TRU INSIGHTS

January 2025

Contents

From the MD & CEO's desk

"As we step into 2025, the global and domestic landscapes present a mixed bag of opportunities and challenges"

Dear Investors,

Wishing you a very Happy New Year and tremendous success in your investing journey in 2025!

I am delighted to present '***Tru Insights***', the inaugural edition of our monthly publication from the HDFC TRU team. HDFC TRU, our wealth advisory platform launched in October 2024, reflects our commitment to delivering exceptional advisory services. Backed by an outstanding team, I am confident we will continue to deliver unmatched value to our clients.

As we step into 2025, the global and domestic landscapes present a mixed bag of opportunities and challenges. Globally, most developed nations' central banks eased rates in 2024 and are likely to continue doing so in 2025, albeit at a gradual and uneven pace. On the domestic front, Indian equities closed 2024 on a positive note despite significant volatility in the final quarter. The quarter saw Foreign Portfolio Investors (FPI) pulling out nearly USD 21 billion, driven by rising U.S. bond yields, heightened fears of a global trade war following the Republican sweep in the U.S. presidential elections, and a lackluster Q2 FY25 earnings season.

While India's GDP growth slowed in the second quarter of FY25, the outlook for FY26 appears promising. We anticipate an improvement, spurred by increased government capital expenditure, although private capex growth remains elusive. Consumption patterns continue to show a K-shaped recovery, and with inflation expected to moderate, the RBI could begin easing rates gradually this year. Despite the long-term strength of the Indian growth story, the Nifty 50 currently trades at 20.5x FY26 consensus earnings, indicating moderate upside potential over the next twelve months.

This month's edition delves into the equity outlook for 2025, reviewing the year that was and setting the tone for the year ahead. It also recaps key global and domestic macroeconomic indicators, offers a fixed income outlook covering inflation trends, central bank actions, and bond market movements, and features a deep dive into "trending quality". This unique combination of quality and momentum factors has historically delivered strong risk-adjusted returns. To round it off, we've included a curated collection of insightful essays in our Reading Room.

I am confident that Tru Insights will become an integral resource in your investment journey. Here's to making 2025 a year of informed decisions and rewarding outcomes!

Warm Regards

Dhiraj Relli
MD and CEO – HDFC Securities

Macro Economic Highlights

India’s and Global Economic Outlook: Growth, Resilience, and Strategic Adjustments

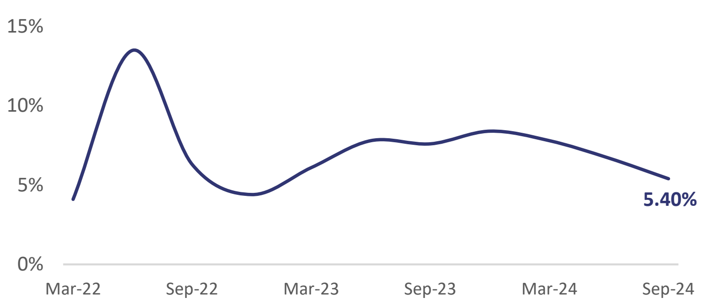
India's economy is projected to grow by 6.5% in FY25, driven by strong agricultural and industrial momentum, despite tighter monetary policies. Inflation is expected to stabilize post-Q3FY25, while the current account deficit shows improvement. Globally, growth is anticipated to ease slightly to 3.2%, with the US leading at 2.8%, but trade uncertainties loom large.

Domestic Macro Highlights

India's economic journey into FY25 is a fine blend of optimism tempered with caution. With the government and central bank steering the ship, the narrative is one of resilience, transformation, and strategic adjustments. Here's a closer look at the trends shaping our domestic macro story:

GDP: The economy is set to grow by 6.5% in FY25, riding high on strong agricultural and industrial momentum. That said, tighter monetary policies did put a lid on growth during the first half of the year. On the bright side, the fiscal engine remains sturdy, laying a solid foundation for long-term structural growth.

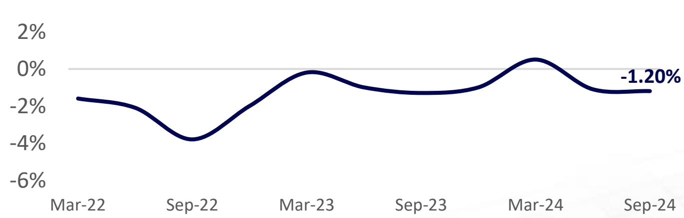
India's GDP Growth Stagnates at 1.1% in Sep 24, Slowest Since Mid-2022
YoY GDP Growth of India



Inflation: The RBI nudged up its FY25 inflation estimate to 4.8% (from 4.5%), thanks to food price pressures. The good news? Post-Q3FY25, inflation is expected to stabilize.

Current Account Deficit – A Positive Twist: Q2FY25 brought a pleasant surprise, with the CAD at 1.2% of GDP—better than the expected 1.6%. This reflects disciplined external trade management. However, Q3FY25 projections hint at a possible rise to 2.2%, so there's still room for cautious optimism.

India's Current Account Deficit at 1.20% of GDP in 2023, Below Historical Average
Current Account Deficit as % of GDP

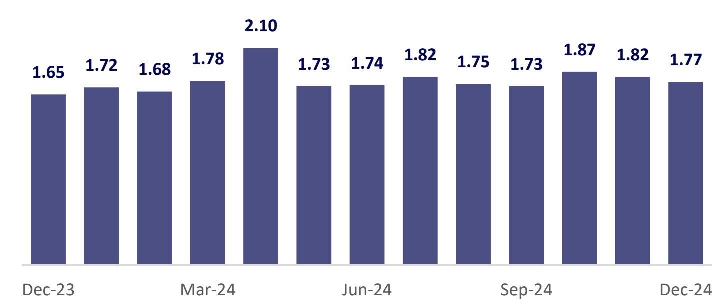


Fiscal Discipline – Eyes on FY26: The government is laser-focused on reducing the fiscal deficit to 4.5% of GDP by FY26—a bold but attainable goal. This approach balances quality spending with stronger social security, ensuring growth doesn't come at the expense of fiscal prudence.

