

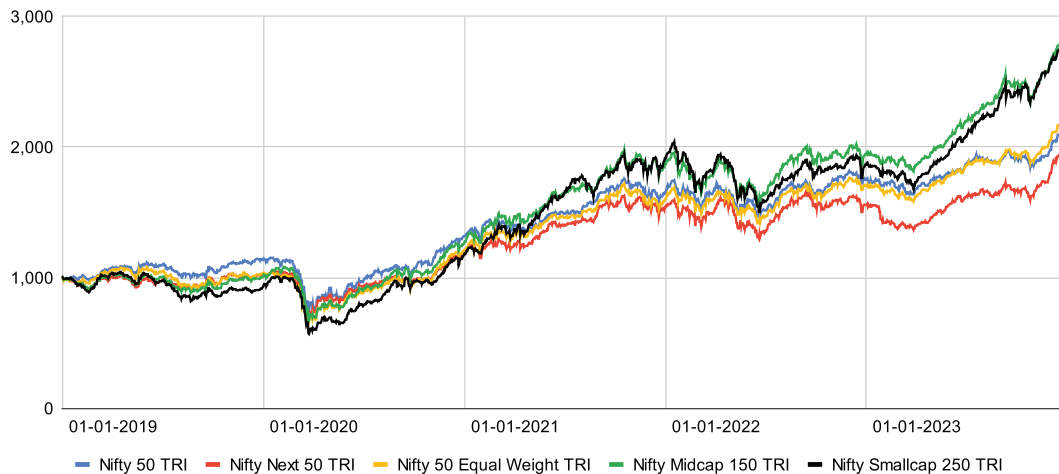
THE FACTOR FRONTIER

YOUR QUARTERLY GUIDE
TO FACTOR INVESTING.

EDITION 03 | JAN 2024

Market Outlook

Market Cap Indices Performance (Last 5 Years)



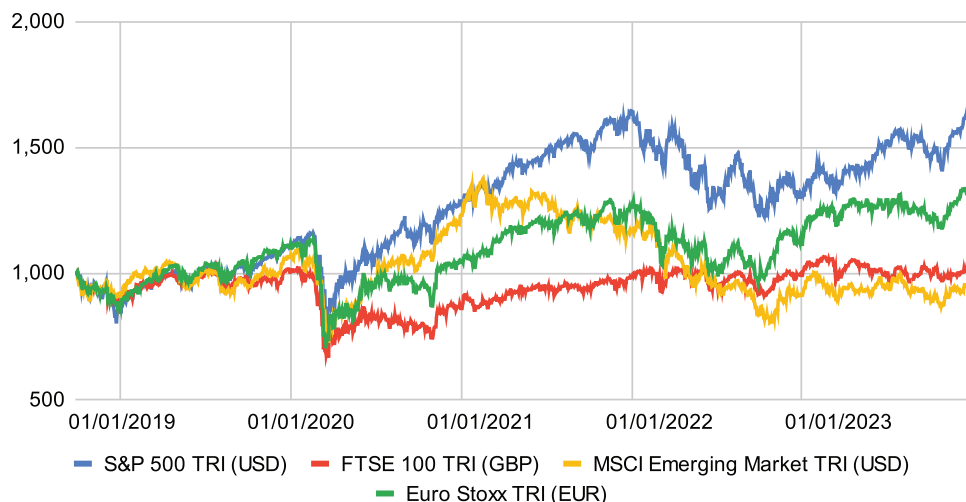
Source: CMIE

Data from 31st Dec, 2018 to 31st Dec, 2023

Markets have had a good one-year return with the smaller size firms outperforming the larger cap firms over the period. This outperformance in the medium and small cap indices was also observed in the past quarter. Over the 1-year period, the largest 100 firms represented by Nifty 50 and Nifty Next 50 Index posted 21.18% and 27.24% respectively while Nifty Midcap 150 index gave 44.61% and Nifty Smallcap 250 index posted 49.09% returns respectively. The Nifty 50 Equal Weight Index returned 29.79% during this 1-year period. Over the past quarter the Nifty 50 and Nifty Next 50 indices generated 10.85% and 18.60%, while Nifty 50 Equal Weight, Midcap and Smallcap indices gave 13.53%, 12.92% and 14.91% respectively.

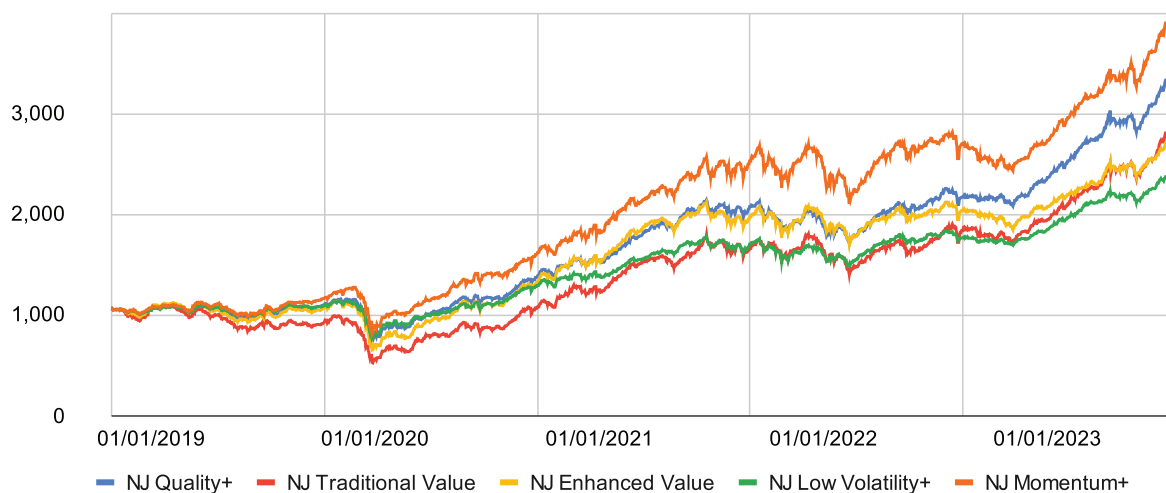


Global Market Performance (Last 5 Years)



Globally, developed markets are having a good one year performance while the emerging markets in USD terms have generated a good positive return for the year. The S&P 500 in USD was up +24.23% for the past one year period showing a strong US market performance. The UK markets were also positive over the last one year at +3.78% in GBP home currency. The broader Emerging markets in USD currency was positive at +7.04% over the same one year time period. The Eurozone has also shown a great one year performance with the Euro Stoxx Index made of the largest European firms up +19.19% in Euros. The past quarter has also been positive for all the indices.

