The Top-20

Zachary Lampkin, Robert Garaishin, Jerry Speicher

Feb 28th 2024

Summary

Idea – *Investing in stocks with earnings growth, sales growth, and return on equity in the top 20% of US equity market*

Strategy – *Targeting top 20% of stocks to identify a growth strategy*

Historical Performance – *Outperformed market by 183% over 10 years*

Recommendation – *Buy $50k, School Fund*

What to Sell – *SPY*

Effect on Portfolio – *Increases expected returns, while keeping Beta relatively the same*

Equity Screening Details

CRITERIA	SCREENING FILTERS	# OF COMPANIES
# OF STOCKS	N/A	540,387
EXCHANGES	NYSE National, NASDAQ GM, NASDAQ GS	10,222
MARKET CAP	>= 500 MILLION	2,338
QUARTERLY BASIS EPS - 5Y AVG	Top 20 Sequential Percentile Rank	230
QUARTERLY REV GROWTH YoY	Top 20 Sequential Percentile Rank	46
RETURN ON COMMON EQUITY	Top 20 Sequential Percentile Rank	10
PEG RATIO	<= 2	8
WEIGHTING	Equal	-
REBALANCING	Semi-annually	-
BACKTESTING TIME FRAME	10,5,1 Year(s)	-
MIN MONTHLY TRADING VOLUME	N/A	-

