

MONTHLY NEWSLETTER  
AUGUST 2024



**PL Capital**  
PRABHUDAS LILLADHER

ASSET  
MANAGEMENT

# PMS Strategy

Updates and Insights

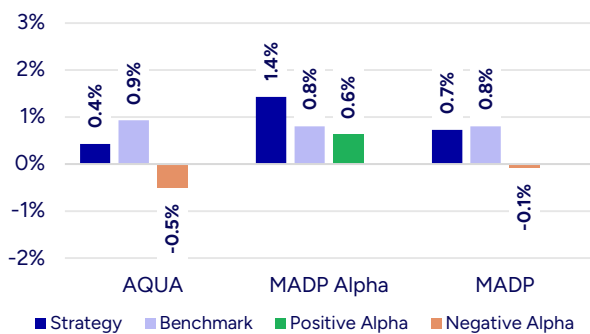
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**Diversifying To Navigate  
Volatile Times**

# DIVERSIFYING TO NAVIGATE VOLATILE TIMES

Despite the unwinding of the Yen carry trade and the resulting global market crash that saw the Nifty 50 open down over 2.5% on August 5, the index quickly recovered, filling the gap and closing the month at new all-time highs. However, this turmoil led to a \$66 million outflow in Yen-denominated funds, marking their first decline since entering India. In CY24, the Nifty 50 has hit record highs on more than one-third of trading days. IT stocks continued their momentum, with the Nifty IT index up ~30% last quarter. Nifty Pharma and Healthcare were the best performers in August, gaining 6.6% and 5.5%, signaling a shift to defensives. FIIs were net sellers with ~₹20,300 crores in outflows, while DIIs bought ~₹50,000 crores. The mid-cap index gained 0.30%, and the small-cap index rose 1.24% as Yen carry trade-related volatility cooled.

## August 2024 Performance



## Rolling 1 Year Risk Profile Across Strategies

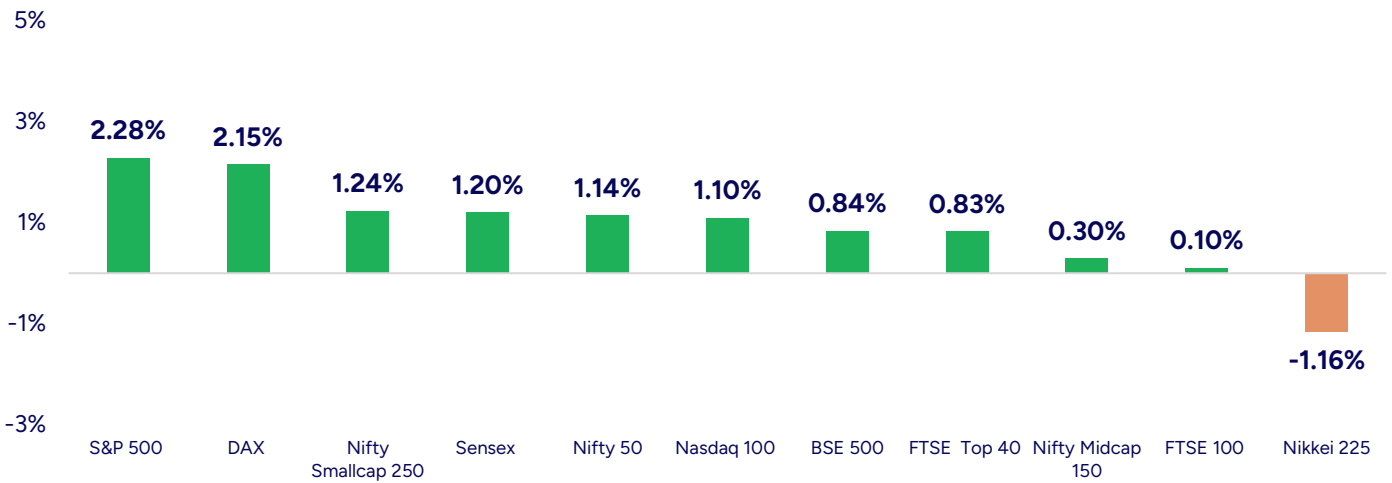
Metrics	AQUA	MADP ALPHA	MADP
Returns	59.37%	37.04%	25.21%
Alpha	18.36%	14.12%	0.35%
Volatility	22.60%	17.89%	9.46%
Sharpe	1.80	1.50	1.61
Sortino	1.71	1.40	1.87
Beta	1.37	1.95	1.08

Source: PL | Data as on 31st August 2024 | \*MADP ALPHA since 21st September 2024

