

2021

A look at what all went by

MARKET PERFORMANCE

NIFTY outperforms most key global Indices, Metals shine brightest

KEY DEVELOPMENTS

SEBI policies overview, Global events and impact

UNIFIED WEALTH INTERFACE

A vision to shape future of Wealth Management

MARKET OUTLOOK FOR 2022

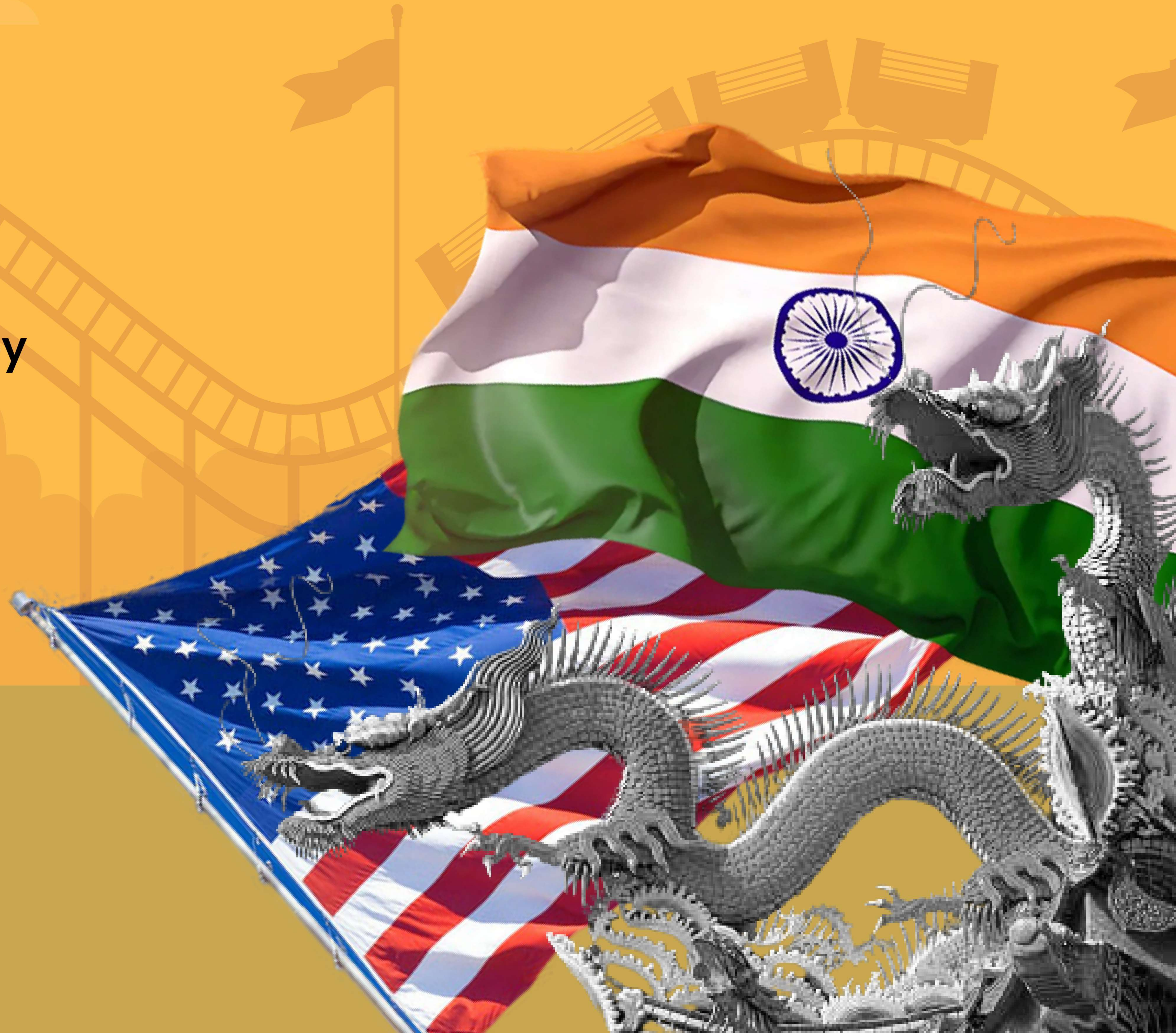


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Executive Summary

21.8% / 60.0%

NIFTY 50/ NIFTY Metals return in 2021

1.88 Cr. Accounts

Active accounts: Market share of top 15 brokers

2021 = 65 IPOs + 44 Unicorns

A quick catch up on everything that is important

Tracking Global Events

Evergrande Crisis, Joe Biden taking precedence, all one must know!

India: Covid, SEBI policies and more

A walkthrough on what was important throughout the year...

Unified Wealth Interface

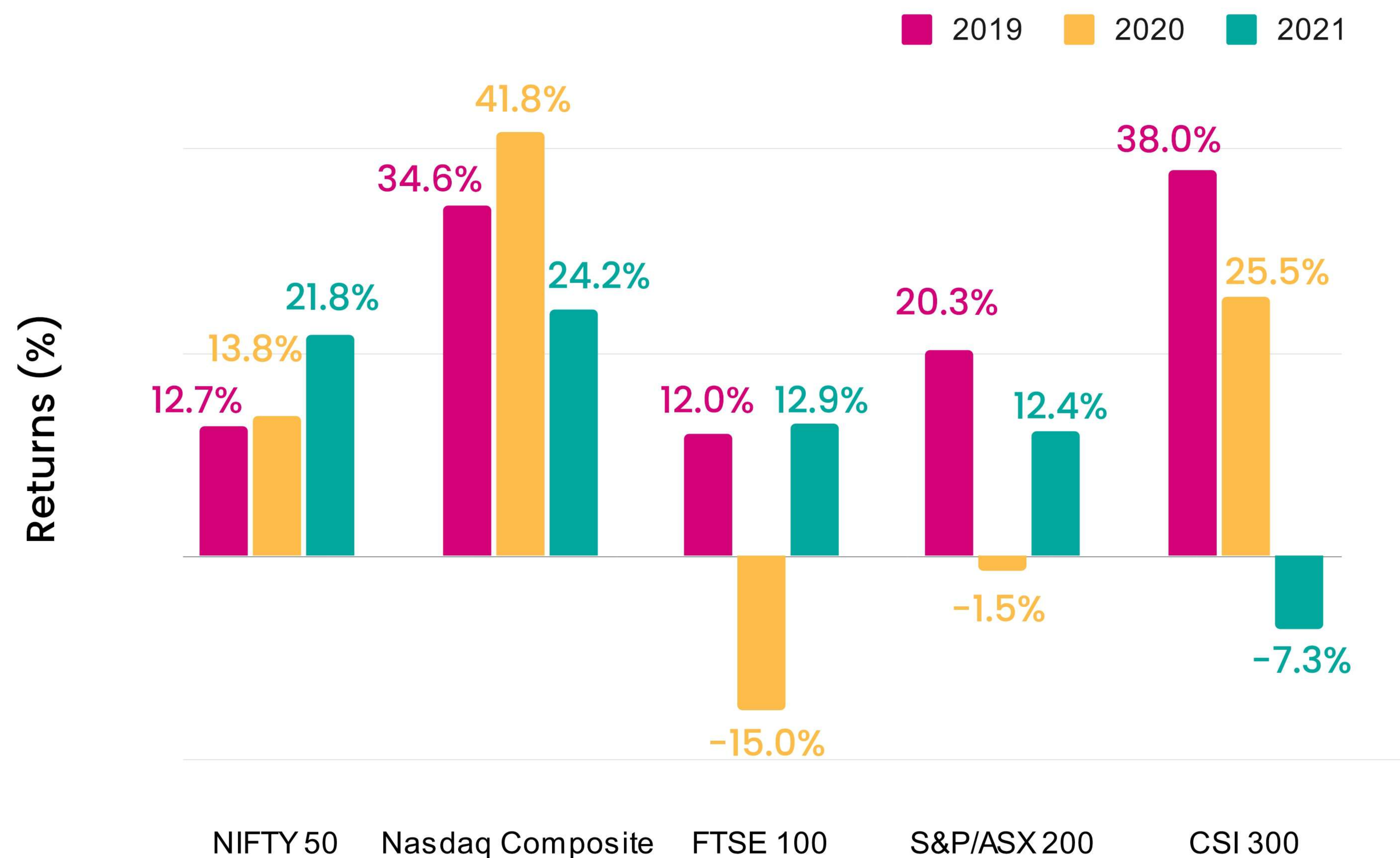
Shaping vision for future of Wealth Management





Market Indices Performance: **An overview**

Global Indices

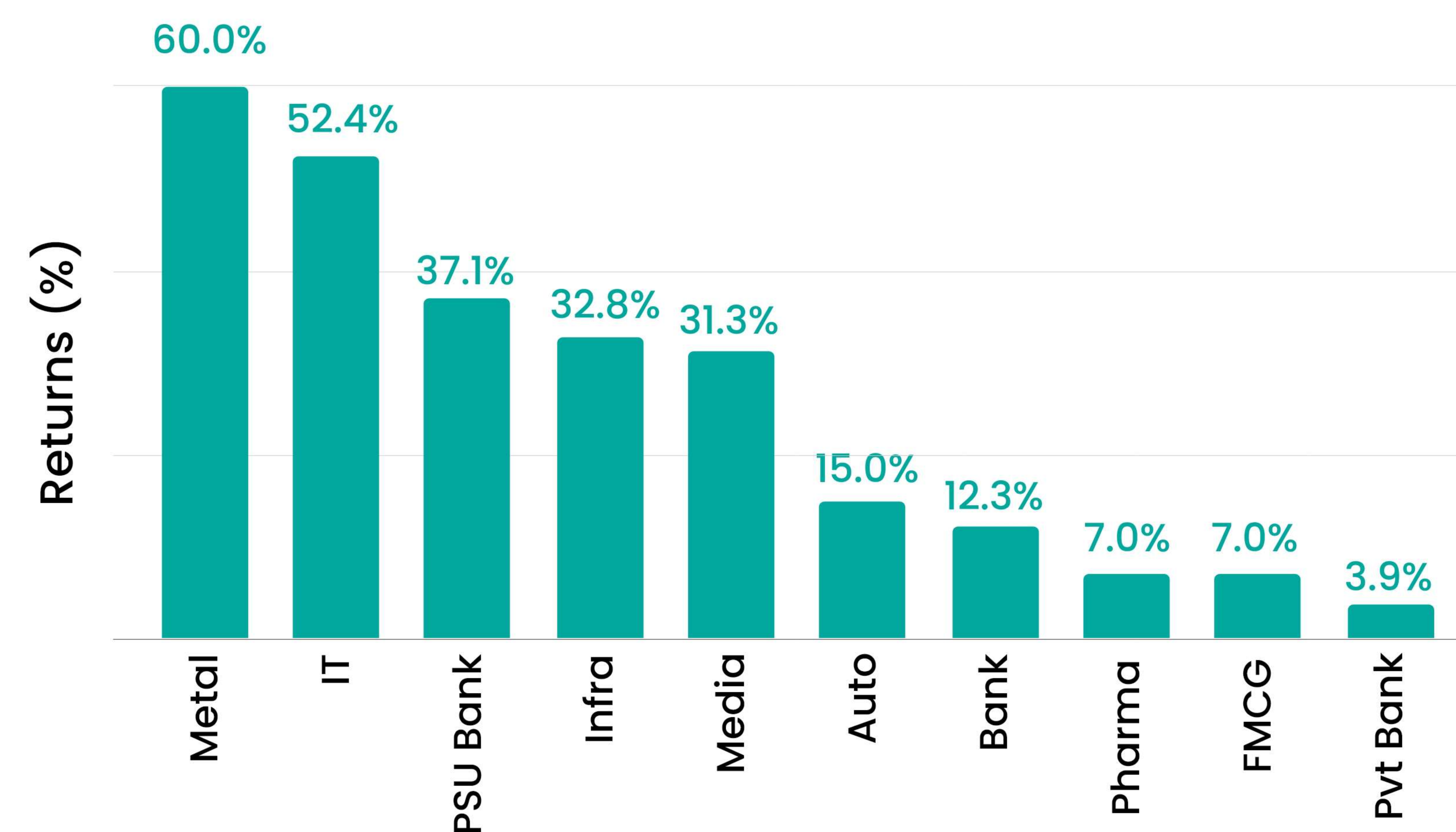


NIFTY50 and Nasdaq have outperformed key benchmarks like ASX 200 (Australia), FTSE 100 (UK) and CSI 300 (China) in 2021.