Strategy Details

Backtesting Method – *Bloomberg EQBT*

Rebalance frequency – *Semi-annually*

Number of positions – *N/A*

Number of years backtested – *20,10,5,1 year(s)*

Minimum stock market cap – *500M*

Weighting – *Equal*

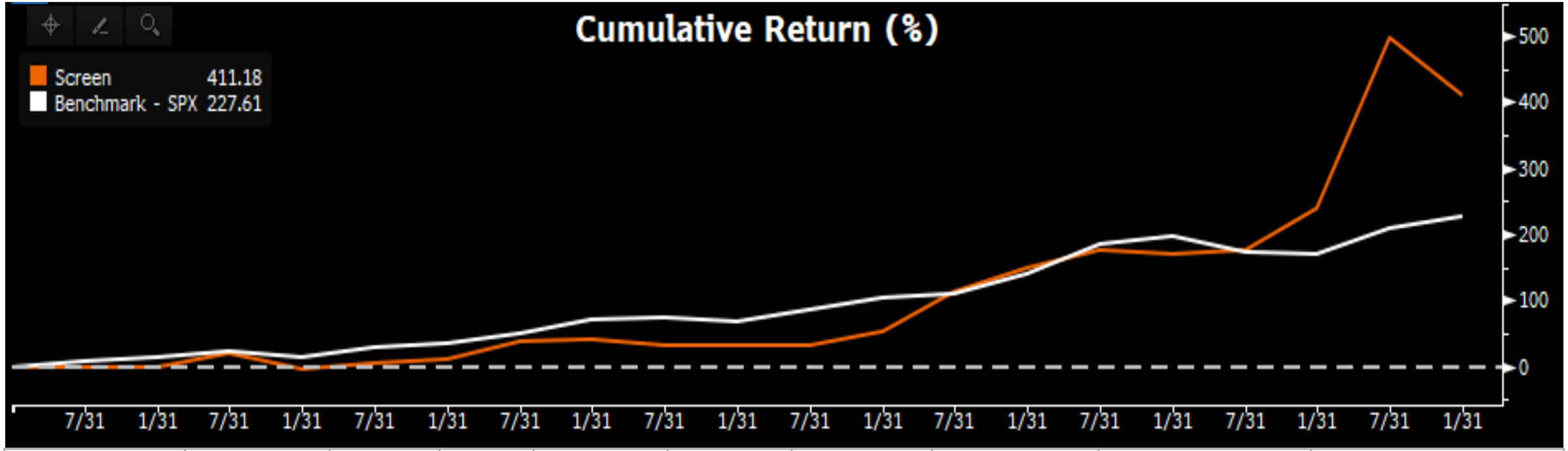
Type of stock – *Common Stock*

Exchange listings included/excluded – *NYSE, NASDAQ GS, NASDAQ GM*

Backtesting Results - Characteristics

10-Year Analysis	Mean	Min	25%	Median	75%	Max
Market Cap ($Millions)	250,691.0	1,990.0	2,760.0	3,955.0	12,297.5	1,970,000
P/E Ratio	35.2	11.6	14.8	16.2	57.0	110.88