Factors	Previous Rating	Current Rating	What changed?	Comments
MACRO	Positive	Moderate	Moderation in Growth, Positive Outlook Prevails	Q1 FY25 real GDP growth moderated to 6.7% YoY from 7.8% in Q4 FY24. Despite slower investment and manufacturing growth, FY25 outlook remains positive with expected rural demand improvement and government capital expenditure focus.
VALUE	Positive	Moderate	Largecaps remain fairly valued, while mid & small cap valuations leave limited headroom	While broader equity markets continue to be expensive, they are not in the highly overvalued zone as per our proprietary value factor. This can be observed from the trailing Nifty 50 PE at 23.2x which is a 9% discount to its 5-year average PE of 25.2x. Additionally, smallcap and midcap indices trade at trailing PE of 31.6x/43.6x, a premium of ~12%/~30% on their 3-year averages.
TREND	Positive	Positive	Equities demonstrate strong trend	Equities remain the favoured asset class, demonstrating strongest momentum across asset classes, with ~80% of stocks near their highs, and the broader Nifty index hitting new highs in one-third of trading sessions in CY24.
LIQUIDITY	Positive	Positive	Liquidity expected to improve further with impending rate cuts in September	India's CPI fell to a 13-month low of 3.54% in July largely due to a low-base effect, suggesting that RBI might reconsider the timing of the rate cuts. US M2 growth has been positive for 4 months. U.S. Federal Reserve could safely implement a 50 basis point rate cut next week. Currently, traders estimate a 75% chance of a 25 bps cut and 25% for a 50 bps reduction, per CME Group's FedWatch Tool.
SENTIMENT	Positive	Positive	Sentiment remains positive	India's strong economy and positive corporate earnings have lifted investor sentiment, though the market remains sensitive to short-term changes. The Budget's tax changes, aimed at curbing speculation, have temporarily dampened sentiment due to stability concerns. Measures expected include tax reforms and GST exemptions. The focus on fiscal prudence, with realistic forecasts and no populist measures, supports long-term stability. Increased deductions and redefined tax slabs should boost disposable income.
RISK	Positive	Moderate	Risk moderating due to FII outflows as Yen-carry trade unwinds	In August, FIIs were net sellers with outflows of ₹20,300 crores. Despite the unwinding of the Yen carry trade, which led to a global market crash and a 2.5% drop in the Nifty 50 on August 5, the index quickly recovered and ended the month at new all-time highs. Investor optimism remained strong, with the BSE market cap hitting new highs. DIIs, including SIPs, added ₹50,000 crores, supporting the market during corrections.

Positive Moderate Negative

Global Indices Performance for August 2024 highlighting Risk-On

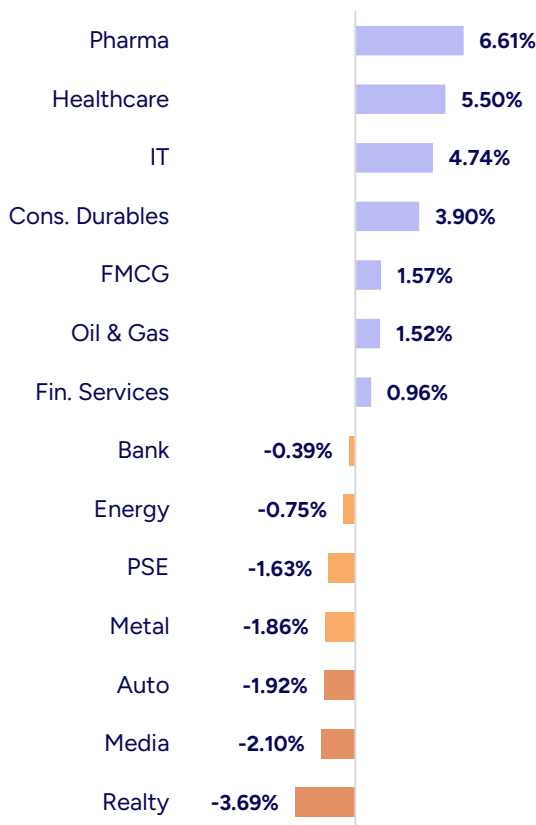


Source: Investing | Data from 31<sup>st</sup> July 2024 – 31<sup>st</sup> August 2024

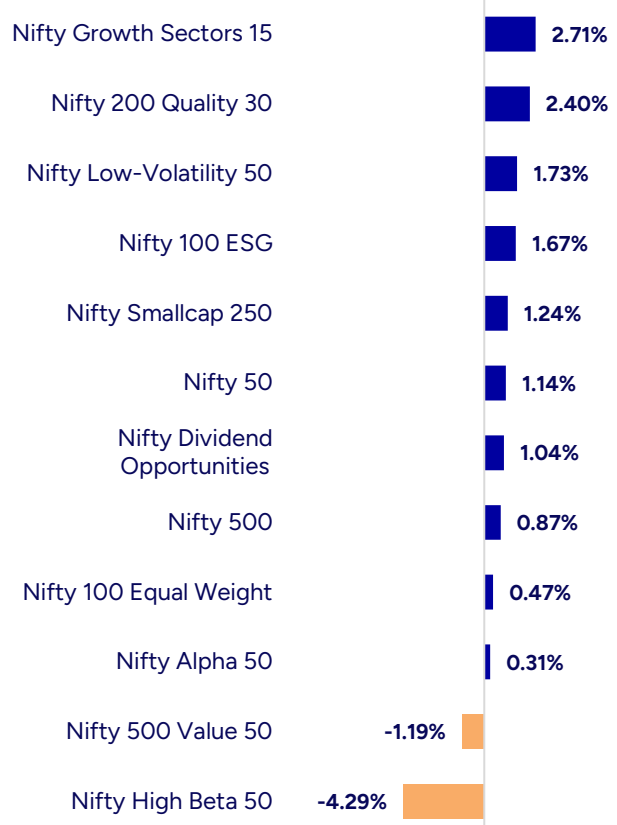
KEY COMMODITIES			KEY CURRENCIES			YIELDS		
COMMODITY	CLOSE	YTD%	CURRENCIES	CLOSE	YTD%	BONDS	CLOSE	YTD%
GOLD (₹ /10gm)	71,590	13.61%	USD / INR	83.87	0.90%	10 YR G-SEC	6.86	-4.46%
SILVER (₹/kg)	84,860	15.69%	EUR / INR	92.91	3.63%	10 YR AAA CORP	7.71	-2.32%
CRUDE (\$)	80	3.63%	JPY / INR	0.58	9.33%	2 YR G-SEC	6.74	-4.80%

