

## **Markets Seem Interesting Notwithstanding the Macro Noise**

Post a subpar performance since late CY2021 Indian market valuations have drifted down to historical average levels. Given the structural changes taking place in India's economy we see a good opportunity here for equity investors with a 3-4 year horizon.

In CY2023 till date India has underperformed its emerging market peers as well as USA's S&P 500 and Nasdaq indices. This is despite the Indian economy growing faster and seemingly being much better positioned to tide over a global macroeconomic crisis if any. Indian companies are looking at a decent growth environment, healthy balance sheets, and a banking system eager and well prepared to crank up the systemic credit.

We are trying to look ahead of the debate on US Fed funds rate trajectory over next 6 months. It is quite likely that the Fed will go for the kill rolling out another 25-50 bps hike in Fed funds rate by end of CY2023 reaching a terminal rate of 5.25%- 5.5%. RBI having followed more prudent monetary policy in last 3 years has already reached close to its targeted repo rate. In fact inflation has already started showing signs of softening in India. In another 3-4 months interest rate will likely cease causing surprise to markets and inflation too should start trending down in the USA.

### **Valuations, Past Sensex Return Data Point Towards a Favorably Poised Indian Equity Market Over Medium Term**

Nifty 50's P/E multiple , TTM ( trailing twelve month) basis, at 20.2 is close to the lower end of its last nine year band. The average multiple in last twenty years has been 21.

