

An aerial photograph of the New York City skyline at sunset. The Empire State Building is the central focus, standing tall among other skyscrapers. The sky is a mix of orange, yellow, and blue. The city's dense urban landscape is visible, with numerous buildings of varying heights and colors. The water of the harbor is visible in the distance.

# How to implement the 3 best investment strategies we have tested

[www.quant-investing.com](http://www.quant-investing.com)

# Agenda

- The three best strategies
  - What are they
  - Their performance
  - How you can get ideas
- Questions and answers

# 6 Months momentum & Price to Book

- How investment ideas are selected
  - First select the 20% of companies with best 6 month momentum (Price Index 6m)
  - Second select the lowest price to book (highest [Book to Market](#)) companies

# Six months momentum & Price to Book

- Does it work?

Total Return 13/06/1999-13/06/2011					
Factor 2	Q1	Q2	Q3	Q4	Q5
Earnings Yield 12 months	1002.2%	416.0%	134.2%	59.8%	48.3%
Earnings Yield 5 years	662.0%	244.6%	64.7%	163.9%	151.6%
Price To Book	1157.5%	449.2%	173.5%	71.9%	3.8%
FCF Yield	556.3%	155.5%	166.2%	95.3%	130.6%
FCF Yield 5 years	668.8%	214.2%	171.4%	96.8%	82.3%
Price To Sales	621.5%	554.2%	217.4%	110.2%	-16.3%
F SCORE	598.6%	314.1%	243.6%	84.2%	61.3%
Net Debt On Market Value	180.4%	135.6%	197.4%	368.7%	294.9%
ROIC	332.7%	347.6%	303.7%	220.9%	43.7%
ROIC 5 years	485.3%	402.4%	559.5%	300.0%	230.3%
Price Index 12 months	153.4%	166.0%	412.7%	316.9%	154.4%
Price Index 6 months	122.1%	273.5%	164.4%	185.1%	411.8%
MF Rank	746.6%	212.8%	257.9%	52.7%	89.7%
ERP5	637.3%	208.1%	180.3%	107.6%	125.2%

# 6 Months momentum & Price to Book

- How to find investment ideas

**Search filters**

**Primary Factor**  
Price Index 6 m

**Secondary Factor**  
Book to Market

**Range**  
0 50 100

**Range**  
0 50 100

Name	Country
	Book to Market

Sort by Book to Market  
From high to low

# BUT be careful of the price to book ratio

- Price to book performs best after a large correction
- There were two in the period we tested
- It also underperforms for long periods of time
- Take a look at this article: [Be careful of this time tested value ratio](#)

# Six months momentum & Price to Book

- Current investment ideas

Name	Country	Book to Market	Price Index 6 m	Ticker
		<input type="text"/> ▼	<input type="text"/> ▼	<input type="text"/>
Commerzbank AG		1.88	1.30	DB:CBK
ArcelorMittal		1.21	1.25	ENXTAM:MT
Fiat Chrysler Automobiles N.V.		0.90	1.57	BIT:FCA
Toyota Motor Corporation		0.89	1.20	TSE:7203
Sumitomo Corporation		1.22	1.19	TSE:8053
Honda Motor Co., Ltd.		1.16	1.23	TSE:7267
ITOCHU Corporation		0.89	1.22	TSE:8001
Mitsubishi Corporation		1.19	1.26	TSE:8058
Santos Limited		0.85	1.50	ASX:STO
Hitachi, Ltd.		0.78	1.25	TSE:6501
Keppel Corporation Limited		0.84	1.21	SGX:BN4
Anglo American plc		0.79	1.39	LSE:AAL
City Developments Limited		0.83	1.20	SGX:C09
Inpex Corporation		1.61	1.25	TSE:1605

# Neglected, Value and Momentum

- How investment ideas are selected
  - First find companies with good 6 months momentum
  - Then look for neglected companies with low traded volume compared to profits, ignored by most fund managers and brokers – [Liquidity \(Qi\)](#)
  - Then remove low quality businesses with low profit margins – [Gross Margin \(Marx\)](#)
  - Choose the 20 most undervalued companies in terms of Earnings yield = EBIT to enterprise value

# Neglected, Value and Momentum

- Does it work?

NVM Strategy Back Test	
Period	29 June 2001 to 22 Augustus 2014 (13.16 years)
Rebalance Frequency	Every 6 months
Ranking System	Neglected, Undervalued, Momentum
Benchmark	European STOXX 600 Total Return Index (dividends included)
Number of positions	20
Rebalancing cost	0.6% (deducted at each rebalancing to cover trading and bid ask spread costs)
Strategy Total return	1374.2%
Strategy Compound annual growth rate (CAGR)	22.7%
Benchmark Index return	57.2%
Benchmark Compound annual growth rate (CAGR)	3.5%
Benchmark outperformance total	1317.0%
Benchmark outperformance annualised	19.2%
Strategy maximum drawdown	-53.2%
Benchmark maximum drawdown	-58.4%
Strategy number of positive investments	67.2%
Sharpe Ratio	1.22
Standard Deviation of returns	18.7% (Weekly standard deviation annualised)

