

AI Alpha Lab – S&P 500 High Concentration Strategy

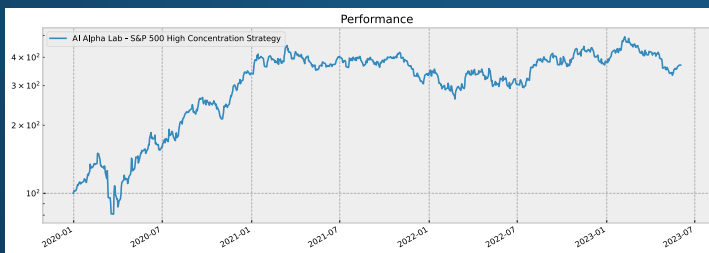
Week 23

(Monday 5. June 2023)

Name	Ticker	Sector	Weight	Stop-loss
Catalent	CTLT.US	Healthcare	20%	5% from entry price
Tesla	TSLA.US	Consumer Discretionary	20%	5% from entry price
Norwegian Cruise Line	NCLH.US	Consumer Discretionary	20%	5% from entry price
Enphase Energy	ENPH.US	Information Technology	20%	5% from entry price
PVH	PVH.US	Consumer Discretionary	20%	5% from entry price

Strategy details: On a weekly basis the strategy invest in the 5 stocks from the S&P 500 Index which AI Alpha Lab's proprietary probabilistic machine learning model predicts will have the highest probability of outperforming over the coming week. The strategy applies a 5% stop-loss on all positions and is rebalanced the first trading day of every week. The risk profile of the strategy is high and to ensure diversification, the strategy should be used as part of the subscriber's overall investment strategy, not as the subscriber's only investment strategy.

How the strategy works: The first trading day of the week the strategy buys the stocks contained in this report and allocate an equal amount of capital to each. The stocks are bought as close as possible to the closing price and a stop-loss limit of 5% from the buy price is put in place. The strategy has historically proven to be robust across other stop-loss thresholds as well as trailing stop-losses and therefore discretionary risk management can be implemented as well.



Performance	AI Model
Total Return	269.5%
YTD	-4.0%
1 Year	12.1%
3 Years (ann.)	32.5%
Since Inception. (ann.)	46.6%

Risk Metrics	AI Model
Max Drawdown	-46.2%
Ann. volatility	49.6%
Sharpe Ratio	0.99
Sortino Ratio	2.30
Calmar Ratio	1.01

The stocks shown are valid for the current week. The report is investment analysis and does not constitute investment advice. The report is for the subscriber only and may under no circumstances be shared with third parties.

Performance shown is simulated strategy performance for the S&P 500 High Concentration Strategy. Period: 01.01.2020 - 02.06.2023. Currency: USD. Including 20 bps in transaction costs on all traded value. Fees incurred by the investor such as administration and custody fees are not included. The returns shown are simulated and therefore do not constitute returns from an actual investment during the period. It is emphasized that historical returns, whether actual or simulated, are not a guarantee of future returns, and returns may vary as a result of currency fluctuations.

Terms of subscription

Weekly S&P 500 High Concentration Strategy

Version as of 15. May 2023

1. Conditions

1.1 Investment analysis

It is emphasized that the subscription is to be considered investment analysis and thus does **not** constitute individual investment advice. Meaning that the report is not a personal investment recommendation for the subscriber, as AI Alpha Lab have made no individual assessment of and adaptation to the subscriber's individual characteristics such as knowledge, investment experience, finances, risk appetite etc. This is also reflected in the subscription's low price.

1.2 The strategy and the subscriber's own trading

The purpose of the subscription is to give the subscriber access to AI Alpha Lab's S&P 500 High Concentration Strategy at the lowest possible price. The subscriber may use it as he or she sees fit, but the subscriber is responsible for all investment decisions and trading and can thus control the trading costs.

AI Alpha Lab's AI-model, which selects the stocks in the strategy, is a Bayesian neural network that, with a quantitative approach, is trained to take into account a wide range of investment methodologies and investment concepts.

The strategy's stock universe is the stocks in the S&P 500 Index. A low number of stocks are excluded from the universe, primarily when the stock has insufficient data, or the data quality of the stock is low.

There are ongoing natural changes in the stock universe as a result of acquisitions, mergers etc. Therefore, AI Alpha Lab reviews the stock universe every 6 months and "fills up" with new stocks if stocks have been removed from the stock universe during the previous period. This is done to ensure that the AI-model constantly has as many liquid stocks as possible to choose from. The AI-model does not take into account future corporate actions in the stocks in the stock universe.

