

Since the beginning of 2012, as commodity prices have collapsed, the BOVESPA Index has drifted downward with periodic rebounds and reversals.

Using Omega Analysis' Trend Signals to predict the turning points in this process and daily Expected Shortfall levels to size positions has produced excellent absolute and risk adjusted returns.

Predicting Cycles in the BOVESPA Index

Following the 2008-2009 crash, the equity market in Brazil recovered more quickly than in other major commodity producing countries such as Australia and Canada. But it fell behind them both after the US market correction of 2011. Since 2012 it has drifted downwards with significant volatility produced by periodic medium term rebounds and reversals.

Omega Analysis' Trend Signals have accurately predicted the turning points in the BOVESPA Index during this period.

Figure 1 shows the NAV of the Trend Trading Investment using these proprietary signals to switch between long and short positions in the Index while employing Omega Metrics® Risk Control.

This has turned a loss in the passive investment in the BOVESPA Index into an excellent return both in absolute and risk adjusted terms.

Controlling Risk

Omega Analysis' risk measurement technology provides accurate daily and multi-day risk estimates in equity markets. Using 99% Expected Shortfall (ES) to size position exposure is a reliable means of controlling risk to a given budget.

The Omega Metrics® Trend Trading Investment had an annualised return of 15.9% with a daily ES budget of 5%.

Since January 2012 the biggest daily loss in this position was 5.1% compared with 4.9% in the BOVESPA Index.

The worst monthly loss was reduced from 11.9% to 6.5%.

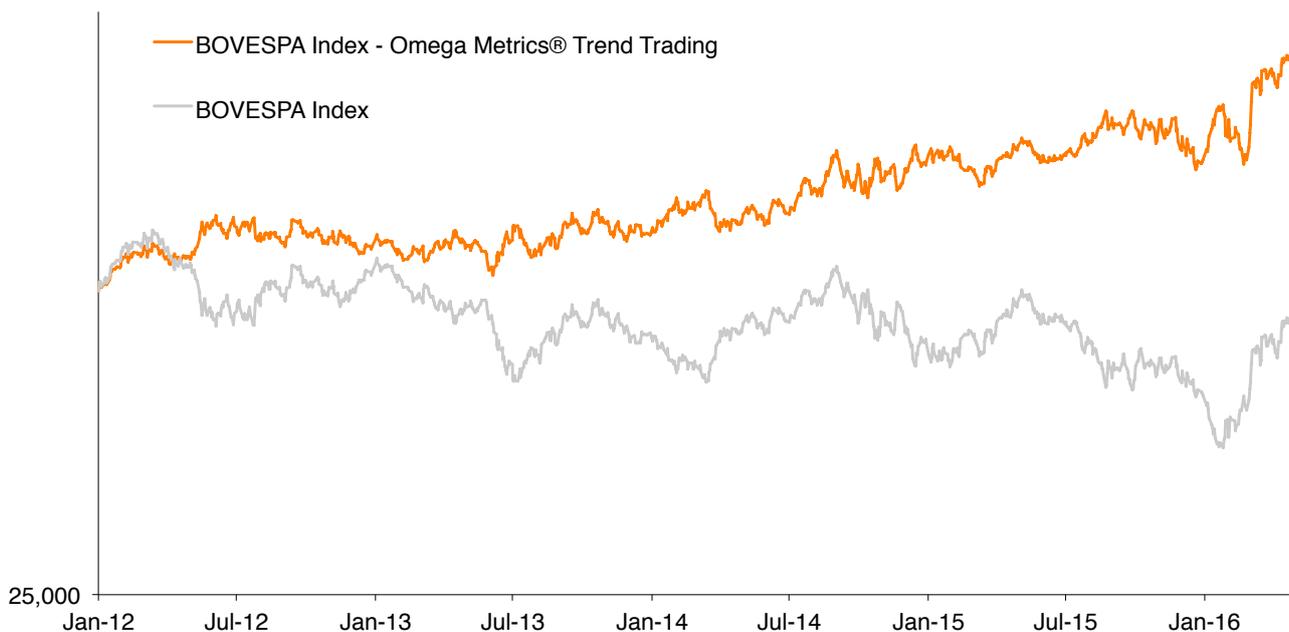


Figure 1 (log scale). From January 2012 to the end of March 2016, the annualised return on the BOVESPA Index has been -2.0 % with an annualised standard deviation of 20.6%. Omega Metrics Trend Trading has produced an annualised return of 15.9% with an annualised standard deviation of 17.7%.

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