

# 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**

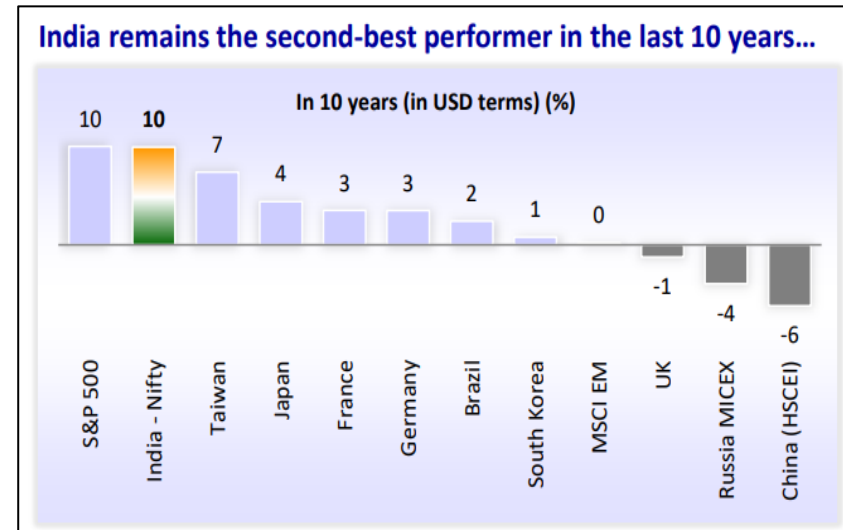
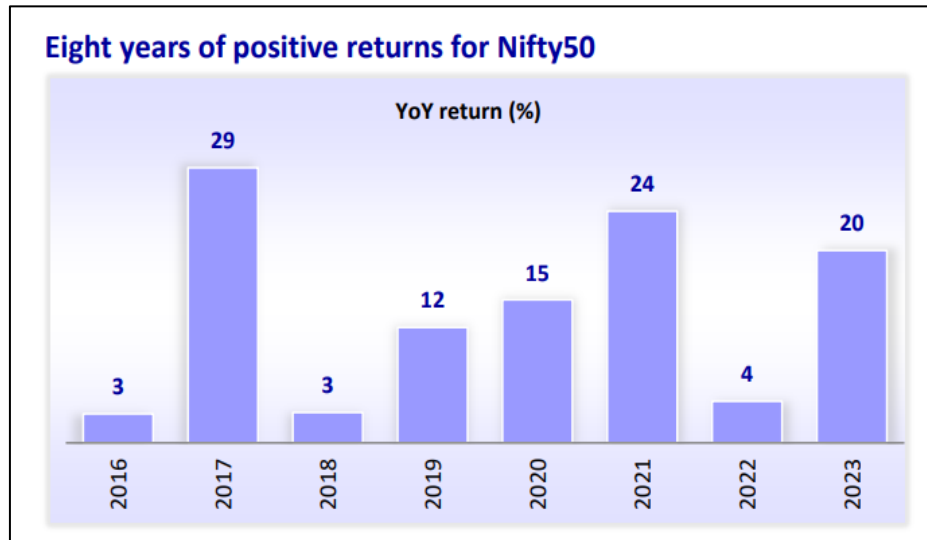
Risk on Rally in Asset Classes – Equity Outperforms

Note – Data as on 29<sup>th</sup> Feb,2024

Source : Bloomberg  
NIMF Research

# India Strategy : A year of Ups and Downs

- In CY23, the Indian markets remained resilient and strong amid weak global macros, rising interest rates, and geopolitical uncertainties that kept global markets volatile and jittery.
- The Nifty-50 clocked eight successive years of positive returns. The benchmark index hit an all-time high in Dec'23 and surged 20% YoY in CY23 (vs. only 4% growth in CY22). While multi-year high interest rates, geopolitical tensions, volatility in crude oil prices, slowing growth, and recessionary environment in developed markets remained the key concerns during the year, India's healthy economic growth, healthy corporate earnings, moderate inflation, waning crude oil prices, reinforced Foreign institutional investors (FII) and Domestic institutional investors (DII) inflows, and good retail participation propelled the Indian markets to greater heights



