



Market and Fund Insights

July 2023



Global Equity Markets at glance

	Countries	Exchange Name	Index Level	Valuation (12 month fwd)				Performance (%)				
				P/E	P/B	Divd Yield (%)	ROE	1Mth	3Mth	6Mth	1 Year	YTD
				(x)	(x)		(%)					
Developed Market	USA	S&P500	4,396	19.1	3.8	1.6	19.8	5.2	7.0	14.5	16.1	14.5
	USA	Nasdaq	13,591	31.8	5.1	0.9	16.0	5.1	11.2	29.9	23.2	29.9
	Europe	STOXX 600	461	12.5	1.6	3.8	13.0	2.1	0.8	8.6	13.3	8.6
	UK	FTSE 100	7,523	10.3	1.6	4.3	15.2	1.0	(1.4)	1.0	4.9	1.0
	Germany	DAX	16,130	10.8	1.3	4.1	11.8	3.0	3.2	15.8	26.2	15.8
	France	CAC 40	7,397	12.6	1.7	3.4	13.8	4.2	1.0	14.3	24.9	14.3
	Japan	Topix	2,289	14.6	1.3	2.4	8.8	7.4	14.2	21.0	22.3	21.0
	Australia	ASX 200	7,203	14.6	1.8	4.2	12.2	1.6	0.4	2.3	9.7	2.3
	Singapore	STI Index	3,206	10.4	1.0	5.2	10.0	0.3	(1.7)	(1.3)	2.3	(1.4)
	Hong Kong	Hang Seng	18,916	9.0	1.0	3.9	11.0	3.7	(7.3)	(4.4)	(13.5)	(4.4)
Emerging Market	India	Nifty 50	19,189	18.5	2.9	1.7	15.5	3.2	12.3	5.5	21.5	6.0
	China	Shanghai composite	3,202	10.3	1.2	3.3	11.7	(0.1)	(2.2)	3.7	(5.8)	3.7
	Brazil	Bovespa	1,18,383	8.2	1.3	6.4	15.8	9.3	16.2	7.9	20.1	7.9
	South Africa	Johannesburg AllShr	75,653	9.5	1.4	4.9	14.9	0.8	(0.6)	3.6	14.2	3.6
	Korea	KOSPI	2,564	12.0	0.9	2.3	7.7	(0.5)	3.5	14.7	9.9	14.7
	Mexico	IPC	53,585	11.8	1.9	3.8	16.2	1.6	(0.6)	10.6	12.8	10.6
	Phillipines	PCOMP	6,468	1.3	2.6	11.6	11.3	(0.1)	(0.5)	(1.5)	5.1	(1.5)
	Turkey	XU100	5,759	5.1	1.4	NA	26.4	25.7	19.7	7.7	131.3	4.5
	Thailand	SET	1,503	14.7	1.4	3.4	9.7	(2.0)	(6.6)	(9.9)	(4.2)	(9.9)
	Vietnam	VN30	1,123	8.9	1.4	4.6	15.4	5.3	4.6	11.7	(10.1)	11.7

Indian Equity Markets at glance

Market cap, theme and factor performance – Trailing period

	Segment	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Market-cap	Large-cap (NIFTY 50)	3.21	12.87	6.58	22.91	24.54	13.70	13.99
	Large-cap (NIFTY Next 50)	4.37	17.47	3.99	20.64	20.36	10.17	15.57
	Multicap (NIFTY 500)	4.17	14.93	6.84	23.90	26.06	13.64	15.08
	Large & Midcap (NIFTY Largemidcap 250)	5.05	16.35	9.10	27.72	29.12	15.00	17.44
	Midcap (NIFTY Midcap 150)	6.69	19.29	13.05	34.40	34.68	16.89	20.47
	Small-cap (NIFTY Smallcap 250)	7.22	21.94	11.46	31.48	38.57	13.88	18.68
Themes/Sector	Auto (NIFTY AUTO)	6.85	24.98	20.19	30.26	32.33	8.47	13.99
	Commodities (NIFTY Commodities)	2.35	10.10	1.60	21.28	30.33	13.46	13.23
	Consumption (NIFTY India Consumption)	5.04	17.40	10.64	25.33	21.63	11.90	14.67
	Energy (NIFTY Energy)	2.02	10.44	-4.49	-0.81	22.43	15.62	14.21
	Financials (NIFTY Financial Services)	2.49	13.50	6.42	30.79	24.80	13.48	16.08
	Infrastructure (NIFTY Infrastructure)	4.88	14.49	9.32	25.24	25.37	14.79	11.44
	Information Technology (NIFTY IT)	1.43	6.27	4.19	8.42	28.49	18.45	18.32
	Realty (NIFTY Realty)	9.48	36.49	20.48	35.46	37.31	14.33	11.09
	Healthcare (S&P BSE Healthcare)	9.75	18.55	12.40	20.34	17.37	13.79	12.00
Factors	Beta (NIFTY High Beta 50)	6.70	22.74	9.29	47.41	35.76	7.33	9.00
	Value (NIFTY 50 Value 20 Index)	2.49	9.34	9.30	24.31	28.38	17.98	16.42
	Quality (NIFTY 100 Quality 30 Index)	3.52	15.05	12.35	25.29	22.50	12.14	14.28
	Momentum/Alpha (NIFTY Alpha 50)	7.55	21.37	5.70	20.16	32.59	20.28	22.79

Indian Equity Markets at glance

Market cap, theme and factor performance - YOY

	Segment	YTD 23	2022	2021	2020	2019	2018	2017
Market-cap	Large-cap (NIFTY 50)	6.58	9.5	25.3	16	12.98	5.59	30.27
	Large-cap (NIFTY Next 50)	3.99	4.55	29.8	16	1.86	-7.68	47.73
	Multicap (NIFTY 500)	6.84	7.6	31	17.7	8.64	-1.55	37.65
	Midcap (NIFTY Midcap 150)	13.05	5.73	46.5	25.1	0.58	-12.5	55.73
	Small-cap (NIFTY Smallcap 250)	11.46	-0.9	61.5	25.6	-7.59	-26.5	58.47
Themes/Sector	Auto (NIFTY AUTO)	20.19	22.33	19.3	13.6	-8.84	-21.6	32.57
	Commodities (NIFTY Commodities)	1.60	11.22	49.2	12.5	2.3	-13	38.32
	Consumption (NIFTY India Consumption)	10.64	13.73	20.1	20.6	1	-0.39	46.7
	Energy (NIFTY Energy)	-4.49	23.17	37.9	8.98	13.21	3.56	41.94
	Financials (NIFTY Financial Services)	6.42	12.67	14.7	4.62	25.13	12.4	42.67
	Infrastructure (NIFTY Infrastructure)	9.32	11.49	36.9	14.1	3.99	-11	36.06
	Information Technology (NIFTY IT)	4.19	-19.8	61	57.4	10.91	27.2	14.53
	Realty (NIFTY Realty)	20.48	-6.72	53.4	5.91	26.44	-32.8	110.7
	Healthcare (S&P BSE Healthcare)	12.40	-7.99	20.6	62.2	-3.06	-5.45	1.1
Factors	Beta (NIFTY High Beta 50)	9.29	11.96	35	9.94	-18.1	-27.4	60.96
	Value (NIFTY 50 Value 20 Index)	9.30	5.14	36.3	27.9	8.56	11.56	31.84
	Quality (NIFTY 100 Quality 30 Index)	12.35	3.31	21.7	22.6	5.64	5.77	23.45
	Momentum/Alpha (NIFTY Alpha 50)	5.70	-10.6	73.1	51.3	7.89	-13.4	69.75

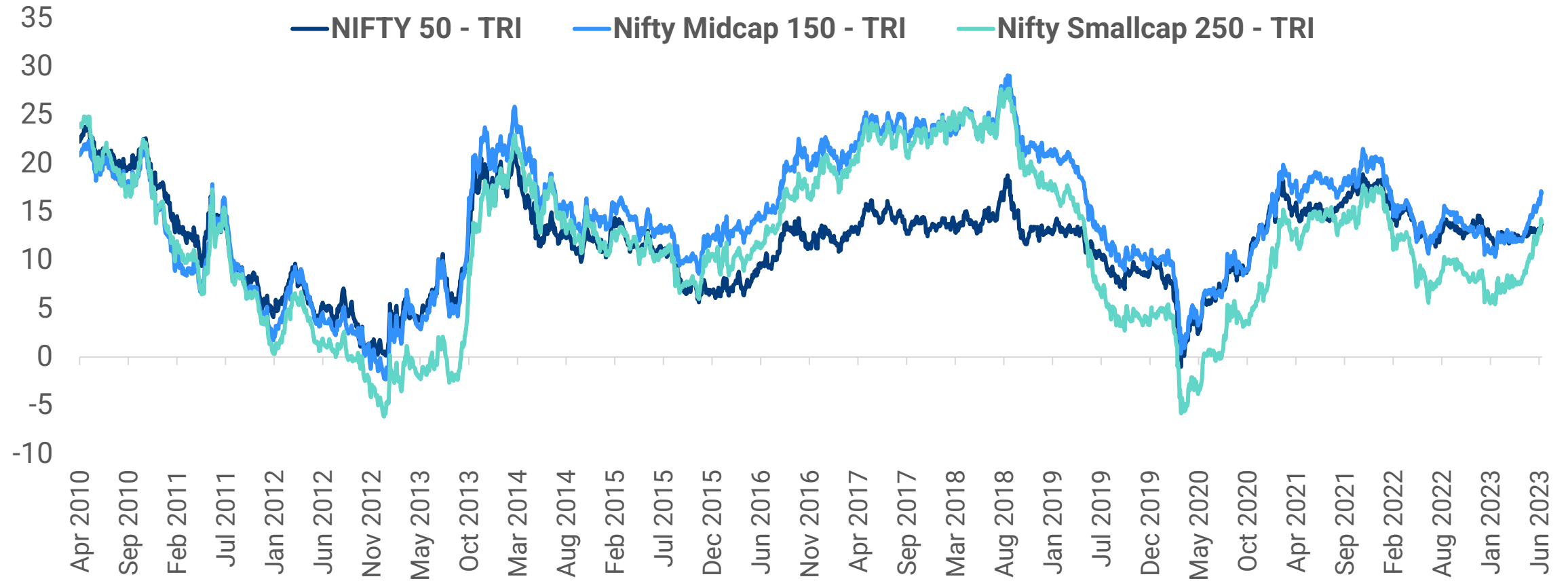
Source: ACE MF. Data as on Jun 30, 2023. Performance is absolute for all periods. Above Indices are TR Indices.

Large, Mid and Small cap performance

10 out of 16 years Mid and Small caps have outperformed Large caps. In FY23 Midcaps have outperformed.

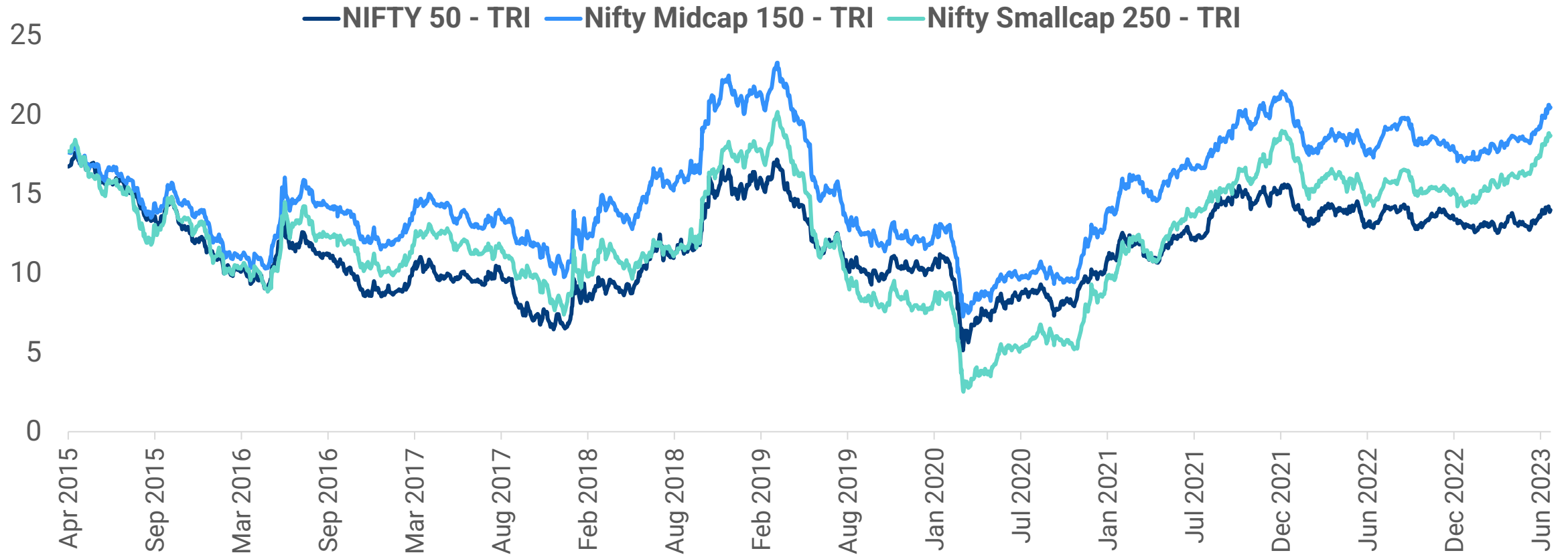
Period	Largecap (%)	Midcap (%)	Smallcap (%)
FY2008	25.12	21.47	31.33
FY2009	-35.44	-48.52	-54.9
FY2010	75.29	135.77	141.42
FY2011	12.36	4.74	0.91
FY2012	-7.45	-4.48	-8.43
FY2013	10.83	7.4	-2.78
FY2014	19.47	18.01	22.9
FY2015	28.17	59.73	62.76
FY2016	-7.82	-1.67	-5.95
FY2017	20.16	37.21	40.56
FY2018	12.68	18.75	15.32
FY2019	16.45	-0.65	-12.44
FY2020	-25.02	-30.09	-40.22
FY2021	72.54	101.57	118.68
FY2022	20.26	25.05	37.02
FY2023*	6.58	13.05	11.46

5 year rolling returns



Since 2010	NIFTY 50 – TRI	Nifty Midcap 150 - TRI	Nifty Smallcap 250 - TRI
Min	-1.03	-2.34	-6.16
Max	24.22	29.10	27.72
Average	11.79	14.43	11.48

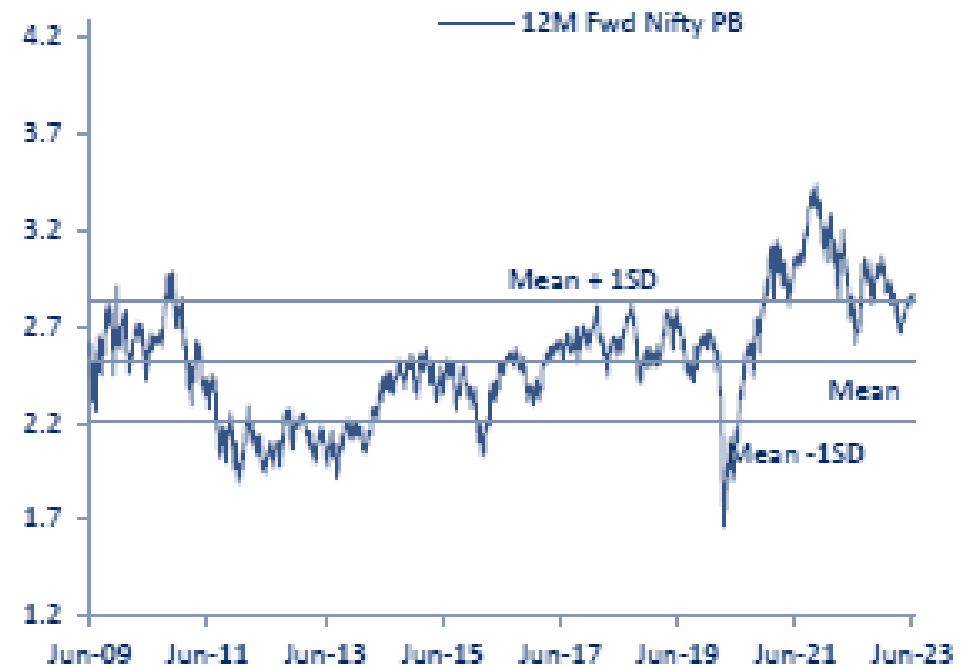
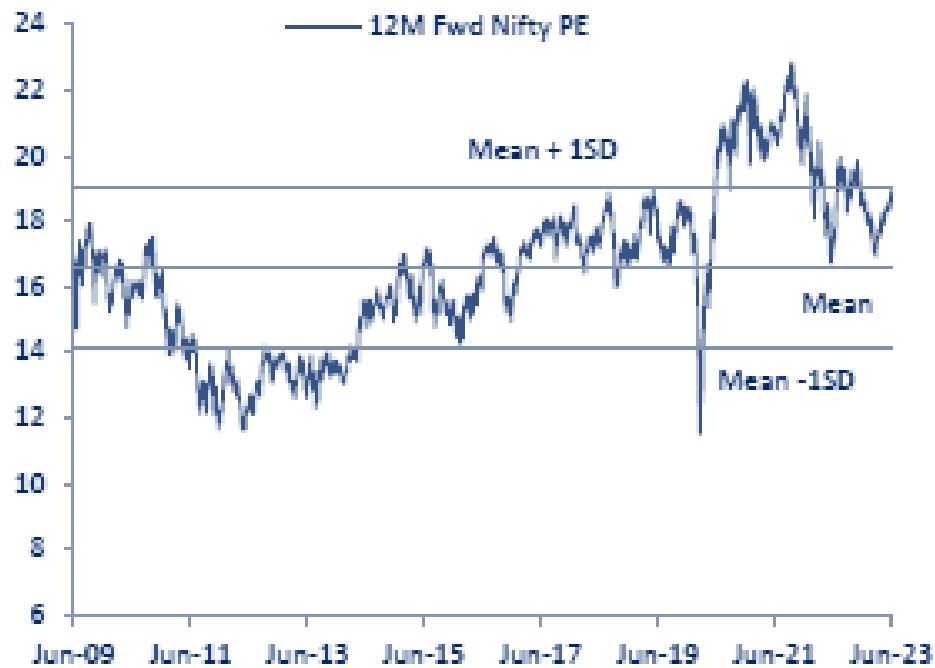
10 year rolling returns



