MONTHLY QUANT REPORT

Axis Direct: Monthly Quant Report

September 2026

AXIS DIRECT

Market Commentary

Cyclical Continuity (The Setup): The broader macroeconomic environment continues to support a pro-cyclical risk posture. With systemic liquidity stabilizing and underlying economic activity remaining resilient, the quantitative dashboard dictates maintaining our aggressive cyclical exposure, strictly avoiding defensive safe havens.

The Exhaustion Ends (Trends Rebound): August's broad market exhaustion and choppy price action have definitively resolved. Risk-adjusted returns (Sharpe ratios) surged back into positive territory across cyclical factors this month, indicating that established market trends are once again efficiently rewarding investors.

The Defensive Penalty: The cost of holding defensives has become even more severe. While cyclical factors rebounded, Low Volatility plummeted deeper into negative territory, actively destroying capital and confirming that the "safe" playbook remains structurally broken in the current regime.

The Growth-Momentum Barbell (The Action): While we maintain our pro-cyclical stance, internal leadership has rotated slightly. The model is executing a Growth-Momentum barbell. Growth has fundamentally swept our internal metrics, emerging as the undisputed leader in price trend, stock-picking alpha, and valuation probability. We pair this by buying Momentum to capture its surging dispersion, while scaling back Value to a supporting anchor role.

02 Most Investors fight the lost war

The Static Factor Flaw: When markets turn volatile, the instinct is to hide in "safe" defensive stocks. However, factor premiums are dynamic. A factor that protected portfolios in the last cycle can quietly erode returns in the next.

The Opportunity: The edge isn't in selecting a single factor to hold permanently; it's in systematically identifying which factors the market is rewarding right now, before consensus shifts.

Our Framework: We avoid relying on isolated signals, which can lead to false positives. Our model blends four distinct pillars to navigate changing regimes:

- **Macro Business Cycles:** Aligning with the broader economic environment
- **Absolute Trend:** Capitalizing on established market momentum
- **Factor Dispersion:** Identifying environments where stock-picking is actively rewarded
- **Probability-Adjusted Valuation:** Ensuring strict fundamental discipline while avoiding "value traps"

THE OLD PLAYBOOK VS. OUR APPROACH

Static, single-factor bets

Park in defense and hope. One signal, held through every regime — exposed when leadership rotates.

▼

Dynamic, multi-pillar rotation

Four pillars read the regime in real time and pivot the portfolio toward what's leading now.

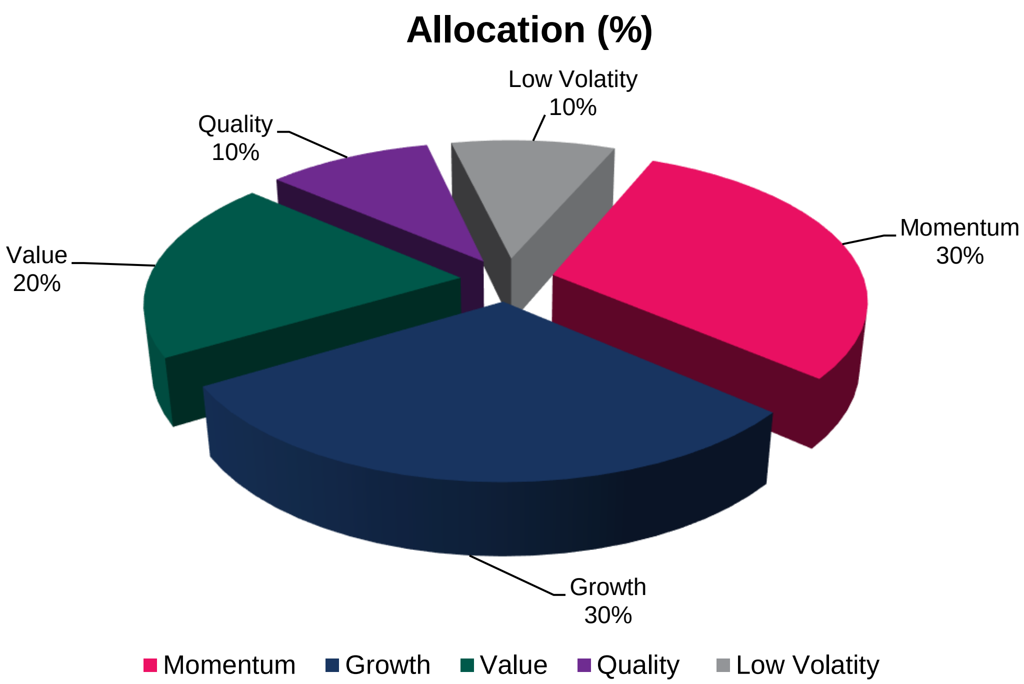
Strategic Stance: Rebalancing the Cyclical Engine

