



DRISHTEE DIARIES

BY
DRISHTEE CAPITAL



**Student-run Investment Club of
Vinod Gupta School of Management,
IIT Kharagpur.**

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ABOUT US

Drishtee Capital is the student-run investment club of VGSOM, IIT Kharagpur. It manages an open-ended equity fund mainly concentrating on long-term investment market along with performing sector analysis, portfolio management, financial-report analysis and security analysis for its stakeholders. Besides, the club keeps its stakeholders updated with recent development in financial sector by announcing Drishtee Diaries, annually.



Investing is the key to financial freedom. Start early, stay patient, and let compounding work its magic. Wealth grows with time, discipline, and smart decisions. Don't fear market fluctuations—embrace them as opportunities. Success in investing is about consistency, learning, and long-term vision. Stay focused, stay invested!

THE EVOLVING ROLE OF VENTURE CAPITAL IN SUSTAINABILITY AND CLIMATE SOLUTIONS

By, Veditha A, MBA 1st Year

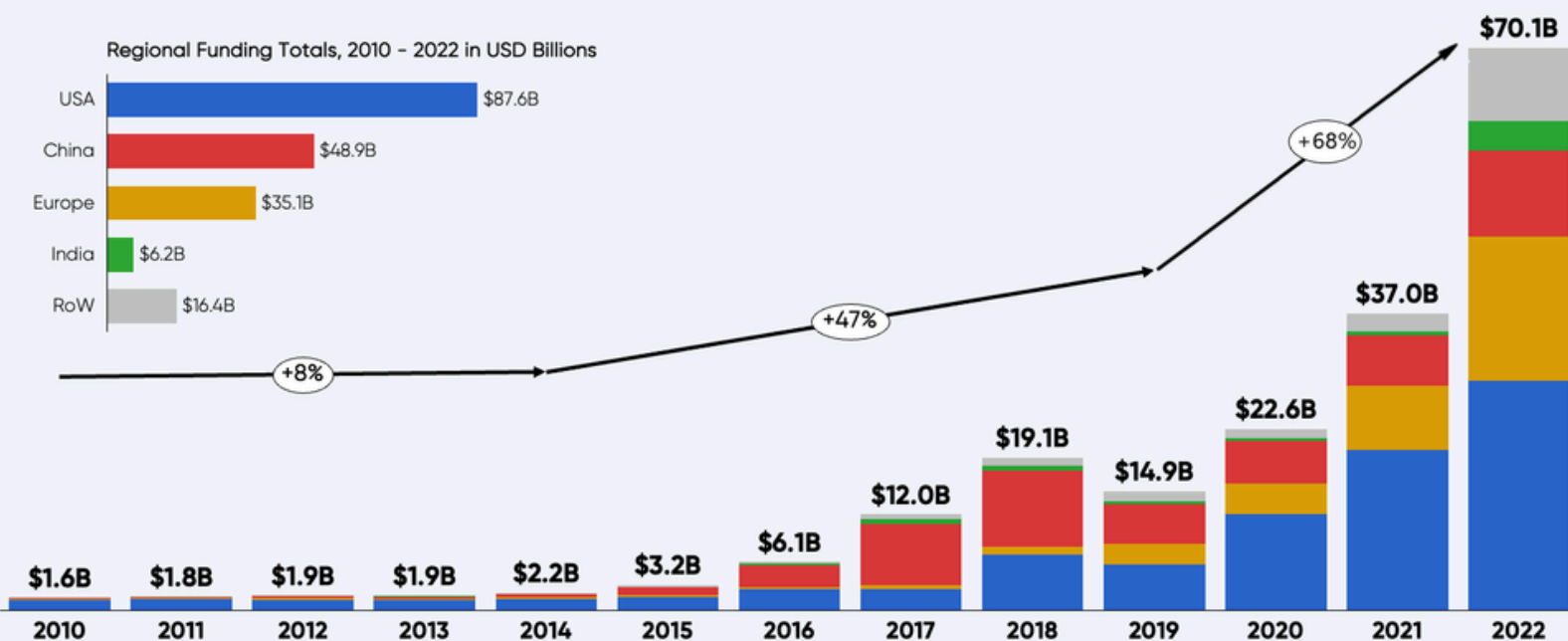
Venture capital (VC) is becoming extremely important in the challenges of climate change, sustainability, and social and environmental challenges.

The VC industry is well adapting to demands of meeting ESG standards. Investors that give importance to positive impact on the environment and society are funding increasing for startups.

Today's venture capital investors are actually guided by a dream of more than profit: "practical idealism" which should allow businesses to succeed financially, but should also be a key to solving some of the world's greatest challenges. Companies such as Wavemaker Impact look to invest in companies which could fundamentally cut carbon emissions up to that of cutting 10% of the world's CO₂ by 2035. Venture Climate Alliance communicates that encouragement to startup development which builds and incorporates sustainability into their business/companies from the beginning, producing solutions for climate, in line with net zero goals.

The challenge for sustainable venture capital is unique. Early-stage companies do not possess abundant resources. Due to this, measuring and managing their ESG impact is challenging. Investment in traditional VC has been more leaning towards digital solutions. Therefore, switching to climate-focused areas like renewable energy or water management technology involves new approaches and risk assessments. Financing hardware-based climate solutions is still a bit challenging since it requires more resources and a longer time to market.

Global Climate Tech Venture Capital Funding, 2010 - 2022 in USD Billions



Source : HolonIQ , 2nd Jan 2023 - <https://www.holoniq.com/notes/2022-climate-tech-vc-funding-totals-70-1b-up-89-from-37-0b-in-2021>

Success of VC in the sustainability space will also be supported by the government and the corporations. The government can provide relaxed regulations, definition clarifications, and the expansion of funding avenues, reducing the risks for the VCs. Corporates can corroborate the fact finding done by the VCs on sustainable start-ups through joint R&D, testing of sustainable business models, and acting as early customers. Such an ecosystem is required to develop a play field wherein VCs can enjoy profit with social impact.



Environmental

Measures the company's impact on the environment.



Social

Measures the company's relationship with its stakeholders, including employees, customers, and communities.

This will spur a lot of climate and social solutions by integrating ESG standards and collaborating with governments and corporations.

VC firms can help usher in a future wherein financial returns become synonymous with environmental responsibility to further an economy that is sustainable and prosperous on the planet.

VCS are establishing frameworks that cover ESG factors at every investment stage to support sustainable growth for the long term. That would involve clear ESG criteria in term sheets, sector-specific benchmarks, governance structures guiding startups in their journey to sustainable growth. There will be net-zero emission frameworks developed in tracking such progress as VCA builds responsible growth in startups. With the expected rise to \$600 billion by 2030, cleantech is turning the view of all stakeholders on regions with high climate risks and huge potential impact, like Southeast Asia.



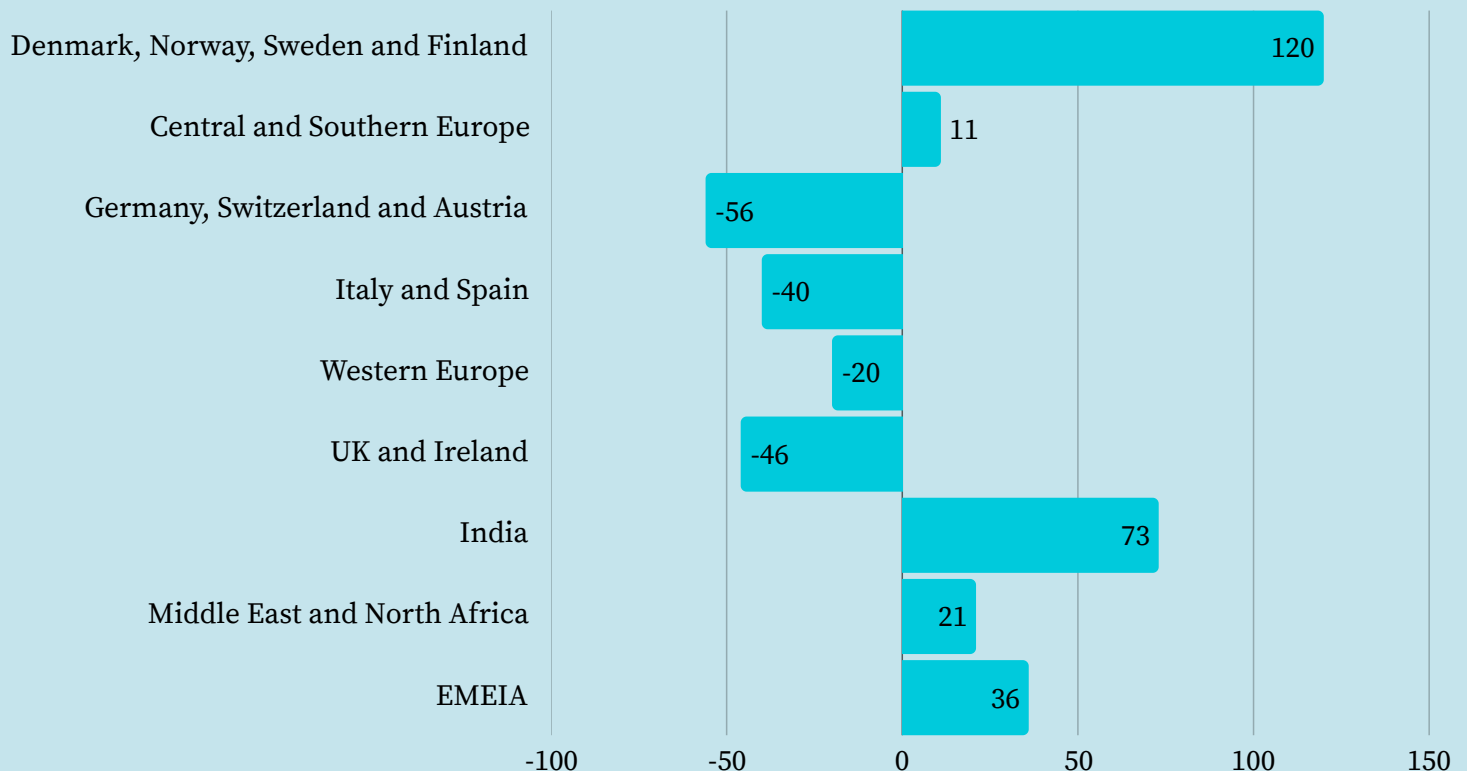
Governance

Measures the effectiveness of a company's leadership and its adherence to ethical standards.

WHY IS INDIAN IPO MARKET BOOMING ?

By, Shrishti Hore, MBA 1st Year

YOY% increase in IPO Activity



Reference : <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/ipo/documents/ey-gl-ipo-trends-q3-v1-09-2024.pdf>

Indian IPOs have never seen this kind of growth in years, but they reflect the rising glory of the economic as well as digital landscape of India. Several factors have contributed to this growth, ranging from the right government initiatives to growing investor confidence in India's burgeoning tech and startup ecosystems. So, here's a closer look at why the Indian IPO market is booming.

Government Initiatives Fueling Growth

The initiatives by the Government of India in Make in India and Digital India also have had an impetus on this IPO boom. The latter promotes local manufacturing

while the former converts industries to digital one. In this scenario, companies are encouraged to scale up quickly raising capital from the public market. Favorable regulations framed by the SEBI regulating body also facilitated the whole process, with streamlined procedures for the firms looking at going public that further fosters this trend.

Good Investor Sentiment

The Indian economy has received significant investments from domestic and foreign investors in view of the steady growth of GDP, stable interest rates, and easing inflation. Thus, the investment

Investors are driven by tighter global monetary conditions, market volatility, and high inflation in demand for 'lower risk mature businesses.

Record Breaking IPOs

India has experienced several record-breaking IPOs that have garnered world attention. Such as Hyundai Motor India's largest ever IPO raised at a massive \$3.3 billion that outlines the hot market at its best, making India an attractive global marketplace for major foreign institutional

investors attracted by growing middle class and expanding automotive market.

Market Conditions are very conducive

The increasing secondary market for mid- and small-cap stocks has in turn worked as a positive feedback loop for IPOs. The former's good performance makes the latter confident that investor appetite is not going to slacken, thus there's an urge to get listed. Sectors leading the IPO charge.

