



QUICK TAKE

Equity market valuations are broadly reasonable adjusted for the cyclical low in earnings and potential for revival going forward.

We remain bullish on equities from a medium to long term perspective.

Investors are suggested to have their asset allocation plan based on one's risk appetite and future goals in life.

KEY HIGHLIGHTS

MARKETS



Equity markets saw yet another volatile month driven by news flow and policy action. The broader markets continued to outperform frontline stocks driven by high quality mid and small caps finding favour with investors. Frontline benchmarks, S&P BSE Sensex & NIFTY 50 ended the month down 1.5% & 0.4% respectively. NIFTY Midcap 100 registered a gain of 2.1% while NIFTY Smallcap 100 rose 5.6%. After a strong start to the year, India has lagged its global peers over the last few months understandably so on account of the Covid news irking foreign investors. MSCI India underperformed MSCI EM by 3.4%.

Markets have entered a period of consolidation over the past few weeks as they digest earnings and news flow. While the global picture is positive, in India the key aspect to monitor is the peak of the second wave and the progress of the vaccination drive. From a valuations standpoint, the beta normalization is likely to give way to fundamentals based long term growth. To that effect earnings so far have brought valuations to long term averages.

CORPORATE



The prime focus over the last month has been the rapid resurgence of Covid across the country. Stark pictures and news flow has dampened the mood across all walks of life including financial markets. Many states have put in place lockdowns across affected areas and governments have had to contend with hard questions on the Covid game plan. While the vaccination program has been opened to the 18-44 age group, we believe supply of vaccines will remain a key bottleneck.

Our portfolio companies today encompass a cross section of growth ideas ideally suited to benefit from gaps left by weaker incumbents and capture growth opportunities. In line with the recovery theme as the economy returns to a mid-to-high growth environment, several domestic cyclicals are likely to be beneficiaries of the new growth cycle. The core portion of our portfolio consists of companies that emphasise quality which we continue to hold on to. The hallmark of our investment philosophy is the endeavour to identify consistent long term growth and our portfolios are positioned accordingly.

GLOBAL



Earnings over the last quarter have confirmed a strong resurgence in economic activity in the last quarter. Cyclical stories across banks, materials and auto have been strong. Sectors like IT and the healthcare space have also witnessed growth on expected lines. Management commentary has been key. With a return of state wise lockdowns, we expect the June quarter earnings to be lacklustre.

As always, investors must use market dips to aggressively participate in the India growth story. The longer term outlook for equities continues to remain intact. Short term volatility can be used by investors to top up their existing investments with a 3 to 5-year view.