

Nippon India Active Momentum Fund



Contact your Mutual Fund Distributor | Visit : mf.nipponindiaim.com,
Customer Care : 1860 266 0111#, 91-22-69259696# (For investors outside India)

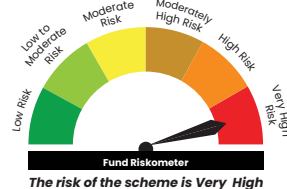
Nippon India Active Momentum Fund (An open-ended equity scheme following momentum theme)

This product is suitable for investors who are seeking*:

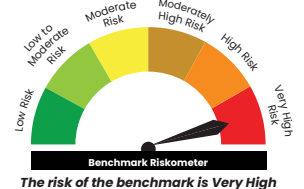
- Long term capital appreciation.
- An actively managed thematic equity scheme that invests in stocks exhibiting momentum characteristics.

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

Nippon India Active Momentum Fund



AMFI Tier I Benchmark: NIFTY 500 TRI



*Charges applicable

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

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

Nippon India Active Momentum Fund

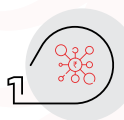
(An open-ended equity scheme following momentum theme)

Factor Investing Explained

Factor Investing targets return drivers across macroeconomic or style factors to generate excess returns or reduce risk.



Why Factor Investing is Important?



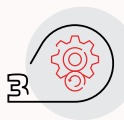
Diversification

Factors tend to have different return patterns at different times, so incorporating factor investment may reduce the potential risk of a portfolio and aims to enhance long-term performance through diversification.



Enhanced Risk-Adjusted Returns

Factor investing aims to identify stocks that have historically outperformed others on a risk-adjusted basis. This can potentially lead to better returns without taking on excessive risk-adjusted returns.



Systematic and Rules Based Approach

Factor investing follows a disciplined, rules-based approach, which reduces emotional decision-making and human biasness. Investors are less likely to make impulsive decisions based on market noise or short-term fluctuations, aiming for a systematic investment strategy.



Scalable in Nature

Factor Investment can be implemented across geographies, time-zones, multiple markets etc. A quant investing gives one an opportunity to increase the investment universe as they are scalable and not to a small subset of stocks.

Understanding the concept of Momentum

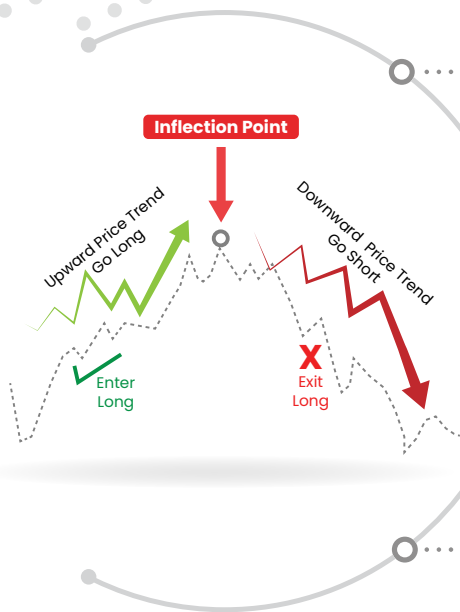
Momentum refers to the quantity of motion an object has, in a broader sense momentum refers to the idea of gaining strength or energy over time.

Understanding Momentum in the World of Sports-

Tennis: After winning a few games or winning even a set, a player can feel he is "in the winning streak," which leads to more affirmative and effective play. Conversely, losing momentum can lead to mistakes and a loss of focus on the game.

- **In the Investing space,** Momentum as a concept refers to the tendency of an asset's price to persist in the same direction over time. The concept is based on the idea that assets which have performed well in the past may continue to perform well further and those that have underperformed may continue to show underperformance further.
- **In the Investing space, Momentum is respecting the market wisdom.**

Contrary to popular belief Momentum can aid in Risk Management



Trend-following strategies may help in capturing upcycles better and aid in lowering risk in down cycle.



