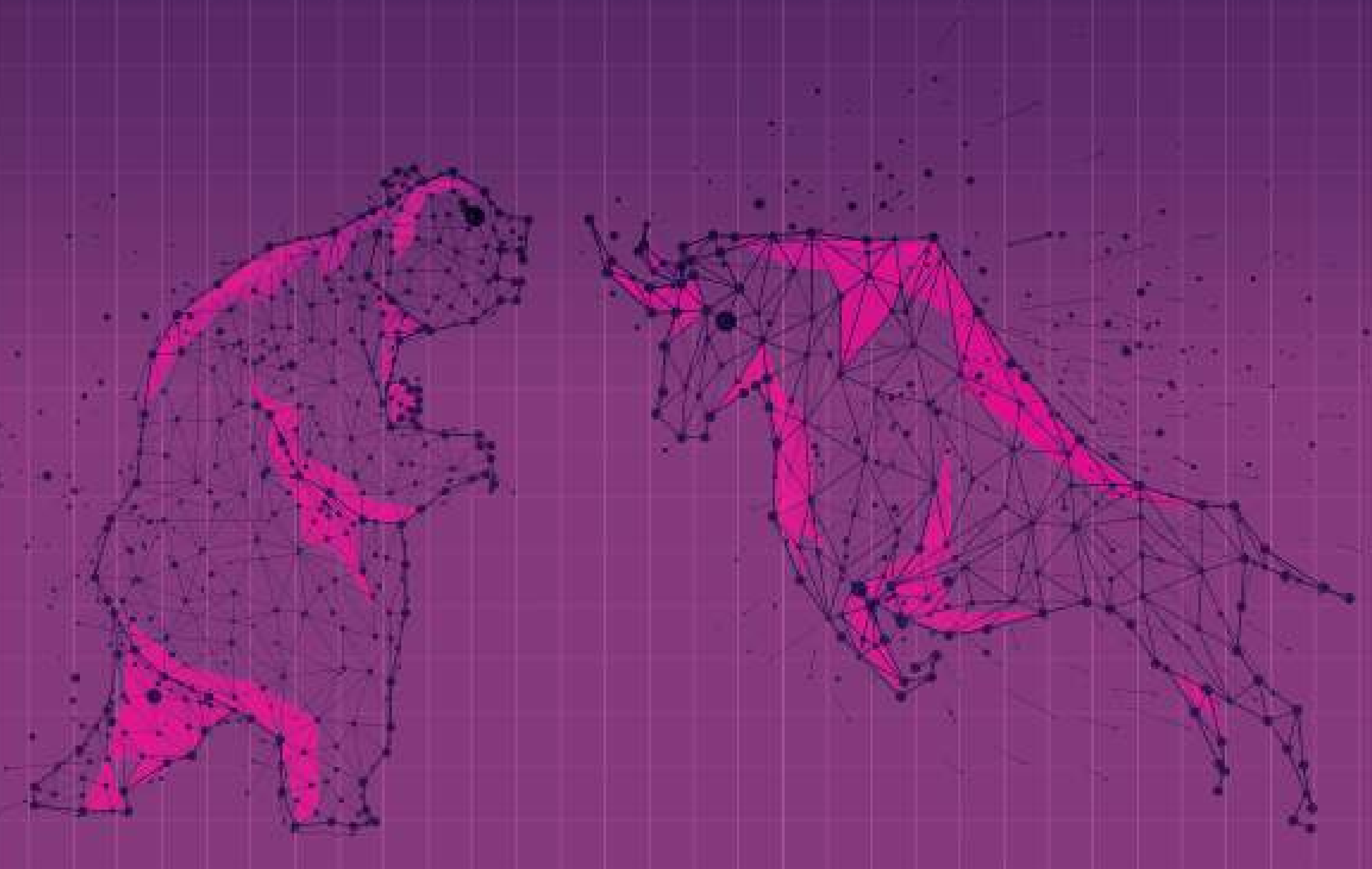
AnandRathi
Private Client Group
Equity

PCG

FINANCIAL

FLASH

August 2021



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PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

July has been a month where few IPO names like ZOMATO, CLEAN LIFE SCIENCE, GR INFRA, TATVA CHINTAN have given the listing gains of 50% - 100%. There has been a lot of argument among investors on the valuation front of these companies but time will tell whether these companies justify these valuations. I think investors have found that investing in quality IPOs is the best way to do so.

Coming to markets, FII has been a net seller in July to an extent of 23193 CR while DII was a net buyer of 18393 CR. For the FY 21-22 FII were net sellers of approx. 43k CR, whereas DII was a net buyer for 38kCR (approx.). There have been subsequent increases in the June month SIP figures which registered an amount of 9156 CR Vs 8819 CR in May. Time and again a wave of euphoria picks up the market when it has slid a few hundred points. The constant undercurrent of holding the market high is beginning to make investors reckless as they are tempted to believe that the market is now ignoring whatever the news inflow may be and will therefore stay firm. Thus, there is some misreading in the market and the tilt is towards the belief that the risk in investing is very low while the returns are sky-high. Statistically speaking, this may be true of late but it should not undermine one's caution and understanding of risk.

With the current China technology sell-off, fears about the third wave of the pandemic, IMF cutting the country's growth forecast, and some weak economic ground realities lingering around, the market appears to be in an interesting bullish-bearish space. We have come out of the 2nd wave of Covid nightmare and I believe with the avg ongoing vaccination drive of the 12-13CR population getting vaccinated every month, by March the 90CR population above 18 years will get completely vaccinated and life should be back to normal. Consumer discretionary will be a sector to watch out for going forward. We believe growth be will back to normal. We are estimating 9.6% growth for FY 21-22 & 6% growth for FY 22-23. With this rapid vaccination drive, these growth rates seem quite possible. If we see growth improving next year, we may see an upward revision in our estimates. We have made upward revisions in sectors where we are seeing a sustained recovery in earnings and cash flows. This may bring down overvaluation down by ~5-10%. If one has to look at in the current environment 4 factors which are playing in; There is the amount of inflation which is not bad and good, where people are ready to buy good & services at a price.

Second, there is a demand revival which is seen in almost all category. Third, operational efficiencies can be seen in most of the corporate P&L and Balance sheet has strengthened, where corporates have lowered their operational cost through cost-cutting in Marketing expenses, traveling, salary cost cuts, rent, electricity, etc. many corporate have retired their debt completely or partially and the lower interest rate has played the catalyst in reducing the interest cost. All these factors have improved the EBITA Margin for companies and that's what we are seeing in most corporate companies.

Fourth, there is a consolidation in the market, wherein the business is moving from the unorganized to organize and from organized to few large players in the industry. Wherein 2-3 players constitute most of the market share of the sector. Take the example of Telecom Industry wherein two players have the market share of 66%, speaking about the decorative paint industry, two players have 70% market shares, talking about Aviation 3 players dominate 75% of the market shares, Auto if we see Maruti, Hyundai & Tata Motor has almost 71% market share in the car segment. In oral care, Colgate & HUL has 66% of the market share. In the Home loan market SBI, HDFC & ICICI has 53% of the market shares and the same with banks wherein 5-6 banks dominate almost 70% of the banking business. This gives a very clear idea that the bigger companies will become bigger.

The big question is how will things play out going forward? Are we peaking out or is this just a plateau before the next climb? That's a million-dollar question! The idea would be to continue to be in a wait and watch situation while booking profit where handsome gains have been made and freshly entering selective quality stocks. It's time to remain focused and not get swayed by temporary and misleading populous excitement. Keep the seatbelt on since there may be some interesting times just around the corner.

Currently, we look at companies that have good earning triggers over the next 2 years. Look for i) coming out of sector consolidation/debt reduction, or ii) introducing new products, or iii) commissioning new capacities, or iv) executing orders in hand. v) Export-oriented companies as economic recovery is better in western countries. This gives certainty of growth rather than plain anticipation. From a short to medium-term perspective look for companies that dominated the market share and have the pricing power to increase the prices in case raw material prices go up. From a medium to Long term perspective one can look for companies like Asian Paint, Pidilite, Voltas, Titan, Deepak Nitrate, Tata Power, Mid Cap IT names like Mind Tree, LTTS.

Market Commentary

July month restricted the Nifty in an extremely tight range while Nifty still ended the month with positive gains of 0.27%.

Markets started the week on a pessimistic note as India Ratings and Research (Ind-Ra) said its earlier estimate of gross domestic product (GDP) growth at 10.1 percent for the current financial year (FY22) is unlikely to hold due to the speed and scale of Covid 2.0. Some concern also came with S&P Global Ratings stating the Covid pandemic could worsen structural deficits and indebtedness of states, despite a likely rebound in the economy over the next 12-24 months. Markets extended losses with a domestic rating agency ICRA stating that nearly a third of loans by NBFCs are in risky segments, and the already elevated non-performing assets ratio for such lenders is expected to rise by up to 1 percent in FY22 due to the impact of the second COVID-19 wave. Traders remained anxious with the RBI's data showing that credit growth to the industrial sector remained in the negative territory during 2020-21, mainly due to the COVID-19 pandemic and resultant lockdowns. However, markets are some of their losses on the final day of the week as traders took support with the Union Finance Minister Nirmala Sitharaman's statement that a special session of the GST Council will be held soon to discuss all compensation-related issues.

Markets started the week on an optimistic note as sentiments got a boost as India recorded the highest-ever exports of $95 billion during April-June, up 85 percent Y-o-Y and 18 percent higher than the first quarter of the fiscal year 2019-20. Key gauges witnessed some consolidation as traders turned wary with SBI Research in its latest report stated that household debt has sharply jumped to 37.3 percent of the GDP in the pandemic year (FY21) from 32.5 percent in FY20, confirming the deeper financial impact of COVID-19. A selloff in the final two days of the week mainly played spoilsports for the domestic markets as market participants turned pessimistic with a private report stating that India's retail inflation is likely to accelerate to a seven-month high in June on rising food and fuel prices, staying above the Reserve Bank of India's comfort zone for a second straight month.

