2025 – The Year of Selection

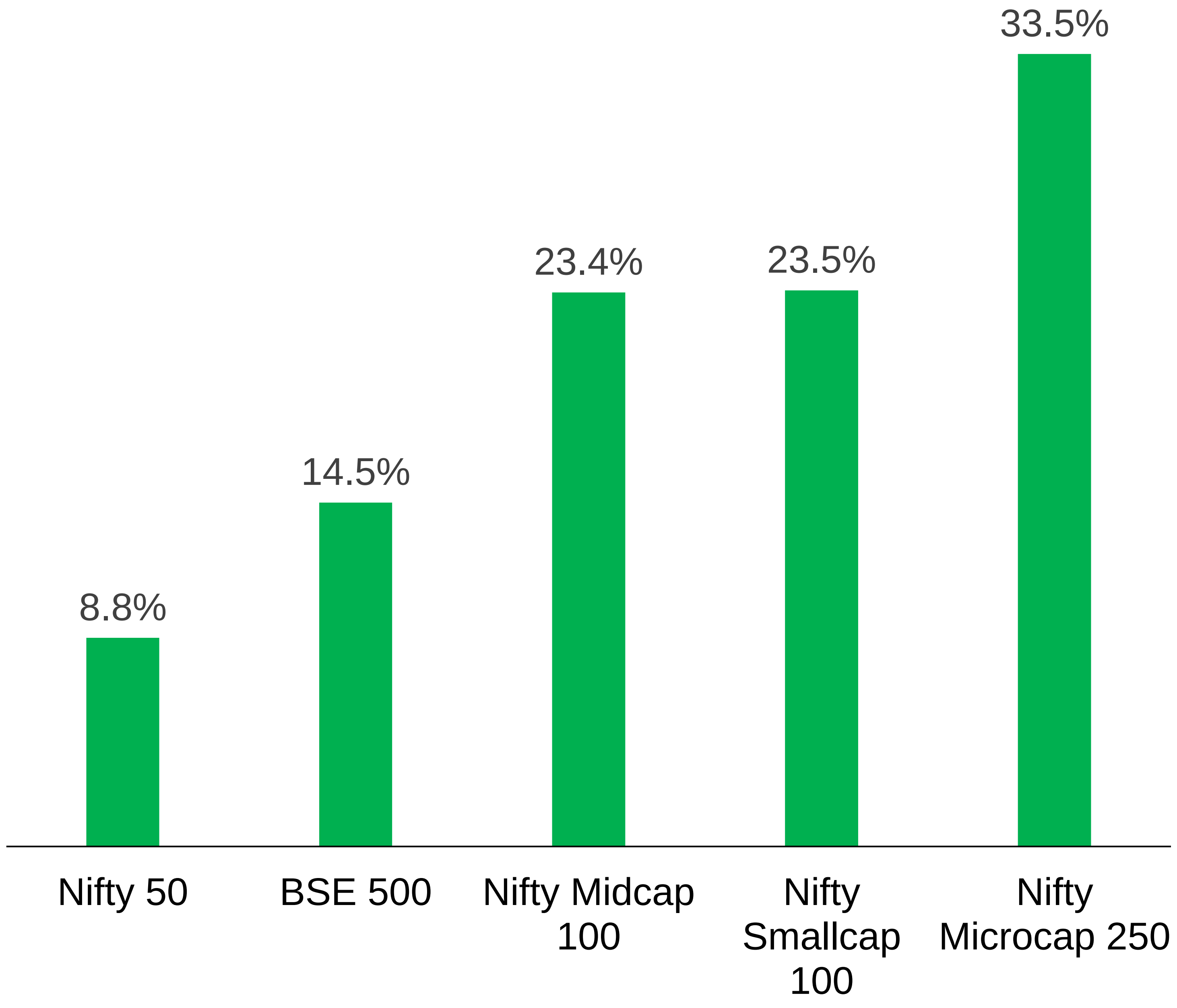
Annual Market Update

January 2025

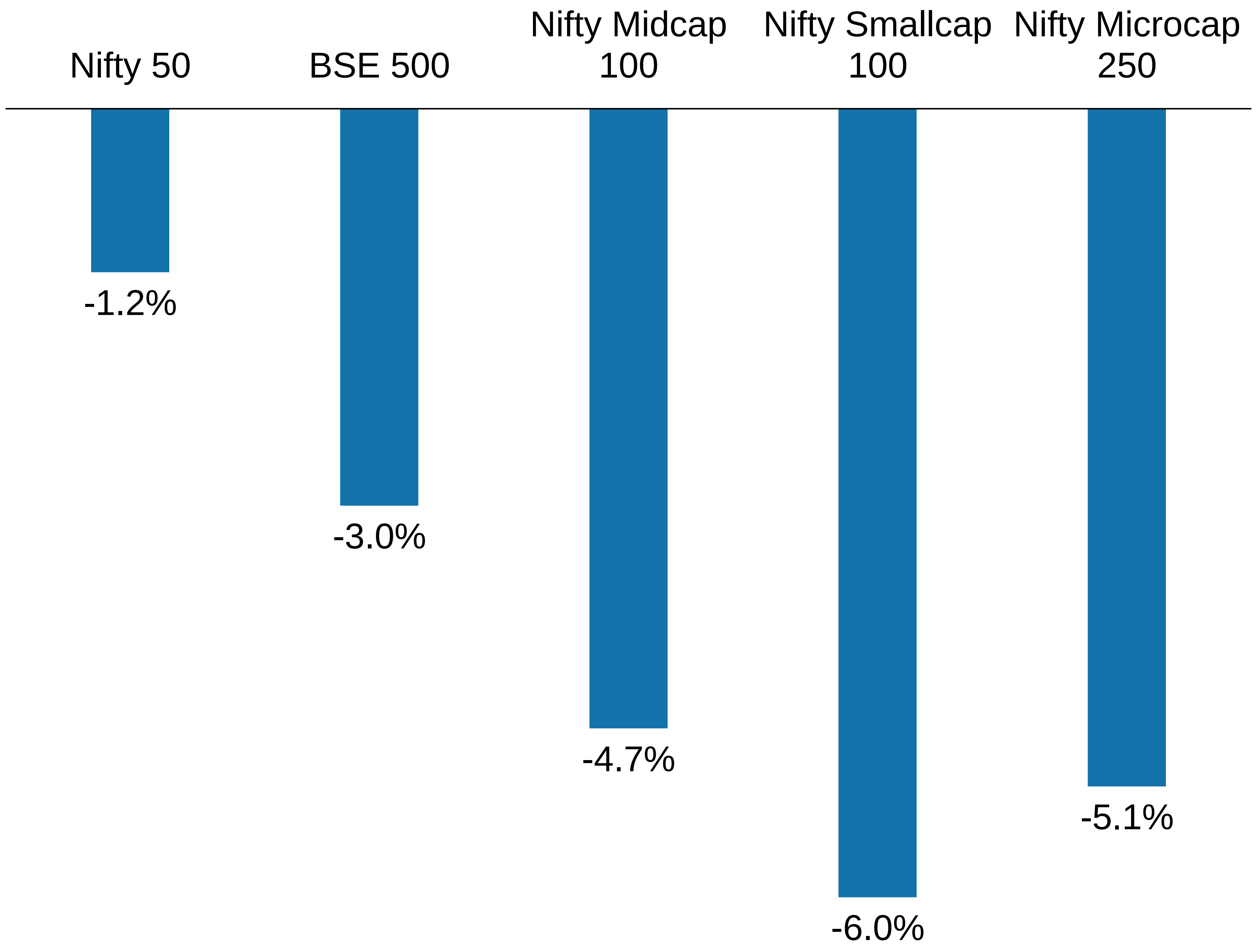
FIDENT ASSET MANAGEMENT

2024 was a year of SMIDs, will it continue?

CY24 Returns



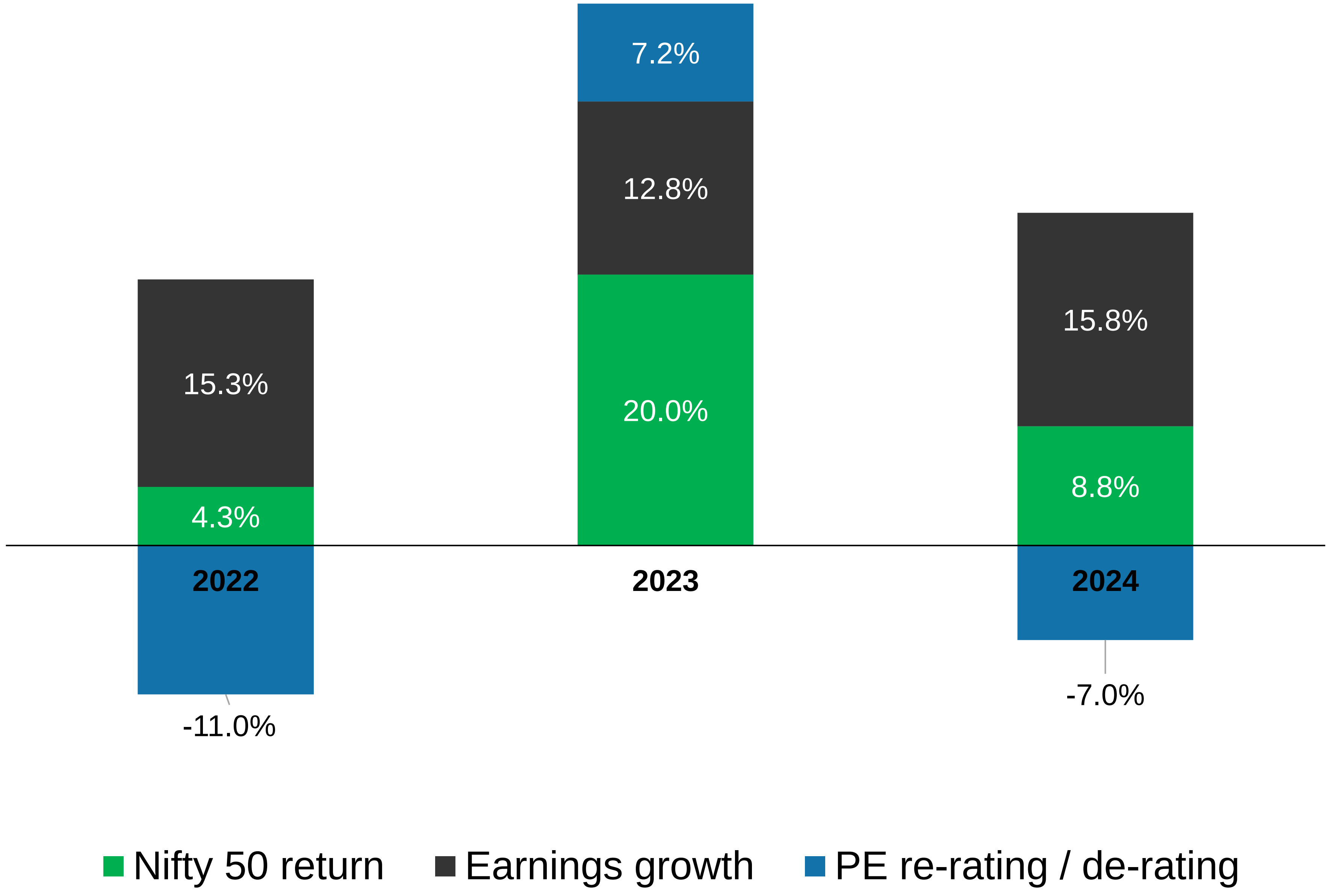
YTD25 Returns (as on 16th January 2025)



