

Monthly Memo

November 2022

Monthly Memo *A New High?*

October 2022 turned out to be a strong month for Indian equities. However, the market breadth was narrower compared to stronger Jul'22 and Aug'22. The narrow benchmark NIFTY 50 (up 5.4%) outperformed the broader NIFTY 500 (up 4%) as well as the NIFTY Smallcap 250 (up 1.9%). While NIFTY 50 outperformed other benchmarks by a reasonable margin, all other key diversified indices delivered positive returns. This has been a significant positive for the overall market. The strongest performing sector during the month was PSU banks which gained 15% on an MoM basis. Private Banks, too, reported excellent results for Q2FY23 with the NIFTY Private Banks index gaining 6% during the month. While the Indian IT sector has been under pressure for the last one year, it reported encouraging results for Q2FY23 with an encouraging growth of 6.5% during the month. Most sectors reported positive returns on an MoM basis, except the FMCG and Media sectors which reported flat growth. Amongst all, the Banking sector stood out to be the top-performing sector, thanks to the solid results it delivered across the board.

While the market returns have been excellent, we are happy to share that both our Contra and Retirement strategies outperformed the benchmark BSE200 during the month. However, our Growth strategy reported marginal underperformance after delivering consistent outperformance over the last one year. Currently, the market is a couple of percentage points away from an all-time high and if volatility continues to stay benign (less than 20), it may even hit an all-time high soon. However, this thesis hinges on the larger macro scenario as well as several domestic developments.

Earnings in line with expectations

Recent newspaper headlines have been screaming that the earnings have slowed down significantly. However, it is important to note that these earnings need to be looked at in the context of expectations. On that count, they have largely been in line with our and consensus expectations. While a few companies have hit or missed the street estimates, the consensus earnings expectations for FY23/24 seem unlikely to change significantly. Misses in sectors such as Oil & Gas, Cement, and Consumption are likely to be compensated by the blockbuster results of the BFSI sector.



Naveen has over 19 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.

Federal Reserve commentary continues to be a mixed bag for the markets

The US Federal Reserve hiked interest rates by another 75bps on 2nd Nov'22. While this stood in line with the expectations, the FED also stated that the exit rate has moved up even though the magnitude of future rate hikes might be smaller than the rate hikes implemented by far. Some analysts now predict the exit rate to be around 5-5.25% which is currently

3.75%-4.25%. Any further increase in this target would be a long-term negative for equity markets around the world. However, the sustainability of higher interest rates and paths will critically depend on economic conditions and the challenges of recession. Past rate hike cycles have more often led to a recession and this rate hike cycle may not be any different. However, the current juncture provides little clarity on the medium-term economic cycle and inflationary headwinds.

Value Investing outperformed other investment styles

Performance	Performance (%)			
	Value	Growth	Quality	Momentum
2020	24.9%	10.2%	22.6%	6.6%
2021	34.1%	8.8%	22.2%	32.6%
1M	5.4%	2.7%	2.5%	4.2%
3M	3.3%	7.0%	2.3%	9.8%
6M	3.0%	16.8%	6.2%	4.7%
1YR	3.1%	18.0%	3.0%	11.7%
2YR	57.4%	62.6%	46.7%	67.5%

In the last one year, while Value them underperformed Growth and Momentum themes by a significant margin, it turned out to be the top-performing investment style in 2021. However, as the market scenario got challenging, Value underperformed while Growth outperformed. Nonetheless, Value has outperformed all the other investment styles in the last one month by a significant margin. The global markets rallied in the last one month which has helped all classes of equities. In India, the significant outperformance by the PSU banks and banks has helped the Value them outperform other investment

themes. To some extent, this outperformance may sustain as green shoots in other value sectors like Commodities are visible. However, we believe more confirmatory data points are needed to provide greater Value orientation to our portfolios.