- Chinese market underperformance was largely on the back of policy-related implications across China and globally, and the Evergrande crisis (details in subsequent slides)
- Political clarity after the election of US President Joe Biden aided the US market outperformance

Source: Google Finance, Investing.com; Data as of 29-Dec-21

NIFTY: Sectoral Indices

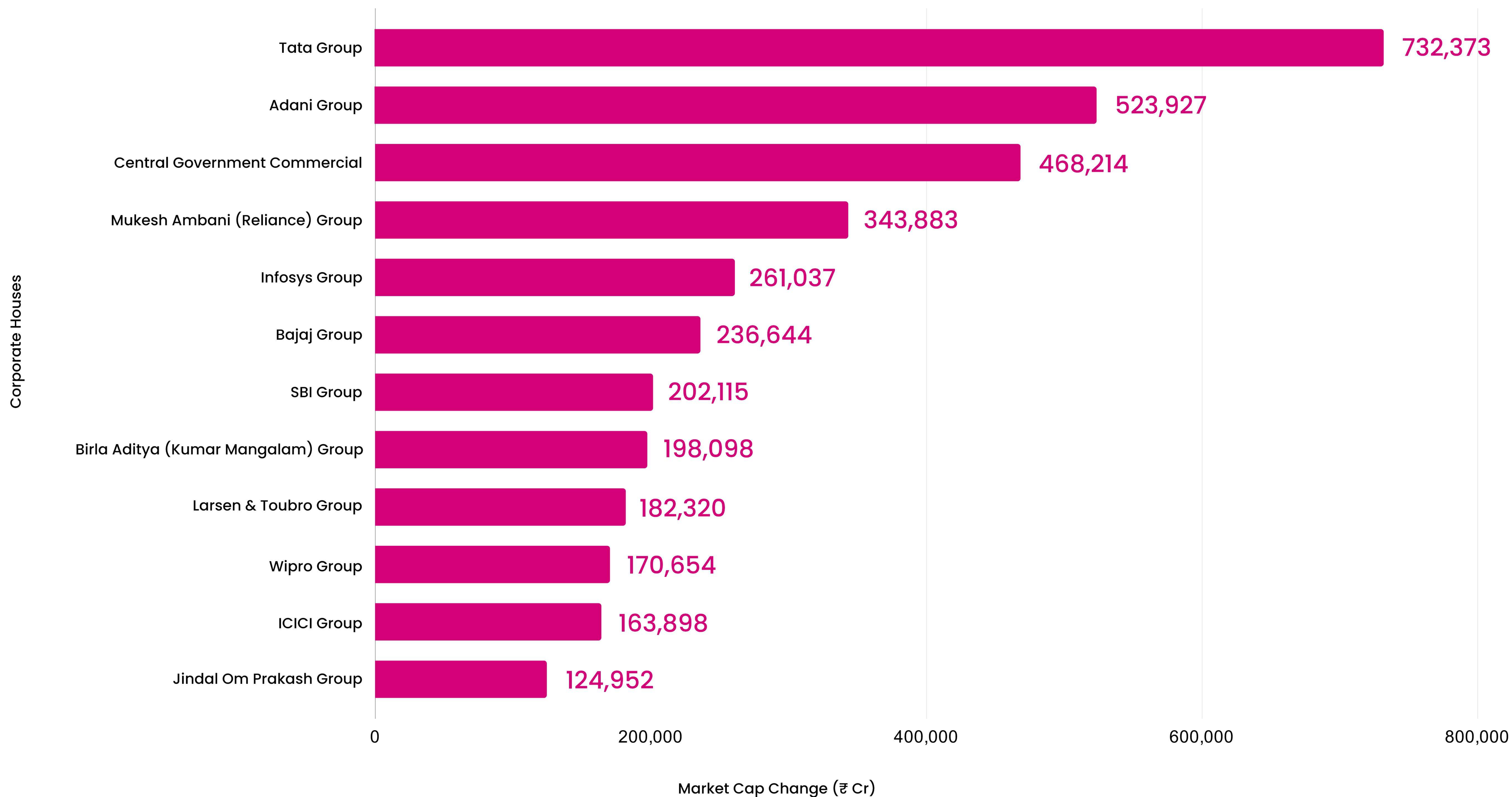


While all key sector indices ended the year in positive, Metals (global demand push) and IT (increased focus on globalization) outshined in 2021.

Infrastructure (demand push supported by low interest rates and favourable policies) and Media (unlock theme beneficiaries, viewership increase) were among other key performers.

Source: Google Finance, Data as of 29-Dec-21

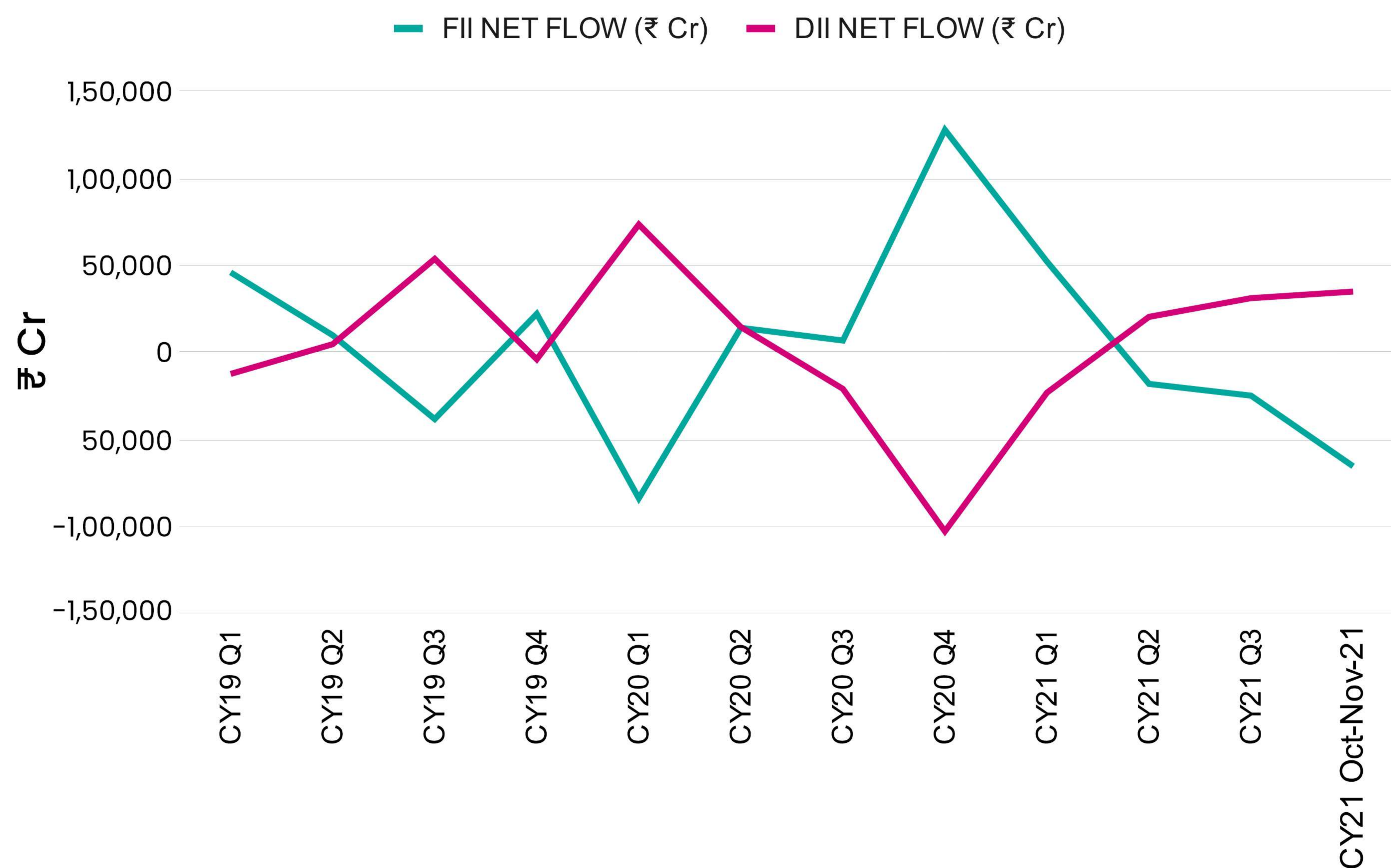
Market Cap gained by major corporate houses (2021 vs 2020)



Tracking the money flow

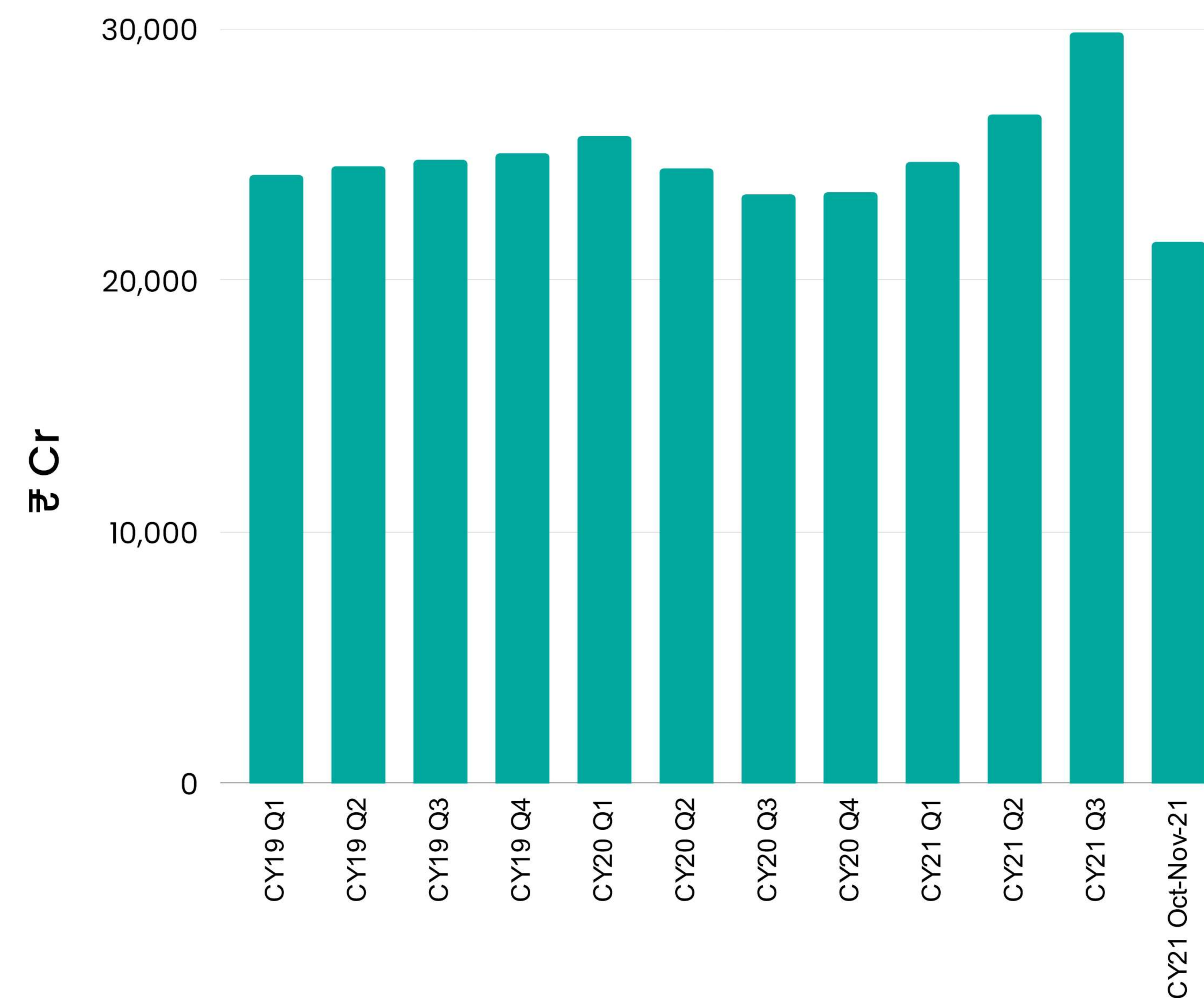


FII & DII TRADING ACTIVITY



Above chart reflects the net FII and DII cash flows into the markets over 2019 to 2021. Starting CY21 Q2, FIIs have been net sellers in the Indian market, while DIIs have turned net buyers.

