

Reflecting on 2023 and Paving the Path Ahead

Stable Interest with Low Risk

Markus Lienert, CEO, Valvest Advisors AG

At Valvest, we do not rely on timing effects but strive to preserve the capital entrusted to us, achieve a return corresponding with the appetite for risk, and benefit from the compounding effect.

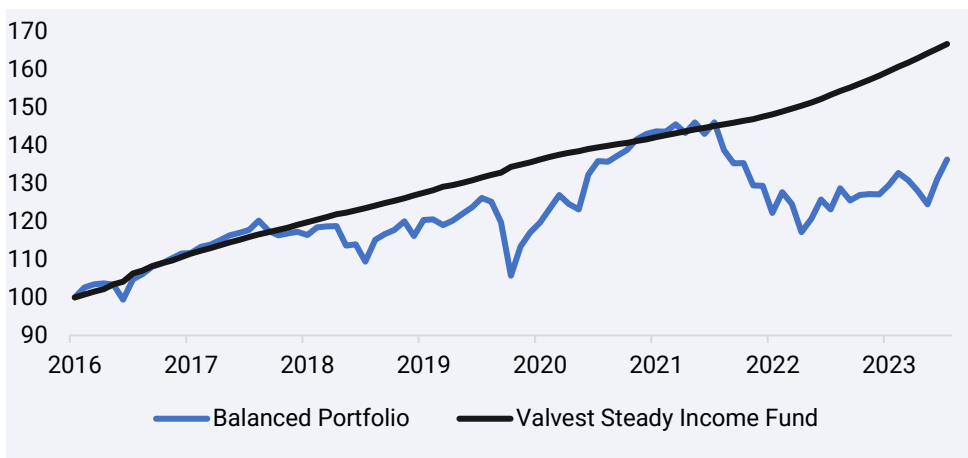
Since the launch of the first Valvest fund in 2016, significant changes have occurred both at the macroeconomic level and in financial markets. We look back on the effects of the pandemic, rising interest rates leading to losses for bond investors, revaluations of real estate investments, and the high volatility in the stock markets. Balanced portfolios, consisting of stocks and bonds, have generally yielded disappointing results for investors.

During this time, a balanced USD portfolio achieved an average total return of 36%, while the Valvest Steady Income Fund recorded a return of over 66%. Despite significantly lower risk and the security provided by senior mortgages, the fund, structured similarly to a covered bond, generated considerably higher yields. This is despite the balanced

mandate having outstanding years with returns of 12% (2017), 15% (2019), and 10% (2023). The key lies in the volatility and loss years of the balanced portfolio.

At Valvest, we do not rely on timing effects but strive to preserve the capital entrusted to us, achieve a return corresponding with the appetite for risk, and benefit from the compounding effect. Consistent returns with minimal fluctuations are extremely challenging to surpass.

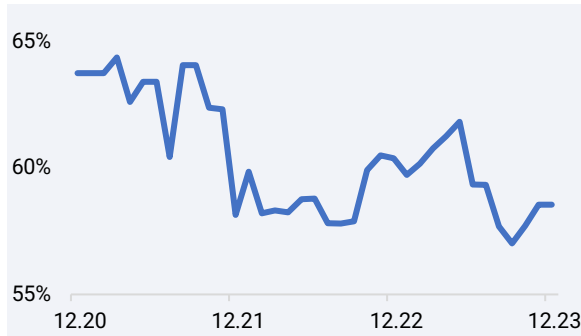
Performance Valvest Steady Income Fund



Source: Valvest Advisors AG. July 2016 to January 2020 Valvest US Bridge Loan Fund. February 2020 to present Valvest Steady Income Fund A USD. Comparison to the Balanced Portfolio is for illustrative purposes only and is not meant to imply that the Fund's returns or volatility will be similar to Balanced Portfolio. A positive performance in the past is no guarantee for a positive performance in the future. Investors should be aware that the Fund's share price can rise or fall. Assets in foreign currency fluctuate in value subject to the currency's exchange rate.

The portfolios of our funds have been positioned very defensively over the past two years, focusing on low LtV's (Loan-to-Values).

Loan-to-Value Development



Source: Valvest Advisors AG. Schematic representation.

We have exclusively allocated senior mortgages and held no subordinate positions in the fund, not even allowing them for our borrowers. This is because mezzanine investments suffer significant losses in an environment of rising interest rates and consequently falling real estate prices, as we are currently observing prominently in Europe.

Valvest's investment approach has proven to be very successful, we can present an intact, liquid portfolio that achieves an 11% return with a very low loan-to-value. We will continue with this approach in the coming year while simultaneously benefiting from the excellent market environment.

The higher interest rates and resulting lower property valuations lead to financially weak or overleveraged investors being unable to refinance their properties upon the maturity of their current mortgages. The mortgage-backed lender will then sell the property, at the value of the mortgage loan, and a financially strong new investor will buy it at a significantly reduced price.