Markets started the week on a quiet note as traders remain concerned amid reports that India's Covid caseload is on a downhill, but concerns over the Delta and Delta plus variants persist across the globe. On the very next day, markets gained traction as data released by the government showed that industrial production surged 29.3 percent in May, mainly due to the low-base effect and good performance by manufacturing, mining, and power sectors, but remained below the pre-pandemic level. Markets extended northward journey taking support from the report that the government may extend the scheme for investment promotion 2017-20, to attract investors and promote the economic growth of the country. Though some consolidation was witnessed on the final day of the week as traders took note of RBI data showing that Bank credit grew by 6 percent to Rs 109.31 lakh crore and deposits increased by 9.76 percent to Rs 154.51 lakh crore in the fortnight ended July 2, 2021.

Markets started the fourth week on a pessimistic note as fears of a third wave and the spread of Delta and Delta plus variant dampened sentiments in markets. Traders were worried about with report by Omidyar Network India and Crisil stating that the second COVID-19 wave has intensified pressure points for small and mini NBFCs, as they did not get the benefit of the RBI's liquidity measures announced last year. Some concern also came with reports that foreign portfolio investors (FPIs) offloaded Indian equities to the tune of over Rs 5,689 crore in July so far as they continued to adopt a cautious stance because of various domestic and global factors. Sentiments also weighed down as the International Monetary Fund (IMF) has cut India's gross domestic product (GDP) growth forecast to 9.5 percent for the fiscal year to March 31, 2022, as the onset of a severe second COVID-19 wave cut into recovery momentum. Selling on the final day of trade dampened investors' sentiments as 3 southern states report a spike in new infections.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) moved back above the critical 50.0 thresholds in July to 55.3 up from 48.1 in June, pointing to the strongest rate of growth in three months.

The IHS Markit India Services PMI moved to 45.4 in July rising from 41.2 in June but was stuck in the red due to subdued demand conditions amid the COVID-19 crisis. The Composite PMI Output Index, which measures combined services and manufacturing output, rose from 43.1 in June to 49.2 in July but remained in the contraction territory.

India's retail inflation, measured by CPI eased marginally to 6.26 % in June as compared to 6.30% in May. The inflation figure stayed over the RBI's target band for the second month in a row. Wholesale price-based inflation (WPI) eased marginally to 12.07 percent in June as crude oil and food items witnessed some softening in prices.

Regarding export-import activity, India's exports grew by 47.91% year over year at $35.17 billion in June while imports increased by 59.38% year over year to $46.4 billion. The Goods and Services Tax (GST) collection in July stood at ₹1,16,393 crore.

Also, India's foreign exchange reserves decreased by $1.581 billion to $611.149 billion in the week ended July 23, foreign currency assets (FCAs), a key component of the overall reserves, declined by $1.12 billion. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 7,410 crores in July, driven by net outflows in equity of Rs. 11,308 crore.

On the global front, The U.S. markets ended mostly higher during the passing week after the Federal Open Market Committee left the target range for its federal fund's rate unchanged at 0 to 0.25 percent, and said it will continue with its $120 billion-a-month bond-buying program. The move by the central bank is in line with expectations. The bank, which said the economy is strengthening despite concerns over the spread of the coronavirus, stressed that progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy. However, it added that risks to the economic outlook remain. It noted the sectors most adversely affected by the pandemic have shown improvement but have not fully recovered. Inflation has risen, largely reflecting transitory factors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

In the labor market, first-time claims for U.S. unemployment benefits dropped in the week ended July 25th, according to a report released by the Labor Department. The report said initial jobless claims moved lower to 400,000, a decrease of 24,000 from the previous week's upward revised level of 424,000. The street had expected jobless claims to drop to 380,000 from the 424,000 revised level reported for the previous week.

Meanwhile, IHS Markit signaled the most substantial improvement in operating conditions across the U.S. manufacturing sector on record, manufacturing PMI stood at 63.4 in July, up from 62.1 in June.

The growth of the eurozone manufacturing sector remains strong despite a slight loss of momentum. At 62.8 in July, the IHS Markit's Manufacturing PMI was slightly firmer than July's flash figure of 62.6, but down slightly from 63.4 in June and the lowest since March. As per the report of the global data firm, "The fact that growth of eurozone manufacturing cooled slightly in July after a record-breaking expansion during the second quarter should not itself be a major cause for concern. But the July survey also brought further signs that manufacturers and their suppliers are struggling to raise production fast enough to meet demand, driving prices ever higher"

The final au Jibun Bank Manufacturing PMI rose to 53 in July as compared to 52.4 in June, the joint-strongest improvement in the health of the sector since April, reflecting a sustained recovery from the impact of the COVID-19 pandemic. Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for July fell to 50.4 from 50.9 in June. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, dropped to a five-month low of 53.3 in July from 53.5 in June.

Going Ahead

The global economy has recorded a smart recovery from the pandemic lows and is likely to show a record GDP growth of about 6% during the pandemic year 2021. The growth numbers in terms of indicators such as GDP, industrial production, exports, imports, and retail sales suggest a considerable improvement. In many cases, the pace of growth rates has been ahead of expectations. Various agencies have upwardly revised growth forecasts for 2021 and 2022. Policy support to accelerate growth in terms of fiscal measures continue to remain high in most major countries. At the same time, inflation rates in most countries including India are going up and currently remain at high levels. This, coupled with a significant increase in government borrowing and monetization by the central banks has created apprehensions that the monetary policy authorities would need to tighten liquidity and increase interest rates faster than earlier expected.

Most fundamentals of the Indian economy are looking good. The growth momentum which was temporarily disrupted by the second wave of infections seems to be coming back. Industrial production, foreign trade, government revenue collection, the balance of payment and external account positions, and corporate performance have all been encouraging.

The Reserve Bank-led monetary policy panel is scheduled to announce the third monetary policy review in the first week, amidst the continuing spike in retail inflation that has breached the 6 percent upper tolerance level for the past two consecutive months.
As markets continue to tread in volatility, we advise investors to remain invested in healthy growth and value-oriented companies with quality management to create long-term sustainable wealth.

Equity Outlook

July was a mixed month for global indices, US-led the pack with more than 2% returns, and China and Hong Kong struggled with more than negative 5% returns. Indian Equity Markets (Nifty 50 Index) gained by 0.3% during the month while midcap and smallcap rose by 3.1% and 8.1% respectively, due to a decline in COVID-19 cases, pick-up in vaccination drive, and ease of lockdown like restrictions in some states. Globally, Developed Market (DM) rally was led by the US with a significant rise in demand especially pent-up household demand post-COVID second wave. The US Fed kept policy rates and asset purchase program unchanged in its July meeting as the economy continued to recover. The rise in inflation was viewed as being influenced largely by transitory factors. The statements indicated that the Fed will be assessing its size of asset purchases in the coming meetings. Fed Chair Powell reiterated that the accommodative stance would continue until substantial progress has been made towards achieving price stability and maximum employment and he would want to see some strong jobs numbers. China markets corrected sharply led by technology and educations stocks on the back of regulatory-reset.
Indian Markets posted strong outperformance compared to emerging markets (MSCI EM declined by 7%). Investors "s sentiments remained positive due to moderation in COVID-19 cases, good earnings season, and lifting of restrictions in some states. Domestic Institutional Investors (DIIs) remained net buyers of Indian equities (bought US$2.1 Bn) and Foreign Portfolio Investors (FPIs) were net sellers of Indian equities (sold US$1.3 Bn). The key triggers for Indian markets going forward can be 1) any policy measures, 2) the pace and quality of vaccination drives, 3) further lockdowns in certain parts restricting mobility and economic activities, and 4) pace of implementation of Govt. reforms measures mentioned in the budget to revive the economy.

In sectoral trends, Realty and Metals were key contributors, due to increased demand and expectations of an uptick in the economic cycle, while Auto and energy were key laggards. We believe, economic recovery though delayed continues to remain on track as the domestically, Govt. and RBI are taking active measures to spur growth through structural reforms, and globally, economies continue to support Growth with various fiscal & monetary stimulus measures. With developed economies reporting a strong set of activity numbers, demand recovery is expected which may benefit Indian exports. Future market triggers would be the COVID-19 situation how it evolves with new Delta variant cases getting reported, pace & quality of vaccination drive, the impact of stop/start regime on COVID related restrictions, a stickier inflation profile on the back of the rise in crude prices and US Fed trajectory on the taper. Sentiments are not euphoric but appear high in certain pockets. Hence, we remain neither too aggressive nor too negative on equities and would recommend schemes that provide flexibility and nimbleness to navigate current market conditions. We believe, the current macro-economic scenario is much more conducive for a Business Cycle Recovery due to Global and domestic policy responses and sentiments too are not euphoric. We continue to remain positive on sectors that are closely linked to the economy like Banks, Capital Goods, Infrastructure, Metals & Mining, etc. We believe Indian markets may recover and do well until the following triggers play out - the US acknowledging inflation & in conclusion, pausing stimulus, and US Treasury Yields reaching 2%.

Focused Equity Mutual Funds and Returns

Large Cap	1 Years	3 Years	5 Years	Since Inception
Mirae Asset Large Cap Fund	45.36	13.84	14.97	16.00
Canara Rebeco Bluechip Fund	44.17	16.02	15.74	13.09
Franklin India Bluechip Fund	58.70	12.66	11.49	16.76
Large & Midcap				
Kotak Equity Opportunities Fund	52.66	15.96	15.17	18.81
Flexi Cap				
Canara Robeco Flexi Cap Fund	49.76	16.36	16.51	18.49
HDFC Flexi Cap Fund	61.13	12.50	13.26	18.43
Midcap Fund				
Kotak Emerging Fund	80.23	19.77	17.33	14.25
DSP Midcap Reg Gr	56.06	16.59	15.72	15.96
Focused Fund				
SBI Focused Equity Fund	52.74	16.53	16.25	19.89
ICICI Pru Focused Equity Fund	48.91	48.91	13.08	12.95

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Debt Outlook

Gilts prices ended slightly lower with the yield on the 10-year benchmark 5.85% 2030 paper settling at 6.20% on July 31, 2021, compared with 6.05% on June 30. Yields rose with the firming up of inflation and the central government announcing pandemic relief measures implying an increase to the already high scheduled market borrowing. Retail inflation eased to 6.26% in Jun'21, from 6.30% in May'21, staying above RBI Monetary Policy Committee's (MPC) upper range of 6%, for the 2nd consecutive month. While inflation eased compared to last month, higher fuel prices and sticky core inflation pushed CPI to its highest in 2021 in real terms. with inflation numbers easing below May'21 levels, RBI will have more leeway to focus on stimulating growth and keeping borrowing costs low in the upcoming monetary policy meeting in August.

