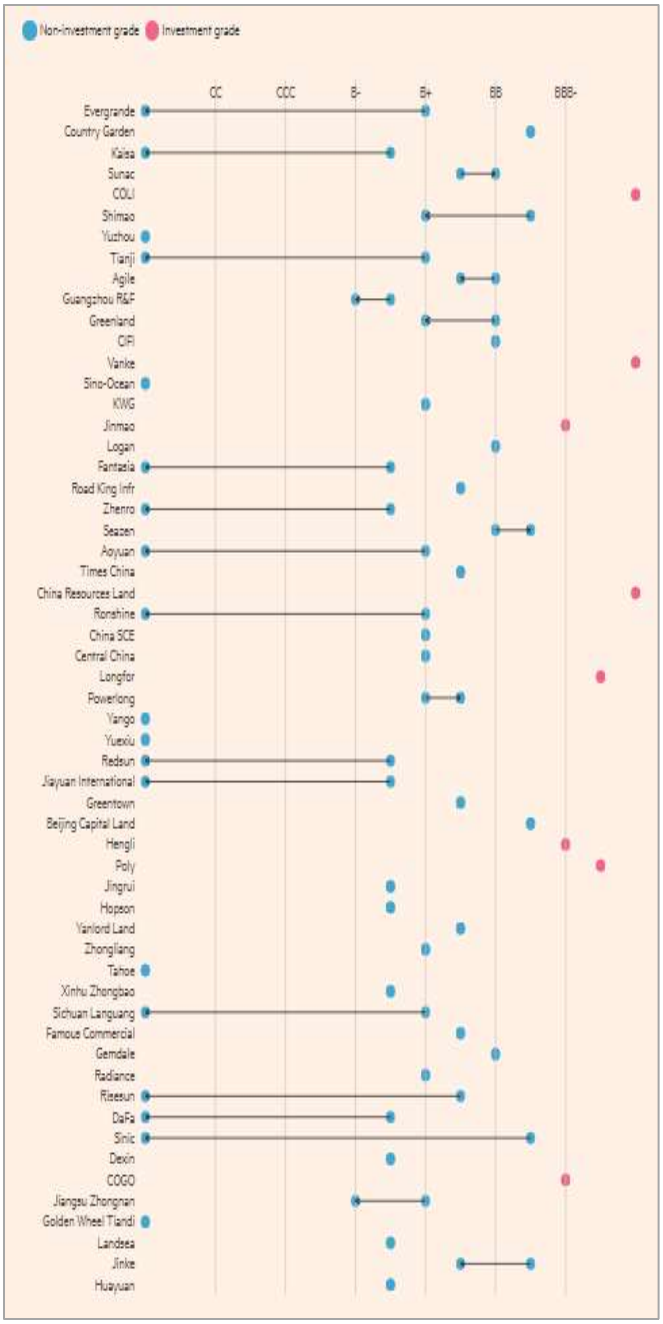
SMIFS Optimiser |

PCG

January 04, 2021

In 2021 we carried forward what we started in 2020 and rallied another 32% adding to the 81% to the rally we saw in 2020 from the CVOID induced lows. In market parlance we marched into the new year with renewed confidence as the markets got back their momentum after the initial correction from the Omicron scare, as on date the markets have recovered ~8% from the recent lows, the smallcap indices outshone largecaps. India remains the pole star in terms of expected GDP growth and that should culminate into healthy long term investment flows.

