Monthly Update

June 2023

1-Market Highlights:

The month of June presented a commendable rally in the stock market that led both the benchmark indices to climb to their all-time highs. The NIFTY 50 traded near the 19,300 mark and Sensex surpassed 65,000 as the month ended on the back of strong inflows from foreign investors, robust corporate balance sheets, moderating inflation, and growth picking up coupled with expectations of a normal monsoon season, all of which bolstered the sentiment of market participants. Also, the FOMC decided to pause interest rate hikes after 10 consecutive increases since March 2022. Going forward, inflation print, Q1FY24 corporate earnings season, and outlook by companies' management will be keenly watched. FII activity will also be on radar as from the past three to four months, we are witnessing consistent buying interest that has resulted as one of the key reasons for the recent market rally.

Market performance (%)

INDEX	1M	3M	6M	1Y
NIFTY 50	3.5	10.5	6.0	21.6
SENSEX 30	3.3	9.7	6.4	22.1
NIFTY MIDCAP 150	6.2	18.1	12.8	33.4
NIFTY SMALLCAP 250	6.4	20.0	11.2	30.4

Source: Ace Equity As of 30th June 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 also net buyers.

INR cr.*	1M	3M	6M	1Y
FII	27,250	61,118	15,348	33,746
DII	4,458	-3,306	2,217	30,549

Source: NSE *FII Cash As of 30th June 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	4.5	3.4	3.8	11.8
FTSE	1.2	-1.3	1.1	5.1
HANG SENG	3.7	-7.3	-4.4	-13.5
DAX	3.1	3.3	16.0	26.3
NASDAQ	6.6	12.8	31.7	25.0

Source: Investing.com As of 30th June 2023

- **Sectoral Performance**

On the sectoral front, we believe that in the pharma sector is expected to do well as the price erosion in the US is expected to cool off from double-digit to single-digit level. This would aid in margin improvement on the back of declining cost inflation, while in branded generic market, the companies would pass on additional cost to the end-users. 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 June 2023:

TOP 3 (%)	1M	3M	6M	1Y
S&P BSE Capital Goods	9.8	18.5	22.1	56.5
S&P BSE Healthcare	9.7	18.0	12.1	19.5
S&P BSE Auto	6.8	23.6	20.7	30.5

BOTTOM 3 (%)	1M	3M	6M	1Y
S&P BSE Bank	0.1	9.7	3.3	31.3
S&P BSE Oil & Gas	0.3	4.8	-10.8	1.0
S&P BSE IT	2.2	4.9	4.2	5.5

Source: NSE As of 30th June 2023

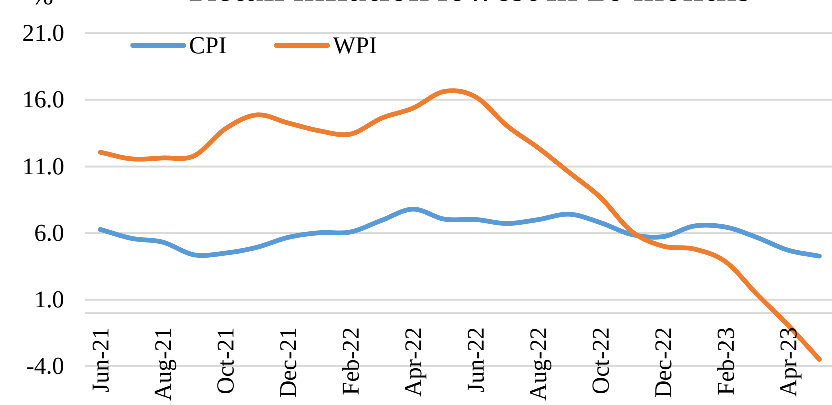
- **Events to be watched out for**

1- **Domestic and Global Central Banks-** The RBI Monetary Policy Committee left the main policy instrument, repo rate, unchanged at 6.50 per cent for the second consecutive monetary policy, giving relief to home, vehicle and other retail borrowers from an increase in equated monthly instalments (EMIs). The minutes of the meeting suggested that the central bank's focus is on ensuring price stability and anchoring inflation expectations where the risks to outlook stem from weather related factors and global commodity prices. The next meeting is scheduled to be held on August 8-10. The US Federal Open Market Committee (FOMC) skipped a rate hike for the first time in 15 months in its last meeting, but its dot plot of forecasts showed that 9 of the 18 FOMC members expect two more rate hikes this year, and 3 expect more than two hikes in CY23. This was thus a 'hawkish pause' (a pause with signals of more hikes to come), just as the May'23 FOMC meeting involved a 'dovish hike' (a rate increase, with clear hints that the next meeting was likely to feature no hike). The officials saw downside growth risks and upside employment risks. The next meeting is scheduled to be held on 30-31 July.

