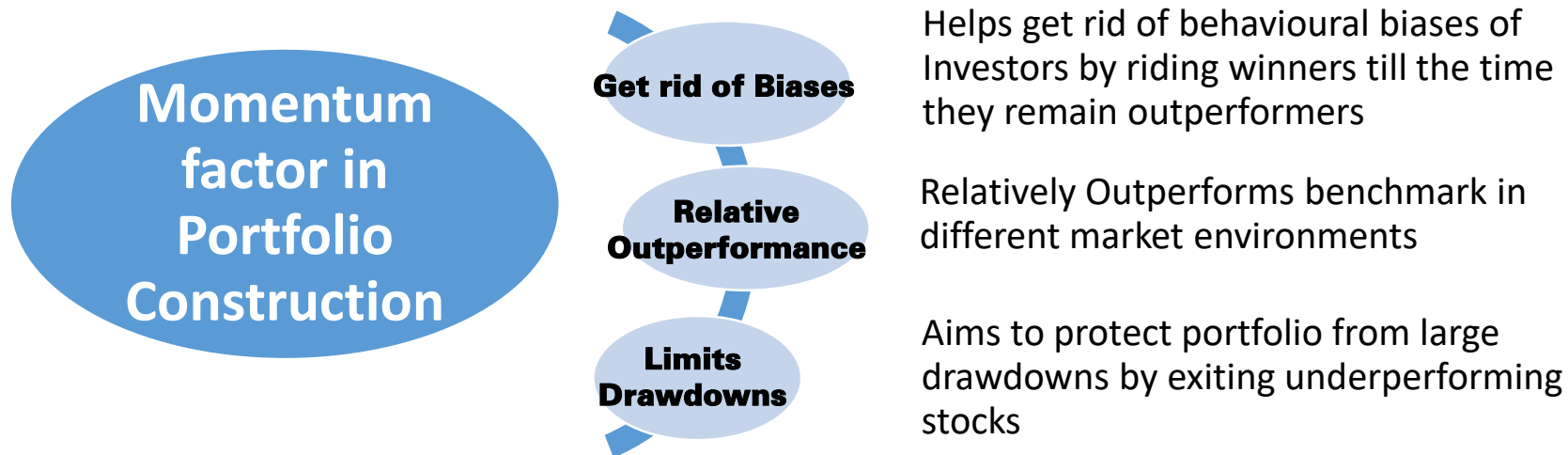

Momentum Smart Beta Portfolio: Largecaps & Midcaps

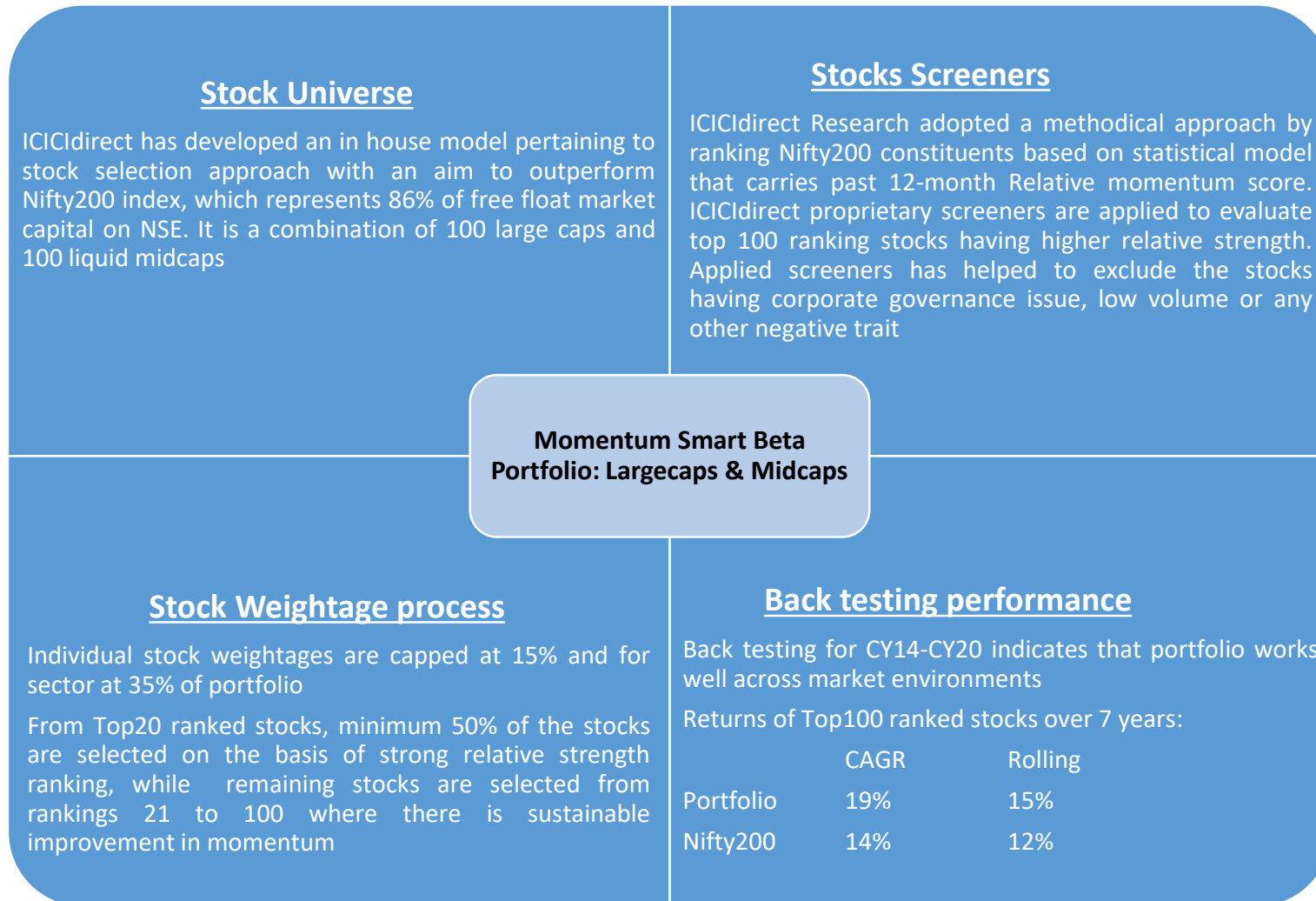
Momentum Investing: Purpose and Rationale