Demand Resurgence – A Late Bloomer: Demand may have been lukewarm in the first half of FY25, but the second half is painting a different picture. Rural demand remains steady, urban demand is gaining momentum, and industrial activity is perking up. The outlook for Q3FY25 looks promising.

Composite PMI and GST Collections: December 2024 saw the HSBC India Composite PMI hit a four-month high of 60.7, signaling robust growth in manufacturing and services. GST collections, a pillar of fiscal health, continue their strong run, with December numbers showing significant year-on-year growth, crossing ₹ 1.77 lakh crore.

India's GST Collections Grow from Rs. 1.65 lakh crore in Dec-23 to Rs. 1.77 lakh crore in Dec-24, Reflecting Economic Resilience[1].
India's GST Collection in Rs. Lakh Crore



The Road Ahead: India's macroeconomic outlook is a delicate dance of policy, market dynamics, and structural resilience. It's a balancing act, no doubt—but one that positions us to tackle challenges head-on while grabbing opportunities with both hands.

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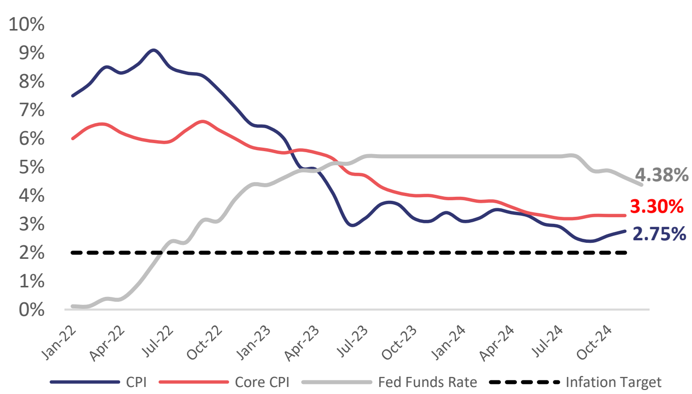
Global Macro Highlights

According to the IMF, global growth is projected to ease slightly to 3.2% in 2024 and 2025, down from 3.3% in 2023. Post-election shifts in the US could further weigh on global dynamics. Inflation may be cooling, but its future path hinges on tariffs, trade wars, and geopolitical uncertainties. Central banks are easing rates, yet inflationary pressures persist, particularly in Europe, where sluggish productivity and wage issues remain hurdles. In this complex environment, strategic positioning will be critical to unlocking opportunities.

US – Leading the Global Growth Charge:
The US is set to remain the driving force of global growth. The IMF has upgraded the country's growth forecasts to 2.8% for 2024 and 2.2% for 2025, making it the only developed economy to receive back-to-back upgrades. The strong US economy is buoyed by solid employment figures, resilient consumer spending, and easing inflation. That said, growth is expected to moderate from 2025 onward, with trade, immigration, and policy uncertainties creating potential roadblocks.

US inflation & Interest Rates
Benchmark interest rates and YoY change in the CPI Inflation



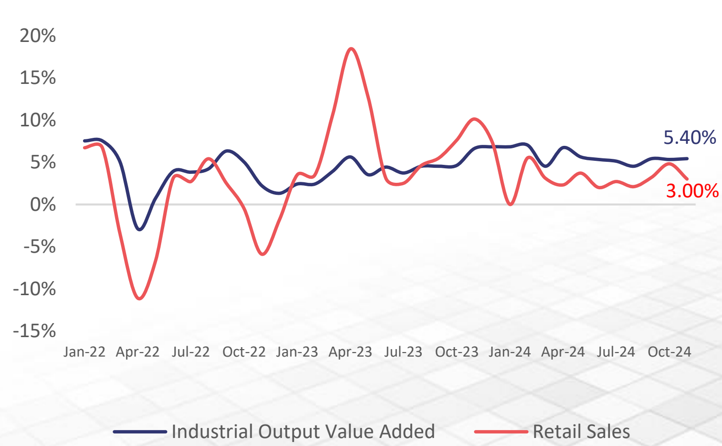
US Fed Policy – A Gradual Approach to Rate Cuts:
At the Dec- 24 FOMC meeting, the Fed trimmed interest rates by 25bps, setting the target range at 4.25%-4.50%. This marks the third consecutive cut, following a 25bps reduction in November and a sharper 50bps cut in September. Looking ahead, the Fed signaled a slower pace of rate cuts in 2025. The latest Summary of Economic Projections shows just two 25bps cuts penciled in for 2025—down from the four anticipated earlier. All in, the Fed foresees trimming rates by 50bps in both 2025 and 2026.

The Fed Projects Higher Growth, Inflation and Interest Rates*
FOMC median projection, December vs September SEP, %

Variable	2024	2025	2026	2027	Longer-run
Changes in real GDP	**2.5**	**2.1**	**2.0**	**1.9**	**1.8**
September	*2.0*	*2.0*	*2.0*	*2.0*	*1.8*
Unemployment rate	**4.2**	**4.3**	**4.3**	**4.3**	**4.2**
September	*4.4*	*4.4*	*4.3*	*4.2*	*4.2*
PCE inflation	**2.4**	**2.5**	**2.1**	**2.0**	**2.0**
September	*2.3*	*2.1*	*2.0*	*2.0*	*2.0*
Core PCE inflation	**2.8**	**2.5**	**2.2**	**2.0**	
September	*2.6*	*2.2*	*2.0*	*2.0*	
Federal Funds rate	**4.4**	**3.9**	**3.4**	**3.1**	**3.0**
September	*4.4*	*3.4*	*2.9*	*2.9*	*2.9*

China – Stimulus vs. Tariff Hurdles:
China's economy is expected to grow by 5% in 2024, supported by fiscal measures aimed at countering challenges like a property crisis and weak domestic demand. The World Bank forecasts slightly lower growth at 4.9%. Slower income growth and declining property prices are likely to dampen consumption in 2025. On top of that, higher tariffs—potentially from Donald Trump—and stricter EU trade barriers could weigh on exports. To bolster its economy, China plans to ramp up fiscal support, increase pensions, and enhance medical insurance subsidies. Additionally, 3 trillion yuan in special treasury bonds will be issued to fuel stimulus efforts.

