



**Major Global Indices Downgraded by Smart  
Momentum Model Weeks Prior to Market Turmoil**

August 28, 2015

# INTRODUCTION TO TRENDRATING

Forecasting trends is nearly impossible. Following trends is possible and lucrative. Trendrating was developed to provide better tools to maximize investment performance and improve risk control. We bring additional intelligence and measurable value to your existing decision making processes. Superior performance and financial success come from discipline and a systematic reality check of assumptions. Bias, emotions, market noise and overconfidence may severely limit a manager's ability to perform. Over 100 asset managers globally incorporate our industry leading momentum analytics. The value of our service is not hidden behind theories and hypothesis; it is reflected every day in the P&L of our clients.

## THE INCREASING IMPORTANCE OF INCLUDING THE MOMENTUM FACTOR

Momentum factor analytics can enhance the decision process. A momentum overlay is an effective addition to most investment strategies. Extensive academic research supports momentum as a strong and persistent factor, proven to add value to fundamental strategies. Analyzing momentum however is extremely difficult - noise and bias are everywhere. Momentum exists in many cases and goes unnoticed due to the lack of proper tools to measure it. Speed of analysis is crucial to promptly adjust index components. Trendrating was developed to quickly identify medium-to-long term trends while also filtering out the noise.

## OUR MOMENTUM RATINGS

The complexity behind our model is boiled down to a simplistic rating scale (A, B, C, D). We believe that this approach supports an actionable decision making process and comparative analysis across markets and sectors. Trendrating's Smart Momentum Model was conceived to support long portfolios. The ratings A and B identify positive momentum phases, while C and D signal negative trends.



## HOW FUND MANAGERS USE TRENDRATING

- Quickly screen the entire market to identify new opportunities and validate existing ideas
- Run a systematic sanity check on all your portfolios to spot early negative momentum
- Create and test a tactical overlay to your existing strategy with momentum alpha
- Add a momentum smart beta element to your portfolios

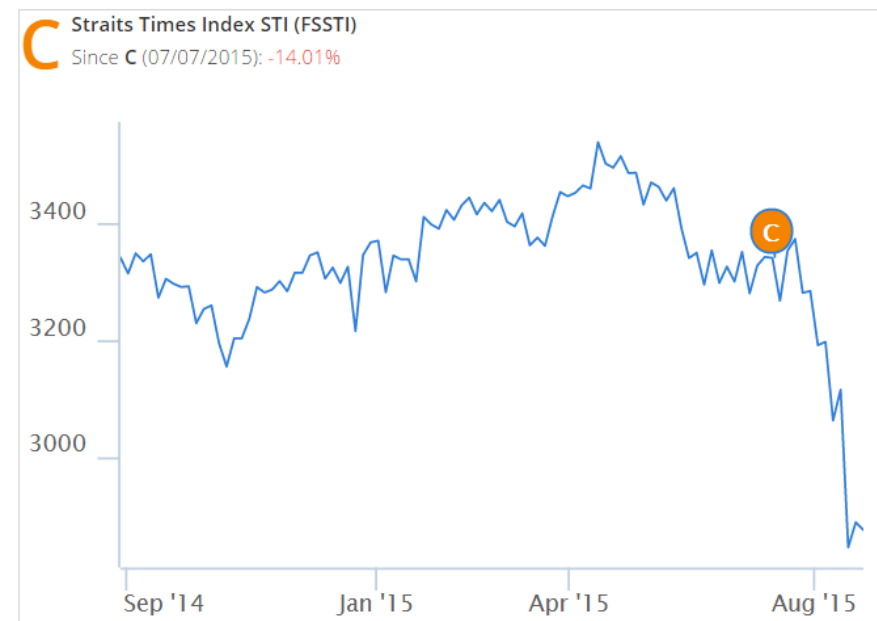
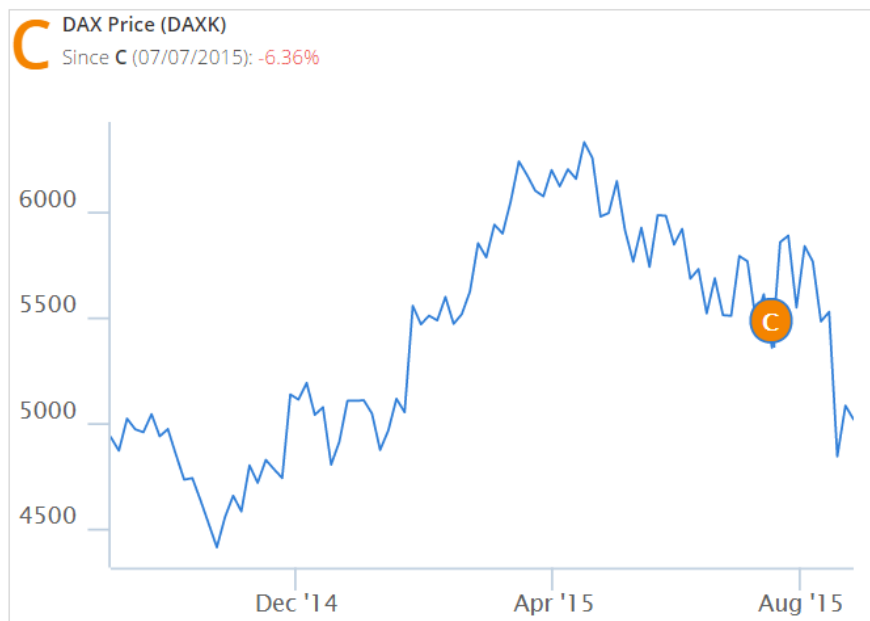
# SMART MOMENTUM FILTERS OUT NOISE TO SPOT REAL TRENDS EARLY ON

