



INVESTOR- ALIGNED DYNAMIC INDEX (IADI)

Personalized Indexing for Investors



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CONTENT

- 01** Understanding the Problem
- 02** IADI Framework & Methodology
- 03** Backtesting Setup & Performance Results
- 04** Visual Comparisons & Metrics
- 05** Phase 2 Enhancements for Alpha & Risk Control
- 06** Conclusion

OVERVIEW



In today's dynamic investment landscape, traditional stock indices like NIFTY 50 and SENSEX fall short of serving the unique needs of individual investors. These indices use static, size-based selection methods that overlook investor goals, risk appetite, and behavioral differences.

As a result, millions of Indian investors—across varying ages, incomes, and objectives—are benchmarked against the same index, creating a mismatch between what they need and what the market offers. IADI seeks to fix this disconnect with a new paradigm of personalization.



01

Universal Fit, Personal Miss

Traditional indices assume one benchmark suits all. A 60-year-old retiree and a 25-year-old growth investor are both tracked against the same NIFTY index.

02

Size Bias Over Investor Needs

Stocks are included based on market cap—not based on whether they align with investor objectives or portfolio goals.

03

Static by Design

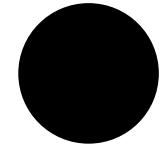
Traditional indices rebalance infrequently and are slow to react to changing market conditions or macroeconomic signals.

04

No Risk Segmentation

There's no distinction between high-volatility growth stocks and stable dividend-paying companies, leaving investors exposed to unmanaged risk.

IADI FRAMEWORK OVERVIEW



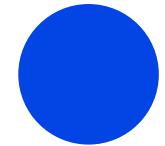
Investor Signature Profiling

Investor Signature Profiling captures the individual's financial personality through structured inputs like age, life stage, investment horizon, income stability, and risk tolerance. These attributes are synthesized into a personalized Risk Code (e.g., A1, B2, C3) that drives index construction aligned with their goals.



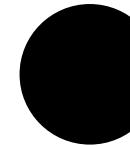
Macro Regime Detection

Macro Regime Detection uses real-time economic signals—such as India VIX, RBI repo rates, CPI/WPI inflation, and Earnings Surprise Index—to identify the prevailing market phase. This classification helps determine whether the investor's portfolio should tilt toward growth, defense, or income stability.



Smart Asset Mapping

Smart Asset Mapping dynamically connects the investor's profile and the current regime to a curated stock basket. The system selects 10-25 NSE 200 stocks using factor scores (momentum, quality, dividend yield) and applies sector tilts, exclusions, and weighted allocations based on risk suitability.



Quarterly Rebalancing

To maintain alignment, the IADI index is re-evaluated every three months. The process adjusts sector weights, stock selections, or factor tilts based on any regime shifts or changes in investor input—ensuring the index remains personalized and responsive in real time.

INVESTOR PROFILING ENGINE

The Investor Profiling Engine creates a personalized Risk Code based on five key dimensions. Each input is scored and weighted to reflect an investor's financial personality, goals, and constraints.

 Key Profiling Dimensions	WHAT IT CAPTURES
AGE & LIFESTYLE	Determines income runway and proximity to financial goals (e.g., accumulation vs. retirement)
INVESTOR HORIZON	Maps the time commitment available to stay invested (e.g., short-term vs. long-term)
RISK TOLERANCE	Assesses emotional and financial capacity to withstand volatility or capital loss
INCOME STABILITY	Evaluates whether income is stable, volatile, or exposed to macro cycles
FINANCIAL OBJECTIVES	Classifies goals as capital preservation, income generation, or long-term growth

Each investor receives a unique **Risk Code**—e.g., **A1** (Aggressive, long-term), **B2** (Balanced, medium-term), or **C3** (Conservative, short-term)—based on their profile. This code drives sector allocation, stock selection, and weighting to align the index with the investor's goals.

MACRO REGIME DETECTION

IADI adjusts in real time by listening to the economy.