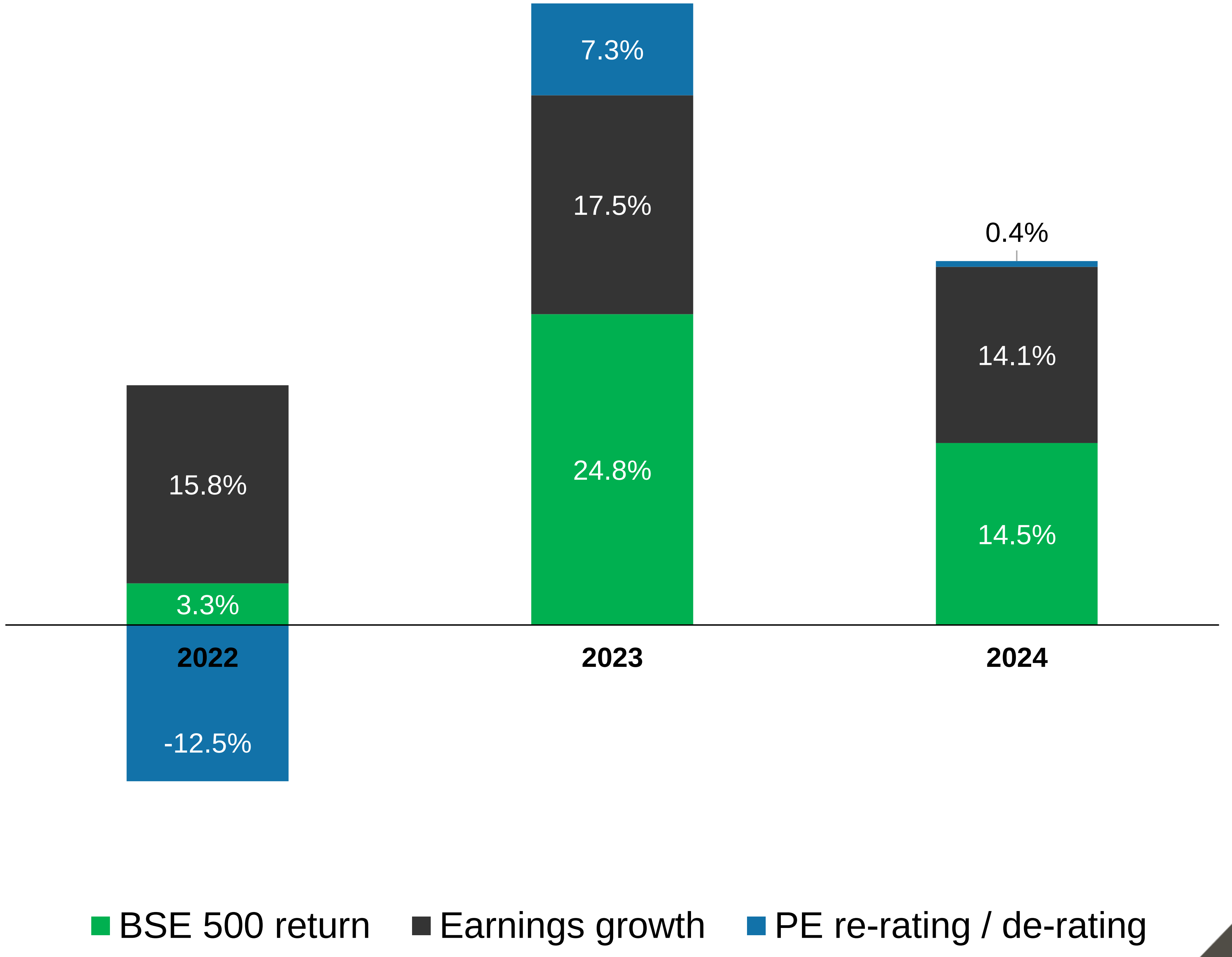
SMID – Small & Mid Caps

Broader indices in CY24 rallied on the back of earnings growth

Nifty 50 returns has been primarily led by earnings growth

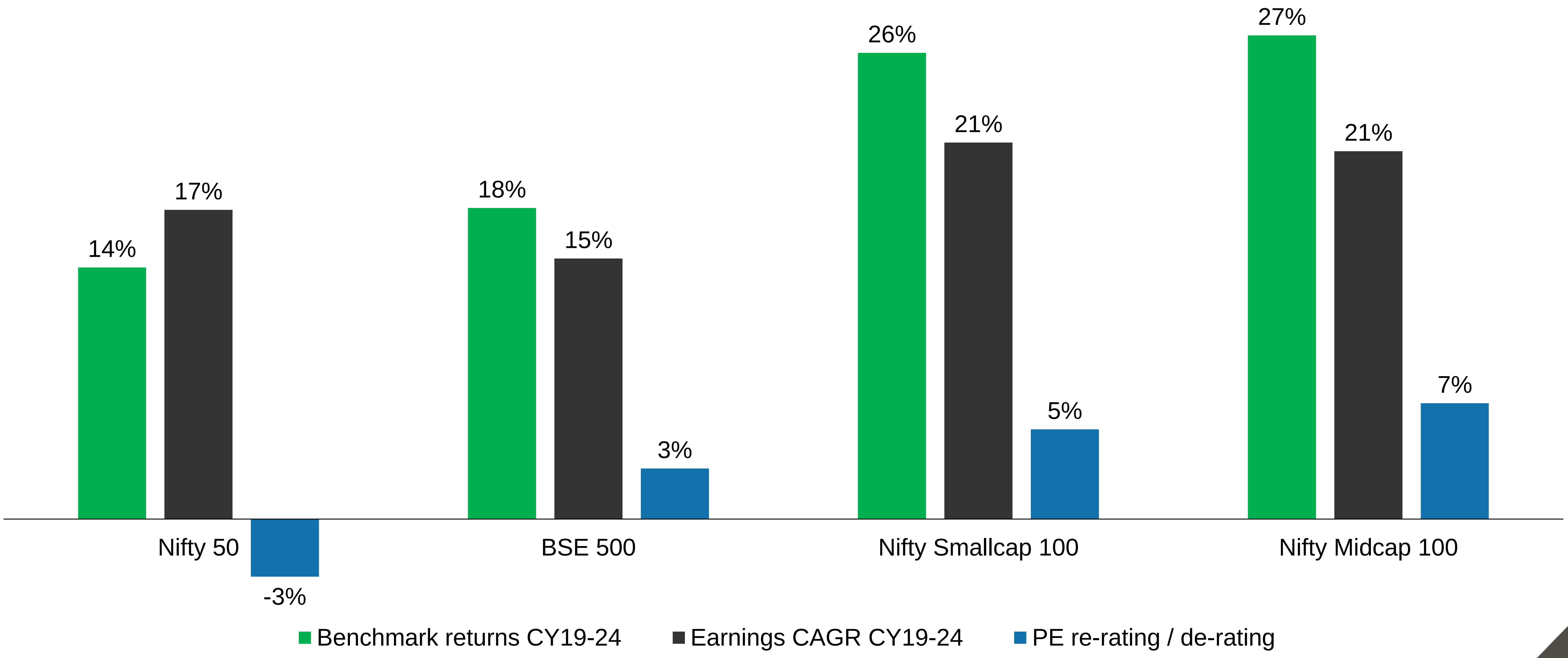


BSE 500 returns were also led by earnings



Earnings disappointment may trigger corrections, especially in SMIDs for CY25

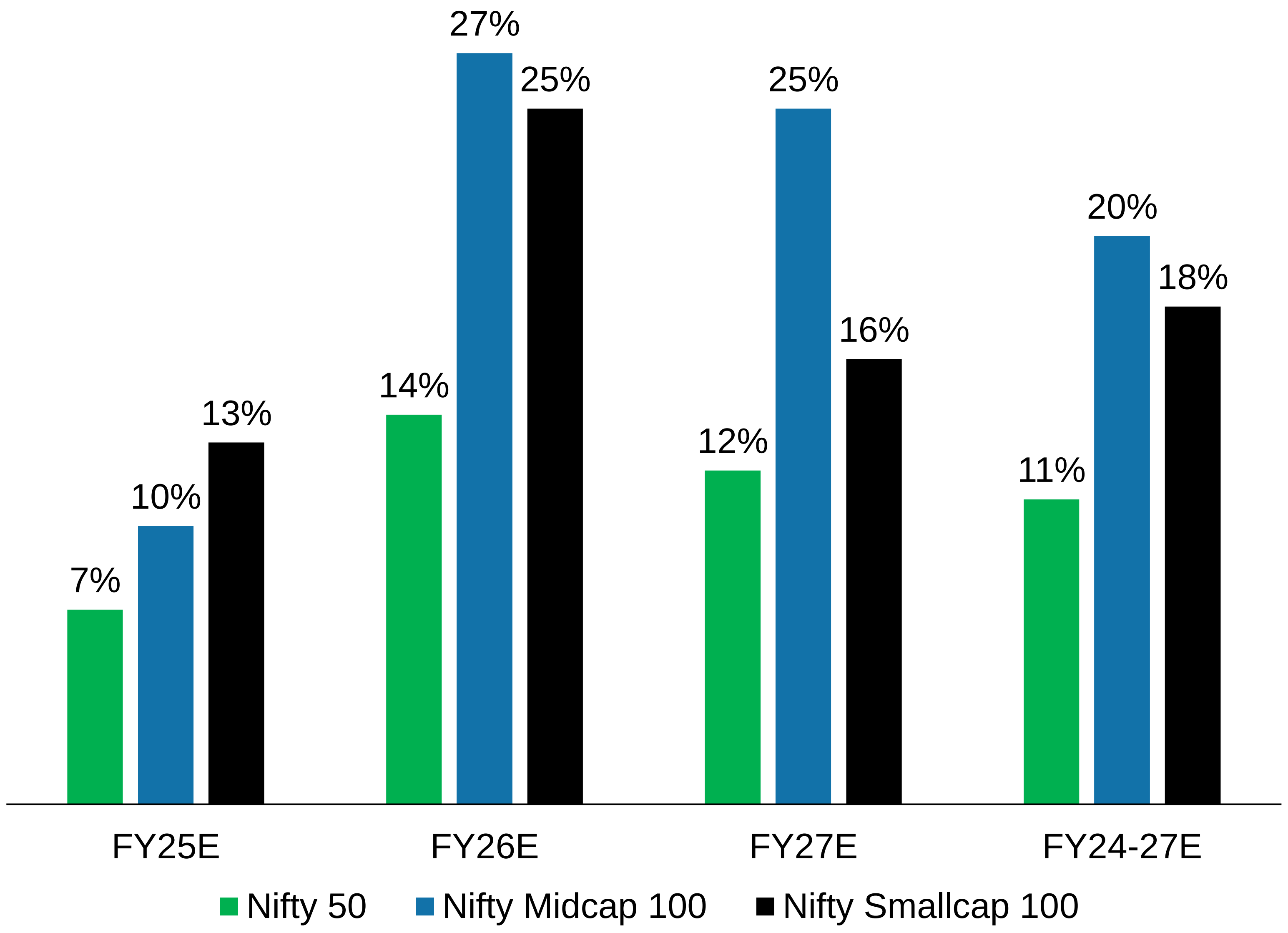
SMIDs have rallied faster on the back of better earnings trajectory over the past 5 years



Mid and small cap segments to drive earnings growth but valuations seem stretched compared to large caps

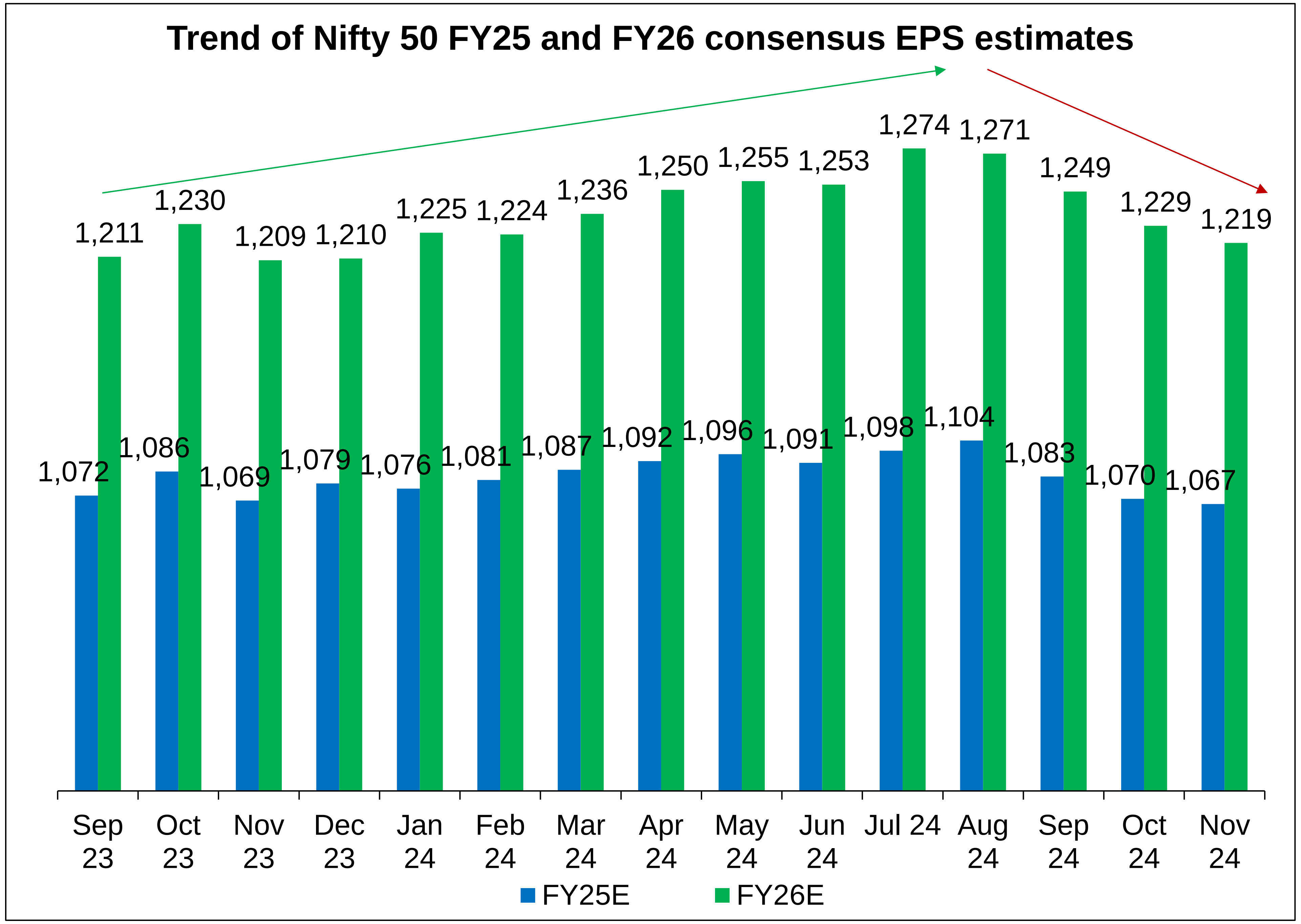
Index	FY19-24 PAT CAGR (%)	FY 24-27 EPS growth estimate (%)	PE premium to large cap index
Nifty 50	18	11	-
Nifty Midcap 100	28	20	58
Nifty Smallcap 100	19	18	19

