

# WOWS HEDGE FUND

2023

# GETTING TO KNOW EACH OTHER

These are the people in our team and a short brief of every member with their experience and what they brought to the table. Our diverse backgrounds allowed us to create a beautiful co-working experience.

# BARBORA JELÍNKOVÁ

Czechia

Coming from central-European post-communist Czechia, I have been studying economic history following the guidance of Ray Dalio's and Adam Smith's books: Principles — Life and Work, for Navigating Big Debt Crises, for Changing the World Order—and the Wealth of Nations. I believe that the world operates in a logical cause-and-effect relationship, creating cycles that happen over and over again, only at different times, with different people and technology.

I am profoundly interested in geopolitics, politics, macroeconomics, finance, nature, reading, and art.

# MHAMED IBNOUSSINA

Morocco

I'm Mhamed, and I'm obsessed with macroeconomics. Understanding how economies function on a large scale and the interplay of various factors fascinates me. I'm proud to have won an essay competition in macroeconomics, which validated my knowledge and passion for the subject.

Beyond my academic pursuits, I'm also an active investor in the exciting world of cryptocurrencies. Analysing market trends and applying economic principles to my investment decisions has been an exhilarating experience.

Combining my love for macroeconomics and crypto investing, I aim to contribute to the financial world's evolution and explore innovative ways to navigate these dynamic landscapes.

# BEN OMAR

Senegal

My name is Ben Omar, and I am from the West Coast of Africa, more precisely, Senegal. Well, I had the intuition that West Africa would have lacked representation in this competition, so I joined it. Additionally, I have a competitive nature; therefore, I wanted to challenge myself and my knowledge of financial markets with young prospects just like me. Moreover, my quest for generational wealth can benefit from a simulation extrapolating to real life.

# ALI YOUSSEFI

Morocco

Hi, I'm Ali Youssefi, from Casablanca Morocco. I started to take a look at this competition due to my interest in investing, finance, and all that relates to the earning of money. This experience was able to teach me more about investing, stock market, the economy, and more. I think having participated in this competition is a great experience and a 'plus' to my student portfolio. Last, it was also great getting to meet new people from different cultures.

# THEODORE LUGARD

US/Netherlands

My name is Theo, and I will soon be 15. I am American, Dutch, and Belgian. I have always been keen on expanding my knowledge of mathematical concepts, especially how they apply to the stock market. For the past months, I have been engrossed in the book "the smart investor"; this book's valuable insights have helped me enhance and optimise our investment portfolio.

I look forward to taking the lessons learned in this program and putting them into practice.



# MARIA FICARD

Romania

I am on an economic program in Romania. I went to an economic olympics, which is a national competition. Furthermore, one of my friends has started with their own NFT trading, which is ultimately what pushed my interest towards the subject the most.

In the future, I want to study Business Management and Economics.

# CREATING OUR HEDGE FUND STRATEGY

While there are things we do know, there is much more than we don't know. Knowing how to deal with not-knowing is the basis for thinking about our investments.

# OUR PHILOSOPHY

Our team has set itself into a position of a hedge fund. This allowed us to use many different operations, work with the current environment, and opened the door to:

- 1) Have the freedom to do whatever we think is best.**
- 2) Adapt accordingly.**

# WHAT DID WE SAY NO TO

As we mentioned, we only operate based on our knowledge and according to our set goal. This is why we chose to say no to:

## **1) All cryptocurrencies**

Cryptocurrencies are something relatively new and with very little to no intrinsic value.

## **2) Derivatives**

Complex instruments are out of our field of knowledge and understanding and have often been a starting point for future market crashes/declines.

# DIVERSIFICATION

Complex instruments are out of our field of knowledge and understanding and have often been a starting point for future market crashes/declines. When thinking about our investments, we have used Ray Dalio's famous theory to get the right approach. We have diversified our portfolio across multiple levels.

