

EQUITY MARKET ASSESSMENT

-Feb'25

PMS RESEARCH DESK

Right Horizons Portfolio Management Services (RH PMS)
RH PMS is a SEBI registered PMS for segregated accounts

MACRO UPDATE

KEY INDICATORS	Jan'25	Dec'24
MARKET UPDATE		
SENSEX	77,500.57	78,139.01
P/E	22.22	23.00
P/B	3.98	4.08
Dividend Yield (%)	1.18	1.14
CURRENCY UPDATE		
USD/INR	86.647	85.787
USD/EUR	0.9618	0.9610
USD/CNY	7.1809	7.2981
COMMODITY UPDATE		
Brent Oil (USD Per Barrel)	77.11	74.58
Gold (USD per ounce)	2,801.00	2,623.81
Bloomberg Commodity Index	102.29	98.76
FPI NET INVESTMENTS		
Equity (INR Cr)	-78,027	15,446
Debt (INR Cr)	-3,424	3,755
ECONOMY UPDATE		
GDP Growth (FY25) (YOY)	6.40%	
CPI (Dec'24)	5.22%	
Repo Rate (Feb'25)	6.25%	

COMMENTARY

The repo rate, which had remained at 6.5% until now, has been reduced by 25 basis points to 6.25%. This decision follows the government's recent move to cut personal income tax to stimulate consumption. The rate cut, the first by the RBI in five years since May 2020, comes after maintaining the repo rate unchanged for two years. The announcement is made amid global economic uncertainty, with U.S. President Donald Trump imposing tariffs on Canada, Mexico, and China which has raised concerns over potential global trade wars, leading to a stronger dollar against major currencies.

The central bank revealed plans for open market operations (OMO) to buy government securities worth ₹60,000 crore to provide durable liquidity. In addition, the RBI will conduct a 56-day variable rate repo (VRR) auction for ₹50,000 crore to maintain liquidity through the end of the financial year. The central bank also announced a \$5 billion dollar-rupee buy-sell swap auction that is expected to inject approximately ₹50,000 crore into the banking system.

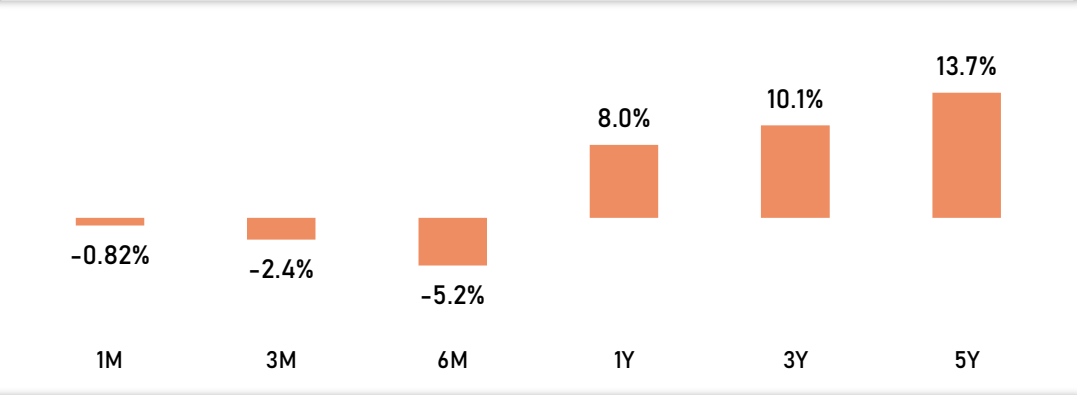
MACRO DASHBOARD- POSITIVE

KEY INDICATORS			
PMI			Outlook
PMI MANUFACTURING (Jan'25 Vs Dec'24)	57.70	56.40	POSTIVE
PMI SERVICES (Jan'25 Vs Dec'24)	56.80	59.30	
DEMAND			
Consumer Confidence (Nov'24 Vs Sep'24)	94.00	94.70	NEUTRAL
Infrastructure O/P (YOY) (Dec'24 Vs Nov'24)	4.00%	4.30%	
UTILIZATION	2QFY25	1QFY25	
Capex Utilization	75.80%	74.00%	POSITIVE
PRODUCTION			
Industrial Production (YOY) (Nov'24 Vs Oct'24)	5.20%	3.70%	NEUTRAL
Manufacturing Production (YOY) (Nov'24 Vs Oct'24)	5.80%	4.10%	
Mining Production (YOY) (Nov'24 Vs Oct'24)	1.90%	0.90%	
Steel Production (Thousand Tonnes) (Dec'24 Vs Nov'24)	13,600	12,400	
Passenger Vehicle Sales (Units) (Dec'24 Vs Nov'24)	2,70,704	3,00,459	
FISCAL	Jan'25	Dec'24	
GST Collections (INR in Cr)	1,95,506	1,76,857	NEUTRAL