Source: CMIE | Data from 31<sup>st</sup> December 2023 – 31<sup>st</sup> August 2024

Sector Performance for August 2024



Style Factor Performance for August 2024



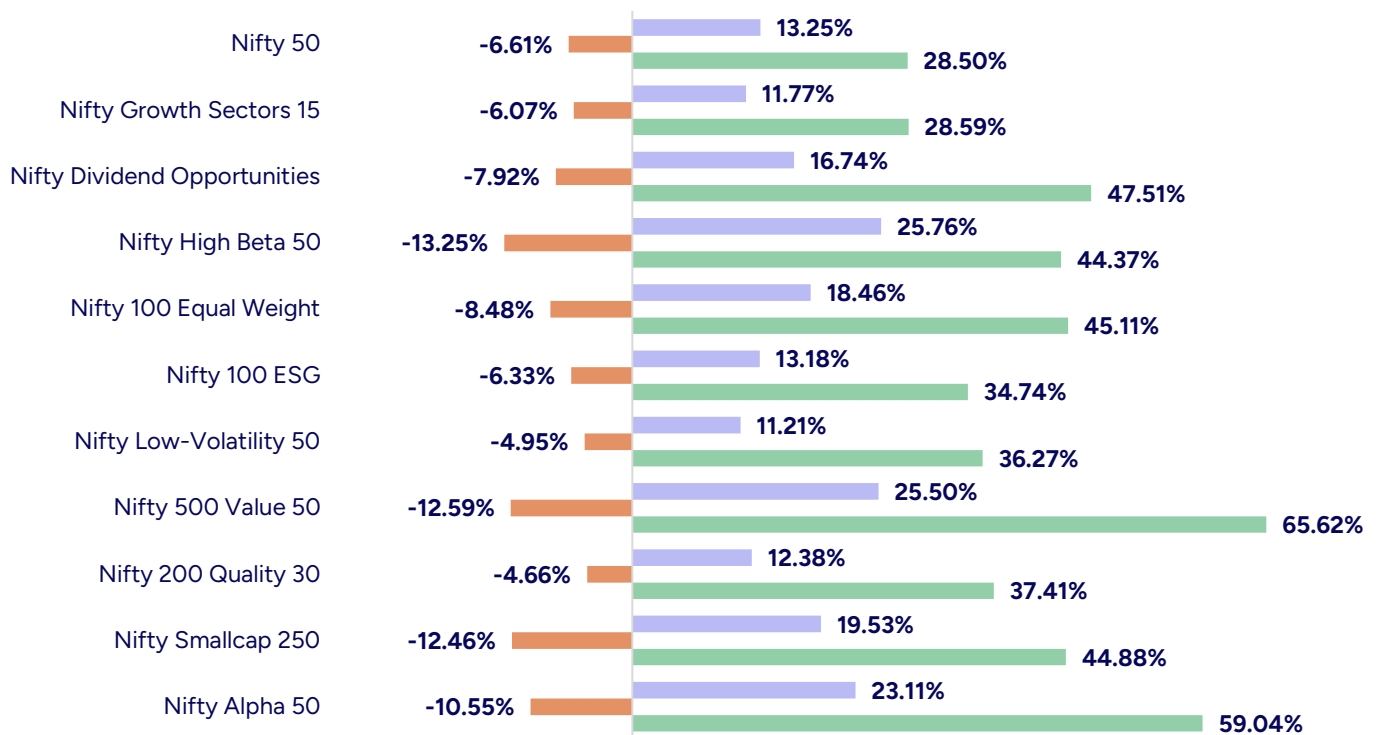
Source: NSE | Data from 31<sup>st</sup> July 2024 – 31<sup>st</sup> August 2024

