KSEMA WEALTH MANAGEMENT PVT LTD

MARKET REVIEW NOVEMBER 2020

GLOBAL MARKETS

November was a turning point in this pandemic period. Three vaccines were proven to be effective against the Covid-19 virus and that announcement fueled the markets across the Globe. The risk-on mode was further escalated which was already running on the back of presidential election result in the USA. Though the much-anticipated stimulus was still in working and the negotiations continues to take time, market was enthused with the vaccination bringing in normality. The US markets represented by DJIA and NASDAQ reported 11.8% and 10.4% respectively for the month. NASDAQ that is dominated by tech stocks has posted 35% for the current year so far.

The US economy showed good pace in recovery as PMI for the month of November was higher than expectation in Manufacturing as well as Services. Unemployment rate too declined to 6.9% in October.

In Europe, the onset of winter increased the infection rate that surpassed the initial surge. While the Governments in the region have been contemplating stricter restrictions to curb the spread of the virus, the advent of vaccine has smoothened the sentiment. However, the select lockdowns and restriction are affecting the economic situation in the region. The Euro region Manufacturing PMI too slowed to 53.8 and services to 41.3 indicating contraction. In UK, despite the Brexit issue lingering, the market reported a good 12% gain. It is estimated that UK may borrow GBP384 bln or 19.4% of GDP.

INDIAN MARKETS

The Indian markets too enjoyed the bull ride with a return of 11.4% for the month. The second quarter results positively surprised the market. The profit of the large cap stocks grew by 8% though revenue declined owing to lower provisions in banks and better margin in other sectors. The profitability of Mid-caps and Small-Caps grew by 54% and 131% respectively. In the new normal, companies have positioned themselves to control costs with less impact to the productivity.

The economic recovery momentum further improved in the month of November as GST collection, Auto Sales and PMI showed robust growth. The economic activity seen through freight movement showed 26% YOY growth in cement and 20% in steel. The official estimate of GDP for second quarter was much better at a decline of 7.5%. This pleasantly surprised all institutions including rating agencies leading to frantic revision of their full year estimates upwards. The vibrancy and power of unorganized sector of India is underestimated by the institutions. Indian Agricultural sector and services sector that contributes 40% of GDP has been less impacted due to pandemic and are on the growth path. The manufacturing sector and financial services sector were impacted in the first quarter but have partially recovered in the second quarter. The second half is expected to show higher growth owing to pent up demand and organic growth.

The Government spending which has remained muted so far is likely to increase in the coming quarters. Tactically this will help sustain the momentum.

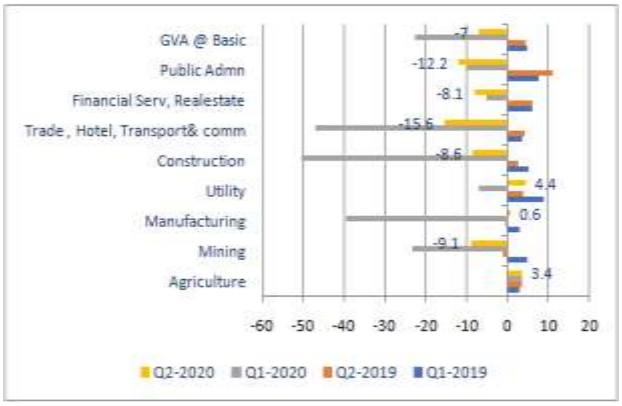
GLOBAL MARKETS PERFORMANCE

	DJIA	Nasdaq	Sensex	Nifty	Nikkei 225	Hang Seng	Straits Times	KOSPI	KLSE	IDX Composite	DAX	FTSE 100	CAC 40
MTD	11.8%	10.4%	11.4%	11.4%	15.0%	9.3%	15.8%	14.3%	6.5%	9.4%	15.0%	12.4%	20.1%
CY-YTD	3.9%	36.0%	7.0%	6.6%	11.7%	-6.6%	-12.9%	17.9%	-1.6%	-10.9%	0.3%	-16.9%	-7.7%
FY-YTD	35.2%	56.1%	55.2%	50.8%	39.7%	11.6%	13.1%	47.7%	15.7%	23.7%	33.8%	10.5%	25.5%