## 1) Time horizon

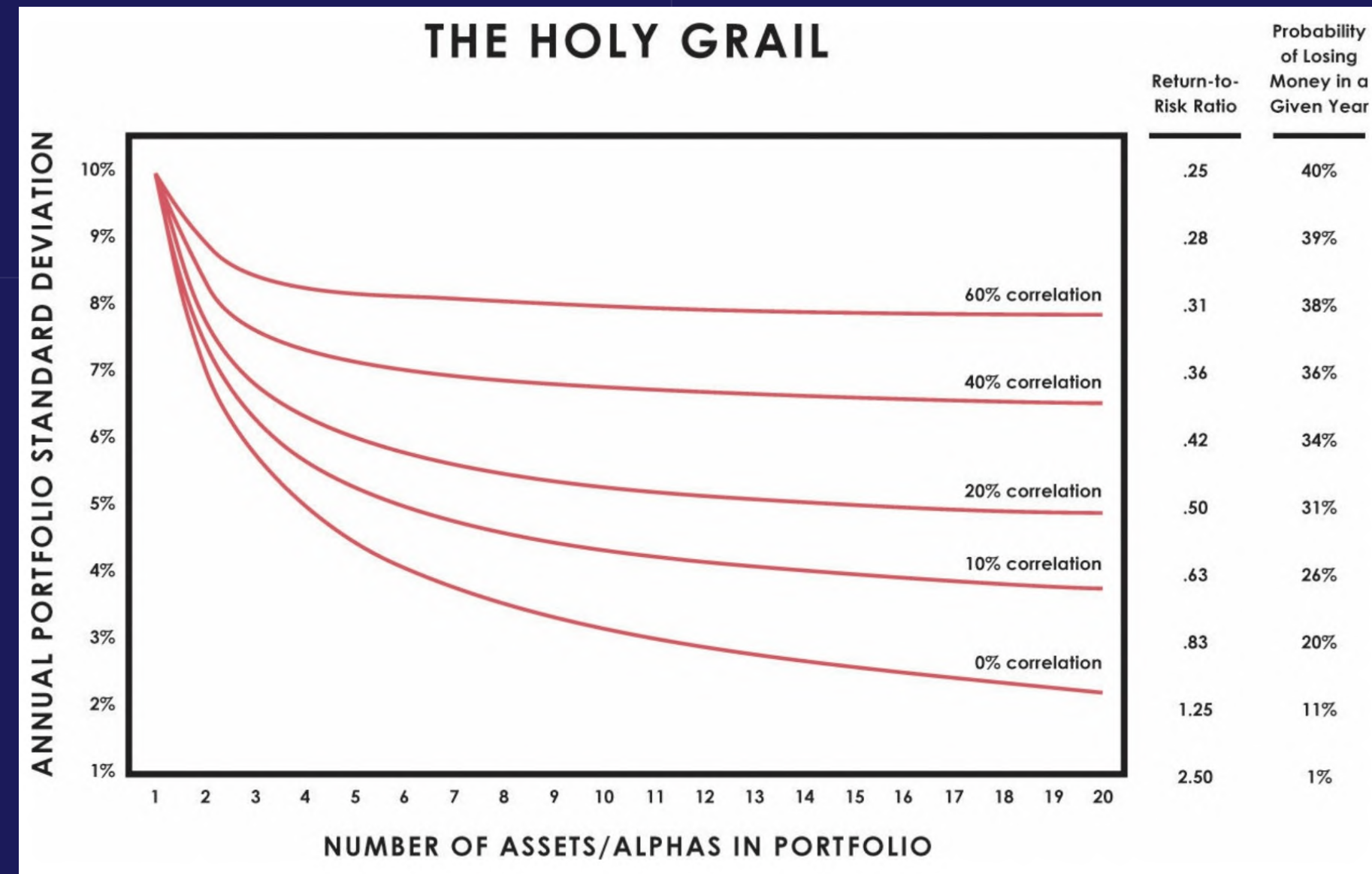
Three time zones: long one (ETFs, 100y frame), mid-term one (current trends and business cycle, 10y frame), and immediate action (shorting).

## 2) Industry

Defense, Healthcare, Tech, Financial sector, Beauty industry, Retail.

## 3) Geographic

With de-globalization on the rise—the United States, Asia (China de-linking from the dollar in 2015), EM.



# BOILING DOWN OUR GOAL INTO ...

**O**

Safely  
**outperforming**  
inflation.

**R**

**Riding** the wave  
of **innovation**  
**trend** while  
keeping the  
bubble in mind.

**D**

**Diversify** well to  
keep the returns  
and lower the  
risks.

**E**

Taking **every**  
**possibility**  
into an  
account.

