Soaking up Profits with $SOFI

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Abstract

SoFi Technologies, Inc (SoFi, $SOFI), is unlike traditional banks. They have no brick and mortar locations and operate more like a tech company than anything else. Originally a large vendor of private student loans, SoFi now provides a large portfolio of banking products that put them in the top 100 largest banks in the United States by AUM ($31B Total). SoFi also has a large share of its equity owned by retail investors. Institutions hold about 42.44% while retail investors own over 54%. When determining a fair price to trade SoFi at, there has been a specific price point that has frequently been recurring and facing a lot of resistance. Volatility has been fairly high, but this reveals an opportunity for generating alpha around a central price point that we believe is a fair trading point. This strategy has been actively traded for over a year, from May 2023 to present. Because of trading limitations as a student with limited funds, only paper trading and backtesting information is available to present. The numbers presented are trades made that did not have an effect on the market, nor was it based on current observations. The fair price was determined in May 2023. The strategy was simulated with a starting balance of $100,000. The strategy resulted in a return of 61.88% over a course of 458 days from May 1, 2023 to Aug 1, 2024. This strategy presents a sharpe ratio of 1.419, with the average trade resulting in a 0.2% gain. 22458 trades were placed, with 46% being winning trades. The total volume traded was ~$54MM, a portfolio turnover of 83.56%, and a maximum drawdown of 28.7%. In comparison to our benchmark, $VOO with dividends reinvested (return of 27.43%), we generated 34.45% more alpha. The maximum drawdown of our benchmark was 8.33%, which signifies a more stable and less risky investment.
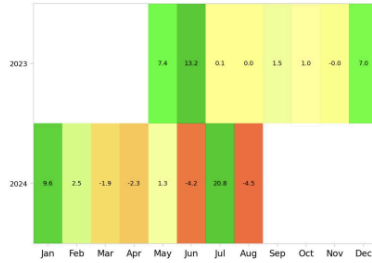
Figures

The rest of the paper contains tables and figures that detail the strategy further.
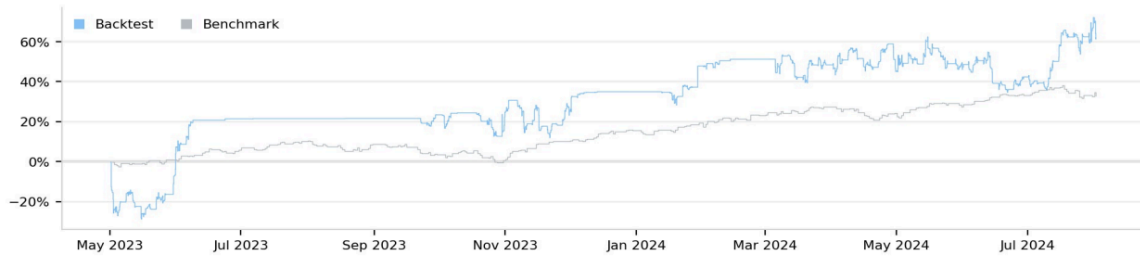
Key Statistics

Runtime Days	458	Drawdown	28.7%
Turnover	84%	Probabilistic SR	66%
CAGR	46.7%	Sharpe Ratio	1.4
Capacity (USD)	120K	Sortino Ratio	1.6
Trades per Day	49	Information Ratio	1.1

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023					7.4	13.2	0.1	0.0	1.5	1.0	-0.0	7.0
2024	9.6	2.5	-1.9	-2.3	1.3	-4.2	20.8	-4.5				

