



Nippon *india* Mutual Fund

Wealth sets you free

Nippon India Small Cap Fund

Good gets *better*

Monthly Outlook – Equity

Good gets *better*

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.



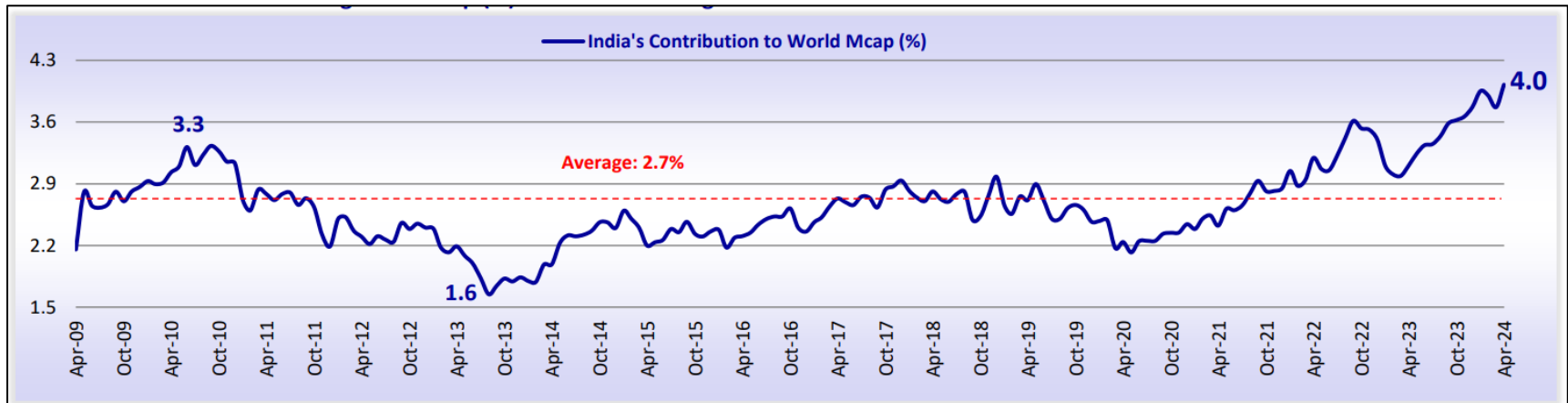
Note – Data as on calendar year basis

Source : Bloomberg

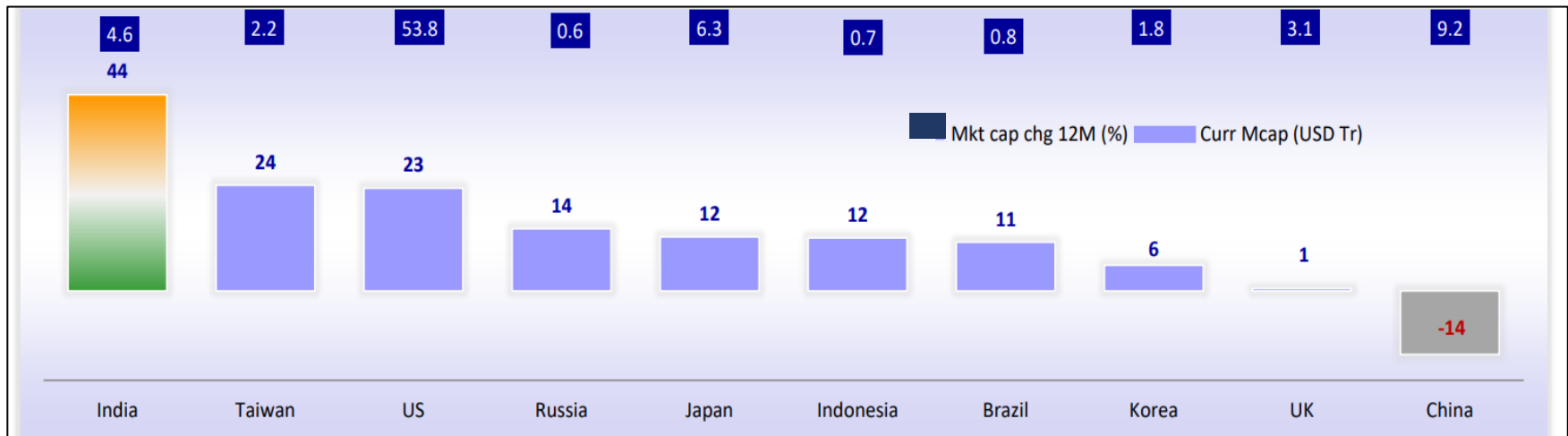
NIMF Research

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



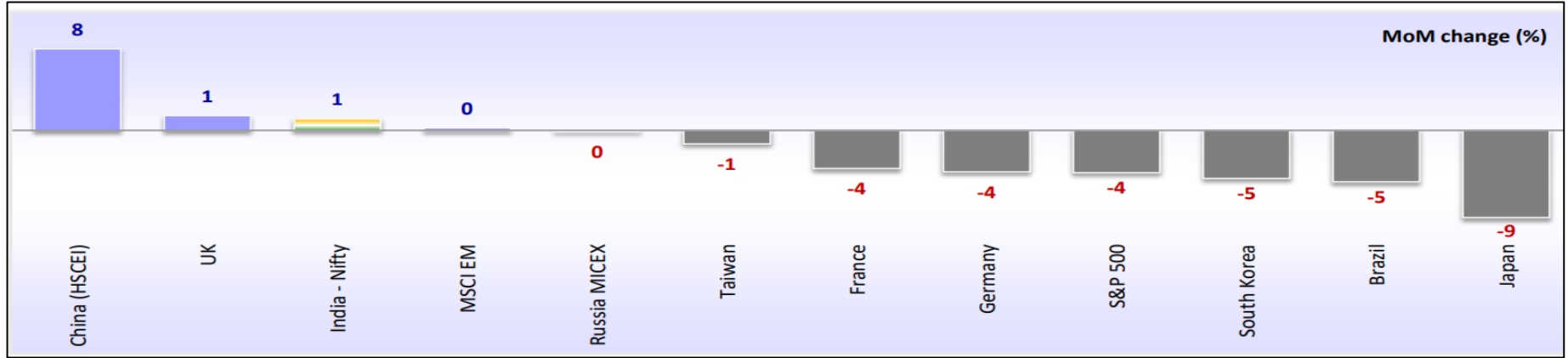
Over the last 12 months, global market cap increased 11% (USD11.4t), whereas India's market cap surged 44%



