

CIO Quarterly Memo

June 2024

CIO Memo

Modi 3.0 – More of the Same

Event Concludes and Volatility Drops; Market Makes A New High

The Indian equities ended the month of May on a flattish note as volatility spiked during the month. However, post-elections, volatility has been trending downwards and the market has been hitting new highs. While the outcome of the General Elections was not in line with expectations, the market believes that the NDA will manage a stable regime for the next 5 years. Nonetheless, one can easily argue that the mandate of the people is different this time. The opposition congress party has managed to increase its seats significantly while its vote share gains are still marginal. In this context, the opposition's manifesto has resonated with the people of the country. Though it does not mean that NDA's agenda is irrelevant, certain areas need to be better addressed. For starters, rural distress is a serious issue that the government needs to tackle as that could have cost some vote share for NDA in the northern states. Moreover, the unemployment of youth, though more of a structural challenge, also needs to be addressed effectively. While quick remedial measures for these long-term challenges are limited, some form of redressal mechanism is essential in the current times.

The economic realities have been critical in seat share loss for the NDA. And yet, there could be a lot more political shortcomings which would have caused the performance to dip. Nonetheless, the political achievement of PM Modi is unfathomable and he still represents one of the strongest if not the strongest leaders of Independent India. In this context, it's more likely that a stable regime will ensue but it will have its own set of political challenges in the upcoming months and years.

While the market performance was quite mixed in May, we are happy to report that most of our strategies have managed to beat the market returns by a significant margin. Pure Contra, Kaizen, and AlphaSense AI have beaten the market by a significant margin. Our Pure Growth strategy witnessed marginal underperformance but we expect it to cover up the performance gap soon as quality is likely to outperform moving forward.



Naveen has over 20 years of experience in the Financial Services and Telecom sectors. In his previous role, he was responsible for Institutional and Retail research as Head of Research with Reliance Securities Limited. He also served as Co-Head of Research with Phillip Capital India Private Limited in his 11- year long association with the organization.

Modi 3.0: More of the same

Even as the structural and political challenges could gain more prominence in the run-up to the state elections of Maharashtra and Haryana, the Cabinet appointments by PM Modi suggest a likely continuation of the existing policy framework. Most of the key positions are held by seasoned BJP ministers and are capable of successfully driving the growth agenda. The appointments in Finance, Defense, Railways and many others clearly indicate continuity. While one can argue that this will not be an easy ride, as the alliance partners will constantly demand more positions, the lower house numbers still broadly favour PM Modi to push his economic agenda. At this juncture, it clearly seems more of the same from the Modi administration for the next five years. The key pillars will be capacity creation, efficiency of social schemes, and fiscal prudence. All these aspects are well known and may even seem boring, but do note that the predictable certainty of the same boring policy framework greatly benefits equity markets. The Indian equities have re-rated over the last 10 years on account of improving visibility of corporate earnings, which essentially depends on the predictability of macro factors. This has been the achievement of the Modi administration, which has not only established a highly predictable macroeconomic framework but also ensured that it stays reliable be it managing fiscal deficit or RBI policies. This results in a consistent long-term compounding theme without the serious risk of overheating the economy or experiencing a hard landing, as many developing economies have faced due to systemic excesses.

Sector Allocation Themes to Continue

It is important to note that the government is an enabler and a catalyst for the economy in the long run and the policy framework has meaningful impact on long-term economic growth than any other government tool. For example, excessive freebies will help GDP growth rate in the short run but the long-term impact would be stagflation. Similarly, capacity creation has a multiplier effect on the GDP but it's not an overnight event and demands a longer-term approach. In this context, the Modi administration's focus has been to

strike a balance between capacity creation and capacity distribution without straining the fiscal situation. Consequently, we expect the fiscal path of the current administration to remain unchanged. Hence, sectors that are doing well will continue to do well in the distant future.

The Capex cycle is poised to continue and is expected to strengthen further, given that the cycle has been turning after more than a decade of languishing. Moreover, manufacturing as a theme will continue to remain very strong. Consumer staples will be tactical plays at this juncture as they have their challenges and are unlikely to witness a structural shift. Stock-specific plays are likely to do well but consumer staples as a theme are more likely to remain an underweight stance for us over the medium term. Overall, Autos, Capital goods, PSUs, Power, and Infra sectors, which have performed well over the last three years, will continue to do well. IT and Pharma have their own trajectory as they are based on export themes and are not significantly impacted by government interventions. Pharma may experience some push through government schemes but the IT sector will mainly depend on global cycles.