What is Momentum Investing?

- Momentum investing is different from the conventional style where one prefers to buy low and sell higher. As the word suggests, Momentum means going with the market flow.
- This method of investing is anchored on a basic tenet of Technical Analysis that price trends have a tendency to perpetuate over longer periods and investors can benefit from them by staying in sync with market by overcoming personal biases
- In other words, investing in the past winners (outperforming stocks) and getting rid of underperformers is a key premise of Momentum investing which leads to an outperformance of a portfolio against benchmark over a longer time frame
- In Indian context our Back tested Momentum smart beta portfolio: Largecaps & Midcaps has outperformed Nifty200 index over 2014-2020 period at 19% CAGR returns (Top100 basket) against benchmark returns of 14%



Momentum Smart Beta Portfolio: Largecaps & Midcaps Methodology



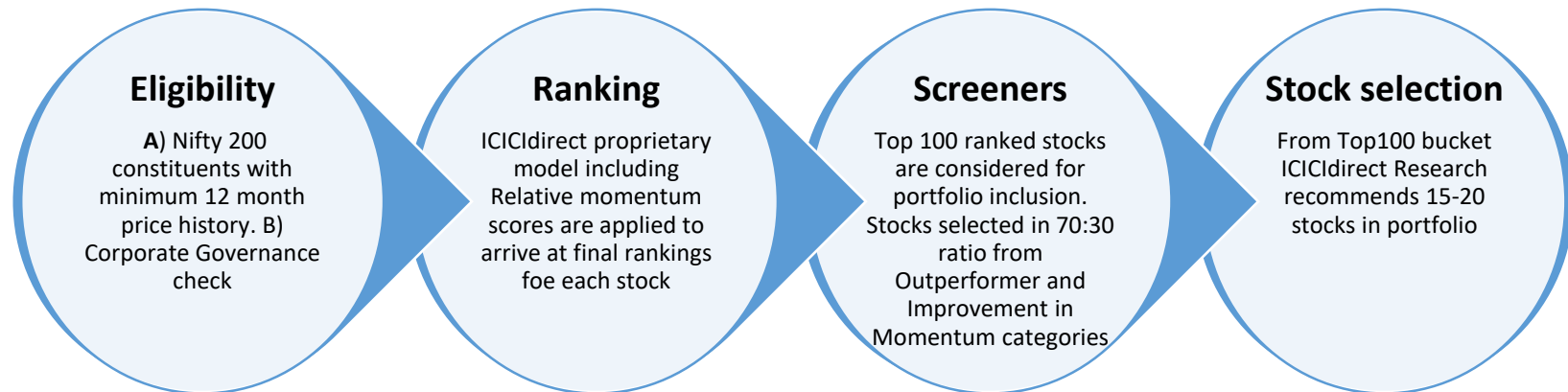
Source: NSE, Company, ICICI Direct Research

Momentum Smart Beta Portfolio: Largecaps & Midcaps

Stock screening process

- Technical analysis is at the core of building our Momentum strategy with key focus on capturing larger directional uptrends in quality stocks to outperform Nifty200 benchmark
- We have deployed rigorous screening process to arrive at our high conviction investment ideas.
- ICICIdirect proprietary model carries out stock ranking based on **a)time tested Trend identification** parameters **b) momentum indicators** **c) price structure behaviour** and **Relative Strength score**
- ICICIdirect proprietary model helps us in removing personal bias in stock selection process. A detailed step-by-step process is explained below:

Stock Screening process



Momentum Smart Beta Portfolio: Largecaps & Midcaps Rebalancing and weightages

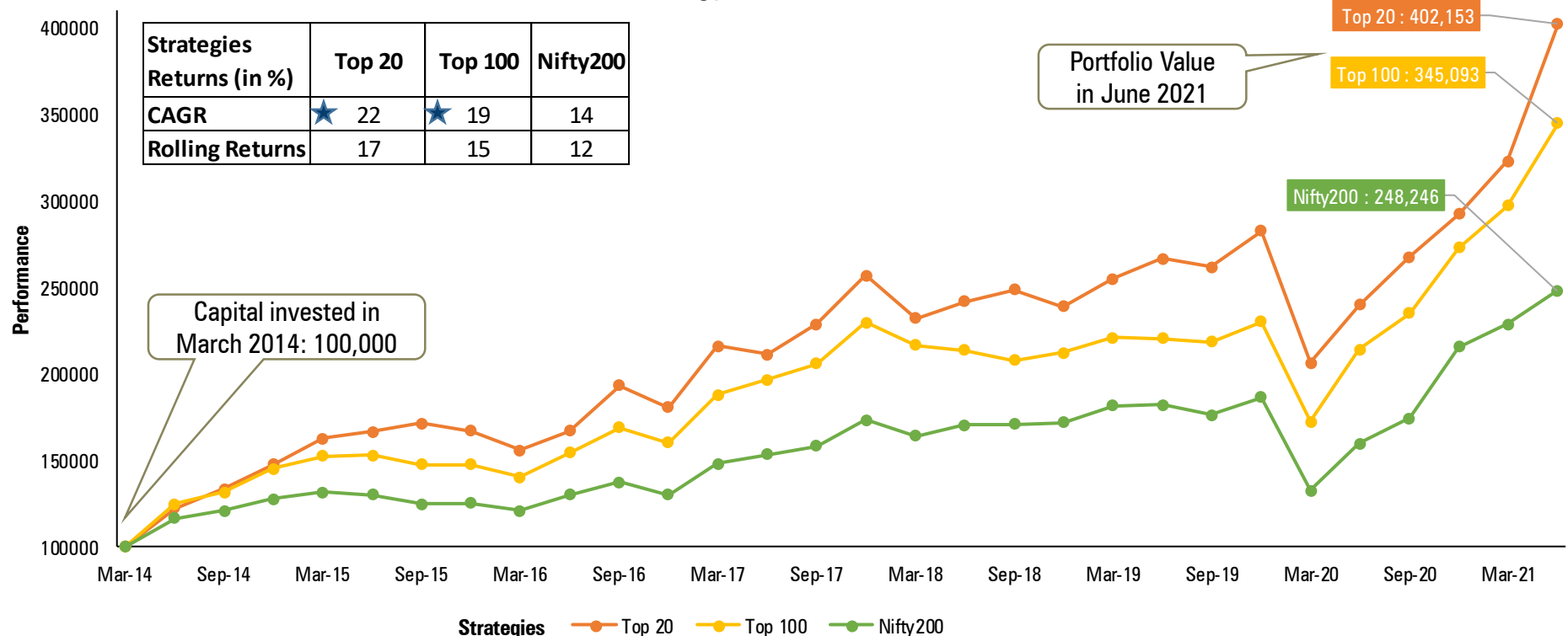
- Stock constituents would be reviewed and rebalanced in the model based on the suggested methodology, at the end of each quarter
- Stocks that go out of Nifty200 index are removed from Momentum Smart Beta Portfolio at the time of review
- ICICIdirect research recommend to apply equal weightages for all the stocks

Momentum Smart Beta Portfolio: Largecaps & Midcaps

Back testing and Return expectations

- ICICIdirect in house model have been back tested over 7 year period of 2014 to date, covering different market environments
- Our portfolio of Top 100 ranked stocks with quarterly rebalancing has outperformed Nifty200 index consistently on relative basis. However one should note that past returns are only for indicative purpose.
- Nifty200 index gained CAGR 14% over seven year period while Momentum Smart Beta Portfolio (Top100 bucket) would have gained 19% CAGR in same period (Returns calculated are prior considering costs and tax implications)

Strategy Performance



Source: NSE, Company, ICICI Direct Research

- Q. What returns can I expect from Momentum Smart Beta Portfolio in down trending or sideways markets?
- A. Momentum strategy also undergoes intermediate periods of underperformance. However strategy is expected to relatively outperform benchmark Nifty 200 Index across market cycles, supported by Back testing data between 2014-2020
- Q. How frequent portfolio is rebalanced? How will I come to know about the same?
- A. ICICIdirect research will recommend to review at end of each quarter. Same will be communicated to you.
- Q. What are the maximum drawdowns can strategy have?
- A. Based on historical back testing of strategy between 2014 to 2020, maximum drawdown was in March 2020 23%, against Nifty200 index correcting 29%
- Q. If few stocks have generated significant returns from entry levels, when will profit be booked ?
- A. Momentum investment approach is aimed at riding the momentum to capture maximum gains. In quarterly review, we will consider taking profits in such stocks if our statistical model warrants the churn
- Q. Do I have to invest in all the stocks recommended by the research or can I partially deviate?
- A. ICICIdirect Research recommends investment in portfolio in recommended weightage to optimize the return, however, investor have full discretion to execute partially or not to replicate weightage or stocks in his/her portfolio

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