Equity ETF Investment Picks

StockHolding Services Limited
(Formerly Known as SHCIL Services Limited)

Equity ETF Investment Picks

Sr. No.	ETF Name	NSE Symbol
1	Edelweiss Nifty500 Multicap Momentum Quality 50 ETF	EMULTIMQ
2	Motilal Oswal Nifty India Defence ETF	MODEFENCE
3	Mirae Asset Nifty Financial Services ETF	BFSI
4	Kotak Nifty India Consumption ETF	CONS

Equity ETFs - Key Data

NSE Symbol	Date of Listing	Sector	NAV as on 26th March 2025	52-Week High	52-Week Low	Stock in ETFs
EMULTIMQ	07-Nov-24	Multi Sector	₹ 38.33	53.9	34.71	50
MODEFENCE	27-Aug-24	Defence	₹ 70.02	80	55.21	16
BFSI	05-Aug-21	Financial Services	₹ 25.46	26.08	20.92	20
CONS	04-Aug-22	Consumption	₹ 108.67	155.7	99.05	30

Riskometer

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Monday, 31 March 2025

Choosing ETFs for your Portfolio…

About ETF

An Exchange-Traded Fund (ETF) is an investment vehicle that tracks the performance of an underlying index, sector, commodity, or asset class. ETFs are traded on stock exchanges like regular stocks and offer investors the benefits of diversification, transparency, and liquidity. They aim to replicate the returns of their benchmark while keeping costs lower compared to actively managed funds.

Objective

The objective of an ETF is to provide investors with broad market exposure, allowing them to diversify their portfolios easily. ETFs aim to mirror the performance of their respective indexes while minimizing tracking errors and management costs. They offer a cost-effective and efficient way for investors to participate in various markets and asset classes.

Risk Associated with ETF

ETFs, while offering diversification and flexibility, are not without risks. One primary risk is **Market risk,** where the value of the ETF fluctuates based on the performance of the underlying assets, potentially leading to losses. **Liquidity risk** is another concern, as less-traded ETFs may have wider bid-ask spreads, making it difficult to buy or sell at desired prices.

Tracking error risk occurs when an ETF fails to perfectly replicate the performance of its benchmark index due to management fees or imperfect asset replication. Additionally, **Sector concentration risk** arises if an ETF focuses heavily on a specific sector or asset class, increasing vulnerability to industry downturns. Lastly, **Currency risk** may affect ETFs that invest in foreign assets, exposing investors to exchange rate fluctuations.

Investment Rationale

After thorough evaluation, we have selected four ETFs—three sectoral ETFs focused on BFSI, Defence, and Consumption, and one multi-cap ETF comprising 50 value stocks. These ETFs are well-positioned to capitalize on India's next phase of growth, driven by increased defence spending under the Atmanirbhar Bharat initiative, tax cuts that will boost consumer spending, and rate cuts by the RBI, with further reductions expected in upcoming MPC meetings. Liquidity infusion and relaxed priority sector norms are also expected to strengthen the financial sector. Many constituent companies have seen significant corrections from their September 2024 highs, presenting attractive entry points. **Recommended ETFs provide diversification and strong potential for capital appreciation, making them suitable for both SIP and lump sum investments at current levels.**

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1. Edelweiss Nifty500 Multicap Momentum Quality 50 ETF

Investment Objective

The Edelweiss Nifty500 Multicap Momentum Quality 50 Index tracks the performance of large-cap, mid-cap, and small-cap stocks selected based on a combination of momentum and quality factor scores. Momentum scores are derived from 6-month and 12-month price returns adjusted for volatility, while quality scores are based on return on equity (ROE), financial leverage (Debt/Equity), and earnings (EPS) growth variability over the past 5 years. Stock weights are determined by a composite momentum-quality score and free-float market capitalization, with a 5% cap at the time of index rebalancing.

key Data	
NAV- 26th March 2025	₹ 38.33
Year Range	34.71-53.90
AUM	21.05 Cr.
No of Stocks	50
Avg. PE	37.07
Avg. PB	9.43

Benchmark: Nifty500 Multicap Mom Quality 50 TRI

Returns						
	3M	6M	1Y	3Y	5Y	All
Fund Return	-16.34%	NA	NA	NA	NA	-16.80%
Category Return	-8.75%	NA	NA	NA	NA	-

Top 5 Weightage	
Bajaj Auto Ltd.	5.52%
Persistent Systems Ltd.	5.37%
HCL Technologies Ltd.	5.32%
Bharat Electronics Ltd.	5.31%
Tata Consultancy Services Ltd.	5.23%

Investment Rationale

The Nifty500 Multicap Momentum Quality 50 Index offers exposure to 50 high-quality stocks across large, mid, and small-cap segments, selected based on strong momentum and superior financial quality. The index focuses on companies with consistent earnings growth, healthy balance sheets, and efficient capital allocation, making it resilient across market cycles. With India's economy poised for sustained growth and favourable policy measures, these companies are likely to outperform by capitalizing on emerging opportunities. Additionally, the diversified nature of the index mitigates sector-specific risks, offering a balanced investment option with strong potential for long-term capital appreciation. The index presents attractive opportunities for long-term capital appreciation, making the ETF a compelling investment choice.