**Factor Correlations** (based on 1-year excess returns vis-à-vis Nifty 500)

	Nifty Alpha 50	Nifty Smallcap 250	Nifty 200 Quality 30	Nifty 500 Value 50	Nifty Low-Volatility 50	Nifty 100 ESG	Nifty 100 Equal Weight	Nifty High Beta 50	Nifty Dividend Opportunities	Nifty Growth Sectors 15	Nifty 50
Nifty Alpha 50	1.00	0.66	-0.29	0.65	-0.56	-0.66	0.10	0.73	0.32	-0.57	-0.83
Nifty Smallcap 250	0.66	1.00	-0.19	0.48	-0.36	-0.60	0.06	0.58	0.09	-0.39	-0.83
Nifty 200 Quality 30	-0.29	-0.19	1.00	-0.40	0.74	0.60	-0.03	-0.50	0.26	0.74	0.20
Nifty 500 Value 50	0.65	0.48	-0.40	1.00	-0.54	-0.67	0.09	0.77	0.51	-0.67	-0.63
Nifty Low-Volatility 50	-0.56	-0.36	0.74	-0.54	1.00	0.67	-0.06	-0.73	-0.07	0.77	0.42
Nifty 100 ESG	-0.66	-0.60	0.60	-0.67	0.67	1.00	-0.02	-0.64	-0.02	0.77	0.65
Nifty 100 Equal Weight	0.10	0.06	-0.03	0.09	-0.06	-0.02	1.00	0.16	0.01	-0.10	-0.12
Nifty High Beta 50	0.73	0.58	-0.50	0.77	-0.73	-0.64	0.16	1.00	0.24	-0.73	-0.72
Nifty Dividend Opportunities	0.32	0.09	0.26	0.51	-0.07	-0.02	0.01	0.24	1.00	0.12	-0.17
Nifty Growth Sectors 15	-0.57	-0.39	0.74	-0.67	0.77	0.77	-0.10	-0.73	0.12	1.00	0.56
Nifty 50	-0.83	-0.83	0.20	-0.63	0.42	0.65	-0.12	-0.72	-0.17	0.56	1.00

Source: PL, NSE | Data from 31<sup>st</sup> August 2023 – 31<sup>st</sup> August 2024

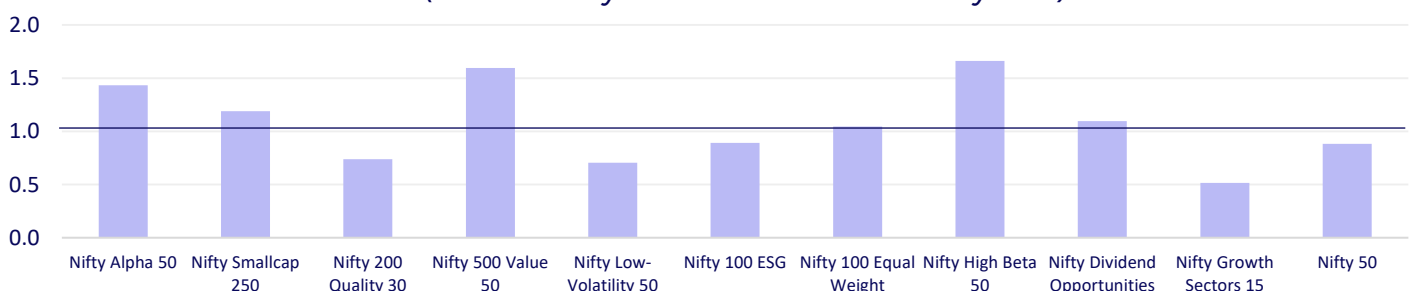
**Risk Analysis** (based on 1-year returns: August 2023 – August 2024)



Source: PL, NSE | Data from 31<sup>st</sup> August 2023 – 31<sup>st</sup> August 2024

■ 1 year Std Dev ■ Max Drawdown ■ 1 year Returns

**Beta** (based on 1-year returns vis-à-vis Nifty 500)



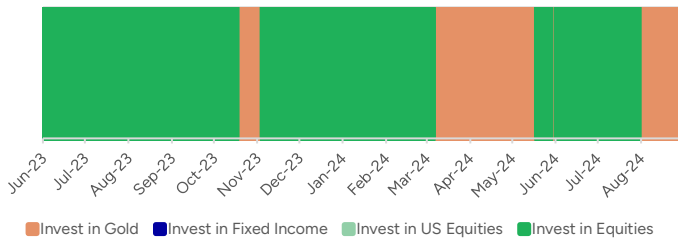
Source: PL | Data from 31<sup>st</sup> August 2023 – 31<sup>st</sup> August 2024

## Quant Market Monitor

Our quantitative models that are monitoring relative momentum across asset classes, indicate gold as a preferred asset class. Valuation premium of smallcaps vs large caps and our volatility signals which continue to show elevated volatility at security levels, have tilted our allocation towards large and midcaps.

