

Nippon India Focused Equity Fund

Good gets *better*

Monthly Outlook – Equity

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Current Macro Landscape

01

Inflation moderating across geographies

02

Interest rates shift from Higher for Longer shifting to lower

03

Weaker USD, Commodity prices bottoming out

04

Risk on Rally in Asset Classes – Equity Outperforms

Note – Data as on 30th April ,2024

Source : Bloomberg
NIMF Research

India's Growth Trajectory

- The Indian economy has shown resilience in the face of global headwinds, despite elevated inflation and external sector pressures, India remains one of the faster-growing major economies, supported by fundamentals and policy measures.
- India posted one of the highest real GDP growth among key economies in CY23. Structural factors such as favourable demographics, a growing middle class, and increasing urbanization are expected to support India's growth in the medium term. However, the country must address challenges such as income inequality, infrastructure gaps, and low female labour force participation to achieve inclusive and sustainable growth.

India's contribution to world real GDP growth rate stood at 18.5% in 2023, the highest since 1980.



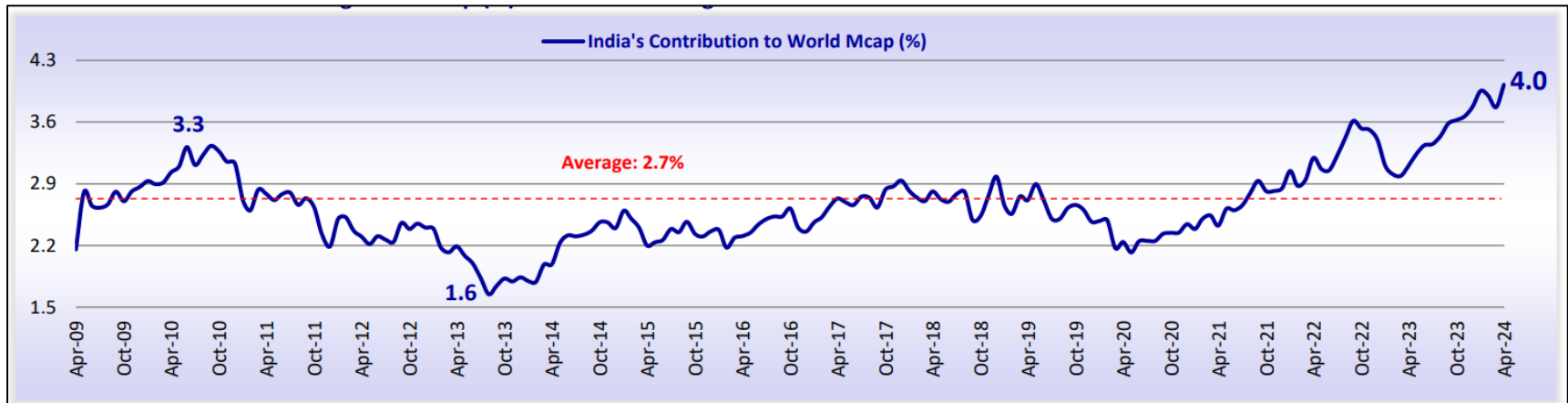
Note – Data as on calendar year basis

Source : Bloomberg

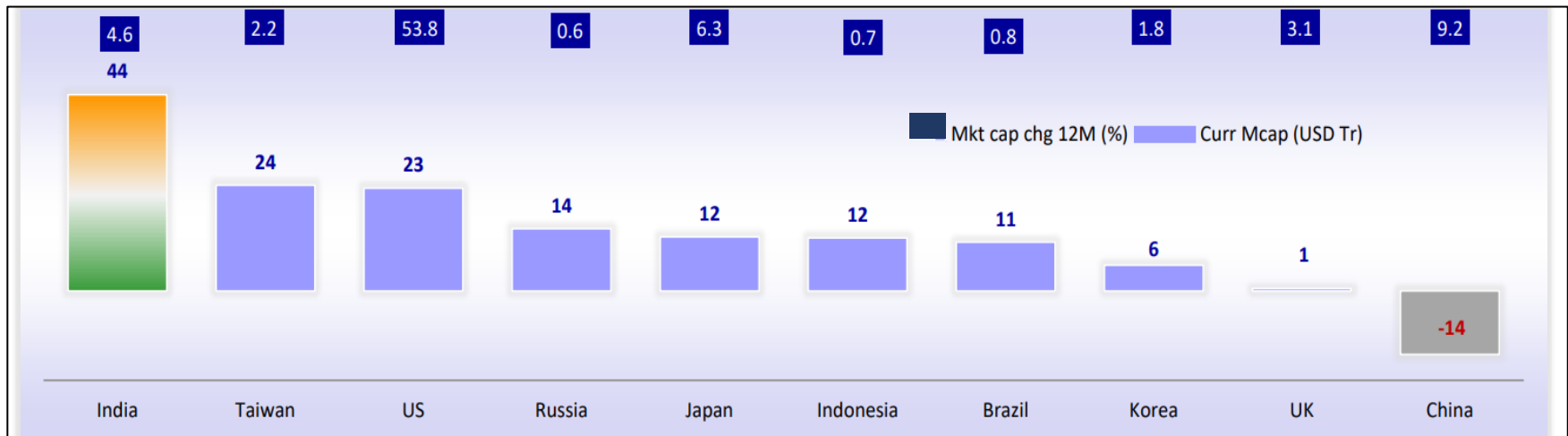
NIMF Research

India's share in the global market cap (M-cap) scaled new highs

Trend in India's contribution to global M-cap (%) – at its all-time high



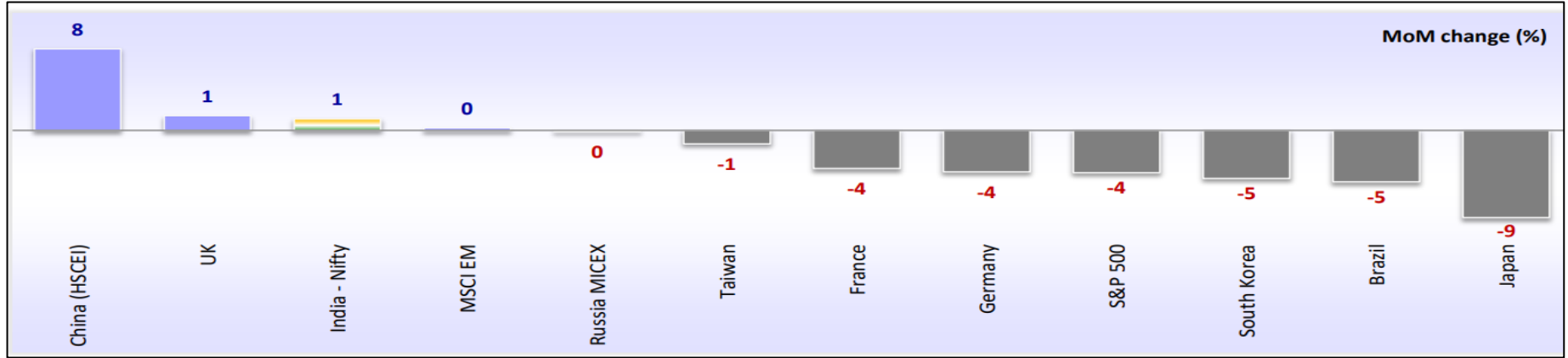
Over the last 12 months, global market cap increased 11% (USD11.4t), whereas India's market cap surged 44%



