Management results

NAV per Class 1 share USD	1092.07	+1.37%
NAV per Class 2 share USD	1059.47	+1.47%
NAV per Class 3 share USD	1111.49	+1.64%
NAV per Class 1 share EUR	1018.54	+0.19%

Official information

Country of registration	The Cayman Islands
Operations start date	8 July 2020
Base currency	USD and EUR
Subscription/withdrawal frequency	Monthly
NAV reporting frequency	Monthly
Minimum subscription size	100,000 USD (EUR)
Bloomberg	Class 1 USD KYG1R84N1001 Class 2 USD KYG1R84N1266 Class 3 USD KYG1R84N1423 Class 1 EUR KYG1R84N1183 Class 2 EUR KYG1R84N1340

Providers

Auditor	Deloitte&Touche One Capital Place Grand Cayman, KY-1109, Cayman Islands Tel.: +1 345 949 7500
Bank	The Northern Trust International Banking Corporation 3 Second Street at Harborside, Suite 1401, Jersey City, NJ 07311, USA
Administrator	Apex Fund Services (Malta) Ltd Central North Business Center, Sqaq il-Fawwara Sliema, SLM 1670, Malta Tel.: +356 21 311 330 Fax: +356 21 312 880 info@apexfunds.com.mt
Prime broker / Custody	EXANTE Office 4B, Siafi Street 1, Porto Bello, Limassol,3042, Cyprus Tel.: +357 2534 2627

Feedback

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The GEIST fund invests in equities and equity derivatives. The objective of the GEIST fund is to generate long-term portfolio returns above the S&P 500 Index while outperforming the index during periods of stability or decline and possibly underperforming the index during periods of rapid growth and overvaluation. The fund is positioned as a hybrid between an absolute return fund and a relative return fund.

The fund's managers emphasise that the fund's portfolio is constructed with the long-term growth objectives in mind and the short term variation in the value of the fund's shares may not be informative.

Market conditions in May

In May, the US stock market turned calmer: the S&P 500 Total Return index gained 0.7%, which, if annualised, is slightly lower than its historical long-term return.

In our view, the main macroeconomic news in May was the release of US inflation data. The inflation reached an annualised 4.2% in April (in January-March 2021 the indicator remained within the 1.4-2.6% range). Independent macroeconomists have been talking about inflation rising to 4% for a long time; however, these statistical data were the first confirmation of the earlier forecasts. Following the data release, analysts began to revise their inflation forecasts upwards and, for May, the consensus forecast published by Bloomberg was 4.7%. The actual figure that became available on June 10 was even higher, at 5%.

The root cause of inflation is quantitative easing leading to an increase in the supply of money that the Federal Reserve continues to issue through the securities purchase. This growth in money supply expressed itself in the rising prices of real estate and commodities such as timber, natural gas, oil, heating oil, gasoline, silver, copper, platinum, palladium, cotton, soybeans, sugar, corn, wheat, coffee and others. And it was not just the low initial price levels that triggered the rise in prices. Almost all exchange-traded commodities are speculation targets: the new investment money flowed into them, which, in turn, resulted in the rise of prices for the products for which these exchange-traded commodities are the raw material. In addition, owing to a lack of investment in shipping in recent years, freight costs rose sharply, which led to an increase in the cost of shipping from China to the USA. Additionally, labour costs rose in the US, which can be explained by the rising cost of living, among other factors. In our view, the inflationary trend will continue.

In an inflationary environment, equities are the best investment vehicle in the long run. Company earnings increase in nominal terms due to inflation, which, in turn, is reflected in company market value. Warren Buffett discussed this subject extensively in his letters to shareholders in his Berkshire Hathaway in the second half of the 1970s – at the height of inflation in the US.

Fund performance

In May all share classes of the fund delivered positive returns: Class 1 USD – 1.37%, Class 2 USD – 1.47%, Class 3 USD – 1.64%, Class 1 EUR – 0.19%. The portfolio outperformed the S&P 500 Index. We expect such outcomes in line with our valuation models when the markets are rising at a moderate pace.

