R6

A Breakthrough Investment Management Performance

(Live and real-money performance - Not only back-tested)

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International Institute of Management

www.iim.education/think-tank

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For Institutional Research

Content

Executive Summary

- **Who we are:** IIM is an independent research think tank. We focus on designing efficient decision-making algorithms to solve complex problems in hyper-dynamic systems
- **What we did:** Engineered a breakthrough **investment management system (R6)** – An integrated set of macro, qualitative and quantitative strategies and proprietary formulas for asset allocation, portfolio management, and buy-hold-sell signals
- **How good is it:** R6 outperformed > 99% of passive and active funds for more than 16 years, returning **907.65%** gains vs. SPX **137.64%**. In 2020+ (COVID's turbulent markets), R6 returned **106.56%** vs. SPX **18.4**% in real money brokerage account, without using risky derivatives, day trading, leverage, or crypto assets

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Problem

Problem 1: Industry Performance

Consistent Under-Performance Over the Past Decade

- **99% of actively managed US equity funds underperform.** Almost all US, global and EM funds have failed to beat their benchmark since 2006 [10 years period] – Financial Times 2016
- **Active fund managers trail the S&P 500 for the ninth year in a row** - CNBC 2019
- **If You Still Own Actively Managed Stock Funds, Get Ready for Some Bad News –**… it would have taken a stroke of luck to pick a winner. - Barron's 2020

Problem 2: Investment Strategies

Are Investment Strategies the Solution?

- **Warren Buffett**… [~$550B] underperformed the S&P 500 by over 20% in 2019 and the first half of 2020—a massive underperformance. Berkshire Hathaway's returns have been trailing the S&P 500 since the beginning of 2009. - Market Realist, 2020
- The losses continue to pile up for hedge fund king **Ray Dalio…Bridgewater Associates** [~$150B] has run up hefty losses this year, the damage as of august 18.6% drop in the flagship Pure Alpha II fund. – Bloomberg – 2020
- Value manager **AQR Capital Management** [~$140B] is experiencing its worst drawdown since the global financial crisis as markets continue to pummel value managers.– Pensions&Investments 2020

Problem 3: Hedging Strategies

Are Hedging Strategies the Solution?

- The New York's [MTA] just became the latest to sue [**Allianz**] after losing [$330 million]. Its "Structured Alpha" funds, which collapsed …**wiping out 97%** of investors' capital. - MarketWatch 2020
- **Credit Suisse Takes $450 Million Hit** on Stake in U.S. Hedge-Fund Firm – WSJ Nov, 2020
- **Tesla Short Sellers Lost $38 Billion in 2020.** Those short sellers include some high-profile names such as **Jim Chanos** [and many other well-respected funds..] – Bloomberg 2020

Problem 4: Quant Strategies

Are Quant Strategies the Solution?

- **Renaissance Technologies** [~$110B], which manages the **world's biggest quant hedge fund**, and **Two Sigma Advisers** [~$58B] have seen losses across several of their funds in 2020, a sign of how unprecedented market volatility caused by the Covid-19 pandemic hurt even the most sophisticated traders...
- Renaissance saw a **decline of about 20% through October in its long-biased fund**... **The $75 billion firm's market-neutral fund dropped about 27% and its global-equities fund lost about 25%.** – Bloomberg 2020

Diagnosis

What is the most important factor
that explains the difference between
funds that create value vs. ones that destroy it?

The Investing Algorithm*

** All fund managers, including discretionary funds, use some form of an Algorithm (implicit or explicit).*
*An Algo is a **rule-based** investing **decision model** that can be manual, automated, or hybrid.*
An Algo can be qualitative, quantitative, or hybrid. It can be used for day trading, short, mid, or long term.
Some Algos are more mature than others.

Root Cause Analysis

The investment manager's primary function is **decision-making** i.e. deciding what asset to buy at what price and how much, how long to hold, and how much to sell, at what price. - All else is secondary.

Wrong decisions are based on lack of information, misinformation, or inaccurate decision models…. The financial markets are complex hyper-dynamic systems, even the most experienced fund managers with access to best real-time data feeds, IT decision support system (DSS), and talent are failing to beat the market. Therefore, it is fair to consider that their current investment decision models (Algos) are inadequate for managing assets in continuously changing markets. - Source: **IIM**

In a complex dynamic system, static strategies will almost always underperform

Performance of Various Asset Classes: US **2006-2020**

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2006 - 2020 Ann.	2006 - 2020 Vol.
REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Large Cap 9.8%	EM Equity 23.3%
EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Small Cap 8.9%	REITs 23.1%
DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. 2.5%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	High Yield 7.5%	Small Cap 22.6%
Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	REITs 7.1%	DM Equity 19.1%
Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	EM Equity 6.9%	Comdty. 18.8%
Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 25.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	Asset Alloc. 6.7%	Large Cap 16.7%
High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	DM Equity 5.0%	High Yield 12.2%
Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Fixed Income 4.5%	Asset Alloc. 11.8%
Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Cash 1.2%	Fixed Income 3.2%
Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	Comdty. -4.0%	Cash 0.8%