Not only the tech sector is booming with

Top 10 IPOs in 2023 (By issue size)

Sr. No.	Issue Name	Issue Size (Rs Cr)	Listing Date	Offer Price (Rs)	Listing Day Close Price (Rs)	Listing Day Gain / Loss (10)	Total Subscription (Rs in Crores)	Oversubscribed (x)
1	Hyundai Motor India Limited	27870.16	Oct 22 2024	1960	1820.4	-7.12	66052.28	2.37
2	Vodafone Idea Limited	18000	Apr 25. 2024	11	13.09	19	125820	6.99
3	Bajaj Housing Finance Limited	6560	Sep 16 2024	70	164.99	135.7	442340.8	67.43
4	Ola Electric Mobility Limited	6145.56	Aug 09. 2024	76	91.18	19.97	27347.74	4.45
5	Waaree Energies Limited	4321.44	Oct 28. 2024	1503	2336.8	55.48	343295.18	79.44
6	Bharti Hexacom Limited	4275	Apr 12 2024	570	813.75	42.76	127737	29.88
7	Brainbees Solutions Limited	4193.73	Aug 13. 2024	465	678.25	45.85	51247.35	12.22
8	Aadhar Housing Finance Limited	3000	May 15 2024	315	329.55	4.62	80280	26.76
9	Premier Energies Limited	2830.4	Sep 03 2024	450	839.65	86.59	212280	75
10	Go Digit General Insurance Limited	2614.65	May 23 2024	272	305.75	12.41	25100.6	9.6

Reference : <https://www.fidelityinternational.com/editorial/article/asias-new-bubble-finding-value-in-indias-ipo-boom-6a207f-en5/>

the growth in IPOs. E-commerce, fintech, health tech, and EVs sectors are also gaining momentum. Some of the large IPOs that are gaining much attraction from the investors include Ola Electric, Bajaj Housing Finance, and NTPC Green. The forecast says the growing digital economy of India will be led by these sectors in the coming IPOs .

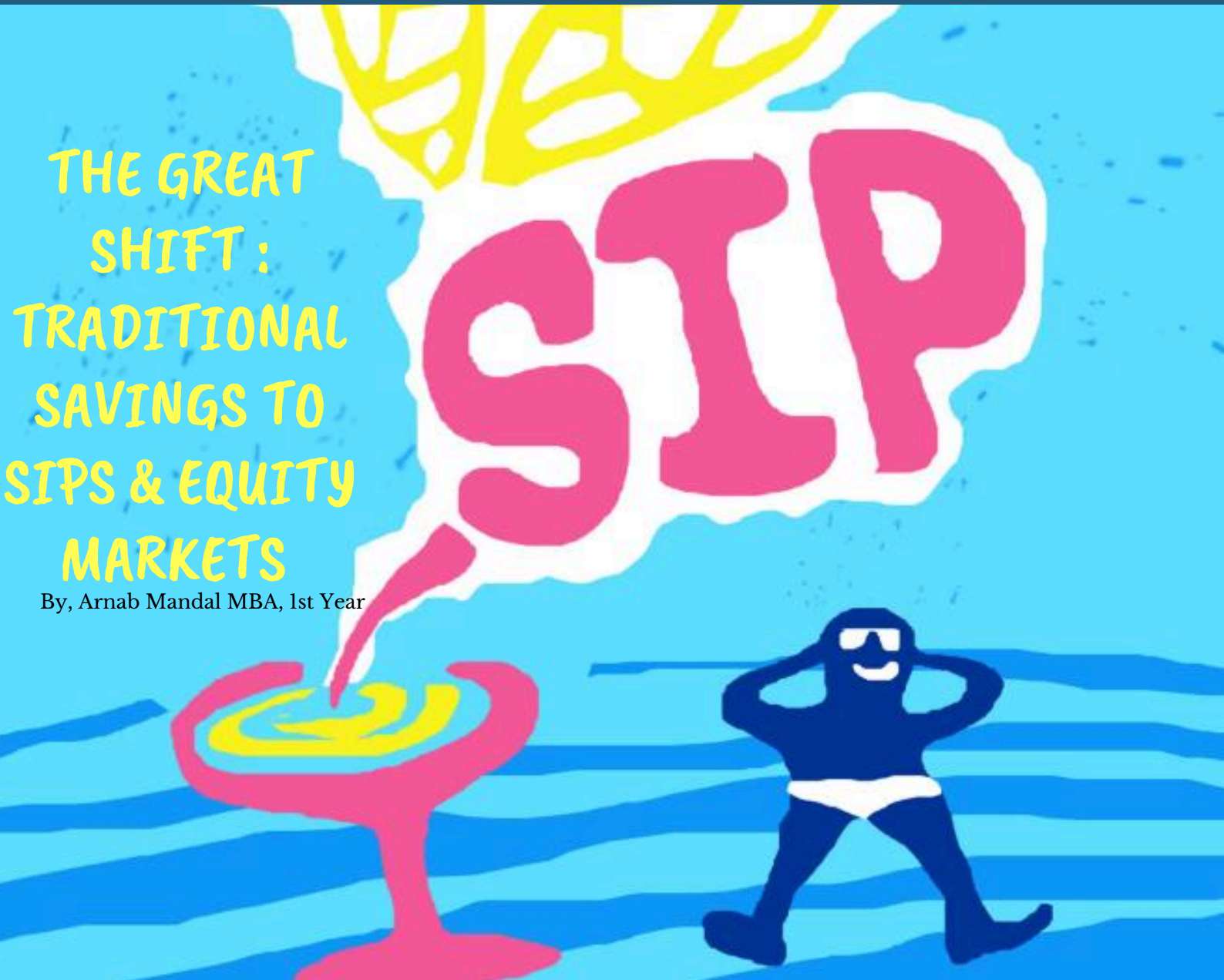
Conclusion

India's IPO market is in a golden era

largely due to government support, investor confidence, tech innovation, and the beginning of favorable economic conditions. Once more companies start focusing on profitability and sustainability with their digital revolution continuing, the country is likely to stay a global hotspot for IPOs in the years to come. Be it tech startups, traditional businesses, or international companies listing their Indian subsidiaries, the IPO boom just does not seem to let up.

THE GREAT SHIFT: TRADITIONAL SAVINGS TO SIPS & EQUITY MARKETS

By, Arnab Mandal MBA, 1st Year



In recent years, a noticeable shift has been observed among India's youth toward mutual funds as an investment option, largely driven by factors such as the accessibility of digital platforms, increasing financial literacy, and the appeal of systematic investment plans (SIPs). Traditionally, investment vehicles like fixed deposits were preferred by earlier generations due to their perceived stability.

However, today's young investors are more inclined to explore opportunities that promise higher returns over time, such as equity-linked mutual funds. In India, with an inflation rate hovering around 6%, fixed deposits offering returns of 5-7% are barely managing to keep pace with the rising cost of living.

This scenario reflects a stagnation in real wealth growth, as the nominal returns from fixed deposits are largely offset by inflation, leaving little to no net gain in purchasing power for investors. This trend has contributed to a growth in assets under management (AUM) within India's mutual fund industry, reaching a substantial ₹46.9 lakh crore as of early 2024.

The use of SIPs has been one of the most popular entry points for younger investors. SIP inflows have grown consistently, with data showing monthly SIP contributions exceeding ₹15,000 crore by early 2024, a new record that highlights the increasing commitment to disciplined investing among the youth.

These SIPs, typically set up for small monthly contributions, offer a structured approach to long-term investment, making them particularly attractive for younger individuals with limited capital who aim to build wealth over time. Analysts believe that this structured mode of investment has encouraged consistency, even during market volatility, showing a resilience that suggests growing confidence among young investors in market-linked investments.

A crucial enabler of this trend is the role of fintech companies. Platforms such as Groww, Zerodha, Upstox, Angel, Paytm Money, etc have democratized access to mutual funds, enabling tech-savvy youth to begin their investment journeys with minimal barriers. These platforms often provide a seamless experience through easy registration, intuitive user interfaces, and resources that help users make informed decisions. Additionally, they frequently feature educational content, including video tutorials, blogs, and webinars, making financial literacy more accessible to investors.

“The industry has done a good job in educating investors. There is growing awareness that SIP is a smarter way to accumulate more units when there is a correction.”

– Ajit Menon
(CEO, PGIM India Mutual Fund)



fees and costs associated with mutual funds have made them a preferred choice, allowing investors to earn higher returns in the long run compared to traditional savings accounts.

Moreover, younger generations have displayed a greater tolerance for risk compared to older investors. Many of them are open to investing in equity mutual funds, motivated by the potential for higher returns.

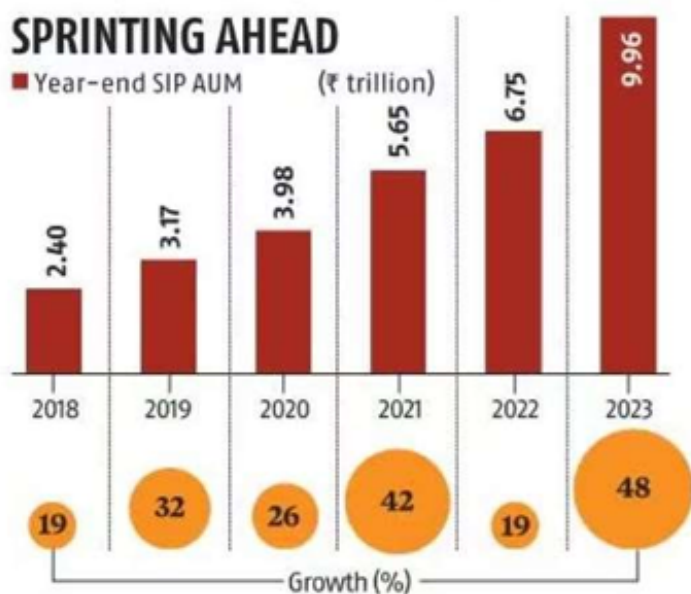
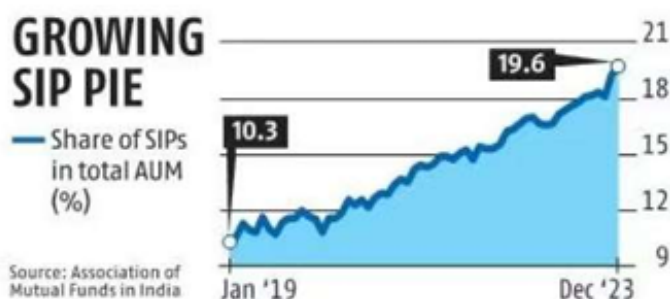


The Securities and Exchange Board of India (SEBI) has also played a pivotal role by tightening regulations and increasing transparency, which has enhanced trust in the mutual fund industry. SEBI's initiatives ensure that mutual funds disclose risks and returns transparently, contributing to informed decision-making among investors. Furthermore, the relatively low

In contrast to fixed-income options, mutual funds allow for diversification, which can reduce risk while still providing an opportunity for substantial gains. Consequently, young investors in India are gradually shifting from safer investments toward equity-oriented funds. Economic and social factors have also contributed to this trend. Rising aspirations

among the youth, combined with the influence of social media and financial influencers, have popularized mutual funds as a smart way to achieve financial goals.

Initiatives like the “Mutual Funds Sahi Hai” campaign have further increased awareness and addressed common misconceptions about mutual funds. As financial knowledge becomes more accessible, young people are realizing the importance of investing early to build a corpus for long-term goals like homeownership, education, and retirement.



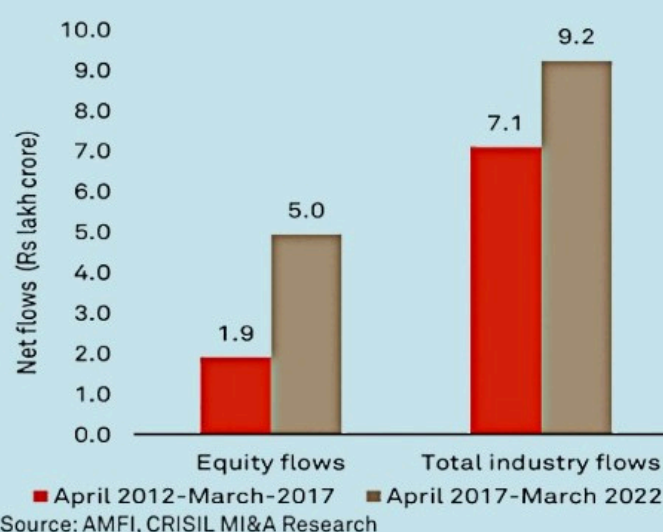
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Looking ahead, the trend is expected to continue as younger demographics are poised to become an even larger share of India's workforce.

