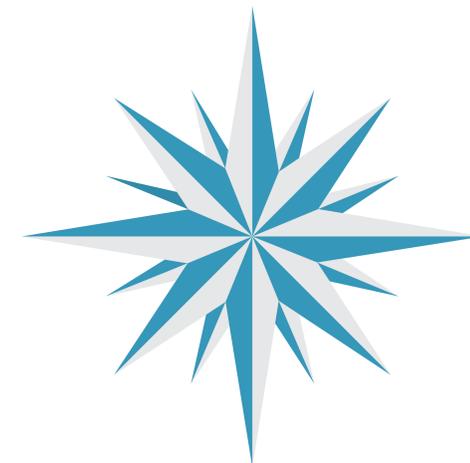


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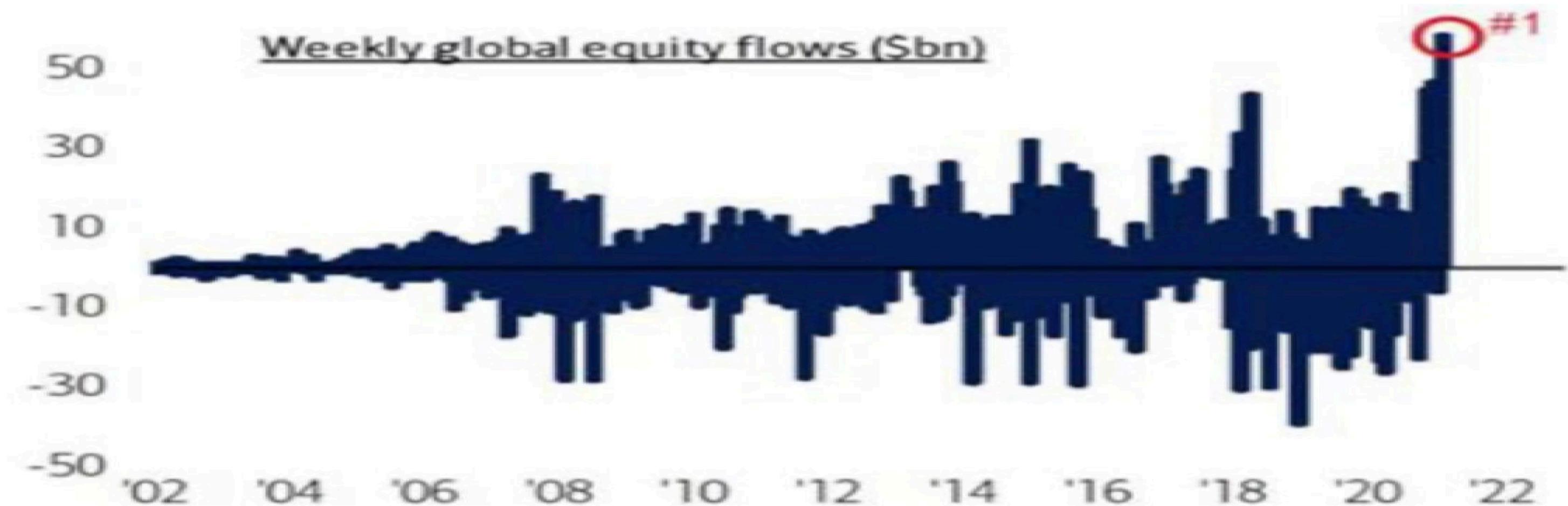


KTS weekly update Nr. 6

The 26th of February 2021

Largest inflow ever of USD 58bn into US stocks

- The second week of February coincided with the largest inflow of cash into US stocks ever. The biggest beneficiary was the SPY US with an inflow of USD 6bn.
- Sometime, there has to be a short term pause in the market's rally.



Source: BofA Global Investment Strategy, EPFR Global

Source Michael A. Gayed/Bank of America

Ark Innovation phenomenon

- Ms Cathie Wood had a tremendously successful launch of the ARK Innovation ETF. But, lately, the ETF has experienced huge inflows (in February alone USD 7bn of assets were added). The AuM is now USD 58 bn and the risk for the strategy at the moment is to have too much money but not enough stocks to invest in.
- Ark Innovation recently added the company Palantir as a new position; Tesla is the the biggest holding in the ETF.
- Short term, investors should ask themselves how much more inflow potential could there be? Because the volume of recent inflows is amazing and cannot last forever.