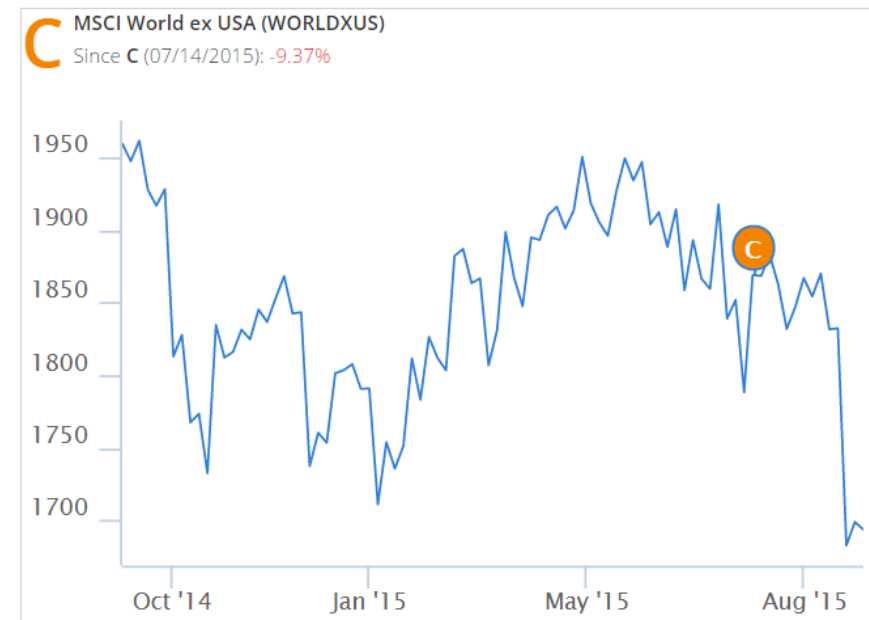
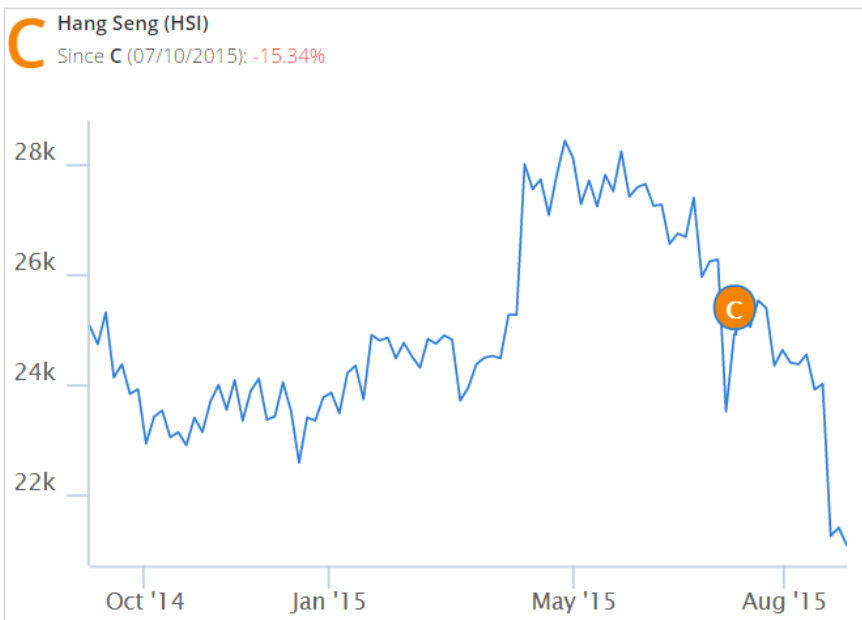
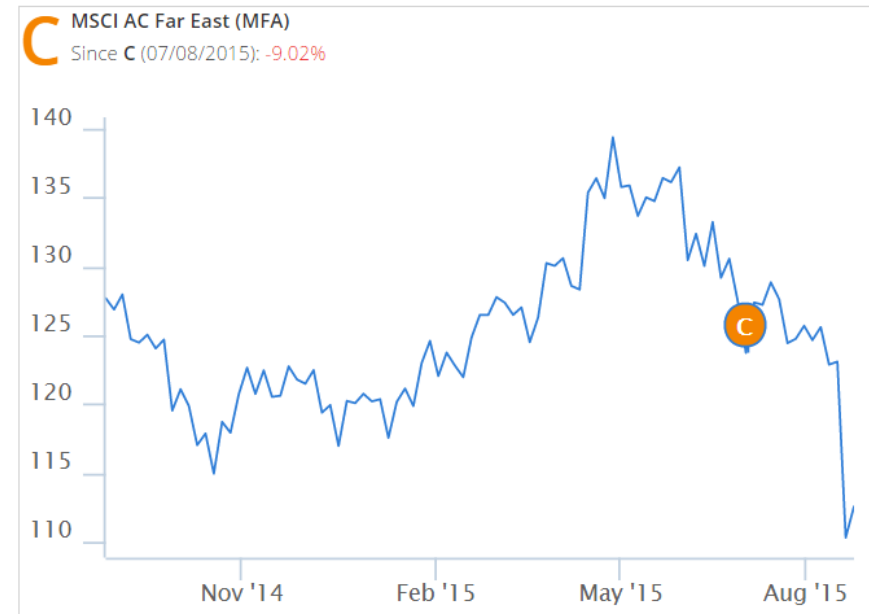
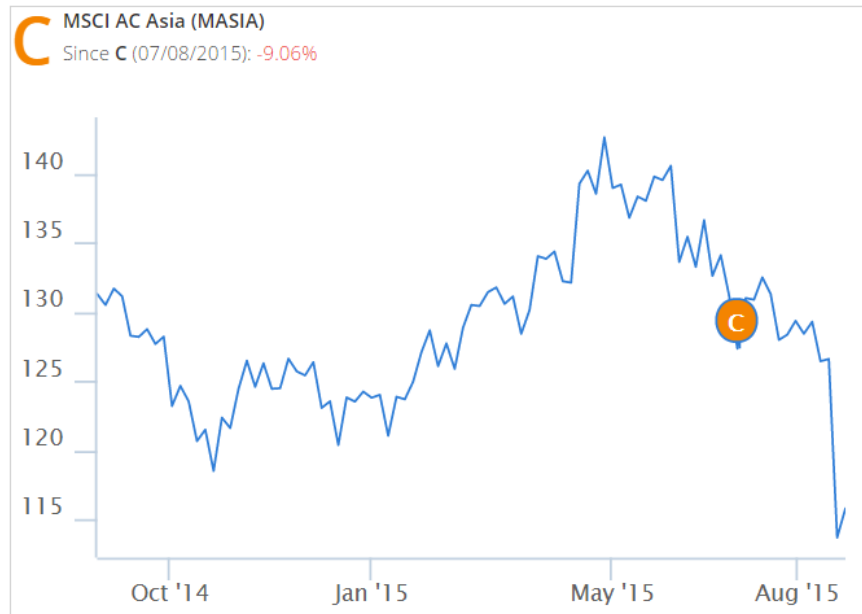
## INDEX MOMENTUM DOWNGRADES OUTNUMBERED UPGRADES SINCE JUNE 1 BY A RATIO OF 20-TO-1

