VALUE INVESTING MODELS

IN FINANCIAL MARKETS

MATRIX MODELING

EXAMPLE PARAMETERS:
P/BVPS, P/E, P/FCF,
PROFIT GROWTH%

PARAMETER ABOVE AVERAGE/ASSIGNED VALUE

PARAMETER BELOW AVERAGE/ASSIGNED VALUE

PARAMETERS

SMALL AND MID CAP.

BECAME RISKY
OR OVERVALUED

LARGE CAP.

CONSISTENT GROWTH

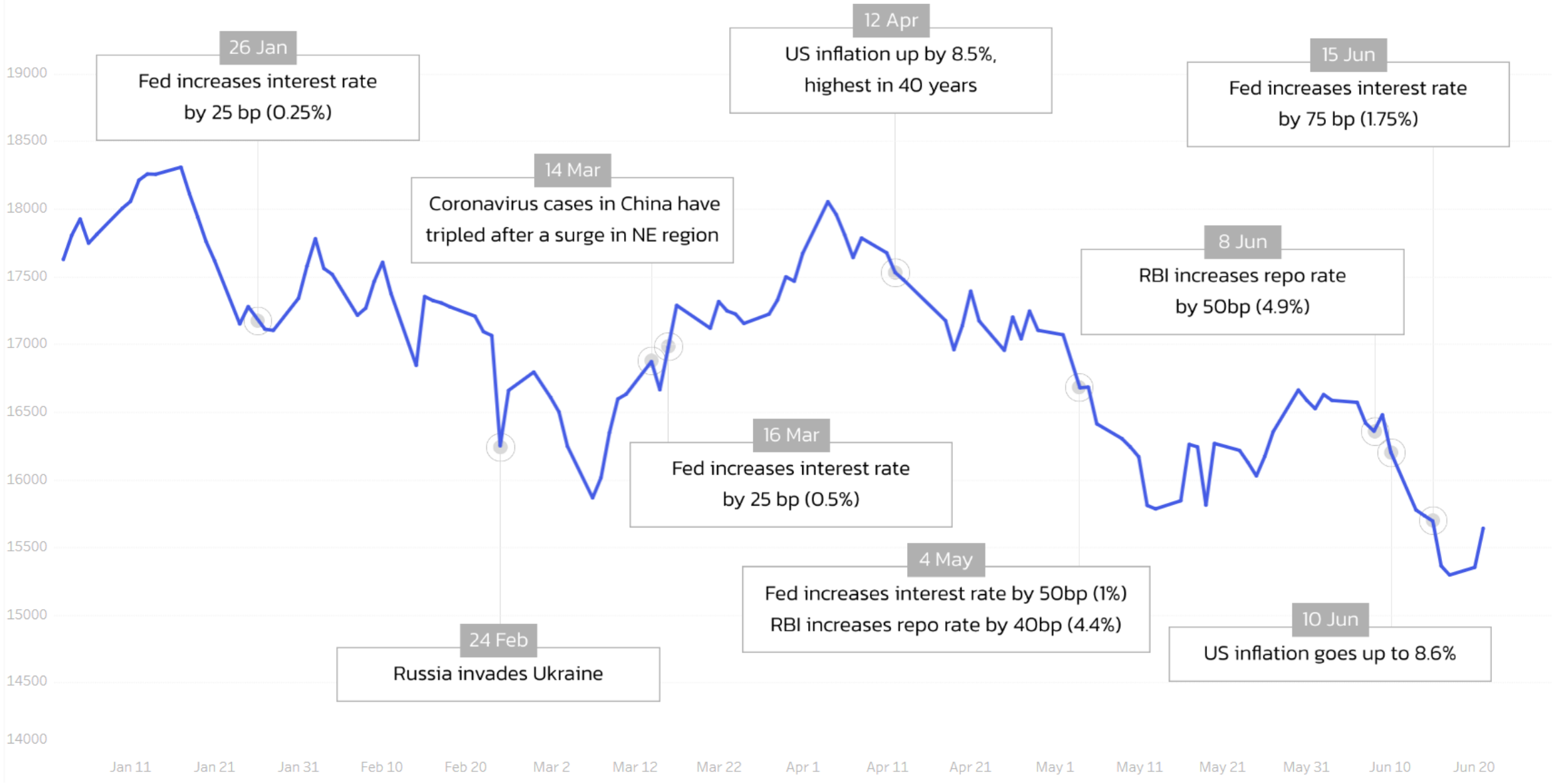
POTENTIAL TURNAROUNDS
OR GROWTH

SLOW GROWERS

MARKET CAP.

KEEPING TRACK

Timeline of macroeconomic events and the reaction of **NIFTY 50**



KEY INSIGHTS

1 **ALLOCATION**

Asset allocation is critical. Too much allocating in one industry, stock, or category of stock could be harmful. Bad allocation can lead to huge losses. Even allocation is better.

2 **FUNDAMENTALS**

Learning about the fundamentals and doing fundamental analysis can help shortlist stocks. Knowing about the business and the industry can be helpful. Then doing competitive analysis is beneficial.

3 **BEHAVIOUR**

Be greedy when others are fearful and fearful when others are greedy. Avoid speculating and trust the models, research, and analysis. Wait for the market to price the businesses at a bargain price. Then invest aggressively. Learn about the cycles in market. Get cautious and defensive when overvaluation surpasses the growth.

4 **AVERAGING**

Averaging valuations are much better. Framework is more important than valuating stocks. The models give a range and direction.

THE ROAD AHEAD

Machine Learning

Implement Machine learning algorithms like clustering. Statistics and probability can be used as well.

Data Modeling

Improve existing models by adapting to the changing markets.
Build more models as per the category and industry.

Options

Implement modeling in options market and intraday trading.
This can be possible when the margin requirements are met.
Modeling needs to be for high volatility and high risk which can be a big challenge.