INVESTONOMICS

Special Edition

Crystal Gazing 6.0

Decoding The Next Bull Run

Thought Provoking Articles From Select Fund Managers

29th Quarterly Edition

PMS AIF WORLD

About Us

PMS AIF WORLD

PMS AIF WORLD is an New Age Investment Services Company, providing analytics-backed good quality investing service experience with an endeavor and promise for wealth creation and prosperity. Over 6+ years, we have been managing 600+ UHNI & NRI families, across 1,700 Cr+ assets. We are very selective in our approach, and analyze products across 5 Ps - People, Philosophy, Performance, Portfolio, and Price with an endeavor to ascertain the Quality, Risk, and Consistency (QRC) attributes before suggesting the same to investors.

We offer responsible, long term investment service. Invest with us in the best quality products and make informed investment decisions.

Analytics Backed Quality Investing

India's Trusted Platform for Informed Investments by

HNIs and NRIs

India's 1st 5-P Analysis Across

People , Philosophy, Performence, Portfolio & Price

Objective Selection through Q-R-C Scoring across

Quality - Risk - Consistency

Focused and Concentrated Portfolios

High Performence Philosophies

Adept Portfolio Managers

Zero Setup Fees

Best in class Investment service

Minimal Exit load Structures

600+

UHNIs & NRIs Served

1,700+

AUM (in Cr)

400+

PMSs and AIFs Listed

5+

Countries

Our Team

PMS AIF WORLD

Kamal Manocha
FOUNDER & CEO

Ritika Farma
DIRECTOR & EVP

Sumit Kumar
SALES & CLIENT RELATIONS

Deep Chand
AVP OPERATIONS

Ashraf Hussain
BIZ DEV MANAGEMENT

Gaurav Goyal
Senior Manager -
Sales & Client Relations

Geetansh Malik
SALES & CLIENT RELATIONS

Shubham Lakhera
ASSISTANT MANAGER -
OPERATIONS & CLIENT SERVICES

Broad Index

Articles Index

Articles Index

PMS AIF WORLD

WE HELP YOU INVEST IN THE

BEST PORTFOLIOS

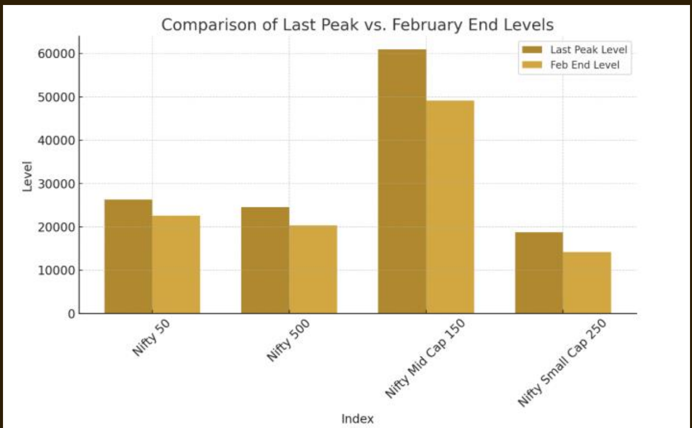
Kamal Manocha
Founder & CEO

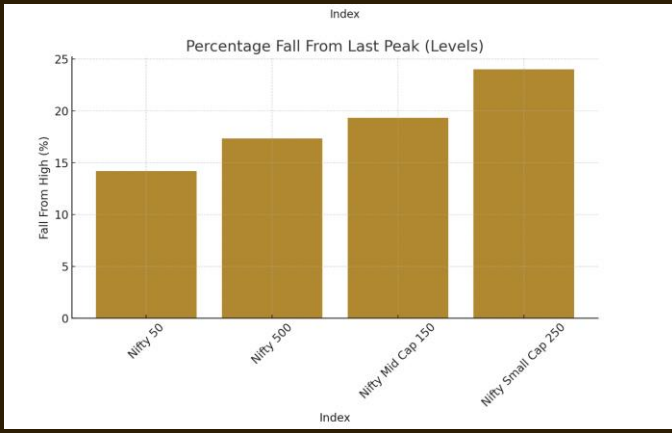
Dear Investors,

In the recent times, global and domestic markets have witnessed a significant drawdown. Last month, the Sensex plunged over 1,400 points, the Nifty hit a 9-month low. US markets are trading at a 6-month low. US treasury yields have surged and jobless claims have risen. India's Q2 GDP and Q3 earnings data was below expectations, foreign institutional investor (FII) outflows crossed ₹1 lakh crore this year and the sword of tariff hikes in key economies has fueled concerns of an global economic slow down.

Yet, beneath the turbulence lies opportunity. As depicted in the PE data shown below, there is a decent fall in the valuations across the market caps. And, history suggests that sharp corrections of this nature are often short-lived, typically lasting 6-9 months. Many companies, previously stretched at exorbitant valuations, are now trading at more reasonable multiples of 15-20x earnings. However, with liquidity drying up and valuation reset underway fundamentals matter the most, so, investors should not simply look at price fall of stocks but, the expected growth in business earnings as well.

Index	Last Peak Date	Last Peak Level	Last Peak PE	Feb End Date	Feb End Level	Feb End PE	Fall From High Level	Fall From High PE
Nifty 50	27/09/24	26277.35	24.12	27/02/25	22545.05	20	14.20%	17.08%
Nifty 500	27/09/24	24573.4	28	27/02/25	20315.55	22.3	17.33%	20.36%
Nifty Mid Cap 150	24/09/24	60925.95	45.5	27/02/25	49136.75	34.2	19.35%	24.84%
Nifty Small Cap 250	24/09/24	18688.3	33.5	27/02/25	14200.2	26.7	24.02%	20.30%





There is long-held belief that moving into large caps during times like present is a better bet. And, this is because, large caps are seen as more robust in terms of earnings visibility. But, in the present s is correct scenario, when economy is experiencing slower growth, it is important to chase growth than simply Large caps.

This is also because, irrespective of relative slow growth shown by large cap index versus the mid & small cap indices, the claim of large caps being more attractively valued is also not completely correct. This is because, while the PSU companies in the Nifty trade at 8-10x multiples, and private banks at 15-17x, the remaining companies within the index command 35-40x valuations—making these large caps, in some cases, more expensive than even small caps. And, all this with relatively less growth expectations. So, Growth be chased and not Large caps.

For patient investors, this is a unique moment—akin to a "big sale" that comes once every few years. Corrections flush out weak hands, leaving the strongest investors to benefit from long-term value. With India's GDP growth projected at 6.5% for FY25, strong rural consumption, and domestic institutional investors remaining net buyers, the market setup favours those willing to take a contrarian stance.

Legendary investor Warren Buffett once said, *"Be fearful when others are greedy and greedy when others are fearful."* Right now, fear dominates the market, but history has shown that such moments create the greatest investment opportunities for those who act with conviction. Rather than retreating, now is the time to act strategically. Investors should focus on growth businesses with strong fundamentals, which are now available at fairer valuations. With correction intensifying, more & more businesses across the spectrum are offering a rare opportunity for accumulatio. But, those with clear sight for rise in earnings should recover & win foremost and this is where research backed approach followed by fund managers is much better way of investing than buying stocks directly. This is the moment when smart investors lay the foundation for future gains.

PMS AIF WORLD

We Evaluate 5P Factors

And select best ones based on Qualty Risk and Consistency Scores

1 People

2 Philosophy

3 Price

4 Portfolio

5 Performance

BOOK AN APPOINTMENT WITH OUR EXPERTS

Thank you for Making

Crystal Gazing 6.0

A Grand Success!

40 Speakers | 14 Sessions

3000+
Registrations

2000+
Attendees

PMS AIF WORLD

Partners

Title Partner

ICICI PRUDENTIAL ALTERNATE INVESTMENTS

Platinum Partners

Ampersand

asset 360 ONE

Gold Partners

ALTERNATES by AXIS ASSET MANAGEMENT

CARNELIAN

TATA ASSET MANAGEMENT

Whitespace ALPHA

Wright.

Silver Partners

BLinC

Generational Capital

INVASSET

NEGEN CAPITAL

PRUDENT EQUITY

SUNDARAM ALTERNATES Sundaram Finance Group

Qode

volrin

The Evolving Narrative of Private Credit - By Shekhar Daga, Head – Private Capital, ICICI Prudential AMC Ltd

India's private credit market has undergone significant transformation in recent years, evolving as a critical component of the country's alternative financing ecosystem. With US$6 billion in deals recorded in H1 2024, private credit has emerged as a vital funding source for mid-market companies and sectors such as real estate, manufacturing, and infrastructure. This growth follows US$8.6 billion in investments during CY2023 and US$5.9 billion in CY2022, indicating a steady upward trajectory.

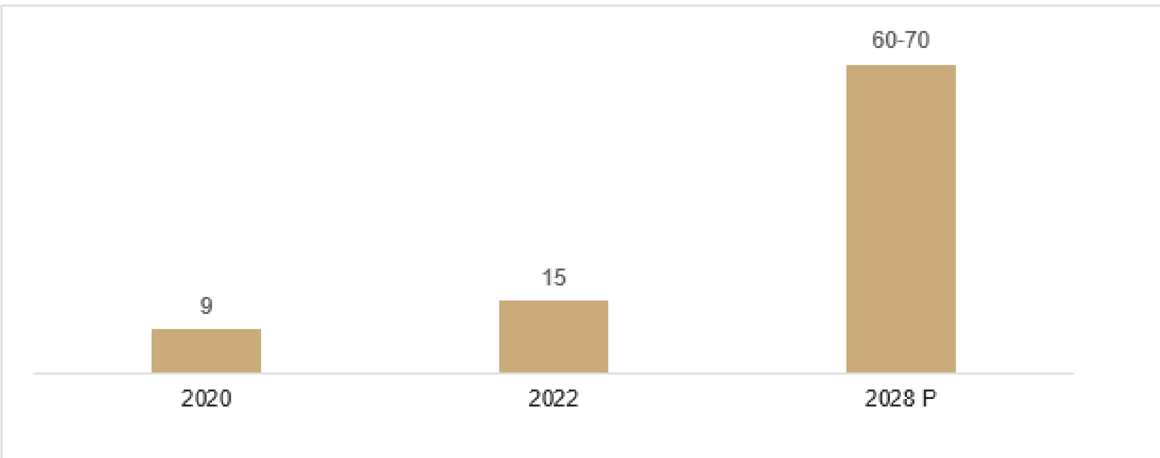
Private Credit aligns well with market structures, meeting the need for long-term investments and more flexible company-specific or asset-specific lending. It brings in the flexibility with regards to type, size and timing of the transactions making it a preferred borrowing instrument. The regulations in the banking sector have limited the risk banks can take, retreating them from select lending deals.

The Growing Confidence in Indian Private Credit Market

The rapid expansion of the private credit market is underpinned by India's robust macroeconomic fundamentals, supported by improving capital expenditure, rising domestic demand, government reforms and stable monetary policies. Furthermore, regulatory developments, including improved oversight of Alternative Investment Funds (AIFs), are fostering transparency and investor confidence.

The asset class is estimated to fourfold in size between 2022 to 2028. India has emerged as a preferred destination with its robust economic growth, strategic initiatives and a large young workforce which works in its favor.

Exhibit 1: Indian Private Credit Market Size (US$bn)

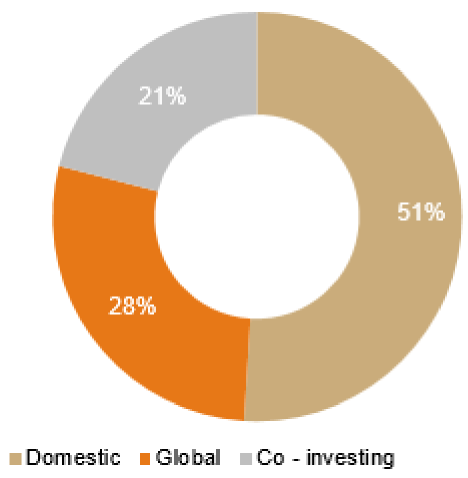


Source: Praxis – Unlocking opportunities: India's Private Credit landscape, Dec 2023, P=Projected

Source: Private Credit in India – H1 2024 Update – EY, Dated Sep. 10, 2024

The growing preference in the asset class in reflected in the number of deal counts in H1 2024. The domestic funds are dominating the space with their local presence, relationships, and market coverage. Whereas, the global funds typically focus more on larger deal value and so are leading the market in terms of deal value with 58% share as compared to domestic market with 42% share. The surge in the deal value is majorly accounted by the high performing deals that took place during the year.

Exhibit 2: Share of Deal Count by Global/Domestic Funds in H1 2024



Source - Private Credit in India – H1 2024 Update – EY, Dated 10th Sept 2024

Growing Preference for Performing Credit

Of all the existing credit options, performing credit is the most preferred one. Suited for the mid-market companies, this segment provides medium risk and returns, avoiding stressed situations and focused towards growth and capital requirements of the companies. With the private capex expected to pick up, the demand for performing credit is estimated to be robust as well. In contrast to the high-risk world of distressed debt or the potentially stagnant returns of government bonds, performing credit offers encouraging risk-adjusted returns.

We at ICICI Prudential Alternates, look at companies that have fundamentally sound businesses and are managed by an experience team or promoters. We aim to evaluate investments based on several factors, as may be applicable, which may include, but are not limited to, management quality, credit quality, structure, etc. The investment team utilizes both qualitative and quantitative assessments in the selection process of the investment. On ground presence helps us necessitating fragmented and localized deals. We pay special attention to proprietary deal origination within our ecosystem. Attention is also given to avoiding deals in greenfield projects, distressed deals, groups with poor past history and in unfavorable sectors.

Buoyancy to Continue in 2025 and Beyond

We believe the private credit market will continue to support transactions related to M&A financing, bridge-to-IPO funding, and structured credit. Performing credit, which focuses on high-quality borrowers with predictable cash flows and secured lending, backed by collateral will see a decent traction.

The M&A activity has been buoyant in the country with mega deals in first half of 2024. As per Indian Brand Equity Foundation (IBEF), M&A activity in India rose by 13.5% in the first eleven months of 2024 to reach US$88.9 bn. A positive M&A trend in other sectors like automotive and energy is also expected as we see a rise in investments in the electric vehicles and the growing emphasis on clean and renewable energy. Transactions in the buyout deals seems to have gained traction. The Private Credit funds have executed deals by serving as a bridge till the IPO takes place or by providing funds to the promoters for the PE firms exit, in our view this trend could continue.

