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The inevitable rise of AI in Investment Management

With Special contribution from Dr Frank Sortino
Hello & welcome

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Welcome & Overview

→ Directional price forecasting analytics: ‘Flags’ provide directional insights
→ Equities, Commodities, FX and most other asset classes
→ These insights are NOT investment/hedging advice, they should only be used to augment existing decisions

→ Quantum computing at AlgoDynamix is happening now!
→ Very quick and easy client on boarding, no client data required!
Agenda

→ R42 AI Research Project with Dr Frank Sortino
→ Analytics overview
→ Other case studies: ‘Air Bag’, Tesla and more!
→ Final words: Dr Frank Sortino

→ Q & A and discussions: do type questions as we go along
Dr. Ronjon Nag
President R42
PhD Cambridge, SM MIT
Shortlisted for Best AI Investor at 2020 COGX
Thesis: Neural Networks for Stock Market Prediction, Advisor Prof. A. Lo, MIT

Dr. Frank Sortino
Director Pension Research Institute
PhD in Finance (Univ Oregon), MBA (Berkeley), BSc (USC)
Creator of the Sortino Ratio
R42 AI Research Project

R42: AI PORTFOLIO of SPY, QQQ & Cash

ALGODYNAMIX FLAGS:
When to buy and sell

TIPPING POINT RATIO:
How much to buy and sell
1. Unlike many AI programs which learn from past data, this AI program does NOT require any prior knowledge of anything.

2. Rather it is an analytical breakdown of how orders cluster and generate directional insights (‘Flags’) when certain clustering conditions are reached.
R42 AI Model Beats SPY & QQQ by Timing the Mkt

- R42AI model earned an annual return of 42.6% and the cumulative return was 189%.
- The annual return for SPY was 6.9% and for QQQ was 13.6%.
- The maximum drawdown for AI-model was 12% which was less than half that of either SPY or QQQ benchmarks.
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Other Trends….

“Coronavirus crisis: does value investing still make sense?”

The strategy that once worked for Keynes and Buffett has performed badly. The pandemic has compounded the pain.

Retail trading now accounts for almost as much volume as mutual funds and hedge funds combined.

Source: Bloomberg Intelligence
© FT
Factor model forecasting

Directions forecasting on Value, Momentum, Quality or Size tilts, use the appropriate ETFs as very good proxies.
Air bag (dislocation) forecasting

→ ‘Air Bag’ forecasting: Feb/March 2020
Example Fixed Income Forecasting

→ Directional forecasting on FI
Results showing AlgoDynamix Flags (aldx in green) versus buy and hold in red. Long only (unleveraged). Outperformance is 516.36%.
Our Technology

• The AlgoDynamix risk analytics engine is based on ‘deep data’ agent-based algorithms scanning - in real-time - multiple quantitative primary data sources (order books and/or MLT venues).

• These algorithms analyse the dynamic behaviour of market participants, i.e. buyers and sellers, through our unsupervised machine learning technology which clusters them based on common feature sets.

• Noise classification, cluster identification and behavioural finance theory are part of our unique core capabilities.

• Market anomalies occur when large clusters of buyers or sellers are identified, note that in the following slides everything still ‘looks normal’ but the deep data insights reveal a very different picture.
AlgoDynamix Analytics Engine

Underlying technology (behavioural) - Cluster the limit order book from
Harvard Business Review: Why companies that wait to adopt AI may never catch up

News and Updates / By AlgoDynamix

The advantages for companies that incorporate the vast and significant benefits of are limitless with an Accenture report revealing that AI is estimated to bring an additional US$1.2 trillion additional gross value added (GVA) to the financial services sector by 2035. But what are the risks for those being left behind?

The fear is that companies that don’t adopt AI may never catch up write Vikram Mahidhar and Thomas H. Davenport of Harvard Business Review. Selecting and understanding which AI technology is right for your organisation takes time. Those that lag behind will find that the by the time they have embraced AI...
Thank you Dr Sortino!

Excellent Blog

https://pmpt.me/

• “Index buy and hold is dead” ....
• PMPT Marries AI
• findings call into question some of the basic tenets of Portfolio Theory
Discussions, Q&A

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