



Validea Model Portfolio User Guide

Our goal at Validea is to follow proven quantitative strategies that have a long-term track record of outperforming the market. Our team combs through both published books and academic research to identify factor-based strategies for inclusion on our site.

For us to follow a strategy, it must meet two major criteria

1. It must either be developed by someone who has a long-term record of beating the market or it must be based on academic research that has been tested over the long-term.
2. It must be able to be run in a purely quantitative manner to eliminate the negative effects of human emotion.

Some of our strategies are based on investors whose names you probably recognize like Warren Buffett, Peter Lynch, and Ben Graham. Others are based on lesser known investors or academics like Joseph Piotroski, Pim Van Vliet and Dashan Huang. But regardless of how widely known a strategy's creator is, our requirements are the same: it must have a long-term track record of outperformance. Our strategies cover all the major investing factors, including value, growth, momentum, quality and low volatility.

In total, we follow 22 individual guru strategies. 12 of the strategies are included in our standard subscription and 10 additional strategies are included in our professional subscription. You can see which strategies are included in each subscription [here](#). Our professional subscription also offers industry and country-based model portfolios.

How Our Portfolios Work

For each of the strategies we follow, we run 10 and 20-stock portfolios. We also run four different rebalancing periods for each model. That creates a total of 8 portfolios per strategy. Our rebalancing dates occur every 4th Friday. You can find the next scheduled rebalancing date on our model portfolios page, but you also can follow any of our portfolios via our My Validea section (accessible via our tools menu) and we will email you whenever it is rebalanced.

On each of our rebalancing dates, we rank all 3000+ stocks in our database using each of our strategies (after applying liquidity filters to ensure that small and illiquid stocks are not added to the portfolios). During the rebalancing, the top 10 or 20 scoring stocks according to each strategy are added to that portfolio and the stocks that no longer remain in that top group are removed. Our performance is calculated assuming an equal weighting among the positions in each portfolio.

It is important to note that our portfolios are model portfolios. That means that they do not invest actual money and they do not incorporate trading costs.

Using Our Model Portfolio Page

Our model portfolio page allows you to view the simulated returns of our portfolios over a variety of time periods. You can change the time period using the far-right drop-down box on the page. It is important to note that we have added portfolios to the site over time, so many of the portfolios have different inception dates. Our original portfolios were launched on July 15th, 2003 and they have been run on the site since then. In order to give investors a long history of returns, some of our strategies that were launched after that initial batch include a combination of model returns and back tested returns.

The far-left drop-down box on the page allows you to see how each strategy has performed using various rebalancing periods. The default optimal rebalancing option automatically selects the rebalancing period that has worked best in our testing for each strategy. We offer monthly, quarterly, and annual rebalancing for each of our strategies. We also offer a tax efficient rebalancing that makes changes on a monthly basis, but will hold gaining positions for at least a year to maximize tax efficiency. The tax efficient portfolios are only included in our professional subscription.

The middle drop-down box allows you to switch between the 10 and 20-stock versions of each strategy and compare their performance. The default optimal option selects the best performer among the portfolio sizes for you.