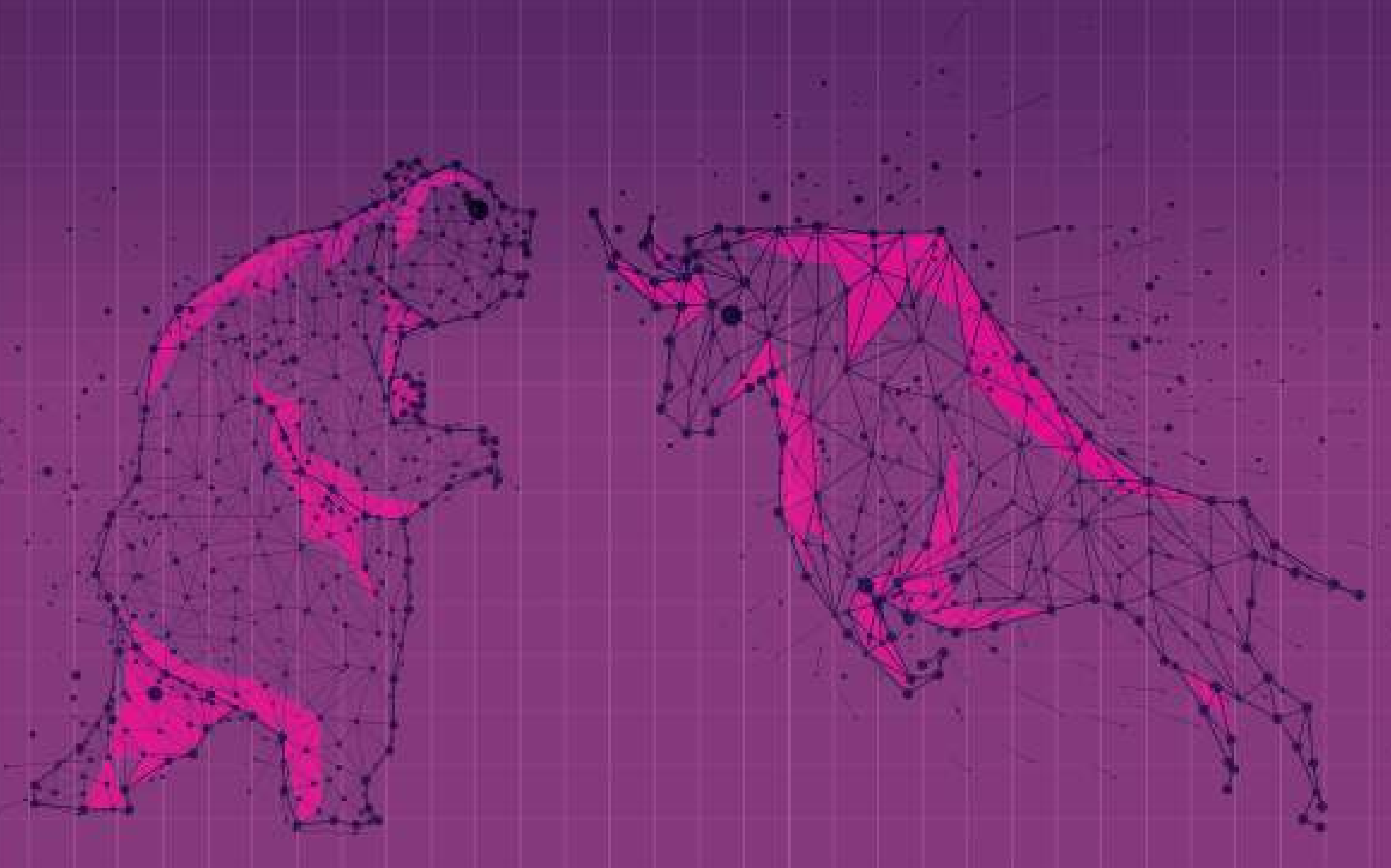
FINANCIAL

FLASH

July 2021



Index

PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

In this rally from the lows of 7511 to 15900, almost every stock has a dream run. While my current discussion with many investors, it seems even the common investors have started thinking that they can do better than the Fund Managers in terms of identifying the stock and that's where my worry comes. As per the data available for 2021, the month of June not only witnessed the maximum number of stocks hitting their fresh 52-week highs but also a huge number of stocks hitting their respective lower circuits. This implies that the market is rewarding quality momentum stocks while punishing the speculative ones that have rallied without any fundamental justification. This behavior of the market is healthy and will encourage investors to tilt towards quality stocks with inherent strong fundamentals.

At the current levels, it looks that there is a little fatigue in the market with a lack of vigor in the bulls. The outperformance by healthcare and IT indices is a signal of the market getting defensive. It would make sense to cut leverage and stay agile in such markets. Data shows FII's were net sellers for the last 3 months and in June selling has been around 25CR whereas DII's were net buyers in the market to a tune of 7043CR in June.

As the first half of the calendar year and the first quarter of the financial year comes to a close, the economy has almost been through a full cycle. A January-March quarter when demand was on a strong rebound. An April-June quarter, we hit by a ferocious second Covid-19 wave, the nation and the economy crawled down. And now, perhaps, a July-September quarter, when we start to re-emerge from that latest blow.

Most high-frequency indicators at the end of June were materially better than April-May. But it still isn't a rebound. Sort of like "long Covid" – recovering but not completely.

Individual indicators are a little all over the place right now. Daily electricity demand hit an all-time high in the last few days of June. Recovery apart, it's getting hot up in the North! E-way bills have recovered compared to May but are still below March levels. Electronic payments are hitting record highs again. Government finances for April-May are looking surprisingly strong.

Then there was the manufacturing PMI, a survey-based indicator, which suggested a contraction in activity in June. But auto sales numbers showed good growth across segments compared to a month ago. Almost all the Auto companies have shown double-digit to triple-digit growth YoY courtesy of the low base Vs June 2020. Non-oil, non-gold imports rose 15% in June compared to May.

So, as we enter July, the best we can say is the economy is starting to breathe out, after taking a sharp breath in. So we can say Goodbye to the 2nd Wave but welcome some amount of Inflation that is beyond the RBI trajectory. But I believe this is more supply-side inflation were I believe due to short supply of goods & services there is a surge in the demand for goods & services plus the prices of Petrol & diesel is surging to the trajectory of the new price, creating a whole gambit of inflation reaching to > 6%.

At this juncture, the Central bank across the world is looking more for growth than Inflation and will monitor inflation for a few more qtr before doing any tapering with the interest rates. We believe this inflation is more of a temporary phase as once the supply starts entering the market and demand gets a match, the inflation should cool off. The next few quarters. are very important to understand this episode of inflation. We'll see if the Indian central bank and monetary policy committee start purring the inflation control tune in the coming quarters.

