

# Portfolio Review: Fundamental - American Express Systematic – Small Cap Syndrome

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## Sharpe Edge

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# Overview



Systematic: Small Cap Syndrome – **Hold**



Fundamental: American Express – **Hold**



# Systematic Review - SCS

# Systematic - Small Cap Syndrome



## Statistics

Total Return	21.7%
Beta	1.1
Standard Deviation	24.24%
Original Position Size	\$49,794.85
Original Portfolio Weight	5.1%
Current Position Size	\$60,598.67
Current Portfolio Weight	6.11%
Purchase Date	02/12/2025
Last Rebalance	None
Rebalance Frequency	Quarterly

**Goals:** Focus on gaining small- and mid-cap exposure while mitigating the volatility typical of traditional small-cap index funds.

Filter for steady price trends by avoiding extremely overbought or oversold stocks.

**Original Thesis:** If a profitable small- or mid-cap stock shows steady growth and RSI remains in an upward trend, it is likely to sustain strong performance.

## Considerations:

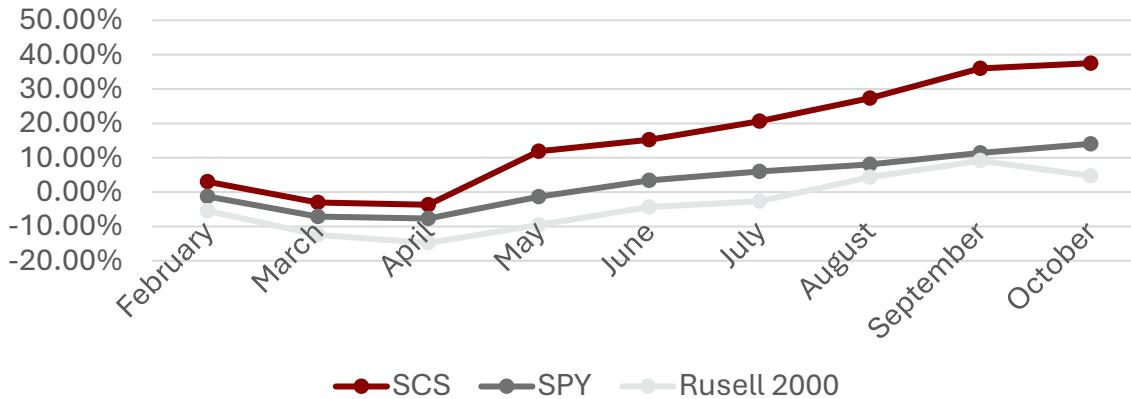
- Consistently showing a better return than market
- Selects Small Caps that outperform Russell 2000
- High turnover of equities, 62%
- Unable to perfectly replicate screen, but model shows high performance

