Summer 2023 — part 2

In Part 2 of the Summer 2023 Edition, we will delve into the outcomes of the India and China quants, commonly referred to as investment robots. These robots operate on a fully rule-based system, devoid of any human intervention or intelligence.

Allow me to present the rules governing the investment robot Q20. This robot's strategy involves selecting three constituents from a pool of Chinese small-cap stocks through a meticulous algorithmic screening process. The chosen constituents are acquired on the first trading day of August and held until the last trading day of July in the subsequent year, unless certain conditions arise earlier.

Should the price of any of the three constituents decline by more than 20% during the holding period, the stock will be promptly sold. Conversely, if the price of any of the stocks rises by more than 50%, it will also trigger an immediate sell-off. This stringent approach ensures that the robot reacts promptly to significant market fluctuations, aiming to optimize returns and minimize potential losses.

The results of these investment robots can be found in the attached document. As mentioned in the winter edition, Fire Rock Holdings was replaced by KWG Living Group Holdings.

The results of the Chinese investment robots are disappointing indeed, as evidenced by the performance benchmark for the Chinese investment robots, represented by the iShares MSCI China Small-Cap ETF, Chinese small caps, on the whole, delivered disappointing results. The only highlight I can find is that the robot that is expected to outperform the rest in the long run, Q25, the one without conditional selling rules, outperforms the benchmark vastly, which might imply that the algorithm works pretty well, also in disappointing markets.

The India robots all perform way above expectation; all of them outperform the benchmark for the India investment robots, the iShares MSCI India Small-Cap ETF benchmark, vastly. The robot that is expected to outperform the rest in the long run, Q32, the one without conditional selling rules, outperforms the benchmark vastly with a 4-year CAGR of 56.7%!

Wingardium Leviosa! Here are the 2024 China and India constituents.

Robot	Constituents
Q19 – Q25	Kinetic Development Group Limited, Binjiang Service Group Co. Ltd., Truly International Holdings Ltd.
Q26 – Q32	Supreme Petrochem Ltd, Greenpanel Industries Limited, Mastek Limited.

Kinetic Development Group Limited, an investment holding company, engages in the extraction and sale of coal products in the People's Republic of China. The company focuses on the development of its Dafanpu Coal Mine with a concession area of approximately 9.6 square kilometers located in Zhunge'er Banner, Ordos City, Inner Mongolia, China. It also engages in the coal production, trading, washing, loading, and transportation activities; and sale of mineral products. In addition, the company is involved in the breeding, production, and selling of breeding stock; and production and sale of wine and fruit wine, as well as grape planting activities. Further, it engages in the property management; engineering construction; development, production, and sale of e-vapor.

Binjiang Service Group Co. Ltd. provides property management and related services in the People's Republic of China. Its property management services include security, cleaning, gardening, repair, maintenance, and ancillary services to residential and non-residential properties, industrial parks, and government buildings. The company also offers value-added services to non-property owners comprising pre-delivery, consulting, and community space services primarily to property developers; and property sales and leasing agency, car parking space, and storage room services, as well as home living, interior design, customized furnishing, facility upgrade, and maintenance

services to property owners. In addition, the company sells furniture, parking places, and storage rooms; and provides decoration, advertisement design, producing, releasing, and brokerage services. It serves property owners and residents, property developers, and property management companies.

Truly International Holdings Ltd is an investment holding company principally engaged in the manufacture and sale of liquid crystal display (LCD) products. The Company operates its business through two segments. The LCD Products segment engages in the manufacture and distribution of LCD products and touch panel products. The Electronic Consumer Products segment engages in the manufacture and distribution of electronic consumer products. The Company's products include compact camera module, fingerprint identification modules, cover lens, personal health care products such as blood glucose monitors, blood pressure monitors and electrical toothbrushes, calculators, circuit board panels, among others.

