

CIO Quarterly Memo

October 2024

CIO Memo

The month of September was broadly a good month for equities as the US Federal Reserve cut interest rates by 50bps against the market wide expectations of 25bps. This contributed to the market's comeback rally after the sluggish period from August to the second week of September when it remained flat. However, despite this rally, the market started October on a sluggish note and its levels hovered closer to the beginning of August 2024. Thus, the market returns over the last two months have not been inspiring.

During this period, our Pure Contra strategy has underperformed the market while Pure Growth and Kaizen have been better. Nonetheless, this period seems to be more of a brief pause for Indian equities as the economy is expected to pick up in H2FY25. Consequently, equity market returns are also likely to fare better. In light of this, our Pure Contra strategy may deliver better-than-market returns in H2FY25.

China's equity market surged by over 20% in the past month, driven by the government's stimulus measures, which included a range of initiatives aimed at boosting the property market and preventing economic deflation. More measures were expected over this weekend ending 13th October, but the new announcements are likely to fall short of expectations. This could potentially halt the recent equity market surge in China. Nonetheless, China's equity market is very cheap and it could still see better prospects than the last few years.

Meanwhile, India's political landscape has experienced interesting developments over the last 30 days. The ruling Bhartiya Janata Party, which failed to secure a majority in the General Elections of 2024, managed to surprise everybody by winning the Haryana elections. Opinion polls had initially favoured the opposition parties, but BJP delivered a strong performance by improving its vote share and winning the critical election.

This shift in momentum is expected to play an important role in very critical Maharashtra elections that are coming up in mid-November. A couple of months back, the Maharashtra elections were expected to be largely one-sided in favour of the opposition but the hugely populist scheme of Ladki Baheen yojana is gaining tremendous traction and the chances of the ruling party maintaining power in the very important state of Maharashtra have increased immensely. All these developments have significant implications for the equity markets and allocation themes.



Naveen has over 21 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.

Consumption Boost Likely in The Forthcoming Months

One of the reasons for the success of the ruling party in Haryana was the Laddo Behen Yojana. This initiative has now become a strategic template for the party to engage and support the women electorate, who are seen as more pragmatic voters. This program has seen very large enrollments in Maharashtra as well. As per the market sources, the allocation has been bumped up for the Diwali Festival. While this will have an impact on the voters, more importantly, the economic impact could also be significant. As more states move towards such programs like MP, Haryana, Karnataka, Maharashtra and others, the chances of consumption gaining traction are significant.

Leading economists believe that the increase in wealth of the rich translates to more financial assets, a rise in luxury consumption, and a rise in asset prices like land. However, the stimulus measures for the poor translate to a notable increase in consumption. In our opinion, this represents an important theme, signifying a fundamental shift in the Modi Administration playbook. While the focus over the past decade has been primarily on capacity creation, there is now a noticeable transition towards capacity distribution.

State governments are likely to experience rising deficits alongside cuts in capital expenditure, which presents a long-term negative outlook. However, rising consumption will bump up capacity utilization further and private capex is likely to gain traction over the next few years. Meanwhile, the central government could still manage capex spending at reasonable levels which could balance the decline in state spending. In the short term, the Q2FY25 results season and commentary for H2FY25 will remain critical.

Unexciting Q2FY25 Earnings Season; Commentary Will Be Critical

The Q2FY25 earnings season is likely to be unexciting as earnings growth is expected to be tepid across the board. Small caps could see earnings decline which is likely to impact the valuations. The large caps are expected to fare better than the small-cap companies

but overall earnings growth is likely to remain muted. TCS has already reported the quarterly numbers which weren't exciting at all.

The banking sector earnings are likely to be crucial as the focus will be on the trajectory of credit costs and NIMs. The sector's updates have largely been in line with expectations with deposit growth improving which is an encouraging sign. Auto sector margins will be closely watched as inventory build-up in the channel combined with discounting could have an impact on the earnings growth trajectory. The automobile sector has consistently been the best-performing sector for an extended period. In the upcoming week, the highly anticipated mega IPO of Hyundai Motors is set to enter the market.

Conclusion: Better H2FY25 ahead, stay invested

The last three months have been a mixed bag with a bulk of returns in the month of July for the quarter. While the August and September months delivered positive returns, the performance has been uninspiring as these gains were erased very quickly. The China trade has already played out and the market will now focus back on India and the earnings growth ahead.