NJ Factor Performance (Last 5 Years)



The markets have posted a strong upward trend in the past quarter. Additionally, all factors exhibited strong positive performance during the quarter as well. Over a one-year period, the Nifty 50 TRI yielded a return of +21.18%. During this one-year period, all factors, Value, Quality, Low Volatility and Momentum have strongly outperformed the market index. Specifically, over the one-year time period, NJ Traditional Value Model posted a return of +58.03% while NJ Enhanced Value Model gave +36.09%, NJ Quality+ Model achieved +57.21%, while NJ Low Volatility+ Model and NJ Momentum+ Model delivered returns of +38.56% and +48.80% respectively.

Recent Point to Point Performance

Point-to-Point returns summary

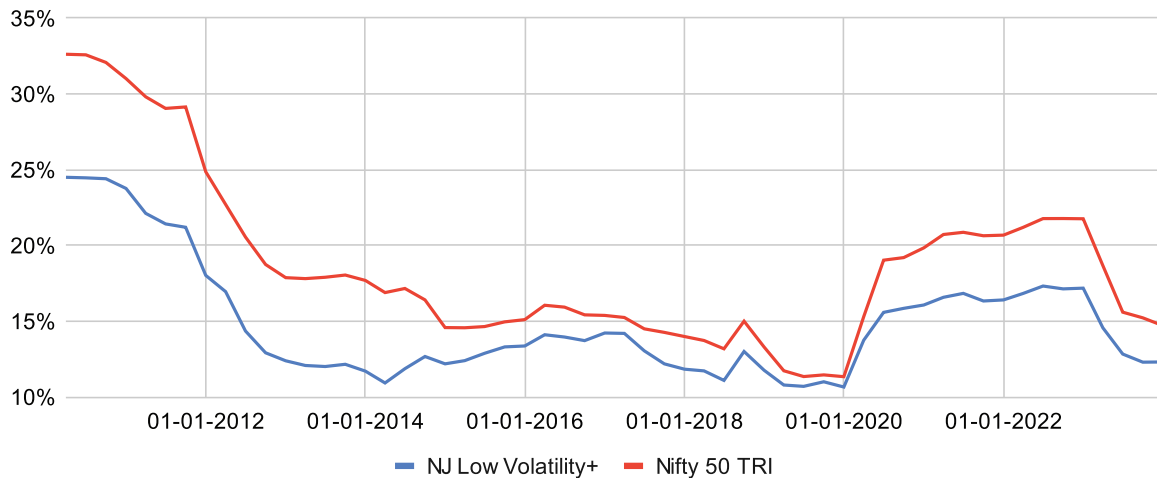
	NJ Quality+	NJ Enhanced Value	NJ Momentum+	NJ Low Volatility+	NJ Traditional Value	NIFTY 50 TRI
MTD(%)	7.84	6.81	8.24	6.48	10.24	7.94
3M(%)	16.25	12.06	18.29	12.02	16.98	10.41
6M(%)	35.5	26.31	35.68	25.13	38.08	15.12
YTD(%)	57.21	36.09	48.80	38.56	58.03	21.18
1Y(%)	57.21	36.09	48.80	38.56	58.03	21.18
3Y (ann.)(%)	35.37	28.15	35.67	24.04	39.13	17.51
5Y (ann.)(%)	26.26	21.07	30.32	18.18	22.11	16.23
10Y (ann.)(%)	23.99	20.47	28.71	20.11	21.70	14.53
All-time(ann.)(%)	19.74	15.88	23.10	17.83	16.26	12.38

Data from 30th Sep, 2006 to 31st Dec, 2023

Historical Factor Trends

Historical Trends in NJ's Low Volatility+ Model

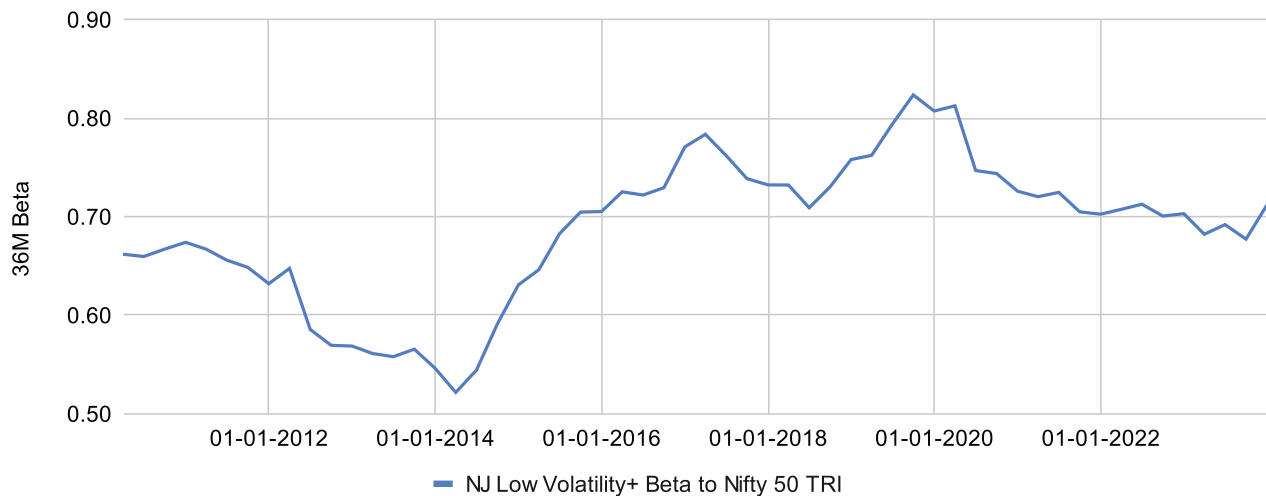
NJ Low Volatility+ vs Nifty 50 TRI: Historical 36 Month Volatility



Source: CMIE, NJ Smart Beta

Data from 31st Mar, 2007 to 31st Dec, 2023

NJ Low Volatility+: Historical 36 Month Beta Against Nifty 50 TRI



Source: CMIE, NJ Smart Beta

Data from 31st Mar, 2007 to 31st Dec, 2023

NJ Low Volatility+ and Nifty 50 TRI Parameter Averages

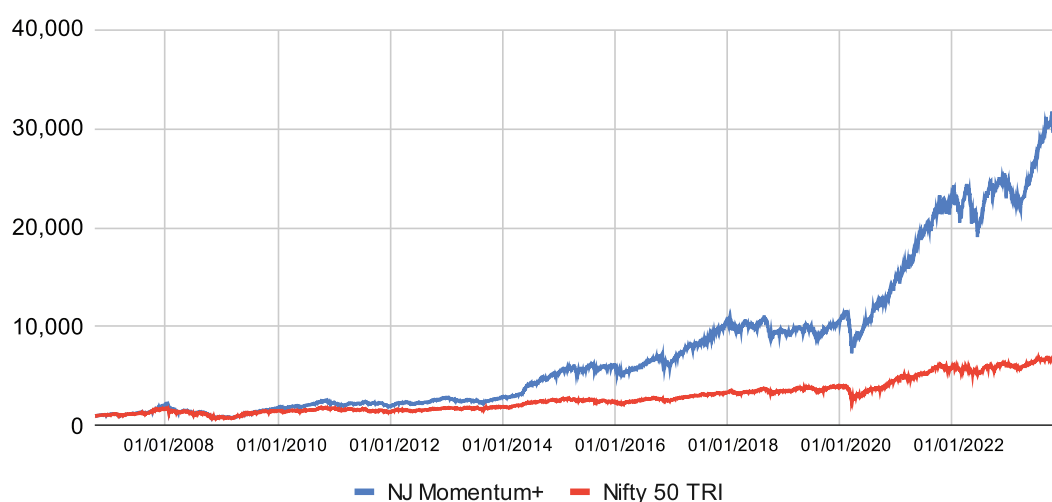
Parameter	NJ Low Volatility+	Nifty 50 TRI
36M Weekly Annualised Volatility	12.25%	14.71%
36M Weekly Beta	0.71	1.00

