

METHODOLOGY

Quanto-Funda Model Portfolio

QUANTO -FUNDA MODEL PORTFOLIO – AGGRESSIVE RISK PROFILE

Introduction

Pythagoras, a famous Greek Philosopher who made important developments in mathematics, astronomy, and the theory of music once said, “God built the universe on numbers”. On the other hand, Plato another Greek Philosopher said, “A good decision is based on knowledge and not on numbers”.

So, we took the middle path by following the widely known fundamental stock analysis but narrowing the scope to **quantitative factors** only to keep any human bias away. Qualitative factors require keen observations and then analysis based on these observations making it prone to human bias. By considering only quantitative numbers we let the numbers do the talking for finding out “**hidden gems**” and help us find the stocks that are walking the talk of being a performance driven company.

Stock Selection Approach

Appearances aren't everything; however, in a world influenced by social media driven storylines, it is becoming more and more difficult to separate the wheat from the chaff. What we read, people with whom we interact, media channel that we watch, all these things leave an impact on our mind and promote replicating their narrative in our psyche too. It is becoming increasingly difficult to keep ourselves insulated from the outer world's hidden narratives, making us more prone to be prejudiced while making our investing decisions.

We have tried to eliminate these predispositions by providing scores to stocks based on many quantitative parameters like PE ratio, PB, Debt to Equity ratio, ROCE, Sales Growth, Profit Growth, and many sectoral level factors, for example for banks CASA ratio, NII, NPAs, Capital Adequacy ratio; for IT sector Employee cost as % of sales, Gross Utilization, Revenue per employee, Attrition rate, etc.

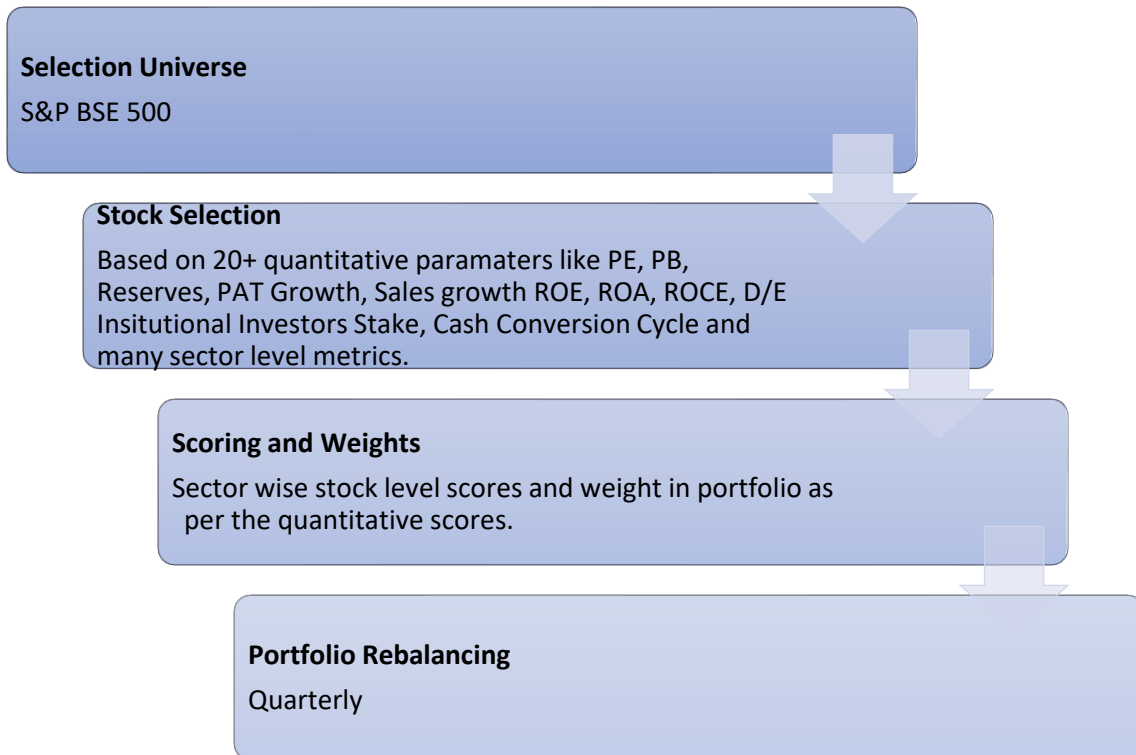
Investment objective

The aim is to generate long term returns by investing into a concentrated portfolio of Indian companies that are top performers in their respective sector based on the sector's quantitative analysis.