The Pro-Cyclical Continuation: For September 2026, the overarching pro-cyclical market stance remains firmly intact. The model executed a tactical internal rebalancing, shifting capital within our core cyclical engines to perfectly align with the new month's data.

Current Positioning: The portfolio maintains its aggressive posture, heavily concentrated in a Growth 30% & Momentum 30% barbell, with Value stepping down into a highly resilient 20% supporting anchor role.

Strategic Rationale: Growth earned its 30% co-leadership position by completely sweeping the internal metrics—securing perfect 10.0 scores in Trend, Dispersion, and Valuation. We paired this with Momentum (30%), which maintained its dominant Macro support while seeing its stock-picking edge (Dispersion) roar back to life.

The Value Re-calibration: We scaled back Value from 30% to 20%. While its price trend remains robust, its massive stock-picking advantage from last month completely collapsed back to neutral. Without that unique idiosyncratic alpha, it mathematically steps down to make room for Growth. Defensives (Quality and Low Volatility) remain structurally capped at 10% each.



04 Pillar 1: Macro Regime Sustains Expansion

MACRO HEALTH DASHBOARD

Today's Snapshot — September 2026

Current Regime: **Expansion**

Macro Contributor	Current Signal Intensity					3-Month Trend
Activity	Bearish	Cautious	Neutral	Constructive	**Bullish**	Stable
Volatility & FX	Bearish	Cautious	Neutral	**Constructive**	Bullish	Strengthening
Rates & Liquidity	Bearish	Cautious	Neutral	**Constructive**	Bullish	Strengthening
Capital Flows	Bearish	Cautious	**Neutral**	Constructive	Bullish	Strengthening
Market Action	Bearish	Cautious	**Neutral**	Constructive	Bullish	Stable
Commodities	Bearish	Cautious	**Neutral**	Constructive	Bullish	Weakening
Recovery Signals	Bearish	Cautious	**Neutral**	Constructive	Bullish	Stable

- **Macro Regime - Expansion:** The macro framework remains in Expansion, confirming that economic growth continues to be well supported despite some moderation from last month.

- **Core Macro Drivers:** Economic Activity remains the primary anchor, supported by resilient manufacturing conditions. Improving liquidity, stable volatility and strengthening capital flows provide additional support.

- **The Expansion Mandate:** The environment continues to favor pro-cyclical positioning, maintaining structural support for Growth, Momentum and cyclical exposures as the expansion matures.

- **Rotation in Support:** Commodity tailwinds have faded, while Recovery Signals have normalized as the economy moves beyond the early recovery stage. This weakness has been offset by more favorable liquidity conditions

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Pillar 2: Absolute Trend (The Cyclical Rebound)

The Rebound (Efficiency Returns): Last month's market-wide Sharpe reduction has reversed. Cyclical risk-adjusted returns expanded significantly, signaling that the choppiness has cleared and the market is once again efficiently rewarding established trends.

