KSEMA WEALTH MANAGEMENT PVT LTD

MARKET REVIEW AUG 2019

GLOBAL EVENTS

The dillydallying in the trade war continued as both US and China imposed sanctions on each other's goods which in turn haunted the global market sentiments and investor confidence further. Though China doesn't want a trade war at the same time it doesn't want to give up to the US pressure.

It all started with Trumps tweet which stated that US will impose 10% tariffs on another $300 billion of Chinese goods starting Sep 1. Post the same, the Chinese Yuan tumbled to psychological level of 7 as against $ and US tagged China as a currency manipulator. In retaliation, China suspended purchasing US Agri products. At the latter part of the month, China announced $75 billion in tariffs on US goods with 5% and 10% tariffs to be imposed on US goods in two batches, from Sep 1 and Dec 15, 2019 respectively. In further retaliation, US said that it increases the 25% tariff on $250 billion of Chinese goods to 30% as of Oct. 1. The remaining $300 billion of Chinese goods will be taxed at 15% on Sept. 1, up from the planned 10%.

A broad-based selloff was seen in equities as well as in commodities on and off during the month owing to further escalation in the trade war. We expect the trend to continue until both US and China calls for a major truce.

In US, the Fed assured investors that the central bank will act as appropriate to extend the current economic expansion, though it gave no clues as to what the next move is likely to be. Due to which the market's reaction remained muted.

Global economic data added to the gloomy sentiment, as China reported its slowest industrial production growth since 2002 and Germany reported a 0.1% decline in Q2 GDP. The U.S. manufacturing PMI for Aug fell to 49.9, indicating a contraction.

Argentina currency crashed by 15% on the fears of implementation of capital control by the new president elect. The country last year received huge bailout package of $45 billion during the year. With increasing cash outflows due to uncertainties, the crisis is likely to deepen and may weigh on global market sentiments.

Amid the uncertainty and growth concerns, investors switched to gold which surged by 6.4% for the month. Deepening U.S.-China trade tensions coupled with higher oil output from US, Russia and Iran sanctions weighed on the oil prices. Both Brent and Nymex crude declined by 7.3% and 5.9% for the month respectively.

INDIAN MARKETS PERFORMANCE

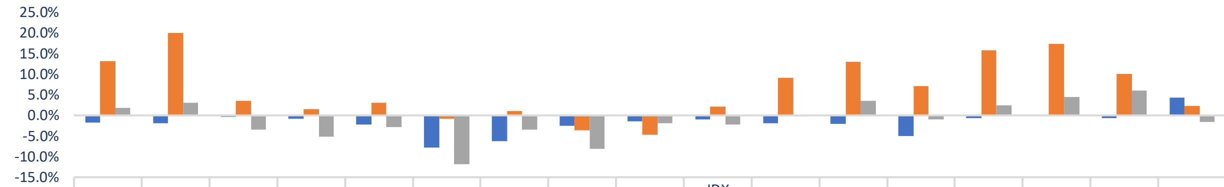
A confluence of factors both domestic and global weighed on the performance of Indian markets during the month. Both Sensex and Nifty declined by 0.4% and 0.9% on MoM basis respectively. In order to revive the ailing economy, the RBI cut its policy rates by 35bps. In addition the government also came up with various measures to boost the growth in the economy and prop up the market sentiments such as withdrawal of the enhanced surcharge on FPIs, upfront release of Rs 700 billion for PSU recapitalisation, repo-linked lending rates for banks, additional liquidity support to HFCs, faster settlement of GST refunds, and finally booster shots for the auto sector. Further the RBI has accepted the recommendations of the Bimal Jalan Committee (BJC) and decided to transfer Rs 1.76 trillion to the govt. The govt. announced its second set of measures to boost growth by consolidation of 10 PSU banks into 4 and also announced capital infusion of Rs 552 billion and certain governance reforms. However, the market momentum didn't last for long and the markets continued to witness selling pressure. FIIs remained Net sellers to an extent of Rs 17,590 crores.

