

Equity Quant Strategy (EQS) – April 2019

Investment Views

The portfolio underperformed the benchmark by 256 bps as NIFTY ended up by more than 7.5% compared to last month and broader market also performed well. The market had decent run up in March on the back of FPI inflows of over INR 40,102 cr during the month and INR 50,348 cr in quarter ending March. FPI inflow in March was highest in last 24 months. The overseas inflows has increased to emerging markets including India on the back of extremely dovish stance by FED as market expects easy monetary policy with no interest hike in 2019 due to fear of declining US and global growth in 2019. The abating tensions between US and China on trade front also helped the sentiments along with higher expectation of NDA government returning back to power during forthcoming general elections in India. However risks remain on slowing global growth, pending trade agreement between US and China, rising crude price on the back of OPEC production cut and US sanctions on Iran, Indo-Pak tensions, forthcoming general elections, fiscal concerns and pending Br-exit. Still US FED indications for easy monetary policy and continued slowdown in Europe, China and Japan provide more opportunity to emerging markets including India receiving more fund flows as higher growth differential with developed economies keep these markets attractive. As the global growth is expected to slow down the Indian economy may also be impacted to some extent still it is expected to be fastest growing large economy in the world.

The market are expected to remain cautious during the Q2 of CY2019 on the back of forthcoming general elections, concerns on fiscal deficit, pending US China trade agreement, Br-exit, volatile crude prices with upside bias amid OPEC production cut and Iran sanctions. The India will still be fastest growing major economy in the world amid global slowdown fears and should result into higher foreign investors inflows. The domestic investors equity flows has slowed down a bit in last few months but expected to resume post general elections if stable government is elected. The corporate results for March quarter are expected to be good as banking sector is expected to show further improvement both in asset quality and profitability amid improving liquidity conditions and declining interest yields with recovering rupee providing some relief to the corporate in general. During Q2 of 2019 one need to be cautious however number of opportunities will be available for long term investors with reasonable valuations in quality stocks amid higher volatility. The stocks in capital goods, consumption, infrastructure and rural theme besides IT and Pharma are expected to perform better and corporate banking stocks should surprise the markets on positive side going forward as the NPA cycle seems to be near its end with stronger bank balance sheets and healthy provisioning. The portfolio stocks generally performed in line with market as Reliance Nippon Life Assets, Page Inds, Whirlpool of India, Voltas and LIC Housing Finance all ended up by more than 10% while Lupin, Hero Motocorp declined by more than 3%. The earnings are expected to be better in March quarter and improve further during FY2019-20 and should drive the markets going forward. We expect equity market to be positive in medium to long term and outperform various other asset classes however return expectations has to be muted. We are holding around 13% cash in the portfolio.

Equity Quant Strategy (EQS) – April 2019

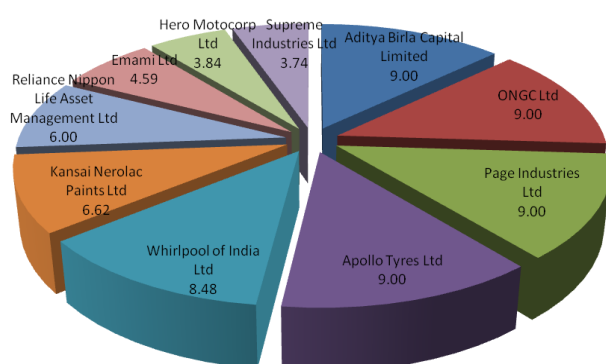
Portfolio Snapshot

Portfolio	EQS
Objective	Capital Appreciation
Relative Risk Profile	High
Time Horizon	Long
Focus	Growth Stocks
Benchmark	BSE 200

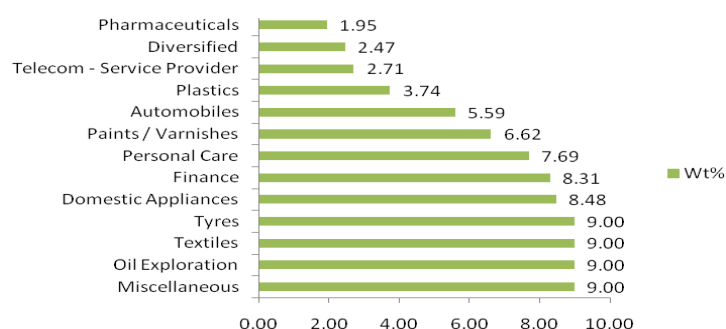
Portfolio Strategy

Equity Quant Strategy is a proprietary quantitative model, and it uses a variant of GARCH to forecast volatility. This strategy attempts to identify & optimize Returns & Risk for each stock in the universe using momentum factors based on historical price data. It filters the universe of stocks that comprise the BSE 200 and arrives at a portfolio with the highest Sharpe Ratio.

Top 10 Equity Holdings (%)



Sector Holdings (%)



Portfolio Performance (%)

Portfolio	1 Month	3 Months	6 Months	1 Yr (XIRR)	3 Yrs (Annualized)	S.I (Absolute)
EQS	5.00	4.76	10.22	9.39	9.84	73.74
S&P BSE 200	7.56	5.46	5.95	10.73	12.67	100.11

Concentration Analysis

Portfolio	Top 10 Holdings	Top 12 Holdings	Scrip with Highest Exposure	Total No. of Scrips
EQS	69.27%	75.08%	9.00%	16

Portfolio returns are absolute (point to point) and net of all fees and charges calculated on weighted average method. The above returns are calculated on NAV basis and are based on the closing market prices as on 31st March 2019. Individual returns and holdings of Clients under the Portfolio may vary significantly from the performance and holdings of the Model Portfolio given above. Past performance may or may not be sustained in future. Please refer to the disclosure document for further information.

Disclaimer: This document is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to you. It is only for private circulation and use. The document is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of the document. The document should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC Investments. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC Investments nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this document. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that we and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material; (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned here in or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such company(ies) or © may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. SEBI Registration No. INP000003435 Dated 26th October 2009.