With the youth accounting for a major part of India’s working-age population, the mutual fund industry is likely to benefit from sustained contributions and an expanding investor base in the coming years.

Before and after the ‘Mutual Funds Sahi Hai’ campaign



Analysts predict that this growth, along with the continued digitalization of financial services and robust regulatory frameworks, will cement mutual funds as a mainstream investment choice for India's next generation.

CONCLUSION

As India's working-age population continues to grow, with a large proportion comprising digitally literate and financially aware individuals, the mutual fund industry is poised for sustained expansion.



This shift is driven by several factors: the accessibility of fintech platforms like Groww and Zerodha, regulatory measures by SEBI ensuring transparency, and targeted campaigns such as “Mutual Funds Sahi Hai” that demystify mutual funds. The youth's growing risk appetite and awareness of the limitations of traditional investments, such as fixed deposits struggling to outpace inflation, have further fueled this trend.

This demographic shift, coupled with the digitalization of financial services and robust regulatory frameworks, sets the stage for mutual funds to remain a preferred investment choice, enabling the next generation to achieve their financial goals while driving the industry toward unprecedented growth.



FPI SELL-OFF IN THE INDIAN STOCK MARKET: ANALYSIS AND IMPACTS

By, Ravinder Kumar, MBA 1st Year



In October 2024, the Indian stock market experienced a significant foreign portfolio investment (FPI) sell-off, with net outflows totaling a record ₹94,017 crore (approximately \$11.2 billion).

Why the Sell-Off?

Overvaluation:

FPIs consider Indian equities overvalued compared with other markets, especially China. Growing scrutiny of Indian stock valuations has created a trend of more attractive pricing of equities in other markets

Diversification:

FPIs are much more interested in diversification. With recent economic stimulus measures in China making its markets more appealing, several investors thus decided to redirected funds from India to China

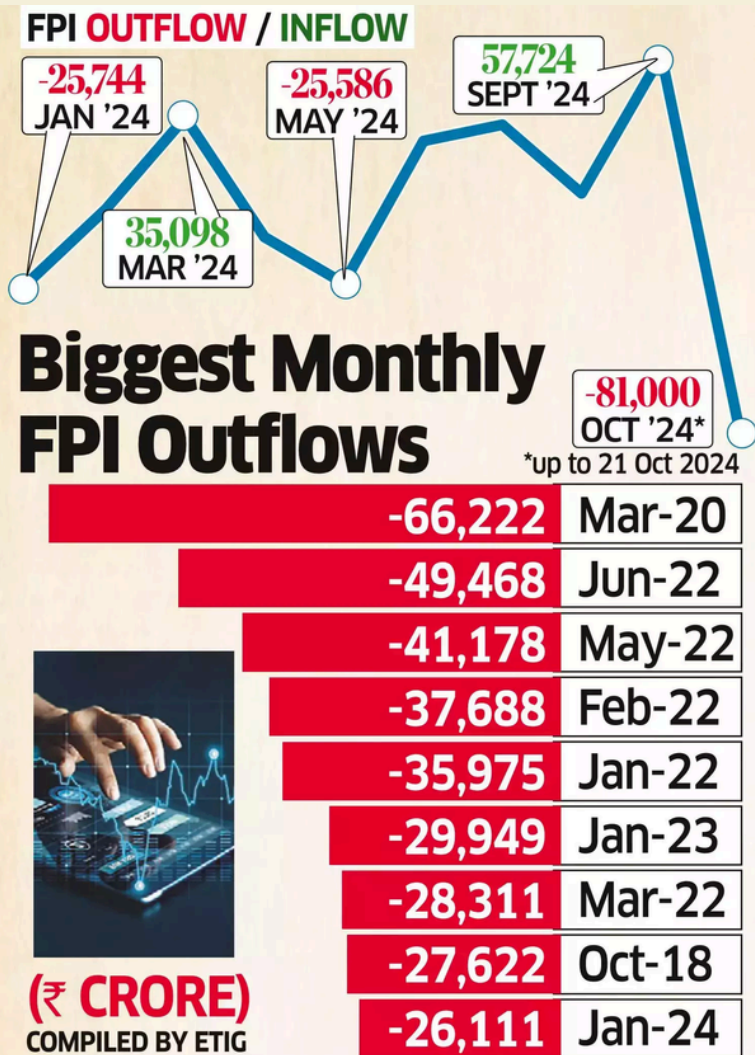
Economic Concerns:

Expected corporate earnings for Q2 of 2024 and geopolitical concerns in the Middle East have been two major contributing factors to bearish investor sentiment.



Market Trends:

The sell-off followed a strong buying trend from June to September 2024 when FPIs invested ₹57,724 crore in September alone. The sudden abo-turn in October has undone much of these and has resulted in the benchmark indices like Sensex declining by an average 8% from the peaks attained earlier.



Source: The Economic times. Data as of Oct. 22, 2024.

Conclusion

While experts caution against panic—pointing out that such withdrawals represent only a small fraction of total FPI holdings—the immediate impacts on market sentiment and investor confidence are undeniable. Future trends will heavily depend on global economic conditions, corporate earnings performance in India, and geopolitical stability. As FPIs reassess their strategies amidst changing valuations and opportunities abroad, the Indian market must adapt to maintain its attractiveness for foreign investments.

Impact on the Stock Market

• Market Downtrend:

Through early November 2024, the benchmark Sensex had slid down from its peak to around 79,724 points from its all-time peak of 85,978 points.

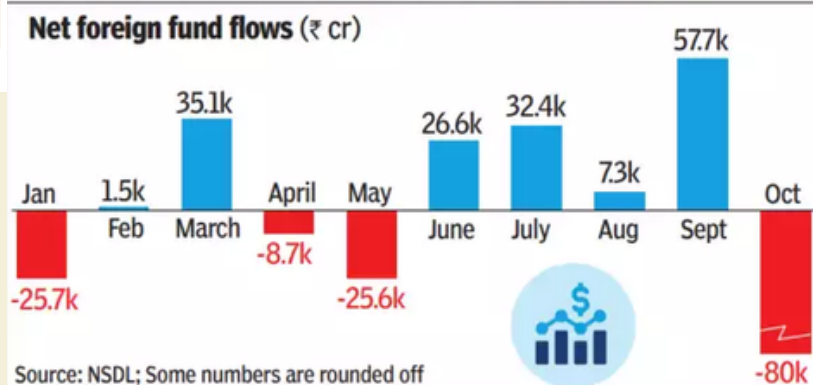
• Investors' Confidence:

The tremendous outflow shook investor confidence, and many began questioning whether the previous heights in the markets could be sustained.

• Sectoral Performance:

The general decline will make it so that only some sectors, such as financials, appear to be resilient. It is witnessing absorbing selling pressure given by DIIs. However, as corporate earnings do not improve in subsequent quarters, continuous FPI selling may create market-wide issues.

Oct Is Cruellest Month For Street



UNDERSTANDING ACTIVE AND PASSIVE INVESTING

By, Sumit Sahu, MBA 1st Year



Passive Investing: Passive investing aims to closely track the returns of a specific market index by mirroring its composition. These funds, often structured as index funds or ETFs (Exchange-Traded Funds), allocate capital to the exact securities constituting their target index, with minimal variation.

This methodology requires infrequent rebalancing and incurs lower management fees due to the absence of daily oversight and research by portfolio managers. Consequently, passive strategies are cost-effective, with limited trading activity and lower tax implications, appealing to investors focused on long-term, steady returns without the need for active adjustments.

Active Investing: Active investing is a strategy whereby fund managers actively select securities with the goal of outperforming a specific benchmark. This approach entails continuous market analysis and discretionary trading, with adjustments driven by market conditions, valuation shifts, or economic trends. Active managers rely on rigorous research and tactical decision-making to capitalize on market inefficiencies, though this flexibility generally incurs higher management fees and transaction costs. While active strategies offer the potential for excess returns (alpha), they also expose investors to increased volatility and operational expenses, making them suitable for investors willing to accept higher risk in pursuit of superior performance.

Comparative Insight:

The choice between passive and active investing hinges on an investor's financial objectives, risk tolerance, and market outlook.

Passive investing is often preferred for low-cost, transparent, and long-term strategies, while active investing is geared toward those seeking alpha and are open to a more dynamic, albeit higher-cost, portfolio management approach.

Passive Vs Actively Managed Funds: A Performance Comparison –

- Among the 3,637 funds analysed, 57% of active funds delivered returns below the sector average over 5 years, while only 40% of passive funds underperformed, showcasing the stability of passive strategies.
- Over the past 1, 3 & 5 years, the Royal London Global Equity Select M Fund has been one of the top performing active funds in the IA Global sector, with returns of 26.44%, 58.66%, and 135.
- 86%, respectively. 8.6% of passive funds received a top 5-star rating, indicating consistent outperformance, compared to just 5.1% of active funds.
- The L&G Global 100 Index Trust I has been among the top-performing passive funds in the IA Global sector over the past 1 and 3 years.
- Over the past 5 years, the Invesco EQQQ NASDAQ 100 ETF delivered a return of 144.94%, securing the top position out of 188 funds in the IA North America sector.

After Studying in-depth analysis of 3,637 investment funds over a five-year period provides valuable insights into the performance dynamics of actively managed versus passive funds.

The data reveals that 57% of actively managed funds underperformed their respective sector averages, highlighting the challenges faced by active managers in consistently achieving superior returns.

In contrast, 40% of passive funds lagged behind their 5-year sector benchmarks, suggesting a relatively more consistent performance in line with their index targets.

However, the data presents a more nuanced picture when we look at the top-performing funds within each sector. Despite the overall underperformance, actively managed funds consistently secure the highest returns, occupying the top positions in performance rankings. This trend can be attributed to the discretionary nature of active management, where fund managers select securities based on research and market insights, allowing for the potential to outperform in specific market conditions.



The table below summarizes the distribution of the top 10 highest-growth funds within each sector over the past five years, distinguishing between active and passive strategies.

The performance of both active and passive funds across multiple sectors and assigned ratings from 1 to 5 stars based on their outcomes.

10 Highest Growth Sector Funds Over 5 Years

Sector	Management spread of top 10 sector funds	
	Active Funds	Passive Funds
IA Asia Pacific ex Japan Sector	9	1
IA China/Greater China	10	0
IA Commodity/Natural Resources	8	2
IA Europe Excluding UK	10	0
IA Financials and Financial Innovation	8	2
IA Flexible Investment	10	0
IA Global	8	2
IA Global Emerging Markets	7	3
IA Healthcare	7	3
IA India/Indian Subcontinent	10	0
IA Infrastructure	10	0
IA Japan	10	0
IA Mixed Investment 20-60% Shares	10	0
IA Mixed Investment 40-85% Shares	10	0
IA North America	7	3
IA Technology & Technology Innovation	8	2
IA UK All Companies	10	0
IA UK Equity Income	10	0

This analysis highlights the complexity inherent in the investment landscape. While passive funds generally offer more predictable and stable returns, closely tracking their benchmark indexes, actively managed funds provide the potential for higher returns—though with a higher degree of risk and variability.

