Sport Global Consulting Investments, EAFI

Covadonga 22, 5º piso – 33201 Gijón – España
Tel: +34 669 181 391 – Fax: +34 985 351 671
Web: www.sgci-eafi.com

Sport Global Consulting Investments EAFI
'Alpha Investments' Fund

With the goal of simplifying the investments of our current and potential clients, and complementing our current personalized financial advice services, Sport Global Consulting Investments EAFI (SGCI) has partnered with an important financial institution, Novo Banco, to launch an investment fund, **Alpha Investments**, advised exclusively by SGCI, with the total Independence that is our trademark. This publicly-traded fund with daily pricing is open to any investor that shares our investment strategy, which we briefly summarize below.

The primary goal of **Alpha Investments** is the medium/long-term growth of the capital invested, with the subordinate goal of mitigating short-term volatility through broad diversification. Should the long-term primary goal temporarily conflict with the short-term subordinated goal, our priority will be to focus on the former. This has some important implications that all potential investors should consider:

- Given that the ultimate goal of **Alpha Investments** is the medium/long-term growth of the capital invested, we consider short-term turbulence as largely *inevitable*. Any investor that believes otherwise should not invest in **Alpha Investments**.
- For the same reason, as massive evidence suggests, we believe that short-term turbulence is *unpredictable*. Any investor that believes otherwise should not invest in **Alpha Investments**.
- Finally, we believe that keeping our attention in the long-term goal is more important than being distracted by short-term turbulence. In financial markets 'noise' is inevitable and we believe the best way to face it is by 'turning down the volume' and remaining confident in our investment strategy. Any investor that believes otherwise should not invest in **Alpha Investments**.

Although the medium/long-term growth of the capital invested is our ultimate goal, we do aim to mitigate short-term volatility through five levels of broad diversification:

- Across asset classes, investing 55-75% in stocks, 10-30% in bonds, and up to 20% in alternative assets.
- Across regions, investing in developed and emerging markets.
- Across sectors, investing in cyclical and defensive companies.
- Across issuers, investing in government and corporate debt.
- Across currencies, investing in the main currencies involved in international trade.

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One of our contributions as advisors of **Alpha Investments** is to endow the fund with *patience* and *discipline*. The first is an obvious requirement for implementing any medium/long-term strategy; the latter is essential to offset the impulsive reactions and bad habits of most investors. Vanguard, one of the two largest asset managers in the world, argues that just by helping an investor to stay the course, a good advisor may improve a portfolio's return by 1.5% *per year*, relative to the performance of the typical investor who lacks discipline. Providing the fund with such discipline, even if investors do not notice it or appreciate it, is one of our main goals.

Discipline is essential because a broad diversification implies, by definition, that at each point in time the fund must have some assets temporarily out of favor, which are still important to keep in the portfolio. Put differently, however paradoxical it may sound, if all the assets in **Alpha Investments** are going up, *we will worry*, because that would indicate that we are not properly diversified and the opposite (that all the assets go down) may also happen.

Discipline is also essential to avoid what most investors, consciously or not, do: chasing performance. A massive body of evidence shows that investors tend to buy assets that have gone up in price and sell assets that have gone down in price, which inevitably leads to buy high and sell low. This is exactly the opposite of what an investor should do. Providing the discipline to stay the course, even if some assets are temporarily out of favor, or the returns are not those expected, is one of our main goals.

The previous argument implies that **Alpha Investments** does not invest in assets simply because they are temporarily on a roll, nor it sell assets simply because they are temporarily out of favor. That leads to buy high and sell low, as well as to the unnecessary rotation of the portfolio, which goes against our investment philosophy. As advisors, we do not pretend to have a crystal ball that tells us which asset to buy or sell at each point in time; on the contrary, our goal is to have a fund consisting of assets that can successfully navigate a future which is uncertain by definition.

Alpha Investments limits the rotation of assets, engaging on it only when it is useful or necessary. This implies buying and selling for rebalancing purposes; when the market introduces better products than the ones we have in the portfolio; and in those instances in which the valuation of an asset is such that a higher or lower exposure may contribute substantially to the fund's medium/long-term return.

In short, our advice positions **Alpha Investments** as a fund for investors largely interested in the growth of the capital invested in the medium/long term; able to pay relatively little attention to the inevitable and unpredictable short-term turbulence; and willing to stay the course by sticking to the fund's underlying investment strategy.