Illustrating Rayliant's Quantamental Approach

Rayliant's Quantamental approach is driven by fundamentals, using big data and local insights to select mainland Chinese stocks. The portfolio offers broad exposure to China's rapid growth, while seeking to outperform by exploiting other investors' behavioral mistakes.

1

Filtering the Universe of China Stocks

Rayliant uses a vast array of data covering thousands of mainland-listed China A shares, applying fundamental research informed by local knowledge to construct a high-conviction portfolio

Signal
Quality Growth
We find company disclosure of R&D expenditures can serve as hard evidence of the fundamental activity that leads to true long-term growth

Signal
Accounting Integrity
We employ a range of metrics for uncovering deceptive accounting— including firms who underreport income, hiding strong profitability

Signal
'Smart vs. Dumb' Flows
We track transactions in individual stocks, searching for signs of overvaluation by amateur traders, as well as moves by the 'smart money'

2

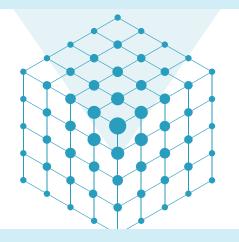### Scoring Stocks Based on Quantamental Inputs

Examples from among 150+ trading signals employed by Rayliant's stock scoring methodology

Signal
Dual List Discount
The price difference between shares of the same stock dual listed in Hong Kong and on the mainland helps to identify stocks with inflated valuations

Signal
Share Pledging
Local regulatory filings tell us when insiders post shares as collateral for a personal loan—often indicating managers' confidence in their firm

Signal
Analyst Sentiment
China sell-side analyst sentiment, overlooked by domestic amateur traders, offers a powerful perspective on changing fundamentals

3

Smart Portfolio Construction

Based on stock scoring, Rayliant forms a portfolio built to capture China's broad growth, while actively managing risk and exploiting mispricings

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For additional information, please visit **funds.rayliant.com**