**R**

**Reacting** to  
current  
environment  
by watching  
the causes  
and effects

# DIVIDING OUR PORTFOLIO

01

Long position in individual stocks

02

Long position in ETFs

03

Short position in stocks

04

Commodities

05

Other



# OUR PORTFOLIO

% of portfolio	type	number of diff assets	total price \$	yield \$	yield %
62 %	long position stocks	8	61 933	717	1.1 %
23 %	long position ETFs	3	22 911	-93.08	-0.4 %
—	short position stocks	5	111 349.6	55 651	49.9 %
10 %	commodities	1	10 000	10 670*	6.7 %
5 %	gold/ILBs/art&alcohol	1-3	5 000	5 375**	7.5 % ann

ALL DATA TO 8TH OF AUGUST 2023

\* INVESTED 30TH OF MAY

\*\*ESTIMATED

# PORTFOLIO BREAKDOWN

01

**LONG POSITION IN  
INDIVIDUAL  
STOCKS**

# PICKING THE STOCK

1. Look at balance sheets and annual reports.
2. Make sense of the relevant information and **connect the numbers with the economic situation of both the company environment and the overall state of the economy.**
3. Look at the **broader context** and acknowledge whether the company is over/undervalued (or neither).
4. **Stress test ideas with other members** and look at the potential investment from above and as many different perspectives as possible.

# TESLA EXAMPLE

1. We looked at **Revenue and Earnings growth** to ensure Tesla is **still making money**, implying they might still be a good investment.
2. After that, with the revenue analysis comes the product portfolio analysis, and the **number of sales** for models 3 and Y **increased by 90%**, which means a potential market share increase.
3. Looking at the balance sheet, Tesla increased their cash holding, which conveys a will of theirs to prepare for a hypothetical crisis looking at the World's political state and the increase of the portion of leased cars in the amount of deliveries (the clients do not have enough buying power at the moment).
4. In conclusion, Tesla is a good investment as the numbers **demonstrate growth both in terms of finances and market share. They are also recession ready as they have some cash to prevent a slow-down in operations, making it a safe investment.**

# WHAT & WHY

sector	company	our reasoning
Tech	Meta	Revenue exceeded expectation while going through restructuring. Lowering expenses on marketing while gaining revenue, which is impressive and adds to the real value of the company.
	Google	One of the stocks that Warren Buffet relates to as a missed opportunity. Google is like the mother nature to digital world. In the long term, we would not even consider looking at the stock so often, since it is such a massive, solid company.
	Nvidia	50% revenue increase projection, massive market cap. Although it looks like Tesla's stock before going down, so <b>we are prepared for that with a potential selling position.</b> If the revenue expectations aren't met, it is possible that we will see a correction.
	Apple	Greatest market cap, solid company. The fact that highest geographical sales increase is in China only adds to our thesis. Its Operating income is massive. <b>There has been a break in the trend but we would hold this company for the long run.</b>
Beauty	Estée Lauder	Consistent Increase in cashflow and Investment 20% DGR which shows us strong position for longterm investing. <b>Signs of underevaluation.</b>
Auto	Tesla	Overall solid company and poses good trajectory for the future , as production prices for model Y and 3 are expected to decrease by 2x.
Healthcare	Proctor & Gamble	In partnership we big name brands that generate 1 billion dollar each in yearly sales. Comprises mostly of necessity products that perform well despite recession.
Defense	General Dyanmics	Responding to military actions in Ukraine as well as China-US conflict. <b>The company had been steadily increasing its performance since the pandemic.</b> Among its costumers we see mostly countries governments.

02

**LONG POSITIONED  
ETFs**

# EMERGING MARKETS

From a high macroeconomic level, we have looked at different countries and their paths in the long haul. We used determinants from the book Changing the World Order as well as lessons from history to measure and place our bets. We have invested into:

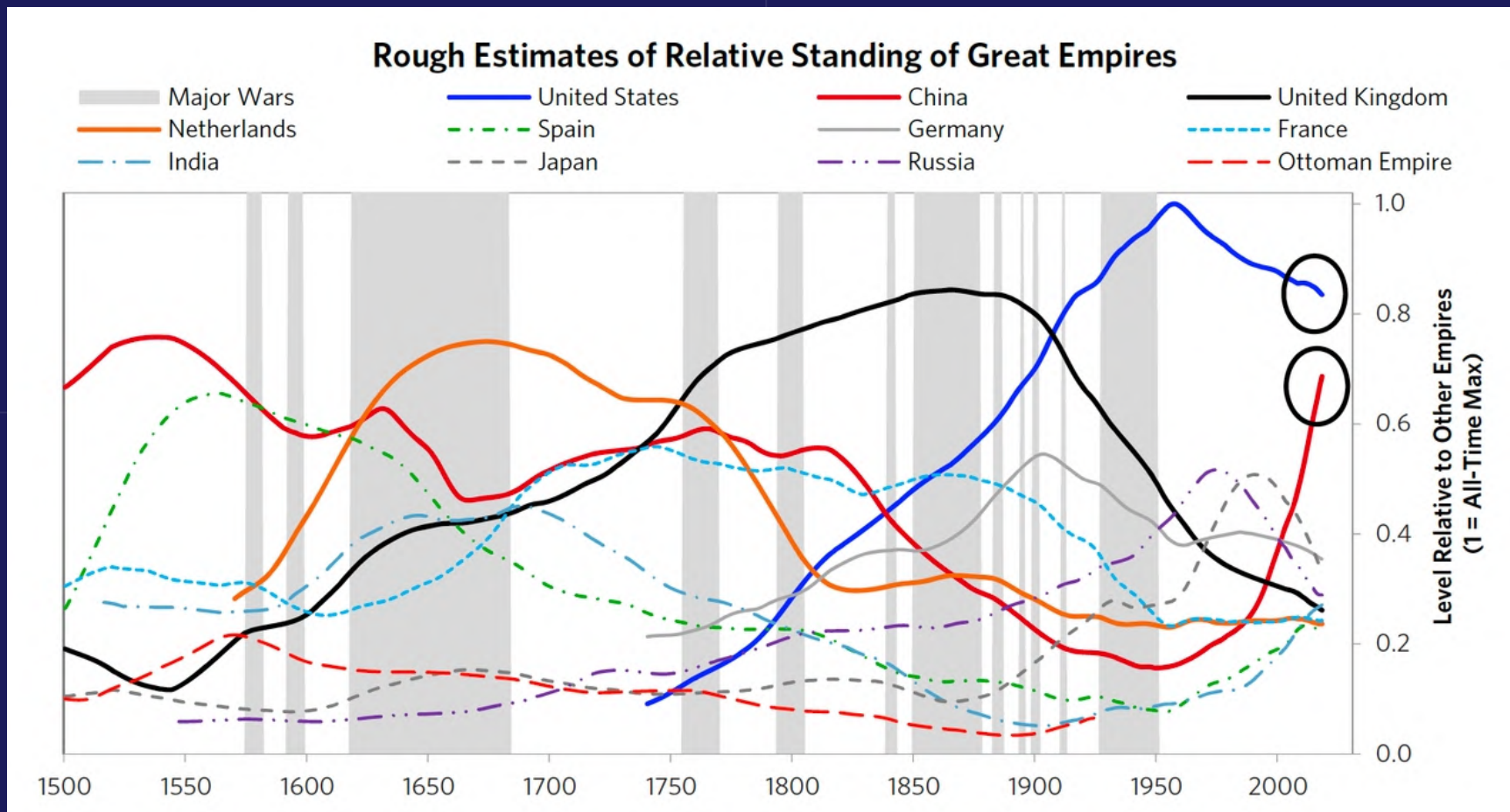
## **1) iShares ESG Aware MSCI EM ETF**

Taking climate environmental trends into account.

## **2) iShares MSCI Emerging Markets ex China ETF**



here is an example of the determinants for China, and the historical chart for relative standing of the greatest empires.



## CHINA—KEY DRIVERS OF OUR COUNTRY POWER SCORE

Overall Empire Score (0-1)      Level: 0.75      Rank: 2      ↑

The Big Cycles	Level	Z-Score	Rank	Trajectory
Economic/Financial Position	Somewhat Favorable	0.4	3	↘
Debt Burden	Low Debt	0.3	4	↘
Expected Growth	4.3%	0.4	2	↘
Internal Order	Moderate Risk	-0.1	7	→
Wealth/Opportunity/Values Gap	Relatively Large	-0.4	8	→
Internal Conflict	Average	0.2	5	→
External Order	At Risk			↘

### Eight Key Measures of Power

Trade	Very Strong	1.8	1	↗
Economic Output	Very Strong	1.8	1	↗
Education	Strong	1.6	2	↗
Innovation & Technology	Strong	1.5	2	↗
Cost Competitiveness	Strong	1.2	2	↘
Military Strength	Strong	1.0	2	↗
Markets & Financial Center	Average	0.4	2	↗
Reserve Currency Status	Weak	-0.7	5	↗

### Additional Measures of Power

Infrastructure & Investment	Very Strong	2.7	1	↗
Character/Determination/Civility	Strong	1.5	1	→
Geology	Strong	0.9	3	↗
Resource-Allocation Efficiency	Average	0.0	7	→
Governance/Rule of Law	Weak	-0.7	8	↗
Acts of Nature	Average	-0.1	8	

↗ Getting better    ↘ Getting worse    → Flat

# VANGUARD CONSUMER STAPLES

## Recession Proof ETF?

yields above the S&P 500, just a little above 2 percent  
holds over 101 stocks

## Why we chose this ETF?

consumer staples that pay consistent dividends.  
they are proven to be recessions proof.  
contains lowcost grocery stores such as Costco and also Altria tobacco group that are big franchises that are guaranteed to give a decent return despite recession.