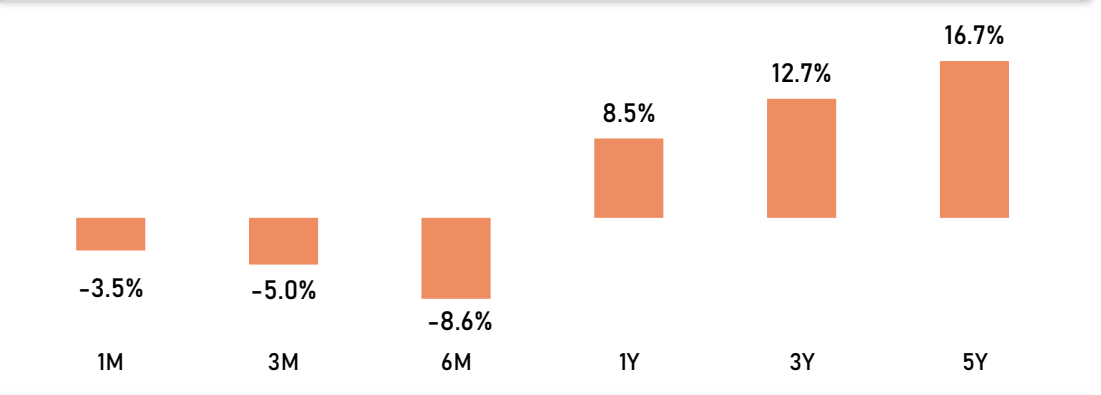
DOMESTIC MARKET PERFORMANCE

Markets detracted sharply during the month of Jan largely driven by FII outflows due to increasing long term US bond yields and concerns over stretched valuations domestically amid moderating earnings growth.

