

# GarpMo Strategy

## Green Day Traders

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2/10/2025

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# Executive Summary



## Strategy

Based on Growth at a Reasonable Price (GARP) – a systematic blend of growth and value investing, but deviated to perform more like a momentum strategy.



## Performance

686.4% 10-year return compared to SPX's 262.4% return.  
Sharpe ratio of 0.96 and Beta of 1.08.



## Recommendation

We recommend investing \$45,000 in this strategy.

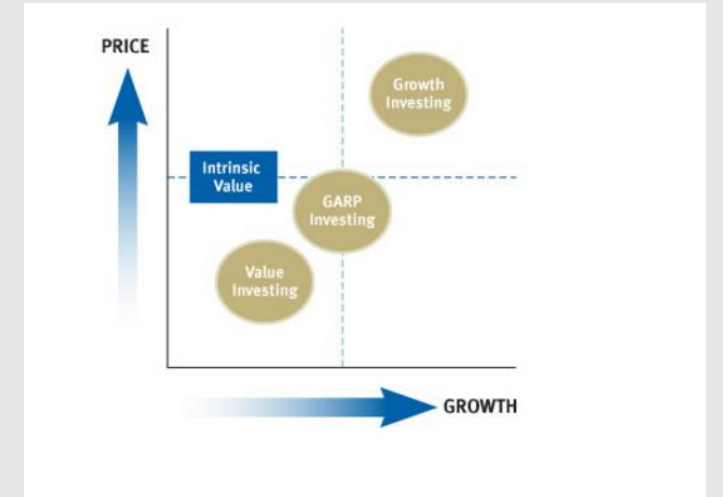
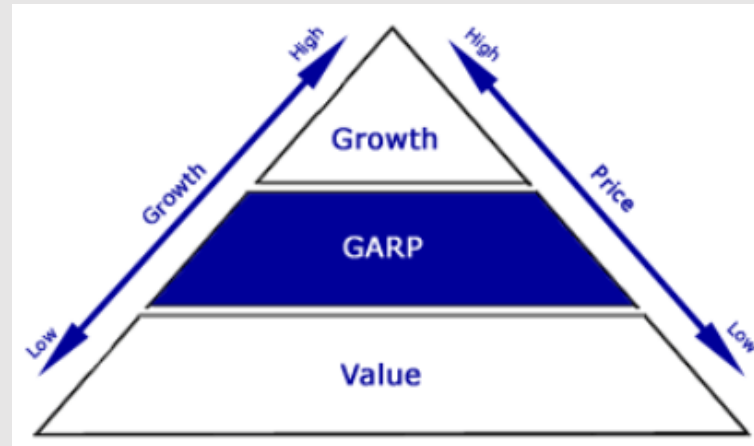


# Strategy Rational – GARP Strategy

**Article Title:** [Growth at a Reasonable Price \(GARP\): Definition and Strategy](#)

## Key Takeaways:

- Attempts to avoid overhyped, unprofitable companies.
- Captures compounding businesses with efficient capital allocation.
- Performs well in varied market conditions (not purely momentum-driven).

