

# Due Diligence Report

SAMPLE VERSION



# Monthly Due Diligence Report

## WHAT'S INSIDE

Market Overview [SAMPLE]

Model Ecosystem [INCLUDED IN FULL REPORT]

Disclosures

## THE BREAKDOWN

This is a sample version of a white-label report template that we update and provide to our members on a monthly basis. It is provided to members as is. It may be personalized and edited to match any firm's tone, style, and compliance requirements, and is their sole responsibility to ensure it meets their respective compliance requirements and procedures. Review, edit, or add to any highlighted material, including model series names and any changes during the relevant period. Any *Level* or *Style Element* language may be removed for those that are not utilized by their models.

## HOW TO USE THIS REPORT

This report is intended to support your research and due diligence efforts and aid your investment committee.

Included in this report is an overview of capital markets and the news and events that shaped this month as well as update and summary level details on the Helios models.

Included in this report are any changes to the overview listed above, the rationale for those changes, as well as detail on the underlying components of the calculations.

We encourage having this report be a part of your regular investment committee materials. Additionally, you may use the content to help shape your conversations with your clients.

**This document has not been reviewed by your compliance departments.**

**You are responsible for getting compliance approval prior to using any materials with clients.**

## ABOUT US

Founded in 2016, Helios Quantitative Research was created to equip financial advisors with new and relevant tools that drastically improve their client's asset management experience, expand their firm's margins, and challenge the old-guard legacy providers as well as the emerging robos of Silicon Valley. We believe that the majority of existing services available to financial advisors lack innovation, are too expensive, and enable commoditization in the wealth management industry.

Therefore, we created our own service category - the *insourced CIO*. Our unique team of skilled and experienced individuals, partners with financial advisors across the globe to create, implement, monitor, and communicate quantitative investment strategies that challenge Modern Portfolio Theory and seek to remove as much emotion as possible from investing. In a short time, we have grown to influence over 800 Financial Advisors who collectively manage over \$30 billion.

For more information regarding our firm, please visit our website: [www.heliosdriven.com](http://www.heliosdriven.com)

# Market Overview



# Market Overview

## 1 THE MONTH AT A GLANCE

	MAR
S&P 500	3.71%
MSCI EAFE	0.64%
MSCI Emerging Markets	-2.26%
Bloomberg US Aggregate	-2.78%

All returns are total returns as of the date of the report unless otherwise noted.

Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment. Past performance is not indicative of future results.

## FED LIFTS RATES OFF ZERO AND EXPECTATIONS QUICKLY SHIFT FOR 2022

The Fed reopened its more traditional toolset in March, increasing the Fed policy rate by 25 basis points, lifting rates from their zero-bound. A lot of attention has been focused on the Fed over the last several months as they wound down their quantitative easing (QE) programs and are now on pace for multiple rate hikes over the year. The focus will likely stay on the Fed as well as assessing the first quarter earnings season and how well companies can continue to operate in an environment with labor, supply chain, and inflation challenges.

In equity markets, March started out with bouts of volatility leading up to the Fed's meeting in the middle of the month. Over the last half of March, the S&P 500 rallied to gain 3.71% over the entire month, erasing a 4.4% loss from the first couple weeks of the month. International markets significantly underperformed with developed international gaining 0.64% and emerging markets, being more sensitive to US interest rates and their currency impacts, fell 2.26%

Anticipation of the Fed's policy moves in March, coupled with rapidly rising expectations of future moves, pushed the short end of the yield curve higher throughout the month, creating headwinds for the bond market. Over the month the Bloomberg US Aggregate fell 2.78% with most of the losses coming from the first half of the month, ahead of the Fed's meeting.

Source: Helios Quantitative Research, Bloomberg

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# Looking at Past Yield Curve Inversions

## WHAT DOES IT MEAN?

- Looking at past yield curve inversions, we can see that the predictive power of an inverted yield curve is not perfect. While inversions do tend to prelude recessions, they may do so by a year or more, and sometimes nearly three years. Further, equity performance following inversions appears random and is not an indicator of future equity performance.
- The selected dates do not include every inversion, once the yield curve inverts it can tend to bounce around over the subsequent months.