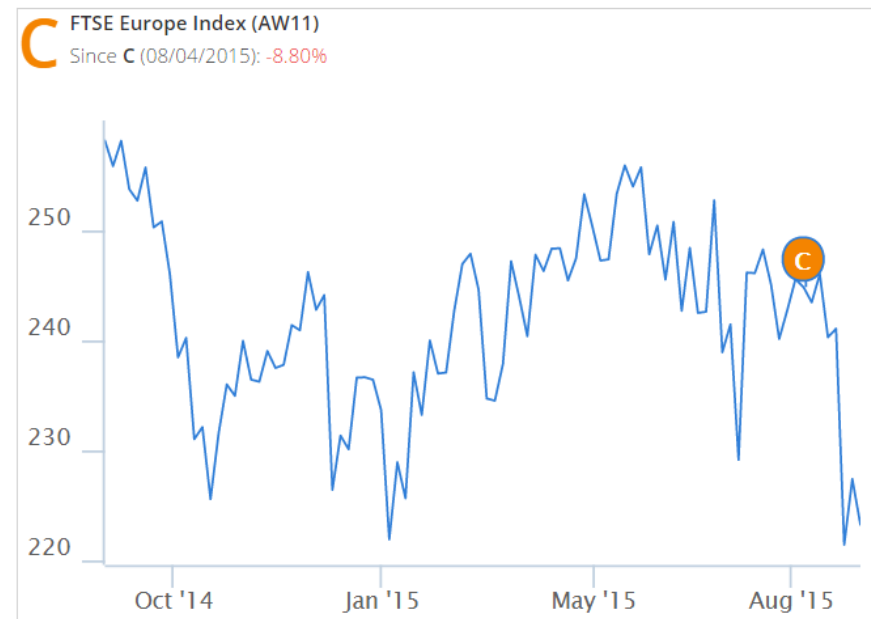
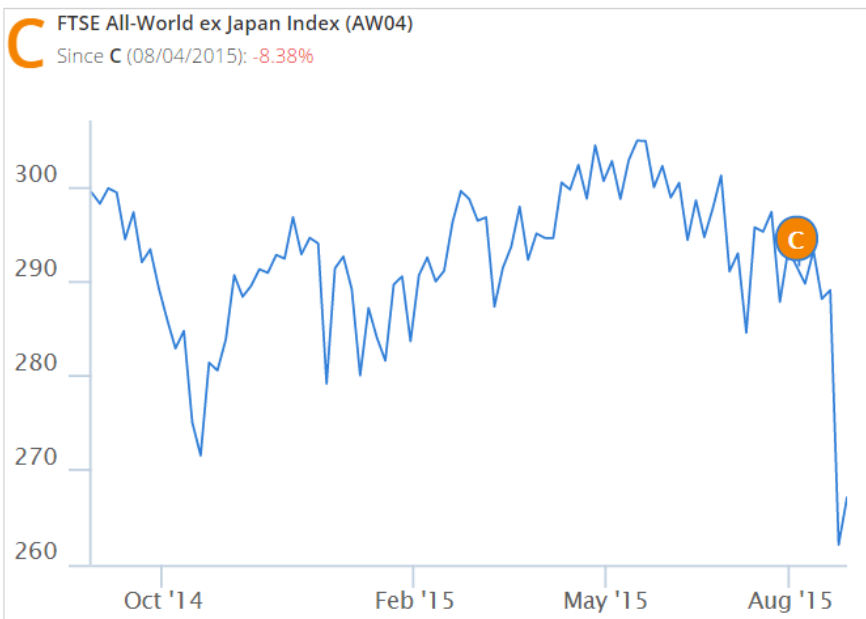
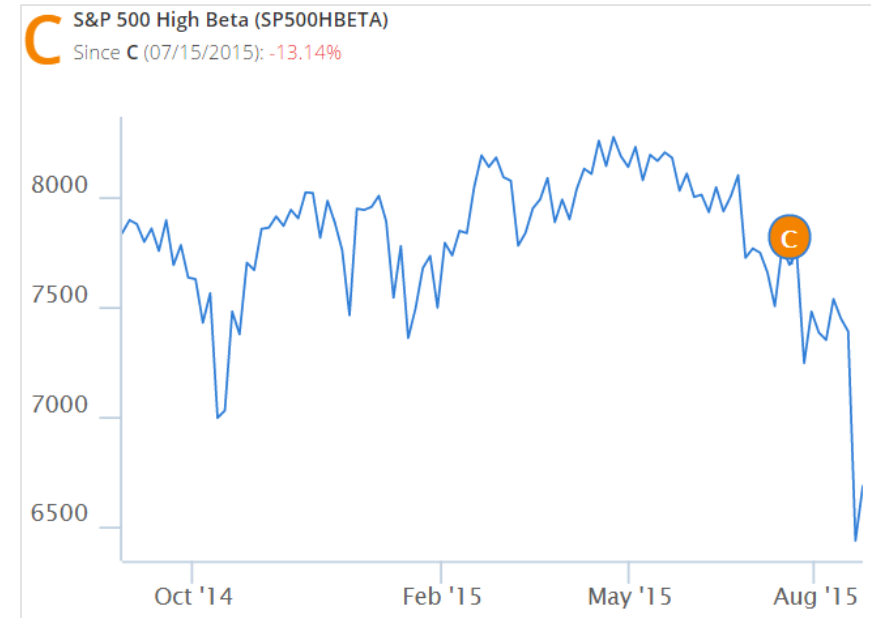
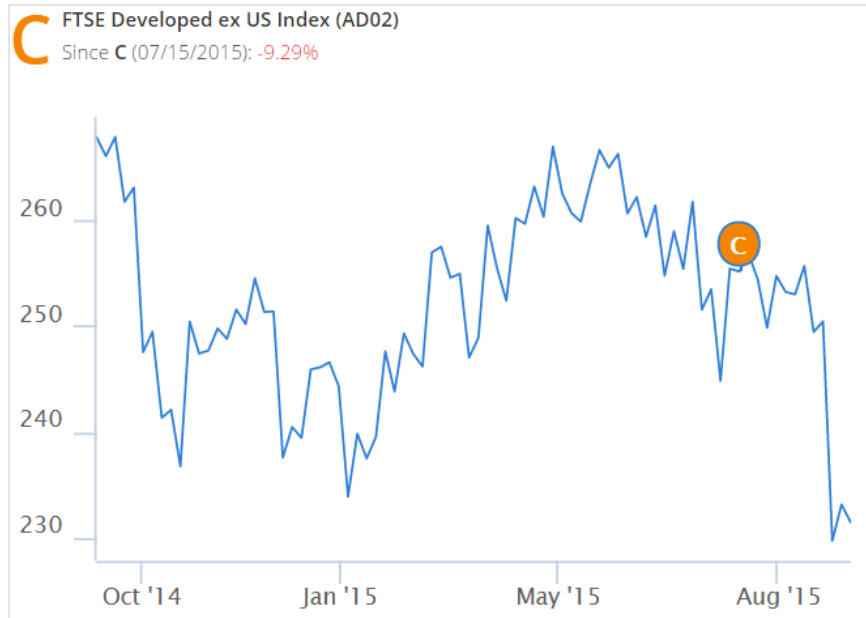
The Trendrating Smart Momentum Model has proven very effective at capturing the trend reversals of the last few weeks. Since June 1, the Model has issued 20 downgrades to every one upgrade for the universe of global indices we cover. This demonstrates how momentum factor analytics are a key component in early identification of market reversals. Over the last three months, 93% of downgraded indices started declining in value after they were rated “C” or “D” by Trendrating. **These trends were identified well in advance of the global meltdown in late August.** The information below is a summary of actual analysis delivered to our customers as it occurred in real time. It is not simulated or back tested data.