Consensus EPS growth estimates



Source: Motilal Oswal Financial Services, Bloomberg, Standard Chartered Bank

Nifty 50 earnings are seeing steady downward revisions and companies increasingly talking about slowdown



Source: Motilal Oswal Financial Services, Standard Chartered Bank, Bloomberg

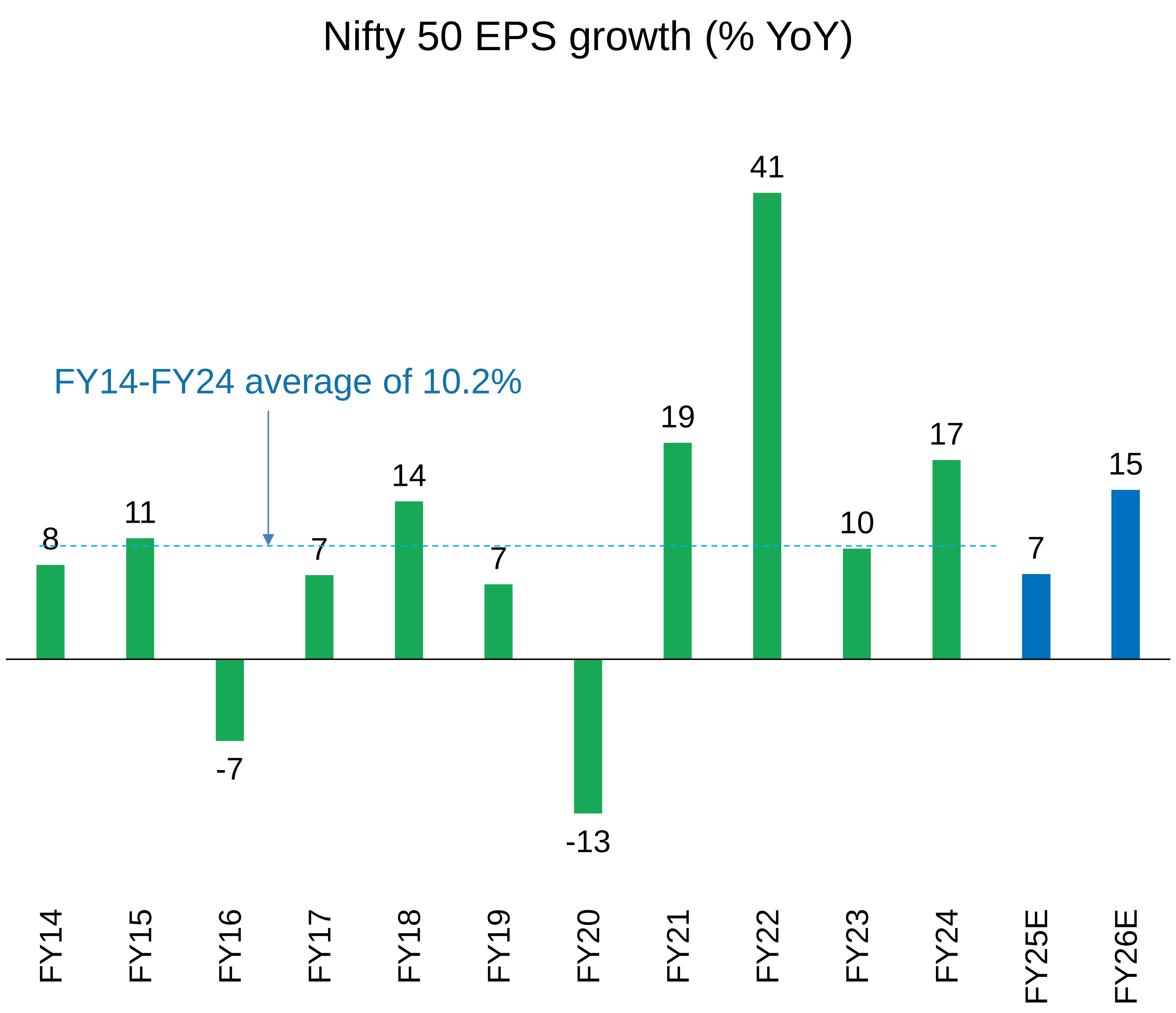
Financials is only sector available at long term valuations Stock selection is the key

	12-month Fwd PE (x)		EPS Growth YoY	
MSCI India Sectors	**Current**	**15Yr Avg**	**FY25E**	**FY26E**
Materials	20.4	14.3	4%	43%
Industrials	37.3	22.7	26%	25%
Consumer Discretionary	32.1	18.1	27%	19%
Healthcare	32.0	23.0	24%	17%
IT	30.3	19.8	4%	15%
Consumer Staples	44.6	35.5	7%	14%
Financials	**16.3**	**16.1**	25%	13%
Utilities	18.4	12.5	4%	10%
Energy	**14.0**	**12.9**	7%	6%
MSCI India	**23.0**	**17.7**	**14%**	**17%**

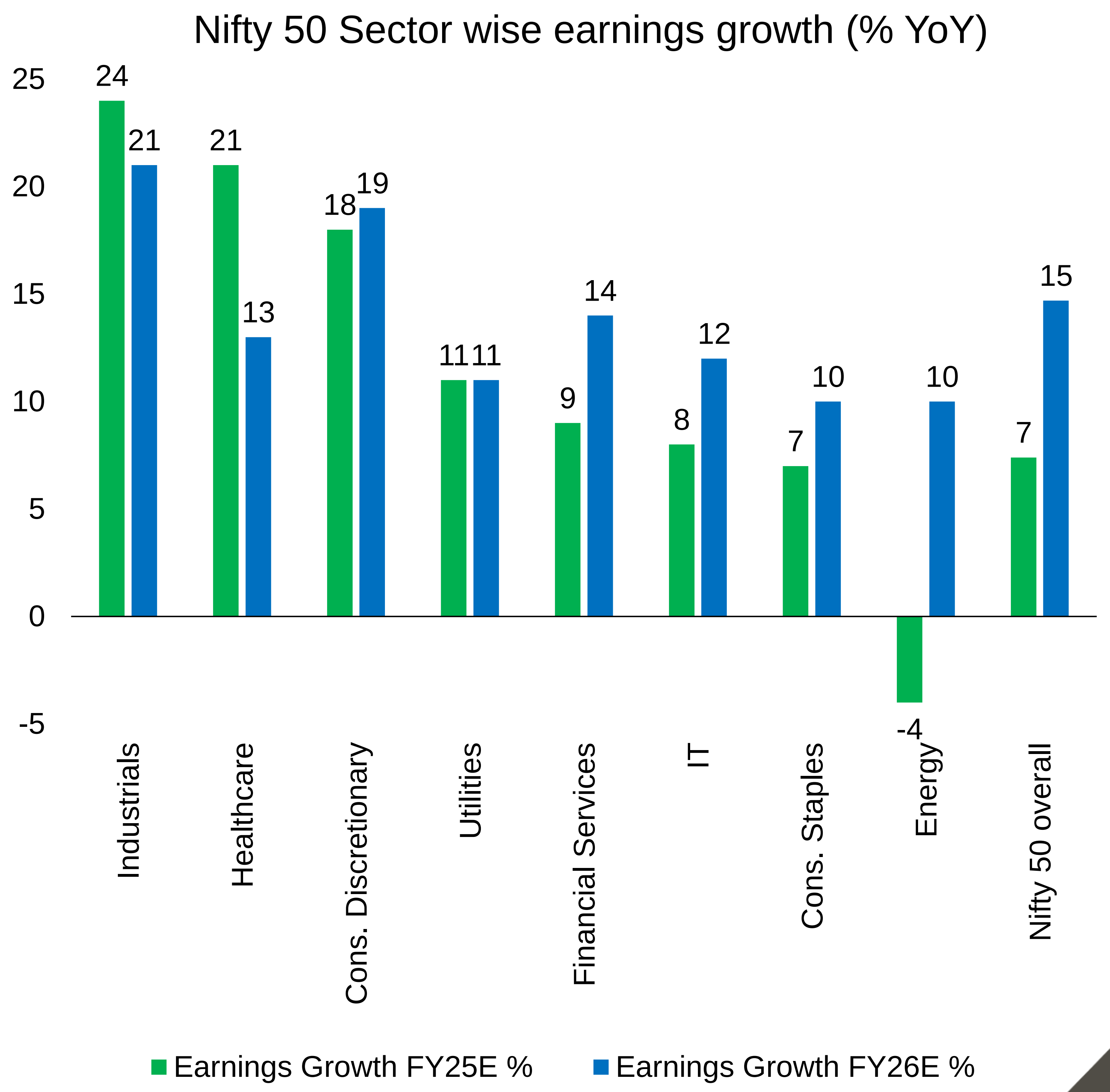
- We expect real GDP to grow at 6.5% in FY25 and improve to 6.8% in FY26.
- Inflation is likely to average at 4.7% in FY25 and 4.3% in FY26 leading to nominal GDP growth rates of 11.5% and 11.4% respectively.
- This coupled with valuation dispersion leads us to believe that being selective is key to investing success in 2025.

Source: Bloomberg, Standard Chartered

FY26 to see revival in earnings led by financials, IT, energy and staples



Source: Bloomberg, Jefferies



Sectors we are confident on (CY25)

High Conviction Sectors

- PHARMACEUTICALS
- MANUFACTURING
- CAPITAL GOODS
- POWER
- FMCG

Safety Bets

- IT
- PLATFORMS
- PRIVATE BANKS

Themes which Fident is confident of (CY25)…

Electronics Manufacturing Services

- Robust Growth
- Government initiatives (PLI, RDSS, etc.)
- Reducing component imports

Renewables & Transmission

- Strong infrastructure development
- Faster commissioning of solar and wind power
- Tariffs and capex significantly lower than thermal

CDMO

- Increased Bio-tech funding
- Uptick in RFQs
- Capacities being built

Data Centres

- Digital infrastructure to support AI, cloud, 5G, Digital India
- Capacity likely to > double by FY27
- Advantage of lower construction, land and power costs

Themes which Fident is confident of (CY25)

Rural Revival

- Good monsoons
- Strong Rabi season
- Volume uptick

Defence

- Aggressive targets towards indigenization
- Tendering has been strong, and expecting awarding to catch up in H1CY25
- Long term structural theme remains

Electric Vehicles & Battery

- Increased adoption, specially in scooters
- Newer launches by market leaders
- Domestic cell & battery manufacturing to pick up in FY26

Water Infra

- Strong government support due to increasing difference between demand and supply
- Water purity and quality critical for sector such as Pharma and Semiconductor

Themes where we see limited upside (CY25)