Since 2015	NIFTY 50 - TRI	Nifty Midcap 150 - TRI	Nifty Smallcap 250 - TRI
Min	5.13	7.27	2.53
Max	17.61	23.30	20.19
Average	11.68	15.10	12.32

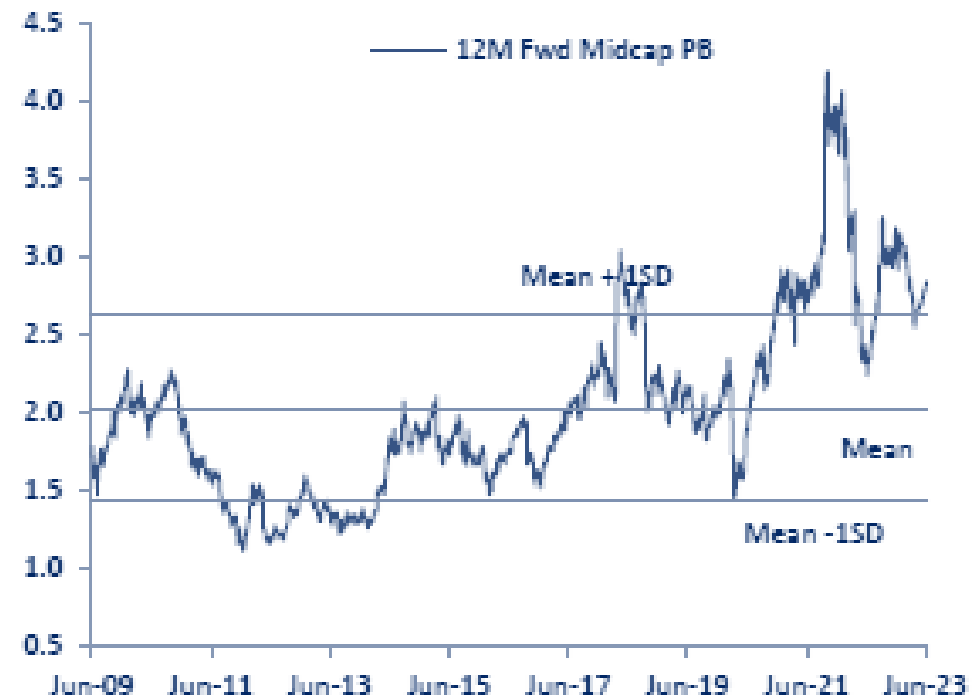
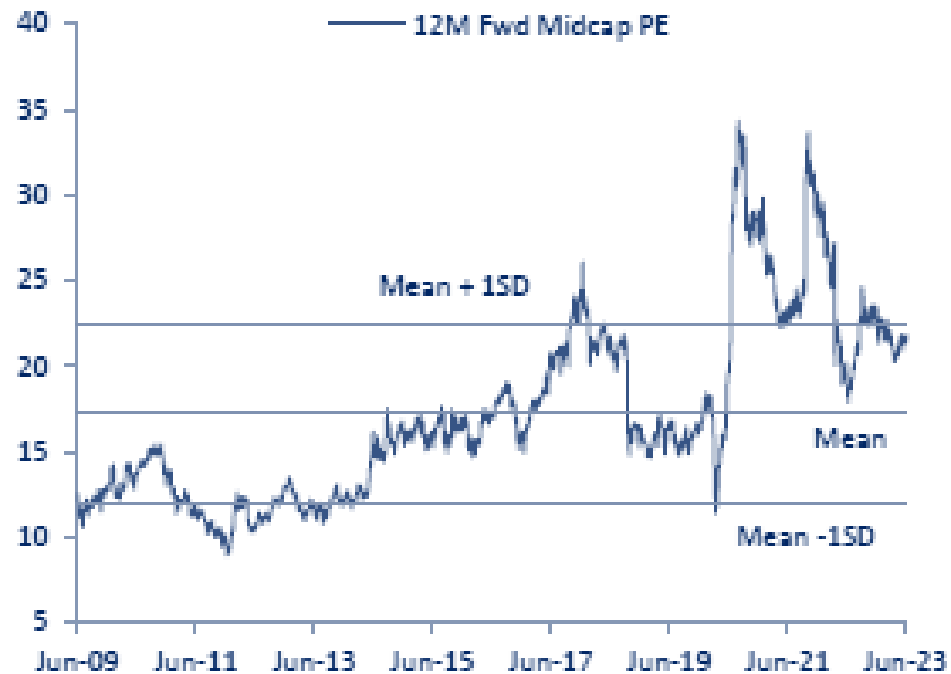
Valuations - Largecap

Largecap valuations above mean



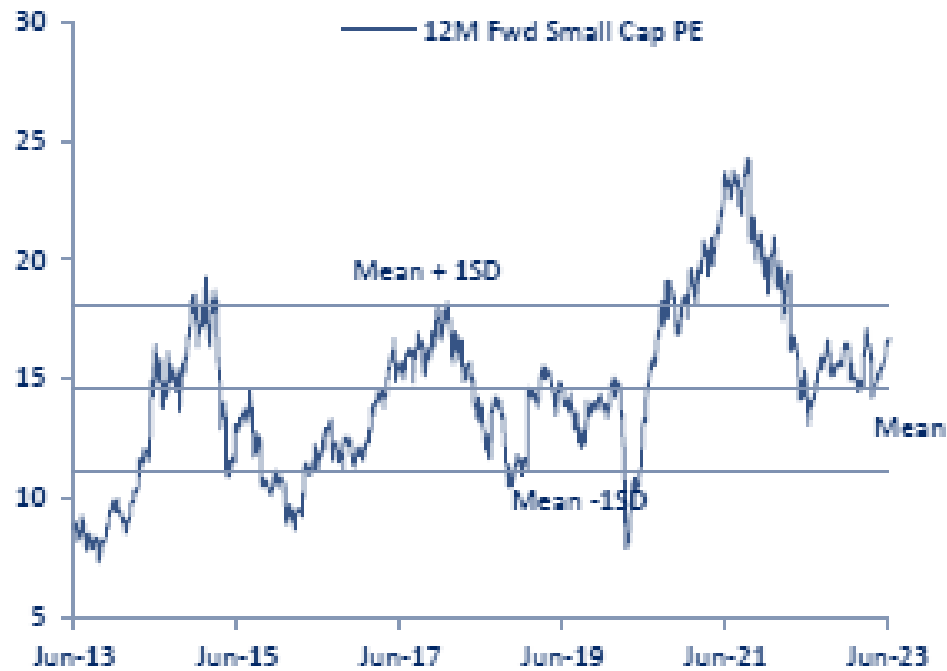
Valuations - Midcap

Midcap valuations above then mean



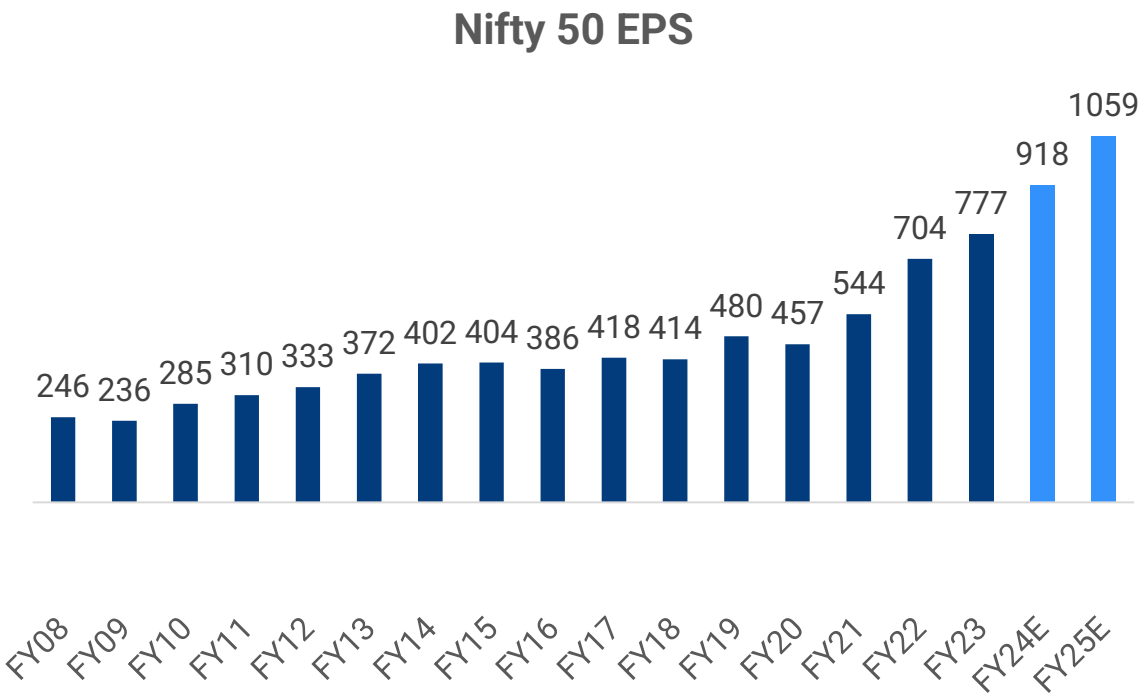
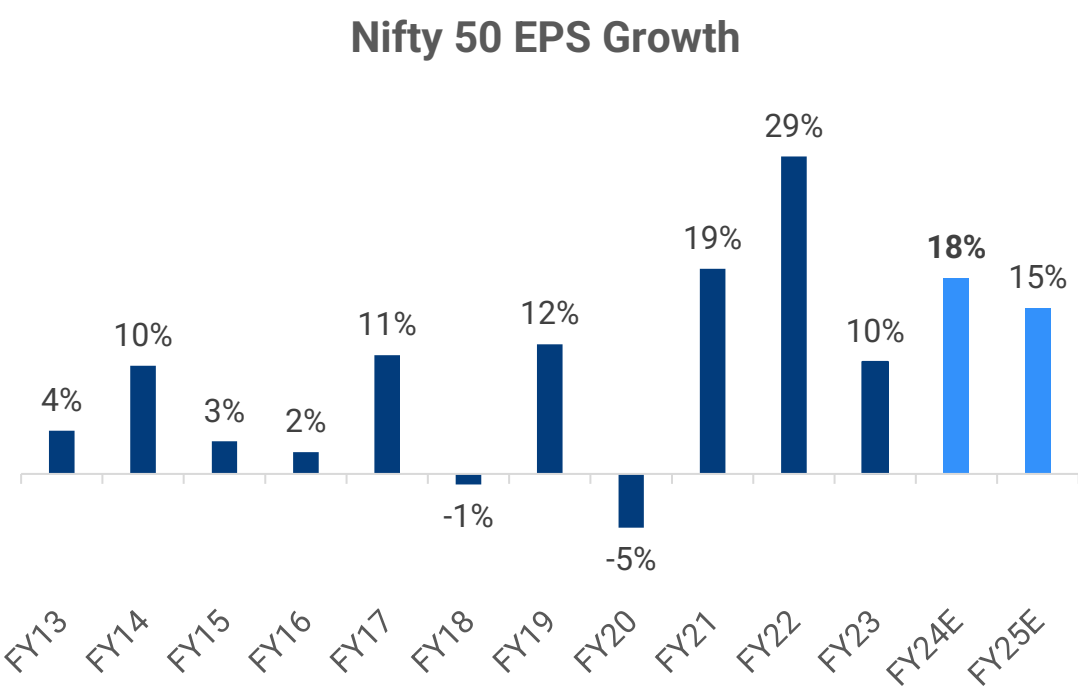
Valuations - Smallcap

Smallcap valuations still near mean



Earnings Growth

Nifty 50 EPS Growth – FY 24: expected to grow at healthy double digit



Sectoral Valuation

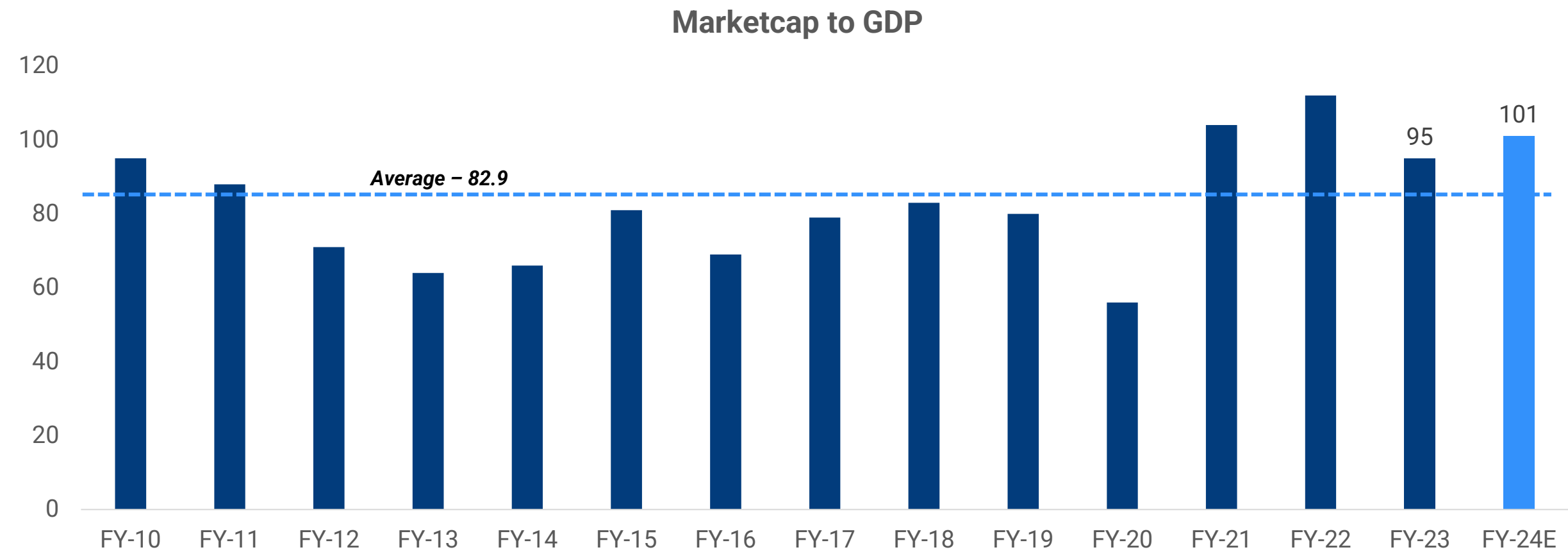
Sector	Current Forward P/E	10-year Average	Current Forward P/B	10-year Average
Auto	21.1	26.6	3.9	3.3
Private Banks	15.4	20.8	2.5	2.5
PSU Banks	6.4	10.4	1.0	0.6
Consumers	43.7	39.8	11.9	10.2
Healthcare	26.3	26.2	3.5	3.9
Infrastructure	15.8	9.0	1.5	1.1
Metals	9.6	11.1	1.5	1.2
Oil & Gas	10.8	12.2	1.4	1.4
IT	22.2	19.4	7.1	5.3
Sp. Chemicals	32.3	19.5	5.7	3.7

FII flows have turned positive since March. June inflows were highest in recent months

CY	FII-Cash (USD Mn.)	DII's (USD Mn.)	MFs(subset of DII's)
2015	3,274	10,313	10,872
2016	2,903	5,425	6,976
2017	8,014	14,043	18,322
2018	-4,557	15,896	17,365
2019	14,234	5,971	7,509
2020	23,373	-4,910	-6,989
2021	3,761	13,034	10,611
2022	-17,016	35,771	23,953
2023 YTD	3,984	10,025	5,987
Jan 23	-3,660	4,093	2,617
Feb 23	-639	2,329	567
Mar 23	1,816	3,710	2,522
Apr 23	1,923	270	-555
May 23	5,008	-406	293
Jun 23	6,717	540	688

