

Sankhya India Portfolio (SIP) - A factor-based review of recent performance, portfolio drivers and risk 2025-2026



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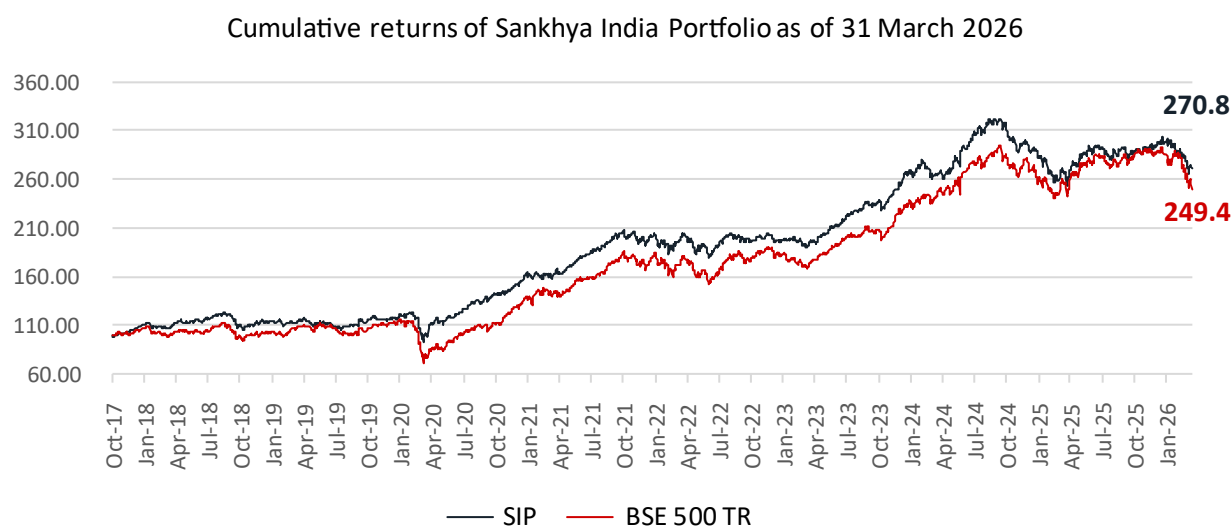
In this overview of the Sankhya India Portfolio (SIP) - our quantitative managed equity portfolio's performance, we will present the performance of the factors in comparison with the benchmarks. As we delve into the details of our performance, we aim to provide you with a comprehensive understanding of how our strategy has fared and the steps taken to achieve our investment objectives.

Period	From	SIP	BSE500 TOTAL	NIFTY TOTAL
Since inception date	17-Oct-17	12.51%	11.47%	10.97%
1 Year	01-Apr-25	0.97%	-3.12%	-3.99%

[Click here](#) to check the relative performance of other portfolio managers

- Since inception, the portfolio has outperformed both the BSE500 and NIFTY Total Return indices.
- However, in the past year, the portfolio has underperformed both the BSE500 Total Return index and the NIFTY Total Return index.

Performance of SIP vs BSE 500 TR index since inception date 17 October 2017



Sankhya India Portfolio limits its investment to Large and Mid-cap (the top 250 companies as per market cap) without financials and utilities sectors. There are three factors used in constructing SIP portfolios, viz., removing low (poor) quality companies, and selecting the best combination of profitability and value.

