



# US EQUITY TREND DASHBOARD

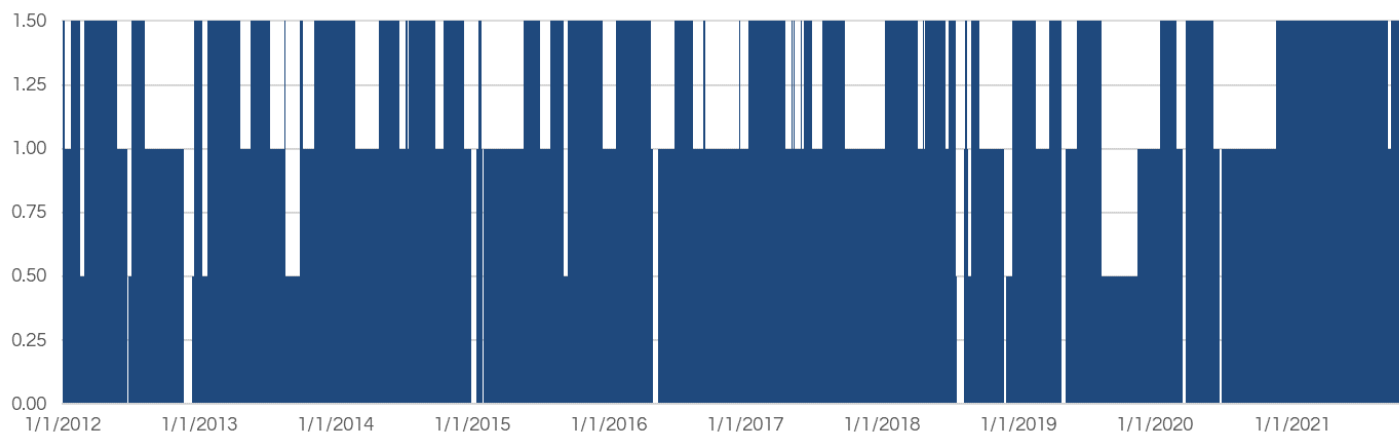
As of October 31, 2021

## DIRECTIONAL EQUITY TREND

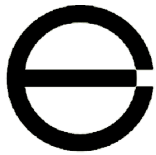
- We believe that a trending risky asset market is *inherently* a story market—sometimes the price comes first and the story is fit to it, and sometimes it's the other way around.
- For strategies which toggle directional exposure, our hypothesis is that what matters is simply the *existence* of a powerful story. A market confused about the story is generally not a directionally trending market. We think measuring those stories can inform how much risk to allocate to trend-based strategies.
- Our illustrative dashboard is simple: we toggle exposure to the Newfound U.S. Trend Equity Index based on our Cheap, Expensive, Bullish and Bearish narrative archetypes. If there is a dominant narrative of **ANY** type, we overweight the index. If Cheap/Expensive or Bullish/Bearish are neutral, we underweight it.
- Clear Bullish archetypal language gives us more confidence in directional trend models; the market's inability to articulate a clear story around whether it is attractively or excessively valued weakens it. **A clearer Bearish/Expensive narrative for November has led our models to favor directional trend.**

CURRENT STATE	OVERWEIGHT (1.5X)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Directional Equity Trend	2.9%	34.7%	21.7%	-3.1%	11.8%	23.3%	-3.0%	17.2%	26.1%	31.6%
Newfound US Trend Equity Index	10.9%	33.5%	11.4%	-4.4%	6.1%	21.2%	-1.0%	16.4%	0.3%	19.6%
Difference	-8.0%	1.3%	10.3%	1.3%	5.7%	2.1%	-2.1%	0.8%	25.8%	12.1%

## HISTORICAL SIGNAL TRIGGER PERIODS



**Important Disclosures:** These signals are provided for research purposes only and have not been customized to the specific circumstances of any client. There can be no guarantee that any investment strategy based on these signals would be successful, or that their success in the past would be indicative of similar success in the future. Investors should consider a wide range of factors specific to their portfolio and circumstances before making any investment decisions. The S&P 500 is a market cap-weighted index of approximately US large capitalization stocks. The Newfound U.S. Trend Equity Index is an index published by Newfound Research which attempts to simulate a common directional trend-following strategy. These signals and triggers are historical simulations. They did not exist in the periods examined. While efforts to examine economically intuitive relationships are core to our process, knowledge about the past inevitably skews the creation of such models. You should examine their results with skepticism and care. Past performance is NOT a guarantee of future results. This is not a product and as such is not adjusted for any fees or transaction costs.



