

THE FACTOR FRONTIER

**ASSET
MANAGEMENT**

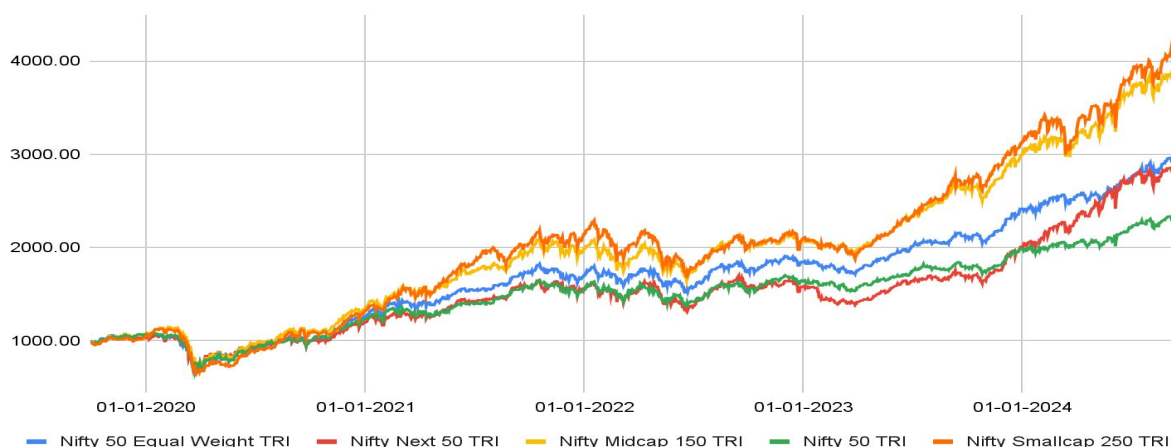
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YOUR QUARTERLY GUIDE
TO FACTOR INVESTING.

EDITION 06 | Sept 2024

Market Outlook

Market Cap Indices Performance (Last 5 Years)



Source: CMIE | Data from 30th Sept, 2019 to 30th Sept, 2024

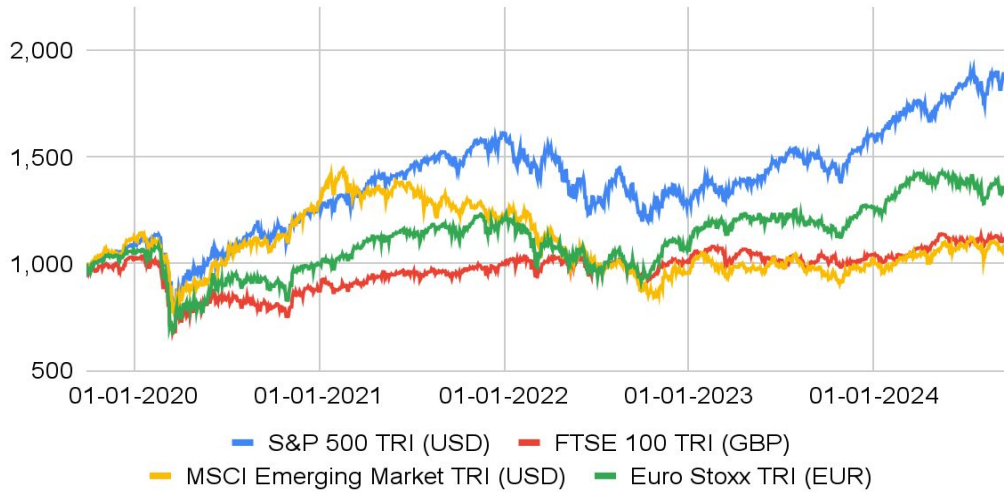
Over the past year, the Nifty 50 and Nifty Next 50 Indices, which track the top 100 companies, delivered returns of 33% and 72.34% respectively. In comparison, the Nifty Midcap 150 Index gained 48.21%, while the Nifty Smallcap 250 Index returned 51.49%. The last quarter also saw notable gains, with the Nifty 50 and Nifty Next 50 indices rising by 7.81% and 8.04% respectively, while the Nifty Midcap 150 and Nifty Smallcap 250 indices posted returns of 7.33% and 7.94% respectively.



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Global Indices Performance (Last 5 Years)



Source: Bloomberg | Data from 30th Sept, 2019 to 30th Sept, 2024

Over the past year, developed markets have shown strong performance, while emerging markets have posted positive returns. The S&P 500 has demonstrated robust growth, surging by 36.32%. UK markets have also performed well, gaining 8.27% (in GBP). Emerging markets have broadly recorded a positive return of 24.02% (in USD) over the same period. In the Eurozone, the Euro Stoxx Index, which includes major European firms, has increased by 19.78% (in EUR).

NJ Factor Indices Performance (Last 5 Years)



Source: Bloomberg | Data from 30th Sept, 2019 to 30th Sept, 2024

The markets experienced a strong upward trend in the last quarter, with all factors demonstrating robust positive performance during this period. Over the course of one year, the Nifty 50 TRI posted a return of +33%. Throughout this time frame, the Value, Quality, Low Volatility, and Momentum factors all showed significant outperformance compared to the market index. Specifically, the NJ Traditional Value Model achieved a return of +63.84% over the year, while the NJ Enhanced Value Model yielded +41.03%. The NJ Quality+ Model posted a return of +61%, and both the NJ Low Volatility+ Model and NJ Momentum+ Model delivered returns of +49.26% and +61.79% respectively.

