

# Monthly Memo

## Strong Month with Gains Across The Board

The month of May was exciting for the equity markets, to say the least, as the benchmark NIFTY 50 closed at an all-time high, beating the February highs. The markets have made the investors jittery and excited at the same time. The NIFTY 50 index rose 6.5% during the month and trading volumes in the market, too, remained at elevated levels. While the month began on a somber note with the state governments announcing lockdowns across the country in response to a sharp surge in COVID 2.0 cases, the second half stood more encouraging with cases reducing and expectations of a swift economic unlocking.



The state of Maharashtra has announced measures for unlocking economic activities. Meanwhile, vaccination drive, too, is gathering pace with private hospitals tying up with corporates and housing societies in urban centers. Leading cities such as Mumbai should see a significant portion of their population vaccinated by the end of July. Declining COVID cases coupled with a strong vaccination drive will increase consumer confidence and subsequently lead to a rise in discretionary consumption.

During the month, all sectoral indices delivered positive returns with the NIFTY PSU bank index delivering a solid 18% return. This was supported by a robust performance by SBI which saw a significant improvement in asset quality. Bank of Baroda posted decent numbers as well. We have both the stocks in our contra strategy. The small cap and mid cap indices also outperformed the benchmark by a good margin. Our higher allocation to the small cap stocks in the growth strategy helped in delivering outperformance for the month. However, with the market shifting towards higher beta sectors during the month, FMCG and Pharma sectors registered lower gains for May after delivering a relatively stronger show in the month of April. With the 'Unlock' theme gaining traction, the Automobile sector gained 9% during the month. Keeping this in perspective, we added a safer-play Hero Motocorp to our portfolio in Contra strategy to participate in the unlock theme.



**Naveen Kulkarni**  
Chief Investment Officer

*Naveen has over 17 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.*

### Earnings scenario encouraging

The Q4FY21 earnings were encouraging with over 60% of NIFTY 50 companies beating or delivering operating profits in line with expectations. The Metals & Mining sector delivered a standout earnings beat which led to a significant upgrade in earnings. Despite the lockdown-induced constraints and the slowdown-led challenges in Q1FY22, the earnings scenario for FY22 continues to look encouraging. The earnings cut have not been significant across sectors and FY22 earnings still indicate significant growth.

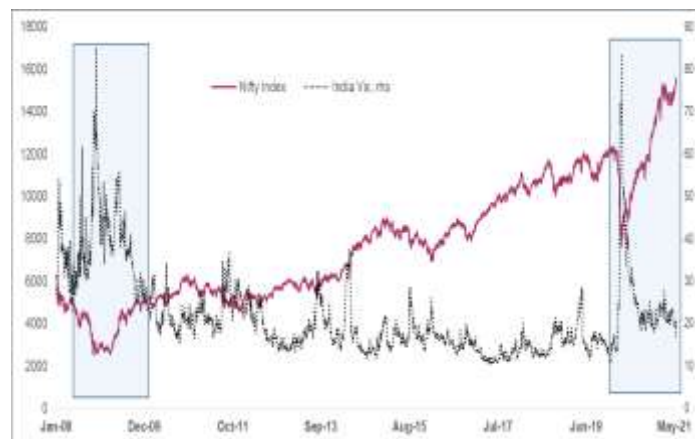
Sector	FY22 EPS			
	After Q3FY21	Current (Till date)	Change	% change
Financial	250.1	253	3.1	1%
IT	100.2	99	-0.8	-1%
Oil & Gas	99.4	92	-7.1	-7%
FMCG	45.8	42	-3.9	-9%
Power	39.2	29	-9.7	-25%
Industrial	30.5	29	-1.8	-6%
Pharma	24.4	25	1.1	4%
MetalS	47.7	77	29.7	62%
Automobile	37.3	38	1.2	3%
Cement	7.5	8	0.6	8%
Telecom	6.3	5	-1.1	-18%
<b>Total</b>	<b>688</b>	<b>700</b>	<b>11.2</b>	<b>2%</b>

Commodity prices have gone up significantly which has resulted in significant improvement in the corporate book of the banks. Many commodity companies such as JSPL and Vedanta, which were on the verge of bankruptcy in 2019, have made windfall gains in the last one year. Apart from commodity companies, a wide range of smaller companies have also witnessed solid profitability growth. In our portfolio, Greenpanel Industries has turned a huge profit in Q4FY21 as against losses in the last year. At this juncture, with stable product prices and good capacity utilization, profitability will remain strong in FY22.

