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INVESTMENT COMMENTARY

Feeling F.U.D

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Chief Investment Strategist

Fear. Uncertainty. Doubt.

F.U.D. is used in marketing to influence perceptions and dissuade consumers from buying competing products. It's an accurate representation of what investors – certainly FIs - are feeling today with rising inflation, aggressive U.S. central bank rate hike trajectory, ongoing war and U.S. yield curve inversion.

Last month, we listed equity valuations as attractive (see Know the Now – Stylish Bears and Boring Bulls, March 2022) with the Nifty priced under 16,000. **Post a fierce 2,000~ point rally, valuations are back to above fair value**. U.S. interest rates spiked alongside the rally, and key parts of the **U.S. yield curve inverted**, propelled by aggressive Fed rate hike signalling. Fed futures are pricing in 8 rate hikes this year. As always, a review of the history is essential in formulating an outlook...

Indian Equities have Weathered Fed Hikes Admirably in Past Cycles Since 2000

Both in the 2004-05 and 2017-18 Fed hike campaigns, Indian equities continued to rise strongly during the early-mid stages of the hike cycle. The **start of a hike cycle did not presage a market top in either period.**

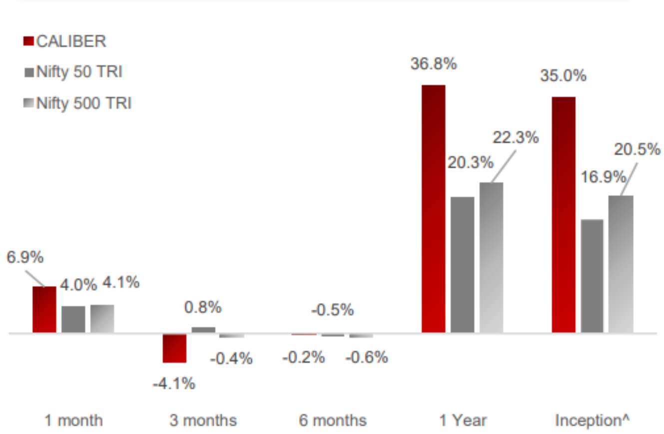
Secondly**, the Nifty 50 never revisited its starting price in 2004** at the time of the first Fed hike. In 2019, the market was well on its way higher as well, at roughly 12,300 levels from 7,900 levels when the rate hike campaign began. However, covid hit and briefly brought the market to lower levels (chart on next page).

The Track Record on Repo Rate Hikes

The RBI similarly embarked on sustained rate hikes from 4.5% to 9% during 2004-08 (chart on next page), notoriously hiking into the 2008 financial crisis. Equities again, did surprisingly well in the initial part of the hike campaign, never re-visiting levels at the beginning of the hike campaign.

In 2011, markets again were fairly unperturbed and it was the PIGS and Greek debt crisis – a financial system collapse scenario - that precipitated a 20%+ correction in the Nifty 50. The Nifty 50 continued to rise post the first hike, and bottomed slightly lower than the level at the time of the first repo hike. **Taking a market timing call on the basis of the first Fed hike or the first Repo hike would not have been a worthwhile decision in 2004-05, 2010-11 or 2017-18.**

Our Caliber PMS has a 1 Year Return of 36.8% Vs 20.3% for the Nifty 50 TRI…
…And a Meaningful Alpha of +16.5%



^ First fund deployment date (4-Feb-21); Inception performance are annualized

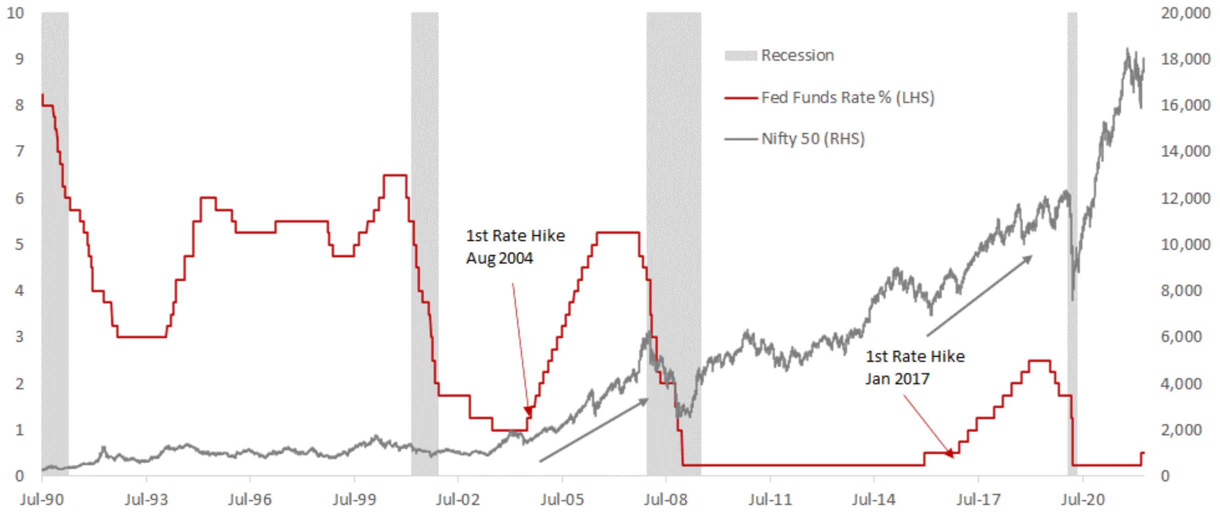
QUARTERLY PERFORMANCE TREND

	1Q22	2Q22	3Q22	4Q22	FY22	SI[1]
CALIBER (Long Only)	19.2%	14.9%	4.1%	-4.1	36.8%	35.0%
Nifty 50 TRI	7.5%	12.4%	-1.3%	0.8	20.3%	16.9%
+/-	11.7%	2.6%	5.4%	-5.0	16.5%	18.1%
Nifty 500 TRI	9.8%	12.1%	-0.2%	-0.4	22.3%	20.5%
+/-	9.4%	2.9%	4.3%	-3.7	14.5%	14.6%

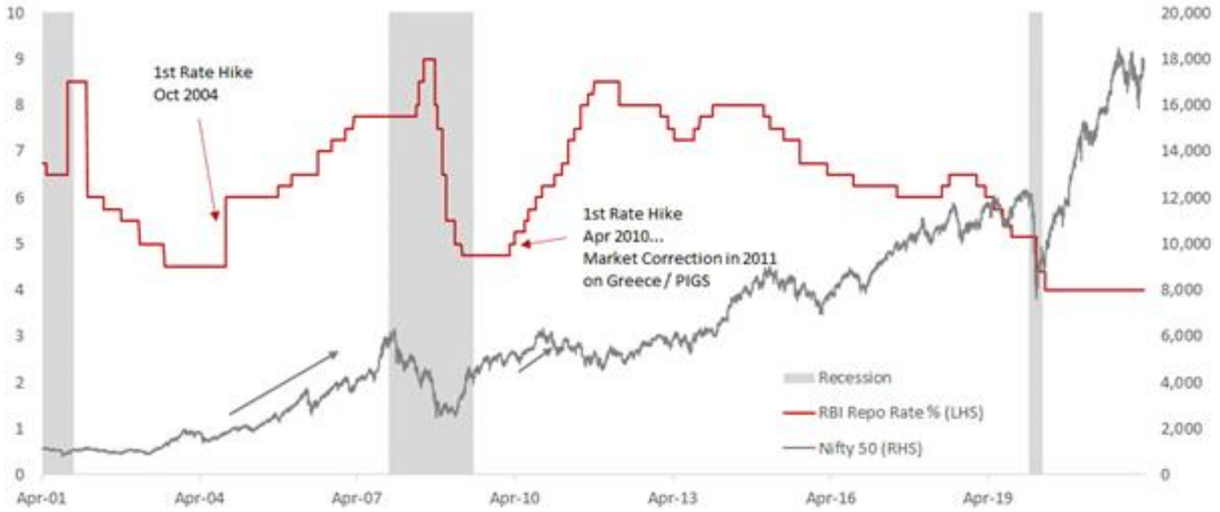
[1]Calculated from first fund deployment date (4-Feb-21); Inception performance are annualized

