TRIVANTAGE CAPITAL

VANTAGEPOINT

Our Focus Makes All The Difference

Dear Investor,

Season's Greetings from Trivantage Capital.

2024 has been an extremely rewarding year for our flagship diversified equity portfolio.

The investment approach 'Edge' has delivered **23 %** returns versus **10 %** of the benchmark Nifty 50 thereby generating an alpha of **13 %**.

Such alpha is rare given the way benchmark indices keep reinventing themselves by adding the winners and reducing/letting go of the losers.

Exhibit 1: Performance of Trivantage Capital Edge Portfolio

	1 Year	3 Years
Trivantage Capital Edge Portfolio	22.7%	15.6%
Benchmark Index : Nifty 50 TRI	10.1%	12.2%

Disclaimer: Performance details are on a consolidated client basis as of 31 December 2024. Actual client portfolios may vary depending on the client's date of investment. Performance is calculated net of expenses on a consolidated client basis using TWRR methodology and annualized for periods > 1 year. Performance-related information provided above is not verified by SEBI..

This significant alpha was boosted by a few multi-baggers (Exhibit 2). As can be observed, these stocks represent a range of themes as follows:

Exhibit 2: Hall of Fame

Trent	6X in 3 Years
K Fintech	3X in 1 Year
Bharat Electronics	2X in 1 Year
TVS Motor	3X in 2 Years
Persistent Systems	3X in 2 Years
Kaynes Technology	2X in 1 Year
Mahindra & Mahindra	2X in 1 Year
Indian Hotels	2X in 2 Years

Exhibit 3: Underlying themes representing the multi-baggers

1	Aspirational Consumption by middle-income households	Trent, Indian Hotels, Mahindra & Mahindra
2	Defence / Electronic Manufacturing Services	Bharat Electronics Kaynes
3	Electric Vehicle Mobility	TVS Motor
4	IT Services	Persistent Systems
5	Financialisation of Savings	KFintech

The calculation for multi-baggers are as of 31 December 2024 based on the date of their first entry in any of the Investment Approaches of the Portfolio Manager. Performance of the above-mentioned stocks in individual client portfolios may differ based on the date of investment in the respective client portfolios. All company name mentioned here are the property of their respective owners and are used here for informational purposes only. No endorsement or affiliation is implied.

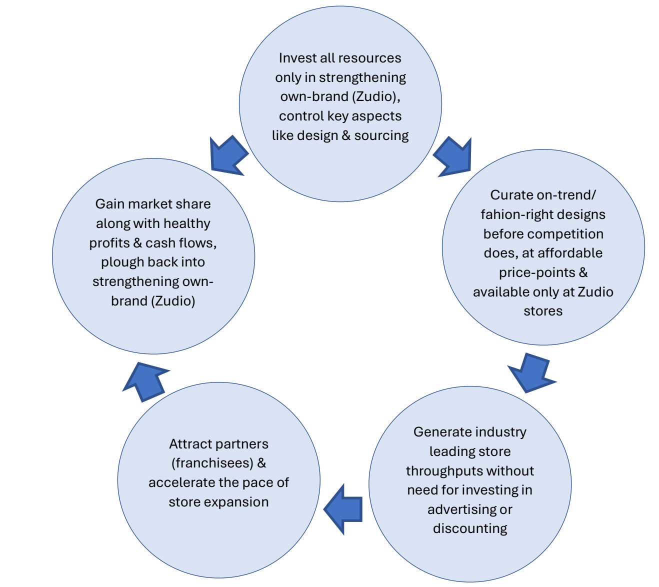
Reflecting upon what has worked for the portfolios and what has not, we list below the following take aways:

What Has Worked

(1) Aspirational Consumption by Midlle Income Households

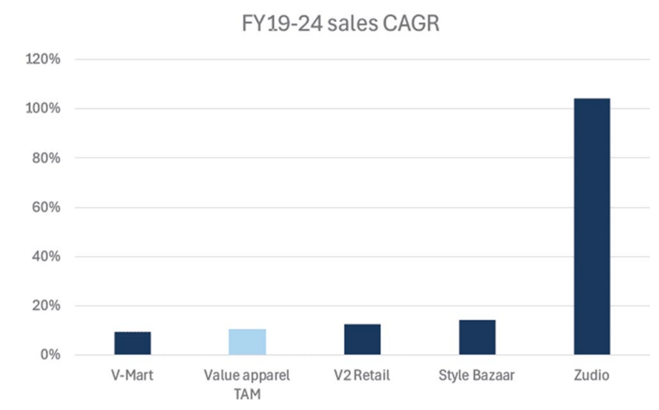
This theme has played out for our portfolios the best and has in the process delivered 3 multi-baggers in Trent, Indian Hotels and Mahindra & Mahindra. Since we invested in these stocks, Trent has become **6X** while the other two have each become **2X**.

Exhibit 4: Components of the Zudio flywheel



Source: Goldman Sachs Global Investment Research, November 2024

Exhibit 5: Zudio has significantly outpaced value retail peers and overall industry in last five years



Source: Goldman Sachs Global Investment Research, November 2024

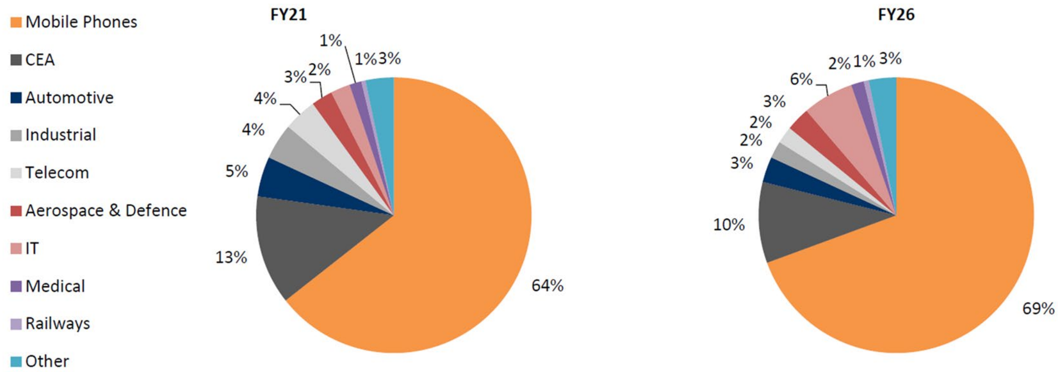
The main reason for Trent's outperformance has been their focus on rapidly expanding their "value" oriented Zudio stores that offer the latest fashion trends in a cost-competitive way to aspirational consumers from middle-income households.

In the process, they have capitalised on the formalisation opportunity (shift from unorganized to organized).

Similarly, Indian Hotels has benefited from their focus on the middle-market brand Ginger. The Ginger properties are attractively priced for aspirational middle-income consumers who prefer to stay in trendy and modern hotels without many frills. These properties have basic but trendy common amenities such as coffee shops and lobby areas and resonate well with younger cohorts.

(2) The rise of Electronics Manufacturing Services (EMS) in India

Exhibit 6: Indian EDSM market break-up by industry applications; Mobile phones + CEA continues / will continue to dominate



Source: Equirus Securities, April 2024

The electronics component manufacturing industry has shown strong growth in 2024 due to a variety of factors such as:

- Government's emphasis on import substitution under 'Make in India'
- 'China + 1' sourcing by global OEMs and thereby a greater priority of the global OEMs on manufacturing in India
- Increased usage of electronics in many end-user industries

We have participated in this theme with Kaynes Technology

(3) India's Shift to Financialised Savings and Wealth Management

Financialization in India, particularly through stock markets and mutual funds (MFs), is significantly transforming the investment landscape. The rise of retail investors in the stock market, supported by digital platforms and demat accounts, has democratized access to equity investments. Stock markets are no longer just for the wealthy but have become a popular avenue for middle-class wealth accumulation. Mutual funds, too, have gained traction, offering diversified, professionally managed investment options to individuals seeking to grow their savings beyond traditional instruments like fixed deposits. This shift has contributed to a surge in the financialization of savings, fostering a culture of investing in financial assets, which, in turn, has enhanced market liquidity and driven the growth of capital markets.

