KSEMA WEALTH MANAGEMENT PVT LTD

MARKET REVIEW JUN 2020

GLOBAL MARKETS

The quarter ending June 2020 saw the global markets post one of the best gains despite the volatility that it experienced. Nasdaq was the top gainer with 30%, owing to higher retail investors interest in the FANG stocks. The higher liquidity pumped by the Global Central Banks have also fueled the risk-on trades. Equity as an asset class has been the favorite across the globe as the interest rates have fallen significantly.

While the markets have shown the optimism on the potential recovery of the economy post lockdown, the economic projections by various agencies including IMF & World Bank have been a sharp decline in the year 2020 and equally sharp recovery in the year 2021. The number of active cases of the virus across the globe and particularly in USA has risen in the last few weeks at higher rate than before and shows no signs of slowing down. The expectation of a potential vaccine by the end of the year has increased and this has also given comfort for the investors, who feel that the virus impact is nearing its end.

The second wave of the virus infection, re-escalation of USA-China trade war, South China disturbances, North Korea erratic moves are the looming threats in otherwise booming markets. With the USA election round the corner, the incumbent President would not like to jeopardize the current situation and would like the positive sentiments prevail and also likely engage in higher fiscal stimulus for propping the business sentiment before elections. This can further augur well for the markets.

The dollar index has declined in this quarter to 97.4 from a high of 102.8 in March and is expected to further go down owing to excess supply of dollar. This situation augurs well for the emerging markets where dollar chases the higher growth stocks-economies. On the Commodities front, crude oil witnessed sharp rise albeit on a lower base for the quarter. The prices doubled in the quarter and returned 10% in the month of June. The strict adherence of the quota and increased demand on a sequential basis has lifted the price. OPEC members cut production by 6.25 mbpd and non-Opec had voluntary production adjustment to the extent of 2.6mbpd.

Similarly the geopolitical tensions and the fear of Corona virus impact keep the gold prices firmer at $1,785 per ounce, which gained 3.9% on MoM basis.

INDIAN MARKETS

The Indian markets were buoyant during the quarter with April reporting double digit gain. In June Nifty reported a return of 7.5%. The Global factors were very much influential in the local markets with significant inflow in the month of April from FPIs and retail participation has sharply gone up during the quarter as well. Nearly Rs 30K crs has come into the equity market from FPIs during the quarter though the debt market witnessed flight of funds. Amidst this both Nifty and Sensex closed higher by 20% and 19% respectively for the quarter.

India has been experiencing a trying time with the spread of Covid across the country in different proportions. It has curtailed movement of people and economy was in standstill in the beginning of the quarter. However slowly country is limping back to normal. While the urban area is in the process of getting out of the stringent lockdown, the semi urban and tier-II cities have started feeling the heat. This has brought about the instability.

The economic predictions by various agencies are being revised downwards successively and average de-growth is expected to be 5% during FY21 and a positive growth of 6% for following year. The market has discounted a steep drop in the earnings for the current year and looking ahead for the next year's growth. There is also expectation of the second half to be much better than the first half and the upcoming festive season should give a helping hand to lift it up.

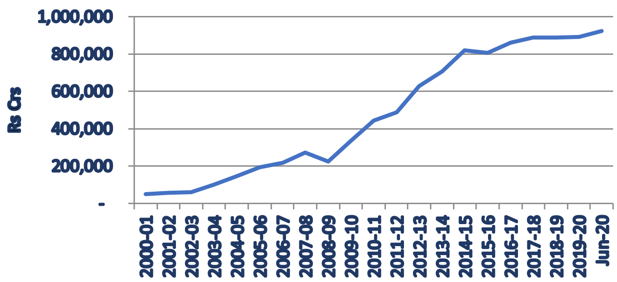
The March quarter earnings of Nifty 50 companies has declined by 78% compared to the previous year (including Covid Provisions) and FY2020 annual earning was lower by 26% over previous year. The market currently trades at 27X FY 2020 earnings. Banking sector has provided for Rs 13,658 Crs towards Covid, which has been on a conservative basis. As the situation improves and if the delinquency levels are better than envisaged in March, the results should be better than market expectation. The rural based economy has not been affected to a large extent. Coupled with Agriculture reforms should put the sector in the driving seat this year. Pharma which has been laggard has come to the forefront owing to virus and is likely to attract more interest.

