

The background of the slide is a grayscale photograph of a long, perspective view of a hallway. The hallway is composed of a series of white, rounded arches that recede into the distance, creating a strong sense of depth and perspective. The floor is a light-colored, possibly tiled or polished surface, and the walls are also white, contributing to the clean, architectural aesthetic.

# **MAJOR MARKETS**

# **PERFORMANCE REVIEW**

## **Jan 2020 – Jul 2023**

July 2023

At the end of June 2023, Major Markets portfolio has had three and a half years' continuity tracking the same 190 strategies in 16 key global financial and commodity markets. Over that time it has entirely fulfilled its objective of generating positive returns, uncorrelated with traditional asset classes. This document offers a visual and statistical performance summary of the portfolio and its strategies.

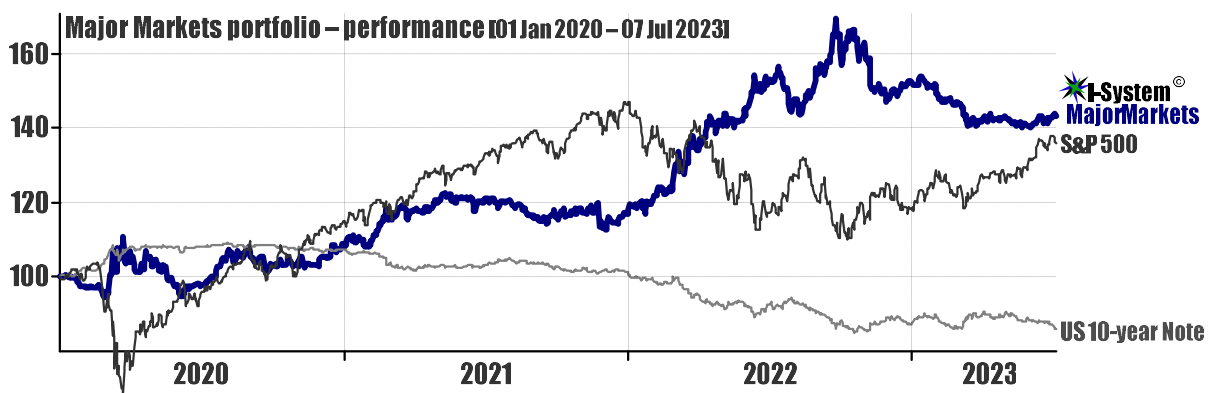
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## FULL MAJOR MARKETS PORTFOLIO

For the purpose of this analysis we allocated \$100,000 risk budget to each one of the 180 strategies comprising the Major Markets portfolio (excluding Bitcoin). Position sizes were set in a way that one standard deviation of daily P&L (profit & loss) changes corresponds to 20% of the risk budget, i.e. \$20,000, resulting in a very moderate risk profile. The portfolio’s performance (after commissions) is illustrated below.

Please note, this chart and the table on the next page were updated through 7 July 2023.



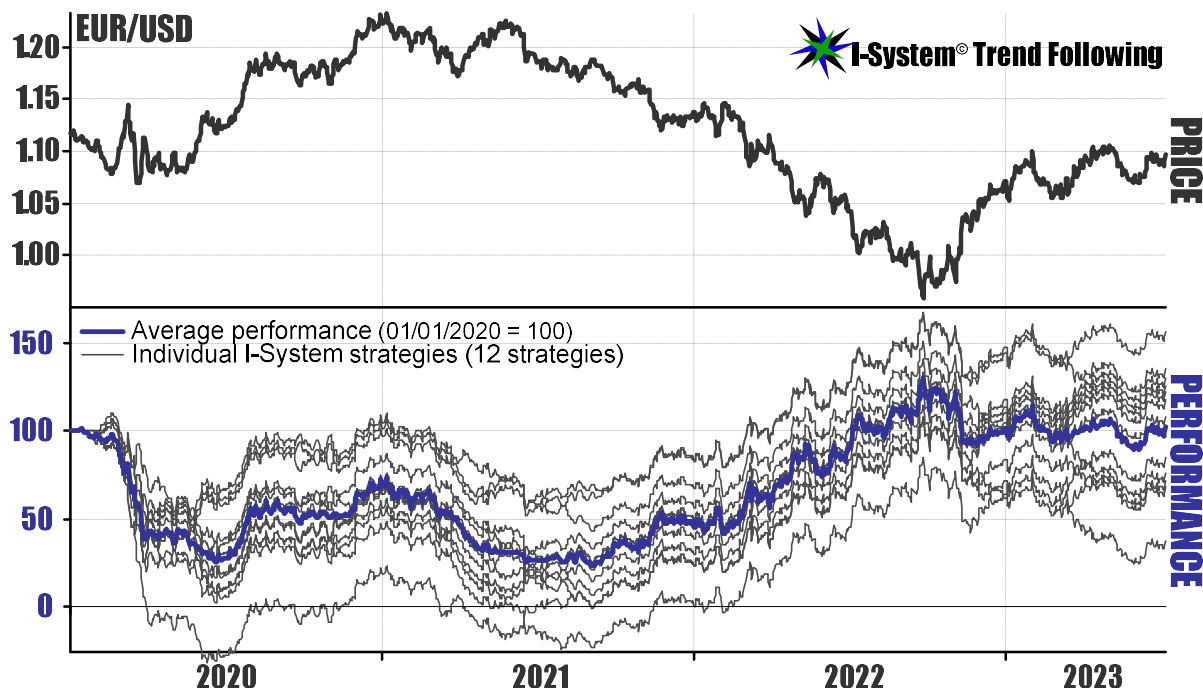
A well-diversified trend following portfolio is a robust diversifier; importantly, it provides a non-correlated source of returns as we saw in 2022 and also during the 2020 market turmoil. In both cases, Major Markets portfolio has diverged from adverse trends in stocks and bonds markets.

The table below shows the key statistics comparing the Major Markets portfolio and the S&P 500

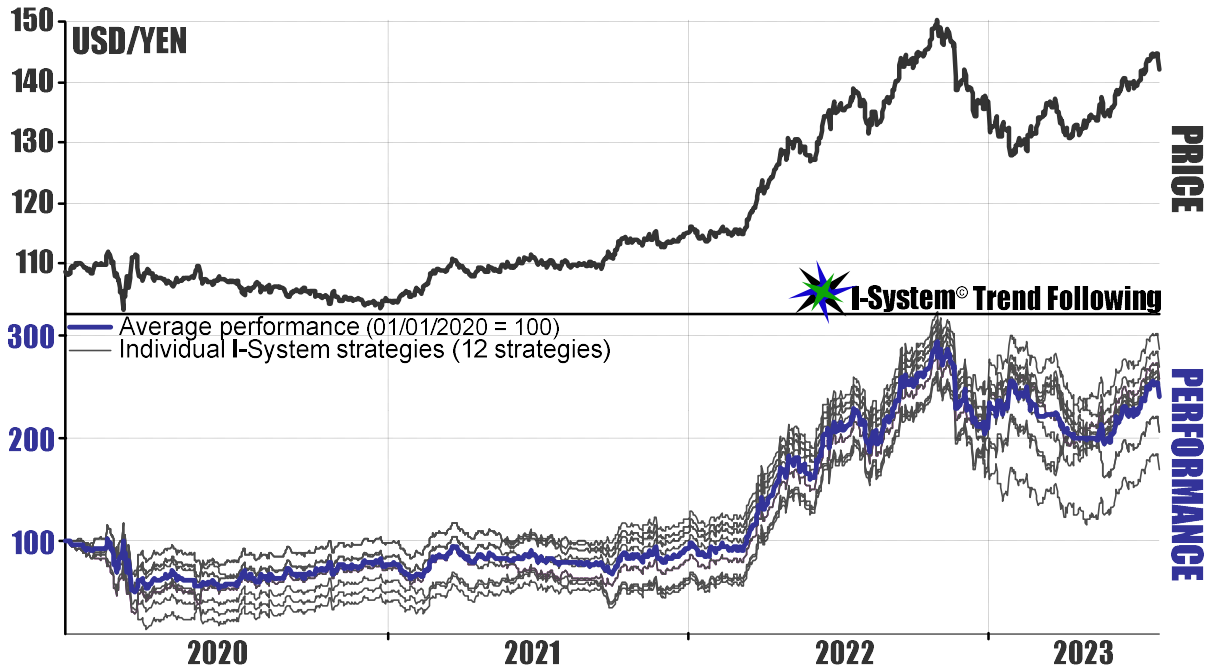
<b>A comparison:</b> (01 Jan 2020 – 07 Jul 2023)	<b>Major Markets</b>	<b>S&amp;P500</b>
Annualized return	10.71%	9.58%
Volatility (annualized)	13.81%	20.26%
Best month	8.81%	12.95%
Worst month	-8.30%	-12.92%
Worst drawdown (daily data)	-17.30%	-34.40%
Correlation	-29.16%	