China's Economy Stabilizes after Stimulus.
Consumption growth hits 8 month high as output rises a tad slower in



Equity Market

India's Equity Strategy for 2025: Navigating Growth and Valuation Challenges

Earnings growth for FY26 is anticipated to be primarily volume-driven, as margins have peaked. Large caps are expected to outperform mid/small caps. The Nifty 50 trades at 20.5x FY26 EPS, indicating limited upside. Focus on large banks, top-tier IT, and real estate while underweighting autos and NBFCs.

Equity Outlook

"Overall, we expect significant divergence across sectors/ stocks. Bottom-up stock picking will be very important in 2025 particularly in the mid and small caps. "

The global economic landscape is shifting, with central banks in developed nations easing rates throughout 2024, a trend likely to persist into 2025. Inflation has moderated this year and is expected to soften even further. Global equities had a positive run, delivering a 24% return in 2024, largely propelled by the "Magnificent 7" tech giants in the US.

As we look into the future, US President-elect Trump's trade policies are poised to take center stage in 2025. The potential for a full-scale tariff war between the US and its trading partners could significantly impact global GDP growth and inflation.

Turning our gaze to India, the GDP is projected to grow at 6.4% in FY25, with some downside risks. However, growth is expected to pick up to 6.7% in FY26. On the inflation front, CPI is likely to ease to 4.8% in FY25 and further to 4-4.2% in FY26.

When it comes to equity strategy, earnings growth for FY26 is anticipated to be volume-driven, with margins having peaked and would be led by BFSI, Industrial, cement, Energy and IT sectors. Large-cap indices are likely to deliver better risk adjusted vis-a-vis mid/small caps indices driven by higher earnings growth and relatively better valuations.

Currently, the Nifty 50 trades at 20.5x FY26 consensus EPS, suggesting limited upside over the next year. Sector preferences lean towards large banks, top-tier IT firms, consumer durables, capital goods, real estate, cement, and building materials, while autos, staples, oil & gas, mid-cap IT, and NBFCs are underweighted.

Debt Market

India's 10-Year G-Sec Yield: Stable Amid Global Fluctuations

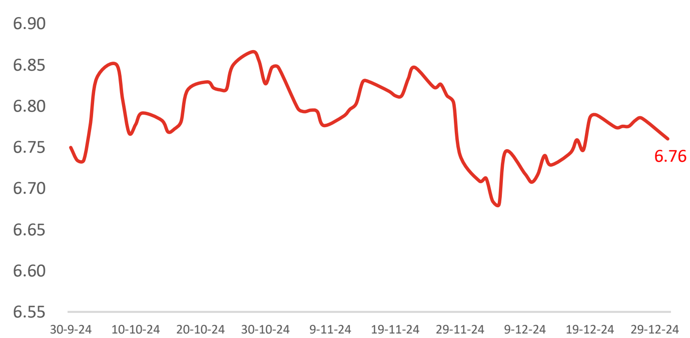
In December 2024, India's 10-year G-sec yield rose slightly to 6.76%, but remained relatively stable as compared to a 40 bps increase in the US yield. For the year, India's yield moderated by ~40 bps, supported by a stable macro environment and reduced fiscal deficit. CPI inflation eased to 5.5%, creating potential for future RBI rate cuts.

Fixed Income Outlook

In December 2024, India's 10-year government security (G-sec) yield experienced a slight increase, rising by 2 basis points to reach 6.76%, compared to 6.74% in November. The domestic yield movement was largely stable despite a significant rise in the US 10-year yield by 40 basis points during the same period. When we examine the yield movements throughout calendar year 2024, we observe that India's 10-year yield moderated by ~40 basis points, contrasting with a rise of ~70 basis points in the US counterpart. The decline in domestic yields was supported by a stable macroeconomic environment, a reduction in the fiscal deficit for FY25 that led to lower government borrowings, and foreign portfolio investment (FPI) inflows spurred by the inclusion of Indian bonds in global indices, which fostered favorable demand-supply dynamics.

India's 10-Year G-Sec Yield Rises to 6.76% in December 2024 Amid US Yield Surge[1]

Indian 10 Year G-Sec Movement (For last 3 months)



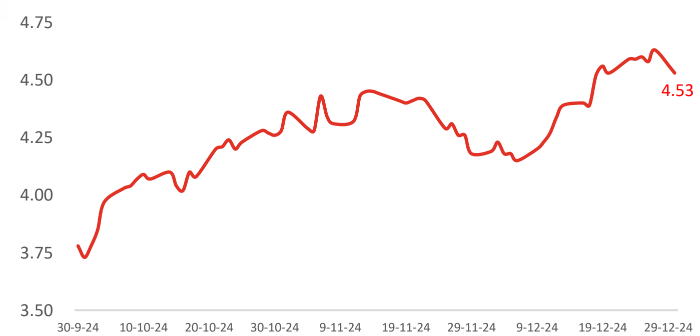
In stark contrast, US yields increased even in the face of a 100 basis point cut in the Federal Funds rate towards the end of 2024. The Federal Reserve delivered a hawkish cut of 25 bps during its December meeting, reducing its anticipated rate cuts for 2025 from four to two. Fed Chair Powell indicated that the decision to cut rates was closely contested and emphasized that any further actions regarding rate cuts would require a cautious approach.

The expectations of fewer rate cuts from the US Fed, along with potential inflationary pressures and fiscal deficit concerns arising from Trump's upcoming policies, are contributing to upward pressure on US yields.

