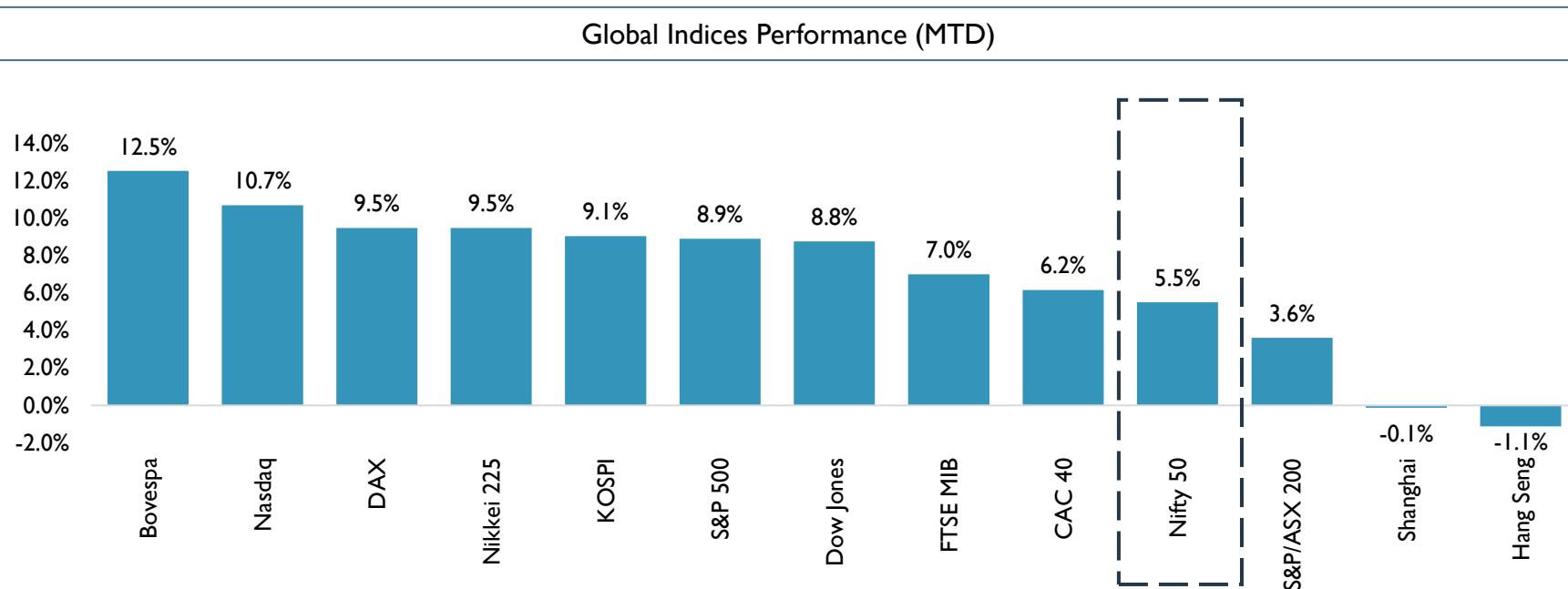


Pi Square Investments

The Market Compass

November, 2023

Global indices performance



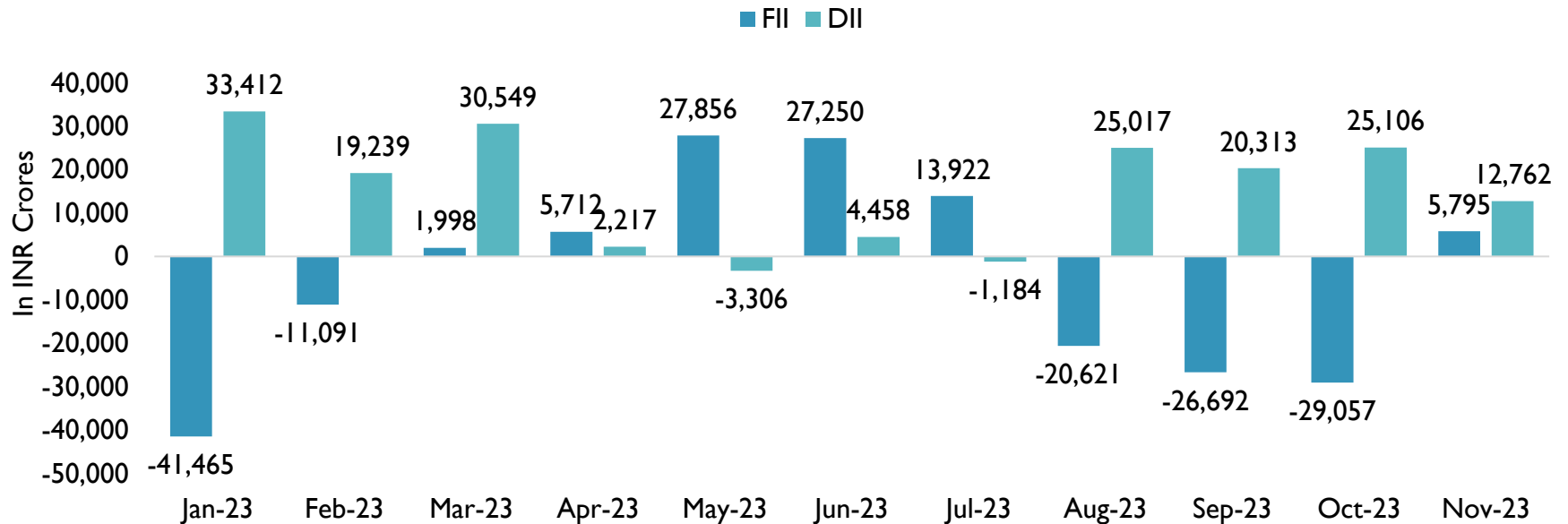
Note: Data as of 30th Nov, 2023

- The Indian market reached \$4tn m-cap for the first time ever displaying resilience despite adverse global macroeconomic conditions, such as high interest rates and surging crude oil prices.
- In the US, household savings are falling, borrowing costs for both consumers and corporates have reached a multi-decade high and global demand is cooling amid disinflation. Analysts are expecting another year of below-trend earnings growth with revenue growth rate sequentially lower, no margin expansion and lower shareholder payouts.