KFintech, a leading player in India's financial services sector, is well-positioned to benefit from this evolution. The company's diverse range of solutions, including mutual fund services, asset management, and investor solutions, aligns with India's growing trend of moving from traditional savings to investment-driven growth.

The company has also expanded its presence internationally, with operations in key markets such as Malaysia, Philippines, and Hong Kong. This international footprint allows KFin to diversify its service offerings, reaching a broader client base and tapping into the growth potential of emerging markets. By establishing a global presence, KFin not only enhances its revenue streams but also mitigates the risks associated with reliance on the Indian market.

What Has Not Worked

Except for a few large banks such as ICICI Bank & SBI, the year was quite disappointing for most lending stocks. Exhibit 7 highlights the performance of a few select lenders.

The unsecured lending segment which includes microfinance and credit cards witnessed increased stress and drew some tough reactions from the regulator. RBI increased the risk weightage in bank loans to NBFCs which raised their cost of funds.

This created headwinds in both assets and liabilities for the non-bank lenders and, in the process, tempered down the valuations.

Exhibit 7: Performance in 2024 for select lenders

Lender Name	1 Yr Perf. (%)
ICICI Bank	29%
State Bank of India	24%
Nifty Bank TRI	6%
HDFC Bank	4%
Axis Bank	-3%
Cholamandalam Invest & Finance	-6%
Kotak Mahindra Bank	-6%
Bajaj Finance	-7%
IndusInd Bank	-40%

As of 31 December 2024. Source for stock prices: NSE

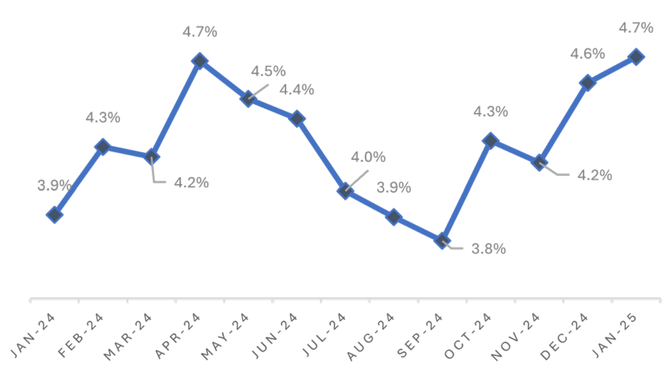
Outlook & Portfolio Stance

Since the election of Mr. Trump as the next president of the United States, there has been a sharp rise in US Bond yields and Dollar Index. This has created some pressure on Emerging Market Equities as global institutional investors pulled out significant capital to redeploy in the US Markets.

Exhibits 8 & 9 show the extent of rebound in US 10 -year yields and Dollar Index. US Bond markets are pointing out to concerns of rising inflation as the incoming President starts cutting corporate taxes. The Federal Reserve has also indicated their resistance to reducing policy interest rates further in view of sticky / rising inflation.

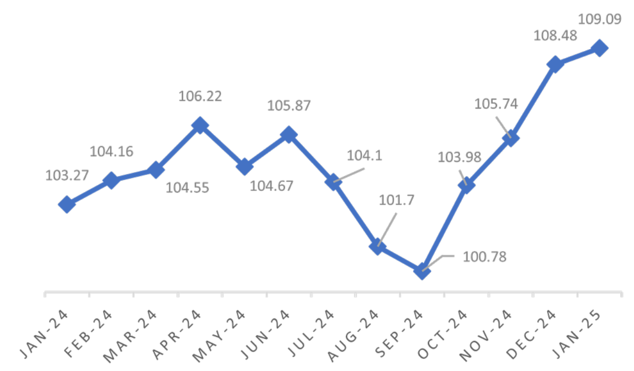
We believe macro headwinds will continue to remain in the near-term, both globally and in India. The Q3FY25 earnings season has just begun and is expected to highlight moderation in earnings growth in many businesses that are impacted by much slower than expected Government spending in the current financial year. Exhibit 10 shows how the capital expenditure and fiscal deficit in FY25 (till November) have been even lower than the corresponding period in FY24

Exhibit 8: US 10-year treasury note



Source: MarketWatch

Exhibit 9: US Dollar Index



Source: MarketWatch

We believe that given the challenging macros, the focus on 'bottom-up invetsing' will become much more important in 2025 in the absence of tailwinds. India's nominal GDP growth has moderated to just around 11% with Real GDP of 5.4% and CPI Inflation of 5.5%.