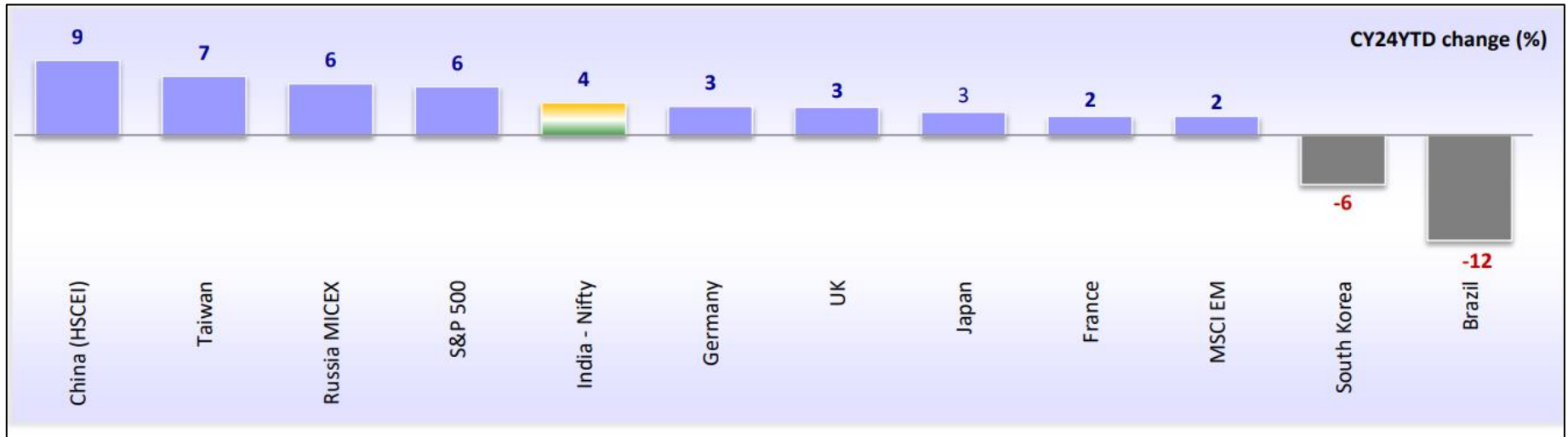
Note – Data as on 30th April, 2024
Source : Bloomberg, NIMF Research

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



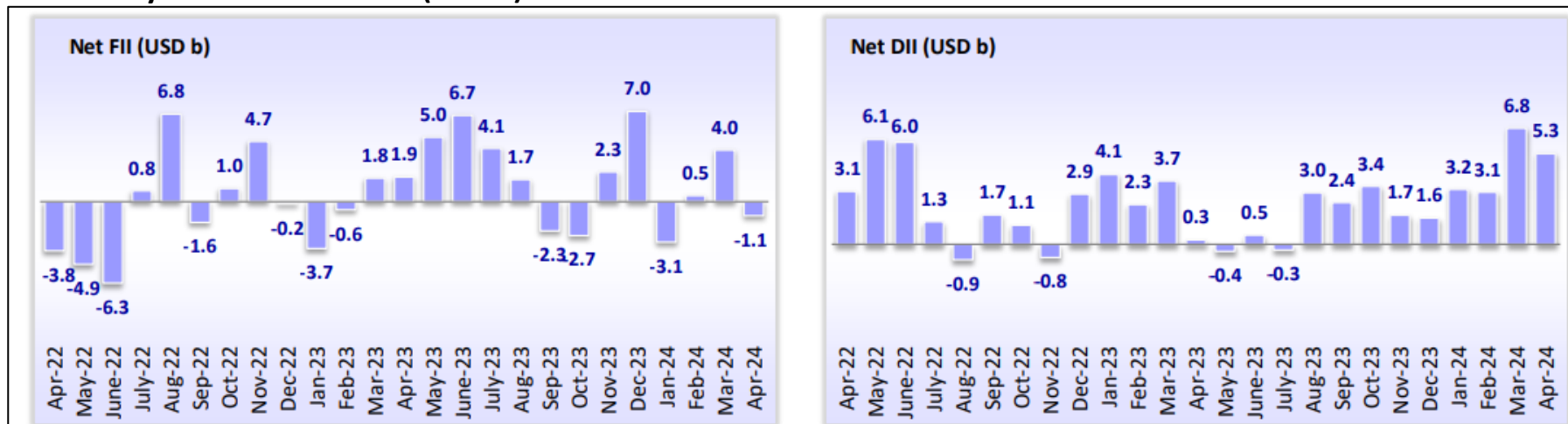
CY24YTD performance of global equity indices in USD terms (%)



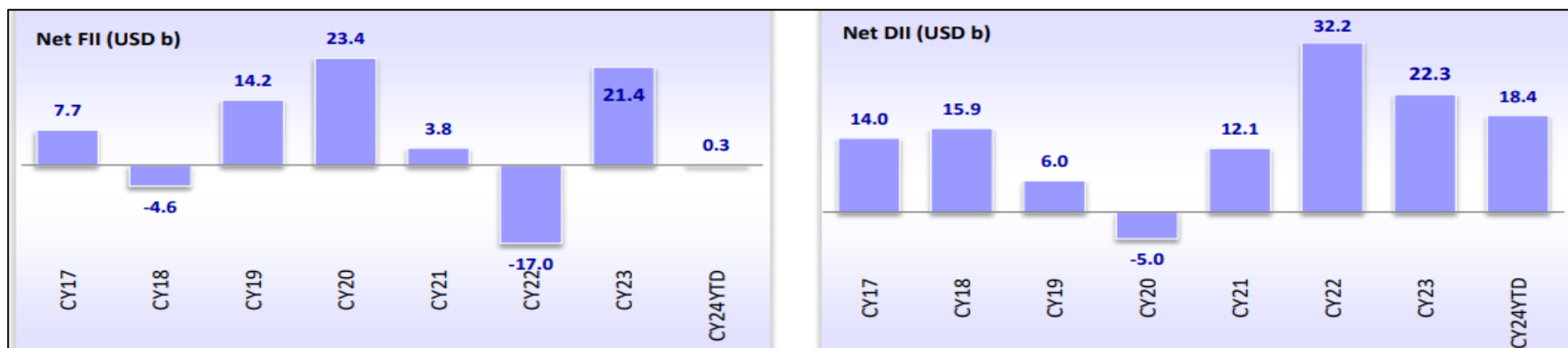
Foreign Institutional Investors (FII) turn net seller in Apr'24; Domestic Institutional Investors (DII) recorded strong inflows