Source: Investing.com

FII are getting attracted to Indian stocks once again

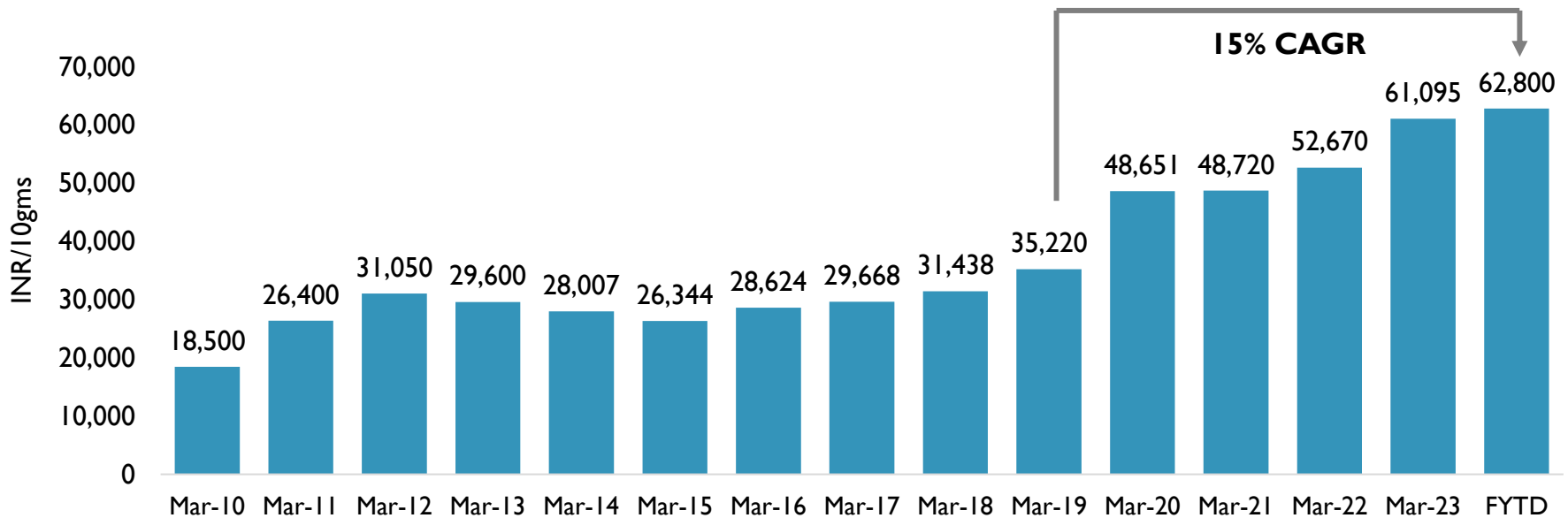
Institutional Inflows & Outflows



- MFs and SIP flows have remained robust, especially SIP flows are making a notable increase.
- FPI net inflows into Indian bonds in November have hit the highest quantum since September 2021, driven by moderating bond yields in the US and inflation easing toward the Fed's 2% target.

Gold at all time high

Gold prices in the last 10 years



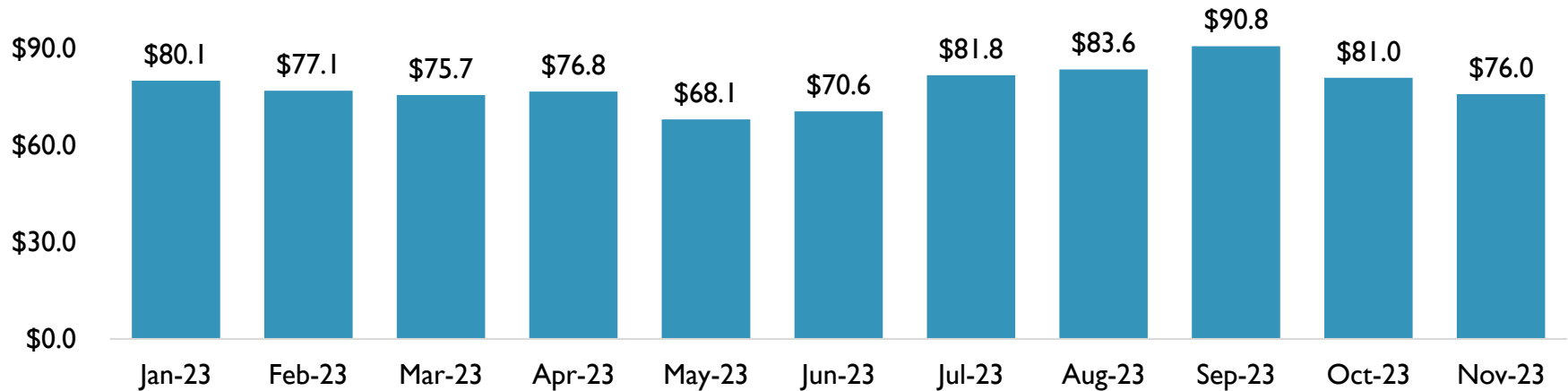
Note: FYTD = 01-04-2023 to 30-11-2023

- Gold hit all time high levels in November as FOMC held its benchmark interest rate steady at a 22-year high in the range of 5.25% to 5.50% at the end of its November policy meeting.
- Outlook for gold is positive as US dollar has been losing its sheen on a continuous basis.

