

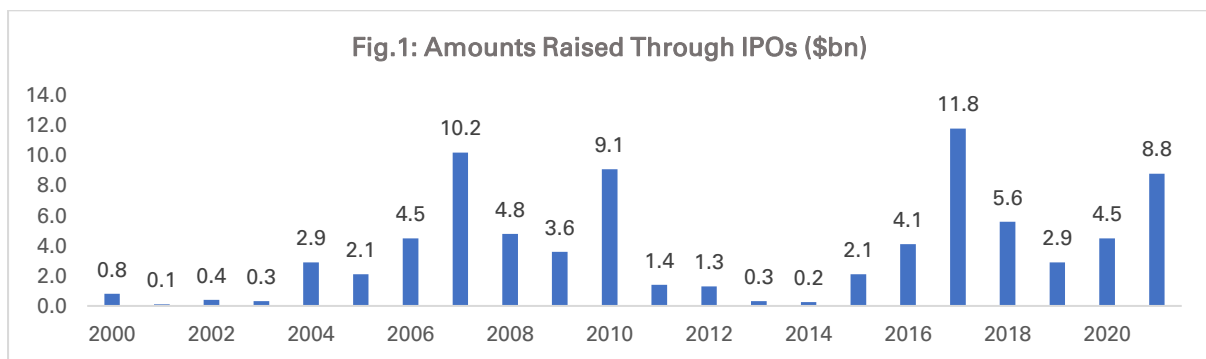
NEWSLETTER
AUG 2021



PI SQUARE
INVESTMENTS

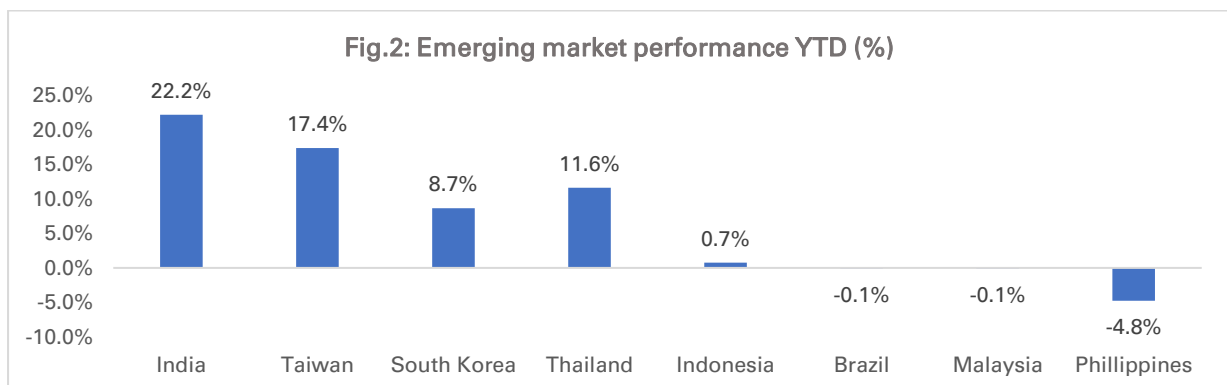
US equity was favoured by strong investor optimism in the month of August, despite uncertainty around the delta variant. S&P500 posted 2.9% return for the month of August, best one since April 2021. All three major indices hit new highs backed by strong corporate earnings and Fed’s assurance around stabilizing inflation. June and July were strong months for hiring as restrictions on service industries were lifted across the country, but the recent spread of the coronavirus delta variant has been a concern for the month of August where the number slowed again. Federal Reserve Chair Jerome Powell said the central bank could begin reducing its monthly bond purchases this year, though it won’t be in a hurry to begin raising interest rates thereafter. However, this time the economy and unemployment are better than long term targets as well as that of 2013 “taper tantrum”. Unlike 2013, the inflation and bond prices are expected to remain under control as the economy is expected to grow at 7% for FY21 as compared to just 1.8% in the year 2013.

