

Equity Market & Macro Update (Dec 2020)



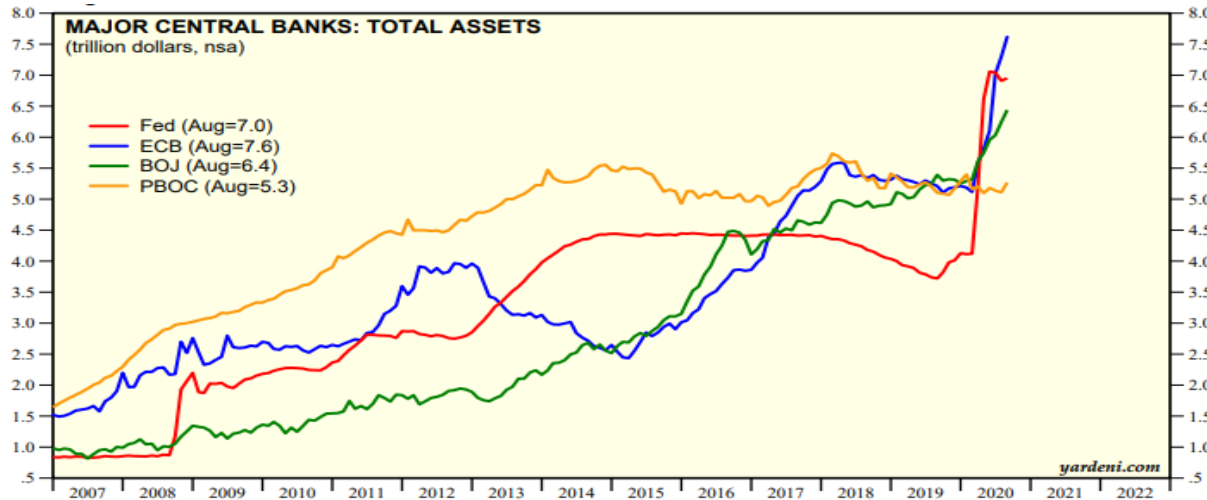
Macro and micro trends

- Global PMI, retail sales, money supply trends are improving
- Pfizer, Moderna and Astrazeneca have come out with highly effective Covid-19 vaccine based on their phase 3 trials
- Interest rates and commodity prices are very supportive to India
- Domestic: CPI inflation soared to 7.61% in Oct'20 vs 7.34% in Sep'20 primarily due to food inflation led by supply side constraints (Source: Ministry of Statistics and Programme Implementation)

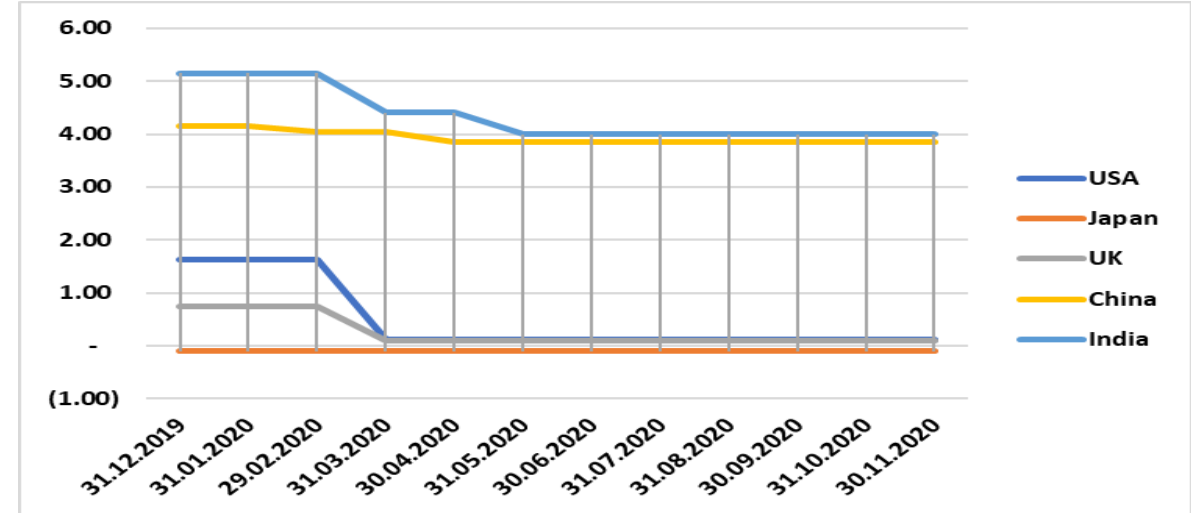


Ample liquidity...