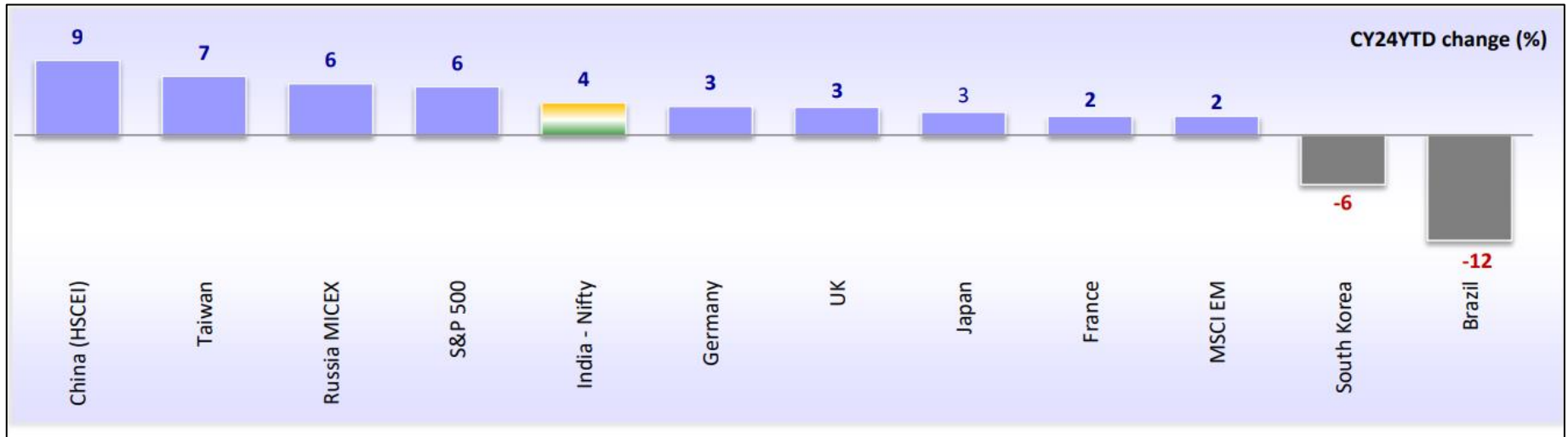
Note – Data as on 30th April, 2024
Source : Bloomberg, NIMF Research

Indian markets hit an all-time high and close in the green amid geopolitical uncertainties

World equity indices (MoM) in USD terms (%): China reported strong gains, whereas most global markets remained weak



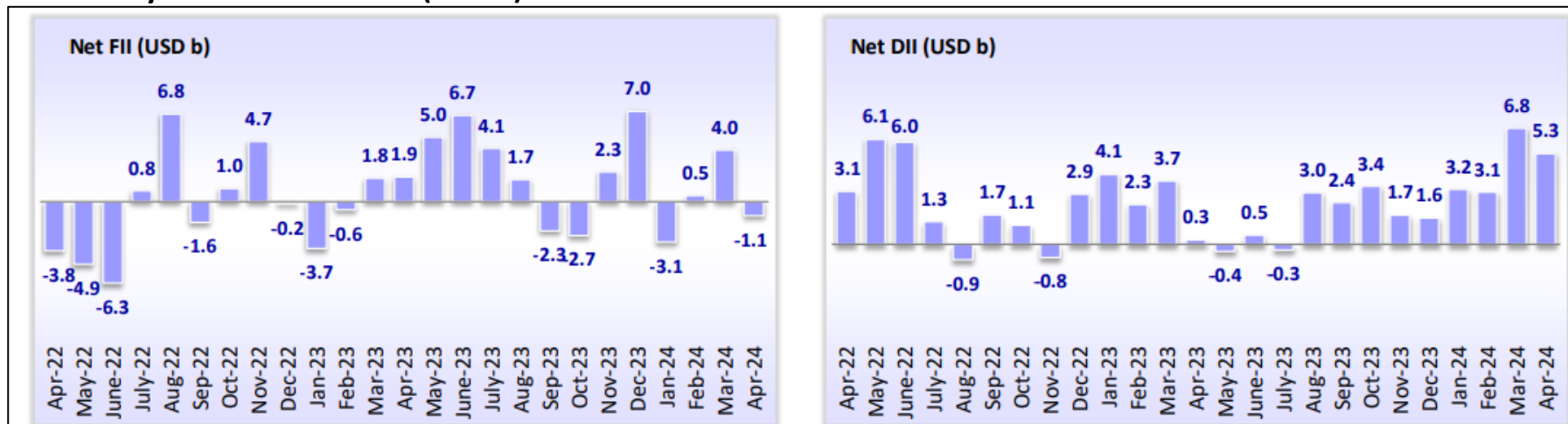
CY24YTD performance of global equity indices in USD terms (%)



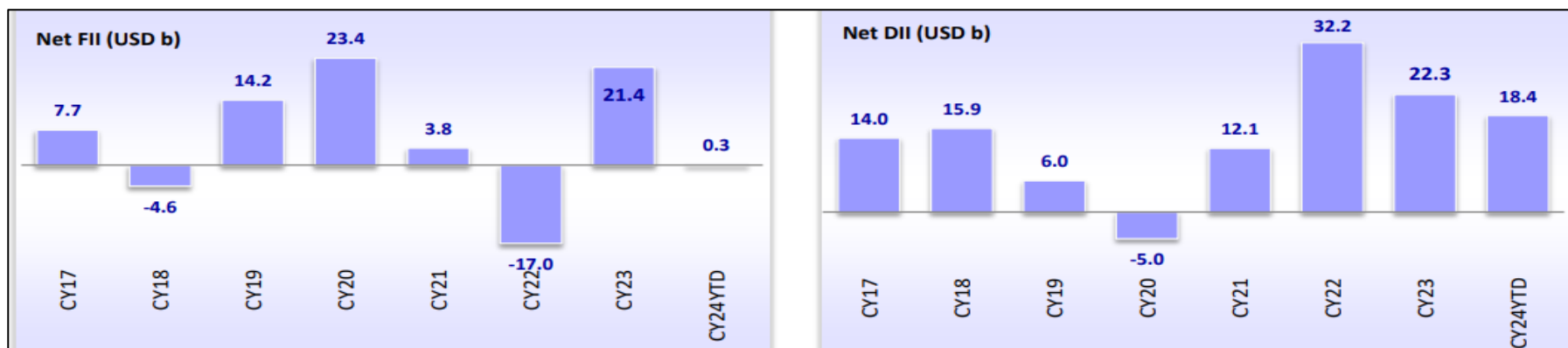
Foreign Institutional Investors (FII) turn net seller in Apr'24; Domestic Institutional Investors (DII) recorded strong inflows

- FII turned seller to tune of USD1.1b in Apr'24. DII flows remained strong during the month at USD 5.3b.

