

# CIO Monthly Memo

February 2025

# CIO Memo

## One of the Toughest Months in Recent Times

January continued to be a tough month for Indian equities as the benchmark index NIFTY 50 declined by 1%. Furthermore, the broader market, as measured by the BSE 500 Index, dropped even more by ~4%. The Small and Midcap indices were battered during the month, declining by 10% and 7%, respectively. The January sell-off has resulted in the market entering an oversold zone, as indicated by a few technical indicators.

The global macroeconomic scenario continues to evolve with the Trump presidency. In the near term, the market will remain volatile as the threat of tariffs continues to loom. However, over the medium to long term, equities will track the earnings trajectory in conjunction with the cost of funds.

As January was tough for Indian equities, our strategies also took a hit and underperformed the benchmark index by a significant margin. However, if we look at the performance over the entire fiscal, they still outperformed the benchmark by a significant margin. Moreover, as the correction has been significant, value has clearly emerged in most of our holdings, which have continued to report good earnings growth. Thus, it is just a matter of time before the portfolio performance also catches up with its earnings growth.

## Q3FY25 Earnings Coursing the Trajectory

The Q3FY25 earnings have been broadly in line with expectations, with 67% of the NIFTY 50 companies reporting earnings that either beat the estimates or were in line with them. While earnings expectations were modest, meeting quarterly projections was also a challenge for most companies. In this context, given the weakness in Q2FY25, the in-line Q3FY25 numbers provide a welcome relief. The sectors that delivered healthy numbers were Autos, IT, and Pharmaceuticals. However, as expected, the Metals & Mining sector delivered weak numbers.



*Naveen has over 21 years of experience in the Financial Services and Telecom sectors. In his previous role, he was responsible for Institutional and Retail research as Head of Research with Reliance Securities Limited. He also served as Co-Head of Research with Phillip Capital India Private Limited in his 11- year long association with the organization.*

The Banking sector reported mixed results, facing challenges in both credit growth and deposit mobilisation. However, deposit mobilisation remains a more pressing concern, as credit growth is less of an issue in a capital-starved economy like India. Challenges in the unsecured lending space persist but are expected to moderate over the next few quarters, which is a positive development. Thus, Q3FY25 could be considered the peak of challenges in the unsecured space, with clear improvements to be expected from Q1FY26 onwards.

The Small and Midcap space reported mixed numbers for Q3FY25, but the outlook for future quarters is more constructive. The Consumer Staples category has remained under pressure, with industry bellwether companies such as Hindustan Unilever reporting sluggish volume growth. Asian Paints also disappointed on the revenue front, but margins were better than expectations. Overall, the earnings season has been a mixed bag, though it was on the expected lines. The outlook is improving, which is a significant positive.

### **Union Budget 2025: Great Budget to Spur Consumption Growth**

The Union Budget 2025-26 focused on reviving India's consumption-led growth engine. While the budget outlined several measures for the agriculture sector, its key highlight was the tax reforms aimed at increasing the disposable income of the large middle diaspora of the country. This taxation reform had been a long-standing demand of the middle class, a key tax contributor, who often felt that their contributions did not yield adequate benefits from the government. The Union Budget finally addressed these sentiments. Overall, while reduction in taxation will lead to a revenue loss of over Rs 1 Lc Cr in direct taxes for the government, it will significantly increase the segment's disposable income, giving a much-needed thrust to the country's consumption.

Notably, while the highlight of the budget was the tax reforms for the middle class, the focus on capital expenditure remained unwavering. The capital expenditure for FY25 was budgeted at Rs 11.1 Lc Cr. However, the government will significantly undershoot

the target and achieve 10.2 Lc Cr. While this is significantly below the target, its pick-up has been quite significant in the last couple of months. Moreover, the budgeted Capex for FY26 is pegged at Rs 11.2 Lc Cr, a 10% increase over FY25. Nonetheless, considering the government grants to the states, the total expenditure is projected at Rs 15.5 Lc Cr, representing a significant increase of 17.4% over FY25. Given the strong pick-up in recent months and favorable growth prospects for FY26, capex is unlikely to be a challenge. Although the market showcased a slight disappointment on the public Capex front, the chances of positive surprise have increased substantially.

### **Trump Tariffs - A Short-Term Challenge**

Overall, the structural story remains intact, and the current market conditions present an excellent opportunity to invest and achieve double-digit returns from equities. However, history tells us that these challenges are, more often than not, short-lived. The imposition of sanctions on Russia after the Russian-Ukraine war led to a sharp surge in commodity prices, including crude oil, natural gas, and many other commodities. However, these challenges were short-lived and normalcy returned. Similar challenges surfaced with the unrest in the Middle East.

All these challenges eventually appear in broad macro indicators like inflation or currency. Rupee depreciation against the US has been one apparent factor contributing to the outflow of foreign investments from the Indian equity market. However, the Indian economy offers excellent value, and the Rupee-Dollar equation is likely to stabilise very soon, which could mark the return of foreign investors. In a nutshell, while tariff challenges seem significant, they are unlikely to materially impact over the medium to long term. The first clear signs of improvement will likely emerge once the currency stabilizes, which is expected to occur soon.

