

**STANDARD
& POOR'S**

Standard & Poor's Backtester™

POWERED BY STANDARD & POOR'S RESEARCH INSIGHT®





Standard & Poor's Backtester™

For quantitative investment/portfolio managers who model portfolio strategies by means of backtesting, understanding underlying investment relationships can present problems. The solution? The [Standard & Poor's Backtester™](#).

This robust and intuitive analysis tool gives you multiple dimensions on which to grade portfolio performance. Multiple regression features can help you understand what factors are significant in predicting returns, the relative weight or significance of each factor to the whole, and the sustainability of the model over time. In addition, Backtester has the capabilities to help you determine the predictive relationships underlying the factors and subsequent returns of the models you construct.

With [Standard & Poor's Backtester](#) you can:

- Develop powerful portfolio simulation to test investment ideas
- Test power of factors through time using multiple regression capabilities
- Develop blended strategies such as 130/30
- Review a series of transparent analysis tools to investigate results and detect problems
- Simulate the impact of real world problems such as taxes, trading costs, and management fees
- Enhance your strategies with a series of rules and constraints to minimize risk and maximize return

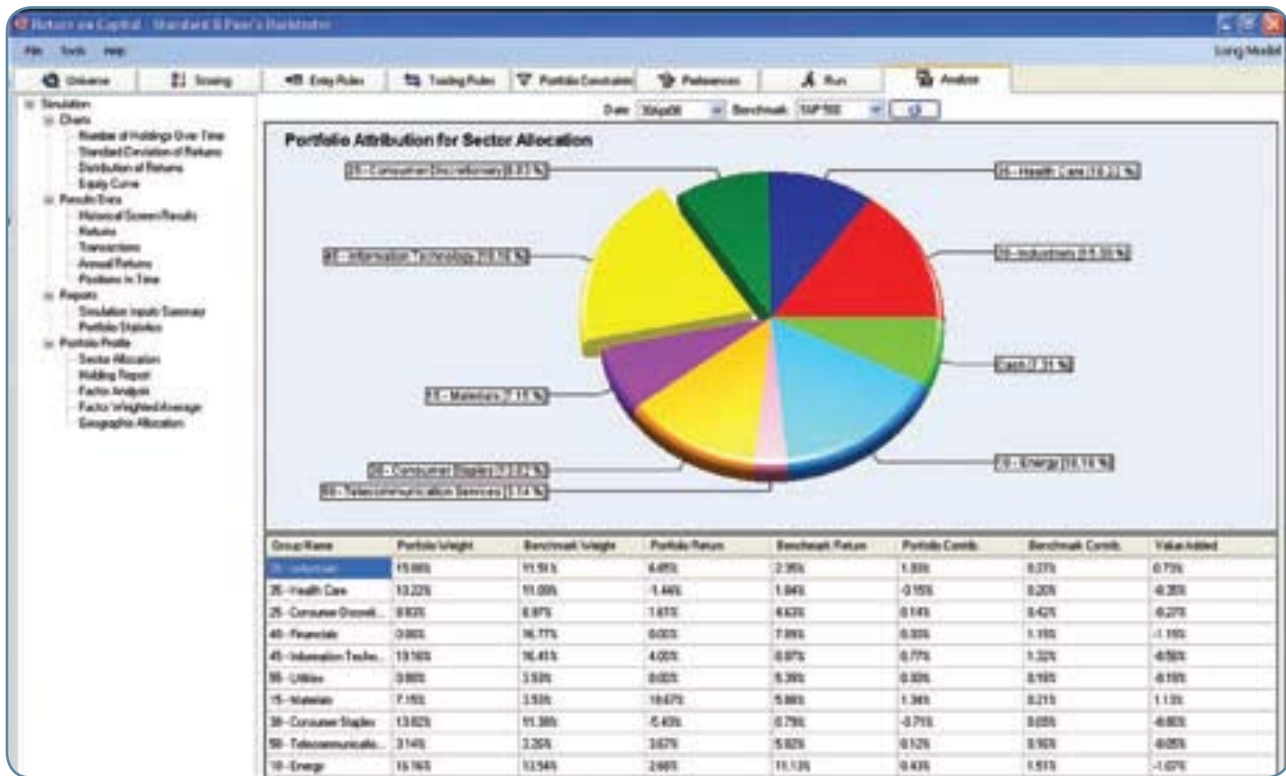
Back testers want the ability to enter an expression and with Backtester this functionality comes standard leading to a more customized way to trade your portfolio. Backtester also includes the ability to vary the contribution of investment factors in time, allowing you to use market signals or optimal weights generated in other tools and dynamically change the factor model over the life of your simulation.

