



## Prometheus Asset Allocation

# What Is Prometheus Asset Allocation?

## Long-Only Asset Allocation

- A long-only portfolio that starts with diversified exposure to Stocks (SPY), Bonds (TYA), and Commodities (DBC).

## Active Macro Investing

- Using our systematic macro process, our strategy looks to add Alpha to assets in this diversified portfolio, by side-stepping negative macro regimes.

## 10% Volatility Target

- Maintains a constant level of risk, while focusing on getting the most reward for that level of risk.

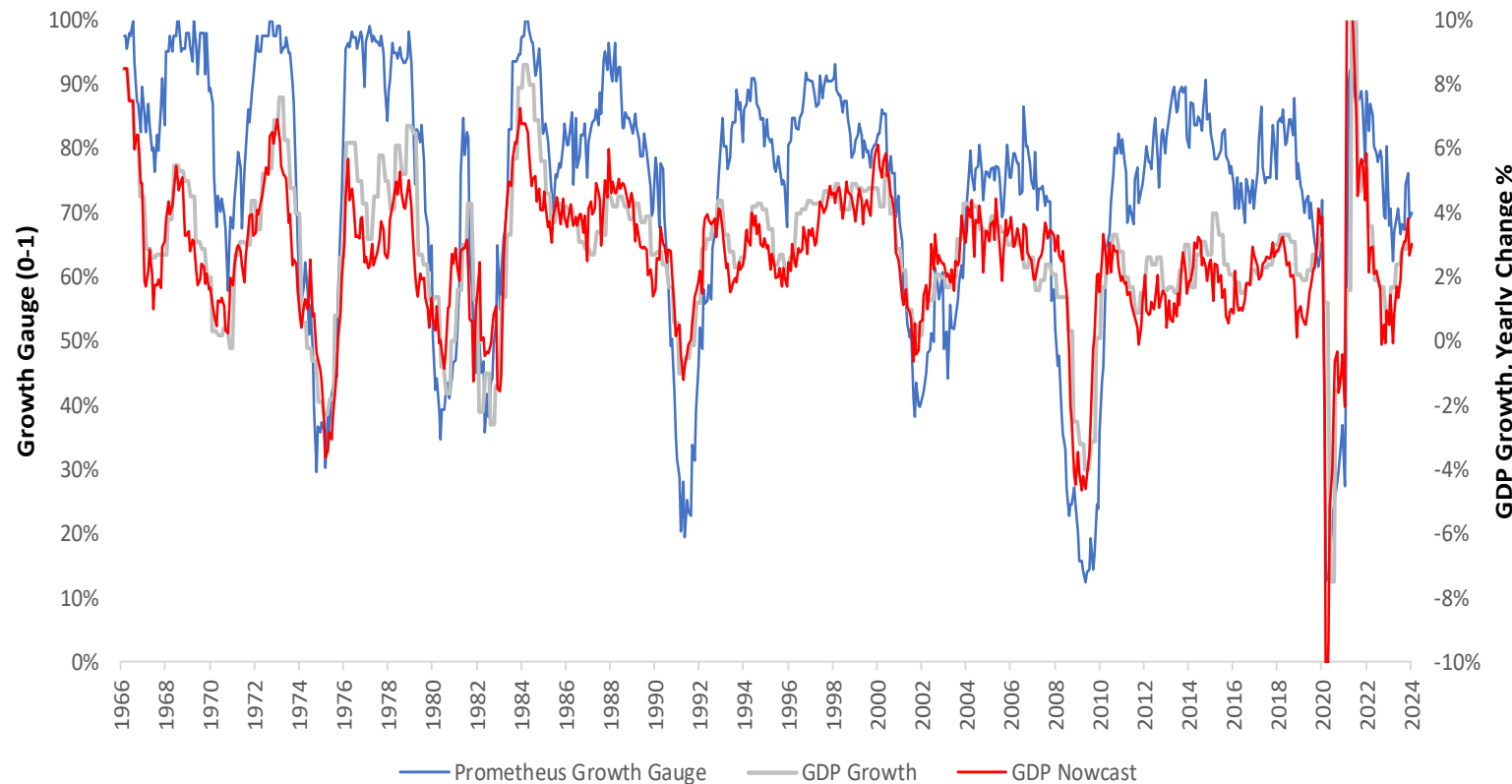
# Macro Takeaways

- Macro Monitor: *Markets continue to price regime probabilities consistent with rising growth and liquidity conditions. This pricing is consistent with the ongoing impulse from fundamental macro conditions. Currently, our systems see a limited risk of nominal or real growth slowing, expecting a nominal GDP of 6.1% in Q3 of 2024. Additionally, they see a modest risk that cyclical inflationary forces will decline. However, this decline in nominal spending is unlikely to bring inflation to the Fed's objectives. This dynamic creates a backdrop that remains supportive of equities but poses difficulties for both treasuries and commodities.*
- Asset Allocation: *Consistent with our systematic fundamental outlook, the Prometheus Asset Allocation Strategy is currently positioned flat SPY (0%), flat TYA (0%), long DBC (53%), and Cash (47%). This allocation is consistent with a long-term expected volatility of 10%. We recognize that this allocation has concentration risk. However, with adequate risk control we remain confident that even if commodities begin to move lower, the impacts will not be a major detriment to the overall portfolio.*