As on 31st Dec, 2023

On the basis of volatility parameters, NJ Low Volatility+ Model has lower volatility than Nifty 50. NJ Low Volatility+ has a lower annualised volatility than the Nifty 50 by +2.46%. Similarly, on the basis of Beta calculated over 36 months, NJ Low Volatility+ has a significantly low beta of 0.71 to the Nifty 50.

Historical Trends in NJ's Momentum+ Model

NJ Momentum+ vs Nifty 50 TRI: Cumulative Growth Chart



Source: CMIE, NJ Smart Beta

Data from 30th Sept,2006 to 31st Dec,2023

NJ Momentum+ and Nifty 50 TRI Returns

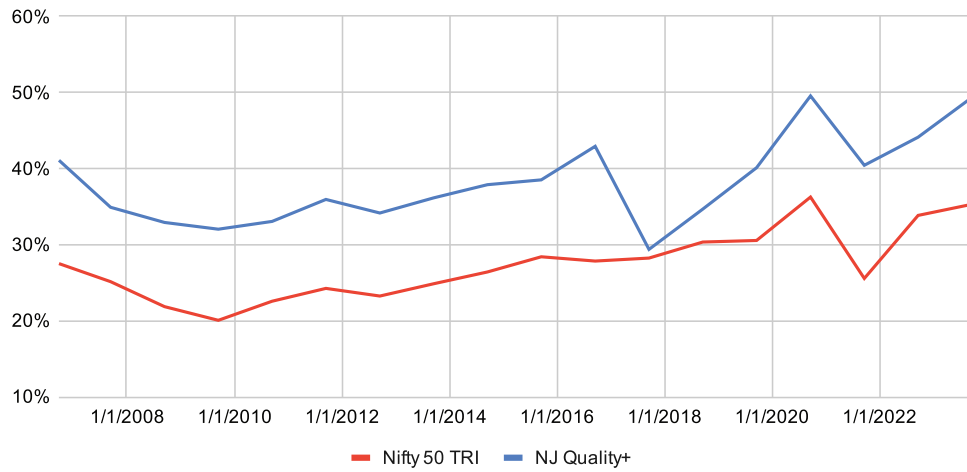
Parameter	YTD Return	1-Year Return	3-Year CAGR	5-Year CAGR	10-Year CAGR	Since Inception CAGR
NJ Momentum+	48.80%	48.80%	35.67%	30.32%	28.71%	23.10%
Nifty 50 TRI	21.18%	21.18%	17.51%	16.23%	14.53%	12.38%

As on 31st Dec, 2023

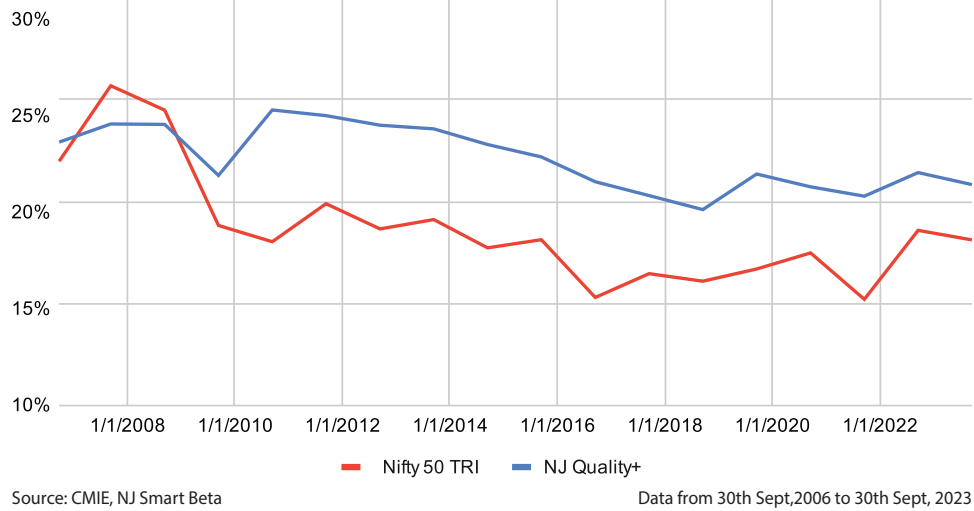
The NJ Momentum+ Model has higher momentum metrics to the Nifty 50 Index over the medium to long term which is evident from the 3, 5 and 10 years CAGR %. NJ Momentum+ has also done better than the market index over the past 1 year. The NJ Momentum+ generated 48.80% while the Nifty 50 Index gave 21.18% over the year to date and 1-year period respectively.

Historical Trends in NJ's Quality+ Model

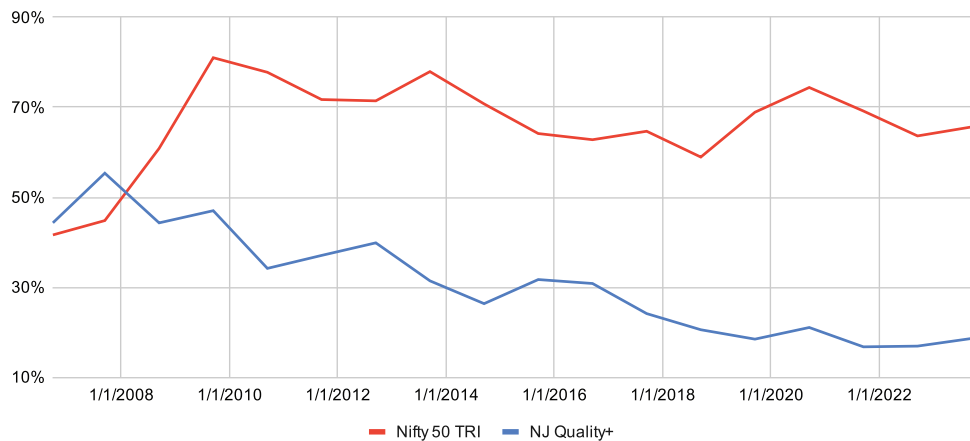
NJ Quality+ vs Nifty 50 TRI : Dividend Payout