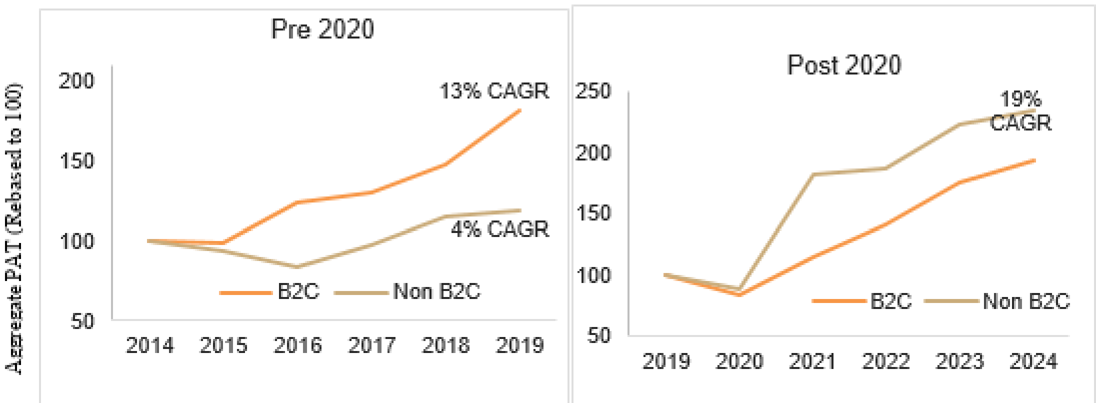
Capital expenditure/Growth financing is one of the crucial drivers of the Private Credit funding. Domestic funds are gaining market share because of the growing awareness of this alternative financing instrument, its distinctive features like flexible structuring solutions, negotiable security options, better understanding of the local dynamics and relationship. We believe Private Credit is bringing a shift in the credit market, with growing preference for it over the traditional sources of capital.

Resetting One's Expectation - By Anand Shah, CIO – PMS & AIF, ICICI Prudential AMC Ltd

In our Annual Outlook CY 2024, "Stay the Course" we highlighted a shift in earnings trends wherein B2B businesses saw healthy recovery in their profits, which we believe is likely to continue in 2025. The past four years have been supported by India's renewed focus on kick starting investment activity in the economy. This began with Government-driven capital expenditures and end-user demand necessitating capacity expansions in sectors with high capacity utilization. In this journey, we have also seen improved financing capacity coming from internal accruals of corporates/individuals, improvements in asset quality (particularly among public sector banks) and active capital markets. The primary beneficiaries of this trend have been B2B compared to B2C businesses.

Given our positive stance on these sectors and companies, our strategies have managed to create alpha for investors in this phase. Along with prudent stock picking and spotting the right trend, the market beta also played a key role in generating strong returns for our investors. The easy pickings on this front are seemingly less in offer from Mr. Market in CY 2025 and to that extent, this will be a year of Resetting One's Expectations. We cite following reasons (a) the near term past was way too good both from beta (earnings growth exceeded GDP growth) as well as alpha perspective (B2B fared well compared to B2C) (b) going forward beta will be soft (modest in the near term and healthy in the long term) in line with nominal GDP growth and generating alpha will be difficult (given B2B valuations has caught up with their long term averages and exceeded in some cases.

Exhibit 1A: Post 2020 B2B Companies Fared Well



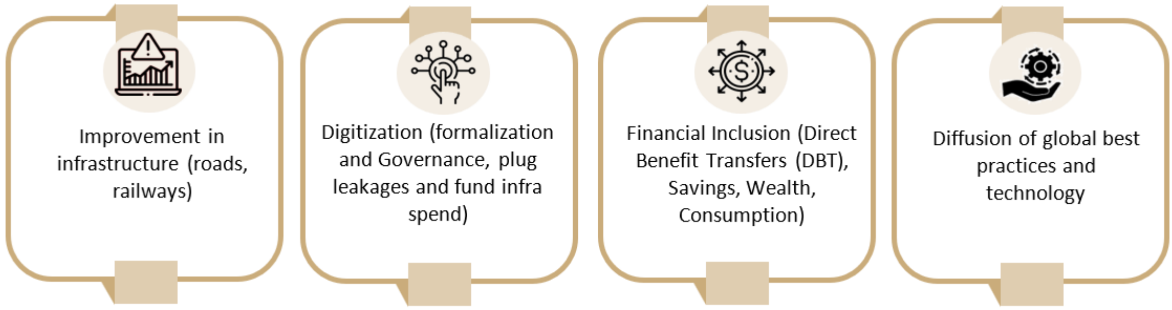
Source: Universe of Top 200 NSE Listed companies considered. B2C sectors: Auto, Consumer Goods, Media & Entertainment, Retailing, Hotels/Resorts, Telecom, Retail banks | Non-B2C Sectors: Construction, Metals, Industrial Manufacturing, Pharma, Power, Transportation, IT, Other Banks. *2024- Till Mar 2024 quarter

One needs to tone down expectations on both counts, absolute returns and its velocity. In our view, absolute returns are considerably less likely to be beta driven and more of rowing the boat upstream i.e. purely based on bottom up stock picking and creating alpha.

One needs to tone down expectations on both counts, absolute returns and its velocity. In our view, absolute returns are considerably less likely to be beta driven and more of rowing the boat upstream i.e. purely based on bottom up stock picking and creating alpha.

Looking back, CY 2024 was marked by significant geopolitical events, and an election heavy year with over 70 countries, including (most notably for our markets) in India and the United States. Further, Europe and China also faced slower economic growth compared to their historic trend line. These events added to uncertainty on direction of policy movement in these markets and their implications for rest of the world. On the monetary policy front, 2024 saw many G10 central banks begin rate-cut cycles to stimulate growth as inflation started to come within their comfort zone. Despite these uncertainties, the broader Indian markets delivered YTD returns to the tune of 16%. (NSE 500 TRI Data as of Dec. 30, 2024)

Exhibit 2: Long Term Drivers of GDP Growth



Source: Internal, Government Websites, Various Media. The aforesaid factors are only indicative. There may be other factors that may be relevant for driving GDP Growth, depending upon the varied market conditions.

Key to 2025 will be more of bottom up v/s top down (i.e. theme/sector agnostics). Our focus has been towards companies with prudent capital allocation, earnings growth and improving RoEs to identify them as good companies. Marrying that with the right risk-reward that these companies offer, through our time tested BMV (Business, Management and Valuations) framework is what has worked for us in the long run and we strive to continue the same. In the current scenario, we are finding these set of companies in B2B space have better earnings growth potential and are available at reasonable valuations. But all said, the market will transition from Beta driven (supported by solid macro, decent global growth and government heavy lifting) to one where bottom stock picking will likely add alpha. Key risks to our outlook remains (a) the uncertainty in global trade and investment landscape due to US policies, (2) continued overhang from Chinese overcapacity and (3) low visibility of long-term domestic and global demand.

In CY 2025, Nifty 50's earnings growth may moderate. While the near-term outlook might be challenging due to global economic uncertainties, India's long-term growth story does remain strong. Key drivers include demographics, digitalization, infrastructure development, financialization, and a growing middle class. Structurally, we believe India Inc. can sustain a 10-12% earnings growth rate in line with nominal GDP growth. Despite the recent correction, Nifty 50 P/E remains significantly above the 10-year mean. We expect CY 2025 market performance to be driven by earnings, favoring sectors with a lower risk of EPS cuts.

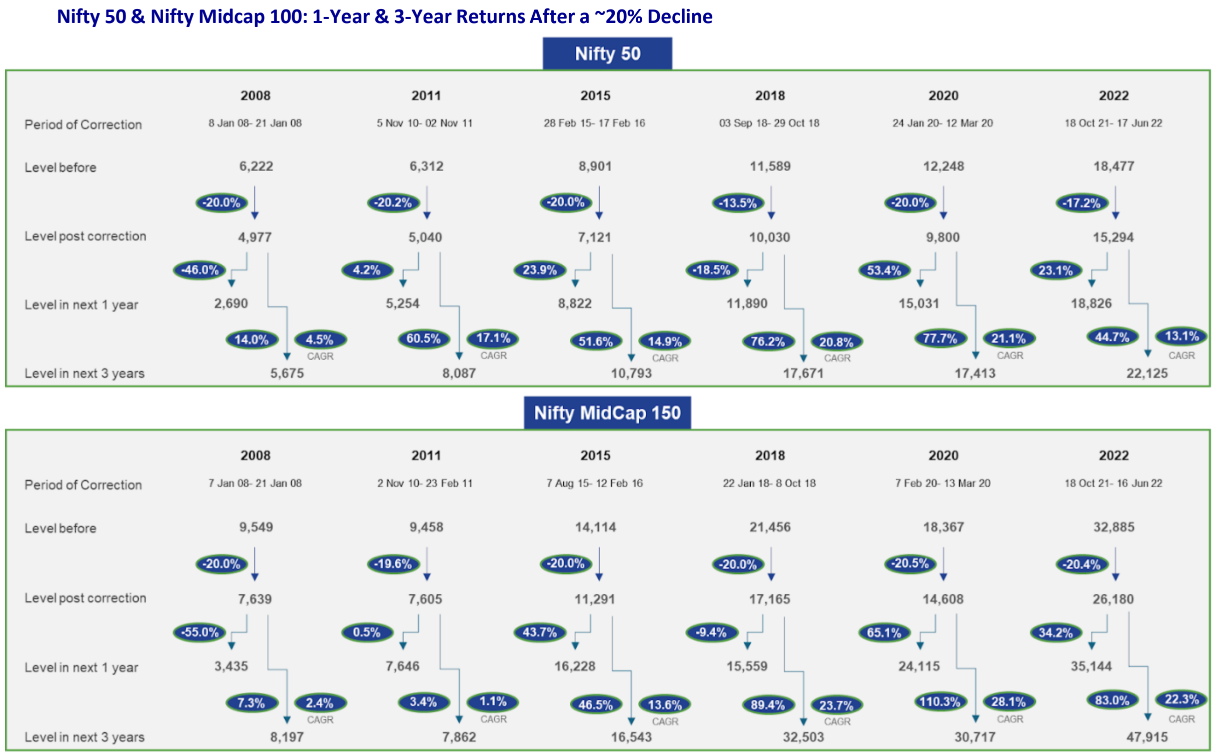
The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/Scheme may or may not have any future positions in these Stock(s)/Sector(s). Please note that BMV framework mentioned above is developed in house and only indicative in nature. The strategies offered by the Portfolio Manager may or may not follow the above framework at all times. The framework is developed in order to select the right companies through a filtration process and endeavor the strategy to attain their investment objective. These models are based on various broad market parameters prevalent in the market and are dynamic in nature.

Generating Alpha Amidst Shrinking Business Cycles - By Arun Subrahmanyam, Founder & Managing Partner, Ampersand Capital

Historically, business cycles used to last for extended periods, allowing investors to ride long waves of economic expansion. Over the past few decades, business cycles have shortened due to rapid technological advancements/ disruptions, fast evolving consumer behavior, impact of climate change and rising geopolitical and policy uncertainties. For instance, in the past few years, economic cycles and stock markets have been disrupted by external events such as taper-tantrum, trade wars, Covid-19 pandemic, unseasonal rains in India and Deepseek causing massive corrections in US based AI stocks. Amidst this uncertainty, we continue to believe that India remains a structurally expansionary market. However, several external and internal factors will continue to create periods of cyclical acceleration and deceleration in economic growth.

The current market scenario presents similar unique challenges, along with uncertainties around growth. However, these conditions also create opportunities to generate alpha, especially for those who position themselves closer to market bottoms and take calculated risks in the recovery phase. While market tops and bottoms are difficult to predict with pinpoint accuracy, historically markets bottom out when investor sentiment is highly pessimistic, earnings expectations are revised downward, and valuations compress significantly. The recent market correction, qualifies on all of the above criteria and has led to several high-quality stocks declining by 40-50% from peaks, presenting potential investment opportunity.

Current valuations of the NIFTY index suggest that forward-looking investors can generate strong returns if they enter at this stage. The NIFTY EPS for FY25 is around 1,080. CAGR expectation for FY25-28 is ~15%, meaning that the earnings trajectory remains robust despite short-term concerns. If we extend this to FY29, NIFTY EPS could be in the range of 1500-1800, depending on whether growth sustains at 12% or accelerates to 15%. The best-case scenario for NIFTY over the next three years assuming a PE re-rating to 25x, leads to an index level of 45,000. The base case, assuming a 20x PE, suggests a target of 30,000. This implies a potential CAGR of 11-25% for investors who position themselves now. Even in a worst-case scenario—where earnings growth remains sluggish at 5-6% and the market assigns a conservative 18x PE—NIFTY could correct to 18,000 in the short term. However, given historical patterns, downside risk is mitigated when investing at lower valuations and allowing a longer time horizon for mean reversion.



Recovery: Positioning for Maximum Alpha

The real opportunity in alpha generation arises during the recovery phase. History suggests that recoveries are often sharp and swift, rewarding those who take calculated risks.

1. High- Risk On Plays: Benefiting from Market Re-Rating

A market recovery is often led by sectors that were the hardest hit during the downturn. Given the contraction in valuations and expected earnings growth, higher-risk on stocks could outperform in a recovery phase. Midcap and small-cap indices have seen far higher correction of ~22% and ~26% from peaks in Sep’24 respectively, vis-à-vis ~16% correction for Nifty-50 from the peaks. Investors willing to take on higher risk in select beaten down names can generate outsized returns in our view.

2. Earnings Growth-Driven Approach

Consensus Earnings growth expectations for Nifty-50 is at ~15%. For Midcaps and SmallCaps, this is higher at around 20%-25%. There are at least 100 fundamentally sound stocks that have corrected by over 40-50%, making them attractive investment opportunities. Many of these stocks in particular have superior earnings growth potential, driven by sales growth and/ or margin expansion, and are now trading at attractive valuations after a steep correction.

3. Sectoral Rotation: Identifying Leading Themes

In the current landscape, in our view, cyclical and rate sensitive sectors stand to benefit the most. Additionally, domestic discretionary consumption-driven businesses and select infrastructure plays could gain from policy-driven incentives, tax cuts, and economic expansion. It would be pertinent to focus on identifying leading stocks within these sectors that have sustainable growth prospects.

4. Credit Easing and Policy Support: Strong Tailwind

The markets for the time being amidst the noise of slowing growth and geopolitical factors, have largely ignored the strong pivots by both the Government and RBI. Fiscal stimulus in the form of tax cuts and resumption of rate cut cycle by the RBI along with several steps and guidances which support growth are likely to provide strong tailwind to growth focused stocks. As the monetary conditions loosen further, the equity risk premiums will decline, leading to a re-rating of valuations across the board. This would be a key tailwind for high-beta stocks and sectors reliant on lower interest costs.

Conclusion: The Path to Alpha Generation

It is imperative to pick the right strategies to maximise the returns during the recovery. Maximum alpha can be generated in the current scenario by being positioned amongst a combination of companies which are now available at attractive valuations, with fundamentally strong earnings trajectory, and especially those which are likely to benefit from the key catalysts in the form of income tax cuts and interest rate reduction.

The Making of a Successful Performing Credit Fund Franchise - By Nachiket Naik, Head Structured Credit, Axis AMC

Performing Credit Funds have been the flavour of the season of late and much has been talked about the promise of this asset class and the expectations of it delivering superior risk-adjusted returns in the coming years. The expected muted earnings in public equity markets, coupled with the fact that duration as a strategy in fixed income is not expected to play out as anticipated, make the moderate-risk accrual strategy an attractive proposition going forward, and it should find a place of pride in investors' portfolios.

