

Quant Strategy – Value Momentum – February 2025

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](#).

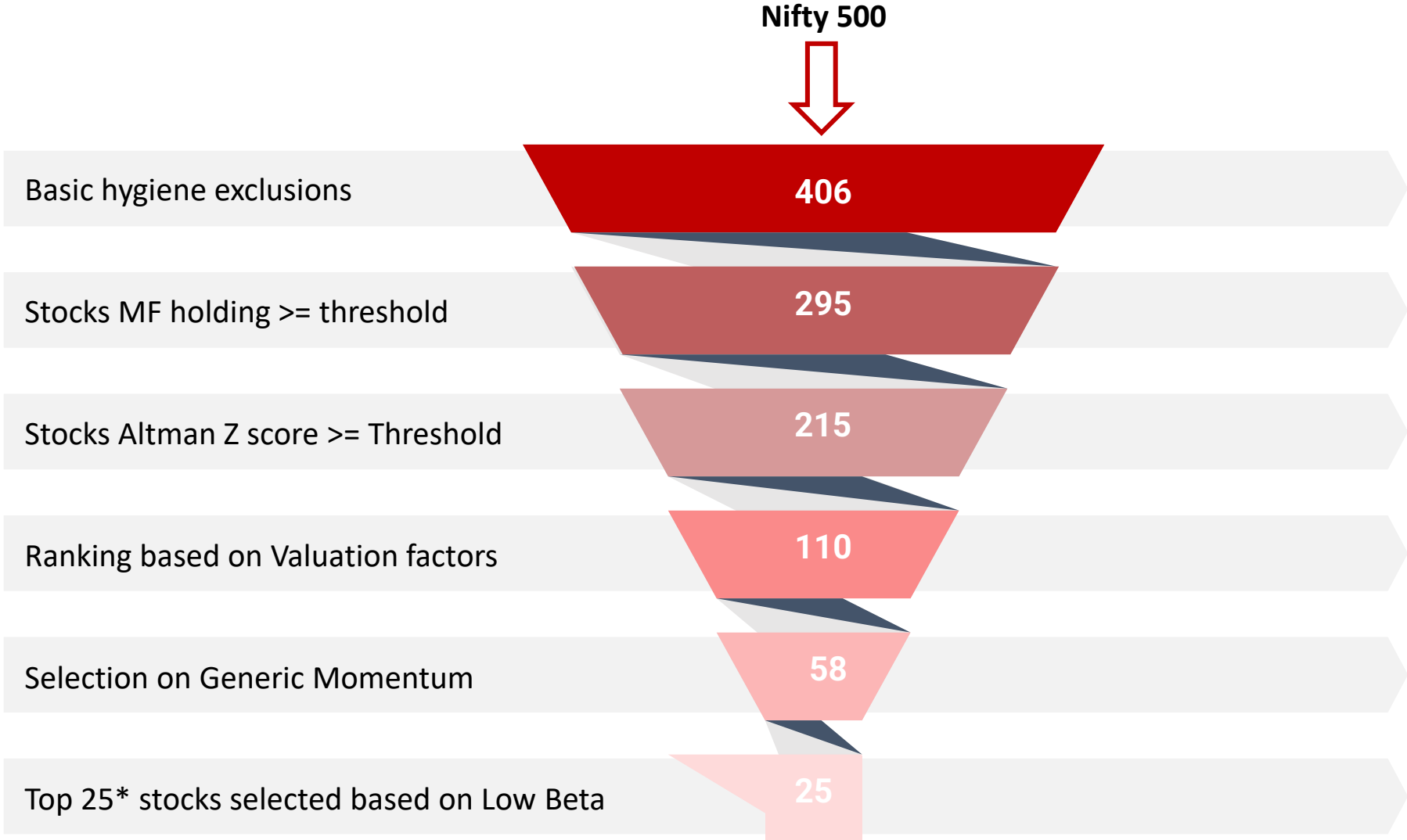
Key Findings: In the past 11+ years, this strategy has outperformed the Nifty 500, generating an alpha of 16.9% and delivering a 32.0% CAGR. It outperformed the benchmark in 10 out of 11 years and experienced a relatively low drawdown and standard deviation compared to the benchmark.

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	-13.1%	VM Strategy Performance	-16.5%
Standard Deviation*	14.6%	Max Drawdown %	-17.3%

**Annualized*

Performance is from 30th August 2024 – 14th February 2025

Recommended Exits

Company Name	NSE Sector	Date of Exit	Market Cap	PE
			(Rs. Bn)	
CCL Products (India) Ltd.	Fast Moving Consumer Goods	17 th Feb 2025	80	29.2
Alembic Pharmaceuticals Ltd.	Healthcare	17 th Feb 2025	161	27.2
PI Industries Ltd.	Chemicals	17 th Feb 2025	480	28.2
Jubilant Ingrevia Ltd.	Chemicals	17 th Feb 2025	100	48.7

Recommended Entries

Company Name	NSE Sector	Date of Entry	Market Cap	PE
			(Rs. Bn)	
Dr. Reddy's Laboratories Ltd.	Healthcare	17 th Feb 2025	999	18.6
ITC Ltd.	Fast Moving Consumer Goods	17 th Feb 2025	5,133	25.5
Syngene International Ltd.	Healthcare	17 th Feb 2025	278	59.2
V-Guard Industries Ltd.	Consumer Durables	17 th Feb 2025	148	49.6

