

***Fanvestments Corporation***  
*Global Investments - Global Returns*

FVAM Fund Quarterly Portfolio Report  
Q3 - 2016

***Fanvestments FVAM Equity Long-Bias Private Alternative Investment Fund (FVAM)***

This Report describes the Fanvestments FVAM Equity Long-Bias Private Alternative Investment Fund (the “Fund”). Fanvestments Corporation (the “Management”), a Rhode Island S-Corporation, serves as the Fund’s Management Business. The following summary highlights information about the fund, during and as of the 3rd Quarter of 2016 (July through September), and info about the fund’s management business, Fanvestments, Corporation,. Except where the context otherwise requires or indicates, in this report, (i) “Fanvestments,” “the Business,” “we,” “us”, “Firm”, “management” and “our” refer to Fanvestments Corporation and/or owner, and its Primary offering, with respect to FVAM, a Private Alternative Investment Fund, referred to as “the Fund”, “the portfolio”, or “FVAM”.

Contact and Social Media:  
Fanvestments, Corporation  
Matthew Fanning – Owner / Founder / CIO / Fund Manager  
[mfanning@fanvestments.com](mailto:mfanning@fanvestments.com)  
[www.fanvestments.com](http://www.fanvestments.com)  
Twitter: @fanvestments  
[facebook.com/fanvestments](https://facebook.com/fanvestments)  
Wordpress/Blog: [fanvestments.wordpress.com](http://fanvestments.wordpress.com)

## PRINCIPAL INVESTMENT STRATEGY

The FVAM Fund consists of a diversified portfolio, with a majority focus on equity investment ("stocks"), as well as fixed income (bonds and credit), for the goal of price & capital appreciation, growth and value, and to drive long-term positive durable returns through all types of economic and global financial cycles. Price tends to trump timeframe, but fund does expect to hold most investments mid-to-long term, with a target range of 1-4 years, some shorter, some longer. The Fund is actively-managed and has a blended investment style, looking for Value plus growth, and will also seek to find opportunity within event-driven strategies. Searching all size business all around the world, but currently limited to only investing within U.S. exchanges. The fund seeks to diversify Globally, not just within sectors and Businesses globally, also across multiple asset classes between Stocks, Bonds, Credit, Commodities, and Currencies. Exposure and strategy will change from time to time, as opportunity of making money make more money necessitates. To mandate diversification, individual stock positions are mostly limited to less than 5% of the overall portfolio, with current averages at 2-3% per position. The 5% holding max could have an exception if the position, invested asset, is not an "individual-stock" investment, with the same examples as above, possibly within another diversified ETF, index fund, bond market or credit exposure. The fund does use multiple hedging strategies to protect from general stock market volatility, as well as downside risk within the individual positions, or macro issues such as commodities, currencies, and economic cycles. Since FVAM is not intending to match the assets of any other index or ETF, fund's performance will not have intention to directly match the performance of any other investment vehicle, ETF, or Index. An index, like the S&P 500, is also a collection of assets, with ~500 individual stock holdings, with a daily-monthly-yearly total return. FVAM's intent is to have created its own unique diversified multi-asset fund (stocks, bonds, credit, ETF's), with individual assets selected by Fanvestments Management, low-market-correlated performance, less volatility vs market index, utilizing a dynamic and perpetually improving investment strategy combining increased Portfolio Quality, risk and allocation management, along with constant performance mathematics/statistics analysis and improvement.

## Q3 Highlights

Through the 3rd Quarter, The FVAM fund, produced a positive return for the 3 months of Q3 2016, and was net positive 1.1%. The fund had 3 consecutive months of upside, small but net positive, with the S&P500 outperforming FVAM in July, FVAM outperforming the S&P in August and September, with the S&P flat to marginally down in those two months. Although there is no attempt to match performance or timing of the S&P500, the fund's performance and volatility is analyzed against the index. Mathematics and Statistics of the performance is tracked daily and constantly being analyzed to help learn and improve the funds overall performance, while constantly learning and studying the markets performance and volatility. This also helps the fund achieve lower volatility relative to the S&P, as well as to track correlation between FVAM and the S&P, to make sure and help enforce lower correlation, lower relative volatility. The Fund's volatility and risk can be determined directly within its mathematics, alerting management to reduce or increase risk in the overall portfolio, by decreasing or increasing allocation within asset classes and investments. For example, adding Bond exposure and decreasing stock exposure, reducing portfolio beta and risk within the Fund's individual positions (investments). The goal is to produce a positive yield targeting a 10-15% return, but also be less volatile, less risky, more diversified than the overall public markets, and to have a low correlation to the actual market the fund is being compared to. In August, FVAM was net positive 0.5% (+50bps) vs S&P500 slightly negative, while only having 20% correlation to the index, and only 20% of the volatility of that market. In September, FVAM had 50% correlation to the S&P500, with 87% less volatility. FVAM was net positive approximately 25bps (+0.25%), where the S&P was slightly down about 5bps (-0.05%) (\*See Reference 1 on page 13 )