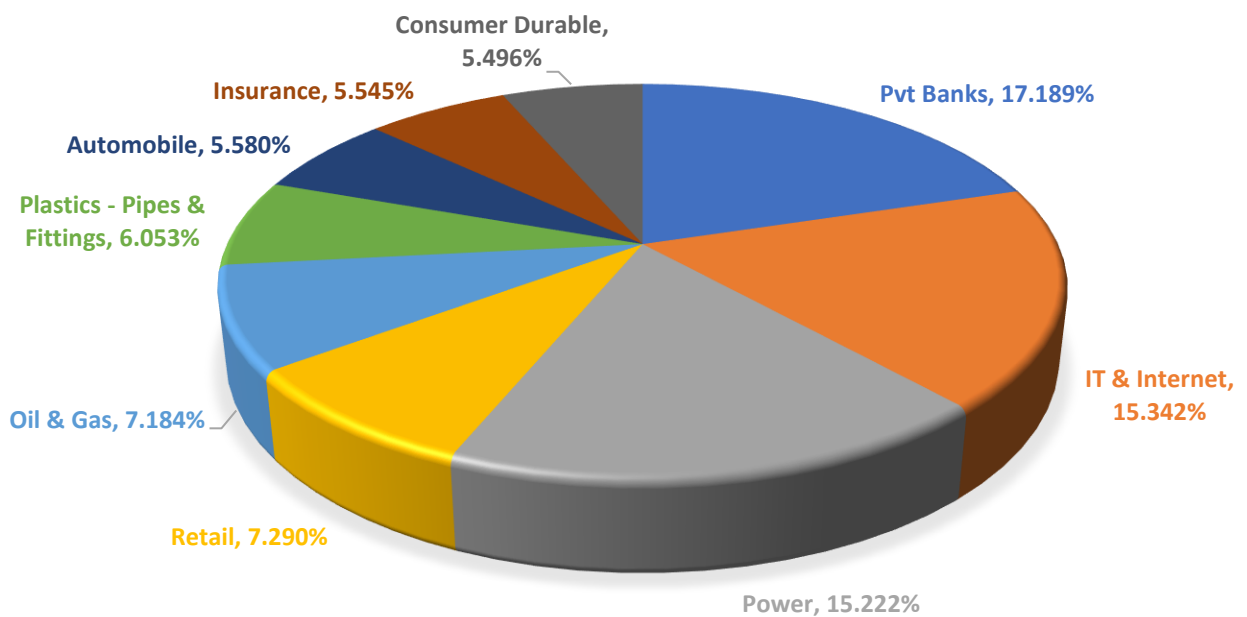
Strategy

Buy and Hold investments with a time horizon of 5 years in stocks with strong quantitative fundamental characteristics.

Methodology



Sectoral wise breakup of the portfolio



Is this model portfolio for you?

This portfolio is meant for seasoned investors with high-risk appetite with a time horizon of at least 5 years. The stocks weights are calculated using their respective scores in the quantitative analysis. The numbers change with every quarter’s result leading to changes in the top performer as per their

performance during that quarter. Thus, this portfolio is expected to have more changes during every rebalancing as compared to other model portfolios.

The expected average rate of return from a portfolio is 15-18% over time. In its best year, it might gain 25-30% and in its worst year, it could decline by the same scale.

These are typical investor profiles who can refer to this portfolio –

1. Seasoned Equity Investors who are looking for extra growth & alpha
2. Active Investors who are comfortable with high portfolio churn every quarter

FAQS

What is Yadnya's Quantitative Analysis?

Quantitative analysis is basically analysis done purely using numbers. Now, these numbers could be the fundamental parameters (Sales growth, PAT growth, D/E, etc.) or technical indicators or macroeconomic factors or for that matter it could be statistical models made on a combination of all these parameters. Yadnya's quantitative analysis is primarily a numerical analysis of many fundamental indicators. The foundation of this quant analysis is the sector level analysis we have been doing for a while now. An example is this [Pharma sector analysis](#) wherein we analysed 14 stocks from the pharma sector and calculated scores based on various factors like Valuation Ratios, Leverage Ratios, Return Ratios, Shareholding pattern, Sales and Profit Growth, Operating Profit Margin, Revenue Mix and Operating Performance Ratios.

Is Quantitative analysis similar to Algo Trading?

The similarity is that both the methods are automated to keep human bias away while making decisions. The difference lies in the fact that Yadnya's Quantitative Analysis is for "Investing" while Algo is for "Trading". Algo trading looks at the price fluctuations, patterns, and other price related data while Yadnya's quantitative analysis is focussed on having an automated solution for quantitative fundamental analysis of stocks in order to find out sector wise top performers.

Time Horizon

Min. 5 years

Rebalancing

Quarterly

Index

BSE 500 Index

Important Dates

Inception Date – October 15th, 2021

Launch Date – October 15th, 2021

Market Cap Category – Multi Cap

Next Rebalancing on – January 15th, 2022

Back testing Results

| Time Period | Portfolio Return % | BSE 500 Price Return % |
|-------------|--------------------|------------------------|
| 1 month | 8.629% | 4.94% |
| 1 Year | 102.14% | 65.37% |

Disclaimer: The information on this site is provided for reference purposes only and should not be misconstrued as investment advice. Under no circumstances does this information represent a recommendation to buy or sell stocks. All these portfolios are created based on our expert's experience in the market. These Model Portfolio are prepared by SEBI Registered RIA.