

The Higher the Risk, the Better for TrackMacro

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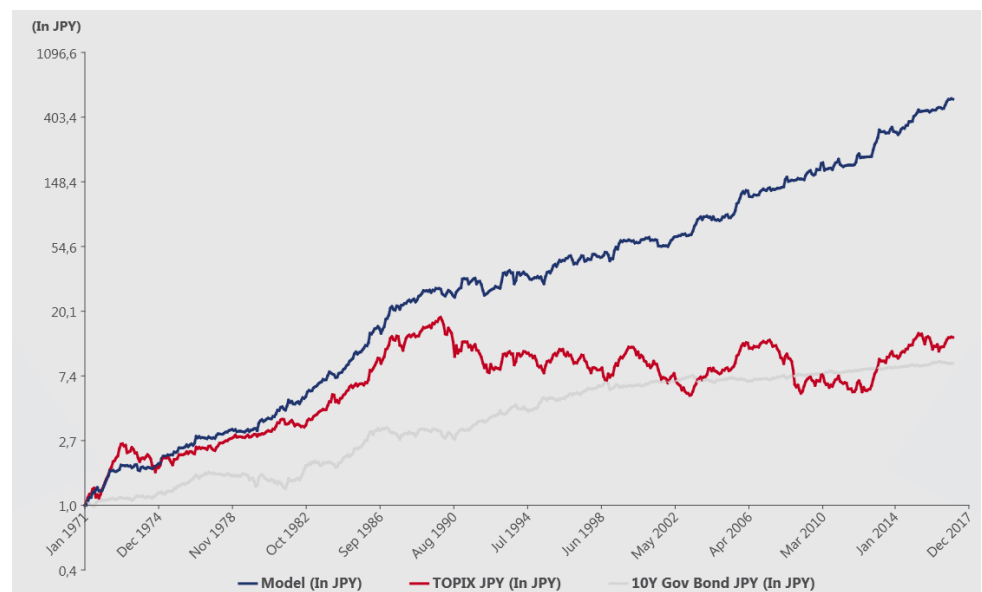
TrackMacro™ is a software tool
providing equity risk signals in 40
countries

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Of the three pillars of equity investment—Value, Risk, and Prospective—the TrackMacro artificial intelligence program focuses exclusively on Risk. When some of the major macroeconomic factors supporting equity investments in a country roll over, TrackMacro flashes a “risk off” signal. The system also follows a simple equity/bond investment strategy, reallocating equity exposures to bonds (or cash) in such periods of time. The consequence is “the higher the risk, the better for TrackMacro”.

Three countries illustrate well the system’s ability to monitor risk in extreme situations: Japan, Italy, and Iceland.

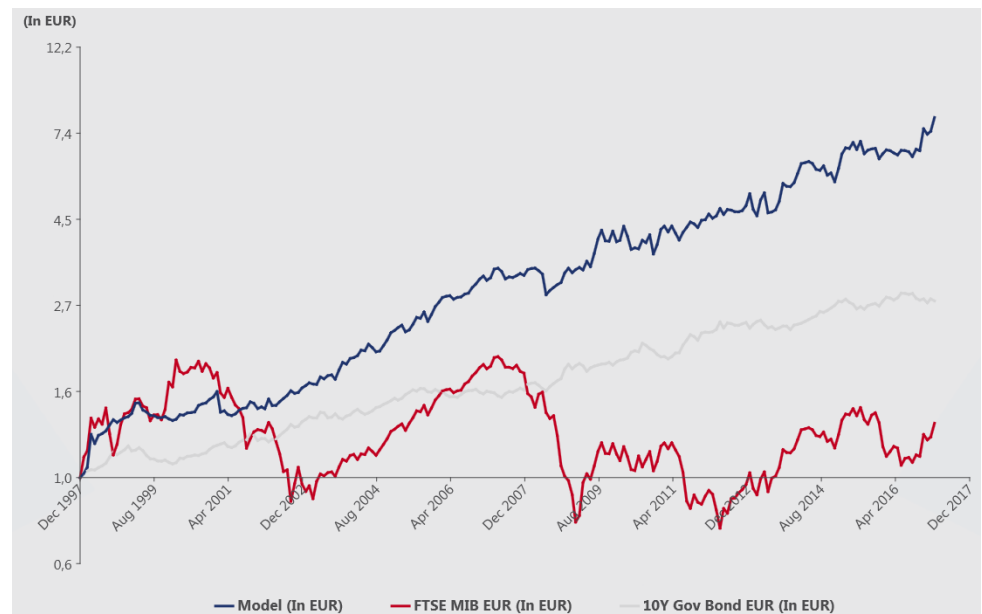
Fig 1. JAPAN. TrackMacro performance when switching from TOPIX exposure to 10Y JGB exposure in “risk off” periods, in JPY.