# Macro Monitor

# Macro Monitor: Growth

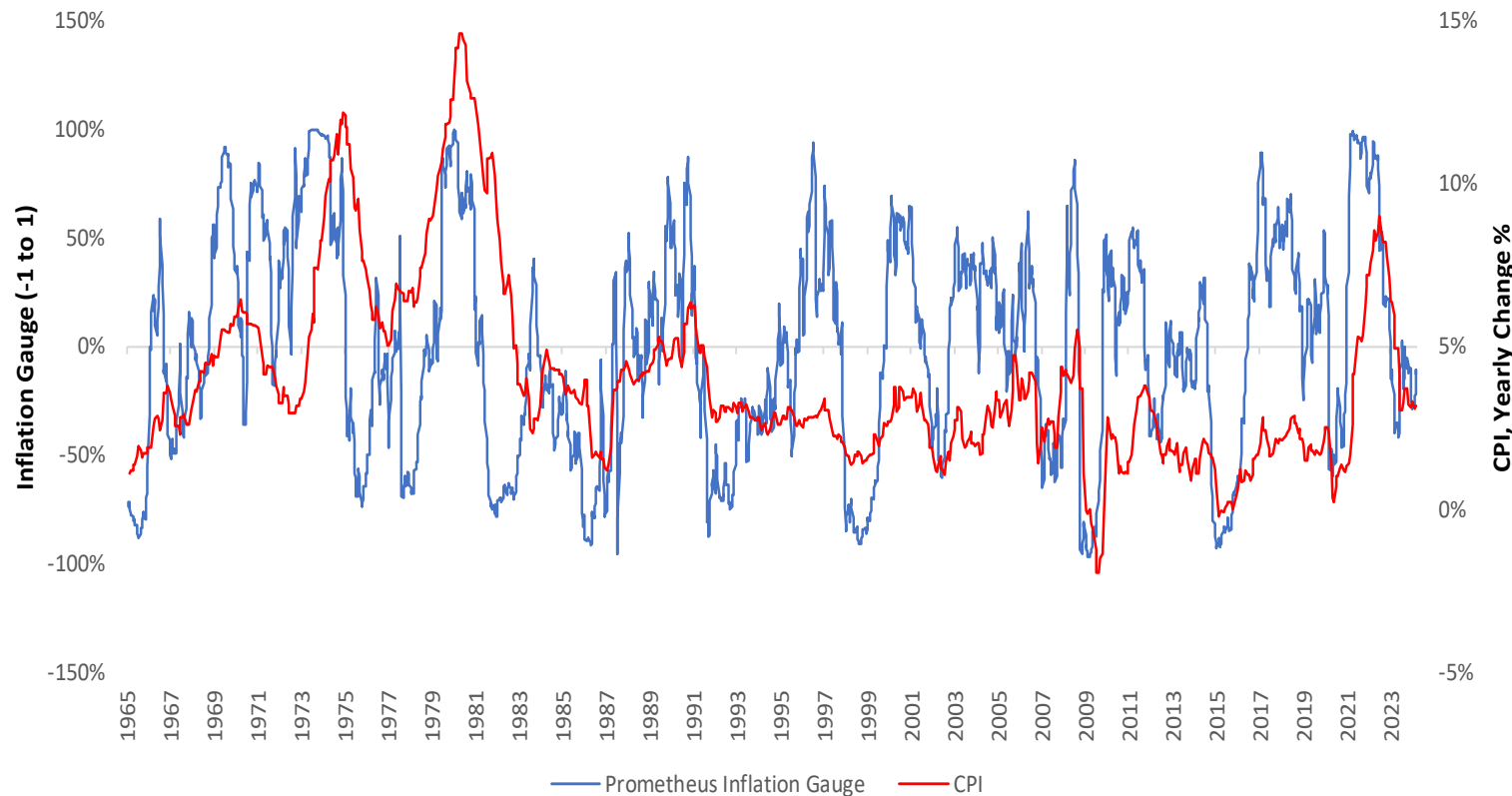
Growth Monitor: Growth Diffusion & GDP Nowcast



*Our Growth Gauge tracks economic data across 75 measures of real growth conditions to understand the economy and give us a more granular understanding of the forces driving our GDP Nowcast. **Currently, these measures continue to point to above-trend GDP growth, with a low probability of imminent declines.***

# Macro Monitor: Inflation

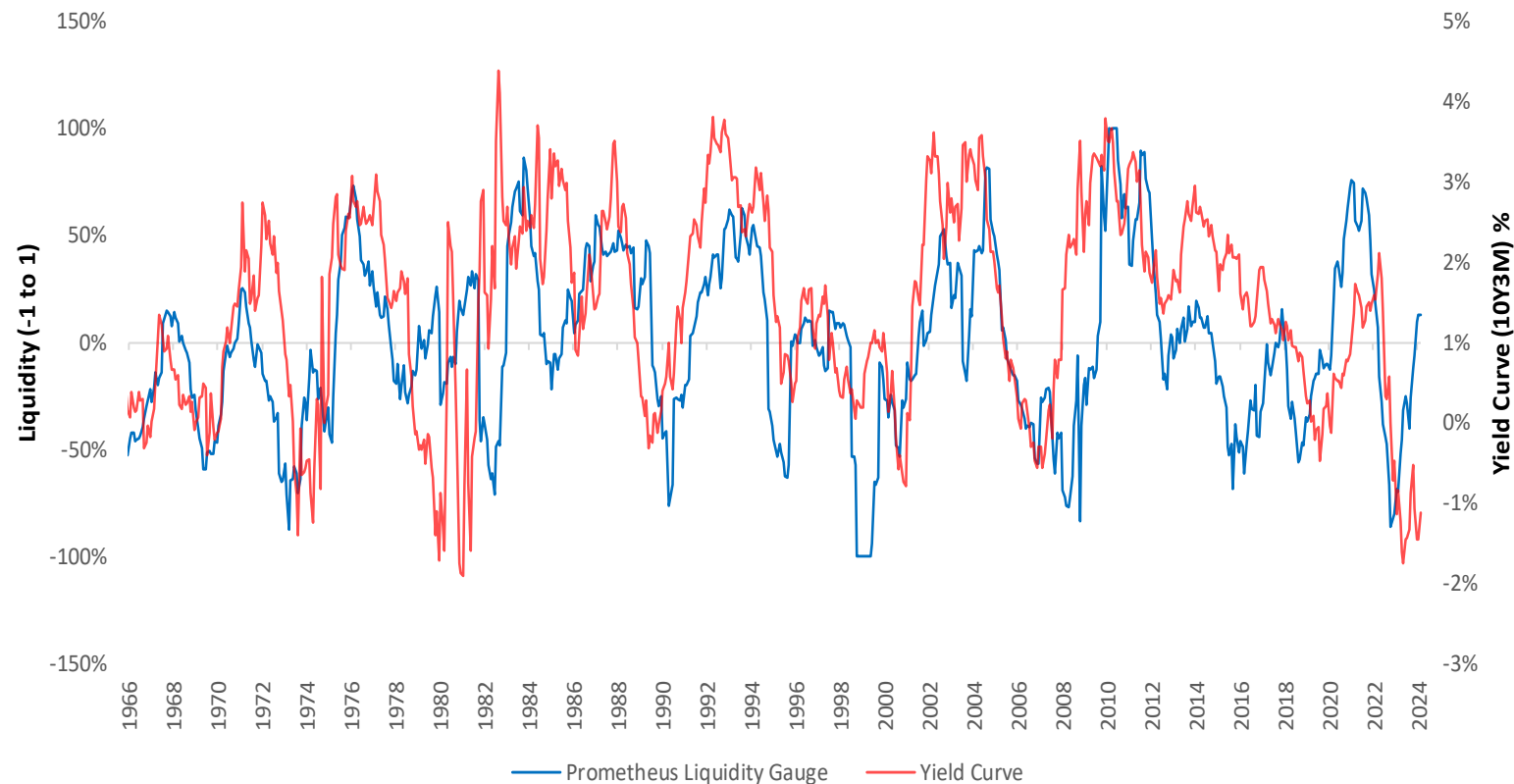
Inflation Monitor: Inflation Gauge vs. CPI Inflation



