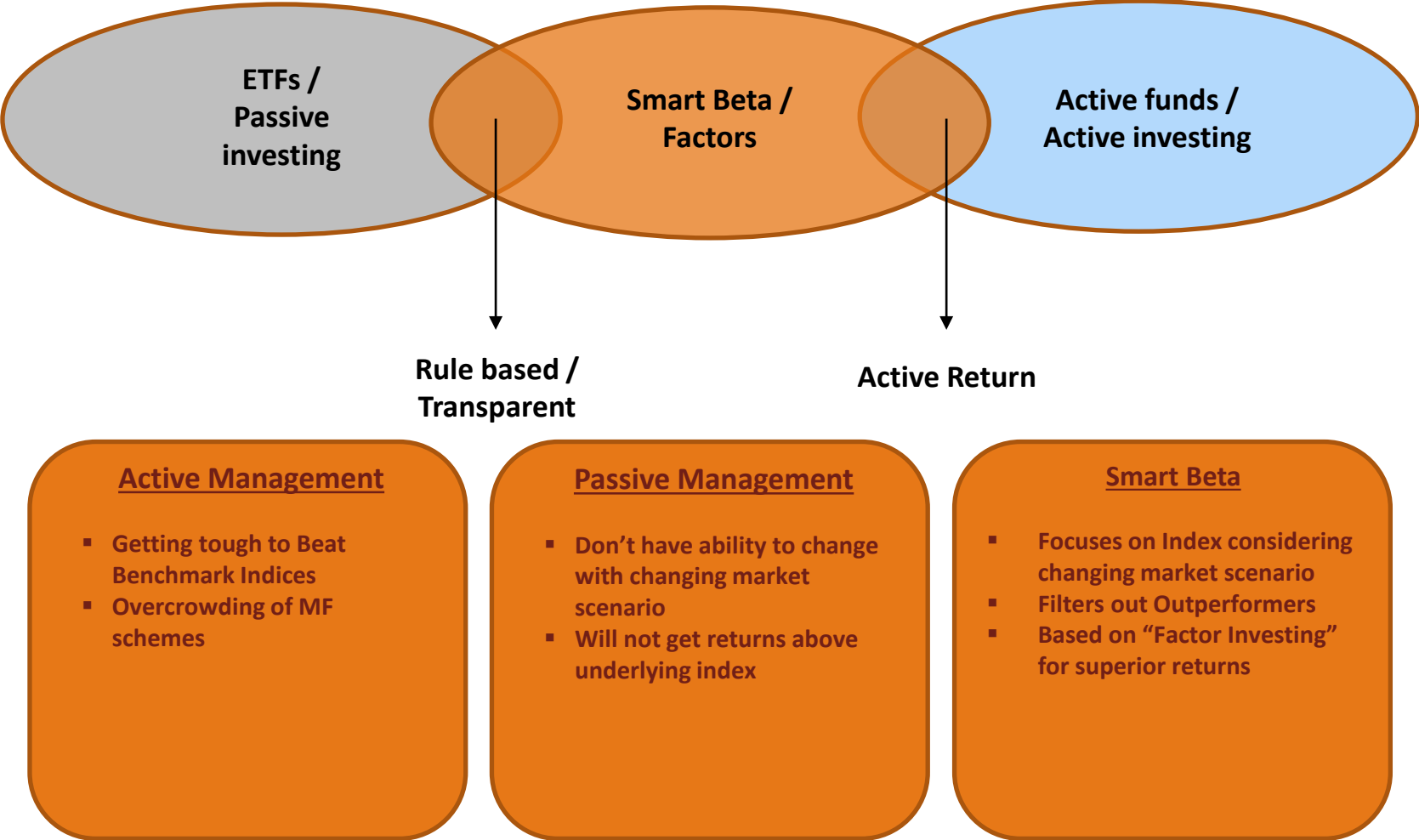


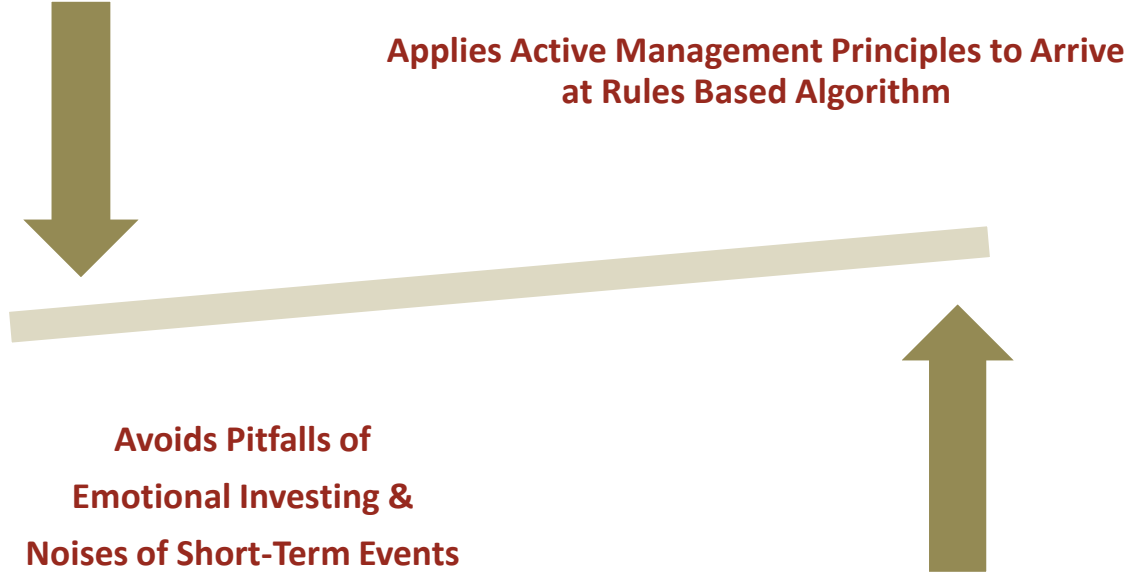
# Isec Momentum Quality Dynamic