

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

Sent: Sunday, June 5, 2022 5:19 PM

To: Milind Sharma

Subject: QMIT by QuantZ presents a flash update. Flagship model at ~+61% YTD on track for back to back TRIPLE DIGIT years

Hi Milind,

QMIT signals are on track for back to back TRIPLE DIGIT years speaking to the long dispersion, ANTI-FRAGILE nature of our EMN spreads in the face of tremendous uncertainty. These are clearly staggering, outlier alphas not seen since the Nasdaq crash years which ought to be monetized while the stars remain aligned for quant equities.

After strong double digit performance in January the ESBs & signals backed off in Feb-March as we saw the bear market rally squeeze the short side of our signals. With the resumption of the sell-off in April we once again saw enormous gains exceeding 20% like in January. 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 in the 1st half of May we saw another dramatic run up in with ValMo hitting 73% YTD. Oversold conditions subsequently led to a sharp short covering rally in the last week due to which the signals backed off from ~20% but ValMo still finished the month up double digits and is now at +60.8% YTD while Sizzling Seven stands at +48% YTD. While more of the alpha once again came from the short side, in May we did see plenty of it from the Long side as well. Indeed, for Long Only investors the ~+6% YTD on ValMo longs is almost ~+19% ahead of SPX ytd.

At the constituent smart beta level, there's green across the board except for ARS where it's clear that earnings surprise worked well on the short side [misses were severely penalized] but not well enough to offset losses on the Longs where as we all know even beats have not led to sustainable bounces for long duration stocks. ART at +11.2% ytd has worked much better than ARS. All Quality ESBs have outperformed significantly with Efficiency in the lead at +47% followed by CSU, Leverage, Profitability, Stability EQ etc. DV & RV above 40% ytd have done extraordinarily well too which is to be expected in a Value based regime but given our Risk On classification of Value that has left the RORO indicator confused YTD and in Risk On territory. 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 with the double alpha - now at +37.5% YTD. Now that momentum has caught up with the Bear market trends, PMOM is at the top of the leaderboard at +50% ytd. Even Reversals are up +15.8% ytd now as this ESB has been able to monetize some of the shorter term mean reversion despite the overriding thematic momentum.

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. If they blink they will lose credibility in their fight against inflation which leads us to believe that the Fed put is now substantially OTM. This should allow for continued 2-way price discovery and for long dispersion factor models to thrive. Such gains will likely be interspersed with painful Bear market rallies like the last week of May but we remain optimistic for 2022 & 2023.

§ Neutral - Daily heatmap YTD as of 2022-05-31:

	DTD Long	DTD Short	DTD Spread	MTD Long	MTD Short	MTD Spread	YTD Long	YTD Short	YTD Spread
Fabulous Fourteen	-0.72%	-2.17%	1.45%	5.91%	-8.64%	11.96%	-1.75%	-38.68%	45.5%
Sizzling Seven	-0.54%	-2.31%	1.77%	4.35%	-9.96%	12.93%	0.83%	-36.99%	48.14%
Famous Five	-0.66%	-2.48%	1.82%	4.3%	-9.93%	11.41%	-0.89%	-39.8%	46.04%
Enterprise Eighteen	-0.7%	-2.38%	1.68%	3.87%	-8.39%	8.66%	-5.73%	-39.18%	37.94%
Q-GARP	-0.86%	-2.01%	1.15%	4.95%	-8.72%	11.16%	-2.33%	-38.53%	43.54%
ValMo	-1.25%	-1.83%	0.58%	6.71%	-9.85%	15.27%	5.97%	-39.62%	60.82%
Value	-0.84%	-1.66%	0.82%	3.18%	-8.3%	10.21%	6.39%	-38.08%	59.77%
QualVal	-1.13%	-1.85%	0.72%	2.35%	-6.89%	6.79%	-5.3%	-37.55%	38.21%
QualMo	-0.85%	-1.62%	0.78%	2.1%	-6.98%	5.9%	-14.17%	-36.95%	23.36%
Quality	-0.99%	-2.21%	1.22%	0.52%	-5.63%	2.77%	-12.32%	-33.96%	20.41%
GrowthMo	-1.0%	-1.24%	0.24%	5.36%	-3.31%	7.75%	-10.7%	-21.28%	9.74%

§ Neutral - Daily heatmap YTD as of 2022-05-31:

