Wright.

FACTOR RESEARCH NOTE

Momentum > Quality Five Upcycles. One Winner.

The data-driven case for India's most important factor rotation · 21 years of cycle evidence

PUBLISHED	DATA RANGE	INDEX BASE	INDICES
April 2026	Apr 2005 – Apr 2026	₹1,000 (April 2005)	NSE Nifty200 Quality 30 & Momentum 30

India's equity market has bottomed. Earnings are recovering. The question is no longer whether to be invested — it is how to be positioned. **Five of six upcycles since 2005 have favoured Momentum over Quality, by an average of 67 percentage points.**

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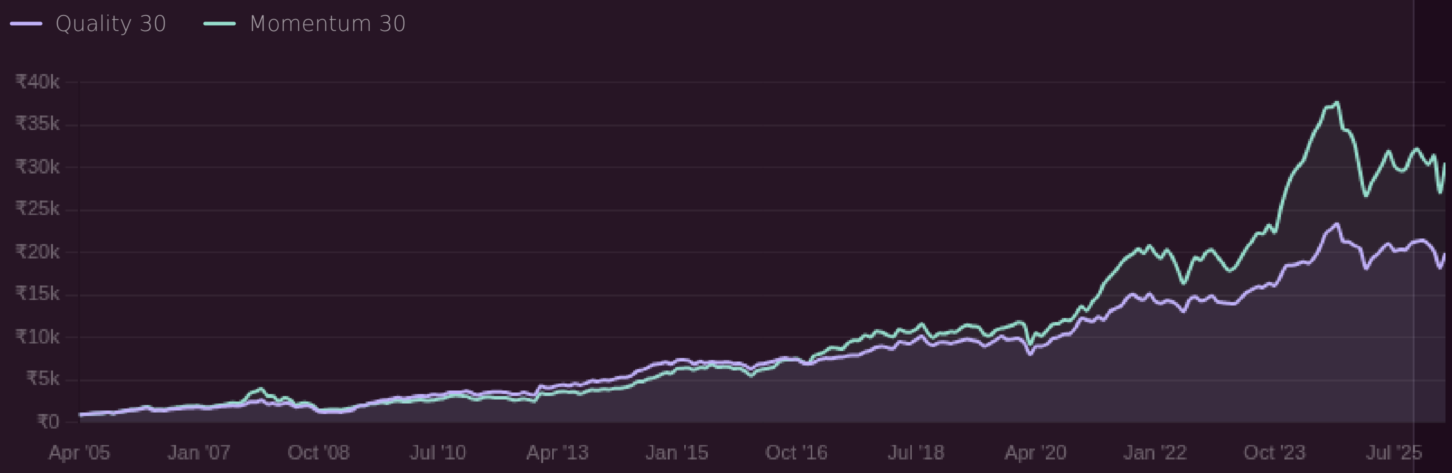
The Long-Run Scorecard

Since April 2005, ₹1 invested in Momentum has grown to **₹30,536**. The same rupee in Quality has grown to **₹19,918** — 48% less terminal wealth, at near-identical risk-adjusted returns. Both factors carry a Sharpe ratio of approximately 0.85. Momentum is not a free lunch — it has a larger max drawdown and higher volatility — but it delivers materially more absolute return for the same unit of risk over a full cycle.

CAGR SINCE APR '05	₹1,000 GROWN TO	SHARPE RATIO (APPROX)	MAX DRAWDOWN
15.3%	₹19,918	0.85	−56.4%
17.6%	₹30,536	0.85	−67.9%
Quality · Momentum	Quality · Momentum	Quality · Momentum	Quality · Momentum



241 monthly data points. Hover to compare values at any date.

METRIC	QUALITY 30	MOMENTUM 30	MOMENTUM EDGE
CAGR since Apr 2005	15.3%	17.6%	**+230 bps**
3Y CAGR (Apr '23 – Apr '26)	11.9%	17.6%	**+570 bps**
5Y CAGR (Apr '21 – Apr '26)	10.0%	14.3%	**+430 bps**
Annualised volatility	18.3%	22.4%	**+410 bps**
Sharpe ratio (approx.)	0.85	0.85	Identical
Max drawdown	−56.4%	−67.9%	**−11.5pp**

