

Issue 29 | Feb 2, 2023



Global Private Client



KNOW THE NOW

A MATTER OF PERSPECTIVE

PREFACE

Dear Clients,

To say that 2022 was a tumultuous year would be an understatement. While it started on a hopeful note with the world set to put the pandemic behind and resume normalcy, that expectation was put to rest early on with geo-political tensions leading to an un-thinkable Russian invasion of Ukraine. Interest rates in the west rose at the fastest pace in decades as inflation didn't turn out as transitional as the central bankers expected (hoped) in reaction to the commodity price swings that got impacted further by geo-politics. Global equity markets gyrated and coveted tech companies fell off the cliff with the NASDAQ down 33% for the year. Block-chain based cryptocurrencies that were supposed to make finance an automated environment where fallible humans and their corruptible institutions could be replaced by the infallible logic of code, instead supercharged the same old problems with a series of scandals and financial frauds. 2022 was indeed a packed year.

The key question on the mind of investors across the world at the start of 2023 is whether inflationary overheating can be reversed without a recession in the U.S. and the developed markets. There is an expectation that with inflation moderating and central banks approaching the end of the tightening cycle, the year will be less turbulent for financial markets.

Today many leading indicators are pointing in opposite directions and in this edition of **Know the Now: A Matter of Perspective**, our Chief Investment Strategist Sunil Sharma shares insights on key global and domestic macros. As value continues to outperform growth in the Indian markets, he also weighs in on the challenges that active managers in India are facing. In our experience, the biggest contributor to wealth has been buying and holding quality growth companies over cycles. For long term investors, the data suggests that it's far wiser to ride it out.

And while Staying Invested in equity markets is the key investment theme, rising interest rates have made bonds and fixed income instruments relatively attractive. It is a good time for our clients to review their fixed income allocation and look at opportunities such as MLDs across the rating curve, high yield debt, InvITs and also lock in yields in global bonds through the LRS route.

As the public markets gave a reality check to the new-age tech companies that ventured in through IPOs to validate their economic models, **profitability** and **path to profitability** have become key words in the unlisted space. With funding slowing down, the high cash burn models have started un-ravelling and we fear more will get tested. Having said which, we do believe that the current environment has the best opportunities to buy good businesses with robust unit-economics and profitability at much reasonable prices than before.

The first month of the year is behind us, time is travelling much faster than ever and we hope the year ahead gives us time to look around, reflect and see all the changes and realise that our time is NOW.

Happy Investing

Amrita Farmahan

Chief Executive Officer

INVESTMENT COMMENTARY

A Matter of Perspective

Sunil A. Sharma
Chief Investment Strategist

Foreign Flows March to a Different Beat...

Over the years, the nature of FI flows has been perplexing to domestic observers, who often wonder why FIs aren't as enthused about India as a long term investable equities and debt market.

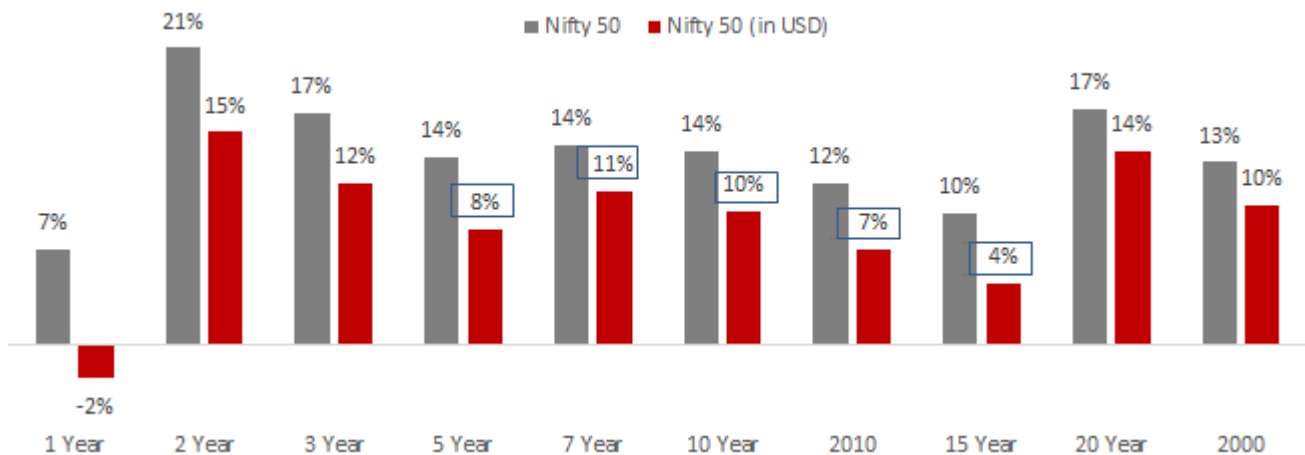
As with all things, it's a matter of perspective. That starts with taking into account the impact of Rupee depreciation, roughly 11% in 2022, and some 90%+ since 2013. The USD 10 year return on Indian equities is a dismal 10%, the **5 year return is 8%** (see chart below). Throw in taxes, and a fairly elaborate pathway

on structure and regulation that translate to higher fees, reducing returns further.

Understandably, that's led to FI flows becoming more tactical in nature; as a result, there has been a rise market volatility. As Jim Rogers stated over 20 years ago, capital seeks destinations where the currency is stable.

While Rupee depreciation helps exports, it's a detriment to foreign equity flows, and a drag on the fiscal situation. That's possibly a rational choice by policy makers, or one driven by markets.

Nifty 50 Returns in USD Are Now ~ 7-11% Over the Past 5, 7, 10 Years...
...The 11% Rupee Depreciation in 2022 Helps Explain Foreign Investor Apathy for Indian Equities



The U.S. Bond Market is Telling Us That Fed Rate Hikes Are Close to Being Done...

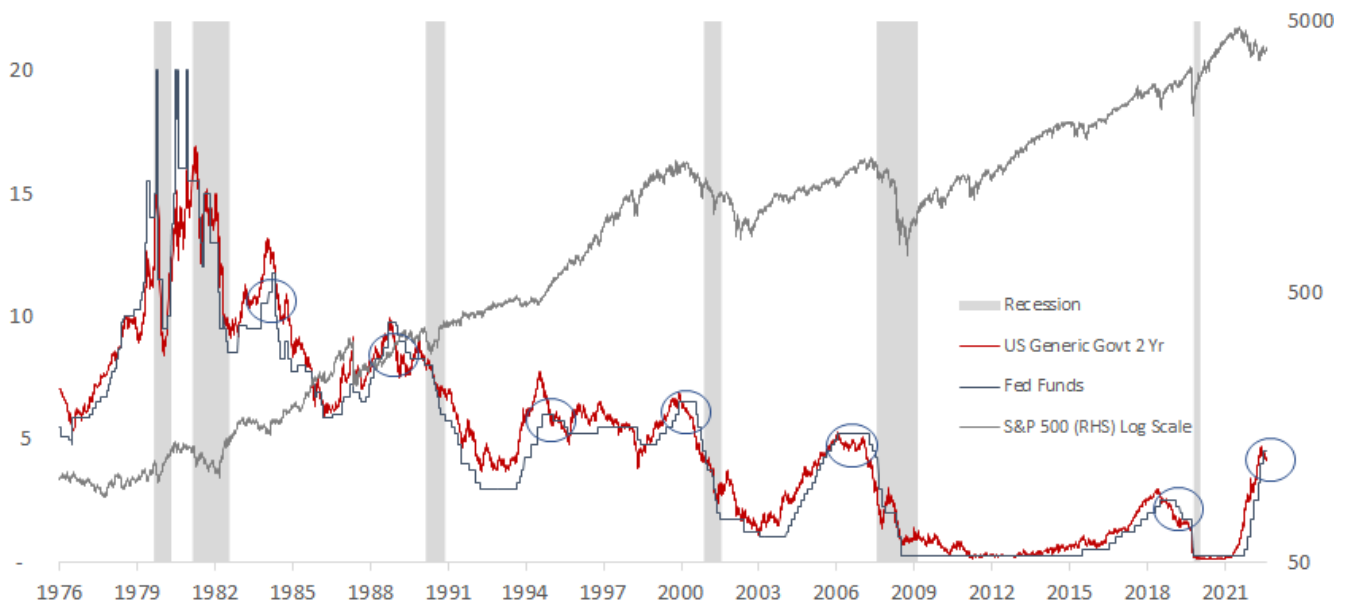
As of this writing, the U.S. 2 year bond yield, the 3 month treasury yield and the 10 year bond yields have all fallen below the Fed Funds rate. The 2 year is arguably the best representation of the market's expectations for interest rates and what the bond market is transmitting is that inflation is under control.

the beginning of the end of restrictive policy, and a move to neutral. That's clearly not what's being communicated by the Fed, but the bond market is typically right, and the Fed typically wrong. It's worth noting that Powell's demeanour was decidedly more confident and relaxed yesterday.

