



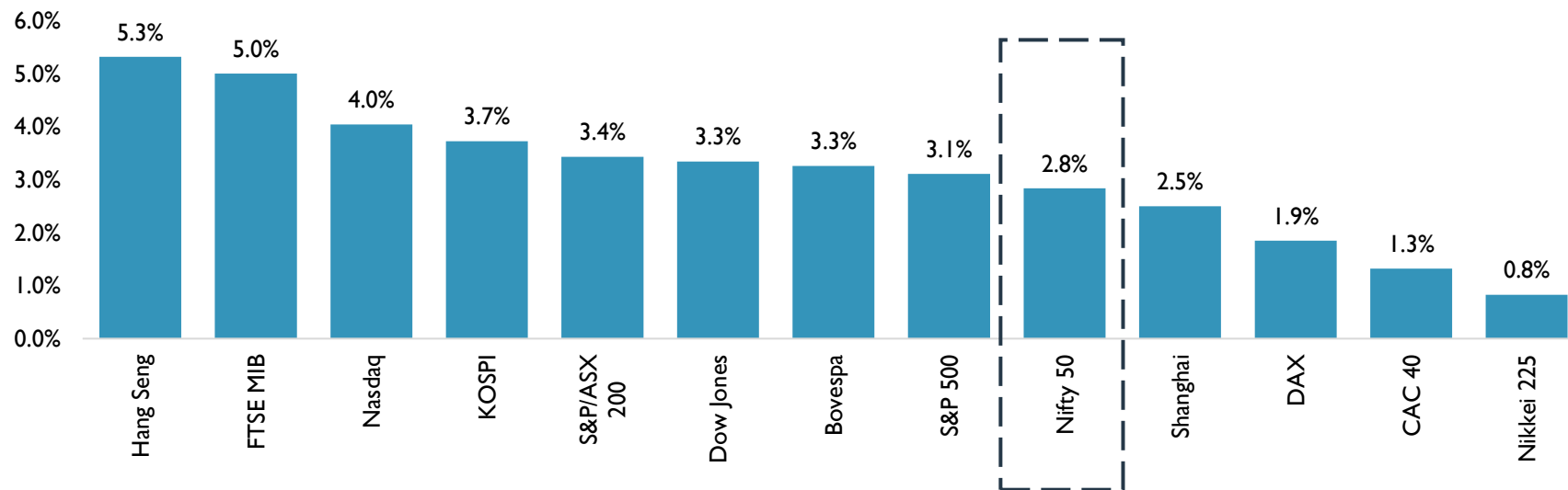
Pi Square Investments

The Market Compass

July, 2023

Global indices performance

Global Indices Performance (MTD)

