

# Long/Short Portfolio Strategy Based on Fundamental Analysis

## Portfolio Construction Overview

**Total Portfolio Allocation:** 100% Long / 50% Short (150% gross exposure, 50% net long) **Strategy:** Fundamental-based long/short equity focusing on quality growth vs. fundamental deterioration

### LONG POSITIONS (100% of Portfolio)

#### Tier 1: Core Growth Holdings (60% allocation)

Stock	Weight	Primary Rationale	Supporting Metrics
NVDA	20%	Exceptional profitability with explosive growth	• 55.85% profit margin • 77.9% revenue growth • 119.18% ROE • 83.6% earnings growth
META	20%	Strong fundamentals with accelerating growth	• 39.11% profit margin • 16.1% revenue growth • 36.5% earnings growth • Reasonable 24.51 P/E
MSFT	20%	Balanced growth with premium profitability	• 35.79% profit margin • 13.3% revenue growth • Strong operating leverage • Largest market cap stability

#### Tier 2: Value-Growth Opportunities (25% allocation)

Stock	Weight	Primary Rationale	Supporting Metrics
AMD	15%	Massive earnings acceleration at reasonable valuation	• 525.2% earnings growth • 35.9% revenue growth • 0.58 PEG ratio (undervalued) • Turnaround momentum
GOOG	10%	Quality fundamentals with attractive PEG ratio	• 30.86% profit margin • 1.33 PEG ratio • 48.8% earnings growth • Strong ROE of 34.79%

#### Tier 3: Defensive Quality (15% allocation)

Stock	Weight	Primary Rationale	Supporting Metrics
AAPL	15%	Exceptional capital efficiency and margins	• 138.02% ROE (highest) • 24.30% profit margin • Consistent profitability • Strong balance sheet

### SHORT POSITIONS (50% of Portfolio)

#### Tier 1: Fundamental Deterioration (35% allocation)

Stock	Weight	Primary Rationale	Supporting Metrics
INTC	20%	Severe fundamental breakdown	• -36.19% profit margin (negative) • -18.13% ROE (negative) • -0.4% revenue decline • Smallest market cap in tech
GE	15%	Weak margins with limited growth	• 17.63% profit margin (low) • 10.9% revenue growth (modest) • 8.93 PEG ratio (overvalued) • Mixed operational metrics

Tier 2: Valuation Extremes (15% allocation)

Stock	Weight	Primary Rationale	Supporting Metrics
MS	15%	Extreme valuation despite modest fundamentals	• 148.32 PEG ratio (extremely high) • 22.35% profit margin (modest) • Limited growth catalysts • Traditional banking headwinds

Portfolio Rationale & Expected Advantages

Core Investment Thesis

**Long Side:** Target companies with exceptional fundamental strength, combining high profitability, strong growth acceleration, and attractive valuations relative to growth prospects.

**Short Side:** Target companies with deteriorating fundamentals, negative operational trends, or extreme valuations unsupported by underlying metrics.

Key Strategic Advantages

1. Quality-First Approach

- Long positions emphasize companies with profit margins >24% and strong ROE
- Short positions target negative margins or weak operational efficiency
- Creates natural quality spread in portfolio

2. Growth Momentum Capture

- Long positions average 35%+ revenue growth and strong earnings acceleration
- Particularly weighted toward companies showing earnings growth >50%
- Short positions include companies with declining or minimal growth

3. Valuation Discipline

- PEG ratios considered for all positions
- AMD and GOOG selected partly for attractive PEG ratios (<1.5)
- MS shorted primarily for extreme 148.32 PEG ratio

4. Sector Diversification

- **Longs:** Technology (75%), Defensive Tech (25%)
- **Shorts:** Struggling Tech (35%), Industrial (15%), Financial (15%)
- Avoids over-concentration in any single theme

## Risk Management Features

### Position Sizing Logic

- **Largest positions (20%):** Highest conviction based on multiple strong metrics
- **Medium positions (15%):** Strong thesis with some concerns or volatility
- **Smaller positions (10%):** Quality opportunities with more limited upside

### Balance Considerations

- **50% net long exposure** provides upside participation while hedging market risk
- **Geographic/sector spread** reduces single-factor exposure
- **Growth/value balance** within longs provides style diversification

## Expected Performance Drivers

### Fundamental Convergence

- Strong fundamentals (longs) should drive outperformance over time
- Weak fundamentals (shorts) should underperform as issues become apparent
- Portfolio benefits from mean reversion in valuation gaps

### Earnings Growth Translation

- High earnings growth companies (NVDA, AMD, META) should see continued momentum
- Companies with negative or declining earnings (INTC, GE) face continued pressure

### Margin Expansion/Contraction

- Long positions with expanding margins should benefit from operational leverage
- Short positions with contracting margins face fundamental headwinds

## Summary Metrics

Metric	Long Portfolio	Short Portfolio	Advantage
Avg Profit Margin	36.2%	1.4%	+34.8pp
Avg Revenue Growth	31.5%	6.8%	+24.7pp
Avg ROE	75.8%	8.7%	+67.1pp
Avg P/E Ratio	38.1	40.4	Reasonable premium for quality

**Portfolio provides significant fundamental advantage while maintaining disciplined valuation approach.**