Firstly, thanks for joining the Quantamental Quantletter service. Welcome to the brave new world of quant investing. I have been dabbling with quantitative systems for about 2.5 years now and because of my background as a computer programmer (in some previous life!!!) it somehow gelled with me immediately. **Over time I have come to realize that the biggest challenge to investing comes from behavioural biases. The way to step aside from these biases is to have a process.** I try as much as possible in my own investing to be as disciplined as possible but even then errors do creep in from time to time. I found quant a good way to be more systematic in this aspect.

The second challenge is I am more tuned in to identifying strong businesses that can compound for long periods of time. I have been able to do this reasonably successfully over many years which has made be confident that I will not do too badly in that area. But, because of my nature I am not always able to capitalise on short term opportunities that can provide significant alpha. Quant fills that hole too.

So, what is quant?

Basically any analysis using numbers is quant. It can be using fundamental parameters like absolute numbers or ratio analysis. It can use technical indicators like moving averages etc. What it is not is technical chart reading. This is because charts are subjective. What may look like a cup-and-handle pattern to me may look like something else to another person.

What am I trying to do with quant strategies?

The end goal is to create multiple systems over period of time which are complimentary in nature. Then deploy these strategies and retire to a sea beach or Sundarbans or some corner of the Himalayas ;-)

Jokes apart, what is interesting about quant systems are that it is predictable and you know how it can be expected to behave. The reason is you have seen it happen in the past and the patterns of events keep repeating. Today's corona virus is yesterday's SARS or day before's Bird Flu. The people don't change and their reactions also are similar. A tested system which can help and guide us in investing in a systematic approach helps us keep sanity in the markets. And hopefully profit from other people's folly.

There are 2 types of stocks - trending and mean reverting. Stocks where prices keep going up over time are trending stocks (HDFC Bank, Pidilite etc) and those that keep oscillating about a mean is called a mean-reverting one. Cyclicals are classical mean reverting stocks. But there are others as well.

If we have systems to identify stocks of both these types, we would be able to cover majority of good performance in the markets.

What I have realized is once you have a good strategy in place, the trick is in following it well. There will always be a tendency to override the system because you will "think" that the market or the stock will do something. The trick is in understanding that that is the precise reason why we are investing in a quant strategy - to eliminate our own hunches and biases.

We are starting this newsletter service at a time when the markets have seen one of the worst weeks in recent memory. **The next few weeks and months will be very interesting, to say the least. Those who are able to be unemotional and follow the plan is likely to reap the most benefits subsequently. Let's follow the plan and see where we reach.**

Regards

Abhishek

Q30 Quant Stocks basket for March to May 2020.

Stock Name	NSE Code	LTP	EPS (Gr)	Op Profit (Gr)	Sales (Gr)	ROE	PEG TTM	Market Cap	Reset Date
Abbott India	ABBOTINDIA	15720	36%	38%	13%	22%	1.55	33,403	30-05-2020
Deepak Nitrite	DEEPAKNTR	460.95	376%	200%	29%	13%	0.03	6,300	30-05-2020
Garware Technical Fibres	GARFIBRES	1560	19%	-7%	3%	19%	1.25	3,443	30-05-2020
ICICI Securities	ISEC	475.5	-4%	-7%	-10%	47%	-7.9	15,340	30-05-2020
Metropolis Healthcare	METROPOLIS	1880	-	75%	-	24%	-	9,286	30-05-2020
Mishra Dhatu Nigam	MIDHANI	251.65	56%	37%	23%	16%	0.41	4,649	30-05-2020
Navin Fluorine	NAVINFLUOR	1454	10%	16%	9%	14%	4.24	7,075	30-05-2020
Polycab India	POLYCAB	1068.6	23%	-1%	20%	18%	1.03	15,816	30-05-2020
Tasty Bite Eatables	TASTYBITE	11942	35%	-14%	17%	23%	2.14	3,056	30-05-2020
Tube Investments	TIINDIA	527	25%	11%	-10%	16%	1.27	9,916	30-05-2020

The Q30 Strategy

- Stock selection universe is NSE 500. (Covers >96% of listed market cap on NSE)
- System selects upto 10 strong stocks every month.
- System is designed to get less or no stocks at all in severe bear markets. Capital in such case moves to liquid bees.
- As a guiding principle, follow asset allocation in consultation with your investment advisor. For complete disclaimer please visit the page http://www.quantamental.in/disclosure.html
- We use the Quantletter stock list in following ways:
    - Option 1: Invest equal amounts in each of the stocks in current basket and replace them with the new basket the following month
    - Option 2: Invest only 1/3rd of your capital intended for Q30 in this month's basket and replace them with the new basket to be published 3 months later.
    - Option 3: Treat these stocks as a group of strong stocks and trade them based on your own entry & exit rules. Usually risk reward is favourable in strong stocks.
    - Stop loss is built in as part of the quant strategy and will be intimated as and when any action is needed.

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