*Our Inflation Gauge tracks inflationary pressures coming from 40 raw commodity prices to understand the impulse to consumer price inflation on a high-frequency basis. **These measures tell us that inflationary pressures remain muted, suggesting little change in the inflation outlook.***

# Macro Monitor: Liquidity

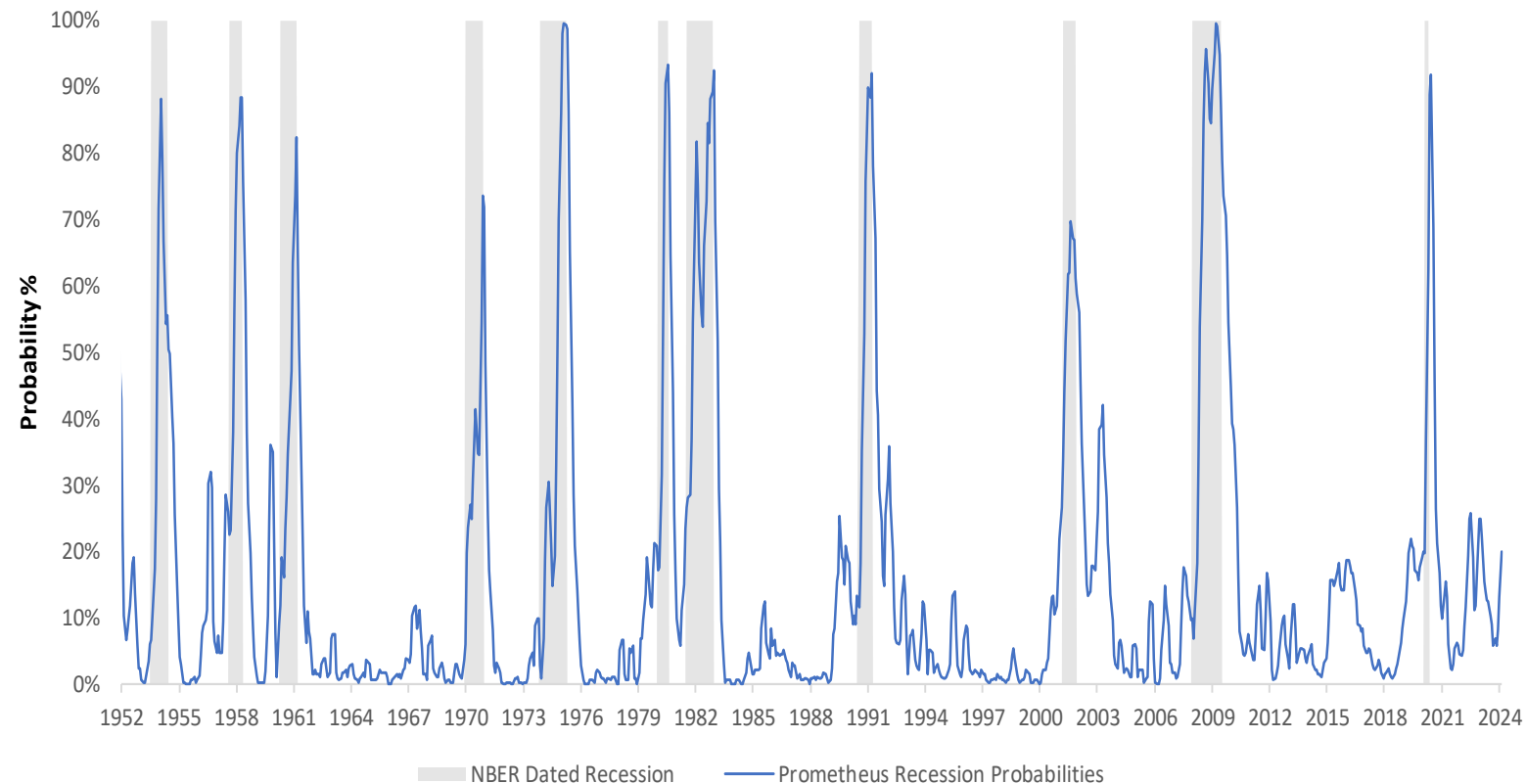
Liquidity Monitor: Liquidity vs. Yield Curve



*Our Liquidity Gauge aggregates measures of liquidity across the public and private sectors that represent trillions of dollars of liquid assets, allowing us a real-time estimate of the potential for risk risk-taking in the financial system **Today, our measures suggest that liquidity conditions remain ample, which continues to support asset markets. Given growth and inflation conditions, this liquidity has flowed to equity markets, creating the rally we have seen year-to-date.***

