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A stock strategy based on the theory of a Nobel laureate.

A stock portfolio that achieves very good returns thanks to the application of the theory of a Nobel Prize winner: Zurich-based asset management AGFIF International has launched a corresponding product. Director Mojmir Hlinka explains in an interview why this is "unique in the world".

«trends & style»: Mr. Hlinka, there are thousands upon thousands of financial products. AGFIF International, of which you are a director, has now developed a proprietary equity product: an actively managed tracker certificate on the Global Behavioral Equity Index. why is it needed

Mojmir Hlinka: Quite simply: to make the tried and tested, successful and unique investment strategy, which was previously reserved for clients of AGFIF International, accessible to a broad group of investors.

Mojmir Hlinka

What's unique about it?

AGFIF International has been advising clients for 20 years using scientific findings from behavioral finance and consistently implementing them in asset allocation. With the use of behavioral finance, we gain insights into the investment behavior and goals of our customers so that they do not fall into the typical psychological traps on the financial markets. And behavioral finance always gives us ways to use the irrationality of the stock market for investment opportunities. The result is a long-term outperformance compared to the world stock index (Total World Stock Index).

What type of investor is this certificate suitable for?

It is suitable for investors with a long investment horizon who want to spread their risk but do not have the financial knowledge to select from the huge universe of stocks those with long-term price potential and a dividend history. Second, we are addressing investors who already have experience and have come to the conclusion that they lack the know-how and time to recognize the risks or opportunities in the often confusing price and market movements. And thirdly, the certificate allows you to pursue a strategy with comparatively little money that would otherwise only be obtained through a consulting and asset management mandate.

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You talk about the psychological traps on the stock exchanges, which you either avoid or use as an opportunity. How do you pour this investment strategy, in which you buy and sell individual stocks, into an equally functioning financial product?

We do this through a selection of global equities, which we select on the basis of fundamental research, thus achieving a broad risk diversification. The second element is an algorithm that follows a set of rules based on years of calculations and experience of behavioral patterns. This allows us to identify potential returns that result from two different market analyses, which often contradict each other. Again: We avoid stock market pitfalls and take advantage of the opportunities that arise from them. Incidentally, we have the support of a Nobel Prize winner …

… How did you do that?

Daniel Kahnemann developed the prospect theory together with Amos Tversky in 1979 and received the Nobel Prize in Economics for it in 2002…

… What is the prospect theory?

It states that our risk behavior differs depending on the expected event and that we therefore act irrationally. This is evident time and again among investors: they sell well-performing stocks too early and hold losers for too long. This is what is known as the disposition effect: gains give us less pleasure than losses give us pain. In other words: Investors have a tendency to sit on "portfolio corpses" instead of making a fresh start.

And using the algorithm prevents this irrational behavior...

… Exactly. It gives us buy and sell signals early on because it recognizes this behavior pattern based on its trend analysis. You see, when investing, the same important question always arises: Should I orientate myself on the momentum, i.e. on the "move" of a stock, so to speak? Or should I stubbornly stick to the fundamentals, such as stock price-earnings ratios? With the certificate we do both and the prospect theory helps us decide what should be given more weight. This is unique in the world!

Stocks

Where do you get this scientific know-how from?

We have a competent and experienced research team, an investment committee and an advisory board with prominent members such as Bernd Schips, emeritus ETH professor and former head of the economic research center KOF/ETH, economists Eugen Perger, Thorsten Hens, professor of financial economics at the University of Zurich, and Enrico De Giorgi, Professor of Mathematics and Statistics at the HSG. For the algorithm, we use Behavioral Finance Solutions, a spin-off from the Universities of Zurich and St. Gallen, which offers innovative solutions based on academic research and behavioral finance.

It is noticeable that the certificate contains stock giants such as Apple or Amazon, but also Swiss small and mid-caps such as Komax or Comet. What's it all about?

The algorithm gives us clues as to how the different sectors are behaving. Then we select the stocks. This involves choosing giants such as Apple, and sometimes also choosing smaller stocks such as Comet in Switzerland, whose activities in the field of radio frequency technology we believe have a very promising future.

The obligatory question: how satisfied are you with the performance so far?

We launched the certificate in the middle of a turbulent market phase. The price is now pointing upwards again and is already slightly outperforming the benchmark.

Tracker Certificate on Behavioral Global Equity Index
ISIN **CH1129860354** *| Swiss Security Number* **112986035** *| SIX*
Symbol **UYHLTQ**

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