



# Applying the NDR Approach to Tactical Asset Allocation

Last Updated: April 2025

## About Ned Davis Research (NDR)

	<b>Founded</b> <b>1980</b>	<b>HQ</b> <b>Florida</b>	<b>RIA registered with</b> <b>the SEC</b>
	<b>Offices in NYC and London</b>	<b>15 people on staff</b> have at least one of the following designations CFA, CMT, PhD	
<b>About 30</b> strategists/analysts	<b>More than 1,000</b> clients globally	<b>8 awards</b> since 1996	

## NDR's 10 Rules of Research

After 40+ years of running a successful business, the quintessential NDR researcher has emerged: passionate about financial markets, smart, organized, hard-working, humble, and a team player.

Over the years, the NDR philosophy has become embodied in our 10 Rules of Research. These rules cover both character traits of investors and investment axioms:

### 1. Be Objective

We support our arguments through quantitative analysis, using our proprietary software to ground our work in historical data. We focus on mathematical probabilities and minimize subjective or “gut feel” decisions.

### 2. Be Disciplined

We do not let the noise of the market or the roller coaster of emotions sway our approach. We let the indicators and models tell us when to make the appropriate market moves.

### 3. Be Flexible

We use humility to drive long-term success. Data and trends change: different environments elicit different reactions. We constantly explore new data and techniques in our analysis and focus on when a trend may be changing. We do not cling to a (losing) trade for pride's sake.

### 4. Be Risk-Aware

We provide a disciplined approach to portfolio management, considering the rewards and risks inherent in each recommendation.

### 5. Don't Fight the Tape

We listen to the cold, bloodless verdict of the market. We follow market trends and go beneath the surface to examine participation in the market. Staying in tune with the tape also avoids major disasters.

### 6. Don't Fight the Fed

We examine the impact of monetary policy by central banks.

### 7. Don't Fight Fiscal Policy

We explore the significant influences that fiscal policy can have on the market.

### 8. Beware of Crowds at Extremes

We watch sentiment and valuation

indicators as warning signs of what is being priced into the market, as the crowd is often wrong at extremes. We typically go with the flow until an extreme is reached and a reversal begins.

### 9. Study History to Avoid Repeating Mistakes

We use history as an objective sounding board, referencing what the market may do given certain circumstances.