Understanding what drives returns: Looking beyond headline performance

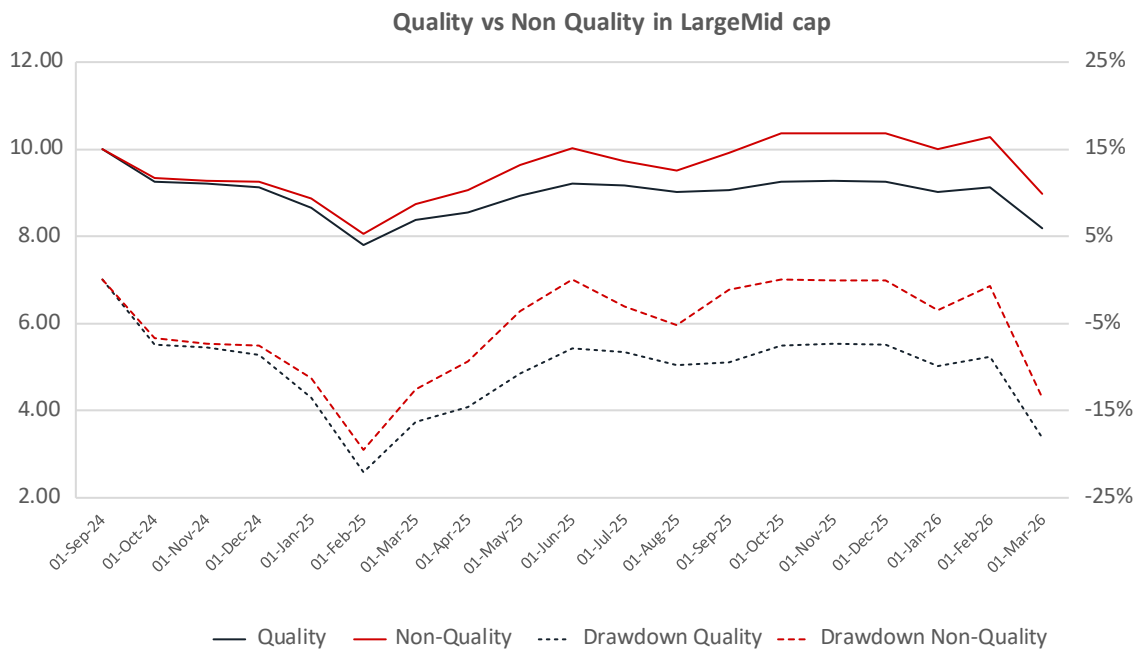
Over the past year, markets have not followed a uniform trajectory. While global markets have moved due to geopolitical events, interest rates, and liquidity, there have been times when the Indian markets too saw significant falls and slow recovery. From the high of 26,216 on October 2024, Nifty 50 started to tumble, and for the last year, it has been bouncing within a bound of around 25,000 to 26,300. During such volatile times, analysing the results alone can be somewhat misleading.

To take one example, in recent periods, while the overall market indices have fallen, portfolios formed with a robust factor-based portfolio construction framework have reduced the magnitude of losses and recovered even. Such observations emphasise the need for knowing the drivers behind performance rather than just their consequences. Thus, portfolio construction should ideally consider such persistent factors.

Key factors to consider

Quality has historically played a defensive role in portfolios. Businesses with strong balance sheets, high return ratios, and consistent cash flows tend to protect capital better during periods of stress. This was observed during earlier market corrections as well as in more recent episodes, where quality, despite near-term underperformance due to valuation compression, has begun to stabilise and show early signs of recovery. Over longer horizons, its role in limiting downside remains critical.

Performance of quality vs poor quality baskets compared to universe from 01 Sep 24 to 31 Mar 26



The chart shows the performance of Large+Mid cap, along with quality and non-quality basket. While the fall was reflected in all baskets, the recovery was clearly more in non-quality stocks, represented in orange line. The blue line depicting quality basket has not recovered as sharply or as high as the poor quality basket.

Profitability factor worked very well in back tests. The excess return of profitable stocks far exceeded those of non-profitable companies. The interaction effect of profitability with quality and value generally adds to the final returns.

Value parameter helps the portfolio manager to buy relatively cheaper stocks as compared with the rest. By identifying undervalued firms based on metrics like the dividend yield, value investing provides a margin of safety. We have observed that value investing continues to outperform over various periods, even when other variables experience significant fluctuations. The consistent performance of value supports its ability to drive returns, especially when the market starts correcting valuation excesses.