The Finance Minister announced several relief measures to the tune of Rs 6.29 lakh CRS which includes a mix of direct financial cost to the government as well as additional contingent liabilities in the form of credit guarantees to various sectors. On the economy front, following a dip in the new Covid 19 cases over the last few weeks, many states have commenced a phased unlocking over June 2021. The early high-frequency indicators confirm a sequential improvement in June 2021. Concerns over a third wave and the impact of a new Delta plus variant are, however, under watch. Going forward, RBI may have to do a fine balancing act. On one hand, there is a possibility of further downside risk to the growth recovery, which in normal conditions would have warranted for easing of monetary condition, and on the other hand, RBI would need to keep an eye on upside risk to inflation.

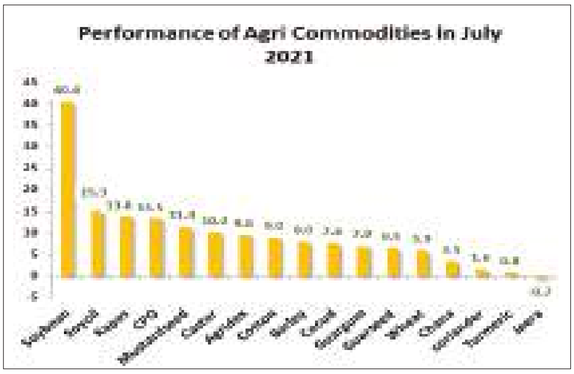
Hence, we believe the above evolving conditions point towards a more nimble and active duration management strategy which may help in navigating a higher interest-rate-sensitive period. Also, as communicated earlier, we believe that we are at the fag-end of the interest rate cycle and the above-mentioned strategy would provide better accrual (an active strategy that may take advantage of higher term premium) and would help in mitigating mark-to-market impact (active strategy of having adequate short-duration instruments). It may be an opportune time to invest in floating-rate bonds in this interest rate scenario with expected volatility.

In the coming years, we recommend the following strategies: Accrual Strategy and Active Duration strategy. Accrual strategy
due to the high spread premium which is still prevalent between the spread assets and AAA & MMI instruments, going forward capital appreciation strategy may take a back seat due to limited rate cuts. Term premiums (spread between longer and shorter end of the yield curve) remain one of the highest seen historically, because of which active duration strategy is recommended to benefit from the high term premium. In our portfolios, we may follow a barbell strategy i.e having high exposure to extreme short-end instruments to protect the portfolio from interest rate movements and high exposure to long-end instruments.

Commodities Outlook

Agro commodities ready for yet another volatile month

The start of Q3 2021 has been very impressive with prices of most Agro commodities skyrocketing in July. Soybean outperformed last month posting 40% gains due to supply shortage of the commodity, delay in sowing activity, and erratic weather damaging crop in few growing belts.

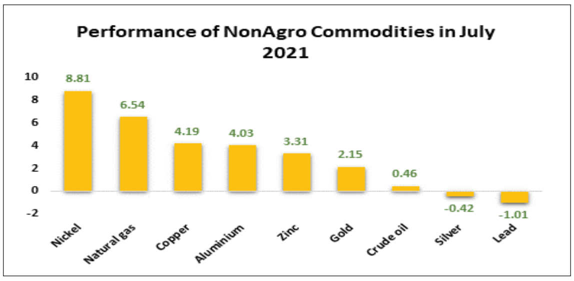


The Southwest monsoon is halfway passed and the cumulative rainfall till July has been 1% below the Long Period Average (LPA). However, spatial and timely distribution has been uneven so far which has taken a toll on many Kharif grown commodities. The total area under Kharif crops is down 4.7% by July 30th due to lag in the sowing activity of most grains, oilseeds, pulses, and cotton amid break monsoon conditions in early July followed by excess rains in few states causing floods and damages. The sowing of soybean which the industry participants expected to be on the higher side is still lagging by around 3-4%. Cotton acreage too has dropped around 8-9%. August is going to be a crucial month and proper distribution of rains is a must to overcome the losses caused so far. Globally the US soybean and cotton crop too is grappled with dry weather threat. However, weather agencies have forecasted relief rains in the growing belts and thus upside is capped temporarily.

The focus for this month will be the Guar complex. Due to canal water shortage, sowing in the irrigated belts of Rajasthan is lower this season. Also, farmers' interest is more toward high remunerative crops like cotton and Pulses. Meanwhile, stocks of guar are gradually declining year on year due to lower production and steady firm exports (except for FY 2021). Accordingly, positive undertone is most likely for guar complex. Another commodity with a bullish undertone this month will be the cottonseed oilcake wherein supply shortages could be seen going forward.

If monsoon turns favorable in August, price gains may be capped particularly in oilseeds and edible oil complexes later in the month. Thus, in a nutshell monsoon remains a key in driving agricultural commodity prices in August.

MCX base metals continued to shine while bullion commodities were subdued



Bullion commodities came under pressure in July owing to a volatile dollar and the US Fed statements. London Spot Gold appreciated by more than 2.4% and MCX Gold October futures advanced by nearly 2.2% and closed at Rs. 47,846 per 10 gram with nearly 1,000 points gain in July. But, MCX Silver September futures disappointed the street with subdued performance in July as it closed at Rs. 67,847 per kg with a loss of approx. 0.42% or 288 points. London Spot Silver took the support of the psychological level of $25 and rebounded a bit. However, the tone was bearish.

The start of July was very bullish for the yellow metal on the MCX from the lows of around Rs. 47,250 per 10 gram in October futures, it went up to Rs. 48,500 per 10 gram due to weakness in the US dollar after ISM reported softer manufacturing PMI for June at 60.6 against 61.2

in May. Moreover, the June unemployment rate rose to 5.9% from 5.8% in May and Industrial production for June grew at a pace of 0.4% against growth of 0.7% a month ago. In addition to that, existing home sales, durable goods orders, and service PMI for June all went down as compared to the previous month. Hence the dollar weakened which ultimately provided support to gold bulls. Later investors shifted focus on Jerome Powell's testimony.

MCX Gold finished with approx. 2% gains as Fed chair Powell at testimony pledged for powerful support to bring back the economy from previous year's coronavirus damage. Federal Reserve Chair Jerome Powell said it was still too soon to scale back the central bank's aggressive support for the U.S. economy while acknowledging that inflation has risen faster than expected. During the latest monetary policy meeting, Powell said that the Federal Reserve will likely reduce its monthly purchases of mortgage-backed securities and Treasuries simultaneously only when it is time to pare back its support for the US economy.

Going ahead, the major focus will be on Jackson Hole, an annual gathering of the worlds' central bankers from 26th to 28th August, where the Fed may provide some information on tapering scheduled. The trend of SPDR Gold ETF is not showing signs of revival of investment demand. Nonetheless, The Delta variant of Covid -19 is rapidly spreading in the US, China, Japan, and Australia. Hence investors may rush for safety like they did last year. Hence we are bullish on the yellow metal from here on. MCX Gold October futures may appreciate Rs. 49,000 per 10 gram in coming weeks.

Nickel was the top gainer as the market anticipates huge demand from the EV sector

MCX nickel was the top gainer with more than 8% gains, for July since the market was buoyant after Tesla struck a deal with BHP for nickel supplies for its cars. Anglo-Australian miner BHP Group PLC signed a nickel supply agreement with San Carlos, California-based electric vehicles manufacturer Tesla Inc. Under the deal, BHP will supply Tesla with nickel from its Nickel West asset in Australia, to be used as a key metal used by Tesla to manufacture electric vehicle batteries. The two companies will also work together on finding new ways to make the battery supply chain more sustainable, and also to identify opportunities to lower carbon emissions through the increased use of renewable energy. Demand for nickel in batteries is estimated to grow by over 500% over the next decade, in large part to support the world's rising demand for electric vehicles.

The market shrugged off China's campaign to deter speculators and quash commodities prices increasingly revolved around deploying state stockpiles, an effort that now includes releasing crude from its secretive strategic reserves. For a couple of times, China sold copper, aluminum, and zinc from government sheds but the quantities were smaller than the market anticipated. Moreover, China reduced RRR by 50 basis points from 15th July, releasing around $154.43 billion to stabilize the funding needs of banks and lower their costs to support credit growth. Immediately after that, the metals like copper, aluminum, and zinc registered a decent growth of approx. 4%.

Going ahead, we expect nickel, copper, aluminum, and zinc to stay elevated in August. The growth of Electric Vehicles will directly have a proportional impact on nickel demand and prices also. We expect MCX Nickel August futures to rise to Rs. 1,500 per kg in August. MCX copper may appreciate amid fear of strike at Chile's Escondida mine which may disrupt supplies and push prices higher. MCX copper August futures may rally to Rs. 760 per kg in August. Zinc is used extensively in galvanizing steel and with rising construction activity around the world, we expect MCX zinc to appreciate further to Rs. 250 per kg.

In July Crude oil was subdued having rallied for three months

July was a pretty volatile month as the high was Rs. 5,733 and the low was Rs. 4,878 per bbl. Although crude oil ended marginally higher in July, investors booked profits as it was continuously appreciating for the last three months. Major knee-jerk sell came in the second week of July when the monthly meeting of OPEC failed for the first time over a conflict between Saudi Arabia and the UEA over production strategy. OPEC+ ministers called off oil output talks after clashing when the United Arab Emirates rejected a proposed eight-month extension to output curbs.

