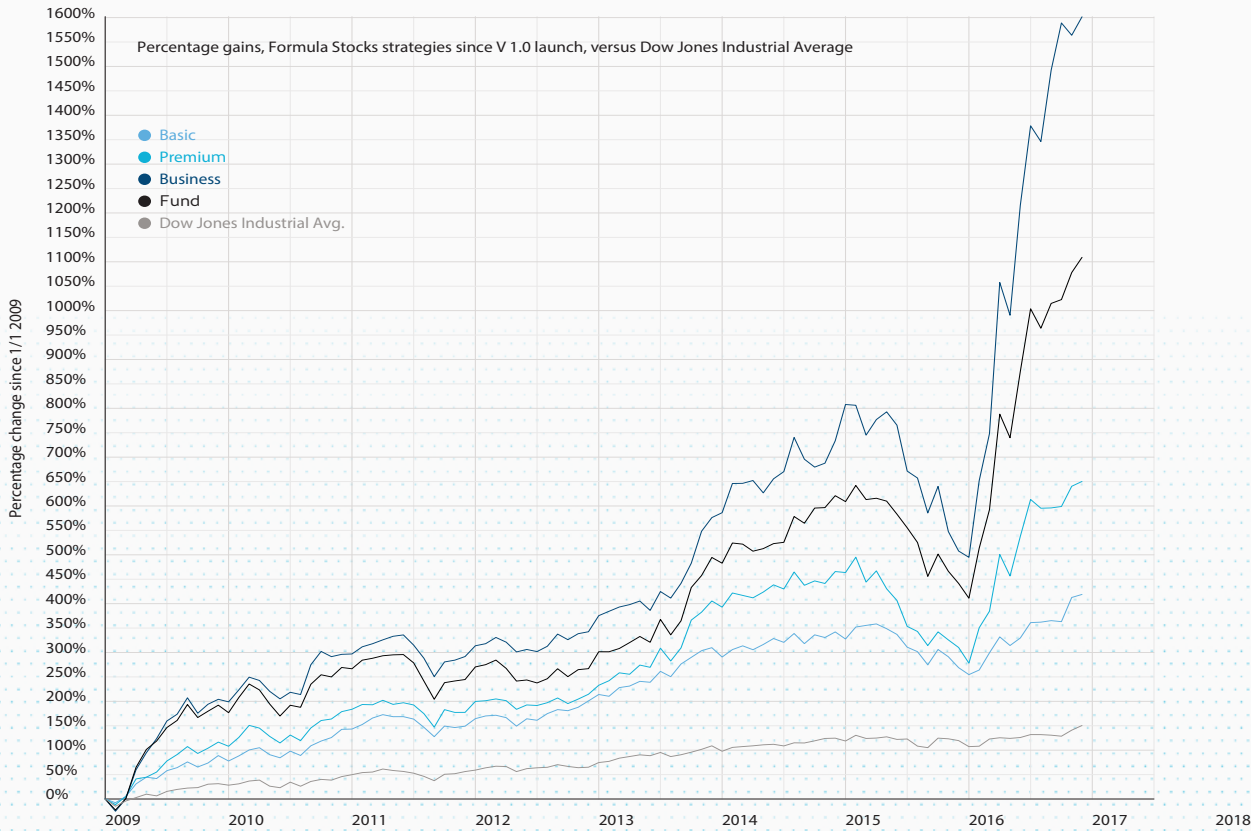
(1) Success is defined as a positive ROI between issued purchase and sell recommendations. 85 and 95% refer to the historical probabilities in our FUND and BUSINESS products, respectively. Sample size: 9,800 recommendations. Historical performance is no guarantee for future performance.

The identification, a priori, of equities with a high expectancy of success as a future investment is of course very valuable information. Probability theory will tell you that for a combination of, for example, 100 independent events each with a 92% probability of success yielding a high average return (and conversely little downside for events that are not successful) the collective outcome in terms of a total positive financial return is close to a certainty.(2) This means that investing with our strategies is extremely likely to be a successful endeavor, at the very least when done consistently, reasonably diversified, and over a longer period of time.

