

## Illustrating Rayliant's Quantamental Approach

Rayliant's **Quantamental approach** is driven by fundamentals, using big data and local insights to select emerging market stocks. The portfolio offers broad exposure to emerging markets, while seeking to outperform by exploiting other investors' behavioral mistakes.

**1**

### Filtering the Universe of EM ex-China Stocks

Rayliant uses a vast array of data covering thousands of emerging market 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**

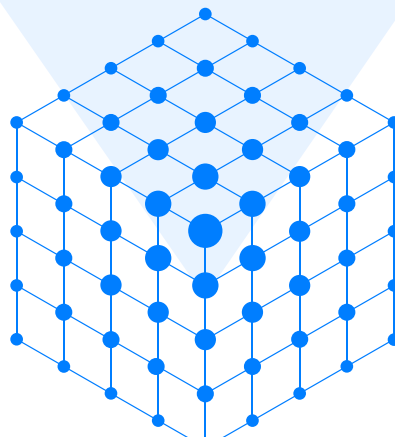
The price difference between shares of the same stock dual listed on different stock markets helps to identify stocks with inflated valuations

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**

Local 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 emerging markets' broad growth, while actively managing risk and exploiting mispricings

