

**Fanvestments Corporation**  
*Global Investments - Global Returns*  
Invest today, Build Wealth Forever

FVAM Fund Quarterly Portfolio Report  
Q3 - 2018

***Fanvestments FVAM Diversified Multi-Asset Private Alternative Investment Fund (FVAM)***

This Report describes the Fanvestments Diversified Multi-Asset Private Alternative Investment Fund (the "Fund", "FVAM"). 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 2nd Quarter of 2018 (April thru June), and info about the fund's investment strategy and expectations. 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 of mixed asset-types, with a majority focus on equity investments ("stocks"), as well as fixed income (bonds and credit), commodities and currencies, for the goal of price & capital appreciation, and to drive long-term positive durable returns through all types of economic and global financial cycles. FVAM's primary exposure focus is mostly within individual stocks with a long-bias, and some stock ETF exposure. Fund applies multiple strategies, from fundamental research such as earnings, revenue, growth rates, and valuation, analysing historical data and future expectations. Combining that with technical analysis, studying charts for trends, as well as trend change, price and timeframe analysis, overbought and oversold indicators, volume spikes leading to capitulation... For style, looking for growth and value, "Growth at a Great Value". One fundamental stat here is PEG ratio, stock price relative to growth rate. Fund seeks companies with a PEG less than 1, where above 2 begins to be expensive. The macro environment is very important, and will overlay the macro environment on top of the other research and overall portfolio. Other strategies, more of a focus within a sector, such as biotech, looking for companies that are trying to find the cure for major diseases. Within Technology, to find innovation driving the future, such as AI, Big Data, Cloud, Analytics, FinTech (such as payments), as well as to find the Founders that are all-in and have a sense of brilliance. Price and Returns tends to trump timeframe, but the fund does expect to hold most investments for multiple years, mid-to-long term. The Fund is actively-managed with a blended investment style, looking for Growth at a great Value, more of a "buy the blood" , buy low-sell high, as a fundamental mindset. Fund will also seek to find opportunity within event-driven strategies, such as mergers, FDA approvals, momentum and fund flows, as well as unusual options action and potential buy-out/merger opportunities. Part of the investment style is to bring together a diversified multi-asset "401k retirement" portfolio approach, combined with hedge fund, institutional style investing involving individual stock picking along side minimal hedging against general market risk, as well as having low market correlation producing fund-specific returns. "401k meets Alternative Investment fund". The FVAM fund will also invest in other investment funds and ETFs from time to time, for opportunity and to obtain that much more diversification, and to lower overall volatility and risk. Searching all size business all around the world, but currently limited to only investing within U.S. exchanges. Exposure and strategy will change from time to time, as opportunity of "making the money make more money" necessitates. Only on a limited basis, and kept to very small exposure at most times, the fund does use multiple hedging strategies to protect from general stock market volatility, as well as downside risk within individual positions, or macro issues such as economic cycles, recessions, geopolitics. In most hedge cases, fund will utilize options strategies for short exposure vs outright selling short, such as index/ETF options, VIX (volatility) options, positional hedges. Overall hedging exposure is kept low, utilizing more of a hedge by allocation strategy, i.e... Position sizing, always monitoring positional exposure relative to risk of that position and overall portfolio size. As well as other portfolio management strategies - performance monitoring and risk management. Such as selling portions of gains, decreasing higher risk, increase lower risk (lower reward) exposure, such as bonds, money market and cash. Since FVAM is not intending to mirror, or match the assets or performance of any other index or ETF, the fund's performance will not have intention to directly match the performance of any other investment vehicle, ETF, or Index or have the same timing as the overall markets. An index, like the S&P 500, is also a collection of assets, with ~500 individual stock holdings. FVAM's intent is to have created its own unique investment vehicle, a diversified multi-asset fund (stocks, bonds, ETFs), with individual assets selected by Fanvestments Management, minimal market correlation, and less volatility vs market index. Utilizing a dynamic and perpetually improving investment strategy combining increased Portfolio Quality, constant Portfolio analysis, non-stop financial market study, risk and allocation management, along with relentless analysis of performance metrics, mathematics and statistics with the goal of perpetual improvement.

Make the Money Make More Money .

### **Q3 Highlights**

Within the 3rd Quarter of 2018, the FVAM fund produced a negative return, and was net negative by -0.65% (-65bps). The fund was down -0.41% (-41bps) in July, positive 0.26% (26bps)

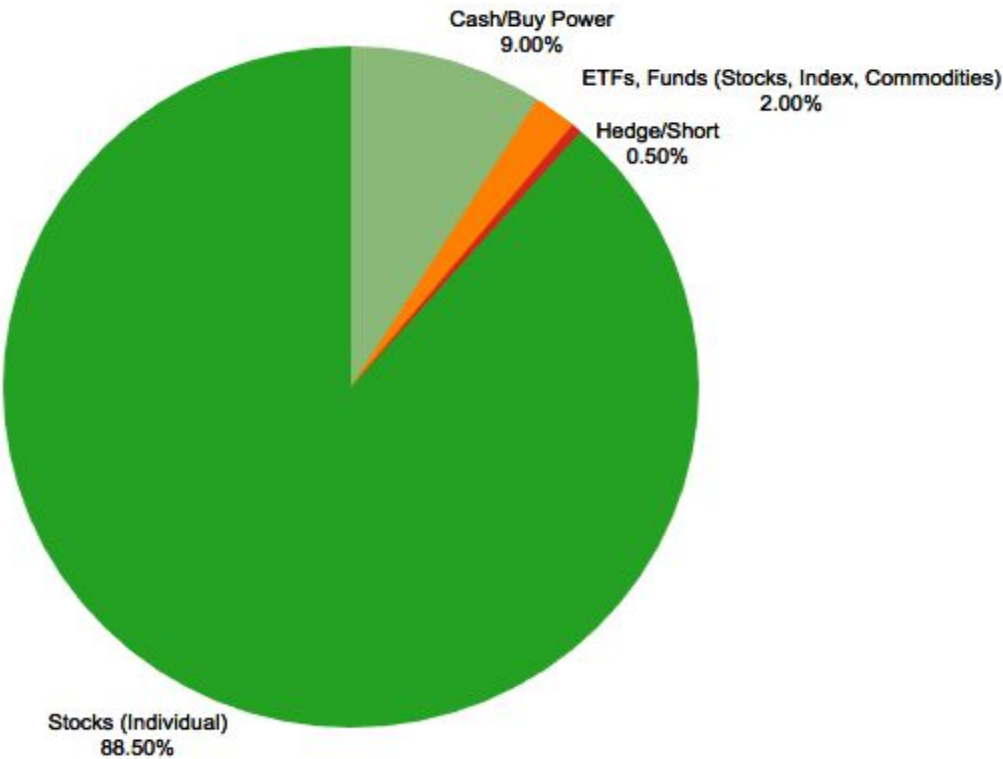
for August and down -0.5% (-50bps) in September. For the Quarter, the S&P was up about 3.1%, while the ACWX (World Index x-USA) was up 1%. Although there is no attempt to match the performance or timing of the S&P 500, along with mixed-asset exposure like bonds and credit, currency and/or commodity, lower risk & volatility, and with equity exposure currently around 89% of the fund, the fund's performance and volatility is analyzed against the index, an all-stock index. 3rd quarter compares not too good for Q3, but currently looking at outperformance into Q4, and for the full year. Another reference point is Warren Buffett's Berkshire Hathaway, BRK/b, which is currently about flat year-to-date. Looking into Q4, the overall markets have had a tough time. On a positive note, with the overall markets experiencing volatility and downside, especially in December, the FVAM fund is holding onto positive for December half-way thru.

During Q3 (and into Q4), a few positions were closed out. Inovio (INO) and Caladrius BioSciences have been sold in full. Also, for Alibaba (Baba), made decision to sell in full when the share price dropped below \$180. There are serious Geopolitical events going on, especially the Trade deal (or lack thereof) between China and the US. Longer-term, still very positive on Alibaba the company, and will look to possible get back in at some point. Fund remains long Celgene (CELG), which is currently around the mid \$60s/share, and is down from over \$140 back from September 2017, fund's position initiated in the mid-70's. Celgene, a global biopharmaceutical company, together with its subsidiaries, is engaged in the discovery, development and commercialization of therapies for the treatment of cancer and inflammatory diseases through solutions in protein homeostasis, immuno-oncology, epigenetics, immunology and neuro-inflammation. Its commercial-stage products include REVLIMID (lenalidomide), POMALYST/IMNOVID (pomalidomide), OTEZLA (apremilast), ABRAXANE (paclitaxel albumin-bound particles for injectable suspension), VIDAZA, azacitidine for injection (generic version of VIDAZA) and THALOMID (thalidomide). Its clinical trial activity includes trials across the disease areas of hematology, solid tumors, inflammation and immunology. The Company is also evaluating AG-221 (enasidenib) in combination with VIDAZA in newly diagnosed acute myeloid leukemia. The company is within the biotech focus the fund seeks, involved in the treatment of major diseases, like cancer and and involved with immuno-oncology. Can read more about Celgene's pipeline at <https://www.celgene.com/research-development/pipeline-pdf/>. Expectation is for CELG to get back above \$100/share within 12 months, and over \$160 (close to double) within 3 years using a 20-25% growth rate in Revenue. Some analyst expectations are for a 20% increase in earnings for 2019, and earnings of over \$10/per share. Biotech with a strong pipeline, good fundamentals and cheap valuation. For Q3, Celgene had total net product sales of \$3.8 billion, an increase of 17% year-over-year, and raised their full-year guidance to about \$15 billion. Using a full-year \$8 Earnings-per-share estimate, with a 20PE (price-to-earnings ratio), gets the stock to \$160/share.

