

MONTHLY NEWSLETTER  
SEPTEMBER 2024



**PL Capital**  
PRABHUDAS LILLADHER

ASSET  
MANAGEMENT

# PMS Strategy

Updates and Insights

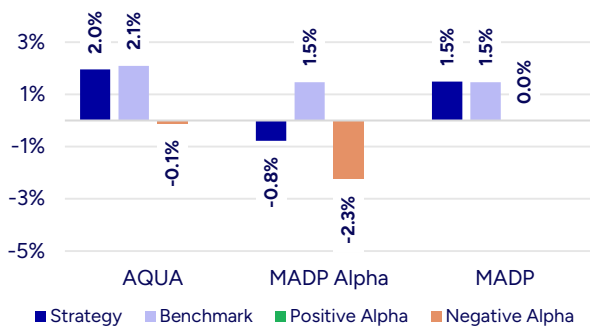
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**Tactical Defensive Shift Aids  
Portfolio Resilience**

# Tactical Defensive Shift Aids Portfolio Resilience

After a somber start in September, global markets rallied, negating the "September Effect," as the US Federal Reserve cut interest rates by 50 bps, lowering the target range to 4.75%-5%. Alongside this significant policy shift in the US, the Chinese government announced stimulus measures to revive its slowing economy, leading to a surge in global equity markets. Meanwhile, Indian equities maintained their strong momentum, with the Nifty 50 and Sensex continuing to hit all-time highs, both gaining over 2%. The Nifty Metal index emerged as the best performer, rising 8.5%, while strong domestic liquidity persisted, aiding rate-sensitive sectors. FPIs recorded inflows of approximately ₹12,600 crore, rebounding from earlier outflows, and DIIs also remained net buyers. Geopolitical tensions in the Middle East, along with rate cuts by central banks, further fueled a rise in gold prices.

## September 2024 Performance



## Rolling 1 Year Risk Profile Across Strategies

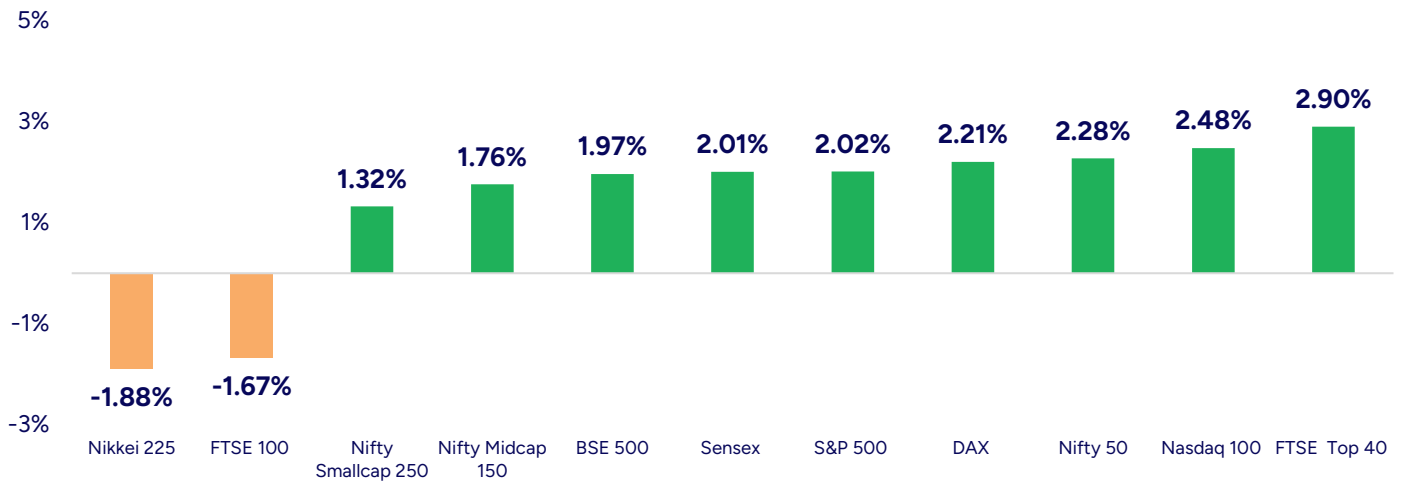
Metrics	AQUA	MADP ALPHA	MADP
Returns	54.25%	32.66%	25.37%
Alpha	13.27%	7.54%	0.25%
Volatility	21.87%	17.91%	9.68%
Sharpe	2.16	1.43	1.90
Sortino	2.08	1.39	2.29
Beta	1.31	1.93	1.07

