



Experienced in a long time.

# Equity

## Why it is risky to be Underweight Indian Equities Now?

Nov- 2020



# Vaccine Trigger

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Healthcare crisis needed a medical solution...which is finally here



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Results of two highly effective vaccines announced...more to follow



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Effective worldwide distribution is still a challenge...

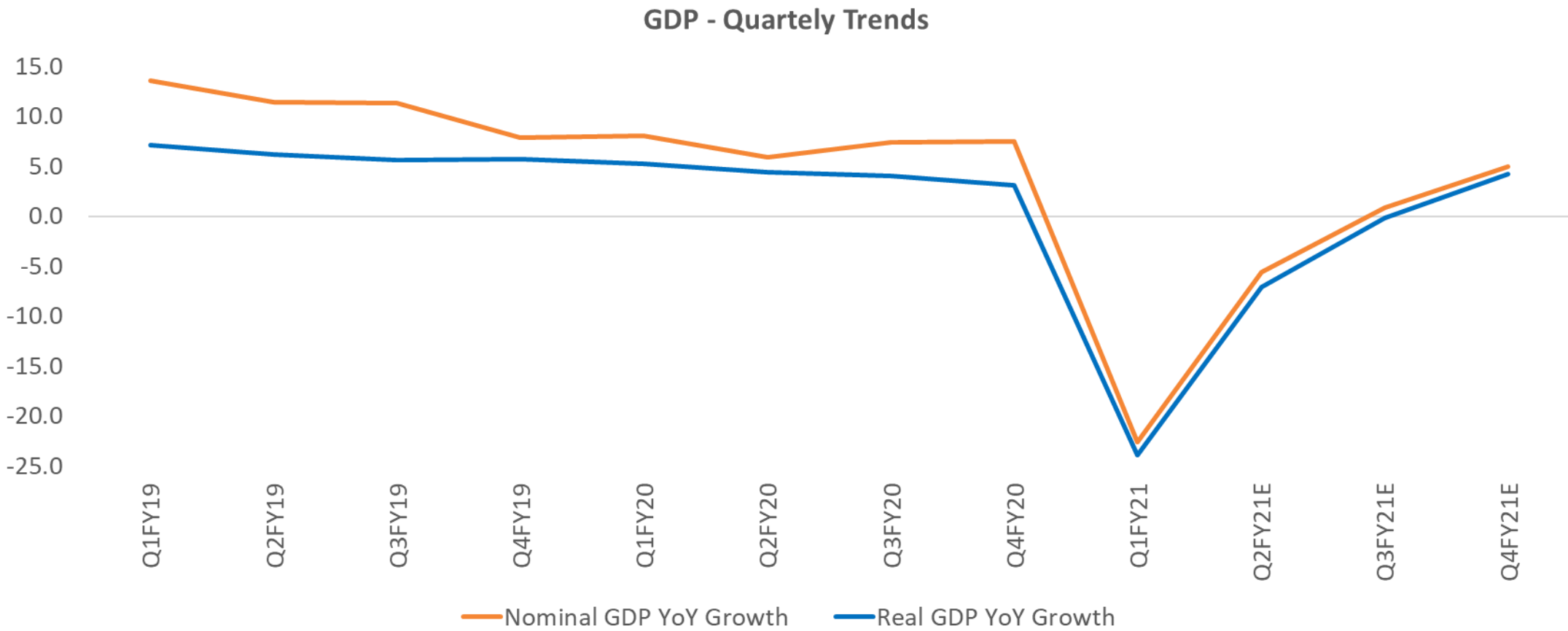
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...But beginning of an end of the crisis has happened