(2) Especially when you consider that the average geometric IRR is 27,98 and 52,93%, respectively. As a reminder, the geometric average includes both *winning and losing* IRRs, and a single total loss would render a geometric IRR of 0. *In other words, after 9,800 individual recommendations our strategies have never led to a total or near-total loss on any single investment.*

For comparison, within a group of high-quality equities subjected to the exact same testing methodology any random equity has only a ~59% probability of success by the same measure – a staggering difference.

Below: The unleveraged performance in %, a posteriori, of 4 strategies since launch in 2009, with the DJIA as baseline.



THE TECHNOLOGY

Our proprietary Intelligent Investment Technology™ (hereafter IIT™), developed over the last 14 years, has many facets. To name just one, it can automatically analyze a business in greater quantifiable detail than the human cortex is able to, estimating its most likely future based on big data.

One of the enabling technologies has been our development of machine learning within the field of investment strategy and business analysis. Machine learning is currently used by the likes of Microsoft, Google, and IBM for a multitude of purposes, including advertising, content analysis, security, voice and image recognition. One of its earliest applications in investment science might well have been ours in 2003.

Since then we have used this as a tool to analyze vast amounts of businesses and strategies, facilitating the creation of a large in-house library of knowledge on equity, business models, and investment strategies, which literally exists nowhere else.

Somewhat similar to Deep Blue, the chess computer developed by IBM that beat world champion in chess Garry Kasparov in 1997, our IIT™ is able to use this knowledge to analyze and ‘play chess’ with investment strategies.

💡 When Deep Blue defeated Kasparov 3.5-2.5 it was the first time in history that software had beat a world chess champion under tournament rules. Blue could analyze 200 million potential chess moves in the time allotted under tournament rules. By combining the ability to learn chess strategy, review historical matches, and make deductions it was possible for the system to calculate many more moves ahead and make better decisions than its human competition.



Where Deep Blue employed its expert system to identify, analyze, and implement chess moves based on numerous past matches, our technology focuses on business analytics and investment strategy. The success of both systems, however, is rooted in their ability to calculate many moves ahead and make better decisions, taking into account far more variables than we as human beings would be able to evaluate due to our heuristic limitations.

For instance, in 2016 our IIT™ and business analytics software can analyze 5,000 businesses based on balance sheets, income and cash flow statements, and other fundamental business and economic data in less than a minute and at a level of detail that would likely take 100 men several months to do manually.

Another technological breakthrough available only through FormulaStocks is Alpha Prediction™. This estimates the future alpha component of any given equity investment and is projected for nearly all equities on major exchanges.

All strategies are based on a quantifiable scientific foundation. They work not only in practice, but also in theory, and are generally oriented toward better business practices.

A learning machine

The IIT™ adaptively learns what works. It is a learning machine.

In conjunction with a human investor it builds a circle of competence or set of knowledge, which it knows particularly well – like a human expert who specializes in a given field. The learning takes place on an abstract level: What predicts success or failure in the future?

The learning process is thus not dissimilar from what, for example, Warren Buffet went through in his formative years at Graham-Newman Corporation. Initially the investor learns from his predecessors what has worked and what has not, before he innovates, observes, tests, and refines.

The learning process is in fact very down to earth and human-oriented in nature, representing a two-way interaction between the developers and the technology testing and executing the business analytics software: The team learns from the technology, and the technology learns from the team. The astute investor may teach the technology new skills and enhance its prowess, but he may equally well learn from it.

The key takeaway, however, is that the technology keeps learning and improving year after year.

The IIT™ understands business from the perspective of superinvestors like Warren Buffett, quality from the perspective of Philip Fisher, value from the perspective of Benjamin Graham, to name but a few. It also detects and prevents investment in cases such as Enron, Tyco, and many others like it well ahead of public discovery.

