

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

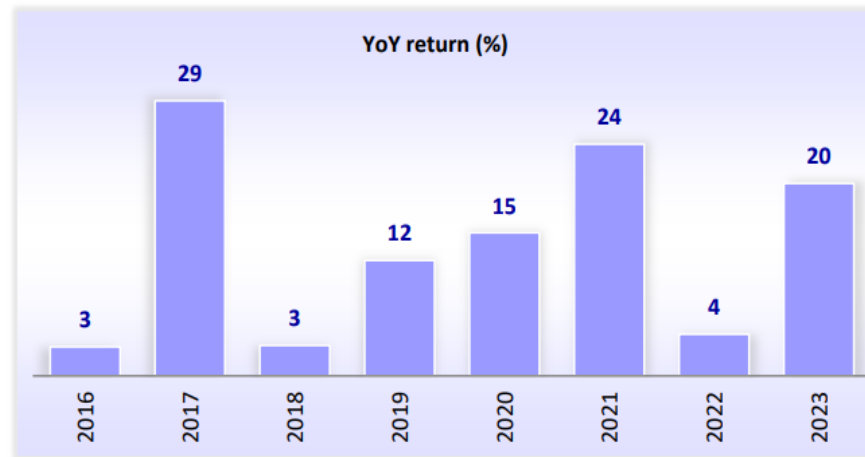
Note – Data as on 31st Mar,2024

Source : Bloomberg
NIMF Research

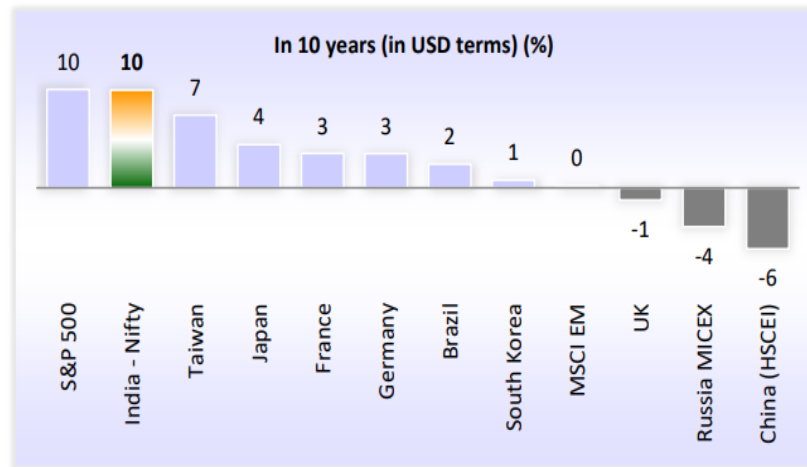
India Strategy : A year of Ups and Downs

- 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

Eight years of positive returns for Nifty50



India remains the second-best performer in the last 10 years...



Note – Data as on calendar year basis

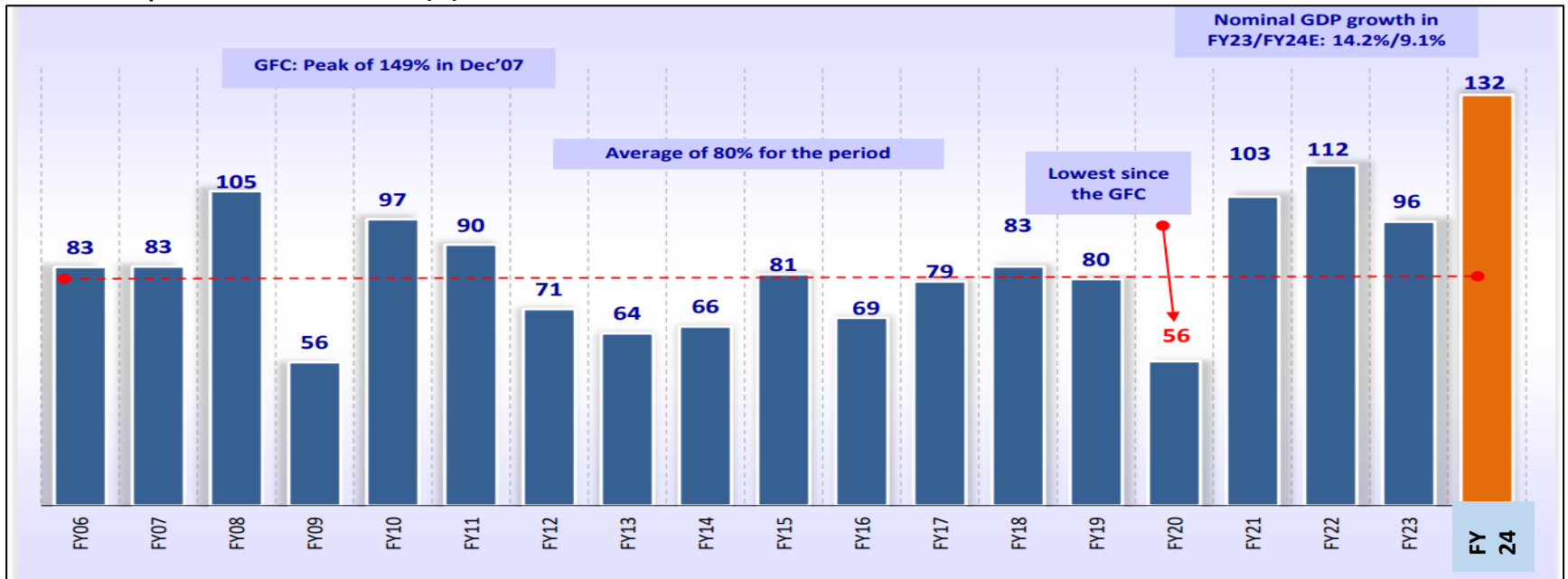
Source : Bloomberg

NIMF Research

India's market capitalization-to-GDP ratio at an all-time high as of year-end closing

- India's market capitalization-to-GDP ratio continues to remain strong. The ratio stands at 132% as of FY24, 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.