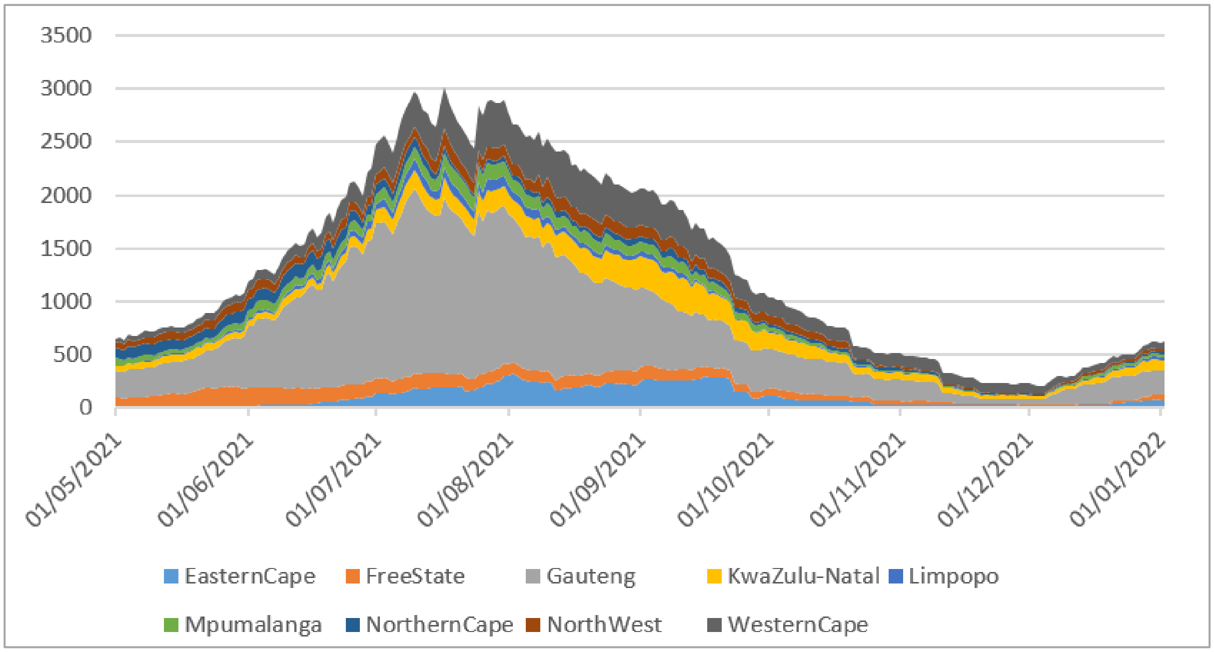
Chinese property developers' credit ratings, Jan vs Dec 2021



As we march into a new year we are also faced a with an unprecedented dilemma both of which have two sides of it and have equal probabilities. The first is Omicron – how omicron phases itself in the country is something that will be closely watched, the experience form Africa is rather encouraging, where it peaked out in a shorter in short span of time and left little destructive trail behind, how it spans across our country over the next 15 days and how ably the healthcare system deals with it will be a key monitorable. The second is Taper – whether the US Fed and global central banks' move ahead with a taper and its' concurrent impact on the interest rate trajectory globally will be the other key thing that can cause volatility to spike as almost all asset classes have basked in the glory of this unprecedented liquidity infusion globally. Both these events are also interlinked as a high negative impact from COVID will lead to delay in taper and negatively impact the already fragile global economy negatively. The high number of cases in the US and European regions is a cause of concern which could extend this on and off kind of economic scenario by a few more months.

The Chinese real estate tussle is in its final leg as huge redemptions are due during the current month and any negative outcome could raise fears of a global contagion like scenario. How the COVID related curbs will impact the logistic chains and inflation is another issue that needs to be closely monitored.

S. Africa - Number of people ventilated (charted) is running at ~20% of the peak during the delta.



Our take is that OMICRON may not be as deadly as earlier thought hence inflation and supply bottlenecks that we have been seeing for some time now should gradually ease as we step further into the current year and 2022 maybe be the first years since COVID that may provide us with a normalised base year to make YOY comparisons for macro and micro economic indicators as well as the numbers reported companies as the base year distortions have plagued economic data for both 2020 & 2021. The variable to care about will not be the taper but the speed of taper and if central banks can avoid negative surprises of sudden changes in their taper programmes, equity markets globally would happily celebrate the end of COVID. As we try to crystal gaze into the new year the ideal strategy should be to stick to a stock specific approach in equity investing and carefully select a basket of stocks with sound fundamentals as most companies have deleveraged over the last 2 years leaving little scope of corporate stress, though the MSME and retail space could surprise slightly negatively. On the debt side short duration remains the idle choice since the rate trajectory settles and credit risk is certainly not advised given the amount of expected turbulence. Gold should continue to remain an ideal diversification bet in the portfolios to use dips in the markets to rebalance the weightage into equities as the occasional adjustment or corrections happen.