Where it takes a human being exactly 45 years to accumulate 45 years worth of experience, it takes our IIT™ two minutes. And the technology is agnostic, which means that it is equally comfortable working with growth-based strategies, GARP, deep value, quantitative methods, contrarian analysis, and a large array of novel investment strategies, which have been developed in house and which represent undiscovered territory in the published literature. There are 91 such largely unpublished strategies for beating the market in just about as many different ways.



The fact that we do not rely on a single, or even a dozen strategies, and only use the ones we can unequivocally prove have worked for half a century, is a testament to the ruggedness of our approach. It will not suddenly be arbitrated away, falter due to macroeconomic change, or cease to be relevant.

- Thomas Lyck.

An evolutionary next step

With 93 circles of competence or acquired skillsets to date, developed over 1,480,000 CPU hours of machine learning and more than 50,000 human hours, the total amount of experience adds up.

The IIT™ can be seen as a union between classic intelligent investing, quantitative sciences, 21st-century machine learning, and proprietary business analytics. We think of it as an evolutionary next step.

Part of what makes FormulaStocks' IIT™ stand out is its rules-based design that enables it to adapt to any investment scenario whether past or future. This means that it does not require human – potentially emotional – interference or ad hoc decisionmaking to cope with extraordinary events or 'black swans', and furthermore that it works well in any environment, timeframe, or macrocondition, bull or bear, be it in 1921, 1974, or indeed 2028. The market inefficiencies exploited are deeply rooted in the human condition and, hence, not about to go away.

These investment methods, readily understandable by an expert human investor or a seasoned businessman, are grounded in common sense and a sound, timeless business perspective.

Risk

Our strategies have to date produced 10,130 recommendations, which have achieved significantly above average returns in the marketplace. The best strategy has beat the S&P 500 89% of the time for 45 years; the second-best 83% of the time.

Achieving a higher level of return is, of course, easy if it means accepting higher risk. But our methods generally do the exact opposite. They deliver above-average returns at below-average risk – an absolute rarity. We employ no leverage, no derivatives, no frequent trading, no market timing. We work with long-term equity holdings with an average of 808 holding days and, preferably, some form of margin of safety.

The maximum drawdown of our best strategy over a 45-year period is 40%. This is somewhat significant, as the equity markets have produced quite a few 50%+ drawdowns in the same period. It does not imply low volatility per se; it implies investing when upside volatility exceeds downside volatility.

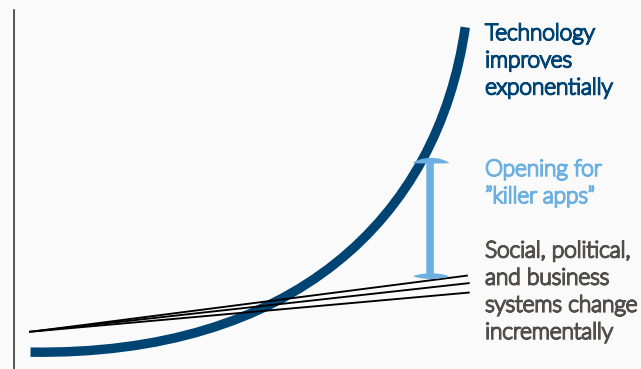
INVESTING WITH AN INFORMATIONAL ADVANTAGE

The customary approach to investing involves an analyst or manager looking for attractive ideas, manually analyzing prospects while adaptively digging deeper into the more interesting candidates. What if this process was to be turned upside down or disrupted?

Imagine that advanced software can do all the preliminary work for you: look widely for interesting investment candidates, isolate the more interesting, analyze their business models, evaluate their potential for future alpha generation, assess the odds of their success, vet them for accounting irregularities, and ultimately handing these results to you on a silver plate?

Such technology would perform the same work as a large research department in a major institution, determining which businesses are attractive prospects.