Conclusion

Indian companies are in a very strong balance sheet cycle which will enable them to deliver consistent growth in the forthcoming years. Double-digit equity returns are very likely and sustainable over the next 3 years as earnings will compound at a similar pace. Modi 3.0 will be more of the same which provides great visibility to sustenance of growth in the forthcoming years. We do not envisage any significant shift of policy stance; however, we may see some recalibration to address some of the key voter issues. If we factor in all these aspects, we believe that the Indian equities will continue to deliver good returns. Market dips should be utilized to build up positions as the long-term continues to be robust indeed.

Happy Investing!

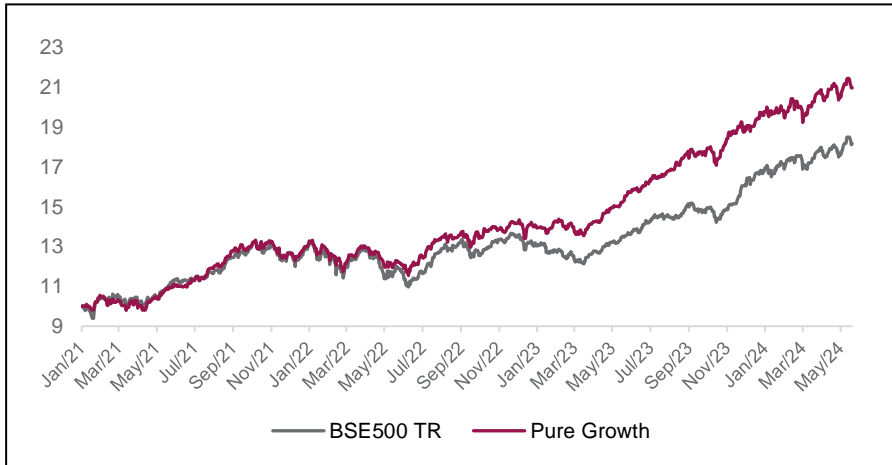
Naveen Kulkarni

Axis Pure Growth

31st May 2024

Investment Objective: Axis Pure Growth strategy focuses on parameters comprising sustainable earnings growth, quality, and low volatility. The core investment styles are growth and quality investing while low volatility and alpha investing are other key styles employed depending on the macroeconomic regime.

Cumulative Performance: Returns



Annual Performance (%)

Year	Growth	BSE500 TR
2024 (YTD)	6.7%	8.8%
2023	35.9%	26.8%
2022	8.7%	4.8%
2021*	25.5%	25.8%

*effective 13 Jan 2021

Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	2 years*	3 years*	Since inception**
Growth	-0.43%	4.26%	8.87%	34.54%	28.60%	21.94%	22.32%
BSE500 TR	0.83%	5.19%	17.75%	34.70%	23.27%	18.07%	19.29%

(*CAGR Returns) (* Net of all charges) (**Since 13th Jan. 2021)

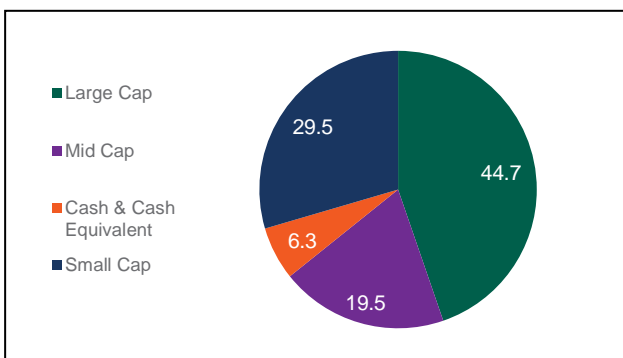
Risk Assessment

	Growth	BSE500 TR
Sharpe Ratio	1.19	0.88
Volatility	12.9%	14.1%
Portfolio Beta	0.78	1
Max Drawdown	-13.2%	-17.6%
Information Ratio	0.40	
Average Turnover Ratio	0.56	