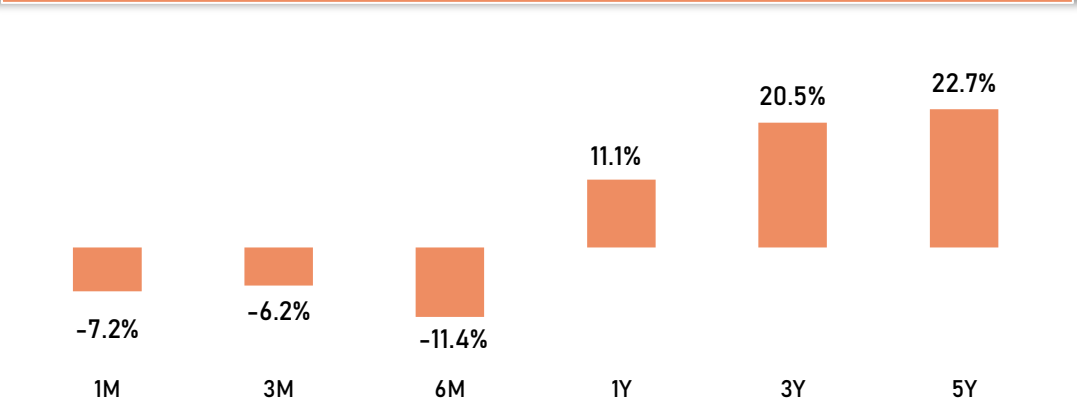
SENSEX



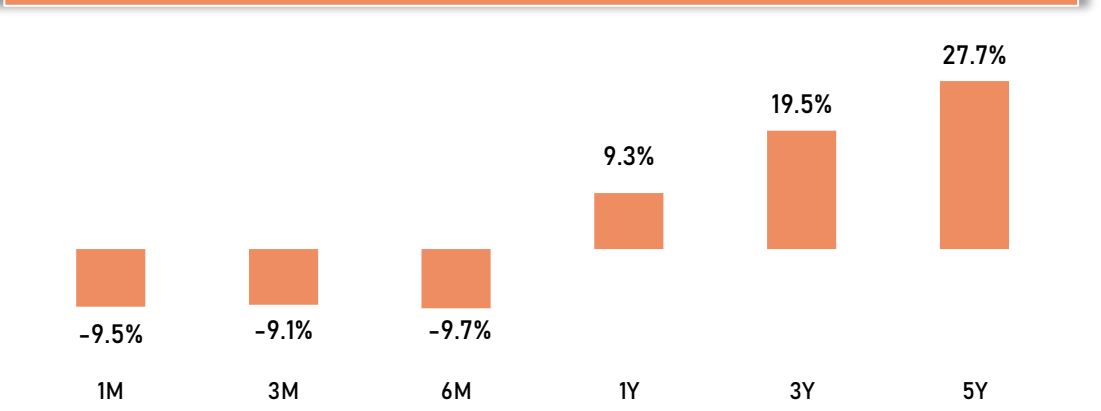
BSE 500



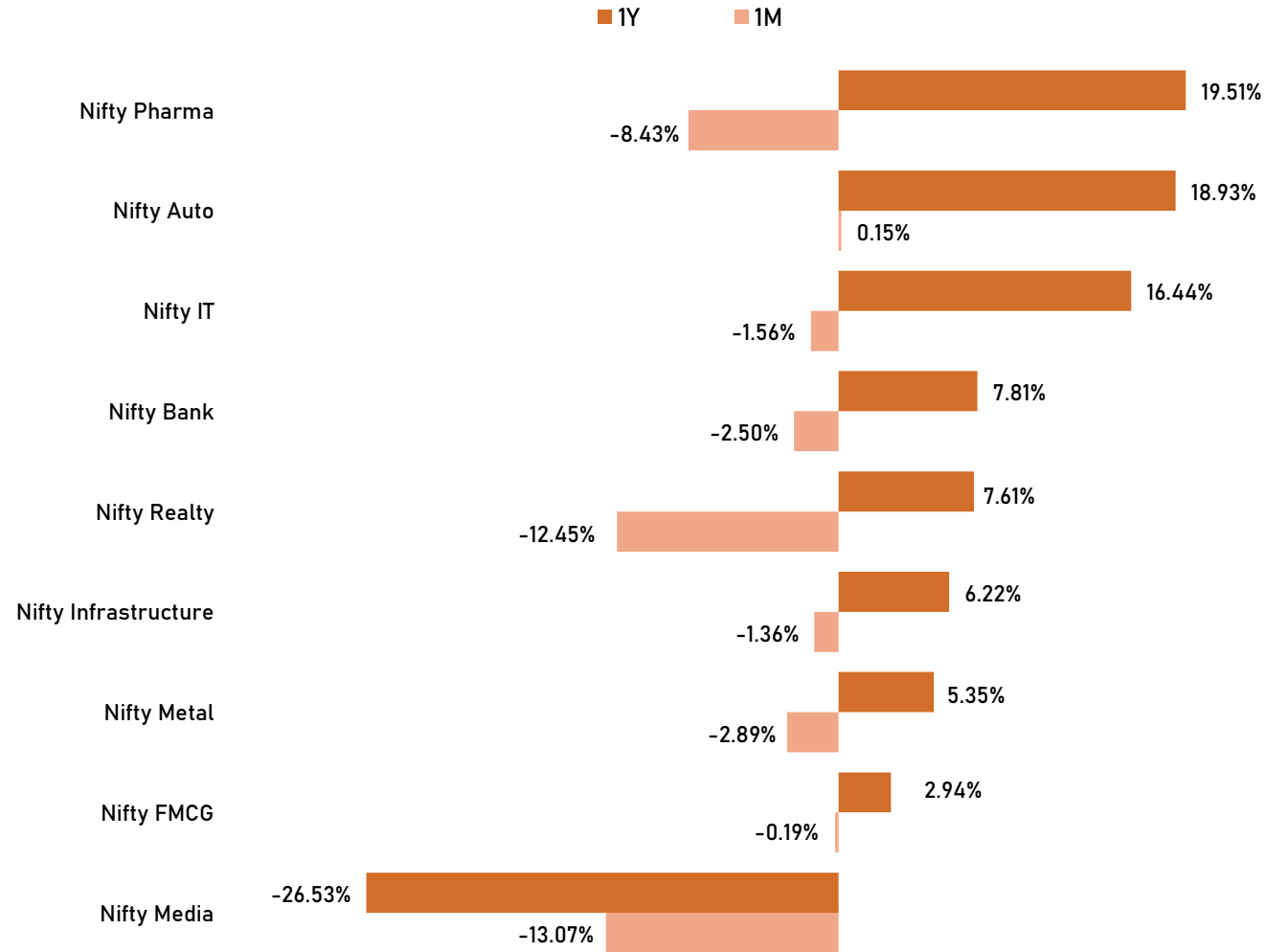
BSE MIDCAP



BSE SMALLCAP



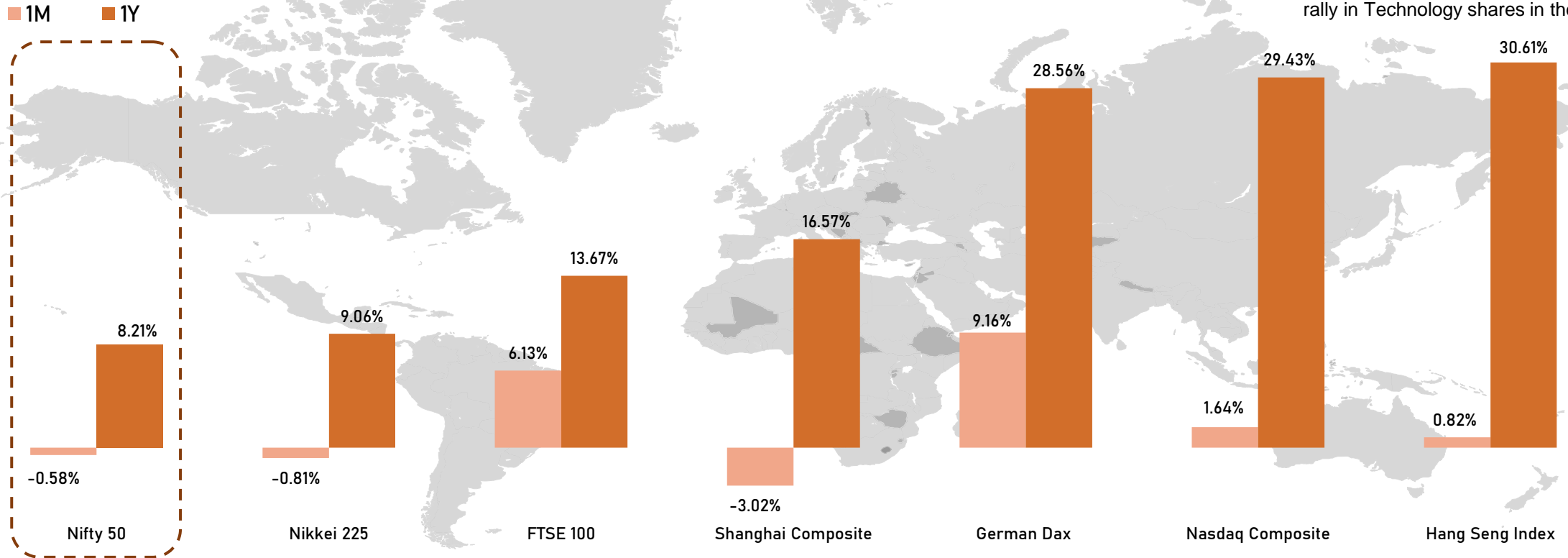