**Conclusion: Good times to come**

Indian economy is in a very stable political regime. With recent wins in various assembly elections and a good budget, the current Modi administration has further cemented its position as a stable regime. Quarterly earnings are expected to improve sequentially as government spending accelerates and the capex revival in the private sector appears on the horizon. The market is in the oversold zone, and

domestic institutional investors have continued to see good inflows during January. Thus, it is a matter of time before market orientation changes, and would likely touch new highs by the end of the year. Overall, the structural story remains intact, and the current market conditions present an excellent opportunity to invest and achieve double-digit returns from equities.

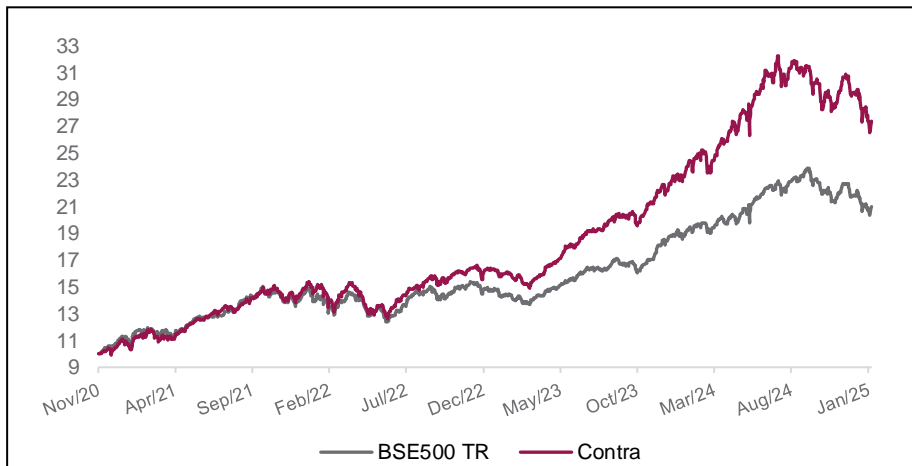
**Happy investing!**

# Axis Securities Pure Contra

31<sup>st</sup> January 2025

**Investment Objective:** Axis Securities Pure Contra investment strategy focuses on three primary investment styles – Value, Momentum-Alpha, and Special situations investing. Value, Alpha-Momentum form the core factors while Special Situation investing is employed as a satellite factor.

## Cumulative Performance: Returns



## Annual Performance (%)

Year	Pure Contra	BSE500 TR
2025(YTD)	-6.7%	-3.4%
2024	28.8%	16.1%
2023	39.5%	26.8%
2022	9.7%	4.8%
2021*	36.5%	31.0%

\*effective 01 Jan 2021

## Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	2 years*	3 years*	4 years*	Since inception**
<b>Pure Contra</b>	-6.73%	-6.22%	-15.19%	15.00%	30.52%	21.51%	26.48%	25.95%
<b>BSE500 TR</b>	-3.43%	-4.82%	-8.23%	9.73%	20.98%	14.17%	18.72%	19.53%

(\*CAGR Returns) (\* Net of all charges) (\*\*Since 27th Nov, 2020)

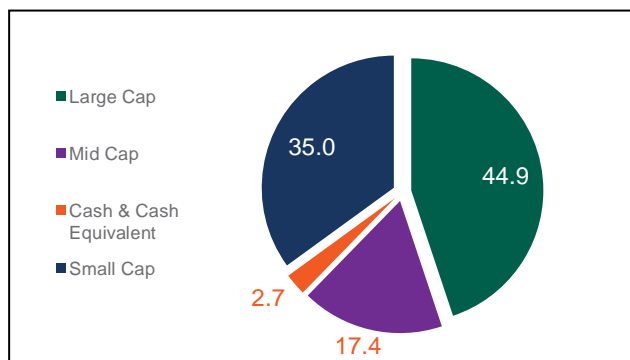
## Risk Assessment

	Pure Contra	BSE500 TR
Alpha	6.5%	
Beta	1.03	1.00
Sharpe Ratio	1.16	0.87
Std Deviation	16.6%	14.6%
Upside Deviation	7.9%	
Downside Deviation	8.6%	
Up Capture ratio	112.0	100
Down Capture ratio	99.4	100
Sortino Ratio	1.12	0.88
Information Ratio	0.91	
Max Drawdown	-17.9%	-17.6%
Average Turnover Ratio (Annual)	0.97	

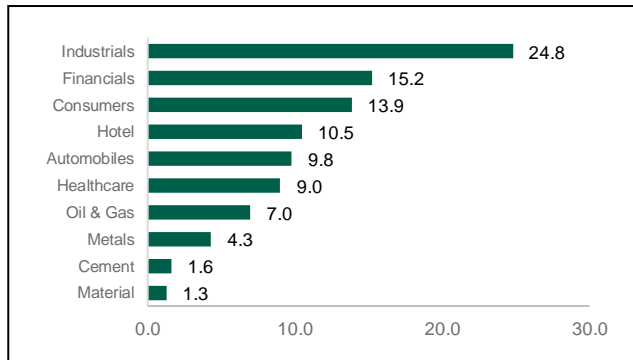
## Key Portfolio Ratios

	Pure Contra	BSE500 TR
PE	18.55	23.51
PB	3.43	3.63
ROE	18.49%	15.14%
Dividend Yield	1.79%	1.20%