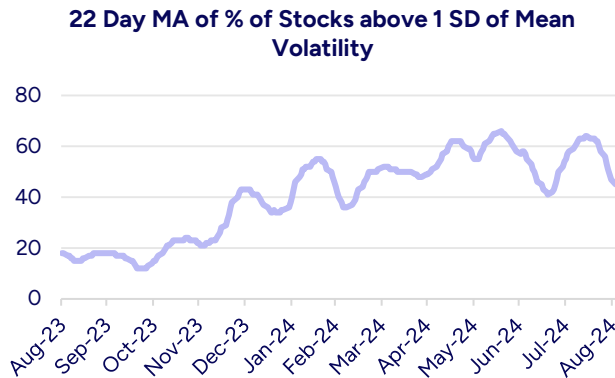
Our models suggest global risk on, despite our valuation signals alerting us to being in an overvalued zone. Factor performance for June-July suggested a shift towards Quality and Low Vol and this proved to be a pre-cursor as regime changed to Low Vol in August.

**Relative momentum across assets brings Gold back as a favoured asset class**



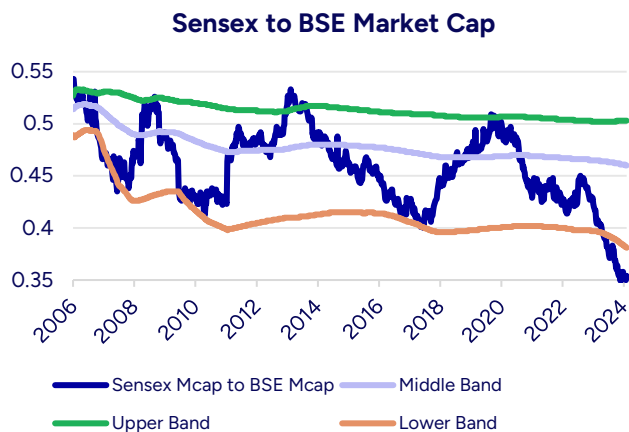
Source: PL | Data from 2<sup>nd</sup> June 2023 - 31<sup>st</sup> August 2024

**Volatility rose in early August due to weak global economic data and yen carry trade unwinding but eased by month-end, with markets at new all-time highs**



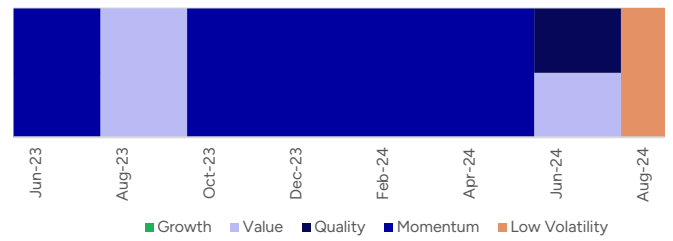
Source: PL | Data from 31<sup>st</sup> August 2023- 31<sup>st</sup> August 2024

**Share of Sensex stocks in overall BSE market cap is at an all-time low of 35% - signaling a significant headroom for largecaps to outperform**



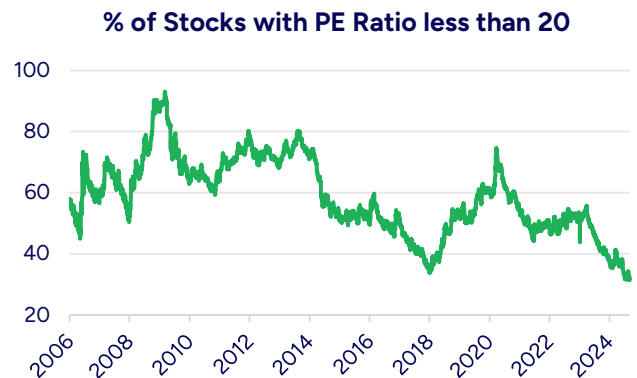
Source: PL | Data from 1<sup>st</sup> Jan 2006- 31<sup>st</sup> August 2024

**Style regime has shifted from a Quality-Value tilt to a Low Volatility tilt**



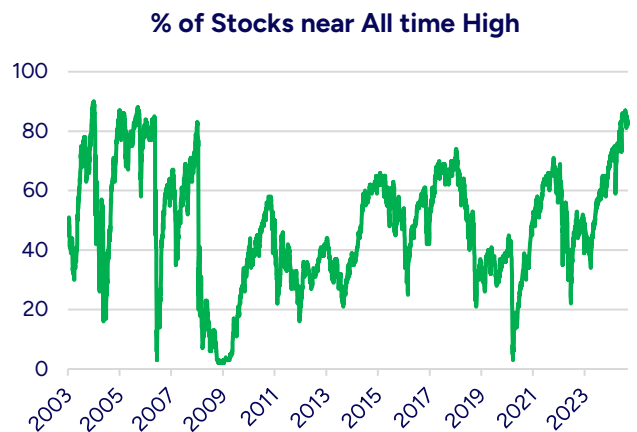
Source: PL | Data from 2<sup>nd</sup> June 2023 - 31<sup>st</sup> August 2024

**Valuations show extreme polarity, with the market near all-time highs, particularly in SMIDs**



Source: PL | Data from 2<sup>nd</sup> February 2006- 31<sup>st</sup> August 2024

**Markets remain in bull territory, with ~80% of stocks near their highs, and the broader Nifty index hitting new highs in one-third of trading sessions in CY24**



Source: PL | Data from 1<sup>st</sup> Nov 2002 - 31<sup>st</sup> August 2024

# AQUA

Adaptive. Quantitative. Unbiased. Alpha.