The UAE accepted a proposal from Saudi Arabia and other OPEC+ members to raise output in stages by about 2 million BPD from August to December but rejected extending remaining cuts to the end of 2022 from the current end date of April without adjusting its current baseline production.

The UAE is upset about the low baseline from which its production cuts are calculated and wanted it raised. Abu Dhabi has invested billions of dollars to increase its production capacity and says its baseline was set too low when OPEC+ originally forged its pact.

Moreover, a resurgence of the Delta variant of Covid-19 has raised questions on the future demand growth of oil. The contagious virus has once again spread in the US, China, Japan, and Australia. Concern about rising cases of the Delta coronavirus variant has outweighed expectations of rising oil demand.

Going ahead, oil prices are likely to depreciate further in August towards Rs. 4,800/bbl as higher crude output from OPEC producers stoked fears of weakness in oil demand and oversupply. Moreover, Covid-19 is forcing governments to re-impose or extend curbs, with residents in Beijing advised not to leave the capital as flights are being canceled. Some cities and townships have been sealed by local authorities. Hence the outlook is bearish in August in Crude oil.

Anand Rathi PMS

MNC Portfolio

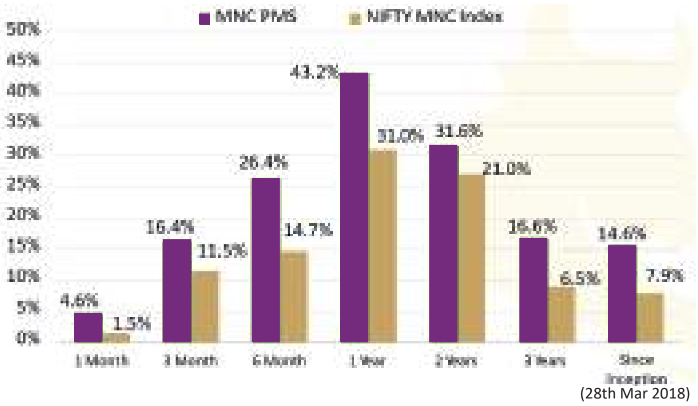
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how brought in by foreign partner/investor

Strong Business model	MNC benefits from a) Innovation b) Strong R&D c) Advanced Technology d) Strong Brand/Product e) Economies of scale
Strong Corporate Governance	MNC's are generally rated high for their corporate governance standard. They depict high transparency and accountability with well laid out policies and regulatory framework, internal control and risk management
Healthy Balance Sheet	Most MNC's have a) Better operating ratios b) Zero Debt or Low debt /Equity c) Positive Free Cash flow d) Healthy Return ratio
Special opportunity	MNC companies sometime carries an additional trigger for value appreciation in form of corporate actions like open offers, Buybacks and Delisting etc. This usually add substantial appreciation to the share price enhancing investors ROI

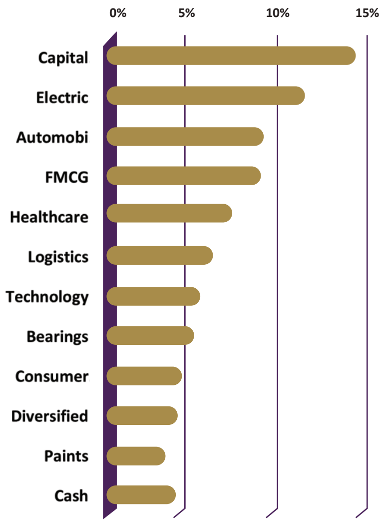
Top Holdings and Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	KSBLtd.	8.1%
2	Mphasis Ltd.	7.1%
3	Grindwell Norton Ltd.	6.8%
4	Honeywell Automation India Ltd.	6.4%
5	SKF India Ltd.	5.9%
6	Coforge Ltd.	5.7%
7	Blue Dart Express Ltd.	5.6%
8	Maruti Suzuk iIndia Ltd.	5.4%
9	BASF India Ltd.	5.3%
10	Hindustan Unilever Ltd.	5.2%

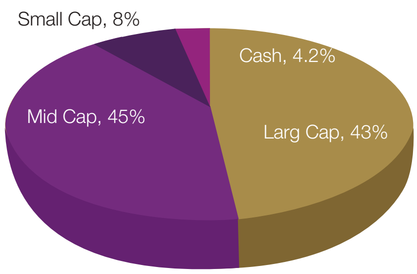
Performanceas on 31st July, 2021



Sector Allocation



Market Cap Allocation



Data as on 31st July 2021

Source: *Anand Rathi Internal Research.*

Note: *Returns above one year are annualized. Returns are net of fees and expenses.*

Disclaimer: *Past Performance is not necessarily indicative of likely future performance. Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.*

Anand Rathi PMS

Impress

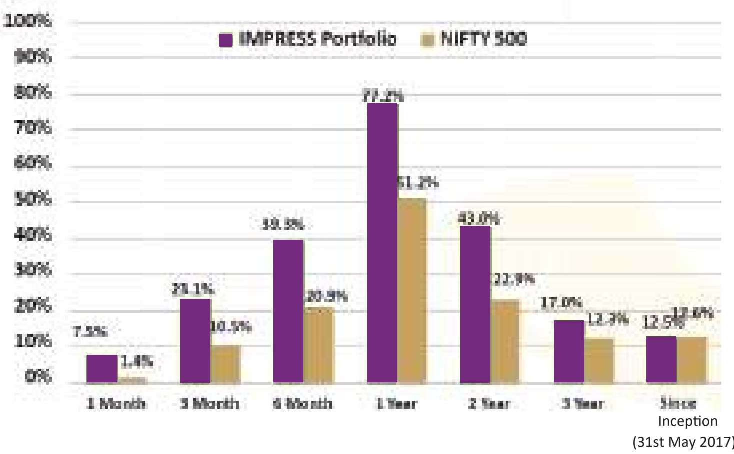
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

Business model	Improving Market Share, Leadership and Niche Market
Rising Enterprises	Stable and Improving Margin and Improving ROE and ROCE
Sustainability	Visibility of Earning Over Next 2-3 Years and Predictable Business Model
Sound Corporate Track Record	Management Background and Accounting & Corporate Policies

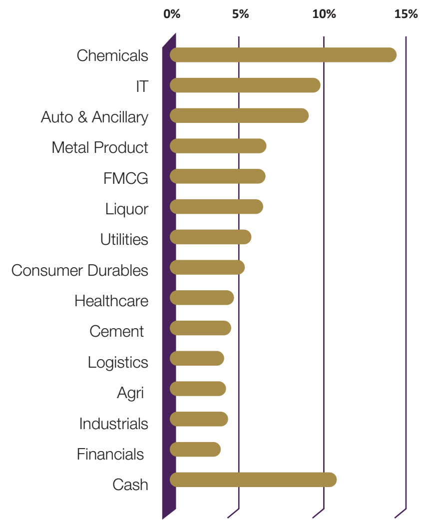
Top Holdings & Market Cap Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Ratnamani Metals & Tubes Ltd.	6.73%
2	Tata Consumer Products Ltd.	6.67%
3	Radico Khaitan Ltd.	6.65%
4	Galaxy Surfactants Ltd.	6.43%
5	Somany Ceramics Ltd.	5.86%
6	Crompton Greaves Consumer Electricals Ltd.	5.66%
7	Mindtree Ltd.	4.96%
8	K.P.R. Mill Ltd.	4.85%
9	Coforge Ltd.	4.76%
10	JK Lakshmi Cement Ltd.	4.70%

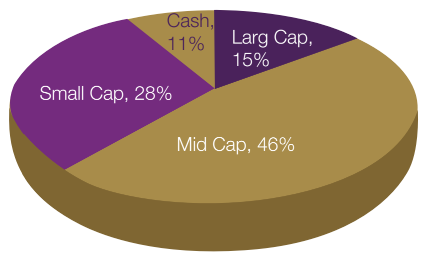
Performanceas on 31st July, 2021



Sector Allocation



Market Cap Allocation



Data as on 31st July 2021

Source: *Anand Rathi Internal Research.*

Note: *Returns above one year are annualized. Returns are net of fees and expenses.*

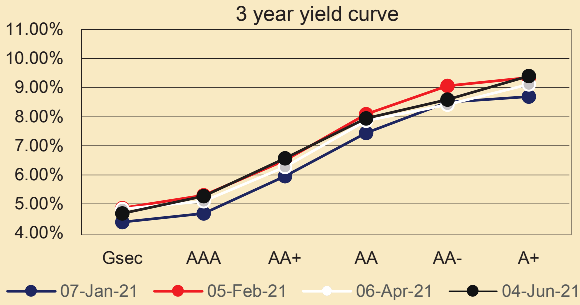
Disclaimer: *Past Performance is not necessarily indicative of likely future performance. Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.*

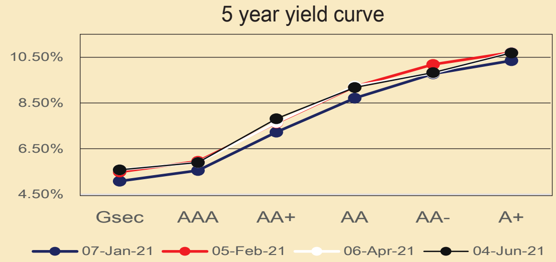
Fixed Income Services

The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its June, 2021 review, with an accommodative stance, as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
Key Takeaways:

- The projection for CPI inflation has been revised to 5.1% in 2021-22; 5.2% in Q1; 5.4% in Q2; 4.7% in Q3; and 5.3% in Q4, with risks broadly balanced.
- The projection of real GDP growth for 2021-22 is projected at 9.5% consisting of 18.5% in Q1; 7.9% in Q2; 7.2% in Q3 and 6.6% in Q4.