Central Banks globally have been ensuring liquidity

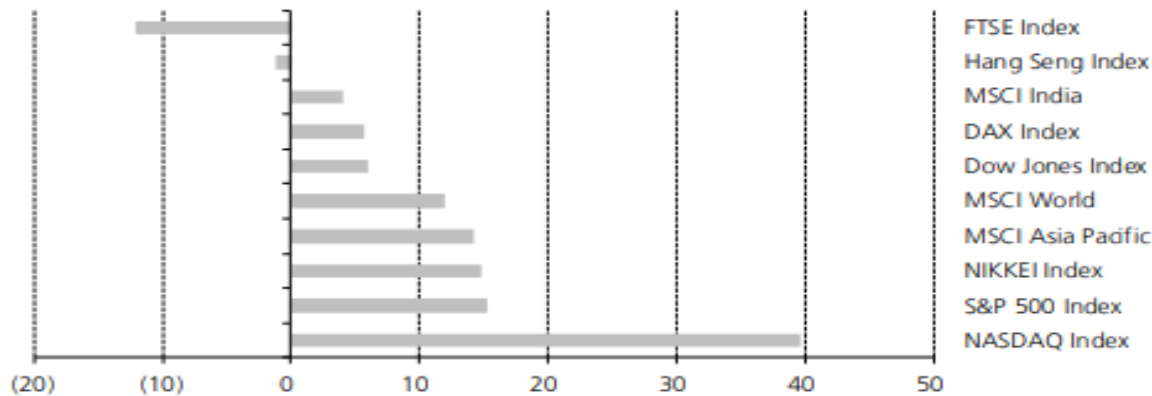


Stimulus was also offered by lowering policy interest rates



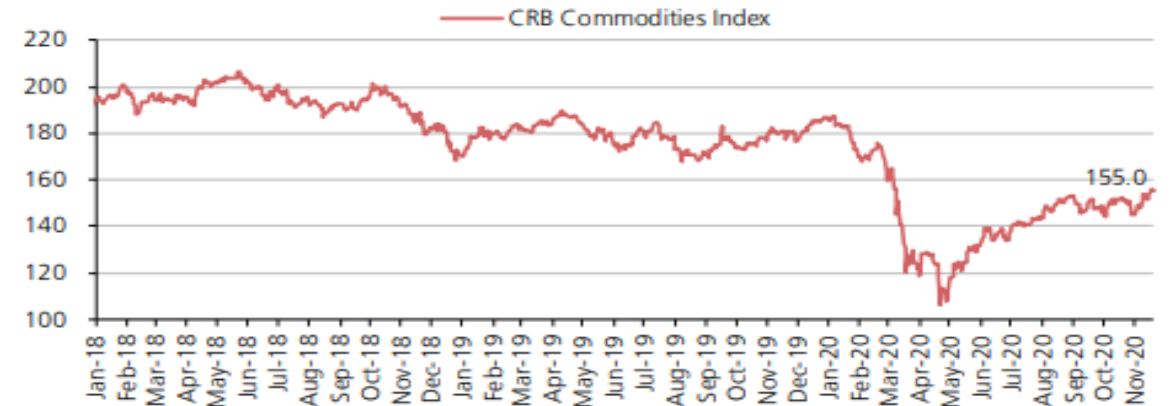
Markets have performed relatively better considering pandemic

YTD performance of benchmark global indices (%)



Commodity prices have been supportive to manufacturing

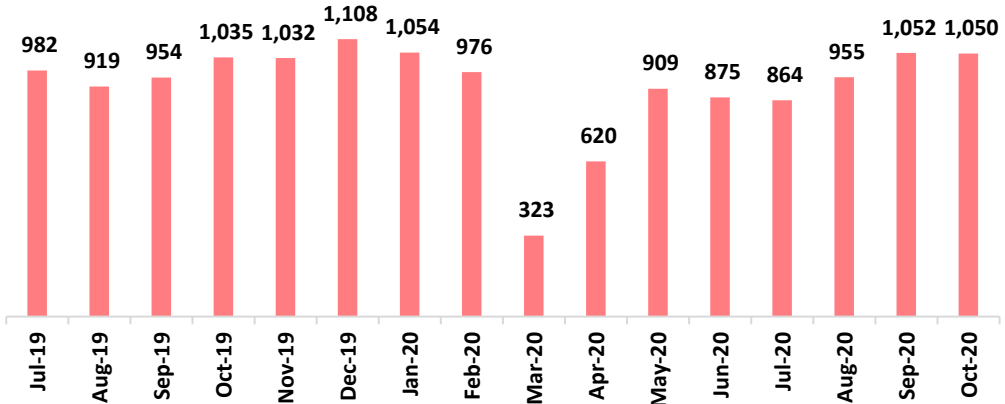
CRB Commodities Index (X)