### The road ahead: Optimism continues to yield results

Even as the macroeconomic challenges have assailed the economy, the market has been showing immense

resilience. This is indicated by a broad-based market rally and lower market volatility which is also known as the spook index. We have maintained negligible cash positions in our strategies across the board. This has yielded results. We have also added quality beta in our portfolios with exposure to industrials or select PSU stocks which have also delivered good returns.



Thus, we continue to search for quality beta and alpha. We are vigilant about sector rotation and unlock themes may deliver good returns. However, we will also focus on drawdowns from here and will increase focus on quality as sustainability will be critical post a strong year of absolute returns for the broader market.

### Strategies outperform in May; Focus on maintaining the gains

Both Contra and Growth strategies outperformed in the month of May while retirement continued to meet the objectives. In Contra strategy, we added more beta with commodity exposure and export plays. In Growth, we added export play such as Motherson Sumi which delivered strong earnings in Q4FY21. We continue to maintain reasonably aggressive strategies but the incremental focus will be more on balancing with quality to maintain the gains.

Happy Investing!

**Naveen**

### Actions undertaken during the month

#### Pure growth strategy

Scrip name	Action	Weight%	Remark
Motherson Sumi	Bought	4.0%	Included Motherson Sumi in the portfolio with 4% weight. We are betting on the long-term structural story and aggressive growth strategies laid down by the management in their 5-year plan.

#### Pure Contra strategy

Scrip name	Action	Weight%	Remark
Rain Industries	Bought	4.0%	Added Rain to the portfolio to ride on the global commodity upcycle and place our bets on the export-oriented theme.
KEC International	Exit	3.1%	Exited KEC International, post-mix set of results, and somber outlook for the coming quarters.
Welspun India	Bought	3.1%	Replaced KEC by Welspun. One of the major clients coming back to the company and overall rising textile consumption trend in the US stand as positive structural developments. Moreover, being an export-based business, it is also likely to do well as compared to the domestic companies amidst the 2 <sup>nd</sup> wave of the Covid-19.
Bharti Airtel	Exit	4.0%	Exited Bharti Airtel, post a mixed set of numbers and consistent underperformance in the portfolio
HG Infra Engg	Bought	4.0%	We added HG infra to the portfolio, supported by a strong order book position and a healthy pipeline, excellent execution capabilities, and strong guidance along with cheap valuations.
Kotak Bank	Exit	4.4%	Expensive valuations, an overhang on the asset quality amid the 2 <sup>nd</sup> wave of Covid-19, and the absence of growth made us concerned about our position in Kotak Bank.
Hero Motocorp	Bought	4.4%	We liked the company's all-round sharp focus on the EV segment. This along with premiumization and recovery in rural demand due to economy re-opening and normal monsoon should bode well for Hero Motocorp.

## Pure Contra Portfolio Performance

Particulars	1 month	3 months	6 months	Since inception
Axis Pure Contra	8.4%	8.5%	28.2%	92.8%
BSE200	6.7%	6.5%	21.3%	61.7%

## Top 10 Holdings

Scrip Name	Weight
ICICI Bank	10.4
SBIN	10.2
Infosys	6.4
Colgate Palmolive	6.4
HCL Technologies	6.0
SBI Life	5.4
Vedanta	5.2
Dalmia Sugar	5.2
Carborundum Universal	4.7
BankBaroda	4.6

## Key Portfolio Ratios

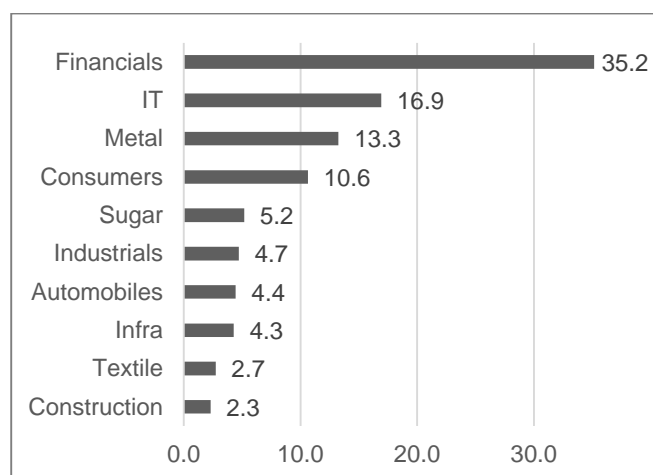
Price to Earnings (ex - BFSI)	15.2
Price to Book Value (ex-Consumers)	2.6
Return on Equity	22.3
Market Cap	1,63,895