Source: PL | Data as on 30<sup>th</sup> September 2024

Factors	Previous Rating	Current Rating	What changed?	Comments
MACRO	Positive	Moderate	Moderation in growth but positive outlook prevails	Q1 FY25 real GDP growth moderated to 6.7% YoY from 7.8% in Q4 FY24. Despite slower investment and manufacturing growth, FY25 outlook remains positive with expected rural demand improvement and government capital expenditure focus.
VALUE	Positive	Moderate	Large caps remain fairly valued, while mid & small cap valuations leave limited headroom	Broader equity markets are expensive but not highly overvalued, with 53% of stocks trading above their 3-year average price-to-book ratio. The Nifty 50's trailing P/E of 24.3x is 9% above its 3-year average. In contrast, small-cap and mid-cap indices trade at trailing P/E ratios of 33.5x and 45.1x, with premiums of ~18% and ~34% over their 3-year averages.
TREND	Positive	Moderate	Despite strength in domestic equities, global market indicate a shift towards gold	Domestic equities remain the favored asset class, with 81% of stocks near their highs and the Nifty hitting new peaks in one-third of CY24 sessions, but our quant models indicate a global shift towards gold, which is gaining momentum.
LIQUIDITY	Positive	Positive	Liquidity expected to improve further with further rate cuts in November and December	India's CPI rose slightly to 3.65% in August, still below the RBI's 4% target, which could influence the timing of future rate cuts. Meanwhile, the U.S. Federal Reserve's recent 50 bps rate cut to 4.8% has bolstered global markets, with U.S. M2 money supply growing for four months, improving liquidity. According to CME Group's FedWatch Tool, traders see an 85% chance of a 25 bps cut in November and a 73% chance of another 25 bps reduction in December.
SENTIMENT	Positive	Positive	Sentiment remains positive	India's strong economy and positive corporate earnings have lifted investor sentiment, though the market remains sensitive to short-term changes. % of stocks near all-time highs still continues to remain in the top decile.
RISK	Positive	Positive	Risk-on back as FPIs turn net buyers in September, with markets at new highs	In September, both the Nifty 50 and Sensex reached all-time highs, gaining over 2% after recovering from the Yen carry trade-driven volatility in early August. Foreign Portfolio Investors (FPIs) rebounded with inflows of approximately ₹12,611 crore, while Domestic Institutional Investors (DIIs) remained net buyers, adding around ₹31,000 crore, providing continued support to the market. Investor optimism persisted, bolstered by these strong inflows and overall market resilience.

Positive Moderate Negative

Global Indices Performance for September 2024 highlighting Risk-On

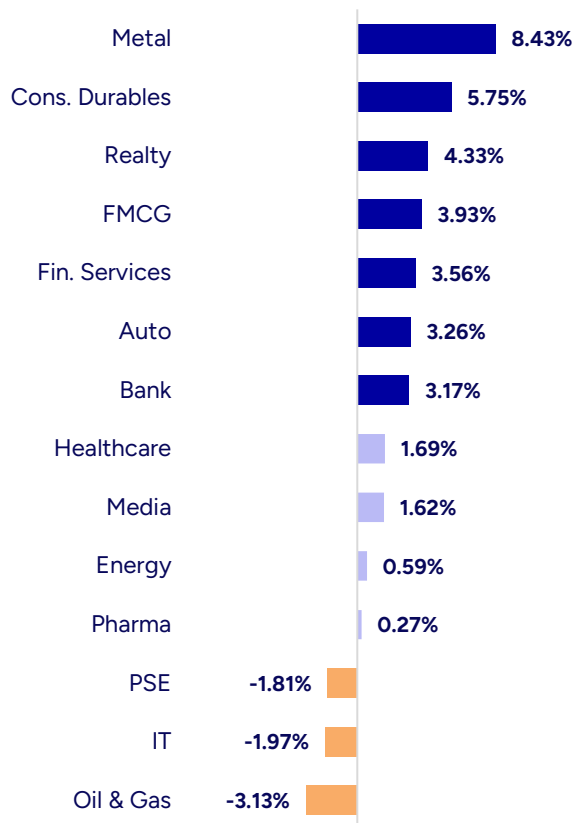


Source: Investing | Data from 31<sup>st</sup> August 2024 - 30<sup>th</sup> September 2024

KEY COMMODITIES			KEY CURRENCIES			YIELDS		
COMMODITY	CLOSE	YTD%	CURRENCIES	CLOSE	YTD%	BONDS	CLOSE	YTD%
GOLD (₹ /10gm)	75,450	19.74%	USD / INR	83.79	0.81%	10 YR G-SEC	6.75	-5.99%
SILVER (₹/kg)	90,812	23.81%	EUR / INR	93.53	4.05%	10 YR AAA CORP	7.90	0.07%
CRUDE (\$)	73.2	-5.18%	JPY / INR	0.59	11.70%	2 YR G-SEC	6.66	-5.99%

Source: CMIE | Data from 31<sup>st</sup> December 2023 - 30<sup>th</sup> September 2024

