CUATS Coding Challenge Finalists Presentation

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5th February 2023
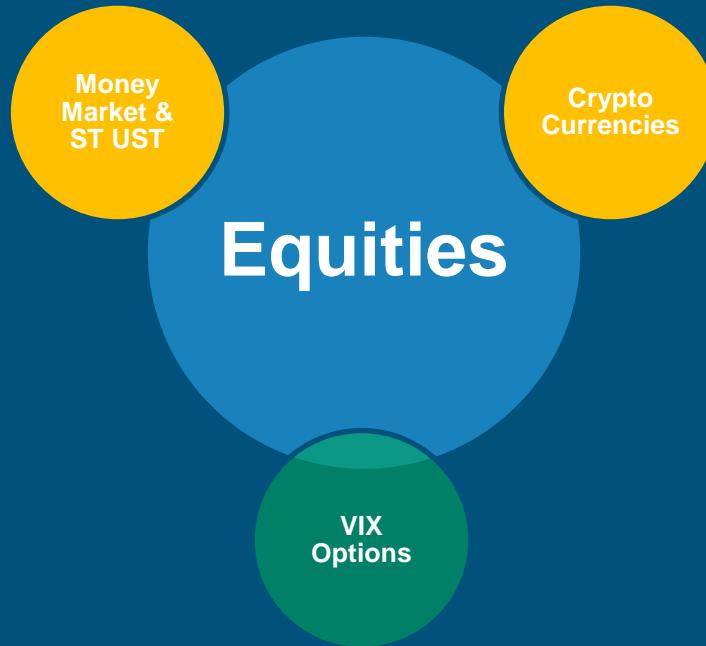
Presentation Plan
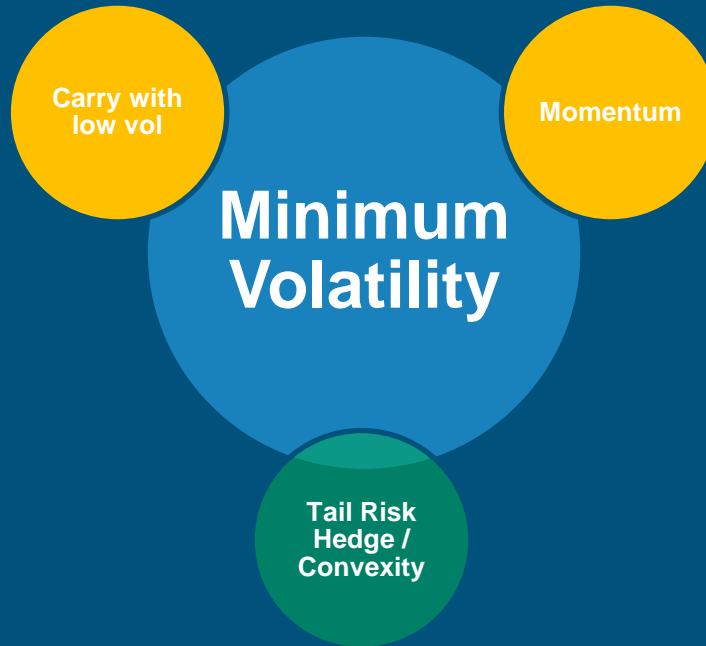
I.   Strategy Overview

II. Performance Review

III. Main Takeaways

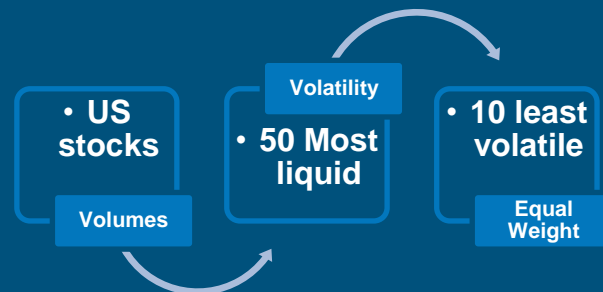# Part 1: Strategy Overview

4 Asset Classes

Money Market & ST UST

Crypto Currencies

Equities

VIX Options

4 Sub Strategies

Carry with low vol

Momentum

Minimum Volatility

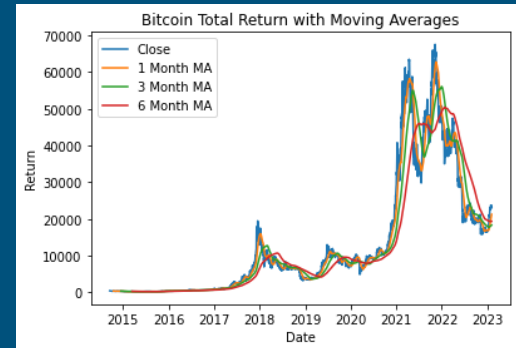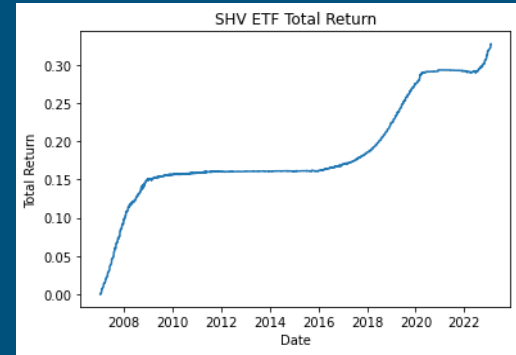Tail Risk Hedge / Convexity

Core Strategy

- Low volatility factor

  - US Equity Asset Class, matching the S&P benchmark

  - Established literature

  - Rather simple:

    - Monthly trading / rebalancing

    - Single indicator: realised 1 year volatility of log returns

    - Liquid universe

    - Unleveraged, in fact only x0.8 leverage of equal $ weight of 10 least volatile liquid stocks

https://www.aqr.com/Insights/Research/Journal-Article/The-Low-Volatility-Anomaly-Market-Evidence-on-Systemic-Risk-vs-Mispricing
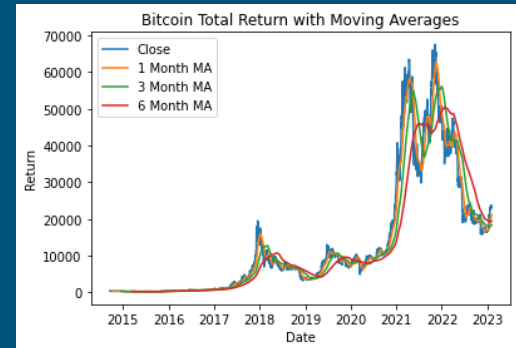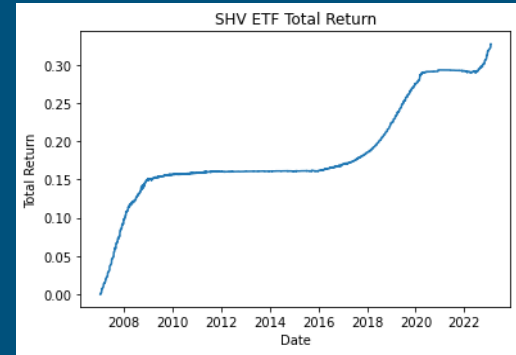
Risk Adjusted Returns Enhancers

- Carry
  - SHV: iShares Short Treasury Bond ETF (<1 year). Proxy for money market: small but consistent returns, low volatility
    - benefits from bond/equity (<0) correlation over GFC
    - Flat over subsequent 10 years in line with ZIRP
  - High Sharp ratio (2.8 since inception) -> can be leveraged (x8)

- Trend / Momentum
  - Crypto assets: Bitcoin, Ethereum, Litecoin
  - High volatility and trend
    - Good candidate for trend following strategy
    - Long only, keep the one with highest 70 bd momentum
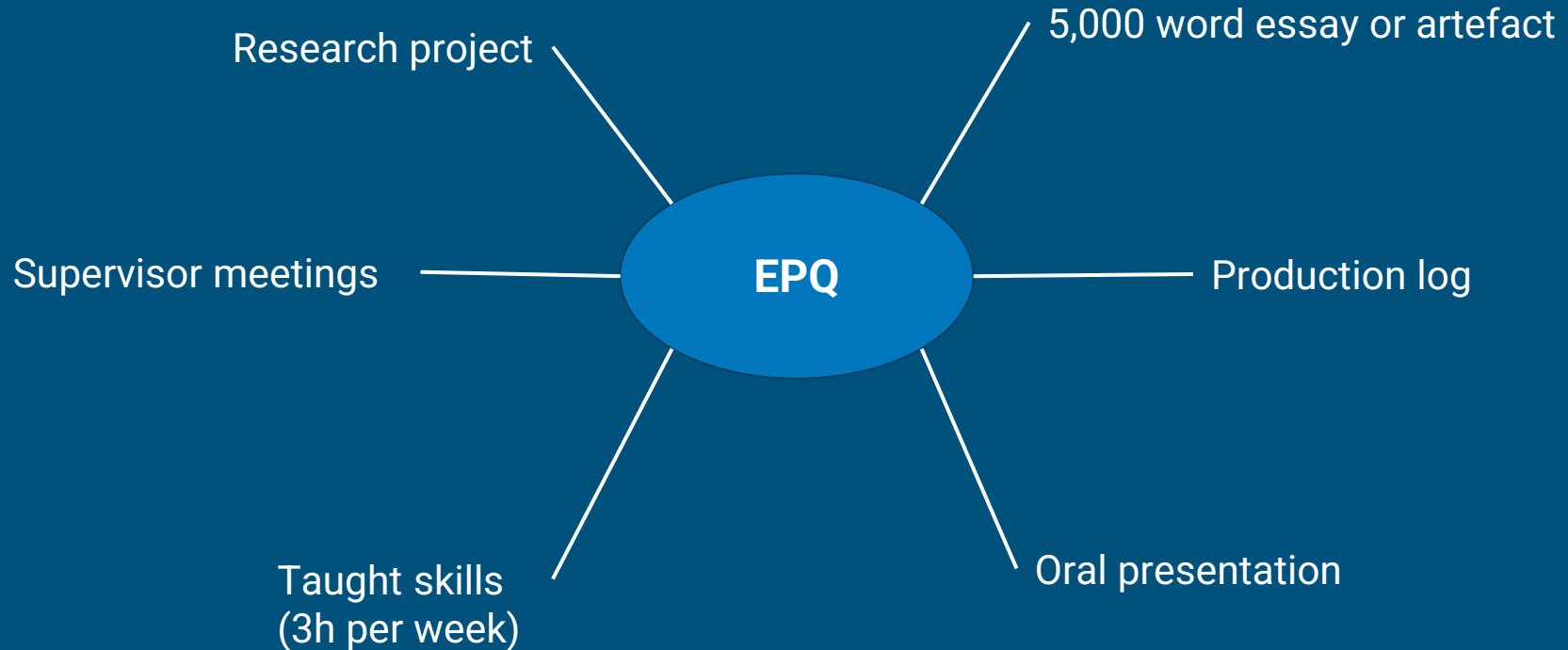   - Only x0.05 leverage

Tail Risk Hedge

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Part 2: Performance Review

What is an Extended Project Qualification ?

Research project

5,000 word essay or artefact

Supervisor meetings

EPQ

Production log

Taught skills
(3h per week)

Oral presentation

Questions & Answers