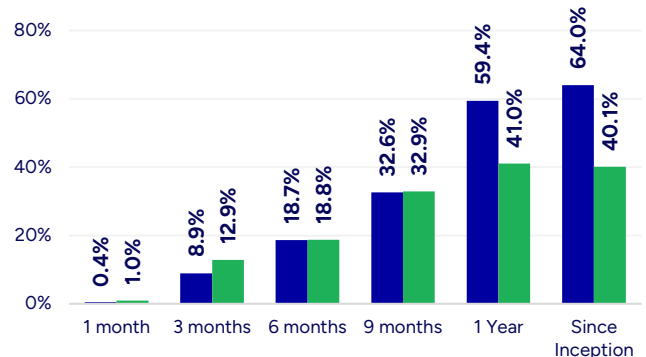
## Investment Objective

To generate alpha across market cycles by investing in equity or equity-linked instruments based on proprietary fundamental quantitative frameworks and models.

## Key Information

Strategy Inception date:	<b>June 12, 2023</b>
Strategy Type:	<b>Open-ended</b>
Benchmark:	<b>BSE 500 TRI</b>
Investment Horizon:	<b>5 Years+</b>
Portfolio Manager:	<b>Mr. Siddharth Vora</b>

## Performance Summary



Source: PL | Data till 31<sup>st</sup> August 2024  
Inception Date: 12<sup>th</sup> June 2023  
Note: Actual returns net of expenses, fees, and associated costs.

## Key Highlights

AQUA was up 43 basis points in July. In August, we rebalanced our portfolio to focus on a low-volatility approach amid increasing market uncertainty. This shift, replacing last year’s value-momentum tilt with a defensive stance, aimed to mitigate risks and seek consistent alpha. AQUA has performed exceptionally over the past year, with a return of ~62%, outperforming the BSE 500 TRI at ~41%. We shifted our allocation towards large and mid-cap stocks, now representing ~75% of our portfolio. We reduced exposures in Industrials and Autos and increased our allocation to non-cyclical sectors like Healthcare, Consumer Staples, and Consumer Discretionary, which now make up ~50% of our portfolio. We also added a 10% position in Financials to better navigate market volatility.

### Quarterly Returns

Quarter	Strategy	Benchmark
Q1	18.61%	10.26%
Q2	17.32%	7.01%
Q3	10.21%	8.15%
Q4	12.78%	9.13%

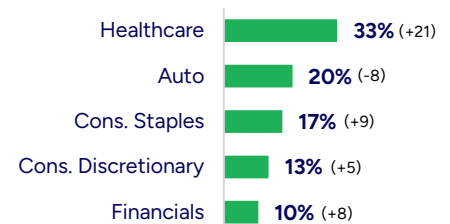
Inception Date: 12<sup>th</sup> June 2023

### Risk Profile

Standard Deviation	22.05%
Sharpe	1.83
Sortino	1.74
Beta	1.33
Max Drawdown	-10.49%

Source: PL | Data as on 31<sup>st</sup> August 2024  
Inception Date: 21<sup>st</sup> September 2024

### Top 5 Sectors



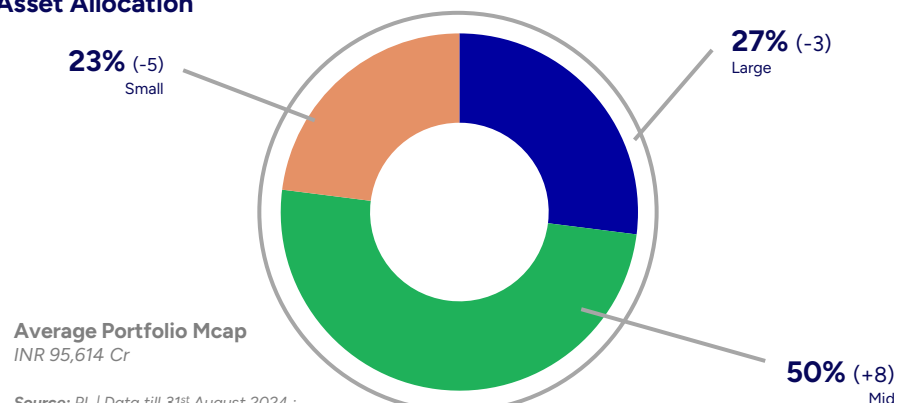
Source: PL | Data till 31<sup>st</sup> August 2024 ;  
Current Rebalance Date: 24<sup>th</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month

### Portfolio (Top 5 Performers)

Holdings
Godfrey Philips India Ltd
Kalyan Jewellers India Ltd
Bajaj Auto Ltd
Fortis Healthcare Ltd
Lupin Ltd

Source: PL | Data till 31<sup>st</sup> August 2024 ;  
Current Rebalance Date: 24<sup>th</sup> August 2024

