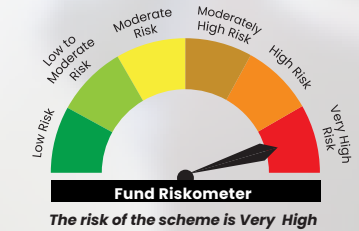
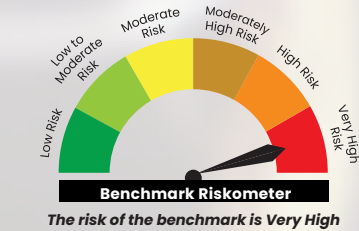


Introducing Nippon India Active Momentum Fund

(An open-ended equity scheme following momentum theme)

NFO Period : 10th February, 2025 to 24th February, 2025



Nippon India Active Momentum Fund (An open-ended equity scheme following momentum theme)		
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term capital appreciation • An actively managed thematic equity scheme that invests in stocks exhibiting momentum characteristics <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p> <p><small>The product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.</small></p>	<p>Nippon India Active Momentum Fund</p>  <p>Fund Riskometer The risk of the scheme is Very High</p>	<p>AMFI Tier I Benchmark - Nifty 500 TRI</p>  <p>Benchmark Riskometer The risk of the benchmark is Very High</p>



UNDERSTANDING THE CONCEPT OF FACTOR INVESTING

Factor Investing Explained

Factor Investing targets return drivers across macroeconomic or style factors which may help to generate excess returns or reduce risk.

Some Popular Factors

Momentum

Quality

Value

Low-volatility

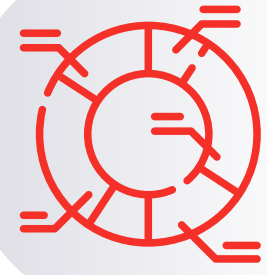
Growth

Size

We are all factor investors! (Most of us just don't know it)

// WHY IS FACTOR INVESTING IMPORTANT?

Diversification



Factors tend to have different return patterns at different times, so incorporating Factor Investment may reduce the potential risk of a portfolio and aims to enhance long-term performance through diversification.

Enhanced Risk-adjusted Returns



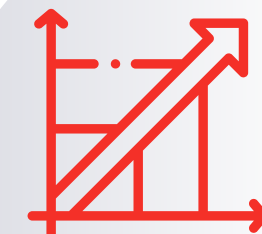
Factor Investing aims to identify stocks that have historically outperformed others on a risk-adjusted basis. This can potentially lead to better returns without taking on excessive risk-adjusted returns.

Systematic and Rule-based Approach



Factor Investing follows a disciplined, rule-based approach, which reduces emotional decision-making and human biasness. Investors are less likely to make impulsive decisions based on market noise or short-term fluctuations, aiming for a systematic investment strategy.

Scalable in Nature



Factor Investment can be implemented across geographies, timezones, multiple markets, etc. Also, Quant Investing gives one an opportunity to increase the investment universe as they are scalable and not a small subset of stocks.

// UNDERSTANDING THE CONCEPT OF MOMENTUM



Momentum refers to the quantity of motion an object has, in a broader sense momentum refers to the idea of gaining strength or energy over time.

In the investing space, Momentum is respecting the market wisdom.



In the investing space, Momentum as a concept refers to the tendency of an asset's price to persist in the same direction over time. The concept is based on the idea that assets which have performed well in the past may continue to perform well further and those that have underperformed may continue to show underperformance further.

// EXAMPLE – UNDERSTANDING MOMENTUM IN THE WORLD OF SPORTS



Basketball

- › A team going on a scoring streak often feeds off the crowd's energy and their own sense of momentum.
- › Players tend to make quicker decisions and take bolder shots when their team is riding high on momentum.



Tennis

- › After winning a few games or even a set, a player can feel "in the zone," which leads to more affirmative and effective play.
- › Conversely, losing momentum can lead to mistakes and a loss of focus on the game.