Back home in India, the new generation companies have seen large sums flowing in. The amount of money raised in IPOs this year has reached \$8.8 billion, much higher than the totals of the past three years. At the current pace, 2021 would exceed the all-time high record of \$11.8 billion. Founders, lawyers, advisers and bankers are racing to cash in on the demand for fresh public offerings. So far in 2021, 32 companies have raised ₹45,665 crore from IPOs, the second-highest fundraising in a year after 2017, during which 36 companies raised ₹67,147 crore.

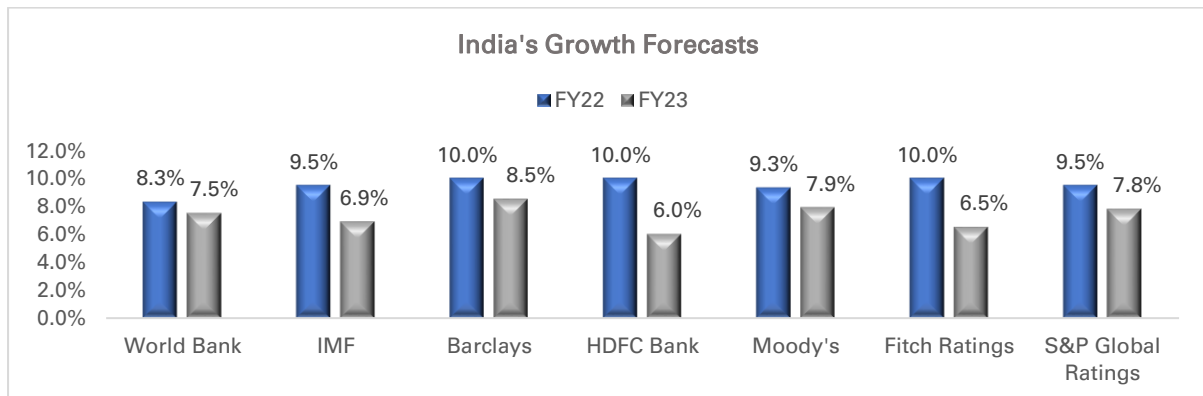


(source: Bloomberg *2021 figures are through Aug. 18)

Nifty for the month posted 8.7% returns where only a handful of stocks participated in the rally. For the CY21, India has been the best performer amongst the emerging markets delivering 22.5% (refer fig.2 below). Nifty IT was the best performing index for the month gaining 13.4%. The new-age internet stocks have been getting elevated attention with the listing of Zomato which has paved way for many more unicorns. Mid and Small caps saw some turbulence since the beginning of August and led to some cleaning of the froth. Despite the tug of war between the bulls and bears, markets have swayed one sided. Healthy corrections during bull markets are opportunistic times for investors to pile on quality stocks. The stronger economy growth is expected to keep markets in high-spirits.



Elevated commodities prices will see steel and cement companies at the cusp of a fresh capex cycle. Indian equities have seen fresh investment flows. All of which have pushed the markets to record highs in the recent months. This would be the first normal financial year since FY19 post the global slowdown. The IMF has projected India to grow faster at 8.5% in FY23 compared to 6.9% projected earlier. While several research firms are pegging the growth rate around 6% (refer fig.3 below)