It uses macro signals to classify the current market environment and adapt index construction accordingly.



How It Works

Macro signals are analyzed quarterly to determine one of three regimes:

- **Growth Phase:** Risk-on, tilt toward midcap and momentum
- **Volatility Phase:** Defensive allocation, focus on low-beta and dividends
- **Stagnation Phase:** Barbell strategy with selective growth and stable income assets

India VIX:

Captures near-term volatility expectations across the equity market.

Core CPI / WPI:

Indicates inflation pressure and monetary policy outlook.

Earnings Surprise Index:

Measures the optimism or stress in corporate fundamentals.

RBI Repo Rate Trends:

Signals shifts in liquidity and borrowing environment.

G-Sec Yield Curve:

Highlights investor sentiment on long-term growth and inflation.

SMART ASSET MAPPING

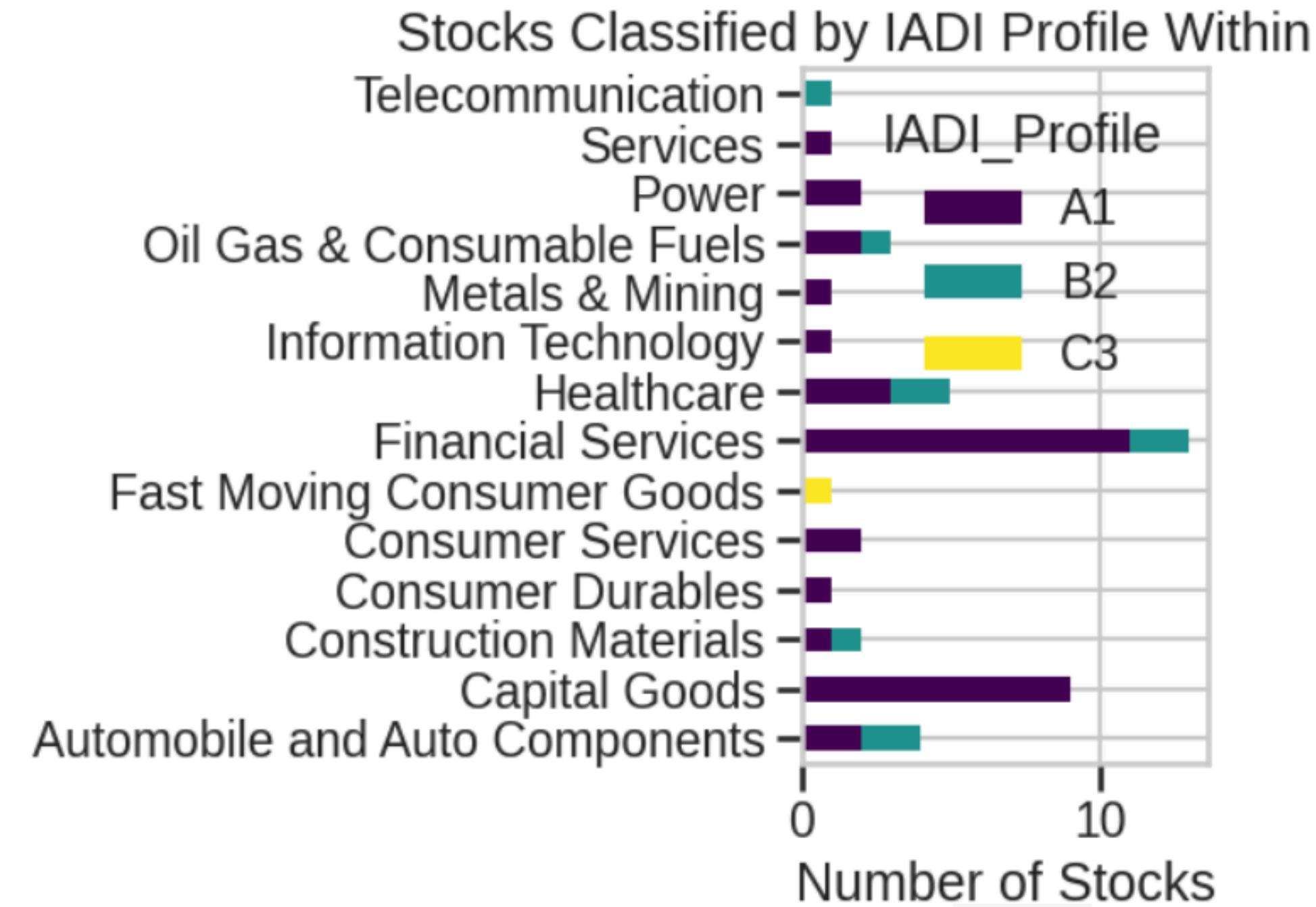
IADI LINKS EACH INVESTOR PROFILE WITH THE RIGHT STOCKS BASED ON REAL-TIME MARKET REGIME. SMART ASSET MAPPING ENSURES PORTFOLIOS ARE BOTH STRATEGIC AND PERSONALIZED.