Sector Representation	
Sector	Weight(%)
Information Technology	26.93%
Capital Goods	25.63%
Financial Services	10.67%
Fast Moving Consumer Goods	8.77%
Automobile and Auto Componer	6.52%
Consumer Durables	4.96%
Consumer Services	4.70%
Healthcare	4.63%
Chemicals	3.82%
Textiles	2.15%
Oil, Gas & Consumable Fuels	0.74%
Services	0.54%

Technical Observations

EMULTIMQ traded in a falling channel for couple of months which was followed by a range bound movement at the bottom. Price trades along the upper band of the Bollinger bands on the daily charts indicating price trying to move higher, it also indicated presence of accumulation at lower levels. Looking at the weekly charts there has been a falling trend line breakout setting a positive outlook in the short term, we can expect the ETF to move in the upside and give a strong upward rally creating capital gains for investors. As this ETF is relatively new there is a lot of potential for future movements to come in play.

2. Motilal Oswal Nifty India Defence ETF

Investment Objective

The Motilal Oswal Defence ETF aims to track the performance of a portfolio of stocks representing the defence sector. Stocks are selected from the Nifty Total Market Index, with eligibility criteria requiring that they belong to relevant industries or derive at least 10% of their revenue from the defence sector. Selection is based on the 6-month average free-float market capitalization, and the weight of each stock in the index is determined by its free-float market capitalization, with a maximum cap of 20% per stock.

Key Data	
NAV- 26th Mar	₹ 70.02
Year Range	55.21-80.00
AUM	125 Cr
No of Stocks	16
Avg. PE	38.38
Avg. PB	8.19

Benchmark: **Nifty India Defence TRI**

Returns						
	3M	6M	1Y	3Y	5Y	All
Fund Return	-3.21%	-4.62%	NA	NA	NA	-8.80%
Category Return	-4.25%	-6.45%	5.30%	17.60%	28.50%	-

Top 5 Weightage	
Bharat Electronics Ltd.	21.38%
Hindustan Aeronautics Ltd.	18.71%
Solar Industries India Ltd.	15.61%
Mazagoan Dock Shipbuilders Ltd.	9.62%
Cochin Shipyard Ltd.	7.90%

Sector Representation	
Sector	Weight(%)
Capital Goods	84.36%
Chemicals	15.64%

Investment Rationale

The Nifty India Defence Index provides exposure to companies poised to benefit from India's growing defence sector, driven by increased government spending under the Atmanirbhar Bharat initiative and a focus on self-reliance in defence manufacturing. The Indian government has allocated a record ₹6.21 lakh crore for defence in FY26, with significant emphasis on modernizing armed forces and boosting domestic production. Recent policy reforms, such as higher FDI limits in defence and incentives for private sector participation, further strengthen the sector's growth prospects. With rising global geopolitical tensions and a push for indigenization, companies in this index are well-positioned to secure long-term contracts and drive revenue growth. As the sector continues to gain momentum, the index presents attractive opportunities for long-term capital appreciation, making the ETF a compelling investment choice.

Technical Observations

MODEFENCE, which was listed last August, has experienced some technical weakness in recent months. However, we are now seeing a shift toward positive momentum as buyers become more active, and there is growing interest in this defence sector ETF. Recently, it reached a low of 55.21 and has begun its next upward leg. The ETF is experiencing steady volume, and the price movement is supported by the MACD and moving averages. The daily chart shows it trading above the 20, 50, and 100-day EMAs, further reinforcing the bullish momentum for long-term profit and capital gains.

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3. Mirae Asset Nifty Financial Services ETF

Investment Objective

The Mirae Asset BFSI Index tracks the performance of India's financial market, encompassing banks, financial institutions, housing finance, insurance, and other financial services companies. It consists of 20 stocks listed on the National Stock Exchange (NSE) and is computed using the free-float market capitalization method, where the index level reflects the total free-float market value of the stocks relative to a base market capitalization value.