Technical Growth:

## Good Long position ETF?

Beats the consumer staples sectors DGR when we look at it from a 12 year basis at 8.3%

Sectors <sup>4</sup>	VDC	Benchmark	+/- Weight
Agricultural Products	3.70%	3.70%	0.00%
Brewers	0.70%	0.70%	0.00%
Distillers & Vintners	2.80%	2.80%	0.00%
Drug Retail	1.20%	1.20%	0.00%
Food Distributors	3.10%	3.10%	0.00%
Food Retail	2.70%	2.70%	0.00%
Household Products	19.10%	19.20%	-0.10%
Hypermarkets & Super Centers	15.80%	15.80%	0.00%
Packaged Foods & Meats	17.20%	17.40%	-0.20%
Personal Products	4.50%	4.50%	0.00%
Soft Drinks	20.50%	20.50%	0.00%
Tobacco	8.60%	8.60%	0.00%

## Dividend Growth History

Year	Payout Amount	Year End Yield	Annual Payout Growth (YoY)
2022	\$4.5381	2.37%	6.07%
2021	\$4.2784	2.19%	-1.66%
2020	\$4.3505	2.62%	10.42%
2019	\$3.9400	2.63%	8.01%
2018	\$3.6478	3.08%	-0.81%
2017	\$3.6777	2.86%	14.61%
2016	\$3.2090	2.79%	-2.58%
2015	\$3.2940	3.04%	36.28%
2014	\$2.4170	2.36%	-0.45%
2013	\$2.4280	2.75%	-6.29%
2012	\$2.5910	3.76%	36.80%
2011	\$1.8940	3.06%	-0.63%
2010	\$1.9060	3.49%	9.67%

03

**SHORT POSITION  
IN STOCKS**

# WHAT & WHY

We turned on shorting because:

## **1) It provides potential higher returns.**

We have beautifully diversified our portfolio, thereby hedging risk with more conservative assets. This gave us space to research and place some of our bets on declining stocks.

## **2) We are young!**

At a younger age, people have a great superpower of making many mistakes and learning from them without serious consequences. We want to make mistakes, just not ones that would sink the whole boat.

**Ultimately, why should one choose between short and long when he wants to have both?**

# WHAT & HOW

**We used technical analysis to perform our trades.**

Example TRADE : VCIG

Used charts to make decisions in when to short and when to exit sing the 30 minute time frame.

Breakout occurred in the opening 30 minutes.

Leads us to ask ourselves: "Is this the start of something new?"

Nice pattern started to draw itself we have resistance formation and support lying just under.

We have all the three features that signal a bear penet.

Breakout

support

Resistance

Very unique scenario



04

COMMODITIES

# CATTLE

**Beef prices have been on the rise since 2020. We think that the price rise is going to continue to rise for some time because:**

**1. Climate change**

Natural catastrophes (droughts, high temperatures, weather volatility) are rising and are expected to grow in the upcoming years.

**2. Staff shortage**

There just isn't enough workload in the meat industry.

**3. Inflation**

Due to the circumstances of recent years (COVID, climate, money injection into the private)

**4. Complexity of the industry**

One part of the process gets thrown off and that disturbs the whole industry (e.g. COVID).

