

KNOW THE NOW

PATTERN BREAKS & PARADIGM SHIFTS

INVESTMENT COMMENTARY

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Pattern Breaks & Paradigm Shifts

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A paradigm shift is a complete and important change in the usual or accepted way of thinking about something. We dig deeper to determine if paradigm shifts are underway in our market.

Large Caps Are Under-Performing Meaningfully

We segment the market beyond traditional large, mid and small classification (see chart below). We split "large cap" into giga, mega and large cap, and "small cap" into small, micro and nano cap. We use these cap classifications for illustrative purposes.

Giga cap stocks- with market caps greater than INR 5L Cr - have **underperformed** the market over the past 1 month, 3 months, 6 months, 1 year, and 3 years. Mega caps – 1L Cr to 5L Cr - have under-performed the broader market. The performance disparity is meaningful. The 1 year return on giga caps is **+9.4%**. Meanwhile, **mid-caps are up +35.7%** and small caps are up **+48.3%**.

We Advised Overweighting Mid and Small Caps in April 2022 and O/W Equities in June 2022

In April 2022, (see Know the Now – Feeling F.U.D., April 2022), we wrote "We could spend an entire note focusing on the under-performance of high P/E stocks over the past year... The strategy of **hiding in large caps** and super caps looks likely to be a **market performer**... The antidote for inflation remains growth. That translates to **favouring mid-caps**, and to a lesser extent stock selection in **small caps**." We reiterated our over-weight in equities in June 2022. (see Know the Now – Buying the 10% Correction, June 2022).

Traded Volume in Mid, Small & Micro Caps Has Exploded Higher & Dropped in Mega / Giga

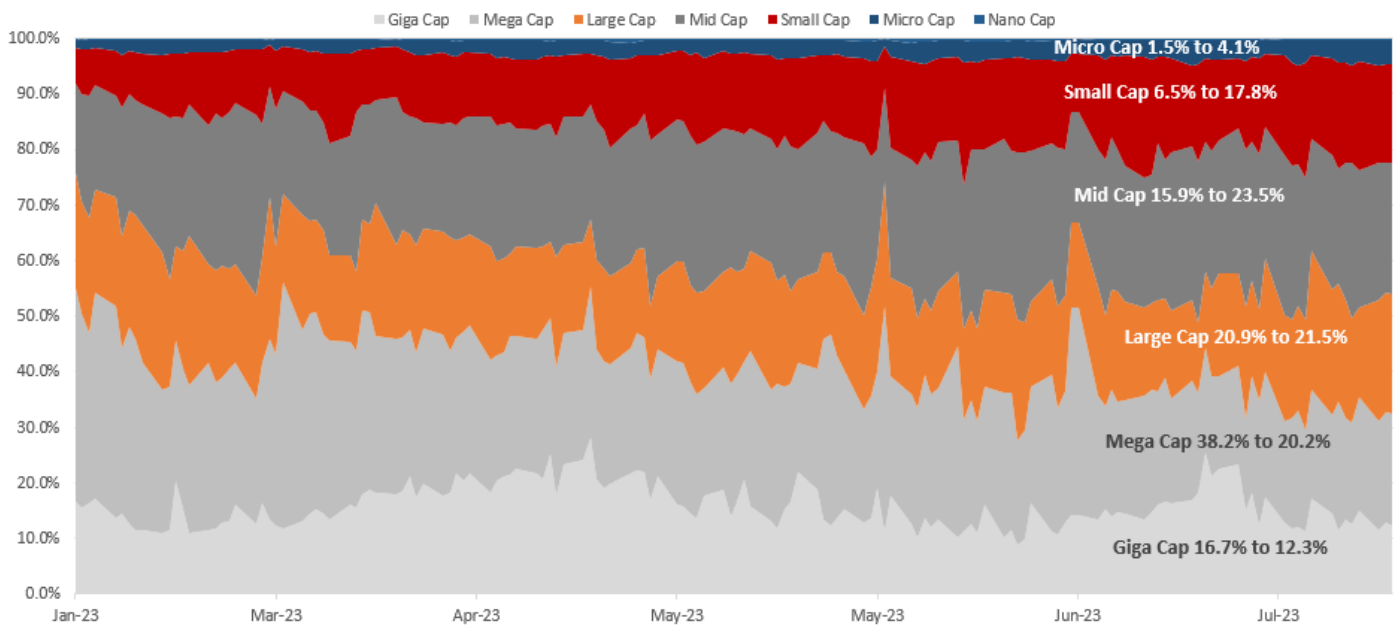
The volume share of mid, small and micro caps has risen to 46% today, versus 24% in Jan '23, +22%. (chart on next page) The volume share in giga caps and mega caps has declined from 55% to 32%, -23%.

Giga Cap Stocks Have Delivered Average Returns of 9.4% over the Past 1 Year...
...and a Large Under-Performance vs Mid and Small Caps

Cap	Cap Range (Cr)	Return over 1week	Return over 1month	Return over 3months	Return over 6months	Return over 1year	Return over 3years	Return over 5years
Giga	> 500k Cr	(0.9)	(2.3)	4.5	4.3	9.4	21.2	14.2
Mega	100k - 500k Cr	(0.4)	(0.3)	8.7	16.5	12.5	31.5	17.0
Large	50k - 100k Cr	(0.6)	4.4	17.5	25.7	32.1	31.5	15.7
Mid	10k - 50k Cr	(0.3)	4.3	17.9	24.8	35.7	32.3	14.1
Small	2000 - 10,000 C	(0.0)	6.8	23.8	36.1	48.3	42.5	14.5
Micro	500 - 2000 Cr	(0.7)	4.8	18.9	29.8	44.7	43.2	13.0
Nano	< 500 Cr	(0.5)	2.7	7.0	9.4	14.0	26.2	5.7
Total Market		(0.5)	2.9	14.0	20.9	28.1	32.6	13.5
Nifty 50		(0.9)	(0.8)	5.4	7.7	9.6	19.5	10.9

Source: Bloomberg, Ace, NSE unless noted otherwise. All data as of Aug 17 2023 unless noted otherwise. **Returns** are for all companies in the NSE Universe with market caps above 100 Cr that have reported earnings for Q2 2023.

Traded Volume Across Mid, Small and Micro Caps is Up to a 46% Share from 24% in Jan '23... ...While Giga and Mega Cap Volume is Down from 55% to 32%



Essentially, there has been a **22% shift in traded volume share out of giga and mega caps**, into mid, small and micro caps.

Volume Drives Price

Volume drives price, certainly in the short and medium term. That's one reason for the dramatic price performance disparity between large and small.

