



1-Market Highlights:

In the last three months, markets have turned the corner from optimism in July to caution in August to concern in September. A series of events such as hardening of interest rates, depreciating currencies against USD, slowdown in UK, Europe, and China—where growth has dipped below the rest of Asia for the first time since 1990, announcement of a mobilization drive in Russia, UK's steepest tax cuts since 1972, and a lifetime low for the INR stand out in an eventful month. India equities continued to outshine global peers supported by relative economic resilience and falling crude oil and commodity prices.

Market performance (%)

| INDEX | 1M | 3M | 6M | 1Y |
|--------------------|------|------|------|------|
| NIFTY 50 | -3.7 | 8.3 | -2.1 | -3.0 |
| SENSEX 30 | -3.5 | 8.3 | -1.9 | -2.9 |
| NIFTY MIDCAP 150 | -1.8 | 16.0 | 4.7 | 2.6 |
| NIFTY SMALLCAP 250 | -0.9 | 13.7 | -2.6 | -1.8 |

Source: Ace Equity

As of 30th September '22

FII/DII Activity

Foreign Institutional Investors (FII) activity turned highly volatile with alternate bouts of buying and selling to turn net sellers in September while Domestic Institutional Investors (DIIs) were net buyers.

| INR cr.* | 1M | 3M | 6M | 1Y |
|----------|---------|--------|-----------|-----------|
| FII | -18,308 | -2,851 | -1,55,908 | -3,80,732 |
| DII | 13,119 | 16,596 | 1,44,201 | 3,15,287 |

Source: NSE *FII Cash

As of 30th September '22

Global Market

Global developed equities intensified declines further in September completely wiping out all of the S&P 500's 2021 gains. Developed markets are overheating, nonetheless, Indian markets continue to outperform its global peers.

(Returns in %)

| INDEX | 1M | 3M | 6M | 1Y |
|-----------|-------|-------|-------|-------|
| DOW JONES | -8.8 | -6.7 | -17.2 | -15.1 |
| FTSE | -5.4 | -3.8 | -8.3 | -2.7 |
| HANG SENG | -13.7 | -21.2 | -21.7 | -29.9 |
| DAX | -5.6 | -5.2 | -16.0 | -20.6 |
| NASDAQ | -10.5 | -4.1 | -25.6 | -26.8 |
| NIFTY 50 | -3.7 | 8.3 | -2.1 | -3.0 |

Source: Investing.com

As of 30th September '22

Sectoral Performance

On the sectoral front, we believe that with the fall in input prices and easing palm oil prices, FMCG companies are expected to witness improved sales and margins with the festive season around the corner which will result in healthy volumes and sales. Auto sales are on an ascending track riding on festive cheer and smoother chip supplies. The table shows the top 3 and bottom 3 sector performances in September 2022:

| TOP 3 (%) | 1M | 3M | 6M | 1Y |
|---------------------------|-----|------|------|-------|
| S&P BSE FMCG | 3.5 | 17.5 | 22.7 | 8.9 |
| S&P BSE Healthcare | 2.7 | 8.0 | -4.9 | -10.6 |
| S&P BSE Consumer Durables | 1.9 | 22.5 | 0.6 | 2.8 |

| BOTTOM 3 (%) | 1M | 3M | 6M | 1Y |
|-------------------|------|------|------|------|
| S&P BSE Power | -6.6 | 16.8 | 18.5 | 48.5 |
| S&P BSE Oil & Gas | -6.1 | 3.0 | -0.6 | 1.4 |
| S&P Infra | -4.8 | 9.3 | 0.9 | 3.2 |