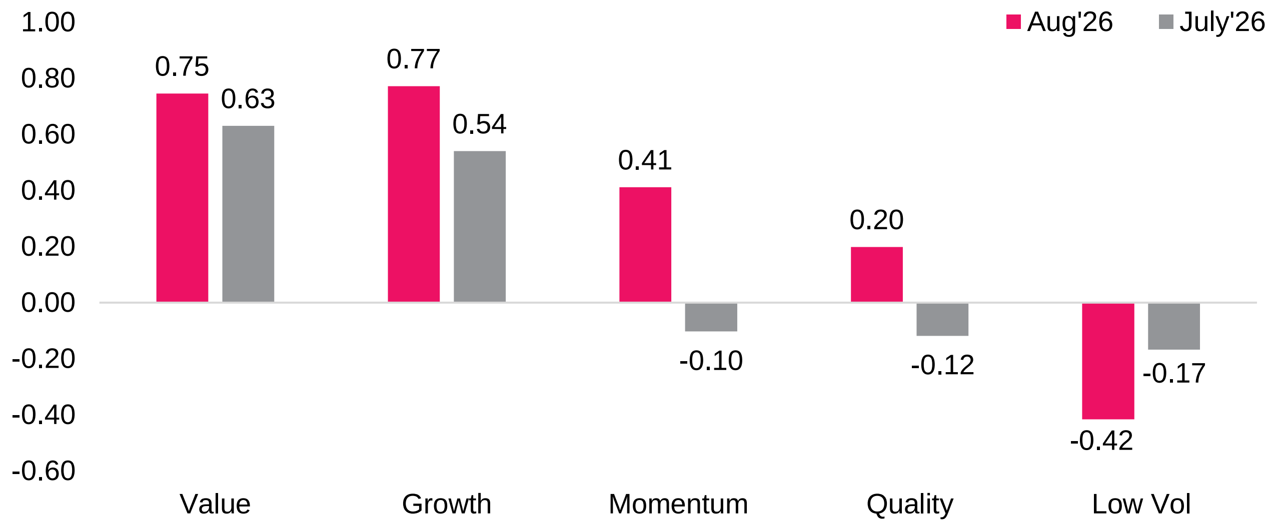
Growth Takes the Crown: Growth surged to become the undisputed market leader in absolute trend efficiency (0.77 Sharpe), earning a maximum 10.0 trend score and displacing Value from the top spot.

Momentum Recovers: Pure Momentum completely repaired its broken trend from last month. Its Sharpe ratio rebounded aggressively from negative territory (-0.10) back up to +0.41, firmly re-establishing positive risk-adjusted performance.

The Defensive Plunge: While cyclicals rallied, the bottom of the matrix deteriorated further. Low Volatility experienced a severe collapse, with its Sharpe ratio plunging to -0.41. Holding these trends is increasingly punishing portfolios.

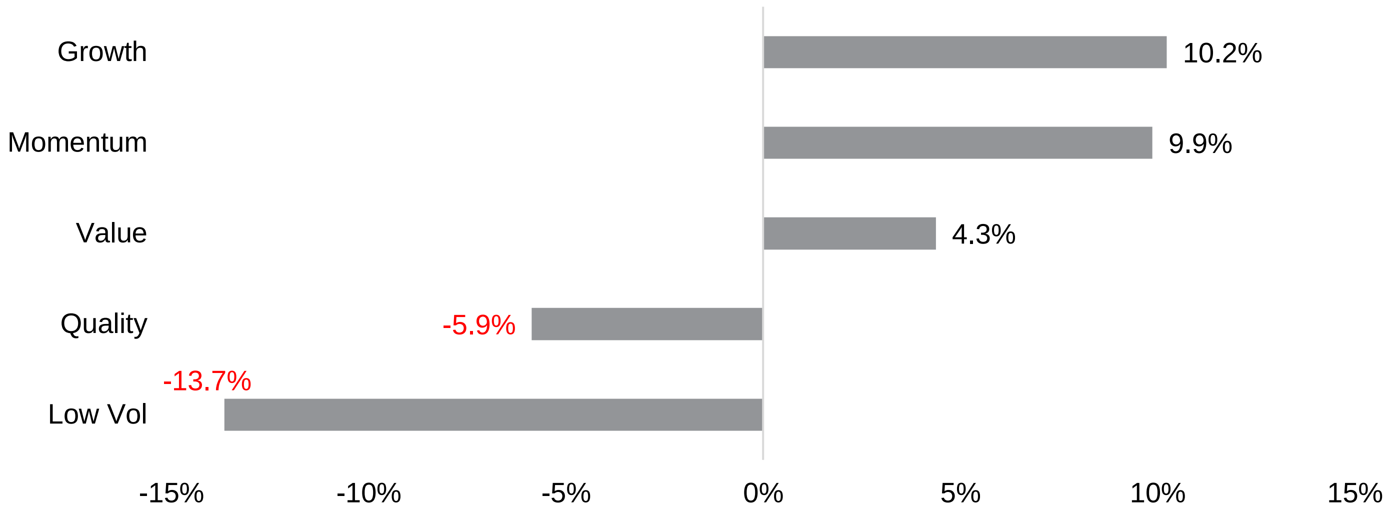
Model action: The algorithm explicitly rewards the cyclical trend recovery. It upgrades Growth to a maximum score and acknowledges Momentum's return to positive efficiency, while continuing to heavily penalize the collapsing defensive buckets.

