Are Quantitative Models a Better Strategy?

In the middle, between passive (index) and active strategies, lie quantitative strategies. These strategies select stocks based on financial, valuation and momentum ratio analysis. Followers of quant strategies are not pure indexers, because they actively create models to identify and take advantage of market anomalies. They are not pure active managers, either, because they buy what their quantitative models tell them to buy.

One of the earliest proponents of using a quantitative approach was Benjamin Graham. Graham advocated buying stocks trading at low valuations. Though not traditionally viewed as a quant, Graham’s disciplined approach involved buying many stocks that exhibited large margins of safety.

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