Quantitative Equity Selection Strategy

WILLIAMS MARKET ANALYTICS

February 2024

Master Account
Net Asset Value: 167.01 (-0.20%)

February Monthly Strategy Update

February marked the fourth consecutive month of gains for the major equity indexes. Equity price gains came once again from momentum in the Magnificent Seven, as most of big tech beat on earnings and offered strong guidance. The Nasdaq-100 (+5.28%) led the way, powered notably by Nvidia (+28.6%) and Meta (+25.7%). Bonds were slightly lower in February, as the 10-year Treasury yield backed up 25bp to 4.25%. The macro picture remained unchanged with economic activity still robust but signs that the inflation path down may be sticky. There are many causes for concern for investors in the S&P 500 and Nasdaq-100. Only a handful of stocks are lifting the indexes, as the market concentration (the weight of the biggest ten stocks) is one of the highest on record. Valuations, through not a timing indicator, are historically rich. The S&P 500 is trading at around 24x (optimistic) forward earnings, compared to a historical average of 17.88x. On the macro front, a soft-landing is fully priced in, even as the Fed Fund futures push out the first rate cut until June/July. There is a possibility that higher-for-longer interest rates will produce a negative lagged effect on economic activity. Finally, sentiment is extremely bullish, with aggressive positioning by fund managers.

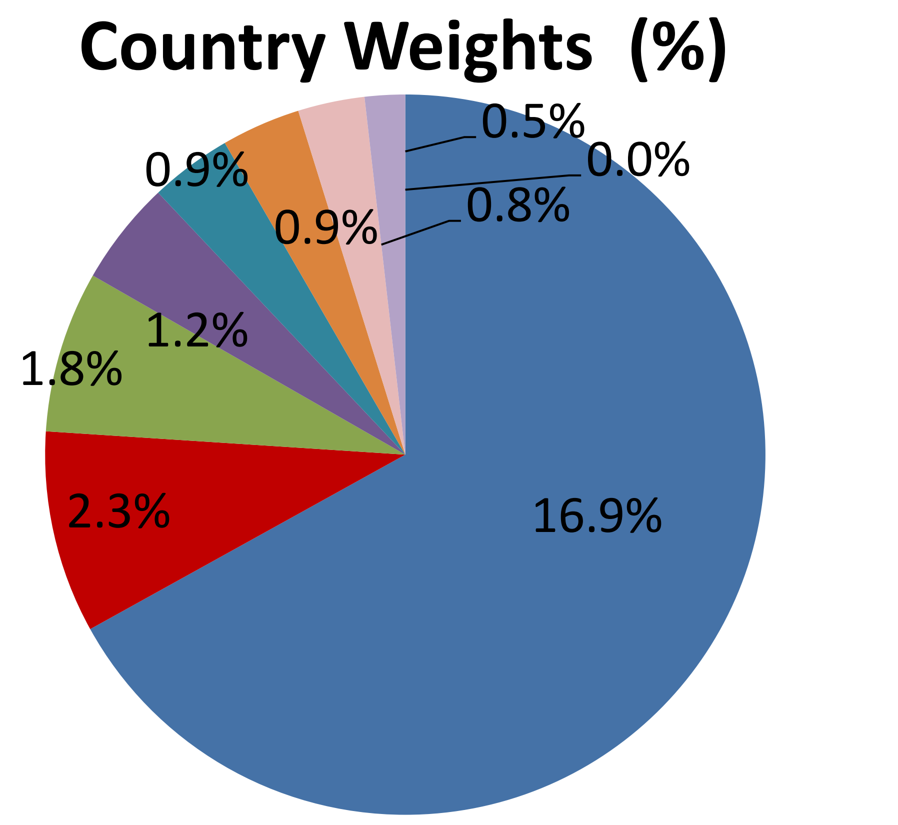
Our QES Strategy was modestly lower, -0.20% in February, lagging the broad S&P 500 EW index, +4.0%. After four consecutive months higher, stupefying market concentration, and rich valuations, it is time to be fearful when others are greedy. None of our holdings would be considered highflyers and many are far from cycle highs. In sum, we have boring stocks that pay nice dividends and have little to do with AI. Should the indexes fall sharply as traders begin selling the sky high AI stocks, we are reasonably confident that our drawdown will be limited, especially since we'll be patient in deploying our 74% cash holding on which we are earning 5% interest. For the month, our biggest winners were Solaris Oilfield Infrastructure (+12.9%), Tapestry (+22.5%), and Travel + Leisure (+10.5%). Our biggest losers in February (still meeting our selection criteria) were Imperial Brands (-7.7%), Enel SpA (-7.2%), and Gilead Sciences (-7.9%).