Source: NSE

As of 30th September '22

Events to be watched out for

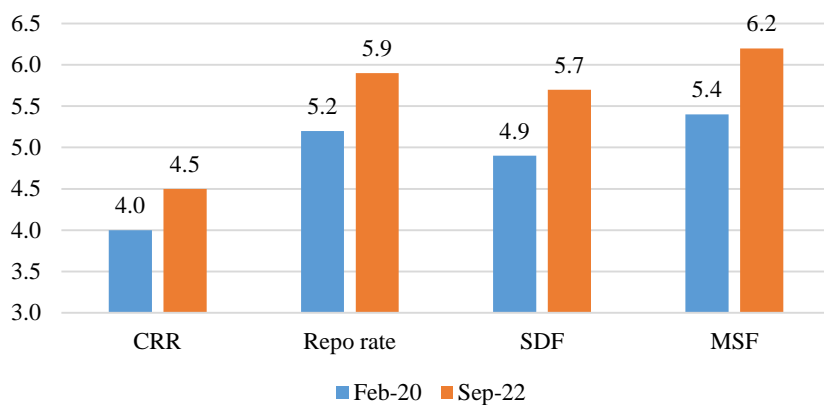
1- Inflation – Headline CPI inflation snapped a three-month declining trend to climb back to 7% in Aug'22, breaching the RBI's upper tolerance of 6% for the eighth month in a row. This marked the 35th consecutive month of CPI inflation breaching the RBI's mid-point target of 4%. The pickup in inflation in the month gone by was majorly broad-based. Core inflation also witnessed an uptick primarily led by higher inflation in the clothing, housing, household goods and services, personal care and effects and education categories, reflecting the impact of rampant pass through to consumers. Inflation in other components either remained steady or continued to rise. On the other hand, following a record high print of 16.6% in May, wholesale inflation has been since then easing off and has thus recorded an 11-month low print of 12.4% in August, better than market expectations. While softening manufactured products' inflation eased headline wholesale inflation, higher food inflation kept it at an elevated level.

2- Q2FY23 Corporate Earnings season – Companies will be declaring Q2FY23 results where several companies will be addressing pressure on margins which will likely to be better from Q3FY23. We believe that that earnings will be positive this quarter

for most sectors such as defense and railways. With improvement in asset quality and strong credit growth, banks are likely to continue posting strong numbers. Automobile sector is also expected to declare good numbers with rising quarterly passenger vehicle volumes. FMCG companies are expected to show value-led revenue growth as volume growth will be muted amid higher product prices.

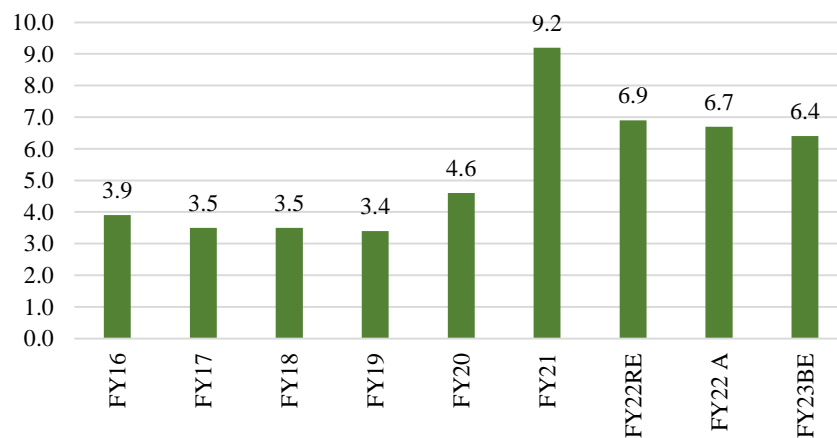
2-Major Economic Developments:

Key policy rates (pre-pandemic and latest)



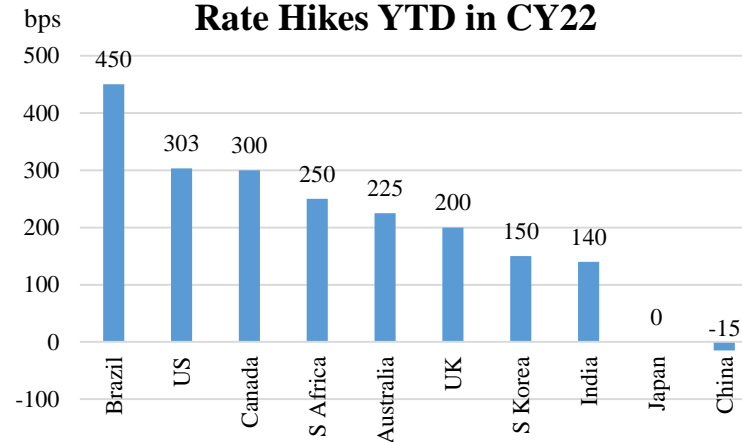
Source: RBI, CRR= Cash Reserve Ratio MSF= Marginal Standing Facility SDF= Standing Deposit Facility

Fiscal Deficit trend (%GDP)



