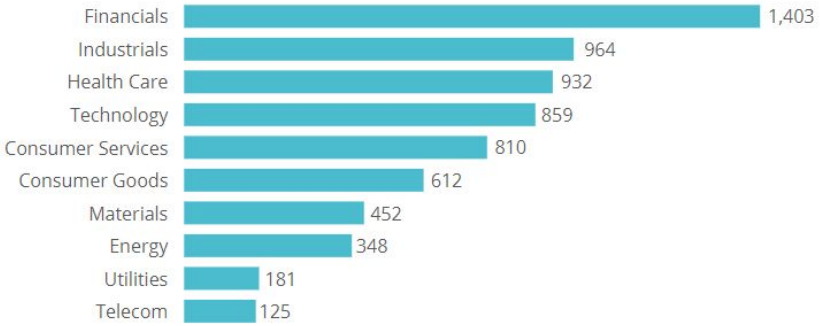
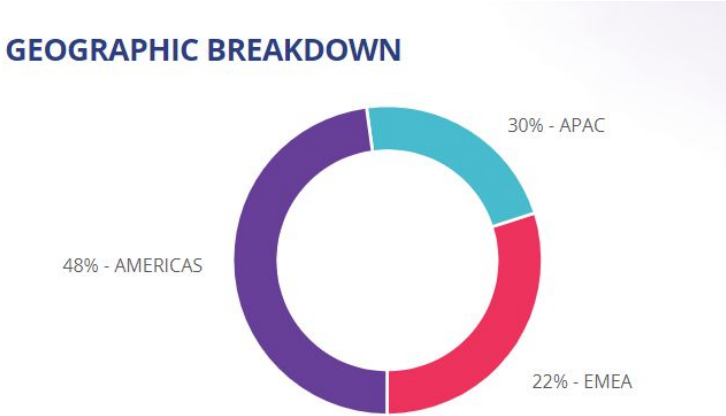
WEBINAR PRESENTATION

Finding Value in Analyst Estimates for Value Investors

Visible Alpha Insights Coverage

- Extensive Network: **172+** contributing brokers
- Granular Consensus: **125,000+** standardized metrics
- Global Coverage: **6880+** companies under coverage

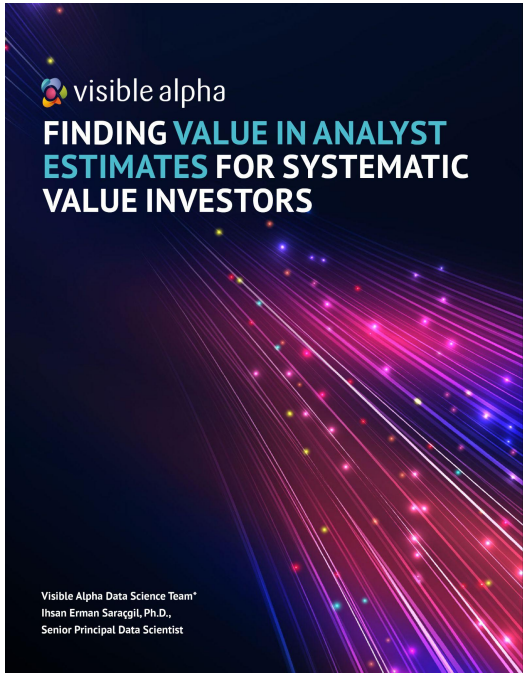




Speaker Introduction

Ihsan Saracgil, Ph.D., is Senior Principal Data Scientist at Visible Alpha, leading the quant research and data science group at the firm. He works on developing new data products and partnering with academic faculty to provide original research for institutional investors. Prior to Visible Alpha, Ihsan was a consultant with expertise on big data in securities trading for broker-dealers and exchanges, across various asset classes. He holds a Ph.D. in Economics from University of Michigan.