// UNDERSTANDING THE CONCEPT OF MOMENTUM THROUGH MUMBAI LOCAL

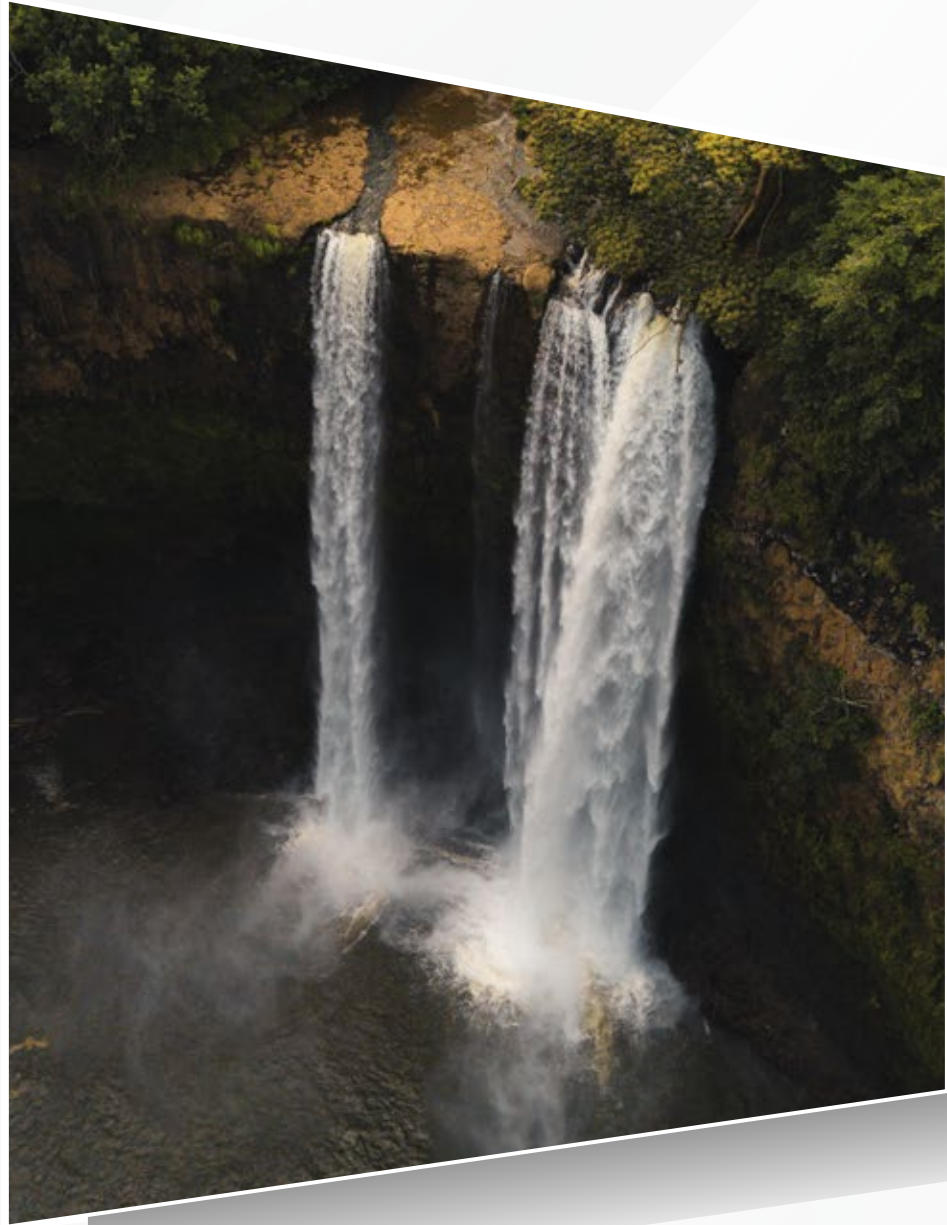


Mumbai local trains (Yeh hai Mumbai meri jaan!)