Performance of Various Strategies: US Assets **2006-2020**

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2006 - 2020 Ann.	2006 - 2020 Vol.
High Div. 21.1%	Momen. 17.8%	Min. Vol. -25.7%	Value 38.8%	Small Cap 26.9%	High Div. 14.3%	Cyclical 20.1%	Value 43.2%	Value 17.7%	Momen. 9.3%	Small Cap 21.3%	Momen. 37.8%	Min. Vol. 1.5%	Cyclical 36.3%	Momen. 29.6%	Momen. 11.7%	Small Cap 22.6%
Value 19.7%	Defens. 17.7%	Defens. -26.7%	Cyclical 36.9%	Multi-Factor 18.3%	Min. Vol. 12.9%	Value 16.8%	Small Cap 38.8%	Min. Vol. 16.5%	Min. Vol. 5.6%	High Div. 16.3%	Cyclical 27.3%	Momen. -1.6%	Quality 34.4%	Cyclical 27.8%	Quality 10.7%	Value 20.3%
Small Cap 18.4%	Quality 10.1%	High Div. -27.6%	Multi-Factor 29.8%	Momen. 18.2%	Defens. 10.1%	Small Cap 16.3%	Multi-Factor 37.4%	High Div. 14.9%	Quality 4.6%	Value 15.9%	Quality 22.5%	High Div. -2.3%	Momen. 28.1%	Small Cap 20.0%	Cyclical 10.4%	Cyclical 19.8%
Multi-Factor 16.6%	Multi-Factor 5.5%	Quality -31.2%	Small Cap 27.2%	Cyclical 17.9%	Quality 7.5%	Multi-Factor 15.7%	Cyclical 35.0%	Multi-Factor 14.8%	Cyclical 2.6%	Cyclical 14.0%	Value 22.2%	Defens. -2.9%	Min. Vol. 28.0%	Quality 17.1%	Min. Vol. 10.1%	Momen. 17.9%
Defens. 15.9%	Min. Vol. 4.3%	Small Cap -33.8%	Quality 24.9%	High Div. 15.9%	Multi-Factor 7.3%	Momen. 15.1%	Momen. 34.8%	Momen. 14.7%	High Div. 0.7%	Multi-Factor 13.7%	Multi-Factor 21.5%	Cyclical -5.3%	Value 27.7%	Multi-Factor 11.4%	Multi-Factor 9.6%	Multi-Factor 17.5%
Cyclical 15.0%	Value 1.1%	Value -36.9%	High Div. 18.4%	Min. Vol. 14.7%	Momen. 6.1%	Quality 12.8%	Quality 34.3%	Cyclical 13.6%	Multi-Factor 0.4%	Min. Vol. 10.7%	High Div. 19.5%	Quality -5.6%	Multi-Factor 26.6%	Min. Vol. 5.8%	High Div. 9.4%	Quality 15.6%
Min. Vol. 15.0%	High Div. 0.0%	Multi-Factor -39.3%	Min. Vol. 18.4%	Quality 14.2%	Value -2.7%	Min. Vol. 11.2%	High Div. 28.9%	Defens. 13.0%	Defens. -0.9%	Quality 9.4%	Min. Vol. 19.2%	Multi-Factor -9.7%	Small Cap 25.5%	Defens. 5.2%	Small Cap 8.9%	High Div. 15.0%
Quality 12.8%	Cyclical -0.8%	Momen. -40.9%	Momen. 17.6%	Value 12.7%	Cyclical -3.4%	Defens. 10.7%	Defens. 28.9%	Quality 10.7%	Small Cap -4.4%	Defens. 7.7%	Small Cap 14.6%	Small Cap -11.0%	High Div. 22.5%	High Div. 1.7%	Defens. 8.6%	Defens. 13.7%
Momen. 10.7%	Small Cap -1.6%	Cyclical -44.8%	Defens. 16.5%	Defens. 12.0%	Small Cap -4.2%	High Div. 10.6%	Min. Vol. 25.3%	Small Cap 4.9%	Value -6.4%	Momen. 5.1%	Defens. 12.3%	Value -11.1%	Defens. 21.4%	Value -0.2%	Value 8.6%	Min. Vol. 13.1%

Source: FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management. The MSCI High Dividend Yield Index aims to offer a higher than average dividend yield relative to the parent index that passes dividend sustainability and persistence screens. The MSCI Minimum Volatility Index optimizes the MSCI USA Index using an estimated security co-variance matrix to produce low absolute volatility for a given set of constraints. The MSCI Defensive Sectors Index includes: Consumer Staples, Energy, Health Care and Utilities. The MSCI Cyclical Sectors Index contains: Consumer Discretionary, Communication Services, Financials, Industrials, Information Technology and Materials. Securities in the MSCI Momentum Index are selected based on a momentum value of 12-month and 6-month price performance. Constituents of the MSCI Sector Neutral Quality Index are selected based on stronger quality characteristics to their peers within the same GICS sector by using three main variables: high return-on-equity, low leverage and low earnings variability. Constituents of the MSCI Enhanced Value Index are based on three variables: price-to-book value, price-to-forward earnings and enterprise value-to-cash flow from operations. The Russell 2000 is used for small cap. The MSCI USA Diversified Multiple Factor Index aims to maximize exposure to four factors – Value, Momentum, Quality and Size. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. *Guide to the Markets – U.S.* Data are as of December 31, 2020.

J.P.Morgan Asset Management

The continuously changing opportunities and risks are difficult to capture. Subtle and rapid changes confuse investment professionals and can cause under-performance for long periods of time.

