Citrus Advisors

Investment Advisory Services

"Brace Up for Volatility"

13th April 2023

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SEBI Registered Investment Advisor (Registration No: INA000016348)

A near flattish year with high volatility

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- Nifty down 0.7% in FY23. However, through out the year we saw extreme volatility with sharp movement of up to 18% between intermediate troughs and peaks (Closing basis)

Global Indices FY2023

Indices	Country	31st March 2023	31st March 2022	FY23 Return
S&P 500 Index	United States	4,104	4,495	-8.7%
Hang Seng	Hong Kong	20,447	21,592	-5.3%
Australia 200	Australia	7,148	7,334	-2.5%
Nifty 50	India	17,360	17,465	-0.6%
Sensex	India	58,992	58,569	0.7%
FTSE-IOO	United Kingdom	7,622	7,491	1.8%
Shanghai index	China	3,263	3,203	1.9%
Dow Jones	UnitedStates	33,274	34,818	4.4%
DAX	Germany	15,502	14,402	7.6%
CAC40 Index	Europe	7,247	6,634	9.2%

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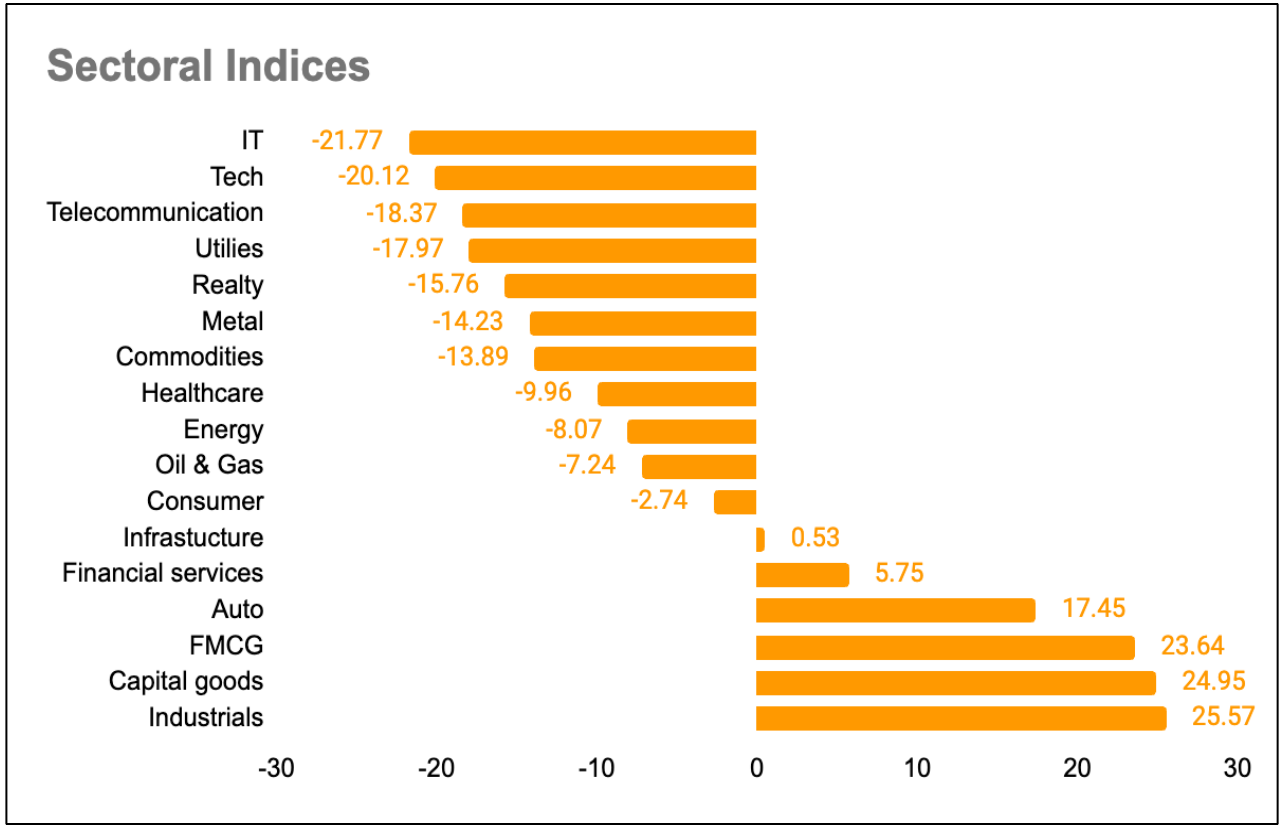
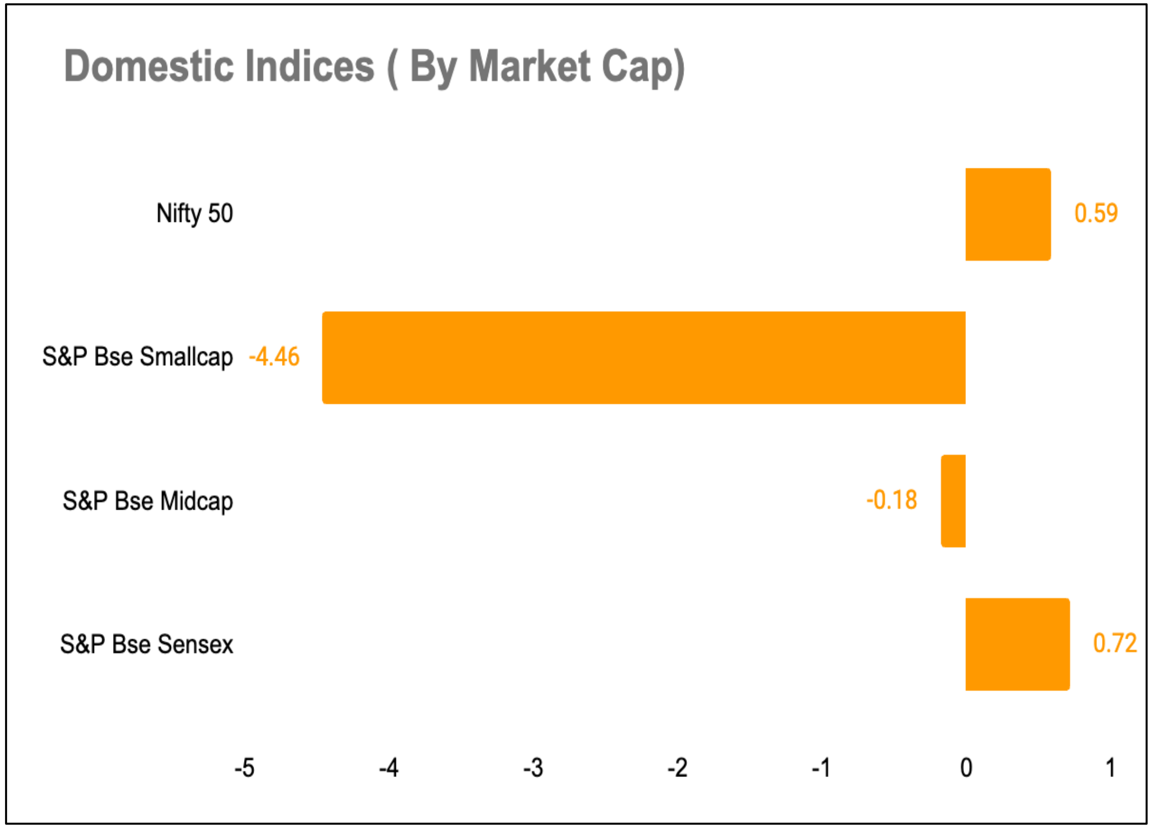
Domestic Indices FY2023





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Sectoral Outperformers in FY2023

S&P Bse Sensex	0.7%
S&P BSE Industrials	25.6%
S&P Bse Capital Goods	25.0%
S&P Bse FMCG	23.6%
S&P Bse Auto	17.5%
S&P BSE Private Bank Index	10.6%

Sectoral Underperformers In FY2023

S&P Bse Sensex	0.7%
S&P Bse IT	-21.8%
S&P BSE Telecom	-18.4%
S&P BSE Utilities	-18.0%
S&P Bse Realty	-15.8%
S&P Bse Metal	-14.2%

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Major Highlights FY2023

Strong Budget- In FY2023 we saw robust and growth-oriented budget -

- Strong thrust on Infrastructure spending
- Change in Personal Income tax slabs under the new regime that would lead to boost in consumption.
- Focus on fiscal consolidation intact
- No negative surprise on Capital gains in equity markets
- Changes in taxation of proceeds from non-participating insurance policies for premiums > 5 lakhs/annum
- Income from Market linked Debentures (MLD) to be taxed as short term capital gain (STCG) – negative for NBFCs that used to source liabilities via this route.
- Capital gain tax exemption through investing in residential property to be capped at Rs 10 crores (of capital gain)

Adani Saga- The news that caused fear and anxiety in the Indian markets.