Recent Point to Point Performance

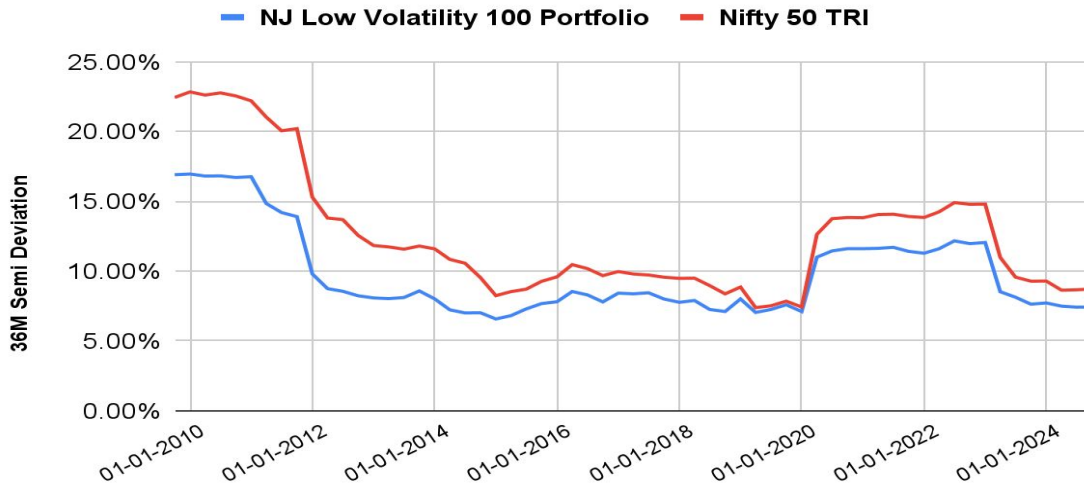
Point-to-Point returns summary

	NJ Quality+	NJ Enhanced Value	NJ Momentum+	NJ Low Volatility+	NJ Traditional Value	NIFTY 50 TRI
MTD(%)	-0.68%	1.09%	0.76%	1.89%	0.45%	2.28%
3M(%)	9.06%	11.38%	8.54%	10.24%	9.46%	7.81%
6M(%)	29.60%	28.59%	24.59%	26.47%	30.12%	16.58%
YTD(%)	37.91%	25.23%	36.51%	32.94%	39.47%	19.92%
1Y(%)	61.00%	41.03%	61.79%	49.26%	63.84%	33.00%
3Y (ann.)(%)	32.38%	20.08%	31.95%	24.25%	35.18%	14.94%
5Y (ann.)(%)	35.29%	27.83%	38.50%	25.09%	34.71%	18.93%
10Y (ann.)(%)	22.82%	18.11%	26.23%	18.58%	19.70%	13.83%
All-time(ann.)(%)	21.01%	16.66%	24.19%	18.92%	17.75%	12.93%

Data from 30th Sep, 2006 to 30th Sept, 2024

Historical Factor Trends

NJ Low Volatility+ vs Nifty 50 TRI: Historical 36M Semi Deviation



Source: CMIE, NJ Smart Beta | Data from 30th Sept, 2009 to 30th Sept, 2024

NJ Low Volatility+ : Historical 36M Beta Against Nifty 50



Source: CMIE, NJ Smart Beta | Data from 30th Sept, 2009 to 30th Sept, 2024

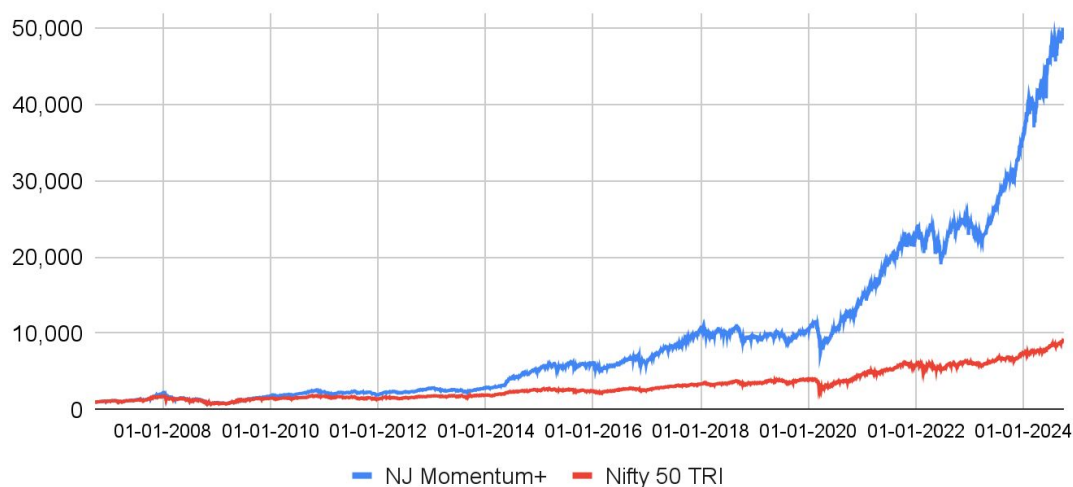
NJ Low Volatility+ and Nifty 50 TRI Parameter Averages

Parameter	NJ Low Volatility+	Nifty 50 TRI
36M Weekly Annualised Volatility	11.89%	12.95%
36M Weekly Beta	0.76	1.00

As on 30th Sept, 2024

The Nifty 50 TRI exhibits greater volatility compared to the NJ Low Volatility+ Model. The NJ Low Volatility+ Model maintains a notably lower average weekly annualized volatility of 11.89%, in contrast to the Nifty 50 TRI's higher figure of 12.95%. Furthermore, the NJ Low Volatility+ Model shows a lower 36-month Beta of 0.76 compared to the Nifty 50 TRI.

NJ Momentum+ vs Nifty 50 TRI : Cumulative Growth Chart



Source: CMIE, NJ Smart Beta | Data from 30th Sep, 2006 to 30th Sept, 2024

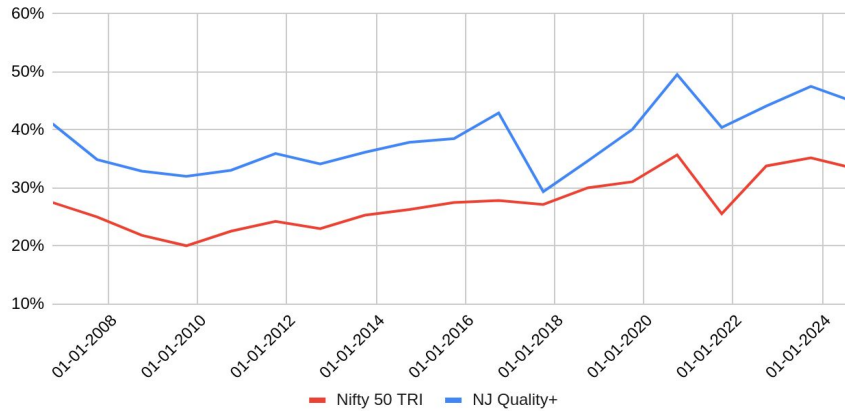
Parameter	YTD Return	1-Year Return	3-Year CAGR	5-Year CAGR	10-Year CAGR	Since Inception CAGR
NJ Momentum+	36.51%	61.79%	31.95%	38.50%	26.23%	24.19%
Nifty 50 TRI	19.92%	33.00%	14.94%	18.93%	13.83%	12.93%

As on 30th Sept, 2024

The NJ Momentum+ Model has displayed robust performance over extended periods. Over the past year, it delivered a return of 61.79%, surpassing the Nifty 50's 33% return. This trend continues in the medium and long term, with the NJ Momentum+ Model showing significantly higher Compound Annual Growth Rates (CAGR) over 3, 5, and 10 years.

