

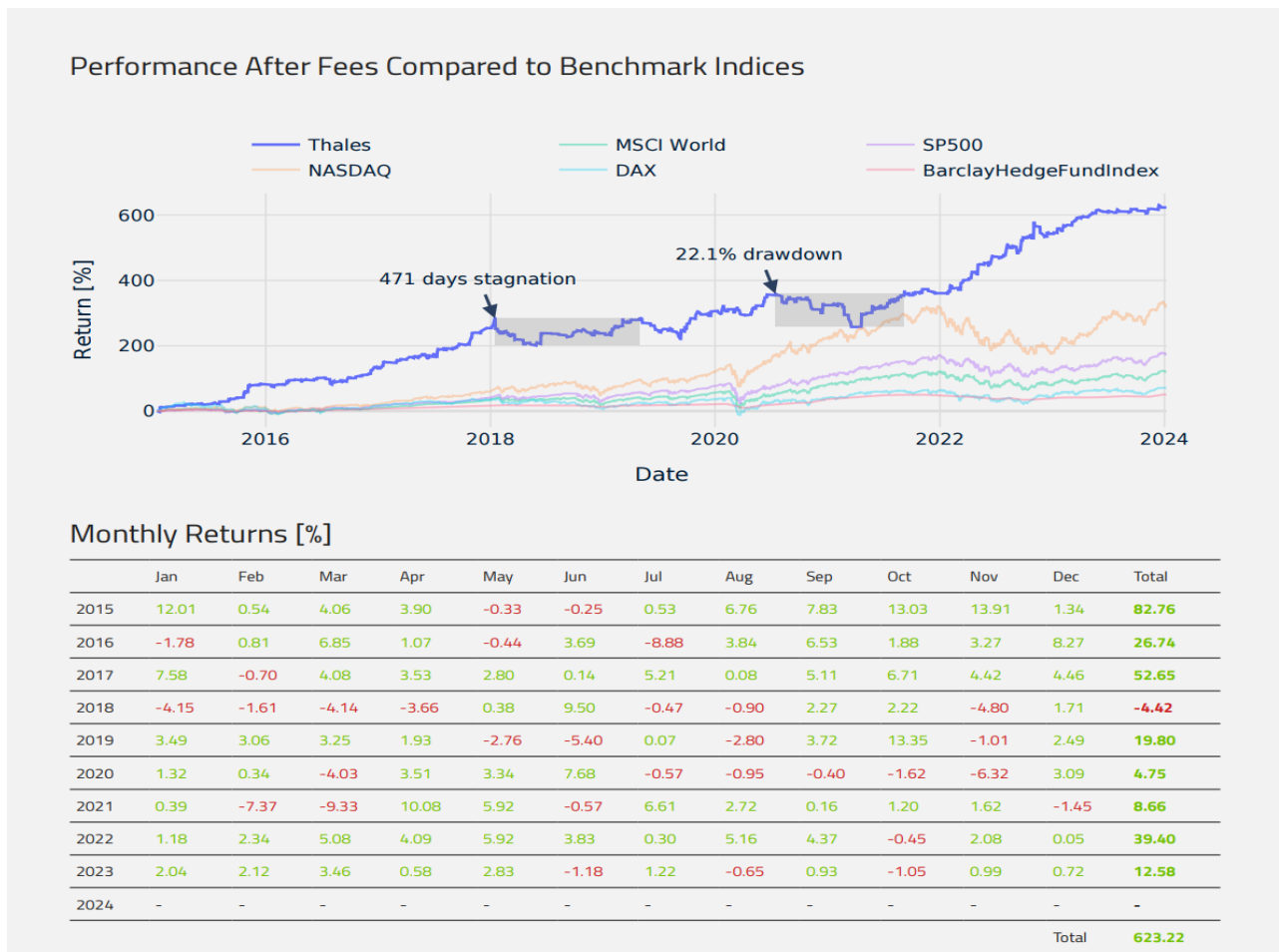
Finbou Thales - Investor Letter 2023

Dear investors,

The strategy ended the year up 12.58% net of fees for the value-at-risk (VAR) 9% variant. The maximum drawdown for the year was 2%. For other risk variants, please access the Finbou website.

