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From: TAMID Alpha Newsletter <tamid.alpha.miami@gmail.com>
Sent: Tuesday, January 31, 2023 5:15 PM
Subject: [EXTERNAL] TAMID Alpha #01: Welcome!
Attachments: equity_research_reports_2023-01-30.pdf

Hello everyone,

Welcome to the first weekly ***TAMID Alpha*** newsletter, a weekly newsletter curated by TAMID at Miami's Quantitative Research Group covering all things quantitative finance, markets, computer science, and mathematics. Each week, our quants will curate their independent research on a topic of their choosing, along with consistent weekly portfolio insights and research reports to actively track the performance of our fundamental L/S and quantitative strategies. Our core offerings are as follows:

- Weekly equity research reports that are automatically generated by Natural Language Processing and Artificial Intelligence models. These are in-depth research reports on each of our current portfolio holdings to help us manage risk, understand the exogenous factors impacting the portfolio, and develop new fundamental investment theses.

- Weekly quantitative research reports on a novel, additive area of study that will ultimately be incorporated into the suite of tools and strategies we use in the Quantitative Research Group.

- Portfolio performance attribution and analysis**.** This report will highlight the key drivers of the current portfolio's returns, salient statistics portfolio managers leverage to judge a strategy's robustness, and underlying sources of risk that could result in significant drawdowns.

Portfolio Performance:

- The following performance analysis is on the trailing 6-month performance of TAMID's Mean-Variance Optimized L/S Equity Portfolio. All portfolio constituents' returns are scaled to 10% volatility and all metrics are annualized for the purpose of direct comparison.

- The incorporated portfolio statistics will be described in-depth in future editions.

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Portfolio Holdings	Sharpe Ratio	CAGR	Skew	Kurtosis	CVaR - Laplace
TAMID	1.336	0.607	0.131	3.424	-0.1
ACLS	1.856	0.213	0.105	4.148	-0.0
FTAI	1.333	0.155	0.558	3.663	-0.
DAL	0.668	0.078	0.218	3.638	-0.0
GOOS	0.521	0.068	-0.047	2.736	-0.
TSM	0.449	0.045	1.003	5.753	-0.0
ISRG	0.394	0.045	0.804	5.641	-0.0
PLYM	0.324	0.034	0.187	5.078	-0.0

TXN	-0.136	0.007	0.299	3.217	-0.0
MHK	-0.187	-0.01	1.092	7.343	-0.
EPD	-0.205	-0.011	-0.708	4.733	-0.
FISV	-0.22	-0.013	-0.086	3.454	-0.0
ED	-0.289	-0.038	0.038	3.124	-0.0
TDOC	-0.82	-0.056	0.449	3.756	-0.0
INTC	-1.125	-0.105	0.742	5.779	-0.0
NEE	-1.133	-0.109	-0.339	6.401	-0.0
AMT	-1.351	-0.129	0.913	6.512	-0.0

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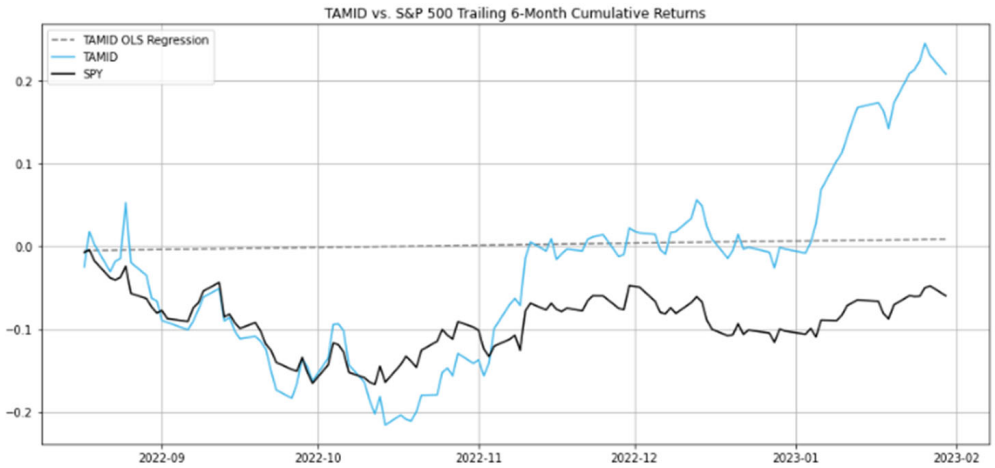