Paradigm Shift #1 – Small & Micro Caps

The volume data suggests a paradigm shift. Small and micro caps are garnering attention, and investment capital. Having witnessed the evolution of U.S. markets in the 1990s towards micro caps, the Indian market appears to be on a similar trajectory. **Micro cap investing** can deliver super normal returns, done right, far in excess of large caps.

Paradigm Shift #2 – Innovative Evolution

The first wave of winners in the past 20 years have been companies that grabbed large market shares

predominantly in banking and consumer – digital lending, FMCG, paints, autos, adhesives, jewellery, leisure and so forth etc. IT was the other big winner.

We're now witnessing companies with differentiated propositions in the micro and small cap space. For instance, a top performing stock in our mid and small cap portfolio over the past few months provides drone defense and simulation software. It's up 181% in the past 3 months.

Paradigm Shift #3 – YOLO Investing

Which brings us to our next paradigm. YOLO – You Only Live Once – investing is driving huge interest in derivatives and other high return strategies. Bitcoin. Small and micro caps have the opportunity to deliver super normal, life changing returns and hence capital is flocking into small and micro caps. Greed is back.

Nifty 50 Sequential Sales Growth Has Flattened Out This Quarter...

...But Profit Growth is a Respectable 10% Sequentially, Benefitting from Margin Recovery

Nifty 50 Sector	Sequential Sales Growth				Sequential Net Profit Growth			
	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services	4.0%	0.6%	3.7%	5.2%	-64.0%	61.7%	-12.3%	20.7%
Consumer Discretionary	0.8%	11.6%	5.5%	9.8%	-11.7%	24.8%	51.0%	409.5%
Consumer Staples	-0.6%	0.2%	1.4%	0.9%	-2.0%	-0.6%	6.7%	11.4%
Energy	-2.4%	-1.4%	-0.5%	-2.6%	37.5%	1.3%	38.8%	-8.7%
Financials	7.5%	4.6%	5.5%	29.0%	24.3%	-11.1%	8.6%	31.9%
Health Care	6.8%	-1.9%	2.0%	6.6%	25.6%	-16.4%	-3.5%	-2.8%
Industrials	-16.7%	22.7%	-9.7%	5.4%	-7.7%	24.3%	3.6%	27.9%
Information Technology	-0.3%	0.0%	5.2%	5.1%	-5.7%	-0.1%	7.2%	9.3%
Materials	-8.9%	12.7%	-2.0%	-0.9%	-19.4%	92.7%	10.3%	-65.2%
Utilities	-4.2%	1.2%	1.0%	2.3%	-7.5%	8.2%	20.3%	-9.1%
Total	-1.5%	4.4%	1.3%	5.1%	10.0%	3.9%	15.9%	5.6%

Mega and Large Cap Profit Growth is Best in the Pack, Better than Mid, Small, Micro...

...Which is Counter-Intuitive Relative to the Performance Data...What Gives?

Cap	Sales YoY %	Operating Profits YoY%	Net Profits YoY%	Sales QoQ %	Operating Profits QoQ%	Net Profits QoQ%	Operating Margin	Net Margin
Giga Cap	10.2%	28.8%	26.7%	1.1%	4.8%	-5.9%	34.2%	15.4%
Mega Cap	7.2%	31.3%	55.3%	-2.9%	22.5%	18.8%	17.1%	9.5%
Large Cap	14.0%	50.8%	77.0%	2.6%	12.4%	15.8%	31.3%	11.9%
Mid Cap	6.2%	36.7%	24.8%	-1.9%	13.4%	-7.5%	20.9%	7.4%
Small Cap	4.3%	4.6%	-5.3%	-4.6%	7.4%	-6.1%	15.0%	5.9%
Micro Cap	-0.7%	1.5%	N/M	-4.0%	6.5%	N/M	11.3%	3.1%
Nano Cap	-1.2%	3.6%	N/M	-7.4%	N/M	N/M	6.0%	-3.7%
Total Market	7.8%	32.6%	41.3%	-1.6%	12.8%	5.6%	22.0%	9.7%

Data as of Aug 15, 2023. Cap definitions listed in column 2 above. Returns on cap segments are average returns.

Large Cap Sales Momentum Plateaued This Qtr

The Nifty 50 is an accurate proxy for large caps. Nifty 50 sales have de-grown -1.5% QoQ. (See chart above). Investors have noticed as the **index has stalled** on forward progress. The **consumer sectors and IT sector have shown signs of slowdown**. The drop in sales, however, is primarily driven by the Industrials sector, -16.7% YoY. The primary detractors within Industrials are **Larsen & Toubro and UPL**.

But Net Profits are Up +10% Sequentially

As a result of operating and **net margin improvement**, Nifty 50 earnings have grown a respectable +10% sequentially, led by Energy, Financials, and Health Care.

But Earnings Performance in Large Caps Has Been Better than Mid and Small...

The table above shows that earnings performance of mega and large caps is arguably best in pack. What gives? As usual the devil is in the details.

Large Cap Value Has Delivered Growth

We group the total market by cap category, and then further group by Growth and Value. We use a valuation factor as well as an earnings growth factor to define Growth and Value categories.

The table below shows that **Large Cap Value has delivered stellar profit growth**, and each value cap segment has **outperformed** its corresponding Growth segment.

Mega and Giga Cap Growth, meanwhile, has delivered dismal earnings performance, up 2.1% and 3.5% YoY. Not only that, mega and giga caps growth stocks are expensive on valuation, and **high valuations are contracting**. High flying large cap growth stocks of yesteryear have experienced valuation compression.

Value stocks – with earnings growth momentum – is what the market is rewarding. Examples are REC Ltd, Power Finance, Adani Power, IRFC, IDFC First Bank, most of which sport P/E's in single digits. That's a far cry from the performers of yesteryear – Unilever, Asian Paints, Pidilite, D-Mart etc.

Paradigm Shift #4 – Valuation Matters Again, Alongside Earnings Growth

Over the past few years, we've witnessed much prognostication by "experts" on why valuation does not matter. That dominant large franchises deserve high valuations and these valuations are sustainable. Meanwhile, we're not aware of a single instance in history where triple digit PEs or very high PEs have sustained over long periods of time.

Unilever has a 3 year price CAGR of 5.1%. Britannia and Nestle India are at 5.1% and 10.2% respectively. Kotak Bank is at 10.4%. Reliance Industries is 10.3%. TCS is 15.3% over 3 years but 1.7% last one year.