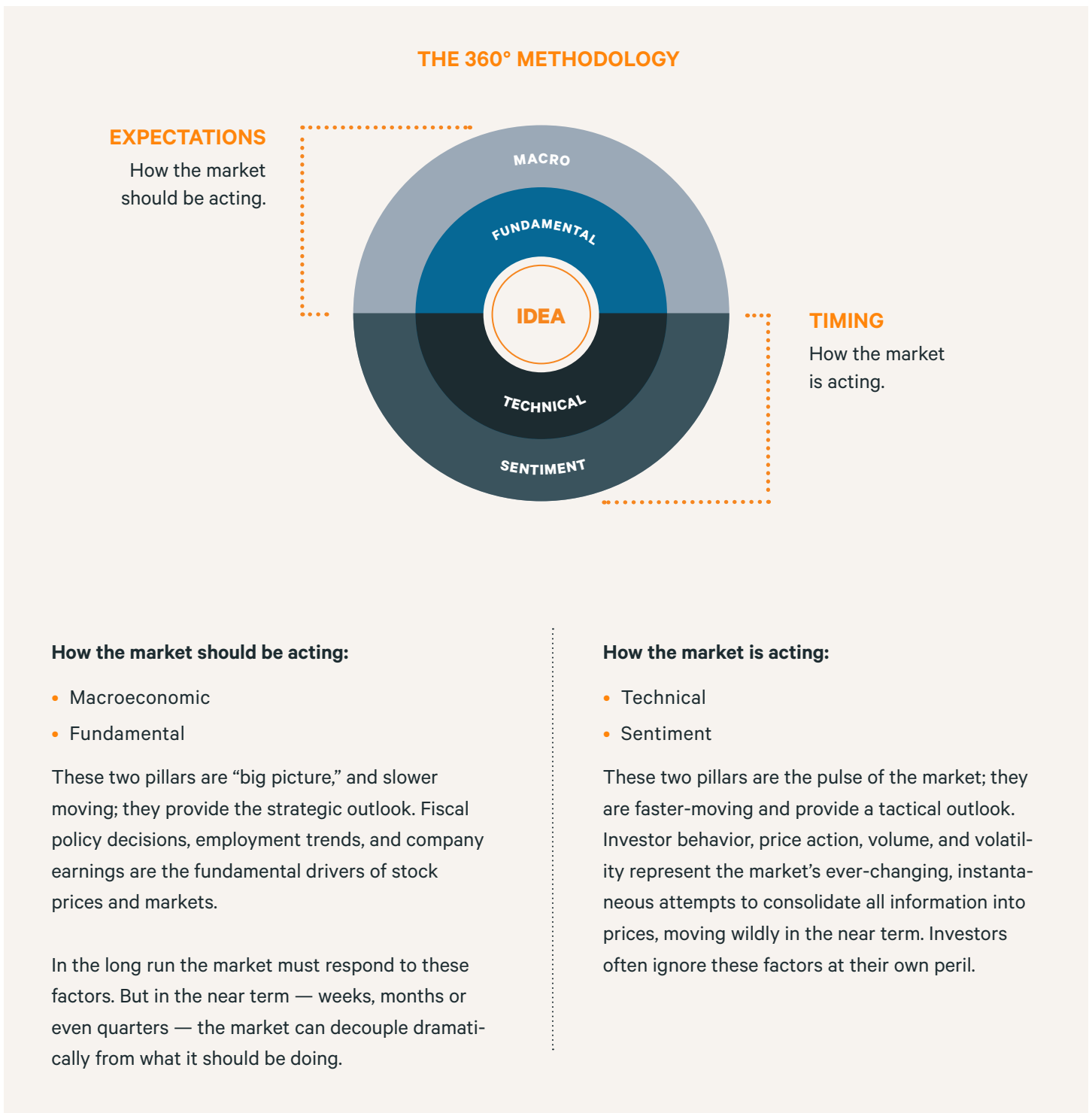
### 10. Apply Money Management Rules

We are more interested in helping our clients make money than being “right.” Our goal is to help clients let profits run and cut losses short.



## NDR's 360° Approach

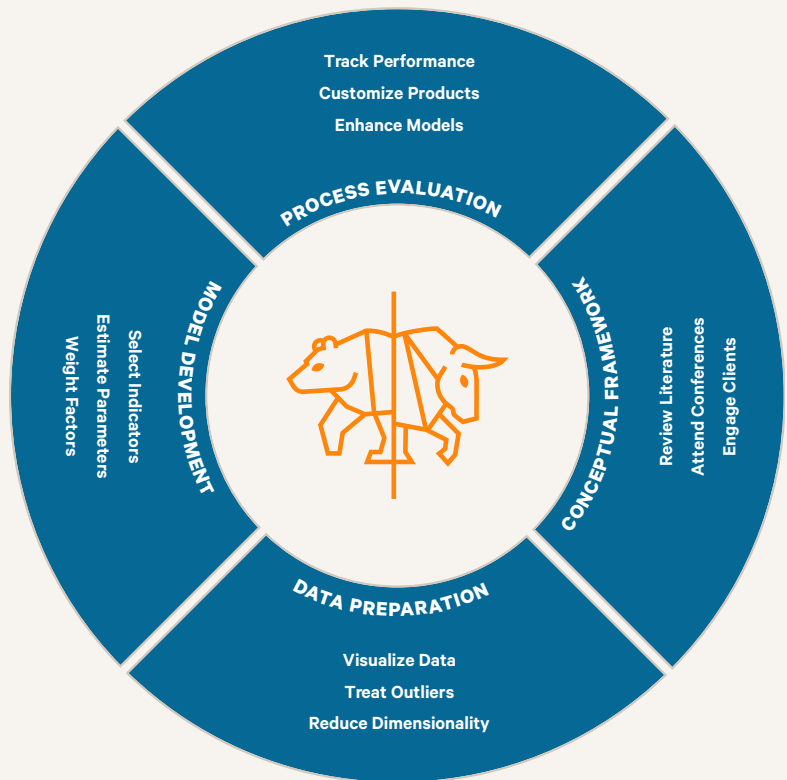
Understanding the drawbacks and combining the strengths of different investment styles is the most effective path to success. NDR builds investment recommendations by considering the weight-of-the-evidence, drawn from indicators across multiple investment pillars. As the evidence increases, so does our conviction. We use a 360° approach consisting of four traditional investment pillars.



## Implementing the Weight-of-the-Evidence Framework

### Model Development Process

- Develop and test hundreds of theoretically sound indicator relationships in collaboration with the expert strategist.
- Evaluate the indicator relationships to ensure that the same concept does not have excessive weight.
- Analyze these measures over time, as well as during parts of the macro and market environments.
- Review statistics such as return, volatility, consistency, peak decline, upside capture, downside capture, etc.
- Independent review by the NDR Index Committee, which meets and discusses the theoretical likelihood that the indicators and composite should persist.



