



**Trendrating**  
**Alternative Data and Advanced Analytics**



### TRENDRATING – DELIVERING ALPHA.

### MEASURABLE, ACTIONABLE, REPEATABLE.

ALTERNATIVE DATA AND ADVANCED ANALYTICS  
THAT ADD AN EDGE TO YOUR INVESTMENT STRATEGY.

Portfolio Management is becoming more complex and challenging. Delivering superior returns for active managers and stock selectors on a consistent basis requires the adoption of advanced analytics and state of the art technology.

Price trends are impacted by a variety of factors that go beyond the purely fundamental metrics.

#### Make Trends work for you

**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.**

**Traditional indicators from technical analysis and chart pattern studies often yield inconsistent results across different cycles and market types. Traditional momentum investing tends to be late as it uses fixed time windows that may require time to adjust to fast changing trends. But a new generation of sophisticated models has emerged to fix this.**

Trendrating fills a critical gap of market intelligence by providing a methodology to support a better synchronization for individual stock and sector trends that makes the investment decision process more accurately informed about the factor that impacts performance the most – **medium term trends.**

#### Trendrating Advanced Analytics Data Feed

With the Trendrating Advanced technology you can evaluate the direction and the quality of medium to long-term price trends of **20,000 instruments** covering **stocks, ETFs, indices, sectors, countries, commodities and currencies across 40+ countries.** Trendrating is equally effective at identifying meaningful trends at the macro level, as well as screening from the bottom up to validate or generate new ideas. The Trendrating alternative data is a service delivering analytics on stock market trends.



### Supporting a broad range of tasks:

- ✓ Validating investment ideas and analysts' opinions.
- ✓ Identifying new investment opportunities across markets and sectors.
- ✓ Trend quality ranking for selection and allocation from selected lists.
- ✓ Tactical allocation across markets, regions and sectors.
- ✓ Risk control on individual holdings & alerts of trend reversals.
- ✓ Birds eye level health check of portfolios via the innovative portfolio rating system based on the exposure to uptrends vs. downtrends in individual holdings.
- ✓ Create bespoke alpha and smart beta strategies using the strategy builder to attract new business.

### Trend Capture Model

Different measures describe the current trends in term of direction, magnitude, duration and persistency. These analytics are powered by the Trendrating Trend Capture Model, the proprietary pattern recognition algorithm developed by Trendrating.

Equity markets display significant dispersion in cross-sectional return and a large proportion of the return is consistently concentrated in the top quantile of securities in an investment universe. The bottom quantile of performers significantly underperforms the top performing securities, and investors have the potential to exploit this return asymmetry to extract outperformance for their investment strategies. Trendrating's Trend Capture Model provides a robust framework for identifying on an ex-ante basis with a high degree of accuracy, the set of potential outperformers and potential underperformers. Our model can provide vital information to an investment process both at the security selection stage and at the portfolio formation stage.

At the heart of Trendrating's Trend Capture Model is its unique algorithm for detecting the security level directional trend with high accuracy. We have identified & optimally combined 8 underlying descriptors that are leading indicators of price.

A huge challenge in trend detection is in identifying the optimal time window to use for trend detection, and the Trendrating model employs each security's volatility and liquidity to construct the optimal time horizon over which it observes the underlying descriptors for early trend detection. Trendrating's Trend Capture Model captures price trends early, in a robust and highly accurate manner, to offer investors the opportunity to maximize their participation in uptrends and limit drawdowns through minimal participation in downtrends.



### Rating

The Trendrating rating scale ranges from **A** through **D**, where ratings of **A** & **B** signal an uptrend whilst ratings of **C** & **D** signal a downtrend. The modelling is robust as we can demonstrate through time across various universes that on average **A**'s & **B**'s as a group outperform **C**'s & **D**'s. **B** ratings denote starting trends while a rating of **A** confirms the uptrend. Investors should invest in **A** and **B** rated stocks and avoid **C** and **D** rated securities.



Trendrating provides next generation analytics designed to capture trends early, identifying most of the winners and avoiding a significant part of the losers within a yearly time horizon.

### Use Trendrating to spot winners and losers.

### The dispersion of performance

Trends are there all the time, equity markets display an incredible dispersion of performance as showed in the below tables. This is a fantastic opportunity for investors, to capture a large part of the top performers and avoid a large part of the bottom performers using Trendrating. This allows active managers to outperform passive benchmarks that are just a mathematical combination of both winners and losers.