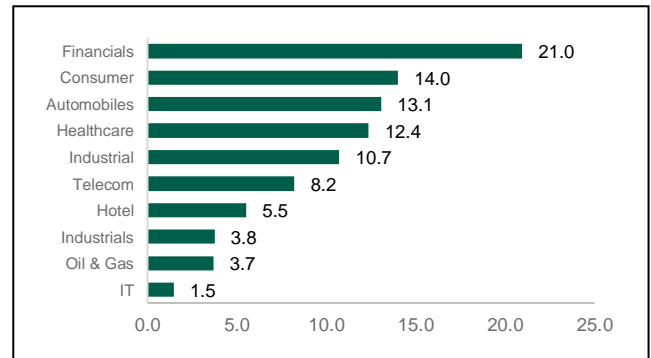
Key Portfolio Ratios

	Growth	BSE500 TR
PE	28.55	25.85
PB	3.97	4.05
ROE	13.91%	15.70%
Dividend Yield	0.64%	1.09%

Market Capitalization



Sector Allocation



MANAGED ACCOUNTS

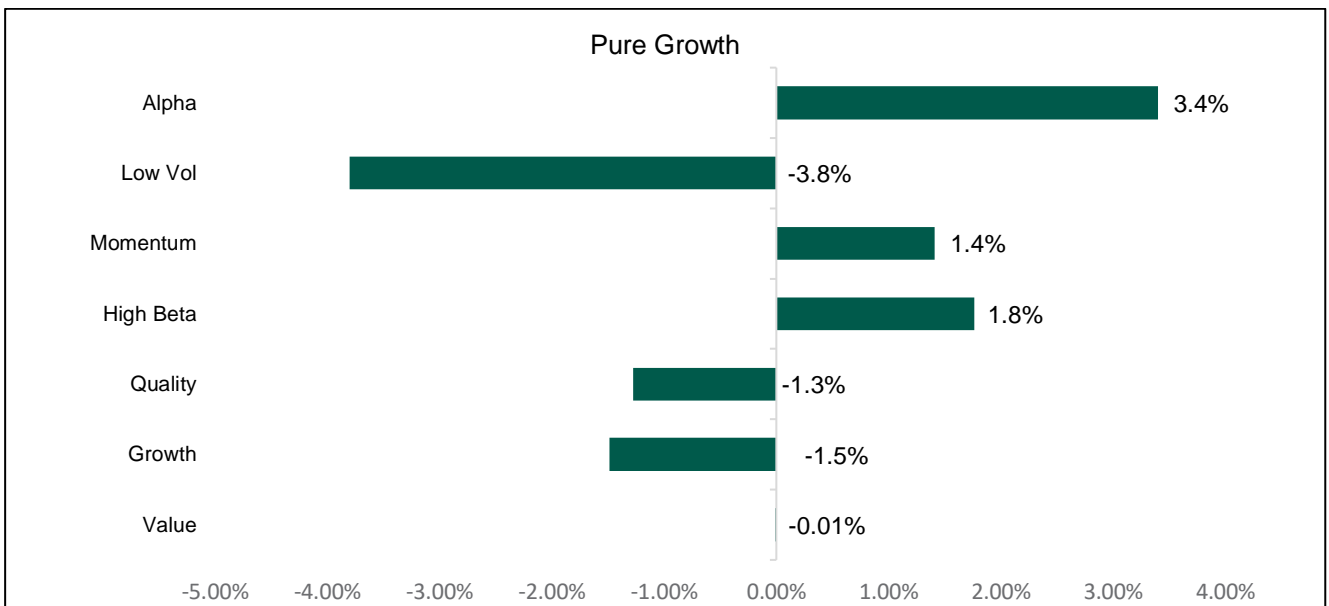
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
Bharti Airtel Ltd	8,17,783	8.2%
ICICI Bank Ltd	7,80,888	6.3%
Maruti Suzuki India Ltd	3,98,458	5.8%
Indian Hotels Co Ltd	83,057	5.5%
Gillette India Ltd	24,436	5.2%
Varun Beverages Ltd	1,94,836	5.0%
CIE Automotive India	20,652	4.8%
Jio Financial Services Ltd	2,21,984	4.3%
Ajanta Pharma Ltd	28,982	4.0%
KDDL Ltd	3,128	3.8%

Portfolio Characteristics

	Growth
Number of constituents	25
Mcap Largest (Cr)	11,86,022
Mcap Smallest (Cr)	3,128
Mcap Average (Cr)	1,96,423
Mcap Median (Cr)	73,133