The Industry Secret (IIM Diagnosis)

- If you are under-performing the market and do not know precisely why or how (except in hindsight), then you are not alone. The cause is not “random walk”, “mean reversion”, “fooled by randomness”, “black swans”, or “the Fed”, the cause is the difficulty of managing complexity in a uncertain hyper-dynamic systems
- The biggest collective blind spot of academia and the industry is the use of **static** decision models to manage investments in a complex **dynamic** system.
- R6 was engineered as a super-algo with optimized strategies (value, growth, income, volatility...) for capturing mispricing in different market cycles over the short, mid and long term. R6 produced superior returns in different market cycles (see R6 performance in appendix)

Solution

(R6)

A Qualitative and Quantitative Investing Algorithm
With
Adaptive Risk Adjusted Portfolio Management (ARAPM) Model

R6 is a customizable rule-based investment management model designed to help CIOs and PMs achieve superior performance in different market cycles by using an integrated set of proprietary algos (optimized strategies and formulas) for asset allocation, portfolio construction, and stock picking to capture “dynamic alpha”

R6 Gains

Sample Portfolios & Periods ~	R6 Algo* Active Returns	S&P 500 Index	~ 99% of Active Funds
Live Back & Forward Test 16.25 Years (2004-2020)	907.65%	137.64%	- α SPX
Forward Test (FT) Live 5 Years (2016-2020)	269.86%	103.3%	- α SPX
FT Real Money Live 1 Year (2020)	106.56%	18.4%	- α SPX

* As of Jan 20, 2021

4 Key Advantages

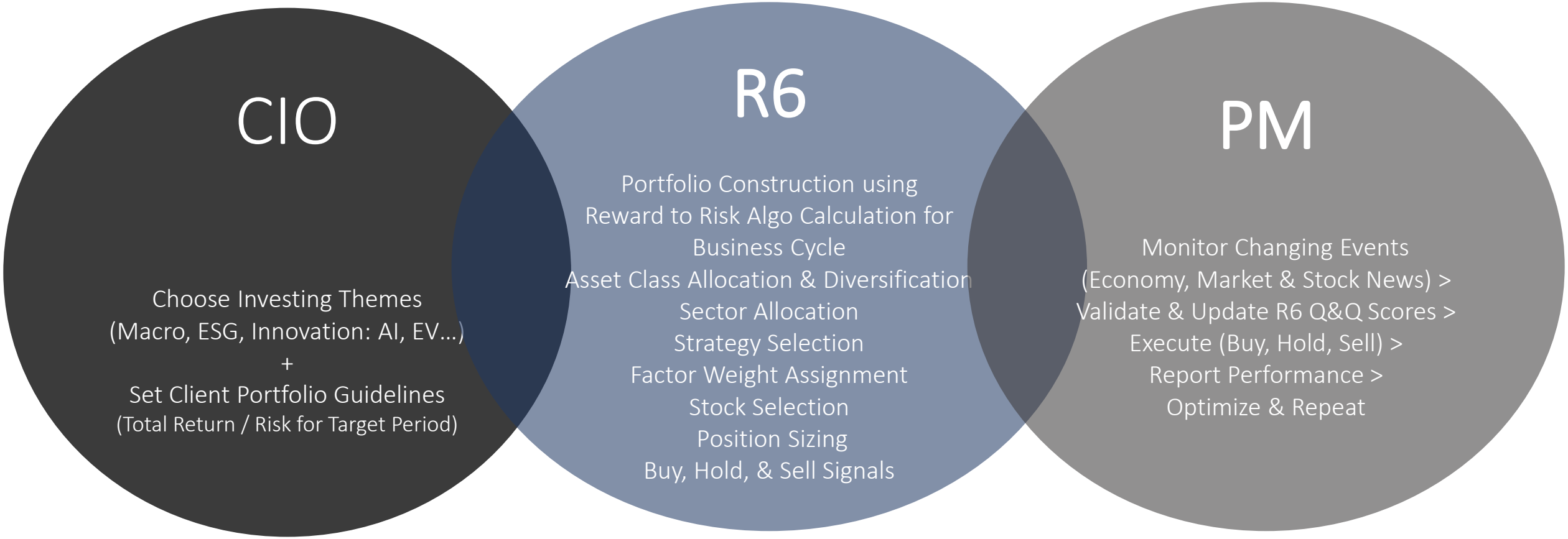
- **Risk:** R6 returns were achieved without using risky derivatives or leverage. R6 is based on asset allocation, stocks picking and adaptive rebalancing. R6 can be fine-tuned to most investors (value, growth, income…)
- **Cycles:** Most strategies can work great in certain market cycles, but when cycles change, they fail. R6 incorporates 20+ years primary & secondary research (200-year investing data). R6 has been tested since 2004 (16 years+) covering a variety of market conditions, including bear and bull markets, high and low interest rates, and cyclical rotations (asset classes, caps, sectors, and geographies)
- **Live:** Back-tested algos and strategies can be manipulated and fitted, yet they fail after going live (forward testing). R6 is forward tested since 2014 (6 years) and continues to outperform S&P 500 & 99% of active funds
- **Volatility & Uncertainty**: In the final analysis, Real-money volatility test is the only test that matters. When strategies are implemented in highly volatile and uncertain conditions with real money, human emotions can cause them to fail. 2020 saw rapid changes (COVID, China-US trade war, Brexit, elections, currency challenges in emerging markets, overvaluations, behavioral changes (social media influence) and a large influx of retail investors and traders (GME and TSLA shorting debacles), yet R6 returned 106%+ in real money account outperforming its prior years and many of the top funds. The highly uncertain and volatile 2020 environment helped rather than hurt R6 performance. Its rule-based risk management and quantitative algo overcame the limitations of discretionary models. Its qualitative algo overcame the limitations quantitative trading models

R6

Analysis

High-level insights into the secret sauce

R6 Enabled Fund



R6 proprietary math formulas and optimized Algos are designed to
minimize investing decisions' blind spots and errors + speed the decision-making process
R6 can be manual or automated or hybrid giving as much qualitative control to CIOs and PMs as needed.

Note: Currently, R6 is a hybrid Algo, it is not an automation software. R6 uses widely available tools and data feeds in a hybrid processes.

R6 is engineered to solve 1 problem with 3 factors

How to Maximize Returns in Complex Dynamic Markets ?