- Hindenburg Research had alleged that the Adani Group was “engaged in a stock manipulation and accounting fraud”. The Hindenburg’s report also said that the Adani family controlled offshore shell entities in tax havens spanning the Caribbean and Mauritius to the United Arab Emirates, which it claims were used to facilitate corruption, money laundering and taxpayer theft, while siphoning off money from the group’s listed companies.
- This report led brought Adani group companies under scanner for their high exposure towards debt. This caused the stock decline in the Adani companies which corrected by almost 40% during that period.

Major Highlights FY2023

Silicon valley Bank Meltdown -

- Silicon Valley Bank in the US saw its meltdown , initially triggered by the MTM losses of its AFS portfolio (Available-for-sale) and exposure to the VC ecosystem (start ups and Venture Capitalists). What followed was a suit of failure of other regional mid-size US Banks (Signature Bank and First Republic) due to a run-on bank deposit.

Credit Suisse Bankruptcy & UBS Takeover-

- Credit Suisse saw bankruptcy just after a month of SVB meltdown due to –Covid –Sell off **, t**he two financial companies tied to Credit Suisse, Greensill Capital and Archegos Capital, collapse, Media reports report that Credit Suisse managed accounts for human rights abusers, fraudsters and businessmen who had been placed under sanctions & finally due SVB meltdown . Later UBS bought over Credit Suisse.

Interest Rate Hikes and fight against inflation -

- As the world was impacted by covid , the world saw slowdown in the Chinese economy & in 2021 the geopolitical tensions between Russia & Ukraine lead to huge supply –side challenges which led to shortages & inflationary concerns.
- This escalated the energy crisis in Europe & inflationary concerns around the globe. The led for all major economic central banks to take aggressive steps in interest rate hike in order to control inflation & recession concerns.
- In the Indian context the this led to weaking of rupee against dollar & also the RBI had raise REPO rates by ~ 25bps on average each cycle.

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Major Highlights FY2023

Prolonged war in Ukraine -

- The prolonged geopolitical war continues & sanctions on Russia has caused massive energy crisis in Europe & rest of the world. This could possibly result in transition from globalization to regionalization, this could result in increase in production cost and drive global inflation as result most of the developing & developed countries are trying find sustainable alternatives to the crisis .
- This highlights the fact that most countries will strive to be self – sustained in the long run to avoid any future uncertainties.
- This could also accelerate use of nuclear & green energy over fossil-based energy, across industries.

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Headwinds in FY 2024

- High **interest rate** environment and sticky inflation
- Fear of Global **recession**
- Failure of some of the **banks** - US regional banks / Credit Suisse and its potential cascading effects
- **Nuclear** overtones in the Russia Ukraine crisis
- Unseasonal **rains** that could result in higher food inflation
- Weak **rural demand** though there are signs of a pick up but not affirmative yet
- **Exports** data point to weakness in merchandise exports
- Potential headwinds like higher **Crude** oil prices post recent production cuts by Opec + countries
- Recent rise in **Covid** cases

What Makes us Optimistic?

