



Asset X: Investment Strategy

November 2024



What Are We Saying?

Continue with domestic large caps, defensives, consider private banks

The correction can be used as opportunity to position portfolios for long term

Long duration Bonds in India

has the long term variables set for performance

Precious metals may still have more runway available

Silver can continue to outperform Gold

In Foreign Equities, US is a stable bet, China has been our strong tactical call

Combination of low valuation, growth stimulus and flows make China an interesting tactical investment avenue, US is strong and stable allocation

INR is likely to be range bound,

with mild depreciative bias

Unlisted Equity has become favorable

after recent tax announcements. There's some sector rotation in place in this category

Commercial RE is improving

Growth is primarily driven by GCC and Flexible Office space while India focus business continues to anchor

This strategy note has been drafted on November 5, 2024. We live in dynamic times and given the US elections and Fed policy ahead, there maybe some tweaks in our strategy, if the change in data warrants so. We remain data dependent in our view and strive to help in the investing journey with meaningful insights.

India Equity: Stick To Large Caps, Defensives

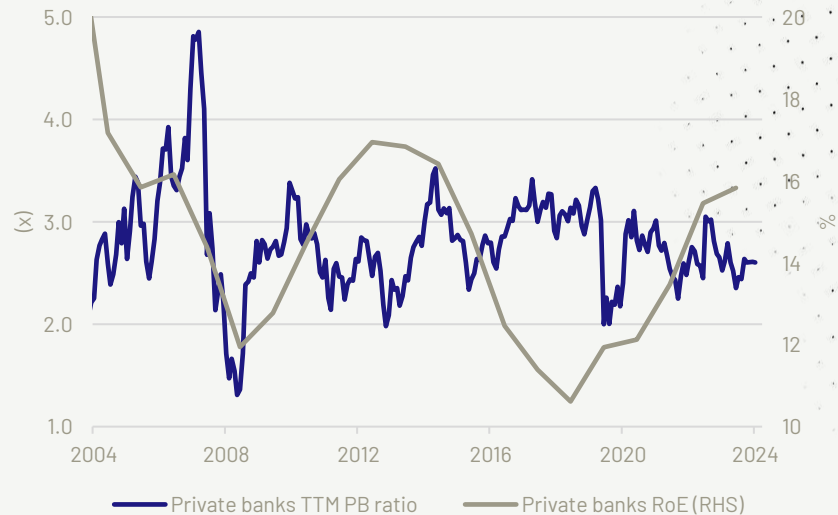
The earnings growth has slowed but pockets of opportunity continue..

Our preferred sectors have seen relatively well earnings

	Top line (% YoY)		EBITDA (% YoY)		PAT (% YoY)	
	Q1FY25	Q2FY25	Q1FY25	Q2FY25	Q1FY25	Q2FY25
Airlines	15	14	-9	-27	-29	414
Auto	12	6	38	-2	32	-17
Cement	-1	-2	-6	-22	-8	-40
Chemicals	5	12	-12	8	-30	-5
Consumer services	2	1	1	1	11	-9
Durables	19	13	26	-8	26	-10
Energy	12	0	3	-5	-4	-5
Real estate	27	35	44	29	64	30
FMCG	7	9	11	8	10	8
Industrials	12	16	33	35	14	13
IT	4	7	8	9	9	11
Metals & Mining	1	-6	18	-3	0	-7
Pharmaceuticals	6	7	14	17	21	21
Power	15	6	11	2	24	13
Private banks	11	14	13	15	5	8
PSU banks	7	14	3	15	33	39
Non lending financials	44	44	54	62	33	32
NBFC	21	23	22	24	17	10
*BSE500	7	6	1	0	-2	-4

*Note: Figures for BSE 500 are calculated based on 252 stocks whose results have been declared
Source: Capitaline, Nuvama research, Angel One Wealth, Data as on Nov, 2024

... private banks can see a turnaround given the marked improvement in ROE and lower valuations