# Macro Monitor: Recession Monitor

Recession Probabilities: Real-Time vs. NBER Dated

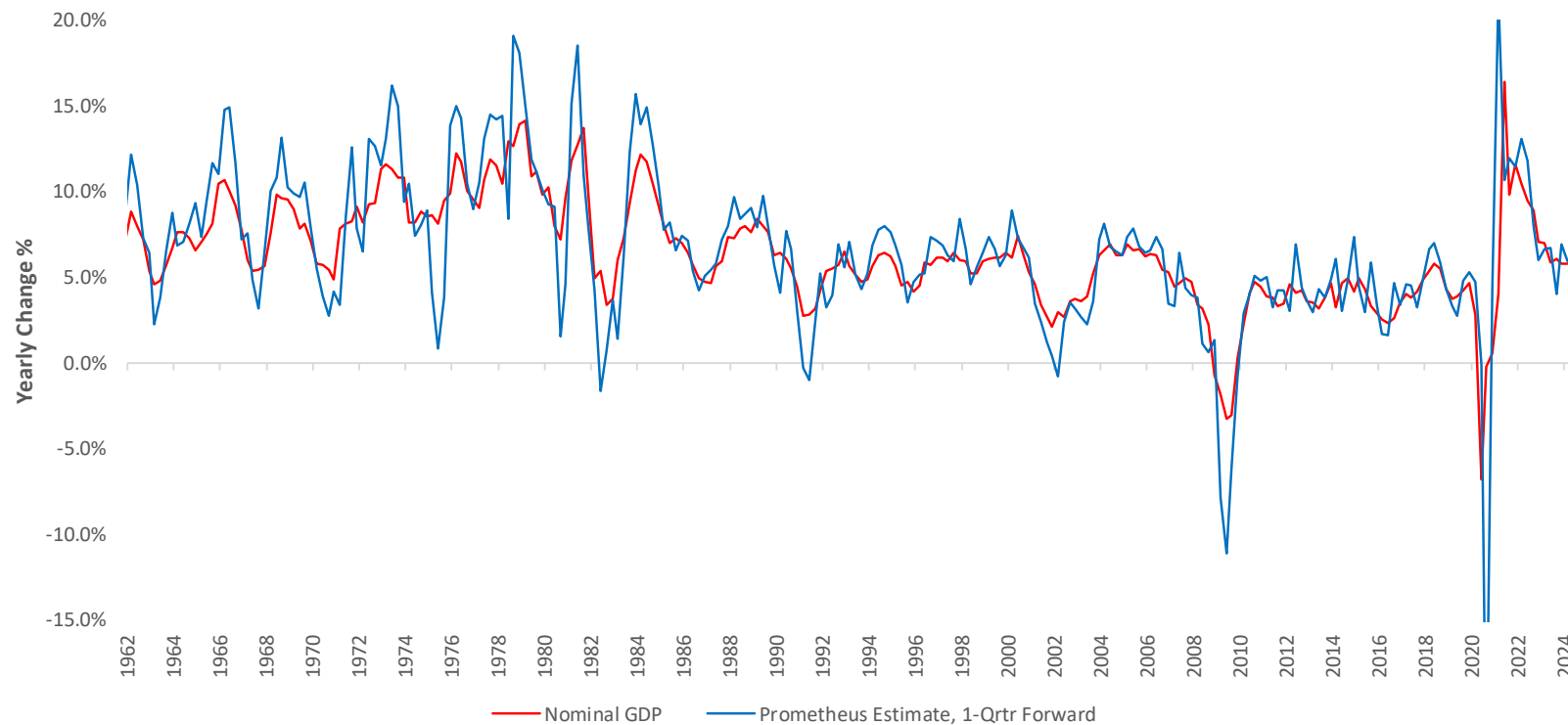


*For a timely insight into recessionary pressures, we aggregate macroeconomic indicators, consistent with the NBER methodology of recession classification, into a recession probability monitor. This gauge gives us a real-time understanding of developing recessionary pressures. **Currently, recession probabilities remain muted at 20%.***



# Macro Monitor: Fundamental Forecasts

Prometheus Asset Allocation: Nominal GDP Forecasts



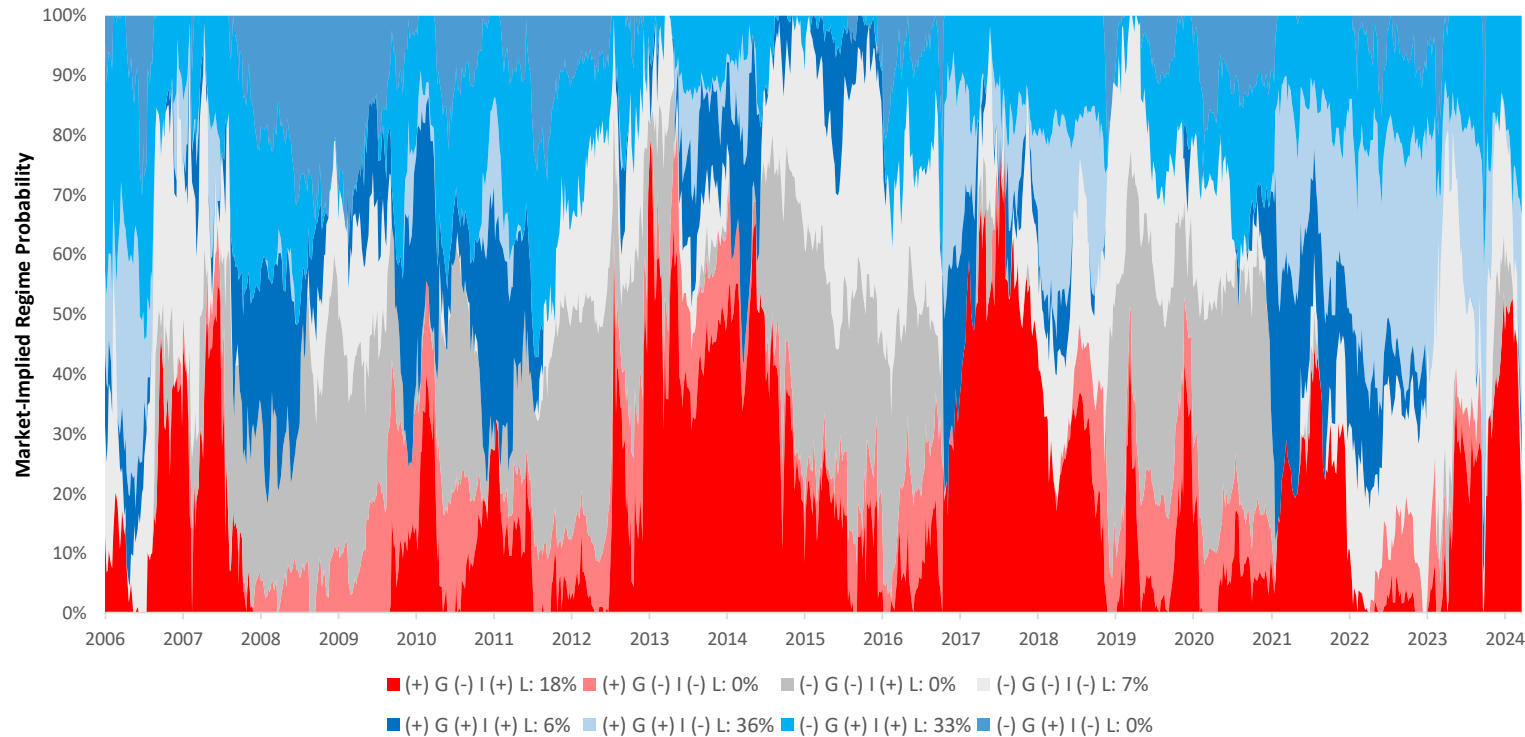
*Our systematic process allows us to forecast fundamental macroeconomic conditions up to one quarter ahead with modest accuracy. These views on nominal growth conditions shape our asset allocation process and are refreshed monthly. **Currently, our systems estimate that Q3 2024 nominal GDP growth will be 6.1% versus one year prior, with real GDP of 3.4% and Inflation of 2.7%.***