	DTD Long	DTD Short	DTD Spread	MTD Long	MTD Short	MTD Spread	YTD Long	YTD Short	YTD Spread
DV	-0.7%	-1.46%	0.76%	4.82%	-6.85%	12.06%	5.16%	-27.99%	41.7%
RV	-0.7%	-1.67%	0.97%	4.47%	-5.42%	7.86%	-0.18%	-33.86%	41.01%
Efficiency	-0.64%	-1.63%	0.99%	1.69%	-4.99%	5.32%	-1.22%	-36.82%	47.16%
Size	-0.68%	-1.09%	0.41%	1.19%	-2.86%	4.29%	-6.47%	-27.83%	29.34%
CSU	-0.92%	-1.55%	0.62%	2.9%	-7.17%	6.94%	-6.55%	-31.03%	23.52%
Profit	-1.17%	-0.75%	-0.42%	4.93%	-1.52%	4.32%	-13.83%	-27.98%	12.57%
Leverage	-1.01%	-2.34%	1.33%	2.16%	-7.32%	7.19%	-14.34%	-37.69%	27.34%
Reversals	-1.39%	-1.77%	0.38%	6.03%	-2.65%	9.57%	-11.17%	-23.0%	15.83%
Growth	-1.14%	-1.19%	0.04%	4.06%	0.2%	3.22%	-3.23%	-16.31%	14.02%
EQ	-1.09%	-1.25%	0.16%	-4.38%	-1.41%	-3.13%	-22.63%	-25.7%	3.81%
ART	-0.89%	-1.98%	1.08%	2.65%	-0.9%	2.32%	-9.01%	-21.31%	11.19%
EnMOM	-1.12%	-0.77%	-0.35%	5.71%	-2.63%	8.08%	-2.4%	-22.21%	23.2%
ARS	-1.11%	-1.25%	0.15%	1.86%	0.2%	0.79%	-16.38%	-13.65%	-5.17%
PMOM	-1.43%	-1.27%	-0.16%	8.57%	-3.3%	9.71%	2.94%	-37.48%	50.17%
Stability	-0.59%	-1.48%	0.89%	-0.61%	-2.19%	-0.72%	-9.06%	-19.53%	6.59%
SIRF	-0.47%	-1.43%	0.96%	1.43%	-0.88%	2.13%	-10.91%	-18.41%	8.24%
Risk	-0.29%	-1.83%	1.55%	0.99%	-2.16%	-2.27%	-1.14%	-28.46%	18.83%
Dividends	-0.39%	-1.22%	0.84%	6.39%	-4.79%	9.87%	7.62%	-25.75%	37.47%
RiskOn	-0.82%	-1.46%	0.64%	3.38%	-3.35%	6.35%	-4.0%	-26.32%	28.19%
RiskOff	-0.91%	-1.43%	0.52%	2.83%	-3.02%	3.92%	-7.71%	-26.44%	19.05%
RORO Spread	0.09%	-0.03%	0.12%	0.55%	-0.33%	2.43%	3.71%	0.12%	9.14%

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.

For prior webinars + research papers please see: <https://www.quantzqmit.com/media>

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 Biotech 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,

Esma Gregor
Head of Business Development
QuantZ Machine Intelligence Technologies (QMIT)
85 Broad St., 28th Floor, New York, NY, 10004

QuantZ - Winner at Battle of the Quants & BattleFin Elite

<https://www.quantzqmit.com>

[Click here to unsubscribe](#)

[QMIT Disclaimers](#)

DISCLAIMERS: QMIT is a data provider and not an investment advisor. This information has been prepared by QMIT for informational purposes only. This information should not be construed as investment, legal and/or tax advice. Additionally, this content is not intended as an offer to sell or a solicitation of any investment product or service. Opinions expressed are based on statistical forecasting from historical data. Past performance does not guarantee future performance. Further, the assumptions and the historical data based used could be erroneous. All results and analyses expressed are merely hypothetical and are NOT guaranteed. Trading securities involves substantial risk. Please consult a qualified investment advisor before risking any capital. The performance results for live portfolios following the screens presented herein may differ from the performance hypotheticals contained in this report for a variety of reasons, including differences related to transaction costs, market impact, fees, as well as differences in the time and price of execution. The performance results for individuals following the strategy could also differ based on differences in treatment of dividends received, including the amount received and whether and when such dividends were reinvested. We do not request personal information in any unsolicited email correspondence from our customers. Any correspondence offering trading advice or unsolicited message asking for personal details should be treated as fraudulent and reported to QMIT. Neither QMIT nor its third-party content providers shall be liable for any errors, inaccuracies or delays in content, or for any actions taken in reliance thereon. QMIT EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, AS TO THE ACCURACY OF ANY THE CONTENT PROVIDED, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSE. Although QMIT make s reasonable efforts to obtain reliable content from third parties, QMIT does not guarantee the accuracy of or endorse the views or opinions given by any third-party content provider. All content herein is owned by QuantZ Machine Intelligence Technologies and/ or its affiliates and protected by United States and international copyright laws. QMIT content may not be reproduced, transmitted or distributed without the prior written consent of QMIT.