Sharped Alpha Fund Report

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Python code link:
https://colab.research.google.com/drive/1Y3m-SKobIufCBL7PReWtKJWgUR8CQoLg#scrollTo=Q6FmpWyMIE9E

Periodic Macro overview

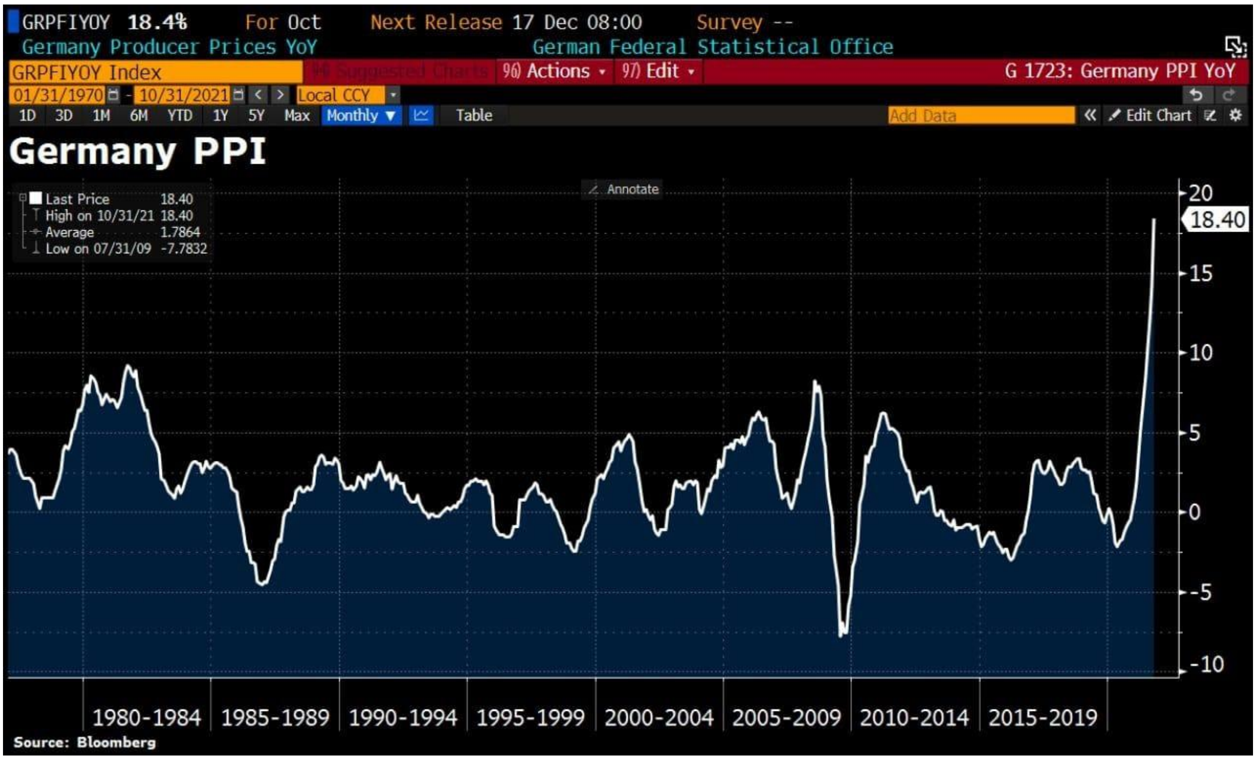
In the last month, our macro assumption remains the same.
We were particularly correct about inflation expectation, with the communication of the official inflation rate in the USA[1], which was far above the expectations, the prices of Gold and Bitcoin immediately jumped by several percentage points giving us the highest overperformance of 1.1% concerning the benchmark, this result was not easy to achieve considering our 20% exposure to bonds.

In the last few days, the sentiment on the crypto market had a little pullback, but we are still confident in this asset class as an “inflation shield”, as the last few years have shown.

We had also assumed that the tapering could be postponed, it started, but the recent increase in the covid diffusion through Europe may change the interactions of central banks in fighting the inflation, has Lagarde says a few days ago[2] with the covid spread the priority is to keep the liquidity in the economy.

With the increase in the covid pandemic, oil prices could have a little step back[3], so we have decided to cash in our profits in the US energy and commodity shares and relocate our portfolio in the swiss market.

We have reduced our exposure to REITS by introducing a real estate Swiss stock in our portfolio which is exposed to Germany. Inflation in Germany is hitting harder than in other European countries so, with this change, we could catch an increase in the German real estate market without losing focus on the US real estate market.



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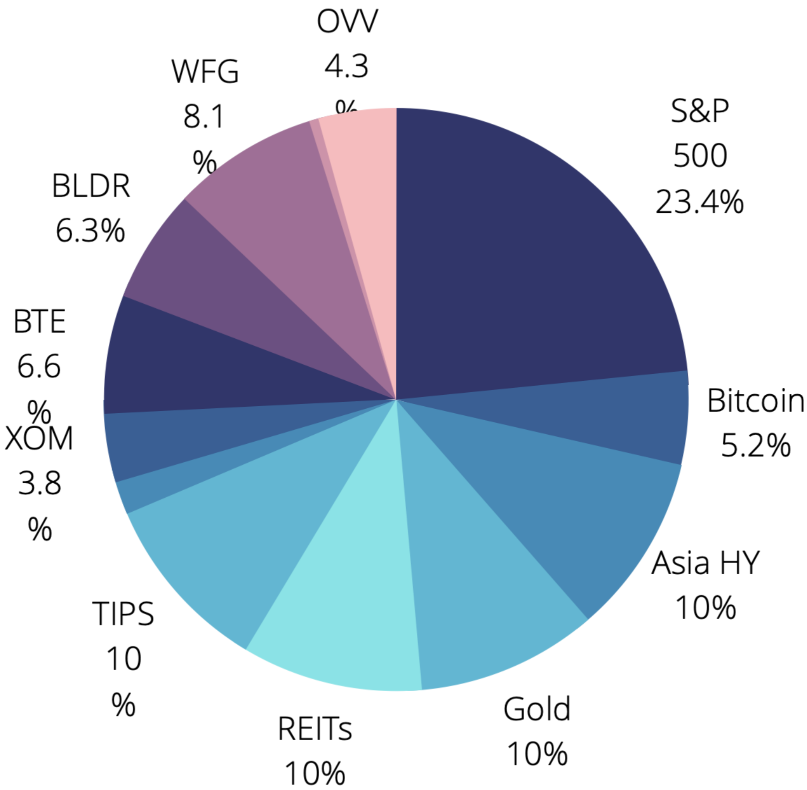
1 https://www.cnbc.com/2021/11/10/consumer-price-index-october.html

2 https://www.cnbc.com/2021/11/19/ecbs-lagarde-says-a-rate-hike-unlikely-for-2022.html#:~:text=European%20Central%20Bank%20President%20Christine%20Lagarde,&text=In%20her%20speech%20Friday%2C%20Lagarde,than%20double%20the%20ECB's%20target.

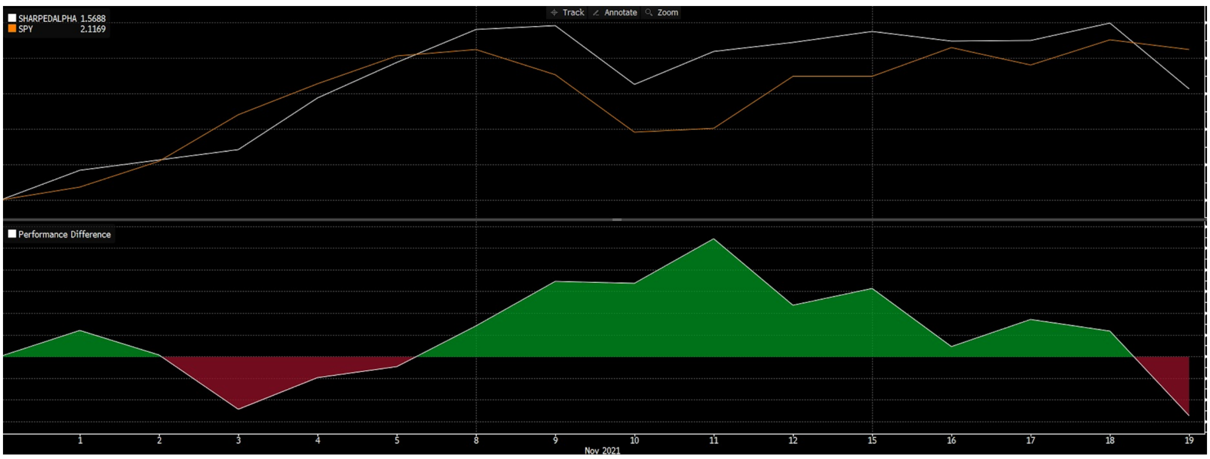
3 https://www.reuters.com/markets/commodities/oil-prices-stabilise-after-wild-swings-prospect-crude-stockpiles-release-2021-11-19/

Analysis First Round of Portfolio

This was the allocation of our portfolio during the first month of the challenge.



After one month our portfolio has achieved a performance of 1.6%, which is quite close to the benchmark consisting solely of the S&P 500 which has performed a 2% of return.
If we look at the month as a whole, we can see that on average almost every day our portfolio outperformed the benchmark, so we think that even without the rebalancing in the second round our portfolio would most likely be back above the bench.



Analyzing individual assets, however, we can notice that the majority of individual stocks (only BLDR and WFG have a positive return at the end of the month) and Bitcoin did very well until mid-month and then fell back towards the end of the month.
Asian bonds were down from the start but were slowly but steadily climbing, after the progressive improvement in the expectations of an intervention of the Chinese government in the crisis of Evergrande.
In contrast, gold, REITs, TIPS, and the S&P 500, were bullish from the outset and maintained that trend until the end.

If we look at the assets that have provided us with the biggest gains, the BLDR stock is up 20%, giving us a gain of about 1.2 million dollars on our weighting in this stock, followed by the S&P ETF which is up 3.5%, giving us a profit of 0.8 million dollars.
In terms of losses, the biggest was the BTE stock, which depreciated by about 10%, causing us to lose 0.65 million dollars, followed by the OVV stock, which fell by 12%, causing us to lose 0.5 million dollars.

This is a general overview of our assets at the end of the first round.

ASSET	Return	P/L	Contribution
BLDR	19.88%	1.246.317 $	1.25%
S&P 500	3.5%	820.001 $	0.82%
GOLD	3.15%	315.104 $	0.32%
WFG	2.17%	175.714 $	0.18%
TIPS	1.23%	123.485 $	0.12%
REITS	0.35%	34.850 $	0.03%
CVX	-0.79%	-14 $	-0.04%
PAA	-8,14%	-40.676 $	-0.04%
ASIAN HY	-0.56%	-56.30 $	-0.06%
XOM	-3.88%	-116.446 $	-0.15%
BITCOIN	-3.3%	-171.733 $	-0.17%
OVV	-11.72%	-503.813 $	-0.5%
BTE	-9.85%	-650.149 $	-0.65%

We can also mention the fact that in some of our stocks during the month we received dividends, which gave us an income of about 31.000 dollars.

Summing up, our portfolio return has been consistent over the whole period, without suffering from extensive losses anytime. According to Bloomberg, in the last month, the Sharpe Ratio of our portfolio was 0.69. Considering an annual projection of this number in python we get a Sharpe Ratio of 2.49 which is very close to the last 12 months Sharpe Ratio of the benchmark (the S&P 500 index had a rolling 12-month Sharpe Ratio around 2.6[4]).

However, given our particular asset allocation, to see an outperform in the sharpe ratio we have to consider the coming months in which our assets could express their hidden potential and obtain abnormal returns that would overcome volatility and therefore increase the sharpe ratio.

[4] https://portfolioslab.com/portfolio/sp-500 (the S&P portfolio consider also the compounding of dividends)

Stock picking criteria

To select the swiss stocks from the equity insights platform we first created a screening that was filtering the whole sample according to the following criteria:

- Stocks that are listed in Switzerland only.
- Company Investment grade on the platform greater or equal than “B”.
- Consistent Economic Margin at time 0.
- Economic margin forecast growth at 1 year greater than 0 (EM1-EM0 change).
- Economic Margin forecast 1-year monthly momentum (month over month change in the 1 year out Economic Margin due to the changes in the 1 year out EPS estimates).
- Target price at least 5% above the current price.
- Positive Cash Flow growth 1-year projection.

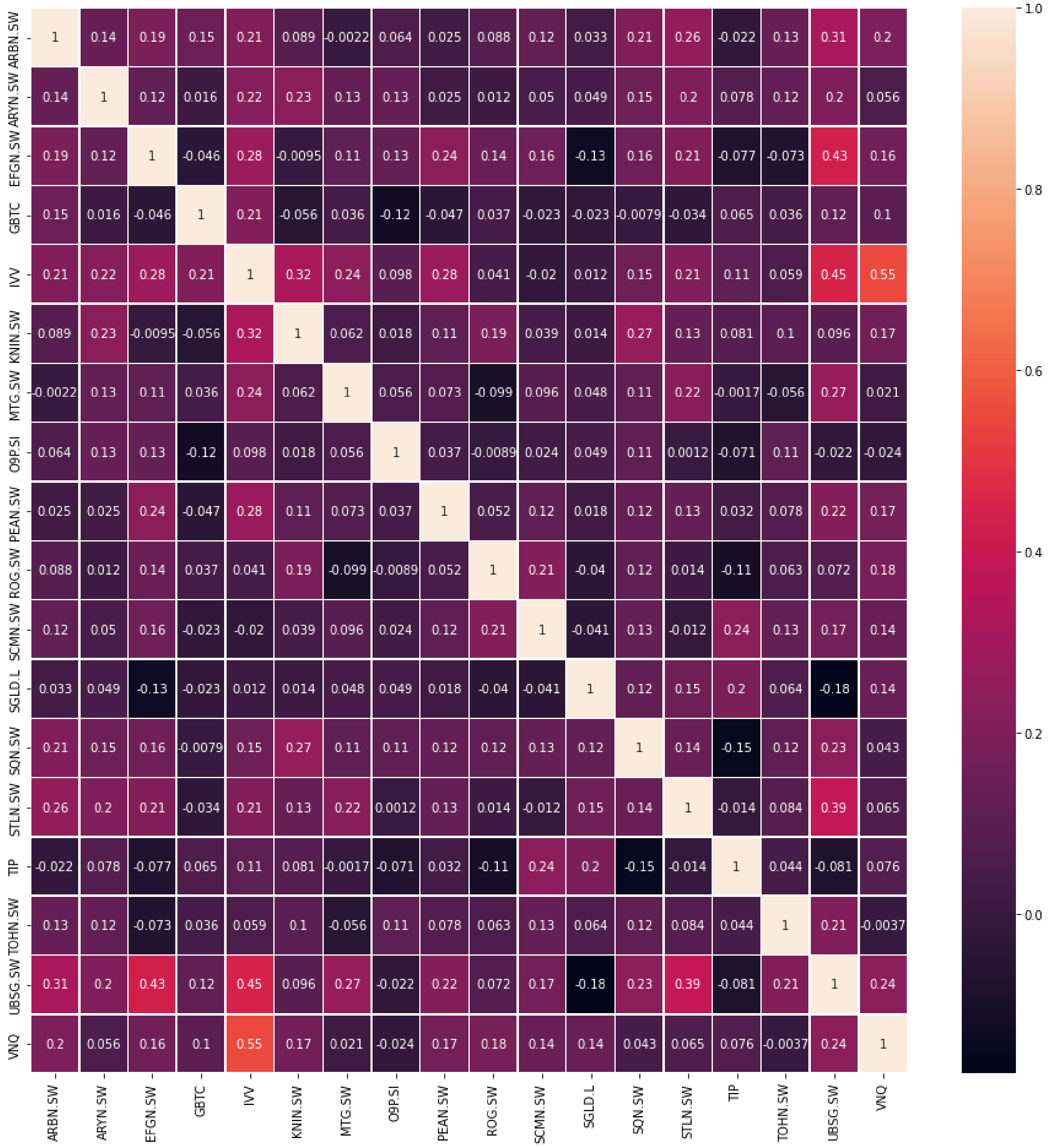
After applying these screenings we decided to use the equityinsights.com optimization algorithm to modify our allocation.