**This process is done in a feedback loop, as indicator predictive power evolves over time.**

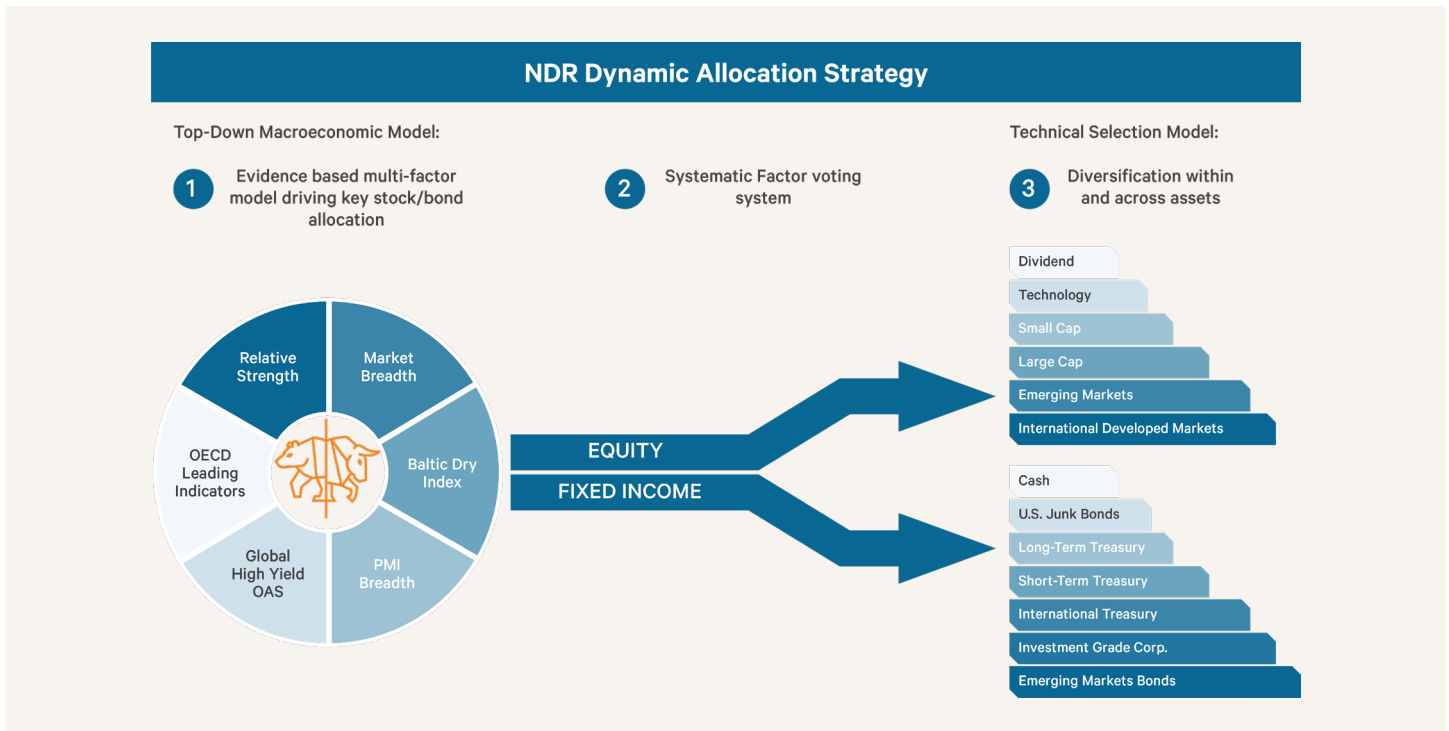


“We need an unbiased, objective standard that weighs the evidence and passes judgement devoid of emotionalism.”

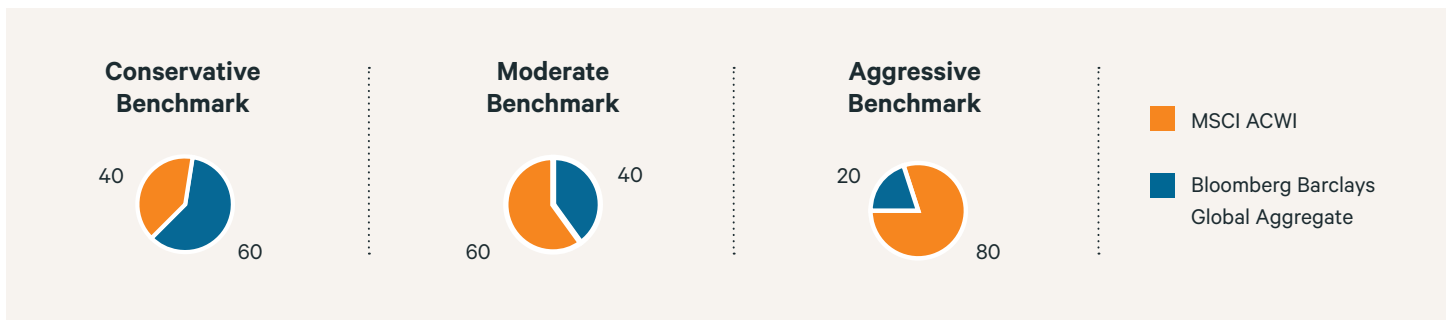
**Ned Davis**

NDR's Founder and Senior Advisor

## Applying NDR’s Approach to Global Allocation – The Dynamic Allocation Strategy Series



- This strategy is a high-conviction approach to allocating across and within stocks and bonds, while targeting 150% annual turnover. Both the top and second-level models are unconstrained. Although infrequent, given the current configuration, the model could allocate 100% to any single asset class. For the six equity and six fixed income segments, the allocation ranges between 0-35%.
- Top-level macroeconomic and technical model determines equity vs. fixed-income allocation using the 360-degree approach.
- Intra-asset allocations are based on trend-following, rate-of-change, and overbought/oversold indicators.
- The model is based on various equity and fixed income indices, allowing for discretionary selection of investment products for actual implementation.