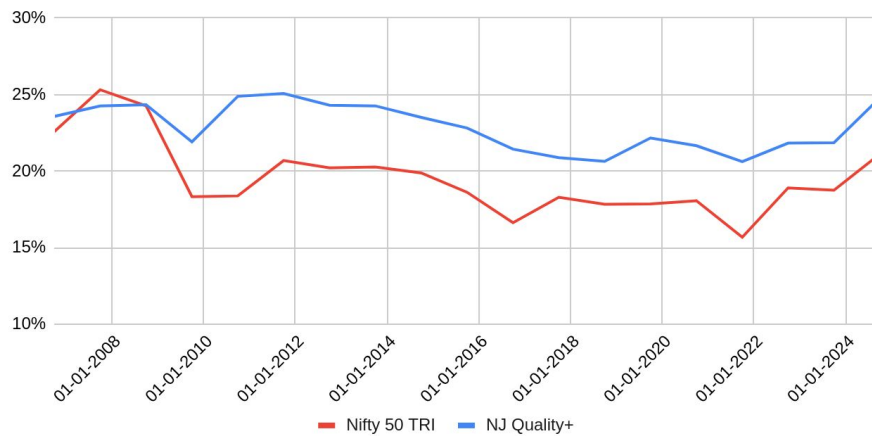
Historical Trends in NJ's Quality+ Model

NJ Quality+ vs Nifty 50 TRI : Dividend Payout



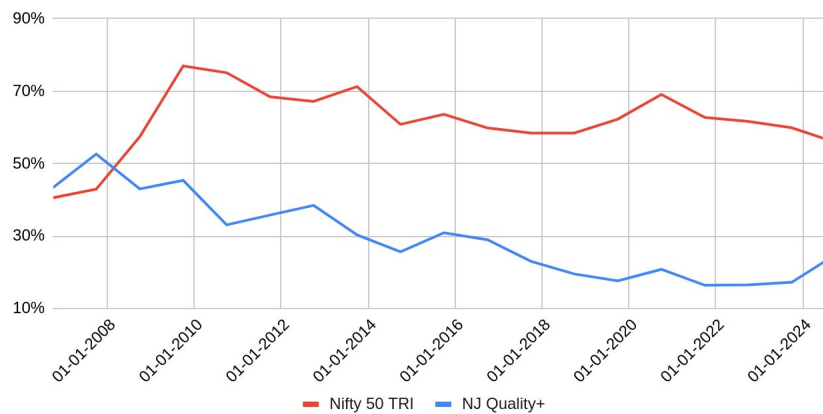
Source: CMIE, NJ Smart Beta | Data from 30th Sep, 2006 to 30th Sep, 2024

NJ Quality+ vs Nifty 50 TRI : Return on Equity



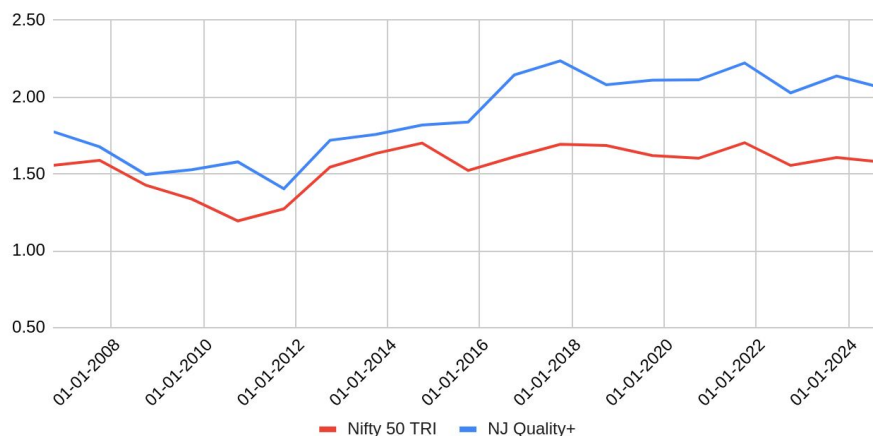
Source: CMIE, NJ Smart Beta | Data from 30th Sep, 2006 to 30th Sep, 2024

NJ Quality+ vs Nifty 50 TRI : Debt-to-Equity



Source: CMIE, NJ Smart Beta | Data from 30th Sep, 2006 to 30th Sep, 2024

NJ Quality+ vs Nifty 50 TRI : Current Ratio



Source: CMIE, NJ Smart Beta | Data from 30th Sep, 2006 to 30th Sep, 2024

NJ Quality+ and Nifty 50 TRI Parameter Averages

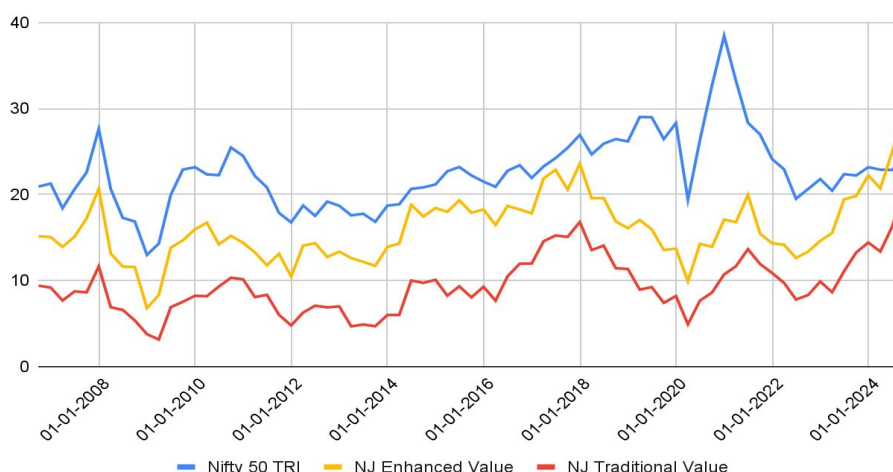
Parameter	NJ Quality +	Nifty 50 TRI
Dividend Payout	44.76%	33.33%
ROE	24.79%	21.12%
Debt To Equity	24.80%	55.90%
Current Ratio	2.06	1.58

As on 30th Sep, 2024. Numbers represent simple averages of all constituents.
Debt to Equity ratio is considered for non lending companies only. Only Non-Fin companies have been included in Current Ratio.
Chart has been plotted based on annual data.