Source: Ksema Wealth

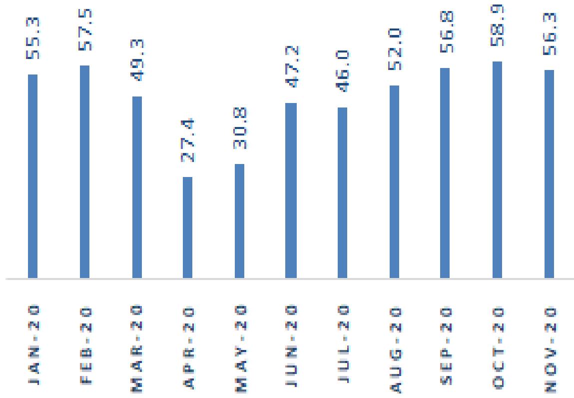
India – Recovery Strengthens

GVA Estimates



Source: MOSPI

PMI

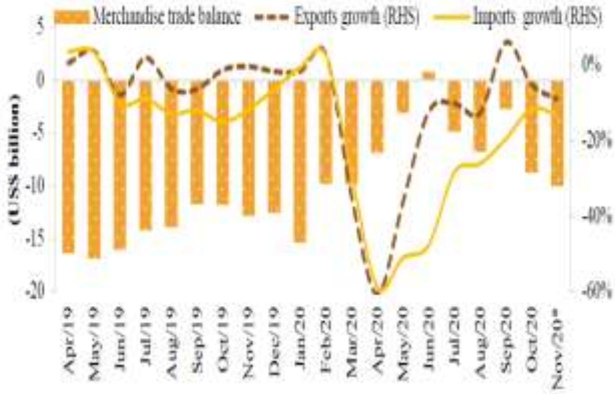


Source: MOSPI

GST Collection

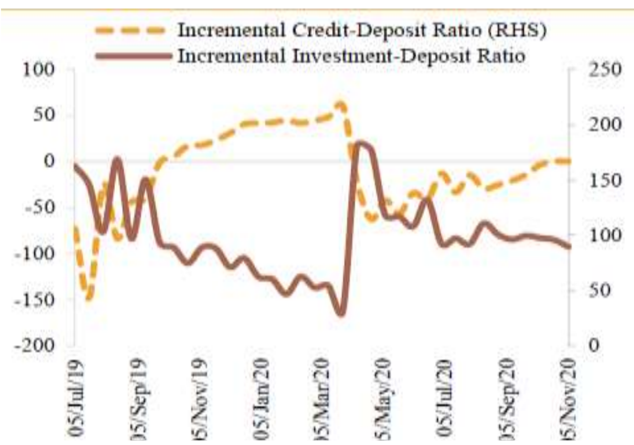
Source: DEA

Trade Balance



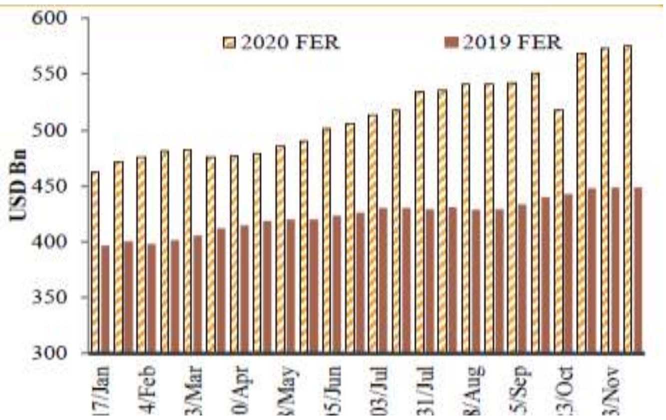
Source: DOC-MOCI

Credit Growth



Source: RBI

Forex Reserves



Source: RBI

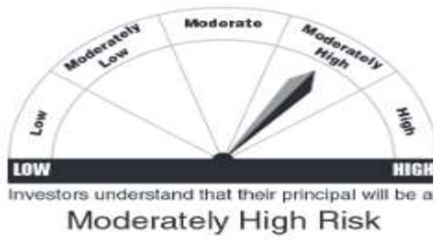
KSEMA WEALTH – ALPHA INDIA OPPORTUNITIES

