

From: Esma Gregor <esma.gregor@quantzcap.com>

Sent: Friday, July 8, 2022 2:06 PM

To: Milind Sharma

Subject: QMIT by QuantZ presents the Mid-year Q2 2022 update. Flagship model spreads on track for back-to-back TRIPLE DIGIT years!!

Hi Milind,

See a replay of our founder's presentation at the JP Morgan quant conference on Systematizing the Buyside

https://d3ua9t66dzwd8a.cloudfront.net/quant22/T_42498_SystematizingBuyside.mp4

See our founder's podcast on the history of Computational Finance with Dimitri Bianco: https://www.youtube.com/watch?v=5_sulCeAv2s&t=2s

See our founder's presentation on our "HEDGE FUND IN A BOX" strategy:

<https://corinium.swoogo.com/newyorksummit/sign-in?rld=1977401>

Look out for our founder's presentation at The Trading Show in Chicago. Hope to see you there: <https://www.terrapinn.com/conference/trading-show-chicago/2022-speakers.stm>

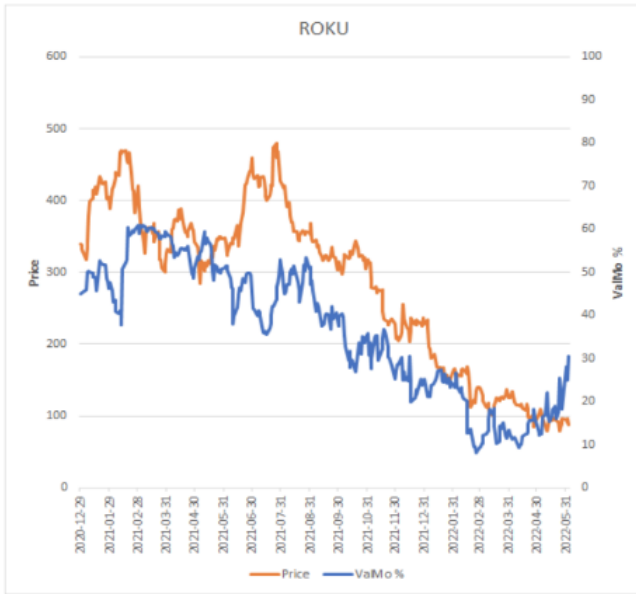
Look out for our founder's presentation at WBS in Dubrovnik in October. Hope to see you there: [Speakers - World Business Strategies \(wbstraining.com\)](https://www.wbsttraining.com)

H1 2022 PERFORMANCE RECAP:

After a strong double-digit January, the ESBs & signals backed off in Feb-March as we saw the bear market rally hurt the short side of our signals. With the resumption of the sell-off in April we once again saw enormous gains like in January which continued through till mid-June. May was a tale of two halves given the complete roundtrip in indices back to unchanged territory. As the ARKK/ long duration stock liquidation continued through May into mid-June (albeit with minor hiccups) we saw another dramatic run up in with ValMo hitting ~+73% YTD. However, the 2nd half of June led to a sharp pullback in our signals due to some short covering as well as a dramatic momentum unwind on the Long-side particularly amongst Energy and cyclical names. June ended with Enterprise 18 coming back to flat; Sizzling7 only down -1.4% but ValMo took it on the chin at -8.15%. The Qual composite at +3.87% stood out in a sea of red MTD. That said, YTD our flagship signals are still on track for TRIPLE DIGIT back-to-back years with ValMo at +47.7% (116% ann) & Sizzling7 +46.05% (113 ann). YTD all of the EMN alpha has come from the short side although the Longs have also outperformed. Indeed, for Long Only investors the -9.67% ytd on ValMo longs is almost ~+11.5% ahead of SPX ytd while Sizzling7 at -7.79% ytd is ~+13.36% ahead of SPX ytd.

