



## 1-Market Highlights:

The month saw a whipsaw in the market with the bears countering the bulls on every significant upmove. However, markets embraced the festive spirit as bourses lit up green driven by economic recovery from the pandemic-led slump and infusion of massive liquidity.

### • Market performance (%)

INDEX	1M	3M	6M	1Y
NIFTY 50	1.1	-1.5	10.4	24.1
SENSEX 30	1.0	-1.5	11.0	22.0
NIFTY MIDCAP 150	2.0	1.6	13.4	46.8
NIFTY SMALLCAP 250	5.1	5.1	16.4	61.5

Source: Ace Equity

As of 31<sup>st</sup> Dec'21

### • FII/DII Activity

Indian markets witnessed huge Foreign Institutional Investment (FII) outflow of INR 35K crores for the month of December 2021. This was largely offset by sustained buying of INR 31K crores by Domestic Institutional Investment (DII), the largest net purchase figure for DIIs during CY21.

INR cr.	1M	3M	6M	1Y
FII	-35,494	-1,00,968	-1,25,816	-92,280
DII	31,231	66,262	97,500	94,575

Source: NSE

As of 31<sup>st</sup> Dec'21

### • Global Market

Global equities posted positive returns in December after initially tumbling in early weeks as investors became reassured that economies could handle the surge in Omicron cases and indices headed back toward record highs.

(Returns in %)

INDEX	1M	3M	6M	1Y
DOW JONES	5.4	7.4	5.3	18.7
FTSE	4.6	4.2	4.9	14.3
HANG SENG	-0.3	-4.8	-18.8	-14.1
DAX	5.2	4.1	2.3	15.8
NASDAQ	0.7	8.3	7.9	21.4

Source: Investing.com

As of 31<sup>st</sup> Dec'21

### • Sectoral Performance

On the sectoral front, sectors like metals are starting to announce Greenfield capex or Brownfield capex. Other

sectors like textile and auto components are likely to witness pick up in investment. The table shows the top 3 and bottom 3 sector performance in December 2021:

BOTTOM 3 (%)	1M	3M	6M	1Y
S&P BSE Bank	-0.9	-5.4	2.7	16.6
S&P BSE FMCG	0.7	-7.3	2.0	12.8
S&P BSE Power	0.7	8.8	26.4	73.7

TOP 3 (%)	1M	3M	6M	1Y
S&P BSE IT	10.1	10.0	25.6	52.5
S&P BSE Capital Good	6.9	10.7	25.3	47.6
S&P BSE Metal	5.6	-4.6	3.1	74.5

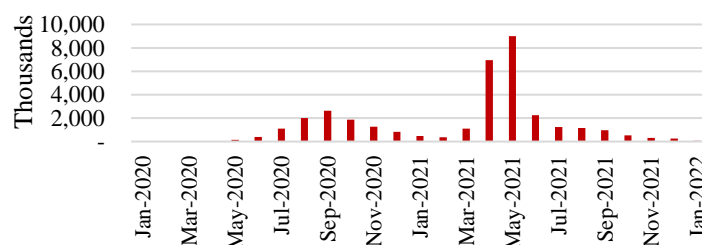
Source: NSE

As of 31<sup>st</sup> Dec'21

### • Events to be watched out for

- 1- Corporate earnings season-** Companies will be declaring Q3FY22 results where many sectors are expected to give good quarter numbers. IT sector in particular is expected to deliver strong performance owing to large number of positive deals combined with increase in demand from clients. Power and renewable sector is also expected to come out with good numbers due to India's green energy policy and the rise of EV. Auto and FMCG sectors are expected to face turbulence in terms of numbers due to below average seasonal sales. Overall, Indian equities market look good and are expected to deliver handsome returns.
- 2- The rising cases of "extraordinarily contagious" Omicron variant** have triggered state-wise restrictions. Despite being less severe in terms of hospitalizations and deaths, the country's R naught value (expected number of cases directly generated by one case in a population) is 2.6 which is higher than 1.6 during the peak of second wave. Meanwhile, vaccination for children between the ages of 15-18 in India has commenced from January 3.