- 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

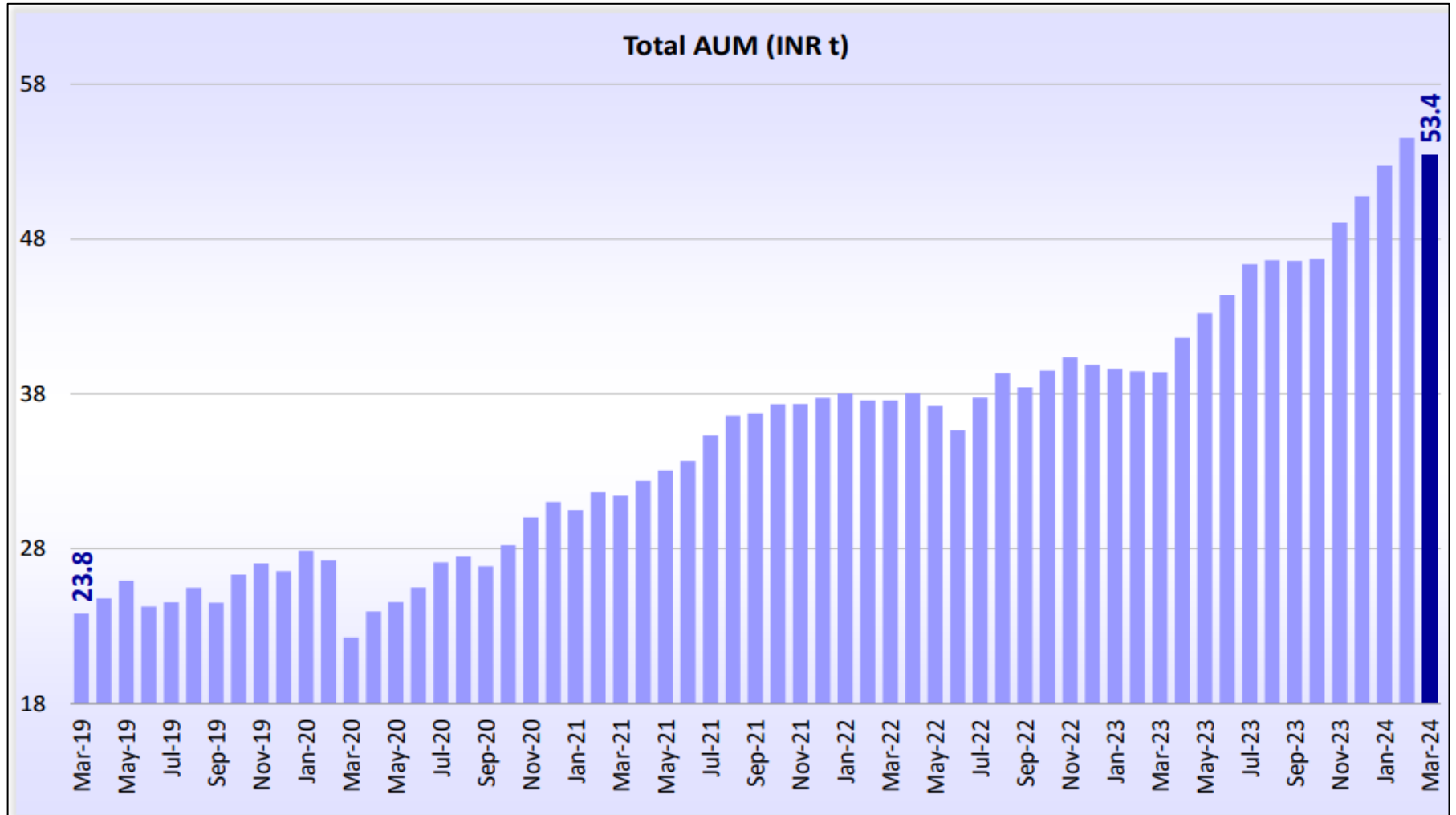
Note – Data for calendar year basis

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

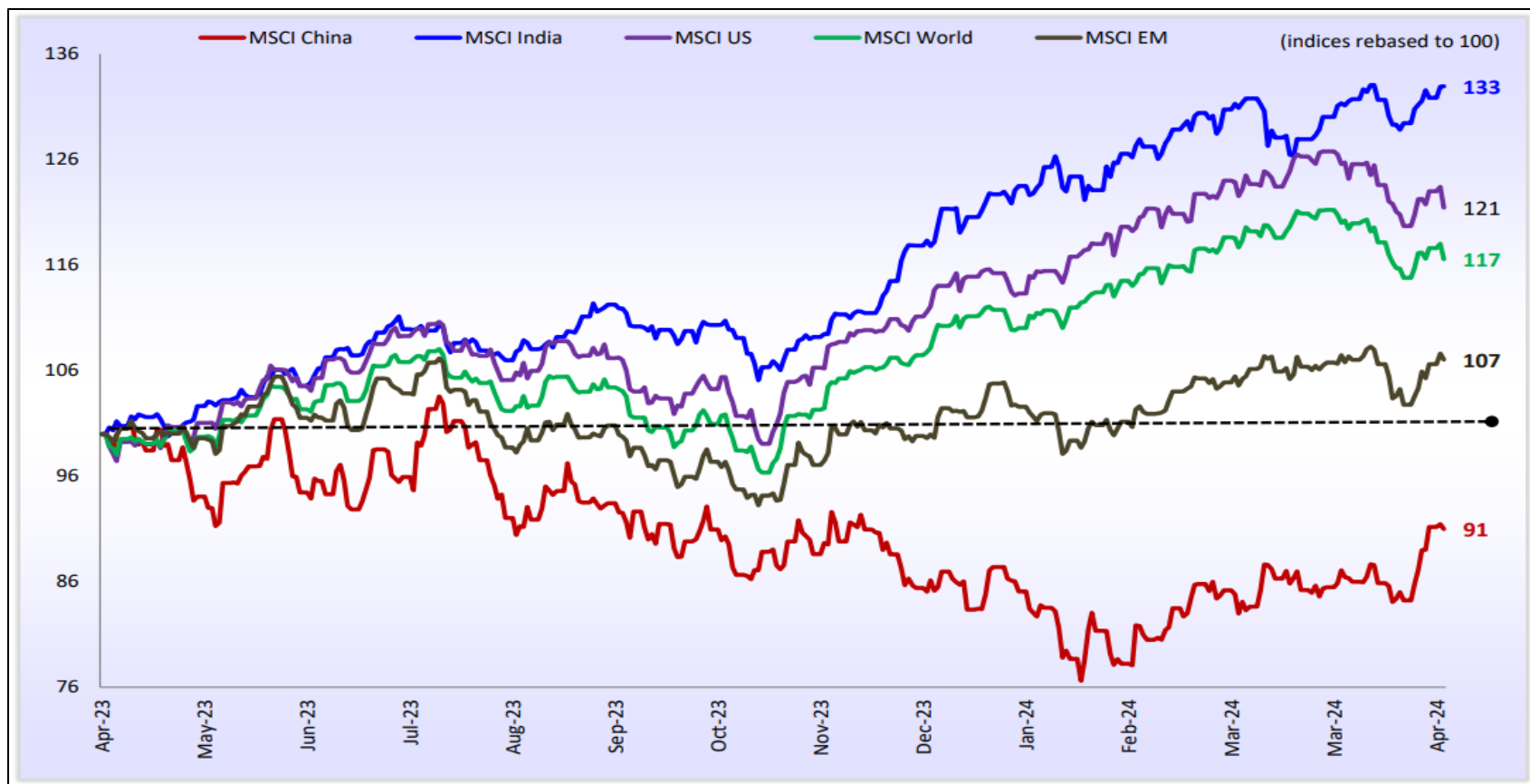
Note – Data as on 31st March, 2024