Since **1982**, each time the U.S. 2 year bond yield crosses under the Fed Funds rate, that has signalled

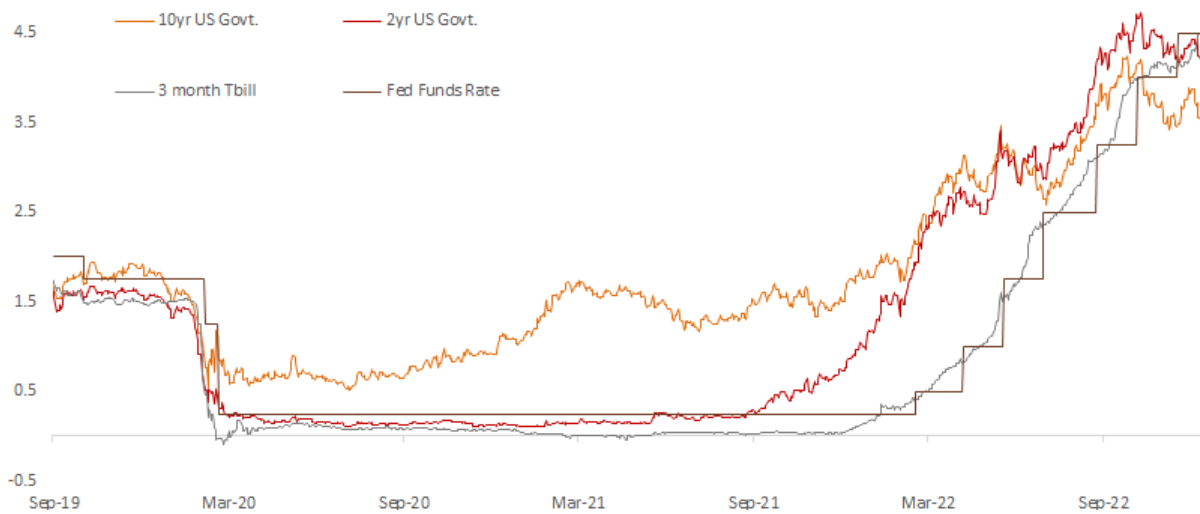
While we certainly don't profess any confidence in predicting the actions of an entity (the central bank)

**The U.S. 2 Year Bond Yield Has Moved Lower than the Fed Funds Rate...
...Since 1982, This Has Marked the Beginning of the Shift to Neutral Policy**



Source: Bloomberg

U.S. Interest Rates Have Dropped on the Long End and the Short End of the Curve



that has been consistently wrong over the years, the bond market does seem to be suggesting that

inflation is coming under control with the 10 year at 3.5%, again as of this writing.

Unemployment Remains Low in the U.S., and is the Key Monitorable

Historically, unemployment typically has risen once we see Chicago PMI data start to collapse. That has not happened this time around. It could be due to the large number of individuals that left the work force and are now returning. Regardless, should unemployment start to rise rapidly, that would be a reliable signal that things are getting worse for the U.S. economy.

The moderation in wage inflation also suggests a moderating ability of workers to garner excess wage hikes, another positive that the job market is normalizing.

Leading Economist Says Yield Curve Signal May Be Wrong This Year

On the subject of low unemployment, well known economist Campbell Harvey's research decades back is 8/8 on predicting U.S. recessions based on yield curve inversions.

Presently, Mr. Harvey believes that the indicator may be flashing a false signal this time around for two reasons. **One**, akin to the Heisenberg uncertainty principle, the yield curve has become so well known that **businesses are reacting** by implementing risk mitigation actions, such as avoiding massive risky

investments, strengthening balance sheets and profitability.

Two, an **excess demand for labor** means laid off workers will have an easier task finding jobs and will keep unemployment in check, potentially preventing a hard landing.

If Mr. Harvey is right, the most heralded recession in history may turn out to be a soft landing, and the yield inversion may for the first time in its gloried history deliver a **false signal**.

The Global Business Cycle is Entering the Bottoming Phase... but Central Bank Hawkishness Remains the Key Headwind

A business cycle bottom - is typically accompanied by declining interest rates, declining inflationary prices, a weak economy, and extreme bearish sentiment.

We've got all the economic factors pointing in the right direction. However, **until the central bank signals a move to neutral and ultimately accommodative,**

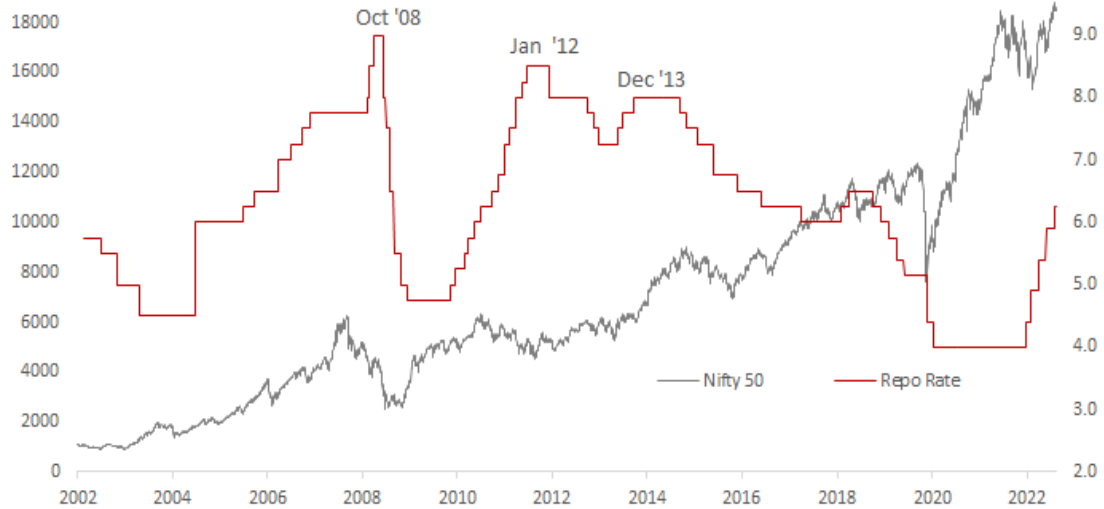
duration assets – growth stocks, equities – could look ahead and move higher, as appears to be the case.

Ultimately, inflation will become less of a concern through mid year and earnings will start to drive markets.

Key Business Cycle Indicators for the Global Economy are in the Bottoming Stage... ...Except Global Central Bank Policy

Factor	Current Global
Economy weakening, ISM dropping below 50	Yes, U.S. and Global below 50
Commodities declining	Yes
Short Term declining	Yes
Inflation declining	Yes
Long yields declining	Yes
Sentiment is Fearful	Yes
Monetary Policy	Edging towards Neutral

While Inflation Has Clearly Come Under Control, the Focus Now Shifts to Growth and the Impact of Hikes...



What If the Central Bank Stays Hawkish and Higher for Longer?

The Fed will fight the urge to move to accommodative too quickly, and in fact may fight the urge to move to neutral too quickly because of their concern about sticky inflation. On the other hand, the sharp rate hikes in 2022 will take a toll on the economy and lead to rising calls for further stimulus, or rate cuts.

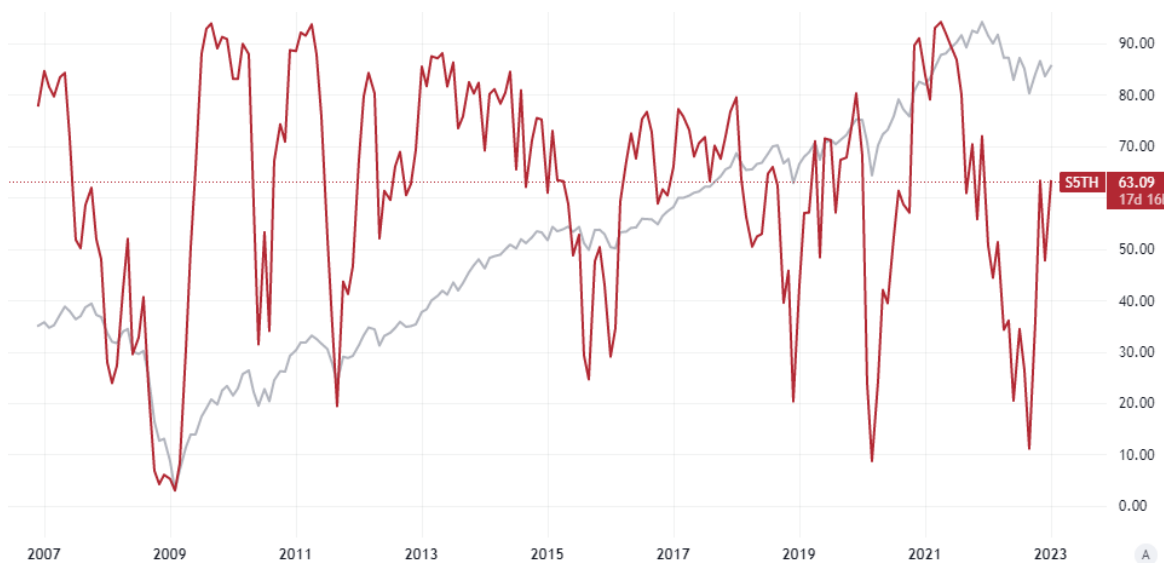
Moreover, higher interest rates are untenable in managing government debt costs, untenable for the Fed’s massive balance sheet of debt instruments, and untenable for a collapsing housing markets. However,

it should be noted that the home builders index seems to be doing well, signalling the worst could be behind us, at least in the medium term.