The optimization was aimed at achieving sector diversification (in line with our macroeconomic analysis and only consider Value or GARP (Growth At a Reasonable Price) investments. We furthermore kept filtering the stocks according to main fundamental analysis’ metrics until ending up with the following result:

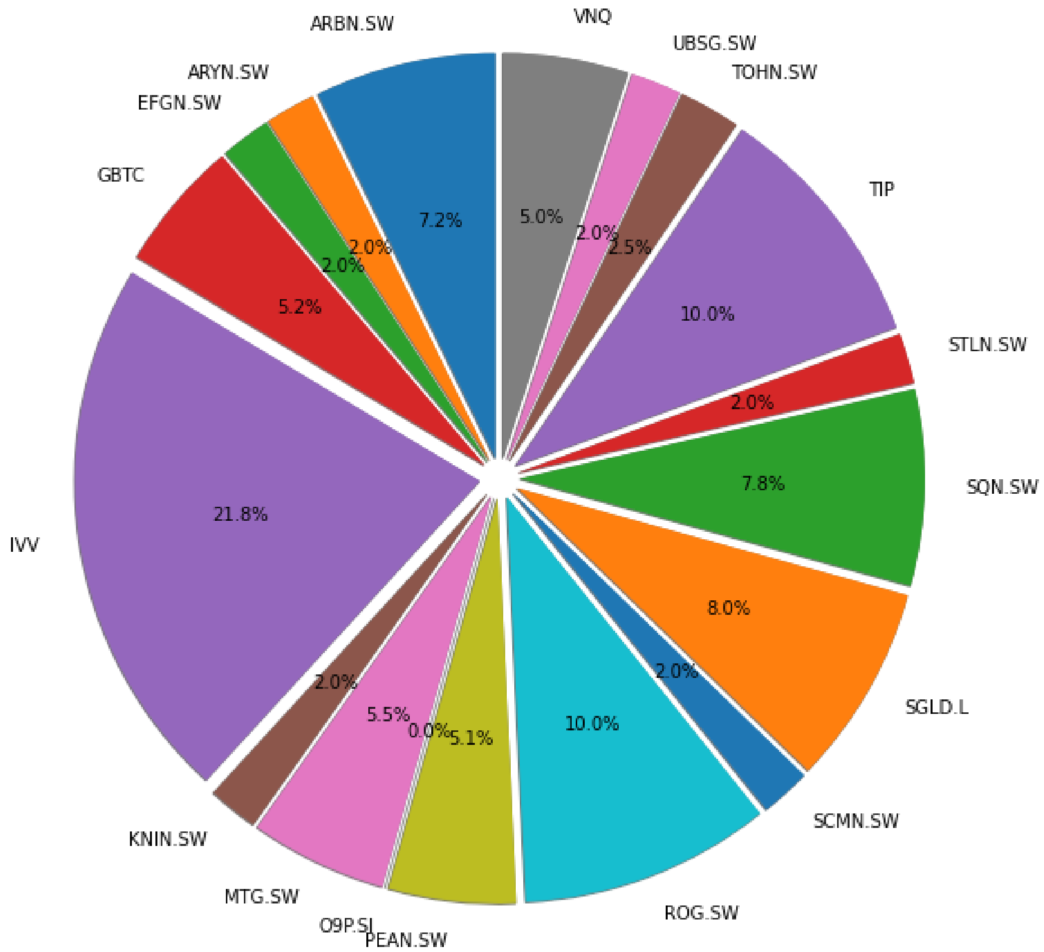
Ticker	Name	Sector	Industry	Mkt Cap Mil	Div Yld	%Tgt Cur SR	Afg CG	Afg IG	Ivc Grd	MQ Grd	EQ Grd	EM MO Grd	PR MO Grd
CH:TOHN	TORNOS HOLDING AG	Industrials	Industrial Machinery & Equipment	154	0	91	A	A	A	A	A	A	A
CH:KNIN	KUEHNE UND NAGEL INTERNATIONAL AG	Industrials	Air Freight & Courier Services	38395	1.54	100	A	A	A	A	A	A	B
CH:MTG	MEIER TOBLER GROUP AG	Industrials	Electrical Components & Equipment	250	0	100	A	A	A	A	A	B	A
CH:ROG	ROCHE HOLDING AKTIENGESELLSCHAFT	Healthcare	Pharmaceuticals	346149	2.46	85	A	A	A	A	C	B	B
CH:STLN	SWISS STEEL HOLDING AG	Basic Materials	Steel	1189	0	94	A	A	B	A	A	B	B
CH:ARBN	ARBONIA AG	Consumer Cyclicals	Construction Supplies & Fixtures	1563	1.21	88	A	A	B	A	B	A	A
CH:SCMN	SWISSCOM	Technology		29334	4.26	67	A	A	B	A	C	B	C
CH:ARYN	ARYZTA AG	Consumer Non-Cyclicals	Food Processing	1250	0	100	A	B	A	A	A	D	A
CH:UBSG	UBS GROUP AG	Financials	Investment Management & Fund Operators	61288	2.10	89	A	B	A	A	na	A	D
CH:EFGN	EFG INTERNATIONAL AG	Financials	Banks	2234	4.39	84	A	B	A	A	na	A	D
CH:PEAN	PEACH PROPERTY GROUP AKTIENGESELLSCHAFT			932	0.48	100	A	B	A	A	na	D	B
CH:SQN	SWISSQUOTE GROUP	Financials	Diversified Investment Services	3310	0.74	69	A	B	B	A	na	B	A

Optimization

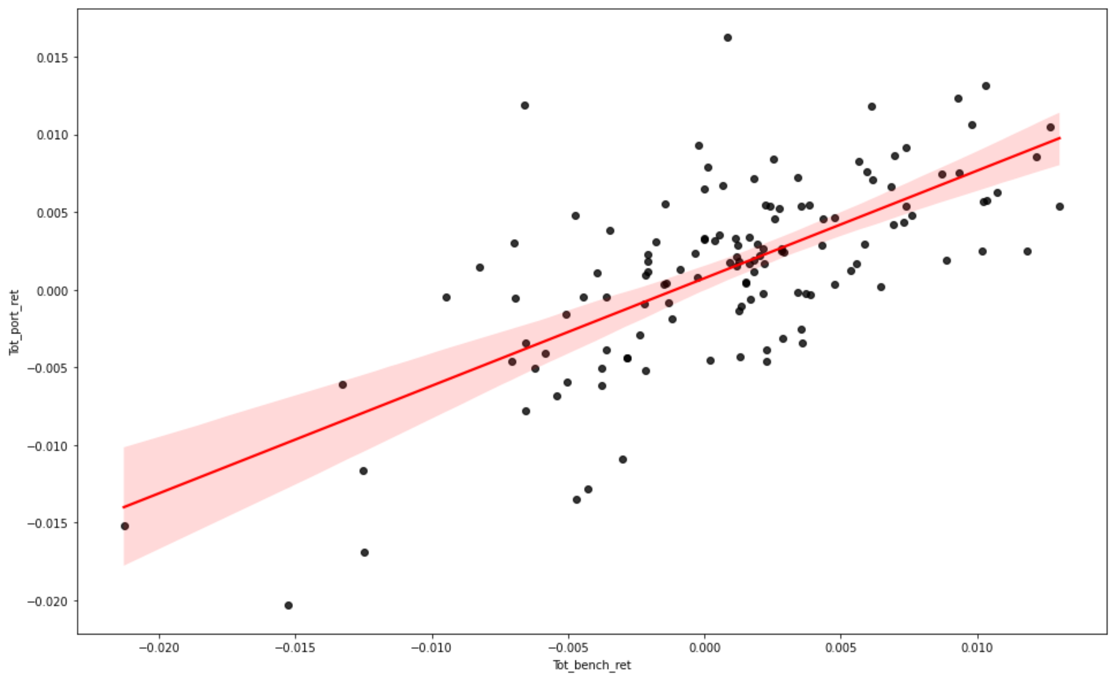
After the stock selection, we wanted to get an insight into our assets for diversification purposes, therefore we decided to generate a heatmap of the correlation among the different assets.



We used the same optimization algorithm from phase 1 of the AMC however, in this part of the challenge, we decided to add additional constraints to the optimization, in order to give more weight to our fundamental analysis (key of this part of the challenge). Every stock selected from Equity Insights had to have a minimum weight of 2%, we also changed the weight of gold, Asia HY and TIPS to reduce our exposure on these assets and constrained the SP500 to a percentage lower than 30%. The resulting weights are as follow:



Finally, we decided to regress the portfolio over a benchmark composed of 50% SP500 and 50% SMI, since the sum of our Swiss stocks holdings is close to 50%.



From the regression, we obtained an alpha of 0.00073 and a beta of 0.6924 with respect to our benchmark.

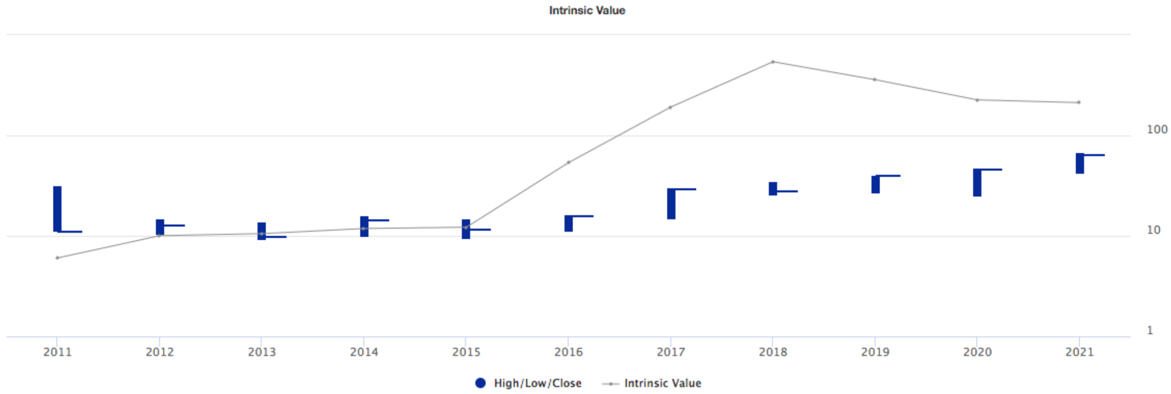
PEAN (Peach Property Group AG)

Sector: Financials
Valuation: Intrinsic Value Current A, EM +1 Change: F
Quality: Management Quality A, Earnings Quality NA
Momentum: EM Momentum D -1.88%, Price Momentum B
Value score: 99 (sector: 68)
P/E FWD: 6.18
P/B TTM: 1.10
EPS Growth (1 Yr): 9.74
RONA: 18
EBITDA margin: 84
Net income margin: 53.98

Peach Property Group AG is a Switzerland-based property investor and developer of residential and commercial properties. The Company's core markets are Switzerland and Germany, where it has an equally divided balanced portfolio containing approximately 50% investment properties and 50% development properties.

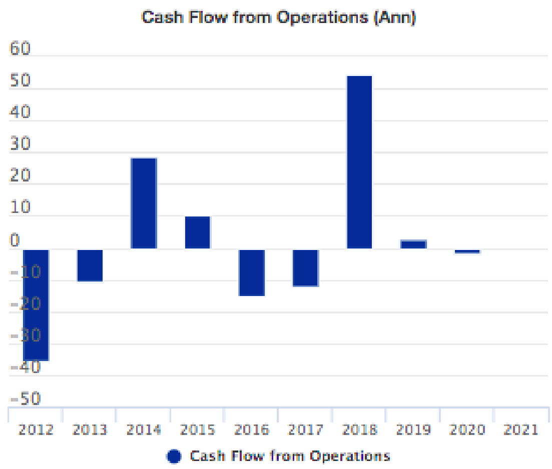
It has a market cap of CHF 856.39 million that compared with its industry peers is a tiny number, typically real estate companies have a market cap in the order of billions.

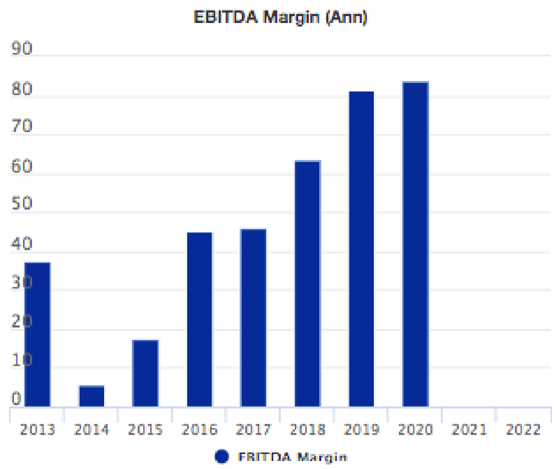
According to the Equity Insights platform, the intrinsic value of PEAN should be around CHF 200 CHF while at the moment the price is 63 CHF, giving a potential upside of 217%. In the last 10 years, the price was pretty aligned with its intrinsic value but from 2015 the intrinsic value grew more than the actual price.

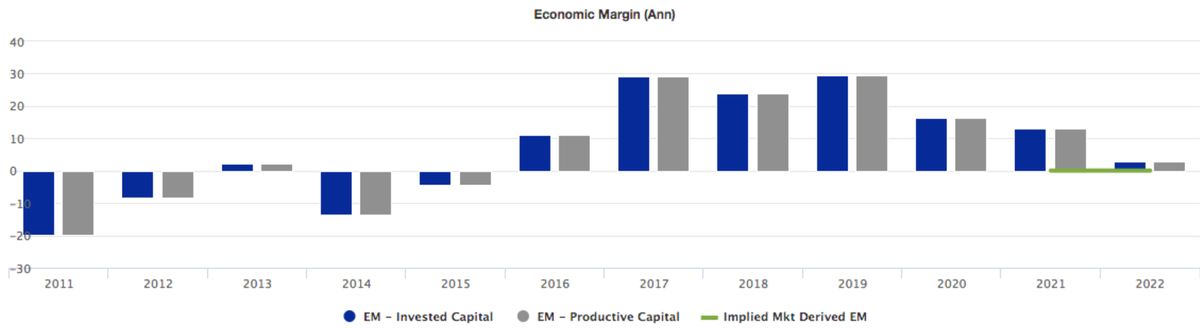


PEAN result undervalued under the traditional value investing parameters: it has a low PE ratio around 4, which is a very good value that could give a payback period of just 4 years if an investor considers only the earnings.
The PB ratio (1.1) is very low and allows an investor to buy this company at a value near its book value.
The financial leverage seems quite high at around 70% but given the particular operating sector and the inflation ahead, it appears suitable and helped boost the RONA which has an impressive value of around 18%.