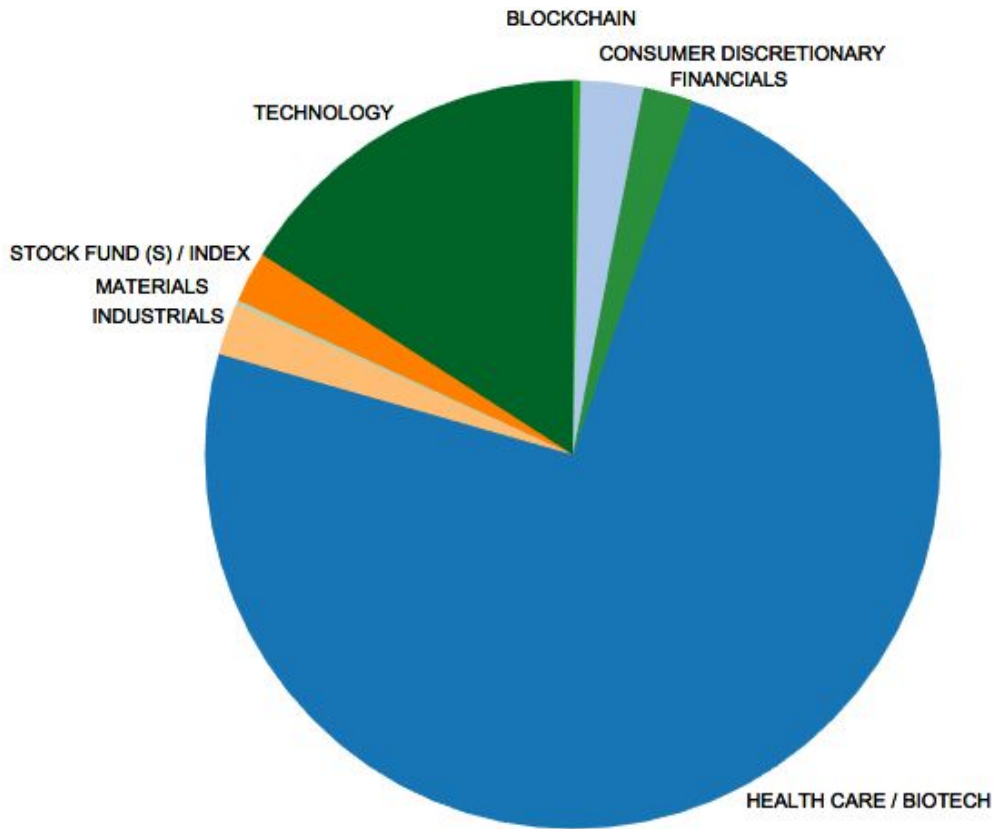
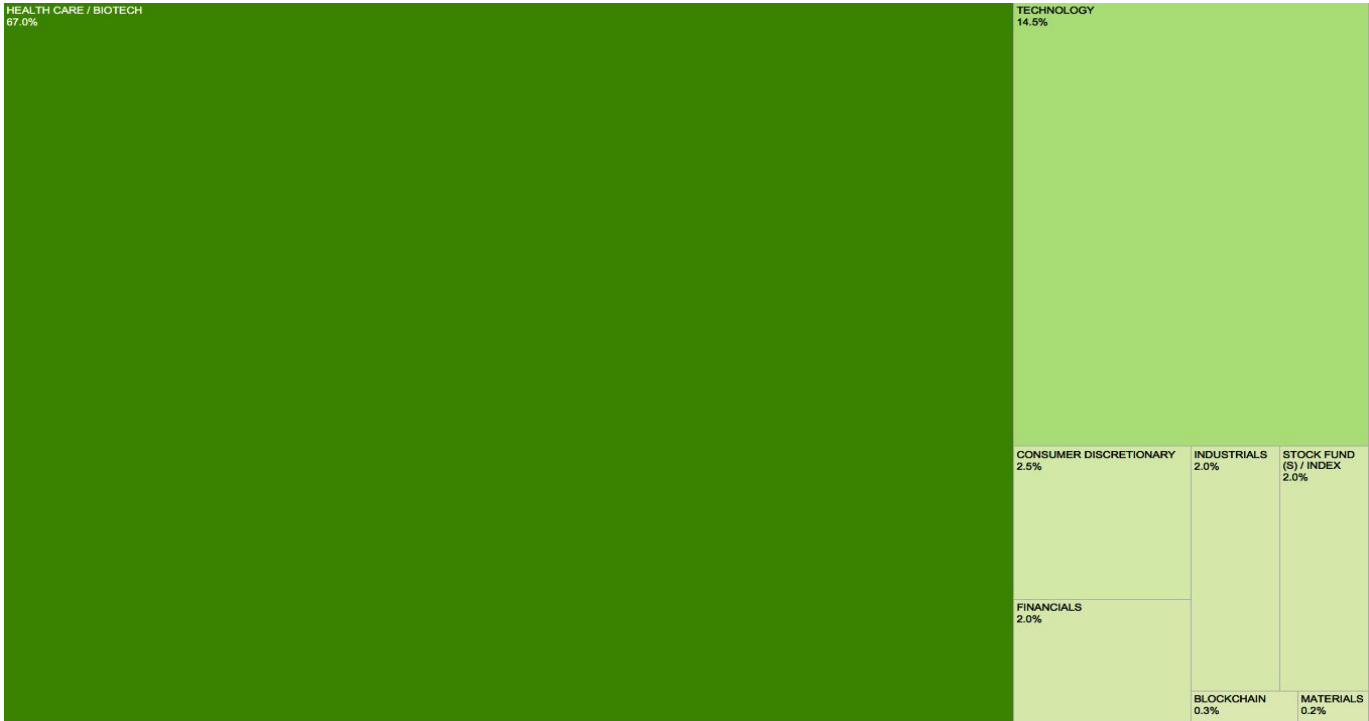
As the general focus and strategy has been summarized above, wanted to highlight more in depth how some of the fund's investment selection is executed. For longer term investments, the fund will look for a match between the business fundamentals and stock price technical analysis, looking for a buy or sell signal from both to have full conviction. The search can be extensive at times, looking for individual ideas among thousands of businesses. Technical Analysis is more important from the price and trend angle, using this to try and see where the price is going and how fast or slow it's going there. Studying technical indicators like RSI - relative strength, MACD and Stochastics, as well as moving averages and trend. Also finding extreme events, such as capitulation, looking for spikes in volume and extreme moves in the trend of the technical indicators (trend of the trend). Fundamental metrics determine price and valuation. Some focus areas here are forward PE, PEG ratio, earnings and revenue Growth Rates, price-to-book, and cash flow. Ideally, forward PE below 15, or less-than-market multiple, growing revenue above 20%, earnings growth of 50%, price-to-book of 1-3, above 5 considered expensive. Peg ratio, stock's PE (price/earnings) relative to growth rate (PE/Gr), of 1 or less good, above 2 could be considered expensive. Matching up technicals for timing with Fundamentals for valuation, and overlaying the Macro environment to help find Global trends.

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 Nov `18)

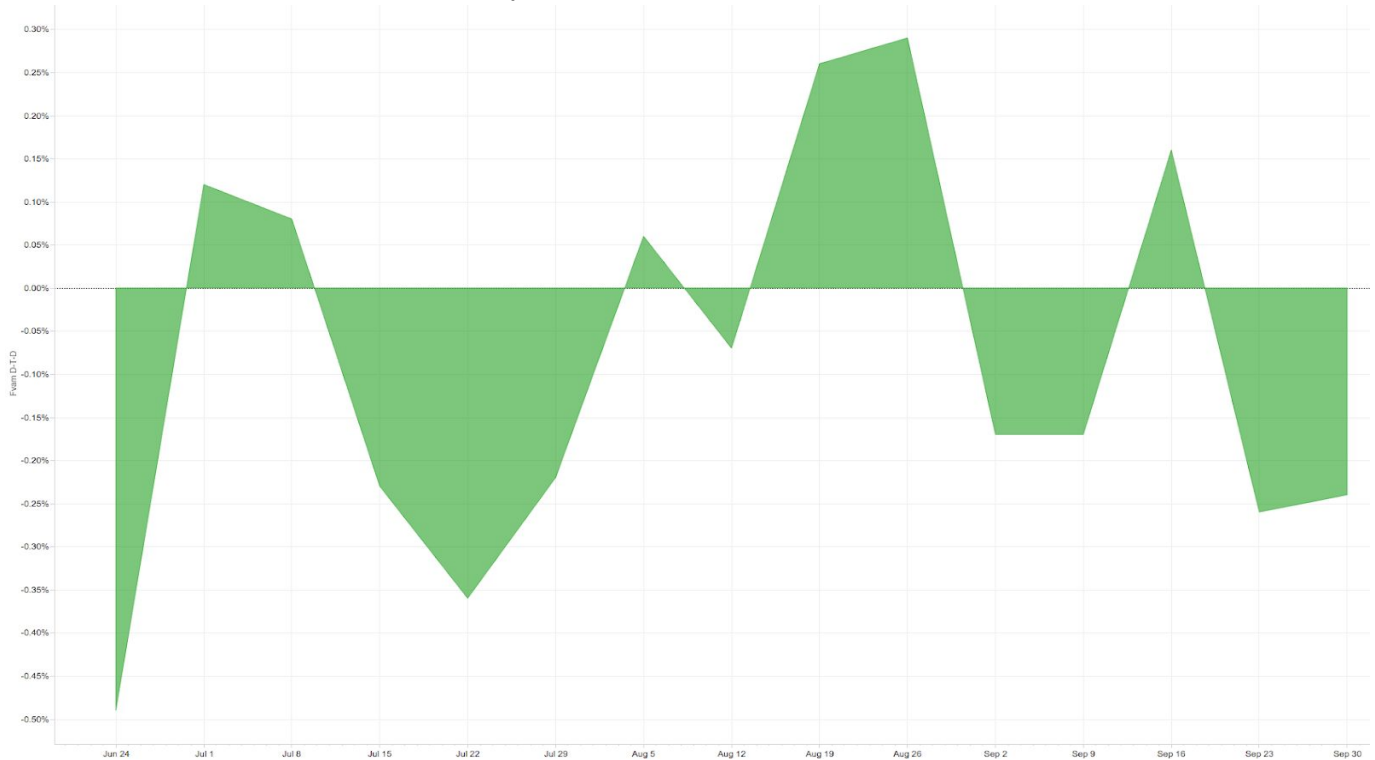
High Level allocation heat map and pie chart:



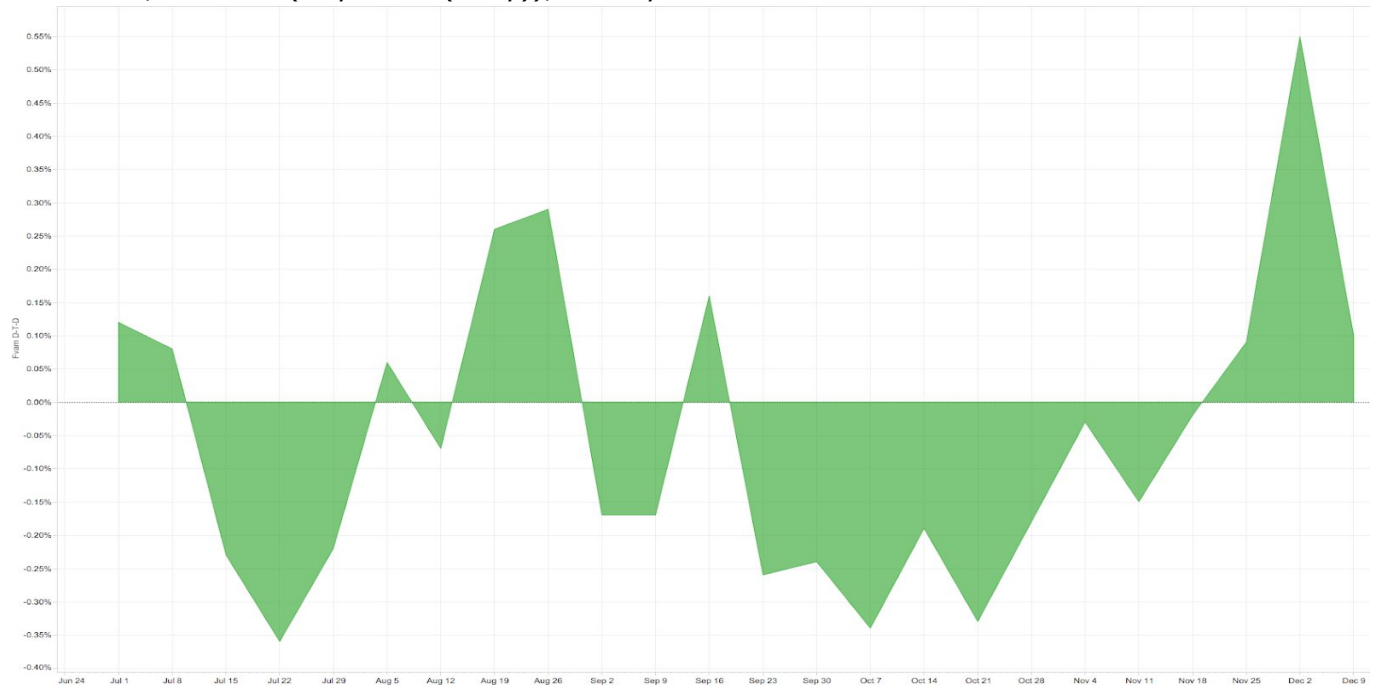
Below shows the further breakdown of only the fund’s individual stock exposure. Currently, the heaviest focus of that exposure is allocated towards Technology and Bio-Tech / Pharma investments.



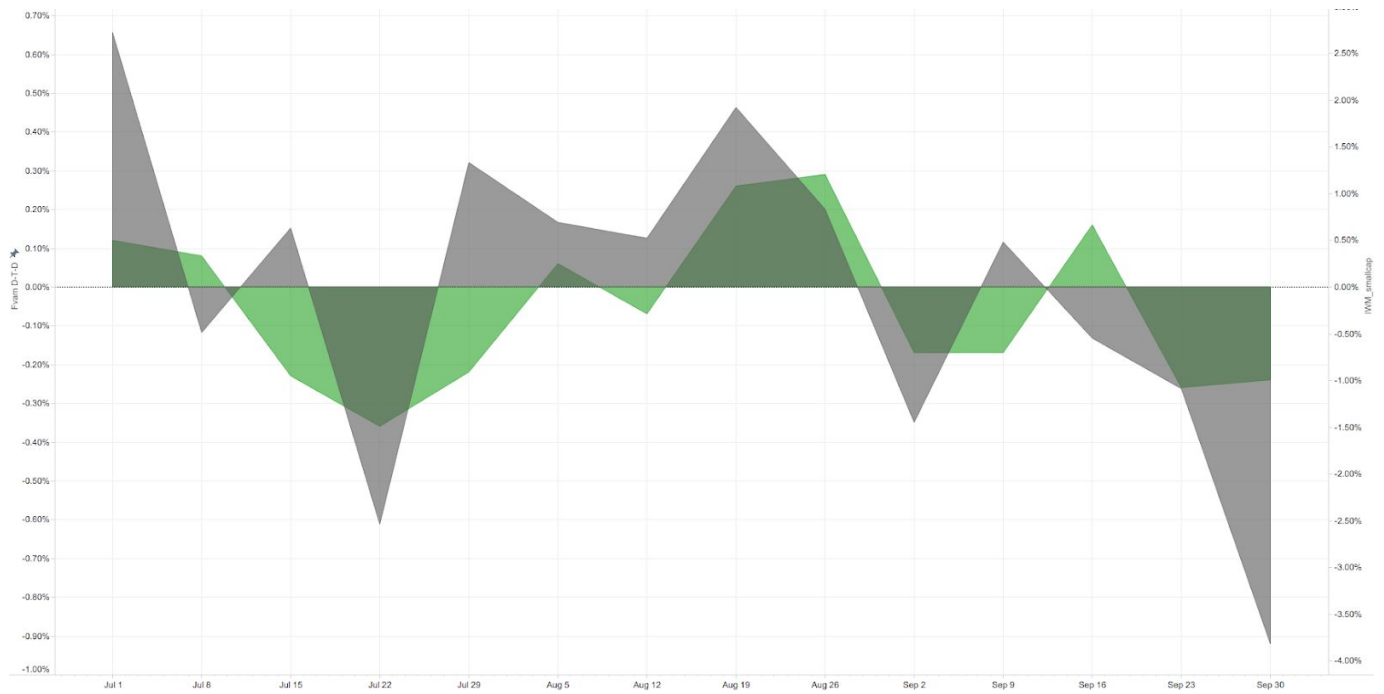
Performance Analysis: Analyzing the breakdown of the Fund's performance, as well as comparisons to other investment vehicles/index, such as the S&P 500, \$BRK-b (Warren Buffett's 'Berkshire Hathaway'), ACWX which tracks Global Markets minus the US (World x-US), and the Russell 2000 small cap index (\$IWM)  
 FVAM fund, 3rd Quarter 2018 , Weekly



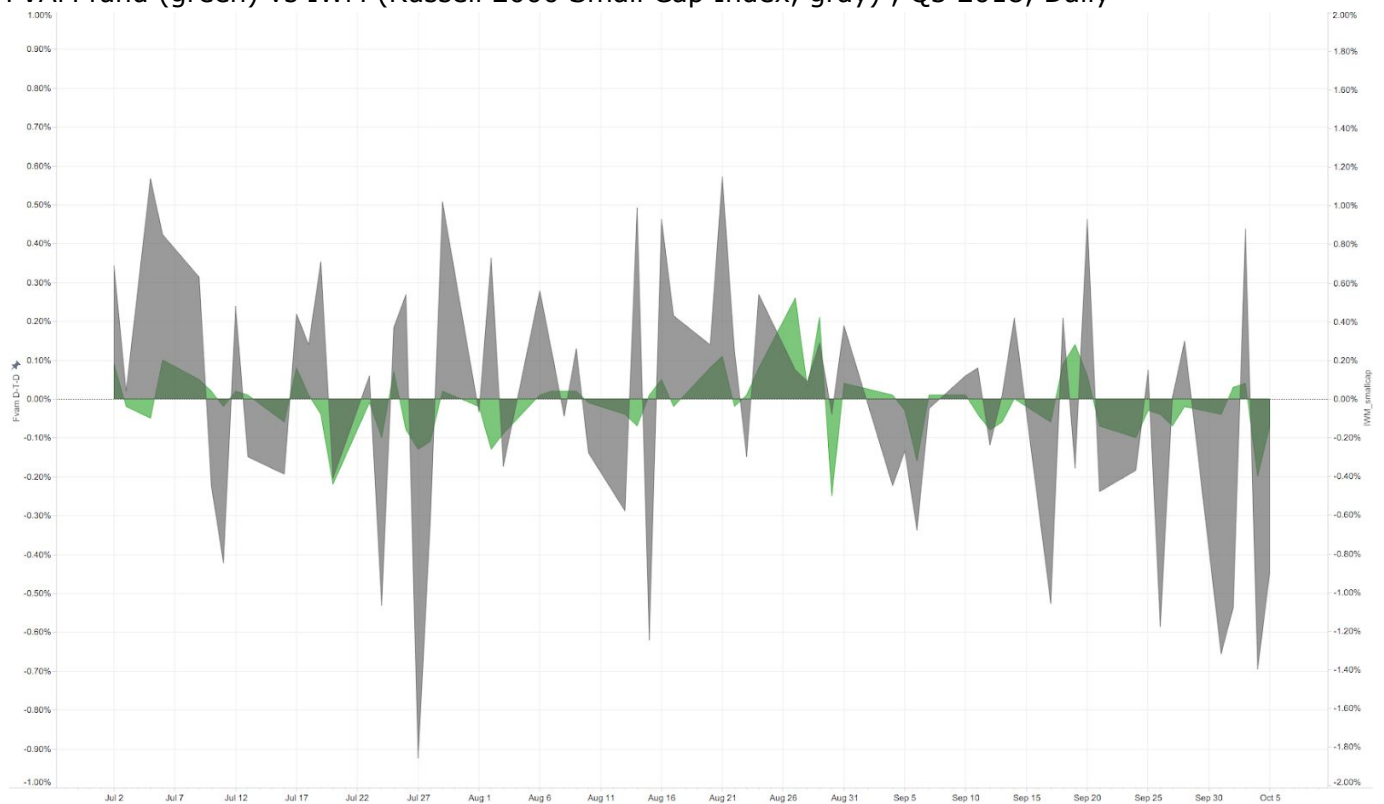
FVAM fund, H2 2018 (July - Dec (early)), Weekly