Domestic economy recovering fast

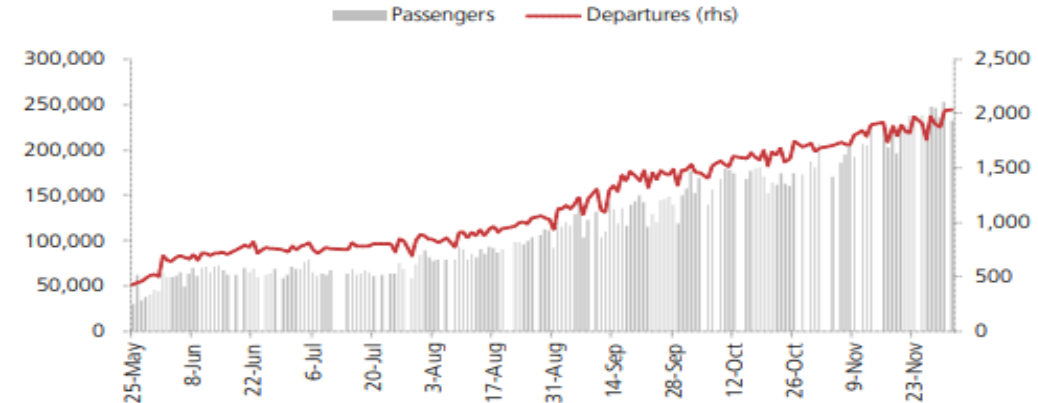
GST collection remains steady

Trend in GST collection

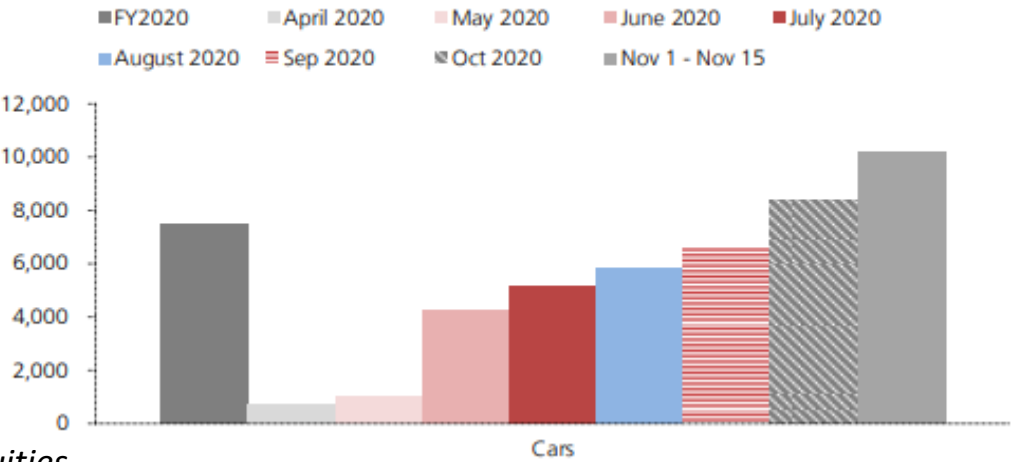


Daily departures seeing improvement and crossed 2,000 mark

Daily domestic departures (#) and passengers carried (#)



Car registration were up in the first half of November



Source: Kotak Institutional Equities

Growth drivers for equity market

- Industry Consolidation
- Technology
- Structural changes
- Reforms
- Domestic manufacturing
- Cost Saving



Consolidation: Creating oligopolies

Telecom, real estate, cement, e-commerce, retail, BFSI are dominated by 3-4 large players

➤ **Organised players' market share is rising**

- Shift from unorganised to organised (FMCG, diagnostic, jewellery, paints)
- Increasing regulatory/govt measures have led to organised gaining (Consumer durables)
- Larger players have better supply chains and higher reach (Pharma, Auto)

➤ **Larger players are becoming larger**

- Larger Banks gaining market share from smaller banks; strong capital adequacy ratio to help
- Vendor consolidation (IT, Auto)

Increased competition, entry of players with better technologies, changes in government policies, stringent regulations, or a slowing economy are a few factors which have led to creation of oligopolies



Adoption of technology a key...

