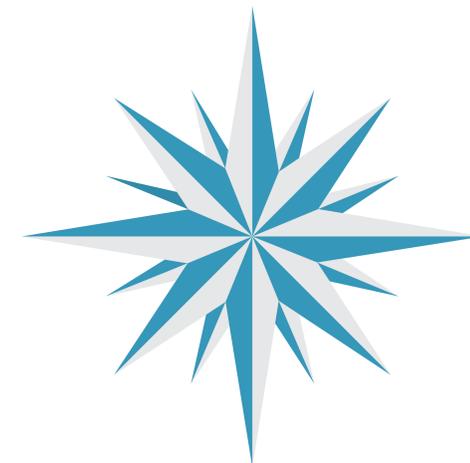


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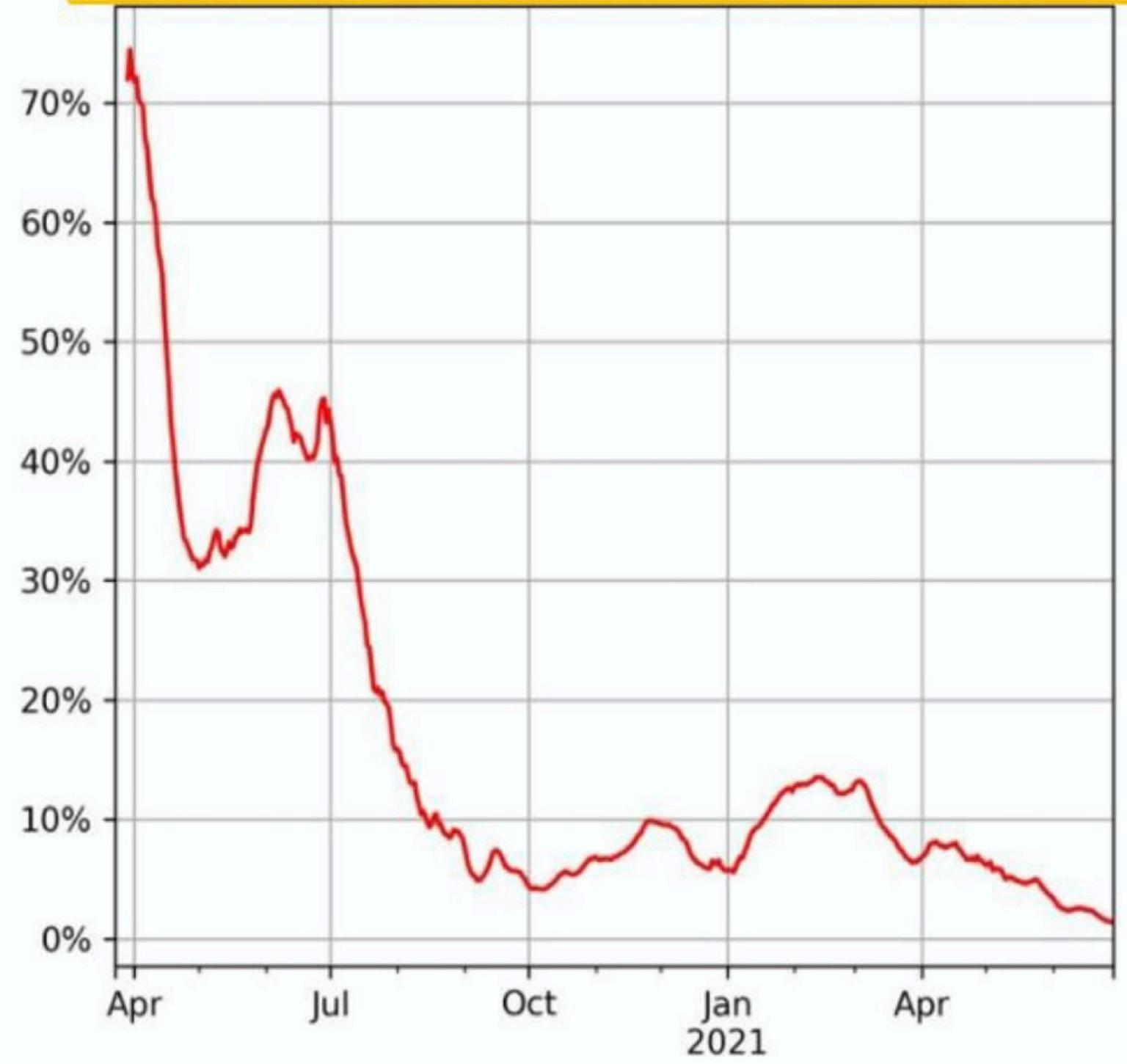