Domestically, the banking system has faced significant liquidity deficits since mid-December due to advance tax payments and GST outflows. Additionally, liquidity has been strained by the Reserve Bank of India's (RBI) foreign exchange operations aimed at preventing rupee depreciation. The recent reduction of 50 basis points in the cash reserve ratio (CRR) to 4% did not alleviate these tight liquidity conditions, resulting in elevated overnight and short-term yields.

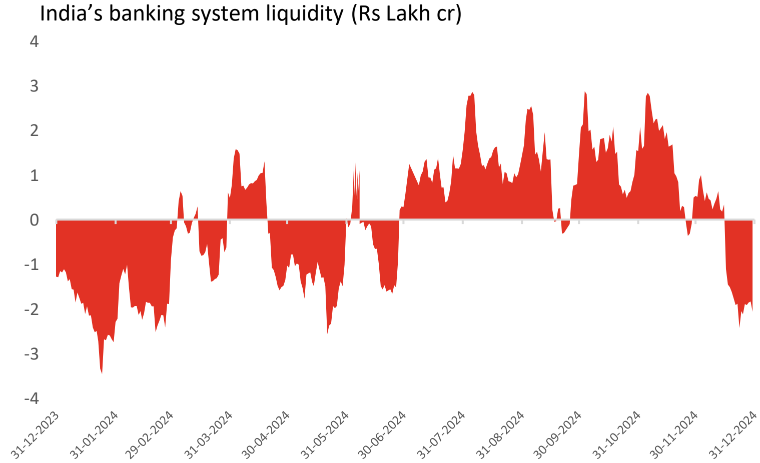
US Yields Rise Despite Fed's 100 Basis Point Rate Cut[2]

US 10 Year G-Sec Movement (For Last 3 Months)



RBI's Measures Fail to Ease Liquidity Crunch Amid Tax Outflows and Forex Operations[3]

India's banking system liquidity (Rs Lakh cr)

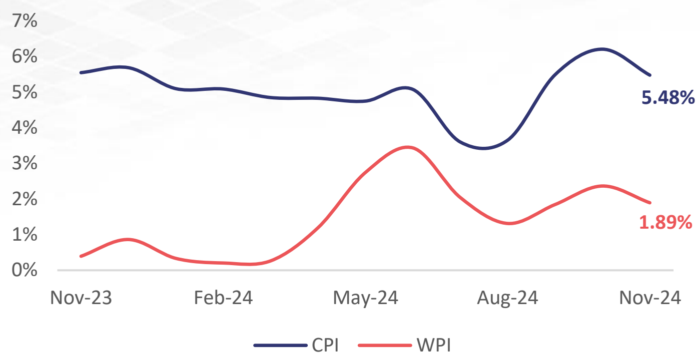


On the inflation front, India's Consumer Price Index (CPI) inflation eased to 5.5% year-on-year in November 2024, down from a recent peak of 6.2% in October, falling below the RBI's upper tolerance limit of 6%. With winter approaching, food price pressures are expected to ease further, which could support headline inflation. A continued moderation in inflation over the coming months may create space for the RBI to initiate its rate cut cycle.

Fixed Income Outlook

India's Inflation Rates Eases in Nov 2024 Due to Drop in Food Prices[1]

Inflation %

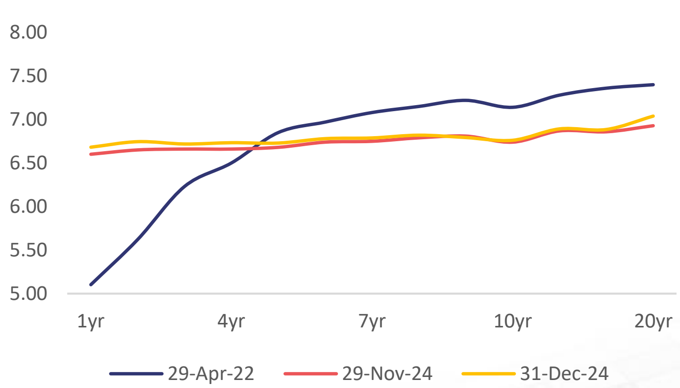


Looking ahead, inflation is projected to remain elevated through most of FY25 but is expected to moderate towards around 4% only by FY26. The RBI is likely to adopt a cautious stance regarding preemptive interest rate cuts, with an increased likelihood of pausing in February 2025 and more probable cuts occurring during the April meeting. This caution is driven by rising expectations of a pause from the US Fed and increasing depreciation pressures on the rupee. RBI is expected to cut the interest rates by 50-75 basis points in FY26.

Currently, the spread between the 10-year G-sec yield and the repo rate is relatively narrow at approximately 25-30 basis points. In the near to medium term, it is expected that the G-sec yield curve will steepen as monetary policy conditions ease.

Narrow G-Sec Yield Spread Anticipated to Widen with Easing Monetary Policy[2]

G-Sec Yield Curve



Meanwhile, the corporate bond yield curve remains inverted due to substantial borrowings in the money market and shorter-term segments by banks and non-banking financial companies (NBFCs) aimed at supporting their credit growth; however, demand at longer maturities continues to be robust.