Monthly institutional flows (USD b)



Yearly institutional flows (USD b)



Past performance may or may not be sustained in future

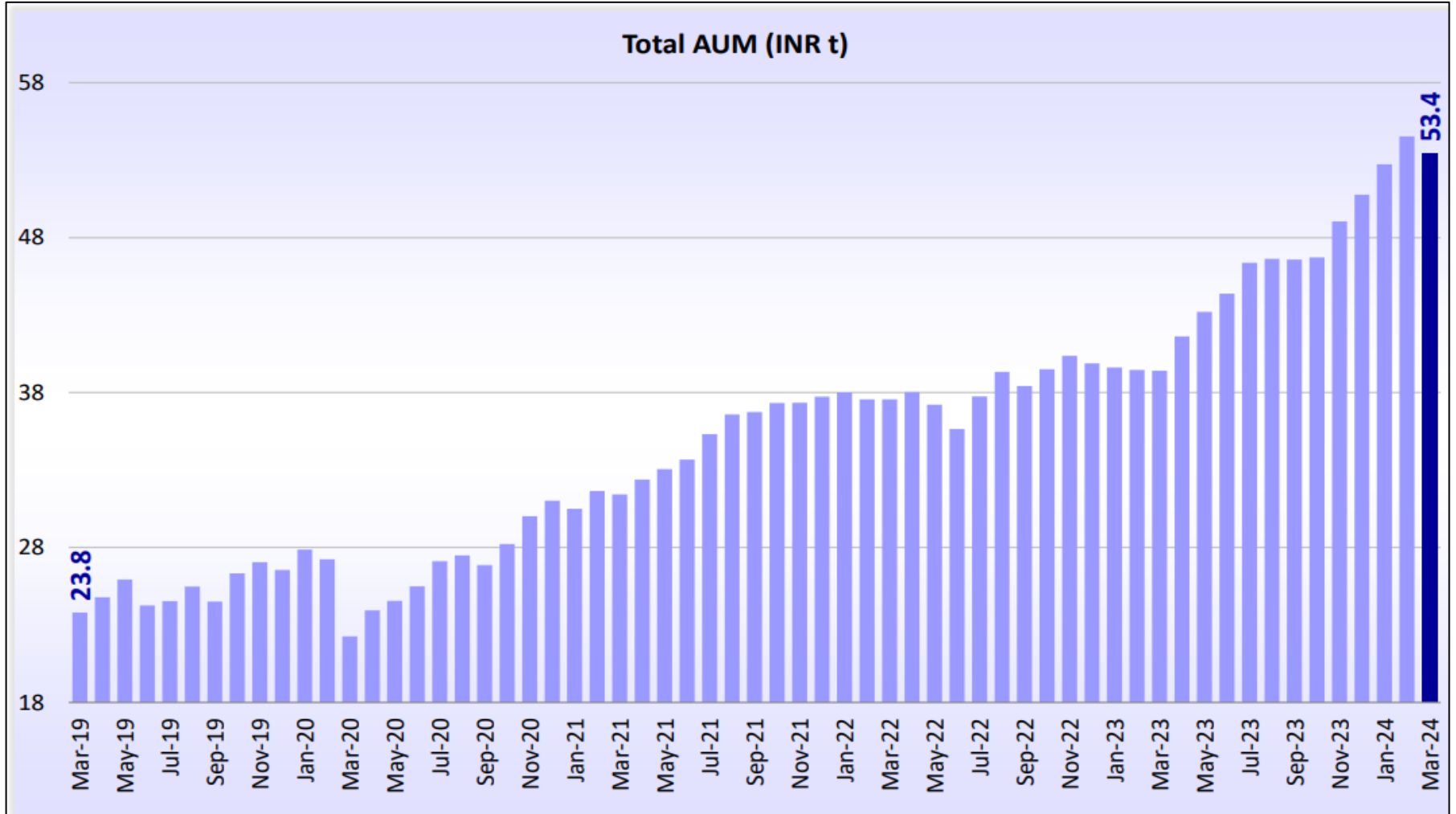
Note – Data for calendar year basis

Source : Bloomberg, NSE

NIMF Research

Domestic MFs - Total Assets Under Management (AUMs) scale new highs

Total AUM surged ~2.2x in the last five years



Past performance may or may not be sustained in future

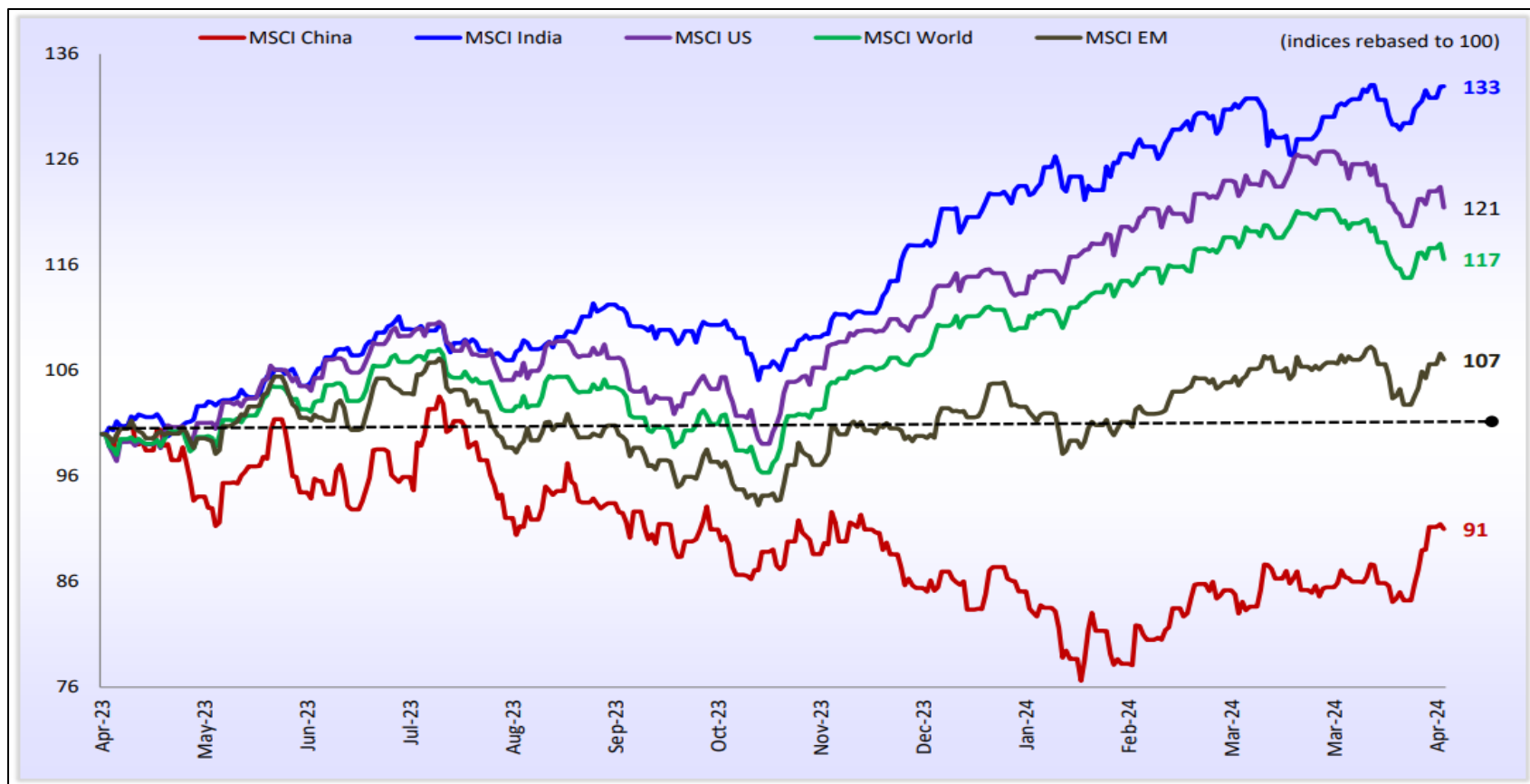
Note – Data as on 31st March, 2024

Source : Bloomberg, AMFI

NIMF Research

MSCI India continued to showcase its resilience and outperforms other emerging markets