THE LAW OF DISRUPTION



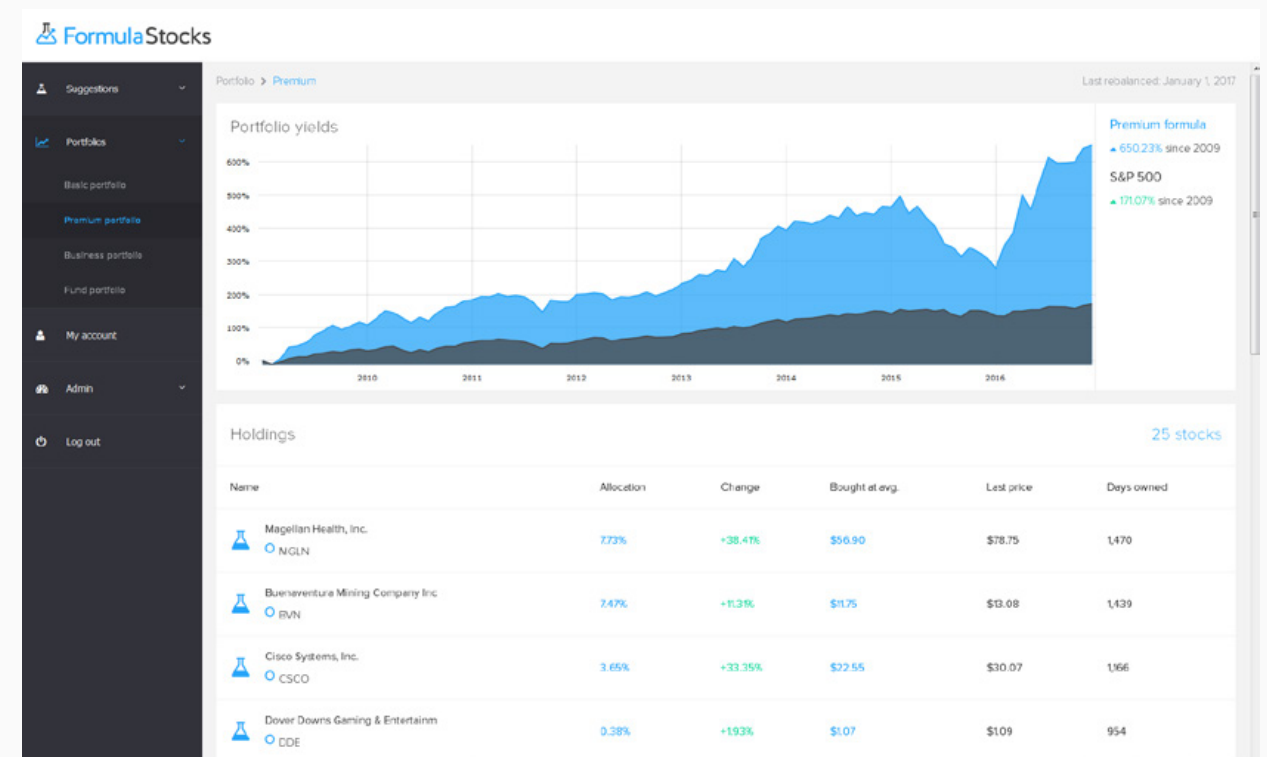
Source: Unleashing the killer app

Using HPC (High-Performance Computing) we have built such a system that performs these tasks around 800,000 times faster than is possible manually. It yields more efficient operations and uses fewer man hours and staff to reach the set objectives.

Since our IIT™ requires no ad hoc human decision-making, it can function either in a stand-alone capacity or as an analyst in your research department, feeding portfolio suggestions to the investment manager who can then direct his energy toward the more optimal candidates.