As was the case with infrastructure, real estate, and NBFCs in the last two decades, whenever a sector demonstrates promise, it attracts players of all shapes and forms. But as the dust settles over the initial euphoria, the sector matures and consolidates, with a few large players dominating the landscape. Invariably, an accident matures a sector, and it is only to be expected that this asset class will also face its challenges concerning asset quality, low returns, and the consequent souring of investor sentiment. It is probably an opportune time to analyse the attributes that will drive the creation of a successful franchise. As the multitude of players attracted to the sector play out their balance in growth, risk, and return aspects in their respective portfolio offerings, invariably, risk or return may get compromised in the pursuit of growth.

The likely softening of the credit cycle and its consequent impact on some of the in-vogue sectors like BFSI, venture debt, sponsor/holdco leverage, etc., in several performing credit portfolios may further accentuate the asset quality challenges. In the last few years, the buoyancy of the public equity markets enabled other asset classes to appear more attractive, and especially weak credit profile companies were able to raise cheap equity capital to avoid funding mismatches. The likely lack of a "risk-on" sentiment in public equity markets will have a rub-off impact on crossover credits as sentiment mutes their fundraising ability. The resultant subpar portfolio returns, and the current "me-too" nature of several asset aggregator portfolios may impact the risk-return proposition of this asset class in the minds of investors.

In any funded financial intermediation business, akin to an asset-heavy sector, the efficiency of the liability side drives the attractiveness and even viability of the asset-side proposition. Significant investors in these funds will essentially be domestic institutional investors like insurance companies and corporate treasuries, as this low/moderate-risk, moderated-return asset class fits their risk-return expectations. In-house fundraising channels with existing deep relationships with these institutional investors will drive scale and cost efficiencies in fundraising.

The 12-14% yield segment essentially replaces NBFC corporate lending and plays to themes of proxy senior secured debt to A- to BBB-rated companies, funding enhanced working capital requirements, acquisitions, promoter/financial sponsor buyouts, infrastructure sector debt top-ups, etc., for companies in traditional manufacturing/industrial sectors. This will require fund managers to have a proxy Bank/NBFC-like mindset and team setup to identify clients/lending opportunities and underwrite/manage credit exposures. These portfolios are likely to be diverse and granular, with bank-like risk exposure norms.

These funds will remain low-expense funds, driven by scale, and are likely to be dominated by existing large AMCs and select distributor-run platforms. These players can achieve significant scale within their investor universe, as low distribution expenses will enable them to keep their fund management expenses to investors low, with no performance fees. The performing credit fund space is less than 5 years old, and most fund managers do not yet have a substantial track record, given the infancy of the sector. As of now, investors are still investing in the asset class due to its attractiveness. As the segment matures, differentiation in performance will drive investment in the funds and will also result in the evolution of sectoral funds, theme-based funds, etc.

Credit as an asset class is institutional in nature, and the pedigree and track record of the investment manager and fund house are invariably differentiating factors in institutionalizing aspects of deal origination, transaction structuring, credit underwriting, and portfolio asset management. This institutional approach toward client relationships and risk management enables the creation of a diverse, granular portfolio, giving appropriate risk-adjusted returns via bespoke and unique transactions. This will be the key differentiating factor for the creation of a sustainable platform.

The Making of a Successful Performing Credit Fund Franchise - By Nachiket Naik, Head Structured Credit, Axis AMC

ALTERNATES_
by AXIS ASSET MANAGEMENT

Credit is as old as the corporate sector, and while credit can create an economy, the lack of credit can quickly destroy it. It is imperative that we don't just get this segment right, but also that we don't get it wrong. It's probably time to play this game as a test match, not a T20, and bring to the fore Dad's mature acumen in creating long-term sustainable value, rather than the Son's urgency to create overnight valuation.

Source: Axis AMC Research as on 9th March 2025

Note: The views expressed by the fund manager are individual in nature and meant purely to information sharing.

The sector mentioned herein are for general assessment purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

Bharat Amritkal – The India Story Reignited... - By Team, Carnelian Asset Management Company

It is said when you zoom out and look at something over a longer time horizon, things look much different than when you are zoomed in and looking at narrow time frame. What you choose, determines your approach and outcome. When most people are focused on short term market movements & valuations, we zoomed out and looked at what are the possibilities and probabilities as…

The Indian economy is in a transformative phase and embarking on a journey to become a developed nation by 2047. The country has undertaken robust structural reforms which we believe will drive India's GDP from USD 3.7tn to USD 29tn by 2047. India's per capita income is likely to increase from USD 2,600 to USD 18,000.

What makes us believe so?
Decisive and stable political leadership.
• Strong foundation laid through structural reforms from 2014-2023 (digital transformation, economic reforms, tax reform, infrastructure reform).

Major Tectonic shifts – biggest reason for our belief in India's transformative journey

- Changing mindset from incremental to "exponential thinking", with a sense of urgency.
- Non-constraint environment – no more thinking like a poor country with resource constraints.
- Finding unique solutions to its own problems, "best in class, innovative & technology driven solutions".
- Innovative & scale delivery at low-cost.
- Mindset of balancing social welfare & development.
- Changing global stature & perception.

Leading to…

STRENGTH	SPEED	SCALE
• Stable economy – with strong macro, improved efficiency, high ROE & low leverage • **Youngest population on the planet**	• Among the top 3 economy for next 50 years - India building huge scale in almost everything • **Most populous nation on the planet**	• Fastest growing economy for next decade • **Most aspirational population on the planet**

Emerging mega trends...

1. Youngest & largest working population globally over next 50 years - median age of 28 v/s 38 of China, 2/3rd population will be working class; 25% of global incremental work force will be from India.

2. Consumption boom – Largest working population with high aspiration & rising per capita income.

3. Factory to the world - Become a major manufacturing hub akin to China in last 30 years.

4. Office to the world - Low-cost talent pool with technology to drive "services outsourcing".

5. Sustainability – irreversible & important - Play an instrumental role in guiding the world in ESG.

6. Digital hub of the world - Data + AI will be akin to industrial revolution; India will play a key catalytical role.

7. Global influencer / Knowledge guru - Play key role in solving global problems, specially of underdeveloped world.

…which will propel structural changes across sectors…

1. Banking & Financial Services – India's total credit to grow ~25x during Amritkaal period vs ~20x in last 23 years. Non-credit will see increasing representation in the BFSI space - MF, MSME credit & mortgage credit will be the high growth sectors. In last 23 years, equity market capitalization of the entire sector grew ~100x & PAT ~40x and can offer similar growth opportunities in the Amritkaal period.

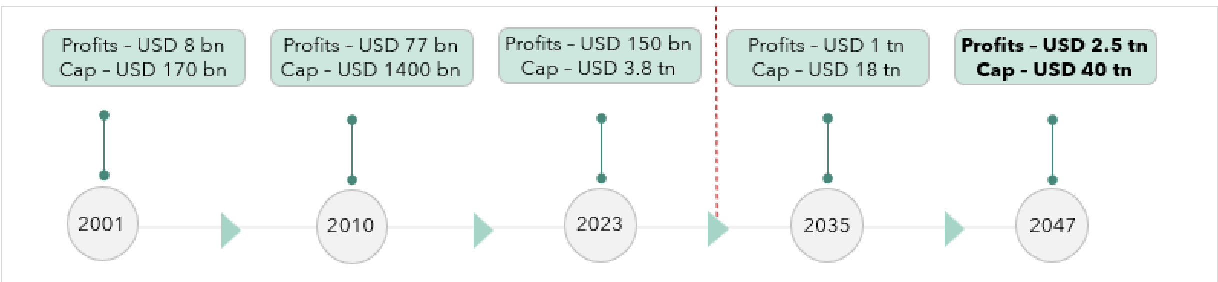
2. Manufacturing – India's manufacturing GDP to become ~16x & it's share in the overall GDP to grow from ~16% to ~28% during Amritkaal period. India is on the cusp of a manufacturing boom (~USD 8tn by 2047) led by Government reforms, cost competitiveness, China/Europe+1 & strong domestic demand. India's exports to grow ~16x by 2047. During Amritkaal, exponential growth will be seen across sectors - EMS (45x), chemical (19x), defence (10x), pharma (9x), textile (9x) & auto (8x), to name a few.

3. Services Export - IT/ITeS services exports to grow 12x by 2047 in Amritkaal period. ER&D within IT/ITeS will grow much faster. ER&D is at a point where Indian IT services was in 2001.Services export to grow 10x by 2047. Travel, tourism, education and space will be key wealth creators in the services sector.

4. Infrastructure - Infrastructure set to become the biggest driver for India's economic growth - government plans to invest USD 1.7tn between 2023-2030. Railways & renewables will lead the infra growth engine. Infra spend will be front loaded in the first 10-12 years – infra spend has multiplier effect on economy. By 2035, the Government plans to spend 4x of last 12 year's spending on infrastructure. Railways capex estimated to increase ~17x from USD 0.1tn to USD 1.7tn (40% of GDP) during the Amritkaal period.

5. Consumption – India's per capita income to grow ~7x, consumption basket to grow ~9x by 2047. The way India consumes will undergo a massive "Shift"–"more, better, new". Aspirational middle-income household will drive premiumization across categories. Discretionary spends to grow faster than staples. Food & beverage to grow ~6x by 2047 vs 8x in last 23 years. Healthcare to grow ~14x vs 8x in last 23 years. Consumer durables to grow ~16x vs 8x in last 23 years.

On the back of these trends and structural changes across sectors, India's corporate profit pool likely to become ~16x (USD 2.5tn) & equity market capitalization ~11x (USD 40tn) by 2047. In last 23 years, corporate profitability grew ~19x and equity market capitalisation grew by ~22x despite lot of challenges likes of GFC, Covid-19, implementation of GST, demonetisation and many more.



#Profit pool - Corporate earnings
Cap - Equity market capitalisation

Source: Bloomberg, Carnelian Research

Some interesting possibilities during Amritkaal period

- India will see incremental domestic investment of USD 2.3tn & FII investment of USD 1.5tn over the next 10-12 years
- India will have 75+ Fortune 500 companies.
- If ICICI Bank grows at 15% annually, it will cross JP Morgan Bank (USD 3.9tn assets) .
- If SBI MF grows at 21% annually, it will cross BlackRock (USD 9.4tn AUM).

Strong Indian macros – re-rating India - Premium valuations likely to continue & INR might be less vulnerable to depreciation

- Stable macros – controlled fiscal deficit, balanced debt to GDP, stable balance of payment (BoP) & record FDI.
- Sustainable and balanced growth in all 4 components of GDP:
- Consumption, government spending, investments & exports.
- Stable currency environment.
- Stable, reformist & progressive governance.
- India's CAD of 1.5% - 2.5% of GDP will turn surplus led by:
- Import substitution, increased manufacturing export, doubling of services exports, reduced dependency on oil for energy needs.
- India is the only emerging country which offers best growth, best ROE and low cost of capital (inevitable recipe for high valuation).

India is standing at an inflection point and is going to experience its "Amritkaal" period over the next 23 years. The underlying currents are very strong. We believe this is the ideal time to invest in India's Amritkaal and reap the benefits of multi-year compounding.

To summarise:

- Investing in India today, is a once in a lifetime opportunity, like the Japanese Economic Miracle - just as Japan experienced unprecedented wealth creation during its economic boom, India stands poised to embark on a similar journey of transformation during the Amritkaal period.

- As the Indian economy transitions to a developed nation by 2047 with a GDP of USD 29tn, **a large part of the returns will be front ended** - in the initial leg of next 10 -12 years. We believe Nifty50 will be in the range of 90,000 to 1,00,000 (~5x) by 2035 and Indian markets will offer significant alpha creation opportunities.

INR 10 crores invested today could become INR 450 crores @ 18% growth during Amritkaal.

"Most people overestimate what can be achieved in one year and underestimate what can be achieved in ten years - Bill Gates"

Bulls and bears are common in market parlance. Ever thought of Turtles? - By Anand Vardarajan, Chief Business Officer, Tata Asset Management Pvt Ltd.

TATA ASSET MANAGEMENT

Turtles are unique as they are amphibians (can live both in land and water). The ubiquitous turtle is seen in most shops and commercial spaces. It is popularly believed that it brings good fortune.

Here is some back story. Of the ten avatars of Vishnu, one of them was Koorma (turtle). It is believed that there was a power struggle between devas (good guys) and the asuras (bad guys) and it could be only solved by getting Amrit (nectar). To obtain Amrit, the ocean of milk had to be churned and they got a mountain named Mandara (to be used as a spindle) and a long snake named Vasuki (to be used like a rope). However, the spindle needs to rest on something which cannot be flat else the rotary action won't be possible. This is when lord Vishnu took the avatar of a turtle and let Mandara rest on his back to facilitate the process. The Samudra Manthan led to all sorts of things coming out including the deadliest poison (halahal) and Amrit (sweetest nectar).

Let's think of this in the context of market. What our investment team try, is to churn and get profit (amrit) while there could be unintended outcomes in form of losses. The bulls and bears spin Mandara (the markets) on either side producing all types of outcomes from big gains to massive pain! You get the drift of the story but what remains solid is the turtles back: strong and resilient! It remains at the centre while the bulls and bears fight it out.

The only amphibian in our business is long-short products which can hopefully do well in both good markets and not so good markets. Not surprisingly, they are called absolute return or market neutral strategies due to it market neutral positioning just like the turtle at the centre.

The strong shell-like back gives it resilience and behaves like a shield to keep the turtle out of harm's way. the soft body gives it the ability to move on land and water. Similarly, the shorts act like the back shield while the longs run to seek alpha.

Let's see how the funds have done..

Slow and steady wins the race: TEPA (Tata Equity Plus Absolute Returns Fund) has delivered 7.3% gross return FYTD till Dec 31st and Nifty 50 has delivered 5.9%, thereby outperforming by 1.4%. This should remind you of the hare and tortoise story. Reminds me of the tagline of one of the toothpastes which says "Mazedaar nahi, asardaar". Objective of any investment is not fun/thrill but returns. TARF (Tata Absolute Return Fund) did a similar act with 7.6% gross return for 9 months vs its benchmark (CRISIL MT Debt Index) return of 5.9%.

Bulls and bears are common in market parlance. Ever thought of Turtles? - By Anand Vardarajan, Chief Business Officer, Tata Asset Management Pvt Ltd.

TATA ASSET MANAGEMENT

When there is nothing intelligent to do, the mistake is often trying to be intelligent - The funds have been able to hide under the hard shell and reduce net exposure when markets appeared expensive and fundamentally disconnected. This is evidenced by reduction in net exposure in the funds which helped in avoiding unnecessary risk. We kept net equity low in H1FY25 since valuations were expensive, and slowly started dialling up as markets corrected.