Factor performance

Market cap weighted returns till 31 Mar 2026	12 months	9 months	6 months	3 Months	1 Month
SIP	1.0%	-8.2%	-4.0%	-9.1%	-5.9%
BSE 500 TR	-3.1%	-12.5%	-9.6%	-13.9%	-11.4%
Impact of SIP	4.1%	4.3%	5.6%	4.9%	5.5%
Underperformance by SIP is reducing fast, turning into outperformance recently.					
Universe (after removing Finance & utilities)	-1.8%	-10.9%	-8.4%	-12.7%	-9.6%
Only Finance & Utilities sector	-2.5%	-12.4%	-9.7%	-13.5%	-14.5%
Impact of removing sectors	0.8%	1.6%	1.2%	0.8%	4.8%
Exclusion of sectors generally proved helpful.					
Quality stocks	-2.9%	-11.7%	-8.5%	-12.8%	-9.3%
Poor quality stocks	-1.1%	-11.1%	-9.2%	-13.1%	-20.3%
Impact of Quality	-1.8%	-0.7%	0.7%	0.3%	11.0%
Underperformance of quality factor is reducing, and turning positive in recent months.					
Top 50 profitable stocks	-11.7%	-16.1%	-10.9%	-14.7%	-9.3%
Remaining stocks	0.7%	-10.1%	-8.3%	-12.5%	-11.8%
Impact of profitability	-12.4%	-6.0%	-2.6%	-2.2%	2.5%
Profitability's underperformance is on a reducing path.					
Top 50 value stocks	6.0%	-6.0%	-3.3%	-11.7%	-10.4%
Remaining stocks	-4.2%	-13.3%	-10.7%	-13.4%	-11.6%
Impact of value	10.2%	7.3%	7.4%	1.7%	1.2%
Value continues to outperform over different periods.					

The returns of Finance & Utilities sector being lesser than remaining sectors is as per our expectations.

Historically, quality has offered strong downside protection. The sideways market witnessed poor quality stocks showing early recovery than quality ones. However, in recent period, we can see that the underperformance of the quality factor is reducing and turning positive in recent months.

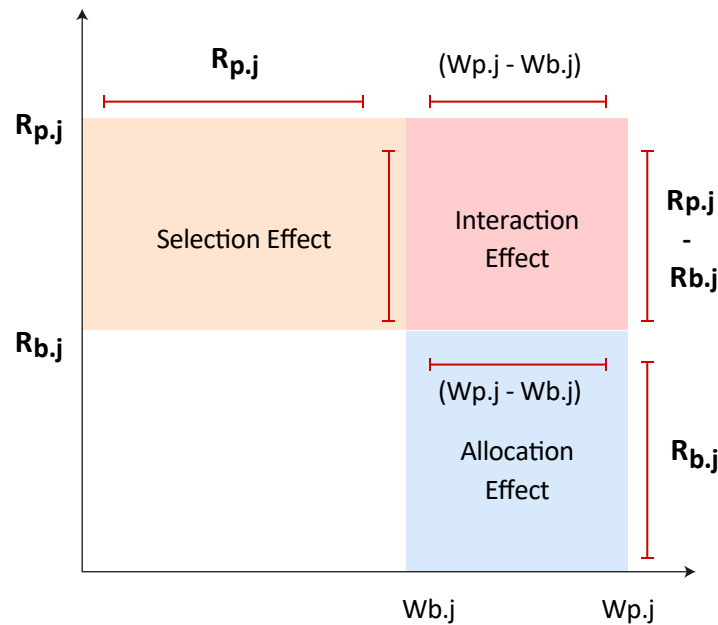
Like quality factor, market favoured non-profitable companies over profitable ones. However, this underperformance is slowly reducing, with a shimmer of hope in latest numbers.

Value factor has worked well in all periods.

The protective nature of SIP is evident by the positive alpha over all observation periods.

Analysing performance using Brinson-Hood-Beebower model

The Brinson-Hood-Beebower (BHB) framework provides a way to break down portfolio performance into its underlying components. Instead of treating returns as a single number, it attributes them to allocation decisions, stock selection, and the interaction between the two.



Item	Notation	What it means
Portfolio weight	$(W_{\{p,j\}})$	How much your portfolio invested in category/sector (j)
Benchmark weight	$(W_{\{b,j\}})$	How much the benchmark invested in category/sector (j)
Portfolio return	$(R_{\{p,j\}})$	How your portfolio holdings in that category performed
Benchmark return	$(R_{\{b,j\}})$	How that category performed in the benchmark
Overweight / underweight	$(W_{\{p,j\}} - W_{\{b,j\}})$	Whether you invested more or less than the benchmark in that category
Return difference	$(R_{\{p,j\}} - R_{\{b,j\}})$	Whether your holdings performed better or worse than the benchmark in that category
Allocation effect	$((W_{\{p,j\}} - W_{\{b,j\}}) \times R_{\{b,j\}})$	Gain/loss from being more or less invested in that category
Selection effect	$(W_{\{b,j\}} \times (R_{\{p,j\}} - R_{\{b,j\}}))$	Gain/loss from choosing better or worse holdings within that category
Interaction effect	$((W_{\{p,j\}} - W_{\{b,j\}}) \times (R_{\{p,j\}} - R_{\{b,j\}}))$	Extra gain/loss from both allocation and selection working together
Total active contribution	$(W_{\{p,j\}}R_{\{p,j\}} - W_{\{b,j\}}R_{\{b,j\}})$	Total difference this category made versus the benchmark

This approach helps answer a more relevant question: where is performance coming from? Whether returns are driven by selecting better stocks, allocating capital more effectively, or a combination of both, becomes clearer through this decomposition. Focusing only on returns without this breakdown can lead to incomplete conclusions.

