

# MONTHLY COMMUNIQUE

REPORT AS ON JUNE 30, 2023

# IVY

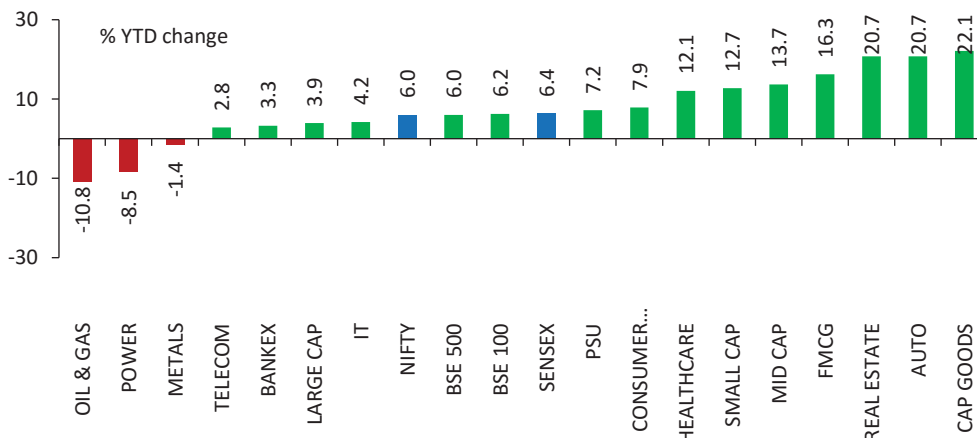
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Indian equities continued their up move for the third consecutive month with the Nifty and the Sensex gaining 3.5% and 3.4% respectively in June 2023. Broader markets continued to outpace frontline indices with the Nifty Midcap 150 and the Nifty Small cap indexes gaining 6.2% and 6.4% respectively. After the recent outperformance, valuations of broader markets relative to large caps have reverted to historical averages. On a YTD basis, the Nifty is up 6% for the first half of 2023. The up move has been driven by domestic facing sectors while outward facing sectors have lagged. In terms of style preferences, 'Quality' as a style has started outperforming in CY23 after underperforming 'Value' in the previous two years.



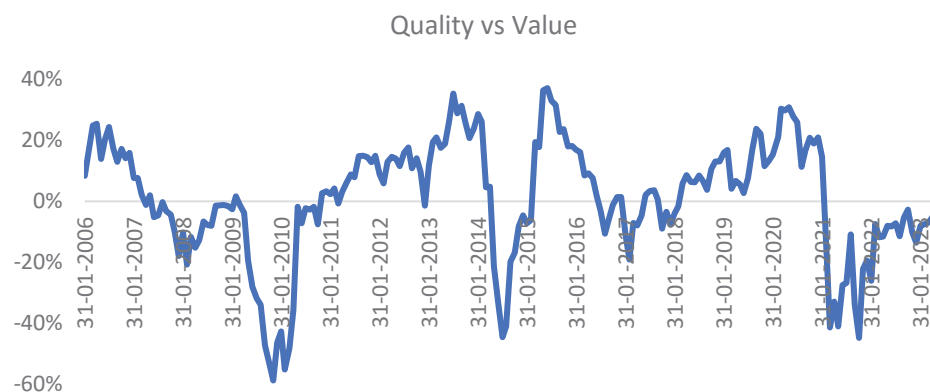
FPIs (foreign portfolio investors) remained strong buyers of equity with USD 5.2 billion of net buying in the past month. On index derivatives too, FPIs after carrying record short positions (betting on continued market declines) near the end of March have not only covered all their shorts, but their positions are pretty stretched on the long side now, nearing levels last seen near the Nov 22 peak.

## Domestic sectors have fared better this year versus outward facing sectors



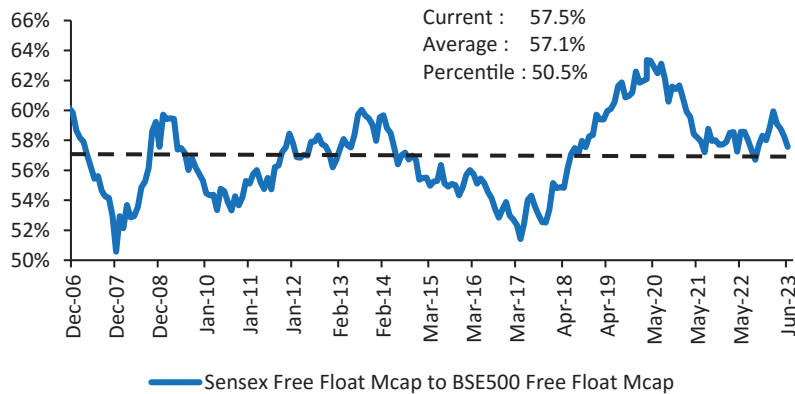
Source: Bloomberg, SBIFM Research. Note: This is the performance for calendar year 2023 till June end