## Weighing the Indicators to Develop Tactical Asset Allocation Conviction

INDICATOR	TYPE	DEFINITION	INTERPRETATION
<b>Global Stock/Bond Relative Strength Ratio Trend</b>	Technical	Compares the relative strength (ratio) of global stocks versus bonds to its long-term moving average.	When the stock/bond ratio resides above (below) its long-term average, it has been better (worse) for stocks relative to bonds (on average).
<b>Global Equity Market Breadth</b>	Technical	Measures the percentage of global equity markets trading above their intermediate moving averages.	Elevated breadth is important because if many stocks rally, even if a few run into trouble, enough stocks remain in uptrends that they can support the popular averages.
<b>Composite Leading Indicator</b>	Macroeconomic	OECD Composite Leading Indicator to determine whether economic activity is improving or deteriorating in the near-term.	When the global economy is getting stronger (weaker), stocks typically outperform (underperform) bonds.
<b>Baltic Dry Index</b>	Macroeconomic	Contrasts the Baltic Dry Index, a measure of global shipping activity, to its intermediate moving average.	Above (below) trend global shipping activity, reflects robust (weak) economic growth, which favors stocks (bonds).
<b>Purchasing Managers' Index</b>	Macroeconomic/ Sentiment	The Purchasing Managers' Index (PMI), a survey of senior executives, measures the near-term percentage change of economies with expanding activity.	When more economies are reporting improvements (declines) in new orders, inventory, production, deliveries, and employment, economic activity is strengthening (weakening), which favors stocks (bonds).
<b>Global High Yield Option-Adjusted Spread</b>	Technical/ Sentiment	Measures the direction of the global high yield option-adjusted spreads (OAS) to determine the risk tolerance of fixed income investors.	Narrowing (widening) spreads reflect a growing (falling) risk appetite, which favors stocks (bonds).



“The degree of unprofitable anxiety in an investor’s life corresponds directly to the amount of time one spends dwelling on how an investment should be acting rather than the way it actually is acting.”

**Ned Davis**

NDR’s Founder and Senior Advisor



“Knowing the domestic and global macroeconomic backdrop is critical to understanding investment risk and opportunities and to putting clients on the right side of the major trends.”

**Alejandra Grindal**

NDR’s Chief Economist

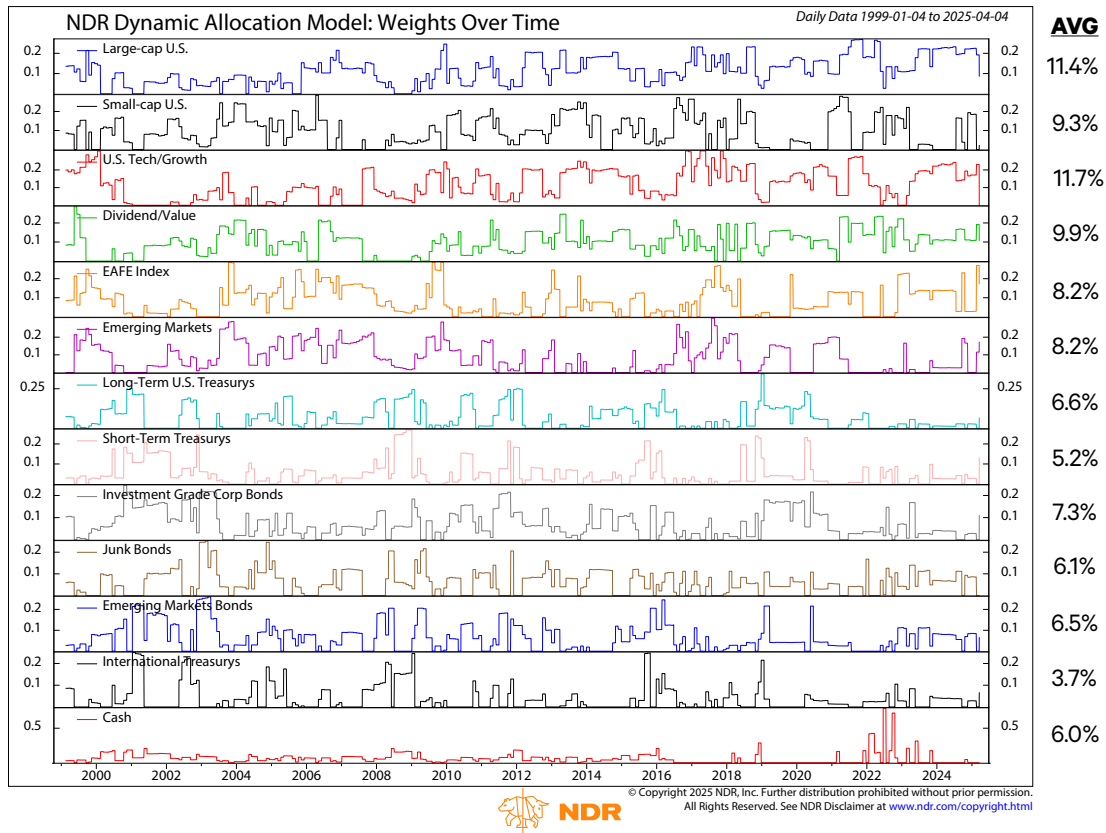


“The major benefit of a sentiment assessment is that it can enable you to place the current market action in the framework of risk and reward.”