In our view, the main reason for our portfolio's high return was our high ratio of the market value of investments to assets under management (otherwise we call it exposure), which reached 159.7% before the expiration, on the 21st of May, of some of the short put contracts. Such a high ratio is not a deviation from our target level of 120-125%. This high figure is explained by the fact that we understood that in May there would be no delivery of new shares into our portfolio for most of the contracts. Additionally, we expected significant inflows of money into the fund from the 1st of June, 2021 – which we invested in advance. In addition, the market conditions allowed us to open a number of positions with strike prices at undervalued price levels and with good expected returns, which we are not always able to achieve.

Portfolio conditions, monthly returns structure and the ratio of the market value of investments to assets under management

Long positions

In May, changes in the structure of our long portfolio were insignificant. Volatility allowed us to buy cheaply, for the third time, the shares of a European company specialising in the delivery of home-cooking ingredients. This position was subsequently liquidated due to a sharp rise in the share price; we earned 16% in dollar-terms on this transaction practically in one moment (this is a return of thousands of per cent annualised, but such an extrapolation is meaningless). Unfortunately, the price of this security continued to rise strongly, and it does not look undervalued now; we do not expect that this security will present another earning opportunity.

We also liquidated a position in one of the three Hong Kong securities which had been acquired back in July 2020. The net absolute return including dividends was 44.6% in US dollar terms, which is equivalent to 52.3% p.a. We have one Hong Kong security left in our portfolio that has yet to "shoot". It seemed the most undervalued at the time of acquisition, but its prospects are highly dependent on the opening of the borders and the flow of tourists to Hong Kong. We will continue to hold this stock: the financial position of the company is solid and the outlook for its earnings for when the pandemic ends is excellent.

We also opened a position in the shares of eBay, following a fall in the price. The position was subsequently closed within the same month after a sharp rise in the share price – the share price had left the fair value range. In addition, we took a small long position in a US pharmaceutical company whose price we considered reasonable.

Put positions

In May, we received into our portfolio only two shares (US consumer sector companies) through contract expiration. One share was sold the next day at the strike price; the other is still in the portfolio and is trading close to the strike price.

This month we have opened or renewed puts on the S&P 500 index, Amazon, Facebook, a number of US technology companies, a US-listed European pharmaceutical company and some others. We rate our put portfolio as safe. The overall condition of the put portfolio is described in the table below.

Key characteristics of the put portfolio

The difference between the strike and the market price (weighted average)	15.36%
Weighted average duration	49 day
The proportion of options "in the money"	10.1%

In June, we expect to receive into the portfolio the shares of Viacom and Discovery. We had sold puts on Viacom with strikes at 55, 45, 40 and 38. We will incur losses on the top two strikes; these losses were reflected in the fund's statement already in March. On Discovery, we sold the strike price of 35; given the selling price of the put ($2.4) and the current market price of the stock ($30), the losses on this position should be insignificant. The fall in Discovery's stock price is driven not only by the events surrounding the Archegos fund bankruptcy but also by the merger of Discovery and WarnerMedia. WarnerMedia is being spun off by its parent company AT&T. This was announced on May 17. Both Discovery and AT&T fell on the announcement. What complicates the situation is the fact that AT&T is selling Warner to reduce the overall debt burden and transferring a fair amount of debt to the merged entity. We are currently conducting a thorough review of the terms of the merger and a post-merger valuation of Discovery to decide whether to keep the stock in the portfolio or sell it after receiving. We will report on our decisions and actions in the next newsletter.

At the end of the month, the ratio of the market value of investments to assets under management was 129%.

Portfolio composition

	Total positions	Total issuers
Total	**83**	**52***
of which long	18	18
of which put options	64	41
of which call options	1	1

Note: The sum of the summands in the column does not equal 52 because there are both long positions and options positions for some securities.

