

# Downside Risk Alert International

## Introduction

Avoiding losers is as important to equity portfolio performance as holding winners, yet evaluating stocks' downside risk often receives 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 International?

Downside Risk Alert International (“DRAI”) is designed to objectively forecast stock-specific risk from a directional returns-oriented perspective. Each week DRAI provides long-term downside risk assessments for the 6000 international members of the MSCI All Country World Index IMI (~99% of the world’s non-U.S. market capitalization).

Downside Risk Alert International is based on extensive research to identify specific investment attributes that tend to precede poor relative stock returns. DRAI analyzes stock-specific risk from three broad investment perspectives: Valuation, Financials, and Sentiment. Stocks are scored against 16 diverse research concepts, each of which has historically predicted downside risk. The worse a stock’s overall score, the more likely it will underperform over the next 3-24 months.

## How Can Downside Risk Alert Int'l help you?

Downside Risk Alert International’s power and versatility can help improve portfolio performance while saving research time and expense. DRAI 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

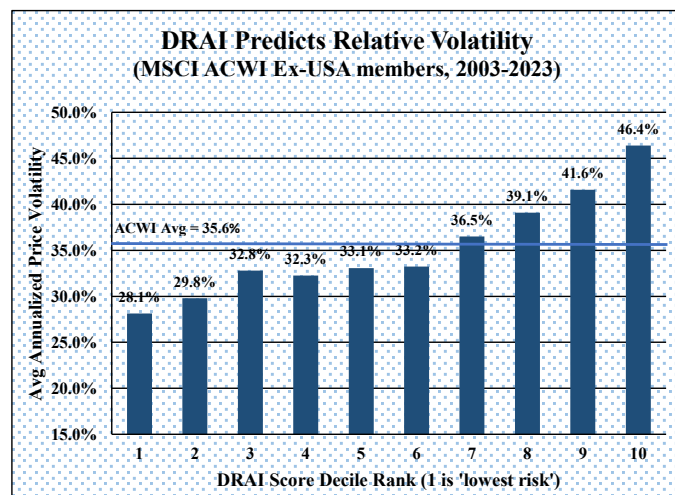
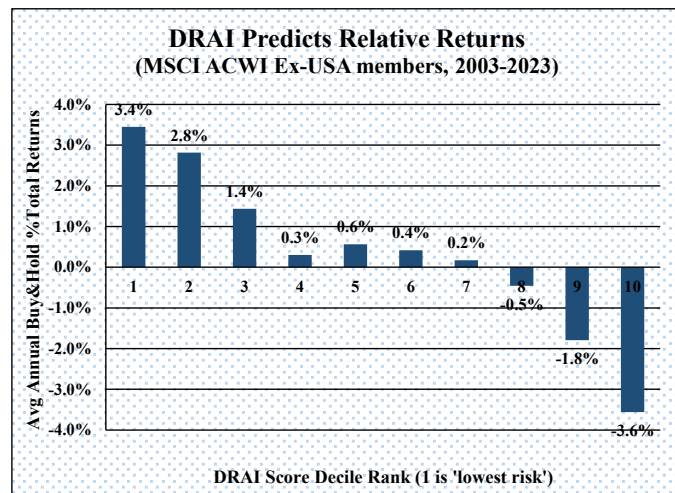
- Identify stocks to immediately sell from portfolios
- Isolate probable underperformers and their specific risk issues to focus portfolio reviews
- Reduce behavioral biases associated with evaluating existing holdings

### Make better purchase decisions

- Subject buy ideas to a devil’s advocate review
- Confirm or veto purchase recommendations
- Screen for low risk stock ideas worthy of further research
- Screen out high risk stocks to exclude from research consideration

## 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 Int'l

### Powerful

- DRAI is predictive on all types of companies & industries within both developed and emerging market countries
- DRAI performs well in both up and down markets

### Easy to use

- Two standard coverage universes: MSCI ACWI ex-U.S. equities (large and mid-cap) or MSCI IMI ex-U.S. all-cap equities; ADR’s flagged in both universes (special “global” universe also available)
- DRAI composite score provides a comprehensive downside risk assessment for each stock in a single metric
- DRAI’s long-term predictive horizon gives users ample time to review scores and minimize portfolio turnover

- Free DRAI trials and historical scores for backtesting