- › The vast number of people who rely on the local trains every day for their commute to different stations also creates a collective momentum.
- › There's a rhythm (commuter, social, cultural and physical) to the way people board, alight and navigate the stations.
- › It's as if the entire city operates on the same energy, with each commuter contributing to the movement, which helps power the economic and social role in the life of Mumbaikars

For Illustration purpose only.

// UNDERSTANDING THE CONCEPT OF MOMENTUM THROUGH NATURE

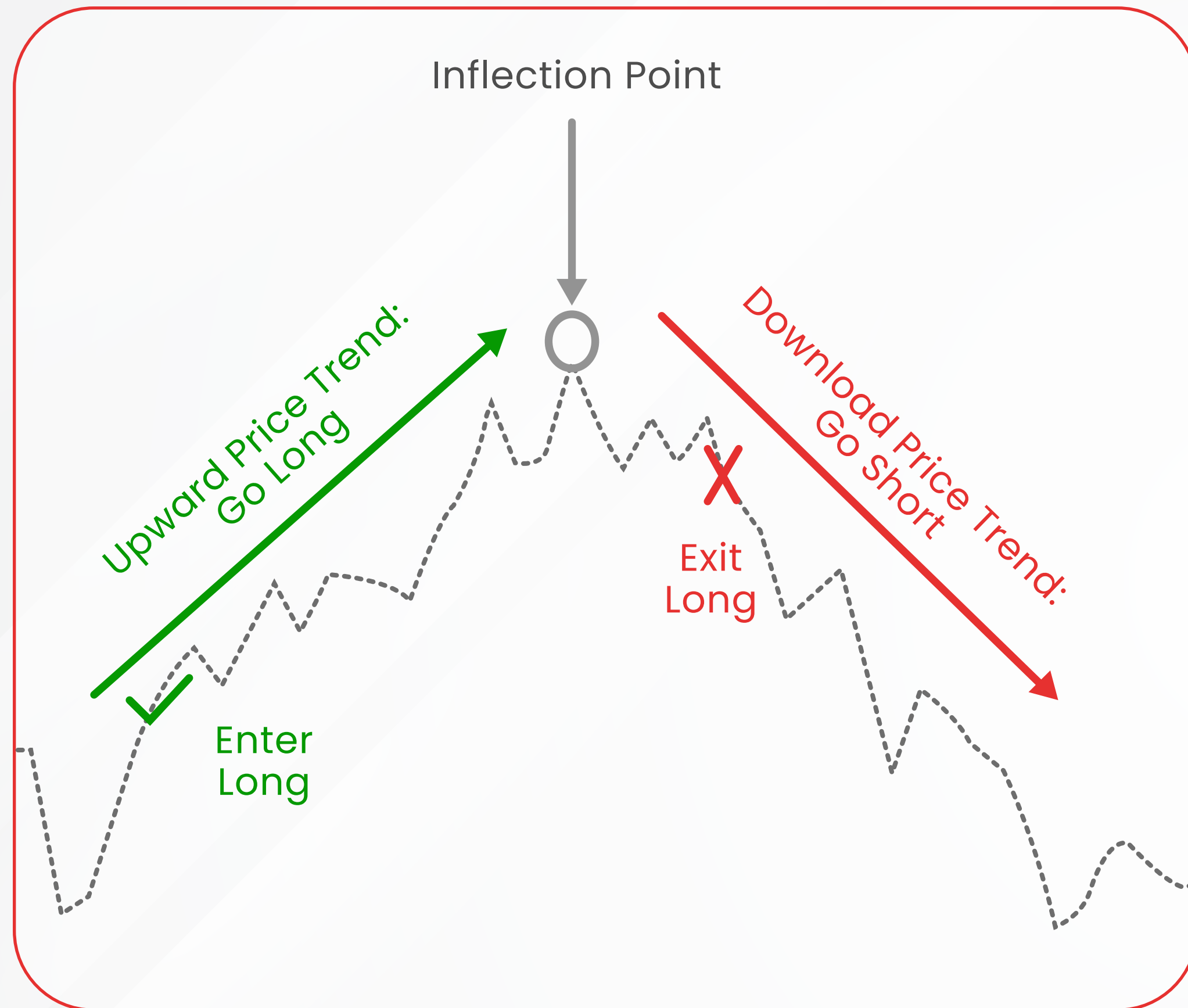


Water flowing from mountains

- › The water flowing down from mountains, typically in the form of rivers or streams, carries momentum due to the volume of water flowing and how fast the water is flowing.