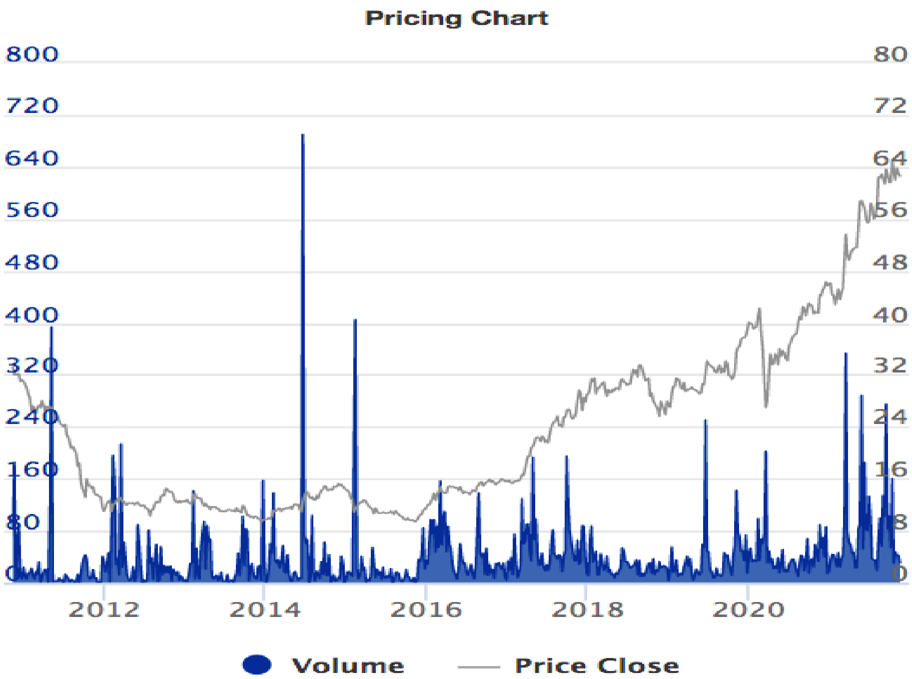
In the last few years, it has boosted its expansion acquiring new properties with the use of leverage and with a variable but overall positive cash flow.
This expansion drove the increase of earnings for 6 years in a row but at the same time, the EBITDA margin is very impressive with an 84% score and a NI margin of about 50%.
These numbers give PEAN a healthy financial shape, which is an advantage for a leveraged company in an inflationary environment and sets the fundamentals for sustainable growth.







This is a perfect company in an inflationary environment, it holds real assets with the use of long term and low rate debt, so we believe that on the next annual inflation announcement on the first December for Switzerland (which is expected to be too low at 1.1%) this company could perform very well.
According to Equity insight, PEAN's price momentum has been very powerful in the past 6 months, this is another positive aspect that could act as a catalyst, further driving up the stock price, following last year's trend, when the stock price had a huge performance after the covid plunge.



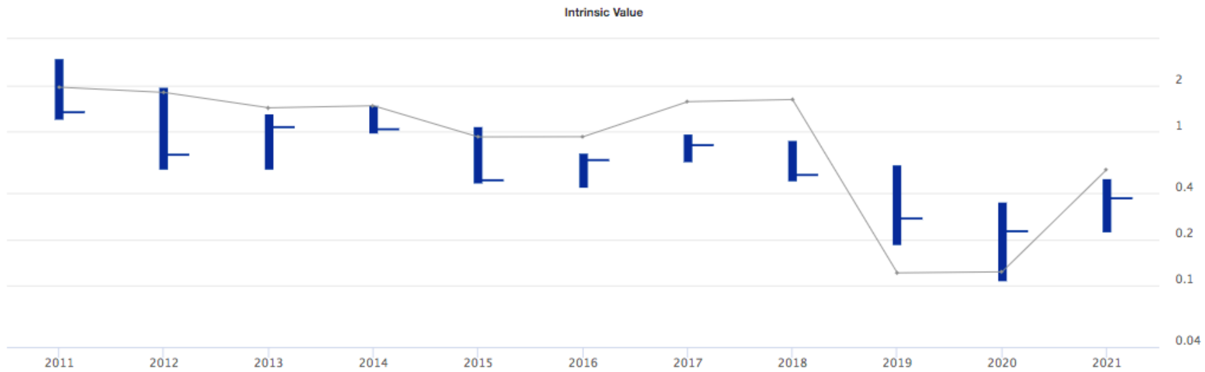
STLN (Swiss Steel Holding AG)

Sector: Industrials
Valuation: Intrinsic Value Current B, EM +1 Change: A
Quality: Management Quality A, Earnings Quality A
Momentum: EM Momentum B 1.69%, Price Momentum B
Value score: 92 (sector:31)
P/E FWD: 22.35
P/B TTM: 2.19
EPS Growth (1 Yr): 115.27
RONA: -16.21
EBITDA margin: -4.75
Net income margin: -8.89

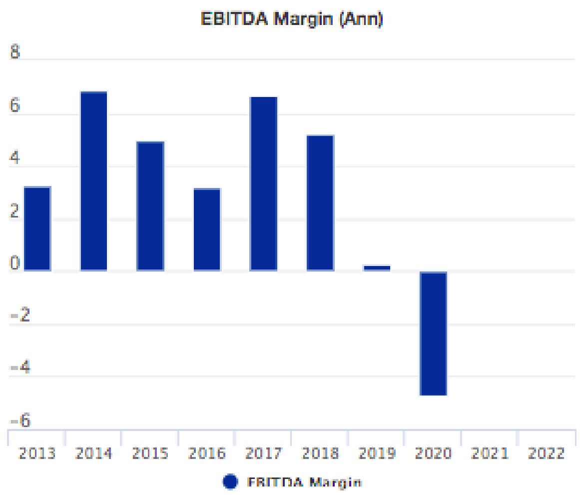
Schmolz+Bickenbach AG is a Switzerland-based manufacturer of tool steel and non-corrosive long steel, as well as alloyed and high-alloyed construction steel.

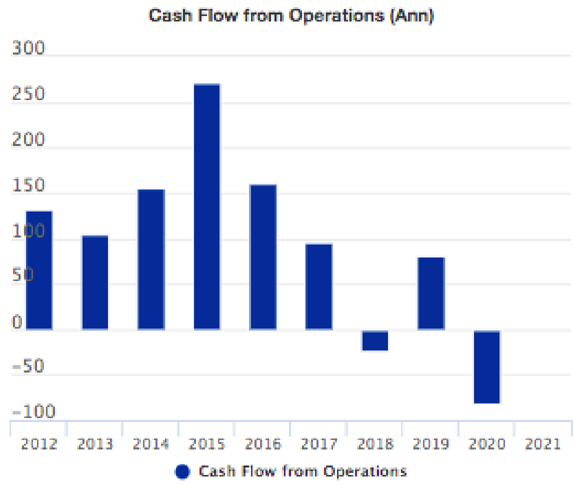
It has a market cap of CHF 1125 million which is relatively low compared with its industry peers, typically steel mills have a market cap in the order of dozens or hundreds of billions, but it stood its ground on the market over the years.

According to the equity insight, the intrinsic value of STLN should be around CHF 0.57 while at the moment the price is CHF 0.37, giving a margin of safety of 35%. In the last 10 years the price was mostly below its intrinsic value only in 2019 and 2020 the intrinsic value was lower than the market price, today the intrinsic value recovered from its bottom but the market price didn't follow yet.



The management proved extremely capable, proving to be able to operate in such an oligopolistic market for multiple years while generating consistent earnings.
The current accounting situation is biased since the profitability and ROA have been driven down by the pandemic, but the increase of demand in commodities (and consequent price) will most likely lead to a growth in earnings and sales, furthermore boosting profitability.
In the previous years, this company had quite good results with overall positive cash flows and a good EBITDA margin, so in the coming years, it could return to satisfactory levels.

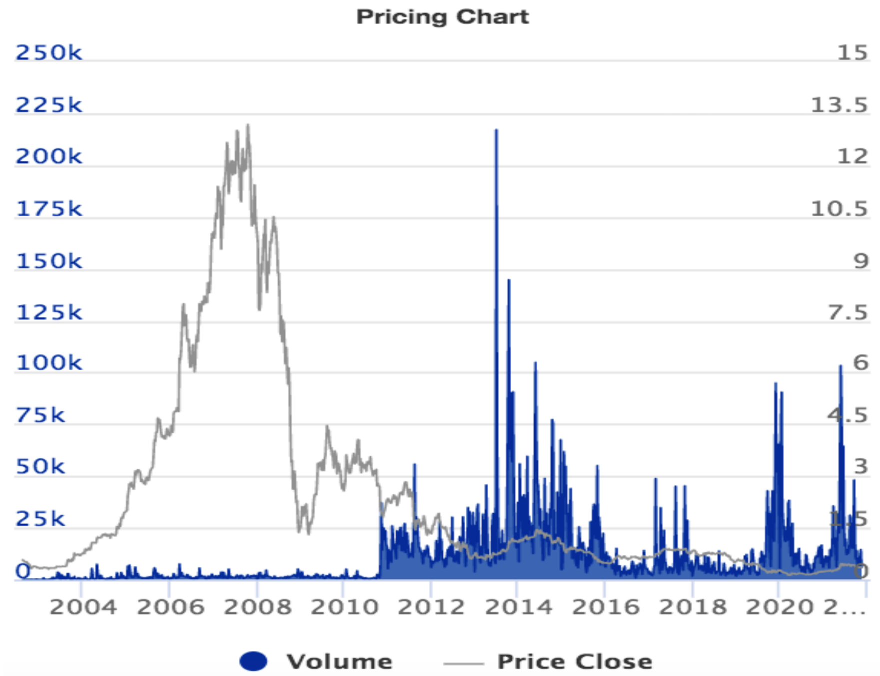




The level of leverage at around 32% is reasonable, considering the kind of business in which this company operates, characterized by a lot of tangible and real assets.

The most positive aspect of this company as an investment in the short term is its momentum, from the bottom in 2020 it started to rise, gaining great scores in the price momentum indicator on equity insight. These signals give us the perfect market timing for investing in the company, mitigating the possibility of it revealing a value trap.

A catalyst that could have an impact on STLN price is the Swiss PMI index communication on the 24 of November, if it will be again over a value of 50 it indicates an expansion in the industrial activity in Switzerland.

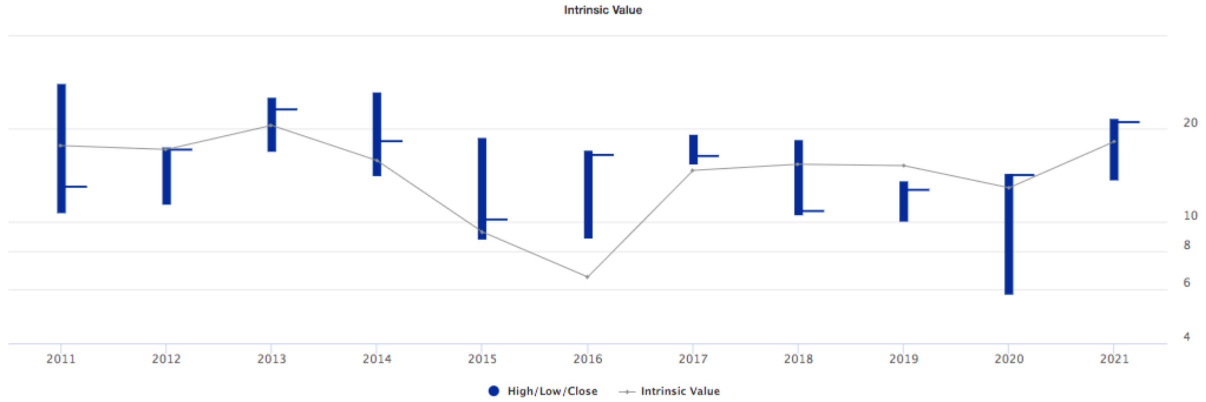


ARBN (Arbonia AG)

Sector: Industrials
Valuation: Intrinsic Value Current B, EM +1 Change: C
Quality: Management Quality A, Earnings Quality B
Momentum: EM Momentum A +8.41%, Price Momentum B
Value score: 62 (sector: 31)
P/E FWD: 21.85
P/B TTM: 1.54
EPS Growth (1 Yr): 112.84
RONA: 2.04
EBITDA margin: 11.78
Net income margin: 2.84

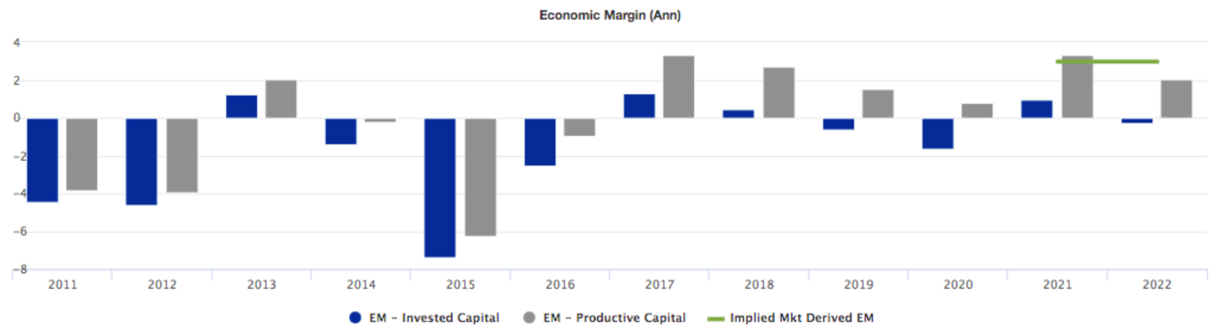
Arbonia AG is a Switzerland-based focused building components supplier with two divisions active in indoor climate (heating, ventilation, and air conditioning) and interior doors made of wood and glass.

It has a market cap of CHF 1458 million which is aligned with its industry peers, whereas the intrinsic value of ARBN should be around CHF 18.18 while at the moment the price is CHF 21.10, giving us a potential upside of 16%. In the last 10 years, the price was mostly higher than its intrinsic value; only during the plunge of 2020 the intrinsic value was significantly lower than the market price.



According to the Equity insight platform, management's quality proved wonderful, maintaining great economic margins and earnings over multiple years and different stress tests.