Clearly for now, global sentiment has improved as inflation appears to be declining. It’s entirely likely inflation will fall precipitously by the summer, as base effects kick in. In all likelihood, one can only expect the **Fed to walk the proverbial tight rope** with reigning in inflation while preventing a recession and a sharp rise in unemployment.

S&P 500 Market Breadth is Rising...

...The Percent of Stocks Above the 200 Day Moving Average Bottomed in June and Has Improved Strongly



India Equities – Nifty 50 Outperformance – Challenges for Active Managers

We wrote last month about the **Nifty 50 being driven by the performance of Value** stocks. Value continues to outperform Growth. That's typical of this market environment, but creates all sorts of **challenges for active managers**.

Should **active managers** abandon their strategies, churn the portfolio completely and focus on return?

One client asked us why **we hadn't bought stocks of a leading promoter** currently in the news, as they had delivered strong returns. The answer to that seems to be fairly clear, it would seem.

Should active managers adhere to their stated investment strategy? Second, the turnover involved in switching to growth can lead to a **capital gain hurdle** that must be overcome, **switching costs** and impact costs.

Third, doing so assumes the manager will then **perfectly time** their way back into growth when the cycle turns. That brings along with it **timing risk**.

A manager may successfully accomplish one leg but fail on the other. Missing the recovery in growth stocks could prove **far more painful** than underperforming the index over the bear market.

Many managers – and clients – have attained their largest wealth gains by **holding stocks for the long run**, such as Titan Co, Amazon, Bajaj Finance etc. It's been repeatedly the case that once one exits an Amazon, or Microsoft, Titan, Apple, it's extremely difficult to time the re-entry.

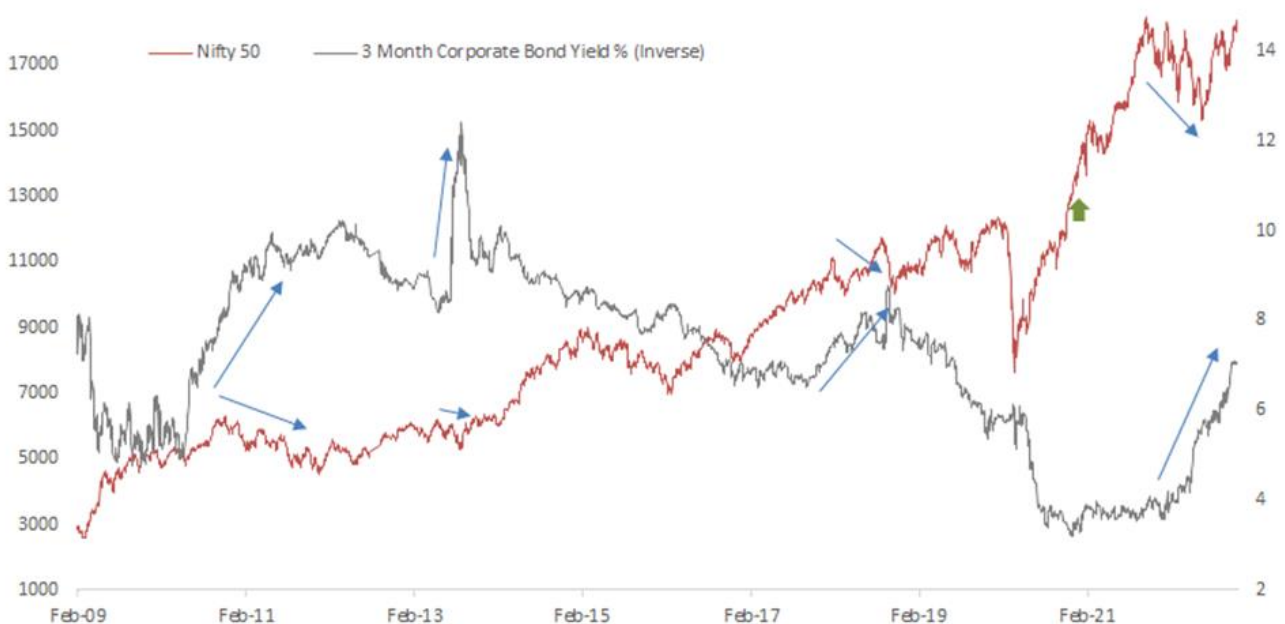
Finally, on **hedging** and cash calls. If one gets the call right, there's a **significant tax on profits**. If one gets the call wrong, there's a significant loss of opportunity. Cash calls bring with them timing risk and tax events.

In our experience, the **biggest contributor to wealth has been buying and holding quality growth companies over cycles**. For long term investors, the data suggests that it's **far wiser to ride it out**.

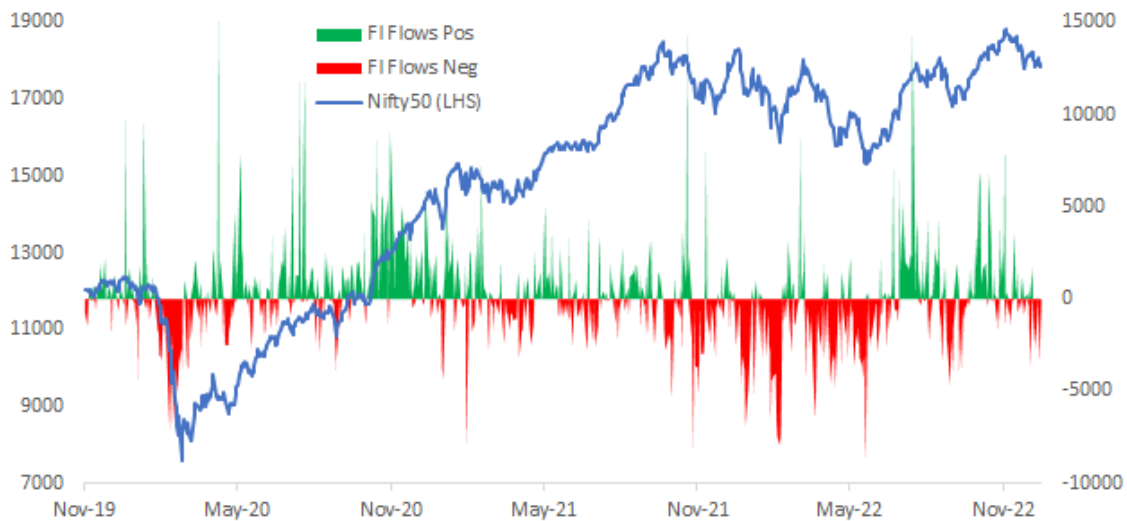
In the short term, growth managers are underperforming while stocks and managers that have underperformed for over a decade are enjoying their day in the sun.

At a portfolio level, holding a **diversified portfolio**, with exposure to **different styles and asset classes is optimal**. For those tactical by nature, a strategy that follows tactical actions can be implemented as an overlay, one where the rules are clearly articulated.