- › The velocity of the water increases as it moves down, leading to higher momentum and more energy in the flow. The faster the water moves, the more momentum it carries.
- › The acceleration of water grows as it travels downhill due to gravity increasing the momentum, especially in the steeper areas.

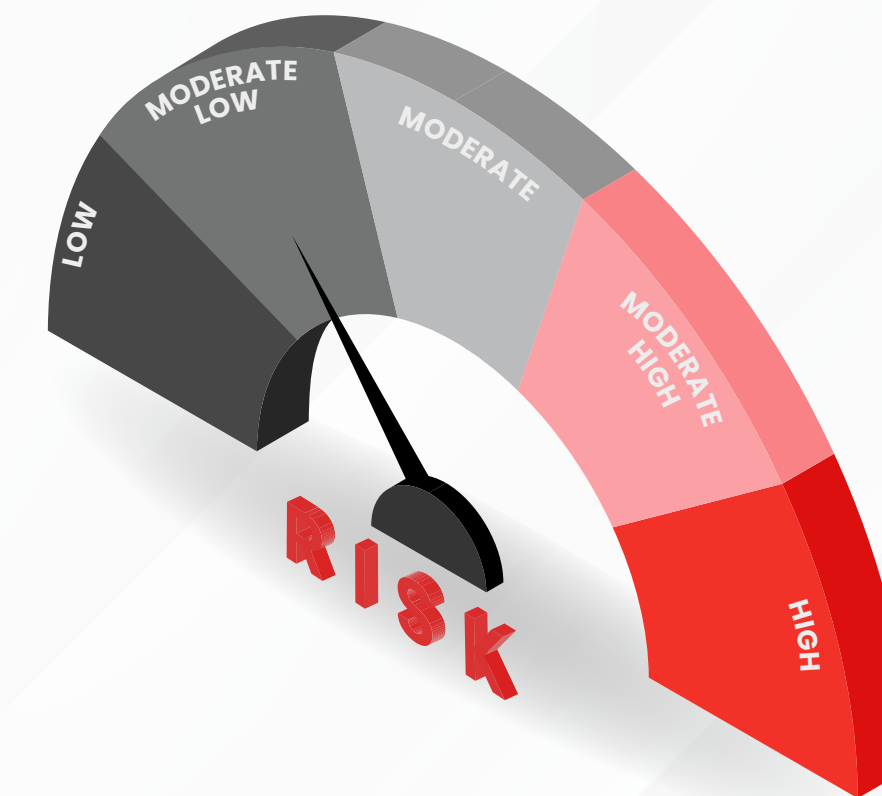
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CONTRARY TO POPULAR BELIEF MOMENTUM CAN AID IN RISK MANAGEMENT



Source: For Illustration purpose only

- Trend-following strategies may help in capturing upcycles better and aid in lowering risk in down cycle.
- Momentum helps in risk-management as much as aims for Alpha creation.
- In essence, the factor attempts to participate in winners and stick with them till they start declining.
- Thus, limiting the downside by dispassionately exiting past winners in the declining cycle.





HOWEVER, MOMENTUM HAS ITS PITFALLS TOO!