The RBI has announced a couple of measures in May (pre-policy) as a proactive measure to support the economy in view of the second wave of the pandemic. They provided liquidity of Rs 50,000 crore for a period of up to three years to banks (on tap) which could be used to support vaccine manufactures, importers/suppliers of vaccines, priority medical devices and COVID related drugs, to aid the objective of getting majority of the population vaccinated. Another operation under G-SAP 1.0 for purchase of G-Secs of INR 40,000 crore will be conducted on June 17, 2021. Further the Governor announced G-SAP 2.0 for amount of INR 1.2 lac crore for 2Q FY2022 to support markets. G-Sec yields hardened post the policy, as the markets expected a larger amount for G-SAP 2.0, however the RBI has the option to intervene as and when needed to control yields. Yields are expected to remain range bound in the near term with RBI's support through OMOs and GSAP. Credit yields have hardened at the shorter end since our last update as seen below:





Secondary Market Bond Offers

Tax Free Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.20% PFC 2022	01-Feb-22	Annual on 15-Oct	IND AAA/Stable	3.50%
8.63% IRFC 2029	26-Mar-29	Annual on 21-Aug	IND AAA/Stable	4.42%
PSB Perpetual Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.73% SBI Perp 24-Nov-2025	24-Nov-25	Annual on 24-Nov	AA+ by Crisil	7.31%
8.64% Union Bank Perp 11-Jan-2026	11-Jan-26	Annual on 11-Jan	IND AA	8.67%
8.50 Bank Of Baroda	28-Jul-25	Annual on 28-Jul	AA+ by CRISIL & IND	7.45%
PSU Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.56 REC 2028	29-Nov-28	29-May & 29-Nov	AAA by CRISIL & ICRA	6.77%
6.83 PFC 2031	22-Jan-31	Annual on 22-Jan	AAA CRISIL, ICRA & CARE	6.76%
8.30 REC 2029	25-Jun-29	Annual on 25-Jun	AAA CRISIL, ICRA & CARE	6.98%
Corporate Bonds				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
09.75 Aadhar Housing Finance 2028	29-Sep-28	Annual on 29-Sep	CARE AA	7.95%
8.20 India Grid Trust 2031	06-May-31	Annual on 6-May	AAA CRISIL & ICRA	7.50%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	9.25%
7.90 Muthoot Finance Ltd 2031	30-May-31	Annual on 31-May	CRISIL AA+, ICRA AA+	7.74%
9.50 Shriram Transport Finance Corporation 2023	27-Feb-23	Annual on 26-Feb	AA+ CRISIL	7.41%
7.79 LIC Housing Finance Ltd 2024	18-Oct-24	Annual on 18-Oct	AAA CRISIL & CARE	5.44%
8.65 Tata Capital Financial Services Ltd 2027	26-Aug-27	Annual on 26-Aug	AAA by CRISIL & Care	6.75%
9.5 Piramal Capital & Hsg Finance Ltd 2022	15-Apr-22	Monthly on 15th	AA CARE	7.50%

The above mentioned offer(s) are indicative and subject to changes in market conditions.

'Please note that investments in these bonds should not be construed as an advice or recommendation however we can facilitate the execution of the same. The bonds are tradeable on the Exchange platform, however we do not provide any assurance or guarantee on the liquidity of bonds. The investment decision shall at all times exclusively remain with the investor. The organisation shall not responsible or liable for any loss or shortfall incurred by the investors.'

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator - 100%	
Issuer	Anand Rathi Global Finance Limited	
Underlying	Nifty 50 Index	
Capital Guarantee	Principal is not protected	
Tenor(days)	1875 Days	
Initial Fixing Level	150 points contingent from closing nifty then rounded to next 100	
Final Fixing Level	Average of Closing NIFTY on last Thursday of 50th, 53rd,& 56th Month.	
Nifty Performance (NP)	(Final Fixing Level/Initial Fixing Level)-1	
Contingent Coupon (CC)	100% (IRR – ~14.45%)	
Participation Rate (PR1)	100% (From 108% to 133% of Initial Fixing Level)	
Participation Rate (PR2)	7500% (From 132% to 133% of Initial Fixing Level)	
Decay Multiple (DM1) Knock-In Put @ 85%	1.25x (below - 85% till -30% fall with catch-up)	
Decay Multiple (DM2) Nifty @ 70% of initial	0.25x (Beyond -30% fall decay decreases)	
Payoff	If Final Fixing Level is at or above 133% of Initial Fixing Level	Contingent Coupon
	If Final Fixing Level is Above 108% & below 133% of Initial Fixing Level	(NP-8%)* PR1+ Max(0%,(NP-32%)*PR2
	If Final Fixing Level is above 85% & at or below 108% of Initial Fixing Level	Principal Protection
	If Final Fixing Level is below 85% of Initial Fixing Level	MAX(-100%,MAX((-30%*DM1), NP*DM1)+MIN(0%,(NP+30%)*DM2))

Product IRR* **14.45%**

Tenor **1875 Days**

Target Nifty Perf. **33%**

Product Explanation

NP >= 32%	100% (Contingent Coupon)
32% < NP < 33%	Max(0%,(NP-32%)*PR2
8% < NP < 33%	(NP-8%)* PR1
-15% <= NP <= 8%	Principal Protection
-30% <= NP < -15%	1.25x Decay with Catch-up
Nifty falls beyond -30%	Decay decreases to 0.25x

*Product IRR assume to be Pre-Tax IRR
•NP: Nifty Performance
^ Initial Fixing Level is taken as 15778, adding
150 points contingent: 15928, rounded off to next 100: 16000.
**Historical Standard Deviation is calculated for 1710 days daily rolling
NIFTY (Working Days Only)return from 1st Jan'2001 - 29th July'2021

Source: Anand Rathi Internal Research.
Note: Such representations are not indicative of future returns.

Nifty Accelerator - 100%: Product Back Testing

Nifty Values	Nifty Perf.	Product Return	Nifty IRR	Product IRR
33600	110.0%	100.0%	15.5%	14.4%
32000	**100.0%**	**100.0%**	**14.4%**	**14.4%**
28000	75.0%	100.0%	11.5%	14.4%
24000	50.0%	100.0%	8.2%	14.4%
21280	**33.0%**	**100.0%**	**5.7%**	**14.4%**
21120	**32.0%**	**24.0%**	**5.6%**	**4.3%**
19200	20.0%	12.0%	3.6%	2.2%
17280	**8.0%**	**0.0%**	**1.5%**	**0.0%**
16640	4.0%	0.0%	0.8%	0.0%
16000^	**0.0%**	**0.0%**	**0.0%**	**0.0%**
15778	-1.4%	0.0%	0.3%	0.0%
14400	-10.0%	0.0%	2.0%	0.0%
13600	**-15.0%**	**0.0%**	**3.1%**	**0.0%**
13598	-15.01%	-18.76%	3.12%	-3.96%
12800	-20.0%	-25.0%	4.3%	-5.4%
12000	-25.0%	-31.3%	5.4%	-7.0%
11200	**-30.0%**	**-37.5%**	**6.7%**	**-8.7%**
10400	-35.0%	-38.8%	8.0%	-9.1%

NIFTY Accelerator - 100% Probability		
Particulars	**Normal**	**%**
Total Observation	3959	
% of Product Has Given Maximum Returns (100%)	3346	84.52%

% of time Product has given zero or positive returns	3940	99.52%
Standard Deviation		**4.43%**

The information provided is this communication is reproduction of factual details. No part of information provided herein should be construed as investment advice by ARSSBL and/or its employee. Investor/Client must make their own investment decisions based on their own specific investment objectives and financial position. This communication does not constitute an offer or solicitation for the purchase or sale of any financial instrument / security.*Historical probability & Standard Deviation is calculated considering coupon of 100% and 1710 Day daily rolling Nifty (Working Days Only) returns as on 29th July'2021 Nifty Data from January 2001 to 29th July'2021.

Technical Analysis

The domestic markets made history during July 2021 for two reasons. One, the index NIFTY registered a new lifetime high of 15962 and number two is the derivative series of July 2021 has been the most sluggish since April 2019. The entire range of NIFTY during the series of July 2021 was 2.81% (449 points) whereas the range during April 2019 was 2.59%. Although the benchmarks remained stuck in a narrow range we witnessed considerable stock-specific action in broader markets. On the downside, the discussed support of 15400 remained untouched while NIFTY ended the month of July with a marginal change of +0.26%. On the derivatives front, open interest has decreased by 2.03% on an expiry-to-expiry basis. Rollover of Nifty stood at 82.76%, which is higher than its quarterly average of 76.06%. The high rollover figure is mainly due to the low base of open interest.

Now the daily chart of NIFTY indicates that the index is stuck in a band for around 2 months. If we plot a Bollinger band indicator on a daily scale then we can conclude that there is a squeeze in them due to consolidation. Generally, such squeeze in the Bollinger band is followed by faster price action in either direction. On the pattern front, we are witnessing a 'Broadening Top' kind of formation. A breakout/down from this pattern would dictate further trends. The breakout would be confirmed on a close above 16000 while the breakdown would get confirmed below 15600 on a closing basis. A convincing move above 16000 would pull the index towards the 16400 – 16500 mark.

On the contrary, a breakdown below 15600 would apply breaks to the bullish momentum. In a worst-case scenario, we expect NIFTY to find support at 15000 during Aug 2021. Now even if the index reaches a new high we maintain our stance that short-term traders should keep booking their long positions since few data points indicate that there is a possibility of a temporary top near 16500. Well, that needs confirmation but if we look at the VIX then it has turned from its all-time support zone of 12 – 10. The move-in VIX suggests that the consolidation phase is about to end and markets might turn volatile going ahead. Thus, we advise short-term traders to stay extremely selective while picking up long bets and remain vigilant in case of any ambiguity going further. Investors should wait for a significant dip in stocks to create fresh longs.

With regards to the NIFTY BANK index, it remained in a range of 1900 points throughout the series and concluded the July series below the 35000 marks. The index again failed after confirming a breakout above its hurdle of 35800, and again slipped into a consolidation phase. Unless and until we don't get participation by the financials it would be difficult for the markets to rise higher. Only if the index sustains above the 36000 marks then it could travel towards lifetime highs of 37700 and also towards the 40000 marks. On the downside 33900 could be a major decisive support for the coming weeks. A breach of the same might result in it strong selling pressure in the banking space which could drag the index towards 33000 – 32000 in Aug 2021.