The Market is Rewarding Value Stocks with Earnings Growth... Rightly So, as the Disparity in Performance Between Giga/Mega Growth & Value is Large

Valuation Factor	Style	Sales YoY %	Operating Profits YoY%	Net Profits YoY%	Style	Sales YoY %	Operating Profits YoY%	Net Profits YoY%
Giga Cap	Growth	0.8%	8.4%	2.1%	Value	35.3%	55.7%	69.3%
Mega Cap	Growth	19.4%	8.9%	3.5%	Value	2.8%	42.9%	84.7%
Large Cap	Growth	29.6%	35.6%	40.7%	Value	6.8%	55.6%	99.4%
Mid Cap	Growth	10.8%	12.8%	4.6%	Value	3.2%	50.1%	45.5%

Giga Caps are Selling at 3X Sales While Micro and Small Caps are at 1.2 to 1.5X Sales

Cap	Price/Sales	P/E	TTM Sales Growth	TTM Net Profit Growth	Market Cap	Cumulative Market Cap
Giga Cap	3.4	22.44	17.5%	23.7%	25.4%	25.4%
Mega Cap	1.6	20.39	15.7%	14.8%	29.4%	54.8%
Large Cap	2.0	20.37	19.2%	14.1%	15.5%	70.3%
Mid Cap	1.9	29.64	13.1%	1.9%	19.7%	90.0%
Small Cap	1.5	26.27	14.2%	6.4%	7.7%	97.6%
Micro Cap	1.2	26.25	NM	NM	1.8%	99.4%
Nano Cap	0.9	(8.75)	NM	NM	0.6%	100.0%
Total Market	2.0	23.3	15.3%	5.7%	100.0%	

Infosys is negative. Asian Paints has a negative return over the past year of -9.1%. Bajaj Finserv is -12.7% and Bajaj Finance is -7.3%. Pidilite is -8.1%. REC Ltd is +122.5%.

Ultimately, markets revert to normalcy and prudence. High valuation, decelerating financial performance, rising competition and degradation of moat have impacted mega and giga cap performance.

Time will tell if this is truly a paradigm shift, or if these firms find their mojo in a friendlier policy and interest rate environment. Capital however, has been jumping off the bandwagon. Investors are increasingly shifting into lower valuation growth. **Valuation matters again.**

Earnings Scorecard Q2 2023

Year over Year Earnings Up 39.9%, But From a Muted Q2 2022...

With the second quarter in the books, Nifty 50 companies have delivered +9.4% sales growth YoY, and 39.9% net profits growth YoY. That's terrific on the face of it, but last year's Q2 was still coming out of Covid's shadow and was a sub-normal quarter.

Sequential Sales are Down 1.5%, Earnings are Up +10.0%

Given the muted numbers from last year, a sequential comparison provides superior insight into financial performance. Sequentially, sales are down 1.5%, while operating profits are up 8.1% and net profits are up 10.0%.

Operating & Net Margins Have Recovered

Net Margins are back up to 11.7%, up a meaningful +2.5% absolute vs last year at 9.2%. Operating margins are up from 18.4% to 24.2%.

Financials are Leading the Recovery

Financials have the highest year on year top line improvement, and also the highest sequential growth. Private banks, PSU banks, NBFCs are witnessing and benefitting from a credit boom. Borrowers are snapping up credit across urban, rural, services, consumption, agriculture, travel, and housing. The only segment with average growth remains industry.

However, Consumer Data Appears to be Flattening

However, the flattening of consumer behaviour is noteworthy as shadow inflation starts to bite and Covid savings start to dwindle.

Nifty 50 Earnings – Top Line is Down 1.5% While Profits are +10.0%

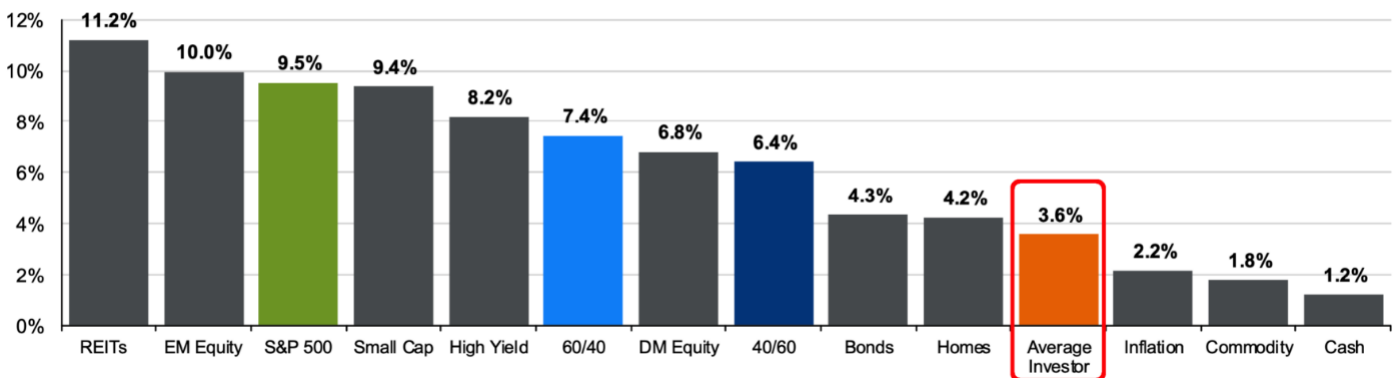
Sector	Sales YoY %	Operating Profits YoY%	Net Profits YoY%	Sales QoQ %	Operating Profits QoQ%	Net Profits QoQ%	Operating Margin	Net Margin
Communication Services	14.1%	18.6%	-38.4%	4.0%	3.4%	-64.0%	52.3%	4.1%
Consumer Discretionary	30.3%	113.3%	747.9%	0.8%	12.9%	-11.7%	13.6%	6.6%
Consumer Staples	2.0%	12.2%	15.7%	-0.6%	-0.3%	-2.0%	28.0%	20.5%
Energy	-6.7%	50.1%	76.6%	-2.4%	5.7%	37.5%	18.2%	10.4%
Financials	53.0%	47.5%	58.4%	7.5%	5.7%	24.3%	44.5%	19.2%
Health Care	13.9%	25.5%	-1.5%	6.8%	-10.5%	25.6%	25.3%	15.8%
Industrials	-2.7%	35.6%	52.1%	-16.7%	38.6%	-7.7%	15.7%	7.4%
Information Technology	10.3%	9.3%	10.3%	-0.3%	-2.0%	-5.7%	21.7%	15.1%
Materials	-0.2%	-25.0%	-40.4%	-8.9%	45.1%	-19.4%	13.7%	5.1%
Utilities	0.1%	8.5%	9.3%	-4.2%	0.3%	-7.5%	40.2%	15.7%
Total	9.4%	31.1%	39.9%	-1.5%	8.1%	10.0%	24.2%	11.7%

Operating and Net Margins Have Recovered Handsomely – Inflation Impacts are Receding

