

Valtrust Momentum January 2024:

Valtrust Momentum: Riding the Winds of Phenomenal Returns in 2023.

Valtrust PMS has completed one year of operations in Jan 2024. In many ways, 2023 turned out to be a phenomenal year. Nifty 50 ended this year in positive territory for the 8th consecutive year. The greatest number of consecutive years when Nifty 50 ended in positive was 6 which ended at the end of 2007.

Our Momentum PMS is a Multicap strategy and is agnostic to market cap as long as they are part of the universe of stocks we choose from. The advantage of this strategy combined with the philosophy of Momentum, which chooses the best performing stocks, is that more often than not, we shall find ourselves with very good winds on our backs. Last year for instance, small caps had a rocking year. Charlie Munger who passed away last year once said, "Fish where the Fish are". Unfortunately, even the best market analysts cannot predict which sector or theme shall catch the market's fancy.

Until very recently Public Sector Companies were ostracized as a no-go area. If one were to take the Nifty CPSE Index as a proxy to Public Sector Company performances, its long-term performance has been below par with 10 year returns at the beginning of 2023 coming to 3.52% vs 11.77% for the broader Nifty 50. But all that changed in 2023 when the Index had one of its best years after it went live.

One of the best bets we have made in the Momentum Portfolio is Rail Vikas Nigam Ltd. It currently has a Market Cap of 50 thousand crores, yet barely any active mutual fund has any holdings. Its outliers like these that drive much of our returns.

The biggest differentiator when it comes to an Active Momentum fund such as Valtrust Momentum vs any other Active funds comes not in selection of a stock that does wonders but the low probability of our portfolio holding a loser. While the strategy focuses on catching outliers, there is always risk involved. Just last month we saw Polycab, one of our portfolio stocks, tumble on rumors of Income Tax raids uncovering large amounts of cash sales. Yet, our diversification

ensured that the hit was negligible.

Big years such as 2023 are rare. Markets not only discounted the current earnings but also future earnings. A rise such as the one we have seen will need time to get digested for earnings to never grow at such a rapid pace as the markets expect. But this isn't true for all stocks, and this is where the advantage of Momentum comes in.

We are not just market cap agnostic but also sector and theme agnostic. Currently our portfolio is dominated by Industrials. One year from now, we could have a portfolio that is completely different and one that is the flavor of the market at that point of time.

Before the advent of engines to propel ships, the main routes for ships as also when they made the journey were based on wind channels. Rowing a boat or a ship over hundreds if not thousands of kilometers is impossible. The same is true with respect to the markets as well. When trends change, the only way to move forward is to move with the trend. When the world was hit by Corona, one sector stood tall - Pharmaceuticals. Portfolios that were heavy on Pharma were the first to recover while those dominated by say Financials took much longer.

Does that mean Momentum won't have its bad days? Unfortunately, the strategy is as good as the markets when it comes to drawdowns. While we can expect it to beat markets on the upside during good days, during the bad times when much of the market is drifting down, we don't expect to do any better. But our drawdowns will not be as deep as say a Small Cap fund while not as good as a Large Cap fund.

Thank you for being part of Valtrust Partners and Wishing you the very best for the coming year.