Marketcap to GDP

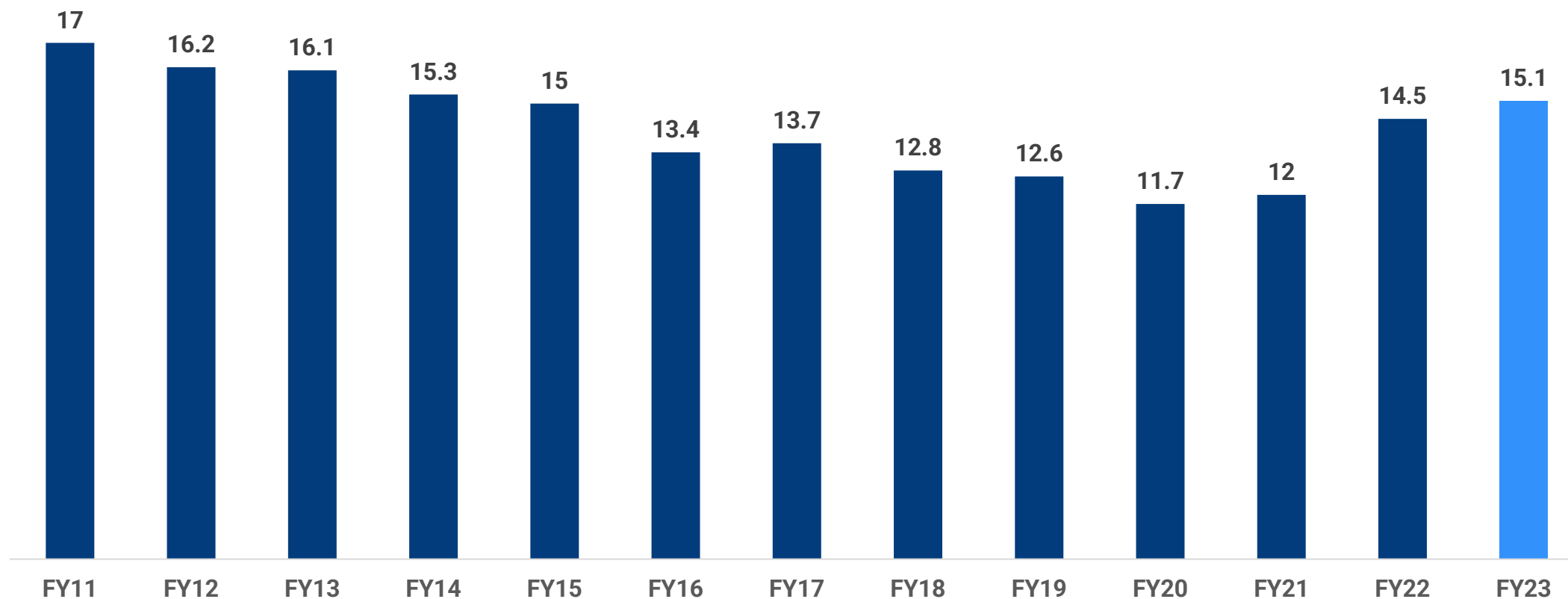
FY-24 Marketcap to GDP ratio around 100 even after recent rally



Return on Equity

ROE is gradually improving

Nifty 50 ROE

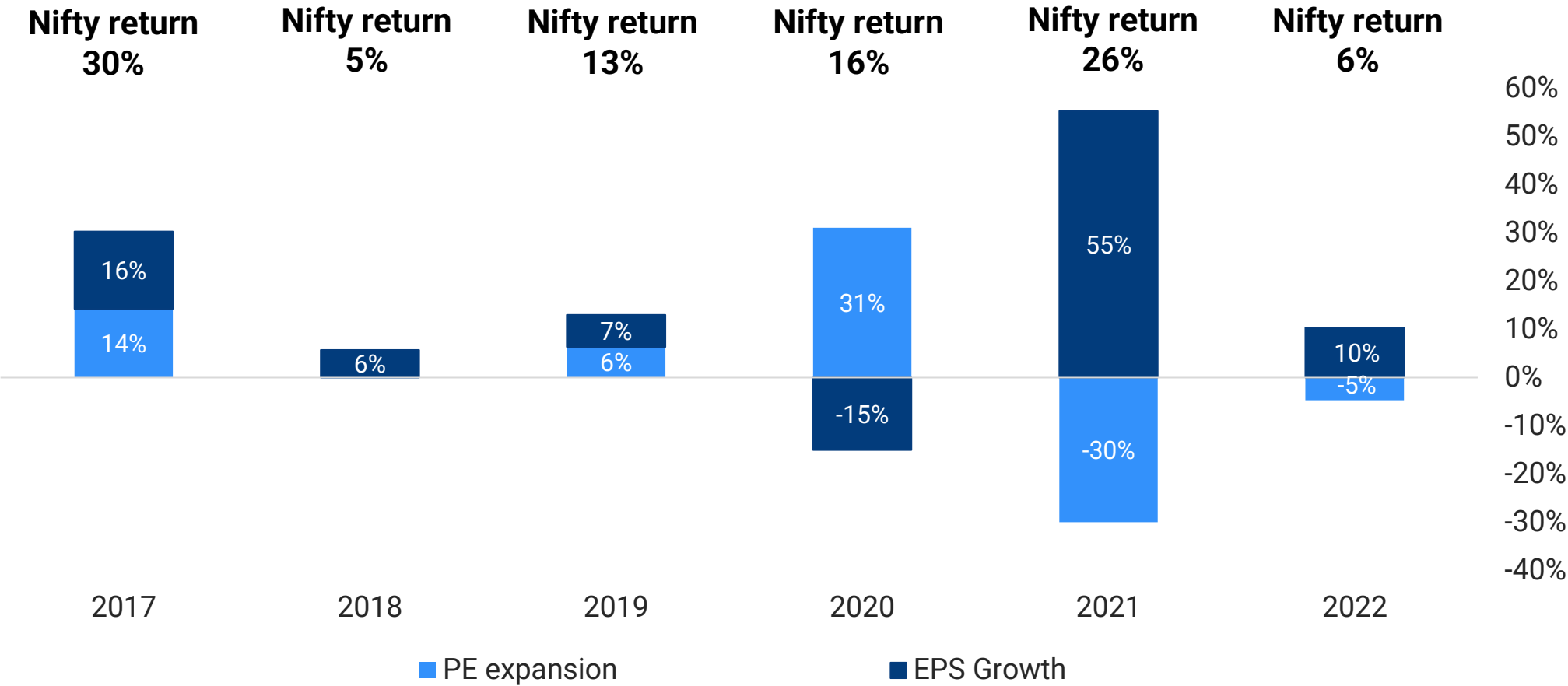


Key Macro Indicators

Indicator	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
CPI Inflation (YoY %)	7.04	7	6.71	7	7.41	6.8	5.9	5.7	6.52	6.4	5.7	4.7	4.3
Crude Indian Basket (\$)	109	116	106	98	90	91	87	78	80.7	82.4	78.3	83.5	75.1
GST Collection (lakh Crs.)	1.41	1.45	1.49	1.44	1.47	1.51	1.45	1.5	1.55	1.5	1.6	1.9	1.6
FX Reserve (\$ bn)	601	593	574	561	537	531	550	562	576.8	560.9	578.4	588.8	589.1
Trade Balance (\$Bn)	-24	-26	-28	-28	-26	-27	-23	-24	-17.7	-16.2	-18.6	-15.2	-22.1
CAD (% of GDP)	-1.52	-2.8	-2.8	-2.8	-4.4	-4.4	-4.4	-4.4	-4.4	-2.2	-2.2	-2.2	-2.2
Bank Credit (Industry)	8.1	9.5	10.5	11.4	12.6	13.6	13.1	8.7	8.7	7.1	5.7	7	
Bank Credit (Services)	12.9	12.82	16.5	17.2	20	22.5	21.3	21.3	21.5	20.7	19.8	21.6	
Bank Credit (Retail)	16.4	18.1	18.4	19.5	19.6	20.2	19.7	20.2	20.4	20.4	20.6	19.4	
Manufacturing PMI	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7
Services PMI	58.9	59.2	55.5	57.2	54.3	55.1	56.4	58.5	57.2	59.4	57.8	62	61.2

Market Return Contribution

Contribution of EPS is increasing in overall returns



PLI

Financial incentives worth USD 26 Bn to promote domestic production in 14 sectors

Tax Cut

Corporate tax reduced; amongst lowest globally

- For existing units - 22%
- For new units - 15%

SemiCon

Incentives worth \$10bn to develop semiconductors and display manufacturing ecosystem

EoBD

79 positions jump in Ease of Doing Business Rank. 40,000+ compliances reduced

Infra

\$1.4 trillion spending plan in infrastructure in the next five years

IBC

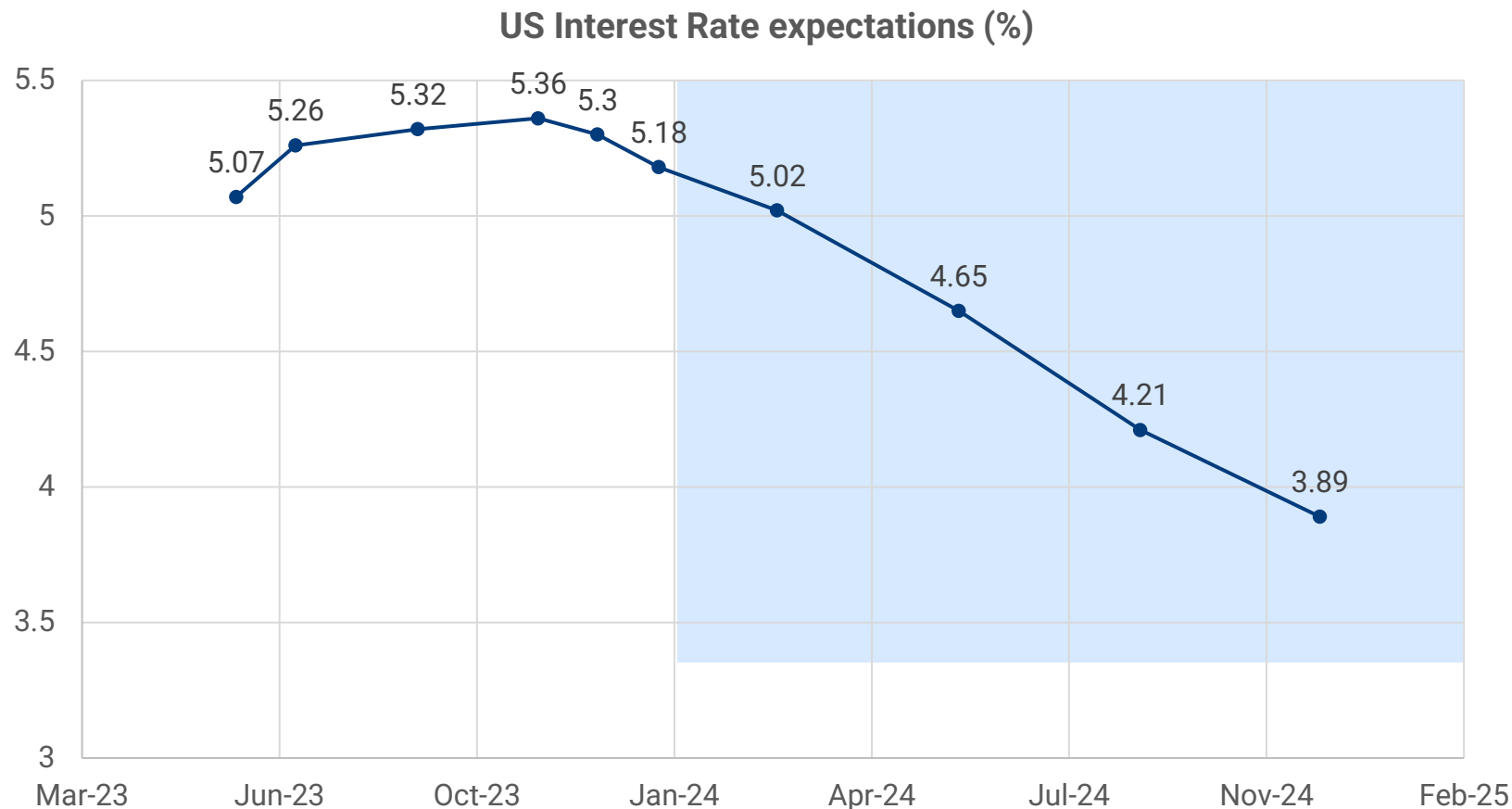
Insolvency and bankruptcy code to improve corporate insolvency resolution

- * Increase in frequency of reforms post 2014.
- * Continued engagement with key stakeholders leading to faster implementation and amendments
- * These reforms are likely to generate macro dividends in coming years

Charts to watch



Market expects sharp rate cuts by US in CY-24



* Equities and other assets get re-priced when US rates fall.

* Equities, especially, outperform.

Economic activity strongest in India

Real GDP (YOY %)	Jun'23	Sept'23	Dec'23	Mar'24	Jun'24E	Sep'24E	Dec'24E
India	6.9	6	5.9	5.5	6.2	6.1	6.4
Brazil	2.3	1.4	1.6	1	1.2	1.6	2
Russia	2.4	1.5	1.2	1.5	0.4	1.3	2.1
China	7.5	5	5.3	4.3	4.8	4.8	5
South Africa	0.8	-0.7	0.7	0.7	1.1	1.4	1.4
Taiwan	0.7	2	3.8	4.2	3.5	2.5	1.7
Indonesia	4.9	5	4.9	5.1	5.1	5.1	5.1
Thailand	3.1	3.4	5.1	4.3	3.7	3.3	3.4
Malaysia	4.2	3.1	3.6	4.3	4.5	4.6	4.7
US	1.2	0	-0.5	0.7	1.2	1.7	1.9
UK	0.2	0.4	0.3	0.4	0.7	0.9	1.1
Germany	-0.3	-0.5	0.2	0.9	1.1	1.4	1.3
France	0.5	0.6	0.7	0.9	0.9	1.2	1.3
Italy	0.9	0.7	1	0.7	0.8	0.9	1.1
Spain	1.4	1.3	1.3	1.2	1.3	1.6	1.9
Japan	1.1	0.9	0.8	0.9	1.2	1.2	1.2
EM	5.6	4.1	4.4	3.8	4.2	4.3	4.3
DM	1	0.3	0.2	0.9	1.2	1.6	1.8

India looks like China of 2007

China in 2007

- ☐ Per Capita \$2,691
- ☐ Rising share in global exports
- ☐ Demographic Dividends
- ☐ High Credit Growth
- ☐ Low Labour cost

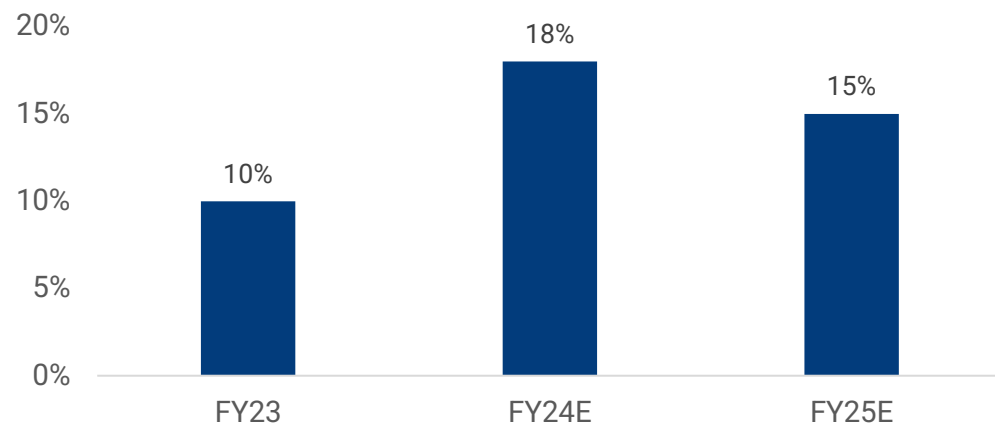
India in 2023

- ☐ Per Capita \$2,745
- ☐ Rising share in EMS exports
- ☐ Median age 28.4 – 10 years younger to China
- ☐ Credit growth at 15%
- ☐ India's labour cost is now lower than China

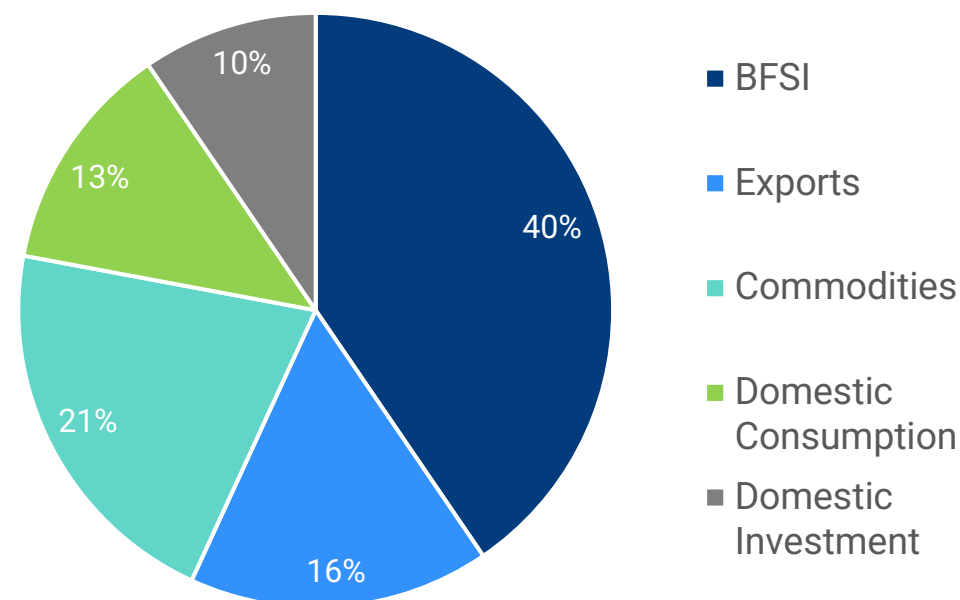
- * China's growth since 2007 was on the back of a big rise in exports, low cost and demographic dividend.
- * India is on the comparable ground today and can benefit similarly to China in coming years.