2- **Q1FY24 Corporate Earnings Season –** Companies will be declaring their Q1FY24 results where we expect a good quarter for oil marketing companies as elevated marketing margins on petrol/diesel would likely lead to significant automobile fuel over-recoveries and offset moderation in refining margins. Other than OMCs, we expect a strong yearly performance of automobile sector on the back of high single-digit increase in auto production volumes and mid-teens increase in ASPs due to price increases and a richer product mix. Banking sector is also anticipated to deliver good numbers driven by strong loan growth, decline in credit costs.

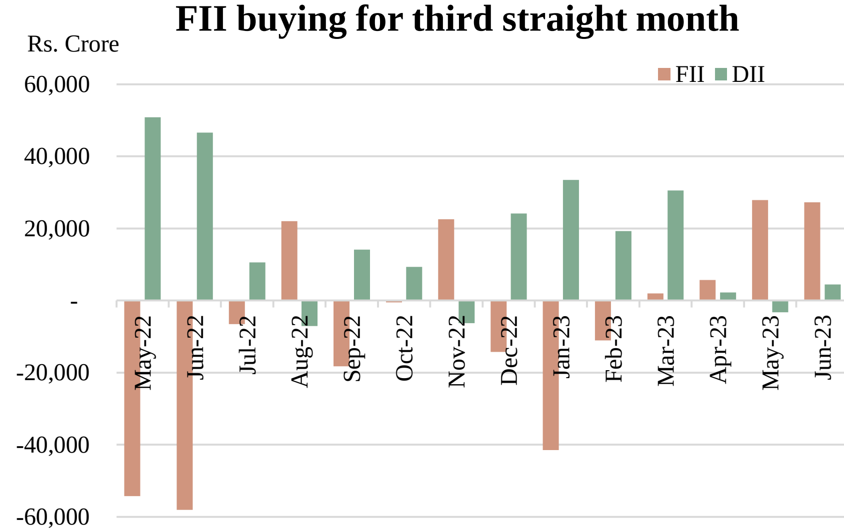
2-Major Economic Developments:

Retail inflation lowest in 26 months



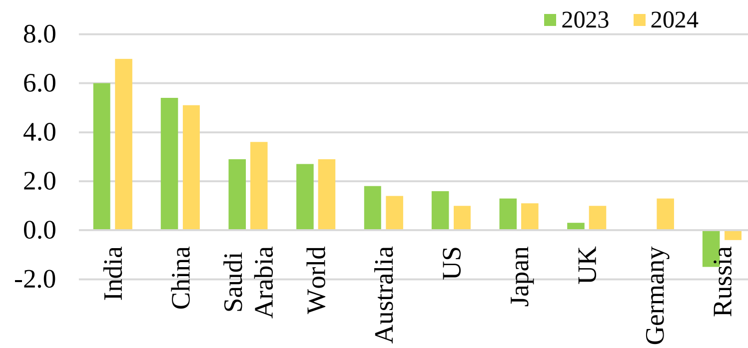
Source: Mospi

FII buying for third straight month



Source: PIB

Real GDP Growth Projections



Source: OECD Economic Outlook June 2023

a) India's current account deficit (CAD) decreased to $1.3 billion (0.2% of GDP) in Q4FY23 from $16.8 billion (2% of GDP) in Q3FY23, and $13.4 billion (1.6% of GDP) a year ago.
b) A pickup in prices charged by services companies combined with the easing of business activity and a slower increase in new export business led to the decline of S&P Global India Services PMI Business Activity Index to 58.5 in June, compared with 61.2 in May. This is the second month of decline after services PMI had scaled a 13-year high of 62 in April.
c) India's Goods and Services Tax (GST) revenues crossed ₹1.6 lakh crore mark for 4th time since inception of GST. The revenues for the month of June 2023 are 12% higher than the GST revenues in the same month last year. During the month, the revenues from domestic transactions (including import of services) are 18% higher than the revenues from these sources during the same month last year.
d) The unemployment rate jumped to 8.45% in June from 7.68% in the previous month. While unemployment in urban areas eased to 7.87% last month, rural India saw a two-year high of 8.73%. India's unemployment rate rose above 8% for the third time this year on the back of seasonal joblessness in rural areas.

3-Market Outlook:

1. 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. In view of the continued adverse economic conditions in the west, external market-facing companies continue to bear

the brunt and hence those must be avoided at this point of time of the market cycle.

2. We are bullish on India's growth fueled by foreign fund flows and domestic factors. It is the optimal time to buy quality businesses with a long-term hold approach. It is advisable to avoid fear-of-missing-out (FOMO) trades as lofty valuation in some sectors and companies makes it more vulnerable for them to fall. Also, risk could emerge in terms of higher inflation and more hawkish U.S. Fed's commentary than what the market is expecting. Invest in stocks with quality names and promising long-term growth prospects while avoiding high debt companies
3. While the markets are expected to gradually move upwards on the back of healthy corporate earnings, strong macros, and consistent foreign institutional investors buying. While investing, top elements to analyze must include opportunities in specific sectors or stocks, management growth plans, corporate governance matrix, debt-ridden companies and stability in the companies' financials.

4-Our Portfolio Management Services:

Strategy 1: DREAM

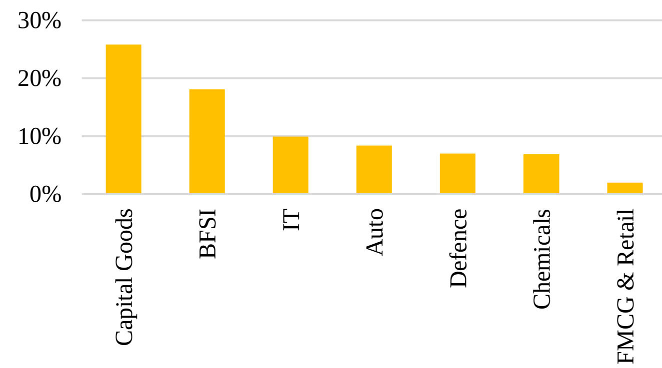
- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities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

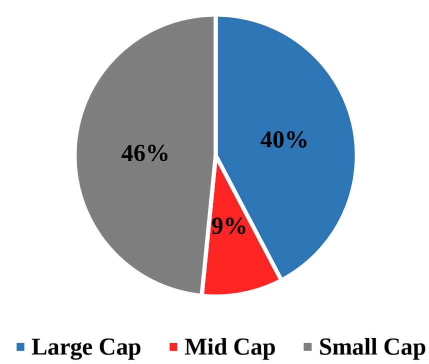
	1M	3M	6M	1Y	3Y	Since inception (CAGR)	Since Inception (Absolute)
HEM PMS	**6.5%**	**21.8%**	**17.2%**	**35.9%**	**30.9%**	**25.5%**	**112.7%**
BSE 500	**4.1%**	**12.6%**	**6.0%**	**22.3%**	**24.8%**	**18.6%**	**76.4%**

Inception date: 4th March, 2020

Sectoral Mix



Market Capital Diversification



Our Top 10 Holdings#

Raghav Productivity Enhancers Ltd.	BLS International Services Ltd.
Agarwal Industrial Corporation Ltd.	HDFC Bank Ltd.
State Bank of India Ltd.	Bajaj Finance Ltd.
ICICI Bank Ltd.	Tata Motors Ltd.
Gravita India Ltd.	Carysil Ltd.

#As of 30th June 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

	1M	3M	6M	1Y	Since inception (CAGR)
HEM IRSS	**5.8%**	**20.3%**	**7.2%**	**79.6%**	**41.3%**
S&P BSE 500	**4.1%**	**12.6%**	**6.0%**	**22.3%**	**7.9%**

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