

Reinvest in Yourself Strategy

Presented by: *Alpha Bet*

Date Presented: *11/24/2025*

Investment decision: *Buy \$48K evenly across 12 securities, sell \$48K of NVDA*

Introduction:

Our investing thesis was that companies in the tech sector that reinvest in themselves should be able to grow quickly and produce abnormal returns and long-term profitability if they have already proven their operations and have shown maturity through offering dividends to stockholders. Based on our academic research and own testing, we learned that companies with high R&D expenses and low dividend per share returns well-outperformed the S&P benchmark. As mentioned, companies that offer any dividends are usually larger and more stable, and they can deliver consistent profits while defending their market share and expanding their operations. They have entered a stage of maturity that creates a more reliable position for the investor. However, they keep their dividends to a minimum so they can continue to reinvest in themselves, specifically through high research and development expenditures. Combined, these factors enable them to grow quickly and in the near-term, and improve profitability in the long-term.

Trading Strategy Details:

Our trading criteria is simple. Our investing universe was limited to active U.S. companies in the tech sector as defined by BICS: Technology in Bloomberg (a Bloomberg-specific sector identifier). We then applied two factors: the top 25 percentile rank of adjusted R&D spenders, and then the bottom 10 percentile dividend-per-share ranked companies essentially limiting it to companies with the highest R&D expenses and lowest dividend payout to investors.

The companies included in this strategy as of today, 11/24/2024, were *STX, KLAC, MPWR, IBM, MSFT, ADI, QCOM, INTU, GRMN, NXPI, TXN, and MSI*. We were pleased that many of these companies demonstrate strong fundamentals and also that many of the Mag 7 were not represented for concerns of confounding knowledge bias (using information that we know now today to produce returns with information we wouldn't have known back then).

We decided to sell \$48K in NVDA reducing our stake by around 45% due to overexposure to the single security as it represented ~5% of the entire fund, we didn't want to become over-weight in the tech sector by allocating funds from somewhere else, and we wanted to counteract the increased volatility our strategy had by reducing our stake in NVDA which had an even higher beta of 2.25.

Backtesting Performance:

We ran backtests over the 10, 5, 3, and 1-year horizons and saw strong performance in every instance, outperforming the S&P benchmark by wide margins (except for the 1-year which only slightly outperformed). The 10-year backtest generated annualized returns of 26.3%, an alpha of 7.55, and a Sharpe of .98. We concluded that this strategy would be a positive investment for the fund.