Supreme Petrochem Ltd is mainly engaged in the business of styrenics. The company's primary operating segment is Styrenics business. The Company manufactures polystyrene (PS), expandable polystyrene (EPS), masterbatches and compounds of styrenics and other polymers, extruded polystyrene insulation board (XPS) styrene methyl methacrylate (SMMA) with manufacturing facilities at Amdoshi district Raigad, Maharashtra and Manali New Town, Chennai, Tamil Nadu.

Greenpanel Industries Limited is an India-based manufacturer of wood panels. The Company manufactures plain and pre-laminated medium density fiberboards (MDF) boards. It also produces plywood, doors and veneers to service domestic and international customers. The Company's products categories include club grade, medium density fibreboard, flooring, plywood & blockboard, veneers and doors. The Company operates through two segments: Plywood and allied products and Medium density fibreboards and allied products.

Mastek Limited is an India-based enterprise digital transformation specialist. The Company is a provider of vertically focused enterprise technology solutions. Its segments include UK & Europe

operations, North America operations, Middle East and Others. The portfolio of its offerings includes business and technology services, which consist of application development, application maintenance, business intelligence and data warehousing, testing and assurance and legacy modernization. Its services include digital application and engineering, Oracle cloud and enterprise applications, digital commerce and experience, data, automation and artificial intelligence, and cloud and software as a service (SaaS) managed services.

So here we are

The 4-year compound annual growth rate (CAGR) of the India robots is indeed exceptional. However, it is important to note that this is a relatively short period of time, and it is advisable to wait for a 10-year track record before investing money in this quant approach. Additionally, if you do decide to invest, it would be prudent to limit your investment to no more than 10% of your overall investment budget.

As previously communicated, the frequency of these writings will be changing from quarterly to twice-yearly. The next edition will be published by the end of December 2023. Thank you for taking the time to read my letter.

Peter

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QUANTS, ROBOTS & CYBORGS

In search of an investing quant, robot or cyborg that consistently
outperforms the market with a greater than 15% CAGR.

	The USD Robots	2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q1	The Mohnish Pabrai Free Lunch Portfolio (MP FLP).	-17.0%	21.7%	3.0%	25.0%	-17.7%				1.6%
Q2	The conservative version of the MP FLP.	-10.1%	25.2%	15.9%	25.6%	-10.0%				8.1%
Q3	The conservative version of the MP FLP. Sell at +40%.	21.6%	34.0%	20.6%	26.7%	-10.0%				17.5%
Q4	The MP FLP. Spawners only.	-	-	-	28.0%	-15.2%				4.2%
Q5	The USD new year robot. Sell at –20% or +40%.	40.0%	27.7%	-20.0%	36.3%	-20.0%				9.3%
Q6	The USD new year robot. Sell at –20% or +50%	50.0%	34.4%	-20.0%	43.0%	-20.0%				13.0%
Q7	The USD new year robot. Sell at –20% or +60%.	60.0%	33.4%	-20.0%	49.6%	-20.0%				15.4%
Q8	The USD new year robot. Sell at +40%.	40.0%	27.7%	-6.1%	36.3%	-17.4%				13.6%
Q9	The USD new year robot. Sell at +50%.	50.0%	34.4%	-6.1%	43.0%	-14.0%				18.4%
Q10	The USD new year robot. Sell at +60%.	60.0%	33.4%	-6.1%	49.6%	-14.2%				20.8%
Q11	The USD new year robot. No conditional selling.	18.4%	25.4%	-6.1%	95.1%	-14.2%				18.5%
Q33	The Value Firm® USD Free Lunch Portfolio (TVF FLP)	-	-	-	-	-				-
Q34	TVF FLP USD. Sell at +40%.	-	-	-	-	-				-
Q35	TVF FLP USD. Sell at +50%.	-	-	-	-	-				-
Q36	TVF FLP USD. Sell at +60%.	-	-	-	-	-				-
BM1	Benchmark: iShares S&P SmallCap 600 UCITS ETF	-9.1%	22.3%	11.2%	28.1%	-16.5%				5.7%
BM2	Benchmark: iShares Core S&P 500 ETF	-5.2%	31.2%	17.4%	30.6%	-18.3%				9.3%

