

Capturing the *business trends* of India



Edelweiss Business Cycle Fund

(An open-ended equity scheme following business cycle-based investing theme)

Investing in trending businesses by identifying growth, value, and quality momentum stocks.

Businesses yield returns on rotational basis

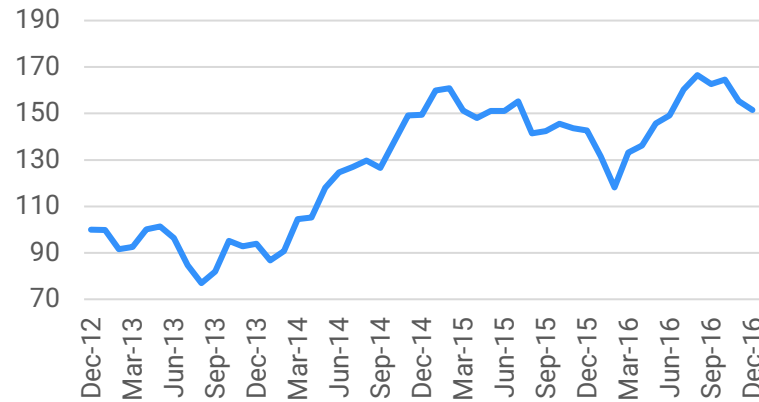
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR
Realty	-51%	54%	-34%	11%	-14%	-4%	111%	-33%	29%	6%	55%	-11%	82%	12%
Capital Goods	-47%	37%	-4%	52%	-8%	-2%	41%	0%	-9%	13%	55%	17%	68%	17%
Auto	-18%	45%	11%	58%	0%	12%	33%	-22%	-9%	13%	20%	17%	49%	15%
Cons Discr	-22%	42%	-2%	56%	9%	6%	56%	-15%	-1%	21%	31%	-1%	40%	16%
Utilities	-34%	12%	-12%	23%	-2%	12%	32%	-13%	-4%	4%	70%	25%	37%	12%
Pharma & HC	-9%	33%	27%	44%	10%	-14%	-6%	-7%	-9%	62%	11%	-11%	35%	11%
Telecom	-16%	-3%	19%	10%	3%	-21%	51%	-39%	14%	14%	43%	-3%	31%	7%
FMCG	10%	51%	13%	20%	1%	5%	31%	15%	0%	15%	12%	20%	31%	16%
IT	-17%	0%	60%	20%	2%	-5%	15%	26%	11%	58%	62%	-24%	26%	16%
Metal	-48%	19%	-12%	8%	-29%	48%	54%	-17%	-10%	18%	73%	25%	19%	12%
Financial Services	-29%	54%	-6%	59%	-4%	6%	43%	11%	26%	5%	15%	10%	14%	16%
Nifty 500 TRI	-26%	33%	5%	39%	0%	5%	38%	-2%	9%	18%	32%	4%	27%	15%

Every business goes through its cycle

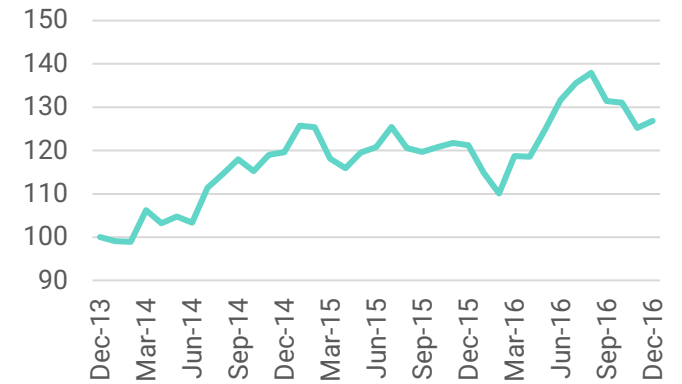
Auto



Financial Services



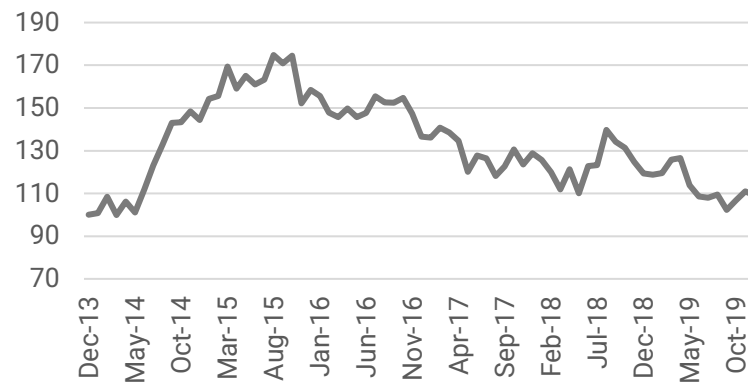
FMCG



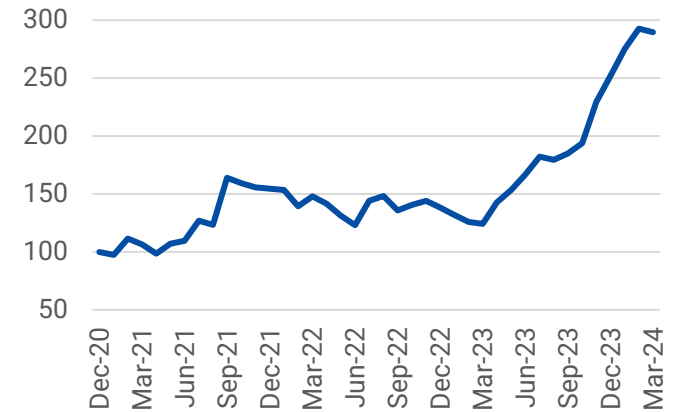
IT



PHARMA



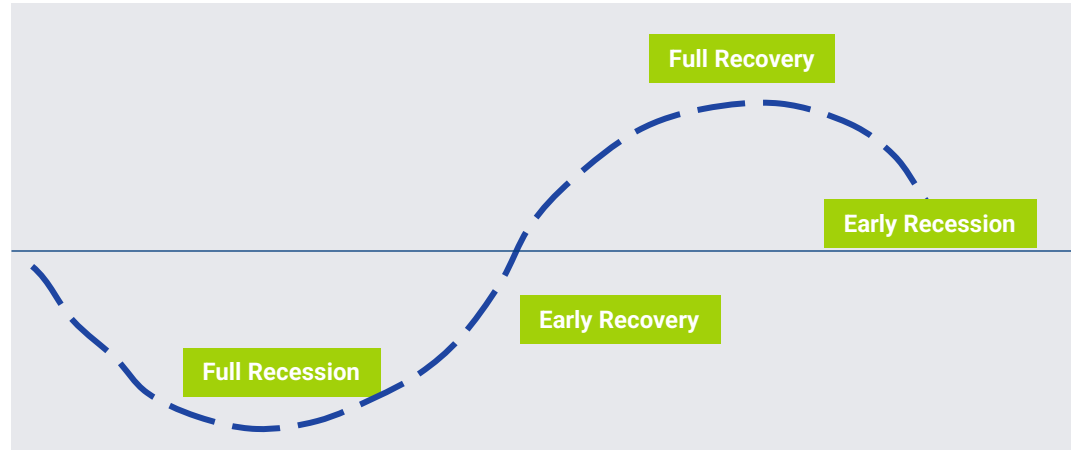
Realty



An effective investment strategy is required to capture the up cycle and avoid the down cycle.

Traditional approach to identify business cycles

1. Identify Macro-economic cycle



2. Identify business cycle and sectors

Defensives	Cyclicals	Growth
FMCG	Banks	Discretionary
Healthcare	Industrials	IT

3. Identify stocks within these sectors

HUL	ICICI Bank	TVS Motor
Divi's Lab	L&T	Persistent Sys
ITC	HDFC Bank	Tata Motors

Weaknesses of this approach

Macroeconomic conditions may change rapidly

Judgment-based timing can cause wrong entry and exit points

Turnaround calls may become value traps

The above is for illustration only. The sectors/stocks mentioned should not be construed as a recommendation and the fund may or may not have exposure to these stocks currently or in the future.