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.

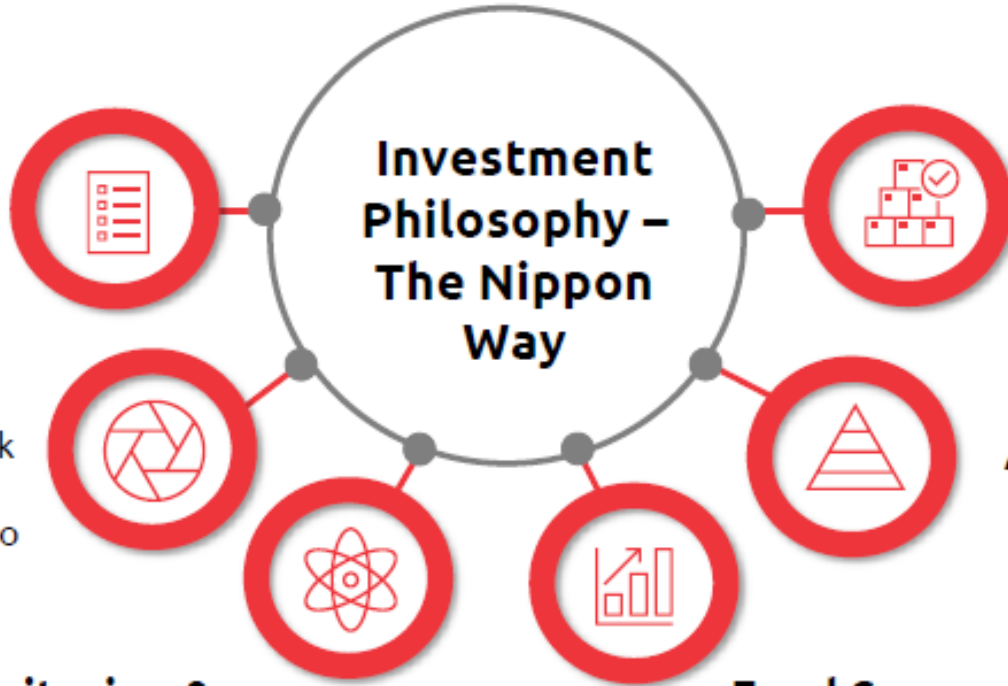
Source : Bloomberg
NIMF Research

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

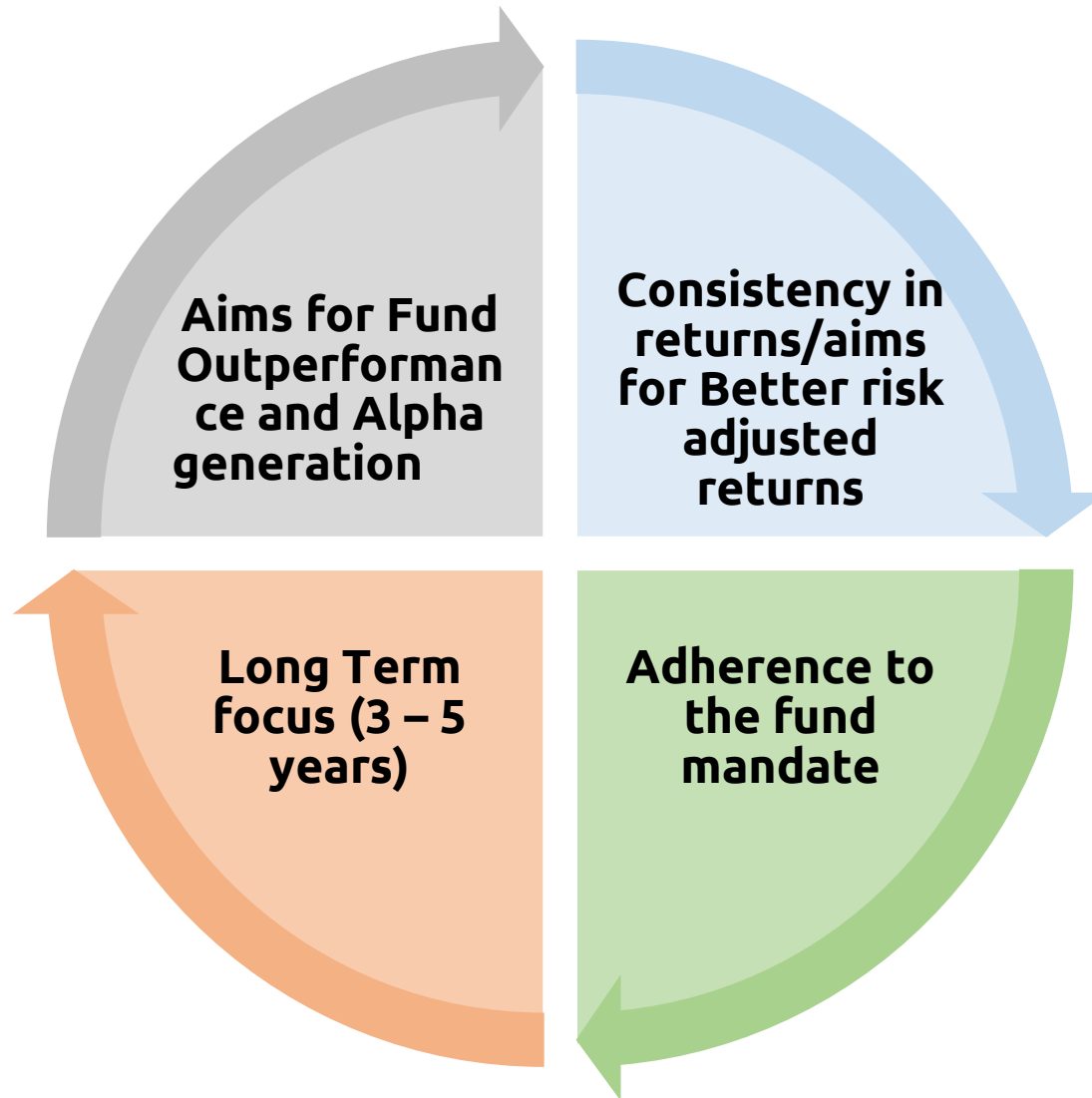
- **High conviction investments with meaningful stakes**