The purpose is not to replace human decision-making, but rather to augment it with a better tool, leading to more effective allocation of valuable time, higher win ratios, improved learning processes, better safety procedures countering analytical errors, CAGRs way ahead of the market, unemotional decision-making, record IRRs, and ultimately better performance for you or your customers.

In addition to simply analyzing companies and business models, our IIT™ can also manage a portfolio, buy and sell equities, and allocate capital. On the following pages we will give an overview of the two different product lines we offer.



‘BUSINESS’ PRODUCT

The BUSINESS product is designed for accredited or sophisticated investors, primarily high-net-worth individuals, businesses, CEOs, CFOs, and other professional investors running their own portfolio of a moderate size.

Approximately 924 out of 1,000 or 92% of all investments selected by this strategy to date have turned out to be long-term winners, outperforming the S&P 500 89% of the time.

The exceptionally high win rate permits BUSINESS to run a more concentrated investment portfolio with an average of around 20 new investment candidates per year, with unequal weighting. This is the result of up to 53 different investment strategies working together using our most sophisticated technology, thus distilling the best we have got to offer in terms of sheer performance.

This strategy has yielded massively positive results since 1970. It has produced a CAGR of 36.28% based on investments with an average IRR of approximately 51%, matched by few, if any unleveraged, long-term equity strategies. Over a period of 47 years \$1 dollar could have grown into nearly \$1,312,579 in a tax-exempt account.⁽¹⁾

(1) Past results are no guarantee of future results. Please consult our legal disclaimer. Calculations does not include trading costs and slippage.

CAGR.....	34.95% (excluding commissions, slippage)
Average win rate.....	92.20%
% of time outperforming the S&P 500	89%
Geometric IRR.....	51.63%
Average portfolio size in number of positions.....	50
Average holding period in days.....	793

Number of investments located.....	1009
License form.....	Business and personal
Cost.....	\$20,000/year (exclusive of VAT if in the EU)

Please review the unleveraged results in the sidebar to the right and compare these to the S&P 500.

Investors of considerable size will instead want to subscribe to our FUND product. FUND is designed for applications requiring massive liquidity, high levels of diversification, and high scalability, whereas BUSINESS is a niche performance product for the smaller enterprising investor, and thus not suited for portfolios of a considerable size.

BUSINESS STRATEGY VERSUS THE S&P 500

Year	BUSINESS	S&P 500 + dividends
1970	28.61%	3.90%
1971	50.77%	14.60%
1972	61.88%	18.90%
1973	9.13%	-14.80%
1974	-21.43%	-26.40%
1975	107.44%	37.20%
1976	53.99%	23.60%
1977	14.23%	-7.40%
1978	15.72%	6.40%
1979	23.36%	18.20%
1980	31.30%	32.30%
1981	23.94%	12.85%
1982	47.46%	-5.00%
1983	45.69%	22.40%
1984	11.78%	6.10%
1985	49.56%	31.60%
1986	57.63%	18.60%
1987	42.61%	5.10%
1988	58.08%	16.60%
1989	91.61%	31.70%
1990	6.09%	-3.10%
1991	37.44%	30.50%
1992	13.65%	7.60%
1993	32.70%	10.10%
1994	76.91%	1.30%
1995	34.58%	37.60%
1996	86.88%	23.00%
1997	68.72%	33.40%
1998	33.14%	28.60%
1999	257.31%	21.00%
2000	84.91%	-9.10%
2001	26.98%	-11.90%
2002	21.33%	-22.10%
2003	37.23%	28.70%
2004	41.56%	10.90%
2005	14.12%	4.90%
2006	24.34%	15.80%
2007	26.47%	5.50%
2008	-4.45%	-37.00%
2009	86.52%	26.50%
2010	25.14%	15.10%
2011	6.49%	2.10%
2012	13.03%	16.00%
2013	30.88%	32.40%
2014	20.33%	13.70%
2015	-17.93%	1.40%
2016	67.41%	8.00%

Simple average: 40.61% p.a. 11.73% p.a.