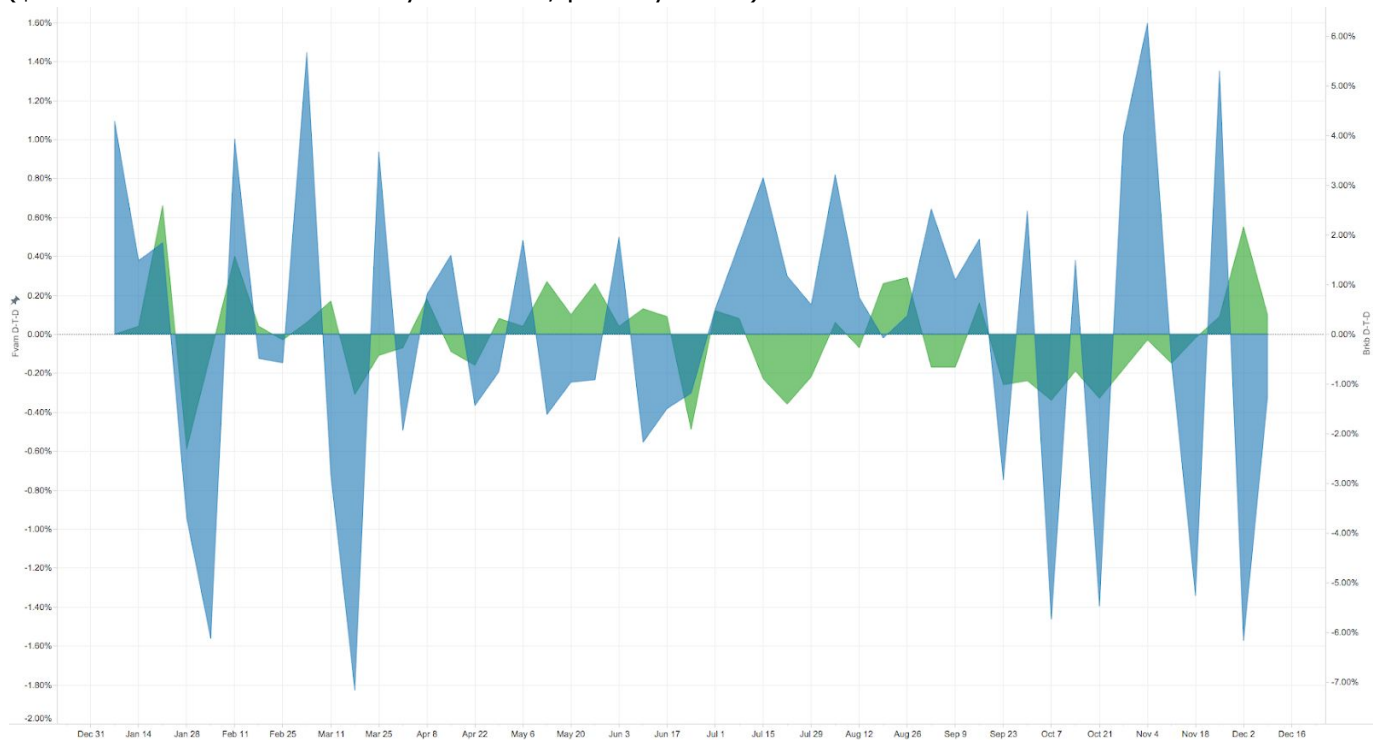
FVAM fund (green) vs IWM (Russell 2000 Small Cap Index, gray) , Q3 2018, weekly



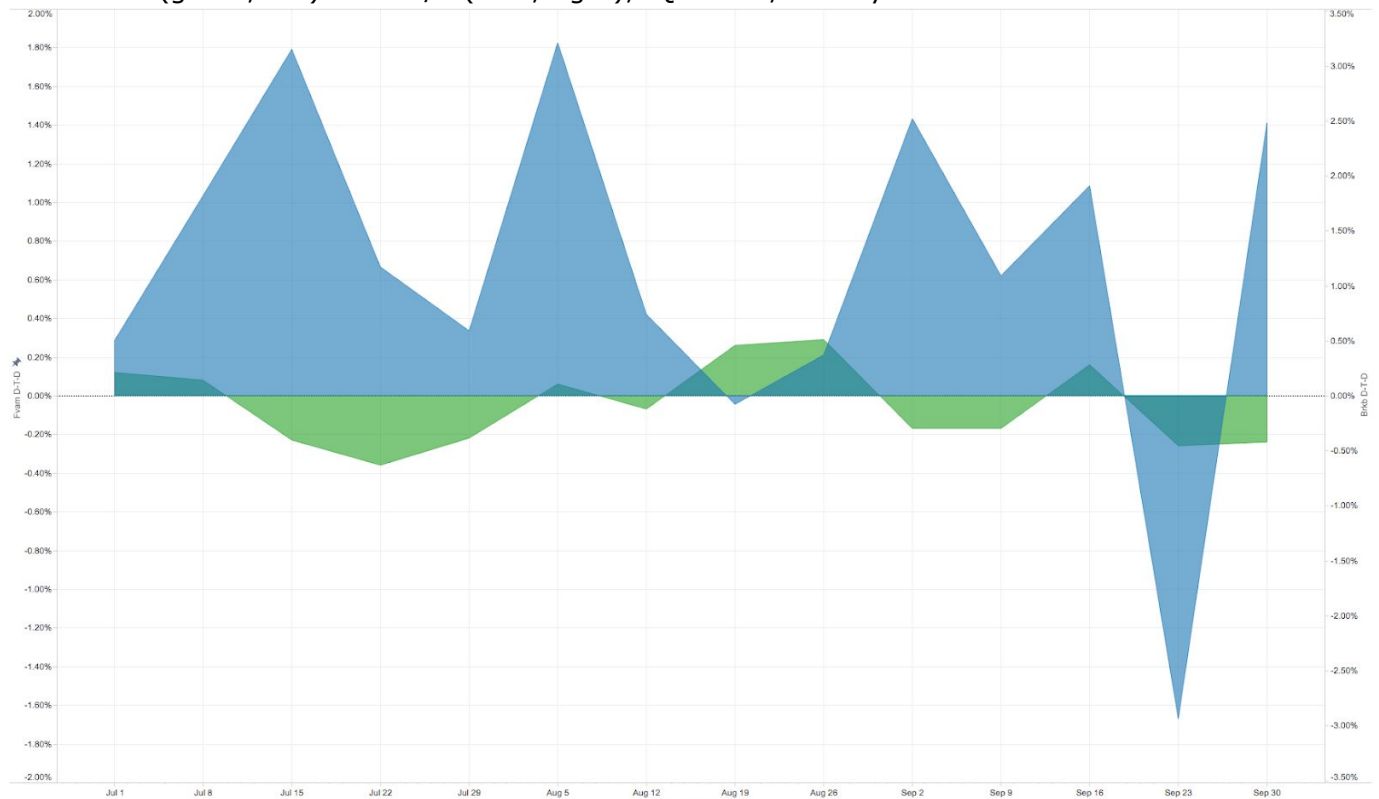
FVAM fund (green) vs IWM (Russell 2000 Small Cap Index, gray) , Q3 2018, Daily



FVAM fund (green, left) vs BRK/b (blue, right), 2018 Year-to-Date thru early-December, Weekly (\$BRK-B : Berkshire Hathaway B-shares, publicly listed)

