



BINARY CAPITAL

Binary Capital Investment Management



Chief Investment Officer Note

Taking Risks for Rewards

Long-termism shapes our relationships and our investments.

October 2021



binarycapital.co.uk

Taking Risks for Rewards.



Performance is central to everything we do. We focus our time around creating value-add performance across all our investment strategies. In market downturns we remain patient to benefit from the eventual upturn. By staying resilient and focused, we are capable of producing investment returns far from index-like and industry peers. This investment philosophy is unique to Binary Capital IM and one we look to refine and develop every single day.

Authored by:



Saftar Sarwar

Chief Investment Officer

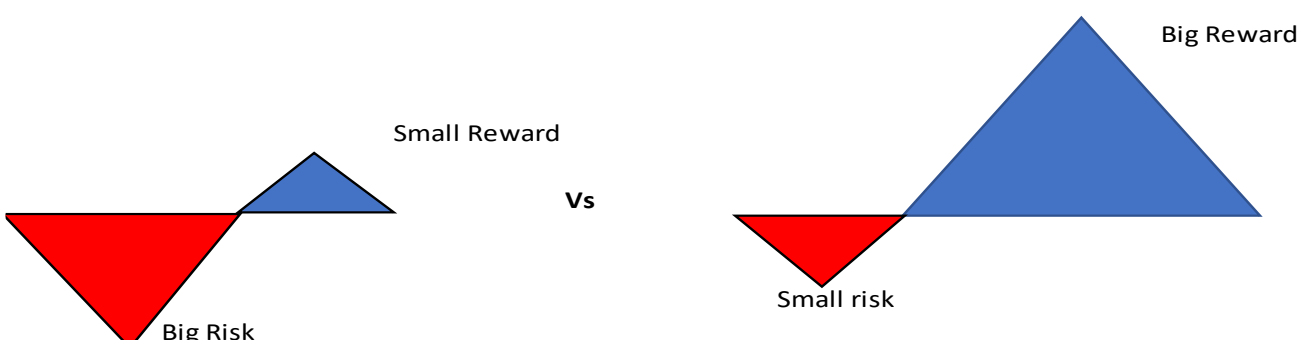
saftar.sarwar@binarycapital.co.uk

It is pleasing to report good performance numbers for October 2021. Our higher risk active portfolios returned +1.5% to +2% during the month. Our year-to-date numbers across our portfolios are also impressive, ranging from +8% to +13%. This is very good progress. These returns numbers build on our excellent work since inception of the strategies. Consistency in our investment strategy is now beginning to become normalised. Patterns are developing. Themes are playing out.

We remain committed to our investment philosophy. We remain committed to generating quality returns for clients for the long-term across different risk strategies. We remain committed to being different.

The growth themes we focus on continue to develop into real returns for clients. We like investments in technology, healthcare and biotechnology not in themselves, but because they are the *future* sectors that will thrive in an increasingly complex economic environment. Out of the thousands of stocks listed globally we want exposure to the top 0.2% - those top companies will generate the real returns in the coming years: the real outlier winners in a range of average performers. We are willing to take on that small risk for the significant return – **small risk to big reward**. This month is a good example of that, the peer group return is around +1% , some of our portfolios have returned more than double that peer group return.

Asymmetrical Risk vs Reward

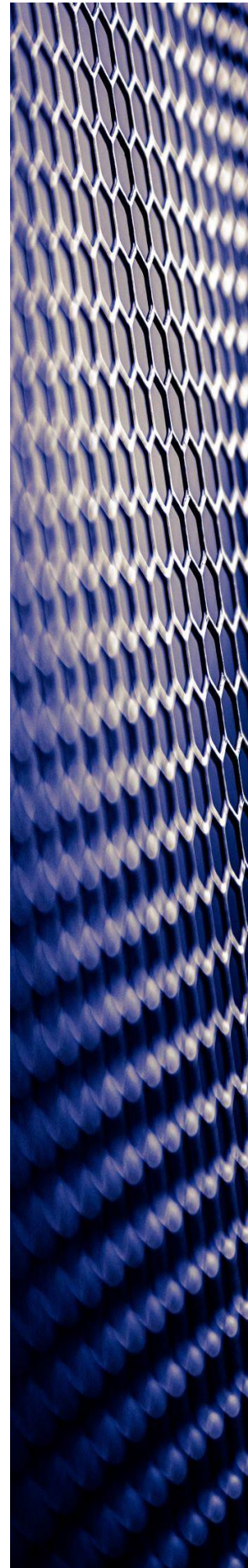


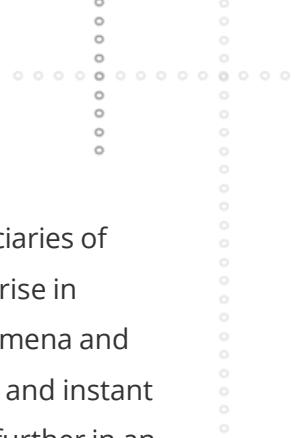
This asymmetrical return pay-off is what we seek and aim to deliver for clients: small risks, significant returns. The growth theme that runs through our investment portfolio is ever present. This theme in our minds, defines how the world is evolving from one of stability to disruption: disruption of industries, people and politics. The stability of the past will return in a more meaningful manner but not before we have witnessed further changes in the business, personal working and general physical landscape.

The narrowness of investment returns in the coming years will mean that active managers will increasingly find it difficult to generate excess returns, so selecting the funds and underlying investments will become very important, more important than ever. This is an area of investment work that we take very seriously with dedicated investment resource around this. We fully understand selecting the future winners takes time, effort and patience. By having a growth bias in the portfolios and thinking in selected themes we believe we are able generate those asymmetrical returns that we seek. By remaining resilient and calm when encountering stressful market movements through difficult periods will also, we believe, be beneficial to returns over the long-term. This requires a psychologically strong mindset.



With high conviction also comes responsibility. Our asset allocation composition is also based around a global investment outlook - there is no immediate focus or 'home anchor' to the UK. We actively seek the best investment solutions from a global perspective. The UK does not have a monopoly on the best investment ideas. The US and China is a core investment focus.





Like healthcare, technology and biotechnology investments, the US and China will be beneficiaries of tailwinds that are long-term secular trends: longevity, the rise of the global middle class, the rise in savings, the movement towards societal leisure. However, there are other interesting phenomena and themes developing such as the ability for consumers to be decision makers with easy access and instant democratic choices. These are examples of trends that will continue to and start to develop further in an exponential manner, we can call it long-term consumer exponentiality.

Over a typical one year to three-year period, we aim to out-perform (after fees) an equivalent benchmark index. That is the target we set. We believe this is possible with the investment strategies that we adopt. By only having our best ideas in the portfolios we aim to deliver returns that are superior, consistent and offer quality from a risk adjusted basis i.e., the sharpe ratio is also of a high level (return per unit of risk). Looking at the wider investment market and the plethora of closet-indexation solutions out there, we genuinely differ, and differ in a good way. If clients want indexation there are plenty of index products out there in the market run by some great investment managers, if you want genuine growth focused, active managers then that space is very limited: we are one of a few.

I look forward to the challenges ahead because they themselves will present opportunities to better ourselves, be better investors and serve our clients to the utmost.

This is what we do.

Saftar Sarwar
Chief Investment Officer
October 2021



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Contact Us

+44 (0)203 943 5080

info@binarycapital.co.uk

15 Half Moon St, Mayfair, London, W1J 7DZ