Market capitalization-to-GDP ratio (%)



GFC (The global financial crisis)

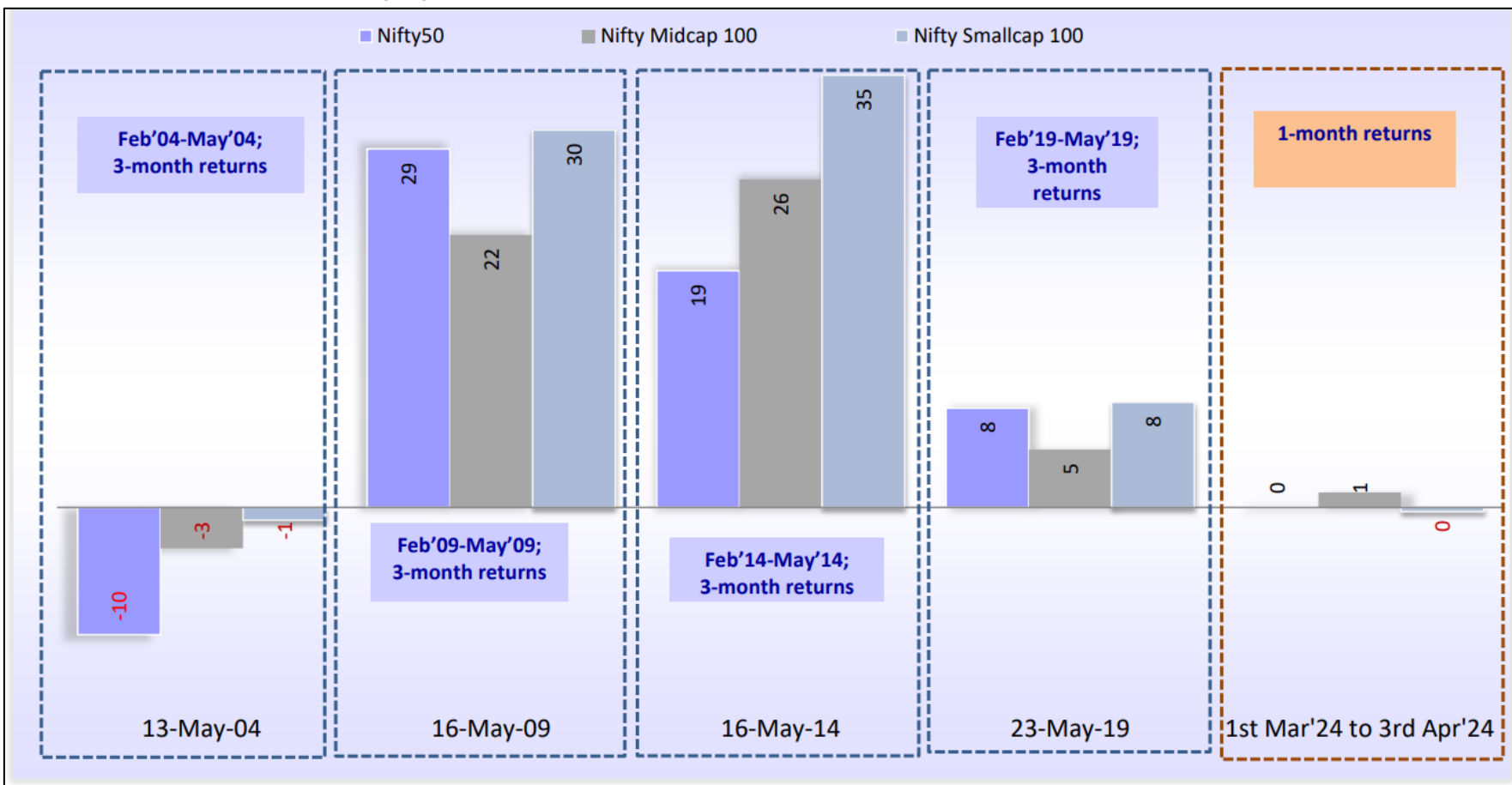
Note – Data as on 31st March, 2024

Source : Bloomberg, CEIC, NIMF Research

Healthy market returns seen three months prior to the general election results

- Market performance has remained healthy three months prior to the Lok Sabha election results
- The performance was strong in the past three out of four general elections.