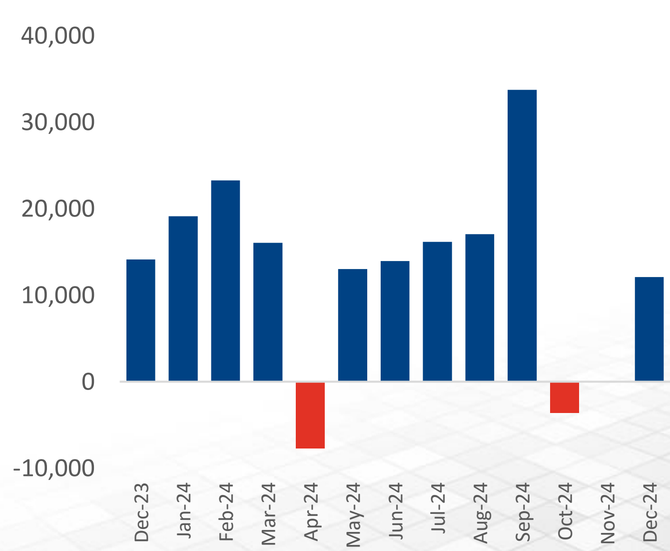
Recent trends indicate that bank credit growth has moderated and is now aligning with deposit growth. If this trend persists over time, it is expected that pressure on short-term corporate bond yields will ease, leading to a steepening of the yield curve.

Currently, spreads on 3-5 year AAA-rated public sector unit (PSU) corporate bonds over corresponding G-secs provide a carry of 60-80 basis points.

We expect long duration G-Secs to benefit from an anticipated declines in yields driven by expected interest rate cuts and favorable demand-supply dynamics. Looking ahead, various factors—including global monetary policy decisions, geopolitical developments, commodity prices, currency fluctuations, bond demand-supply scenarios, and domestic growth-inflation dynamics—will play crucial roles in shaping the fixed income landscape.

FPI inflows spurred by the inclusion of Indian bonds in global indices[3]

Debt FPI (In Rs. Crore)



In Conversation with Pranab Uniyal: HDFC Tru Head

Q: India is currently experiencing unprecedented wealth creation. What factors do you think are driving this trend?

A: India is truly at the forefront of an extraordinary wealth creation journey. This momentum is fueled by rising prosperity, a vibrant entrepreneurial ecosystem, and growing global investor confidence. Personal and household wealth is climbing to new heights, with per capita income doubling from ₹86,000 in FY15 to ₹172,000 ($2,150) in FY23. The number of HNIs—those with wealth exceeding $1 million—has grown at an impressive CAGR of 21% over the past five years, now reaching approximately 800,000 individuals. Key contributors include robust domestic consumption, favorable demographics, supportive government policies, and the accelerating digital transformation. India's emergence as a global manufacturing and knowledge hub further propels this trend.

Q: With this growth comes the challenge of managing wealth effectively. How does HDFC TRU address this complexity?

A: The financial landscape in India has undergone a remarkable transformation. The financialization of savings is evident in the near 5x increase in demat accounts to 175 million over five years and a sixfold surge in mutual fund AUM from ₹10.90 trillion to ₹68.08 trillion in a decade. Alternate investments, especially private equity, are gaining traction. Navigating this increasingly complex financial ecosystem requires both foresight and expertise. At HDFC TRU, we design strategies to help navigate markets and build wealth with confidence. Our holistic approach combines rigorous analysis, strategic planning, and personalized advisory to help navigate the complexities of the financial markets and achieve optimal returns.

Q: Can you elaborate on the services that HDFC TRU offers to its clients?

A: Our services are designed to cater to the unique financial goals of each client. Key pillars of our offerings include:

- **Personalized Strategies:** Develop tailored investment strategies that reflects the financial goals, risk tolerance, and investment horizon.
- **Diversified Portfolios:** Construct well-diversified portfolios to mitigate risk and enhance potential returns across various asset classes.
- **Active Management:** Benefit from active portfolio management, with regular adjustments based on market conditions and emerging opportunities.
- **Risk Management:** Implement advanced risk management techniques to protect investments and ensure long-term stability.

Q: How do you see HDFC TRU's role evolving as India continues on its growth trajectory?

A: As India strides toward becoming a $10 trillion economy and the third-largest globally, HDFC TRU remains steadfast in its role as a trusted advisor. The HDFC Tru mission is clear i.e., to empower clients with financial solutions that ensure long-term prosperity and security. We strive to exceed expectations by delivering personalized advice and tailored strategies that align with the clients' unique goals.

Q: Finally, what message would you like to convey to your clients and readers of this magazine?

A: India's wealth creation journey is just beginning, presenting unparalleled opportunities. However, realizing these opportunities demands thoughtful planning and informed decision-making. At HDFC TRU, we stand committed to guiding you with honesty and expertise.

Deep Dive

Unlocking Growth with Trending Quality Investment Strategy

Investing is changing, and factor-based strategies are really catching on globally. As of December 2023, factor-based equity ETFs manage a whopping $1.48 trillion* in assets worldwide, showing how popular they've become. In India, though, factor-based passive funds are still pretty new, with an AUM of ₹12,000 crore (around $1.5 billion)*.

Deep Dive (1 of 4)

Unlocking Growth with Trending Quality Investment Strategy

The landscape of investing is evolving, with factor-based strategies gaining significant traction worldwide. By leveraging factors such as quality, momentum, growth, and low volatility, investors can achieve precision in portfolio allocation. Globally, factor-based equity ETFs manage $1.48 trillion in assets as of December 2023, underscoring their rising popularity. In India, however, factor-based passive funds still represent a nascent market with an AUM of ₹12,000 crore (~$1.5 billion).