This is Achieved By Overcoming >

=

Inadequate

Economic, Business & Valuation

Formulas

+

Un-Optimized & Non-Adaptive

Reward / Risk Management Protocols

+

Inaccurate Cognitive Models (Strategy, Factor, and Data Selection Biases)

+

Inefficient Emotional & Behavioral Triggers (FOMO & TATI)

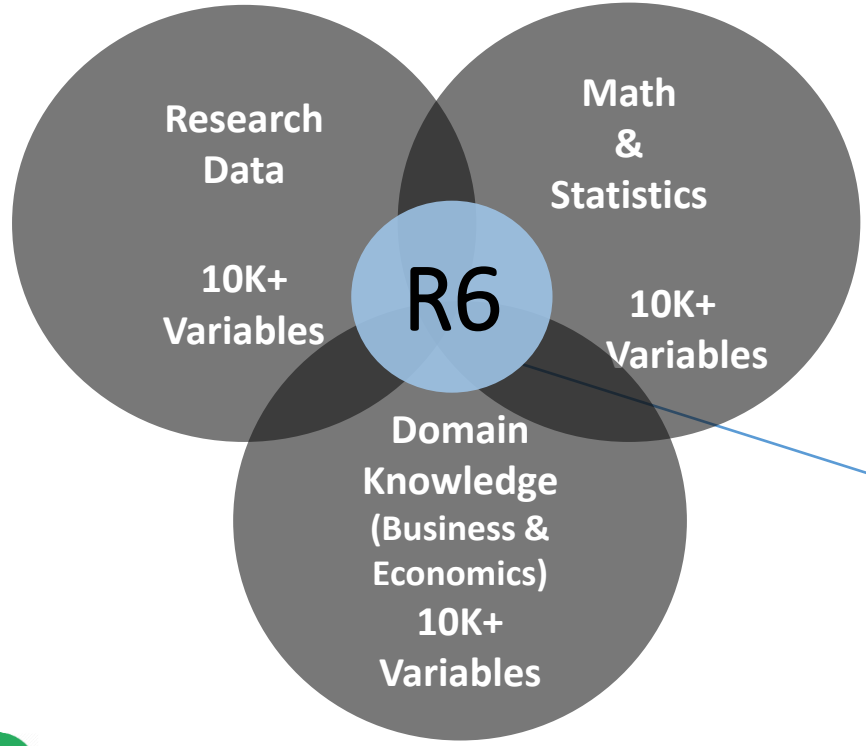
R6 Secret Sauce = Proprietary valuation formulas + forecasting model + fault-tolerant risk management protocols

R6 Research Universe

Strategies

Passive vs. active vs. short vs. medium vs. long term vs. large vs. mid vs. small cap vs. penny stocks vs. macro vs. technical vs. fundamental vs. value vs. growth vs. GARP vs. gold vs. crypto vs. commodities vs. bonds vs. stocks vs. sector rotation vs. ETF vs. stock picking vs. all-weather vs. trend trading vs. contrarian vs. divergence, vs. confluence vs. mean reversion vs. hedging (options strategies) vs. fraud deep dive and shorting vs. short squeezes vs. event trading (news, earnings, dilution..) vs. special situations (debt, M&A, bankruptcy) vs. behavioral (pump & dump vs. social media influence vs. celeb investor imitation) vs. IPO vs. VC …

Pure and Hybrid Strategies
= 10K+ Variations



Indicators

Leading vs. lagging vs. coincidental indicators: GDP, interest rates, CPI, PMI, …income, revenues, cash flow, liabilities, assets, equity, profits… EPS, P/B, P/E, PEG, Short Ratio, RSI, SMA, EMA, MACD, Bollinger band…

Pure and Hybrid Indicators
= 10K+ Variations

R6 selects and uses a weighted set of macro, technical, quantitative and qualitative performance indicators in proprietary math formulas that can be fine-tuned for less volatility, less risk, more reward, or a balanced ratio for target investment periods (short, mid, and long terms)

Secret Sauce

Recap

The Dean of Wall Street (Ben Graham), once said “Wall street people learn nothing and forget everything”. To be fair, they are avid learners, but many times the subtle market changes are easy to miss and sometimes market changes are obvious, but so rapid that it is difficult to unlearn the old investing models and learn new ones. Managing cognitive dissonance and mental re-programming under real-time performance pressure is extremely difficult. R6 was engineered to solve this problem.

R6 is built on 20 years of independent research with proven backward, live forward and real-money performance testing in continuously changing market conditions. R6 can help fund managers radically improve their investing performance.

How Easy To Replicate R6?

The Learning Curve, Time, Labor and Cost

- Complexity: A competing Algo requires researching 200-year investing data and correctly selecting from a universe 10K+ pure and hybrid strategies using 10K+ indicators and nearly ∞ combinations of variable weight assignments for various strategies. Quantum computers and machine learning are not developed yet to solve this ultra complex and fluid problem. It requires at its core human intelligence. The speed of human learning, unlearning, and re-learning is the major bottleneck
- Organizational Inertia: Entrenched systems + NIH (not invented here) syndrome / skepticism + workplace politics + the time & cost to find, hire and train talent to think in a new adaptive integrated multi-dimensional manner to analyze complex asset pricing factors and synthesize an algorithm that is simple and efficient to execute, and, more importantly, produce superior real-money performance is an extremely expensive, time consuming and daunting venture.
- Window of Opportunity: Even if some competitors attempt to reverse-engineer R6, back-testing their Algo will have no practical value without combined forward and real money tests for more than a decade (including uncertain and turbulent periods). By that time, the early adopter of R6 would have built a moat of public track record and captured significant share of the capital inflows