When comparing the quality metrics of NJ Quality+ and Nifty 50 TRI, NJ Quality+ shows notable strengths. It has a higher Dividend Payout of 44.76%, surpassing Nifty 50 TRI's 33.33%. NJ Quality+ also demonstrates a higher Return on Equity (ROE) of 24.79%, which is higher than Nifty 50 TRI's 21.12%. Additionally, NJ Quality+ maintains a significantly lower Debt to Equity Ratio of 24.8%, contrasting with Nifty 50 TRI's higher ratio of 55.9%. Moreover, NJ Quality+ exhibits a stronger Current Ratio of 2.06, whereas Nifty 50 TRI's Current Ratio stands at 1.58.

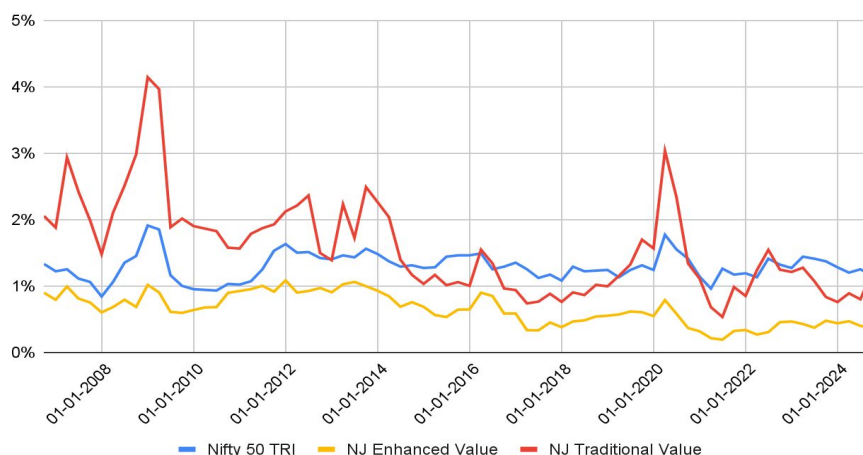
Historical Trends in NJ Traditional Value and NJ Enhanced Value

NJ Value vs Nifty 50 TRI : Price to Earnings



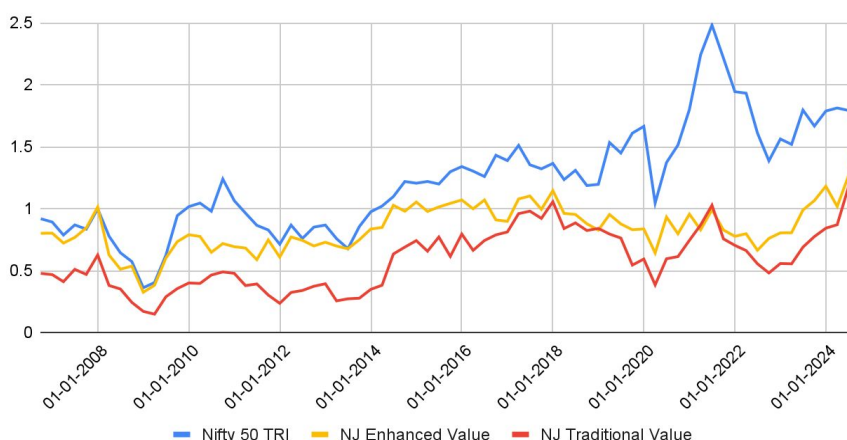
Source: CMIE, NJ Smart Beta, Nifty Indices | Data from 30th Sep, 2006 to 30th Sep, 2024

NJ Value vs Nifty 50 TRI : Dividend Yield



Source: CMIE, NJ Smart Beta, Nifty Indices | Data from 30th Sep, 2006 to 30th Sept, 2024

NJ Value vs 50 TRI : PE to Growth



Source: CMIE, NJ Smart Beta | Data from 30th Sep, 2006 to 30th Sept, 2024

NJ Traditional Value, NJ Enhanced Value and Nifty 50 TRI Parameter Averages

Parameter	NJ Traditional Value	NJ Enhanced Value	Nifty 50 TRI
PE to Growth	1.37	1.60	1.70
Dividend Yield	1.20%	0.37%	1.16%
Price to Earnings	20.73	29.46	24.26

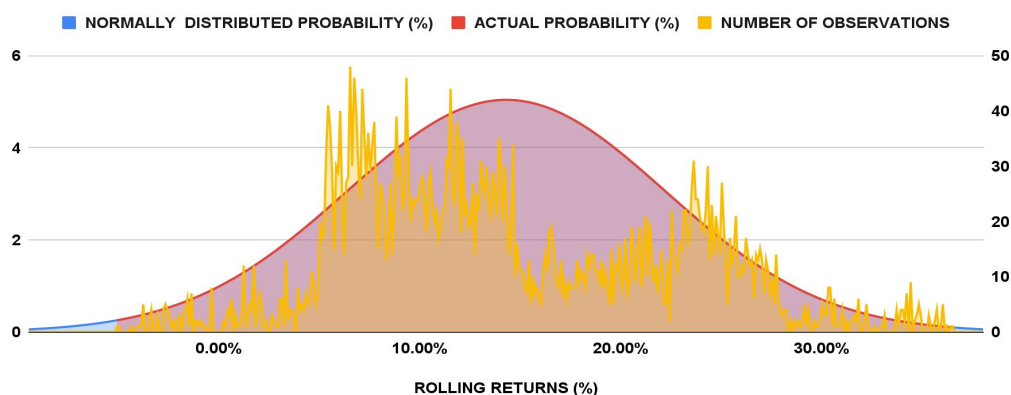
As on 30th Sept, 2024. Numbers for PE to Growth, Dividend Yield and PE represent harmonic mean of all constituents. Loss Making companies have not been considered while calculating average. Chart has been plotted based on quarterly data. Dividend Yield and Price to Earnings of Nifty 50 TRI are taken from the official website of Nifty Indices.