Factor Box



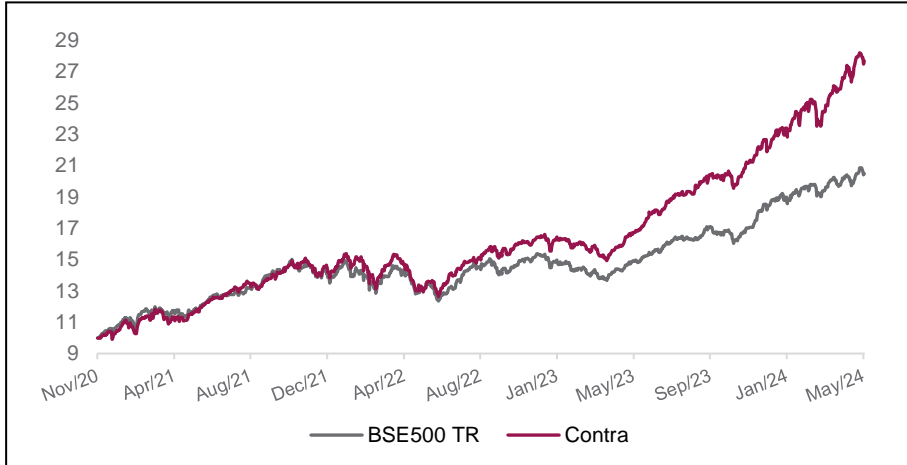
The Factor Box provides relative factor exposure vis-à-vis a given benchmark. For instance, if the Growth factor exposure in a portfolio is 23% and the Growth factor exposure of the Benchmark is 20%, it indicates that your portfolio is "Overweight" on Growth with respect to the benchmark. A positive Value in the above Factor represents that the given portfolio is Overweight in the factor with respect to the benchmark. Similarly, a negative value would represent that the given portfolio is underweight in the factor with respect to the benchmark.

Axis Pure Contra

31st May 2024

Investment Objective: Axis Pure Contra investment strategy focuses on three primary investment styles – Value, Momentum-Alpha, and Special situations investing. Value, Alpha-Momentum form the core factors while Special Situation investing is employed as a satellite factor.

Cumulative Performance: Returns



Annual Performance (%)

Year	Contra	BSE500 TR
2024 (YTD)	21.1%	8.8%
2023	39.5%	26.8%
2022	9.7%	4.8%
2021*	36.5%	31.0%

*effective 01 Jan 2021

Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	2 years*	3 years*	Since inception**
Contra	2.69%	12.07%	27.99%	59.08%	41.50%	29.53%	32.06%
BSE500 TR	0.83%	5.19%	17.75%	34.70%	23.27%	18.07%	22.78%

(*CAGR Returns) (* Net of all charges) (**Since 27th Nov, 2020)

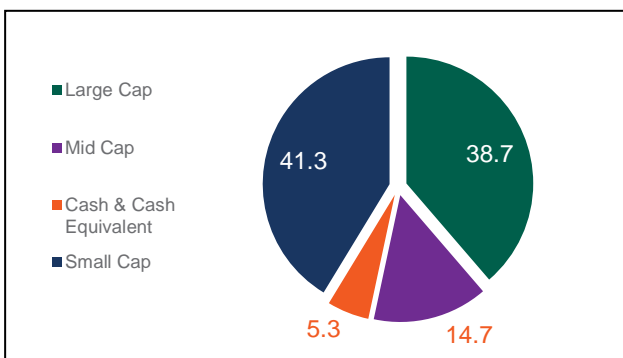
Risk Assessment

	Contra	BSE500 TR
Sharpe Ratio	1.62	1.11
Volatility	15.5%	14.1%
Portfolio Beta	0.98	1
Max Drawdown	-17.9%	-17.6%
Information Ratio	1.35	
Average Turnover Ratio	0.61	

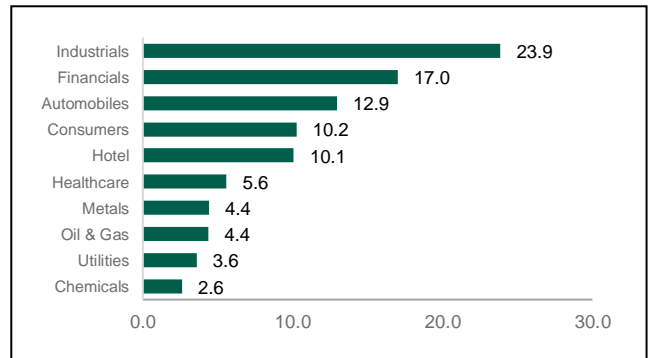
Key Portfolio Ratios

	Contra	BSE500 TR
PE	18.62	25.85
PB	3.97	4.05
ROE	21.31%	15.70%
Dividend Yield	1.58%	1.09%