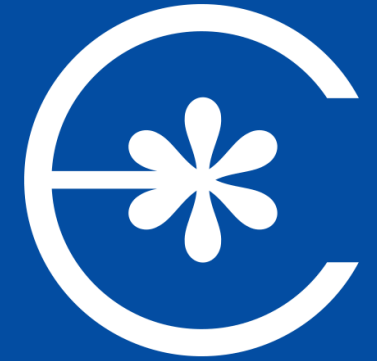
Most diversified portfolios miss business cycles

Industry (Allocation %)	Fund A				Fund B				Fund C				Nifty 500			
	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
Financial Services	33	35	37	38	29	29	30	23	30	28	32	28	32	29	32	28
Information Technology	8	6	12	8	12	13	8	7	11	9	6	5	13	14	11	10
Oil, Gas & Consumable Fuels	11	15	8	2	11	9	7	9	9	8	7	8	10	11	10	9
Fast Moving Consumer Goods	5	4	1	1	6	3	4	3	5	4	7	6	8	7	9	7
Automobile and Auto Components	5	4	6	6	5	3	7	10	4	3	6	6	5	4	5	7
Healthcare	8	6	9	13	3	3	3	4	5	5	3	3	5	5	5	5
Capital Goods	7	7	7	6	5	7	9	12	4	3	3	3	3	3	4	5
Power	10	8	6	5	-	-	-	1	1	2	2	3	2	3	3	4
Metals & Mining	1	-	-	0	2	4	4	5	4	4	2	2	3	4	3	3
Construction	6	5	3	1	4	4	5	5	3	3	3	4	2	2	3	3
Top 10 of Nifty 500 index	93	92	87	79	77	75	78	78	76	68	71	67	85	83	84	82

Sector rotation is missing in traditional diversified funds.

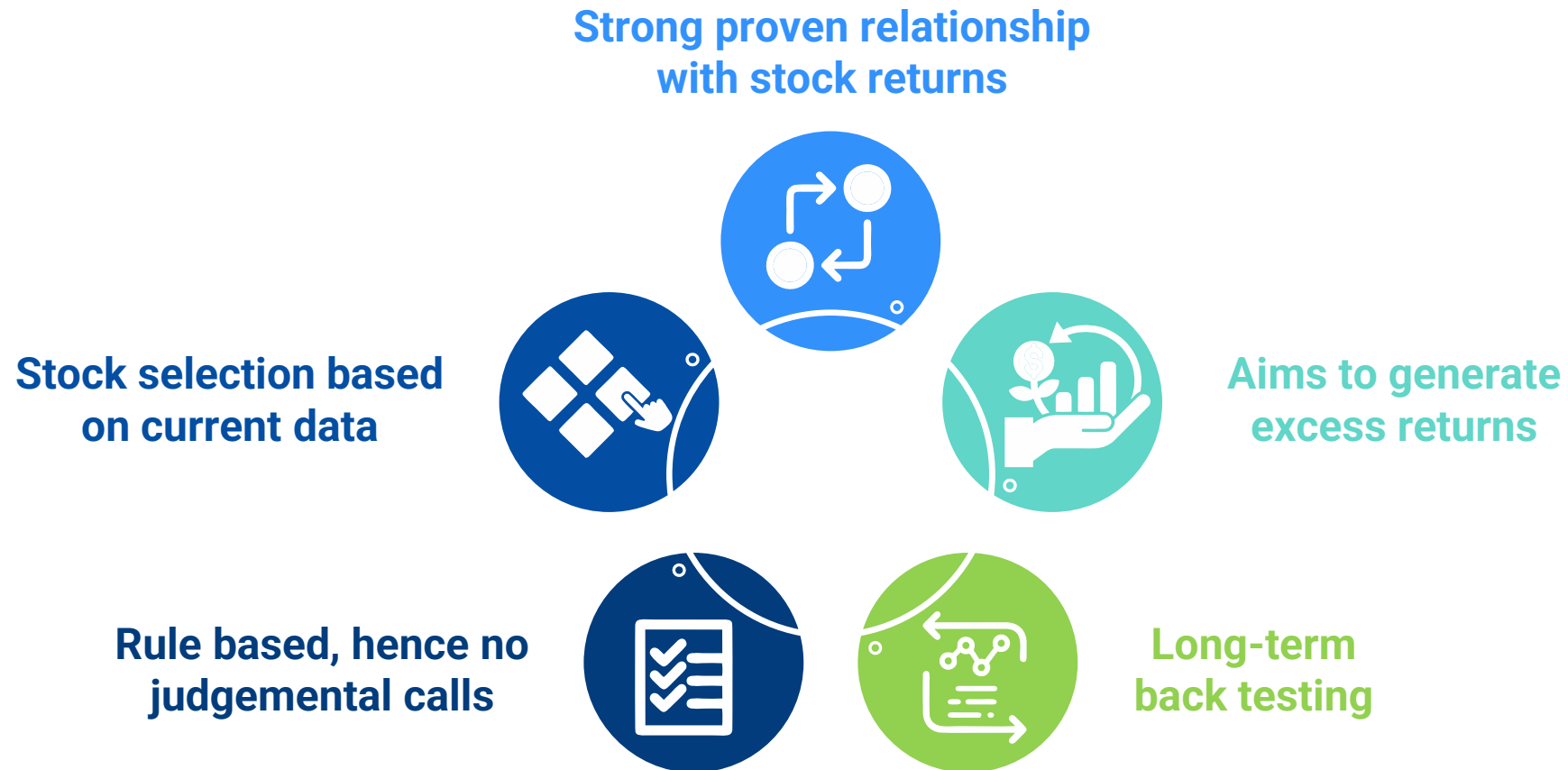
Introducing

Factor investing approach






What is Factor investing?

Factor investing involves selecting stocks based on certain characteristics that are believed to contribute to their performance.



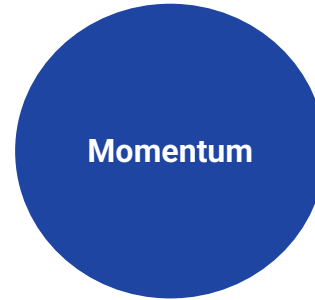
Key factors that drive stock returns

An investment factor is a specific feature of a security that explains its risk and expected return.

Factors	 Quality	 Growth	 Value	 Momentum
Feature	Sound balance sheet stocks	High growth with future potential	Relatively inexpensive stocks	Rising stocks
Metrics	ROE, ROCE, Debt to Equity	Revenue, EBITDA, PAT growth rate	Low valuation ratios like P/E, P/B	3m/6m/12m price change
E.g.:	Maruti, Godrej Consumer, Divi's Lab	ICICI Bank, Bajaj Finance, Titan	SBI, ONGC, Tata Steel	Tata Motors, TVS, Trent, REC

An informed way of identifying business cycles

1. Identify factors driving stock returns



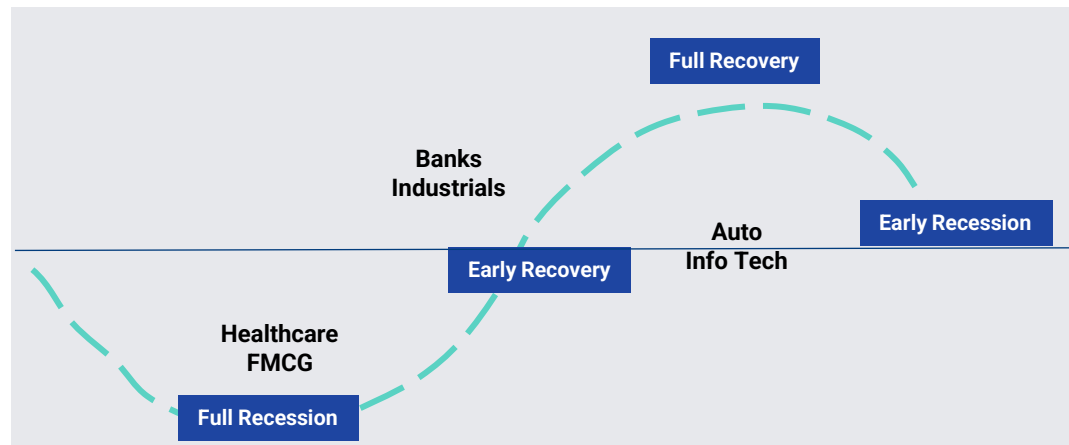
2. Identify stocks that are doing well using factors

