

## Core Equity Portfolio

### Investment Theme

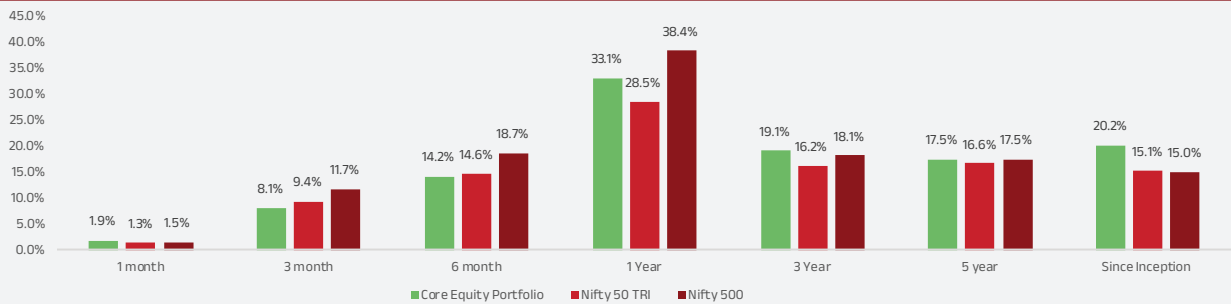
The strategy aims to invest in businesses having sustainable growth over long-term in select industries, which endeavors to make up for most of the GDP growth patterns. It is a Multicap portfolio unconstrained by any market segments.

### Fund Details

**Structure:** Discretionary PMS | **Strategy Name:** Core Equity Portfolio | **Benchmark:** Nifty 50 TRI |

**Fund Inception Date:** January 07, 2009 | **Fund Manager:** Dhaval Mehta

### Performance



Performance as on February 29, 2024 / Source: ABSLAMC Internal Research

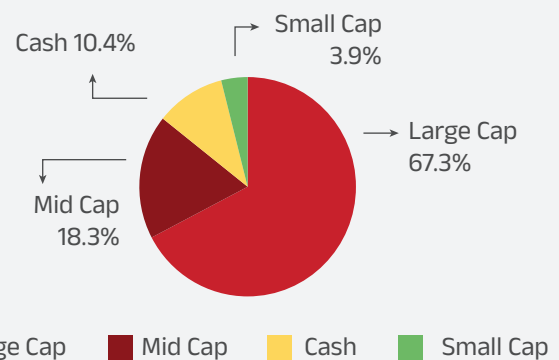
Disclaimer: Past performance of any product does not indicate its future performance. Performance data is based on Time-Weighted Rate of Return (TWRR) for aggregated performance statistics of all investors. Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of the timing of inflows and outflows of funds; and differences in the portfolio composition because of restrictions and other constraints

### Risk Ratios

Standard Deviation	13.10%
Sharpe Ratio	0.94
Beta	0.90
Portfolio Turnover (%)	0.44

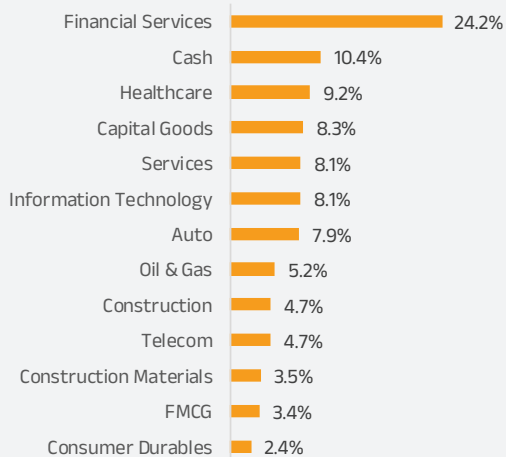
Above Ratios are 3 year ratios calculated on annualised basis

### Market Capitalisation



Source: AMFI / As on February 29, 2024

### Sector Allocation



### Top 10 Portfolio Holdings

Companies	% to Net Assets
Sun Pharma. Industries Ltd	6.4%
Tata Motors Ltd	5.2%
ICICI Bank Ltd	5.0%
Larsen & Toubro Ltd	4.7%
Infosys Ltd	4.6%
Interglobe Aviation Ltd	4.6%
Bharti Airtel Ltd	4.4%
State Bank of India	4.3%
Reliance Industries Ltd	3.9%
KEI Industries Ltd INR 2	3.7%