## Market Capitalization



## Sector Allocation



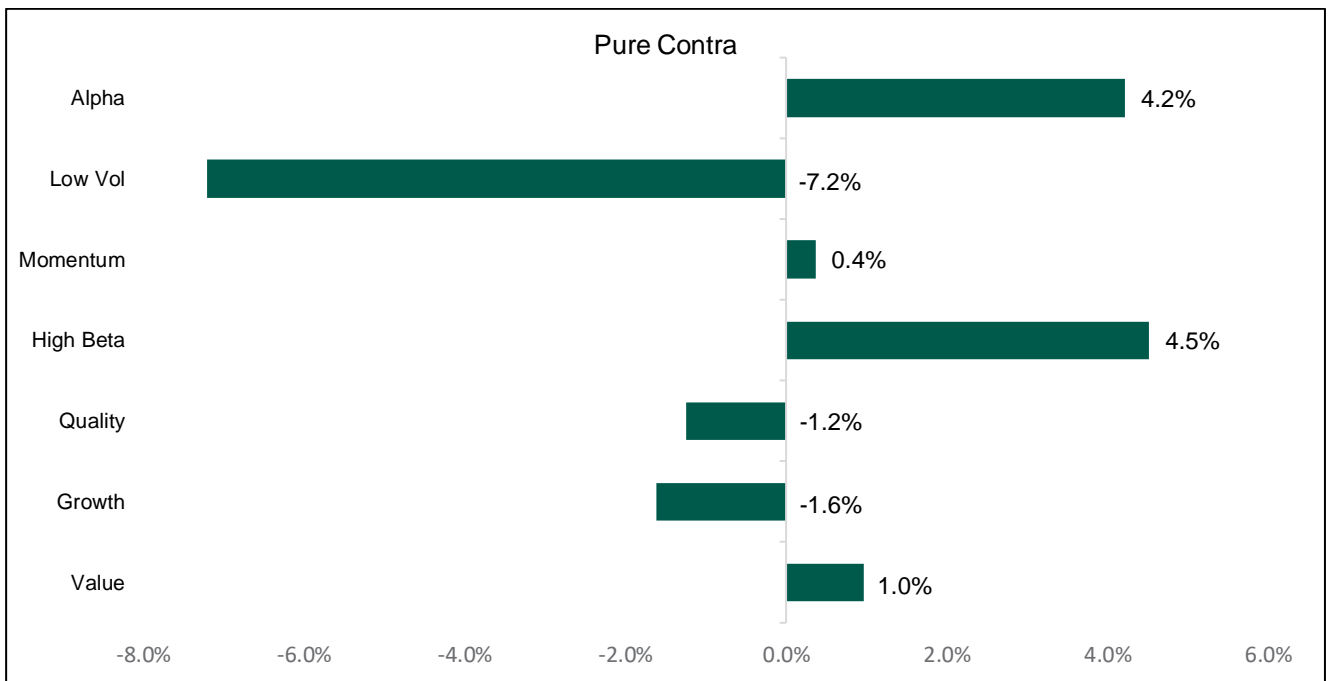
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
INDUS TOWERS LTD	91,597	6.8%
MAHINDRA & MAHINDRA	3,71,796	6.2%
INDIAN HOTELS CO LTD	1,08,850	6.2%
HINDUSTAN PETROLEUM CORP	76,229	4.3%
VEDANTA LTD	1,72,605	4.3%
LUPIN LTD	94,917	4.3%
ITC LTD	5,59,899	4.3%
THOMAS COOK (INDIA) LTD	7,307	4.1%
ICICI BANK LTD	8,84,577	4.0%
KIRLOSKAR BROTHERS LTD	14,753	3.9%

Portfolio Characteristics

	Contra
Number of constituents	31
Mcap Largest (Cr)	8,84,577
Mcap Smallest (Cr)	2,930
Mcap Average (Cr)	1,40,929
Mcap Median (Cr)	76,229

Factor Box



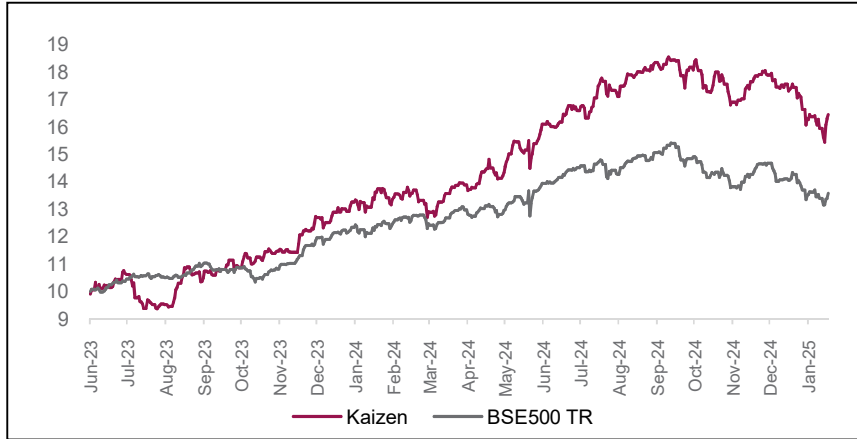
The Factor Box provides relative factor exposure vis-à-vis a given benchmark. For instance, if the Growth factor exposure in a portfolio is 23% and the Growth factor exposure of the Benchmark is 20%, it indicates that your portfolio is “Overweight” on Growth with respect to the benchmark. A positive Value in the above Factor represents that the given portfolio is Overweight in the factor with respect to the benchmark. Similarly, a negative value would represent that the given portfolio is underweight in the factor with respect to the benchmark.