- India **GDP** likely to grow 6.5%
- Strong **credit growth** continues – Growth is also broad based (Retail, Industry, MSME, SME)
- Strong **tax collection** numbers - Net Direct tax collection for FY23 at 16.6 lakh crs, +17.6% yoy and March GST collections at 1.6 lakh crs, +13% yoy
- Strong order book of **infrastructure** players on the back of supportive government policies, railway modernization and defense push
- **Manufacturing** sector sees strong pick up in growth in March 2023 (Manufacturing PMI at a 3-month high of 56.4)
- Strong demand for premium products – Premium real estate, **luxury** cars and high-end branded goods
- Certain pockets seeing strong consumer demand –for ex Hospitality, **Travel**, Luggage industry
- Near normal **monsoon** prediction by IMD

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Source: Bloomberg

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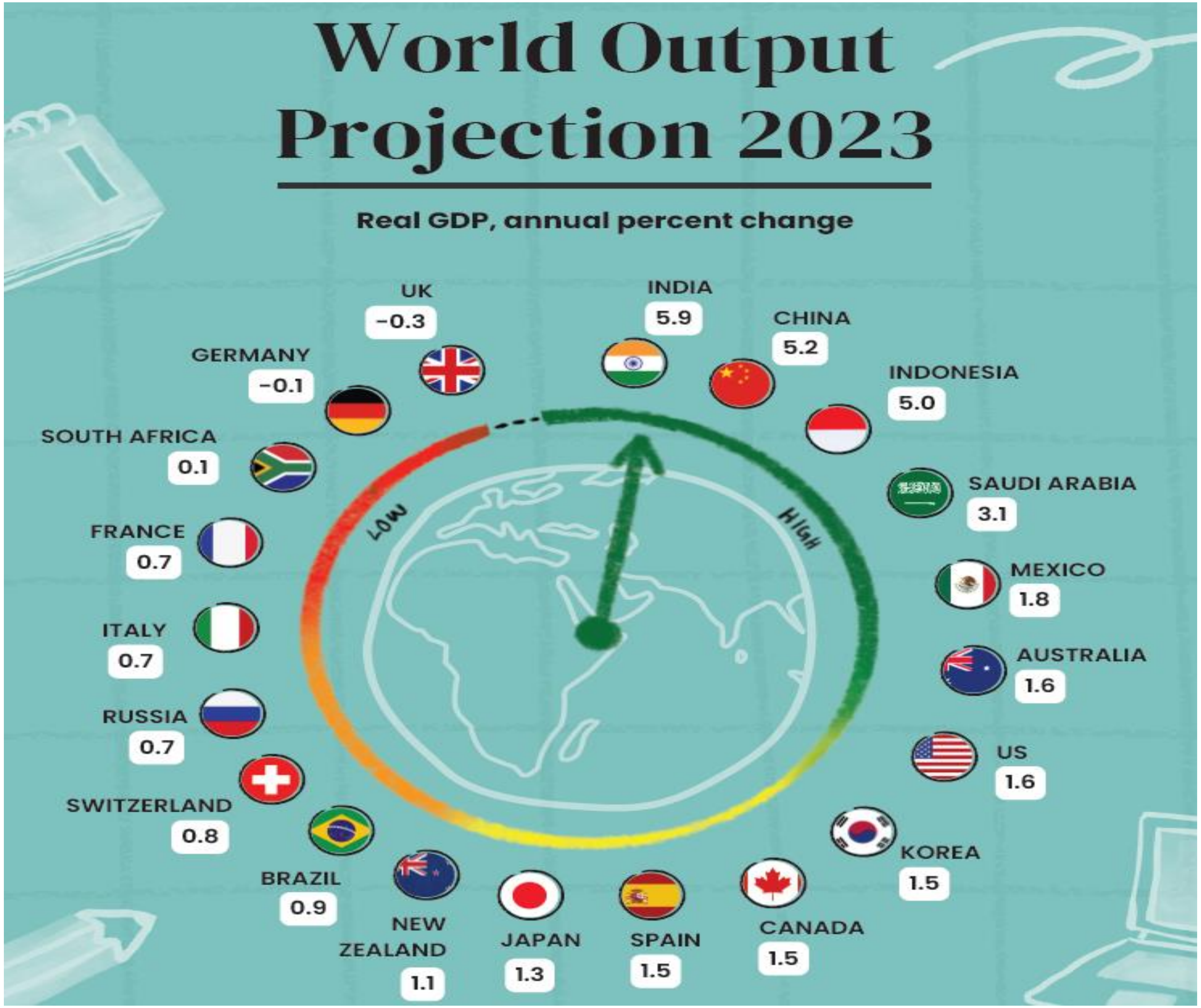