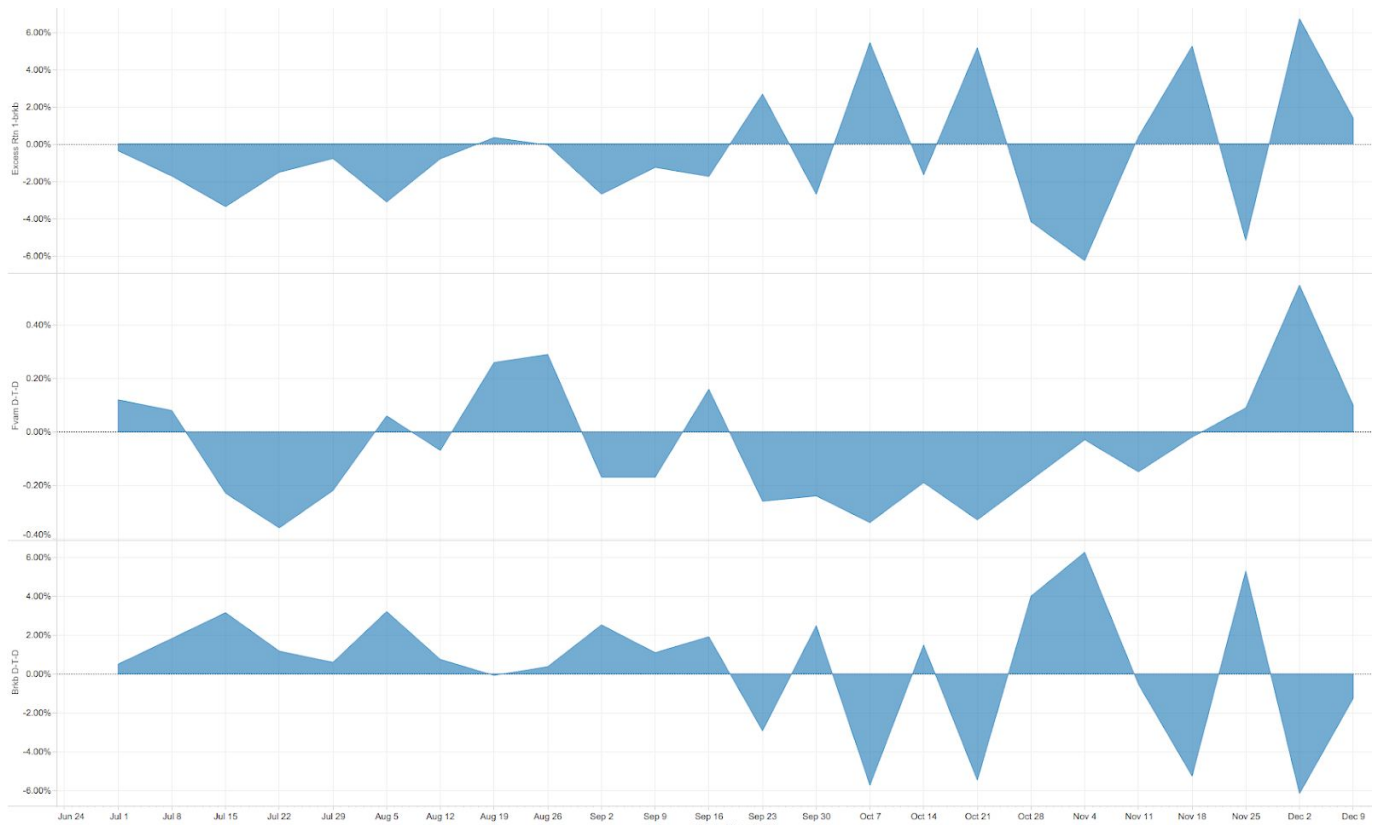


FVAM fund (green, left) vs BRK/b (blue, right), Q3 2018, Weekly

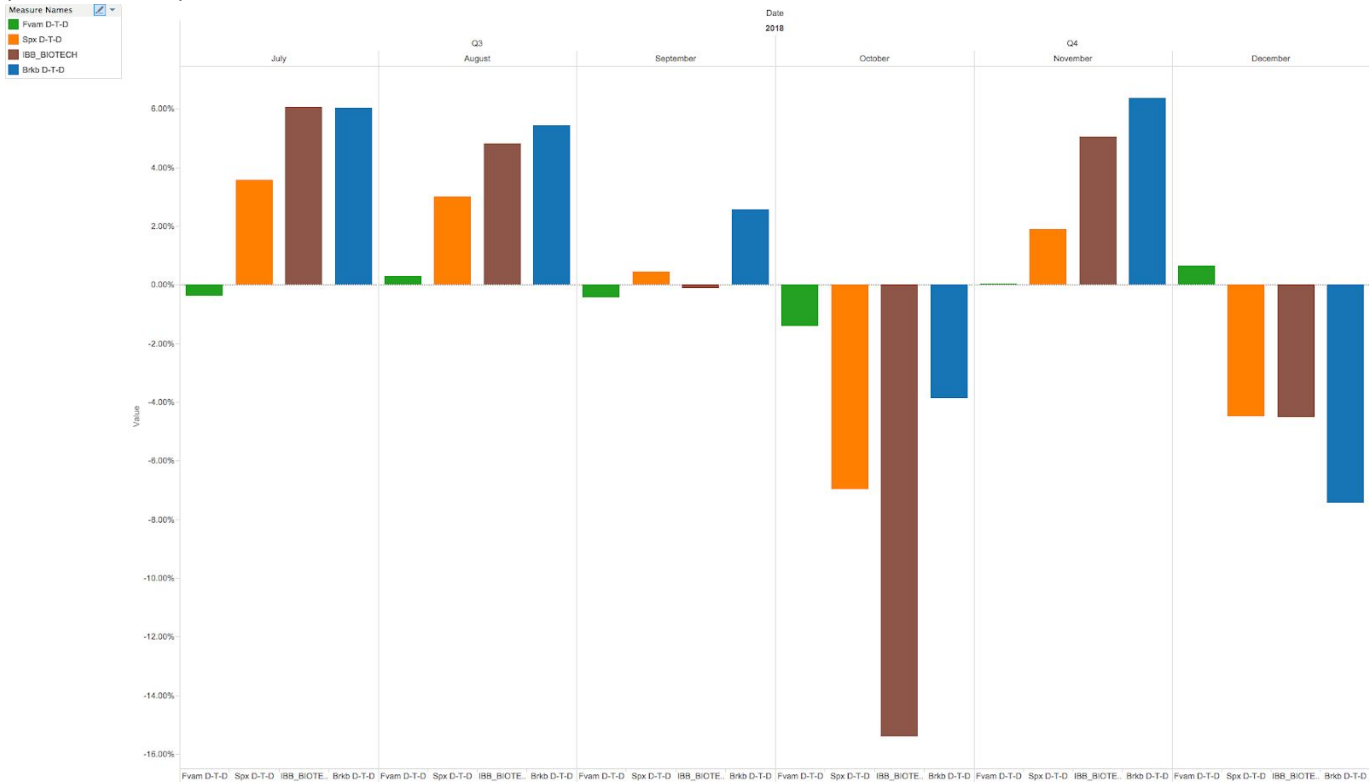




FVAM vs BRK/b and relative return (FVAM vs BRK/b), weekly, H2 2018 (Jul-Dec)  
(excess, positive = outperformance, negative - underperformance)



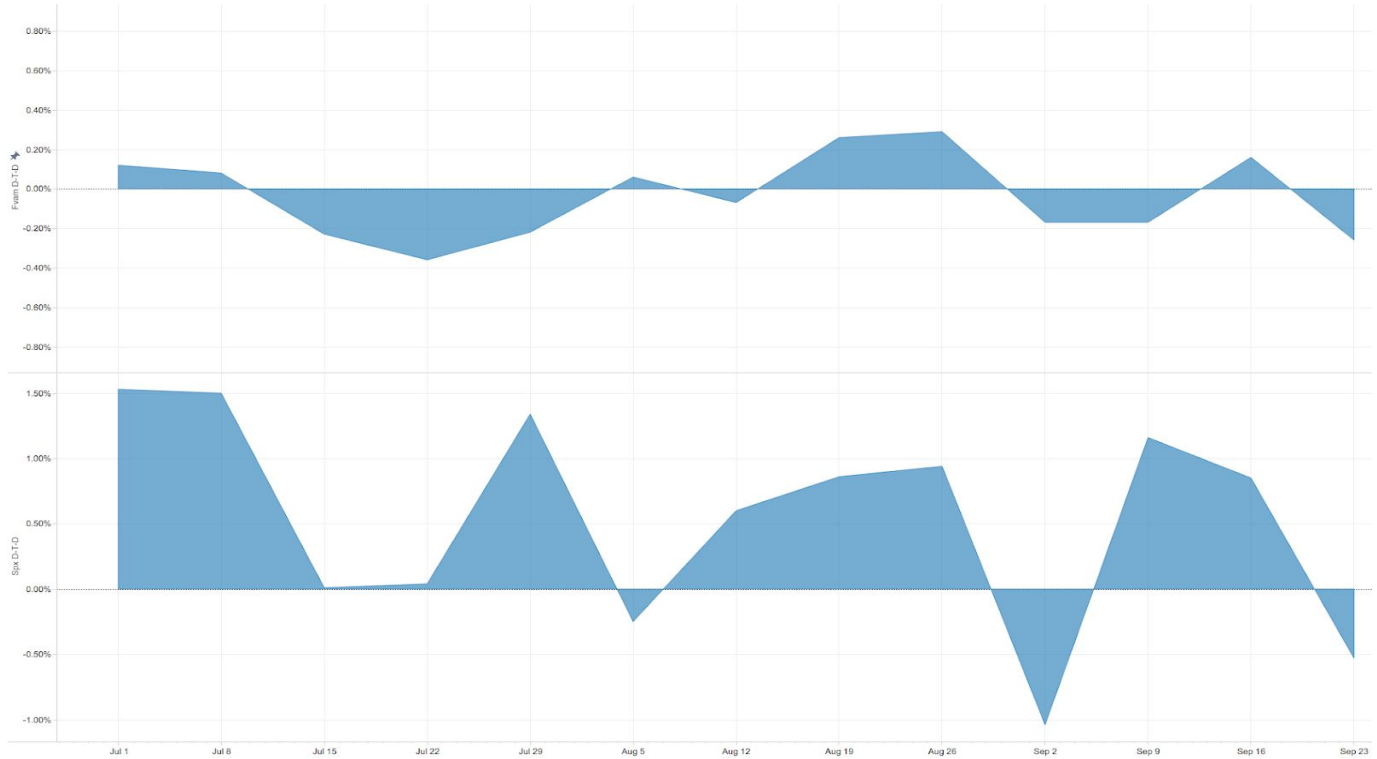
FVAM (Green) vs S&P500 vs IBB (BioTech Index Fund) vs BRK/b (Berkshire Hathaway) , 3rd Quarter - 2018  
(and into Q4)



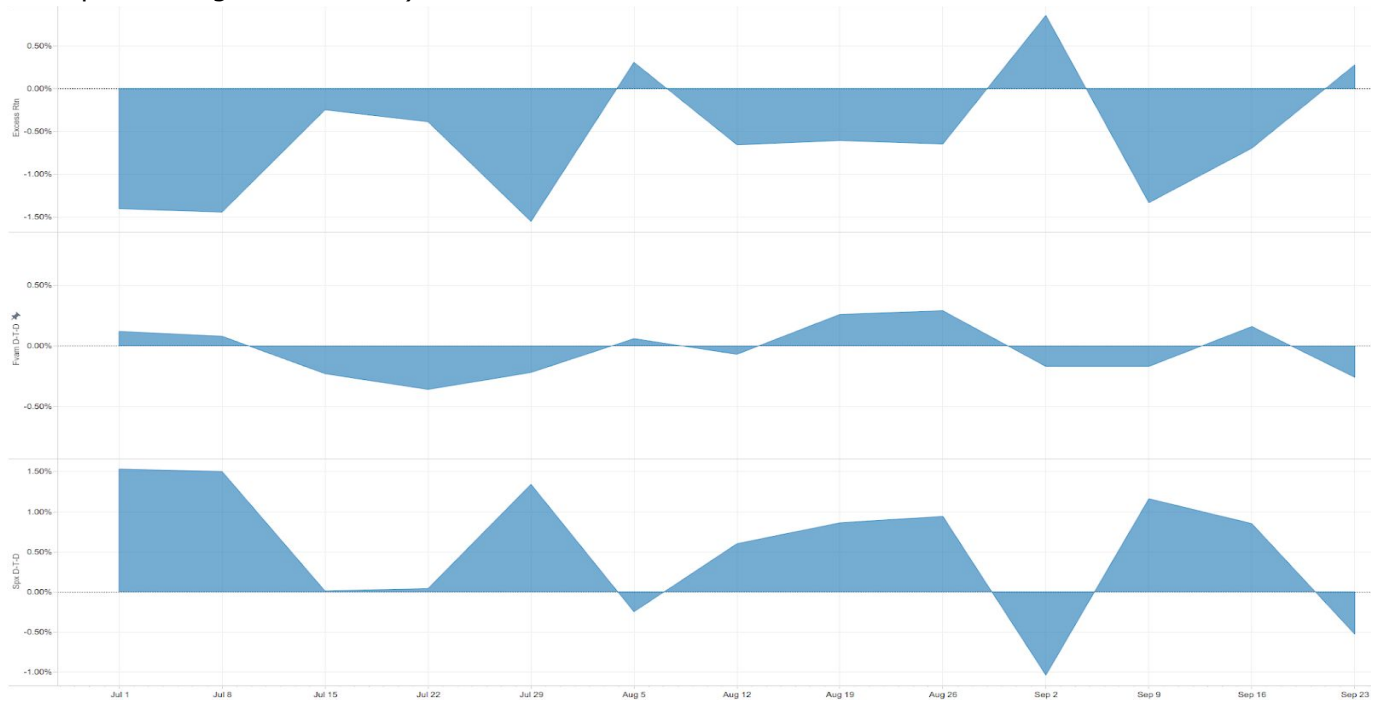
FVAM vs S&P500 vs BRK/b (Berkshire Hathaway) vs ACWI (World Index) vs IBB (BioTech Index Fund) vs LQD (Bonds) vs EEM (Emerging Markets , Q3 - 2018