Advantage Portfolio



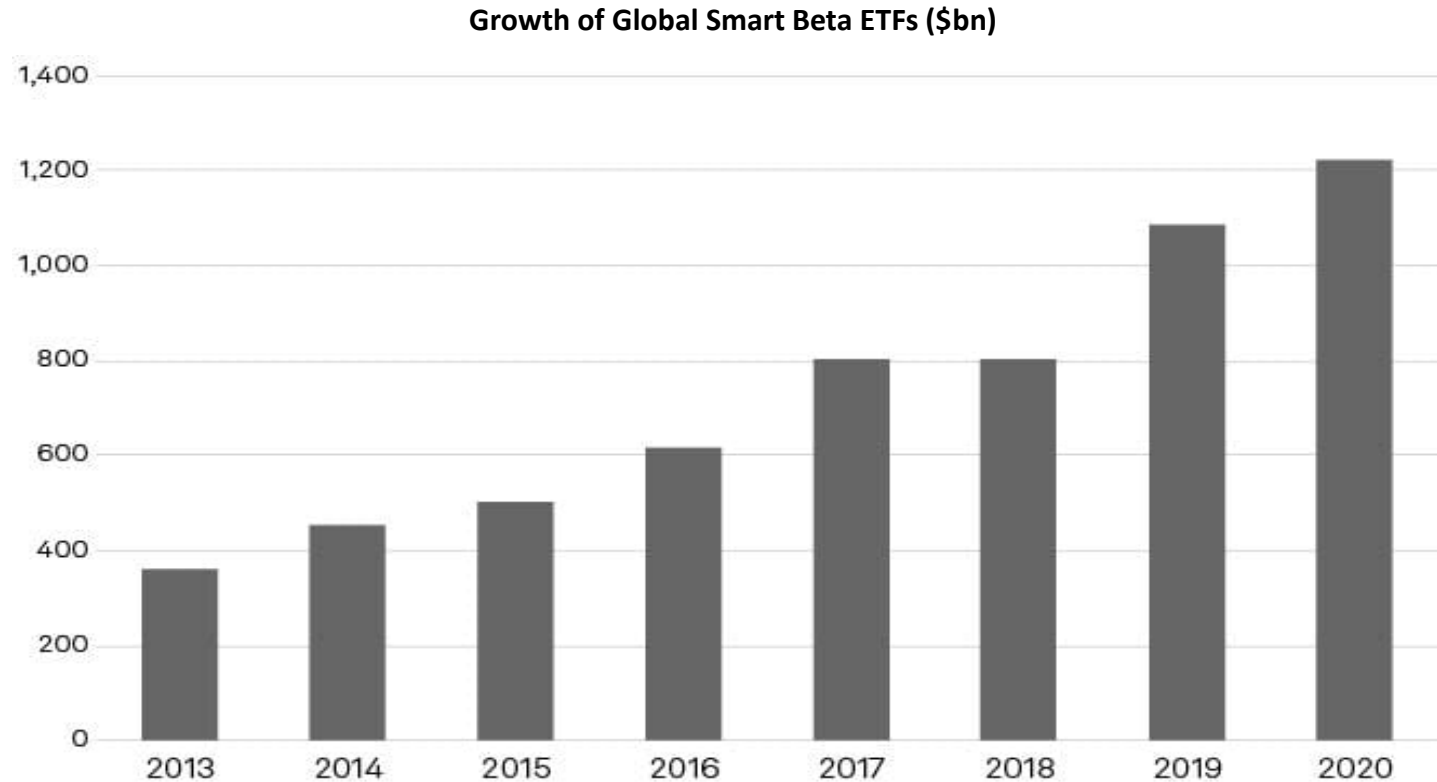
# Smart Beta - A Smart Way of Thinking about Investing