**Tim Hayes, CMT**

NDR’s Chief Global Investment Strategist

## Dynamic Allocation Strategy – Moderate Model’s Historical Weightings



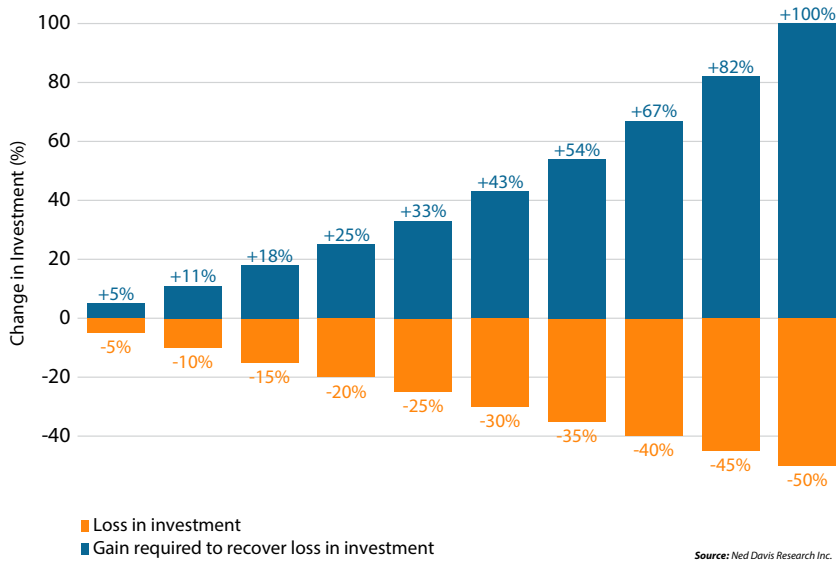
Weights are shown in decimal format

### Notes:

- Analysis since the start of 1999. Includes backtest.
- Model published since October 2012.
- Internal assets tracking the model since August 2017.
- Minimum allocation is 0%
- Max allocation for an individual stock or bond area is ~35%.
- Max allocation for the stock, bond, or cash asset classes is 100%.
- Average stock/bond/cash allocation has been 58.7%/35.4%/6.0%

## Dynamic Allocation Strategy – Risk Management

Larger gains are required to recover from losses (%)



### Two of NDR’s rules are:

- Be Risk-Aware
- Apply Money Management Rules

Large losses are very difficult to overcome. One of the keys to growing wealth is to minimize large losses.

EDU 5



NDR

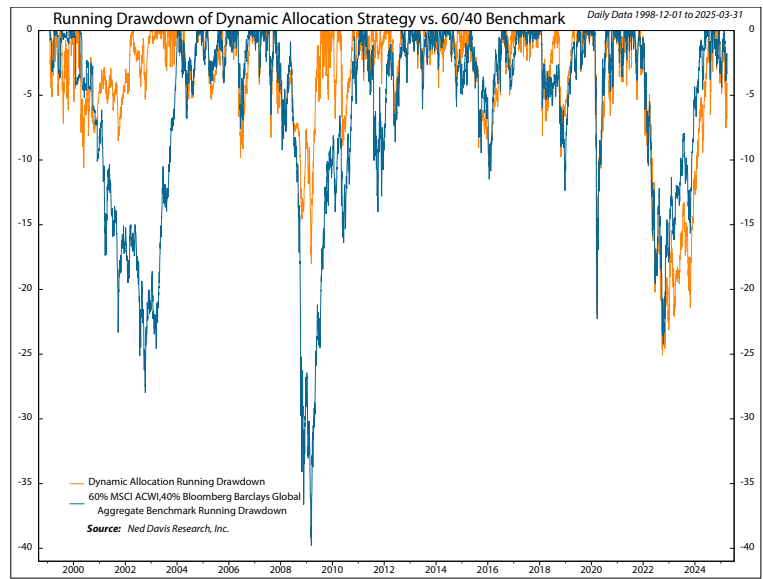
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“We are in the business of making mistakes. Winners make small mistakes, losers make big mistakes. Focus on risk management to keep mistakes small.”



**Ned Davis**

NDR’s Founder and Senior Advisor



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## Reducing Drawdowns Are Critical When Taking Distributions

### RETIREE WITH A \$1 MILLION PORTFOLIO INVESTED IN THE S&P 500 INDEX

Withdrawing \$50,000 Annually

10/9/2007	\$ 1,000,000	
12/31/2007	\$ 938,200	
1/1/2008		-\$ 50,000
1/1/2008	\$ 888,200	
12/31/2008	\$ 547,131	
1/1/2009		-\$ 50,000
1/1/2009	\$ 497,131	
3/9/2009	\$ 372,351	

Assumes taking 5% distributions during the 2007-2009 bear market.

The investor has withdrawn 10%, but lost ~59% of value.

Large drawdowns can devastate a retirement plan.

**Risk Management Matters!**

We explored historical corrections and evaluated their impact on long-term performance. The key takeaways of our analysis:

“Portfolios with larger maximum declines tend to have lower risk-adjusted returns.”

“More volatile markets tend to have larger maximum losses.”

“Active strategies that can reasonably reduce the worst few declines result in significant gains.”



