# KSEMA WEALTH MANAGEMENT PVT LTD

## MARKET REVIEW JAN 2020

### GLOBAL EVENTS

The New Year started on a positive note as China's Central Bank injected liquidity to an extent of 800 billion yuan into the country's economy by lowering the CRR which fueled global stock markets. In addition, the US officially lifted its designation of China as a currency manipulator and signed the phase-I deal with China putting to rest the uncertainty.

However the positive momentum in the global markets didn’t last long as the US military killed Iranian General Qassim Soleimani in a drone strike which resulted in deeper market sell off as Iran vowed severe retaliation. However further escalation was averted, and the US imposed more sanctions on Iran’s economy.

Though the markets moved up on eased tensions between the US and Iran, the news on fast-spreading novel coronavirus weighed on the global markets as it was expected to further slowdown the global economic growth. The coronavirus reminded the SARS epidemic that erased an estimated 0.8% from GDP growth in China in 2003.

In the UK, the parliament ratified the withdrawal agreement, and the UK left the EU on 31 Jan 2020. This began a transition period that is set to end on 31 Dec 2020, during which the UK and EU will negotiate their future relationship.

In Hong Kong, the stock markets tumbled as Moody's cut its rating for the city to Aa3 from Aa2, citing an absence of tangible plans to address either the political or economic and social concerns of the Hong Kong population.

On the Commodities front, crude oil witnessed volatile move during the month. The killing of Iranian commander Soleimani pushed the Brent and Nymex prices to $69/bbl. and $63/bbl respectively. As tension eased, the retracted to the old levels. With China imposing a shutdown of its businesses to prevent the spreading of novel Corona virus, the demand for oil has dwindled due to which both Brent and Nymex closed the month down by 11.9% and 15.6% at $58.1 and $51.6 respectively. As disclosed by Bloomberg, China's daily crude consumption had slumped by 20%. Sinopec, China’s largest refinery, has cut the amount of crude it is processing by about 600k barrels per day, or 12%, its biggest cut in more than a decade.

Similarly the geopolitical tensions and the fear of Corona virus impact pushed the gold prices to $1,583 per ounce, which gained 3.9% on MoM basis.

### INDIAN MARKETS PERFORMANCE

The Indian markets remained volatile during the month on the back of mix of both domestic and global factors. However the month continued to witness FII inflow of Rs 12,122 cores. Despite this both Nifty and Sensex closed lower by 1.7% and 1.3% respectively.

With the onset of 2020, the government proposed a $1.4 trillion worth infrastructure projects for 2019-2025. The capex sharing formula for Centre, states and private sector was disclosed as 39:39:22. The NIP has identified projects across 23 sectors and 18 states & UTs. However the markets failed to cheer the same as the funding for such a mega project remained unanswered.

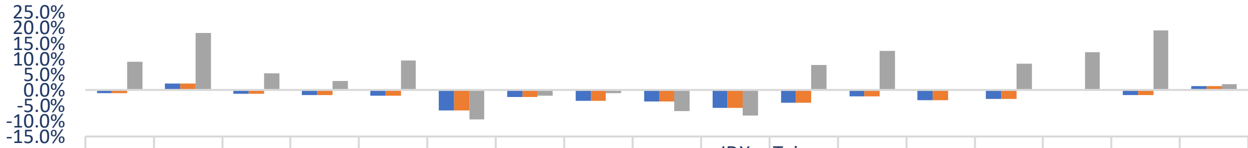
With regard to the macros, the Indian economy has started witnessing green shoots since Dec 2019, though at nascent stage. The eight core industries index contracted in Dec’19 by 1.6% YoY, slower than -5.8 % YoY in Nov’19 due to improved performance by all industries except steel, natural gas and crude oil. IIP growth stood at 1.8% YoY in Nov’19 as against -4.0% in Oct’19 owing to improved performance of manufacturing growth.

While the CPI inflation rose to five year high of 7.35% YoY in Dec’19 as against 5.5% YoY in Nov’19, driven by the impact of higher food inflation coupled with higher miscellaneous inflation and reversal of fuel deflation.