At the constituent smart beta level, the MTD moves were driven by the following:

- PMOM was -13.4% led by the crashing Longs while EnMom did indeed deliver in terms of its relative outperformance of +7.1% MTD over PMOM. The correlated Growth ESB was -5.14% while Value composite was at -1%
- In a thematic tape, mean reversion did not work – to wit Revs were down -11.5%
- In a Risk OFF tape, not surprisingly SIZE was down -10.25% & defensive ESBs were up e.g., RISK +13.23%, SIRF +6.34%, Divs +5.62%, ARS +4.6%
- Quality ESBs outperformed significantly MTD with Profitability at 9%; Stability 7.9%; Leverage 5.6%; CSU 4%; Efficiency 1.9% while EQ was flattish
- YTD performance of ESBs has been nothing short of spectacular across the board led by RV & DV at 60 & 40% respectively and followed by defensive ESBs like Efficiency +50%; Divs 45%; Risk & Leverage at +35% and at PMOM 30%.
- In a Value based regime we expect to see the leadership of DV & RV but given our Risk On classification of Value that has left the RORO indicator slightly confused YTD and in Risk On territory. For much of the YTD drawdown in stock indices Value has outperformed which is unusual. This factor usually leads the way down going into a recession & is the 1st to rebound as the market starts pricing in a recovery with the cyclicals staging a comeback. Usually, momentum outperforms on the way down which it has per script while it often suffers post the inflection point in markets (recall 2009). However, since this downturn was triggered by the pricking of asset bubbles amongst hyper-growth names which is why this time is a bit different hence the mixed message from our YTD RORO spread.
- SIRF & RISK [Low Vol] have delivered from the short side in a bearish tape as expected. While Divs don't always work on an EMN basis this is when their defensive characteristics shine through with the double alpha.
- All the alpha YTD has come from the short side. As previously mentioned, this has included many ARKK type long duration names such as Z TWLO TDOC PTON BYND RIDE FSR RIVN ROKU KRNT etc . The examples of ROKU vs RIDE short candidates [below] is illustrative of how that has generally worked out big picture.
- Like last year, the signals remain on a triple digit trajectory presenting an extraordinary opportunity for monetization. We suspect that the environment will remain particularly favorable for the resurgence of quant factor investing and EMN signals as long as the Fed is boxed into aggressive hiking + QT and various asset bubbles continue to deflate. This will no doubt be interspersed with painful Bear market rallies, but we remain optimistic for the remainder of 2022.



\$ Neutral - Daily heatmap YTD for Combo signals as of 2022-06-30:

	DTD Long	DTD Short	DTD Spread	MTD Long	MTD Short	MTD Spread	YTD Long	YTD Short	YTD Spread
Fabulous Fourteen	-1.1%	-1.31%	0.21%	-10.9%	-8.99%	-4.04%	-12.46%	-44.19%	39.62%
Sizzling Seven	-0.71%	-1.27%	0.56%	-8.55%	-8.82%	-1.41%	-7.79%	-42.54%	46.05%
Famous Five	-0.46%	-1.65%	1.18%	-8.37%	-7.86%	-2.53%	-9.19%	-44.53%	42.36%
Enterprise Eighteen	-0.6%	-1.1%	0.5%	-9.16%	-11.27%	0.02%	-14.37%	-46.04%	37.96%
Q-GARP	-0.93%	-0.73%	-0.2%	-11.63%	-11.44%	-2.25%	-13.69%	-45.57%	40.31%
ValMo	-1.76%	-0.49%	-1.27%	-14.76%	-8.93%	-8.15%	-9.67%	-45.01%	47.71%
Value	-1.5%	-0.44%	-1.05%	-12.73%	-12.91%	-0.97%	-7.16%	-46.07%	58.21%
QualVal	-0.97%	-0.63%	-0.34%	-11.91%	-11.76%	-1.52%	-16.58%	-44.89%	36.1%
QualMo	-0.38%	-1.37%	0.98%	-9.27%	-10.8%	-0.38%	-22.13%	-43.76%	22.9%
Quality	-0.59%	-0.94%	0.35%	-7.86%	-12.63%	3.87%	-19.21%	-42.3%	25.07%
GrowthMo	-1.6%	-1.64%	0.04%	-12.66%	-12.04%	-2.03%	-22.01%	-30.76%	7.51%