Source: Investing.com

Oil prices on a steep downward trajectory

Crude oil prices peaked in Sep-23 and has corrected 19% since then

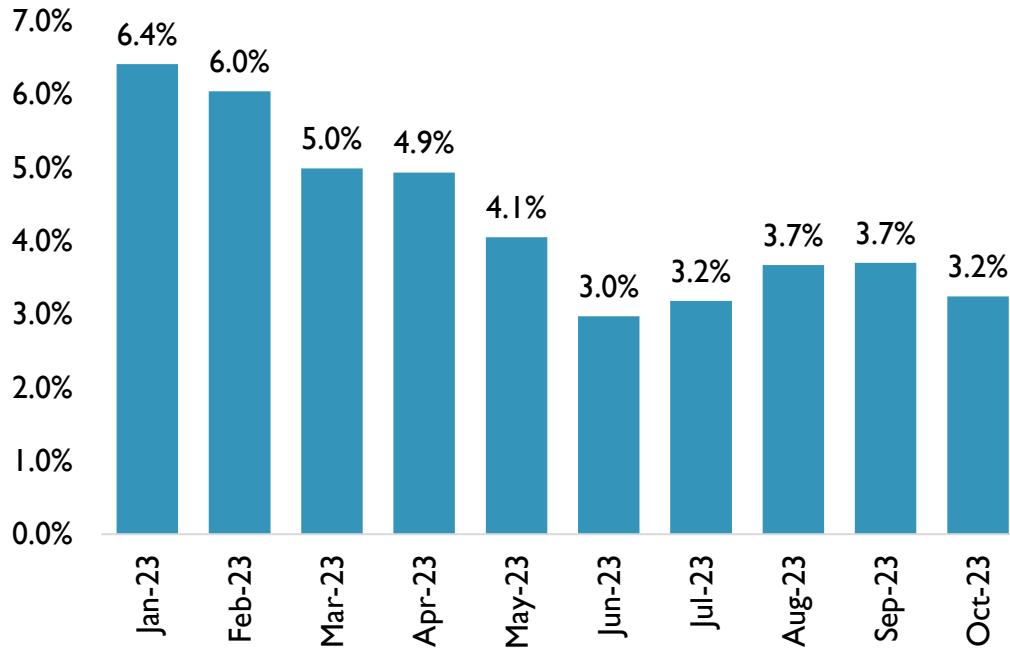


- Oil prices have been on a steep downward trajectory from September highs, crude did spike for a period in mid-October when the Israel-Hamas war broke out, but traders have largely dismissed the risk of a broader regional war that could disrupt supplies since then.
- US oil production rose to a fresh record at 13.24 mn bpd as OPEC+ cuts additional 1mn bpd of oil production, the US is now producing more oil than any country in history just as OPEC+ countries curb supply in a bid to tighten supplies and bolster prices.
- Leading the cuts is OPEC kingpin and largest member Saudi Arabia, Riyadh agreed to extend its voluntary production cut of 1mn bd which has been in place since July until the end of Q1CY24. Russia will cut 3,00,000 bpd over the same period. Iraq will cut 2,23,000 bpd, UAE 1,63,000 bpd and Kuwait 1,35,000 bpd.

