KSEMA WEALTH MANAGEMENT PVT LTD

MARKET REVIEW SEPTEMBER 2020

GLOBAL MARKETS

The month of September started on a positive note, with the Oxford Vaccine trial recommencing quickly after a brief pause. Clearly, positive news on this front in the coming months could be a booster to the human kind. US markets too banked upon the impending stimulus. Despite the tussle in the senate on the magnitude of the same, investors were positive on the eventual outcome. The market was however discounting the possibility of democratic led Government in the upcoming elections. The volatility in the dollar index led to certain investors pulling out the money from the risky assets resulting in the negative return for the US markets.

The IHS Markit Eurozone Manufacturing PMI increased to 53.7 in September 2020 from 51.7 in the previous month, matching a preliminary estimate. The latest reading pointed to the sharpest expansion in the manufacturing sector since August 2018, as output growth accelerated to its highest in over two-and-a-half years. At the same time, the job shedding rate slowed to a seven-month low while backlogs of work increased. On the price front, input prices were marginally higher overall, while output charges dropped for a fifteenth successive month. Finally, sentiment improved to its highest level since April 2018. The concerted efforts by the Euro region played its role in boosting the sentiment earlier than expected.

During 2020, the relationship between the United States and China has become more contentious. In the United States, there is an increasingly bipartisan view that the United States must address perceived challenges from China, including alleged unfair trade practices, alleged failure to protect intellectual property, and alleged national security concerns related to globally traded technologies that originated in China. In the first six months of this year, two-way capital flows between the United States and China fell to their lowest level since 2011. Capital flows were down 16.2% from the same period in 2019 and down roughly 75% from 2016-17. Specifically, US investment in China fell 31% in the first half of 2020versus a year earlier.

China is likely to face a hostile situation in the global order owing to its laxity in the Covid issue. This has brought the confronting nations together and we expect the resistance from the group to keep China in Fix over various issues from trade to investment to geopolitics.

INDIAN MARKETS

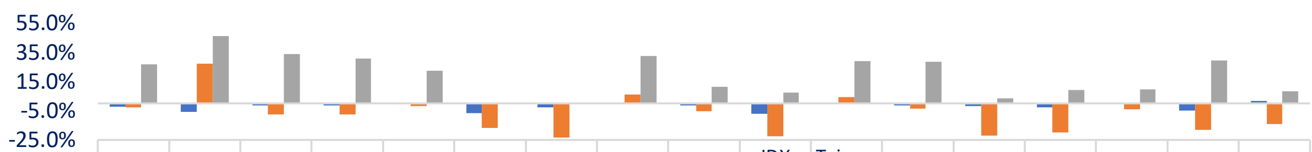
The Indian markets, after three successive months of positive returns contracted in September marginally with Nifty reporting negative return of 1.2% on the back of global cues and increase in the Covid cases. Despite this both Nifty and Sensex closed at 30.8% and 33.9% respectively during the current financial year.

Rural recovery has emerged as a bright spot supported by two healthy crop cycles - timely onset of monsoons, healthy reservoir levels and expectation of healthy Kharif output, besides government's support measures has enabled it to be resilient. The Government passed the mega Agriculture reform bills despite the opposition. This is seen as a game changer for the sector as a whole, enabling investment in the sector which it has not seen since independence. There will be numerous subsectors that will emerge in the upcoming years like cold storage, logistics for agri commodities, food processing, contract farming, technical farming etc.,

Meanwhile, factory activity expanded at its fastest pace in over eight years in September as a relaxation in coronavirus lockdown restrictions drove a surge in demand and output. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, jumped to 56.8 in September from 52.0 in August. It was the highest reading since January 2012.