MARKETS PERFORMANCE: SECTORAL



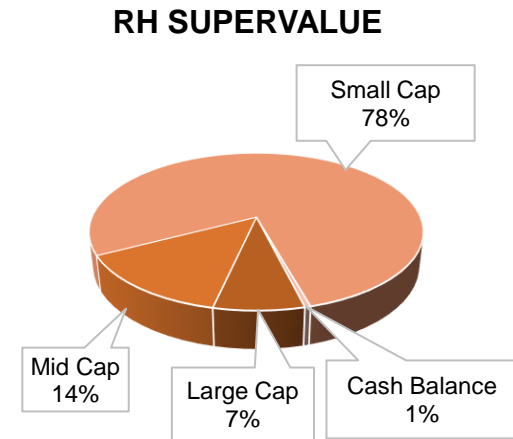
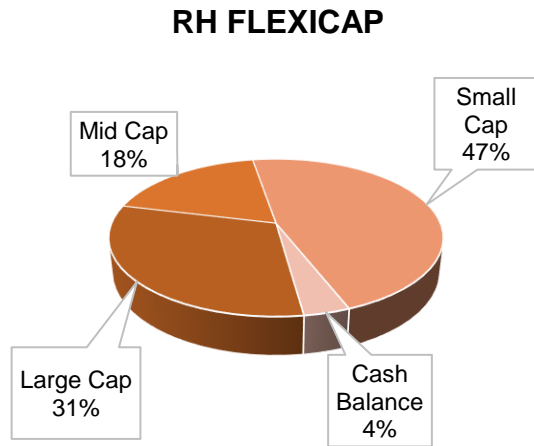
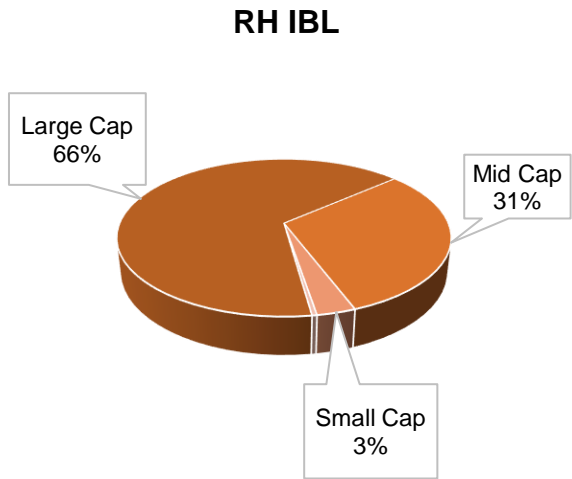
GLOBAL MARKET PERFORMANCE