Indices' returns YoY (%)

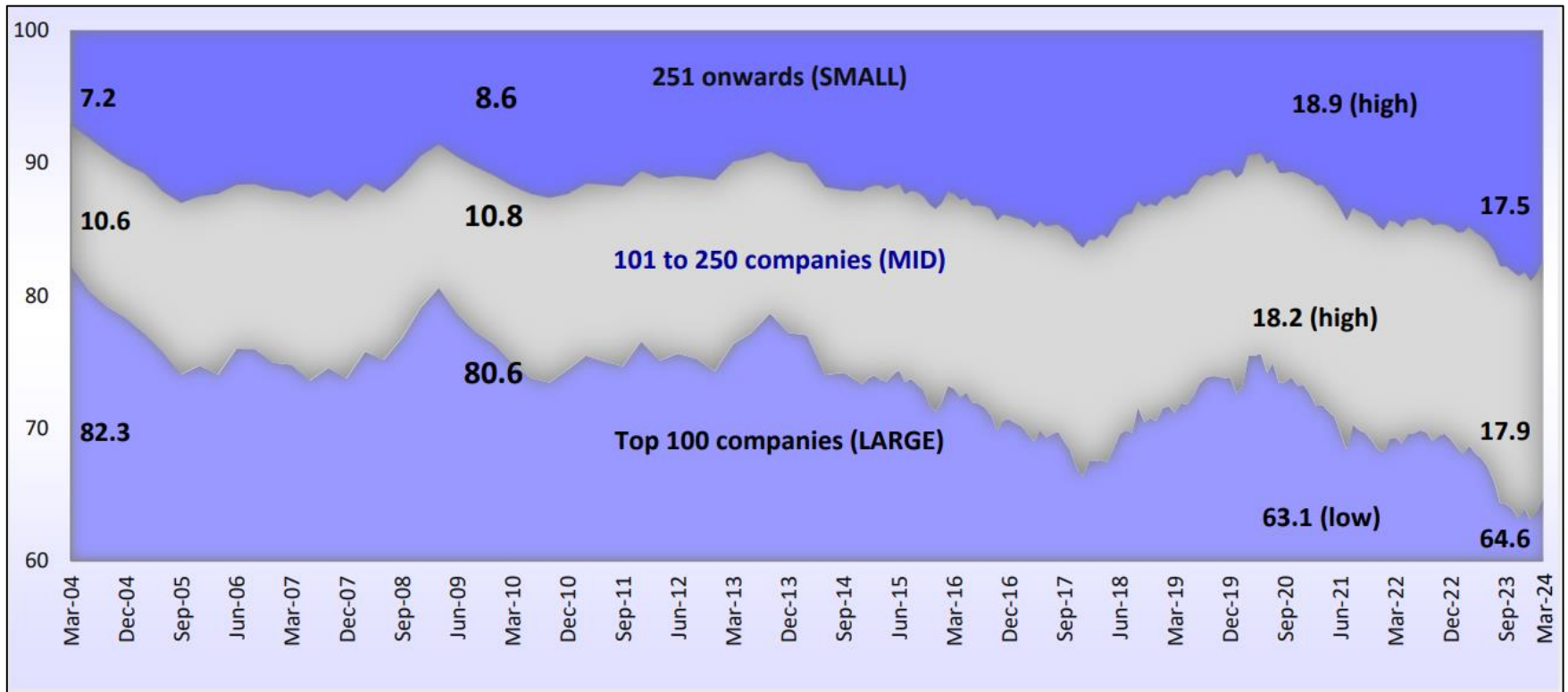


Note: - Indices returns are considered three months prior to the Lok Sabha Election results declaration date
- 2024 LS election date is 4th June 2024. Past performance may or may not be sustained in the future.

Mid and small cap rally takes a pause in Mar'24

- After a sharp rally in the past one year, mid and small caps underperformed large caps in Mar'24
- While mid caps recovered after the sharp fall and ended flat during the month, small caps declined 5% MoM
- Market cap of large/mid/small cap companies was +40%/+63%/+83% during Apr'23-Feb'24, while the same was +1%/+0.1%/-5.1% MoM in Mar'24

Market cap contribution (%)



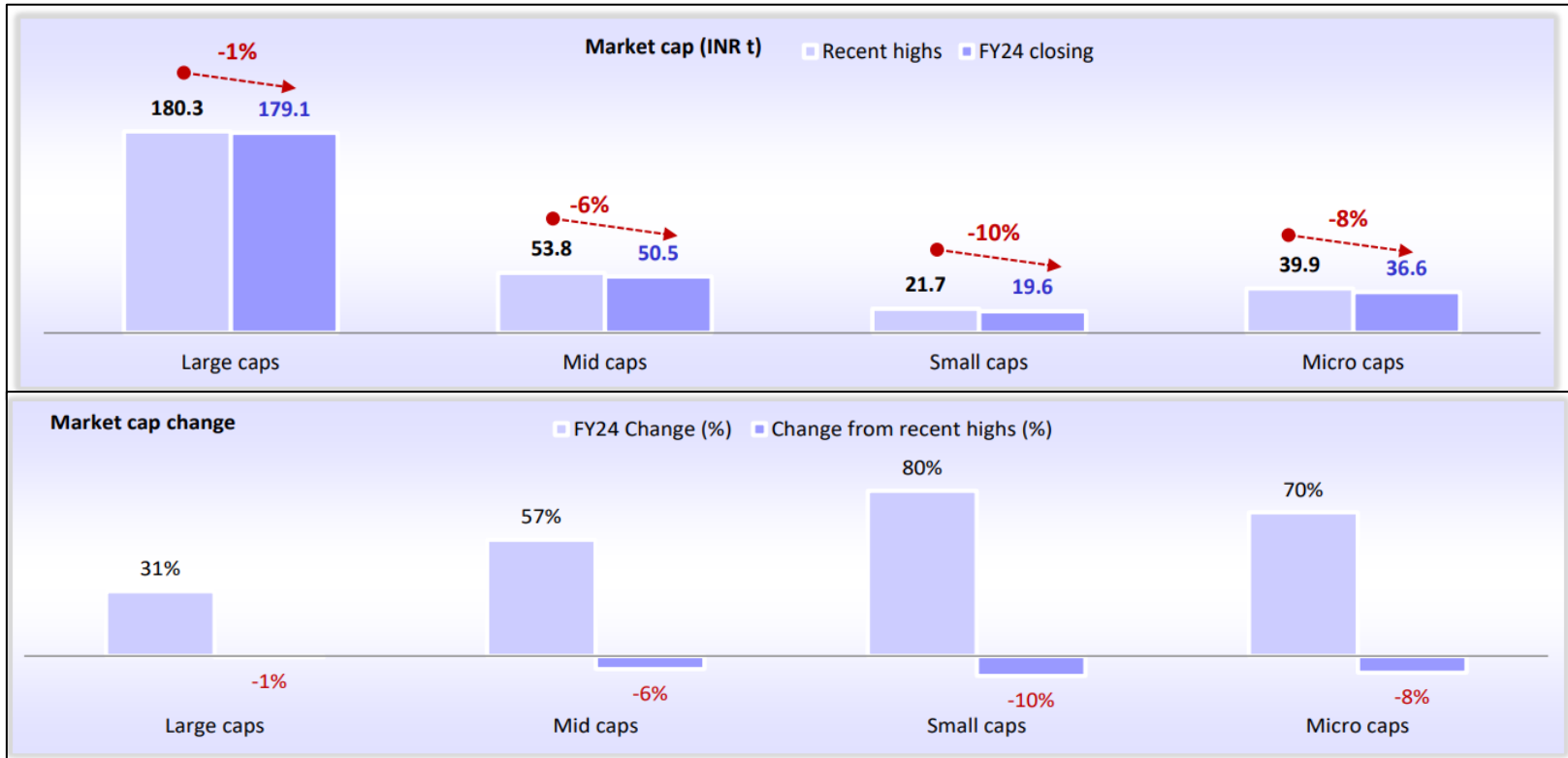
The top 100, 101 to 250, 251 onwards are in terms of market capitalizations