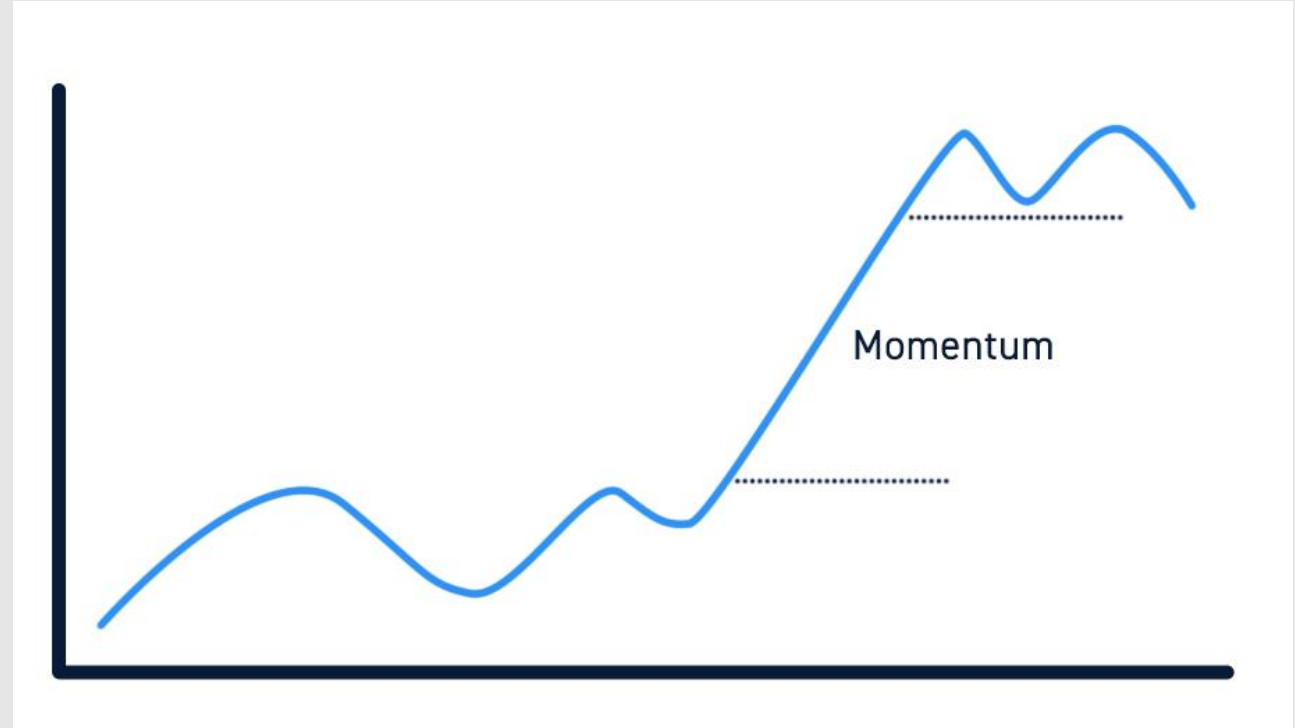


# Strategy Rational – Momentum Strategy

Article Title: [Introduction to Momentum Trading](#)

## Key Takeaways:

- **Buy winners:** Invest in stocks with strong recent price performance.
- **Ride the trend:** Capitalize on continued upward price momentum.
- **Avoid underperformers:** Stay away from stocks with weak or declining price trends.



# Strategy Design

## Description

- Our strategy focuses on stocks with strong growth potential and positive recent price trends. This approach aims to capture both solid growth and market momentum for optimal returns.

## Origin

- Through our research, we discovered Peter Lynch, who pioneered the GARP strategy. Inspired by his approach, we sought to create a high-turnover, action-oriented strategy that incorporates GARP principals.

## Goal

- We aim to target growth stocks with strong potential and high risk-adjusted returns, using Bloomberg screens for top total returns, solid Sharpe ratios, and a favorable PEG ratio.

## Parameters

- Our backtesting rules focus on screening for stocks based on market cap, industry, and risk-adjusted returns. The strategy is tested over 1-year, 3-year, and 10-year periods, with a maximum of 15 holdings each quarter and rebalancing quarterly.



# Security Screening

## Screening Criteria

Parameter	Description	Stock Universe
[Sector]	Communications, Consumer Discretionary, Consumer Staples, Energy, Industrials, Materials, Utilities	5,000 stocks
[Price]	1 Day Price > \$10	1,000 stocks
[PEG Ratio]	$0 \leq 12 \text{ Month PEG Ratio} \leq 1$	500 stocks
[Sharpe Ratio]	6-month Sharpe Ratio $\geq 2$	120 stocks
[Total Return]	3-month Total Return, Top 15	15 stocks