Identifying Regime Shifts with a lag

High churn in turn leading to higher impact costs

Dilute Portfolio Quality



Nippon India Mutual Fund

Wealth sets you free

// INTRODUCING NIPPON INDIA ACTIVE MOMENTUM FUND (MODEL STRATEGY)

Nippon India Active Momentum Model Strategy attempts to have an optimal blend of technical (Price Momentum) and fundamental factors (Earnings Revision). In simple terms, it is combining market wisdom with an expert (Consensus) view.

➤ The model attempts to reduce randomness of Price momentum during trend shifts by incorporating key factor of Earnings revision.



Momentum is a way of doing fundamentals and taking the best out of the fundamentals of a particular stock/company and avoiding red flag trends.



Pure Price Momentum can be of good quality and bad quality.



In essence Earnings Momentum and Price Momentum are two faces of the same coin.



Earnings Revision is the wisdom of the crowd and market perception about the earnings.



A reliable, durable momentum in stock price is backed by earnings.

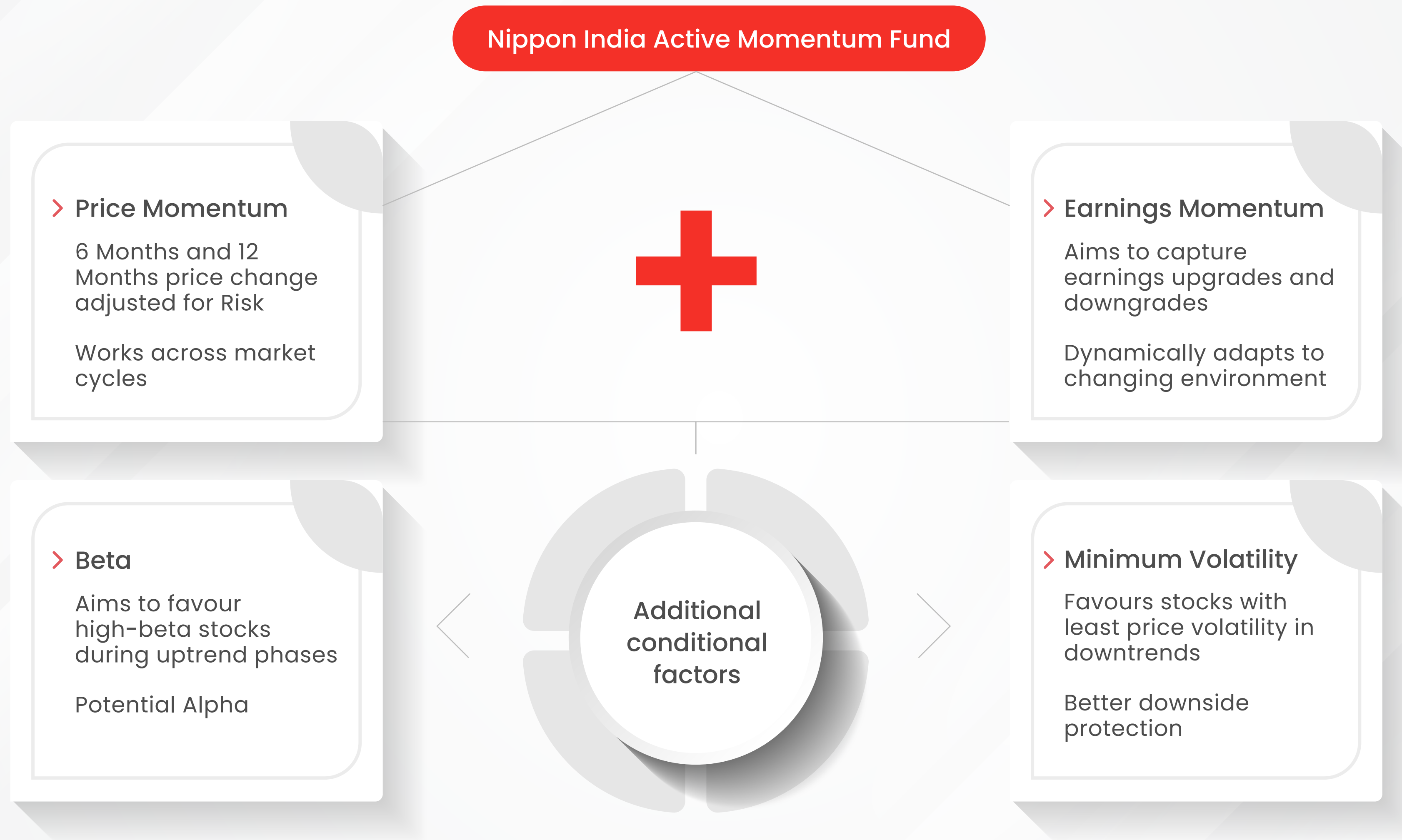


Momentum in company's fundamentals, i.e., earnings momentum, explains the performance of strategies based on price momentum. Generally, earnings momentum carries less noise value than price momentum.



Underreaction towards earning trajectory shifts or gradual reaction towards earnings trajectory shifts is captured by momentum factor!

INTRODUCING NIPPON INDIA ACTIVE MOMENTUM FUND (MODEL STRATEGY)



Source: NIMF Research

ADDITIONAL CONDITIONAL FACTORS RATIONALE

- There are only two phases of the market - Risk ON and Risk OFF. From factor lens, it's either Beta or Minimum Volatility which works in the market during Risk ON and Risk OFF phases effectively.