Note – Data as on 31st Mar,2024. Past performance may or may not be sustained in the future.

Source : Bloomberg, Ministry of Finance
NIMF Research

Small and micro caps witness a sharp correction from their recent highs

- Market cap for small cap and micro cap companies declined 10% and 8%, respectively, from their Mar'24 highs
- Market cap for large/mid/small/micro cap indices rose 31%/57%/80%/70% YoY in FY24.



- Stocks that are falling outside the top 500 in terms of market capitalization are usually referred to as microcap stocks. Typically, these enterprises have a market cap of under Rs 5,000 crore.

Note - Large caps – Nifty 50 index (peaked on 7th Mar'24) | Mid caps - Nifty Midcap 100 index (peaked on 8th Feb'24) Small caps - Nifty Smallcap 100 index (peaked on 7th Feb'24) | Micro caps - Nifty Smallcap 250 index (peaked on 7th Feb'24). Past Performance may or may not sustain in the future.

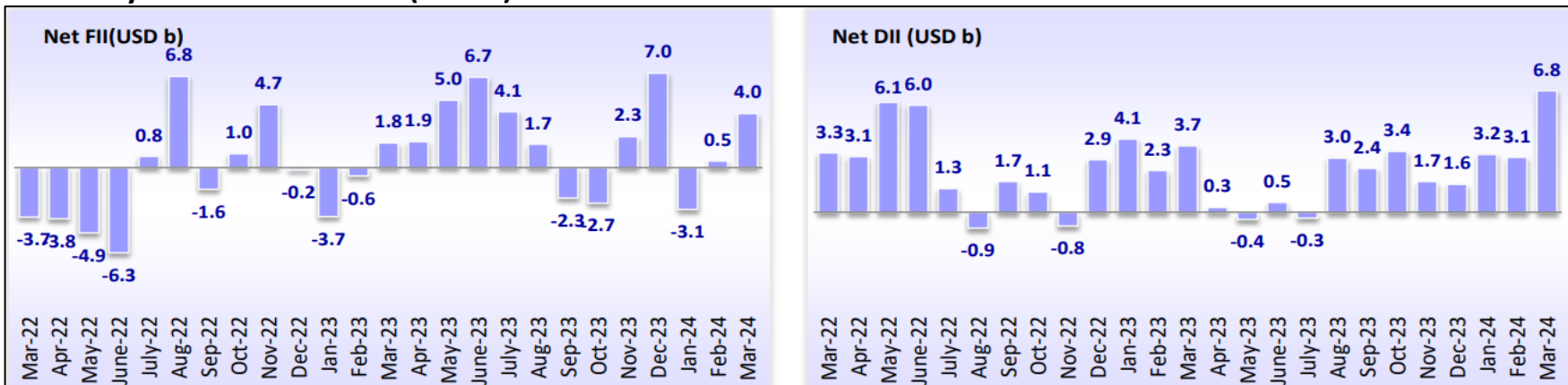
Note – Data as on 31st Mar, 2024

Source : Bloomberg,
NIMF Research