Changes in Portfolio

New Portfolio

Rank	Company Name
1	Ajanta Pharma Ltd.
2	Dr. Reddy's Laboratories Ltd.
3	Pfizer Ltd.
4	HCL Technologies Ltd.
5	Infosys Ltd.
6	Sun Pharmaceutical Industries Ltd.
7	K.P.R. Mill Ltd.
8	ITC Ltd.
9	Ipca Laboratories Ltd.
10	JB Chemicals & Pharmaceuticals Ltd.
11	Syngene International Ltd.
12	V-Guard Industries Ltd.
13	Lupin Ltd.
14	Tech Mahindra Ltd.
15	eClerx Services Ltd.
16	Whirlpool Of India Ltd.
17	Bajaj Auto Ltd.
18	Emami Ltd.
19	Endurance Technologies Ltd.
20	Eicher Motors Ltd.
21	Crompton Greaves Consumer Electricals Ltd.
22	Zydus Lifesciences Ltd.
23	Aegis Logistics Ltd.
24	Coromandel International Ltd.
25	Qess Corp Ltd.

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22	Crompton Greaves Consumer Electricals Ltd.
23	Coromandel International Ltd.
24	Jubilant Ingrevia Ltd.
25	Qess Corp Ltd.

Details of Portfolio stock

As of 14th Feb'25

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	Ajanta Pharma Ltd.	Healthcare	320	14.9	23.8	35.6	25.4	7.0	9.0	15.0	34%	0.35
2	Dr. Reddy's Laboratories Ltd.	Healthcare	999	11.1	9.2	18.6	11.5	3.2	3.5	7.5	6%	0.40
3	Pfizer Ltd.	Healthcare	191	11.3	22.7	31.1	24.3	7.6	5.3	14.9	8%	0.41
4	HCL Technologies Ltd.	Information Technology	4,644	8.2	12.4	27.2	17.5	3.8	6.8	8.1	9%	0.47
5	Infosys Ltd.	Information Technology	7,708	20.1	12.7	27.9	19.5	4.6	8.7	10.8	15%	0.49
6	Sun Pharmaceutical Industries Ltd.	Healthcare	4,080	12.2	16.4	34.4	27.3	7.7	6.1	15.6	16%	0.51
7	K.P.R. Mill Ltd.	Textiles	287	15.1	14.5	34.8	23.7	4.9	6.6	19.5	32%	0.53
8	ITC Ltd.	Fast Moving Consumer Goods	5,133	12.9	21.1	25.5	18.6	6.1	6.9	9.9	8%	0.54
9	Ipca Laboratories Ltd.	Healthcare	371	29.6	6.8	42.9	24.1	4.5	4.8	14.2	26%	0.56
10	JB Chemicals & Pharmaceuticals Ltd.	Healthcare	260	14.6	11.3	40.6	25.8	6.8	8.9	16.3	7%	0.57
11	Syngene International Ltd.	Healthcare	278	15.4	11.0	59.2	26.6	7.6	6.5	11.4	7%	0.61
12	V-Guard Industries Ltd.	Consumer Durables	148	19.7	9.6	49.6	30.1	2.8	8.2	19.0	26%	0.63
13	Lupin Ltd.	Healthcare	899	16.9	8.0	31.3	18.4	4.2	6.3	15.2	31%	0.65
14	Tech Mahindra Ltd.	Information Technology	1,624	16.0	9.6	43.4	25.2	3.0	5.7	9.4	29%	0.66
15	eClerx Services Ltd.	Services	148	22.1	17.8	28.4	17.4	4.2	6.6	10.1	39%	0.66
16	Whirlpool Of India Ltd.	Consumer Durables	127	28.2	5.8	37.8	20.8	1.4	3.3	13.0	26%	0.69
17	Bajaj Auto Ltd.	Automobile and Auto Components	2,376	6.2	16.8	31.5	23.2	4.8	8.2	14.8	3%	0.72
18	Emami Ltd.	Fast Moving Consumer Goods	229	19.4	38.4	28.9	22.2	6.0	9.3	10.5	23%	0.74
19	Endurance Technologies Ltd.	Automobile and Auto Components	261	7.1	8.4	32.6	16.9	2.3	5.2	9.8	16%	0.76
20	Eicher Motors Ltd.	Automobile and Auto Components	1,289	11.3	17.8	29.0	28.1	7.3	7.1	16.0	29%	0.84
21	Crompton Greaves Consumer Electricals Ltd.	Consumer Durables	213	43.9	6.5	40.6	25.9	2.8	6.2	10.0	28%	0.85
22	Zydus Lifesciences Ltd.	Healthcare	907	6.3	9.5	20.0	14.2	4.3	4.1	11.3	10%	0.86
23	Aegis Logistics Ltd.	Oil, Gas & Consumable Fuels	252	6.6	6.1	43.6	25.5	3.7	5.6	19.5	88%	0.88
24	Coromandel International Ltd.	Chemicals	516	16.5	8.0	31.3	19.5	2.1	5.5	12.6	67%	0.91
25	Qess Corp Ltd.	Services	90	8.6	5.6	23.7	11.6	0.4	3.1	5.8	27%	0.97
NA	CCL Products (India) Ltd.	Fast Moving Consumer Goods	80	19.0	4.5	29.2	18.5	3.2	4.8	23.2	-2%	NA
NA	Alembic Pharmaceuticals Ltd.	Healthcare	161	9.0	9.0	27.2	16.4	2.6	3.3	7.7	0%	NA
NA	PI Industries Ltd.	Chemicals	480	16.1	10.3	28.2	20.4	5.6	5.5	11.8	-5%	NA
NA	Jubilant Ingrevia Ltd.	Chemicals	100	13.9	5.1	48.7	23.1	2.6	3.7	7.5	50%	1.08

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

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