

Quant Strategy – Value Momentum – October 2024

A quantitative strategy with focus on long-only
equity investing

Monthly Update

Devin Joshi, *Research Analyst*
Devin@keynoteindia.net



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](#).

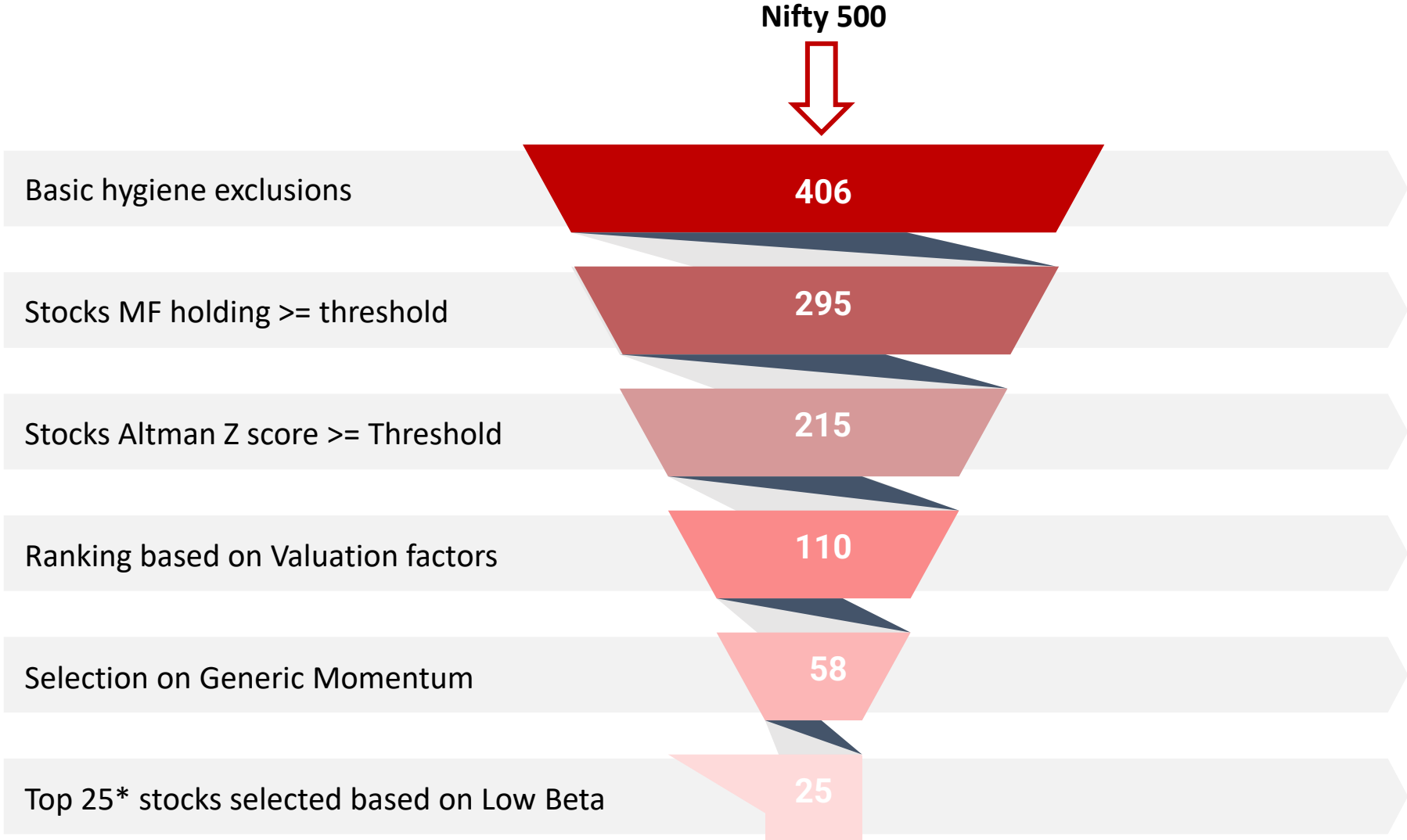
Key Findings: In the past 11+ years, this strategy has outperformed the Nifty 500, generating an alpha of 16.9% and delivering a 32.0% CAGR. It outperformed the benchmark in 10 out of 11 years and experienced a relatively low drawdown and standard deviation compared to the benchmark.