Just to mention a couple notable actions in the fund over the quarter. The Fund added to its energy exposure by taking a position in UCO (ProShares Ultra Crude Oil) as well as adding a separate diversified Fund into the Fund, investing in Pershing Square, owned and managed by Billionaire Bill Ackman. UCO is a fund that tracks the price of Oil with 2x the price action. Meaning if Oil is up 1% on a given day, UCO would be up 2% approximately, and same on the downside. Unlike the Fund's investment in Hess Corporation, which is a longer term Equity investment, UCO is more short-term, and more actively traded. Investment was made when the price of Oil had hit the 40-41 level, about half of the position was sold when the price of Oil increased, and then was re-bought in the mid-40's. Currently the position is full with an average cost per share of about \$8.50 (current price is around \$11/share), and has a covered call strategy applied. This means along with being long UCO, the fund is also short call options that decrease when the price of the asset decreases (and vice-versa), and are covered by owning the stock, vs being "naked short" options which can be extremely risky. This adds some level of protection to the position, as well, if UCO and the price of Oil continue higher, most of the investment will be sold at a higher price than current if that short call is exercised by the

long owner of the options. If oil stays flat or goes lower, the option portion will profit from the options expiring worthless, offsetting some of the downside in the UCO position. In regards to the Pershing Square position, the fund had built the position over the last few months, averaging buy price around \$14-15 per share, which is 50% off its highs from the middle of last year. Bill Ackman is a famous Billionaire investor, and runs a concentrated stock fund of about a dozen stocks. By adding this fund to the FVAM fund, FVAM gets the additional diversification of those stocks, while adding the research and analysis of the Pershing Square Firm. This investment is a longer-term position.

The fund still has a higher level (then preferred) of allocation to cash, "dry powder". This is more short-term based on current market price levels, as well as to bring down the funds overall volatility. Just being extremely patient, waiting for the right price levels and big money flows, individual stock analysis, as well as the overall macro environment not just within the US, but Globally, from the US to Asia to Europe. While the fixed income exposure is meant to lower the fund's volatility, the upside can be more muted then with individual stocks. The fund's strategy is for the Fixed Income exposure to produce a 5-10% total return (price appreciation plus the dividend yield). This exposure is to help put a floor in the fund while still producing a solid return. Then on top of that would be the higher risk, higher reward exposure, with individual stocks as well as other diversified funds within the fund, such as DBBR which is a Brazil Market index fund and PSHZF which is the Pershing Square Fund.

Overall, the Fund is still down about 3% YTD, most of that from January, and has been slowly improving. Since January (or x-Jan), the fund is currently positive about 3%. For the 3rd Quarter, the fund was net positive 1.1%. Main goal is Stability, steady positive returns, diversification globally and between multiple asset classes, (i.e.. bonds, commodities, stocks, funds) with the ability and opportunity for outsized gains, along with volatility, from individual stock exposure. Goal is to Get that 10%+ return the fund is looking for every year, expecting some of those years to have outsized gains, and to produce a floor , always trying to be flat-to-up at the least. 4-5% floor, with a 10% goal, less-than-market volatility & correlation, with ability and exposure to produce outsized gains. Better Investments, Better Mathematics, Decrease Downside, Increase Upside, perpetually, FOREVER.

Below shows reporting created/analyzed within Data Analytics software, Tableau Software, which has data integration into the fund's internal database/spreadsheets. (\*Data as of early of October)  
Portfolio Allocation Breakdown (Heat Map, sector/asset-class allocation)



