

Allenbridge Tempus

Allenbridge Tempus is a quantitative ranking model designed to be specifically tailored to the assessment of hedge fund performance. The model ranks the performance of hedge funds and funds of hedge funds according to a sophisticated multi-metric model, each component of which accounts for the time-series of the fund's performance track-record.

The tempus ranking system can be used in practice to identify short-lists of funds which exhibit best-of-breed performance attributes within their strategy grouping.

Upside Potential and Downside Risks: There are many ways to measure hedge fund risks and in addition to performance volatility, the tempus model considers the asymmetrical aspects of hedge fund returns, maximum drawdowns, outlier risks and the risk of underperforming similar funds.

In addition to assessing the downside risks, Tempus also considers the upside potential of the investment in terms of performance consistency, improvement, and strength of returns.

Multi-Metric: The model individually ranks the results from the six individual metrics and then calculates a weighted combination of these rankings.

The result is a composite ranking which accounts for absolute returns, risk and return relative to peers, downside volatility, drawdowns, the probability of producing positive returns, risk of large losses and upside potential.

Time-Weighted and Optimised: The time series of the fund's returns is important. Consider two funds with an identical annualised return over the course of a number of years. While the two funds may exhibit identical levels of return over the period, one may have produced the majority of its performance in the past and since lost its edge, while the other may have been weaker in the past and since evolved into a stronger investment. By considering the time series of each fund's returns, it is possible to identify those funds which show an improving trend in performance.

Each factor in the Tempus multi-metric ranking system is time-weighted to capture the improvements in performance and risk-mitigation both on an absolute basis, and in relation to a strategy specific peer-group index.