Overall, the NJ Traditional Value Model and the NJ Enhanced Value Model exhibit stronger value indicators compared to the Nifty 50 Index. The NJ Traditional Value Model posted a 0.33 lower Price-to-Earnings to Growth (PEG) ratio, while the NJ Enhanced Value Model is lower by 0.1 in this metric. Additionally, NJ Traditional Value features lower Price-to-Earnings (PE) ratios than the Nifty 50 Index. Moreover, the NJ Traditional Value Model offers a higher dividend yield compared to the Nifty 50 Index.

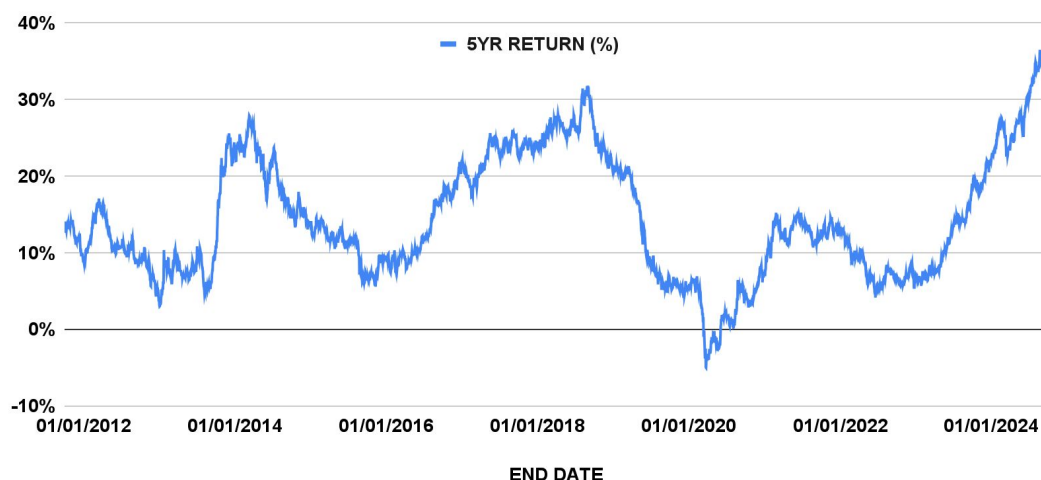
Risk and Return Statistical Analysis of Factors

NJ Traditional Value

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



NJ Traditional Value: Rolling Returns Over Time



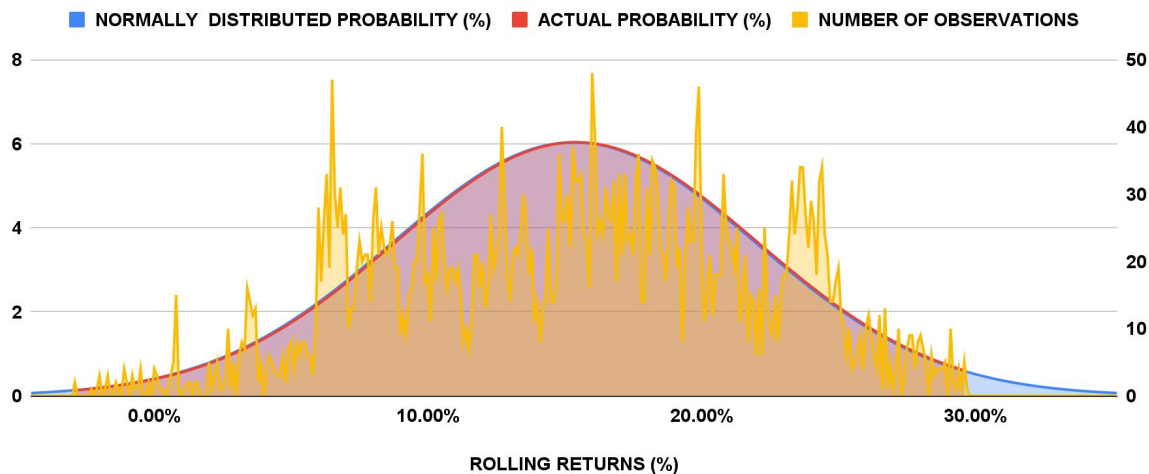
5Yr Return Distribution Summary

NJ Traditional Value	
Mean Return	14.31%
Median Return	12.65%
Std Dev Of Returns	7.92%
Max Return	36.47%
Min Return	-5.07%
Negative Observation (%)	1.75%
% Of Observations Between 0% & 10%	34.21%
% Of Observations Between 10% & 15%	25.41%
% Of Observations Between 15% & 20%	10.88%
% Of Observations Between 20% & 30%	24.95%
% Of Observations >= 30% Return	2.80%
Total Observations	4,750

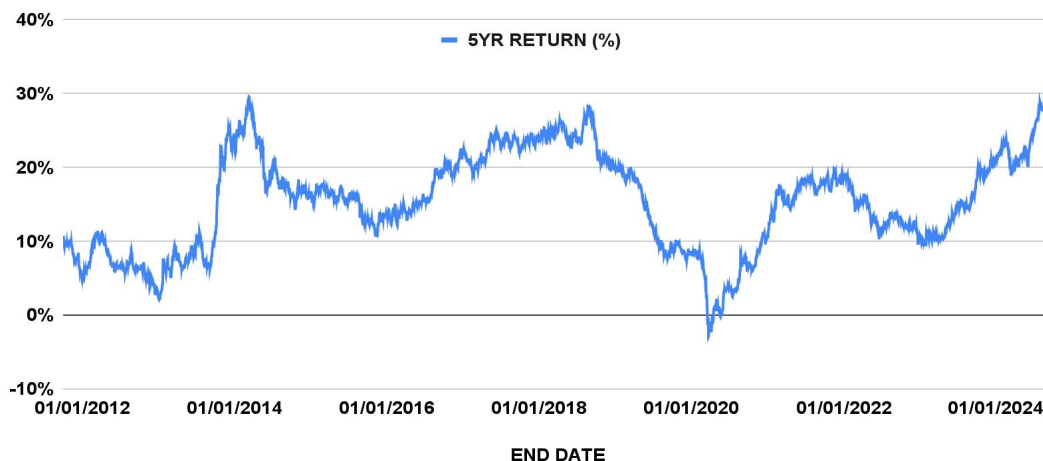
Source: CMIE, NJ Smart Beta. Data from 30th Sep, 2006 to 30th Sept, 2024

