



## The QCM Systematic Macro Programme

### *Underlying Strategies: What has changed since November 2018?*

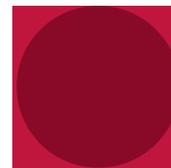
#### 1. General

QCM's Systematic Macro Programme ('SMP') is the firm's flagship product and offered to investors through managed accounts. Following a milestone revamp to its models in November 2018, today's version of the QCM systematic investment strategy that drives the SMP, incorporates the most exciting innovation in its history. It makes it significantly more powerful and adaptive to changing market conditions than ever before.

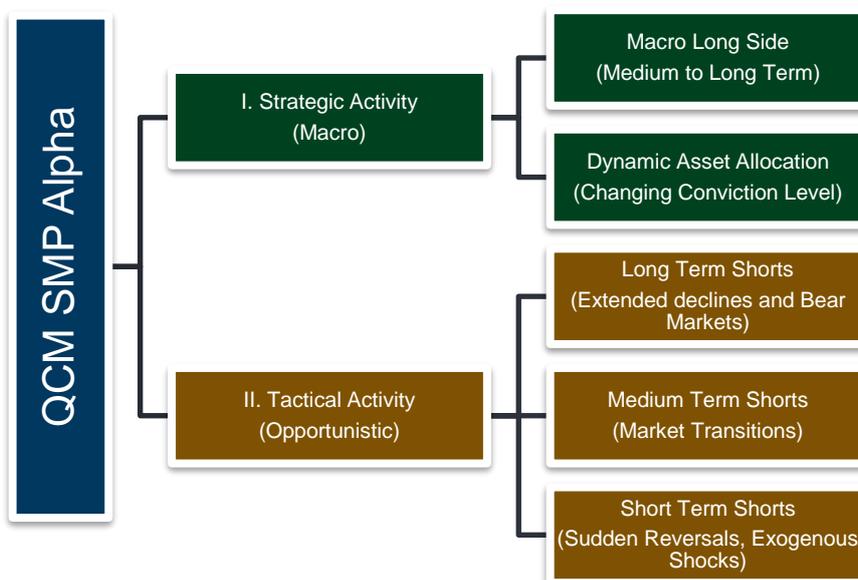
The strategy encoded in the QCM Model generates new and innovative sources of returns from engaging in a combination of (i) Strategic and (ii) Tactical activity. The two sets of return-generating activity are not correlated, yet complementary. They work independently and are orthogonal, having distinctly different approaches. But when combined, they not only produce powerful synergy but also a good portfolio balance with significant risk reduction. The positioning of the longs and shorts are more effective as well as dynamic and incorporate both strategy and tactics. This now allows the SMP to offer greater alpha, less risk, and a lower correlation to other assets. What is more, the empowered strategy can navigate through tougher economic and market environments.

The table below shows the performance statistics of the November 2018 upgraded SMP that is on track to its three-year anniversary of live trading.

Key Statistics of QCM SMP	Nov 2018 to May 2021
Year to Date Return	+12.50%
12 Month Rolling Return	+12.02%
Annualised Return	+25.44%
Cumulative Return	+79.60%
Worst Drawdown	-12.80%
Modified Sharpe Ratio	1.42
Sortino Ratio	2.95
Return to Worst Drawdown	1.99
Correlation with S&P 500	-0.32



Schematic of the QCM Strategy



## 2. Strategic activity

Driven largely from the long side its primary power comes from a sophisticated time-diversified proprietary asset allocation tool that we have historically referred to as the Advanced Resource Allocator ('ARA'), first created by QCM in 2004. This has gone through a major re-engineering process to be greatly enhanced. The ARA allows us to daily adjust the position size in a market relative to other positions in the portfolio. The process evaluates the attractiveness of a position, considering both the market's risk (volatility) and its expected return (potential), against other opportunities in the account. This active asset allocation process, risk-managed stringently both at market as well as portfolio level, leads to a daily re-alignment of the positions. And in turn the process tilts the portfolio posture to better adapt to the ensuing macro-economic environment.

The Strategic activity in the portfolio produces substantial alpha for the SMP. The ARA's sophisticated methodology is unique in how it adapts the portfolio exposure to changing market fundamentals. Looking for specific proprietary-designed properties that leave a footprint in the market, QCM avoids relying on fundamental market or economic data input in its models. These are either not available in time to be of use, or simply carry too large a lag to have value. What is more, the Strategic activity is not rocked by short-term noise in the markets, participating instead in the bigger waves and not the ripples. And because the ARA is non-linear, the resultant weights and positions can adapt rapidly to changes in market environment.

### ***What is NEW and how has it changed?***

***The ARA has been significantly empowered to generate additional time-diversified alpha. It is now sharper and engages in both short and medium-term dynamic sizing, in addition to its previous long-term allocation. This broadens the all-encompassing time horizon. The combination also attractively increases the alpha potential from the Strategic activity while keeping the portfolio better aligned to market fundamentals including their shorter-term changes. Risk management has been greatly enhanced at both micro and macro level. The outcome is stronger returns from the Strategic Macro activity, but with more stringently controlled downside risk.***



### 3. Tactical activity

A series of **new** tactical tools bring in a strong complement to the Strategic Activity above. These protect and profit the portfolio from major market downturns, including bear markets. Additionally, they seek to gain from markets in transition, say from rising to a descending one. And further, they strive to both defend as well as gain tactically from short term systemic shocks. The suite of shorts spanning the time horizon between (i) long-term; (ii) medium term; and (3) short term is individually risk-managed and collectively they generate a substantial alpha from the short side. They are not correlated to the Strategic activity and seek to capture both 'bear-market alpha' as well as 'crisis alpha'. The shorts are nimble, hence tactical, and will often exit when not required.

#### **What is NEW and how has it changed?**

**The largely new Tactical Shorts nimbly come in, when necessary, to engage in identifying tactical opportunities, seeking to extract gains from market setbacks and reversals. Diversified by timeframe, and different approaches, they are each designed to be profitable and have own risk management to control losses. They also reduce errors and are not correlated. The short-term and medium-term tactical activity is new and their risk management as well as profit-taking methodology is also new.**

**The suite of shorts is highly complementary to the long positions from our Strategic Activity. The Tactical Activity as a group is particularly beneficial in shielding sudden increases in downside volatility, and especially in dealing with both systemic events or unexpected reversals. They tend to offset the downside risk in Equities or Risk Assets in general.**

### 4. Summary

Following its revamp of November 2018, the QCM SMP, is now a greatly empowered integrated investor solution for the QCM Systematic Global Macro strategy. It is excitingly re-engineered to bring in new innovative alpha tools with advanced multi-layered risk management. All component parts are eloquently architected together. They seamlessly combine both strategic activity with tactical, to arm the SMP with a robust quantitative process that can generate attractive risk-adjusted returns. We believe this process to be strong, sustainable, and not correlated to major asset classes or other investment styles.

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