



Momentum Strategies

ALPHANITI WHITE PAPER

Strategy 1: Nifty 50 Momentum Alphamatter

- **Strategy Description:**

Alphaniti's research team has designed a unique momentum strategy which invests in a portfolio of 18 stocks from the Nifty 50 index. Alphaniti's proprietary quant framework takes into consideration the inherent quality of underlying momentum in the stock price. This strategy focuses on creating a portfolio of the top performing stocks in the Nifty 50 and aims to beat the benchmark over the long term by consistently keeping the portfolio fresh with the strongest set of performing stocks.

- **Key Highlights:**

Strategy Category	Quantitative
Factor	Momentum
Risk Profile	MODERATE
Benchmark	Nifty 50
Portfolio Universe	Nifty 50
Market Cap Category	Mega & Large Caps Only
Total Holdings	18
Rebalancing Frequency	Quarterly
Portfolio Weights	Market Cap Linked
- Maximum	<= 20.00%
- Minimum	>= 4.00%
Sector Allocation	
- Maximum	<= 40.00%
Back Testing Period	01/01/2007 to 31/03/2020
Live Deployment	01/04/2020 onwards

- **Key Features of this strategy:**

- This strategy is suitable for MODERATE investors who are looking for a low-cost alternative to investing in Index Funds / Index ETFs linked to Nifty 50 for long term wealth creation
- This strategy adopts a highly concentrated, market capitalization linked portfolio allocation towards the top 18 stocks out of the Nifty 50 Universe.

- **Key Limitations of this strategy:**

- Given concentrated exposure to top 9 stocks, portfolio gyrations can potentially be higher during volatile market conditions, especially during earnings seasons when underlying companies report their quarterly results
- This strategy works extremely well during a trending market

- **Methodology:**

- We measure the consistency of underlying returns of every stock from the Nifty 50 universe – we calculate this by recording the number of days each stock trades above its 365 Exponential Moving Average over 270 days rolling basis

- Next we calculate a gradient based score which takes into account return for each stock over different time periods ranging from 1 month to 15 months – those with a negative return profile are automatically discarded – the weights increase corresponding to the period – higher the period, higher the weight given to the performance during that period
- We then proceed to calculate a combined score of both readings for each remaining stock and sort the stocks in descending order
- We then select the top 18 stocks and allocate smart weights linked to underlying market capitalizations of each stock
- **Rebalancing Process:**
 - The Nifty 50 Momentum Strategy is rebalanced at fixed quarterly intervals, viz., 1st Jan / 1st April / 1st July / 1st October
- **Back-Testing Framework:**
 - Extensive back-testing has been conducted for the period between 1st January 2007 to 31st March 2020
 - We have assumed a combined execution slippage + transaction costs of ~200bps on every round trip (Buy+Sell)
 - We have not assumed dividends received during holding periods in our return calculations
 - The returns are calculated and presented on XIRR basis (*Primarily as each rebalancing period throws up either a minor surplus or a minor deficit number - we have worked with a maximum threshold of 0.50% of portfolio value*)
 - We have not included any tax implications in our return calculations
 - Maximum individual stock weightage has been capped at 20% while sector weights have been capped at 40%. Minimum stock weights have been kept at 4%.
 - We have capped the share price for the purposes of selection at a maximum of Rs. 5,000/- for individual scripts so as to keep the minimum ticket size of the underlying portfolio affordable for mass investors.

Strategy 2: Alphaniti Nifty 200 Momentum

- **Key Highlights:**

Strategy Category	Quantitative
Factor	Momentum (12-1)
Risk Profile	MODERATE
Benchmark	Nifty 200
Portfolio Universe	Nifty 200
Market Cap Category	Mega, Large & Mid Caps
Total Holdings	20
Rebalancing Frequency	Quarterly
Portfolio Weights	Total Market Cap based
- Maximum	<= 20.00%
- Minimum	>= 4.00%
Sector Allocation	
- Maximum	<= 40.00%
Back Testing Period	01/01/2007 to 31/03/2020
Live Deployment	01/04/2020 onwards

- **Description:**

Alphaniti's research team has designed a momentum strategy which invests in a portfolio of stocks from the Nifty 200 index. This strategy focuses on creating a basket of the top performing stocks in the Nifty 200 and aims to beat the benchmark over the long term by consistently keeping the portfolio fresh with the strongest set of performing stocks.

- **Key Features of this strategy:**

- This strategy is suitable for MODERATE investors who are looking for alternatives to investing in Index Funds / Index ETFs linked to Nifty 200 for long term wealth creation
- This strategy adopts a highly concentrated market capitalization weighted portfolio approach – we invest in a portfolio of the top 20 stocks out of the Nifty 200 Universe.