Source: Bloomberg, Investing.com

Slowing inflation in the US

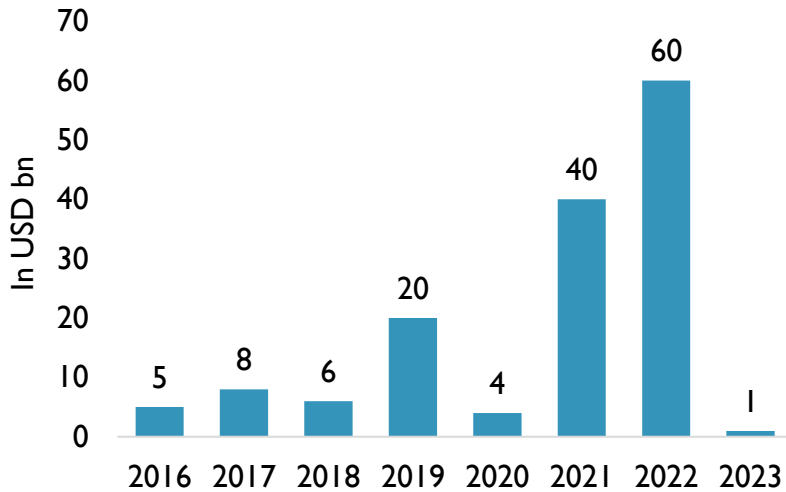
US Inflation Rate in 2023



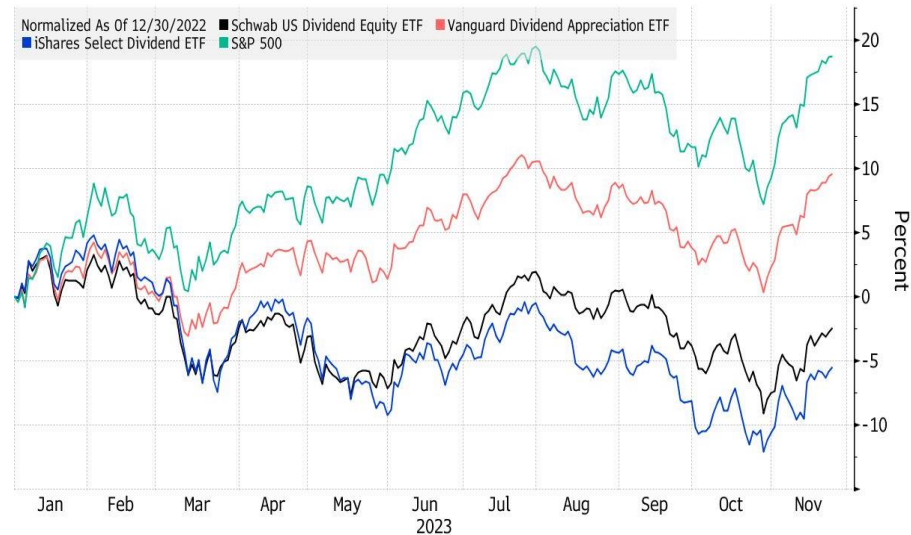
- The inflation reached 3.2% in October reducing slowly from the start of the year at 6.4% and a Covid pandemic-era peak of 9.1% in June 2022.
- Fed has raised interest rates to their highest level since the early 2000s to slow the economy, This policy tool makes it more expensive for consumers and businesses to borrow, and can therefore tame inflation.
- Fed Chair Jerome Powell stated that the U.S. still “has a long way to go” before getting back to a sustainable 2% inflation target. Fed officials don’t expect that to happen until 2026.

