Trendrating Advanced Risk Control & Performance Management Platform

How to handle the indices roller coaster?

Can the last two years provide an indication of what to expect in the new market regime? What is the right perspective going forward?

In 2022 the S&P 500 index lost **-18.7%** and in 2023 gained **24%**. What is next for the benchmarks? Another bear phase or a sequence of new highs?

Nobody has the answer, but something is for sure, the recurrent persistence of the performance dispersion effect across stocks.

Below is the dispersion for the S&P 500 investment universe:

S&P 500 Investment Universe 2022 Performance Dispersion:

S&P 500 Investment Universe 2023 Performance Dispersion:

Bands	2022 Average Performance
Top 25% Performers	23.9%
Bottom 25% Performers	-44.3%

| Bands	2023 Average Performance
Top 25% Performers	50.3%
Bottom 25% Performers	-17.2%

Source: Trendrating

The broad market exhibits a large performance dispersion across the ups-and-downs of the index.

Capturing the outperformers and avoiding the underperformers is the key.

Performance dispersion is simply the dispersion of price trends.

Therefore, trends assessments and validation is imperative.

TRENDRATING

Outperformers

Underperformers
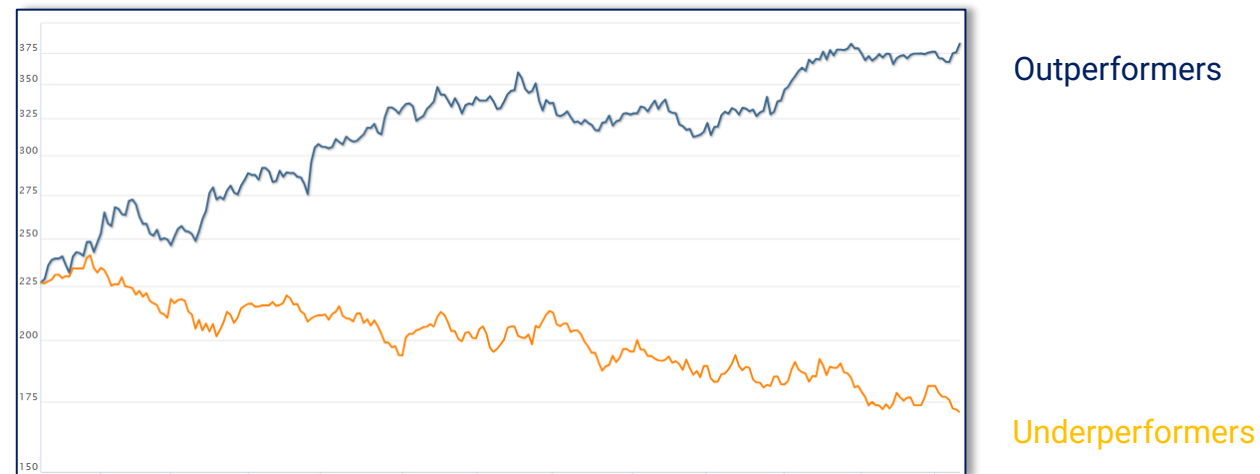
What fundamentals work best to capture the winners and avoid the losers?

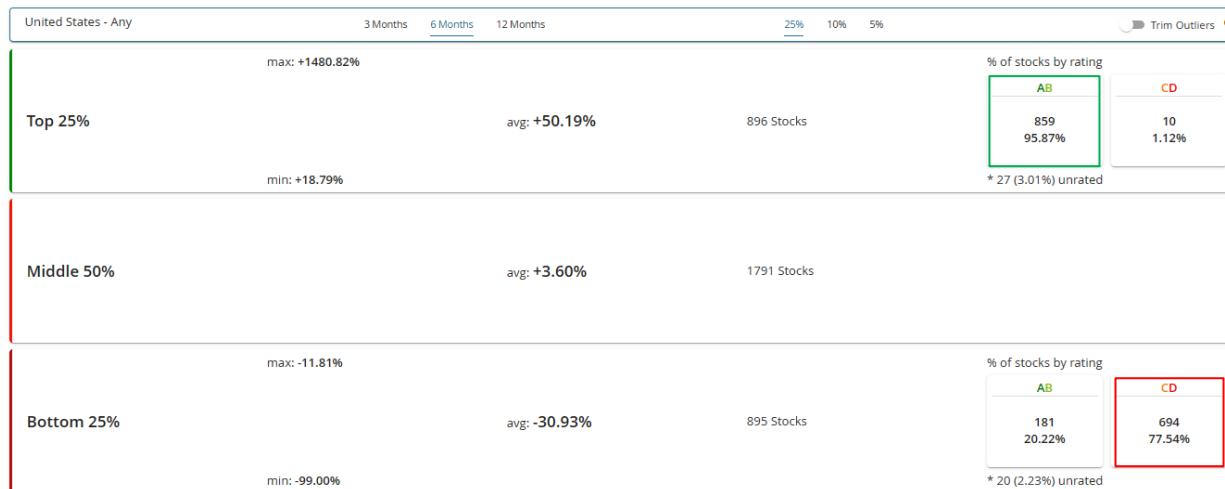**Can trend assessment analytics help to exploit trends?**