Sector	Cap Wt %	Profit Contrib %	Oper Margrin	Op Mgn Prior Qtr	Op Mgn 2 Qtrs Back	Op Mgn 3 Qtrs Back	Net Margin	Net Margin	Net Margin	Net Margin
Communication Services	3.3%	0.8%	52.3%	51.9%	50.5%	51.0%	4.1%	11.7%	7.3%	8.6%
Consumer Discretionary	8.2%	6.9%	13.6%	13.3%	13.2%	10.7%	6.6%	7.6%	6.8%	4.7%
Consumer Staples	10.3%	4.7%	28.0%	27.8%	28.0%	26.7%	20.5%	20.8%	21.0%	19.9%
Energy	14.4%	27.5%	18.2%	14.2%	13.3%	9.8%	10.4%	7.4%	7.2%	5.2%
Financials	26.7%	31.8%	44.5%	37.9%	37.5%	36.4%	19.2%	16.6%	19.6%	19.0%
Health Care	4.2%	2.5%	25.3%	22.2%	24.3%	25.1%	15.8%	13.4%	15.8%	16.7%
Industrials	5.4%	3.0%	15.7%	15.9%	14.1%	12.9%	7.4%	6.7%	6.6%	5.8%
Information Technology	17.6%	12.8%	21.7%	22.8%	23.3%	22.7%	15.1%	15.9%	15.9%	15.7%
Materials	7.5%	5.8%	13.7%	14.2%	11.0%	10.5%	5.1%	5.8%	3.4%	3.0%
Utilities	2.5%	4.3%	40.2%	40.3%	40.7%	35.7%	15.7%	16.3%	15.2%	12.8%
Total	100.0%	100.0%	24.2%	21.4%	20.7%	18.4%	11.7%	10.5%	10.5%	9.2%

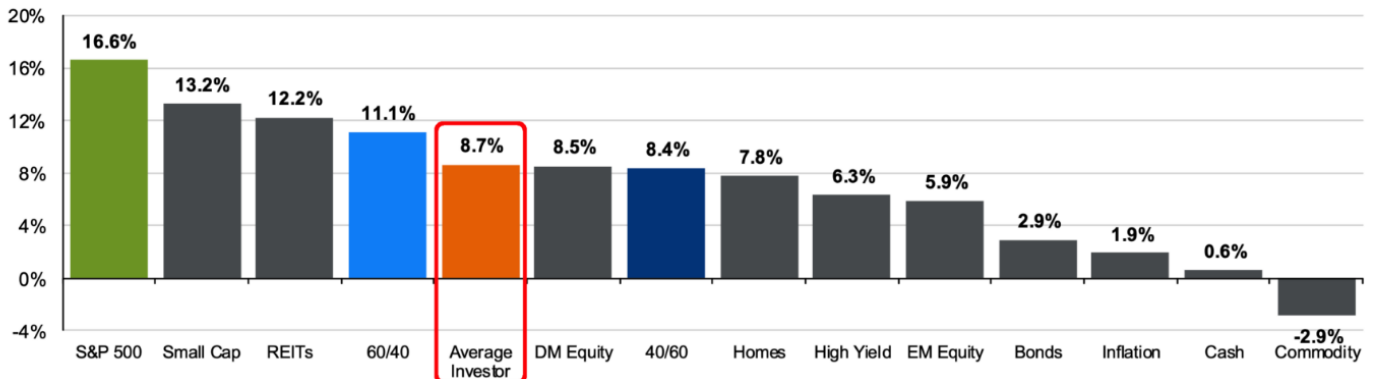
The Average U.S. Investor Annualized Return Over the Past 20 Years is 3.6%

20-year annualized returns by asset class (2002 – 2021)



The Average U.S. Investor Annualized Return Over the Past 10 Years is 8.7%

10-year annualized returns by asset class (2012 – 2021)



Source: J.P. Morgan

Outlook

Sobering Research on Long Term Investor Returns

A study by J.P. Morgan in the U.S. (see chart on prior page) has found that the **20 year annualized investment return for the average investor in the U.S. is +3.6%**. It improves to 8.7% over the past decade, again highlighting that **mistakes** made during financial crises prove to be devastating to portfolio performance. It takes decades to undo the harm done at times of extreme fear. (chart above).

We've similarly come across data that 90%+ traders in Indian markets earn returns less than fixed deposit returns.

Concentrating portfolios chasing last year's heroes is also not a winning strategy. In the past 7 years, we've witnessed investors chase star fund managers in small caps, get burned, chase star large cap fund managers, get burned, chase inexperienced portfolio managers, get burned.

What is a winning strategy? Diversifying across a portfolio of income generating investments, avoiding critical investment mistakes during times of duress is all that is essentially necessary. Said even simpler, **keep buying regularly in sound assets, at reasonable prices, regularly.**

It's tougher to do during bear markets, and that's where working with an experienced wealth advisor that has witnessed wealth creation across cycles, is usually a meaningful value enhancer to portfolio returns.

Pessimism Remains High Amongst Institutional Buyers

As markets continue their move higher, institutional investors continue to remain bearish. In the U.S., cash is the most crowded trade, per BoA Global Fund Manager survey, at an absolute 30%+ net overweight. Only 17% surveyed intend to deploy in coming weeks.

We suspect significant cash is on the sidelines in India as well.

Asset Allocation

We've laid out a case that **paradigm shifts** are possibly underway. The market is a constantly evolving machine. The data highlights that an allocation to small and mid-caps, maybe even micro caps, done wisely, will enhance portfolio returns.

An emerging cadre of small and mid-caps are delivering genuinely impressive growth, innovating in new industries, with strong order books, growth opportunities, visibility and reasonable valuations. The data suggest small and micro-cap investing is entering a new paradigm, and is here to stay.

However, **we'd caution abandoning prudence and chasing returns at this juncture.** A prudent deployment plan aligned to long term objectives is a much wiser approach. We remain watchful of data out of China and the U.S., and domestic trends. **Our positioning on equities remains unchanged.**

Indian Household Allocation to Equities at 7% is Abysmally Low

We've witnessed India's household investment in equities rise from 3% to 5% to 7% over the past few years. Indian households continue to hold 57% of financial assets in bank deposits, the largest share of any major and emerging economy. The average for other major emerging markets is 30%. Latin America is 40%. **China is 41%**. The average for the U.S. is at 50%, up from 43% a few years ago. India will continue to garner inflows, from domestic and foreign sources of capital.