## HISTORY OF INVERSIONS AND RECESSIONS (CONTINUED)

Selected inversions of the US government 10-year and 2-year yields

Inversion Date	Days to Next Recession	S&P 500 Total Return from Inversion Date		
		6 Month	1 Year	3 Year (Annualized)
08/17/78	532	-3.49%	8.80%	13.87%
09/11/80	323	8.57%	1.67%	15.75%
12/14/88	594	19.74%	31.92%	15.64%
08/11/89	354	-1.62%	0.67%	10.32%
05/26/98	1,040	8.94%	20.95%	6.65%
02/02/00	423	2.69%	-1.39%	-14.14%
12/27/05	734	-0.46%	15.73%	-9.59%
04/13/07	262	8.48%	-6.38%	-4.13%
08/26/19	187	13.14%	21.96%	n/a

Source: Helios Quantitative Research, Bloomberg, NBER

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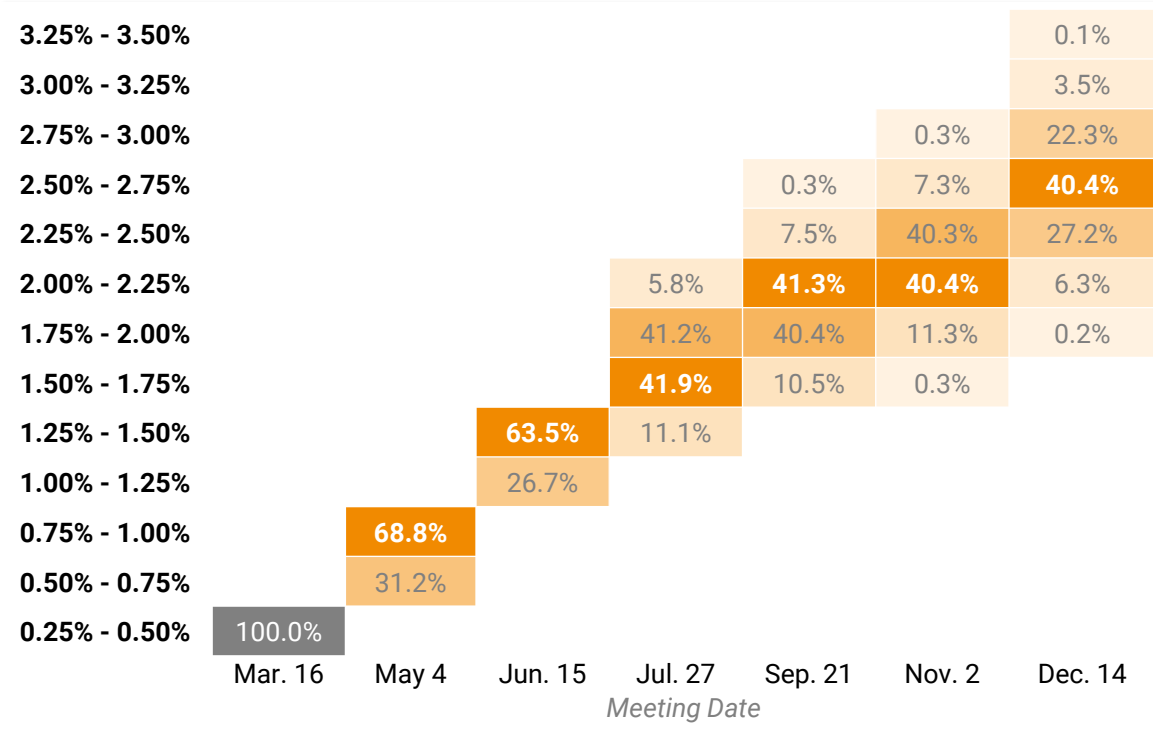
# Expectations on Fed Policy

## WHAT DOES IT MEAN?

- The market still has its eyes focused on Fed policy and how quickly rates may change throughout the year to combat inflation.
- Over the last few months, we have seen expectations shift quickly and the market is now expecting multiple 50 basis point rate hikes this year.
- At the current probabilities implied by the Fed futures market, by the end of the year, the Fed's policy rate will be 2.50% to 2.75%. This would signal a 250-basis point increase from where it stood just last month.

## MARKET NOW MULTIPLE 50 BPS HIKES

Probabilities of Fed rate policy target, derived from Fed futures market



Source: Helios Quantitative Research, Bloomberg, CME FedWatch Tool from 03/31/22

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# Interested in the Full Report?

## WHAT'S INCLUDED

- Fully white-labeled and customizable to match any firm's unique style and voice.
- A deep dive into the details and components of our **Elements**, and the factors that drive the models built in the **Helios Model Ecosystem**. This includes rationale, and analysis of where each element is, and has been, as well as an analysis of recent hypothetical performance.
- You'll receive a 30+ page report, including analysis, detailed graphics, historical data, and much more.
- An in-depth market overview, key highlights, and sector performance
- Our quantitatively curated Charts of the Month
- Updated and provided to you monthly!

## INTERESTED IN LEARNING MORE?

Visit us at [heliosdriven.com](https://heliosdriven.com) or connect with us today by reaching out to [hello@heliosdriven.com](mailto:hello@heliosdriven.com)



# Definitions & Disclosures

METHODS, DEFINITIONS, AND MORE





# Definitions & Disclosures

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