Monthly Trading Volume* ($Millions)	5.27M	112.62K	164.07K	496.0K	876.04K	38.92M
Share Price*	*	*	*	*	*	*

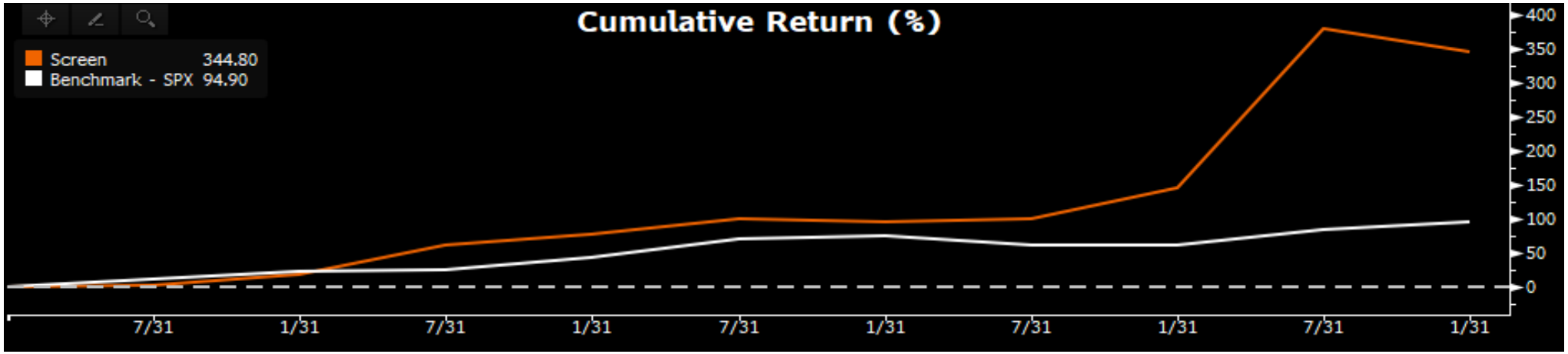
Backtesting Results - Performance



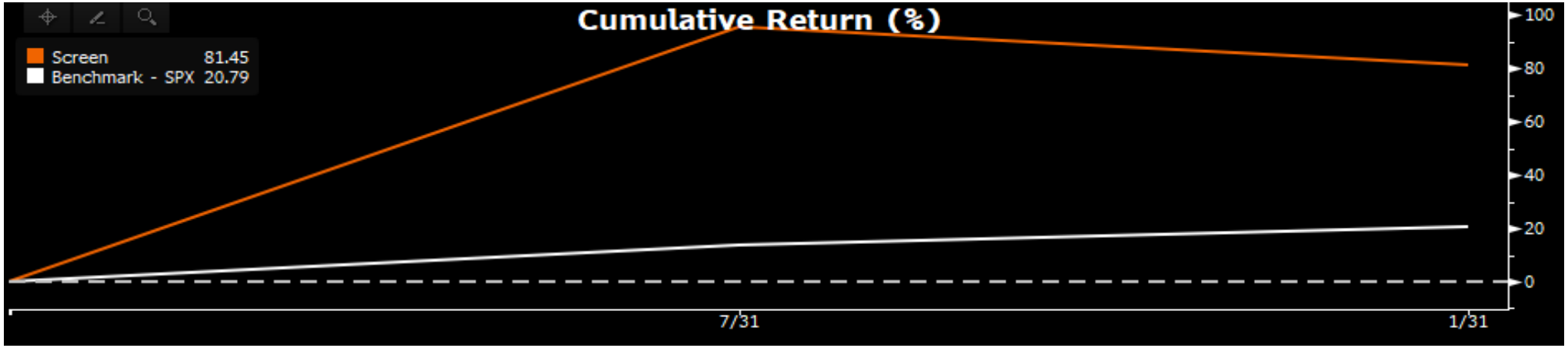
Annualized	Return	α*	β*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	411.18%	6.52	1.10	27.20%	0.77	0.37	42.26%	0.36	8.74%
1 Year	81.45%	61.96	1.43	31.25%	2.73	0.54	20.45%	2.16	5.8%
10 Year SPY	227.18%	0.00	1.00	18.22%	0.77	0.00	(15.05%)	0.00	0.00
1 Year SPY	20.75%	0.00	1.00	13.48%	1.64	0.00	(4.52%)	0.00	0.00