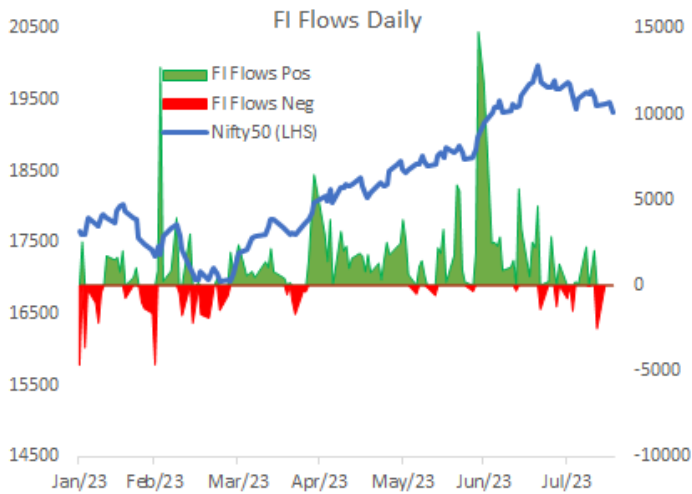
Strong Government Initiatives to Drive Growth

Whether it's the new broadband policy BharatNet to push out fiber connectivity to 640,000 villages, Make in India which is attracting global manufacturing powerhouses, infrastructure investments, it's clear that the government intends to deploy capital to build out

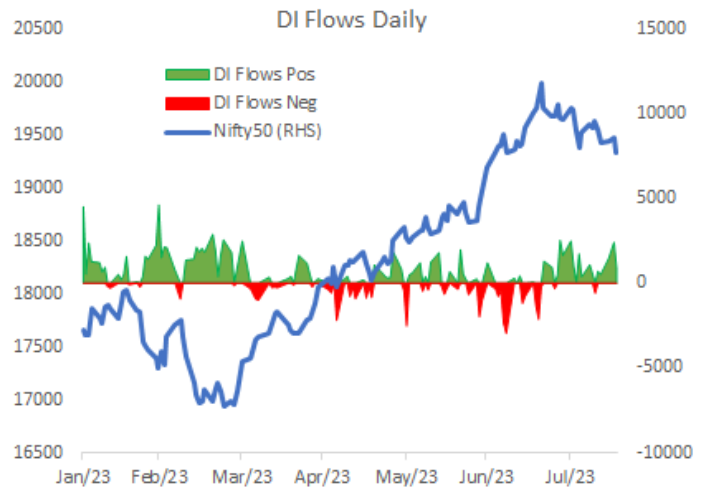
productive infrastructure, and in the process create growth.

Finally, FIs have re-deployed aggressively in the past few months. DI flows appear to provide support to markets during minor sell offs.

FI Flows Have Been Driving the Rally Higher



DIs Support the Market on Every Sell Off



Equity Index Performance

18/08/2023	Price	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	19,310	-2.2	-2.2	6.5	7.6	0.6	6.7	7.5	19,992	16,748	-3.4%	15.3%
Americas												
S&P 500 Index	4,370	-4.1	-4.8	4.1	7.1	-1.8	13.8	2.0	4,607	3,492	-5.1%	25.2%
Dow Jones Indus. Avg	34,475	-1.4	-3.1	2.8	1.9	0.2	4.0	1.4	35,679	28,661	-3.4%	20.3%
Nasdaq Composite	13,317	-7.2	-7.2	4.9	13.0	-3.4	27.2	2.7	14,447	10,089	-7.8%	32.0%
Nyse Fang+ Index	7,329	-10.9	-8.9	7.5	32.4	-5.4	64.8	28.8	8,293	4,103	-11.6%	78.6%
Canada	19,812	-2.8	-3.9	-2.4	-3.4	-1.7	2.2	-2.2	20,843	17,873	-4.9%	10.8%
Mexico	53,201	-1.5	-3.0	-3.7	-1.1	-0.6	9.8	9.2	55,627	44,519	-4.4%	19.5%
Brazil Bovespa	114,982	-2.4	-5.7	4.4	5.3	-2.6	4.8	1.0	123,010	96,997	-6.5%	18.5%
Europe												
Euro Stoxx 50 Pr	4,206	-3.7	-5.9	-3.7	-1.6	-4.4	10.9	11.4	4,492	3,250	-6.3%	29.4%
FTSE 100	7,256	-2.6	-5.8	-6.3	-9.3	-3.7	-2.6	-3.8	8,047	6,708	-9.8%	8.2%
CAC 40 Paris	7,139	-2.5	-4.8	-4.1	-2.8	-3.5	10.3	8.9	7,581	5,628	-5.8%	26.8%
DAX Germany	15,586	-3.3	-5.2	-3.6	0.7	-3.5	11.9	13.8	16,529	11,863	-5.7%	31.4%
Asia												
Nikkei 225	31,451	-3.2	-5.2	2.9	14.3	-5.2	20.5	8.7	33,773	25,622	-6.9%	22.7%
Hang Seng	17,951	-5.6	-10.6	-9.0	-13.4	-5.1	-9.3	-9.2	22,701	14,597	-20.9%	23.0%
Shenzhen CSI 300	3,784	-1.8	-5.7	-4.3	-6.2	-1.5	-2.3	-9.5	4,268	3,496	-11.3%	8.2%
Australia	7,148	-1.9	-3.5	-1.2	-2.7	-0.8	1.6	0.5	7,568	6,412	-5.5%	11.5%
Taiwan	16,381	-4.9	-4.5	1.7	5.8	-3.2	15.9	6.4	17,464	12,629	-6.2%	29.7%
Korea	2,505	-4.0	-4.9	-0.4	2.2	-2.3	12.0	-0.1	2,668	2,135	-6.1%	17.3%
Straits Times Index STI	3,174	-2.5	-5.9	-0.3	-4.6	-1.0	-2.4	-3.0	3,408	2,969	-6.9%	6.9%
Vietnam Ho Chi Minh	1,178	0.3	-3.7	10.3	11.2	5.2	17.0	-7.5	1,295	874	-9.0%	34.8%
Jakarta Indonesia	6,860	-0.1	-1.0	3.0	-0.5	3.0	0.1	-3.8	7,377	6,543	-7.0%	4.8%
Phillipines	6,290	-3.7	-4.6	-5.1	-7.2	-2.7	-4.2	-7.8	7,138	5,699	-11.9%	10.4%