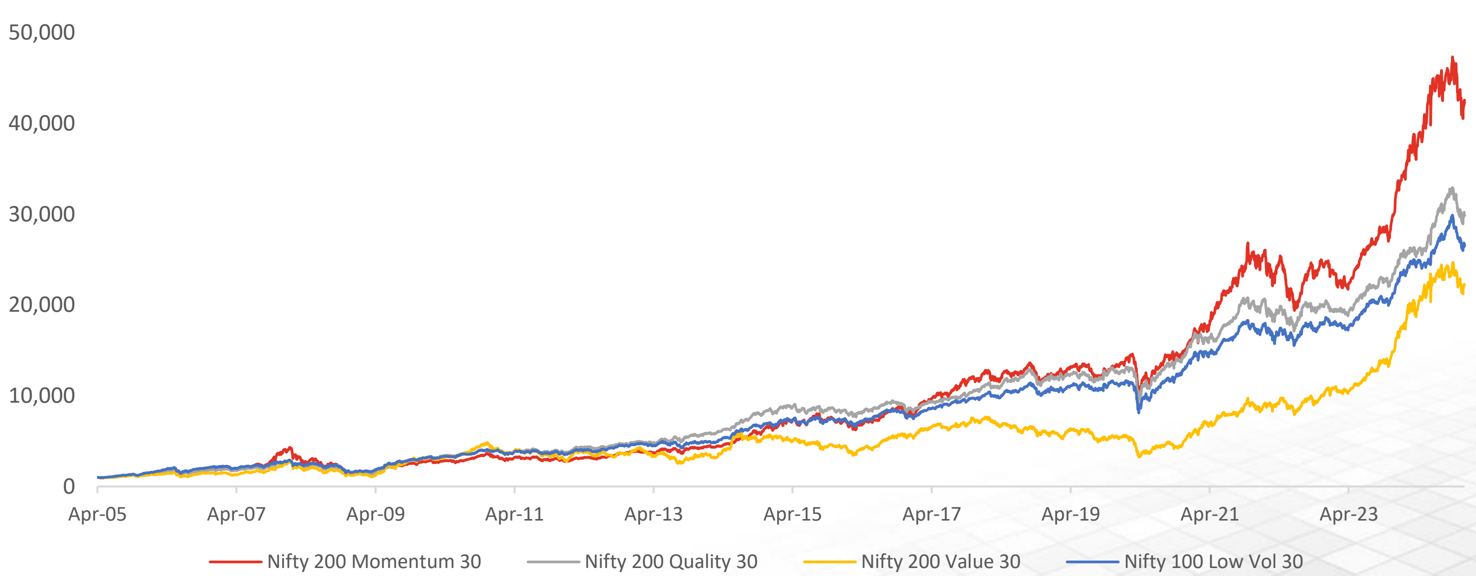
The Trending Quality Edge

This strategy integrates Quality and Momentum—two complementary factors that have historically outperformed during bear and bull market cycles, respectively.

- **Quality Factor Metrics:** Return on Equity (ROE), Financial Leverage (Net Debt/Equity), and EPS Growth Variability (5-year data).
- **Momentum Factor Metrics:** 6-month and 12-month price returns adjusted for volatility.

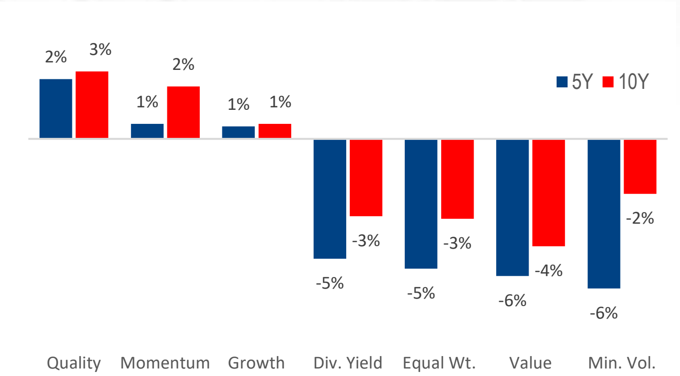
Index Name	1M	3M	YTD	1Y	3Y	5Y	10Y
MSCI World Index	2.10%	4.80%	21.70%	28.20%	8.80%	12.70%	10.60%
MSCI World Minimum Volatility Index	2.20%	1.90%	17.10%	20.90%	6.10%	6.70%	8.40%
MSCI World High Dividend Yield Index	0.30%	1.10%	14.00%	19.70%	8.40%	7.90%	7.50%
MSCI World Quality Index	0.10%	0.50%	21.90%	28.00%	9.40%	15.10%	13.30%
MSCI World Momentum Index	1.70%	5.20%	33.20%	38.70%	7.70%	13.30%	12.70%
MSCI World Enhanced Value Index	-0.10%	-0.30%	8.40%	14.80%	7.50%	7.20%	6.30%
MSCI World Equal Weighted Index	1.70%	2.50%	12.70%	21.10%	4.20%	7.50%	7.40%
MSCI World Growth Target Index	2.60%	5.70%	27.30%	33.10%	10.40%	13.20%	11.20%

Cumulative Equity Curve: Factor-based Strategies in India



Deep Dive (2 of 4)

Factor Alpha over MSCI World Index (%)



Trending Quality Strategy: Returns Analysis

Cumulative Equity Curve

- CAGR Since Inception (2002): Trending Quality Strategy: 33% vs. BSE 500: 19%.
- ₹100 invested in 2002 grew to ₹55,490 under this strategy compared to ₹4,734 in the BSE 500.

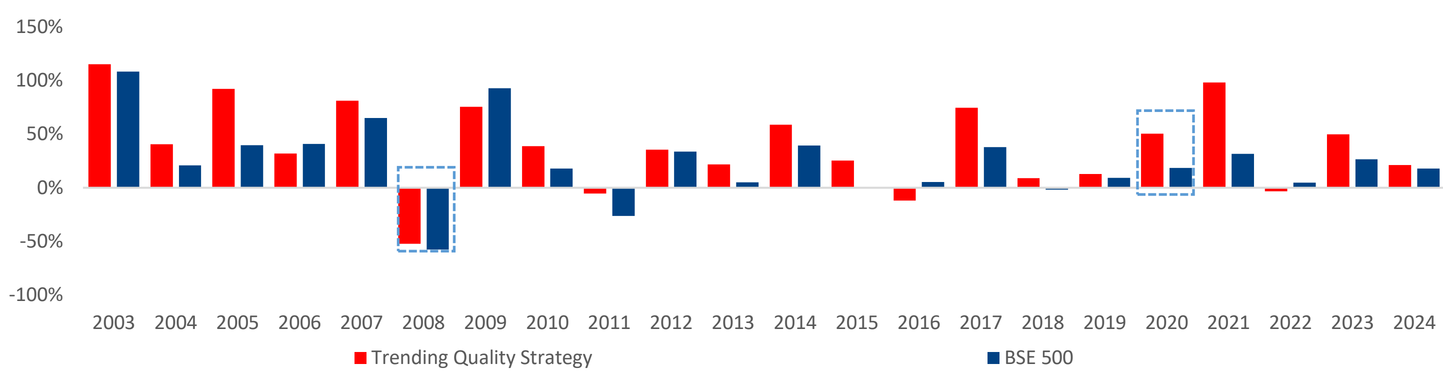
Trending Quality Strategy vs. BSE 500 Index: Cumulative Performance