Earnings Report – Strong growth expected in FY24

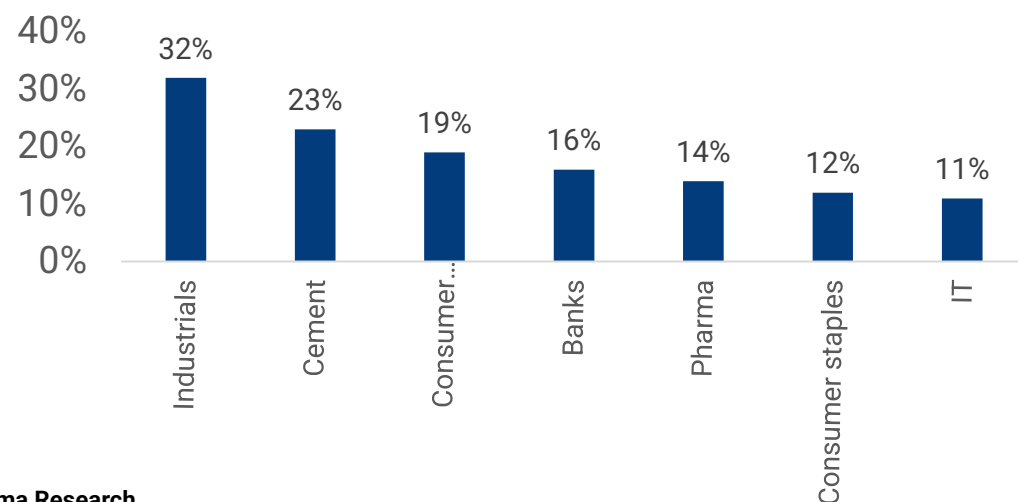
Nifty50 EPS expected to grow at double digit



FY24E EPS share in Nifty 50



FY24E Earnings growth contributors



Earnings Highlights from key sectors



Industrials: Recovery of industrial capex will be led by ongoing government & PSU spending. Additionally, there are promising opportunities supported by the digitalization push, such as investments in data centers and 5G infrastructure, which can lead to substantial spending for the development of hard infrastructure.



Cement: Demand is robust in the run up to elections with government expenditure on infrastructure remaining healthy and good real estate demand. The softening of fuel prices is expected to contribute to an improvement in EBITDA in the coming quarters.



Financials : The Indian banking sector is on the cusp of a multi-year credit cycle. Indian banks reported a strong 4QFY23, driven by healthy loan growth, stable margins, and continued asset quality improvements. Earnings to remain resilient, guided by robust traction in loan growth and a benign credit cost.



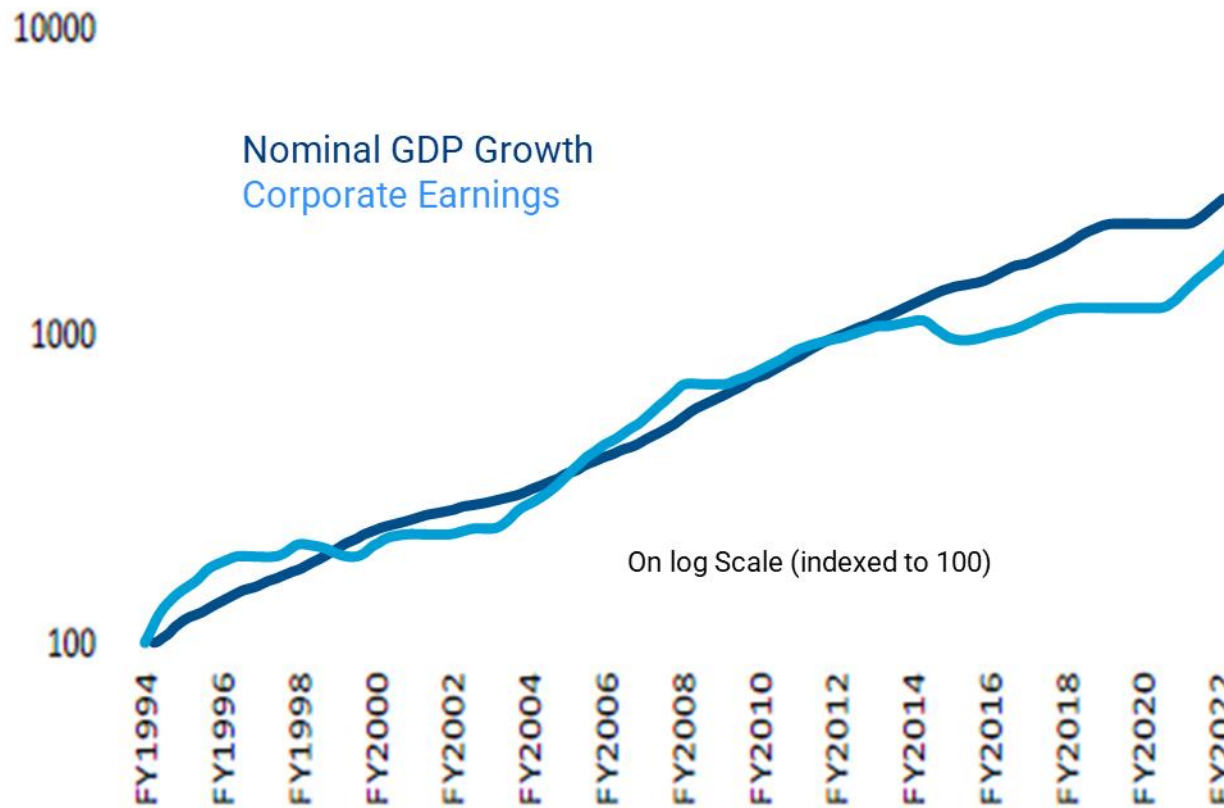
Consumer durables: The momentum in the electronic manufacturing sector continues, as companies perform well in the Q4FY23 and provide robust management guidance for sectoral growth.



Pharma & Healthcare: The growth of hospitals through brownfield expansion is expected to drive growth without significantly diluting ROCE. The positive effects of price hikes in the diagnostic space are anticipated to be reflected in FY24, while competition from online players is expected to decrease.

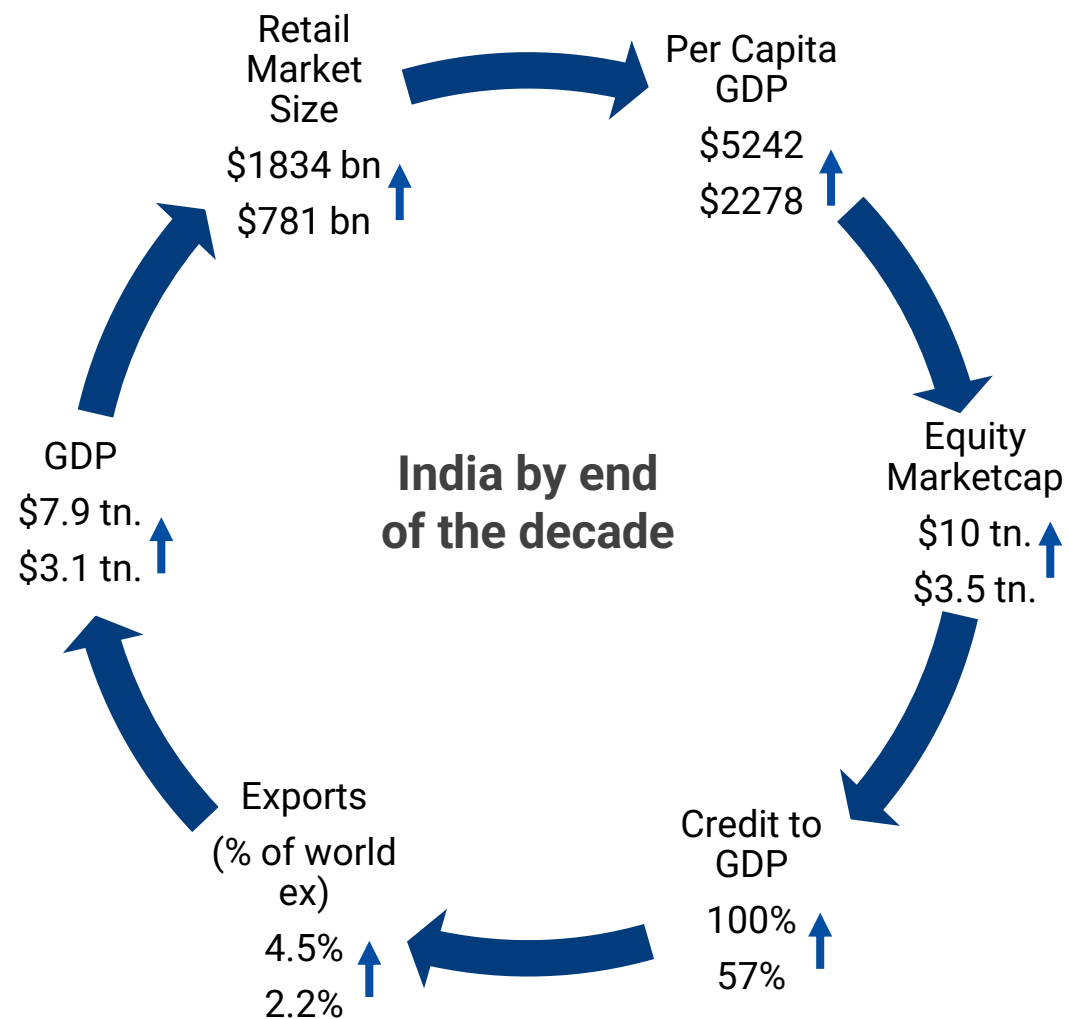
Corporate profitability is catching-up

Earnings were lagging nominal GDP growth till 2020 and are now picking up the pace



India's Decade

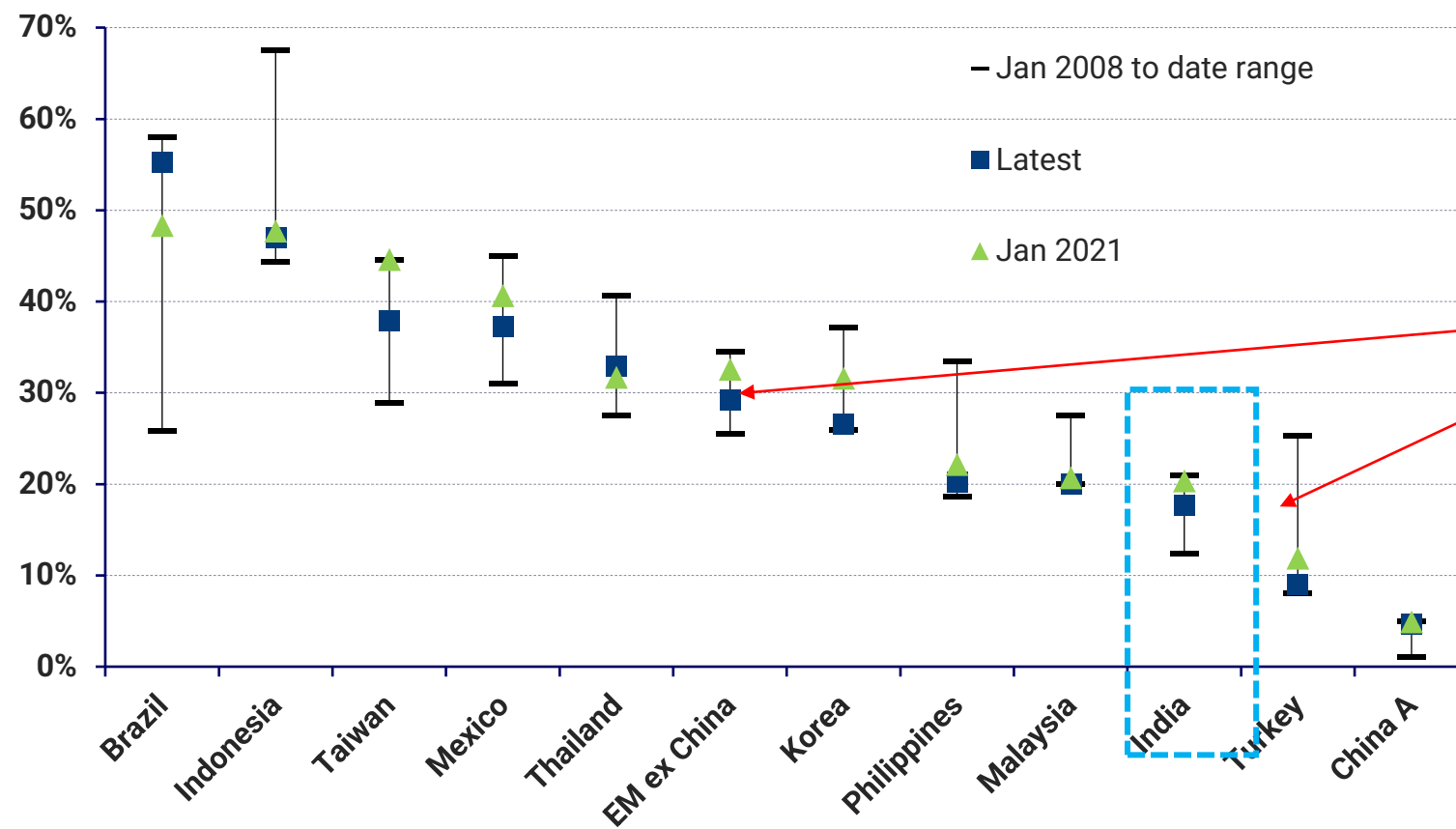
India to drive a fifth of global growth through the end of this decade



Growth lead by 4 pillars



India still under-owned by FIIs



FII ownership in India is below EM average.

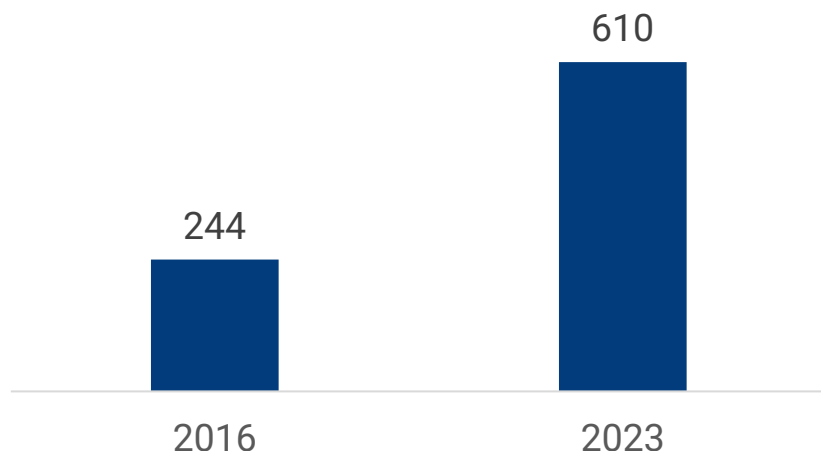
This opens up a huge opportunity in the coming decade for FII inflows

Formalisation of economy is underway

The base of direct and indirect tax payers has been growing;

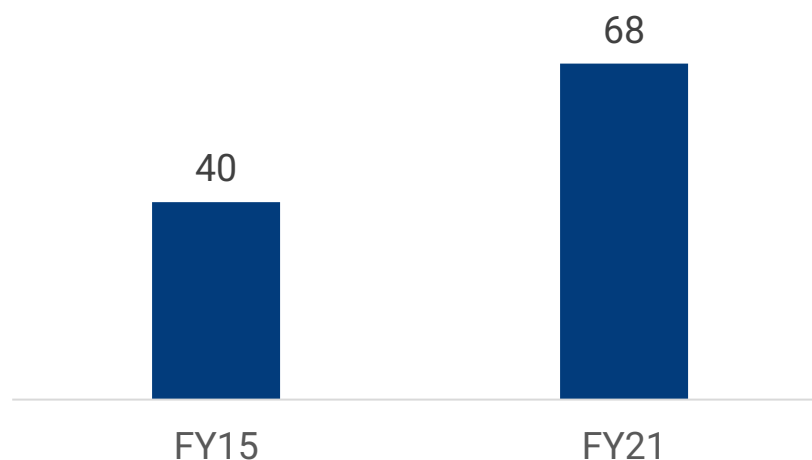
GST has been a huge hit in expanding tax payer base; Listed businesses shall continue to gain share.

Pan cards Allotted (Mn)

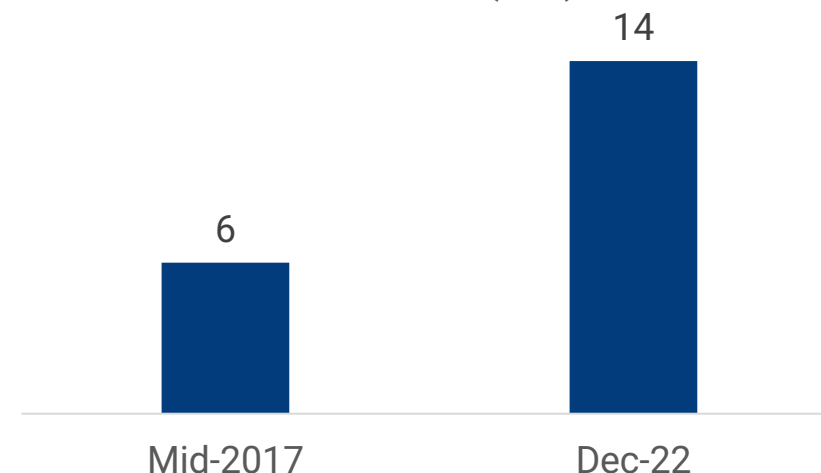


The #active companies registered in India as of October '22 was 1.5Mn (1.2Mn as of July '17) - The additional ~12.5Mn are smaller businesses. Incremental companies added since '17 account for ~20% of the GST collections, and pay ₹1.13Lacs (\$1.4K; FY22) about a fourth of what the existing 6m accounts pay.

Income tax Filers (Mn)



GST base (Mn)



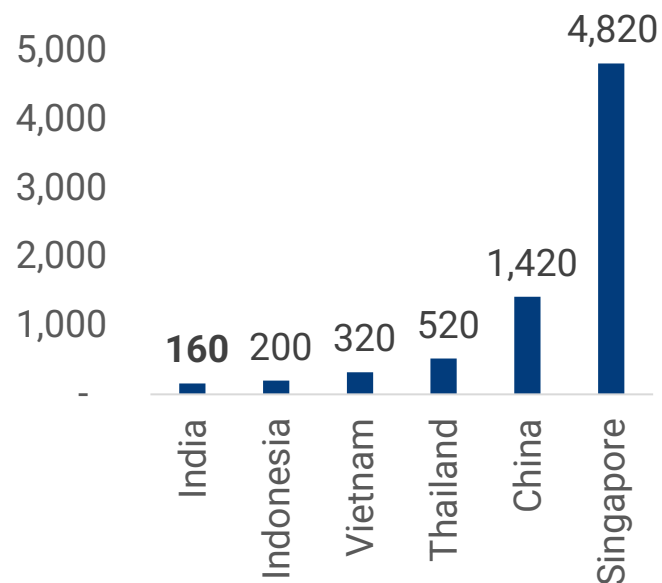
Tailwinds for India's Manufacturing

Govt Incentives

- * Govt. is spurring mfg. growth via Production Linked Incentive policy.
- * The policy aims to create national mfg. champions with 60 lakh jobs and productions worth ~\$375Bn over the next 5 years.