- Hence the combination not only helps mitigate the down cycles of Momentum but also aims to amplify the return profile at a much lower risk.
- While revision factor (earnings) helps in being agile and dynamic in stock selection, timing Beta helps to amplify the bull cycles of the market while presence of Minimum Volatility factor helps prevent the drawdown during recessions or bear cycles.
- Contra Factors: Both Beta and Minimum Volatility are applied as contra indicators i.e. overweight the opposite style when one style clearly looks heated up in either direction.

HOW DO WE IDENTIFY THE CONTRA INDICATORS OF BETA/MINIMUM VOLATILITY?

Sensex to Total Market Cap: Sensex to Total Market Cap intends to provide insight into the relative performance of Top 30 cos (mega caps) vs broader markets. Usually this tends to be around 42-48 (range), during which it may not give any signal. But when the thresholds are broken the indicators may suggest contra action for instance if its reading is less than 40 it suggests markets can be richly valued and hence the portfolio volatility has to be reduced by adding Minimum Volatility.

Market Breadth: In this indicator we track the percentage of the investment universe which is trading above 200 day DMA (Daily Moving Averages). If this number is higher than 85% it indicates that a large part of the market is fairly valued and hence we need to be cautious. Similarly if this no is low (< 25%) it suggests markets are extremely fearful and not prepared for potential recovery, which can be done by adding Beta.

Factor	Condition	Increase
Market Breadth	<25%	Beta
	>85%	Minimum Volatility
Sensex Ratio	>48%	Beta
	<42%	Minimum Volatility