The festive season appears promising. The ruling party's return to a winning position is a critical positive for the markets, alleviating rising concerns over potential policy paralysis. However, some adjustments in allocation themes are anticipated; nonetheless, the strategic focus on managing the portfolio's risk profile will remain intact. This will involve prioritizing quality stocks and maintaining an unwavering focus on earnings.

Overall, FY25 continues to look well-poised and Nifty hitting 30,000 levels over the next 12 to 18 months cannot be ruled out. Thus, staying invested and utilizing dips to build a robust portfolio will yield solid results moving ahead.

Happy Investing!

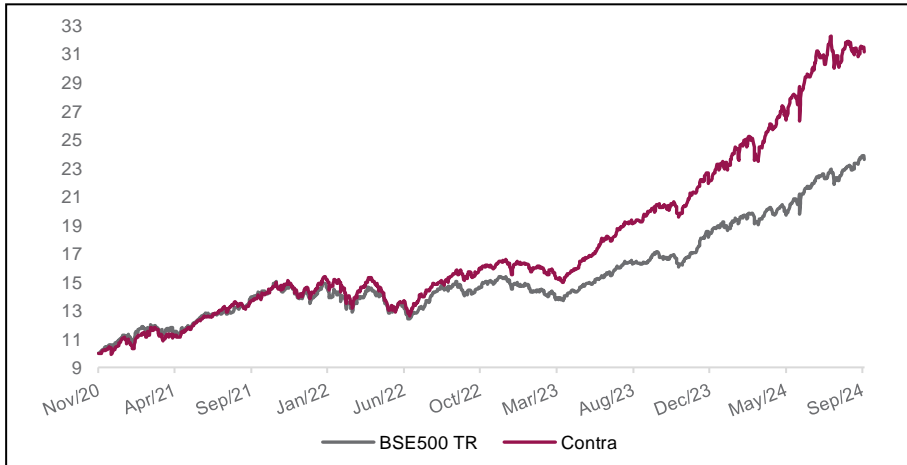
Naveen Kulkarni

Axis Securities Pure Contra

30th September, 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	Pure Contra	BSE500 TRI
2024 (YTD)	36.4%	25.3%
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**
Pure Contra	-2.31%	4.42%	25.59%	53.28%	41.43%	28.75%	32.92%
BSE500 TRI	2.09%	7.65%	20.20%	41.11%	28.73%	18.40%	25.14%

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

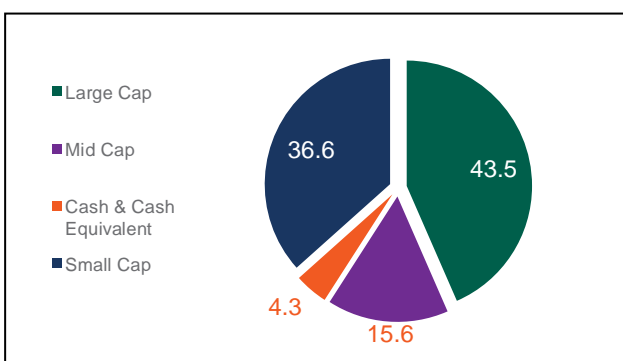
Risk Assessment

	Pure Contra	BSE500 TRI
Alpha	7.9%	
Beta	1.01	1.00
Sharpe Ratio	1.61	1.26
Std Deviation	16.3%	14.5%
Upside Deviation	7.9%	
Downside Deviation	8.6%	
Up Capture ratio	108.8	100
Down Capture ratio	98.7	100
Sortino Ratio	1.54	1.25
Information Ratio	1.11	
Max Drawdown	-17.9%	-17.6%
Average Turnover Ratio (Annual)	1.29	

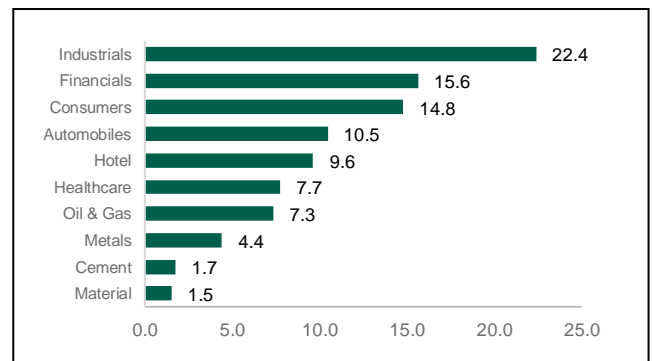
Key Portfolio Ratios

	Contra	BSE500 TRI
PE	21.23	28.27
PB	3.72	4.43
ROE	17.54%	15.54%
Dividend Yield	1.81%	1.07%

