

# Small Cap Value Model

## INVESTMENT OBJECTIVE

The iQuant.pro Small-Cap Value Model seeks to generate long-term returns in excess of the total return of the Russell 2000 Index, with less down-market volatility than the index.

## INVESTMENT PROCESS

The Small-Cap Value Model represents an equal-weighted portfolio of small-cap value stocks selected from the S&P 600 Small Cap Index.

- Start with the 600 stocks of the S&P 600 Mid-Cap Index.
- Sort the 600 stocks by price-to-book ratio and select the lowest 300 stocks.
- Sort the remaining 300 stocks by the Relative Strength Index (RSI) Index and select the top 250.
- Sort the remaining 250 stocks by Value Momentum and Share Buyback and select the top 50.
- Sort the remaining 50 stocks by Market Capitalization and select the smallest 10.
- *Rebalance every 3 months.*

**Historical model performance does not guarantee future results. The returns presented represent simulated Model returns which are hypothetical, meaning they do not represent actual trading, and, thus, may not reflect material economic and market factors, such as liquidity constraints, that may have had an impact on actual decision making. The hypothetical performance reflects the retroactive application of the Model designed with the full benefit of hindsight, and applied retroactively to 1996.**

Actual performance may result in lower or higher returns than the hypothetical Model performance presented. If actual portfolios had been managed, there can be no guarantee such portfolios would have achieved results similar to those portrayed.

Model returns reflect a 0.50% annual trading expense on total portfolio value – which may be higher or lower than actual trading costs. The Model is rebalanced every 3 months (Feb, May, Aug, Nov). Actual performance will vary from that of investing in the Model because it may not be fully invested at all times. Hypothetical returns for the Model in certain years were significantly higher than the returns of the Russell 2000 Index. It is important to note the Model may underperform in certain years and may produce negative results. The Russell 2000® provides investors with a benchmark for small-sized companies. The index, measures the performance of small-sized companies

Hypothetical Model returns were the result of certain market factors and events which may not be replicated in the future. An investment in this Model should be made with an understanding of the risks involved with owning common stocks, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market. An investment in a portfolio containing equity securities of foreign issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange restrictions impacting foreign issuers. The value of the securities held by the Model may be subject to steep declines or increased volatility or perception of the issuers.

Contact iQUANT.pro at [info@iquant.pro](mailto:info@iquant.pro) more information.

## AVERAGE ANNUAL RETURNS (5/1996-2018)

Timeframe	MODEL	Russell 2000
Inception	32.03	6.27
20 Year	30.90	6.30
15 Year	24.81	6.21
10 Year	26.68	11.04
5 Year	13.97	3.36
3 Year	12.81	4.02
12 Month	0.20	-12.18

## DOWN MARKET PERFORMANCE (Since 5/1996)

Year	MODEL	Russell 2000
1998	23.73	-3.45
2000	125.91	-4.20
2002	55.61	-21.58
2008	-25.30	-34.80
2011	8.59	-5.45
2015	-2.36	-5.71
2018	0.20	-12.18

## ANNUAL RETURNS (5/1996-2018)

	Model	Russell 2000
1996	12.71	4.11
1997	64.50	20.52
1998	23.73	-3.45
1999	32.54	19.62
2000	9.43	-4.20
2001	125.91	1.03
2002	55.61	-21.58
2003	68.56	45.37
2004	50.57	17.00
2005	36.36	3.32
2006	42.99	17.00
2007	25.02	-2.75
2008	-25.30	-34.80
2009	60.68	25.22
2010	42.44	25.31
2011	8.59	-5.45
2012	20.31	14.63
2013	65.64	37.00
2014	27.16	3.53
2015	-2.36	-5.71
2016	53.54	19.48
2017	-0.41	13.14
2018	0.20	-12.18



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## TARGET HOLDINGS\* (selected 11/1/2018)

Target Allocation	Ticker	Name
10.00	ZEUS	OLYMPIC STEEL
10.00	ASRT	ASSERTIO THERAPE
10.00	HWKN	HAWKINS INC
10.00	HVT	HAVERTY FURN
10.00	VRA	VERA BRADLEY
10.00	GFF	GRIFFON
10.00	DXPE	DXP ENTERPRISES
10.00	LION	FIDELITY SOUTHRN
10.00	EXPR	EXPRESS
10.00	CMTL	COMTECH TELECOMM

**THESE ARE NOT THE MOST CURRENT MODEL SELECTIONS. You can receive the most recent holdings as a subscribed member.**

\*The holdings of the Model are determined every three months (Feb, May, Aug, Nov) and are selected on an equal weight basis. Real-time allocations may differ slightly from those indicated above due to the requirement that only whole shares may be purchased.

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**Sharpe ratio** is the average return earned in excess of the risk-free rate per unit of volatility or total risk. **Maximum drawdown (MDD)** is the **maximum** loss from a peak to a trough of a portfolio, before a new peak is attained and is an indicator of downside risk over a specified time period. **Upside and downside capture ratios** measure whether a given fund has outperformed--gained more or lost less than--a broad market benchmark during periods of market strength and weakness, and if so, by how much. **Alpha** gauges the performance of an investment against a market index used as a benchmark. **Beta** measures the volatility of an investment compared to the market as a whole. **Correlation**, measures the degree to which two securities move in relation to each other.

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## RISK & VOLATILITY MEASUREMENTS (5/1996-2018)

### Risk Statistics

	MODEL	Russell 2000
Sharpe Ratio	1.07	0.30
Max drawdown	-63.23	-54.08
Up Capture (vs SP500)	1.58	1.08
Down Capture (vs SP500)	0.66	1.23
Alpha (vs SP500)	20.85	-2.48
Beta (vs SP500)	1.09	1.08
Correlation (vs SP500)	0.59	0.82

### Win Rates

	MODEL	Russell 2000
Winning months	183	164
Losing months	89	108
Win rate	67.28%	60.29%
Winning quarters	67	58
Losing quarters	23	32
Win rate	74.44%	64.44%
Winning years	19	14
Losing years	3	8
Win rate	86.36%	63.64%