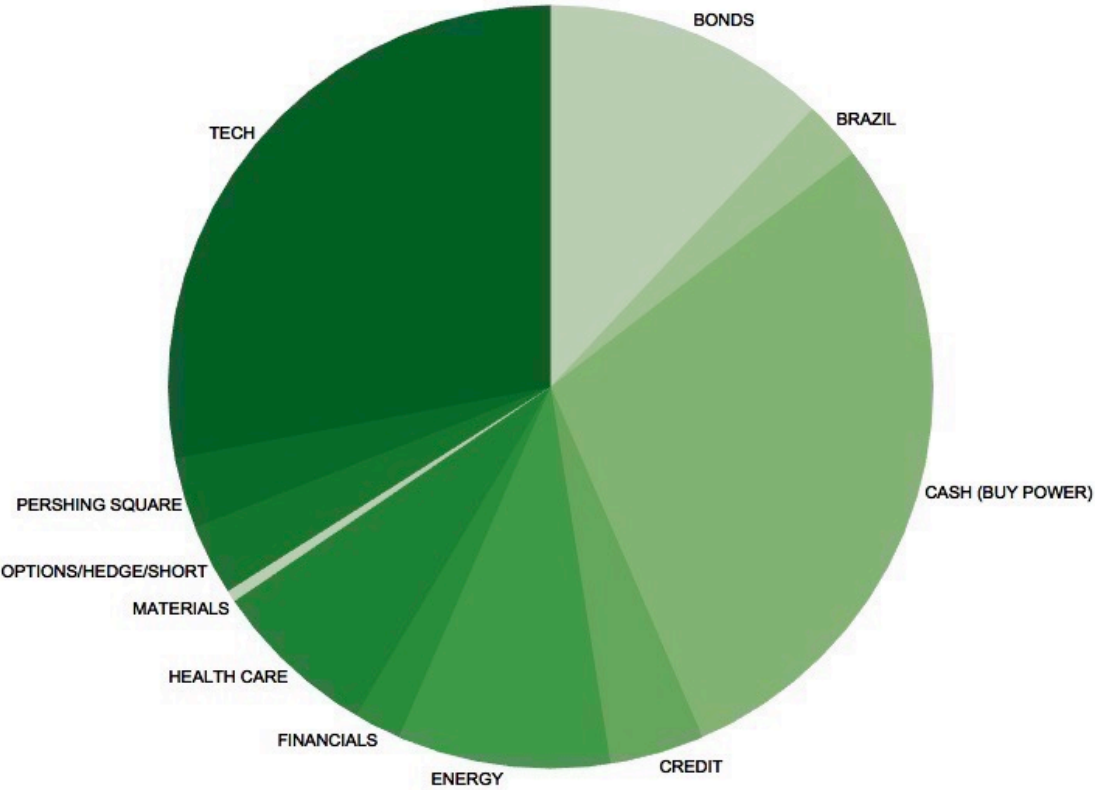
HIGH-YIELD BOND ETF	HYG	BONDS
HESS	HES	ENERGY
ALIBABA	BABA	TECH
PIMCO CREDIT&MORTGAGE ETF	PCI	CREDIT
QUALCOMM	QCOM	TECH
SQUARE	SQ	TECH
CYPRESS SEMICONDUCTOR	CY	TECH
MSCI BRAZIL EQUITY ETF	DBBR	MARKET
PROSHARES ULTRA CRUDE OIL ETF	UCO	ENERGY
INOVIO PHARMACEUTICALS	INO	HEALTH CARE
PERSHING SQUARE HOLDINGS (ACKMAN)	PSHZF	STOCK FUND
CLOVIS ONCOLOGY	CLVS	HEALTH CARE
NUMERIX	NMRX	TECH
CTI BIOPHARMA	CTIC	HEALTH CARE
CALADRIUS BIOSCIENCES	CLBS	HEALTH CARE
BLUCORA	BCOR	TECH
REGIONS FINANCIAL	RF	FINANCIALS
CEMEX	CX	MATERIALS
NATIONAL BANK OF GREECE	NBG	FINANCIALS

\*investments (positions) listed by size, largest to smallest, bottom 3 smaller "stub", BCOR sold recently

