



## 1-Market Highlights:

The Indian equity benchmarks exhibited extreme volatility due to multiple factors at play. Key factors being hawkish stance of the US Fed, crude price uptick, geopolitical tensions between Russia and Ukraine, Union Budget FY23, and corporate earnings season contributed to the volatility in the market.

### • Market performance (%)

INDEX	1M	3M	6M	1Y
NIFTY 50	-0.1	-1.9	10.0	27.2
SENSEX 30	-0.4	-2.2	10.3	25.3
NIFTY MIDCAP 150	-1.1	0.2	8.6	44.8
NIFTY SMALLCAP 250	-0.3	4.7	7.5	59.8

Source: Ace Equity

As of 31<sup>st</sup> Jan'22

### • FII/DII Activity

Foreign outflows have been stronger as Indian markets witnessed huge Foreign Institutional Investment (FII) outflow of INR 41k crores for the month of January 2022. This was partly offset by continuous buying of INR 22k crores by Domestic Institutional Investment (DII).

INR cr.	1M	3M	6M	1Y
FII	-41,346	-1,16,742	-1,43,969	-1,42,607
DII	21,928	83,719	1,01,034	1,28,474

Source: NSE

As of 31<sup>st</sup> Jan'22

### • Global Market

Global equities posted mixed returns in January. Inflation, concerns about central bank tightening, rising government bond yields, and tensions in Eastern Europe led to a sharp increase in volatility.

(Returns in %)

INDEX	1M	3M	6M	1Y
DOW JONES	-3.3	-1.9	0.6	17.2
FTSE	1.1	3.1	6.1	16.5
HANG SENG	1.7	-6.2	-8.3	-15.8
DAX	-2.6	-1.4	-0.5	15.2
NASDAQ	-9.0	-8.1	-3.0	9.0

Source: Investing.com

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

### • Sectoral Performance

On the sectoral front, major momentum in capital goods and infra through the budget, sustained boom in global tech spending, a revival of local housing demand and a

rebound in bank earnings are expected to be among the key drivers of gains for India's stock market this year. The table shows the top 3 and bottom 3 sector performance in January 2022:

TOP 3 (%)	1M	3M	6M	1Y
S&P BSE Power	13.1	18.0	50.5	96.4
S&P BSE Bank	7.8	-2.4	11.2	25.7
S&P BSE Oil & Gas	6.7	2.9	20.9	35.2

BOTTOM 3 (%)	1M	3M	6M	1Y
S&P BSE IT	-8.2	3.7	12.6	40.0
S&P BSE Consumer Durables	-6.4	-3.0	15.2	39.3
S&P BSE FMCG	-2.4	-3.9	-0.2	10.2

Source: NSE

As of 31<sup>st</sup> Jan'22

### • Events to be watched out for

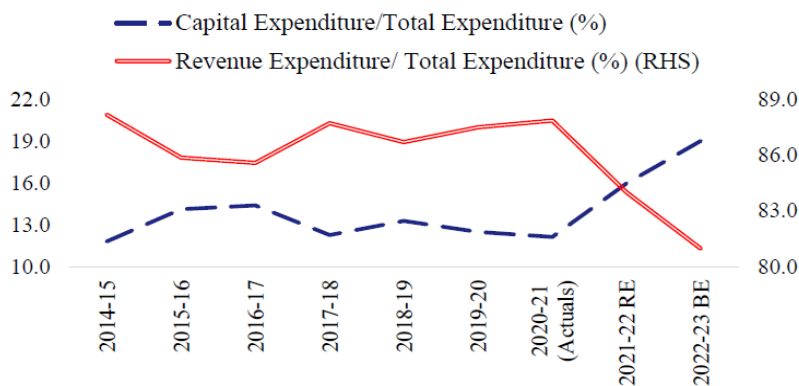
- 1- RBI Monetary Policy Meet-** The three day meeting which started from 8<sup>th</sup> Feb, 2022 is scheduled to announce the policy resolution on 10<sup>th</sup> Feb, 2022. The MPC may change the policy stance from "accommodative" to "neutral". The market appears to be turbulent in the coming session as RBI may start tapering its policy by raising the reverse repo rate while leaving repo rates steady and we advise taking a bullish approach to the markets.
- 2- US FOMC Meet -** Investors are grappling with the prospect of the steepest monetary tightening cycle since the 1990s, with markets pricing in more than five quarter-point Federal Reserve interest-rate hikes in 2022 following a strong US jobs report. The US policymakers said they will raise interest rates in March but also signaled a desire to keep options open in the face of an uncertain outlook for inflation and a pandemic still going. The US inflation report this week could lead to more market volatility.
- 3- Corporate earnings season-** Majority of companies have declared Q3FY22 results. Banks and IT have reported largely in line or better results. Margin pressure has been a common factor in manufacturing and chemical companies which has started to weigh on full year earnings growth expectations. Consumer companies largely reported revenue growth in line aided by price hikes despite volume pressure; however, input cost inflation significantly weighed on profitability.