# Neglected, Value and Momentum

- How to find investment ideas

**Search filters**

**Primary Factor**  
Price Index 6 m

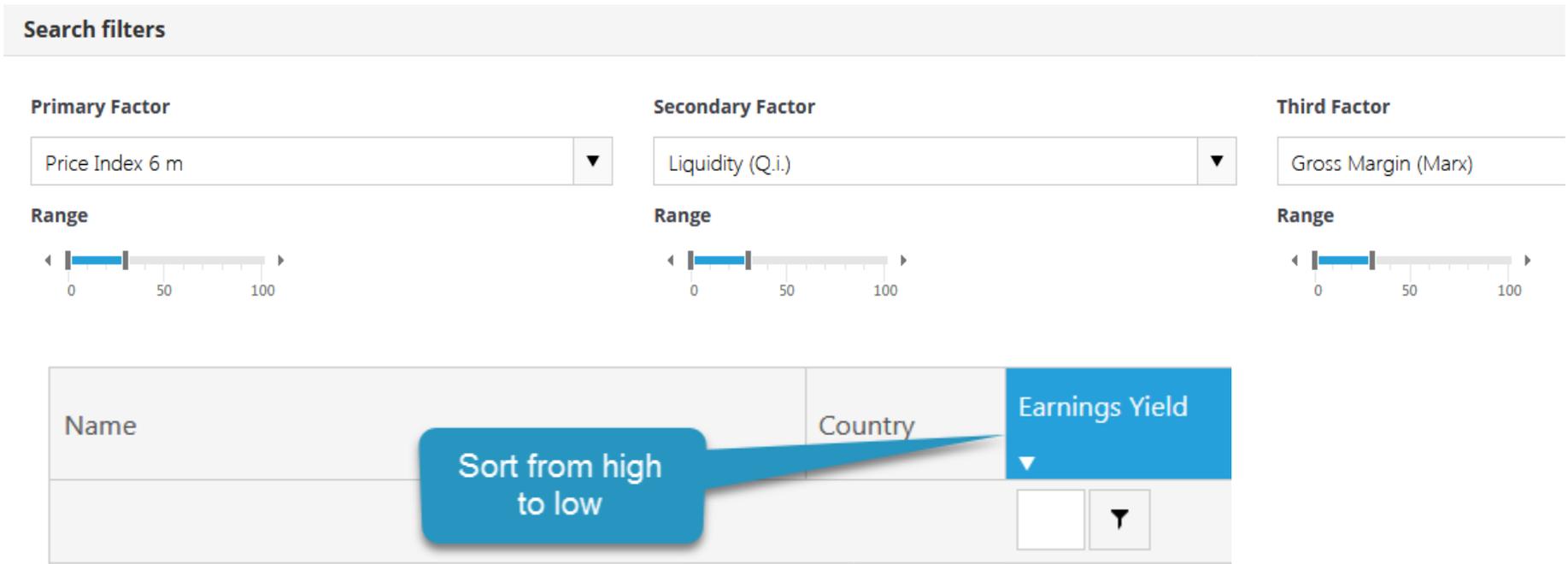
**Secondary Factor**  
Liquidity (Q.i.)

**Third Factor**  
Gross Margin (Marx)

**Range**

**Name** **Country** **Earnings Yield**

Sort from high to low



# Neglected, Value and Momentum

- Current Investment ideas

Name	Country	Earnings Yield
		<input type="text"/> <input type="button" value="▼"/>
SK Hynix Inc.		18.07 %
EVRAZ plc		13.17 %
PAO Severstal		12.59 %
BHP Billiton plc		8.55 %
Telenor ASA		7.61 %
BHP Billiton Limited		7.35 %
Thomas Cook Group plc		7.33 %
Novo Nordisk A/S		6.39 %
Galp Energia, SGPS, S.A.		6.37 %

# Qi Value

- The Qi Value ranking is made up of all the best ratios and indicators we have tested
- It ranks the more than 22,000 companies in the screener by the following:
  - EBITDA Yield = Earnings before interest, taxes, depreciation and amortization (EBITDA) / Enterprise Value
  - Earnings Yield = Operating Income (EBIT) / Enterprise Value
  - FCF Yield = Free Cash Flow / Enterprise Value
  - Liquidity (Q.i.) = Adjusted Profits / Yearly trading value

# Qi Value

- Why so many ratios?
  - To find undervalued companies from different views
    - Two different measures of profits
    - Cash flow
    - Liquidity
  - Many ratios lower the chance that any one ratio can underperform

# Qi Value

- Does it work?
  - Qi Value tested over 16 years from April 2001 to June 2017

	Qi Value	Earnings Yield	Price to Book	MSCI World Index
Apr 2001 - Feb 2015 Return	477.6%	388.8%	287.0%	23.1%
2016 Return	24.1%	24.6%	36.5%	7.40%
2017 HY Return	13.1%	12.7%	12.3%	2.20%
Total Return	710.7%	586.2%	493.2%	35.1%
Average Return	15.3%	14.3%	14.1%	3.7%
CAGR	13.8%	12.6%	11.6%	1.9%

# Qi Value

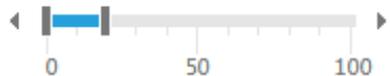
- How to find investment ideas

## Search filters

### Primary Factor

 ▼

### Range



Name	Country	QI Value
		▲ ▼

Sort by Qi Value from low to high (lowest is best)

# Qi Value

- Current investment ideas

Name	Country	Qi Value
		<input type="text"/> <input type="button" value="T"/>
Standard Life Aberdeen plc		2
AEGON N.V.		2
Aviva plc		3
Fortescue Metals Group Limited		3
EVRAZ plc		3
Peugeot S.A.		3
Fiat Chrysler Automobiles N.V.		4
Saipem S.p.A.		4
PAO Severstal		4
SK Hynix Inc.		5
Oil Refineries Ltd.		5
Investor AB		5
Deutsche Telekom AG		5
Anglo American plc		5
Firstgroup plc		5

# Summary

- Remember - You cannot calculate yourself rich in the past
- No investment strategy will always work best
- But if you follow strategies that have worked  
AND
- That let you sleep well at night
- You will definitely have very good returns

# Questions and answers

Remember there is no such thing as a stupid question