NJ Enhanced Value

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



NJ Enhanced Value: Rolling Returns Over Time

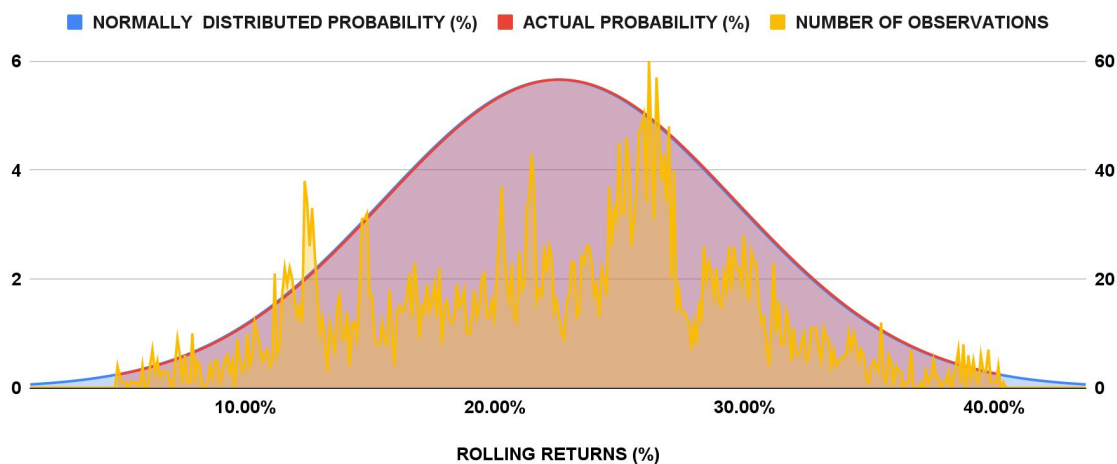


5Yr Return Distribution Summary

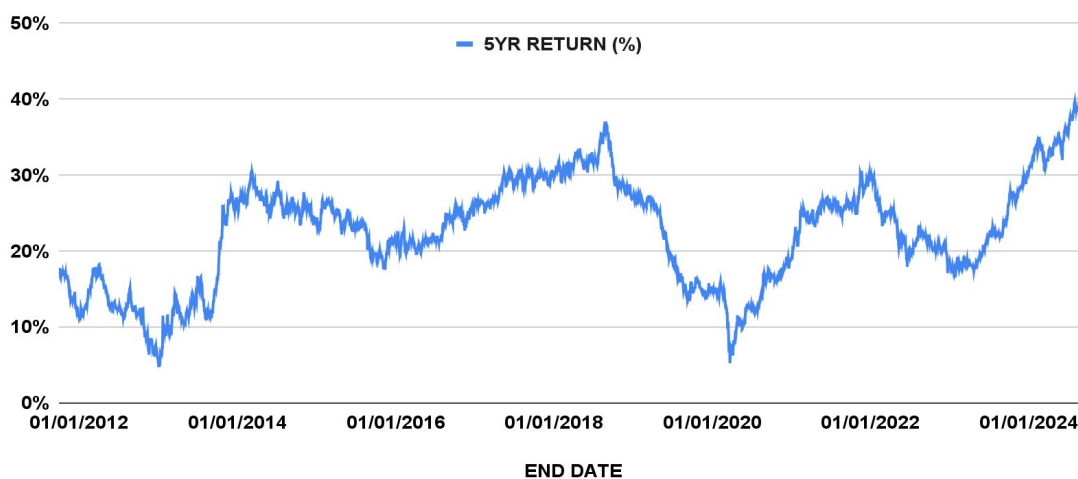
NJ Enhanced Value	
Mean Return	15.34%
Median Return	15.72%
Std Dev Of Returns	6.61%
Max Return	29.67%
Min Return	-2.99%
Negative Observation (%)	0.74%
% Of Observations Between 0% & 10%	24.36%
% Of Observations Between 10% & 15%	20.40%
% Of Observations Between 15% & 20%	28.32%
% Of Observations Between 20% & 30%	26.19%
% Of Observations >= 30% Return	0.00%
Total Observations	4,750