# Axis Securities Kaizen

31<sup>st</sup> January 2025

**Investment Objective:** Axis Securities Kaizen strategy focuses on manufacturing theme with exposure to 11 sectors. The core investment style is quality along with growth, and with a focus on under-represented segments of Indian listed markets.

## Cumulative Performance: Returns



## Annual Performance (%)

Year	Kaizen	BSE500 TR
2025(YTD)	-5.3%	-3.4%
2024	28.7%	16.1%
2023	29.3%	21.6%

\*effective 15 June 2023

## Portfolio Performance

Particulars	1 month	3 months	6 months	1 Year	Since Inception
<b>Kaizen</b>	-5.32%	-8.28%	-8.28%	17.39%	31.79%
<b>BSE500 TR</b>	-3.43%	-4.82%	-8.23%	9.73%	20.50%

(\* Net of all charges) (\*\*Since 15th June, 2023)

## Risk Assessment

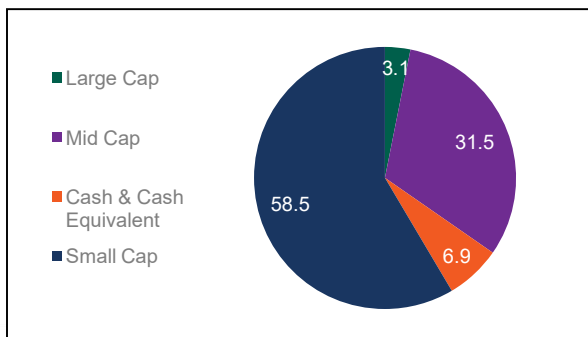
	Kaizen	BSE500 TR
Alpha	11.3%	
Beta	1.00	1.00
Sharpe Ratio	1.28	1.02
Std Deviation	19.6%	13.6%
Upside Deviation	16.3%	
Downside Deviation	16.3%	
Up Capture ratio	114.9	100
Down Capture ratio	96.6	100
Sortino Ratio	1.42	0.93
Information Ratio	0.80	
Max Drawdown	-16.7%	-17.6%
Average Turnover Ratio (Annual)	1.63	

## Key Portfolio Ratios

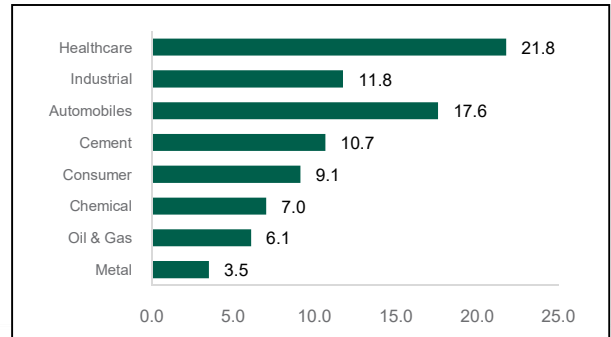
	Kaizen	BSE500 TR
PE*	17.83	23.51
PB	3.89	3.63
ROE*	20.80%	15.14%
Dividend Yield	0.96%	1.20%

\*PE and ROE ratios are for profitable companies in the portfolio. PB and Dividend Yield ratios are inclusive of all stocks in the portfolio.

## Market Capitalization



## Sector Allocation



**Top 10 Holdings**

<b>Scrip Name</b>	<b>Market Cap (Cr)</b>	<b>Weight</b>
KESORAM INDUSTRIES LTD	6,922	10.7%
VOLTAMP TRANSFORMERS LTD	8,456	7.4%
AMI ORGANICS LTD	9,764	7.2%
SRF LTD	83,291	7.0%
BALKRISHNA INDUSTRIES LTD	53,573	6.2%
HINDUSTAN PETROLEUM CORP	76,229	6.1%
KIRLOSKAR PNEUMATIC	7,351	6.0%
CIE AUTOMOTIVE INDIA LTD	17,619	5.4%
AJANTA PHARMA LTD	33,657	5.1%
SUVEN PHARMACEUTICALS LTD	26,850	4.8%

**Portfolio Characteristics**

	<b>Kaizen</b>
Number of constituents	17
Mcap Largest (Cr)	1,19,478
Mcap Smallest (Cr)	4,687
Mcap Average (Cr)	35,855
Mcap Median (Cr)	26,850