KTS weekly update Nr. 25

The 9th of July 2021

UK hospitalizations as % of new covid cases, 7 days rolling

- We have finally come across the correct chart. Thanks to Mr. Andreas Steno Larsen, chief global strategist at Nordea Markets, we can now analyze from this chart the cases of hospitalizations in UK as a percentage of new covid cases. As we can clearly observe, the number is at its lowest level since the spread of the pandemic and, most importantly, is falling.
- Thus, there is no reason to panic about the Delta variant or any others. This analysis is the proof. If vaccinated people are re-infected, symptoms will most probably be light (light fever? muscle pain?). Therefore, the vaccine is working.
- It is natural to ask why the media is still spreading such useless panic about new variants and not showing objective statistics. Our answer is quite simple- the main goal is to nullify that part of population that is still against the vaccine.
- In addition, we are already sensing the global intention to introduce a systematic annual vaccination.



Source: Nordea Markets / Peccatiello

Development of real assets vs purchasing power of citizen

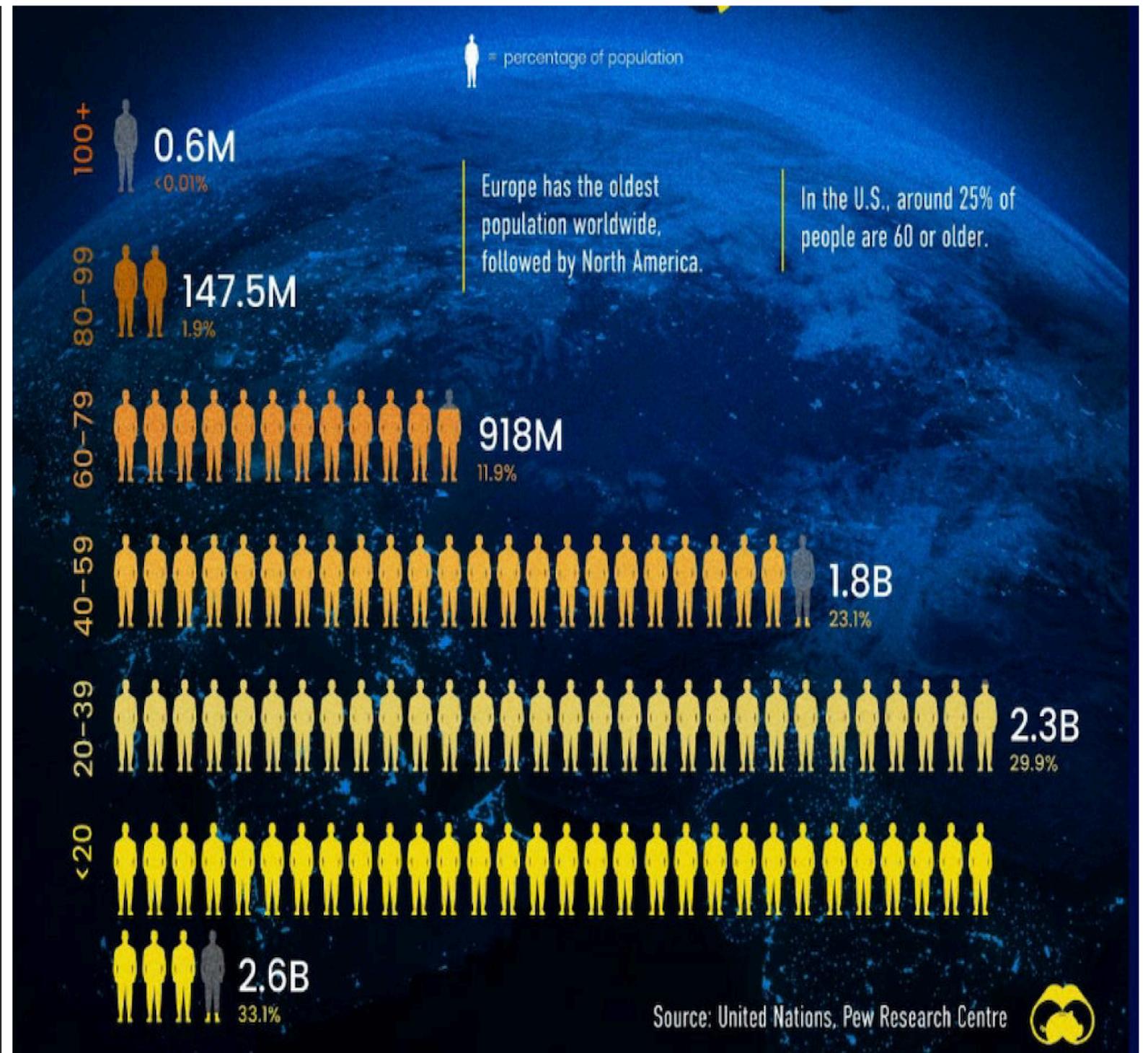
- This chart clearly shows the decline of purchasing power of UK citizens.
- During the last 30 years, the average income of the UK household increased by 81%. Meanwhile, the average price of buying a house increased by 312%
- With the recent injection of liquidity from central banks, the situation is not going to change. For this reason it is important to maintain investments in real assets.