# Smart Beta - A Smart Way of Thinking about Investing



# Smart Beta – Global growth gaining strength



Source: Morningstar

- **Global Smart Beta Equity ETFs have Corpus of \$1.4tn+**
- **From \$280bn in 2012, AUM Growing @20%+ CAGR**



# Returns are maximum in Momentum and Quality

Higher returns seen in  
Momentum & Quality factors

Factor Returns (World vs India)	MSCI (Dollar return)	NSE (Rupee return)
	2001-2020 (CAGR)	2006-2020 (CAGR)
Momentum	9.40%	17.69%
Quality	8.70%	17.63%
Low Size	8.00%	-
Value	7.90%	10.88%
Low Volatility	7.60%	15.98%
Alpha	-	14.81%
MSCI World   Nifty 50	6.60%	12.58%

Along with relatively low correlation

Momentum	1.00				
Quality	0.35	1.00			
Value	-0.30	-0.43	1.00		
Low Volatility	0.36	0.75	-0.29	1.00	
Alpha	0.84	0.39	-0.35	0.38	1.00
Momentum					
Quality					
Value					
Low Volatility					
Alpha					

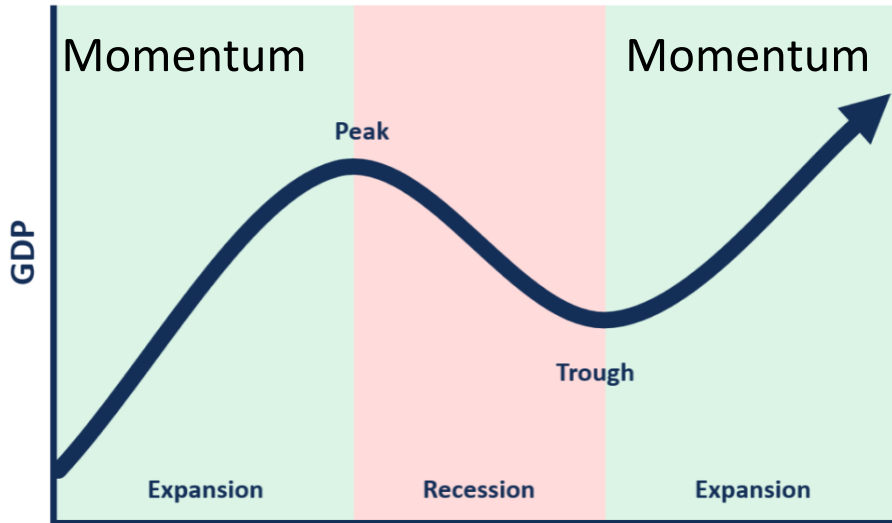


Low correlation and high returns of Momentum and Quality factors help to outperform in both uptrend and downtrend