**Amy Lubas, CFA**

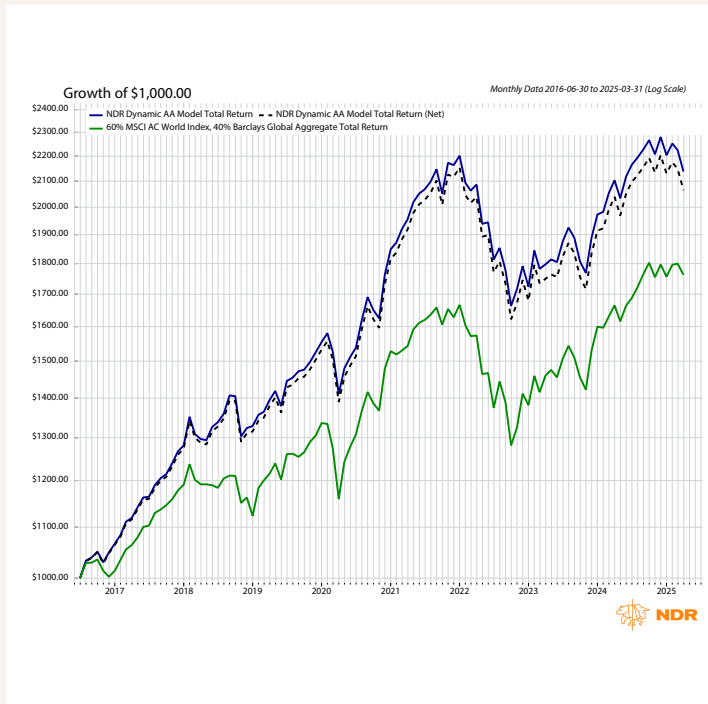
NDR's VP,  
Investment Solutions



**Kiersten Engel**

NDR's Research &  
Development Manager

## Dynamic Allocation Strategy – Moderate Model Performance



### REAL-TIME PERFORMANCE SUMMARY

Return Period	Gross (%)	Net of 0.4% Per Annum (%)	Benchmark (%)
1-yr Rolling (03/28/2024-03/31/2025)	1.64	1.23	5.83
3-yr Rolling (03/31/2022-03/31/2025)	0.82	0.41	3.84
5-yr Rolling (03/31/2020-03/31/2025)	8.66	8.23	8.73
Since Inception (08/31/2017-03/31/2025)	7.85	7.42	5.95

### BACKTEST PERFORMANCE SUMMARY

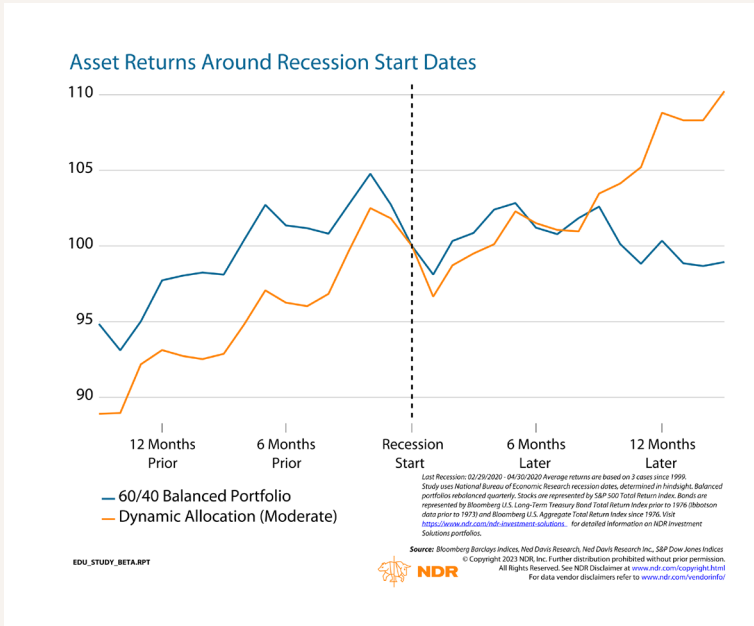
Return Period	Gross (%)	Net of 0.4% Per Annum (%)	Benchmark (%)
10-yr Rolling (03/31/2015-03/31/2025)	7.80	7.37	5.99
Full (01/29/1999-03/31/2025)	10.55	10.11	5.42

### RISK STATISTICS (01/29/1999-03/31/2025)

Statistic	Gross (%)	Net of 0.4% Per Annum (%)	Benchmark (%)
Standard Deviation	9.37	9.37	10.46
Downside Deviation	5.50	5.55	7.00
Sharpe Ratio	0.92	0.87	0.33
Beta (Relative to Benchmark)	0.74	0.74	1.00
Upside Capture	102.18	100.56	100.00
Downside Capture	62.51	63.80	100.00
Max Drawdown	-24.48 (12/31/2021-09/30/2022)	-24.70 (12/31/2021-09/30/2022)	-36.80 (10/31/2007-02/27/2009)

The 60/40 benchmark is based on the MSCI ACWI and Bloomberg Barclays Global Aggregate. Returns based on monthly rebalancing. Net returns are based on fees of 0.4% per annum. Past performance is not a guarantee of future results.

## Dynamic Allocation Strategy – Macroeconomic Influences



“Since MSCI ACWI data began in the late 1980s, large drawdowns in global equities have exclusively occurred in or around these global [economic] slowdowns.”