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	0.0%	VM Strategy Performance	-0.8%
Standard Deviation*	12.2%	Max Drawdown %	-4.0%

**Annualized*

Performance is from 30th August – 15th October 2024

Recommended Exit's

Company Name	NSE Sector	Date of Exit	Market Cap	PE
			(Rs. Cr)	
Mankind Pharma	Healthcare	16 th Oct 2024	110,562	56.3
Sun TV Network	Media, Entertainment & Publication	16 th Oct 2024	31,026	16.4
Finolex Cables	Capital Goods	16 th Oct 2024	19,999	27.2
Vardhman Textiles	Textiles	16 th Oct 2024	13,318	18.2
Minda Corporation	Automobile and Auto Components	16 th Oct 2024	13,660	55.5
Redington	Services	16 th Oct 2024	14,278	11.7

Recommended Entry

Company Name	NSE Sector	Date of Entry	Market Cap	PE
			(Rs. Cr)	
Pfizer	Healthcare	16 th Oct 2024	26,765	44.6
Emami	FMCG	16 th Oct 2024	31,629	42.5
Jyothy Labs	FMCG	16 th Oct 2024	19,152	51.1
Jubilant Ingrevia	Chemicals	16 th Oct 2024	11,639	66.9
Alembic Pharmaceuticals	Healthcare	16 th Oct 2024	22,143	35.2
Coforge	Information Technology	16 th Oct 2024	49,567	64.9

Changes in Portfolio

New Portfolio

Rank	Company Name
1	Pfizer Ltd.
2	Cipla Ltd.
3	Sun Pharmaceutical Industries Ltd.
4	Ipca Laboratories Ltd.
5	Emami Ltd.
6	Lupin Ltd.
7	JB Chemicals & Pharmaceuticals Ltd.
8	Hero MotoCorp Ltd.
9	Jyothy Labs Ltd.
10	Alkem Laboratories Ltd.
11	Bajaj Auto Ltd.
12	Fortis Healthcare Ltd.
13	eClerx Services Ltd.
14	HCL Technologies Ltd.
15	Aurobindo Pharma Ltd.
16	Jubilant Ingrevia Ltd.
17	Zydus Lifesciences Ltd.
18	Alembic Pharmaceuticals Ltd.
19	Endurance Technologies Ltd.
20	Coforge Ltd.
21	Aegis Logistics Ltd.
22	Crompton Greaves Consumer Electricals Ltd.
23	Eicher Motors Ltd.
24	Quess Corp Ltd.
25	Coromandel International Ltd.

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1	Cipla Ltd.
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15	Aegis Logistics Ltd.
16	Zydus Lifesciences Ltd.
17	Endurance Technologies Ltd.
18	Eicher Motors Ltd.
19	Quess Corp Ltd.
20	Crompton Greaves Consumer Electricals Ltd.
21	Coromandel International Ltd.
22	Finolex Cables Ltd.
23	Vardhman Textiles Ltd.
24	Minda Corporation Ltd.
25	Redington Ltd.