# Momentum



## Economic Cycle



**Momentum does better in economic expansion cycle**

## How it works ?

**It adapts to changing market conditions and increases the weight to current outperforming sectors**

## Real life Example

**When we decide what to watch we may choose a TV show which has high audience rating.**

**We are also likely to recommend it to our friends which will further increase viewer's rating. Same goes with Momentum in stock prices.**

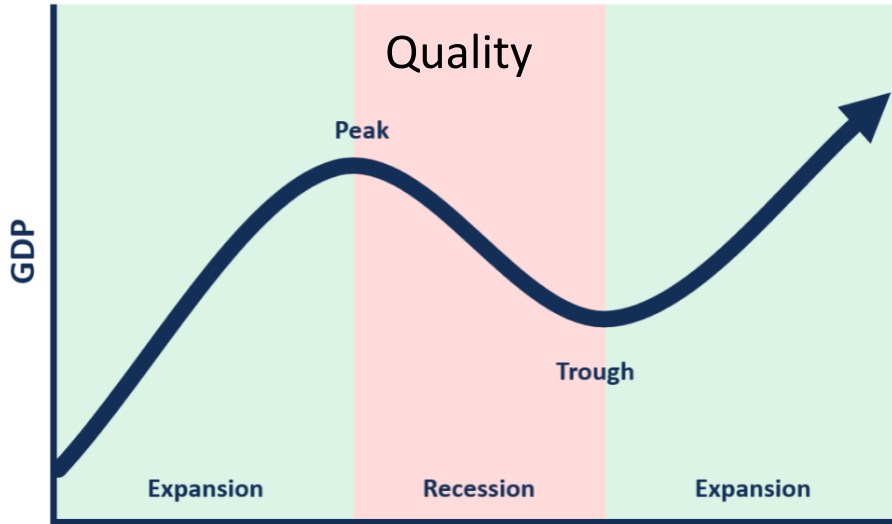
- **Momentum Factor is an Aggressive Play**
- **Performs Best during Expansion Phase of the Economic Cycle**



# Quality



## Economic Cycle



Quality does better in economic downward cycle and in heated up scenario

## How it works ?

Excess returns through stock selection with:

- Higher profitability
- Lower leverage
- Stable earnings

## Real life Example

When we decide to buy new AC for our home, we may look into following quality characteristics for safety reasons:

- Longevity
- Warranty
- Safety ratings

Hence Quality provides longevity and high safety in all market conditions

- All weather stocks
- Outperforms during Downturns in the Economic Cycle and also in the over heated scenario