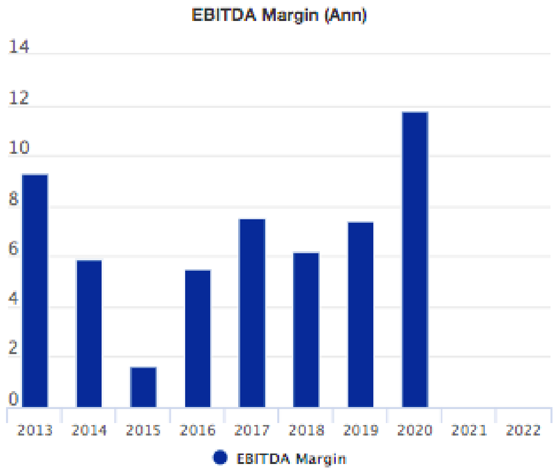
The valuation ratios of ARBN classify it as a GARP, with a high PE of around 30 and a low ROA of around 2%, and the PB ratio steady at 1.57.
The company is not cheap nor expensive, ARBN classifies as a GARP investment, with a PE near to 30, a ROA close to 2%, and a PB ratio of 1.57.

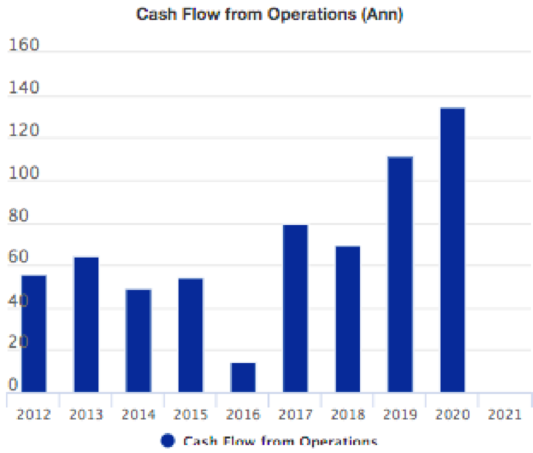


The profitability is quite low with an EBITDA margin of around 12% and a NI margin of 3%, this could be given by the fall in demand during the pandemic, which also impacted the valuation ratios, but our analysts believe that the projections of the intrinsic value in the upcoming period are extremely positive.

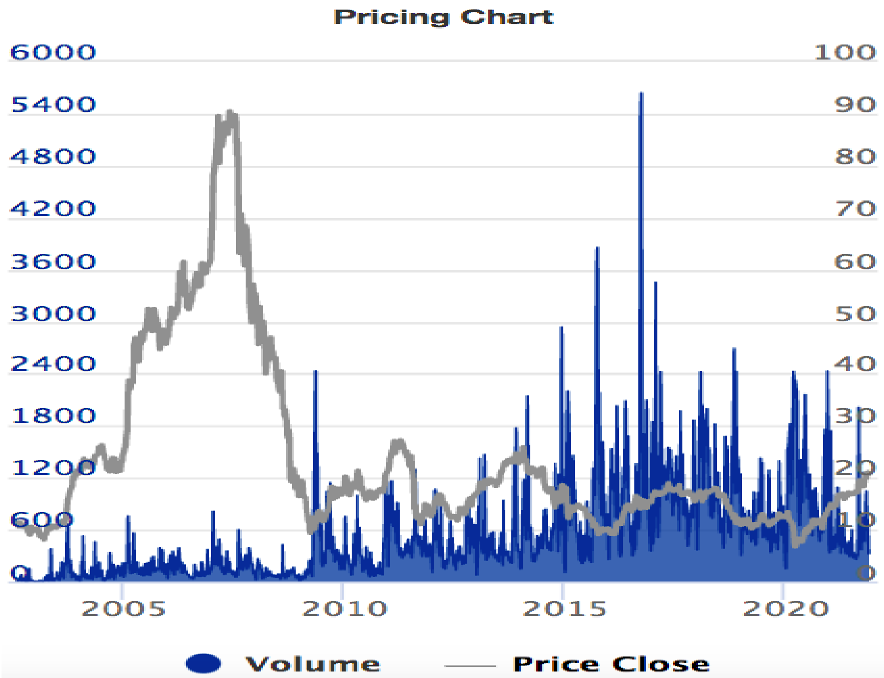
The level of leverage at around 14% is very low considering the kind of business in which this company operates, characterized by tangible assets and also a reliable cash flow so there is a margin of improvement in the profitability and ROA increasing debt to run investment and expansion.

The EBITDA margin is very satisfactory with an increasing trend that lasts from 2015, also the cash flow from operations has been constantly increasing since 2016 when it reached a bottom.





ARBN is also in a favourable momentum trend, having nearly doubled its price from the start of 2020, from the equity insight platform it also has a B score.

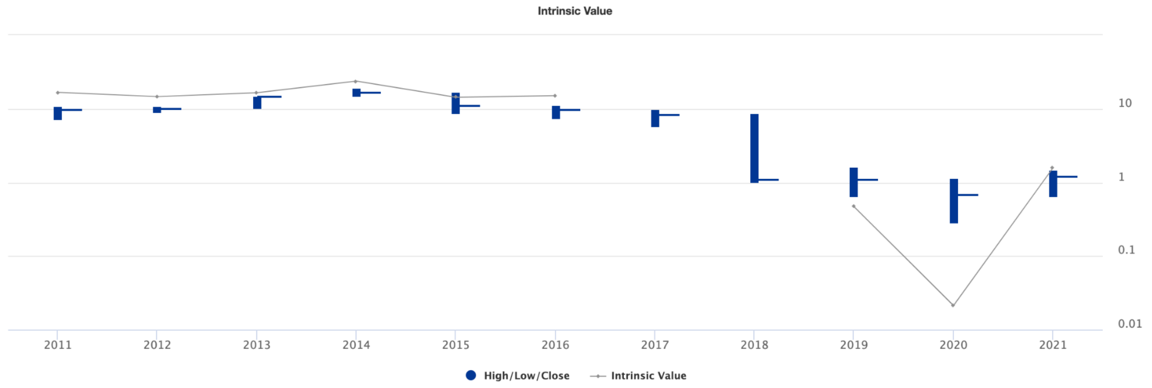


ARYN (Aryzta AG)

Sector: consumer not durable
Valuation: Intrinsic Value Current A, EM +1 Change: A
Quality: Management Quality A, Earnings Quality A
Momentum: EM Momentum D -0.38%, Price Momentum A
Value score: 86 (sector:41)
P/E FWD: 40
P/B TTM: 0.99
EPS Growth (1 Yr): 147.23
RONA: -1.59
EBITDA margin: 11.37
Net income margin: -3.76

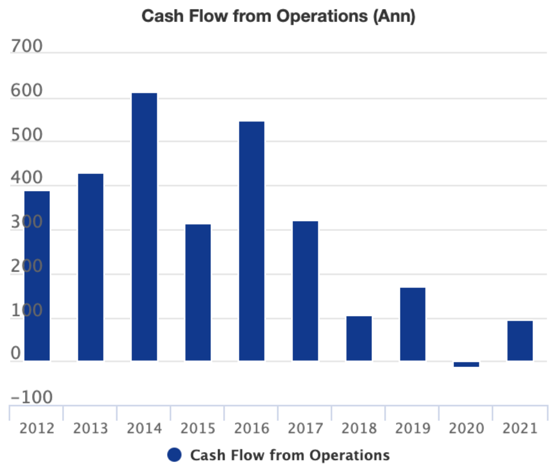
Aryzta AG is a Switzerland-based company engaged in the food business. It is primarily focused on speciality baking. The Company's customer channels consist of a mix of retail, convenience, and independent retail, Quick Serve Restaurants and it works in almost the entire world (Europe, America, Asia, and Australia).

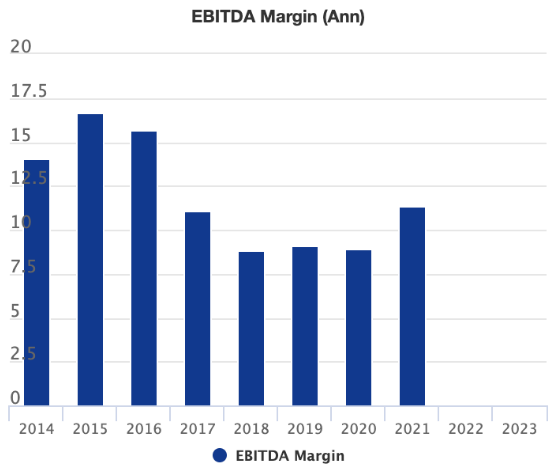
ARYN's intrinsic value according to the Equity Insights should be around CHF 1.58 while at the moment the price is CHF 1.18, then the current price could grow approximately by 25%.



The PB ratio of 0.99 is very low and allows an investor to buy the company cheaply, at a value near its book value.
It seems to be a good investment opportunity considering that, apart from the year of the pandemic (where it maintained small but positive cash flows), it has historically always recorded positive cash flows.

The EBITDA margin, after three years in which it seemed to be stable around 8%, has shown an excellent increase in the last year, breaking the 10% barrier and settling the fundamentals for sustainable future growth.

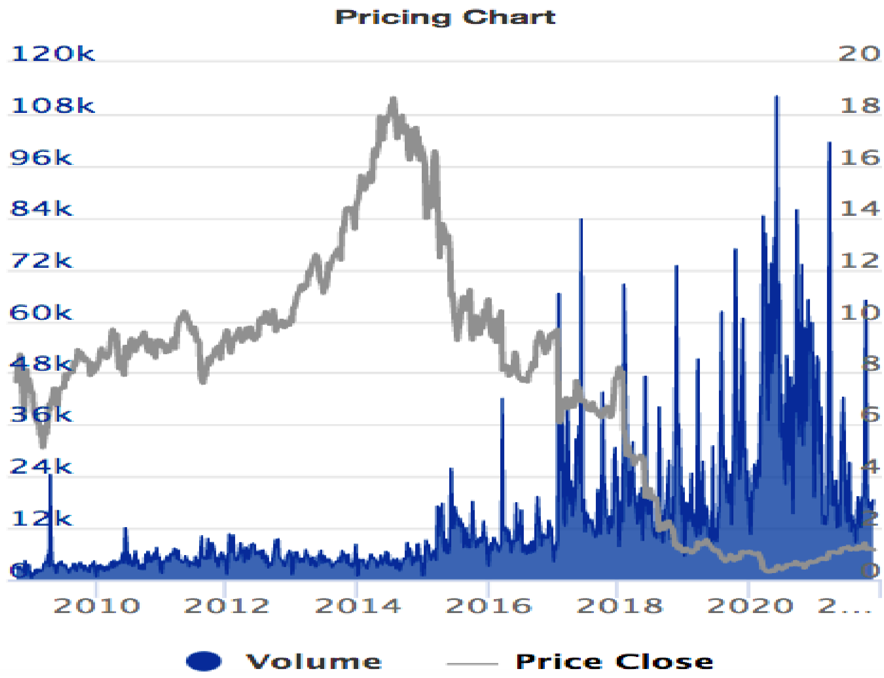




Leverage (Ann)

The management quality has proven satisfactory over the last years, scoring positive earnings and gaining a great result from the metric of equityinsights.com

According to the platform, ARYN has built strong momentum in the past six months, indicating great growth prospects and acting as a catalyst for the stock price.
After a plunge in its quotation from 2014 to 2020, we can finally see a reverse pattern after the COVID pandemic, and now it appears to be following sustainable growth.

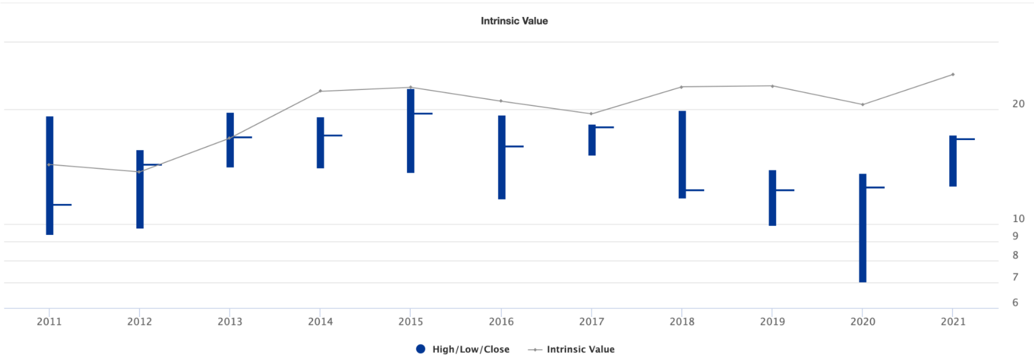


UBSG (UBS Group AG)

Sector: Financials
Valuation: Intrinsic Value Current A, EM +1 Change: C
Quality: Management Quality A
Momentum: EM Momentum A 8.48%, Price Momentum D
Value score: 90 (sector:60)
P/E TTM: 8.02
P/B TTM: 1.02
EPS Growth (1 Yr): 19.96
RONA: 11.23
EBITDA margin: 27.64
Net income margin: 19.86

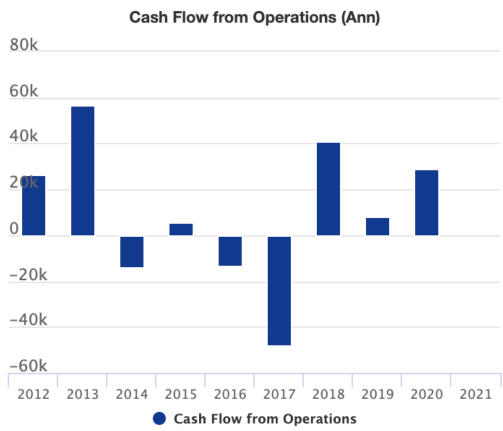
UBS Group AG is a banking holding company and conducts its operations through UBS AG and its subsidiaries. The Company comprises Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management, and the Investment Bank.
It has a market cap of 57,489.33 million CHF which is aligned with its global competitors.

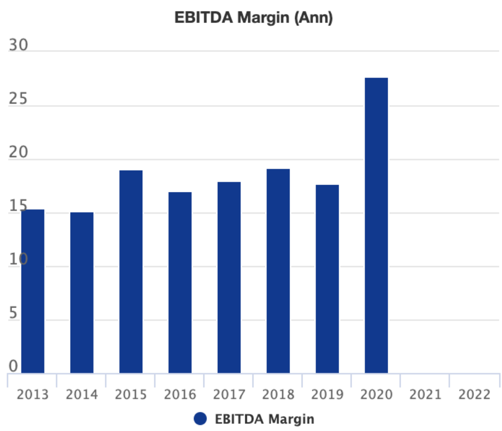
Its intrinsic value according to the Equity Insights platform should be around 24.74 CHF while at the moment the price is 16.68 CHF, then the current price could jump by 48% in the future to reach its intrinsic value. In the last 10 years, the stock price was often below its intrinsic value with some spikes that brought the price near its target, so with the recent increase in the intrinsic value, we could catch a possible upside.