**5. Beef demand remains high**

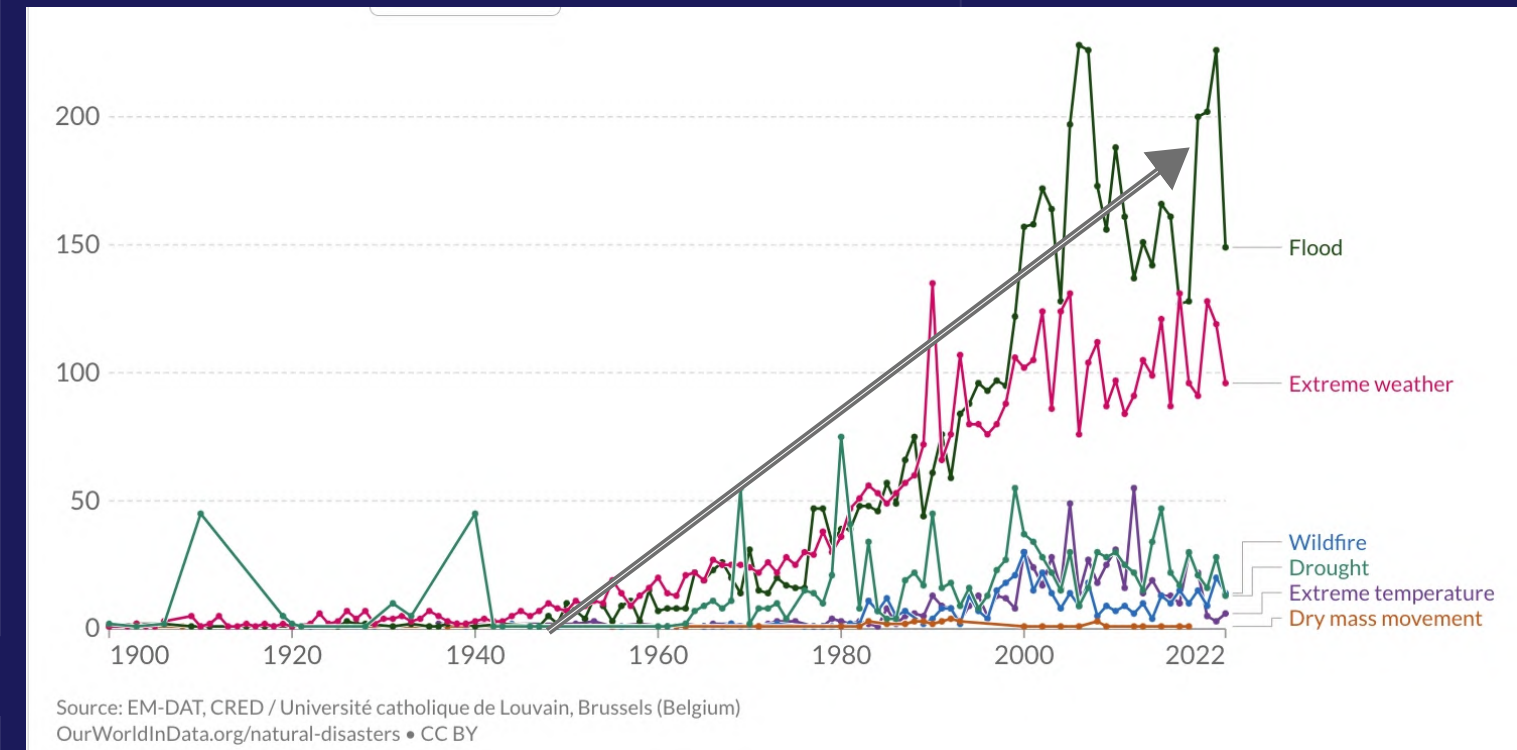
**6. The "Big Four" monopoly**

Dictating the prices higher for profits. JBS Foods, Tyson Foods, Cargill and Marfrig.