NOVEMBER 2020

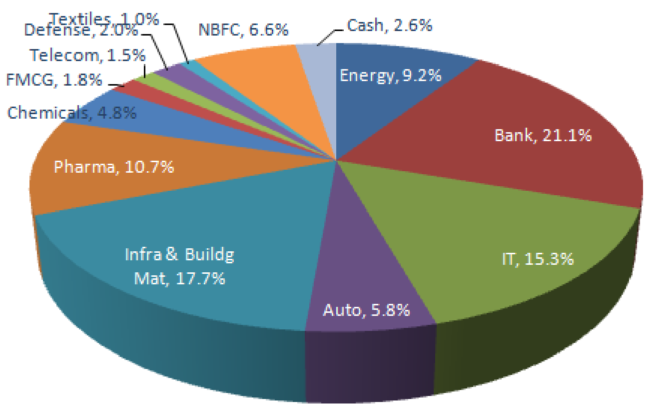
THEME

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



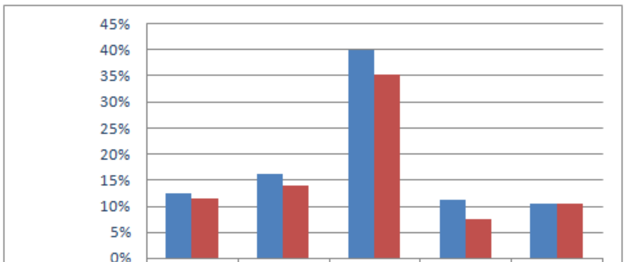
SECTORAL ALLOCATION



TOP HOLDINGS

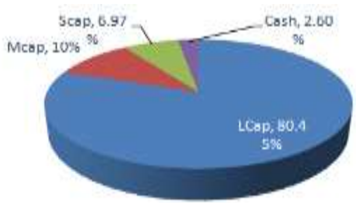
Company Name	Holdings (%)
Reliance Industries Ltd	6.01%
ICICI Bank Ltd	5.72%
Kotak Mahindra Bank Ltd	4.47%
Infosys	4.25%
State Bank of India	4.06%
Cash	2.60%

PERFORMANCE (%)



	1M	3M	6M	1Yr	Since Inception
Ksema Alpha	12.31%	16.18%	40.08%	11.15%	10.54%
Nifty50	11.39%	13.89%	35.37%	7.57%	10.55%

MARKET CAPITALISATION (%)



PERFORMANCE REVIEW

The financials continued to do well enabling our portfolio to outperform. The FPI fund flow was predominantly seen in the large caps and lot of catch-up trades were seen lifting the valuations. The financial sector guided for a better prospect despite lower credit growth as the collection rates were more than initial expectation resulting in lower provisioning in the coming quarters. The patience of holding the stocks and averaging it down has enabled to reap benefit in this upturn.

OUTLOOK

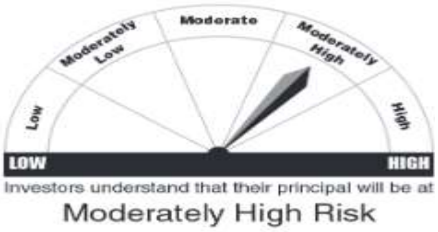
As expected, the vibrancy of the economy was reflected in the better GDP numbers for the second quarter. We opine that the 3rd quarter is likely to further strengthen on the back of services and exports. We expect the Government to accelerate its capex to sustain the momentum. This will augur well for Cyclicals including Infrastructure, Banks and select Auto. Also the increased digitization is likely to keep the order book ringing for IT sector in this lean quarter.