Market Capitalization



Sector Allocation



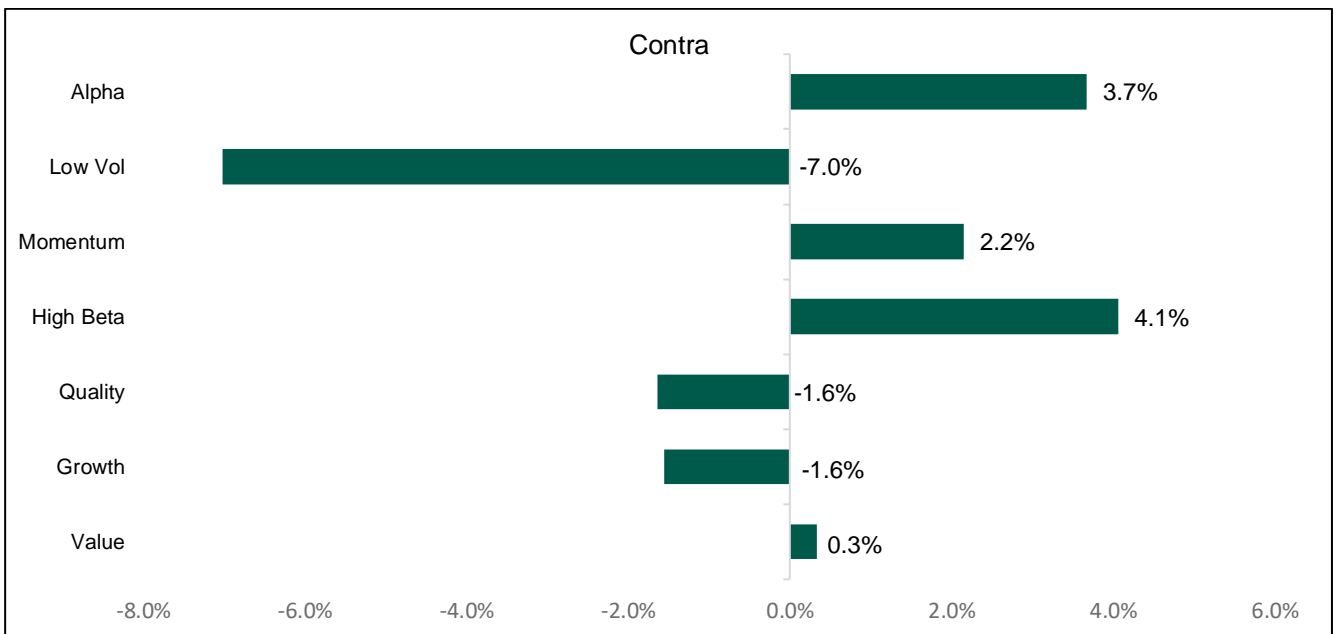
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
INDUS TOWERS LTD	97,612	6.8%
MAHINDRA & MAHINDRA LTD	3,93,683	5.7%
INDIAN HOTELS CO LTD	97,455	4.9%
TVS HOLDINGS LTD	26,298	4.8%
THOMAS COOK (INDIA)	9,125	4.7%
HINDUSTAN PETROLEUM CORP	83,038	4.7%
VEDANTA LTD	1,94,522	4.4%
ITC LTD	6,35,323	4.3%
LUPIN LTD	1,01,125	4.0%
AVENUE SUPERMARTS LTD	2,90,582	3.8%

Portfolio Characteristics

	Contra
Number of constituents	29
Mcap Largest (Cr)	8,71,361
Mcap Smallest (Cr)	3,584
Mcap Average (Cr)	1,51,637
Mcap Median (Cr)	83,038