Source: CMIE, NJ Smart Beta. Data from 30th Sep, 2006 to 30th Sept, 2024

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



NJ Momentum+: Rolling Returns Over Time

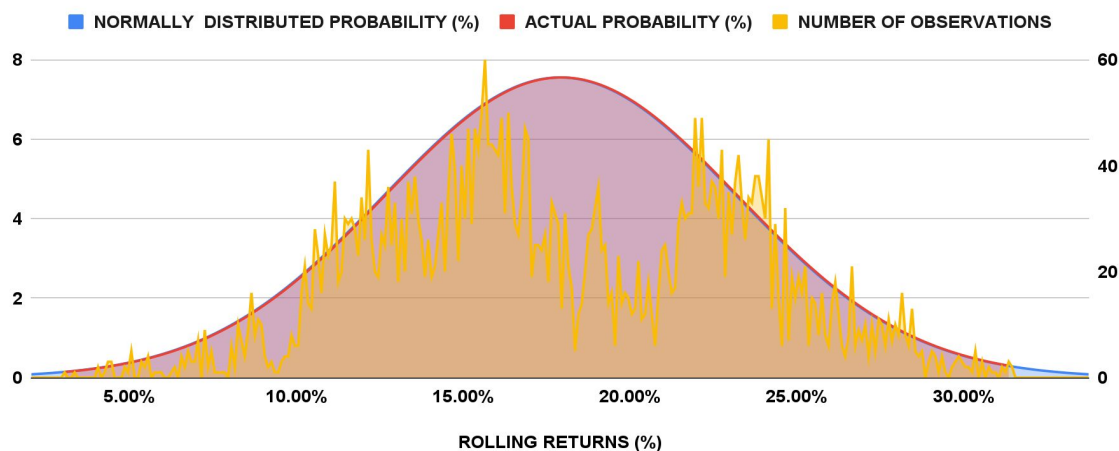


5Yr Return Distribution Summary

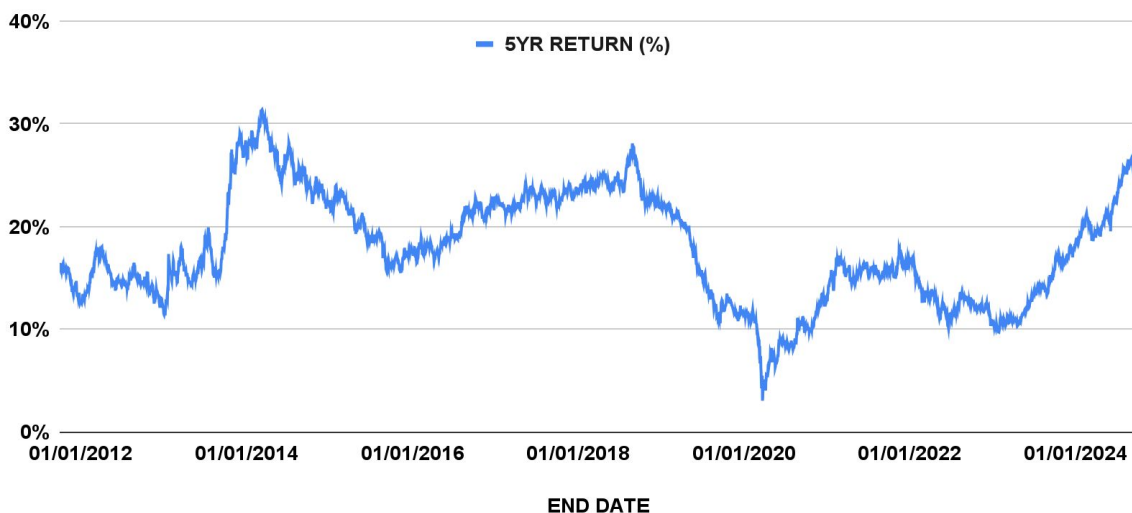
NJ Momentum+	
Mean Return	22.54%
Median Return	23.59%
Std Dev Of Returns	7.05%
Max Return	40.34%
Min Return	4.82%
Negative Observation (%)	0.00%
% Of Observations Between 0% & 10%	3.35%
% Of Observations Between 10% & 15%	15.43%
% Of Observations Between 15% & 20%	15.07%
% Of Observations Between 20% & 30%	52.82%
% Of Observations >= 30% Return	13.33%
Total Observations	4,750

Source: CMIE, NJ Smart Beta. Data from 30th Sep, 2006 to 30th Sept, 2024

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



NJ Low Volatility+: Rolling Returns Over Time

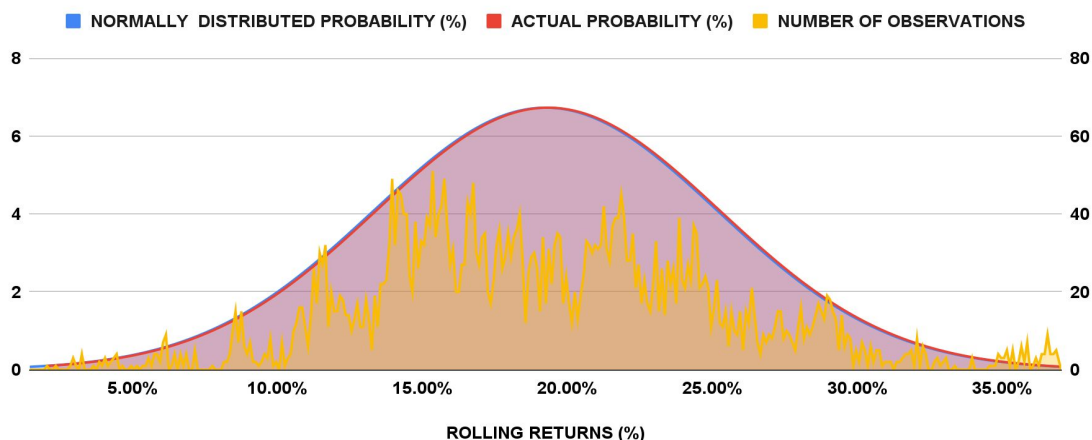


5Yr Return Distribution Summary

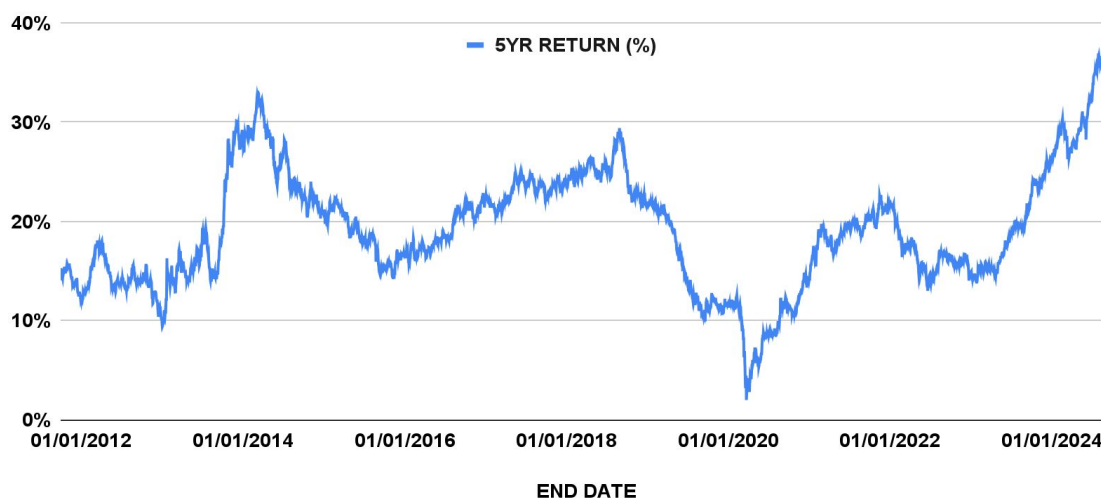
NJ Low Volatility+	
Mean Return	17.91%
Median Return	17.12%
Std Dev Of Returns	5.28%
Max Return	31.40%
Min Return	3.02%
Negative Observation (%)	0.00%
% Of Observations Between 0% & 10%	4.17%
% Of Observations Between 10% & 15%	27.94%
% Of Observations Between 15% & 20%	30.69%
% Of Observations Between 20% & 30%	36.69%
% Of Observations >= 30% Return	0.51%
Total Observations	4,750

