

INVASSET NEWS

Edition 9 - August 2024

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BREAKING NEWS

"MARKET MOMENTUM: AUGUST SEES UNPRECEDENTED GAINS AMID GLOBAL ECONOMIC RECOVERY"



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WHATSAPP NO.

98158-10172

Mr. Anirudh Garg in an exclusive interview with NDTV Profit

August 23, 2024



Shift in Momentum is Round the Corner

Dive into the latest market insights with Anirudh Garg, Fund Manager at INVasset PMS, as he unpacks the current trends and future outlook in an enlightening interview with NDTV Profit. Discover why the markets are taking a breather and what lies ahead for investors.

Banking Sector Update: Despite the broader market's surge, the banking index, particularly the Bank Nifty, is poised for a catch-up, potentially leading to sideways market movements. Garg explains why no major corrections are expected soon but emphasizes the shift in momentum.

From Capex to Value: The investment theme has transitionally shifted from capital expenditure to value. With the Nifty expected to underperform and remain sideways, find out which sectors are gearing up to take the lead.

Leading Sectors: The spotlight is now on the new economy sectors like IT, FMCG, and Pharma. Garg shares why these sectors might outshine the rest due to their recent underperformance and fundamental strengths.

FMCG Innovations: Highlighting companies like Zomato, Blinkit, and Zepto, Garg discusses how these players are redefining the FMCG space, promising exciting prospects for investors looking at innovative market leaders.

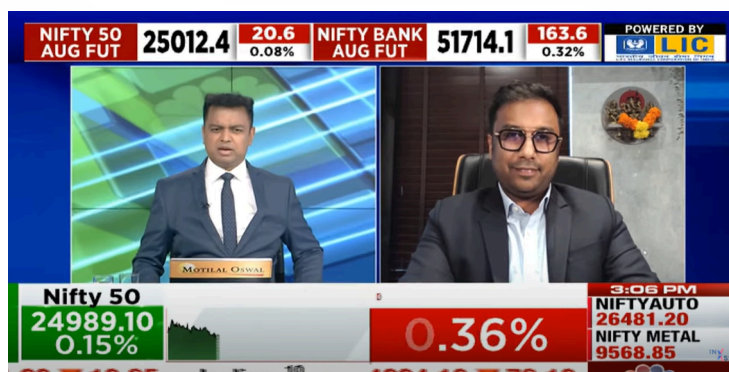
Investment Strategy : In response to an overall expensive market, INVasset is strategically investing in large-cap IT stocks as a protective measure. Learn about the rationale behind this choice and what it means for your investment portfolio.

Click here for the entire interview : <https://www.youtube.com/watch?v=GuBoVdtB91I>

Mr. Anirudh Garg in an exclusive interview with CNBC Awaaz

August 2, 2024

Capital Preservation is the key to wards today's scenario



Click here for the entire interview : <https://www.youtube.com/watch?v=l748JfQ5c4k&t=5s>

Mr. Anirudh Garg in an exclusive interview with CNBC TV18

August 22, 2024



Current Market Trends: Anirudh Garg points out that the market is experiencing an old economy rally, driven mainly by interest rate sensitivity and robust capital expenditure. With a deep dive into sectors like railways, defense, infrastructure, and power, he provides a thorough understanding of their potential impact and future shifts expected in the market landscape.

Future Predictions: Anirudh Garg also hints at an emerging opportunity in the metals sector, which is expected to join the rally moving forward. This insight is crucial for investors looking to diversify and capitalize on upcoming market trends.

Click here for the entire interview : <https://www.youtube.com/watch?v=7CuEedav4aE>

Harness the potential of high-growth companies: Invest in focused funds through SIPs

August 5, 2024

This reduces the impact of entering the market at peak valuations.

● HARNESS THE POTENTIAL OF HIGH-GROWTH COMPANIES

Invest in focused funds through SIPs

This reduces the impact of entering the market at peak valuations

SAIKAT NEOGI

INVESTING IN FOCUSED FUNDS through systematic investment plans (SIPs) now give rise to the current market conditions of sector rotation and high valuations. As these funds concentrate their investments in a limited number of stocks, SIPs will help mitigate this risk by spreading the investments over time. Focused funds typically invest in a concentrated portfolio of stocks, often in high-conviction investment ideas. By investing in these funds through SIPs, investors can gain exposure to potentially high-growth areas of the market while managing risk through regular investment and diversification.

