



Multifactor ETF Portfolio

A smart & dynamic combination of factors

MOMENTUM

Stocks with recent price runs and moderate volatility tend to continue to outperform their peers

QUALITY

Stocks with solid fundamentals tend to deliver strong risk adjusted performance over periods

VALUE

Stocks with relatively lower price multiples tend to mean revert, thereby outperforming their peers

LOW VOLATILITY

Non-glamour but consistent stocks tend to deliver high risk adjusted returns by limiting drawdowns



Why should one invest?



Simple

to look at, with just 4 ETFs in your portfolio at all times



Nifty like risk

aims to outperform Nifty, but without taking excess risk



Rules-based

lets data drive decisions & takes emotions out of investing



Diversified

uses 4 distinct equity factors which react differently to markets



Low churn

costs matter, and the portfolio aims to keep those down

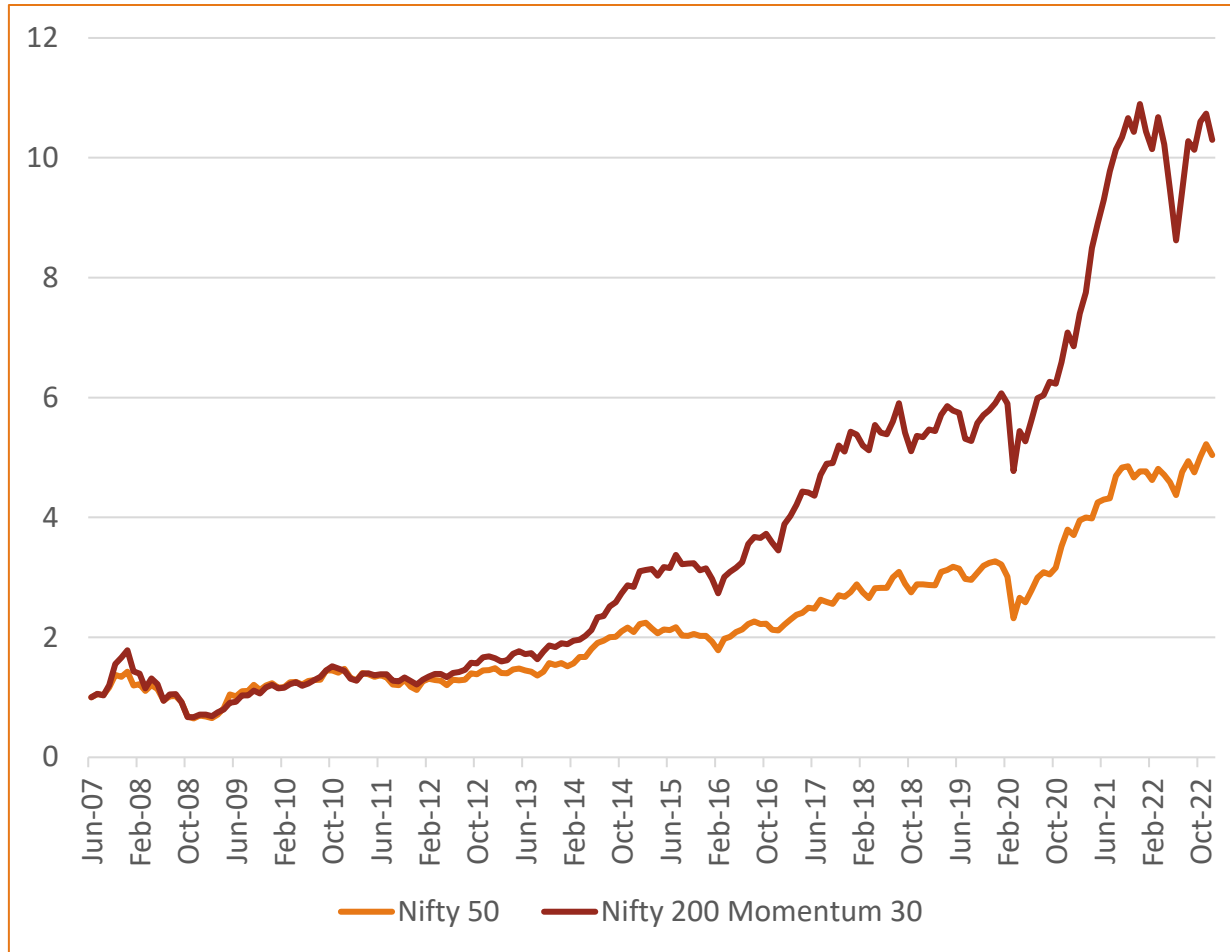


Constantly Improving

keeps evaluating new ETFs & improves model over time



Momentum

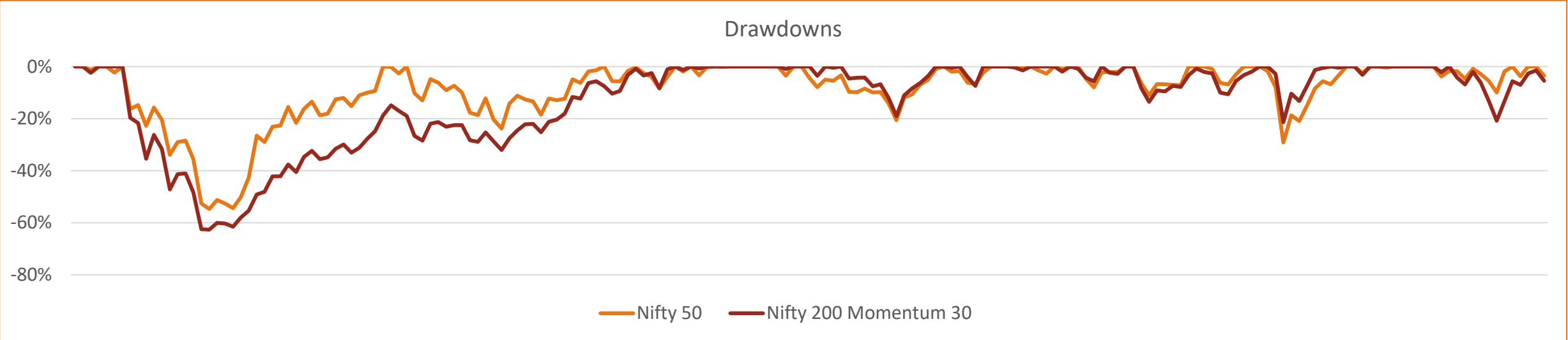


- Over the last ~**15.5 years** (2007-2022),
- **Nifty 50** delivered a CAGR of **11%**
- While Nifty 200 **Momentum 30** delivered a CAGR of ~ **16%**
- Which means a 1 Cr investment grows to **5 Cr** with **Nifty 50**, but **10 Cr** with Nifty 200 **Momentum 30**



Period: Jul 2007 – Dec 2022
Source: NSE, ICICI Securities

The dark side of Momentum



Jan 2008 – Nov 2008		Nov 2021 – Jun 2022	
Nifty 50	Momentum	Nifty 50	Momentum
-55%	-63%	-10%	-21%