**Alejandra Grindal**

NDR's Chief Economist

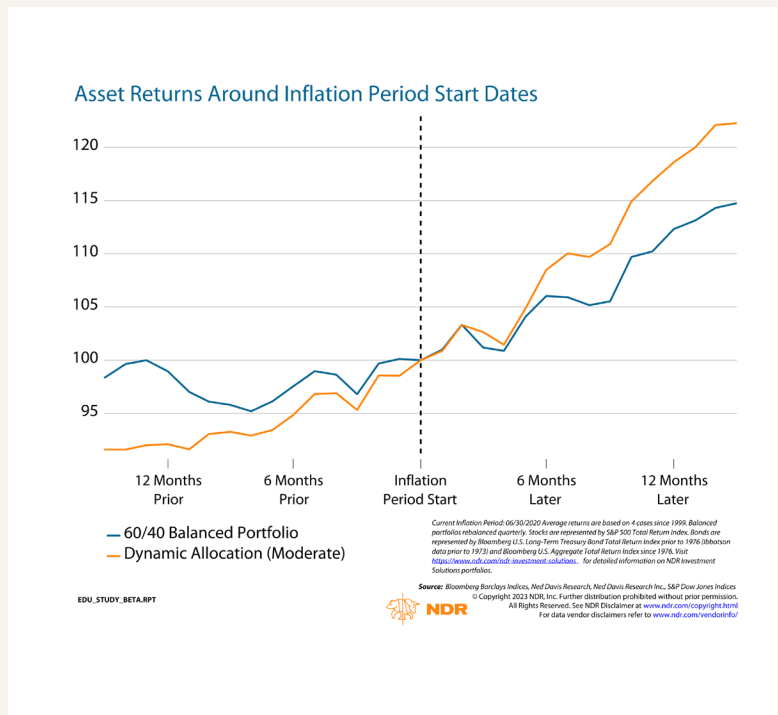
“During ‘The Golden Age of 60/40,’ from 1982 to 2020, 60/40 portfolios performed extremely well as inflation fell. If inflation settles in a range above the Federal Reserve’s 2% inflation target, investors will find it harder to make money through a passive 60/40 approach.” - Joe Kalish, NDR’s Chief Global Macro Strategist

“A more active approach in terms of asset allocation, geographical positioning, and sector/industry/security selection will pay a greater role in generating returns.”



**Joe Kalish**

NDR's Chief Global Macro Strategist



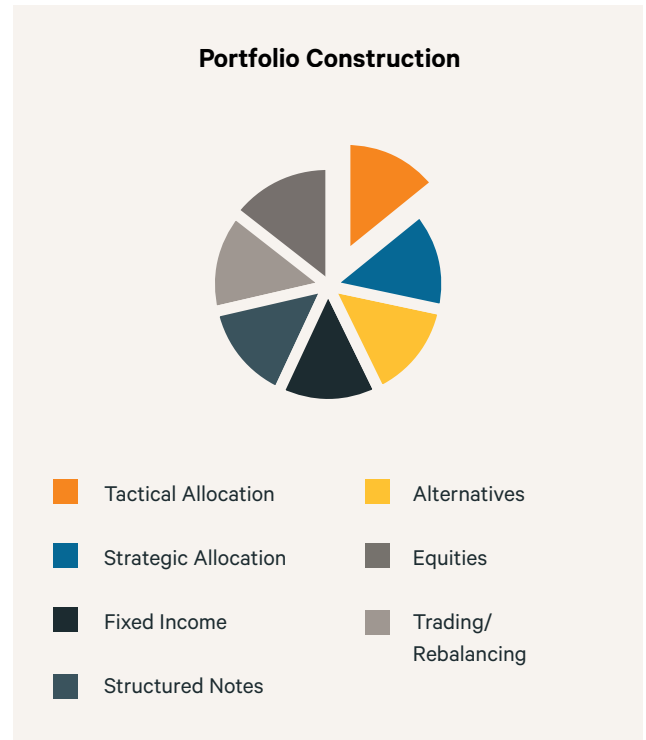
## Benefits of an NDR Investment Solutions Partnership

### Tactical Allocation

- Focus on your core competencies (e.g., stock selection or alternatives placement).
- Leverage the expertise of an experienced firm focused on tactical allocation.
- Expand your firm’s offering while maintaining control over investment management.
- Reduce the operational risk and improve trade rationale in area(s) where you are not an expert.
- Customize the asset allocation to fit your various client risk profiles.

### Scale Your Practice

- Grow your team with an independent, institutional-quality partner.
- Access skills and competencies beyond your firm’s budget.
- Lower operational risk of running a model portfolio by having an external team supporting your efforts.
- Simplify portfolio decisions using a model-driven approach with supporting trade rationale documentation.
- Free up to 50% of your time\* to spend on servicing clients, financial planning, managing your practice, and developing your skills.



**YOUR FOCUS ✓** ————— **✓ PARTNERSHIP** ————— **✓ YOUR FOCUS**

#### Client Servicing

- Client meetings
- Responding to client communications
- Financial planning/goal setting
- Client education
- Marketing to clients

#### Investment Management

- Investment research
- Asset allocation
- Security selection
- Manager due diligence
- Rebalancing portfolios
- Portfolio Construction
- Trade Rationales

#### Practice/Personal Development

- Prospecting
- Marketing
- Compliance
- Technology
- Business strategy
- Staff development
- Personal development

\* Capital Group. “Pathways to Growth. 2022 Advisor Benchmark Study”. 50% of advisor time spent on investment management, preparing for/conducting client meetings, and preparing for/conducting client education/training.

