

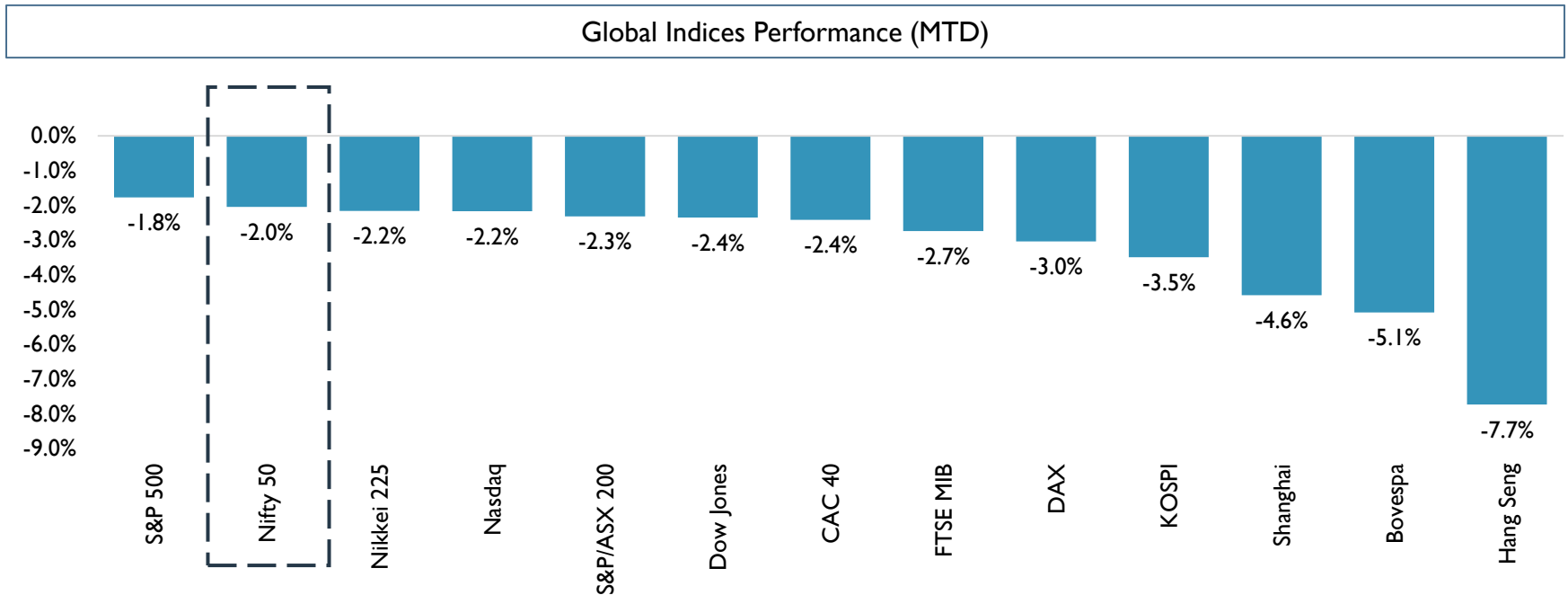


Pi Square Investments

The Market Compass

August, 2023

Global indices performance



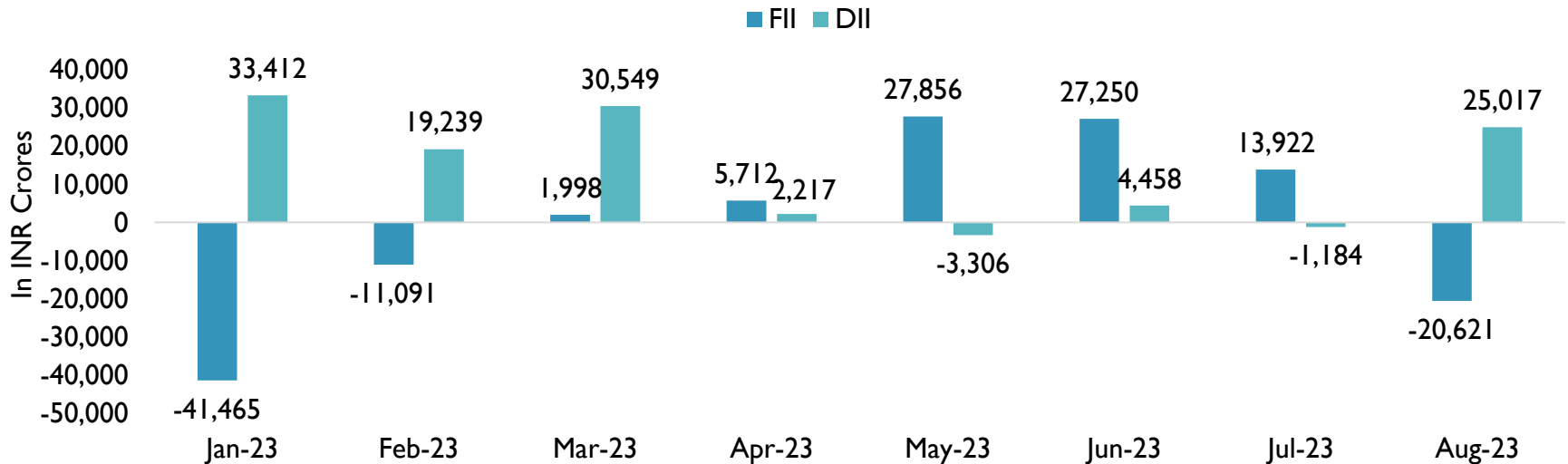
Note: Data as of 31st Aug, 2023

- August was a slow month globally as central banks across the globe raised interest rates.
- India is most favorably placed in comparison to its peers as most global economies are facing an economic slowdown, chronic shortages and high inflation.

Source: Investing.com

FII flows in Indian equities have sustained

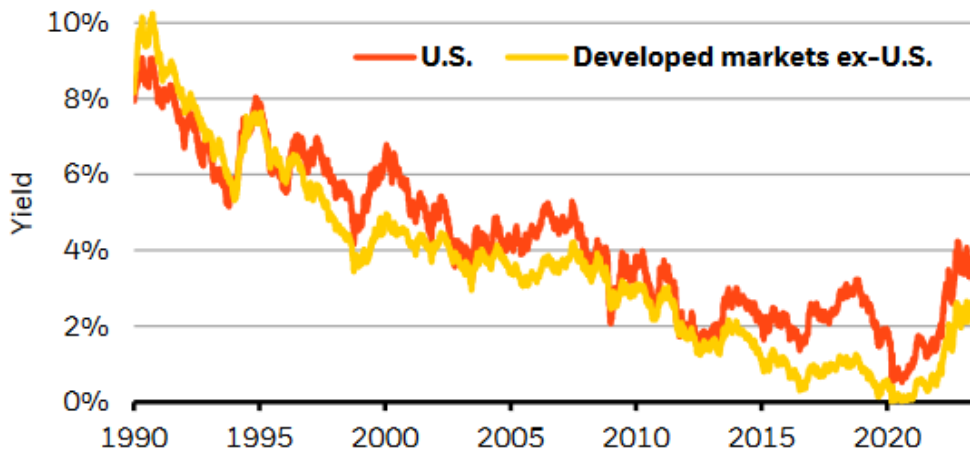
Institutional Inflows & Outflows



- FIIs recorded outflows in August. After recording inflows five consecutive months. While the continued steady flow of savings through SIP investments from retail investors is promising.
- Sectorially, it was a mixed bag with buying seen in metals, realty, consumer durables, and auto. The metal sector was in momentum after China announced a stimulus to support the economy and niche sectors like speciality chemicals saw buying interest after a long time on the back of chemical prices in China surging.

Tighter policy all around

10 Year U.S. yields vs. average of developed market yields, 1990-2023

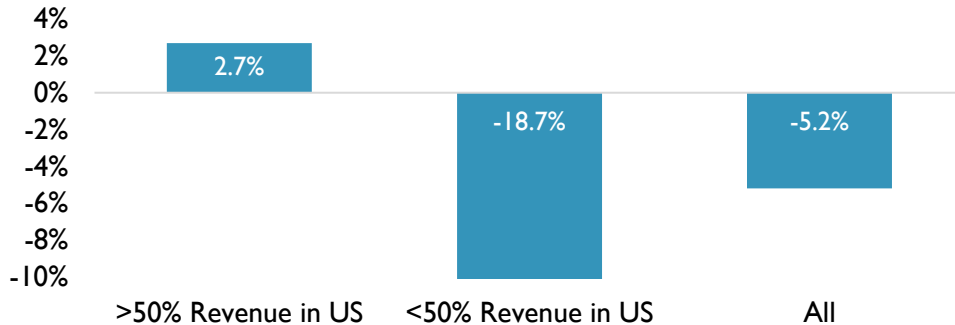


Note: The chart shows U.S. Treasury 10-year yields and an average of 10-year German, Japanese, UK and Canadian yields

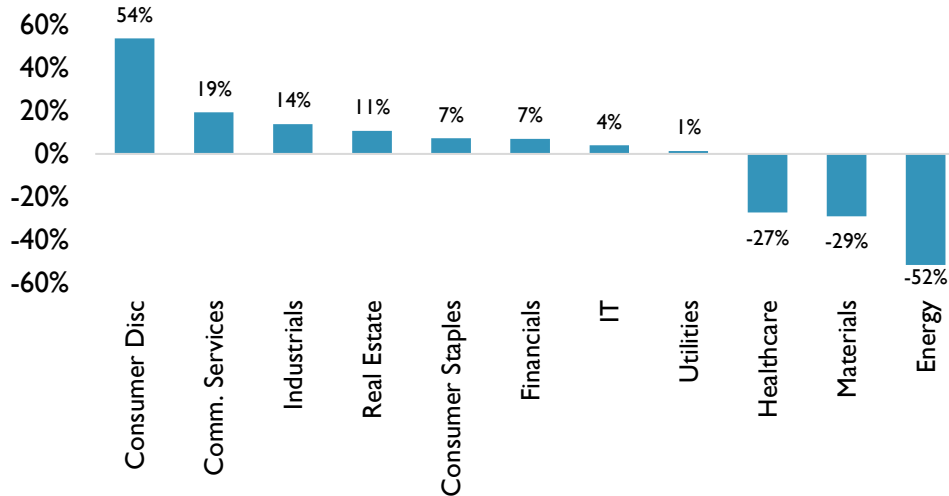
- Major central banks tightened policy last week, including unexpectedly in Japan. The Bank of Japan (BOJ) tweaked its yield cap, sending local yields to a nine-year high.
- Treasuries and the average DM peer have largely moved in lockstep for decades apart from 2015-2020 when the euro area and Japan were fighting deflationary risks with negative interest rates and hefty bond purchases.
- BOJ's shift confirms why DM yields are likely heading higher as investors demand more term premium for the risk of holding long-term government bonds. In the last week of August, euro area yields were flat while U.S. and Japanese yields climbed.

Takeaways from U.S earnings

S&P 500 Q2 earnings growth YoY



S&P 500 Q2 sectoral earnings growth YoY

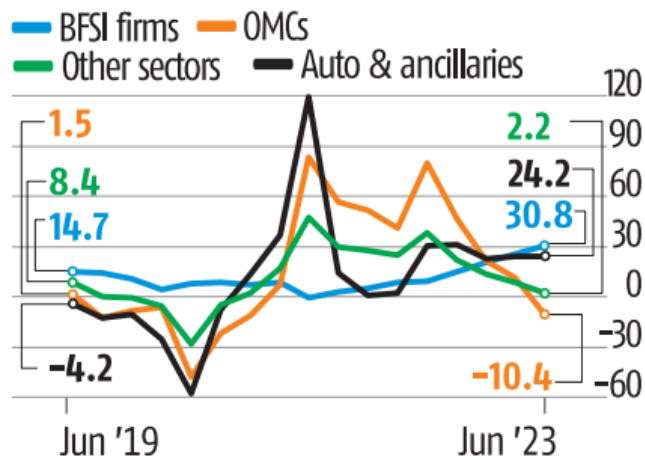


- U.S. corporate earnings have stagnated over the past year even as Q2 earnings improved a bit on better profit margins. A margin squeeze is seen ahead as worker shortages push wages back up, as it is taking longer than expected.
- Tech met a high bar and selectivity is coming through in earnings. Other sectors that perform well as economic activity picks up fared better than expected, like industrials, communication services and consumer discretionary.
- Globally, Q2 earnings of European firms contracted twice as much as U.S. peers, contributing to European stocks underperforming developed market peers in recent months. Within developed market, we prefer equities in Japan, where policy is still relatively easy, real rates are negative and shareholder-friendly reforms are taking root.

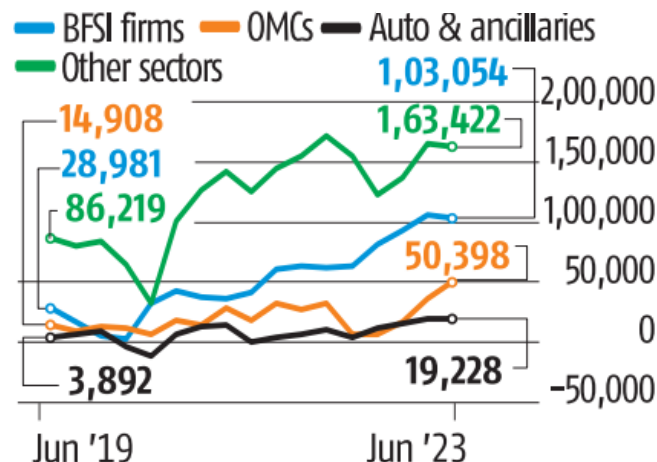
Source: Blackrock, Factset

Q1 FY24: Auto takes the wheel, banks ride shotgun

Sector revenue YoY growth



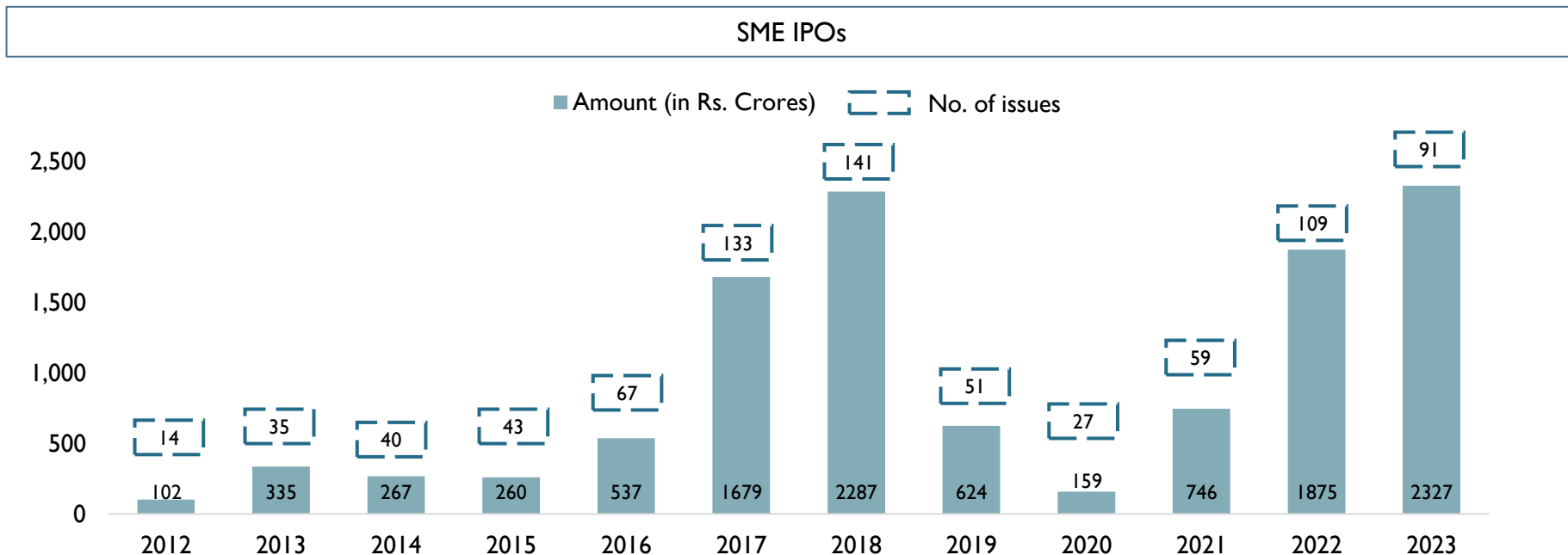
Sectoral profit contribution (in Rs. Crore)



- Households may be feeling the pinch of higher inflation but corporate India is enjoying record high margins and profits.
- Q1 FY24 saw robust earnings growth led by government-owned oil & gas marketing firms, BFSI and autos, which accounted for nearly 90% of net profit surge over Q1 FY23. In contrast metals & mining and power reported year-on-year declines.
- Revenue slowed across sectors, except for banking and automotive companies and profit growth stemmed from cost savings.

Source: Bloomberg

Fundraising through SME IPOs hit record high



Note: For 2023, data has been presented till August 10

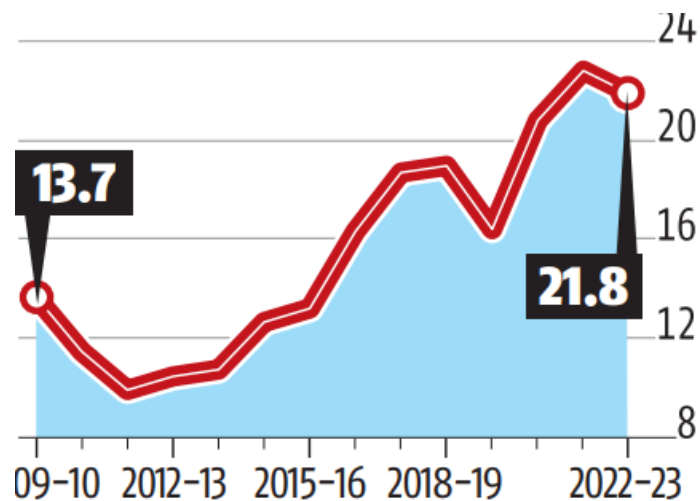
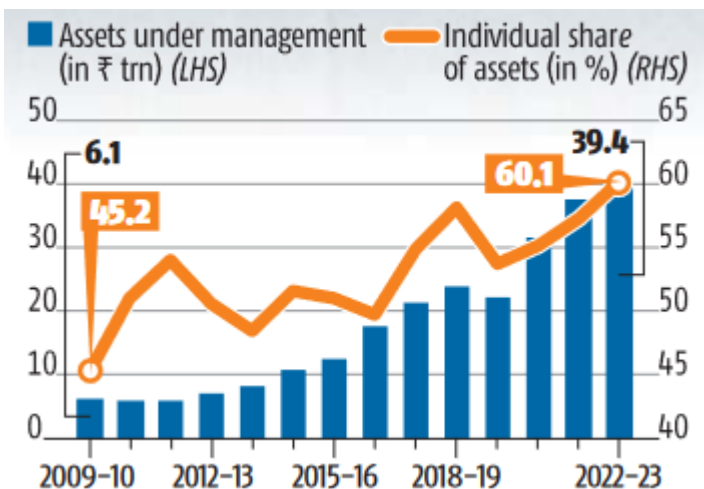
- So far this year, 91 companies have raised close to ~2,327 crore through their maiden offerings on the SME platforms of the BSE and NSE. The capital mobilised through SME IPOs is the highest since their introduction in 2012.
- While there were no mainboard IPOs in the first two months of this year, the SME exchanges saw 21 issues during the same period

Source: Prime Database

Individual investor share in mutual funds at record high

Over 60% of mf assets now come from individuals

Mutual fund assets as a proportion of bank deposits (in %)



Note: Data for scheduled commercial banks

- The total mutual fund assets of retail investors across schemes touched ~10.07 trillion as of March 2023. If the investments made by HNIs are factored in, then individual investors' assets touched ~23.7 trillion.
- Of the 23.7 trillion, equity mutual funds accounted for ~13.8 trillion in FY23. Hybrid funds, which invest across asset classes, were a distant second with assets worth ~4.2 trillion.
- Nearly ~6 out of every ~10 in individual mutual fund investments are in equity schemes.

About Us

Founded in 2011, Pi Square is a niche asset management firm with over a decade of experience in the listed equity space. Our fundamental, bottom-up research approach helps us identify the untapped growth opportunities. Catering to HNI, UHNI and family office clients with a wholistic approach to create consistent long-term wealth. Our research team strives to evaluate the businesses based on the 3P strategy: Product, Profits and Promoters

11+ Years

Portfolio Managers Average Industry Experience

Over 600 Crore

Asset Under Management

10+

Multi-Family Office Clients

**Global Equity
Market Leader**

More than 300

Clients Pan India

10 Years

Proven Track Record

7+

Product Offerings

Strategic Allocation & Actively Managed

Asset Management Team



VISHRUT PATHAK
CHIEF INVESTMENT OFFICER

Vishrut completed MBA from St. John's University, with specialization in International Finance and has a PGD from New York university in Financial Statement Analysis. Over 20 years of investment management and corporate finance experience.



ABHIJIT SINHA
SENIOR RESEARCH ANALYST

Abhijit is a finance graduate from the University of London. He has a history of working in the financial markets as well as the financial services industry for over 6 years.



HILONI GANDHI
RESEARCH ANALYST

Hiloni has an experience of 2 years working in financial services Industry. She has an internship experience at global firms like ANG advisors and Duff & Phelps



HRISHIT JHAVERI
RESEARCH ANALYST

Hrishit is a Certified financial planner and gold medalist in the field of commerce from Ahmedabad University. He has a prior experience of 1.5 years working as a quant analyst.



MEGHA HARIRAMANI
FUND MANAGER

Megha has an experience of more than 9 years of progressive experience in portfolio management and investment analysis. She has a sound understanding of industry macros and works with fundamental research team build the GARV matrix.



DEEP SHAH
TECHNICAL ANALAYST

Deep is a B.Com (Hons.) graduate from GLS University. He has cleared Chartered Wealth Manager affiliated by the American Academy of Financial Management. He is skilled in technical analysis with over 2 years of experience in the Indian markets.

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