According to Neilsen quarterly survey, FMCG sector growth in value terms was 9.7% in CY2019 and is expected to sustain at 9%-10% in CY2020. Consumption growth in urban areas is still declining, whereas it’s stabilizing in the rural regions. FMCG growth is likely to recover to 2-digits in FY21.

Till date 44 company’s (Nifty50) have announced their Q3 corporate earnings which has been positive with the total revenue surging by 0.5% YoY and 4.3% QoQ. The earnings grew substantially by 61.8% YoY and 24.8% QoQ. The budget as well as the Q3 results are driving the market with additional flow from the mutual fund side as well as FPIs. We opine that the Indian market is rightly positioned for better days as emerging green shoots and new flow of liquidity to go hand in hand, while the global markets are reeling under fear of recession.

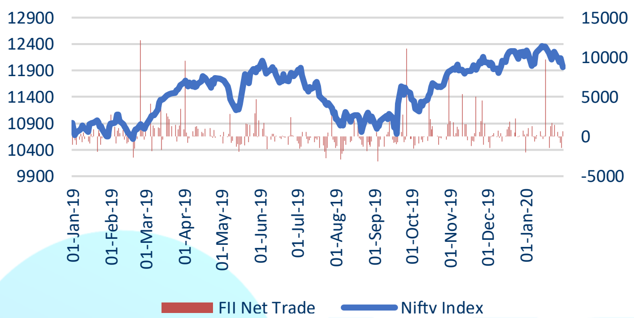
## GLOBAL MARKETS PERFORMANCE




| | 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 | -1.0% | 2.0% | -1.3% | -1.7% | -1.9% | -6.7% | -2.2% | -3.6% | -3.6% | -5.7% | -4.2% | -2.0% | -3.4% | -2.9% | 0.1% | -1.6% | 1.3% |
| CY-YTD | -1.0% | 2.0% | -1.3% | -1.7% | -1.9% | -6.7% | -2.2% | -3.6% | -3.6% | -5.7% | -4.2% | -2.0% | -3.4% | -2.9% | 0.1% | -1.6% | 1.3% |
| FY-YTD | 9.0% | 18.4% | 5.3% | 2.9% | 9.4% | -9.4% | -1.9% | -1.0% | -6.8% | -8.2% | 8.0% | 12.6% | 0.1% | 8.5% | 12.1% | 19.2% | 1.9% |