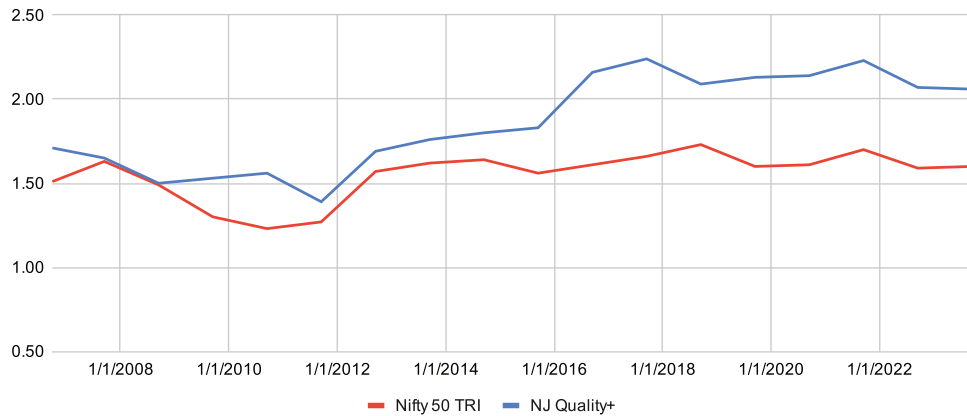
NJ Quality+ vs Nifty 50 TRI: Return on Equity



NJ Quality+ vs Nifty 50 TRI : Debt to Equity



NJ Quality+ vs Nifty 50 TRI: Current Ratio



Source: CMIE, NJ Smart Beta

Data from 30th Sept,2006 to 30th Sept, 2023

NJ Quality+ and Nifty 50 TRI Parameter Averages

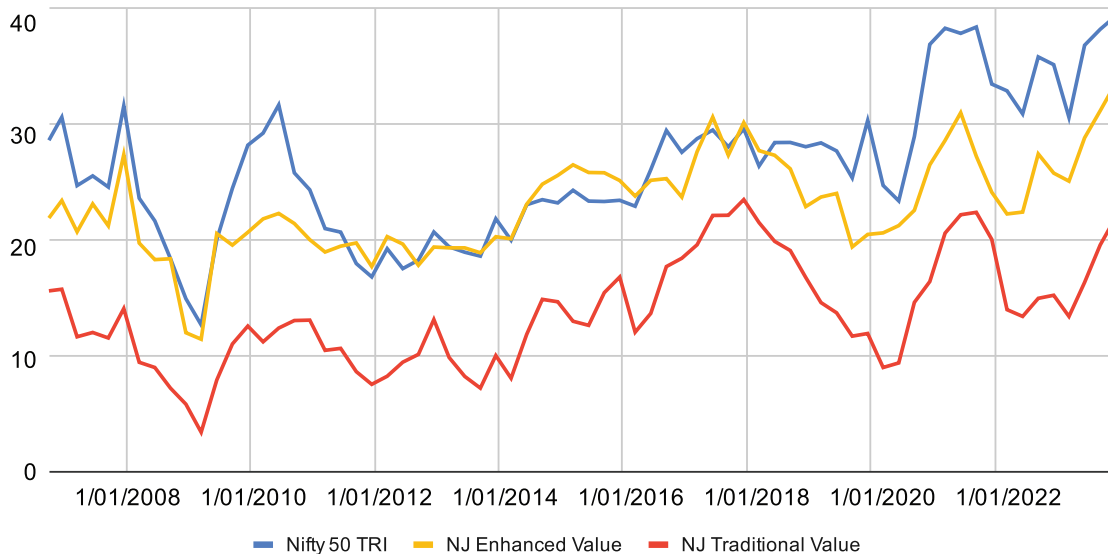
Parameter	NJ Quality +	Nifty 50 TRI
Dividend Payout	49.35%	35.31%
ROE	20.83%	18.11%
Debt To Equity	18.60%	65.63%
Current Ratio	2.06	1.60

As on 30th Sept, 2023. Numbers represent simple averages of all constituents.
Debt to Equity ratio is for non lending companies only

When comparing the quality parameters, the Dividend Payout of the NJ Quality+ Model is higher than that of the Nifty 50 by 14.04%. Similarly, the Return on Equity (ROE) of the NJ Quality+ Model was 2.72% higher than that of the Nifty 50. The Debt to Equity Ratio of NJ Quality+ is 18.60%, which is much lower than Nifty 50 at 65.63%. Additionally, the NJ Quality+ exhibits a higher current ratio of 2.06, while the current ratio of Nifty 50 is 1.60.

Historical Trends in NJ's Traditional Value Model

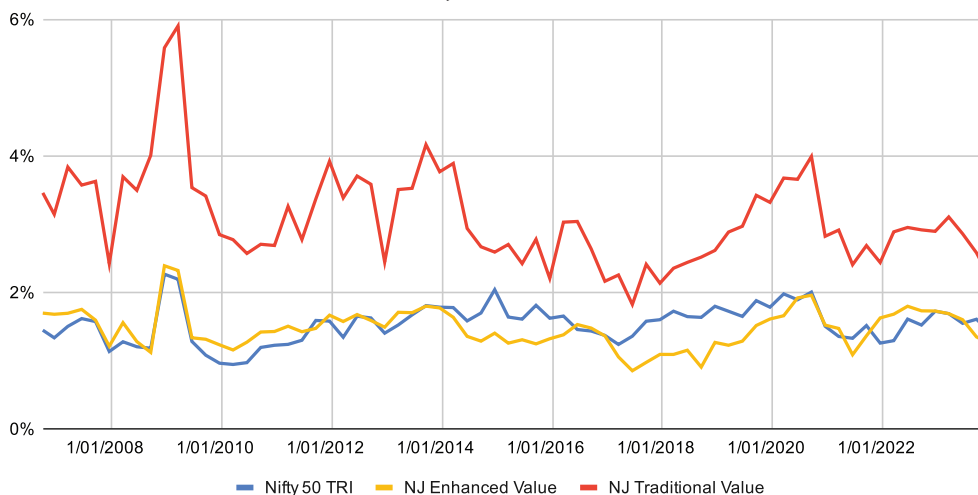
NJ Value vs Nifty 50 TRI: Price to Earnings



