

MIDS Trading Strategy

Bulls

Summary

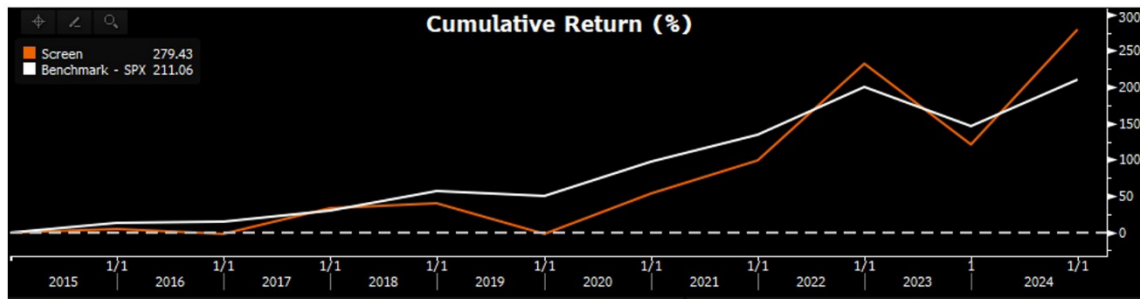
This investment strategy focuses on investing in stocks with a market cap of less than \$5B to target the top deciles with the highest returns. The historical performance over the next 10 years is projected to have a return of 23%. Our recommendation is to invest \$8k (split evenly between the two stocks) and sell the lowest-performing stocks within Davidson Fund.

Backtesting & Idea

The proposed mid-market cap of less than \$5B utilizes a rigorous backtesting methodology through the Bloomberg EQBT function with the following criteria below:

- Rebalance Frequency – Annually
- Sectors – Consumer Staples and Real Estate
- Number of Positions – 2
- Market Cap – \$5B
- Net Debt/EBITA – Between 0-1
- Operating Margin - > 0
- Quarterly Rev Growth YoY – Top 4 Deciles
- PEG Ratio – Between 0.5 – 0.99
- Weighting – Equal
- Number of Years Backtested – 10

By using the backtesting method through Bloomberg, our focus was to focus on the top-performing midcap stocks to invest in for the long term. Within the equity screening details of filtering with US exchanges, market cap <\$5B, Net Debt/EBITA between 0-1, Operating margin >0, quarterly revenue growth YoY between 0.5-0.99, and PEG ratio between 0.5-0.99 we had two overperforming stocks. Through testing this backtesting method for multiple years, the strategy consistently produced less than 4 stocks every year that were outperforming the market. This backtesting predicted cumulative returns of 279.43% over one year, 287.15% over 5 years, and 1576.74% over the next 20 years. Selling the KBWB and INMB will give more than \$8k to fund the new investments. The remaining \$1,200 will be invested equally into the two new stocks or into other stocks in the Davidson Fund.



Annualized	Return	α^*	β^*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	279.43%	6.70	1.14	36.79%	0.53	0.17	25.99%	0.19	10.74%
1 Year	45.71%	26.47	1.45	45.00%	1.23	0.38	27.18%	0.69	16.86%
10 Year SPY	211.06%	0.00	1.00	15.00%	0.7	0.00	13.03%	0.00	0.00
1 Year SPY	24.15%	0.00	1.00	12.67	1.58	0.00	8.96%	0.00	0.00

Proposed Securities

Buy:

Inter Parfums (IPAR)— Consumer Staples (perfumes and cosmetics)

Together with its subsidiaries, it manufactures, markets, and distributes a range of fragrances in the United States and internationally. Currently priced at \$141.17 per share, invested 29 shares, total value \$4k .



Innovative Industries (IIPR) — Industry (cannabis industry)

Focused on acquisition, ownership, and management of specialized properties leased to experienced, state-licensed operators for their regulated cannabis facilities. Currently priced at \$95.14 per share, invested 42 shares, total value \$4k.



Sell:

Invesco KBW Bank (KBWB) – Financial

The annual report is shown below in blue. With 90% of its total assets in the securities, it comprises the underlying index. The underlying index is a modified-market capitalization-weighted index of companies primarily engaged in U.S. banking activities.



INmune Bio, Inc. (INMB)— Healthcare

The annual INMB performance compared to the SPY is shown below in orange. This clinical-stage immunology company focuses on reprogramming the patient’s innate immune system to treat cancer and neurodegenerative diseases. Recently, the shares have fallen 12% after first-quarter projections for both sales and profits came well short of Wall Street estimates.



Performance Compared to SPY