## COVID-19 daily new cases in India

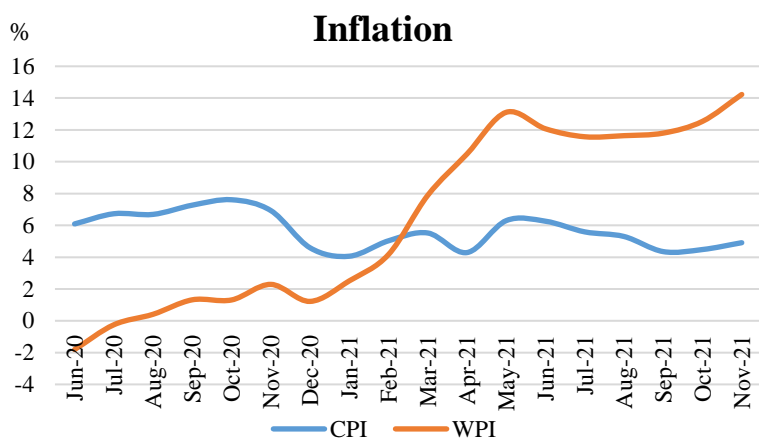


Source: Our World in Data

- 3- Budget FY23 Expectations -** We believe that due to global inflationary concerns, fiscal would be the main

tool to foster growth. With better-than-anticipated revenue receipts, especially customs and direct taxes, and relatively contained spending so far, there is room to maintain large fiscal accommodation. We expect supportive schemes for agriculture, the rural economy, micro, small and medium enterprises and social sectors. The focus of the government will be on the Power sector to provide 24 hours power. Support to laggard sectors such as hospitality or transportation are more likely to be through easily accessible funding. The government is attempting to boost growth through investment rather than consumption. There is a likelihood of significant announcements on infrastructure through the 100 Lakh crore Gatishakti Yojana which the government aims to invest to propel Indian Economy to \$5trn mark.

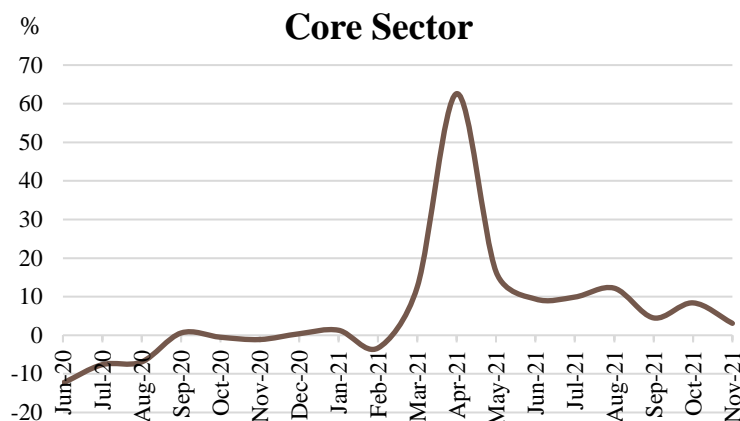
## 2-Major Economic Developments:



Source: Mospi



Source: CMIE



Source: Office of the Economic Advisor

While Q3FY22 started with a strong economic momentum during October, the period of November-December witnessed a moderation in economic activity despite the festive and holiday season.

- Auto sales declined undershooting industry's festive sales expectations owing to global semiconductor shortages that constrained production activity and eroded gains. Railway freight, air and port cargo, petroleum products consumption deteriorated post a sharp growth in October.
- Wholesale inflation shot to a shocking 3-decade high of 14.2% YoY.
- Industrial production remained upbeat and was above pre-pandemic levels.
- However, merchandise trade deficit in December widened to \$21.99 billion (\$15.72 billion last year) up by 40% YoY.
- Exports surged 37% on account of healthy growth in petroleum, engineering, textiles, while imports rose by 38% YoY owing to increase in oil imports which soared 65% YoY.

## 3-Market Outlook:

- The year 2022 will be a period of transition where we will see easing of massive liquidity, rising interest rates. We are at the onset of a new economic cycle and we are fairly positive in terms of investment and growth. We believe that market is building expectations for a multi-year high-growth cycle post a massive fall due to several



headwinds like withdrawal of incentives from the US and expectations of accelerating rising interest rates.

- Long term investors should not panic and rather consolidate in good quality stocks. Investors should assess & shuffle their portfolio during the current bouts of ups and downs in the market and consolidate their position to achieve optimum returns.
- We feel that the overall trajectory of the market is upwards and minor corrections should not unnerve the investors.