# Backtesting Structure

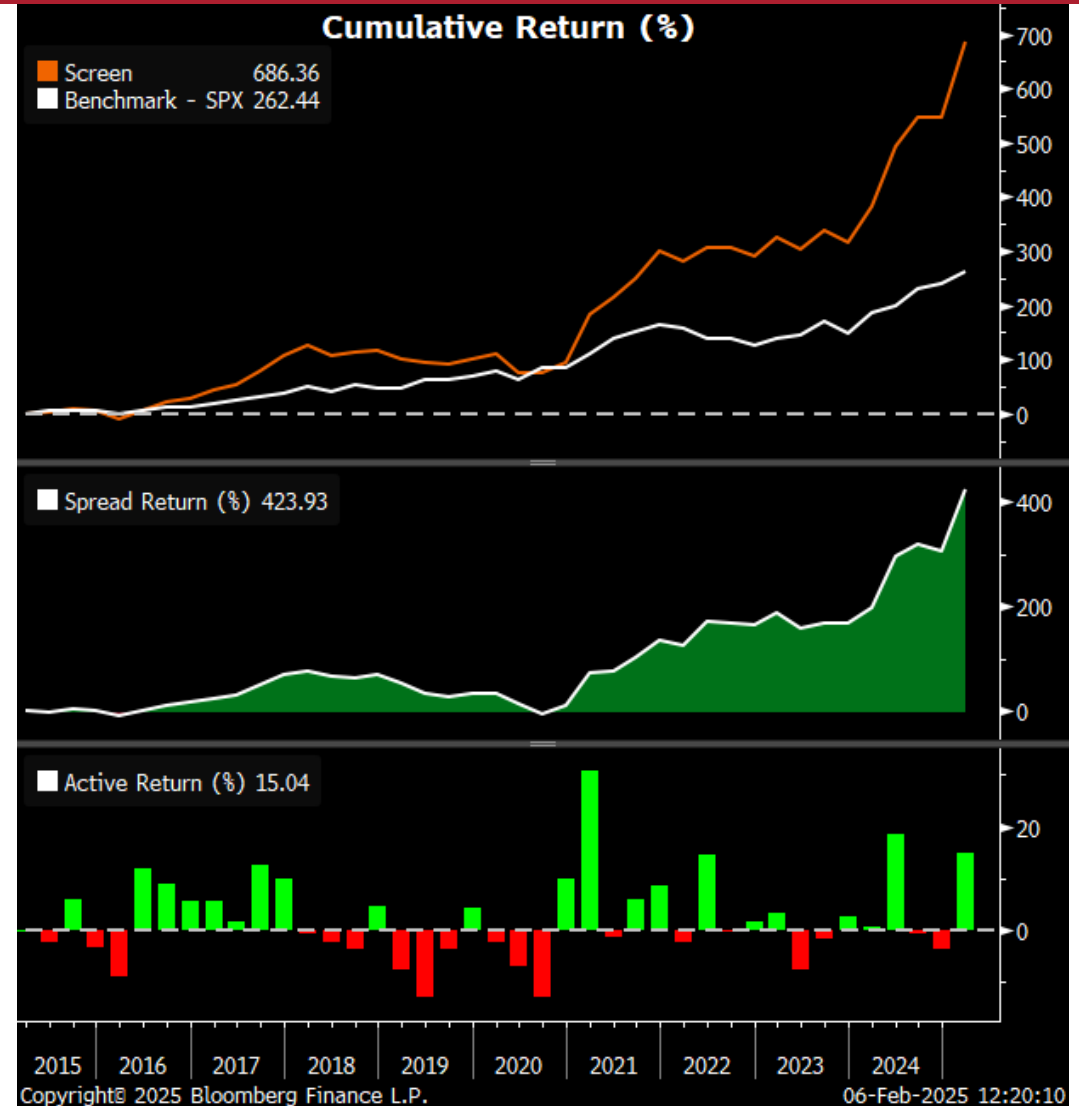
## Sub-Criteria

Criterion	Description
[15 of Positions]	Hold Top 15
[Top 15 Factor]	Total Return
[Testing Period]	3 Months
[Rebalance Freq.]	Quarterly
[Weighting Scheme]	Equal-weighted



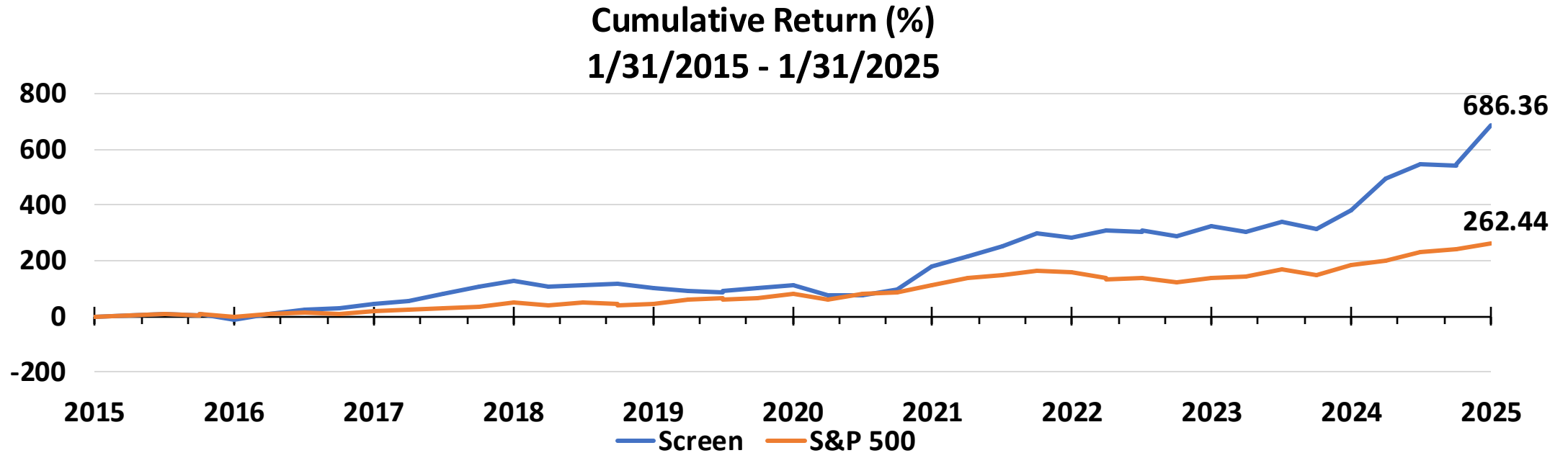
# Backtesting Results – 10yr performance