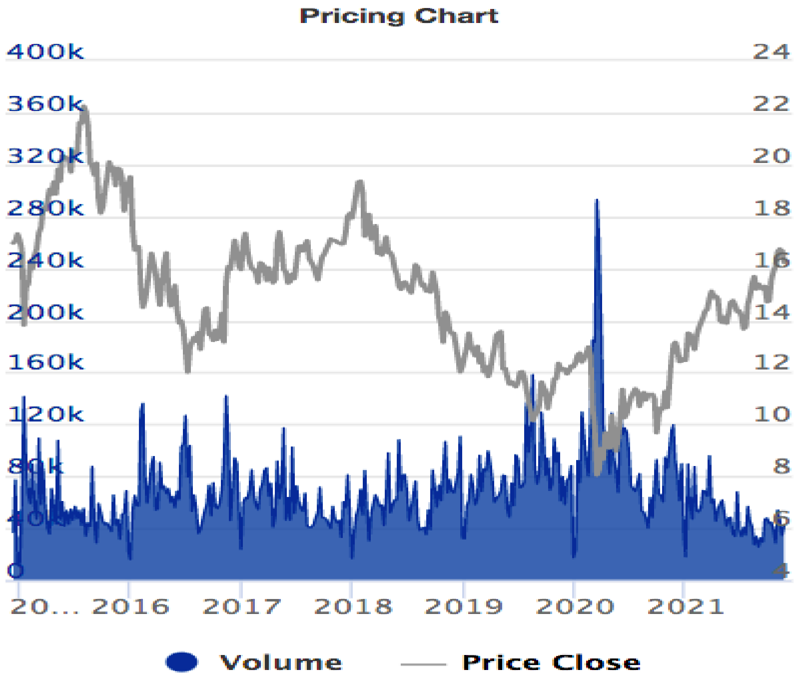
The valuation ratios of UBSG are very desirable, having a P/E of 8.02, a positive RONA of 11.23, and also a very good P/B ratio of 1.02, making the investment quite cheap.

The Net Income margin is very positive, higher than 25 and with an increasing trend in the last decade.
It seems to be an excellent investment opportunity considering that, after 4 years of negative cash flow the last three years has been positive, even in the year of the pandemic, and this is a very rare situation to record in that period of crisis, showing that the company has been able to manage its resources efficiently even during a stress test of that kind.
The past years' trend highlights great management quality, which is also reflected in the equity insights' platform.





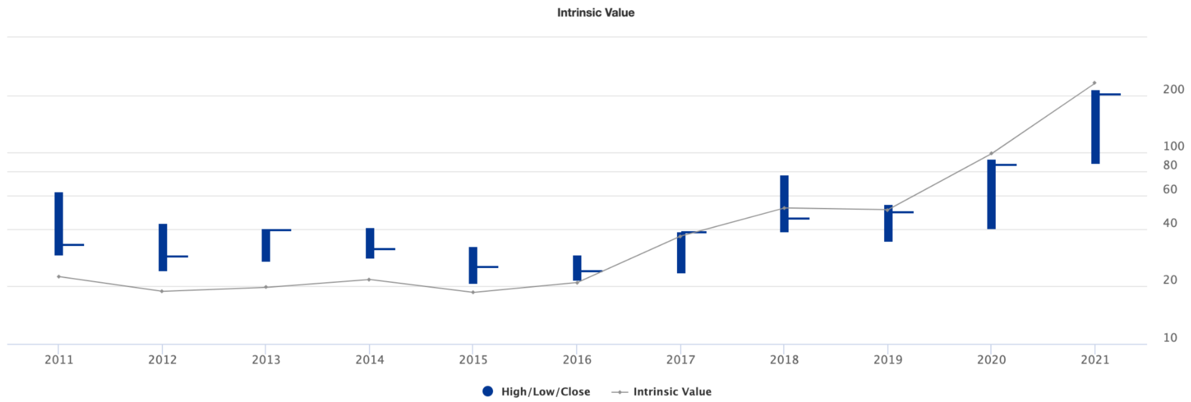
After the pandemic crisis, the stock price had a strong recovery even surpassing the price it had before the crash.



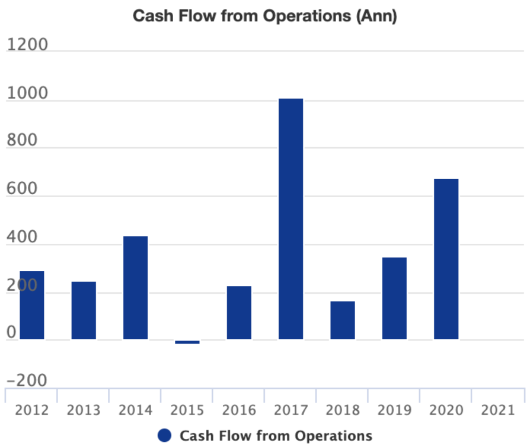
SQN (Swissquote Group)

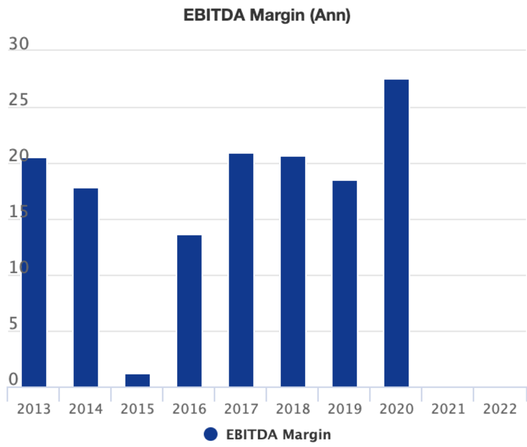
Sector: Financials
Valuation: Intrinsic Value Current B, EM +1 Change: A
Quality: Management Quality A
Momentum: EM Momentum B 1.71%, Price Momentum A
Value score: 82 (sector:66)
P/E TTM: 19.02
P/B TTM: 5.49
EPS Growth (1 Yr): 103
RONA: 20.68
EBITDA margin: 27.56
Net income margin: 23.75

Swissquote Group Holding SA (Swissquote) is a provider of online financial and trading services in Switzerland. It operates an online bank that accepts deposits from its customers mainly in Swiss Francs, United States Dollars, and Euros in current account form, as well as offers electronic dealing in shares, funds, options, warrants, and bonds worldwide.
It has a market cap of 2,985.08 million CHF, which is not high but reasonable for a small fintech bank.
Its intrinsic value according to the Equity Insights platform should be around 231.13 CHF while at the moment the price is 201.5 CHF, then the current price could jump by 13%.



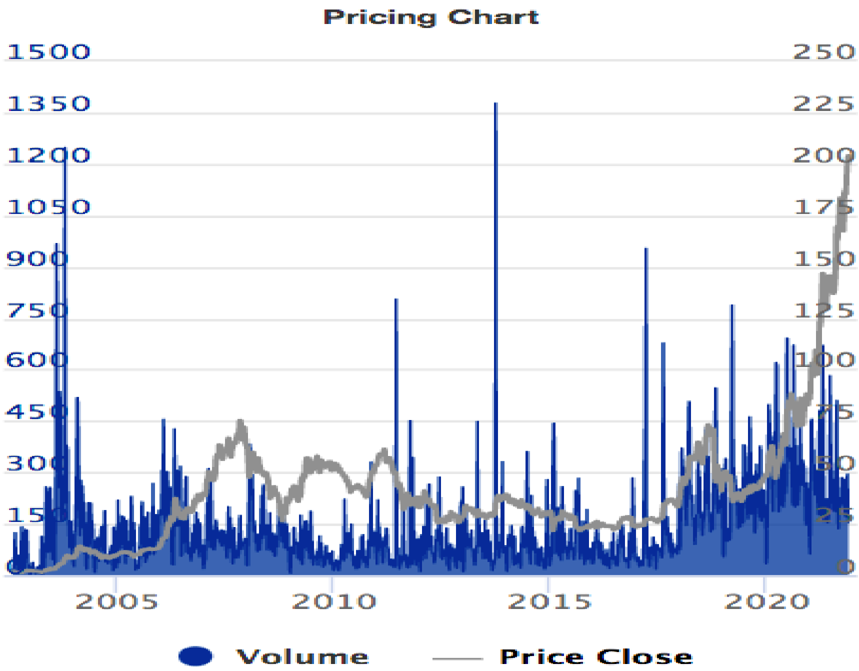
The valuation ratios of SQN classify it as a GARP investment, considering a P/E of 19.02, and a P/B ratio of 5.49, awarding this company with a fair price, compensated by its strong quality and “game-changing” potential in the banking sector.
The profitability of SQN is very positive with a RONA of 20.68 and a very good Net Income margin of 23.75.
It seems to be an excellent investment opportunity considering that, after 10 years of positive cash flow (the last even in the year of the pandemic); this is a very rare situation to record in that period of crisis, showing that the company has been able to manage its resources efficiently even during a stress test of that kind.
Its earnings growth in the next year is expected to grow very sharply.
The EBITDA margin, after 4 years in which it seemed to be stable at a very satisfactory level, has shown a further increase in the last year breaking the 25% level.





After a small collapse due to the pandemic, the stock value grew exponentially and quadrupled its price, according to Equity Insight, SQN has a great score in the price momentum; this is a very positive aspect and we could suppose a further growth in the stock price.

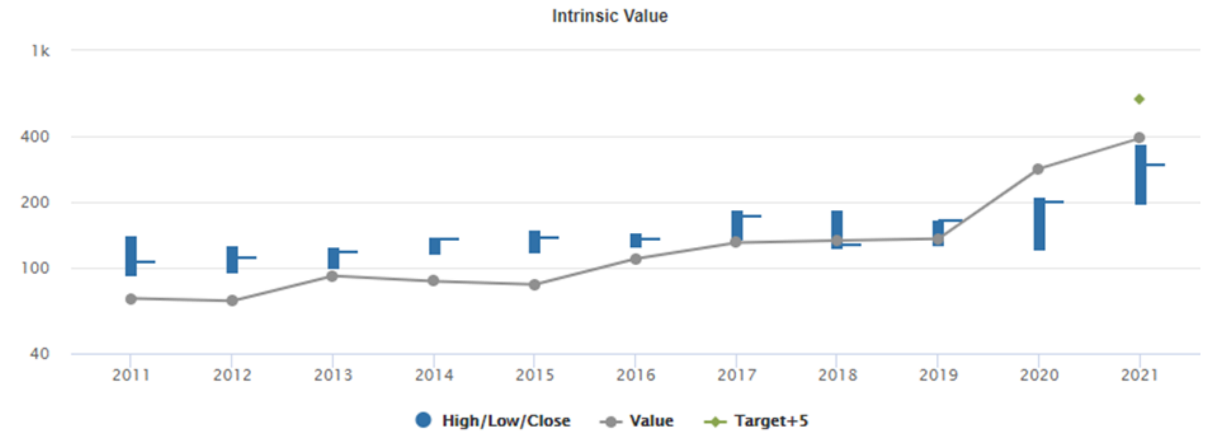
SQN is one of the most reliable banks that allows customers to operate with cryptocurrency and has a competitive advantage in this new sector compared to traditional big banking players in the swiss market, so it could have more growth potential, sustainable in the following years compared to a traditional banking player, then considering both the estimated growth in earnings next year and this factor, it could be a good investment in both the short and long term.



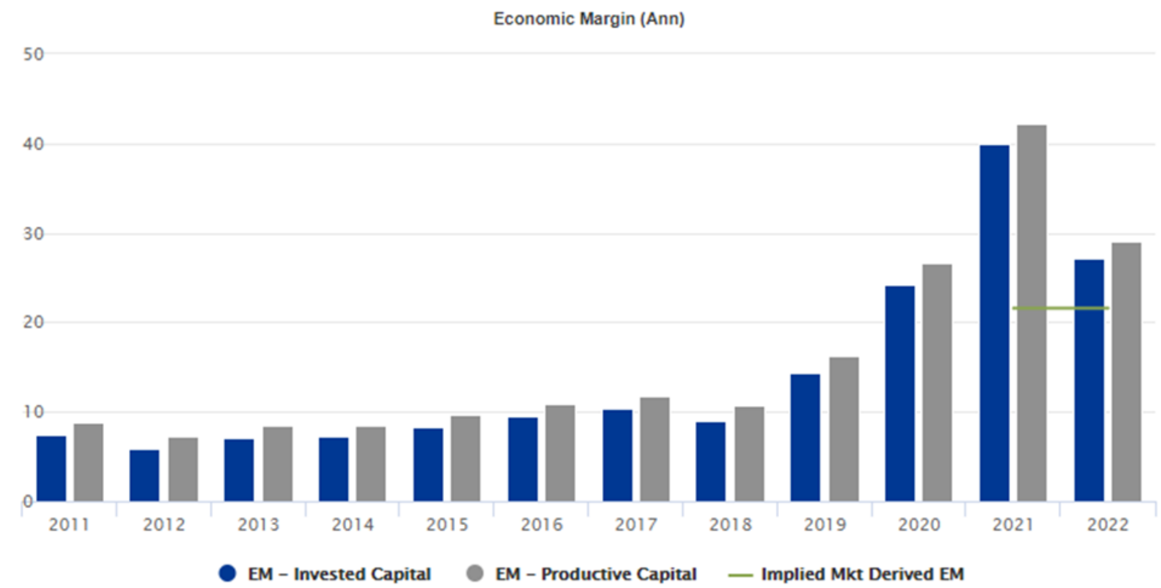
KNIN (Kuehne und Nagel International AG)

Sector: Utilities
Valuation: Intrinsic Value Current A, EM +1 Change: A
Quality: Management Quality A, Earnings Quality A
Momentum: EM Momentum A +5.90%, Price Momentum B
Value score: 85 (sector:24)
P/E FWD: 19.45
P/B TTM: 12.49
EPS Growth (1 Yr): 107.82
RONA: 8.37
EBITDA margin: 8.65
Net income margin: 4.23

Kuehne Und Nagel International (KNIN) is a swiss-based holding company engaged in the provision of logistic services, operating in the Seafreight, Airfreight, Road & Rail Logistics, Contract Logistics, Real Estate, and insurance broker sectors. Thanks to the equity insights platform we were able to study the company, which is classified as both a value and a quality investment, having a target price on the platform (CHF 383.93) 29.27% above its current closing one (CHF 297.00), with a model based on analysts' consensus.

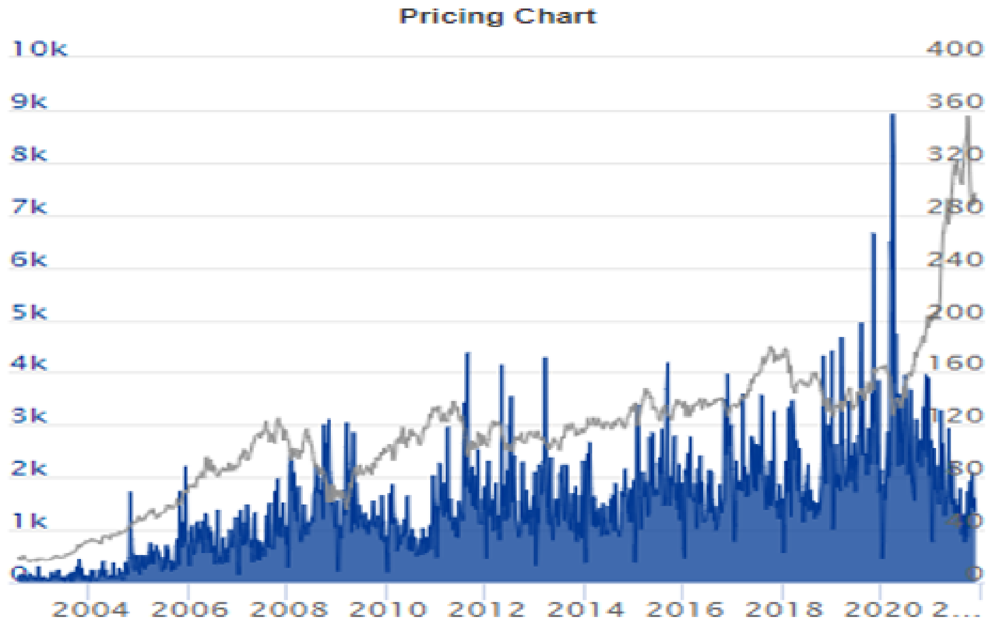


KNIN not only has great fundamentals and intrinsic value, but it also incurred healthy and sustainable growth over the long period, both in the Economic Margin and price, building a strong momentum over the past six months and providing today with a great market timing.