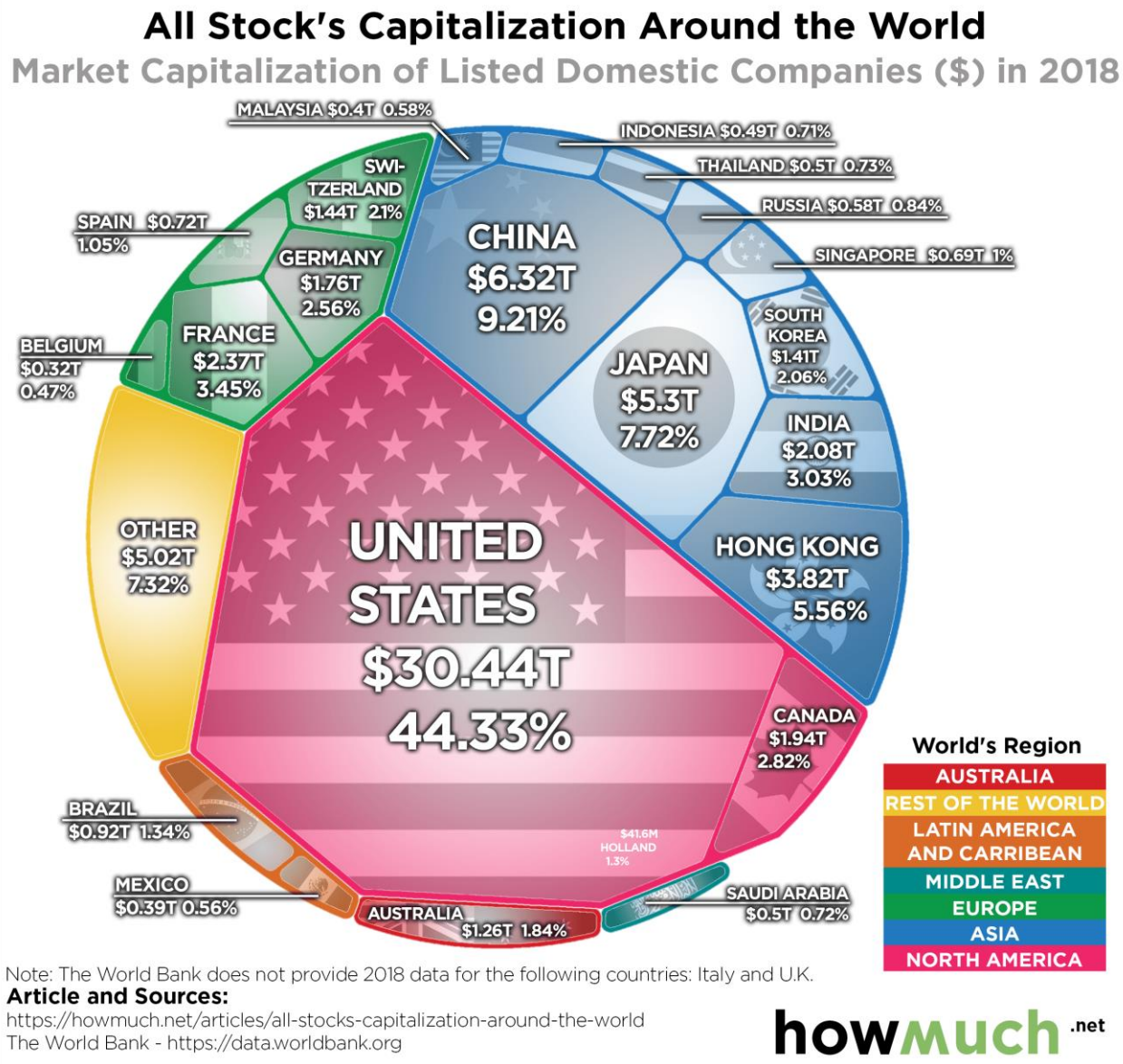
Opportunity

Target Market Opportunity

The total global stock market capital is ~ $85T (2020). More than $29T are managed by ~ 5K major institutional investors who allocate $4.5T+ to ~ 150K actively managed funds (Statista 2021). More than 99% of them are underperforming the S&P 500 Index.

Note: R6 uses the stock market to capture alpha among various asset classes such as equities (specific companies), commodities (Oil, gold,… ETFs), credit markets (Bond ETFs), real estate (REITs), and other asset class –based ETFs.

Large fund allocators, fund managers, and portfolio managers can benefit directly from R6 solution. In our opinion, with R6 past returns and low frictional costs, even private equity and VC funds may be interested in R6 investments. IIM is currently working on R7 = further optimization of R6.



About The Institute

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Appendix

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7 Sample R6 Strategies: Back-tested, forward-tested, and real-money tested