HUL
Divi's Lab
ITC

ICICI Bank
L&T
HDFC Bank

TVS Motor
Persistent Sys
Tata Motors

3. Arrive at sectors doing well in current business cycle



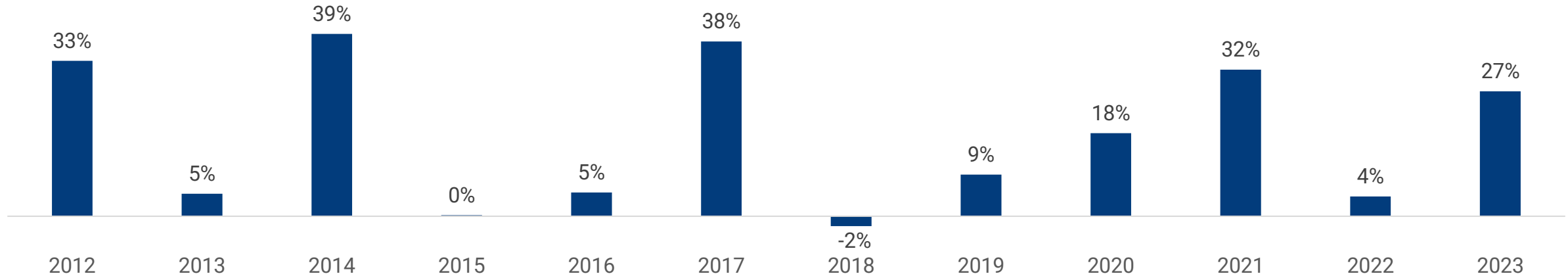
Strengths of this approach

Data and evidence backed identification of business cycle trends

Focus on “What is doing well vs What will do well”

Factor tilts vary across periods

Nifty 500 calendar year returns



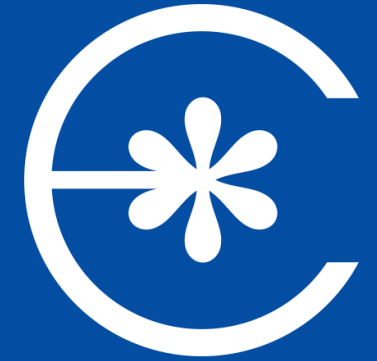
Key factor tilts for respective years



Introducing

Edelweiss Business Cycle Fund

Identifying business cycles through a proprietary factor-based approach*



*Factor investing approach is based on internal proprietary model mentioned in the SID

Introducing Edelweiss Business Cycle Fund



A factor-based approach to capture trends in business cycles

Investment Philosophy

01

Our proprietary model analyses factors to spot business cycle trends.

02

Key factors used in the model - Growth, Quality, Value & Momentum.

03

Market-cap bias – Aims to maintain equal allocation between large caps and mid/small caps.

04

The model helps in constructing a portfolio of ~60 stocks that are doing well in the current cycle.

05

Portfolio Universe – Top 300 stocks by market capitalization.

06

Benchmark agnostic approach with sector exposure capped at 40% and single stock exposure at 10%.

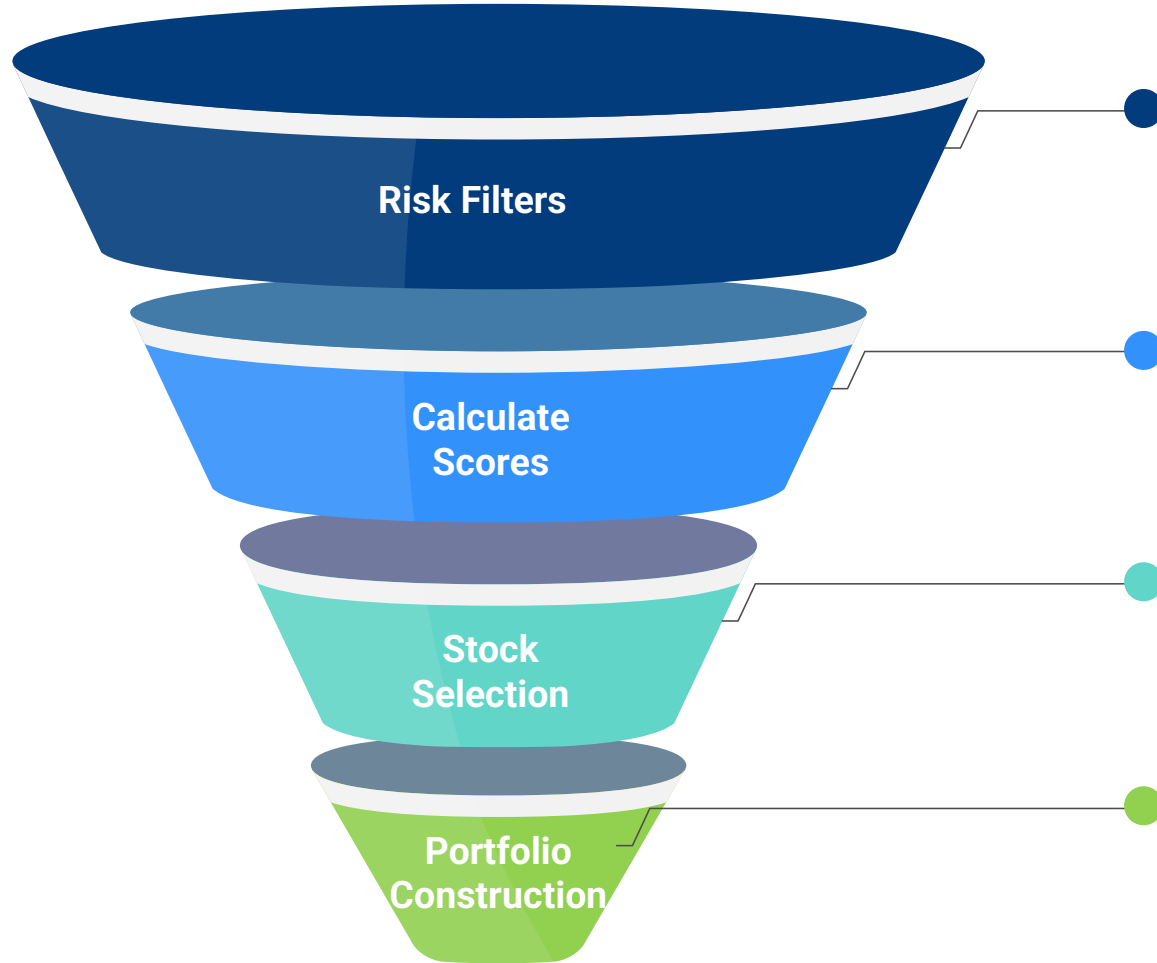
Factors used in the process

The Edelweiss Business Cycle Fund evaluates businesses combining Momentum with other factors



Stock selection process using factors

STEPS



PROCESS

● Filter from top 300 stocks by market cap for investable universe

● Calculate scores for each stock across factors
(Quality, Growth, Value & Momentum)

● Select top ranked stocks from each factor combination based on their scores (Value+Momentum; Growth+Momentum; Quality+Momentum)

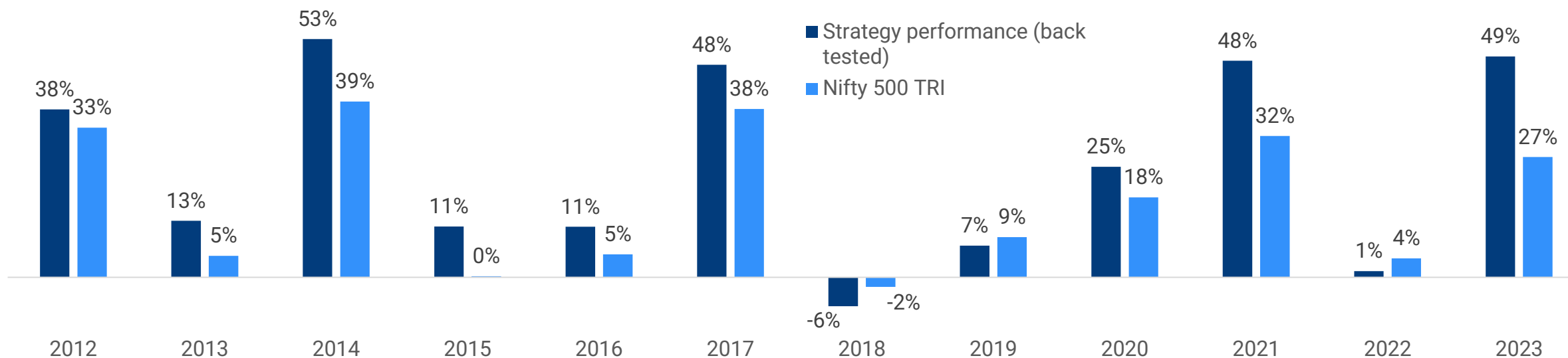
● Construct portfolio of ~ 60 stocks across large cap and mid/ small cap universe