## After underperforming 'value' in the previous two years, 'quality' is outperforming in CY23 so far



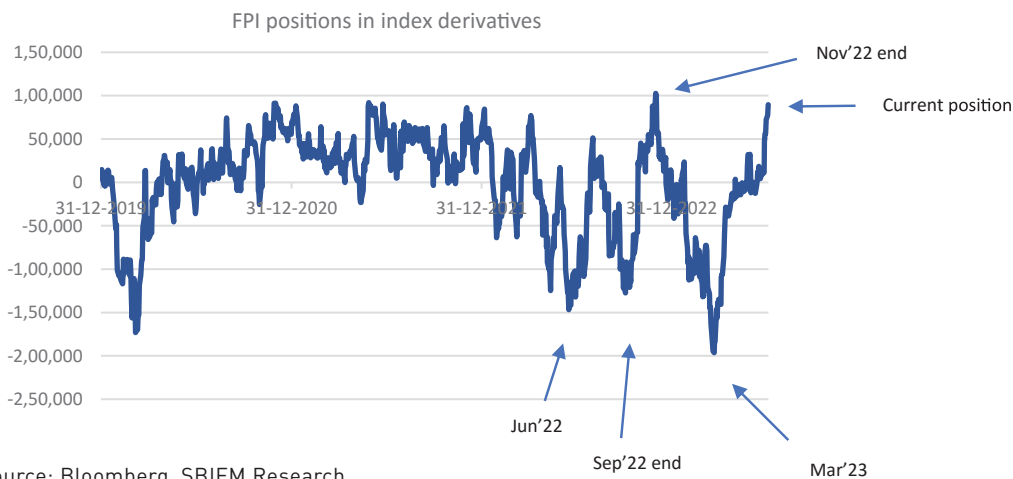
Source: FactSet, SBIFM Research. Note: This is the rolling 12-month performance of top 2 quintiles on quality relative to top 2 quintiles on value on our in-house factor definitions.

## Ratio of Sensex free float market cap to BSE500 free float market cap is back near historical averages



Source: Bloomberg, SBIFM Research

## Short covering behind, FPI index futures positions stretched on the long side now



Source: Bloomberg, SBIFM Research

On our preferred measure of valuations where we look at equity earnings yield relative to bond yields, we are expensive after the recent up move. In the initial move off the March lows, decline in yields was supporting valuations uptick but of late, equities have continued to march higher even as bond yields are inching higher too. The benchmark 10-year bond yield reversed its downtrend and increased by around 11 bps in June to close the month at 7.11%. This is making equity valuations expensive again.

On economy and earnings, India continues to be a resilient economy and probably one of the few bright spots in the world today. Profits to GDP have turned the corner after secularly declining between FY08 to FY20. That said the global picture is still far from clear. Several macro measures such as the weak global money supply growth, tightening credit conditions along with an inverted yield curve in the US, slowdown in global trade are pointing to a weak global backdrop. Any global slowdown will have some bearing on India as well.

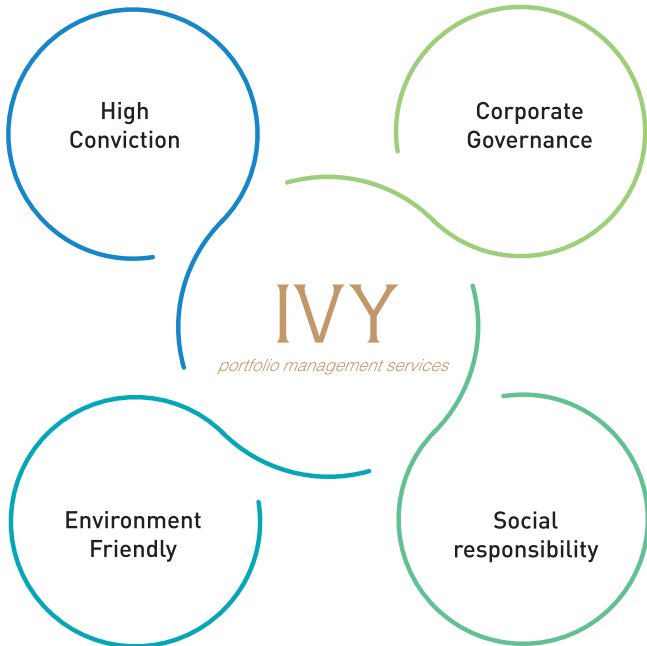
The longer-term backdrop stays very constructive for India. However, in the context of not so cheap valuations and continued global fragilities, investors would do well to continue sticking to disciplined asset allocation.