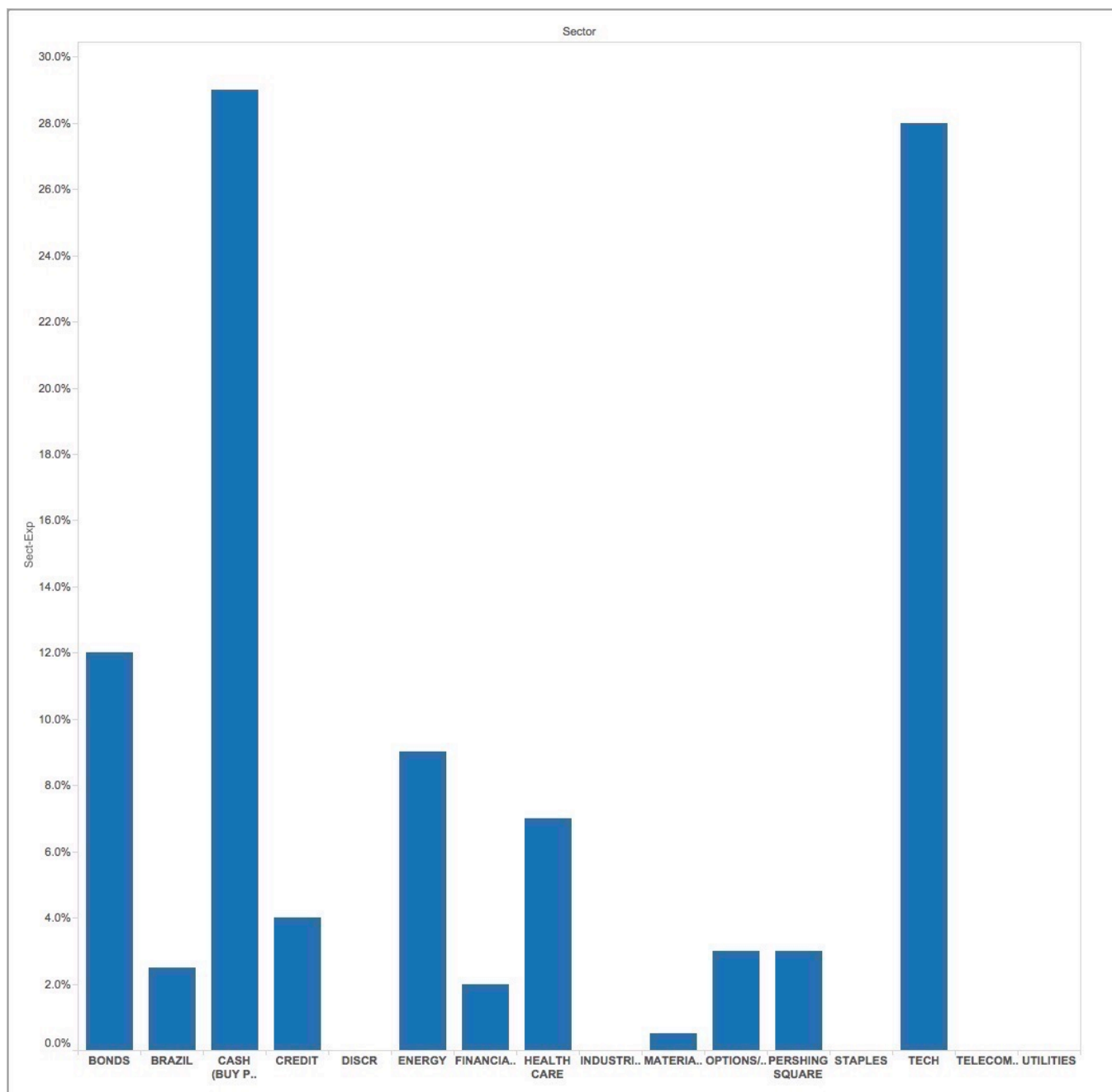
\*small % of hedge exposure via options

\*see reference 2 (pg. 14), S&P500 Heat Map

Allocation Breakdown (pie chart)

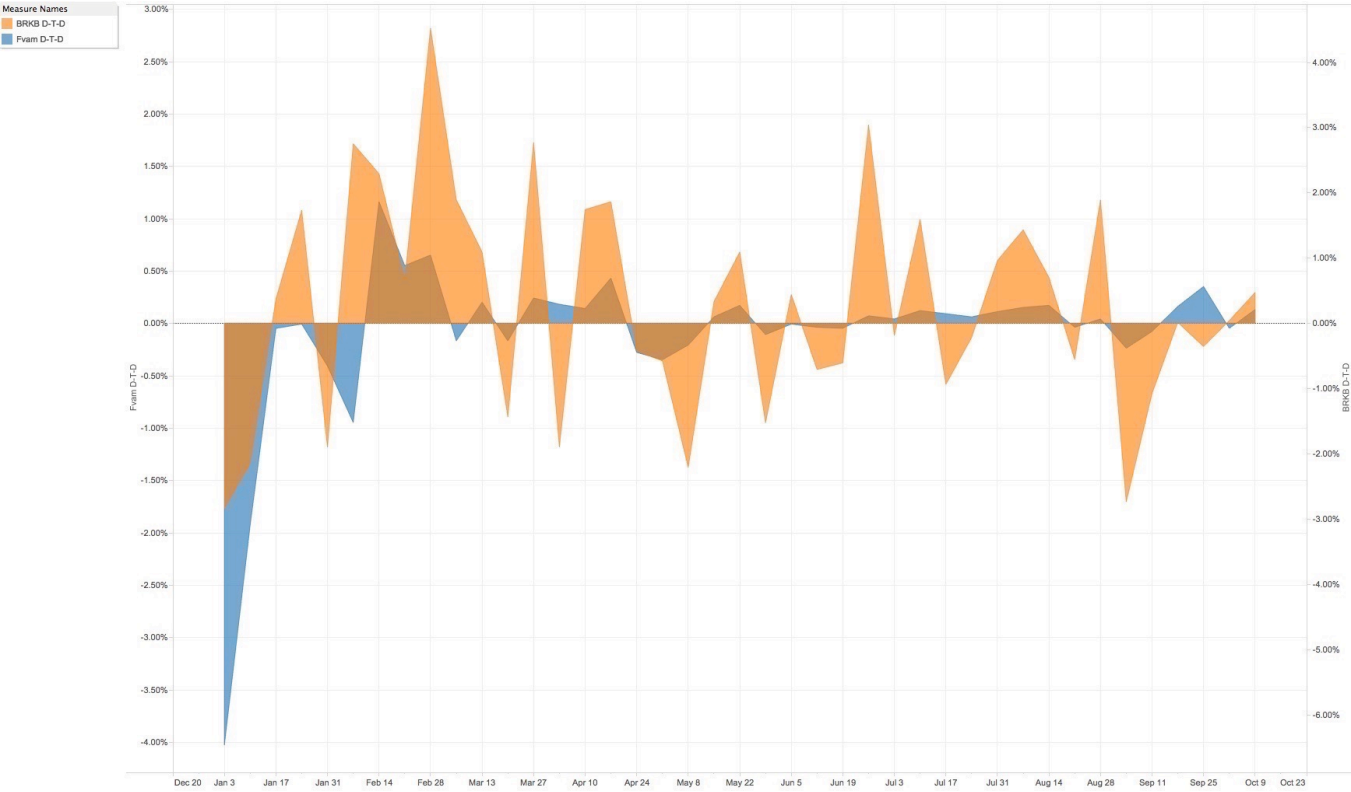


Allocation Breakdown (bar chart)