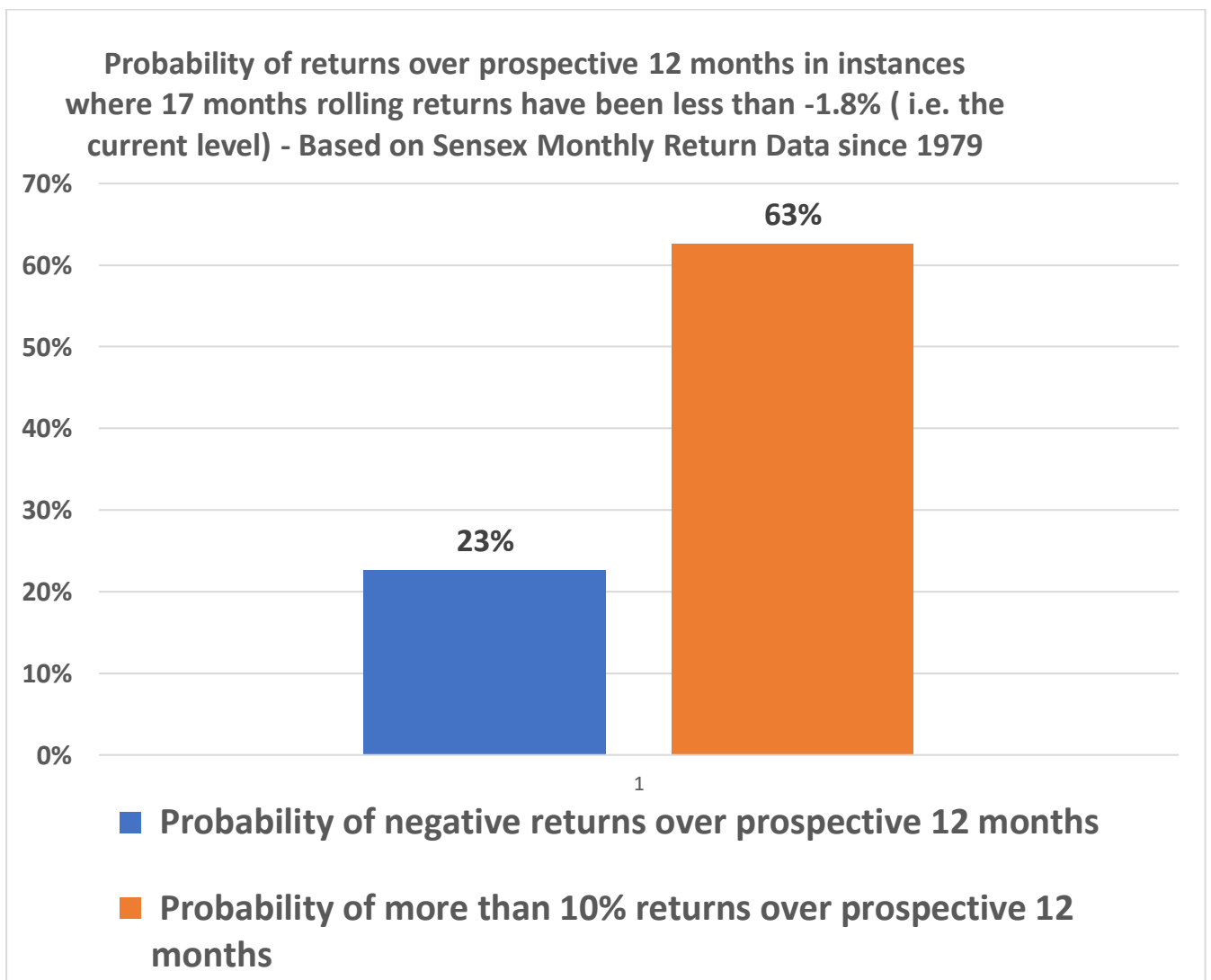
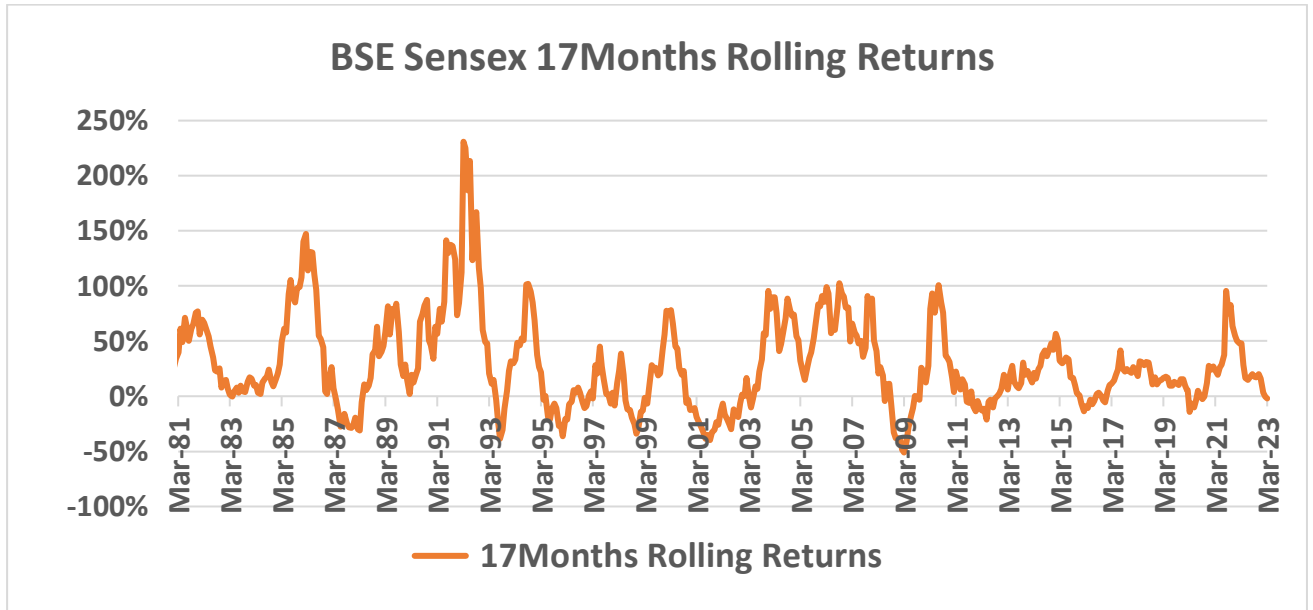
In last 17 months the Sensex return has been -1.8% ( as on 22nd March, 2023). Based on monthly Sensex return data since 1979 only in 22% of the cases has trailing 17 month return been lesser than what it is currently.