# Systematic - Small Cap Syndrome

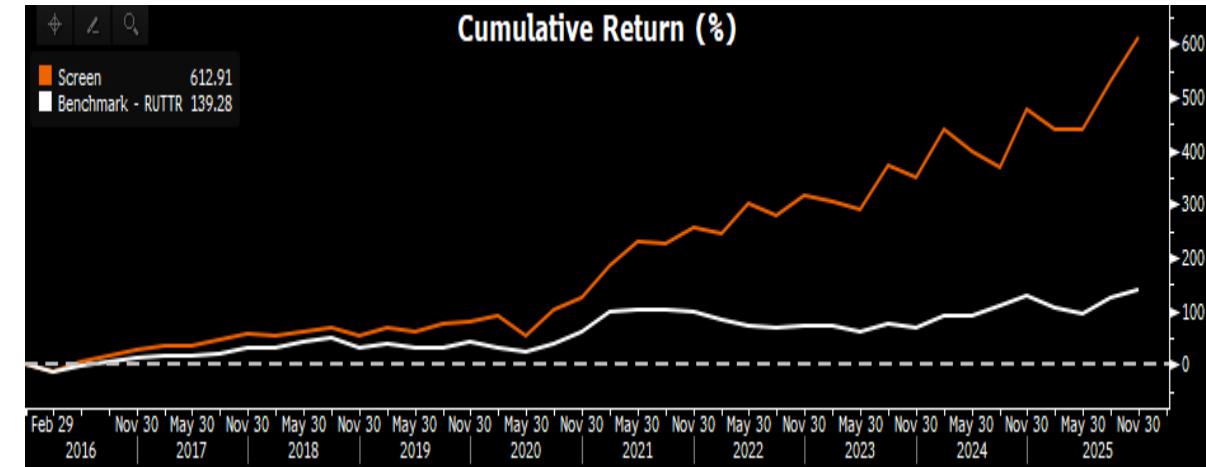


## Since Inception

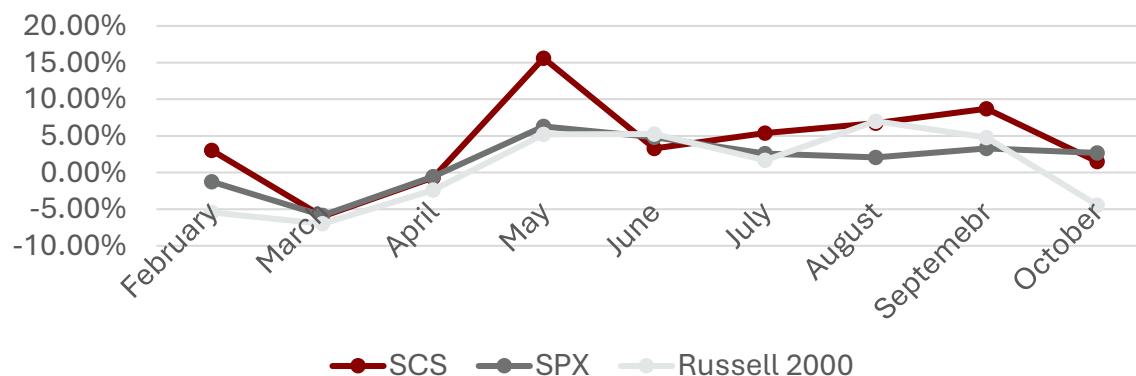
### Cumulative Returns vs SPX & RUT



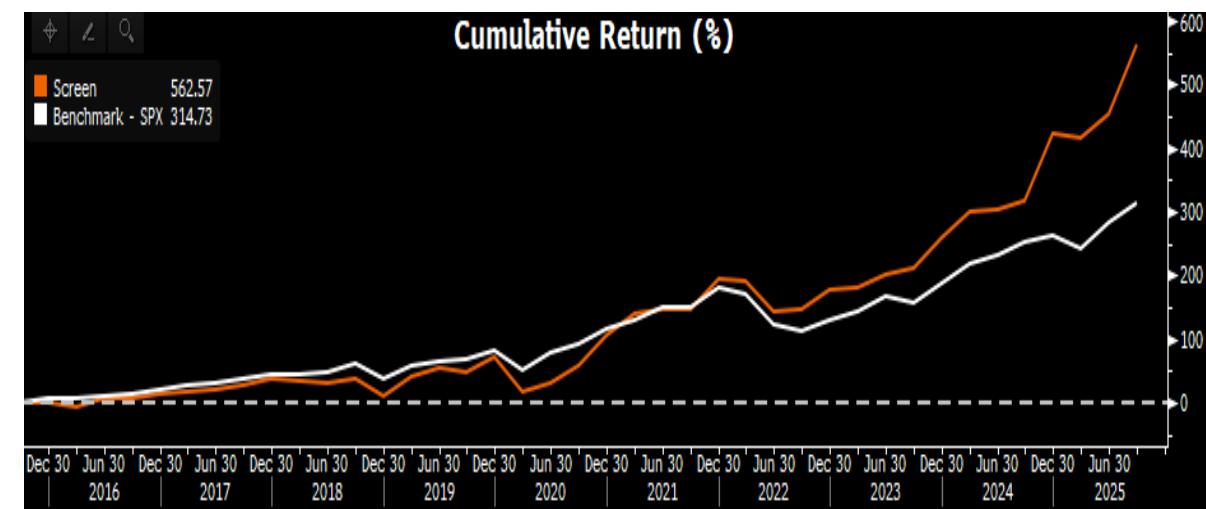
## 10 Yr BT vs SPX and RUT



### Monthly Returns vs SPX and RUT



### Cumulative Return (%)



# SCS- Screening Criteria



Parameter	Description	Stock Universe
US Exchange	Total Active Equities	14,747 stocks
Market Cap	250M < Market Cap < 10B	3,906 stocks
Profitable Companies	TTM NOPAT > 0	1,444 stocks
Exclude Penny Stocks	Price 1 day ago > 5	1385 stocks
30 Day RSI	40 < RSI < 70	1059 stocks
12 Mo. Steady Growth	Top Quartile CAGR	263 stocks
Current PEG Ratio	0 < PEG < 1.5	39
Debt to Equity	50 < D/E Ratio < 100	13
1 Yr Annualized Sharpe	Top 10 Ranking	10

51 :: Exchanges: United States	29239	⊗
52 :: Trading Status: Active	28155	⊗
53 :: 250 Million <= Current Market Cap [USD] <= 10000 Million	7170	⊗
54 :: T12M Net Operating Profit after Tax (NOPAT) > 0 Million	3894	⊗
55 :: Price 1 Day ago [USD] > 5	2594	⊗
56 :: 40 <= RSI with Period of 30 <= 70	2010	⊗
57 :: Top 1 Sequential Quartile Rank - Higher is Better(Compound Annual Growth Rate of Price over 1 Year [ fill N.A. v...)	477	⊗
58 :: 0 <= Current FY Best PEG Ratio <= 1.5	54	⊗
59 :: 50 <= LF Total Debt to Total Equity <= 100	12	⊗
60 :: Top 10 Sequential Rank - Higher is Better(1 Year Annualized Return Sharpe Ratio)	10	⊗

# SCS- Current Positions



Ticker	Company	Shares	Original Price	Current Price	Total Return	Strategy Weight	Portfolio Weight	Beta	Sector