The market appears to be consolidating before it sets off in a new direction. We believe Quarterly results and Monsoon will be the next trigger for the markets. In the short term, some tactical investment decisions may add that valuable alpha to your portfolio. For long-term investors let this market volatility shouldn't unsettle you and you continue to hold your conviction stocks to play the long game. Being patient and going slow on fresh investments is advised for the moment. Buying dips and keep looking for opportunities is always advisable.

We are increasingly bullish on consumer discretionary space, chemical companies, pharma & IT looks promising. Banks have been in a quite narrow range and can be looked at as an opportunity to enter for the long term. With lockdown open and monsoon should be good, Auto & Tractor companies should be looked upon too.

Market Commentary

June month restricted the Nifty in an extremely tight range while Nifty still ended the month with positive gains of 0.89%.

Markets started the month on an optimistic note as better-than-expected GDP numbers supported the market sentiments. In the first week, Indian benchmark indices ended in green territory as India's COVID cases are beginning to decline and several states are announcing the gradual easing of restrictions. Domestic sentiments remained positive, as the finance ministry expanded the scope of the Rs 3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS), which will offer concessional loans to hospitals for setting up on-site oxygen generation plants.

Markets started the second week on an optimistic note as traders took encouragement with data showing that GST tax collections remained above Rs 1 lakh crore mark for the eighth straight month in May, indicating that the impact of the devastating second wave of Covid infections on the economy may have been limited. During the week, local equity benchmarks witnessed a bullish run amid hopes of a quick economic revival post unlocking and expectation of a large number of the adult population vaccinated in 2021.

Markets started the third week on an optimistic note on a report that overseas investors pumped in a net Rs 13,424 crore, as risk-on sentiment improved with declining Covid-19 cases and hopes of the early opening of the economy. Depository data showed that foreign portfolio investors (FPIs) invested Rs 15,520 crore in equities during June 1-11. In the passing week, markets ended on negative terrain after US Federal Reserve officials held interest rates near zero but signaled they expect two increases by the end of 2023, pulling forward the date of liftoff as the economy recovers.

Markets started the fourth week on an optimistic note as traders took encouragement with UN report stating that India received $64 billion in Foreign Direct Investment in 2020, the fifth-largest recipient of inflows in the world, it also said that the COVID-19 second wave in the country weighs heavily on the country's overall economic activities but its strong fundamentals provide optimism for the medium term. However, markets edged lower to erase all the initial gains after Moody's Investors Service slashed India's growth projection to 9.6 percent for the 2021 calendar year, from its earlier estimate of 13.9 percent. But, buying in the last two days of the week helped markets to settle with significant gains. Indian benchmark indices ended in the green territory with Sensex and Nifty posting gains of more than 500 and 100 points respectively amid Federal Reserve Chair Jerome Powell's state that the US central bank will not raise interest rates too quickly.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers’ Index (PMI) for June was at 48.1, sliding from May’s reading of 50.8 and indicating a renewed deterioration in the health of the sector that was, however, moderate.

The IHS Markit India Services PMI moved to 41.2 in June falling from 46.4 in May, indicating that services firms endured further losses of new business as the emergence of the pandemic and the reintroduction of containment measures restricted demand. The combined Index of Eight Core Industries stood at 125.8 in May 2021, which increased by 16.8% as compared to the Index of May 2020. Coal, Natural Gas, Refinery Products, Steel, Cement & Electricity recorded growth whereas Crude Oil and Fertilizers recorded negative growth.

India’s retail inflation, measured by CPI spiked to a six-month high of 6.30% in May higher than 4.29% in April mainly due to a rise in food prices. The inflation figure in May breached the Reserve Bank of India's (RBI's) medium-term target. Wholesale price-based inflation (WPI) also accelerated to a record high of 12.94 percent in May, on rising prices of crude oil and manufactured goods. This is the fifth straight month of uptick seen in WPI inflation.

Regarding export-import activity, India's exports grew by 47.34% year over year at $32.46 billion in June while imports increased by 96.33% year over year to $41.86 billion. The Goods and

Services Tax (GST) collection in May stood at ₹1,02,709 crore.

Also, India's foreign exchange reserves increased by $5.066 billion to $608.999 billion in the week ended June 25, foreign currency assets (FCAs), a key component of the overall reserves, increased by $4.7 billion. Additionally, Foreign Portfolio Investors (FPIs) were net buyers of Rs. 12,974 crores in June, driven by net inflows in equity of Rs. 17,215 crore.

On the global front, The U.S. markets ended higher during the passing week after President Biden struck an infrastructure deal with a bipartisan group of senators, signing on to their plan to provide about $579 billion in new investments in roads, broadband internet, electric utilities, and other projects in hopes of moving a crucial piece of his economic agenda through Congress. Further, the strength that emerged on markets as Federal Reserve Chair Jerome Powell continued to downplay the risks of inflation during testimony before the House Select Subcommittee on the Coronavirus Crisis.

In the labor market, first-time claims for U.S. unemployment benefits slightly dropped in the week ended June 20th, according to a report released by the Labor Department. The report said initial jobless claims moved slightly lower to 411,000, a decrease of 7,000 from the previous week's upward revised level of 418,000. The street had expected jobless claims to drop to 380,000 from the 418,000 revised level reported for the previous week.

Meanwhile, IHS Markit signaled the joint-fastest improvement in the health of the U.S. manufacturing sector on record, manufacturing PMI stood at 61.2 in June, unchanged from May.
Growth of the eurozone manufacturing sector hit new heights during June, with the headline PMI setting a fresh survey record for a fourth successive month. IHS Markit's Manufacturing PMI improved to 63.4 in June, up from 63.1 in May and firmer than the earlier flash reading. As per the report of the global data firm, "Eurozone manufacturing continued to grow at a rate unbeaten in almost 24 years of survey history in June as demand surged with the further relaxation of COVID-19 containment measures and vaccination progress drove renewed optimism about the future."

The final au Jibun Bank Manufacturing PMI dipped to 52.4 in June as compared to 53 in May, indicating a fifth consecutive monthly improvement in the health of the sector, though the pace of the expansion was the softest since February.

Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for June came in at 50.9, down from 51 in May. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, dropped to a four-month low of 53.5 in June from 55.2 in May.

Going Ahead

Due to this pandemic, monetary policy in most countries has turned extremely accommodative. Liquidity is close to historic high and interest rates at a historic low. At the same time, fiscal policy in most countries has become extremely expansionary. Such measures are likely to result in a quick reversal of economic normalcy.

With an attempt to push credit/liquidity to the neediest distressed strata of the economy, the FM announced Rs. 1.5 lakh crore of additional credit for small businesses, more funds for the healthcare sector, and loans to tourism agencies and guides. These measures surely attempt to cushion the substratum of the economy both from the demand as well as supply side.

The Q1FY22 result season is about to commence in July with large-cap IT companies announcing their results, to begin with. Any disappointment on the earnings front could weaken the overall positive sentiments. Apart from this, the trend in the rupee, Brent crude, and movement of foreign institutional investors would also be monitored.