Conclusion

The Indian equity market's performance has been very consistent and resilient and has continued to gain strength. Furthermore, our channel checks have confirmed that the festive season demand has been robust. However, some pockets of stress are emerging. On a brighter note, lower commodity prices should start reflecting in the quarterly results which will ease the margin pressures from Q3FY23 onwards. However, banks are likely to see pressure on NIMs and liquidity could be a challenge as deposit growth

concerns persist. Nonetheless, the market continues to offer lucrative ideas across sectors which can create immense value. At this juncture, it appears that the returns are likely to be sustainable and the market might be headed to a new high. Hence, we reiterate what we have been indicating in our previous memos that it will pay to be invested in the market that has seen good results. Patient investing in the last one year has resulted in good returns for equity holders and we suggest maintaining the same course.

Happy investing!

Naveen Kulkarni

Portfolio changes::

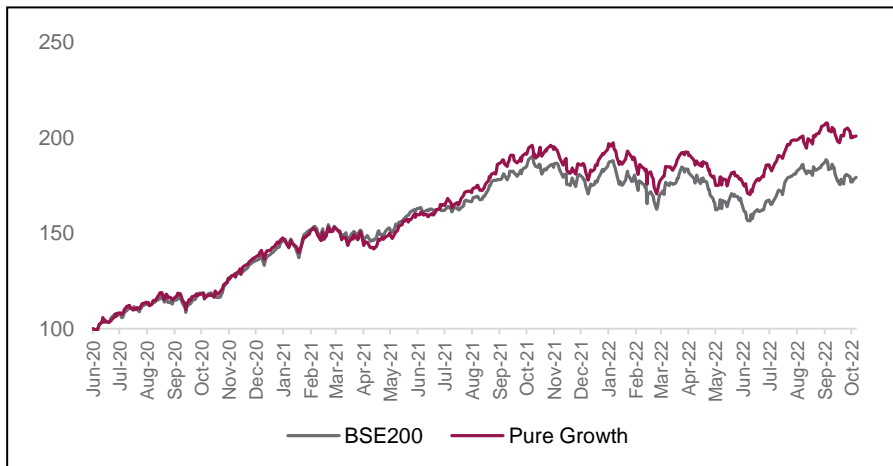
There were no major portfolio changes during the month.

Axis Pure Growth

31st October 2022

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	BSE 200
2022 (YTD)	10.3%	4.2%
2021	31.5%	27.0%
2020	43.8%	42.7%

Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	2 years*	Since inception**
Growth	2.87%	7.30%	10.87%	8.76%	32.41%	36.52%
BSE 200	4.37%	5.17%	4.88%	2.78%	26.45%	30.89%

(*CAGR Returns) (* Net of fees) (**Since 15th June, 2020)

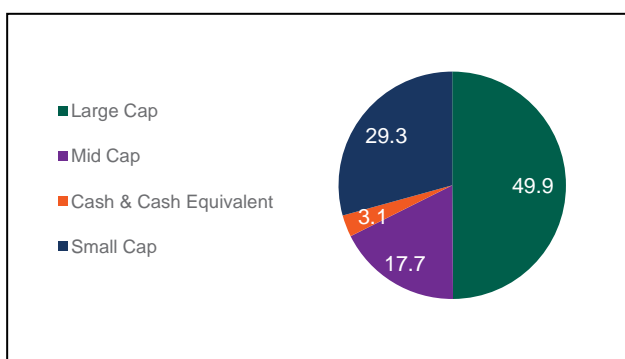
Risk Assessment

	Growth	BSE 200
Sharpe Ratio	1.83	1.42
Volatility	15.9%	16.5%
Portfolio Beta	0.85	1
Max Drawdown	13.3%	17.7%
Information Ratio	0.72	
Average Turnover Ratio	1.32	