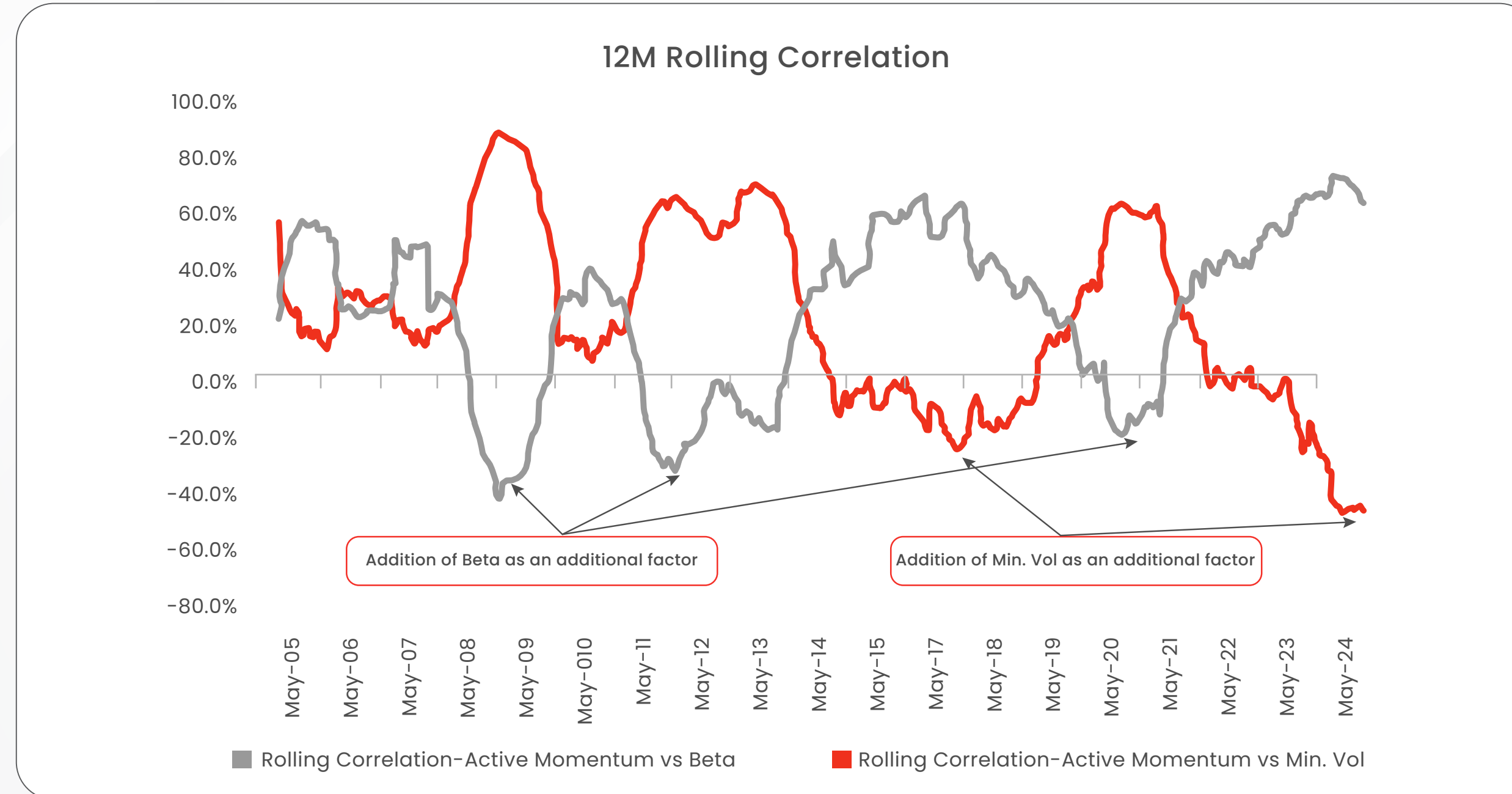


Note: The above mentioned instances are primarily for illustrating the current fund strategy. Please note the same may change in future depending on market conditions or fund manager's views.

Source: NIMF Research.

UNDERSTANDING THE STRATEGY WITH AN EXAMPLE

- For example, if Momentum and Revision are weighed equally at all points in time (50:50), at peak of a bull market rally backed by Beta, we can have the liberty to introduce Minimum Volatility to avoid drawdowns around the peaks.
- Combination could be 40:40:20 instead of 50:50. Take current period for example, correlation between Momentum and Beta had reached its peak around June 2024 as can be seen in the chart below. Introducing Minimum Volatility since June would have made sense as Minimum Volatility outperformed Beta by 16% since June through 31st December, 2024.



Source: NSE, NIMF Research. Past performance may or may not be sustained in the future.