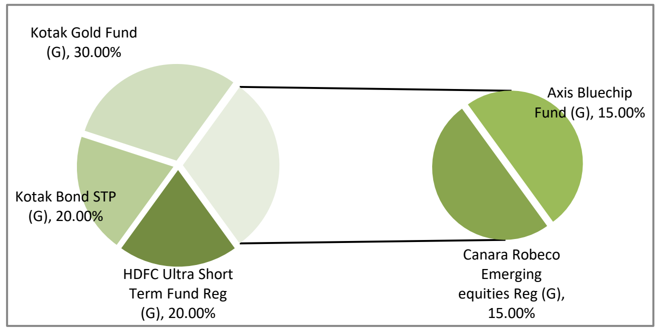
"A 10% decline in the market is fairly common—it happens about once a year. Investors who realize this are less likely to sell in a panic, and more likely to remain invested, benefitting from the wealth building power of stocks." - Christopher Davis

Sharad Avasthi
Vice President – PCG, SMIFS Ltd.

MF Select

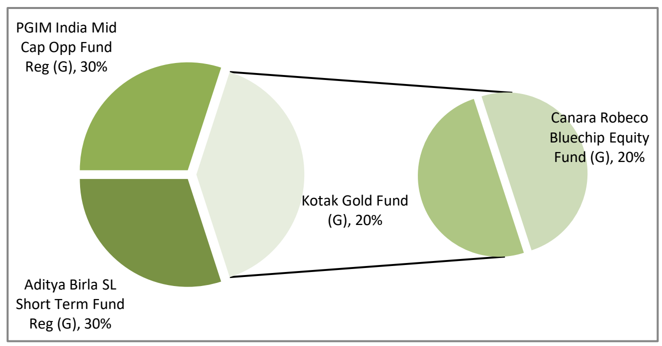
Profile: Conservative

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
HDFC Ultra Short Term Fund Reg (G)	3.56	5.88	0.00
Canara Robeco Emerging equities Reg (G)	37.82	23.82	20.39
Axis Bluechip Fund (G)	22.36	20.60	20.54
Kotak Bond STP (G)	3.28	7.55	6.78
Kotak Gold Fund (G)	-4.62	14.07	10.47



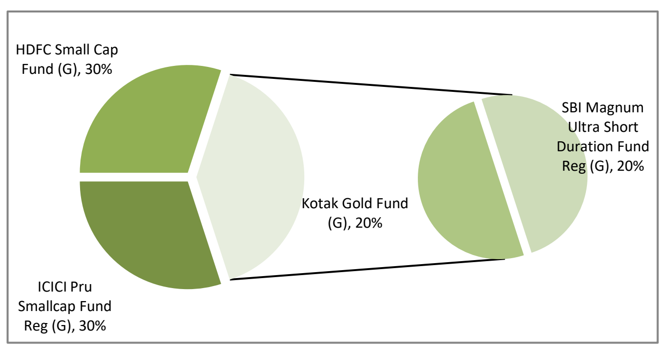
Profile: Moderate

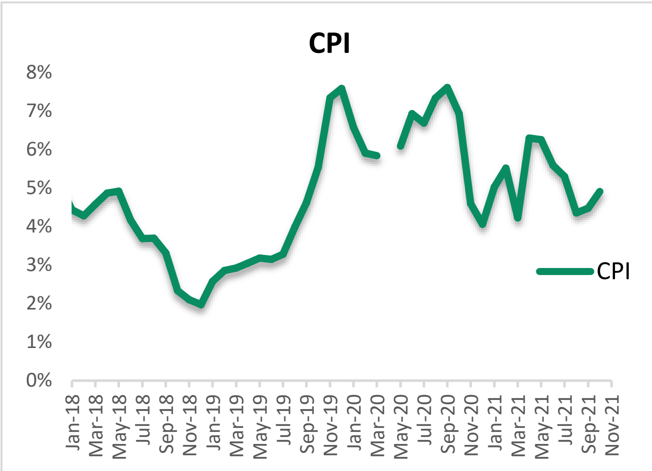
Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
Aditya Birla SL Short Term Fund Reg (G)	3.82	7.74	6.97
PGIM India Mid Cap Opp Fund Reg (G)	63.16	36.73	23.63
Kotak Gold Fund (G)	-4.62	14.07	10.47
Canara Robeco Bluechip Equity Fund (G)	26.03	22.21	19.32