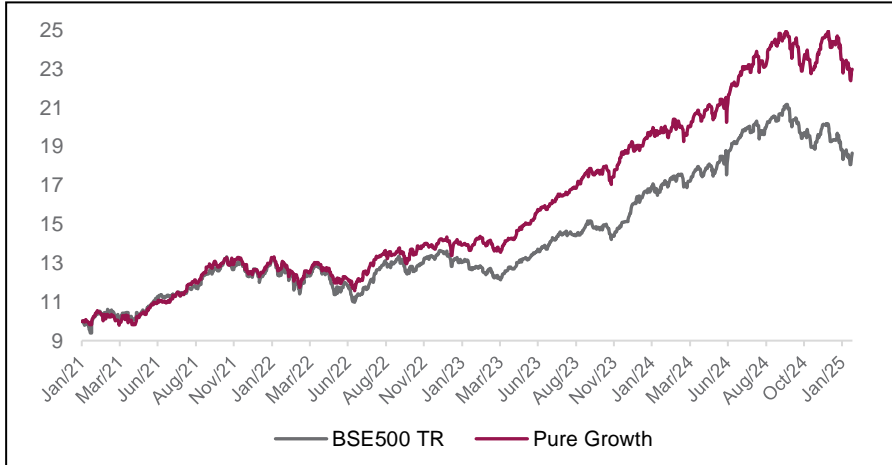


# Axis Securities Pure Growth

31<sup>st</sup> January 2025

**Investment Objective:** Axis Securities Pure Growth strategy focuses on parameters comprising sustainable earnings growth, quality, and low volatility. The core investment styles are growth and quality investing while low volatility and alpha investing are other key styles employed depending on the macroeconomic regime.

## Cumulative Performance: Returns



## Annual Performance (%)

Year	Pure Growth	BSE500 TR
2025(YTD)	-5.6%	-3.4%
2024	22.5%	16.1%
2023	35.9%	26.8%
2022	8.7%	4.8%
2021	25.5%	25.8%

\*effective 13 Jan 2021

## Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	2 years*	3 years*	4 years*	Since inception**
<b>Pure Growth</b>	-5.60%	-3.05%	-5.14%	12.16%	26.00%	19.21%	21.31%	20.42%
<b>BSE500 TR</b>	-3.43%	-4.82%	-8.23%	9.73%	20.98%	14.17%	18.72%	16.60%

(\*CAGR Returns) (\* Net of all charges) (\*\*Since 13th Jan, 2021)

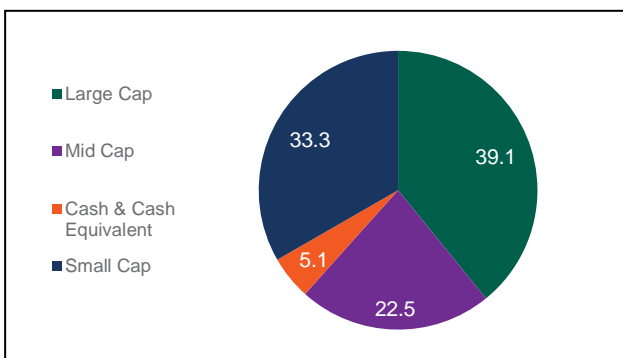
## Risk Assessment

	Pure Growth	BSE500 TR
Alpha	3.8%	
Beta	0.82	1.00
Sharpe Ratio	0.99	0.68
Std Deviation	13.8%	14.6%
Upside Deviation	8.0%	
Downside Deviation	8.9%	
Up Capture ratio	59.7	100
Down Capture ratio	95.7	100
Sortino Ratio	1.03	0.69
Information Ratio	0.52	-
Max Drawdown	-13.2%	-17.6%
Average Turnover Ratio (Annual)	0.52	

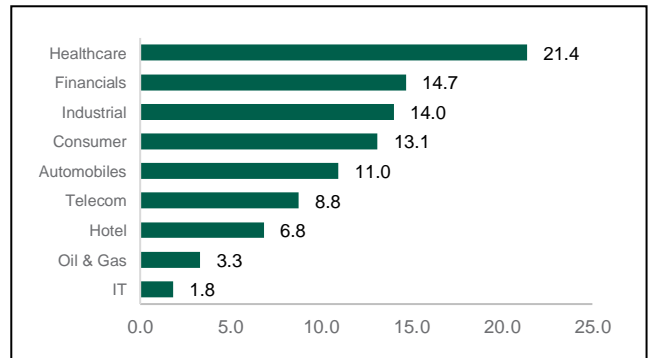
## Key Portfolio Ratios

	Pure Growth	BSE500 TR
PE	25.94	23.51
PB	4.65	3.63
ROE	17.92%	15.14%
Dividend Yield	0.72%	1.20%

