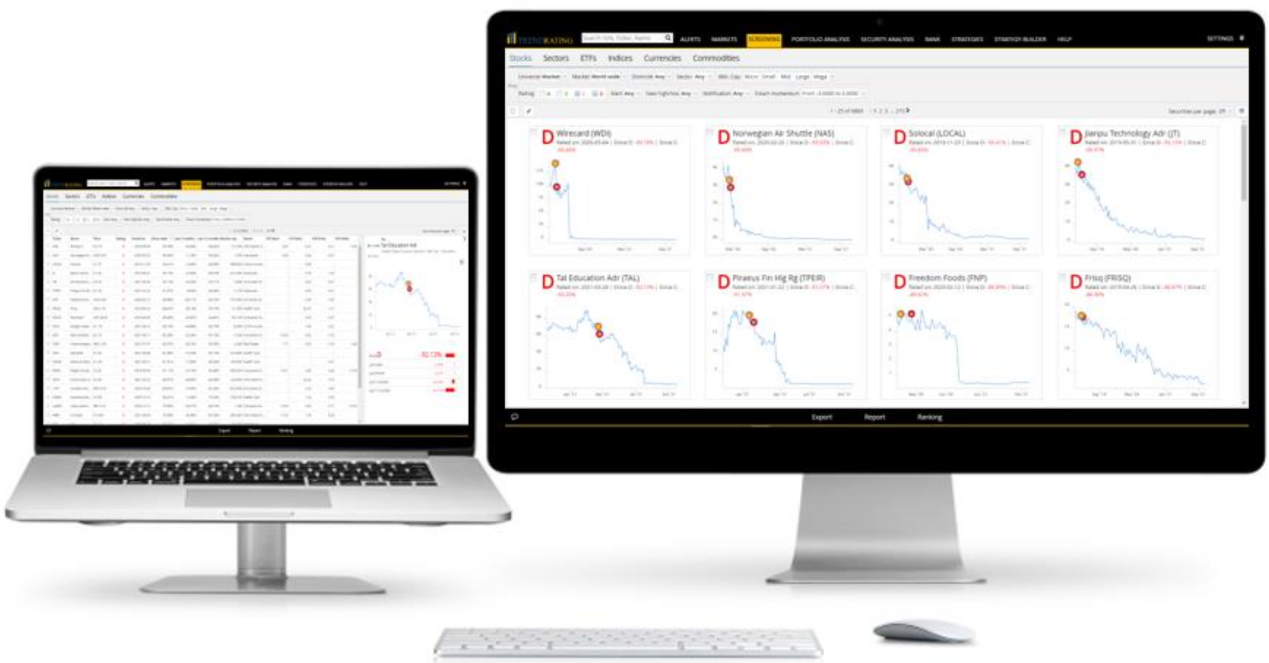
TREND CAPTURE RATING

Managing the Risk of Underperformance



TRENDRATING
INVESTMENT DISCIPLINE THAT OUTPERFORMS

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Outperform The Benchmark Consistently

Why Trend Capture?

The empirical evidence is irrefutable that markets exhibit dispersion in stock returns in all market phases, so it is the responsibility of active managers to find ways to profit from this return dispersion. Aligning the stock selection process with a positive exposure to stocks that are exhibiting positive price trends and avoiding stocks that are exhibiting negative trends is an effective and efficient framework for consistent return capture.

Trendrating's unique trend capture technology that provides daily insights at the stock level produces a range of innovative analytics to help ensure that portfolios stay in synchrony with prevailing price trends.

Trend Capture Rating (TCR)

Filling a Critical Information Gap

Trendrating introduces TCR as the aggregated rating of a portfolio to function as a predictive risk measure, namely one with which to gauge the portfolio's relative performance risk versus its benchmark. A portfolio with a TCR higher than its benchmark has a greater probability of delivering outperformance as a higher TCR implies greater exposure to stocks in strong price trends. A portfolio with a TCR that is consistently lower than its benchmark will struggle to deliver consistent outperformance. In is important to decompose the portfolio TCR into the Trend Capture Model's rating grades of **A**, **B**, **C**, & **D** to determine the distribution of its holdings. **A** & **B** denote uptrends while **C** & **D** denote downtrends. A diversified portfolio should not hold more than 20% of its holdings in stocks rated **C** or **D**, as it would exert downward pressure on the portfolio's TCR.

Investors should strive to maintain a portfolio TCR that is at least as high as that of its associated benchmark or else the portfolio will struggle to outperform its benchmark.

Get Started

The dispersion of stock returns within any given investment universe is a fact that is often overlooked, but one that can have a meaningful impact on the performance of any investment strategy. It provides a real opportunity for active managers to extract superior returns from the investment universe and deliver outperformance relative to underlying benchmarks and competing indexed and smart beta strategies - even after adjusting for management fees.

Yet according to SPIVA®, 73% of US active funds and 85% of European active funds underperform their respective benchmarks over a 5 year horizon.