Market Capitalization



Sector Allocation



MANAGED ACCOUNTS

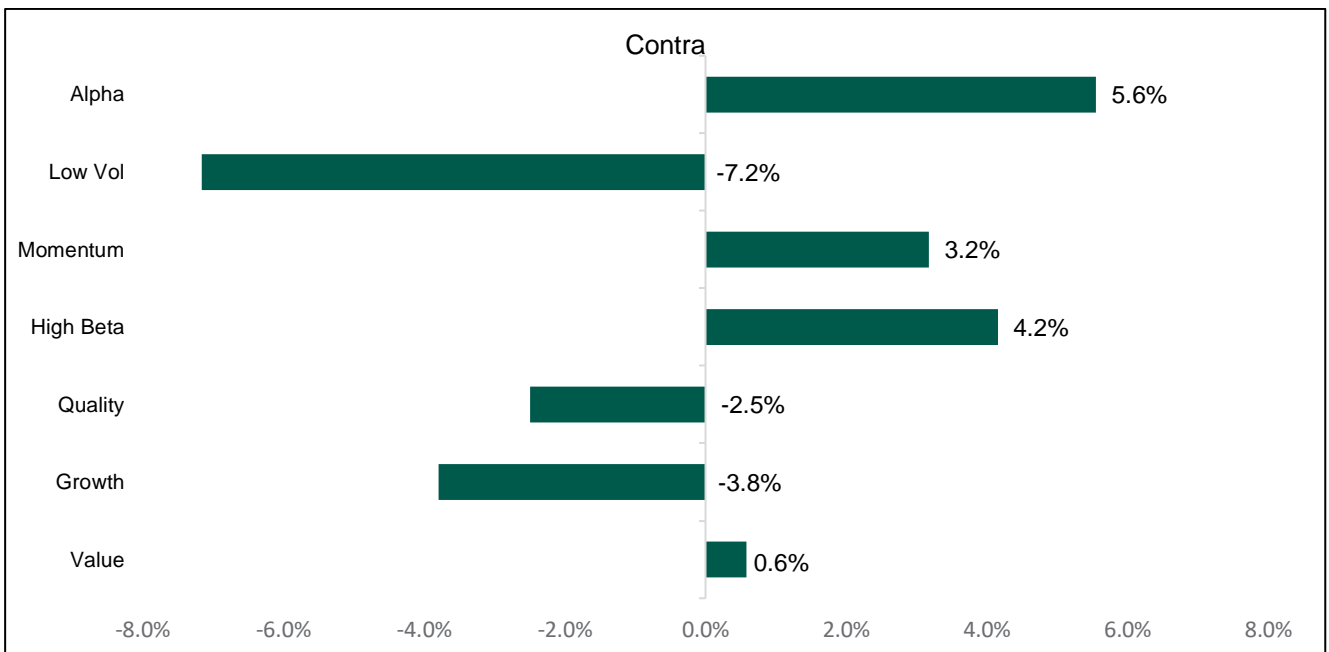
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
Indus Towers Ltd	91,453	6.9%
Thomas Cook (India) Ltd	9,690	5.5%
Mahindra & Mahindra Ltd	3,35,734	5.2%
Indian Hotels Co Ltd	83,057	4.5%
Vedanta Ltd	1,67,237	4.4%
TVS Holdings Ltd	24,223	4.4%
Hindustan Petroleum Corp	73,133	4.4%
ITC Ltd	5,43,585	4.1%
Bank of Baroda	1,39,058	3.9%
CIE Automotive India Ltd	20,652	3.9%

Portfolio Characteristics

	Contra
Number of constituents	28
Mcap Largest (Cr)	7,80,888
Mcap Smallest (Cr)	3,128
Mcap Average (Cr)	1,37,372
Mcap Median (Cr)	48,678