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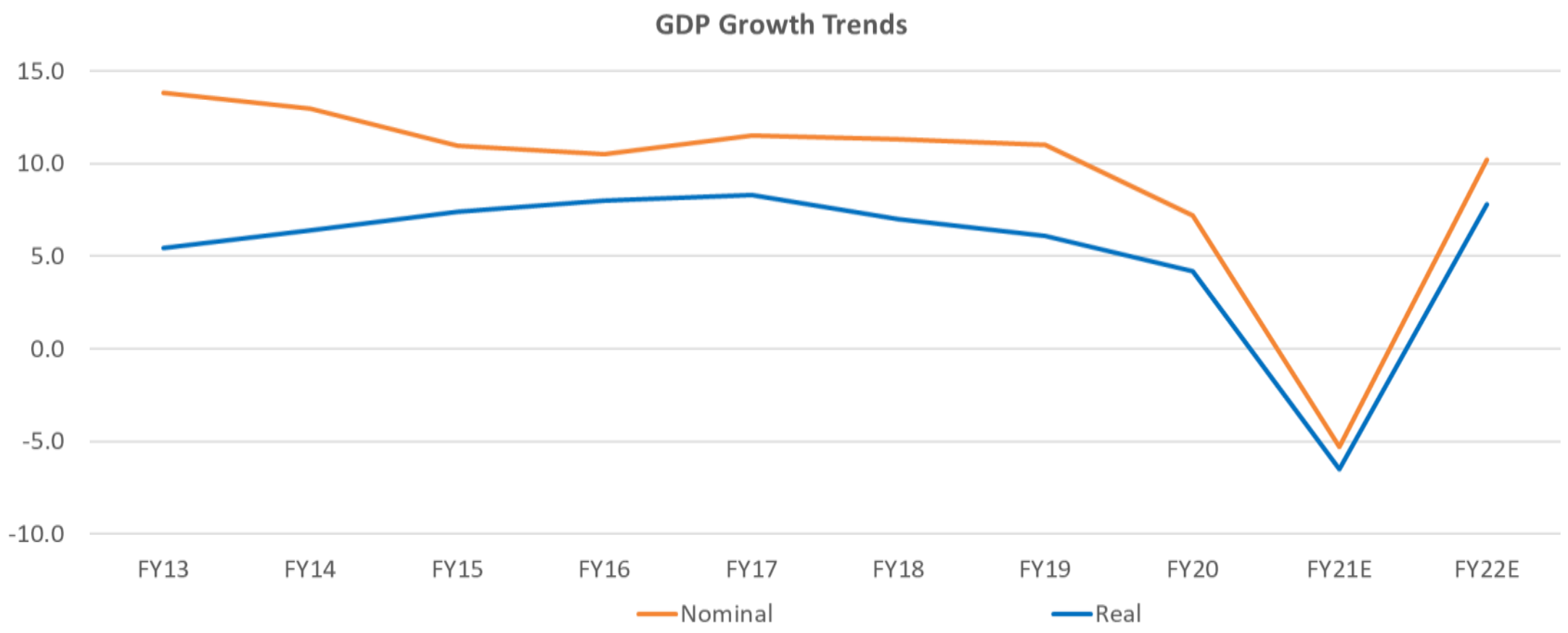
# Indian Economy has finally bottomed out