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Our Hypothesis

India is in a mid to late stage bull run, go for large caps, defensive sectors

Drivers

Valuations, global risk-off sentiment, fall in global demand, reducing corporate earnings

Risks

Domestic growth surprising to upside, favourable geopolitics, US rate cuts, flows and liquidity

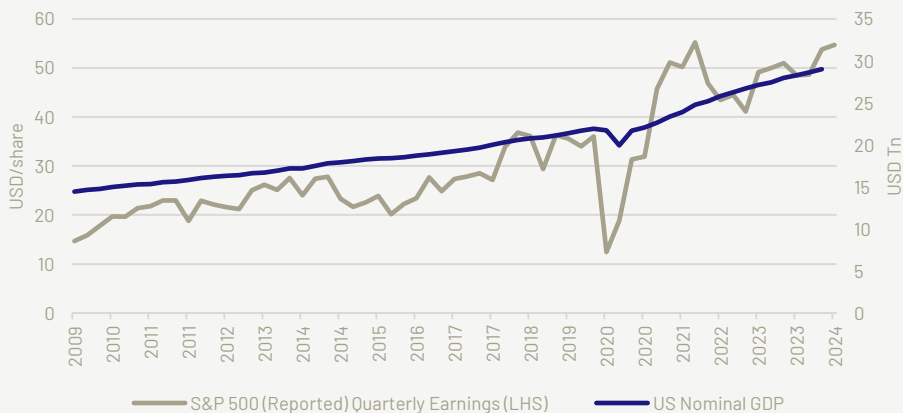
Data to watch

Earnings, interest rates, geopolitics, sentiments, FII and DII flows, demand

Global Equities: Stable US, Tactical China

US: Good earnings + robust economy makes US a stable portfolio allocation

S&P 500 Profit margin (%)	2001-06	2007-12	2013-18	2019-24
	6.1	7.1	8.9	10.2



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Our Hypothesis

US is a stable bet but China is a strong tactical call given measures to revive economy

Drivers

Cheap Chinese valuations, uptick in data, Chinese stimulus to revive its economy

China: Cheap Valuation, revival in momentum with stimulus, re-iterating our Sep 05, 2024 tactical call

MSCI China Forward PE	FY 15	FY 18	FY 21	FY 24
	10.24	12.16	15.64	9.17



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Risks

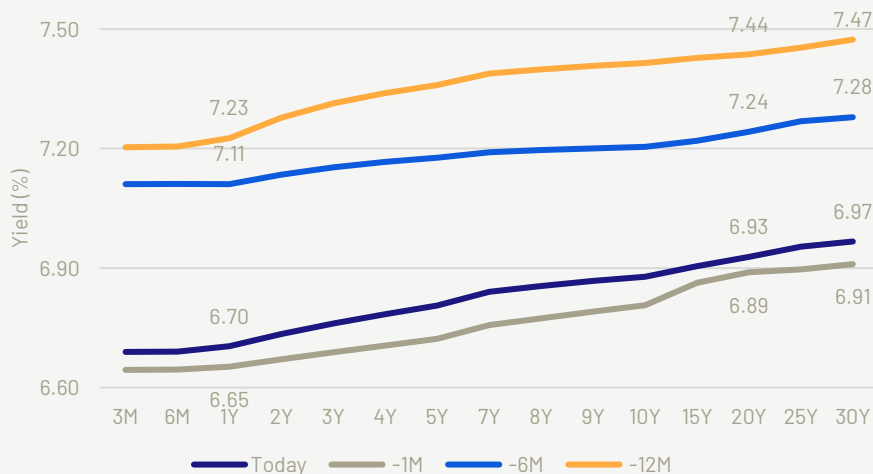
Growth not picking up, Trump's victory and tariffs in ways worse than market's expectations

Data to watch

US election polls, monetary and fiscal policy of China, rest of the world moves towards US

India Debt: Go Higher On Duration

Off-late the yields have risen slightly across the tenor given the geopolitics and oil price volatility...