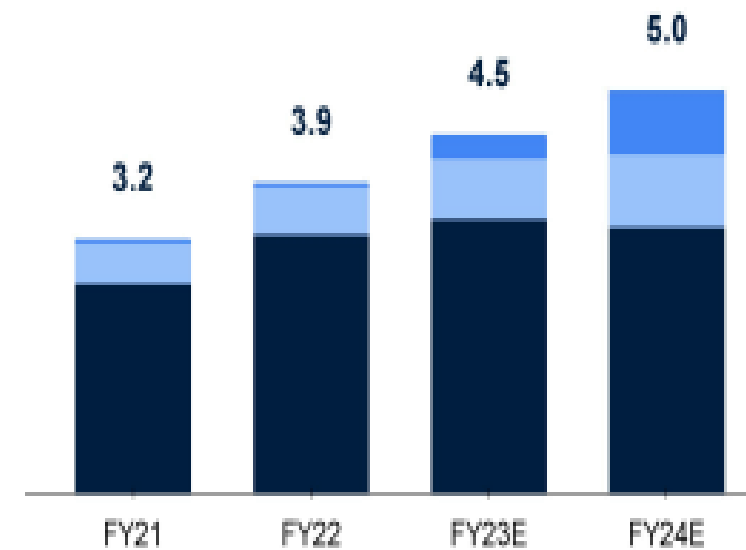
India's Low Labor Cost

Manufacturing wages (\$/month)



Capex Recovery Cycle

Pvt. sector capex breakdown (Rs Tn)



4 pillars propelling India's journey to \$5tn



Consumption

- * 140 Mn households to be added to India's middle class by 2030 which would drive spends.
- * 56% Urbanization by 2030 will lead to better consumption prospects.



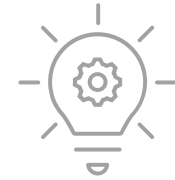
Infra Investments

- * 8-9% infra spends as a % of GDP would enable \$ 5 Trillion economy.
- * 70% National Infra Pipeline targets to be achieved by 2025.



Corporate Capex

- * 2/3rd of companies saw debt reduce in 2021, best placed to drive capex.
- * Rs.3.5-4 Trillion capex to be invested via the PLI scheme in the next 3-4 yrs.

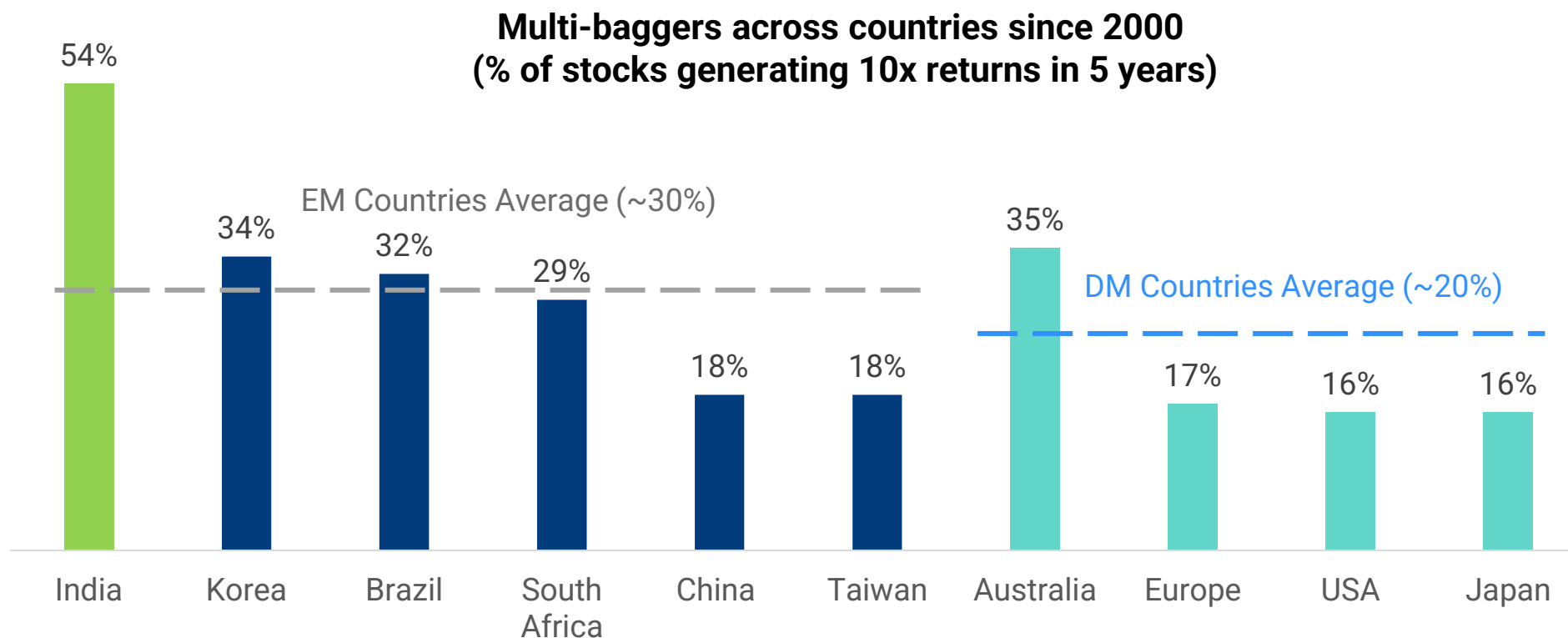


Innovation

- * 80% transactions to be digital by 2030 – Digital India.
- * 100+ Unicorn with a total valuation of \$ 340 billion

India is the best market for multi-baggers

More than half (54%) of NSE 500 stocks have generated over 10x returns within a 5-year rolling period since 2000, the largest proportion of multi-baggers among 10 major markets globally.



Data Source: Goldman Sachs Report. Key local Indices considered for this analysis: India – Nifty 500; Korea – KOSPI; Brazil – IBOV; South Africa – JALSH; China – MSCI China; Taiwan – TWSE; Australia – ASX 200; Europe – SXXP; USA – S&P500; Japan – TOPIX. Past performance may not sustain.

All-time highs are not unprecedented



Previous peaks	Absolute return (%) from previous peak till date
Jan'20	50%
Mar'15	107%
Jan'08	196%
May'06	395%
Dec'03	959%

- *Markets peaking is not the end. It lays the foundation for another peak.
- *Time in the market is always better than timing the market

Earnings running the game

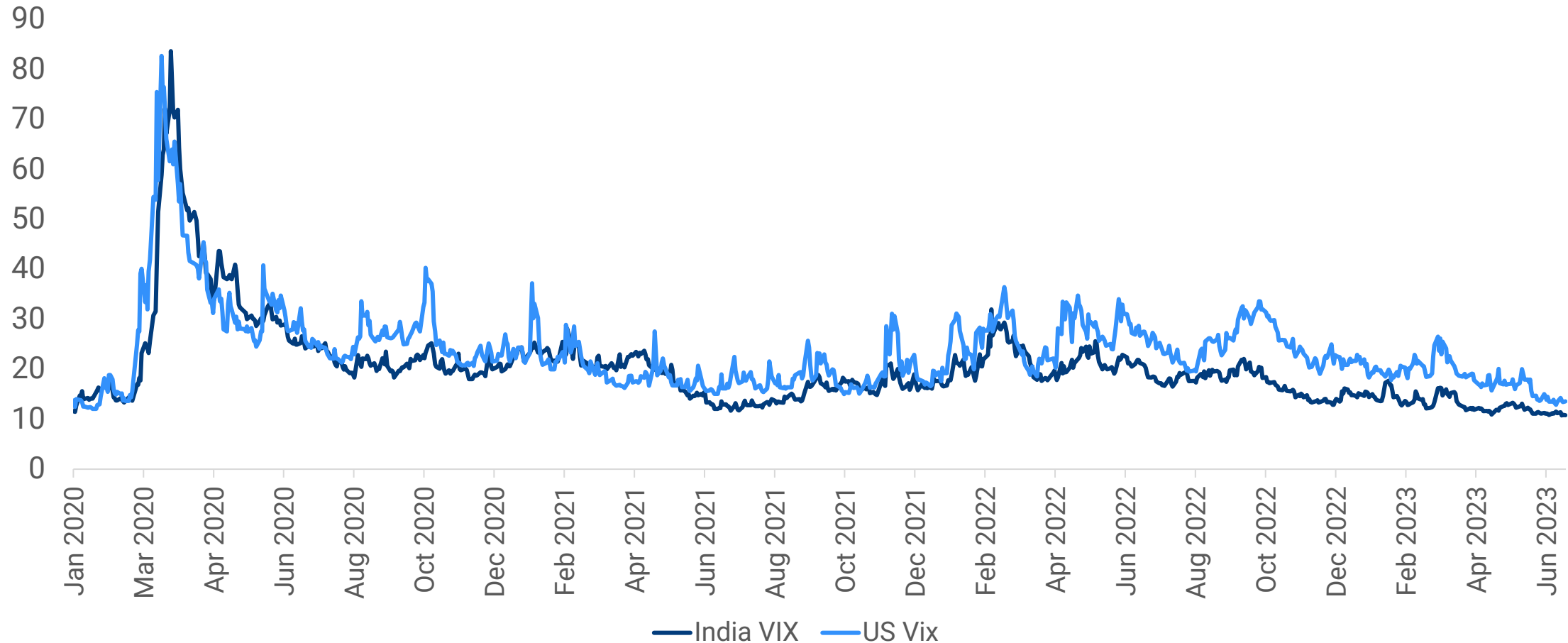
Nifty 50 3 years back	Nifty 50 Now	Returns
9,039	18,598	105%
PE 21x	PE 21x	

In the last 3 years, Earnings growth has contributed to the entire Nifty returns, while the PE multiple has remained at 21x levels.

Don't keep an eye on PE alone. You may miss the bus.

Fear indicators are at their lowest levels since pandemic

India and US VIX are at the lowest levels



Fund Insights



Equity Funds Overview

Scheme Names	Edelweiss Large & Mid Cap Fund			Edelweiss Mid Cap Fund			Edelweiss Flexi Cap Fund			Edelweiss Small Cap Fund			Edelweiss Focused Equity Fund			Edelweiss Long Term Equity Fund (Tax Savings)		
AUM (Rs Cr.)	2,048			3,255			1,238			1,950			569			247		
Market Cap Allocation	Large 53%	Mid 39%	Small 7%	Large 14%	Mid 68%	Small 17%	Large 80%	Mid 15%	Small 6%	Large 2%	Mid 27%	Small 70%	Large 78%	Mid 19%	Small 3%	Large 79%	Mid 15%	Small 6%
Over-Weight Sectors	<ul style="list-style-type: none"> Industrial/Infra BFSI Auto & Auto Ancillaries 			<ul style="list-style-type: none"> Industrial/Infra Consumer Cement & Cement Products 			<ul style="list-style-type: none"> Industrial/Infra Cement & Cement Products BFSI 			<ul style="list-style-type: none"> Consumer Auto & Auto Ancillaries Transportation 			<ul style="list-style-type: none"> Industrial/Infra Cement & Cement Products Consumer 			<ul style="list-style-type: none"> Industrial/Infra BFSI Cement & Cement Products 		
Under-Weight Sectors	<ul style="list-style-type: none"> Oil & Gas Healthcare Power 			<ul style="list-style-type: none"> BFSI Healthcare Oil & Gas 			<ul style="list-style-type: none"> Oil & Gas Consumer Metals & Mining 			<ul style="list-style-type: none"> BFSI Oil & Gas Technology 			<ul style="list-style-type: none"> Oil & Gas Metals & Mining Power 			<ul style="list-style-type: none"> Oil & Gas Consumer Metals & Mining 		

Portfolio Return Ratios

	Edelweiss Large & Mid Cap Fund	Edelweiss Mid Cap Fund	Edelweiss Flexi-Cap Fund	Edelweiss Small Cap Fund	Edelweiss Long Term Equity Fund	Edelweiss Focused Equity Fund
FY24E EPS growth (%)	26.2	23.3	22.8	28.1	23.3	24.2
FY25E EPS growth (%)	18.0	20.0	17.3	22.9	17.4	17.0
PEG (x)	0.8	1.0	0.9	0.8	0.9	1.0
FY24E ROE (%)	19.1	20.2	18.9	18.6	19.0	20.2
FY25E ROE (%)	20.0	21.0	19.9	19.5	19.9	21.1
PER FY24E (x)	21.9	27.0	22.1	24.0	21.9	23.1
PER FY25E (x)	18.6	22.5	18.8	20.0	18.6	19.7

New Entries and Exits in Portfolios

	Edelweiss Large & Mid Cap Fund	Edelweiss Long Term Equity Fund (Tax Saving)	Edelweiss Flexi-Cap Fund	Edelweiss Small Cap Fund	Edelweiss Mid Cap Fund	Edelweiss Focused Equity Fund
New Entries	<ul style="list-style-type: none"> Bank of Baroda Shriram Finance Ltd. Aditya Birla Capital Ltd. Creditaccess Grameen Ltd. 	<ul style="list-style-type: none"> Shriram Finance Ltd. 	<ul style="list-style-type: none"> Shriram Finance Ltd. ICICI Prudential Life Insurance Co Ltd. 	<ul style="list-style-type: none"> Avalon Technologies Ltd. 	<ul style="list-style-type: none"> Shriram Finance Ltd. Coforge Ltd. Godrej Properties Ltd. Aditya Birla Capital Ltd. 	<ul style="list-style-type: none"> Tata Consultancy Services Ltd.
Exits	<ul style="list-style-type: none"> Canara Bank Tata Power Company Ltd. Tata Chemicals Ltd. 			<ul style="list-style-type: none"> Timken India Ltd. 	<ul style="list-style-type: none"> Tata Chemicals Ltd. Mphasis Ltd. Emami Ltd. IPCA Laboratories Ltd. Atul Ltd. 	<ul style="list-style-type: none"> Infosys Ltd. Housing Development Finance Corp Ltd.

Active stock exposure across Equity Funds

Edelweiss Large & Mid Cap Fund		Edelweiss Flexi Cap Fund		Edelweiss Long Term Equity Fund	
HDFC Bank Ltd.	2.93%	ICICI Bank Ltd.	3.32%	ICICI Bank Ltd.	3.31%
ICICI Bank Ltd.	2.01%	Cummins India Ltd.	3.30%	Cummins India Ltd.	3.29%
Can Fin Homes Ltd.	1.67%	Larsen & Toubro Ltd.	3.19%	Larsen & Toubro Ltd.	3.02%
Birlasoft Ltd.	1.58%	ABB India Ltd.	2.92%	ABB India Ltd.	2.91%
Navin Fluorine International Ltd.	1.52%	State Bank of India	2.70%	State Bank of India	2.70%
Cholamandalam Investment & Fin Co Ltd.	1.42%	Ultratech Cement Ltd.	2.39%	Ultratech Cement Ltd.	2.38%
Dixon Technologies (India) Ltd.	1.34%	Cholamandalam Investment & Fin Co Ltd.	2.26%	Axis Bank Ltd.	2.24%
ABB India Ltd.	1.33%	Bharat Electronics Ltd.	1.87%	Bharat Electronics Ltd.	1.81%
Cummins India Ltd.	1.31%	Axis Bank Ltd.	1.84%	The Federal Bank Ltd.	1.68%
State Bank of India	1.27%	The Federal Bank Ltd.	1.68%	Cholamandalam Investment & Fin Co Ltd.	1.41%

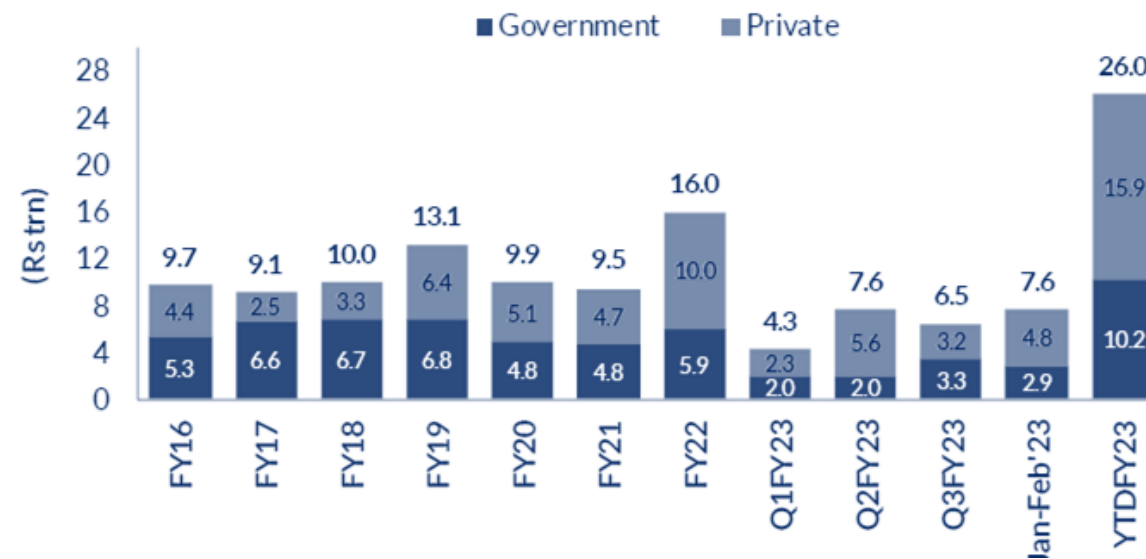
Active stock exposure across Equity Funds

Edelweiss Midcap Fund		Edelweiss Smallcap Fund		Edelweiss Focused Fund	
Cummins India Ltd.	4.63%	Can Fin Homes Ltd.	2.93%	Cummins India Ltd.	3.74%
Persistent Systems Ltd.	3.43%	APL Apollo Tubes Ltd.	2.88%	ABB India Ltd.	3.66%
Cholamandalam Investment & Fin Co Ltd.	3.09%	Westlife Foodworld Ltd.	2.81%	Tata Consultancy Services Ltd.	3.36%
Indian Bank	3.09%	Cholamandalam Investment & Fin Co Ltd.	2.11%	HDFC Bank Ltd.	3.22%
Kajaria Ceramics Ltd.	2.84%	Century Plyboards (India) Ltd.	2.09%	Larsen & Toubro Ltd.	3.12%
ABB India Ltd.	2.73%	JB Chemicals & Pharmaceuticals Ltd.	2.08%	KEI Industries Ltd.	2.94%
The Federal Bank Ltd.	2.61%	Max Healthcare Institute Ltd.	2.04%	Bharat Electronics Ltd.	2.92%
P I INDUSTRIES LIMITED	2.47%	Navin Fluorine International Ltd.	2.02%	Axis Bank Ltd.	2.91%
Syngene International Ltd.	2.41%	Persistent Systems Ltd.	1.94%	State Bank of India	2.62%
Bharat Electronics Ltd.	2.35%	The Federal Bank Ltd.	1.86%	ICICI Bank Ltd.	2.53%

Why we own; What we own – Industrials

- * Recovery of industrial capex led by continuing government & PSU spending.
- * Private side of the corporate balance sheet having deleveraged & Capacity Utilisation Factor hitting mid-cycle high leading to intent on spending rising.
- * Automation & IOT leading to the need for shop floor overhaul hence creating opportunities for engineering plays.
- * Incremental Opportunities backed by digitalization drive like Data Centres, 5G spending can lead to billions of dollar spent on Hard infrastructure creation.
- * Indigenisation of Defence can be multi-decadal theme that has just started to flourish,
- * Lastly policy incentive like Production Linked Incentive scheme can give boost to both employment creation & expanding mkt share of manufacturing by few percentages to India's GDP (~16-17% at present).

