

Equity and bond markets experienced a difficult month in February as concerns surrounding the Russian invasion of Ukraine took centre stage. In the first half of the month, expectations for the number of interest rate hikes that would be delivered by the US Federal Reserve Bank ramped up quickly. Investors were concerned that the central banks may dampen growth in their efforts to get inflation under control. In the second half of the month, investors' attention was absorbed by the conflict in Ukraine. This dampened expectations for rate hikes compared with the intra-month peak, and also delivered a further hit to growth expectations. For the month overall, global growth stocks were hit hard again, falling by 3.5%. Developed market equities declined 2.5% leaving them down 7.6% for the year-to-date. The Global Aggregate bond index also fell 1.2%. Commodities gained over 6% with Brent oil and natural gas prices rising. Brent oil saw highest prices since 2014 and major research houses came up with their updated estimates for oil prices (ranging from \$125 to \$200).

Back home in India, markets continued the downward pressure, witnessing new round of volatility. For the month of February, Nifty-50 index fell by 3.1%. Amid the current volatility, decline in the mid-cap and small-cap index were sharper. BSE Midcap index and the BSE Small index corrected by 5.1% and 8.8%, respectively. In line with the broader markets, majority of sectoral indices gave negative returns in February 2022. BSE Reality, BSE Telecom and BSE Oil & Gas index corrected in excess of 7%. On the other hand, BSE Metal and BSE Consumer Durable index posted positive returns. Indian markets underperformed the Asian markets in February 2022.

For the month, FIIs were net sellers at INR -45,000 cr., while DIIs were net buyers at INR +30,000 cr. For the CY 2022, FII have now sold almost INR -1,30,000 cr. (worst quarter in the history of Indian Equity markets). From the top NIFTY is now down -15% + and looks like India will be hit with large outflows and high deficit numbers in coming months as inflation shoots up followed by RBI rate hikes and high fuel price. Uncertain macro-outlook and high inflation have taken a hit on INR and INR has depreciated down to Rs. 76 levels which will help export oriented sectors like IT, Pharma and Agro-chem.

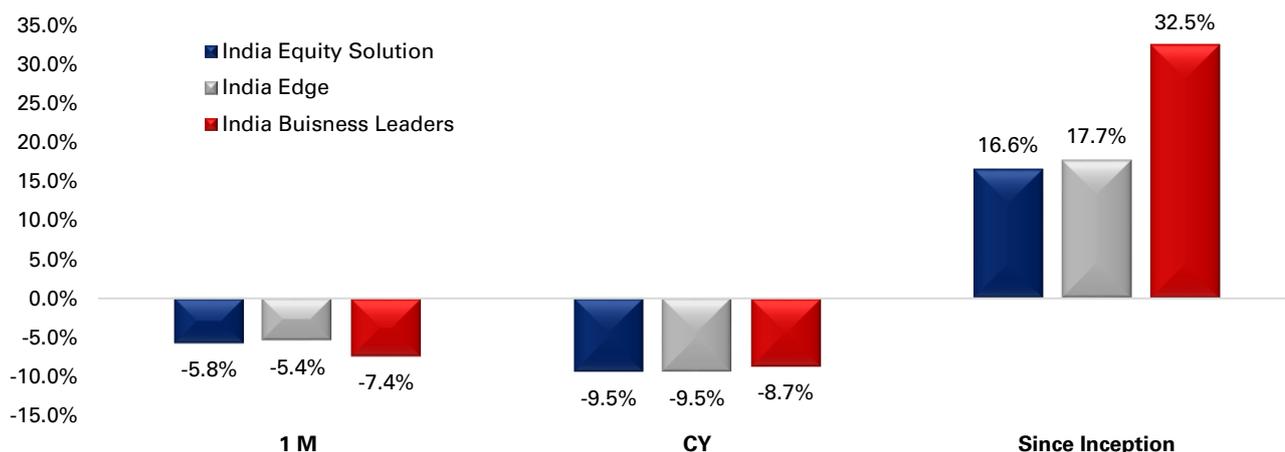
Indices	Performance	
	1 M (Feb 22)	CY (Jan 22 - Feb 22)
Nifty 50	-3.1%	-3.2%
Nifty 500	-4.1%	-4.6%
Nifty Auto	-7.5%	-1.1%
Nifty Bank	-4.7%	2.0%
Nifty Energy	-3.1%	7.0%
Nifty FMCG	-2.6%	-5.5%
Nifty IT	-2.8%	-12.5%
Nifty Media	-10.1%	-9.4%
Nifty Metal	7.7%	6.8%

(source: NSE India / Ace Equity)



Our all 3 India Equity strategies were under the pressure for the year. In India Equity solutions, we have increased our allocation to large caps and small and mid-cap continued to underperform. Our allocation in healthcare and textile segment continued to surprise us and were holding strong grounds while banking and FMCG and other domestic names corrected above 20%. Large banks and NBFCs were top performers for the month of January but for the month of February, they gave up all gains and entered in the bear territory. Some of the large caps are now trading 10-20% cheaper than pre-covid valuations. Currently IT and Banking are the two largest allocations in our India Equity portfolios. We have reduced our allocation to FMCG and high valuation names where we don't see much returns in the coming years. At Pi Square, we were never attracted by the new emerging loss-making enterprises (NYKAA, Paytm, Zomato and others). Most of these names have crashed more than 50% in last 2 months as markets move back to the reality and valuations factor in again. We believe 2022 will be a volatile year and followed by two strong years, will be a relatively flat to mildly negative year.

Strategy	1 M	CY	Since Inception
India Equity Solution <small>(Incep. date: Jan 2011)</small>	-5.8%	-9.5%	16.6%
Nifty 50	-3.1%	-3.2%	9.4%
India Edge <small>(Incep. Date: Jan 2011)</small>	-5.4%	-9.5%	17.7%
Nifty 50	-3.1%	-3.2%	9.4%
India Buisness Leaders <small>(Incep. Date: Dec 2016)</small>	-7.4%	-8.7%	32.5%
Nifty 50	-3.1%	-3.2%	14.9%



Disclaimer: The return calculated above is only a historical representation of past performance and does not necessarily assure similar returns in the future. This newsletter expresses the views of the author as of the date indicated and such views are subject to changes without notice. Pi Square has no duty or obligation to update the information contained herein. Further, Pi Square makes no representation, and it should not be assumed, that past performance is an indication of future returns.

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