SIP Contribution into MFs

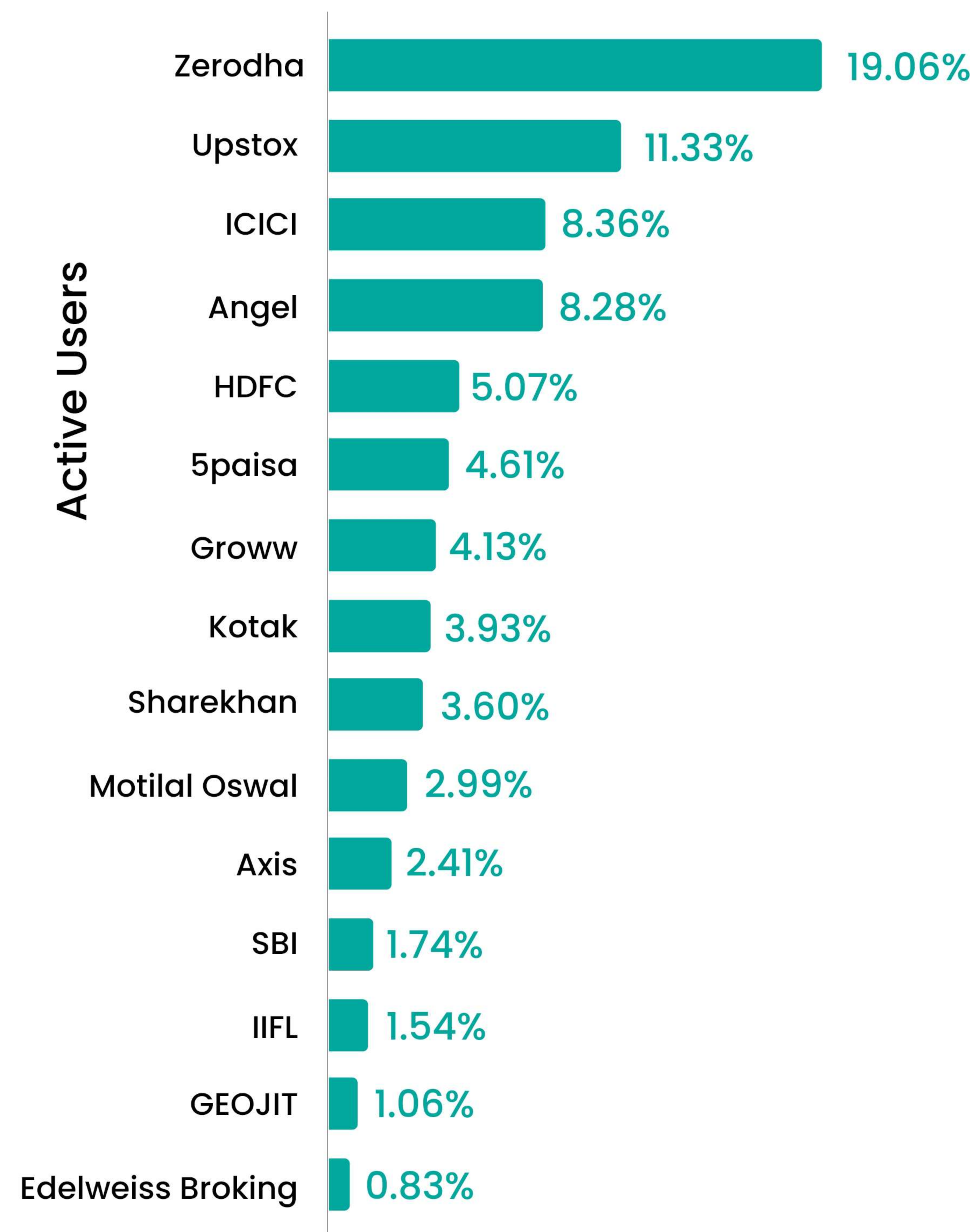


Data over 2019 to present (Nov-21) suggests that SIPs into Mutual funds had been gradually increasing upto quarter ending Sep-21. CY21 (up till Nov-21) witnessed cumulative SIP fund inflow into mutual funds to the tune of ₹102,711 Cr.

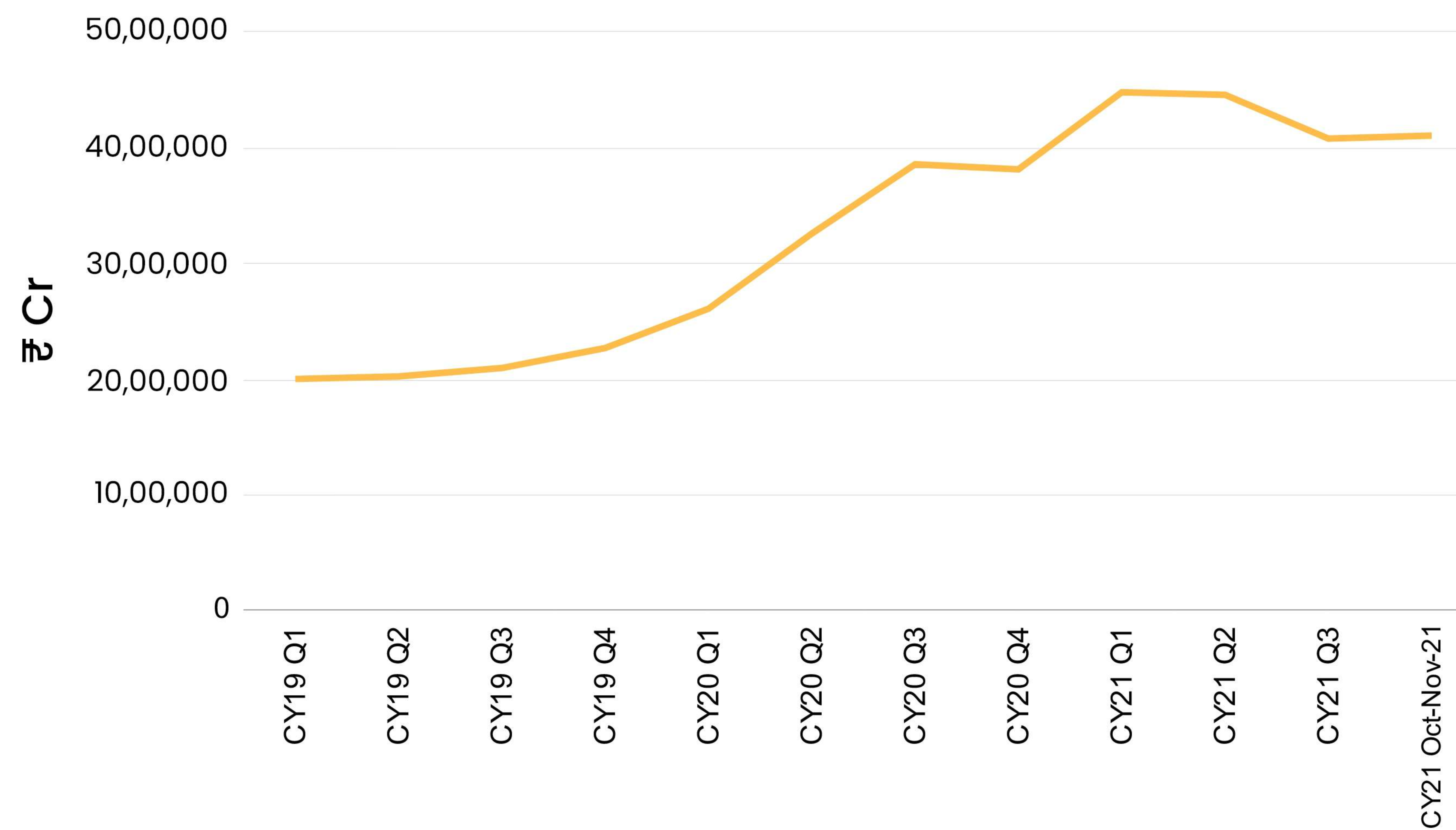
Top Brokers and NSE Turnover



Top Brokers



NSE Turnover



In 2021, wealth management found itself in an exciting spot as we saw a meteoric rise in the number of Demat accounts.

Discount brokers eclipsed full-service brokers in terms of number of active users. We saw Zerodha and Upstox overtake ICICIDirect for the top spots.

NSE turnover has considerably increased over past 3 years

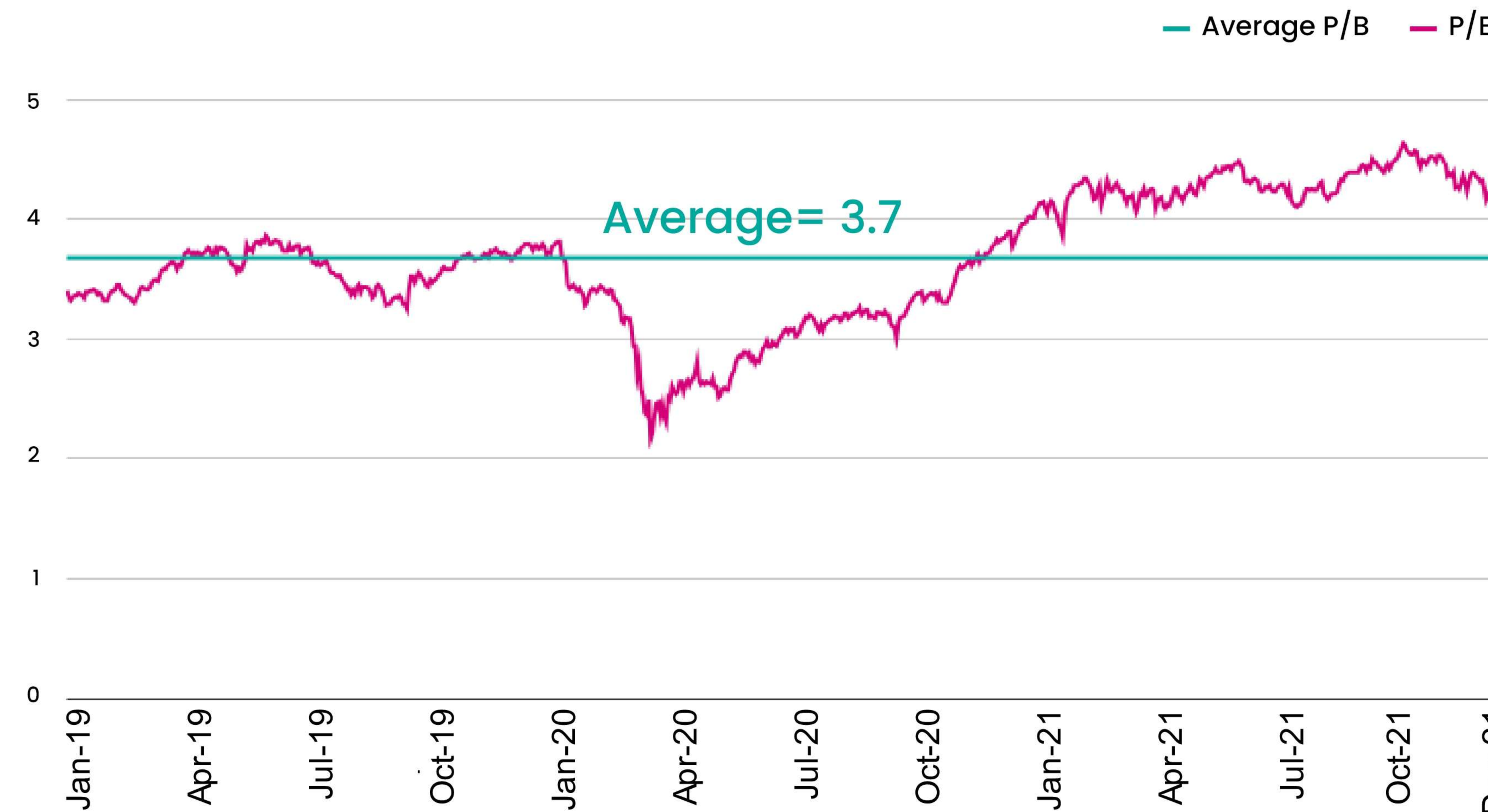


NIFTY Indices – Valuations (Trailing)

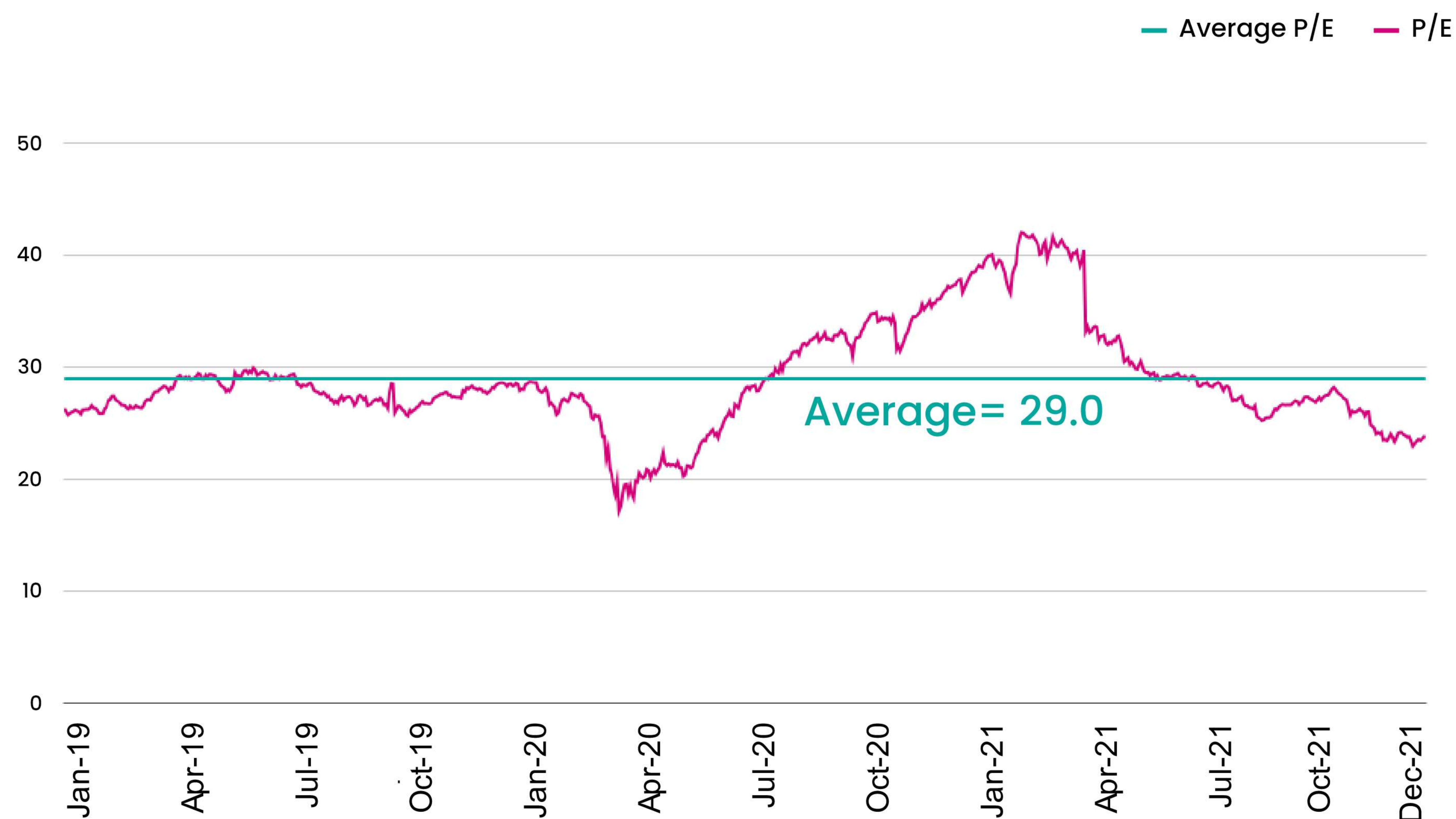
While NIFTY 50 Trailing Twelve Month (TTM) P/E at 23.7x (as of 29-Dec-21) is below the 3 year average, TTM P/B 4.3x is above average for the same period. Dividend yield as of year end stood at 1.21x, and was in line with the 3 year average.