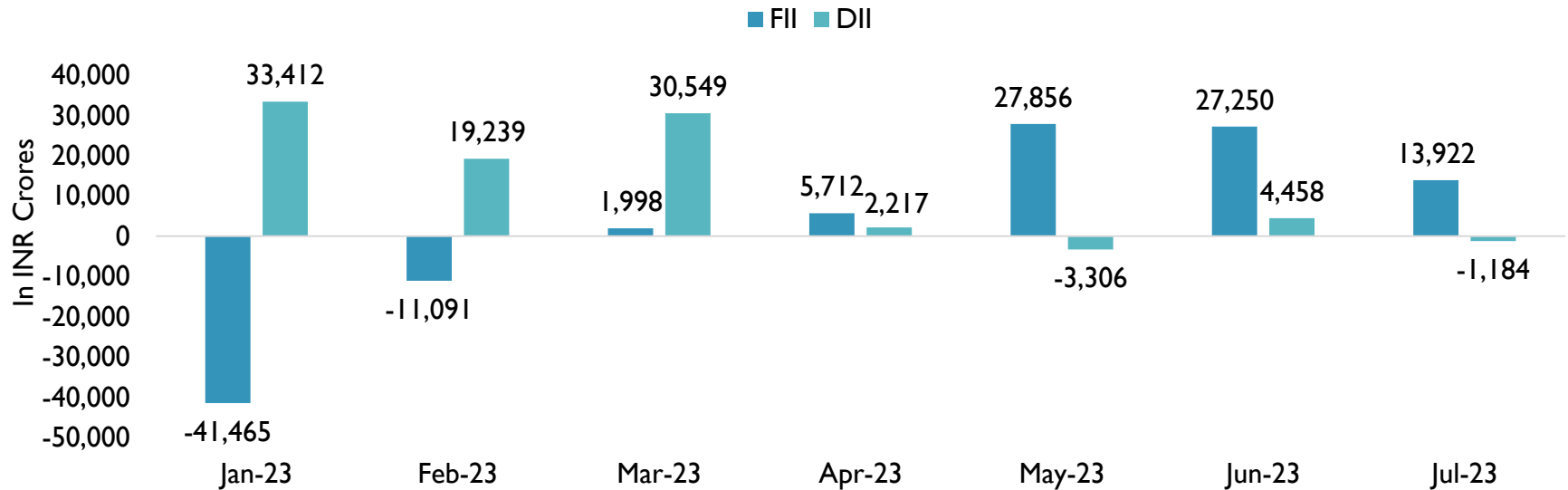


Note: Data as of 31st July, 2023

- Nasdaq and S&P 500 growth was led by stronger than expected GDP and better-than-expected earnings season.
- Following the positive cues from global markets, Indian equity indices rebounded led by gains in banking, auto and IT stocks

FII flows in Indian equities have sustained

Institutional Inflows & Outflows



- FII investment in Indian equities in July was lower than June.
- Financial services saw major inflow, whereas realizations in chemical sector continue to be under pressure and the sector the highest outflow.
- The DII selling comes on the back of mutual fund SIP inflows at an average inflow of Rs. 14,400 crore a month.

US interest rates reach the highest level in more than 22 years

Upper limit of the US federal funds target rate range

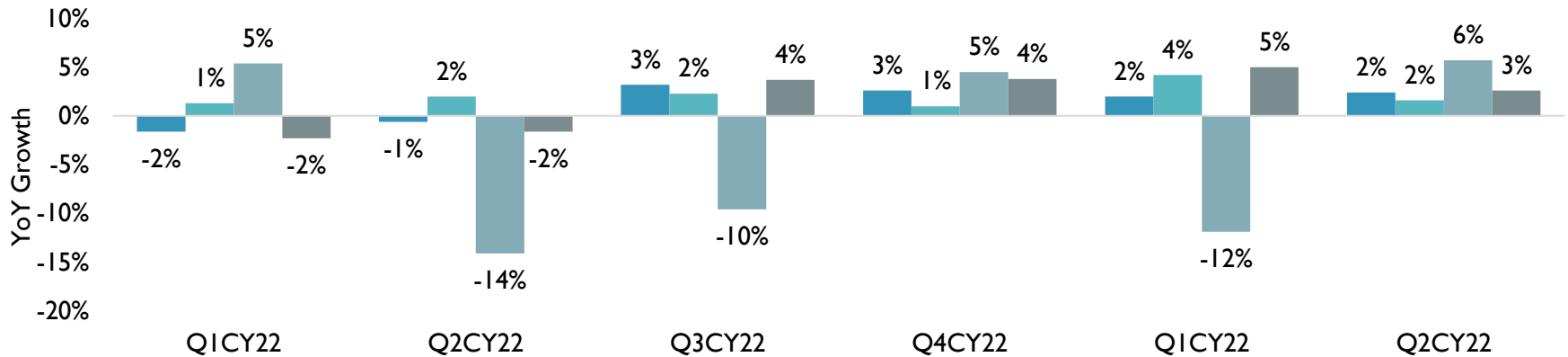


Note: Dotted lines indicate median projections of the midpoint of the appropriate target range at the end of specified calendar year