# Macro Monitor: Market Regime Probabilities

## Prometheus Market Regime Probabilities

	(+) G (-) I (+) L	(+) G (-) I (-) L	(-) G (-) I (+) L	(-) G (-) I (-) L	(+) G (+) I (+) L	(+) G (+) I (-) L	(-) G (+) I (+) L	(-) G (+) I (-) L
Probability %	17.7%	0.0%	0.0%	7.3%	6.2%	35.5%	33.3%	0.0%

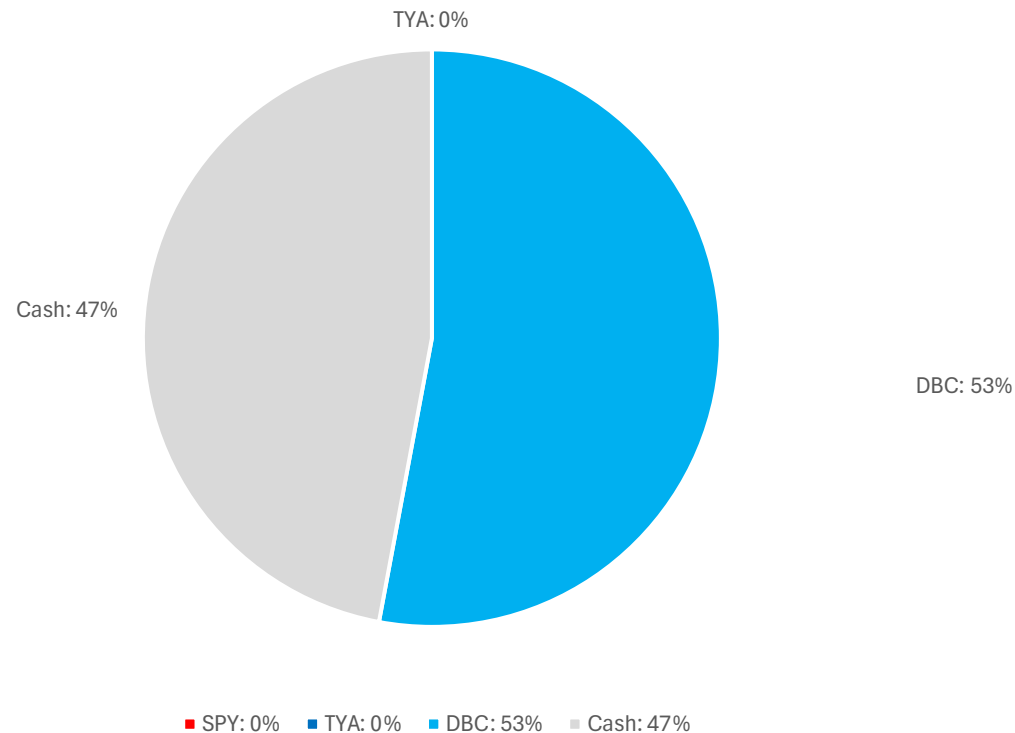
Regime Probabilities: Recent History



*For an of how economic dynamics have been priced into markets, we show our tracking of market-implied macroeconomic regime probabilities. **Markets have moved to price in the increased probabilities of rising inflation regimes. This environment usually benefits commodities at the expense of stocks and bonds.***

# Prometheus Asset Allocation: Current Allocations

## Prometheus Asset Allocation Strategies: Stocks, Bonds, & Commodities



*With nominal growth conditions stable, stocks and commodities can both perform. Our systems have pulled back on stock exposures as a form of risk control and may re-enter them when market conditions are more favorable.*