Can a combination of best fundamentals and validated positive trends profit from dispersion?

Trendrating has the answers

Track the performance dispersion across markets and sectors. Stay in control of the upside/downside ratio evolution. Exploit dispersion and maximize your performance.

## Performance Dispersion Facts – US Market Analysis: *Data below as of January 11, 2023*

| United States - Any | 3 Months | 6 Months | 12 Months | 25% | 10% | 5% | Trim Outliers |

Exploit dispersion

Identify the **outperformers**

Top 25%
max: +1480.82%
avg: **+50.19%**
896 Stocks
min: +18.79%

% of stocks by rating
AB: 859 / 95.87%
CD: 10 / 1.12%
* 27 (3.01%) unrated

Middle 50%
avg: **+3.60%**
1791 Stocks

Avoid the **underperformers**

Bottom 25%
max: -11.81%
avg: **-30.93%**
895 Stocks
min: -99.00%

% of stocks by rating
AB: 181 / 20.22%
CD: 694 / 77.54%
* 20 (2.23%) unrated

All Sectors	Top 25%	Mid 50%	Bottom 25%
All Sectors	**50.19%**	**3.60%**	**-30.93%**
Communication Services	37.20%	-2.57%	-35.45%
Consumer Discretionary	44.51%	-1.32%	-34.72%
Consumer Staples	29.05%	-1.16%	-28.19%
Energy	37.97%	2.39%	-25.24%
Financials	43.34%	12.92%	-7.24%
Health Care	91.76%	-0.86%	-43.64%
Industrials	37.55%	3.49%	-33.66%
Information Technology	48.39%	1.62%	-32.97%
Materials	40.99%	-1.13%	-35.24%
Real Estate	25.92%	3.85%	-14.87%
Utilities	15.57%	-2.87%	-19.56%
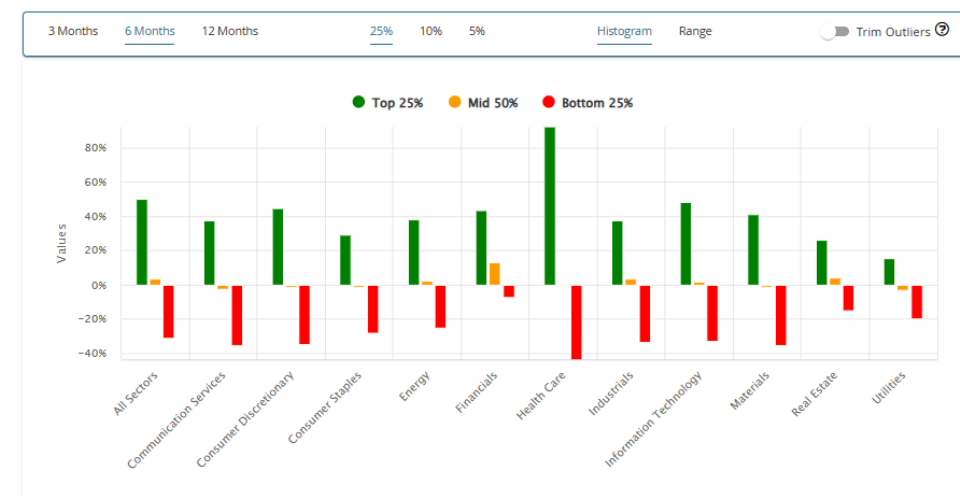
What fundamentals best captures the performance dispersion? – Get the hard facts.