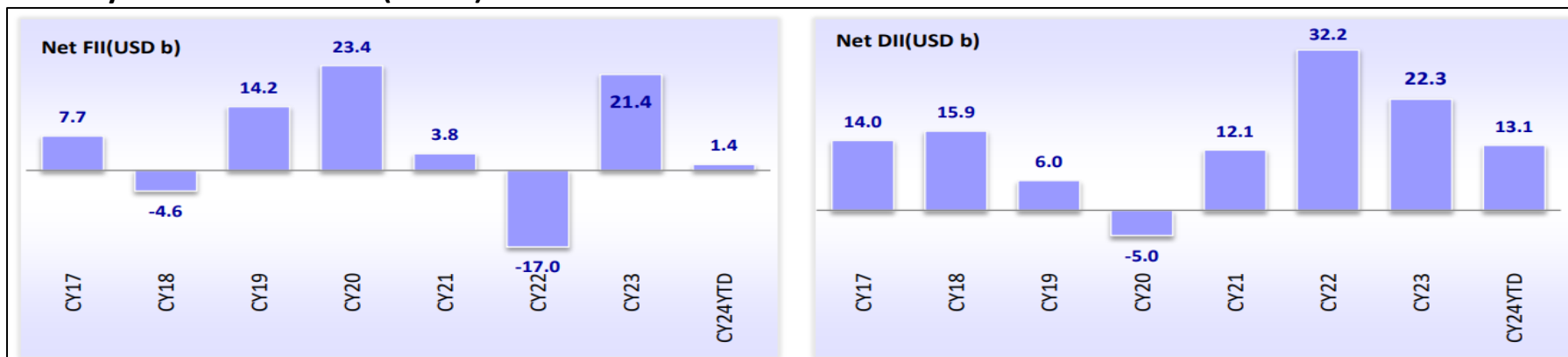
Domestic Institutional Investors monthly flows the highest since Apr'20; Foreign Institutional Investors flows turn strong in Mar'24

- FII flows turned strong in Mar'24 with inflows of USD4.0b. FIIs remain net buyers with USD1.4b of inflows in CY24YTD.
- DII flows remained strong during the month and were at a 4-year high at USD6.8b. Net DII inflows are at USD13.1b in CY24YTD.

Monthly institutional flows (USD b)



Yearly institutional flows (USD b)



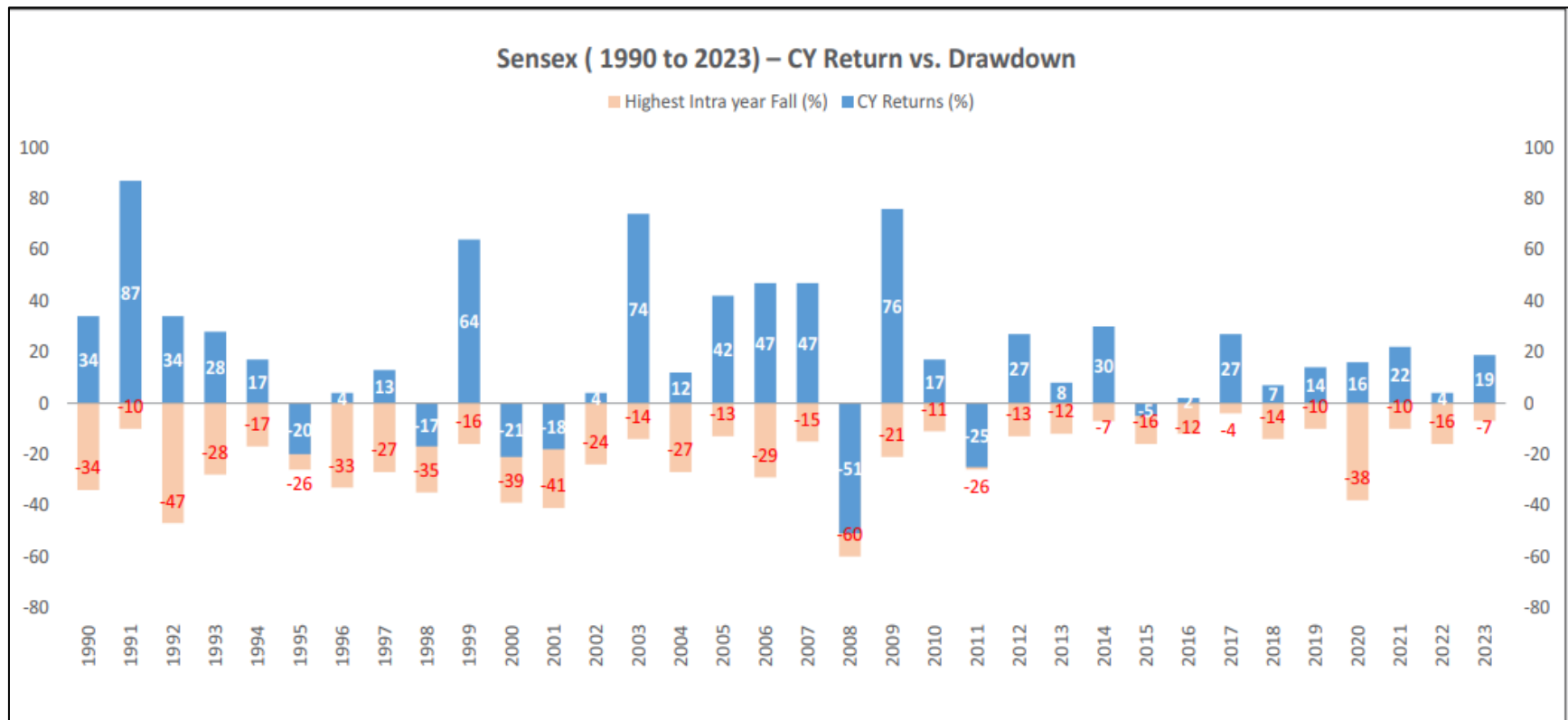
Past performance may or may not be sustained in future

Note – Data for calendar year basis

Source : Bloomberg, NSE

NIMF Research

Intra-year Corrections and Returns



- Out of 33 years, while markets always had an interim decline, only in 7 years did the market end the year with negative returns. In other words, for 26 out of 33 years, the markets ended in positive despite the temporary decline in between.
- 10-20% Temporary drawdown is almost a given every year.