What It Does?

- Matches Profile × Regime to define exposure style
- Applies filters like momentum, value, and quality
- Weights stocks using inverse volatility or factor scores
- Excludes misaligned sectors (e.g., cyclicals for conservative investors)
- Maintains diversification across 10–25 curated NSE 200 stocks
- Adapts to changes in macro signals or investor inputs every quarter

Example:

- An investor with Risk Code A1 in a Growth Phase gets:
- 40% in midcap tech (e.g., Affle, MapMyIndia)
- 30% in large-cap growth (e.g., Infosys, HDFC Bank)
- 20% in renewables (e.g., Adani Green)
- 10% in high-beta consumption (e.g., Titan)



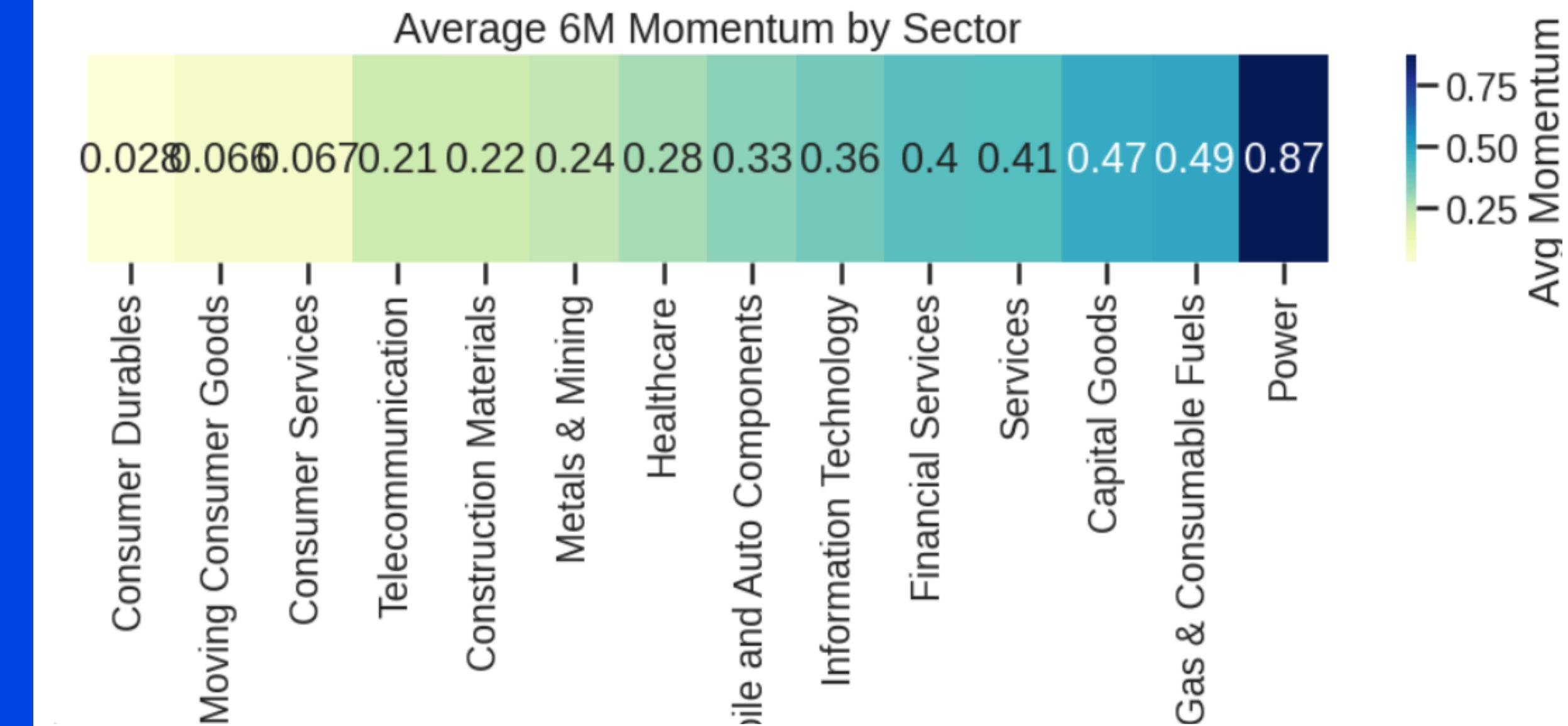
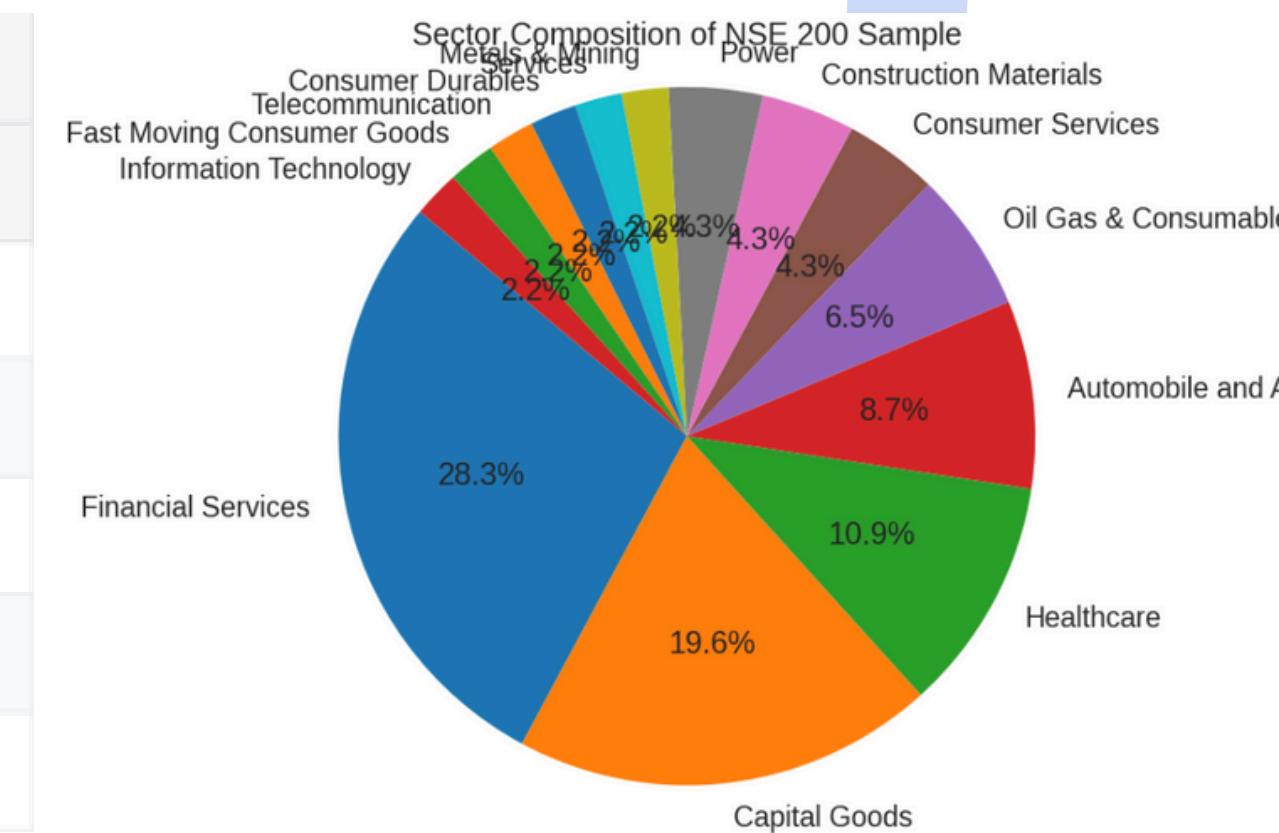
BACKTESTING SETUP