Leadership Stocks – U.S. & India

Select Leadership Stocks - India	Price	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
U.S.												
Nifty 50	19,310	-2.2	-2.2	6.5	7.6	0.6	6.7	7.5	19,992	16,748	-3.4%	15.3%
Microsoft Corp	317	-11.9	-5.7	-0.5	22.8	-6.9	32.1	9.2	367	213	-13.6%	48.5%
Meta Platforms Inc-Class A	285	-8.6	-10.5	15.5	64.9	-0.7	136.9	63.2	326	88	-12.6%	223.6%
Apple Inc	174	-10.2	-11.4	-0.6	14.1	-10.3	33.9	-0.1	198	124	-12.2%	40.1%
Walt Disney Co/The	86	-0.0	-3.3	-8.4	-18.3	-3.8	-1.1	-30.0	123	84	-30.2%	2.2%
Amazon.Com Inc	134	0.9	0.2	13.4	37.8	2.8	59.5	-5.8	144	81	-6.7%	64.5%
Netflix Inc	403	-15.1	-8.2	8.5	15.8	-8.5	36.7	64.4	485	212	-16.9%	90.3%
Alphabet Inc-Cl A	130	5.0	-2.1	5.8	37.7	8.5	47.3	8.1	134	83	-2.9%	55.9%
India												
Hdfc Bank Limited	1,591	-5.2	-3.7	-3.3	-3.9	-6.5	-2.3	5.2	1,758	1,365	-9.5%	16.5%
Icici Bank Ltd	951	-2.5	-4.8	0.4	10.2	1.7	6.7	7.4	1,009	796	-5.8%	19.4%
Tata Consultancy Svcs Ltd	3,367	-3.7	-1.6	5.2	-3.8	2.0	5.5	1.6	3,575	2,868	-5.8%	17.4%
Bajaj Finance Ltd	6,862	-7.5	-6.0	1.1	6.9	-4.2	4.4	-8.4	8,000	5,486	-14.2%	25.1%
Hindustan Unilever Ltd	2,555	-4.8	-0.2	-2.8	1.6	-4.6	-0.2	-4.7	2,770	2,393	-7.8%	6.8%
Nestle India Ltd	21,830	-5.0	-3.2	0.7	14.8	-4.6	11.3	11.6	23,395	17,880	-6.7%	22.1%
Titan Co Ltd	3,050	1.8	1.5	12.1	22.0	0.1	17.4	23.1	3,210	2,270	-5.0%	34.4%
Asian Paints Ltd	3,164	-10.0	-6.3	1.8	11.6	-5.9	2.4	-10.5	3,583	2,686	-11.7%	17.8%
Srf Ltd	2,278	2.3	4.9	-6.2	-1.8	-0.5	-0.5	-9.6	2,865	2,040	-20.5%	11.7%
Central Depository Services	1,145	-5.0	-6.9	15.7	13.7	3.1	2.7	-7.4	1,452	881	-21.1%	30.0%

Large, Mid & Small

18/08/2023	Price	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	19,310	-2.2	-2.2	6.5	7.6	0.6	6.7	7.5	19,992	16,748	-3.4%	15.3%
Sensex	64,949	-2.8	-2.4	5.7	6.5	0.4	6.8	7.7	67,619	56,147	-3.9%	15.7%
Nifty 500	16,758	-0.7	-1.8	9.1	11.7	2.0	8.5	8.8	17,102	14,178	-2.0%	18.2%
NIFTY Midcap 100	37,815	3.3	0.2	16.1	23.4	5.8	20.0	20.2	38,164	29,200	-0.9%	29.5%
NIFTY Smallcap 100	11,683	3.2	-0.2	18.1	24.1	7.8	20.1	22.0	11,870	8,682	-1.6%	34.6%

Nifty Sectors

18/08/2023	Price	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	15,392	-0.8	-2.0	11.8	17.1	1.6	22.0	17.2	15,912	11,902	-3.3%	29.3%
Nifty Bank	43,851	-3.4	-3.9	0.2	6.6	-2.0	2.0	10.6	46,370	37,386	-5.4%	17.3%
NIFTY Private Bank	22,624	-2.6	-3.4	1.8	7.8	-1.3	3.5	11.4	23,778	19,242	-4.9%	17.6%
Nifty Financial Services	19,481	-3.9	-4.2	0.6	5.7	-2.9	2.6	5.8	20,667	16,984	-5.7%	14.7%
Nifty India Consumption	8,217	-2.5	-2.2	7.1	11.9	-1.2	8.8	4.3	8,505	7,040	-3.4%	16.7%
Nifty FMCG	51,465	-3.5	-2.2	5.3	12.8	-1.4	16.5	18.2	54,350	42,227	-5.3%	21.9%
Nifty Energy	26,302	2.7	-2.1	11.0	17.1	6.5	1.7	-4.8	28,257	21,631	-6.9%	21.6%
Nifty Infrastructure	5,975	1.8	-2.3	11.7	15.8	4.1	13.8	16.6	6,124	4,841	-2.4%	23.4%
Nifty IT	30,604	-2.4	2.3	9.7	-1.5	3.5	6.9	1.9	31,658	26,184	-3.3%	16.9%
Nifty Metal	6,494	0.7	-3.9	15.9	11.8	4.6	-3.4	8.6	6,920	5,209	-6.2%	24.7%
Nifty Pharma	15,272	8.9	1.9	24.8	25.6	10.9	21.2	18.1	15,751	11,542	-3.0%	32.3%
Nifty PSU Bank	4,604	3.8	-0.4	16.3	20.8	12.0	6.6	57.3	4,648	2,766	-0.9%	66.4%
Nifty Realty	530	-0.9	-6.4	16.6	31.4	2.0	22.8	15.4	569	371	-6.8%	43.0%
Nifty Sectors & Themes												
Nifty Media	2,252	15.4	9.2	35.4	23.0	29.1	13.0	9.0	2,269	1,637	-0.8%	37.6%
Nifty CPSE	3,434	5.5	-2.3	9.7	19.7	5.4	22.7	29.6	3,536	2,485	-2.9%	38.2%
Nifty PSE	5,373	4.7	-2.5	12.7	21.5	5.7	23.0	28.1	5,532	3,882	-2.9%	38.4%
Nifty Commodities	6,182	0.7	-2.8	7.8	9.8	2.4	4.0	5.7	6,413	5,354	-3.6%	15.5%
Nifty MNC	21,684	-2.1	-3.6	6.0	11.3	-0.7	10.1	10.2	22,573	18,651	-3.9%	16.3%