Massive inflow in the ETF ARKK US

High Stakes

Ark owns more than 10% of at least 25 companies

Security	Ticker	Percentage Ownership
Compugen Ltd	CGEN	21.3
Stratasy Ltd	SSYS	21.3
Organovo Holdings Inc	ONVO	20.0
ExOne Co	XONE	19.5
Invitae Corp	NVTA	19.2
2U Inc	TWOU	18.4
Syros Pharmaceuticals Inc	SYRS	18.2
Cerus Corp	CERS	18.0
Intellia Therapeutics Inc	NTLA	17.7
Editas Medicine Inc	EDIT	16.1
Personalis Inc	PSNL	15.6
Seres Therapeutics Inc	MCRB	13.5
Evogene Ltd	EVGN	13.0
PagerDuty Inc	PD	13.0
Twist Bioscience Corp	TWST	12.1
Materialise NV	MTLS	12.1
Proto Labs Inc	PRLB	11.6
CRISPR Therapeutics AG	CRSP	11.4
Collectis SA	CLLS	11.4
Pure Storage Inc	PSTG	10.7
Pacific Biosciences of California Inc	PACB	10.7
Veracyte Inc	VCYT	10.6
Castle Biosciences Inc	CSTL	10.4
Iovance Biotherapeutics Inc	IOVA	10.4
LendingTree Inc	TREE	10.3