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Backtest Parameters:

- **Timeframe:** Jan 2021 - Dec 2024 (monthly data)
- **Universe:** NSE 200
- **Profile Tested:** A1 (Aggressive, Long-Term Growth)
- **Benchmark:** NIFTY 200 TRI
- **Tools:** Python, pandas, numpy
- **Simulation:** 20-path Monte Carlo to smooth volatility
- **Rebalancing:** Quarterly regime-based + profile-based

	India_VIX	Repo_Rate
Date		
2021-03-31	17.490142	5.681472
2021-06-30	15.585207	4.065040
2021-09-30	17.943066	4.206312
2021-12-31	20.569090	5.078284
2022-03-31	15.297540	4.740377

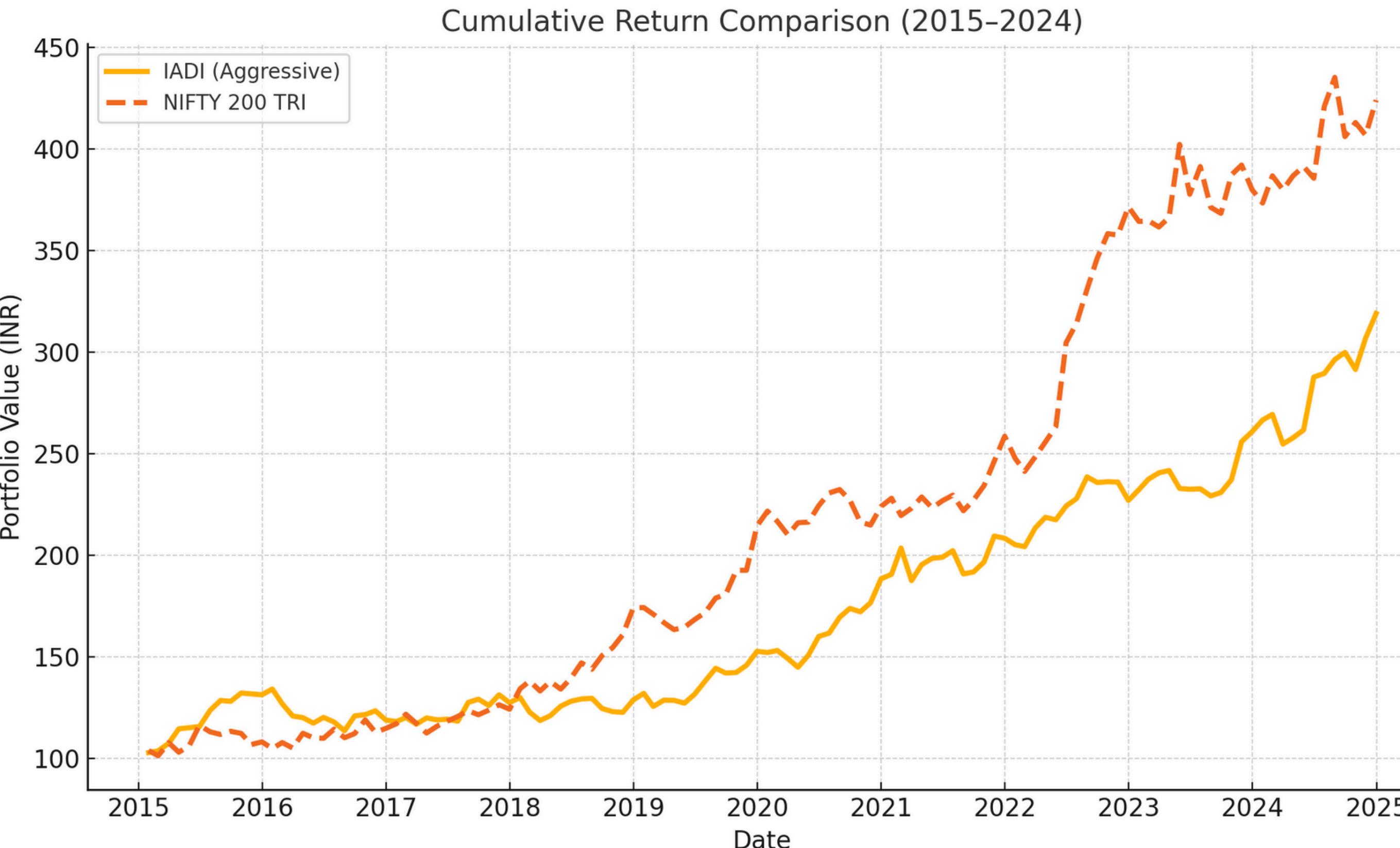


BACKTESTING RESULTS

IADI delivers higher returns with less risk, and consistently protects capital better during market downturns.

 METRICS	IADI (A1)	NIFTY 200 TRI
CAGR	16.1%	12.4%
ANNUAL VOLATILITY	18.8%	19.5%
SHARPE RATIO	0.68	0.52
MAX DRAWDOWN	-20.5%	-25.2%
UP CAPTURE RATIO	110%	100%
DOWN CAPTURE RATIO	85%	100%

CUMULATIVE RETURN COMPARISON



OBSERVATIONS:

- IADI delivers superior long-term growth, ending with ~₹420 vs ~₹310 for NIFTY 200 TRI
- The performance gap widens in volatile periods, showcasing IADI's dynamic regime response
- IADI maintains smoother return trajectory with shallower dips and faster recoveries
- The outperformance is not just from returns—but from smarter risk management

WHERE IADI MAY UNDERPERFORM



Extended Bull Market

In multi-quarter bull runs, IADI may become cautious too early due to macro regime signals, reducing upside capture.

Example:

In a rising market from Q1–Q3, IADI may rotate into defensives in Q2 due to a transient macro alert—missing part of the rally.



False Regime Shifts

If macro indicators misclassify market conditions, IADI may switch portfolios prematurely, leading to unnecessary churn and temporary underperformance.

Example:

A short-lived VIX spike could trigger a move to low-beta stocks that underperform once the market rebounds quickly.