Portfolio Data

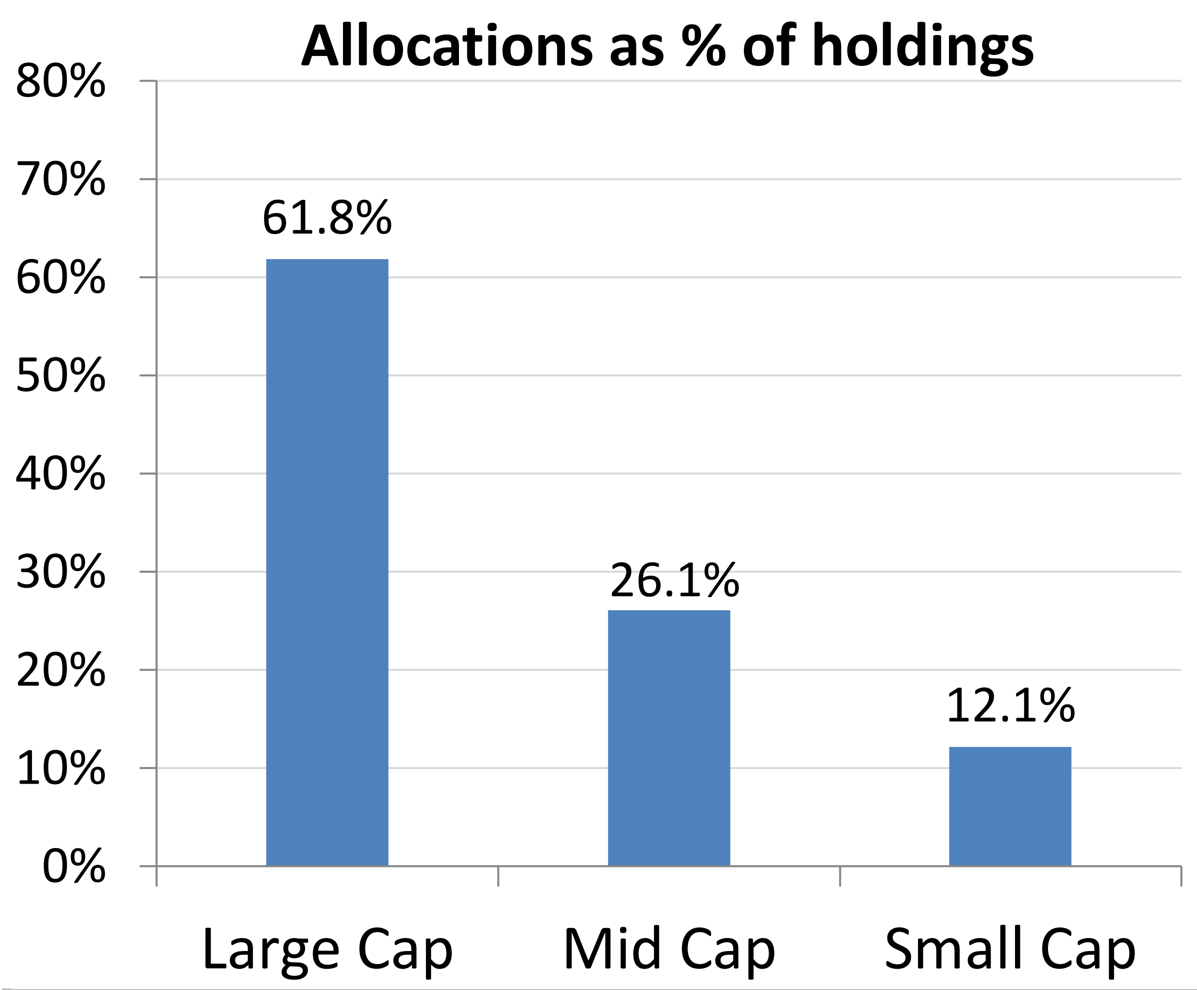
Number of Holdings	40
Currency	USD
Current Risk Level (β & σ)	Ext. Low
Dividend Yield	5.42%
Forward Price/Earning Ratio	10.6
52-Week High & Low	168.9 & 153.3