Profile: Aggressive

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
ICICI Pru Smallcap Fund Reg (G)	60.69	30.16	19.20
HDFC Small Cap Fund (G)	66.26	22.34	21.48
Kotak Gold Fund (G)	-4.62	14.07	10.47
SBI Magnum Ultra Short Duration Fund Reg (G)	3.40	5.70	6.33




CPI
8%
7%
6%
5%
4%
3%
2%
1%
0%
CPI
Jan-18
Mar-18
May-18
Jul-18
Sep-18
Nov-18
Jan-19
Mar-19
May-19
Jul-19
Sep-19
Nov-19
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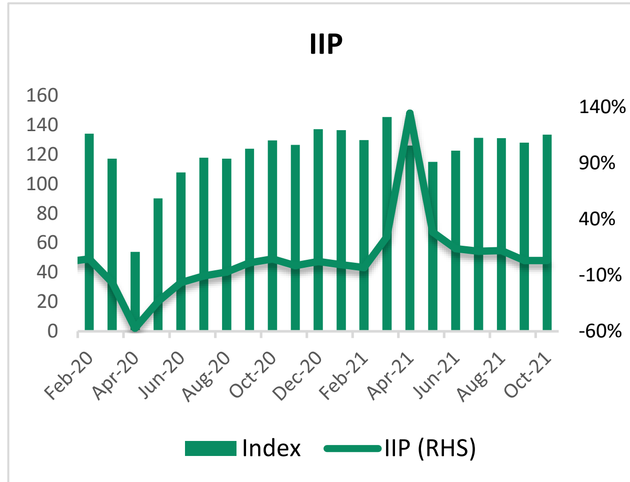
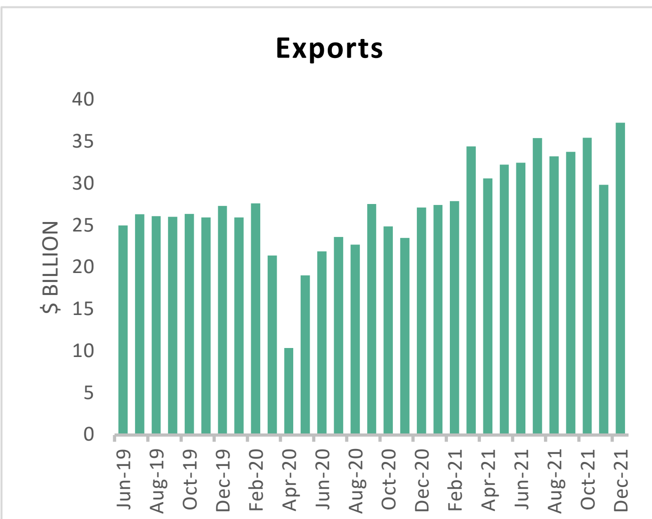
Jul-21
Sep-21
Nov-21


IIP
160
140
120
100
80
60
40
20
0
140%
90%
40%
-10%
-60%
Feb-20
Apr-20
Jun-20
Aug-20
Oct-20
Dec-20
Feb-21
Apr-21
Jun-21
Aug-21
Oct-21
Index
IIP (RHS)