What kind of backtester are you?

- **Active Trader** – a hedge fund manager looking to exploit both short-term and long-term trends? Are you are interested in absolute returns and added value through factor selection, market timing and trading strategies?
- **Asset Manager focusing on fundamental factors** – looking to beat the market with the multi-factor model you developed for picking winning stocks? Do you want to add value by lowering risk and identifying factors that predict stock performance?
- **Value Investor** – an investor who selects stocks that trade at a price less than their value?
- **Growth Investor** – an investor who selects equities that appear to have earnings momentum?

Regardless of your specific backtesting needs, you can tailor Standard & Poor's Backtester to run your models against the securities in your portfolios.

Backtester enables you to build your portfolio strategy by creating a selection process, as well as defining rules to buy, sell or hold securities and control the portfolio construction and rebalancing process. In this way, you can create a portfolio strategy that can be realistically implemented.



Standard & Poor's Backtester Highlights:

- Access multiple regression capabilities
- Utilize the enhanced Factor Test Algorithm
- Analyze results with the Portfolio Comparison Report
- Develop blended strategies such as 130/30 funds
- Build long or short strategies
- Create multiple factor scoring and ranking models
- Apply entry and trading rules
- Control portfolio construction and constraints such as maximum sector exposure
- Determine timing and rebalancing frequencies

Once you have developed your investment strategy and run the portfolio simulation, you need a tool that can consolidate those results in a concise and pictorial manner. Standard & Poor's Backtester enables you to perform a fractile analysis on individual factors, presenting those results in a series of analytical charts and tables. All reports can be exported to Microsoft Excel® for further analysis.

The Compustat Data Foundation

Compustat data has a reputation for extensive coverage, standardization, expertise and timeliness. Since 1962, our specialized knowledge in data collection, standardization and presentation has earned Compustat a level of authority unsurpassed in the financial information industry. Annual data is available from 1950 forward and quarterly data is available from 1962 forward.

Building on the strength of the Compustat data, coupled with the depth of the Research Insight analytical engine, the Backtester tool gives you the power to manage the data. The Standard & Poor's Backtester uses the Compustat® Historical and Unrestated Quarterly databases, which provide the historical data needed to recreate the original investing environment.

Getting the transparency you need from financial reports is not easy; different company reporting practices, changing regulations, variations across industries and over time can hinder effective comparisons. You can rely on the high-quality of Compustat data. Our standardization process makes data comparable between companies, across industries and over time allowing you to focus on your analysis.

Transparency

The Standard & Poor's Backtester provides detailed simulation outputs for transparency and further analysis.

Features

- Simple navigation
- Establish the company population or population of securities that will become the opportunity set for your analysis
- Easily create your own expressions or formulas
- Assign a rank or score to each stock in your opportunity set to further evaluate them for inclusion in the portfolio – differentiate companies by applying one or more factors to the opportunity set of companies
- Test your opportunity set against your theory to see if it is a valid backtest
- Apply trading rules to the portfolio created—the application has the flexibility to define as many or as few rules as needed depending on the factors and theories you are testing
- Apply portfolio constraints that would limit the risk to which the portfolio is exposed
- Time referencing

For more information on Compustat, call your Standard & Poor's representative.
You can also visit us at www.standardandpoors.com.

North America

U.S. and Canada 800.357.0769

Mexico 01.800.288.2872; then dial 800.523.4534

Europe

London 44.20.7176.8580, 1.800.523.4534

Asia

Hong Kong 852.2532.8030

Japan 813.4550.8711



Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.