Finding Value in Analyst Estimates for Systematic Value Investors



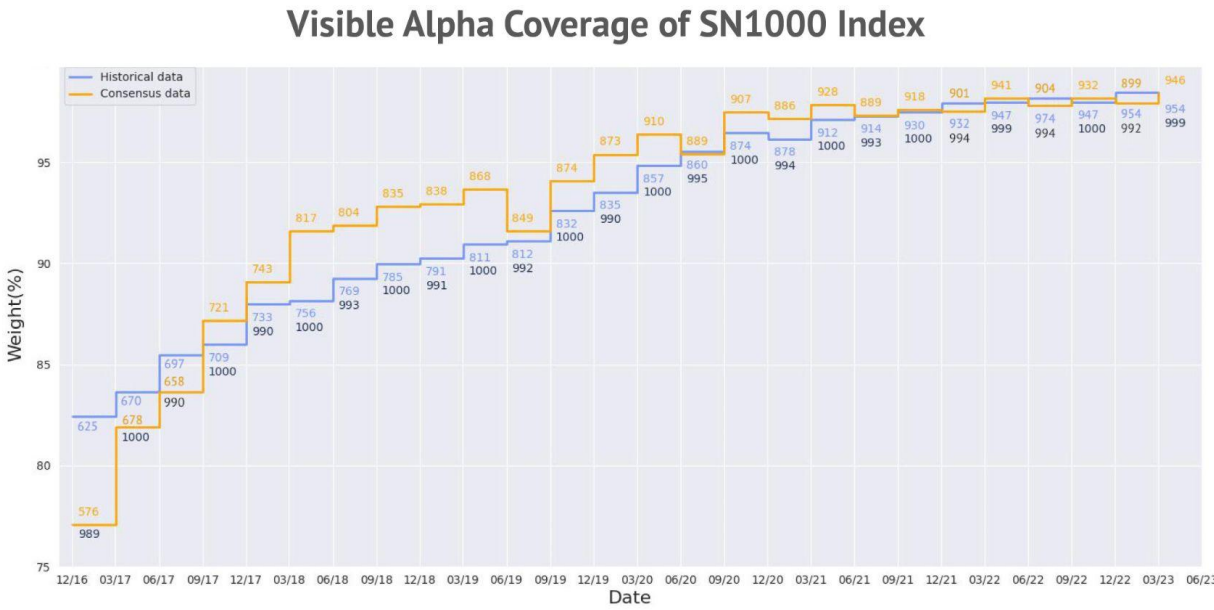
- Analyst expectations of traditional and new metrics:
  - Book-, earnings-, revenue-to-market
  - Accounting returns:
    - Return on average equity (RoE)
  - Intangibles:
    - (in)tangible book-to-market, PPE-to-market

Key Results

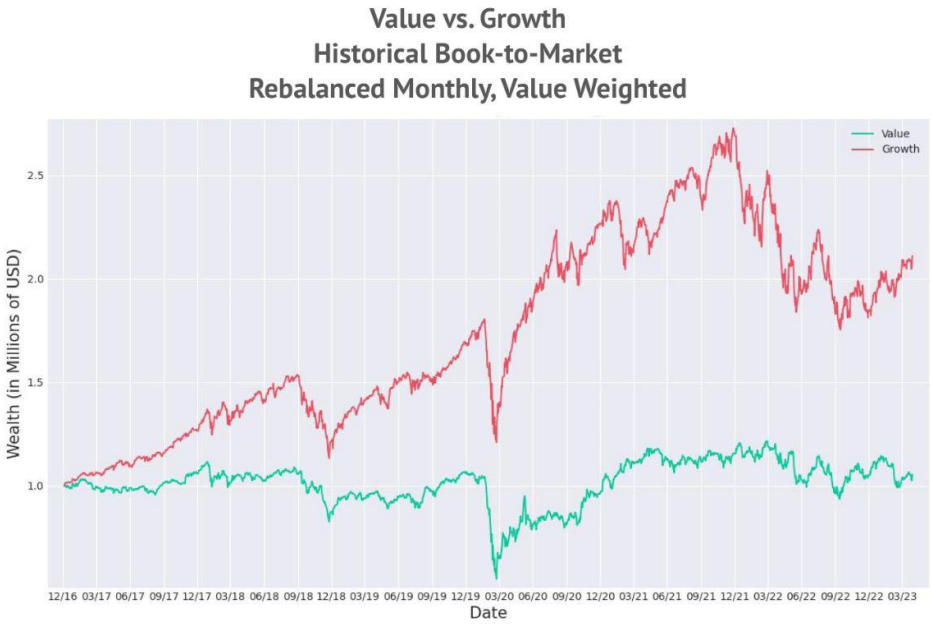
- Analysts expectations of “RoE” correlate with future stock returns.
    - Long the highest expected RoE stocks and short the lowest RoE stocks every month generates up to **1.03%** monthly alpha with Sharpe ~1.
- Value stocks exhibit significantly lower expected RoE than Growth stocks.
    - Value traps are a drag on returns.
- Best performing long/short strategies incorporate intangible asset values directly.

