

Investing in global markets with momentum

Chronic Investor Blog



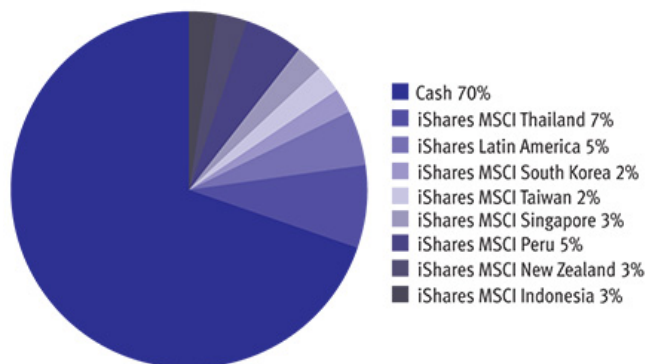
In the first quarter of 2016, my momentum-based tactical asset allocation system (TAA1) recorded a negative performance of -0.85 per cent, thus underperforming my chosen benchmark the MSCI World Index USD Net (MIWO00000NUS), which is down -0.35 per cent YTD.

The model (see my last post for [the rules](#)) is behaving according to plan. The underperformance masks the greatly diminished volatility of TAA1 compared to its benchmark. For instance, the MSCI was down -5.98 per cent in January, while the model was down only -1.9 per cent.

Since the benchmark remains fully invested at all times, it will usually underperform when markets are turning south (when the model starts going to cash) and the MSCI World will overperform during a prolonged upturn until the TAA1 model has had time to catch up and get re-invested.

The aim of TAA1 and similar tactical asset allocation models is to outperform traditional long only indices over the long term, both in absolute and risk adjusted terms. I remain wholly confident that TAA1 and my other asset allocation models will achieve this aim.

Anthony Garner's momentum holdings



Source: Anthony Garner

It is traditional in quarterly reports for windbag fund managers to drone on about why such and such market or economy performed well or badly. And why their fund under or overperformed their benchmark. I have addressed the latter issue, but refuse to address the former on grounds

that it is boring and entirely pointless.

Let me explain.

Rather late in life I have enjoyed a series of satori. Epiphanies, if you like. But strip out any religious connotations - mine have been strictly secular experiences.

As an arts graduate, numbers come hard to me, but much to my joy and astonishment, my work in quantitative analysis over the past decades has brought me to see the truth in what Galileo so famously said: "The universe cannot be read until we have learnt the language and become familiar with the characters in which it is written. It is written in mathematical language, and the letters are triangles, circles and other geometrical figures, without which means it is humanly impossible to comprehend a single word."

Fund management as practised by most people is truly "a tale told by an idiot, full of sound and fury, signifying nothing".

If you consider science from a philosophical point of view for long enough (even as an amateur) you begin to realise that the entire universe boils down to numbers: incredible complexity bred from a few simple rules.

The realisation is cathartic. It gives you great detachment and a separation from all manner of things. Far from demeaning life, it presents an even greater beauty. But a different sort of beauty entirely.

Here is my "advice" therefore (for what it's worth).

Forget conventional analysis and look at the big picture painted in numbers. That is what quantitative analysis will do for you.

Don't ask "why", just accept what "is".

Follow the numbers - it's really all you need to know.

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