Portfolio data as on February 29, 2024

# Equity Outlook

Indian markets ended February on a higher note. The Nifty 50 was up 1.2% while the mid-cap (-0.5%) and small-cap (-0.3%) indices underperformed the Nifty 50 Index. Most of the global markets ended positive. Shanghai (+8.1%), Japan (+7.9%) and Hong Kong (+6.6%) were the major gainers; US SPX and NASDAQ soared to a record high and were up 5.2% and 6.1% in February; the latest rally was propelled by investor optimism about artificial intelligence. Total institutional inflows rose backed by strong domestic bid, with inflows of US\$2.9bn, whereas FPIs buying increased to US\$186mn. FPIs remained buyers of debt at US\$2.7bn (the highest in over six years).

India's Q3 GDP growth at 8.4% was well above consensus estimates while GVA growth of 6.5% was in line. The big difference between GDP and GVA was a result of high growth in net indirect taxes in Q3 (32.0%). GDP growth was led by investments while consumption continues to remain weak. Agriculture was weak at -0.8% due to uneven rainfall and lower estimate of Kharif crop. Growth on the supply side was led by industry which grew by a robust 10.4% led by Manufacturing (11.6% YoY), Construction growth (9.5%) and electricity (9.0%). Mining expanding by 7.5%. Services sector growth also picked up compared with the previous quarter and expanded by 7.0% during Q3. Trade hotels, transport & communication sector expanded by 6.7%. Finance and Real estate expanded by 7.0% while public administration expanded by 7.5%. The Second Annual Estimate (SAE) for FY24 has been revised upwards to 7.6% from 7.3% earlier while FY23 GDP estimate has been revised down to 7.0% from 7.2% earlier. For FY24 Investments is expected to expand by 10.2% while Private consumption growth at 3.0% remains weak. On supply side, Agriculture is expected to grow by a sluggish 0.7% while Industry is expected to expand by a solid 9.0% and Services by 7.5%. Nominal growth for FY24 is estimated at 9.1% (higher than BE of 8.9%)

On the economy front, high frequency indicators (like E-way bill, GST collection, loan growth, PMI) continue to suggest healthy levels of economic activity. The gross GST revenue collected in the month of February is Rs 1.68tn up 12.5% yoy. India's CPI inflation slowed to 5.1% in January 2024, the lowest in three months led by ease in food inflation, compared to 5.69% in December. India's WPI inflation slowed to 0.27% in January 2023, marking the third consecutive period of positive wholesale inflation but slowing from 0.73% in December. December industrial production grew by 3.8%. Sequentially, IIP index jumped by 7.5% after a sluggish growth in November. In the production category manufacturing growth came in at 3.9%, mining growth was 5.1% while electricity growth was 1.2%. Within the manufacturing index, manufacture of motor vehicles and other transport vehicles performed well with YoY growth of 9.2% and 29.4% respectively.

The Q3FY24 corporate earnings ended on a strong note, with widespread outperformance across aggregates driven by continued margin tailwinds. Nifty50 delivered a strong beat with a 17% YoY PAT growth. Five Nifty companies – Tata Motors, HDFC Bank, Tata Steel, ICICI Bank, and JSW Steel – contributed 56% of the incremental YoY accretion in earnings. Ex-Metals & O&G, Nifty's earnings were up 15% YoY.

- **Technology:** The IT Services companies exhibited a median revenue growth of 1.0% QoQ in CC. With continued weakness in key verticals and pressure on 4Q execution, the companies have either narrowed their revenue guidance band or expect to achieve the lower end of the range. Throughout Q3FY24, softness persisted in key verticals and geographies, with BFSI, Consumer, and Communications reporting muted growth.
- **Banks:** The banking sector exhibited a mixed performance in Q3FY24, characterized by healthy business growth, controlled provisions, persistent NIM pressure, and high opex. Credit growth was primarily driven by retail growth. The corporate sector saw a gradual pickup, aided by MSME growth. Most of the banks witnessed stagnant or a slight dip in margins, barring select PSU banks.
- **Autos:** In Q3FY24, Auto volumes (ex-tractors) grew 16% YoY (flat QoQ) led by a healthy recovery in 2Ws, stable growth across other segments, and a lower base due to the festive mismatch. 2Ws witnessed the sharpest growth of ~19% YoY during the quarter.
- **Consumer:** The companies within our coverage universe delivered muted cumulative sales growth in Q3FY24. The consumption trend and management commentary about rural recovery remained unchanged in 3Q. Local competition, a delayed rural recovery, and price cuts continued to hurt revenue performance during 9MFY24 (4% revenue growth). Volume growth improved a bit sequentially, but revenue growth was muted due to price cuts.