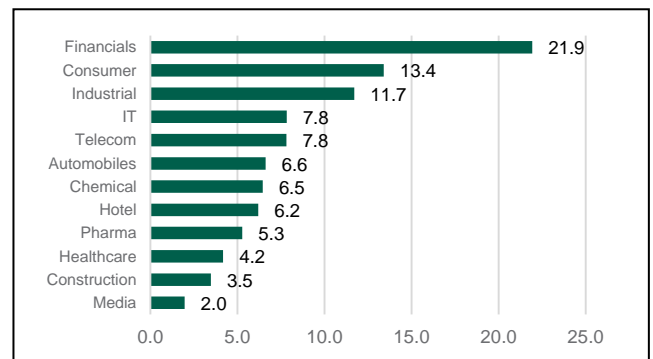
Key Portfolio Ratios

	Growth	BSE 200
PE	28.61	23.18
PB	4.31	3.24
ROE	15.05%	14.48%
Dividend Yield	0.82%	1.28%

Market Capitalization



Sector Allocation



MANAGED ACCOUNTS

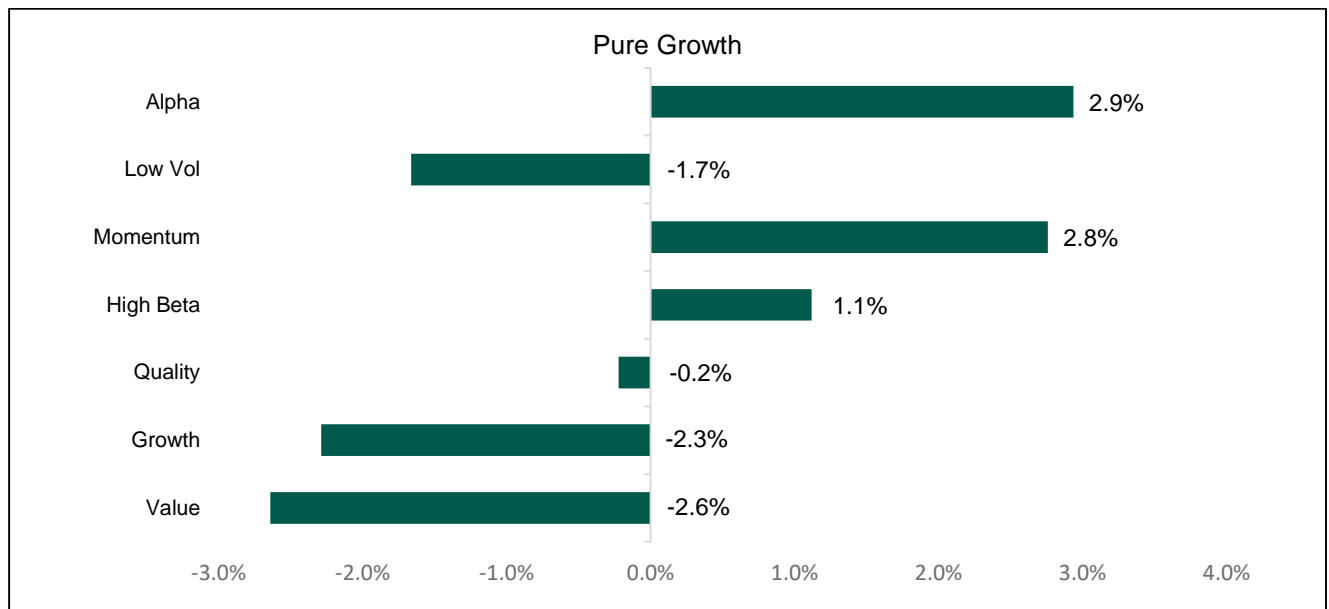
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
ICICI Bank	6,32,727	12.1
Bharti Airtel	4,82,648	7.5
EIH	12,989	6.2
KDDL Ltd.	1,256	5.7
Maruti Suzuki	2,84,559	5.5
Infosys	6,60,797	5.4
Abbott India	41,678	5.3
Carborundum Uni.	15,932	5.2
Coromandel Inter	28,245	5.1
Varun Beverages	71,743	4.9