- Central bank's FOMC raised its funds rate by a quarter percentage point to a target range of 5.25%-5.5% in June.
- 15 months into one of the most aggressive tightening cycles in U.S. history, the Fed has decided to hit pause on further rate hikes this month, while signaling that we haven't reached the ceiling yet.
- Along with the rate hike, the committee indicated it will continue to cut the bond holdings on its balance sheet, which peaked at \$9 trn before the Fed began its quantitative tightening efforts. The balance sheet is now at \$8.32 trillion as the Fed has allowed up to \$95 billion a month in maturing bond proceeds to roll off.
- The federal funds target rate range is expected to reach 5.50 - 5.75% by the end of the year, implying two more rate hikes.

The US economy has proven to be more resilient than anticipated

US Economy Indicators



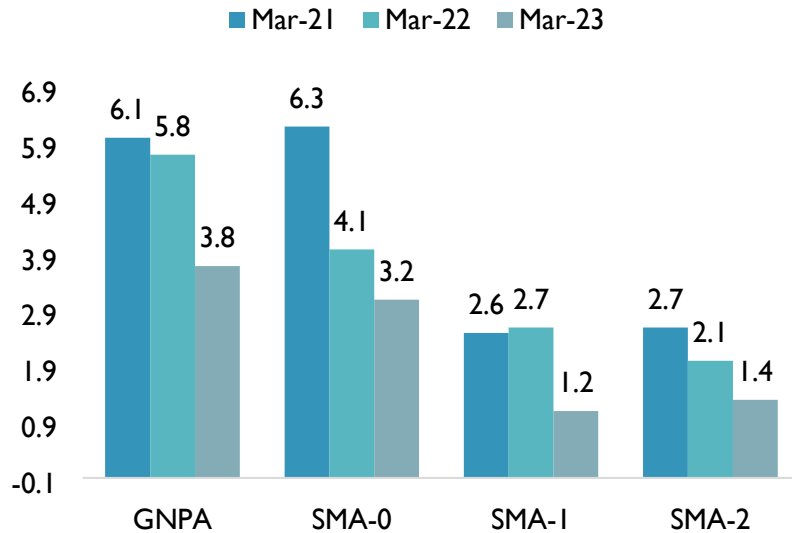
Note: GDP = Gross domestic product, PCE = Personal consumption expenditures, GDI = Gross private domestic investment, GCE = Government consumption expenditures and gross investment

- Growth was largely led by consumer spending and business investment, Consumer spending, which is the heart of the nation's economy recorded solid growth last quarter of 1.6%.
- Both GDP and PCE data shows a resilient economy even after the hawkish rate hike cycle, indicating higher possibility of soft landing.
- U.S. economy is not in recession at present but analysts continue to expect a slowdown later this year.
- The rapid tightening of liquidity conditions over the previous several quarters is expected to reflect in weaker dynamics of the US labor market and corporate earnings in the second half of the year.