Source: NSE

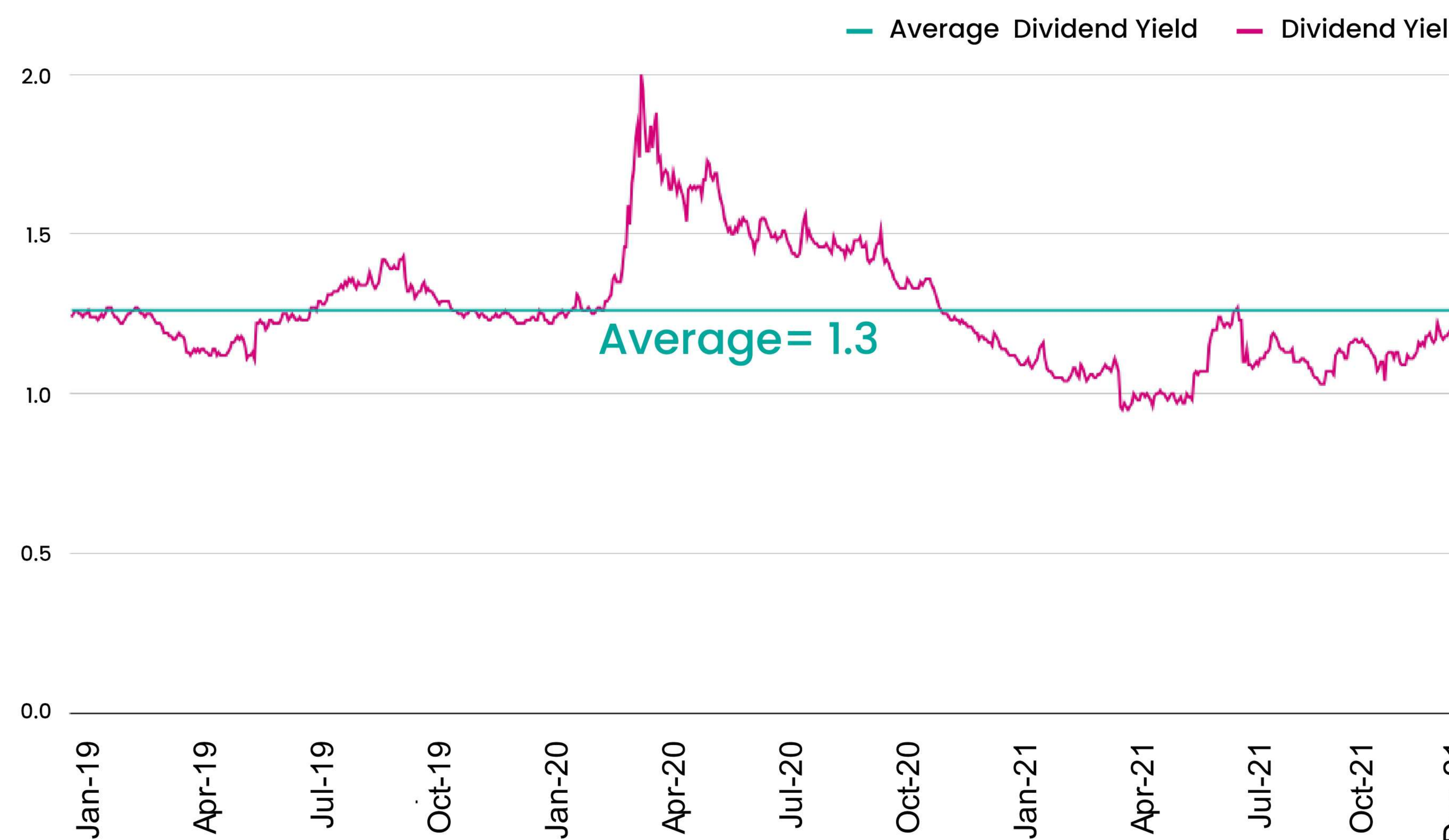
NIFTY 50 TTM P/B



NIFTY 50 TTM P/E



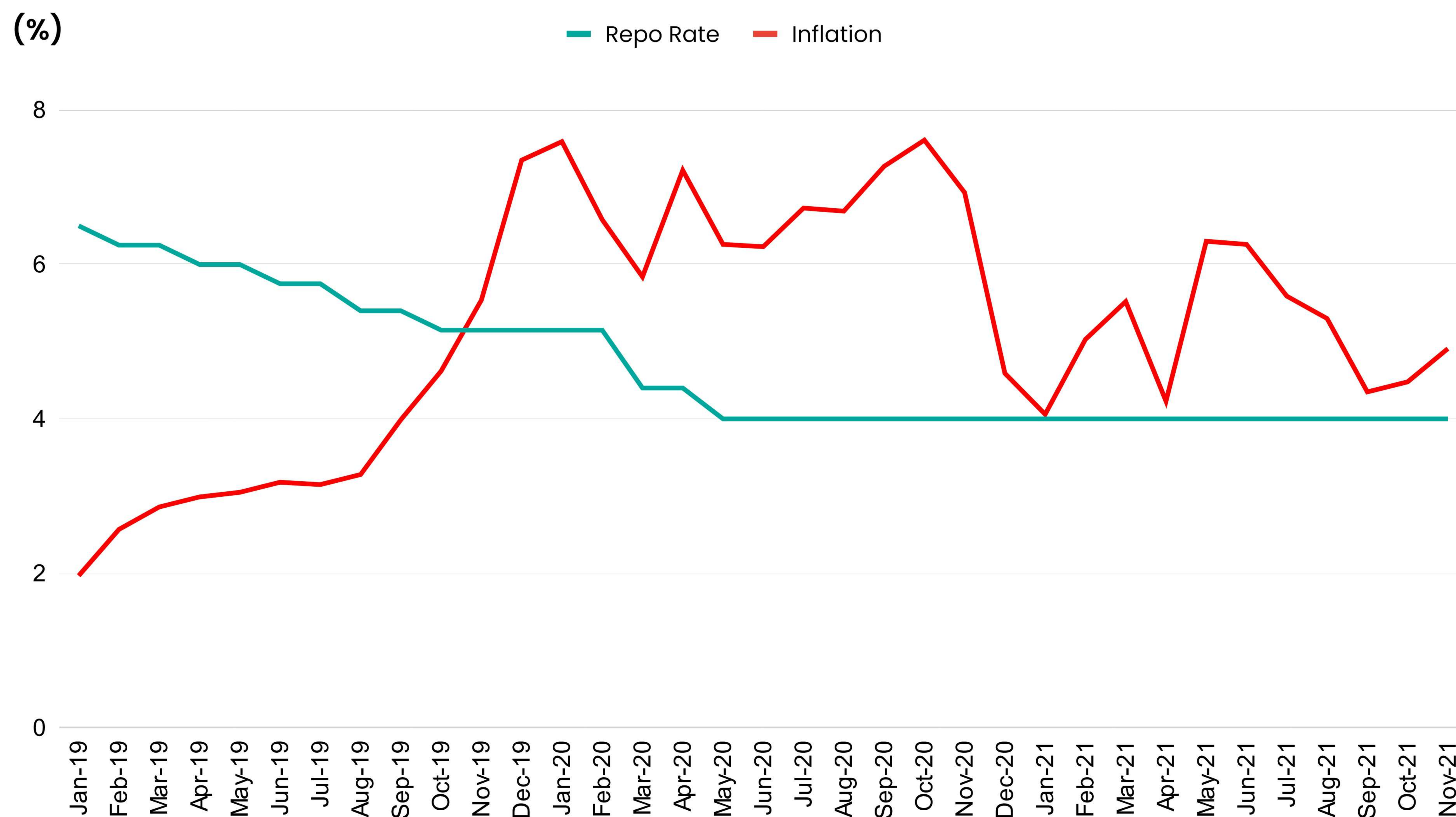
NIFTY 50 TTM Dividend Yield



Inflation versus interest rate



India Inflation & Repo Rate

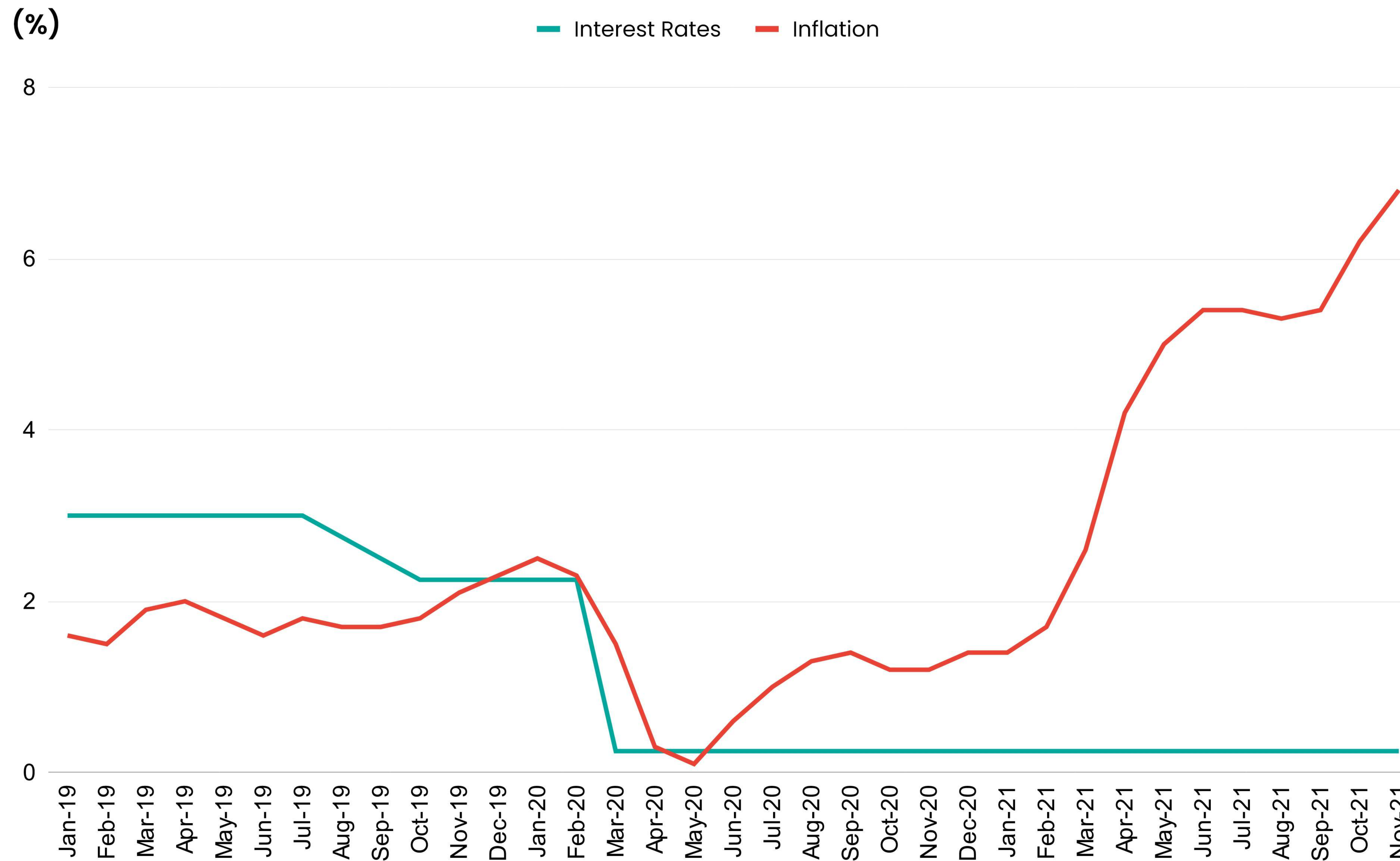


Owing to disruptions of business activities due to COVID-19, RBI had lowered its repo rate to 4.00% in May 2020 to infuse credit into the economy

In the Monetary Policy Committee meeting held in December, the RBI held the repo rate at 4.00% for the 9th time in a row.