Sector Performance for September 2024



Style Factor Performance for September 2024



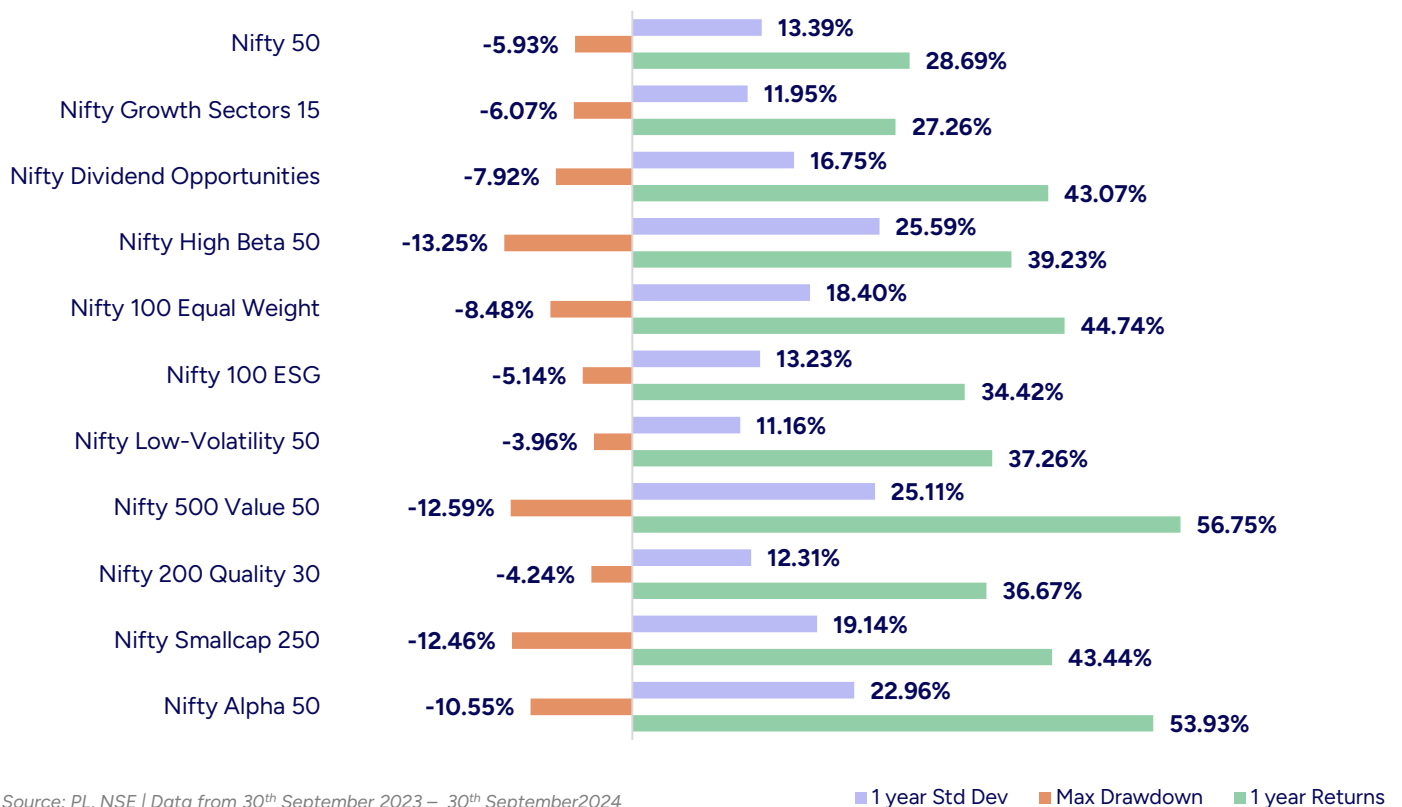
Source: NSE | Data from 31<sup>st</sup> August – 30<sup>th</sup> September 2024

### Factor Correlations (based on 1-year excess returns vis-à-vis Nifty 500)

	Nifty Alpha 50	Nifty Smallcap 250	Nifty 200 Quality 30	Nifty 500 Value 50	Nifty Low-Volatility 50	Nifty 100 ESG	Nifty 100 Equal Weight	Nifty High Beta 50	Nifty Dividend Opportunities	Nifty Growth Sectors 15	Nifty 50
Nifty Alpha 50	1.00	0.63	-0.26	0.61	-0.57	-0.65	0.09	0.70	0.29	-0.57	-0.81
Nifty Smallcap 250	0.63	1.00	-0.15	0.44	-0.35	-0.59	0.04	0.55	0.09	-0.37	-0.83
Nifty 200 Quality 30	-0.26	-0.15	1.00	-0.39	0.73	0.58	-0.03	-0.49	0.26	0.75	0.17
Nifty 500 Value 50	0.61	0.44	-0.39	1.00	-0.54	-0.65	0.08	0.76	0.53	-0.65	-0.60
Nifty Low-Volatility 50	-0.57	-0.35	0.73	-0.54	1.00	0.67	-0.05	-0.74	-0.08	0.77	0.41
Nifty 100 ESG	-0.65	-0.59	0.58	-0.65	0.67	1.00	-0.01	-0.63	-0.02	0.77	0.65
Nifty 100 Equal Weight	0.09	0.04	-0.03	0.08	-0.05	-0.01	1.00	0.15	0.01	-0.10	-0.11
Nifty High Beta 50	0.70	0.55	-0.49	0.76	-0.74	-0.63	0.15	1.00	0.26	-0.72	-0.70
Nifty Dividend Opportunities	0.29	0.09	0.26	0.53	-0.08	-0.02	0.01	0.26	1.00	0.13	-0.17
Nifty Growth Sectors 15	-0.57	-0.37	0.75	-0.65	0.77	0.77	-0.10	-0.72	0.13	1.00	0.55
Nifty 50	-0.81	-0.83	0.17	-0.60	0.41	0.65	-0.11	-0.70	-0.17	0.55	1.00