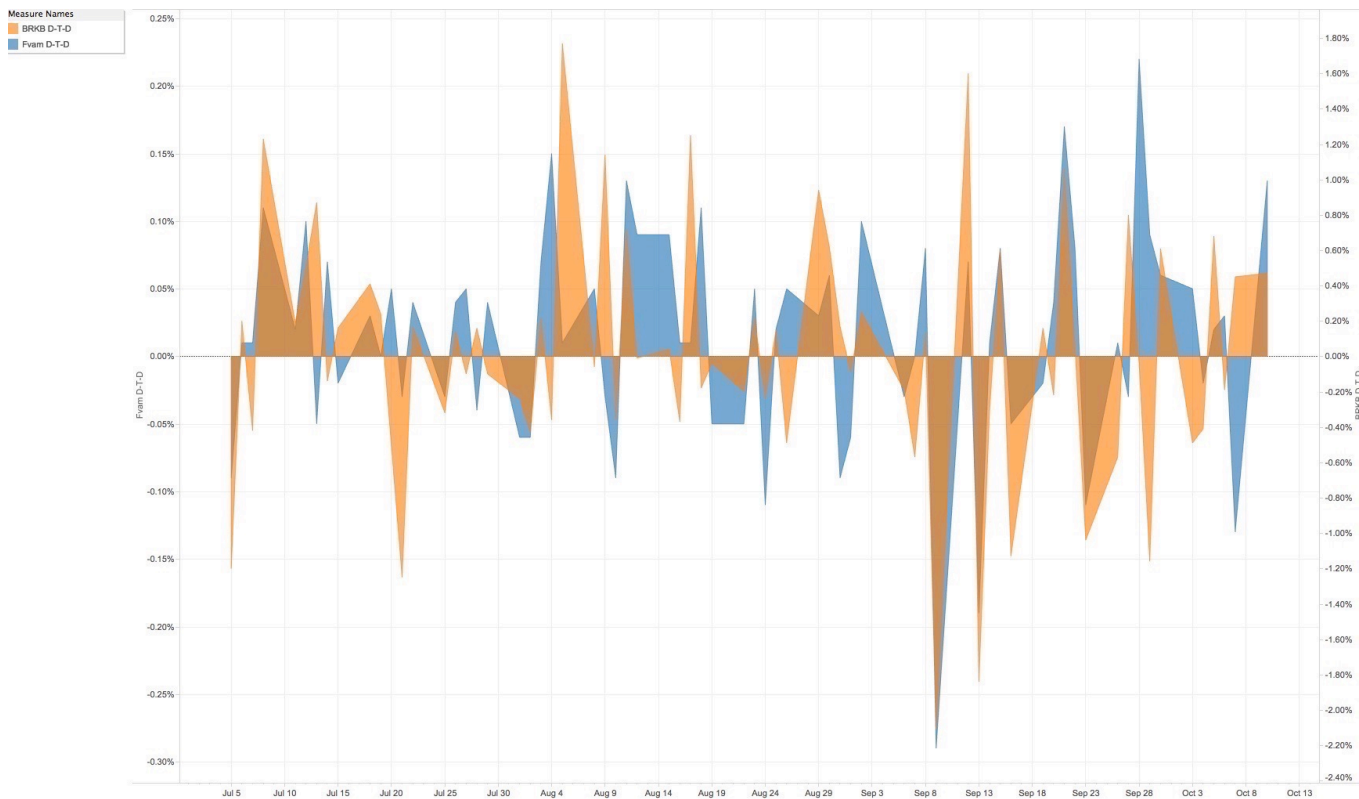


Performance Analysis: below shows the breakdown of that, and comparisons to the S&P500, as well as \$BRK-b (Warren Buffett’s ‘Berkshire Hathaway’)

FVAM fund vs BRK/b, weekly (Berkshire Hathaway B-shares, publicly listed), year-to-date



FVAM fund vs BRK/b, daily (Berkshire Hathaway B-shares, publicly listed)



