What is systematic management?

The management of equity portfolios can be performed on a discretionary basis, a systematic basis or a combination of both approaches. Systematic portfolio management is gaining traction as it often provides better returns, lower deviation from an expected outcome, improved discipline and control, full transparency and consistency of the rules governing investment decisions and lower costs.

Systematic management can easily fit into most investment strategies (value, growth or contrarian) as the starting point is the universe of stocks that satisfy the defined qualitative or quantitative criteria. These systems are then used to decide the selection and timing of investments.

The underlying models are usually tested across years of history to validate the added value they can generate across different market cycles (bull trends, bear trends, ranging phases, high and low volatility) and across a large number of securities. After the testing phase, a real-life validation is required to confirm the quality of the models.

Why the growth of systematic management?

Some of the best performing hedge funds are purely systematic, and are proven to outperform a number of discretionary peers. Even some of the largest asset managers have recently moved the management of funds into systematic processes.

This trend is accelerating due to the following:

- A systematic approach seems to be more in tune with the increased complexity of trends in individual stocks that are impacted by a variety of factors such as big money flow, sentiment, social media, which can overwhelm fundamentals.

- A systematic methodology can avoid some of the usual pitfalls of human judgement and behaviour (the disposition effect, biases, attachment, tendency to forecast) and rather operate following the golden rule of investing – *let your profits run and cut the losses*.

- A well tested model offers less deviations from expected outcomes under different market scenarios.

- A model can save time and money.

- A systematic approach can offer the opportunity to launch new investment lines and products, or can be used as an overlay to the existing strategies.

However, the performance of a systematic strategy over time is only as good as the models used.
How it works?

Trendrating provides a well proven solution to investors interested in systematic management of equity portfolios. Best practice suggests using models that have been extensively tested across at least 6 different market cycles and on different equity markets and a large statistical sample of securities. Traditional models must be easy to understand, transparent (with no black box/AI mystery) and actionable.

**Trendrating is the key.** If your desire is to manage equity portfolios on a fully systematic basis we have the technology for you.

The foundation is our unique “trend capture” model based on pattern recognition.

**The Trendrating Systematic Management System ticks all the key boxes of robustness:**

- Tested in sample on 20 years of daily data (c.1988-2008) for over 15,000 listed securities on 10 markets.
- Validated out of sample on 5 years of data (c.2009-2014)
- Used by our customers since 2014.
- Built on a sophisticated pattern recognition algorithm with transparent rules.
- Uses self-adjusting time windows for more accurate results.
- Generates an easy to use rating methodology where A and B rated stocks tend to outperform those rated C and D.

**The Trendrating Systematic Management System solution:**

1. Our proprietary, sophisticated model *generates alpha via trend capture*.
2. The software is based on a high-performance engine to leverage the model via building, testing, optimizing and managing an investment strategy.
3. We also supply data feeds that can be easily ingested by proprietary or third-party software applications.

**The offer**

If you want to manage equity portfolios on a fully systematic basis, we have the technology for you. **The foundation is our unique “trend capture” model based on pattern recognition.** This is part of our software solution and is part of a sophisticated engine that enables:

- **The design, back test and optimization** of investment strategies.
- **The implementation, tracking and maintenance** of systematic portfolios.

Our ratings model and ranking tool can be used as an overlay to any factor-based strategy, as a way to maximize alpha from any specific investment style.

- The Trendrating solution is based on a “pattern recognition” algorithm that processes a large volume of data.
- The algorithm works on a multi-factor analysis and uses a self-adaptive, flexible time window. When the different factors are in synch there is a high probability that a relevant trend is in place. The dynamic time window enables a timely identification of an emerging trend and the multi-factor approach supports an effective filtering of price noise, short term volatility and false moves.
Trendrating provides advanced analytics designed to capture trends, identifying most of the winners and avoiding a large part of the losers within a yearly horizon. Our model offers a unique rating of trends where A and B indicate a bull trend and C and D indicate bear moves. We provide a unique edge where A and B rated stocks on average outperform those rated C and D.

The ability to capture trends, profiting from bull markets and avoiding bear phases is the key to superior performance on a consistent basis. Investors that have a good understanding and a disciplined respect for the specific price trend of securities outperform those that don’t.

Any investment strategy can be enhanced by a better synchronization to trend development.

Most investors use numerous metrics based on fundamental and quantitative data, but very few measure in a proven, objective and systematic way, the real direction of price trends and remain hostage to market noise and opinions, despite the fact that **capturing trends is the key to better returns**.

**Performance dispersion is there to be captured by smart investors**

We provide a unique edge where A and B rated stocks on average outperform those rated C and D.

The ability to capture a good part of the “performance dispersion” across stocks can dramatically add alpha and produce superior performance on a consistent basis. The dispersion is a repetitive phenomenon year after year.

Trendrating developed a unique pattern recognition algorithm that makes possible to capture a large part of the top 50% performing stocks and avoid most of the bottom 50% performers with a medium term horizon (6-to-24 months).

The distribution of performance across stocks is a great opportunity if one has the right tools to capture it.
Trendrating provides advanced analytics designed to capture trends, identifying most of the winners and avoiding a large part of the losers with in a yearly horizon.

Our model offers a unique rating of trends where A and B indicate a bull trend and C and D mark bear moves. **We provide a unique edge where A and B rated stocks on average outperform those rated C and D.**

The solution is a powerful complement to the existing analytical process of active equity portfolio managers.

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### The dispersion of performance

<table>
<thead>
<tr>
<th>STOXX Europe 600 Performance*</th>
<th>S&amp;P 500 Performance*</th>
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<tbody>
<tr>
<td><strong>Index</strong></td>
<td>+23.2%</td>
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<tr>
<td><strong>Top 25%</strong></td>
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<tr>
<td><strong>Middle 50%</strong></td>
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</tr>
<tr>
<td><strong>Bottom 25%</strong></td>
<td>+1.7%</td>
</tr>
</tbody>
</table>

*12 months ending December 2019.

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**Trendrating edge**

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**We offer a simple 3 step process:**

1. **Access to the Trendrating platform.**
   a. Define the investment universe and any other constraints.
   b. Full support of Trendrating to design one or more alternative strategies.
   c. Testing and documentation of the results for up to 10 years with Trendrating.

2. **Real life test**
   a. Test in real time the performance of the strategies for a defined time.

3. **Execution**
   a. If satisfied with the results of real life test, sign a license agreement with Trendrating and start making money.
Discover how you can also benefit from our Solutions, and join our 100+ premier clients.
Contact us at info@trendrating.net or visit www.trendrating.com to discover more.