Period: Jul 2007 – Dec 2022
 Source: NSE, ICICI Securities

Quality

1 High ROE

2 Low D/E

3 Low Accruals Ratio / Earnings Variability

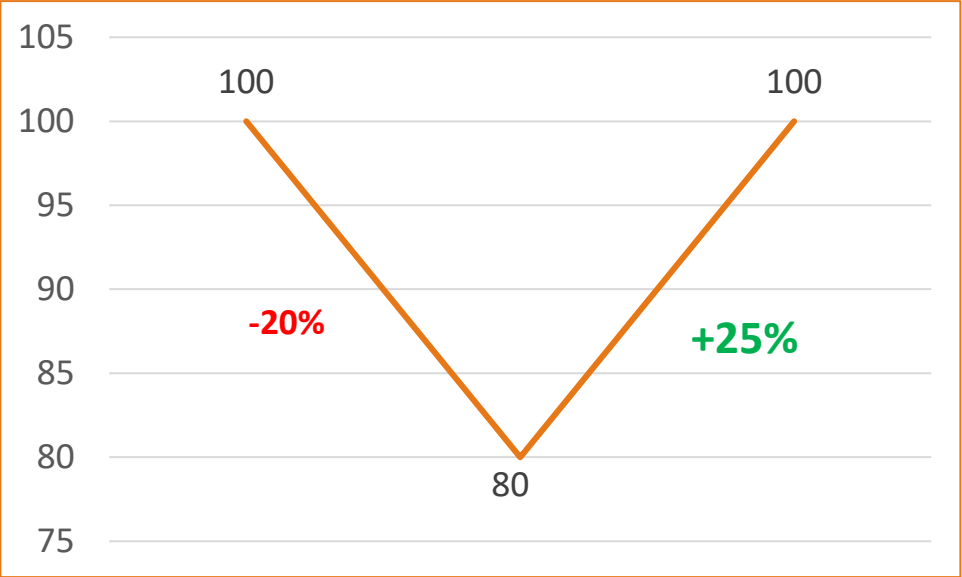
	Nifty 50	S&P BSE Quality Index
Return (%)	11.00	16.32
Risk (%)	21.97	18.99
Return / Risk	0.50	0.86



Period: Jul 2007 – Dec 2022
Source: BSE, ICICI Securities

Low Volatility

It takes less to lose money, and a lot more to make money

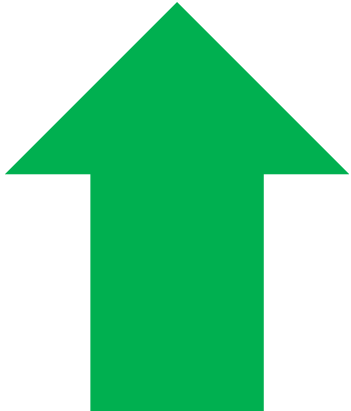


The more you fall, the tougher the ride back..

Fall	Rise needed to recover money
-10	+11
-20	+25
-50	+100
-75	+300

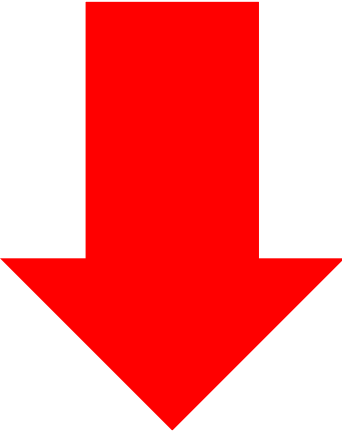


Low Volatility



83%

Up-Capture



68%

Down-Capture

	Nifty 50	S&P BSE Low Volatility Index
Return (%)	11.00	15.66
Risk (%)	21.97	17.50
Return / Risk	0.50	0.90



Period: Jul 2007 – Dec 2022
Source: BSE, ICICI Securities

Value

1 Low P/B

2 Low P/E

3 Low P/S

	Nifty 50	S&P BSE Enhanced Value Index
Return (%)	11.00	11.70
Risk (%)	21.97	32.87
Return / Risk	0.50	0.36



Why include Value?

Value is negatively correlated with other factors

Momentum	1.00			
Quality	0.35	1.00		
Low Volatility	0.30	0.79	1.00	
Value	-0.29	-0.33	-0.46	1.00
	Momentum	Quality	Low Volatility	Value

And delivers positive excess returns, when other factors underperform

- Over the last ~**15.5 years** (2007-2022),
- We have had **30 months**, when all 3 factors – **Momentum, Quality and Low Volatility** have underperformed the Nifty 200.
- Of these 30, **Value** delivered a positive excess return in **23** of these, representing a **77%** diversification efficiency.