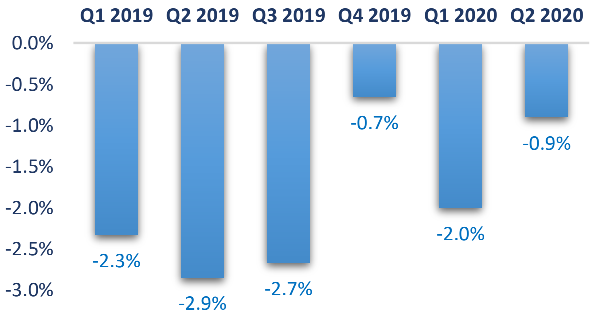
*Source: Ksema Wealth*

### Nifty Vs FII's Trade



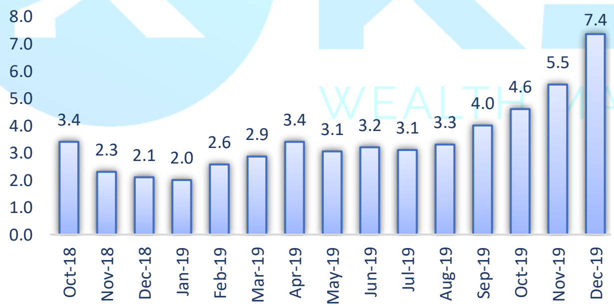

*Source: NSEINDIA; SEBI*

### CAD (As a % of GDP)



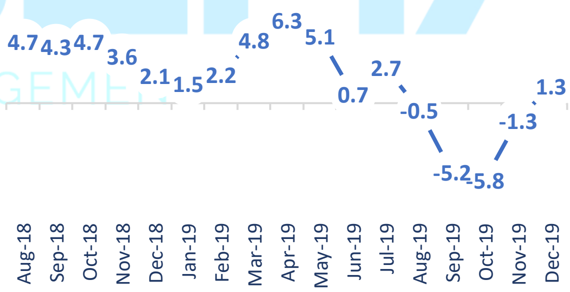

*Source: RBI*

### Inflation (%)



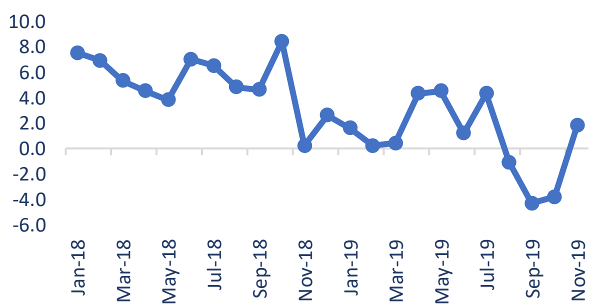

*Source: DEA*

### Eight Core Industries (%)



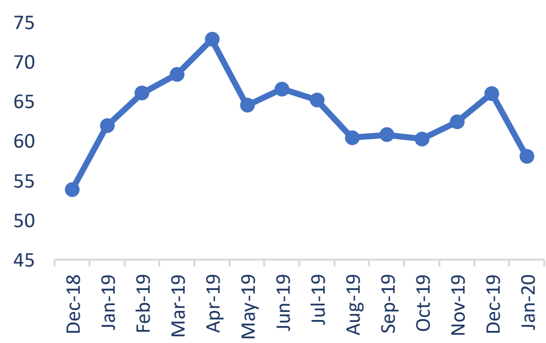

*Source: DEA*

### IIP (%)




*Source: MOSPI*

### Brent Crude price ($)




*Source: Investing.com*

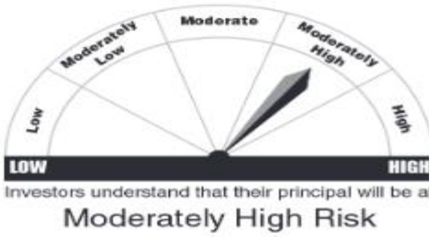
# KSEMA WEALTH – ALPHA INDIA OPPORTUNITIES

## JAN 2020

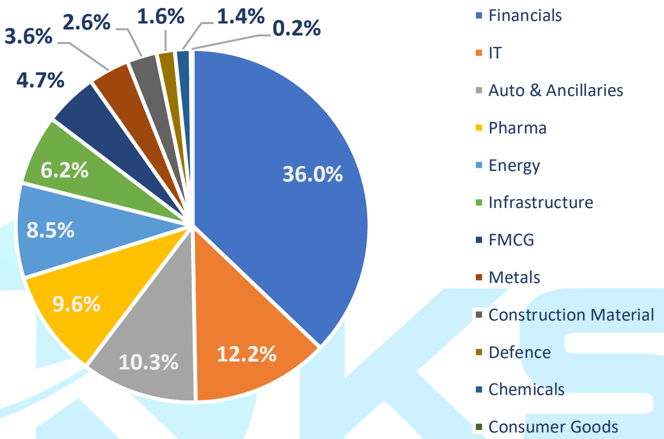
### THEME

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



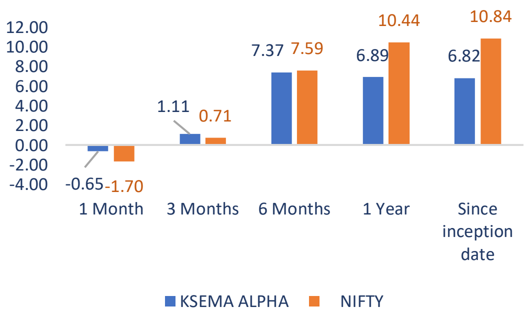

### SECTORAL ALLOCATION




### TOP HOLDINGS

| Company Name | Holdings (%) |
|---|---|
| Reliance Industries | 5.75% |
| State Bank of India | 5.23% |
| Kotak Mahindra Bank | 4.67% |
| Axis Bank | 4.24% |
| HDFC | 4.22% |
| Cash | 3.16% |

### PERFORMANCE (%)




### PERFORMANCE REVIEW

Nifty remained volatile as mixed global cues and high anticipation of union budget along with ongoing Q3 corporate earnings announcements weighed on the index during the month. Our portfolio outperformed the index owing to better stock selection based on the earnings prospects.