On Macro front, the GDP grew by 5.0% YoY in 1QFY20 which is lower as compared to 5.8% in Q4FY19, on the back decline in consumption and govt. spending. The Centre's cumulative gross fiscal deficit by Jul'19 stood at 77.8% of the budget estimates. CPI inflation marginally fell to 3.15% in Jul'19 as against 3.18% in Jun'19, due to lower inflation in fuel, vegetables & sugar. The IIP grew 2% YoY in Jun'19, slower than 4.5% in May'19, due to lower growth in manufacturing. The economic data continued to remain dismal.

The monsoon data continued to provide a respite as the rains were above normal as of August. Kharif sowing consequently followed a similar pattern and sown area now lags 2.3% YoY and is likely to improve further. An above normal rain and healthy reservoir levels sets a good backdrop for crop output going ahead, clearly better than last year.

Moving ahead, any further announcements/ measures by the government to prop up the economy may provide relief over the short term.

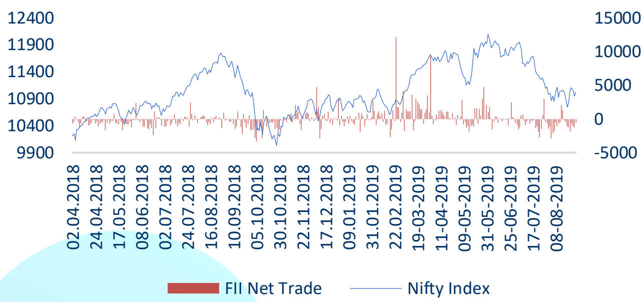
GLOBAL MARKETS PERFORMANCE



	DJIA	Nasdaq	Sensex	Nifty	Nikkei 225	Hang Seng	Straits Times	KOSPI	KLSE	IDX Composite	Taiwan Weighted	DAX	FTSE 100	CAC 40	Swiss Market	Bovespa	IPC
MTD	-1.7%	-1.8%	-0.4%	-0.9%	-2.2%	-7.7%	-6.3%	-2.5%	-1.4%	-1.0%	-1.9%	-2.0%	-5.0%	-0.7%	0.1%	-0.7%	4.3%
CY-YTD	13.2%	20.0%	3.5%	1.5%	3.0%	-0.8%	1.1%	-3.6%	-4.6%	2.2%	9.2%	13.1%	7.1%	15.8%	17.4%	10.1%	2.4%
FY-YTD	1.8%	3.0%	-3.5%	-5.2%	-2.8%	-11.8%	-3.5%	-8.1%	-1.9%	-2.2%	-0.2%	3.6%	-1.0%	2.4%	4.4%	6.0%	-1.5%

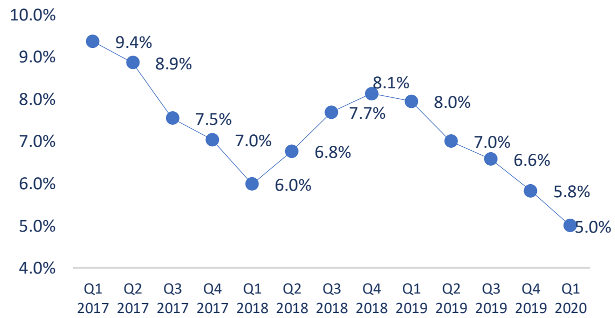
Source: Ksema Wealth

Nifty Vs FII's Trade



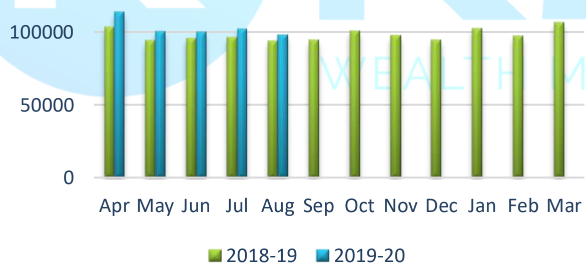
Source: NSEINDIA; SEBI

Quarterly GDP growth (%)



