

Core Equity Portfolio

Investment Theme

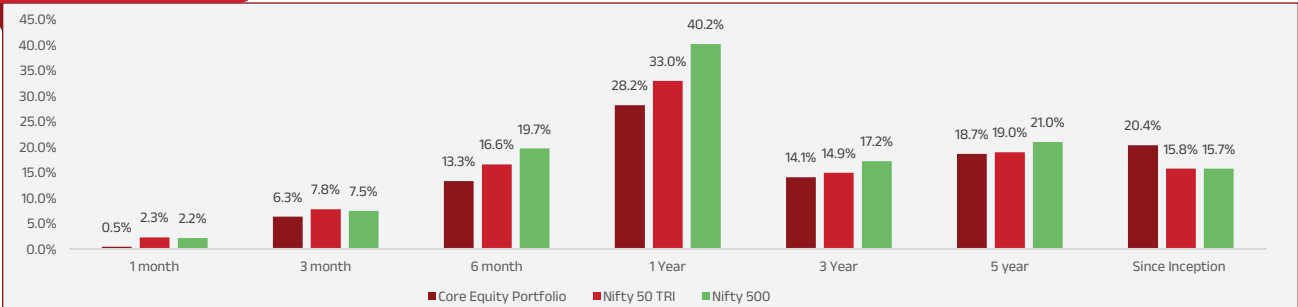
The strategy aims to invest in businesses having sustainable growth over long-term in select industries, which endeavors to make up for most of the GDP growth patterns. It is a Multicap portfolio unconstrained by any market segments.

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



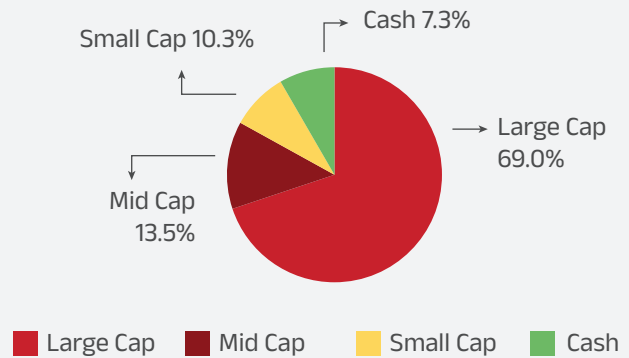
Performance as on September 30, 2024 / Source: ABSLAMC Internal Research
Disclaimer: Past performance of any product does not indicate its future performance. Performance data is based on Time-Weighted Rate of Return (TWRR) for aggregated performance statistics of all investors. Please note that performance 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. Investment approach level performance reported is not verified by SEBI.

Risk Ratios

Standard Deviation	12.71%
Sharpe Ratio	0.57
Beta	0.96
Portfolio Turnover (%)	0.47

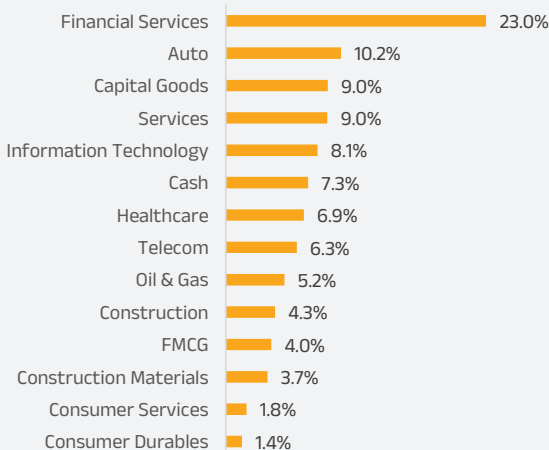
Above Ratios are 3 year ratios calculated on annualised basis

Market Capitalisation



Source: AMFI / As on September 30, 2024

Sector Allocation



Portfolio data as on September 30, 2024

Top 10 Portfolio Holdings

Companies	% to Net Assets
Sun Pharma. Industries Ltd	6.9%
Interglobe Aviation Ltd	6.1%
Bharti Airtel Ltd	5.9%
ICICI Bank Ltd	5.3%
Tata Motors Ltd	4.7%
Infosys Ltd	4.5%
Larsen & Toubro Ltd	4.3%
Kei Industries Limited Inr 2	4.3%
United Spirits Ltd	4.0%
State Bank of India	4.0%

Equity Outlook

Indian markets ended the month with a 2.3% gain in Nifty while we did see some underperformance in broader market with Mid-cap index gaining +1.5% and small-cap index declining -0.7%. At the beginning of the month, investors remained cautious ahead of the key US economy data release. An aggressive interest rate cut by the US Federal Reserve and long-awaited stimulus measures from China helped to boost investor mood in the second half of the month. Globally, Hang Seng and Shanghai Composite soared 18% each for the month while Thailand, the Philippines and Singapore were up 7%, 5% and 4%, respectively. Brazil, South Korea and Japan declined 3%, 3% and 2%, respectively. FPIs bought US\$5.4 bn of Indian equities in the secondary market, whereas DIIs bought US\$3.8 bn.

