



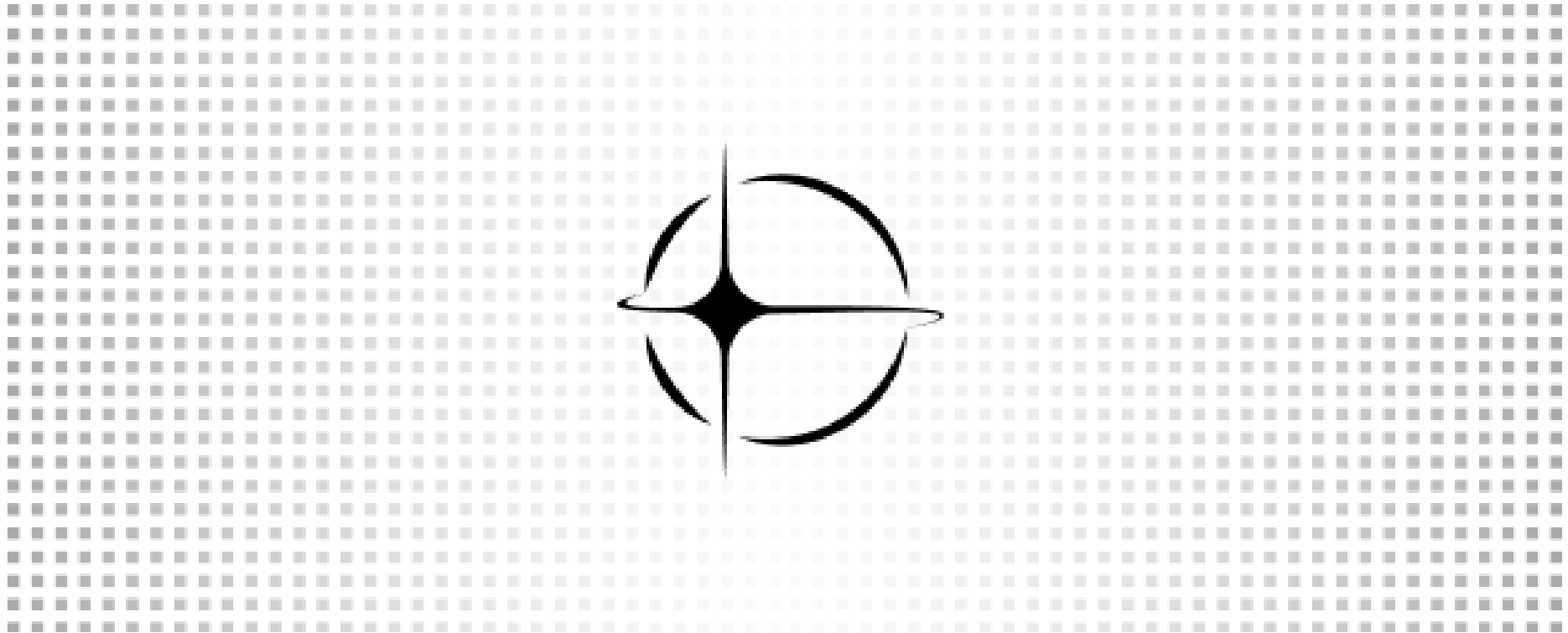
AlphaGe 

GeoSense

Making sense of the world through the lens of geography

July 2024
Volume 1, Issue 5

The GeoSense Market Tracking Index



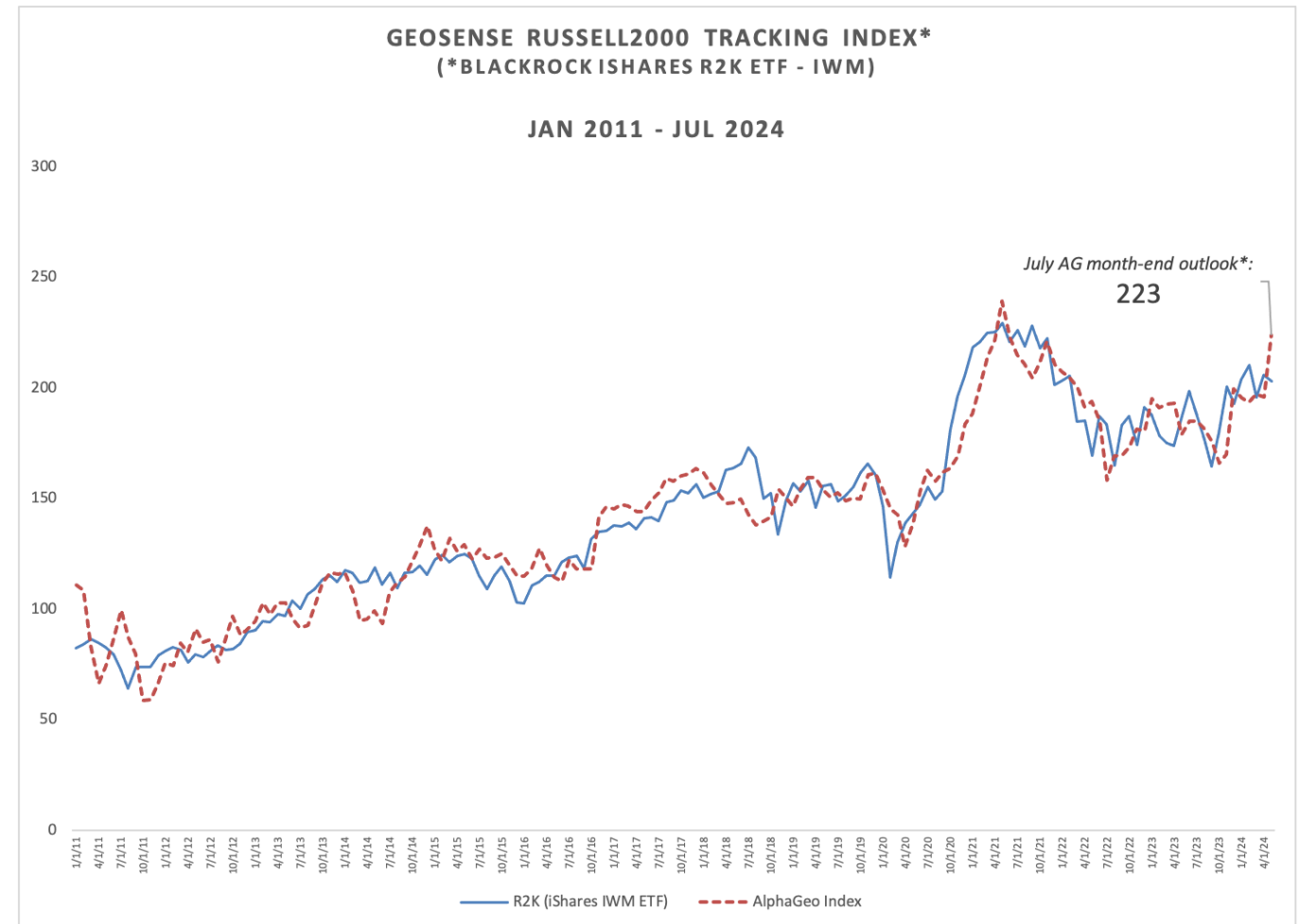
GeoSense's Russell 2000 Market Tracking Index

As investor concern rises due to portfolio allocations that are over-concentrated in a small number of large technology names, July has seen a renewed interest in small caps. The Russell 2000 has been one of the more notable beneficiaries in the market as investors are spreading their exposure profile. Readers are aware that we have constructed a market tracking index that is benchmarked to one of the Russell 2000 ETFs (the BlackRock iShares R2K ETF, ticker IWM).