Returns as of Mar '22 end; Returns are post expenses except for custody charges. Returns are composite returns of all the portfolios aligned to the investment approach. Returns are absolute and calculated on TWRR basis as prescribed by SEBI; The performance related information is not verified by SEBI

Indian Equities have done Admirably Well during the Initial Phase of Post 2000 Fed Rate Hike Cycles…



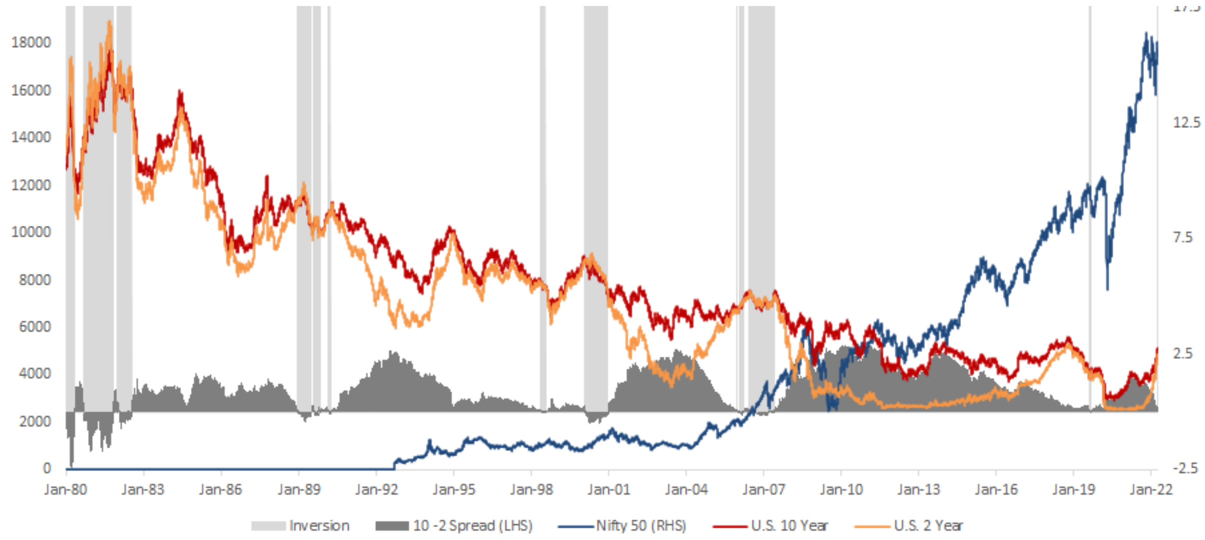
Equities did Similarly Well during the Repo Rate Cycle of 2004…
…But a Series of Hikes and PIGS/Greece Caused a Painful Correction in 2011



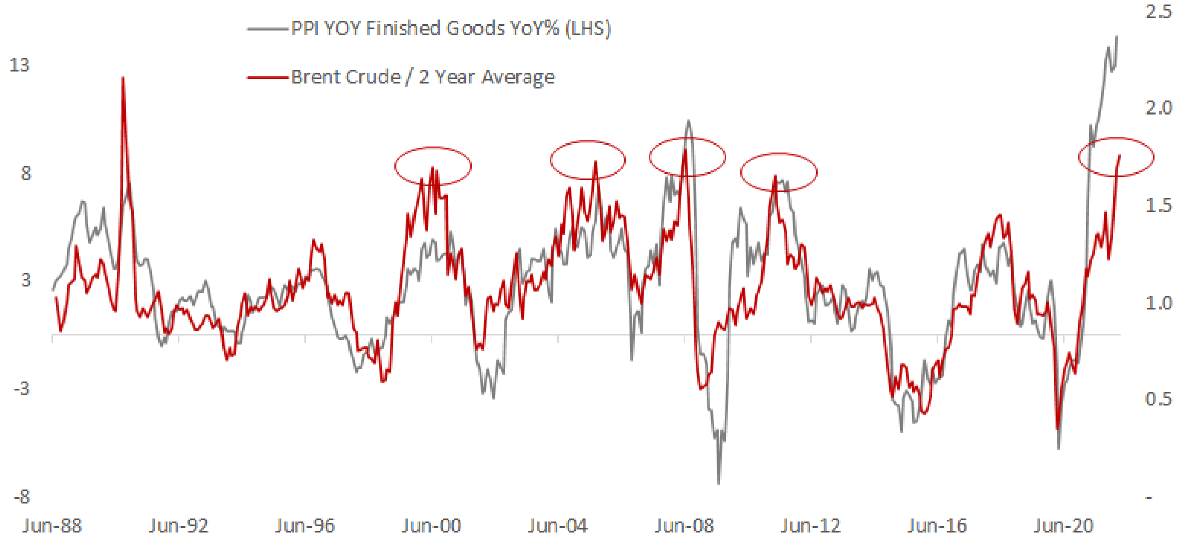
U.S. Yield Curve Inversions and Flat Curves in 1994-95, 1998 & 2019 did Not Lead to Deep Sell-offs

Source: Bloomberg Intelligence - Peak CPI Near if Commodities a Guide. Mike McGlone. BI Commodity Strategist

Meanwhile, the U.S. 10 Year – 3 Month Spread is Widening Rather Than Inverting



If Crude is a Guide, Could Peak Inflation Already Be in the Rear-view Mirror…?



One Indicator Suggests a Peak in Prices Could Be Upon Us

Crude oil is trading at a historically extreme premium to its 2 year average price (see chart above). Typically, such peaks have correlated with peaks in U.S. PPI Finished Goods. With crude and palm oil down sharply, and a number of other markets rolling over, **it is worth considering whether we're at peak inflation**? **A peak in commodities is a decidedly non-consensus view**; nevertheless, we always prefer to consider contrarian positioning and possibilities.

Impulsive & Speculative Behavior

Which brings us to our next point. In the past couple of years, we have witnessed hyper speculative moves in **lumber, bitcoin, SPACs, IPOs, crude, wheat, palm oil** and now U.S. interest rates. There seems to be **a pattern of wild speculative – or coordinated – and impulsive groupthink, which ultimately peaks and reverses course**. Which then makes us question if the consensus view on 8 interest rates isn't similarly a bit extreme.

The Topic Du Jour… the U.S. Yield Curve Inversion

The U.S. yield curve has an enviable record as a lead indicator for recessions. When the gap between short and long yields inverts, its inversions tend to be an accurate warning that a recession is imminent in a matter of months.

However, one must acknowledge that **today's yield curve is dramatically skewed due to the Fed's massive intervention** in the bond markets. Second, while the 10 year / 2 year has inverted, the **10 year / 3 month signal has not inverted** and is widening instead (see charts on previous page), leading to conflicting signals.