As we saw CPI inflation of 4.91% in November 2021, Inflation remained below 6.00% for the 5th month in a row.

US Inflation & Interest Rate



In November 2021, US CPI inflation touched the highest level in decades. This has led to increasing pressure on the Federal Reserve to deliver swifter monetary policy tightening.

Asset Class Performance



The table on the next page highlights the performance of 8 asset classes over a period of CY16-21, in order of performance from highest to lowest. The variation in performance across asset classes emphasises building a diversified portfolio, against predicting the next best performing asset class for any investor. A few key observations:

- Small-Cap, however risky, have outperformed other asset classes 3/6 times over past 6 years. Also, it has performed the worst in the remaining 3 years.
- Diversification across equities on bases of capitalization offer considerable chances of outperforming any single asset class.
- “Safe” asset classes like G-Sec, real estate, gold and corporate bonds assist in stabilizing overall portfolio returns.
- Oil as a commodity has shown volatility in performance, particularly over CY20-21 owing to demand pressures on back of lockdown and unlocking across economies.

Fact: Petrol and Diesel prices for end consumers increased by ~20% from Jan-Dec in 2021, across India.

% | **2016** | **2017** | **2018** | **2019** | **2020** | **2021**

IN ORDER OF PERFORMANCE ↓

| | | | | | |
|-------------------------|------------------------|------------------------|-------------------------|-------------------------|------------------------|
| Oil 52.66 | Small-Cap 59.64 | Gold 8.00 | Oil 20.20 | Small-Cap 30.75 | Small-Cap 58.96 |
| G-Sec 15.00 | Midcap 48.13 | G-Sec 8.00 | Gold 18.00 | Gold 27.11 | Oil 53.85 |
| Corporate bond 12.00 | Large-Cap 27.91 | Large-Cap 5.91 | Large-Cap 12.65 | Midcap 18.83 | Midcap 37.02 |
| Gold 11.00 | Oil 20.55 | Corporate bond 5.00 | G-Sec 12.00 | Large-Cap 14.64 | Large-Cap 21.26 |
| Real Estate 9.63 | Corporate bond 7.00 | Real Estate 4.83 | Corporate bond 10.00 | G-Sec 12.83 | Corporate bond 3.66 |
| Midcap 7.97 | Real Estate 6.40 | Midcap -13.38 | Real Estate 4.20 | Corporate bond 12.26 | Real Estate 2.60 |
| Large-Cap 1.95 | Gold 6.00 | Oil -19.18 | Midcap -4.01 | Real Estate 1.20 | G-Sec 2.48 |
| Small-Cap 1.77 | G-Sec 2.00 | Small-Cap -23.53 | Small-Cap -8.98 | Oil -21.81 | Gold -1.65 |




Source: Research, Livemint, Business Insider, Google Finance
 Note: Large Cap: BSE Sensex, Mid Cap: BSE Midcap, Small Cap: BSE Small Cap, G-Sec: CIL All
 sovereign Bond Index, Gold: World Gold Council, Real estate: RBI house price index 2QFY22, Oil: Brent
 Crude: Returns as of 27-Dec-21, Trading days considered







Biggest IPOs of 2021 (by issue size)



A quick look at top 15 Mainboard IPOs* (based on issue size) for 2021. Fact: 8 Indian startups launched IPOs in 2021, in both India and abroad

*Companies making to the Mainboard IPOs list have a minimum paid-up capital (post-issue) of Rs10 Cr.

| Issuer Company | Offer Close | Issue Size (Rs Cr) | Issue Price (Rs) | Listing close price- BSE (Rs) | Listing gain/ Loss | Total Subscription |
|--|--------------|--------------------|------------------|-------------------------------|--------------------|--------------------|
|  | Nov 10, 2021 | 18,300 | 2,150 | 1,564 | -27.2% | 1.89 |
|  | Jul 16, 2021 | 9,375 | 76 | 126 | 65.6% | 38.25 |
|  | May 03, 2021 | 7,735 | 100 | 104 | 4.0% | 4.83 |
|  | Dec 02, 2021 | 7,249 | 900 | 907 | 0.8% | 0.79 |
|  | Nov 03, 2021 | 5,625 | 980 | 1,203 | 22.7% | 16.58 |
|  | Jun 16, 2021 | 5,550 | 291 | 363 | 24.7% | 2.28 |
|  | Nov 01, 2021 | 5,352 | 1,125 | 2,207 | 96.2% | 81.78 |
|  | Aug 11, 2021 | 5,000 | 570 | 531 | -6.8% | 1.71 |

| Issuer Company | Offer Close | Issue Size (Rs Cr) | Issue Price (Rs) | Listing close price- BSE (Rs) | Listing gain/ Loss | Total Subscription |
|---|--------------|--------------------|------------------|-------------------------------|--------------------|--------------------|
|  INDIAN RAILWAY FINANCE CORPORATION <small>(A Government of India Enterprise)</small> | Jan 20, 2021 | 4,633 | 26 | 25 | -4.4% | 3.49 |
|  SANMAR | Aug 12, 2021 | 3,850 | 541 | 535 | -1.1% | 2.17 |
| Brookfield India Real Estate Trust | Feb 05, 2021 | 3,800 | 275 | 270 | -1.8% | 7.97 |
|  CarTradeTech | Aug 11, 2021 | 2,999 | 1,618 | 1,500 | -7.3% | 20.29 |
|  APTUS® | Aug 12, 2021 | 2,780 | 353 | 374 | 6.0% | 17.2 |
|  ADITYA BIRLA CAPITAL <small>(A part of Aditya Birla Capital Ltd.)</small> | Oct 01, 2021 | 2,768 | 712 | 700 | -1.7% | 5.25 |
|  LODHA MACROTECH DEVELOPERS LIMITED | Apr 09, 2021 | 2,500 | 486 | 463 | -4.7% | 1.36 |

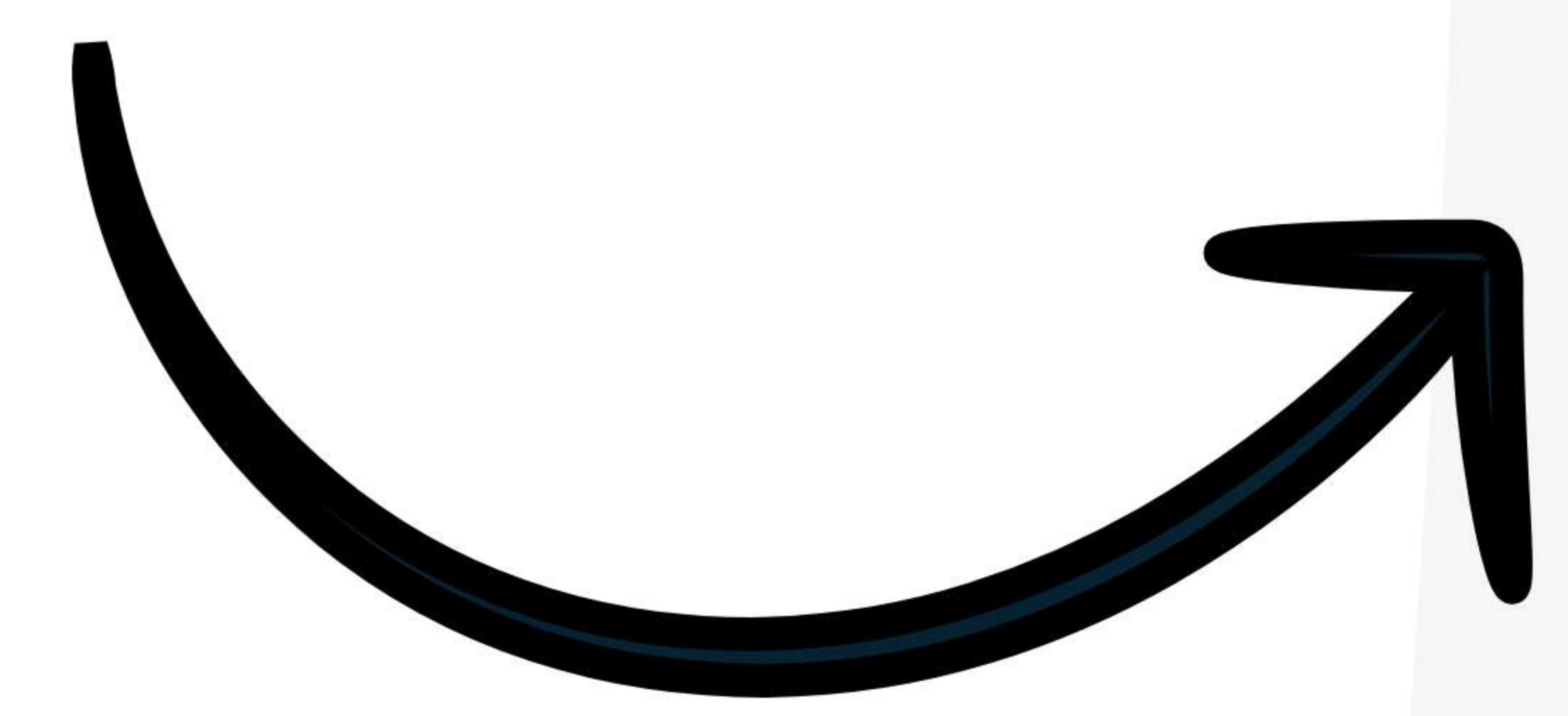
Source: Research, NSE, MoneyControl, Bloomberg

Note: Listing gain calculated on basis of closing price on listing day



**44 unicorns in 2021:
An unbreakable record?**

STARTUPS THAT TURNED UNICORNS THIS YEAR:



2021: Year of the Ox-Bull...

The bullish spirit of the Ox year was largely captured by startups in India. Just one year into the 2020s, India has eclipsed the previous decade of 2011-20 in terms of the number of unicorns formed.

44 Indian startups joined the unicorn club this year as compared to 37 startups that joined in the 2011-20 decade. Indian startups raised ~₹46,045 crores through IPOs which is nearly 70% of the total capital raised through IPOs.

As of December 22nd, fintech companies had raised ~₹79,201 crores in 2021.
(Conversions of \$ to ₹ as on 29/12/2021)

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**Major events spanning
across the globe**

Pollution curb initiated by the Chinese government

Measures include switching from coal to gas, phasing out inefficient industrial boilers and cutting the number of diesel trucks on the road. Impact: reduced iron ore prices, aluminium prices increased by ~50% in 2021 owing to production cut and global market demand.

Evergrande crisis

Considered to be China's Lehman moment. Has significantly impacted the real estate businesses in China and authorities are coming down hard on such firms now.

CHINA

Power crisis

As the world started opening again, the factories started running again and this led to a power crisis in China. The Chinese authorities started energy rationing in major manufacturing-focused provinces like Guangdong, Zhejiang, Jiangsu, etc. Besides the supply-side disruption, the margins have also lowered.

China +1 strategy

Multinational companies diversifying supply chain to other countries (including China). India's steel industry has already started seeing the benefits of the China +1 strategy. India saw a 25.6% rise in steel production in the first 8 months of 2021.



USA

Inflation highs

The inflation rate in the U.S. has been highest in the past 40 years at 6.8%. This has been due to the stimulus by the U.S. Federal Reserve. The Fed has already indicated that they would start combating inflation and end the current stimulus package by Mar-22.

President Biden takes office

Joe Biden took over the presidency from Donald Trump. The transition saw some protests, especially when some people broke into the U.S. Capitol. The change in the presidency did not see any relaxation in the trade war between the U.S. and China. To combat China and ease the semiconductor crisis, the U.S. is focussing on developing the semiconductor industry.



The background of the slide is a dark blue surface covered in crumpled paper. Scattered across this surface are several yellow five-pointed stars, similar to those on the European Union flag. On the left side, a portion of the Union Jack flag is visible, appearing to be part of the crumpled paper or a separate layer. The overall aesthetic is one of texture and symbolic representation of the UK and EU.

