



Beat The Benchmark

Trendrating Performance Management Platform

CHANGING THE GAME FOR ACTIVE MANAGERS

Active managers underperform the benchmarks. According to [SPIVA](#) statistics 78% of US large cap funds underperformed the SP500 index for the five years ending in June 2020.

The performance dispersion is the opportunity for active managers to beat indices. For the year 2020 in the universe of the 500 large cap US stocks, the top 25% performers produced an average gain of around 110% (minimum 39% and maximum 420%) and the bottom 25% performers posted an average loss of -18% (from -4% to -62%). The SP500 index recorded a gain of 16%. The performance dispersion is an excellent opportunity for active managers with the right tools to capture even a small part of the top performers while avoiding most of the big losers.

This table simulates a strategy that was exposed 20% to the top performers (average return), 20% to the bottom performers, and 60% to stocks with the same performance of the benchmark:

2020 S&P 500 Constituent Portfolio	2020 Returns	Exposure	Overall Performance
Top 25% Performers	110%	20%	22%
S&P 500	16%	60%	9.60%
Bottom 25% Performers	-18%	20%	-3.60%
			28%

It shows how by just capturing part of the performance dispersion in 2020 an active manager could have outperformed the SP500 index by 12 points.

The performance dispersion can be observed in any universe of stocks, selected on whatever factor (value, growth, ESG, etc.) and the opportunity to profit from dispersion while remaining consistent with the specific investment focus is a fact too often underappreciated and underexploited.

Profiting from dispersion. Fundamental analysis alone proves to be of little help, if we look at the mutual funds industry performance, where often fundamentals and opinions are the main foundation of the decision process.

Alternative data and advanced analytics can help. Alternative data and advanced analytics can deliver value that can make a measurable difference to beat the benchmarks. Adopting new generation, state-of-art content and tools seems to be the only way to change the game for many active managers.

The solution. Successfully navigating price trends is the key contributor to performance. Trendrating is a leading provider of advanced analytics and technology specifically designed to profit from performance dispersion and enhance returns.

The edge. Trendrating solution offers mission-critical portfolio intelligence via the “Trend Capture Rating” (TCR) for active portfolios. The TCR is the aggregated, weighted rating of all the holdings. It provides a clear-cut metric to evaluate and audit a portfolio in terms of the actual exposure to stocks in a well-defined bull trend versus securities in a clear bear phase. The higher the TCR the better the expected portfolio performance. The portfolio rating provides a measure with a strong predictive value in terms of relative returns.

“The analysis of portfolios allocation across positive and negative trends is a rock-solid metric with predictive value about relative returns when associated with a similar analysis for the benchmark”.

TCR is a game changer for active managers.

For example if a portfolio TCR is **B -** and **C** and **D** rated stocks make 30% of the portfolio while the benchmark TCR is **B +**, because **C/D** securities make only 15% of the index, then the probability for the active portfolio to beat the benchmark is low.

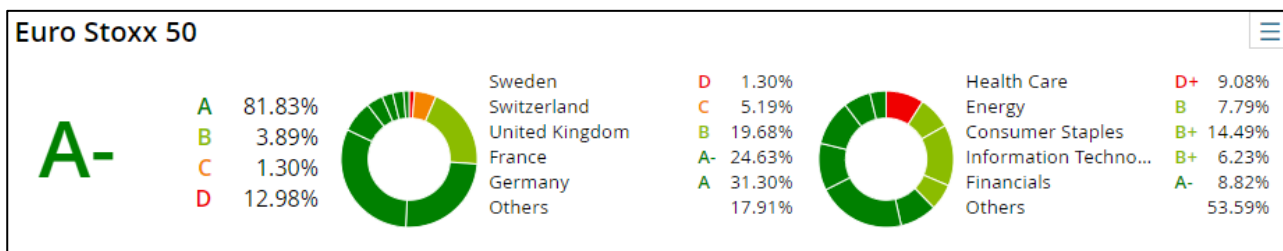
By raising the TCR of the portfolio at **B+** or higher the chances to outperform substantially increase.

Applicability. Trendrating analytics add mission-critical intelligence to any investment approach and focus (Value, Growth, ESG, Size, Volatility, etc). Adding TCR analysis can remarkably improve the performance of fundamental-driven investment strategies, combining good fundamentals with proven price action predictive analytics.