## PART 1: CURRENCY PAIRS

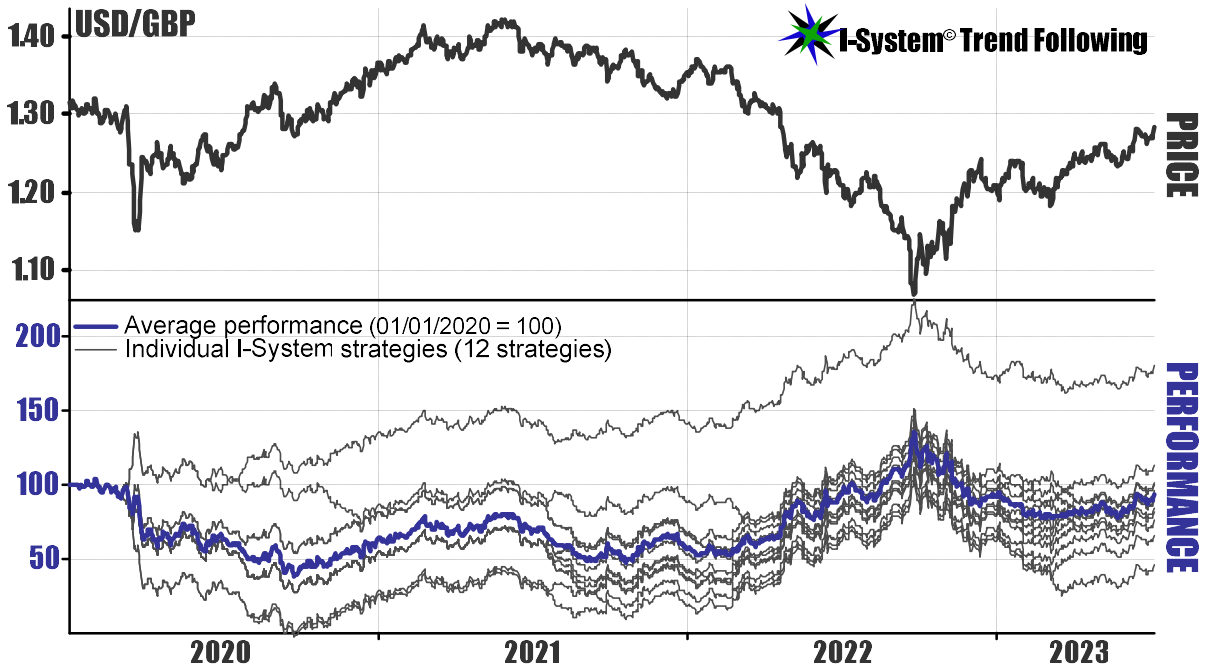
Having lost ground in 2020, US dollar returned to strength in 2021 and in 2022 when a stronger trend emerged. This enabled our strategies to generate substantial gains, particularly against the hardest hit Japanese yen. The correction in Q4 2022 resulted in a substantial drawdown through the end of the year. In 2023 the pair remained range bound and the strategies performance remained flat..



Resurgent USD strength reversed Euro’s appreciation through 2020. After the reversal, Euro’s weakness formed a trend through much of 2021 and 2022. Our strategies generated strong gains from that trend but had a substantial drawdown at the end of 2022 as the dollar weakened and the pair remained range bound during 2023.

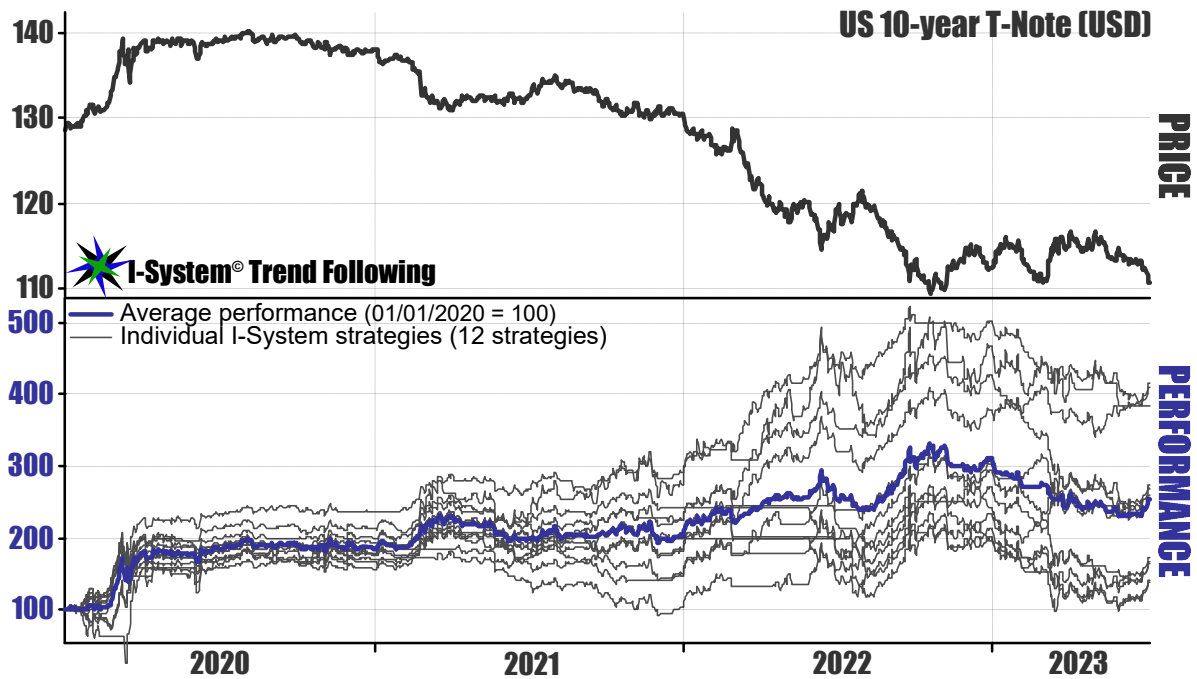


After a negative 2020 and only slightly positive 2021, YEN/USD has been the 2<sup>nd</sup> best contributing market to the Major Markets portfolio thanks to the LSPE that unfolded from March '22 onward. Subsequent correction and reversal caused the performance to stall during 2023.

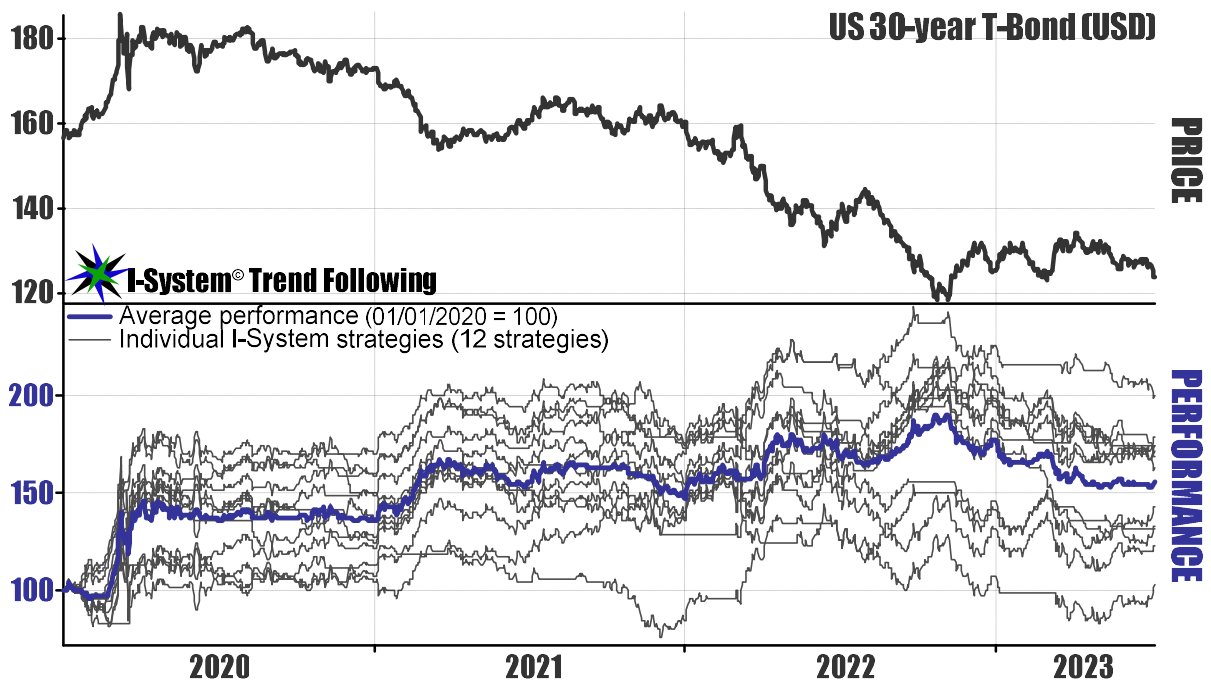


Like the euro, British pound declined strongly through 2022. This trend enabled I-System strategies to reach new performance peaks through Q3 2022. The subsequent correction resulted in another drawdown, but the performance started to recover again in Q2 2023.