Moving slowly into low-risk opportunities - the funds were able to capture opportunities in IPOs and QIPs which were relatively low risk and added to alpha. Risk rewards looked favourable in these and led to better returns. Close to 1% return were contributed by these opportunities in both the funds over the last quarter.

Stillness > Striving - The funds were able to hold steady and still rather than trying to get desperate and strive. This led to much lower drawdown thereby better performance even while equity performance was negative in certain months. This is evidenced by months like December when Nifty 50 was down while TEPA was positive, and when Nifty was down over 6% in October, the fund had a minimal drawdown.

	TEPA	TARF
Upside capture	0.40x	1.24x
Downside Capture*	-0.33x	-
Avg Net Equity	14.8%	3.3%

**Capture figures are using monthly data compared to respective benchmarks. Negative downside capture indicates positive return during negative benchmark performance.*

How AIFs are Redefining Investing Beyond Traditional Markets – By Puneet Sharma, CEO/Fund Manager, Whitespace Alpha

As traditional investment avenues continue to navigate through market fluctuations and global uncertainties, AIFs offer a refined and forward-thinking approach that aligns with the sophisticated tastes of modern investors. By embracing non-traditional asset classes, AIFs are not only redefining investment strategies but are also paving the way for a more dynamic and inclusive financial ecosystem.

In the burgeoning landscape of Indian investment opportunities, Alternative Investment Funds (AIFs) are significantly outpacing traditional mutual funds in generating alpha, particularly over a span of five years. While mutual funds show a decent performance in generating alpha, particularly with 91% of large-cap funds delivering more than 10% alpha, AIFs present an even more compelling case. A striking 32% of AIFs have not just surpassed the 20% alpha threshold but have soared beyond, with 19% of these funds achieving an exceptional 30% or more alpha. This stark contrast underscores the enhanced performance and superior risk-adjusted returns offered by AIFs, making them an increasingly attractive option for investors looking to optimize their portfolios beyond conventional market instruments. This trend is indicative of a strategic shift among savvy investors towards AIFs, as they seek investment avenues that offer not only higher returns but also the agility to maneuver through diverse market conditions.

A Fresh Perspective on AIFs

Gone are the days when equities and bonds alone defined an investor’s portfolio. Today, discerning investors are seeking diversified opportunities that extend beyond the conventional. AIFs—regulated by the Securities and Exchange Board of India (SEBI)—are the epitome of this shift. These funds pool capital to invest in niche areas such as private equity, real estate, infrastructure, technology, and even art, offering a taste of exclusive investment realms traditionally reserved for institutional players.

AIF Categories: Tailored for Success AIFs in India are segmented into three distinct categories, each crafted to meet diverse investment goals:

Category I:
Focuses on sectors with significant socio-economic impact. This includes investments in startups, small and medium enterprises (SMEs), and emerging industries that fuel the nation's growth.

Category II:
Targets diversified investments that stray from traditional markets, providing a steady and elegant alternative without the use of leverage.

Category III:
Embraces sophisticated trading strategies and leverages market insights to deliver higher returns for those who appreciate calculated risks.

This categorization enables investors to select funds that mirror their personal aspirations and risk appetites, all while tapping into areas that are often overlooked by traditional investments.

Capitalizing on India's Exponential Growth

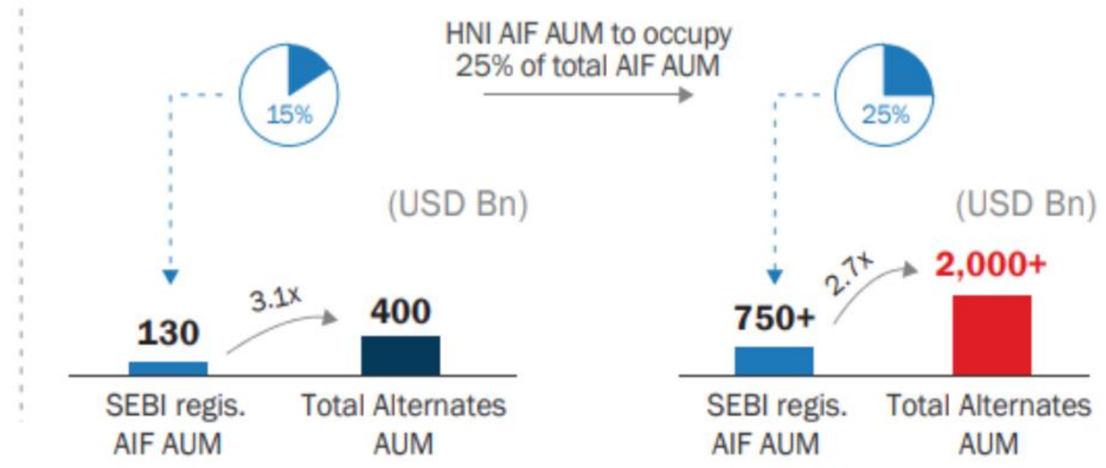
India is experiencing an era of unprecedented economic expansion and innovation. The country's vibrant startup ecosystem and infrastructural developments are testament to its forward momentum. AIFs serve as the perfect conduit for investors looking to participate in this growth story.

Stellar Growth Rates:
Recent industry insights reveal that the AIF market in India has been growing at an impressive annual rate of nearly 20% over the past decade. This robust growth is reflective of the increasing investor appetite for alternative assets that promise higher returns amid global market uncertainties.

Substantial Capital Inflows:
In 2023 alone, Category I AIFs managed assets surpassing INR 1 trillion, underscoring a strong vote of confidence from high-net-worth individuals (HNIs) and institutional investors alike. This influx of capital is not merely a statistic—it is a clarion call to embrace a more diversified and resilient investment strategy.

Nurturing Innovation and Infrastructure:

By channeling funds into nascent startups and pivotal infrastructure projects, AIFs are driving the engines of innovation and development. This symbiotic relationship between capital and creativity is setting the stage for India's next leap forward in economic prosperity.



Source: CRISIL: No Ifs about AIFs, SEBI Reports

Rewriting Investment Strategies with Precision

The true allure of AIFs lies in their ability to offer bespoke investment solutions that transcend the ordinary. Investors now have the luxury of customizing their portfolios to align with both short-term objectives and long-term visions.

Tailored Portfolios for the Discerning Investor

The Art of Customization:

Unlike the one-size-fits-all approach often associated with traditional funds, AIF managers have the creative freedom to design strategies that resonate with current market dynamics. Whether it's through structured deals or thematic investments, these funds provide an agile framework that can swiftly adapt to market trends.

Exclusive Market Insights:

Leveraging the expertise of seasoned professionals, AIFs conduct rigorous due diligence and tap into deep market insights. This meticulous approach transforms potential market challenges into opportunities for superior risk-adjusted returns. For many investors, this represents a sophisticated fusion of art and science in investment management.

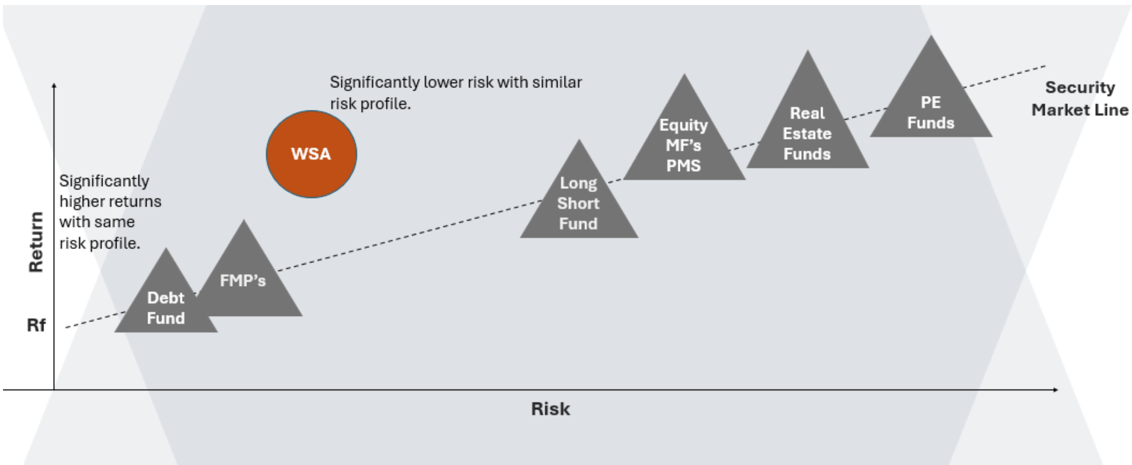
How AIFs are Redefining Investing Beyond Traditional Markets – By Puneet Sharma, CEO/Fund Manager, Whitespace Alpha

Harnessing Market – Neutral Strategies for Alpha Generation

Market-neutral strategies offer a disciplined approach to generating alpha by minimizing exposure to overall market fluctuations. By taking both long and short positions in different assets, these strategies seek to offset market risks and generate returns independent of market direction. The key lies in identifying mispriced securities—whether through value, growth, or momentum factors—and constructing a portfolio where gains from long positions counterbalance potential losses from shorts. This systematic balancing allows investors to capture inefficiencies while maintaining low correlation with broader market movements, making market-neutral strategies a reliable tool for navigating uncertain conditions.

Systematic Execution and Dynamic Risk Management

A successful market-neutral approach demands continuous monitoring, rapid adaptability, and a data-driven framework. Systematic analysis—scoring and ranking stocks based on expected performance—enables investors to make informed decisions and swiftly rebalance portfolios in response to volatility. Hedging plays a critical role in managing exposure, while risk control measures help prevent unintended concentration. Additionally, the tradeoff between risk, cost, and forgone profits requires careful calibration. By integrating real-time adjustments and leveraging a structured investment process, market-neutral strategies can optimize returns while mitigating downside risks in an ever-evolving market landscape.



This visual simplifies the comparison of various investment strategies, showing where each stands in terms of risk and return while illustrating the advantage of Market-neutral strategy in providing higher returns at relatively lower risk.

Unlocking Niche Opportunities

AIFs are the key to unlocking a treasure trove of exclusive investment opportunities that are often veiled from the public eye. By venturing into private markets and innovative sectors, these funds offer a rare glimpse into high-growth areas that promise both stability and substantial upside.

How AIFs are Redefining Investing Beyond Traditional Markets – By Puneet Sharma, CEO/Fund Manager, Whitespace Alpha

Beyond the Mainstream:

From technology-driven startups to sustainable real estate projects, AIFs offer investors a chance to be part of transformative ventures. These opportunities not only enhance portfolio diversity but also allow investors to contribute to the nation's socio-economic development.

Empowering the Future:

With India on the cusp of a technological renaissance, investments in digital infrastructure, renewable energy, and smart cities are poised to redefine the future. AIFs, with their agile and customized approach, provide the necessary capital to empower these visionary projects, making them an integral part of India's growth narrative.

The Ripple Effect: Shaping a New Financial Ecosystem

The impact of AIFs extends far beyond individual portfolios. Their rise is reshaping India's entire financial ecosystem, fostering an environment where innovation and growth thrive.

Catalyzing Economic Transformation:

By channeling funds into underexploited sectors, AIFs are not only boosting investor returns but also spurring technological advancement, and infrastructural development. This holistic impact is transforming the investment landscape, creating a ripple effect that benefits society at large.

Redefining Investment Norms:

The integration of AIFs into mainstream investment strategies is prompting a reevaluation of traditional asset classes. As more investors witness the tangible benefits of diversification and exclusive market access, the era of AIFs is well on its way to becoming the new gold standard in investment.

Conclusion: Embrace the AIF Revolution

In an age where traditional investments often seem predictable and constrained, AIFs offer a breath of fresh air—a sophisticated, customizable, and dynamic alternative that perfectly captures the spirit of modern India. With impressive growth rates, significant capital inflows, and the ability to unlock niche opportunities, AIFs are not merely an investment vehicle; they are a powerful enabler of economic transformation.

Building a Winning Portfolio: The Power of Factor Investing - By Sonam Srivastava, Founder & CEO, Wright Research

Albert Einstein once famously said, "Compounding is the eighth wonder of the world." While we often hear about the power of compounding in financial discussions, consistently compounding wealth remains the key to achieving true financial freedom. But how can investors construct a portfolio that grows wealth steadily while minimizing risk? The answer lies in multi-factor investing strategies. Let's explore how data-driven factor investing can help create a resilient and high-performing portfolio.

Factor Investing: A Smarter Approach to Portfolio Construction

Factor investing, also known as smart beta or factor-based investing, involves constructing portfolios based on certain characteristics or factors historically linked to superior risk-adjusted returns. These factors go beyond traditional market beta and provide a systematic way to capture excess returns.

Common Factor Investing Strategies:

- **Value Investing:** Selecting stocks that trade at a lower price relative to their fundamental value.

- **Quality Investing:** Investing in companies with strong financials, low debt, and sustainable earnings.

- **Momentum Investing:** Investing in stocks that have shown recent price strength.

- **Low Volatility Investing:** Selecting stocks with lower historical price fluctuations.

- **Small-Cap Investing:** Focusing on smaller market capitalization stocks with high growth potential.

Each of these factors has historically demonstrated the ability to enhance portfolio returns and reduce risk.

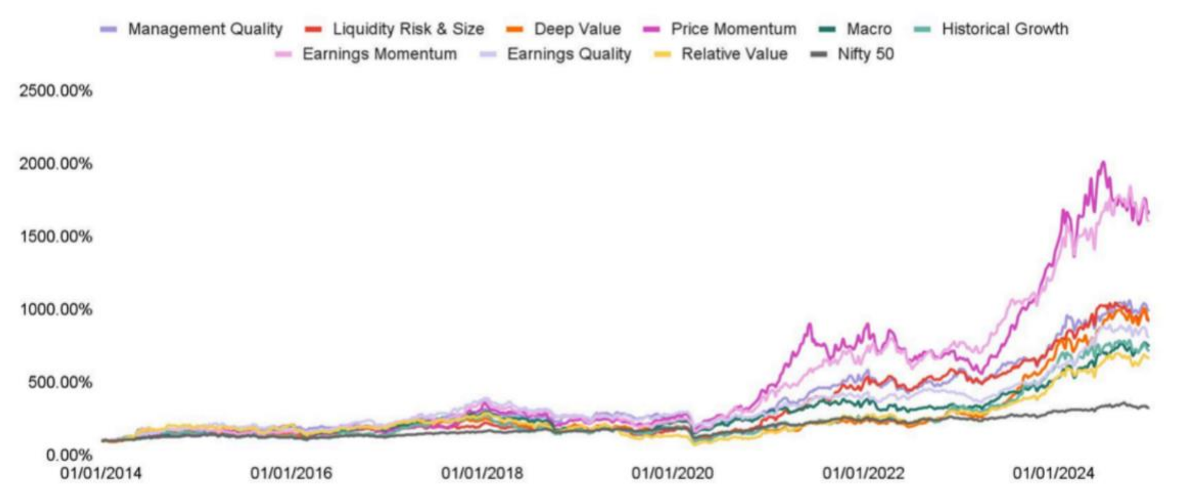
Applying Factor Investing to Build a Stock Portfolio

Factor investing enables investors to systematically build stock portfolios based on their financial goals and market conditions. The steps to constructing a factor-based portfolio include:

1. **Define Investment Goals** – Are you aiming for long-term growth, income, or stability?
2. **Select Factors** – Choose relevant factors based on market conditions and risk appetite.
3. **Screen and Select Stocks** – Identify stocks that exhibit strong factor characteristics.
4. **Diversify Across Sectors** – Reduce exposure to specific industries to mitigate risk.
5. **Allocate Capital Strategically** – Use equal weighting or factor weighting to optimize performance.
6. **Monitor and Rebalance** – Regularly review portfolio performance and make tactical adjustments.