ATAT	Atour Lifestyle Holdings LTD	182	\$29.23	\$37.16	\$1443.26	11.16%	.68%	1.17	Consumer Discretionary
COLB	Columbia Banking Services	180	\$27.37	\$28.42	\$189.00	8.44%	.52%	.58	Financials
FLS	Flowserve Corporation	80	\$62.36	\$70.30	\$635.20	9.28%	.57%	1.31	Industrials
HQY	HealthEquity Inc	45	\$113.21	\$105.44	\$-349.65	7.83%	.48%	.17	Information Technology
IDCC	InterDigital, Inc	24	\$210.42	\$357.57	\$3531.60	14.16%	.87%	1.54	Communication Services
IMAX	IMAX Corporation	197	\$26.15	\$36.03	\$1946.36	11.71%	.72%	.40	Communication Services
MGNI	Magnite, Inc	236	\$20.40	\$14.84	\$-1312.16	5.78%	.35%	2.5	Communication Services
ROAD	Construction Partners, Inc	58	\$81.29	\$105.80	\$1421.58	10.13%	.62%	.9	Industrials
VCTR	Victory Capital Holdings, Inc	71	\$67.92	\$63.09	\$-342.93	7.39%	.45%	1.12	Financials
VSEC	VSE Corporation	47	\$104.51	\$181.99	\$3641.56	14.12%	.86%	1.38	Industrials

A large, modern building with a curved facade and many windows. The words "SPENCER FOX ECCLES BUSINESS BUILDING" are written in large, silver letters across the top of the building. In the foreground, there is a large mural of a person wearing headphones and a red "U" logo. Some green trees are in the foreground.

SPENCER FOX ECCLES BUSINESS BUILDING

# Fundamental Review

# Fundamental – American Express (AXP)



**American Express** is a global payments and lending franchise focused on affluent consumers. The company earns revenue from merchant fees, annual card fees, and card loan interest.