Country Weightings

U.S.	16.9	Netherlands	0.8
Hong Kong	2.3	France	0.5
U.K.	1.8		
Canada	1.2		
Chile	0.9		
Singapore	0.9		

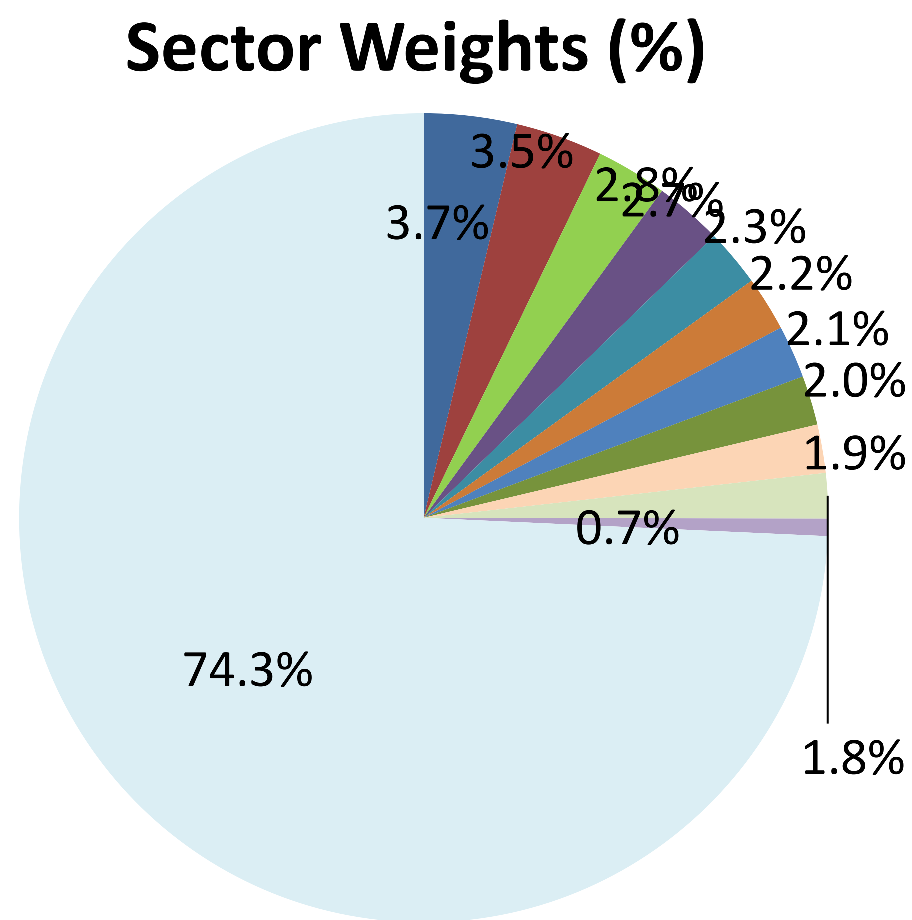


Market Capitalizations



Sector Weightings

Sector	%
Financials	3.7
Staples	3.5
Health Care	2.8
Industrial	2.7
Utilities	2.3
Consumer Discretionary	2.2
Real Estate	2.1
Energy	2.0
Materials	1.9
Communication Services	1.8
Technology	0.7
Cash	74.3