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Our Hypothesis

Mid-to-long duration debt is likely to outperform, yields may ease from current levels

Drivers

Increased demand, onset of global rate cut cycle to eventually reflect on India

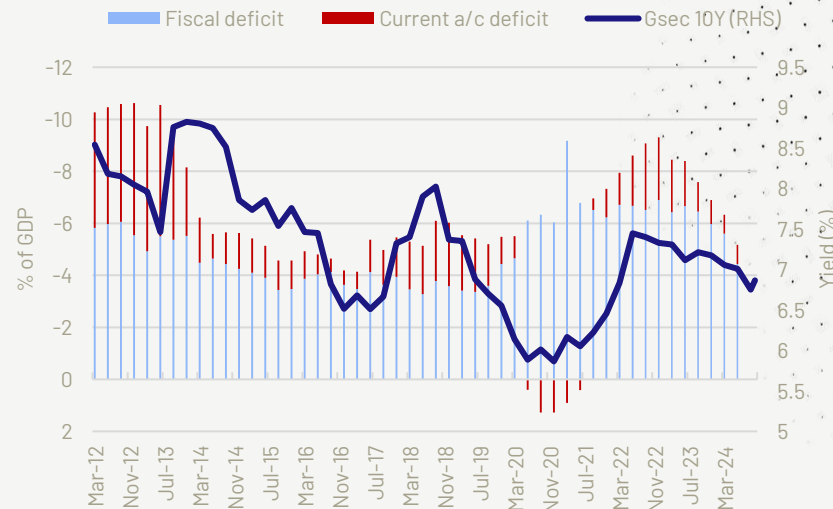
Risks

Domestic/US growth & inflation remaining higher, geopolitics

Data to watch

RBI policy, high frequency data, crude oil, more FII inclusions

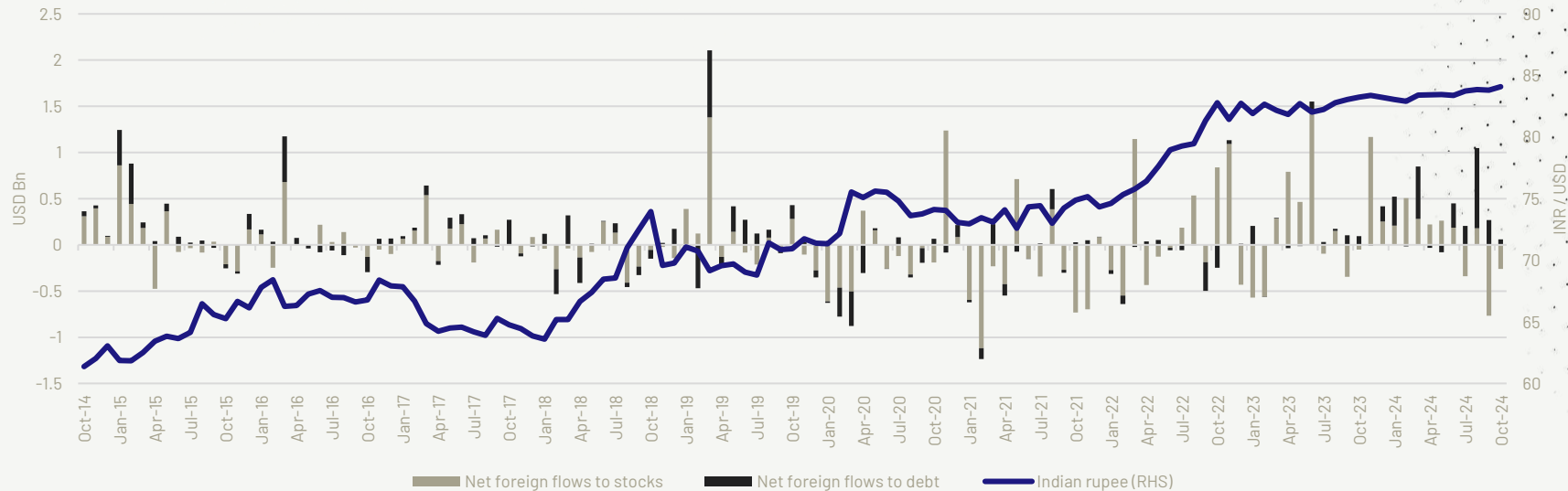
...but structurally India's yield should head lower as our twin deficit situation continues to improve