Source: PL, NSE | Data from 30<sup>th</sup> September 2023 – 30<sup>th</sup> September 2024

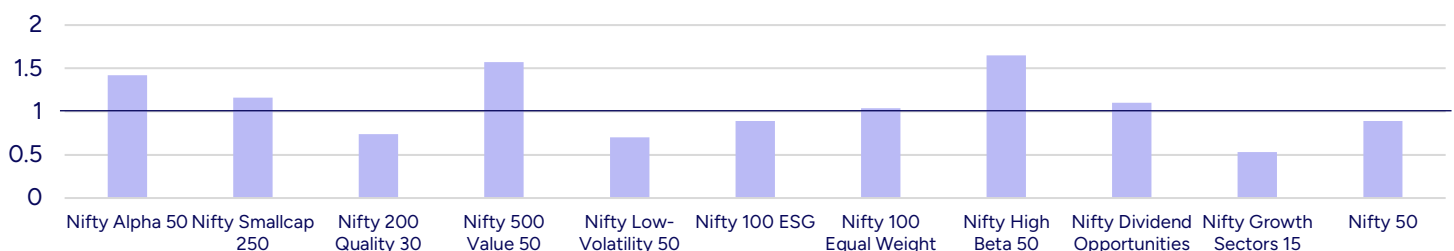
### Risk Analysis (based on 1-year returns: September 2023 – September 2024)



Source: PL, NSE | Data from 30<sup>th</sup> September 2023 – 30<sup>th</sup> September 2024

■ 1 year Std Dev ■ Max Drawdown ■ 1 year Returns

### Beta (based on 1-year returns vis-à-vis Nifty 500)



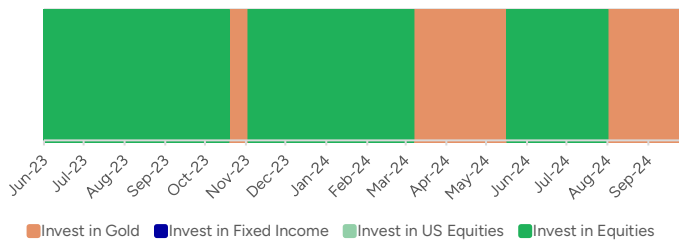
Source: PL | Data from 30<sup>th</sup> September 2023 – 30<sup>th</sup> September 2024

## Quant Market Monitor

Our quantitative models that are monitoring relative momentum across asset classes, indicate gold as a preferred asset class. Valuation premium of smallcaps vs large caps and our volatility signals which continue to show elevated volatility at security levels, have tilted our allocation towards large and midcaps.

Over the past three months, Low Volatility surged 7.73%, far outpacing Momentum's 0.84% and Value was up 0.80%, while Quality surged by 6.9%. This performance reflects a global "risk-off" sentiment, with valuation signals warning of overvaluation. The shift toward Quality and Low Volatility in June and July served as a precursor to the regime change in August, where Quality and Low Volatility became the dominant factors. Investors appear to be favoring safer, more stable investments, aligning with broader risk management strategies in an overvalued market environment.

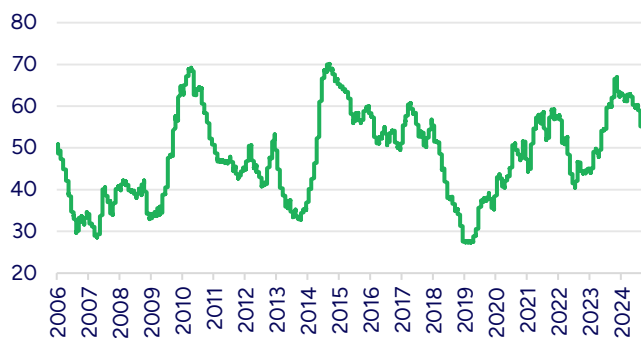
**Relative momentum across assets brings Gold back as a favoured asset class**



Source: PL | Data from 2<sup>nd</sup> June 2023 - 30<sup>th</sup> September 2024

**In September, the percentage of stocks outperforming the Nifty 500 has reverted to 55% from 65%, reflecting a historical mean reversion trend**