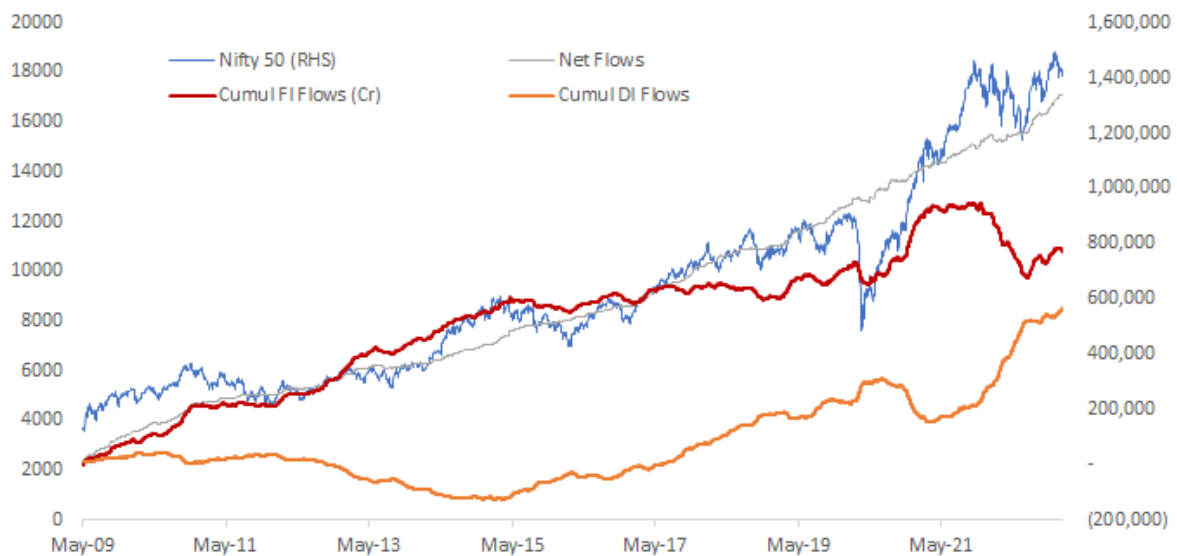
Growth Stocks Underperform the Nifty 50 During Rising Interest Rate Cycles



Thankfully, the Vicious FI Selling Has Abated Since June 2022...



**...Excess FI Flows Since March 2020 Are Largely Out of Indian Equities...
...While DI Buying Has Been on a Structural Uptrend Since 2015 (Excl 2020)**



Nifty 50 Sales & Earnings Growth Expectations are Holding Up

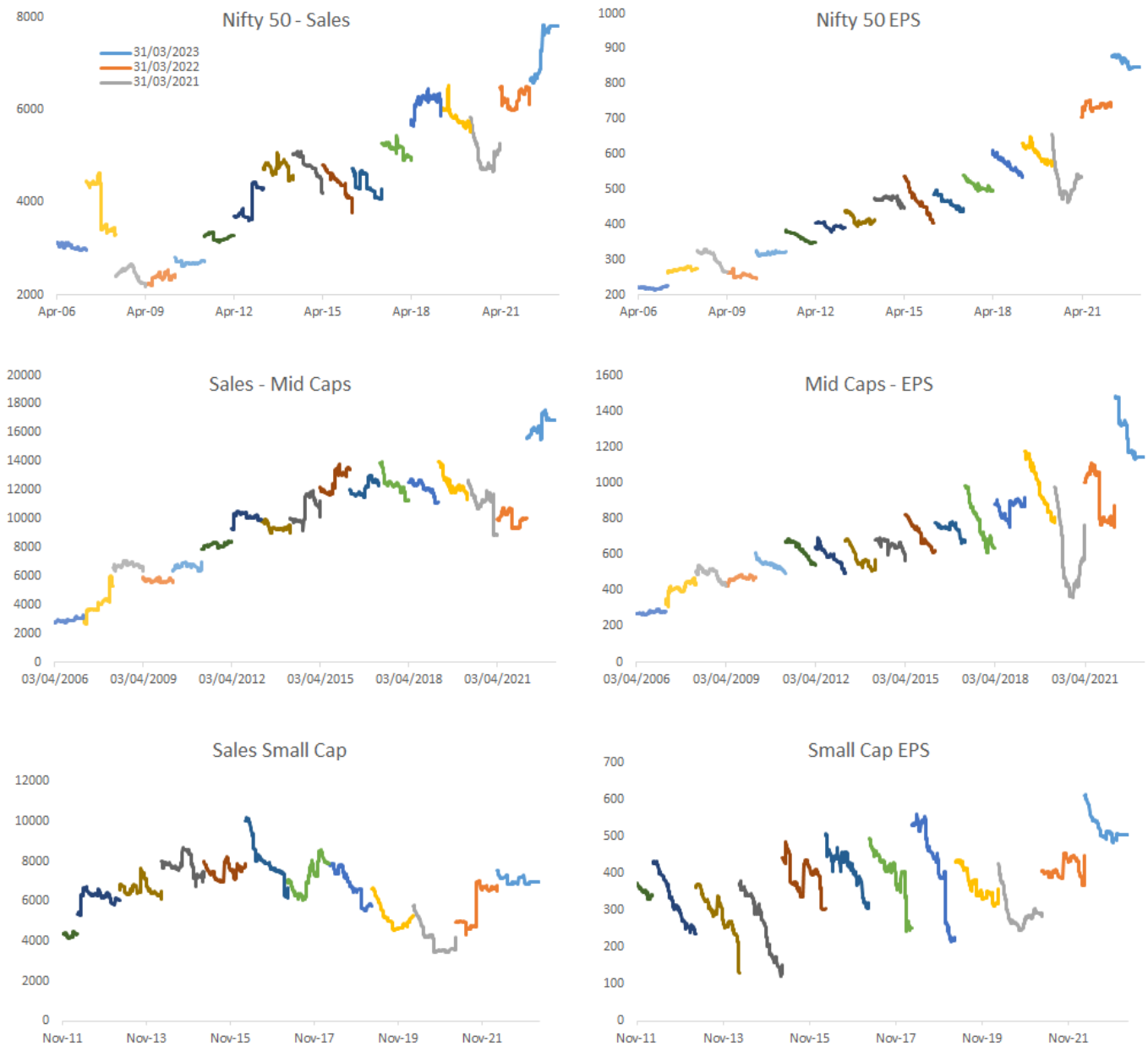
We’ve now been hearing a narrative that growth is going to slow “the next quarter” and a **recession is looming for over a year now**.

In that time, expected current fiscal year Nifty 50 sales have risen to 7820 from 6320, a rise of roughly **23%**. Meanwhile, expected Nifty 50 earnings have risen to 847 from 731, a rise of **16%** (charts above). Analysts have ratcheted down expected EPS from 884 in June

2022 to 847, but that remains a healthy performance in a year challenged by rising inflation and input costs.

Mid cap EPS revisions have been stark, but reflect overly optimistic expectations analysts had at the beginning of the year. Mid caps continued to grow earnings in a tough inflationary period. Small cap earnings growth at an index level remains sub-par and small cap exposure remains a stock specific call.

Nifty 50 Forward Expected Sales and EPS Are Showing Strong Healthy Uptrend... ...Mid and Small Caps Have Witnessed Sharper Cuts to Expected EPS



Sector – Financials, IT and Consumer Staples Lead the Way

As of this writing, Financials, Financial Services, Banks have found their mojo – and earnings - after a somewhat muted performance over 2018-21. Expected sales growth is sharply higher and EPS growth remains healthy.