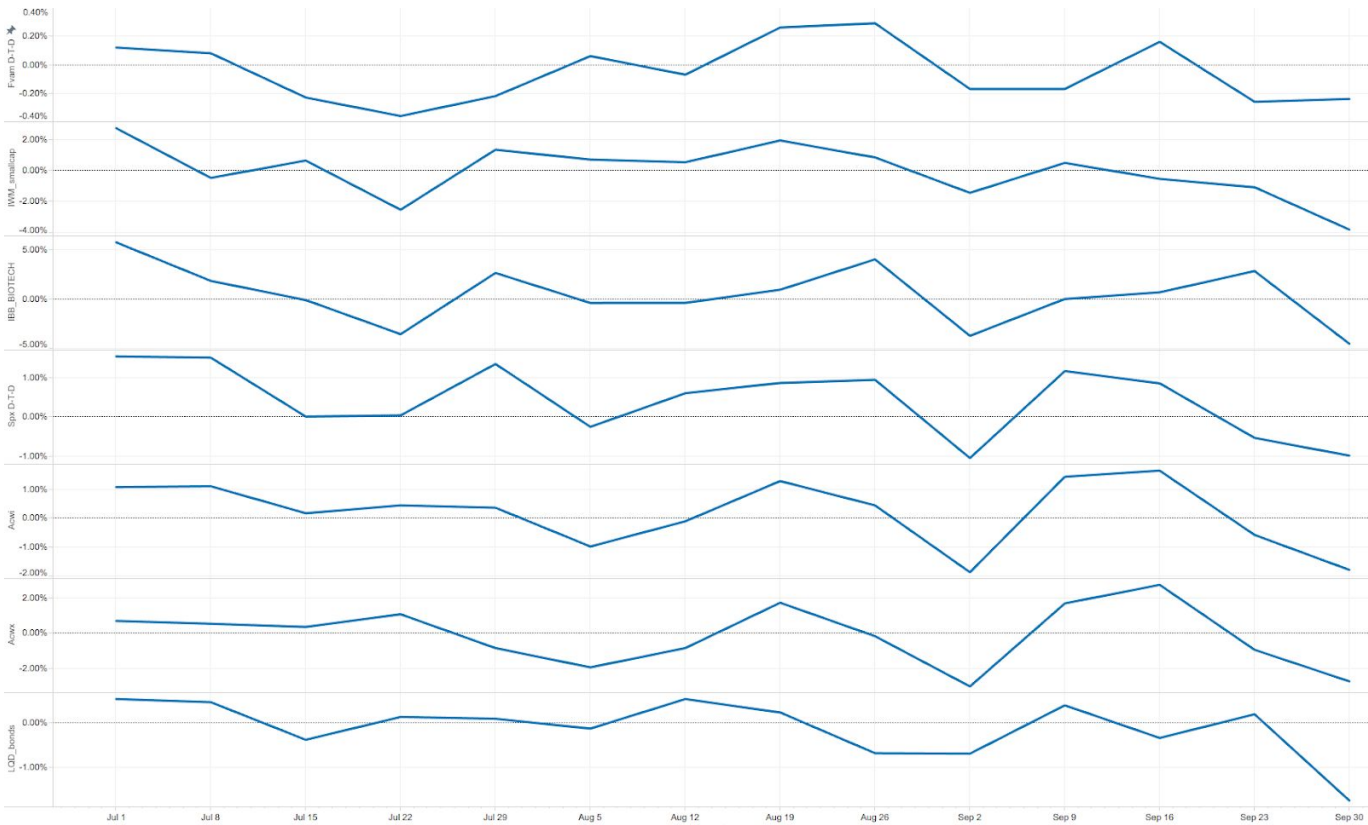
## FVAM (top) compared to SPX (S&P 500, bottom), Q3 2018 - Weekly



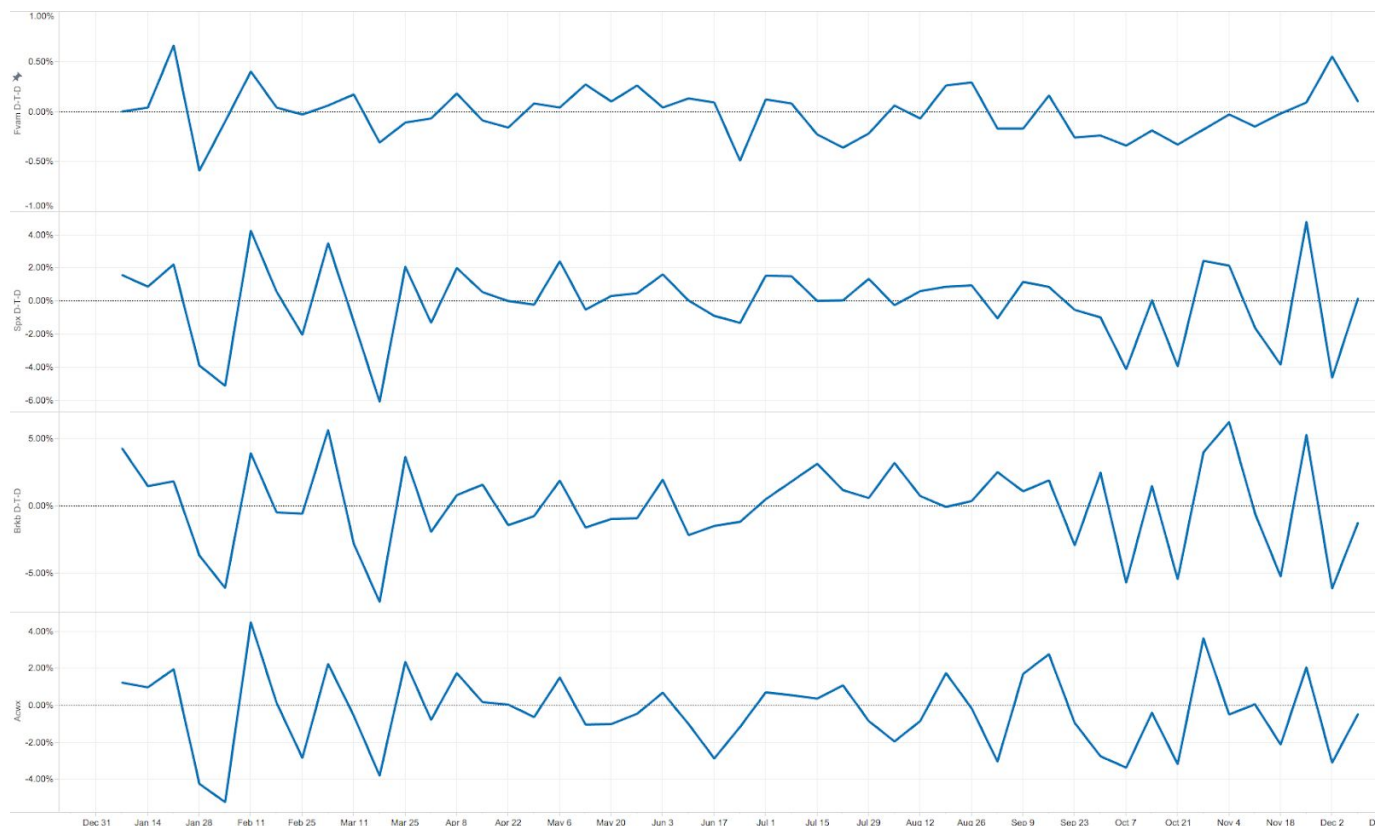
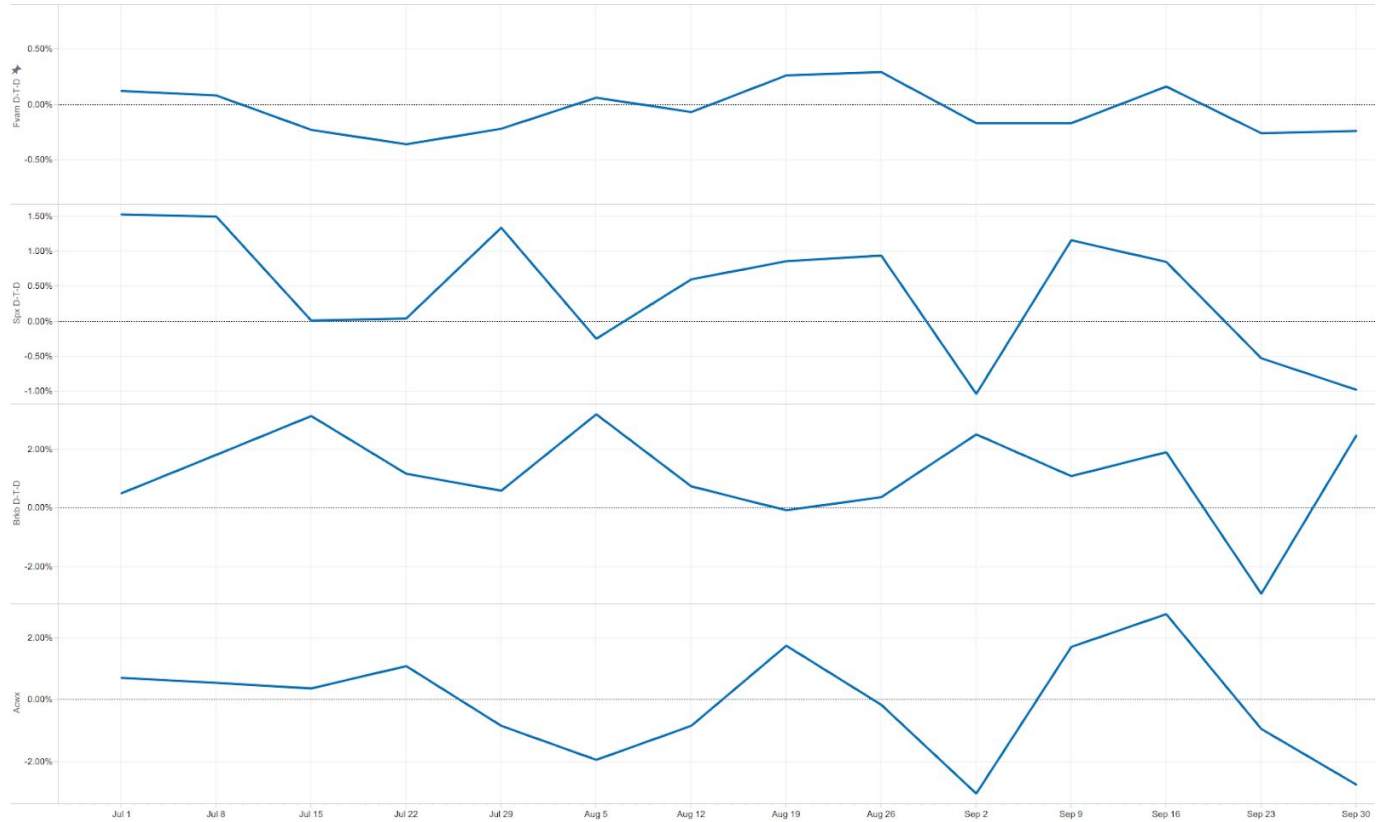
FVAM vs SPX and relative return (FVAM vs SPX), weekly, Q3  
 (\*excess return shows FVAM vs SPX, shows by how much FVAM is outperforming or underperforming the S&P 500)