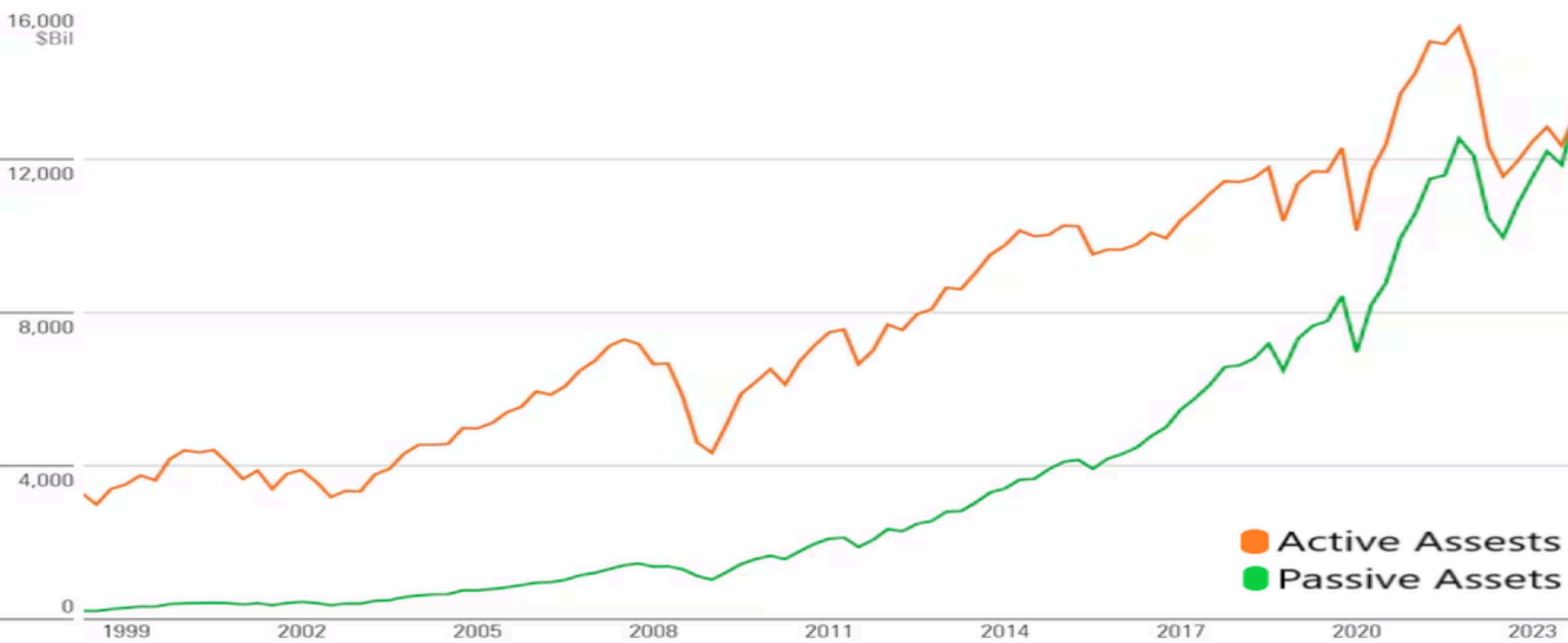
Ultimately, the decision between these investment strategies depends on an investor's risk tolerance, financial objectives, and conviction in the ability of active management to generate superior long-term performance.

The table below indicates that a notably higher proportion of actively managed funds received a poor 1 or 2-star performance rating.

Fund Rating Comparison		
Fund Rating	Passive Fund Rating	Active Fund Rating
★★★★★★	8.60%	5.10%
★★★★★	8.10%	8.80%
★★★★	33.00%	21.10%
★★★	32.20%	35.10%
★★	18.10%	29.90%

It's Official: Passive Funds Overtake Active Funds

U.S. mutual funds and exchange-traded funds gathered \$79 billion in 2023. While that represented a rebound from a historically poor 2022, it was equivalent to the second-lowest positive organic growth rate in Morningstar's data beginning in 1993. Year-to-date flows were negative through October. Investors plowed \$57 billion into U.S. funds in December, the largest monthly sum of the year.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Index Fund Phenomenon Is in Cruise Control

Active bond funds pulled in more dollars on a net basis than passive counterparts for years until 2013. They haven't achieved that feat in a calendar year since. International-equity fund flows began favoring passives in 2008, and U.S. equity fund flows first turned that way in 2005. It's been one-way traffic over the past decade.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Looking forward — is active investing about to make a comeback?

In 2014, for example, it was easy for many academics to simply write off active management. While the S&P 500 Index returned 13.7% for the year (in local currency terms), US active managers struggled — only 19.9% of them outperformed their benchmarks, according to Morningstar.

However, before dismissing active management for good, one has to take a closer look at the economic environment. When interest rates fall, equity markets typically do well.

However, when rates rise, there is a generally higher dispersion between the best and worst performing stocks. In this environment, active managers have a history of outperforming their benchmarks.

Analysis conducted by Nomura Securities found that when the 10-year treasury yield more than quadrupled from 1962 to 1968, from 3.85% to 15.8%, the median cumulative return for larger company mutual funds was more than 62% better than the S&P 500 Index.

Investors were reminded of what rising rates meant for active managers in 2013.

When Ben Bernanke, the Federal Reserve chairman at the time, talked about the need for quantitative easing to come to an end, leading to what has become known as the 'taper tantrum', active managers performed well (on a relative basis).



Taper Tantrum

[ˈtā-pər ˈtan-trəm]

The 2013 surge in U.S. Treasury yields, resulting from the Federal Reserve's (Fed) announcement of future tapering of its policy of quantitative easing.

We are also drawn to the idea that the rise of passive funds may actually lead to less efficient markets, thereby creating opportunities for active investors.

As passive management increases, there are fewer managers trying to analyse the fundamentals of a company. This means more opportunities for those left who are attempting to work this out.

Having seen many years of very low interest rates, the investment climate is starting to change. Interest rates have started to rise in the US, for example, albeit at a measured pace. As rates rise and the market cycle enters maturity, history tells us it will be harder to make money simply through investing in passive funds.

Combine this with rising political uncertainty, whether in Europe or following Donald Trump's presidential election victory, we would argue that analysis and judgement will be of even greater importance going forward.



Which approach is right for you?

As this paper highlights, the decision on which approach is 'best' is not as simple as one might expect, especially given the historical evidence for and against, and in turn the pros and cons, of each approach.

However, before establishing which approach is most appropriate when selecting underlying investments, investors first have to tackle the issue of asset allocation. Historical evidence tells us that one of the biggest decisions an investor has to make is how to allocate assets. While 'strategic' asset allocation aligns the portfolio to longer-term goals (and normally will only be altered if those goals change), 'tactical' asset allocation exploits shorterterm opportunities, which can only be taken on an active basis.

With the asset allocation of a portfolio now established (although not set in stone — after all there are active tactical decisions to make), the next decision is investment selection. The basic rule for long-term investing is to ensure the portfolio meets your requirements, both from a return and risk perspective. An essential part of this process is to ensure that the underlying investments fit with these objectives. But which questions should charities ask before deciding on a particular approach? These may include the following:

- sufficient choice: given the charity's requirements, which approach offers the most choice?
- income requirement: will a particular choice threaten our income target?
- ethical policy: can a passive approach accommodate our ethical policy and restrictions?
- costs: yes we're cost-sensitive, but what about value for money?
- investment manager support: it's not just simply investment advice we're after, it's establishing a partnership. We also want accountability from our investment manager: safe custody of assets; first rate administration; and investment training.



So what's our suggested investment strategy?

It's very clear that the debate between active and passive investing is unlikely to go away any time soon. While we've outlined the constraints of passive investing, it would, in our opinion, be wrong to dismiss the approach outright. As such, perhaps we shouldn't talk about active vs. passive investing, but rather how they can potentially be blended together.



The merits of each strategy are very different depending on the market in question. In certain regions it is much harder to find active managers who consistently outperform their passive counterparts, a good example being US equities. As such, we have historically incorporated passive-oriented strategies when investing in the US. However, this doesn't tell the whole story. While it's true that US equity active managers have struggled to outperform the S&P 500 Index in certain time periods, there are (as found in Invesco's study) funds that have added value over a variety of market cycles. The challenge is hunting down these 'best of breed' managers — high-quality research resources are essential in this process.

As long as you are selective in your fund choice, evidence in less efficient markets still points towards active management. In Europe, Asia and the Emerging Markets, for example, with economic and political factors potentially changing quickly, this allows flexible active managers to exploit any resultant volatility. Passive funds, on the other hand, do not have the luxury of such freedom.

The smaller companies' universe is another corner of the market we believe offers opportunities for active managers to exploit market inefficiencies through fundamental analysis and stock picking.

In summary, as a firm, we believe in whole of market and in open architecture when selecting investments, and as such we must remain open-minded. In a world of high competition and arguably lower returns for longer, it would be foolish to dismiss passive funds altogether, although we believe that skilful truly active managers have the edge over their passive counterparts.



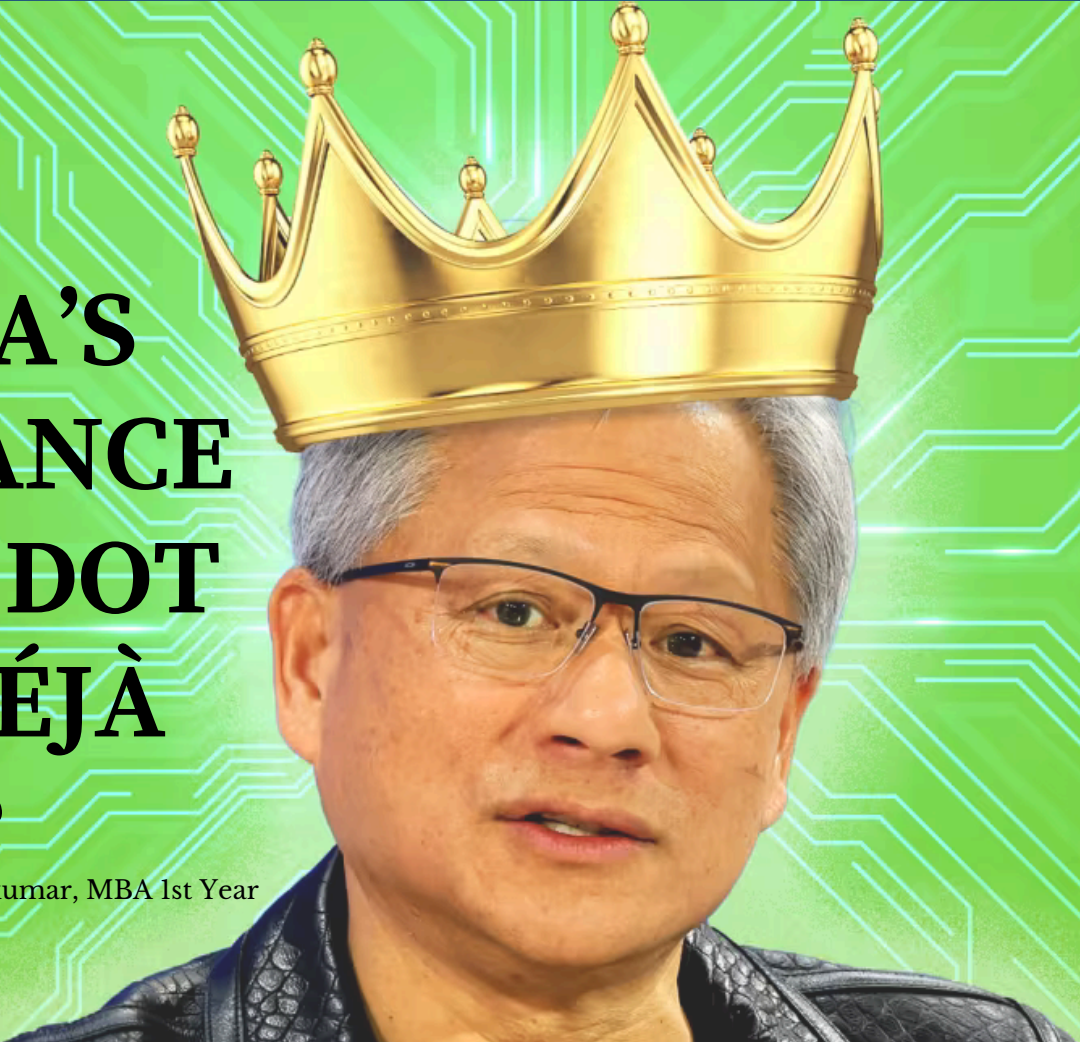
Our key takeaways

- this is a debate investors cannot afford to ignore when formulating an investment strategy
- while passive investing has seen exponential growth over the last decade...
- ...evidence suggests that truly active managers can outperform their passive counterparts over multiple market cycles
- in this environment, one could argue that active investing is primed for a comeback
- in our view, while passive investing is suited to certain, 'efficient' markets (such as the US), active investing gives key advantages in many other markets or assets classes (such as fixed income)
- for this reason, a hybrid approach where active investing is supported by targeted passive investing can offer the best of both worlds.