Concentrated approach

These funds, with their concentrated portfolio of high-conviction stocks, offer the potential for superior returns by allowing fund managers to meticulously select a limited number of quality companies. This approach enables a sharper focus on the best investment opportunities. The concentrated approach can lead to superior returns if the chosen stocks perform well. However, it also increases the risks since the success of the fund heavily depends on the performance of a few key investments.

A BALANCED APPROACH TO MITIGATE RISKS

1-year
Invesco India Focused Fund
Mahindra Manulife Focused Fund
JM Focused Fund
ITI Focused Equity Fund
Quant Focused Fund

3-year
HDFC Focused 30 Fund
Mahindra Manulife Focused Fund
JM Focused Fund
ICI Prudential Focused Equity Fund
Invesco India Focused Fund

5-year
Quant Focused Fund
360 ONE Focused Equity Fund
ICI Prudential Focused Equity Fund
HDFC Focused 30 Fund
Franklin India Focused Equity Fund

■ In a market where stock and sector rotations are frequent, SIPs ensure consistent investment

■ As these funds take highly concentrated bets, the ideal investing period should be at least five years or more

Returns are annualised. Data as on July 30, 2024. All funds are regular growth option. Source: Fidelity Research, Morningstar

Longer investing horizon

Focused funds are suitable for long-term investors who seek higher returns and are comfortable with higher risk. As these funds take highly concentrated bets, the ideal investing period should be at least five years or more.

Anirudh Garg, partner, Invasset, says the extended horizon is crucial to fully realise the potential benefits of the concentrated investment strategy employed by focused funds. "The selected high-conviction stocks within these funds often require time to reach their growth potential, particularly if the

portfolio includes mid-cap and small-cap stocks that may experience significant volatility in the short term but offer substantial growth opportunities in the long run," he says. It also aligns with the fundamental principles of focused funds, which aim to capitalise on the intrinsic value and growth prospects of a carefully curated selection of companies. It provides fund managers the flexibility to implement their high-conviction strategies effectively, ensuring that the underlying investment thesis for each stock can fully materialise.

What to keep in mind
Focused funds tend to be more volatile due to their concentrated nature. Investors should be comfortable with potential short-term fluctuations in value. "An skilled manager with a successful track record of high-conviction stock picks is crucial for the success of a focused fund," says Karkera. Investors must understand the fund manager's investment philosophy and approach to stock selection. They should review the number of stocks in the portfolio and the degree of diversification. Checking for sectoral biases and ensuring the portfolio is not overly exposed to any single sector is important as it can heighten risk if that sector underperforms. "Evaluating the fund's historical performance, expense ratio, and consistency in delivering returns is essential," says Garg.

“ The ideal investing period should be at least five years or more. ”

Longer investing horizon

In a written interview with Financial Express, Mr. Anirudh Garg, Fund Manager of INVasset PMS said, Focused funds are suitable for long-term investors who seek higher returns and are comfortable with higher risk. As these funds take highly concentrated bets, the ideal investing period should be at least five years or more. Anirudh Garg, partner, Invasset, says the extended horizon is crucial to fully realise the potential benefits of the concentrated investment strategy employed by focused funds. "The selected high-conviction stocks within these funds often require time to reach their growth potential, particularly if the portfolio includes mid-cap and small-cap stocks that may experience significant volatility in the short term but offer substantial growth opportunities in the long run," he says. It also aligns with the fundamental principles of focused funds, which aim to capitalise on the intrinsic value and growth prospects of a carefully curated selection of companies. It provides fund managers the flexibility to implement their high-conviction strategies effectively, ensuring that the underlying investment thesis for each stock can fully materialise.

To read the full article click on the link : <https://www.financialexpress.com/money/harness-the-potential-of-high-growth-companies-invest-in-focused-funds-through-sips-3573530/>

Gen Z and India's \$10 trillion dream - A wealth-building opportunity: Anirudh Garg

In an interview with ETMarkets, Anirudh Garg, Fund Manager, INVasset PMS,

August 13, 2024

“ The wealth that will be generated through equity investing over the next 20 years will be immense ”



Gen Z has a unique advantage: time. They have the opportunity to invest in India's journey towards becoming a \$10 trillion economy and beyond," says Anirudh Garg, Partner and Fund Manager at Invasset PMS.