Portfolio Characteristics

	Growth
Number of constituents	23
Mcap Largest (Cr)	8,44,127
Mcap Smallest (Cr)	1,256
Mcap Average (Cr)	1,88,686
Mcap Median (Cr)	41,678

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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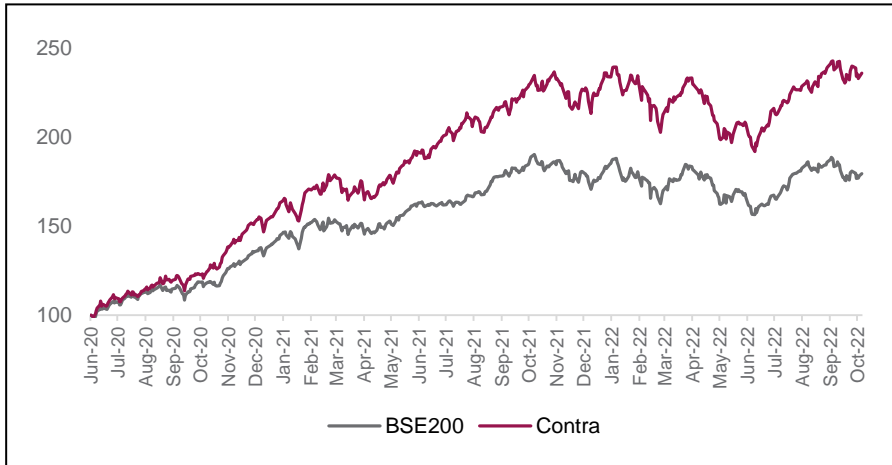
The Returns are calculated using the Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance-related information is not verified by SEBI. All details related to portfolio holdings and sectors provided above are for Model Portfolio. Returns & Portfolio of the client may vary as compared to Investment Approach aggregate level returns due to various factors for example entry/execution of portfolio or investment, additional investment, client approvals, client specific requirement, any withdrawals, expenses charged, dividend income or due to other reasons. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Axis Pure Contra

31st October 2022

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	BSE 200
2022 (YTD)	7.2%	4.2%
2021	47.0%	27.0%
2020	57.5%	42.7%

Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	2 years*	Since inception**
Contra	4.59%	9.86%	12.25%	8.56%	39.77%	46.97%
BSE 200	4.37%	5.17%	4.88%	2.78%	26.45%	30.89%

(*CAGR Returns) (* Net of fees) (**Since 15th June, 2020)

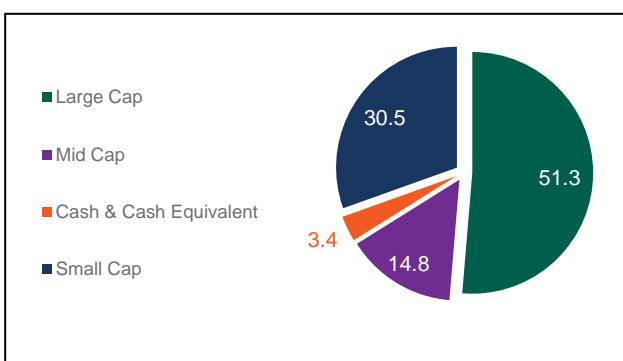
Risk Assessment

	Contra	BSE 200
Sharpe Ratio	2.02	1.43
Volatility	19.6%	16.5%
Portfolio Beta	1.06	1
Max Drawdown	18.9%	17.7%
Information Ratio	1.80	
Average Turnover Ratio	1.82	

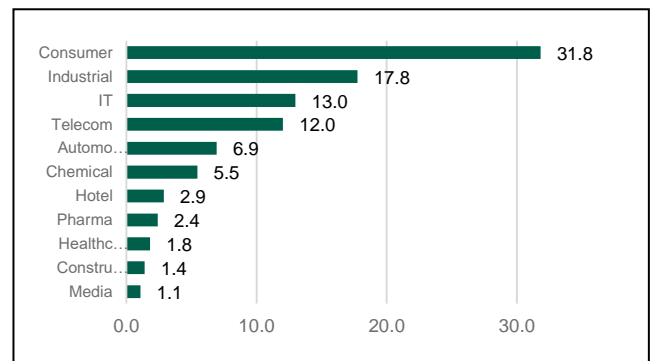
Key Portfolio Ratios

	Contra	BSE 200
PE	22.78	23.21
PB	2.97	3.25
ROE	13.04%	14.48%
Dividend Yield	1.23%	1.28%

