

Quant Strategy – Value Momentum – May 2025

A quantitative strategy with focus on long-only
equity investing

Monthly Update

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](#).

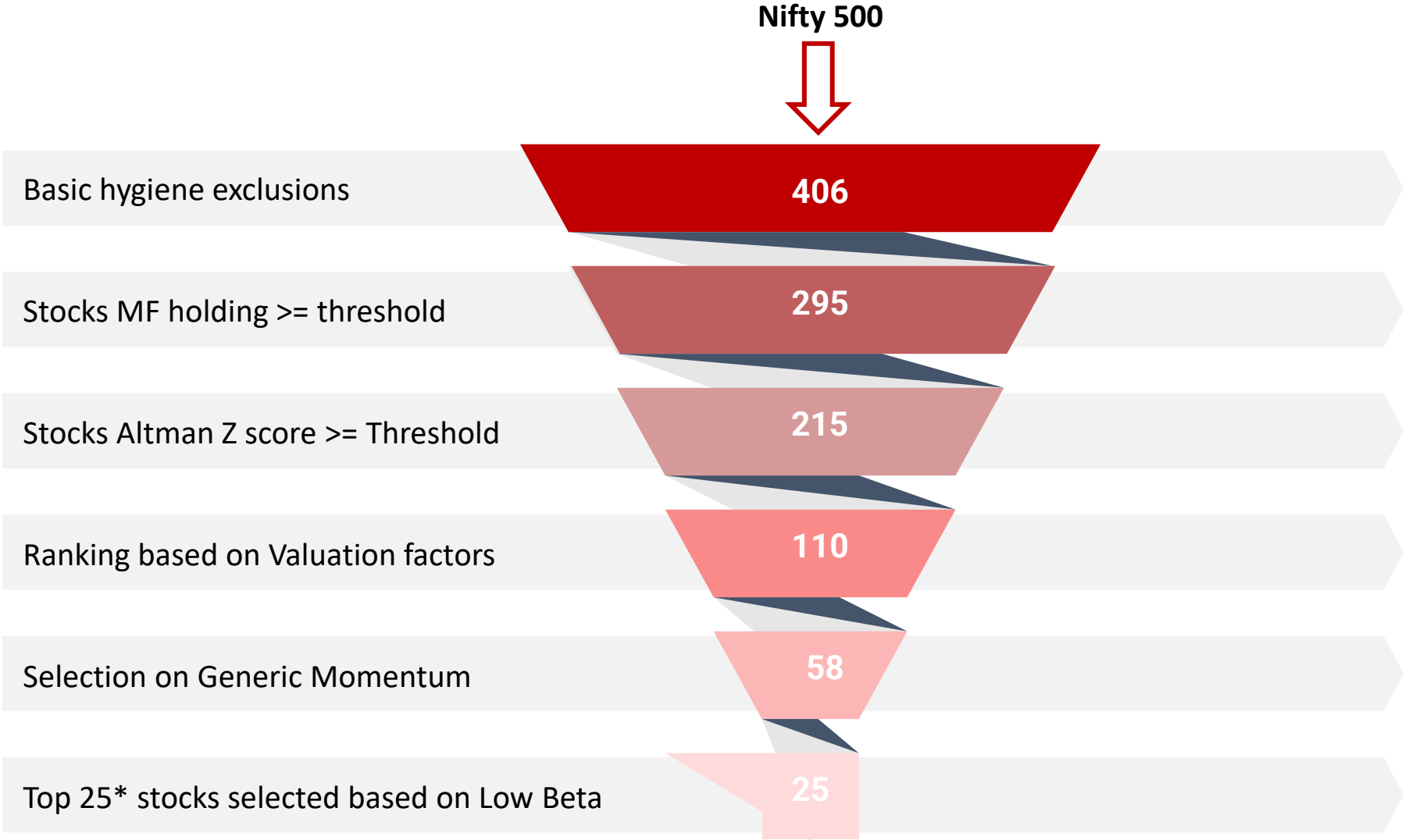
Key Findings: In the past 11+ years, this strategy has outperformed the Nifty 500, generating an alpha of 16.9% and delivering a 32.0% CAGR. It outperformed the benchmark in 10 out of 11 years and experienced a relatively low drawdown and standard deviation compared to the benchmark.

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	-4.0%	VM Strategy Performance	-9.4%
Standard Deviation*	15.8%	Max Drawdown %	-21.7%

**Annualized
Performance is from 30th August 2024 – 15th May 2025*

Recommended Exits

Company Name	NSE Sector	Date of Exit	Market Cap	PE
			(Rs. Bn)	
Dabur India Ltd.	Fast Moving Consumer Goods	16 th May 2025	831	47.0
Narayana Hrudayalaya Ltd.	Healthcare	16 th May 2025	366	46.7
Shree Cement Ltd.	Construction Materials	16 th May 2025	1,133	100.9

Recommended Entries

Company Name	NSE Sector	Date of Entry	Market Cap	PE
			(Rs. Bn)	
Alkem Laboratories Ltd.	Healthcare	16 th May 2025	631	29.1
ITC Ltd.	Fast Moving Consumer Goods	16 th May 2025	5,414	26.9
Sun TV Network Ltd.	Media, Entertainment & Publication	16 th May 2025	248	14.2