These characteristics make the company extremely unlikely to be a value trap and confer the investment solid opportunities. Its fiscal year's report occurs in December, and due to its great management quality, the company consistently maximized tax efficiency; we believe that this soft information will act as a catalyst in the short-medium term, driving profitability at its ATH.

The current macroeconomic contest will further buffer the market sentiment over the company, due to the seasonality of commodities, central in KNIN's value chain. The efficiency and continuous growth in the Economic Margin proved over the years solid management quality, avoiding suffering abnormal loss over the COVID19 stress environment.
The management of the company consistently kept leverage under reasonable proportions, further improving the stability of this company. The firm cost of capital is slightly above 2% over multiple years, granting great expanding potential at a low price.

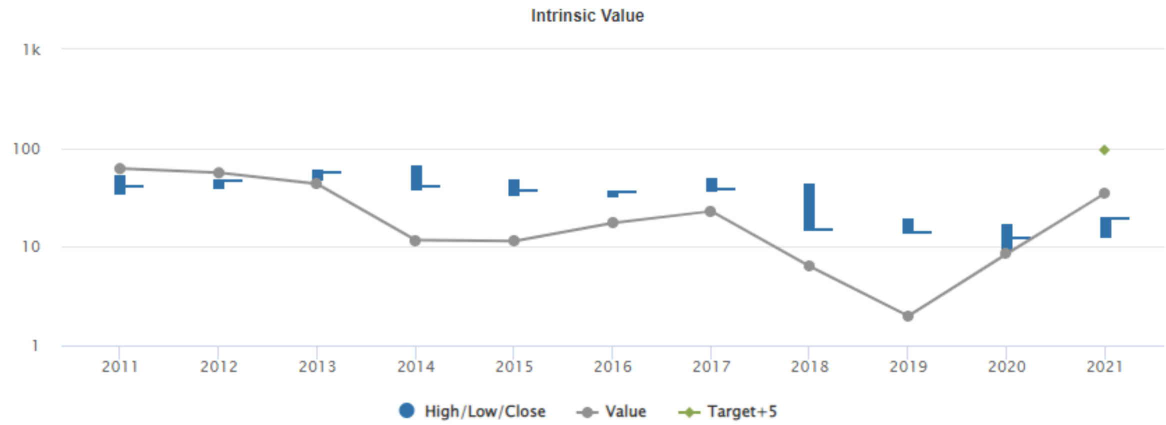


As we can see from the pricing chart, there is a consistent overall growing trend over the past years, with the price rapidly converging towards its target, we consider KNIN an extremely solid company, with both fundamentals and momentum factors, earning it a spot in our recommended buy stocks.

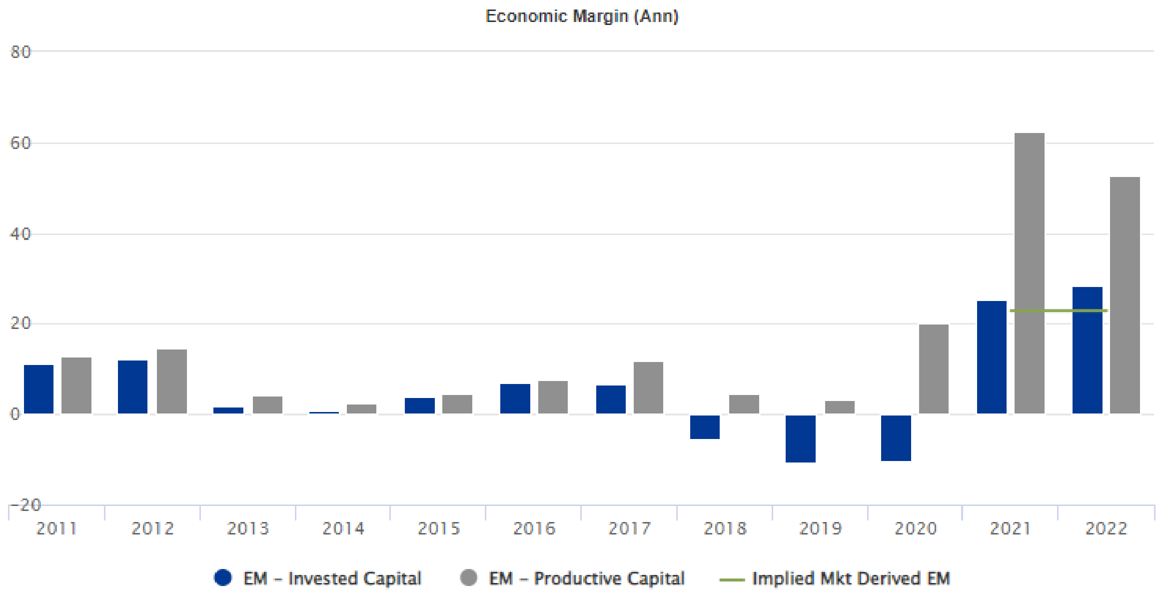
MTG (Meier Tobler Group AG)

Sector: construction materials
Valuation: Intrinsic Value Current A, EM +1 Change: A
Quality: Management Quality A, Earnings Quality A
Momentum: EM Momentum B +0.38%, Price Momentum Apost-pandemic
Value score: 94 (sector: 59)
P/E FWD: 24.30
P/B TTM: 1.5
EPS Growth (1 Yr): 358.87
RONA: 1.67
EBITDA margin: 4.38
Net income margin: 0.42

Meier Tobler Group AG is a Switzerland-based company specializing in the climate and manufacturing technology sector. It diversifies its operations into four business divisions: Humidification; Climate; Tools; Machining Solutions.
From our analysis, the company emerged as an extremely cheap investment, which also classifies as a quality stock. There is a gap of approximatively 78.37% between the current price (CHF 19.20) and our target (CHF 34.25), which we expect to be filled in a matter of months.

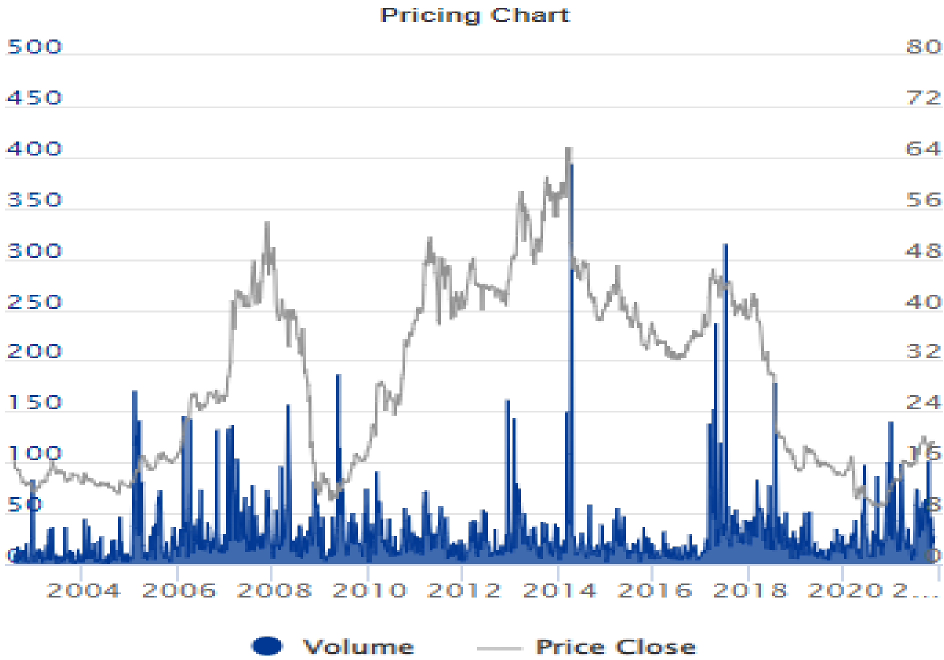


As we can see from the graph, the intrinsic value of the stock has been steadily below its price until the pandemic, where this trend reverted and left room for upsides, with a 5-year target even further above, highlighting a great sustainable growth over longer time horizons.



The economic margin is in line with the average of the industry and has been consistently growing post-pandemic.
We believe that the market timing on this investment is currently optimal, due to its 6 monthly momentum signal that consistently drives the price up, acting as a catalyst and making it converge faster towards our target. Our seasonality analysis suggests an intensification of the climate sector (a key part of MTG's value chain), which will eventually translate as an increase in revenues during the next few months, furthermore acting as a catalyst for the investment.

The change in the management in 2020 proved successful, with extremely efficient wealth management and economic margin increase, with the market that hasn't yet fully discounted the news. As a further demonstration of management quality, through the equity insights application, the company is expected to generate great amounts of wealth, with a spiking forecast for the upcoming year of Economic Margin growth. These optimistic forecasts drastically reduce the probability of the company revealing itself a value trap. The leverage ratio has been slightly declining over time, buffering the company's stability in the eyes of investors.

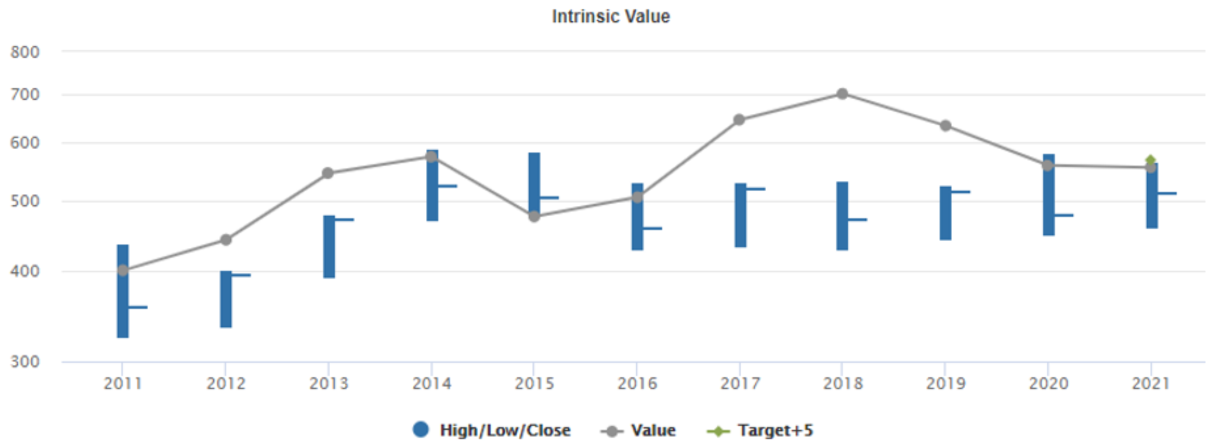


As we can see from the pricing chart, the company more than recovered from the COVID19 stress test, with consistent earnings characterized by high trading volumes.

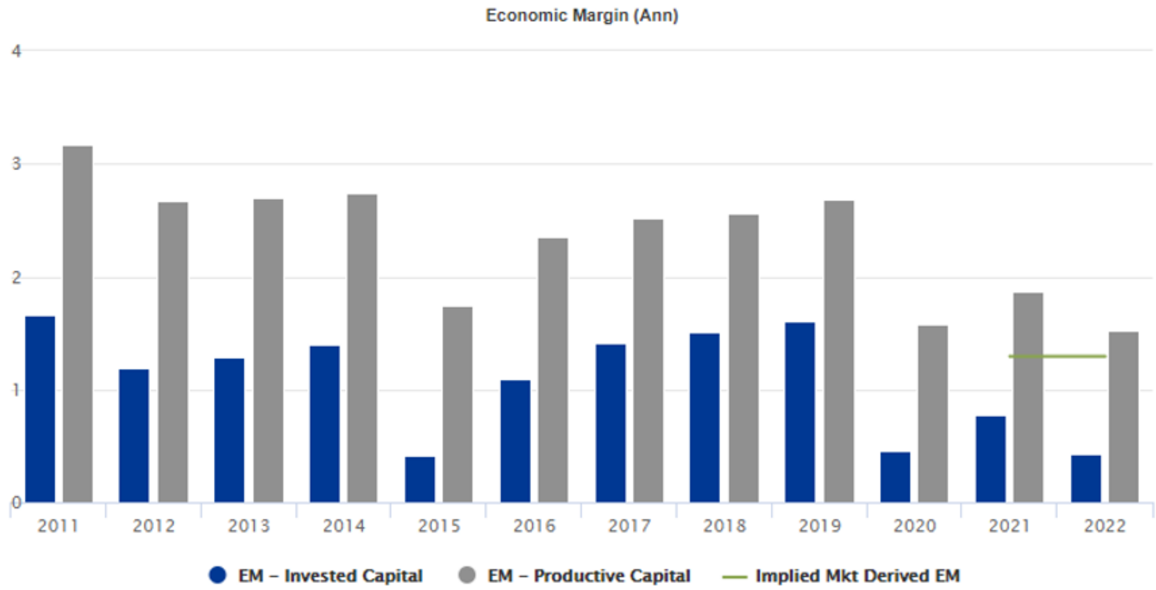
SCMN (Swisscom AG)

Sector: Telecommunications
Valuation: Intrinsic Value Current B, EM +1 Change: D
Quality: Management Quality A, Earnings Quality C
Momentum: EM Momentum B, Price Momentum C
Value score: 76 (sector: 71)
P/E FWD: 16.12
P/B TTM: 2.54
EPS Growth (1 Yr): 8.11
RONA: 6.75
EBITDA margin: 38.87
Net income margin: 13.85

Swisscom AG is a holding company that, through its subsidiaries, provides telecommunication services in Switzerland and Italy. The company classifies as a Growth At a Reasonable Price (GARP) investment, meaning that it already receives quite some attention from the market, but its target is still 8.53% above the current price according to equity insights models.



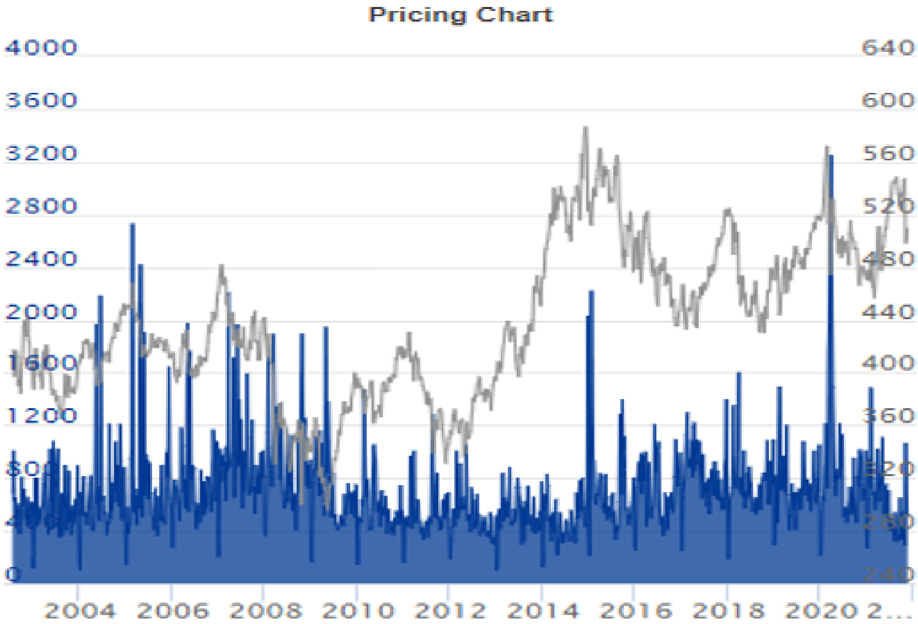
Several years of being the leader in the telecommunication sector, with a market share close to 50%, allowed Swisscom to prove its extremely consistent intrinsic value, with a phenomenal dividend yield above 4% that allows wealthy investors to gather additional sources of income.



