

EQUITY RUNNER

Champion v2 - +15% Asymmetric Capture (Honest Point-in-Time Universe)

Long-only - Systematic - Indian Equities (NSE cash)

Strategy & Methodology Brief

An educational overview of how the model is constructed and how it has performed in out-of-sample testing. This document does not offer, solicit, or recommend any security, fund, or investment, and is not investment advice.

Prepared by Vignesh Reddy | 12 June 2026

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Important Notice

This is an educational document, not a solicitation. Its sole purpose is to explain how this systematic strategy is built and validated. Nothing herein is an offer to sell or a solicitation to buy any security or to invest in any vehicle, nor is it investment advice.

Hypothetical / backtested results. Except where explicitly labelled 'live', all performance is simulated on historical data and was not achieved with real capital. Backtests have inherent limitations — including survivorship bias and the absence of real-world execution frictions — and hypothetical results frequently differ materially from live trading. Past or simulated performance does not guarantee future results.

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1 · Executive Summary

The live production configuration since 2026-06-12: a long-only model targeting large asymmetric up-moves (+15% before -5% within seven trading days) at 99th-percentile model confidence, evaluated on a monthly-refreshed point-in-time universe (top-600 as of each month; 1,257 distinct members). Promoted after beating the prior champion on every gated metric, including a seed-symmetric robustness comparison; sober (seed-mean) expectation is materially below the single-path headline and is disclosed alongside it.

+106.0%	3.55	5.64	-18.2%	5.82	46%
CAGR (backtest)	Sharpe	Sortino	Max Drawdown	Calmar	Win rate

Backtest window 2022-06-01 to 2026-06-10 (4.02 years), 3,234 trades, 5₹L notional. Metrics are net of modelled 0.55% round-trip cost. CAGR, Sharpe and drawdown are derived from the daily mark-to-market equity curve below.

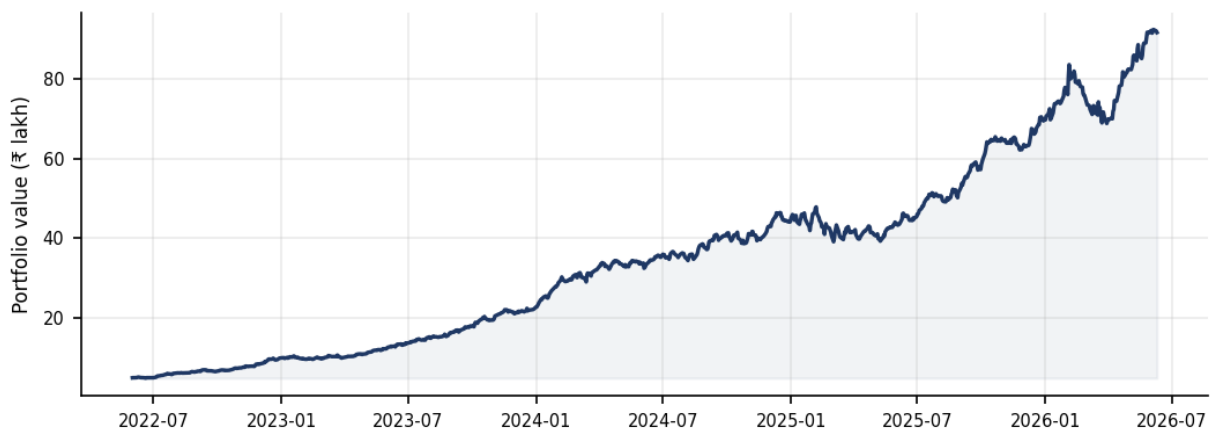


Figure 1 — Walk-forward equity curve (daily mark-to-market, hypothetical).

2 · How the Model Works

The inefficiency

A small subset of liquid names carries an elevated probability of a large (+15%) advance before a modest (-5%) drawdown within a week. The wider target captures the fat tail of weekly big-movers that a +10% cap forfeits, while the same tight stop keeps per-trade risk defined.

The honest-universe discipline

All training and trading restricted to the top-600 most-liquid names AS OF each month, reconstructed from full-market data - the survivorship correction most published backtests omit. The configuration beat the prior champion in every calendar year including the most recent (+55% in 2025, +31% in 2026 YTD vs +30%/+18%).