- Performance of the MSCI India index vs. MSCI US, MSCI World, MSCI Emerging Market, and MSCI China indices, in USD terms



*Indices rebased to 100

Note – Data as on 30th April, 2024

Source : Bloomberg, MSCI,

NIMF Research

Retrospect: The decade that was for India

	FY14 (Mar'14)	FY24 (Mar'24)
Real GDP	6.4% (INR98t)	7.6% (INR173t)
Nominal GDP rank	10 th	5 th
CPI Inflation	9.40%	5.40%
Fiscal deficit to GDP	4.50%	5.80%
CAD (USD b)	32.3	26.4
CAD (% of GDP)	1.70%	0.70%
Trade deficit (USD b)	124.2	191.4
Trade deficit(% of GDP)	6.70%	5.40%
10-Year G-Sec	8.80%	7.10%
INR/USD	59.9	83.4
Market cap (USD t)	USD1.2t	USD4.4t
Market cap rank	11 th	5 th
Market cap contribution to the world (%)	2.00%	3.80%
Nifty EPS growth YoY (%)	10%	22%
Nifty P/E (x)	16.6x	22.7x
FII flows (USD b)	USD13.7b	USD25.3b
DII flows (USD b)	USD8.9b	USD25.3b
Fund mobilization in equities (INR b)	239	1,586
Domestic MFs' equity AUM (INR t)	1.9	25.7
No. of billion-dollar market cap companies	175	513

Past performance may or may not be sustained in the future.

Source : Bloomberg, Ministry of Finance, CEIC,
NIMF Research

Equity View April 2024 and Outlook

- India's growth story may continue to unfold positively, supported by a confluence of factors. FY24 was a good year for all categories in the market, with mid and small cap doing very well.
- Despite global headwinds like geopolitical tensions and commodity price volatility, the domestic economy has displayed resilience. Several tailwind indicators such as power demand, recovering rural demand, buoyant capital markets, improving corporate capex and external demand, rising industrial output led to a healthy investment climate and may provide a fillip to the economy leading to growth momentum.
- A notable trend in India's growth story is the improvement in capacity utilization, largely driven by cyclical and capital-intensive sectors which in turn suggests that corporates are investing to keep pace with rising demand in the economy.
- While the larger construct looks positive in India, valuations continue to remain elevated at a broad level with some exceptions like Large Banks, select utilities, commodities etc. With elevated valuations and rising bond yields, the equity risk premium tends to reduce.
- Given the election cycle across different countries, we can anticipate some policy shifts which in turn may lead to higher volatility/uncertainty in 2nd half of the year making a case of asset allocation strategies which can aid better risk management.
- Asset allocation in line with investment goals and risk appetite is important for better risk – return optimization. Herein asset allocation funds investing across two or more asset classes can help in lowering volatility and may provide better balance to the overall portfolio mix.
- From a pure equity perspective Large Cap oriented strategies appear better placed in the current context.

*The sectors mentioned above is not a recommendation to buy/sell in the said sectors.

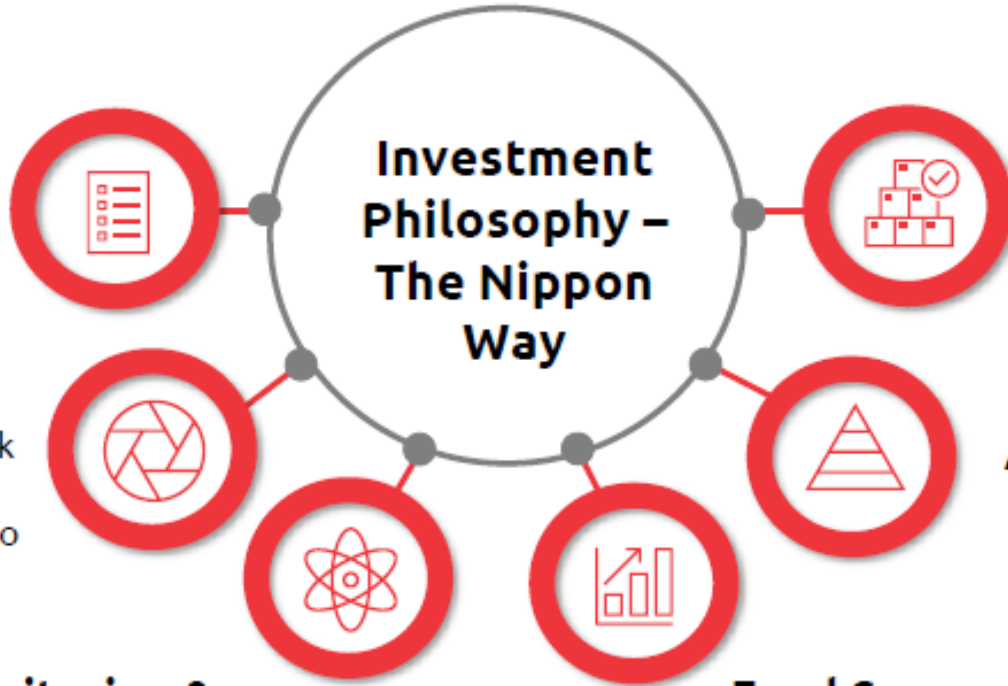
Source : Bloomberg
NIMF Research

Equity Investment Process for Mutual Funds

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Process Driven Approach

Risk Rating of Securities
Quantitative Assessment considering Business Risk and Management Risk



Factor Analysis
Risk Optimization tool analyzing key factors and comparing the portfolio & benchmark construct

Fund Casing
Detailed framework for every fund to ensure adherence to its objective

Objective Analyst Output system
Capturing calls of varying levels of conviction

Monitoring & Corrective Actions
Risk monitoring and review

Fund Scorecard
Ongoing performance monitoring to act on early warning signals

'Right Risk Investing' aiming at 'Responsible Alpha'

- **Fundamental Stance**

- Market Valuation distortion/False Narratives/Macro shifts can provide different opportunities i.e. **RIGHT RISK** – without comprising on quality

