

Quant Strategy – Value Momentum – December 2024

A quantitative strategy with focus on long-only
equity investing

Monthly Update

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Executive Summary

Purpose of the report: The purpose is to create a strategy that invests in stocks available at attractive valuations, showing consistent momentum, and generates attractive risk-adjusted returns purely based on quantitative parameters without any human intervention.

Why quantitative strategy?: In today's data-rich environment, sifting through the constant streams of information has become crucial to discern what's truly valuable and cut out the noise. However, due to inherent human biases, distinguishing between relevant information and irrelevant information has become exceedingly challenging. Ultimately, only a handful of factors significantly impact stock returns, and by focusing on key factors, achieving substantial outperformance becomes plausible.

Methodology: We created a Quantitative strategy and Backtested the portfolio of stocks with reasonable valuations and strong momentum from April 2013 to August 2024 (11.4 Years), using the Historical Nifty 500 as our starting universe. The steps involved in the selection of stocks have been highlighted [here](#).

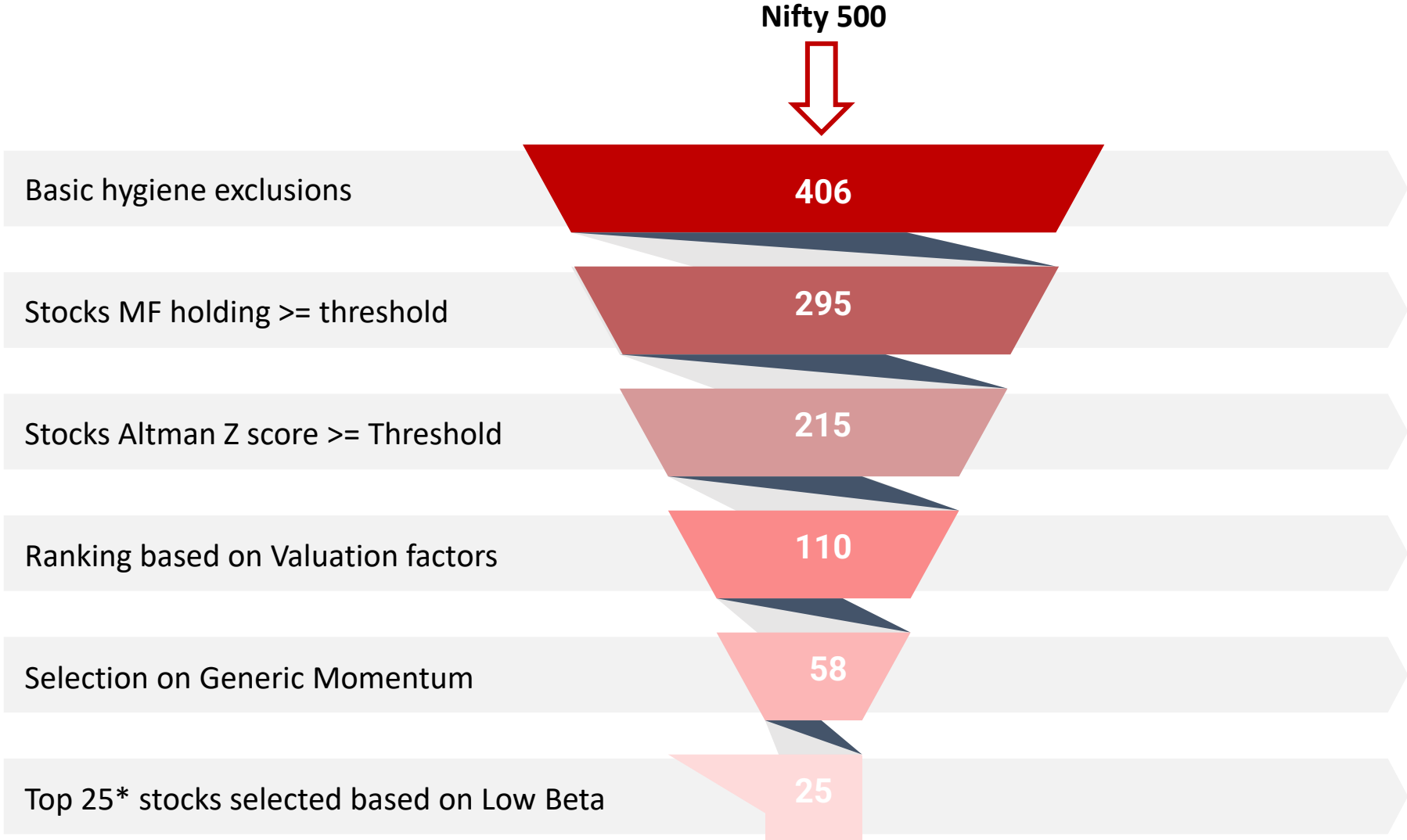
Key Findings: In the past 11+ years, this strategy has outperformed the Nifty 500, generating an alpha of 16.9% and delivering a 32.0% CAGR. It outperformed the benchmark in 10 out of 11 years and experienced a relatively low drawdown and standard deviation compared to the benchmark.