Source: CMIE, NJ Smart Beta

Data from 30th Sept,2006 to 15th Dec, 2023

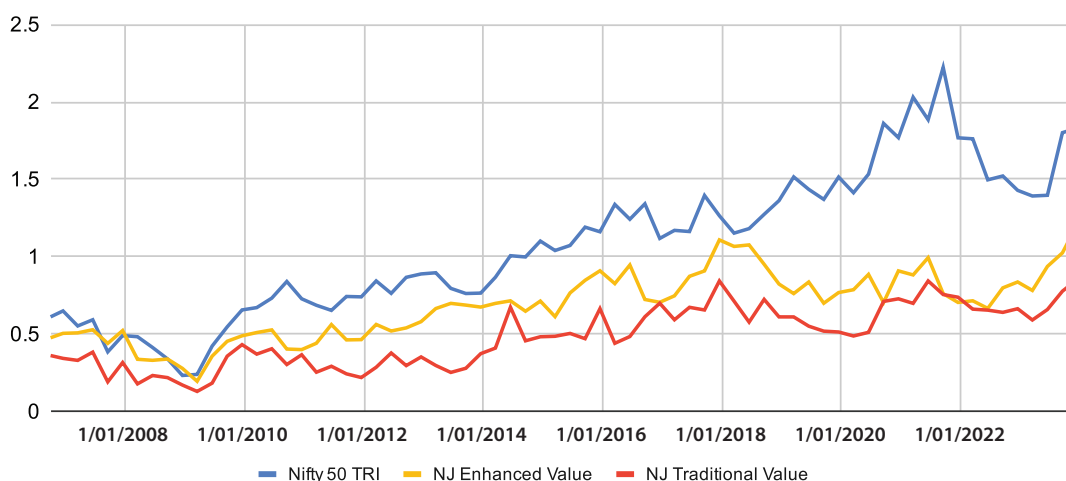
NJ Value vs Nifty 50 TRI: Dividend Yield



Source: CMIE, NJ Smart Beta

Data from 30th Sept,2006 to 15th Dec, 2023

NJ Value vs Nifty 50 TRI: PE to Growth



Source: CMIE, NJ Smart Beta

Data from 30th Sept,2006 to 15th Dec, 2023

NJ Value and Nifty 50 TRI Parameter Averages

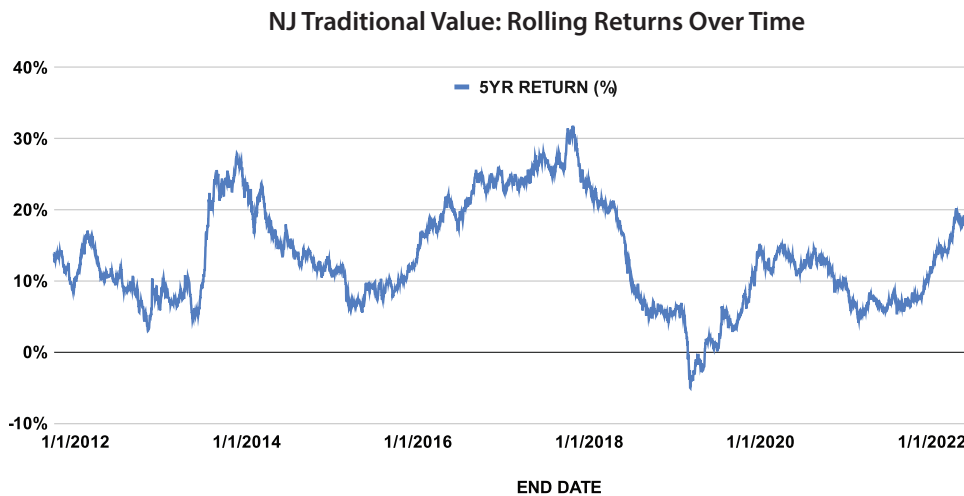
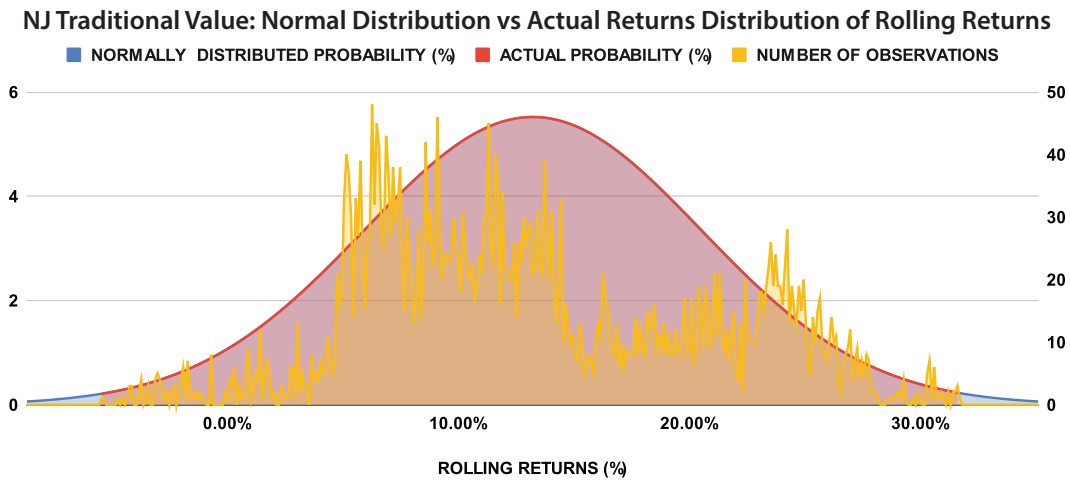
Parameter	NJ Traditional Value	NJ Enhanced Value	Nifty 50 TRI
PE to Growth	0.85	1.21	1.83
Dividend Yield	2.20%	1.25%	1.41%
Price to Earnings	21.93	33.49	39.28

As on 15th Dec, 2023. Numbers represent simple averages of all constituents. Loss Making companies and Outliers have not been considered while calculating average. Chart has been plotted based on quarterly data.

Overall, Both the NJ Traditional Value Model and the NJ Enhanced Value Model have better value metrics compared to Nifty 50 Index. NJ Traditional Value has a lower PE to Growth compared to the Nifty 50 by 0.98, while NJ Enhanced Value is lower by 0.62. Similarly, both NJ Traditional Value and NJ Enhanced Value have a lower Price to Earnings ratio when compared to Nifty 50 Index and NJ Traditional Value Model has a higher dividend yield compared to Nifty 50 Index.