Performance of Factor-Based Investing in India

At Wright, we leverage proprietary models to construct factor portfolios. Our multi-factor strategies have consistently outperformed market benchmarks, delivering up to 35%+ CAGR over the last decade on a backtested basis. Among the leading factors, momentum, quality, and low volatility have generated the highest returns.



Tactical Factor Allocation: A Dynamic Approach to Investing

Just as different economic cycles favor specific asset classes, factor performances also vary across market cycles.

- **Early Growth Phase:** Momentum and Small-Cap factors tend to outperform.
- **Slow Growth Phase:** Quality stocks become more attractive.
- **Late Cycle:** Low Volatility strategies help mitigate risks.
- **Recessionary Phase:** Asset allocation becomes more crucial than factor selection.

By dynamically adjusting factor exposure based on economic conditions, investors can achieve consistent returns while managing risks effectively.

Can Passive Investing Alone Lead to Financial Freedom?

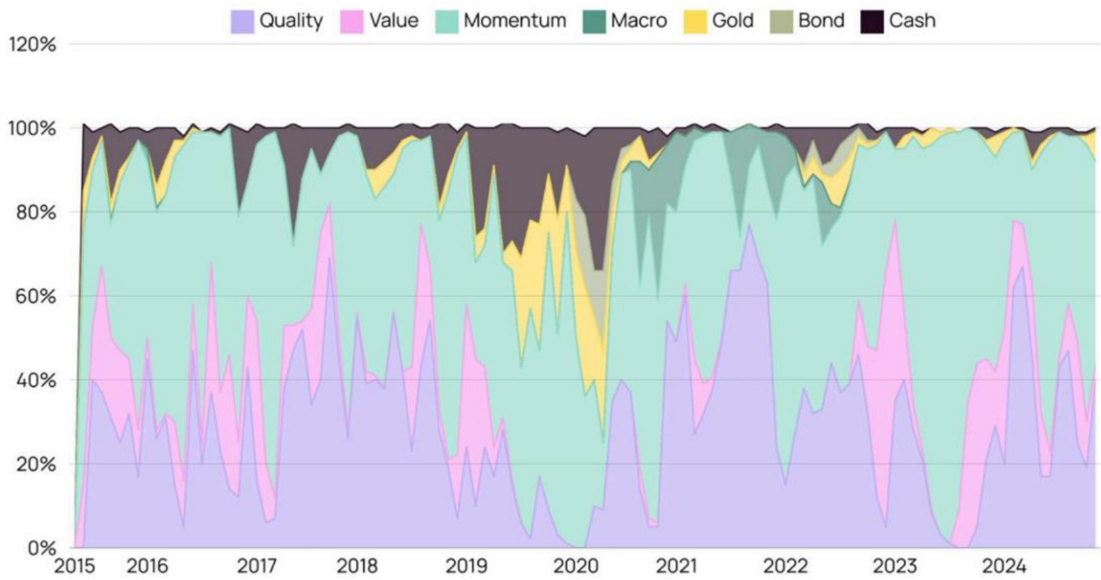
While passive investing offers low costs and simplicity, it may not be sufficient to achieve superior returns. Over the past decade, major indices have delivered modest annualized returns, with large-cap indices yielding less than 10% CAGR and mid-caps slightly outperforming at 12% CAGR. Factor investing provides an opportunity to enhance returns by strategically selecting outperforming factors.

Market Regime Shifts Determine Your Strategy

Market regimes shift over time due to changes in economic cycles, monetary policy, inflation trends, and investor sentiment. These shifts significantly influence the performance of various investment factors. For instance, during periods of economic expansion, momentum and small-cap factors tend to thrive as risk appetite increases and growth stocks outperform. Conversely, in times of economic slowdown or recession, quality and low-volatility factors provide resilience, helping investors preserve capital. Recognizing these shifts is crucial for factor investors, as rigidly adhering to a single-factor strategy may lead to underperformance in unfavorable market conditions.

Building a Winning Portfolio: The Power of Factor Investing - By Sonam Srivastava, Founder & CEO, Wright Research

Wright.



Adaptive factor investing strategies offer a structured way to navigate different market environments while maintaining a disciplined approach. Multi-factor models, which combine factors such as value, quality, momentum, and low volatility, enable investors to capture opportunities across varying regimes. For example, in high-inflation environments, value stocks with strong earnings may outperform, while in a deflationary setting, growth-oriented factors could take the lead. Incorporating regime-aware factor investing ensures that portfolios remain resilient and responsive to changing market dynamics. By continuously monitoring macroeconomic indicators and factor trends, investors can tactically rebalance their portfolios, optimizing performance while minimizing drawdowns.

Conclusion: The Future of Smart Investing

At Wright Research, our research-driven multi-factor investment approach combines various factors to optimize risk-adjusted returns. Our actively managed multi-factor portfolios rebalance regularly and have demonstrated robust performance over the years. In 16 months since the launch of Wright PMS, we earned 80% returns for our clients - outperforming the benchmark by 45%.

Factor investing combined with quant is the smarter way to invest compared to traditional investing - we leverage data-driven insights and systematic strategies. By combining multiple factors dynamically, investors can create resilient portfolios that outperform over time. At Wright PMS, we remain committed to delivering consistent, risk-adjusted returns through our quant driven, factor-based investment philosophy.

The Rise of AI-Driven Financial Services: Is India Ready for the Next Wave? – By Amit Ratanpal, Founder & Managing Director, BLinC Invest

AI being the new buzz word is revolutionizing the world. Unlike the previous generation that could classify, predict, or detect patterns, it has the ability to think and produce entirely new text, audio, images, and even code. This has led to a groundbreaking change, making task automation and efficiency improvements more accessible. Financial services have been at the forefront on AI adoption, with over 76% of Financial Institutions globally having announced AI initiatives and over 51% having integrated AI in consumer facing products. Indian financial institutions are also actively embracing AI, with over 45% of banks leveraging GenAI for employee assistance and information distillation. The most common AI applications in India are employee support, followed by chatbots and document processing.

While AI has today become our reality, it's just the beginning. The use cases span from hyper personalised wealth management services, alternative credit scoring, fraud detection, claims assistance, chatbots to process automation across various business verticals. Some of the most interesting use cases and current applications across verticals are as follows:

- **Payments:** Banks are using AI to analyse transaction patterns, flag suspicious activities & to prevent fraud. They are also developing smart recommendation systems to help businesses choose the most convenient and cost-effective payment method for their transactions. Reserve Bank Innovation Hub (RBIH) recently launched MuleHunter AI, an AI-driven solution designed to detect and prevent mule accounts involved in financial fraud.

- **Lending:** AI is transforming credit scoring, document processing, defaults modelling across fintechs, Banks and NBFCs. For example: HDFC Bank's Eva AI streamlines credit assessment and underwriting reducing TAT for end borrowers. Using Robotic Process Automation (RPA) has helped HDFC Bank reduce the TAT for processing loan requests by 50%, improving productivity of data entry staff by 40%.

- **Insurance:** There are multiple use cases of AI in Insurance ranging from Underwriting, claims processing and customer experience. FinTechs have launched underwriting platforms with dynamic risk pricing that underwrite in <1 min. Many of the top Insurers have launched their own chatbots and implemented automated claims processing for quicker TAT and better customer experience.

- **Asset & Wealth Management:** Multiple start-ups and research houses are building LLMs (Large Language Models) helping users and RMs to recommend right products for their customers. Even regulator SEBI has plans to use AI extensively to process IPO applications as well as Investigations for Fraud. It plans to process over 1000 IPO applications in the next 2 years.

- **Banking & Finance Infrastructure:** AI enhances infrastructure through chatbots, RPA, and cybersecurity. SBI, ICICI Bank, and HDFC Bank use AI chatbots for customer service, improving response times. These banks also employ RPA to automate processes like account opening, boosting efficiency. For cybersecurity, major Indian banks use AI to detect cyber threats and ensure compliance, protecting customer data and meeting regulations. Axis Bank has rolled out chatbots for 60,000+ employees while Bank of Baroda has adopted GenAI for transforming customer experience and improving efficiency.

While lots of new initiatives have been undertaken to adopt AI, however, many institutions' may not be fully geared up due to legacy systems and technology. Additionally, data privacy, reliability and accuracy of these tools are few of the key hurdles that need to be addressed before widespread usage in the sector.

India is well-positioned for the next wave of AI in financial services, with leading banks, NBFCs, and fintechs already leveraging AI for various purposes and supported by the regulators as well. However, scaling these solutions remains a challenge due to legacy infrastructure, data silos, and evolving regulatory frameworks. India's rapid digital adoption and fintech boom signal strong readiness, but success will depend on modernizing systems, collaborating with regulators for framing better AI governance frameworks, and ensuring AI models are explainable and secure. With the right balance of innovation, governance and Bank fintech partnerships, India is ready for rapid growth and innovation in financial services sector driven by large scale AI adoption.

India's economic landscape is evolving rapidly, cementing its position as one of the world's fastest-growing economies. Strong macroeconomic fundamentals, rising domestic consumption, and a favorable policy environment have propelled the country into a new phase of growth. With GDP expanding at a robust pace, India is attracting global investors looking for long-term opportunities in key sectors such as technology, manufacturing, financial services, and infrastructure.

A notable shift is emerging in investment behavior, driven by rising disposable incomes, digital penetration, and a growing preference for financial assets over traditional savings. According to a Consumer Spending Outlook 2025 report by LocalCircles, 40% of respondents plan to invest in equities and mutual funds, while 15% are looking at asset-backed investments like real estate, gold, and automobiles. This trend signals a maturing investor mindset, where wealth creation strategies are becoming more sophisticated and diversified.

In light of the growing interest in investments, various strategies have been proposed to guide wealth creation. Dalal Street's prominent fund manager, Mr. Jain, founder of Generational Capital offers a straightforward three-step approach to identify stocks capable of delivering tenfold returns over the next decade.

1. Identifying Consolidating Profit Pools

Mr. Jain emphasizes focusing on sectors where profit pools are becoming concentrated among a few leading companies. For example, despite the presence of global platforms like LinkedIn, Info Edge's Naukri.com has established a dominant position in India's job search market, capturing approximately 80% of revenue share and about 110% of profitability in this segment. Similarly, in the global digital advertising arena, around 70% of every dollar spent is allocated to giants like Alphabet and Facebook. This analysis directs attention to sectors such as jewellery, luxury watches, electronics goods, luggage manufacturing, stationary, niche e commerce platforms IT services, dental healthcare, domestic branded pharmaceuticals and music streaming.

2. Ensuring Transparent Accounting and Shareholder-Friendly Practices

He advocates for a thorough examination of companies' financial practices to ensure transparency and a commitment to shareholder value. Utilizing a comprehensive set of forensic accounting tools, he assesses whether businesses are presenting an accurate financial picture.

This involves analyzing 20 forensic ratios that integrate balance sheets, cash flow statements, and profit and loss accounts to detect any discrepancies. Beyond quantitative metrics, he conducts an extensive qualitative analysis, employing a 150-keyword fraud detection process over approximately 100 hours to evaluate the intent and vision of company promoters. This process aims to uncover any misuse of company funds or serious legal issues that could impact investor interests.

3. Identifying Competitive Advantages and Growth Potential

He stresses the importance of selecting businesses with sustainable competitive advantages, often referred to as 'moats,' which enable them to outperform competitors and deliver superior returns to shareholders. These advantages may include network effects in platform-based businesses, high switching costs in healthcare and consumer sectors, cost leadership in retail, and strong brand recognition in companies like Titan.

Additionally, he looks for companies in the growth phase of their lifecycle, either embarking on significant capital expenditure plans or poised to benefit from operational efficiencies due to prior investments.

Mr. Jain also advises caution regarding sectors with inherently weak economics or those heavily reliant on government contracts, such as infrastructure, airlines, hospitality, sugar, metals, and active pharmaceutical ingredients (APIs). He notes that while some businesses in these areas may offer cyclical opportunities, they often require precise timing for entry and exit, which can lead to lower risk-adjusted returns.

By adhering to this disciplined investment framework, we can identify companies with the potential for substantial long-term growth, thereby building generational wealth.

Investing Is a Game of Survival

For decades, fund managers, market veterans, and investment firms have preached the same feel-good narrative:

- "Stay invested forever."
- "You are buying companies, not stocks."

These statements are comforting. They make investors feel like they don't need to worry about market crashes, drawdowns, or valuations. But history proves that these beliefs have led to some of the biggest wealth destructions in investing.

At INVasset, we don't sell illusions. We don't ask investors to believe in market fairy tales. We believe in reality-based investing—one that acknowledges market cycles, valuations, and the most ignored factor in investing: human psychology.

Let's be clear: we are not predicting a bear market, nor are we against any particular investment philosophy. Every strategy has its place in the market, and every investor's approach is shaped by their risk tolerance and objectives. However, the narrative fed to retail investors—that they must invest for the long term, buy companies and not stocks, and never sell—is flawed.

Yes, we buy companies. But we buy them through stocks. And stocks have prices, valuations, and cycles. Ignoring this reality can be costly.

The Behavioral Trap: How Investors Fall for the Myth of "Stay Invested Forever"

Investors love certainty. The idea that you can just stay invested and everything will be fine feeds into human psychology:

- **Fear of Missing Out (FOMO):** Makes investors stay invested in overvalued markets.
- **Loss Aversion:** Makes them hold onto crashing stocks, hoping they will recover.
- **Overconfidence Bias:** Makes them believe their investments will always come back.

Most investors never ask the most important question: What happens when the bear market comes?

When Markets Crash, the Truth is Revealed

The market doesn't care about narratives. When bear markets strike, portfolios can lose years of gains in months.
Historical Examples:

- 2008 Financial Crisis: The NIFTY fell 65%, and the biggest PMS funds that claimed to be "safe" collapsed 70-80%.
- 2000 Dot-Com Crash: Even fundamentally strong companies fell 50-80% as valuations corrected.
- 1993 Harshad Mehta Scam: Portfolios saw 50%+ drawdowns, wiping out retail investors.
- 2018-2020 Market Slowdown: A milder bear market where quality and growth stocks didn't fall significantly. But in previous cycles, even quality stocks collapsed.