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From December 1989 to March 2017, the TOPIX returned -1.1% p.a. with a maximum drawdown of -70.2%. The TrackMacro strategy would have returned +11.4% p.a. with a maximum drawdown of -23.3%.

Fig 2. ITALY. TrackMacro performance when switching from FTSE MIB exposure to 10Y Bund exposure in periods of “risk off”, in EUR.

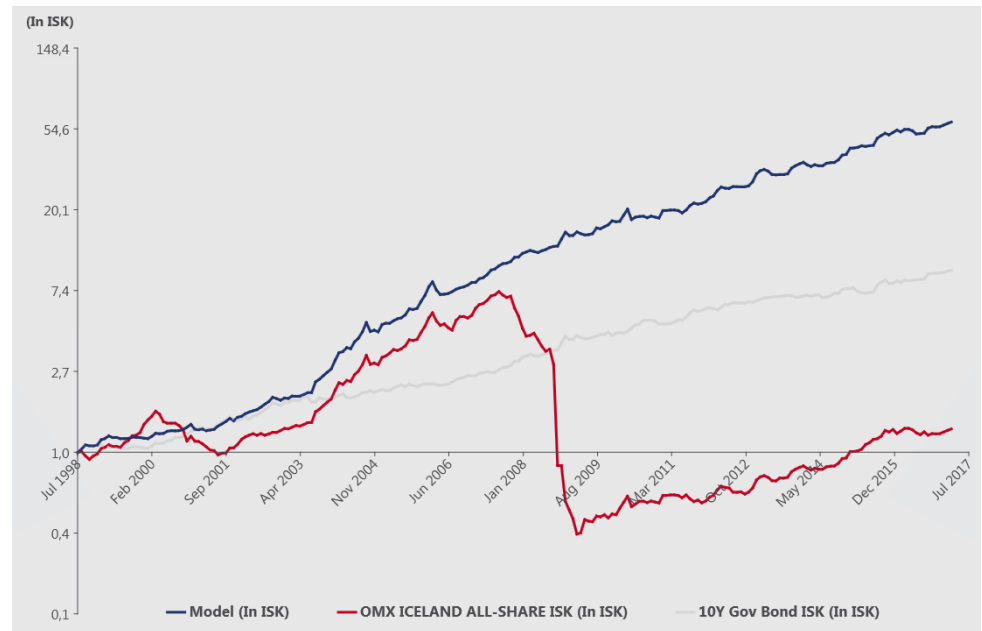


From December 1997 to March 2017, the MIB returned +1.7% p.a. with a maximum drawdown of -63.2%. The TrackMacro strategy would have returned +11.5% p.a. with a maximum drawdown of -14.9%.

The Japanese and Italian equity markets are somewhat similar. They exhibit no long-term trend, but a series of 100% up and 50% down cycles. In both markets, TrackMacro has been able to surf the risk waves smoothly in the last 20 to 30 years.

Iceland is another story. The country has been performing well in the last two decades, but suffered from a catastrophic collapse of its over-developed financial system in 2008.

Fig 3. ICELAND. TrackMacro performance when switching from OMX Iceland All-Shares exposure to 10Y ISK bond exposure in “risk off” periods, in ISK.



From July 1998 to March 2017, the OMX Iceland index returned +1.6% p.a. with a maximum drawdown of -95.1%. TrackMacro strategy would have returned +24.6% p.a. with a maximum drawdown of -14.6%.

TrackMacro is an automated equity risk system. It becomes a first-class alpha generator when risk dominates the process of value creation.