	The EUR Robots	2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q12	The EUR new year robot. Sell at –20% or +40%.	-	-	-	-	-20.0%				-20.0%
Q13	The EUR new year robot. Sell at –20% or +50%.	-	-	-	-	-20.0%				-20.0%
Q14	The EUR new year robot. Sell at –20% or +60%.	-	-	-	-	-20.0%				-20.0%
Q15	The EUR new year robot. Sell at +40%.	-	-	-	-	-45.0%				-45.1%
Q16	The EUR new year robot. Sell at +50%.	-	-	-	-	-45.0%				-45.1%
Q17	The EUR new year robot. Sell at +60%.	-	-	-	-	-45.0%				-45.1%
Q18	The EUR new year robot. No conditional selling.	-	-	-	-	-45.0%				-45.1%
Q37	The Value Firm® EUR Free Lunch Portfolio (TVF FLP)	-	-	-	-	-				-
Q38	The TVF FLP EUR. Sell at +40%.	-	-	-	-	-				-
Q39	The TVF FLP EUR. Sell at +50%.	-	-	-	-	-				-
Q40	The TVF FLP EUR. Sell at +60%.	-	-	-	-	-				-
BM	Benchmark: iShares MSCI Europe Small-Cap ETF	-	-	-	-	-27.3%				-27.3%

	The China Robots	2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q19	The China midyear robot. Sell at –20% or +40%.	-	-	-19.3%	23.8%	-20.0%	0.4%			-5.4%
Q20	The China midyear robot. Sell at –20% or +50%.	-	-	-19.3%	30.5%	-20.0%	3.7%			-3.3%
Q21	The China midyear robot. Sell at –20% or +60%.	-	-	-19.3%	37.2%	-20.0%	-19.6%			-8.1%
Q22	The China midyear robot. Sell at +40%.	-	-	6.1%	13.4%	-49.3%	-0.2%			-11.7%
Q23	The China midyear robot. Sell at +50%.	-	-	9.4%	20.1%	-49.3%	3.1%			-9.0%
Q24	The China midyear robot. Sell at +60%.	-	-	12.8%	26.7%	-49.3%	-28.2%			-15.0%
Q25	The China midyear robot. No conditional selling.	-	-	56.4%	135.8%	-49.3%	-28.1%			7.7%
BM	Benchmark: iShares MSCI China Small-Cap ETF	-	-	11.3%	22.6%	-28.6%	-10.1%			-3.3%

	The India Robots	2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q26	The India midyear robot. Sell at –20% or +40%.	-	-	23.0%	41.2%	19.3%	14.4%			24.1%
Q27	The India midyear robot. Sell at –20% or +50%.	-	-	29.7%	51.2%	7.0%	17.8%			25.4%
Q28	The India midyear robot. Sell at –20% or +60%.	-	-	36.3%	54.5%	10.4%	19.2%			29.0%
Q29	The India midyear robot. Sell at +40%.	-	-	24.2%	41.2%	19.3%	18.3%			25.4%
Q30	The India midyear robot. Sell at +50%.	-	-	30.9%	51.2%	7.0%	21.6%			26.7%
Q31	The India midyear robot. Sell at +60%.	-	-	37.6%	54.5%	10.4%	23.0%			30.3%
Q32	The India midyear robot. No conditional selling.	-	-	44.3%	243.7%	-1.2%	23.0%			56.7%
BM	Benchmark: iShares MSCI India Small-Cap ETF	-	-	-7.2%	81.3%	-6.1%	11.9%			15.3%

A "red year," like 2020, is a year in which the stock market experiences a significant decline. This is typically defined as a decline of 20% or more from the market's high to its low during the year.