Data

- S-Network U.S. Equity Large/Mid-Cap 1000 Index
- December 2016-April 2023



Historical B/M Portfolios



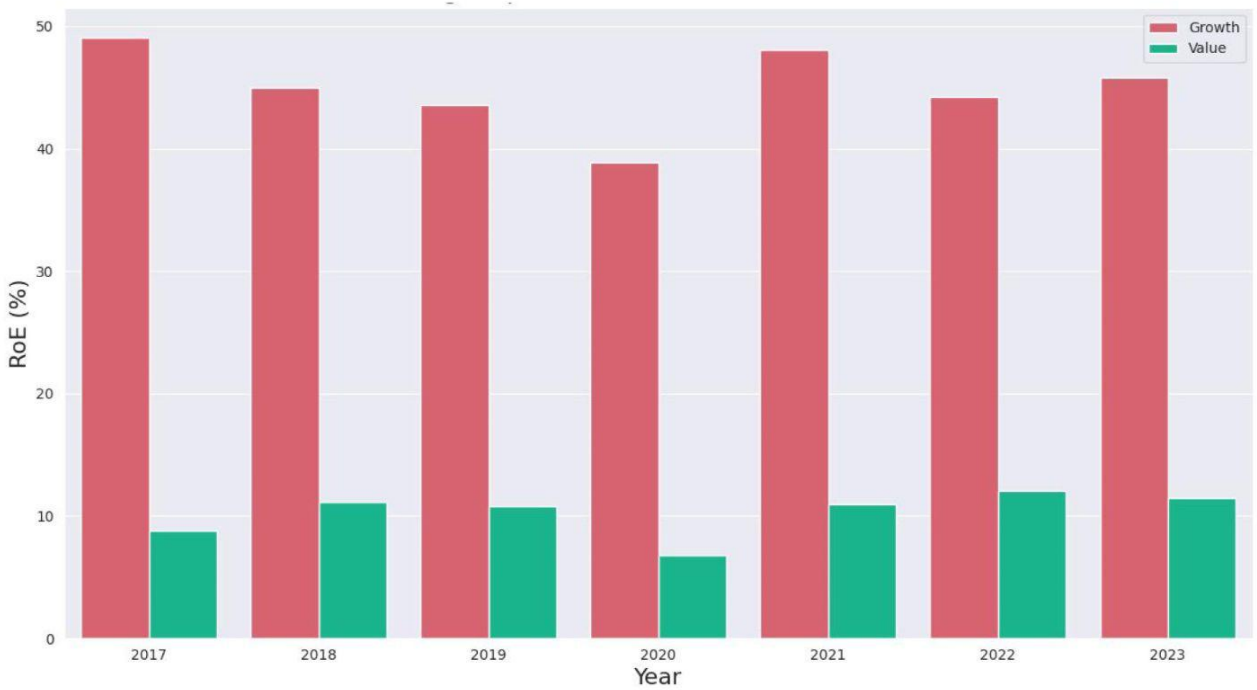
	Historical B/M	
	VW	EW
Average Monthly Return	1.9 (0.52)	-0.06 (-0.05)
Cumulative Return	-66.47	-34.5
Sharpe Ratio	0.23	0.01
Annualized Volatility	0.91	0.38
Max Drawdown	93.95	73.33