Healthy momentum in the secondary market, ample liquidity in the system with global central banks keeping their monetary policies loose, and greater participation of retail investors have been some of the factors keeping the IPO Street abuzz. At least 20 companies, including Zomato and Rolex Rings, have already filed papers with Sebi for a public offer and are expected to launch their IPOs in the second half of 2021.

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

Major global indices continued their upward trend. Positive performance sustained as major developed economies is well past their COVID-19 peaks, targeted and - going vaccination drives have been implemented successfully as a result of which there is a decent pick-up in demand and subsequently inflation. Indian Equity Markets (Nifty 50 Index) gained by 1% during the month while midcap and small-cap rose by 3.6% and 6.9% respectively, due to a decline in COVID-19 cases, pick-up in vaccination drive, and ease of lockdown like restrictions in some states. However, some pockets of concern are reappearing with a pick-up in Delta plus variant cases in various states. Globally, the Developed Market rally was led by the US with a significant rise in demand especially pent-up household demand post-COVID second wave. The FOMC (Federal Open Market Committee) shifted guidance in a slightly hawkish direction mid-month. May CPI reports continued to be a string of upside surprises and highlighted the sharp and broad-based acceleration in global inflation. Global growth was strong, but gains were uneven across regions, owing to variations in policy support and vaccination programs.

Indian Markets took a breather and registered modest gains compared to other emerging markets, investors sentiments remained positive due to moderation in COVID-19 cases, good earnings season, and lifting of restrictions in some states. The Finance Minister, on 28 June, unveiled a set of relief measures, largely focused on broadening the credit guarantees; to help alleviate economic stress induced by the second COVID-19 wave. Domestic Institutional Investors (DIIs) and Foreign Portfolio Investors (FPIs) remained net buyers of Indian equities. 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.

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. Based on our „VCTS‟ Framework (Valuations, Cycle, Trigger, and Sentiments), we can comprehend that Valuations are not cheap, Business Cycle remains in the nascent stage, future market triggers would be: 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 a rise in crude prices and US Fed trajectory on a 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	54.00	15.29	16.01	15.98
Canara Rebeco Bluechip Fund	50.87	17.94	16.79	13.06
Franklin India Bluechip Fund	60.08	13.26	11.88	16.75
Large & Midcap				
Kotak Equity Opportunities Fund	55.90	16.91	15.98	18.70
Flexi Cap				
Canara Robeco Flexi Cap Fund	55.02	17.58	17.25	18.40
HDFC Flexi Cap Fund	66.01	14.44	14.01	18.43
Midcap Fund				
Kotak Emerging Fund	83.55	19.70	17.62	14.03
DSP Midcap Reg Gr	60.26	17.67	16.13	15.82
Focused Fund				
SBI Focused Equity Fund	53.57	17.11	16.69	19.81
ICICI Pru Focused Equity Fund	53.59	14.34	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 6.05% on June 30, 2021, compared with 6.02% on May 31. The benchmark bond yields have hovered around 6% despite the underlying inflationary pressures and a huge supply of government securities can primarily be attributed to the RBI's announcement in early April to purchase sizeable quantities of government securities from the secondary market under the G-sec acquisition program in conjunction with the regular open market operation, to limit the rise in bond yields. The Monetary Policy Committee (MPC) presented its second bi-monthly monetary policy, the MPC unanimously decided to keep policy rates unchanged while continuing with the accommodative policy stance as long as necessary to 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.

RBI has also reiterated the role of fiscal policy in executing the budgeted CAPEX target, and utilizing the fiscal space created by lower interest rates to support incomes/job losses to offset the adverse impact of negative interest rates on savers. 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 due to the second wave, 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. Over the last 2-3 months we had added duration to our portfolios due to the following reasons:

1. GDP growth rate slashed: On the back of the outbreak of the second wave and its connected implications on the overall economy, the GDP growth rate has been slashed by 1% to 9.5% for FY 22.

2. Accommodative stance to continue: RBI has unequivocally hinted that normalization in monetary policy is not being thought about yet. MPC is a commitment towards ensuring conducive financial conditions and adequate system liquidity.

3. Yield Curve Control: RBI is actively managing the yield curve with its regular Open Market Operations (OMOs) along with the recently launched G-Sec acquisition program or G-SAP program which may not allow yields at the longer end to rise despite government borrowing and inflation concerns

4. Benefit from Higher Term Premium: Currently, the term premium is at one of the highest levels seen in the last 10 years at around 230 bps. We have tactically taken exposure on the longer end of the curve to capture the term premium.

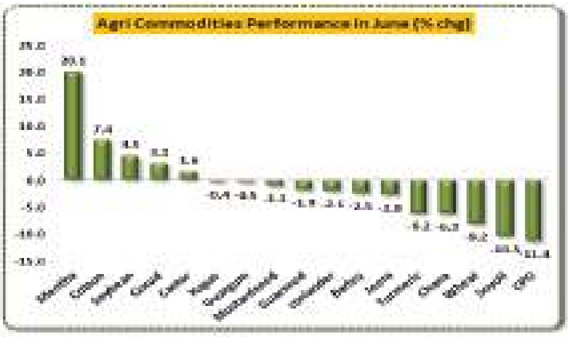
Also, as communicated earlier, we believe that we are at the fag-end of the interest rate cycle and the above-mentioned strategy would provide better accrual (an active strategy that may take advantage of higher term premium) and would help in mitigating mark-to-market impact (active strategy of having adequate short-duration instruments). However, with the unlock phase beginning and covid cases declining, growth is expected to improve and hence we have reduced duration in June. It may be an opportune time to invest in floating-rate bond schemes which may help in navigating the current high-interest rate volatility phase.

In the coming years, we recommend the following strategies: Accrual Strategy and Active Duration strategy. Accrual strategy due to high spread premium which is still prevalent between the spread assets and AAA & MMI instruments, as 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 to rebound after taking a breather in June

Monsoon is here and agro commodities have started responding to the weather-related development in India. The first month of the four-month southwest monsoon season is already over and the cumulative rainfall till 30th June has been 10% above the Long Period Average.



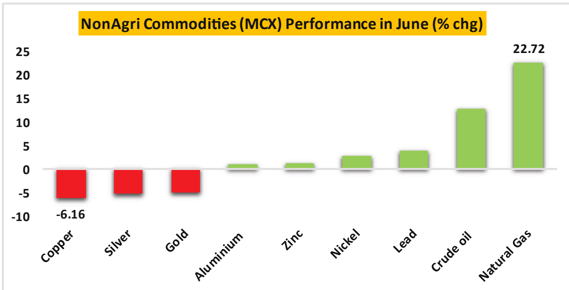
Southwest monsoon covered 80% of India during the first 10 days after its onset. As of June 20, the country was surplus by 40%. But since then, rain activities decreased and by the last week of June monsoon entered the dry spell in many parts of India. Favorable monsoon exerted pressure on the prices during most of the month and reversed during the last week of the month on dry spell forecast.