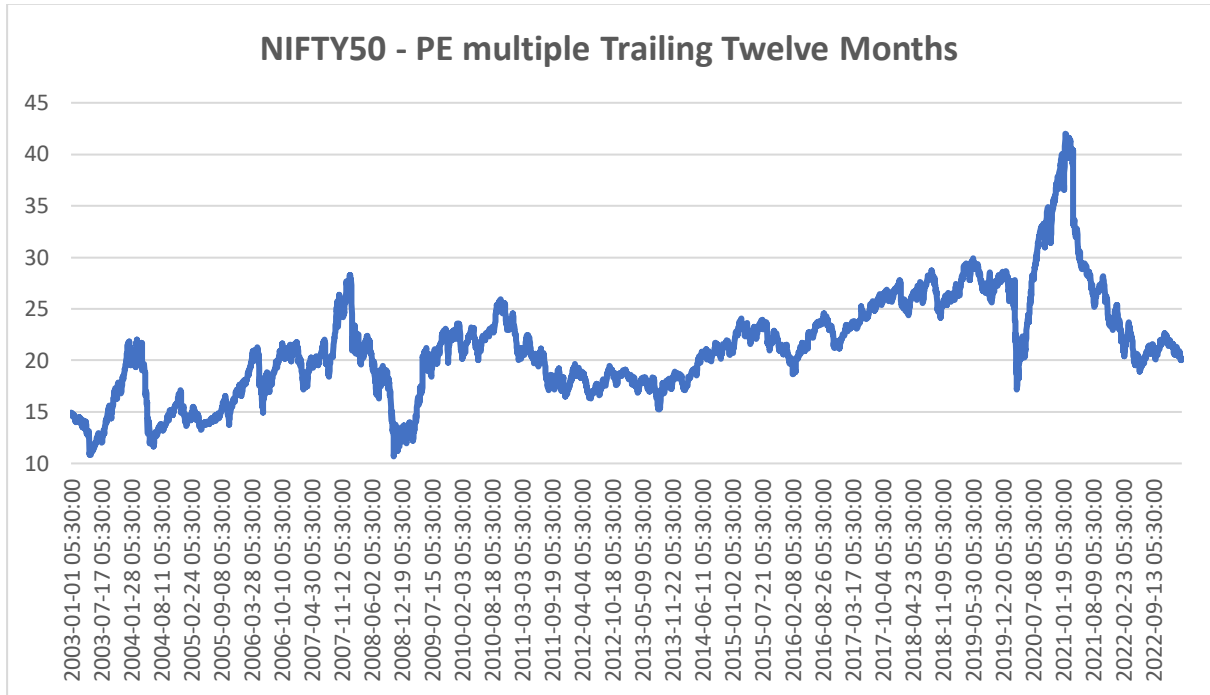
Based on the above data , in instances where 17 months rolling returns have been less than -1.8% ( i.e. the current level), the prospective return over next 12 months has been more than 10% in 63% of data points and less than zero in only 23% of data points.

Thus at least historical data suggests that current market levels are favourably poised for investors. This is further buttressed by the lower than average P/E multiples.

This is not to suggest that markets may be on the cusp of a linear upcycle. As is true in equities, markets rarely move in straight lines and can decline by 8-10% at any point. However we believe that an

