





About the Author | Laurence Connors



Abstract

Fundamental and Technical analysis are often thought of as separate, competing ideologies. We regard this world view as short-sighted. Our research shows that combining fundamental and



were constructed by simply taking equally weighted one month, three months and twelve month total returns. The model went long assets that have shown positive recent performance and shorted assets that have shown negative recent performance.

This simple strategy was applied to 67 markets across four major asset classes (29 commodities, 11 equity indices, 15 bond markets, and 12 currency pairs). The time period for this study was an amazing 1880 to 2013. The results were nothing short of spectacular, showing remarkable consistency throughout the decade taking delivering an annualized return of 14.9% with 9.7% volatility. Furthermore, returns were positive every decade and showed virtually no correlation to traditional equity or fixed income markets.

Part 2: Performance of Single Factors

We have established the factors we will be utilizing in our model, along with some quantitative evidence



Other common quality/profitability metrics involve how efficiently a firm utilizes its capital. A metric





Combining the Fundamental Factors - Quality and Value

Research has shown that combining quality and value has synergistic effects. Robert Nozzy-Marx, in his aforementioned paper “The Other Side of Value: The Gross Profitability Premium” showed that this combination resulted in increased



Performance of Combining Value, Quality, Low Volatility, and Time-Series Momentum

The next factor we will add to our model is time-series momentum or trend following. We will do this

market return minus higher. Only for the period from 1990 to 2000, we add the monthly returns of this

overall market return minus the return of the 100-day moving average of the market return. We will do this

for the period from 1990 to 2000, we add the monthly returns of this

to the 100-day moving average of the market return. We will do this for the period from 1990 to 2000, we add the

monthly returns of this





Table 10: Incremental Improvements



- 3) Add up the three rankings and take the top decile. We are now left with 50 stocks that have a combination of high quality, low valuation, and low volatility.





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