Third, the **persistency of inversion** seems to matter. The yield curve was persistently inverted in 2000 and 2007. However, the curve barely inverted, or came close to inversion in 2019, 1998 and 1994-95, and equity markets fared better in these scenarios. **Three years post the 2019 inversion, the Nifty is 46% higher.**

Short End vs Long End

Yield inversions can be driven by a decline in the long yields as much as a rise in short yields. Two-year yields are driven by policy, while 10-year yields are driven by expectations for growth, and arguably inflation.

Withdrawal of QE a Concern

Without Fed intervention, the 10 year yield should be closer to ~ 3.75%, in which case the curve would not be inverted. While the flatness of the curve may be skewed due to central bank intervention, **withdrawal of QE is a worry,** and one that could lead to a further rise in U.S. interest rates.

Nifty Returns from First Yield Curve Inversion

August 2019

In 2019, spread inversion occurred in late August 2019. Was the yield curve prescient in predicting covid? That would be an outlandish conclusion. Be that as it may, **Nifty 50 trailing EPS in August 2019 was 470.1**. It had risen to 520 before covid hit, but had recovered to 618.3 by August 2021, and **at 730.1 today, has increased by 55%**. Coincidentally, the **Nifty 50** was at 11,050 and sits today at 17,475, **a rise of 58%.**

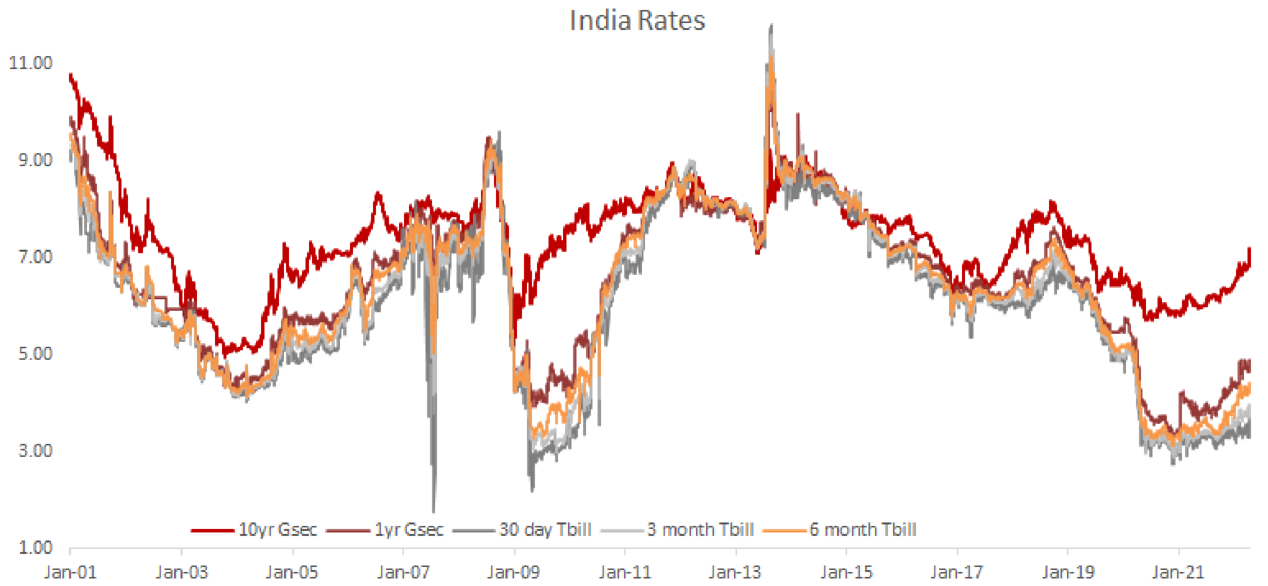
Coincidence that the **Nifty 50 is up exactly as much as earnings are up**? Maybe. Ultimately, **EPS drives Price.** Did it pay to **take a market call on the yield curve inversion** in 2019? Resoundingly, **No it did not**.

Equities and High Inflation

Finally, inflation. We first wrote about inflation in June 2021. It was already high at that point. The Nifty was at 15,600. The index is up some 13% and our managed portfolios are up over 20%. That's a handsome return and better than other asset classes.

First, let's acknowledge that inflation is **a U.S. problem** that *affects* India, for now. In India, a 6.95% print is a number we dealt with just a few years ago. The key concerns are on the other side of the pond, primarily stagflation. The **U.S. has an 8.5% inflation reading**, with low growth.

The Yield Curve Structure in India Remains Healthy For Now



Indian Equities & High Inflation in 2012-13

Inflation rose in India from 6% in January 2012 to 12% in November 2013. On January 2012, Nifty 50 trailing EPS was at 335.4 and the Nifty 50 was at roughly 4861. In December 2013, **Nifty 50 EPS rose to 375.3, or a rise of 11.8%. In the same period, the Nifty 50 rose to 6200, or a return or 27%.** The Nifty 50 would explode higher in coming months as Modi won the election.

We should point out that January 2012 was a bottom in the Nifty from the PIGS sell off in 2011. Regardless, our point remains that **during longer periods, say 2 years plus, Indian equities can grow earnings in high inflationary environments**.

While high inflation can negatively impact stocks in the short-run, over **longer time frames this relationship breaks down.**

The data from the U.S. suggests that the median inflation-adjusted **return of U.S. stocks over two years** following periods **of high inflation is nearly identical** to the two-year return following periods of lower inflation (18.5% vs.18.7%, respectively). This suggests that those investors with longer time horizons need not worry about inflation's impact on their portfolio.

Market Outlook

F.U.D. Investors are staring at 8 Fed hikes this year, rising inflation, yield curve inversion signal, margin pressure and slowing global growth. This could possibly throw the U.S. and developed markets into a recession. In turn, there could be compression in earnings multiples and valuations across asset classes. **Gulp.**

This year, **the market yet again looks susceptible and likely to witness volatility, as the Fed wreaks havoc with rate hikes and hawkish commentary**.

Rational Expectations

The rational investor has to question whether **we genuinely believe the Fed will hike 8 times through the year.** Or will something break before the central bank gets there. Therein lies the **crux of our inertia in taking an actively bearish tactical call**.

First, as we've laid out, **equities have tended to perform admirably well** during Fed hikes, RBI hikes, non-bubble inversions in the post 2000 QE era. The yield curve is sending conflicting signals, depending on which curve you follow. **Inflation has been with us for over a year now, and equities are up 20%** and our portfolios are up 36.8% over the past 1 year, ending March.

Second, retail investor flows look to be structural, and long horizon. Every dip is being bought. Indian corporates are relatively adept at managing earnings in inflationary environments, circa 2012-13 and earlier.

Third, earnings this quarter could hold up acceptably, given the post covid normalization and consumers generally are flush with savings, not to mention a strong equity wealth effect. Domestic loan growth trends look to be recovering.

Net net, we may **witness volatility in the short term**. Let's add further perspective here.

Perspective

We start with Barton Biggs, my super boss at Morgan Stanley Asset Management, cranky, idiosyncratic but brilliant. In his book, Wealth, War, & Wisdom:

*"This is why I will argue that it is **so important to listen to the market**. In other words, **at crucial turning points** observe what markets do and **ignore what the experts** and commentators say about what is going on."*

The legendary Peter Lynch:

"Some event will come out of left field, and the market will go down, or the market will go up. Volatility will occur. Markets will continue to have these ups and downs. … Basic corporate profits have grown about 8% a year historically. So, corporate profits double about every nine years. The stock market ought to double about every nine years. It'll double again in eight or nine years after that. Because profits go up 8% a year, and stocks will follow. That's all there is to it."