Besides monsoon, another factor that exerted pressure on Agri commodities was the intervention by the Indian government to curb rising prices of Pulses and Edible oils. The government has intervened in markets by freeing imports of three pulses and recently reducing import duty on CPO by 5% and making an amendment to import policy on RBD palm oil from restricted to free till 31st December.

Last month's focus was cotton wherein prices breached multi-years high. Canal water shortage in North India, dry spell in cotton-growing belts of Maharashtra and Gujarat, and robust exports have pushed prices higher. Going forward sentiments remain positive as international markets to are seen supporting an upside in cotton. Considering break monsoon conditions in early July prices should remain firm particularly the Kharif grown commodities like Guar seed, soybean cotton, and Turmeric. Sowing has started on a brisk note but the revival of monsoon is a must for the growth of an early sown crop. Besides, dry weather persists in the US and is raising concerns over the upcoming crop.

Overall a positive undertone is most likely for many agricultural commodities in the month ahead.

Energy boosts the most on bullish forecasts while gold loses its spark thanks to hawkish Fed



Bullion commodities have come under pressure in June as higher bond yields made the non-interest bearing haven like gold & silver less attractive to investors. After recovering in April and May, last month gold fell by the most in more than four years as the Federal Reserve turned more hawkish and the greenback strengthened. For the first time since November 2016, London spot gold declined by nearly 7%.

During the recent policy meeting, the Federal Reserve once again used Dot–Chart to give the signal for early action than the market anticipated. If we closely monitor the dot-chart, seven out of 18 participants believe to increase rates in 2022 itself, this number was at 4 during the March policy meeting.

Going ahead, traders will focus on economic data and comments from Fed officials for more clues on the timing of stimulus tapering. Richmond Fed President Thomas Barkin said he wanted to see much more U.S. labor market progress before taking action, while Governor Christopher Waller said economic performance warrants thinking about pulling back on some stimulus.

Investors are also weighing the fallout from the more contagious Delta variant of Covid-19 and broader economic data. Euro-area economic confidence has climbed to the highest level in more than two decades, and U.S. consumers are more upbeat than at any point since the pandemic began. The latest U.S. nonfarm payroll figure has strengthened the case for a rate hike earlier than the market anticipates. We believe that precious metal markets simply can't find gear with the stronger dollar and strong economic data weighing on the market. Hence the outlook is bearish for the yellow metal in July. MCX gold may drift lower to Rs. 46,500-46,000 per 10 gram amid weak global sentiments.

Copper declined the most among industrial metals on China inventory sale

MCX copper hit an all-time high (Rs. 812.5 per kg) during the first week of May but since then the red metal has nose-dived sharply as the Chinese government on a couple of occasions warned against the speculative rally in commodities and threatened against using all tools to control inflation.

Last month the Yangshan copper premium inched up to $25.5 a tonne but was still hovering around its lowest since February 2016, indicating weak demand for imported metal into China. In June, China's state planner renewed its pledge to step up monitoring of commodity prices and strengthen supervision of spot and futures markets, as domestic producer inflation hit its highest in more than 12 years. The only negative trigger is the strong dollar, however, we expect the red metal to continue with a higher trajectory and MCX Copper July may rise to Rs. 755 per kg in July.

On the other side, MCX aluminum has appreciated by approx. 25% YTD but during recent times it is struggling to rise further. Ever since December 2019, China has been a net importer of primary aluminum due to increased buying by automakers.

China's restrictions on power consumption in the smelting hub of Yunnan forced some production cuts. The Chinese government has enforced mines in Inner Mongolia to stay low on pollution hence the aluminum output has reduced sharply in May against April. The world's top metal producer of the metal churned out 3.32 million tonnes in May which was 3.35 million tonnes in April. We expect MCX Aluminium to appreciate Rs. 210 per kg in the current month. MCX Nickel continued with an upward trajectory due to a rise in stainless steel prices and improved demand for Nickel Pig Iron in China. According to the International Nickel Study Group's latest report, global nickel supply is estimated at around 2.6 million tonnes this year. Of that, about two-thirds will be used by stainless steel mills, most of them in China, while electric vehicles account for less than 10% of consumption. Hence on the back of strong fundamentals, we expect MCX nickel to rally further to Rs. 1,450 per kg in July.

Crude oil gains sharply in June on bullish demand outlook

Crude oil prices continued to rally in June with WTI gaining 4.3% and MCX prices surging by 3.1% and touched the highest levels since October 2018. The major supply addition concerns eased after the victory of hardliner Ebrahim Raisi in Iran's presidential elections, thereby significantly decreasing prospects of the US-Iran JCPOA deal anytime soon.

Also, OPEC reiterated demand optimism in its monthly report especially in the second half of 2021 keeping demand forecast unchanged from last month. EIA too forecasted a decline in global oil inventories in the second half of 2021 on expectations of a demand-led recovery in the oil markets. IEA predicted Global oil demand will recover to pre-pandemic levels of 100 million barrels a day in the second half of 2022, urging OPEC and its allies to keep markets balanced by tapping their plentiful spare production capacity. Prices witnessed a temporary pullback on global risk-off sentiments after the widely watched Fed dot plot indicated at least two rate hikes in 2023, compared to no rate hikes until at least 2024 projected in the March meeting.

Oil prices are likely to gain further in July towards 5800/bbl as OPEC's latest forecast showed their oil supply will fall short of expected demand by 1.5 million bbl/d in August if output levels stay the same and shortfall may widen to 2.2 million bbl/d in the fourth quarter. In line with the same, markets keenly await the outcome of adjourned OPEC+ group meeting which is most likely to gradually increase output by 2 million barrels per day between August and December.

Currency Outlook

USDINR spot to weaken further towards 75 levels in July

Indian Rupee spot depreciated more than 2.4% in June hurt by a sharp rebound in dollar Index, fresh concerns of Delta Variant of COVID-19, and rally in crude oil prices.

The rupee touched a two-month low of 74.4538 before closing at 74.33 on Wednesday hurt by the stronger dollar, firm crude oil prices, and fresh concerns of delta variant of COVID-19. Also, the latest measures announced by Finance minister Nirmala Sitharaman to give a boost especially to the healthcare and tourism sectors were seen as the additional fiscal plan that may stress the government's budget.

The dollar gained nearly 3% in June as widely watched Fed dot plot indicated at least two rate hikes in 2023, compared to no rate hikes until at least 2024 projected in the March meeting.
Fed made upward revisions to US economic outlook and expects a notable expansion in US 2021 growth at 7%, which would be the fastest economic expansion since 1984 while Core PCE, Fed preferred inflation measure is projected for a transient uptick to 3% this year.

Indian Rupee spot is expected to remain under pressure and may depreciate towards 75 levels on limited global risk appetite with lingering COVID-19 concerns and fears of stimulus withdrawal by the US earlier than expected after a hawkish hint in the June policy meeting. However, further upside in DX may be largely dependent on the US labor report which if turns out better than expected for June, may push the greenback above 93 and Rupee towards 75.3 levels.

Anand Rathi PMS

MNC Portfolio

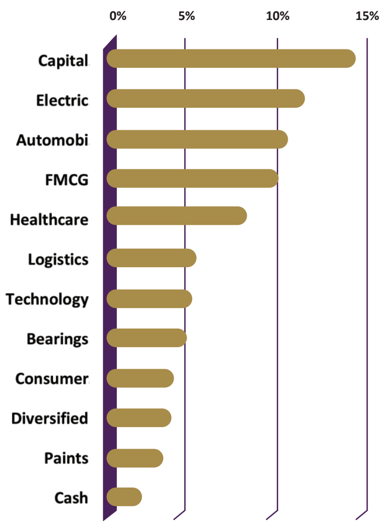
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how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

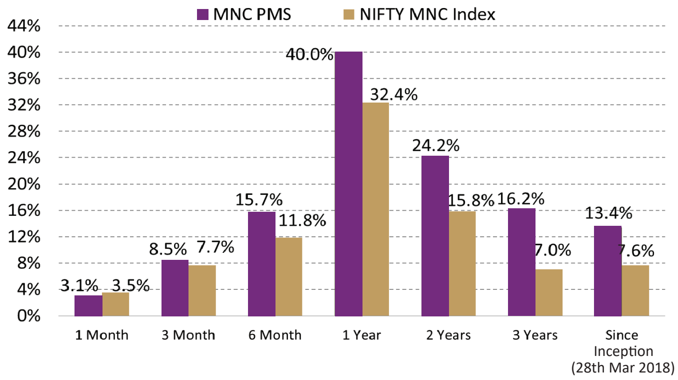
Top Holdings and Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	KSB Ltd.	7.3%
2	Grindwell Norton Ltd.	7.0%
3	Honeywell Automation India Ltd.	6.5%
4	Coforge Ltd.	6.3%
5	Blue Dart Express Ltd.	5.2%
6	Mphasis Ltd.	5.0%
7	Hindustan Unilever Ltd.	5.7%
8	SKF India Ltd.	5.7%
9	Siemens Ltd.	5.4%
10	BASF India Ltd.	4.9%

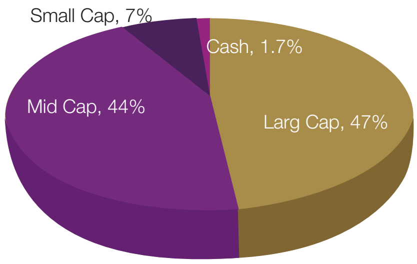
Sector Allocation



Performanceas on 30th June, 2021



Market Cap Allocation



Data as on 30th June 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

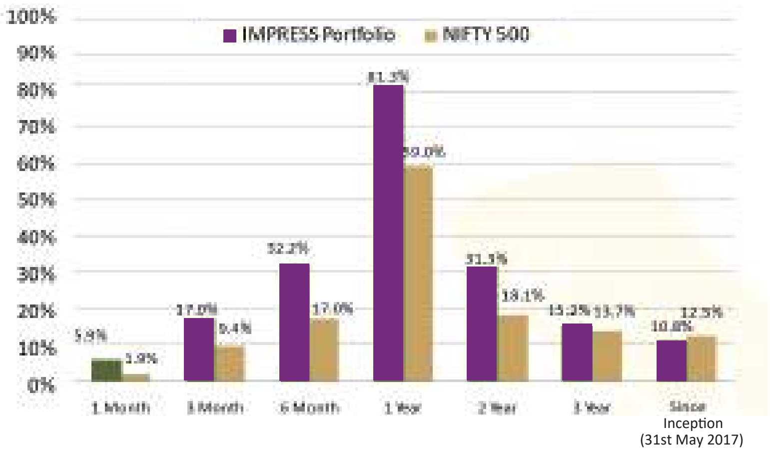
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

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

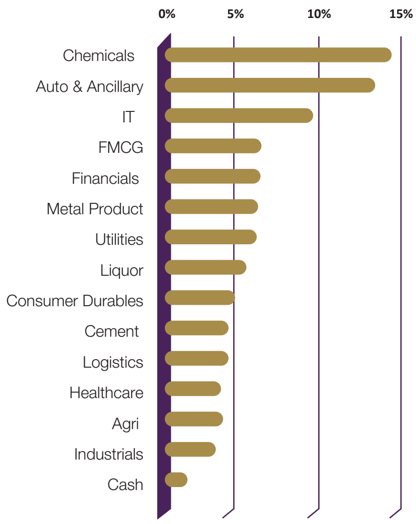
Sr. No.	Top 10 Holdings	% Holdings
1	Tata Consumer Products Ltd.	7.13%
2	Ratnamani Metals & Tubes Ltd.	6.89%
3	Somany Ceramics Ltd.	6.87%
4	Galaxy Surfactants Ltd.	6.67%
5	Radico Khaitan Ltd.	5.99%
6	Crompton Greaves Consumer Electricals Ltd.	5.41%
7	Coforge Ltd.	5.21%
8	JK Lakshmi Cement Ltd.	5.13%
9	Blue Dart Express Ltd.	4.85%
10	Mindtree Ltd.	4.83%

Performanceas on 30th June, 2021

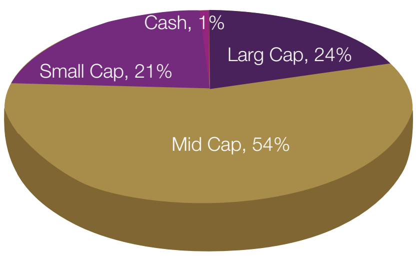


Source: *Anand Rathi Internal Research.*

Sector Allocation



Market Cap Allocation



Data as on 30th June 2021

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.*

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator - 97% (Leverage)	
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)	97% (IRR – ~14.11%)	
Participation Rate (PR1)	100%(From 106% to 132% of Initial Fixing Level)	
Participation Rate (PR2)	7100%(From 131% to 132% of Initial Fixing Level)	
Decay Multiple (DM1) Knock-In Put @ 90%	1.25x (below -10% 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 132% of Initial Fixing Level	Contingent Coupon
	If Final Fixing Level is above 106% & below 132% of Initial Fixing Level	NP-6%)* PR1+ Max(0%,(NP-31%)*PR2
	If Final Fixing Level is above 90% & at or below 106% of Initial Fixing Level	Principle Protected
	If Final Fixing Level is below 90% of Initial Fixing Level	MAX(-100%, MAX((-30%*DM1), NP*DM1)+MIN(0%,(NP+30%)*DM2))

Product IRR* **14.11%**

Tenor **1875 Days**

Target Nifty Perf. **32%**

Product Explanation

NP >= 32%	97% (Contingent Coupon)
31% < NP < 32%	Max(0%,(NP-31%)*PR2
6% < NP < 32%	(NP-6%)* PR1
-10% <= NP <= 6%	Principal Protection
-30% <= NP < -10%	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 15722, adding 150 points contingent: 15872, rounded off to next 100: 15900.
**Historical Standard Deviation is calculated for 1710

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

Technical Analysis

NIFTY:

During the month of June; the index NIFTY spot made a new life high but failed to sustain at higher levels and post correction it failed to confirm a clear breakdown. The index registered a new life high above 15900 and then even took a dip towards 15450 but eventually closed the month marginally in green with a gain of around 0.90%.

If we look at the current price action; we can conclude that although the index was inching higher but it was dragging itself. This indicates that the bulls are losing its steam. If we look at the technical target then the consolidation breakout above 15400 has a potential to bring the index near 16200 – 16400. However that could be the buying climax for the markets because at this point in time there are some red flags which we are observing. The derivative stats indicates that Retail participation is highest in stock futures in comparison to past few years. They have net over 9.5 lac contracts longs in the stock futures and that seems to be a bit heavy. The data is indicating some kind of over optimism. Secondly the index NIFTY 500 is stuck at the larger degree trend line resistance at 13700 mark. This resistance coincides with the 200% retracement of its previous move. The above point dictates that we are reaching an exhaustion point for broader markets. On the contrary; if we assume that NIFTY slides further from here on than in that case 15400 would be a decisive support and a breach of the same would drag the index towards 15000 level. That could again be a buying opportunity. On the whole; we are bullish on a larger perspective but we expect a corrective move in the market. Will that move come after crossing 16000 or it has already started that needs to be watched. 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 to create fresh longs.

BANKNIFTY:

With regards to NIFTY BANK index; it has again disappointed by underperforming the benchmark indices. During the month of June; the index registered a high of 35810 but closed near 34700 mark with a loss of over 2%. 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 sustain above 35000 mark then it could possibly travel towards life time highs of 37700 and also towards 40000 mark. On the downside 33900 could be a major decisive support for the coming weeks. A breach of the same might result it strong selling pressure in the banking space which could drag the index towards 33000 – 32000 in July 2021.

Technical Pick - BUY HAVELLS (TIME FRAME : 1 - 3 MONTHS)

- Another stock on our radar is HAVELLS and it is a consumer electronic stock. After the recent correction; the stock is trading near 1000 mark.
- The placement of its 200 DEMA is near 940 mark and that could act as a strong demand zone in the coming months.
- Further the stock is near to the 50 week's EMA as displayed on the chart. Apart from the year 2020; this 50 WEMA has acted as support for the stock since many years.

- Going ahead we expect fresh rally from the discussed support zones. Traders are advised to accumulate the stock in the range of 1020 - 980 with a stop loss of 885 on closing basis for the upside potential target of 1110 followed by 1155 levels in coming months.

Fixed Income Services

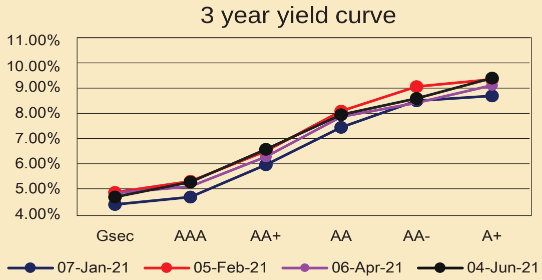
The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its June, 2021 review, with an accommodative stance, as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring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

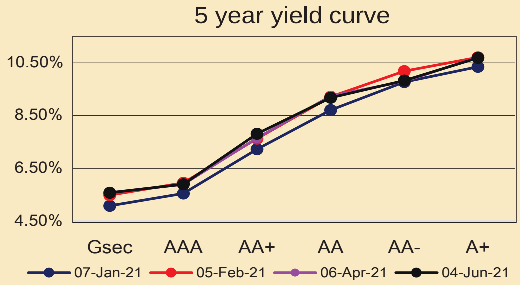
Key Takeaways:

- 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:





Source: RBI Press Release, Fixed Income Databases

Secondary Market Bond Offers

Security	Maturity/C	IP	Rating	Yield
Tax Free Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.20% PFC 2022	01-Feb-22	Annual on 15-Oct	IND AAA/Stable	3.40%
7.15 NTPC 2025	21-Aug-25	Annual on 21-Aug	IND AAA/Stable	3.95%
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	7.45%
8.64% Union Bank Perp 11-Jan-2026	11-Jan-26	Annual on 11-Jan	IND AA	8.20%
8.50 Bank Of Baroda	28-Jul-25	Annual on 28-Jul	AA+ by CRISIL & IND	7.50%
PSU Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.56 REC 2028	29-Nov-28	29-May & 29-Nov	AAA by CRISIL & ICRA	6.75%
6.83 PFC 2031	22-Jan-31	Annual on 22-Jan	AAA CRISIL, ICRA & CARE	6.77%
8.30 REC 2029	25-Jun-29	Annual on 25-Jun	AAA CRISIL, ICRA & CARE	6.87%
Corporate Bonds				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
09.75 Aadhar Housing Finance 2028	29-Sep-28	Annual on 29-Sep	CARE AA	7.85%
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	9.10%
7.90 Muthoot Finance Ltd 2031	30-May-31	Annual on 31-May	CRISIL AA+, ICRA AA+	7.70%
9.50 Shriram Transport Finance Corporation 2023	27-Feb-23	Annual on 26-Feb	AA+ CRISIL	7.40%
7.79 LIC Housing Finance Ltd 2024	18-Oct-24	Annual on 18-Oct	AAA CRISIL & CARE	6.10%
8.65 Tata Capital Financial Services Ltd 2027	26-Aug-27	Annual on 26-Aug	AAA by CRISIL & Care	6.96%
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.'

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.'

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

Chayan
[INVESTMENT PHILOSOPHY]

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

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.

Purnartha
RESEARCH - RESULTS - RELATIONSHIPS

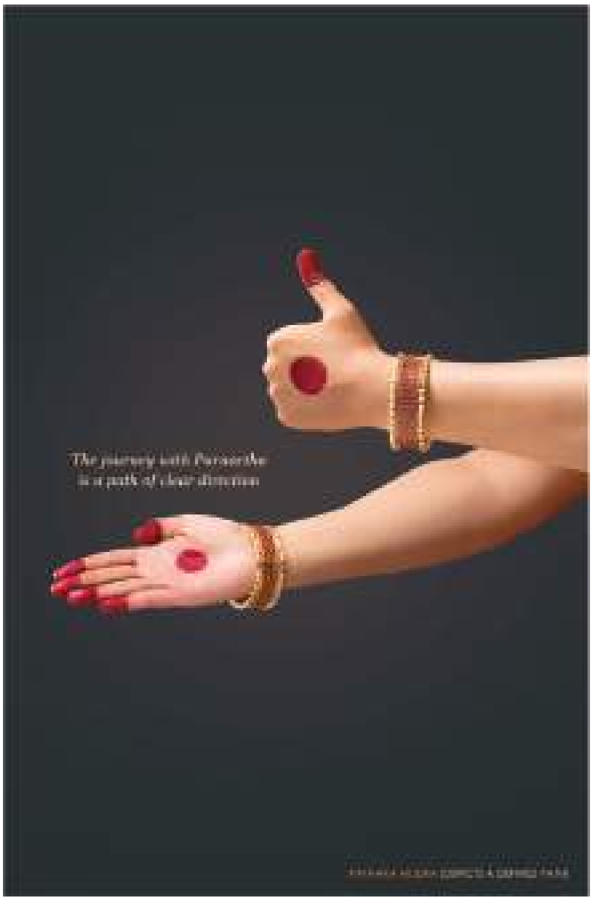
Shodh
[RESEARCH]

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.

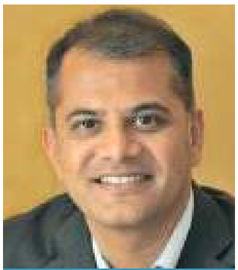


About Marcellus

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



Pramod Gubbi, CFA - Head of Sales

- Formerly, MD Head of Institutional Equities at Ambit Capital
- CEO of Ambit Singapore
- Tech analyst at Clear Capital and also worked in the tech industry HCL Technologies and Philips Semiconductors
- Post graduate in Management from IIM Ahmedabad
- B Tech from Regional Engineering College, Surathkal (NIT, Karnataka)

Rakshit Ranjan, CFA - Portfolio Manager

- Formerly, Portfolio manager of Ambit Capital 's Coffee Can PMS, which was one of India's top performing equity products during 2018
- Ambit's consumer research head, voted as No 1 for Discretionary Consumer and top 3 for Consumer Staples
- At Clear Capital ranked amongst the top 3 UK Insurance analysts
- B Tech from IIT (Delhi)

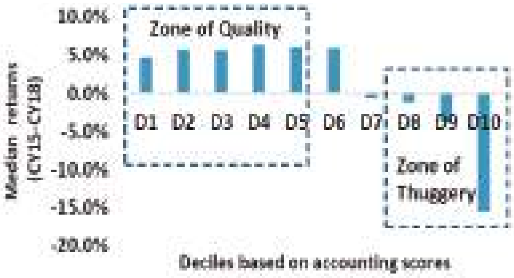
Key steps for identifying consistent compounders

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

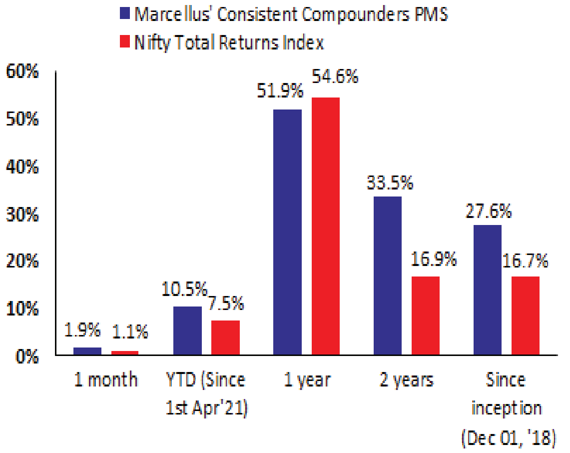
"Most companies tend to focus on short term results and hence that makes them frequently do things that deviate away from their articulated strategy these diversions take them away from the path they have to travel to achieve their long term goals"
- Rama Bijapurkar
Leading market strategy consultant

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

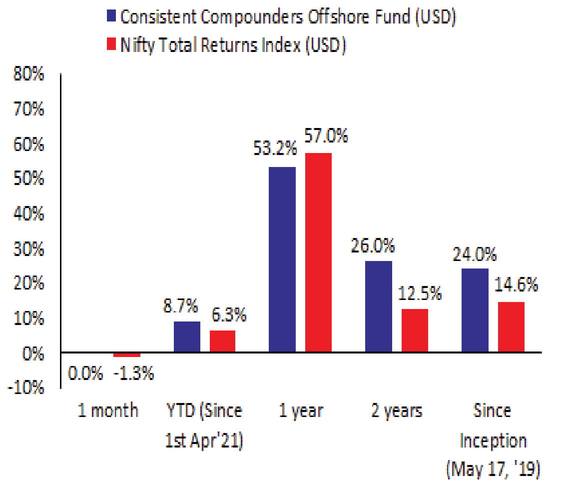
Fund performance (as on 30th June '2021)

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

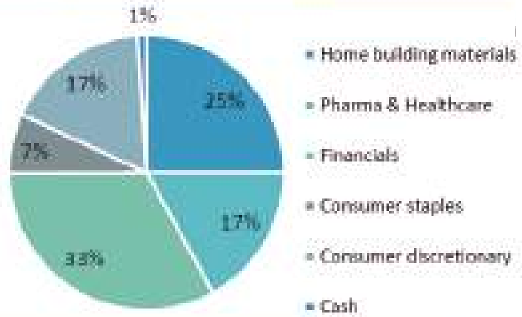
CCP FACTSHEET (1/2)

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



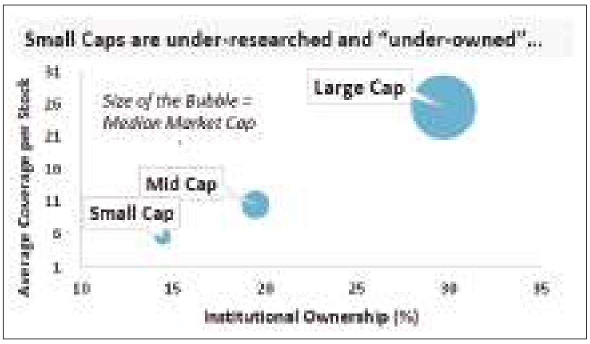
Portfolio Metrics	
Wtd. Avg. Market Cap (INR Cr.)	2,32,515
Portfolio P/E (FY21)	82.91x
Dividend Yield	0.8%
Churn Ratio (TTM)	26%
Std Deviation (12 month rolling)	13.9%
Sharpe Ratio (12 month rolling)	1.53

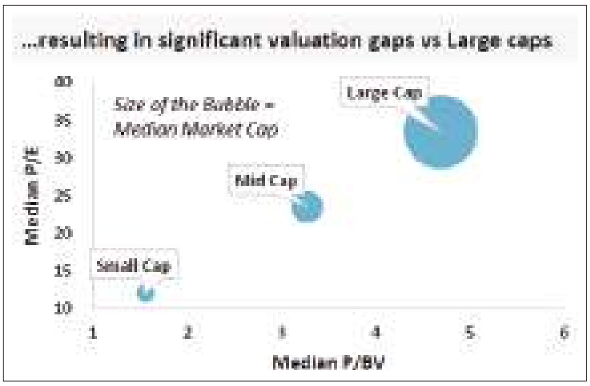
SMALL CAP INVESTING: OPPORTUNITIES

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.