- US equities advertise an archaic performance relative to major peers during the year. For perspective the total market capitalization of the Magnificent Seven tech titans has scaled to \$17.6 trillion surpassing European market's total market cap of \$16.1 trillion as of year end.
- Nikkei reaches record highs, driven by attractive valuations, lower interest rates, and progressive corporate reforms benefitting from decades of operational restructuring leading to even a minimal increase in top-line to nourish an explosive earnings growth.
- DAX ascends to record levels disregarding bleak economic readings and political instability. The remarkable performance was driven by global market trends and the exceptional performance of selective sectors, including technology, financials, and industrials.

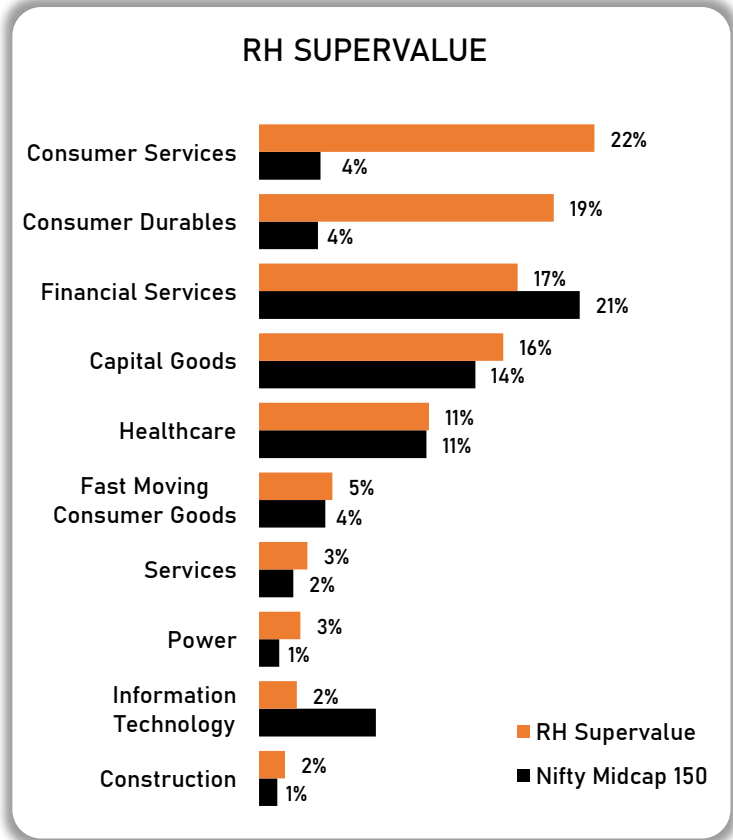
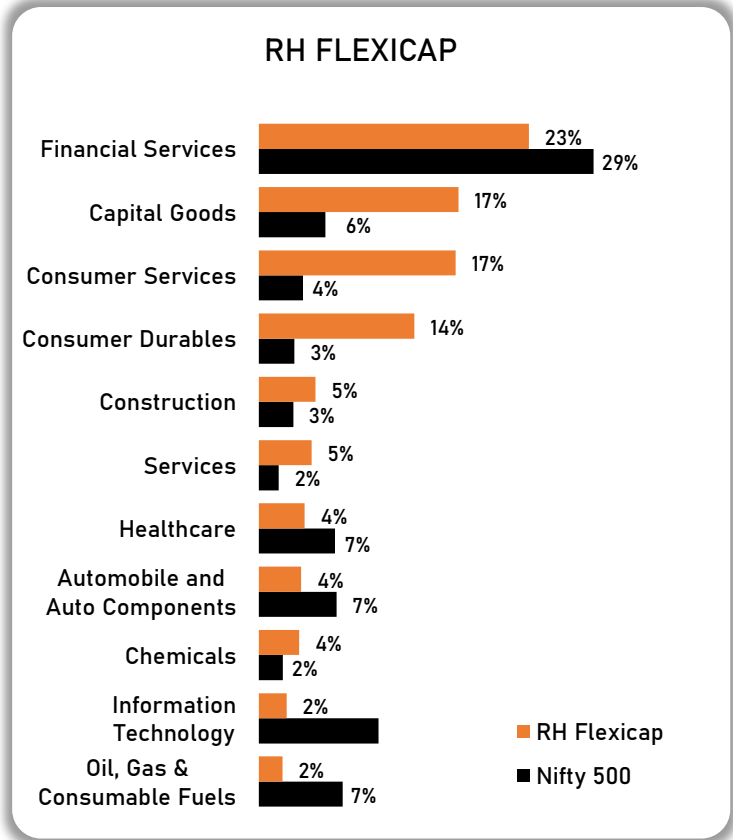
