



Trendrating
Systematic Management Solution



SYSTEMATIC MANAGEMENT SOLUTION

POWERED BY TREND RATING

STATE OF ART SOLUTION TO CAPTURE
THE BENEFITS OF SYSTEMATIC MANAGEMENT

The Challenge

The active management of equity portfolios and funds has been facing increasing challenges over the past decade. Fundamental valuations and Price Trends are often no longer in synchrony and significantly dislocated. The reason is that these trends are now driven by large institutional money flow that is often influenced by a complexity of other varying factors. These typically include social media sentiment, 24x7 global news coverage, macro-economic and political events.

Generating superior and sustainable performance has proven to be challenging, as is evident when one looks at the track record of mutual funds. According to S&P, 80% of managers underperform the relevant benchmarks (Source: S&P SPIVA Report).

At the same time there is a growing burden on investment firms to stay profitable with added pressure on executives to find avenues to make their operations more efficient and drive down business costs, including research expenditure.



The Opportunity

However, opportunity does exist for active managers particularly for those who are open to adjust, innovate and evolve dynamically. Using fundamental analysis to select stocks is certainly a stable approach. However any universe of securities with a specific quality criterion will produce a significant number of underperformers during a 12-month time frame.

Active managers have a reasonable chance to beat passive strategies in a more selective environment. The performance gap between the best and worst performers is vast and exists in all market cycles. Passive products, after years of spectacular success, may face a bumpy road in the newly adjusted equity market environment.

Active management as a concept is now re-trending, as modern tools and methodologies are available to analyze “Big Data” to help measure the strength and quality of price trends in a more unpredictable and less fundamentally driven market.

Being in synchrony with price trends, capturing a good part of the winners and avoiding a fair share of the losers, is a critical part of any investment strategy.

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.

The **Trendrating Systematic Management Solution** offers a flexible framework that facilitates the creation and back testing of highly customisable systematic strategies in its **Advanced Strategy Builder (ASB)** module, and the translation of each strategy into a live portfolio through its **Systematic Portfolios (SP)** module. The SP module facilitates performance tracking, rebalancing, and detailed analysis of each SP created using the SMS.

Why the growth of systematic management?

Some of the best performing hedge funds are purely systematic and are proven to outperform several discretionary peers. It is a well-recognised fact that the largest of asset managers have recently turned the management of funds into systematic and automated processes.

This trend is accelerating:

- ✓ A systematic approach is proving to be more in tune with the increased complexity of trends in individual stocks that are impacted by a variety of factors such as fund flows, sentiment, social media, all of 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.**
- ✓ Systematic processes are underpinned by well-tested models ensure fewer deviations from expected outcomes under varying market scenarios.
- ✓ Systematic investment management processes carry fewer cost of operations as they require smaller teams to manage the investment process.
- ✓ A systematic methodology facilitates a nimble yet structured approach to launch new investment products, that can be based purely on a model analytic or the model analytics can be implemented as an overlay to existing stock selection processes thus encapsulating a fundamental stock selection process within a systematic portfolio construction process.

Our customers and Partners

We serve more than **100 institutional customers** globally, which use **Trendrating** as part of their **investment decision process in Asset management, Wealth Management, Private Banking, Advisory & Hedge Funds** to maximize returns and control risks. Our key strategic partners include **Bloomberg** and **Euronext**.

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Trendrating Systematic Management Solution – The Game Changer

Trendrating has developed a unique methodology to rate price trends with a time horizon of 6-to-18 months. Our proprietary pattern recognition model assigns a rating **A,B,C,D** to over 15,000 listed securities globally. Trendrating's Model is well validated across decades of history and is used by hundreds of premier institutional investors and available via distribution partners including Bloomberg. The Model provides a critical investment edge where A and B rated stocks tend to outperform those rated C and D. The measurable benefit is a more effective capture of the performance dispersion across stocks.

The SMS is a powerful system that uses the rating Model and other advanced analytics to build, test and execute tailored investment strategies, from over 50 user defined parameters to choose from. The portfolio manager selects the list of stocks that satisfies a specific criterion (Large Cap, Value, Growth, ESG, etc.) and SMS selects the stocks with the highest probability of superior returns to be rebalanced monthly or quarterly.

SMS facilitates performance tracking, rebalancing and detailed analysis that can be exported in PDF/Excel format. Buy/Sell lists are generated automatically on the rebalance date and are traded outside of Trendrating.

SMS is a disruptive innovation that can deliver value, efficiency, and cost control. Adopting SMS is a zero-risk decision, as the initial test, analysis and validation of the strategies are offered at no cost. This allows any member of the investment team to directly evaluate the results before making a purchase decision.

The Proposition

A SIMPLE 3-STEP PROCESS

1. Access

- Define the investment universe and any other constraints.
- Full support from Trendrating to design one or more alternative strategies.
- Testing and documentation of the results for up to 10 years from Trendrating.

2. Evaluate

- Assess exactly how the engine can construct, test, optimize and manage systematic equity products.
- Test portfolio rebalancing and performance tracking capabilities by monitoring live strategy performance.

3. Execute

- If you are satisfied with the results of real-life test and simulation. Sign a License agreement with Trendrating to start to benefit from the fully automated workflow of creating and managing systematic strategies.



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

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