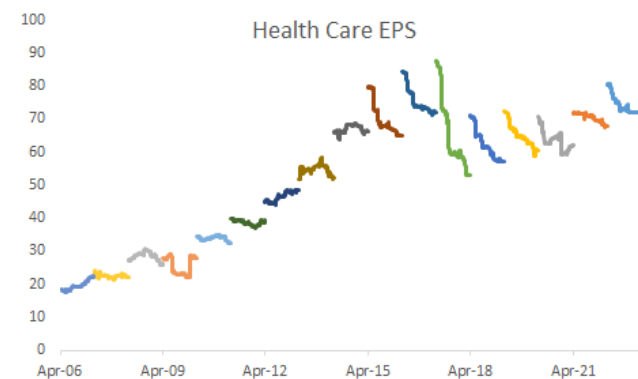
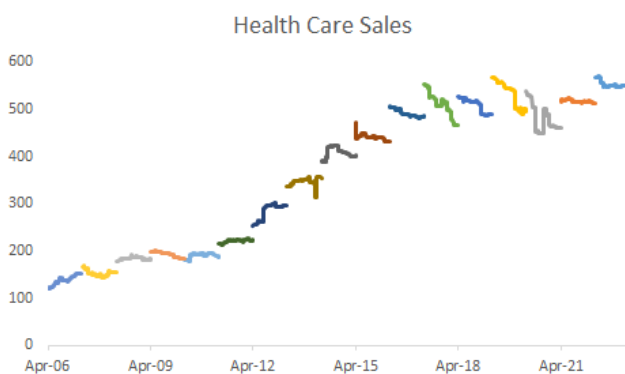
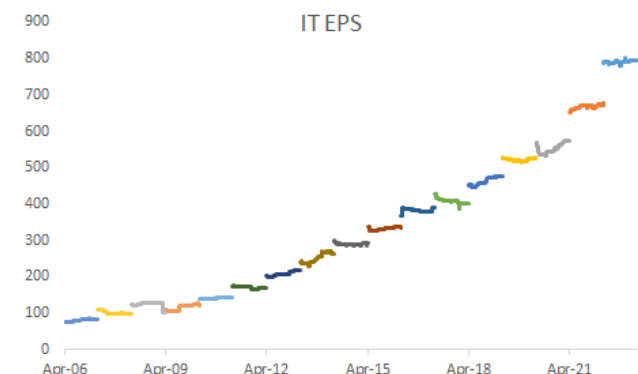
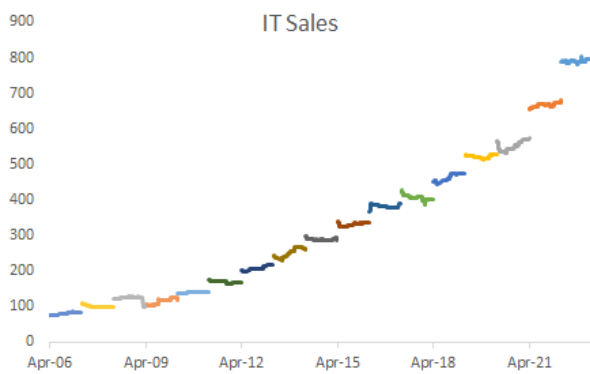
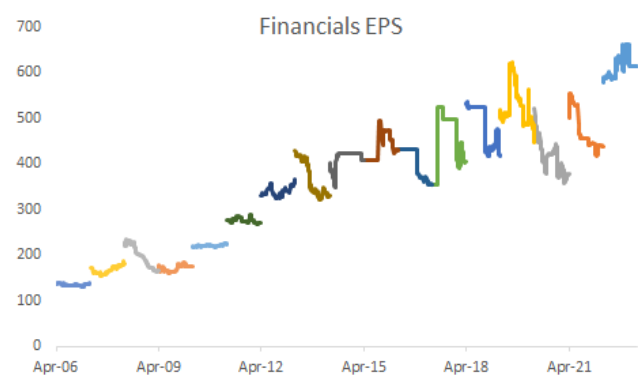
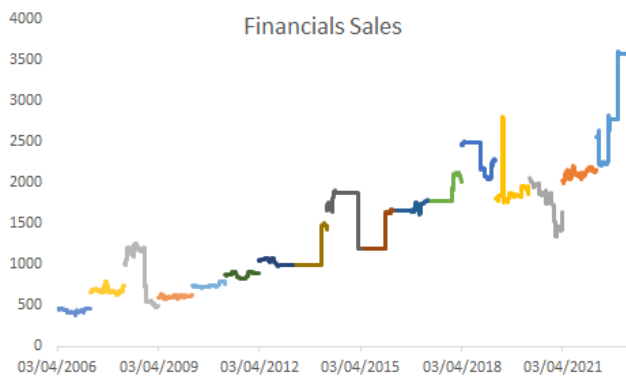
Info Tech surprisingly remains resilient. Expectations that IT earnings would slowdown this quarter as corporations cut back on capital expenditures have not materialized. IT sales and earnings trends remain strong.

Consumer Staples continue their solid growth trends. On the flip side, Health care remains challenged at a sector level, and commodities are also witnessing earnings expectations crater.

The revisions and earnings expectations data clearly suggest that **consistent growth sectors are delivering**, consistent growth.

Once the rate hike cycle is complete, these sectors will start to perform on earnings growth and the negative impacts of rising interest rates will start to abate.

Financials are Showing Strength



Outlook

We summarize our Outlook:

1. The U.S. bond market is suggesting that the Fed is close to being done with hikes. As Powell stated, the bond market has its own ideas. Time will tell.
2. The global **business cycle is in the bottoming** stage, the key milestone still awaited is the move to neutral/easing for the Fed.
3. Inflation remains an unknown in terms of path, persistence and extent of mean reversion, but the expectation is it will decline meaningfully by the summer.
4. The FI investor's cumulative selling has brought FI ownership close to levels witnessed in 2018. A large majority of the excess liquidity is out of the Indian equity market (see chart).
5. Domestic investors are gaining share. In a few quarters, DIs will take over FIs in terms of share ownership.
6. The Rupee has depreciated from 42 in 2013 to 82, taking a sledgehammer to global investor India returns.
7. Indian companies – large caps in particular – continue to hold onto earnings expectations.

8. Sectorally, IT, banks, financial services and consumer staples are showing the best earnings growth and revisions.
9. Earnings and growth trends look reasonably healthy. For 10 years now, we have heard investors gripe about the slowing Indian economy, and one looks up at the scoreboard, and the Nifty sits at 3X its levels in 2015.
10. Valuations remains at/near Fair Value
11. As central banks tilt towards neutral, growth equities will outperform again
12. Where will capital ultimately earn a return? Will it earn a return in a country where the 15-64 age group population is now stagnant (U.S.) or growing at the fastest rate amongst large economies (India)
13. While we have limited insight into the short term holds – possibly additional volatility before the Fed finally relents – the medium to long term prognosis for Indian equities remains strong.
14. We recently updated our wealth studies and the **returns delivered by quality growth companies over the Nifty 50 have been unquestionably superior.**
15. **These are the companies we hold in our Caliber PMS.**

For our part, we have difficulty defining Value in a growth economy like India as a sustainable long term engine of wealth creation. Yes, Value will shine during times like 2022. However, the mantra for **meaningful** wealth creation – that we've witnessed over 30 years - remains ownership of quality dominant stocks over a sufficiently long time horizon that unleashes the power of compound interest.

Asset Allocation and Portfolio Strategy

The 60/40 or the 60/30/10 portfolio did not deliver a return for investors in 2022, unless investors were invested in PSU banks, Metals, Commodities and similar sectors. The debt portion of the portfolio also delivered lacklustre results.

Looking ahead at 2023 and beyond, inflation remains a focal point. It is unclear if the Fed will be able to lower interest rates without leading to a concurrent resurgence in commodities and inflation. The China credit impulse and economy opening are also likely to drive demand higher for commodities.

Asset allocation becomes more important than ever. In particular, **constructing an all-weather portfolio** becomes a sound approach to **insulating portfolios from credit risk, rising rate risk, commodity risk, currency volatility and equity volatility.**

If you're not sure you've got an adequate asset allocation or portfolio construct, please request a meeting with our advisory team and we'd be glad to create an asset allocation and portfolio strategy that will withstand market volatility, deliver attractive real returns in excess of inflation, while ensuring capital is protected.

Equity Index Performance

27-Jan-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	17,947	-2.7	-2.2	-2.7	-0.2	6.9	-2.7	-2.7	2.0	18,888	15,183	-5.0%	18.2%
Americas													
S&P 500 Index	4,060	4.1	6.0	5.8	6.6	0.9	5.8	5.8	-6.1	4,637	3,492	-12.4%	16.3%
Dow Jones Indus. Avg	33,949	2.7	2.1	2.4	6.0	5.4	2.4	2.4	-0.6	35,824	28,661	-5.2%	18.5%
Nasdaq Composite	11,512	6.1	11.2	10.0	6.7	-4.3	10.0	10.0	-13.8	14,647	10,089	-21.4%	14.1%
Nyse Fang+ Index	5,217	11.3	20.9	17.3	18.1	-3.4	17.3	17.3	-16.9	7,049	4,103	-26.0%	27.1%
Canada	20,701	1.8	6.1	6.8	7.0	7.5	6.8	6.8	0.8	22,213	17,873	-6.8%	15.8%
Mexico	55,164	3.3	9.4	13.8	12.8	17.8	13.8	13.8	9.3	57,064	44,519	-3.3%	23.9%
Brazil Bovespa	114,178	1.1	5.2	4.0	-0.4	12.6	4.0	4.0	1.4	121,628	95,267	-6.1%	19.9%
Europe													
Euro Stoxx 50 Pr	4,174	1.9	8.9	10.0	15.8	15.7	10.0	10.0	-0.3	4,259	3,250	-2.0%	28.4%
FTSE 100	7,761	0.2	3.9	4.2	9.7	5.6	4.2	4.2	2.7	7,876	6,708	-1.5%	15.7%
CAC 40 Paris	7,096	2.1	8.3	9.6	13.6	13.4	9.6	9.6	1.0	7,170	5,628	-1.0%	26.1%
DAX Germany	15,133	1.4	8.1	8.7	14.5	14.9	8.7	8.7	-2.5	15,737	11,863	-3.8%	27.6%
Asia													
Nikkei 225	27,383	3.1	3.5	4.9	0.1	-1.2	4.9	4.9	4.6	29,223	24,682	-6.3%	10.9%
Hang Seng	22,617	4.8	15.4	14.3	46.6	9.4	14.3	14.3	-5.0	25,051	14,597	-9.7%	54.9%
Shenzhen CSI 300	4,182	2.6	9.2	8.0	11.7	-1.3	8.0	8.0	-12.5	4,818	3,496	-13.2%	19.6%
Australia	7,494	0.8	5.4	6.5	10.0	10.1	6.5	6.5	7.6	7,625	6,407	-1.7%	17.0%
Taiwan	14,933	0.9	2.8	5.6	13.8	1.4	5.6	5.6	-18.7	18,575	12,629	-19.6%	18.2%
Korea	2,484	4.9	6.5	11.1	8.5	2.8	11.1	11.1	-5.0	2,788	2,135	-10.9%	16.4%
Straits Times Index STI	3,393	3.2	3.9	4.4	12.5	5.9	4.4	4.4	4.1	3,466	2,969	-2.1%	14.3%
Vietnam Ho Chi Minh	1,120	5.7	9.5	11.2	5.8	-6.2	11.2	11.2	-23.5	1,531	874	-26.8%	28.2%
Jakarta Indonesia	6,901	1.2	-0.3	0.7	-2.7	0.0	0.7	0.7	4.4	7,377	6,510	-6.5%	6.0%
Phillipines	7,052	-0.1	7.4	7.4	13.2	13.1	7.4	7.4	-3.0	7,552	5,699	-6.6%	23.7%