\*\*Weighted average

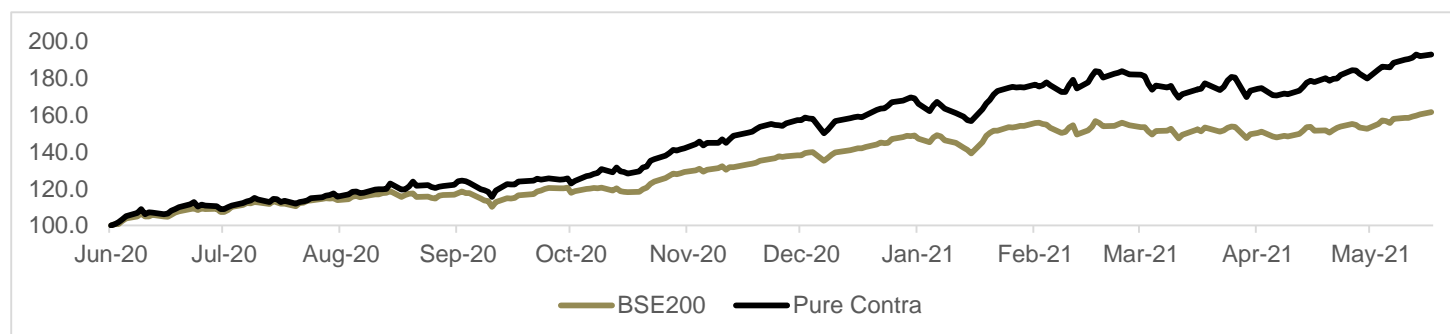
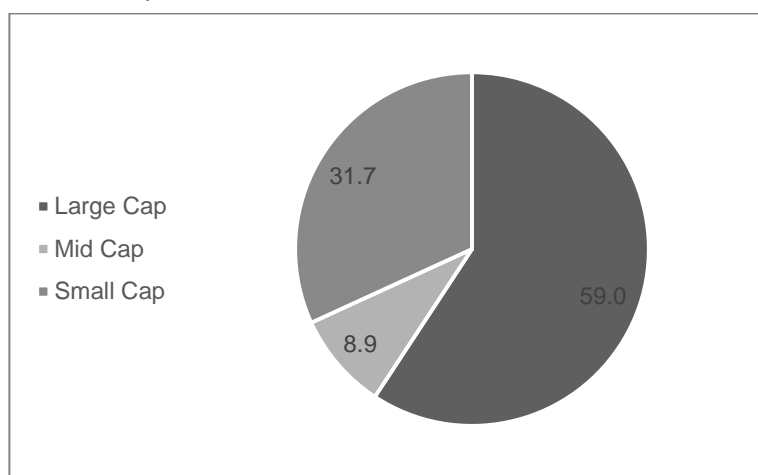
## Risk Assessment

Portfolio Beta	1.09
Information Ratio	0.15
Volatility	25.83

## Sector Allocation



## Market Capitalisation



## Pure Growth Portfolio Performance

Particulars	1 month	3 months	6 months	Since inception
Axis Pure Growth	7.7%	6.4%	19.2%	62.7%
BSE200	6.7%	6.5%	21.3%	61.7%

## Top 10 Holdings

Scrip Name	Weight
ICICI Bank	12.0
Kajaria Ceramics	7.6
Infosys	6.6
Bharti Airtel	6.6
Just Dial	6.2
Kaveri Seeds	5.9
Kotak Mahindra Bank	5.8
Varun Beverages	5.7
Endurance Tech	5.4
HCL Tech	5.1