Yet, in every cycle, new BAAP (Buy at Any Price) stocks emerge—stocks pushed as invincible due to their growth and market positioning. In 2021, stocks like Asian Paints, HDFC Twins, and Bajaj Twins were marketed as untouchable winners. Post-2021? No performance.

The Beta Myth: Why Risk Isn't Just a Number

Many fund managers justify their approach using complicated metrics:

- "Our beta is less than one."
- "Our Sharpe ratio is strong."
- "This risk-adjusted metric shows superior downside protection."

But the truth is, risk management is not about beta or ratios—it's about recognizing market cycles and acting accordingly.

Many of the best-performing portfolios in recent years are now down more than 25%, even as the BSE 500 itself is down only 10% since December. The same managers who once claimed their beta was low are now witnessing severe drawdowns. Kahan gaya beta, beta?

Why? Because if your beta is high on the upside, it will also be high on the downside.

The Hard Truth: If Your Portfolio Goes Up 5x in 7 Years and Then Falls 50%, You Are Back to Square One

Let's do the math:

- If your ₹10 lakh portfolio grows 5x in a bull market (₹50 lakh), that's great.
- But if it crashes 50% in a bear market, you are back to ₹25 lakh—which is just a 2.5x return over 7 years.
- At the market peak, the CAGR would have been 38%, but after the bear run, it drops to 14%.

This is why knowing how to get out is more important than knowing when to get in. And yet, most fund managers never warn investors about expensive markets.

The 2000 Dot-Com Bubble: The Greatest Example of How 'Stay Invested Forever' Fails

During the dot-com bubble, investors were told:

- "The internet is the future."
- "These companies will change the world."
- "Stay invested. You are buying great companies, not stocks."

And then reality struck:

- Amazon fell 93% from its peak.
- Cisco lost 85% and never reclaimed its 2000 peak for 22 years.
- Microsoft, Intel, and Qualcomm crashed by 70%+.

Investors who stayed invested lost almost everything. Even today, some companies never recovered.

Why Fund Managers Don't Tell You to Exit

Fund managers and PMS/AIF firms have one primary goal: increasing AUM (Assets Under Management).

- More AUM = More fees.
- More fees = More incentives to keep investors in the market.

This is why even in expensive, overvalued markets, you will rarely hear a fund manager say:

- "The market is too expensive. You should take some money off the table."

Instead, they say: "Stay invested. Think long-term. Market timing doesn't work."
Why? Because if investors pull out money, fund managers lose their AUM, their fees, and their business.

How INVasset Protects Investors from These Pitfalls

At INVasset, we focus on three key pillars:

1. **Valuation-Driven Investing**
   - We don't blindly buy stocks—we buy opportunities at the right price.
   - We exit when valuations become irrational.
2. **Risk Management & Tactical Hedging**
   - We don't believe in "staying invested forever."
   - We reduce exposure when markets become frothy.
   - We hedge against bear markets to protect capital.
3. **Psychology-Based Investing**
   - We analyze market psychology to avoid FOMO-driven mistakes.
   - We focus on exit strategies, not just entry points.

Acknowledging Mistakes to Find Better Solutions

At INVasset, we understand that no investor or fund manager is perfect. Mistakes happen, but the key is to acknowledge them—not hide from them. Our focus remains on learning, adapting, and building strategies that stand the test of time.

Takeaway: Markets will crash again. If your portfolio isn't prepared for that, you're playing a losing game.
At INVasset, we don't tell investors what they want to hear. We tell them what they need to hear.
Because in investing, what you keep matters more than what you make.

Unlocking Investment Potential Through Special Situations and Mega Trends – By Neil Bahal, Founder & Fund Manager, Negen Capital

Understanding Special Situations Investing

In an ever-evolving financial landscape, traditional investment strategies often fall short in capturing the full spectrum of opportunities available in the market. Most investors focus on blue-chip stocks, quality businesses, and high-growth companies. While these are great long-term investments, they are often fully priced or even overvalued due to widespread recognition of their strong fundamentals. In a raging bull market, it becomes increasingly difficult to find undervalued opportunities in these well-known businesses. This is where special situations come into play. These unique investment opportunities arise due to corporate actions, market inefficiencies, and regulatory changes, creating temporary mispricing that allows smart investors to buy businesses at a discount. Special situations investing offers a way to find hidden value in an otherwise expensive market. At Negen PMS, we follow this strategic approach by leveraging special situations investing and mega trends to offer our clients an advantage in unlocking significant value while maintaining a disciplined and risk-adjusted approach.

Special situations and structural changes often create unique opportunities for growth. These could arise from various corporate actions such as Demergers and Forced Selling, Promoter & Management Changes, Reverse Mergers, etc.

Demergers – When large conglomerates break into smaller, more focused entities, these newly independent businesses often realize stronger growth due to better capital allocation and operational efficiency. After a demerger, institutional investors may also be forced to sell newly listed shares if they do not align with their investment mandate. This often leads to undervaluation, offering an attractive entry point for long-term investors.

Promoter & Management Changes – A change in leadership can significantly impact a company's trajectory. When a high-quality management team takes over, operational improvements and strategic direction shifts can unlock significant value.

Mergers – This occurs when two companies merge for the purpose of getting better operational synergies, cost efficiencies, and stronger competitive positioning. But reverse mergers often create opportunities for price arbitrage—when a merger is announced, the share price of the company being acquired (Company A) typically aligns with the acquiring company's (Company B) valuation. However, inefficiencies in the market sometimes cause price variations, offering unique investment opportunities.

These events provide risk adjusted investment opportunities, where the downside is often limited, but the upside can be significant due to operational efficiencies, restructuring benefits, and enhanced corporate governance. Let's take a closer look at a special situations with detailed case studies.

Case Study 1: Unlocking Value Through a Demerger

A large industrial conglomerate with multiple divisions—including manufacturing, technology, and financial services—decides to demerge its high-growth technology division into a separate listed entity.

Before the Demerger, the technology business was hidden within the diversified group, leading to undervaluation. Institutional investors held the stock for its core industrial businesses, not its tech potential.

After the Demerger, the independent tech company attracts sector-focused investors, leading to a re-rating. Management gains flexibility to focus on growth without constraints from the parent company. The parent entity benefits from a clearer valuation, as investors can now assess each business separately. This may also create a forced selling opportunity. Many institutions must sell shares of the newly listed tech company due to mandate restrictions. This temporary selling pressure leads to mispricing, despite strong fundamentals. Astute investors can capitalize on this discount, buying before the market fully recognizes its value.

Case Study 2: Capturing Opportunities in a Merger

A mid-sized pharmaceutical company proposes to merge with a biotech firm specializing in innovative drug research.

Before the Merger, the pharma company had strong distribution and manufacturing but lacked innovation. The biotech firm had promising patents but lacked production scale.

Post-Merger, the combined entity benefits from both manufacturing scale and R&D strength, improving profitability. Cost efficiencies arise from eliminating duplicate expenses. A broader investor base leads to a valuation re-rating.

Price Arbitrage Opportunity:

Upon the merger announcement, the biotech firm's stock price gets pegged to the acquiring company's valuation. However, temporary price mismatches often emerge, allowing investors to exploit arbitrage before the merger is finalized.

This win-win merger unlocks synergies while offering smart investors a chance to profit from short-term mispricings.

While special situations and mega trends present compelling opportunities, disciplined risk management remains key. By integrating special situations investing with mega trend identification and balancing it with disciplined risk management, at Negen PMS, we have generated consistent alpha across market cycles. This strategy ensures that portfolios are not just reactive to short-term market trends but positioned for long-term structural growth.

Successful investing requires deep research, patience, and the ability to act decisively when transformational opportunities arise. Those who master this approach will not only protect capital but also achieve outsized returns in an evolving global economy.

Investing Beyond Size: Focusing On Business Quality, Not Just Market Cap – By Team, Prudent Equity

India has seen several periods of booms and busts over the past thirty years. A key observation being that no bull market in India has lasted consecutively for more than 5 years. Each time, the crash or correction came in the form of an overvalued market. The triggers could be any, but the primary reason that brought the house down was that of an overpriced market. Is this time different? Noted economist Peter Berstein famously said "The history of markets is overreaction in both directions". In recent times we have seen a market whose valuations bordered on irrationality. How then does one protect capital in this environment and grow it further?

In recent years, passive investing has seen significant growth in India, borrowing its success from Western markets. The concept of passive investing, especially through index funds like the Nifty 50, has proven effective for investors looking to gain exposure to mega-cap companies. The allure of passive investing lies in its simplicity, lower fees, and the ability to track broad market performance. Yet, the performance of this index-based investing has been 14% (pre-tax) over the past 10 years. Although, this is almost two times the risk-free return of 7%, it effectively means that capital doubles every six years (post tax). If one were to reduce inflation from this, the actual return comes to around 8-9%. Thus, we can conclude that passive investing while decent, does not produce meaningful wealth generating returns.

With that, is active investing the way to go? I believe so. However, to succeed in active investing, one must possess certain necessary ingredients. Patience, discipline, courage, an independent mind among others. As one can observe that most of these traits have more to do with temperament rather than intellect. Of course, knowledge of the fundamentals of a business along with basic accounting jargons are a must, they on their own do not produce high returns. Thus, the behaviour of the investor plays the most important role in generating market beating returns.

With these in place, what exactly should an investor look for while evaluating stocks? The concept of investing is to buy something which over a period of time becomes more valuable than it originally was. Here, the value being referred to is not the stock price but the value of the underlying business. One must thus be focused on where the business will go from today, till the time the investment should bear desired results.

Investing Beyond Size: Focusing On Business Quality, Not Just Market Cap – By Team, Prudent Equity

Most of the well-known companies in the listed space are, to use the aphorism – over covered. There are, however, a major opportunity that lies outside this sphere: companies beyond the indexes, be it large, medium or small cap. The Indian market has over 5,000 companies outside of the indexes and they are largely overlooked by analysts, media, and investors alike. These companies, despite being outside of traditional indices, present an incredible opportunity for alpha generation—the potential to outperform the market. This vast pool of companies often gets extremely low media coverage, and their growth potential is largely ignored. Here, the investor can find hidden gems with untapped potential that may be overlooked simply because they don't fit neatly into a predefined market category by the regulator. This is where active management becomes essential, as investing in such companies demands careful analysis and an understanding of each business's underlying quality and the price one pays.

Instead of categorizing companies based on size, investors should evaluate businesses on their individual merits. Business fundamentals—such as revenue growth, profit margins, return on equity, and competitive advantage—should take precedence over the company's market capitalization. A smaller business that is well-run, with strong growth potential and stable cash flows, could very well be a better investment than a larger, but less efficient, company.

An alternative to Blue Chip and index investing is focusing on companies that dominate niche markets. These companies specialize in specific products or services, allowing them to maintain competitiveness and strong margins. Often overlooked by larger firms, these niche businesses thrive due to their specialization. Niche companies usually provide a product or service that large companies perceive as either beneath their need or noncore to their operations. Some examples like Nesco, Navneet Education, Control print.

Many leading small companies dominate their niche markets, often as the sole players in their fields. These companies have built strong barriers to entry, allowing them to maintain high operating margins despite fierce competition. They focus on value-added products and services, not commodities, and the limited size of their niches restricts competition. Successful niche businesses tend to respond to competition through innovation and quality improvements, rather than cost-cutting. As a result, some of these companies could become tomorrow's blue chips, making them worthwhile opportunities for investors to watch closely.

When markets become unpredictable, it feels natural to want to move your money into cash, like finding safety during a storm. But in investing, this choice often ends up being a mistake. Let's explain why moving your money to cash not only fails to protect your wealth but can reduce it over time.

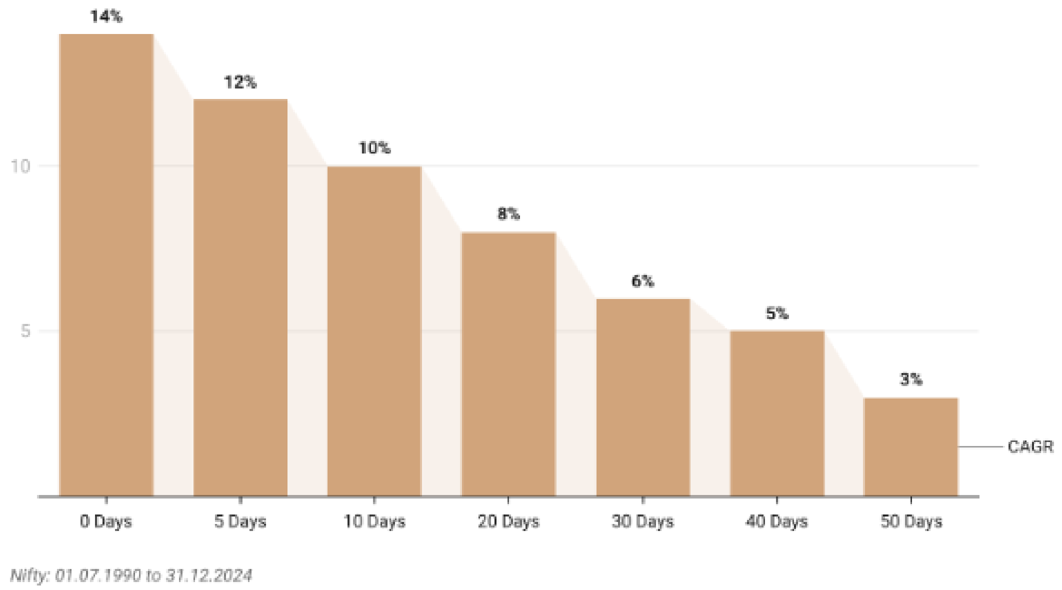
1. The Myth of Market Timing

Market timing is like catching lightning in a bottle. The idea sounds appealing: sell at the peak, buy at the bottom, and repeat.

Why Timing the Market is a Losing Game

Timing the markets is notoriously difficult - even for seasoned investors:

- Legendary investors like Michael Burry, and Bill Ackman have made headlines for calling market crises but have struggled to replicate such success consistently.
- Studies show that missing just the top 20 market days in 34 years can halve your returns. Think about that: a handful of days can make or break decades of wealth creation.



Why Perfect Timing is Impossible

Successful market timing requires two correct decisions: when to exit and when to re-enter. If we assume you have a 50% chance of being right on each decision (an optimistic assumption), the probability of being right on both decisions is just 25%. Make these decisions multiple times, and your odds of sustained success plummet further. Consider that to successfully time the market over 10 years, making just two-timing decisions per year, you would need to be right 20 times in a row. The probability of getting all these decisions correct, even with a 50% success rate per decision, is less than 0.0001%.

"Time in the market beats timing the market”. This isn’t just a catchy phrase; it’s a cold, hard truth.

2. The Behavioral Trap

Investing isn’t just about numbers; it’s about psychology. And sitting on cash is often a behavioral trap. Here’s how:

The Illusion of Being “Right” but Gaining Nothing:

- An investor sells their portfolio at ₹100, anticipating a 25% market correction. Instead, the market rallies 33.34% to ₹133.34 before eventually correcting back to ₹100, as predicted.
- This highlights a key flaw in market timing: it is not enough to predict corrections accurately; you must also time your call perfectly. The costs of being wrong—even temporarily—can significantly outweigh the benefits, proving that staying invested is often the wiser choice.