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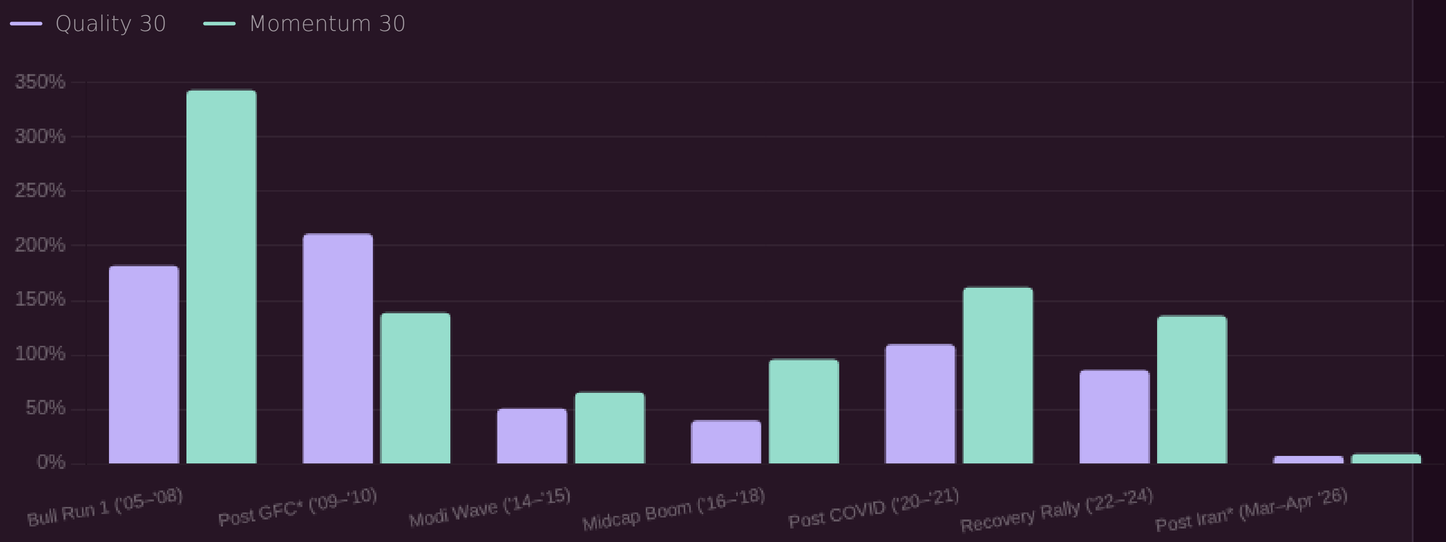
Factor Cycles: Evidence Across Six Upcycles

We mapped every meaningful bull and bear phase since 2005. The pattern is consistent: **Momentum wins 5 of 6 upcycles, typically by wide margins**. Quality's defence is a modest ~6pp better performance in downturns. The asymmetry between these two numbers is the entire argument.

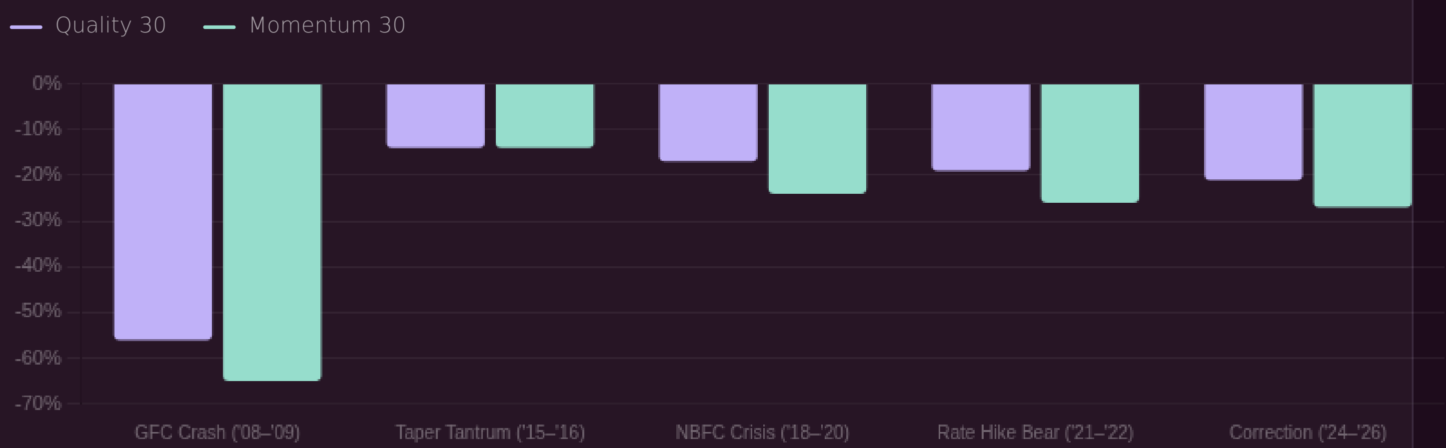
> *Sacrifice ~6pp of downturn protection. Gain ~67pp of upcycle outperformance. This trade-off compounds decisively over a full market cycle.*