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

FX: Expect INR To Be Range Bound, With Mild Depreciative Bias

FII have withdrawn record ~USD 12 bn which led to pressures on INR. This prompted RBI to sell forex reserves which slipped from an all time high of USD 704 bn on Sep 27 to USD 690 Bn on Oct 11



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Our Hypothesis

INR is expected to be range bound with mild depreciation, but no outsized depreciation

Drivers

RBI action, cushion from FX, FII flows as Dollar Index weakens, bond indices inclusion

Risks

Dollar strength, complete risk off and drying of EM liquidity

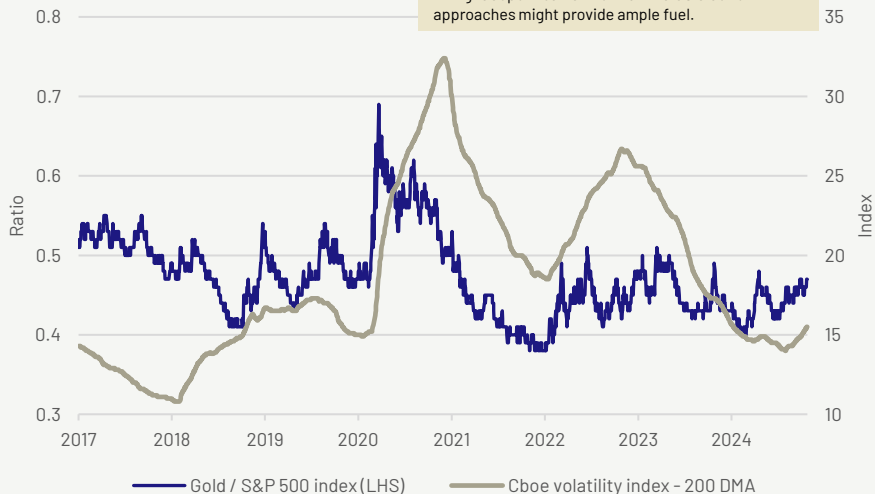
Data to watch

FX reserves, flows, DXY, geopolitics, inflation differential, yield movements

Commodities: Positive Precious Metals, Silver May Have More Space

Tilt towards precious metals given high equity valuations + geopolitical friction represents a risk-off scenario

Gold/SPX rises with equity volatility. Gold typically gains sounder footing when stock-market risk metrics are rising. Geopolitical tensions as the US election approaches might provide ample fuel.



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Our Hypothesis

Precious metals may have more upside left, silver could possibly benefit more than Gold