KSEMA WEALTH – MULTICAP INDIA OPPORTUNITIES
NOVEMBER 2020

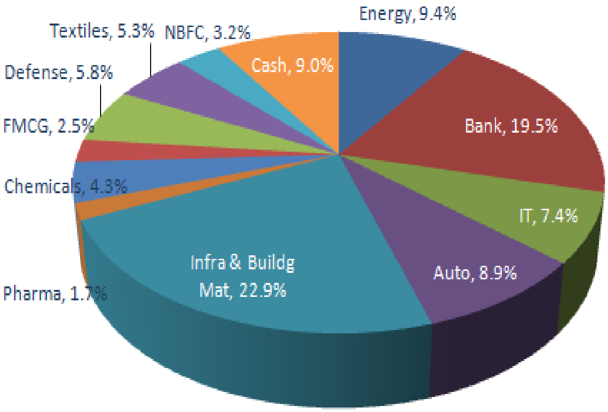
THEME

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

RISKOMETER



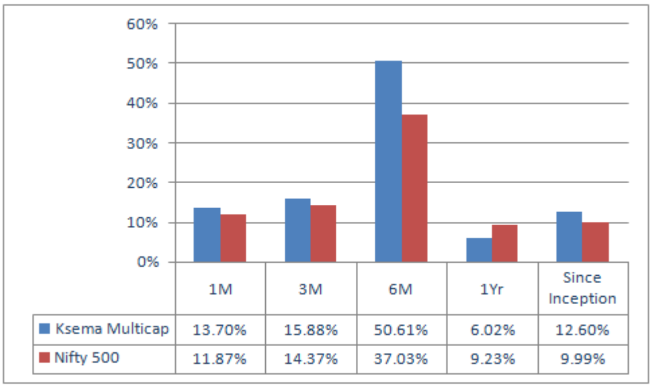
SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
Tata Power Company Ltd	4.74%
ICICI Bank Ltd	4.06%
Finolex Industries Ltd	4.04%
Larsen &Tubro	3.52%
Axis Bank	3.44%
Cash	8.96%

PERFORMANCE (%)



	1M	3M	6M	1Yr	Since Inception
Ksema Multicap	13.70%	15.88%	50.61%	6.02%	12.60%
Nifty 500	11.87%	14.37%	37.03%	9.23%	9.99%

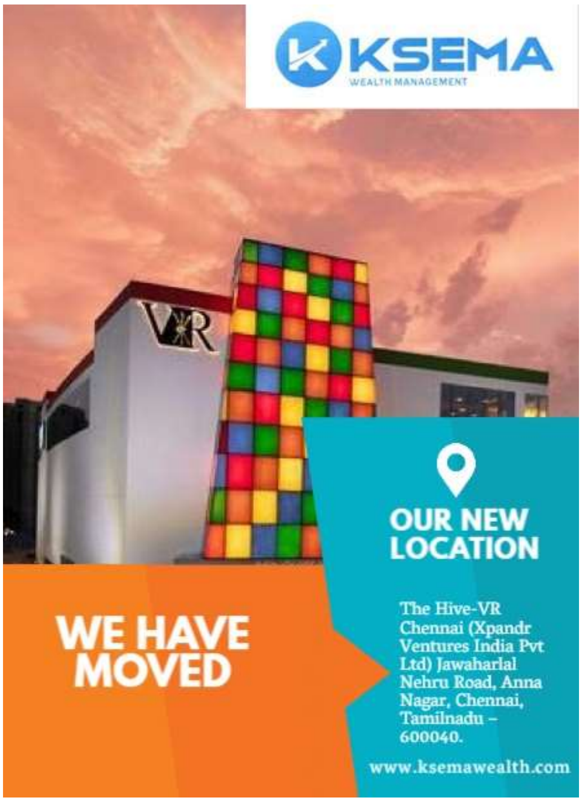
PERFORMANCE REVIEW

While the FPI fund flow were seen in large caps, the domestic institutions were reshuffling the portfolios into broader market. This enabled out portfolio to outperform significantly compared to the benchmark. Our 6M return has surpassed the 50% mark. The valuation in the mid and small cap segment is still compressed compared to large caps and there is more room to catchup. The profitability growth in second quarter indicates the continued performance and our strategy of being invested worked in our favour.

MARKET CAPITALISATION (%)

OUTLOOK

Better macro and geopolitics are assisting the Mid and small cap companies to recover faster and enhance their presence in the market. We are seeing growth in the order flows in sectors like, textiles, Pharma, Electronics and contracting. We will be focusing on companies with stronger balance sheet in these segments that could capture the opportunity coming their way. Higher inflow in the broader market may keep the valuation rich for few quarters which is inevitable.



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