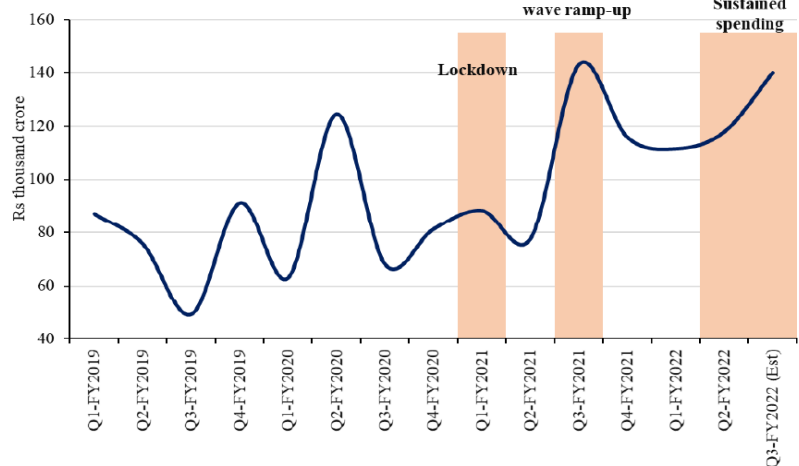
**4-** With the **Union Budget FY23**, the government has clearly indicated its plan of triggering an investment cycle by increasing public investments, hoping economic buoyancy will bring in private sector capital expenditure. *Atmanirbhar Bharat* continues to be the theme given supply chain constraints that the country faced in FY22. The absence of any additional tax measure came as a welcome surprise, which will boost taxpayer’s sentiment. The budget is set in an expansionary mode, with clear focus on creating a long-term economic growth trajectory by maintaining fiscal deficit target >6%, indicating a higher priority for economic growth compared to fiscal prudence. The capital expenditure budget is up ~35% YoY with a greater outlay for the infrastructure sector, while revenue expenditure has been kept under check with lower planned subsidies. The Budget has hit the right chords in the current macroeconomic setup with the dual objective of growth and welfare.

## 2-Major Economic Developments:

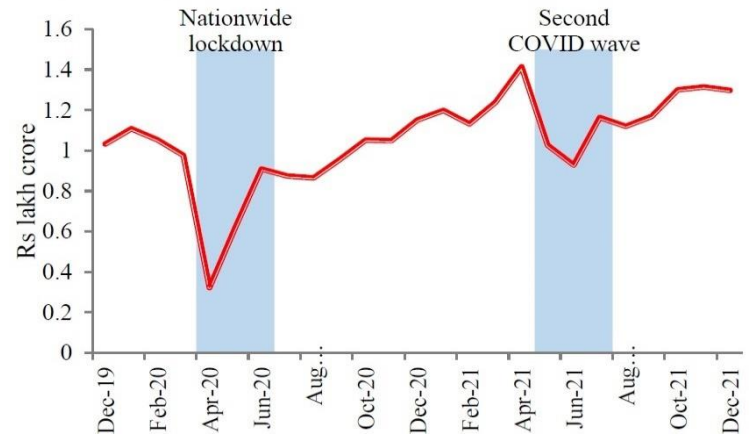
### Prioritising Capital Expenditure



### Trends in quarterly capital expenditure



## Buoyant GST collections during 2021-22 (Rs lakh crore)



Source: Union Budget FY22-23

- Retail inflation rose to a five-month high 5.59 per cent in the month of December.
- The central government's fiscal deficit at the end of November worked out to be 46.2 per cent of the annual budget target for the financial year 2021-22 due to an improvement in the revenue collection.
- Unemployment rate fell sharply in January to 6.6%, lowest since March 2021 following a significant dip in rural unemployment.
- GST collection crossed Rs. 1.30 lakh crore mark for the fourth time.
- Exports surged 38.9% YoY in December to \$37.81 bn, even as trade deficit widened to \$21.68 bn. Imports too increased 38.6% to \$59.5bn.

## 3-Market Outlook:

- The outlook for 2022 remains positive among strategists who anticipate that although the year is unlikely to match the blockbuster returns of 2021, stocks are in good shape for solid returns ahead.
- The double whammy of higher prices and lower profit margins, as companies are forced to spend more for everything from hiring to goods amid rising inflation, could continue to impact the growth.
- Global trade witnessed a strong rebound in 2021, with the IMF estimating volumes to have grown by around 10 per

cent. We feel that the Indian economy supported by strong outlook with forecast as the best performing large EM.

- 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.

## • 4-Our Portfolio Management Services:

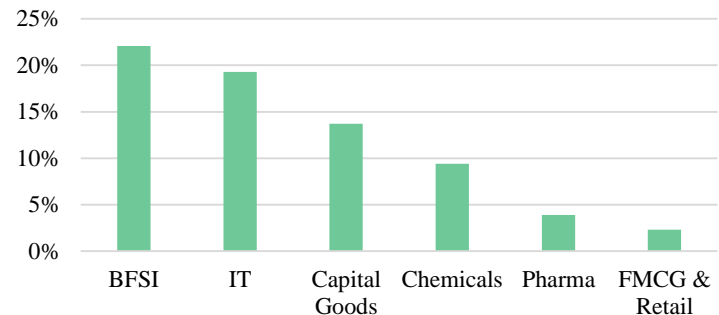
### Strategy:

- 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.

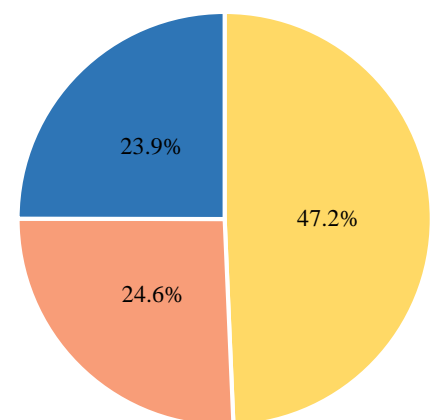
### Outstanding performance as on 31<sup>st</sup> January 2022:

	1M	3M	6M	1Y	Since inception (Absolute)
HEM PMS	1.4%	6.3%	15.7%	47.6%	84.0%
Nifty500	-0.5%	-1.1%	9.2%	32.0%	60.0%
Nifty50	-0.1%	-1.9%	10.0%	27.2%	53.4%

## Sectoral Mix



## Market Capital Diversification



■ Large Cap ■ Mid Cap ■ Small Cap

## Our outperforming picks\*



\*As on 31<sup>st</sup> Decemeber 2021



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