Expected RoE Portfolios

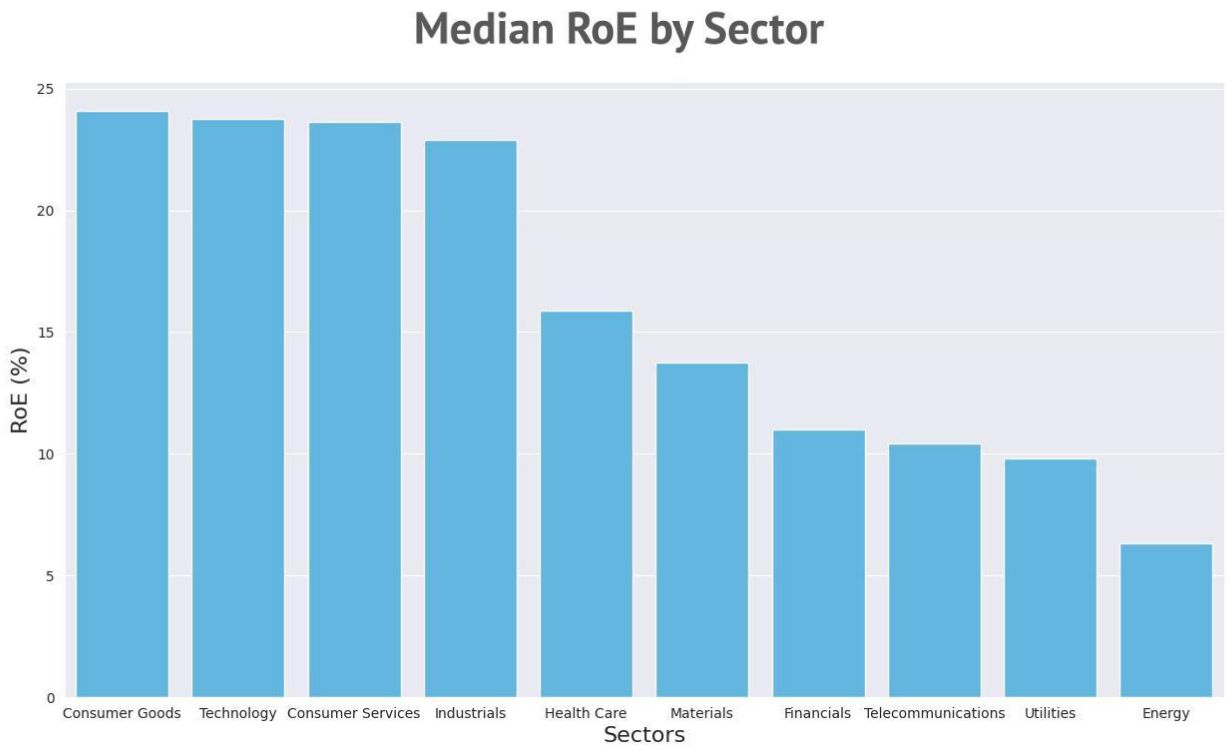
Table 3A: Performance Metrics for RoE Strategy Rebalanced Monthly, 2017-April 2023

	Value-Weighted			Equal-Weighted		
	Long/ Short	Long Only	Sector Neutral	Long/ Short	Long Only	Sector Neutral
Average Monthly Return	1.03*** (2.74)	0.34 (0.33)	0.74* (2.15)	0.72* (2.19)	0.41 (0.36)	0.32 (1.34)
Cumulative Return	116.83	112.83	66.26	70.32	63.5	23.21
Sharpe Ratio	1.04	0.66	0.73	0.88	0.47	0.49
Annualized Volatility	0.13	0.21	0.12	0.1	0.21	0.07
Max Drawdown	18.91	35	21.22	20.37	39.43	20.08