*We continue to avoid bonds.*

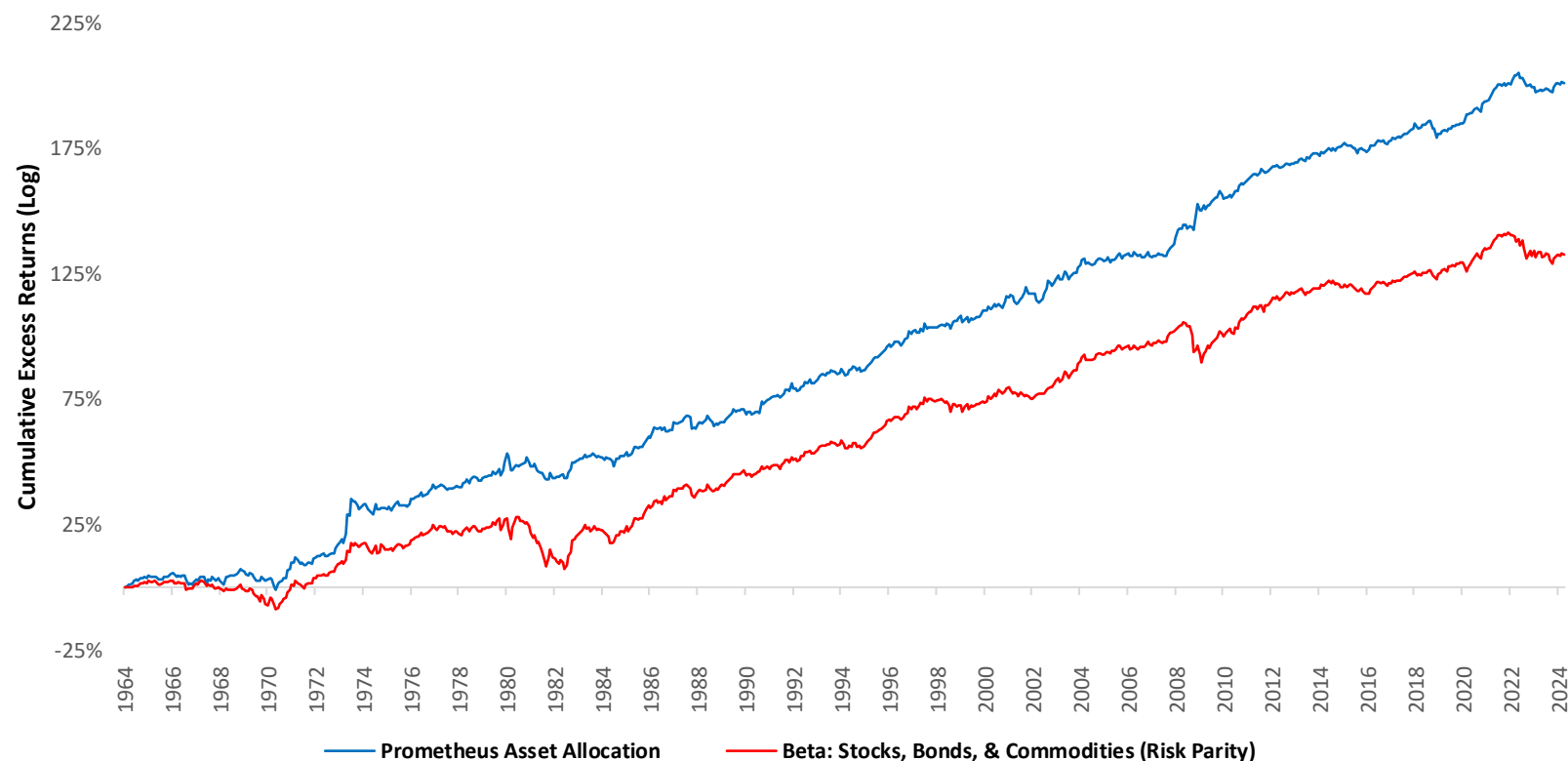
# Strategy Profile

# Prometheus Asset Allocation: Summary Statistics

## Prometheus Asset Allocation Strategies: Comparative Returns vs. Beta

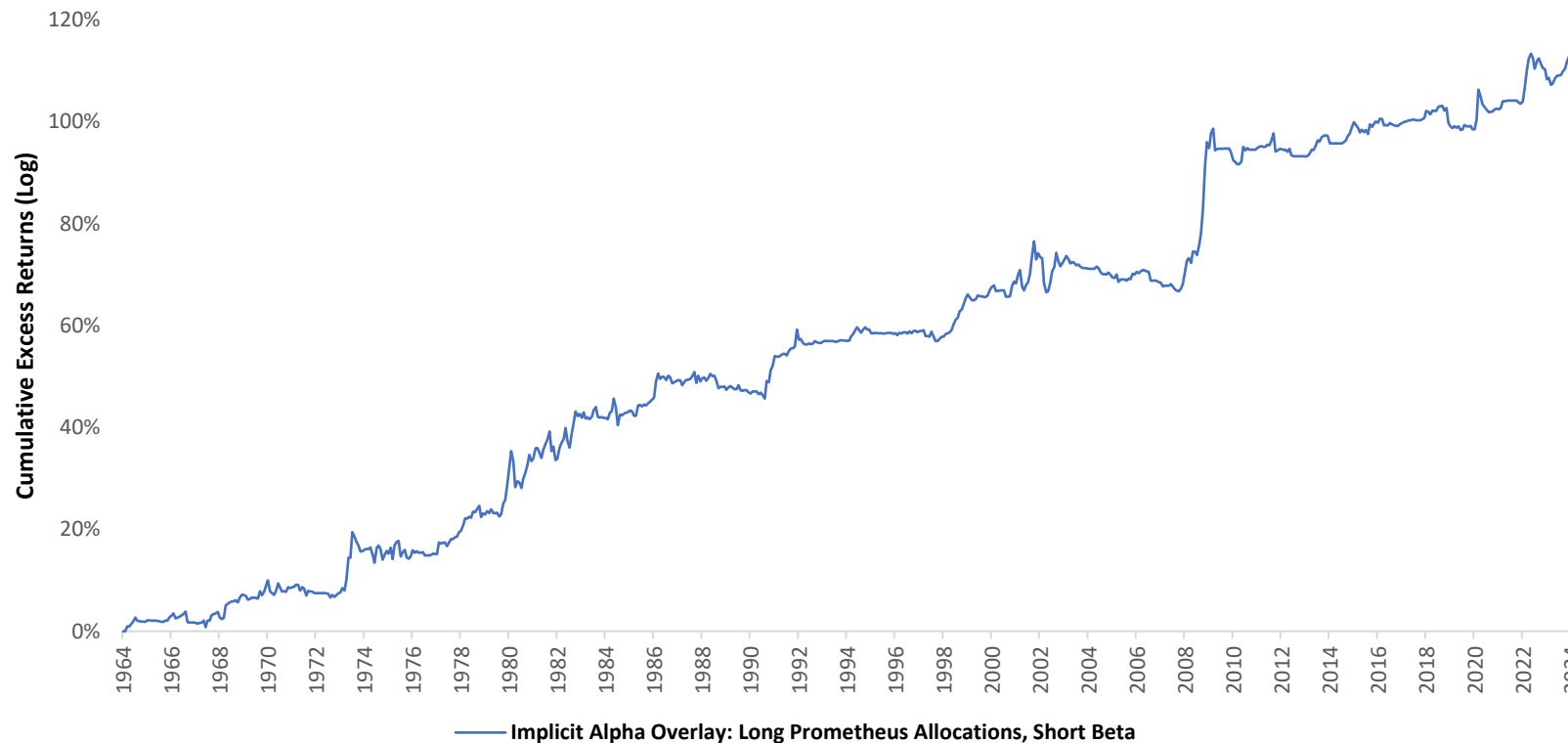
### Prometheus Asset Allocation Strategies: Stocks, Bonds, & Commodities

Summary Statistics		
	Strategy	Beta
Total Return	12.8%	9.9%
Excess Return	8.0%	5.2%
Volatility	10.0%	10.1%
Semi-Variance	6.2%	7.3%
Max DD	-14.6%	-29.8%
Sharpe	0.80	0.51
Sortino	1.28	0.71
Calmar	0.54	0.17
Hit Rate	62%	61%
DD Duration (Years)	1.9	2.4