Largest dividend ETFs have been left behind

Dividend ETF flow comes to a halt



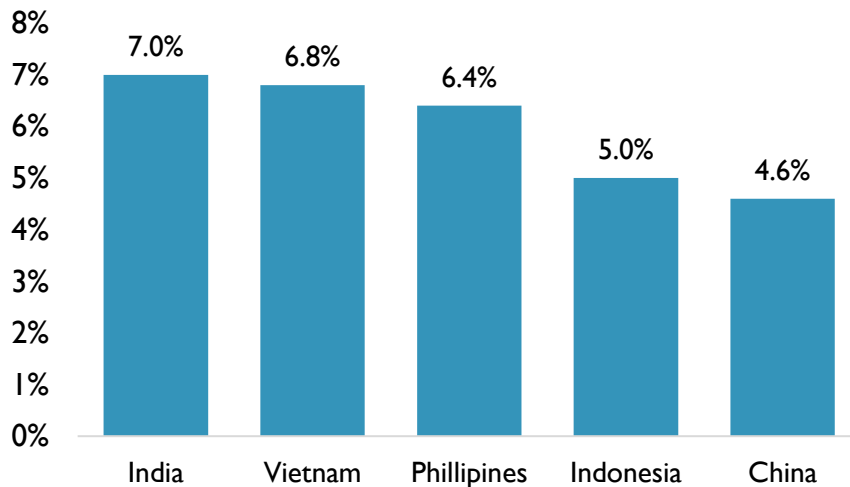
Dividend ETFs fall behind S&P 500



- With a small handful of largely growth-oriented stocks dominating the market's performance, 2023 was a challenging environment for dividend-paying, value securities, especially when bonds are offering some of the highest interest rates in decades, presenting investors with a more reliable stream of income than dividend funds.
- Ultra-short bond ETFs have pulled in \$30 billion this year after hauling a record \$42bn in 2022.

China slows, India grows

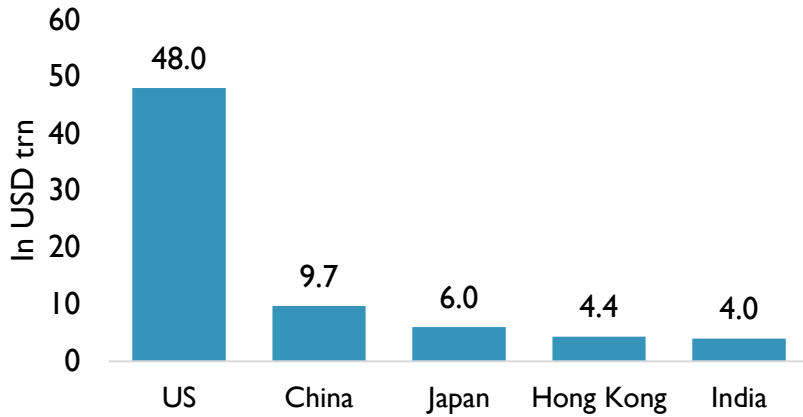
APAC's expected GDP growth in 2026



- Asia-Pacific's growth engine is set to shift from China to South and Southeast Asia with India's GDP expected to grow fastest at 7.0% and China being a laggard at 4.6% by 2026. The prospects for industries also differ, with export-centric manufacturing faring worse in China.
- With Asia-Pacific's central banks likely to keep interest rates high, the region is expected to see costlier debt servicing. Concurrently, a widening conflict in the Middle East will drag global supply chains and raise energy costs, fanning inflation. High input costs is expected to dilute corporate margins, while high prices weaken demand.
- China's weight in the MSCI AC Asia Pacific index has fallen by 7% since January 2021, from 26% to 19%. During the same period, India has seen the largest gain, rising from 6% to 10% now.