** Post Iran war bottom (Mar–Apr 2026) — 3.5 weeks of recovery data only.*

UPCYCLE PERIOD	QUALITY	MOMENTUM	MOMENTUM EXCESS
Bull run 1 (May 2005 – Jan 2008)	+182%	+343%	**+161pp**
Post GFC (Mar 2009 – Nov 2010) ← exception	+211%	+139%	**−71pp**
Modi wave (Feb 2014 – Mar 2015)	+51%	+66%	**+16pp**
Midcap boom (Feb 2016 – Jan 2018)	+40%	+96%	**+55pp**
Post COVID rally (Mar 2020 – Oct 2021)	+110%	+162%	**+52pp**
Recovery rally (Jun 2022 – Sep 2024)	+86%	+136%	**+50pp**
Post Iran war bottom (Mar – Apr 2026)*	+7.2%	+9.3%	**+2pp**
Average excess (ex-GFC, 5 cycles)	—	—	**+67pp**

DOWNTURNS — DRAWDOWN COMPARISON



Quality's average downturn advantage: ~6pp. Momentum's average upcycle advantage (ex-GFC): ~67pp.

The GFC Exception and Why It Does Not Apply Now

The post-GFC period (2009–2010) is the only upcycle where Quality beat Momentum. Momentum indices going into 2008 were concentrated in infrastructure, metals, and real estate — sectors that fell 70–90% and faced years of structural impairment. Quality's FMCG and IT stocks bounced first because their earnings never broke.

The current correction is a different animal. No financial system stress. No structural impairment. India's smallcap net debt/equity has fallen from **1.56x in FY14 to 0.35x today**. The Momentum portfolio is concentrated in domestic financial services, automobiles, and aviation — none of which face existential risk. The better analogs are **2016** (post-demonetisation, Momentum +55pp ahead) and **2023** (FII outflow correction, Momentum +50pp ahead).

2009 RECOVERY — WHY QUALITY WON	
Crisis type	**Financial system breakdown**
Momentum basket going in	**Infra, metals, real estate — impaired**
Quality basket going in	**IT, FMCG — recession-resistant**
Smallcap net D/E	**1.56× (stretched)**
Earnings recovery	**Slow — credit took years to clear**

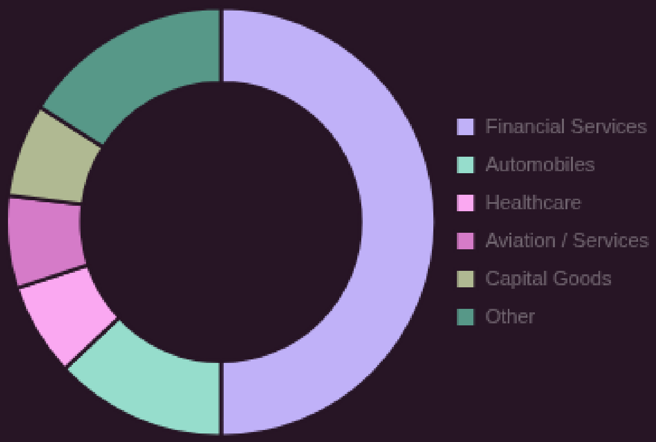
2026 RECOVERY — WHY MOMENTUM SHOULD WIN	
Crisis type	**Valuation reset + geopolitical shock**
Momentum basket going in	**Banks, NBFCs, autos, aviation**
Quality basket going in	**IT (US risk) + FMCG (volume stagnant)**
Smallcap net D/E	**0.35× (historically clean)**
Earnings recovery	**Domestic-led, already beginning**