Benchmark: Nifty Financial Services TRI

Key Data	
NAV- 26th Mar	₹ 25.46
Year Range	20.89-26.69
AUM	214 Cr
No of Stocks	20
Avg. PE	16.41
Avg. PB	2.65

Returns						
	3M	6M	1Y	3Y	5Y	All
Fund Return	4.65%	-1.09%	20.90%	15.30%	NA	12.60%
Category Return	1.31%	-4.49%	9.60%	16.00%	23.30%	-

Top 5 Weightage	
HDFC Bank Ltd	31.96%
ICICI Bank Ltd	21.36%
Kotak Mahindra Bank Ltd	7.72%
Axis Bank Ltd	7.41%
State Bank of India	6.66%

Sector Representation	
Sector	Weight(%)
Financial Services	100.00%

Investment Rationale The Nifty Financial Services Index provides exposure to a diversified portfolio of leading companies across banking, insurance, housing finance, NBFCs, and asset management, all well-positioned to benefit from India's economic growth and rising credit demand. With the RBI's rate cuts expected to boost liquidity and credit growth, along with relaxed priority sector norms, the financial sector is set for significant expansion. Additionally, the central bank has infused over ₹5 trillion ($58.3 billion) of durable liquidity through debt purchases and forex swaps since January and injected another ₹1.8 trillion via Early-April maturity repos, strengthening the banking and NBFC sectors. The increase in disposable income due to the removal of income tax up to ₹12 lakh and lower borrowing costs will drive higher credit demand, supporting the growth of banks and NBFCs. Furthermore, reforms in the insurance sector, including 100% FDI, will enable insurers to better serve their customers as higher disposable income encourages individuals to invest in insurance plans. Given the index's attractive entry points and strong potential for long-term capital appreciation, we recommend investing in the ETF as a promising opportunity.

Technical Observations This ETF has recently broken out of a symmetrical triangle pattern on the weekly chart, accompanied by a rise in volume and growing buying interest, which signals increased optimism and supports the ongoing trend. Since its listing, the BFSI sector ETF has consistently been in an uptrend, with only minor corrections along the way. Given the breakout pattern, we expect the future movement to remain positive. Additionally, the MACD crossover on the weekly chart further supports the breakout. Investors can consider accumulating this ETF for long-term gains.

4. Kotak Nifty India Consumption ETF

Investment Objective

The Kotak India Consumption Index ETF tracks the performance of a diversified portfolio of companies representing India's domestic consumption sector, including Consumer Non-durables, Healthcare, Auto, Telecom Services, Pharmaceuticals, Hotels, Media & Entertainment, and others. It is based on the Nifty India Consumption Index, which consists of 30 companies listed on the National Stock Exchange (NSE).

Benchmark: Nifty India Consumption TRI

Key Data	
NAV- 26th Mar	₹ 108.67
Year Range	99.05-155.70
AUM	5.32 Cr
No of Stocks	30
Avg. PE	40.81
Avg. PB	7.52

Returns						
	3M	6M	1Y	3Y	5Y	All
Fund Return	-5.58%	-17.15%	8.30%	NA	NA	14.10%
Category Return	-4.83%	-12.96%	7.50%	16.70%	23.40%	-

Top 5 Weightage	
Bharti Airtel Ltd.	10.99%
ITC Ltd.	9.27%
Mahindra & Mahindra Ltd.	8.11%
Hindustan Unilever Ltd.	6.89%
Maruti Suzuki India Ltd.	5.57%

Investment Rationale

From the next financial year, there will be no tax up to ₹12 lakhs income, increasing disposable income and boosting consumer demand, which will benefit India's domestic consumption sectors, including Consumer Non-durables, Healthcare, Auto, Telecom, Pharmaceuticals, Hotels, Media & Entertainment, and more. Additionally, with the RBI cutting the repo rate to 6.25% and another 0.25% rate cut expected in the upcoming MPC meeting, consumers will benefit from cheaper loans, supporting growth in consumer durables companies. The Nifty India Consumption Index, down nearly 30% from its September highs, presents a strong upside potential given the improving outlook. This index offers exposure to a diversified portfolio of companies positioned to benefit from India's rising consumption demand, providing investors with an opportunity to capitalize on long-term economic growth. Hence, we recommend the ETF for its promising prospects.

Sector Representation	
Sector	**Weight(%)**
Fast Moving Consumer Goods	29.05%
Automobile and Auto Components	22.70%
Consumer Services	15.26%
Telecommunication	11.01%
Consumer Durables	9.30%
Healthcare	4.75%
Power	3.37%
Services	3.12%
Reality	1.45%

Technical Observations

CONS has been in a consolidative phase, reaching a high of 155.70 in September of last year. Technical indicators have shown positive crossovers, suggesting minor upward movements on a weekly basis. Over the past three weeks, the price has steadily risen, creating a pattern of higher highs each day. Currently, the price is trading above the 200-day EMA on the weekly chart, signalling stability in the price movement. With increasing demand in the sector, we anticipate strong growth in the medium to long term, which should provide a significant boost going forward.

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