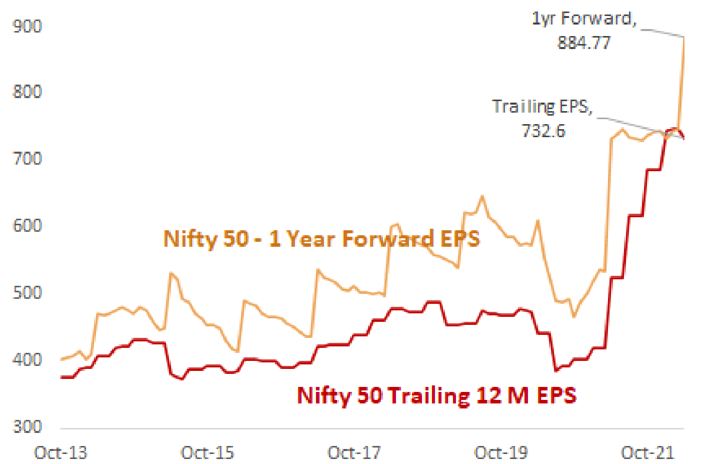
What is the Market Telling Us?

The Nifty 50 sits 6.1% from all-time highs as of this writing, and 58% higher today from the prior yield curve inversion in 2019.

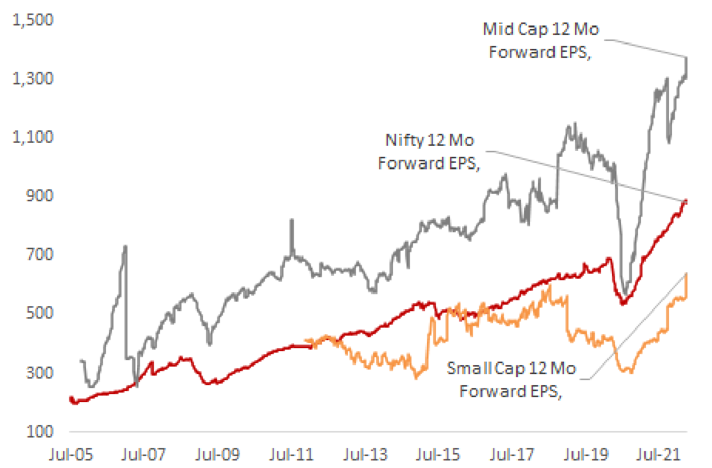
What if inflation has already peaked or is about to peak in coming weeks? Equity markets will sniff this out first. As the chart on the right demonstrates, ultimately earnings drive stock prices.

Post-covid recovery enthusiasm, corporates flush with profits, financially healthy consumers, committed retail investors with a long term horizon, investable savings, a willingness to buy dips, and a desire to own inflation protecting assets **remain key support**. SIPs have crossed 13,000 cr. a month. We're fast approaching $2 billion a month in SIP inflows.

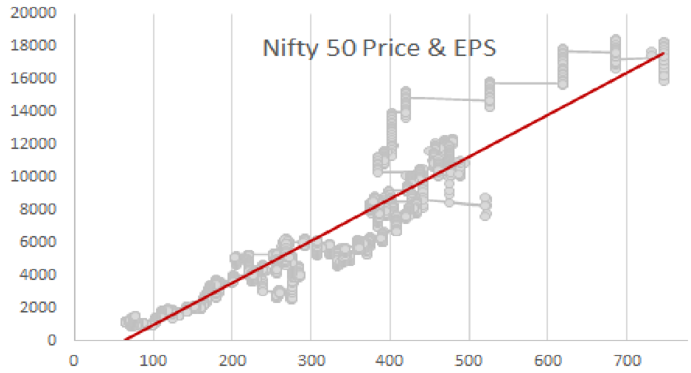
Trailing EPS has Almost Doubled in the Past 2 Years



Forward EPS Revisions Remain Robust



Ultimately, EPS Drives Price…



Asset Allocation

Fixed income offers limited safe haven today, except in the ultra-short space. That too, inflation adjusted, is ultimately a negative real return. Typically, debt begins to gain attractiveness at the tail end of a rate hike cycle. Inflation remains a silent killer of fixed income portfolios.

However, as our Fixed Income Strategist Malay Shah advises, particularly for investors that are aggressively above strategic weight in equities, **a staggered re-allocation towards government bonds** or moderate duration and higher yield can deliver yield plus duration returns over a 3 year horizon.

The action in **Gold**, despite high inflation, has been fairly lacklustre and unpredictable. **REITs look attractive in a high inflation, growth environment**, as economies open up, covid recedes and workers increasingly return to offices. Incidentally, equities have also outperformed **commodities** by large margins over the past 20 years.

On **Equities**, we **were bullish last month,** as markets bottomed on the Ukraine war and **that call played out, but the rapid rise in the U.S. 2-year yield has forced the Fed's hand and changed the calculus**.

With consensus views of an aggressive Fed, withdrawal of QE and bond purchases, rising rates, **the prognosis for equities looks challenging for the next few months. But, things can change quickly**.

For investors with limited risk appetite, or looking to protect profits, or concerned about short term notional losses, **marginally reducing allocations towards strategic** or alternatively hedge strategies can be considered.

For **long term investors**, and **what we continue to prefer**, is to **stay the course.** Inflation will play out and **equity returns over 2 year periods are about the same in inflationary environments** as they are in low inflation environments.

In India, corporate profits rise roughly 12% a year, and doubles have been happening every 6 years or so. Add in an alpha such as our PMS strategies generate and that's a very healthy return.

Large Caps Under-performance and High PE

We could spend an entire note focusing on the **under-performance of high P/E stocks** over the past year. That trend seems likely to sustain in a rising rate environment. The notion that PEs aren't relevant took hold a few years back, but the current climate of **rising rates and high inflation** is a tough environment for high valuation, low growth, consistent growth stocks.

The **antidote for inflation remains growth.** That translates to **favoring mid-caps, and to a lesser extent stock selection in small caps**.

Secondly, alpha will emerge from sectoral positioning. In our portfolios, we've obtained alpha by investing in industries such as packaging, ethanol, textiles and building materials. Finally, positioning portfolios towards domestic growth makes imminent sense.

We continue to witness flows exiting large caps, primarily driven by valuation concerns in a rising rate, high inflation scenario. The strategy of hiding in large caps and super caps looks likely to be a market performer.

Despite F.U.D, the positive skew on expected long term real returns in equities remains favorable, particularly on a relative basis to alternative asset classes, and particularly for investors with longer horizons.