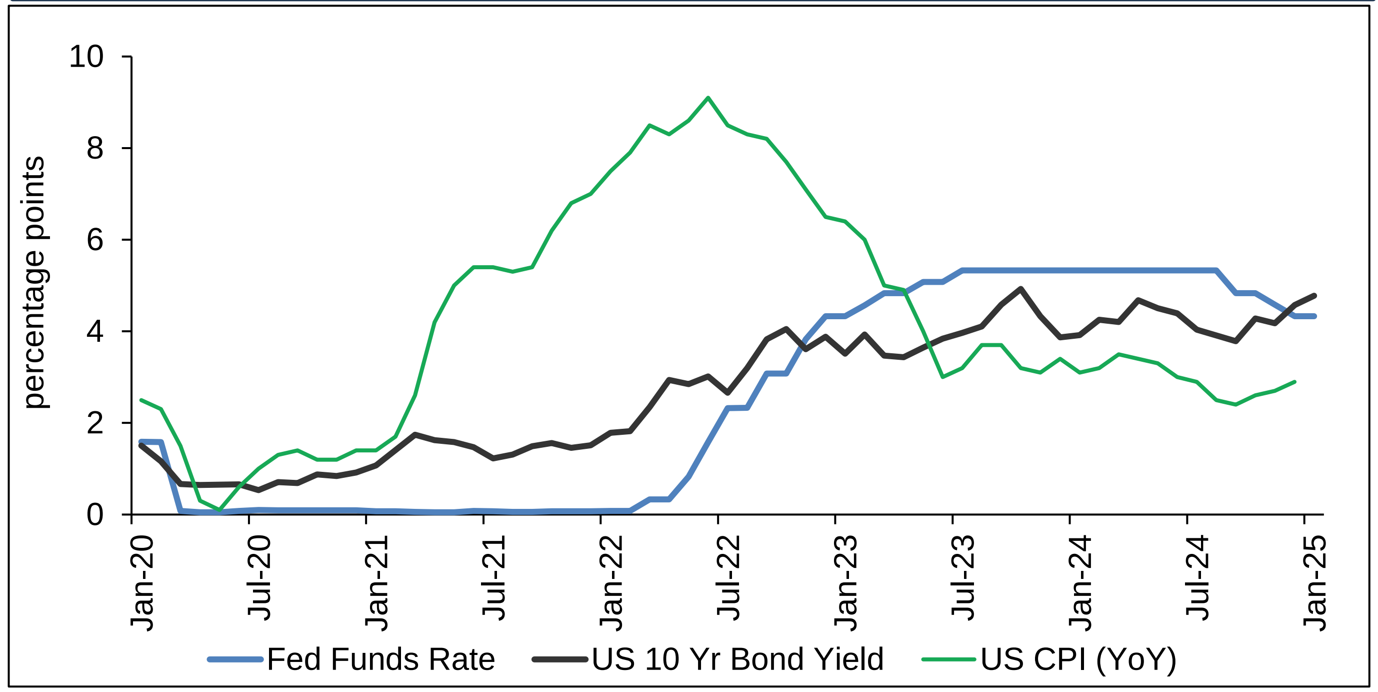
- Small PSU Banks
- Micro-finance
- 2 Wheelers
- Oil & Gas
- Metals & Commodities
- Real Estate

Key macroeconomic watchpoints for investors in 2025

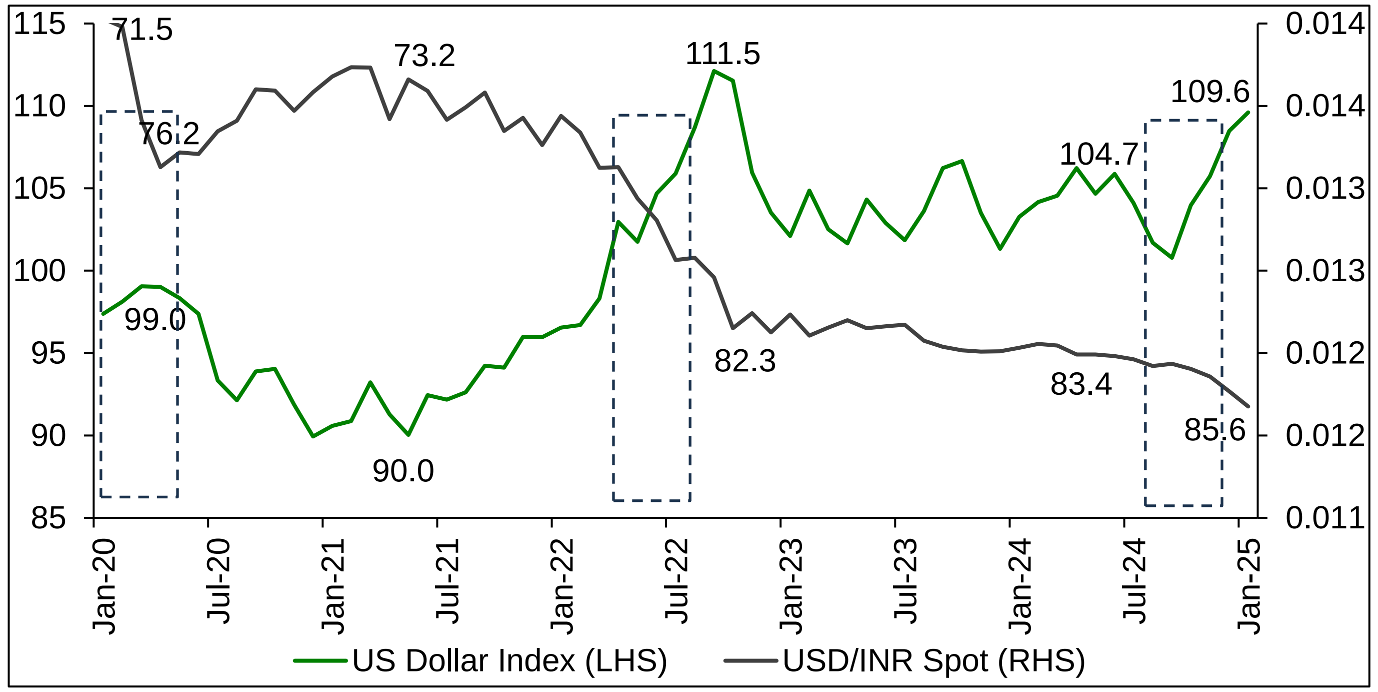
- Trump card – import tariffs & trade wars, tax cuts, US manufacturing incentives
- US inflation trajectory & Fed interest rate path
- Geopolitical crisis and impact on crude oil
- Strengthening USD vs emerging market currencies
- China economic stimulus – metals & commodities prices
- RBI decisions – interest rates, forex reserves & system liquidity
- State elections – Delhi (Feb), Bihar (Oct)

The trifecta of inflation, interest rate and currency

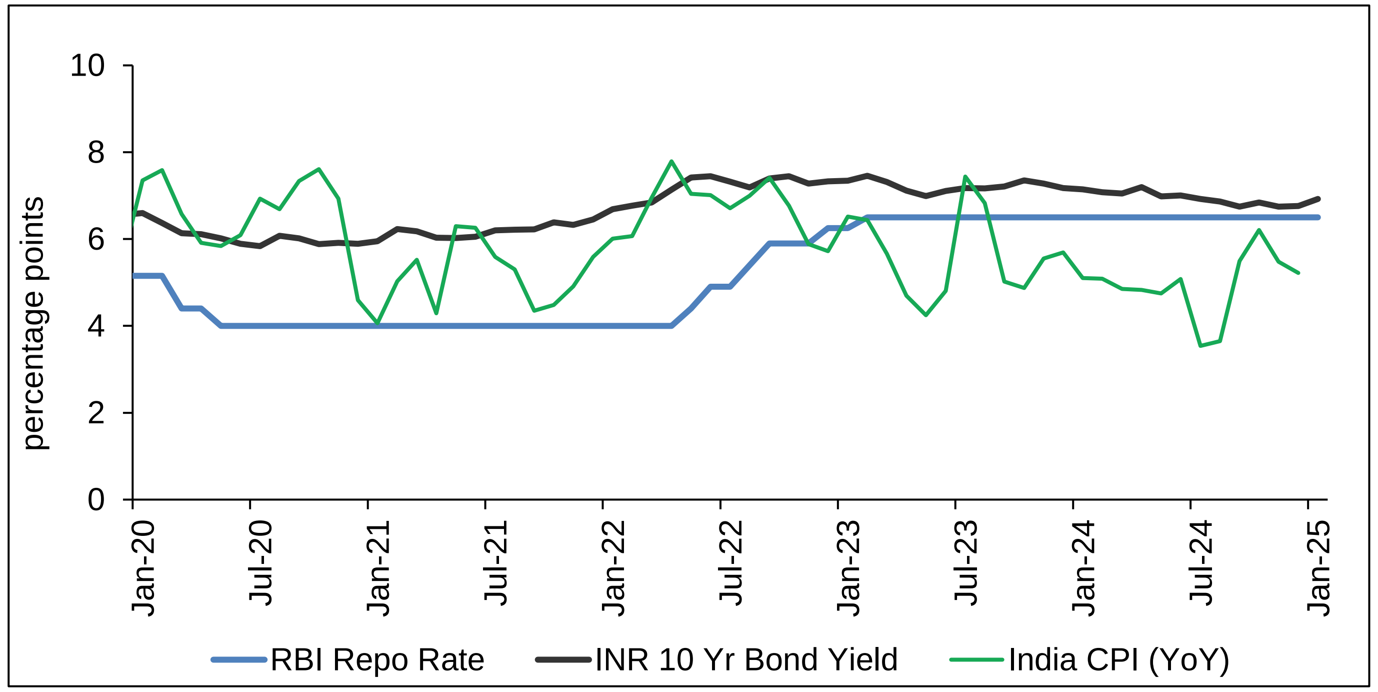
Inflation remains the key driver behind interest rate decision; Bond market signalling at higher expected inflation in the US



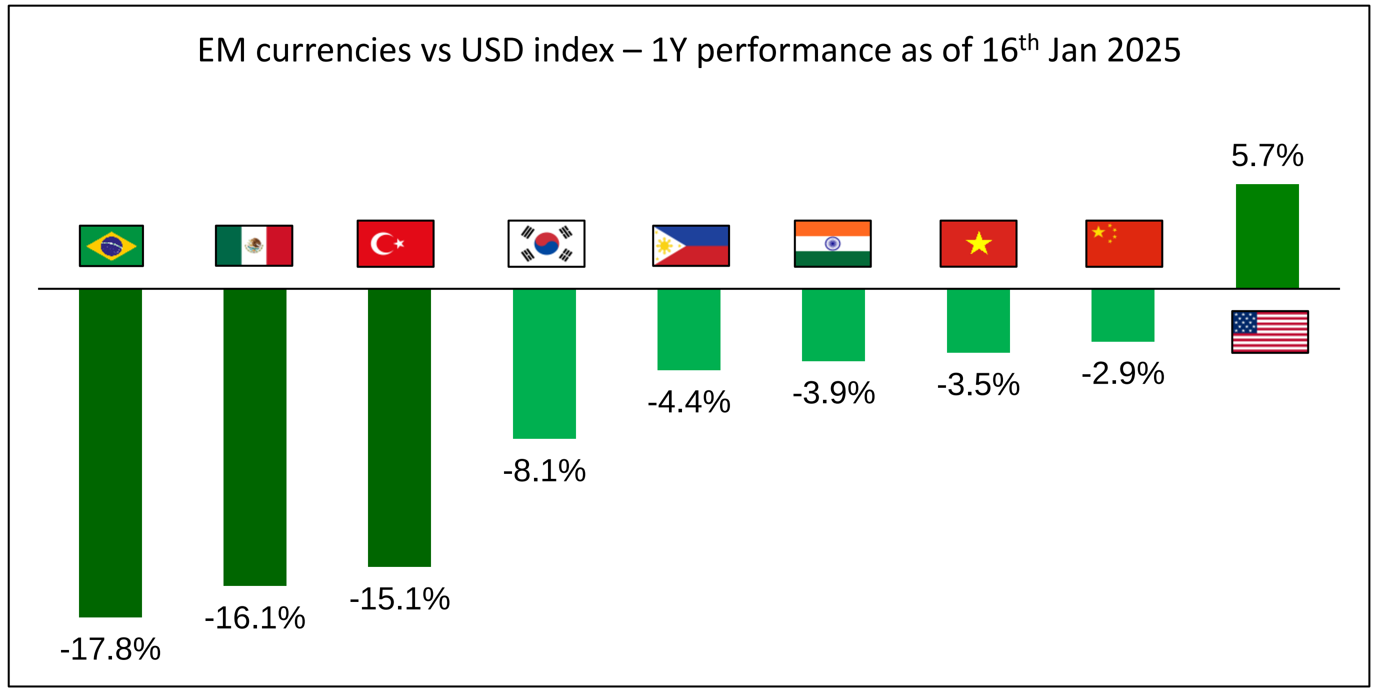
INR depreciation linked to USD strengthening driven by the recent hardening of US bond yields and dollar flight for foreign portfolio investors