GLOBAL MARKETS PERFORMANCE

	DJIA	Nasdaq	Sensex	Nifty	Nikkei 225	Hang Seng	Straits Times	KOSPI	KLSE	DAX	FTSE 100	CAC 40
MTD	1.7%	6.0%	7.7%	7.5%	1.9%	6.4%	3.2%	3.9%	1.9%	6.2%	1.5%	5.1%
CY-YTD	-9.6%	12.1%	-15.4%	-15.3%	-5.8%	-13.3%	-19.6%	-4.1%	-5.5%	-7.1%	-18.2%	-17.4%
FY-YTD	17.8%	30.6%	18.5%	19.8%	17.8%	3.5%	4.4%	20.2%	11.1%	23.9%	8.8%	12.3%

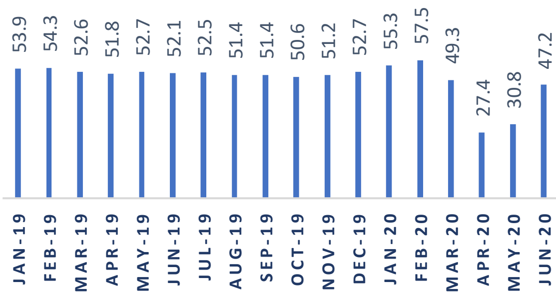
Source: Ksema Wealth

FII's Flow



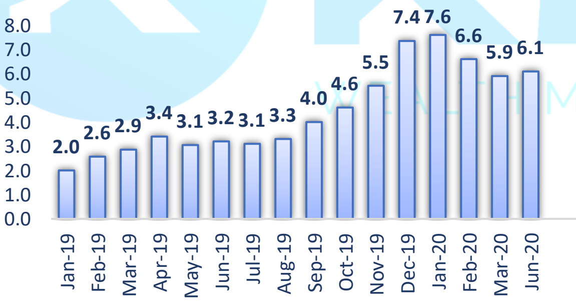
Source: NSEINDIA; SEBI

PMI



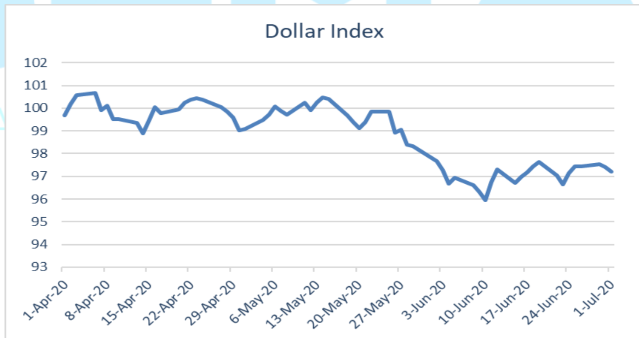
Source: RBI

Inflation (%)



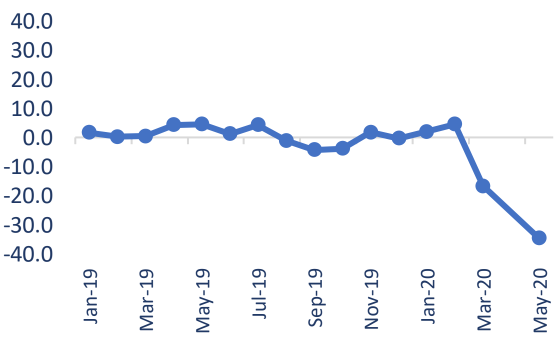
Source: DEA

Dollar Index



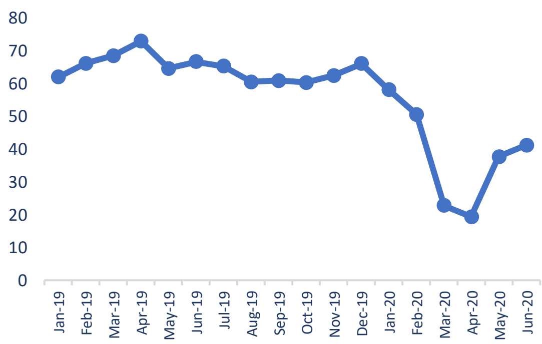
Source: DEA

IIP (%)



Source: MOSPI

Brent Crude price ($)



Source: Investing.com

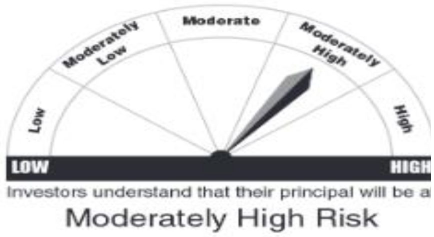
KSEMA WEALTH – ALPHA INDIA OPPORTUNITIES