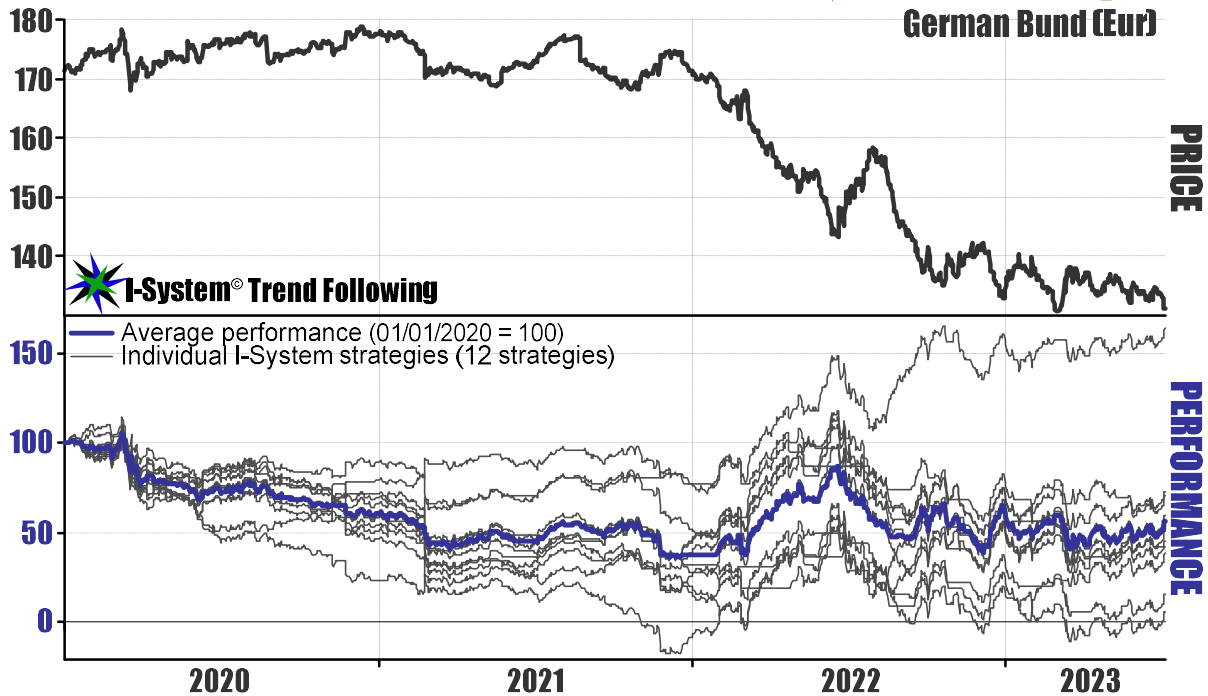
## PART 2: TREASURIES



US Treasury futures were among the top performers in this portfolio, and it is easy to see why: we've had a strong trend, interrupted only by mostly gradual and slow reversals (this reduces the whipsaw effect) with the exception of the one in July and August 2022. Range bound price fluctuations caused a drawdown during most of 2023.

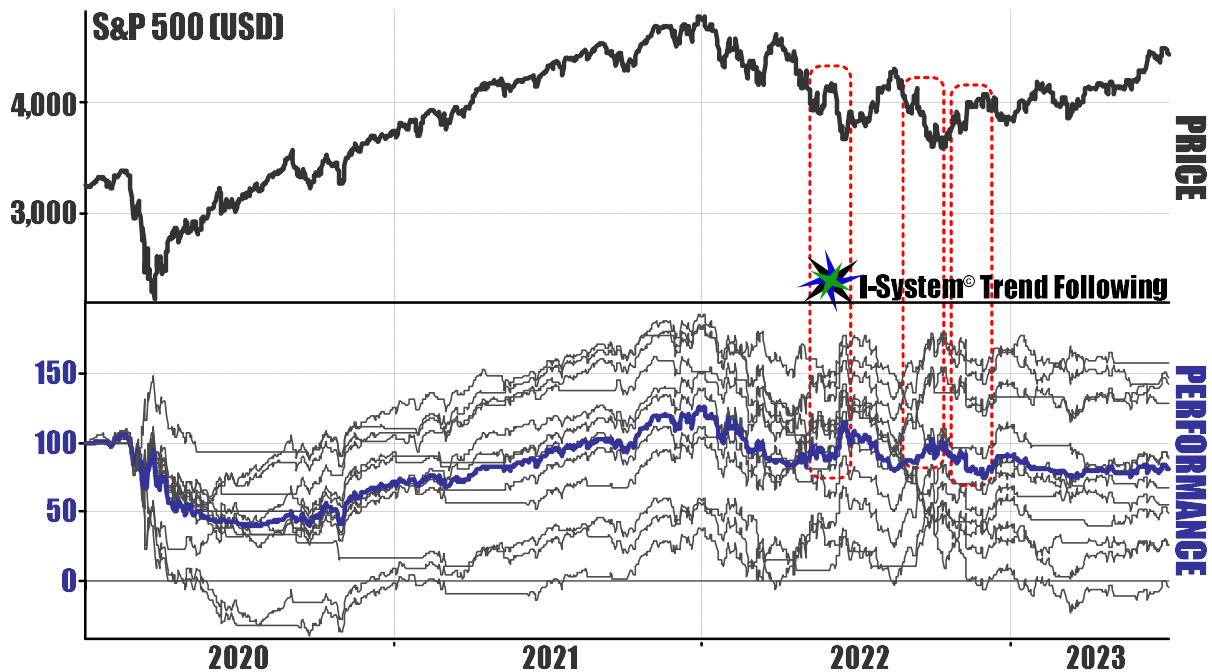


Like the 10-year Note, our 30-year T-Bond strategies have performed exceptionally well, thanks to strong trending moves during much of the 3½ years, except part of 2021 and 2023.

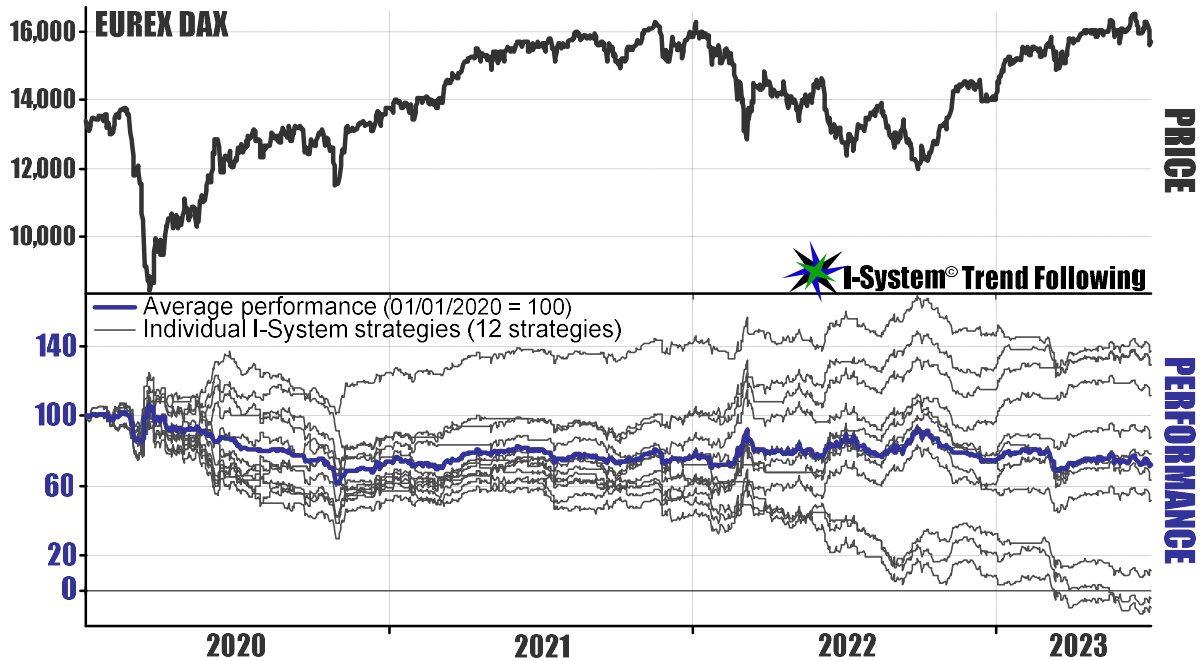


Although the German bund had a very sharp down-trend like the US Treasuries, its trajectory has been much more difficult to navigate; mid-year 2022 upward correction tipped all our strategies to the long side before prices resumed their downtrend. The result has been only a moderately positive performance for 2022, and so far only flat performance through range-bound 2023.