Year	Strategy Return	SPX Return	Spread Return	Strategy Turnover
2015	6.2%	5.8%	0.4%	66.7%
2016	22.2%	5.0%	17.0%	83.9%
2017	51.2%	21.8%	29.4%	83.3%
2018	6.0%	8.0%	-2.0%	83.3%
2019	-6.4%	13.8%	-20.2%	86.7%
2020	-1.7%	10.7%	-12.4%	65.0%
2021	81.8%	37.6%	44.2%	80.0%
2022	-2.0%	-15.3%	13.0%	85.0%
2023	7.2%	10.7%	-5.2%	88.3%
2024	48.7%	34.0%	14.7%	83.3%





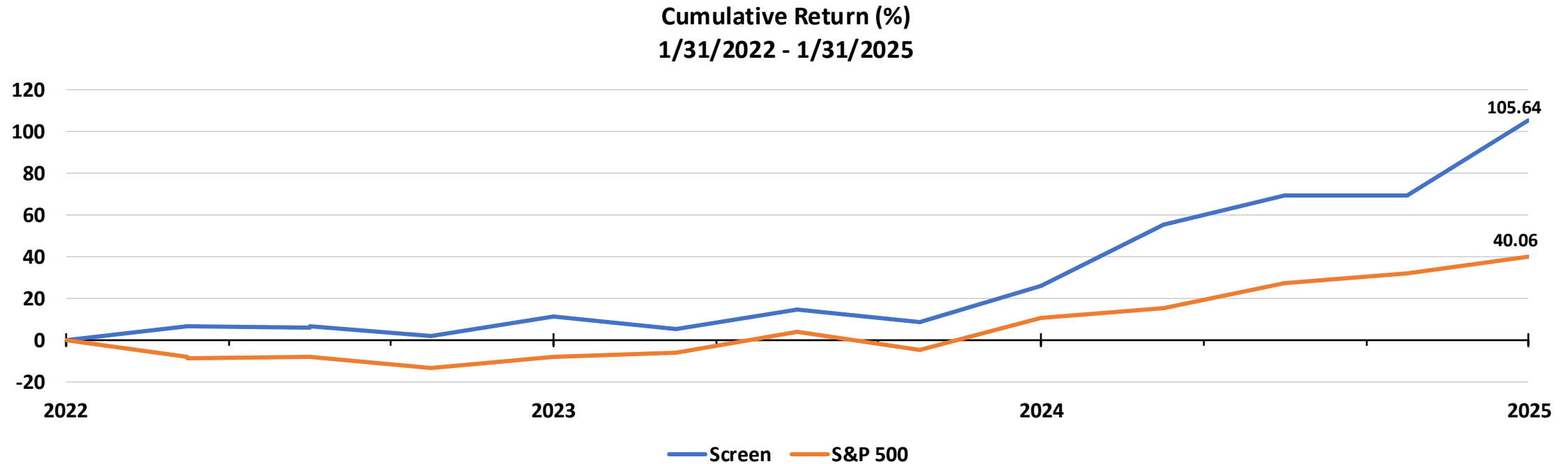
# Backtesting Results – 10yr Statistics



Period	Return	$\alpha^*$	$\beta^*$	$\sigma^*$	Max DD*	Sharpe*	Correl.	Info Ratio*
10yr Strategy	686.4%	12.95	1.08	27.82	-16.4%	0.96	0.69	0.60
10yr S&P	262.4%							



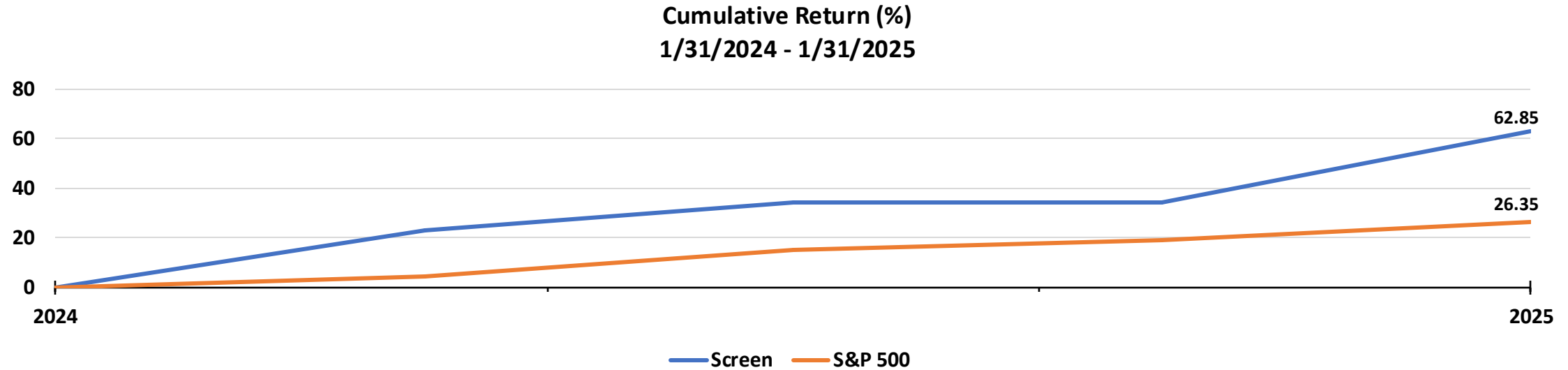
# Backtesting Results – 3yr Statistics



Period	Return	$\alpha^*$	$\beta^*$	$\sigma^*$	Max DD*	Sharpe*	Correl.	Info Ratio*
10yr Strategy	105.6%	18.44	1.00	27.21	-5.6%	1.03	0.64	0.78
10yr S&P	40.1%							