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

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

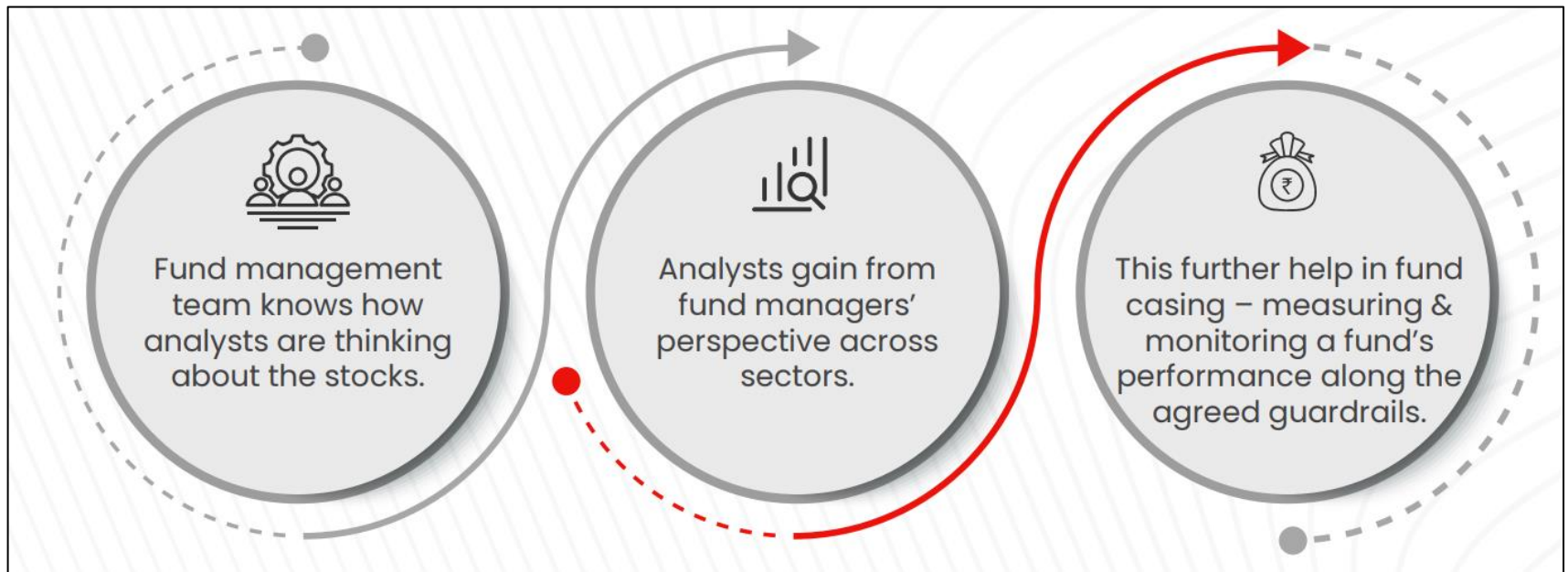
- High Quality Company Selection, driven by strong internal research
- Blending the Process Strength with Market Experience