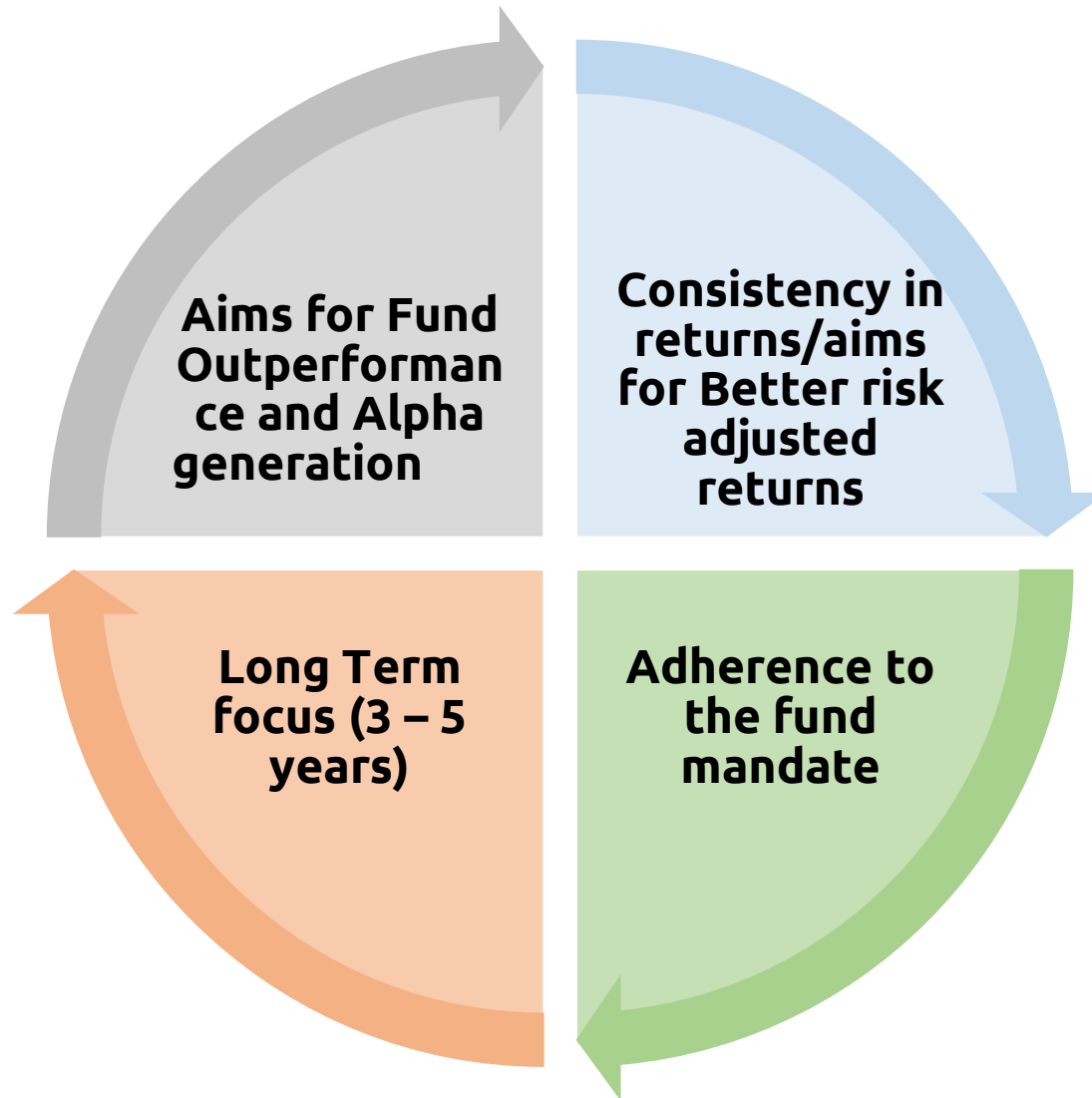
- **High conviction investments with meaningful stakes**

- Investing in businesses & not just prices and momentum, Growth At Reasonable Pricing Style (GARP).

- **Risk Management without diluting 'Alpha potential'**

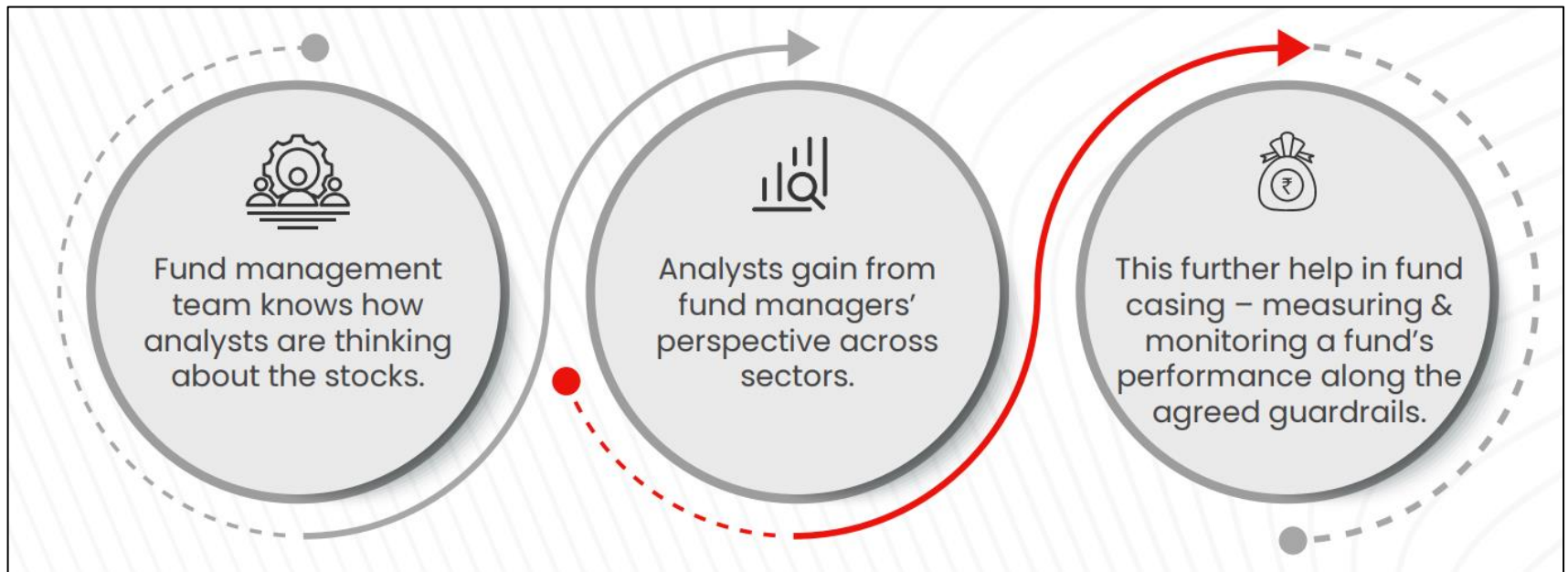
- High Quality Company Selection, driven by strong internal research
- Blending the Process Strength with Market Experience