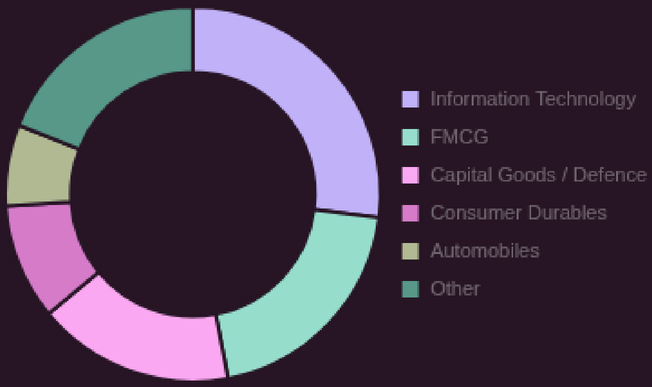
04

What the Current Constituents Are Telling You

The two indices are almost completely non-overlapping — only 3 of 30 stocks appear in both. Their sector compositions reveal two fundamentally different macro bets. **Momentum is a domestic cyclical portfolio**; Quality is a defensive compounder portfolio that is, by accident, overweight two sectors facing the wrong end of this cycle.

IT (27% of Quality) faces US client budget pressure and structural disruption from AI in traditional service lines. FMCG (20% of Quality) is seeing sub-3% volume growth as rural consumption flows to aspirational categories — credit, mobility, telecom — not staples. Defence PSUs have already completed their re-rating cycle in FY22–FY24; that upside is fully priced.





FACTOR	TOP SECTOR	WEIGHT	CURRENT MACRO ALIGNMENT
Momentum	Financial Services	~50%	**Rate cuts → credit growth → NIM expansion**
Momentum	Automobiles	~13%	**Rural consumption recovery; premiumisation**
Momentum	Aviation / Services	~7%	**India's underpenetrated travel market**
Quality	Information Technology	~27%	**US budget pressure; AI disruption to ADM**
Quality	FMCG	~20%	**Sub-3% volume growth; rural bypass**
Quality	Defence PSUs	~15%	**Re-rating (FY22-FY24) already priced in**

05

The Regime Has Already Shifted

CY25 was Quality's year — Quality +2.9%, Momentum −5.4% — entirely consistent with history. In flat or falling markets, Momentum whipsaws while Quality compounds steadily. That period is over.

CY26 year-to-date (January through mid-April, including a 4-week war and an 11.5% market fall): **Momentum −2.0%, Quality −7.0%**. A 500bps swing. Historically, once this reversal occurs on a rolling 3-month basis after a period of Quality leadership, it persists for 12–24 months.

CY26 YTD as of April 15, 2026. Includes the West Asia war correction and partial recovery.

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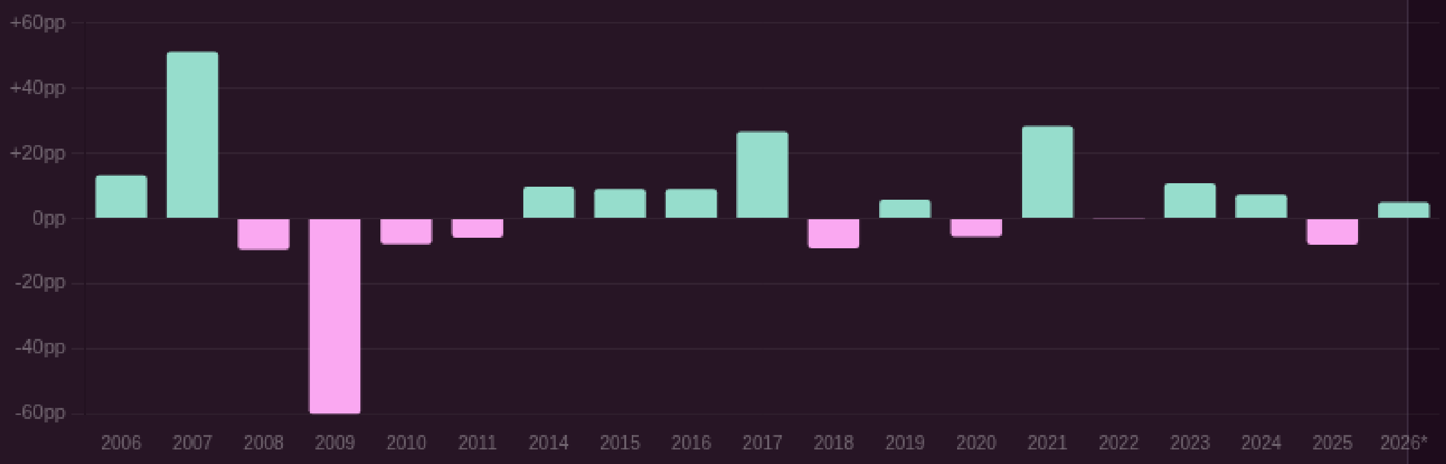
The Year-by-Year Picture