The Fear of Catching a Falling Knife

- An investor sells at ₹100, anticipating a market correction. When the price drops to ₹90, they hesitate to re-enter, fearing further declines to ₹80. By the time the market recovers to ₹110, they’ve missed the optimal re-entry point and struggle to buy back at a price higher than their original sale.

"More money is lost preparing for corrections than in the corrections themselves." Peter Lynch’s words couldn’t be more relevant.

When investors take a cash call—selling their portfolio in anticipation of a market correction—three outcomes are possible: the market can rally, crash, or move sideways. While this may seem like a simple decision, the consequences of being wrong can be severe. Let's explore what 15 years of Nifty data reveals about this choice and why hedging with derivatives often outshines moving to cash.

3. The Bigger Picture: Markets Tend to Go Up

Returns	Probability
< -30%	0.12%
< -20%	1.03%
< -10%	4.86%
< -5%	12.39%
< 0%	27.76%
> 0%	72.25%
> 5%	49.19%
> 10%	30.09%
> 20%	10.46%
> 30%	3.98%

The history of Nifty over the past 34 years shows that, in any given year, the market trends upwards of 72% of the time. This means that markets are far more likely to rise than fall, making a bold cash call a risky gamble.

Even scarier: for a cash call to be justified, the market must correct by 25-30%. Yet, such steep corrections have historically occurred in only 1% of cases. This means that while major corrections may seem daunting, the probability of missing out on market gains is much higher.

The Takeaway: Stay Invested, Hedge the Risks

Instead of trying to time the market, the best strategy is to stay invested and use derivatives, to hedge against downside risks. This approach allows you to:

- Avoid the heavy opportunity costs of missing market rallies
- Protect your portfolio during market corrections
- Retain the long-term gains that equity markets provide

By remaining invested and managing volatility with hedges, you can navigate the ups and downs of the market without paying the hefty price of being wrong. In the end, the key to long-term success is not timing the market—it's time in the market.

Driving the Evolution of AIFs in India - By Team, Sundaram Alternates

In India's dynamic financial landscape, family offices are emerging as pivotal players in the alternate investment space. Once primarily focused on wealth preservation for future generations, these exclusive advisory entities are now actively shaping investment strategies, driving innovation, and fostering economic growth. Their increasing influence is underpinned by key trends such as professionalisation, diversification, and a growing preference for alternative investment strategies.

A Shift Toward Professionalisation

The evolution of family offices from wealth custodians to next-generation wealth creators is deeply rooted in their commitment to professionalising operations. Today, over 70% of Indian family offices recognise the need for a governance-driven, process-oriented approach to wealth management. This shift enhances operational efficiency while aligning with contemporary investment philosophies.

Key drivers such as succession planning, impact investing, and the active involvement of millennials and Generation Z are accelerating this transformation. The infusion of professional expertise ensures that family offices remain resilient in an increasingly complex financial environment, allowing them to better navigate market fluctuations and identify high-growth opportunities.

From Preservation to Creation

Traditionally, family offices focused on safeguarding wealth through prudent asset allocation, tax planning, and financial management. However, with India experiencing a surge in entrepreneurial ventures and liquidity events, family offices are transitioning toward wealth creation. This shift is particularly evident among families that have undergone liquidity events, such as the sale of a business, leading to the establishment of structured family offices dedicated to strategic investments.

Today, many family offices view themselves as active investment entities rather than passive wealth custodians. They are deploying capital into high-growth sectors, forming strategic partnerships, and leveraging alternative investment funds (AIFs) to optimise returns. By maintaining an optimal balance between wealth preservation and value creation, family offices are reinforcing their role as influential players in the investment ecosystem.

Driving the Evolution of AIFs in India - By Team, Sundaram Alternates

The Growing Importance of Alternative Investment Funds (AIFs)

Globally, the number of family offices has expanded significantly, now exceeding 10,500. In India, the estimated number of family offices has surpassed 300, reflecting a broader shift toward structured and professional wealth management. This trend is poised for further acceleration, with the assets under management (AUM) of mid- to large-sized family offices expected to grow at a CAGR of at least 14% over the next three years, potentially increasing by 1.5 times during this period.

AIFs have become a key component of this evolving ecosystem, offering family offices a structured gateway into private markets. These funds enable diversification across asset classes such as venture capital, venture debt, hedge funds, and private equity. Globally, family offices allocate a significant proportion of their portfolios to AIFs, leveraging their long-term perspective and "patient capital." While Indian family offices currently dedicate a relatively smaller share of their portfolios to AIFs compared to global peers, this is rapidly changing. Many leading Indian family offices are looking to increase their AIF allocations by up to 5%, recognising the potential for enhanced portfolio performance and risk mitigation beyond traditional investments.

Expanding Global Investment Horizons

Indian family offices are increasingly looking beyond domestic markets to diversify their portfolios and secure long-term wealth creation opportunities. Many are utilising AIFs as a strategic vehicle to access international markets, engage in co-investments, and explore global private equity opportunities.

AIFs provide structured access to venture capital, private equity, and emerging startup ecosystems worldwide, allowing Indian family offices to leverage international best practices while remaining aligned with their investment objectives. By partnering with global venture capital-focused AIFs and participating in co-investment deals, family offices gain unique insights, access niche opportunities, and refine their investment strategies to ensure sustainability and growth in an increasingly interconnected economy.

Evolving Objectives and Generational Shifts

The investment objectives of family offices are undergoing a fundamental transformation, driven by generational shifts and evolving market dynamics. Younger leaders are placing greater emphasis on value-based investments, particularly in areas such as sustainability and impact investing. This shift is evident in the rising allocations to AIFs, which offer exposure to emerging sectors aligned with these values.

Initially, venture capital-focused AIFs served as a stepping stone for family offices to understand and navigate entrepreneurial investments. However, as expertise grows, many family offices are transitioning towards direct investments, supported by in-house professional teams. This evolution underscores a broader trend where family offices are not just passive investors but active participants in shaping India's financial landscape.

The Road Ahead

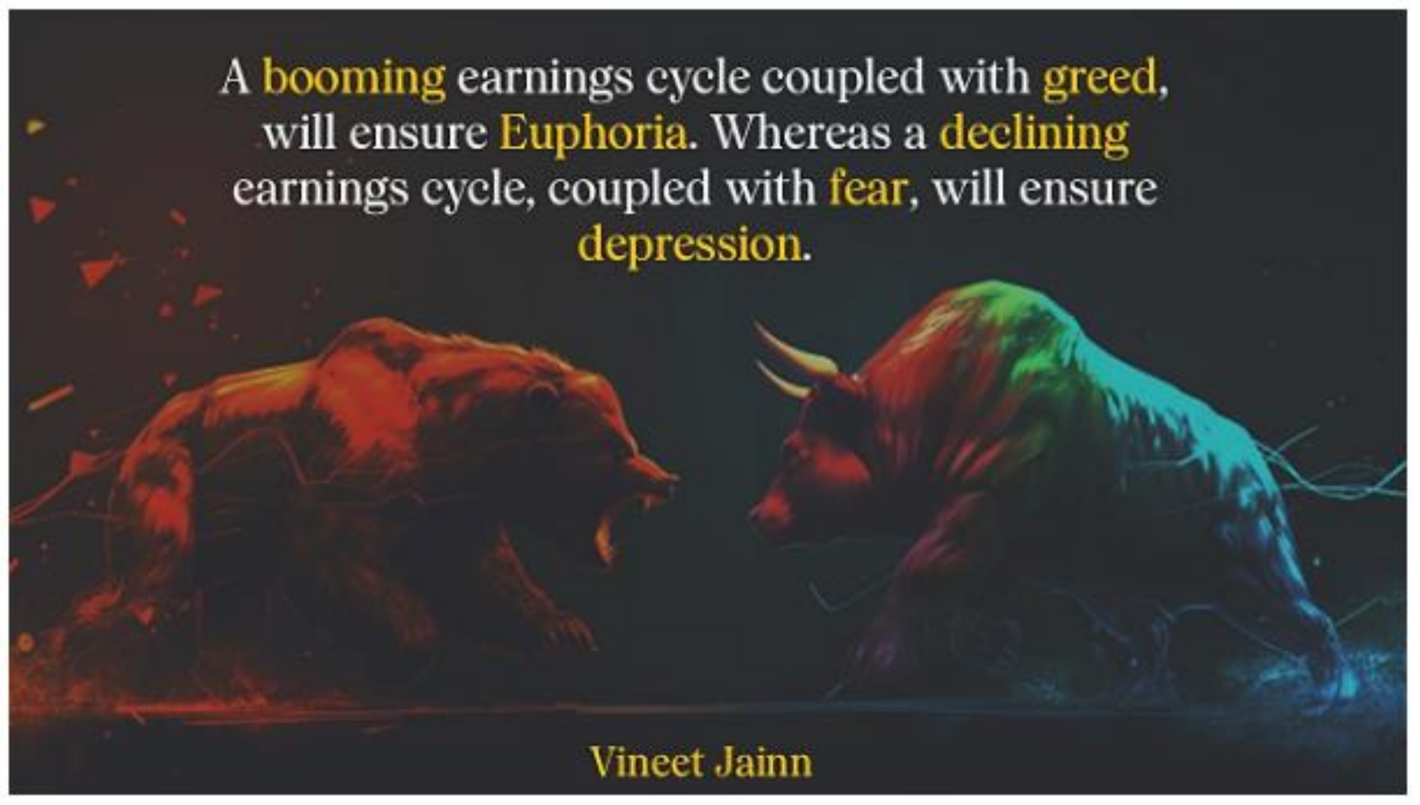
As we move into 2025, family offices in India are no longer just custodians of wealth; they are architects of financial legacies. By blending tradition with innovation, they are reshaping the alternate investment space and fostering economic growth.

With a clear vision, structured governance, and strategic capital deployment, family offices are poised to drive the next wave of financial evolution, positioning India as a major player in the global alternative investment ecosystem.

7 Reasons why NIFTY may be headed south - By Team, Volvin Ltd.

Our view has remained "Extreme Caution" for more than 3 quarters primarily due to high valuations in most segments.

In most of the past monthly newsletters, we have mentioned the view of "Extreme Caution". But we feel that the situation has now turned from bad to worse, because of the recent developments as mentioned ahead.



Reason 1: Business Cycle:

Business cycles are created due to economic growth, consumer demand, macroeconomic variables, monetary and fiscal policy or external shocks.
The overall risks in the system seem to suggest contraction of industrial activity as the business cycle seems to be peaking out in light of the dismal sales growth shown by most corporates for Q3.

Reason 2: High valuations in the Mid & Small Caps:

For the last 2 quarters, we have been mentioning the risk of overvaluation in the Midcaps & Small Caps. In Sep, 2024 we mentioned "A flat or negative performance in Midcap or Small Cap sector for at least 3 months would ensure overall correction." The PEs for the Midcaps and Smallcaps remain elevated at 37.98 & 30.18 respectively. As the rally of 2024 has been fueled by retail investors and SIPs in Mutual Funds, any adverse impact on Midcaps & Smallcaps is bound to impact the overall market.

Reason 3: Nifty destroys wealth 40% of the time:

Past 25 years data suggests that 2 out every 5 years, Nifty does not create any wealth. It would be unreasonable to expect markets to keep on going up without any correction.

25 Years Annual Returns summary for Nifty 50

* Any returns below than the inflation rate of 7% are assumed to destroy wealth, and not create wealth

Reason 4: Uncertain future due to reciprocal tariffs:
Reciprocal tariffs by US will ensure demand destruction for exporters. The domestic players could be hurt badly due to reduction in import duties.

Massive reduction in import duties for EVs will directly hit domestic automobile producers and disrupt the demand supply situation. The duty change was totally unexpected and a shock for the manufacturers who have planned massive capex.

Reason 5: China factor:
Due to massive housing crisis in China, it's domestic demand is not as strong as previous years.

China's strategy of bolstering its manufacturing sector through aggressive exports is creating significant challenges for businesses around the world especially in the steel, aluminum, and automobiles sectors.

Trump's tariffs in combination with aggressive export stance of China could actually worsen the global trade by putting pricing pressure on other exporting countries, thus hitting their profitability much harder.

Reason 6: Increasing US Debt:
US debt has doubled in the last decade. The debt is approximately US$ 36 trillion. The interest rates were between 1.0-1.5% in 2021. These have more than quadrupled in last 4 years.

Next few quarters are going to be extremely crucial for the Trump regime, as it will determine whether the tariffs will actually benefit the US economy or will hit inflation badly, as tariffs actually encourage inefficiencies by giving preference to high-cost domestic goods or services.

Reason 7: Muted Nifty Q3 earnings:
Nifty 50 profit growth consensus for the next year is around 10%. The current quarter earnings have not been up to the mark, clearly falling short of the double digit growth expectations.

With yoy growth reducing to around 5% for most companies, the current valuations seem to be high considering that equity risk premium is around 12-15%. Mid-caps and small caps, especially those corporates factoring in 15-20% growth for the next few years maybe severely hit going forward.

Nifty 16000?

No, we are not giving a target for Nifty!

Uncertainty due to US tariffs, aggression from Chinese exports, rising US debt have currently created higher risk in the system.

Also keeping in mind that

- Business cycle seems to be peaking out,
- Q3 results not living up to expectations,
- Nifty does not create wealth 40% of the time or every 2 out of 5 years,
- Excess supply situation due to high capacities impacts profitability more we feel it is more important to protect capital

Business sentiment slowdown not just impacts profits, but also affects market PE or sentiment.

The overvaluations in these very mid & small caps can ensure the slide for overall market as this rally was fuelled primarily due to investments by retail in in small and mid-caps.

With the current dismal Q3 numbers, there are chances of the forward earnings decreasing by 10%, rather than consensus 10% increase.

10% decrease in earnings translates into a forward PE of 23 for Nifty.
The average 20 PE for Nifty is made from highs of 24-26 and lows of 14-16.
We have seen in the past that Nifty PEs have gone to sub 16 levels whenever the slowdown is at its peak.

If the forward PE of 23 translates into current NIFTY of around 23000, a dismal scenario with a PE of 16 may translate into NIFTY 16000!

Recognizing Excellence in Alternative Investments

- The **PMS AIF WORLD Awards 2025** was a landmark event celebrating outstanding performance in portfolio management and alternative investments.
- The event brought together the brightest minds in the industry, including fund **managers, wealth advisors, and investors.**
- Held in collaboration with **Indian Institute of Management Ahmedabad (IIM-A),** the event provided deep insights into market trends, risk management, and alpha generation.
- The conference featured **keynote sessions, panel discussions, and exclusive networking opportunities,** culminating in the prestigious awards ceremony.