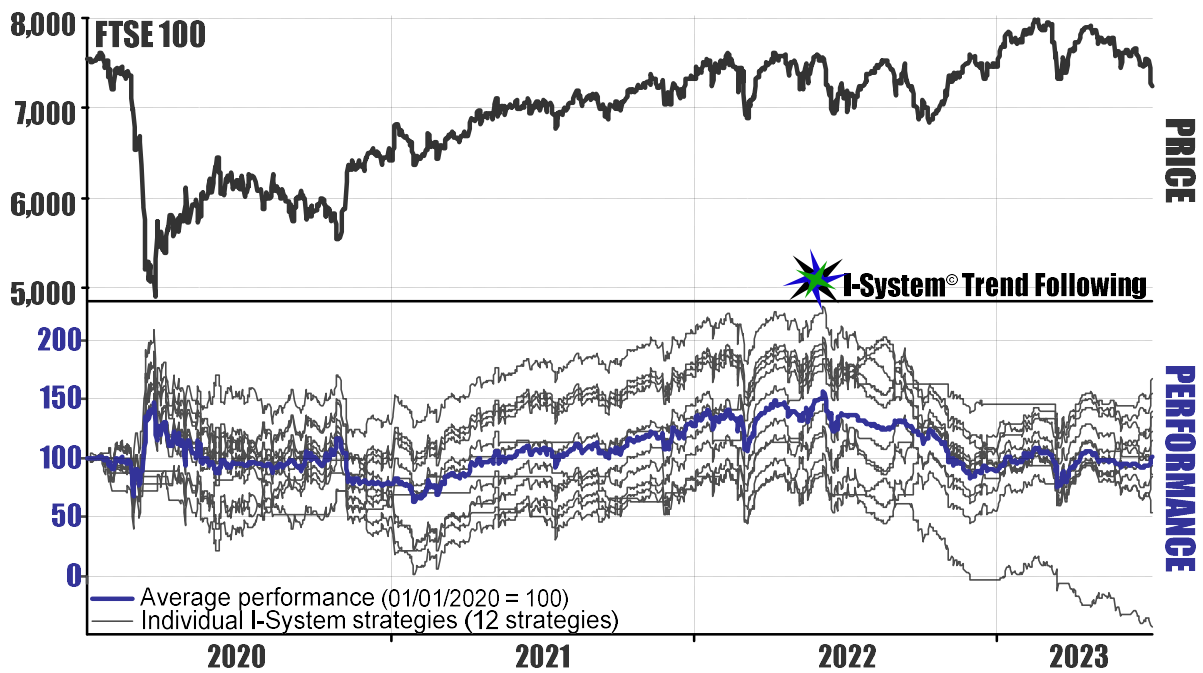
### PART 3: EQUITY INDICES



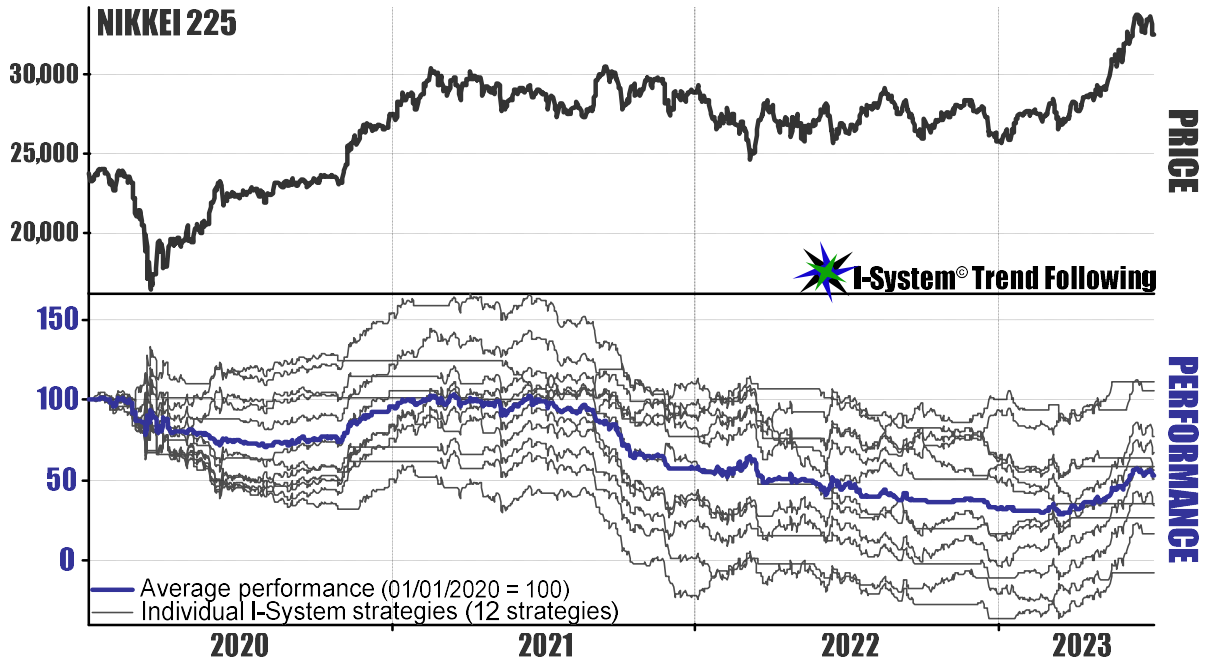
S&P 500 has been a difficult market for trend following strategies and so far, they've underperformed the index. However, as the areas encircled in red dashed lines show, trend following strategies tended to begin generating positive returns when S&P 500 seemed to enter a bear market.



While our strategies did well to catch the three sharp price declines during 2022, each was followed by almost equally sharp upward correction. The incipient uptrend in 2023 wasn't easy to navigate either leaving our strategies with negative performance thus far.

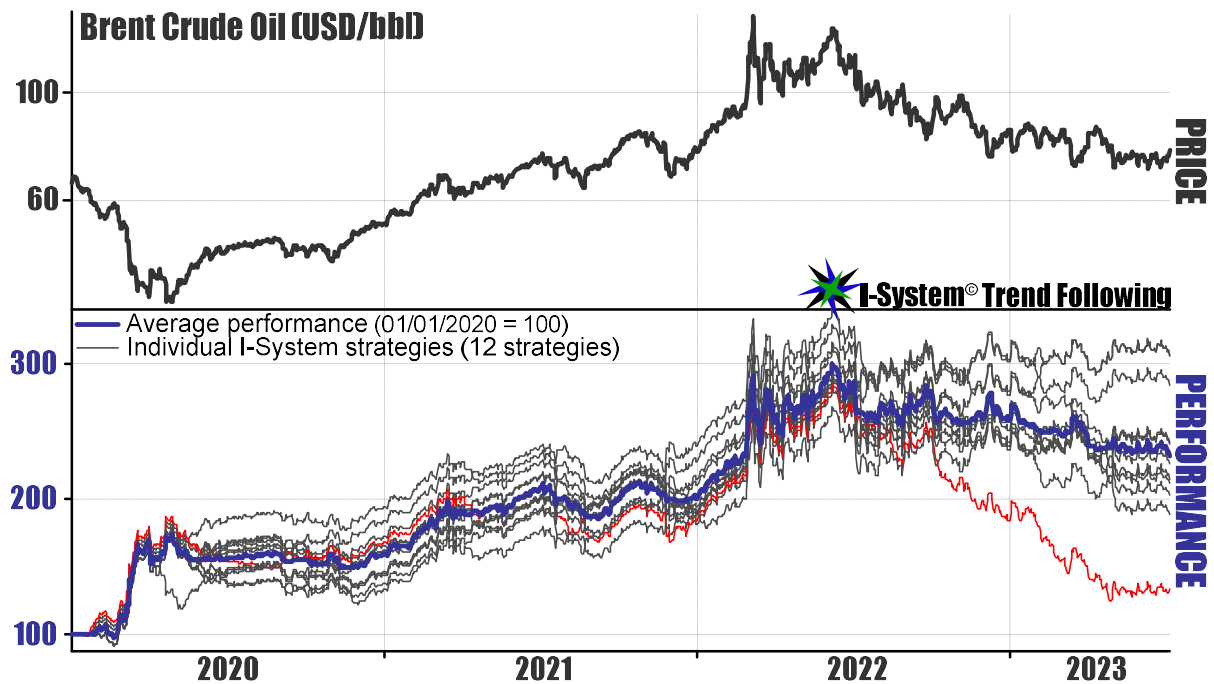


Volatile fluctuations in a horizontal range represent the most adverse market environment for trend following strategies: from the beginning of 2022 it's been all whipsaw with no trend moves. As a consequence, I-System strategies struggled to perform on FTSE.