Source: Land Registry

The world's population by age group

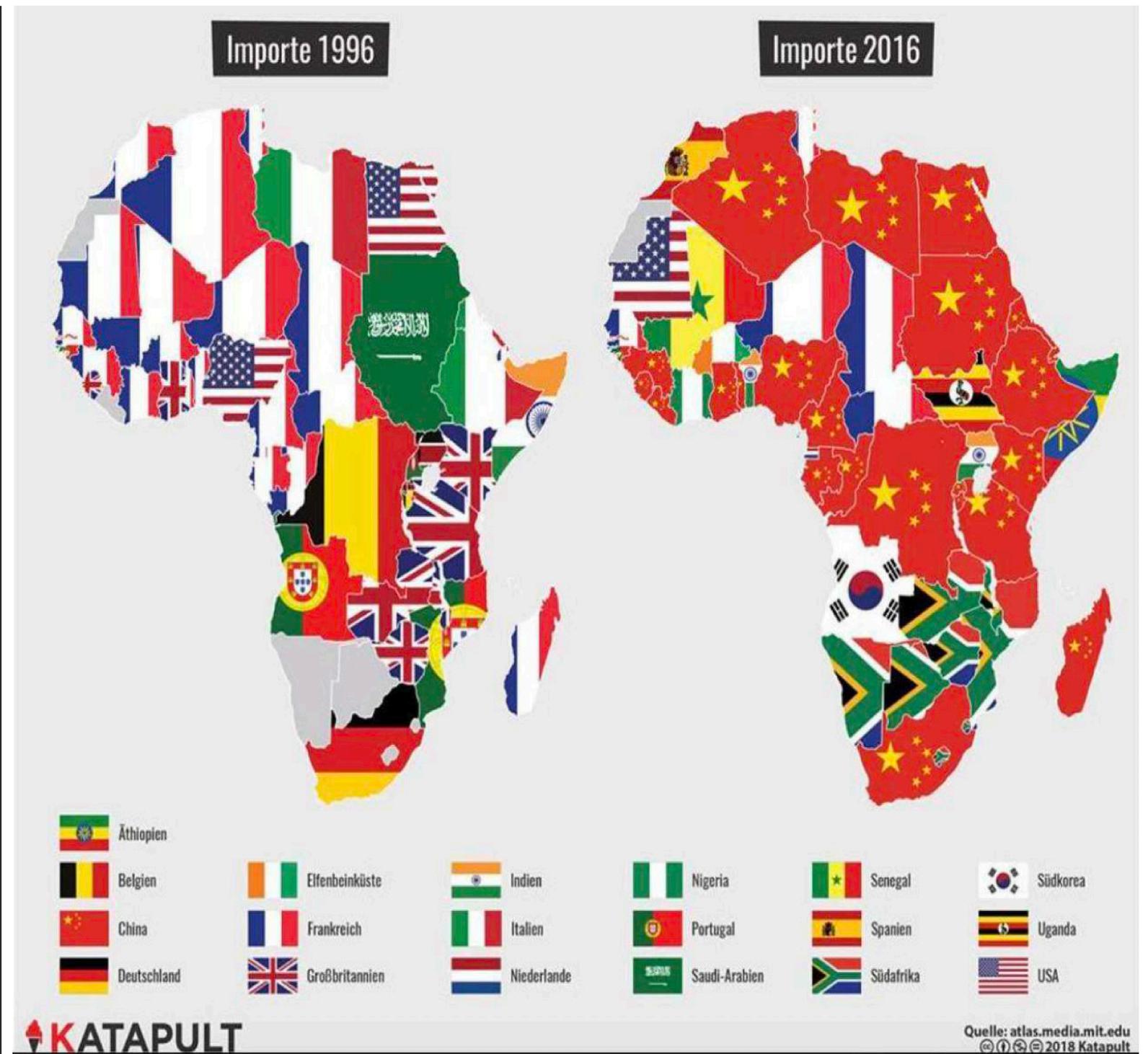
- It is a matter of fact that the world's population is getting older. The tremendous development in medicine during the last 50 to 70 years has dramatically increased life expectations. Back in the 1950`s male life expectation was 65.6y vs over 74y today; and for females even longer at 71.1y vs over 80y.
- The worldwide situation by age group is still well balanced.
- In fact, the age group of under 20 years of age is still higher than 40 to 59 years. But ,analyzing historical data in the 1950`s the age group of under 20 years old was 44% of the total, nowadays it is only 33% .
- Thinking about the future, this trend is clearly not sustainable and we need to see an increase in the birthrate.



1950 the age group under 20 was 44%, nowadays 33.1% (source Flowbank/UN)

