



Momentum Risk Monitor – Frequently Asked Questions

Q. What exactly does Momentum Risk Monitor offer?

A. Momentum Risk Monitor provides an innovative, well-proven dataset that enables clients to assess and rate the quality of price trends. 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 it 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 most impact yearly portfolio returns.

Q. How does it work?

A. Trendrating's evaluation methods are based on genetic algorithms using multivariate data analysis on large populations of historical price patterns.

The pattern recognition is performed through numeric analysis of historical prices, volumes and volatility. Using Monte Carlo methods millions of pattern series are backtested daily. The backtesting evaluates the historical reliability of any single pattern and isolates hedge cases when present. The statistical evidence of recurring patterns allows the Trendrating method to self-adjust the parameters and weightings of the 8 indicators that are at the basis of the model in reaction to behavioral changes of markets.

This numeric analysis is based on regression analysis between multi-time frame performance on any security compared to any peer in the security's peer group.

Q. Why should I use Momentum Risk Monitor?

A. Trendrating analytics fill a critical gap in market intelligence. Investors analyze and rate a large amount of fundamental, qualitative and quantitative data. But many investors do not apply the same sophistication and discipline in analyzing key price trends across investment universes and portfolios, despite the fact that being in sync with individual stocks trends is the premier contributor to risk control and return enhancement. Momentum Risk Monitor is the easy answer to a complex problem, providing an edge in a market where momentum and sentiment have more impact than traditional analytical approaches.

Q. What are the benefits?

A. Momentum Risk Monitor is designed to capture those trends that last from a few months to several quarters. The methodology supports the capture of a large part of the best performing stocks while at the same time helping to avoid a good number of the worst performers. Therefore integrating Momentum Risk Monitor into the investment process can generate measurable results in terms of

improved performance management . The impact can be measured and tracked every month as it is easy to see at the statistical level how sound and recurrent is the fact that stocks rated A and B on average outperform those rated C and D .

Q. How can I use Momentum Risk Monitor?

A. Here is a table explaining the many ways to profit from Momentum Risk Monitor.

USE CASES	RISK CONTROL ON HOLDINGS	RISK CONTROL AT MARKET AND SECTOR LEVEL	VALIDATION OF NEW INVESTMENT IDEAS	SEARCH FOR INVESTMENT OPPORTUNITIES	PROFIT PROTECTION	SECTOR ROTATION	TACTICAL ALLOCATION
ASSET MANAGEMENT	Keep the portfolio percentage exposure to C/D rated stocks low	Minimise exposure to negatively rated markets and sectors and maximise the weight into A/B rated universes	Execute a sanity check to new ideas and recommended stocks	Start from your relevant investment universe and select A rated stocks and use Smart Momentum and Retracement to rank and pick the best	Use Retracement to reduce exposure	Use rating levels to switch from weak sectors into strong ones.	Overweight stocks A/B rated
FUNDS MANAGEMENT	In case of downgrade to C/D reconsider the investment case	Use rating levels for effective tactical allocation	Execute a sanity check to new ideas and recommended stocks	Start from your relevant investment universe and select A rated stocks and use Smart Momentum and Retracement to rank and pick the best	Use Retracement to reduce exposure	Use rating levels to switch from weak sectors into strong ones.	Overweight stocks A/B rated
WEALTH MANAGEMENT - managed accounts	Sell when downgraded at C/D	Monitor downgrades across markets and sectors to reduce exposure in C/D rated universes	Look for confirmation at trend level via an A/B rating	Select A rated stocks and use Smart Momentum and Retracement to rank and pick the best	Use Retracement to reduce exposure	Use rating levels to switch from weak sectors into strong ones.	Overweight stocks A/B rated
WEALTH MANAGEMENT - advisory	Suggest a switch . Exit C/D rated stocks to buy A rated securities	Advise about reallocation in synch with trend rating	Select from the recommended list only the stocks with positive rating. Add Smart Momentum to further refine	Build a list of new ideas with best rating and Smart Momentum	Use Retracement to reduce exposure	Use rating levels to switch from weak sectors into strong ones.	Overweight stocks A/B rated
SELL SIDE	Alert the customer in case of trend downgrades and propose alternative ideas	Provide macro ideas to clients	Execute a sanity check to new ideas and recommended stocks	Build a list of new ideas with best rating and Smart Momentum			