Equity Outlook

Markets are making all time high – a cause of concern for most of the people who feel worried going whole hog for investments. We would say that despite markets being at all time high – valuations are not at all time high thereby removing the need to worry.

Markets are also worried as earning numbers are not coming in. We would say that when people say earnings are not coming in, it largely signifies the profits of companies (linked to global environment like IT and pharma) are not coming in. We believe that over the next 12 months many of these companies would be replaced in the Sensex with companies like D-Mart or Insurance companies. The reason of our belief is that both these pockets of retail and insurance are under penetrated and hence have huge room for growth. Once these replacements take place, Sensex earnings growth will be back and there will be cheer in the markets that earnings growth is again reverting back to the mean rate of 15% - (in fact it's a jugglery of adding growing companies and removing stagnating companies, however that has always been the case).

Many companies can go the MTNL way – you don't die but you don't grow and have a continuous south ward journey of price. Many companies would go that way – largely because their business model is changing. We have seen how internet and mobile has disrupted various companies in recent past. New disruptions are visible in terms of Electric vehicles and solar power. Question is how many such businesses could become extinct. Sensex has shown super growth only because companies were continuously replaced from time to time.

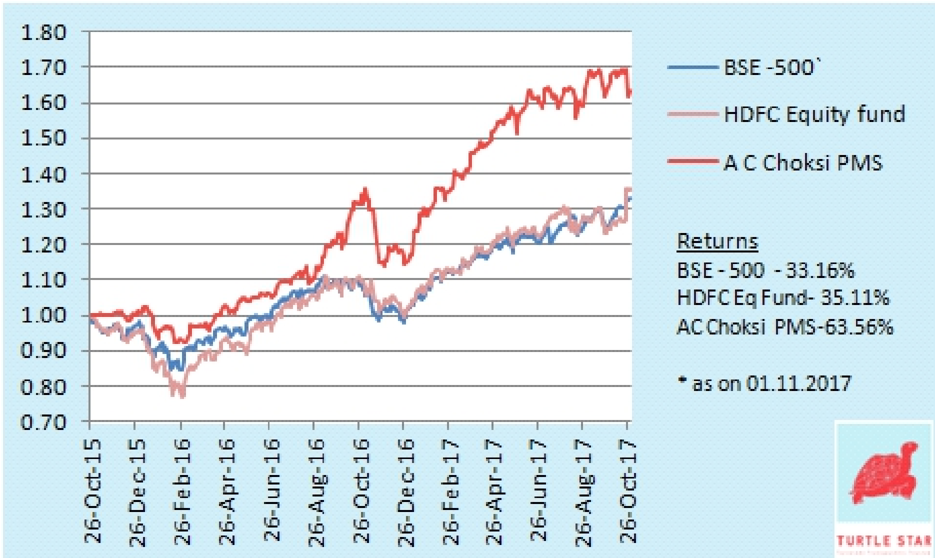
We foresee a massive shift in money flow from IT, Banks and Pharma to other sectors. The free float market cap of IT, Pvt Banks and Pharma is approx Rs 20-22 lakh crore. This could shift to emerging sectors that we invest in. The recent announcement by the government. to recapitalize the Public sector banks will help in kick starting the economy. Government focus is clearly shifting from focusing earlier on removing impediments with actions like Demonization, GST, Aadhar linkage for Direct benefit transfer etc to focus on growth by government spending on infrastructure, Recapitalizing debt laden Public Sector Banks. With slew of elections over the next year and a half, government's focus is to create growth and generate a feel good factor so that they do not face the wrath of voters in terms on anti incumbency impact.

Clearly as and as usual – we like to keep things simple. We believe the themes that will work in the coming year for investments are likely to be positive impact on account of bountiful monsoon, demand from rural India, Infrastructure sectors of roads, railways, defense, ports etc. We also foresee a theme that India is becoming cheaper compared to China in manufacturing beneficiary of the same will be Textile and chemical sector. We also like PSU as government. gets more focused on execution. Our ever green theme to invest in auto ancillary sector prevails.

We urge investors to top up their investments in our PMS – wherein we are beating the benchmark by miles and assuring all our investors that your capital with us lies in safe hands....

HAPPY INVESTING !!!

Bimal Choksi
Portfolio Manager
Scheme- MoneyMultiplier
A C Choksi Share Brokers Pvt. Ltd.



*NAV as on 31.10.2017.