### Asset Allocation



Average Portfolio Mcap  
INR 95,614 Cr

Source: PL | Data till 31<sup>st</sup> August 2024 ;  
Current Rebalance Date: 24<sup>th</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month

# Multi-Asset Dynamic Portfolio (Alpha)

Delivering alpha through a multi-asset and direct equity portfolio

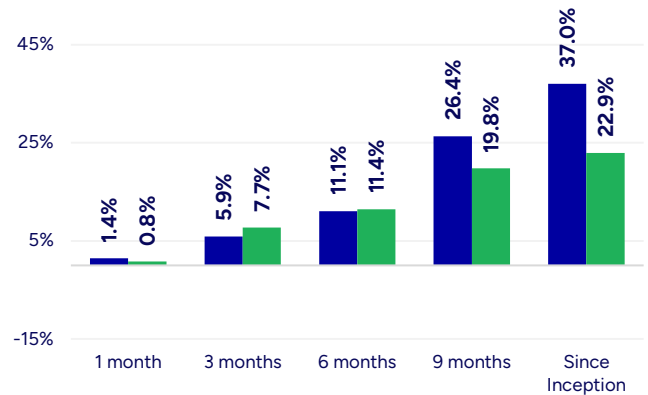
## Investment Objective

To diversify risks in periods of volatility by investing in low risk assets and capture returns in risk on periods by investing in high return assets, in order to generate consistent long term capital appreciation by investing in a diversified multi asset portfolio.

## Key Information

Strategy Inception date:	<b>September 21, 2023</b>
Strategy Type:	<b>Open-ended</b>
Benchmark:	<b>Nifty Multi Asset</b>
Investment Horizon:	<b>5 Years+</b>
Portfolio Manager:	<b>Mr. Siddharth Vora</b>

## Performance Summary



Source: PL | Data till 31<sup>st</sup> August 2024 ■ MADP ALPHA ■ Nifty Multi Asset  
Inception Date: 21<sup>st</sup> September 2023  
Note: Actual returns net of expenses, fees, and associated costs.

## Key Highlights

In August, MADP Alpha delivered a strong performance, achieving a 1.43% gain and generating an alpha of ~60 basis points over its benchmark. Since its inception, MADP Alpha has generated a return of 37% and has outperformed the benchmark by ~ 14 %. Recognizing the changing market dynamics, we significantly shifted our asset allocation towards small and mid-cap stocks, which now represent ~ 3/4th of our portfolio. As of August, our sector rotation strategy has resulted in a reduced exposure to Industrials, now at 24%, and to the Auto sector, now at 18%. Conversely, our increased exposure to IT, Healthcare, and Consumer Discretionary sectors, which together make up one-third of our portfolio, continues to provide a layer of defensiveness and stability during market volatility.

## Quarterly Returns

Quarter	Strategy	Benchmark
Q1	11.37%	5.99%
Q2	4.86%	4.14%
Q3	16.42%	7.22%
Q4 QTD	0.80%	4.27%

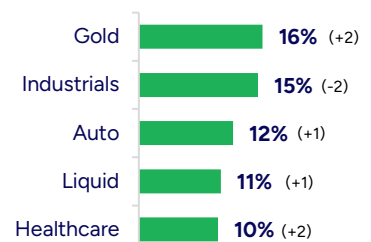
Source: PL | Data till 31<sup>st</sup> August 2024  
Inception Date: 21<sup>st</sup> September 2023

## Risk Profile

Standard Deviation	17.89%
Sharpe	1.50
Sortino	1.40
Beta	1.07
Max Drawdown	-11.03%

Source: PL | Data as on 31<sup>st</sup> August 2024  
Inception Date: 21<sup>st</sup> September 2023

## Top 5 Sectors



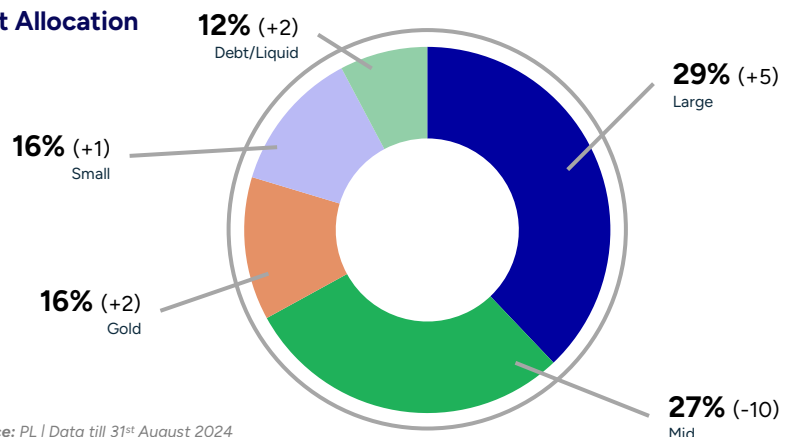
Source: PL | Data till 31<sup>st</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month

## Portfolio (Top 5 Performers)

Holdings
Suzlon Energy Ltd
Oil India Ltd
Lupin Ltd
Glenmark Pharmaceuticals Ltd
Kalyan Jewellers India Ltd