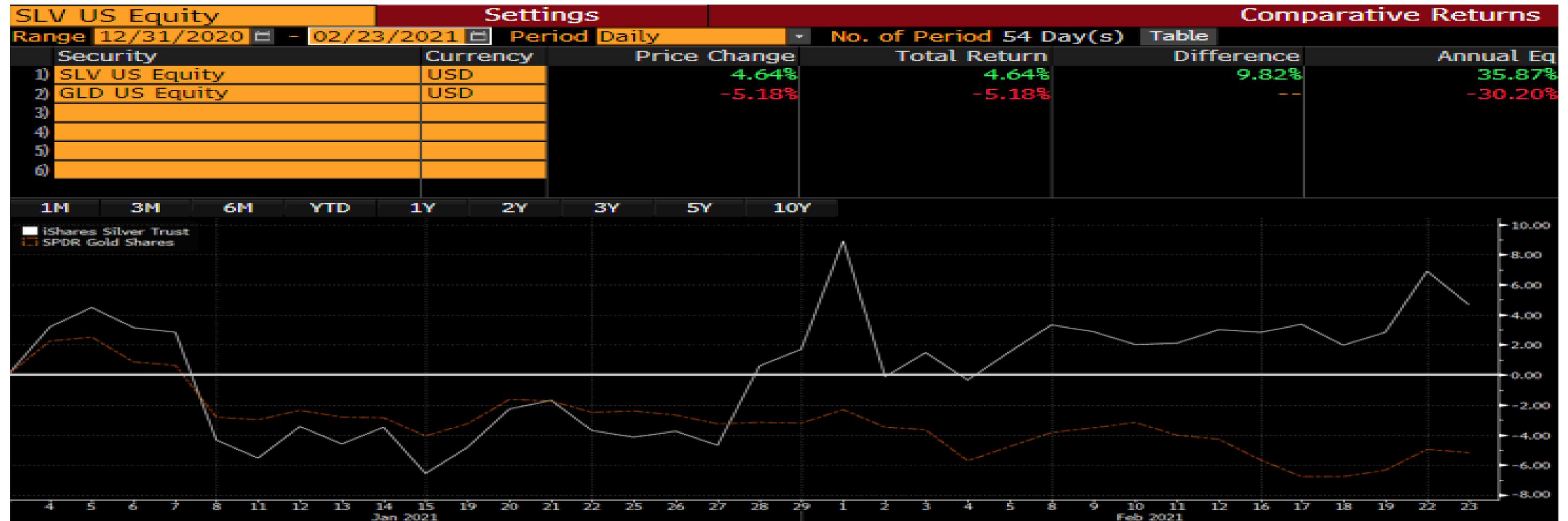
Source: Bloomberg

Bloomberg

Top positions of ARKK US

Silver outperformance vs Gold

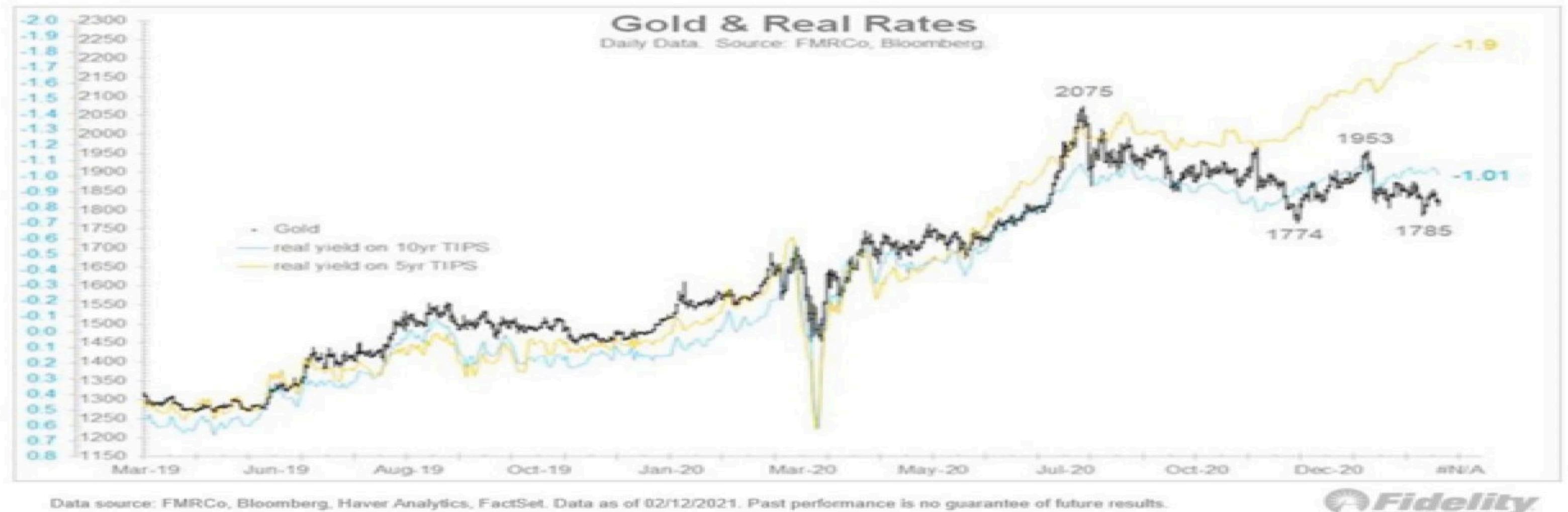
- Following the first attempt of silver to break the resistance of 30 USD, silver is holding better than gold, outperforming.
- As explained before, the fundamentals of silver are stronger than gold and the fact that silver is again in backwardation (tightening of the physical market because of short positions), is a clear sign of how banks are shorting silver put pressure on the price. Historically, every time silver was in Backwardation, the price eventually spiked.



Silver outperformance vs Gold is around 10%

But gold is also very cheap

- The director of Global Macro at Fidelity Investments, Mr Jurrien Timmer, always has very interesting charts and analysis.
- As mentioned several times recently, the gold price decoupled from following TIPS real yield. In the chart below we can observe how gold recently diverged from the 5-year TIPS real yield, most probably because investors became more focused on the crypto currency hype. We should be alert for the moment that gold shows signs of resuming its strong correlation to TIPS real yield.



Source: Jurrien Timmer / Fidelity Investments

Best case scenario already discounted

- Analyzing tourism stocks like Marriott and Hilton, it can be seen that much has already been discounted by the market.
- MAR US, for example, is back at its highs, despite the fact that its business has not yet recovered. Revenues are still 62% down. It is incredible how market participants are so very confident that we are going to have a full normalization anytime soon.
- We think that stock picking will prove to be a very important strategy once again in this phase of the market!
- Other sectors have similar situations. UBER ,for example, experienced a stock price increase during 2020 of 71%, but revenues are down by 16%. TRIP US is also back at its highs, as well as other stocks in tourism and transportation.
- In the contrary, solid blue chips but “boring” for market participants like Nestle, Roche and Novartis (to mention a few names) are lower than the top reached back in August 2020!



MAR US: Earning estimates (red line) have not recovered yet, but the stock price is back at highs

First signs of market normalization

- As anticipated by KTS, valuations in the renewable space were just too high and unjustified. Stock prices increased parabolically only because of the huge inflows, especially from retail investors, but were not supported by fundamental developments.
- As known in the market, retail investors are mostly invested using leverage via multiple trading platforms. Therefore, the recent correction was fast, triggered by stop losses placed by the platforms themselves (as soon the client has no excess margin, the platform triggers the sell order automatically). Retailer investors, who lost capital in this correction, will not be able to re-enter the market anytime soon.
- In many hype stocks, like PLUG US, we are now at the 50% Fibonacci support (39 USD). Therefore, investors could start to chase first trades but, eventually, we believe renewable stocks will have to retest the long term support of the 200d mov. Av. (22 USD). Trading must be done with strict discipline: the stop loss should be the low of the 23.2.2021, targets +10/15%



Plug power: back to the 50% Fibonacci support and breakout gap

Execution of stop losses also triggered crypto currencies correction

- Also in the crypto currency space, retail investors were invested using leverage and the correction triggered by the automatic execution of stop losses generated the largest intraday movement in the history of bitcoin.
- The first genuine technical support for Bitcoin is around 40k USD, but after the impressive news that the company Square Inc added USD 170 mio counter value in Bitcoin, crypto currencies could begin to stabilize sooner. Next trigger to be Apple?



Bitcoin: first perfect support at around 40k USD

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