Monthly Update

May 2023

Hem Securities
Building your wealth through values

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1-Market Highlights:

May saw an interesting mix of news for participants as stock markets around the world, including the United States reaching an in-principle agreement to raise its debt ceiling, Germany entering a recession, high volatility in the price of gold and crude oil, and positive data from home, such as unemployment falling significantly in 2023. Key market indices clocked a near 2.5% rise during the month. The positive sentiment was broad-based which is indicated by strong rise in mid cap (+6%) and small cap indices (+6%). Contrary to expectations and macro challenges, inflation has shown notable signs of receding thanks to continued efforts by the Reserve Bank of India (RBI). As the economy is looking more stable-than-expected with a robust Q4 GDP rise to 6.1% and an FY23 growth figure at 7.2%, the growth momentum has picked up pace and there is a broad-based recovery from manufacturing, mining to construction and farm sectors.

Market performance (%)

INDEX	1M	3M	6M	1Y
NIFTY 50	2.6	7.1	-1.2	11.8
SENSEX 30	2.5	6.2	-0.8	12.7
NIFTY MIDCAP 150	5.7	10.6	4.4	18.9
NIFTY SMALLCAP 250	5.5	11.1	2.7	14.3

Source: Ace Equity As of 31st May 2023

- **FII/DII Activity**

Overseas investors poured in funds during the month of May on the back of strong macroeconomic fundamentals and attractive valuations. Domestic institutions were net sellers.

INR cr.*	1M	3M	6M	1Y
FII	28,156	35,866	-14,213	-79,773
DII	-3,306	29,459	95,244	1,65,819

Source: NSE *FII Cash As of 31st May 2023

- **Global Market**

Despite the US large-cap tech stock rally in May, global markets were gripped with the breach of the US Debt ceiling it being suspended for two years following a last-minute deal. Major central banks continue to raise interest rates amid sticky core inflation. (Returns in %)

INDEX	1M	3M	6M	1Y
DOW JONES	-3.5	0.8	-4.9	-0.3
FTSE	-5.4	-5.5	-1.7	-2.1
HANG SENG	-8.4	-7.8	-2.0	-14.9
DAX	-1.6	2.0	8.8	8.9
NASDAQ	5.8	12.9	12.8	7.1

Source: Investing.com As of 31st May 2023

- **Sectoral Performance**

On the sectoral front, we believe that the automobile sector would continue to benefit from strong demand for passenger vehicles (PVs) evidenced by their robust order book and easing supply chain issues along with expected traction in the commercial vehicle segment. The infrastructure theme can be seen playing through this year as demand prospects for the industry look good considering traction in government-backed projects, primarily driven by the General Election due in the first half of the calendar year 2024 (H1CY24). This will also have a multiplier effect on the cement sector as well. The table shows the top 3 and bottom 3 sector performances in May 2023:

TOP 3 (%)	1M	3M	6M	1Y
S&P BSE Auto	7.2	11.9	8.0	23.7
S&P BSE Consumer Discretionary	6.5	11.8	2.3	14.0
S&P BSE FMCG	6.0	13.0	10.7	28.9

BOTTOM 3 (%)	1M	3M	6M	1Y
S&P BSE Metal	-4.5	0.5	-5.2	8.0
S&P BSE Oil & Gas	-2.9	5.0	-12.2	-3.4
S&P BSE Infra	-0.8	9.4	-1.6	11.7