Momentum helps in Risk Management as much as aims for Alpha creation.



In essence, the factor attempts to participate in winners and stick with them till they start declining.



Thus, limiting the downside by dispassionately exiting past winners in the declining cycle.

However, Momentum has its pitfalls too!!

1

High Churn

Momentum strategies can result in High churn leading to potentially higher transaction costs.

2

Higher volatility especially during trend reversal/ regime shifts

At the decisive turn of bull or bear run, momentum portfolios can be prone to sharp underperformance due to its excessive ownership.

3

Herd mentality may dilute portfolio quality

Due to the focus on winners some businesses with poor fundamentals can be part of the momentum portfolio.

'Momentum risks can be managed without comprising the alpha potential by adding fundamental micro factors along with quality & risk filters'

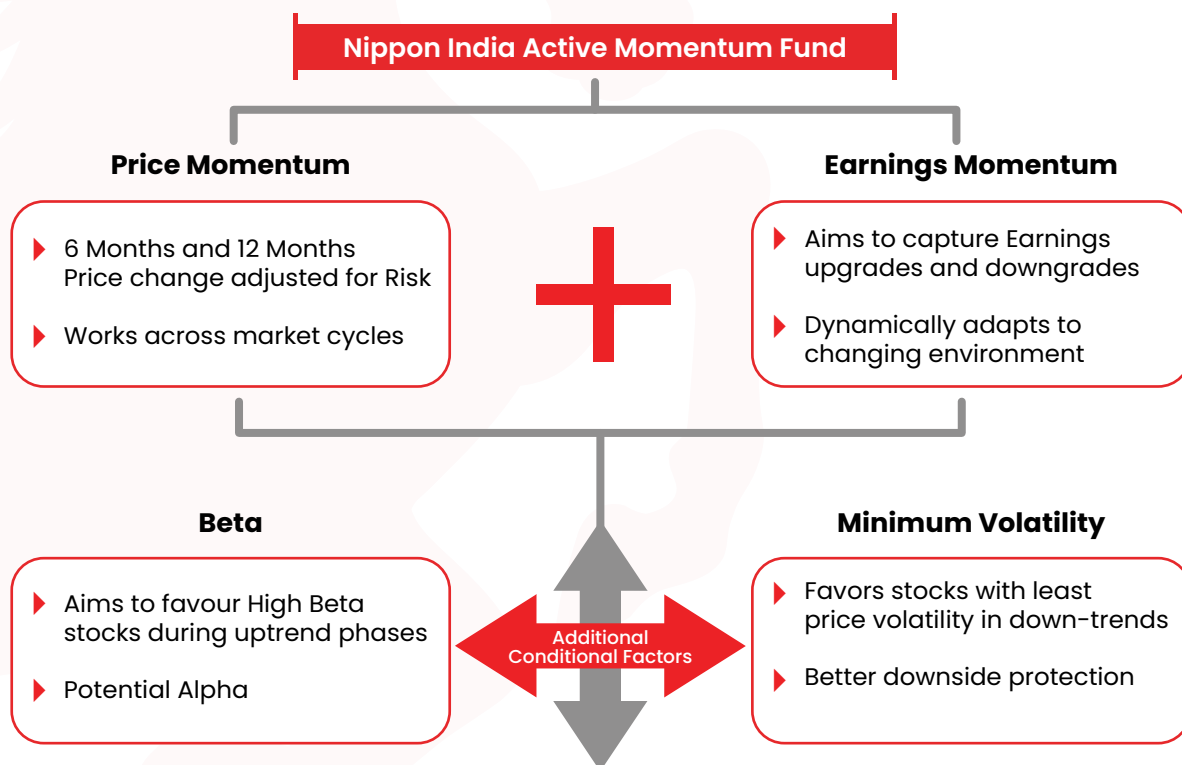
Introducing

Nippon India Active Momentum Fund (Model Strategy) –

Nippon India Active Momentum Fund (Model Strategy) attempts to have an Optimal Blend of Technical (Price Momentum) and Fundamental factors (Earnings Revision). In simple terms Combining Market Wisdom with Expert (Consensus) View.