UK

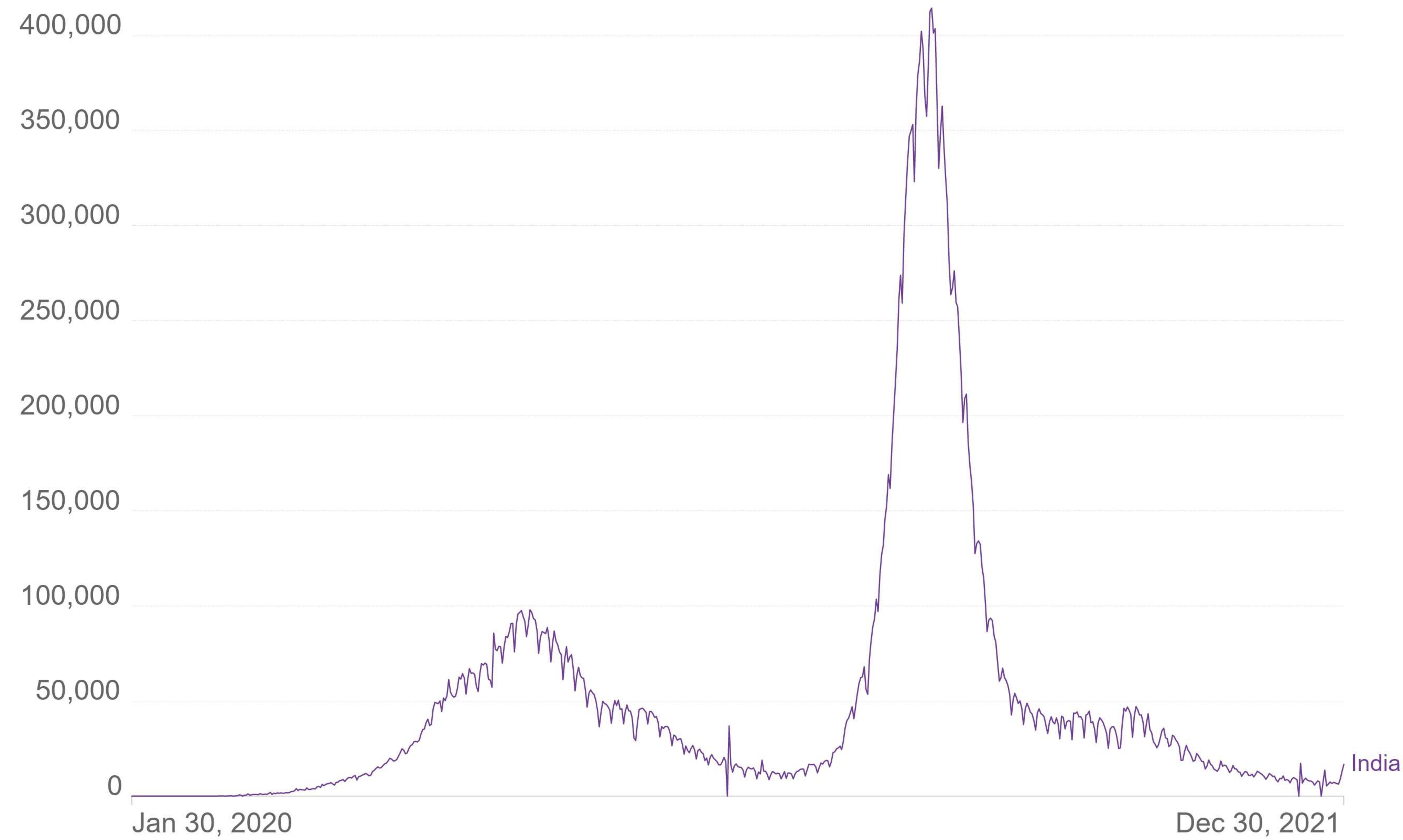
Brexit

The U.K. and E.U. struck a provisional free trade agreement, which meant many goods could be traded without taxes. The European Parliament approved the Trade and Cooperation Agreement (TCA) on April 28, 2021. The agreement allowed tariff and quota-free trades in goods between the U.K. and the E.U. However, the additional paperwork, customs check and visas required for travelling between the U.K. and the E.U. is what has caused the most disruptions.

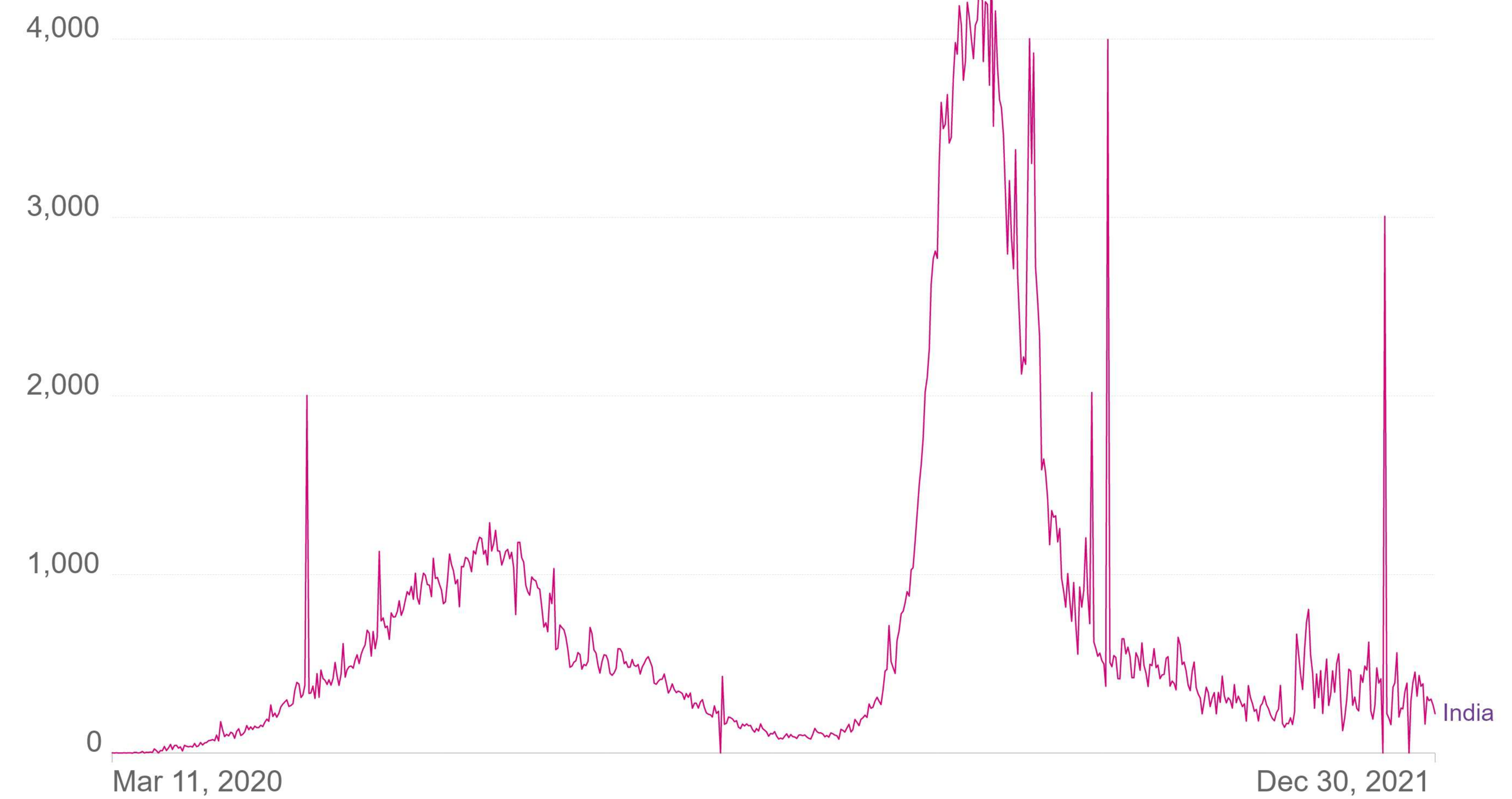
Covid picture: Lens on India



New Cases



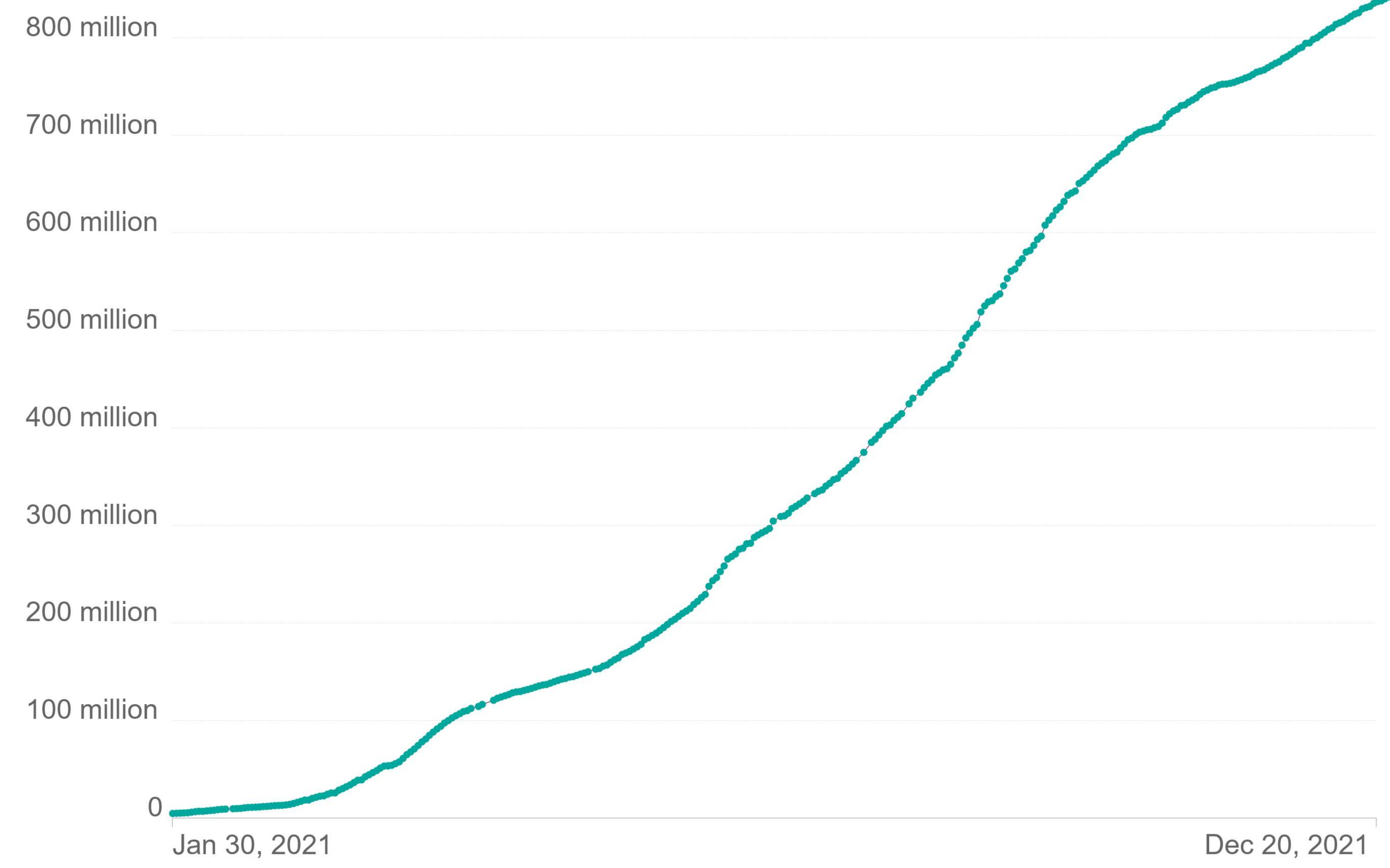
New Deaths



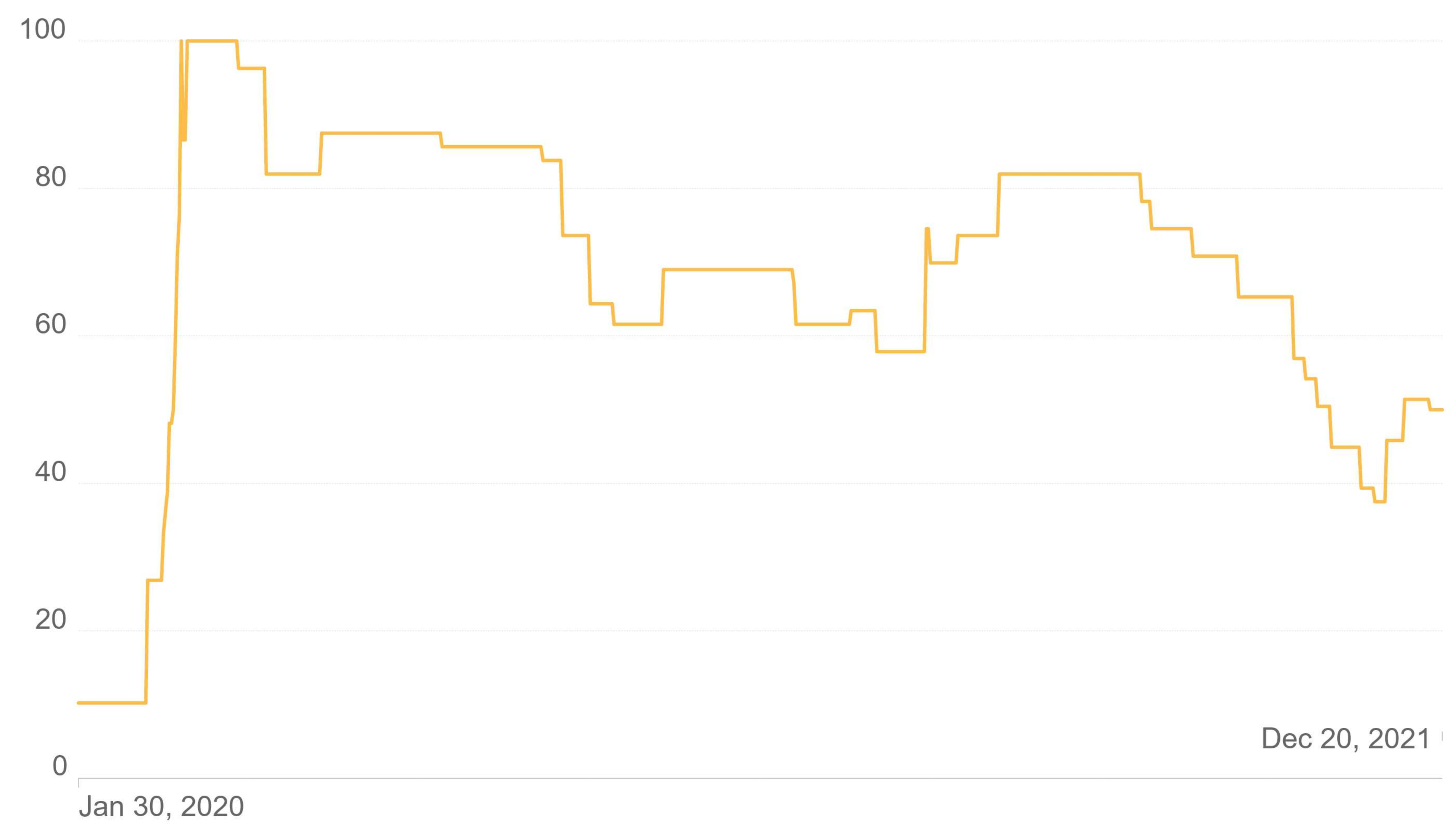
For the last 1 year and 9 months, COVID-19 dragged the world through a health and economic crisis. The dual crisis impacted all lives in various ways; loss of jobs, business downturns, emotional turmoil, sickness and even death.