Allocation effect

(Portfolio Sector Weight – Benchmark Sector Weight) × (Benchmark Sector Return – Total Benchmark Return)

The allocation effect captures the impact of sectoral positioning relative to the benchmark. It reflects whether overweighting or underweighting specific sectors has contributed positively or negatively to returns.

Sectors	1M	3m	6m	9m	12m
Commercial Services	0.0%	0.1%	0.1%	0.0%	-0.1%
Communications	-0.2%	0.1%	-0.1%	0.0%	-0.1%
Consumer Durables	0.0%	0.0%	0.0%	-0.2%	-0.4%
Consumer Non-Durables	0.1%	-0.8%	-1.9%	-1.3%	-2.7%
Consumer Services	0.0%	0.1%	0.2%	0.0%	-0.1%
Distribution Services	0.0%	0.0%	0.1%	0.1%	0.1%
Electronic Technology	-0.1%	-0.2%	0.1%	0.1%	-0.3%
Energy Minerals	-0.2%	-0.1%	-0.2%	0.0%	0.0%
Finance	1.4%	0.8%	0.3%	0.8%	0.5%
Health Services	0.0%	-0.1%	0.0%	0.0%	0.0%
Health Technology	1.1%	1.3%	1.4%	1.6%	0.8%
Industrial Services	0.2%	0.0%	0.0%	0.0%	0.1%
Non-Energy Minerals	0.1%	1.0%	0.9%	0.3%	0.1%
Process Industries	0.0%	-0.1%	-0.1%	-0.3%	-0.3%
Producer Manufacturing	0.0%	-0.2%	-0.1%	-0.2%	-0.5%
Retail Trade	0.0%	0.0%	0.1%	0.2%	0.2%
Technology Services	0.5%	-1.2%	-1.0%	-1.9%	-2.2%
Transportation	0.1%	0.0%	0.2%	0.1%	0.0%
Utilities	-0.2%	-0.5%	-0.2%	-0.2%	0.0%
Total	3.1%	0.3%	-0.5%	-1.1%	-4.8%



Recent data shows a sharp improvement in allocation effect in our portfolio, from negative levels over longer periods to positive contributions in recent months. This suggests that sectoral positioning has been actively recalibrated across strategies. Decisions such as underweighting weaker sectors or maintaining exposure to relatively stronger ones have begun to reflect in improved outcomes, though this remains an area that requires continued attention.



The total allocation swings from a deep -4.83% at 12M to a strong +3.06% at 1M — the most dramatic recovery of the three effects. Two sectors define this story entirely.



Health Technology has been a consistently strong allocation call at every horizon, confirming the overweight in a sector outperforming the total benchmark was a sound top-down decision throughout.



Finance similarly contributed positively across all horizons, rewarding the structural underweight when the sector lagged.

Selection effect

Benchmark Sector Weight × (Portfolio Sector Return – Benchmark Sector Return)

The selection effect reflects the ability to pick better-performing stocks within each sector compared to the benchmark. A consistently positive selection effect suggests that the investment process, particularly stock selection, is working as intended.

