Less is More-mentum

Presented by: *Guardians of the Balance Sheet*

Date Presented: *11/10/2025*

Investment decision: *Invested $48,000 in the School Fund*

Introduction:

We were interested in exploring how combining asset growth and momentum factors could identify companies with efficient capital allocation and sustained market strength. This approach also adds diversification to our fund's existing exposure, since it is style-based rather than sector-concentrated and historically performs well across market environments. Our strategy combines insights from two foundational studies: "Asset Growth and the Cross-Section of Stock Returns" (Cooper et al., 2008) and "Returns to Buying Winners and Selling Losers" (Jegadeesh & Titman, 1993).

Trading Strategy Details:

We screen for stocks with the lowest quarter-over-quarter non-current asset growth (bottom decile) to identify firms that show operational discipline and efficient long-term investment, while also selecting stocks with the strongest 12-month total returns to capture momentum. This combination aims to exploit investor underreaction. We rebalance quarterly to stay aligned with our data frequency and capture new trends as they emerge. The companies selected under this strategy include:

Astronics Corp, Biglari Holdings, Commscope Holdings, Carpenter Tech, Anywhere Real Estate, Kenon Holdings Ltd, Centrus Energy, Nektar Therapeutics, NRG Energy, Precigen Inc, Tutor Perini Corp, and Travere Therapeutics.

One concern with our strategy is that it tends to tilt toward smaller-cap stocks, where the asset growth effect is strongest. While this can enhance returns, it also introduces higher volatility and liquidity risk compared to large cap firms. Additionally, focusing on firms with low or negative asset growth may exclude rapidly expanding or innovative companies that reinvest heavily for future growth.

Backtesting Performance:

Our backtest over the past ten years shows that this combined strategy outperformed the S&P 500 on a risk-adjusted basis, delivering higher cumulative returns (SPY: 291% vs. Our Strategy: 965%) and positive alpha relative to the market benchmark. The portfolio exhibited higher beta but also a higher Sharpe ratio, meaning that we are compensated for our additional risk-taking.