AWARDS METHODOLOGY

AWARDS – Portfolio Management Services
Overview of Methodology

At PMS AIF WORLD, we follow a rigorous **3-stage process** to determine the winners of our prestigious **PMS Awards**.

01

Qualification

Funds must meet specific AUM and performance criteria:

Categories	Qualification
Fastest Wealth Creator in PMS:	>100 Cr AUM for 1 year, Across All PMSs.
Maximum Wealth Creator in PMS:	>250 Cr AUM for 5 years or >700 Cr for 10 years, Across All PMSs.
Short-Term Wealth Creation (<3 Years):	>100 Cr AUM in Small & Mid Cap, Multi Cap, or Large Cap categories.
Long-Term Wealth Creation (>5 Years):	>250 Cr AUM in Small, Mid, Multi, and Large Cap categories.

02

Nomination

Top 5 funds or the top **25% of funds** based on **absolute CAGR** or **risk-adjusted returns** are nominated.

03

Selection of Winners

Absolute CAGR and **risk-adjusted performance** are used to finalize the best-performing PMS funds

AWARDS METHODOLOGY

Fund Categorization Criteria

Funds are classified based on their sectoral exposure:

Pure Small Cap:	If Allocation for Small Cap >70 of the portfolio
Small & Mid Cap:	If Allocation for (Mid Cap + Small Cap) > 60% of the portfolio
Multi & Large Cap:	If Allocation for (Mid Cap + Small Cap) < 60% of the portfolio

Why Use Information Ratio (IR)?

- **Benchmark Comparison:** Measures excess returns vs. tracking error for better performance evaluation.
- **Active Management Focus:** Highlights a fund manager's skill in generating alpha

Why CAGR for Pure Small Cap instead of IR?

- **Investor Risk Appetite:** Small-cap investors are inherently high-risk takers who prioritize absolute return potential over risk-adjusted performance. making CAGR a more relevant measure of long-term wealth creation.

Category	1st Place	2nd Place	3rd Place
Fastest Wealth Creator	Stallion Asset Core	Money Grow Mid & Small	Equitree Emerging Opportunities
Best PMS on three-year performance , Small Cap and Mid Cap Category	Green Lantern Growth	ICICI Pru PIPE	Samvitti Active Alpha Multicap
Best PMS on 3-year Performance Multi and Large cap Category	Renaissance India Next Portfolio	ICICI Pru Value	Stallion Asset Core
Best PMS on 5-year performance Mid and Small Cap Category	Green Lantern Growth	ValueQuest Platinum	Equitree Emerging Opportunities
Best PMS on 5-year performance Multi-Cap and Large Cap Category	Stallion Asset Core	Negen Special Situations	Quest Multi PMS
Best PMS on 10-year performance across all categories	Sage One Core	ValueQuest Platinum	Girik Multicap Growth Equity
Max Wealth Creator (5 Years)	Green Lantern Growth Fund	Equitree Emerging Opportunities	Negen Special Situations & Technology Fund
Max Wealth Creator (10 Years)	ValueQuest Platinum	SageOne Core	Nine Rivers Aurum Small Cap
Best PMS ON 5-year performance Small Cap Category	Equitree Emerging Opportunities	Green Super 30 Dynamic	Valentis Rising Star Opportunity
Best PMS on 10-year performance Small Cap Category	Nine Rivers Aurum Small Cap	Right Horizons RH Super Value	-

AWARDS METHODOLOGY

AWARDS – Alternative Investment Funds
Overview of Methodology

We have used the Beta of the AIFs with respect to their benchmarks to categorize funds into three broad categories:

Beta < 0.3 →	Absolute Return Hedge Fund
0.3 < Beta < 0.7 →	Equity Long Short Funds
Beta > 0.7 →	Long Only Funds

3-Stage Process to Determine the Winner

01

Qualification

Based on Category, Vintage, and AUM criteria.

02

Nomination

Based on CAGR (absolute returns) for a specified period.

03

Winner(s)

Awards given based on an appropriate metric ranging from absolute returns (for Long Only, due to the lock-in effect) to more risk-adjusted measures.

Category	1st Place	2nd Place	3rd Place
Best LONG ONLY AIF on 3Y Performance	Ampersand Growth Opportunities Fund Scheme 1	Abakkus Growth Fund - 2	Abakkus Emerging Opportunities Fund - 1
Best Equity Long Short AIF on 1Y Performance	ICICI Prudential Enhanced Dynamic Equity Fund	ITI Long Short Equity Fund	Nuvama Enhanced Dynamic Growth Equity [EDGE] Fund
Best Absolute return AIF on 1Y Performance	WHITESPACE FUND 2 - DEBT PLUS	AlphaMine Absolute Return Fund	Altacura AI Absolute Return Fund LLP

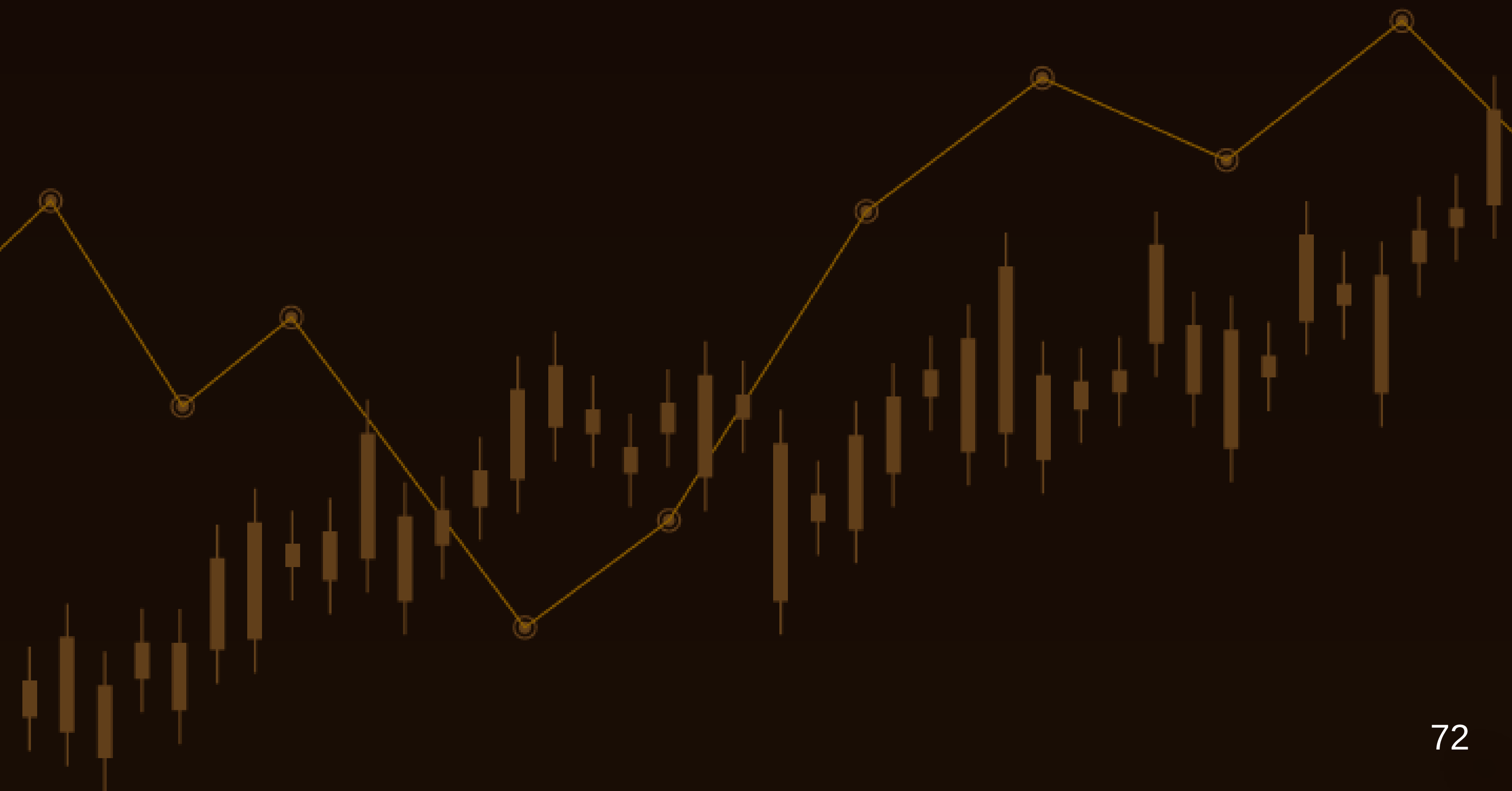
Conclusion and Acknowledgments

- We extend our **heartfelt gratitude to all participating fund houses, managers, and investors** who made this event a success.

- Special thanks to **Indian Institute of Management Ahmedabad (IIM-A)** for their collaboration and support in research and evaluation.

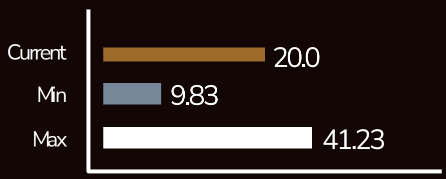
- Congratulations to **all the winners and nominees** for their **exceptional contributions to wealth creation and investment management**.

- Looking forward to **another year of innovation and excellence in the alternative investment space**.



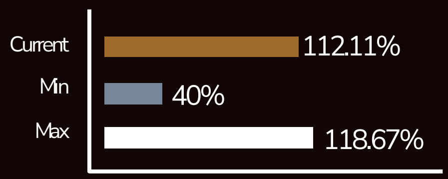
CURRENT 10 INVESTMENT INDICATORS AND THEIR HISTORICAL MAXIMUM AND MINIMUM

1 NIFTY PRICE TO EARNING RATIO



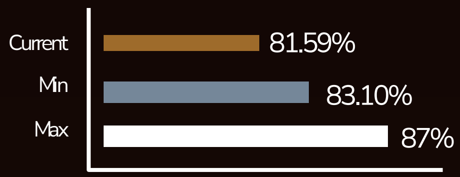
Ref. : March 2025

2 MARKET CAP TO GDP RATIO



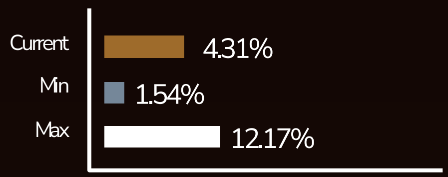
Ref. : Feb 2025

3 GOVERNMENT DEBT TO GDP RATIO



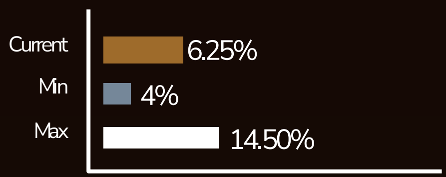
Ref. : 2023

4 INFLATION RATE



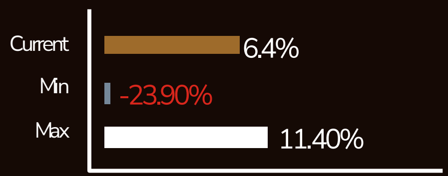
Ref. : Feb 2025

5 INTEREST RATE



Ref. : Feb 2025

6 GDP GROWTH RATE

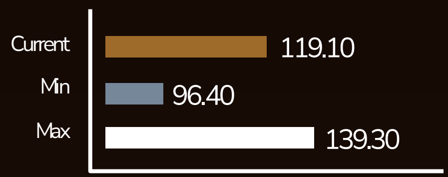


Ref. : Q3FY25

7 GST COLLECTIONS

Ref. : Feb 2025

8 BUSINESS CONFIDENCE INDEX

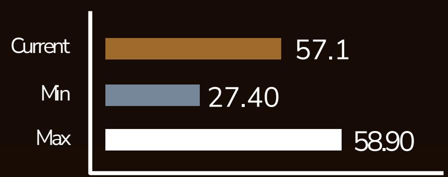


Ref. : Q3FY24

9 INDIA'S INDUSTRIAL PRODUCTION

Ref. : Dec 2024

10 MANUFACTURING PMI



Ref. : Feb 2025

Data Sources:
https://www.mospi.nic.in/
https://www.tradingeconomics.com
https://www.ceicdata.com
https://nifty-pe-ratio.com/

Disclaimer

INVESTONOMICS is a guide meant for the purpose of investor education & informed investing. The content mentioned herein is intended to be used and must be used for informational purposes only. It is very important to do one's own analysis before making any investments, based on one's own personal circumstances. It carries general information for private use of the investor to whom this has been given. And it is not intended as a recommendation of financial instruments or strategies and thus it does not provide individually tailored investment advice and does not consider the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences.

We are a registered distributor of investments related financial products. Our registration with AMFI is in the name of HeWePro Capital Private Limited and our ARN number is 133130. HeWePro stands for Health, Wealth and Prosperity and this reflects our right intents towards our clients when we serve them 24/7. We are an analytics driven, and content backed new age investment services firm offering informed investments in focused and concentrated portfolios which are managed by highly experienced money managers. We perform in-depth analysis and present data points across product facts, performance facts and portfolio facts to ensure well informed investment decisions are made.

Investments are subject to market risks and there is no assurance or guarantee of positive return. Investment products that we deal in are not insured by any governmental agency and are subject to investment risks, including the possible loss of the principal amount invested. The ownership of any investment decision(s) shall exclusively vest with the investor. Investments must be done after analysing all possible risk factors and by exercising of independent discretion. Our company shall not be liable or held liable for any consequences thereof.

The investor must particularly ensure the suitability of an investment as regards with his/her financial situation, risk profile and investment objectives before investing. The investor bears the risk of losses in connection with any investment. The information contained in this magazine does not constitute any form of advice on any investment or related consequences of making any particular investment decision in any investment strategy. Each investor shall make his/her own appraisal of risk, goals, liquidity, taxes and other financial merits of his/her investment decisions.

The data has been complied on best effort basis. Source of data has been mentioned wherever it was available. Past performance is not indicative of future results. Prices/invested sum/ investments are subject to market risks, which may result in appreciation or depreciation. Please read all Scheme related Information Documents (SID)/Key Information Memorandum (KIM), Disclosures, Risk disclaimers, PPM (Private Placement Memorandum in case of AIFs) and addendums issued from time to time and other related documents carefully before investing.

Securities investments are subject to market risks and there is no assurance or guarantee of positive return. As with any securities investment, the value of securities can go up or down depending on the factors and forces affecting the capital markets. Past performance of the securities may not be indicative of the performance in the future. This document is for informational purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investments mentioned in it. Investors are not being offered any guaranteed or indicative returns through these services.

The contents of this document should not be treated as advice relating to investment matters. The material is prepared for general communication and should not be treated as research report. All investors must consult their stockbroker, banker, legal adviser, tax advisor, and other respective professional advisers before making any investment decision.

PMS AIF WORLD

Creating Real Stories of Wealth Creation Through Alpha Focused Investments

Scan the QR Code to book
an appointment with our experts

Delhi I Mumbai I Bengaluru I Kolkata

www.pmsaifworld.com

contact@pmsaifworld.com