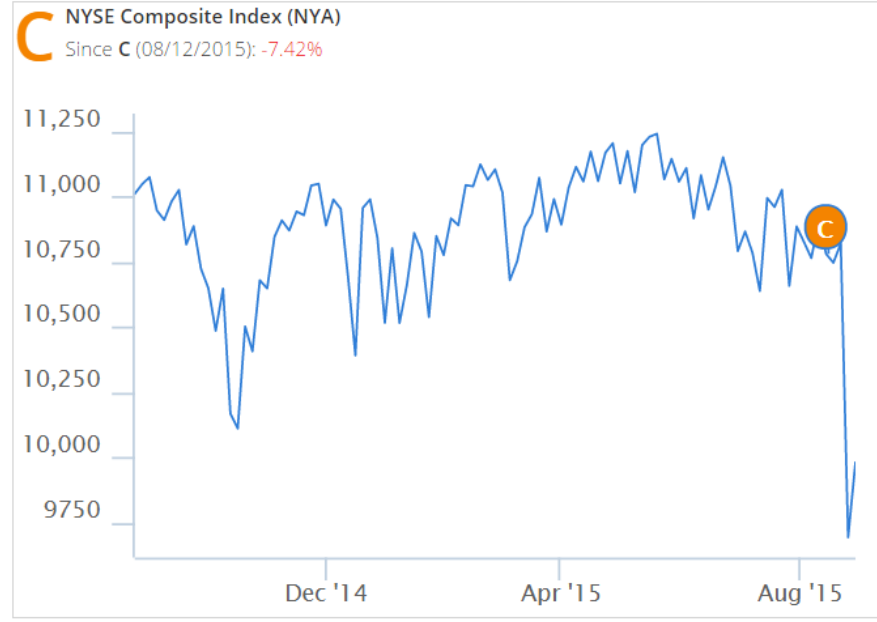
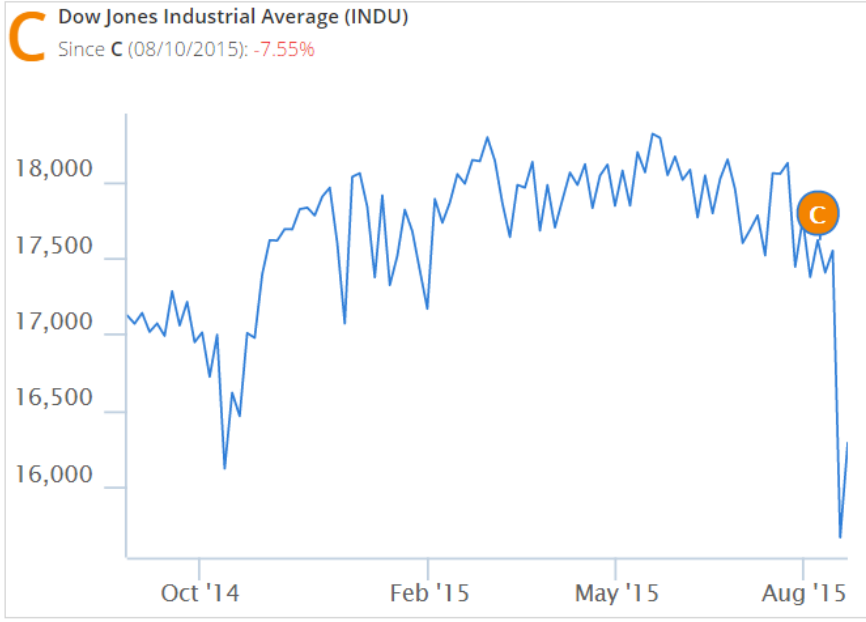
Global Indices Downgraded since June 1	100
# of Downgraded Indices with Negative Performance Since Rated	93
Percentage of Indices with Absolute Underperformance	93%