Past performance may or may not be sustained in future

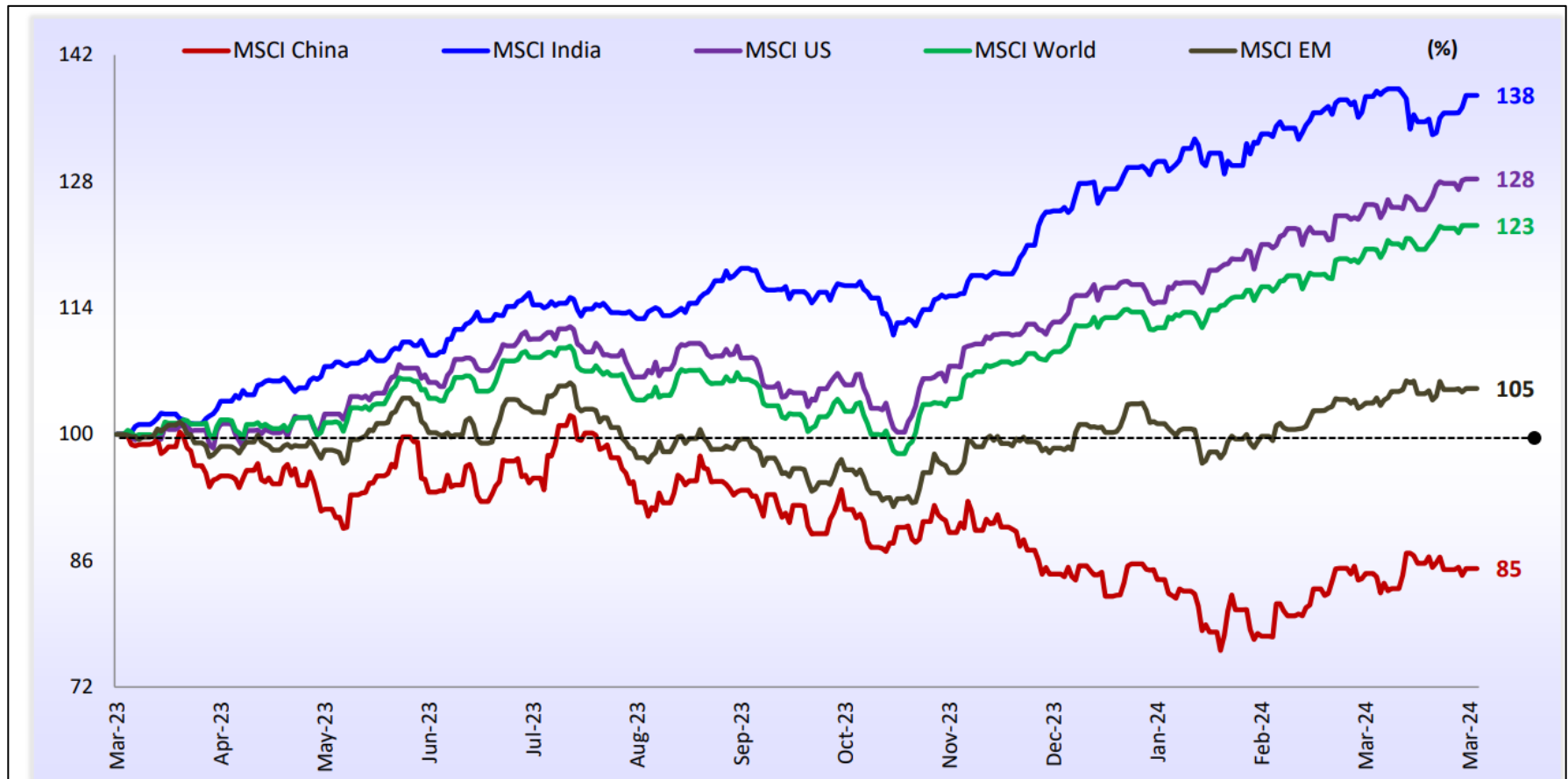
Note – Data as on 31st Dec, 2023

Source : Bloomberg, BSE

NIMF Research

MSCI India outperforms global markets in the last one year

- 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 31st March, 2024

Source : Bloomberg, MSCI,

NIMF Research

Equity View March 2024 and Outlook

- Indian economy continues to remain robust supported by demographic tailwinds, policy and structural reforms. Key lead indicators like tax collections, industrial activity, power demand continues to be buoyant.
- Moderating inflation, pick up in the private sector capex are also positive drivers. India is emerging to be destination of choice for global investors given the favorable macros, expectations of policy continuity etc. and we may see increased inflows.
- 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.
- 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.
- We believe Large Cap oriented strategies across Large Cap and Flexi/Multi Cap categories appear to be better placed on a risk- reward basis while Asset allocation products can help to manage the downside risks.
- Asset allocation in line with investment goals and risk appetite is important for better risk – return optimization. Herein asset allocation funds can help in lowering volatility and provide better balance to the overall portfolio mix.

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.