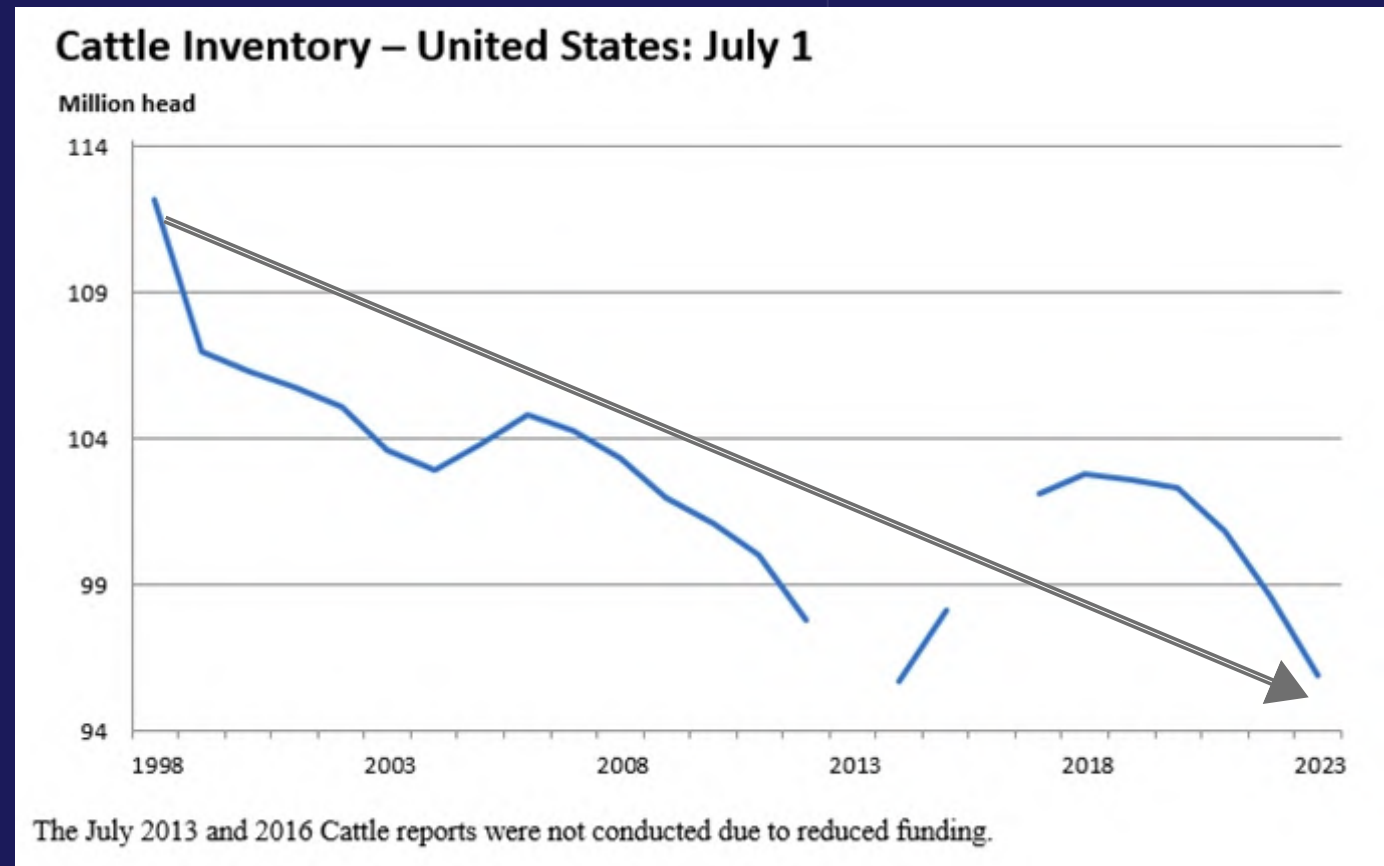
Cattle would also be an amazing diversifying force to our portfolio, with negative correlation to the majority of our investments.



CATTLE FUTURES



Source: EM-DAT, CRED / Université catholique de Louvain, Brussels (Belgium)  
OurWorldInData.org/natural-disasters • CC BY





05

OTHER

# DIFFERENT CIRCUMSTANCES

While we are trying to eliminate the risk and maintain the reward, there are ways to be safer or wilder. Some of the tips for different circumstances are:

## **1) Gold**

performs well when currency is devaluating, which could be the case of the US dollar in the future.

## **2) Inflation-Linked Bonds**

With inflation sticking around and priced to fall at a faster rate than we think is realistic, if the Fed continues to rise rates, we would consider having a part in TIPS. We have to note our inexperience with ILBs, so further research would be needed.

## **3) Art & alcohol**

Art & alcohol are somewhat separated. Blue chip art has beaten the S&P by over 250%

# OUR SHORTCOMINGS

We don't look at mistakes as something to be avoided.  
We know that bringing the bad stuff on the surface allows us to deal with it accordingly. Obstacles come in the way all the time, we just have to find the way how to find one way to get across.

# UNFORTUNATE MISCONDUCT

buying

iShares ESG Aware MSCI **USA** ETF

instead of

iShares ESG Aware MSCI **EM** ETF

# COMMUNICATION ENIGMA

Although all of us were really motivated to do our best, we all have our busy lives.

Getting together was perhaps a bigger task for us than building the actual portfolio.

# WHAT DID WE LEARN?

Each member comes from different background,  
so we each want to share the different things that  
we have learned throughout our 13 weeks of  
cooperation.



# FROM THE BEGINNING...

## Barbora

Adaptability and being open to every possibility is something essential to get the best results. Diversification is so important because it can off-set the risks while maintain the rewards.