Crude Oil & Commodities

18/08/2023	Price	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	19,310	-2.2	-2.2	6.5	7.6	0.6	6.7	7.5	19,992	16,748	-3.4%	15.3%
Gold U.S. & India												
Gold Spot \$/Oz	1,895	-4.2	-3.8	-3.1	3.0	-1.2	3.9	7.9	2,063	1,615	-8.1%	17.4%
Gold India	58,180	-1.7	-1.9	-3.5	4.1	0.6	6.6	12.2	61,460	49,111	-5.3%	18.5%
Platinum Spot \$/Oz	905.9	-8.2	-5.1	-14.2	-2.5	-0.0	-15.7	-0.9	1,135	821	-20.2%	10.3%
Crude												
Brent Crude	83.9	5.4	-1.9	10.7	1.1	12.1	-2.3	-13.1	105	70	-20.4%	19.7%
WTI Crude	80.3	6.0	-1.8	11.8	5.2	13.7	0.1	-11.3	98	64	-17.8%	26.2%
Metals												
LME Copper	8,200.9	-3.2	-6.8	-0.7	-8.4	-1.5	-2.0	3.5	9,436	7,352	-13.1%	11.5%
LME Aluminum	2,108.5	-4.6	-6.1	-8.7	-10.1	-0.1	-10.3	-12.5	2,636	2,061	-20.0%	2.3%
LME Nickel	20,027.0	-3.8	-9.3	-5.6	-21.7	-1.6	-33.0	-8.2	31,176	19,675	-35.8%	1.8%
LME Zinc	2,285.5	-4.5	-10.9	-9.3	-25.9	-4.1	-23.9	-36.1	3,677	2,222	-37.8%	2.9%
LME Lead	2,150.0	2.9	0.2	4.8	4.6	0.3	-8.0	1.8	2,335	1,753	-7.9%	22.6%
LME Tin	24,980.0	-13.0	-12.8	-0.4	-2.6	-9.0	0.9	0.5	32,170	17,400	-22.4%	43.6%
Commodities												
Lumber	8,200.9	-3.2	-6.8	-0.7	-8.4	-1.5	-2.0	3.5	9,436	7,352	-13.1%	11.5%
Palm Oil	3,855.0	0.1	1.7	4.9	-5.9	2.8	-7.6	-5.0	4,349	3,143	-11.4%	22.7%
BBG Cmdty ex-Prec Mtl	94.9	0.2	-2.8	4.8	-3.3	3.4	-9.5	-18.4	122	86	-22.1%	10.3%
CRB Metals Index	978.8	-2.7	-4.1	-2.8	-9.0	-1.4	-3.2	-7.6	1,149	914	-14.8%	7.1%
Bloomberg Commodity Index	103.8	-1.1	-3.3	2.8	-2.6	2.3	-8.0	-14.6	126	97	-17.6%	7.0%
CRB Commodities Index	550.8	-1.2	-2.3	0.9	-0.1	0.5	-0.7	-6.6	593	536	-7.2%	2.7%
Wheat	600.0	-10.5	-9.9	-1.9	-21.6	-5.7	-24.2	-18.0	950	573	-36.8%	4.7%
CRB Raw Industrials Index	552.2	-0.6	-1.6	-0.2	-2.0	0.3	-3.1	-9.4	612	543	-9.8%	1.7%
Commodities												
Bloomberg Grains Spot	261.05	-7.1	-3.7	-5.9	-20.1	-2.5	-20.3	-13.4	337	258	-22.5%	1.1%
Raw Sugar	23.82	-0.2	-1.2	-7.0	11.3	4.1	18.9	34.0	27	17	-13.1%	37.2%
Simex Iron Ore	107.00	-5.5	-4.9	-0.8	-14.8	-4.9	-3.8	2.2	132	77	-18.8%	39.2%

Interest Rates and Inflation

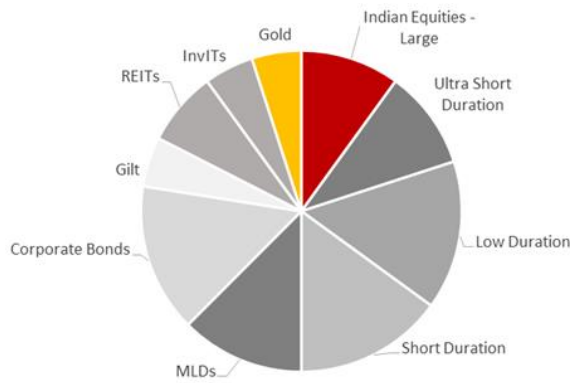
18/08/2023	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India G-Sec Yields												
10 Year India G-Sec	7.21	7.06	7.18	6.99	7.37	7.12	7.33	7.24	7.54	6.94	-0.32	0.27
5 Year India G-Sec	7.20	7.02	7.15	6.92	7.34	7.08	7.23	6.93	7.48	6.86	-3.8%	4.9%
3 Year India G-Sec	7.19	6.99	7.12	6.88	7.21	7.05	7.04	6.71	7.42	6.70	-3.1%	7.4%
1 Year India G-Sec	7.13	7.00	7.03	6.84	7.26	6.99	6.72	6.08	7.38	6.04	-3.3%	18.1%
3 Month India G-Sec	6.85	6.70	6.71	6.84	6.77	6.71	6.26	5.55	7.12	5.52	-3.8%	24.1%
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.25	5.40	6.50	5.90	N/A	N/A
India CPI												
India CPI Combined YoY	7.44	4.87	7.44	4.70	6.52	4.87	5.72	6.71	7.44	4.31	-	3.13
India WPI	-1.36	-4.1	-1.4	-0.8	4.8	-4.1	5.0	14.1	12	-4	-110.9%	-67.0%
India Core CPI	5.55	5.6	5.6	5.8	6.4	5.6	6.4	5.9	6	6	-14.4%	0.0%
U.S. & China Yields & CPI												
U.S. 10 Year	4.22	3.79	3.96	3.65	3.81	3.84	3.87	2.88	4.34	2.83	-0.12	1.39
U.S. 5 Year	4.35	4.01	4.18	3.68	4.03	4.16	4.00	3.03	4.50	2.98	-0.15	1.38
U.S. 2 Year	4.90	4.77	4.88	4.25	4.62	4.90	4.43	3.20	5.12	3.19	-0.22	1.71
U.S. 1 Year	5.06	5.33	5.39	5.00	4.99	5.42	4.71	3.20	5.43	3.20	-0.37	1.86
U.S. 3 MO T-BILL	5.25	5.40	5.42	5.24	4.80	5.30	4.37	2.65	5.45	2.63	-0.20	2.62
Spread 10-2	-0.68	-0.98	-0.92	-0.61	-0.80	-1.06	-0.55	-0.32	-0.78	-0.36		
Spread 5-1	-0.71	-1.32	-1.21	-1.31	-0.96	-1.26	-0.71	-0.17	-0.92	-0.22		
U.S. CPI	3.20	3.00	3.20	4.90	6.40	3.00	6.50	8.50	8	3	-61.4%	6.7%
China CPI	-0.30	-	-0.3	0.1	2.1	-	1.8	2.7	3	-0	-110.7%	0.0%
Inflation Expectations 10 Year US	2.21	2.2	2.2	2.2	2.2	2.2	2.3	2.4	3	2	-12.5%	0.5%
U.S. Dollar & INR												
USD INR	83.1	82.0	82.3	82.6	82.7	82.0	82.7	79.7	83.3	79.0	-0.2%	5.2%
Dollar Index	103.4	99.9	101.9	103.6	103.9	102.9	103.5	107.5	114.8	99.6	-9.9%	3.8%

