

Equity Quant Strategy (EQS) – May 2019

Investment Views

The portfolio underperformed the benchmark by 534 bps as benchmark indices NIFTY ended up by 1% while broader indices including mid and small cap ended lower 2-4% during the month. The large cap continued to hold on the back of further FPI inflows of more than INR 20,000cr during the month. 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 sentiments continued to be positive with large FPI inflows and 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, 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 domestic investors equity flows improved during March and expected to increase further post general elections if stable government is elected. The corporate results for March quarter are on expected line till now and to show further improvement with banking sector recovering both in asset quality, profitability amid improving liquidity conditions and declining interest yields. The corporate earnings early estimate are for 20-25% growth during FY2019-20 can drive the markets going forward if turned out to be correct. 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, hospitality 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 was due for rebalancing as per strategy and executed accordingly. The earnings are expected to be better 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 11% cash in the portfolio.

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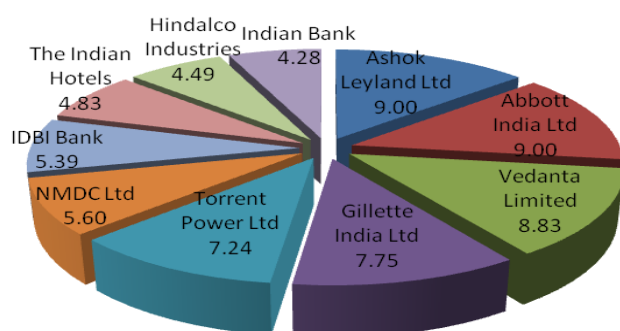
Portfolio Snapshot

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	-5.18	2.28	4.86	-2.12	7.43	54.15
S&P BSE 200	0.16	7.17	10.72	4.03	12.32	98.67

Concentration Analysis

Portfolio	Top 10 Holdings	Top 12 Holdings	Scrip with Highest Exposure	Total No. of Scrips
EQS	66.41%	74.49%	9.00%	17

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 30th April 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.

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