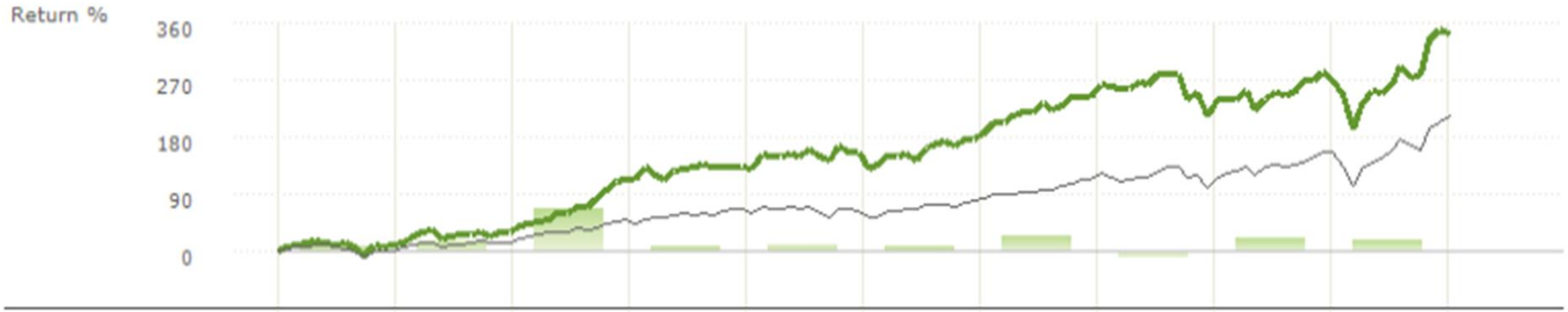
Strategy # - Bias	Algo	No. of Stocks	Stock Pick Success Rate %	Buy Date	Perf. Period Years ~	% IIM Capital Gain	% SPX Capital Gain	% IIM ARR	% SPX ARR
1 – Risk Averse (RA)	R4	32	84.3	10/14/04	16.25	**907.65**	137.64	**55.85**	8.3
1 – RA	R4	32	84.3	10/14/09	11.25	**485.26**	252.73	**43.13**	22.45
1 – RA - FT	R4	32	84.3	10/14/14	6.25	**104.3**	105.14	**16.68**	16.82
2 – Balanced - FT	R4	15	80	10/14/14	6.25	**121.74**	105.14	**19.48**	16.82
3 – Growth - FT	R4	5	80	10/14/14	6.25	**272.46**	105.14	**43.56**	16.82
4 – Growth FT	R4	4	100	1/14/16	5	**269.86**	103.3	**53.97**	25.83
5 – Growth FT	R4	1	100	1/14/16	5	**460.07**	103.3	**92.01**	25.83
6 – Real Money (RM)	**R6**	**133**	**92.4**	**1/18/20**	**1**	**106.56**	**17.18**	**106.56**	18.4
7 – RM ~ 70% Stocks	**R6**	**133**	**92.4**	**1/18/20**	**1**	**57.26**	**17.18**	**57.26**	18.4

What are your investment relative return?

- Performance as of January 20, 2021
- R6= Adaptive rebalancing vs. R4 (Subset of R6) = long-term buy and hold bias.
- FT = Live forward testing = Zero research bias. RM = Live real money in USD = Zero research bias.
- RM Strategy # 6 is 100% stocks in brokerage account vs. Strategy # 7 = Cash & Equivalents position is ~ 30% + Stocks ~70%.
- The variance in the performance among strategies is a result of fine-tuning Risk Adjust Portfolio Management (RAPM) variables in R6

Sample Live Strategy 1: This R6 portfolio is fine-tuned for risk averse, long-term buy & hold bias (R4). Weighted for less volatility and less turnover.

ARR and Volatility vs. Benchmark Index (2021.1.20)



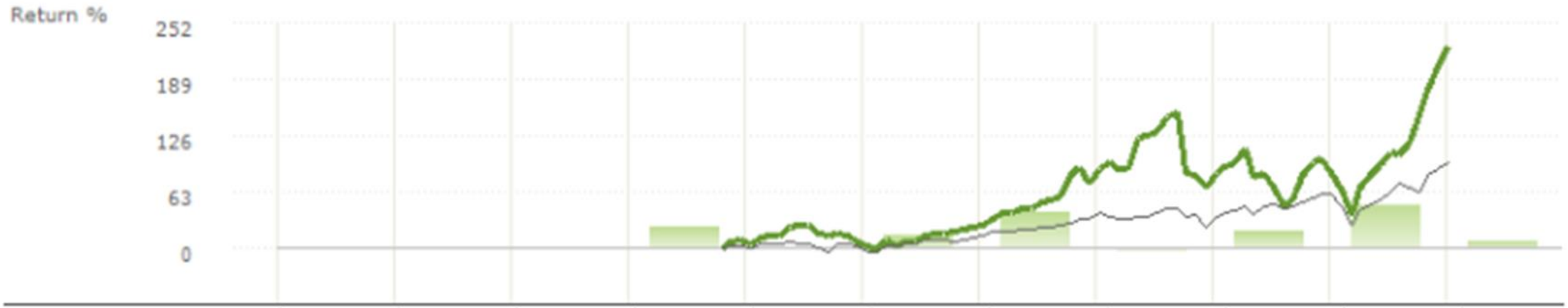
Annual Return History	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD
Total Return	6.81	19.62	66.75	8.02	10.26	8.20	23.80	-8.01	22.23	17.38	-1.33
Personal Return	6.81	19.62	66.75	8.02	10.26	8.20	23.80	-8.01	22.23	17.38	-1.33
Index Return	-0.42	13.76	30.51	10.71	-1.29	10.08	19.17	-6.82	28.73	18.76	3.19

▸ Show Holding Details

Note: Live = Live portfolio on an independent online platform that can be monitored daily (Not back-testing using local simulation server.) Portfolio composition and performance can be verified and audited independently.

Sample Live Strategy 2: This R6 portfolio is fine-tuned for target period returns for long-term buy and hold bias (R4). Weighted for more growth. No volatility consideration.