Near-term expectations

We do not expect the returns to remain as high as they were in April and May over the next couple of months. This is due to the falling ratio of the market value of investments to assets under management, which, in turn, is because in recent weeks there have been no securities among the weakest stocks, bets on which we would not consider too risky. In addition, as can be seen from the table above, the average discount of the strike price to the market price in our portfolio is high, over 15%. With the current levels of volatility, this means a moderate expected return.

At the same time, the results of the first 11 months since the fund's inception, as well as the performance in early June (which is a decent positive return), suggest that we are very likely to achieve our target return in the first 12 months of the fund's operation. For the return to fall below 9% for Class 1, we would need to earn a negative return of more than 1.7% in the remaining 20 days of the month, which seems unlikely in current market conditions.

Our tactics in the short term

Will remain unchanged.

Yields by share class, %

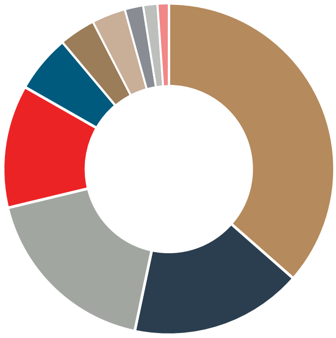
Year / month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class 1 USD													
2020	N/A	N/A	N/A	N/A	N/A	N/A	0.18	1.34	0.32	-2.29	4.01	0.27	3.80
2021	0.76	0.42	2.46	0.11	1.37	-/-	-/-	-/-	-/-	-/-	-/-	-/-	5.21
Class 2 USD													
2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.31	0.31
2021	0.83	0.46	2.62	0.14	1.47	-/-	-/-	-/-	-/-	-/-	-/-	-/-	5.62
Class 3 USD													
2020	N/A	N/A	N/A –	N/A	N/A	N/A	0.23	1.6	0.40	-2.27	4.33	0.34	4.60
2021	0.92	0.51	2.91	0.15	1.64	-/-	-/-	-/-	-/-	-/-	-/-	-/-	6.26
Class 1 EUR													
2020	N/A	N/A	N/A	N/A	N/A	N/A	-4.08	0.51	1.94	-1.67	1.86	-2.06	-3.59
2021	1.57	1.00	5.19	-2.29	0.19	-/-	-/-	-/-	-/-	-/-	-/-	-/-	5.64

SP's investment structure at the end of the month

Portfolio structure by instrument

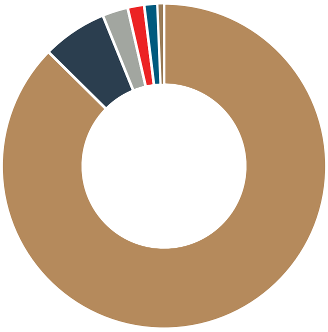
- Stocks: 16%
- Put Options: 84%

Portfolio structure by sector



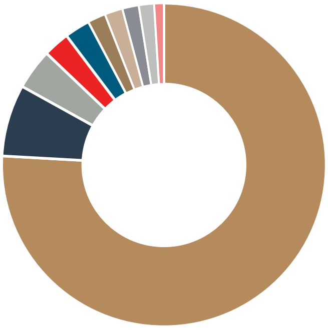
- Consumer Sector: 36.5%
- Public Funds: 16.8%
- Technology: 17.9%
- Pharmaceuticals: 12%
- Entertainment: 5.7%
- Financial Services: 3.5%
- Communication Services: 3.3%
- Transportation: 1.8%
- Medical Services: 1.4%
- Real Estate: 1.1%

Portfolio structure by currency



- USD: 87.4%
- EUR: 6.5%
- GBP: 2.5%
- HKD: 1.6%
- CHF: 1.3%
- JPY: 0.6%

Portfolio structure by country



- USA: 75.9%
- Germany: 7.2%
- China: 4.1%
- Israel: 2.6%
- UK: 2.5%
- Switzerland: 1.8%
- Greece: 1.8%
- Hong Kong: 1.6%
- Japan: 1.5%
- Austria: 1%

Note: The ViacomCBS call option is not included in the portfolio structure shown in the charts.