NVIDIA'S DOMINANCE IN AI: A DOT COM DÉJÀ VU?

By, Siva Jaykumar, MBA 1st Year



Over four years ago, Nvidia's stock hovered below \$10 per share.

Fast forward, and by early 2024, it reached nearly \$130—a staggering 13x growth.

This meteoric rise has propelled Nvidia to new heights, briefly making it the world's most valuable company with a \$3.53 trillion market cap, surpassing even Apple.

NVIDIA Corp

\$139.79

↑ 2,593.45%

+134.60 5Y

Nov 5, 12:28:28 PM UTC-5 · USD · NASDAQ · Disclaimer

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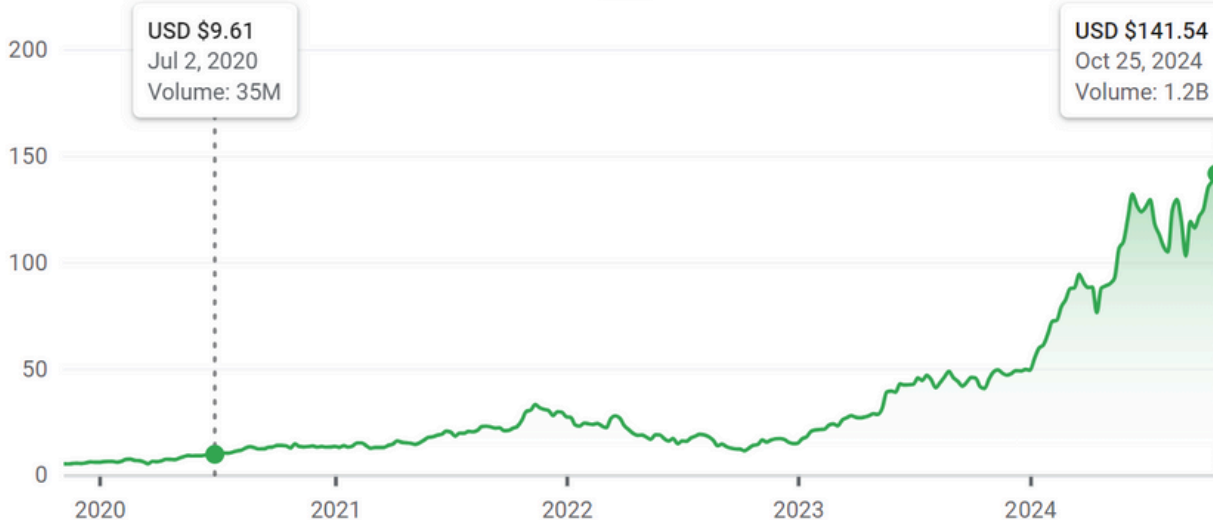


Image Source: Google Finance

However, Nvidia's current trajectory in the AI market bears striking similarities to Cisco's experience during the Dot Com Boom, which ultimately ended in the infamous Dot Com Burst. Understanding this comparison may offer insights into Nvidia's future potential and risks.

Cisco Systems Inc

\$57.05 ↑71,212.50% +56.97 MAX

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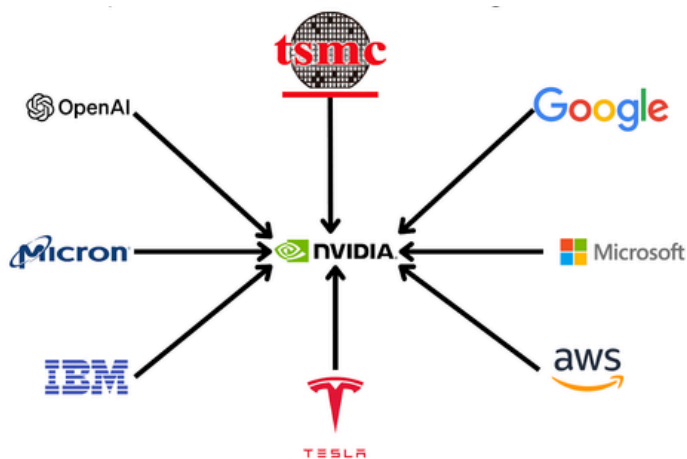
The demand surges for AI chips

At the heart of Nvidia's rise is its central role in the AI revolution.

The world's largest tech players are investing heavily in artificial intelligence, creating an insatiable demand for Nvidia's GPUs, which power AI models such as OpenAI's GPT-4.

With AI projects ramping up globally, Nvidia's latest quarter saw \$26 billion in revenue, largely due to its dominant 80% share in the global GPU market.

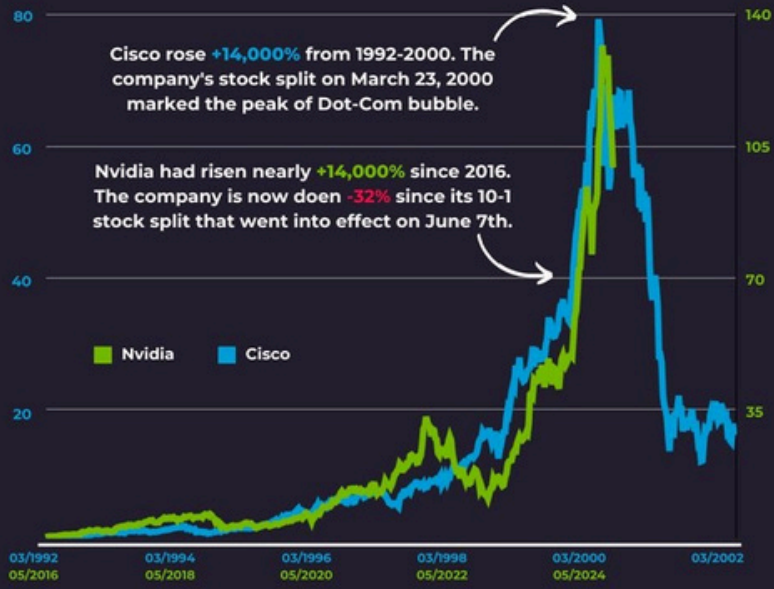
As AI adoption continues, we expect



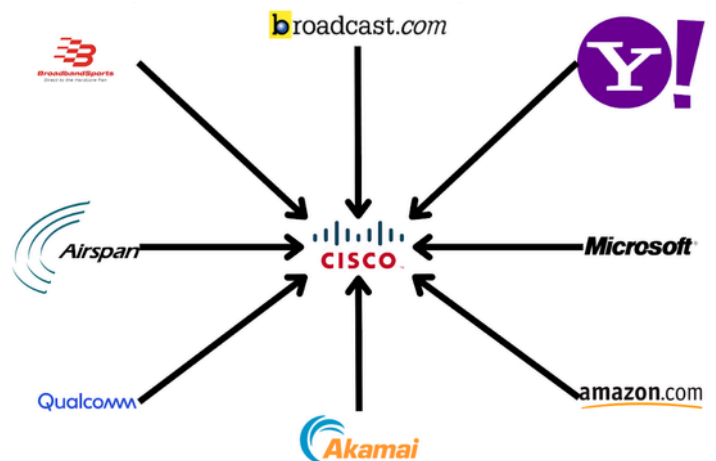
COMPANIES RELIANT ON NVIDIA DURING AI BOOM



TIME TO REVISIT THE CHART



Nvidia's data center GPUs and CUDA software platform to become indispensable for AI model training. Yet, Nvidia's dependency on AI mirrors Cisco's reliance on internet infrastructure during the Dot-Com era. Cisco held around 80% of the networking market, fueling internet adoption, just as Nvidia drives AI innovation today. Both companies' market dominance contributed to extraordinary growth, but Cisco's dependency made it vulnerable to the Dot Com Bubble's eventual collapse—a potential cautionary tale for Nvidia.



COMPANIES RELIANT ON CISCO DURING DOT COM BURST

Investor Sentiment and AI Enthusiasm



The boom in AI has investors eager to capitalize on its economic potential. Nvidia's stock surged after breakthroughs like ChatGPT, and this enthusiasm reached new heights with OpenAI's \$6.6 billion funding round. Investors perceive Nvidia as strategically positioned for AI innovation, mirroring the perception of Cisco as the foundation of the internet. However, Nvidia's valuation raises concerns, as Cisco's did, about sustainability and whether investor sentiment may be overinflated.

Investor excitement and speculation about internet technology drove Cisco's meteoric rise in the Dot-Com era. Similarly, Nvidia's performance may rely as much on investor sentiment as on actual earnings.

Like Cisco, Nvidia's market position could be vulnerable to shifts in demand or investor confidence should AI demand plateau or face competition.

The August Dip: Market Corrections and Competitive Threats

The release of Nvidia's second-quarter earnings report in late August led several firms to reassess the company's fair market value, suggesting potential inventory adjustments and a medium-term slowdown in AI demand.

In addition, Nvidia faces growing competition as powerful tech players invest in in-house chip development.

While Nvidia's CUDA platform remains unrivaled in AI training, many cloud providers are exploring open-source alternatives, which could alter the market.

This cautious outlook echoes Cisco's experience after the Dot Com Boom. Cisco's reliance on a single product category (networking) and overvaluation led to a steep drop in value when demand fell. Nvidia's dependence on AI-centric GPU sales and its vulnerability to demand fluctuations put it in a similar position.

Blackwell Chip Delays Test Nvidia's AI-Driven Momentum

By October, Nvidia's stock had risen 18%, driven by the demand for AI supercomputing chips. This enthusiasm, fueled by TSMC's 54% profit surge from AI chip sales, shows that the appetite for AI hardware remains substantial. Nvidia has fully booked its soon-to-launch "Blackwell" chips for a year; however, recent reports indicate that these chips have encountered significant challenges.



The Blackwell AI chips, which are designed to be 30 times faster than previous models in tasks like chatbot responses, are now facing issues with overheating when deployed in server racks designed to accommodate multiple units.

This has raised concerns among customers about the timely deployment of new data centers.

Nvidia has acknowledged these overheating issues and is working with suppliers to modify server designs to mitigate the problem.

CEO Jensen Huang confirmed that despite earlier delays, Blackwell chips are back on

track to ship by the end of 2024, with initial shipments expected to start reaching major customers like Meta and Microsoft soon thereafter. Morgan Stanley's Joseph Moore remains optimistic about Nvidia's production capabilities despite these setbacks.

However, analysts like Rick Meckler of Cherry Lane Investments urge caution, noting that while Nvidia's prospects look promising, the stock may also be benefiting from sentiment-driven investment. This parallels Cisco's experience, as its valuation peaked more on market excitement than fundamental performance. The question remains: Can Nvidia's revenue sustain the high investor expectations it faces?

A Stock Reflecting AI's Transformative Power

Nvidia recently reported third-quarter earnings that surpassed market predictions, revealing revenue of \$35.1 billion, up 94% year-over-year and 17% from the previous quarter.

The company also announced earnings per share (EPS) of \$0.78, exceeding analyst expectations of \$0.70 per share and reflecting a 16% increase from the previous quarter¹⁵. These figures underscore Nvidia's pivotal role in the AI landscape and highlight strong demand for its advanced AI chips.

The Data Center segment generated \$30.8 billion during the quarter, marking a 112% increase from the same quarter last year and significantly surpassing analysts' expectations of \$29 billion¹². In addition to this, Nvidia's gaming sector revenue also saw growth, recording \$3.3 billion, up from \$2.8 billion last year.

Looking ahead, Nvidia projected fourth-quarter revenue of approximately \$37.5 billion, slightly exceeding Wall Street's expectation of \$37 billion¹⁵. This optimistic outlook is supported by CEO Jensen Huang's assertion that "the age of AI is fully underway," emphasizing strong demand for both existing and upcoming products like the Blackwell chip.