Changes in Portfolio

New Portfolio

Rank	Company Name
1	Ajanta Pharma Ltd.
2	Pfizer Ltd.
3	Dr. Reddy's Laboratories Ltd.
4	Cipla Ltd.
5	HCL Technologies Ltd.
6	Sun Pharmaceutical Industries Ltd.
7	Ipca Laboratories Ltd.
8	Infosys Ltd.
9	Alkem Laboratories Ltd.
10	V-Guard Industries Ltd.
11	K.P.R. Mill Ltd.
12	ITC Ltd.
13	Lupin Ltd.
14	Syngene International Ltd.
15	Sun TV Network Ltd.
16	LTIMindtree Ltd.
17	CCL Products (India) Ltd.
18	Maruti Suzuki India Ltd.
19	eClerx Services Ltd.
20	Blue Dart Express Ltd.
21	Tech Mahindra Ltd.
22	Aurobindo Pharma Ltd.
23	Endurance Technologies Ltd.
24	Emami Ltd.
25	Aegis Logistics Ltd.

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Details of Portfolio stock

As of 15th May 2025

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	325	15.1	19.1	35.3	25.3	6.9	8.6	11.9	10%	0.43
2	Pfizer Ltd.	Healthcare	204	11.3	24.1	33.1	26.1	8.2	5.7	15.9	-3%	0.44
3	Dr. Reddy's Laboratories Ltd.	Healthcare	1,032	12.9	6.3	18.2	12.0	3.2	3.1	6.8	-2%	0.44
4	Cipla Ltd.	Healthcare	1,213	20.5	14.8	23.0	15.9	4.2	3.9	9.8	5%	0.47
5	HCL Technologies Ltd.	Information Technology	4,602	8.4	10.9	26.5	17.0	3.7	6.6	7.3	7%	0.50
6	Sun Pharmaceutical Industries Ltd.	Healthcare	4,175	12.2	16.7	35.2	28.0	7.9	6.2	16.0	12%	0.53
7	Ipca Laboratories Ltd.	Healthcare	357	29.6	6.6	41.2	23.2	4.3	4.6	13.7	7%	0.53
8	Infosys Ltd.	Information Technology	6,700	20.5	11.0	25.1	16.1	3.9	7.0	8.0	0%	0.54
9	Alkem Laboratories Ltd.	Healthcare	631	14.0	13.1	29.1	25.0	4.9	5.9	13.3	-6%	0.54
10	V-Guard Industries Ltd.	Consumer Durables	163	20.3	11.1	52.0	31.7	2.9	7.8	12.6	-1%	0.56
11	K.P.R. Mill Ltd.	Textiles	391	14.8	27.8	47.9	31.3	6.3	7.8	16.4	24%	0.56
12	ITC Ltd.	Fast Moving Consumer Goods	5,414	12.9	22.1	26.9	19.7	6.4	7.2	10.4	-2%	0.60
13	Lupin Ltd.	Healthcare	947	17.6	7.1	28.8	18.2	4.3	5.5	11.1	23%	0.63
14	Syngene International Ltd.	Healthcare	257	17.9	9.4	55.4	23.6	6.7	5.4	8.5	7%	0.64
15	Sun TV Network Ltd.	Media, Entertainment & Publication	248	9.3	23.7	14.2	8.8	4.9	2.4	4.2	4%	0.66
16	LTIMindtree Ltd.	Information Technology	1,492	5.3	15.2	32.4	21.3	3.6	6.6	11.2	-7%	0.66
17	CCL Products (India) Ltd.	Fast Moving Consumer Goods	97	18.4	4.4	31.2	20.5	3.7	4.9	18.7	10%	0.67
18	Maruti Suzuki India Ltd.	Automobile and Auto Components	4,072	15.5	9.5	28.1	19.9	2.7	4.2	9.3	-7%	0.68
19	eClerx Services Ltd.	Services	150	23.2	14.2	27.8	17.3	4.2	6.5	9.0	9%	0.68
20	Blue Dart Express Ltd.	Services	164	8.9	5.6	59.5	18.2	2.9	12.0	6.8	-11%	0.69
21	Tech Mahindra Ltd.	Information Technology	1,595	17.2	8.4	37.5	21.9	2.9	5.8	9.0	2%	0.71
22	Aurobindo Pharma Ltd.	Healthcare	707	17.8	5.3	19.6	11.0	2.3	2.4	7.2	-2%	0.75
23	Endurance Technologies Ltd.	Automobile and Auto Components	305	7.1	9.3	38.1	19.8	2.7	6.1	11.5	-6%	0.75
24	Emami Ltd.	Fast Moving Consumer Goods	275	19.4	45.4	34.7	26.8	7.3	11.2	12.7	15%	0.76
25	Aegis Logistics Ltd.	Oil, Gas & Consumable Fuels	291	6.6	6.7	50.3	29.4	4.3	6.5	22.5	29%	0.82
NA	Dabur India Ltd.	Fast Moving Consumer Goods	831	6.2	11.5	47.0	35.0	6.5	7.7	15.1	-13%	
NA	Narayana Hrudayalaya Ltd.	Healthcare	366	5.5	10.4	46.7	30.3	6.8	12.7	13.9		
NA	Shree Cement Ltd.	Construction Materials	1,133	10.2	12.0	100.9	27.3	5.6	5.3	10.5		

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

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Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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