

# Unlock the potential of the smaller companies universe



**After years of underperformance, valuations for European small caps remain relatively attractive compared to large caps and other regions. The sector lends itself to active investing, and even more so to active systematic investing. Quoniam’s systematic investment approach offers distinct advantages in identifying and capitalising on opportunities in the small cap space.**

## Uncovering hidden value

A key opportunity in the small-cap space is that they are often under-researched. It is not economically or commercially viable to devote an army of analysts to these stocks. Many of these stocks receive limited attention from traditional analysts, creating a landscape rich in potential.

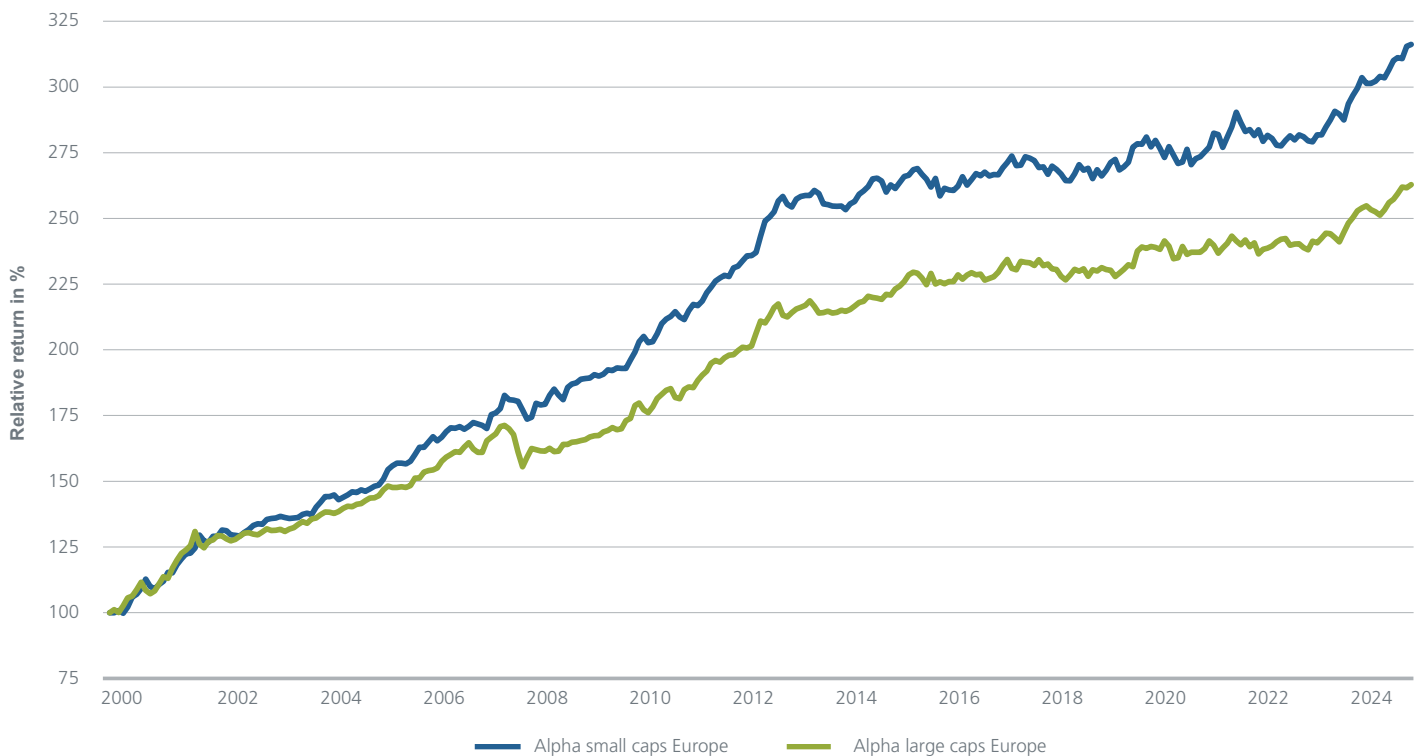
Our data-driven, quantitative approach is designed to systematically exploit large universes, detecting undercurrents in the vast ocean of data. Proprietary models analyse 3,000 European companies every day allowing us to uncover hidden value in small cap stocks. The benefit to investors is not only more opportunities, but also a high level of diversification and lower tracking error.