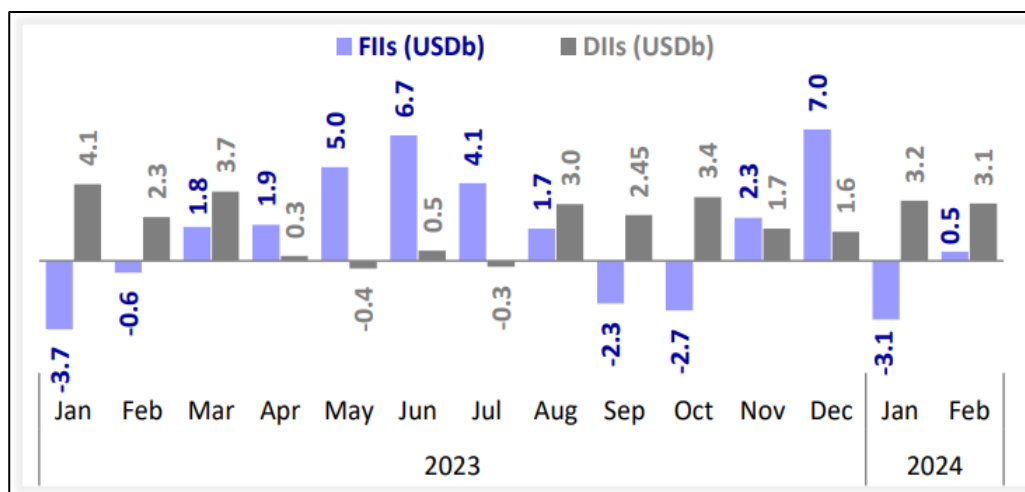
Note – Data as on calendar year basis

Source : Bloomberg

NIMF Research

# India Strategy : A year of Ups and Downs

- Corporate earnings – domestic cyclicals propel growth: The 3QFY24 corporate earnings ended on a positive note, with widespread outperformance across aggregates driven by continued margin tailwinds. domestic cyclicals (Autos and Financials) and global cyclicals (Metals and Energy) and the overall outlook towards domestic capital markets remains optimistic as the earnings cycle for 3QFY24 was in line with the expectations.
- In Feb'24, FIIs posted the muted inflows at USD0.5b. DIIs recorded the seventh consecutive month of inflows at USD3.1b. FII outflows into Indian equities stood at USD2.7b in CY24YTD vs. inflows of USD21.4b in CY23. DII inflows into equities in CY24YTD continue to be strong at USD6.3b vs. USD22.3b in CY23.



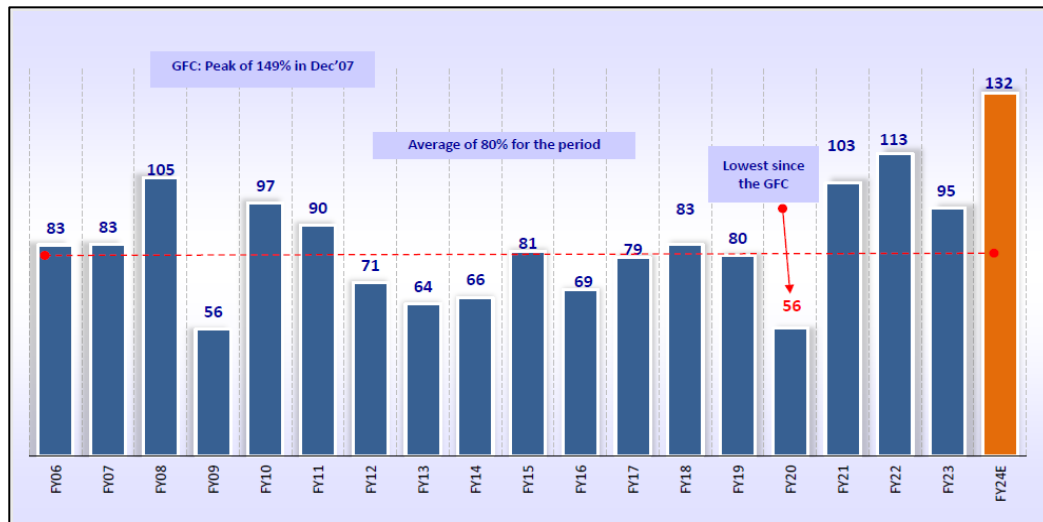
Note – Data as on 29<sup>th</sup> Feb, 2024

Source : Bloomberg, NSE

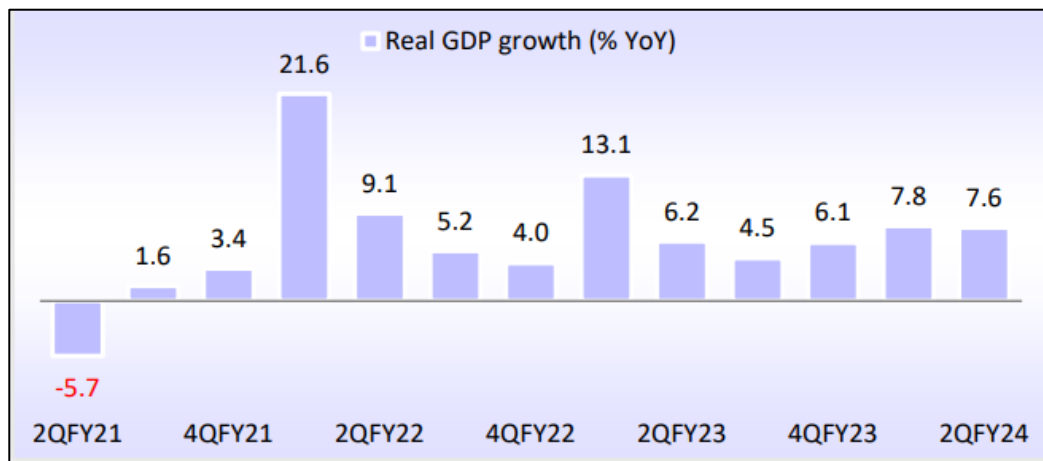
NIMF Research

# India's contribution towards economical growth and resilience

- India's market capitalization-to-GDP ratio continues to remain strong. The ratio stands at 132% as of FY24YTD, much above its long-term average of ~80%.
- India's Real GDP growth came in much higher than expected at 8.4% in 3QFY24 vs. 8.1% (revised higher from 7.6%) in 2QFY24 and 4.3% in 3QFY23 (revised lower from 4.8%). 1QFY24 GDP growth has also been revised higher to 8.2% from 7.8%. Consequently, GDP growth for 9MFY24 stood at 8.2%. Higher-than-expected GDP growth was partly led by a downward revision in 3QFY23 growth (to 4.3% from 4.8% earlier) and a very high growth in real net indirect taxes, driven by lower subsidies.