Read more at:

https://economictimes.indiatimes.com/markets/expert-view/etmarkets-pms-talk-gen-z-and-indias-10-trillion-dream-a-wealth-building-opportunity-anirudh-garg/articleshow/112467612.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Monday Chronicles: Market Insights and Strategic Opportunities

Dear Valued Clients,

Thank you for your continued trust and investment with INVasset PMS.

In times of market uncertainty and volatility, it is crucial to remember that the biggest bottoms in the market are often made during periods of extreme confusion. As quantitative analysts, we rely on a multi-model approach derived from various analyses that have consistently guided us in the past. These include methods like the correction of leader stocks and the Elliott Wave Theory.

Current Market Analysis

While it is true that predicting the exact bottom of the market is challenging, our systems are indicating that this is a very opportune time to invest. According to our models, the maximum downside risk for the Dow Jones is around 38,000 levels. However, there is no certainty that this level will be reached, or if it does, how quickly it might occur.

Investment Strategy

The stocks we have been monitoring have reached the targets we expected in this correction phase. As a result, we are personally buying into our accounts, confident that this is a favorable risk-reward period. If you have liquidity available, this is an excellent opportunity to top up your portfolio and position yourself for potential gains.

Advisory Note

While we believe in the strength of our analysis, it is important for each investor to consult with their financial advisor before making any investment decisions. The stock market inherently carries risks, and personal circumstances should be taken into account.

Conclusion

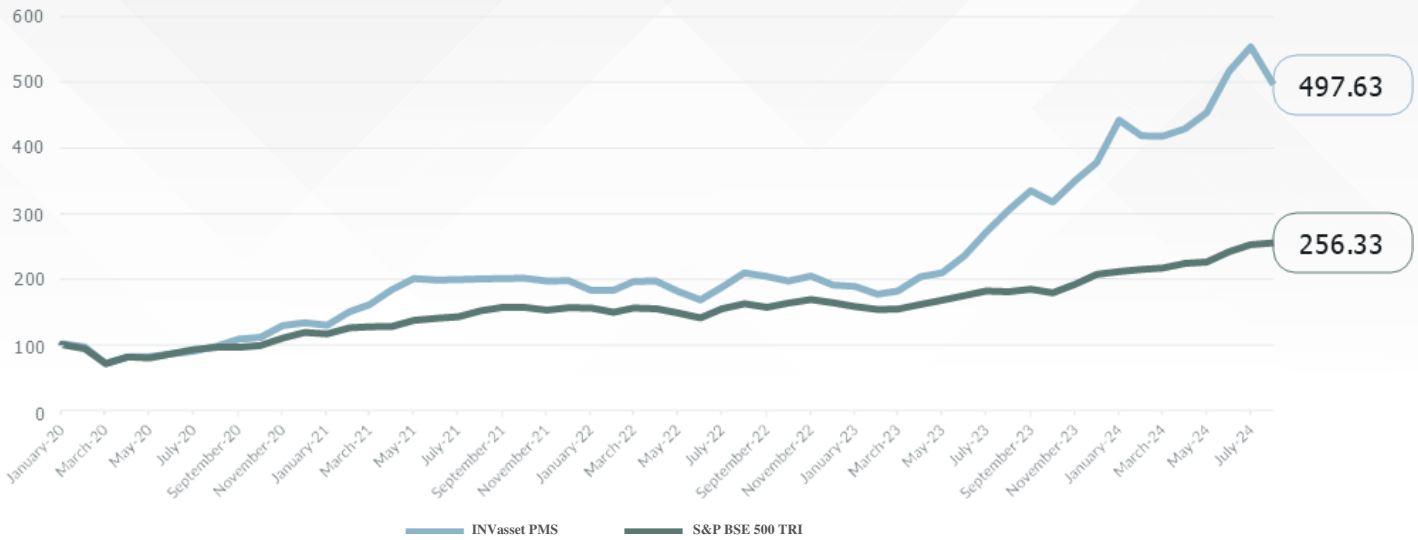
We are currently in a valuation zone that presents very good opportunities. We encourage you to reflect on this analysis and decide if it aligns with your investment strategy. As your portfolio managers, we feel it is our duty to inform you of these insights and potential opportunities.