Warm Regards

**Gaurav Mehta**, CIO Alternatives

## Portfolio Positioning

### SEEKING GROWTH PRESERVING VALUES



#### High Conviction

Invest in businesses which benefit disproportionately by underlying economic growth, present in universe conducive for multi-fold growth. Expected to grow at high double-digit in the next 3-5 years and be an outperformer to the underlying sector

#### Good corporate governance

Respecting the interests of all stakeholders

#### Social responsibility

Company's dealings with employees, customers and communities are cordial

#### Environment Friendly

Avoid environment destructing businesses

Please refer to disclosure document for risk factors and details about the portfolio before investing.

## Stock Selection Process

### STEP 1: Qualitative Factors

(1) Analysis of business model (2) Impact of Macro-economic variables on the business model (3) Company analysis based on factors including Porter's Five Factors (4) Sell-side research interaction

### STEP 2: External Analysis

(1) Geo-Politics and its impact on business (2) Channel checks (3) Management Meetings (4) Work place / Plant visits

### STEP 3: Quantitative Factors

Derive Quality Score with input of ROE, ROIC, Earnings Risk and Debt repayment capabilities

### STEP 4: Investment Thesis

(1) Financial analysis of last 5 years (2) Building investment thesis (3) Valuation model (4) Target price (5) Strategic fit with other stocks in the portfolio

### STEP 5: Investment Decision

(1) Market cap bucket fit (2) Stock weight allocation based on degree of conviction (3) Entry and exit points (4) Dissemination of new information (5) Ongoing monitoring

The strategy and the composition mentioned above, of the portfolio is subject to change within the provisions of the disclosure document. The parameters stated above are only for illustration purpose and may or may not be exhaustive. Please refer to the disclosure document for details.

# SBI ESG PORTFOLIO

REPORT AS ON JUNE 30, 2023

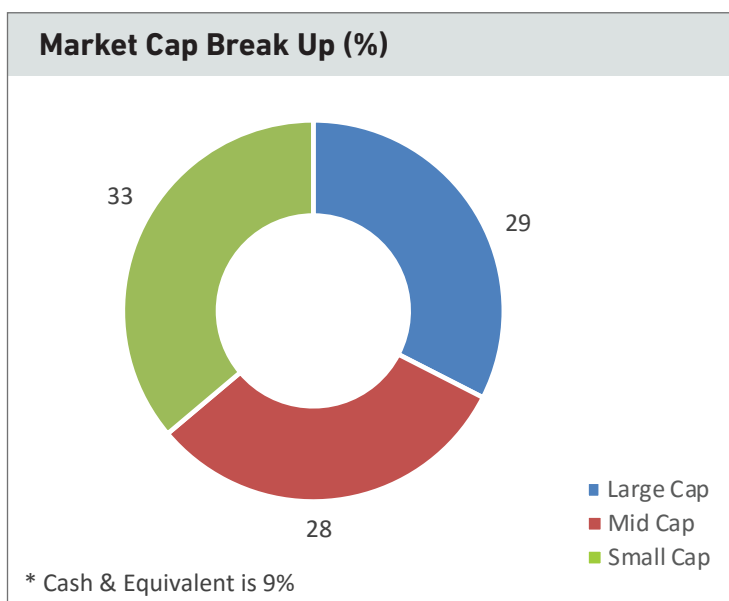
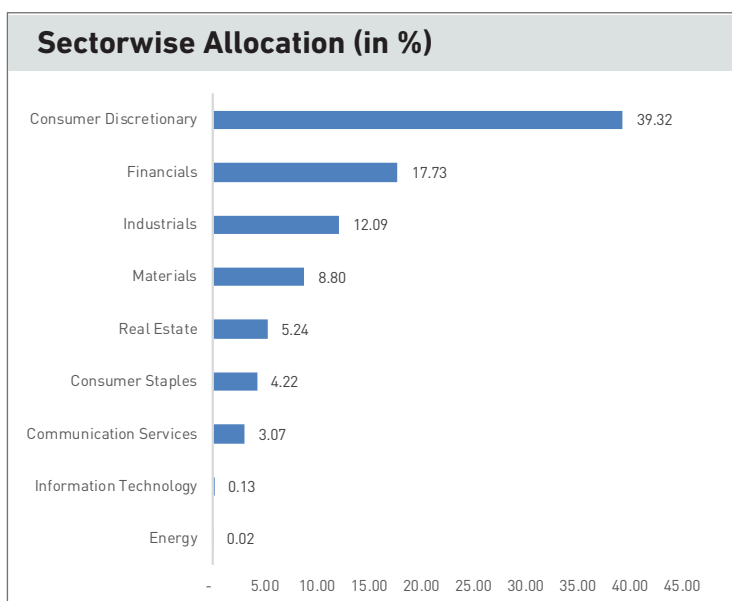
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<b>Investment Objective</b>	Investment objective of this portfolio will be to generate long-term capital growth through investment in well-researched stocks.
<b>Portfolio Attributes</b>	<ul style="list-style-type: none"> <li>Investing in companies meeting positive standards of Environmental, Social, Governance responsibility.</li> <li>Will focus on niche businesses having conducive universe for multi-fold growth with longevity.</li> <li>Invest in companies which are disproportionately high beneficiaries of Economic Growth</li> </ul>
<b>Benchmark</b>	NIFTY 50 TRI Index
<b>Investment Horizon</b>	More than 3 years
<b>Min. Investment Size (initial purchase)</b>	Rs. 50 lakh
<b>Additional Purchase</b>	Rs. 1 lakh
<b>Subscription</b>	On Each Business Day
<b>Redemption</b>	On Each Business Day
<b>Valuation</b>	On Each Business Day