Indian inflation has remained within the 4%-8% range, with volatility primarily attributed to unstable food prices. RBI to guide short term interest rates

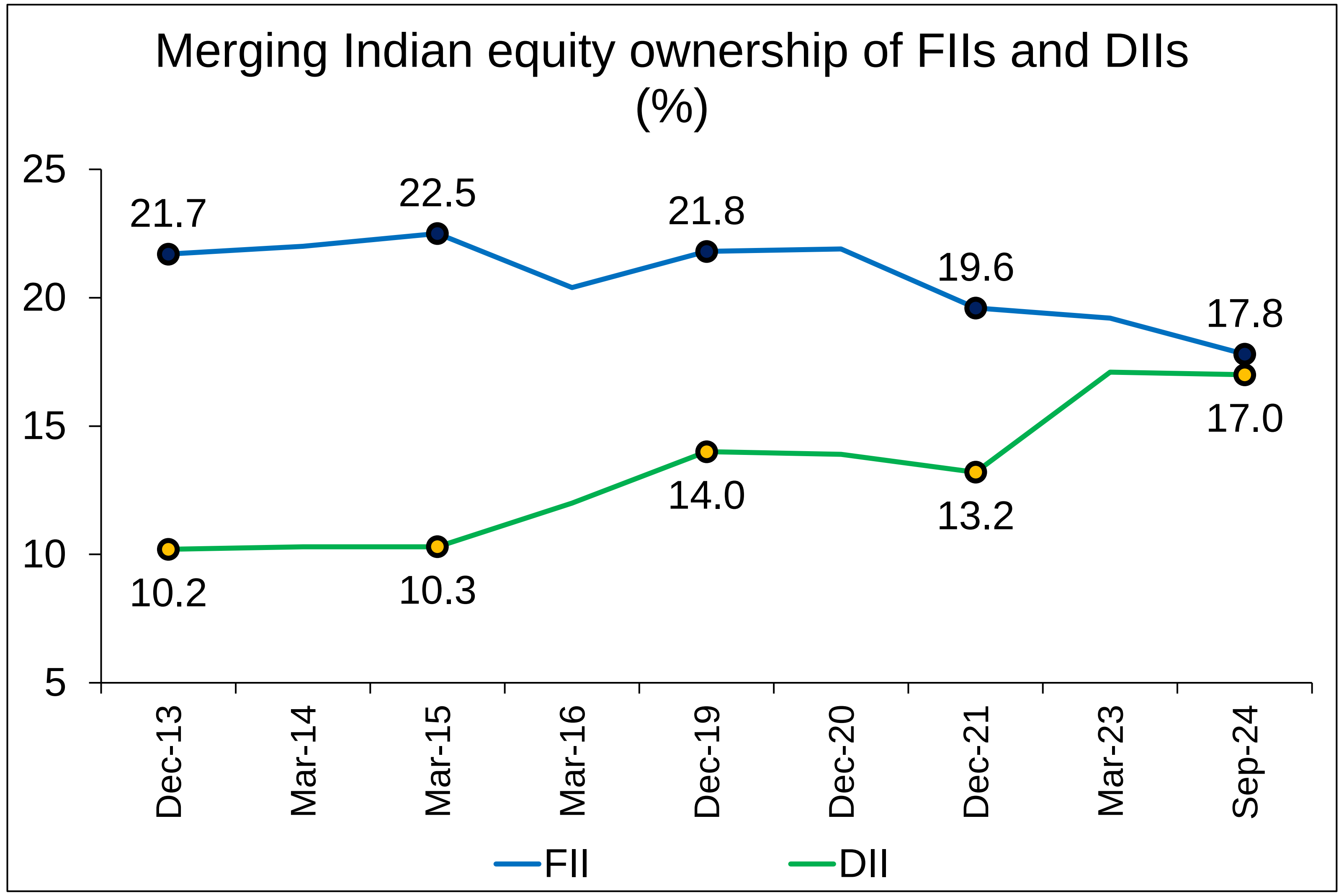


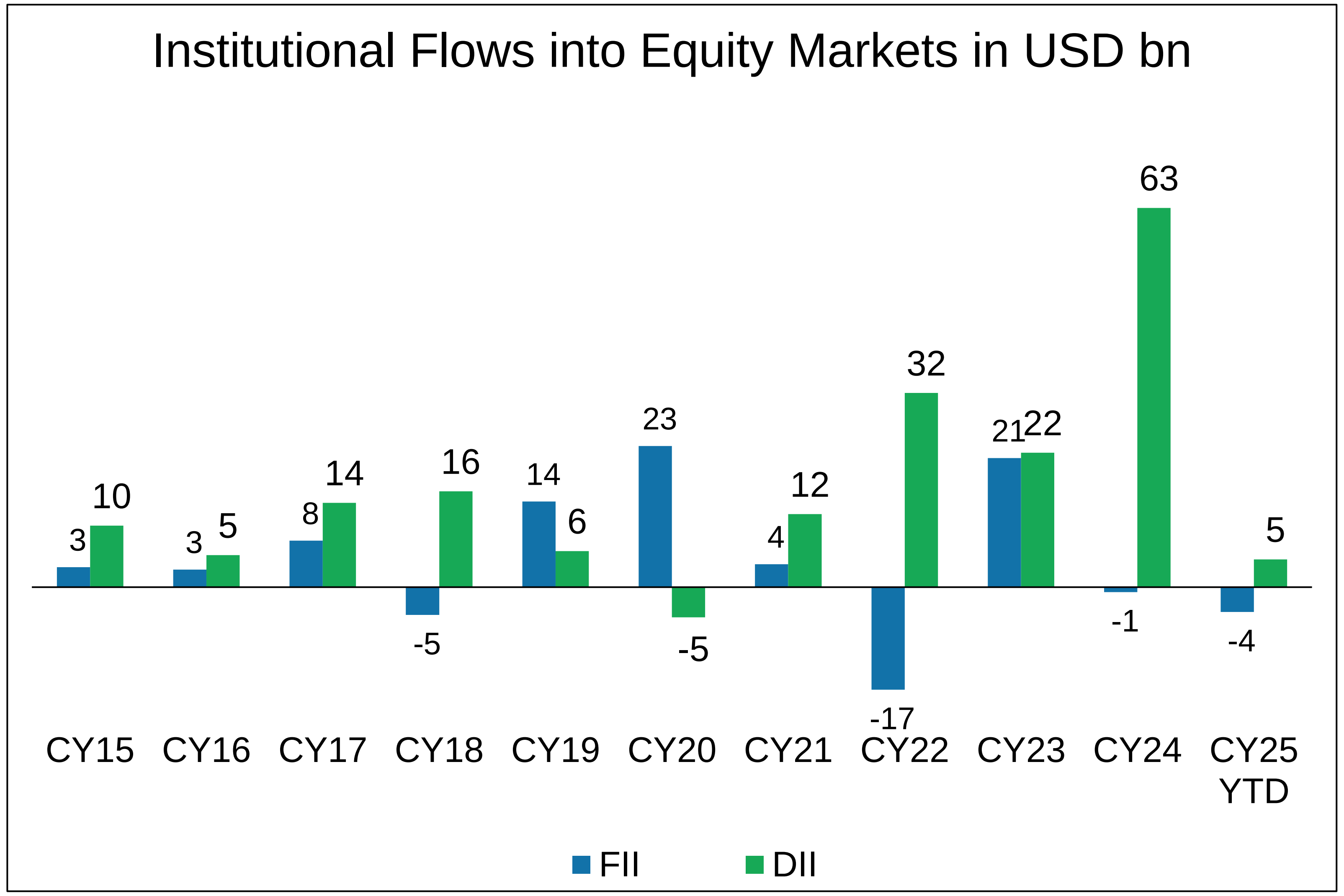
Similar pattern witnessed in EM basket with major currencies facing the brunt of strong dollar in CY24. RBI intervention helped cushion some impact



Relentless FII sell off but significant inflows from domestic institutions

- While FIIs sold approximately $13.8 bn in Oct and Nov 2024, the full year net sales by FIIs were less than $1 bn.
- FIIs sold $4.1bn till 15 Jan 2025. However, DIIs invested approximately $4.6bn in same time.
- Click here for Fident's note on FII outflows (Nov 24), where we called out the continued trend of FII selling in equity markets.





Source: Motilal Oswal Financial Services, NSDL

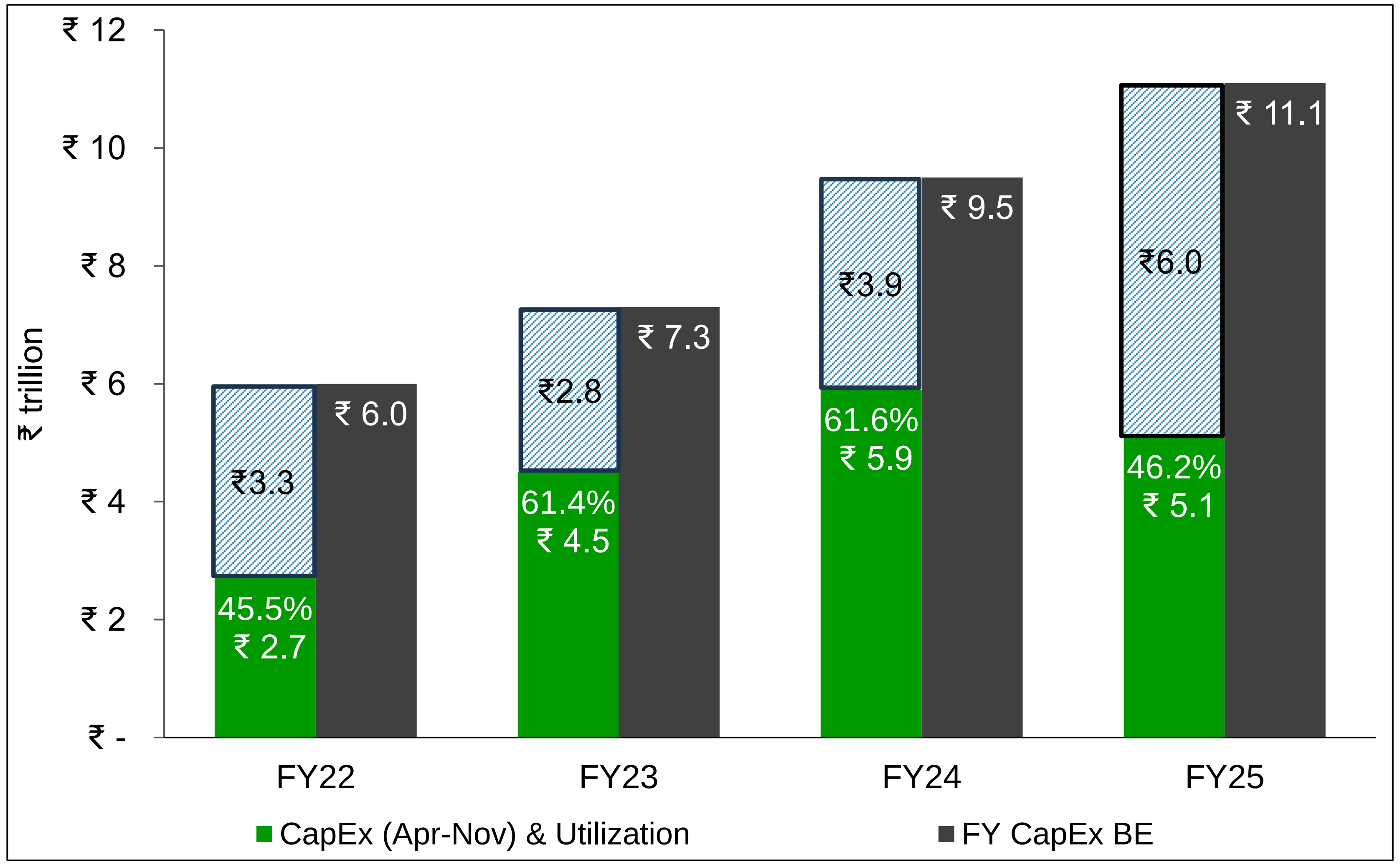
Government capex momentum took a backseat… Better times ahead

Government spending decelerated in H1FY25, lagging significantly behind budget estimates. The central government utilized only ~37% of its budgeted capital expenditure, likely hindered by the general election in Q1FY25. Implied growth rates for both central and state government spending suggest a substantial increase in capital expenditure in H2FY25. While government capex is expected to accelerate, it may still fall short of FY25 budget target.