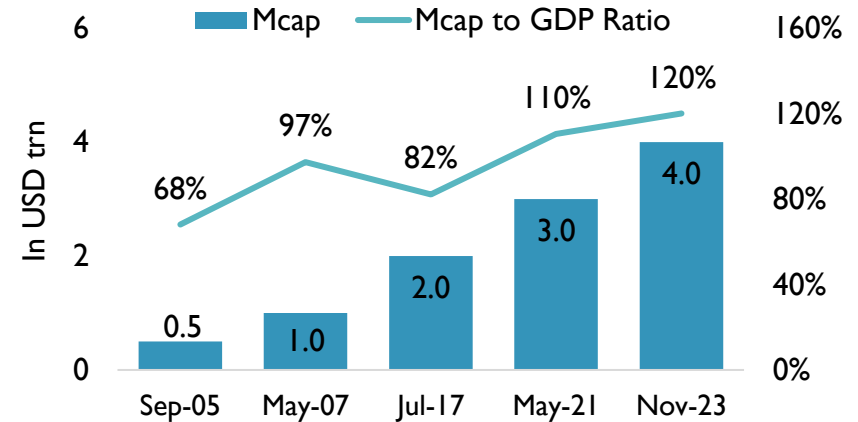
India moves to the elite club

Indian market at \$4 trillion market cap



Note: Data as on 28, November 2023

Key milestones of market cap

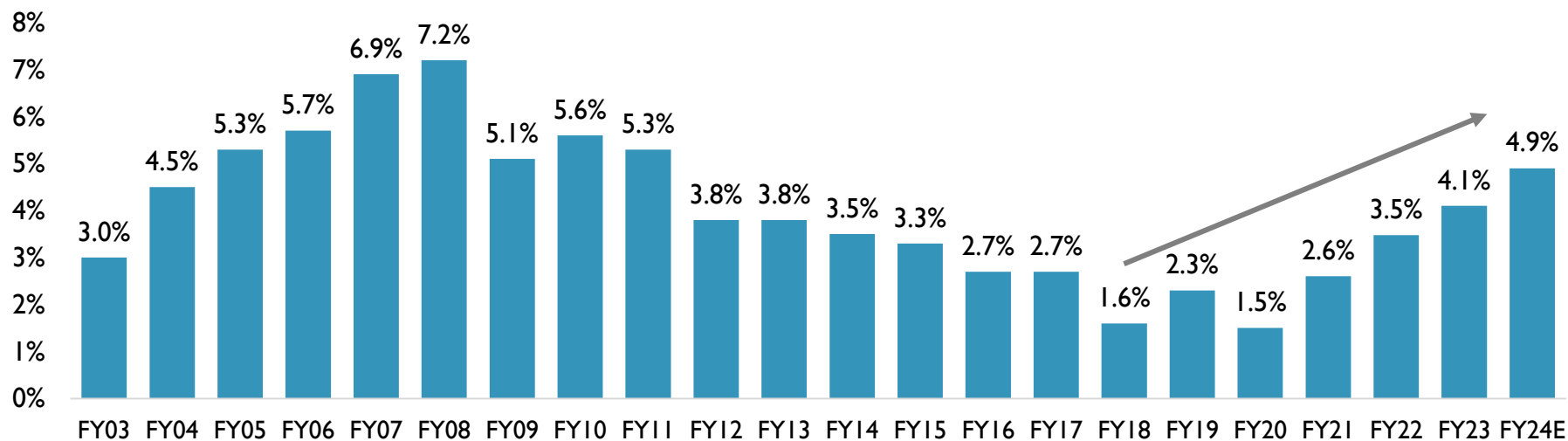


- At a time when the global economy is facing the twin problem of high inflation and slowing growth, with even the world's growth engine China not showing a sign of recovery, India has taken the centerstage.
- India's GDP growth is projected to propel it to the top 3 of the largest global economies, from a mere \$3.4 trn today to larger than Japan's by 2027, hitting \$45 trn mark by 2052. India has added the latest \$1 trn market cap in mere 2.5 years from the \$3 trn level.
- A confluence of growth, governance, and green transformation of the economy, backed by the investors looking to buy into every correction has led this growth and India's demographic advantage, financial deepening and a stable currency with ample forex reserves is expected to fuel this growth.

Source: CLSA, Morgan Stanley, Goldman Sachs

Share of India's corporate profit in GDP is on the rise

Corporate profits as a % of GDP



Note: Data for NSE 500 companies

- India's net profit as a percentage of the country's GDP is just shy of reaching 5%, bolstered by strong earnings growth in Q2FY24, indicating that a corporate profit upcycle is in progress, with projections of the share exceeding 8% within the next 5 years, driven by bullish earnings growth expectations.
- 20% compounding of earnings growth is expected on the back of the start of a new private capex cycle, under-gearred balance sheets, a healthy banking system, lower corporate tax rates, improving terms of trade and structural consumption demand outlook.

Source: SBI AMC, Motilal Oswal

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.



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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



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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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