India's current account balance recorded a surplus of \$19.8 billion - 3.9 % of GDP - in the June quarter of FY21, up from the surplus of \$0.6 billion in the preceding quarter (Q4FY20), on the back of lower trade deficit. The surplus in the current account in Q1 of FY 2020-21 was on account of a sharp reduction in the trade deficit to \$10billion due to steeper decline in merchandise imports relative to exports on a YoY basis. While the current account surplus is positive, it has come on the back of lower imports which is not a good sign. This shows that the local consumption is yet to pick up compared to pre-covid levels. Though some sectors were impacted by the supply chain issues, the export depend sectors like IT, Textiles, Pharma seems to have come back to normal or even ahead of last year.
Forth coming Q2 results and economic activities in festive quarter (Oct-Dec) will be drivers in the coming months. We expect the festive mood to uplift the recovery further into the previous growth trajectory of the economy and corporate performance.

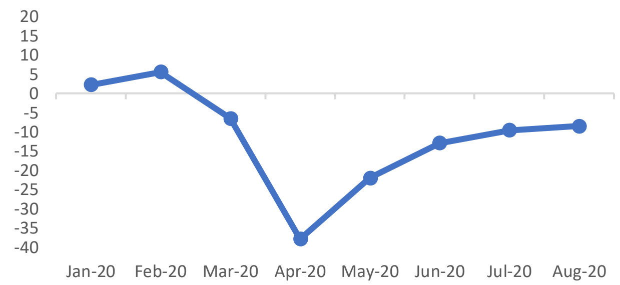
GLOBAL MARKETS PERFORMANCE



	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	-2.3%	-5.7%	-1.5%	-1.2%	0.2%	-6.8%	-2.6%	0.1%	-1.3%	-7.0%	-0.6%	-1.4%	-1.6%	-2.9%	0.5%	-4.8%	1.7%
CY-YTD	-2.7%	27.3%	-7.7%	-7.6%	-2.0%	-16.8%	-23.5%	5.9%	-5.3%	-22.7%	4.3%	-3.7%	-22.2%	-19.6%	-4.0%	-18.2%	-14.0%
FY-YTD	26.8%	46.1%	33.9%	30.8%	22.6%	-0.6%	-0.6%	32.7%	11.4%	7.3%	28.9%	28.4%	3.4%	9.3%	9.4%	29.6%	8.4%

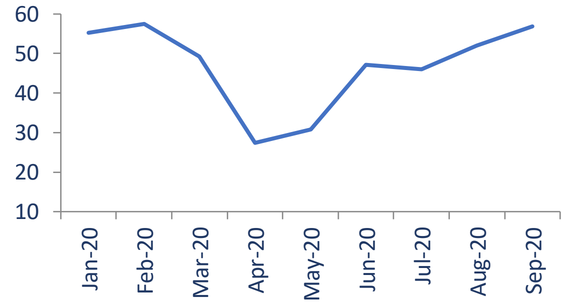
Source: Ksema Wealth

Eight Core Industries



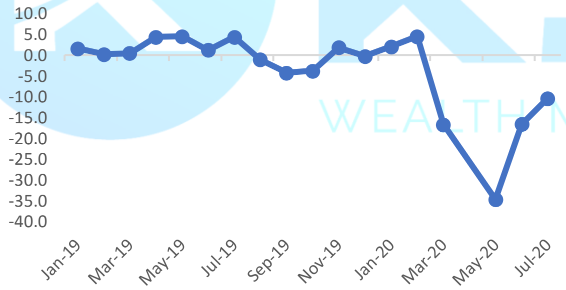
Source: MOSPI

PMI



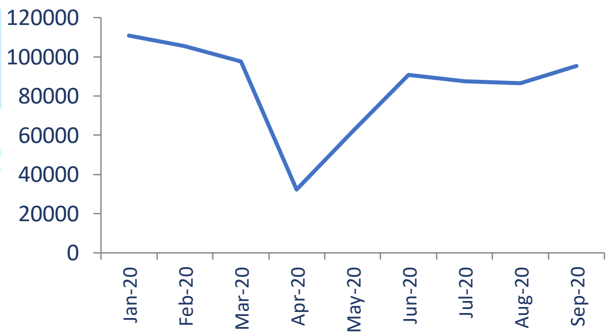
Source: DEA

IIP (%)