### 4-Our Portfolio Management Services:

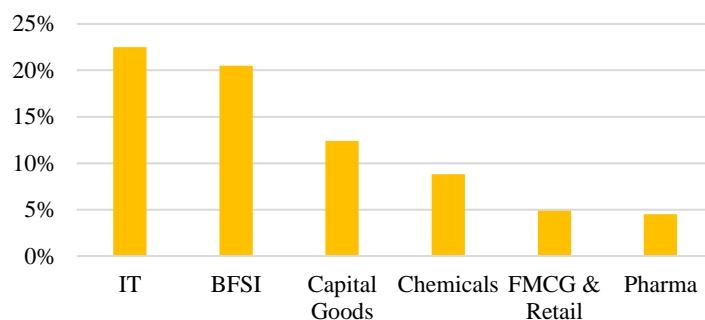
#### Strategy:

- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & potential multi-baggers.
- In order to minimize concentration risks, we believe in sector diversification. This has also resulted in achieving outstanding results by outperforming the markets by capturing opportunities across the board.
- We make dedicated efforts to find attractively valued firms with sustainable business models to capture new and dynamic opportunities.

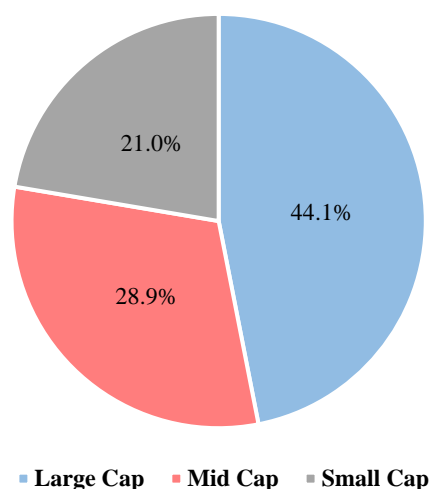
#### Performance as on 31<sup>st</sup> December 2021:

	1M	3M	6M	1Y	Since inception (Absolute)
HEM PMS	6.30%	6.63%	19.95%	42.74%	81.38%
Nifty500	2.37%	-0.38%	11.30%	30.19%	60.77%
Nifty50	2.18%	-1.50%	10.38%	24.12%	53.48%

### Sectoral Mix



### Market Capital Diversification



### Our Top 10 Holdings<sup>#</sup>

Agarwal Industries Corporation Ltd.	Bajaj Finance Ltd.
Larsen & Toubro Ltd.	Persistent Systems Ltd.
HCL Technologies Ltd.	Axis Bank Ltd.
ICICI Bank Ltd.	Infosys Ltd.
Deepak Nitrite Ltd.	Tata Motors Ltd.

#As of 31<sup>st</sup> Dec'21



### **Disclaimer:**

All opinions, figures, charts/graphs, estimates and data included in this document are as on date and are subject to change without notice. While utmost care has been exercised while preparing this document, Hem Securities Limited does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. No content of this material including the performance related information is verified by SEBI nor has SEBI Certified the accuracy or adequacy of the same. No part of this document may be duplicated in whole or in part in any form and/or redistributed without prior written consent of the Hem Securities Limited. Readers should before investing in the Strategy make their own investigation and seek appropriate professional advice. Investments in Securities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services will be achieved. Clients under Portfolio Management Services are not being offered any guaranteed/assured returns. Past performance of the Portfolio Manager does not indicate the future performance of any of the strategies. The name of the Strategies do not in any manner indicate their prospects or return. The investments may not be suited to all categories of investors. Neither Hem Securities Limited (HSL), nor any person connected with it, accepts any liability arising from the use of this material. The recipient of this material should rely on their investigations and take their own professional advice. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. The Portfolio Manager is not responsible for any loss or shortfall resulting from the operation of the strategy. Recipient shall understand that the aforementioned statements cannot disclose all the risks and characteristics. The recipient is requested to take into consideration all the risk factors including their financial condition, suitability to risk return, etc. and take professional advice before investing. As with any investment in securities, the value of the portfolio under management may go up or down depending on the various factors and forces affecting the capital market. For tax consequences, each investor is advised to consult his/her own professional tax advisor. Distribution Restrictions - This material should not be circulated in countries where restrictions exist on soliciting business from potential clients residing in such countries. Recipients of this material should inform themselves about and observe any such restrictions. Recipients shall be solely liable for any liability incurred by them in this regard and will indemnify HSL for any liability it may incur in this respect. Securities investments are subject to market risk. Please read disclosure document carefully before investing.

Portfolio Management Services | Regn No. PMS INP 000006794