Momentum wins decisively in bull years — often by 20–50pp. Quality wins in flat or down years — typically by 5–10pp. The asymmetry is structural: bull years are more frequent than bear years, and Momentum's outperformance in them is far larger than Quality's outperformance in downturns. This is why the long-run CAGR gap is 230bps despite equal Sharpe ratios.

ANNUAL MOMENTUM EXCESS OVER QUALITY (PP) — 2006 TO 2026 YTD



Teal = Momentum outperforms. Pink = Quality outperforms. 2012–2013 data unavailable (index inception gap). 2026 YTD only.

2006	+29.4%	+42.6%	**+13pp**	Cyclicals lead
2007	+48.2%	+99.3%	**+51pp**	Peak bull, Momentum compounds
2008	−50.8%	−60.4%	**−10pp**	GFC crash, Quality protects
2009	+127.2%	+67.2%	**−60pp**	GFC recovery — the exception
2010	+26.3%	+18.4%	**−8pp**	Post-GFC consolidation
2011	−11.5%	−17.3%	**−6pp**	Euro crisis correction
2014	+38.1%	+47.9%	**+10pp**	Modi wave begins
2015	+0.9%	+9.9%	**+9pp**	Momentum holds in flat year
2016	−0.6%	+8.5%	**+9pp**	Demonetisation year
2017	+27.8%	+54.5%	**+27pp**	Consumption and capex boom
2018	+6.8%	−2.4%	**−9pp**	IL&FS / NBFC crisis
2019	+3.9%	+9.7%	**+6pp**	Selective recovery
2020	+24.4%	+18.8%	**−6pp**	COVID — initial quality bounce
2021	+23.8%	+52.1%	**+28pp**	Post-COVID bull, Momentum dominates
2022	−6.3%	−6.4%	~flat	Rate hike bear
2023	+29.9%	+40.7%	**+11pp**	Earnings recovery begins
2024	+12.7%	+20.0%	**+7pp**	Bull market continues
2025	+2.9%	−5.1%	**−8pp**	Consolidation — Quality wins
2026 YTD*	−7.0%	−2.0%	**+5pp**	Regime shift underway

07

Risks to This View

The case for Momentum is strong but not unconditional. Four scenarios could delay or reverse the factor rotation.