Risk and Return Statistical Analysis of Factors

NJ Traditional Value

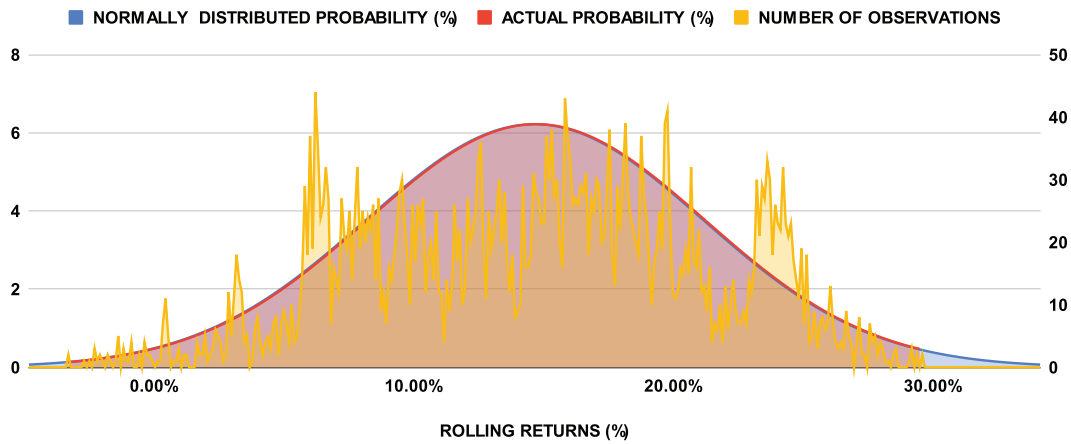


5Yr Return Distribution Summary

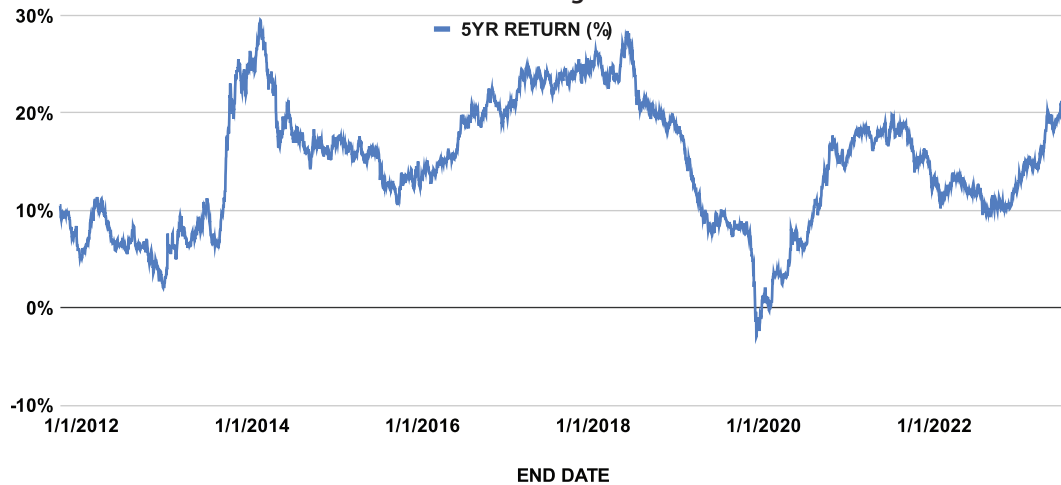
NJ Traditional Value	
Mean Return	13.43%
Median Return	12.09%
Std Dev Of Returns	7.23%
Max Return	31.75%
Min Return	-5.07%
Negative Observation (%)	1.85%
% Of Observations Between 0% & 10%	36.30%
% Of Observations Between 10% & 15%	26.97%
% Of Observations Between 15% & 20%	11.55%
% Of Observations Between 20% & 30%	22.54%
% Of Observations >= 30% Return	0.78%
Total Observations	4,476

Data from 30th Sep, 2006 to 31st Dec, 2023

NJ Enhanced Value: Normal Distribution vs Actual Returns Distribution of Rolling Returns



NJ Enhanced Value: Rolling Returns Over Time

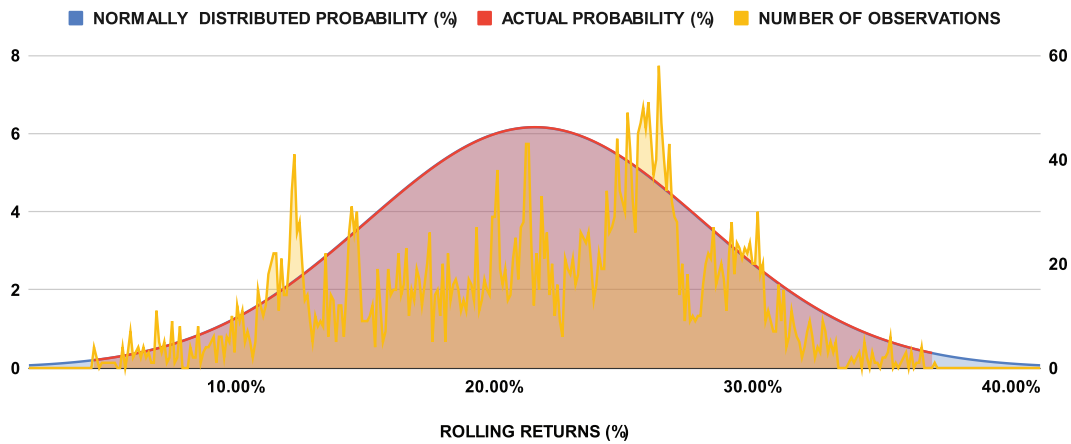


5Yr Return Distribution Summary

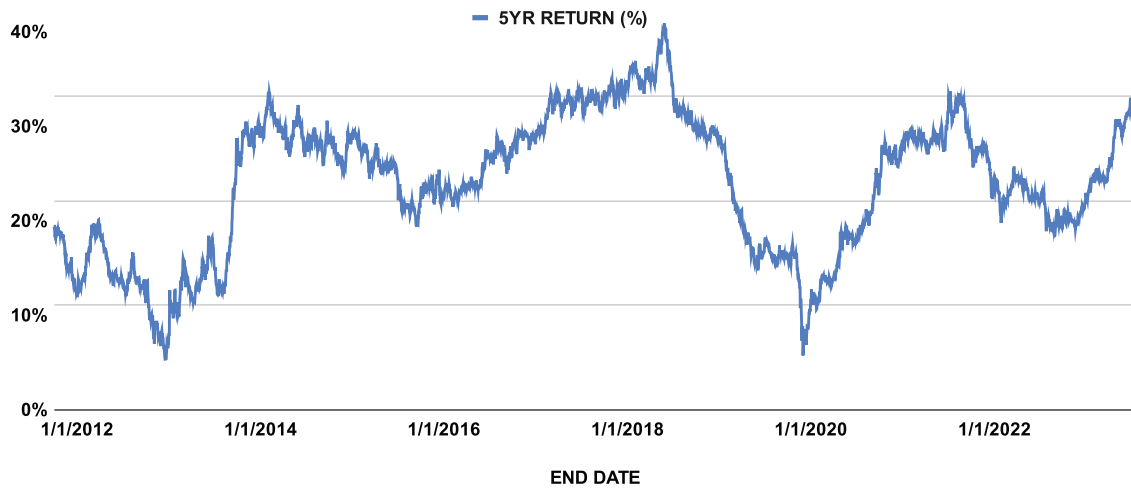
NJ Enhanced Value	
Mean Return	14.82%
Median Return	15.27%
Std Dev Of Returns	6.41%
Max Return	29.55%
Min Return	-2.99%
Negative Observation (%)	0.78%
% Of Observations Between 0% & 10%	25.85%
% Of Observations Between 10% & 15%	21.65%
% Of Observations Between 15% & 20%	29.60%
% Of Observations Between 20% & 30%	22.12%
% Of Observations >= 30% Return	0.00%
Total Observations	4,476

