AIα Lab

Terms of subscription
Monthly S&P 500 Long/Short Strategy

15. May 2023

1. Conditions

1.1 Investment analysis
It is emphasized that the subscription is to be considered investment analysis and thus does <u>not</u> 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 Long/Short 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 month. At the same time the strategy goes short in the S&P 500 Index to remove market beta and gain as pure exposure to the AI-model's stock picks as possible. The amount allocated to the stock picks is 50% of the total capital allocated to the strategy. The remaining 50% of the capital is used on a bear ETF, which is short in the S&P 500 Index.

1.3 Risk profile
The risk profile of the strategy is medium to high. 50% of the capital in the strategy is concentrated on only 5 stocks, but the overall risk is lowered by the fact that the other 50% of the capital is allocated to a bear ETF shorting the S&P 500 Index (which the 5 stock picks are part of). 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.

<u>It is important the subscriber understands that the risk-management of the strategy depends on the position in the bear ETF shorting the S&P 500 Index.</u> If the subscriber does not buy the bear ETF the risk profile of the strategy changes to very high. Altering the ratio between the capital allocated to the AI-model's stock picks and the bear ETF will naturally also change the risk profile of the strategy.

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 monthly report and payments
The monthly report with the 5 stock picks is made available to the subscriber via the subscription homepage no later than the 3rd banking day of each month. The monthly report also contains information on the strategy and the historical returns.

It is not essential which month the subscriber enters the strategy, but it is recommended to follow the strategy and adjust it every month, 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 60/40 (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 monthly report is for the subscriber only and may under <u>no circumstances</u> 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 monthly 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 [MAR 12 month overview of investment recommendations](#).

3. Disclaimer
AI Alpha Lab assumes no responsibility for decisions that are made or carried out based on information in the monthly 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 monthly 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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It is emphasized that historical returns, whether actual or simulated, are no guarantee of future returns, and returns may vary as a result of currency fluctuations.

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