## Original Investment Thesis:

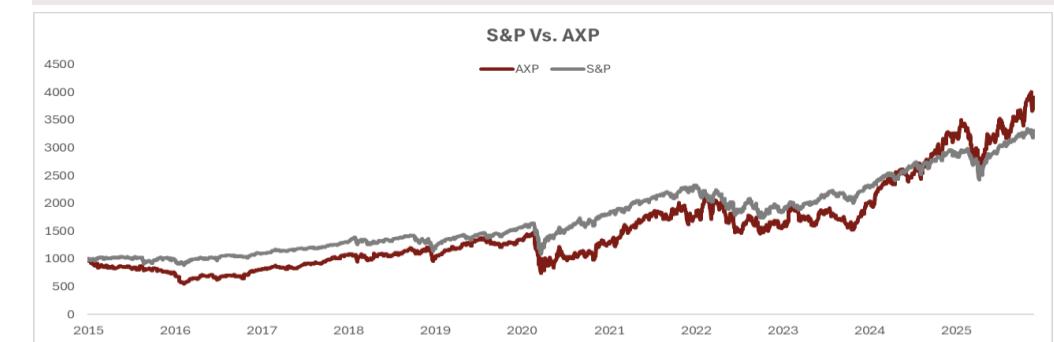
- Affluent customer base supports durable growth
- Closed-loop network and premium perks = wide moat
- Attractive valuation versus peers and history
- Target price = \$459.24

## Considerations:

- Implied upside of 25.8%
- K-shaped economy
- Remarkable share buyback program supports EPS
- Portfolio fit - reasonable position size and beta

## Position Overview

Inception Date	March 6th, 2025
Shares Held	50
Position Size	\$18,264
Original Share Price	\$273.95
Current Share Price	\$365.27
Unrealized Return	33.33%
Portfolio Weight	1.83%
Beta	1.15