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
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Microsoft Corp	248	6.9	4.7	3.4	9.4	-7.7	3.4	3.4	-17.3	316	213	-21.5%	16.2%
Meta Platforms Inc-Class A	147	8.2	26.0	22.4	50.4	-13.1	22.4	22.4	-50.0	328	88	-55.1%	67.2%
Apple Inc	144	6.4	10.7	10.8	-0.6	-8.2	10.8	10.8	-9.6	180	124	-19.8%	15.9%
Walt Disney Co/The	110	10.7	27.0	26.3	5.0	6.0	26.3	26.3	-19.0	158	84	-30.3%	30.5%
Amazon.Com Inc	99	5.9	19.5	18.1	-10.6	-18.0	18.1	18.1	-28.9	171	81	-41.9%	21.8%
Netflix Inc	365	15.5	28.4	23.7	22.9	60.9	23.7	23.7	-5.6	458	163	-20.4%	124.2%
Alphabet Inc-Cl A	98	4.8	11.6	10.5	5.7	-13.7	10.5	10.5	-24.4	152	83	-35.7%	17.0%
Hdfc Bank Limited	1,622	-1.3	-0.5	-0.4	11.5	15.5	-0.4	-0.4	10.0	1,722	1,272	-5.8%	27.6%
Icici Bank Ltd	821	-5.2	-8.8	-7.8	-11.2	2.6	-7.8	-7.8	3.3	958	642	-14.3%	27.9%
Tata Consultancy Svcs Ltd	3,410	1.1	6.7	6.8	10.2	9.1	6.8	6.8	-4.7	3,805	2,868	-10.4%	18.9%
Reliance Industries Ltd	2,325	-6.0	-8.6	-8.7	-5.2	-3.9	-8.7	-8.7	-0.6	2,856	2,180	-18.6%	6.6%
Bajaj Finance Ltd	5,750	-4.4	-11.6	-12.6	-17.5	-10.1	-12.6	-12.6	-15.9	7,778	5,220	-26.1%	10.1%
Hindustan Unilever Ltd	2,598	-2.0	0.2	1.4	3.1	0.6	1.4	1.4	13.2	2,742	1,902	-5.2%	36.6%
Nestle India Ltd	19,195	-2.5	-2.9	-2.1	-4.7	3.5	-2.1	-2.1	4.4	21,050	16,000	-8.8%	20.0%
Titan Co Ltd	2,312	-3.1	-7.7	-11.0	-14.5	0.3	-11.0	-11.0	0.1	2,791	1,825	-17.2%	26.7%
Asian Paints Ltd	2,706	-5.6	-13.1	-12.4	-11.1	-15.1	-12.4	-12.4	-13.2	3,583	2,560	-24.5%	5.7%
Srf Ltd	2,121	-0.8	-8.8	-7.4	-15.1	-11.8	-7.4	-7.4	-9.7	2,865	2,002	-26.0%	5.9%
Central Depository Services	1,011	-4.1	-9.1	-9.4	-17.4	-9.9	-9.4	-9.4	-32.1	1,606	1,010	-37.1%	0.0%

Large, Mid & Small

27-Jan-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India Indices													
Nifty 50	17,947	-2.7	-2.2	-2.7	-0.2	6.9	-2.7	-2.7	2.0	18,888	15,183	-5.0%	18.2%
Sensex	59,315	-2.5	-2.1	-2.5	-0.4	7.3	-2.5	-2.5	2.5	63,583	50,921	-6.7%	16.5%
Nifty 500	14,865	-3.6	-2.8	-3.8	-1.9	5.1	-3.8	-3.8	0.2	16,042	12,856	-7.3%	15.6%
NIFTY Midcap 100	30,108	-3.9	-2.8	-4.4	-2.8	5.1	-4.4	-4.4	1.5	32,939	25,048	-8.6%	20.2%
NIFTY Smallcap 100	9,244	-3.9	-3.0	-5.0	-5.0	3.4	-5.0	-5.0	-15.7	11,389	7,905	-18.8%	16.9%

Nifty Sectors

27-Jan-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty Sectors													
Nifty Auto	12,987	1.8	4.6	3.0	0.3	5.8	3.0	3.0	12.7	13,545	9,227	-4.1%	40.8%
Nifty Bank	40,441	-4.5	-5.1	-5.9	-1.7	11.1	-5.9	-5.9	7.3	44,152	32,155	-8.4%	25.8%
NIFTY Private Bank	20,660	-4.1	-4.5	-5.5	-2.2	12.1	-5.5	-5.5	8.5	22,492	16,280	-8.1%	26.9%
Nifty Financial Services	18,041	-3.7	-4.7	-5.0	-1.3	7.8	-5.0	-5.0	1.4	19,516	14,857	-7.6%	21.4%
Nifty India Consumption	7,392	-0.8	-2.0	-2.1	-4.8	1.0	-2.1	-2.1	7.2	8,147	6,178	-9.3%	19.7%
Nifty FMCG	44,361	0.1	-0.9	0.4	1.4	6.1	0.4	0.4	21.9	46,331	33,408	-4.3%	32.8%
Nifty Energy	24,099	-7.9	-5.1	-6.8	-6.6	-4.6	-6.8	-6.8	-2.5	29,304	22,831	-17.8%	5.6%
Nifty Infrastructure	4,998	-5.6	-4.4	-4.8	-1.2	4.7	-4.8	-4.8	-0.1	5,483	4,406	-8.8%	13.4%
Nifty IT	29,883	0.8	5.3	4.4	4.0	9.0	4.4	4.4	-13.9	36,813	26,187	-18.8%	14.1%
Nifty Metal	6,514	-5.1	2.4	-3.1	12.1	26.4	-3.1	-3.1	18.8	6,920	4,437	-5.9%	46.8%
Nifty Pharma	12,492	-1.6	-1.5	-0.8	-4.7	1.2	-0.8	-0.8	-4.6	13,972	11,726	-10.6%	6.5%
Nifty PSU Bank	3,843	-9.1	-7.9	-11.0	12.1	39.6	-11.0	-11.0	38.9	4,617	2,284	-16.8%	68.3%
Nifty Realty	404	-6.2	-3.8	-6.4	-5.0	-6.7	-6.4	-6.4	-14.2	499	366	-19.1%	10.5%
Nifty Sectors & Themes													
Nifty Media	1,848	-3.5	-5.6	-7.2	-10.2	-6.7	-7.2	-7.2	-14.9	2,485	1,752	-25.6%	5.5%
Nifty CPSE	2,789	-2.6	1.4	-0.3	2.0	13.6	-0.3	-0.3	14.3	2,903	2,241	-3.9%	24.4%
Nifty PSE	4,340	-3.5	1.2	-0.6	4.1	11.8	-0.6	-0.6	6.9	4,539	3,602	-4.4%	20.5%
Nifty Commodities	5,638	-6.6	-3.0	-5.1	-0.2	5.9	-5.1	-5.1	-1.5	6,458	4,774	-12.7%	18.1%
Nifty MNC	19,123	-4.0	-2.8	-2.9	-2.4	1.9	-2.9	-2.9	1.7	20,626	16,805	-7.3%	13.8%