JUN 2020

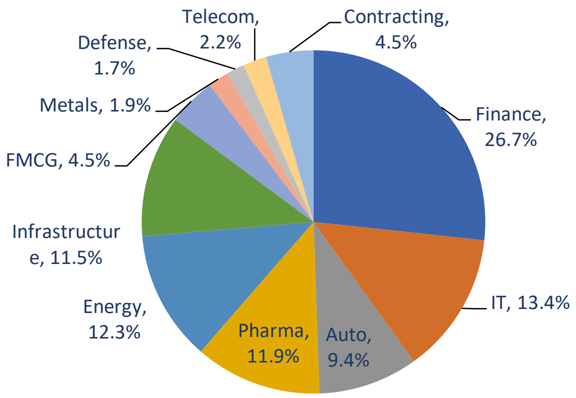
THEME

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



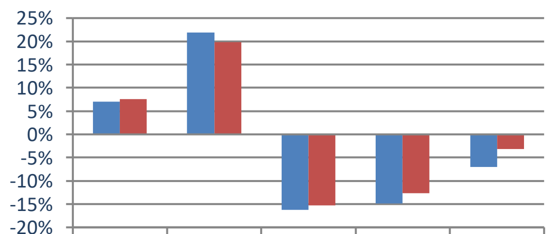
SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
Reliance Industries	7.56%
ICICI Bank	5.35%
Kotak Mahindra Bank	4.35%
Larsen & Turbo	4.23%
Tata Consultancy Services	4.14%
Cash	3.10%

PERFORMANCE (%)



	1M	3M	6M	1Yr	Since Incep
Ksema Alpha	7.02%	21.85%	-16.20%	-14.88%	-7.02%
Nifty 50	7.53%	19.82%	-15.34%	-12.61%	-3.14%

Inception-28th January 2019

PERFORMANCE REVIEW

The quarter ending June worked out well for the Portfolio owing to sharp recovery in fundamentally good stocks where we are invested in. The out performance is marked due to the same and also right allocation in sectors that are prospering well despite the Covid, like Pharma, Technology where we are overweight. While we are still positive in Financials which is yet to catch up, we are cautious on Autos.

MARKET CAPITALISATION (%)

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

OUTLOOK

The good monsoon is likely to result in better Karif crops increasing the rural income. This is likely to fuel consumption in the coming months. Rural focused farm equipments, fertilisers, select NBFCs are likely to fare well. The prospects of Pharma and IT continues to be good as well cyclicals are likely to catchup with its move as economy bottoms out.

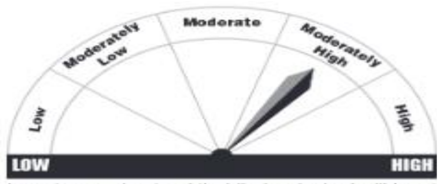
KSEMA WEALTH – MULTICAP INDIA OPPORTUNITIES

JUN 2020

THEME

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

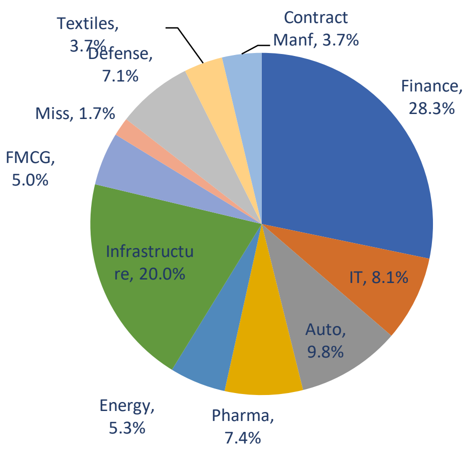
RISKOMETER



Investors understand that their principal will be at

Moderately High Risk

SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
ICICI Bank Ltd	4.13%
Bharat Electronics Ltd	4.10%
Larsen & Tubro	3.99%
Infosys Ltd	3.56%
ACC Ltd	3.48%
Cash	1.1%

PERFORMANCE (%)

	1M	3M	6M	1Yr	Since Incep
Multicap	11.55%	23.00%	-21.40%	-18.52%	-6.76%
CNX500	8.34%	21.12%	-14.16%	-12.25%	-4.09%

Inception-28th January 2019

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	44.2%
Mid Cap	21.3%
Small Cap	33.4%

OUTLOOK

With the market discounting the decline in earnings for the first half, there is hope built on the second half and particularly in the broader market. The Government's MSME loan guarantee, stimulus and Atmanirbhar strategy is likely to benefit the Mid and Small cap segment immensely. Also the defense spending with focus on local produce will encourage participation by this segment. We will position the portfolio with addition of niche players that have better growth prospects.

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