QAV Analytics

Undertaken by Ryan Faehrmann

Analysis Undertaken

- Is a QAV score of 0.10 optimal?
  - Compare Buying Top Down from the Buy List with Buying Bottom Up
    - Also compared with a Top Down >=500k ADT portfolio

- During this analysis it became apparent that there were a large number of Rule 1 Sells.
  - Should Rule 1 be changed from 10% < Buy price to 20%?

Methodology

- Buy lists available from August 2020 (3 years worth)
- 10 stock portfolios constructed by buying from the Top down and bottom up
- 6 Different starting dates were used ranging from 6/8/2020 to 19/7/2021
- Additionally, a >500k ADT Top Down portfolio was also constructed for the same 6 start dates.
- Each purchase started at $100k

Methodology

- Stocks were purchased after confirming they were a Buy (and not a Josephine) with the Brettalator and if a commodity stock, that the underlying commodity was a buy.
- A Minimum ADT of $10k was used as a filter
- Use the Brettalator over time to check for 3PTL Sells
  - Check for pending dividends and adjust
- Check for Commodity Sells
- Check for Rule 1 Sells
- Check ASX Graph for Sells during month
- Find the nearest Buy list to the Sell date and Buy a replacement stock

Findings

- Buying from the Buy List Bottom up generated slightly better returns:
  - Bottom Up RRI 19.45%
  - Top Down RRI 18.51%
- I consider these too close to suggest a bias or to favour setting the QAV cutoff score at 0.20
- Although, a .20 trial dummy portfolio is outperforming for the last 3 months

Findings

- Across the 120 stocks in 12 portfolios, there were:
  - 116 Rule 1 Consecutive Sells at 10% stop loss. Vs
  - 10 using 20%
    - 545 10% rule 1 sells versus 366 at 20%
  - However, 10% Rule RRI is slightly better at 19.95% vs 18% for 20% stop loss
    - I consider this statistically similar given the small sample sizes.
      - A small number of stocks in both portfolios had outsized returns, which is luck of the draw
      - Although, trading more often meant the 10% Rule 1 portfolio had more chance of picking up a high returning stock.
- Using a .04% transaction fee saw a saving for a 20% rule 1
  - Approximately $2-3k per portfolio which is negligible

Further Work

- Solid performance buying from the bottom up suggests the .10 QAV score hurdle could be dropped.
  - This may be helpful especially for large ADT portfolios
- Test the current work against portfolios created from 0.05 to .1 QAV score
- There were a very high number of Rule 1 Sells (even at 20%)
  - Rerun without a Rule 1 Stop loss