# Prometheus Asset Allocation: Alpha Overlay

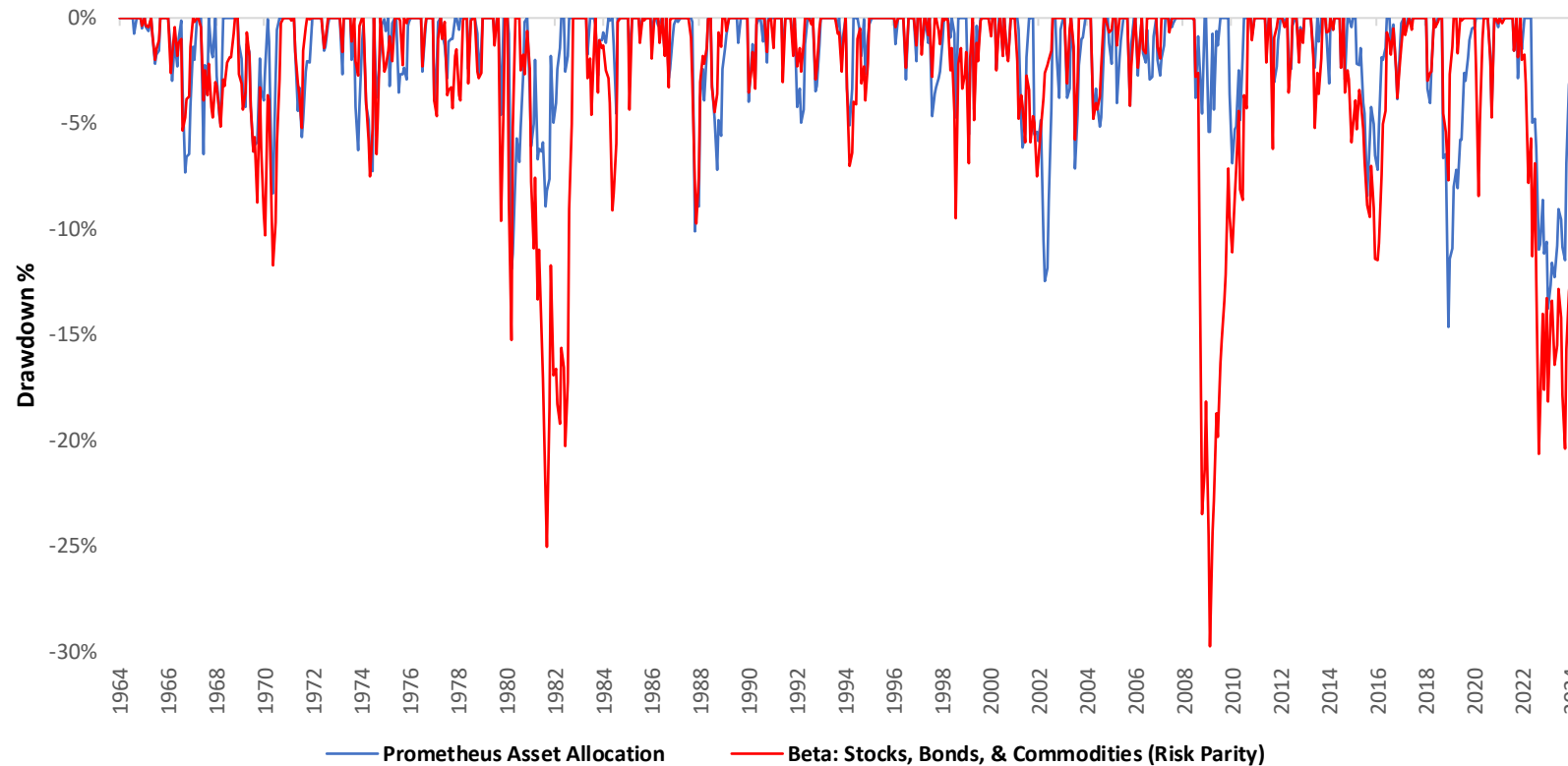
Prometheus Asset Allocation Strategies: Stocks, Bonds, & Commodities



*To illustrate the value-add of our macro approach, we visualize the “implicit alpha” in our asset allocation strategy. We show the result of simply going long our preferred allocation, while going short a passive beta portfolio. As we can see above, this Alpha Overlay has been significantly value additive over time.*

# Prometheus Asset Allocation: Drawdown Monitor

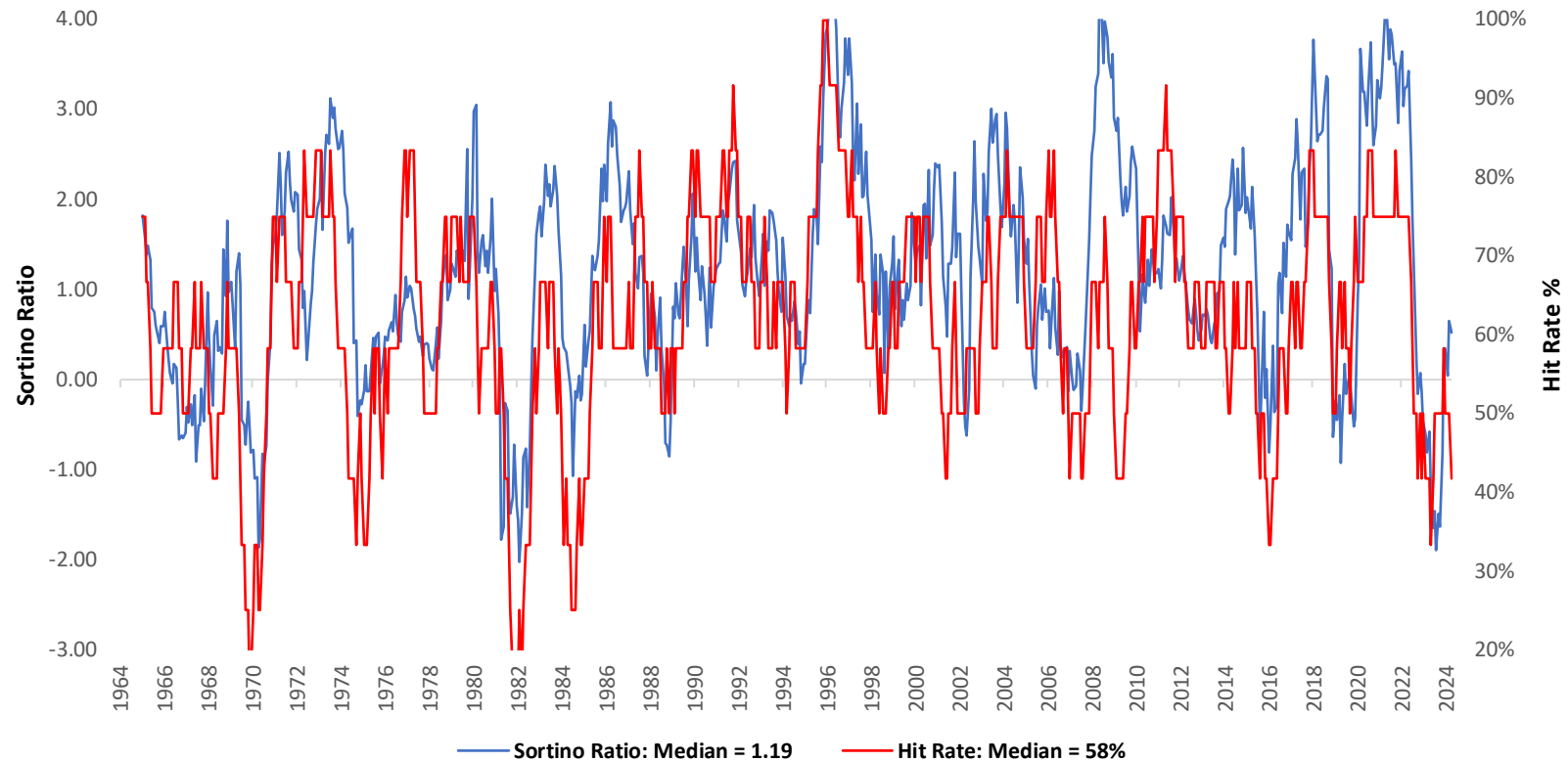
Prometheus Asset Allocation Strategies: Stocks, Bonds, & Commodities