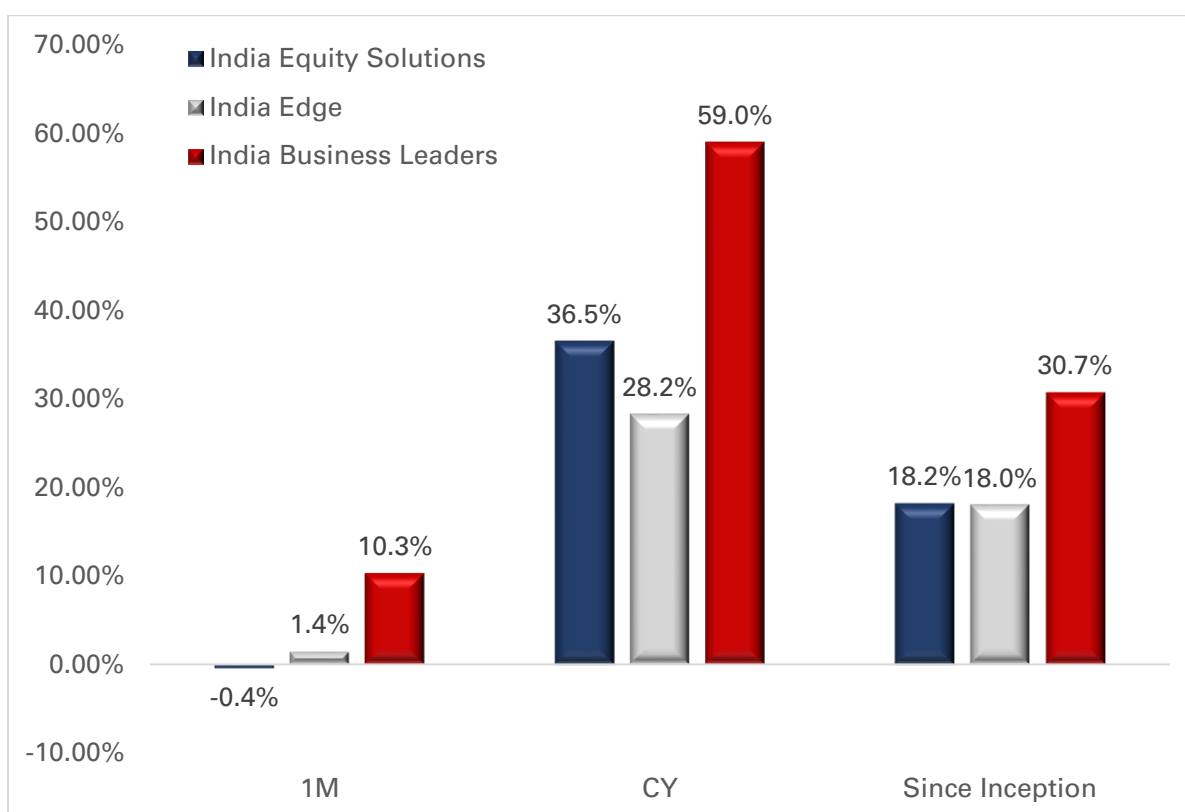


Indian market leader equity portfolio continued the upward journey and have posted 50% returns for CY 2021 compared to 22% for NIFTY, our quant portfolio continued to outperform nifty by wide margins (in bull as well as bear markets). Defensive consumer durable names like HUL and Britannia started outperforming markets as economy opened up and was also supported by strong rural consumption data. BASF is a top chemical name in our portfolio that posted 30% gains in 2 months and continued to outshine peers, we expect BASF EPS to go up by almost 45-50% for the current FY. In Banking, Bajaj Finserv was the lone survivor, making new highs in the month of August as SEBI approved their AMC license. Bajaj FinServ is our top bet in all equity portfolios and we continue to stay invested for more than a decade now. IT sector is expected to post 20%+ EPS growth for Q2FY22. LTI and Tata Elxsi both outperformed tech peers as well as the IT index. Our quant portfolio simply runs on three criteria strong growth + clean balance sheet with strong leadership.

India Equity solutions portfolio underperformed markets for the month as small cap and mid cap stocks took a breather post strong 7 months. For the CY, we are still outperforming NIFTY. In India Equity Solutions our top performers were Bajaj Finserv and Polycab. Polycab is a market leader in the cable and white goods industry. India Edge portfolio is our consistent defensive portfolio. Quant names like Alkyl Amines and large caps like TCS and Infy were top performers for the portfolio.

We do believe markets are over heated looking at the current valuations. The current pace of the bully rally could mellow down a bit, but we do not foresee any major crash as of this point. All our strategies are fully invested and we will be watching RBI interest rate policy + inflation data closely.

Strategy	1 M	CY	Since Inception
India Equity Solution (Incep. date: Jan 2011)	-0.4%	36.5%	18.2%
Nifty 50	8.7%	22.5%	10.3%
India Edge (Incep. Date: Jan 2011)	1.4%	28.2%	18.0%
Nifty 50	8.7%	22.5%	10.5%
India Business Leaders (Incep. Date: May 2011)	10.3%	59.0%	30.7%
Nifty 50	8.7%	22.5%	14.4%



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