Sectors	1M	3m	6m	9m	12m
Commercial Services	0.0%	0.0%	0.0%	0.0%	-0.1%
Communications	0.2%	0.5%	0.2%	0.3%	-0.1%
Consumer Durables	0.2%	0.3%	0.2%	1.2%	1.2%
Consumer Non-Durables	0.0%	0.2%	-0.1%	0.1%	0.1%
Consumer Services	0.1%	0.2%	0.2%	0.2%	0.1%
Distribution Services	0.1%	0.1%	0.1%	0.1%	0.1%
Electronic Technology	0.2%	0.1%	0.2%	0.6%	1.4%
Energy Minerals	0.2%	1.5%	1.0%	1.0%	0.6%
Health Services	0.1%	0.1%	0.1%	0.0%	0.1%
Health Technology	-0.1%	0.0%	-0.2%	-0.5%	-0.3%
Industrial Services	0.5%	0.4%	0.2%	0.2%	0.0%
Non-Energy Minerals	0.4%	0.3%	1.5%	0.9%	-0.3%
Process Industries	0.0%	-0.2%	0.0%	0.0%	-0.1%
Producer Manufacturing	0.4%	0.9%	1.1%	0.8%	-0.5%
Retail Trade	0.1%	0.2%	0.3%	0.3%	0.2%
Technology Services	-0.1%	0.2%	0.0%	-0.5%	-0.1%
Transportation	0.3%	0.3%	0.3%	0.3%	0.0%
Total	2.6%	5.0%	5.2%	4.9%	2.2%

Across time periods, the selection effect has remained positive in disciplined strategies, indicating that excess returns can be generated through effective stock picking. This is an important observation, as it suggests that the underlying framework for identifying businesses must remain robust, even when overall performance may not fully reflect it in the short term.

Interaction effect

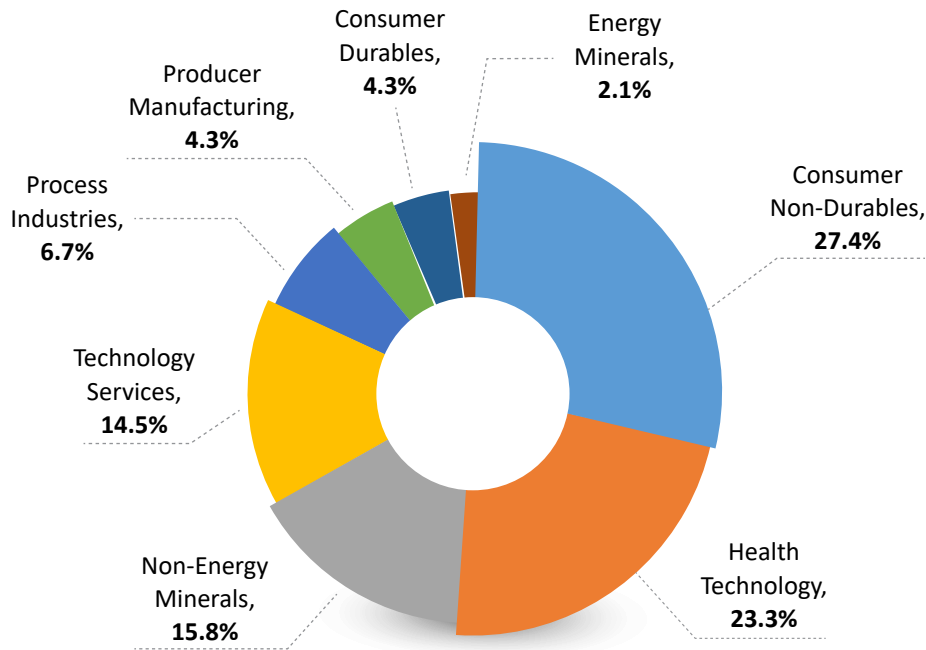
$(\text{Portfolio Weight} - \text{Benchmark Weight}) \times (\text{Portfolio Sector Return} - \text{Benchmark Sector Return})$

The interaction effect captures the combined impact of allocation and selection decisions. It is positive when both decisions reinforce each other and negative when they diverge.

Sectors	1M	3m	6m	9m	12m
Commercial Services	0.0%	0.0%	0.0%	0.0%	-0.1%
Communications	-0.2%	-0.5%	-0.2%	-0.3%	0.1%
Consumer Durables	0.0%	-0.1%	-0.1%	-0.4%	-0.5%
Consumer Non-Durables	-0.1%	0.6%	-0.3%	-0.3%	0.2%
Consumer Services	-0.1%	-0.2%	-0.2%	0.0%	0.0%
Distribution Services	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Electronic Technology	-0.2%	-0.1%	-0.2%	-0.6%	-1.2%
Energy Minerals	-0.1%	-0.9%	-0.6%	0.0%	0.0%
Health Services	-0.1%	-0.1%	-0.1%	0.0%	0.0%
Health Technology	-0.3%	0.1%	-0.6%	-1.5%	-0.9%
Industrial Services	-0.5%	-0.4%	-0.2%	-0.2%	0.0%
Non-Energy Minerals	0.6%	0.4%	1.4%	0.2%	0.0%
Process Industries	0.0%	-0.2%	0.0%	0.0%	-0.1%
Producer Manufacturing	-0.2%	-0.5%	-0.7%	-0.6%	0.3%
Retail Trade	-0.1%	-0.2%	-0.3%	-0.3%	-0.2%
Technology Services	-0.1%	0.3%	0.0%	-0.6%	-0.2%
Transportation	-0.3%	-0.3%	-0.3%	-0.3%	0.0%
Total	-1.8%	-2.2%	-2.3%	-5.2%	-2.5%