Data from 30th Sep, 2006 to 31st Dec, 2023

NJ Momentum+: Normal Distribution vs Actual Returns Distribution of Rolling Returns



NJ Momentum+: Rolling Returns Over Time

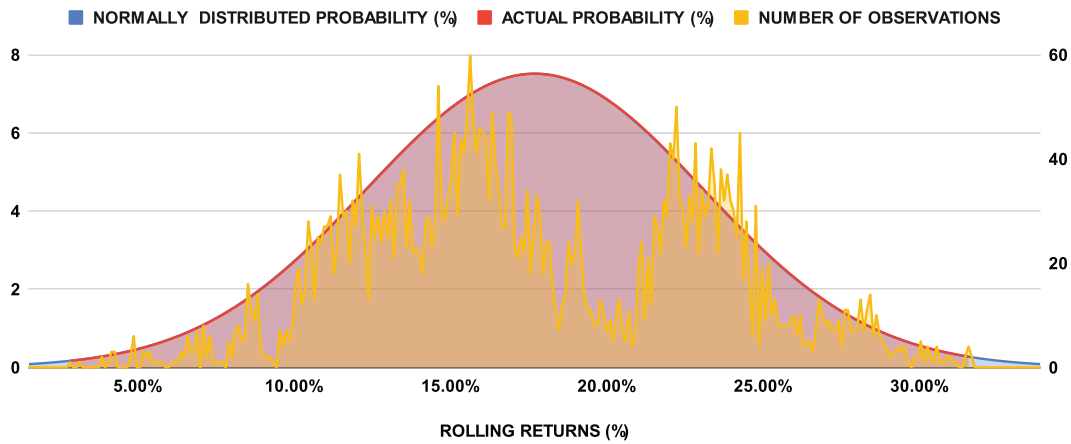


5Yr Return Distribution Summary

NJ Momentum+	
Mean Return	21.76%
Median Return	22.89%
Std Dev Of Returns	6.47%
Max Return	37.05%
Min Return	4.82%
Negative Observation (%)	0.00%
% Of Observations Between 0% & 10%	3.55%
% Of Observations Between 10% & 15%	16.38%
% Of Observations Between 15% & 20%	16.00%
% Of Observations Between 20% & 30%	56.05%
% Of Observations >= 30% Return	8.02%
Total Observations	4,476

Data from 30th Sep, 2006 to 31st Dec, 2023

NJ Low Volatility+: Normal Distribution vs Actual Returns Distribution of Rolling Returns



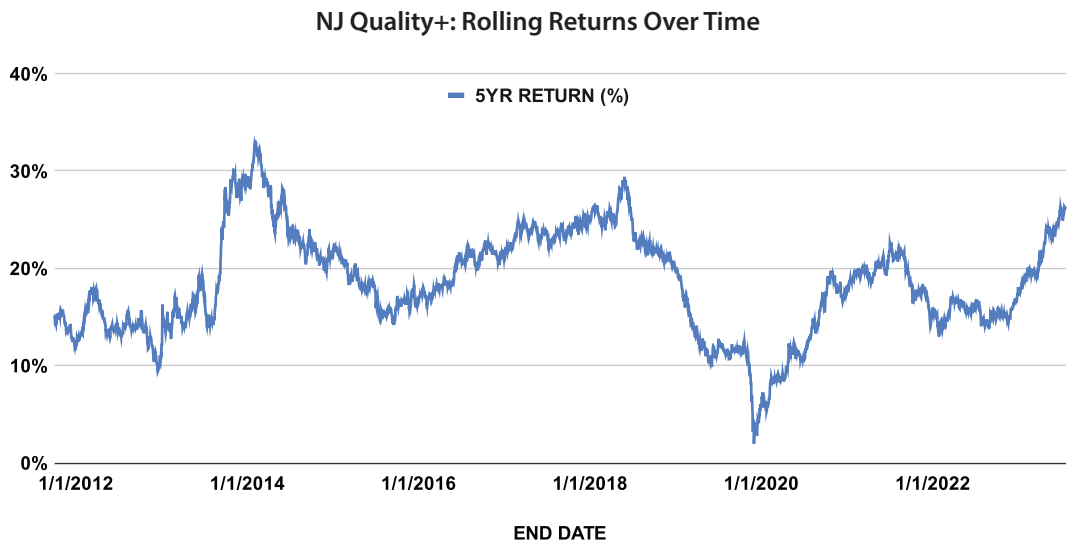
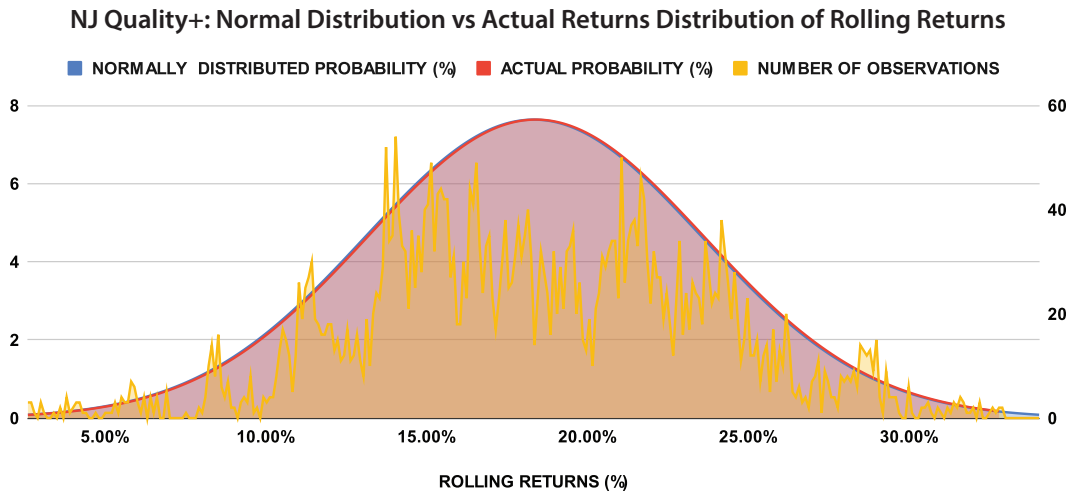
NJ Low Volatility+: Rolling Returns Over Time



5Yr Return Distribution Summary

NJ Low Volatility+	
Mean Return	17.67%
Median Return	16.73%
Std Dev Of Returns	5.31%
Max Return	31.40%
Min Return	3.02%
Negative Observation (%)	0.00%
% Of Observations Between 0% & 10%	4.42%
% Of Observations Between 10% & 15%	29.65%
% Of Observations Between 15% & 20%	30.70%
% Of Observations Between 20% & 30%	34.70%
% Of Observations >= 30% Return	0.54%
Total Observations	4,476