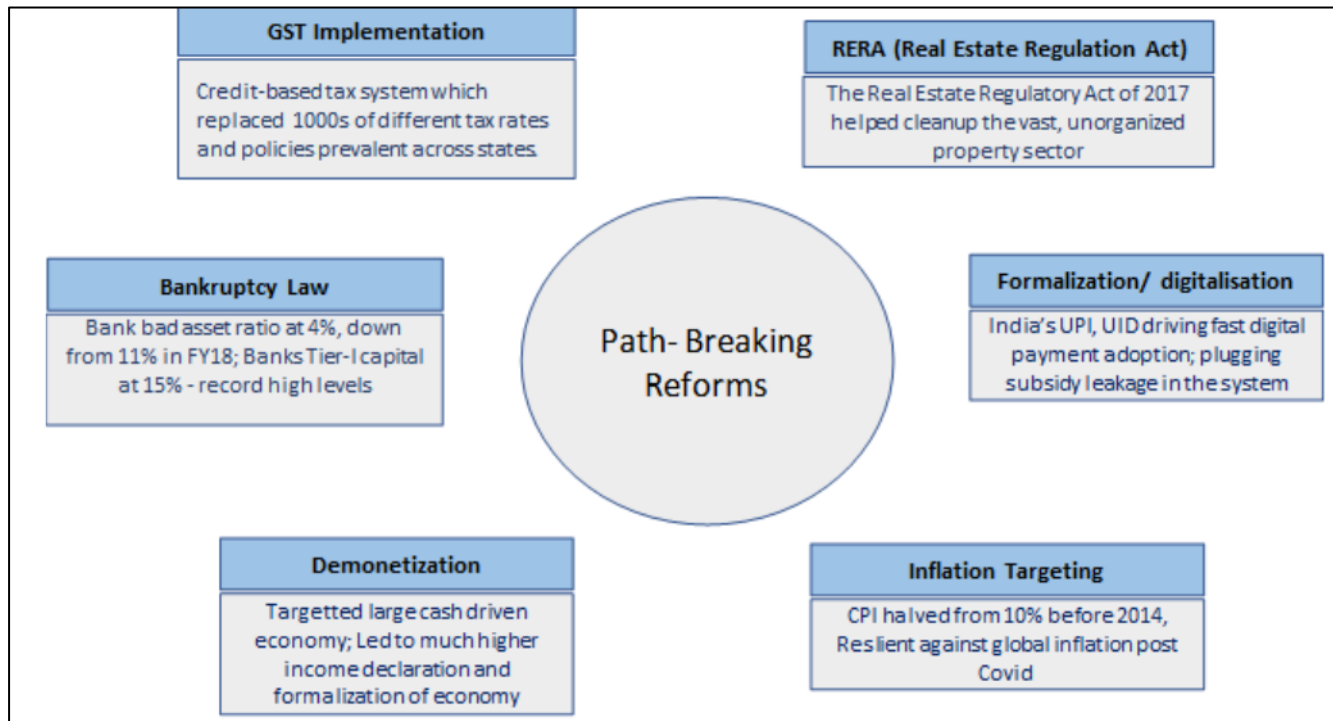


\*GFC- Global Financial Crisis



# Reforms supporting Indian Economy

- Strong reforms over the last 10 years have laid the foundation of potential growth** - Since 2014, the Modi government has successfully delivered on a set of reforms with the aim of boosting 'Ease of Doing Business' in the country. The landmark GST reform of 2017 compressed a multitude of taxation structures into a common national system, akin to creating a 'Eurozone' style flow of goods and services across the Indian states. The Bankruptcy law of 2016 proved crucial in accelerating the cleanup of the bad loans from the banking system. The Real Estate Regulatory Act of 2017 helped to clean up the vast, unorganized property sector. Alongside, the Modi government has boosted governance through creation of digital public goods. The physical infrastructure is also undergoing a massive upgrade with capex to GDP by government doubling since 2019.



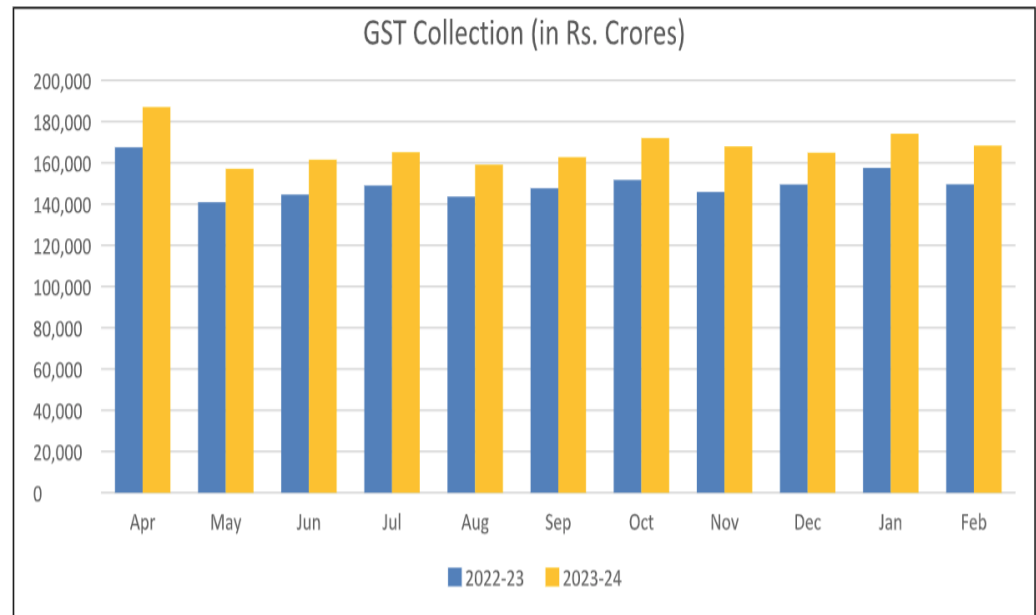
Note – Data as on 29th Feb, 2024

Source : CSO, CEIC.

NIMF Research

# India's Goods and Services tax's positive support

- India's Goods and services tax (GST) collections hit the second highest monthly figure ever at over Rs 1.72 trillion in January'2024, growing by 10.4% over Rs 1.56 trillion from January'2023. This is the third month in the current financial year when collections are more than Rs 1.7 trillion mark. GST revenue net of refunds for February 2024 is ₹1.51 lakh crore which is a growth of 13.6% over that for the same period last year.
- Strong Consistent Performance in FY 2023-24:** As of February 2024, the total gross GST collection for the current fiscal year stands at ₹18.40 lakh crore, which is 11.7% higher than the collection for the same period in FY 2022-23. The average monthly gross collection for FY 2023-24 is ₹1.67 lakh crore, exceeding the ₹1.5 lakh crore collected in the previous year's corresponding period. GST revenue net of refunds as of February 2024 for the current fiscal year is ₹16.36 lakh crore which is a growth of 13.0% over that for the same period last year. Overall, the GST revenue figures demonstrate continued growth momentum and positive performance

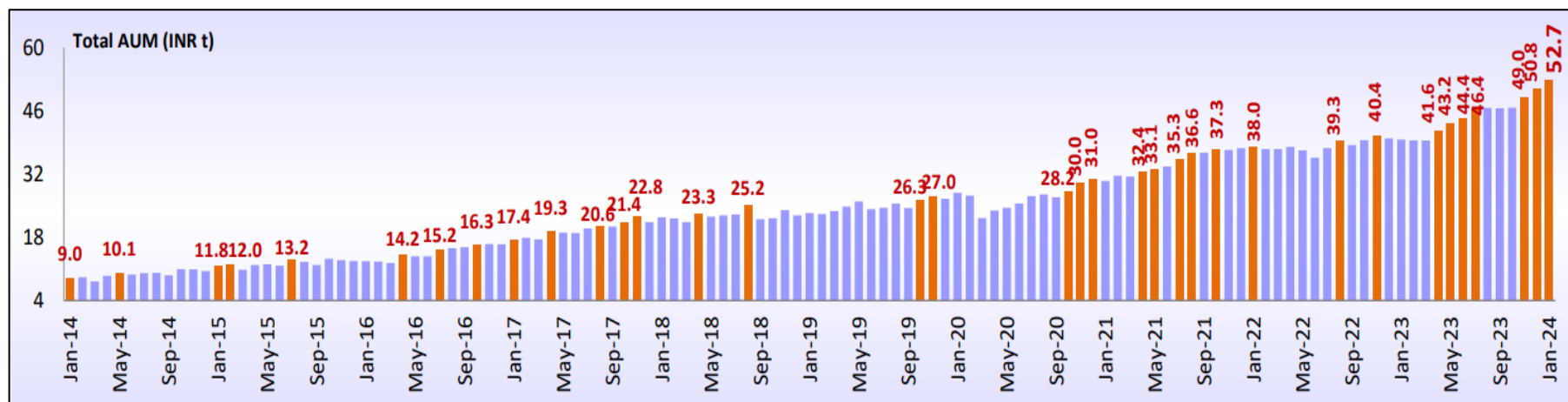


\*The sectors mentioned are not a recommendation to buy/sell in the said sectors.

# Mutual Fund AUM and inflows pickup

- Total AUM of the MF industry scaled new highs to reach INR52.7t in Jan'24 (+3.9% MoM), primarily led by a MoM increase in AUM for equities (INR758b), liquid (INR639b), income (INR218b), balanced (INR193b), and arbitrage (INR99b) funds. Notably, AUM was up MoM across categories.
- Equity AUM for domestic MFs (including ELSS and index funds) increased 3.2% MoM to INR24.6t in Jan'24, led by the slower pace of redemptions to INR321b (down 17.4% MoM) as the market indices (Nifty closed flat MoM) and also the sales of equity schemes were marginally up by 0.5% MoM to INR568b. Consequently, net inflows increased to INR247b in Jan'24 from INR177b in Dec'23

## Trend in Total Mutual Fund AUM



\* Red colour indicates highs from the previous lows and blue colour indicates the lows

Past performance may or may not be sustained in future

Note – Data as on 31<sup>st</sup> Jan, 2024

Source : Bloomberg, AMFI

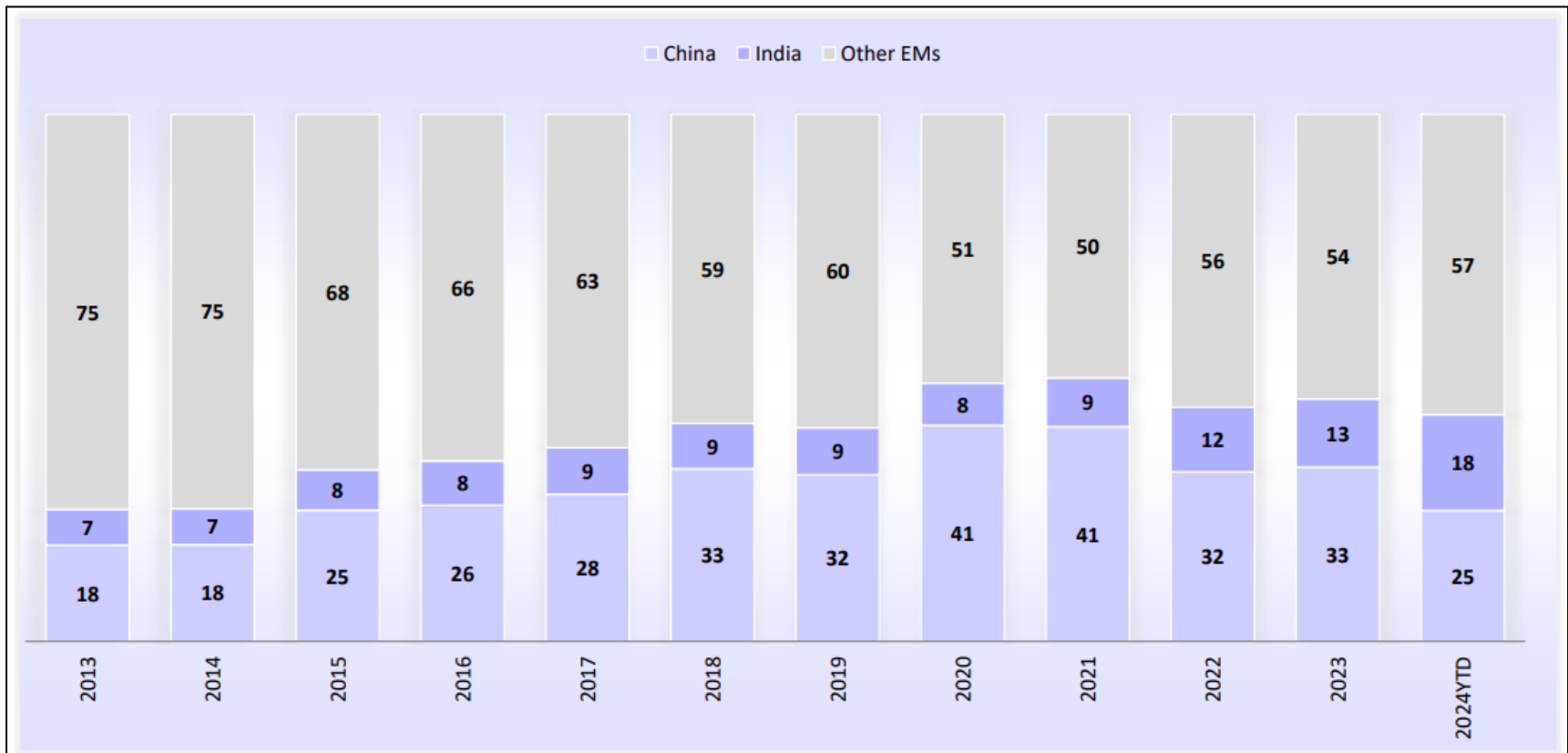
NIMF Research



# India's weight in the MSCI EM Index continues to increase

- India's weight in the MSCI Emerging Markets index weight increased significantly over the past three years, while China's weight continued to drop.
- India gained 10%-point weight during the last three years to reach ~18%, while China lost 16%-point and stood at ~25%.

## MSCI Emerging Markets Index weights (%)



Note – Data as on 29<sup>th</sup> Feb, 2024

Source : Bloomberg, MSCI,

NIMF Research

# Equity View Feb 2024 and Outlook

- India displays resilience with notable gains across major broad based indices, reflecting positive investor sentiment and confidence supported by demographic advantage, deregulation & policy reforms, digitization, and demand (aspirational spending).
- The earnings season gone by was strong, driven by margin tailwinds in domestic cyclicals (Autos and Financials) and global cyclicals (Metals and Energy) and the overall outlook towards domestic capital markets remains optimistic as the earnings cycle for 3QFY24 was in line with the expectations.
- The uptrend in the Indian equity market was driven by robust macro and micro factors, alleviating concerns on political continuity, and expectation of improving liquidity going ahead. Supportive macros, Federal Reserve (FED) interest rates near its peak. FII flows rebound while DII flows remain resilient, As per expectation corporate earnings and Expectations of a political continuity.
- Going forward the sentiment appears to be buoyant supported by India's relatively better macros, earnings outlook for India remains strong relative to emerging markets, driven by healthy credit demand and robust high-end consumption demand, possibility of higher foreign flows and the narrative around policy continuity in the upcoming general elections.

# Nippon India Small Cap Fund

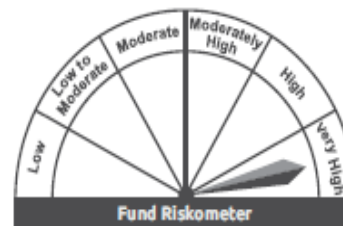
(An open-ended equity scheme predominantly investing in small cap stocks)

**This product is suitable for investors who are seeking\***

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

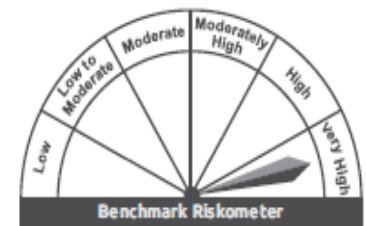
\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Nippon India Small Cap Fund



Investors understand that their principal will be at Very High risk

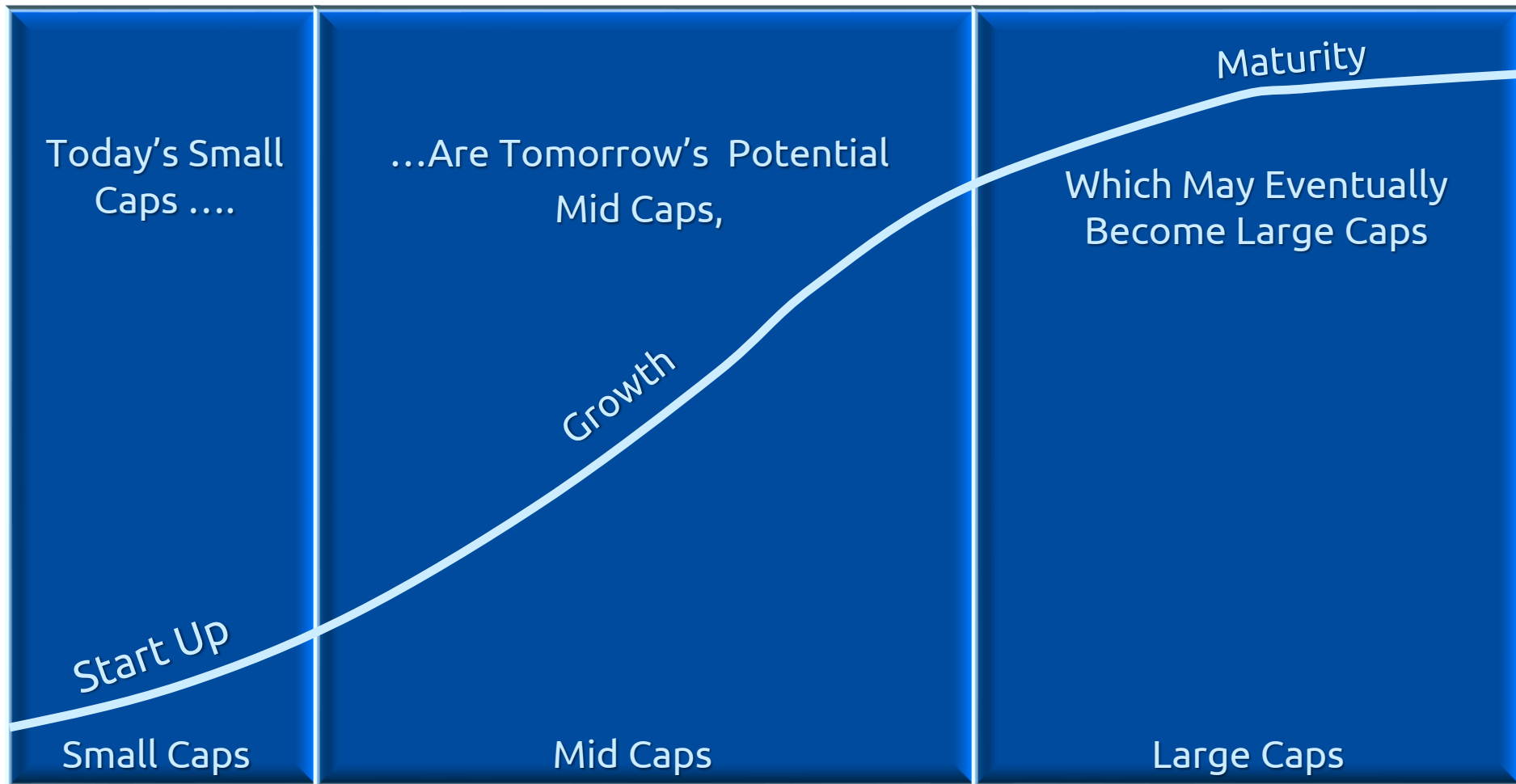
Nifty Smallcap 250 TRI



Benchmark Riskometer is at Very High risk

Good gets *better*

# 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.

# Fund Casing Framework

Funds	Nippon India Small Cap Fund
Market Cap Bias	Minimum Small Cap - 65%
Style	Style-diversified
Maximum Sector Deviation from Benchmark	Bottom-up as per Model Portfolio. No Sector Limits
Single Stock Concentration	Max 4% in any stock (Active Breach)
Cumulative Stock Concentration	NA
Active Share	No Limit
Cash call	<20%

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.

# QoQ Sector Allocation Trend

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

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 - Dec-23 implies 31st December 2023. The scheme may or may not have future position in the said sectors.

Source: Monthly Portfolios, NIMF

# Attribution Analysis

## Top 5 Allocation Groups by Active Weight

Group Name	Active Average Weight (%)	Attribution Total (%)
Consumer Discretionary	5.33	-0.22
Cash	4.29	0.04
Industrials	3.04	-0.13
Consumer Staples	1.56	-0.03
Information Technology	0.98	-0.14

## Top 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
TUBE INVESTMENTS OF INDIA LIMITED	2.32	-0.26
HDFC BANK LTD	1.59	-0.05
VOLTAMP TRANSFORME	1.46	0.11
KPIT TECHNOLOGIES	1.27	0.00
STATE BANK OF INDIA	1.27	0.20
BHARAT HEAVY ELECTRICALS LTD	1.24	-0.03
NIIT LEARNING SYSTEMS LTD	1.21	0.13
HINDUSTAN AERONAUTICS LIMITED	1.20	0.02
ELANTAS BECK INDIA LTD	1.11	0.11
INTERGLOBE AVIATION LIMITED	1.09	0.05

## Bottom 5 Allocation Groups by Active Weight

Group Name	Active Average Weight (%)	Attribution Total (%)
Financials	-7.43	0.37
Health Care	-2.04	-0.33
Utilities	-1.80	0.03
Communication Services	-1.45	0.02
Real Estate	-1.27	-0.03

## Bottom 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
SUZLON ENERGY LTD	-3.14	0.11
BOMBAY STOCK EXCHANGE LTD	-2.11	-0.04
KEI INDUSTRIES	-1.19	0.02
IDFC LTD	-1.02	0.01
EXIDE INDUSTRIES	-0.99	0.06
NATIONAL ALUMINIUM CO LTD	-0.92	-0.10
ELGI EQUIPMENTS LTD	-0.90	-0.04
GLENMARK PHARM	-0.86	0.01
GLOBAL HEALTH LTD	-0.78	-0.09
REDINGTON LTD	-0.77	-0.11

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 29<sup>th</sup> Feb 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
Consumer Discretionary	5.33
Industrials	3.04
Consumer Staples	1.56
Information Technology	0.98
Energy	-0.29
Materials	-0.92
Real Estate	-1.27
Communication Services	-1.45
Utilities	-1.80
Health Care	-2.04
Financials	-7.43

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 29<sup>th</sup> Feb 2024

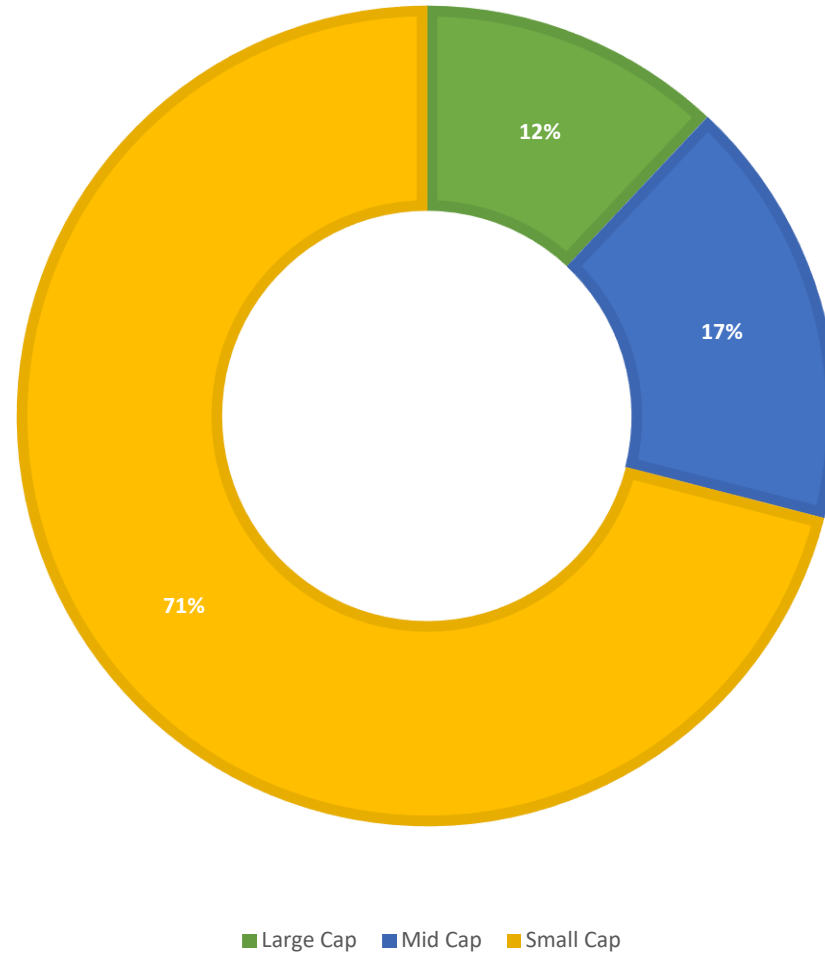
# Portfolio Details (As on Feb 29, 2024)