ARR and Volatility vs. Benchmark Index (2021.1.20)



Annual Return History	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD
Total Return	—	—	—	24.91	-2.31	14.06	41.34	-2.93	19.96	51.05	7.48
Personal Return	—	—	—	24.91	-2.31	14.06	41.34	-2.93	19.96	51.05	7.48
Index Return	—	—	—	10.02	-1.29	10.08	19.17	-6.82	28.73	18.76	3.19

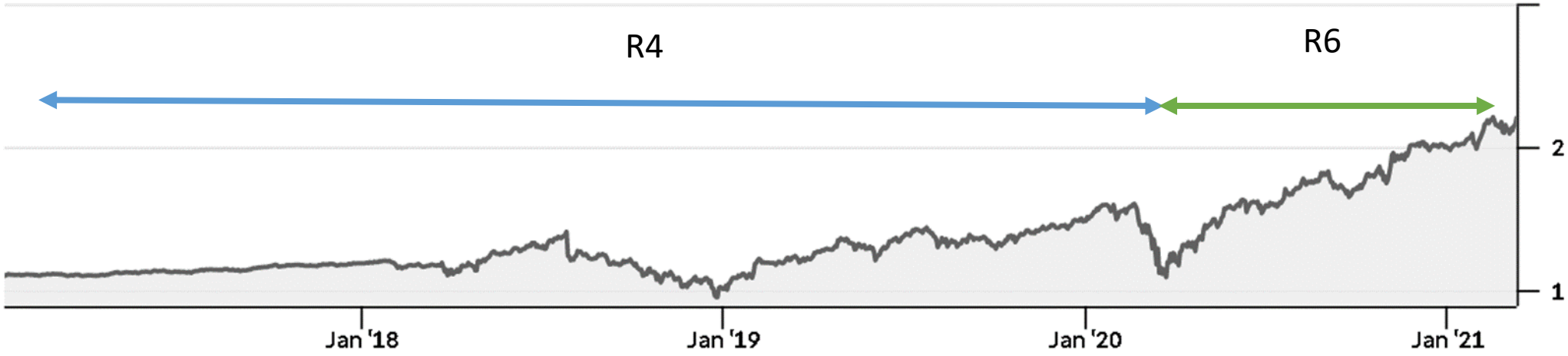
▸ Show Holding Details

Note: Live = Live portfolio on an independent online platform that can be monitored daily (Not back-testing using local simulation server.) Portfolio composition and performance can be verified and audited independently.

Sample Live Strategy 3: This Real Money Brokerage Account (2017-2021): R6 portfolio is optimized for hybrid passive (R4) and active (R6). Bias: Risk averse (30-50% stocks portfolio, rest is cash or bonds differing from one period to another), select only quality stocks, buy and hold + rebalance only on major market events

Account Balance History and Volatility (2021.2.16)

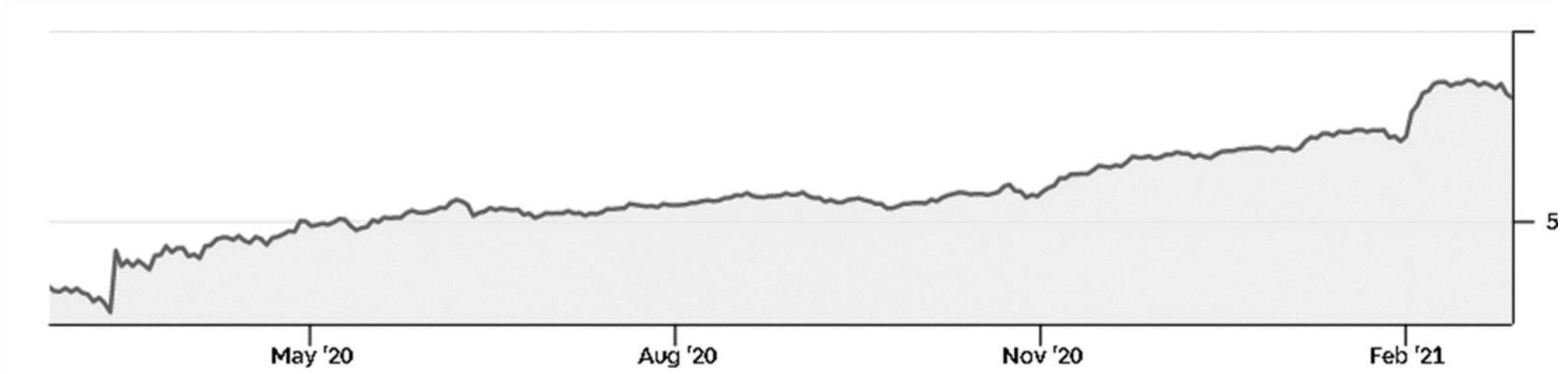
Total Capital Gains = 100.01% vs. SPX 67.26% or (ARR 25.0 % vs SPX 16.8)



Note: Current brokerage firm reporting tools do not provide index benchmarking graphs. However they do provide account balance growth graph. The Y-axis $ numbers were edited out to protect financial privacy.

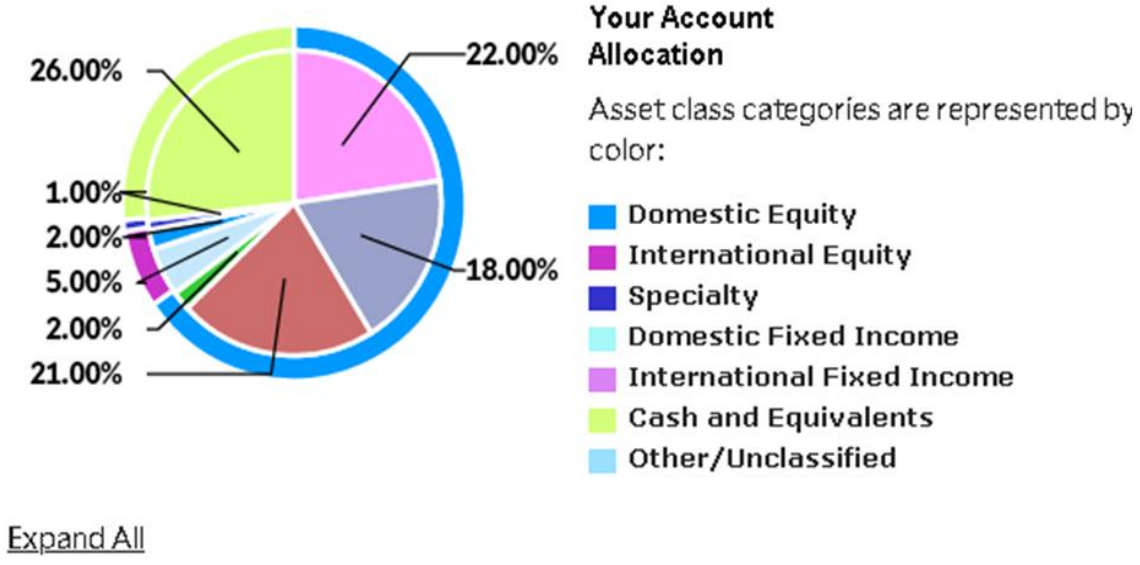
Sample Live Strategy 4: This 2020 real money brokerage account R6 portfolio is fine-tuned for adaptive rebalancing. Bias: Active investing to capture market mispricing opportunities during high volatility and uncertainty. (Considering near zero interest rate in 2020 = no bonds allocations). No consideration for cash % on hand. Risk management algo is implemented via buy, sell, hold and rebalance actions + position sizing protocols