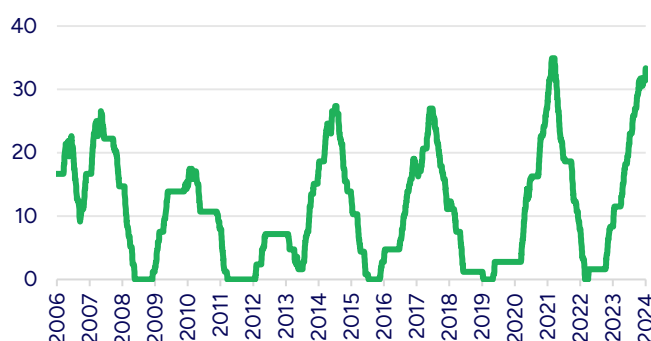
**% of Stocks beating Nifty500**



Source: PL | Data from 2<sup>nd</sup> February 2006- 30<sup>th</sup> September 2024

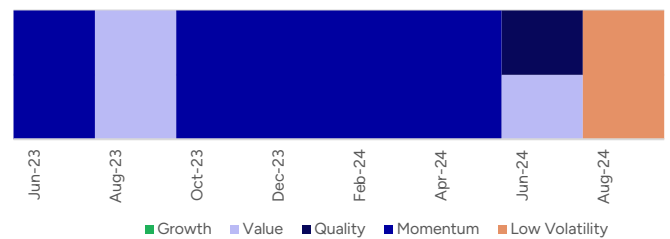
**The percentage of days the Nifty 500 has made a new high in a 12-month rolling period has reached a level historically associated with mean reversion**

**Nifty 500 Rolling 12M New Highs**



Source: PL | Data from 30<sup>th</sup> September 2023- 30<sup>th</sup> September 2024

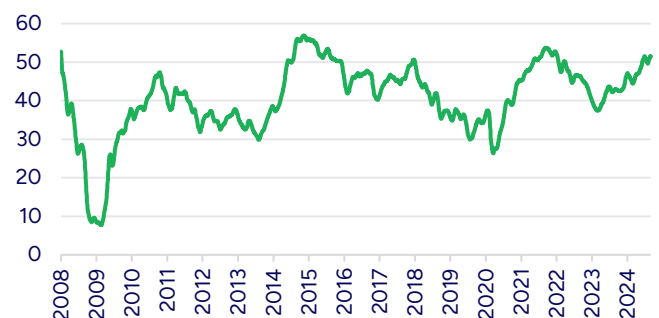
**Style regime has shifted from a Quality-Value tilt to a Low Volatility tilt**



Source: PL | Data from 2<sup>nd</sup> June 2023 - 30<sup>th</sup> September 2024

**Valuations are showing extreme polarity, with over 50% of stocks trading above their three-year average P/B, signaling potential over-exuberance, particularly in SMIDs**

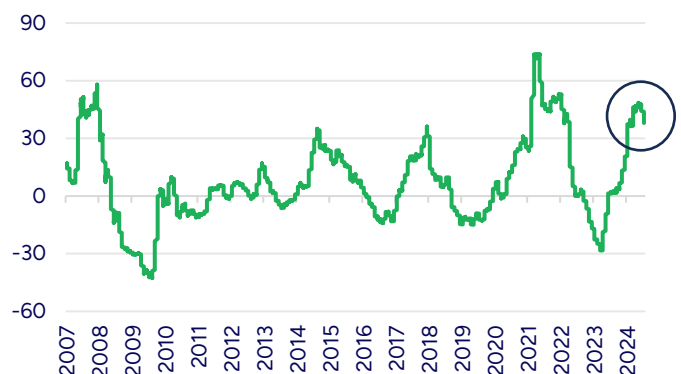
**% of Stocks above their 3 Year Average P/B**



Source: PL | Data from 2<sup>nd</sup> February 2006- 30<sup>th</sup> September 2024

**Momentum seems to have peaked three months ago, with Low Volatility now leading. In this period, Momentum returns were below 1%, while Low Vol returned 7.7%**

**Momentum vs Low Vol 12M Returns Spread**



Source: PL | Data from 1<sup>st</sup> January 2007 - 30<sup>th</sup> September 2024

# AQUA

Adaptive. Quantitative. Unbiased. Alpha.

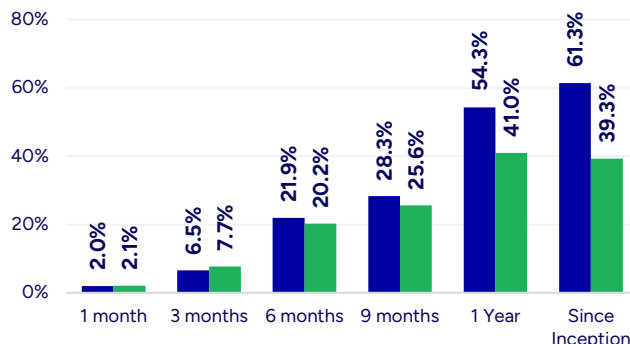
## Investment Objective

To generate alpha across market cycles by investing in equity or equity-linked instruments based on proprietary fundamental quantitative frameworks and models.