Most important trade partner for African countries

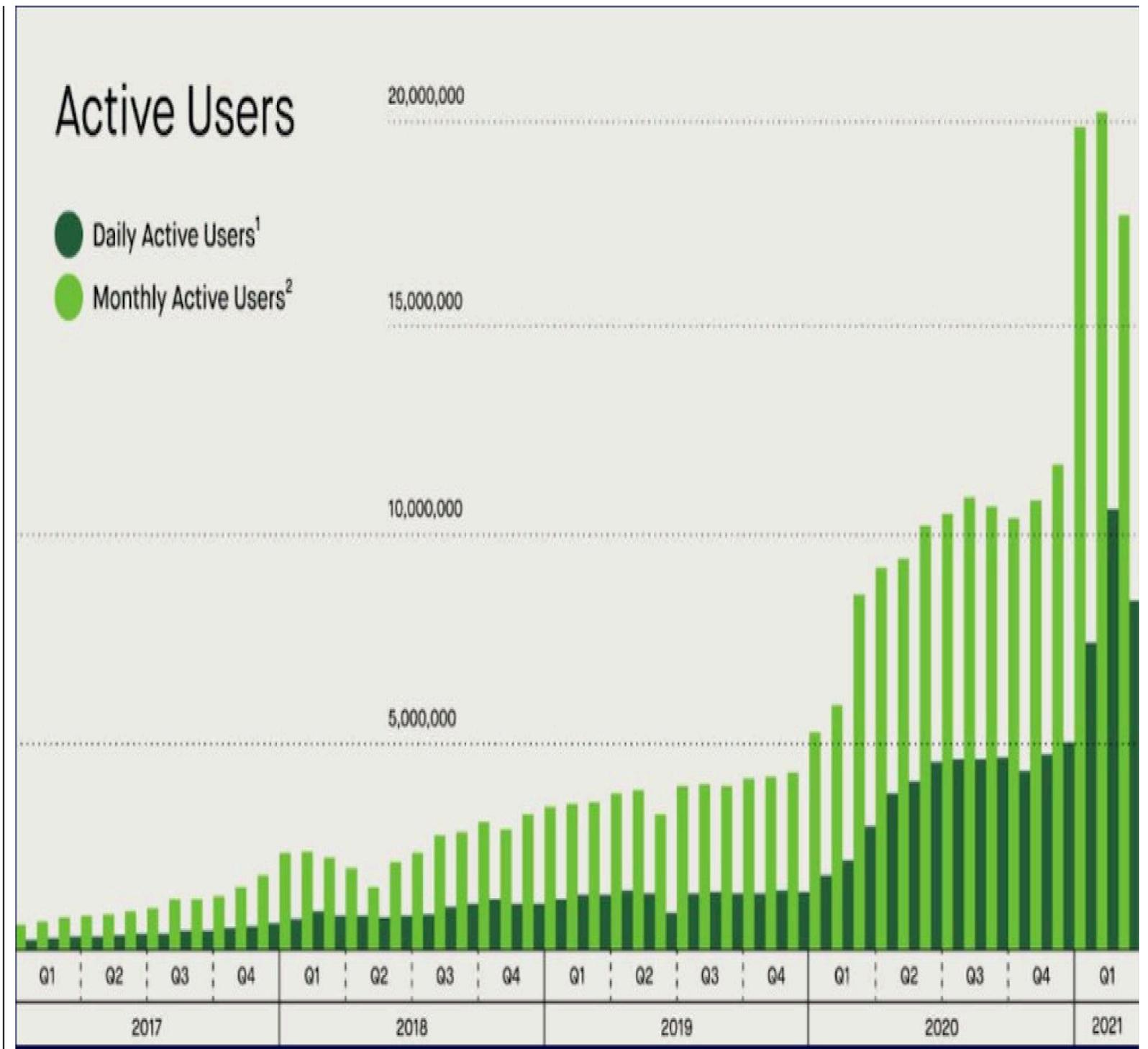
- Recently, we explained that U.S. sanctions against China were also having indirect repercussions throughout the African continent, as well as the Asian region. Where China is now the most important trade partner.
- The chart shows the development of trade partners over the last 20 years for African countries. We can clearly observe the new Chinese majority.



Source: atlas.media.mit.edu

Robinhood users and average account size

- Robinhood announced it would be filing for an IPO and, as a result, is now publishing more internal data.
- Robinhood revealed that it had more than 17.7 mio active users by 2021.
- The median (higher half of users) Robinhood user is 31 years old (we honestly were expecting a younger age, but apparently there was an increase of 5 years after the app was launched in 2015). The median account size is just USD 240! But the average account size is USD 5'000, as of February 2021; vs E-Trade platform's average account size of USD 100k, TD Ameritrade 110k and Charles Schwab 240k.
- Robinhood's revenues increased from USD 2.9 mio in 2015 to USD 673 mio in 2020 and transaction volume from 0.5 bio to 350 bio. We know that income is generated through a process of, so called, `payments for order flow`, basically, selling client's data to HF.



