



# Bloomberg<sup>®</sup>

## Portfolio Sentinel by Trendrating

### Help – FAQ Section

#### Introduction

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 competitors. **Any investment strategy can be enhanced by a better synchronization to trends developments.** Trendrating has developed a unique methodology to **rate price trends**, with a time horizon of 6 to 18 months. In an industry that is used to rate, rank and score a large number of metrics and data, Trendrating is **filling a critical gap** as capturing trends is by far the most important variable to deliver superior performance on a consistent basis. **Trendrating provides advanced analytics designed to capture trends, identifying most of the strongest and avoiding a large part of the weakest with in a yearly horizon.** **A** and **B** ratings 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**.**

## Help

### Rating

#### Definition

The rating indicates the directional trend of an instrument at any given date. **A** and **B** represent uptrends and **C** and **D** represent downtrends.

**A** = strong bull trend | **B** = beginning of bull trend | **C** = inception of bear trend | **D** = strong bear trend

The numeric equivalents of the directional rating are 2, 1, -1, -2 for **A, B, C, D** respectively.

#### Explanation

##### What to expect after a "rating" change

The change in rating is usually associated to the beginning of an important medium term trend. A bull trend is identified by a rating **A** or **B**. A bear trend is signaled by a rating **C** or **D**. The time required to identify a trend is usually a few days, but can also be a few weeks since the turning point. A change of rating from **D** to **B** is an alert about a trend reversal from negative to positive. The rating change can directly go from **D** to **A**, without passing through **C** and **B**. This is a function of the speed and strength of the trend reversal.

The trend can strengthen or change direction. From this statement it follows that a rating **A** cannot become a **B**, and a rating **D** cannot become a **C**.

##### How to interpret the ratings

The rating **B** is usually associated to the inception of a bull trend, while **A** marks a more established bull market. The **C** rating identifies the beginning of a bearish phase and the **D** rating confirms a strong bear market. They represent different grades of "trend reading" and should be used together for a better monitoring of opportunities and risks.

##### How to act after a rating change

The rating change marks the identification of a trend that can last from a few months to a few quarters. The mission of Trendrating is to capture the medium term trends and not the short term price swings. Trendrating is designed to filter out short term volatility and erratic price moves while focusing on the real underlying trend. Therefore the rating change is not a timing tool. Some investor may decide to react to a rating change with some delay and maybe get a better entry price. Other investors might be willing to get additional confirmation from other analytics or additional research. As long as the specific rating stays the same, the trend is intact according to the Trendrating model.

##### How long the rating can stay unchanged

The rating can stay unchanged for weeks, months or years, depending on the duration of the specific trend.

## TCR – Trend Capture Rating



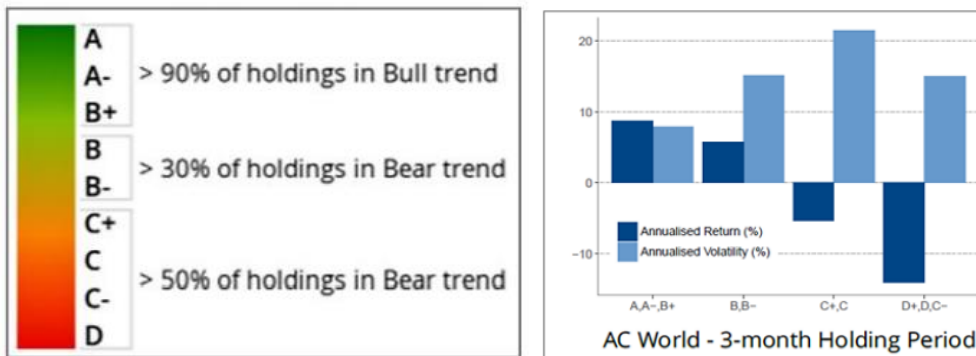
Here you can measure the TCR – trend capture rating of your portfolio.

What it is. The TCR captures the aggregated rating of the portfolio, combining all the individual rating of the trend for every holding, and calculated considering the weighting of all the positions.

Why it is important. The TCR gives you an immediate assessment of the portfolio exposure to bull trends vs. bear trends. A high TCR (above **B-**) indicates that most of the holdings are currently in a bull trend. A low TCR (below **C+**) is a warning sign of a high exposure to securities in a down trend.

The higher the rating the better is the expected performance in a 3-to-6 months time horizon.

The lower the rating the higher the risk of underperformance.



How to use it. The rating breakdown by the number of holdings and the weights facilitates the risk distribution analysis. Any adjustment that can raise the portfolio TCR can be a sound step toward maximizing the return and reducing the risk.