### MARKET CAPITALISATION (%)

| | |
|---|---|
| Large Cap | 81.6% |
| Mid Cap | 13.4% |
| Small Cap | 1.9% |

### OUTLOOK

The good monsoon is likely to result in better Rabi crops increasing the rural income. This is likely to fuel consumption in the coming months. The large consumer focused sectors including Auto, FMCG, Financial services is likely to do well. We are well invested in these sectors to reap the benefit.

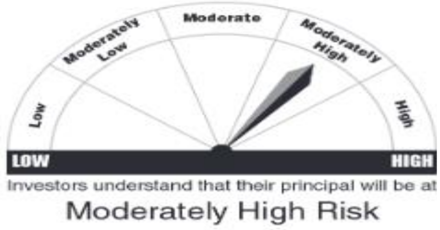
# KSEMA WEALTH – MULTICAP INDIA OPPORTUNITIES

# JAN 2020

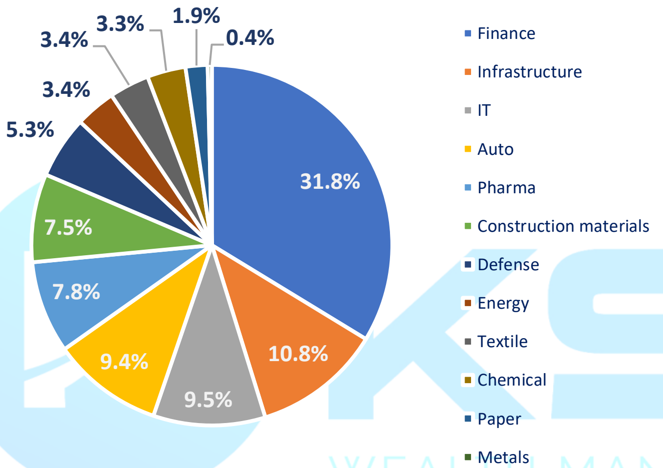
## THEME

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

## RISKOMETER



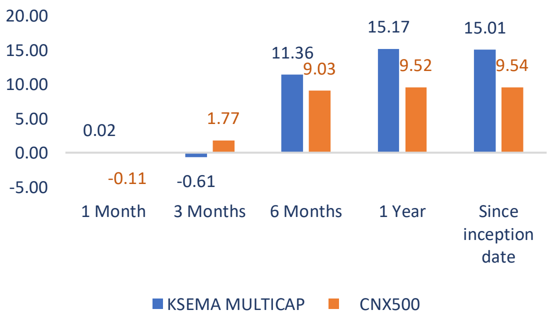

## SECTORAL ALLOCATION




## TOP HOLDINGS

| Company Name | Holdings (%) |
|---|---|
| ICICI Bank Ltd | 5.30% |
| Larsen & Toubro Ltd | 4.37% |
| State Bank of India Ltd | 4.31% |
| Bharat Electronics Ltd | 3.90% |
| Infosys Ltd | 3.55% |
| Cash | 5.75% |

## PERFORMANCE (%)




## PERFORMANCE REVIEW

The portfolio outperformed the index owing to better stock selection and distribution. The broader market has started showing signs of better participation, as more funds are flowing into mid and small cap companies. This augurs well for the theme as we are widely spread across the market segments.

## MARKET CAPITALISATION (%)

| | |
|---|---|
| Large Cap | 52.3% |
| Mid Cap | 21.8% |
| Small Cap | 20.2% |

## OUTLOOK

With the third quarter earnings in the mid and small cap companies relatively being better than the large cap companies, which have already been discounted, the valuation gap is likely to narrow down in the coming months. New funds both from domestic as well as foreign are likely to chase the value stocks in the mid size companies. We are well distributed in multi cap segments. The additional cash that we generated during the volatility will also be used to invest in good prospects.

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