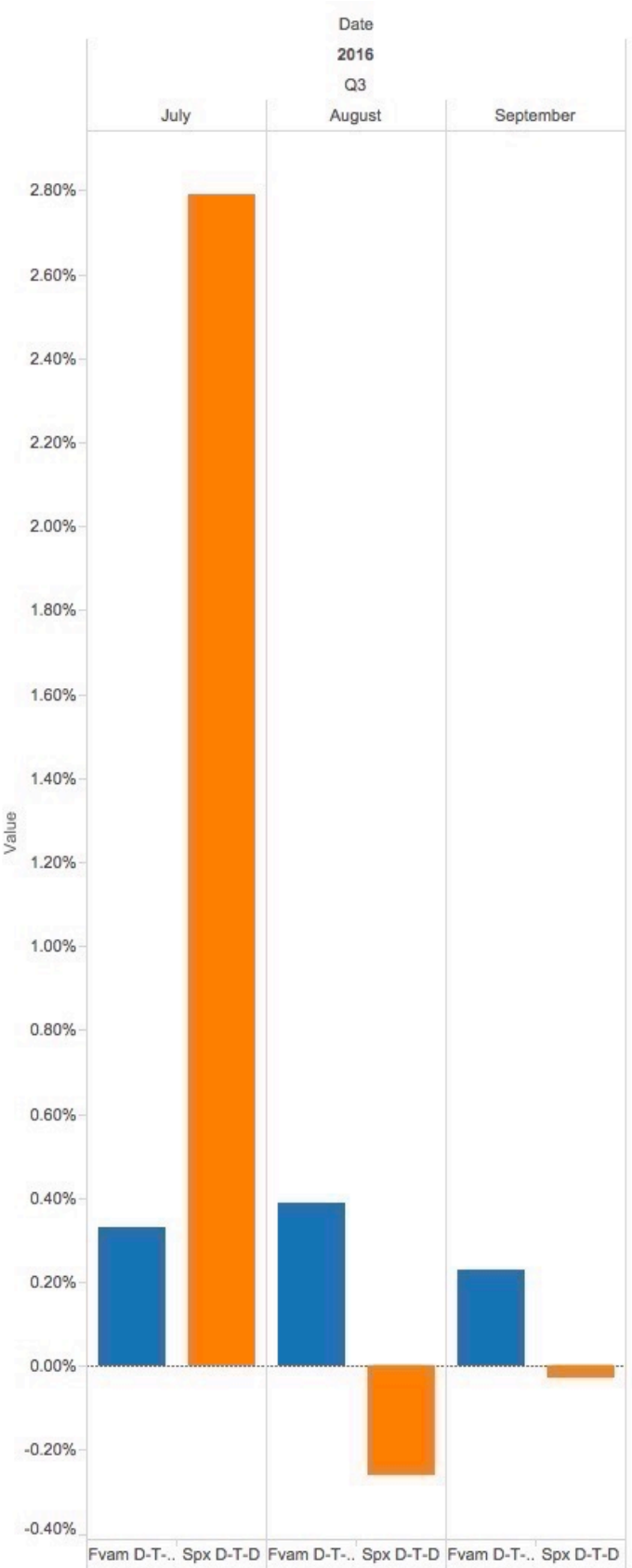


FVAM vs S&P500 , 3rd Quarter, 3months - monthly

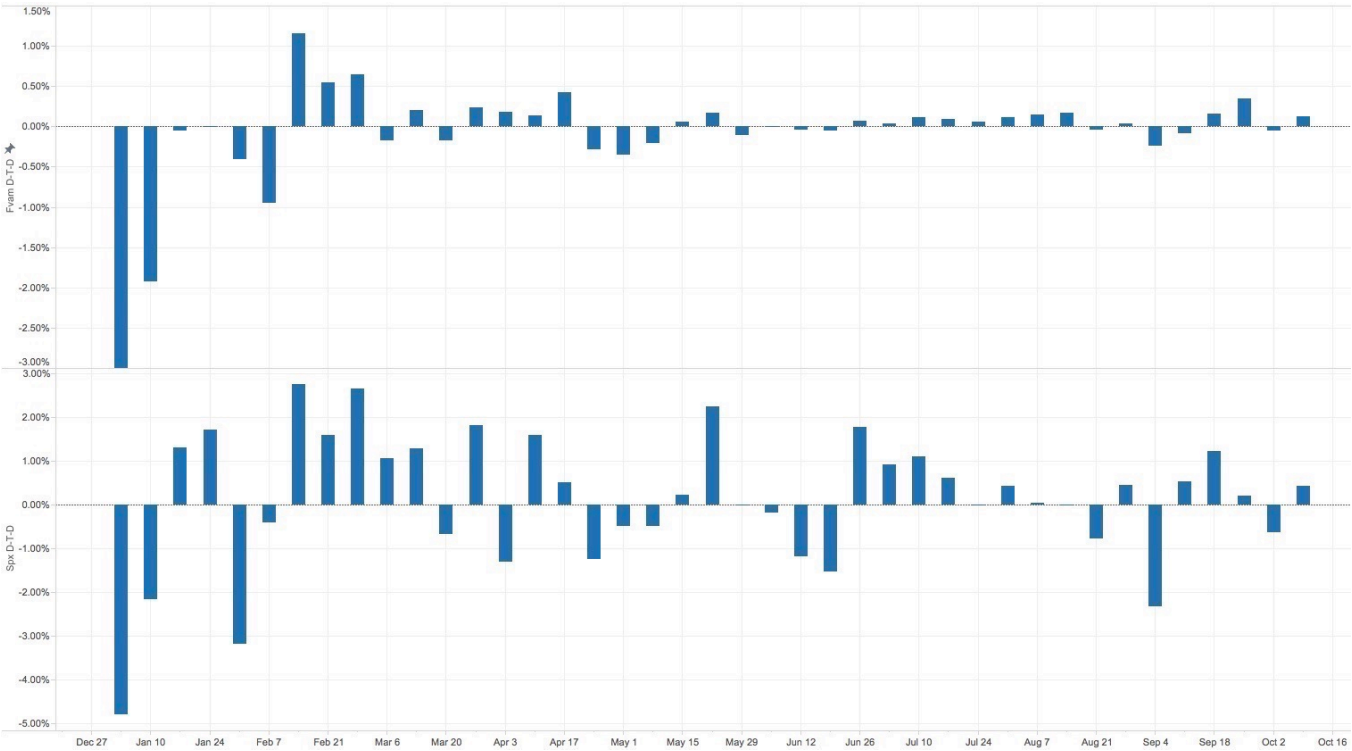
Measure Names