Factor Box



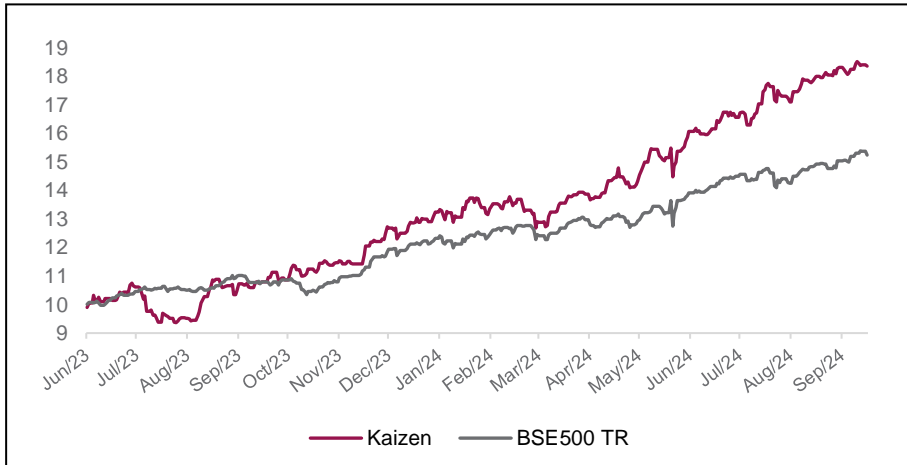
The Factor Box provides relative factor exposure vis-à-vis a given benchmark. For instance, if the Growth factor exposure in a portfolio is 23% and the Growth factor exposure of the Benchmark is 20%, it indicates that your portfolio is “Overweight” on Growth with respect to the benchmark. A positive 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 Securities Kaizen

30th September, 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 TRI
2024 (YTD)	36.6%	25.3%
2023	29.3%	21.6%

*effective 15 June 2023

Portfolio Performance

Particulars	1 month	3 months	6 months	1 Year	Since Inception
Kaizen	1.42%	12.89%	32.63%	64.65%	54.96%
BSE500 TRI	2.09%	7.65%	20.20%	41.11%	38.30%

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

Risk Assessment

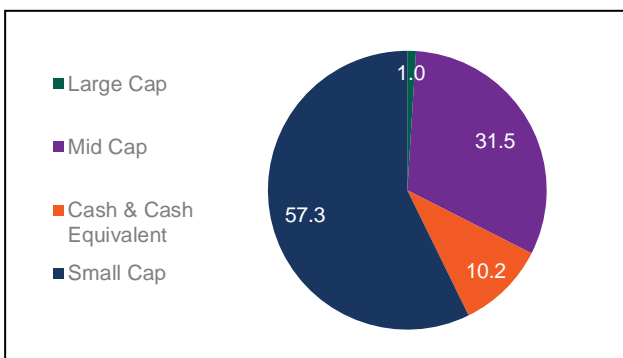
	Kaizen	BSE500 TRI
Alpha	16.7%	
Beta	0.97	1.00
Sharpe Ratio	2.49	2.41
Std Deviation	19.4%	13.1%
Upside Deviation	16.5%	
Downside Deviation	17.1%	
Up Capture ratio	114.6	100
Down Capture ratio	92.1	100
Sortino Ratio	2.68	2.06
Information Ratio	1.14	
Max Drawdown	-12.9%	-17.6%
Average Turnover Ratio (Annual)	2.10	

Key Portfolio Ratios

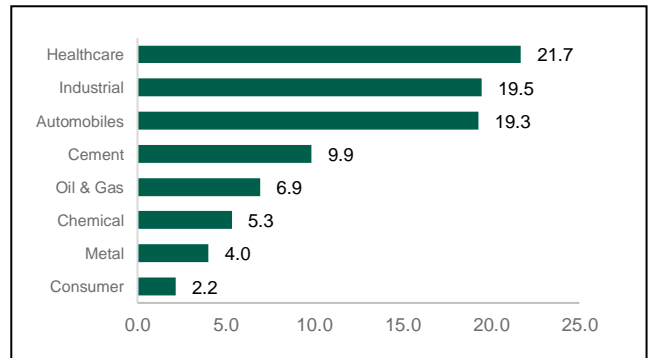
	Kaizen	BSE500 TRI
PE*	16.91	28.27
PB	3.96	4.43
ROE*	22.90%	15.54%
Dividend Yield	1.40%	1.07%

*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



Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
VOLTAMP TRANSFORMERS	12,925	11.8%
KESORAM INDUSTRIES LTD	6,800	9.9%
SANSERA ENGINEERING LTD	8,591	7.7%
HINDUSTAN PETROLEUM CORP	83,038	6.9%
BALKRISHNA INDUSTRIES	58,079	6.2%
SUVEN PHARMACEUTICALS LTD	30,312	5.7%
AJANTA PHARMA LTD	42,406	5.6%
CIE AUTOMOTIVE INDIA LTD	20,440	5.5%
KIRLOSKAR PNEUMATIC CO	8,117	5.4%
SRF LTD	69,020	5.3%

