MUTUAL FUNDS Sahi Hai

LIC MUTUAL FUND

Equity Market Review

On ground momentum in the economy continues to remain weak. RBI took a rate cut of 40 bps and the repo rate stands at 4.40% and reverse repo rate at 3.35%. Due to the sluggish economic environment and the covid-19 issue, equity market saw decline during the month with BSE Sensex decreasing by 0.9% month-on-month while CNX Nifty increased marginally by 0.3% for the same month.

Sector-wise indices- The indices saw some recovery during the month gone by with BSE Auto, BSE Metal, BSE IT, BSE Capital Goods, BSE Power, BSE Oil & Gas, BSE Healthcare and BSE FMCG appreciating month-on-month by 11.9%, 9.2%, 4.4%, 3.6%, 2.7%, 2.6%, 1.5% and 1.1% respectively. Depreciation was seen in BSE Realty, BSE Consumer durables and BANKEX by month-on-month decline of -0.3%, -4.9% and -8.6% respectively.

Mr. Sachin Relekar, CIO - Equity

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return
BSE Sensex	32,424	-0.9%	-15.3%	-20.5%
CNX NIFTY	9,580	0.3%	-14.5%	-20.5%
BSE Auto	14,095	11.9%	-9.5%	-22.1%
BSE Metal	6,805	9.2%	-17.4%	-30.4%
BSE IT Sector	14,067	4.4%	-6.1%	-5.4%
BSE Cap Goods	12,334	3.6%	-19.9%	-29.1%
BSE Power	1,482	2.7%	-13.7%	-23.0%
BSE Oil & Gas	11,836	2.6%	-6.2%	-21.9%
BSE Healthcare	15,646	1.5%	16.1%	15.0%
BSE FMCG Sector	10,898	1.1%	-0.6%	-7.0%
BSE 100	9,698	0.5%	-14.1%	-20.1%
BSE 200	4,040	0.5%	-14.4%	-19.9%
BSE 500	12,415	0.3%	-15.1%	-20.3%
BSE Mid Cap	11,843	0.0%	-18.9%	-21.5%
BSE Realty	1,411	-0.3%	-33.5%	-34.9%
BSE Small-Cap	10,893	-0.8%	-20.5%	-19.7%
BSE Cons Durables	18,967	-4.9%	-27.5%	-23.7%
BANKEX	22,136	-8.6%	-33.8%	-38.8%

Capital flows:

FIIs were net buyers in the equity to the tune of Rs. 11,796 crores (US$ 1,557 mn) in May 2020. Cumulatively, FIIs sold equity worth Rs. 17,970 crores (US$ 2,266 mn) in last twelve months i.e. from June'19-May'20 and DII bought equity worth Rs. 76,978 crores (US$ 10,738 mn) for the same period. (As on 29th May 2020, Source: SEBI) (May 2020 Avg. 1 USD = INR 75.7384)

Outlook:

The world continues to fight the coronavirus pandemic and so does India. This fight has been not just that of a health crisis but also of an ailing economy. May was all about Rs20trn stimulus package by the GoI. However, contrary to expectations of direct fiscal support, the measures mostly relied on financial systems and SPVs to target business viability and long-term growth (MSMEs, NBFCs, discoms, and agriculture and allied sectors). Direct fiscal impact is just around 1% of GDP. Some long awaited and significant reforms (Agriculture) were initiated, which if implemented will be positive in the long term. RBI also ensured to maintain confidence of the citizens by extension of moratorium on term loans and deferment of Interest on working capital facilities outstanding as on 1st March 2020, till 31st August 2020. However, these measures will fall short in reviving demand and hence GDP growth in the short term, which is the greatest concern.

GDP growth in 4QFY20 fell to a 44-quarter low of 3.1% (FY20 was a 11-year low of 4.2%). Excluding Government consumption demand, other constituents were already very weak going into COVID-related lockdown. Lockdown implementation and collapse in consumption as well as investment demand will further result in GDP growth contracting in FY21.

The major theme we are seeing among is that the economy was somewhat on the recovering mode before the lockdown made it impossible to undertake any economic activity. This can be corroborated from the contraction of 38.1% in the index of eight core industries for the month of April 2020 with major decline seen in cement production of 86.0% followed by Steel of 83.9%.

Having thought through this, two trends get amplified: (a) industry consolidation; and (b) technology adoption. Businesses winning in both these trends should be the ones to look out for. Within industries, we place our bet on the defensiveness of the business model rather than the discretionary nature of demand. We prefer to focus on existing leaders who are likely to disrupt / innovate in their businesses to ensure that their leadership/competitive advantage remain strong. Value creation imperatives in investments viz high standards of governance, high capital efficiency strong moats, and sustainable growth are unlikely to change.

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 & 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.

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