Conclusion: Value & Momentum are complementary strategies as Value & Momentum strategies tend to perform well at different times in the market cycle. Value strategies often do well in stable or declining markets, while Momentum strategies excel in trending markets. This negative correlation between the two strategies helps in smoothing out returns and reducing overall portfolio volatility.

Assumptions:

- **Nifty 500:** Nifty 500 as the starting universe has been considered. This universe includes de-listed, amalgamated companies as well to remove survivorship bias in the universe. Further, the Nifty 500 as of April of every year is considered for an entire year.
- **Lag Effect:** It bakes in a 7-month lag to the Financial Year ending and a 2-month lag to the Quarter ending. For example, March 2022 year-ending numbers are announced somewhere by May 2022 end, but they are incorporated in our model (just for the purpose of backtesting) until October '22.
- **Return Computation:** In return computation, monthly rebalance is assumed. And at every rebalance, portfolio wt. is reset to equal wt. Return computation does not include dividends.
- **Data cleaning:** Companies that have not reported their year ending for more than 2 years have been removed from the backtest, checked at the end of every month
- **Data Source:** Ace Equity, NSE

Selection & Filtration Criteria



Value Momentum Factsheet:

Investment Information			
Launch Date	30 th Aug 2024	Total Stocks	25
Category	Multi Cap	Benchmark	Nifty 500
Nifty 500 Performance	-1.6%	VM Strategy Performance	-3.9%
Standard Deviation*	12.6%	Max Drawdown %	-8.3%

**Annualized*

Performance is from 30th August – 13th December 2024

Recommended Exit's

Company Name	NSE Sector	Date of Exit	Market Cap	PE
			(Rs. Bn)	
Fortis Healthcare Ltd.	Healthcare	16 th Dec 2024	537	76.3
Century Plyboards (India) Ltd.	Consumer Durables	16 th Dec 2024	187	81.0

Recommended Entry

Company Name	NSE Sector	Date of Entry	Market Cap	PE
			(Rs. Bn)	
Cipla Ltd.	Healthcare	16 th Dec 2024	1,169	25.0
K.P.R. Mill Ltd.	Textiles	16 th Dec 2024	369	45.6

Changes in Portfolio

New Portfolio

Rank	Company Name
1	Cipla Ltd.
2	Pfizer Ltd.
3	Ajanta Pharma Ltd.
4	K.P.R. Mill Ltd.
5	Sun Pharmaceutical Industries Ltd.
6	Infosys Ltd.
7	Ipca Laboratories Ltd.
8	Alkem Laboratories Ltd.
9	Lupin Ltd.
10	eClerx Services Ltd.
11	HCL Technologies Ltd.
12	Hero MotoCorp Ltd.
13	Emami Ltd.
14	Aurobindo Pharma Ltd.
15	Tech Mahindra Ltd.
16	Bajaj Auto Ltd.
17	Endurance Technologies Ltd.
18	Aegis Logistics Ltd.
19	Zydus Lifesciences Ltd.
20	Alembic Pharmaceuticals Ltd.
21	Eicher Motors Ltd.
22	Jubilant Ingrevia Ltd.
23	Crompton Greaves Consumer Electricals Ltd.
24	Coromandel International Ltd.
25	Qess Corp Ltd.

Old Portfolio

Rank	Company Name
1	Pfizer Ltd.
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8	eClerx Services Ltd.
9	HCL Technologies Ltd.
10	Fortis Healthcare Ltd.
11	Emami Ltd.
12	Century Plyboards (India) Ltd.
13	Hero MotoCorp Ltd.
14	Aurobindo Pharma Ltd.
15	Aegis Logistics Ltd.
16	Zydus Lifesciences Ltd.
17	Tech Mahindra Ltd.
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20	Alembic Pharmaceuticals Ltd.
21	Jubilant Ingrevia Ltd.
22	Eicher Motors Ltd.
23	Crompton Greaves Consumer Electricals Ltd.
24	Qess Corp Ltd.
25	Coromandel International Ltd.

