DOLAT CAPITAL
PORTFOLIO MANAGEMENT

EXCLUSIVE INTERVIEW

"THE CHALLENGE IS NOT THE ABSENCE OF OPPORTUNITY, BUT THE ABILITY TO GENERATE CONSISTENT AND SCALABLE ALPHA IN A MARKET"

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1 Given that quant strategies underperformed last year, what is the rationale behind launching a new fund in this space now?

The recent underperformance of quantitative strategies needs to be seen in a broader context rather than in isolation. Phases of macro dislocation, with sharp factor rotations, high correlations, and event driven moves tend to reduce the dispersion that quant models depend on. These periods are cyclical and are often followed by phases where inefficiencies return more strongly.

The rationale behind launching Dolat Quantum Leap now is rooted in this cyclicality. Market disruptions reset patterns and create fresh opportunities for well-built quantitative models to generate alpha. Our approach is not dependent on a single factor or market style. It uses a diversified, multi strategy framework supported by strong infrastructure and adaptive models.

We have also incorporated key learnings from recent market conditions, including better risk management, regime awareness, and improved execution. This helps the strategy remain resilient across different environments.

From a portfolio perspective, quantitative strategies offer low correlation to traditional discretionary investing, making them powerful diversifiers. Traditional discretionary investing relies on human conviction, judgment, and bias. These attributes are advantageous in taking concentrated, high conviction bets. In contrast, Dolat Quantum Leap systematically evaluates the entire universe of stocks in parallel, removing subjectivity and enabling participation across a wider opportunity set, thereby capturing the full breadth of the market more efficiently.

2 How would you describe the gap between U.S. quant funds and Indian quant funds in terms of strategy, scale, and market maturity?

In terms of strategy, United States quant funds operate across a wide range of approaches including high frequency trading, statistical arbitrage, and multi asset strategies. They benefit from deep research ecosystems and long histories of data. In India, quant strategies are still evolving and are largely focused on equity markets, with growing but limited participation in derivatives and intraday strategies.

Scale is another key difference. United States funds manage significantly larger capital, supported by strong institutional participation and access to global investors. This allows them to invest heavily in technology, data, and talent. Indian quant funds are smaller in comparison but are growing steadily as investor awareness increases.

Market maturity also plays an important role. The United States market is highly efficient, with intense competition and thinner margins. India, on the other hand, is a developing market with relatively lower efficiency and higher retail participation, which can create more opportunities for well-designed quant strategies.

3 In the current market context, what are the biggest hurdles for quant funds in India today?

A key challenge is crowding in a relatively limited alpha pool. Compared to developed markets, India has fewer liquid instruments and a narrower opportunity set. As more participants adopt similar quant strategies, edges tend to compress faster and become less persistent.

Capacity is another important issue. Many strategies work well at smaller capital levels but lose effectiveness as capital increases, especially in mid and small cap segments where liquidity is limited.

While the usage of alternative datasets is still evolving.

Overall, the challenge is not the absence of opportunity, but the ability to generate consistent and scalable alpha in a market that is becoming more competitive and efficient.

4 In markets like India, where factor cycles can shift quickly, how do you ensure your models remain relevant and not backward-looking?

One way we address this is by using a diversified set of factors instead of depending on a single style such as value or momentum. Different factors perform in different environments, so diversification helps reduce dependence on any one factor.

We continuously track how different factors are performing and adjust the model using recent data, while layering it with our pattern recognition framework. This helps the strategy gradually move towards factors that are working well and reduce exposure to those that are losing strength.

Risk management also plays a key role. By controlling position sizes and exposures, the model avoids over committing to any one theme that may reverse quickly.

Finally, we focus on execution and real time feedback. Markets evolve, and models need to learn from recent outcomes to stay relevant.

Overall, the goal is to build a process that is adaptive, diversified, and disciplined, so that it remains effective even as market conditions change.

5 How frequently is your model re-calibrated or re-trained, and how do you handle structural regime shifts that might break historical back-tested relationships?

Our model is designed to be adaptive, so recalibration is an ongoing process rather than a one-time exercise. At a basic level, model parameters are reviewed and updated regularly using rolling data windows. This ensures that the model reflects recent market behavior while still being anchored in sufficient history to avoid overfitting.

The frequency of recalibration depends on the strategy. Shorter horizon strategies are updated more frequently, while medium horizon models are recalibrated at a slightly slower pace. In addition to scheduled updates, we also monitor live performance closely. If we observe a meaningful deviation between expected and actual outcomes, it triggers a deeper review.

To handle structural regime shifts, we focus on diversification and robustness. The model is built using multiple signals and factors so that it does not rely on a single relationship. We also test strategies across different market conditions to ensure they are not dependent on one specific regime.

Risk controls are equally important. Exposure limits and drawdown monitoring help contain the impact if certain relationships break down.

Overall, the approach combines regular recalibration with continuous monitoring and strong risk management, allowing the model to adapt while remaining stable across changing market conditions.