Factor holdings

Momentum
Bajaj Auto
TVS Motor
Chola
ITC
Siemens

Quality
Colgate
TCS
Infosys
ITC
Asian Paints

Low Volatility
Colgate
Alkem Labs
Nestle
Cipla
Torrent Pharma

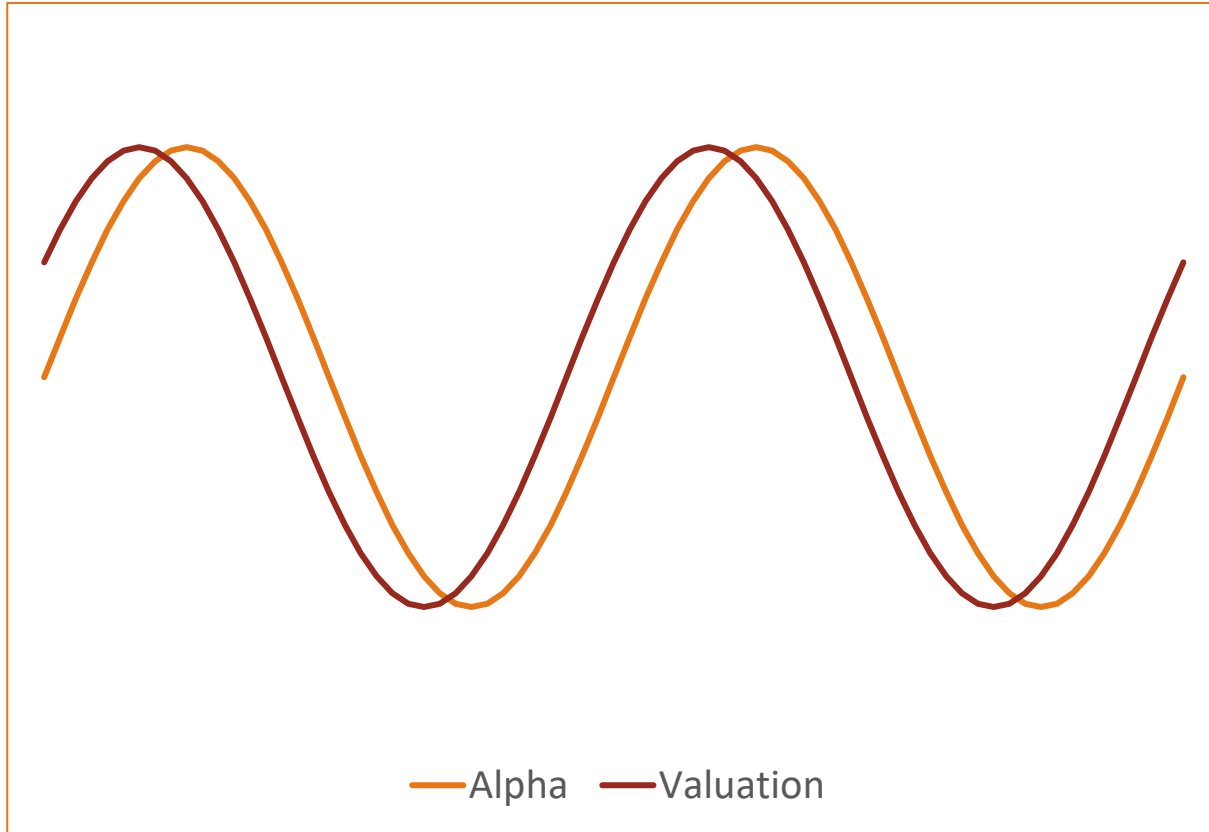
Value
NTPC
Tata Steel
Hindalco
ONGC
Vedanta



As of Jul 2022
 Source: NSE, BSE, ICICI Securities

Putting them all together..