INR B Central Government	FY24 YoY	H1 FY24	H1 FY25	FY25 BE growth	H1 growth	Implied H2 growth
Gross tax revenues	**13%**	**₹ 16,193**	**₹ 18,138**	**11%**	**12%**	**10%**
% of BE achieved		*47%*	*47%*			
Capital expenditure	**28%**	**₹ 4,906**	**₹ 4,150**	**17%**	**-15%**	**52%**
% of BE achieved		*52%*	*37%*			
Fiscal deficit		**₹ 7,019**	**₹ 4,745**	**-2%**	**-32%**	**20%**
% of BE achieved		*42%*	*29%*			
INR B State Government	**FY24 YoY**	**H1 FY25**	**H1 FY24**	**BE growth**	**H1 growth**	**Implied H2 growth**
Gross tax revenues	**9%**	**₹ 16,630**	**₹ 15,600**	**19%**	**7%**	**28%**
Capital expenditure	**25%**	**₹ 2,315**	**₹ 2,593**	**20%**	**-11%**	**38%**
Fiscal deficit		**₹ 3,700**	**₹ 3,532**	**19%**	**5%**	**27%**

Source: IIFL Research

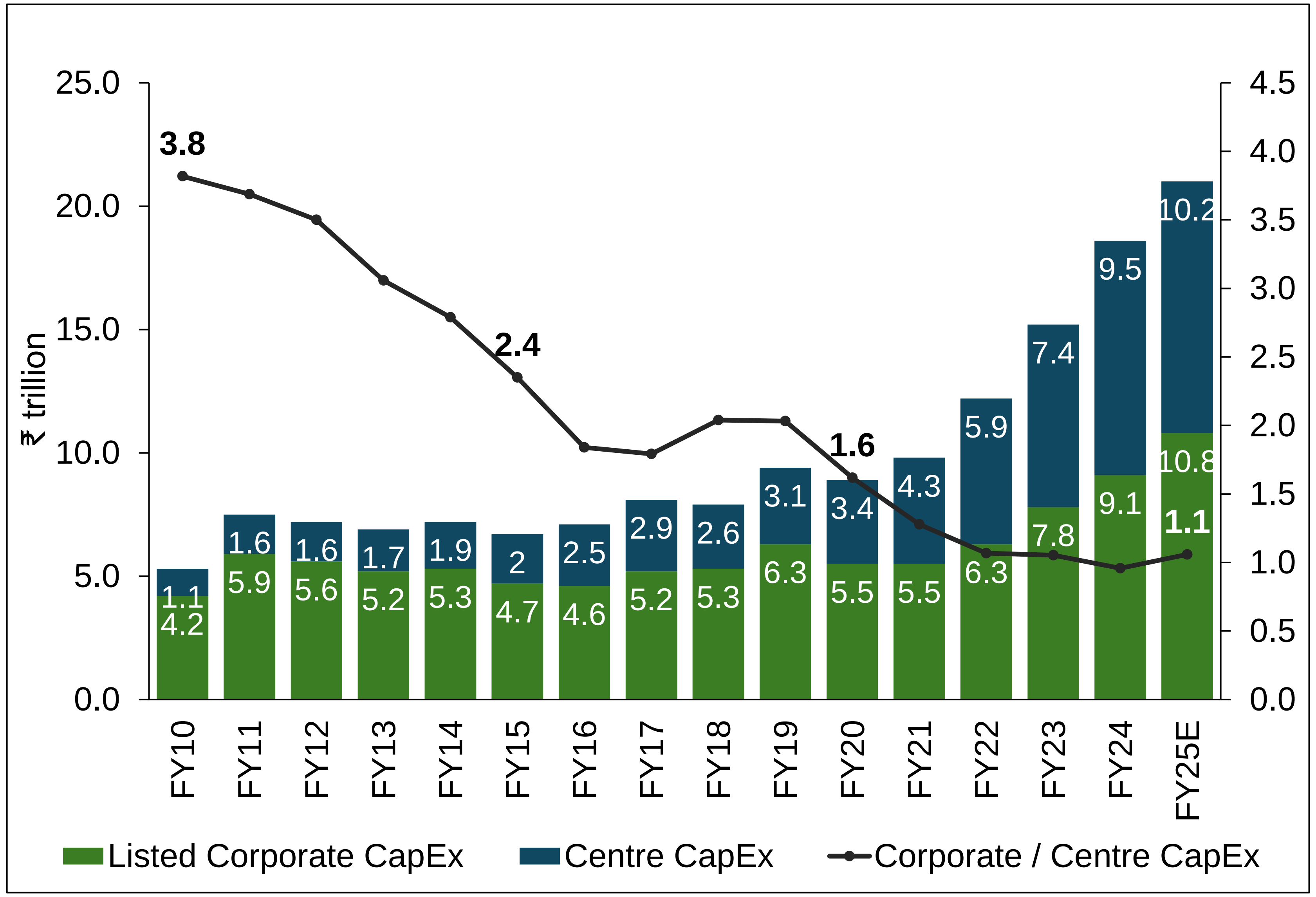
H1FY25 Govt. capex has been sluggish; We expect pick-up in utilization levels of capex BE



Source: Emkay

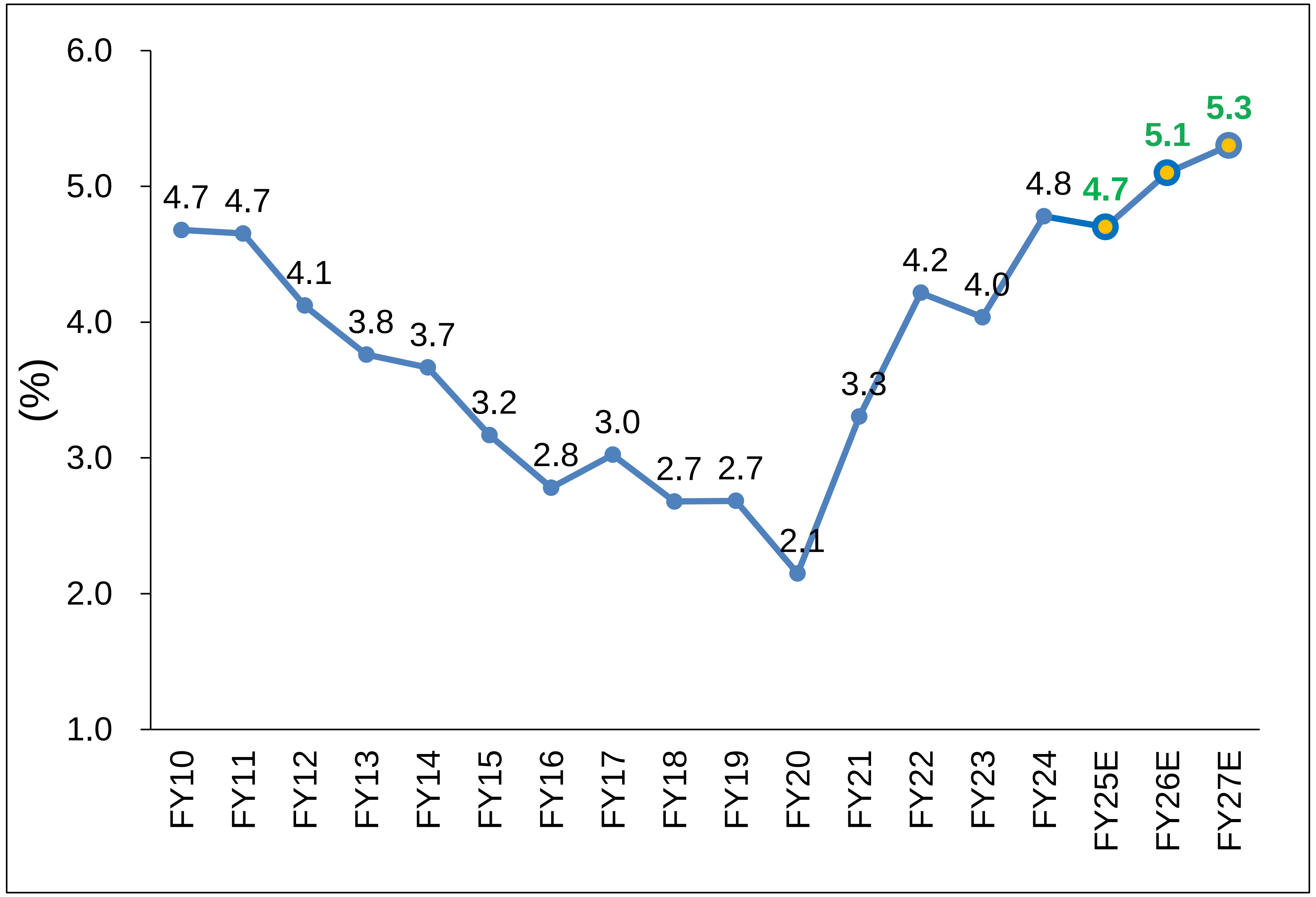
Corporate capex lagged Govt. capex; cheaper borrowing costs and increasing profits could be revival triggers

Private/Public Capex seems to have bottomed out; Expect pick up with rate cuts



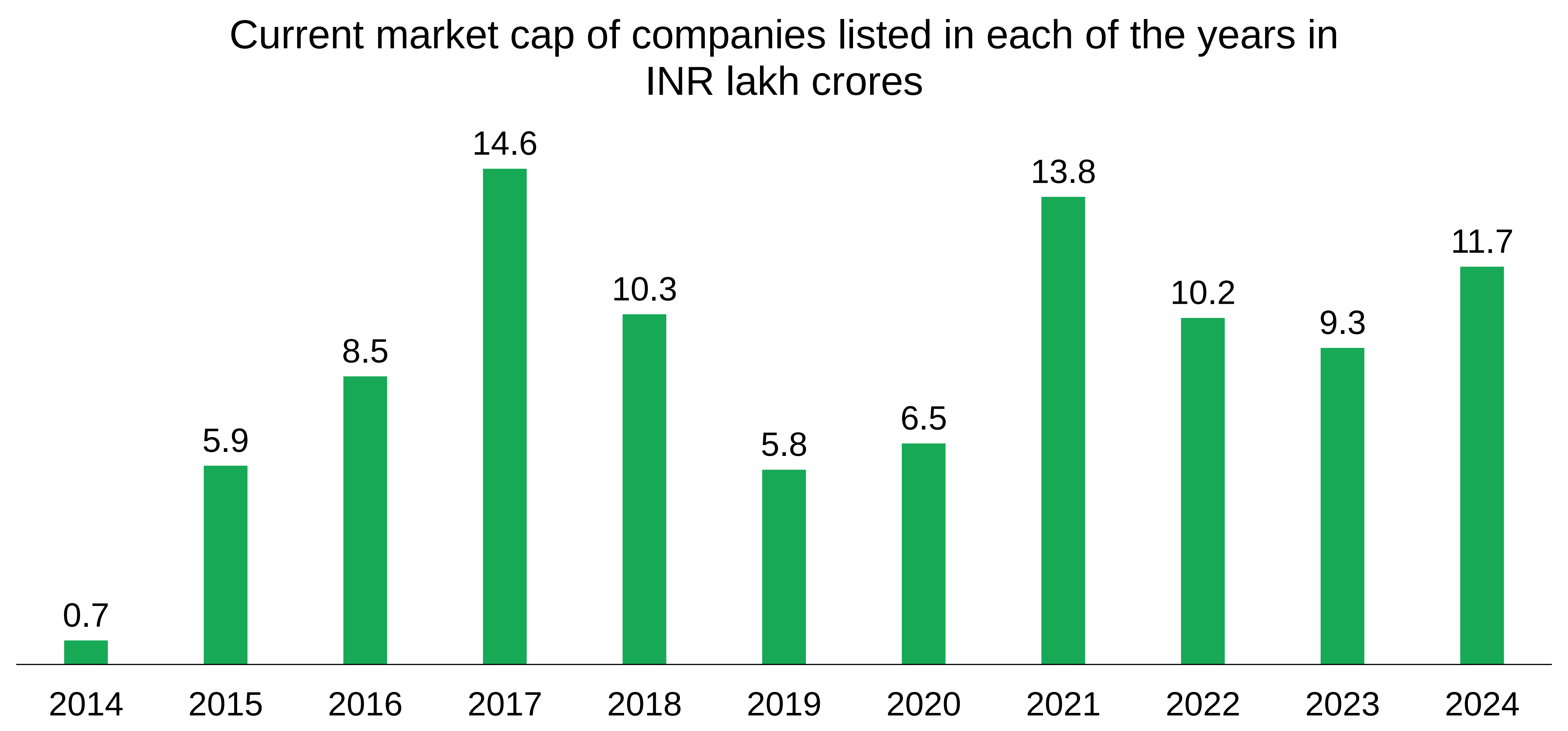
Source: ICICI Securities

NSE500 profit to GDP ratio uptick will work in favour of corporate capex revival



Source: Motilal Oswal Financial Services

Theme: IPO & Pre-IPO opportunities…



Data as of 16th Jan 2025

Companies listed in 2021-2024 period contribute to 10.5% of current market cap

Source: Capital IQ, BSE

Theme: IPO & Pre-IPO opportunities

IPO Performance: Listing Day Gains

Average Return	2021	2022	2023	2024	Overall
Q1	99.9%	41.0%	74.2%	83.9%	79.4%
Q2	27.6%	14.0%	28.7%	31.7%	27.3%
Q3	5.4%	-0.1%	10.1%	11.3%	7.8%
Q4	-9.0%	-10.9%	-3.4%	-6.2%	-7.0%
Number of IPOs	66	39	60	93	258