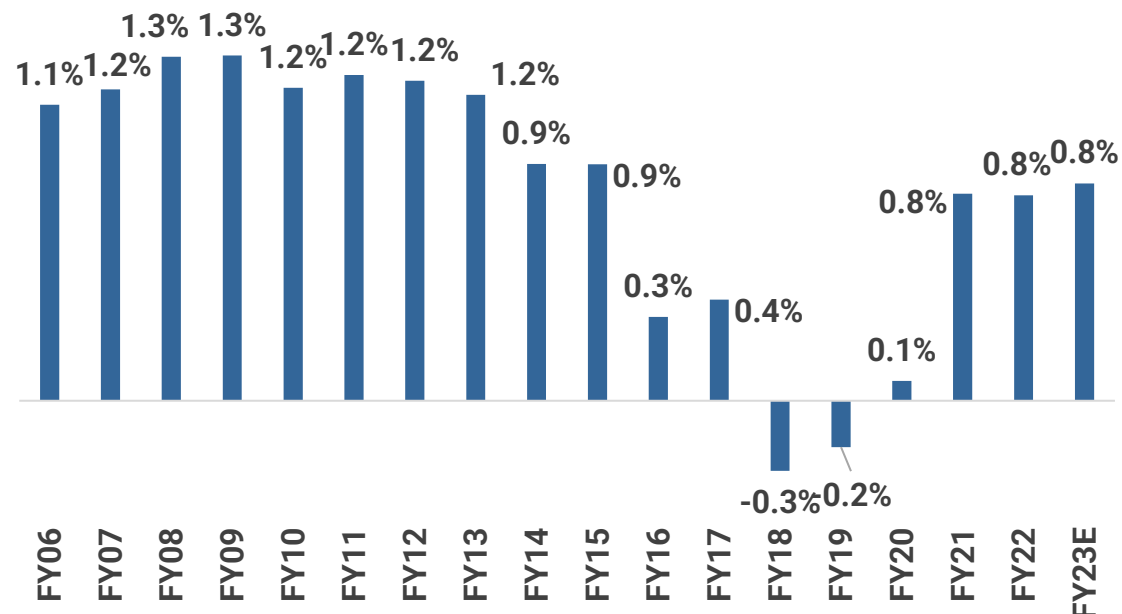
New investments announced has seen a sharp rise



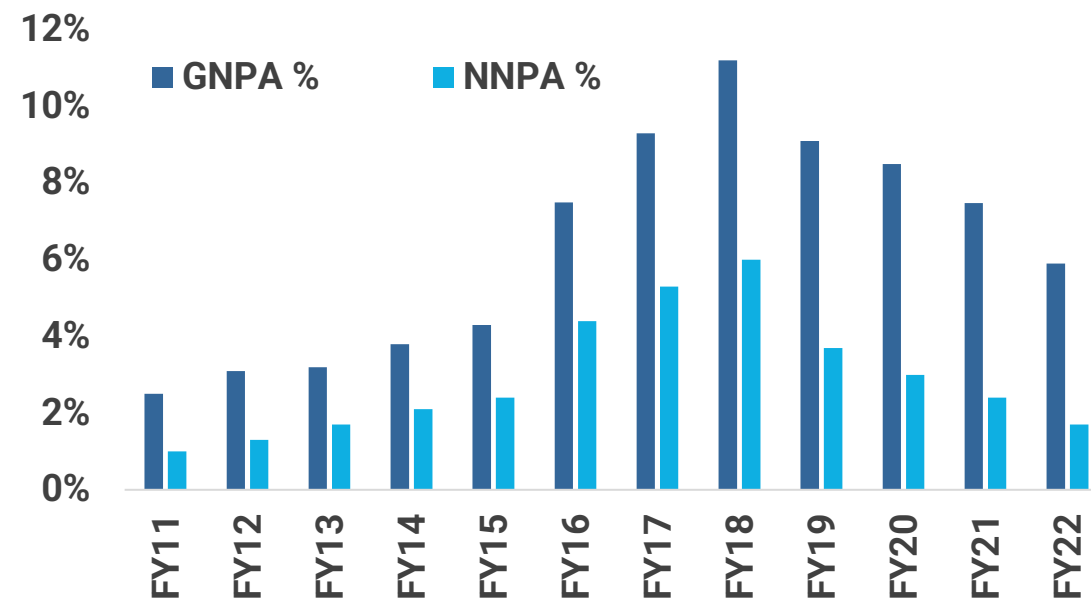
We are overweight in many industrial companies across our equity funds for this reason

Why we own; What we own – Financials

Banking System ROA improving (credit+investments)



Asset Quality has improved significantly

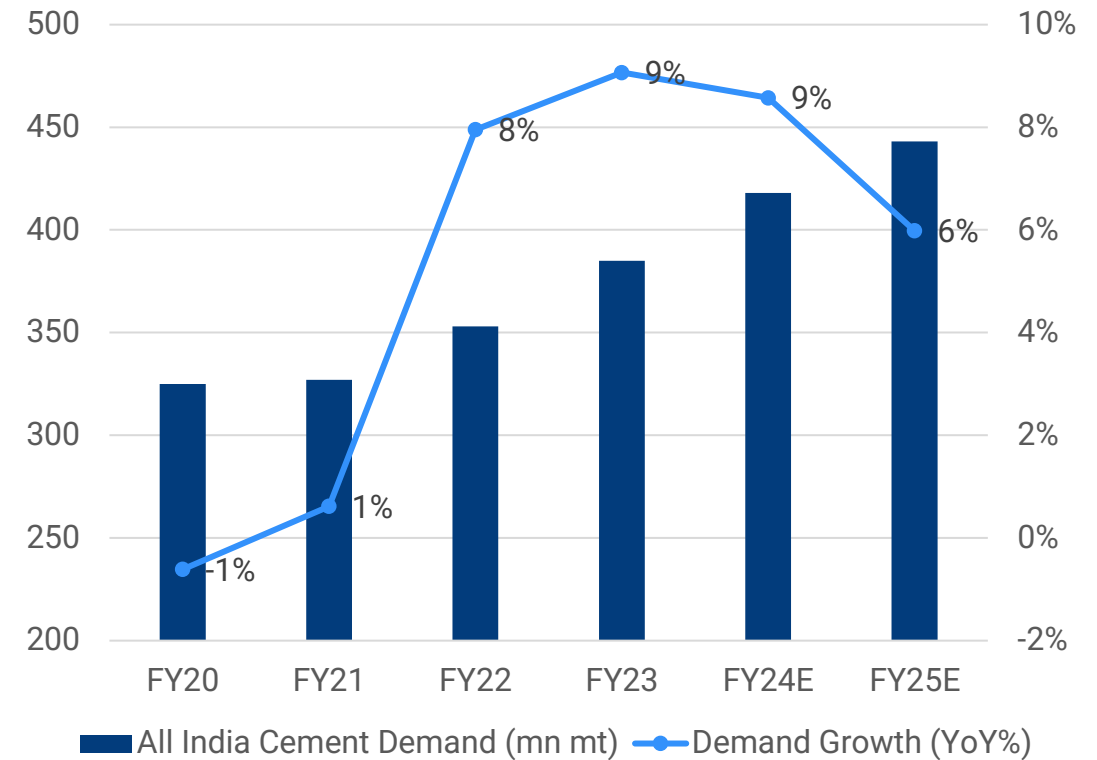


- * Banking sector credit growth was in a down-cycle since 2012 and is now seeing improvement.
- * Asset quality stress has bottomed out and return ratios are improving.
- * Within financials we like lenders as they are better placed than the capital market, insurance, or other players as earnings growth will be better.
- * We are overweight in many lenders within BFSI across our equity funds to play this opportunity

Why we own; What we own – Cement & Products

- * Analysis of the cement sector vis-à-vis the past three general elections indicates a pick-up in demand in the year ahead of elections.
- * Housing remains one of the key pillars of cement demand growth in India. We expect rural housing demand to be driven by increased farm income and the flagship scheme of the government i.e., 'Housing for All'. Urban housing has seen a revival post-COVID with increased new launches as well as higher absorption of existing inventory.
- * Last year witnessed inflation worries including a rise in the cost of energy/Coal price. This year has started with moderation in Energy costs which shall lead to better profitability in forthcoming quarters.
- * Sector is expected to see a slew of capacity addition which is also pointing toward strong demand visibility from a medium-term perspective.

Cement demand is expected to be strong



Why we own; What we own – Building Materials

* Structural uptick in real estate industry

- * As per analyst reports, Indian real estate industry grew by 32% y-o-y in FY23 and is projected to grow at an annualized rate of ~9% between 2023-2028.

* Prospect of superior profitability

- * Building materials industry is capable of generating better returns on equity compared to other sectors because these are less capital-intensive businesses and hence, employ lower leverage.
- * Across market cycles, the building material companies have been able to demonstrate pricing power and lower margin volatility despite volatile raw material price movements.

* Shift from unorganized to organized

- * Many of the building materials sub-segments like tiles, sanitaryware and plywood have a higher share of companies belonging to the unorganized sector.
- * This presents an opportunity to indirectly play the unorganized to organized theme.

Superior profitability ratios

Company	FY23 ROCE	FY23 OCF/PAT
Century Ply	26%	1.1
Greenpanel	28%	1.3
Greenlam	14%	1.4
Somany	10%	2.3
Kajaria	20%	0.9
Prince	12%	3
Astral	26%	1.2
Supreme Indus	27%	1
Cera	25%	0.8
Average	19%	1.4

Investment Process



Our philosophy while managing your money

Our **FAIR** investment framework helps in identifying Robust and clean businesses available at acceptable price and also keeps us informed on their ESG standings.



Forensics

Use forensic framework to check accounting quality, board governance standards and ownership background



Acceptable Price

Focus on reasonably priced businesses with medium term earnings power rather than short term and be value/ growth agnostic



ESG Informed

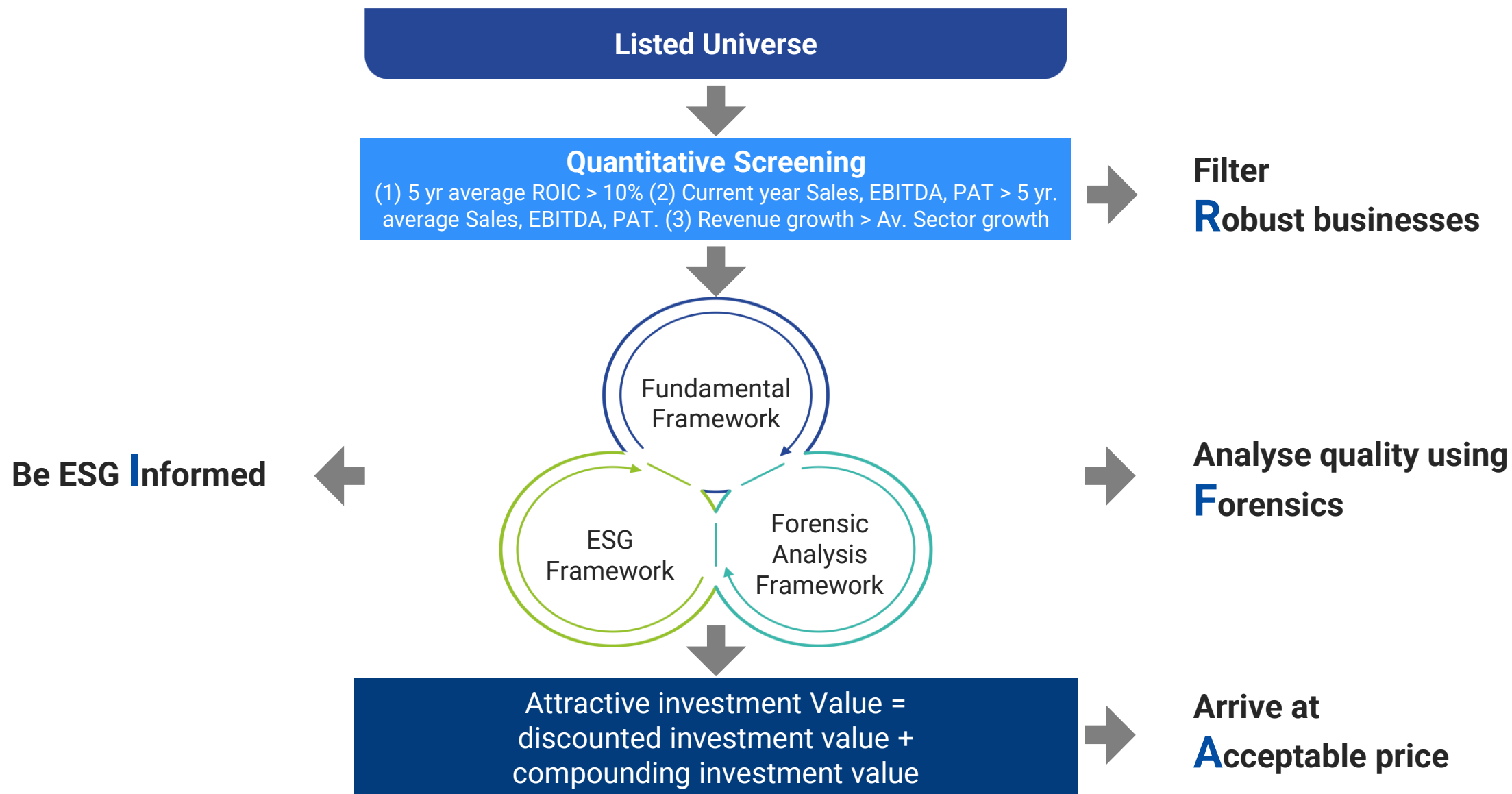
Be informed on ESG factors for businesses that we like to invest and its impact on the environment and humans at large



Robustness

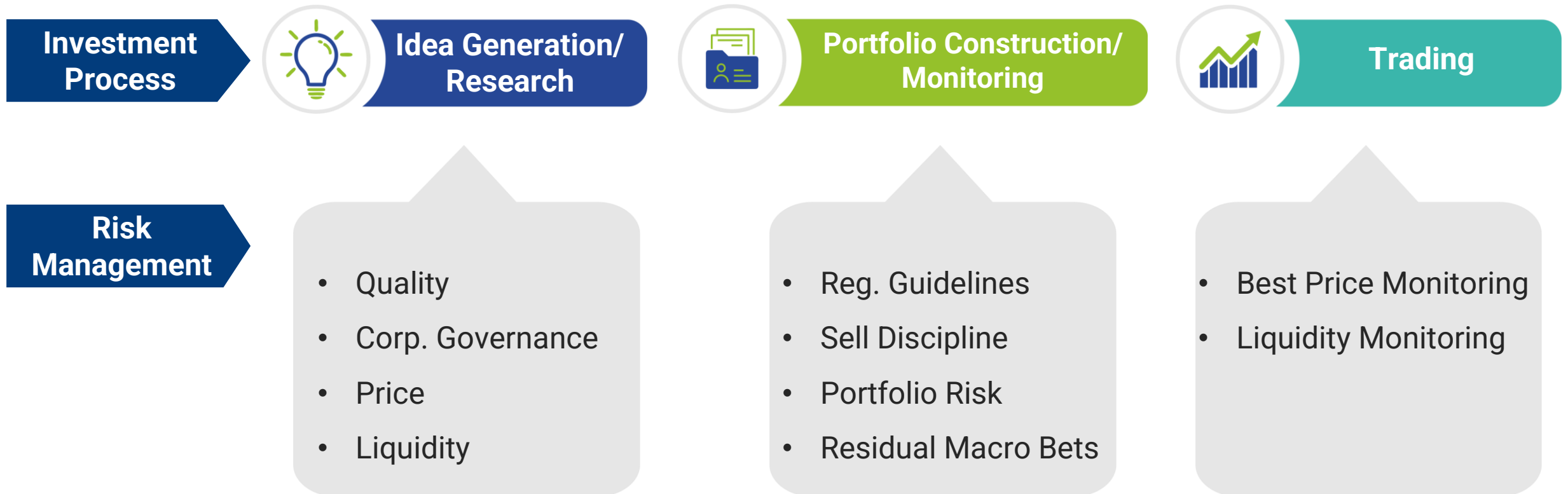
Pick well managed businesses having scalable opportunities and superior return on capital employed

Our investment process



Risk Management at each level of investment process

Risk management is core to our strategy at each level of investment process



What we don't do

Not doing something is an active call and a very important factor in investing

01

Take out-sized sector bets

Earnings of every sector goes through cycles and over longer period it is in-line with broader market earnings. Hence, we avoid out-sized sector bets unless it is mandate of the fund

02

Macro calls

Macro calls may not work all the time given dynamic nature of our markets today compared to what they were in the past

03

Cash-calls

Timing the market is difficult and hence, we keep our portfolios fully invested

Investment Team

Long Only Equities



Trideep Bhattacharya
CIO – Equities
23 years



Abhishek Gupta
Fund Manager
16 years



Sahil Shah
Fund Manager
15 Years



Ashwani Agarwalla
Fund Manager
18 Years

Hybrids & Solutions



Bhavesh Jain
Co-Head, Hybrid
& Solutions
12 Years



Bharat Lahoti
Co-Head, Hybrid
& Solutions
16 Years

Fixed Income



Dhawal Dalal
CIO – Fixed
Income
23 Years



Rahul Dedhia
Fund Manager
13 Years



Pranavi Kulkarni
Fund Manager
12 years

Alternative Equities



Nalin Moniz
CIO – Alternatives
15 Years



Ashish Agarwal
Managing Partner &
Head Private Equity
20 Years



Utsav Mehta
Fund Manager
11 years



Nilesch Saha
Fund Manager
11 Years



Gautam Berry
Fund Manager
10 Years


Supported by a team of 8 people of research analysts and dealers

Annexure





India – Coming of age

 Indian received ~\$950 Billion FDI since 1947, of which **\$532 Billion FDI** came in the last 90 months.