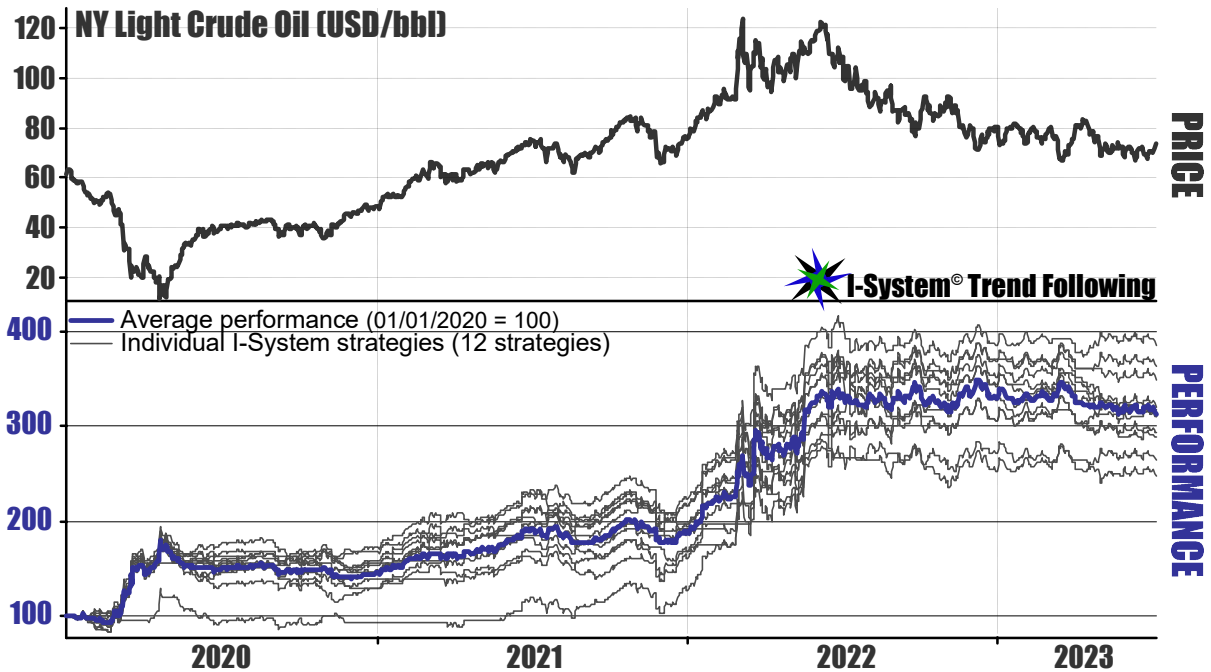
With the exception of about 9 months from mid-2020 through Q1 2021, and 2023 thus far, the Nikkei has been consistently difficult for our strategies, and the most negative contributor to the Major Markets portfolio.

## PART 4: ENERGY



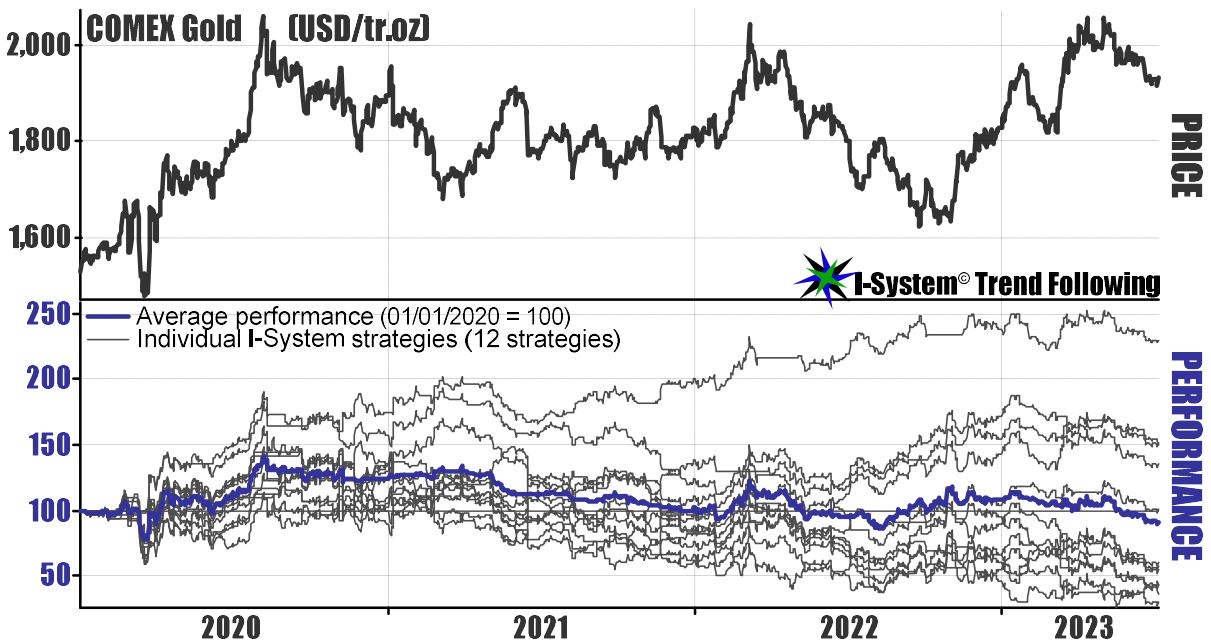
I-System strategies have performed well through mid-2022, but have lost ground through the subsequent correction and price consolidation during 2023. One of our strategies (in red) was whipsawed particularly badly since the 2022 peak.



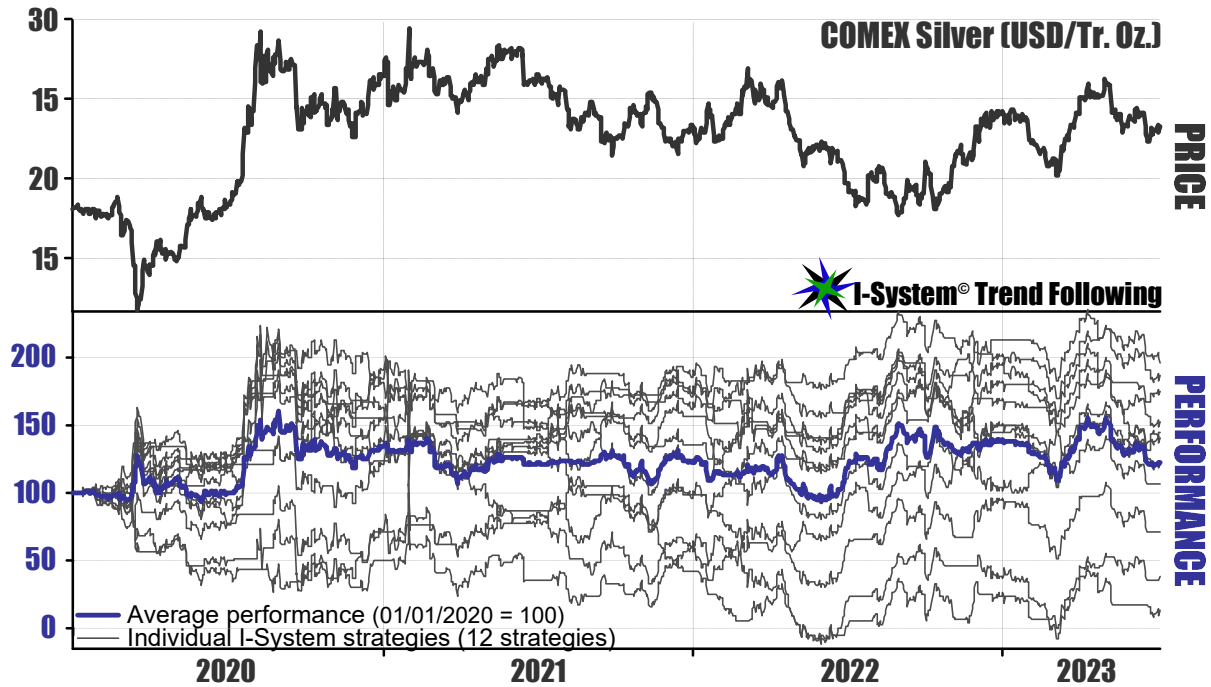


The main difference between our Brent and NYMEX Crude (WTI) strategies is that WTI strategies use stop-loss and profit-taking signals. This often leads to underperformance during trending moves. However, after the 2022 price peak, such signals enabled WTI strategies to better navigate the reversal and the subsequent price roller-coaster. WTI has been our top performing market.