## Key Information

Strategy Inception date:	<b>June 12, 2023</b>
Strategy Type:	<b>Open-ended</b>
Benchmark:	<b>BSE 500 TRI</b>
Investment Horizon:	<b>5 Years+</b>
Portfolio Manager:	<b>Mr. Siddharth Vora</b>

## Performance Summary



Source: PL | Data till 30<sup>th</sup> September 2024  
Inception Date: 12<sup>th</sup> June 2023  
Note: Actual returns net of expenses, fees, and associated costs.

## Key Highlights

AQUA gained 1.95% in September on an absolute basis. In August, we had strategically rebalanced the portfolio, adopting a quality & low-volatility-focused approach in response to growing market uncertainty. This shift allowed us to emphasise quality and low volatility as dominant factors, reducing downside risk while continuing to seek consistent alpha. By adjusting our allocation, we transitioned from last year’s value-momentum tilt to a more defensive stance, ensuring the portfolio remains resilient and well-positioned to capitalise on opportunities in a volatile market environment. We have completely exited Industrials and have trimmed our exposure to Autos, while substantially increasing allocations to non-cyclical sectors such as Healthcare, IT, Consumer Staples, and Consumer Discretionary, which now represent ~70% of the portfolio. Additionally, we initiated a 10% position in defensive financials, strengthening our ability to manage volatility effectively. Over the past 12 months, AQUA has delivered 54.3%, outperforming the BSE 500 TRI by ~13%. In response to changing market conditions, we have adjusted our asset allocation toward large and mid-cap stocks, which now account for roughly 75% of the portfolio.

## Quarterly Returns

Quarter	Strategy	Benchmark
Q1	18.61%	10.26%
Q2	17.32%	7.01%
Q3	10.21%	8.15%
Q4	12.78%	9.13%
Q5	7.81%	9.18%

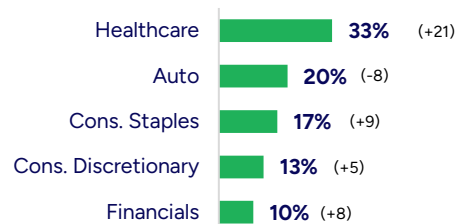
Inception Date: 12<sup>th</sup> June 2023

## Risk Profile

Standard Deviation	20.37%
Sharpe	2.65
Sortino	2.49
Beta	1.31
Max Drawdown	-10.49%

Source: PL | Data as on 30<sup>th</sup> September 2024  
Inception Date: 12<sup>th</sup> June 2023

## Top 5 Sectors



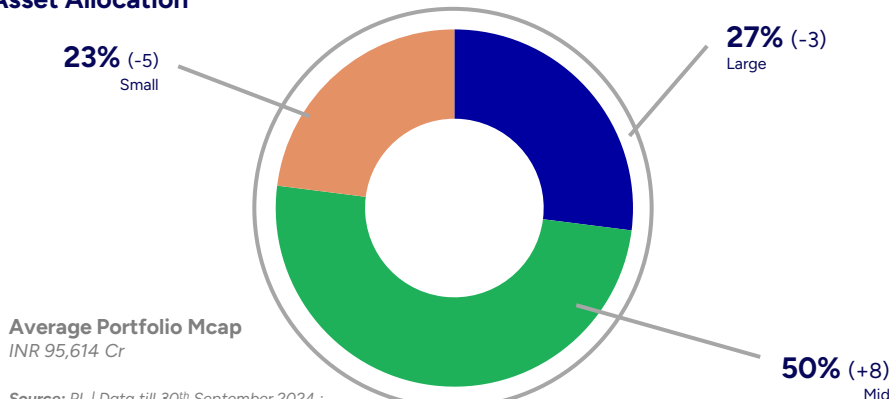
Source: PL | Data till 30<sup>th</sup> September 2024 ;  
Current Rebalance Date: 24<sup>th</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month

## Portfolio (Top 5 Performers)

Holdings
Kalyan Jewellers India Ltd
Bajaj Auto Ltd
Blue Star Company Ltd
Fortis Healthcare Ltd
Hero Motocorp Ltd

Source: PL | Data till 30<sup>th</sup> September 2024 ;  
Current Rebalance Date: 24<sup>th</sup> August 2024

## Asset Allocation



Average Portfolio Mcap  
INR 95,614 Cr

Source: PL | Data till 30<sup>th</sup> September 2024 ;  
Current Rebalance Date: 24<sup>th</sup> August 2024  
Note: Number in brackets indicate change in allocation from previous month