Back-testing of proprietary model performance

	Strategy performance (back-tested)	Nifty 500 TRI
1 year	69%	35%
3 years	33%	18%
5 years	29%	18%
7 years	22%	15%
10 years	24%	15%

Strategy has consistently outperformed

Calendar year returns



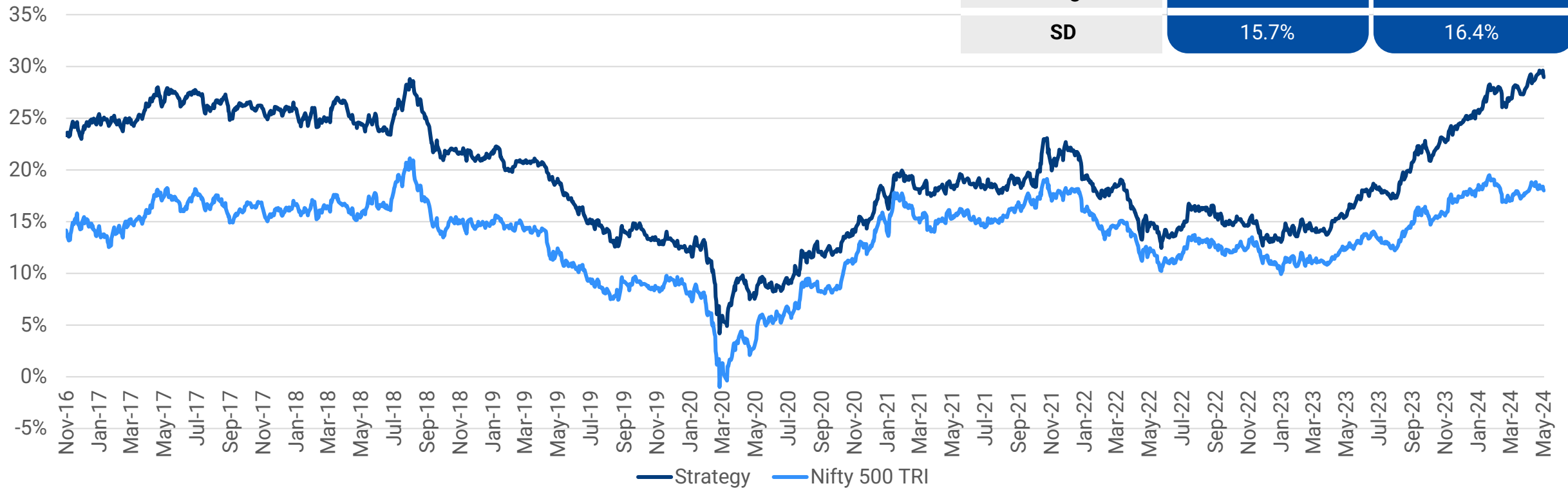
Return contribution of top 3 sectors in each calendar year:

Financials 8.2%	Information Technology 8.3%	Consumer Discretionary 20.6%	Health Care 3.2%	Financials 5.7%	Financials 14.3%	Information Technology 1.5%	Financials 4.8%	Health Care 16.4%	Information Technology 20.4%	Industrials 5.1%	Financials 15.0%
Consumer Staples 8.0%	Health Care 3.4%	Industrials 14.4%	Financials 2.8%	Energy 5.4%	Consumer Discretionary 11.0%	Consumer Staples 1.0%	Health Care 2.7%	Information Technology 7.8%	Materials 7.2%	Consumer Staples 3.6%	Industrials 11.2%
Materials 7.4%	Consumer Discretionary 3.1%	Health Care 9.5%	Consumer Discretionary 2.5%	Materials 3.0%	Materials 5.6%	Health Care 0.9%	Materials 2.5%	Materials 5.4%	Health Care 6.8%	Materials 1.9%	Consumer Discretionary 6.0%

Back-testing of proprietary model performance

5 year rolling returns

100% of the times outperformed

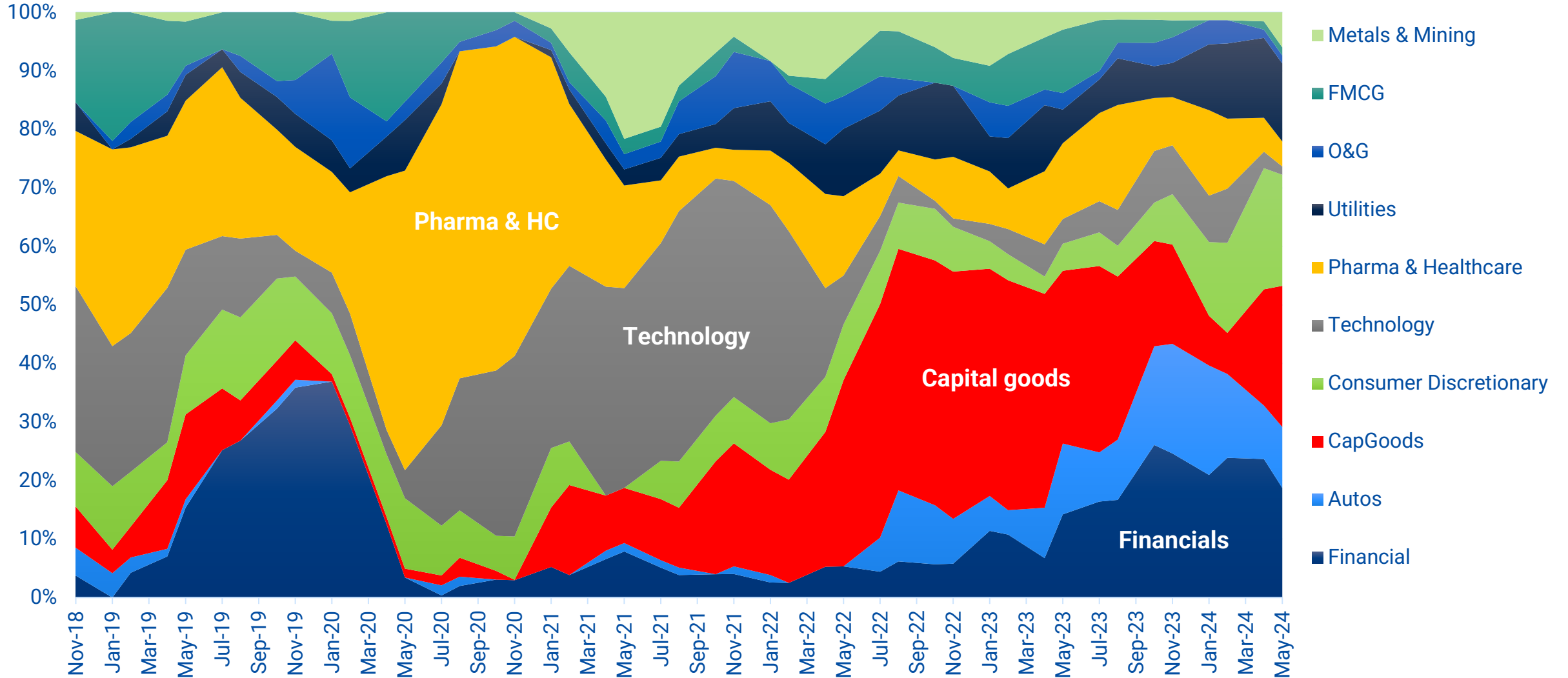


Factor based approach leads to a dynamic portfolio

Sector	Nifty 500 Index Static sector allocation (%)				Edelweiss strategy dynamic sector allocation (%)			
	Mar'21	Mar'22	Mar'23	Mar'24	Mar'21	Mar'22	Mar'23	Mar'24
Financial Services	32	29	32	28	9	3	19	22
Information Technology	13	14	11	10	20	25	3	7
Oil, Gas & Consumable Fuels	10	11	10	9	1	5	6	8
Fast Moving Consumer Goods	8	7	9	7	6	2	10	3
Automobile and Auto Components	5	4	5	7	2	5	11	11
Healthcare	5	5	5	5	22	9	5	9
Capital Goods	3	3	4	5	6	7	24	5
Power	2	3	3	4	2	6	6	10
Metals & Mining	3	4	3	3	6	9	2	3
Construction	2	2	3	3	0	0	1	1
Consumer Durables	4	4	3	3	8	2	0	5
Consumer Services	2	2	2	3	4	1	0	3
Telecommunication	2	2	2	2	1	3	0	0
Construction Materials	3	2	2	2	3	1	0	0