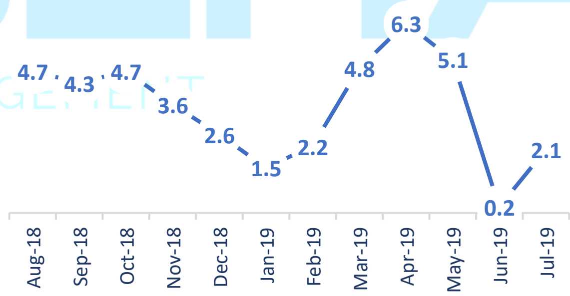
Source: RBI

GST collections (In Rs Crores)



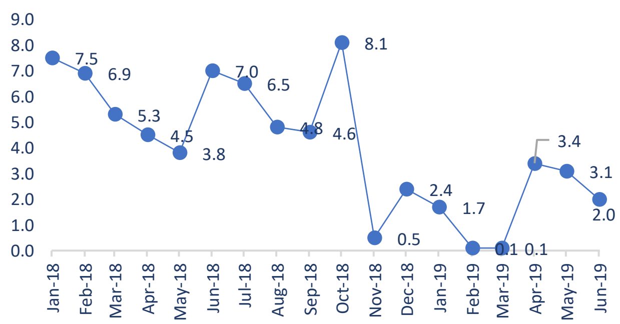
Source: MOSPI

Eight Core Industries (%)



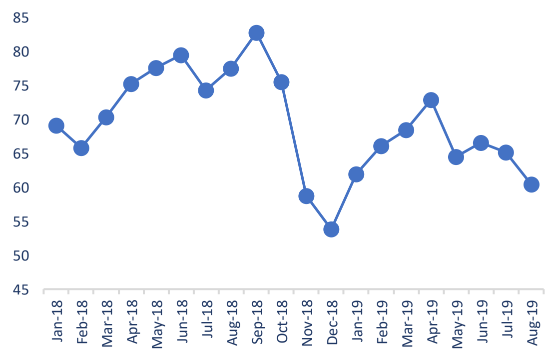
Source: RBI

IIP (%)



Source: MOSPI

Brent Crude (In $)



Source: Investing.com

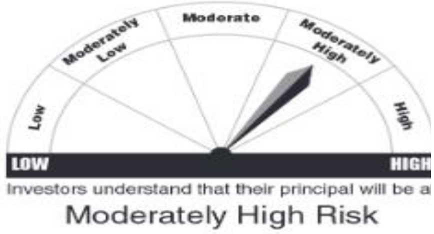
KSEMA WEALTH – ALPHA INDIA OPPORTUNITIES

AUG 2019

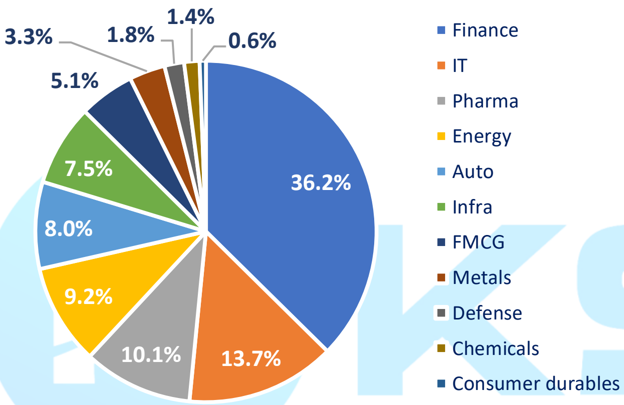
THEME

The fund seeks long-term capital appreciation by investing substantially in the equity securities of companies that are leaders in their industries/segment of industries, and which the managers believe are suitable for a buy-and-hold strategy.