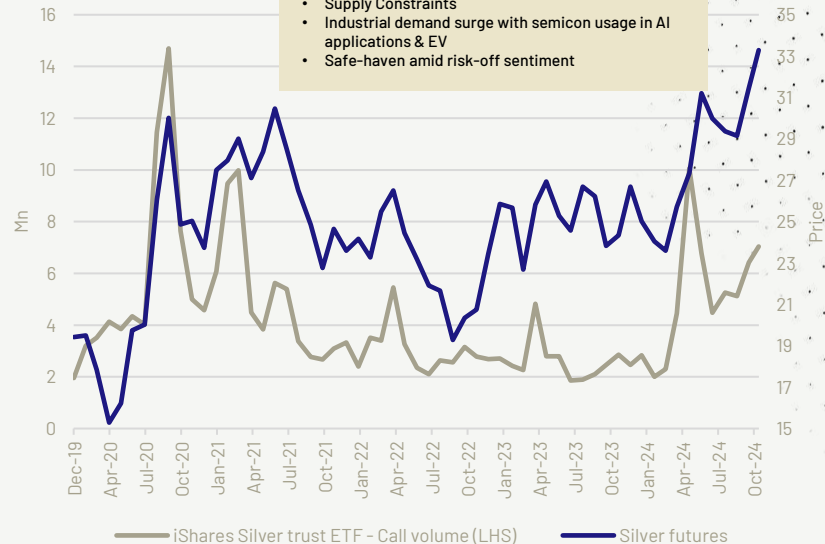
Drivers

Chinese demand, weaker dollar, increased risk-off sentiment, geopolitical risk, high equity vals

The moves in the options markets indicate traders are betting the silver rally to continue.

Key forces steering silvers price trajectory:

- Supply Constraints
- Industrial demand surge with semicon usage in AI applications & EV
- Safe-haven amid risk-off sentiment



Source: Bloomberg, Angel One Wealth, Data as on Nov, 2024

Risks

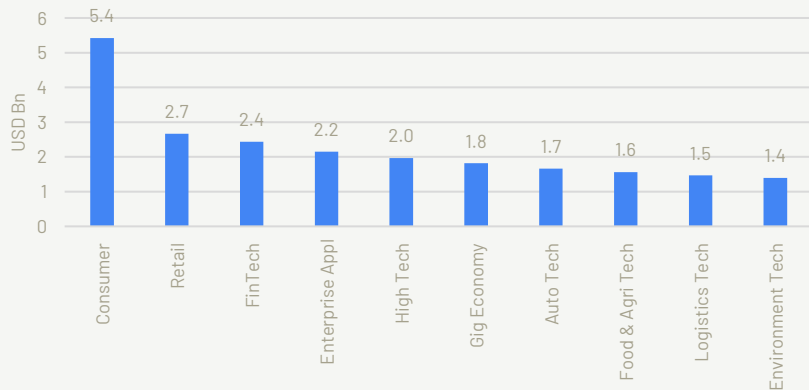
Dollar strength, growth improving for good

Data to watch

Sentiments, DXY, demand from Chinese central banks for Gold, industrial demand for silver

Unlisted Equities: Some Sector Rotation Is Underway

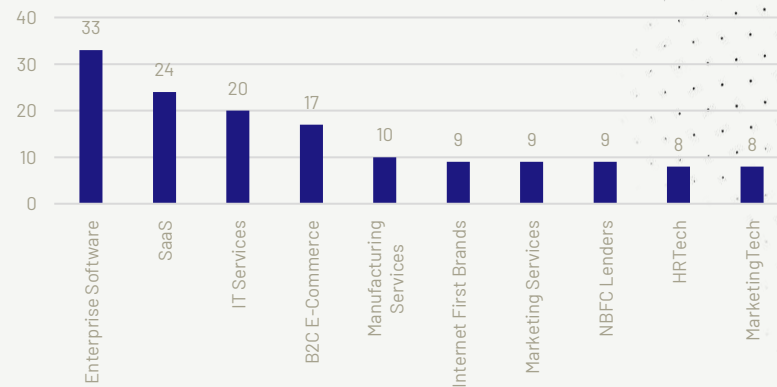
CY 24 has seen total funding of USD 26.8 Bn. Within tech - Consumer category displaced Retail to take the top spot this year.



■ Total Funding across Tech

Note: Data for CY 24 (YTD)
Source: TracXn, AngelOne Wealth. Data as on Nov, 2024

Acquisitions across Enterprise, SaaS and IT remain in trend. B2C E-commerce has fallen out of the top 3 rankings for the first time in the past 5 years.