BUY PUNJAB NATIONAL BANK

POTENTIAL UPSIDE 15%-25%

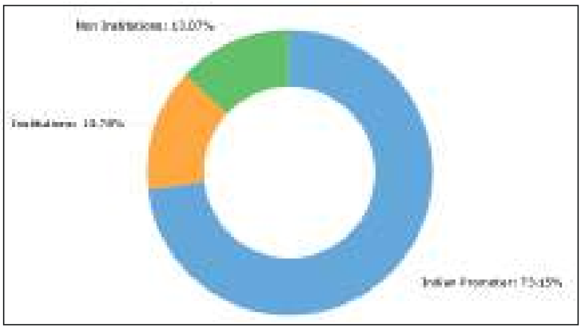
- A couple of months back, PSU BANKs surprised everyone on the street by displaying a decent rally. Afterwards they have corrected a bit and consolidated.

- The stock **PNB** too did the same. The weekly chart of PNB indicates that the stock confirmed a breakout and now has retested the same.

- We are witnessing hammer kind of formation on the weekly scale. Also, the stock has confirmed higher bottom and higher top on the larger degree which indicates reversal in trend.

- Even the monthly RSI has cross the decisive level of 40 which suggests strength in the stock. Traders are advised to accumulate the stock **in the range of 40 - 37** with a stop loss of 32 on closing basis for the upside potential target of 44 followed by 48 levels in coming months.

Shareholding snapshot:



Action	
Stock	**PNB**
Sector	PSU BANK
Entry	37-40
Average	35.50
Stop Loss	32
Target 1	44
Target 2	48
Stock Information	
Market Cap. (Rs) (lac)	43494 Crs
52 week High/Low	46.4 / 26.3
Face Value	2
O/S Shares	11,01,10,15,558
Beta (x)	1.07
Technical Parameters	
21 DEMA	40
100 DEMA	39
200 DEMA	38.7
Derivative Parameters	
OI	18836
Change in OI	0.37%
Rollover	-

Source: *Bloomberg, Trading View, Spider, marketsmojo*

Purnartha
RESEARCH - RESULTS - RELATIONSHIPS

Utthan

[RISE]

By endeavouring to bring together ethics with profits, we aim to grow.

By striving to build wealth even without directly handling client funds, we aim to enrich.

By using intensive research we create journeys that aim to accomplish growth.

Swagatam

[THE FIRST STEP]

Purnartha started out with the simple intention of bridging the gap between what was and what could be.

A simple goal that has created and nurtured a unique equity investment advisory ecosystem, backed by the timeless concepts of trust and transparency. Today, the what could be is finally echoing the what is. Today we welcome you to Purnartha's journey. The journey that aims at wealth creation. The journey that connects opportunities with confidence.

'Vasudhaiva Kutumbakam.'

'The world is one family.'

Chayan

[INVESTMENT PHILOSOPHY]

Companies that show strong fundamentals and are likely to witness robust growth in revenue

Companies that display margin expansion and net profit growth across cycles

Net Cash companies (zero net debt) i.e. growth funded by clients & internal accruals rather than debt

Companies with lower drawdowns and potential to recover quick

Use of a proprietary algorithm based quantitative model to select stocks from 10-year data across sectors to build a portfolio aimed at wealth creation

We rigorously look for companies that satisfy all five of the above qualities. This universe of companies is filtered through our proprietary quantitative model to select stocks that could have the best potential for wealth creation.

"In God we trust. All others must bring data."

- W. Edwards Deming, Statistician

Purnartha
RESEARCH - RESULTS - RELATIONSHIPS

Shodh
[RESEARCH]

In a market that thrives on ambiguous investment tips and gut feelings, Purnartha uses a proprietary quantitative model powered by well thought-out algorithms that come up with possible investment opportunities which are further examined by the Research team. We select stocks of companies that display strong fundamentals, are supported by business tailwinds, have potential for growth and show a resilience to bounce back in the face of adverse market conditions. In addition we also look at stock prices and performance trends.

History

We look at stock performance across various data points for over a decade. For stocks that have been listed on the bourses relatively recently, we look for only those that have been listed for at least 5 years. This historical data allows us to examine the market's acceptance of such stocks, and see the stock performance beyond its initial price discovery stage. Such historical data also permits a better reading of stock price trends and refines the stock selection process.

Proprietary Quantitative Model

Purnartha uses a proprietary quantitative model for stock selection that has been tested with raw data spanning over 10 years to arrive at a shortlist that is rigorously examined for investment. The algorithms built into this model then help select few stocks to arrive at a portfolio construct that has a good risk-reward balance. Such portfolios are also tested for their resilience to market downturns to check for quicker recovery from lows. The quantitative model is also continually refined by incorporating learnings and parameters that make the stock selection sharper and better aligned to our requirements. This continuous upgradation of the algorithm assists the Research team in narrowing on the most suitable stocks that show a favorable risk reward ratio.

Stock selection methodology

Our proprietary quantitative model is built on a data-driven algorithm that looks for growth-oriented companies in non-cyclical businesses that show consistent revenue and operations cash flow growth. Such parameters are indicative of the soundness of the company's operations, depth of management and demand for the company's products in the marketplace. These selected companies are then examined by the Research team to arrive at a collection of stocks across market capitalisation and sectors that could endeavour to create wealth in the future.

A company's growth if funded by clients and not debt, is a positive indication. A Net cash company possesses a brilliant competitive advantage in the market. A fairly unexplored avenue when it comes to deciding investments, being a cash rich business is an important part of our consideration as it tells us a lot about company stability during rocky market conditions.

The resultant of philosophy is lower drawdown and faster recovery driven by strong fundamentals of the company.

MARCELLUS

About Marcellus

Marcellus Investment Managers was founded in 2018 and currently has c.US$ 1.2bn in assets under management and advisory. The founders have worked together for the past 15years

Saurabh Mukherjea
CFA - Chief Investment Officer

- Former CEO of Ambit Capital assets under advisory were $800 mn
- Author of three bestselling books Gurus of Chaos 2014 The Unusual Billionaires 2016 and "Coffee Can Investing 2018
- Co founder of Clear Capital, a London based small cap equity research firm which he and co-founders created in 2003 and sold in 2008
- MSc in Economics from London School of Economics
- Member of SEBI's Asset Management Advisory Committee

Key steps for identifying consistent compounders

Step 1: Identify companies with clean accounting

Ten forensic accounting checks used to identify naughty companies.

Category	Ratios
Income statement checks	1) Cashflow from operations (CFO) as % of EBITDA 2) Volatility in non operating income 3) Provisioning for doubtful debts as a proportion of debtors overdue for >6 months
Balance sheet checks	4) Yield on cash and cash equivalents 5) Contingent liabilities as % of Networth (for the latest available year) 6) Change in reserves explained by the profit / loss for the year and dividends
Auditor checks	7) Growth in auditor's remuneration to growth in revenues 8) Miscellaneous expenses as proportion of total revenues 9) CWIP to gross block
Cash theft checks	10) Free cash flow (cashflow from operations cashflow from investing) to median revenues

Strong correlation between accounting quality and shareholders' returns

Note: Returns above represent median of decile-wise median returns calculated for every year from CY15 (accounting scores based on FY15 financials) to CY18 (accounting scores based on FY18 financials).

Methodology: We look at over six years of consolidated financials for the universe of firms. Wefirst rank stocks on each of the 10 ratios individually (outlined in the table on the left) These ranks are then cumulated across parameters to give a final pecking order on accounting quality for stocks.

This framework draws upon Howard Schilit's legendary text on forensic accounting, "Financial Shenanigans".

Step 2: Identify companies with superior capital Allocation

We create a list of stocks using a twin-filter criteria of double digit YoY revenue growth and return on capital being in excess of cost of capital, each year for 10 years in a row.

Next, we build a portfolio of such stocks each year and hold each of these annual iterations of portfolios for the subsequent 10 years (without any churn). The bar chart on the right shows the back testing performance of such a filter based portfolio.

Source: Bloomberg. Note: Only the Consistent Compounder Portfolios which have finished their 10 year run have been shown. Note: These are total shareholder returns in INR terms.

There are two conclusions from this exercise:

• This filter based portfolio delivers returns of 20-30% p.a. (of INR returns) and 8-12% out- performance relative to the Sensex.

• The volatility of returns of such portfolios, for holding periods longer than 3 years, is similar to that of a Government of India Bond.

Returns here (both for our portfolio and for the Sensex) are on a Total Shareholder Return basis i.e. all dividends are included in the returns.

step 3: Identify companies with high barriers to entry

In depth bottom up research of companies which pass our filters to assess sustainable competitive moats and build a portfolio of 10 15 stocks which consistently compound earnings

What do we look for in our research?