1. Test any fundamental rule and parameter of your choice. Analyze, compare and rank the actual contribution to Alpha across the years.

2. Explore more combinations of parameters and find the most productive sequences.

3. Discover the mix of selection parameters that profit the most from performance dispersion.

4. Repeat the process across different markets and sectors of your interest.

US Large Cap Stocks

Benchmark	Average 10 Years
S&P 500	10.42%

		Performance	
Rule 1	Rule 2	Average 10 Years	Average vs S&P500
Lowest P/E		8.54%	-1.88%
Lowest P/E	Lowest P/S	11.69%	1.27%
Lowest P/E	Highest 3 Months Earnings Growth	14.25%	3.83%
Lowest P/E	Highest 3 Months Sales Growth	14.98%	4.56%
Highest 12 Months Earnings Growth	Highest 3 Months Sales Growth	16.24%	5.82%

Source: Trendrating

Trendrating advanced rating methodology - Discriminate between positive vs. negative price trends:

In the new market cycle the ability to discriminate between positive vs. negative trends is the key to control risks and to profit from the performance dispersion across stocks. Make trends work for you. Capturing trends is the essence of successful investing.

The ability to capture trends, profiting from bull markets and avoiding bear phases is the key to superior performance on a consistent basis.

Trendrating makes possible to quickly analyze trends using a rating system where A and B identify bull trends and C and D point to bear trends.
This rating approach captures in a systematic and unbiased way medium term price trends that can impact yearly portfolio returns.

The rating of trends is additional market intelligence designed to enrich the investment decision process and maximize returns while improving risk control.

Trendrating offers a well validated rating methodology to measure trends (A, B, C, D) easy to integrate into most strategies and models.

A = strong bull trend / B = beginning of a bull trend / C = inception of a bear trend / D = strong bear trend

Trendrating enables a more effective portfolio risk control:

Trendrating introduced the 'Trend Combined Risk' (TCR) for portfolios, designed to measure the aggregated portfolio exposure to stocks either in a bear phase or with a high probability to start falling in price. The portfolio rating is the weighted rating of all the holdings. Stocks in a bull trend are rated A or B, while falling securities are rated C or D. **The lower is the portfolio rating, the larger is the exposure to negative trends and the bigger is the risk of losses.**
Obviously there is a high correlation between the portfolio's rating and the performance in the following months.

Strengthen your risk control process with additional insights.

Measure and reduce the exposure to negative trends, as the larger is the weight of stocks in a bear phase the bigger is the risk of losses.

Analyze several portfolios in little time and quickly identify where are the risks.

A rigorous control of the portfolio allocation to falling stocks adds pragmatic, realistic insights that strengthen the risk management process.