## Objective alpha

We not only cover the breadth of the small cap market but analyse each stock across over 60 metrics that are empirically shown to affect alpha. The foundation is proven performance drivers: value, quality and sentiment, complemented by a machine learning model. Our data-driven approach makes our evaluation objective, without the risk of subjective decisions based on management relationships or the appeal of company stories.

Historical data also shows that not only is the small cap market truly inefficient, but that our model is able to capture the hidden value that exists relative to the more efficient mid and large cap segments.

## Quoniam’s forecast model captures more alpha for small caps



Source: Quoniam Asset Management GmbH, European and European Small Cap universe, monthly rebalanced, pure factor effects calculated size neutral, size performance calculated relative to market cap weighted benchmark, all prior to transaction costs; 04.2025

### Active diversification beyond the benchmark

Portfolio implementation is another value-added element of Quoniam's small cap strategy. By capturing the entire investment universe, we discover ample opportunities and include more than 200 single holdings in the portfolio. The active share regularly exceeds 75% relative to the benchmark, highlighting the active style of the strategy, which selects securities both in and outside the reference index. Greater diversification is a key to success in small caps, where idiosyncratic risks tend to be higher given that business models are less proven, external financing is less secure and business models are often mono-strategies.

### Precision in trading

We not only identify attractive small cap opportunities, but also ensure that these opportunities are executed with precision, adding value through both superior stock selection and cost-efficient portfolio implementation.

A key differentiator for Quoniam is our fully integrated in-house trading desk, which is essential for cost-effective and seamless portfolio implementation. Our trading desk ensures precise execution by utilising multiple venues, applying strict pre- and post-trade

cost analysis, and a focus on minimising transaction costs. This capability allows us to efficiently bring portfolios to life, even in less liquid small cap stocks where trading costs can quickly erode returns without the right expertise.

Over the past three years, Quoniam has achieved a minimal implementation shortfall of just 8 basis points in developed market equities. For mid cap stocks (market caps between USD 2.5 bn and USD 10 bn), the market impact rose to 34 basis points, while for small caps (under USD 2.5 bn), it reached 49 basis points. These competitive results demonstrate our ability to balance the potential for higher returns in less liquid stocks with the need for cost-efficient trading. (As of December 2024)

### Attractive historical performance

Quoniam's systematic approach to small cap investing is a better way of capturing alpha. Since the inception of our strategy, we have consistently delivered second quartile levels of return with a lower risk profile than the peer group leading to an exceptionally high information ratio. In addition, the maximum drawdown remains relatively low, underlining the robustness of our approach (Source: eVestment, March 2025).

### Your contact

Quoniam Asset Management GmbH  
Westhafen Tower · Westhafenplatz 1  
60327 Frankfurt am Main

T +49 69 74 384 0

[www.quoniam.com](http://www.quoniam.com)

[info@quoniam.com](mailto:info@quoniam.com)

A member of Union Investment Group

### Read more



Article

Market commentary  
equities: Are small caps  
poised for a comeback?



Mark Frielinghaus, CFA  
Portfolio Manager Equities

### Disclaimer

The use of investment services as well as investments in financial instruments are conjoint with risks. For more information and guidance on opportunities and risks, please visit [www.quoniam.com/risk-information](http://www.quoniam.com/risk-information)

This document is intended for professional clients only and has been carefully designed and produced by Quoniam Asset Management GmbH, however, we do not guarantee that it is up-to-date, accurate or complete. The contents of this marketing communication do not constitute a recommendation for action; they do not replace individual investment advice or individual qualified tax advice.

2026 © Quoniam Asset Management GmbH. All rights reserved.