- Look for managements with an obsessive focus on the core franchise instead of being distracted by short term gambles outside the core segment
- Look for companies which relentlessly deepen their competitive moats over time
- Look for promoters who are sensible about capital allocation, i.e. refrain from large bets (especially those outside core franchise) and return excess cash to shareholders

"Most companies tend to focus on short term results and hence that makes them frequently do things that deviate away from their articulated strategy these diversions take them away from the path they have to travel to achieve their long term goals"

- Rama Bijapurkar

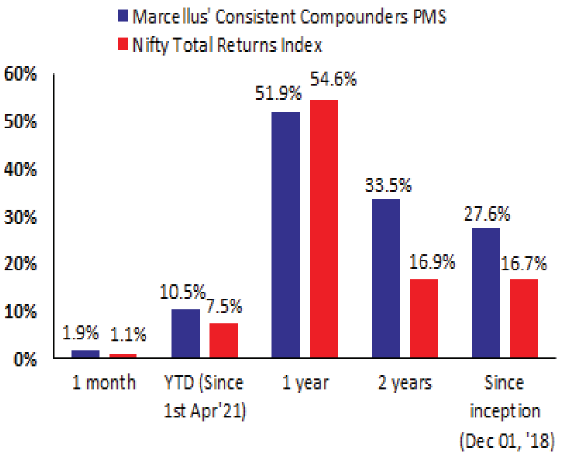
Leading market strategy consultant

In Most Sectors, the top 1- 2 Companies Account for 80% of the Profit Pie

Sector	Top 2-3 players Accounting for 70-80% of the Profit Pie
Paints	Asian Paints, Berger Paints
Small cars	Maruti Suzuki, Hyundai
Biscuits	Britannia, Parle
Cigarettes	ITC
Adhesives	Pidilite
Cooking oil	Marico, Adani
Hair oil	Marico, Bajaj Corp

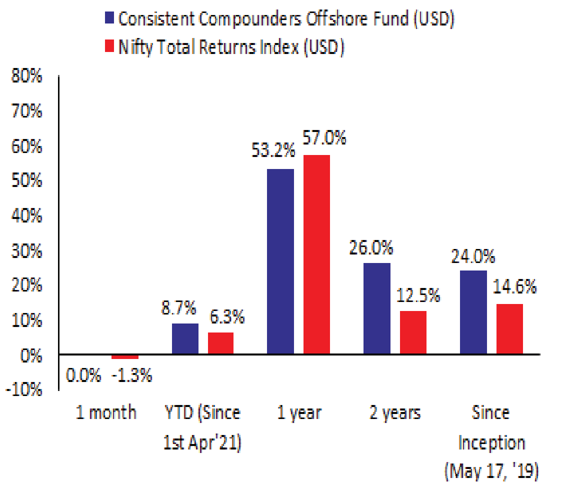
Fund performance (as on 30th June '2021)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 30th June'21 (INR)



Source: Marcellus, Bloomberg; All returns are net of fees and expenses (TWRR); Since inception and 2 years returns are annualised; Other time period returns are absolute

Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus - as on 30th June'21 (US$)



Source: Marcellus; All returns are net of fees and expenses (TWRR); Since inception and 2 years returns are annualised; Other time period returns are absolute

MARCELLUS

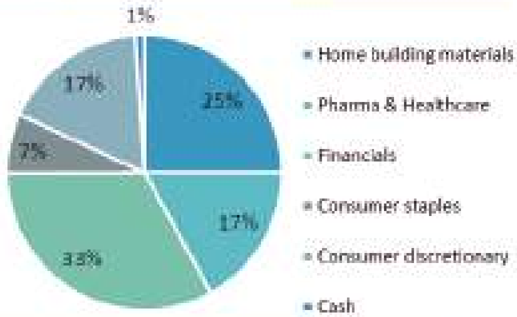
CCP FACTSHEET (1/2)

Fund Details	
Strategy Name	Consistent Compounders
Fund Manager	Rakshit Ranjan, CFA
AUM in INR Crs	4,428
Category	Large Cap
Benchmark	Nifty50 Total Return Index

Top 5 Holdings (accounts for ~50% of allocation)	
Asian Paints	Home Building Materials
HDFC Bank	Financials
Bajaj Finance	Financials
Pidilite Industries	Home Building Materials
HDFC Life	Financials

Market-Cap Wise Allocation	
Large-Cap	79%
Mid-Cap	20%
Cash	1%

Sector Wise Allocation



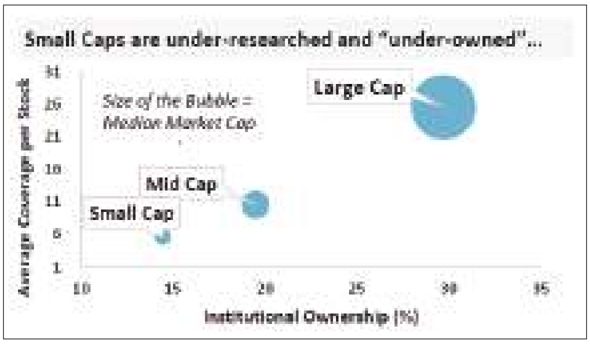
Portfolio Metrics	
Wtd. Avg. Market Cap (INR Cr.)	2,32,516
Portfolio P/E (FY21)	82.91x
Dividend Yield	0.8%
Churn Ratio (TTM)	25%
Std Deviation (12 month rolling)	13.9%
Sharpe Ratio (12 month rolling)	1.53

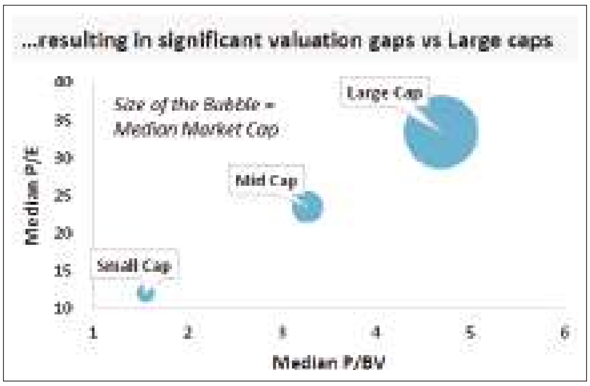
SMALL CAP INVESTING: OPPORTUNITIES

Significant outperformance of stocks before inclusion in BSE 500

- On an average over the last ten years, about 50 stocks have entered/exited BSE 500 every year indicating a high degree of churn
- The biggest part of the relative outperformance for a stock entering BSE 500 occurs in the years preceding the inclusion

Source: Bloomberg, Ace Equity Relative returns (to BSE 500 are medians CAGR of stocks that have been included in the BSE 500 For prior returns, returns are measured until 1 quarter preceding the quarter of entry The above returns calculation is for the entries from June 2003 to June 2020.





Source: Ace Equity, Bloomberg Note 1 We classify companies with market cap of >Rs 150 bn as Large Cap, between Rs 30 bn to 150 bn as Mid Cap and below Rs 30 bn as Small Cap 2 Market cap, analyst coverage and share price data as of July 31 2020 3 Institutional ownership data as of June 30 2020 (EPS and Book value considered for FY 20.

MA₹CELLUS

RIGOROUS SCREENING AND DUE DILIGENCE TO IDENTIFY THE RIGHT STOCKS AND AVOID THE WRONG ONES

Starting universe of >1,000 companies

The universe: Stocks with Market Cap <US$500mn

Forensic Accounting Screen - Eliminate companies with sub par accounting

Typically avoid 'Zone of thuggery' candidates(refer next slide)

Above median on each parameter
- **Top 20% on overall score**
- **RoCE & net debt thresholds**

> Median score on individual parameters (revenue growth, asset turns etc) + Top 20% on aggregate score ('cream of the crop') + avoid companies struggling to cover their capital cost and debt laden companies

Botto-mup research and analysis

Detailed analysis of annual reports, management interviews and other published reports

3rd party/channel checks, management meetings

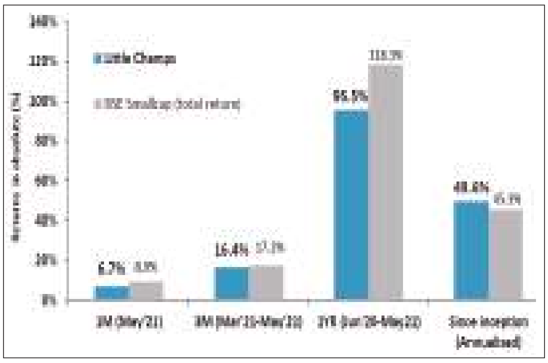
Corroborating 'management version' with channel feedbacks + independent views on governance/capital allocation

~15 - 20 Little Champs

Final portfolio of ~15 20 Cos.

LIVE PORTFOLIO PERFORMANCE AND COMPARISON WITH BENCHMARK

Little Champs vs Benchmark BSE Smallcap



(i) Portfolio inception date is Aug 29, 2019
(ii) Returns are as of May 31, 2021
(iii) Returns are net of fees and transaction costs

Little Champs' higher returns but lower drawdowns vs Nifty/BSE smallcap

Performance (Since Inception)	Return since inception (annualised)	Maximum Drawdown
Little Champs	49.6%	-37%
Performance of benchmarks		
BSE Smallcap	45.3%	-45%
Nifty	23.4%	-38%

Source : Ace Equity Note Maximum drawdown based on daily returns from Aug 29 2019 to May 31 2021

Key Investment Objectives and Attributes

- Capital Preservation over a period of time
- Capital Appreciation over a period of time

Achieved through…

- Long term Investments in high quality companies with strong growth prospects

Four key investment attributes

Size of the Opportunity

- Size of pond vs size of fish
- Dominance
- Resilience
- Liquidity

Quality of Business

- High quality of business (Superior RoCE)
- Strong moat. Impregnability.
- Sustainability
- Key pivot of strong wealth creation

Earnings Growth

- Quantum
- Consistency
- Durability
- Predating (Early vs Later)
- Compounding power

Value

- Favorable Price-Value Gap
- Margin of Safety

In addition to the above, good management quality is a given constant

Capital Preservation

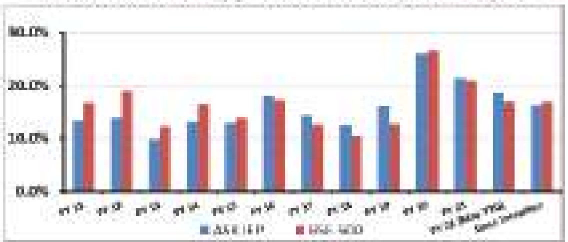
Unparalleled track record of Low Volatility

We cater to investor's desire for a relatively stable investment approach very well