## NDR MODEL PORTFOLIOS



### Dynamic Allocation

A high conviction (large tracking error) approach to global asset allocation. Invests across 13 different assets including U.S. equity styles, global equity regions, fixed income sectors, and cash.



### Fixed Income Allocation

Allocates across nine fixed income sectors including duration, quality, and geography.



### Global Allocation

Overweights and underweights global asset classes and equity regions relative to a 60/40 benchmark.



### International Equity Allocation

Seeks larger and smaller non-U.S. equity markets with favorable attributes.



### U.S. Sector Allocation

Assigns tactical weightings across eleven equity sectors relative to the U.S. large-cap space.



### Liquid Alternatives Allocation

Diversifies across liquid assets outside of traditional equity and fixed income investments using price-based indicators. The strategy's holdings use publicly traded instruments.



### U.S. Large-Cap Multi-Factor Stock Strategy

Identifies long-term capital appreciation opportunities through undervalued and high quality large cap stocks. A multi-factor model ranks stocks across a broad universe. Some factors the model accounts for include valuation, profitability and price momentum.



### U.S. Growth Stock Strategy

Seeks capital appreciation opportunities through undervalued and high quality stocks with superior growth potential. A multi-factor model ranks stocks across a broad universe. Some factors the model accounts for include profitability, efficiency, and price trend.



### U.S. Dividend Income Stock Strategy

Generates current income via dividend paying stocks deemed to be undervalued and high quality with capital appreciation as a secondary objective. A multi-factor model ranks stocks across a broad universe. Some factors the model accounts for include valuation, quality, and payout.

## How to Access

### Direct Delivery

### Platforms

Amplify  
C8 Technologies  
GeoWealth  
SmartLeaf  
SMArtX  
Vestmark

## Benefits of an NDR Investment Solutions Partnership

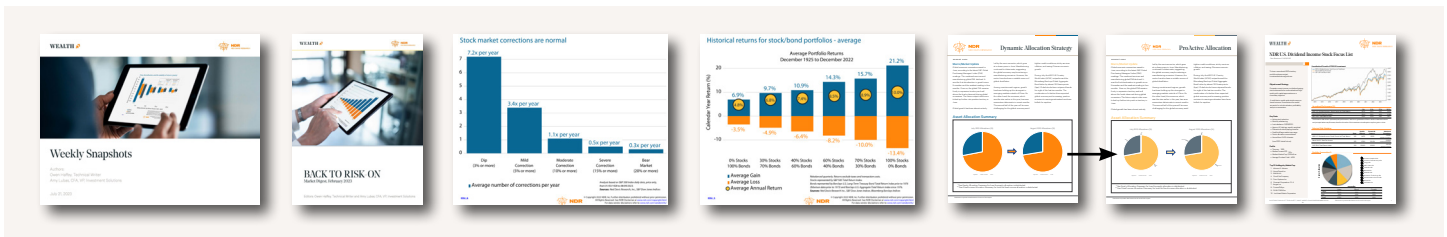
“Wealth managers can further enhance their practice using the customization, private label, and turnkey model portfolio capabilities within NDR’s Investment Solutions.”



**Brian Sanborn, CFA**

NDR’s Global Head of Investment Solutions

- Customized model portfolios
- Bespoke model portfolios
- Client-friendly newsletter (private-labeled or co-branded)
- Model portfolio commentary (private-labeled or co-branded)
- Model portfolio factsheets (private-labeled or co-branded)
- Client communication materials
- Access to institutional research
- Interactive charts and studies
- Redistribution rights to externally offer NDR models
- Access to NDR’s strategists for your own events or webinars
- Sponsorship opportunities for your events



## Contact us

Reach out to learn more about the best combination of services, research, and model delivery to enhance your practice.

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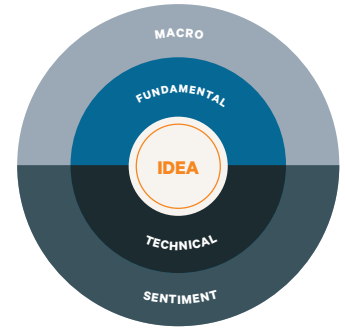
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NED DAVIS RESEARCH

## See the signals.™

Founded in 1980, Ned Davis Research Group is a leading independent research firm with clients around the globe. With a range of products and services utilizing a 360° methodology, we deliver award-winning solutions to the world's leading investment management companies. Our clients include professionals from global investment firms, banks, insurance companies, mutual funds, hedge funds, pension and endowment funds, and registered investment advisors.



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Important Information and Disclaimers NDR (Ned Davis Research) uses the weight of the evidence and a 360-degree approach to build up to market insights. When we say “evidence,” we mean processing millions of data series to fuel a historical perspective, build proprietary indicators and models, and calm investors in a world full of bull/bear news hype and hysteria. We believe that no client is too big or too small to benefit from NDR's insights.

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