Ratio of winning to total pos.: 92.36% winning

Average geometric IRR: 48.66%

CAGR 1970 through to 9/2016: 36.28%
CAGR 1990 through to 9/2016: 38.04%
CAGR 2009 through to 9/2016: 43.72%

Maximum drawdown, 45 years: 40.61%

Sortino ratio, yearly: 7.53

‘FUND’ PRODUCT

The FUND product is designed for institutional capital, family offices, trusts and investors of considerable size.

If you oversee any type of investment product sold to a wider audience, represent a financial institution, mutual fund, ETF, or hedge fund, or otherwise represent an AUM base with multiple capital owners, FUND is the product that can add value to your operation, either operating as a business analytics product providing research input only to your team or, alternatively, as a more comprehensive joint-venture model providing both research, strategy, and capital allocation services for a new fund product.

When operating a large AUM base you will have several other considerations besides sheer performance. Diversification, liquidity, position sizing, and capacity to trade in larger volumes without moving the market disproportionately are all major concerns. The FUND plan is designed to cope well with very diversified AUMs in the range from \$0.1-300 billion, while maintaining adequate diversification at all times and still outperforming the market averages.

Diversification levels are very high, with a typical average of 163 concurrent positions in the portfolio.

CAGR.....	22-28% dependent on AUM
Average win rate.....	90.16%
% of time outperforming the S&P 500	82.98%
Geometric IRR.....	33.27%
Average portfolio size in number of positions.....	163
Average holding period in days.....	731

Number of investments located.....	2250
License form.....	Financial services resale/fund usage
Cost.....	\$140,000/year (exclusive of VAT if in the EU)

The normal range of concurrent positions is between 60 and 200, well diversified between sectors. Tailormade versions exist with 1500 concurrent positions.

FUND is designed with high scalability, high levels of diversification and massive liquidity in mind. It will cope well with any portfolio size, and present attractive opportunities across the scale.

(to be continued on page 14)

FUND STRATEGY VERSUS THE S&P 500

Year	FUND	S&P 500 + dividends
1970	25.15%	3.90%
1971	33.24%	14.60%
1972	10.22%	18.90%
1973	-14.55%	-14.80%
1974	-5.93%	-26.40%
1975	74.89%	37.20%
1976	50.23%	23.60%
1977	18.64%	-7.40%
1978	14.57%	6.40%
1979	20.46%	18.20%
1980	22.94%	32.30%
1981	17.69%	12.85%
1982	40.02%	-5.00%
1983	43.19%	22.40%
1984	16.65%	6.10%
1985	45.60%	31.60%
1986	32.96%	18.60%
1987	20.98%	5.10%
1988	40.72%	16.60%
1989	43.42%	31.70%
1990	-4.38%	-3.10%
1991	43.41%	30.50%
1992	19.63%	7.60%
1993	23.82%	10.10%
1994	13.66%	1.30%
1995	42.92%	37.60%
1996	61.73%	23.00%
1997	46.18%	33.40%
1998	33.49%	28.60%
1999	74.83%	21.00%
2000	60.44%	-9.10%
2001	35.41%	-11.90%
2002	26.15%	-22.10%
2003	62.98%	28.70%
2004	41.72%	10.90%
2005	-7.48%	4.90%
2006	28.92%	15.80%
2007	12.12%	5.50%
2008	-8.27%	-37.00%
2009	85.37%	26.50%
2010	27.89%	15.10%
2011	-1.87%	2.10%
2012	10.09%	16.00%
2013	43.46%	32.40%
2014	12.02%	13.70%
2015	-30.99%	1.40%
2016	98.00%	8.00%

Simple average: 29.84% p.a. 11.73% p.a.