Equity Index Performance

16 April 2022	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo	High Date
Nifty 50	**17,476**	**-1.9**	**3.6**	**0.1**	**-4.3**	**-4.7**	**0.1**	**0.7**	**20.5**	**18,604**	**14,151**	**-6.1%**	**23.5%**	**19-10-2021**
Americas														
S&P 500 Index	4,393	-2.4	3.1	-3.0	-5.8	-1.8	-3.0	-7.8	5.3	4,819	4,057	-8.8%	8.3%	04-01-2022
Dow Jones Indus. Avg	34,451	-0.4	2.7	-0.7	-4.1	-2.4	-0.7	-5.2	1.2	36,953	32,273	-6.8%	6.8%	05-01-2022
Nasdaq Composite	13,351	-3.9	3.1	-6.1	-10.4	-10.4	-6.1	-14.7	-4.9	16,212	12,555	-17.6%	6.3%	22-11-2021
Nyse Fang+ Index	5,997	-6.5	6.8	-9.1	-17.0	-18.3	-9.1	-19.2	-14.9	8,077	5,398	-25.7%	11.1%	04-11-2021
Canada	21,856	0.1	3.2	-0.2	2.3	4.4	-0.2	3.0	13.1	22,213	18,967	-1.6%	15.2%	05-04-2022
Mexico	54,173	-2.3	2.6	-4.2	0.8	3.9	-4.2	1.7	12.1	57,064	47,849	-5.1%	13.2%	01-04-2022
Brazil Bovespa	1,16,182	-2.3	6.6	-3.2	8.7	1.3	-3.2	10.8	-3.7	1,31,190	1,00,075	-11.4%	16.1%	07-06-2021
Europe														
Euro Stoxx 50 Pr	3,849	1.2	3.0	-1.4	-9.9	-8.0	-1.4	-10.5	-3.6	4,415	3,387	-12.8%	13.6%	18-11-2021
FTSE 100	7,616	0.9	6.1	1.3	1.0	5.3	1.3	3.1	9.1	7,687	6,788	-0.9%	12.2%	10-02-2022
CAC 40 Paris	6,589	2.0	3.7	-1.1	-7.8	-2.1	-1.1	-7.9	5.7	7,385	5,756	-10.8%	14.5%	05-01-2022
DAX Germany	14,164	0.6	1.8	-1.7	-10.8	-9.1	-1.7	-10.8	-7.2	16,290	12,439	-13.1%	13.9%	18-11-2021
Asia														
Nikkei 225	27,093	0.4	1.0	-2.6	-4.1	-6.7	-2.6	-5.9	-8.7	30,796	24,682	-12.0%	9.8%	14-09-2021
Hang Seng	21,518	-1.3	16.9	-2.2	-11.8	-15.1	-2.2	-8.0	-25.3	29,491	18,235	-27.0%	18.0%	02-06-2021
Shenzhen CSI 300	4,189	-1.0	-1.8	-0.8	-13.0	-14.1	-0.8	-15.2	-15.7	5,378	3,943	-22.1%	6.2%	27-05-2021
Australia	7,523	1.1	6.0	0.3	1.8	2.2	0.3	1.1	6.6	7,633	6,758	-1.4%	11.3%	13-08-2021
Taiwan	17,004	-1.6	-2.6	-3.9	-7.5	1.8	-3.9	-6.7	-0.9	18,620	15,160	-8.7%	12.2%	05-01-2022
Korea	2,696	-0.2	-0.4	-2.2	-5.9	-10.3	-2.2	-9.5	-15.7	3,316	2,592	-18.7%	4.0%	25-06-2021
Straits Times Index STI	3,336	-2.0	3.1	-2.1	1.6	5.1	-2.1	6.8	4.7	3,466	3,024	-3.8%	10.3%	17-02-2022
Vietnam Ho Chi Minh	1,459	-2.9	-0.7	-2.3	1.4	4.5	-2.3	-2.7	17.7	1,536	1,204	-5.1%	21.1%	10-01-2022
Jakarta Indonesia	7,236	1.5	4.6	2.3	8.1	9.1	2.3	9.9	19.0	7,355	5,742	-1.6%	26.0%	11-04-2022
Phillipines	6,985	-1.7	2.5	-3.0	-3.8	-2.8	-3.0	-1.9	7.1	7,552	6,081	-7.5%	14.9%	09-02-2022

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo	High Date
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Microsoft Corp	280	-7.1	-4.9	-9.2	-9.8	-8.0	-9.2	-16.8	7.3	350	238	-20.0%	17.5%	22-11-2021
Meta Platforms Inc-Class	210	-5.7	3.2	-5.5	-36.7	-35.3	-5.5	-37.5	-31.4	384	186	-45.3%	13.1%	01-09-2021
Apple Inc	165	-4.0	3.6	-5.3	-4.5	14.1	-5.3	-6.9	23.2	183	122	-9.6%	35.2%	04-01-2022
Walt Disney Co/The	130	-1.1	-5.6	-4.9	-14.1	-26.1	-4.9	-15.8	-30.3	190	128	-31.5%	1.6%	19-04-2021
Amazon.Com Inc	3,034	-3.9	-0.9	-6.9	-6.4	-11.0	-6.9	-9.0	-10.7	3,773	2,671	-19.6%	13.6%	13-07-2021
Netflix Inc	341	-5.8	-4.6	-8.9	-35.1	-45.7	-8.9	-43.4	-37.6	701	330	-51.3%	3.4%	17-11-2021
Alphabet Inc-Cl A	2,535	-6.7	-4.9	-8.9	-9.1	-10.4	-8.9	-12.5	11.0	3,031	2,194	-16.4%	15.5%	02-02-2022
Hdfc Bank Limited	1,465	-5.5	1.2	-0.4	-5.2	-13.2	-0.4	-1.0	2.5	1,725	1,292	-15.1%	13.4%	18-10-2021
Icici Bank Ltd	762	2.8	7.7	4.4	-7.0	4.8	4.4	3.0	34.4	867	534	-12.1%	42.6%	25-10-2021
Tata Consultancy Svcs Ltc	3,662	-2.5	0.2	-2.1	-7.7	1.4	-2.1	-2.0	14.6	4,043	3,004	-9.4%	21.9%	17-01-2022
Reliance Industries Ltd	2,552	-2.6	6.2	-3.2	0.5	-5.5	-3.2	7.7	32.1	2,751	1,877	-7.3%	36.0%	19-10-2021
Bajaj Finance Ltd	7,328	-0.3	7.1	0.9	-6.4	-6.8	0.9	5.0	58.7	8,050	4,362	-9.0%	68.0%	18-10-2021
Hindustan Unilever Ltd	2,152	0.5	3.9	5.1	-8.9	-18.8	5.1	-8.8	-12.5	2,859	1,902	-24.7%	13.2%	21-09-2021
Nestle India Ltd	18,382	0.9	3.1	5.8	-5.2	-4.9	5.8	-6.7	6.6	20,609	16,255	-10.8%	13.1%	14-09-2021
Titan Co Ltd	2,461	-3.1	-4.9	-2.9	-5.1	-4.0	-2.9	-2.4	58.9	2,768	1,400	-11.1%	75.8%	21-03-2022
Asian Paints Ltd	3,081	-2.3	1.3	0.0	-8.4	-6.6	0.0	-8.9	15.7	3,590	2,488	-14.2%	23.8%	10-01-2022

Large, Mid & Small

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India Indices														
Nifty 50	**17,476**	**-1.9**	**3.6**	**0.1**	**-4.3**	**-4.7**	**0.1**	**0.7**	**20.5**	**18,604**	**14,151**	**-6.1%**	**23.5%**	**19-10-2021**
Sensex	58,339	-2.1	3.3	-0.4	-4.7	-4.8	-0.4	0.1	20.2	62,245	47,205	-6.3%	23.6%	19-10-2021
Nifty 500	15,139	-1.2	5.3	1.6	-3.8	-4.0	1.6	0.9	24.2	16,004	11,923	-5.4%	27.0%	19-10-2021
NIFTY Midcap 100	30,796	-1.4	8.9	3.7	-3.7	-5.3	3.7	1.2	31.0	33,244	22,800	-7.4%	35.1%	19-10-2021
NIFTY Smallcap 100	10,738	-1.4	5.5	2.9	-9.8	-7.4	2.9	-4.9	31.2	12,047	7,950	-10.9%	35.1%	18-01-2022