Looking Forward: Nvidia's AI Wave and Potential Parallels with Cisco

As Nvidia approaches its next earnings report in early 2025, the company faces a crucial test. Investor enthusiasm is high, and demand remains strong; however, Nvidia's continued dominance hinges on whether it can maintain momentum as AI demand matures.

The similarities with Cisco highlight both potential rewards and risks for Nvidia. Like Cisco, Nvidia has thrived as a leader in a rapidly growing tech sector driven by

speculation and optimism.

Should AI demand taper or competitive pressures increase, Nvidia's valuation could face corrections similar to those experienced by Cisco post-Dot Com.

For now, Nvidia stands as a symbol of AI's transformative power, leading the charge into a future shaped by artificial intelligence. But whether Nvidia can sustain its trajectory without succumbing to Cisco-like vulnerabilities will depend on its ability to adapt, diversify, and navigate the evolving landscape of the AI boom.



INDIAN MID & SMALL CAPS VS. GLOBAL PEERS: A DEEP DIVE

By, Ashutosh Waghadkar, MBA 1st Year



The mid and small-cap stock segments in India performed exceptionally well during CY24 compared to their corresponding mid and small-cap space in the global segment. In short, it has really been different from the rest of the world in the global investment space. These recent corrections have only added on to this fantastic rally of Indian mid- and small-cap stocks. This would also interest investors considering the overall market dynamics and changing economic scenario globally.



Indian Mid- & Small-Cap Performance in CY24:

The FTSE Global India Small Cap Index rose 25.2% in CY24, outperforming the FTSE Global Small Cap Index at 9.3% rise for the period. That level of robustness, driven equally by investor psychology and underlying economic resilience, speaks loudly about India's mid and small-cap superstar status. Data on the NSE India shows even sharper increases: 25.7% for the NSE India Mid-cap and 26.7% for the NSE India Small-cap indices.

These have come in far stronger than what has been seen elsewhere in the rest of the world's major markets, and precisely so in the small-cap index in India, which is returning over double the FTSE Global Small Cap Index. They are very healthy growth returns considering the concerns over valuations, geopolitical tensions, and the pre-earnings season nervousness that just brought volatility to the Indian mid- and small-cap spaces.

Global Mid- & Small-Cap Performance Comparison:

The comparison of India's performance is the fact that it stands so strikingly against its global peers. In this respect, Germany's mid-cap indices gained a very healthy 20% in CY24 and emerged as one of the top performers in global mid-caps. Other notable mid-cap gainers were FTSE South Africa Mid Cap Index, up 14.6%, and FTSE Japan Mid Cap Index, up 10.7%, though these did not reflect the kind of growth Indian mid-caps had.

On the small-cap side, FTSE Global South Africa Small Cap Index led the charge in the global small-cap space with a 20.2% gain. Taiwan's FTSE Global Taiwan Small Cap Index rose 12.1%, and the Greater China Small Cap Index by a relatively modest 6.5%. Though Indian small-caps remain in a class of their own, with a 25.2% upsurge, this also reflects significant investor confidence and growth potential in India's smaller companies. Competitive gains in regions like Germany, South Africa, and Taiwan notwithstanding.

ON TOP OF THE WORLD

FTSE-MIDCAP			FTSE-SMALL CAP		
Name	PX_Last	CHG_PCT_YTD	Name	PX_Last	CHG_PCT_YTD
FTSE Global Mid Cap USD	1,124.3	12.0	FTSE Global Small Cap	1,142.7	9.3
America			America		
FTSE United States of America	2,719.2	14.6	FTSE Americas Small Cap Index	1,383.3	11.2
Europe			Europe		
FTSE Germany Mid Cap Index	813.9	20.0	FTSE Global Germany Small Cap	1,214.6	-10.9
FTSE South Africa Mid Cap	6,254.4	14.6	FTSE Global South Africa Small	1,292.4	20.2
Asia			Asia		
FTSE Japan Mid Cap Index	267.6	10.7	FTSE Global Taiwan Small Cap	746.6	12.1
FTSE Greater China Mid Cap	3,137.0	8.7	FTSE Greater China Small Cap	432.3	6.5
FTSE World Malaysia Mid Cap	1,061.7	22.7	FTSE Global India Small Cap	7564.56	25.2

Source: Bloomberg; Data compiled by BS Research

What drove mid- and small-caps north in India was mainly the following:



Technical Weakness and Market Corrections:

Indian mid-caps have witnessed weakness and have broken below key support during the recent corrections, believe some technical analysts. They say that one needs to handle the segment with caution and not encourage bottom-fishing since the possibility of further downfall cannot be ruled out. Valuation and geopolitical risk had been cited for the corrections, and volatility is inherently part of the Indian mid- and small-cap market.

Sectoral Overpricing and Optimism:

The trend of overpricing has been too starkly evident in those sectors reporting stable growth in their earnings. The IT sector was showing an uptick close to 50 percent in the stocks, quoting in positive numbers with no upgrade for FY25 in the last three months. It, therefore, indicates the broad-based optimism that has set in within the investors. However, it is also raising concerns about this kind of inflated valuations in mid and small-cap space.





Earnings Growth, Stock Prices Disconnected:

Bernstein analysts note that "the disconnect" exists between earnings growth and changes in stock prices in the SMID space. There are sectors with reasonable upgrades in earnings growth that, however, have seen rather high stock price movements--likely overpriced optimism. The disconnect is stated to be above 30% for most sectors, thus raising red flags regarding volatility in case earnings growth fails to meet investors' high expectations.

Liquidity-Driven Momentum:

This rally in Indian mid-and small-cap stocks is largely driven by the inflows of good domestic and foreign investors in India. Liquidity here seems to have been driven, resulting in this rather rapid price appreciation along this segment. Analysts argue that it may not be sustainable without correlated earnings growth.



Outlook and Investor Sentiment:

Despite the stellar performance, caution is in the air. Strategists at Financial Services feel large- cap stock outperformance over mid-and small-caps may continue in the near term for India.

They also mentioned that investors should not succumb to panic buying into the mid-and smaller-cap space, especially that which is overpriced. Such stocks may fall further before stabilizing. But they also believed some individual stocks would rise sharply, so they demanded selective investment. Other analysts also indicate that although mid-and small-cap stocks have had great runs, the rally appears to be driven more by liquidity and possibly volatility linked if earnings growth fails to materialize according to expectation.

Market participants continue being cautious ahead of the Q2 FY25 earnings season with valuation pressures as well as external geopolitical factors.

Conclusion:

So far this year, Indian mid- and small-cap indices have effortlessly outperformed their counterparts in the rest of the world. This has come about from a fair amount of investor interest combined with flows of liquidity.

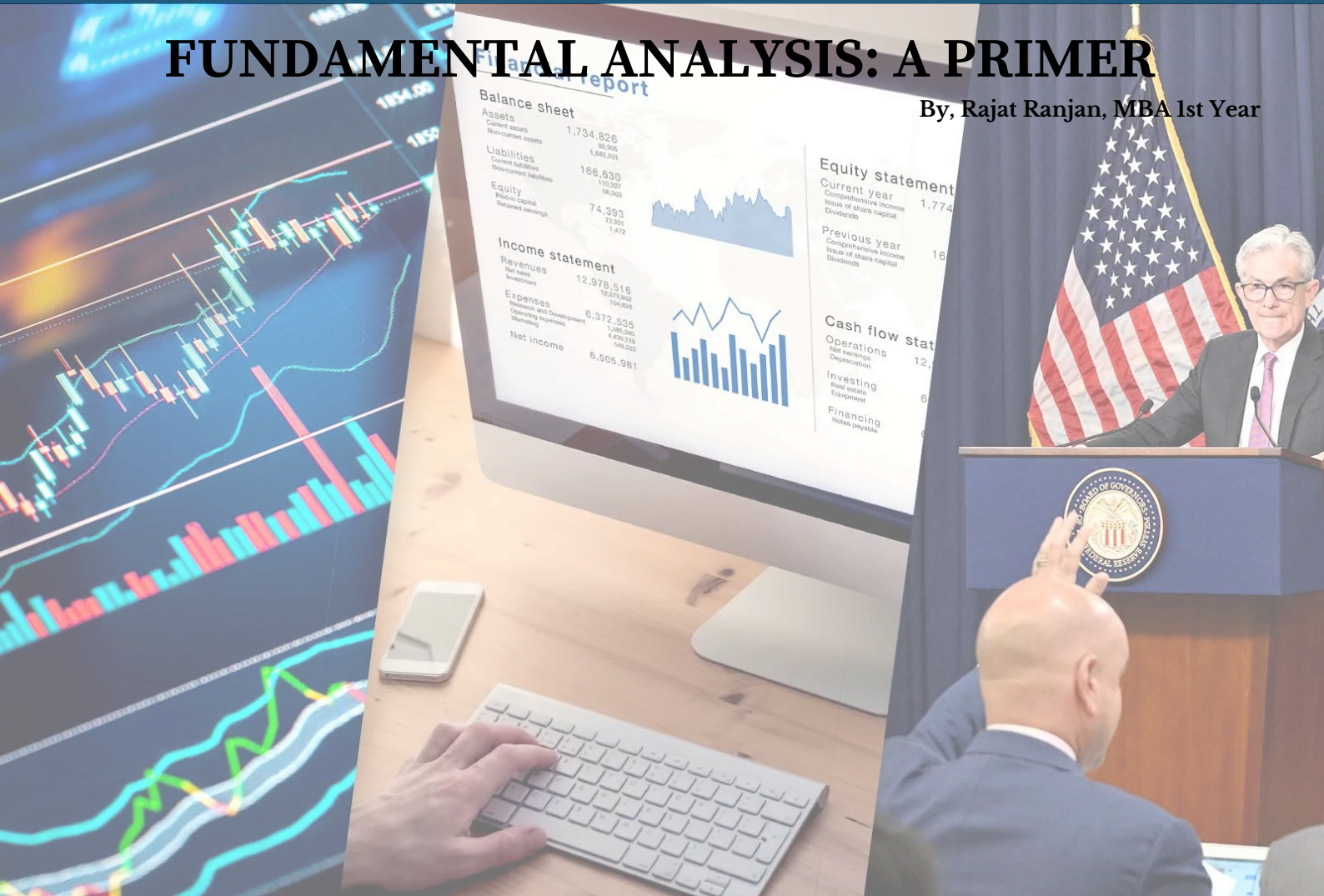
Indeed, the rally poses some underlying risks because valuation concerns sit alongside the perceived disconnection between stock prices and earnings growth. Of course, India's mid- and small-cap players have shown much resilience. Still,

experts remain cautiously optimistic about the overall situation while advising investors to adopt a selective approach to this space. Of course, prudence should accompany optimism, stock fundamentals, and valuation metrics on an individual basis. It would be important before venturing into India's mid- and small-cap markets. Earnings season and evolving global economic conditions will definitely put this rally to the test, but India's mid- and small-caps have certainly marked their presence globally, though they tread on uncertain times.



FUNDAMENTAL ANALYSIS: A PRIMER

By, Rajat Ranjan, MBA 1st Year



The British born American analyst and economist Benjamin Graham had once advised “Buy not on optimism, but on arithmetic.” As many people today foray into the world of investing, it is important that the average retail investor understands the basics of investment – the fundamental analysis of stocks. In this article we take a dive into the company’s performance, both quantitative and qualitative. In qualitative

analysis we look at a company's business fundamentals like profit, loss, debt, turnover ratios among others, while in qualitative analysis we look at its corporate governance, its economic moat, competition landscape, regulatory environment and the competitors background. This article focuses on the quantitative aspects of fundamental analysis.

BENEFITS

Intrinsic value helps us determine the real value of a stock which can then be compared with the market situation. If the intrinsic value of a stock is more than the price it is being traded at i.e it is undervalued we can look at buying it, conversely if the stock is overvalued it can give an indication that it might be time to sell it.

Fundamental analysis focuses on long term factors like company’s revenue, profit margins, and management quality. This can be helpful for investors looking to build wealth gradually, as it steers them towards companies that can withstand economic cycles and deliver sustainable growth.

It can help evaluate companies' competitive position in the market. By analyzing aspects like market share, cost structure, and product uniqueness, investors can better gauge how well-positioned a company is to grow or protect its profitability.