## Key Portfolio Ratios

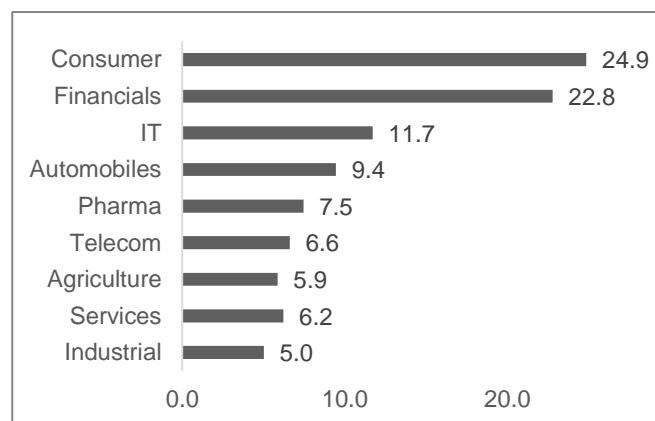
Price to Earnings (ex - BFSI)	21.7
Price to Book Value (ex-consumer)	3.7
Return on Equity	22.9
Market Cap	1,62,556

\*\*Weighted average data

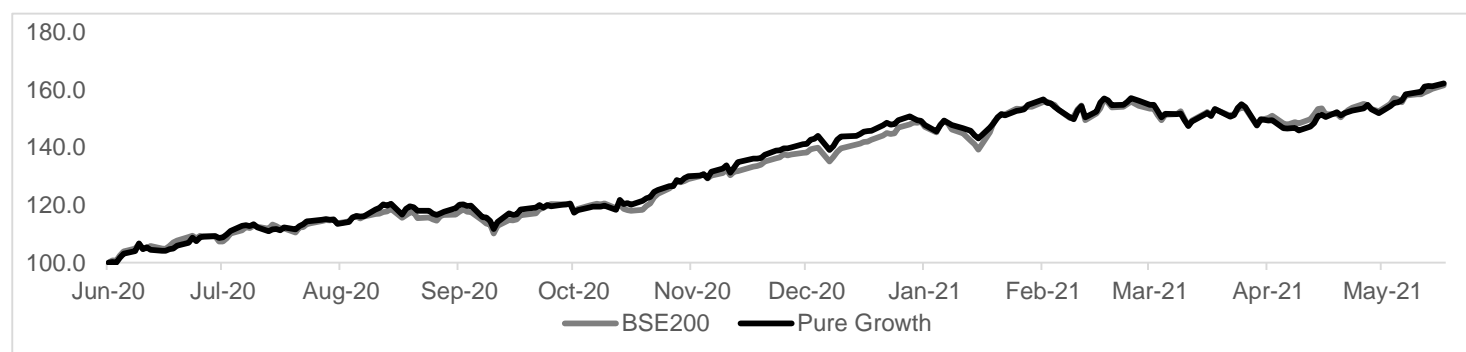
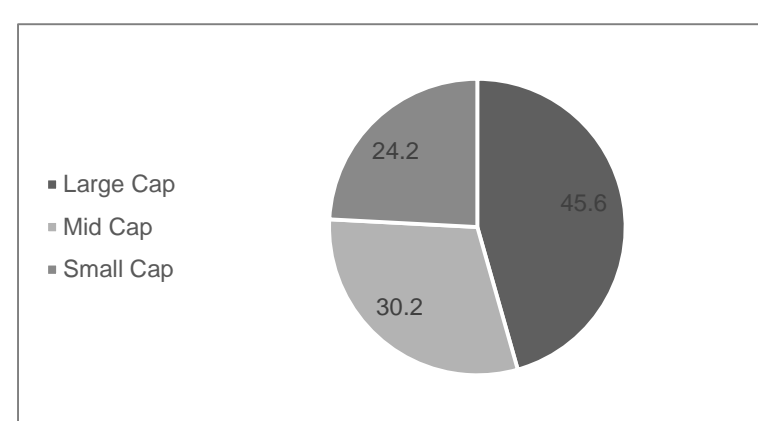
## Risk Assessment

Portfolio Beta	0.96
Information Ratio	0.01
Volatility	23.9

## Sector Allocation



## Market Capitalization



## Retirement Portfolio Performance

Particulars	1 month	3 months	6 months	Since inception
Axis Retirement	3.1%	2.5%	9.2%	38.0%
BSE200	6.7%	6.5%	21.3%	61.7%