\$ neutral - Daily heatmap YTD for ESBs as of 2022-06-30:

	DTD Long	DTD Short	DTD Spread	MTD Long	MTD Short	MTD Spread	YTD Long	YTD Short	YTD Spread
DV	-1.76%	-0.17%	-1.59%	-11.7%	-10.6%	-1.47%	-7.14%	-35.63%	39.61%
RV	-1.42%	-1.03%	-0.39%	-14.87%	-14.28%	-2.52%	-9.43%	-49.57%	60.07%
Efficiency	-1.04%	-0.54%	-0.5%	-12.05%	-14.39%	1.87%	-13.12%	-45.92%	49.9%
Profit	-1.15%	-0.47%	-0.67%	-9.8%	-18.21%	8.94%	-22.27%	-41.09%	22.63%
CSU	-0.58%	-0.62%	0.04%	-10.53%	-15.35%	4.0%	-16.39%	-41.62%	28.45%
Leverage	-0.89%	-0.99%	0.09%	-8.34%	-14.29%	5.6%	-21.48%	-46.6%	34.48%
Size	-2.03%	-0.62%	-1.41%	-14.66%	-4.76%	-10.25%	-20.18%	-31.26%	16.09%
Reversals	-0.97%	-0.1%	-0.86%	-15.48%	-4.56%	-11.47%	-24.92%	-26.51%	2.55%
Growth	-1.41%	-0.89%	-0.53%	-14.96%	-10.78%	-5.14%	-17.71%	-25.34%	8.16%
EQ	-0.72%	-1.97%	1.25%	-15.17%	-15.14%	-0.1%	-34.36%	-36.95%	3.71%
ART	-1.03%	-1.89%	0.86%	-11.72%	-12.46%	-0.26%	-19.67%	-31.11%	10.91%
EnMOM	-1.54%	-1.1%	-0.44%	-11.96%	-6.95%	-6.3%	-14.08%	-27.61%	15.43%
ARS	-0.82%	-1.79%	0.97%	-8.56%	-13.02%	4.57%	-23.54%	-24.9%	-0.83%
Stability	-0.23%	-1.07%	0.84%	-6.26%	-14.09%	7.9%	-14.75%	-30.87%	15.01%
PMOM	-2.39%	-2.2%	-0.19%	-18.01%	-8.13%	-13.39%	-15.6%	-42.56%	30.05%
SIRF	-0.31%	-0.86%	0.55%	-4.65%	-10.5%	6.34%	-15.06%	-26.98%	15.1%
Risk	0.13%	-2.25%	2.38%	-2.38%	-16.13%	13.23%	-3.49%	-40.0%	34.55%
Dividends	-0.4%	-1.06%	0.66%	-8.82%	-14.4%	5.62%	-1.87%	-36.44%	45.19%
RiskOn	-1.28%	-0.6%	-0.68%	-12.62%	-9.98%	-3.23%	-15.37%	-34.46%	27.35%
RiskOff	-0.87%	-1.4%	0.53%	-10.14%	-13.47%	2.71%	-17.05%	-36.34%	21.78%
RORO Spread	-0.41%	0.8%	-1.21%	-2.48%	3.49%	-5.94%	1.68%	1.88%	5.57%

Should you be interested in a trial of the HEDGE FUND IN A BOX strategy, QMIT heatmaps or the underlying combo HF signals, we look forward to hearing from you.