## Mhamed

Participating in this investment competition taught me valuable lessons. I discovered that analyzing companies and their balance sheets provides more reliable indicators than blindly following market trends. Finding the right balance between the two approaches is crucial for successful investing. Additionally, I learned that attempting to time the perfect entrance into the market is challenging; adopting a dollar-cost averaging strategy can help smooth out fluctuations and lead to more consistent returns over time.

# ...TO THE END.

## Ben

From this competition I have learned that the theoretic base is the key to a successful investment because despite of the fact it is impossible to have a 100% win rate on trades, the hypothetical translates most of the time into reality. If it does not, taking notes and improving that theory will lead to success.

## Ali

During this competition I learned how to collaborate with my group to invest in several companies as I learned about concepts related to the stock market.

## Theo

I have never thought about so many different aspects of what an individual investor has to consider when creating a whole diversified portfolio.

## Maria

I have learned more about stocks, which were new to me at the beginning of the competition.

# KEEPING UP WITH OUR GOAL

HOW DID WE DO?

# DID WE MANAGE TO GET THE DESIRED ORDER?

	<b>Safely outperforming inflation.</b>	<b>Riding</b> the wave of innovation and trend while keeping the bubble in mind.	<b>Diversify</b> well to keep the returns and lower the risks.	Taking <b>every possibility</b> into an account.	<b>Reacting</b> to current environment by watching the causes and effects
long position stocks	yes	yes	yes	yes	yes
long position ETFs	yes	yes	yes	yes	yes
short position stocks	yes	no	yes	no	yes
commodities	yes	yes	yes	yes	yes
gold/ILBs/art&alcohol	yes	no	yes	yes	yes

# DID WE MANAGE TO GET THE DESIRED ORDER?

		Is the goal achieved?	data back-up examples
O	Safely <b>outperforming</b> inflation.	yes	inflation 6%, we grew 34%
R	<b>Riding</b> the wave of innovation and trend while keeping the bubble in mind.	yes	TSLA, NVDA, GOOGL, META, APPL
D	<b>Diversify</b> well to keep the returns and lower the risks.	yes	over 18 different assets
E	Taking <b>every possibility</b> into an account.	yes	uncorrelated assets such as cattle and healthcare
R	<b>Reacting</b> to current environment by watching the causes and effects	yes	Seeing EM countries ETFs as an opportunity

# OUR RESOURCES

## books

Navigating Big Debt Crises  
Changing World Order  
Principles - Life and Work  
Wealth of Nations

## our thesis

<https://docs.google.com/document/d/1huEMQhk3HEtk-NOO4UlcKFeOtY5kYPRRzQTA1FguCwE/edit#heading=h.val4d1a8mq9z>

## our reseach

<https://www.fool.com/investing/stock-market/market-sectors/communication/media-stocks/art-investment/>  
<https://www.drought.gov/historical-information?>  
<https://www.investing.com/studios/article-1012-dataset=2&selectedDateUSDM=20111018&selectedDateSpi=20140301&selectedDatePaleo=2017>  
<https://www.nasdaq.com/market-activity/commodities/le>  
<https://www.drought.gov/what-is-drought/historical-drought>  
<https://www.wsj.com/story/beef-prices-are-high-heres-why-a28ca6df>  
<https://farmdocdaily.illinois.edu/2023/02/smallest-cattle-herd-in-eight-years-will-2023-set-record-prices.html>  
<https://www.bridgewater.com/research-and-insights/most-global-economies-remain-in-disequilibrium-requiring-policy-action>  
<https://www.bridgewater.com/research-and-insights/the-all-weather-story>  
<https://www.bridgewater.com/research-and-insights/deglobalization-raises-the-value-of-geographic-diversification>  
<https://www.indexmundi.com/commodities/?commodity=beef&months=300>  
<https://ourworldindata.org/grapher/number-of-natural-disaster-events?country=Drought~Dry+mass+movement~Extreme+temperature~Extreme+weather~Flood~Wildfire>  
<https://www.youtube.com/watch?v=1KVY2j0a4hc>  
<https://www.ig.com/en/trading-strategies/how-to-trade-bullish-and-bearish-pennants-200428>  
<https://www.nass.usda.gov/Newsroom/2023/07-21-2023.php>  
<https://www.canarymedia.com/articles/food-and-farms/chart-which-foods-are-worst-for-the-climate>

**THANK YOU**