Nifty Sectors

16 April 2022	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo	High Date
India Indices														
Nifty 50	**17,476**	**-1.9**	**3.6**	**0.1**	**-4.3**	**-4.7**	**0.1**	**0.7**	**20.5**	**18,604**	**14,151**	**-6.1%**	**23.5%**	**19-10-2021**
Sensex	58,339	-2.1	3.3	-0.4	-4.7	-4.8	-0.4	0.1	20.2	62,245	47,205	-6.3%	23.6%	19-10-2021
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Nifty Sectors														
Nifty Auto	10,698	-1.9	6.2	1.4	-8.1	-9.3	1.4	-2.2	9.0	12,140	9,227	-11.9%	15.9%	17-11-2021
Nifty Bank	37,463	-0.5	6.1	3.0	-2.4	-4.8	3.0	5.6	17.9	41,830	30,406	-10.4%	23.2%	25-10-2021
NIFTY Private Bank	18,943	-0.4	6.3	2.8	-2.6	-7.4	2.8	5.0	11.3	21,719	16,262	-12.8%	16.5%	25-10-2021
Nifty Financial Services	17,420	-1.6	5.5	1.6	-6.2	-8.1	1.6	0.5	14.5	19,779	14,675	-11.9%	18.7%	25-10-2021
Nifty India Consumption	7,050	-0.3	6.2	3.2	-2.2	-6.7	3.2	-0.0	18.6	7,653	5,790	-7.9%	21.7%	18-10-2021
Nifty FMCG	38,191	1.6	7.3	5.2	1.0	-7.7	5.2	1.6	10.0	42,021	33,408	-9.1%	14.3%	18-10-2021
Nifty Energy	28,194	2.6	13.3	9.2	13.4	13.8	9.2	24.6	59.5	28,706	17,159	-1.8%	64.3%	12-04-2022
Nifty Infrastructure	5,143	-1.5	6.9	2.5	-2.5	-2.4	2.5	3.9	27.8	5,363	3,890	-4.1%	32.2%	15-11-2021
Nifty IT	34,355	-4.2	-4.6	-5.4	-11.5	-3.9	-5.4	-11.2	32.9	39,447	25,293	-12.9%	35.8%	04-01-2022
Nifty Metal	6,627	-1.5	7.6	3.2	12.9	10.1	3.2	20.0	52.8	6,826	4,200	-2.9%	57.8%	11-04-2022
Nifty Pharma	13,773	0.1	3.2	1.4	-1.4	-6.5	1.4	-3.2	7.5	14,938	12,291	-7.8%	12.1%	04-10-2021
Nifty PSU Bank	2,901	-1.1	7.0	6.4	4.2	6.8	6.4	14.6	39.6	3,134	1,911	-7.4%	51.8%	07-02-2022
Nifty Realty	464	-2.0	9.7	0.1	-8.9	-13.9	0.1	-4.1	47.0	561	298	-17.3%	55.6%	09-11-2021
Nifty Sectors & Themes														
Nifty Media	2,390	-1.6	9.4	0.4	3.1	1.7	0.4	7.7	64.0	2,495	1,409	-4.2%	69.6%	13-12-2021
Nifty CPSE	2,701	0.2	8.2	8.0	10.3	8.6	8.0	19.3	55.9	2,743	1,691	-1.5%	59.8%	07-04-2022
Nifty PSE	4,376	-0.3	8.0	7.1	5.7	-0.2	7.1	14.1	44.0	4,504	2,965	-2.8%	47.6%	19-10-2021
Nifty Commodities	6,349	0.9	10.4	5.9	5.4	4.7	5.9	13.8	40.0	6,456	4,423	-1.7%	43.5%	12-04-2022
Nifty MNC	18,627	-0.5	5.1	2.9	-4.8	-5.7	2.9	-3.1	16.2	20,130	15,740	-7.5%	18.3%	19-10-2021

Interest Rates and Inflation

16 April 2022	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo	High Date
India G-Sec Yields														
10 Year India G-Sec	7.22	7.12	6.86	6.84	6.56	6.32	6.84	6.45	6.01	7.28	5.96	-0.06	1.26	13-04-2022
5 Year India G-Sec	6.84	6.60	6.43	6.33	5.87	5.66	6.33	5.79	5.90	6.84	5.48	0.0%	24.8%	13-04-2022
3 Year India G-Sec	6.33	6.17	5.92	5.84	5.31	4.98	5.84	5.30	4.91	6.34	4.43	-0.3%	42.7%	13-04-2022
1 Year India G-Sec	4.96	4.86	4.86	4.67	4.34	4.10	4.67	4.37	4.00	4.96	3.63	0.0%	36.9%	13-04-2022
3 Month India G-Sec	3.97	3.96	3.81	3.77	3.57	3.37	3.77	3.59	3.34	3.97	3.26	0.0%	21.8%	13-04-2022
Repo Rate India	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	N/A	N/A	N/A
India CPI														
India CPI Combined YoY	6.95		6.07	6.95	5.66	4.35	6.95	5.66	5.52	6.95	4.23	-	2.72	31-03-2022
India WPI	13.11		13.0	13.1	14.9	11.6	14.3	14.3	4.8	15	11	-11.8%	22.1%	30-11-2021
India Core CPI	6.05		5.6	6.1	5.3	5.2	6.1	5.3	4.8	6	5	0.0%	17.5%	31-03-2022
U.S. & China Yields & CPI														
U.S. 10 Year	2.83	2.70	2.14	2.34	1.78	1.57	2.34	1.51	1.58	2.83	1.13	-0.01	1.70	14-04-2022
U.S. 5 Year	2.79	2.75	2.11	2.46	1.56	1.13	2.46	1.26	0.82	2.84	0.60	-0.06	2.18	12-04-2022
U.S. 2 Year	2.45	2.51	1.85	2.33	0.97	0.39	2.33	0.73	0.16	2.60	0.13	-0.15	2.32	06-04-2022
U.S. 1 Year	1.66	1.75	1.26	1.61	0.49	0.10	1.61	0.38	0.06	1.77	0.04	-0.12	1.62	11-04-2022
U.S. 3 MO T-BILL	0.74	0.69	0.42	0.50	0.12	0.05	0.50	0.04	0.01	0.77	0.00	-0.03	0.73	15-04-2022
Spread 10-2	0.37	0.19	0.29	0.00	0.82	1.18	0.00	0.78	1.42	0.23	0.99			
Spread 5-1	1.13	1.00	0.85	0.85	1.07	1.02	0.85	0.88	0.75	1.07	0.57			
U.S. CPI	8.50		7.90	8.50	7.00	5.40	8.50	7.00	2.60	9	4	0.0%	102.4%	31-03-2022
China CPI	1.50		0.9	1.5	1.5	0.7	1.5	1.5	0.4	2	1	-34.8%	114.3%	30-11-2021
Inflation Expectations 10	2.28		2.4	2.3	2.3	2.3	2.3	2.3	2.3	2	2	-4.1%	1.9%	28-02-2022
U.S. Dollar & INR														
USD INR	76.2	75.8	76.6	75.8	73.9	75.4	75.8	74.3	75.1	77.0	72.3	-1.0%	5.3%	07-03-2022
Dollar Index	100.5	99.8	99.1	98.3	95.2	93.9	98.3	95.7	91.7	100.8	89.5	-0.3%	12.2%	14-04-2022