Investment Philosophy – The Nippon Way

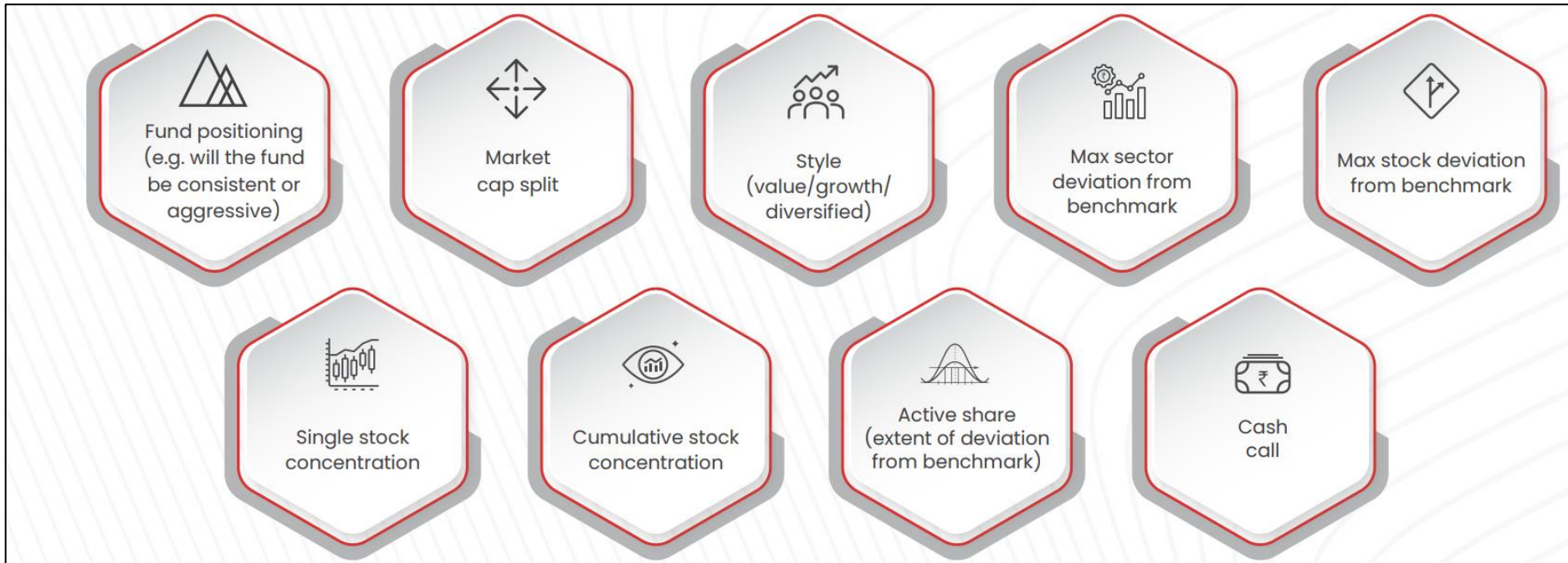


Risk Rating of Securities

Four tiers of risk (A, B, C & D) basis long term business & management assessment. Decided by analysts in consultation with fund managers



Fund Casing Framework



Note: 1) Active share is the percentage of fund holdings that is different from the benchmark holdings. 2) Based on Internal assessment of Business Risk, stocks have been classified under four rating buckets: A,B,C,D with A being the best and D being the worst. While it may appear all the investments should be concentrated in the A or B bucket, the stocks may not be reasonably priced. At the same time, stocks rated C or D may offer opportunities at reasonable valuations.

Nippon India Focused Equity Fund

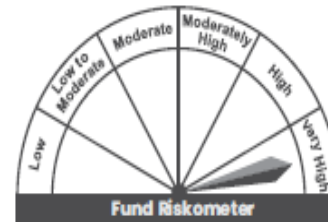
(An open ended multi cap equity scheme investing in maximum 30 stocks)

This product is suitable for investors who are seeking*

- Long term capital growth.
- Investment in equity and equity related securities including derivatives

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Nippon India Focused Equity Fund



Investors understand that their principal will be at Very High risk

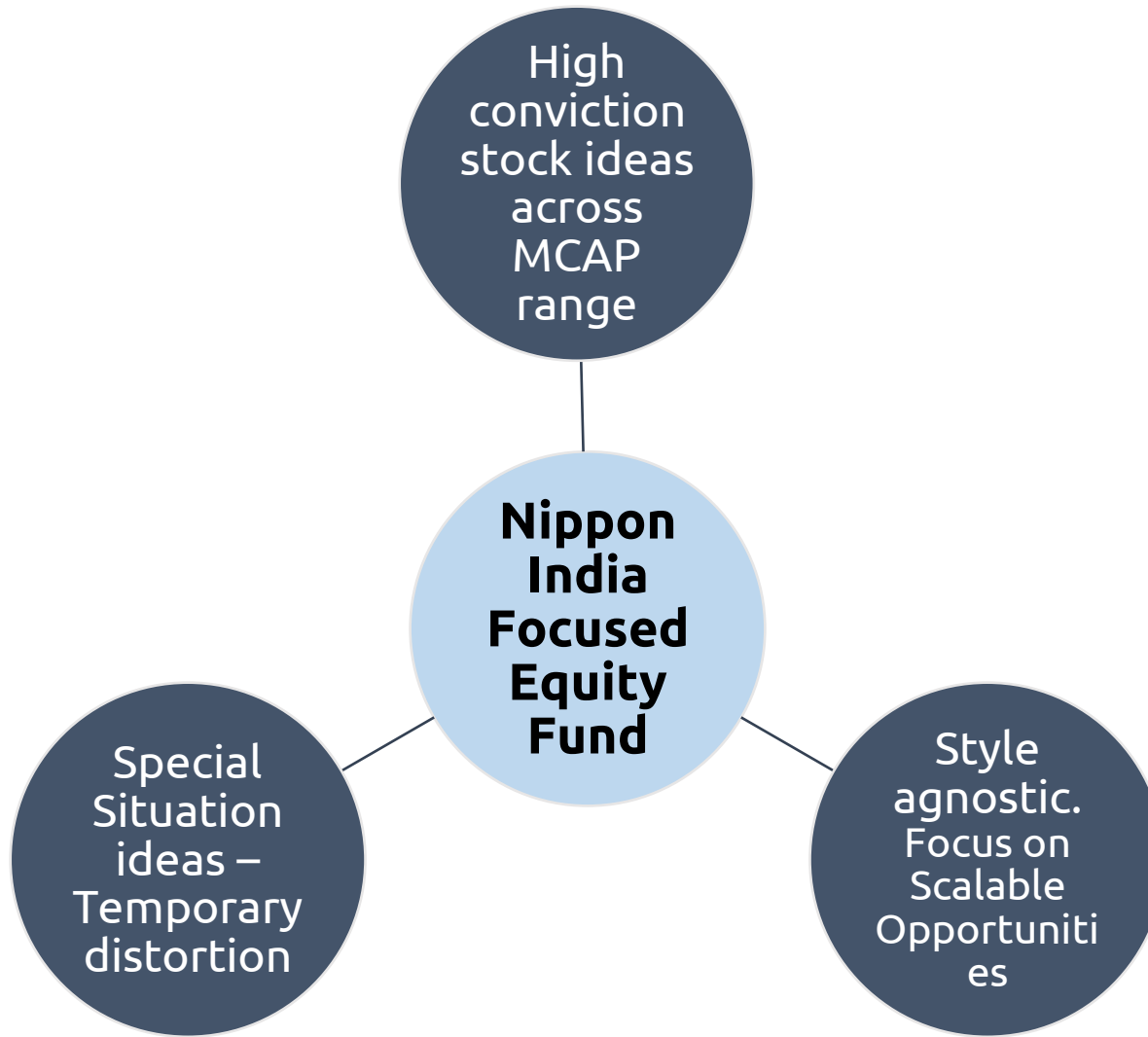
S&P BSE 500 TRI



Benchmark Riskometer is at Very High risk

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Investment Philosophy



Note: The current fund philosophy may change in future depending on market conditions or fund manager's views.