■ Number of Acquisitions YTD CY 24

Note: Data for CY 24 (YTD)
Source: TracXn, AngelOne Wealth. Data as on Nov, 2024

Our Hypothesis

Unlisted Equity is likely to benefit in select pockets

Drivers

Favourable taxation, reduced future expectation in listed

Risks

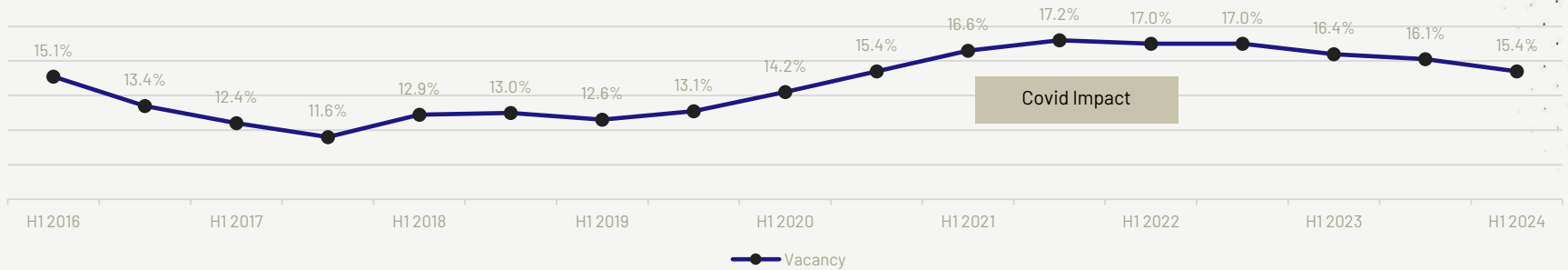
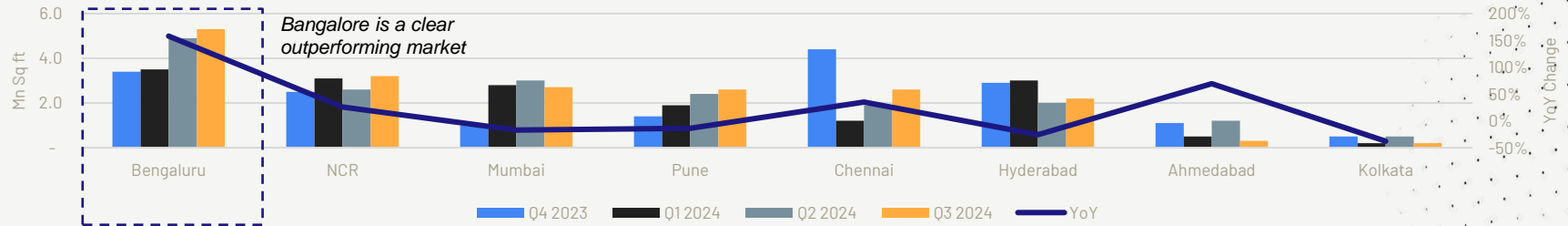
Opaque valuations, liquidity squeeze

Data to watch

Liquidity, rate cut cycle, operational efficiencies

Real Estate: Commercial Real Estate Is Improving

In Q3 2024, pan India leasing of commercial real estate grew by 18% YoY and scaled a record high of 19 mn sq ft



Source: Knight and Frank, Angel One Wealth, Data as on Nov, 2024

Our Hypothesis

Commercial Real estate is set to do well, with Bangalore being the market of choice

Drivers

Growth is primarily driven by GCC and Flexible Office space while India focus business continues to anchor

Risks

Saturation of demand, worsening macro environment, liquidity squeeze

Data to watch

Rental levels, vacancy, transaction volumes etc.

Actionable ideas for execution of our strategy



There is more opportunity in domestic large caps

Defensives such as Consumer & Pharmaceuticals appear favorable

	Large Cap Bias	Defensive Bias
Large Cap <ul style="list-style-type: none">DSP Top 100 Equity Fund-Reg(G)Invesco India Largecap Fund(G)	✓	✓
Flexi Cap <ul style="list-style-type: none">HDFC Flexi Cap Fund(G)	✓	✓
Index Fund/ ETF <ul style="list-style-type: none">Bandhan Nifty100 Low Volatility 30 Index Fund-Reg(G)	✓	✓
Equity PMS <ul style="list-style-type: none">Alphagrep Multi Factor Quant	✓	✓

• Large Cap Bias: > 50% allocated to large-cap stocks.