# Multi-Asset Dynamic Portfolio (Alpha)

Delivering alpha through a multi-asset and direct equity portfolio

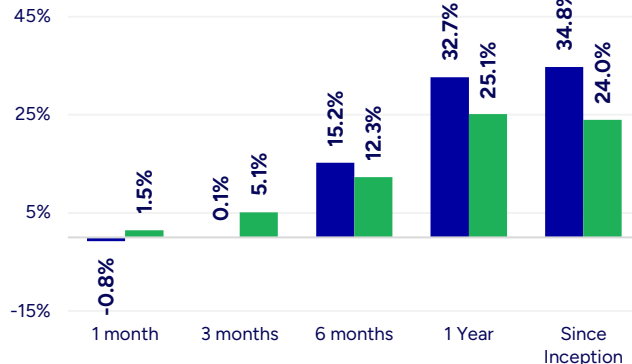
## Investment Objective

To diversify risks in periods of volatility by investing in low risk assets and capture returns in risk on periods by investing in high return assets, in order to generate consistent long term capital appreciation by investing in a diversified multi asset portfolio.

## Key Information

Strategy Inception date:	<b>September 21, 2023</b>
Strategy Type:	<b>Open-ended</b>
Benchmark:	<b>Nifty Multi Asset</b>
Investment Horizon:	<b>5 Years+</b>
Portfolio Manager:	<b>Mr. Siddharth Vora</b>

## Performance Summary



Source: PL | Data till 30<sup>th</sup> September 2024 | ■ MADP ALPHA ■ Nifty Multi Asset  
Inception Date: 21<sup>st</sup> September 2023  
Note: Actual returns net of expenses, fees, and associated costs.

## Key Highlights

In September, MADP Alpha experienced a slight decline, posting returns of -0.79% on an absolute basis. Since inception, MADP Alpha has generated a return of 37%, outperforming the benchmark by approximately 14%. Our sector rotation strategy significantly reduced Industrials exposure to 6%, down from 24%, and halved our Auto exposure to 9%. We increased allocations to Healthcare, Consumer Discretionary, Consumer Staples, and IT sectors, now comprising half our portfolio. Gold allocation remains at 15%, providing alpha and cushioning against volatility, supported by central bank gold purchases, rate cuts, and geopolitical uncertainties, positively impacting gold prices.

## Quarterly Returns

Quarter	Strategy	Benchmark
Q1	11.37%	5.99%
Q2	4.86%	4.14%
Q3	16.42%	7.22%
Q4	0.40%	5.64%

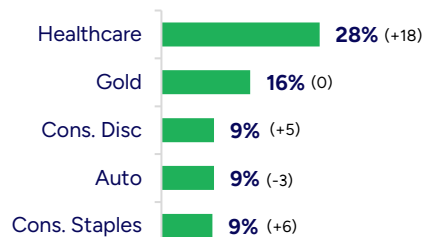
Source: PL | Data till 30<sup>th</sup> September 2024  
Inception Date: 21<sup>st</sup> September 2023

## Risk Profile

Standard Deviation	17.39%
Sharpe	1.60
Sortino	1.53
Beta	1.92
Max Drawdown	-11.03%

Source: PL | Data as on 30<sup>th</sup> September 2024  
Inception Date: 21<sup>st</sup> September 2023

## Top 5 Sectors



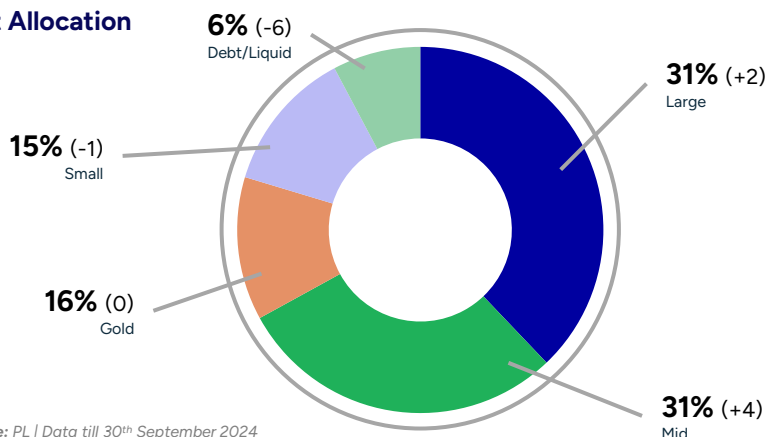
Source: PL | Data till 30<sup>th</sup> September 2024  
Note: Number in brackets indicate change in allocation from previous month

## Portfolio (Top 5 Performers)

Holdings
Eicher Motors Ltd
Kalyan Jewellers India Ltd
Info Edge (India) Ltd
Natco Pharma Ltd
Interglobe Aviation Ltd

Source: PL | Data till 30<sup>th</sup> September 2024 ;  
Current Rebalance Date: 22<sup>nd</sup> September 2024

## Asset Allocation



Source: PL | Data till 30<sup>th</sup> September 2024  
Note: Number in brackets indicate change in allocation from previous month