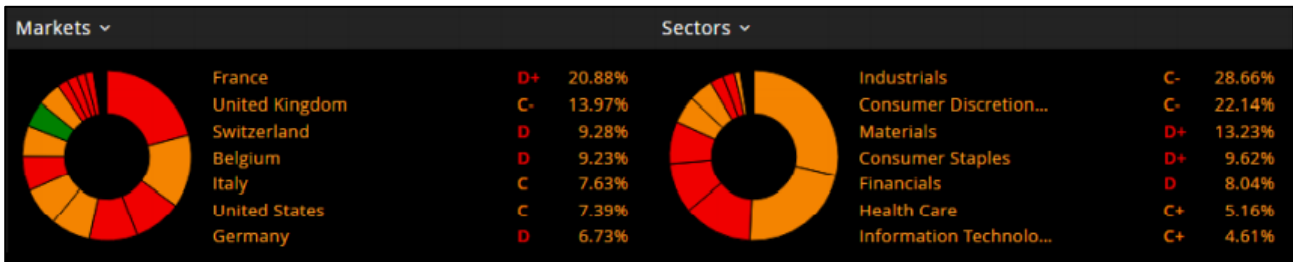
## Rating Changes

Rating changes			
today	last week	last month	last 3 months
<b>▲ 3 Upgrades</b>		<b>▼ 4 Downgrades</b>	
TEP FP Equity	B → A	TELEPERFORMANCE	2020-07-03
GLEN LN Equity	C → B	GLENCORE PLC	2020-07-29
DOM SS Equity	B → A	DOMETIC GROUP AB	2020-08-25
DBK GR Equity	A → C	DEUTSCHE BANK-RG	2020-09-24
CLB US Equity	C → D	CORE LABS NV	2020-09-14
UMI BB Equity	A → C	UMICORE	2020-08-26
GLB ID Equity	C → D	GLANBIA PLC	2020-08-21

Here you find the list of recent upgrades and downgrades, if any across the list of the holdings.

It supports the quick identification of “trend reversals” captured by a rating change issued today, or alternatively over the last 5, 20 and 60 days. An upgrade can offer the validation for considering to increase the exposure, while a downgrade can alert about increased risks and can offer the basis for reducing the position.

### Markets and Sectors List



Here we expose the breakdown of the specific rating for all the markets and sectors where the portfolio is invested. The rating measures the aggregated, weighted rating of all the holdings in a specific market and sector. This is designed to quickly spot the areas of weakness where reallocation and optimization may be helpful.

In order to have a macro picture, when measuring the rating of an entire sector (not limited to the actual portfolio holdings), it is advisable to create a basket of stocks for the sector as a whole.

In this case it will be also possible to generate a ranking of all the stocks based on the individual rating.

### Markets and sectors grid (current rating and changes)

Markets and Sectors		TCR   1 Day Changes   1 Week Changes   1 Month Changes													
Breadth view		CH	BE	DE	FI	PT	IE	FR	DK	GB	IT	US	NL	ES	SE
Communication Services								D 1.28%			D 1.28%				
Consumer Discretionary	D 2.01%		D 4.03%	D 2.01%				D 2.01%		D 4.03%	D 2.01%	A 2.01%	D 2.01%		A 2.01%
Consumer Staples			D 1.60%			D 1.60%	D 1.60%	D 3.21%						A 1.60%	
Energy											D 0.75%	D 1.51%			
Financials			D 1.01%	C 0.50%				D 2.01%		D 1.51%	D 1.01%	D 0.50%	D 0.50%	D 0.50%	C 0.50%
Health Care										D 2.58%	A 2.58%				
Industrials	D 5.06%							C 11.80%	D 1.69%	C+ 3.37%		D 3.37%	D 1.69%	A 1.69%	
Information Technology														D 2.30%	A 2.30%
Materials	D 2.21%	D 6.62%	D 2.21%							B 2.21%					
Utilities								D 0.57%	A 0.28%	D 0.28%					

This is a different view of the content in the list, with the additional information about changes in rating, including upgrades and downgrades, for the owned stocks aggregated by market and sector.

It enables a quick identification of trend improvement or trend deterioration by segments of exposure.

## Holdings

TREND RATING PORTFOLIO: GLOBAL LARGE CAP									
Analysis		Holdings	Report	Simulate	Help				
Weight	Costituents	Date	Price	Rating	Rated on	Since rated	Performance last 3 months		
2.27%	SGO FP Equity	2020-10-06	€ 36.72	A	2020-28-09		+2.00%	+11.37%	
2.27%	KER FP Equity	2020-10-06	€ 581.40	A	2020-30-09		+2.43%	+11.02%	
2.27%	XOM US Equity	2020-10-06	\$ 33.39	D	2018-04-12		-57.96%	-25.18%	
2.27%	WMT US Equity	2020-10-06	\$ 140.63	A	2020-02-07		+17.97%	+6.54%	
2.27%	TSM US Equity	2020-10-06	\$ 83.12	A	2020-18-06		+48.03%	+25.83%	
2.27%	TSLA US Equity	2020-10-06	\$ 413.98	A	2020-21-05		+150.11%	+33.89%	


This is the list of portfolio holdings with additional analytics. You can analyze, compare and rank securities in the portfolio to add a “health check” layer to your portfolio management decisions.