Best regards,

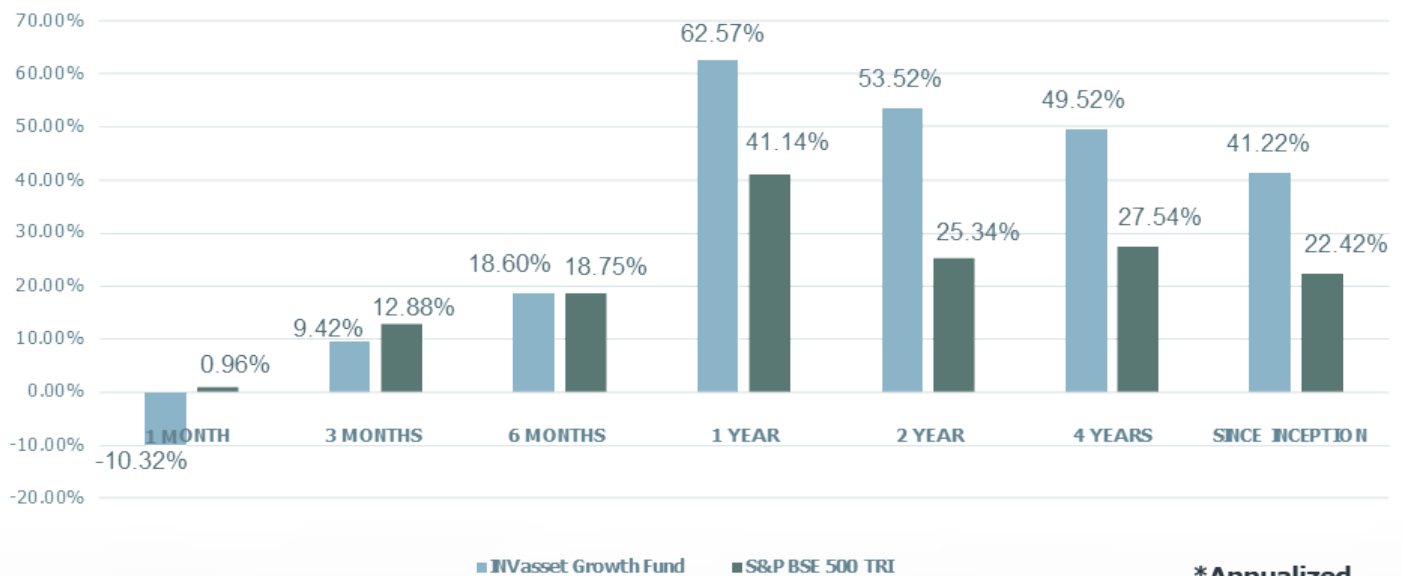
Anirudh Garg
Fund Manager,
INVasset PMS



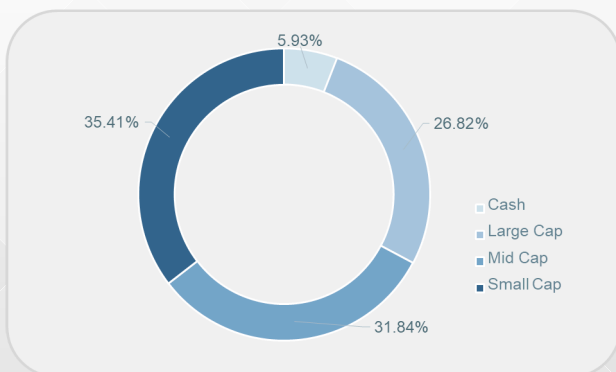
INVasset Growth PMS Fund Performance – Absolute Basis



INVasset Growth PMS Fund Performance – Period Wise



MARKETCAP CLASSIFICATION



INVasset Growth PMS Fund Top 5 Holdings

Security	Assets%
Garden Reach Shipbuilders & Engineers Ltd.	12.86%
Mazagon Dock Shipbuilders Ltd.	11.26%
Cochin Shipyard Ltd.	6.90%
Hindustan Aeronautics Ltd.	5.48%
Titagarh Railsystems Ltd.	4.00%

INVasset Growth PMS Fund Top 3 Sectoral Exposure

Security	Assets%
Defence	43.65%
Railways	13.72%
Power	15.12%

Disclaimer : Past Returns are not an indication of future returns. If you are investing in PMS or taking any financial decisions then please consult your financial advisor before investing.