The economic margin for the company is in line with the industry, fluctuating smoothly according to the market and making us believe that there is still room for growth of this exceptional stock. The market timing projections

for this sector are extremely optimistic, and the company is anticipating its demand, which acts as a catalyst due to the advent of new infrastructures and technologies such as 5g, affecting the whole value chain.
The Swiss confederation acts as an activist and ensures great management quality in the company, holding 51% of the capital and complying with ESG regulation, further improving long-term expectations over this company.

In the latest months, the company stepped up the Economic Margin management, building momentum over this metric, which allows more efficient capital administration. The earning quality has always been consistent over the decades, placing the company in the 50th percentile (great results considering the huge size of 26 billion CHF).
The company also managed to keep leverage steadily decreasing over time while consistently generating profits for stakeholders.

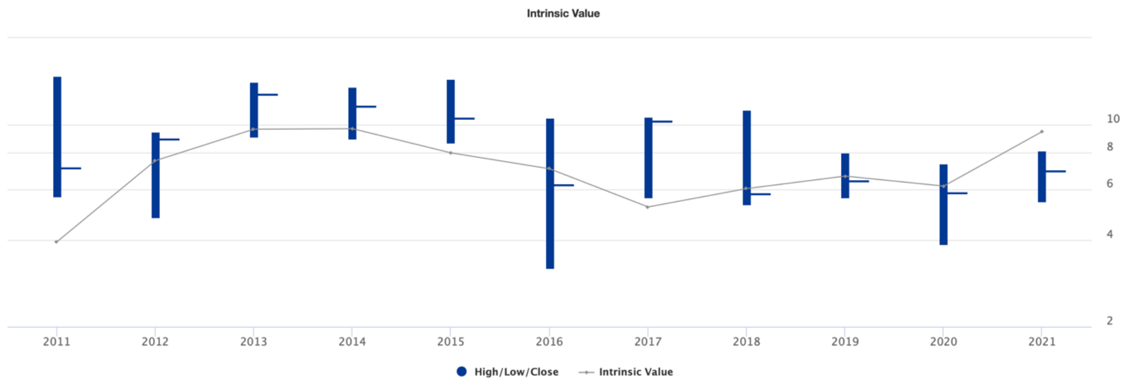


The pricing chart highlights a consistent trend over the decades, which boomed in 2015 and then gravitated against a steady level. Including dividends in the equation represents a great investment opportunity for a magnificent company.

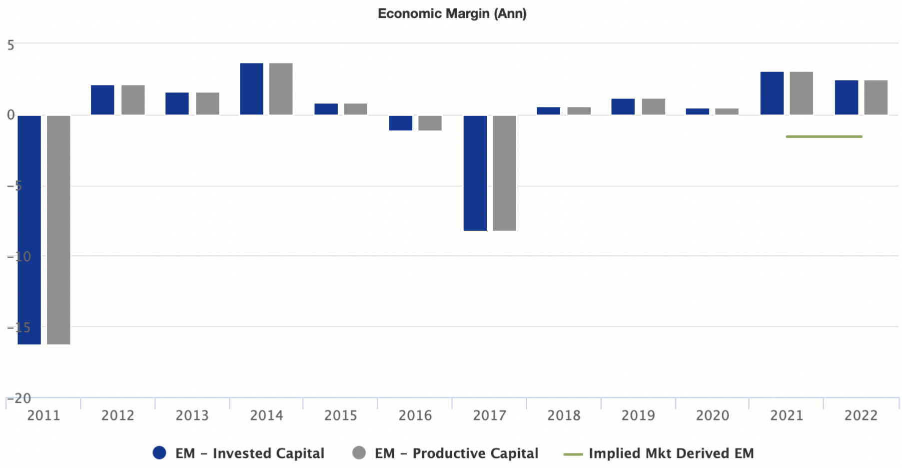
EFGN (EFG International AG)

Sector: Financials
Valuation: Intrinsic Value Current A, EM +1 Change: C.
Quality: Management Quality A, Earnings Quality NA.
Momentum: EM Momentum A 3.81%, Price Momentum D.
Value score: 87 (sector: 68)
P/E FWD: 10.13
P/B TTM: 0.93
EPS Growth (1 Yr): 40.47
RONA: 6.78
EBITDA margin: 14.25
Net income margin: 10.87

EFG International AG is a Switzerland-based company engaged in the banking and investment services sector. The Company offers private banking and asset management services. It operates through three main business segments: Private Banking and Wealth Management, Asset Management, and Investment and Wealth Solutions. The Asset Management segment includes EFG Asset Management business on a global basis. The Investment and Wealth Solutions segment includes Private Client Trust services and Institutional Fund Administration services.
The company has a market cap of CHF 2,057.75 million. According to Equity Insights, the target price in 2021 is CHF 9.49, 37.5% higher than the current market price of CHF 6.9.

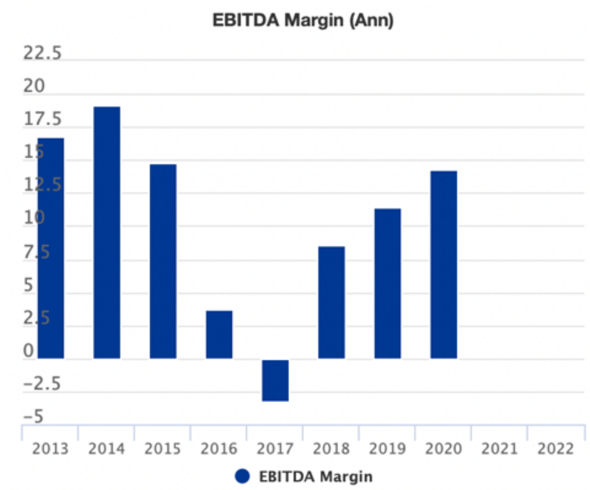


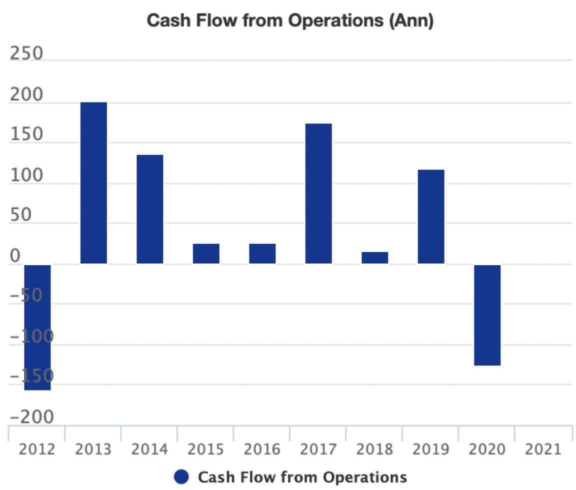
In the last 10 years, the price fluctuated between a price of 4 and 15 CHF.
Through Equity Insights, we were able to estimate a +40% in Earnings from a value of 0.48 to 0.68 and -5% in Sales going from CHF 1309 to CHF 1242. (in millions).
Regarding profitability, our evaluation is a little above the market average. Foreign sales are expected to decline in the future, but this is going to be offset by a great EPS growth perspective, mostly in the domestic territory
The firm’s leverage is slightly above the market average, but this is compensated by the solid management quality, which achieves growth in the economic margin despite the debt level.



The economic margin is forecasted to have huge growth in the next 2 years (2021 and 2022) compared to the past. It also slightly recovered from a very negative value in 2017. After the stress test in 2017, the Economic Margin grew consistently every year, highlighting solid management capabilities.

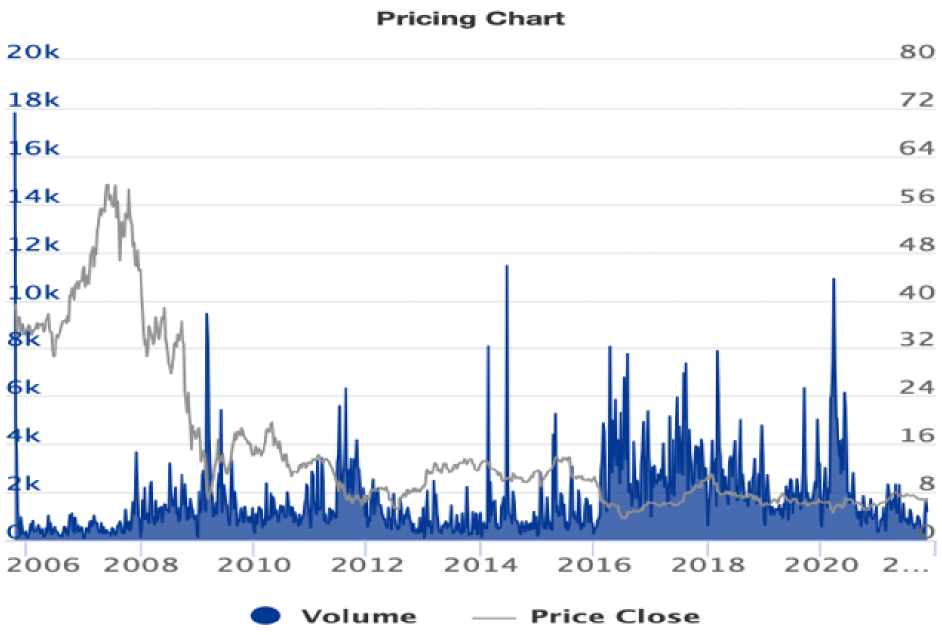
EBITDA Margin recovered from the bottom value of 2017 with constant growth in the past 3 years, the Cash Flow from Operation was fluctuating from high to low levels in the last decade, but overall it was always positive with the only exception of 2020.





The competitors suggested by Equity Insights are Philtrust Bank (Philippine), Union Bank of the Philippines, Alior Bank Sa (Poland), Bank of Gansu Co Ltd (HK). Compared to competitors the value of beta is really low with a 0.13 resulting in a low correlation with the market. In addition, EFGN presents a low value of Price/Sales which indicates that the stock could be undervalued with the respect of other peers.

Here we can see how the traded volume increased in the last 5 years.
In the last decade, as basically all the banking players, also EFG has suffered from the fall of interest rates and the corresponding decrease in the lending margin. However, in the last months, the price has experienced a positive momentum so we could be able to catch a price reversal pattern with this stock.



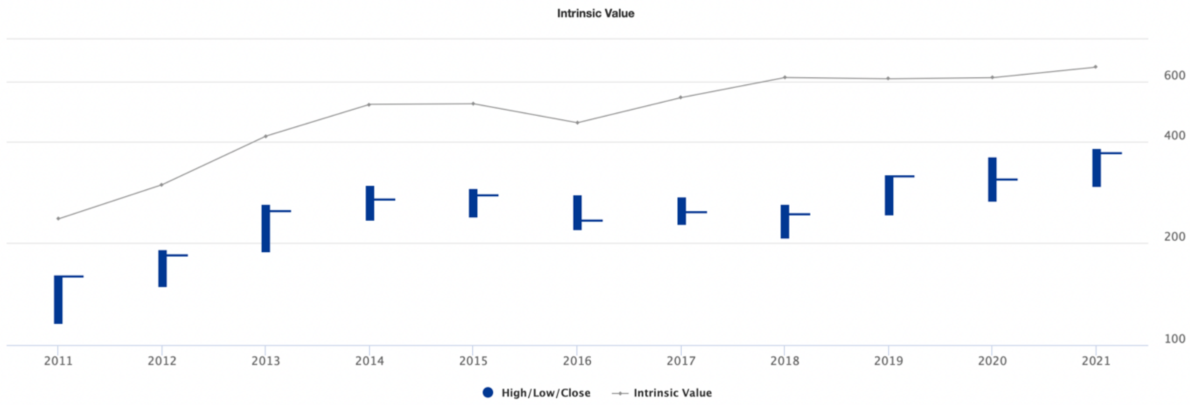
The catalyst could be the EM momentum combined with a good Intrinsic Value (Current).

ROG (Roche Holding AG)

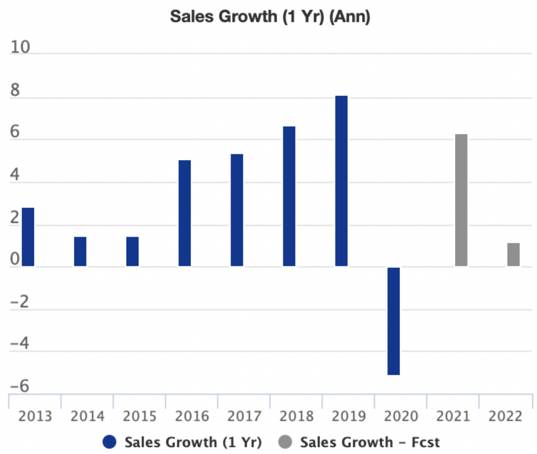
Sector: Pharmaceutical
Valuation: Intrinsic Value Current A, EM +1 Change: C.
Quality: Management Quality A, Earnings Quality C.
Momentum: EM Momentum B 0.46%, Price Momentum B.
Value score: 93 (sector: 22)
P/E FWD: 19.78
P/B TTM: 8.36
EPS Growth (1 Yr): 12.47
RONA: 18.14
EBITDA margin: 38.25
Net income margin: 24.33

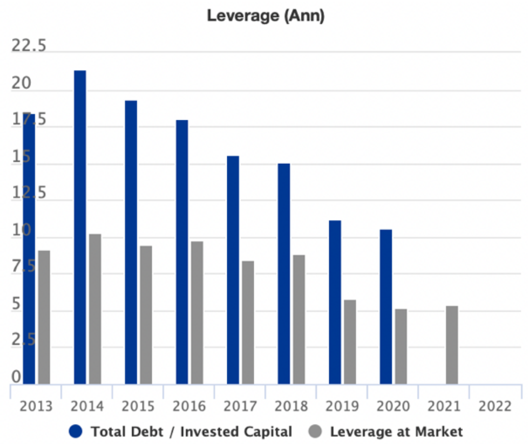
Roche Holding AG (Roche) is a research-based healthcare company. The Company's operating businesses are organized into two divisions: Pharmaceuticals and Diagnostics. The Pharmaceuticals Division consists of two business segments: Roche Pharmaceuticals and Chugai.