Why it is robust

27/27 combinatorial purged cross-validation splits positive at base cost and at 1.0% round-trip; survives a punitive 1.5% stress; full walk-forward model banks retrained on alternative seeds on BOTH challenger and incumbent before promotion (seed-mean +93.6% CAGR / 3.25 Sharpe vs incumbent +84.5% / 3.18).

3 · Strategy Specification

Asset class	Indian equities - NSE cash, long-only
Universe	Monthly point-in-time top-600 (1,257 members over 4y)
Signal	GBM P(+15% before -5%), triple-barrier label
Selection	99th-percentile confidence; floor of 3 names
Risk barrier	-5% hard stop per position
Profit target / time	+15% / 7 trading days
Sizing	5% per name, max 20 concurrent, no leverage
Transaction cost modelled	0.55% round-trip (stressed to 1.5%)

4 · Methodology

Point-in-time universe construction

Every month, all NSE equities (~2,400 names) are ranked by 60-day median traded value; the top 600 form that month's investable set. Training rows and trade candidates are both restricted to members as of their date.

Triple-barrier labelling

Each historical entry is labelled by which barrier is hit first: +15% (win), -5% (loss), or the 7-day clock (Lopez de Prado, 2018) - a directly tradable, risk-defined objective. The geometry was proposed by the principal and validated through the same gated search harness as all machine-generated candidates.

Walk-forward evaluation

47 expanding-window LightGBM model banks with a 21-day embargo; same-day-close execution matching the live pipeline; regime gate (deep-downtrend with weak breadth pauses entries).

Promotion protocol

Stage-1 walk-forward kill bar, stage-2 CPCV with cost stress, then per-year decay analysis, 1.5% punitive stress, and symmetric seed-stability retraining of BOTH challenger and incumbent. Promotion was a human decision on the assembled evidence; the search system itself never modifies live capital.

Model feature importance

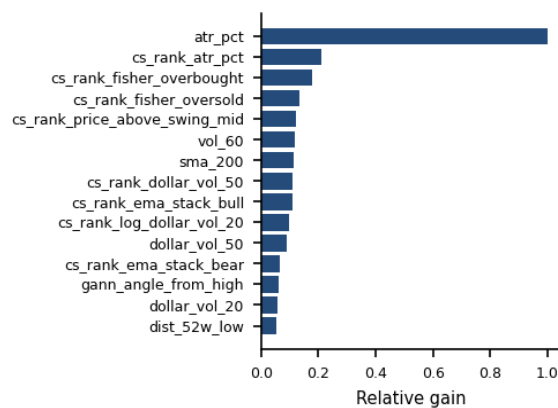


Figure 2 — Top features by aggregate gain.

5 · Performance Analysis

5.1 Drawdown profile

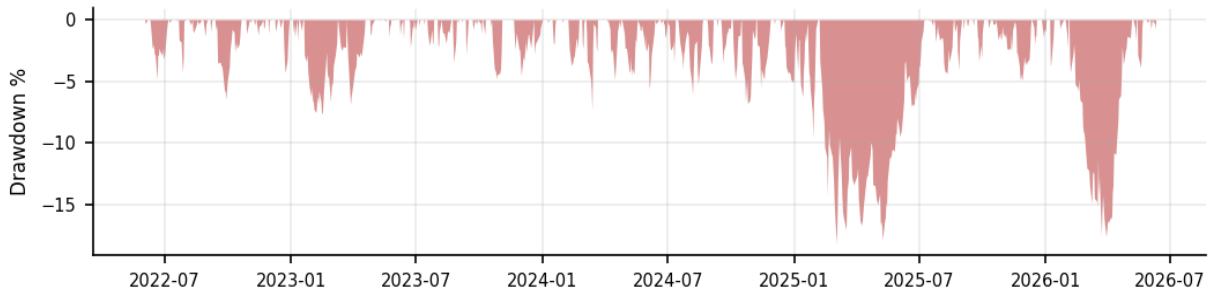


Figure 3 — Drawdown from running peak.