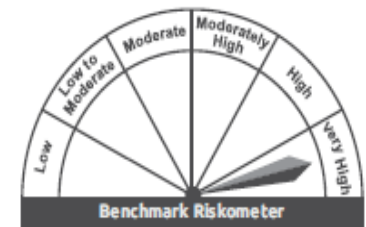
*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Nippon India Small Cap Fund



Investors understand that their principal will be at Very High risk

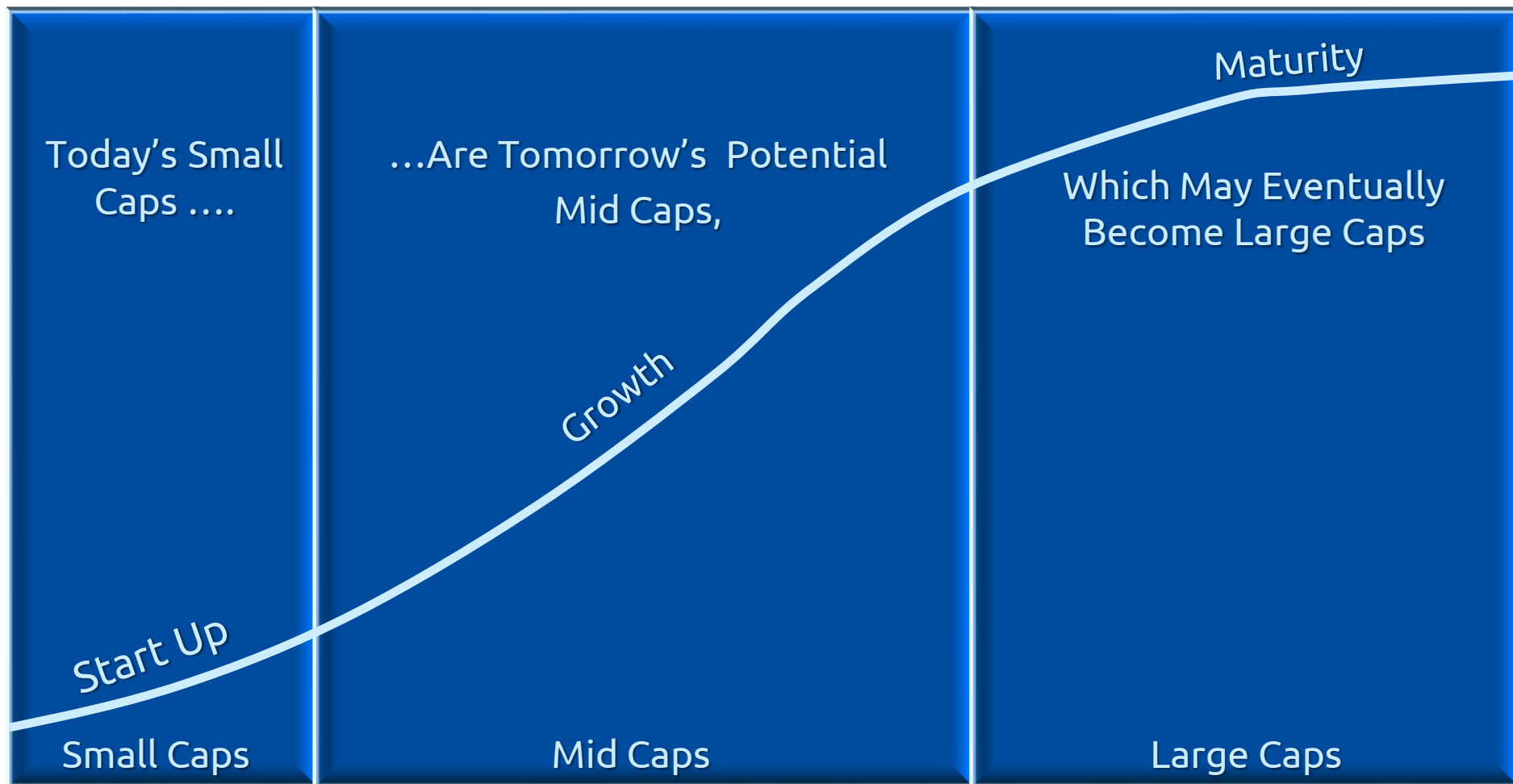
Nifty Smallcap 250 TRI



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	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	3.84	0.18
Industrials	2.80	-0.03
Cash	1.97	-0.09
Financials	1.62	0.59
Utilities	1.11	-0.31

Bottom 5 Allocation Groups by Active Weight

Group Name	Active Average Weight (%)	Attribution Total (%)
Consumer Staples	-6.32	0.51
Materials	-4.32	0.60
Information Technology	-2.07	-0.14
Energy	-1.41	0.09
Real Estate	0.78	0.06

Top 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
ANGEL ONE LTD	2.72	-0.38
NTPC LTD	2.26	-0.08
DIXON TECHNOLOGIES INDIA LIMITED	2.03	0.04
OIL AND NATURAL GAS CORPORATION LTD	2.00	0.19
MAX FINANCIAL SERVICES LTD	1.91	0.12
BHARAT HEAVY ELECTRICALS LTD	1.85	0.28
ELECTRONICS MART INDIA LTD	1.58	-0.29
ADITYA BIRLA FASHION AND RETAIL LTD	1.57	-0.26
INOX WIND LIMITED	1.49	-0.11
POWER FINANCE CORPORATION LTD	1.44	0.25