Source:www.chittorgarh.com

Upcoming IPOs -

LG Electronics	Zepto	NSE	OfBusiness
Zetwerk	Bluestone	Urban Company	Aether
Flipkart	CarDekho	BoAt	Avanse FinServe

Product Idea: Fident Unlisted and Listed Large Value Portfolio (FULL)

FULL

- Large Value PMS for Accredited Investors
- Access both listed & pre-IPO opportunities
- Institutional coverage for pre-IPO;
  Facilitating exits
- Dynamic reallocation between private & public equities
- Skin in the game – high alignment

Our Investment Philosophy

4 PILLARS OF INVESTMENT

Capital efficiency

- Strong moat/ competitive advantages
- Leading to higher ROCE/ROE

Management competence

- Focus on integrity and capabilities
- Track record of minority shareholder treatment

Long growth runway

- Sectors with high growth potential
- Growth translating to earnings and cash flows

Valuation comfort

- Favorable risk-reward
- Reasonable valuations based on long term averages & growth adjusted basis

FAIR: Our Investment Framework

G

V

A

Value

Tactical allocation

Re-rating opportunities

Agile & opportunistic approach

Growth

Core focus

Always **overweight**

Ownership mindset

& **patient** approach

Adjusted Valuation

Valuations in line with **benchmarks & broader markets**

FAIR: Portfolio quants

Sector allocation

Sector	Portfolio (%)	BSE 500 Index (%)
Financial Services	37.7	24.1
Information Technology	17.0	10.6
Healthcare	9.9	6.6
FMCG	8.9	7.0
Capital Goods	7.1	6.8
Automobile and Auto Components	6.0	6.5
Chemicals	5.9	2.6
Telecommunication	4.2	3.2
Consumer Durables	3.2	3.3
Others	-	29.3
Total	100.0	100.0

Market cap segmentation

Market Cap	Portfolio	BSE 500 Index
Large cap	65%	73%
Mid cap	15%	18%
Small cap	20%	9%

Style weights

Style	Portfolio	BSE 500 Index
Growth	47%	48%
Value	53%	52%

Portfolio Quants

Metrics	Portfolio	BSE 500 Index
PE (FY25 E)	34.5	25.0
EPS Growth (FY24- FY26E)	24.6%	15.0%
PEG (FY25 E)	1.4	1.7
RoE (FY25 E)	19.6%	14.2%
Net Debt/Equity ex Financials	0.2	0.3

Source: Fident & Bloomberg. Portfolio parameters are as on 31 Dec 2024 and BSE 500 Index parameters are as on 31 May 2024. Market cap classification is as per AMFI classification. Debt/Equity ratio is as on 31 Dec 2024. Portfolio and Index forward estimates are from S&P Capital IQ and internal estimates.

FIBER: Investment Themes

Future Reform Areas: Investment Themes

Utilities & Infrastructure
- Roads, Railways & Ports
- Power & Gas
- T&D
- Water

Renewable Energy
- Solar
- Wind
- Hydrogen
- Nuclear

Manufacturing & PLI
- Defence
- EMS
- Battery
- EV
- Semiconductors

Housing
- Housing
- Sanitation
- Materials
- Credit

Startups & New Age Businesses
- New Age tech-Businesses
- Platforms

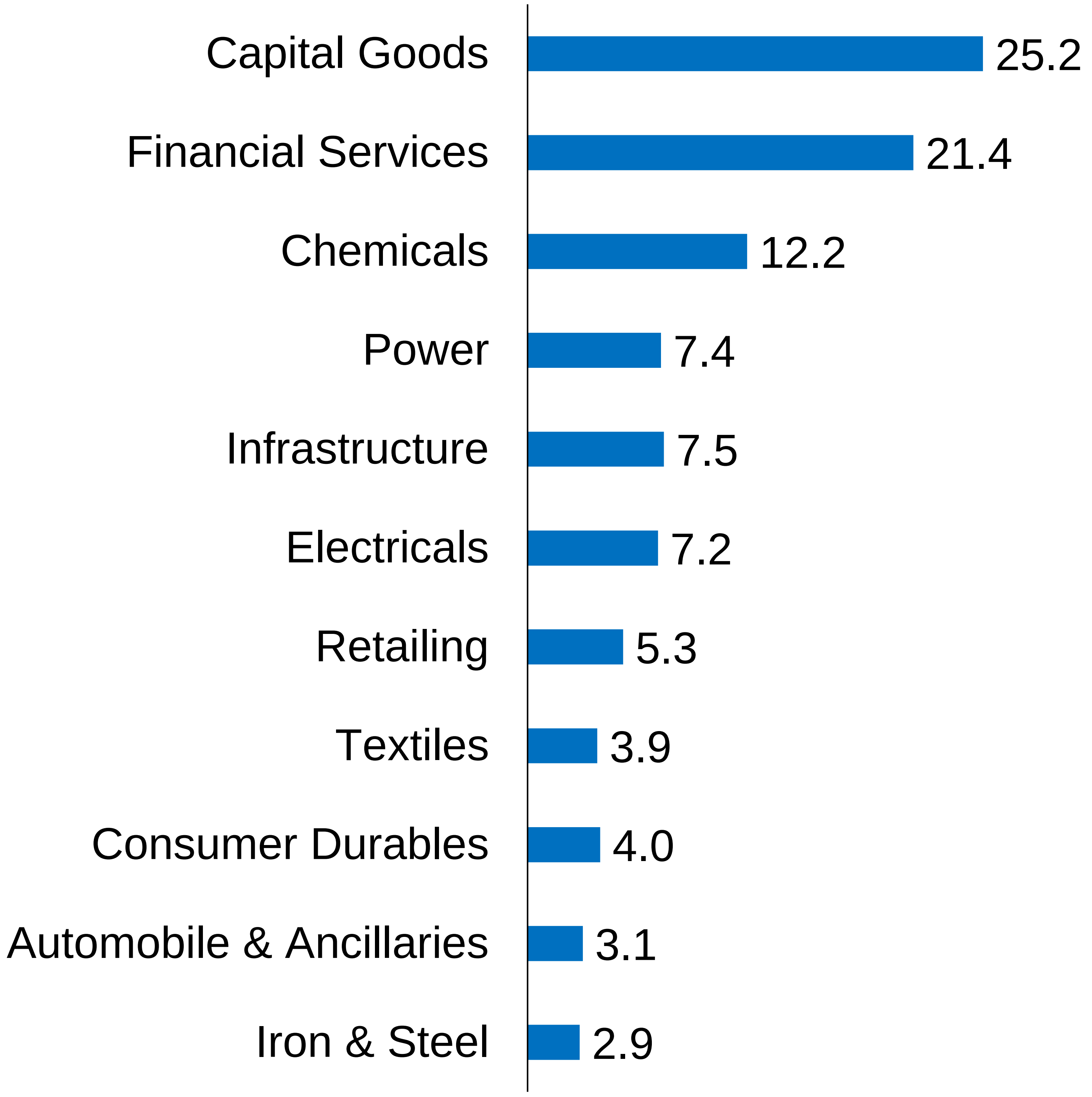
PSU's Efficiency Improvement & Regulatory change beneficiaries
- PSU Banks
- OMCs
- Hold co companies

FIBER Portfolio

Top 10 Holdings

Company	Weight (%)
KFin Technologies Ltd.	5.1%
Zomato Ltd	5.0%
Neogen Chemicals Ltd.	5.0%
Ion Exchange (India) Ltd.	4.6%
Interarch Building Products Ltd.	4.6%
Central Depository Services (India) Ltd.	4.3%
Kaynes Technology India Ltd.	4.2%
Dixon Technologies (India) Ltd.	3.8%
Pitti Engineering Ltd.	3.8%
Home First Finance Company India Ltd.	3.7%

Sector Allocation (%)

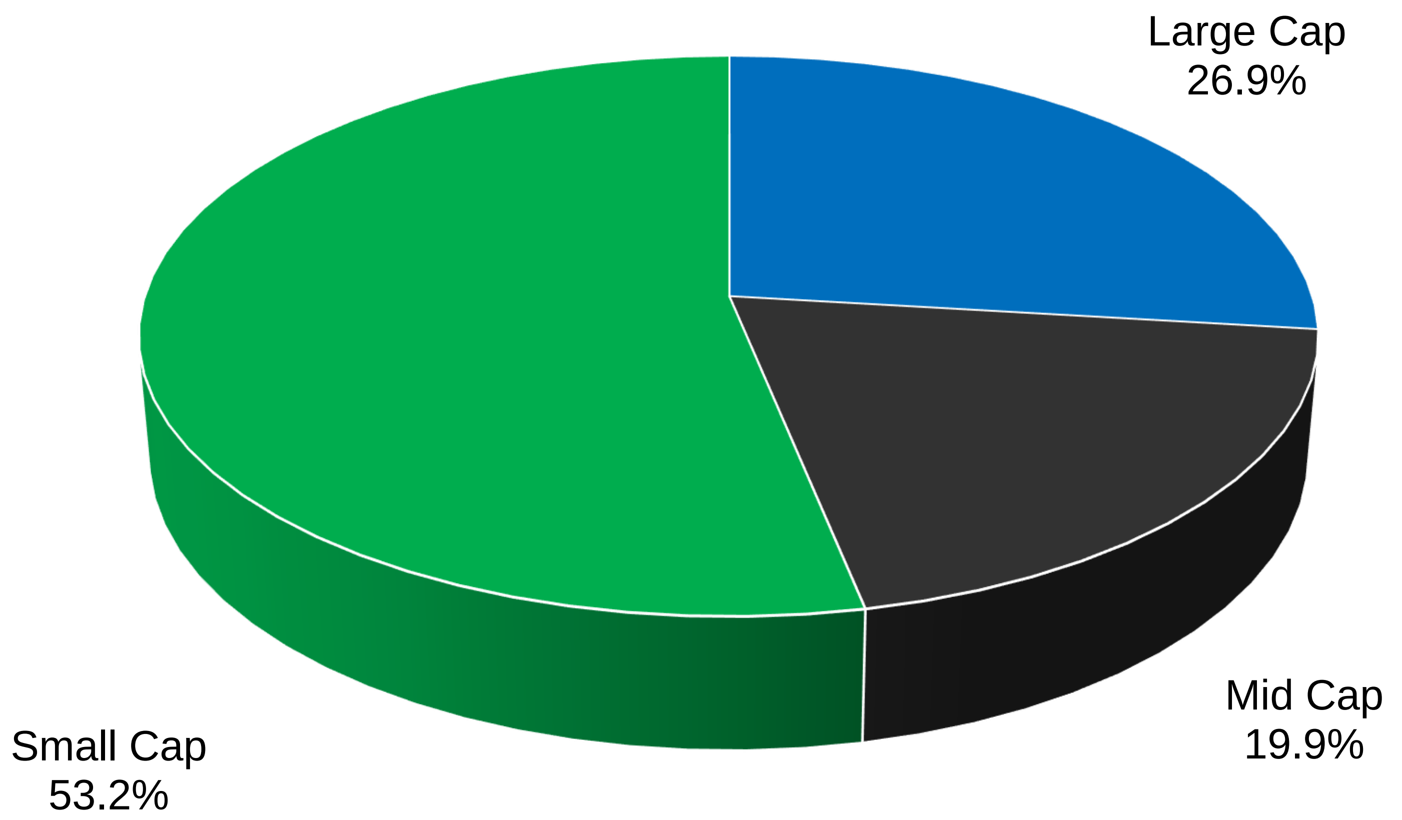


FIBER: Portfolio quants

Portfolio quants

Metrics	Portfolio	BSE 500 Index
PAT Growth (FY21-24)	48.0%	25.0%
PE (FY25 E)*	49.1	25.0
EPS Growth (FY24-26 E)	36.5%	13.7%
PEG (FY25 E)	1.3	1.8
RoE (FY25 E)	20.5%	14.5%
Net Debt/Equity Ex-Financials	0.16	0.30

Market Cap segmentation



*Median PE (FY25E) is 31.6x; Average is higher due to outliers

Source: Fident & Bloomberg. Portfolio parameters are as on 31 Dec 2024 and BSE 500 Index parameters are as on 31 May 2024. Market cap classification is as per AMFI classification. Debt/Equity ratio is as on 31 Dec 2024. Portfolio and Index forward estimates are from S&P Capital IQ and internal estimates.