HOW THE FUND ATTEMPTS TO REDUCE THE PITFALLS OF MOMENTUM

Pitfalls	Potential mitigants used by Nippon India Active Momentum Fund
Identifying Regime Shifts with a lag	At the decisive turn of bull or bear run, momentum portfolios can be prone to sharp underperformance For instance the early covid phase, Global Financial Crisis etc. To counter this In our fund strategy we will be employing conditional indicators like Beta & Minimum Volatility to either amplify the upside capture in market uptrend or lower the volatility during downtrends using Minimum Volatility factor.
High churn in turn leading to higher impact costs	Nippon India Active Momentum Fund will follow a monthly rebalancing frequency to remain reasonably dynamic while keeping the churn ratio much lower
Dilute Portfolio Quality	Since pure price momentum strategies only participate in winners it can lead to lower quality stocks being part of the portfolio. The scheme will consider Earnings revision which ensures that Price shifts supported by improving fundamentals are ranked higher and thus resulting in a better quality of portfolio.

'Momentum risks can be managed without comprising the Alpha potential by adding fundamental micro factors along with quality & risk filters'

WHY NIPPON INDIA ACTIVE MOMENTUM STRATEGY?

Nippon India Active Momentum Model Strategy is an optimal blend of technical and fundamentals, combining market wisdom with an expert (Consensus) view.



Edge of the product - (or say differentiated offering) -
Price momentum is complemented/accompanied equally by earnings momentum/upgrades (we call it Revision Factor) in the respective stock - which effectively means you get on the ride with good quality momentum and aim to avoid volatility as a result. It aids in better diversification.



Rule-based approach -
Follows a disciplined, rule-based approach, which reduces emotional decision-making and human biasness.



Frequency of rebalancing -
The fund is envisaged at 30 days rebalancing. If need be, we may also reduce the rebalancing frequency with minimal impact on performance.



Large-cap oriented strategy - The scheme may tend to have higher allocation towards large-caps.



Uses Contra signals - To identify extreme momentum skew in the market, the strategy uses Contra signals.



Chooses good quality momentum and avoids bad quality momentum - Factors like volatility of underlying stocks can help identify good versus bad quality of momentum stocks in the portfolio.



Focused portfolio - The fund would seek to invest in a focused portfolio around 30-40 stocks selected from the benchmark universe of Nifty 500 stocks. Liquidity and size of stocks while constructing a portfolio are taken into consideration.

Note: The current fund strategy may change in future depending on market conditions or fund manager's views.



SCHEME DETAILS

Type of Scheme	An open-ended equity scheme following momentum theme.
Investment Objective	The investment objective of the scheme is to achieve long-term capital appreciation for its investors. This objective will be pursued by strategically investing in a diversified portfolio of equity and equity-related instruments. The selection of these instruments will be based on a quantitative model meticulously designed to identify potential investment opportunities that exhibit the potential for significant capital appreciation over the specified investment horizon. There is no assurance that the investment objective of the Scheme will be achieved.
Fund Manager	Mr. Ashutosh Bhargava (Co-fund Manager) and Ms. Kinjal Desai (Fund Manager- Overseas Investment)
Benchmark	AMFI Tier I Benchmark: NIFTY 500 TRI
Load Structure	Exit Load: 1% if redeemed or switched out on or before completion of 1 year from the date of allotment of units. Nil, thereafter
Minimum Application Amount	₹500 & in multiples of ₹1 thereafter
New Fund Offer Period	NFO opens on: February 10, 2025, NFO closes on: February 24, 2025. Scheme re-opens for continuous sale & repurchase not later than: March 06, 2025
Asset Allocation	80% to 100% - Equity & Equity related instruments of momentum theme 0% to 20% - Debt & Money Market Instruments 0% to 10% - Units issued by REITs & InvITs

*Please refer to the Scheme Information Document (SID) for complete details.



DISCLAIMER

Note: The current fund strategy may change in future depending on market conditions or fund manager's views.

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Nippon India Mutual Fund

Wealth sets you free

Thank You