MUTUAL FUNDS Sahi Hai

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Equity Market Review

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Market Review

- The geopolitical issues continued to impact the global financial market during the month. Russia Ukraine war could have a far-reaching impact on the global supply chain in the medium term. The first sign of the same has been reflected in the energy prices and commodities as crude and key commodities has seen sharp increase during the month. The month also mark the start of the rising interest rate cycle by developed economies which could negatively impact the global money supply as well as the global capital flows (specially to emerging markets). However, positive domestic cues – both on economy as way as politics led to positive sentiment in the domestic markets. Both the key indices ended the month with gain of approx. 4%.

- On the macro front, CPI inflation remained above the upper tolerance level of the RBI in Feb, with headline inflation at 6.09% (6.01% in Jan'22). The price momentum has turned positive again, led by non-food categories (energy and core), while, on net, food contracted sequentially, with mixed trends seen in perishables, protein goods and other staples. Core inflation (ex-food, fuel and intoxicants) moderated further to 6.05% (6.2% prior. However, the fuel price hikes are expected to put pressure on the overall inflation.

- India's Index of Industrial Production (IIP) increased by 1.3% YoY in January 2022 from an upwardly revised print of 0.7% YoY in December 2021, albeit supported by favorable base at the margin. On sequential basis, IIP growth remained flat with marginal contraction seen in manufacturing production and moderation seen across mining and electricity sector.

- Other key developments during the month—(1) BJP won four out of five states in the recently concluded assembly elections, (2) EPF interest rate fell to 8.1% for FY2022 from 8.5% in the past year while interest rate on PPF continued to be at 7.1%, (3) Federal Reserve raised rates by 25 bps, BoE raised its key policy rate by 0.25%, BoJ and ECB maintained status quo on rates, (4) Fitch Ratings downgraded its FY2023 growth forecast for India to 8.5% from 10.3%, (5) Covid cases surged in China, South Korea and UK. FPIs sold US$4.7 bn (till Mar 30) of Indian equities in the secondary market while DIIs bought US$5.2 bn (till Mar 31) (6) Brent crude rose 7% in the month.

- On the sectoral indices front, IT (+8.7%), Oil & Gas (+8.2%), Metals (+7.6%), and Power (+4.9%) outperformed the key indices while FMCG (+2.5%), Bankex (+0.3%), Cap Goods (-0.5%), Consumer durable (-1.9%), and Auto (-2.3%) underperformed the key indices during the month.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE IT Sector	36,403	8.70%	-3.80%	5.80%	37.10%
BSE Oil & Gas	18,741	8.20%	7.00%	2.40%	26.50%
BSE Metal	22,368	7.60%	16.20%	10.80%	55.90%
BSE Realty	3,682	6.20%	-4.10%	-10.30%	37.90%
BSE Small-Cap	28,216	5.80%	-4.20%	0.50%	36.60%
BSE Power	4,044	4.90%	16.10%	26.40%	63.40%
BSE 500	23,695	4.20%	-0.50%	-1.00%	20.90%
BSE Sensex	58,569	4.10%	0.50%	-0.90%	18.30%
BSE Healthcare	24,304	4.10%	-7.30%	-6.90%	14.00%
BSE 200	7,540	4.00%	0.00%	-1.00%	19.90%
CNX NIFTY	17,465	4.00%	0.60%	-0.90%	18.90%
BSE 100	17,724	4.00%	0.60%	-0.90%	19.20%
BSE Mid Cap	24,108	3.20%	-3.50%	-4.50%	19.50%
BSE FMCG Sector	13,335	2.50%	-3.30%	-10.30%	3.60%
BANKEX	41,754	0.30%	3.30%	-2.30%	11.20%
BSE Cap Goods	27,506	-0.50%	-4.30%	5.90%	30.40%
BSE Cons Durables	42,272	-1.90%	-5.60%	2.30%	28.80%
BSE Auto	24,050	-2.30%	-3.10%	0.80%	8.10%

Capital flows:

FIIs continued to be net sellers for the month. Net equity selling by FIIs stood at ₹ 41,124Cr (USD 5.4bn) in March'22. Due to continuous selling since last six months, FIIs have turned net sellers to the tune of ₹ 140,011cr (USD 18.5bn) in last twelve months i.e. from April'21 – March'22. On the other side, DIIs bought equity worth ₹ 221,661Cr (USD 29.6bn) for the same period. (As on March'22 Source: SEBI) (March'22 Avg. 1 USD = INR 76.20).

Outlook

- The ongoing geopolitical tension between Russia and Ukraine could have significant ramification on global trade scenario over near to medium term as most countries will align to new world realities. We have seen the impact on commodity prices which are inching up higher and the supply chain is also getting disrupted again after it stabilised post Covid pandemic. Along with this, the uncertain environment on the interest rate could further add to volatility in the markets. We have seen central banks softening their stance in the medium term because of the recent geopolitical developments. This may result in slower than earlier anticipated unwinding of the lower interest rate regime. However, inflation and slower economic growth may emerge as the key major risk in the medium term.

- On the domestic front, while the lead indicators such as GST collection, freight data, electricity consumption – all continue to show good traction on incremental basis, rising inflation has created concerns for the corporates and investors. India's Benchmark 10 year yield continues to trend upwards on the back of the higher Government borrowing and rising global interest rates. Interest rate also faces risk from higher than anticipated increase in inflation due to global developments. While RBI has not raised the rate in its March policy the short term rates have gone up in the last one month which could have some impact on the companies looking for working capital finance and other short term loans.

- On the valuation front, we do see some risk to corporate earnings due to rising energy prices, higher RM cost and lower demand. As and when the downward revision in earnings happen, valuation multiple may look higher which should further impact the investor sentiment. We continue to remain cautious on market valuation and tend to focus more on stock selection.

- Overall, despite near term concerns, over the medium to long term, the Indian equity market looks to be on strong footing as the earnings growth finally seems to be on track after a lull of last five to seven years and the recent correction in the markets has brought down the valuations near to historical levels in various pockets / sectors. The current ongoing Geopolitical events may pose a risk to equities in the near term, however, we continue to like India's long term growth story. We prefer to focus on existing leaders who are likely to disrupt/ innovate in their respective business segments to ensure that their leadership or competitive moat remains strong. Value creation is imperative as our investment process focussed on with companies having high standards of governance, high capital efficiency, strong moats and sustainable growth.

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.