Source: Flowbank / Robinhood

Government and client's data protection

- Just days after the successful IPO of the Chinese company DIDI Chuxing (DIDI US), Chinese regulators ordered the app stores to remove the Didi app. China's cybersecurity regulators alleging that the company illegally collected and used customers' personal information. Didi collects from 377 mio customers/drivers in China a wide range of data, such as audio and video recordings from each ride. The main goal is, by using facial recognition via artificial intelligence, to see if the driver is fatigued. The company announced it will rectify any problems, in order to comply with the rules and protect its users' rights. But, they warned of an adverse impact on its revenue in China. The share price of the major shareholder SoftBank also tumbled on Monday 5th July.
- For us, it is quite surprising that Chinese regulators *intervened only after the IPO on Nasdaq*. It would have been better and in the interests of everyone, not only for shareholders, but also for the credibility of regulators. To “step in” during the process of the IPO, as had already happened with the planned IPO of Ant Group, is provocative. So, the timing of such a move is most likely to have been politically motivated. This action shows a new side of the tensions between China and USA . Unfortunately, more confrontations in this manner are to be expected.
- We guess that the main concern of the Chinese authorities is about national security threat. Comparable with the move of U.S. in the case of TikTok a few months ago. Apparently, Chinese regulators are planning rule changes that would allow them to block a Chinese company from listing overseas, even if the unit selling shares is incorporated outside China.
- According to the magazine “The Economist” this move is just the latest escalation in China's crack down against big technology firms.
- Also, in Hong Kong majors tech firms are threatening to quit Hong Kong over new data law plans. Apparently, new regulations could put the staff of the tech companies at risk of criminal investigation or prosecution!

Reverse convertible and structured product with 55% barrier

- Swiss banks recently introduced negative interest rates for retail clients and have started a quite aggressive sales strategy targeted at retail clients to invest their liquidity. For those clients, who do not want to invest in equity and similar investment strategies directly, banks are proposing “very conservative” worst of structures, with a barrier at 55% of the spot price (we are actually at highs of markets!) for 1% p.a. Yield.
- In our eyes those structures are not worth the risk and investors should not invest. There are better investment opportunities, where the prospective rewards with the risk taken are more attractive.

Bugatti - Rimac

- It is finally official: Bugatti and Rimac have entered a JV, fully supported by the VW group, especially Porsche. The new company will be named Bugatti Rimac and it will be led by Mate Rimac as CEO.
- Rimac is going to split the business into 2 main ventures: the hypercar business and the battery supply business to top automotive producers like Porsche, Koenigsegg, Pininfarina, etc.
- This JV is a major milestone for the 10 year old company and its young founder Mate Rimac. The path to success taken by the company is impressive; progressing from a one-man garage start-up to announcing a new JV with one of the world's most iconic car brands, as recounted on the webpage of Rimac Automobili.
- Porsche is holding 24% of the Rimac Automobili holding and Hyundai/Kia 13% . Porsche is going to hold 45% of the supercar/hypercar business (Rimac automobili 55%). In addition, the Porsche group has committed to guaranteeing the financial strength of the the group`s future. The JV is set up for a very bright future, being supported from the top league in the automotive business and will be in a position to deliver dynamic and sustainable innovation.
- Rimac Automobili is going to commence the construction of a new EUR 100 mio manufacturing plant / campus in Croatia, which will have 2'500 employees and substantially support the Croatian economy.

General news

- US companies are hit once again by a major cyber-attack. Hackers attacked the software service provider Kaseya and the Swedish supermarket chain Coop, which had to close down 800 branches. Hackers are again demanding USD 100 millions in order to restore the systems. We are not specifically investing in the sector, but our best in class technology fund Alkeon has specific investments in the sector.
- In U.S. we are experiencing a record net USD 27.9 bio inflows by retail investors into the stock market in June alone. The real dilemma is to figure out what the potential is for further inflows of such magnitude?
- OPEC is not going to increase oil production and Saudi Arabia continues voluntary cuts. Therefore, the oil price is going to stay a current highs. We feel comfortable with our investment in the energy space via our specialists.
- Sydney experienced the highest covid cases in months, despite lockdown. But, on the contrary to Switzerland, the authorities understood that people were and are breaching lockdown rules by going to other households. Sydney is under a “stay-at-home” order until 17 July and under 10% of the population has been vaccinated. The situation in Sydney is a proof that lockdowns are not the solution. On the contrary, it doubles the penalties citizens must suffer: New covid cases and subsequent financial damage are increasing.

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