Stay in control of the price trends across portfolios holdings in a more challenging market cycle.
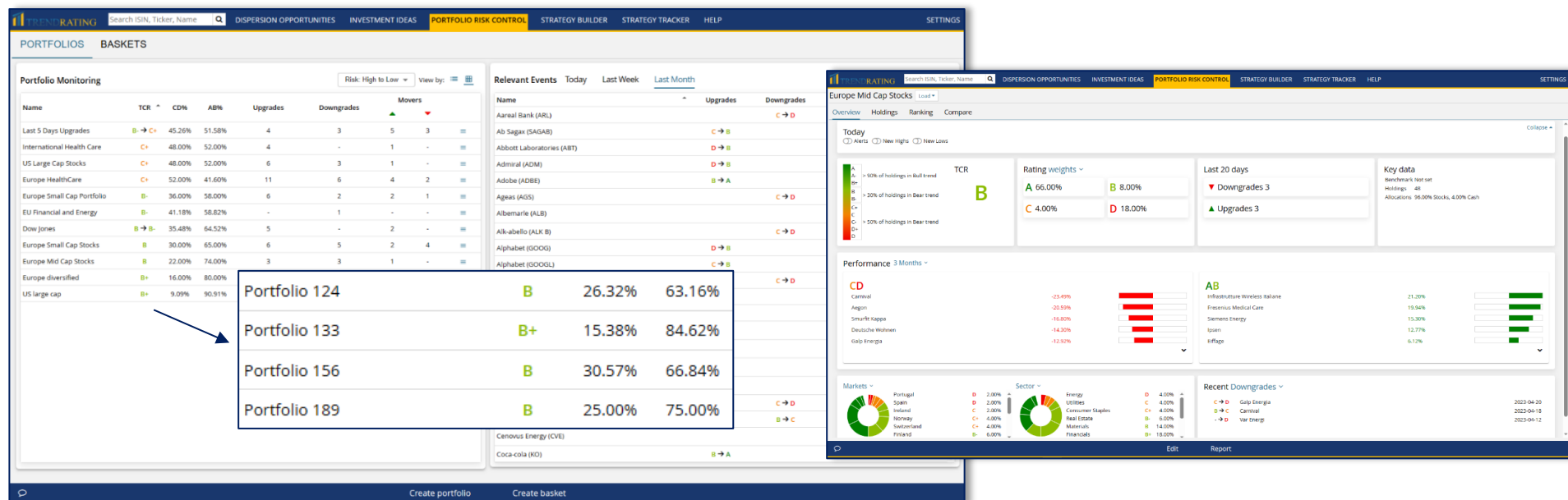
Measure the 'Trend Combined Risk' (TCR) across portfolios – Spot in time the high-risk portfolios:
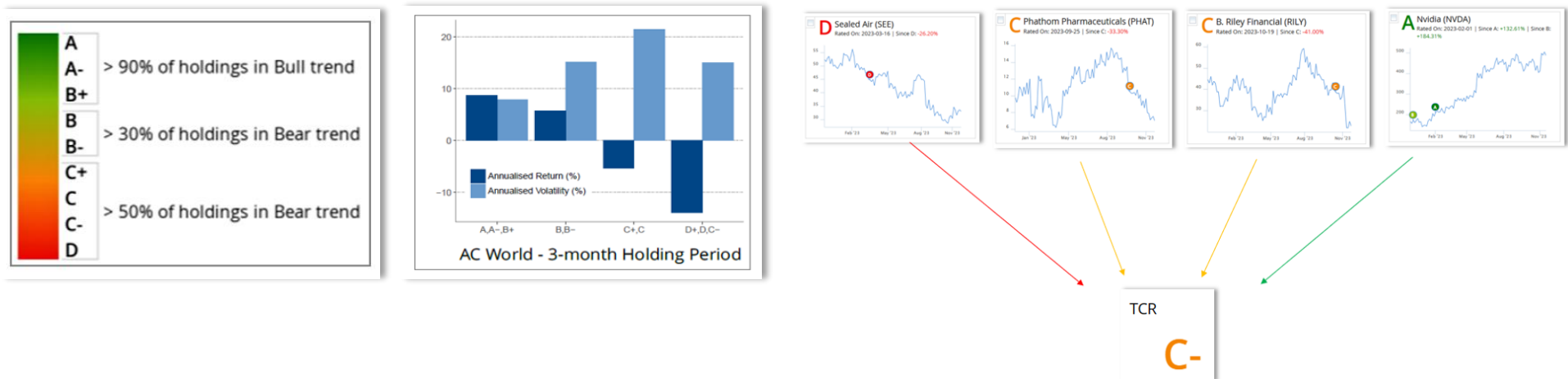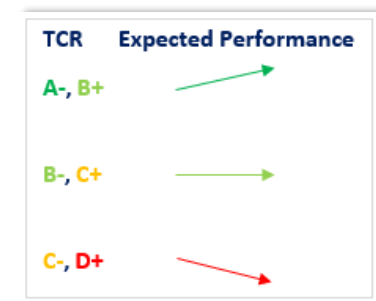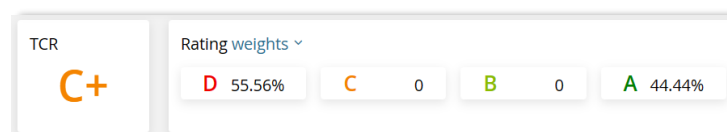

With Trendrating is easy and fast to monitor all the portfolios and to spot those with a dangerous trend allocation, showing an overall rating below B+.

Account 156 – Safe Exposure   *Account 177 – High Risk*
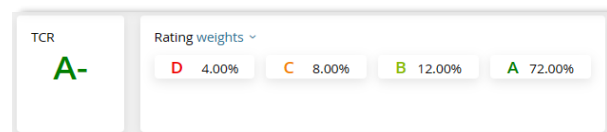
Monitor several portfolios at once. Quickly spot the high-risk accounts. Do not miss critical information.