 From start of 2015, India's GDP rank jumped from **10th to 5th rank.**


 **2nd largest working population** of 522 Mn with median age of ~29 years.

 Manufacturing GDP to grow **15x to USD 6.2 Tn** by 2047

 India added a unicorn **every 9 days** in 2022.

 **2/3rd of India's GDP** is driven only by domestic demand.

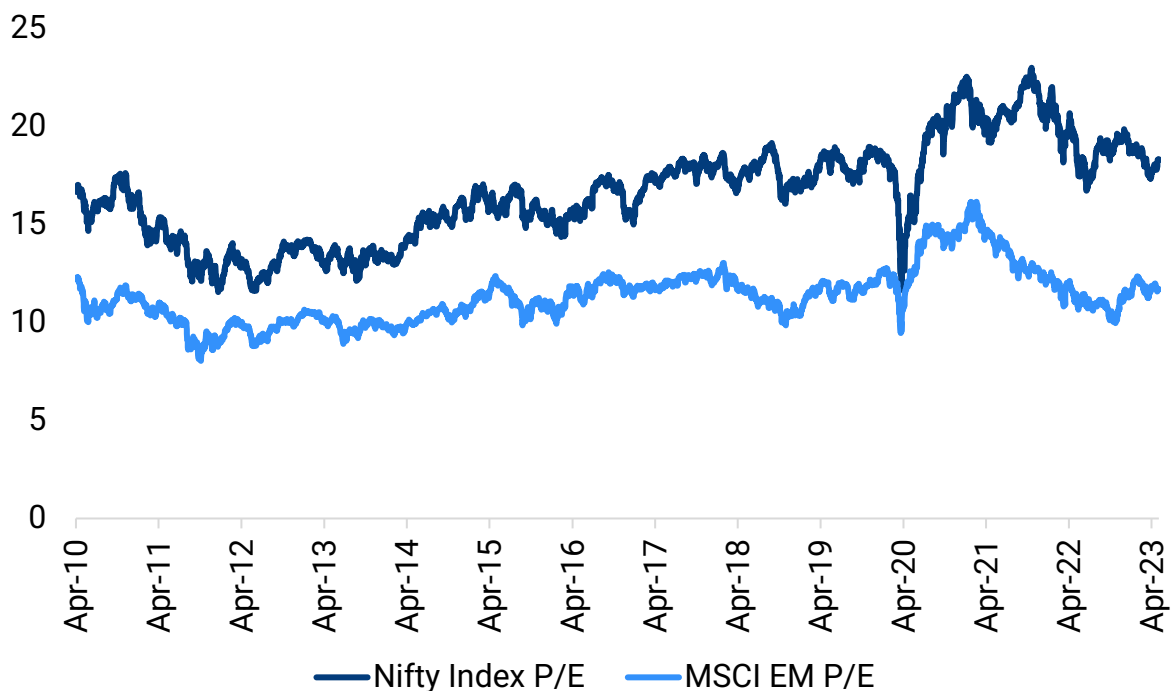
 Services GDP to grow **13x to USD 20 Tn** by 2047

 Per Capita income to grow **10X to USD 20,000** by 2047

India is well place in the EM basket

India's premium over EM has fallen

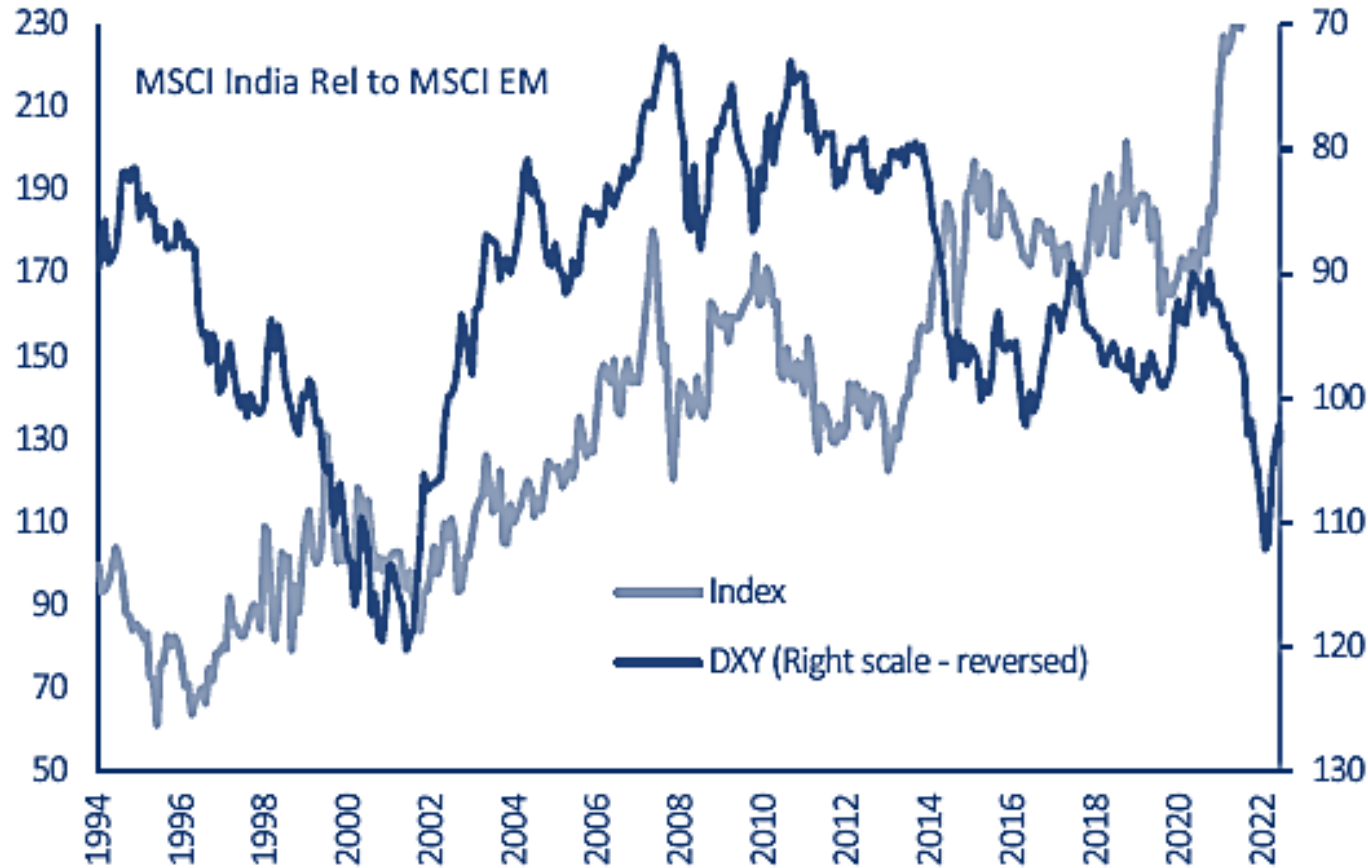
Nifty PE vs MSCI EM PE



Nifty Prem/Discount over MSCI EM



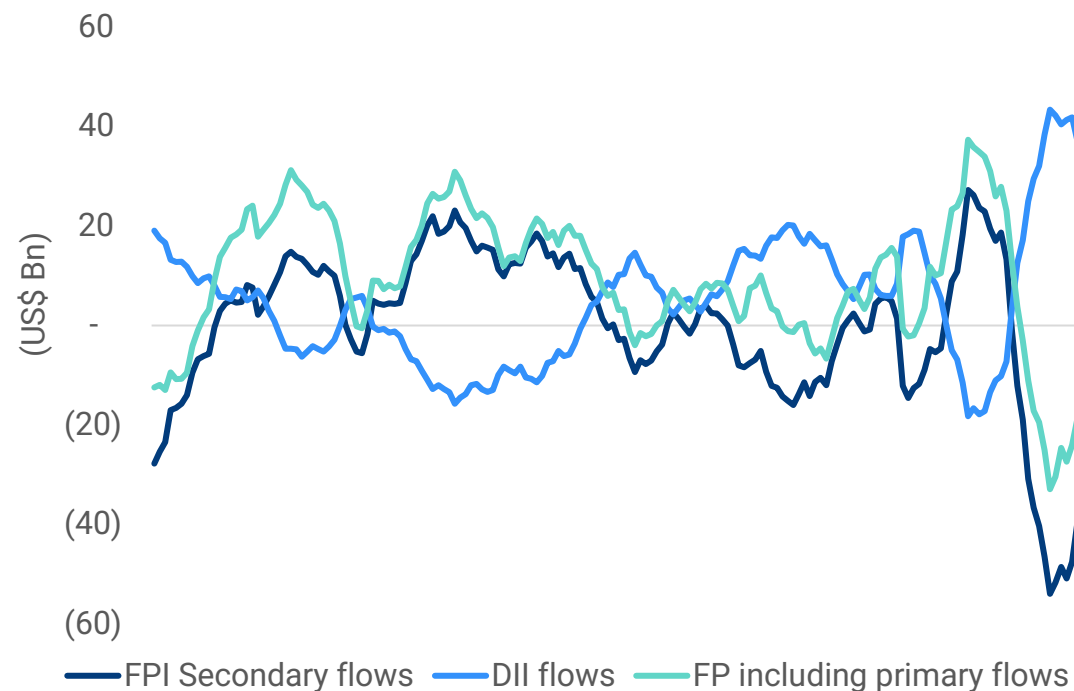
Weak Dollar Index is good for Indian Equities



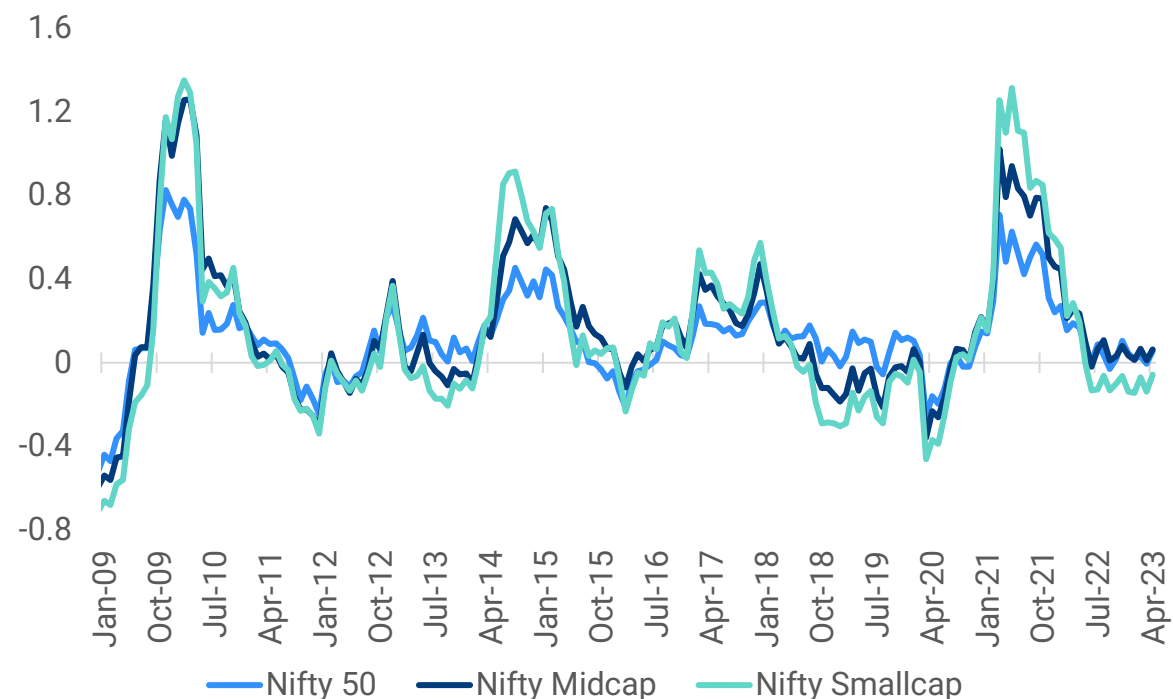
- * India has outperformed EM when the dollar index depreciated.
- * A rising dollar makes growth and macro stability vulnerable to policy errors causes flows and forex reserves to fall, as seen recently.
- * As with oil, the relationship between stocks and the Dollar Index has broken down.

FPI outflows approaching zero and could turn positive

12-month cumulative flows (FPI and DII secondary market flows)

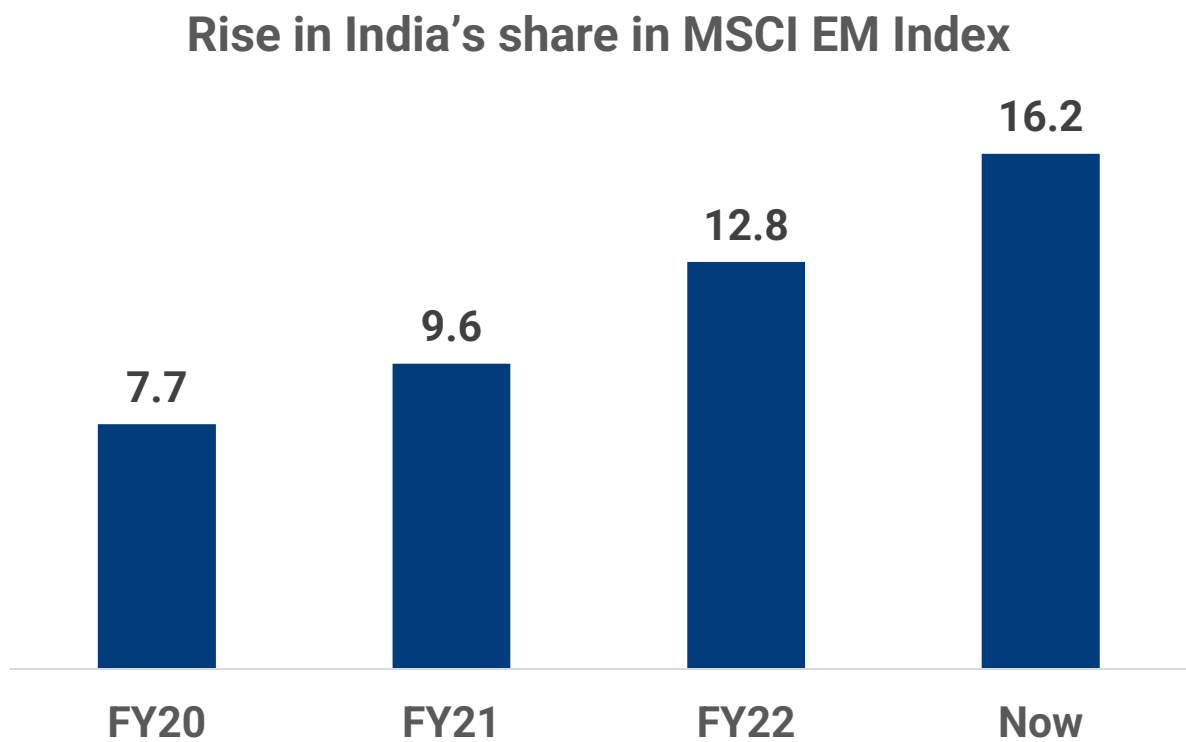


Rolling 12-month returns for NIFTY50, Nifty Midcap 100 and Nifty Small Cap 100



India's rising share in MSCI EM to help flows

Indian economy and equity market have outperformed other EM nations, leading to a steady rise in its share in the MSCI EM index. This will help in sustained FII flows into equity markets in the coming years.