# Momentum-Quality 30



**MOMENTUM**  
Rising Stocks



**QUALITY**  
Sound Balance Sheet Stocks



**Momentum:** 50% (6 month price momentum) + 50% (1 year price momentum)

**Quality:** 33.33% (higher ROE) + 33.33% (lower D/E) + 33.33% (lower 5-yr EPS growth variability)

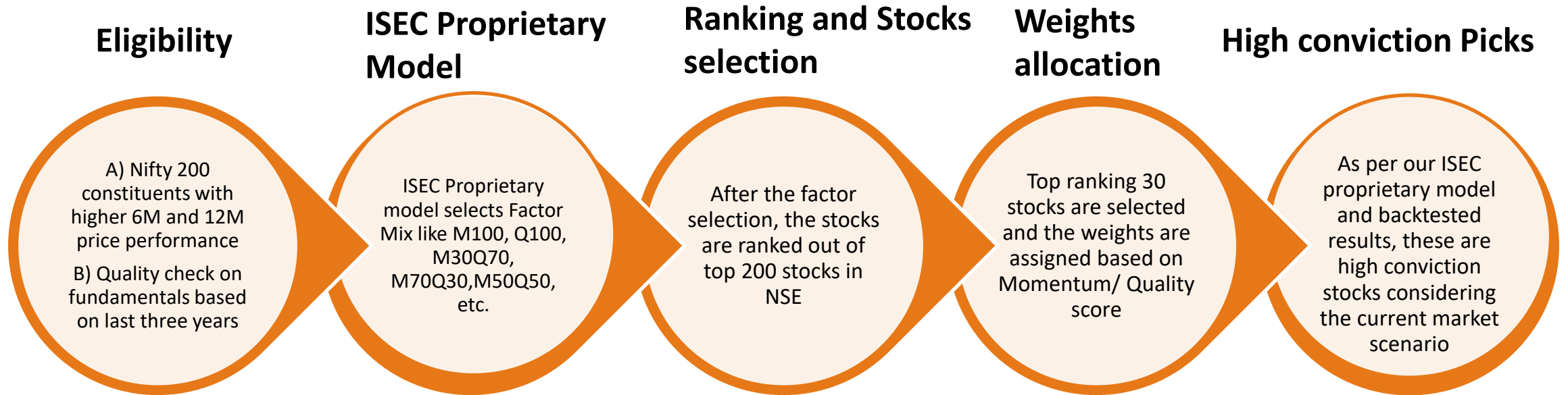




# ISEC Methodology



# Stocks screening process



# Stock filtration and weights allocation

## Momentum

Outperforms in Upside market



## Quality

Outperforms in downside and overheated market

### Parameter

Gain exposure to high momentum stocks across large and mid-cap stocks from Nifty200

Gain exposure to high quality stocks across large and mid-cap stocks from Nifty200

### Data Source

Momentum score is determined based on

50% (6 month price momentum) + 50% (1 year price momentum)

Quality score is determined based on

33.33% (higher ROE) + 33.33% (lower D/E) + 33.33% (lower 5-yr EPS growth variability)

### Condition

Company should have at least 1-year of pricing history

Company should have reported positive PAT in the previous 3 financial years

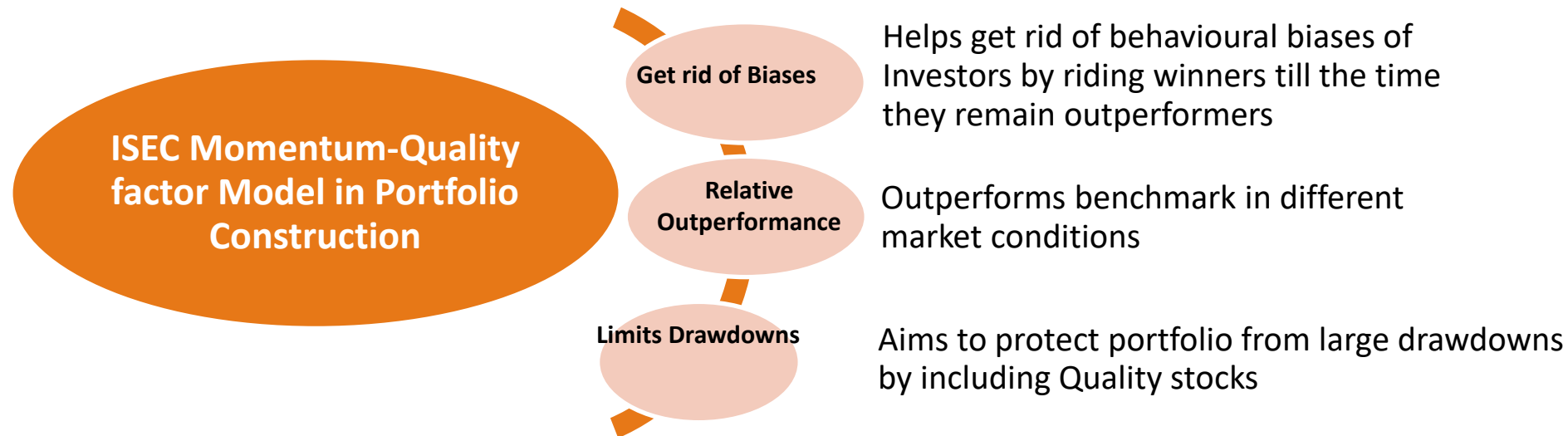
### Weightage

Based on Momentum score

Based on Quality score



# Benefits of ISEC Smart Beta



- **Limits the magnitude of drawdowns in single factor index**
- **Lower Cost despite active factors selection**
- **Reduced unsystematic risk - Exposure to various sectors**
- **Momentum is the best way to OUTPERFORM the benchmark in upward markets**
- **Quality is the best way to OUTPERFORM the benchmark in downward and overheated markets**
- **Stock's weight capped at 5% with 6M rebalancing**



