

Quality Capital Management

Peer Group Analysis May 2021

Performance Highlights

- 25.44% compounded annual growth rate.
- -0.32 correlation to S&P 500 Total Return Ix.
- 1.44 Sharpe (0% risk-free rate).
- 2.65 Sortino (0% target return rate).
- -12.80% worst peak-to-trough draw-down.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.
Monthly returns 2018-11 – 2021-05

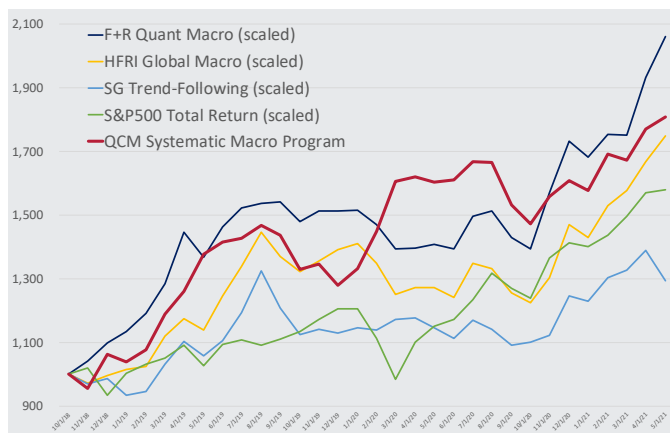
Quality Capital Management (QCM) launched its re-engineered Systematic Macro Program (SMP) in November 2018. Performance has exceeded expectations and we thought with 31 months live trading it would be a good time to compare it to its peers.

We took a variety of approaches in our peer group analysis. We compare to indices, individual peers, and estimate alpha delivered by SMP over its live trading period.

QCM vs. Indices

There are a number of indices available to benchmark SMP. We chose to use the following:

- F+R Quant Macro Index.
- HFRI-I Global Macro HF Index.
- Société Générale Trend Index.
- S&P 500 Total Return Index.



F+R Quant Macro Index

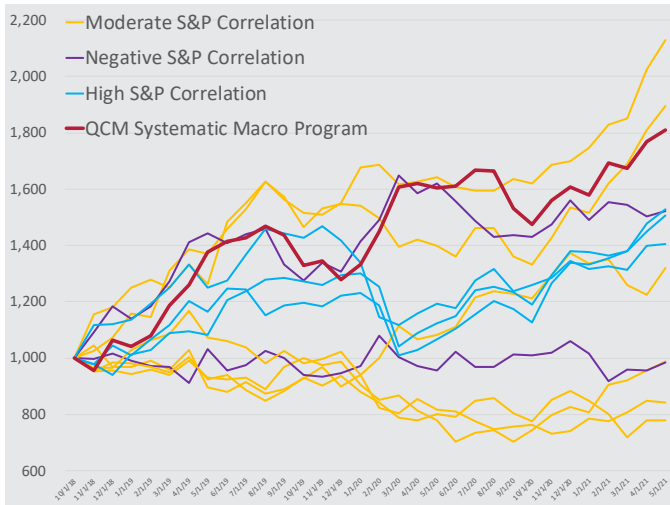
The F+R Quant Macro Index was created by allocating an equal risk budget to each member of a portfolio of QCM + 11 quant macro managers with AUM > \$500m and minimum 4-year track record.

To put all the equity curves on the same risk footing, the monthly returns were scaled to match the annualized volatility of QCM’s SMP program (17.64%).

The chart shows the solid performance of SMP versus all but the F+R Quant Macro Index. Of course, that index is not (currently) investible, uses monthly rebalancing and volatility scaling, and would require 12 separate allocations to replicate!

QCM vs. Individual Peers

So how does SMP stack up against the individual programs in our peer group?



The chart shows each of their equity curves adjusted to the same volatility as SMP, which means their order from top to bottom is the same as their ranking by Sharpe Ratio. Since CTAs typically play a diversifying role against S&P 500 exposure, the peers are grouped based on their correlation to the S&P 500: negatively correlated (< 0 , purple and SMP), moderately correlated ($0 - 0.5$, gold), and highly correlated (> 0.5 , blue).

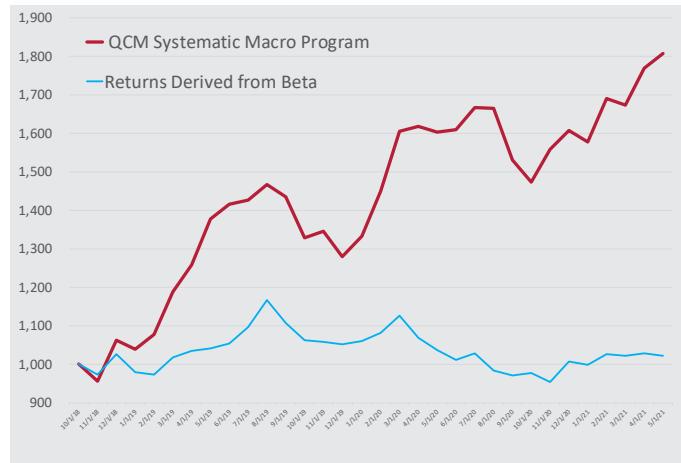
The only programs out-performing SMP have correlations of 0.3 and 0.45 to the S&P 500, compared to SMP's -0.32. Only one program has correlation to the S&P 500 similar to SMP, but it

has underperformed SMP by about 2% per month over the period of study.

QCM Alpha vs. Beta

Alpha is the excess return after removing returns that could have been earned relatively cheaply by investing in an index (beta). We removed the returns derived from the S&P 500, and global macro and trend-following factors.

Over the course of the live trading period, SMP has delivered alpha of 1.94% per month in excess of beta of about 1.26 to the HFRI Global Macro Index, 0.45 to the SG Trend-Following Index and about -0.45 to the S&P 500 Total Return Index.



Conclusion

If you had to make only one allocation to global macro over the last 31 months, Quality Capital Management's Systematic Macro Program would have been a great choice:

- -0.32 correlation to the S&P 500 – a strong diversifier for your stock exposure.
- A beta of ~1.3 to the leading global macro hedge fund index.
- A beta of ~0.45 to trend-following CTAs.
- Alpha of ~1.9% per month.

To learn more drop us a line at research@fidesratio.com, or call me, Ian Rayner, on +1 303 842 1669, or Tom Ducrot +1 914 314 8758.

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