# Backtesting Results – 1yr Statistics



Period	Return	$\alpha^*$	$\beta^*$	$\sigma^*$	Max DD*	Sharpe*	Correl.	Info Ratio*
10yr Strategy	62.9%	32.80	1.33	23.36	0	2.68	0.73	1.91
10yr S&P	26.4%							



# Recommended Purchase Plan

Name	Ticker	Market Cap (\$M)	Share Price	# of Shares	Allocation Total
AMERICAN AIRLINE	AAL	111,187	\$ 17.17	174.00	\$ 2,987.58
ALASKA AIR GROUP	ALK	92,987	\$ 75.92	39.00	\$ 2,960.88
CARNIVAL CORP	CCL	359,105	\$ 26.75	112.00	\$ 2,996.00
CHEWY INC- CL A	CHWY	159,651	\$ 37.16	80.00	\$ 2,972.80
DELTA AIR LI	DAL	434,081	\$ 68.14	44.00	\$ 2,998.16
ENERGY TRANSFER	ET	701,218	\$ 19.93	150.00	\$ 2,989.50
GE VERNOVA INC	GEV	1,027,855	\$ 377.97	7.00	\$ 2,645.79
HIMS & HERS HEAL	HIMS	81,449	\$ 42.55	70.00	\$ 2,978.50
KODIAK GAS SERVI	KGS	40,965	\$ 45.28	66.00	\$ 2,988.48
LIFETIME GROUP	LTH	60,001	\$ 31.48	95.00	\$ 2,990.60
ROYAL CARIBBEAN	RCL	716,821	\$ 264.43	11.00	\$ 2,908.73
SPOTIFY TECHNOLO	SPOT	1,101,533	\$ 622.99	4.00	\$ 2,491.96
TARGA RESOURCES	TRGP	429,149	\$ 201.42	14.00	\$ 2,819.88
UNITED AIRLINES	UAL	348,005	\$ 109.00	27.00	\$ 2,943.00
VISTRA CORP	VST	571,682	\$ 166.90	17.00	\$ 2,837.30



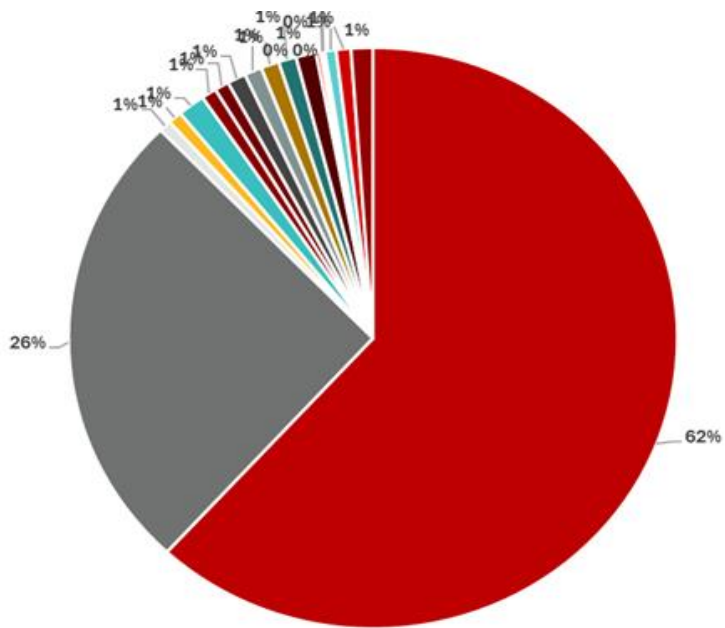
# Sell Proposal – Performance Comparison

	SPDR S&P 500 ETF Trust (SPY)	iShares Ultra Short-Term Bond Active ETF (ICSH)	GARP-Momentum
<b>Date Adopted</b>	1/27/25	1/27/25	TBD
<b>Profile</b>	Large Cap	Fixed-Income	Systematic
<b>% of Overall Fund</b>	61.7% (changed)	28.4% (changed)	X.XX%
<b>\$ Allocated</b>	\$611,588.25 (changed)	\$317,322.25 (changed)	\$45,000
<b>Return (10 yr)</b>	239.0%	23.1%	686.4%
<b><math>\beta</math> (10 yr)</b>	1.00	0.05	1.08
<b><math>\sigma</math> (10 yr)</b>	16.2%	0.8%	27.8%
<b>Sharpe (10 yr)</b>	0.76	0.63	0.96