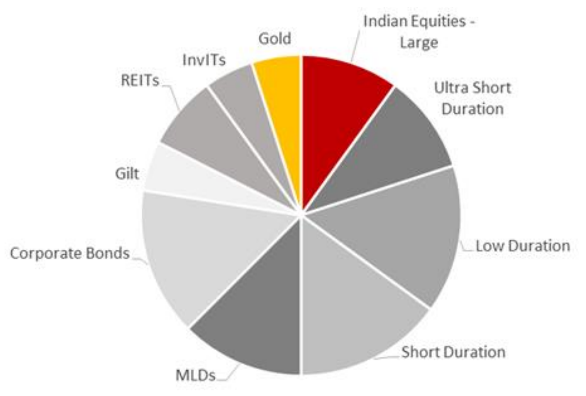
Tactical Asset Class Rationale

Equities	Weight	Rationale
India Equities	**Over Weight**	We ride back our bullishness from the Ukraine bottom, and advise investors to restructure portfolios based on their short term tactical preferences and risk appetite. As outlined in the commentary, we continue to remain moderately over-weight equities.
India Hedge Funds	**Neutral Weight**	Hedged portfolios provide the perfect complement to portfolios today, providing a diversifying non-correlated asset class that enhances risk adjusted return, while holding the opportunity to provide equity-like returns with debt-like risk. We move to neutral weight hedge funds. Typically, rising volatility is a constructive environment for hedge fund managers; however, we have not witnessed it translate to alpha for fund managers.
Long Short (Absolute Return)	**Under Weight**	Typically, long short funds that have consistently delivered post-tax 8% returns are a worthy consideration for portfolios. We remain under-weight due to a lack of predictable return and performance.
U.S. Equities	**Under Weight**	Indian HNI portfolios are dramatically underweight global equities. Diversification provides strong portfolio optimization benefits. U.S. equities have dramatic barriers to entry and global leadership. However, from a market's perspective, yield curve inversion, rising inflation and slowing growth create a stagflationary environment, alongside an aggressive central bank make for a tough outlook.
Emerging Market Equities	**Under Weight**	Given the action in Commodities, and the Dollar, and valuations for emerging markets trading at reasonable levels, most inflationary risks centered in the U.S., exposure to emerging markets will add to portfolio diversification. Most notably, political risk in China has risen, therefore we prefer exposure to non-Japan, non-China emerging markets that are on growth trajectory.
Europe Equities	**Under Weight**	Growth in India, emerging markets is likely to outpace European growth and therefore find limited triggers to gain exposure to European equities, except selectively at a company specific basis.
Fixed Income	**Weight**	**Rationale**
Duration	**Under Weight**	With risks on the inflation front, and demand supply dynamics eventually getting overwhelmed by supply, we do not have a conviction view that rates have peaked. As outlined in the commentary, a first averaging into high coupon g-secs makes sense and we move to marginally less under-weight.
Corporate	**Neutral Weight**	With the rise in rates, absolute yields are heading into attractive levels, particularly with the future possibility of duration led yield enhancement on subsequent weakness. We'd look to build exposure to long term high quality corporates as the interest rate cycle peaks.
Credit Risk	**Under Weight**	With rising inflation, rising rates, low quality credit takes on additional risk. Quality standalone credits provide a positive risk reward equation (especially with well researched and strongly constructed investments). Allocations should be in line with investor's risk appetite.
REITs	**Over Weight**	Real estate investment trusts (REITs) have lagged in the past year due to the impact of Covid on retail and urban office space. With rising threat of inflation, REITs offer an attractive inflation hedge that provides exposure to fixed assets.
InvITs	**Over Weight**	Investment trusts have delivered attractive returns and are fast establishing themselves as core holdings in diversified portfolios, offering attractive yields, attractive long lived underlying assets, in a negative real / low interest rate environment.
Alternate	**Weight**	**Rationale**
Private Unlisted	**Selectively Positive**	We are **selectively positive** and expect significant value and wealth creation in the unlisted space in India primarily led by Technology, Financial and New Age Consumption companies. Our Direct Deal Thesis focuses on late stage companies with significant market share & profitability and our Manager Selection in early stage investments focuses on fund managers with established track record across cycles.
Gold	**Weight**	**Rationale**
Gold	**Under Weight**	Gold provides inflation protection, though the relationship isn't highly positively correlated. Gold provides currency debasement protection. It's suffered of late due to a slowdown in India, and the rush towards Bitcoin investing in the U.S. Given its lacklustre performance amidst an inflationary environment, and a tightening central bank, we remain underweight.

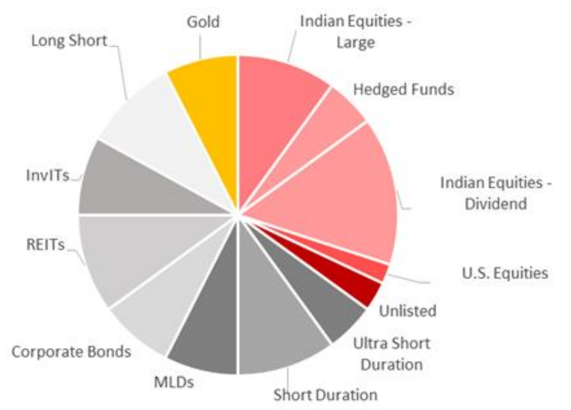
Ambit GPC Wealth Profiles - Strategic Weights

The Ambit GPC Asset Allocation & Investment Committee (AAIC) provide guidance on asset allocation via our wealth profile models below. The models are listed on a scale of rising return and rising risk and represent the most common investor profiles that we base our portfolio construction around.