Fvam D-T-D

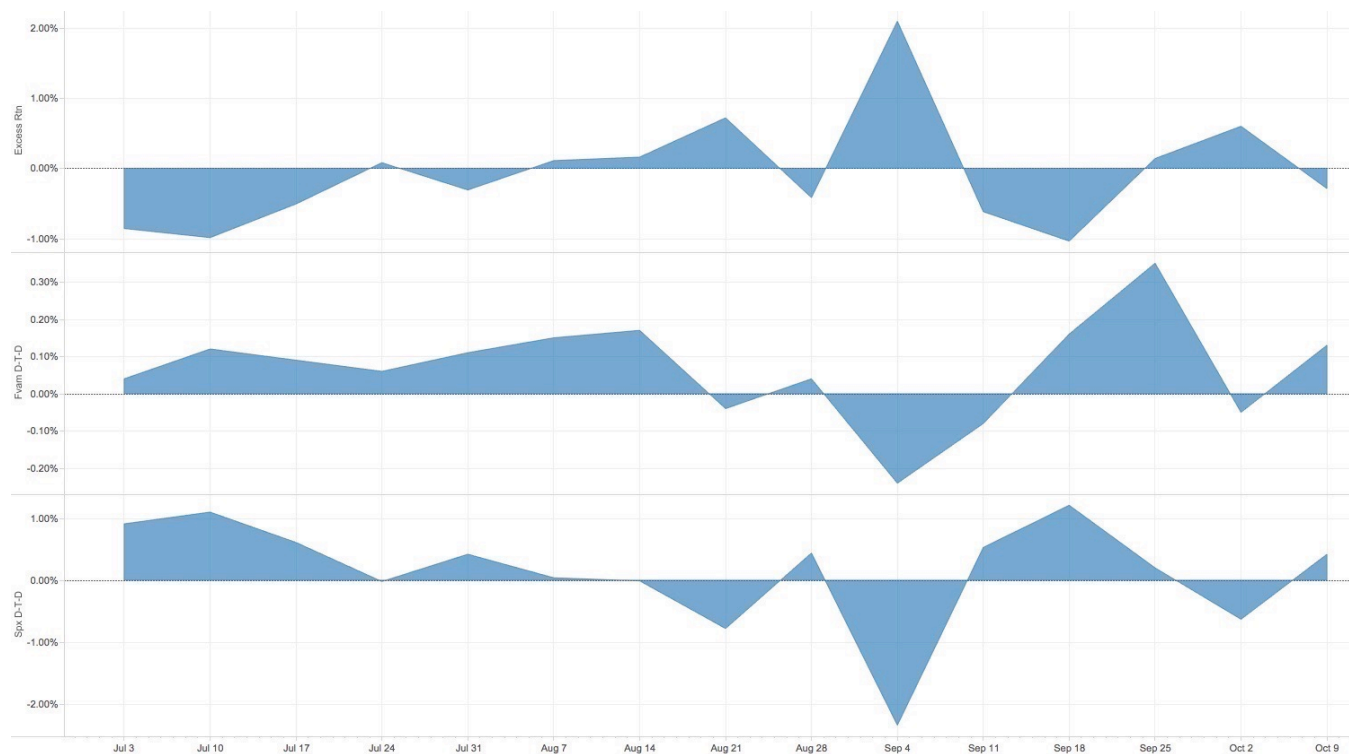
Spx D-T-D



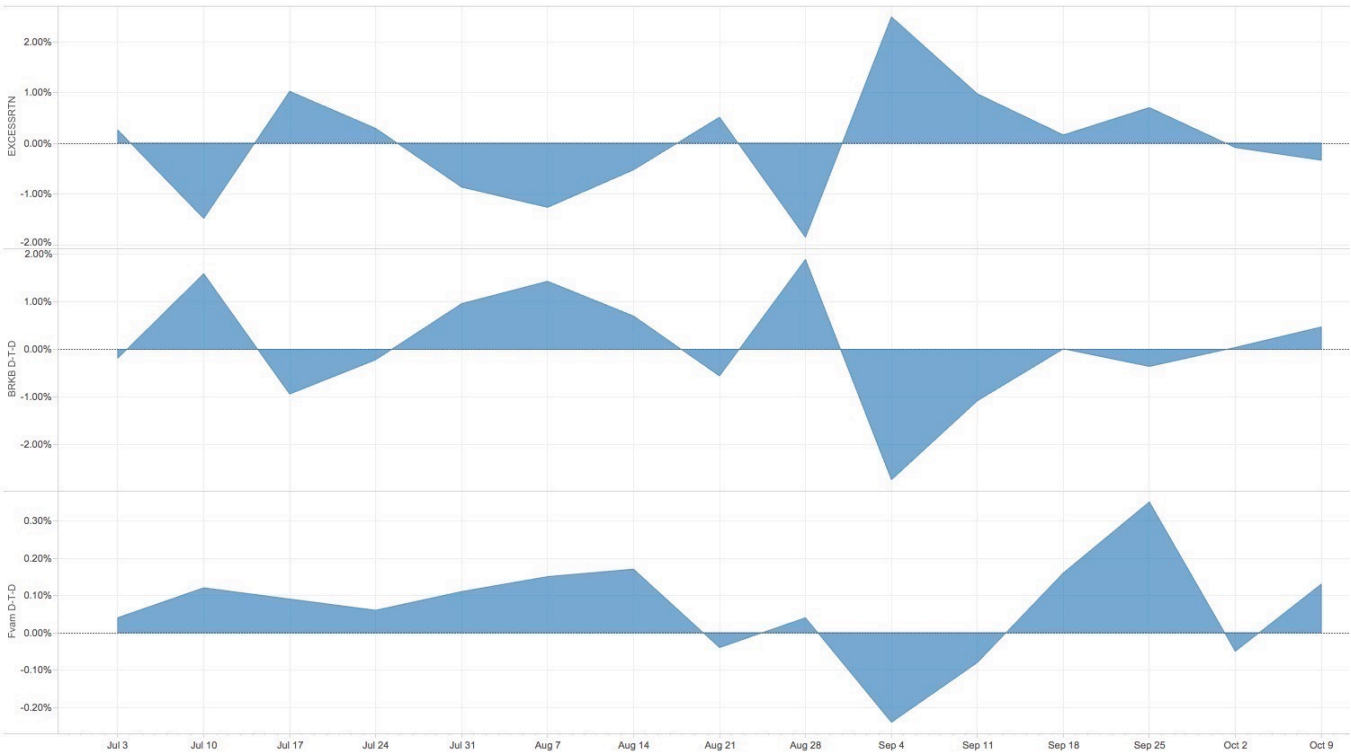
Year-to-Date, Weekly (Week-over-Week)