We are excited to announce a few operational changes in this letter and hence diverge from the typical format this time.

Strategy monthly net of fees returns at 9% VAR



2023 in a nutshell

The FX market was rangebound throughout the year, with EURUSD observing a narrow, 700-pip range. Equity markets were choppy, as expected in Europe, though the US markets saw a marked upside, mainly due to the overperformance of technology stocks.

We continue to believe that equity markets are due for a decade of choppy returns, as years of excess liquidity and tighter interest rates take hold of the economy. We remain skeptical of central banks' ability to cut interest rates in tandem with market expectations and see inflation staying more persistent in 2024. While rates may be cut slightly, history suggests that keeping inflation down at 2% is more challenging than getting it below 3%. Central banks are being caught between a rock and a hard place in terms of killing inflation without killing growth. This implies that rates will need to be held higher for longer until a recession forces them to be cut.

Evolution of our risk-management

Overall, our process and risk management have meaningfully improved compared to past years, hence we were able to provide solid returns despite more challenging market conditions. We kept our risks lower, as opportunities were overall scarce in the current environment. We have also optimized our execution, meaning the strategy has higher capacity.

Looking forward, we recommend our investors to look at the past two years' return and drawdowns to gauge what is realistically achievable under different market conditions. In a more subdued market, we believe we can return in the range of 8-15% net of fees for the 9% VAR variant, with a drawdown maintained in the range of 5-10%. In a more volatile market, as in 2022, we believe 30%-45% returns are obtainable.

We do not recommend our strategy as a short-term investment. While we have traded without significant drawdowns in the past, this does not mean there will not be any in the future. While we expect to meaningfully outperform the S&P 500 on a 5-year time horizon, especially on a risk-adjusted basis, the shorter the time horizon, the more random the outcome.

We are firm believers in not having short-term performance targets. We think this only leads to chasing performance. However, we also think it is crucial for expectation management that investors know what to expect in the long run, and our track record is the most objective proof of that. This should help you to choose your risk profile and investment horizon accordingly.

Interest rate offering

With the transition to a high-interest-rate environment, we have been looking for ways to boost our returns as the strategy stays in cash between events. Previously, we could not invest our cash in risk-free bonds between events, but this will become possible as of H1 2024.

This option will be available for professional clients under a new Darwinex-powered Actively Managed Certificate (AMC structure). We are working on bringing this option to all Thales investors in the future, subject to regulatory requirements and a new fund structure, sometime in H2 2024.

We expect this to boost **returns by 3%-4% on annual basis risk-free**, depending on the VAR variant, the developments in the short-term interest rate markets, and the investor's currency of choice.

Operational changes

The strategy will be rebranded to AKThales¹ in H1 2024. As a result, the following changes will take place

1. AKThales will become an appointed representative of Darwinex and a new dedicated website for Thales strategy will be launched to service our clientele.
2. Investors will still be able to track their performance via Finbou and their Capriva logins. In practice, nothing changes for existing investors.
3. With the launch of the new website, investors will have more visibility on the team behind the strategy via customized content creation and strategy insights.
4. This will be the final investor letter under the Finbou format. We will move to a new monthly letter format sometime in H1.
5. On top of the existing Capriva and Darwinex offerings, we will provide the strategy in a new interest-earning format.
6. Close cooperation with Finbou will be maintained, and Finbou will act as the sole introducer to the strategy in Switzerland.

We would like to thank our investors for their trust and look forward to working with you under our new structure. We continue to think that the outlook for our strategy stands in stark contrast to the more traditional asset classes, which are likely to experience a decade of choppy returns. We remain adamant that we can provide our investors with significant alpha, a strong hedge, and capital protection in this challenging environment.

Sincerely,

Finbou & Aarnikotka team

DISCLAIMER

¹ AK is an abbreviation for Aarnikotka, which stands for Gryphon in English. In Greek mythology Gryphon acts as a guardian of a treasury. We consider that an appropriate symbol for us, as we also act as stewards of our investors capital.

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