# Multi Asset Dynamic Portfolio

A low-risk, all-weather strategy to wealth creation

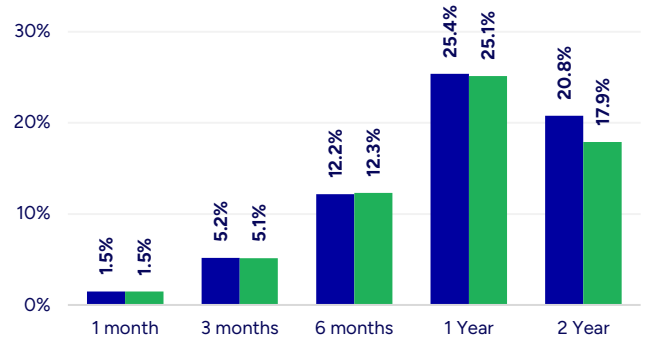
## Investment Objective

The investment objective is to generate consistent long-term capital appreciation and manage associated risks by investing in a diversified multi-asset portfolio comprising various financial instruments across different asset classes.

## Key Information

Strategy Inception date: **June 7, 2021**  
 Strategy Type: **Open-ended**  
 Benchmark: **BSE 500 TRI**  
 Investment Horizon: **5 Years+**  
 Portfolio Manager: **Mr. Siddharth Vora**

## Performance Summary

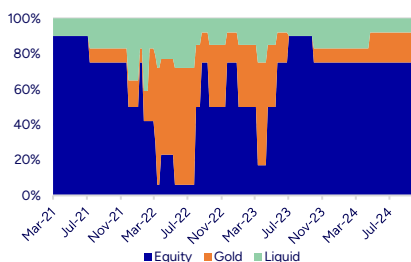


Source: PL | Data till 30<sup>th</sup> September 2024 ■ MADP ■ Nifty Multi Asset  
 Inception Date: 7<sup>th</sup> June 2021  
 Note: Actual returns net of expenses, fees, and associated costs.

## Key Highlights

In September, MADP delivered a strong performance, posting a gain of 1.49%, in line with its benchmark. During the month, we reduced our debt allocation to 5% while continuing to maintain our equity allocation at 80%. To enhance returns, we deployed cash and liquid assets by adding 2.5% each to Mirae Small 250 Quality Momentum 100 and Midsmall 400 Quality Momentum 100, along with an additional 2.5% in Nippon Nifty Junior Bees. Our gold allocation remains at 15%. This model allocation is designed to provide alpha while cushioning against market volatility, supported by central bank gold purchases in China and India, recent rate cuts by the Fed, and ongoing geopolitical uncertainties, all of which have positively impacted gold prices.

## Historical Allocation



Source: PL | Data till 30<sup>th</sup> September 2024;  
 Inception Date: 7<sup>th</sup> June 2021

## Risk Profile

Standard Deviation	7.66%
Sharpe	0.63
Sortino	0.78
Beta	0.92
Max Drawdown	-4.12%

Source: PL | Data till 30<sup>th</sup> September 2024;  
 Inception Date: 7<sup>th</sup> June 2021

## Last 5 Quarters

Quarter	Returns
FY 23-24 Q2	5.2%
FY 23-24 Q3	9.4%
FY 23-24 Q4	2.2%
FY 24-25 Q1	6.6%
FY 24-25 Q2	5.2%

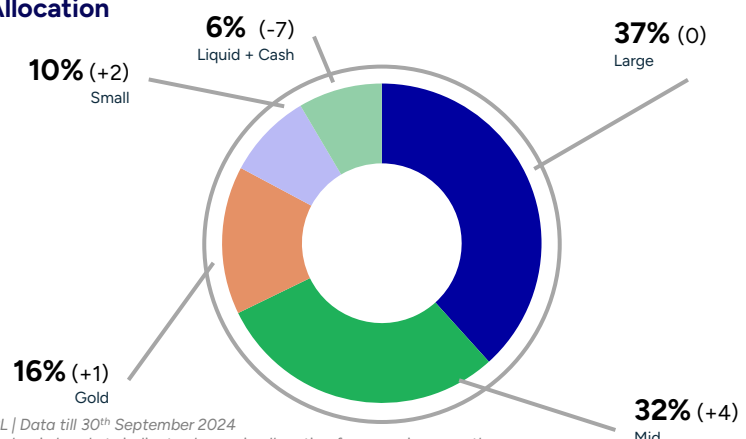
Source: PL | Data till 30<sup>th</sup> September 2024;  
 Inception Date: 7<sup>th</sup> June 2021

## Portfolio (Top 5 Performers)

Holdings
MID150BEES
NIFTYBEES
ICICI DEBT MUTUAL FUND
GOLDBEES
JUNIOR BEES

Source: PL | Data till 30<sup>th</sup> September 2024

## Asset Allocation



Source: PL | Data till 30<sup>th</sup> September 2024  
 Note: Number in brackets indicate change in allocation from previous month



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