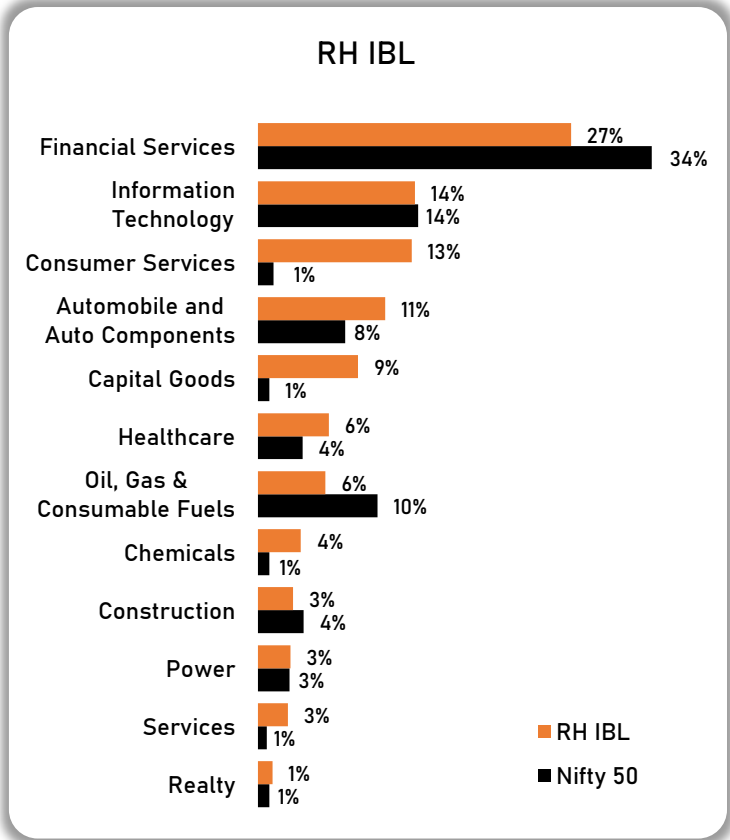
50 bps rate cut and stronger job data led to rally in Technology shares in the US



M-CAP BREAKUP



PMS VS BENCHMARK SECTOR COMPARISON



VALUATION SNAPSHOT

TTM P/E	Jan'25	LT Avg.	SD+1	SD-1	SD
Nifty 500	24.3	25.4	31.3	19.6	5.8
Nifty Midcap 150	38.8	29.4	39.6	19.2	10.2
Auto	22.2	40.3	104.3	23.7	64.0
Bank* (PB)	2.2	2.6	3.1	2.1	0.5
Consumer Durables	75.3	43.0	77.0	9.0	34.0
FMCG	46.0	35.8	42.9	28.7	7.1
Healthcare	38.4	34.8	43.5	26.1	8.7
IT	32.3	23.2	29.2	17.3	5.9
Metal	20.6	15.0	22.2	7.8	7.2
Oil & Gas	12.9	14.6	21.7	7.6	7.0
Pharma	33.3	36.6	46.7	26.4	10.1

SECTOR	RH IBL	RH FLEXICAP	RH SUPERVALUE
Construction	UW	OW	OW
Healthcare	OW	UW	UW
Auto	OW	UW	-
Services	OW	OW	OW
Consumer Durables	-	OW	OW
IT	UW	UW	UW
Financials	UW	UW	UW
Chemicals	OW	OW	-
Capital goods	OW	OW	OW

Sectoral Stance is derived from underlying portfolio holdings, valuation numbers are for historical reference.