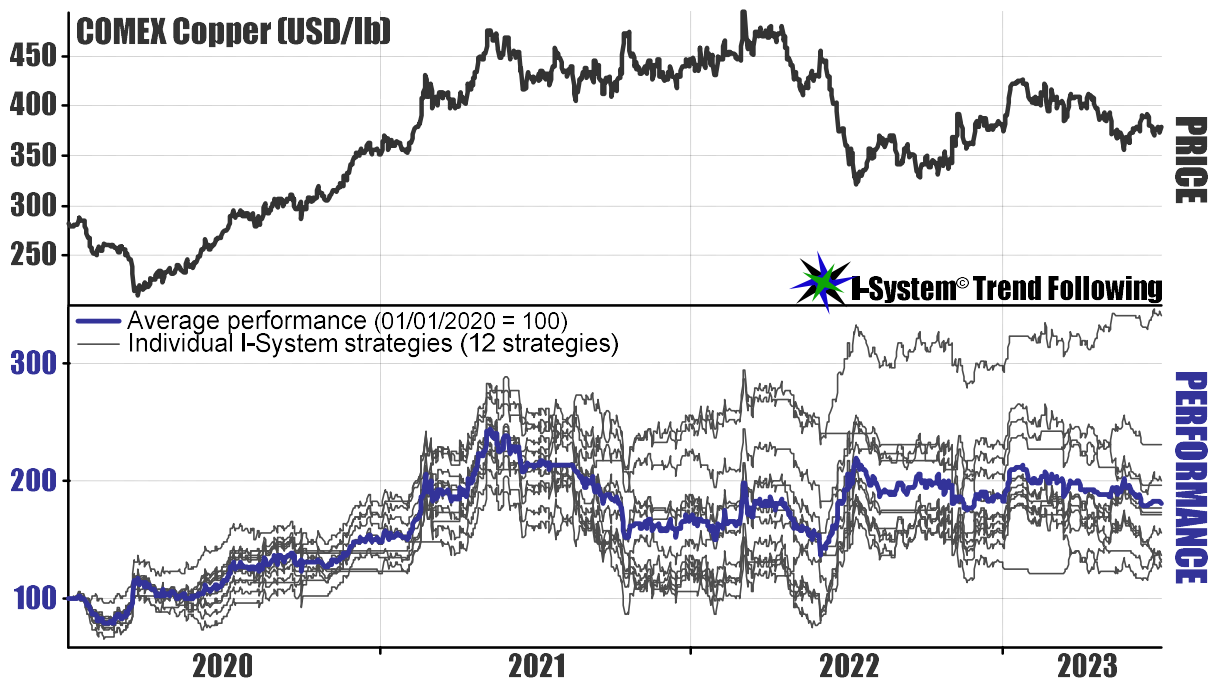
## PART 5: METALS



Looking at Gold's price trajectory over the past 3½ years, I would expect that most trend following strategies would struggle to squeeze any gains from it; nevertheless, I-System strategies managed a slightly positive result for 2022, both on the long side in Q1 and on the short side mid-year. Through 2023, they lost some ground thus far.



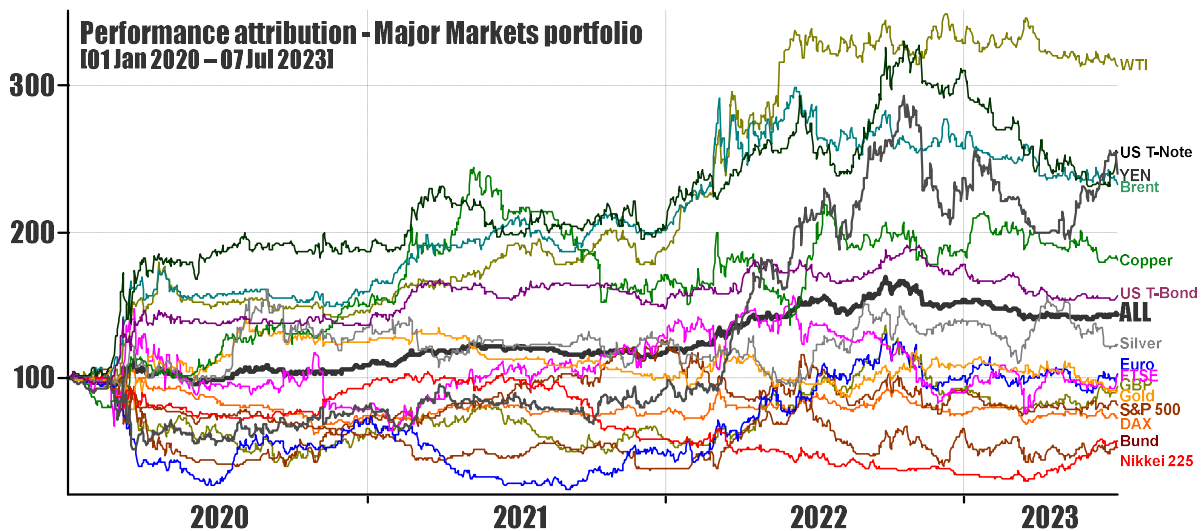
Similar to Gold, Silver has been exceptionally difficult to trade and a positive performance thus far is cause for satisfaction.



Copper has been an excellent case study of the way trend following works. Through April 2021, Copper was as close as it gets to ideal market for a trend follower. From there, we had a full year of sideways consolidation and the strategies gave up about 2/3rds of those gains. The sharp decline from June 2022 gave us another favorable “trend wind” to catch. In all a difficult ride, and a positive 2022 should be regarded as an excellent result. 2023 remains trendless and flat.

## PART 6: ALL MARKETS

Keeping approximately the same risk exposure in all of the above 15 markets would have generated the following performance (after all the commissions on trades and roll-overs).



This chart shows the performance in each market as the average of the 12 strategies used and their cumulative performance on the equal risk-weighted basis.

Thus far, bulk of the gains came from exposure to energy and US Treasury markets. In 2022, currencies (EUR, GBP, YEN) have also been strongly profitable. In 2023, the only two market that have been substantially positive contributors were the yen and the Nikkei. Of course, we could never have predicted any of this. But the beauty of trend following is that we never needed to.

Adhering to a set of well-formulated strategies, simply taking exposure in the direction of emerging trends with discipline and patience tends to produce strong positive returns.

Once more, the three years of Major Markets portfolio reaffirm our belief that **market trends are the most powerful drivers of investment performance and that systematic trend following is the most reliable way to navigate markets effectively, for the long term.**

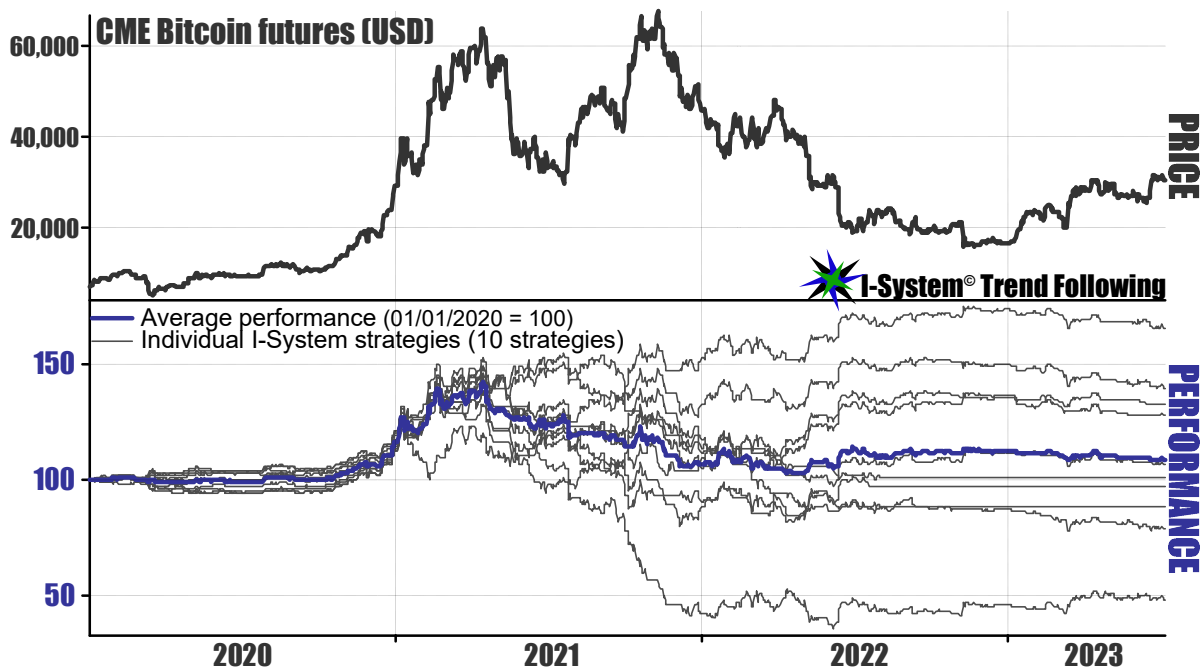
### On position sizing and its effect on performance in individual markets

Risk weighting is based on short-term price fluctuations: in more volatile markets we trade smaller position sizes and vice versa. For this reason, the U.S. 10-year T-Note (TY) turned out to be among our best performers: since it is less volatile than the 30-year Bond, TY exposure is proportionally larger. But as longer-term price changes were similar in both markets, TY generated greater profits. The issue is that we can easily measure the volatility of short-term price fluctuations which determine our position size, but we can't predict the magnitude of large-scale price events which ultimately determine the performance of our strategies.

## PART 7: BITCOIN

I've decided to report Bitcoin performance separately from the other markets due to the extreme volatility and price appreciation over the recent months. The chart below assumes about 5:1

inverse leverage (from the initial price of \$7,000) to get the volatility of returns to a similar level with other markets.



Bitcoin trends and volatility have been extreme over the last two years. From the start of 2021, the price has staged three large reversals and a bearish trend in 2022. But apart for the big rally in 2020/21, it's been about as fun to track as watching paint dry.

To a trend follower's eye, Bitcoin strategies have done reasonably well; we have two outliers on the positive side, one on the negative side while six strategies traded closer to the average. For an immature market with only 10 years of price history, this is not too bad.

When I added Bitcoin to the portfolio in May 2021 I wrote that, "*The difficulty is that Bitcoin's history consists of a series of hockey-stick rallies and long periods of sideways consolidation in between. This makes it very difficult to formulate high conviction strategies...*" but that using a set of trend following strategies would probably still prove better than discretionary trading of this roller-coaster.