## Market Capitalization



## Sector Allocation



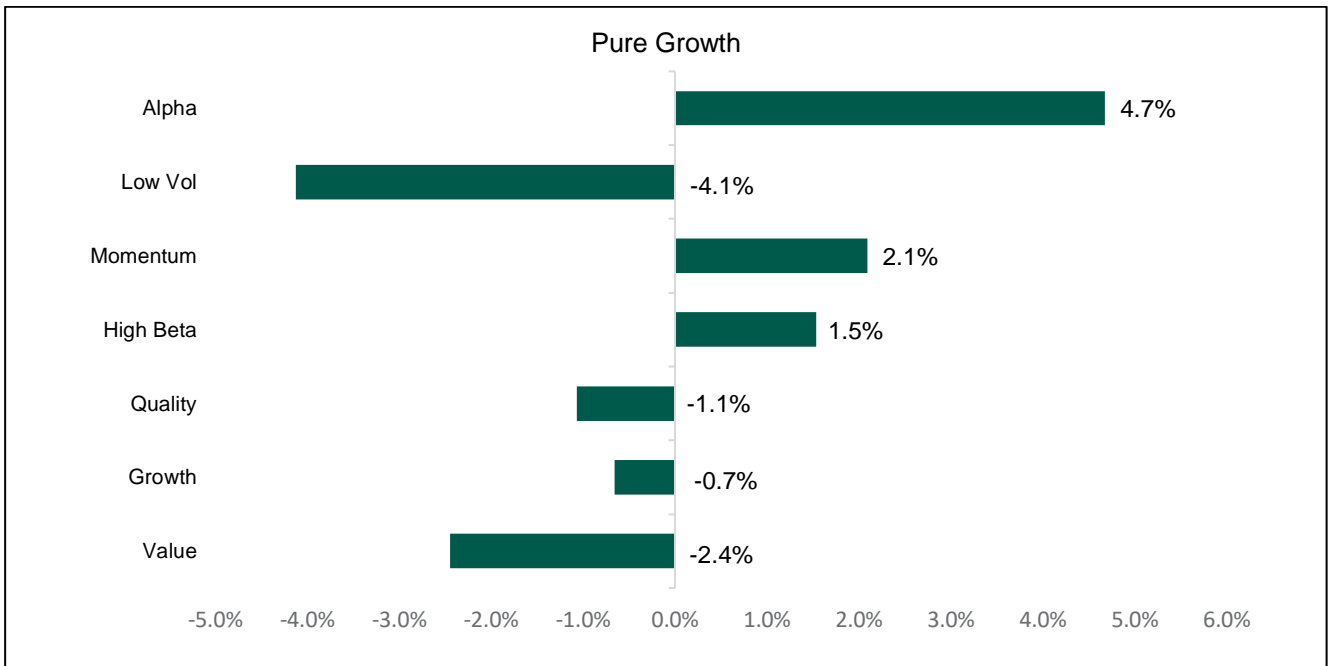
Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
BHARTI AIRTEL LTD	9,73,433	8.8%
INDIAN HOTELS CO LTD	1,08,850	6.8%
ICICI BANK LTD	8,84,577	6.3%
GILLETTE INDIA LTD	28,047	5.6%
MARUTI SUZUKI INDIA LTD	3,87,050	5.1%
VARUN BEVERAGES LTD	1,81,503	5.1%
INDUS TOWERS LTD	91,597	4.4%
WOCKHARDT LTD	23,020	4.4%
VARUN BEVERAGES LTD	1,81,503	4.2%
AJANTA PHARMA LTD	33,657	4.2%

Portfolio Characteristics

	Growth
Number of constituents	25
Mcap Largest (Cr)	12,99,258
Mcap Smallest (Cr)	2,930
Mcap Average (Cr)	2,10,958
Mcap Median (Cr)	53,573

Factor Box



The Factor Box provides relative factor exposure vis-à-vis a given benchmark. For instance, if the Growth factor exposure in a portfolio is 23% and the Growth factor exposure of the Benchmark is 20%, it indicates that your portfolio is “Overweight” on Growth with respect to the benchmark. A positive Value in the above Factor represents that the given portfolio is Overweight in the factor with respect to the benchmark. Similarly, a negative value would represent that the given portfolio is underweight in the factor with respect to the benchmark.

# Axis Securities AlphaSense AI

31<sup>st</sup> January, 2025

**Investment Objective:** Stock investment endeavors to achieve consistent outperformance in the long term through diversified investment of 'Winners'. The 'Adaptive Investing' strategy applies a unique approach to deliver alpha by applying equal exposure to 'Core' and 'AlphaSense' factors.

## Cumulative Performance: Returns



## Annual Performance (%)

Year	AlphaSense AI	BSE500 TR
2023*	15.2%	12.3%
2024	15.1%	15.8%
2025	-8.5%	-3.4%

\*Inception date 10<sup>th</sup> Oct 2023

## Portfolio Performance

Particulars	1 month	3 months	6 months	1 year	Since inception**
AlphaSense AI	-8.5%	-10.1%	-14.2%	2.0%	16.6%
BSE 500 TRI	-3.4%	-4.8%	-8.2%	9.7%	20.0%
Alpha	-5.1%	-5.2%	-6.0%	-7.8%	-3.4%

(\* Net of all charges) (\*\*Since 10<sup>th</sup> Oct. 2023)

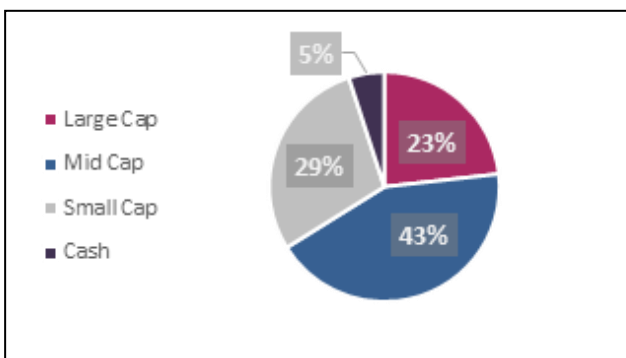
## Risk Assessment

	AlphaSense AI	BSE500 TR
Sharpe Ratio	0.73	0.91
Volatility	13.2%	14.3%
Portfolio Beta	0.83	1.00
Max Drawdown	-11.3%	-8.2%
Information Ratio	-0.36	