Factor Box



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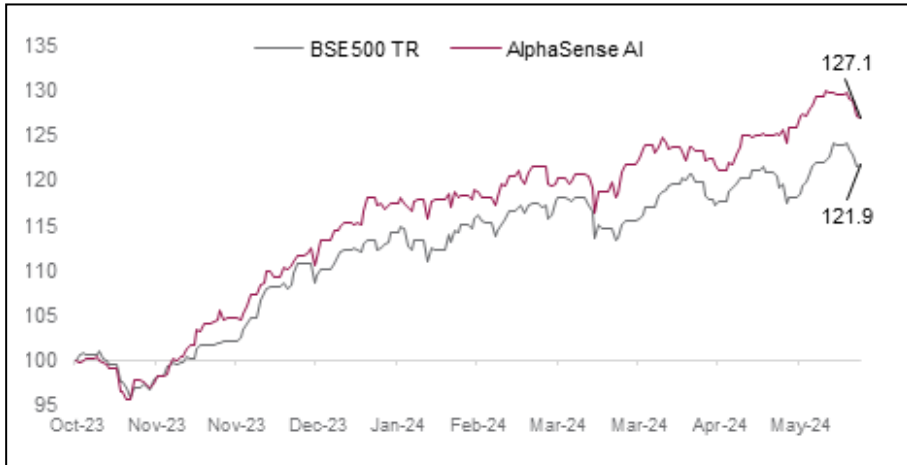
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AlphaSense AI

31st May, 2024

Investment Objective: Stock investment endeavors to achieve consistent outperformance in the long term through diversified investment of 'Winners'. The 'Adaptive Investing' strategy applies a unique approach to deliver alpha by applying equal exposure to 'Core' and 'AlphaSense' factors.

Cumulative Performance: Returns



Annual Performance (%)

Year	AlphaSense AI	BSE500 TR
2023*	15.2%	12.3%
2024 (YTD)	10.3%	8.5%

*inception date 10th Oct 2023

Portfolio Performance

Particulars	1 month	3 months	6 months	Since inception**
AlphaSense AI	1.5%	6.4%	19.8%	27.1%
BSE 500 TRI	0.6%	4.9%	17.2%	21.9%
Alpha (bps)	93	144	260	517

(* Net of all charges) (**Since 10th Oct. 2023)

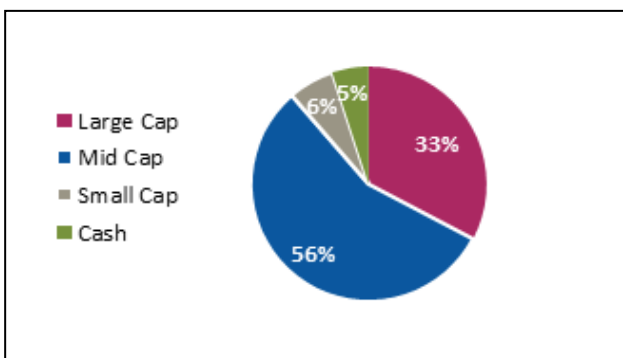
Risk Assessment

	AlphaSense AI	BSE500 TR
Sharpe Ratio	1.68	1.36
Volatility	12.5%	11.7%
Portfolio Beta	0.80	1.00
Max Drawdown	-4.7%	-5.2%
Information Ratio	0.60	

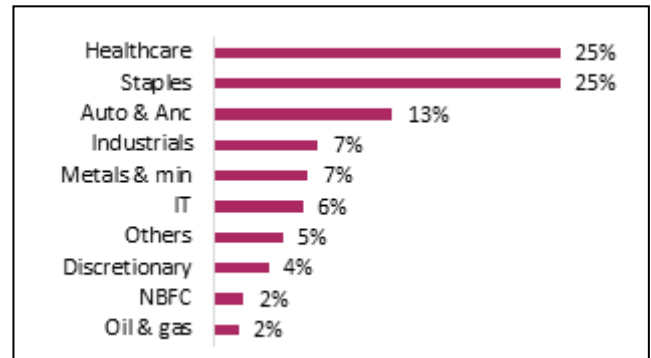
Key Portfolio Ratios

	AlphaSense AI	BSE500 TR
PE	25.90	26.18
PB	7.97	3.55
ROE	30.78%	13.26%
Dividend Yield	2.68%	1.13%