Namely, the extremely volatile fluctuations in Bitcoin have periodically led to mass liquidations of hundreds of thousands of accounts of bitcoin traders who found themselves on the wrong side of large price moves. I believe that Bitcoin has only begun to mature as a market and that it has transcended the hockey-stick-then-drawdown sequence only in 2021.

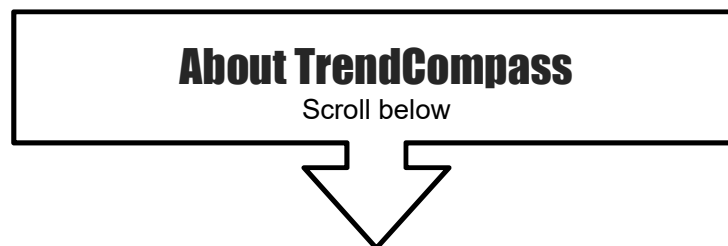
This will ultimately make Bitcoin more suitable for systematic trend following, but it will also douse the excitement of many traders looking for quick ten-fold returns. After 2021, Bitcoin will likely lose that ten-bagger allure and remain just another thing that fluctuates and periodically trends.

## CONCLUDING REMARKS

After three and a half years with an unchanged set of 180 strategies (+10 Bitcoin), Major Markets portfolio has done exactly what it was intended to do: catch windfalls from LSPEs (large-scale price events) while keeping the losses during trendless periods acceptable.

Consistent with our experience, we encountered a mix of significant market trends and also unfavorable periods of corrections and sideways price drift. By capturing large windfalls from trends and limiting the losses in adverse conditions, the portfolio has generated a very respectable compound gross rate of returns of 15.11% in spite of a very moderate risk profile.

This year's results have once more demonstrated another important advantage of systematic trend following: its ability to generate uncorrelated returns exactly when investors need it the most.



TrendCompass delivers crystal clear daily guidance for investors and traders in a broad variety of global markets including energy, metals, agricultural commodities, treasuries, FX, and major stock indices.

### Cutting through the information overload

Financial industry generates thousands of research reports each and every day, an overwhelming glut of information. Instead of adding to your reading pile, we analyze market trends and deliver the final product of our research: clear, **actionable decisions you can digest in seconds, not minutes per day.**

### Real-time CTA intelligence

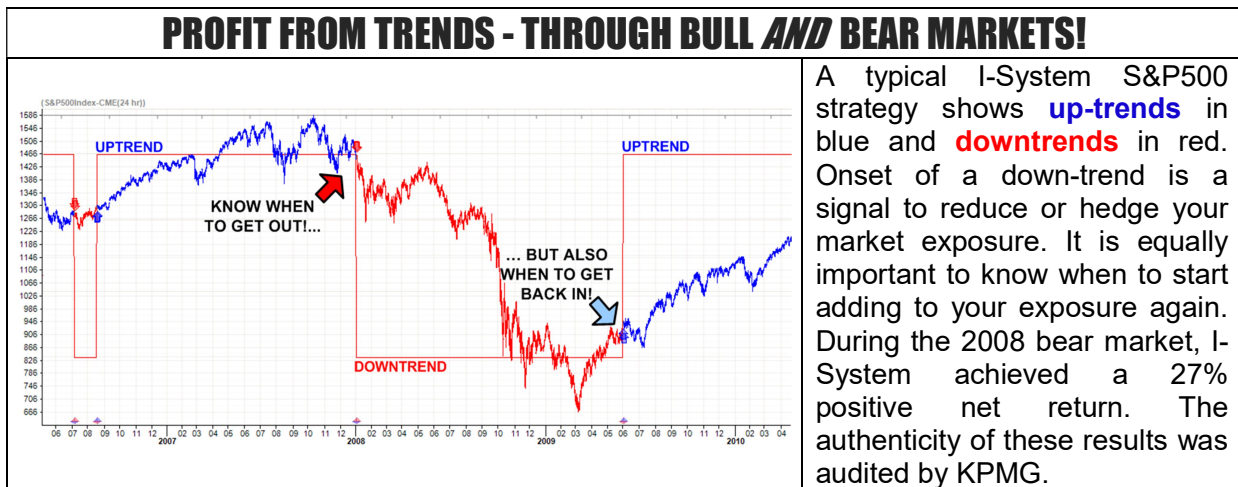
For decades, commodities trading advisors (CTAs) have used systematic trend following as one of the best strategies in active investment trading. Institutions like Nomura, JPMorgan and Rabobank pay close attention to CTAs because **understanding CTA strategies “can provide a strong edge in today’s highly systematized markets.”** TrendCompass delivers this edge – effectively, reliably and in real time!

### I-System: effective, versatile, reliable

TrendCompass reports are generated by the I-System. The product of more than 20 years of passionate and uncompromising obsession with quality, **I-System’s track record** in hedge fund management from 2007 to 2019 delivered consistent benchmark outperformance, including against an index of world’s leading, blue-chip CTAs (audited).

### Delivering quality decision support every trading day.

A reliable and effective trends auto-pilot provides invaluable decision-support. Even only as a ‘reality check’ or a source of ‘second opinion,’ TrendCompass gives you **the guidance to navigate the markets profitably, with confidence and peace of mind.**



## What our clients say:

After having spent countless hours in attempting to develop my own trend following system, I discovered Trend Compass. The simplicity in following the trading recommendations and the excellent results allows me to use this system as my primary investing approach. I do not fear missing any large trends and feel comfortable using this system in any market environment with the majority of my investment capital.

**Dr. Fred Francis**, independent investor

The daily Trend Compass analysis and commentary is an exceptionally useful guide to understanding financial market trends. These reports have been extremely useful to me in positioning client portfolios and has elevated my ability to advise my clients.

**Emerson Fersch**, CFP, Capital Investment Advisers

After a few months of receiving the TrendCompass reports I caught over \$40 per barrel with its signals when oil price collapsed this year [2020]!! That was very impressive and thank you. Really a good trend compass!

**Mark Shternberg**, futures trader

With TrendCompass, I found my 'lighthouse' which has been extremely valuable as a timely indicator of big market waves. It's very helpful in my swing-trading strategy as it helps me keep positive focus through my daily trades.

**Irina Litvak**, private investor

It's been a pleasure receiving the daily TrendCompass reports that include Alex's profound analysis of the current global economic and political developments which are explained in detail with historical references and advice about risk control and guidance on when to enter and exit trades. If you have an interest in trading and current global economic and political developments I highly recommend his reports.

**Pétur Þórðarson**, senior consultant

In my experience, TrendCompass is a powerful tool designed to profit from major intermediate term trend breakouts and breakdowns. It complements fundamentally-based trading as a tactical positioning guide as well as a risk-management tool.

**Dr. Damir Tokic**, – Commodity Trading Advisor and Professor of Finance

TrendCompass delivers as promised: reducing complexity to simplicity is very valuable for an investor. With time and results I have learned to trust the guidance from TrendCompass.

**Jürgen Hess**, private investor

TrendCompass provides decision-ready recommendations for navigating to positive investment results regardless of temporal market behavior. Alex Krainer adds context to these recommendations with brilliant geopolitical and economic discussion, occasionally embedded with historically centered references. A succinct, must read.'

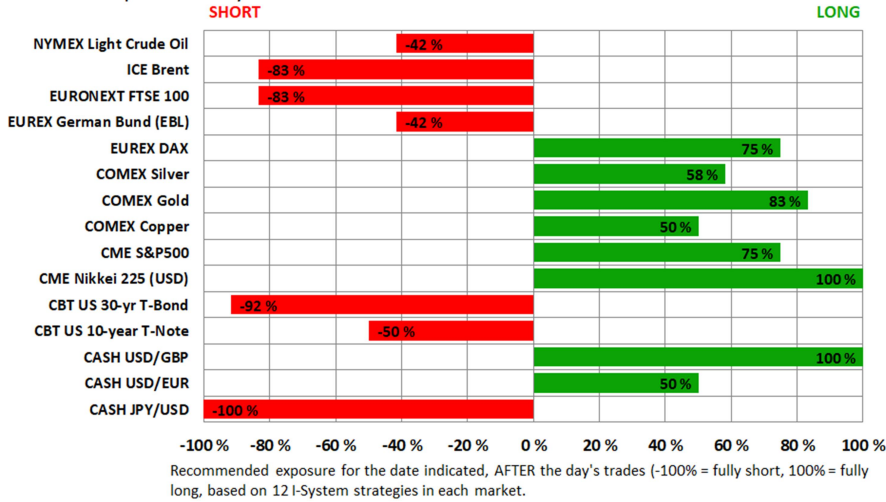
**Jeff Anderson** – investment trader, USA.

# What you get:

## 1. Daily e-mail summary

Major Markets, 27 Oct. 2020

Recommended exposure after today's trades



Your daily e-mail summarizes the changes in directional exposure based on previous trading session. An intuitive bar chart shows the recommended exposure so that you can grasp it at a glance.