Crude Oil & Commodities

27-Jan-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	17,947	-2.7	-2.2	-2.7	-0.2	6.9	-2.7	-2.7	2.0	18,888	15,183	-5.0%	18.2%
Gold U.S. & India													
Gold Spot \$/Oz	1,924	-0.1	6.1	5.5	15.7	11.0	5.5	5.5	7.1	2,070	1,615	-7.1%	19.2%
Gold India	56,903	0.7	5.1	4.3	14.2	12.1	4.3	4.3	16.9	57,091	47,706	-0.3%	19.3%
Platinum Spot \$/Oz	1,013.8	-3.1	-1.0	-5.6	5.4	13.9	-5.6	-5.6	-1.2	1,183	821	-14.3%	23.4%
Crude													
Brent Crude	87.8	0.2	4.2	2.2	-9.4	-17.6	2.2	2.2	-1.7	139	75	-36.9%	16.9%
WTI Crude	81.3	0.0	2.3	1.3	-8.7	-16.4	1.3	1.3	-6.1	131	70	-37.7%	16.0%
Metals													
LME Copper	9,306.5	0.1	11.7	11.3	18.0	23.8	11.3	11.3	-6.5	10,730	6,995	-13.3%	33.0%
LME Aluminum	2,601.8	1.7	10.1	10.7	11.6	7.0	10.7	10.7	-16.2	3,985	2,079	-34.7%	25.1%
LME Nickel	29,194.0	0.2	-0.6	-2.3	29.4	35.7	-2.3	-2.3	26.7	43,000	19,094	-32.1%	52.9%
LME Zinc	3,508.3	1.0	17.5	16.8	17.4	11.7	16.8	16.8	-3.3	4,530	2,680	-22.6%	30.9%
LME Lead	2,205.5	2.9	-5.0	-5.6	16.1	8.4	-5.6	-5.6	-5.3	2,512	1,753	-12.2%	25.8%
LME Tin	32,267.0	12.4	34.9	30.3	72.4	31.0	30.3	30.3	-24.4	50,026	17,400	-35.5%	85.4%
Commodities													
Lumber	9,306.5	0.1	11.7	11.3	18.0	23.8	11.3	11.3	-6.5	10,730	6,995	-13.3%	33.0%
Palm Oil	3,835.0	-0.6	-5.7	-8.1	-2.3	-1.8	-8.1	-8.1	-31.7	8,757	3,143	-56.2%	22.0%
BBG Comdty ex-Prec Mtl	103.3	0.3	-2.0	-1.4	-4.3	-10.2	-1.4	-1.4	5.9	134	97	-22.7%	6.9%
CRB Metals Index	1,149.0	3.1	14.7	13.6	21.3	10.3	13.6	13.6	-9.7	1,431	406	-19.7%	183.2%
Bloomberg Commodity Inde:	112.3	0.2	-0.9	-0.4	-0.8	-6.3	-0.4	-0.4	5.8	141	106	-20.1%	6.3%
CRB Commodities Index	562.4	1.0	1.3	1.4	0.6	-2.9	1.4	1.4	-3.2	644	547	-12.7%	2.7%
Wheat	748.3	0.9	-3.4	-5.5	-10.8	-5.3	-5.5	-5.5	-3.7	1,340	703	-44.2%	6.5%
CRB Raw Industrials Index	589.8	1.5	3.7	3.5	5.6	-1.4	3.5	3.5	-8.4	689	547	-14.4%	7.7%
Commodities													
Bloomberg Grains Spot	324.38	1.2	0.6	-1.0	0.4	6.7	-1.0	-1.0	5.5	414	287	-21.7%	13.2%
Raw Sugar	20.68	5.1	-1.4	3.2	15.8	18.4	3.2	3.2	11.8	21	17	-2.4%	20.2%
Simex Iron Ore	123.20	0.1	10.7	10.7	32.6	15.7	10.7	10.7	-5.6	166	77	-25.6%	60.3%

Interest Rates and Inflation

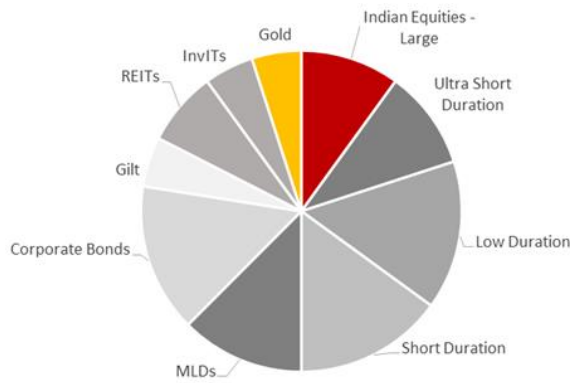
27-Jan-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India G-Sec Yields													
10 Year India G-Sec	7.39	7.35	7.31	7.33	7.41	7.34	7.33	7.33	6.75	7.62	6.62	-0.23	0.77
5 Year India G-Sec	7.21	7.17	7.22	7.23	7.33	7.10	7.23	7.23	5.98	7.48	5.87	-3.6%	22.9%
3 Year India G-Sec	7.00	6.90	7.06	7.04	7.04	6.83	7.04	7.04	5.35	7.34	5.30	-4.6%	32.3%
1 Year India G-Sec	6.89	6.73	6.75	6.72	6.86	6.19	6.72	6.72	4.37	6.94	4.37	-0.7%	57.6%
3 Month India G-Sec	6.46	6.42	6.43	6.26	6.30	5.40	6.26	6.26	3.72	6.52	3.64	-0.9%	77.5%
Repo Rate India	6.25	5.90	5.90	5.90	5.40	4.40	5.90	4.00	4.00	6.25	4.00	N/A	N/A
India CPI													
India CPI Combined YoY	5.72		5.88	5.72	7.41	7.01	5.72	5.66	5.66	7.79	5.72	-2.07	-
India WPI	4.95		5.9	5.0	10.6	16.2	5.0	14.3	14.3	17	5	-70.2%	0.0%
India Core CPI	6.43		6.5	6.4	6.3	5.8	6.4	5.3	5.3	6	5	-0.8%	18.6%
U.S. & China Yields & CPI													
U.S. 10 Year	3.53	3.48	3.84	3.87	3.92	2.78	3.87	3.87	1.80	4.34	1.67	-0.81	1.86
U.S. 5 Year	3.62	3.56	3.94	4.00	4.06	2.84	4.00	4.00	1.66	4.50	1.52	-0.89	2.10
U.S. 2 Year	4.19	4.17	4.37	4.43	4.27	3.00	4.43	4.43	1.19	4.80	1.13	-0.61	3.06
U.S. 1 Year	4.40	4.68	4.68	4.71	4.46	2.98	4.71	4.71	0.75	4.78	0.71	-0.38	3.69
U.S. 3 MO T-BILL	4.51	4.65	4.28	4.37	4.03	2.40	4.37	4.37	0.20	4.68	0.19	-0.17	4.33
Spread 10-2	-0.66	-0.69	-0.53	-0.55	-0.36	-0.21	-0.55	-0.55	0.61	-0.46	0.54		
Spread 5-1	-0.78	-1.11	-0.74	-0.71	-0.40	-0.14	-0.71	-0.71	0.91	-0.27	0.81		
U.S. CPI	6.50		7.10	6.50	8.20	9.10	6.50	7.00	7.00	9	7	-28.6%	0.0%
China CPI	1.80		1.6	1.8	2.8	2.5	1.8	1.5	1.5	3	1	-35.7%	100.0%
Inflation Expectations 10 Yea	2.28		2.5	2.3	2.4	2.4	2.3	2.3	2.3	3	2	-9.6%	0.0%
U.S. Dollar & INR													
USD INR	81.6	81.1	82.9	82.7	82.5	79.9	82.7	82.7	75.1	83.3	74.4	-2.1%	9.7%
Dollar Index	102.0	102.0	104.2	103.5	110.6	106.5	103.5	103.5	97.3	114.8	95.1	-11.1%	7.2%