Market Capitalization



Sector Allocation



MANAGED ACCOUNTS

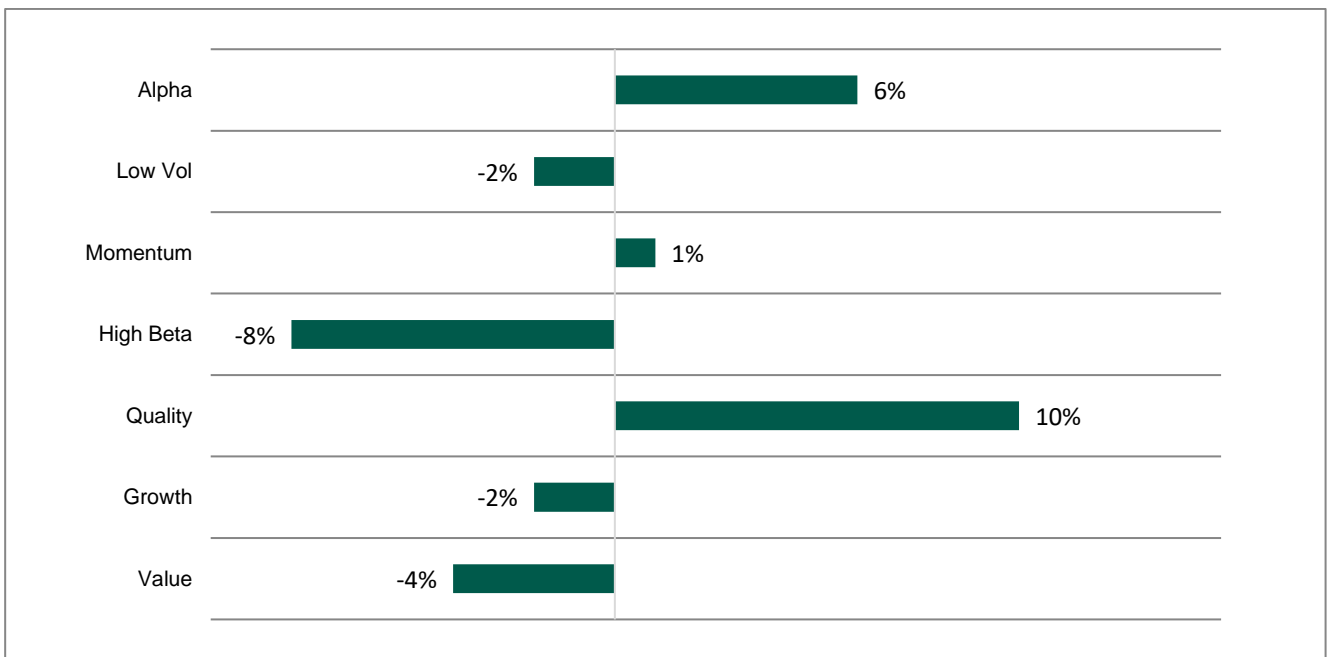
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
COLGATE-PALMOLIVE (INDIA)	56,061.30	8.1%
ABBOTT INDIA LTD.	49,208.08	7.7%
AJANTA PHARMA LTD.	22,261.84	7.4%
BAJAJ AUTO LIMITED	1,48,424.88	7.0%
BRITANNIA INDUSTRIES LTD.,	1,13,982.89	6.7%
ORACLE FINANCIAL SERVICES SOFTWARE	35,021.08	6.3%
NESTLE INDIA LTD.	2,24,983.17	6.0%
AIA ENGINEERING LTD.	33,364.80	5.6%
NARAYANA HRUDAYALAYA	22,013.27	5.3%
SUPREME INDUSTRIES LTD.,	52,528.38	4.9%

Portfolio Characteristics

	AlphaSense AI
Number of constituents	20
Mcap Largest (Cr)	5,60,828
Mcap Smallest (Cr)	19,293
Mcap Average (Cr)	95,699
Mcap Median (Cr)	51,347

Factor Box



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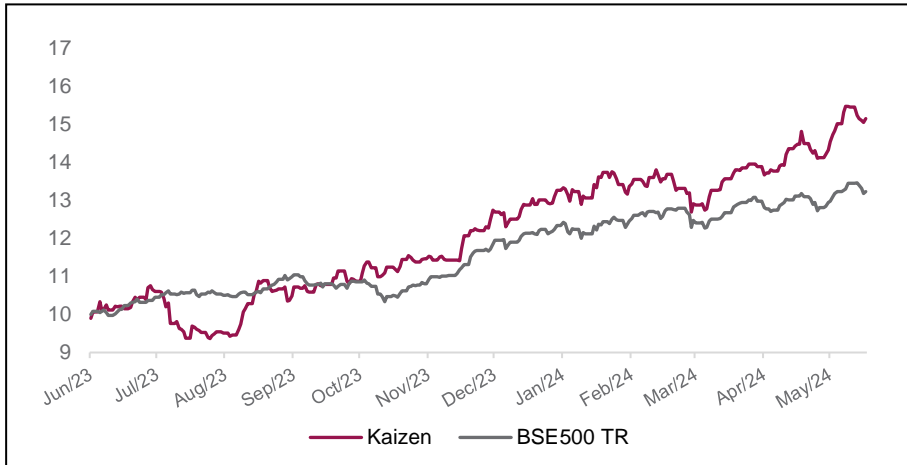
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Axis Kaizen