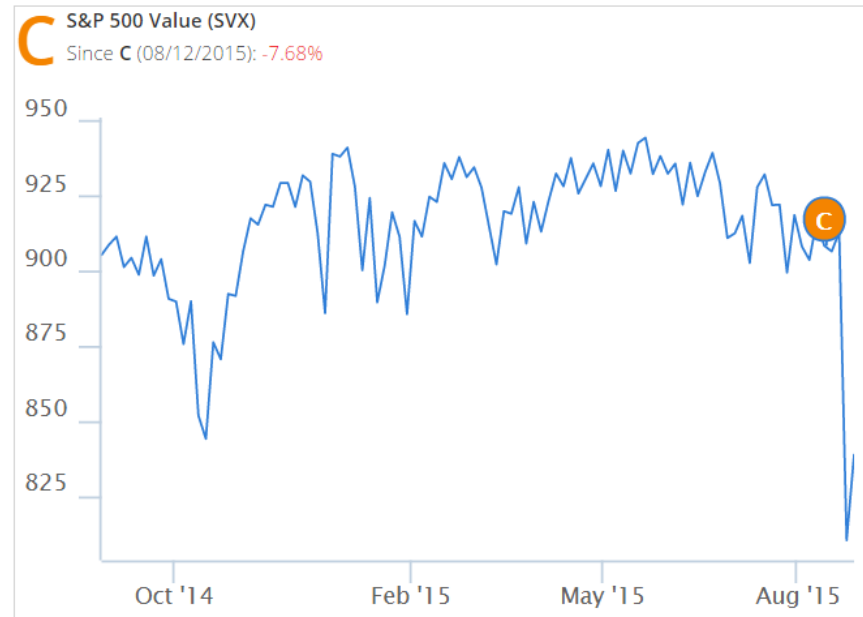
Below are Global Indices that were downgraded to a “C” rating starting in July and their subsequent performance:










**Global Index C Rating Table:**

Security						Performance
Ticker	Name	Last price	Country	Rating	Rated on	Since rated ▲
HSI	Hang Seng	hkd 21.08K	Hong Kong	C	07/10/2015	-15.34%
FSSTI	Straits Times Inde...	sgd 2.87K	Singapore	C	07/07/2015	-14.01%
SP500HBETA	S&P 500 High Beta	\$ 6.68K	United States	C	07/15/2015	-13.14%
WORLDXUS	MSCI World ex USA	\$ 1.69K	World Wide	C	07/14/2015	-9.37%
AD02	FTSE Developed e...	\$ 231.45	World Wide	C	07/15/2015	-9.29%
MASIA	MSCI AC Asia	\$ 115.78	Asia	C	07/08/2015	-9.06%
MFA	MSCI AC Far East	\$ 112.58	Asia	C	07/08/2015	-9.02%
AW11	FTSE Europe Index	\$ 223.23	Western Europe	C	08/04/2015	-8.80%
AW04	FTSE All-World ex ...	\$ 267.05	World Wide	C	08/04/2015	-8.38%
SVX	S&P 500 Value	\$ 838.58	United States	C	08/12/2015	-7.68%
INDU	Dow Jones Industr...	\$ 16.29K	United States	C	08/10/2015	-7.55%
NYA	NYSE Composite I...	\$ 9.98K	United States	C	08/12/2015	-7.42%
DAXK	DAX Price	€ 5.02K	Germany	C	07/07/2015	-6.36%



To learn more about how Trendrating Smart Momentum can help portfolio managers spot market reversals and participate in positive trends longer, please contact us at [info@trendrating.net](mailto:info@trendrating.net)



**LONDON**

48 Warwick Street  
 London, UK W1B 5AW  
 Phone: +44 (0) 203 7052246  
 Email: [info@trendrating.net](mailto:info@trendrating.net)

**NEW YORK**

104 W. 40<sup>th</sup> Street  
 New York, NY 10018  
 Phone: +1 646 475 8479  
 Email: [info@trendrating.net](mailto:info@trendrating.net)

**LUGANO**

Via Cantonale 19  
 Lugano, Switzerland CH-6900  
 Phone: +41 91 9106590  
 Email: [info@trendrating.net](mailto:info@trendrating.net)

[www.trendrating.com](http://www.trendrating.com)

The evaluations, rankings and information provided by Trendrating (the "Services") are provided solely for the use of finance professionals (the "Users") 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.