Top 10 Holdings (With Current % Allocation)	
Company	Weight (%)
ICICI BANK LTD.	6.16
ZF C. V. CONTROL SYSTEMS INDIA LTD.	6.15
NEOGEN CHEMICALS LTD.	5.76
PHOENIX MILLS LTD.	5.24
PAGE INDUSTRIES LTD.	5.13
UNO MINDA LTD.	5.01
BLUE STAR LTD.	4.70
HDFC BANK LTD	4.67
KOTAK MAHINDRA BANK LTD.	4.64
KPR MILL LTD.	4.61

Top 10 Holdings by Returns	
Company	Returns (%)*
BLUE STAR	71.46
ZF C. V. CONTROL SYSTEMS INDIA LTD.	57.85
AUTOMOTIVE AXLES LTD.	41.33
ICICI BANK LTD.	32.94
PHOENIX MILLS LTD.	32.30
BHARTI AIRTEL LTD.	28.85
HDFC BANK LTD.	27.67
TIMKEN INDIA LTD.	25.64
WENDT (INDIA) LTD.	24.61
BAJAJ AUTO	24.54



\*Returns mentioned are the returns of the stock in the last 1 year or since the time the stock has been included in the portfolio in case the stock has not completed 1 year.

# SBI ESG PORTFOLIO

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### Fund Performance as on June 30, 2023

% Returns	1 Month	3 Months	6 Months	1 Year	2 Year	3 Year	4 Year	5 Year	Since Inception	YTD
SBI ESG Portfolio	3.92%	10.74%	8.24%	20.43%	15.47%	34.05%	21.96%	17.91%	15.14%	8.24%
NIFTY 50 TRI	3.70%	11.06%	6.58%	22.91%	11.79%	24.56%	14.31%	13.72%	14.08%	6.58%

DISCLAIMER - SBI ESG Portfolio (formerly known as SBI Growth With Values Portfolio) Inception Date : 08/07/2016

Returns presented are time-weighted returns. Time weighted - Daily valuation method is used for rate of return calculation. Periodic returns are geometrically linked. Total return includes realized and unrealized gains and income. Accrual accounting is used for the calculations. Dividend is accrued on ex-date and reinvested in the portfolio. Trades are booked on trade date. Net returns are calculated after deducting actual management fees and all other expenses. Benchmark returns are presented gross of non-reclaimable withholding taxes.

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If you wish to invest, please contact your financial advisor or to invest Direct please contact us on [pmsops@sbimf.com](mailto:pmsops@sbimf.com)