Digital Transformation has become the norm today; pace of adoption never been so quick across all sectors

- Faster reach to market: Higher visibility and time saving
- Seamless customer experience
- Digital becoming default
- Virtual Interaction



...continued

HUL's Shikhar app aids in faster market reach



Internet banking has paved way for 'Digital becoming default'



Source: Respective companies only representation purpose

Havells has adopted O2O model ensuring seamless customer experience



Apollo Hospital has been providing online doctor consultation



Structural Changes across industries

Current drivers of structural changes in the world economy are Globalization, convenience, cost, environment, Government regulations, etc

- In Energy ,Shift from Petrol/Diesel to CNG
- In Trade, shift from GT/Retail to E-com
- In Logistics, shift from Transporter to 3PL
- In Auto, shift from ICE to EVs



Reforms – a step in the right direction

- Reforms led to increased competition in the sectors resulting in more customer choice, increased efficiency and increased investment
- Govt undertaken major reforms like GST, Agri reforms, labour law and others
- Benefits of the same yet to be seen in the next 2-3 years
- Improve job creation and per capita income at bottom of pyramid



Domestic manufacturing boost; attracting foreign investment

Focus on import substitution; becoming a manufacturing hub and diversifying supply chains

- Increase share of manufacturing in the country's GDP from 16% to 25% by 2022
- Create 10cr additional jobs by 2022
- Increase in domestic value addition and technology
- Enhancing India's global competitiveness

Recent initiatives taken by the government (PLI and import restrictions) are in the right direction and expect more such announcements. These policies would lead to domestic manufacturing, create more employment and make India a manufacturing hub

Drivers for **Make in India** theme

- Corporate tax cut
- Production Linked Incentive (PLI) scheme
- Higher tariffs and ban on imports of some goods
- Global companies started relocation of supply chain