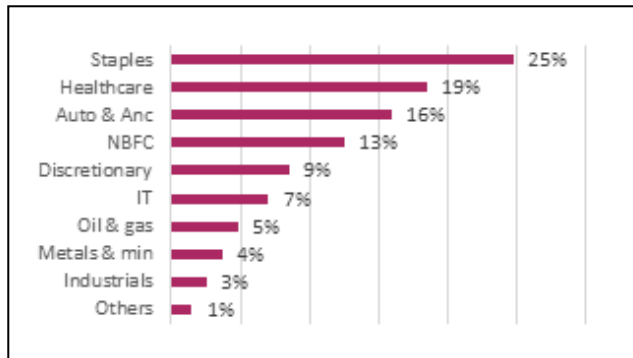
## Key Portfolio Ratios

	AlphaSense AI	BSE500 TR
PE	33.99	28.90
PB	12.93	4.50
ROE	38.03%	15.53%
Dividend Yield	1.35%	1.29%

## Market Capitalization



## Sector Allocation



## MANAGED ACCOUNTS

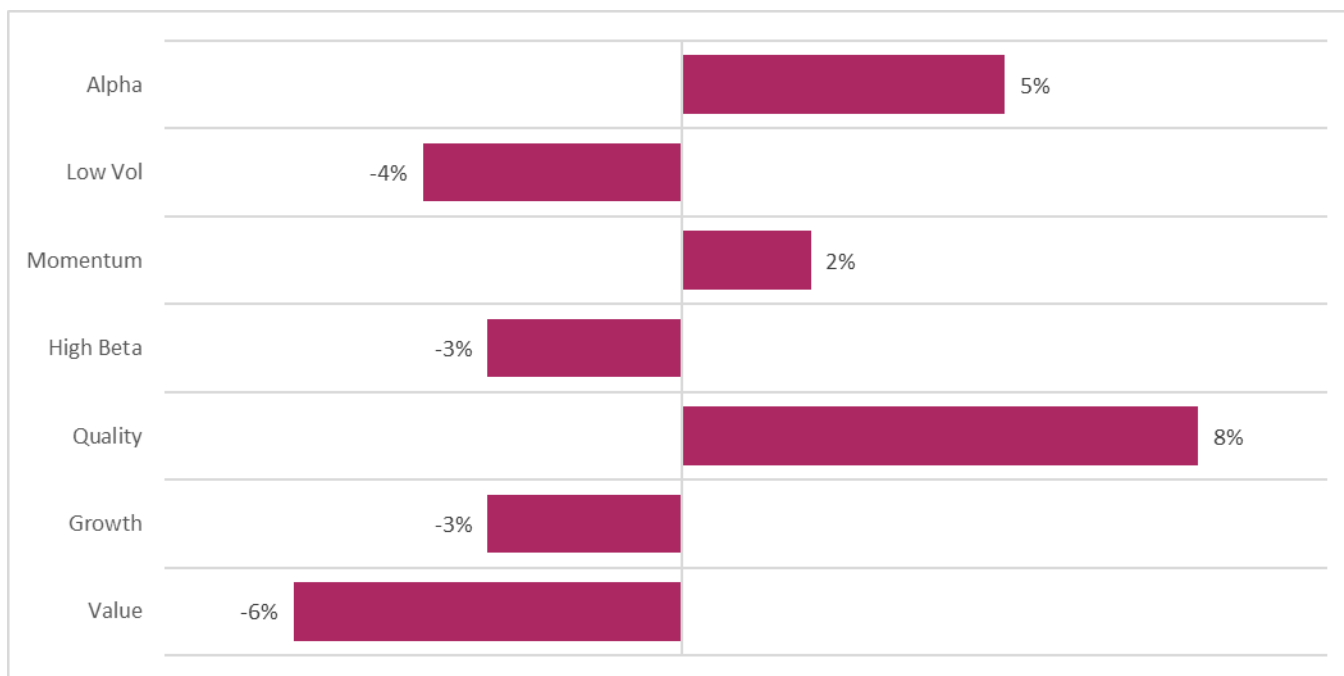
### Top 10 Holdings

Scrip Name	Market Cap (Cr)	Weight
United Spirits Ltd	1,03,058	8.1%
Eicher Motors Ltd	1,47,172	7.7%
Bajaj Auto Limited	2,48,275	7.4%
Colgate-Palmolive (India) Ltd	72,666	7.0%
Marico Ltd	85,575	6.7%
CRISIL Ltd	37,938	6.3%
Gillette India Ltd	28,936	6.0%
Anand Rathi Wealth Ltd	15,649	5.6%
GlaxoSmithKline Pharmaceuticals Ltd	37,303	5.3%
Ajanta Pharma Ltd	33,664	4.9%

### Portfolio Characteristics

	AlphaSense AI
Number of constituents	20
Mcap Largest (Cr)	2,48,275
Mcap Smallest (Cr)	12,545
Mcap Average (Cr)	62,039
Mcap Median (Cr)	37,620

### Factor Box



The Factor Box provides relative factor exposure vis-à-vis a given benchmark. For instance, if the Growth factor exposure in a portfolio is 23% and the Growth factor exposure of the Benchmark is 20%, it indicates that your portfolio is “Overweight” on Growth with respect to the benchmark. A positive Value in the above Factor represents that the given portfolio is Overweight in the factor with respect to the benchmark. Similarly, a negative value would represent that the given portfolio is underweight in the factor with respect to the benchmark.

