

Energy Trading Strategy Writeup

Techbulls

Summary

This investment strategy focuses on investing in the energy sector using a combination of financial metrics to identify a select amount (no greater than 10) of securities. The historical performance of our Energy Trading Strategy has significantly outperformed the S&P 500 and the benchmark of the energy index. Our proposal is investing \$40k into the school fund, which will be funded by selling SPY

Backtesting & Idea

The proposed energy trading strategy utilizes a rigorous backtesting methodology through the Bloomberg EQBT function with the following criteria below:

Rebalance frequency – Annually

Weighting – Equal

Sector - Energy

Number of positions – 5 (Max 10)

Minimum stock market cap – 300M

CapEx to Sales – Max 15%

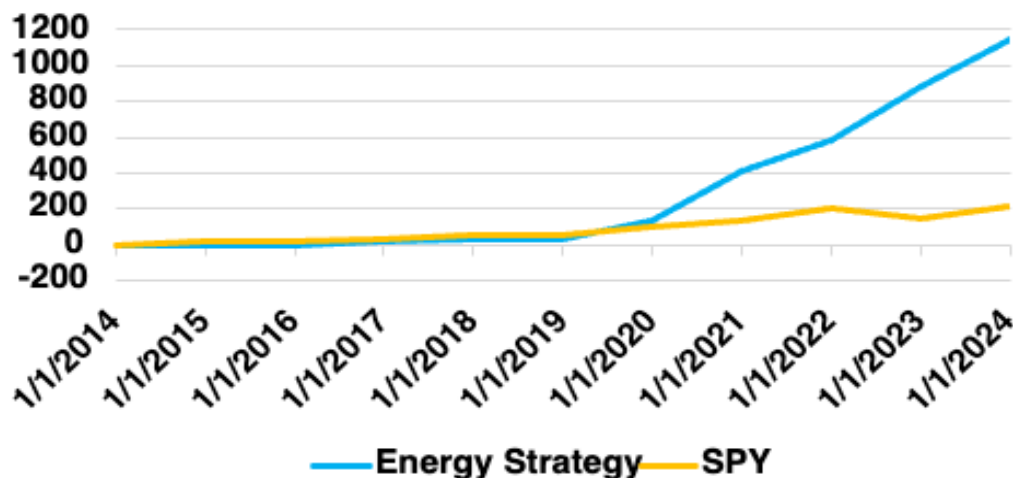
Latest Q Revenue Sequential Growth > Latest FY Revenue Sequential Growth

Free Cash Flow > 0

Top 10 Rank EPS – higher is better

The energy sector is ridden with debt and extreme costs due to the high cost of infrastructure and development required. Because of this factor such as Free Cash Flows > 0 and capital expenditure not exceeding 15% of sales to ensure healthy companies were being chosen. Growth factors were then looked at in this case being the latest quarter's revenue growth % > last year's revenue growth %. This then captures market momentum and positive market sentiment. To end, after all of the previous factors are accounted for only the top 10 companies when looking at EPS are taken. This strategy yields above-market performance at 1150% over 10 years.

10 Year Performance



Proposed Securities

NuStar Energy (NS) — Midstream (Oil & Gas)

Involved in the transportation and storage of crude oil and refined products
Manages pipelines, terminals, and storage facilities



Hess Midstream (HESM) — Midstream (Oil & Gas)

Focuses on the transportation and storage of oil and gas
Bridges the gap between production and refining segments



NGL Energy Partners (NGL) — Midstream & Downstream (Oil & Gas)

Involved in storing, marketing, and transporting oil and refined products within
midstream and downstream segments.



Baker Hughes (BKR) — Oilfield Services

Oilfield services, technology, and systems.
Offers solutions across the entire oil and gas value chain.