RISKOMETER



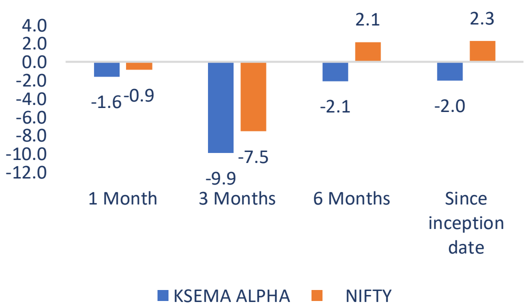
SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
ICICI Bank Ltd	6.0%
Reliance Industries Ltd	5.3%
Larsen & Toubro Ltd	5.1%
Infosys Ltd	4.9%
TCS	4.8%
Cash	3.2%

PERFORMANCE (%)



PERFORMANCE REVIEW

Despite the government coming up with measures to prop up the sentiments, the market witnessed continuous selling during the month. Apart from domestic factors global factors too weighed on the Index performance. Our Alpha theme underperformed the benchmark as sell off continued in the markets by the FII's which weighed on the performance.

MARKET CAPITALISATION (%)

Large Cap	80.2%
Mid Cap	9.3%
Small Cap	0.0

OUTLOOK

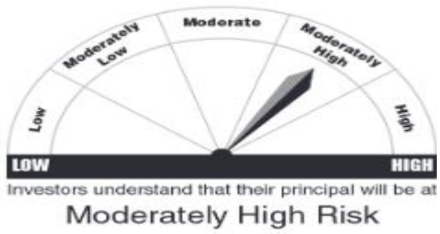
Further government announcements to boost the Indian economy and an above normal monsoon till date should bring back renewed interest in the markets. Depreciating rupee and improved business outlook should benefit Pharma and IT.

KSEMA WEALTH – MULTICAP INDIA OPPORTUNITIES
AUG 2019

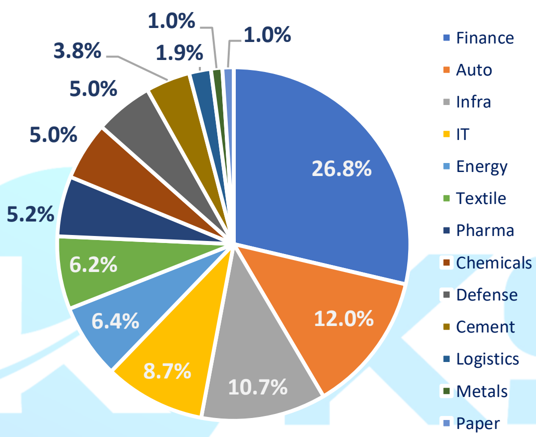
THEME

The fund seeks superior returns over long term by investing in high growth-oriented stocks that are sector agnostic

RISKOMETER



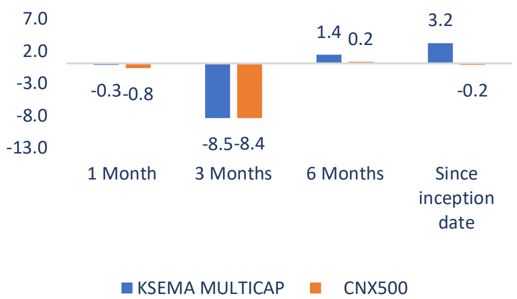
SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
ICICI Bank Ltd	4.3%
Infosys Ltd	4.2%
KPR Mills Ltd	4.2%
Reliance Industries Ltd	4.0%
Bharat Electronics Ltd	3.9%
Cash	6.5%

PERFORMANCE (%)



MARKET CAPITALISATION (%)

Large Cap	47.3%
Mid Cap	19.1%
Small Cap	27.1%

PERFORMANCE REVIEW

The Government measures to curtail the fall and boost the growth has given a fillip to the broader market as mid cap showed initial signs of interest picking up. This resulted in the theme outperforming the benchmark. The incremental cash position this month also acted as savior against the selling pressure.

OUTLOOK

The upcoming months will see further long term measures to be taken by the Government that would incite interest in the market. The finance ministry's steps to refund the GST claims and contractors pending payment will relieve the working capital pressure in the infrastructure sector companies. Also the additional capital protection for banking sector lending towards the NBFC will ease the liquidity crisis which has been a bottleneck for the growth. The beaten down sectors like infrastructure, NBFC and Banking is likely to see renewed interest in the near future.

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