Tactical Asset Class Rationale		
Equities	Weight	Rationale
India Equities	Over Weight & Stagger	Outlined in the commentary, we continue to remain moderately over-weight equities and suggest staggered deployments into equities.
India Hedge Funds	Marginal Over Weight	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return, while holding the opportunity to provide equity-like returns with debt-like risk. Typically, rising volatility is a constructive environment for hedge fund managers; however, we have not witnessed it translate to alpha for fund managers.
Long (Absolute Return)	Short Under Weight	Typically, long short funds that have consistently delivered post-tax 8% returns are a worthy consideration for portfolios. We remain under-weight due to a lack of predictable return and performance.
U.S. Equities	Market Weight	Indian HNI portfolios are dramatically underweight U.S. equities. Diversification provides strong portfolio optimization benefits. U.S. equities have dramatic barriers to entry and global leadership. U.S. equities have experienced a dramatic sell-off and we recommend a staggered accumulation approach, but caution in the short to medium term.
Emerging Market Equities	Under Weight	With sagging growth in Japan, a currency crisis, and heightened political and economic risk in China, we prefer exposure to non-Japan, non-China emerging markets that are on a growth trajectory.
Europe Equities	Under Weight	Growth in India, emerging markets is likely to outpace European growth and therefore find limited triggers to gain exposure to European equities.
Fixed Income	Weight	Rationale
Duration	Selectively Positive	Domestic macros are such that they have created an entry zone for duration. Non-volatile inflation has aided the improvement in macros substantially. Having said that we are mindful of the risk since India is not completely out of the woods with risk of higher commodity prices being ever present especially due to china opening up the narrative. Add to that India's fiscal deficit likely continuing under stress. Global factors especially the developed economies monetary path ahead is going to be a critical factor and will add to volatility. For active investors this mixture of favourable domestic factors and higher global risk is creating attractive opportunities on specific points of the term curve. A gradual position building in duration at strategic entry points will generate good risk reward.
Accrual	Selectively Positive	Accrual space offers good opportunity to lock in yields. The journey from here could be positive barring occasional hiccups in terms of temporary spikes. A pause in hikes is visible, and investors should lock in the attractive spreads that accrual assets offer rather than waiting for the actual pause. The near and belly of the curve offers good options for investors.
Credit Risk	Selectively Positive	In all the policy reversal led tightening there has been a visible difference between perceived good and actual good credit. Issuers with relatively strong balance sheets are offering good risk reward opportunities for risk savvy investors. Allocations should be in line with investor's risk appetite.
REITs	Over Weight	Real estate investment trusts (REITs) have lagged in the past year due to the impact of Covid on retail and urban office space. With the rising threat of inflation, REITs offer an attractive inflation hedge that provides exposure to fixed assets.
InvITs	Over Weight	Infrastructure Investment trusts (InvITs) have delivered attractive returns and are fast establishing themselves as core holdings in diversified portfolios, offering attractive yields, attractive long lived underlying assets, in a negative real / low interest rate environment.
Alternate	Weight	Rationale
Private Unlisted	Selectively Positive	We are selectively positive and expect significant value and wealth creation in the unlisted space in India primarily led by Technology, Financial and New Age Consumption companies. Our Direct Deal Thesis focuses on late stage companies with significant market share & profitability and our Manager Selection in early stage investments focuses on fund managers with established track record across cycles.
Gold	Weight	Rationale
Gold	Under Weight	Gold moves to our watch list, as the implosion of Bitcoin as an alternative store of value has been damaged. Further, concerns around recession in the U.S. are now emerging. Gold provides currency debasement protection. It's suffered of late due to a rush towards Bitcoin investing in the U.S.

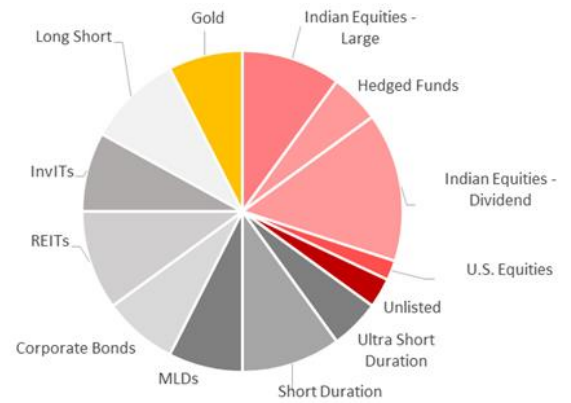
Ambit GPC Wealth Profiles - Strategic Weights

The Ambit GPC Asset Allocation & Investment Committee (AAIC) provide guidance on asset allocation via our wealth profile models below. The models are listed on a scale of rising return and rising risk and represent the most common investor profiles that we base our portfolio construction around.

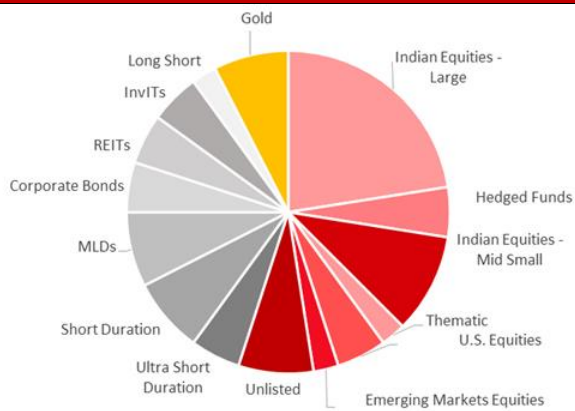
Wealth Conservation



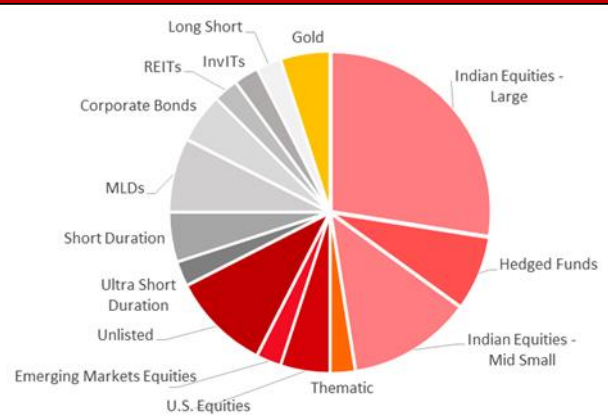
Income



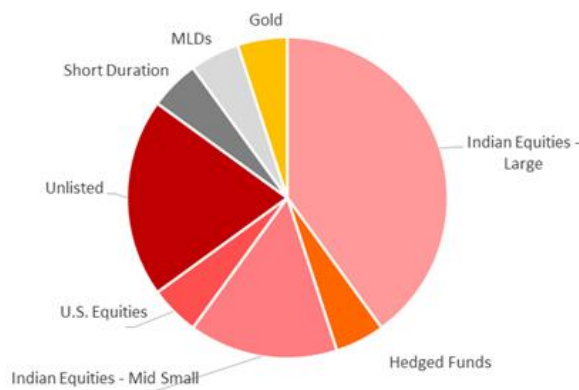
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

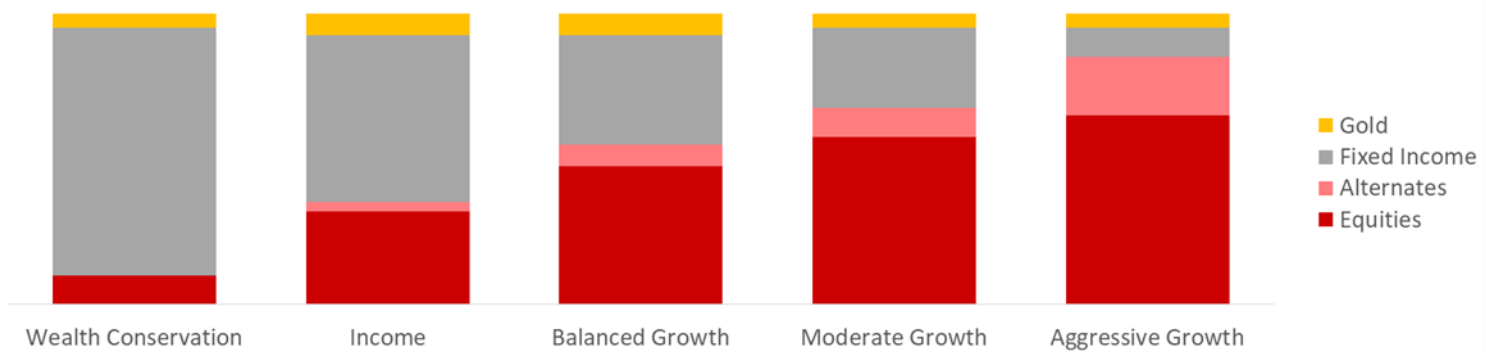
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Tactical Allocation Weights Vs Strategic

Asset Class Pairs	Scale											View	
	-5	-4	-3	-2	-1	0	1	2	3	4	5		
Equities								→	◆				Over-Weight
India Equities – Large								→	◆				Over-Weight
India Equities – Mid & Small								→	◆				Over-Weight
U.S Equities						◆							Market-Weight
International ex-U.S.				◆	←								Under-Weight
Long Short				◆									Under-Weight
Hedge Funds						→	◆						Over-Weight
Fixed Income						→	◆						Selectively Positive
Duration						→	◆						Selectively Positive
Accrual						→	◆						Selectively Positive
Credit Risk						→	◆						Selectively Positive
InvITs								→	◆				Over-Weight
REITs								→	◆				Over-Weight
Alternates					◆	←							Neutral-Weight
Private Unlisted					◆								Selectively Positive
Gold				◆	←								Under-Weight

Wealth Profiles - Summary

Strategic Asset Class Weights by Profile



Ambit Global Private Client – Asset Allocation & Investment Committee

Amrita Farmahan
CEO

Amrita.farmahan@ambit.co

Mahesh Kuppannagari
Head – Products & Advisory

Mahesh.kuppannagari@ambit.co

Sunil A. Sharma
Chief Investment Strategist

Sunil.sharma@ambit.co

Malay Shah
Head – Fixed Income

Malay.shah@ambit.co

Sources: All sources unless otherwise noted are Bloomberg, NSE.

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