The interaction effect remains negative across time horizons. This implies that while stock selection has been strong, it has not always been supported by corresponding allocation decisions. In other words, capital is not consistently aligned with the areas where the strongest opportunities are being identified. Aligning these two elements remains a key lever for improving overall performance across future-ready portfolios.

Breakdown of portfolio allocation across different sectors

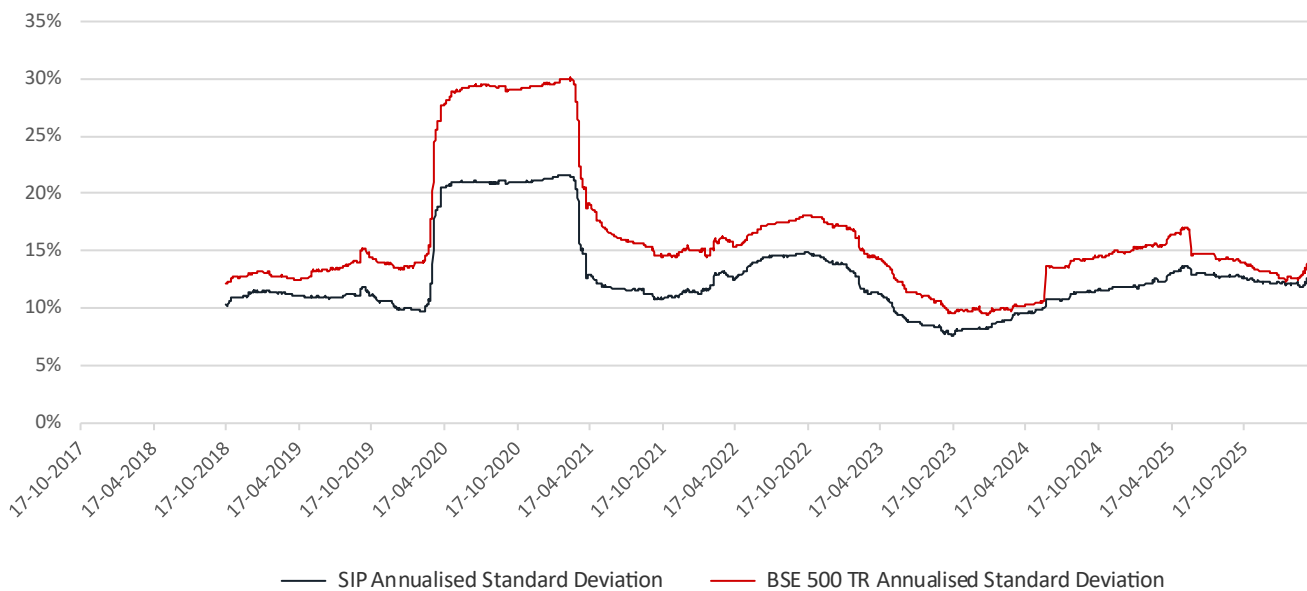


Around 67.6% of Sankhya India Portfolio is invested in Consumer Non-Durables, Technology services and Health Technology sector.

Risk undertaken by the portfolio

Standard deviation is a measure of the dispersion or volatility of returns. A higher standard deviation implies greater volatility and, hence, higher risk. The blue line represents the standard deviation of the Sankhya India Portfolio (SIP). The orange line represents the standard deviation of the BSE500 Total Return (BSE 500 TR) index.


Annual Risk (Standard Deviation) of SIP vs BSE500 TR





The chart shows that the SIP has generally exhibited lower levels of risk (as measured by volatility) compared to the BSE 500 TR index over time.


