MULTI ASSET DYNAMIC PORTFOLIO

Monthly Update - November 2022

01 **We remain marginally overweight on equities (at ~60%) vis a vis the benchmark**

02 **The positive factors that support the marginal overweight are domestic growth tailwinds and improving sentiment surrounding Indian equities**

03 **The factors that caution us from being aggressively overweight include valuations, and global headwinds such as reduced risk appetite, sticky inflation, and a contractionary monetary regime**

The Indian markets moved in tandem with the global equity market recovery in October, seeing a sharp up move with Nifty 50 rising 5.4% and Nifty 500 rising 4.0%. The rally was driven by large cap companies, with Nifty 100 up 4.6% while Nifty Midcap 150 and SmallCap 250 returning 1.8% and 3.4% respectively. FII net flows began turning positive in the second half of the month, aiding the market rally. DIIs bought ~Rs 9000cr worth of equities disregarding global nervousness on the back of continued flows. Dollar continued to strengthen and gained 1.5% in the month against the Rupee. The US markets bounced back during the month with the S&P 500 returning 8.0% and NASDAQ 100 yielding 4.0%. Gold, however, yielded only 0.1% (in INR) during the month.

India continues to stand out amongst most of the major economies of the world. The domestic demand remains robust, thanks to the ongoing festive season. Loan disbursals by scheduled commercial banks (SCBs) in India have increased impressively this year. Total bank credit has grown by 16.4% y-oy in September, compared with 6.7% growth as of Sep’21 and 8.2% as of Sep’19 (pre-pandemic). The GST collections for October stood at Rs 1.52 lakh crore, the second-highest collection since the implementation of GST, reflecting a surge in GST e-way bills and robust consumer spending during this festive season. The ongoing second-quarter earnings season shows that the net sales continue to grow at a robust double-digit pace of 27.9% in Q2FY23 (for 545 companies). However, higher input costs have impinged on the PAT numbers which showed moderation in growth to 5.3% in Q2FY23 against 26.1% in Q2FY22.

However, the external headwinds continue to weigh on the domestic economy. The IMF recently slashed India's real GDP for FY23 to 6.8% from 7.4% in its July forecast, owing to a weaker-than-expected recovery in the second quarter and subdued external demand. It further expects India's GDP growth to moderate to 6.1% in FY24 as external demand and tight monetary conditions weigh on growth. The IIP declined by 0.8% y-o-y in August 2022. This is the first year-on-year contraction registered by the index in the last 18 months. Falling exports due to global demand slowdown and steep USD appreciation have distorted the country's balance of payment math. India's current account deficit (CAD) widened to a record USD 23.8 billion in the first quarter of 2022-23. As a proportion of GDP, the CAD stood at 2.8%. This is the second-highest CAD-to-GDP ratio seen by the country since June 2013 and the highest since September 2018. In addition, the rapid rise in consumer prices is showing no signs of abating. The latest CPI print shows that the inflation rose by 7.41% in September, vs. 7% in August. This is the ninth back-to-back month where inflation has been above RBI's upper tolerance limit of 6%. The unseasonal rains ahead of the harvest season have reduced and deteriorated summer-sown crops such as rice, soya bean, cotton, pulses, and vegetables, while also impacting the plantation of wheat. This will keep the food prices and hence inflation sticky for a longer time.

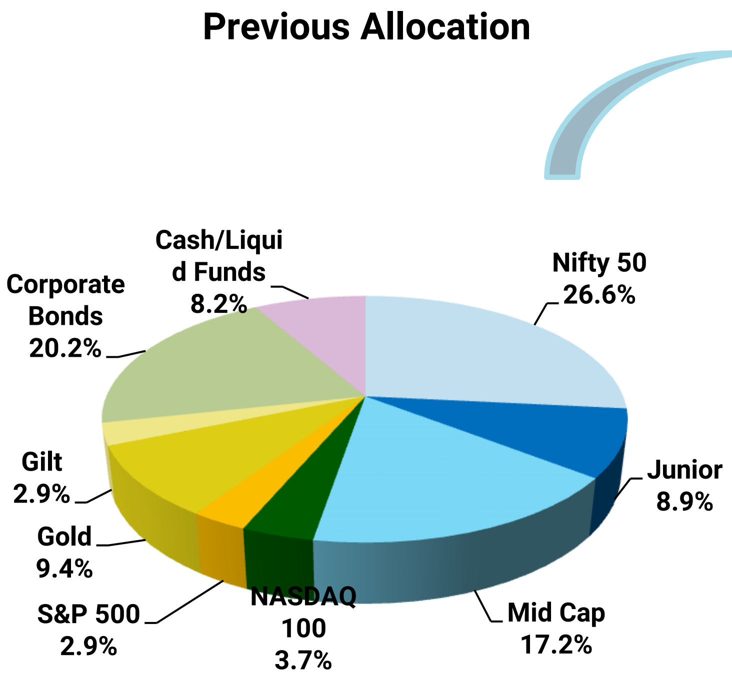
PORTFOLIO POSITIONING & METER READINGS:

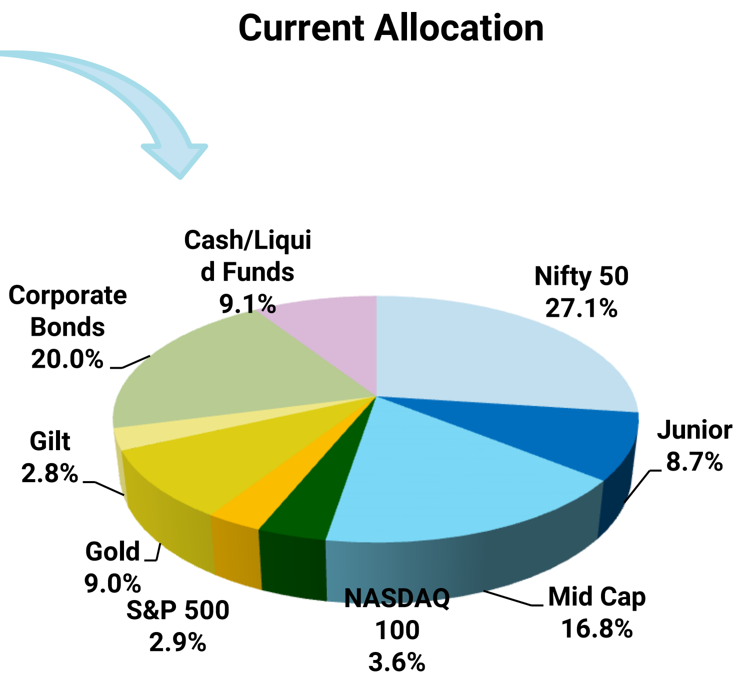
We remain overweight on equities (compared to the benchmark) in the portfolio. Our quant model signals the improved sentiments, robust domestic growth and build-up of short-term momentum. Our '**Macrometer**' which captures domestic as well as global economic factors, indicates robust economic growth in India. Our technical indicator '**Technometer**' maintains a buy in Indian equities. The **'Momentum Meter**' is signaling to invest in equities as Indian equities continue to perform better than other asset classes. The quant sentiment indicator '**Sentimeter**' is suggesting improved market breadth, supported by reduced intensity of FII selling.

On the valuation front, equity markets' price-to-earnings and price-to-book multiples are at 22.0x and 3.1x respectively, which still conveys a not-so-attractive value proposition signaled by the '**Cyclometer**'. The '**Relative Valuemeter**' that measures the relative attractiveness of small-caps vis-à-vis large caps presents a similar story of small-caps currently being slightly expensive compared to larger companies. The '**Global RORO**' is Risk Off due to deep correction in risk assets during August and September in developed markets. The '**Monetary Meter**' continues to point towards tighter monetary conditions globally, thus suggesting to keep it light on duration.

The combined portfolio weight is pointing to being slightly overweight to equities vis-à-vis benchmark with allocation to large caps being 34%. We have kept our allocation of bond portfolio to 22% at portfolio level with maximum exposure of 19% to short duration and target maturity funds. We have also maintained our allocation to gold at 9% with gold prices being vulnerable to interest rate hikes.

CURRENT ALLOCATION





Contact us at quantifipms@plindia.com or visit www.plindia.com/QuantifiMADP/

Disclaimer / Disclosures:

Strategy may invest substantially in equity, debt, gold and international securities Equity securities and equity related securities are volatile and proven to price fluctuations The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods Settlement period may be extended significantly by unforeseen circumstances The inability of the portfolio to make intended securities purchase due to settlement problems could cause the portfolio miss certain investment opportunities Similarly, the inability to sell securities, held in the strategies portfolio may result, at times, in potential losses to the strategy, should there be a subsequent decline in the value of securities held in the strategies portfolio Investment in Securities is subject to market risk and there is no assurance or guarantee that the objectives of the investment will be achieved, as with investment in securities, the value of portfolio may go up or down depending upon the factors and forces affecting in capital market and the portfolio manages is not responsible or liable for the losses resulting from the operations of the portfolio Investments in equity and equity related securities involve a degree of risk and investors should not invest in the strategy unless they can afford to take the risk of losing their investment performance related information is not verified by SEBI.