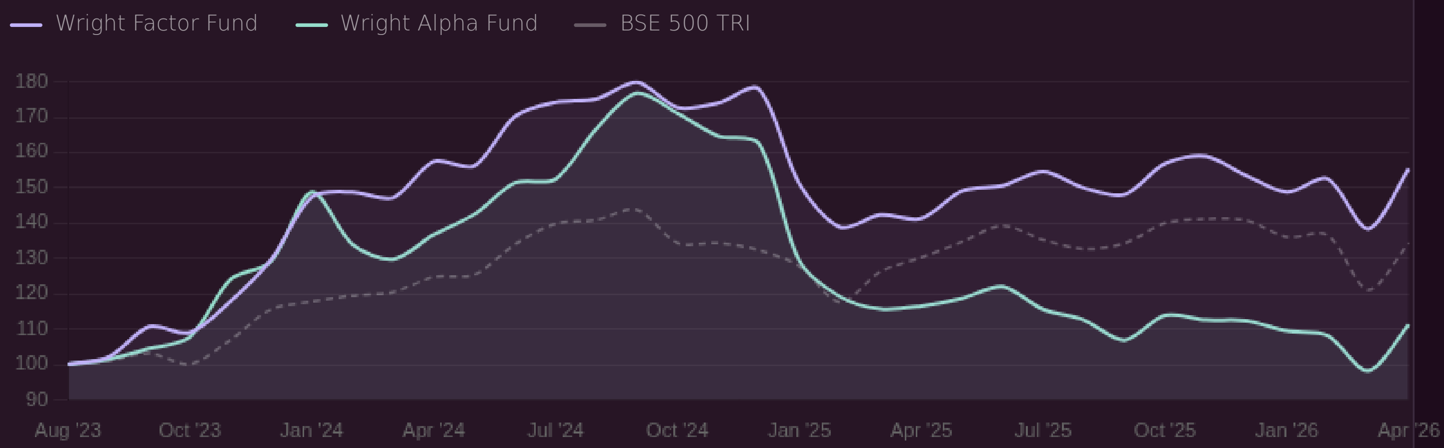
Earnings recovery disappoints	HIGH	A second consecutive year of single-digit Nifty EPS growth extends the consolidation phase. Quality re-asserts leadership.	Q4FY26 earnings season (May–Jun); FY27 consensus revision trajectory
IT sector re-rates sharply	MEDIUM	A US tech spending revival or AI-driven revenue inflection benefits Quality's 27% IT weight disproportionately.	US Big Tech capex; Nasscom quarterly deal data; INFY/TCS guidance
Oil spikes on Hormuz	MEDIUM	Sustained $90–100/bbl+ oil pressures domestic consumption and credit — the two things Momentum is most exposed to.	Strait of Hormuz status; Brent spot and 3M forward curve
Financial system shock	LOW	Momentum's 50% financial services weight becomes a liability if an unexpected NPA or global credit event materialises.	RBI supervisory SMA-2 data; credit spreads; quarterly GNPA trends

FUND PERFORMANCE

Wright Research PMS — Fund Performance

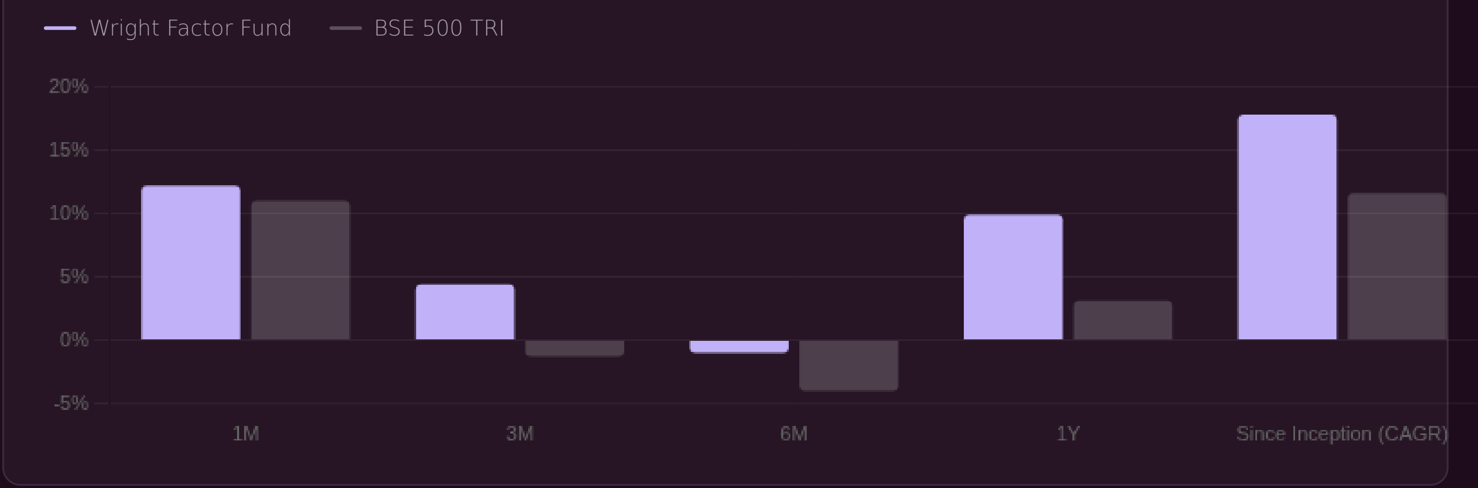
Performance as on **24 April 2026**. Inception date: **18 August 2023**. Benchmark: S&P BSE 500 TRI.

GROWTH OF ₹100 SINCE INCEPTION (AUG 2023 – APR 2026)



Rebased to 100 at inception (18 Aug 2023). Monthly data points.