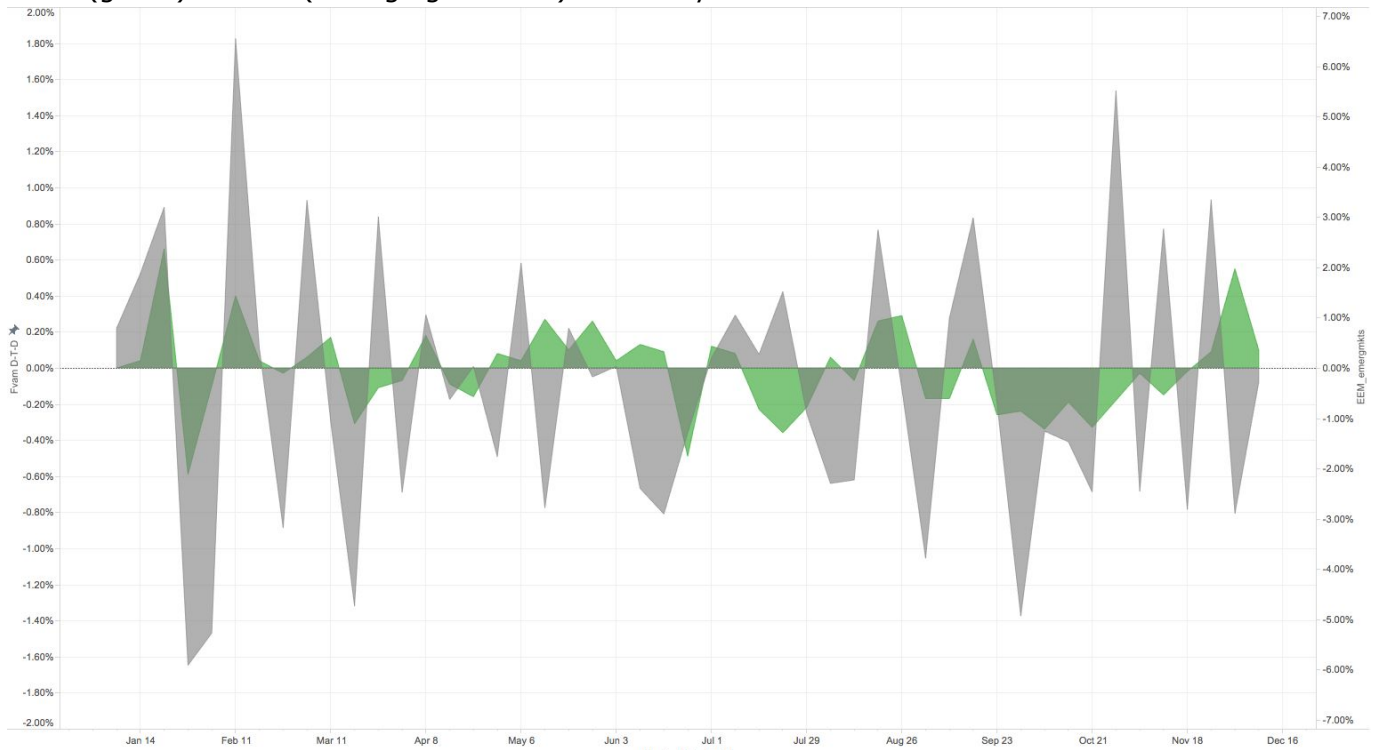
FVAM vs IWM (small caps) vs IBB (biotech) vs SPX (S&P 500) vs ACWI (world index) vs ACWX (world x-US) vs LQD (bonds), Weekly, Q3



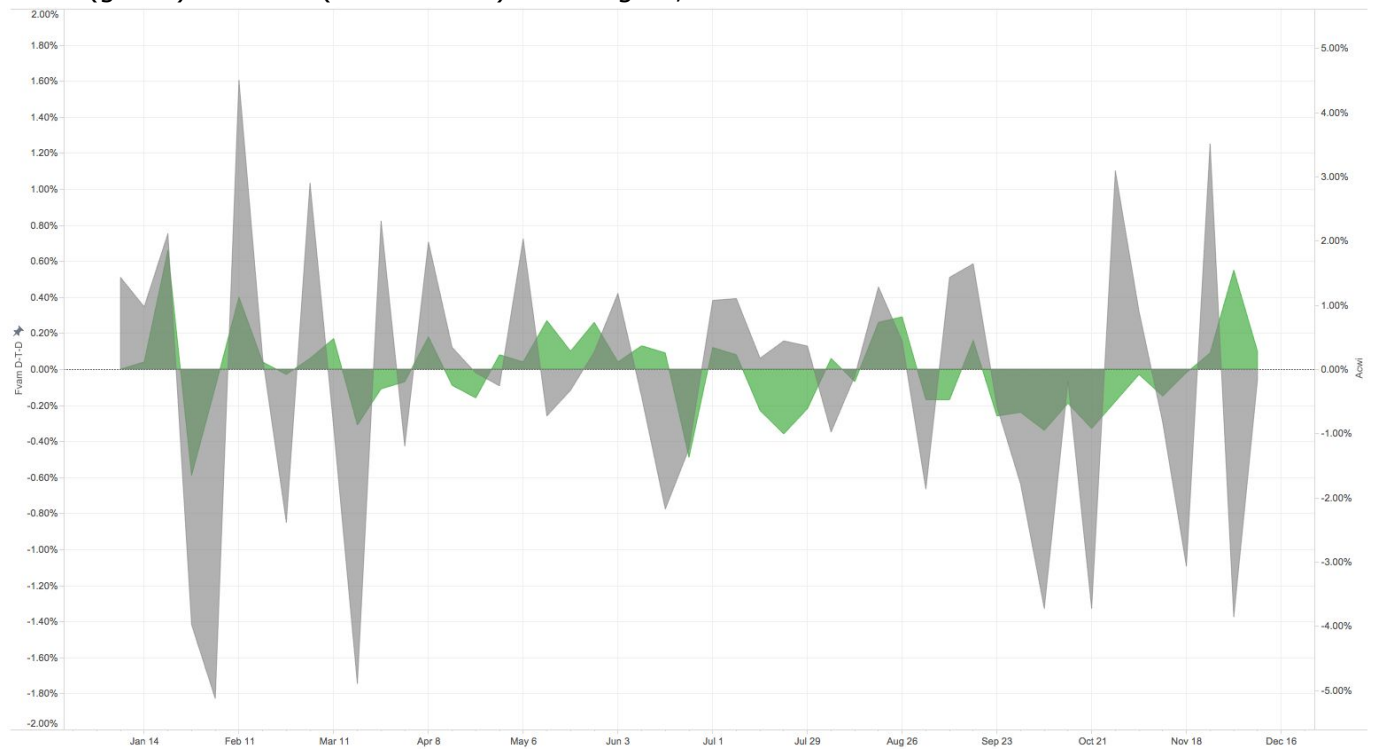
FVAM vs S&P 500 (\$SPX) vs Berkshire Hathaway (\$BRK/b) vs \$ACWI (World Index) vs \$IBB (BioTech), vs \$LQD (Bonds), weekly, Q3 and Year-to-Date (thru early-Dec):



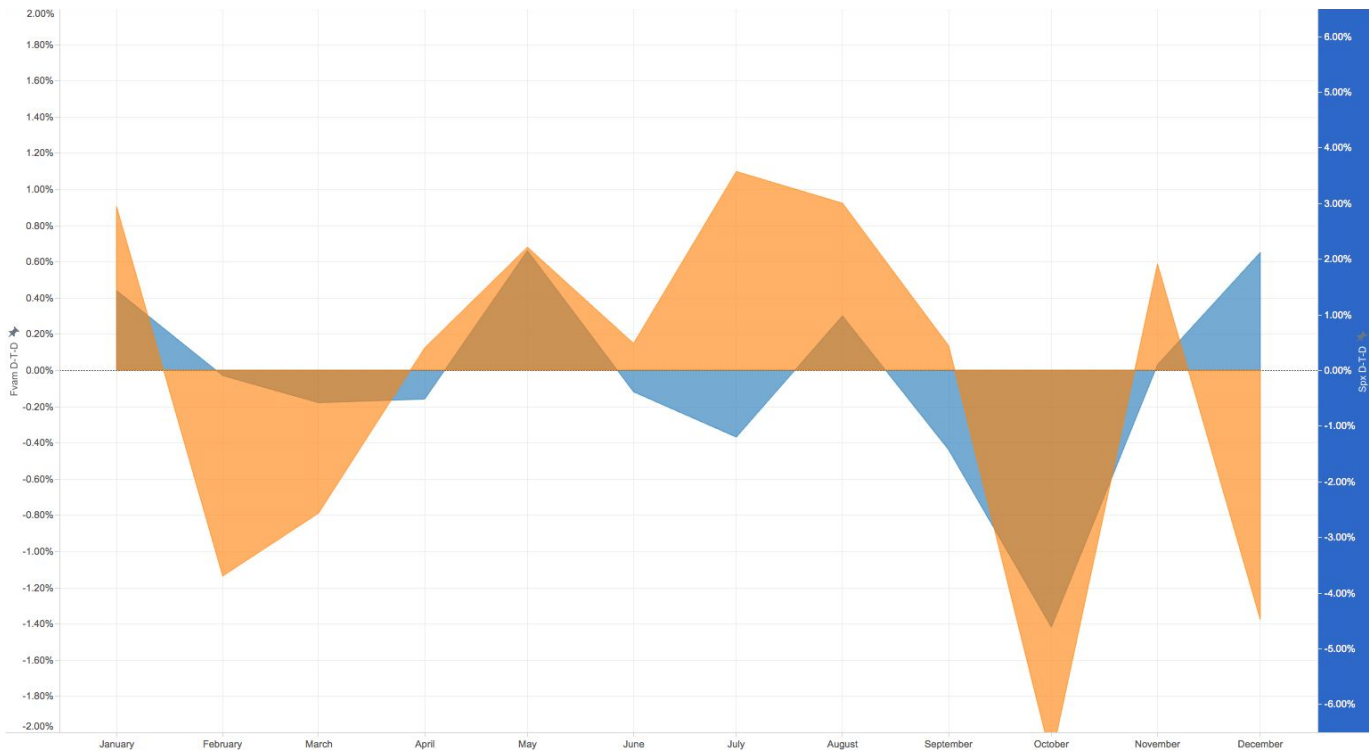
FVAM (green) vs EEM (Emerging Markets) thru early-Dec