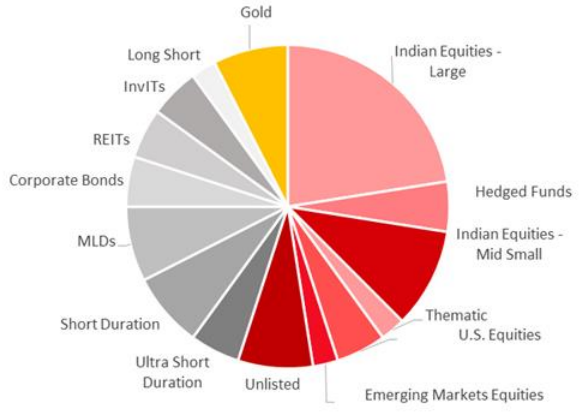
Wealth Conservation



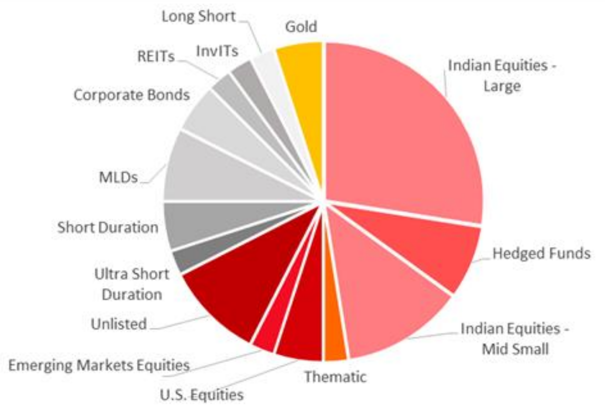
Income



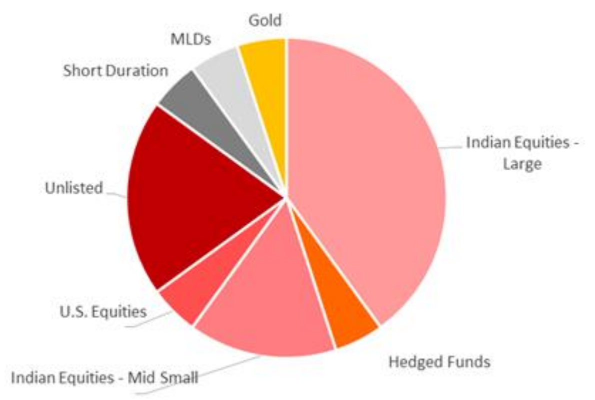
Balanced Growth



Moderate Growth



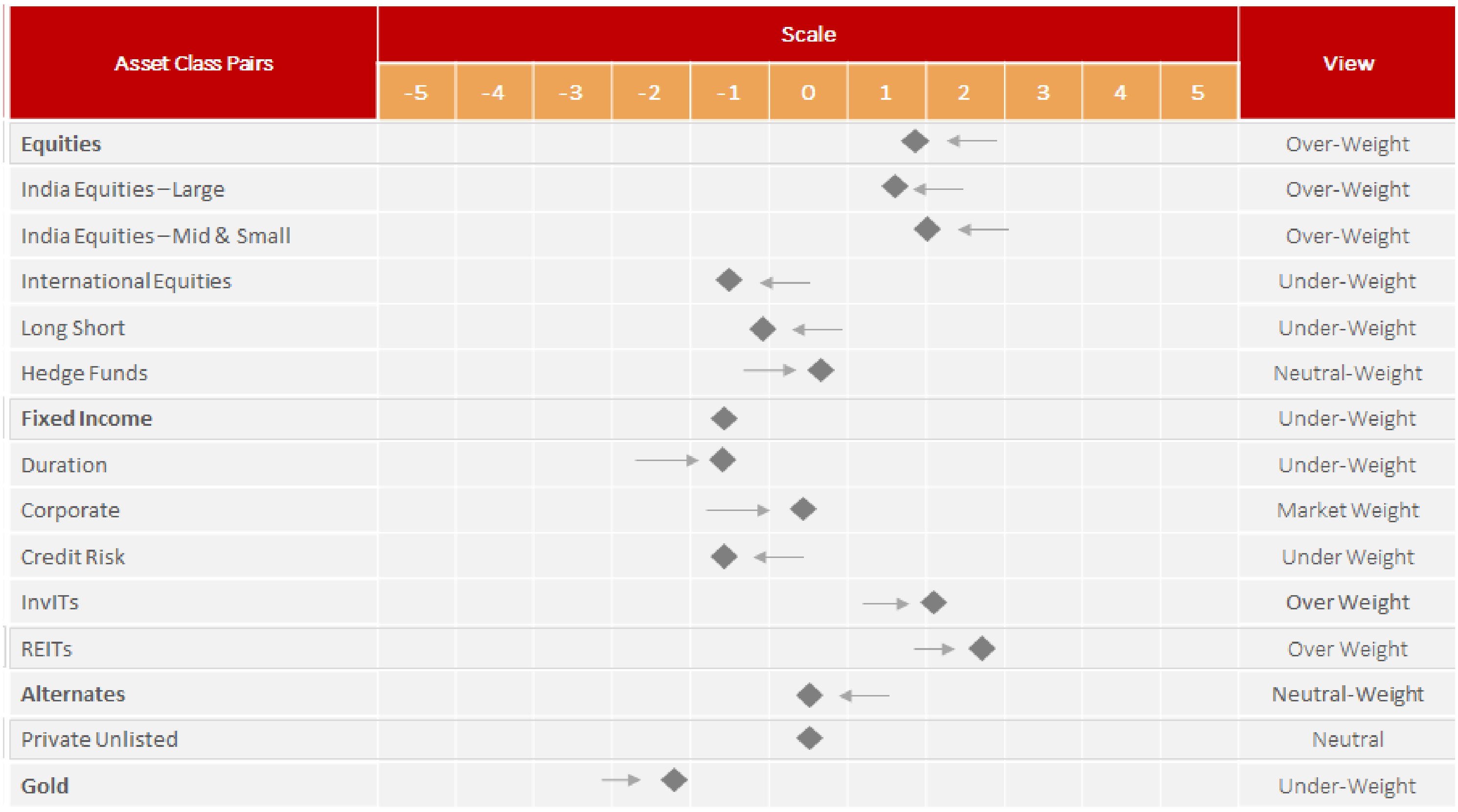
Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

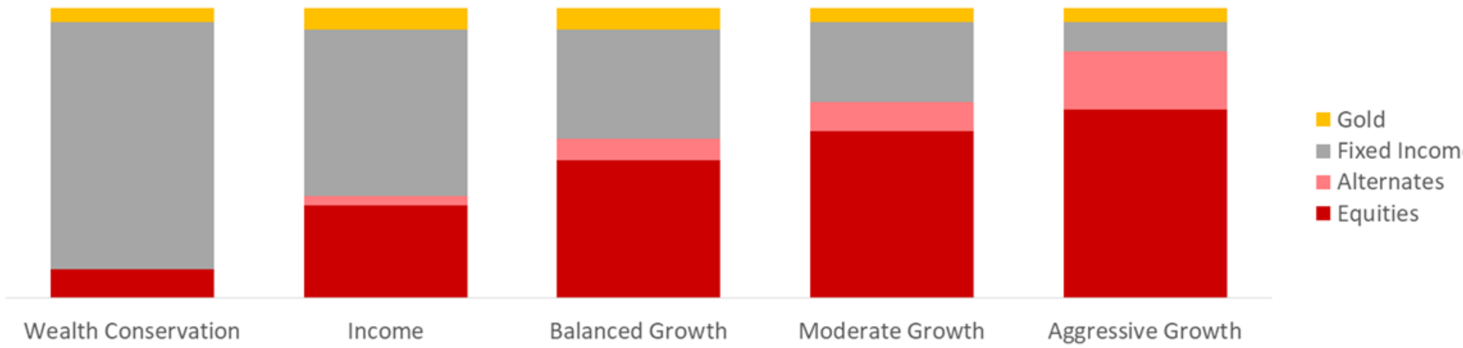
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as necessary during periods of market volatility to discuss the economy and markets. The committee determines the investment outlook that guides our advice to clients. The AAIC continually monitors developing economic and market conditions, reviews tactical outlooks and recommends asset allocation model changes, as well as analysis, investment commentary, portfolio recommendations and reports.

Tactical Allocation Weights Vs Strategic



Wealth Profiles - Summary

Strategic Asset Class Weights by Profile



Global Private Client

Ambit Global Private Client – Asset Allocation & Investment Committee

Amrita Farmahan	Mahesh Kuppannagari	Sunil A. Sharma	Malay Shah
CEO	**Head – Products & Advisory**	**Chief Investment Strategist**	**Head – Fixed Income**
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Sources: All sources unless otherwise noted are Bloomberg, NSE. Returns for PMS are as on March 2022 end and are calculated from first fund deployment date (4-Feb-21). Returns are post expenses (except for custody charges) and pre-profit sharing. Returns are composite returns of all the portfolios aligned to the investment approach. Client wise portfolio returns may vary as compared to strategy aggregate returns. Returns are absolute and calculated on TWRR basis as prescribed by SEBI; The performance related information is not verified by SEBI. Past performance may or may not be sustained in future.

Ambit Capital Private Limited is a SEBI Registered Portfolio Manager with registration number INP000002221.