OW-Overweight N-Neutral UW-Underweight

GOING FORWARD

Sensex following the recent correction currently trades at TTM PE of 21.8x and we are pricing in a 23x TTM PE as of yearend over the 25Y LTA of 20x contemplating the conviction in the near-term growth cycle in India. The fundamentals are supported by: 1) strong macroeconomic stability, driven by improving terms of trade and a flexible inflation-targeting approach; 2) projected annual earnings growth of 18-20% over the next 4-5 years, fueled by a growing private capex cycle, corporate re-leverage, and a structural expansion in discretionary consumption; and 3) a stable supply of domestic risk capital.

- **Budget Highlights:** India's FY26 Union Budget was presented amidst slowing domestic consumption and uncertainties in the external sector. A key highlight of the budget was the significant tax relief for the middle class, where individuals will not have to pay any income tax on earnings up to ₹12 Lakhs under the new regime.
 - The government has upheld its fiscal discipline and projected a fiscal deficit of 4.4% of GDP for FY26, compared to the FY25 Revised Estimate (RE) of a 4.8% deficit.
 - Allocation to overall capex at INR 11.21trn
- **Monetary Policy:** Rate cut of 25bps in Feb'25 . RBI's OMO purchases to support liquidity
- **Earnings Growth:** Muted growth at 5% for H1 on account of slowdown in cyclical sectors, expect nifty earnings to grow at 12 % for H2. Consumption in H2 would be supportive due to early onset of festive seasons, above average monsoon, increased govt spending, and record number of wedding dates.
- **Stock Picking:** Diversified industries where we have exposure have done well and portfolio has delivered 20%+ earnings growth in Q2 as well. H2 is typically better for Consumption and Manufacturing themes and expect 20%+ YoY earnings growth in H2 as well for overall portfolio.

Risks:

- **Global Volatility:** Changing Geo-political landscape, Trade Wars: Tariff Imposition
- **Domestic Volatility:** Slowdown in Consumption, Weak Q3 Earnings, Weak Govt Spending; Higher inflation print

MARKET STANCE: CAUTIOUSLY OPTIMISTIC

DISCLAIMER

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Investments are subject to market risks, read all scheme related documents carefully

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PORTFOLIO RETURNS

DATE	RH IBL	NIFTY 50 TRI	RH FLEXICAP	NIFTY 500	RH SUPERVALUE	BSE MIDCAP	RH SUPERVALUE AGGRESSIVE	BSE SMALLCAP
1 Month	-7.70%	-0.45%	-10.38%	-3.55%	-13.20%	-7.21%	-14.48%	-9.46%
3 Months	-8.40%	-2.71%	-12.06%	-4.89%	-10.32%	-6.24%	-7.16%	-9.14%
6 Months	-8.03%	-5.31%	-10.74%	-8.29%	-4.46%	-11.39%	0.66%	-9.71%
1 Year	11.20%	9.58%	2.25%	8.98%	13.95%	11.15%	19.55%	9.26%
2 Year	21.68%	16.70%	18.30%	20.18%	28.81%	32.19%	NA	NA
3 Year	12.52%	12.01%	10.52%	13.08%	17.84%	20.51%	NA	NA
5 Year	17.26%	15.80%	19.10%	16.94%	24.76%	22.73%	NA	NA
Since Inception of Current Fund Manager	15.15%	14.15%	17.13%	14.74%	29.06%	25.13%	NA	NA
Since Inception of Scheme	11.34%	13.77%	11.77%	13.47%	16.53%	16.23%	40.00%	35.18%
FYTD	5.34%	6.48%	3.05%	6.55%	19.11%	9.60%	24.73%	15.73%

*Updated as of 31st Jan'25

PORTFOLIO QUANTS

METRICS	RH IBL	NIFTY 50	RH FLEXICAP	BSE 500	RH SUPERVALUE	BSE 500	RH SUPERVALUE AGGRESSIVE	BSE 500
SD	15.22%	15.23%	15.62%	14.95%	15.62%	12.12%	21.95%	20.55%
Beta	0.94	1.00	0.87	1.00	0.59	1.00	0.24	1.00
Sharpe	1.02	0.80	1.24	1.06	1.52	1.04	1.65	1.38
Treynor	0.17	0.12	0.22	0.16	0.40	0.13	1.50	0.28