Source: Phillip Capital, MOSL



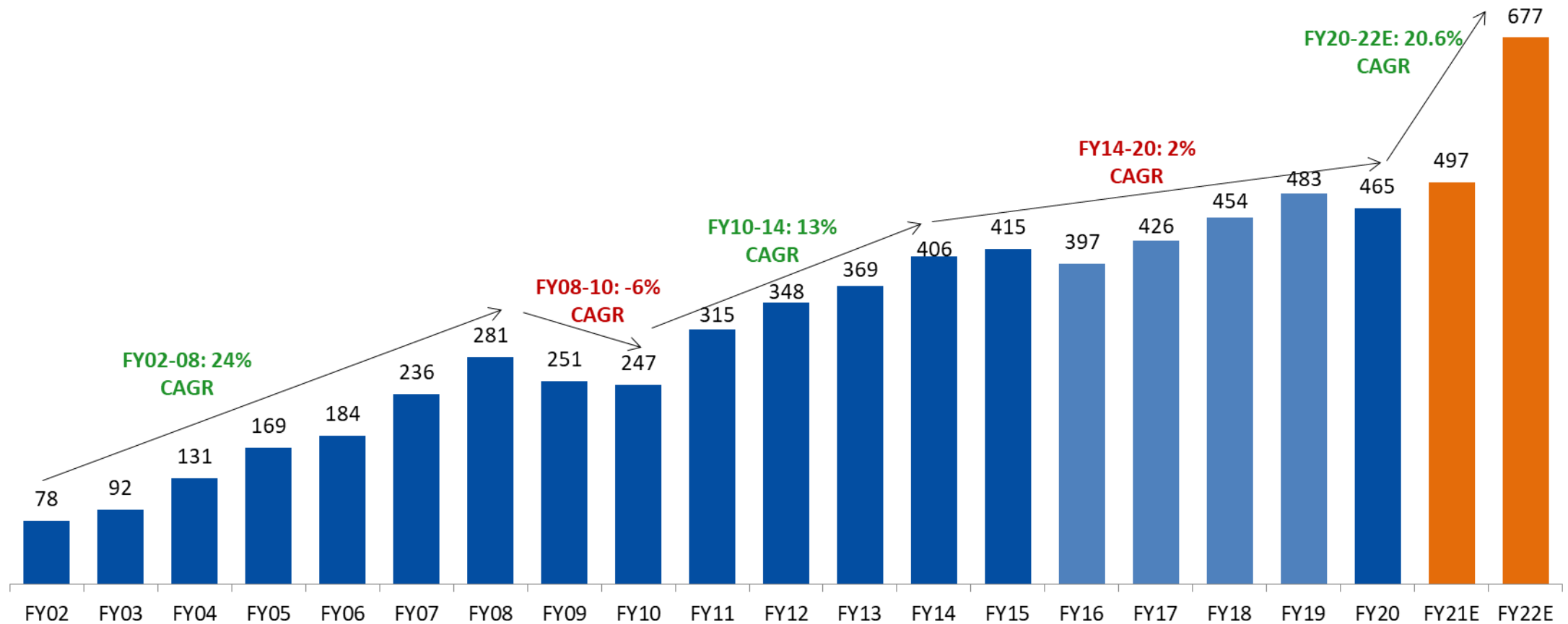
# Indian Economy has finally bottomed out