Based on the stock universe, the AI-model is trained on historical data and generates the 5 stock picks in the report by predicting which of the stocks that have the highest probability of outperforming over the coming week. To manage risk, the strategy applies a 5% stop-loss limit on all positions. The strategy is rebalanced the first trading day of every week.

1.3 Risk profile

The risk profile of the strategy is high. The entire capital in the strategy is concentrated on only 5 US stocks. However, the overall risk is lowered by the fact that the strategy applies a 5% stop-loss limit on all positions. The strategy is not subject to any other diversification requirements. It is an active choice, as all tests show that the AI-model creates the best returns in the freest framework.

It is important the subscriber understands that the risk-management of the strategy depends on the applied 5% stop-loss limit on all positions. If the subscriber does not apply the 5% stop-loss limit, or increases the percentage, the risk profile of the strategy changes to very high.

The subscriber must keep the strategy's risk profile in mind and take it into account in relation to the subscriber's risk diversification, cf. section 1.4.

1.4 The subscriber's risk diversification

The subscriber is responsible for all investments and the return on them. AI Alpha Lab strongly recommends that the subscriber, when using the strategy, assesses how the strategy and individual securities fit into the subscriber's overall investment portfolio, including in relation to risk and sector diversification as well as geographical diversification. The strategy should be used as part of the subscriber's overall investment strategy, not as the subscriber's only investment strategy.

The AI-model has been developed to create long-term returns over 3-5 years, and in the short term it therefore sometimes takes high risks. It is important that the subscriber keeps this in mind in relation to the subscriber's investment horizon. For example, in case the subscriber has a predetermined time when the subscriber wants to exit the strategy.

1.5 The weekly report and payments

The weekly report with the 5 stock picks is made available to the subscriber via the subscription homepage on the first trading day of each week. Under *exceptional circumstances*, the delivery of the report can be postponed to the second trading day of the week. The weekly report also contains information on the strategy and the historical returns.

It is not essential which week the subscriber enters the strategy, but it is recommended to follow the strategy and adjust it every week, and not least to have a long-term perspective as mentioned above i.e., minimum 3 years. One of the strengths of AI

Alpha Labs' AI-model is its systematic stock selection. It should preferably be matched by a corresponding systematic trading approach to achieve the exposures that the AI-model considers advantageous.

The total cost of following the strategy is the monthly subscription fee plus the subscriber's own trading costs. Blue Note Capital ApS collects the subscription fee which is split 75/25 (approx.) between AI Alpha Lab and Blue Note Capital ApS.

1.6 Important conditions

- The subscriber is responsible for all investments and the return on them. AI Alpha Lab has no insight into the subscriber's individual characteristics such as knowledge, investment experience, finances, risk appetite etc. The subscriber should therefore not regard the strategy as personal investment recommendations or investment advice.
- AI Alpha Lab makes no guarantees as to the return the subscriber will achieve by following the strategy. The strategy should be used as part of the subscriber's overall investment strategy, not as the subscriber's only investment strategy.
- The weekly report is for the subscriber only and may under no circumstances be shared with third parties. This is a prerequisite for the low price the subscription is offered at. Violation of the ban on sharing the weekly report will result in immediate termination of the subscription and exclusion from re-subscription, as well as liability for lost revenue.
- All subscribers are covered by the Terms of subscription, which are subject to change without notice. Increases to the subscription fee must be notified before taking effect.
- There is no binding period, and the subscriber can cancel the subscription at any time.
- As a rule, AI Alpha Lab does not answer direct inquiries about the subscription. They must instead be addressed to Blue Note Capital ApS, who own the subscription scheme and with whom the subscriber has a direct client relationship.

2. Investment recommendations

According to the Market Abuse Regulation, Regulation 596/2014 of the European Parliament and of the Council, and the supplementary rules in the Commission's delegated regulation 2016/958, information must be included when disseminating so-called investment recommendations to ensure objectivity and disclosure of potential conflicts of interest. The information can be found in AI Alpha Lab's [MAR disclosure](#) and [IMAR 12 month overview of investment recommendations](#). This week's password for the overview is: vklnguer4%9e

3. Disclaimer

AI Alpha Lab assumes no responsibility for decisions that are made or carried out based on information in the weekly report. Prior to any trading AI Alpha Lab recommends the subscriber always check both the company name and ticker.

AI Alpha Lab has taken all reasonable precautions to ensure the correctness and accuracy of the information in the weekly report, as it is based on information obtained from sources believed to be reliable. However, the correctness and accuracy are not guaranteed, and AI Alpha Lab assumes no responsibility for any errors or omissions, including typographical errors.

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4. Personal information

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5. Legal information

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