### Capturing the “performance dispersion” generates alpha

- The distribution of performance across stocks is a great opportunity if one has the right tools to capture it.
- 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 it 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 dispersion of performance

STOXX Europe 600 Performance*		S&P 500 Performance*	
Index	-6.45%	Index	+16.39%
Top 25%	+48%	Top 25%	+47%
Middle 50%	-4%	Middle 50%	+1%
Bottom 25%	-37%	Bottom 25%	-35%

\*12 months ending September 1<sup>st</sup>, 2020

### Smart Momentum (SM)

Smart Momentum combines the directional trend with the magnitude of the trend in a single continuous analytic. The smart momentum spans the range **-3.0** to **3.0** where positive values denote up-trends and negative values denote down-trends. **A higher positive Smart Momentum indicates a stronger up-trend whilst a more negative Smart Momentum indicates a deeper down-trend.**

When identifying **A** and **B** rated stocks for an investment, investors may prefer a higher positive smart momentum that measures the shorten quality of the trend.

Rating	Smart Momentum Range
<b>A</b>	2.0 to 3.0
<b>B</b>	1.0 to 2.0
<b>C</b>	-1.0 to -2.0
<b>D</b>	-2.0 to -3.0
<b>NR</b>	0

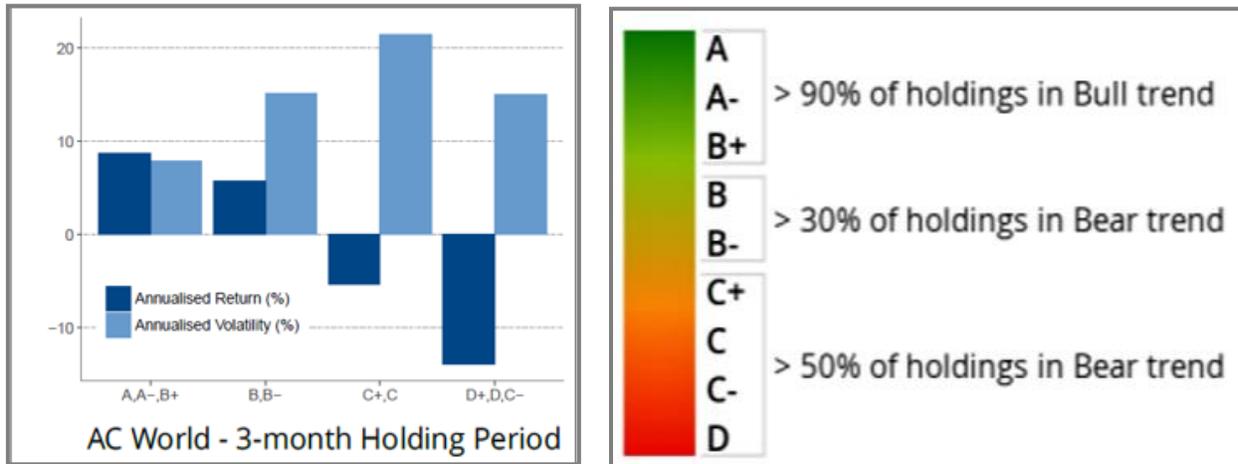
### Intelligent metrics to assess the performance risk across portfolios

Use Trendrating analytics to **Run a systematic reality check across all the accounts and maximize returns while reducing risks.**

**Positive impact on performance, risk control, time saving and compliance.**

Rate the exposure to bull vs. bear trends for all the holdings in your portfolios and measure the overall combined “quality rating”.

- ✓ **Risk control at aggregated portfolios levels.** Measures the portfolio exposure to winner's vs losers.
- ✓ A mission-critical metric to assess the quality of portfolios and strategies, with predictive value.



- ✓ An obvious, strong correlation between a portfolio rating and the performance after 3 and 6 months.
- ✓ The higher the rating the better the performance is on a 3 and 6 months horizon.

### About Trendrating

Trendrating is a leading provider of advanced analytics and technology for the asset management and wealth management industry. The company mission is to generate measurable results in terms of investments returns and risk control.

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.



Discover how you can also benefit from our Solutions, and join our 100+ premier clients.

Contact us at [info@trendrating.net](mailto:info@trendrating.net) or visit [www.trendrating.com](http://www.trendrating.com) to discover more.

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