The model attempts to reduce randomness of Price momentum during trend shifts by incorporating key factor of Earnings revision.

- Momentum is a way of doing Fundamentals and taking the best out of the Fundamentals of a particular stock/ company and avoiding red flag trends.
- A reliable, durable momentum in stock price is backed by earnings.
- Pure Price Momentum can be of good quality and bad quality.
- Momentum in company's fundamentals, i.e., earnings momentum, explains the performance of strategies based on price momentum. Generally, earnings momentum carries less noise value than price momentum.
- In essence Earnings Momentum and Price Momentum are two faces of the same coin.
- Underreaction towards earning trajectory shifts or gradual reaction towards earnings trajectory shifts is captured by momentum factor!
- **Earnings Revision is the wisdom of the Crowd and market perception about the earnings.**

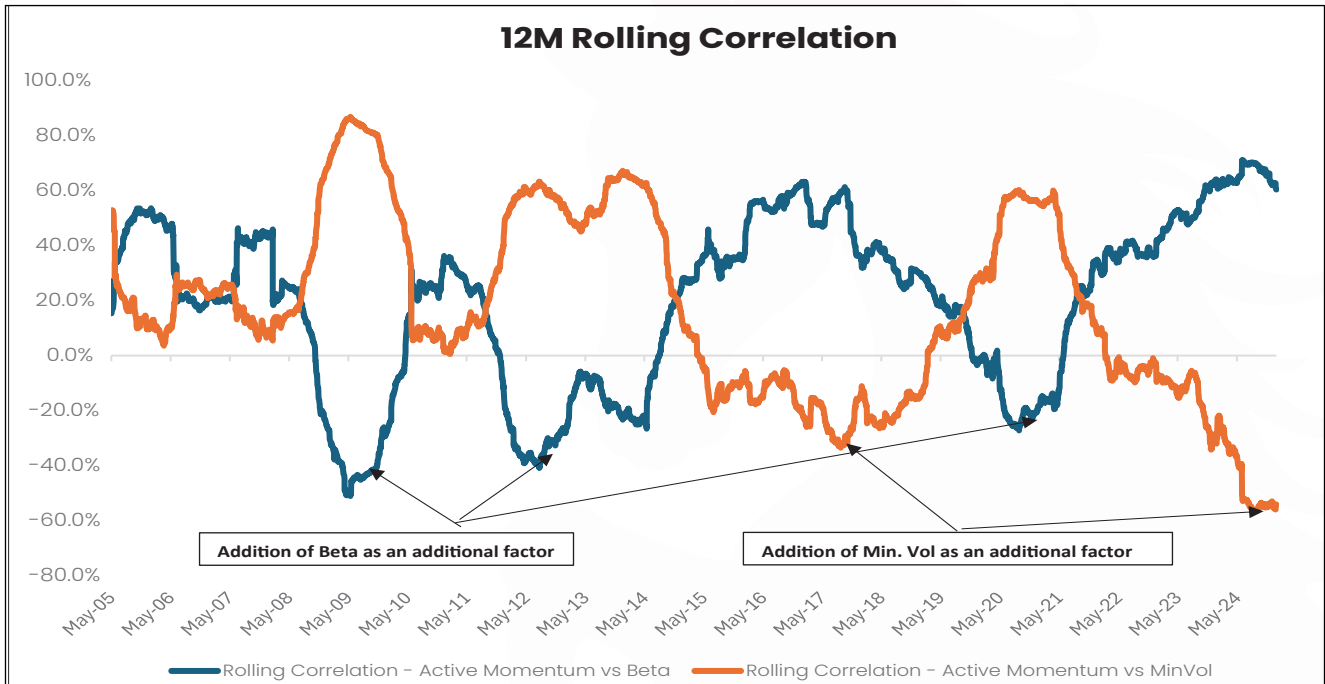


Additional Conditional Factors rationale

- There are only two phases of the market – **Risk ON and Risk OFF**. From factor lens, it's either Beta or Minimum Volatility which works in the market during Risk ON and Risk OFF phases effectively.
- **While revision factor (earnings) helps in being agile and dynamic in stock selection, timing Beta helps to amplify the bull cycles of the market while presence of Minimum Volatility factor helps prevent the drawdown during recessions or bear cycles.**
- Hence the combination not only helps mitigate the down cycles of Momentum but also aims to amplify the return profile at a much lower risk.
- **Contra Factors:** Both Beta & Minimum Volatility are applied as contra indicators i.e. **overweight the opposite style when one style clearly looks heated up in either direction.**

Understanding the strategy with an example

- **For example**, if Momentum and Revision are weighed equally at all points in time (50:50), at peak of a bull market rally backed by Beta, we can have liberty to introduce Minimum Volatility to avoid drawdowns around the peaks
- Combination could be 40:40:20 instead of 50:50
- Take current period for example, correlation between Momentum and Beta had reached its peak around June 2024 as can be seen in the chart below. Introducing Minimum Volatility since June would have made sense as Minimum Volatility outperformed Beta by 16% since June through 31st December 2024



Source: NSE, NIMF Research. Past performance may or may not be sustained in the future.

Why Nippon India Active Momentum Strategy?