1-Year Sharpe Ratios: Strong Rebound Across Cyclical Factors



Pillar 3: Factor Dispersion

Cyclical Leadership vs. Defensive Breakdown:



What dispersion shows: Dispersion measures the return gap between the best and worst stocks within a factor. Wide, positive dispersion means the market is actively rewarding stock selection within that factor.

The Value Collapse: We must objectively highlight a massive internal shift: Value's stock-picking edge evaporated. Its long/short spread crashed from a dominant +13.1% last month down to +4.3%, dropping its score from a perfect 10.0 to a neutral 5.5.

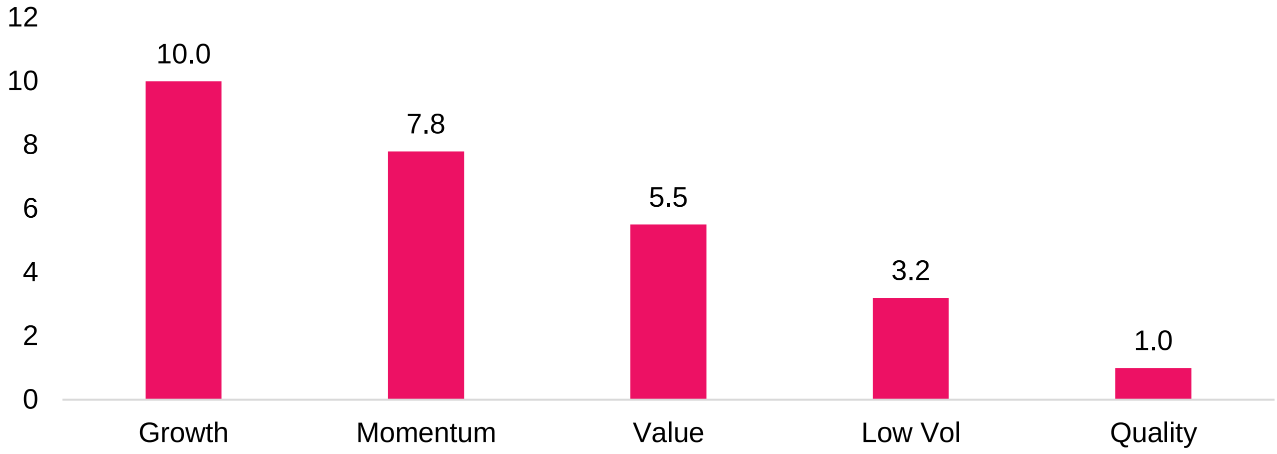
The Growth Explosion: Growth captured the capital rotating out of Value. Its dispersion spread surged to +10.2%, making it the most lucrative space for pure stock-picking and earning a perfect 10.0 score.

The Momentum Breakdown Reverses: Momentum repaired its internal mechanics just as quickly as its price trend. After dipping negative last month, its dispersion roared back to +9.8% (7.8 Score), proving that active selection within momentum leaders is working again.