Source: John Hopkins data, Our World in India, Oxford COVID-19 Government Response Tracker

New Vaccinations per day



Stringency Index



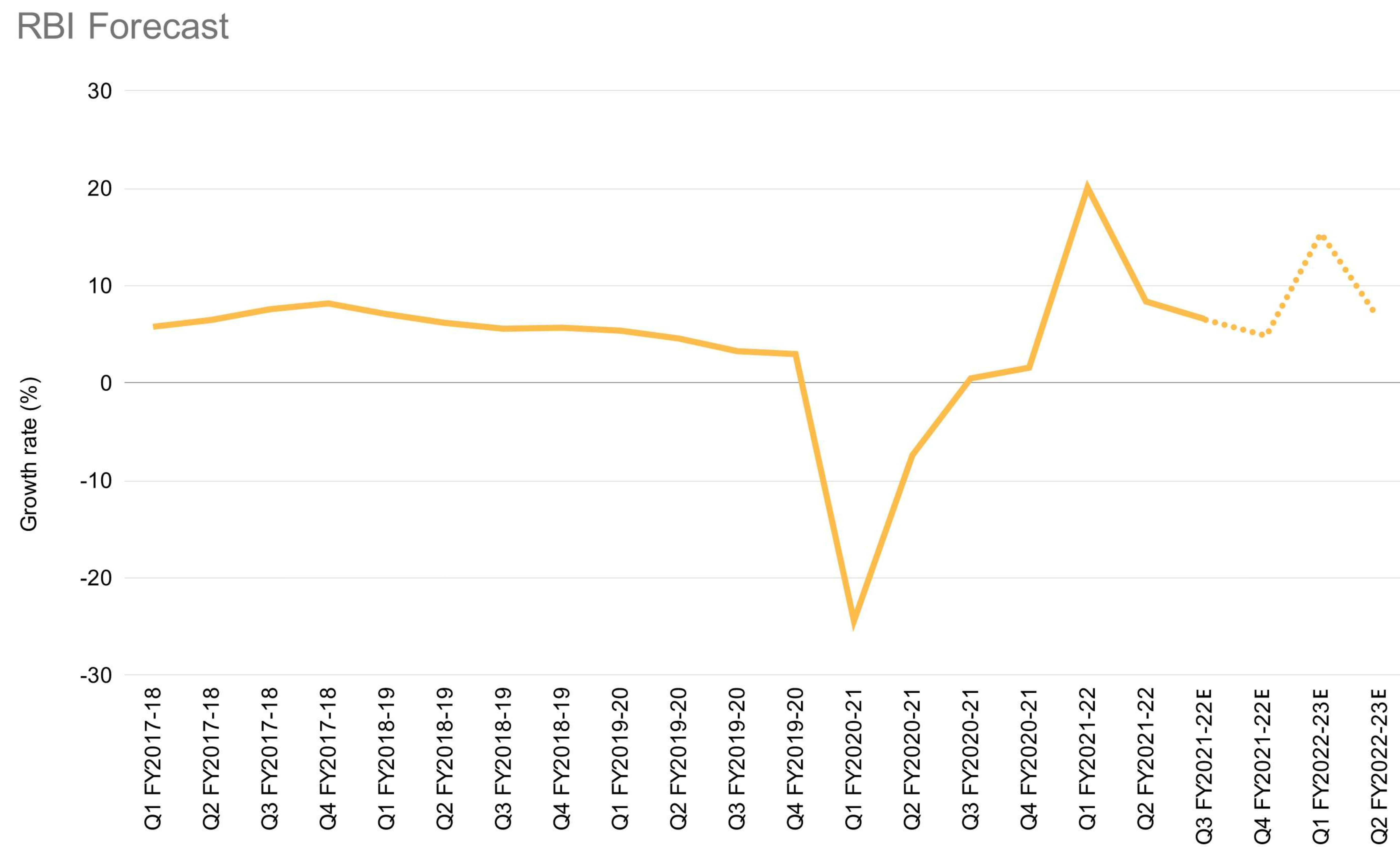
As India's vaccination rate improved, schools and businesses were able to reopen to quite an extent. However, the emergence of new variants sustains a need for precautionary measures.

Source: John Hopkins data, Our World in India, Oxford COVID-19 Government Response Tracker

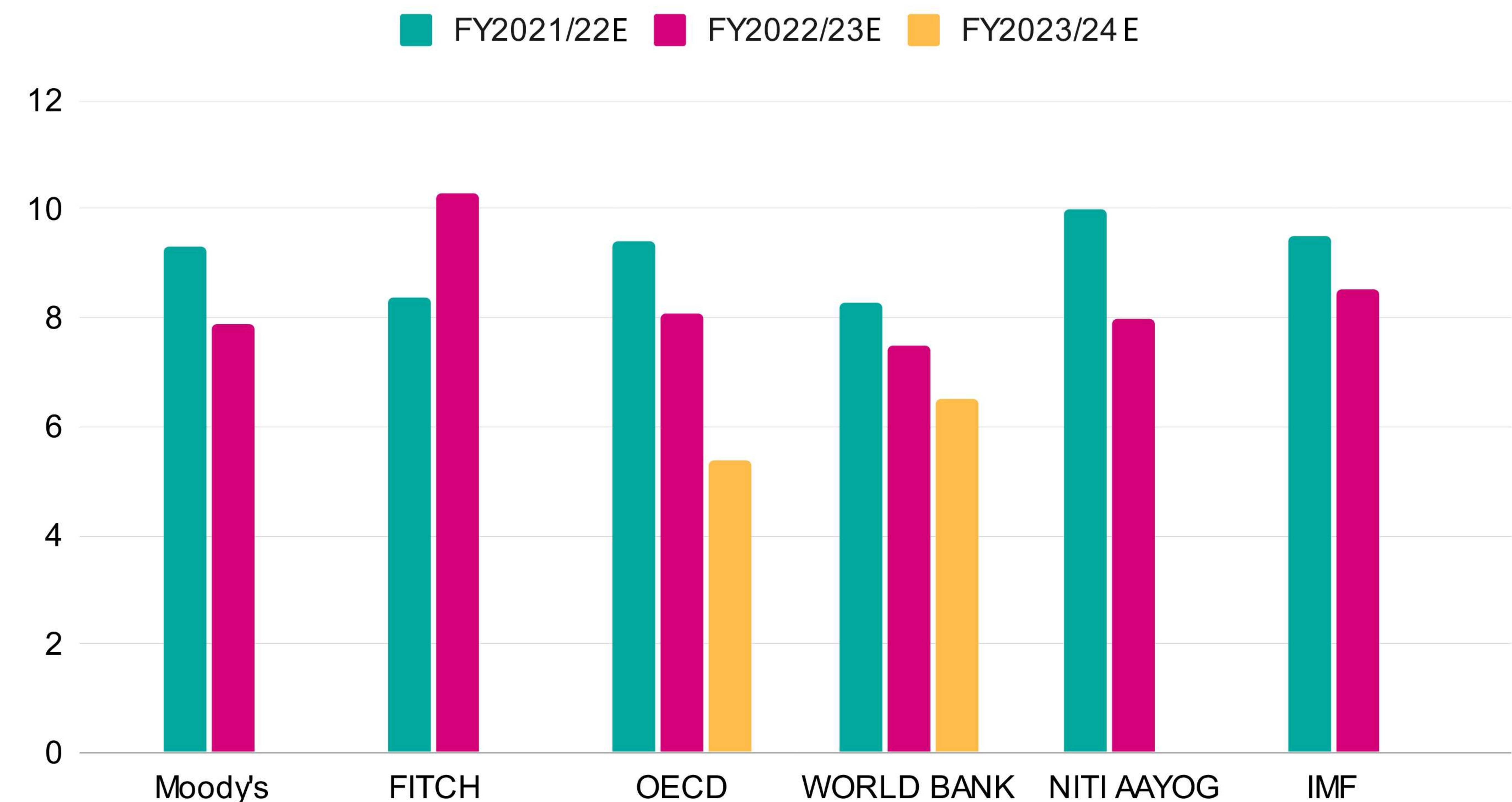


**GDP: What is done and
what shall come?**

RBI's Forecast of India's GDP



Other Forecast of India's GDP



After disruptions caused by COVID-19, the Indian economy went through a rough patch, hitting negative growth in FY 2020-21. However, looking at performance in the previous quarter and the growth projections by various organizations and rating agencies, India seems to be on the recovery path. Going by the growth projections, India is set to be among the fastest growing economy in the current fiscal year.

SEBI policies: Key highlights



1

1ST OCTOBER 2021

Skin-in-the-game rules came into effect | Mutual Funds

From this date, key employees were required to lock in 20% of their gross CTC net of income tax and any statutory contributions (i.e. PF and NPS) in units of their own mutual fund scheme.

For junior employees (below the age of 35 years and not heads of any departments), the skin-in-the-game rules would come into effect in a phased manner.

3

1ST SEPTEMBER TO 1ST DECEMBER (IN PHASED MANNER)

80-20% Rule

Traders used to get 100% credit on the day of the sale of holdings, but from 1st December 2021, 100% credit will be available only on T+1. Only 80% of the sale value available for trading on the same day.

9TH NOVEMBER 2021

Clarification on AIFs norms

Investment limit in listed equity to be calculated based on the NAV of the fund on the business day immediately preceding the date on which the category III AIF makes the investment.

28TH DECEMBER 2021

SEBI tightens IPO process

SEBI announced tighter rules for raising capital and changes in IPO pricing norms. In case of book built issues, minimum price band of 105% of the floor price is now applicable. In order to minimise supply of shares from big investors and in turn minimise the price instability after listing, norms for OFS for companies without a track record were tightened.

2

4

5

1ST JANUARY 2022

Circular on Publishing Investor Charter and data of complaints and redressal comes into effect

In order to facilitate investor awareness, SEBI directed various participants to publish Investor Charter and data regarding complaints and redressals thereof.

7

28TH FEBRUARY 2022

Collateral Management Norms deadline

SEBI extended the implementation of Segregation and Monitoring of Collateral at Client Level to February 28, 2022, against the earlier date of 1st December 2021.

25TH FEBRUARY 2022

T+1 settlements expected to come out in phases

T+1 settlement cycle is expected to apply to the bottom 100 companies by market capitalisation from 25th February 2022.