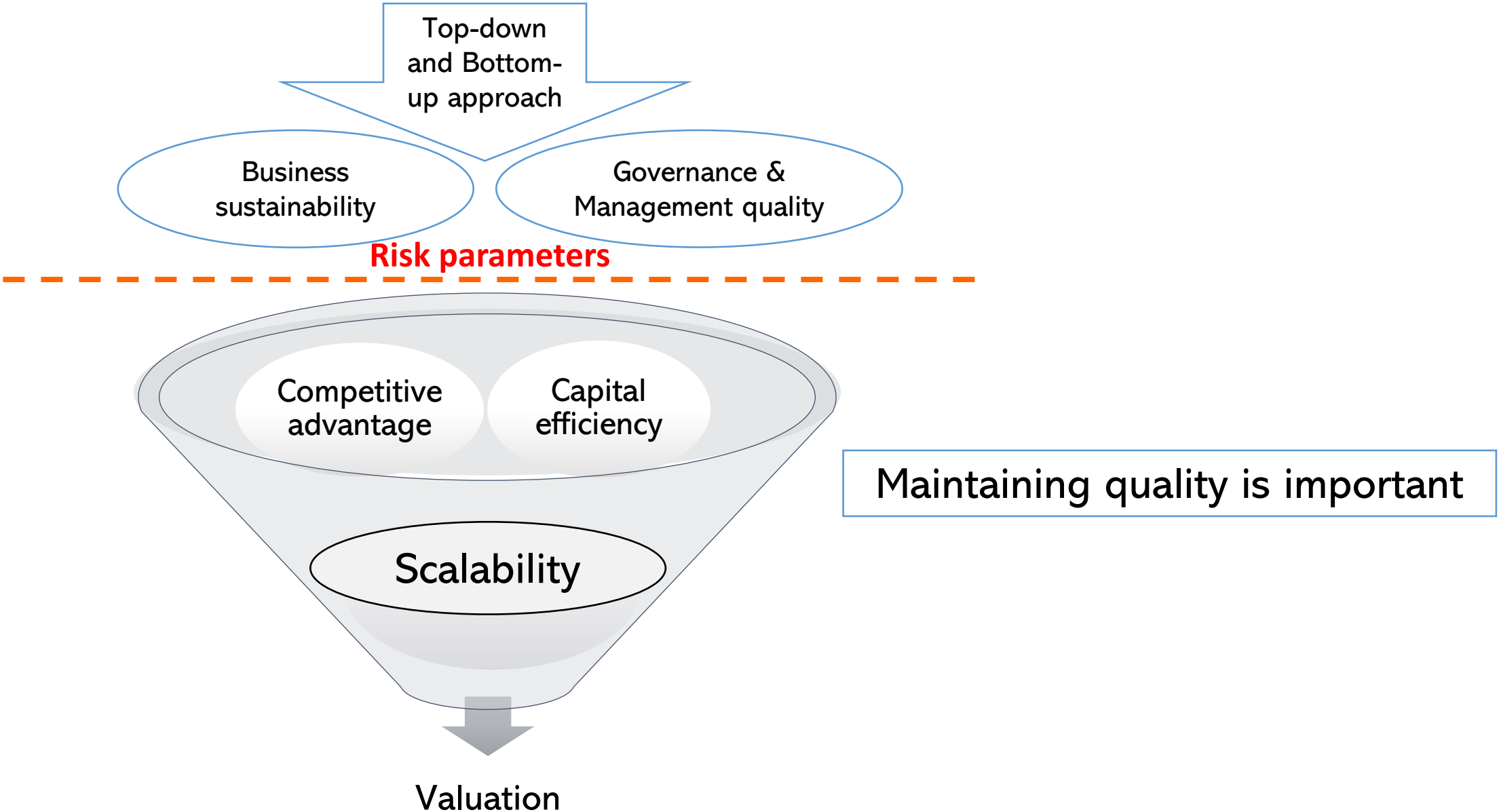


Cost savings : Improvement in Profitability

- Crisis in the past have forced companies to optimize costs and technology has been at the forefront in reducing costs
- Driving efficiencies through cost control initiatives across SG&A, travel and fixed cost reduction by changing strategies or adopting new technologies



Investment framework



Research Work Flow

Idea Generation

- Economic factors/events (micro, macro, disruptions)
- Expert meetings (primary data/channel checks)
- Broker Notes
- Annual Reports/quarterly results
- Conferences/Conference calls
- Plant Visit
- Interaction with industry peers/sell-side analysts
- Model portfolio screener

Research

- Study financials (annual + Quarterly)
- Capital allocation
- Corporate governance checks
- Porter/SWOT analysis
- Micro/Macro opportunity/risks
- Management interactions
- Primary/secondary interactions

Implementation

- Prepare detailed initial report.
- Present it to the investment team
- Regularly re-visit numbers/view through quarterly/annual updates

Chief Investment Officer/Fund Manager undertakes action, if any

The 20-point check list

Serial No.	Factor	Remarks
Qualitative		
1	Business of the company	<ul style="list-style-type: none"> > Enabling a quick glance at the company in general > Understanding the products and their contribution to the company's financials
2	Stock Classification	<ul style="list-style-type: none"> > Growth/Value Stock > Understanding the size of opportunity
3	Management	<ul style="list-style-type: none"> > Checking the corporate governance > Generating insight into the capacity of the people running the company
4	View on the industry	<ul style="list-style-type: none"> > Understanding the trends attributable to the industry in past, present and future > The growth of the industry > Future prospects
5	Porter's 5 forces	<ul style="list-style-type: none"> > Greater insight into the industry dynamics > Also, helps to understand the company's positioning
6	Story	> What is the long term story for the company as well as the industry
7	Buzz/News	> Tracking recent news and developments as events play a major role in valuation
8	Key variables to be tracked	> Internal/External changes which can impact the company's performance
9	Investment Argument	> Listing the factors why one should invest in a company
10	Risks	What can go wrong

Serial No.	Factor	Remarks
Quantitative		
11	Equity Capital and Market Cap	
12	Balance Sheet	
13	Income Statement	
14	Cashflow Statement	
15	Ratio Analysis	
16	Capex needs, funding plans	
17	Working Capital Management	
18	Chairman/Director Report + MD&A	
19	Auditor's Report - Any qualification	
20	Accounting Policies	