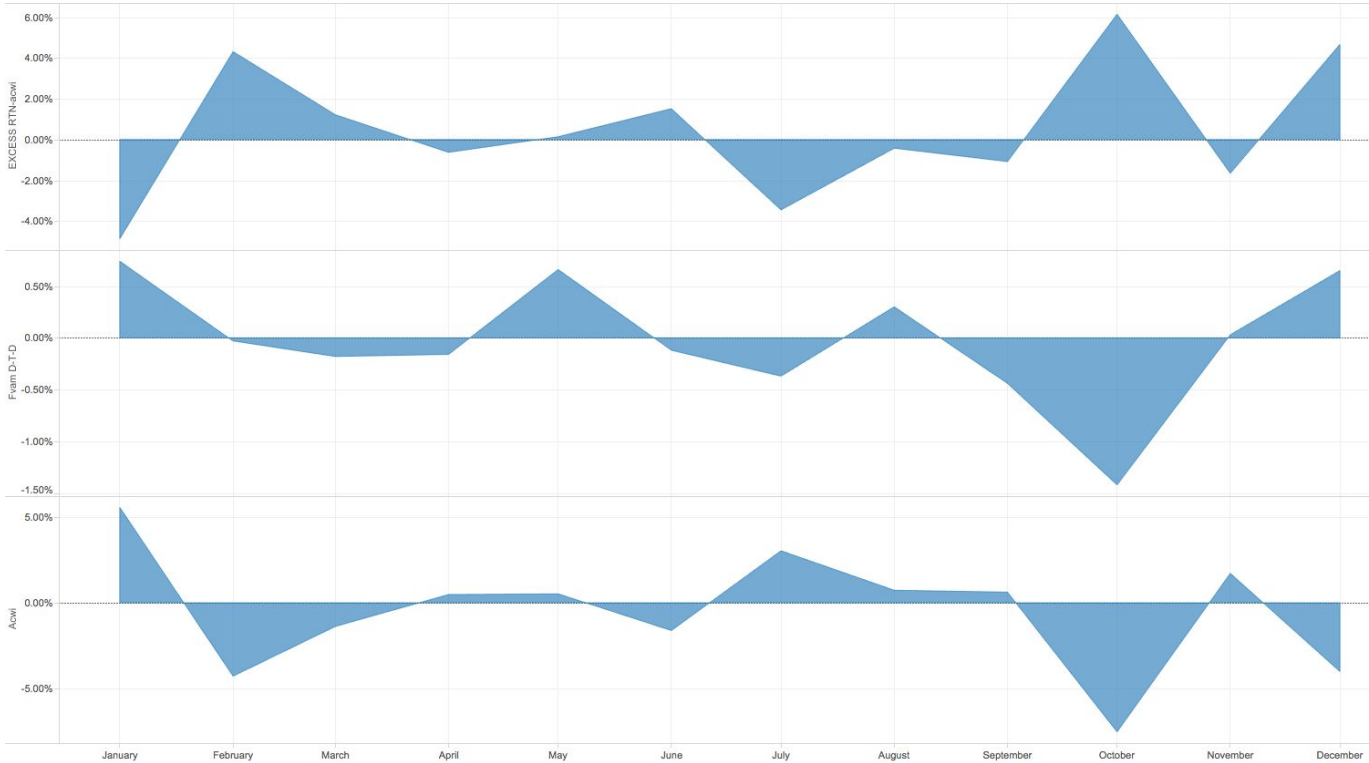
FVAM (green) vs ACWI (World Index) thru August, 2018



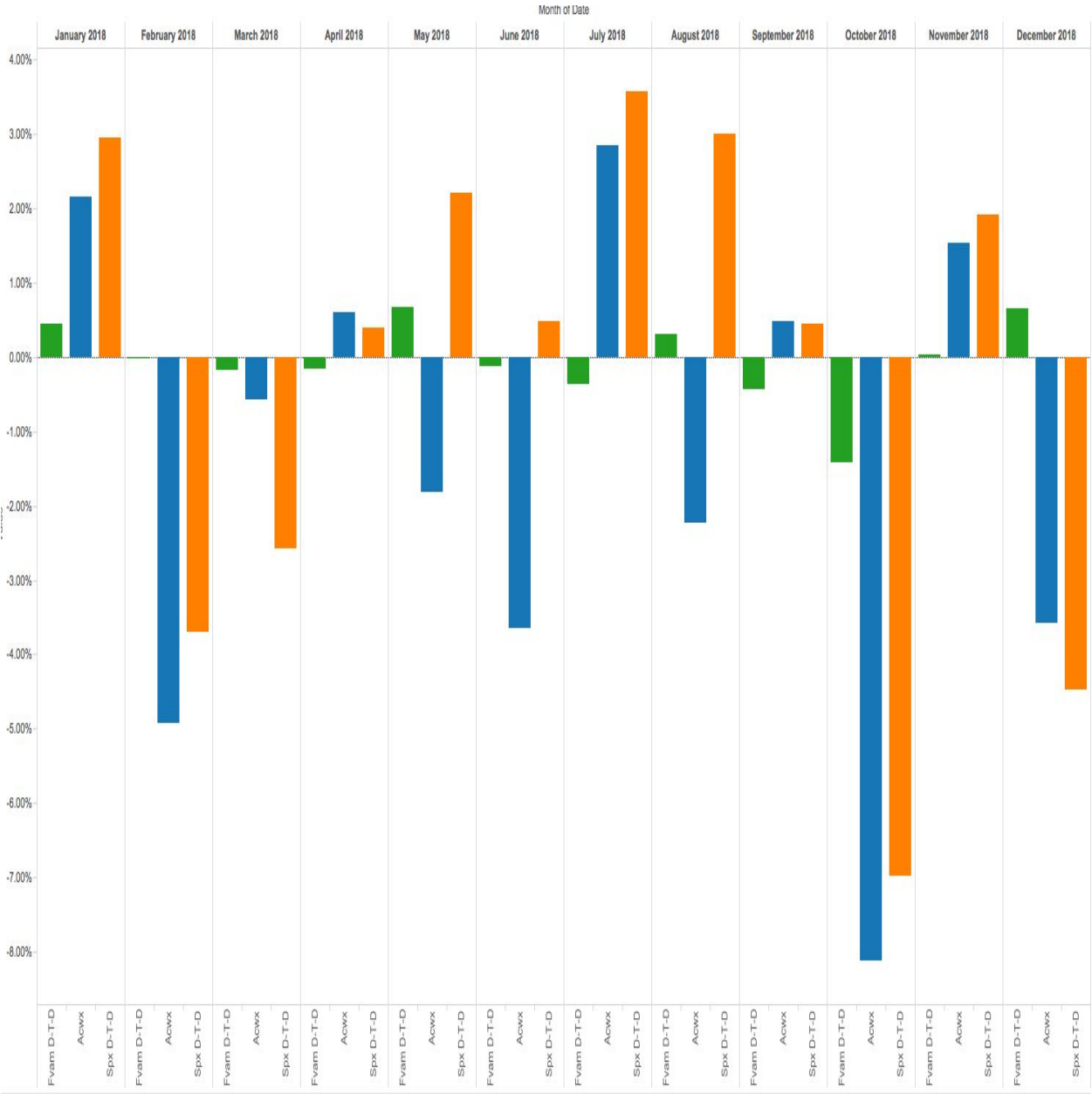
S&P 500 (orange) vs ACWX (World Index minus U.S.), thru early-Dec, monthly



FVAM vs ACWI (World Index), with Relative Return (excess return) thru early-Dec 2018, monthly



FVAM (green) vs ACWX (World Index minus USA, blue) vs S&P 500 (orange) , thru early-Dec 2018, monthly returns

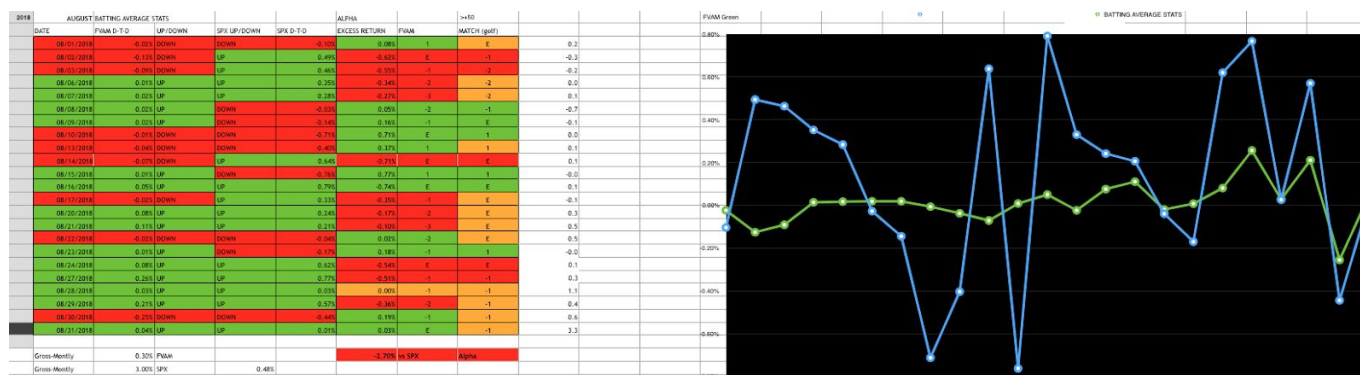




## Reference 1: FVAM Fund Performance Stats (showing view of August 2018, FVAM vs SPX, Statistics)

The data below, displaying just August 2018 in this example, shows performance statistic data maintained daily, showing the FVAM fund vs the S&P 500, even though FVAM is not trying to match or mimic the actual underlying stocks, within the S&P 500, or match the performance of the index. Data shows performance for FVAM, performance for the S&P 500 (\$SPX), as well as relative performance and mathematical statistics (showing risk & volatility). The chart is displaying daily performance for both FVAM (green) and SPX (blue). Another very important factor for FVAM is to be less volatile than the SPX, which is being analyzed using Statistics, such as Standard Deviation (SDDEV). Excess Return shows relative performance between FVAM and \$SPX (outperformance positive, or underperformance negative). Index C shows plus or minus on a progressive (rolling) basis through the month. The "match (golf)" column also shows that progressive relative performance, but for larger outperformance or underperformance, using a 50bp (+/- 0.5%) differential. For example, if FVAM outperforms the S&P500 by more than 50bps, then FVAM wins that day (the "golf" term is just used to simplify the matchup similar to how match play in golf is scored, did FVAM win the day (or the "hole")).

## August 2018



\*SPX (S&P500 index), BRK/B (Berkshire Hathaway) and any other index/fund/investment vehicles' performance using internal data tracking and data from multiple public internet sources, "non-official" data only.

Heat Map for the Nasdaq 100 Index, showing each stock within the index/sector along with its relative size and weight compared to the overall index  
(\*as of Dec 2018)