Ratio of winning to total pos.: 90.16% winning

Average geometric IRR: 27.89%

CAGR 1970 through to 9/2016: 27.34%
CAGR 1990 through to 9/2016: 27.72%
CAGR 2009 through to 9/2016: 32.92%

Maximum drawdown, 45 years: 41.55%

Sortino ratio, yearly: 5.61

‘FUND’ PRODUCT, CONTINUED

As capital markets are not of an infinite size, larger AUMs will affect the CAGRs you can expect to achieve in the long term. Examples of approximate historical performance CAGRs relative to size constraints include, for example, a \$50-billion endpoint with a ~23% CAGR. In other words, a range between 20 and 27% depends on AUM. Average geometric IRRs for the FUND strategy have historically been around 32%.

While this may seem to be less than our BUSINESS strategy, it is a matter of available opportunities in the market at a given AUM size combined with higher diversification requirements. Because liquidity and diversification is higher, FUND outperforms BUSINESS in size.

At a certain size the market has only so many investable ideas capable of generating a 40 or 50% IRR, and thus a compromise between investable ideas, diversification requirements, and performance is unavoidable. The strategy is designed so that one full month is available for practical gradual accumulation or distribution of very large positions in order to avoid exerting too much of an upward or downward force on the markets.

VALUE PROPOSITION

FormulaStocks offers a line of readily available products through our website www.formulastocks.com, including the real-time portfolio decisions of our IIT™, available through a secure website or iOS app.

Our primary professional-level product, BUSINESS, can significantly enhance portfolio performance. The results are obtained using no leverage and no trading. In the buy-and-hold category, we believe our focused BUSINESS product ranges among the very best long-term strategies in the world.

The BUSINESS product is available at a per-user price of \$20,000 a year(*).

The value proposition of the BUSINESS product is that you can use your available capital and gain net returns from this capital far in excess of the costs of subscription and the potential market return otherwise available from the general market.

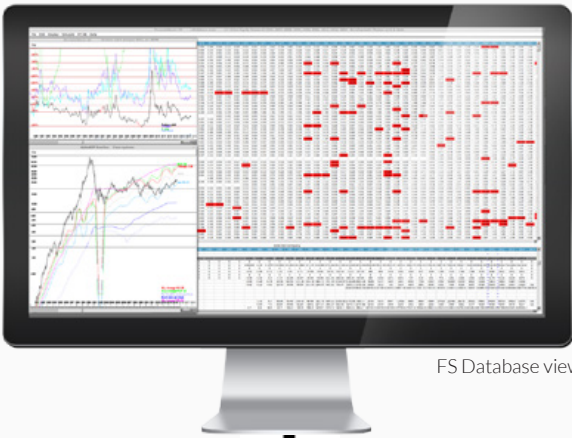
The value proposition of the FUND product (**) is two-fold. You can gain valuable investable ideas easily worth the price in admission by themselves, and in some instances you can save recurring costs otherwise associated with producing a commercial fund product. Our product performance can help you gain additional customers and thus improve your bottom line through fees received and scale. View it either as a business analytics product or, alternatively, a joint venture for producing a competitive new commercial fund product.

Please direct questions concerning these products to Thomas Lyck at thomas@formulastocks.com or +45 22 25 01 30.

HOW DO I USE YOUR SERVICE?

Once a month or week according to your preferences, you receive purchase and sell recommendations, which you may use to transact upon or analyze further. We are here to make it easy for you.

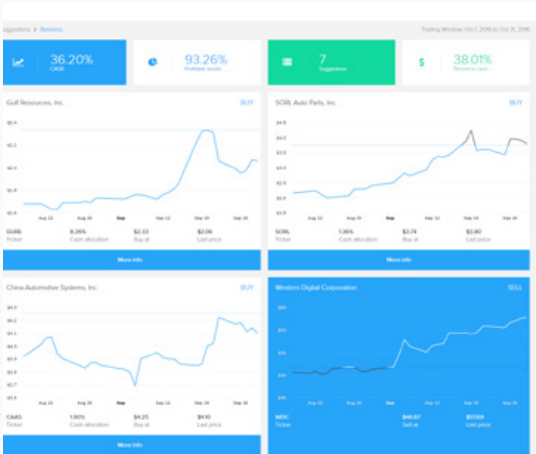
The complex numbers are crunched at FormulaStocks, and the output of our capital allocation strategies are funneled into simple purchase and sell recommendations which are easy to use for anyone. You can either act upon these or simply mirror our portfolio which you can view at any time.