Source: NSE As of 31st May 2023

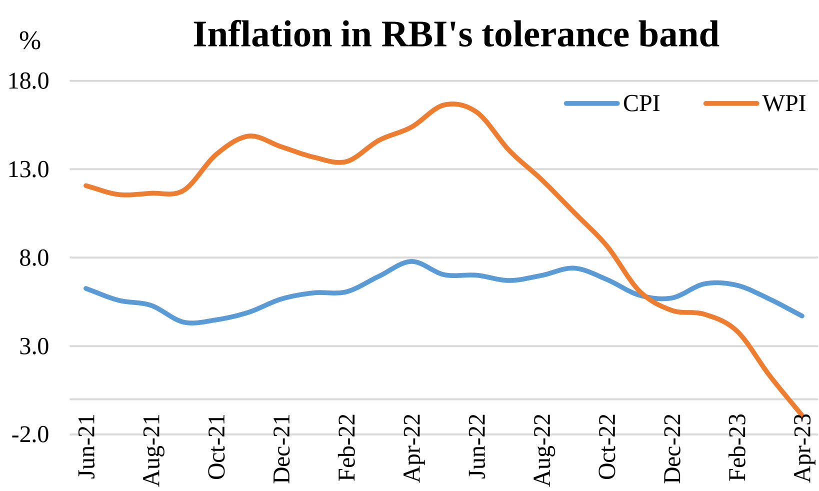
- **Events to be watched out for**

1- **RBI MPC Meet-** The second bi-monthly monetary policy meeting for FY 2023-24 will be held from June 6-8 and RBI Governor Shaktikanta Das will announce the outcome on June 8. Considering the drop in CPI inflation along with the effects on GDP and GST collections, we anticipate that the MPC will continue to hold the pause button. In its previous policy, the MPC clearly stated that its next move would depend on data, and the latest inflation numbers were within the target range. In the last meeting, the Monetary Policy Committee of RBI unanimously decided to pause the key repo rate, and it thus remained unchanged at 6.5 per cent. GDP growth forecast for 2023-24 was raised to 6.5% from 6.4% previously while FY24 inflation forecast was lowered to 5.2% from 5.3% earlier. While Governor Das made sure that it was a pause, but not a pivot, the challenges posed by a slowing economy (Growth in FY24 at 6.5% vs. 7.0% in FY23), and persistent inflation have not dissipated yet.

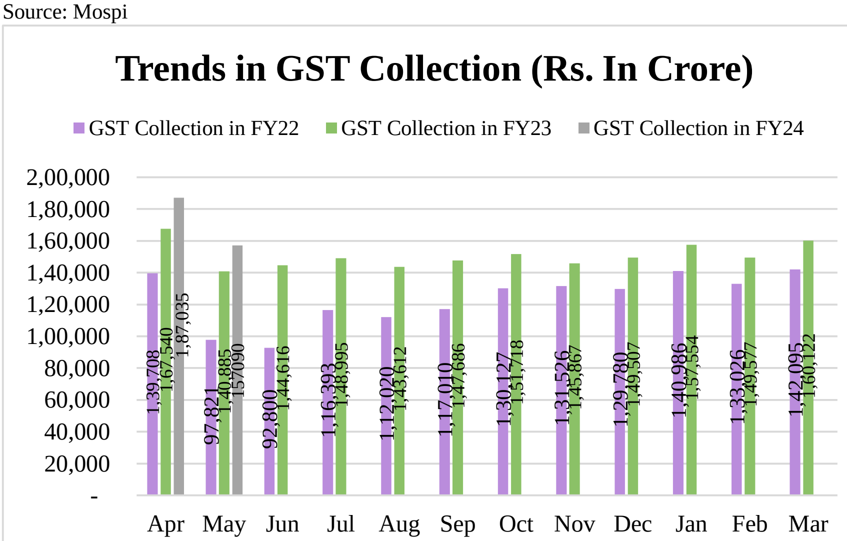
2- **US FOMC Meet** – The US Fed raised their policy rate by 25 bps in their last meeting. The next CPI report on June 13 coincides with the start of the next Fed meeting to set rates. Rate hikes and quantitative tightening have been the Fed's key tools in its struggle to get inflation under control without tipping the U.S. economy into a recession. Navigating a soft landing for the economy is the Fed's goal and despite endless forecasts of recession doom, there's no economic downturn in sight as of yet.

3- **Inflation –** The headline CPI inflation in April came in at 5.7%. The fall in inflation numbers is in line with estimates, aided by a favorable base and the same is expected to continue in coming months. The latest CPI print for April at 4.7% along with core inflation falling to 5.3% gives MPC a breather before the upcoming policy meeting in June to continue a pause in rate hikes. However, it will be watchful of risks from adverse weather on food inflation and volatility in oil prices.

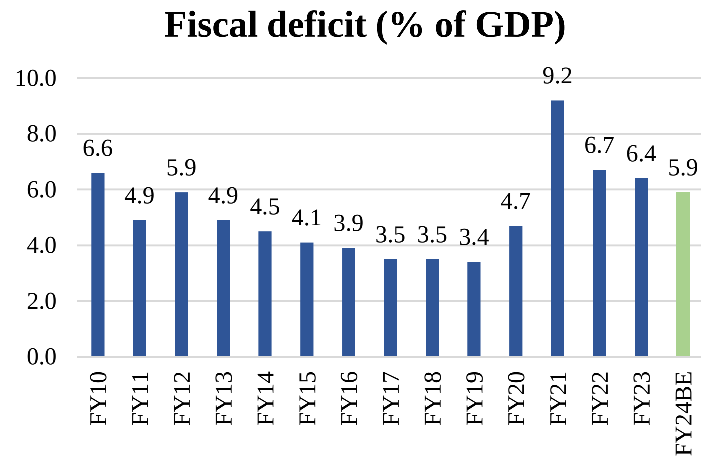
2-Major Economic Developments:



Source: Mospi



Source: PIB



Source: CMIE, RBIe- RBI estimate

a) Centre's FY23 fiscal deficit came in at Rs. 17.33 lakh crore meeting the government's target of 6.4% of GDP. It also beat revised estimates in absolute terms by Rs. 22,188 crore.
b) India's economy grew 6.1% in the fourth quarter of 2022-23 compared to 4% in the January-March period FY22 pushing up the annual growth rate to 7.2% versus 9.1% growth in 2021-22.
c) India's Goods and Services Tax (GST) revenues grew 12% in May to ₹1.57 lakh crore from the indirect tax. The revenues from domestic transactions (including import of services) were 11% higher than the revenues from these sources during the same month last year.
d) Auto retail sales in May demonstrated a 10% YoY growth, encompassing positive performances across all vehicle categories including 2W, 3W, PV, Tractor and CV with respective growth rates of 9%, 79%, 4%, 10%, and 7%.

