



Quantamental

The System is the Edge!

Quantletter June 2020

Volume 1 Issue 4

A quantitative system is not an alien beast. You have all dealt with quant systems for many years. But first, let's look at what it is. A method which uses only numerical parameters to build and trade stocks is a quant system. Essentially, there has to be rules which are followed. And these rules have to be quantifiable.

For example, you may want to buy high quality companies that are cheap. You would need to define what high quality means. For the sake of the example, let's keep it simple. Let's say we decide to use ROE as the parameter for quality of a business. Then the next step is to define what does "good quality" mean. There are 2 ways you can define the values for ROE. On an absolute scale or a relative scale. On an absolute scale means there is a definite value, like 15%, over which you consider a company to be good. Relative scale means you list all companies based on their ROE and sort their values in decreasing order; then choose a set number of stocks from the top of the list.

Similarly, you can devise a strategy for defining and finding cheap valuations. And voila, we have an implementation of the Joel Greenblatt's magic formula.

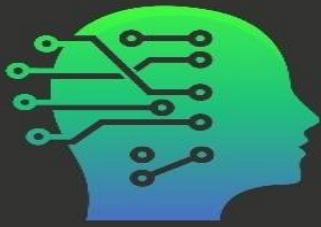
But, the well recognized but not always understood pure quant strategy is a stock index like Nifty 50 or Sensex. Take a look at the Nifty Strategic Indices - <https://www.niftyindices.com/indices/equity/strategy-indices> (Nifty strategic indices have many strategies and provide a wonderful glimpse into the world of quants at a very high and broad level.)

By definition, every index is a quantitative one which is based on fixed rules and NOT on someone's discretion. There is no investment committee which sits and deliberates on which stock should be included in the index. So, every investor actually knows and follows a quant-based system directly or as an benchmark. It is not something which is new or esoteric.

Q30 Quant Stocks basket for June to Aug 2020.

Stock Name	NSE Code	LTP	Market Cap (in Crs)	Reset Date
Adani Green	ADANIGREEN	247	38,881	31-08-2020
Bayer Cropscience	BAYERCROP	5385	24,201	31-08-2020
Cipla	CIPLA	648.05	52,216	31-08-2020
Coromandel	COROMANDEL	645	18,917	31-08-2020
Dixon	DIXON	4948.95	5,658	31-08-2020
Dr Reddy	DRREDDY	4060	67,664	31-08-2020
Escorts	ESCORTS	905.3	11,093	31-08-2020
India Cements	INDIACEM	125.65	3,891	31-08-2020
Tata Consumer	TATACONSUM	361.05	33,936	31-08-2020
Vaibhav Global	VAIBHAVGBL	1127	3,689	31-08-2020

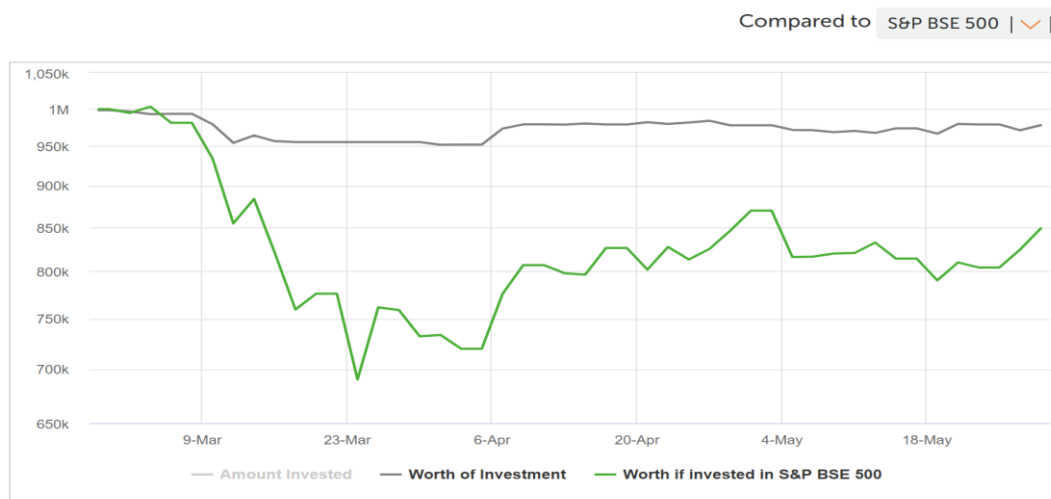
Please note that the amount available after selling the March 20 basket of the Q30 portfolio will be distributed over these 10 stocks in equal proportion as part of the model portfolio. Model portfolio started with 10 Lakhs at launch. Just to clarify, since Adani Green is repeated 2 months in a row, you will buy an additional allocation as part of June month basket.



Performance of Q30 Quant Stocks basket for May to July 2020: +1.91%

NSE Code	Buy Price	Current Price	Profit/Loss %	Reset Date
IPCALAB	1620.00	1473	-9%	31-07-2020
ADANIGREEN	211.00	247	17%	31-07-2020
NAVINFLUOR	1569.00	1571	0%	31-07-2020
ABBOTINDIA	17599.00	16790	-5%	31-07-2020
BIOCON	354.10	355.1	0%	31-07-2020
JBCHEPHARM	562.00	689.45	23%	31-07-2020
LAURUSLABS	511.00	470	-8%	31-07-2020
AJANTPHARM	1487.75	1527.55	3%	31-07-2020
ALKEM	2625.00	2270	-14%	31-07-2020
APLLTD	748.90	865.55	16%	31-07-2020

Current Portfolio Value: ~9.77 Lakhs. Drawdown: ~2%. Equity 6.28 Lakhs. Cash 3.5 Lakhs (36%)



Disclaimer

The quantletters are only a source of information. We are offering a shortlist of stocks, which may merit further research and analysis and then possibly could be chosen for investments. It would not be possible for subscribers to do their research through us. Remember, we are not recommending that you buy these stocks. We are using our system to offer you a shortlist of stocks. **If you wish to act on this shortlist, please consult an investment advisor who would guide you about the appropriateness of these stocks, in conjunction with your risk profile and suitability of stocks as an investment product.** Although information has been obtained from and is based upon sources, we believe to be reliable, we do not guarantee its accuracy and the information may be incomplete or condensed. Information presented is general information that does not take into account your individual circumstances, financial situation, or needs, nor does it present a personalised recommendation to you. Individual stocks presented may not be suitable for you. **Future returns may not resemble past performance and are likely to be lower.**