6

APRIL 2022

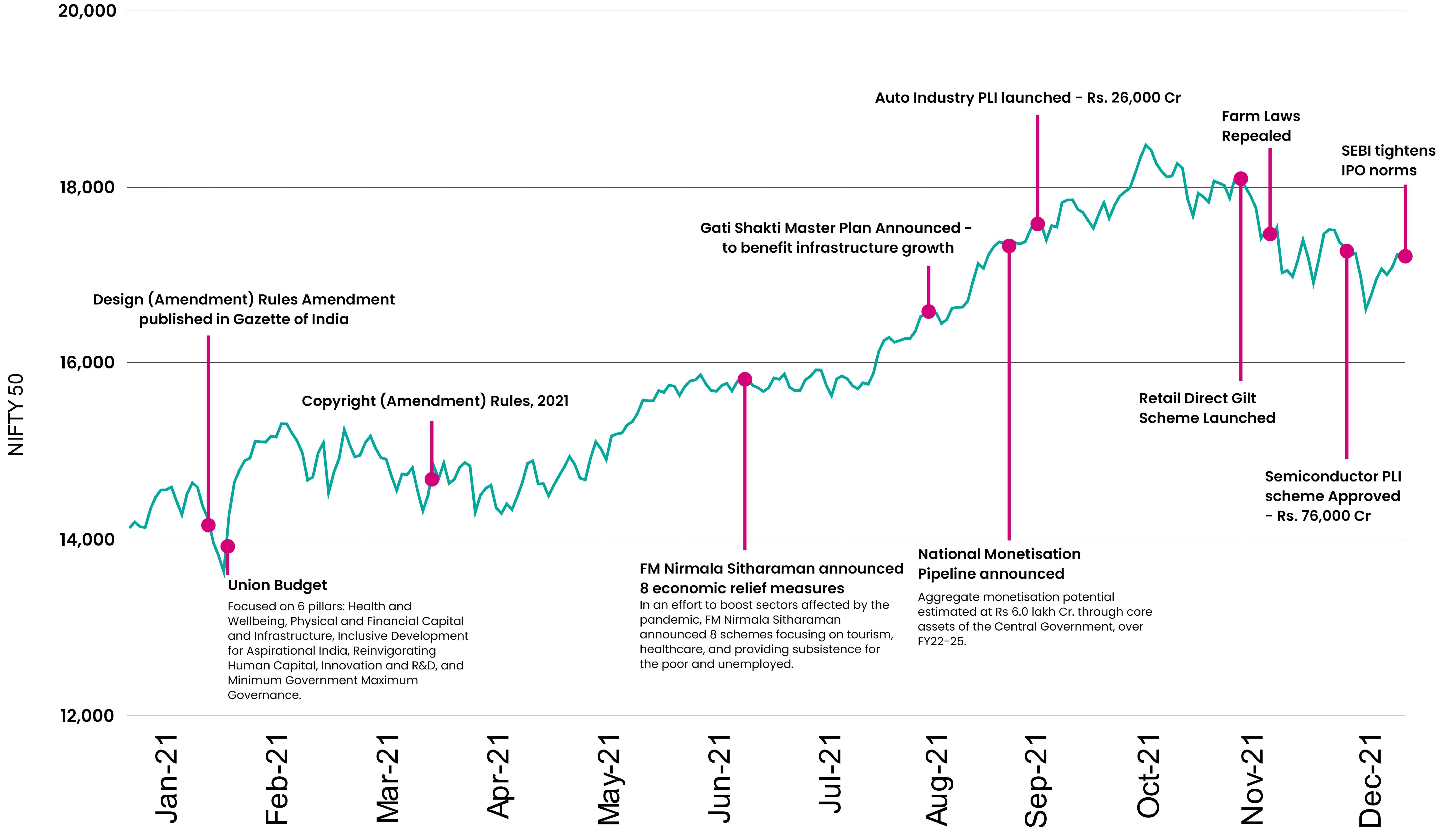
SEBI's deadline for risk management framework | Mutual funds

On 10th December, SEBI had extended the deadline for implementing the risk management framework for mutual funds as well as the two-tier structure for benchmarking of certain categories of schemes to April 2022.

8



Indian policy-making: what we noticed...



Union Budget
Focused on 6 pillars: Health and Wellbeing, Physical and Financial Capital and Infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and R&D, and Minimum Government Maximum Governance.

FM Nirmala Sitharaman announced 8 economic relief measures
In an effort to boost sectors affected by the pandemic, FM Nirmala Sitharaman announced 8 schemes focusing on tourism, healthcare, and providing subsistence for the poor and unemployed.

National Monetisation Pipeline announced
Aggregate monetisation potential estimated at Rs 6.0 lakh Cr. through core assets of the Central Government, over FY22-25.

Design (Amendment) Rules Amendment published in Gazette of India

Copyright (Amendment) Rules, 2021

Gati Shakti Master Plan Announced - to benefit infrastructure growth

Auto Industry PLI launched - Rs. 26,000 Cr

Farm Laws Repealed

Retail Direct Gilt Scheme Launched

Semiconductor PLI scheme Approved - Rs. 76,000 Cr

SEBI tightens IPO norms

WealthDesk announced the **Unified Wealth Interface (UWI) vision**

UWI is an internet scale wealth management ecosystem on top of broking that is powered by the WealthDesk Platform and is built on the Embedded WealthDesk Gateway (EWG).

UWI



What is the EWG?

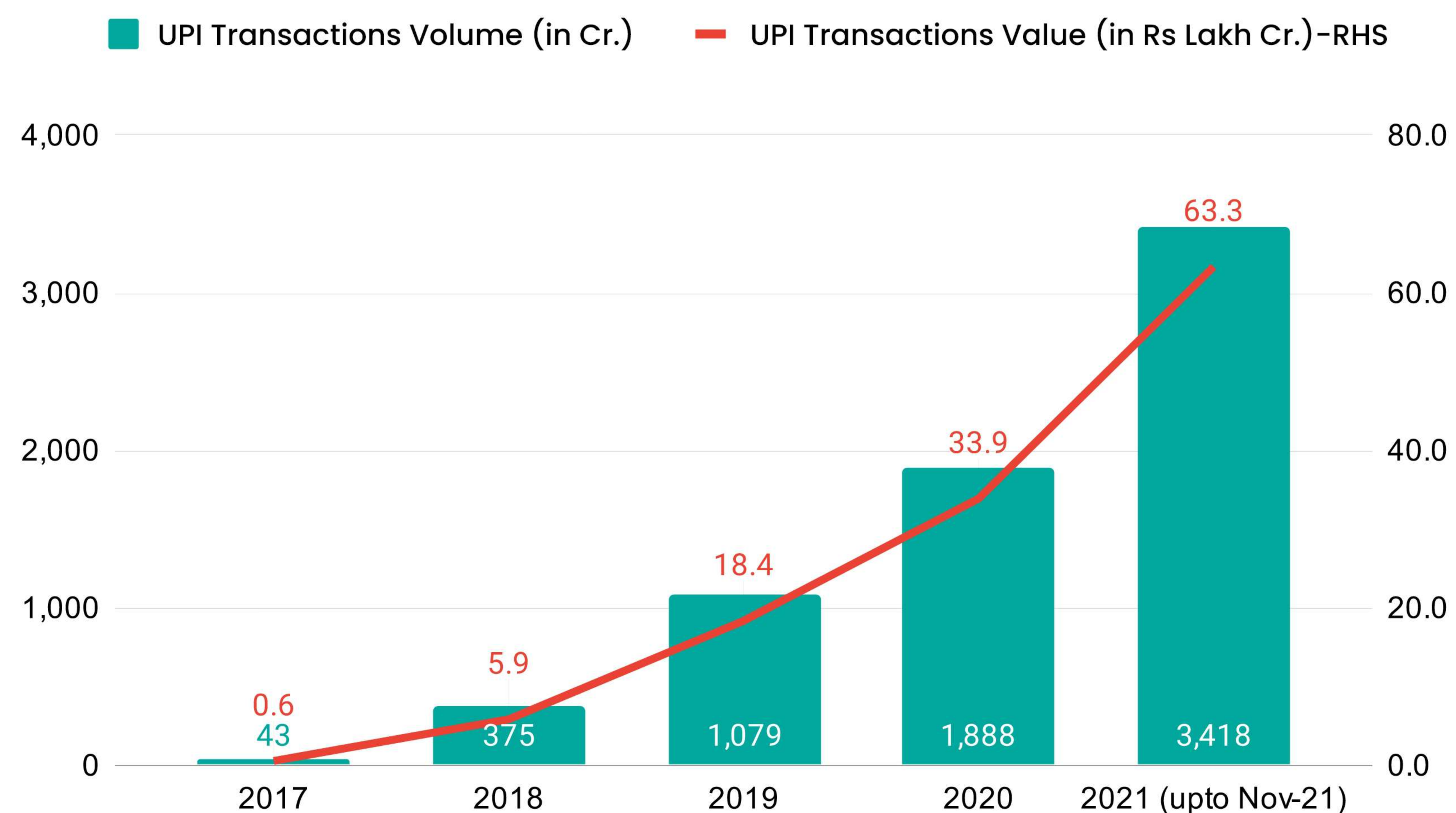
Embedded WealthDesk Gateway makes it easy for investors to trade in stocks, ETFs & WealthBaskets on a website or app with their own broking account in a seamless way.

WealthDesk is onboarding leading SEBI RIAs, Research Analysts, AMCs, media sites on to the **Unified Wealth Interface** to create innovative Wealth and Investment solutions powered by a single interface EWG which aggregates all Brokers on the transactions side for Stocks, ETFs and WealthBaskets. Watch out for interesting updates in this space as Retail Wealth Management takes internet scale reach through **UWI**.



The Unified Payment Interface (UPI) significantly increased the usage of digital payments in India (see the graph below of UPI volumes and transactions value since introduction of UPI in 2017) and WealthDesk is pioneering the same through **UWI** for the asset and wealth management ecosystem on top of broking/transaction platforms.

The impact a unified system like **UWI** could have on broking, wealth and asset management could be similar to UPI's impact on digital payments.



Source: NPCI

Note: Data excludes the transactions having debit/credit to the same account for the month of Aug-18 onwards



WealthBasket Managers Speak: Market Outlook for 2022



Rahul Veera, Fund Manager

In the backdrop of rising concerns and spread of Omicron in the near term, we think rising vaccination coverage and lower impact on broader activity levels will throw up opportunities for investments. India has so far given >1.4 billion doses. About 62% of eligible adults have been fully vaccinated and more than 90% have received at least one jab.

Though the global equities will remain vulnerable to global macros and major central bank's actions, we remain constructive for Indian equities in 2022. Given the improved fiscal position, healthy foreign exchange reserves and a surplus balance-of-payments position act as a cushion of Indian equities. Some of the key events like State elections, Budgets, Interest rates etc may create volatility, albeit will provide opportunity for investors. We believe that improving domestic demand scenario, healthier balance sheets of the Indian corporates and government's focus on reforms create a positive scenario for Indian equities in the medium to long term.



Rajesh Kothari, Founder & Managing Director

As we head into 2022, the biggest positive is corporate earnings growth should be above the trend while the negative is increasing inflation pressure and rising interest rates. While we believe this market cycle is still in its early stages, the earnings growth in FY23 will be moderate compared to FY22 levels which were aided by a low base due to pandemic. While supply-chain and related inflation headwinds could linger into the first half of 2022, we expect both to ease after midyear. As per Bloomberg consensus, Nifty is likely to report EPS growth of 34% (FY22) and 14% (FY23). In such an environment, stock selection will be increasingly important in driving equity returns in the year ahead. This was not the case in 2021 as the year witnessed poor quality companies outperforming high-quality stocks. In particular, we believe that the outlook for 2022 presents an attractive opportunity for an equity portfolio exposed to high-quality growth companies combined with an exclusive group of cyclical stocks.



Pawan Parakh, Portfolio Manager

The economic recovery post Covid has been quite sharp. The same optimism was visible in the equity markets as well in 2021. We expect the pace and quality of economic recovery to further strengthen going into 2022. We see sectors related to the core economy to do very well over the next 3-4 years. Hence the recovery is likely to be far more broad based unlike last 5 years. Consequently the medium to long term outlook for equity markets continues to be very sanguine. There could be intermittent turbulence on account of covid but the same doesn't cause any harm to the long term growth prospects of the economy. Moreover investors should use these corrections as an opportunity to buy high quality companies.



Nishit Shah, Fund Manager – PMS



We have seen the first phase of the bull market wherein 'Gadhe & Ghode' (bad & good stocks) both have done well. We expect 2022 to be a year where markets will become more narrower and volatile. There would be ample of reasons like the next COVID wave, Inflation, Rising Interest Rates, China, Crude etc. for the said volatility, however this is a very good time to construct a portfolio that will do well in the next phase i.e. Blowout Phase.

Try to focus on quality companies with good growth potential. We prefer Technology, China+1 theme, and Building Material stocks apart from BFSI.

Stay Safe. Stay Healthy !





Dr. Nirakar Pradhan, CFA

We have seen a significant turnaround in equity markets post March 2020. The rally continued till nearly end of 2021. After a strong performance in equity markets over last 18-20 months, we believe 2022 will be a year of consolidation. The markets may take a breather resulting in sector rotation play and bottom up approach of stock selection.

Various factors like market valuation (indian markets are trading at 20-25% premium to long term average) and withdrawal of liquidity by central bankers around the world may result in a modest return of 8-12% from equity markets in 2022.

We continue to remain bullish on the structural growth story of India and the resultant positive impact on earnings growth.

Thus, we would recommend to add quality stocks to portfolio during periods of correction/consolidation.



Ram Kalyan Medury, Founder-CEO

The Year 2021 saw recovery from Covid-19 and revival of growth. 2022 beckons with continued growth. On the back of reduced corporate debt and pick up in earnings growth during 2020 and 2021, we expect the long term growth in the Indian economy to sustain. During 2022, an investor ought to stick to their asset allocation to tide over short term volatility, and stay invested with strong stocks for long term wealth creation.



AND THAT'S A WRAP!