Investment Philosophy – The Nippon Way

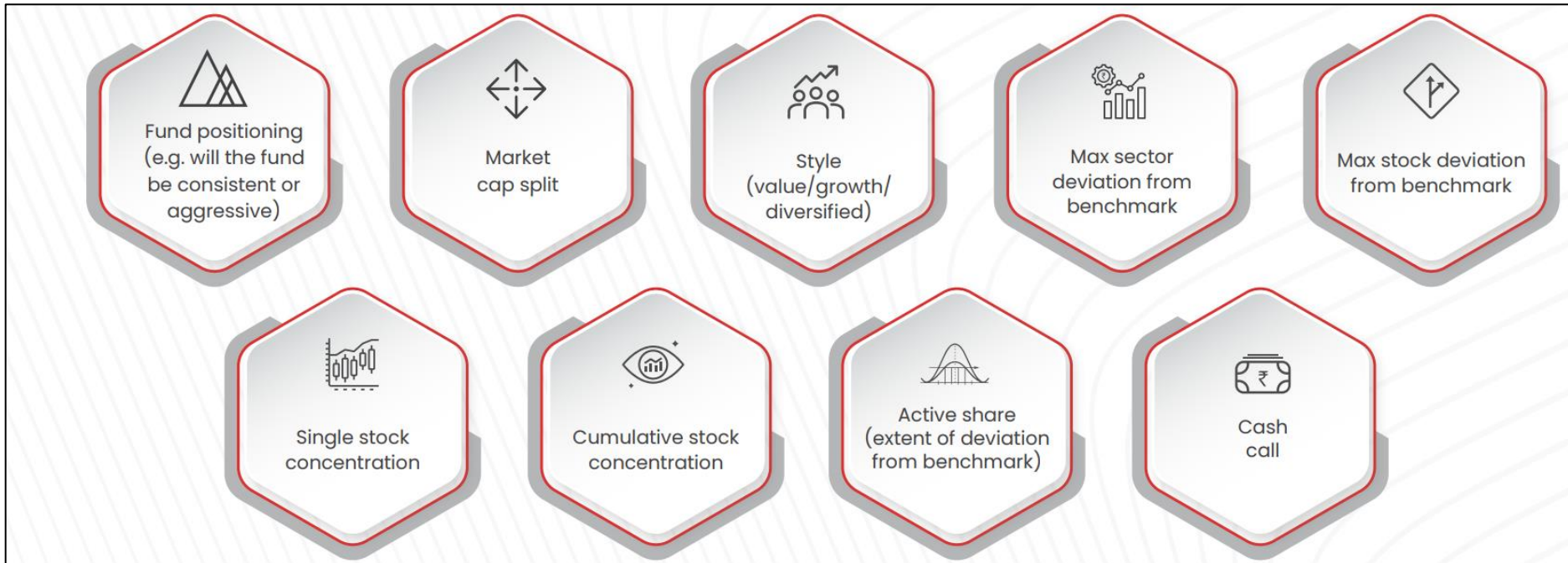


Risk Rating of Securities

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 Small Cap Fund

(An open-ended equity scheme predominantly investing in small cap stocks)

This product is suitable for investors who are seeking*

- Long term capital growth.
- Investment in equity and equity related securities of small cap companies.

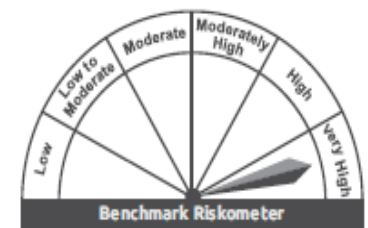
*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Nippon India Small Cap Fund



Investors understand that their principal will be at Very High risk

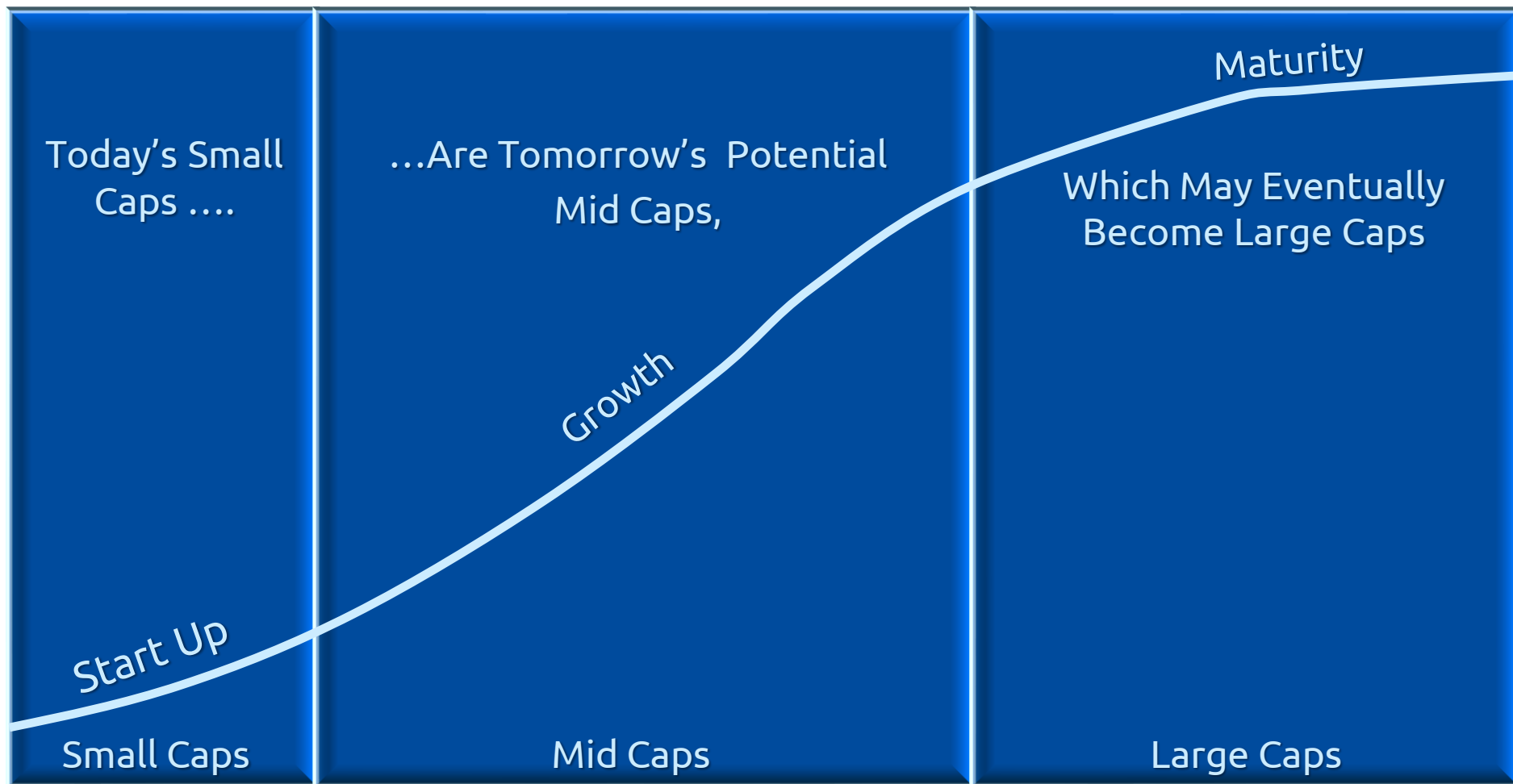
Nifty Smallcap 250 TRI



Benchmark Riskometer is at Very High risk

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Emergence of Small Caps to Large Caps



Investment Strategy – Long Term Investment Approach

- ❑ **Relatively high risk/ relatively high return fund**
 - Allocation to small cap stocks – aims to maximize return potential
 - Tactical allocation to other market caps – aims to minimize risk

- ❑ **Right Risk:** Focus on good quality co's with scalable businesses and strong managements currently ignored due to non-fundamental reasons. i.e. 'Right Risk' without compromising on quality.