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. At this stage of the cycle, we prefer a higher over-weight exposure to mid and small caps.
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 Short (Absolute Return)	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.
Emerging Market Equities	Market Weight	The Japanese economy is witnessing a surprise uptick, after many years. China is opening up after 3 years and while concerns remain around real estate, the Chinese consumer should have pent up buying power. Other emerging markets are valued reasonably and showing growth.
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	Positive	Duration continues to be an attractive proposition on a risk reward basis despite the probable intermittent volatility. Intermittent volatility could arise due to factors like, food and fuel prices, developed market rate trajectory, international geopolitical uncertainty continuing unabated etc. However resultant temporary yields spikes would be an opportunity to add to positions rather than permanent weakness in the fixed income investment proposition.
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 spread widening. Investors should lock in the attractive spreads that accrual assets offer. The near and belly of the curve offers good options for investors.
Credit Risk	Selectively Positive	Rich pickings are available in credit space of lesser understood / lesser known issuers and they offer attractive 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) lagged in 2020 and 2021 due to the impact of Covid on retail and urban office space. However, REITs recovered in 2022. During the uncertain and inflationary environment, REITs offer an attractive inflation hedge that provides exposure to fixed assets
InvTs	Over Weight	Infrastructure Investment trusts offer an attractive opportunity to invest in diversified portfolio of assets generating an attractive yield through regular income distribution
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	Given the recent run up in Gold prices and attractive opportunities available in equities and fixed income, we recommend an under-weight position in Gold.

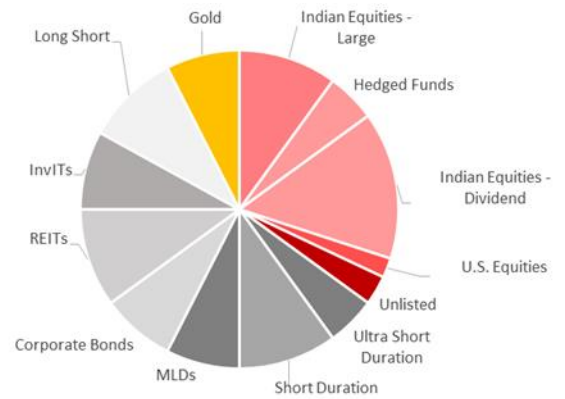
Ambit GPC Wealth Profiles - Strategic Weights

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.

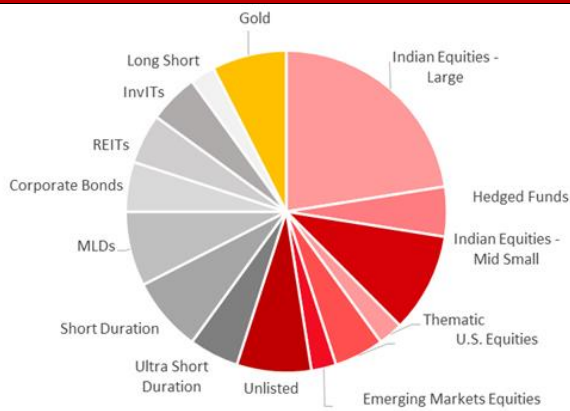
Wealth Conservation



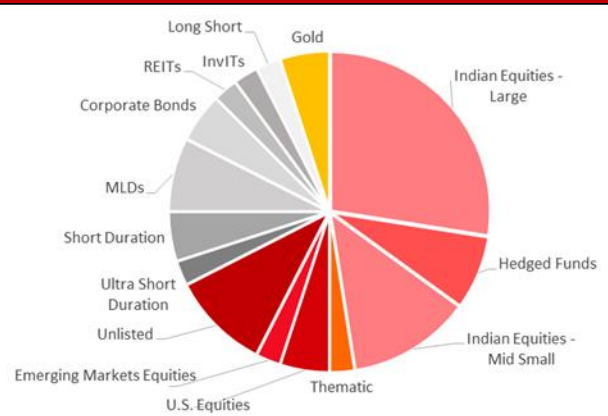
Income



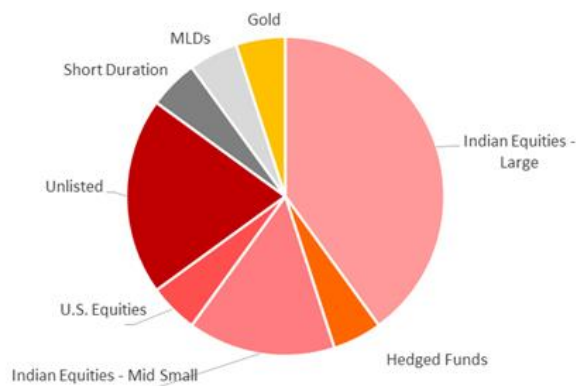
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

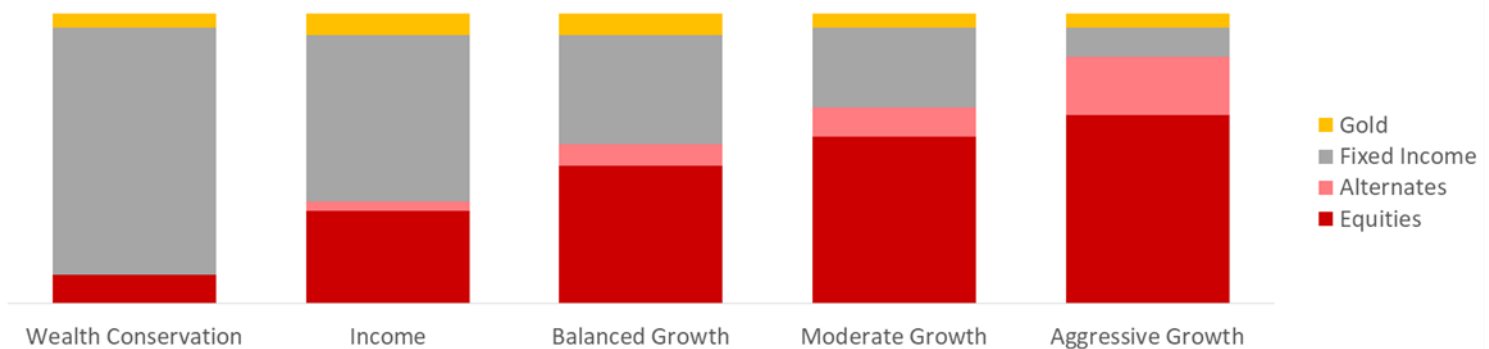
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as necessary during periods of market volatility to discuss the economy and markets. The committee determines the investment outlook that guides our advice to clients. The AAIC continually monitors developing economic and market conditions, reviews tactical outlooks and recommends asset allocation model changes, as well as analysis, investment commentary, portfolio recommendations and reports.

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								→	◆				Positive
Duration								→	◆				Positive
Accrual								→	◆				Selectively Positive
Credit Risk								→	◆				Selectively Positive
InvlTs								→	◆				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

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

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