

# Downside Risk Alert

## Introduction

Avoiding losers is as important to equity portfolio performance as holding winners, yet evaluating stocks' downside risk seems to receive little research attention. Most analysts focus on finding stocks to buy and upside opportunity, while stock-specific risk is often measured by price volatility – up as well as down.

We believe that producing reliable forecasts of which stocks are most likely and least likely to underperform provides a unique, complementary perspective that can help investors make better sell decisions *and* better buy decisions.

## What is Downside Risk Alert?

Downside Risk Alert is designed to objectively forecast stock-specific risk from a directional returns-oriented perspective. Each week Downside Risk Alert provides long-term downside risk assessments of all 2300+ non-REIT stocks in the MSCI USA Investable Market Index (99% of U.S. market capitalization).

Downside Risk Alert is based on extensive research to identify specific investment attributes that tend to precede poor relative stock returns. Downside Risk Alert analyzes stock-specific risk from three broad investment perspectives: Valuation, Financials, and Sentiment. Stocks are scored against 19 diverse research concepts, each of which has historically predicted downside risk. The worse a stock's overall score, the more likely that stock will underperform over the next 3-24 months.

## How Can Downside Risk Alert help you?

Downside Risk Alert's power and versatility can help improve portfolio performance while saving research time and expense. Downside Risk Alert can be used as an independent stock review tool external to your current investment process or it can be internally integrated into most stock selection and portfolio management strategies.

### Make better sell decisions

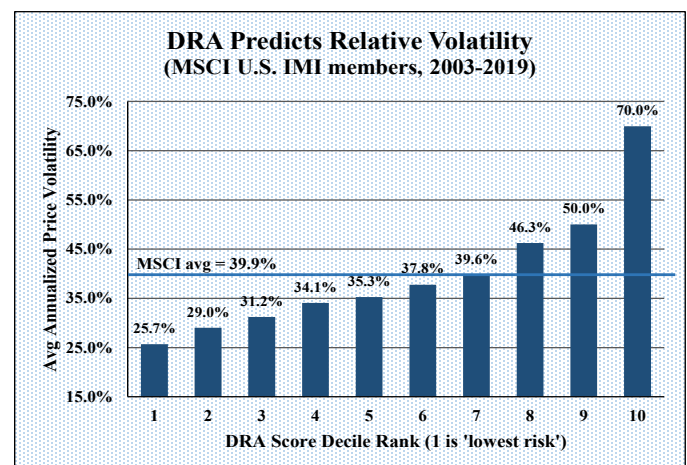
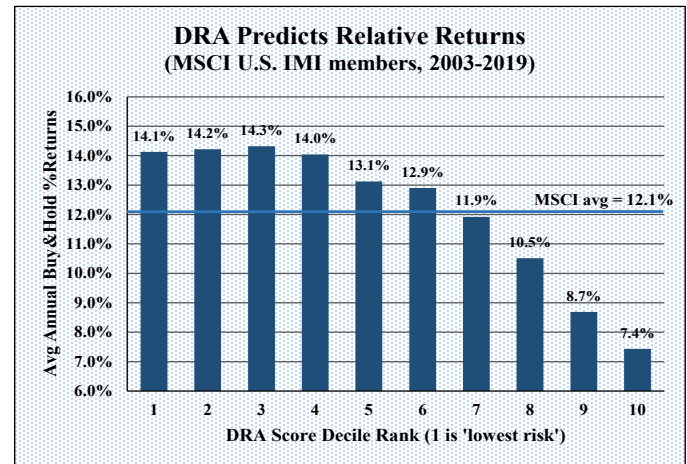
- Identify stocks to immediately sell from portfolios
- Isolate probable underperformers and their specific risk issues to focus portfolio reviews
- Reduce behavioral biases associated with evaluating existing holdings

### Make better purchase decisions

- Subject buy ideas to a devil's advocate review
- Confirm or veto purchase recommendations
- Create a 'green light' screen of new ideas worthy of further research

## Downside Risk Alert Performance

Historically, stocks rated as having the most downside risk *underperform* with high volatility, while stocks with the least downside risk *outperform* with low volatility.



## Special Features of "DRA"

### Powerful

- DRA score works on all types of companies & industries
- DRA performs well in up and down markets
- Many DRA input factors are non-linear and have low correlation to traditional quantitative factors and models

### Easy to use

- DRA composite score provides a comprehensive downside risk assessment for each stock in a single metric
- Individual research concept scores transparently reveal each stock's risk profile at a glance
- Long-term predictive horizon gives users ample time to review DRA scores and helps minimize portfolio turnover
- Historical DRA scores available for client backtesting
- Free trials available