Cumulative Returns

Annual Returns
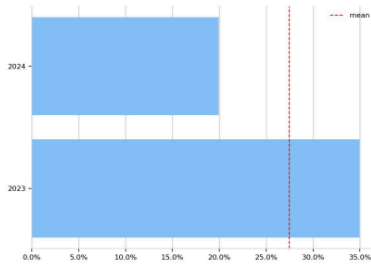
Returns Per Trade

Asset Allocation

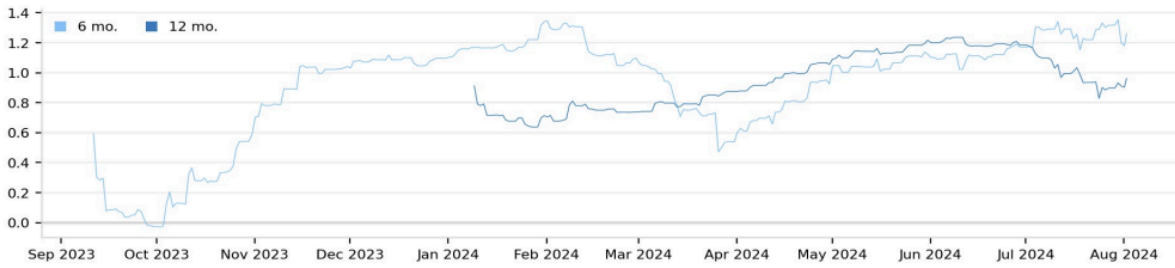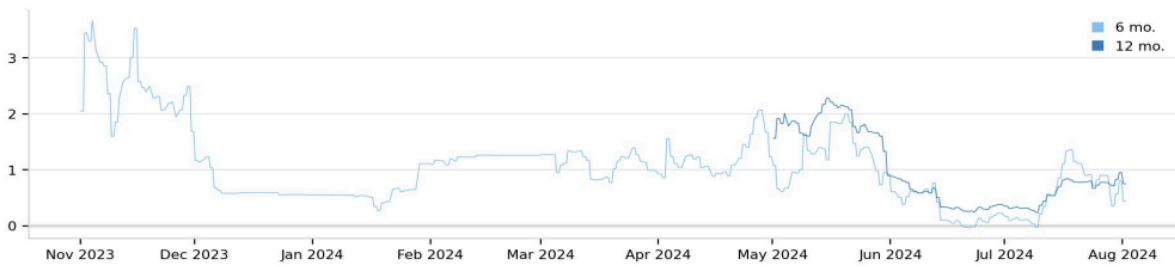SOFI 100.00%
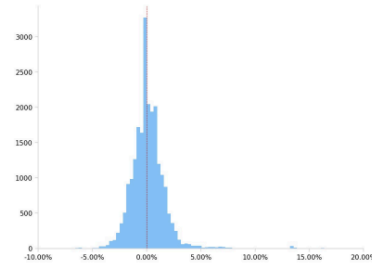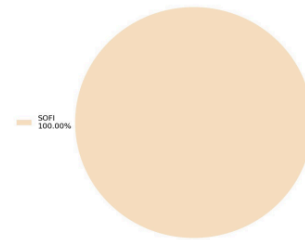
Drawdown
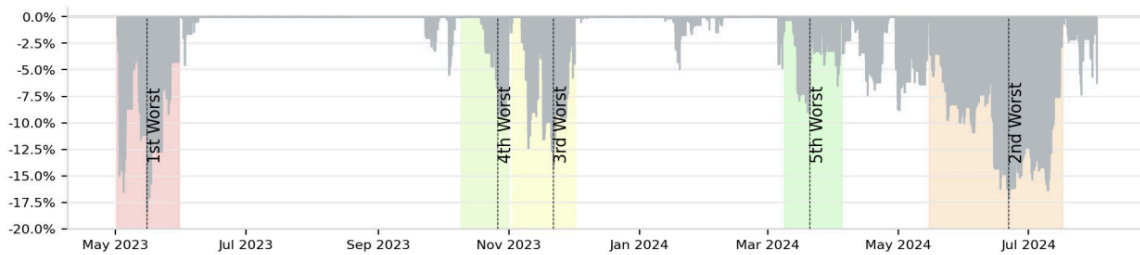
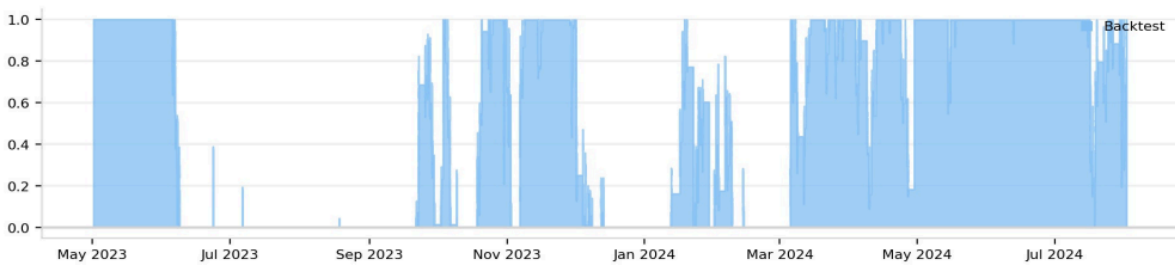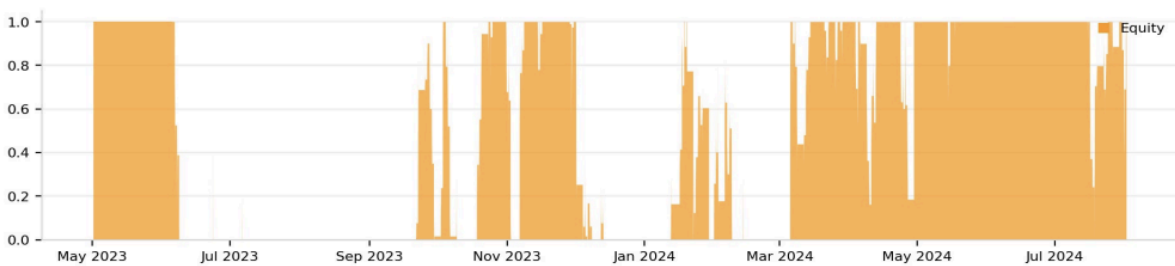## Daily Returns
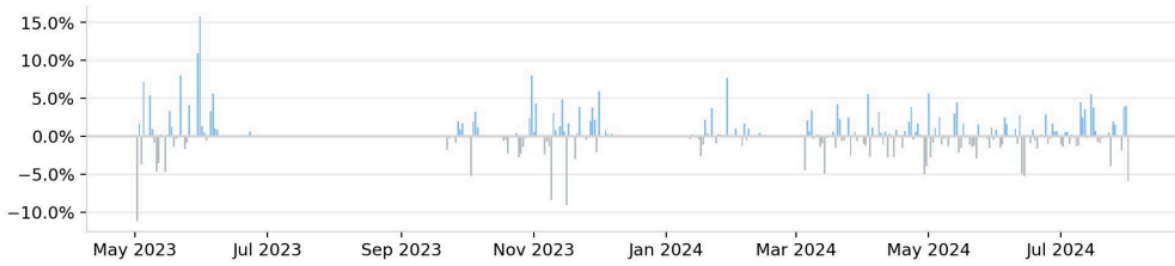
Rolling Portfolio Beta

Rolling Sharpe Ratio

Leverage

Long-Short Exposure

Prism Research
Written and researched by James Xu

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