Active Funds performance

1

- Top-down and bottom-up approach

2

- Sticking to investment framework and portfolio construction methodology

3



- Focusing on risk and return



Actively managed schemes


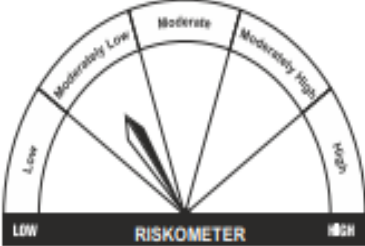
Scheme	AUM (Rs crs)	Strategy/Investment style	Risk profile of investor
LIC MF Large & Mid Cap Fund	861	Participate in growth of high-quality companies which have a clear moat to win	Moderately High
LIC MF Large Cap Fund	449	Identify companies which have sustainable competitive advantage and are sector leaders	Moderately High
LIC MF Multicap Fund	334	Build long term wealth without any market cap biases. Focus on bottom-up stock selection aligned with market top-down risk allocation	Moderately High
LIC MF Tax Plan	305	Twin benefits of exposure to equity and tax savings	Moderately High
LIC MF Equity Hybrid Fund	428	Long run capital appreciation through higher allocation in equity markets. Diversified portfolio of strong growth companies at reasonable price	Moderately High
LIC MF Unit Linked Insurance Scheme	321	Investments across mcaps/themes/investment styles along with benefit of life cover and tax	Moderately High
LIC MF Children's Gift Fund	13	Allows to meet money needs of child's future	Moderately High
LIC MF Banking & Financial Services Fund	58	Invest in companies central to the economic growth of India	High
LIC MF Infrastructure Fund	53	Opportunity to participate in India Growth story following a theme-based approach	High
LIC MF Arbitrage Fund	37	Invest in completely hedged arbitrage opportunities (long position in cash simultaneous short position in futures)	Moderately low

Riskometer

Name Of The Scheme	The Product Is Suitable For Investors Who Are Seeking *	Riskometer
LIC MF Large Cap Fund	<ul style="list-style-type: none"> • Long Term Capital Appreciation • A Fund that primarily invest in large-cap stock • Risk - Moderately High 	 <p data-bbox="1396 751 2010 772">Investors understand that their principal will be at moderately high risk.</p>
LIC MF Multicap Fund	<ul style="list-style-type: none"> • Long Term Capital Appreciation • Investing in Large, Mid & Small-cap stocks • Risk - Moderately High 	
LIC MF Large & Mid Cap Fund	<ul style="list-style-type: none"> • Long Term Capital Appreciation • A Fund that primarily invest in large and mid-cap stocks • Risk - Moderately High 	
LIC MF Tax Plan	<ul style="list-style-type: none"> • Long Term Capital Growth • Investing in equity and equity related securities. • Risk - Moderately High 	
LIC MF Banking & Financial Services Fund	<ul style="list-style-type: none"> • Capital appreciation over long term • Investment predominantly in a portfolio of equity and equity related securities of companies engaged in banking and financial services. • Risk - High 	 <p data-bbox="1437 1208 1989 1229">Investors understand that their principal will be at high risk.</p>
LIC MF Infrastructure Fund	<ul style="list-style-type: none"> • Long Term Capital Growth • Investment in equity and equity related instruments of companies engaged either directly or indirectly in infrastructure sector. • Risk - High 	



Riskometer

Name Of The Scheme	The Product Is Suitable For Investors Who Are Seeking *	Riskometer
LIC MF Equity Hybrid Fund	<ul style="list-style-type: none"> • Long term capital appreciation with current income. • A fund that invests both in stocks and fixed income instruments. • Risk - Moderately High 	 <p data-bbox="1421 725 2066 746">Investors understand that their principal will be at moderately high risk.</p>
LIC MF Unit Linked Insurance Scheme	<ul style="list-style-type: none"> • Long term capital appreciation and current income. • Investment in equity and equity related securities, fixed income securities (debt and money market securities). • Risk - Moderately High 	
LIC MF Children's Gift Fund	<ul style="list-style-type: none"> • Long term capital appreciation and current income • A fund that invests both in stocks and fixed income instruments. • Risk - Moderately High 	
LIC MF Arbitrage Fund	<ul style="list-style-type: none"> • Income over a short term investment horizon. • Income through arbitrage opportunities between cash and derivative market and arbitrage opportunities within the derivative segment of the equity market. • Risk - Moderately Low 	 <p data-bbox="1429 1186 2074 1208">Investors understand that their principal will be at moderately low risk.</p>



Thank you



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**Statutory Details: Sponsor: Life Insurance Corporation of India.
Investment Manager: LIC Mutual Fund Asset Management Ltd. CIN: U67190MH1994PLC077858**

For further details, please refer to the Scheme Information Document, Statement of Additional Information and Key Information Memorandum cum Application forms, available on our website www.licmf.com, and at the official points of acceptance of LIC Mutual Fund Asset Management Ltd.

LIC Mutual Fund Asset Management Ltd.

Investment Managers to LIC Mutual Fund

Formerly known as LIC Nomura Mutual Fund Asset Management Co. Ltd.

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For More Details, Contact:



Mutual Fund investments are subject to market risks, read all scheme related documents carefully.