Strategy CAGR: 33.0% vs BSE 500 CAGR: 19.0%

Calendar-Year Returns:

The strategy outperformed the BSE 500 in 18 of 22 years, including during crises like the 2008 Global Financial Crisis and the COVID-19 pandemic in 2020.

*Trending Quality Strategy vs. BSE 500: Calendar Year Returns (%)



Rolling Returns: : Outperformance on rolling returns across all time horizons (1, 2, 3, and 5 years) and average excess alpha is ~15%. Similarly, the strategy outperformed the BSE500 in 100% of 3-year and 5-year rolling periods.

	1Y Rolling Total Return		2Y Rolling Total Return		3Y Rolling Total Return		5Y Rolling Total Return	
	Trending Quality	BSE 500	Trending Quality	BSE 500	Trending Quality	BSE 500	Trending Quality	BSE 500
Average	39%	23%	34%	19%	32%	17%	29%	15%
Median	33%	18%	29%	16%	27%	14%	28%	14%
Worst	-54%	-58%	-10%	-20%	-3%	-7%	8%	-1%
Best	151%	124%	89%	65%	97%	70%	70%	52%

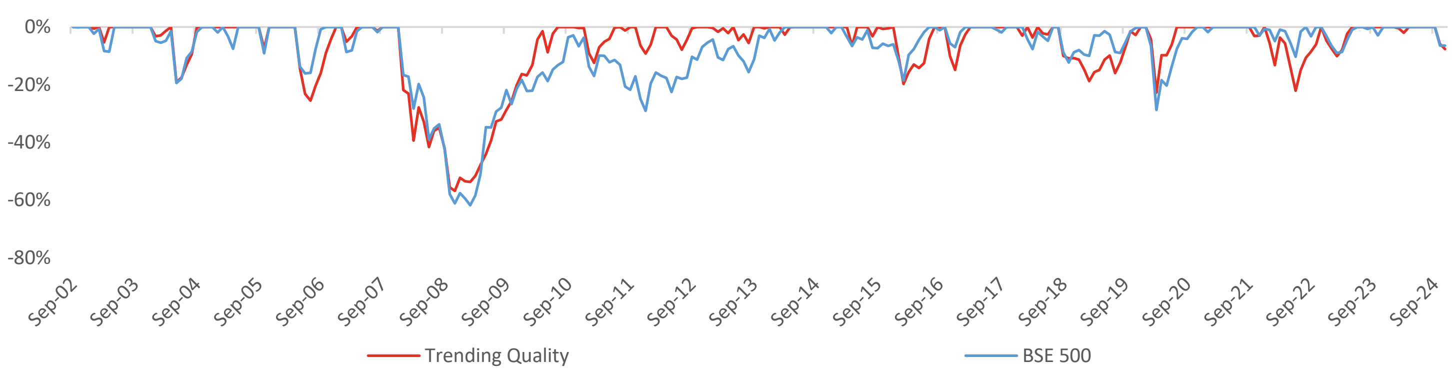
Deep Dive (3 of 4)

Percentage of total instances of Outperformance and Underperformance vs. BSE 500 Index on monthly rolling return basis

	Percentage of total instances of Outperformance and Underperformance vs. BSE 500 Index on monthly rolling return basis	Instances of Outperformance vs. BSE 500			
	Excess Return (<0% CAGR)	Excess Return (>=0% CAGR)	Excess Return (0-5% CAGR)	Excess Return (5-10% CAGR)	Excess Return (>10% CAGR)
5 Years	0%	100%	1%	19%	80%
3 Years	0%	100%	6%	22%	72%
2 Years	5%	95%	10%	20%	65%
1 Year	23%	77%	9%	10%	58%

- **Risk Evaluation:** While performance is compelling, understanding the strategy's risk profile is equally critical.
- **Turnover Ratio:** Portfolio turnover is higher at >25% due to monthly rebalancing, consistent with active momentum strategies, with the normalized range being in between 10-40%.
- **Volatility and Drawdowns :** Annualized Volatility: 24% (vs. BSE 500: 23%) and Max Drawdown: -57% (vs. BSE 500: -62%).

Drawdowns: Trending Quality Strategy vs. BSE 500



Performance Summary: The table below, is a short summary of the overall portfolio performance (rolling returns, volatility, maximum drawdown) as per our backtest (Data Period: 30 Sep, 2002 to 30 Nov, 2024).

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inc
Strategy	28%	22%	40%	29%	33%
BSE 500	27%	17%	20%	14%	19%

Key Metrics	Strategy	BSE 500
CAGR	33%	19%
1Y Median Rolling Return	33%	18%
3Y Median Rolling Return	27%	14%
5Y Median Rolling Return	28%	14%
Volatility	24%	23%
Max Drawdown	-57%	-62%

Deep Dive (4 of 4)

When is the right time to start investing?