Source: PL | Data till 31<sup>st</sup> August 2024 ;  
Current Rebalance Date: 20<sup>th</sup> July 2024

## Asset Allocation



Source: PL | Data till 31<sup>st</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month

# Multi Asset Dynamic Portfolio

A low-risk, all-weather strategy to wealth creation

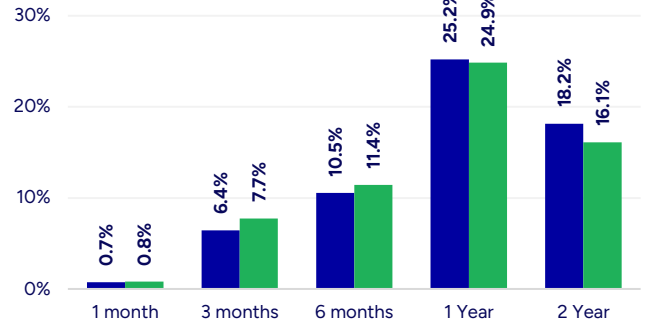
## Investment Objective

The investment objective is to generate consistent long-term capital appreciation and manage associated risks by investing in a diversified multi-asset portfolio comprising various financial instruments across different asset classes.

## Key Information

Strategy Inception date:	<b>June 7, 2021</b>
Strategy Type:	<b>Open-ended</b>
Benchmark:	<b>BSE 500 TRI</b>
Investment Horizon:	<b>5 Years+</b>
Portfolio Manager:	<b>Mr. Siddharth Vora</b>

## Performance Summary

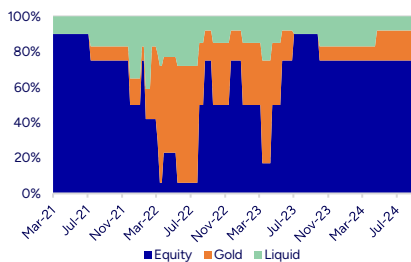


Source: PL | Data till 31<sup>st</sup> August 2024 | ■ MADP ■ Nifty Multi Asset  
Inception Date: 7<sup>th</sup> June 2021  
Note: Actual returns net of expenses, fees, and associated costs.

## Key Highlights

In July, MADP was up ~73 basis points on an absolute basis. During the month, MADP maintained its equity allocation at 80%. To capture enhanced alpha through dominant size and factor exposures, we introduced three ETFs: Mirae Small 250, Midsmall 400, Quality Momentum 100, and Nippon Nifty Junior Bees. Our gold allocation remains at 15%, with the remaining 5% in fixed income. This strategic shift emphasizes portfolio cushioning amidst volatile movements, buoyed by Chinese and Indian central bank purchases, anticipated rate cuts, and geopolitical uncertainties.

## Historical Allocation



Source: PL | Data till 31<sup>st</sup> August 2024;  
Inception Date: 7<sup>th</sup> June 2021

## Risk Profile

Standard Deviation	9.50%
Sharpe	1.58
Sortino	1.83
Beta	1.95
Max Drawdown	-4.12%

Source: PL | Data till 31<sup>st</sup> August 2024;  
Inception Date: 7<sup>th</sup> June 2021

## Last 5 Quarters

Quarter	Returns
FY 23-24 Q2	5.2%
FY 23-24 Q3	9.4%
FY 23-24 Q4	2.2%
FY 24-25 Q1	6.6%
FY 24-25 Q2 QTD	3.6%

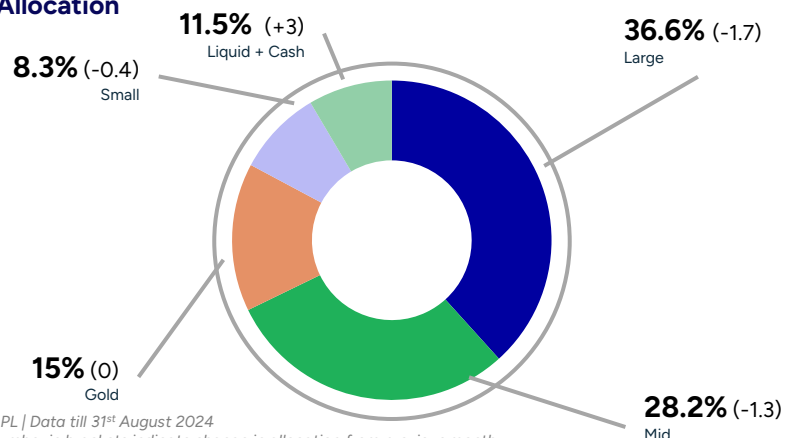
Source: PL | Data till 31<sup>st</sup> August 2024;  
Inception Date: 7<sup>th</sup> June 2021

## Portfolio (Top 5 Performers)

Holdings
MID150BEEES
NIFTYBEEES
JUNIORBEEES
SMALL QUAL MOM 250
MIDSMALL QUAL MOM 400

Source: PL | Data till 31<sup>st</sup> August 2024

## Asset Allocation



Source: PL | Data till 31<sup>st</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month



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