## Top 10 Holdings

Scrip Name	Weight
Infosys	11.7
HDFC Bank	11.6
Reliance Industries	9.7
HCL Technologies	9.6
Dabur India	8.6
Kotak Mah Bank	8.4
Hindustan Unilever	8.2
HDFC Life	7.7
Petronet LNG	7.4
Cipla	6.7

## Key Portfolio Ratios

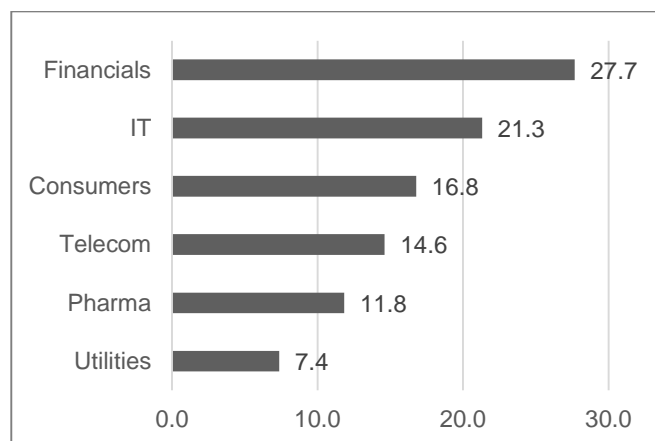
Price to Earnings (ex - BFSI)	19.3
Price to Book Value (ex-Consumers)	4.5
Return on Equity	19.5
Market Cap	4,47,730

\*\*Weighted average

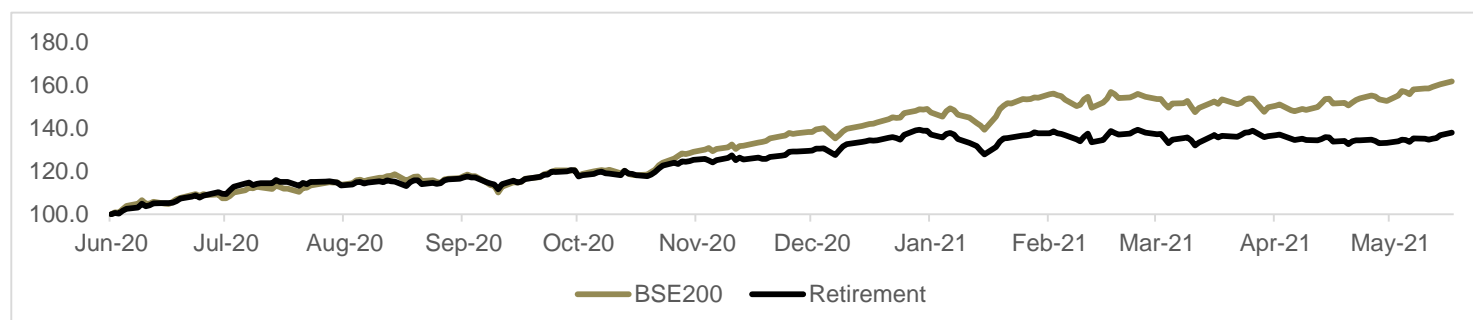
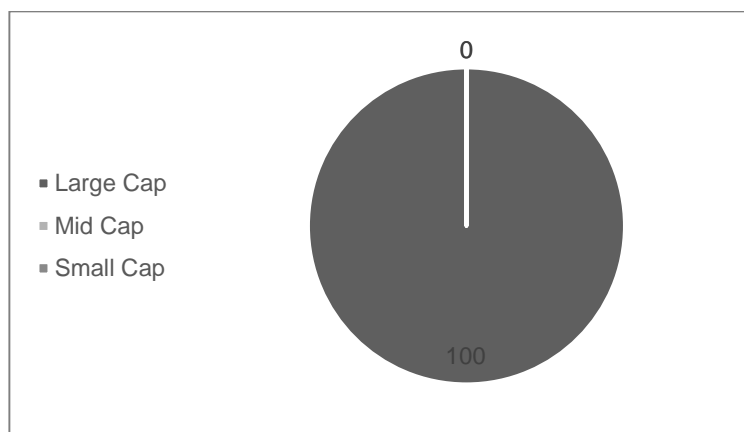
## Risk Assessment

Portfolio Beta	0.82
Information Ratio	-0.15
Volatility	15.3

## Sector Allocation



## Market Capitalization



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