*Supervalue Aggressive data is normalised

*Updated as of 31st Jan'25

PMS Vs MF COMPARISON

LARGECAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)	MULTICAP/FLEXICAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)
Nippon India Large Cap Fund(G)	12.93	18.22	18.76	24824	Quant Flexi Cap Fund(G)	1.93	16.98	29.92	3701
ICICI Pru Bluechip Fund(G)	12.02	15.81	18.42	44464	Parag Parikh Flexi Cap Fund-Reg(G)	20.62	17.54	24.05	29896
HDFC Large Cap Fund(G)	8.27	15.60	17.22	26571	HDFC Flexi Cap Fund(G)	17.82	21.14	22.40	45363
Canara Rob Bluechip Equity Fund-Reg(G)	13.97	12.43	16.42	8759	Franklin India Flexi Cap Fund(G)	13.00	16.19	20.69	12562
Aditya Birla SL Frontline Equity Fund(G)	11.78	12.82	16.14	23011	PGIM India Flexi Cap Fund-Reg(G)	11.17	8.27	18.73	4291
Kotak Bluechip Fund(IDCW)	12.63	12.60	16.07	192	Edelweiss Flexi Cap Fund-Reg(G)	15.37	15.65	18.44	2119
SBI BlueChip Fund-Reg(G)	11.85	12.73	15.71	35110	Canara Rob Flexi Cap Fund-Reg(G)	12.08	11.22	16.59	11041
Tata Large Cap Fund-Reg(G)	10.01	12.32	15.64	1854	DSP Flexi Cap Fund-Reg(IDCW)	12.13	13.34	16.27	429
Bandhan Large Cap Fund-Reg(G)	10.80	12.05	15.62	1420	Aditya Birla SL Flexi Cap Fund(G)	12.31	13.20	16.09	17298
Franklin India Bluechip Fund(G)	12.08	10.79	15.25	6100	Motilal Oswal Flexi Cap Fund-Reg(G)	25.23	18.77	15.73	6824
UTI Large Cap Fund-Reg(IDCW)	11.04	9.90	14.92	3695	Kotak Flexicap Fund(G)	13.17	13.70	15.40	35842
HSBC Large Cap Fund(G)	11.09	12.39	14.90	1510	SBI Flexicap Fund-Reg(G)	9.02	11.25	15.07	15404
DSP Top 100 Equity Fund-Reg(G)	18.10	15.53	14.48	3507	Tata Flexi Cap Fund-Reg(G)	11.23	12.24	14.54	2689
Mirae Asset Large Cap Fund-Reg(G)	9.80	10.10	14.24	24861	UTI Flexi Cap Fund-Reg(IDCW)	14.36	6.64	14.28	7520
Axis Bluechip Fund-Reg(G)	11.16	8.23	12.05	20908	Axis Flexi Cap Fund-Reg(G)	15.00	9.71	13.92	10824
RH IBL	11.20	12.52	17.26	-	RH Flexicap	2.25	10.52	19.10	-

PMS Vs MF COMPARISON

MIDCAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)
Quant Mid Cap Fund(G)	6.12	21.11	29.65	3588
Motilal Oswal Midcap Fund-Reg(G)	29.77	28.23	27.60	9935
HDFC Mid-Cap Opportunities Fund(G)	14.83	24.44	25.91	57947
Nippon India Growth Fund(G)	15.17	22.39	25.54	27644
SBI Magnum Midcap Fund-Reg(G)	14.73	17.23	24.09	16630
Invesco India Midcap Fund(G)	22.78	20.75	23.84	4801
Kotak Emerging Equity Fund(G)	21.22	19.38	23.14	39686
ICICI Pru Midcap Fund(G)	13.34	17.92	22.19	5425
Tata Mid Cap Growth Fund-Reg(G)	11.43	18.34	21.63	3690
UTI Mid Cap Fund-Reg(IDCW)	10.94	14.56	21.48	1239
Sundaram Mid Cap Fund-Reg(G)	18.23	21.89	21.15	10611
Franklin India Prima Fund(G)	19.29	20.05	20.91	9427
Aditya Birla SL Midcap Fund(G)	12.68	15.00	19.97	5118
Axis Midcap Fund-Reg(G)	19.02	14.87	19.88	20161
DSP Midcap Fund-Reg(G)	13.55	14.09	17.20	15676
RH Supervalue	13.95	17.84	24.76	-