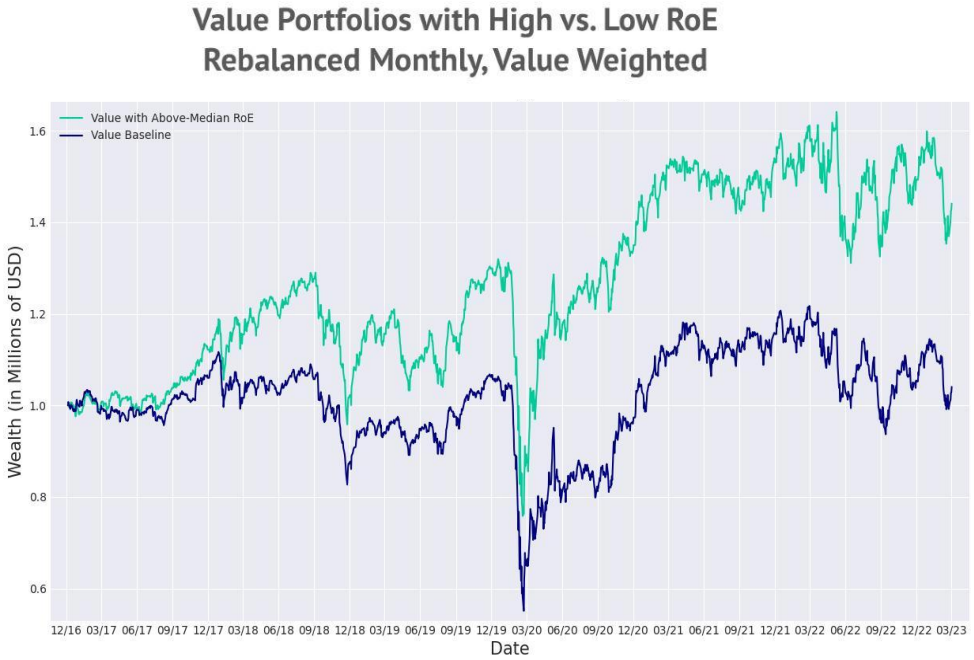
Average Expected RoE of Value vs Growth Stocks