Market Capitalization



Sector Allocation



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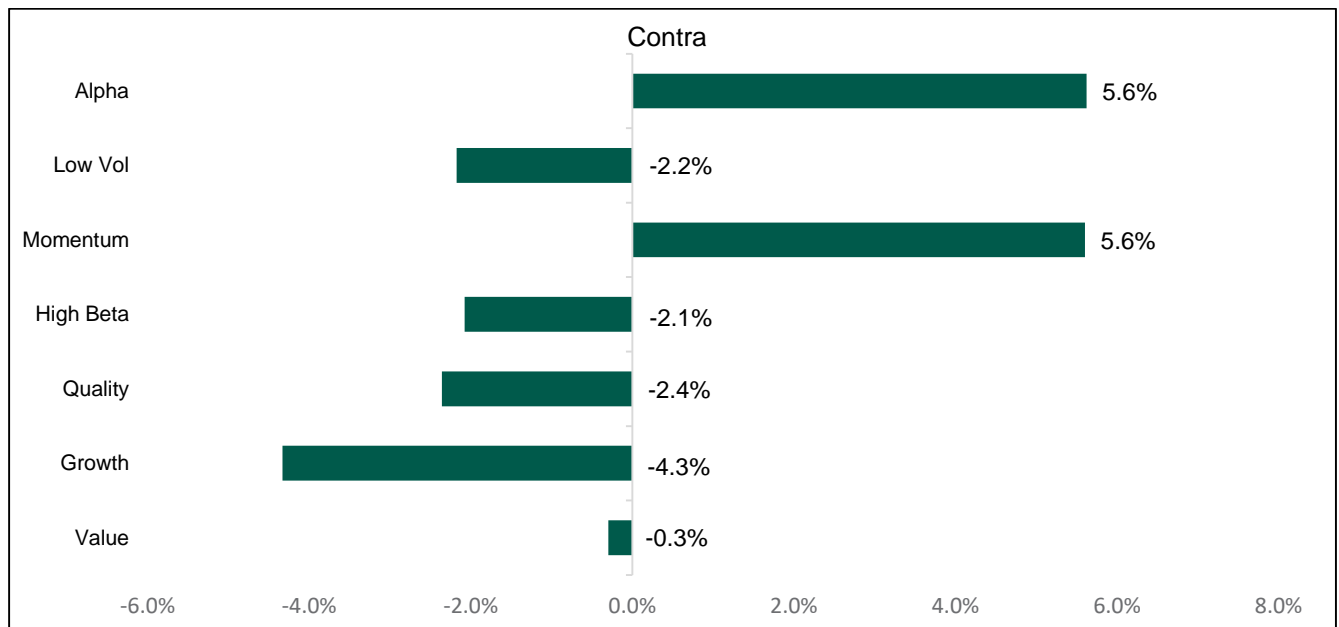
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
ICICI Bank	6,33,598	10.4
St Bk of India	5,15,396	10.1
Bank of Baroda	76,407	6.2
Aditya Bir. Fas.	33,932	5.6
EIH	13,006	5.5
Infosys	6,61,218	5.2
SBI Life Insuran	1,26,815	5.1
M & M	1,68,353	5.1
Carborundum Uni.	15,941	4.9
United Spirits	65,085	4.8

Portfolio Characteristics

	Growth
Number of constituents	23
Mcap Largest (Cr)	6,61,218
Mcap Smallest (Cr)	769
Mcap Average (Cr)	1,47,144
Mcap Median (Cr)	37,386

Factor Box



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