Other key developments: (1) the government projected central government fiscal deficit of 5.1%, as a proportion of GDP, in FY2025BE, lower than 5.8% in FY2024RE; (2) the US FOMC, in line with expectations, maintained policy rate at 5.25-5.5%; (3) the RBI, as expected, kept the repo rate unchanged at 6.5%; (4) the minutes of the US FOMC meeting highlighted that members were not in a rush to start cutting interest rates; (5) the results of the Household Consumption Expenditure Survey (HCES 2022-23) indicate the share of expenditure on food has continued to fall while the shares of travel, consumer services and durable goods have increased.

Overall, at the portfolio level, we remain invested in high quality franchisees and expect these businesses to continue to deliver healthy earnings growth over the medium to long term.

Source: Internal Research

Disclaimer: Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the product will be achieved. Past performance may or may not be sustained in future.

## Portfolio Update:

In the month of February 2024, Sun Pharmaceuticals Industries Ltd, Tata Motors Ltd, ICICI Bank Ltd, Larsen & Toubro Ltd continue to be the fund's top holdings. We continue to employ our extensive bottom-up research process, to identify mispriced opportunities, with special focus on companies with credible managements, healthy balance sheets, higher returns on capital, and strong runway for growth.

ZF Group Commercial Vehicle Control Systems Limited is India's market leader for advanced braking systems, conventional braking products and related air assisted technologies and systems in India.

- CV cycle growth is slowing down which will lead to slower OEM sales (~60% of revenue) for the company.
- Replacement market competitive intensity is increasing from OEM players.
- AT CMP stock is trading at 52x FY26E EPS.

Indian Oil Corporation Ltd is a Maharatna Company controlled by GOI that has business interests straddling the entire hydrocarbon value chain - from Refining, Pipeline transportation and marketing of Petroleum products to R&D, Exploration & production, marketing of natural gas and petrochemicals. It has the leadership position in the Oil refining & petroleum marketing sector of India.

- IOC refinery utilization improved to 106%, and with three refinery upgrades in the works, there is further upside to earnings quality.
- Petrochemicals also should recover from troughs.
- At CMP, stock is trading at 6x FY25 EV/EBITDA.

IFB Industries Limited is engaged in the business of manufacturing diverse parts and accessories for motor vehicles etc. and home appliances products.

- Home appliances do well despite tepid demand: Amidst weak demand and stiff competition, IFBI's 3Q/9M home appliance revenues grew by 19%/4%. The company's initiatives in terms of new product launches, bridging product portfolio gaps, expanding reach, improving extraction, and restructuring the sales team have yielded positive results. IFBI highlighted it has regained market share in recent months.

- Strong demand outlook: Over the last few quarters, sluggish demand has hampered industry growth.

Going ahead, with cooling in inflationary pressures, we expect demand sentiment to improve; this along with a strong product portfolio, reach expansion, and improved extraction will drive growth for IFBI.

- Margin expansion story kick-starts: As guided by company, driven by its material cost reduction program, also, its scale and opex reduction management has guided for double digit EBITDA margins.
- At CMP, stock is trading at 23x FY26E EPS.

**Disclaimer:** The views expressed above are the views of the Fund Managers and should not be construed as an investment advice.

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## Investment Style

Core Equity Portfolio			
	Growth	Blend	Value
Large Cap			
Mid & Small			

## Risk Factors and Disclaimers

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**Regulatory Disclosure:** All investors have the option to invest directly with ABSLAMC-Portfolio Manager

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For any service related queries, please contact us:



1800 270 7000



care.pms@adityabirlacapital.com

Aditya Birla Sun Life AMC Limited  
CIN: L65991MH1994PLC080811.

One World Center, Tower 1, 17th Floor, Jupiter Mills, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013.  
Tel: 4356 8000. Fax: 4356 8110 / 8111

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