• A market based performance indicator designed to have a high and stable correlation to the returns of trend following CTA strategies

• Parameter & Market Selection
  – 20/120 day moving average cross-over
  – Always in the market (Long or Short)
  – 55 liquid Futures markets, diversified across 4 asset class sectors
    • Equity Indices, Currencies, Fixed Income (Bonds & Interest Rates), Commodities
  – Futures contracts are rolled during period when “roll market” liquidity is concentrated
    • 2 business days after open interest in the deferred contract exceeds open interest in the lead (expiring) contract, or;
    • 3 business days before the lead contract expires, which ever happens first

• Portfolio Construction
  – $2 billion constant portfolio size
  – 15% annualised Volatility target
    • Volatility estimates using daily data, 3 month look back, 0.97 exponential decay factor (per business day)
    • Correlation between market p&l series are estimated using weekly data, 1 year look back, 0.97 exponential decay factor (per week)
  – Equal Risk (25%) Sector Weight
  – Equal Risk Market Weight (intra-Sector)
    • Individual positions limited to the smaller of 1% of average open interest, or 5% of average daily volume (previous 2 years)
    • Currency markets are unconstrained
  – Excess cash held in 3-Month US Treasury Bills
    • 25% haircut on cash for margin requirements
• Trading & Portfolio Rebalancing
  – Daily trading at settlement price
    • Model signal trades are executed at the next day’s (t+1) closing (settlement) price
    • Roll trades are executed on the close of the day determined by the roll rule
  – Monthly rebalancing
    • Rebalancing trades are executed on the close of the first business day of each calendar month
  – Trading costs
    • Defined Sector weighted Outright and Roll transaction costs encompassing: exchange fees, clearing commissions, and execution slippage

• Performance
  – Returns are reported net of fees
    • 2% management fee (per annum) & 20% performance fee (subject to high watermark & crystalised quarterly)

• Updates
  – There have been 2 updates to the Trend Indicator methodology:
    – 2012:
      • Shortening the look back periods for estimating volatilities and correlations, as well as time between rebalancing
      • Change in sector risk allocations
      • Switch to correlation estimates based on p&l series in place of prices
      • Eliminating the signal buffer that was initially employed to discourage whipsaw trading
    – 2016:
      • Move to equal sector weights
      • Reduced transaction cost assumptions from fixed $50 per side, to sector weighted Outright and Roll transaction costs
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