FVAM vs SPX and relative return (FVAM vs SPX), weekly, quarter-to-date  
 (\*excess return shows FVAM vs SPX, shows by how much FVAM is outperforming or underperforming the S&P500)

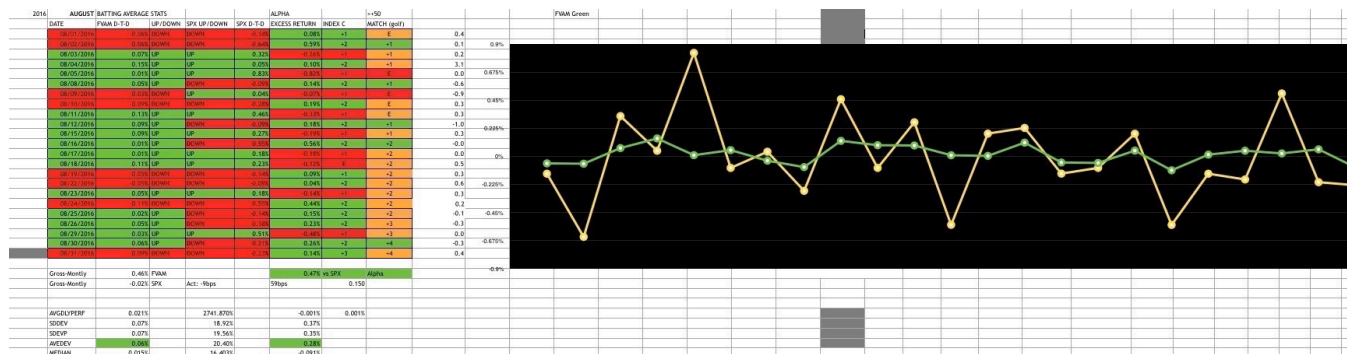


FVAM vs brk/b and relative return (FVAM vs BRK-b), weekly



# Reference 1: FVAM Fund Performance Stats (August 2016, FVAM vs SPX, Statistics)

The data below, displaying just August 2016 in this example, shows performance statistic data maintained daily, showing the FVAM fund vs the S&P500. Data is tracked every day internally, and has been tracked now for a couple years. (building the Track Record). Data shows performance for FVAM, performance for S&P500 (\$SPX). Alpha, or excess return when outperforming, is showing the difference between FVAM and \$SPX. Then shows if FVAM beat SPX, with the next column showing a beat/miss by larger then 50bps (0.5%). Last column in white shows the Fund's beta, or direct correlation level between FVAM and SPX. (i.e... FVAM +1%, SPX +1%, beta would be 1 (1% divided by 1%, or 100%). As the data displays, for August, FVAM had only 20% correlation on average to the S&P500, FVAM outperformed by approx. 50bps (0.5%). The chart is displaying the performance for both FVAM (green) and SPX (yellow). Another very important factor for FVAM is to be less volatile then the SPX, which is being analyzed using Statistics, such as Standard Deviation (SDDEV). For August, FVAM not only outperformed the SPX with just 20% correlation, but also had only 20% of the Markets volatility using the Deviation stats. (measuring how much the fund or markets move up or down, from day to day)



\*SPX (S&P500 index) and BRK/B (Berkshire Hathaway) performance using internal data tracking and data from public internet sources, "non-official"

\*FVAM allocation as of October 2016, moderate changes have occurred since

Reference 2: Heat Map for the S&P500, breakdown of each stock within the index and its relative size  
 (\*as of 12-1-2016)