It also provides a holistic view since it doesn't just focus on the company but also on the industry and economy as a whole.

Findamental Analysis



Now that we have firmly established the reason why a retail investor must invest time in doing fundamental analysis, let's look at how this is done. The source of all the data of the company's performance are its annual reports. The annual report is an elaborate document that includes all the information of the company both financial and non financial. Let us consider the example of Mazagon Dock Shipbuilders Ltd.

Here are some key figures that form the basis of a sound fundamental analysis:-

1. Revenue and Profitability

- Revenue is the total income earned from operations, here ₹9,46,658 lakh for Mazagon Dock, which was ₹7,82,718 lakh in the immediate past year. An increase in revenue indicates the growth in demand or an improvement in operation.
- Net Profit in simple terms is the income left over after deducting all the expenses incurred. In the case of Mazagon Dock, profit increased to ₹1,93,697 lakh, which is a well-built and high profitability.
- Profit Margin, which refers to net profit as a percentage of revenue (approximately 20.46% here), is the share of every rupee that comes in which is retained as profit.

2. Asset Strength

- Assets are everything owned and available to generate future income. Mazagon Dock possesses a total of ₹ 29,44,881 lakh as assets, from which a major share is placed in the cash reserves.

Liabilities: These are what the company owes. Most of the liabilities of Mazagon

Dock are current, such as contract obligations, which totaled ₹22,63,435 lakh.

- Equity is the shareholder's stake and rose to ₹6,24,347 lakh, thus depicting retained earnings and capital invested by shareholders.

3. Cash Flow

- Operating Cash Flow refers to cash flow from the company's core operations. Since Mazagon Dock has a positive cash flow of ₹68,375 lakh, it says its chief business is cash-flush enough, which stands as a positive sustainability signal.
- Investment and Financing Cash Flows represent investment in new assets and dividend paid out to shareholders. Mazagon Dock's heavy investment is a sign of planning for growth and dividends show commitment towards its shareholders.

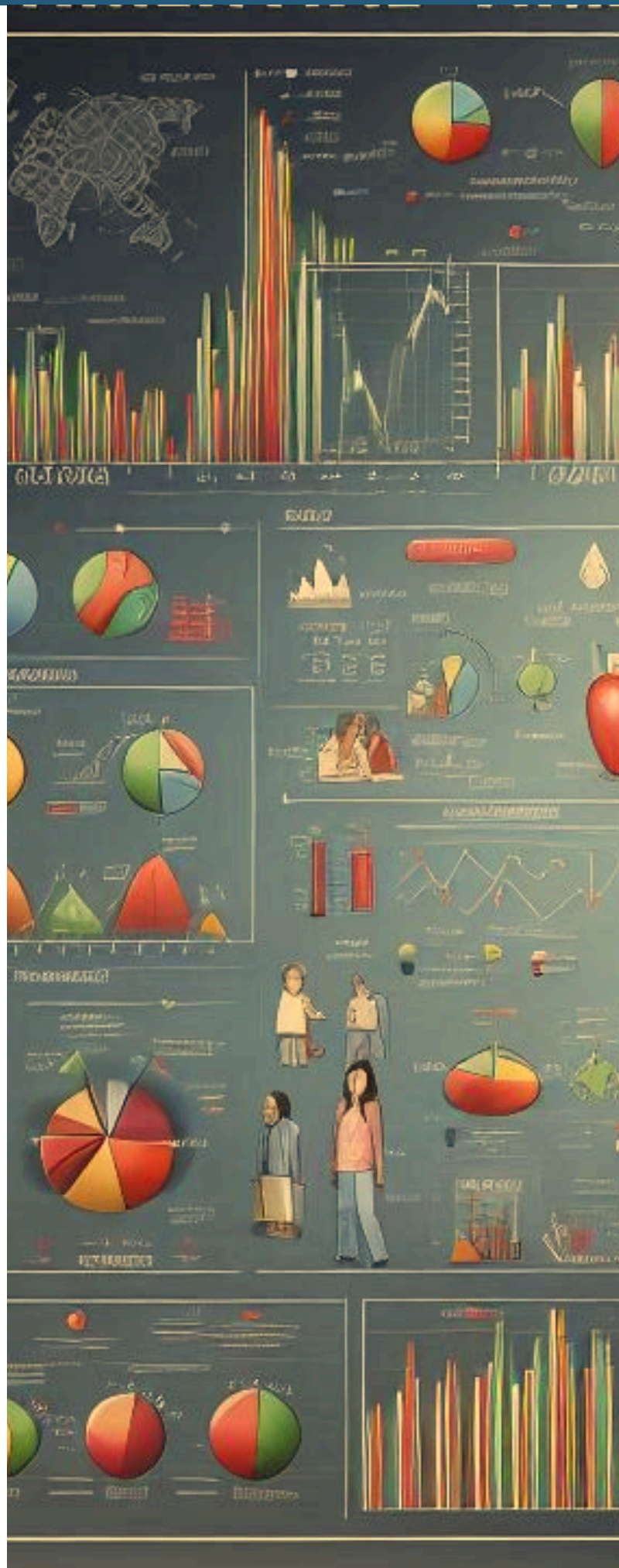
4. Key Ratios

- Return on Equity (ROE) is the rate at which the company generates returns on equity. Mazagon Dock's ROE is about 31%. It indicates excellent performance by the company.
- Debt-to-Equity Ratio measures the dependency of debt financing versus equity. The lower the value, the more Mazagon Dock is dependent on equity and reduces risks associated with debts.

5. Growth and Market Outlook

- Growth prospects and sector outlook help analyze potential returns. Mazagon Dock has been reporting steady growth in revenue and profit and is thus at an excellent position for defense shipbuilding since the sector has relatively steady demand.

While these figures form the basis of fundamental analysis from a perspective of numbers, we must also integrate this with any major developments wrt to company, developments in the sector, the changes in the regulatory environment and any changes in the business condition that may impact its future prospects or any of its businesses to reach a consensus on the health of the company and its stocks and use this as a jump board to reach to a decision on buy or sell.



STRONGER THAN EVER: INDIA'S BANKING REVIVAL AND INVESTMENT BOOM!

By, Neha Samarth, MBA 1st Year

N P A

NON PERFORMING ASSET

Non-Performing Assets are loans or advances for which scheduled payments of principal or interest have remained overdue for more than 90 days. These indicate major risks to financial institutions because NPAs do not generate income, thereby reducing profitability and liquidity.

Phase 1: The Emergence of the NPA Crisis

The crisis in NPA had escalated in 2015, and most of the reasons responsible for it were poor lending practice, economic slowdown, and corporate defaults. Indian banks have witnessed an alarming increase in NPAs by as early as March 2018.

Phase 2: The COVID-19 Pandemic Impact

The COVID-19 pandemic just added more to it, as businesses could not repay their loans. As per the report by CRISIL, the NPA levels would have increased to 14-15% by the end of September 2021 had corrective measures not been put in place.



NPAs at Banks in India

Gross NPAs (as a % of Gross Advances)



Source: "Classification Of NPA - Indian Economy"- <https://upscwithnikhil.com/>

Its Impact on Bank Nifty and Stock Prices of various Banks

The profitability at banks was very low. For instance, in FY2016, state-owned banks

suffered a loss of ₹30,700 crore (\$4.1 billion) due to the high NPAs.

This decline led to a drop in stock prices; the NSE's PSU Bank Index fell around 14%, while the benchmark Nifty dropped approximately 8%.

As the NPA crisis peaked during the early 2018 and the public was getting aware of the declining profitability of banks, Bank Nifty fell from approximately 27,000 points in January to around 20,000 points by December 2019, reflecting a significant loss of investor confidence.

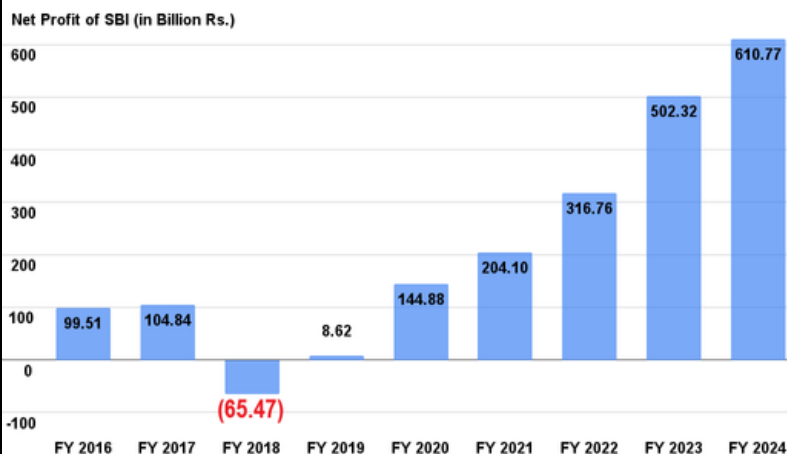
Slipping BANKNIFTY in COVID-19

Then hit the COVID-19 pandemic, it was more of an economic pandemic for investors, the rising fear of NPAs and lockdown resulted in BANKNIFTY to slip a 47% low in just 3-4 months.



State Bank of India (SBI)

SBI, India's largest bank, faced a significant NPA crisis, particularly highlighted in early 2018 when it reported NPAs amounting to ₹23,239 crore (\$3.2 billion). This came into light after an RBI audit, which indicated that SBI had misreported its financials. The bank's gross NPAs rose to 10.9% of total loans by March 2018.



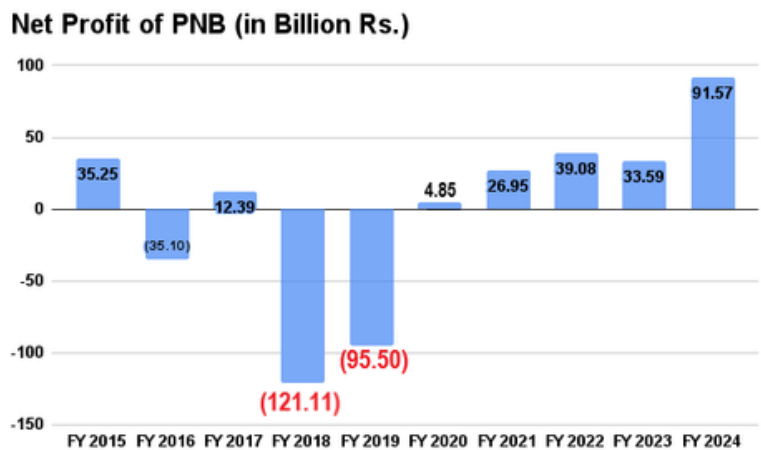
Source: Statista

The rising NPAs resulted in a significant decline in SBI's stock price, which fell from around ₹350 to approximately ₹200 in early 2018 to late 2019.



Punjab National Bank (PNB)

The NPA crisis after the well-publicized Nirav Modi fraud case severely hit PNB and led to a massive surge in bad loans. Gross NPAs of PNB by March 2018 stood at ₹88,000 crore (\$12 billion), or around 15.5% of its total loans. The bank reported a net loss of ₹13,416 crore (\$2 billion) for FY2018-19 due to high bad loans.



Source: Statista

Consequently, PNB's stock price fell sharply from ₹180 to around ₹60 from early 2018 to late 2019.



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SBI (2017-18)	Metric	PNB (2017-18)
~10.91	Gross NPA ratio	~18.38
~5.73	Net NPA Ratio	~11.24%
~0.02%	Return on Assests	Negative
~2.7%	Return on Equity	Negative
~12.85%	Capital Adequacy Ratio	~9.2%

Measures taken by RBI and the Government



- **Government Recapitalisation and Market Reaction:** In October 2017, it announced the Rs. 2.11 trillion recapitalisation plan.