INVasset PMS		S&P BSE 500 TRI		INVasset PMS		S&P BSE 500 TRI	
Month	% Absolute Return	% Absolute Return		Month	% Absolute Return	% Absolute Return	
January - 20	100	100		August - 22	11.65% 211.01	4.81% 163.11	
January - 20	2.97% 102.97	0.72% 100.72		September - 22	-2.71% 205.30	-3.22% 157.86	
February - 20	-4.63% 98.20	-6.42% 94.26		October - 22	3.20% 198.73	4.09% 164.31	
March - 20	-25.98% 72.69	-23.85% 71.78		November - 22	3.63% 205.30	3.46% 170.00	
April - 20	14.42% 83.18	14.63% 82.28		December - 22	-6.47% 192.62	-3.15% 164.64	
May - 20	0.79% 83.83	-2.32% 80.17		January - 23	-1.17% 190.36	-3.34% 159.15	
June - 20	4.88% 87.92	8.30% 87.04		February - 23	-6.19% 178.58	-2.75% 154.77	
July - 20	4.51% 91.89	7.10% 93.22		March - 23	2.64% 183.30	0.36% 155.33	
August - 20	8.34% 99.56	3.91% 96.87		April - 23	11.82% 204.97	4.59% 162.45	
September - 20	10.55% 110.06	-0.22% 96.66		May - 23	2.93% 210.97	3.77% 168.58	
October - 20	2.70% 113.03	2.60% 99.17		June - 23	12.21% 236.72	4.28% 175.80	
November - 20	15.73% 130.80	11.78% 110.85		July - 23	15.09% 272.44	3.80% 182.48	
December - 20	3.40% 135.24	7.70% 119.39		August - 23	12.36% 306.12	-0.47% 181.62	
January - 21	-3.02% 131.16	-1.75% 117.30		September - 23	9.83% 336.22	2.10% 185.44	
February - 21	15.66% 151.70	7.93% 126.61		October - 23	-5.14% 318.93	-2.86% 180.14	
March - 21	7.40% 162.93	1.27% 128.21		November - 23	10.09% 351.10	7.06% 192.85	
April - 21	13.79% 185.41	0.47% 128.82		December - 23	7.84% 378.64	8.04% 208.35	
May - 21	9.15% 202.36	7.07% 137.93		January - 24	17.14% 443.53	1.92% 212.34	
June - 21	-1.06% 200.21	2.12% 140.87		February - 24	-5.40% 419.57	1.66% 215.34	
July - 21	0.34% 200.89	1.52% 143.01		March - 24	-0.19% 418.78	0.86% 217.71	
August - 21	0.51% 201.91	6.60% 152.45		April - 24	2.73% 430.23	3.44% 225.19	
September - 21	0.14% 202.20	3.41% 157.64		May - 24	5.70% 454.77	0.83% 227.07	
October - 21	0.25% 202.71	0.30% 158.12		June - 24	13.11% 514.38	7.05% 243.09	
November - 21	-2.11% 198.42	-2.90% 153.53		July - 24	7.88% 554.91	4.44% 253.89	
December - 21	0.30% 199.01	2.36% 157.15		Aug - 24	-10.32% 497.63	0.96% 256.33	
January - 22	-7.41% 184.27	-0.38% 156.56					
February - 22	0.09% 184.45	-3.94% 150.38					
March - 22	7.41% 198.11	4.24% 156.75					
April - 22	0.16% 198.42	-0.57% 155.86					
May - 22	-7.97% 182.62	-4.16% 149.38					
June - 22	-6.89% 170.03	-5.08% 141.80					
July - 22	0.09% 189.00	9.76% 155.63					

Disclaimer : Investments in Portfolio Management Services (PMS) are subject to market risk, including the potential loss of principal. Past performance is not indicative of future results. Our PMS operates under SEBI regulations and all information provided is for informational purposes only, not to be construed as investment, legal or tax advice. Investors should consult their own advisors before making investment decisions. There is no guarantee or guidance of returns and the value of investments may fluctuate. For more information please visit our website or contact our customer service department.

