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Bufferfund adds first Nasdaq 100 certificate

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Dutch open-ended investment fund which invests in structured products has bought its first certificate linked to the Nasdaq 100 index on October 26.



Bufferfund, which aims to outperform its benchmark, in the long-term, by investing in capped bonus- and discount certificates listed in Germany, while at the same time achieving a lower volatility than the index, had up until now always focused on certificates tied to the Eurostoxx 50, according to Marcel Tak (pictured), statutory director and fund manager, Bufferfund.

“However, because of the sharp increase in the volatility of the Nasdaq 100, and with that the implied volatility in the bonus certificates on this index, we decided to purchase the certificate,” said Tak.

The capped bonus certificate on the Nasdaq 100 has a potential return of over 10% in the next 10 months and a negative premium of 3%, which makes it 3% cheaper than the index. “A prerequisite for a positive return is that the Nasdaq 100, at no time during the investment period decreases by 24% or more – from the moment of purchase until it matures in September 2019,” said Tak.

The fund is actively managed to ensure that certificates are not affected by a barrier breach, which would result in missing out on the bonus return, but despite purchasing the certificate, Bufferfund does not necessarily have a positive view on the Nasdaq 100, according to Tak.

“Our decision to buy certificates is based on the attractiveness of the ratio between the risk, the maximum decrease in price allowed to collect the bonus return, and the potential maximum return,” said Tak, adding that Bufferfund does not trade on a vision based on the direction of the financial markets.

October was a difficult month for Bufferfund. Financial markets took a step back and the volatility increased. Due to a good last day of the month, the damage to the Eurostoxx 50, the funds benchmark, was eventually “limited” to a loss of 5.85%, while Bufferfund itself lost 2.02%, according to Tak. Year to date the Eurostoxx 50 has lost 5.7% compared to a loss of 0.94% for the fund.

Bufferfund was launched on August 18, 2016 and has achieved an annualised return of 3.80% since inception. The fund was priced at €108.52 on October 31, 2018.

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