Portfolio Characteristics

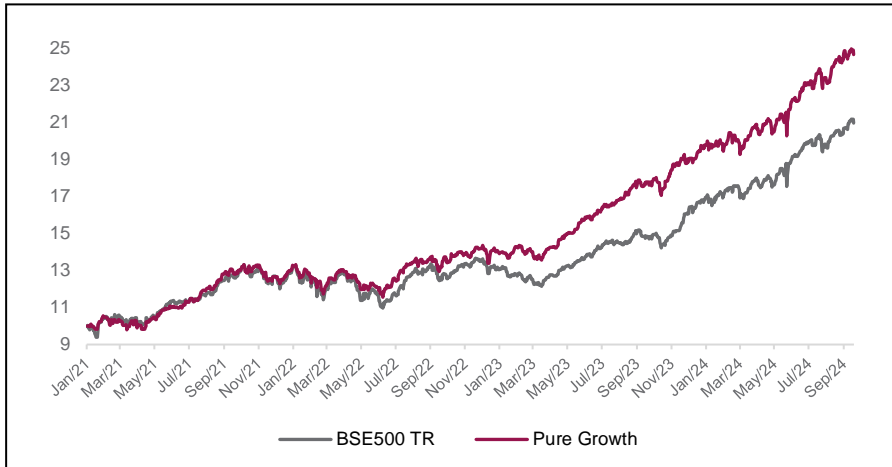
	Kaizen
Number of constituents	16
Mcap Largest (Cr)	1,32,498
Mcap Smallest (Cr)	4,931
Mcap Average (Cr)	39,632
Mcap Median (Cr)	27,629

Axis Securities Pure Growth

30th September, 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	Pure Growth	BSE500 TRI
2024 (YTD)	23.8%	25.3%
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**
Pure Growth	0.53%	8.17%	19.44%	34.93%	33.62%	21.91%	25.04%
BSE500 TRI	2.09%	7.65%	20.20%	41.11%	28.73%	18.40%	21.98%

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

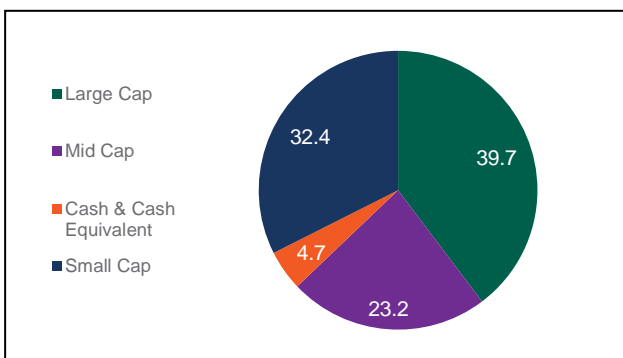
Risk Assessment

	Pure Growth	BSE500 TRI
Alpha	3.0%	
Beta	0.80	1.00
Sharpe Ratio	1.36	1.05
Std Deviation	13.5%	14.5%
Upside Deviation	8.1%	
Downside Deviation	8.9%	
Up Capture ratio	58.4	100
Down Capture ratio	94.0	100
Sortino Ratio	1.40	1.06
Information Ratio	0.41	-
Max Drawdown	-13.2%	-17.6%
Average Turnover Ratio (Annual)	0.86	

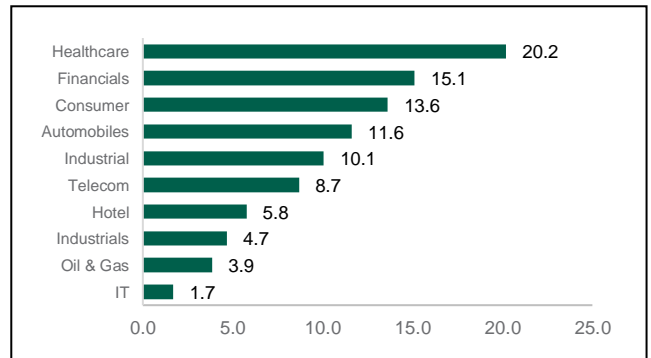
Key Portfolio Ratios

	Growth	BSE500 TRI
PE	30.49	28.27
PB	4.68	4.43
ROE	15.35%	15.54%
Dividend Yield	0.76%	1.07%

