trend

INVESTMENT INTELLIGENCE FOR A NEW ERA

TREND-FOLLOWING SENTIMENT FOR IR TEAMS.

About Trend

We are the world's only dedicated provider of trend-following price research. At Trend we're committed to simplicity, dedicating ourselves to removing market noise and complexity. Our mission is to empower globally minded corporations, financial institutions and the financial media to fully understand market prices and to make their greatest decisions. We do this by analysing and visualizing price trends using leading trend-following indicators. Find out more at trend-intelligence.com.

Investment management is quickly changing. An increasing number of investors are disregarding your company's fundamental picture when investing or divesting. Let's give IR teams better tools to understand their investors next move.

The methods that investment managers use to buy and sell stocks and bonds have rapidly changed since the 2008 financial crisis. *Company fundamentals* such as earnings, cashflow, balance sheet and sales are an important story for CNBC news anchors - but are no longer the only game in town for investment decision making.

Let's consider two prominent investment styles that have moved away from studying your company's fundamental information, and their impact on IR teams.

1. Passive Investing: Index funds and ETFs.

In 1976, Jack Bogle realised that stock-picking fund managers rarely outperformed their benchmark index. In response, Jack created Vanguard Asset Management and with it the first *index fund* that tracked the S&P 500. Jack's concept was that instead of stock picking, he'd buy all 500 stocks in the index and market his fund to investors for a smaller management fee. It worked - the concept grew, and by the 1990's ETF's emerged from the same principle - only now being structured as shares that trade on an exchange.

Passive growth boom.

By early 2024, passive fund assets had grown so much that they *exceed* active fund assets for the first time. Now, a little over 50% of all investment fund money is run by passive strategies. ETF assets have grown at an average rate of 22% every year for the past five years and are 17% of all fund assets (Morningstar).

Challenges for IR teams.

Passive investing is an overwhelming driver of a share's volume, price, and its (unwanted) divergence from fair value. In the face of this adversity, IROs are unable to influence passive investors with their usual tool-kit (new information, new stories) as these investors do not trade on information. The implication that 50% of investment managers buy or sell company shares without a fundamental basis conveys an important message: Now is the time for IR teams to invest in understanding how index and ETF trends affect the value of their company. **Trend Intelligence is here to help IR teams understand what passive investors might do next with your company's shares.**

2. Quantitative Investing (Systematic Investing).

By the early 1980's computing power had increased so much that sophisticated hedge funds began to innovate and create a new style of *quantitative investing* that uses mathematical models, statistics and algorithms to identify investment opportunities. The appeal to early hedge funds was that this approach had scientific rigor and was *systematic* (using systems and rules) which could better guarantee portfolio risk and returns. Fast forward to today and we see that quantitative investment strategies span an array of flavours including; *statistical arbitrage, risk parity, factor investing and artificial intelligence*. As you may have guessed, most of these strategies have no need for your company's fundamental information.

Quantitative growth boom.

Once the remit of expensive and sophisticated hedge funds like Renaissance Technologies, Man Group and Citadel, quantitative investment strategies are now widely adopted by larger 'long-only' investment houses like Blackrock, Morgan Stanley and Goldman Sachs. With ever decreasing management fees, investment managers are pursuing quantitative systems to compete on alpha generation, AUM, scale, decision making and lowering their human capital costs.

Challenges for IR teams.

Holdings of your company's shares are now increasingly being based on statistical, volatility, momentum, size and risk factors - not the strength of your company's earnings, balance sheet or cashflow. **Trend intelligence is here to help IR teams understand what quantitative investors might do next with your company's shares**.

In the face of waning influence, IR teams need new tools.

The investor relations community is adjusting to a new reality - more than 50% of asset management money is being put to work in either one of two investment strategies that rarely use company information to make investment decisions. As a result, IR teams and the C suite might well be feeling that they're losing influence with investors. IR teams now face a growing challenge; how can they build a picture of what these investors are going to do next with their company's shares? The answer to this challenge lies in IR teams having access to new, broader, alternative information sources that create a vision of how this new investment landscape is functioning.

Trend-following sentiment creates wisdom where fundamentals cannot.

At Trend Intelligence, we're betting that new company research tools (like ours that use the statistics of price trends) will help IROs follow price moves in the same way that these investors do. At Trend, we generate calculated share buying and selling signals that are widely replicated throughout trading and investing communities. Trend additionally creates index trend analytics, giving IRO's a 'heads up' when big indices like the FTSE 100 or FTSE 250 are beginning to change direction – movements which can have a significant consequence on a company's share price.

Trend-following: Where it comes from.

Trend-following (the statistics of price) is not a new concept but remains under practiced and non-standardized in corporate and financial communities. First pioneered by 19th century investors like Charles Dow (creator of the Dow Jones Industrial Average) it has since been widely adopted by hedge funds, quantitative and passive investors. Trend-following seeks to mathematically uncover trends in asset prices that occur over time. It's a highly objective, data-driven strategy, where opinions and news have no bearing.

What can IR teams can learn from trend-following sentiment analytics?

All prices, in all markets, trend. Understanding the status of a price-trend in your company's stock (or a peer's stock) is powerful knowledge for an IR team to have. Gaining access to trend-following equity research from Trend can be a significant advantage. For one, expectations about the company's share price future are made (statistically) clearer. if your company share price can be shown to be trending positively, your company can have the confidence to build new initiatives or storylines around it. Likewise, during a negative trend it's now clear that IRO's need defend the company's position and work to reverse the trend. Exposing negative trends is not a bug, it's a feature.

Crafting and communicating the equity story

Communication & awareness of the capital markets' perception of the company

Helping to develop a fair market valuation of the company

Understanding stock market valuation

Above: *Trend enhances Investor Relations capabilities across many of their team objectives.*

Below: *Trend produces statistical research on stocks, bonds, commodities, currencies & indices.*

About Trend Intelligence.

Trend Intelligence brings functional, transparent and accessible investment research to its clients and removes the noise, complexity and ambiguity that the rest of the industry capitalizes on. We analyse and visualise statistical trends for our customers, using 10 time-tested signals from the world of trend-following.

We serve global and diverse clients.

Trend supports corporate C-Suite, treasury, investor relations, financial institutions and investor platforms with valuable and unique trend- following insight, unavailable anywhere else.

Global asset class coverage.

Trend's intelligence covers global assets from single stocks, indices, commodities, bonds, FX, ETPs, crypto and even economic indicators.

1. **The only dedicated** source of trend-following intelligence.
- **Trend removes** market noise and overcomplexity for you.
- **Coverage across** all assets and indices.
- **View and demand** trend- following expertise through a simple web interface.
- **Communicate** our valuable intelligence across your business and to your clients.

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