# About ICICI Securities

A Financial Powerhouse

# Fund management team

<p><b>Piyush Garg – Chief Investment Officer</b></p>	<ul style="list-style-type: none"> <li>- Over 23 years of experience in Indian financial markets - Fixed income, Equities and Currencies &amp; US bonds.</li> <li>- Invited as spokesperson in various seminars in India and abroad on Global and domestic macro economics.</li> <li>- Awarded ‘Master Exemplar’ by ICICI Group for 3 consecutive years 2016, 2017 &amp; 2018 for outstanding contribution</li> <li>- Have been successfully managing funds in various asset classes for the last couple of decades with strong macro-economic approach.</li> <li>- Regularly gives his opinion on fund flows, macros, various indices on prime channels like CNBC, ET Now, etc</li> <li>- MBA from IIM Kolkata</li> </ul>
<p><b>Amit Gupta – Fund Manager</b></p>	<ul style="list-style-type: none"> <li>- Have 18 years of experience in Financial markets with Research expertise in Equity, Currency and Commodities.</li> <li>- Won the India’s Best Analyst Award in the year 2012 and 2014 from the erstwhile President of India</li> <li>- Was on the advisory panel of NSE for the launch of new Derivatives products</li> <li>- Have attended seminars as spokesperson across India and abroad for the comprehensive coverage on Equity markets.</li> <li>- Gives his opinion on Equity and Derivatives markets on prime channels like CNBC, ET Now, etc</li> <li>- A Mechanical Engineer and MBA (Finance) from IBS Hyderabad</li> </ul>
<p><b>Tejas Kadam – Fund Manager</b></p>	<ul style="list-style-type: none"> <li>- Over 10 years experience in Quantitative, Smart Beta (Factor), Passive and ESG strategies</li> <li>- Previously worked with Goldman Sachs Asset Management and MSCI (a leading index provider)</li> <li>- An Electronics and Telecommunications Engineer with an MBA (Finance)</li> <li>- Holds the CFA (US) charter since 2015</li> </ul>
<p><b>Vasant Joshi – Portfolio Manager</b></p>	<ul style="list-style-type: none"> <li>- Have rich experience of 14 years in Financial markets with Advisory expertise in Direct Equity.</li> <li>- Managing entire GPC clients of ICICI Bank.</li> <li>- MBA Finance from IMED PUNE.</li> </ul>



# In-house research ecosystem

## People

- 25 Member Fundamental Analyst team
- Won 25+ awards for best research house/analyst

## Coverage

- 300+ Companies under coverage
- Coverage spread evenly between large cap (30%), mid cap (38%) & small cap (32%)

## Differentiated products

- Running equity advised baskets since Sep 2016
- Golden stock basket from large and mid cap space



# ICICI Securities – A Financial Powerhouse



Pioneers of online broking in India – Started in 2000

Leading equity broker in India<sup>1</sup> powered by ICICI Direct



Second largest non - bank mutual fund distributor<sup>2</sup>

One of India's largest private wealth management outfits with AUA of over INR1 tn



Active research coverage of around 300 companies across 16 sectors

Leading investment bank in equity capital market<sup>3</sup>



1. By brokerage revenue: Sources: Investor presentations, Annual reports & Estimates

2. Source: AMFI (in terms of revenue), period: FY18

3. Source: Prime database; for Equity Capital Market (ECM): IPO/FPO/InvIT, QIP/IPP, Rights issue, Offer for sale



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## Disclaimer:

### **Risk Factors & Disclaimers**

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