**FII v/s MF**

Year of 2018 has exhibited its natural characteristics of being volatile. As usual we shall try and keep it simple for all of our investors to get a grasp of what we are thinking. The table below will help to digest our thoughts in a simple manner

A	B	C	D	E	F
Normalised Indices	April 1, 2004	January 2008	January 2008	January 2018	Now
Sensex	100	350	1	1	1
Mid-cap	100	420	1.2	1.26	1.01
Small cap	100	560	1.6	1.37	1.04

In the above table we have taken the three indices namely – The Sensex i.e. largely the large cap universe, the mid-cap index – the universe that helps to create wealth over a long period of time and the small cap index – the one that reflects the sentiment of the retail investors in the markets.

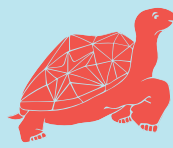
We have taken long periods of time namely last 14 years i.e. from 2004. We have normalized the three indices on April 2004 at 100 i.e. we put a value equal to 100 for all of them, then came the bull period that lasted till early January 2008 (Recollect the time of Reliance Power IPO) – the Sensex of 100 become 350, the mid-cap became 420 and the small cap galloped to 560. This indicates that at the peak of the bull run, sentiments of retail investors are at a peak and they are keen to invest in markets and the mid-cap index trades at 20% premium and the small cap index trades at mammoth 60% premium over large cap index.

Moving 10 years ahead from 2008 to 2018 and observing the markets in January of 2018 – the mid-cap index traded at 26% premium and the small cap index traded at 37% premium. This was largely driven by fund flow from the retail Indian investors in the equity markets in the mask of Mutual Fund investing. Reasons came mani-fold for the price correction that followed, the key reasons being rising interest rates in US markets and consequent sell off from the FIIs, also factors like uncertainty over current government coming back to power in 2019 to deteriorating macro economic numbers of Inflation, CAD, FAD, rising interest rates, rising crude prices etc etc.

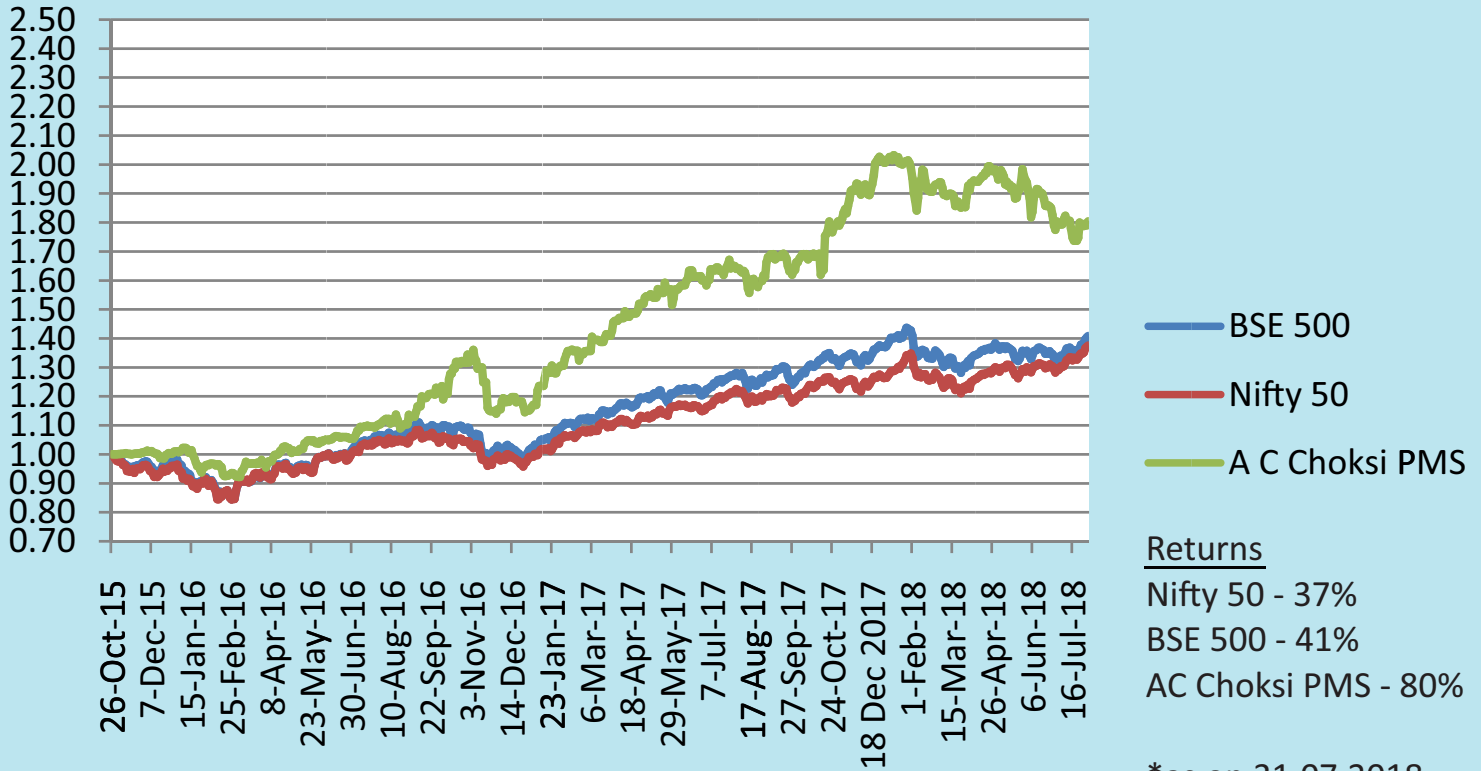
Currently as we speak the numbers suggest that the large cap, mid-cap and small cap are trading in sync within the band of 1 to 4% premium. We hence believe the correction in the mid and smallcap index is apparently over. There will be fight between the sell off from the FIIs (given better global data points in comparison to the weakening domestic data points) and buying from the Indian investors in the pretext of Mutual Funds (given no better alternative of invest than equity). This fight between FIIs and MFs will keep markets in check and will create an atmosphere apt for stock pickers. We will not see markets rally or tank but stock specific opportunities will give returns in the near term.

Result season is on and we are in the process of identifying investment opportunities to invest your hard earned surplus with us. Look forward to happy investing on your behalf.

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TURTLE STAR



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