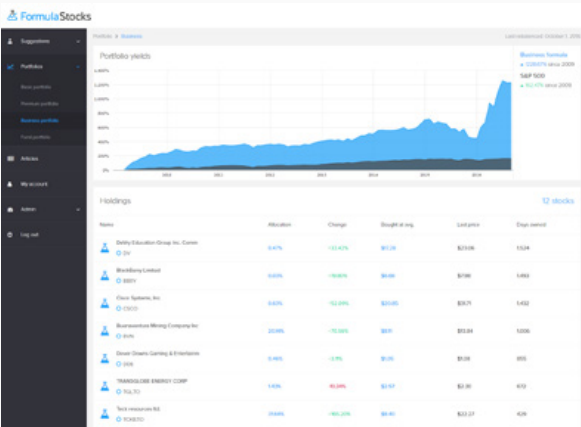
FS Database view.



Secure website recommendations



Secure website portfolio page



site

Our secure servers are accessible through our website.

(*) BUSINESS licenses are personal and allow one investor or company access to use FormulaStocks, meaning that several users within one company require multiple licenses. Usage of the FormulaStocks BUSINESS plan by an investment advisor advising multiple clients is not possible with this type of license; the same applies to various forms of institutional capital, which should instead refer to our FUND product. The flat fee structure has no limits as regards AUM under the provision that it is only used within one legal entity and by one investment manager. FormulaStocks reserves the right to allocate only a select number of slots to BUSINESS subscribers and to accept subscribers to this particular plan only on a subjective basis. Prices are exclusive of VAT where applicable (EU).

(**) FUND plan licenses allows unlimited staff access for all staff involved with a given commercial product or investment vehicle. This flat fee structure has no limits as regards AUM under the provision that it is only used within one legal entity & one named product. FormulaStocks reserves the right to allocate only a select number of slots to FUND plan subscribers, and the right to accept subscribers to this particular plan only on a subjective basis. Price is exclusive of VAT where applicable. (EU)

ABOUT US

We take great pride in pioneering around the theme of using modern tools to replace human toil and costs. We have a 25-year track record in this form of innovation.

In the early 1990s we were a pioneer in bringing computer graphics to TV and motion pictures, replacing analog optical methods with digital, achieving a third place in our field based on sales in 65 countries to nearly all of the world’s leading broadcasting and motion picture participants.

In the late 1990s we developed the semiautomatic system with which building instructions for all LEGO products worldwide would be produced, using approximately 90% less costs/staff than before, effectively replacing an entire outsourced division with a turnkey computer solution.

We started development of our Intelligent Investment Technology™ in 2003. The basic idea was simple: Being right far more often than being wrong, would be an ideal foundation for an informational advantage in equity investing. Using a purely scientific and advanced technological approach, we started to quantify what was not yet quantified. The modest starting point in 2003 was a 60% win/loss ratio and merely a 13% CAGR based upon simple textbook Graham & Dodd security analysis. More than a decade later focused in-house research has brought us far. The resulting research could fill multiple volumes on novel and so far unpublished ways of analyzing a company or business model and predicting its future alpha.

Please let us know if we can be of assistance with further information.

Contact

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OUR TEAM



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Marie Lauritzen PhD
Research, Linguist

Quality Control,
Documentation,
Localization

LEGAL DISCLOSURES

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FormulaStocks plans vary in terms of diversification and may or may not be adequately diversified for any particular risk profile, as the required level of diversification differs from individual to individual. Set your own individual maximum position size accordingly or consult an advisor.

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