Details of Portfolio stock

As of 16th Oct'24

Rank	Company Name	NSE Sector	Market Cap (Rs. Cr)	MF Holding	Altman Z Score	PE	EV EBITDA	EV Sales	Price to Book	Price to CFO	Momentum %	Beta
1	Pfizer Ltd.	Healthcare	26,765	8.3	30.7	44.6	35.2	11.1	7.4	20.9	55%	0.27
2	Cipla Ltd.	Healthcare	129,090	17.6	17.4	28.7	19.0	4.8	4.8	12.1	43%	0.28
3	Sun Pharmaceutical Industries Ltd.	Healthcare	458,213	12.8	18.1	43.4	33.8	9.2	6.8	17.6	63%	0.41
4	Ipca Laboratories Ltd.	Healthcare	42,678	28.5	7.5	66.1	32.6	5.4	5.5	16.4	53%	0.45
5	Emami Ltd.	Fast Moving Consumer Goods	31,629	19.7	51.7	42.5	32.1	8.6	12.9	14.6	58%	0.50
6	Lupin Ltd.	Healthcare	102,354	16.2	8.8	45.2	24.7	5.0	7.1	17.3	88%	0.50
7	JB Chemicals & Pharmaceuticals Ltd.	Healthcare	28,437	15.0	12.1	48.4	30.0	7.9	9.7	17.8	37%	0.52
8	Hero MotoCorp Ltd.	Automobile and Auto Components	111,096	13.8	9.9	27.2	19.0	2.7	6.2	11.5	83%	0.55
9	Jyothy Labs Ltd.	Fast Moving Consumer Goods	19,152	13.8	13.8	51.1	37.9	6.7	10.6	19.4	49%	0.56
10	Alkem Laboratories Ltd.	Healthcare	74,745	14.7	15.0	34.4	30.3	5.9	7.0	15.8	76%	0.58
11	Bajaj Auto Ltd.	Automobile and Auto Components	332,297	5.4	22.3	41.5	35.7	7.2	11.5	20.7	131%	0.58
12	Fortis Healthcare Ltd.	Healthcare	45,124	27.5	6.5	70.7	34.6	6.5	5.3	16.2	73%	0.58
13	eClerx Services Ltd.	Services	14,542	20.2	17.6	28.0	17.4	4.5	6.5	9.9	36%	0.59
14	HCL Technologies Ltd.	Information Technology	503,629	8.5	13.1	29.9	19.1	4.2	7.4	8.8	43%	0.61
15	Aurobindo Pharma Ltd.	Healthcare	86,496	19.2	6.0	23.7	13.8	2.9	2.9	8.8	72%	0.61
16	Jubilant Ingrevia Ltd.	Chemicals	11,639	10.6	5.6	66.9	29.7	3.0	4.3	8.7	54%	0.67
17	Zydus Lifesciences Ltd.	Healthcare	106,897	7.2	10.8	25.5	18.5	5.4	4.8	13.3	89%	0.69
18	Alembic Pharmaceuticals Ltd.	Healthcare	22,143	8.1	11.4	35.2	23.1	3.6	4.6	10.6	50%	0.72
19	Endurance Technologies Ltd.	Automobile and Auto Components	32,912	8.6	9.8	45.7	23.5	3.1	6.6	12.4	55%	0.72
20	Coforge Ltd.	Information Technology	49,567	35.0	10.7	64.9	35.2	5.3	13.3	18.9	39%	0.74
21	Aegis Logistics Ltd.	Oil, Gas & Consumable Fuels	23,708	6.7	5.9	40.5	25.0	3.7	5.3	18.3	148%	0.77
22	Crompton Greaves Consumer Electricals Ltd.	Consumer Durables	27,654	42.3	7.7	58.4	36.5	3.7	8.0	13.0	50%	0.78
23	Eicher Motors Ltd.	Automobile and Auto Components	130,996	7.6	18.0	31.3	29.3	7.9	7.3	16.2	39%	0.80
24	Qess Corp Ltd.	Services	10,647	9.1	5.9	30.9	14.6	0.5	3.6	6.9	92%	0.81
25	Coromandel International Ltd.	Chemicals	47,894	15.3	7.7	32.8	20.3	2.1	5.1	11.7	47%	0.88
NA	Mankind Pharma Ltd.	Healthcare	110,562	7.4	29.4	56.3	42.0	10.1	11.5	22.6	NA	NA
NA	Sun TV Network Ltd.	Media, Entertainment & Publication	31,026	7.2	28.9	16.4	10.1	6.1	2.9	5.3	28%	NA
NA	Finolex Cables Ltd.	Capital Goods	19,999	10.7	8.6	27.2	31.2	3.5	4.0	14.2	48%	0.99
NA	Vardhman Textiles Ltd.	Textiles	13,318	15.1	5.3	18.2	13.5	1.6	1.4	5.9	33%	NA
NA	Minda Corporation Ltd.	Automobile and Auto Components	13,660	16.8	8.5	55.5	25.4	2.8	6.9	16.2	61%	0.97
NA	Redington Ltd.	Services	14,278	12.0	5.3	11.7	8.6	0.2	1.8	34.9	26%	NA

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

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

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