Market Capitalization



Sector Allocation



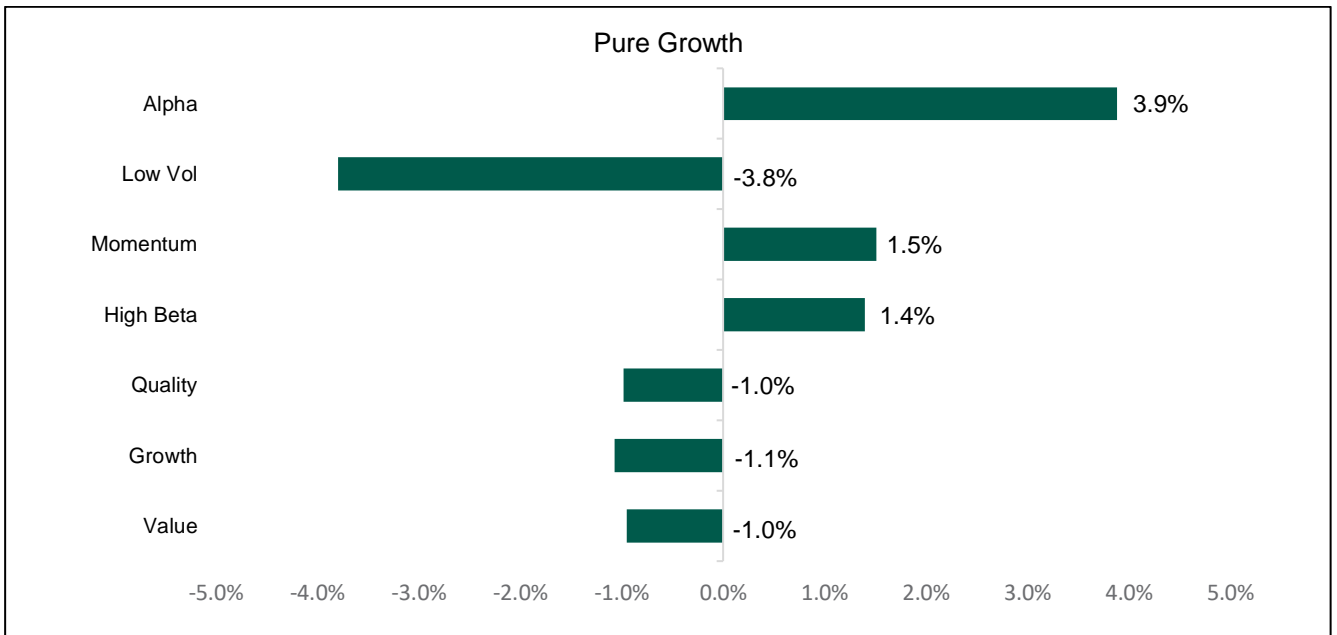
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
BHARTI AIRTEL LTD	9,92,926	8.7%
ICICI BANK LTD	8,71,361	6.1%
AUROBINDO PHARMA LTD	86,612	6.0%
INDIAN HOTELS CO LTD	97,455	5.8%
GILLETTE INDIA LTD	28,733	5.2%
MARUTI SUZUKI INDIA LTD	3,94,008	5.2%
INDUS TOWERS LTD	97,612	4.7%
AJANTA PHARMA LTD	42,406	4.7%
VARUN BEVERAGES LTD	1,91,672	4.5%
CIE AUTOMOTIVE INDIA	20,440	4.3%

Portfolio Characteristics

	Growth
Number of constituents	25
Mcap Largest (Cr)	12,59,880
Mcap Smallest (Cr)	3,584
Mcap Average (Cr)	2,09,370
Mcap Median (Cr)	58,079