The company has a market cap of CHF 315 billion, which classifies it as a big pharma company, being also one of the most important pharmaceutical multinational companies.
According to the Equity Insights analysis, the current trading price of CHF 369 is 44% undervalued compared to the target price of CHF 662.37.

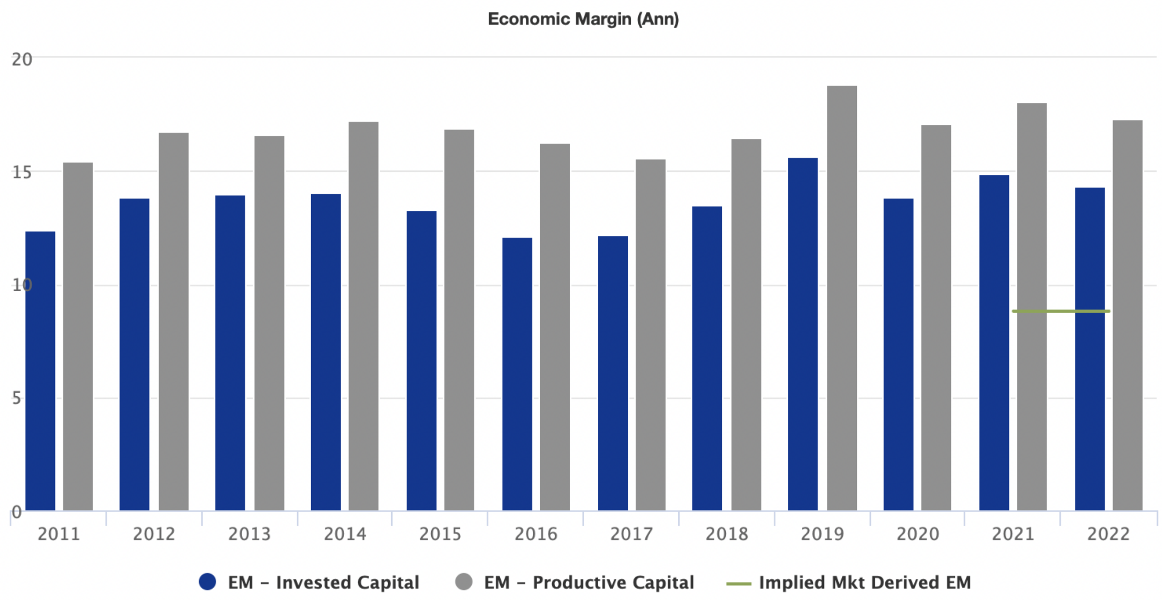


As we can see from the graph above the Intrinsic value in the last 10 years was always above the trading price of the stock showing also a quite stable growth trend. The market price is slowly converging towards the target price year after year.
With the support of Equity Insights, we notice a good, forecasted growth in both earnings and sales. For the year 2021, the earnings are expected to grow from 16.63 to 18.71 (+12%) and sales from 58232 to 62020 (+6%).
According to our analysis, ROG has a high ROE and despite the level being forecasted to decrease in future years it remains at a good threshold, also the EBITDA Margin is consistent.
From Leverage's Graph can be noticed that the total Debt over the Invested Capital is decreasing over time, reaching an all-time low level in the amount of debt in 2020 and remaining near it also in 2021.

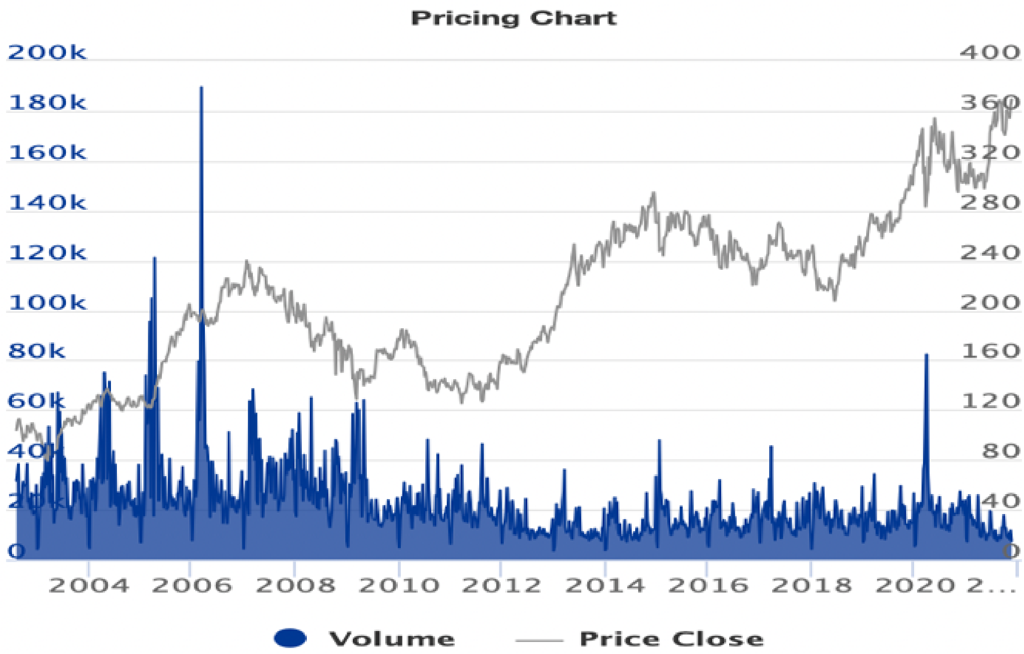




Relative to the sector it has a lower value for the Price earnings and a slightly higher value of Price/Book, Prices/Sales are in line with the sector.



The economic Margin is expected to remain stable in the next few years.
In the last 10 years, the price increased steadily from a low point of CHF 115 in 2011 to a high of CHF 378.95 in 2021, showing a positive momentum pattern in the last few months.

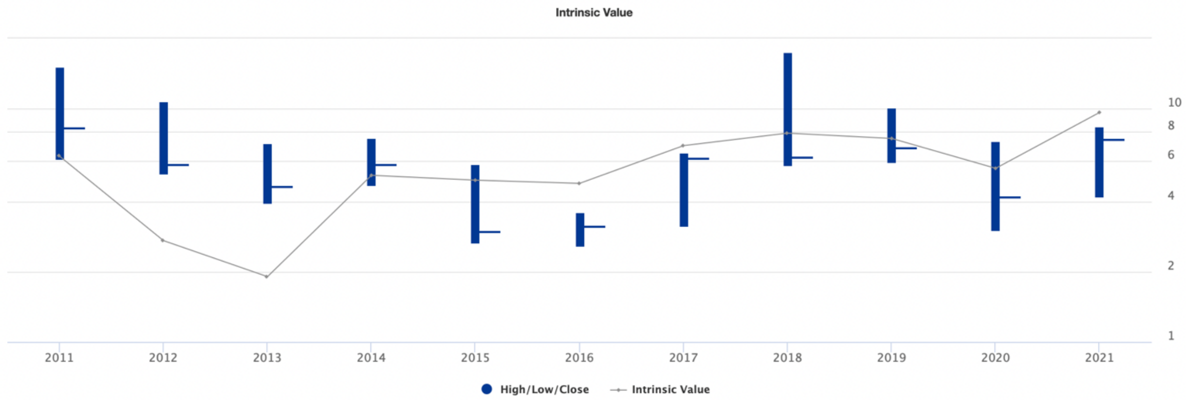


The main competitors of the firm are Novo Nordisk AS (DK), Sanofi S.A. (FR), Novartis AG (CH), AstraZeneca PLC (UK). In our analysis, the Price/Sales and Price/Book are in line with the other peers, and the Financial Leverage of 5.37% is lower than the average of the sector.

TOHN (Tornos Holding AG)

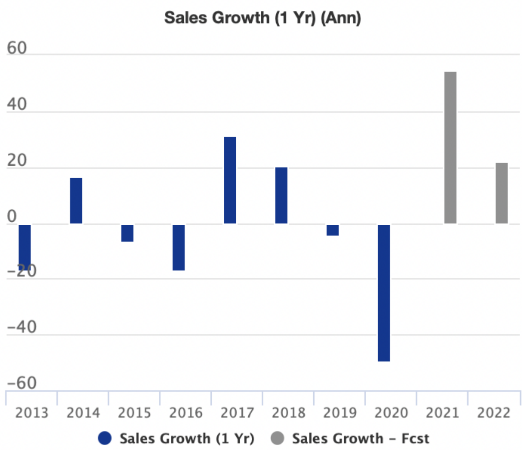
Sector: Machinery
Valuation: Intrinsic Value Current A, EM +1 Change: A
Quality: Management Quality A, Earnings Quality A
Momentum: EM Momentum A 6.13%%, Price Momentum A
Value score: 86 (sector: 53)
P/E FWD: 6.49
P/B TTM: 1.56
EPS Growth (1 Yr): 166.53
RONA: -23.34
EBITDA margin: -26.45
Net income margin: -31.37

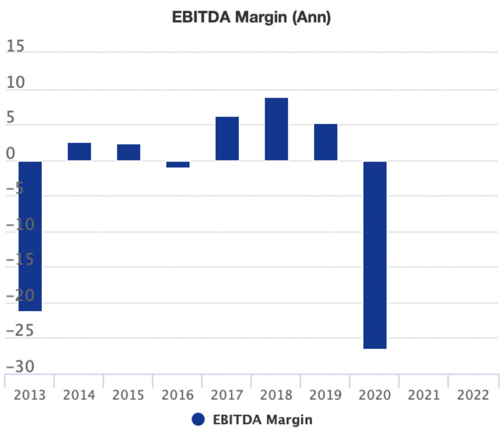
Tornos Holding AG is a Switzerland-based holding company engaged in the machinery sector. The Company develops, manufactures, and markets automatic single- and multi-spindle lathes, and machining centres for small parts, as well as related products and services.
The company has a market cap of CHF 114 million, so it could be classified as a small-cap company.
According to Equity Insights, the target price of CHF 9.64 is 31.13% higher than the current price of CHF 7.35



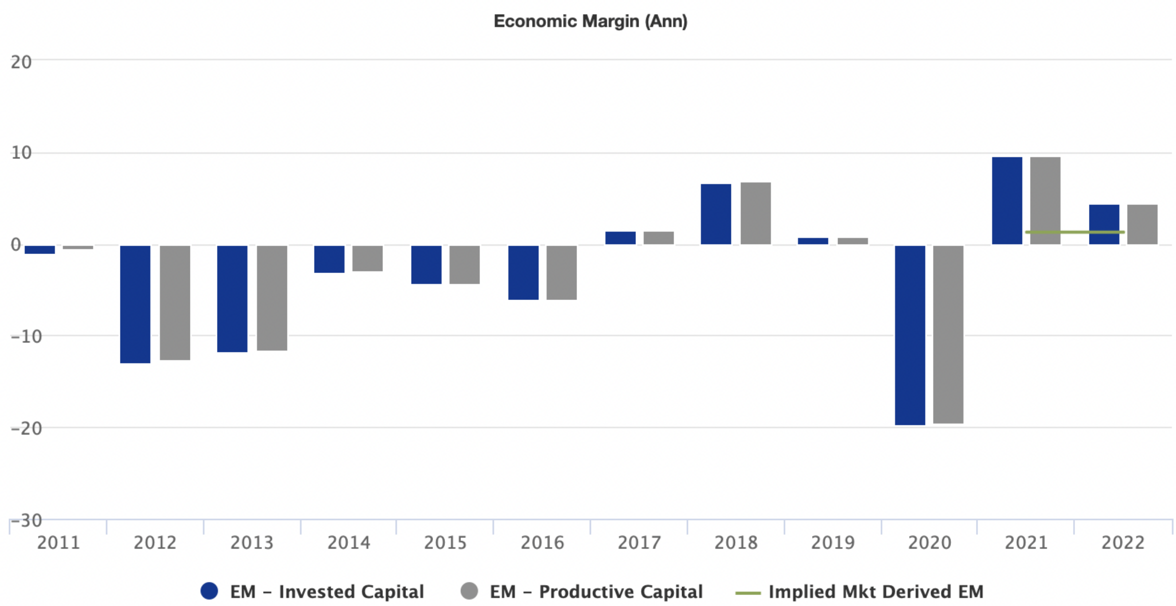
In the last 10 years, the stock trading price was on average in line with the estimate of the intrinsic value, with some spikes in both directions above or below the fair price, so we could potentially catch a price jump above its increasing intrinsic value in the following months.
ROE is expected to reverse after a negative value in 2020 in line with the same behavior of the Economic Margin.

Sales Growth is expected to grow by 54% after a negative 2020 with -49.64%. This would also bring again the EBITDA Margin in the positive zone after a disastrous -26% in 2020.
The major increase will be in sales estimated at 160 million compared to 103 million of the LFY Data (+55.34%) and in earnings with 1.10 instead of 1.65.

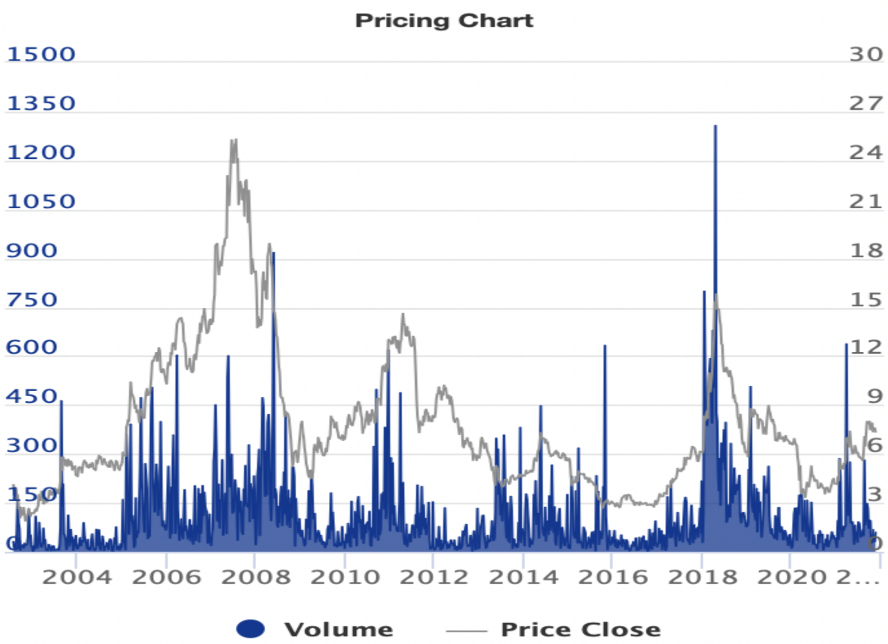




TOHN has a good value of Price/Book which is half compared to the sector and a Price/ Earnings (FWD) of ¼ relative to the sector.



The price reached a minimum value of CHF 2.57 in 2016 and a record high of CHF 17.25 in 2018 considering a time horizon of 10 years. We can notice a strong recovery in price after the pandemic and this is also confirmed by the A score assigned to the price momentum parameter by equity insight.



The main competitors of Tornos Holding are Kaori Heat Treatment Co. Ltd (Taiwan), Launch Tech Company Limited (China), Da Technology Co Ltd (Korea), Withtech Inc (Korea).
The Company has lower Price/Earnings, Price/CF, and Price/Book compared to peers which are in line with the good rating given from Equity Insights.