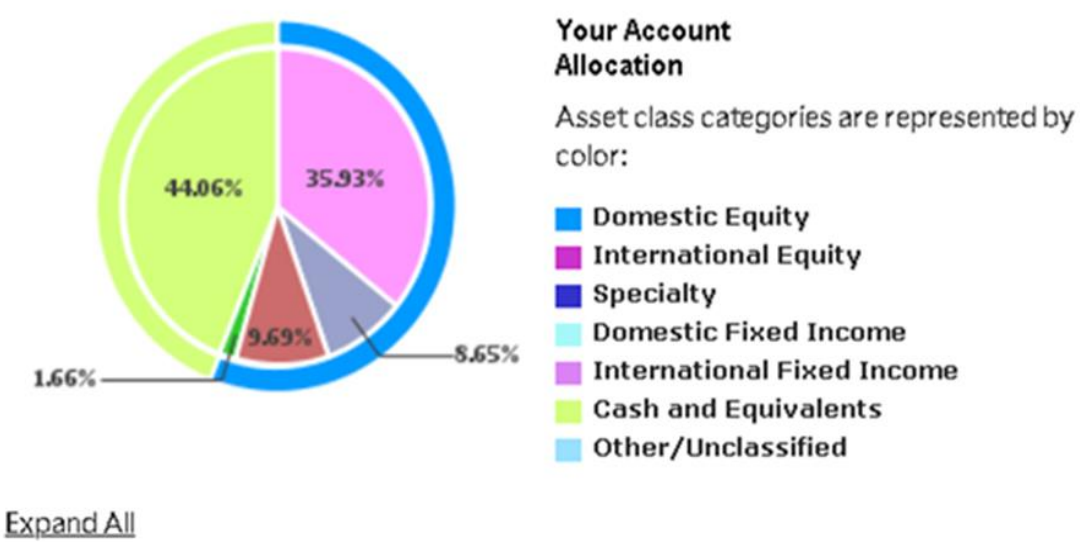
Account Balance History and Volatility (2021.1.20)
ARR 106.56% vs. SPX 17.18%



Note 1: Current brokerage firm reporting tools do not provide index benchmarking graphs. However they do provide account balance growth graph. The Y-axis $ numbers were edited out to protect financial privacy.
Note 2: R6 does not use Sharpe ratio to measure risk. It is a flawed industry metric. R6 use proprietary formulas.

The 2020 R6 real-money portfolio includes US and international stocks, most caps and sectors (oil, tech, financials, utilities, dividend income, REITs…). R6 excludes asset management industry, indices or derivatives-based ETFs, unless they can outperform individual stock picking and rebalancing. The following portfolio allocation snapshots should not be confused with the core strategy. R6 allocations are adaptive, they are not preset by predetermined static %, fixed timing or valuation metrics. Allocation may vary significantly within the same year as shown in the figures below.





2020 saw rapid market changes resulting in rebalancing the portfolio several times. E.g. in early 2020, R6 portfolio had 2 foreign stocks, then 1, then 12. Cash position went from ~ 20 to 45 to 1 to 12%. Not actively rebalancing for fear of making mistakes (or “hoping” markets will bounce back soon) as well as overreacting to volatility can result in underperformance. Accurately rebalancing the portfolios has helped achieve superior performance by capturing new mispriced opportunities and avoiding emerging risks in the short and long terms. R6 is not a crystal ball, but it has an improved accuracy as a result of 20 years of continuous algorithmic improvements and optimization.

Real Money Live Portfolio Performance Notes

- **Strategy:** As of Jan 20,2021, R6 did not employ any leverage, derivatives, day trading, or social media plays. The portfolio does not include the usual suspects of 2020 high flyers, such as TSLA, GME, Bitcoin, and Moderna. This does not means that R6 will not buy the aforementioned assets in the future (if they show up in R6 with the right score)
- **Stocks Turnover:** Some stocks may be held several years while others are held for less than a quarter. R6 score changes with emerging risks and opportunities (e.g. loss of a patent lawsuit, potential delisting of certain Chinese stocks due to trade war, etc.).
- **Reporting Bias:** Unlike Excel sheets or local back-testing simulation software that can suffer from research bias or can be manipulated for favorable testing results, R6 portfolios were applied in live forward and real money (brokerage account) tests on independent third party online platforms. The performance graphs are generated by the independent platform not IIM.
- **What is Next:** IIM is in the final phases of working on R7, a more optimized version of R6 with the objective of incorporating lessons from 2020 errors (losses and missed opportunities) to improve the win-rate, risk management, and alpha performance.