- **Key Limitations of this strategy:**

- Given concentrated exposure to top 10 stocks, portfolio gyrations can potentially be higher during volatile market conditions, especially during earnings seasons when underlying companies report their quarterly results
- This strategy works extremely well during a trending market

- **Methodology:**

- We measure the consistency of underlying returns of every stock from the Nifty 200 universe - we calculate this by recording the number of days each stock trades above its 365 Exponential Moving Average over 270 days rolling basis
- Next we calculate the returns for every stock over last 1 year excluding the most recent month

- We then proceed to calculate a combined score of both readings for each remaining stock and sort the stocks in descending order
- We then select the top 20 stocks and allocate smart weights linked to underlying market capitalizations of each stock
- **Rebalancing Process:**
 - The Nifty 200 Momentum Strategy is rebalanced at fixed quarterly intervals, viz., 1st Jan / 1st April / 1st July / 1st October
- **Back-Testing Framework:**
 - Extensive back-testing has been conducted for the period between 1st January 2007 to 31st March 2020
 - We have assumed execution slippage + transaction costs of ~200bps on every round trip (Buy+Sell)
 - We have not assumed dividends received during holding periods in our return calculations
 - The returns are calculated and presented on XIRR basis (*Primarily as each rebalancing period throws up either a minor surplus or a minor deficit number - we have worked with a maximum threshold of 0.50% of portfolio value*)
 - We have not included any tax implications in our return calculations
 - Maximum individual stock weightage has been capped at 20% while sector weights have been capped at 40%. Minimum stock weights have been kept at 4%.
 - We have capped the share price for the purposes of selection at a maximum of Rs. 5,000/- for individual scripts so as to keep the minimum ticket size of the underlying portfolio affordable for mass investors.

Strategy 3: Alphaniti Nifty Midcap 150 Momentum

- **Key Highlights:**

Strategy Category	Quantitative
Factor	Momentum (12-1)
Risk Profile	AGGRESSIVE
Benchmark	Nifty Midcap 150
Portfolio Universe	Nifty Midcap 150
Market Cap Category	Mega, Large & Mid Caps
Total Holdings	20
Rebalancing Frequency	Quarterly
Portfolio Weights - Maximum	Total Market Cap based <= 20.00%
Minimum	>= 4.00%
Sector Allocation Maximum	<= 40.00%
Back Testing Period	01/01/2007 to 31/03/2020
Live Deployment	01/04/2020 onwards

- **Description:**

Alphaniti's research team has designed a momentum strategy which invests in a portfolio of stocks from the Nifty Midcap 150 index. This strategy focuses on creating a basket of the top performing stocks out of Nifty Midcap 150 and aims to beat the benchmark over the long term by consistently keeping the portfolio fresh with the strongest set of performing stocks.

- **Key Features of this strategy:**

- This strategy is suitable for AGGRESSIVE investors who are looking for alternatives to investing in Index Funds / Index ETFs linked to Nifty Midcap 150 for long term wealth creation
- This strategy adopts a highly concentrated market capitalization weighted portfolio approach – we invest in a portfolio of the top 20 stocks out of the Nifty Midcap 150 Universe.

- **Key Limitations of this strategy:**

- Given concentrated exposure to top 10 stocks, portfolio gyrations can potentially be higher during volatile market conditions, especially during earnings seasons when underlying companies report their quarterly results
- This strategy works extremely well during a trending market

- **Methodology:**

- We measure the consistency of underlying returns of every stock from the Nifty Midcap 150 universe - we calculate this by recording the number of days each stock trades above its 365 Exponential Moving Average over 270 days rolling basis
- Next we calculate the returns for every stock over last 1 year excluding the most recent month
- We then proceed to calculate a combined score of both readings for each remaining stock and sort the stocks in descending order
- We then select the top 20 stocks and allocate smart weights linked to underlying market capitalizations of each stock
- **Rebalancing Process:**
 - The Nifty Midcap 150 Momentum Strategy is rebalanced at fixed quarterly intervals, viz., 1st Jan / 1st April / 1st July / 1st October
- **Back-Testing Framework:**
 - Extensive back-testing has been conducted for the period between 1st January 2007 to 31st March 2020
 - We have assumed execution slippage + transaction costs of ~200bps on every round trip (Buy+Sell)
 - We have not assumed dividends received during holding periods in our return calculations
 - The returns are calculated and presented on XIRR basis (*Primarily as each rebalancing period throws up either a minor surplus or a minor deficit number - we have worked with a maximum threshold of 0.50% of portfolio value*)
 - We have not included any tax implications in our return calculations
 - Maximum individual stock weightage has been capped at 20% while sector weights have been capped at 40%. Minimum stock weights have been kept at 4%.
 - We have capped the share price for the purposes of selection at a maximum of Rs. 5,000/- for individual scripts so as to keep the minimum ticket size of the underlying portfolio affordable for mass investors.

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