Some Sectors have higher RoE than others

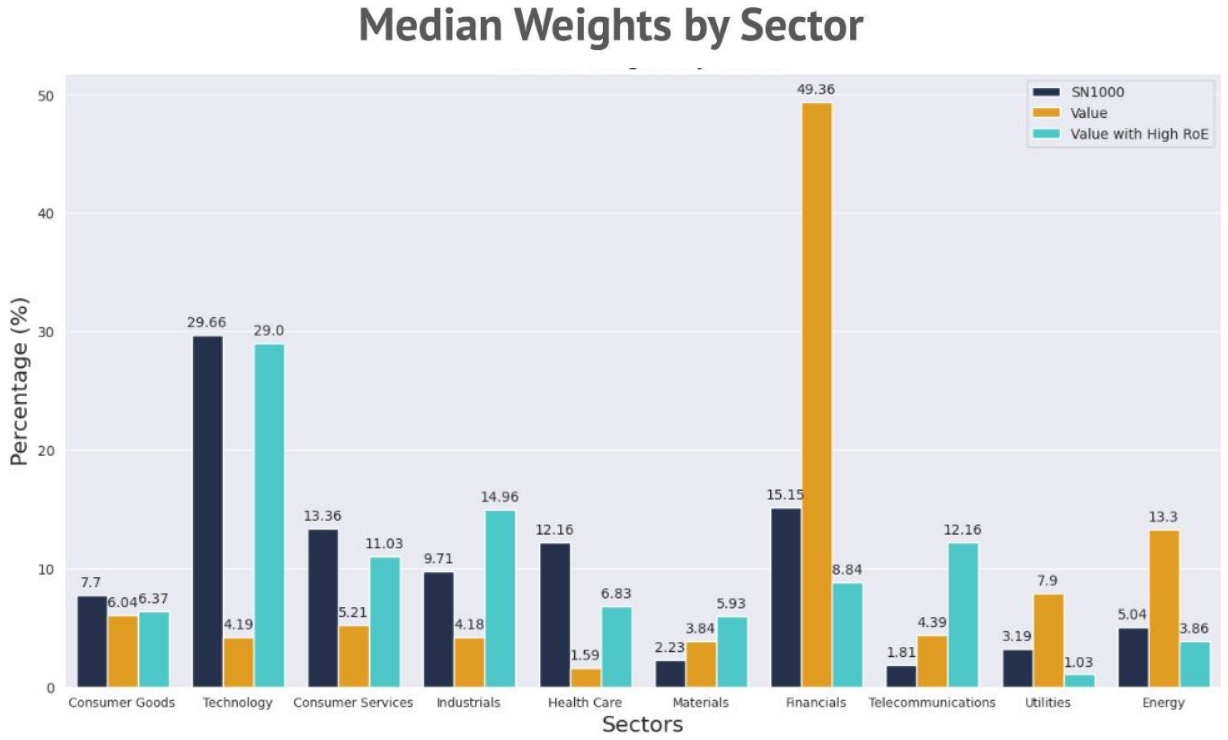


Value with an RoE Filter

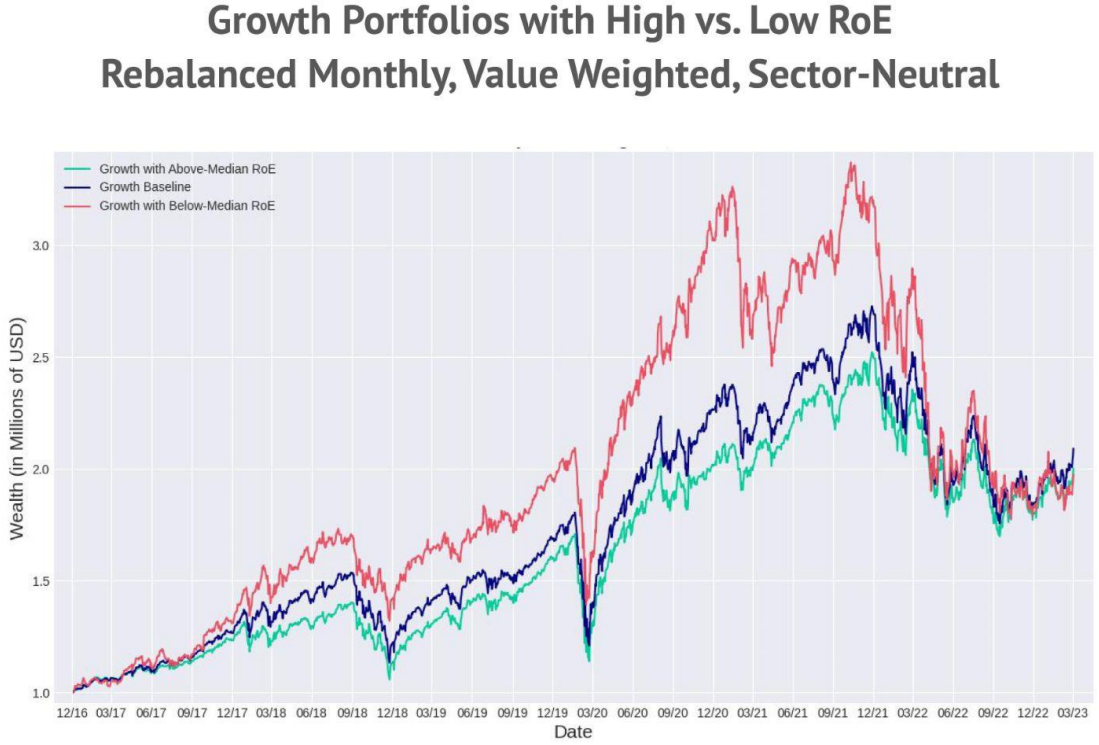


	Value Long-Only		Value+ High RoE Long Only	
	VW	EW	VW	EW
Average Monthly Return	0.5 (0.39)	0.67 (0.43)	0.5 (0.67)	0.7 (0.66)
Cumulative Return	5.53	15.1	42	19.68
Sharpe Ratio	0.15	0.21	0.36	0.24
Annualized Volatility	0.23	0.26	0.23	0.25
Max Drawdown	50.66	53.48	42.53	52.15