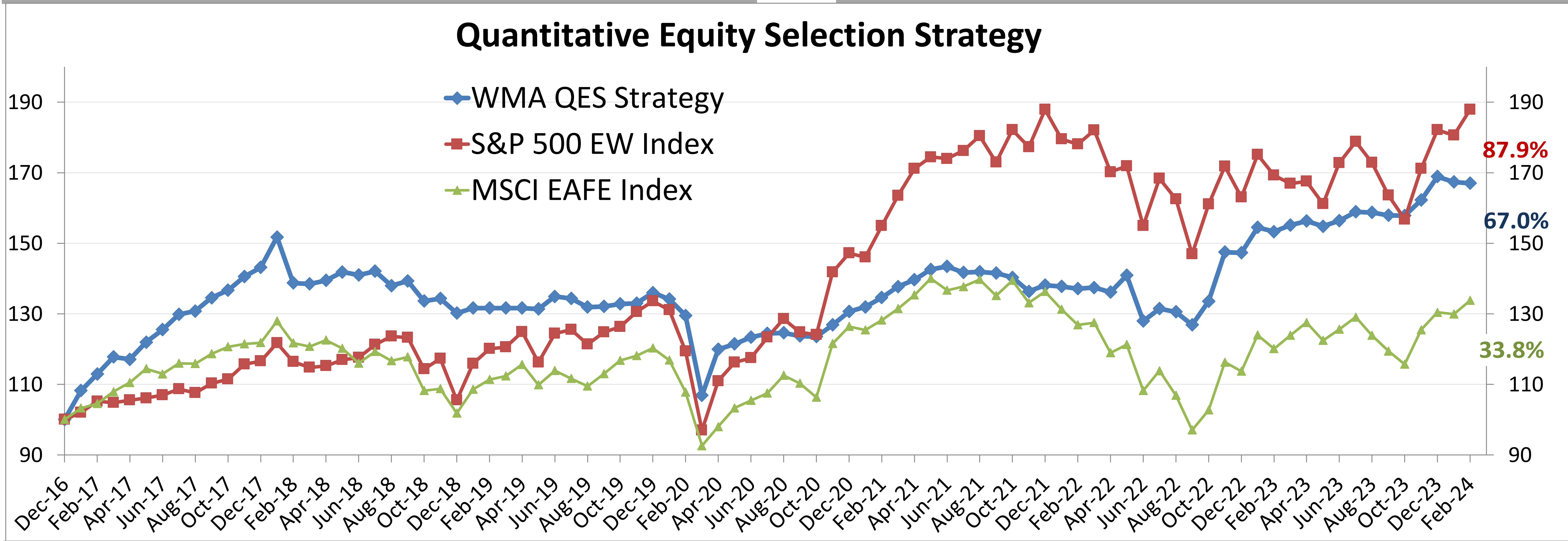
Historical Performance

Risk Characteristics

	Annualized Volatility	Beta	Sharpe Ratio
WMA QES Strategy	12.6%	0.49	2.04
S&P 500 EW Index	18.5%	1.00	1.72
EAFE Index	16.3%	1.00	0.88

Price Return as of 02/29/2024

	YTD	1-Year	2-Year	3-Year	Since Inception
WMA QES Strategy	-1.10%	9.0%	21.8%	24.1%	67.0%
S&P 500 EW Index	3.16%	11.0%	5.5%	21.3%	87.9%
EAFE Index	2.62%	11.4%	5.5%	4.4%	33.8%



Contact: info@WilliamsMarketAnalytics.com