1. SBI stock's went up by 7% in the following week when news had just been released.

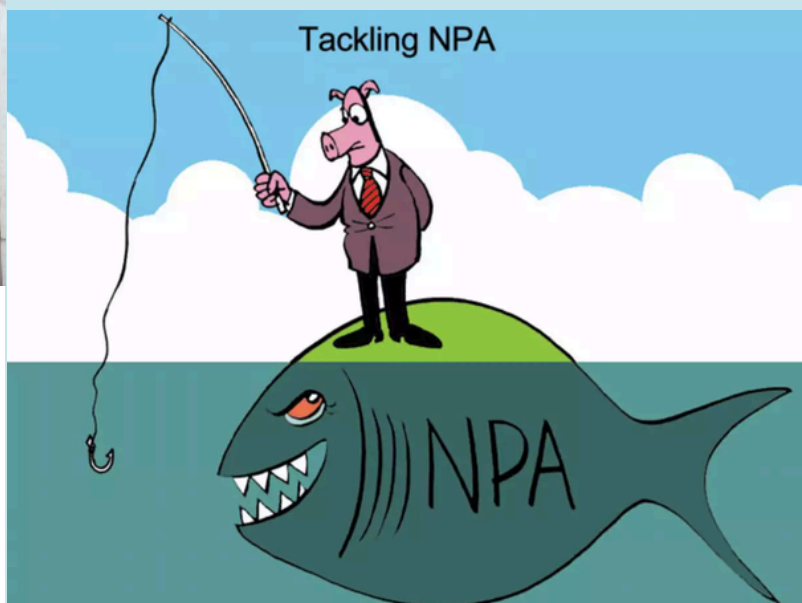
2. BoB saw a gain of 6% in its stock

- **Improved SEBI Rules and Corporate Governance:** SEBI issued strict financial disclosure mandates, quarterly reports on stressed assets that resulted in higher transparency and confidence among the investors.
- **Prompt Corrective Action (PCA) Framework:** This restricted banks with high NPAs from getting involved in certain high-risk activities.
- **Asset Quality Review (AQR) (2015):** RBI's AQR mandated banks to reclassify restructured loans as NPAs. This forced banks to recognize previously hidden NPAs.

- **Insolvency and Bankruptcy Code (IBC) (2016):** The IBC provided a structured and timely resolution process for NPAs, reducing average recovery times from over four years to around 1.6 years.

Post-Implementation Effects

Combined impact of all these efforts has therefore been considerable in the promotion of health for India's banking sector:



- **Decline in NPAs:** The absolute decline in NPAs has declined from 11.2% in the year 2017-18 to approximately 6% by 2023.
- **Higher Recovery Rates:** The IBC and several other regulations provided timely recovery of stressed assets. The banks recovered almost 2 trillion INR stressed assets since 2016.
- **Stronger Market Sentiment:** Due to improved asset quality, PSB stocks are now less volatile. The BANKNIFTY index has shown better performance and stability since 2021.

Here are the post implementation effects (2023) of the two examples discussed earlier:

SBI	Metric	PNB
~3.91%	Gross NPA ratio	~8.74%
~0.95%	Net NPA Ratio	~2.72%
~0.67%	Return on Assests	~0.29%
~11.5%	Return on Equity	~6.8%
~13%	Capital Adequacy Ratio	~14%

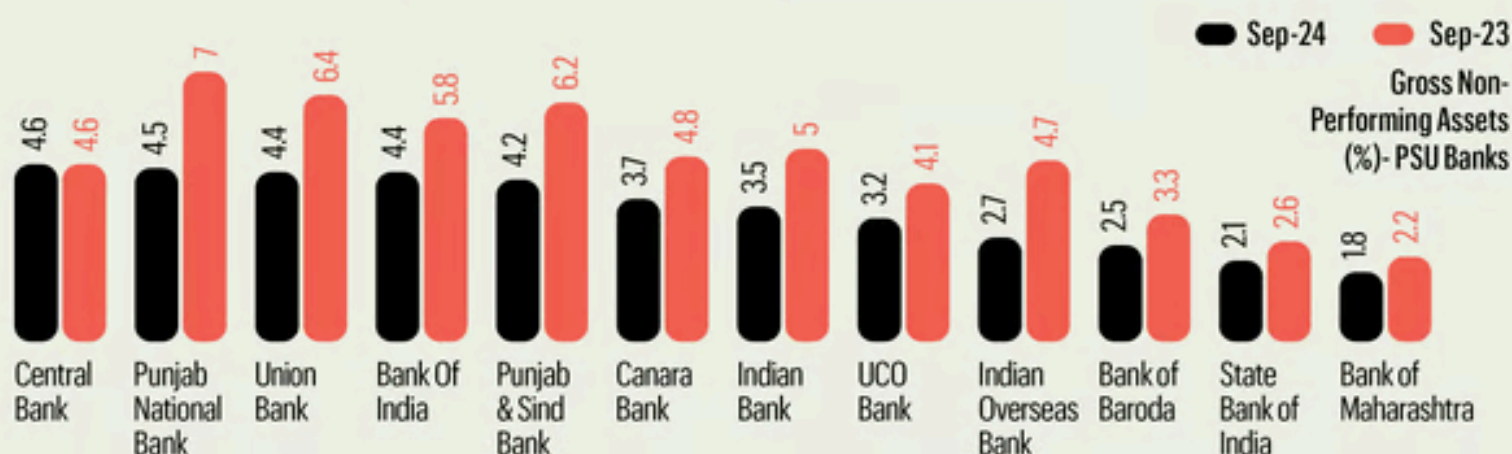
On the other hand, the banking sector looks to have recovered its strength at present. Stocks of major banks have increased considerably; particularly, SBI stock recovered back to around ₹600 by the end of 2023. Similarly, the Bank Nifty Index increased more than 40,000 points with increased investor sentiments and profitability.

Conclusion

It demonstrates the banking sector's resilience and the effectiveness of regulatory measures to put financial institutions back on track. Following all of this, the industry provides a more stable investment environment, with NPAs dramatically declining, balance sheets improving, and more transparency.

Considerable decline in Gross NPAs across most PSU Banks

Decline in GNPA's: Improvement in asset quality, from 4.2% in H1 FY24 to 3.1% in H1 FY25



Source: "PSU banks report significant decline in gross decline"- <https://www.fortuneindia.com/infographics/psu-banks-report-significant-decline-in-gross-npas/119603>

INVESTING OPPORTUNITIES



STABLE MARKET
PERFORMANCE



GROWTH IN DIGITAL
BANKING



IMPROVED EARNINGS AND
DIVIDENDS

DECARBONIZATION AND GREEN INVESTMENTS: SHAPING A SUSTAINABLE FINANCIAL FUTURE

By, Pavitar Goyal, MBA 1st Year



In recent years, the global push toward environmental sustainability has transformed from a trend into an urgent mission, driven by mounting evidence of climate change impacts and increased environmental awareness among investors. Central to this shift is the process of decarbonization, an initiative to reduce carbon dioxide emissions and slow down global warming. Alongside decarbonization

green investments, or Environmental, Social, and Governance (ESG) investments, have surged in popularity as both individual and institutional investors seek to back companies that prioritize sustainability.

Let's explore why decarbonization is a focal point in the financial landscape and how green investments offer profitable yet responsible avenues.



Understanding Decarbonization :

Decarbonization involves reducing carbon emissions, mainly by shifting from fossil fuels to renewable energy sources and by adopting cleaner technologies across industries. For nations and corporations alike, decarbonization requires structural changes, such as adopting solar and wind energy, electrifying transport, and modernizing industrial processes. The global call for net-zero emissions by 2050 has resulted in a transformation in multiple sectors, ranging from energy and



manufacturing to agriculture and real estate. For investors, decarbonization presents an opportunity to support and profit from companies driving this shift. With increased governmental regulations, subsidies for renewable energy, and stricter emission caps, companies pioneering in renewable energy or low-carbon technology are likely to see long-term growth.

The Rise of Green Investments :

Green investments, broadly known as ESG investments, focus on companies committed to environmental sustainability, social responsibility, and good governance. With institutional investors pouring billions into ESG funds, green investments have outpaced traditional sectors in growth, suggesting that they are not only here to stay but are becoming integral to modern portfolios.

A prime example of green investments is green bonds. Issued by corporations, governments, and development banks, green bonds fund environmentally friendly projects like solar energy plants, waste management systems, and clean water initiatives. With their appeal to environmentally conscious investors, green bonds have gained immense traction, with global issuances crossing the \$1 trillion mark.



Sectors Leading the Way in Green Investments :

Several sectors have emerged as leaders in green investments, particularly those actively involved in the decarbonization process. Key sectors include:



Renewable Energy

Solar, wind, and hydroelectric power are at the forefront of decarbonization, supported by decreasing costs and technological improvements. Companies in this sector offer long-term growth potential as the world moves away from fossil fuels.



Electric Vehicles (EVs):

The global automotive industry is undergoing a major transformation as electric vehicles become mainstream. Automakers investing in EV technology, as well as supporting sectors like EV battery manufacturing and charging infrastructure, offer lucrative green investment opportunities.



Green Technology:

Companies offering technology that aids in energy efficiency, emission monitoring, and carbon capture are essential to decarbonization. Firms providing software for energy management and data analytics to monitor emissions are also vital to this sector.



Real Estate and Infrastructure:

With buildings responsible for nearly 40% of global emissions, green building technologies and sustainable urban planning have become critical. Companies involved in retrofitting older buildings and constructing new eco-friendly structures represent appealing opportunities for green investors.

Performance of Green Investments :

Despite initial skepticism, studies show that green investments are performing competitively, if not better, than traditional investments. In 2020, ESG funds outperformed standard counterparts, with several green funds witnessing record returns. This momentum continued in subsequent years as governments and corporations globally committed to ambitious decarbonization goals. Factors like enhanced brand value, regulatory support, and an expanding investor base of environmentally conscious individuals and funds contribute to this positive performance.



Future Prospects and Challenges :

The future of green investments is promising, with predictions estimating that ESG assets could surpass \$50 trillion by 2025. However, challenges remain. For example, the lack of standardized ESG metrics makes it difficult for investors to accurately assess a company's sustainability impact. Additionally, greenwashing, where companies deceptively portray themselves as environmentally friendly, has emerged as a concern. Regulators and investors are increasingly pushing for better transparency and accountability in ESG reporting, which will likely enhance credibility and attract more capital.

How Investors Can Participate in Green Investments :

Investors looking to participate in the decarbonization wave have various options:

- **ESG ETFs:** These exchange-traded funds focus on companies with strong environmental practices and offer diversified exposure across green sectors.
- **Green Bonds:** As previously mentioned, green bonds are a safer, fixed-income option and contribute directly to environmental projects.
- **Renewable Energy Stocks:** Investing in companies at the forefront of renewable energy, such as solar, wind, and hydropower, allows investors to align with decarbonization goals while capitalizing on



growth in the energy transition.

- **Direct Investment in Startups:** For those looking to engage at the innovation level, investing in cleantech startups offers the chance to support emerging green technologies.

Conclusion

Decarbonization and green investments represent a convergence of ethical responsibility and financial opportunity. For the investor, embracing these trends

means not only making a positive impact on the planet but also tapping into sectors primed for substantial growth. As the world continues its journey toward sustainability, green investments will likely continue to play a crucial role in shaping a resilient, low-carbon economy that benefits investors and society alike.

Green investments offer a roadmap to both a greener planet and a profitable future—a win-win for investors and the environment.



MEET OUR TEAM



Veditha A
“Buy and Forget”



Pavitra Goyal
“Perma-Bull”



Shrishti Hore
“Fundamentals Rule”



Abhijat Singh
“Always Diversify”



Neha Samarth
“Always Hedge”



Rajat Ranjan
“Mutual Funds
Sahi Hai”



Sumit Sahu
“Buy the Dips”



Somesh Gaikwad
“Options are the best”



Siva Jaykumar
“Technicals, thats it!”



Arnab Mandal
“Cut your losses”



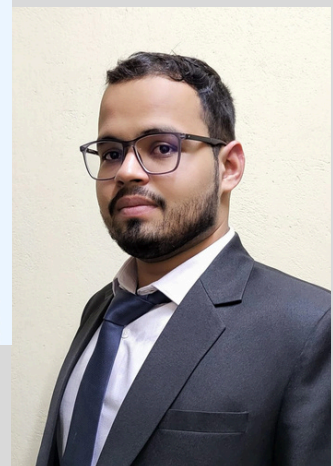
Benyamin Omar
“Algos are Future”



Prince Poddar
“Value Investing Only”



Ashutosh Waghadkar
“India to the Moon”



Ravinder Kumar
“Buy low, Sell High”



THANK YOU

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