Investment Framework

Investment Strategy

- ❑ High conviction Portfolio
- ❑ Investment across Market caps
- ❑ Adopts a combination of top-down & bottom-up investment approach to identify sector & stock weightage in the portfolio

Current Positioning

- ❑ No. of Stocks in portfolio: 29
- ❑ Top 5 Sectors ~ 54% allocations
- ❑ Large cap: 57%, Mid cap: 21%, Small cap: 23% (Excl Cash)
- ❑ Weighted Average Market Cap: Rs 4,22,814 Crs

The current fund strategy may change in future depending on market conditions or fund manager's views.

Source: MFI Explorer, Data as on 30th April 2024.

QoQ Sector Allocation Trend

Sector	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22
Banks	26.62	29.06	27.91	20.76	20.25	20.21	20.40	19.85	21.39
IT - Software	7.70	7.90	8.11	7.82	7.18	6.92	7.64	7.95	7.91
Diversified FMCG	5.96	4.78	5.04	3.32	3.76	3.97	2.79	3.90	3.91
Finance	5.82	5.22	5.65	11.11	11.35	11.13	11.46	11.97	9.97
Petroleum Products	4.86	4.11	3.76	4.56		3.94	3.80	3.76	3.40
Industrial Manufacturing	4.19	3.09	2.13	2.44	2.72	2.75	2.75	2.97	2.93
Automobiles	3.16	3.91	3.30	0.96	1.55	1.49	3.53	6.04	5.48
Industrial Products	2.66	2.67							
Auto Components	2.65	2.83	2.84	2.32	1.82	2.04	2.33	2.36	3.88
Entertainment	1.61	3.89	5.16	6.28	6.85	5.62	5.67	5.88	2.99
Construction	1.32	1.62	2.27	6.06	6.34	7.08	7.01	6.74	7.55
Agricultural, Commercial & Construction Vehicles									1.71
Electrical Equipment		1.86	1.52	3.32	2.03	1.68	0.74		
Telecom - Services					4.60	1.59		4.84	4.54
Transport Services		1.80	1.96	2.67	2.19	2.02		2.83	3.43

The above sector names mentioned are illustrations of the fund philosophy and may not necessarily form part of the scheme portfolio
 Note: The current fund philosophy may change in future depending on market conditions or fund manager's views. The above sector names mentioned are illustrations of the fund philosophy. The percentages are as on the end of the month. Example - Mar-23 implies 31st March 2024. The scheme may or may not have future position in the said sectors. Source: Monthly Portfolios, NIMF.

Attribution Analysis for 3 months

Top 5 Allocation Groups by Active Weight

Group Name	Active Average Weight (%)	Attribution Total (%)
Consumer Discretionary	8.98	-1.25
Financials	7.42	0.71
Cash	6.02	-0.19
Information Technology	1.89	0.46
Communication Services	1.84	-0.88

Bottom 5 Allocation Groups by Active Weight

Group Name	Active Average Weight (%)	Attribution Total (%)
Materials	-7.94	-0.07
Health Care	-5.76	0.08
Utilities	-4.49	-0.28
Industrials	-4.02	-0.98
Energy	-2.27	-0.01

Top 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
AXIS BANK LTD	4.96	0.18
HONEYWELL AUTOMATION INDIA LTD	3.94	1.14
SBI CARDS & PAYMENT SERVICES	3.67	-0.13
3M INDIA LTD	3.63	-0.91
ICICI BANK LTD	3.17	0.10
AFFLE (INDIA) LTD	3.05	-0.69
ITC LTD	2.99	0.02
HERO MOTOCORP LTD	2.88	-0.28
FSN E-COMMERCE VENTURES LTD	2.74	-0.04
VARROC ENGINEERING LIMITED	2.70	-0.54

Bottom 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
LARSEN & TOUBRO LTD	-2.66	0.11
TATA CONSULTANCY SERVICES	-2.56	-0.29
BHARTI AIRTEL LTD	-1.89	-0.04
KOTAK MAHINDRA BANK LTD	-1.57	0.36
RELIANCE INDUSTRIES LTD	-1.54	0.01
HINDUSTAN UNILEVER LTD	-1.30	0.14
BAJAJ FINANCE LTD	-1.18	0.08
MAHINDRA AND MAHINDRA LTD	-1.14	-0.30
TATA MOTORS LTD	-1.08	-0.01
HCL TECHNOLOGIES	-1.05	0.07

The sectors mentioned in the table is not a recommendation to buy/sell in the said sectors. The scheme currently holding investments in the said sectors may or may not have future position in the same. The stocks mentioned form a part of the portfolio of the scheme and may or may not form a part of the portfolio in future. Please read Scheme Information Document carefully for more details and risk factors. For complete details on Holdings & Sectors, please visit website <https://mf.nipponindiaim.com>. Data as on 30th Apr'24.

Current Positioning and Rationale

- Infrastructure/ Manufacturing- Beginning of private capex cycle in India, Impetus on import substitution ,Possibility of revival backed by China Plus One and Promoting Growth and Innovation schemes (PLI).
- Financial Services may benefit from domestic cyclical recovery, Strong balance sheets and attractive valuations, Banking remains the largest and high conviction overweight among Financials.
- Consumer Discretionary and Consumer staples- Increasing urbanization and premiumization may lead to growth upcycle. With a rise in per capita income consumers can increase their spend towards discretionary. Themes such as Auto, Retail, Hotels and Durables may have a good scope for growth
- Communication Services – The sector has posted good developments , thanks to recovering earnings and enthusiasm over the promise of artificial intelligence (AI). The valuations generally remain reasonable with new developments in communication that could drive further efficiencies in content, marketing and advertising,

Sector	Overweight/Underweight
Consumer Discretionary	10.53
Financials	7.74
Information Technology	2.52
Communication Services	1.82
Consumer Staples	0.08
Real Estate	-1.25
Energy	-1.85
Utilities	-4.58
Health Care	-5.69
Industrials	-6.04
Materials	-7.91

Note: The current fund philosophy may change in future depending on market conditions or fund manager's views. The sectors mentioned are not a recommendation to buy/sell in the said sectors. The scheme may or may not have future position in the said sectors.