The Indian government will announce its budget for the next fiscal on Feb 1st which we expect to be growth oriented. We think the Government will step up on spending to stimulate the economy.

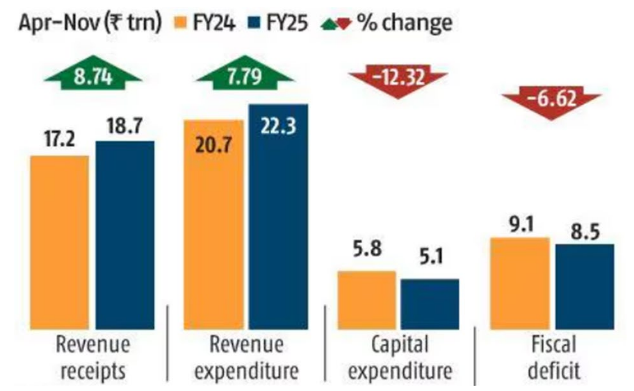
Exhibit 11 shows our portfolio stance as on December 31, 2024.

We remain almost equal weight on Financial Services, which is the largest component of the market. Within this, our preference is towards a few large private sector & state-owned banks. In addition, we like spaces such as wealth management, financial infrastructure entities and rating agencies. We continue to avoid pockets of stress in unsecured lending. Overall, our bias in financial services is towards large caps.

Our biggest overweight is on the consumer discretionary sector (NSE classification: Consumer Services) represented by certain secular themes of travel / leisure / hospitality and aspirational consumption by middle income households.

Our biggest underweight is in FMCG or consumer staples sector where we continue to see headwinds in volume growth due to inflation pressures on households and a change in consumption pattern.

Exhibit 10: Fiscal Blueprint



Source: Business Standard

Exhibit 11: Our Portfolio Stance vs. Nifty 50

	Nifty 50	Trivantage Capital Edge Portfolio	OW / UW (+/- %)
Financial Services	34.6%	33.3%	-1.3%
Information Technology	14.1%	13.9%	-0.2%
Oil, Gas & Consumer Fuels	10.0%	0.0%	-10.0%
Fast Moving Consumer Goods	8.0%	0.0%	-8.0%
Automobile & Auto Components	7.4%	8.3%	0.9%
Healthcare	4.2%	3.1%	-1.1%
Telecommunication	4.0%	3.8%	-0.2%
Construction	4.0%	5.6%	1.6%
Metals & Mining	3.3%	0.0%	-3.3%
Power	2.8%	1.5%	-1.3%
Consumer Durables	2.2%	2.2%	0.0%
Construction Materials	2.1%	0.0%	-2.1%
Consumer Services	1.5%	16.6%	15.1%
Capital Goods	1.0%	9.5%	8.6%
Services	0.9%	0.0%	-0.9%
Realty	0.0%	1.4%	1.4%
Cash & Equivalent	0.0%	0.8%	0.8%
TOTAL	**100.0%**	**100.0%**	

As of 31 December 2024. Source for information on Nifty 50 : NSE

FMCG companies might need to sacrifice their margins in order to improve volume growth which will keep these stocks under pressure this year.

We believe that Indian markets have delivered reasonable returns in 2024 despite having to deal with a variety of macro headwinds. As in 2024, our focus will continue to be on delivering portfolio alpha through our sector choices and stock selection.

With best wishes for 2025, once again, we look forward to communicating with you actively during the year.

Regards,

Nikhil Johri
Founder & Chief Investment Officer