Exports
$ BILLION
40
35
30
25
20
15
10
5
0
Jun-19
Aug-19
Oct-19
Dec-19
Feb-20
Apr-20
Jun-20
Aug-20
Oct-20
Dec-20
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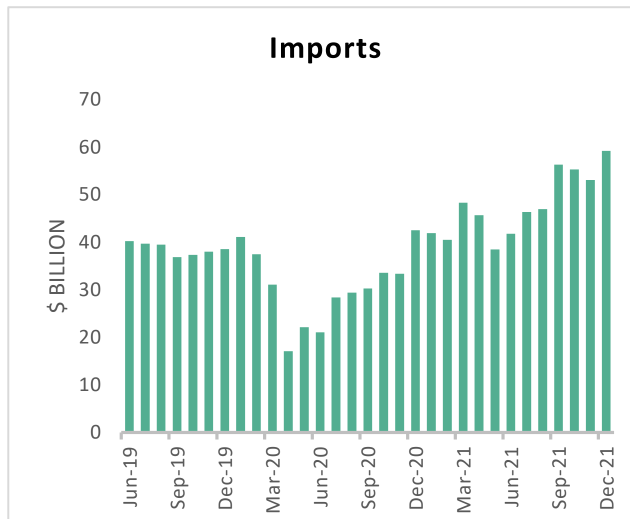
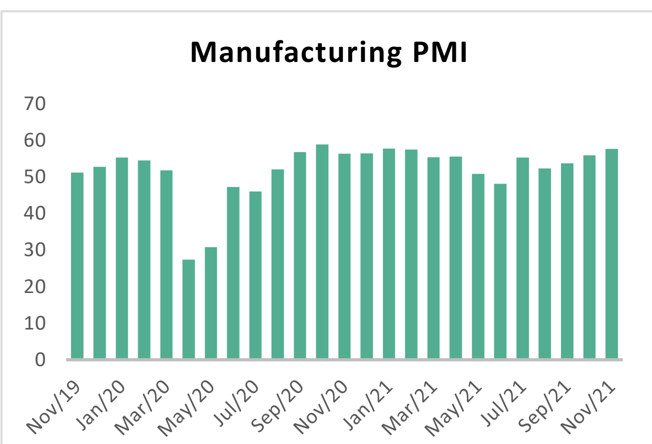
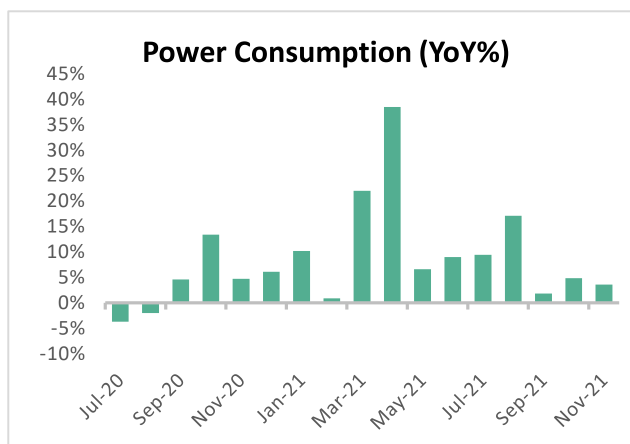
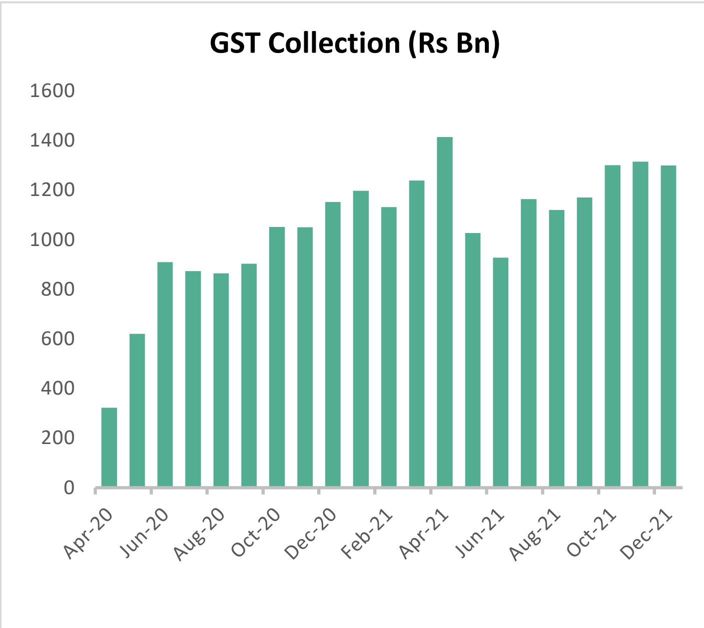
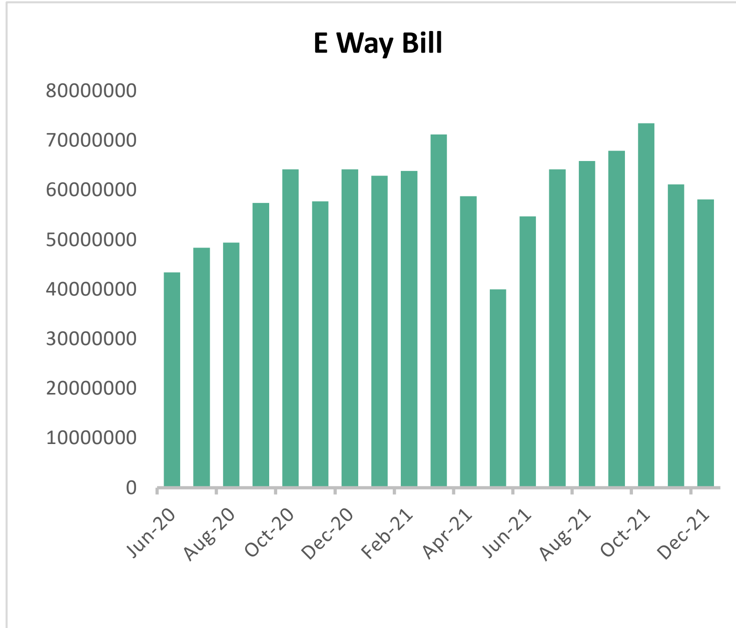
Jun-21
Aug-21
Oct-21
Dec-21