Country	FY20	FY21	FY22	Now
China	36.1	35.5	27.5	26.9
India	7.7	9.6	12.8	16.2
Taiwan	12.1	13.7	15.5	13.5
S. Korea	11.7	13.3	12.3	11.9
Brazil	4.8	4.5	5.7	6.4
Other Nations	14.9	14.3	15.6	25.0

Bull market loading...?

Current bull market rhymes with 2003-08 bull market.. and may have more legs to continue the run.

Performance Metrics	Apr'93 to Sep'94	Nov'98 to Feb'00	Feb'03 to Jan'08	Jan'09 to Nov'10	Since Mar'2020 to Feb 2023
Bottom of SENSEX	2,037	2,774	2,904	8,110	25,639
Peak of SENSEX	4,643	6,151	21,207	20,917	63,583
Duration in weeks	72	67	246	87	150
Absolute Returns	128%	122%	630%	158%	148%
Top Performing Sectors	IT	IT	Industrial	Financial	Industrial
Worst Performing Sectors	Materials	Cons Staples	Cons Staples	Comm Services	Utilities
Starting P/E	21.0	11.2	11.8	8.9	13.8
Ending P/E	37.4	30.0	33.3	24.9	24.0
EPS Growth during the bull market	19.6%	-13.8%	22.2%	-4.8%	5%
Start and End ROE (%)	14.1 to 15.2	18.0 to 18.2	17.9 to 23.5	20.0 to 15.8	12.7 to 14.8
FPI Flows to Markecap	2.9%	1.3%	9.6%	3.9%	0.5%
Peak 10yr G-Sec yield	12.4%	10.5%	8.2%	8.2%	7.6%

- * Earnings cycle has just kicked in and is expected to stay healthy in coming years
- * Banking sector is healthy & well-capitalized to actuate credit cycle further.
- * Domestic tailwinds for capex revival is in place amidst global sentiment dampening.
- * Key reforms announced over last few years have now started contributing to growth helping India to decouple from the world.

Outlook for 2023







What we said last year

2022 will be a tale of two halves, 1HY22 likely to see market volatility while 2HY22 should see markets returning to normalcy.



What we think about 2023

Recessionary conditions globally before returns materialize in 2H 2023.



Valuations

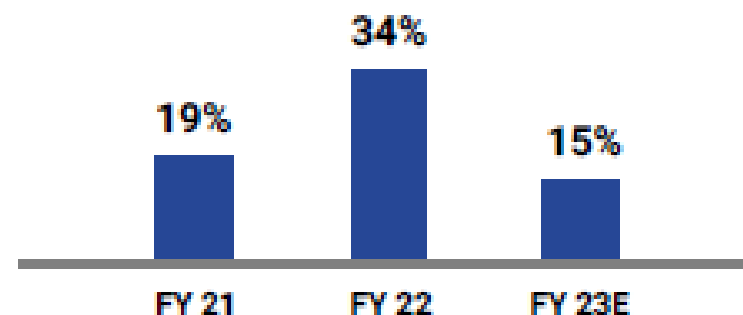
	Trailing PE	1Y Forward PE
Current	22.20	19.92
10 Y Average	19.01	17.11

Valuations are reasonable. Returns can be earnings driven rather than valuation expansion

Source: Bloomberg, Data as on 31st Dec 2022.



Earnings Growth



We are selectively positive on earnings growth in CY23. Sectors that may support earnings growth shall be Financials, Industrials and Capital Goods.

Source: Bloomberg

FII Flows

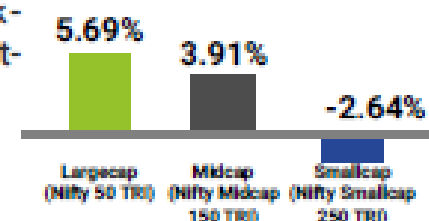
CY 2021 (US \$mn)	CY 2022 (US \$mn)
3716	-16,489

FII flows may come back in CY23. Intensity may depend on the global interest rate scenario and relative growth rates.

Source: Bloomberg, Kotak Institutional Equities

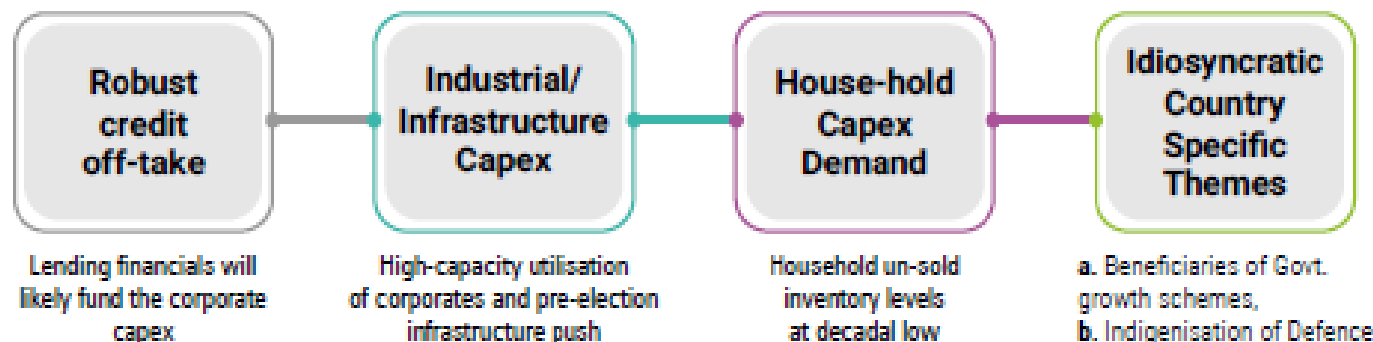
Market-cap View

Returns shall be stock-specific rather than Market-cap specific.



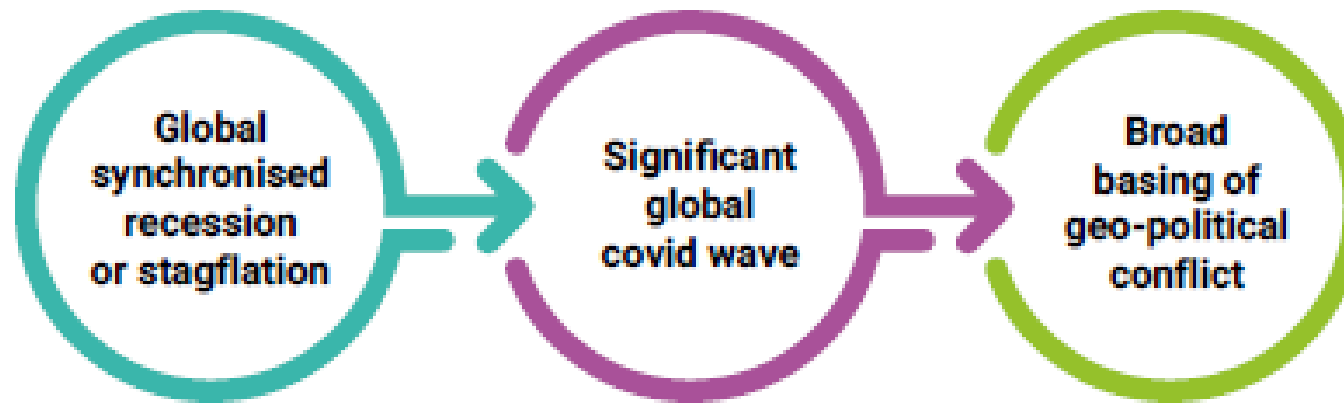
Source: Ace MF, Data as on 31st Dec 2022

Themes to look at while entering 2023





Key risks to look after



Advice for investors in 2023

Investors entering in 2023 should mainly focus on bottom-up selection-oriented strategies to generate wealth over medium-term





What we said last year

Year of policy normalization & hardening yields, expect low single digit returns



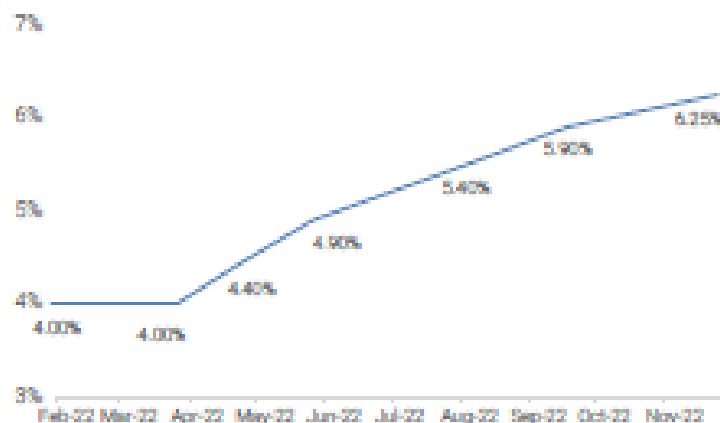
What we think about 2023

Bond markets may deliver high single digit returns due to higher income and potential price appreciation



RBI rate cycle

RBI repo rate may rise to 6.50% and can stay put in 2023



Terminal rate range

Terminal rate may stay between 6.25% to 6.50%.



US Fed rate

Fed may continue to raise rates up-to 5.00% - 5.25%



Liquidity

Liquidity in debt markets may remain marginally positive with average surplus around Rs.1 trillion

Fixed Income Market Insights for 2023



Inflation range

Inflation likely to stay between 5.5% to 6.0%



10-year G-sec yield

7.0% to 7.5%



Yield curve

Yield curve may remain flat with term spreads in 50-75bps range



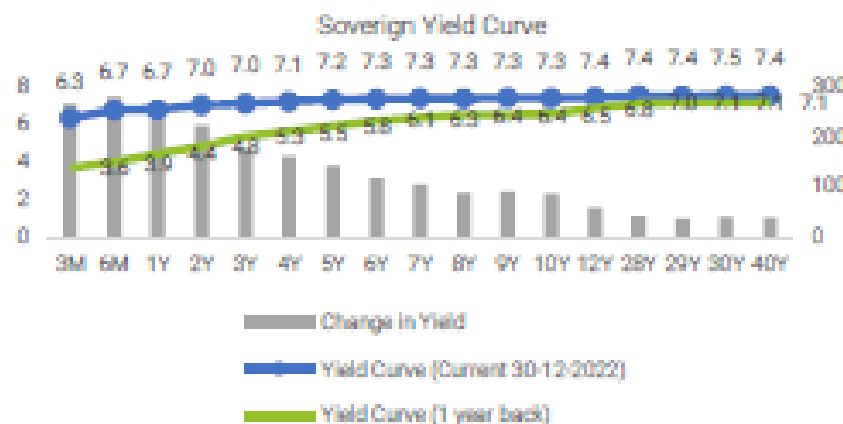
Credit spreads

Will widen gradually over benchmark yields



Currency outlook

USD-INR pair will likely weaken to Rs.85 per USD in 2023





Government borrowing and fiscal deficit

Net borrowing to be around Rs. 11 trillion based on FY24 FD @ 5.8% of GDP



Risks

Risks to look for in 2023 would be resurgence of the pandemic amidst rising cases globally & Geo-politics



Advice for investors in 2023

Great time to invest in 5+Y G-Sec/SDL - Target Maturity Funds to capture superior tax-adjusted returns & for maintaining long-term asset allocation



Budget at Glance

**Revenue
Receipts**

₹26.3 tn.

12% 

**Capital
Receipts**

₹18.7 tn.

1.6% 

Expenditure

₹45.0 tn.

8% 

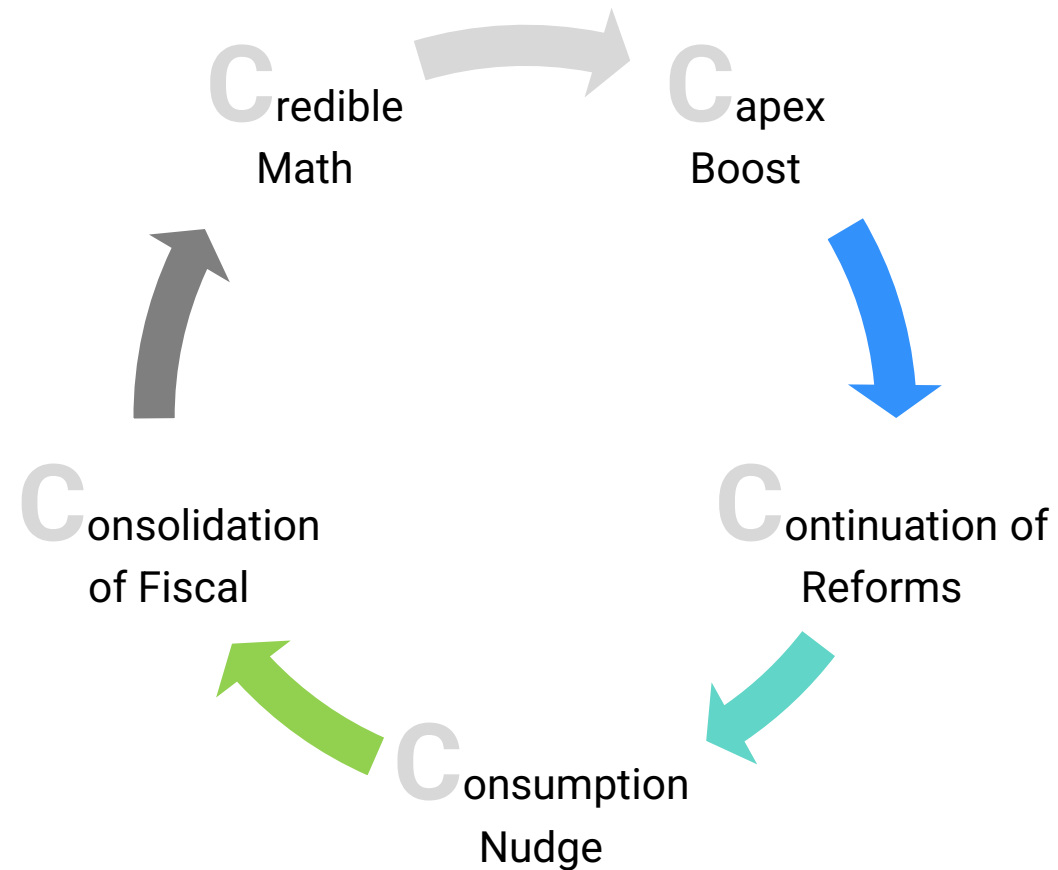
**Fiscal
Deficit**

₹17.9 tn.

5.92% of GDP 

panchamrit

Budget focused on 5Cs



panchamrit

Budget focused on 5Cs



Capex Boost

- Higher multiplier impact on economy

- * ₹10 tn. Capex spending. 3x rise from FY20 outlay.
- * Extension of 50-year interest-free loan to states for capex.
- * Highest ever spending on Railways and Roadways at ₹2.41 tn. and ₹2.70 tn.



Continuation of Reforms

- Path to \$5tn economy

- * ₹547bn outlay towards green energy transition.
- * Simplified KYC to help financial inclusion.
- * Focus on digitisation - 3 AI centres & 100 labs to develop 5G applications.

panchamrit

Budget focused on 5Cs



C Consumption Nudge

- Boost growth in the near term

- * Relaxation in personal tax to propel savings & consumption.
- * Skilling youth with coding, AI, robotics skills to boost employment.
- * Big boost on tourism by developing 50 destinations.



C Consolidation of Fiscal

- Keeping interest rates & inflation in check

- * Fiscal deficit target at 5.9% in FY24 with aim to reduce it further to 4.5% by FY26
- * Net borrowing for FY24 at ₹11.8tn (against ₹11.1 in FY23)



C Credible Math

- Confidence to investors

- * FY24 Gross Tax Revenues growth projected at ~10% YoY.
- * Real GDP growth pegged at 6.5%. Nominal GDP growth at 10.5% in FY24.

Impact on Equity Market – 'PanchAmrit' budget, balancing growth with reasonable prudence which has the potential to boost consumption across the pyramid. Overall, a positive budget for equity markets and many key sectors of the economy.

Impact on Fixed Income Market – Controlled borrowings is positive for bond yields and shall keep them away from rising. We expect the benchmark 10Y G-Sec to trade between 7.25% and 7.5% in the near-term.

This document is for information purposes and private circulation only and is not an offer to sell or a solicitation to buy any mutual fund units / securities or to have business relations with Sponsor/ AMC/ Trustee Company and its associates or Edelweiss Mutual Fund. These views alone are not sufficient and should not be used for the development or implementation of an investment strategy. All opinions, figures and estimates included in this document (unless as specified in the document) are as of this date and are subject to change without notice. It should not be construed as investment advice to any party. Neither Sponsor/ AMC/ Trustee Company and its associates nor Edelweiss Mutual Fund or any person connected with it, accepts any liability arising from the use of this information. Utmost care has been exercised while preparing the document, and Sponsor/ AMC/ Trustee Company and its associates or Edelweiss Mutual Fund does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The recipient of this material should rely on their investigations and take their own professional advice. Investment decisions of the AMC may not always be profitable.

All logos used in the presentation are trademarks or registered trademarks of their respective holders. Use of them does not imply any affiliation or endorsement by them. The Sector / Stocks /issuers mentioned in the presentation do not constitute as any research report / recommendation and the fund may or may not have future position in these stocks / sector / issuers. For complete details on investment objective / strategy / asset allocation / risk factors etc. of funds mentioned in this presentation, please refer the scheme information documents available on ISC of AMC and also available on <https://www.edelweissmf.com/>

For risk-o-meters [click here](#)

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

Thank you!



Know more, www.edelweissmf.com

Follow Us -



Download 'eInvest' Mobile App -