Top 10 Holdings	Weightage
Tube Investments of India Limited	2.22
Voltamp Transformers Limited	1.65
HDFC Bank Limited	1.57
Multi Commodity Exchange of India Limited	1.51
Apar Industries Limited	1.47
Hindustan Aeronautics Limited	1.32
State Bank of India	1.32
NIIT Learning Systems Limited	1.29
Karur Vysya Bank Limited	1.27
Bharat Heavy Electricals Limited	1.24

Top 10 Sectors	Weightage
Electrical Equipment	8.14%
Industrial Products	7.99%
Auto Components	6.22%
Banks	6.19%
Pharmaceuticals & Biotechnology	5.93%
Construction	5.04%
Consumer Durables	4.26%
Finance	4.15%
Capital Markets	4.00%
IT - Software	3.54%

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>

# Market Cap Allocation



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 29<sup>th</sup> February'24

# Scheme Performance

NAV as on February 29, 2024: ₹142.5407				
Particulars	CAGR %			
	1 Year	3 Years	5 Years	Since Inception
Nippon India Small Cap Fund	57.08	35.69	30.88	21.82
B:Nifty Smallcap 250 TRI	68.56	30.48	26.14	13.62
AB:S&P BSE Sensex TRI	24.51	15.21	16.48	11.76
<b>Value of ₹10000 Invested</b>				
Nippon India Small Cap Fund	15,727	25,045	38,461	142,541
B:Nifty Smallcap 250 TRI	16,880	22,264	31,978	55,779
AB:S&P BSE Sensex TRI	12,458	15,312	21,463	44,686
<b>Inception Date : Sep 16, 2010</b>				
<b>Fund Manager : Samir Rachh (Since Jan 2017), Tejas Sheth (Assistant Fund Manager) (Since Feb 2023)</b>				

Performance as on February 29, 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 Feb 29, 2024

# Performance of Other Schemes managed by Tejas Sheth

Scheme Name/s	CAGR %					
	1 Year Return		3 Years Return		5 Years Return	
	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Nippon India Multi Asset Fund	30.41	27.53	15.89	15.10	N.A.	N.A.

**Note:**


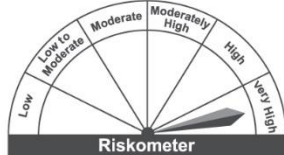
- Tejas Sheth manages 2 open-ended schemes of Nippon India Mutual Fund.
- In case the number of schemes managed by a fund manager is more than six, performance data of other schemes, the top 3 and bottom 3 schemes managed by fund manager has been provided herein.
- Period for which scheme's performance 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).

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

**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 Feb 29, 2024

# Product Labels

<p><b>Nippon India Multi Asset Fund</b>                      (An open ended scheme investing in Equity, Debt and Exchange Traded Commodity Derivatives and Gold ETF)</p>	<p><b>Fund Riskometer</b></p>	<p><b>Benchmark Riskometer</b></p>
<p><b>This product is suitable for investors who are seeking*:</b></p> <ul style="list-style-type: none"> <li>• Long term capital growth</li> <li>• Investment in equity and equity related securities, debt &amp; money market instruments and Exchange Traded Commodity Derivatives and Gold ETF</li> </ul> <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	<p><b>Nippon India Multi Asset Fund</b></p>  <p><b>Riskometer</b></p> <p>Investors understand that their principal will be at Very High risk</p>	<p>50% of S&amp;P BSE 500 TRI, 20% of MSCI World Index TRI, 15% of CRISIL Short Term Bond Index &amp; 15% of Domestic prices of Gold</p>  <p><b>Riskometer</b></p> <p>Benchmark Riskometer is at Very High risk</p>

# Disclaimer

The information herein is meant only for general reading purposes and the views being expressed only constitute opinions and therefore cannot be considered as guidelines, recommendations or as a professional guide for the readers. Certain factual and statistical information (historical as well as projected) pertaining to Industry and markets have been obtained from independent third party sources, which are deemed to be reliable. It may be noted that since NAM India has not independently verified the accuracy or authenticity of such information or data, or for that matter the reasonableness of the assumptions upon which such data and information has been processed or arrived at NAM India does not in any manner assure the accuracy or authenticity of such data and information. Some of the statements assertions contained in these materials may reflect NAM India's views or opinions, which in turn may have been formed on the basis of such data or information.

Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision. None of the Sponsors, the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material.

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



Thank you for your time!

Good gets *better*