Source: CMIE, NJ Smart Beta. Data from 30th Sep, 2006 to 30th Sept, 2024

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



NJ Quality+: Rolling Returns Over Time

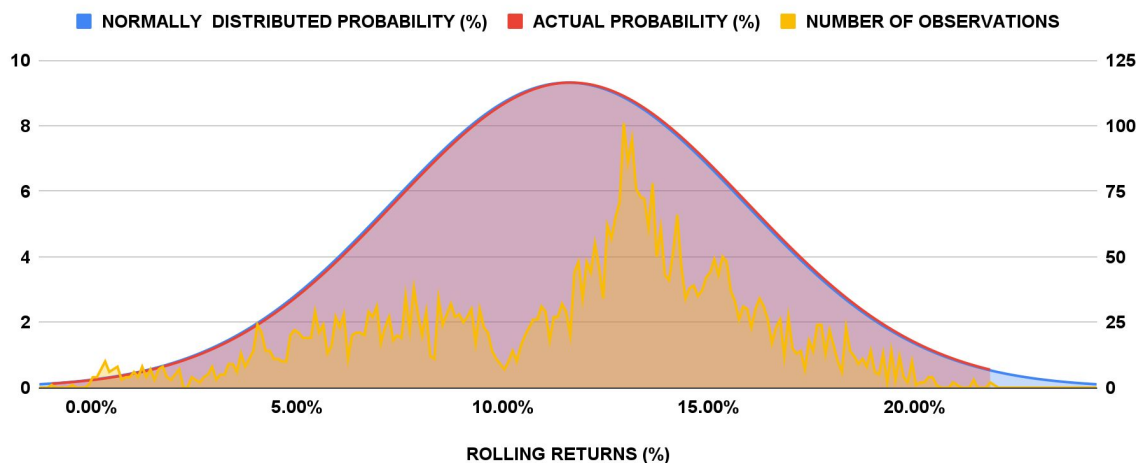


5Yr Return Distribution Summary

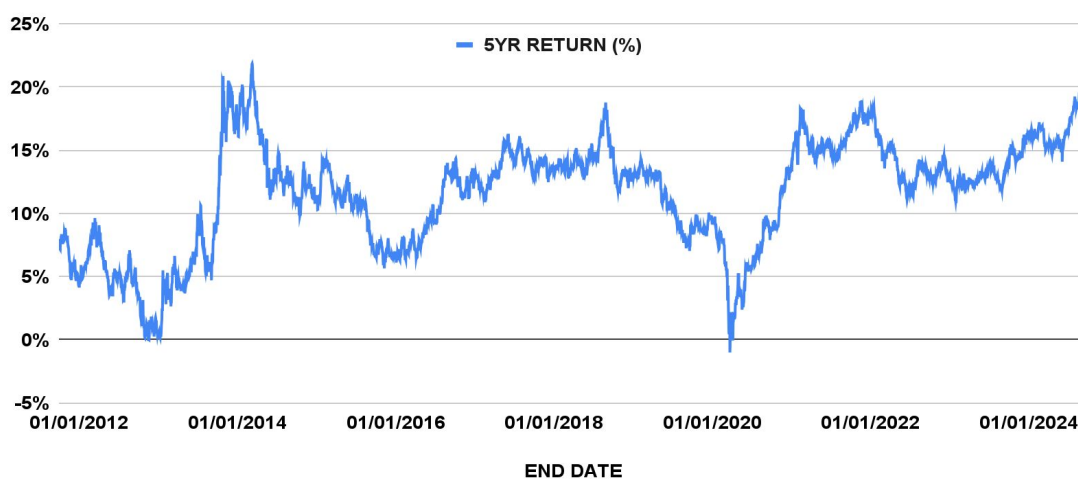
NJ Quality+	
Mean Return	19.25%
Median Return	18.73%
Std Dev Of Returns	5.93%
Max Return	37.35%
Min Return	1.98%
Negative Observation (%)	0.00%
% Of Observations Between 0% & 10%	3.79%
% Of Observations Between 10% & 15%	20.72%
% Of Observations Between 15% & 20%	32.34%
% Of Observations Between 20% & 30%	39.39%
% Of Observations >= 30% Return	3.77%
Total Observations	4,750

Source: CMIE, NJ Smart Beta. Data from 30th Sep, 2006 to 30th Sept, 2024

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



Nifty 50 TRI : Rolling Returns Over Time



5Yr Return Distribution Summary

NIFTY 50 TRI	
Mean Return	11.59%
Median Return	12.65%
Std Dev Of Returns	4.28%
Max Return	21.85%
Min Return	-1.03%
Negative Observation (%)	0.15%
% Of Observations Between 0% & 10%	32.15%
% Of Observations Between 10% & 15%	46.76%
% Of Observations Between 15% & 20%	20.48%
% Of Observations Between 20% & 30%	0.46%
% Of Observations >= 30% Return	0.00%
Total Observations	4,750

Source: CMIE, NJ Smart Beta. Data from 30th Sep, 2006 to 30th Sept, 2024

Factor Correlations

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

	NJ Low Volatility+	NJ Momentum+	NJ Enhanced Value	NJ Traditional Value	NJ Quality+
NJ Low Volatility+	1	0.61	0.66	0.5	0.85
NJ Momentum+	0.61	1	0.68	0.65	0.73
NJ Enhanced Value	0.66	0.68	1	0.78	0.8
NJ Traditional Value	0.5	0.65	0.78	1	0.69
NJ Quality+	0.85	0.73	0.8	0.69	1

Source: CMIE, NJ Smart Beta. Data from 30th Sept, 2006 to 30th Sept, 2024

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+ (0.85). While the degree of correlation between the NJ Low Volatility+ is moderately strong with the NJ Momentum+ (0.61), it is fairly weak with the NJ Traditional Value (0.50) and moderate with NJ Enhanced Value (0.66) model.

The degree of correlation between NJ Momentum+ is moderately strong with all the other indexes i.e. NJ Quality+ (0.73), NJ Traditional Value (0.65) and NJ Enhanced Value (0.68).

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 (0.78).





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