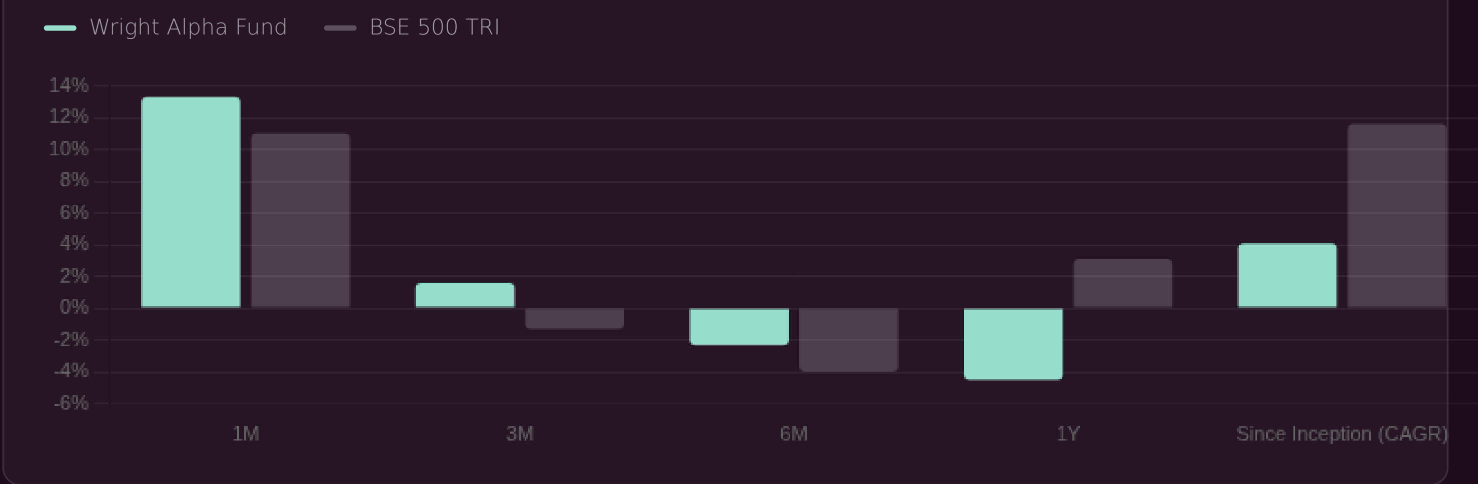
WRIGHT FACTOR FUND (WFF)



PERIOD	WRIGHT FACTOR FUND	BSE 500 TRI	ALPHA
1 Month	12.2%	11.0%	**+1.2pp**
3 Months	4.4%	−1.3%	**+5.7pp**
6 Months	−1.0%	−4.0%	**+3.0pp**
1 Year	9.9%	3.1%	**+6.8pp**
Since Inception (CAGR)	17.8%	11.6%	**+6.2pp**
Since Inception (Absolute)	55.4%	34.4%	**+21.0pp**

WRIGHT ALPHA FUND (AFF)

AFF VS BSE 500 TRI — PERFORMANCE BY PERIOD (%)



1 Month	13.3%	11.0%	**+2.3pp**
3 Months	1.6%	−1.3%	**+2.9pp**
6 Months	−2.3%	−4.0%	**+1.7pp**
1 Year	−4.5%	3.1%	**−7.6pp**
Since Inception (CAGR)	4.1%	11.6%	**−7.5pp**
Since Inception (Absolute)	11.3%	34.4%	**−23.1pp**

Past performance is not indicative of future results. Returns for periods less than 1 year are absolute; periods greater than 1 year are CAGR. Performance is net of fees and expenses. Data as of 24 April 2026.

Summary

Five of six upcycles since 2005 have seen Momentum beat Quality by an average of 67pp. Quality's downturn protection averages ~6pp — a structurally poor trade-off across a full cycle.

The current Momentum index is a domestic cyclical portfolio aligned with India's earnings recovery: financial services, automobiles, aviation. The Quality index is overweight IT and FMCG, both facing sector-specific headwinds. The post-GFC exception does not apply — balance sheets are clean, there is no financial system stress, and the better analogs are 2016 and 2023.

The regime has already shifted. CY26 YTD: Momentum −2.0% vs Quality −7.0%, including a 4-week war. The factor rotation case for Momentum is the strongest it has been since the start of the 2022–2024 recovery rally.