Backtesting Results - Performance

5 Year Strategy Backtest: 2019-2024



20 Year Strategy Backtest: 2004-2024



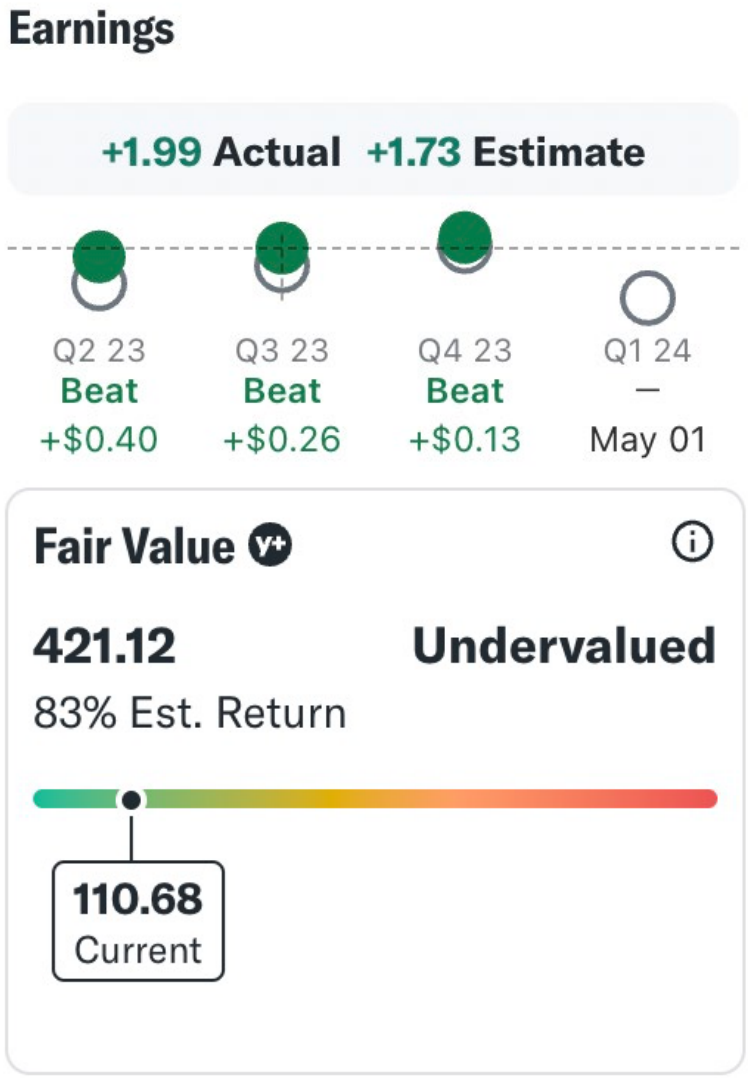
Recommended Purchases

Name	Ticker	P/E Ratio	Monthly Trading Volume ($M)	Market Cap ($M)	Share Price	# of Shares	Total Value
Axcelis Tech	ACLS	14.8	613.46K	3.58B	109.7	57	6252.90
Goosehead	GSHD	110.9	378.53K	2.82B	74.29	85	6314.65
H&E Equipment	HEES	11.6	126.42K	1.99B	54.52	115	6269.80
Herc Holdings	HRI	15.8	112.62K	4.33B	153.01	41	6273.41
Interdigital	IDCC	14.8	277K	2.74B	108	58	6264.00
Lamb Weston	LW	16.5	900.44K	14.56B	100.82	63	6350.40
Nvidia Corp	NVDA	65.3	38.92M	1.97T	787.01	8	6296.08
Valvoline	VVV	32.3	802.84K	5.51B	42.5	148	6290.00

Earnings

- 5 out of 8 recommended stocks have outperformed EPS forecasts over each of the last 3 quarters
- All 8 securities have positive 12-month forecasts
- 4 out of 8 stocks prices are currently considered "undervalued"

***Via Yahoo Finance Plus**



Analyst Forecasts

- 7 of the 8 securities considered "strong to moderate buy"
- HRI only security with a "hold" rating

HRI:

LW:

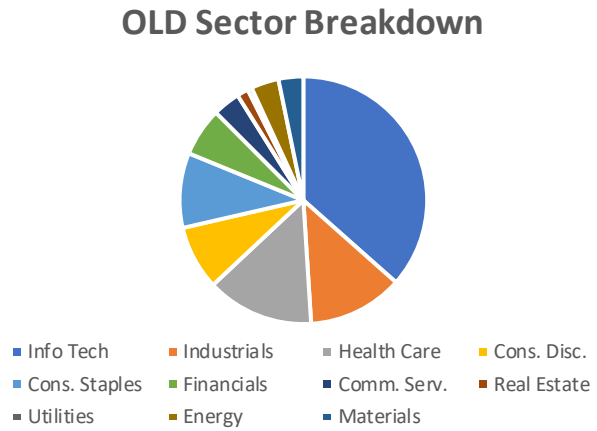
NVDA:

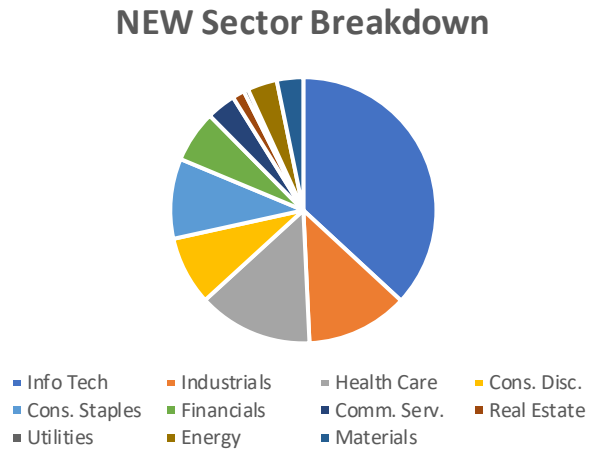
***Ratings given to each security in the past 3 months**

Effect on the Portfolio

	Existing Portfolio	New Portfolio
Beta	1.26	1.43
SML	1.0	1.0
HMB	0.9	0.9
Standard Deviation	16.5%	31.25%
Expected Return	23.4%	81.45%
Idiosyncratic Risk	0.4%	5.8%

***CapIQ data tables had incorrect references so "new portfolio" are 1 year metrics on just our trading strategy (we can get this information once the excel sheet is fixed)**





Recap

Idea – *Investing in stocks with earnings growth, sales growth, and return on equity in the top 20% of US equity market*

Strategy – *Targeting top 20% of stocks to identify a growth strategy*

Historical Performance – *Outperformed market by 183% over 10 years*

Recommendation – *Buy $50k, School Fund*

What to Sell – *SPY*

Effect on Portfolio – *Increases expected returns, while keeping Beta relatively the same*