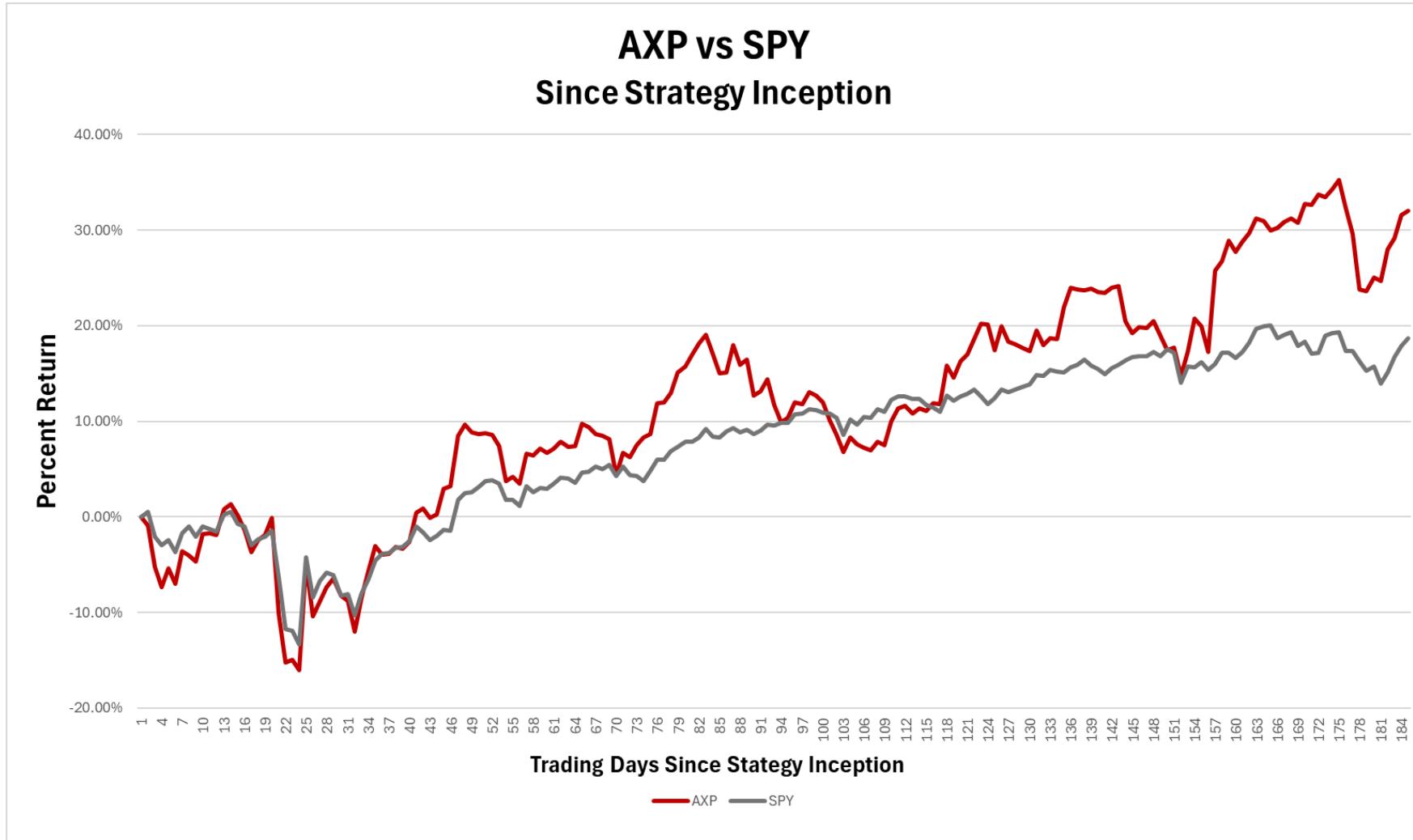


# Fundamental – American Express (AXP)



Metric	At Strategy Inception	Current	Percent Change
Price per share	273.95	365.27	+ 33%
Market capitalization	211.42 B	251.62 B	+ 19%
P/E Ratio (TTM)	19.51	24.53	+ 25%
Shares outstanding	704.53 M	689.00 M	- 2%
EPS (TTM)	14.04	14.89	+ 6%
Return on equity (ROE)	33.00%	33.70%	+ 2%
Beta	1.24	1.15	- 7%
Portfolio weight	1.37%	1.83%	+ 33%

# Fundamental – American Express (AXP)





# Conclusion

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# Overview



Systematic: Small Cap Syndrome – **Hold**



Fundamental: American Express – **Hold**



# Appendix

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# Back-testing Parameters

## Screening Criteria

Parameter	Description	Stock Universe
<b>U.S Exchange</b>	Total Active Equities	14,146 stocks
<b>Market Cap – small &amp; mid</b>	$250M \geq \text{Market Cap} \leq 10B$	3,756 stocks
<b>Profitable Companies</b>	TTM NOPAT > 0	1,522 stocks
<b>Exclude Penny Stocks</b>	Price 1 day ago > 5	1,475 stocks

# Back-testing Parameters

## Strategy Criteria

Parameter	Description	Stock Universe
30 Day RSI	$40 \geq \text{RSI} \leq 70$	1,317 stocks
12 mo. Steady Growth	Top Quartile CAGR	327 stocks

# Back-testing Parameters

## Sub-Criteria

Parameter	Description	Stock Universe
Current PEG Ratio	$0 \geq \text{PEG} \leq 1.5$	41 stocks
Debt to Equity	$50 \geq \text{D/E Ratio} \leq 100$	11 stocks
1YR. Annualized Sharpe	Top 10 Ranking - backstop	10 stocks

# Back-testing Parameters

## Sub-Criteria

Ticker	P/E (TTM)
<b>AXP (American Express)</b>	≈ 24.5 ( <a href="#">FullRatio</a> )
<b>DFS (Discover Financial Services)</b>	≈ 10.7 ( <a href="#">CompaniesMarketCap</a> )
<b>PYPL (PayPal Holdings)</b>	≈ 12.4 ( <a href="#">Yahoo Finance</a> )
<b>V (Visa Inc.)</b>	≈ 33.3 ( <a href="#">Yahoo Finance</a> )
<b>COF (Capital One Financial)</b>	≈ 92.0 ( <a href="#">FullRatio</a> )
<b>SOFI (SoFi Technologies)</b>	– (no reliable trailing P/E currently – earnings too volatile / negative or insufficient) ( <a href="#">Yahoo Finance</a> )