• Defensive Bias: overweight on FMCG + Pharma/Healthcare vis-a-vis benchmark

Actionable ideas for execution of our strategy



Long duration bonds in India
has the stage set up for performance

Long Term Bonds

- ICICI Pru Long Term Bond Fund(G)
- Kotak Long Duration Fund-Reg(G)
- Mirae Asset CRISIL IBX Gilt Index Fund-Reg(G)

**Precious metals still have more
runway available**
Opt for Gold and silver for commodity
allocation

Precious Metals

- SBI Gold-Reg(G)
- ICICI Pru Silver ETF FOF(G)

In Foreign Equities
US is a stable bet, China can be
tactical

China-Tactical Call

- Edelweiss Greater China Offshore Funds

Portfolio and Deployment Strategy

		Scope	
		Existing Portfolio	New Portfolio and Incremental Flows
Deployment Strategy	Stagger	No Action	1. Allocation to US equity 2. Increase in Duration in Fixed Income Portfolio
	One Shot	1. Allocation to China	1. Large Cap Allocation 2. Focus on Defensive sectors 3. Allocation to Precious Metals (50:50 allocation to Gold and Silver)

Key Points:

- Major events in sight-
 - US Elections
 - Ongoing Geopolitical risks
 - India Gsec inclusion in Bloomberg EM Government Index
- Increase in duration to happen till January 2025- to be accelerated if yields go beyond 7%
- Change in allocation to China from staggered deployment to one go as the stimulus and momentum, which was earlier missing, is now visible
- Allocation to Precious Metals changed from 67:33 to 50:50 in Gold and Silver (for Moderate & Above)
- Defensives theme to be played through Low Vol Index- ~50% allocation to defensives and suggested mutual funds where the defensives bets are more than the benchmark

How AOW's recent calls fared?

TACTICAL CALL



China call
5th Sep 2024

Up 14.6% following stimulus-driven recovery



Long Duration
30th Jun 2024

Returned 10.08% (ann)
amidst global bond rally



Gold & Silver
5th Aug 2024

Gold up 13.8%, silver up 19.1% as a hedge
against volatility

STRATEGIC CALL



Quant multi-factor PMS
30th Apr 2024

Alphagrep MFQ has generated
~8.3% alpha in last year,
outperforming it's benchmark



Liquid Alternates/Hedge Fund
30th Apr 2024

Alphamine AIF generated 19.67% over the
past year on a gross basis.

How AOW's recent calls fared?

Man+Machine Picks	June-Sept	Alpha	Oct'24	Alpha
HDFC Flexi Cap Fund(G)	8.2	0.4	0.8	4.1
DSP Top 100 Equity Fund-Reg(G)	10.3	2.4	-0.9	2.6
Invesco India Largecap Fund(G)	7.9	0.1	-2.2	1.2
Bandhan Nifty100 Low Volatility 30 Index Fund-Reg(G)	12.4	4.5	-0.1	3.4
Average	9.7	1.9	-0.6	2.8
FlexiCap Benchmark: Nifty500 TRI, LargeCap Benchmark: Nifty100 TRI				
Other Categories	June-Sept	Oct'24		
SBI Gold-Reg(G)	8.2	5.0		
ICICI Pru Silver ETF FOF(G)	10.3	6.9		
Edelweiss Gr China Equity Off-Shore Fund-Reg(G)	7.9	1.0		
ICICI Pru Long Term Bond Fund(G)	3.1	0.1		
Kotak Long Duration Fund-Reg(G)	3.3	-0.5		
Mirae Asset CRISIL IBX Gilt Index Fund-Reg(G)	3.3	-0.1		

Please contact us for more details at hello@aowealth.in

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