

Quality - Smart Beta

High-quality, large cap companies for passive long term investing

Low Risk

Index Value
692.85
CAGR
16.12%

since August 31, 2007

smallcase rationale

This smallcase identifies high-quality businesses that can stand the test of time and fend off their competition.

- This smallcase picks only liquid stocks from the top 150 market cap stocks listed on NSE
- Fundamental criteria like return on equity, debt to equity & accrual ratios are used to build the quality score
- The strategy also looks for earnings variability over the last 5 years to identify consistent performers
- Selected stocks are weighted using a mathematical model that maximizes the return potential while simultaneously reducing volatility

This smallcase is best suited for passive investors who seek to generate market-beating returns for their long-term goals.

Created by **Windmill Capital** SEBI Reg. Number **INH200007645** Subscription Type **Free**

[Invest in this smallcase here](#)

Methodology



Defining the universe

All publicly traded companies on the National Stock Exchange of India are sorted by marketcap. Only the top 150 companies on the basis of marketcap are included in the universe



Research

The Windmill Capital team studies research papers and documented various smart beta algorithms and strategies. Algorithms are then adapted for the Indian markets, with which a criteria for stock screening is finalized



Stock Screening

- Proprietary liquidity filters are applied to remove ill-liquid stocks from the universe
- A special check is applied to remove stocks, where a significant part of the promoter holdings are pledged, to define the investable universe
- The model criteria identified in the previous step is applied on the investable universe to select qualifying stocks



Weighting

Depending on the strategy, Windmill Capital team picks a quantitative weighting scheme to be applied



Historical back-testing

All smart beta smallcases are checked for historical outperformance over more than decade, to ensure that only consistently outperforming strategies are selected



Rebalance

This smallcase has an annual rebalance schedule. Once every undefined, the research team reviews this smallcase and realign the weights with the selected asset allocation strategy for the next undefined.

Ratios

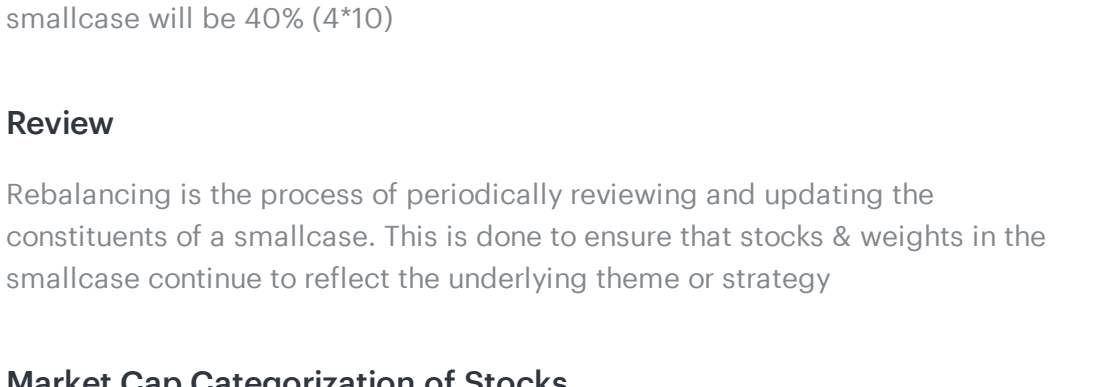
Ratio	smallcase	Equity Large Cap
PE Ratio	31.56	24.24
PB Ratio	8.11	3.25
Sharpe Ratio	1.34	1.11
Dividend Yield (%)	2.34	1.41

Important Fields

Inception Date **August 31, 2007** Launch Date **December 21, 2018** Marketcap Category **Equity Large Cap**

Review Frequency **Annual** Last Reviewed **September 16, 2020** Next Review On **September 16, 2021**

Market Cap Distribution



Past Performance Comparison with Equity Large Cap



Returns over various periods

1M Returns	3M Returns	6M Returns
smallcase 7.4%	smallcase 7.04%	smallcase 21.29%
Equity Lar... 9.61%	Equity Lar... 6.59%	Equity Lar... 26.52%

How to invest

Definitions and Disclosures

Index Value

Index value for all smallcases start from 100 since their inception date and helps investors easily calculate the returns generated since inception or between two specific dates. For example, if the current index value of the smallcase is 150, it means it has generated 50% since its inception. If the index value of a smallcase was 215 last month and the current index value is 245, it means it has generated $(245/215)-1 = 13.9\%$ return in last one month

CAGR

CAGR (compounded annual growth rate) is a useful measure of growth or performance of a portfolio. It represents the growth/return rate that gets you to the current value of the investment, starting from the initial investment value and assuming that investment has been compounding at the fixed growth/return rate for the period.

In simple words, it indicates the annual return generated by the smallcase from the date of inception

Risk Label

Change in value of your investment, due to changing prices of stocks on a daily basis is called the Risk. If the daily change in the investment value of portfolio is too drastic, it means prices of stocks in the portfolio are changing very rapidly. Such portfolios have High Risk.

Every smallcase is categorized into one of the three risk buckets - High Risk, Moderate Risk and Low Risk. This is done by comparing the volatility of the smallcase with market volatility since inception. Investing in High Risk smallcases means that change in your investment values can be very sudden and drastic.

Segment

Stocks/ETFs to a smallcase are categorized under different segments. Weightage of a segment is calculated as sum of weights of all stocks belonging to that segment. Suppose 4 stocks, with each having a weight of 10%, belong to the Food Products segment, then the weight of the Food Product segment in the smallcase will be 40% (4*10)

Review

Rebalancing is the process of periodically reviewing and updating the constituents of a smallcase. This is done to ensure that stocks & weights in the smallcase continue to reflect the underlying theme or strategy

Market Cap Categorization of Stocks

All the stocks listed on NSE(National Stock Exchange) are arranged in decreasing order of Market Cap, so that the stock with the largest market cap gets 1st Rank. Stocks ranked equal to or below 100 are categorized as Large Cap. Stocks ranked below or equal to 250, but ranked above 100 are categorized as Mid Cap stocks. Stocks ranked above 250 are categorized as smallcap

Market Cap Categorization of smallcases

- If the sum of weights of constituent large cap stocks is greater than 50%, then smallcase is categorized as Largecap
- If the sum of weights of constituent mid cap stocks is greater than 50%, then smallcase is categorized as Midcap
- If the sum of weights of constituent small cap stocks is greater than 50%, then smallcase is categorized as Smallcap
- If the sum of weights of constituent large cap stocks is greater than 30%, sum of weights of mid cap stocks are greater than 30%, and sum of weights of large cap and mid cap stocks are greater than 80%, then smallcase is categorized as Large & Midcap
- If the sum of weights of constituent small cap stocks is greater than 30%, sum of weights of mid cap stocks are greater than 30%, and sum of weights of small cap and mid cap stocks are greater than 80%, then smallcase is categorized as Mid & Smallcap
- If none of the above conditions are met, then smallcase is categorized as Multicap
- Marketcap category of a smallcase might be different from the above mentioned, if the creator/manager of the smallcase specifically defines a particular category

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