*Drawdowns remain well-controlled, with our asset allocation now in a 1% drawdown. Our asset allocation signals have correctly picked up on the current economic expansion, allowing them to climb back from recent drawdowns.*

# Prometheus Asset Allocation: Return-On-Risk

Prometheus Asset Allocation Strategies: Stocks, Bonds, & Commodities

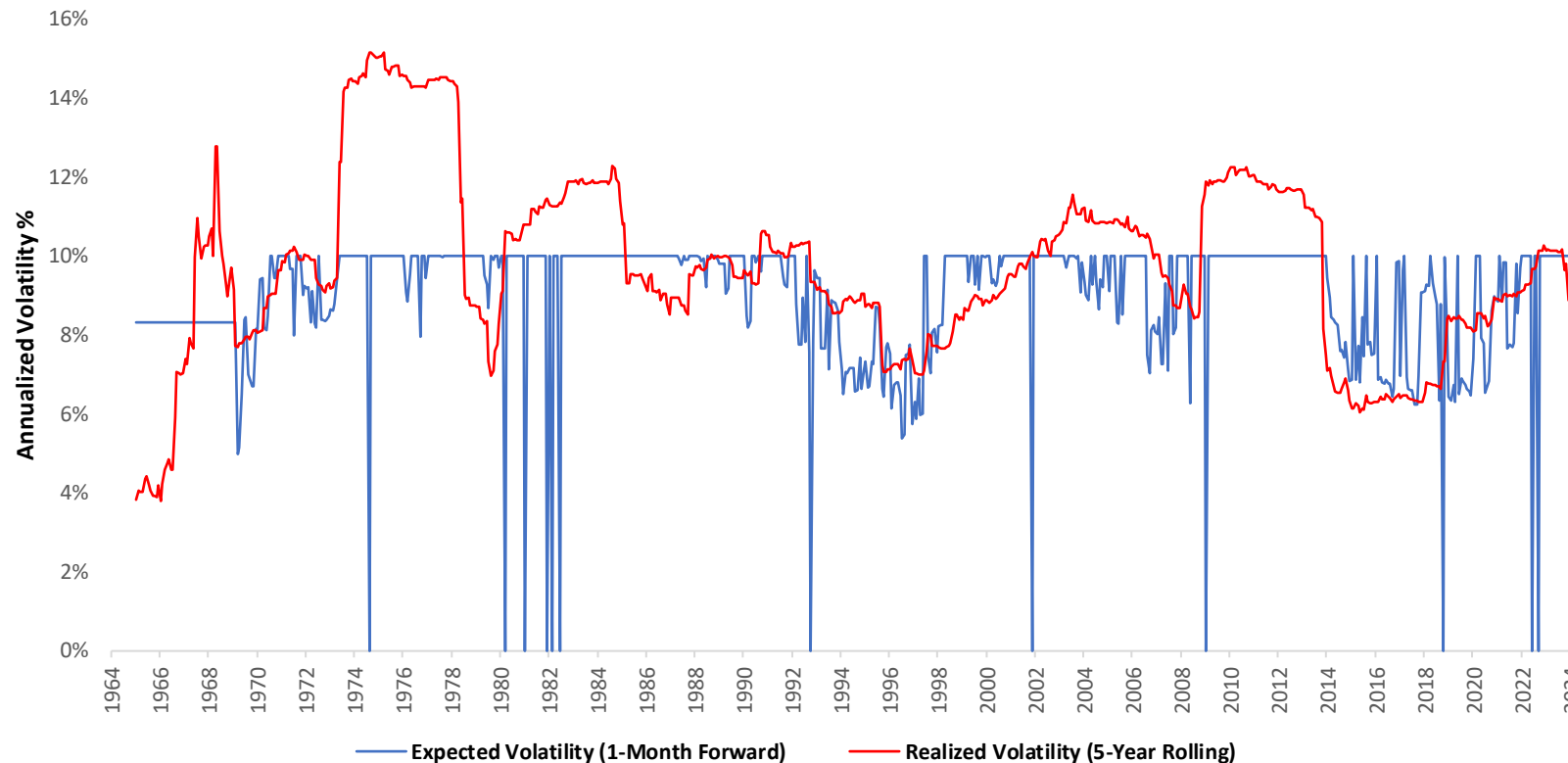


*Our asset allocation has shown positive return-on-risk over long periods. Currently, both our Sortino Ratios and Hit Rates have begun to climb after a period of weakness, bringing the portfolio within range of all-time highs.*



# Prometheus Asset Allocation: Risk Control

Prometheus Asset Allocation Strategies: Stocks, Bonds, & Commodities



*Heading into next month, our asset allocation strategy is looking to run an expected volatility of 10%.*

*This volatility expectation is reflected in the sizing of the current positions. While our raw signals suggest taking a volatility of 18%, our risk-target has scaled back our risk exposure and increased cash to be consistent with a 10% volatility.*

# PROMETHEUS

Thank You.

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