Bottom 10 Securities by Active Weight

Asset Name	Active Average Weight (%)	Attribution Total (%)
RELIANCE INDUSTRIES LTD	-3.41	0.07
TATA CONSULTANCY SERVICES	-2.55	-0.08
HDFC BANK LTD	-2.08	0.49
KOTAK MAHINDRA BANK LTD	-1.66	0.10
HINDUSTAN UNILEVER LTD	-1.38	0.03
AXIS BANK LTD	-1.26	0.05
BAJAJ FINANCE LTD	-1.22	0.01
HCL TECHNOLOGIES	-1.07	-0.06
SUN PHARMACEUTICAL INDUSTRIES LTD	-1.01	-0.18
TITAN COMPANY LTD	-0.98	0.12

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 31st Mar' 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	5.51
Industrials	3.48
Consumer Staples	1.54
Information Technology	0.22
Energy	-0.39
Communication Services	-1.26
Materials	-1.28
Real Estate	-1.29
Utilities	-1.40
Health Care	-2.46
Financials	-6.76

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 31st Mar 2024

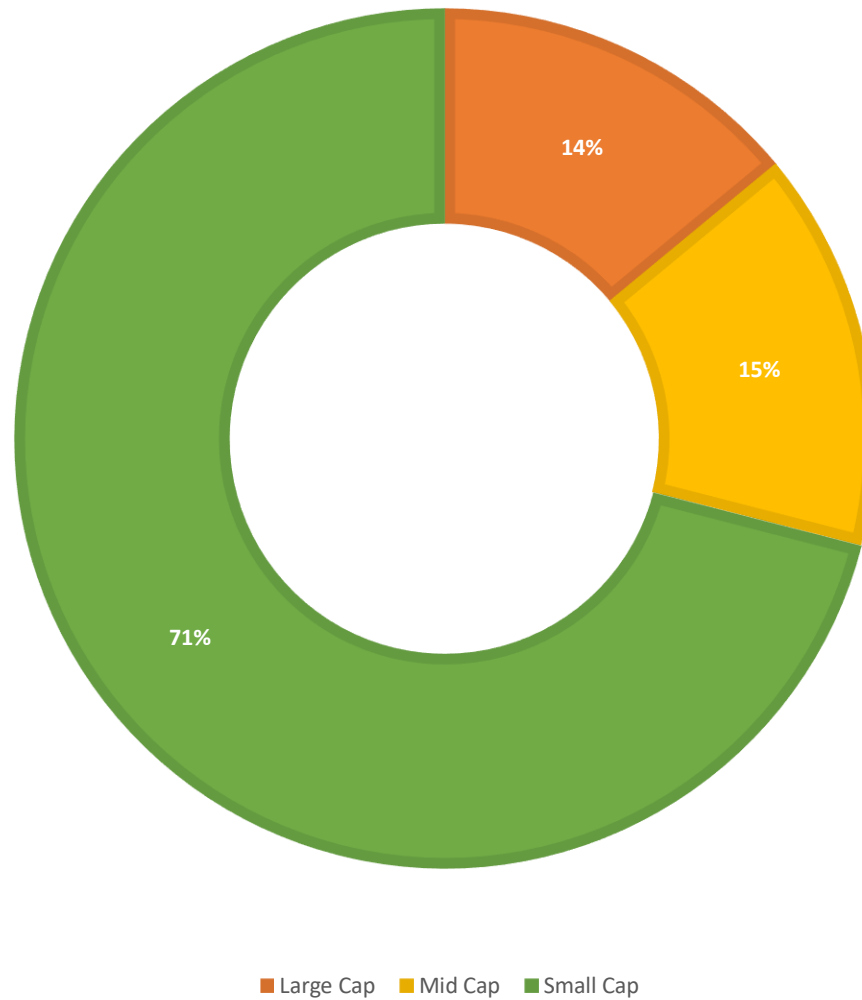
Portfolio Details (As on Mar 31, 2024)

Top 10 Holdings	Weightage
Tube Investments of India Limited	2.39%
HDFC Bank Limited	1.95%
Voltamp Transformers Limited	1.83%
Apar Industries Limited	1.65%
Multi Commodity Exchange of India Limited	1.36%
Bharat Heavy Electricals Limited	1.35%
State Bank of India	1.33%
Karur Vysya Bank Limited	1.27%
NIIT Learning Systems Limited	1.26%
InterGlobe Aviation Limited	1.26%

Top 10 Sectors	Weightage
Industrial Products	8.35%
Electrical Equipment	8.15%
Banks	6.57%
Auto Components	6.10%
Pharmaceuticals & Biotechnology	5.67%
Construction	4.70%
Consumer Durables	4.23%
Capital Markets	3.90%
Finance	3.66%
Chemicals & Petrochemicals	3.51%

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 31st March'24

Scheme Performance

NAV as on March 28, 2024: ₹141.2388				
Particulars	CAGR %			
	1 Year	3 Years	5 Years	Since Inception
Nippon India Small Cap Fund	55.72	33.73	28.49	21.60
B:Nifty Smallcap 250 TRI	64.60	28.39	22.53	13.17
AB:S&P BSE Sensex TRI	26.66	15.57	15.10	11.82
Value of ₹10000 Invested				
Nippon India Small Cap Fund	15,534	23,876	35,040	141,239
B:Nifty Smallcap 250 TRI	16,415	21,135	27,630	53,419
AB:S&P BSE Sensex TRI	12,650	15,423	20,205	45,396
Inception Date : Sep 16, 2010				
Fund Manager : Samir Rachh (Since Jan 2017), Tejas Sheth (Assistant Fund Manager) (Since Feb 2023)				

Performance as on March 31, 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 March 31, 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	32.00	28.46	16.92	15.91	N.A.	N.A.

Note:



- a. Tejas Sheth manages 2 open-ended schemes 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).

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 March 31, 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>

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*