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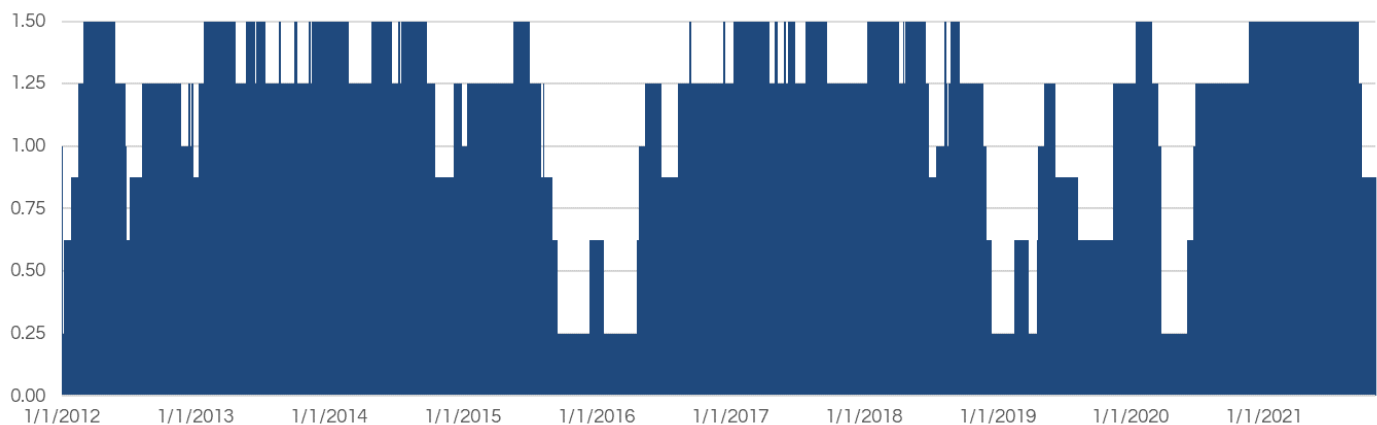
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## LONG TERM EQUITY RELATIVE MOMENTUM (12 Mo)

- For strategies which allocate among assets on a market neutral basis based on their relative momentum, the existence of *any* kind of story isn't enough. Our hypothesis is that relative momentum archetypes are bullish stories without the mean reversion implications of cheap archetypal language.
- Our dashboard is simple: we modulate exposure to a portfolio that overweights sectors with above average 12-month price momentum by allocating more when bullish archetypal language is strong and when cheap archetypal language is absent. It allocates less when bullish archetypal language is low and when cheap (i.e. mean reversion stories) archetypal language is influential.
- **Our models now moderately disfavor** strategies with relative allocation among sectors based on 12-month momentum; the model considers discussion of expensiveness and price to be perfectly acceptable, but bearish language density more often represents an inflection point on relative sector performance.

CURRENT STATE	MODERATELY UNDERWEIGHT (0.85x)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Modified GICS RV Momentum	10.6%	30.4%	0.8%	3.3%	-4.0%	2.5%	-3.2%	5.9%	29.5%	-21.8%
S&P Sectors RV Momentum	4.2%	20.1%	1.4%	1.5%	-9.4%	2.7%	-3.5%	3.3%	10.2%	-14.3%
Difference	6.4%	10.4%	-0.6%	1.8%	5.4%	-0.2%	0.3%	2.6%	19.3%	-7.5%

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