3-Market Outlook:

1. Some of the recent economic issues such as the U.S. debt ceiling deal is bound to have a trickle-down effect on the international stock markets, and the Indian monsoon meeting expectations on the local front. primarily tracking inflation led interest rate hike outlook by global central banks, geopolitical tensions and rise in crude prices.
2. The biggest macro factors denting the markets still exist; from the shift in the power dynamics fuelled by China's aggression towards Taiwan, U.S.-China ongoing pseudo conflict for supremacy, the continuing Russia-Ukraine war, the U.S. banking crisis and a looming recession.

3. We are bullish on the stock market growth fueled by foreign fund flows and domestic factors. It is the optimal time to buy quality businesses with a long-term hold approach. India, emerging as a strong alternative to China, is set to open the doors for economic growth in areas including manufacturing, assembly of goods and exports, which is set to be bolstered by the country's burgeoning working population. Big corporations including Apple and Amazon recently announced big investments in India.
4. While the markets are expected to gradually move upwards and remain buoyant in the month of June on the back of healthy corporate earnings, strong macros, and consistent foreign institutional investors buying, it would be beneficial to have a diversified portfolio to remain hedged from a risk management perspective.

4-Our Portfolio Management Services:

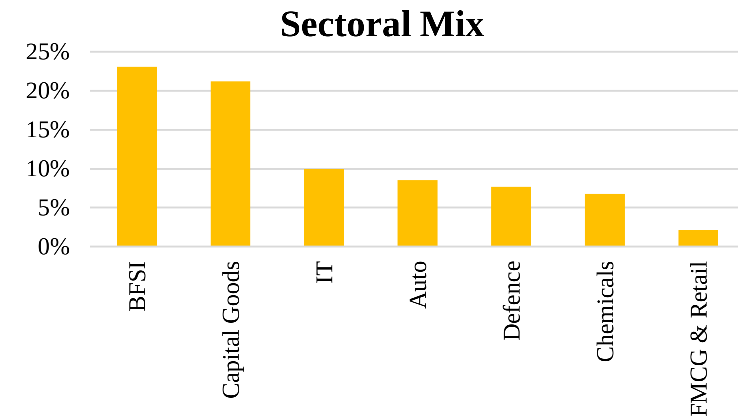
Strategy 1: DREAM

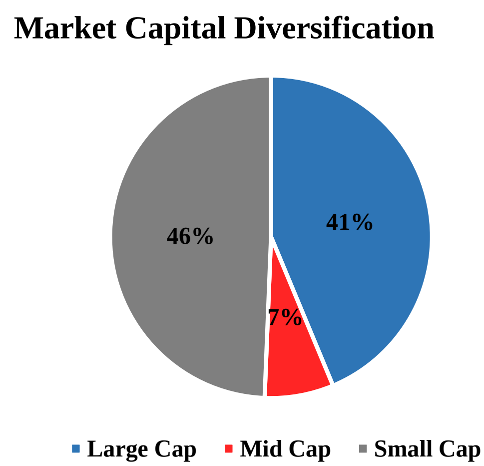
- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & 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 31st May 2023:

	1M	3M	6M	1Y	Since inception (CAGR)	Since Inception (Absolute)
HEM PMS	**6.3%**	**14.1%**	**6.2%**	**19.2%**	**23.8%**	**99.8%**
Nifty500	**3.5%**	**8.6%**	**-1.4%**	**11.4%**	**17.7%**	**69.5%**

Inception date: 4th March, 2020





Our Top 10 Holdings#

State Bank of India Ltd.	Share India Securities Ltd.
ICICI Bank Ltd.	Bajaj Finance Ltd.
Agarwal Industrial Corporation Ltd.	HDFC Bank Ltd.
Raghav Productivity Enhancers Ltd.	Hindustan Aeronautics Ltd.
Gravita India Ltd.	Tata Motors Ltd.

As of 31st May 2023

Strategy 2: IRSS

1- Niche SME & Small Cap based PMS launched in February 2022.

2- We came No. 1 in India according to PMS Bazaar by delivering 34% returns in FY23.

3- Exclusive selection of potential multibaggers from SME & Small cap space.

4- It is a high risk & high return strategy and therefore suitable for investors having high risk appetite

	3M	6M	1Y	Since inception (CAGR)
HEM IRSS	**10.1%**	**7.8%**	**54.2%**	**38.3%**
S&P BSE 250 SMALLCAP INDEX	**8.6%**	**-1.4%**	**11.4%**	**5.1%**

Disclaimer:

Portfolio Management Services | Regn No. PMS INP 000006794