Source: Bloomberg

Key Themes For FY 2024

- **Strong Capex related demand seems to be the Central theme**
  - Government thrust on capex and robust government spending
  - Pick up in private capex on the back of tailwinds in construction activity, real estate demand and uptick in manufacturing as seen at the end of FY23
- **Credit growth to grow sustainably**
  - Balance sheet of Banks, both PSU and mid-sized private banks in best shape while the large private banks are growing from strength to strength
- **Manufacturing sector growth to pick up**
  - Robust order book of Capital goods and Industrials player aided by government policies
- **Bottom Up opportunities in various sectors despite recent headwinds in the macro environment**
  - Chemicals – companies with proven capabilities (their niche in certain chemistries, ability to scale up and strong execution track record)
  - IT – players seeing strong deal win momentum, winning large size orders, seeing cross-selling opportunities post targeted acquisitions, etc..

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Who should go for PMS (Portfolio Management Services)

- Anyone who can invest 50L or more

Why should one go for PMS?

To get-

- Faster Action on any stocks Client need not be disturbed for any market operation.
- Larger portfolio
- Transparency – Client is intimated of any transaction
- Ownership remains with the client-Securities in DMAT held by the client
- Governed as per SEBI guidance
- Half-Yearly audited report by a CA sent to the client

Who should go for RIA (Registered Investment Advisors)

- Anybody who can invest **Rs 10L** or more and **is not existing mutual client of ICAN**.

Why go for RIA?

- Equity account can be started with as low as Rs10 Lakhs
- For Mutual fund advisory under RIA payout to IFA with investment in direct plans on par with regular plans.
- Advantage of hybrid Strategies (MF+ Equity)
- Online access to portfolio
- Direct execution through 14 brokers.
- Fees comparable to regular MF plans or PMS.
- Gives IFAs the opportunity to expand the client base by tapping the rising interest of retail investors in direct equity.

Strategies Offered

Strategies Offered

Strategy	Description
MultiCap Equity Strategy	• Concentrated MultiCap Equity Portfolio of 10 Stocks with atleast 50% exposure to large caps • Top-Down Strategy with focus on identifying winning sectors and best companies in those sectors
Differentiated MultiCap Equity Strategy (for High ticket size investments (>25L))	• Concentrated MultiCap Equity Portfolio of 15 Stocks with atleast 50% exposure to large caps • Top-Down Strategy with focus on identifying winning sectors and best companies in those sectors
Midcap Equity Strategy	• Concentrated portfolio of 10 stocks in the mid and small cap space • Preferred Market Cap range of 1,000 crs to 30,000 crs • Bottom-Up Strategy to identify companies that would generate wealth over the long-run

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Strategies Offered (cntd)

Strategy	Description
Hybrid Equity Strategy	• Mix of Mutual Funds and Equities • Have 2 Options – a) 50:50 Hybrid Strategy with equal allocation to Mutual Funds and 50% to Equities b) 80:20 Hybrid Strategy with 80% allocation to Mutual Funds and 20% to Equities
Mutual Fund Strategy	• Mutual Fund Strategy with 100% allocation to Mutual funds (both Equity and Debt) • Mutual Funds advisory would only be via Direct Mutual Funds
Passive Fund Strategy	• 100% allocation to Index Funds and ETFs • Rebalancing and re-allocation within Index funds would be managed in an active manner • Mutual Funds allocation to Index funds would only be via Direct plans

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STUDIES
Our recent views

- Sensex at 50K – Does the rally have more legs: 12th Feb 2021
- Covid 2nd Wave : The Road Ahead: 19th Apr 2021
- Covid 2nd wave – an Update: 20th May 2021
- The Rally of 2020 – how irrationally exuberant – 22nd June 2021
- Does it make sense to invest with Nifty at almost 16000 points – 29th June 2021
- Q1FY22 takeaways – Not too many surprises – 29th August 2021
- Top 10 issues for 2022 : 25th Jan 2022
- Russia Military Action in Ukraine (First-Cut Views) – 24th Feb 2022
- Crystal Ball Gazing- How do we see the next decade shaping up? : May 2022
- Debt Investment Strategy: June 2022
- Dark Cloud with Silver Linings: 7th July 2022
- Top 10 Issues for 2023: 16th Jan 2023
- The A B C Analysis of the market (Adani Budget Credit Policy): 10th Feb 2023

Thank You

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