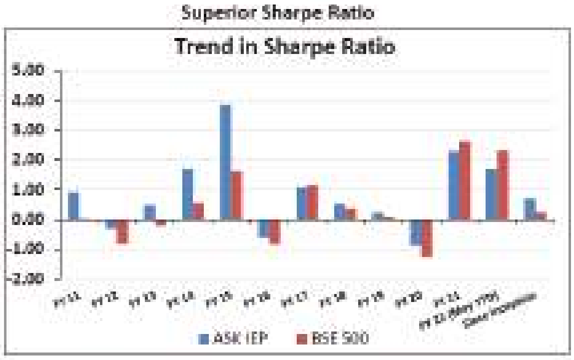
FY-wise Drawdown Analysis of ASK IEP

	Max Drawdown		FY Performance	
	ASK IEP	BSE 500	ASK IEP	BSE 500
FY 11	-18%	-20%	22%	7%
FY 12	-14%	-25%	3%	-9%
FY 13	-4%	-10%	13%	5%
FY 14	-7%	-16%	34%	17%
FY 15	-2%	-7%	73%	33%
FY 16	-15%	-20%	-5%	-8%
FY 17	-17%	-12%	25%	24%
FY 18	-5%	-11%	15%	12%
FY 19	-19%	-16%	11%	8%
FY 20	-31%	-38%	-18%	-28%
FY 21	-10%	-11%	67%	77%

Delivered low volatility (Standard Deviation) since inception



Superior Sharpe Ratio



High growth investment approach with low beta

Index had its maximum drawdown

- Historical Drawdown for portfolio is measured as the performance for the period during which the index had its maximum drawdown
- Sharpe ratio measured as annualized mean of daily Portfolio returns over Risk Free Rate (RFR) divided by the annualized Portfolio Standard Deviation of daily returns. RFR assumed at 8% pa.
- Historical Volatility is computed based on standard deviation of daily returns

ASK Portfolio returns are composite returns of all the Portfolios aligned to the investment approach as on May 31, 2021. Returns for individual client may differ depending on time of entry in the Portfolio. Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments. Returns for 1 year or lesser time horizon are absolute returns, while more than 1 year are CAGR. Returns have been calculated using Time Weighted Rate of Return method (TWRR) as prescribed by the SEBI.

Capital Appreciation

Low volatility in the investment approach actually aids portfolio appreciation

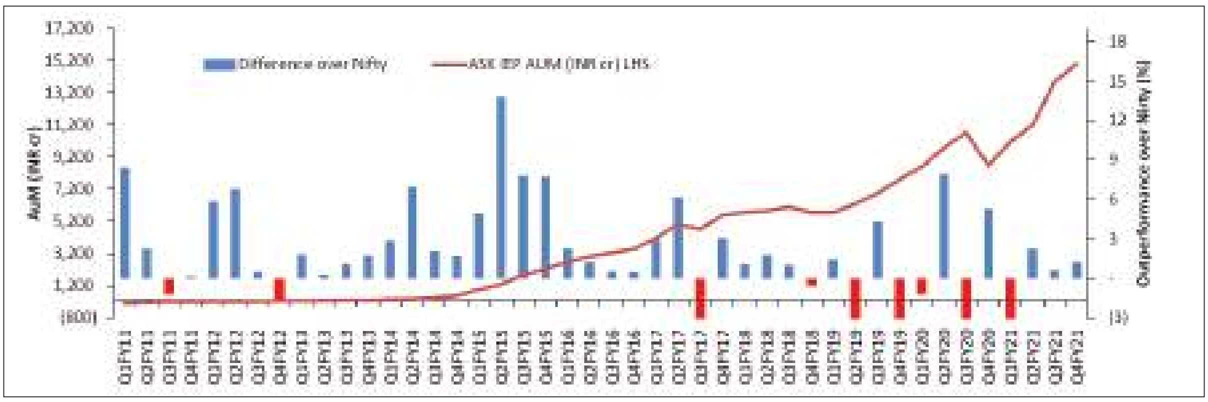
Consistently beating benchmarks since inception

(INR)	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY19	FY20	FY21	FY22 (May YTD)
ASK IEP	21.7%	2.8%	12.8%	34.5%	73.0%	-4.5%	24.9%	14.5%	10.8%	-17.8%	68.6%	6.1%
BSE 500	7.5%	-9.1%	4.8%	17.1%	33.2%	-7.8%	24.0%	11.8%	8.3%	-27.5%	76.6%	7.4%
Nifty	11.1%	-9.2%	7.3%	18.0%	26.7%	-8.9%	18.5%	10.2%	14.9%	-26.0%	70.9%	6.1%

Note : Performance figures are net of all fees and expenses. ASK Portfolio returns are composite returns of all the Portfolios aligned to the investment approach as on May 31, 2021. Returns for individual client may differ depending on time of entry in the Portfolio. Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments. Returns for 1 year or lesser time horizon are absolute returns, while more than 1 year are CAGR. Returns have been calculated using Time Weighted Rate of Return method (TWRR) as prescribed by the SEBI.

The Investment Approach has been able to generate returns continuously even while marketswere flat between Oct 11, Jun 12 and Aug 13.

Quarterly Outperformance



ASK IEP has outperformed the Nifty for 35 out of 44 quarters since inception

ASK Indian Entrepreneur Portfolio: The Investment Approach

1. Identify large and growing business opportunities.

2. Identify businesses with competitive advantage that are significant sized (min Rs.100cr of PBT) : Enables growth from both market share gains and growth of the opportunity size and can sustain for multiple years.

3. The quality of the business should be good to be able to fund strong growth through internal cash generation

- We seek over 20% compounded growth from each business that we buy and target over 25% growth from the portfolio

- To fund this growth, the business ROCE should be over 25% so that growth can be funded and there are surpluses for dividend

4. The management should have the drive and have skin in the game to deliver compounded growth period after period (uncompromised corporate governance is a must)

- Hence, invest into businesses with an identifiable business house at helm with minimum 25% stake*

5. We seek to identify such businesses at reasonable discount to value and stay invested for a length of time and make money as EPS compounds.

*Note: Promoter / Family stake of at least 25% is desired in portfolio companies, except in rare and fit cases.

Investment Approach Research Methodology and Filtration

500
- Top 500 as per market capitalization

306
- Only companies > 25% promoter / family holding (except in very rare and fit cases)
- Universe of Entrepreneur and/or Family-Owned Business = 306 cos

210
- Condition of minimum PBT of INR 100 cr (USD 16 mn)

123
- Subjective evaluation on management quality, their integrity, vision, past track record, execution,capital allocations and distribution skills, corporate governance standards etc.

59
- Quality of Business (Capital Efficiency) – Minimum ROCE of 25%*

59
- Two more filters for selection of stocks a) Minimum 20 to 25%* earnings growth over the next 3 to 5 years without capital dilution and b) Price-Value gap (margin of safety) of 20%

Note: Maximum of 20% of the portfolio may be an exception to the above.
*at the time of 1st purchase of the stock

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Explore the
Hidden Treasure of **Unlisted Shares**
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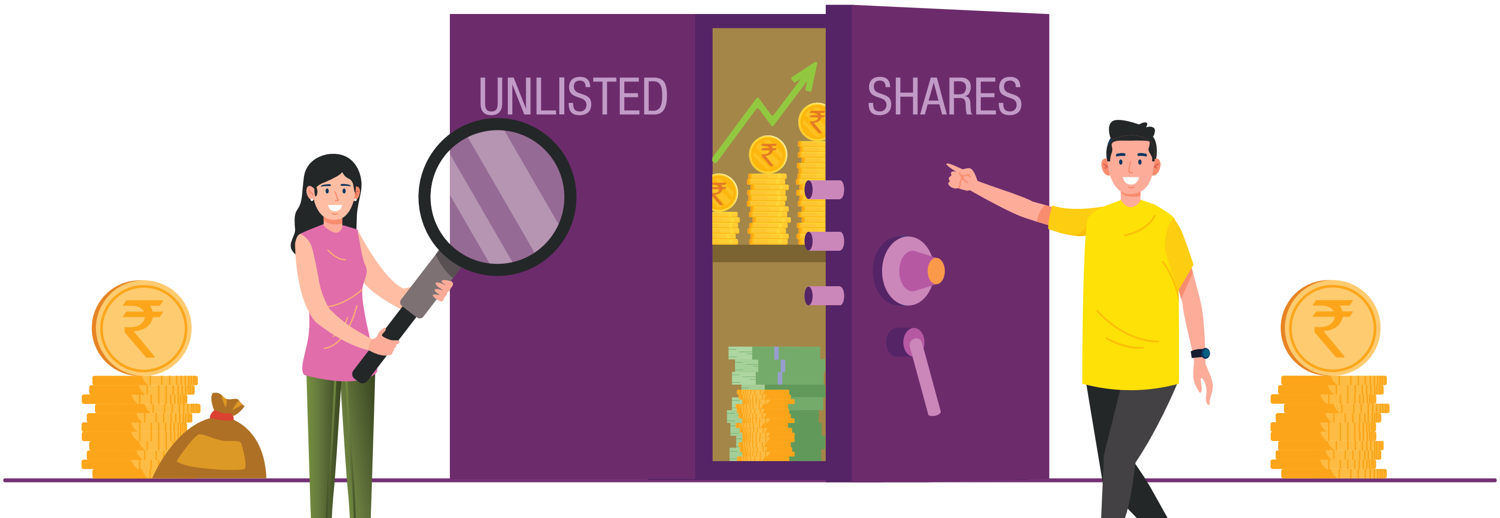
Investment in Unlisted Shares*



What are
Unlisted Shares*?

Unlisted shares is a financial instrument that is not traded on a formal exchange, Trading of unlisted shares is done in over-the-counter (OTC).

Reliance Retail	Retail
HDB Financial Services Limited	Financial Services
Carrier Air Conditioning & Refrigeration Ltd.	Air Conditioning
Chennai Super Kings	IPL Team
Studds Accessories Ltd.	Helmet Accessories
Kurlon Ltd.	Mattresses
Philips India Ltd.	Electronics
Otis Elevator	Manufacturing
Hero Fincorp Limited	Financial Services
TATA Technologies Limited	Engineering
Tamilnad Mercantile Bank	Banking
Care Health Insurance	Insurance

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August 2021

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INVESTMENT SERVICES

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