\$ Neutrality (no leverage)	100 Long x 90 to 100 Short
Earnings Torpedoes, Mean Reversion, SIRF	ESB constraints
Net Sector& Industry Exposure	2.5%
Beta Neutrality	[-0.01,0.01]
Long-side single stock weight	< 1.50%
Short-side single stock weight	< 1.50%
Naïve factor neutrality	0 based on 5 factors

	HFIB	AQR
Annualized Ret	29.26%	0.5%
Annualized Vol	15.58%	10.26%
Sharpe Ratio	1.88	0.05
Annualized Sortino Ratio	3.04	0.07
Max DD	16.79	29.24



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QMIT is a signal provider spun out of QuantZ's award winning statistical arbitrage hedge fund which provides highly customized ML enhanced signals to democratize access to hedge fund alphas. Combining machine learning with a spanning set of equity smart betas & alternative data allows investors to express any linear view on equities. Milind has 25 years of market experience running prop desks as well as hedge funds & mutual funds at Merrill Lynch (now BlackRock), RBC & Deutsche Bank before starting QMIT. His funds have won many awards over the years (Morningstar, Lipper, BattleFin etc) and his publications have appeared in Risk, JoIM, Wiley, Elsevier etc. His educational background includes Oxford, Vassar, Carnegie Mellon & Wharton. He has also lectured, presented and/ or taught Capstone courses at Columbia, Carnegie Mellon, Courant, Georgia Tech, Johns Hopkins, Rutgers, NYU Tandon, UCSD, UCLA etc.

EXPLANATORY FOOTNOTES:

- Sector Ranks are aggregated bottom up average ranks for each of the ESBs. Enhanced Smart Beta (ESB).
- ESB portfolios are not sector neutral.
- Generated weekly as of previous trading day's close, this report shows the DTD, MTD, YTD and LTD spread returns for our ESBs.

- *ESB spreads are long-short based on top vs bottom 5%-tile (~125x125) of the largest liquid US traded stocks (usually ~2,500 depending upon market capitalization & minimum \$ price criterion for stocks listed on NYSE & Nasdaq).*
- *Certain industries like Biotechs and REITS are excluded due to event risk or because a generic quant model is not appropriate for those industries.*
- *Daily vs Monthly rebalancing - Our Monthly Heatmaps are based on a T-1 month end optimization to solve for the optimal factor weights. While we use optimal factor weights based on month end optimization, in Daily Heatmaps, we refresh individual Factor Ranks on a daily basis therefore resulting in an intra-month varying Long/Short Portfolio. The optimal factor weights & selection of the "Best Flavor of the Month" is still static intra-month in order to prevent excessive turnover & unnecessarily noisy ESBs.*
- *Dollar neutral vs Beta Neutral - Beta-neutrality implies daily de-levering of the higher beta side of the Long/Short factor portfolio. Indeed, the beta neutrality has to be enforced via daily rebalance since the factor ranks (& top/ bottom portfolios) are being refreshed daily.*
- *MTD spread returns are geometrically chain-linked DTD spread returns where both are based on ESB portfolios formed at the prior month end close in the case of Monthly Heatmaps and formed at the prior trading day's close in the case of Daily Heatmaps.*
- *YTD & LTD returns are based on geometric chain-linking of monthlies without transaction costs or fees as is customary in the factor literature.*
- *Multi-period spread returns are not the difference of cumulative top vs bottom returns. Instead, they represent the daily geometrically compounded rebalancing of the market neutral "active return" differential of the top vs bottom portfolios which is a more realistic representation.*
- *Both Max Sharpe & Risk Parity optimization routines are based on a Hybrid methodology where we 1] find the optimal factor mix within the Smart Beta cohort based on signal blending/ "mixing" but 2] subsequently run the combined ESB spreads outsample on a fully "integrated" basis not just as the linear combination of factor returns.*
- *Since liquid equity commissions are now de minimus for both the institutional & even the retail world and market impact is really a function of the investor's AUM we simply leave out the impact of TCosts as is customary in factor research.*
- *LTD data commences January 2000.*

Best Regards,

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