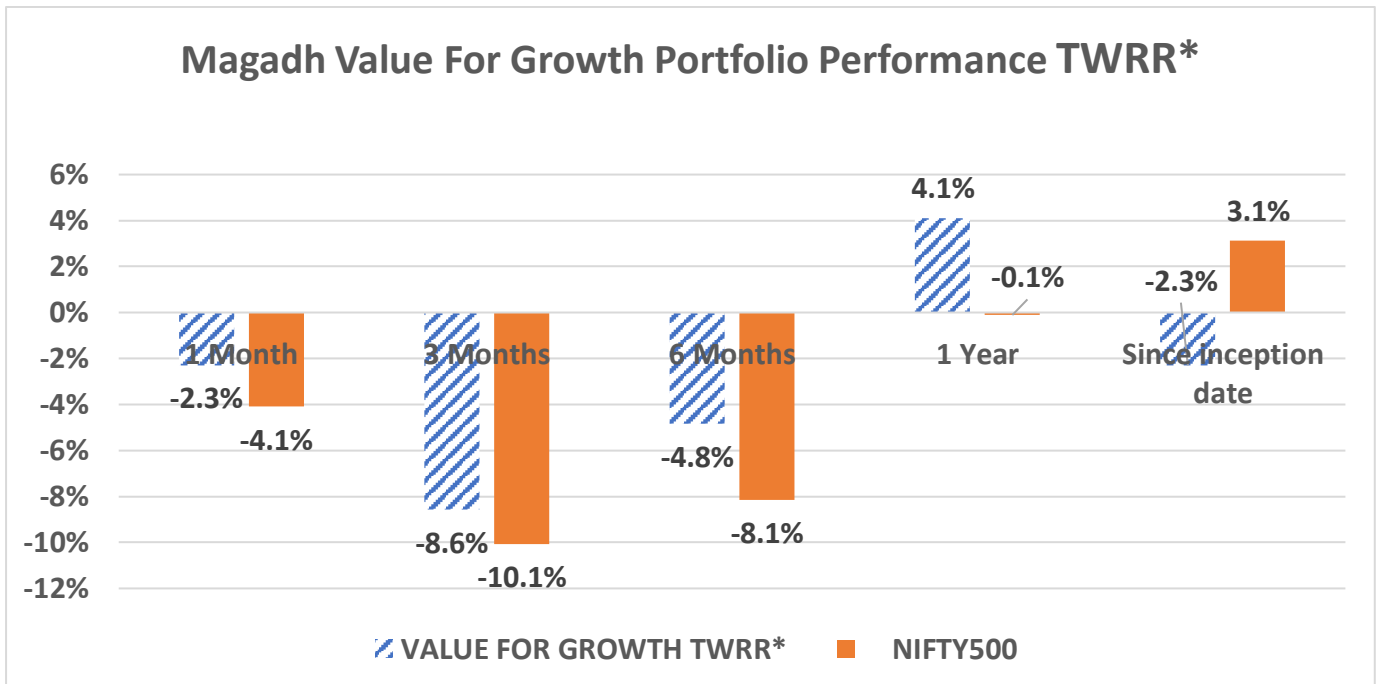
investor with medium to long term investment horizon now may have odds on his side.

