

FAITH & PATIENCE



March 31, 2022

For the month ended March 31, 2022, Nifty 50 index closed 4% up over previous month's close. Midcaps and smallcaps outperformed large caps. NSE Midcap 100 index was up 5.25% and NSE Smallcap 100 index was up 6% over the previous month. Within sectors energy, metals, media and information technology outperformed Nifty 50 whereas banks, consumer durables and autos underperformed.

Index	M-o-M Change %
NIFTY 50	4.00
NIFTY Midcap 100	5.25
NIFTY Smallcap 100	6.07
NIFTY Auto	-2.46
NIFTY Bank	0.46
NIFTY Financial Services	1.26
NIFTY FMCG	2.17
NIFTY IT	7.30
NIFTY Media	18.49
NIFTY Metal	9.41
NIFTY Pharma	5.08
NIFTY Private Bank	0.12
NIFTY PSU Bank	2.18
NIFTY Realty	6.22
NIFTY Financial Services 25/50	2.03
NIFTY Consumer Durables	-2.21
NIFTY Oil & Gas	8.46
NIFTY Healthcare Index	4.55
NIFTY Financial Services Ex-Bank	3.06

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were net sellers in March 2022 whereas domestic funds were net buyers. Foreign funds have been huge sellers of Indian equities since September 2021.

Fig: Fund flows

(USD mn)	Curr	MTD	CYTD
FII - Cash	-23	-5,152	-11,226
DII - Cash	160	5,044	26,160
FII - Debt	-90	-658	-1,994

Source: Axis Capital, NSDL

FAITH & *PATIENCE*

Here it is important to highlight that the foreign fund selling in Indian equities is unprecedented since the global financial crisis with US\$36bn of sales in last 12 months compared with US\$28bn during 2008. Aggregate foreign fund equity assets stood at Rs.45.5 trillion as of end-February 2022, that is 18% holding of aggregate listed Indian equities (Rs.252 trillion) which is a fall of 200bps over March 2021. However, foreign fund selling appears to be lower in mid- and small-cap universe stocks. Within sectors, bulk of the foreign fund selling over the past 12 months has been concentrated around banks, information technology, non-banking finance companies and industrials.

While foreign funds have been relentless sellers, domestic investors have been consistently buying. Systematic Investment Plans monthly run rate in excess of Rs.110bn now and even account holders in mutual funds have gone up from 40mn in December 2014 to 126mn in February 2022. Apart from domestic inflows, another factor which is reducing the impact of foreign fund selling in equities, is rising share of FDI with an annual run-rate of US\$40bn-50bn.

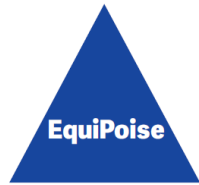
There were quite a few strong positive data points as far as the Indian economy is concerned. GST collections hit an all-time high of Rs.1.42trillion. Indian railways freight loads touched 1418mt during FY2022, a jump of 15% YoY.

Financial health of Indian companies improved significantly in nearly a decade. The industry credit ratio (upgrades versus downgrades) surged 172 basis points YoY as most borrowers restrained expenses and sweated their assets to lighten up their balance sheets throughout the pandemic.

But the most important or “watershed” moment was India and Australia signing Economic Cooperation and Trade Agreement (ECTA) that seeks to double bilateral trade in next five years. This is the first of its kind trade agreement by India with a developed country. With ECTA, immediately 96.4% of India’s exports to Australia and 85% of Australia’s exports with now attract NIL duty. Textiles, leather, furniture, sports goods, and jewellery will attract NIL duty immediately.

Our view:

Currently in India, we are witnessing consistent buying by domestic investors in the face of unprecedented selling by foreign funds despite covid pandemic and Russia-Ukraine conflict. We believe this is a positive and ushers the structural deepening of domestic savings into equities in India. Such behavior of aggressive buying during declining stock prices by domestic investors should result in improved long-term outcomes for their portfolios vs buying in a high-optimism phase of the market, and thereby setting off a virtuous cycle.



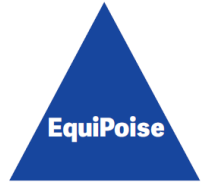
FAITH & *PATIENCE*

The rise in credit ratings of Indian companies and GST collections indicate economic recovery is gaining pace in India. We believe, Indian banks should benefit from upcoming cycle of improving credit growth, higher interest rates and stable asset quality, as balance sheets of most of the banks are stronger than pre-Covid period in terms of capital levels, provision cushion and liability mix.

We believe that due to higher crude prices, consequent higher inflation and bond yields, and Ukraine crisis, volatility will remain elevated. Revenue, earnings and growth expectations of the companies in the model portfolio remains unchanged as of now.

Disclaimer: Nothing contained herein constitutes nor is intended to constitute an offer, inducement, promise, or contract of any kind. Notwithstanding any language to the contrary, these materials are for informational purposes only and are not intended to be, and should not be construed as, an offer to sell or a solicitation of an offer to purchase securities of EquiPoise Capital Management Pvt Ltd or of any entity or other investment vehicle managed by EquiPoise Capital Management Pvt Ltd or its affiliates. Offers to sell or solicitations of offers to purchase securities of a Fund will be made only by means of a confidential private placement memorandum and in accordance with applicable securities laws and will be subject to the completion of a subscription agreement and related documentation. This document/presentation contains confidential information and is being delivered to a limited number of sophisticated prospective investors. EquiPoise Capital Management Pvt Ltd, its affiliates/- sponsors/employees, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this document/publication from time to time. Recipients of the information contained herein should exercise due care and caution and read the offer document (including if necessary, obtaining the advice of tax /legal/ accounting/ financial/ other professionals) prior to taking of any decision, acting or omitting to act, on the basis of the information contained herein. This document/presentation may not be reproduced, distributed or otherwise used except with our written consent. Each person, by accepting these materials, is deemed to agree to the foregoing, and to agree to return these materials to us promptly upon request. This document/presentation contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are “forward-looking statements”. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as “may”, “might”, “will”, “should”, “expect”, “plan”, “intend”, “estimate”, “anticipate”, “believe”, “predict”, “potential” or “continue” or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this document/presentation are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, may include projections of future financial performance based on model portfolios and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, there can be no assurance that the forward-looking statements included in this newsletter will prove to be accurate or correct. In-light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this presentation might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements that may be made from time to time. We are under no obligation (and expressly disclaim any such obligation) to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. The data contained herein is for informational purposes only and is not represented to be error free.

FAITH & *PATIENCE*



EquiPoise Capital Management Pvt. Ltd.

505 Keshava, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, INDIA | +91 22 40221203 | www.equipoise.in