Factor Box



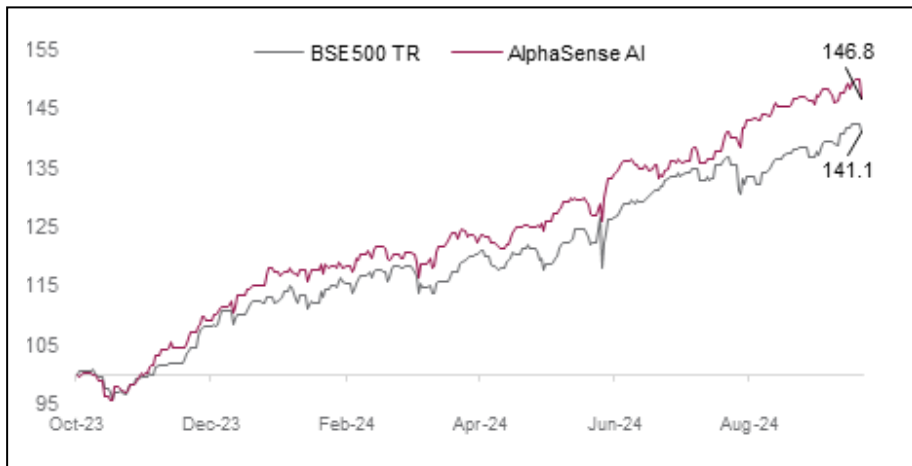
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Axis Securities AlphaSense AI

30th September, 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 TRI
2023*	15.2%	12.3%
2024 (YTD)	27.5%	25.6%

*inception date 10th Oct 2023

Portfolio Performance

Particulars	1 month	3 months	6 months	Since inception**
AlphaSense AI	0.1%	10.1%	19.3%	46.8%
BSE 500 TRI	2.1%	7.6%	20.2%	41.1%
Alpha (bps)	-201	248	-93	576

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

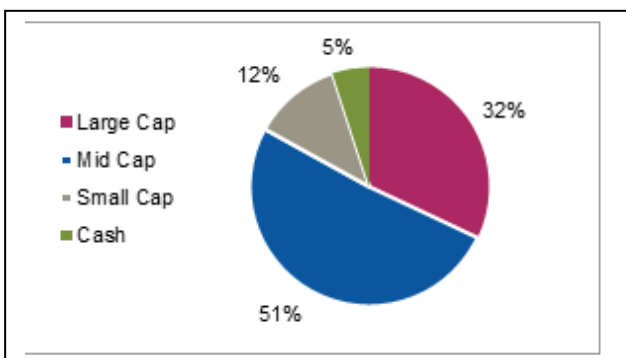
Risk Assessment

	AlphaSense AI	BSE500 TRI
Sharpe Ratio	3.24	2.45
Volatility	12.6%	14.3%
Portfolio Beta	0.66	1.00
Max Drawdown	-4.7%	-6.7%
Information Ratio	0.60	

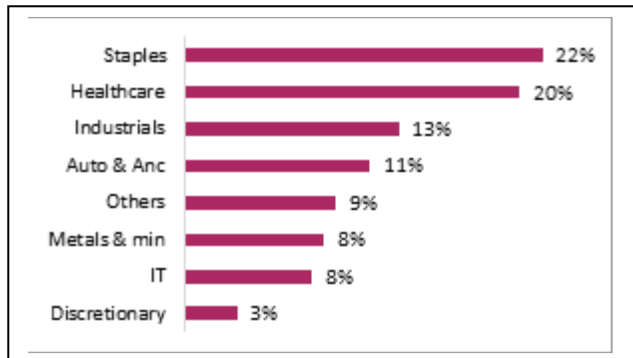
Key Portfolio Ratios

	AlphaSense AI	BSE500 TRI
PE	33.99	28.90
PB	12.93	4.50
ROE	38.03%	15.53%
Dividend Yield	1.35%	1.29%