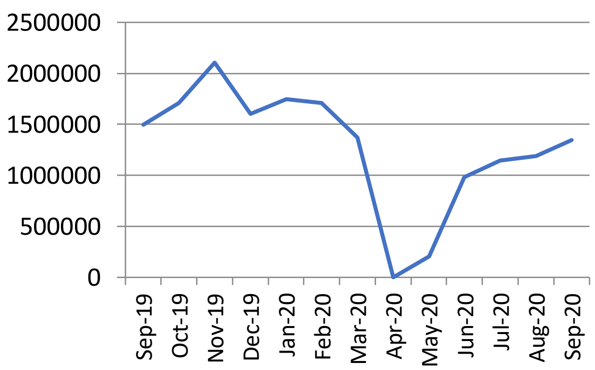
Source: DEA

GST Collection



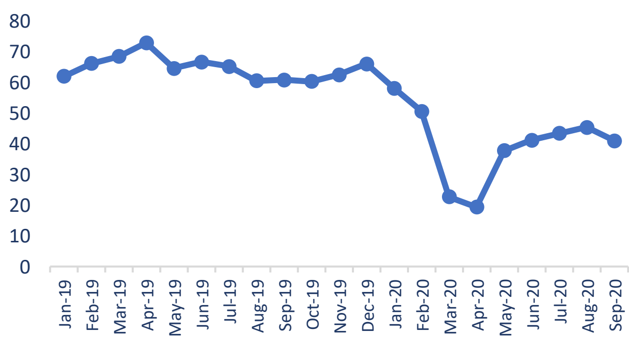
Source:DEA

Retail Vehicle Sales



Source: FADA

Brent Crude Oil



Source: Investing.com

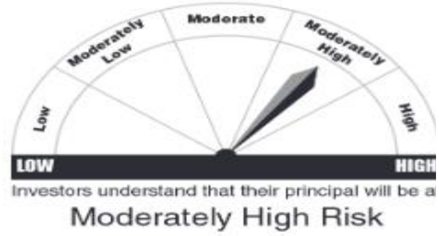
KSEMA WEALTH – ALPHA INDIA OPPORTUNITIES

SEPTEMBER 2020

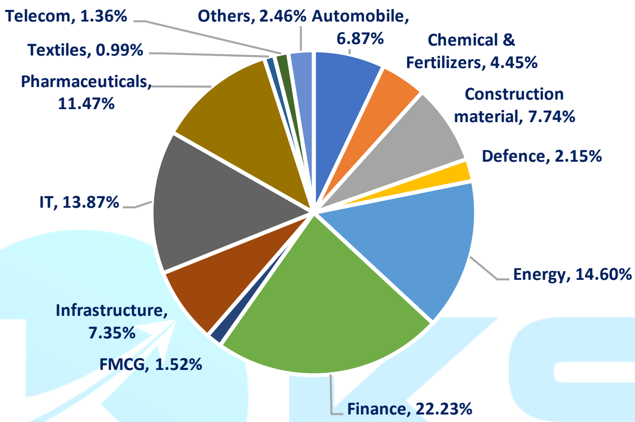
THEME

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



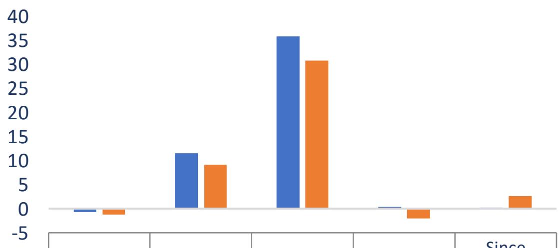
SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
Reliance Industries Ltd	7.87%
Infosys Ltd	4.71%
ICICI Bank Ltd	4.59%
Tata Consultancy Service Ltd	4.21%
Larsen & Toubro Ltd	3.87%
Cash	2.94%

PERFORMANCE (%)



	1 Month	3 Month	6 Month	1 Year	Since inception
Ksema Alpha	-0.73	11.45	35.8	0.35	0.29
Nifty 50	-1.23	9.18	30.82	-1.98	2.56

PERFORMANCE REVIEW

The Portfolio continues to outperform the index for the sixth straight month in a row with continuing 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 & Chemicals. The underperforming Financials too have caught up with the rest of the market and more of its contribution is in the offing.