Imports
$ BILLION
70
60
50
40
30
20
10
0
Jun-19
Sep-19
Dec-19
Mar-20
Jun-20
Sep-20
Dec-20
Mar-21
Jun-21
Sep-21
Dec-21


Manufacturing PMI
70
60
50
40
30
20
10
0
Nov/19
Jan/20
Mar/20
May/20
Jul/20
Sep/20
Nov/20
Jan/21
Mar/21
May/21
Jul/21
Sep/21
Nov/21


Power Consumption (YoY%)
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
Jul-20
Sep-20
Nov-20
Jan-21
Mar-21
May-21
Jul-21
Sep-21
Nov-21


GST Collection (Rs Bn)
1600
1400
1200
1000
800
600
400
200
0
Apr-20
Jun-20
Aug-20
Oct-20
Dec-20
Feb-21
Apr-21
Jun-21
Aug-21
Oct-21
Dec-21


E Way Bill
80000000
70000000
60000000
50000000
40000000
30000000
20000000
10000000
0
Jun-20
Aug-20
Oct-20
Dec-20
Feb-21
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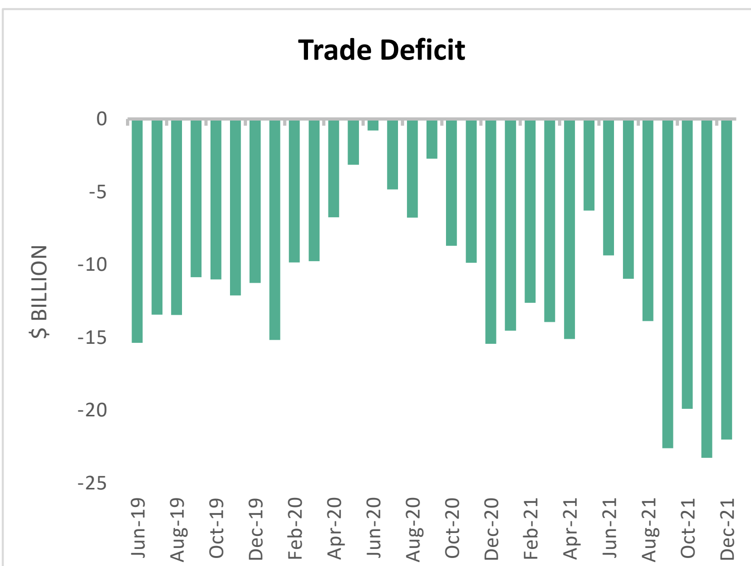
Jun-21
Aug-21
Oct-21
Dec-21


Trade Deficit
$ BILLION
0
-5
-10
-15
-20
-25
Jun-19
Aug-19
Oct-19
Dec-19
Feb-20
Apr-20
Jun-20
Aug-20
Oct-20
Dec-20
Feb-21
Apr-21
Jun-21
Aug-21
Oct-21
Dec-21

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