## Simulate

TREND RATING PORTFOLIO: EUROPE 76

Analysis Holdings Export **Simulate** Help

TCR - Trend Capture Rating

C-  A

Improves TCR by replacing holdings with ratings C and D by choosing peers with positive ratings. Select a constituent to get the peers. Click the peer to switch.

Weight	Costituents	Rating	Trending Peers	Costituents	Rating
2.58%	SN/ LN Equity	D		SN/ LN Equity	D
2.58%	REC IM Equity	A		REC IM Equity	A
2.30%	HEXAB SS Equity	A		HEXAB SS Equity	A
2.30%	AMS SM Equity	D		NEXI IM Equity	A
			<input type="checkbox"/> Belgium <input checked="" type="checkbox"/> Materials <input checked="" type="checkbox"/> Large Cap		
			A SY1 GR Equity Germany Materials A SIKA SW Equity Switzerland... Materials ⓘ A DSM NA Equity Netheria... Materials A CRDA LN Equity United Ki... Materials A GIVN SW Equity Switzerland... Materials		
2.21%	UMI BB Equity	C		UMI BB Equity	C
2.21%	SOLB BB Equity	D		SOLB BB Equity	D

This functionality supports the simulation of portfolio adjustments via switching negatively rated holdings with new investment ideas with a positive rating. The goal is to improve the overall portfolio rating (TCR) by reducing the exposure to bear trends and adding new stocks in a bull phase.

The list of candidates for the switch includes a number of peers in the same sector and similar market cap category. The user must do their own selection of the stocks that satisfy their own criteria and profile.

## Report

It is possible to create a PDF report with all the analytics at the portfolio and individual holding level.

## Export

With the simulation functionality it is possible to export the data after a simulation is performed.

## FAQ

### What is the rationale of the rating?

Investing in synch with actual trends is a key factor to maximising returns for any strategy and investment style. Successful investors know the importance of reading and respecting trends.

The performance dispersion across stocks always exists and offers a great opportunity for active investors that have the right tools to read trends with a fair degree of accuracy.

Professional managers have methodologies to rate and rank fundamental and quant data , but many do not have a way to qualify and measure price trends in a systematic, objective, validated way.

Trendrating fills a critical gap of market and portfolio intelligence providing a unique, innovative methodology to rate price trends with a time horizon of 6-to-18 months.

The rating of trends is a powerful complement to other traditional analytics, contributing to the validation of investment ideas and to flag high risk positions.

Successful active management cannot disregard the importance of adding a layer of trend validation in the face of more volatile and challenging markets.

### Is this a momentum measure?

No it is not.

Momentum is a well validated concept, but it is based on only one indicator ( price performance) and a fixed, pre-set time window.

The time window can prove to be late at capturing new trends, after a reversal, and the simple price performance is a very basic, oversimplified measure of the quality and sustainability of a trend.

The drawbacks can be excessive volatility, drawdowns and turn-over, depending on market cycles.

Trendrating's methodology is instead based on a different concept - pattern recognition, using multiple indicators, properly weighted and calculated on a flexible time window, self-adjusted on a volatility basis.

The model has been massively tested across 20 years of daily history for 15,000 listed stocks has been live since 2014. Our rating analytics are used by 100+ premier institutions on a global scale.

### How reliable is the rating of trends?

The rating accuracy is 74-to-80% . The larger is the list of stocks, the more statistically significant the sample is, resulting in higher accuracy.

### How often a rating can change?

The model is designed to capture those trends that last a few quarters or more and can make a difference to yearly performance. The model is also built to filter out price noise, short term volatility and false corrections. Therefore the rating changes are not frequent. Price trends can last from a few months to a few years, and rating changes tend to have the same frequency.

### What is the purpose of the rating?

The rating of trends is an additional source of intelligent analytics that can enrich and strengthen the activity of portfolio management.

Investment strategies driven by fundamentals can maximize returns by adding Trendrating as an additional quality filter, based on what is the real market interest for any specific stock.

Not every stock with good fundamentals turns out to be a rewarding investment in a reasonable time frame.

At the same time a downgrade of the trend is a warning sign to reconsider the position, as the probability of a new down trend exists.

### Why the portfolio rating (TCR) is important?

The TCR is a pragmatic, innovative metric to measure the overall quality of the portfolio. It captures the combined exposure to rising stocks vs. falling securities. Typically a higher Portfolio Rating means; a larger inclusion of uptrends, resulting in performance that is equal or better than the benchmark.

On the other hand a low TCR can lead to poor returns as the portfolio has an excessive weight to falling stocks, a very speculative and risky situation.

### How can I use the simulation feature ?

Simulation is designed to enable considering changes in the holdings and measuring the impact in terms of portfolio rating improvements.

Starting from a list of “peer companies” the user can pick stocks that satisfy his own investment style and run the simulation.

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