Data as on 30th Apr 2024

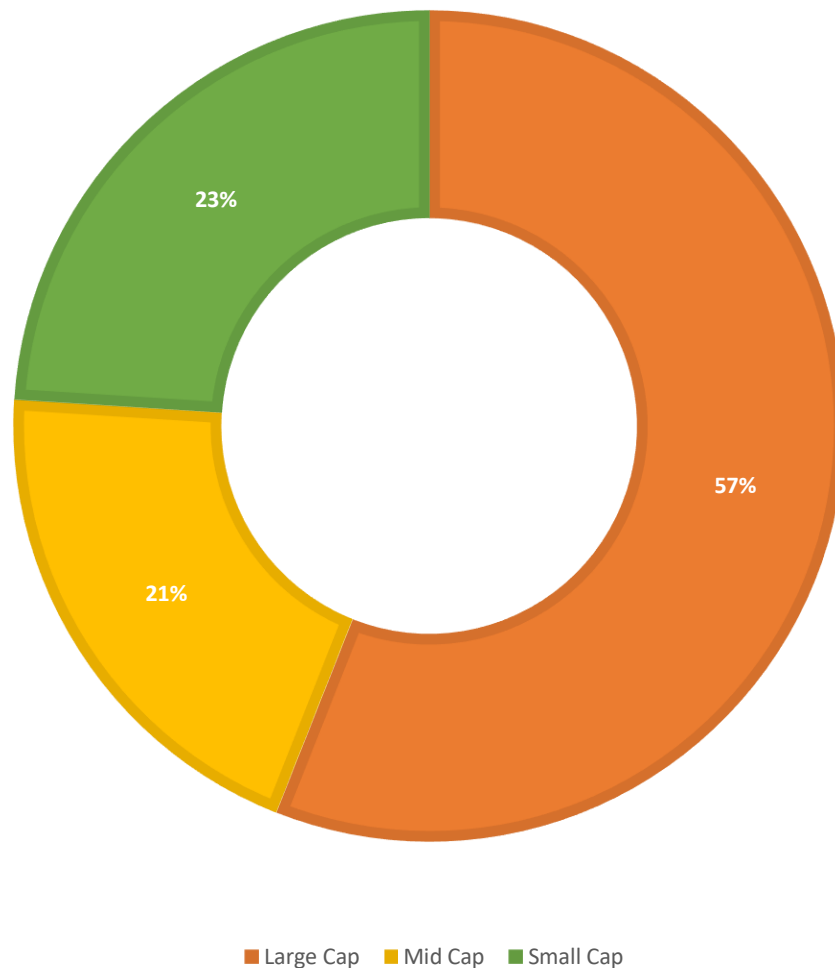
Portfolio Details (As on Apr 30, 2024)

Top 10 Holdings	Weightage
HDFC Bank Limited	9.41%
ICICI Bank Limited	8.03%
Axis Bank Limited	7.36%
ITC Limited	5.84%
Infosys Limited	5.11%
Honeywell Automation India Limited	4.71%
Reliance Industries Limited	4.62%
3M India Limited	3.61%
SBI Cards and Payment Services Limited	3.59%
Hero MotoCorp Limited	3.50%

Top 10 Sectors	Weightage
Banks	27.40%
Leisure Services	8.04%
IT - Software	7.17%
Diversified FMCG	5.84%
Finance	5.60%
Auto Components	5.55%
Retailing	5.13%
Industrial Manufacturing	4.71%
Petroleum Products	4.62%
Diversified	3.61%

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Market Cap Allocation



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Data as on 30th April 2024

Scheme Performance (as on 30th April 2024)

Nippon India Focused Equity Fund				
NAV as on April 30, 2024: ₹106.3538				
Particulars	CAGR %			
	1 Year	3 Years	5 Years	Since Inception
Nippon India Focused Equity Fund	32.99	18.56	17.39	14.31
B:S&P BSE 500 TRI	38.26	20.44	18.19	15.58
AB:S&P BSE Sensex TRI	23.23	16.52	15.13	14.75
Value of ₹10000 Invested				
Nippon India Focused Equity Fund	13,330	16,674	22,315	22,348
B:S&P BSE 500 TRI	13,863	17,481	23,087	23,879
AB:S&P BSE Sensex TRI	12,344	15,827	20,245	22,870
Date of Recategorisation: Apr 28, 2018				
Fund Manager : Vinay Sharma (Since May 2018), Prateek Poddar (Co-Fund Manager) (Since Jun 2021 till May 01, 2024)				
*Reliance Focused Large Cap Fund was merged into Reliance Mid & Small Cap Fund and the merged scheme was renamed as Nippon India Focused Equity Fund (formerly Reliance Focused Equity Fund) ('Scheme') with effect from April 28, 2018. In line with SEBI circular SEBI/HO/IMD/DF3/CIR/P/2018/69 dated April 12, 2018, since the Scheme did not retain the features of either the transferor or transferee scheme, the performance has been provided herein since the effective date i.e. April 28, 2018				

Performance as on April 30, 2024

B: Benchmark, AB: Additional Benchmark, TRI: Total Return Index

TRI - Total Returns Index reflects the returns on the index arising from (a) constituent stock price movements and (b) dividend receipts from constituent index stocks, thereby showing a true picture of returns.

Different plans shall have a different expense structure. The performance details provided herein are of Growth Plan (Regular Plan). Period for which scheme's performance has been provided is computed basis last day of the month-end preceding the date of advertisement. **Past performance may or may not be sustained in future** and the same may not necessarily provide the basis for comparison with other investment. Performance of the schemes (wherever provided) are calculated basis CAGR for the past 1 year, 3 years, 5 years and since inception. Face value of scheme is Rs 10/- per unit. In case, the start/end date of the concerned period is non-business day (NBD), the NAV of the previous date is considered for computation of returns.

Performance of Other Schemes managed by Vinay Sharma and Prateek Poddar

Fund Manager: Vinay Sharma						
Scheme Name/s	CAGR %					
	1 Year Return		3 Years Return		5 Years Return	
	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Nippon India Focused Equity Fund	32.99	38.26	18.56	20.44	17.39	18.19
Nippon India Banking & Financial Services Fund	31.55	15.01	22.33	12.84	13.71	12.41

Note:

- Vinay Sharma manages 3 open-ended schemes of Nippon India Mutual Fund.
- In case the number of schemes managed by a fund manager is more than six, performance data of other schemes, the top 3 and bottom 3 schemes managed by fund manager has been provided herein.
- Period for which scheme's performance has been provided is computed basis last day of the month-end preceding the date of advertisement.
- Different plans shall have a different expense structure. The performance details provided herein are of Growth Plan (Regular Plan).

Mr. Vinay Sharma has been managing Nippon India Banking & Financial Services Fund since Apr 2018 and Nippon India Innovation Fund since Aug 2023.

Fund Manager: Prateek Poddar						
Scheme Name/s	CAGR %					
	1 Year Return		3 Years Return		5 Years Return	
	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Nippon India Focused Equity Fund	32.99	38.26	18.56	20.44	17.39	18.19
Nippon India Banking & Financial Services Fund	31.55	15.01	22.33	12.84	13.71	12.41



Note:

- Prateek Poddar manages 1 open-ended scheme of Nippon India Mutual Fund.
- In case the number of schemes managed by a fund manager is more than six, performance data of other schemes, the top 3 and bottom 3 schemes managed by fund manager has been provided herein.
- Period for which scheme's performance has been provided is computed basis last day of the month-end preceding the date of advertisement.
- Different plans shall have a different expense structure. The performance details provided herein are of Growth Plan (Regular Plan).

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Source : MFI Explorer, As on April 30, 2024

Product Labels

Nippon India Banking & Financial Services Fund (An open ended equity scheme investing in Banking sector)	Fund Riskometer	Benchmark Riskometer
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term capital growth • Investment in equity and equity related securities of companies in banking sector and companies engaged in allied activities related to banking sector <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	<p>Nippon India Banking & Financial Services Fund</p>  <p>Riskometer</p> <p>Investors understand that their principal will be at Very High risk</p>	<p>Nifty Financial Services TRI</p>  <p>Riskometer</p> <p>Benchmark Riskometer is at Very High risk</p>

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Thank you for your time!

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