5.2 Monthly returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	—	—	—	—	—	+0.3	+21.2	+7.2	+2.3	+11.5	+14.0	+17.6	+99.2
2023	-0.8	-0.2	+2.4	+8.4	+12.1	+11.2	+11.4	+6.2	+11.6	+8.2	+9.2	+4.7	+123.7
2024	+26.3	+7.1	+6.5	+4.7	-0.2	+5.1	+2.7	+4.3	+7.7	-1.1	+6.8	+3.0	+98.5
2025	+1.9	-9.7	+1.8	-1.3	+7.7	+3.1	+11.3	+1.9	+11.3	+13.1	-3.9	+12.4	+58.2
2026	+11.1	-3.0	-8.6	+19.8	+11.0	+0.2	—	—	—	—	—	—	+31.0

Compounded monthly return. Green positive, red negative; intensity scales with magnitude.

5.3 Per-trade return distribution

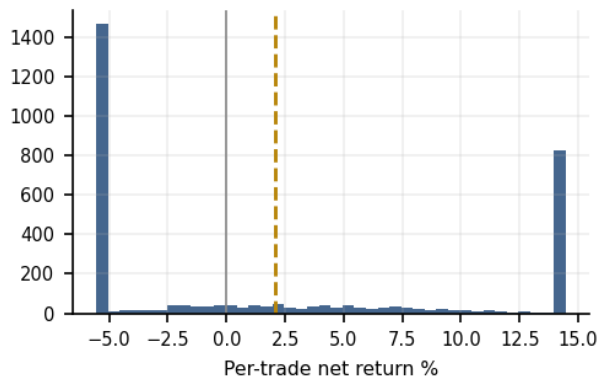


Figure 4 — Net per-trade returns. Win rate 46%, avg win +10.26%, avg loss -4.98%, profit factor 1.78.

6 · Out-of-Sample Validation

The central question for any backtest is whether the edge is real or an artefact of fitting history. This strategy is stress-tested with techniques designed specifically to expose overfitting.

6.1 Combinatorial Purged Cross-Validation (CPCV)

CPCV (Lopez de Prado) repeatedly retrains and tests the model across many combinations of non-contiguous time blocks, with purging and embargo to prevent information leakage across the train/test boundary. It yields a distribution of out-of-sample outcomes rather than a single fragile backtest, and an estimate of the Probability of Backtest Overfitting (PBO).

Across 27 purged splits the high-conviction signal returned a mean +106% CAGR, positive in 100.0% of splits, with a Probability of Backtest Overfitting of n/a (single-config rerun) (0 = no evidence of overfitting). Net per-trade edge averaged +1.64%.

6.2 Robustness of the selectivity floor

The 'top-3 floor' that deploys capital on quiet days was validated separately: the floored trades alone earned +1.24% per trade and were positive in 100% of CPCV splits at modelled cost, remaining positive (+0.79%/trade, 89% of splits) even at a doubled 1.0% cost.

6.3 Transaction-cost stress

Re-running the full strategy at progressively higher costs: +106% CAGR at 0.55%, +74% at 1.0%, +44% at a punitive 1.5% round-trip — the edge survives realistic frictions rather than depending on cost-free assumptions.

6.4 Year-by-year (walk-forward)

Year	2022	2023	2024	2025	2026
Return %	+99.2	+122.2	+94.4	+55.0	+31.4

Calendar-year returns from the walk-forward equity curve (hypothetical).

7 · Key Risk Factors

Model risk — the statistical edge is real but modest per trade and can degrade if market microstructure changes. Execution risk — modelled 0.55% cost may understate real slippage, particularly in smaller names. Survivorship — the research universe reflects names liquid in the recent past. Regime risk — performance is uneven across years and concentrated in favourable regimes. Capacity — returns scale down as capital grows. No leverage is used, and every Runner position carries a defined -5% risk barrier.

8 · Disclosures

Backtest disclosure. Results are simulated on historical data, not achieved with real capital, and are subject to survivorship, look-ahead and optimisation biases despite the walk-forward and CPCV safeguards applied.

Cost assumption. 0.55% round-trip is modelled; realised costs depend on broker, size and liquidity. A live-trading validation period is required before any conclusion about live viability.

Regulatory. Long-only cash equity; no short-selling. The author is NISM-certified but NOT a SEBI-registered investment adviser, research analyst or portfolio manager. This document neither solicits capital nor offers any product or service.

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