

Earnings Growth Systematic Strategy Write-up

Presented by: RoboRev (Isaac Lee, Aaron Delgrande, Maddie Osborn, Noah White)

Date Presented: 2/24/2025

Investment decision: Did Not Invest

Introduction:

We decided to research the Financial and Energy industries because of our interest in these growing industries and the growth associated with both. We found these industries compelling due to increasing energy demands driven by growth in AI and data centers, alongside expanding financial services. We also wanted to invest in Financials due to your limited position size in financial companies within Milner. Our goal was to target high-growth Financials and Energy companies with strong revenue and earnings expansion, efficient capital allocation, and disciplined reinvestment to drive sustained outperformance and shareholder value. The historical 10-year performance was 532.02% Return, 0.9 Sharpe, and 1.01 Beta. We pitched a \$70K buy in the Milner Fund using cash left in the Milner Fund.

Strategy and Backtesting Results:

Our Earnings Growth Systematic Strategy focuses on high-growth Financial and Energy companies, capitalizing on rising interest rates, increased lending activity, and growing energy demand from AI and data centers. We screened for financially resilient firms with strong revenue and earnings expansion, efficient capital allocation, and disciplined reinvestment, using strict selection criteria such as >10% ROIC, >9% CapEx Growth, >10% Revenue Growth, and >2% EPS Growth to ensure sustainable profitability. Over a 10-year backtest, the strategy delivered a 532.02% return with a 0.9 Sharpe ratio and 1.01 Beta, significantly outperforming SPY in all timeframes. We propose a \$70K investment in a diversified, equal-weighted allocation across seven stocks, slightly increasing portfolio beta (0.92 → 0.93) while improving expected returns (24.02% → 24.34%). This strategy strengthens the Milner Fund's positioning by enhancing growth exposure while maintaining disciplined risk management.

Performance:

Backtesting our Earnings Growth Systematic Strategy over multiple time horizons demonstrates strong and consistent outperformance. Over 10 years, the strategy delivered an impressive 532.02% return, with a 0.9 Sharpe ratio and 1.01 Beta, significantly exceeding SPY's 262.44% return. In the 5-year period, performance remained robust at 274.50%, with an improved 1.17 Sharpe ratio, highlighting strong risk-adjusted returns. Over 3 years, the strategy achieved an 88.94% return with a 1.02 Sharpe ratio, maintaining resilience through market fluctuations. The 1-year backtest showed a 31.64% return, outperforming SPY's 26.35%, with a 1.78 Sharpe ratio, demonstrating strong short-term momentum. Across all periods, the strategy

demonstrated strong alpha generation, high returns, and disciplined risk-adjusted performance, reinforcing its effectiveness in capturing high-growth opportunities in Financials and Energy.