Model action: The data dictates a clear rotation. With Value losing its idiosyncratic alpha, the model’s stock selection engine forcefully reallocates capital to maximize exposure to the exploding spreads in Growth and Momentum.

Pillar 4: Valuation (The Statistical Catalyst)

Probability-Adjusted Valuation Scores (1-10 Scale):



Our Probability Filter: We employ historical win-rate analysis to filter raw value-based signals. The model evaluates whether a factor's current setup statistically leads to a forward-looking breakout.

Growth Becomes the Catalyst: Growth completely took over the probability engine this month. Its forward-looking win-probability, earning a perfect 10.0 Valuation score. This deep statistical mispricing provides the quantitative launchpad for its 30% allocation.

Momentum Stays Strong: While it lost the absolute top spot, Momentum retained a highly robust win-probability, securing a strong 7.8 Valuation score and confirming it remains fundamentally mispriced for further upside.

Value Neutralizes: Value's probability score improved slightly from last month's weak levels, stabilizing at a neutral 5.5. It is no longer deeply expensive, but lacks the explosive statistical catalyst of Growth.

Model action: The probability engine aggressively upgrades Growth as the primary statistical mean-reversion trade, maintains strong conviction in Momentum, and keeps Value neutrally weighted.

08 Synthesizing the Pillars for Alpha (Signal Matrix)

Growth (The Total Sweep): Growth mathematically forced its way to a 30% allocation by dominating the internal metrics. With perfect 10.0 scores in Trend, Dispersion, and Valuation, it completely overrides its weak Macro support to become the portfolio's primary engine.

Momentum (The Resilient Co-Leader): Momentum retains its 30% weight by offering a highly balanced, multi-pillar setup. It commands perfect Macro support (10.0) while its internal mechanics (Trend and Dispersion) rapidly recovered, paired with a highly favorable Valuation catalyst (7.8).

Value (The New Anchor): Value transitions into the 20% anchor role. While its Price Trend remains strong (7.8), its Macro, Dispersion, and Valuation scores all compressed to Neutral (5.5). It provides solid fundamental ballast but lacks the extremes needed for an overweight position.

Model action: The algorithm builds a highly optimized cyclical barbell. It buys the internal dominance of Growth, rides the macro-supported recovery in Momentum, anchors with Value, and completely avoids the negative drag of defensives.

Synthesizing Pillars (Signal Matrix)

Factor	Macro	Trend	Dispersion	Valuation	Final Allocation(%)
Growth	Neutral	Very Strong	Very Strong	Very Strong	30% (Overweight)
Momentum	Very Strong	Neutral	Strong	Strong	30% (Overweight)
Value	Neutral	Strong	Neutral	Neutral	20% (Neutral Anchor)
Quality	Strong	Weak	Weak	Very Weak	10% (Underweight)
Low Vol	Very Weak	Very Weak	Very Weak	Weak	10% (Underweight)

Top 10 High-Conviction Stock Picks

Translating Strategy to Execution: We translate our top-down 60% Growth & Momentum barbell allocation into actionable, highly concentrated stock-level positions.

The Fundamental Catalyst Check: Before inclusion, stocks must pass a final bottom-up fundamental filter. We screen for positive earnings momentum and positive earnings surprises, ensuring we only buy stocks with an identifiable fundamental catalyst**.**

Risk control: Sector exposure is strictly capped at 3 stocks per sector. This prevents the portfolio from becoming overly concentrated.

Stock Name	Sector
Bank of Maharashtra Ltd	Banks
Jammu and Kashmir Bank Ltd	Banks
Radico Khaitan Ltd	Discretionary
Gland Pharma Ltd	Healthcare
Global Health Ltd	Healthcare
Adani Ports and Special Economic Zone Ltd	Industrials
National Aluminium Co Ltd	Metals & min
Bajaj Finance Ltd	NBFC
Star Health and Allied Insurance Company Ltd	NBFC
CCL Products (India) Ltd	Staples

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