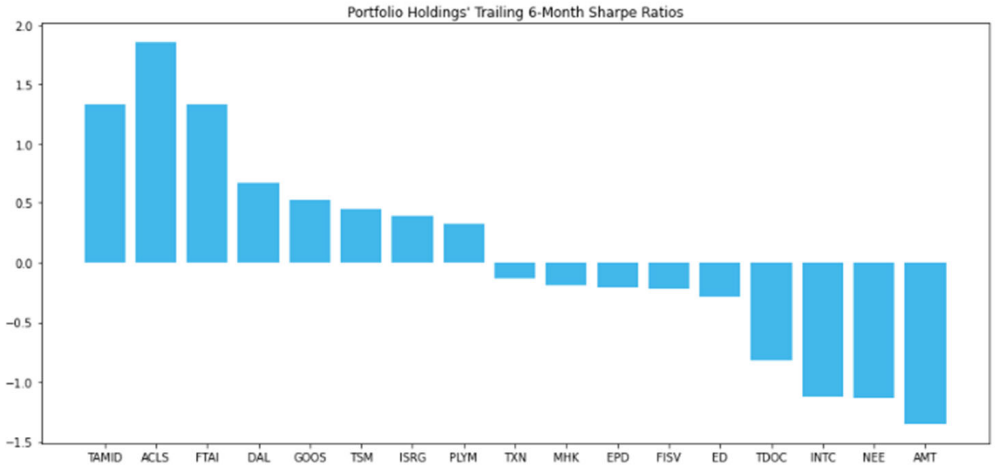

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- A core component of our statistical suite includes various machine learning and statistical learning methods. Principle of these is the old-fashioned linear regression, which computes our portfolio's "Alpha" over the market throughout the sample period.

Alpha Regression	**TAMID ~ SPY**
Strategy Alpha	**<u>0.621</u>**
Alpha T-Stat	1.98

Strategy Beta	1.257
Beta T-Stat	14.918

- Foundational to analyzing the performance of a fund manager are two metrics: Sharpe Ratio and Alpha. We observe a statistically significant **Alpha of 0.62** (very large), which is intuitively the excess return over a given benchmark (SPY). This, in conjunction with a **Sharpe Ratio of 1.3**, our risk-adjusted return, indicate skillful implementation of fundamental theses. For reference, the long-term Sharpe Ratio of SPY is ~0.6. Thus, for every unit of risk, TAMID generates over 2x the returns that the market generates.

- According to our analytical study, it is evident that we are highly concentrated in our positions, with **72%** of our portfolio allocated to two stocks. This is **antithetical to the concept of diversification** and could come back to bite us in the long run. Any portfolio of this nature has a large source of systematic, hidden downside risk, a key consideration for future optimizations. Despite our high-conviction trades based on the covariance matrix and expected returns, the classic Markowitz Mean-Variance portfolio optimization has proven to expose us, as a Hedge Fund, to too much risk. **We are nominally hedged, but structurally unhedged.**

- In a less somber light, TAMID's portfolio construction has yet to blow up. In fact, it has done quite the opposite, yielding a remarkable **~60% compound annual growth rate (CAGR)**, largely driven by Axcelis Technologies (ACLS) and Fortress Transportation and Infrastructure Investors (FTAI). This is an encouraging sign as these two stocks were high-conviction, detailed pitches that were some of the most well-thought-out pieces in the past few years. This indicates a **direct correlation** between the depth/quality of fundamental research and stock performance. Let this be motivation for our equity researchers as they navigate the semester.

- Overall, we believe that this is a classic case of "historical performance does not portend future performance", ultimately motivating us to pivot our strategy in the coming weeks.

AI Equity Research Reports:

- These equity research reports will leverage NLP models (generative and extractive) to ingest vast quantities of news and qualitative information for each stock. These will then undergo large-scale sentiment analysis via independently built AI equity research agents which ultimately write these reports.

- The impetus behind constructing AI-curated equity research reports is two-fold:

    - Active and efficient monitoring of portfolio constituents' performance on a qualitative basis.
    - Rapid equity research and ideation enabled by **on-demand report generation** from TAMID's AI equity researcher.

- You can find these comprehensive reports attached to this email.

STAY TUNED for even more comprehensive analyses of our methodology, research, tools, and more. Thank you for reading!

Best,
TAMID Alpha


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