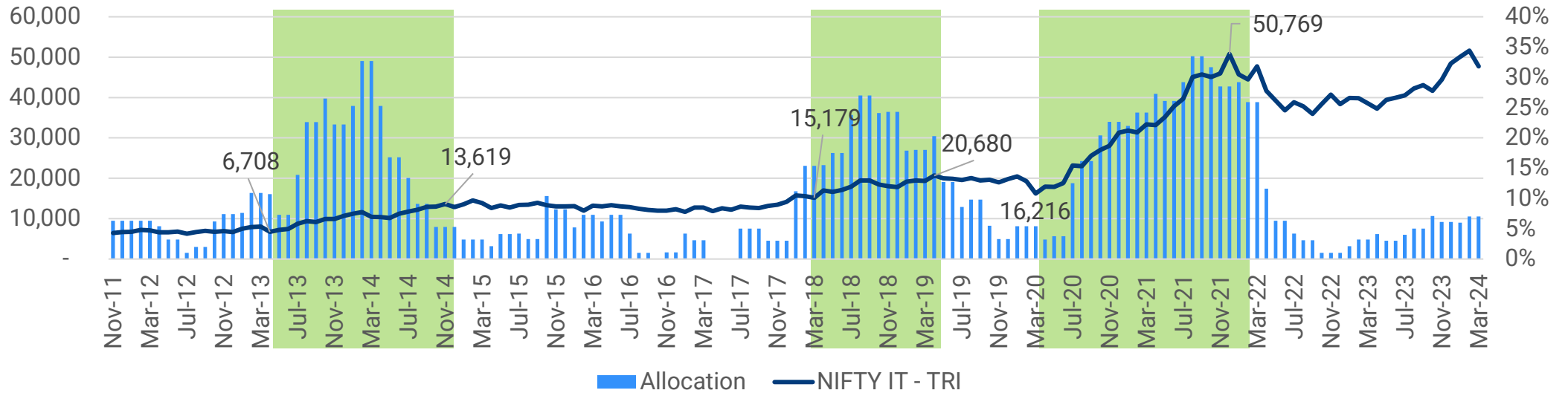
Top 15 sectors for the index as on March 2024 provided above

Strategy's dynamic sectoral rotation



Note: Sector allocation of Edelweiss' internal model demonstrated above for illustration only. Sector derived based on back testing of model portfolio. Data as on 31st May 2024.

Illustration: Technology exposure over the years



Nifty 50 index growth	60%	23%	110%
Nifty IT index growth	100%	35%	200%
Peak allocation to IT sector in the period	33%	27%	34%
Dominant factors	Quality + Momentum	Quality	Growth + Momentum

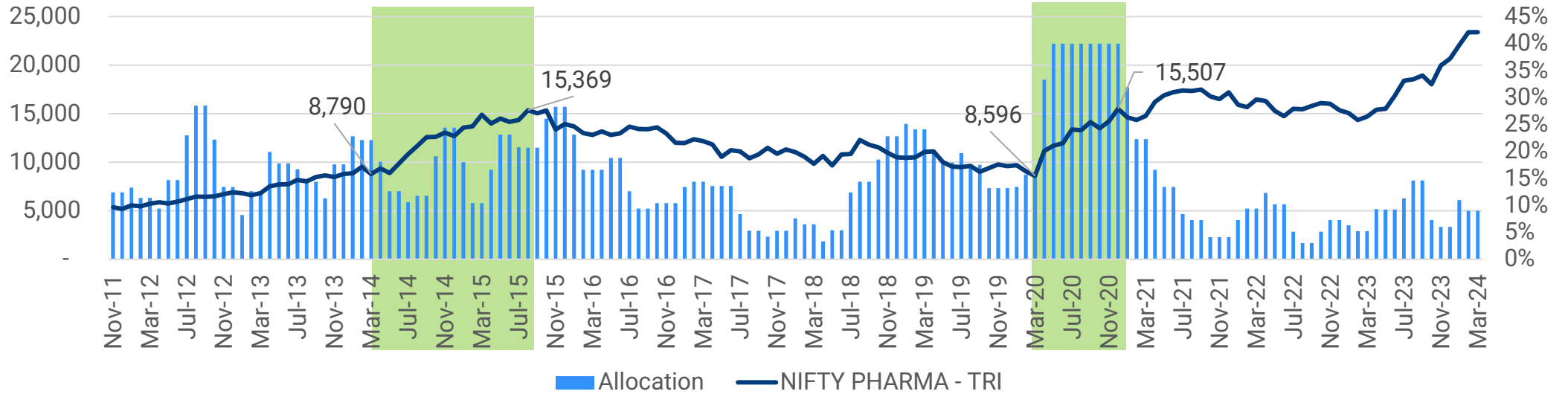
Tailwinds

After a muted 2012, expanding order book, rising spends on IT in the developed world and fall of the rupee against the US dollar.

In a highly volatile and challenging environment, IT among the few sectors that performed well.

During and post pandemic, increased focus on technology.

Illustration: Pharma & Healthcare exposure over the years



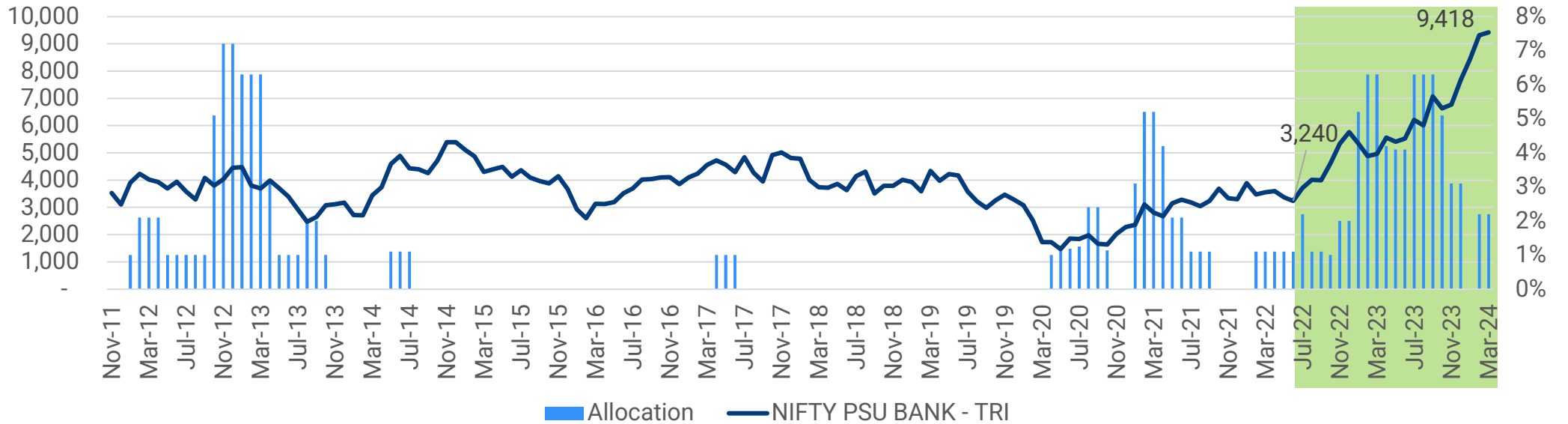
Nifty 50 index growth	50%	65%
Nifty Pharma Index growth	75%	80%
Peak allocation to the Pharma index in the period	28%	40%
Dominant factors	Quality + Momentum	Quality

Tailwinds

Strong global growth opportunity (US being the key driver), healthy earnings visibility.