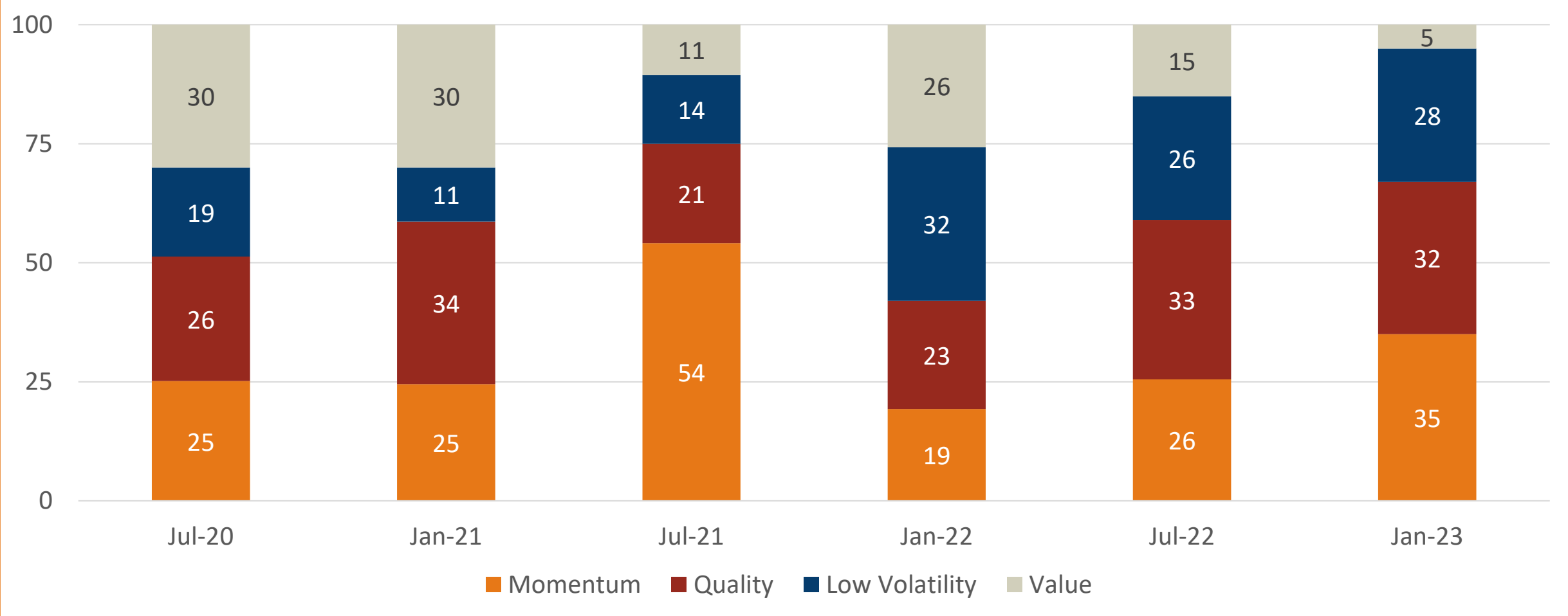
Factor alpha is cyclical



- As any factor outperforms the index, it starts becoming expensive relative to the market.
- As the factor becomes expensive, its expected alpha reduces.
- Likewise, the factor becomes more attractive as its valuation measures reduce.
- The 'timing strategy' relies on assigning weights to factors based on their respective valuation measures.