Cumulative rainfall as on 27-Sep was 7% above the long-term average (LTA). Spatial divergence has continued, with North and West India (5%), Central India (19%), and the southern peninsula (15%) all above LTA, whereas East and North East India (-14%) remain below LTA. Total area under sowing (110.5mnha), as on 20-Sep, is higher (2% YoY) than last year. This is mainly due to healthy sowing for most major food crops – Rice: (41.4mnha; 2% YoY), pulses (12.9mnha; 8% YoY), coarse cereals (19mnha; 4% YoY), and oilseeds (19.4mnha; 2% YoY). Among non-food crops, lower cotton sowing (11.3mnha; -9% YoY) is a concern. Overall area under sowing is at 100% of normal area sown, compared with 100% at the same point in 2023.

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 September is at Rs 1.73tn up 6.5% YoY. CPI inflation inched up marginally to 3.7% from a 59-month low of 3.5% in Jul'24. Food inflation picked up on a YoY basis led by vegetables. However, sequentially there was a significant moderation in food inflation due to lower vegetable prices. Core inflation remained stable at 3.4%, as lower inflation in personal care and effects category offset the marginal increase seen in other categories. IIP growth rose a tad to 4.8% in Jul'24 from 4.7% in Jun'24, supported by jump in manufacturing sector. Mining and electricity output eased in Jul'24, due to monsoon activity. On FYTD basis as well, growth remains stable at 5.2% so far (Apr-Jul'24). Within manufacturing, boost has been provided by industries like refinery products, machinery, and other transport equipment. In terms of use-based classification, only capital goods and intermediate goods recorded an improvement in Jul'24, while other sectors continued to register a slowdown.

Other key developments: (1) the Federal Reserve began its rate cut cycle with a 50 bps rate cut, with the federal funds rate now at 4.75-5%, (2) China announced various stimulus packages to support the economy, (3) the Indian government has increased the minimum wage rates for the unorganized sector by revising the variable dearness allowance, (4) Moody's revised its CY2024 GDP growth forecast for India to 7.1% from its earlier estimates of 6.8%; S&P retained India's FY2025 growth forecast at 6.8%. (5) the current account in 1QFY25 moved back to a deficit of US\$9.8 bn (1.1% of GDP)—4QFY24 current account surplus was revised down to US\$4.6 bn.

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.

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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Portfolio Update:

In the month of September 2024, Sun Pharmaceuticals Industries Ltd, Interglobe Aviation Ltd, Bharti Airtel Ltd, ICICI Bank Ltd & Tata Motors 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.

The portfolio includes Rane Holdings Limited.

- Rane Holdings (RHL) holds stake in three listed companies (Rane (Madras), Rane Brake Linings and Rane Engine Valves) and two unlisted companies (Rane NSK and ZF Rane).
- Last five years have been challenging for the group with a major quality issue in Rane NSK with a key customer and also mounting losses in USA subsidiary of Rane (Madras). The issues are now behind, with resolving the quality issues and also selling of loss-making USA subsidiary Rane Light Metal Casting (RLMCI) in 2023.
- It is proposed to merge the three listed companies – Rane (Madras), Rane Brake Linings and Rane Engine Valves into one company – Rane (Madras), Benefits expected are Management cost reduction – Common HR, Finance and Improvement in sourcing due to scale thus improving margin profile.
- RHL has recently acquired 51% NSK stake in Rane NSK for Rs 450 mn. Though NSK has sold their stake, they will continue to provide technology support to Rane NSK.
- At CMP after considering 40% HoldCo discount of listed entities the stock is trading at 14x FY26E EPS.

The portfolio exited CreditAccess Grameen Limited.

- We are seeing increasing delinquencies in the MFI industry started by Karz Mukta agitation in few states with further aggravation due to strong heat wave and election related disruptions.
- While Q1 has always been a weak quarter, Q1FY25 was more important due to several adverse news flow especially around asset quality and stress build up along with seasonality. For CA Grameen, too, it was no different with seasonality impacting Q1FY25 financial performance as reflected in 2% QoQ decline in AUM, 50bps drop in collections and 20bps QoQ increase in credit cost.
- There is a likelihood of slowing credit growth in the MFI industry which will also impact Credit Access Grameen.
- At CMP stock is trading at 2x FY26E P/BV.

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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