# At last, EPS growth to accelerate to higher trajectory



Nifty EPS Trends



Source: MOSL and Bloomberg, November 2020  
EPS refers to earning per share





# Government has not wasted the crisis

## Long term structural reforms pushed through

- Agri laws
- Labor laws

## Renewed focus on manufacturing

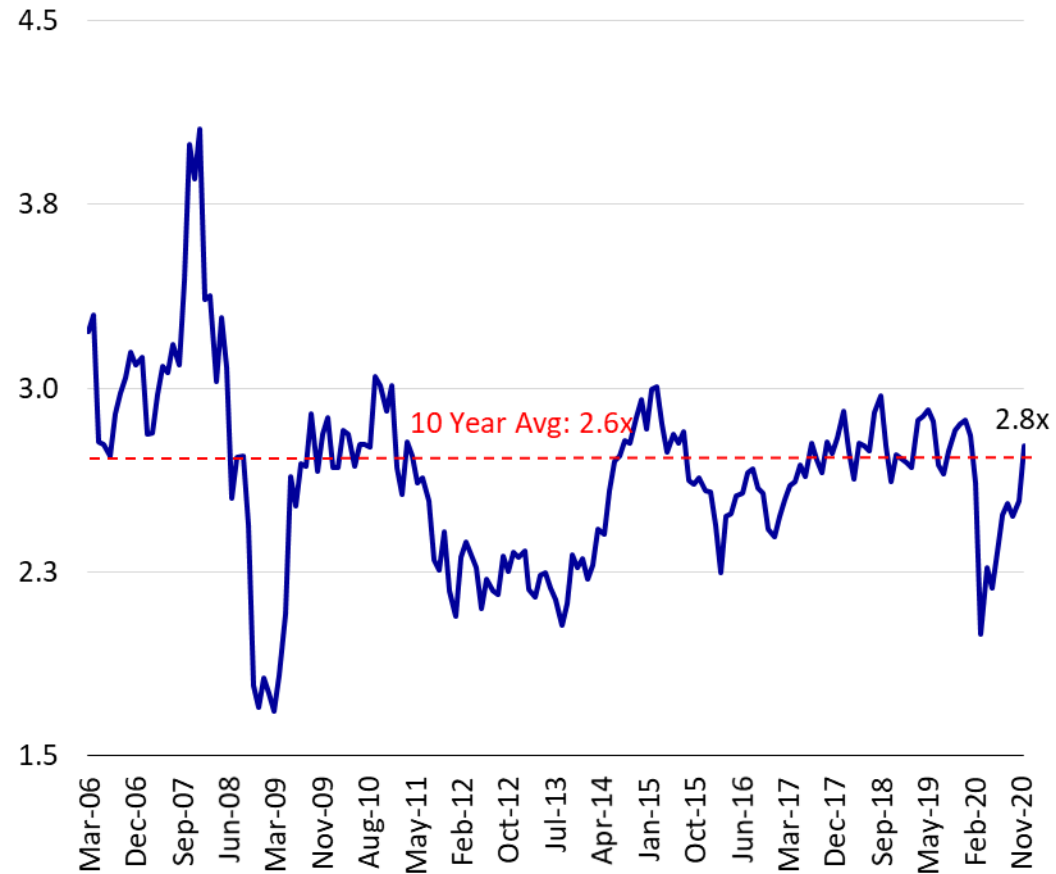
- Atmanirbhar initiative
- Incentivizing investments