Data from 30th Sep, 2006 to 31st Dec, 2023

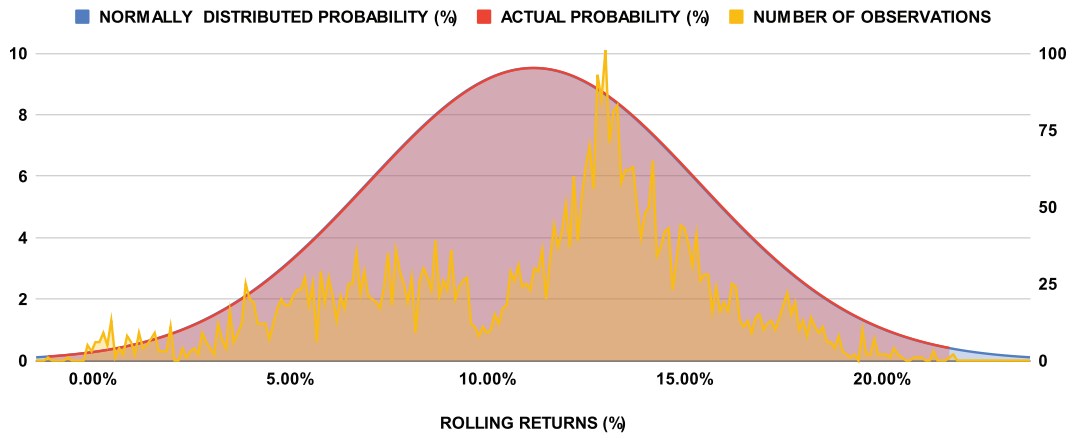


5Yr Return Distribution Summary

NJ Quality+	
Mean Return	18.52%
Median Return	18.25%
Std Dev Of Returns	5.22%
Max Return	33.00%
Min Return	1.98%
Negative Observation (%)	0.00%
% Of Observations Between 0% & 10%	4.02%
% Of Observations Between 10% & 15%	21.98%
% Of Observations Between 15% & 20%	34.32%
% Of Observations Between 20% & 30%	38.61%
% Of Observations >= 30% Return	1.07%
Total Observations	4,476

Data from 30th Sep, 2006 to 31st Dec, 2023

Nifty 50 TRI : Normal Distribution vs Actual Returns Distribution of Rolling Returns



Nifty 50 TRI : Rolling Returns Over Time



5Yr Return Distribution Summary

Nifty 50 TRI	
Mean Return	11.27%
Median Return	12.42%
Std Dev Of Returns	4.19%
Max Return	21.85%
Min Return	-1.03%
Negative Observation (%)	0.16%
% Of Observations Between 0% & 10%	34.12%
% Of Observations Between 10% & 15%	49.31%
% Of Observations Between 15% & 20%	15.95%
% Of Observations Between 20% & 30%	0.47%
% Of Observations >= 30% Return	0.00%
Total Observations	4,476

Data from 30th Sep, 2006 to 31st Dec, 2023

Correlation Matrix based on excess return of each factor over Nifty 500 TRI

	NJ Low Volatility+	NJ Momentum+	NJ Quality+	NJ Enhanced Value	NJ Traditional Value
NJ Low Volatility+	1	0.64	0.86	0.67	0.51
NJ Momentum+	0.64	1	0.74	0.69	0.64
NJ Quality+	0.86	0.74	1	0.80	0.69
NJ Enhanced Value	0.67	0.69	0.80	1	0.79
NJ Traditional Value	0.51	0.64	0.69	0.79	1

Source: CMIE, NJ Smart Beta. Data from 31st Dec, 2013 to 31st Dec, 2023

Exploring the correlations and interconnections between factors is of extreme importance as it helps to design an optimally diversified factor model. The factor correlation has been calculated by using excess return over Nifty 500 TRI.

NJ Low Volatility+ is very strongly correlated with NJ Quality+ (0.86). While the degree of correlation between the NJ Low Volatility+ is moderately strong with the NJ Momentum+ (0.64), it is fairly weak with the NJ Traditional Value (0.51) and moderate with NJ Enhanced Value (0.67) model.

The degree of correlation between NJ Momentum+ is moderately strong with all the other indexes i.e. NJ Quality+ (0.74), NJ Traditional Value (0.64) and NJ Enhanced Value (0.69).

NJ Quality+ has moderately strong correlation with NJ Traditional Value (0.69) and strong correlation with NJ Enhanced Value (0.80).

NJ Enhanced Value has strong correlation with NJ Traditional Value (0.79).





1. Discover NJ's Factor Book - (<https://www.njfactorbook.com>)

Uncover valuable insights and knowledge that will elevate your understanding. For quick access, scan the QR code provided and embark on a journey of discovery.



2. NJ Investment Calendar 2024 - (<https://www.njmutualfund.com/calendar.php>)

Unveil the NJ's Investment Calendar for 2024, providing insightful perspectives on investment trends and opportunities. As you embark on the new year, our commitment is to empower you with a time-tested, prudent approach to long-term wealth creation, fostering prosperity in the journey that lies ahead. Ensure a swift and effortless experience by scanning the accompanying QR code.



3. International experience with Quality - (<https://research-center.amundi.com/files/nuxeo/dl/85975baf-6a77-49eb-a0a5-f7916cbffeca>)

The research paper, authored by Lepetit, F., Cherief, A., Ly, Y., and Sekine, T. in 2021, delves into the intricate domain of quality investing. The authors aim to provide a fresh perspective on the dynamics of quality investing, shedding light on its relevance, challenges, and potential enhancements. This paper serves as a valuable resource for investors and financial analysts seeking a nuanced understanding of quality investing in the contemporary financial landscape.



Disclaimer: NJ Quality+, NJ Traditional Value, NJ Momentum+, NJ Enhanced Value and NJ Low Volatility+ is an in-house proprietary module developed by NJ Asset Management Private Limited and is not an indication of model / return of any Investment Approach / Scheme Offered by NJ Asset Management Private Limited (NJAMPL). Past Performance may or may not sustain in future. All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. NJAMPL takes no responsibility for updating any data/information in this material from time to time. In the preparation of this material NJAMPL has used information that is publicly available, including information developed in-house. Some of the material used herein may have been obtained from members/persons other than the NJAMPL and/or its affiliates and which may have been made available to the NJAMPL and/or to its affiliates. Information gathered and material used herein is believed to be from reliable sources. NJAMPL however does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this material no such party will assume any liability for the same. We have included statements /opinions/ recommendations in this material, which contain words, or phrases such as “will”, “expect”, “should”, “believe” and similar expressions or variations of such expressions that are “forward looking statements”. Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, the monetary and interest policies of India, inflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes.