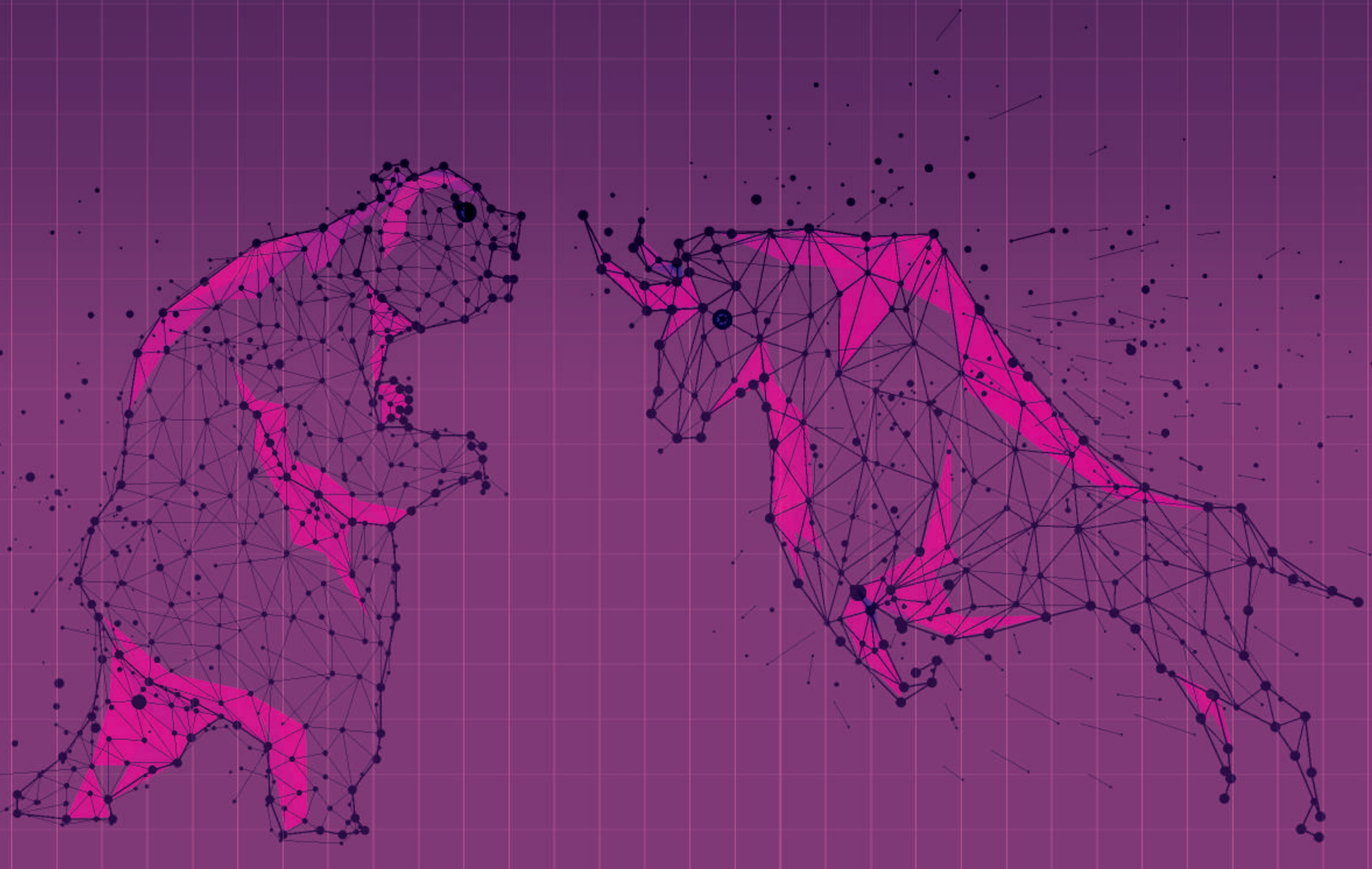
AnandRathi
Private Client Group
Equity

FINANCIAL FLASH

December 2021



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PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

In my previous month's Financial Flash page we have advised a cautious tone to the market and Nov has been a month of volatility, from the highs of 18200 to the bottom of 17000, the market has been sloppy during the month. The market has already corrected by 8%-9% from the top and further correction is warranted. On the other hand, FIIs has been continuous seller to an extent of 39,900CR whereas DII has been net buyer to an extent of 30,560CR. Except IT & Consumer Durable which has been in marginal positive, most of the sectors were in the downturn.

In the IPO space, more than 35000 CR of Fundraising has been done in Nov. But the biggest debacle was Paytm. It was the largest IPO in history at Rs.18,300 CR. The subscription at 1.89 times was disappointing. Worse still, the stock cracked 41% from the IPO price, before staging a late comeback.

Going forward, the market will be a lot more volatile with concerns of US inflation which is @ 6.2% for the year, Fed Tapering, OMICRON virus, would be how big can be the effect which is out of anybody's guess. We believe that markets will be in on a consolidation mode and will remain volatile. Dec will be a lackluster month as FIIs will be in a holiday mood by the end of the month. Jan will be the month where most of the companies will be declaring their Qtrly numbers. We believe there will be pressure on the operating margins, especially companies that are unable to pass on the rising input prices to the end customer.

The economy is still in a growth phase and most of the High-Frequency Indicators are showing we are back to the pre-Covid levels in terms of e-way bill by volumes, merchandise exports, rail freight traffic, cement production, power consumption, fuel consumption, air traffic, GST collections, IIP numbers, etc which suggest not only the recovery is complete but gathering momentum.

It is time to be unemotional and it is time to protect gains and have some cash to buy when the risk-reward ratio is utterly in favor of the investors. Trading by headlines regarding the new variant of the virus in the past few days shows the lack of confidence on the part of the bulls and bears will likely have an upper hand in the coming weeks. Churn your portfolio and stick with high-quality defensive names for the moment. Pharmaceutical and IT stocks can provide the alpha. A slow and staggering investment approach spread across the next 4-6 weeks can be a strategy to consider.

Going ahead it will be more of a sector approach and within sectors, one needs to be very choosy about stocks to buy in their portfolio. Might be on an Index level we might not see much appreciation for the year but sector & stock-specific we can aspect a lot of momentum. On dips, one should look at stock from the IT, Power, Bank, etc for their long-term holding. The few stocks which we like the most are Infosys, LTTS, Bajaj Finance, Pidilite, ICICI Bank, Tata Power.

Factors going ahead, to watch in Dec-21 which will set the next tone of next move in the market:

1) The RBI Policy and the Fed meeting in mid-December will set the tone for liquidity and the trajectory of the rate.

2) IPO flows will be a critical factor with IPOs worth Rs.40,000 CR expected to hit the primary markets on Dec 21.

3) One issue that will dominate the markets in Dec-21 will be the Omicron variant.

Market Commentary

The Nifty index ended the November month at 16,983.2 with a negative return of 3.9%. However, Sensex ended the November month at 57,064.87 with a negative return of 3.78%.

Markets made an optimistic start as traders took support with industry chamber PHDCCI stating that India's economic recovery gained momentum in recent months on the back of rapid progress in vaccinations, festive season, and consequent improvement in consumer and industry sentiments. On the very next day, traders turned pessimistic and markets took a U-turn as traders got anxious with Rating agency Crisil's latest report stated that higher diesel prices will shave off the overall profitability of transporters despite an improvement in freight rates since last month following the withdrawal of the monsoons, consumption recovery and higher infrastructure activity. Markets extended losses on following two trading sessions as sentiments remain dampened with Revenue Secretary Tarun Bajaj's statement that excise duty cut on diesel and petrol prices will burden the government's coffers, but it has no plans to increase the borrowing immediately. However, consider buying on the final day of the week took markets in green terrain for the week as traders opted to buy risky assets after RBI's Governor Shaktikanta Das said that RBI Retail Direct Scheme and Reserve Bank Integrated Ombudsman Scheme will provide further impetus to India's journey towards a more inclusive and responsive financial system.

Markets made a quiet start of the holiday truncated week as traders remained anxious with data showing that retail inflation based on Consumer Price Index (CPI) inched up to 4.48 percent in October compared to 4.35 percent in September, due to an uptick in food prices. Sentiments dented further with Finance Secretary T V Somanathan's statement that the entire revenue loss on account of reduction in excise duty on petrol and diesel by Rs 10 and Rs 5 a liter respectively will be borne by the Centre. Key gauges extended southward journey till the end of the week as Fitch Ratings has kept India's sovereign rating unchanged at 'BBB-' with a negative outlook.

Markets started the week on a pessimistic note as RBI data showed the country's foreign exchange reserves declined by $763 million to $640.112 billion in the week ended November 12, 2021. Adding to the pessimism, the government increased GST applicable on finished products such as apparel, textiles, and footwear from 5 percent to 12 percent, effective January 2022. However, complete carnage on the final day of the week mainly dragged Sensex and Nifty near their crucial 57,100 and 17,000 levels, respectively as the emergence of a new, highly mutated Covid-19 variant spooked global investors, which already were worried over impending stimulus taper and interest rate hikes by the US Federal Reserve and other central banks.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) rose from 55.9 in October to 57.6 in November, signaling the strongest improvement in the health of the sector for ten months. Moreover, the headline figure was well above its long-run average of 53.6.

The IHS Markit India Services PMI posted 58.1 in November, down only fractionally from 58.4 in October. PMI data for November indicated that the Indian service sector continued to strengthen, with a substantial upturn in new orders underpinning output growth. The combined Index of Eight Core Industries stood at 136.2 in October 2021 which increased by 7.5% as compared to the Index of October 2020. Coal, Natural Gas, Refinery Products, Fertilizers, Steel, Cement & Electricity recorded growth whereas Crude Oil recorded negative growth.

India's retail inflation, measured by CPI rose marginally to 4.48 % in October as compared to 4.35% in September, mainly due to higher fuel and edible oil prices. Wholesale price-based inflation (WPI) rose to 12.54% in October. The high rate of inflation in October 2021 is primarily due to the rise in prices of mineral oils, basic metals, food products, crude petroleum & natural gas, chemicals and chemical products, etc. as compared to the corresponding month of the previous year.

Regarding export-import activity, India's exports grew by 26.49% year over year at $29.88 billion in November while imports increased by 57.18% year over year to $53.15 billion. The Goods and Services Tax (GST) collection in November stood at ₹1,31,526 crore.

Also, India's foreign exchange reserves increased by $289 million to $640.4 billion in the week ended November 19. Foreign currency assets (FCAs), a key component of the overall reserves, increased by $225 million. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 2,521 crores in November, driven by net outflows in equity of Rs. 5,945 crore.

On the global front, The U.S. markets ended mostly higher during the passing week after a report released by the Labor Department showed first-time claims for U.S. unemployment benefits slid to their lowest level in over fifty years in the week ended November 20th. Some support also came in as Personal income in the U.S. rebounded by more than expected in October, according to a report released by the Commerce

Department, while the report also showed a bigger than expected jump in personal spending. Meanwhile, revised data released by the Commerce Department showed the U.S. economy grew by slightly more than previously estimated in the third quarter. Despite the slightly stronger than previously estimated increase, the GDP growth in the third quarter still reflects a substantial slowdown from the 6.7 percent spike in the second quarter. However, sentiments were cautious amid reflecting concerns about the pace of inflation, the minutes of the Federal Reserve's monetary policy meeting in early November revealed some participants felt the central bank should be prepared to raise interest rates sooner than currently anticipated.

In the labor market, first-time claims for U.S. unemployment benefits increased in the week ended November 27, according to a report released by the Labor Department. The report said initial jobless claims moved higher to 222,000, an increase of 28,000 from the previous week's revised level of 194,000. The street had expected jobless claims to rise to 240,000 from 194,000 revised levels reported for the previous week.

Meanwhile, IHS Markit signaled the second-weakest rise in production recorded over the past 14 months as producers reported further near-record supply delays and a slowing of new order inflows to the softest so far this year. Jobs growth also waned amid difficulties filling vacancies. IHS Markit U.S. Manufacturing PMI stood at 58.3 in November, down fractionally from 58.4 in October.

The Eurozone manufacturing sector growth stabilized in November, following a four-month slowdown from June’s record expansion. However, factory operations across the euro area continued to be hindered by severe supply-related constraints. The final reading of the IHS Markit Eurozone Manufacturing PMI increased to 58.4 in November, from 58.3 in October (and compared with the ‘flash’ estimate of 58.6). As per the report of the global data firm, “A strong headline PMI reading masks just how tough business conditions are for manufacturers at the moment. Although demand remains strong, as witnessed by a further solid improvement in new order inflows, supply chains continue to deteriorate at a worrying rate. Shortages of inputs have restricted production growth so far in the fourth quarter to the weakest seen over the past year and a half.”

The final au Jibun Bank Manufacturing PMI rose from 53.2 in October to 54.5 in November. This signaled the strongest improvement in the health of the sector since January 2018 and the tenth consecutive month of overall growth.

Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for November rose to 50.1 in November from 49.2 in October. The country’s non-manufacturing PMI, which gauges sentiment in the services and construction sectors, was at 52.3 in November, a little change from 52.4 in October.

Going Ahead

After nearly two years, the global economy is very close to normalization. While the initial impact on the industry was devastating but with the gradual removal of lockdown restrictions, pent-up demand, and stimulus measures, the economy has rebounded smartly since late 2020. With the rapid roll-out of vaccination, most services activities are also normalizing. Currently, employment situations and job market conditions in most countries remain buoyant. Supply-side constraints including logistic bottlenecks are improving. After the rapid rise, most commodity prices are cooling off. The risk of severe disorderly corrections in the Chinese property market and the spillover impact on the global economy has also waned. Overall, the current performance and outlook of the global economy look healthy.

With the rapid rise in inflation and normalization of growth, central banks are under pressure to withdraw part of the extraordinarily accommodative monetary measures rolled out during the pandemic. Some of the countries have started the process and India too may adopt similar steps in time to come. Interest rates especially bond yields are reacting to this and showing a rising trend.

Geopolitical uncertainties are on the rise. US-China differences have escalated, and this is likely to have long-term implications. Internally, China going through deep political, economic, and policy transitions, which at very least can depress growth in the country in the foreseeable future.

The coming month also marks an important event for traders as the winter session of the Parliament going to commence from November 29 and conclude on December 23. The winter session assumes significance as it will be held just months before the assembly elections in five states, including politically crucial Uttar Pradesh, which is seen as a semi-final for the 2024 general elections. Twenty-six bills including the Cryptocurrency Bill and withdrawal of three farm laws have been listed in the Lok Sabha. Three ordinances are also scheduled to be passed in the house. Post Q2 result season, Dalal Street will look towards macros for hints to move the needle in broader markets. Inflation being a key factor will be at the center of all news in the upcoming month since the RBI MPC meeting is scheduled in Dec.

While crude oil prices are going to be volatile in the near term and the severity of the new Covid-variant is yet to be determined, the market seems to have taken its precaution.

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

Sustainability of growth recovery remains a priority for the Indian central bank as it continues to monitor the inflation situation and maintains the rates steady. GDP growth forecast stands unchanged at 9.5% for FY22 and 7.8% for FY23. The expectation of easing inflationary pressures augurs well for a more gradual path to policy normalization. While domestic growth remains on track as indicated by improving high-frequency indicators, some supply-side disruptions continue in a few sectors. Policy intent has shifted from consumption focus to investment-driven growth. Low-interest rates, good liquidity, increasing aggregate demand, better health of the banking system, and supportive policy measures provide a good backdrop for an upturn in capes growth. Strong global demand conditions are supportive of exports growth. Improving consumption and exports could boost capacity utilization levels. In addition to this, a conducive environment with negative real rates and recovery in corporate revenue growth could strengthen the balance sheet position for corporates.

Identification of project opportunities under the National Infrastructure Pipeline increased government spending on infrastructure as well as incentivizing private corporate CAPEX is expected to spur investment in infrastructure – a prerequisite to sustainable growth. Additionally, policies being implemented around improving the business environment and attracting manufacturing investment bode well for CAPEX growth. Given the multiplier effect of rising CAPEX ratios, a boost to employment prospects, income, and consumption growth could in turn contribute to robust economic and corporate profit growth. The improvement is seen in household Capex is expected to provide further impetus to growth momentum, aided by pent-up demand, low-interest rates, and rise in aggregate demand led by job addition in key sectors including technology. In conclusion, these factors collectively engender a well-balanced CAPEX growth trend with participation from the government, private sector, and household.

The risks to the outlook could emanate from a continued surge in global energy prices. Any slack in the current pace of domestic vaccination and the spread of virus variants could pose risk to economic resurgence. Tightening of accommodative monetary policy by key central banks affecting global financial liquidity conditions could weigh on capital flows to EMs like India. That said, India could be a beneficiary of global supply chain diversification with global companies keen on implementing the China plus one model. With earnings growth staging a gradual catch-up, domestic market valuations continue to appear rich at present even as investment opportunities exist at the stock level. From an investment perspective, with elevated index levels across all market capitalization categories due to the recent rally, we recommend a staggered & systematic approach instead of making lump sum investments at this juncture

Debt Outlook

Inflation came lower, backed by lower food prices, thereby beating the global trend of rising food prices. This will provide the RBI with a much-required breathing space. GST collections for October stood at INR 1.4 trillion and were at their highest since July, indicative of spending, which augurs well for the economy. The PMI services index for September came in at a decadal high. However, global supply-side challenges may change the macroeconomic dynamics for India. The current improvement in both inflation and growth may not be enduring in nature as higher crude oil prices could impact inflation. We believe that inflation may continue to benefit from a favorable base effect.

The central government's fiscal position for H1FY22 has been better over the corresponding period of FY21. The outlook for government finances appears encouraging as economic activity continues to gain further momentum. The government had restricted growth in expenditure to a large extent which has helped to control the deficit. However, the disinvestment target of INR 1.75 trillion may be a challenge. The International Monetary Fund in its recent World Economic Outlook has projected the global economy to grow 5.9% (against 6.0%) in 2021 and 4.9% (unchanged) in 2022. The downward revision for 2021 reflects a downgrade for advanced economies partly due to supply disruptions and worsening macroeconomic conditions for developing economies.

Overall, bond supply pressure is less heavy in H2FY22. VRRR drained liquidity from the short end due to which yields in this segment moved up. RBI has embarked on a gradual exit from the prevailing loose monetary policy by reducing short-term liquidity through measured increases in the VRRR. Subsequently, we expect the RBI to narrow the policy rate corridor through a reverse repo hike depending on evolving conditions. We have added some long-term exposure to our portfolios owning to the steepness of the yield curve. We believe that the yields in the mid part of the curve are reasonably priced with moderate duration. Even with yields tending to inch up, higher accruals could provide a buffer to mitigate some of the erosion in price. Investors may consider investing in funds that offer such exposure along with lower volatility. Investors may also consider floating rate funds as they provide a hedge against a rise in interest rates.

Focused Equity Mutual Funds and Returns

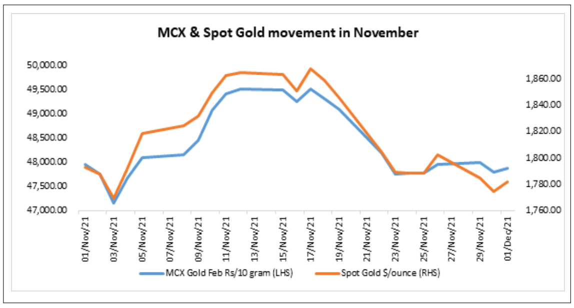
Large Cap	1 Years	3 Years	5 Years	Since Inception
Mirae Asset Large Cap Fund	33.17	17.22	17.11	16.16
Canara Rebeco Bluechip Fund	31.26	20.64	18.50	13.33
Franklin India Bluechip Fund	38.43	16.56	13.62	16.78
Large & Midcap				
Kotak Equity Opportunities Fund	32.60	19.52	16.23	18.63
Flexi Cap				
Canara Robeco Flexi Cap Fund	36.83	21.33	19.43	18.62
Parag Parikh Flexi Cap Fund	47.92	28.79	22.54	20.81
HDFC Flexi Cap Fund	45.84	16.13	14.70	18.49
Midcap Fund				
Kotak Emerging Equity Fund	49.69	25.52	18.88	14.33
DSP Midcap Reg Gr	29.88	20.45	16.26	15.72
Focused Fund				
SBI Focused Equity Fund	50.63	25.32	20.58	20.58
ICICI Pru Focused Equity Fund	43.19	19.44	14.90	13.47
ELSS				
Aditya Birla SL Tax Relief '96 Fund	19.87	10.88	13.12	10.93
Axis Long Term Equity Fund	33.14	20.22	18.87	18.26
Mirae Asset Tax Saver Fund	40.34	22.88	21.39	20.89

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Commodities Outlook

In November, Gold dropped, erasing early gains as Biden picks Powell for a second term



(Source: Bloomberg)

Spot gold declined in November by 0.45% or $8 and closed at $ 1,774.75 per troy ounce after the US President decided to re-nominate Powell as Federal Reserve Chair, who is seen as less dovish than the other top candidate Lael Brainard. Meanwhile, Federal Reserve officials Richard Clarida and Christopher Waller suggested that a faster pace of stimulus tapering may be appropriate amid a strong economic recovery and rising inflation, bolstering expectations for an earlier interest rate hike. MCX Gold which rallied in the first half of November owing to increased retail demand declined sharply and closed at Rs. 47,805 per 10 gram.

Earlier in the month, Gold rose after Fed pointed out that inflation is transitory and further heal in the labor market is required for rate hikes and announced it would begin tapering its $120 billion monthly asset purchases as expected. Fed emphasized in the November policy meeting that investors should not view the end of its asset purchases as a signal that rate hikes are imminent, as Chairman Powell pointed that supply bottlenecks and shortages are keeping inflation high. US benchmark Treasury yields dropped below 1.5% following the less hawkish comments, which underpinned the yellow metal. The yellow metal continued the rally after the annual inflation rate in the US surged to 6.2% in October, the highest since 1990 and Fed was less hawkish after the policy meeting.
Gold remained elevated as Fed's Neel Kashkari said that although he expects higher inflation to continue over the next few months, the Fed should not overreact to elevated inflation as it is likely to be temporary. However, upbeat retail sales and industrial production data for October boosted dollar the dollar rally to levels not seen since July 2020, paring the earlier gains in the yellow metal. Adding to the pain, Federal Reserve Governor Christopher Waller said the US central bank may have to quicken the asset purchases and pivot off near-zero interest rates faster if job growth remains robust with inflation far above the central bank's 2% target.

The yellow metal couldn't sustain the gains as the Federal Reserve chairman Jerome Powell's reappointment pushed the dollar to fresh 16-month highs and bond yields closer to 1-month highs. Gold remained under pressure after the minutes from the last FOMC meeting showed Fed officials are ready to adjust the pace of asset purchases and raise interest rates sooner than anticipated if inflation proves to be more persistent. Along with that, the latest data showed weekly unemployment claims in the US fell to the lowest level since 1969, third-quarter GDP rose 2.1% and US PCE prices accelerated to 0.6% in October, all pointing to a sharp economic recovery and continued upward price pressures.

Holdings at the SPDR Gold trust rose 1.36% in November and closed at 992.85 tonnes, against 979.52 tonnes from the beginning of the month as investors placed bets on safe-haven assets.
In November, spot silver declined by 4.36% after rising in October and closed at $22.82 per troy ounce amid broad weakness in industrial metals and bullion. Silver declined below $23 amid expectations of higher interest rates after Jerome Powell has been nominated for a second term as chair of the US Federal Reserve by President Joe Biden, signaling a continuation to the current withdraw of extraordinary stimulus and raising expectations of a sooner increase in the Feds fund rate. Along with that several Fed officials have come up with hawkish comments in the previous weeks regarding a faster taper and early rate hikes on the back of surging inflation, which weighed on the silver prices.

Bullion Outlook

Gold might be volatile for the month ahead of the Fed policy meeting. Meanwhile, Federal Reserve Chair Jerome Powell said the central bank will likely discuss a faster withdrawal of its massive bond-buying program at its next meeting, which might seem negative for gold. Powell also ditched the transitory inflation tag, citing a strong economy and expectations that factors pushing inflation upward will linger well into next year. Several policymakers have been calling for faster asset purchases and higher interest rates, as the US inflation hit a three-decade high in November and there is a steady recovery in the labor market. If early tightening happens at the cost of economic growth, that might be positive for Gold. MCX Gold February may decline to Rs. 47,000 per 10 gram however we also don't deny the possibility of a technical pullback to Rs. 48,500 per 10 grams later in the month.

Energy commodities plunged to a multi-month low, rattled by Omicron, supply concern, and Powell statements.

MCX Crude oil futures continuously fell for all the weeks in November and closed at Rs. 4,896 per bbl, down by approx. 22%. The doomsday for Crude began with the news of potential reserve release from the US to cool down the surging inflation. However, crude oil recovered a bit after the announcement of the coordinated release of oil reserves in the US, India, China, Japan, the Republic of Korea, and the UK fell short of expectations. A rise in a new variant of Covid-19 cases in Europe and fresh lockdowns also raised concerns on the demand front during mid-November, when OPEC is consistently increasing the output by each month. However, growing demand concerns after the new coronavirus variant, Omicron was detected in South Africa triggering worry about the potential for travel restrictions. Oil markets were already under pressure amid concerns about a wider global oil market surplus in the first quarter of 2022 following the announcement of a coordinated release of crude reserves among major consumers earlier in the week.

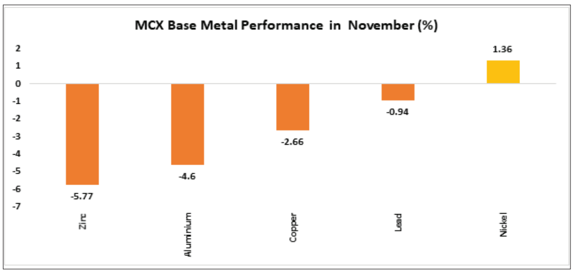
Having said that, prices tried to recover a bit on speculation that OPEC might cut output due to the weak demand outlook in the weak of new variant and restrictions. A sharp fall was seen towards the end of the month on renewed demand concerns after the head of drugmaker Moderna told the Financial Times that COVID-19 vaccines are unlikely to be as effective against the Omicron variant of the coronavirus as they have been against the Delta variant.

US gas futures had their worst November in two decades as mild weather killed heating demand ahead of winter. December began with record warm temperatures across the central U.S. and the promise of seasonally balmy weather for weeks ahead, holding down natural gas consumption when the world struggles with high fuel prices and inflation. But warmer conditions have allowed producers to refill stockpiles to near-normal levels, sending prices plunging 30% from October highs. Unseasonably mild weather has deflated an October rally that saw gas futures hit a seven-year high. Traders were then betting that inventories were too low to withstand a harsh winter. The recent decline stands in stark contrast to what's happening in Europe, where gas supplies remain tight and prices have more than quadrupled this year.

Energy Outlook

Crude oil in December future may experience a short-covering after a massive fall which it witnessed in November. Moreover, crude oil futures may rise after OPEC+ said it stands ready to quickly adjust output plans if demand suffered from measures to contain the Omicron variant. OPEC+ surprised markets when it stuck to plans to add 400,000 BPD supply in January, seen as a move meant to appease Washington. US deputy energy secretary David Turk previously said President Biden's administration could adjust the timing of its planned release of strategic crude oil stockpiles if global energy prices drop substantially. Meanwhile, the producers have since calmed markets, saying they would meet again before their next scheduled meeting on Jan. 4, if needed, to review supply additions in light of virus-related developments. MCX Crude oil December may rebound to Rs. 5,400 per bbl in December. We're just not looking at a cold start to December. At the moment outlooks into December month suggest most of the US states would hover between weather extremes, leaving consumption of gas relatively modest for this time of year. Amid the forecast of warmer weather for the next 10 to 14 days, we don't expect natural gas to rally further. We recommend to short on every bounce. MCX Natural gas December expiry may fall to Rs. 290 per mmBtu.

Base metals declined in November amid fear of resurgence of new variant of Covid-19 virus



Industrial metals plunged in November as the emergence of a fast-spreading and highly mutated Covid-19 strain sparked a selloff across financial markets. Base metals including zinc, copper and aluminium fell as investors weighed the risk that the new variant identified in South Africa may spur fresh outbreaks and derail growth in the world's leading industrial economies. Scientists say it carries a high number of mutations that could make it more effective at evading existing vaccines. The new strain creates fresh risks to the outlook for metals demand, imperilling a recent rebound in prices driven by chronic supply constraints that have led to sharp drawdowns in global inventories.

The ISM Manufacturing PMI in the United States edged up to 61.1 in November 2021, from 60.8 in the previous month and broadly in line with market consensus of 61.0. The latest reading indicated expansion in the manufacturing sector for the 18th month in a row after a contraction in April 2020, even as factories continued to struggle with pandemic-related shortages of raw materials.

The property slowdown in China also keeps weighing on the demand outlook. Industrial metals fell after Chinese supplies steadied, while the property slowdown continues to cloud the demand outlook.

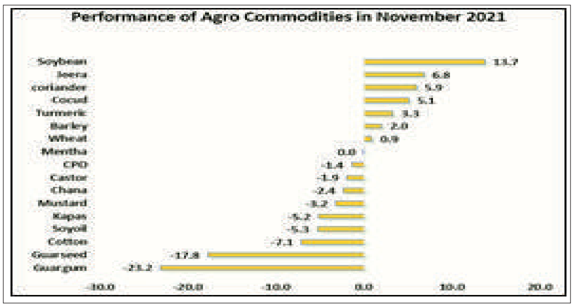
Outlook

Uncertainty about the possible consequences of the new virus variant reminds the markets that this pandemic is not over yet. The outlook for metals remains uncertain, with concerns over a slowing Chinese economy and quicker-than-expected stimulus withdrawal by the Federal Reserve. Still, dwindling inventories and rising premiums for spot contracts point to tight supply. Copper may stay under pressure after Codelco, the world's largest copper producer, projected prices to fall in 2022 amid weak demand from top consumer China, particularly from the property sector. CEO of Chile's Codelco forecast a price decline of up to 9% next year, saying copper supply will outpace demand until 2024. He added that only in 2024 higher demand for electric vehicles will match up with the copper output. MCX Copper December may fall to Rs. 715 per kg but in case a new variant of the Covid-19 virus subsides, the market may turn positive towards Rs. 750 per kg.

Agro Commodities under bear grip - What's in store for December?

Most Agro commodities which were trading at their multi years high level in early November has seen huge selling pressure later in the month as traders continue to focus on the omicron virus variant that may shutter cities and borders once again and curb demand. Particularly talking about the guar complex which has rallied this season after 5-6 years of long consolidation phase, has seen huge selling pressure from its high with guar gum prices posting as much as 23% losses in November.

One-sided rally in guar was on the back of a sharp fall in production this season and gains above



10000 levels were mainly export demand-driven. But now with renewed concerns concerning the demand for guar gum particularly after a plunge in crude oil prices, the upside in the guar complex will remain capped in December as well.

Another commodity that corrected from its decade-high on renewed virus concern is Cotton. MCX Cotton outperformed in October and prices in the home markets made a new high in November as well in line with the global fiber markets. The benchmark US ICE cotton futures neared the 120 cents mark on worries over adverse weather in the US and rising demand that will further tighten the cotton balance sheet. In India, a healthy cotton crop was seen until early September. However, back-to-back cyclonic storms and extended and untimely heavy rains in many cotton-growing states including Maharashtra, Gujarat, and Telangana have impacted crops. Arrival pressure has not been built-in so far but may increase in the latter part of December. Thus, supply pressure would keep a lid on the cotton prices in December.

As far as soya and edible oil complex is concerned, upside in Soybean cannot be ignored in the short term given the restricted supplies in the home markets. Farmers who have seen prices above 10000 level in late last season (Aug-Sep) are not ready to sell their produce at prevailing prices around 6000-6500. However, besides supplies, other factors affecting soybean prices do not support major rallies. Particularly talking about soy meal exports, we don't see a significant quantum of overseas shipments during the peak export period (Oct-Jan) as prices are uncompetitive. Thus by end-December, Soybean prices should come under pressure.

Lastly. the spice complex, particularly talking about Jeera and coriander, which is in its peak sowing period, prices have risen sharply in early November. This is because lower returns in the last 2-3 years have shifted farmers' interest toward more remunerative crops. Coriander sowing has though picked up the pace but Jeera sowing has affected largely. Thus, Jeera is set to rise once again in the coming months. Turmeric harvesting would start by late December but untimely rains, if any, might delay the same. Thus, for turmeric, it is advisable to adopt a wait and watch policy in December.

Anand Rathi PMS

MNC Portfolio

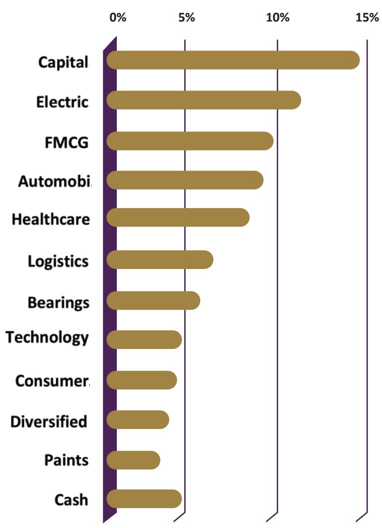
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how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

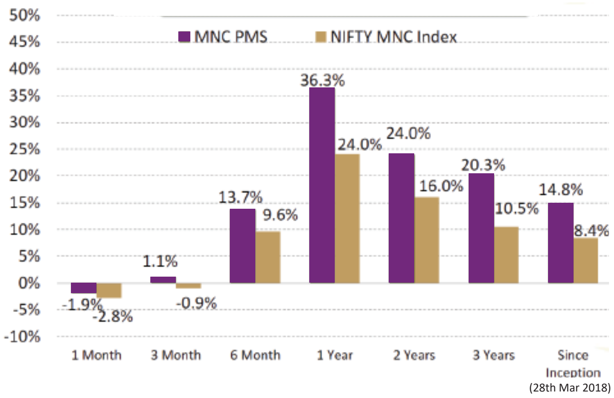
Top Holdings and Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Grindwell Norton Ltd.	8.6%
2	KSB Ltd.	8.2%
3	SKF India Ltd.	7.5%
4	Blue Dart Express Ltd.	6.7%
5	Honeywell Automation India Ltd.	5.5%
6	Coforge Ltd.	5.3%
7	Siemens Ltd.	5.2%
8	Maruti Suzuki India Ltd.	5.2%
9	Hindustan Unilever Ltd.	4.9%
10	MPhasis Ltd.	4.7%

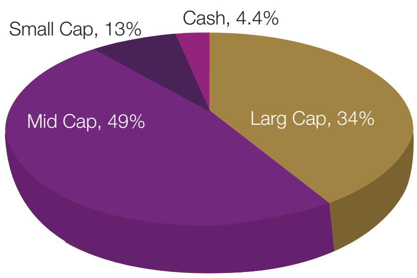
Sector Allocation



Performanceas on 30th November, 2021



Market Cap Allocation



Data as on 30th November 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

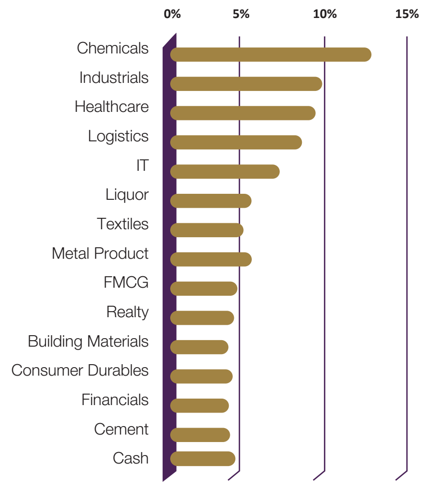
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

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

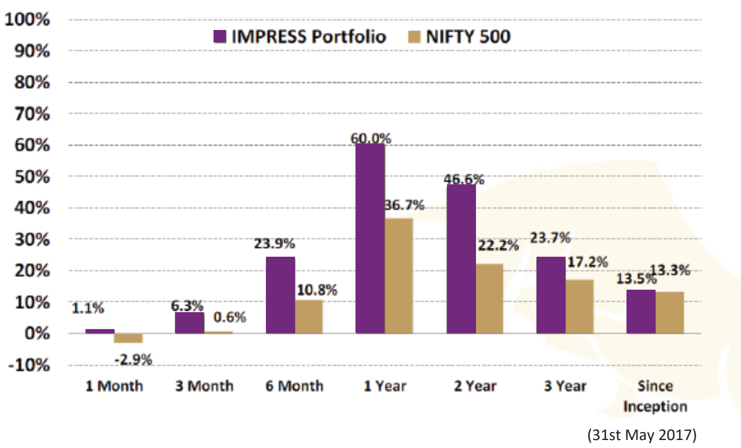
Top Holdings & Market Cap Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Solar Industries India Ltd.	7.7%
2	Radico Khaitan Ltd.	6.9%
3	K.P.R. Mill Ltd.	5.9%
4	Carborundum Universal Ltd.	5.8%
5	Ratnamani Metals & Tubes Ltd.	5.8%
6	Tata Consumer Products Ltd.	5.8%
7	Krishna Institute of Medical Sciences Ltd	5.4%
8	Aarti Industries Ltd.	5.2%
9	Blue Dart Express Ltd.	5.0%
10	Oberoi Realty Ltd.	4.9%

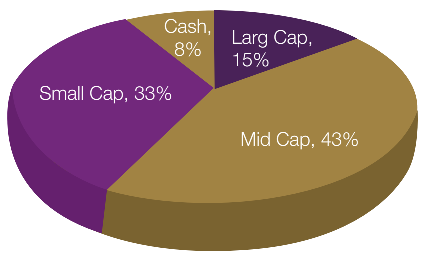
Sector Allocation



Performanceas on 30th November, 2021



Market Cap Allocation



Source: *Anand Rathi Internal Research.*

Data as on 30th November 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 - 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 pointscontingent from closing nifty then rounded to next 100	
Final Fixing Level	Average of Closing NIFTY on last Thursday of 50th, 53rd,& 56thMonth.	
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	PrincipalProtection
	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 >= 33%	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.

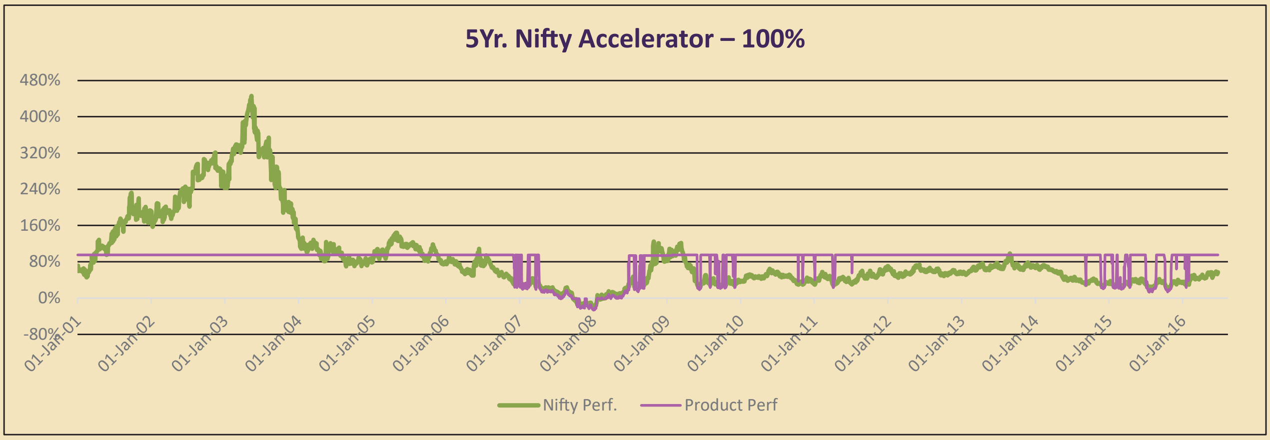
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only)return from 1st Jan'2001 –29thJuly'2021

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Nifty Accelerator - 100%: Product Back Testing

Historical 1710 Day Rolling Return (Nifty Working Days Only)



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

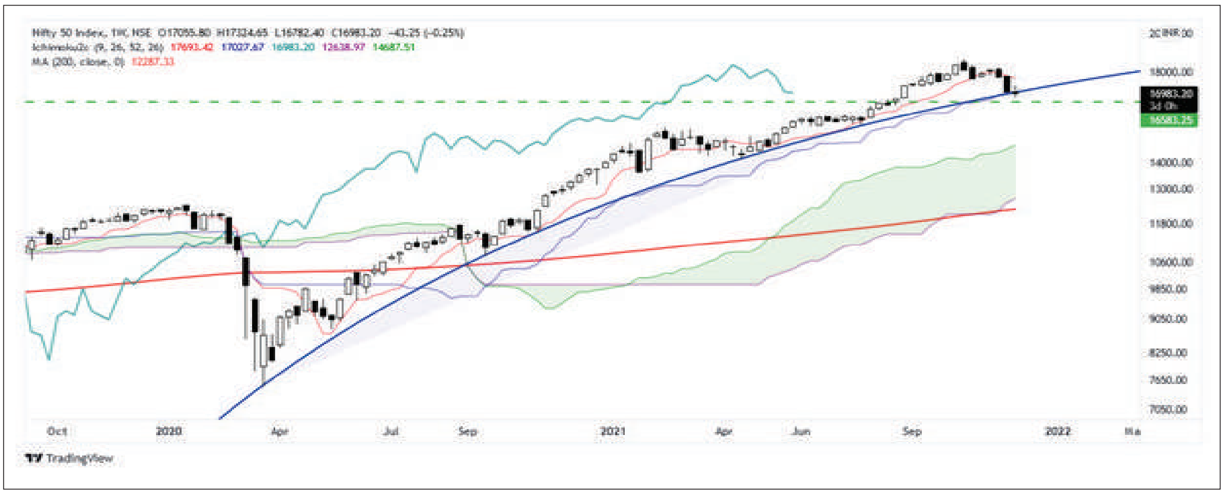
% of time Product has given zero or positive returns	3940	99.52%
Standard Deviation		**4.43%**

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 doesnot 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

It was a dreadful month for the bulls on the D – Street was in the benchmark indices saw one of the biggest monthly falls after March 2020 (MoM basis). Initially, the index NIFTY tried to regain momentum on the upside and sneaked above the 18200 mark. However; in the second half of the month, it tumbled more than 1000 points from the monthly high to sneak below the 17K mark. Yet again the markets were irked by worries over rising cases of COVID 19 (Worldwide) and fear of new variants which could be more harmful. As a result; the index made a low of 16782 and closed the month below the 17K mark with a loss of around 4%.

With regards to derivatives data; rollover data for the December series was contradictory to what we saw during the first session of the series. The rollover data did not indicate heavy shorts apart for some in the NIFTY BANK index. The selloff which happened was all of a sudden due to the news and concern about the new variant of the COVID 19 virus. Technically; the overall target for the HEAD and SHOULDER pattern break down in NIFTY was around 16800 – 16600 and that seems to be achieved. At this point; the index is hovering at the support formed by the rising parabolic trend line as displayed in the chart. In addition; this support coincides with the placement of Kijun of the ICHIMOKU indicator on the weekly scale. Thus going ahead; a low of 16782 would play a critical role for the coming month. A weekly close below the same might reinforce the bears to drag the index much lower. In a worst-case scenario, we expect the index to settle down somewhere near 16100 which is the placement of 200 DSMA. On the upside; only a move above 17400 would reverse the trend. One important observation is that the volatility index VIX has confirmed a range breakout above the 20 mark. IF it sustains here then it might bring more volatility in the coming week. Anything above 25 in VIX could be further precarious.
With regards to the NIFTY BANK index; 35000 – 35000 could be a very decisive level for the index since that is a zone where 200 DSMA is placed and there any multiple supports. Bulls would be hopeful that the fall might get arrested there. A breach of 35000 would reinforce the bears to drag the index much lower. On the contrary; the upside would resume only above the 38000 mark.



Technical Pick – BUY TATACHEM

POTENTIAL UPSIDE 16.27%- 22%

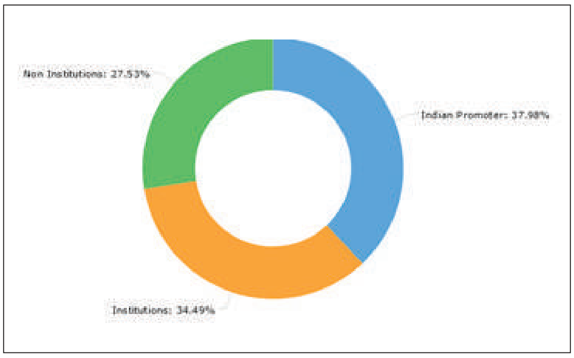
- Since last 1 month; the stock TATACHEM corrected by more than 25% from the top due to ongoing uncertainty. However; before that it was one of the most outperforming stock due to the EV theme.

- Once the Covid fear settles down; we expect the stock to resume it uptrend. Technically; it is hovering just above the rising trend line support.

- The rising trend line support coincides with the previous breakout zone above 820 mark which is acting as a demand point.

- Also below 820 mark the stock has multiple supports at every lower levels. Traders are advised to accumulate the stock in the range of 880 - 840 with a stop loss of 750 on closing basis for the upside potential target of 1000 followed by 1050 levels in coming months.

Shareholding snapshot:



Action	
Stock	**TATACHEM**
Sector	Chemicals
Entry	840-880
Average	800
Stop Loss	750
Target 1	1000
Target 2	1050
Stock Information	
Market Cap. (Rs)	22,208 crs
52 week High/Low	1158 / 388
Face Value	10
O/S Shares	25,47,56,278
Beta (x)	1.21
Technical Parameters	
21 DEMA	912
100 DEMA	872
200 DEMA	778
Derivative Parameters	
OI	7799 contracts
Change in OI	-
Rollover	-

Source: *Bloomberg, Trading View, Spider Software*

Fixed Income Services

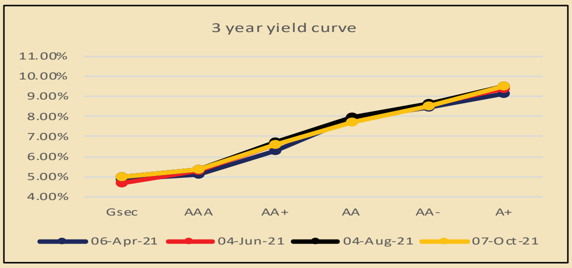
The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its October, 2021 review, with a 5 to 1 majority to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target.

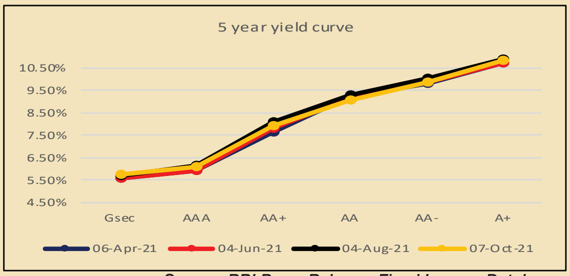
Key Takeaways:

- The projection for CPI inflation has been revised to 5.3% during 2021-22; 5.1% in Q2; 4.5% in Q3; and 5.8% in Q4 of 2021-22, with risks broadly balanced. CPI inflation for Q1:2022-23 is projected at 5.2%

- The projection of real GDP growth for 2021-22 is retained at 9.5% in 2021-22 consisting of 7.9% in Q2; 6.8% in Q3; and 6.1% in Q4 of 2021-22. Real GDP growth for Q1:2022-23 is projected at 17.2%. The policy was in line with market expectations, with the MPC maintaining a unanimous status quo on rates. The RBI announced an increase in the quantum absorbed under the 14 day Variable Reverse Repo Rate (VRRR) to INR 6 trillion by December from the current INR 4 trillion. It decided to discontinue the Government Securities Acquisition Plan (G-SAP) but also assured markets that they would conduct Open Market Operations or Operation Twists if needed. These measures would reduce the excess liquidity in a smooth manner. G-Sec yields hardened post the policy, with the yield curve continuing to be steep. The RBI may begin a gradual exit from the current loose monetary policy by reducing the short term liquidity through the increased VRRR and G-SAP discontinuation. However, weaker than expected growth could push the policy normalisation timelines. Credit yields have eased in the AA+/AA

space 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**
8.71% REC Tax Free 2028 (Reset Coupon @ 8.46%)	24-Sept-28	Annual on 1-Dec	IND AAA/Stable	4.41%
8.50% NHAI 2029	5-Feb-29	Annual on 15-Mar	IND AAA/Stable	4.42%
PSB Perpetual Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.72% SBI Perp 2026	18-Oct-26	Annual on 18-Oct	AA+ by CRISIL & IND	7.52%
7.95% Bank Of Baroda 2026	26-Nov-26	Annual on 26-Nov	AA+ by CRISIL & IND	7.84%
PSU Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
9.09 IRFC 2026	29-Mar-26	15-Apr & 15-Oct	AAA by CARE	6.27%
7.79 PFC 2030	22-Jul-30	Annual on 22-May	AAA CRISIL, ICRA & CARE	6.86%
8.30 REC 2029 (GOI Serviced)	23-Mar-29	25-Mar & 25-Sept	AAA CRISIL, ICRA & CARE	6.69%
Corporate Bonds				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
6.75 Piramal Capital & Housing Finance Ltd. 2031	31-Sept-31	28-Mar & 28-Sept	AA by ICRA & CARE	10.50%
7.45% Mahindra &Mahindra Financial Services Ltd 2031	17-Nov-31	Annual on 17-Nov	AAA by IND Ratings & CARE	7.32%
8.20 India Grid Trust 2031	06-May-31	Annual on 6-May	AAA CRISIL & ICRA	7.45%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.50%
8.07 L&T Finance Ltd 2024	14-Jun-24	Annual on 14-Jun	AAA by CRISIL & ICRA	6.62%
7.02 Bajaj Finance Ltd. 2031	18-Apr-31	Annual on 19-Apr	AAA by IND & CRISIL	7.00%
9.20% Hinduja Leyland Finance Ltd. 2024	13-Sept-24	Annual on 13-Sept	AA-/Stable by CARE	9.45%
7.40 Muthoot Finance Ltd 2024 (Secured)	5-Jan-24	Annual on 5-Nov	AA+ by CRISIL & ICRA	6.25%
7.30 Tata Capital Housing Finance Ltd 2031 (Secured)	7-Nov-31	Annual on 9-Nov	AAA by CRISIL & ICRA	7.16%

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.'

MA₹CELLUS

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

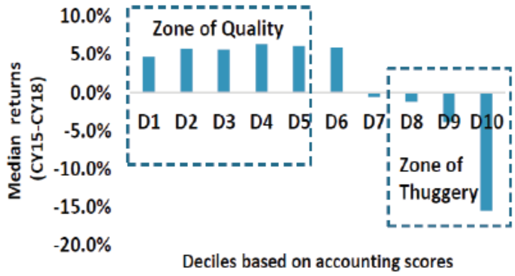
Key steps for identifying consistent compounders

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



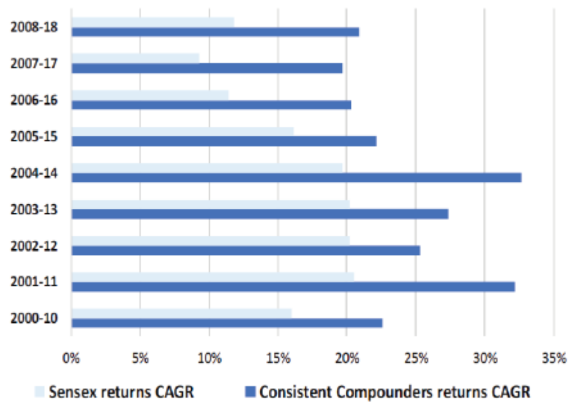
Note: Returns above represent median of decile-wise median returns calculated for every year from CY15 (accounting scores based on FY15 financials) to CY18 (accounting scores based on FY18 financials).

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.

MAR₹CELLUS

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

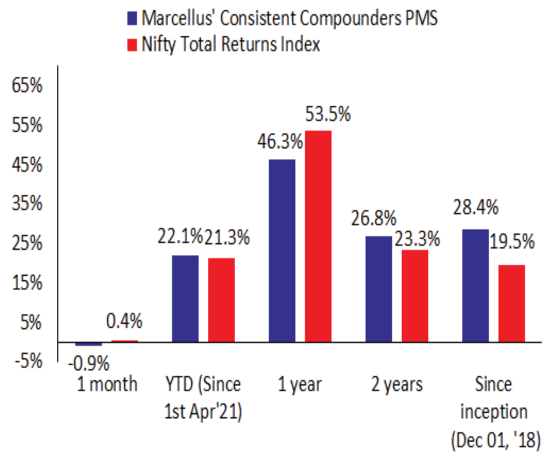
Leading market strategy consultant

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

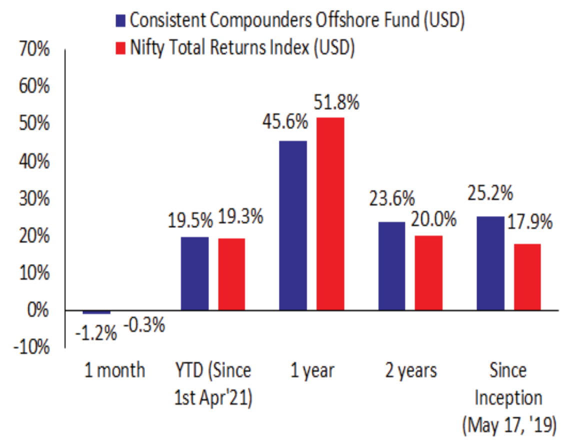
Fund performance (as on 31st Oct' 2021)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 31st October'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 31st October'21 (US$)



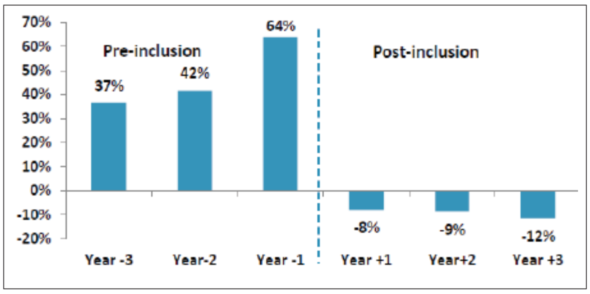
Source: Marcellus; All returns are net of fees and expenses (TWRR); Since inception and 2 years returns are annualised; Other time period returns are absolute; NSE /FBIL for USD-INR exchange rate

EQUANIMITY

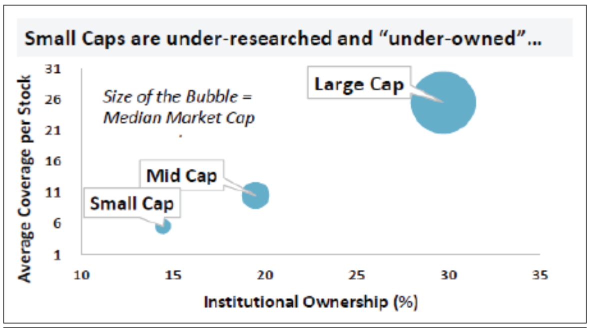
SMALL CAP INVESTING: OPPORTUNITIES

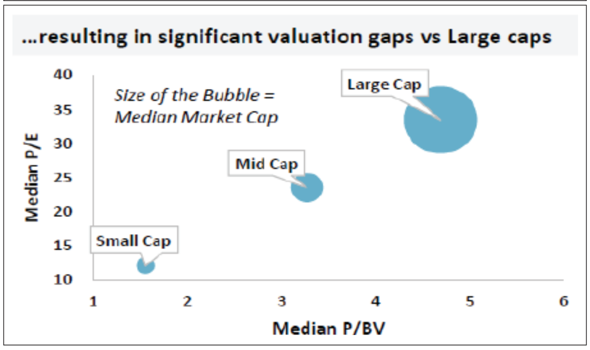
On an average over the last ten years, about 50 stocks have entered/exited BSE 500 every year indicating a high degree of churn

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

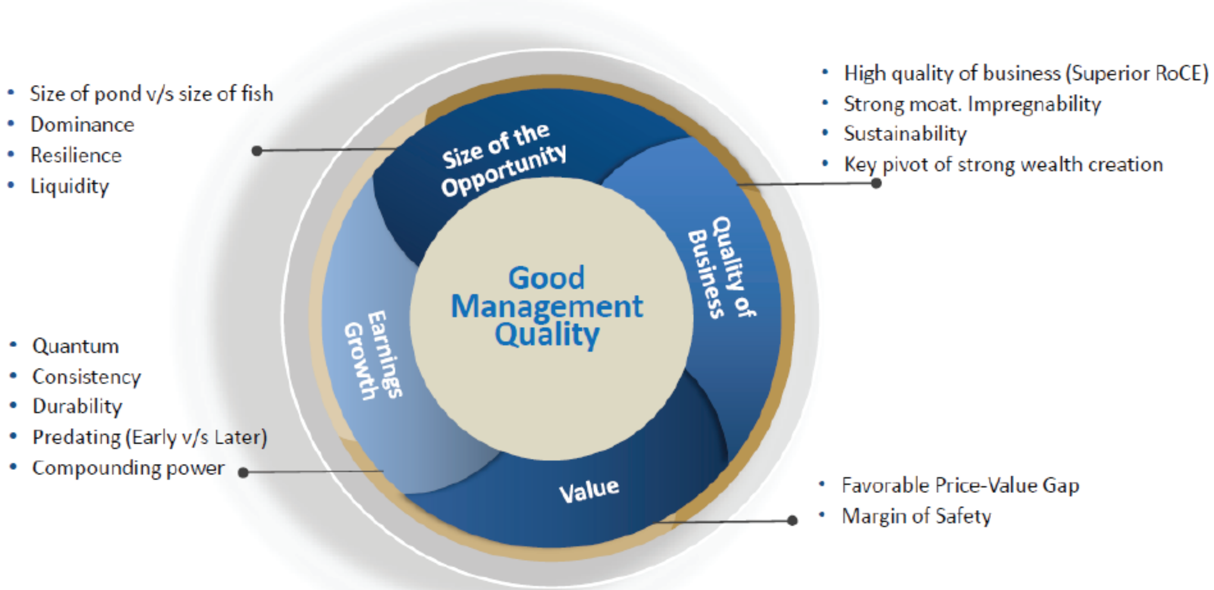
Final portfolio of ~15 20 Cos.

Key Investment Objectives

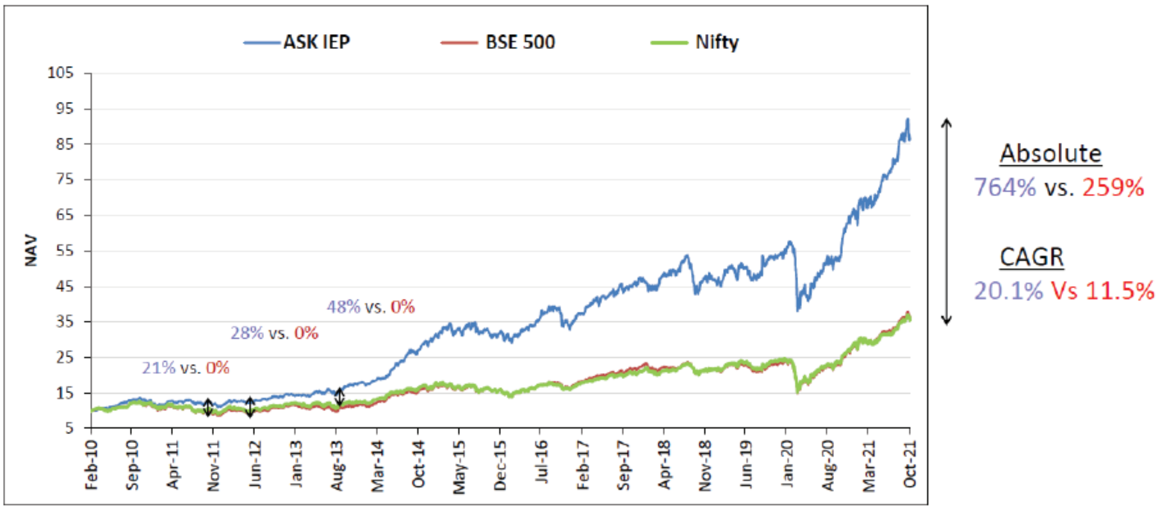
- **Capital Preservation*** over a period of time
- **Capital Appreciation** over a period of time

Achieved through...

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



ASK IM endeavors to preserve the capital however equity investments are subject to market risks.



- **Rs 1 Crore invested at inception has grown to Rs 8.64 Crore Vs Rs 3.59 Cr in BSE 500**
- **The Investment Approach has been able to generate returns continuously even while markets were flat between Oct 11, Jun 12 and Aug 13.**

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 Aug 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.

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%*

20-25

- 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%
- ASK Indian Entrepreneur Portfolio

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

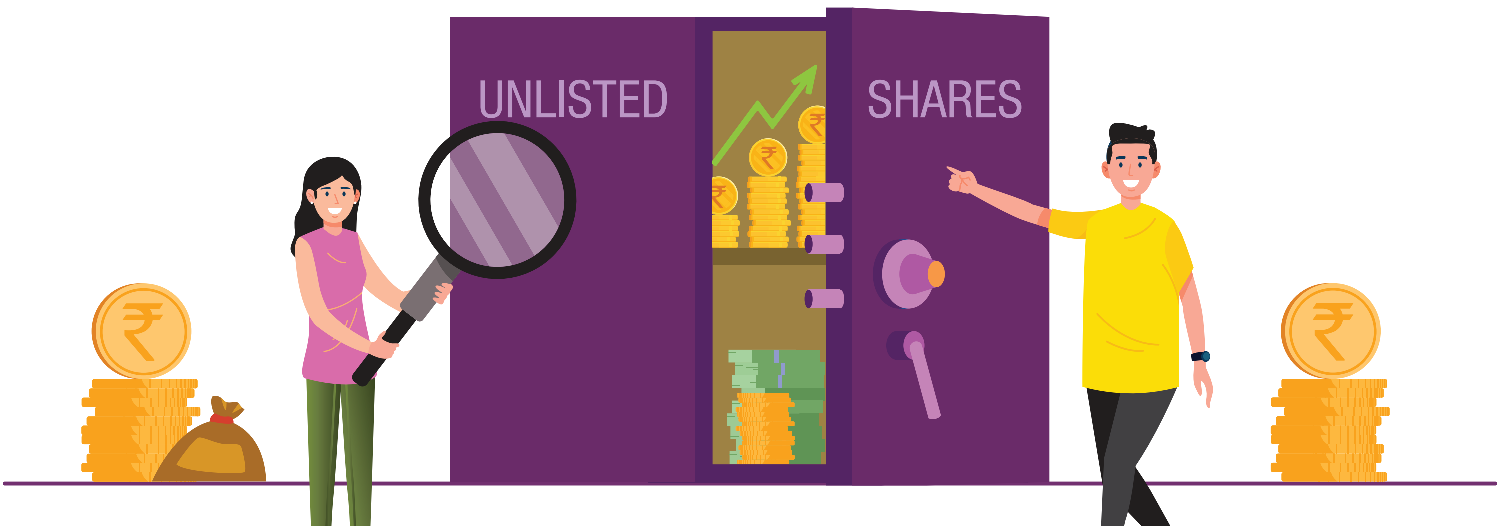
ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

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

With

EQUITY UNICORN

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
Fino Paytech Ltd.	Payment Bank
Chennai Super Kings	IPL Team
Studds Accessories Ltd.	Helmet Accessories
Kurlon Ltd.	Mattresses
Phillips India Ltd.	Electronics
Sterlite Power Transmission Ltd.	Power & Transmission
Hero Fincorp Limited	Financial Services
TATA Technologies Limited	Engineering
Tamilnad Mercantile Bank	Banking
Care Health Insurance	Insurance

*These are not Exchange traded products and all disputes with respect to the distribution activity, would not have access to Exchange Investor Redressal Forum or Arbitration mechanism.

FINANCIAL

FLASH

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INVESTMENT SERVICES

The Investments recommended in News letter / research reports, may not be suitable for all investors. Investors must make their own investment decisions based on their own specific investment objectives and financial position and using such independent professional advisors as they believe necessary.

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