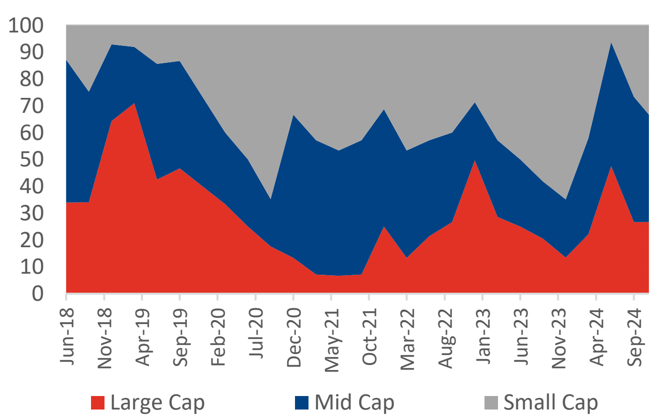
Timing the market can be challenging, but the Trending Quality Strategy has consistently delivered strong outcomes across varying starting points. Regardless of market conditions, long-term horizons (3-5 years) have yielded exceptional returns. The below table shows, different beginning dates spanning from 2003 to 2010, in order to observe results over a minimum period of 15 years.

	CAGR		Volatility		% of time Strategy outperformed BSE 500			% of time Strategy delivered Positive Returns		
Start Year	**Strategy**	**BSE 500**	**Strategy**	**1Y Rolling**	**1Y Rolling**	**3Y Rolling**	**5Y Rolling**	**1Y Rolling**	**3Y Rolling**	**5Y Rolling**
Jan-03	33%	19%	24%	23%	77%	100%	100%	87%	99%	100%
Jan-04	30%	16%	24%	23%	77%	100%	100%	86%	99%	100%
Jan-05	29%	15%	23%	22%	75%	100%	100%	85%	99%	100%
Jan-06	26%	14%	23%	22%	76%	100%	100%	84%	99%	100%
Jan-07	26%	13%	22%	22%	76%	99%	100%	83%	100%	100%
Jan-08	23%	10%	22%	22%	78%	100%	100%	85%	100%	100%
Jan-09	31%	17%	19%	19%	81%	100%	100%	88%	100%	100%
Jan-10	28%	13%	19%	17%	82%	100%	100%	87%	100%	100%

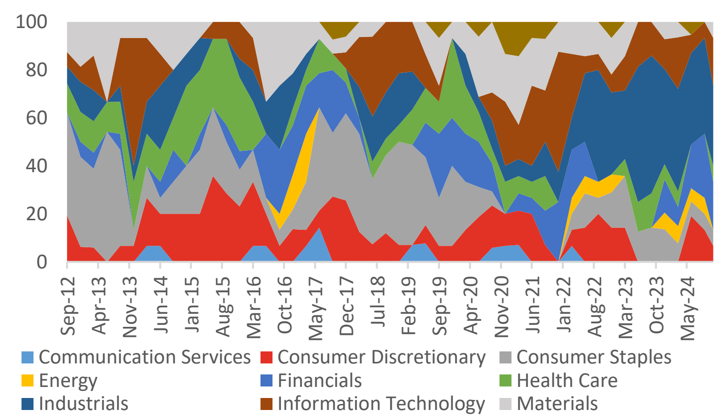
Trending Quality is a well-diversified flexi-cap strategy

- Market Cap Mix: On average for the last 5-6 years; the market cap mix of the Trending Quality Strategy is : Large-Caps: 30%; Mid-Caps: 35% and Small-Caps: 35%.
- Sector Rotation: Adjusts based on prevailing economic cycles.

Trending Quality Strategy: Market Cap (%)



Trending Quality Strategy: Sector Mix (%)



Conclusion

The strategy combines a factor-based selection process with disciplined portfolio management and has historically demonstrated strong long-term performance. While it has shown slightly higher volatility, it has also delivered consistent returns during the past market downturns.

Reading Room

Gold Fuels Civil War

Sudan's gold mines, particularly in Darfur, are controlled by rival factions like the Rapid Support Forces (RSF). Profits from these mines fund military operations, fueling violence and deepening the civil war. This battle over gold has worsened ethnic cleansing, displacement, and famine, leaving millions of civilians in dire conditions. A significant portion of Sudan's gold is smuggled to countries like the UAE, bypassing government oversight and enriching warlords. Despite vast gold reserves, Sudan's natural wealth exacerbates inequality and instability, sustaining war and undermining peace efforts.

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South Korean Won Weakens

The South Korean won fell to its weakest level in 15 years, reaching 1,448.9 per dollar, due to a cautious U.S. Federal Reserve stance and domestic political instability. The Fed's smaller-than-expected rate cut strengthened the dollar, adding pressure on the won. Domestic uncertainty, following President Yoon Suk Yeol's failed martial law attempt, and the Bank of Korea's economic risk warnings contributed to the won's 3.9% decline in December. In response, South Korea's finance ministry and central bank are prepared to stabilize markets by adjusting foreign exchange management and expanding the Bank of Korea's foreign exchange swap line.

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US Graphite Firms Seek 920% Duty to Thwart China on EV Material

US graphite producers have filed petitions for significant tariff increases on Chinese graphite imports, arguing that state subsidies give Chinese producers an unfair advantage. The proposed tariffs could be as high as 920%, which would substantially increase the cost of electric vehicle (EV) batteries. Currently, the US relies heavily on Chinese graphite imports due to the lack of domestic production. The industry contends that without these protective measures, efforts to develop local graphite production will be unsuccessful. The decision on whether to implement these tariffs will be made after investigations conclude in 2025.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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Registered Address: I Think Techno Campus, Building, B, Alpha, Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai - 400 042.
Tel: +91-22-30753400 Fax: +91-22-30753435 www.hdfcsec.com.

Member of NSE, BSE, MSEI, MCX | Reg No.: INZ000186937 | Member: CDSL | Reg No.: IN-DP-372-2018 | Research Analyst: INH000002475 |
Investment Adviser: INA000011538 | PFRDA: POP-11092018 | AMFI: ARN13549 | Corporate Identity Number (CIN) - U67120MH2000PLC152193
Compliance Officer: Mr. Murli V Karkera. Ph: 022-3045 3600, Email: complianceofficer@hdfcsec.com.
For any complaints / grievance: services@hdfcsec.com