MARKET CAPITALISATION (%)

Large Cap	80.72%
Mid Cap	5.45%
Small Cap	10.89%

OUTLOOK

The third quarter of FY21 is expected to be standout quarter of the calendar year with the discretionary spending expected to increase on the back of festive season in addition to pentup demand. There are already positive signs of pickup in demand in consumer electronics, durables. Two wheelers & passenger vehicles in automobiles are also showing strong signs of green shoots with some of the major OEM’s posting sequentially good numbers.

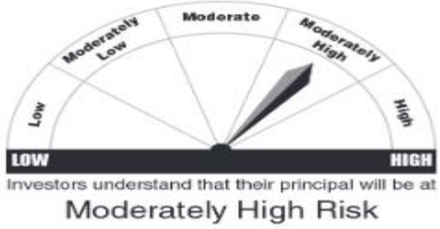
KSEMA WEALTH – MULTICAP INDIA OPPORTUNITIES

SEPTEMBER 2020

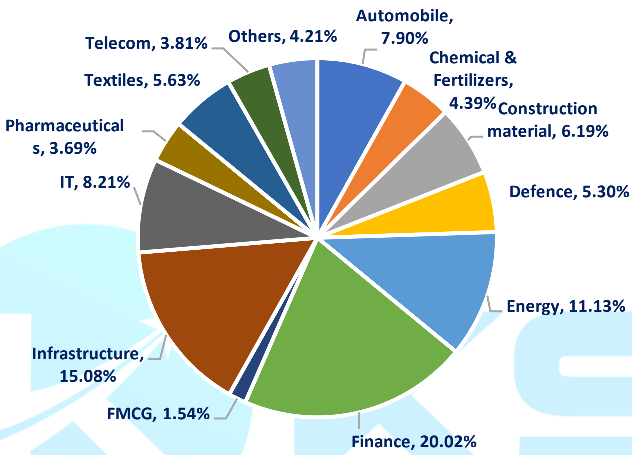
THEME

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

RISKOMETER



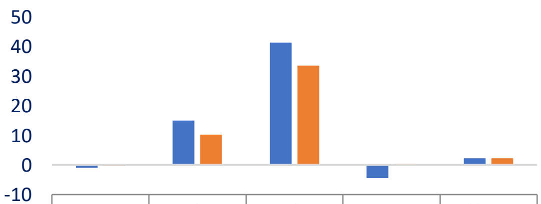
SECTORAL ALLOCATION



TOP HOLDINGS

Company Name	Holdings (%)
Tata Power Company Ltd	4.79%
Reliance Industries Ltd	4.16%
Sterlite Technologies Ltd	3.81%
Finolex Industries Ltd	3.78%
Infosys Ltd	3.72%
Cash	2.90%

PERFORMANCE (%)



	1 Month	3 Month	6 Month	1 Year	Since inception
Ksema Muticap	-0.98	14.9	41.34	-4.53	2.33
CNX500	-0.32	10.23	33.52	0.01	2.29

PERFORMANCE REVIEW

The recovery momentum enabled the mid and small cap companies to outperform the large caps in the last 6 months and our portfolio too captured the full benefit. It exceeded the benchmark over the last six months. The broader market though was stagnant in the month of September has started showing signs of better participation, as more funds are flowing into mid and small cap companies at the fag end. This augurs well for the theme as we are widely spread across the market segments.

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 is in the verge of taking stock of its next phase of stimulus particularly in the infrastructure sector to give fuel to the recovery. We will position the portfolio with addition of niche players that have better growth prospects.

MARKET CAPITALISATION (%)

Large Cap	42.53%
Mid Cap	22.40%
Small Cap	32.17%

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