## Structural reforms to lift long term sustainable growth rate

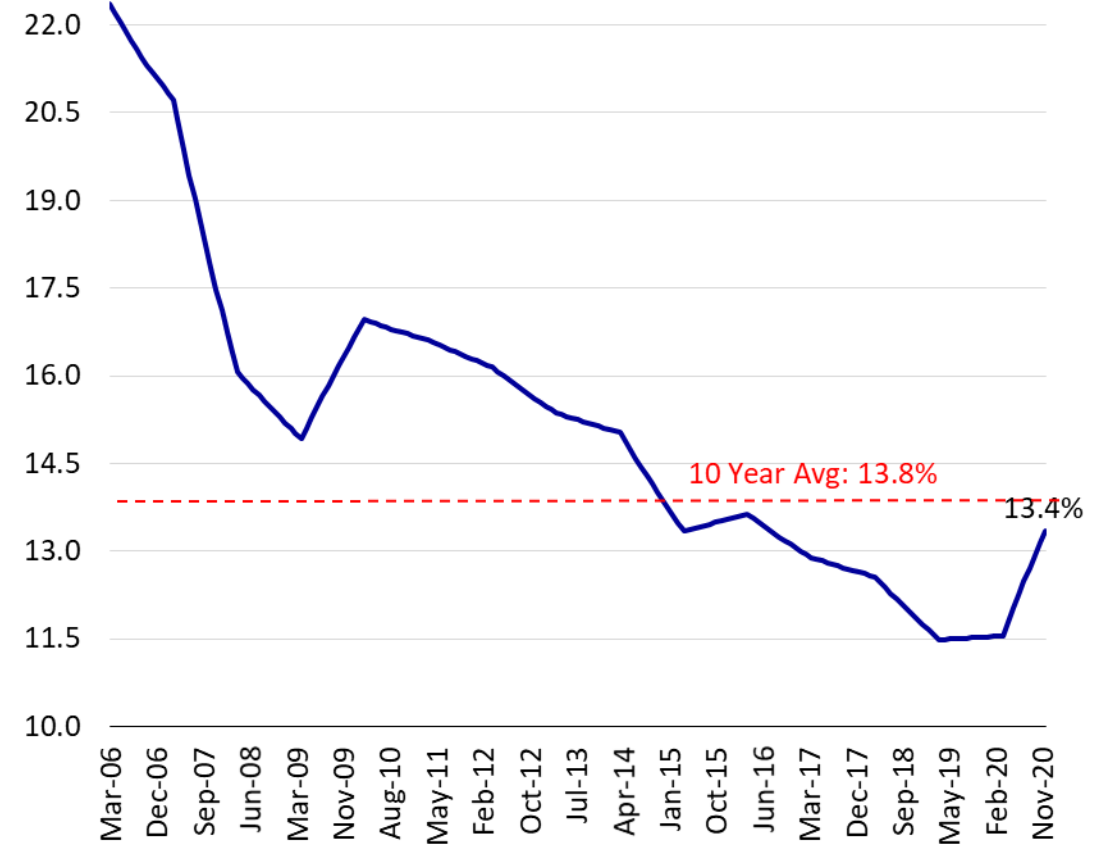


# Valuations close to average

Nifty – P/B 1 Year Forward (x)



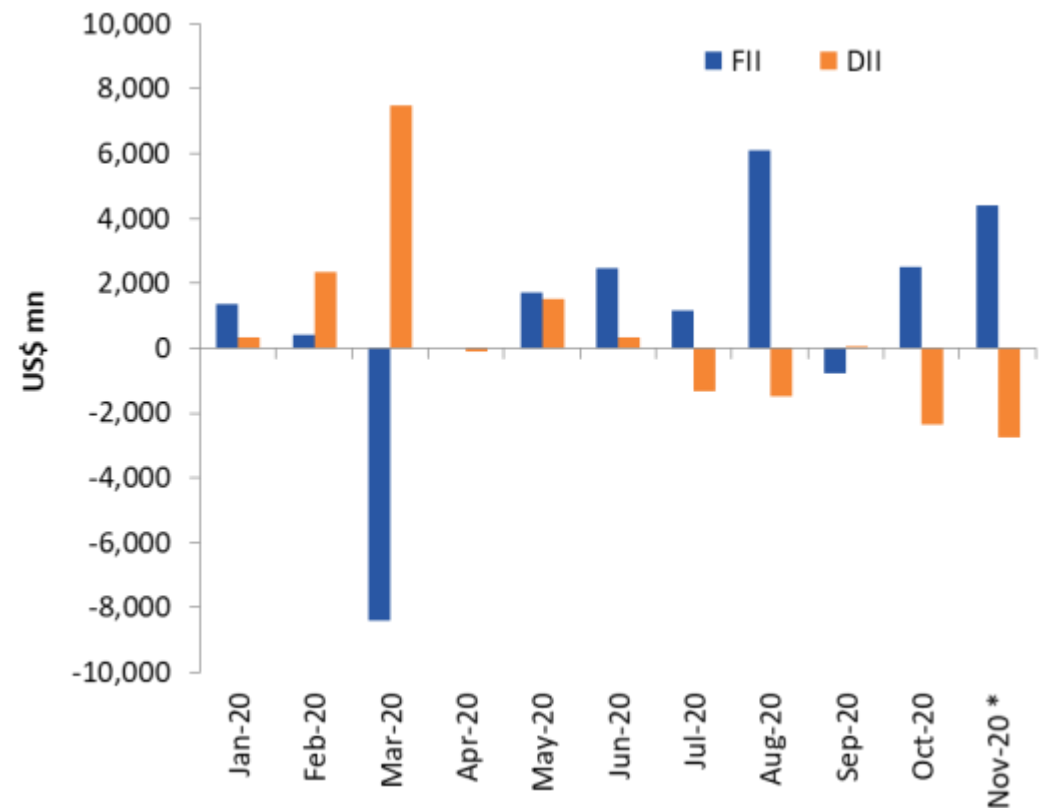
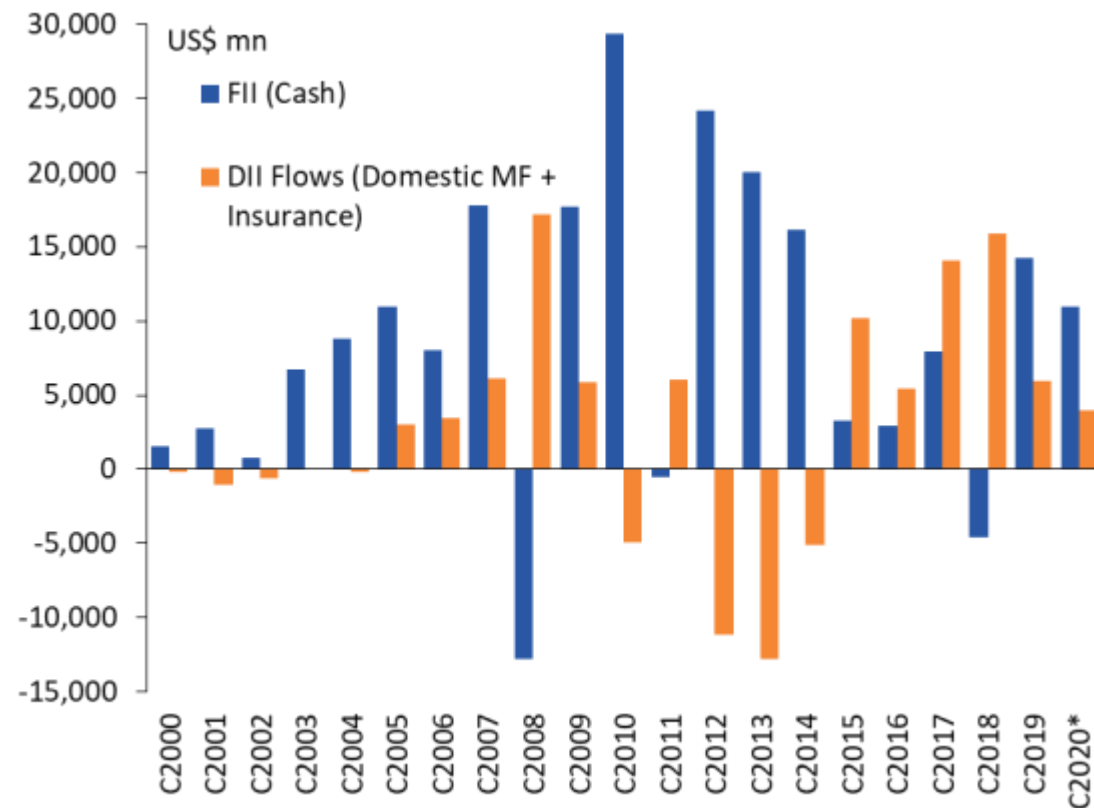
Nifty - RoE 1 Year Forward (%)





# Foreign flows likely to be benign

- \* Expected USD weakness likely to fuel EM inflows



Source: NSDL, BSE, NSE and Bloomberg. YTD 2020 = FII = US\$10.9bn, DII = US\$4bn (MF=US\$-2bn, BFIs=US\$6.3bn). \* As on 13-Nov-20.





# Why equities may continue to do well....



Indian economy...past its worst

Earnings growth to accelerate to a higher trajectory



Tail risks in BFSI seem well contained

Big structural reforms of past years to lift potential growth rate



Global Risk On... Foreign investors appear enthusiastic

Vaccine trigger is finally here



# Our advice: Reconsider asset allocation

Sharp bounce in stocks since March had unnerved investors...

- Legitimate questions about disconnect between fundamentals and markets
- ...Leading to big redemptions

...But we believe it's time to re-evaluate stance

- Could being underweight (compared to model asset allocation) lead to opportunity loss?

Remember, volatility and corrections, part of the game



# Risk to our hypothesis



Subsequent infection waves derailing economic activity

Global risk off events



Indian government going back on key reforms



Global central banks reversing benign monetary policies

Unknown and unknowable



## **Mutual fund investments are subject to markets risks, read all scheme related documents carefully**

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Thank you

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