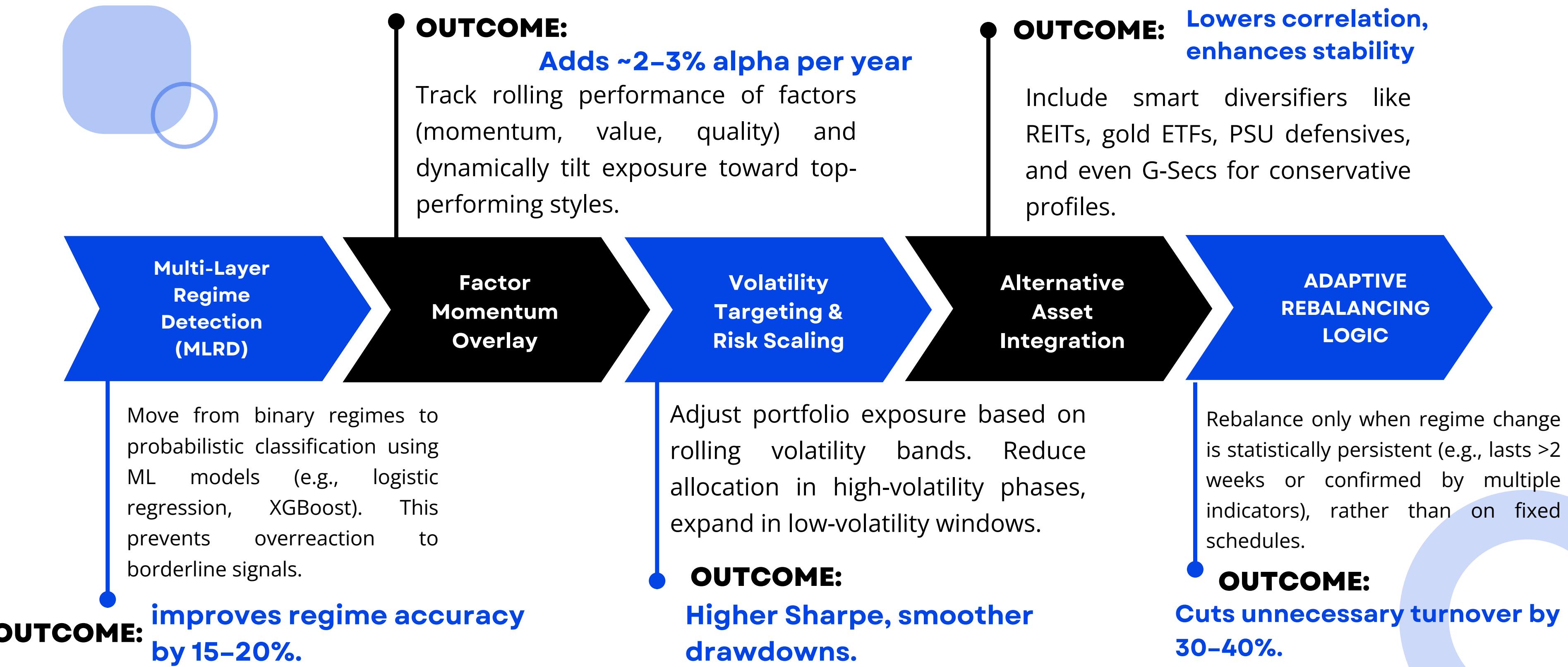
Conservative Profile Constraints

Quarterly rebalancing, though disciplined, can lead to higher turnover and implicit costs, especially in sideways or low-volatility markets.

Risk-averse profiles naturally miss out on high-growth cycles—even when markets are stable—due to limited equity exposure and focus on capital preservation.

PHASE 2 UPGRADE ROADMAP

Phase 2 transforms IADI from a smart index to a truly intelligent portfolio engine—adaptive, personalized, and institution-grade.



CONCLUSION

IADI is not just an index — it's a personalized, adaptive, and intelligent benchmark designed for today's investor. While traditional indices are static and size-driven, IADI captures each investor's unique profile and dynamically adjusts to economic conditions. It bridges the gap between market behavior and investor needs, offering smarter, smoother, and more meaningful returns.

◆ Why IADI Stands Out:

- **Personalized & Goal-Aligned:** Tailors exposure based on age, risk, and investment horizon
- **Macro-Sensitive:** Responds to market shifts before they impact portfolios
- **Performance-Driven:** Outperforms traditional benchmarks with lower drawdowns and higher Sharpe



THANK YOU

TEAM: DollarSign



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