## 2. Report summary page

TrendCompass report for

**MAJOR MARKETS**

Report generated on 27 Oct. 2020



Instrument	Signals for last trading day		Strategies used	Current exposure		Today's change	New exposure	
	Date	Price		Strategies	% of total		Strategies	% of total
CASH JPY/USD	26 Oct. 2020	JPY 104.84	12	-12	-100 %		-12	-100 %
CASH USD/EUR	26 Oct. 2020	\$ 1.1807	12	6	50 %		6	50 %
CASH USD/GBP	26 Oct. 2020	\$ 1.3022	12	12	100 %		12	100 %
CBT US 10-year T-Note	26 Oct. 2020	\$ 138.6406	12	-4	-33 %	-2	-6	-50 %
CBT US 30-yr T-Bond	26 Oct. 2020	\$ 173.5938	12	-11	-92 %		-11	-92 %
CME Nikkei 225 (USD)	26 Oct. 2020	\$ 23.425	12	12	100 %		12	100 %
CME S&P500	26 Oct. 2020	\$ 3393.5	12	11	92 %	-2	9	75 %
COMEX Copper	26 Oct. 2020	\$ 308.95	12	6	50 %		6	50 %
COMEX Gold	26 Oct. 2020	\$ 1902.7	12	10	83 %		10	83 %
COMEX Silver	26 Oct. 2020	\$ 2442.0	12	9	75 %	-2	7	58 %
EUREX DAX	26 Oct. 2020	€ 12170.5	12	11	92 %	-2	9	75 %
EUREX German Bund (EBL)	26 Oct. 2020	€ 175.3	12	-5	-42 %		-5	-42 %
EURONEXT FTSE 100	26 Oct. 2020	£ 5766.0	12	-10	-83 %		-10	-83 %
ICE Brent	26 Oct. 2020	\$ 40.81	12	-8	-67 %	-2	-10	-83 %
NYMEX Light Crude Oil	26 Oct. 2020	\$ 38.56	12	3	25 %	-8	-5	-42 %

Color indicates:	long exposure
	no exposure
	short exposure

- 1 INSTRUMENT:** lists market instruments covered in the report. In the above example the portfolio consists of major energy markets including crude oil and oil derivatives contracts traded on ICE and NYMEX exchanges.
- 2 SIGNALS FOR LAST TRADING DAY:** shows last trading day and the closing price on that day.
- 3 STRATEGIES USED:** for every market covered in the report, we select a set of trading strategies. This column shows how many individual strategies are used to generate your trading signals.

- 4 CURRENT EXPOSURE:** shows net long or net short exposure in terms of the number of strategies that are long or short and in terms of percentage of the total. For instance, if your maximum trading position limit in RBOB Gasoline were 10 contracts and your suggested exposure was -70%, you'd be short 7 contracts.
- 5 TODAY'S CHANGE:** shows the change in net exposure to be executed during the course of the current trading day.
- 6 NEW EXPOSURE :** shows what your net exposure should be after you've executed today's trades, again in terms of the number of strategies and in percentage terms.



### 3. Detailed breakdown by market and strategy

TrendCompass report for  
**MAJOR MARKETS**  
 Report generated on 27 Oct. 2020

ICE Brent		CURRENT EXPOSURE		TODAY'S CHANGES		NEW EXPOSURE	
Price(\$ ) 40.81 (COB, 26.10.2020)		67% SHORT		ADD SHORT EXPOSURE		83% SHORT	
STRATEGIES				SIGNALS	CHANGE		
	LCO L43.T	-1	SHORT	-	-	-1	SHORT
158	LCO M+14.T	-1	SHORT	-	-	-1	SHORT
159	LCO M11.T	+1	LONG	SELL (exit long, enter short)	-2	-1	SHORT
160	LCO M12.T	-1	SHORT	-	-	-1	SHORT
161	LCO M13.T	-1	SHORT	-	-	-1	SHORT
162	LCO M28.T	-1	SHORT	-	-	-1	SHORT
163	LCO M32.T	-1	SHORT	-	-	-1	SHORT
164	LCO ML25.T	-1	SHORT	-	-	-1	SHORT
165	LCO ML27.T	-1	SHORT	-	-	-1	SHORT
166	LCO ML42.T	+1	LONG	-	-	+1	LONG
167	LCO SM01.T	-1	SHORT	-	-	-1	SHORT
168	LCO SM05.T	-1	SHORT	-	-	-1	SHORT
12 STRATEGIES		-8		-2		-10	

1

**TOP LINE** summarizes trading signals generated by I-System trading strategies. Market exposure is expressed as percentage of full position limit. For example, if your maximum position limit in COMEX Gold was 100 contracts, your 27<sup>th</sup> September 2018 signals suggest that you add 13 contracts to your 47 contracts long position. Your new exposure in COMEX Gold would then be 60 contracts.

2

**STRATEGIES** lists all the trading strategies attributed to client's report. Each strategy has an arbitrary name and performs its function autonomously. Strategies differ from one another in terms of length of the trend cycle (long, short, or medium term trends) and in terms of proportion of time in the market (some are always in the market, *long* or *short*, while others trade selectively, pass more time waiting for trade triggering signals).

3

**CURRENT EXPOSURE:** every strategy determines a single exposure unit which may be *long*, *short*, or *neutral* (no exposure). *Long* exposure is denoted as 1, *short* as -1, and neutral as zero (-). Positions are color-coded with red for short, white for neutral, and blue for long exposure.

4

**SIGNALS:** with previous day's closing prices, strategies generate BUY or SELL signals. BUY could mean, **exit short**, **enter long**, or both if the strategy registers a trend reversal (**exit short, enter long**). Conversely, SELL could mean **exit long, enter short**, or both when trend reverses from up-trend to downtrend. Simple BUY or SELL signals are denoted as +1 or -1. Trend reversals entail double position changes, thus +2 or -2, respectively. Signals are color-coded with red for all **SELL** signals and blue for all **BUY** signals.

5

**NEW EXPOSURE:** shows strategy exposure after today's trading signals

6

**BOTTOM LINE** totals exposure of the full set of strategies in the above fields. Thus in the above example, client follows a set of 15 trading strategies. Prior to 27<sup>th</sup> September 2018, seven of them suggested holding short exposure. On that day, one of the strategies registered a trend reversal from *long* to *short*, adding 2 more exposure units to client's total market position.

Covering over 200 main financial and commodity markets, TrendCompass offers a variety of standard or customized market reports:

## Standard reports

Report*	Contents	Subscription (€)	
		Monthly	Annual
Major Markets	<b>16 key global markets, 12 strategies per market:</b> S&P500, Nikkei, DAX, FTSE, US 30-yr Bond, US 10-yr Note, German Bund, USD/EUR, USD/GBP, USD/YEN, Brent Crude, NY Light Crude Oil, Copper, Gold, Silver and Bitcoin.	600	6,000
Global Stock Indices	<b>7 key global markets, 12 strategies each:</b> Dow Jones Industrial Average, Nasdaq 100, S&P 500, FTSE 100, Nikkei 225, Russell 2000, DAX.	400	4,000
Energy	<b>6 key energy markets, 12 strategies each:</b> Brent Crude, Gas Oil, NY Light Crude Oil, Heating Oil, RBOB Gasoline, USD index (included due to its strong correlation with the oil price)	800	8,000
Metals	<b>5 metals, 12 strategies each:</b> Gold, Silver, Copper, Platinum, Palladium	800	8,000
Grains	<b>5 key grains markets, 12 strategies each:</b> Corn, CBT Wheat, Oats, Soybeans, MATIF Wheat	800	8,000
Soft Commodities	<b>5 soft commodity markets, 12 strategies each:</b> Coffee, Cocoa, Cotton, Sugar, Frozen Orange Juice	800	8,000
FX: Major Currencies	<b>7 FX pairs, 8 strategies per pair:</b> USD against the EUR, YEN, GBP, CAD, BRZ, ZAR, MEX. We'll add Bitcoin soon.	400	4,000
FX: Commodity Currencies	<b>8 FX pairs, 8 strategies per pair:</b> USD against the currencies of Australia, Brazil, Canada, Mexico, UK Norway, Russia, South Africa and the UK	400	4,000
USA	<b>6 U.S. markets, 10 strategies each:</b> S&P500, Russell 2000, Dow Jones Industrial Average, Nasdaq 100, 30-year T-Bond, 10-year T-Note	200	2,000
USA PLUS!	<b>6 U.S. markets, 10 strategies each:</b> S&P500, Russell 2000, Dow Jones Industrial Average, Nasdaq 100, 30-year T-Bond, 10-year T-Note + <b>Gold, Silver and Bitcoin</b>	300	3,000

\* Report contents and rates in Euros are current as of October 2022, exclusive of any discounts, promotional offers or discretionary discounts.

## Customized portfolios

We can customize reports for clients who wish to track a different selection of markets, a larger number of strategies, or follow a particular selection of strategies (for example, a preference for short-cycle trends). We'll seek to accommodate any such request. A 600 Euros one-time setup fee may apply for customized portfolios.

### **Request a 1-month trial, free of charge!**

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