Market Capitalization



Sector Allocation



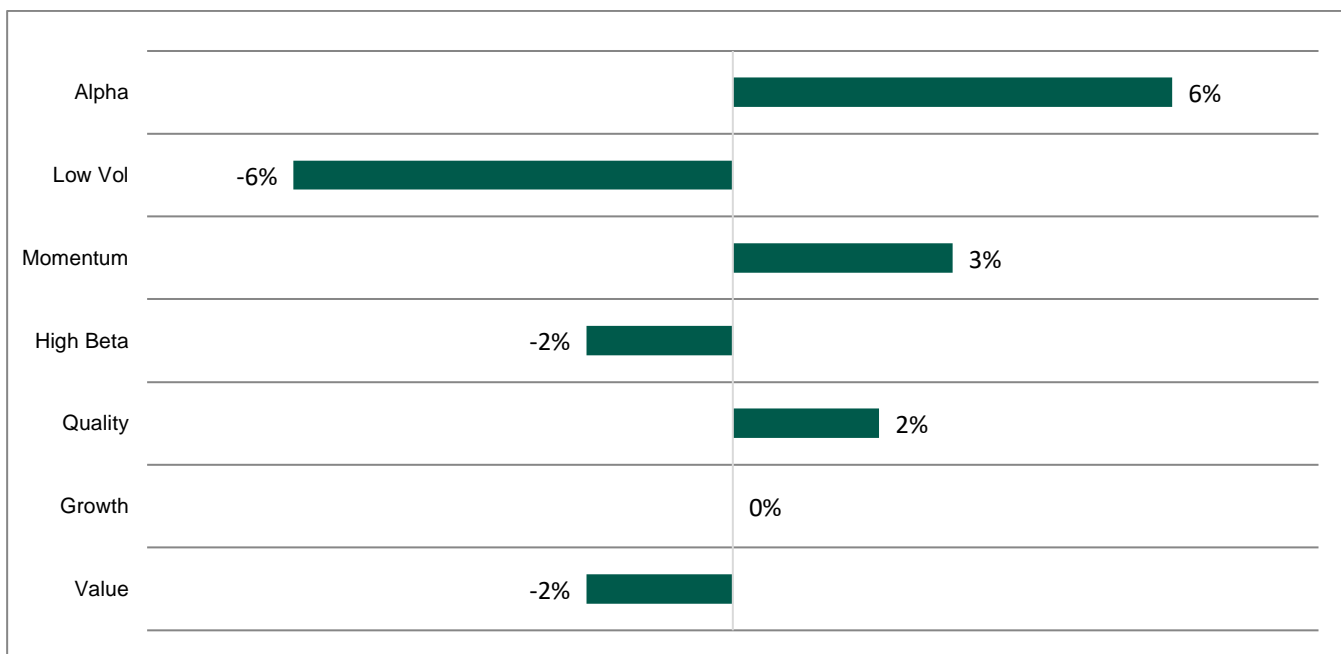
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
ABBOTT INDIA LTD.	49,208.08	8.1%
COLGATE-PALMOLIVE (INDIA)	56,061.30	7.7%
NESTLE INDIA LTD.	2,24,983.17	7.4%
AIA ENGINEERING LTD.	33,364.80	7.0%
BRITANNIA INDUSTRIES LTD.,	1,13,982.89	6.7%
AJANTA PHARMA LTD.	22,261.84	6.3%
J.B. CHEMICALS & PHARMA	21,606.07	6.0%
SUPREME INDUSTRIES LTD.,	52,528.38	5.6%
CUMMINS INDIA LTD.,	50,165.25	5.3%
PERSISTENT SYSTEMS	44,304.22	4.9%

Portfolio Characteristics

	AlphaSense AI
Number of constituents	20
Mcap Largest (Cr)	2,24,983
Mcap Smallest (Cr)	9,017
Mcap Average (Cr)	78,270
Mcap Median (Cr)	54,295

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.

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Disclosure Document (DD)- Please visit <https://simplehai.axisdirect.in/> go to support and then select downloads & Search for PMS Disclosure Document.

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Risk metric definitions -

1. **Alpha** - Difference in the CAGR of strategy and CAGR of benchmark since inception.
2. **Beta** - Linear regression coefficient of strategy daily returns to benchmark daily returns.
3. **Standard deviation** - Ratio of risk-adjusted returns to standard deviation.
4. **Upside Deviation** - We take the standard deviation of the difference of strategy and benchmark returns only when the strategy performs better than the index.
5. **Downside deviation** - We take the standard deviation of the difference of strategy and benchmark returns only when the strategy performs worse than the index.
6. **Up Capture ratio** - We take the ratio of the cumulative returns made by strategy and cumulative returns made by benchmark when we are invested in both strategy and benchmark only on days when the benchmark returns are positive.
7. **Down Capture ratio** - We take the ratio of the cumulative returns made by strategy and cumulative returns made by benchmark when we are invested in both strategy and benchmark only on days when the benchmark returns are negative.
8. **Sortino Ratio** - Ratio of risk-free adjusted returns to the standard deviation of returns when strategy (benchmark) returns are negative.
9. **Information ratio** - Ratio of risk-free adjusted returns to the tracking error, which is the standard deviation of difference between strategy and benchmark returns.
10. **Max. Drawdown** - Largest observed loss from the highest peak to the lowest trough in the value of strategy/benchmark NAV.
11. **Average Turnover Ratio** - Average ratio of money spent in buying new stock at each rebalance to total value of portfolio.

Note- All standard deviations used are annualized and from inception.