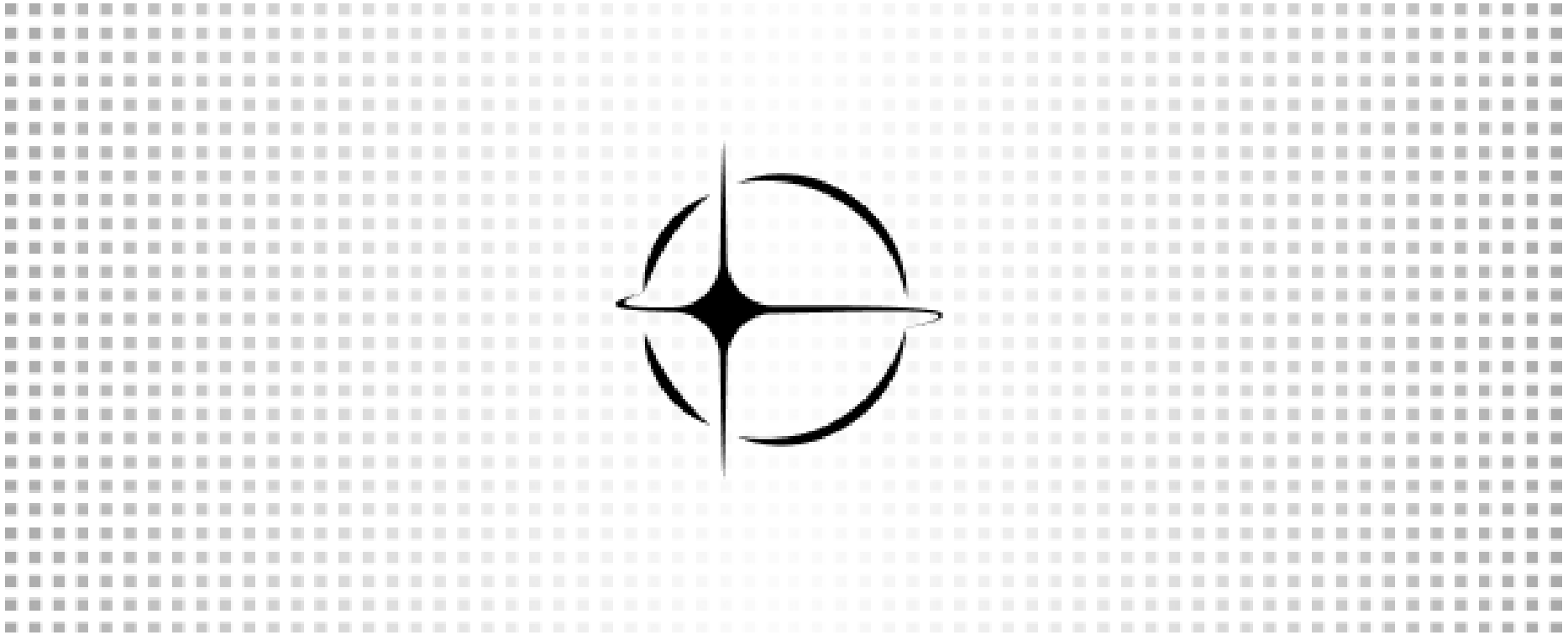
We construct our tracking index using a top-down approach which incorporates alternative macroeconomic, geospatial and climate data only, and we *do not* perform bottom-up discretionary analysis on the balance sheets tied to individual equities. We then use 1 month lagged data to build forward looking indices; ie, June empirical data is used to project July prices. While new and only 'live' this year, our track record in capturing forward behavior of the IWM ETF has been strong, and July is no exception. Following June where IWM traded in the low 200 range, the AlphaGeo index projected a sharp increase for July, which has so far been confirmed. As of the writing of this report, IWM is trading at **220**.

Again, our model feature selection process continues to emphasize factors including commodity, weather and macroeconomic variables. Specifically, energy prices, metals and fiber were identified as key performance drivers. Our tracking index selects predominantly data points with p-values below 0.05 and a mean absolute percentage error which is between 5-6%, exhibiting generally low correlations.

Please reach out to AlphaGeo to discuss our GeoSense market intelligence reports and other data analytics and products.



The GeoSense Industrial Renaissance Tracker (IRT)

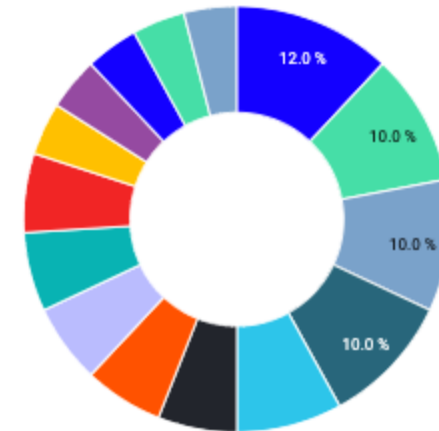


The Industrial Renaissance Tracker (IRT)