Gain more control and save time with an efficient, rigorous assessment to identify any excessive exposure to falling stocks.

Access advanced analytics to strengthen your portfolio management process.

Performance Management Platform:

Build your own winning investment strategy.

Do not limit your opportunity to excel due to a lack of smarter insights. Access a world of intelligence and leverage your skills to maximize your performance.

Design, test, optimize, document and track your winning investment strategies. Validate with robust statistical evidence.

Access our rich data set of analytics, pick your preferred fundamental criteria and use our powerful testing platform to assess and compare the alpha produced by different sequences. Then explore other combinations of rules and discover the most effective strategy across the years.

Unlock your full potential to outperform with a leading edge solution at your service.
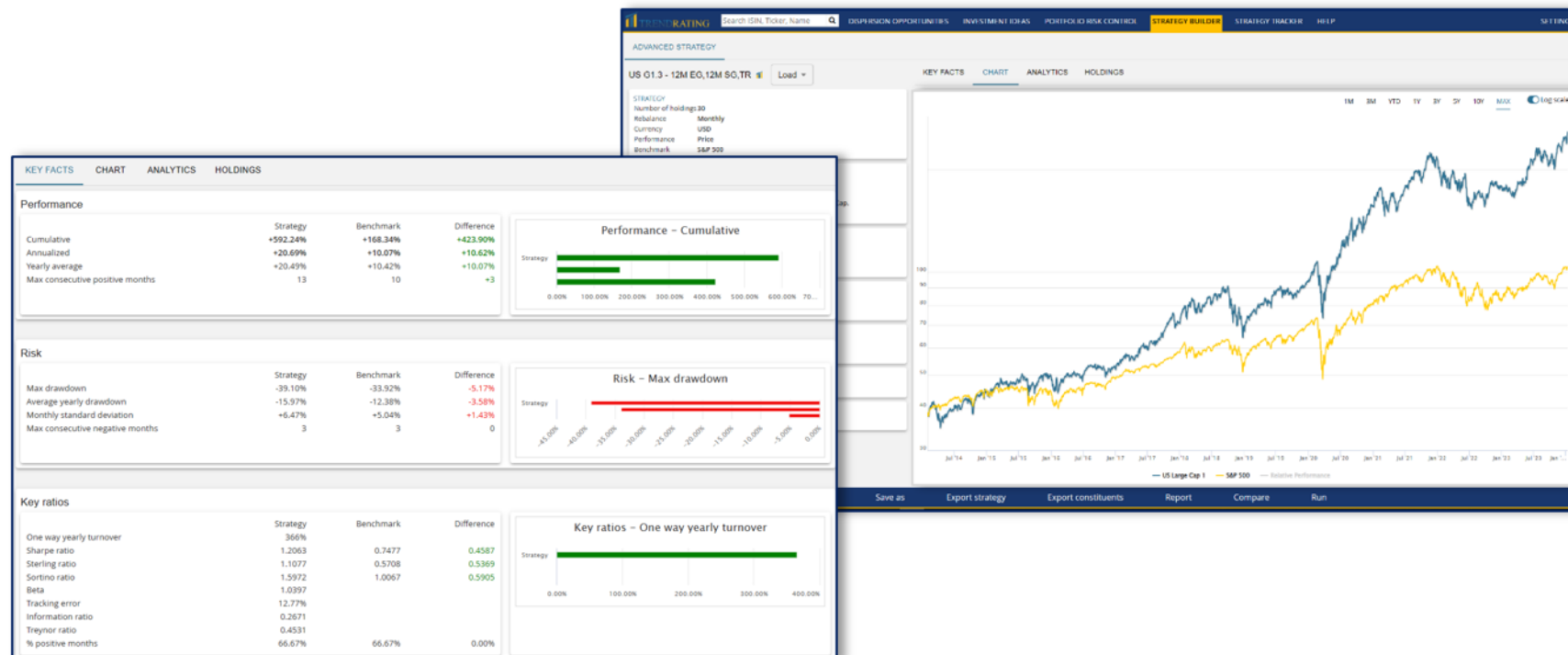
Contact us at discover@trendrating.net to access Trendrating Intelligence