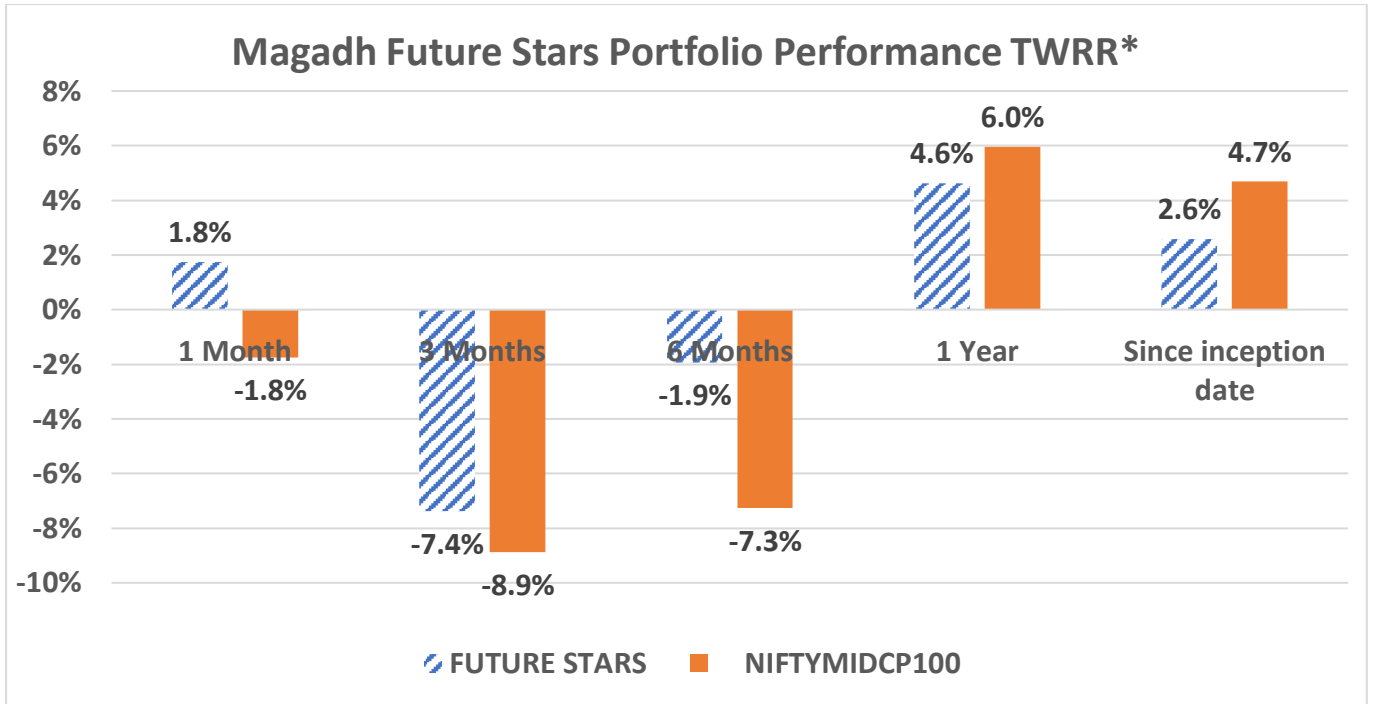




**Source: Ace Equity**

## Magadh Capital Portfolio Performance Vs Benchmarks





Data is for the period Aug 02, 2021 till March 14, 2023

**\*TWRR - Time Weighted Rate of Return**

Date: 23<sup>rd</sup> March, 2023  
Mumbai

**Disclaimer and Risk Factors:** The above viewpoint/newsletter is only for reference / information / educational purpose based on our views. The stocks, if any, mentioned above are only for reference and/or as example and are not recommendations. Any use of the information contained herein for investment related decisions by the Investors/ Recipients is at their sole discretion & risk. Please read the Disclosure Document and the Client Agreement along with the other related documents, if any, carefully before investing in the investment approaches of Magadh Capital Advisors LLP. Investments in Investment Approaches are subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee/ warranty that the objectives of any of the Investment Approach will be achieved. The investments may not be suited to all categories of Investors/ Recipients. Investors must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Investment Approaches.

**Past performance is no guarantee of future returns. Performance data provided herein is not verified by SEBI.** MCA LLP does not guarantee the future performance of any investment style, process or any level of performance relating to any products of MCA LLP or any other third-party service provider. Investment in any product including mutual fund or in the product of third-party service provider does not provide any assurance or guarantee that the objectives of the Investment Approaches are specifically achieved. MCA LLP shall not be liable to client for any losses that they may suffer on account of any investment or disinvestment decision based on the communication or information or recommendation received from MCA LLP on any product or on this document.

\*\*\*\*\*

<b>Magadh Capital Advisors LLP (LLP IN - AAG-4940)</b> SEBI Portfolio Managers Registration No. INP000007155	
Principal Place of Business	603 The Coworking Space, Matulya Centre, 2nd floor, Lower Parel, Mumbai, Maharashtra 400013, India.
Contact Details	Ph: +91-9821627938 Email: <a href="mailto:investor.info@magadhcapital.com">investor.info@magadhcapital.com</a> , grievance.pms@magadhcapital.com Website: <a href="http://www.magadhcapital.com">www.magadhcapital.com</a>
Investment Approaches	Future Stars (Mid cap and Small Cap) Value For Growth (Multi Cap)
Investment Approach Launch	August 2021
Minimum Investment	Rs. 50,00,000/-

Investor may invest with us directly. To invest in any of our PMS investment approaches directly or for any additional details / clarification, please write to us at **[investor.info@magadhcapital.com](mailto:investor.info@magadhcapital.com)**