Rally in pharma stocks during Covid owing to its resilience

Illustration: PSU Banks exposure over the years

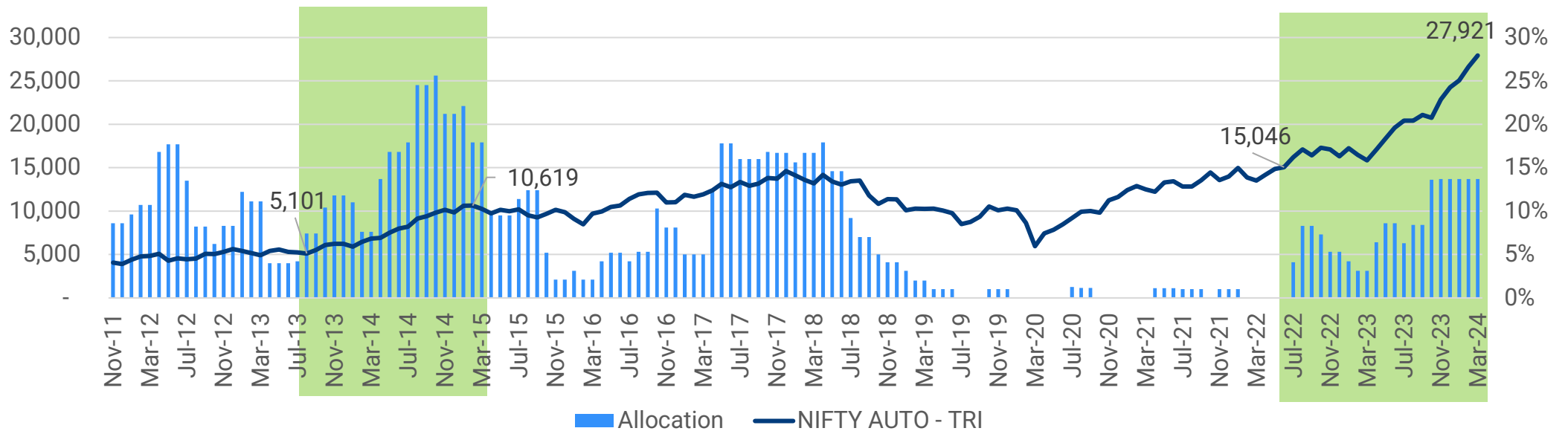


Nifty 50 index growth	45%
PSU Bank Index growth	200%
Peak allocation to PSU Bank sector in the period	6%
Dominant factors	Value + Momentum

Tailwinds

Healthy growth in advances, Net Interest Income (NII), reduction in gross Non-Performing Assets (NPAs) and strong growth in profitability.

Illustration: Auto exposure over the years



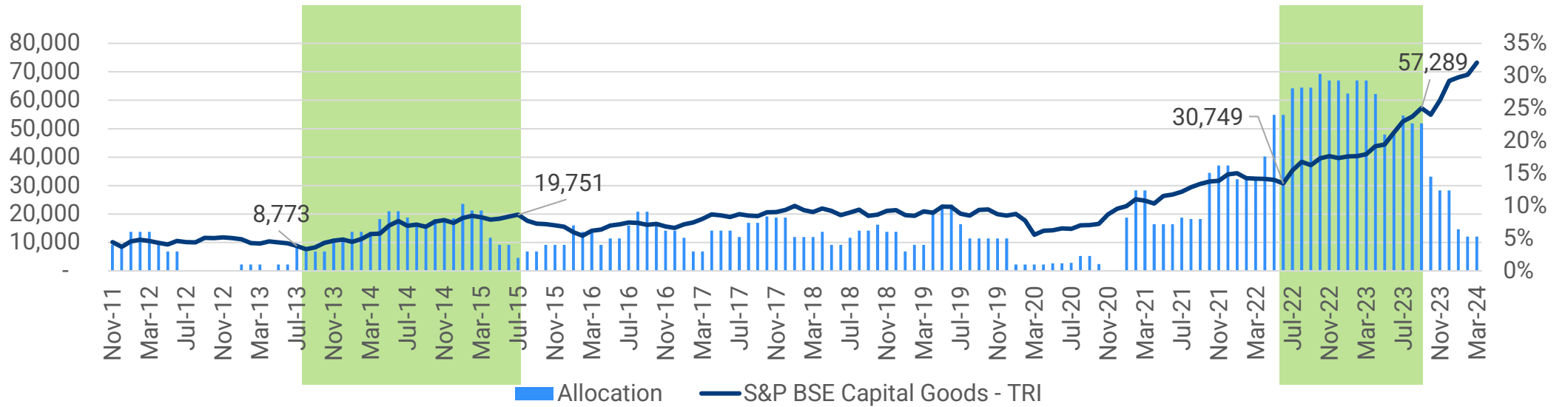
Nifty 50 index growth	65%	45%
Auto Index growth	110%	85%
Peak allocation to Auto sector in the period	26%	14%
Dominant factors	Quality + Momentum	Value + Momentum

Tailwinds

Excise duty cut announcement boosted sentiment towards the sector.

Pent-up demand following Covid, limited supply keeping prices high, and investor optimism about profits.

Illustration: Capital goods exposure over the years



Nifty 50 index growth	65%	25%
Capital goods Index growth	160%	85%
Peak allocation to Capital goods sector in the period	10%	30%
Dominant factors	Quality + Momentum	Value + Momentum

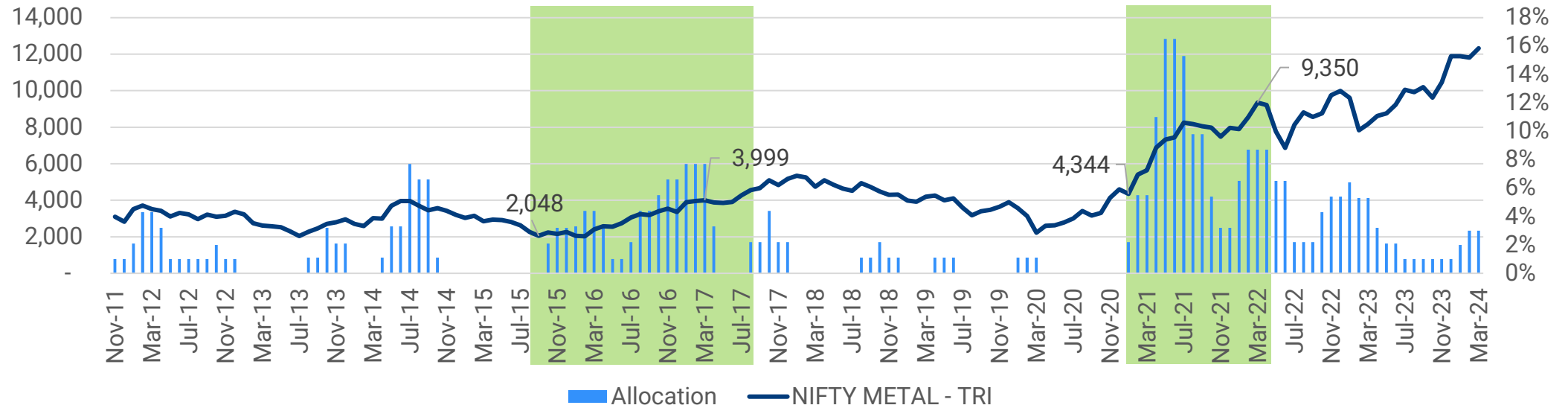
Tailwinds

Increased infrastructure push by the government with lower interest rates.

Continued government push on infrastructure, early signs of capital goods revival.

Note: Sector allocation of Edelweiss' internal model demonstrated above for illustration only. Source: Edelweiss internal analysis and ACE MF. Past performance is not an indicator of future performance.