Nippon India Active Momentum Model Strategy is an Optimal Blend of Technical and Fundamentals. Combining Market Wisdom with Expert (Consensus) View

- **Edge of the product** - (or say differentiated offering) - Price momentum is complemented/ accompanied equally by earnings momentum/upgrades (we call it Revision factor) in the respective stock - which effectively means you get on the ride with good quality momentum and aim to avoid volatility as a result. It aids in better diversification.
- **Use Contra signals** - To identify extreme momentum skew in the market, the strategy uses contra signals.
- **Rules based approach** - Follows a disciplined, rules-based approach, which reduces emotional decision-making and human biasness.
- **Choose good quality momentum and Bad quality momentum** - Factors like volatility of underlying stocks can help identify good versus bad quality of momentum stocks in the portfolio.
- **Frequency of rebalancing** - The fund is envisaged at 30 days rebalancing. If need be, we may also reduce the rebalancing frequency with minimal impact on performance.
- **Focused Portfolio** - The fund would seek to invest in a focused portfolio around 30-40 stocks selected from the benchmark universe of Nifty 500 stocks. Liquidity and size of stocks while constructing a portfolio are taken into consideration.
- **Large Cap oriented strategy** - The scheme may tend to have higher allocation towards large caps.



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

Scheme Details

● Type of Scheme	An open-ended equity scheme following momentum theme.
● Investment Objective	The investment objective of the scheme is to achieve long-term capital appreciation for its investors. This objective will be pursued by strategically investing in a diversified portfolio of equity and equity related instruments. The selection of these instruments will be based on a quantitative model meticulously designed to identify potential investment opportunities that exhibit the potential for significant capital appreciation over the specified investment horizon. There is no assurance that the investment objective of the Scheme will be achieved.
● Fund Manager	Mr. Ashutosh Bhargava (Fund Manager) and Ms. Kinjal Desai (Fund Manager- Overseas Investment).
● Benchmark	AMFI Tier I Benchmark: NIFTY 500 TRI.
● Load Structure	Exit Load: 1% if redeemed or switched out on or before completion of 1 year from the date of allotment of units. Nil, thereafter.
● Minimum Application Amount	Rs.500 & in multiples of Re. 1 thereafter.

*Please refer to the Scheme Information Document (SID) for complete details.

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.