31st May 2024

Investment Objective: Axis Kaizen strategy focuses on manufacturing theme with exposure to 11 sectors. The core investment style is quality along with growth, and with a focus on under-represented segments of Indian listed markets.

Cumulative Performance: Returns



Annual Performance (%)

Year	Kaizen	BSE500 TR
2024 (YTD)	14.7%	8.8%
2023	29.3%	21.6%

*effective 15 June 2023

Portfolio Performance

Particulars	1 month	3 months	6 months	Since Inception
Kaizen	4.70%	11.37%	27.44%	48.31%
BSE500 TR	0.83%	5.19%	17.75%	32.21%

(* Net of all charges) (**Since 15th June, 2023)

Risk Assessment

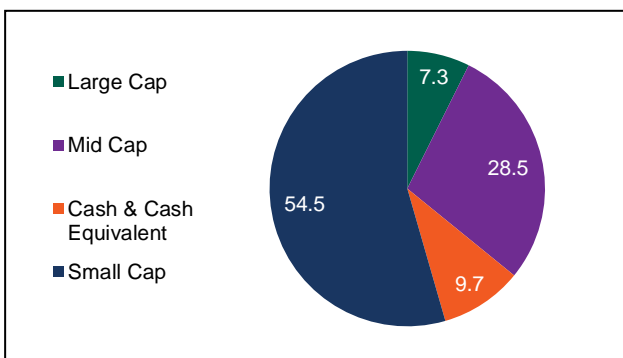
	Kaizen	BSE500 TR
Sharpe Ratio	2.12	2.35
Volatility	19.5%	10.7%
Portfolio Beta	1.01	1
Max Drawdown	-12.9%	-17.6%
Information Ratio	1.00	
Average Turnover Ratio	0.41	

Key Portfolio Ratios

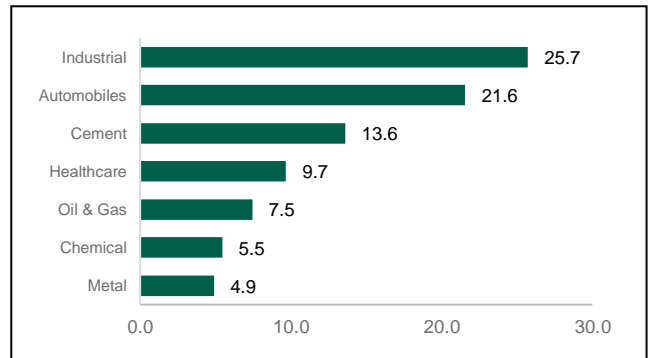
	Kaizen	BSE500 TR
PE*	14.75	25.85
PB	3.42	4.05
ROE*	22.79%	15.70%
Dividend Yield	1.02%	1.09%

*PE and ROE ratios are for profitable companies in the portfolio. PB and Dividend Yield ratios are inclusive of all stocks in the portfolio.

Market Capitalization



Sector Allocation



MANAGED ACCOUNTS

Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
VoltAmp Transformers Ltd	10,506	14.9%
Kesoram Industries Ltd	5,706	9.9%
Balkrishna Industries Ltd	60,119	8.3%
Kirloskar Pneumatic Co Ltd	7,740	7.8%
Hindustan Petroleum Corp	73,133	7.5%
Sansera Engineering Ltd	5,543	6.8%
CIE Automotive India Ltd	20,652	6.5%
AurobindoPharma Ltd	73,318	5.5%
SRF Ltd	68,133	5.5%
Ratnamani Metals & Tubes	23,831	4.9%

Portfolio Characteristics

	Kaizen
Number of constituents	14
Mcap Largest (Cr)	73,318
Mcap Smallest (Cr)	2,362
Mcap Average (Cr)	31,890
Mcap Median (Cr)	23,831

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