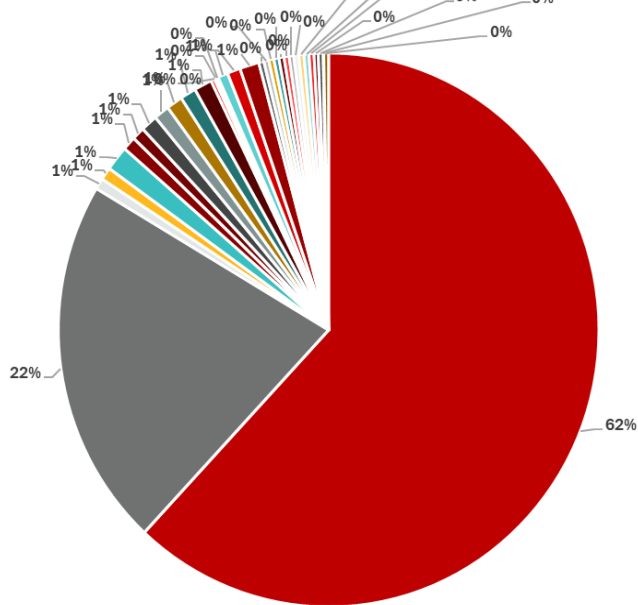
# Effect on the Portfolio – All

## Total Portfolio – Existing

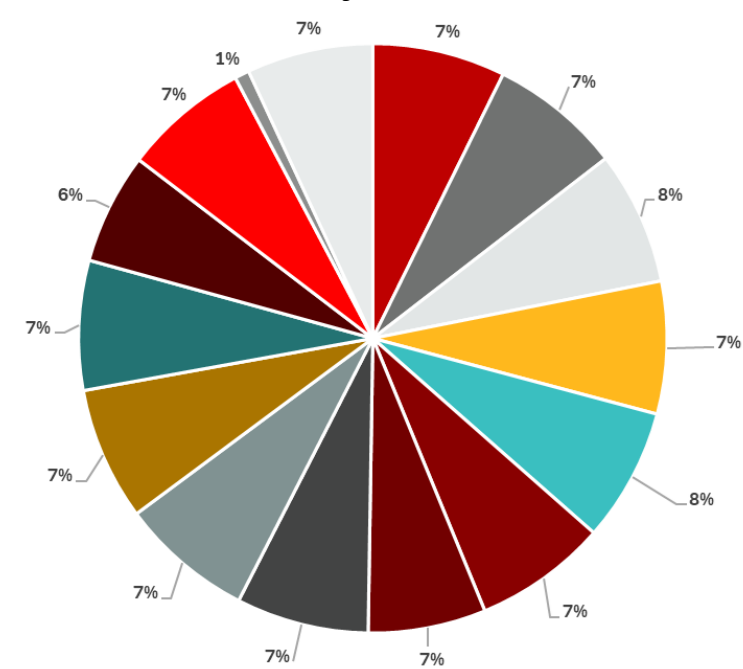


## + Proposed Securities

### Portfolio Weights After



**= Adjusted**

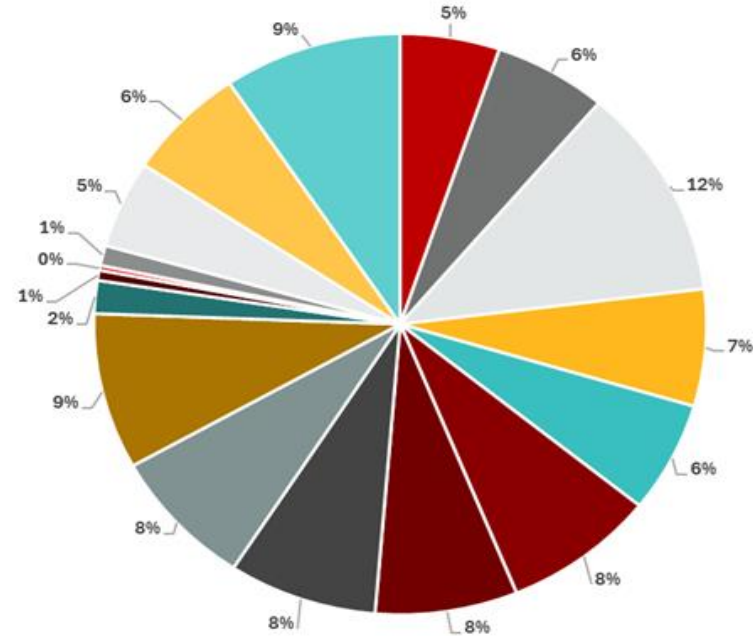


<b><u>Portfolio</u></b>	<b>Exp. Return</b>	<b>St. Dev*</b>	<b>Beta*</b>	<b>Sharpe Ratio*</b>	<b>Idios. Risk*</b>
<b>Existing</b>	15.59%	10.31%	0.78	1.05	9.90
<b>Adjusted</b>	16.27%	11.19%	0.84	1.03	10.76%