#### Disclaimer

The information provided herein is only for the consumption of the intendant recipient/client and such material should not be redistributed. Any information contained in this material shall not be constituted as an advice, an offer to initiate stock purchase or sell or as an invitation or solicitation to do for security of any entity. Further Axis Securities Limited and its employees/directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use of this information. Past performance is no guarantee of future results. Investments in the securities market are subject to market risks. Read all the related documents carefully before investing. Axis Securities Limited, SEBI Single Reg. No. - NSE, BSE, MSEI, NCDEX, MCX INZ000161633, ARN No. 64610, SEBI-Research Analyst Reg. No. INH 000000297, SEBI Portfolio Manager Reg. No.- INP000000654, SEBI Depository Participant Reg. No. IN-DP-403-2019, SEBI Investment Advisor Reg No. INA000000615. Registered Office - Axis Securities Limited, Unit 002, Building - A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla West, Mumbai - 400 070. Compliance Officer – Mr. Maneesh Mathew, Email – PMSSupport@axisdirect.in, Tel No. – 022-68555511. Disclosure Document (DD)- Please visit <https://simplehai.axisdirect.in/> go to support and then select downloads & Search for PMS Disclosure Document.

The Returns are calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information provided herein is not verified by SEBI. Also, this performance is not certified by SEBI for the accuracy or adequacy of the same. Returns & Portfolio of client may vary as compared to Investment Approach aggregate level returns due to various factors for example entry/execution of portfolio or investment, additional investment, client approvals(if applicable), client specific requirement, any withdrawals, expenses charged, dividend income or due to other reasons. Performance data for Portfolio Manger and Investment Approach provided hereunder is not verified by any regulatory authority. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns and peers comparison can be tracked from Association of Portfolio Managers in India (APMI) – Please visit <https://www.apmiindia.org/apmi/welcome.htm>. In case of any queries related to the report, kindly reach out to your respective relationship managers for more details.

### Risk metric definitions -

- 1) **Upside Deviation** - We take the standard deviation of the difference of strategy and benchmark returns only when the strategy performs better than the index.
- 2) **Downside deviation** - We take the standard deviation of the difference of strategy and benchmark returns only when the strategy performs worse than the index.
- 3) **Up Capture ratio** - We take the ratio of the cumulative returns made by strategy and cumulative returns made by benchmark when we are invested in both strategy and benchmark only on days when the benchmark returns are positive.
- 4) **Down Capture ratio** - We take the ratio of the cumulative returns made by strategy and cumulative returns made by benchmark when we are invested in both strategy and benchmark only on days when the benchmark returns are negative.
- 5) **Sortino Ratio** - Ratio of risk-free adjusted returns to the standard deviation of returns when strategy (benchmark) returns are negative.
- 6) **Information ratio** - Ratio of risk-free adjusted returns to the tracking error, which is the standard deviation of difference between strategy and benchmark returns.

Note- All standard deviations used are annualized and from inception.

#### Disclaimer

The information provided herein is only for the consumption of the intendant recipient/client and such material should not be redistributed. Any information contained in this material shall not be constituted as an advice, an offer to initiate stock purchase or sell or as an invitation or solicitation to do for security of any entity. Further Axis Securities Limited and its employees/directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use of this information. Past performance is no guarantee of future results. Investments in the securities market are subject to market risks. Read all the related documents carefully before investing. Axis Securities Limited, SEBI Single Reg. No.- NSE, BSE, MSEI, NCDEX, MCX INZ000161633, ARN No. 64610, SEBI-Research Analyst Reg. No. INH 000000297, SEBI Portfolio Manager Reg. No.- INP000000654, SEBI Depository Participant Reg. No. IN-DP-403-2019, SEBI Investment Advisor Reg No. INA000000615. Registered Office - Axis Securities Limited , Unit 002, Building - A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla West, Mumbai - 400 070. Compliance Officer – Mr. Maneesh Mathew, Email – PMSSupport@axisdirect.in, Tel No. – 022-68555511. Disclosure Document (DD)- Please visit <https://simplehai.axisdirect.in/> go to support and then select downloads & Search for PMS Disclosure Document.

The Returns are calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information provided herein is not verified by SEBI. Also, this performance is not certified by SEBI for the accuracy or adequacy of the same. Returns & Portfolio of client may vary as compared to Investment Approach aggregate level returns due to various factors for example entry/execution of portfolio or investment, additional investment, client approvals(if applicable), client specific requirement, any withdrawals, expenses charged, dividend income or due to other reasons. Performance data for Portfolio Manger and Investment Approach provided hereunder is not verified by any regulatory authority. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns and peers comparison can be tracked from Association of Portfolio Managers in India (APMI) – Please visit <https://www.apmiindia.org/apmi/welcome.htm>. In case of any queries related to the report, kindly reach out to your respective relationship managers for more details.