- ❑ **Bottom Up investing** - Attempt to identify winners across sectors/themes

- ❑ **Sustained Alpha:**
 - **Differentiated investments in unique high conviction ideas**, driven by internal research capabilities – 'Exclusive Alpha'
 - **Opportunistic investments to benefit from new or changing trends**

- ❑ **Risk Management**
 - Focus on ideas with high margin of safety
 - Well diversified portfolio across stocks and sectors
 - Exposure to a single stock not more than 5%
 - Investments are held over longer time periods to smoothen volatility

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

QoQ Sector Allocation Trend

Sector	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22
Electrical Equipment	8.28	7.49	6.78	5.69	4.32	3.85	3.33	3.03	2.25
Industrial Products	8.26	8.04	9.47	10.15	9.98	9.15	9.24	8.98	8.24
Banks	6.57	6.04	5.47	7.11	7.35	8.58	6.83	5.52	3.76
Auto Components	6.10	6.51	5.98	7.03	6.83	7.22	7.64	6.64	5.24
Construction	5.23	5.12	5.72	5.50	6.07	5.56	4.80	4.11	3.65
Finance	3.66	4.58	5.03	4.94	3.78	3.73	3.98	4.53	4.23
Chemicals & Petrochemicals	3.51	3.77	4.35	5.02	6.09	6.21	7.05	7.74	8.62
IT - Software	3.34	4.06	3.87	3.68	3.98	3.14	2.95	4.21	5.63
Industrial Manufacturing	2.64	2.66	2.85	1.93	2.10	2.66	2.30	2.46	2.46
Aerospace & Defense	2.62	2.48	2.49	2.55	2.28	2.22	2.80	2.71	1.59
Transport Services	1.89	1.83	1.28	1.48	0.85	0.84	0.29	0.50	0.46
Agricultural Food & other Products	1.87	2.18	2.43	2.61	2.26	2.39	2.69	3.08	4.89
Entertainment	0.72	0.78	0.62	0.24				0.24	0.04
Insurance	0.67	0.40	0.47	0.56	0.38	0.89	0.90	0.79	0.56
Telecom - Services	0.48	0.50	0.59	0.79	0.73	0.92	0.86	1.40	2.74
Agricultural, Commercial & Construction Vehicles	0.39	0.36	0.41	0.38	0.39	0.38	0.42	0.57	0.49
Automobiles	0.33	0.29	0.41	0.34	0.46	0.27		1.13	0.67
Petroleum Products	0.32	0.34	0.78	1.30	1.22	0.31	0.12	0.14	
Realty	0.31	0.31	0.23	0.36	0.44	0.49	0.55	0.58	0.64
Ferrous Metals	0.18	0.64	0.20	0.23	0.42	0.64	0.18		

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-24 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	5.33	-0.73
Cash	4.11	-0.16
Industrials	4.03	1.76
Consumer Staples	1.51	-0.07
Information Technology	0.63	0.32

Bottom 5 Allocation Groups by Active Weight

Group Name	Active Average Weight (%)	Attribution Total (%)
Financials	-6.97	0.66
Health Care	-2.31	-0.53
Materials	-1.84	0.96
Real Estate	-1.36	0.00
Utilities	-1.35	0.24

Top 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
TUBE INVESTMENTS OF INDIA LIMITED	2.25	-0.32
HDFC BANK LTD	1.81	-0.02
VOLTAMP TRANSFORME	1.64	0.24
STATE BANK OF INDIA	1.31	0.28
BHARAT HEAVY ELECTRICALS LTD	1.31	0.14
HINDUSTAN AERONAUTICS LIMITED	1.29	0.23
NIIT LEARNING SYSTEMS LTD	1.24	-0.02
KPIT TECHNOLOGIES	1.17	-0.02
INTERGLOBE AVIATION LIMITED	1.16	0.22
ELANTAS BECK INDIA LTD	1.16	0.41

Bottom 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
SUZLON ENERGY LTD	-1.89	0.43
BOMBAY STOCK EXCHANGE LTD	-1.32	-0.24
EXIDE INDUSTRIES	-1.04	-0.49
IDFC LTD	-1.03	0.02
NATIONAL ALUMINIUM CO LTD	-0.97	-0.19
GLENMARK PHARM	-0.94	-0.07
ELGI EQUIPMENTS LTD	-0.91	0.07
REDINGTON LTD	-0.82	-0.20
GLOBAL HEALTH LTD	-0.79	-0.11
COMPUTER AGE MANAGEMENT SERVICES LTD	-0.78	0.02

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' 2024.

Current Positioning and Rationale

- Overweight consumer given the growing per capita income, aspirational demand, favorable demographics and lifestyle changes.
- Underweight in the health care sector as it faces a year of unprecedented transformation and challenges. Providers worldwide continue to confront the lingering effects of the COVID-19 pandemic, which has led to widespread labor shortages and rising costs. The sector is likely to be shaped by innovation (Artificial Intelligence), sustainability, social care integration, cost management, and workforce adaptation.
- India nearing a new capex cycle close to two decades after the country's last infrastructure Supercycle. The new wave of private capex is likely to be driven by Manufacturing Capex (Product Linked Incentives, China Plus One Strategy) and Higher Environmental, Social and Governance (ESG) Compliance.
- Underweight stance on financials primarily due to stock reallocation and lack of quality names in the small cap space.