Illustration: Metals & Mining exposure over the years



Nifty 50 index growth	35%	30%
Nifty Metal Index growth	100%	90%
Peak allocation to Nifty Metal in the period	8%	17%
Dominant Factors	Value + Quality + Momentum	Growth + Momentum

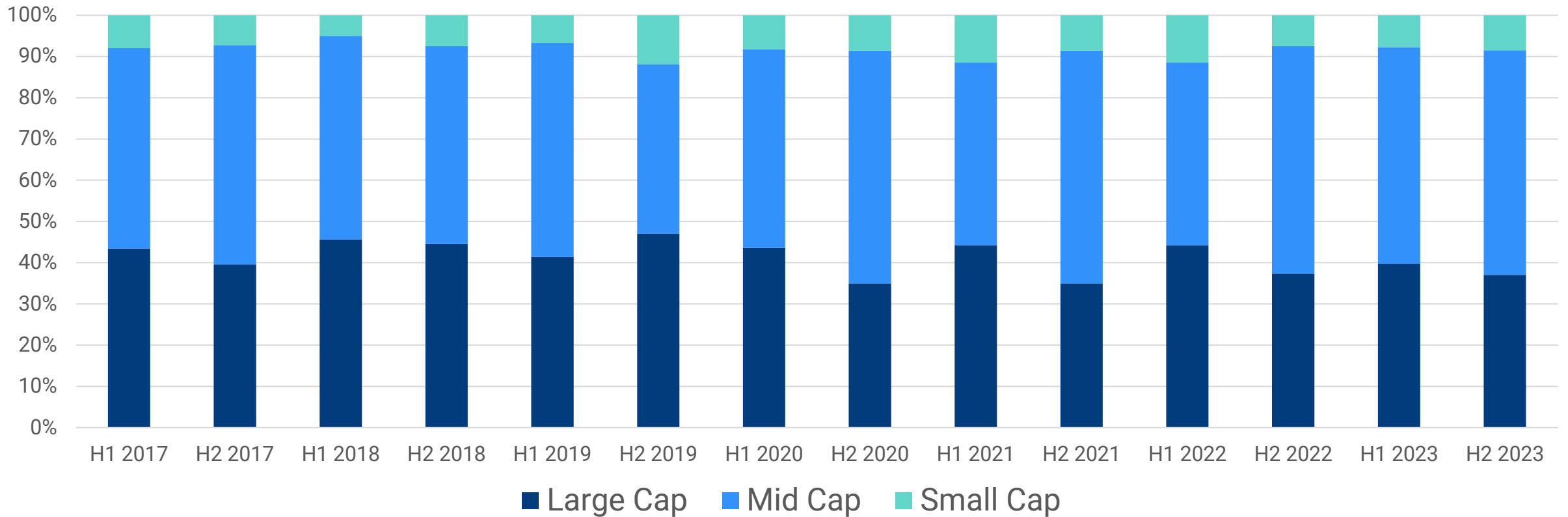
Tailwinds

Metal prices rose due to global events like Brexit, US Presidential election.

With recovery in economic activity, demand and price for metal commodities like steel, copper, aluminum rose leading to rising revenue for metal companies.

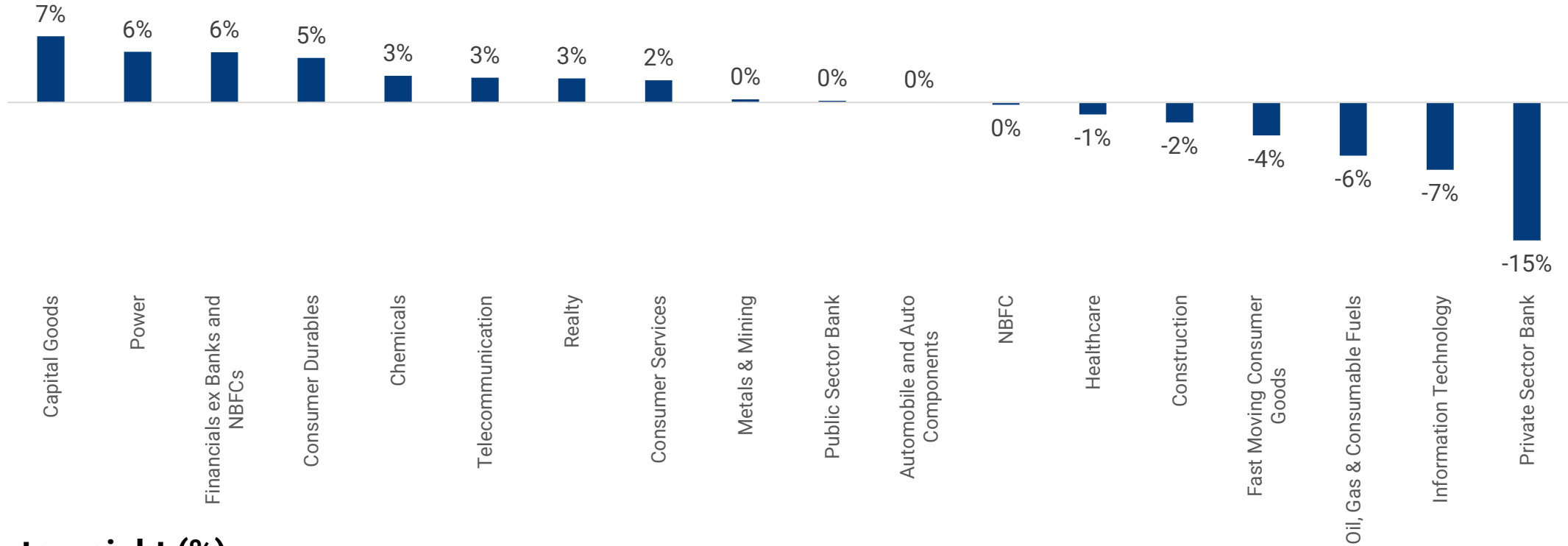
Model maintained consistent market cap allocation

At each rebalance, the portfolio has been equally split between large (top 100 stocks by market cap) and mid/small caps (Next 200 stocks by market cap)



Outcome of a diversified portfolio vs Index constitution

Model portfolio weight relative to Nifty 500
Overweight/(Underweight)



Absolute weight (%):

Strategy	13%	10%	12%	8%	5%	6%	4%	6%	4%	3%	8%	3%	4%	1%	3%	3%	1%	1%
Nifty 500	6%	4%	6%	3%	2%	3%	1%	3%	4%	3%	7%	3%	5%	3%	7%	9%	8%	16%

Stock allocation vs Nifty 500

Top overweight stocks (%)

Stock	Sector	Strategy	Nifty 500	Overweight
Indus Towers Ltd.	Telecommunication	4.4	0.1	4.3
JSW Energy Ltd.	Power	4.4	0.2	4.2
REC Ltd.	Financials ex Banks and NBFCs	3.3	0.4	2.9
Thermax Ltd.	Capital Goods	3.0	0.1	2.9
Solar Industries India Ltd.	Chemicals	3.0	0.1	2.9
Torrent Power Ltd.	Power	3.0	0.1	2.9
Phoenix Mills Ltd.	Realty	3.0	0.2	2.8
Sundaram Finance Ltd.	NBFC	3.0	0.2	2.8
Dixon Technologies (India) Ltd.	Consumer Durables	3.0	0.2	2.8
Bajaj Auto Ltd.	Automobile and Auto Components	3.3	0.6	2.7

Top underweight stocks (%)

Stock	Sector	Strategy	Nifty 500	Underweight
HDFC Bank Ltd.	Private Sector Bank	-	6.8	(6.8)
Reliance Industries Ltd.	Oil, Gas & Consumable Fuels	-	5.7	(5.7)
ICICI Bank Ltd.	Private Sector Bank	1.1	4.6	(3.5)
Infosys Ltd.	Information Technology	-	3.0	(3.0)
Larsen & Toubro Ltd.	Construction	-	2.6	(2.6)
ITC Ltd.	Fast Moving Consumer Goods	-	2.2	(2.2)
Tata Consultancy Services Ltd.	Information Technology	-	2.2	(2.2)
Axis Bank Ltd.	Private Sector Bank	-	1.9	(1.9)
Kotak Mahindra Bank Ltd.	Private Sector Bank	-	1.5	(1.5)
Mahindra & Mahindra Ltd.	Automobile and Auto Components	-	1.4	(1.4)

Factor investing expertise



₹ 14,000 cr

AUM of factor-based funds



15

**years of applied
quantitative innovation**



5

**Factor investment
professionals**



1

clear investment philosophy



4

**Strategies being run
using factors**

Our Factor Investing Team



Bharat Lahoti
Co-Head – Factor Investing

Bharat has 18 years of experience in areas of portfolio management, macro and sector research. He has earlier worked with marquee investment banks and asset management companies. His last assignment before joining Edelweiss Asset Management Limited was with DE Shaw Group, a global hedge fund, as a senior manager working on fundamental and quantitative research ideas.