Use the Trendrating Performance Management Platform to **perform a pragmatic, disciplined analysis of your portfolios allocation across positive and negative trends compared to the benchmark trends distribution as a predictive metric of relative performance.**

This sample portfolio shows a lower TCR than the benchmark (**B** vs. **A-**) due to the fact that **C** and **D** rated stocks makes 35% of the exposure vs. only 14% on the index. The probability to beat the benchmark is extremely low.

Changing the exposure away from negatively rated stocks is advised.



Make sure you monitor all your portfolios on a regular basis to spot any high-risk differential between the benchmark and the portfolios TCR. You can upload all your portfolios and the indices in the Trendrating Performance Management Platform.

Portfolio Monitoring						
Name	TCR ▼	AB%	Uptrend		Downtrend	
			Reversal	Confirmation	Reversal	Confirmation
tech portfolio	A-	88.00%		1		
US value portfolio	A-	88.00%		3		
US Mid Cap	B+	82.35%	1			2
Account 120	B ↗	62.50%		1		
europaean portfolio	B	68.18%				1
Global Large Cap	B	70.73%		3	2	2
health care selected b...	B	62.50%		1	1	2
high dividend portfolio	B	75.00%			1	2
international growth 1	B	64.00%		1	1	1
Account 122	B-	53.42%	2			
Account 121	C+	39.76%	2		4	

Use the Trendrating Performance Management Platform to simulate a portfolio optimization by reducing holdings rated **C** and **D** and select alternative **A** and **B** rated stocks. In this example the portfolio TCR is improved at **A-** reducing the risk of underperformance vs. the benchmark.

B Starting portfolio

Weight	Ticker	Rating ▲	Name	Price
3.57%	AZN	D	Astrazeneca	£ 75.22
3.57%	BATS	D	British American...	£ 27.37
3.57%	GSK	D	Glaxosmithkline	£ 13.79
3.57%	NESN	D	Nestle	CHF 102.28
3.57%	NOVN	D	Novartis	CHF 82.75
3.57%	SAN	D	Sanofi	€ 78.51
3.57%	SAP	D	Sap	€ 105.48
3.57%	NG.	C	National Grid	£ 8.80
3.57%	OCDO	C	Ocado	£ 23.96
3.57%	UTDI	C	United Internet	€ 36.89

A- Optimized portfolio

Weight	Ticker	Rating ▲	Name	Price
3.57%	BATS	D	British American...	£ 27.37
3.57%	NG.	C	National Grid	£ 8.80
3.57%	UTDI	C	United Internet	€ 36.89
3.57%	RDSA	B	Royal Dutch Shell	€ 16.47
3.57%	ENI	B	Eni	€ 9.05
3.57%	VIE	B	Veolia Environne...	€ 20.65
3.57%	JNJ	A	Johnson & Johns...	\$ 159.83
3.57%	DTEA	A	Deutsche Teleko...	€ 15.10
3.57%	ASML	A	Asml	€ 402.85
3.57%	ITX	A	Industria De Dis...	€ 26.40

Whatever your investment approach is – Make Trends Work For You

Rating trends is a must have to capture the money flow and profit from performance dispersion

Contact us at info@trendrating.net to learn more

Important Information: The evaluations, rankings and information provided by Trendrating (the “Services”) are provided solely for the use of finance professionals (the “Users”) who have been issued a license to use the Services by Trendrating and who, by nature of their status as investment professions understand, or are expected to understand, the complexity of finance products, the functioning of the markets and the risks inherent in them. The Services are not offered for use by persons not employed or actively working as professionals in the finance and investment industry. The Services are to be used entirely at the risk of the Users. Included in the Services are forward-looking statements that are based on observations, assumptions and calculations that reflect Trendrating’s expectations. Forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to materially differ from those expectations. The Services are not intended to constitute a recommendation of any specific security or financial product and are to be implemented solely in conjunction with or as part of a complete investment evaluation conducted by the Users. Under no circumstances shall Trendrating, its officers, directors, employees or agents be liable for any damages, lost profits or investment losses that result in any way from use of the Services or any interruptions, errors or delays in the Services. **Trendrating S.A. © 2013-2020. All rights reserved.**

LONDON

Trendrating Ltd
 Octagon Point – 5 Cheapside
 London, EC2V 6AA
 United Kingdom

BOSTON

Trendrating
 51 Melcher Street
 Boston, MA 02210
 USA

LUGANO

Trendrating SA
 Via Cantonale 19
 CH-6900 Lugano
 Switzerland