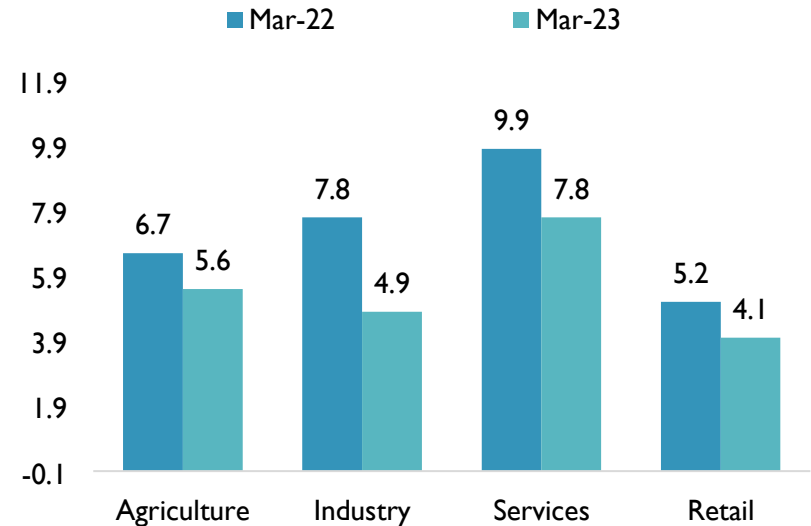
Source: US BEA

Asset quality of NBFCs has exhibited steady improvement

Asset quality ratios



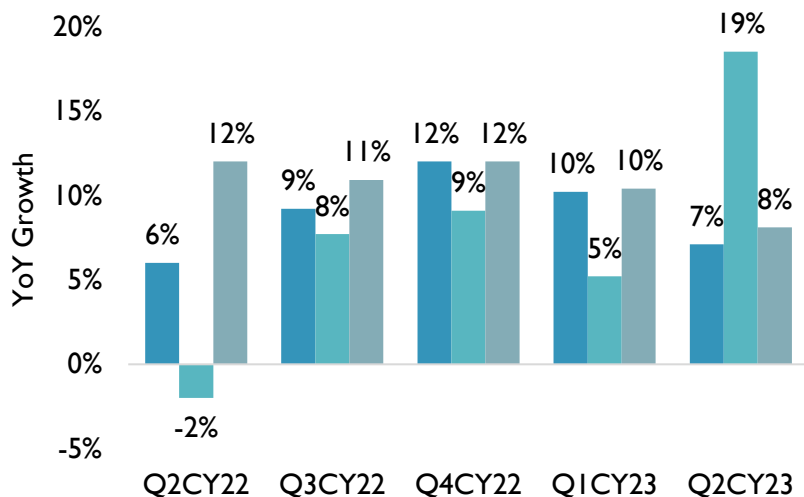
Sectoral GNPA ratios



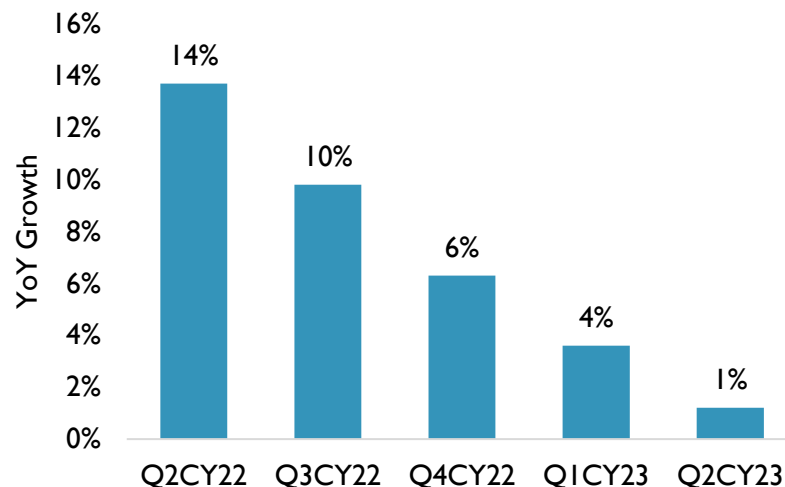
- GNPA ratios have improved across sectors, with industry and services experiencing particularly sharp improvements
- Special Mention Accounts (SMA) have declined from 11.6% in March 2021 to 5.8% in March 2023. GNPA ratio during the same period has improved from 6.1% to 3.8%
- Agriculture and Retail also witnessed decent improvement in asset quality

Weak performance by Indian IT in BFSI vertical is a paradox

Tech spends expensed in P&L of large US banks



Aggregate revenue in BFSI vertical for Indian IT companies



- Banks tech spending is healthy but vendor revenue declines.
- Management commentaries from IT services companies indicate incremental impact on discretionary spends, delays in deal awards and delays in ramp-ups; however tech spending of banks is still healthy and has not deteriorated.
- Focus on expense reduction and tech modernization at the same time can lead to large cost take-outs while discretionary spends is expected to return post near-term headwinds.

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

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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
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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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