Calendar Year Returns

	INVasset PMS	S&P BSE 500 TRI
Jan 20 to Dec 20	35.24%	19.39%
Jan 21 to Dec 21	47.15%	31.63%
Jan 22 to Dec 22	-3.21%	4.77%
Jan 23 to Dec 23	96.57%	26.55%
Jan 24 to Aug 24	31.43%	23.04%

Financial Year Returns

	INVasset PMS	S&P BSE 500 TRI
Jan 20 to March 20	-27.31%	-28.22%
April 20 to March 21	124.14%	78.63%
April 21 to March 22	21.59%	22.26%
April 22 to March 23	-7.48%	-0.91%
April 23 to March 24	128.47%	40.16%
April 24 to Aug 24	18.83%	17.74%

Ratios & Risk (as on Aug, 2024)

Standard Deviation	Beta	Sharpe Ratio	Treynor Ratio
8.10%	1.09	4.21	0.31

The JPMorgan London Whale scandal is one of the most significant trading losses in modern banking history, showcasing the risks of large-scale trading in complex financial products. Here's a detailed breakdown:

Background and Key Players

Bruno Iksil: The main trader in the scandal, based in JPMorgan's Chief Investment Office (CIO) in London. He was known as the "London Whale" due to the size of the trades he executed. His job was to manage JPMorgan's portfolio in a way that reduced risk and protected the bank from potential losses.

JPMorgan Chase & Co.: One of the world's largest financial institutions, with a reputation for solid risk management. The bank's CIO was responsible for managing excess cash reserves. The CIO's job wasn't to take aggressive risks but to hedge the bank's exposures and protect it from downturns.

Ina Drew: She was the head of JPMorgan's CIO and a key figure overseeing the division where the losses occurred. She resigned following the scandal.

What Was JPMorgan Doing?

JPMorgan's CIO invested in complex financial products to manage the bank's large portfolio. One such product was the credit default swap (CDS). A CDS is a financial derivative that acts like insurance for bonds. If a company defaults on its debt, the buyer of the CDS gets paid by the seller. **Example:** If a bank owns a bond from Company X, and it fears that Company X might go bankrupt, the bank can buy a CDS. If Company X defaults, the CDS seller will pay the bank. Essentially, the CDS protects the bank from potential losses. JPMorgan's CIO wasn't supposed to make risky bets with these products but rather use them to hedge, or protect, against risk. However, over time, the trades Iksil and his team made became more about speculation and less about protection.

The Trades

Iksil's team, under his direction, started making large and aggressive trades in CDS, betting that certain indexes of corporate debt would improve, essentially wagering on the overall health of the financial markets. These trades were meant to reduce the bank's risk, but they ended up becoming a large, speculative gamble.

Selling CDSs: Iksil's strategy involved selling CDSs. This meant JPMorgan would pay other parties if companies started defaulting. Essentially, Iksil and his team were betting that the markets would improve and that JPMorgan wouldn't need to make those payouts.

Size of the Trades: The size of the positions became massive, reportedly as much as \$100 billion, and began moving the market. Other traders noticed these huge positions and started betting against JPMorgan.

What Went Wrong?

The market moved against Iksil's positions. As the size of JPMorgan's trades became known, hedge funds and other market players took the opposite side of the trade, betting that the market would decline. This forced Iksil's positions to lose value.

Liquidity Problem: The market for CDS became illiquid (meaning there weren't enough buyers and sellers), and because of the size of the positions, JPMorgan couldn't unwind (exit) their trades without causing massive losses.

Rising Losses: Initially, JPMorgan executives downplayed the scale of the losses, describing it as a "tempest in a teapot." But as time went on, the losses became larger and more public, eventually totaling over \$6 billion.

Consequences

Financial Impact: JPMorgan reported a total loss of over \$6 billion. While this didn't bankrupt the bank (thanks to its large size), it was still a major hit to its profits and reputation.

Internal Failures: The scandal revealed significant failures in JPMorgan's risk management and oversight. Senior management, including CEO Jamie Dimon, admitted that they underestimated the risks and that their risk controls had failed. The CIO's office, which was supposed to act conservatively, had instead become a high-risk trading operation.