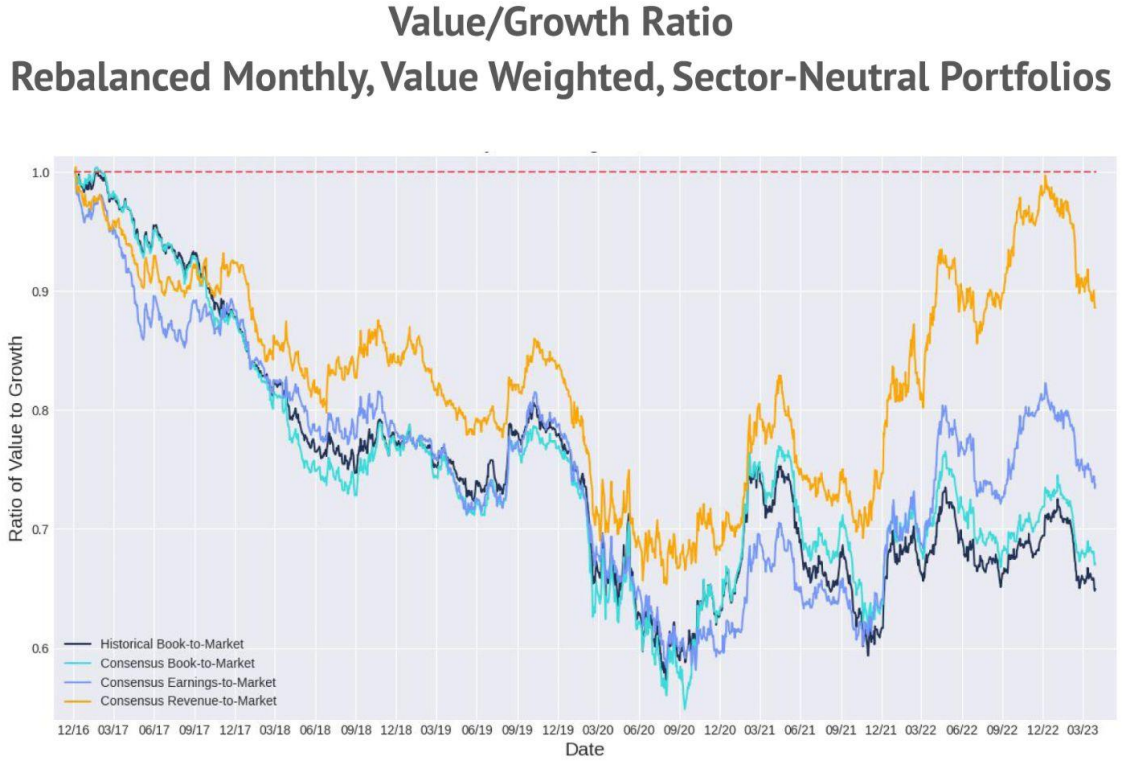
Fixing the Weights



Growth with RoE filter



B/M Alternatives



Intangibles

Value/Growth Ratio Controlling Intangible Assets
Rebalanced Monthly, Value Weighted, Sector-Neutral Portfolios

Client Engagement

Data Delivery

- REST API
- Datafeed (csv files)
- Snowflake

VA Teams

- **Data Science:** Uses Visible Alpha data to validate quantitative investment theses
- **Solutions Engineering:** Manages client training, trials, and onboarding of Visible Alpha Data Services solutions
- **Client Success:** Manages ongoing support of production clients
- **Client Support:** Available via phone/email/chat to answer technical questions