AlphaGeo continues to highlight where and how capital can be opportunistically deployed, using the global energy transition as a primary thematic market catalyst. To capitalize on a once in a generation investable opportunity, our proprietary Industrial Renaissance Tracker (IRT) was developed to guide investors by:

- (a) following announcements and capital flows resulting from legislation or innovation tied to the energy transition,**
- (b) identifying the locations that are poised to benefit and appreciate from these emerging economic opportunities,**
- (c) correlating these geographies to AlphaGeo's proprietary spatial index of risk and resilience indicators, and**
- (d) mapping assets and companies that are most likely to be the winners from this confluence of sustainability drivers.**

Readers can view the IRT portfolio as a "hypothetical ETF" which uses the AlphaGeo investment process to help identify geographically-referenced signals that map to the names that will be leading this transition. Past reports have looked at this portfolio through an equal weighted lens; in July we add a weighting scheme which will allow us to identify and manage assets through an active approach. The new weighting scheme that we are experimenting with is shown below:



- General Motors Company
- Ford Motor Company
- Toyota Motor Corp
- Nucor Corp
- First Solar Inc
- Catalent Inc
- Air Products and Chemicals Inc
- WEC Energy Group Inc
- Thermo Fisher Scientific Inc
- Intel Corporation
- Magna International Inc
- Pfizer Inc
- Microchip Technology Inc
- Micron Technology Inc
- Public Service Enterprise Group Inc

The Industrial Renaissance Tracker (IRT)

We have expanded the IRT to more closely match the mandates of active managers by including three weighting schemes for comparison:

1. *Equal Weight*
2. *Invested Capital-Weighted*
3. *Frequency-Weighted*

Please see our [recent post](#) which describes the work we have done regarding weighting schemes and portfolio rebalancing.

Through the end of June 2024, we can see that recent performance (3-month, YTD and 1-year) all demonstrate favorable results as represented by share price appreciation. The IRT indices under all scenarios outperform when compared to our selected benchmark – for consistency we selected the BlackRock iShares Russell 2000 ETF (ticker: IWM). As discussed earlier, the Russell 2000 has demonstrated very strong results in July, so it will be important to monitor the behavior of the IRT during periods of market volatility.

Name	Total Return		
	3 Month	Year To Date	1 year
AlphaGeo_IRT_EqWt	-2.08%	7.10%	56.99%
AlphaGeo_IRT_InvWt	-5.11%	4.91%	53.65%
AlphaGeo_IRT_FreqWt	-3.19%	8.23%	73.64%
iShares Russell 2000 ETF	-3.25%	1.62%	9.84%

Trailing return and volatility are as of last calendar month ending June 2024

The primary driver for asset selection is connected to companies that appear on The White House cohort identifying recipients of funding related to the Inflation Reduction Act (IRA). As additional sources of federal, state and local funding begin to publish results, these will expand the coverage universe. The only criterion is that funding must be related to the broader energy and economic transition factors that are part of the IRA legislation.

Our Team



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Founder & CEO

GEOGRAPHY and MACROECONOMICS

Scenario-planning and strategy advisor to major financial institutions and governments. Bestselling author of *Connectography* and *Financial Times* Book of the Year *MOVE* on human geography and climate migration. Young Global Leader of the World Economic Forum. PhD from the London School of Economics.



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Chairman of the Board

REAL ESTATE and GOVERNANCE

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Dr. Michael Ferrari

Chief Scientific & Chief Investment Officer

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More than 20 years leadership in climate, data science and investment management. Formerly the Chief Science Officer and Chief Data Scientist at hedge fund Engine No. 1, portfolio investment strategist at Point72, science advisor to the MIT Media Lab, and Head of AI & Data Science at IBM/The Weather Channel and Syngenta.



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Chief Operating Officer

TECH and PRODUCT MANAGEMENT

Former Vice President of Hedge Fund Research and PMO to the Chief Data Office at Preqin, a leading data platform for alternative investors, with expertise in SaaS, client relations, process automation, program management, data management and compliance.

Our global team of seasoned professionals spans the US and Asia – and we plan to hire more data scientists, product managers and sales executives in the months ahead.

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