Looking ahead: Why we expect our factors to work


While recent performance has been challenging, we remain optimistic about the prospects of our factor-based approach:


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Attractive valuations: Generally quality trades at a premium and on various matrices such as Multi-Act's own Fair Value, SIP had a higher price to fair value ratio than the market for quite some time. After the correction, the valuation of SIP has corrected significantly more than the market, making it a lucrative proposition.
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Historical downside protection and sharper recovery of Quality: We have experienced that the quality factor typically provides protection beyond a 20 to 25% market decline, with a faster recovery. While poor-quality stocks made a recovery early, the quality factor is making a come-back, with reducing underperformance or even posting outperformance in recent periods.
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Reversion to Factor Strengths: For the upcoming period, we expect the quality factor will continue its return to protective role, value will drive long-term returns even further, and profitability will continue to differentiate stronger businesses from weaker ones.
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Selection effect has remained positive across recent horizons, suggesting that the portfolio's stock selection framework continues to contribute despite a challenging factor environment.
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The allocation decisions are recovering sharply — the swing from -4.83% at 12M to +3.06% at 1M is substantial and reflects active repositioning away from the sectors that caused damage earlier in the year. This recovery is the single most important recent development.
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The interaction effect remains the unfinished business — at -1.81% even at the most recent 1M horizon, the portfolio's overweights and its best stock picks are still not fully aligned. Closing this gap by concentrating active weights in sectors where selection is also strongest, represents the clearest remaining lever for improving overall active returns in the period ahead.

Remarks from Portfolio Managers

While recent performance has been influenced by factor rotation and market volatility, there are early signs of normalisation in the market at large. Valuation gaps, particularly within quality, have narrowed, improving their relative attractiveness. At the same time, value continues to deliver, and the underperformance of profitability appears to be reducing.

The stock selection process remains central to long-term outcomes, while allocation decisions must show signs of improvement. The key focus going forward will be on aligning these two more effectively. As seen across cycles, short-term volatility is inevitable, but disciplined adherence to well-defined factors has historically resulted in more consistent long-term outcomes and that is exactly what all portfolios should strive for.

Thank you for your continued trust and confidence in our fund. We look forward to serving you and delivering on our commitment to excellence in investment management.

Statutory Disclosure and Disclaimer:



Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited (Registration No. INP000002965)

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Note:

1. All cash holdings and investments in liquid funds, is considered for calculating the performance.
2. All performance data are reported net of all fees and all expenses (including taxes).
3. The above performance numbers are not verified by the SEBI.

Disclosure as per Global Investment Performance Standards (GIPS®) –

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Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Composite representing the Sankhya India Portfolio was created on 17th October 2017. Performance has been compared with benchmark BSE 500 TRI. The Gross Return is before all expenses (except Brokerage). Net Return is after all actual expenses. A complete list of composite descriptions, policies for valuing portfolios and calculating performance fees are available on request.

Multi-Act Equity Consultancy Pvt. Ltd. is an independent SEBI registered Portfolio Manager. The firm maintains a complete list and description of composites, which is available upon request. This SIP Composite includes all discretionary fee-paying portfolios that are being managed with the objective of is to invest in the companies that are highly probable to generate good returns based on back testing of the strategy. The selection of stocks will be from Large-cap and Mid-cap universe. Roughly the top 250 stocks based on market cap will be the candidates for the "Sankhya India Portfolio". The portfolio manager has also the discretion of not being fully invested if he is not able to find ideas that meet the above criteria along with valuation criteria, thus, indirectly taking an asset allocation call between Equity and Cash (& Cash Equivalents).

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Risk factors

General risk factors

- a. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved.
- b. Past performance of the Portfolio Manager or its affiliates does not indicate its future performance.
- c. Investors are not being offered any guaranteed or assured returns i.e. either of principal or appreciation on the Portfolio.
- d. As with any investment in securities, value of the Client's Portfolio can go up or down depending on the factors and forces affecting the capital market.
- e. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.
- f. The investments made are subject to external risks such as war, natural calamities, and policy changes of local / international markets which affect stock markets.
- g. The Portfolio Manager has renewed SEBI PMS registration effective December 05, 2023 and has commenced its portfolio management activities with effect from January 2011. However, the Portfolio Manager has more than 10 years of experience in managing its own funds invested in the domestic market.