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

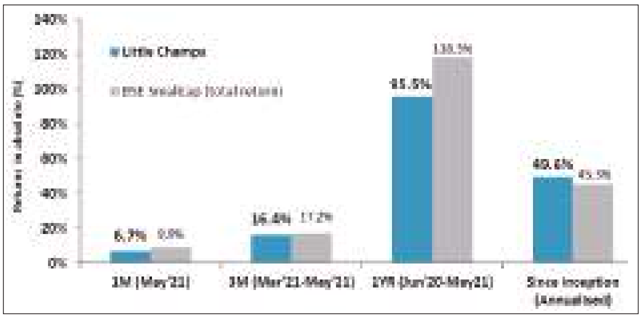
~15 - 20 Little Champs

Final portfolio of ~15 20 Cos.

LITTLE CHAMPS PMS*

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 transact ion 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

Key Investment Objectives Achieved through…

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

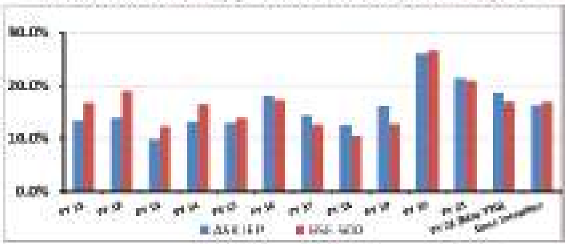
Unparalleled track record of Low Volatility

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

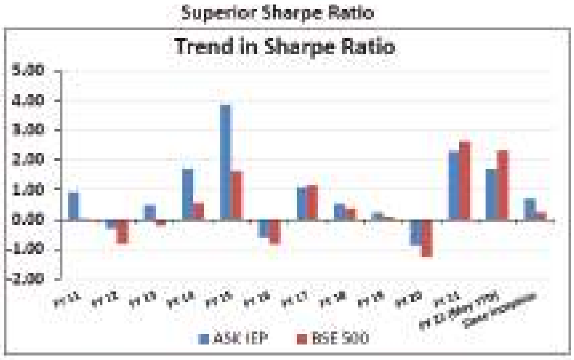
FY-wise Drawdown Analysis of ASK IEP

	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

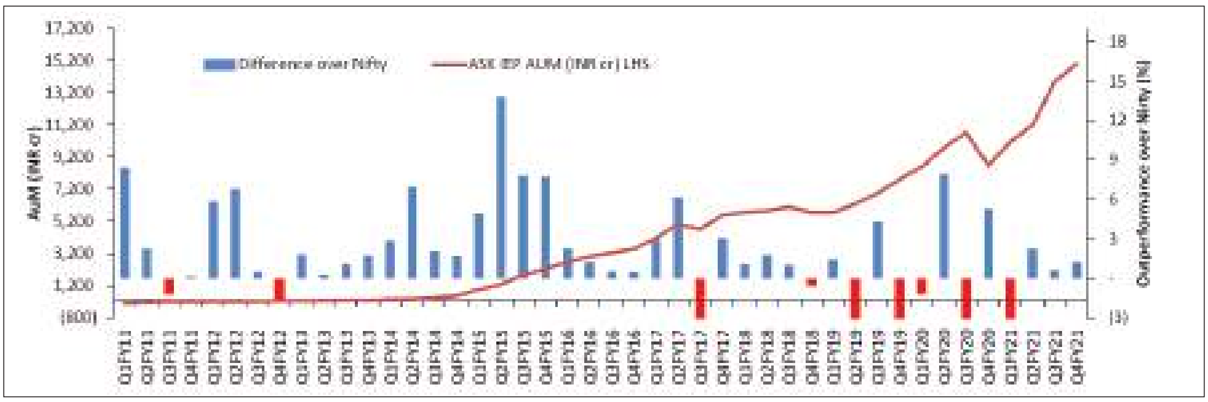
(INR)	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY19	FY20	FY21	FY22 (May YTD)
ASK IEP	21.7%	2.8%	12.8%	34.5%	73.0%	-4.5%	24.9%	14.5%	10.8%	-17.8%	68.6%	6.1%
BSE 500	7.5%	-9.1%	4.8%	17.1%	33.2%	-7.8%	24.0%	11.8%	8.3%	-27.5%	76.6%	7.4%
Nifty	11.1%	-9.2%	7.3%	18.0%	26.7%	-8.9%	18.5%	10.2%	14.9%	-26.0%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

632% vs. 215%

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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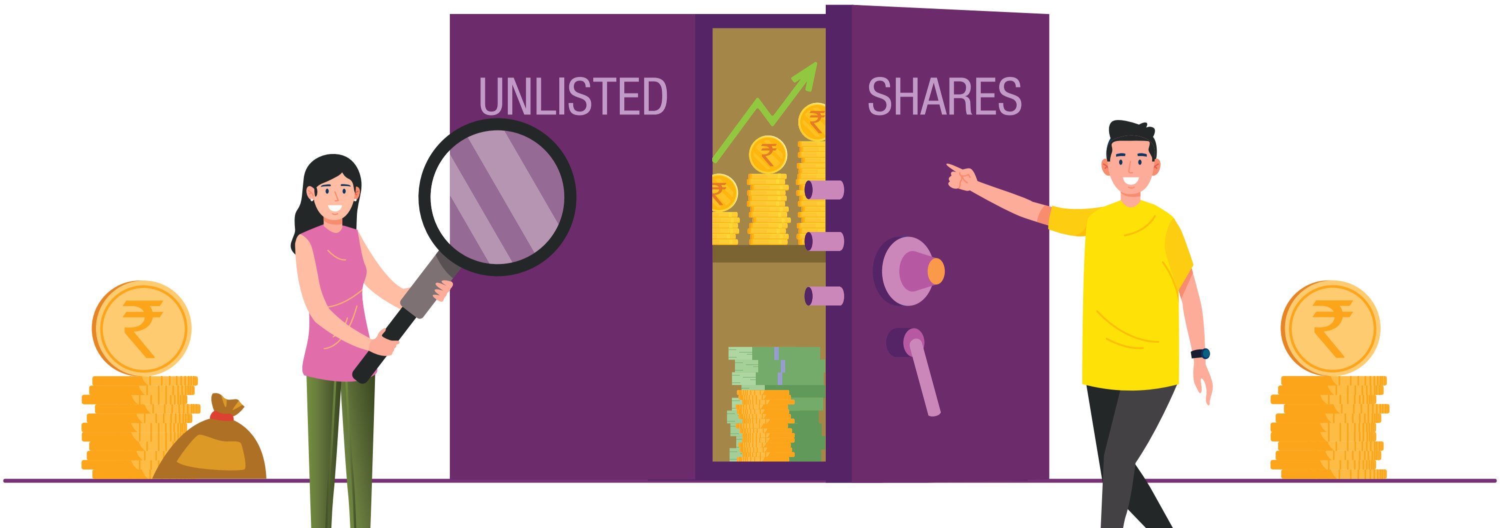

What are
Unlisted Shares*?

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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