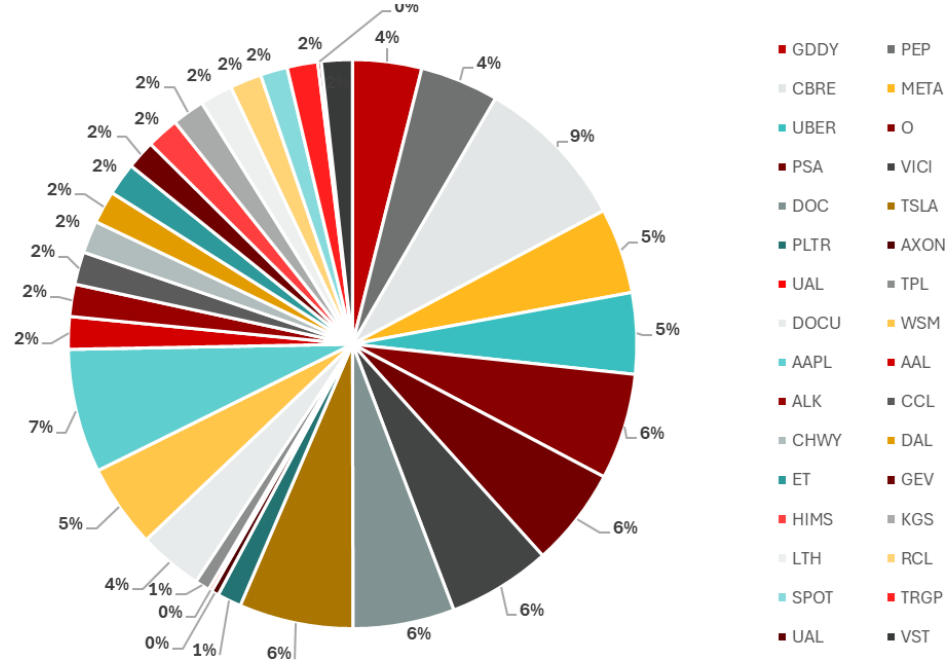


# Effect on the Portfolio – Securities Only

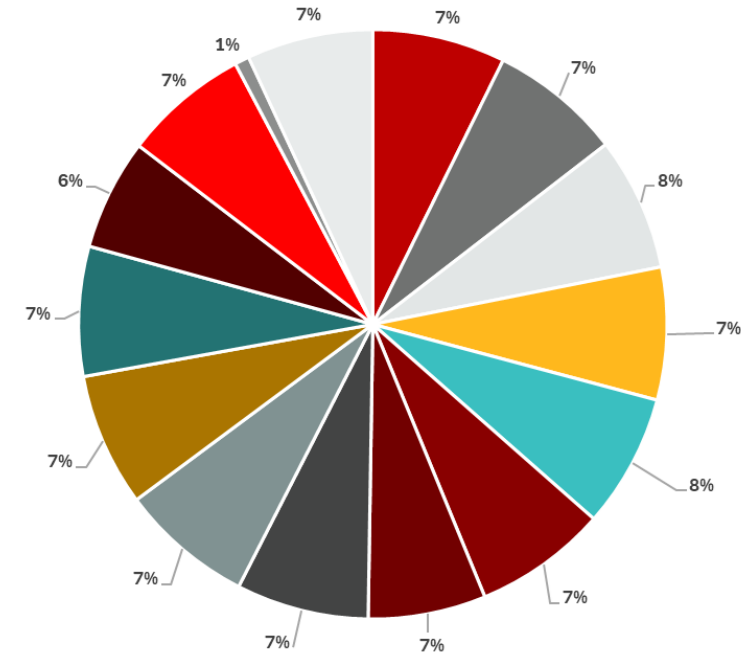
**Total Portfolio – Existing**



**+ Proposed Securities**



**= Adjusted**

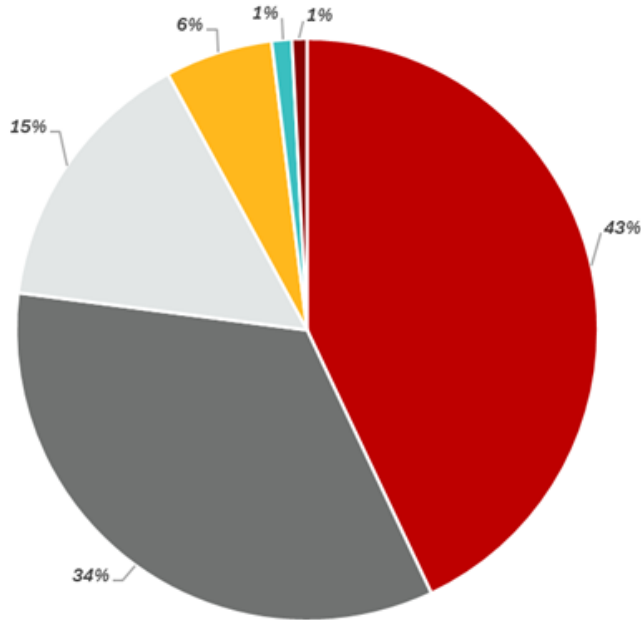


Portfolio	Exp. Return	St. Dev*	Beta*	Sharpe Ratio*	Idios. Risk*
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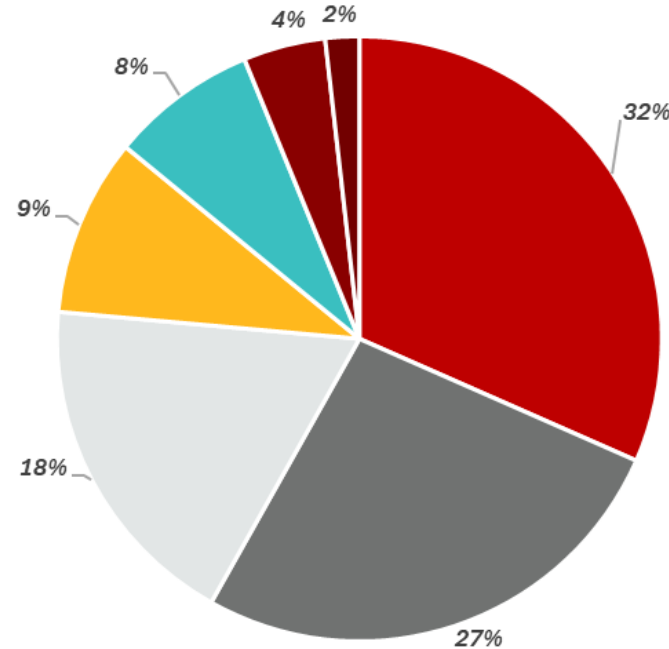


# Effect on the Portfolio - Sectors

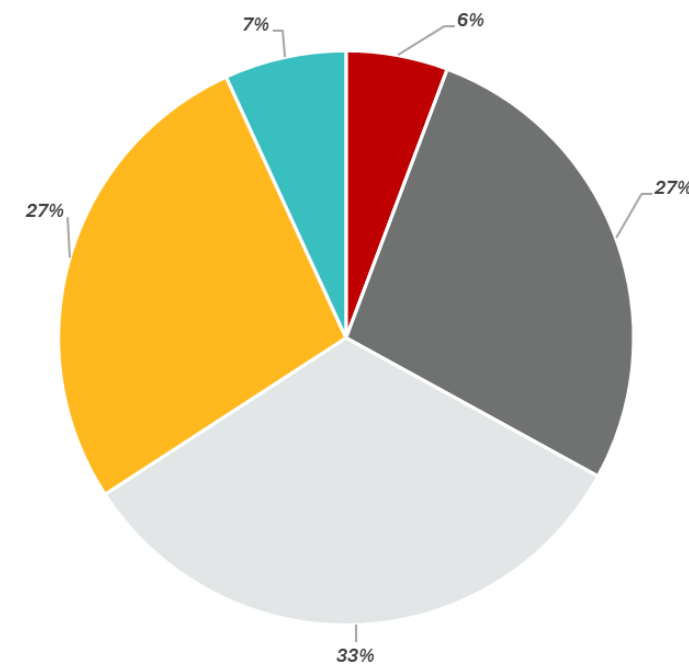
**Total Sectors – Existing**



**+ Proposed Sectors**



**= Adjusted**



Portfolio	Exp. Return	St. Dev*	Beta*	Sharpe Ratio*	Idios. Risk*
Existing	15.59%	10.31%	0.78	1.05	9.90
Adjusted	16.27%	11.19%	0.84	1.03	10.76%





# Summary & Recommendation

## Strategy Merits



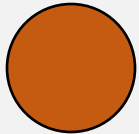
- **Performance:**

- Appears good on paper, but is very sensitive to inexplicable factors.
- Limiting exposure to volatile sectors helps reduce the odds of it picking losers.



- **Risk:**

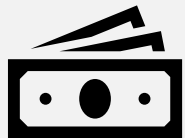
- Doesn't always pick winners, failed during the 2020 crash.



- **Effects on Portfolio:**

- With equal weighting and how little we are proposing, the effect is marginal on the portfolio, but our calculated effects are not accurate due to it only looking at 1 year of historical performance.

## Action Plan



- **Recommendation: Yes**
- **Sell \$45,000 of SPX to buy an equally weighted portfolio of 15 stocks.**