Resignations: Ina Drew, head of the CIO, resigned as a result of the scandal. Bruno Iksil, though he wasn't personally charged, left the bank. Other key figures involved in the trades faced penalties and investigations.

Regulatory Scrutiny and Aftermath : The London Whale incident led to -

Increased Scrutiny on Large Banks: Regulators and lawmakers used the scandal as an example of why large, complex banks pose a risk to the financial system. It added fuel to the argument that certain banks were "too big to fail" and that their trading activities needed stricter oversight.

Volcker Rule: This scandal came at a time when the Volcker Rule, part of the post-2008 financial reforms, was being debated. The Volcker Rule aimed to limit proprietary trading (trading for a bank's own profit) at large banks. The London Whale case became a key example of why this rule was necessary.

Fines and Legal Actions: JPMorgan eventually paid nearly \$1 billion in fines to various regulatory agencies in the U.S. and U.K. for its role in the scandal. Investigations also revealed that the bank had misled investors and regulators about the size of the losses and the risks they were taking.

Lessons Learned

Risk Management Failures: JPMorgan had a reputation for strong risk controls, but the London Whale scandal showed how even well-managed banks could overlook growing risks in their own trading operations.

Complexity of Derivatives: The scandal highlighted the risks of complex financial derivatives like CDS, which can create large, opaque positions that are hard to monitor.

Importance of Transparency: The fact that JPMorgan initially downplayed the size of the losses led to public distrust. It underscored the importance of transparency in financial reporting.

In summary, the London Whale scandal was a case of excessive risk-taking by JPMorgan's London trading desk, resulting in over \$6 billion in losses, a loss of reputation, and significant regulatory consequences. It exposed deep flaws in the bank's risk management and sparked discussions on how to prevent similar incidents in the future.

Q.1 Which of the following best describes the Sharpe ratio?

- A) A measure of excess return per unit of risk.
- B) A measure of proportionate risk.
- C) A measure of expected return for market risk.
- D) A measure of price sensitivity to market changes.

Q.2. What is dividend yield?

- A) It increases as stock price decreases.
- B) Annual dividend divided by current stock price.
- C) Total return of a stock.
- D) Measure of stock volatility.

Q.3 What does fundamental analysis focus on?

- A) Historical price data.
- B) Company-specific factors for intrinsic value.
- C) Technical indicators.
- D) Ignoring economic factors.

Q.5 What does a stock beta of 1.5 indicate?

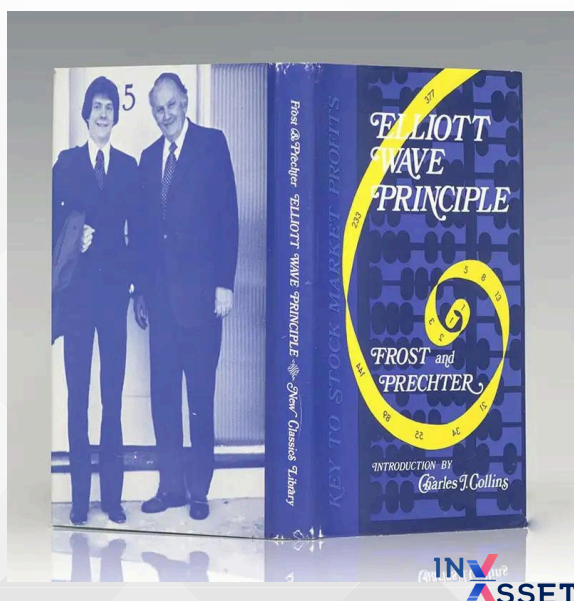
- A) Less market risk than average.
- B) Equal risk to the market.
- C) More market risk than average.
- D) No correlation to market movements.

Question of month

What is the efficient market hypothesis (EMH)?

- A) Prices reflect all available information.
- B) Technical analysis predicts prices.
- C) Markets are inefficient due to behavior.
- D) Arbitrage opportunities are common

Book of the Month !



Answers to Quiz

Answer 1 : A) A measure of excess return per unit of risk.

Answer 2 : B) Annual dividend divided by current stock price.

Answer 3 : B) Company-specific factors for intrinsic value.

Answer 4 : C) More market risk than average.

Answer to Question of the Month

A) Prices reflect all available information

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