Source: CGA, BE= Budget Estimates, RE = Revised Estimates, A = Actual

Rate Hikes YTD in CY22



Source: Investing.com

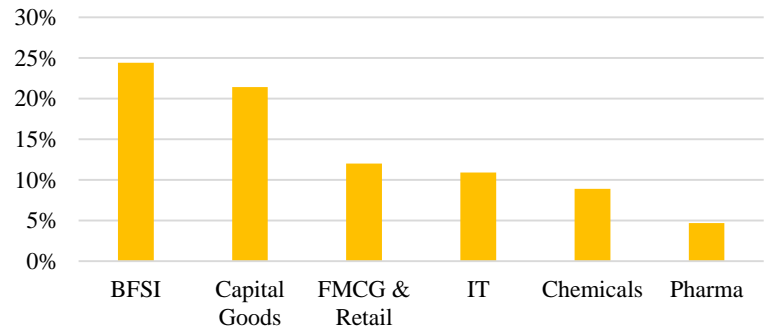
- The US Fed undertook fifth rate hike this year in September taking the funds rate from 0.25% to 3.25%, the US. The Federal Reserve also released median projections showing that they anticipate the target rate to be 4.4% by the end of 2022.
- The Reserve Bank of India's Monetary Policy Committee (MPC) hiked the repo rate by 50 bps to 5.90% adding that inflation is expected to remain elevated at around 6 per cent in second half of 2022-23. The central bank also cut growth forecast for the current financial year to 7%.
- GST collections for September 2022 stood at INR 1.47 lakh crore. For seven months in a row now, the monthly GST revenues have been more than the ₹ 1.4 lakh crore mark reflecting stable and improving demand conditions.
- India's current account deficit (CAD) in April-June was at \$23.9 billion, or 2.8 per cent of gross domestic product (GDP), much higher than the \$13.4 billion, or 1.5 per cent of GDP, in January-March 2022.
- Headline CPI inflation snapped a three-month declining trend to climb back to 7% in August, breaching the RBI's upper tolerance of 6% for the eighth month in a row.
- RBI hiked the repo rate by 50 basis points to 5.90% with immediate effect in line with street estimations. This is the fourth rate hike by the central bank in this financial year. Besides, SDF rate adjusted to 5.65% and MSF and bank rate revised at 6.15%.

3-Market Outlook:

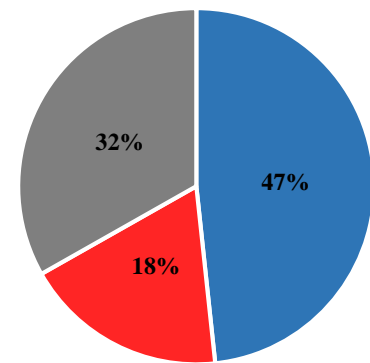
1. As countries recover from the COVID-19 pandemic, supply-demand imbalances linger, dragging on economic activity and pushing prices up. At the same time, energy and food prices have spiked amid worsening geopolitical tensions.

- Amid the environment of rising interest rates and currency depreciation, we feel that some rate-sensitive and deep cyclical sectors could have an impact on growth. Nonetheless, consumption stocks are expected to continue with their strong volume growth momentum on the back of festive season demand. Further, infrastructure, defense sector will be outshining and we believe that the current environment is giving good opportunities for long-term investors.
- The current dynamics make a good case for diversifying your portfolio. We believe that in the near term, there could be intermittent market volatility due to global inflation and contracting economic activity, however, markets will deliver positive returns over the medium-to-long term.
- We believe that the focus of investors should be stock selection and sector allocation in a way to get the best returns possible in the current bouts of volatility.

Sectoral Mix



Market Capital Diversification



■ Large Cap ■ Mid Cap ■ Small Cap

4-Our Portfolio Management Services:

Strategy 1: DREAM

- 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 30th September 2022:

| | 3M | 1Y | Since inception (CAGR) |
|----------|-------|-------|------------------------|
| HEM PMS | 14.3% | 5.2% | 25.4% |
| Nifty500 | 10.8% | -1.5% | 19.7% |

Our Top 10 Holdings[#]

| | |
|-------------------------------------|--|
| Agarwal Industrial Corporation Ltd. | Mahindra & Mahindra Ltd. |
| ICICI Bank Ltd. | ITC Ltd. |
| Bajaj Finance Ltd. | State Bank of India Ltd. |
| Varun Beverages Ltd. | Larsen & Toubro Ltd. |
| Mold-Tek Packaging Ltd. | Deepak Fertilizers and Petrochemicals Ltd. |

#As of 30th September'22

Strategy 2: IRSS

- India's Only SME & Small Cap based PMS.
- We were ranked No. 1 in India in terms of returns in month of August by delivering outstanding returns of 19.5%.
- Exclusive selection of potential multibaggers from SME & Small cap space.
- It is a high risk & high return strategy and therefore suitable for investors having high risk appetite.

| | 1M | 3M | 6M |
|----------------------------|-------|-------|-------|
| HEM IRSS | 1.3% | 41.7% | 27.5% |
| S&P BSE 250 SMALLCAP INDEX | -0.6% | 15.2% | -0.6% |



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