Historical Allocations



Period: Jul 2020 – Jun 2023
 Source: ICICI Securities

Dynamic allocation with overlays

Representation

All 4 factors represented at all times

Diversification

Maximum weight assigned to any factor = 60%

Dynamic Allocation

Correlations

Maximum weight assigned to Quality + Low
Volatility = 60%

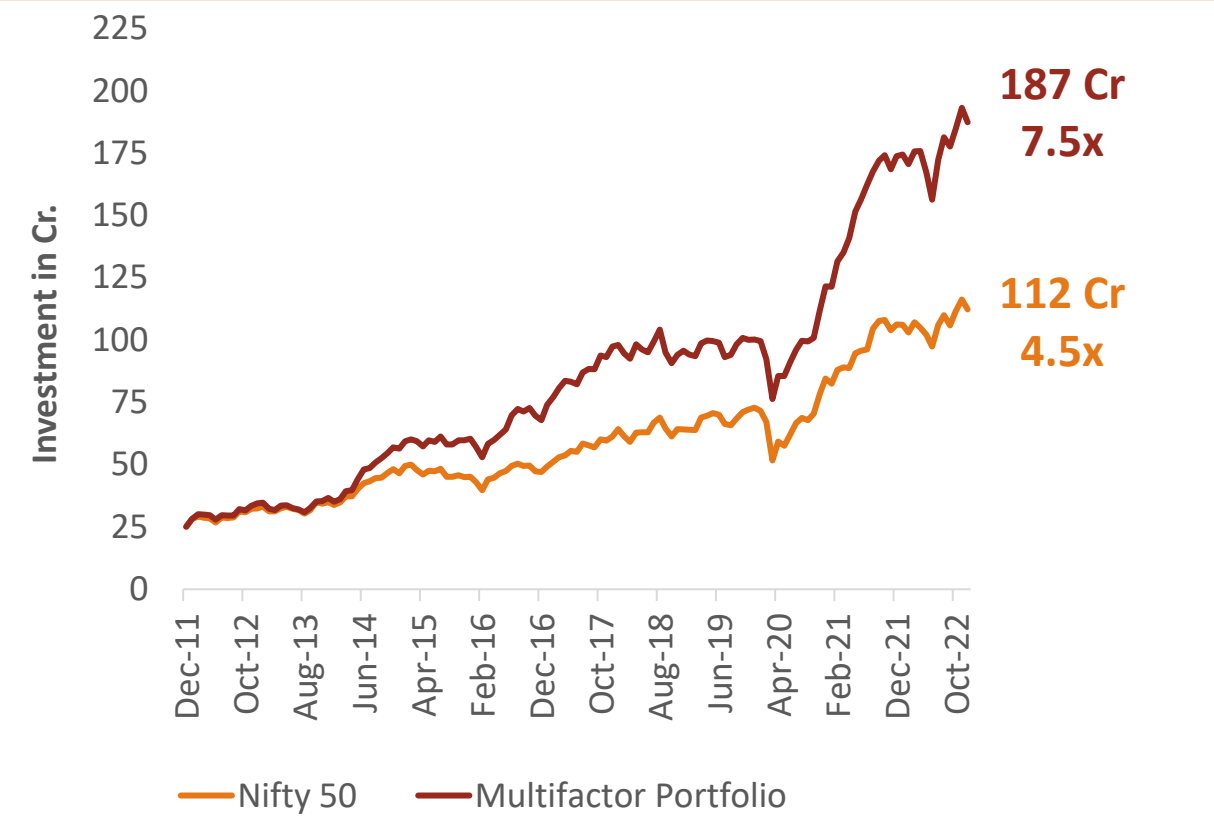
Risk Aware

Maximum weight assigned to Value = 30%

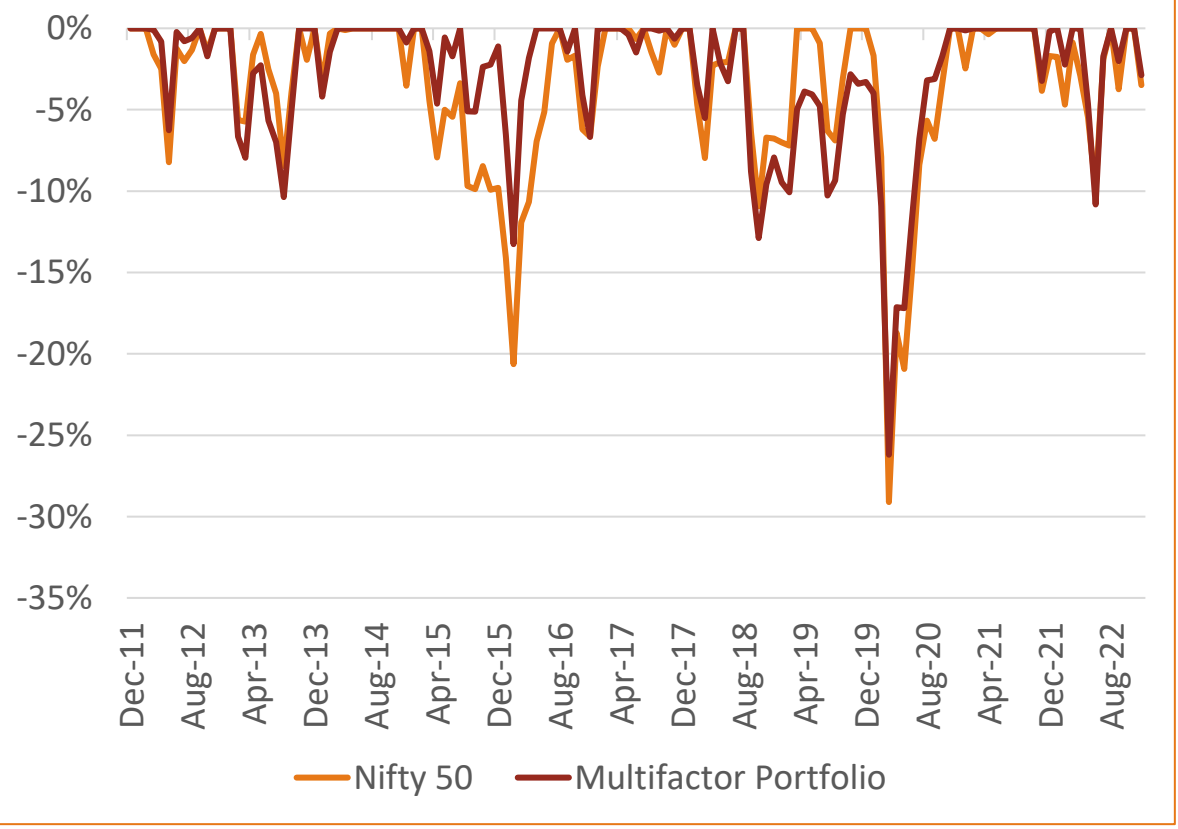


Long-term alpha at manageable risk

Growth of Investment



Manageable Drawdowns



Period: Jan 2012 – Dec 2022
 Source: NSE, ICICI Securities

Rolling Returns

		1 Year	3 Years	5 Years
Probability of outperformance (%)		63	78	~ 100
Outperformance (%)	Max	5.72	15.24	10.20
	Avg	0.39	5.76	5.33
	Min	-5.47	-3.62	1.15



Period: Jan 2012 – Dec 2022
 Source: NSE, ICICI Securities

Appendix



Trailing Performance - Multifactor

	Nifty 50	Multifactor Portfolio	Alpha
Last 1 Yr	5.69	7.86	2.17
Last 2 Yrs	15.21	24.17	8.96
Last 3 Yrs	15.52	23.20	7.68
Last 4 Yrs	15.01	18.29	3.28
Last 5 Yrs	12.85	14.00	1.15
Last 7 Yrs	13.92	17.56	3.65
Last 10 Yrs	13.24	18.49	5.25



As of Dec 2022
Source: NSE, ICICI Securities



About ICICI Securities

A Financial Powerhouse

Fund management team

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



ICICI Securities – A Financial Powerhouse



Pioneers of online broking in India – Started in 2000

Leading equity broker in India¹ powered by ICICI Direct



Second largest non - bank mutual fund distributor²

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 market³



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

Risk Factors & Disclaimers

Disclaimer:

Risk Factors & Disclaimers

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