Details of Portfolio stock

As of 16th Dec'24

Rank	Company Name	NSE Sector	Market Cap (Rs. Bn)	MF Holding	Altman Z Score	PE	EV EBITDA	EV Sales	Price to Book	Price to CFO	Momentum %	Beta
1	Cipla Ltd.	Healthcare	1,169	17.5	16.0	25.0	16.7	4.3	4.5	10.9	24%	0.29
2	Pfizer Ltd.	Healthcare	230	10.4	26.7	37.7	29.5	9.4	6.6	18.0	25%	0.30
3	Ajanta Pharma Ltd.	Healthcare	351	14.9	25.8	40.1	28.0	7.7	10.0	16.4	52%	0.35
4	K.P.R. Mill Ltd.	Textiles	369	15.5	17.8	45.6	31.1	6.6	7.2	25.1	12%	0.38
5	Sun Pharmaceutical Industries Ltd.	Healthcare	4,351	12.1	17.3	38.8	30.6	8.5	6.3	16.7	44%	0.43
6	Infosys Ltd.	Information Technology	8,303	19.7	13.4	30.8	21.6	5.1	8.8	11.6	24%	0.52
7	Ipca Laboratories Ltd.	Healthcare	389	28.6	7.1	53.3	27.5	4.8	5.0	14.9	39%	0.53
8	Alkem Laboratories Ltd.	Healthcare	642	14.9	13.3	29.4	26.0	5.0	6.2	13.5	14%	0.54
9	Lupin Ltd.	Healthcare	947	16.9	8.4	36.1	20.7	4.5	6.4	16.0	60%	0.55
10	eClerx Services Ltd.	Services	182	21.6	21.1	34.8	21.8	5.5	7.1	12.4	32%	0.58
11	HCL Technologies Ltd.	Information Technology	5,343	8.5	13.7	31.7	20.3	4.5	7.4	9.3	31%	0.59
12	Hero MotoCorp Ltd.	Automobile and Auto Components	915	14.6	8.7	22.1	15.1	2.2	5.2	9.5	19%	0.61
13	Emami Ltd.	Fast Moving Consumer Goods	258	19.5	42.9	33.2	25.7	6.9	11.4	11.9	28%	0.65
14	Aurobindo Pharma Ltd.	Healthcare	702	18.5	5.3	18.9	10.9	2.3	2.4	7.1	19%	0.66
15	Tech Mahindra Ltd.	Information Technology	1,758	15.8	10.2	53.7	30.6	3.3	5.8	10.2	33%	0.67
16	Bajaj Auto Ltd.	Automobile and Auto Components	2,519	5.3	17.6	34.2	25.5	5.2	9.1	15.7	50%	0.68
17	Endurance Technologies Ltd.	Automobile and Auto Components	321	7.9	9.6	41.7	21.9	2.9	6.7	12.1	41%	0.68
18	Aegis Logistics Ltd.	Oil, Gas & Consumable Fuels	274	6.6	6.4	46.9	28.3	3.9	6.3	21.1	109%	0.68
19	Zydus Lifesciences Ltd.	Healthcare	985	6.6	10.1	22.9	16.1	4.8	4.4	12.3	49%	0.70
20	Alembic Pharmaceuticals Ltd.	Healthcare	209	8.9	10.9	32.9	21.1	3.3	4.2	10.0	36%	0.74
21	Eicher Motors Ltd.	Automobile and Auto Components	1,323	9.5	18.2	31.0	29.6	7.9	7.4	16.4	20%	0.78
22	Jubilant Ingrevia Ltd.	Chemicals	133	12.7	6.0	75.6	33.1	3.4	3.8	9.9	43%	0.80
23	Crompton Greaves Consumer Electricals Ltd.	Consumer Durables	265	41.7	7.5	52.9	33.7	3.5	6.9	12.4	27%	0.85
24	Coromandel International Ltd.	Chemicals	524	16.6	8.1	38.3	23.2	2.3	5.3	12.8	38%	0.89
25	Qess Corp Ltd.	Services	101	9.3	5.8	27.8	13.2	0.5	3.2	6.5	30%	0.90
NA	Fortis Healthcare Ltd.	Healthcare	537	27.2	7.4	76.3	38.1	7.5	5.6	19.3		
NA	Century Plyboards (India) Ltd.	Consumer Durables	187	15.9	10.8	81.0	41.4	4.6	7.5	19.3		

Momentum is price performance of the stock in the last 12 months, excluding recent month

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