FAIR and FIBER performance

Performance	1 M	3 M	6 M	YTD	Since Inception (19 Apr 2024)
FAIR	**-2.3%**	**-2.7%**	**9.5%**	**19.5%**	**19.5%**
BSE 500 TRI	-1.5%	-7.8%	-0.7%	10.1%	10.1%
Nifty 50 TRI	-2.0%	-8.2%	-1.1%	8.6%	8.6%
Outperformance	-0.80%	5.10%	10.20%	9.40%	9.40%

Performance	1 M	3 M	6 M	YTD	Since Inception (28 Jun 2024)
FIBER	**2.1%**	**-0.8%**	**10.4%**	**10.9%**	**10.9%**
BSE 500 TRI	-1.5%	-7.8%	-0.7%	-0.6%	-0.6%
Nifty 50 TRI	-2.0%	-8.2%	-1.1%	-1.2%	-1.2%
Outperformance	3.60%	7.00%	11.10%	11.50%	11.50%

Performance as on December 31, 2024 (net of fees).
Past performance of the schemes is neither an indicator nor a guarantee of future performance, and may not be considered as the basis for future investment decisions

What worked for Fident?

✓

Being overweight on Platform, Healthcare and IT worked well for us, along with being extremely selective in FMCG.

Themes which did well for us but are not reflected in individual indices are EMS companies and the Chemical basket which we own.

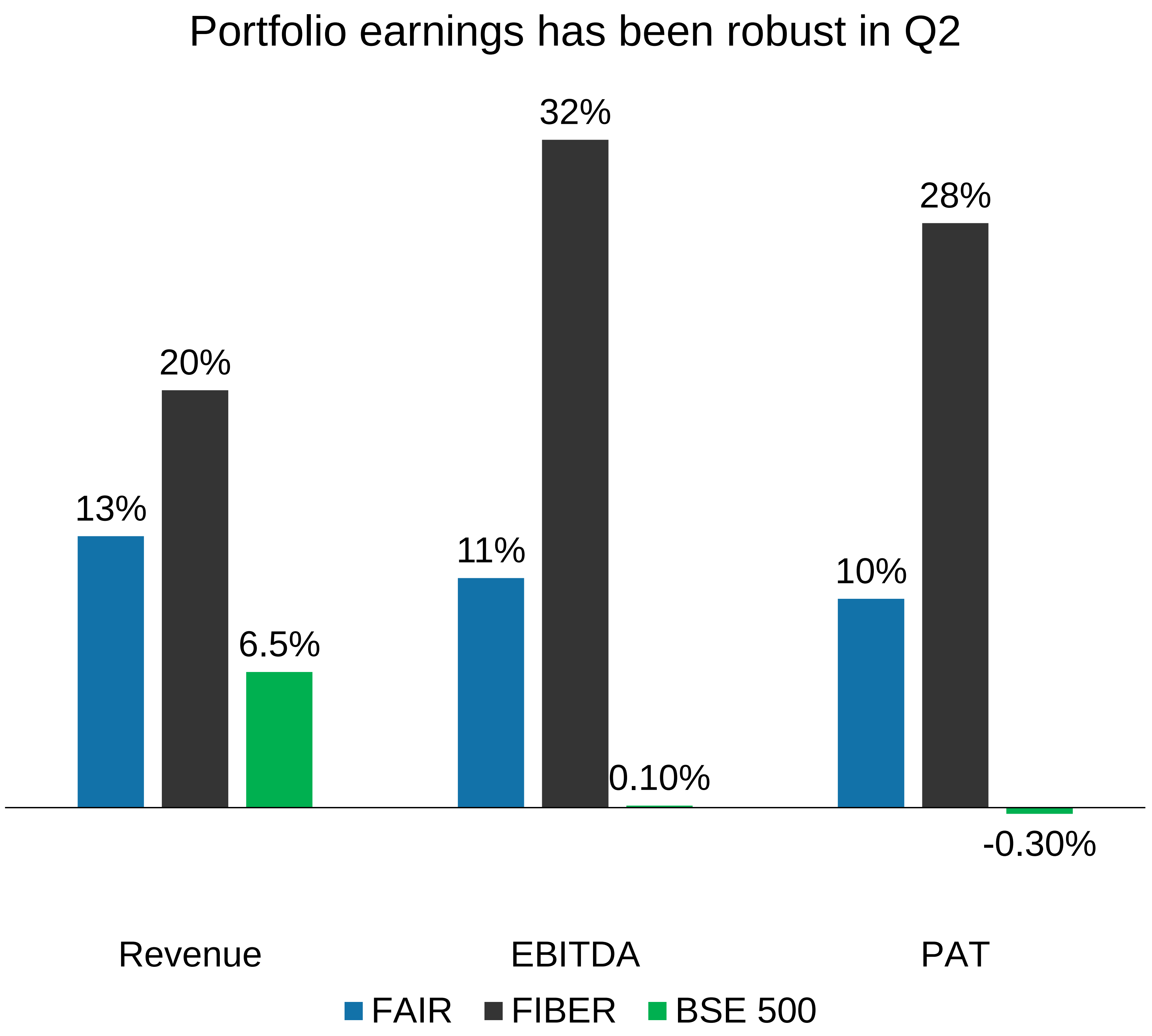
What didn't work for Fident?

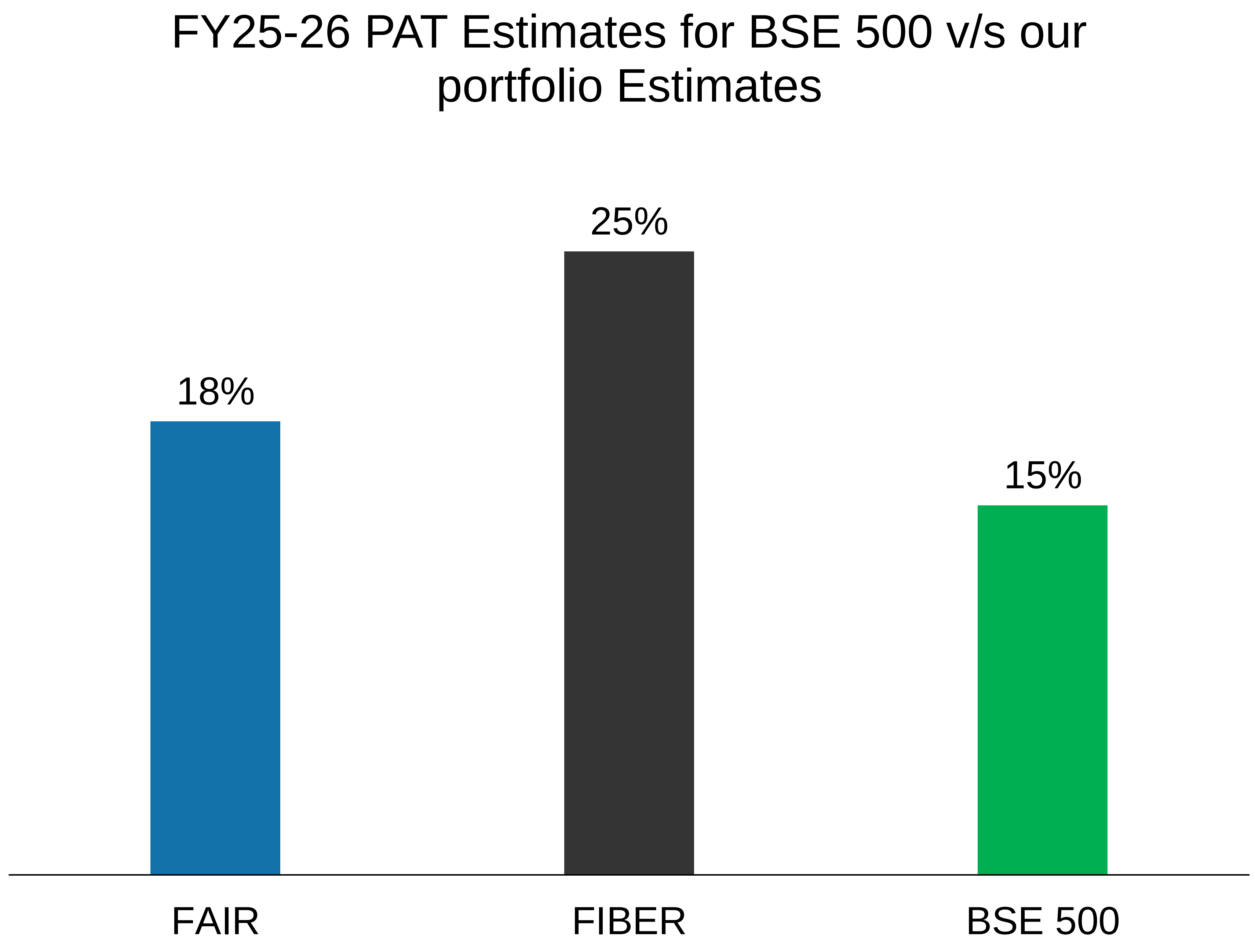
✗

Being overweight on BFSI didn't work as well as we anticipated, however heavier exposure to NBFC and Platforms set-off the impact of under-performance on Banks.

Under-exposure to Auto, Auto Ancillaries and Infra Limited exposure to micro-caps, though we continue to see unfavourable risk-reward in Micro-caps.

Earnings – joker in the pack!





Disclaimer

The commentary, opinions, and views provided herein are intended solely to enhance transparency regarding the investment strategy/theme of the scheme and should not be considered as an endorsement or investment advice. This content should not be interpreted as a research report or a recommendation to buy or sell any security. The information provided is for informational purposes only and may be based on publicly accessible data or developed through in-house analysis. It may not be current by the time it reaches the recipient and may lack comprehensive details necessary for making an informed investment decision. The stocks mentioned may or may not remain part of the scheme's portfolio in the future. Investment decisions are based on prevailing market conditions and the Investment Manager's understanding, which may not always result in profitable outcomes. Actual market movements can differ from anticipated trends, and forward-looking statements included here are subject to risks and uncertainties that could cause actual results to differ materially. This information is subject to change without notice, and Fident Asset Management reserves the right to modify this statement as needed. Neither the company, its associates, directors, nor representatives shall be liable for any damages arising from the use of this information. The recipient is solely responsible for any decisions made based on this material.

Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Strategy will be achieved. Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Strategy will be achieved. As with any securities investment, the value of a portfolio can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Portfolio Manager may not be indicative of the performance in the future.

Disclaimer

This document is for informational purposes only and does not constitute an offer to sell or a solicitation to buy any securities or financial products. No material/information provided herein should be construed as investment advice. Any action on your part on the basis of the said content is at your own risk and responsibility.

The information provided in this presentation is based on data believed to be reliable but does not guarantee its accuracy or completeness. The stocks mentioned may or may not remain part of the scheme's portfolio in the future. Investment decisions are based on prevailing market conditions and the Investment Manager's understanding, which may not always result in profitable outcomes. Investments in securities are subject to market risks, and investors are advised to read all relevant documents carefully before investing.The information provided is for informational purposes only and may be based on publicly accessible data or developed through in-house analysis. It may not be current by the time it reaches the recipient and may lack comprehensive details necessary for making an informed investment decision. Actual market movements can differ from anticipated trends, and forward-looking statements included here are subject to risks and uncertainties that could cause actual results to differ materially. **Past performance is not indicative of future results.**

Investors are requested to consult their financial, tax, and legal advisors before taking any investment decisions. Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Strategy will be achieved. Fident Asset Management Private Limited and its affiliates shall not be held responsible for any losses arising from the use of this information or reliance on any recommendations or advice expressed herein.

The views and opinions expressed in this document are for general information purposes only and are subject to change without notice. Please refer to the Disclosure Document of Fident Asset Management Private Limited for further details about risks, fees, and other terms related to PMS offerings.

Portfolio Management Services (PMS) are offered by Fident Asset Management Private Limited, a SEBI-registered portfolio manager - SEBI Registration details Registration Number for P.M.S. INP000008482, in accordance with the SEBI (Portfolio Managers) Regulations, 2020.

Thank You