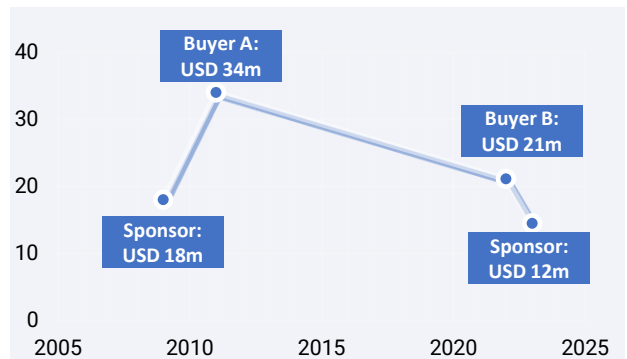
We are interested in financing these new buyers because they are financially robust, acquiring the property at a substantially reduced price and requiring financing for

which they are willing to pay a higher interest rate. This is due to us being in an environment where liquidity is scarce, their negotiation position is weakened, and they can afford it because they acquired the property at a very low price.

In August 2023, we financed our first such property in the "Meatpacking District" of New York. After the property price fell from \$34 million (paid by a real estate fund in 2011) to \$12.5 million, we financed 64% of it. This created an equity buffer of 36% compared to the current value and an impressive 76% compared to the previous peak value.

Despite having such a high level of security, we were able to equip the mortgage loan with a six-month interest reserve and receive a variable interest rate of SOFR + 5.00%, which currently amounts to more than 10%.

Property Price Development „Meatpacking District“ New York



Source: Valvest Advisors AG. Schematic representation.

Valvest's investment approach has proven to be very successful, we can present an intact, liquid portfolio that achieves an 11% return at a very low leverage value.

"It has never been a more exciting time to be active as a lender in the U.S. real estate market!"

The current situation in the U.S. real estate market presents outstanding opportunities for lenders. The ongoing correction in the U.S. commercial real estate market, which began 18 months ago due to rising interest rates, signals a significant turning point. The market has shifted from primarily focusing on capital gains towards a more pronounced emphasis on sustainable income. This transformation imparts an essential lesson about the dynamics and adaptability of the real estate sector by highlighting the necessity to concentrate on high collateral and stable returns.

Therefore, it makes sense to position oneself at the top of the capital structure to capitalize on these market changes. Simultaneously, the mortgage lender gains a larger share of the income generated by a property when interest rates rise. This income distribution makes senior mortgages an intriguing investment case, especially considering that these returns are independent of market fluctuations in underlying rents.

Our proactive approach involves negotiating interest rate floors, creating a hedge against interest rate risks. This allows the structuring of senior mortgages with high minimum coupons to benefit from protection even in the event of potential interest rate cuts. With the pull-back of traditional banks in the commercial mortgage market, alternative mortgage lenders have the opportunity to negotiate better terms, resulting in lower loan-to-values and establishing an equity buffer. This buffer provides protection against potential losses, even if property valuations decline.

An investment in senior mortgages through Valvest's investment opportunities offers a stable income source as an alternative to conventional investment instruments while also contributing to reducing overall portfolio volatility.

Important Information:

It should be noted that positive past performance and financial market scenarios are no guarantee of positive current or future performance. The performance data do not include commissions or fees for subscriptions and redemptions of shares. Investors should be aware that mutual fund prices may rise or fall and that past performance is not necessarily predictive of future performance. Assets denominated in foreign currencies are subject to exchange rate fluctuations. The performance of the investment profit depends on whether the redemption price is higher or lower than the issue price paid by the investor. The fund is an investment fund pursuant to the Liechtenstein Alternative Investment Fund Managers Act (AIFMA). This fund is only authorized for public distribution in Liechtenstein. In other countries, the fund is not or only partially authorized for public distribution and may therefore not be marketed or offered for public distribution. The regulations of the respective country are applicable. The current prospectus and articles of incorporation as well as the respective annual reports can be obtained free of charge from the management company (Ahead Wealth Solutions AG, Austrasse15, 9490 Vaduz, Liechtenstein) or the depositary (Bank Frick & Co AG, Landstrasse14, 9496 Balzers, Liechtenstein). All data provided has been carefully selected, comes from reliable sources and is subject to change without notice. Ahead Wealth Solutions AG does not assume any liability (neither explicit nor implicit) for the actuality, correctness, completeness, legality and quality of the information provided or for any loss arising from its use. The published data is provided for information purposes only and should not be construed as a recommendation, offer or solicitation to buy or sell shares of this fund, to enter into any transactions or to conclude any business dealings. Ahead Wealth Solutions AG is not responsible for the content of the third-party websites or any material found thereon. This document may not be reproduced in whole or in part without the prior written permission of Ahead Wealth Solutions AG. For further information, please visit www.ahead.li.