He has done Master in Management Studies (MMS) in Finance from N.L. Dalmia Institute of Management and Bachelor in Engineering (BE) in Electronics and Telecom from Mumbai University.



Bhavesh Jain
Co-Head – Factor Investing

Bhavesh started his career with Edelweiss Asset Management in January 2008 and has over 15 years of rich experience in the financial markets. He had joined in the Low-Risk Trading team which is responsible for looking at arbitrage between SGX Nifty and NSE Nifty along with normal cash-future and index arbitrage.

He has done Masters in Management Studies from N.L. Dalmia Institute – Mumbai University and MBA in Finance also from Mumbai University.

Supported by a team of 3 analysts

Fund Features

Category	Sectoral/ Thematic
Fund Manager	Mr. Bhavesh Jain Mr. Bharat Lahoti Mr. Amit Vora (For Overseas Securities)
Benchmark	Nifty 500 TRI
Investment Objective	The Fund seeks to generate long-term capital appreciation by investing predominantly in equity and equity related securities with a focus on navigating business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy. There is no assurance that the investment objective of the Scheme will be achieved.
Minimum Application Amount	Lumpsum: Minimum of Rs. 5,000/- and multiples of Re. 1/- thereafter. On continuous basis: Minimum Rs. 100/- and in multiples of Re. 1/- thereafter. SIP: Rs. 100/- and in multiples of Re. 1/- thereafter.
NFO period	9 th July 2024 to 23 rd July 2024

Investments	Indicative Allocation (% to net assets)
Equity and Equity related instruments selected on the basis of business cycle	80% to 100%
Other Equity & Equity related instruments	0% to 20%
Debt and money market instruments	0% to 20%
Units issued by REITs and InvITs	0% to 10%

Proven record of running factor-based strategies

	Edelweiss Balanced Advantage Fund	Edelweiss Aggressive Hybrid Fund	Edelweiss Large Cap Fund
Inception date	20 th Aug 2009	26 th June 2009	26 th May 2009
AUM (Rs. cr)	11,300	1,600	900
Dominant factors	Quality + Growth; Trend based Asset Allocation model	Quality + Growth + Momentum	Quality + Growth
About the strategy	14+ years track record, 1 st pure play trend-based asset allocation	14+ years track record, proven multi-factor quant model in equity stock selection	15 years track record, 1 st long only fund with overlay of factor investing
Since inception: Fund returns	11.04%	12.30%	14.51%
Benchmark returns	10.68%	12.08%	13.75%

Disclaimer

Period	Edelweiss Balanced Advantage Fund		Benchmark (Nifty 50 Hybrid Composite Debt 50:50 Index)		Additional Benchmark (Nifty 50 TR Index)	
	Returns	Value of Rs 10,000 Invested	Returns	Value of Rs 10,000 Invested	Returns	Value of Rs 10,000 Invested
1 Year	23.43%	12,350	14.77%	11,482	22.95%	12,302
3 Years	12.66%	14,304	10.08%	13,342	14.44%	14,991
5 Years	14.30%	19,523	11.63%	17,347	14.93%	20,072
Since Inception	11.04%	47,030	10.68%	44,849	12.92%	60,355

Period	Edelweiss Aggressive Hybrid Fund		Benchmark (CRISIL Hybrid 35+65 - Aggressive Index)		Additional Benchmark (Nifty 50 TR Index)	
	Returns	Value of Rs 10,000 Invested	Returns	Value of Rs 10,000 Invested	Returns	Value of Rs 10,000 Invested
1 Year	30.69%	13,078	23.03%	12,310	22.95%	12,302
3 Years	17.96%	16,423	13.16%	14,497	14.44%	14,991
5 Years	16.69%	21,655	14.25%	19,482	14.93%	20,072
Since Inception	12.30%	55,740	12.08%	54,155	12.90%	60,332

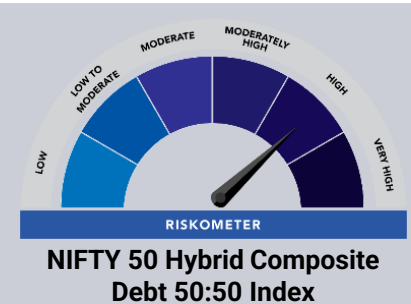
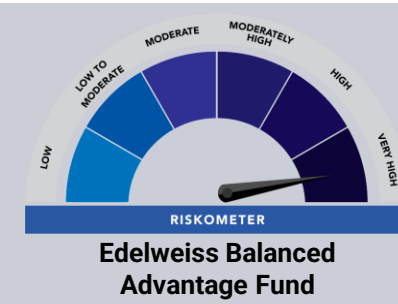
Period	Edelweiss Large Cap Fund		Benchmark (Nifty 100 TR Index)		Additional Benchmark (Nifty 50 TR Index)	
	Returns	Value of Rs 10,000 Invested	Returns	Value of Rs 10,000 Invested	Returns	Value of Rs 10,000 Invested
1 Year	29.68%	12,978	28.86%	12,895	19.57%	11,963
3 Years	16.51%	15,821	15.48%	15,404	13.92%	14,788
5 Years	15.96%	20,981	15.66%	20,714	14.63%	19,808
Since Inception	14.51%	76,750	13.75%	69,398	13.22%	64,695

Risk-o-meters & Disclaimers

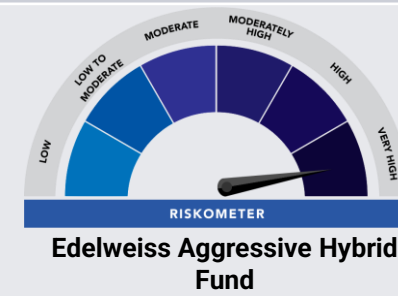
This product is suitable for investors who are seeking*:

- * To create wealth over long term and prevent capital erosion in medium term.
- * Investment predominantly in equity and equity related securities including through arbitrage opportunities with balance exposure to debt and money market securities.

Scheme Risk-o-meter	Benchmark Risk-o-meter
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- * To create wealth in the long term.
- * Investment in equity and equity-related securities and fixed-income instruments.



- * To create wealth in the long term.
- * Investment in equity and equity-related securities including equity derivatives of the 100 largest companies by market capitalization, listed in India.



*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

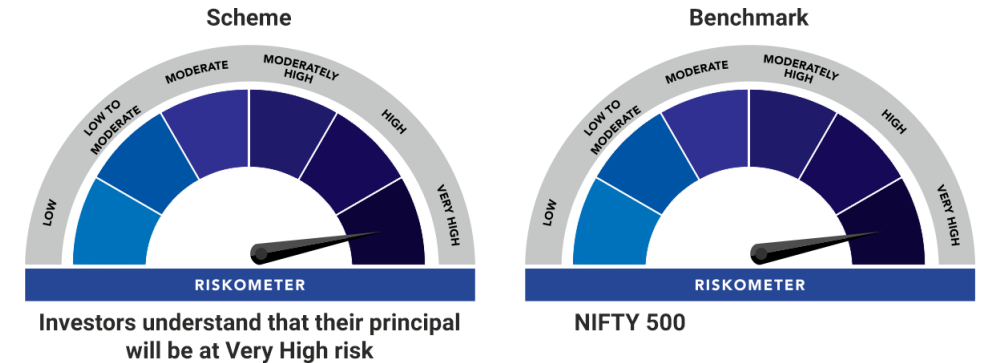
Investors understand that their principal will be at very high risk

Risk-o-meter & Disclaimers

Edelweiss Business Cycle Fund is suitable for investors who are seeking^:

- Long term capital appreciation
- Investment in equity and equity related instruments with a focus on navigating business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy.

^Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



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The above is the investment ideology which will be followed by the fund manager. However, this can change based on market dynamics, economic scenarios etc. For detailed investment strategy, risk factors of the schemes please refer to SID available on website. The representational logos used does not imply any affiliation or endorsement by the brands. These are for illustration purpose only.

Please click on [Factsheet](#) for performance of other funds managed by the fund managers.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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