Sector	Overweight/Underweight
Industrials	5.56
Consumer Discretionary	5.15
Consumer Staples	1.43
Information Technology	0.71
Utilities	-0.87
Energy	-0.92
Communication Services	-1.08
Real Estate	-1.52
Health Care	-2.41
Materials	-3.30
Financials	-6.74

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Data as on 30th Apr 2024

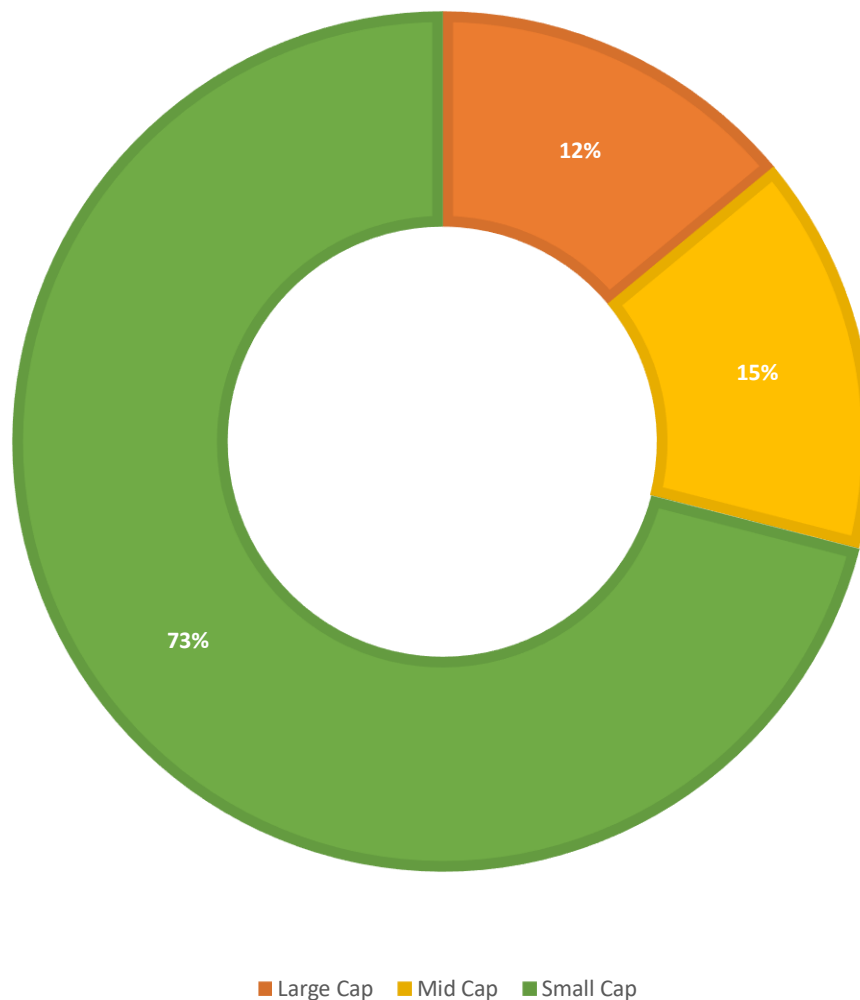
Portfolio Details (As on Apr 30, 2024)

Top 10 Holdings	Weightage
Tube Investments of India Limited	1.93%
HDFC Bank Limited	1.85%
Voltamp Transformers Limited	1.78%
Apar Industries Limited	1.69%
Multi Commodity Exchange of India Limited	1.51%
Bharat Heavy Electricals Limited	1.40%
Elantas Beck India Limited	1.39%
State Bank of India	1.33%
Tejas Networks Limited	1.31%
Karur Vysya Bank Limited	1.29%

Top 10 Sectors	Weightage
Industrial Products	9.00%
Electrical Equipment	8.23%
Banks	6.55%
Auto Components	5.62%
Pharmaceuticals & Biotechnology	5.20%
Consumer Durables	5.09%
Construction	4.66%
Capital Markets	4.16%
Chemicals & Petrochemicals	3.65%
Finance	3.30%

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Market Cap Allocation



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Data as on 30th April'24

Scheme Performance (as on 30th April 2024)

Nippon India Small Cap Fund				
NAV as on April 30, 2024: ₹154.3008				
Particulars	CAGR %			
	1 Year	3 Years	5 Years	Since Inception
Nippon India Small Cap Fund	60.44	35.38	31.13	22.23
B:Nifty Smallcap 250 TRI	68.94	30.66	25.49	13.91
AB:S&P BSE Sensex TRI	23.23	16.52	15.13	11.83
Value of ₹10000 Invested				
Nippon India Small Cap Fund	16,106	24,830	38,830	154,300
B:Nifty Smallcap 250 TRI	16,967	22,324	31,159	59,023
AB:S&P BSE Sensex TRI	12,344	15,827	20,245	45,908
Inception Date : Sep 16, 2010				
Fund Manager : Samir Rachh (Since Jan 2017), Tejas Sheth (Assistant Fund Manager) (Since Feb 2023 till May 01, 2024)				

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 Samir Rachh

Note:

- a. Samir Rachh manages 1 open-ended scheme of Nippon India Mutual Fund.
- b. 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.
- c. Period for which scheme's performance has been provided is computed basis last day of the month-end preceding the date of advertisement.
- d. Different plans shall have a different expense structure. The performance details provided herein are of Growth Plan (Regular Plan).

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. 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. Schemes which have not completed one year, performance details for the same are not provided. Performance details of closed ended schemes are not provided since these are not comparable with other schemes. 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. The performance of the equity schemes appearing above is benchmarked to the Total Return variant of the Index.

Source : MFI Explorer, As on April 30, 2024

Performance of Other Schemes managed by Tejas Sheth

Co-Fund Manager: Tejas Sheth							
Scheme Name/s	CAGR %						
	1 Year Return		3 Years Return		5 Years Return		
	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark	
Nippon India Small Cap Fund#	60.44	68.94	35.38	30.66	31.13	25.49	
Nippon India Multi Asset Fund	32.26	27.17	17.04	15.71	N.A.	N.A.	

Note:

- Tejas Sheth manages 2 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).



Assistant Fund Manager

Mr. Tejas Sheth has been managing Nippon India Multi Asset Fund since Oct 2020

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Source : MFI Explorer, As on April 30, 2024

Product Labels

Nippon India Multi Asset Fund <small>(An open ended scheme investing in Equity, Debt and Exchange Traded Commodity Derivatives and Gold ETF)</small>	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, debt & money market instruments and Exchange Traded Commodity Derivatives and Gold ETF <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	<p>Nippon India Multi Asset Fund</p>  <p>Riskometer</p> <p>Investors understand that their principal will be at Very High risk</p>	<p>50% of S&P BSE 500 TRI, 20% of MSCI World Index TRI, 15% of CRISIL Short Term Bond Index & 15% of Domestic prices of Gold</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!

Good gets *better*