Monthly Update

January 2025

1-Market Highlights:

In Indian markets, the FPI selling (~₹3.5 lakh crore in last year as of 31st January, 2025) that began in the 4th quarter on valuation and growth concerns has crossed levels seen in the first phase of the pandemic and continues for now, as growth indicators tapered in the second half of the year. Domestic investors on the other hand continue to buy the India story, with greater participation and capital investment through direct and indirect channels. The Indian economy stands at a crucial juncture in 2025. Despite global issues like persistent geopolitical tensions, monetary shifts, and regional economic divergences, India remains resilient and retains its title as the fastest-growing major economy. Following a challenging year, India's economic outlook for the remainder of FY25 and FY26 hinges on recovering private consumption, delayed government expenditure, strong services exports, and a revival in private investments. Yet, uncertainties persist, including global volatility, precarious trade policies, intensifying climate risks, and rising input cost pressures.

Market performance (%)

INDEX	1M	3M	1Y	FY25
NIFTY 50	-0.6%	-2.9%	8.2%	5.3%
SENSEX 30	-0.8%	-2.4%	8.0%	5.2%
NIFTY MIDCAP 150	-6.1%	-4.9%	11.0%	11.7%
NIFTY SMALLCAP 250	-10.7%	-10.7%	5.2%	10.6%

Source: NSE As of 31st January 2025

- **FII/DII Activity**

Overseas investors continued their selling spree as they sold ~₹3.5 lakh crore worth of stocks in the last year.

INR cr.*	1M	3M	6M	1Y
FII	-87,375	-1,50,331	-2,72,505	-3,55,614
DII	86,592	1,65,270	3,53,557	5,87,287

Source: NSE *FII Cash As of 31st January 2025

- **Global Market**

Global equity markets overcame geopolitical tensions and high bond yields. The US led the way, buoyed by economic strength and AI optimism. Japan ranked as the second-best performer among large markets globally, supported by a weaker yen. Other developed markets, while positive, lagged US markets due to trade and political uncertainties. Emerging markets faced headwinds from a strong dollar and trade issues after Donald Trump's win, mainly from China's late-2024 rebound. Global fixed income markets struggled in 2024 with fluctuating rate-cut expectations shaped by geopolitical risks, inflation swings, and central bank policies.

INDEX	1M	3M	6M	1Y
DOW JONES	4.7%	6.7%	9.1%	16.8%
FTSE	6.1%	7.0%	3.7%	13.7%
HANG SENG	0.8%	-0.5%	16.6%	30.6%
DAX	9.2%	13.9%	17.4%	28.6%
NASDAQ	1.6%	8.5%	11.5%	29.4%

Source: Investing.com As of 31st January 2025

- **Sectoral Performance**

With the Union Budget FY25-26 focusing on boosting consumption and manufacturing sector, opportunities can be found with the rise in disposable incomes. Meanwhile, improving asset quality, strong credit growth, and cut in repo rate will be beneficial for banking industry. Capital goods and infrastructure segments, healthcare, real estate and ancillary segments and some select bottom-up consumption segments look attractive compared to other sectors backed by higher government spending across sectors such as infrastructure and housing. The table shows the top 3 and bottom 3 sector performances in January 2025:

TOP 3 (%)	1M	3M	6M	1Y
S&P BSE Auto	-0.3%	-3.8%	-14.4%	16.7%
S&P BSE Energy	-0.7%	-7.8%	-21.0%	-3.7%
S&P BSE FMCG	-1.0%	-5.1%	-8.7%	3.1%

BOTTOM 3 (%)	1M	3M	6M	1Y
S&P BSE Consumer Durables	-10.2%	-4.6 %	-5.1%	16.0%
S&P BSE Healthcare	-7.7%	-4.8%	3.2%	24.0%
S&P BSE Industrials	-7.2%	-7.8%	-15.4%	14.8%

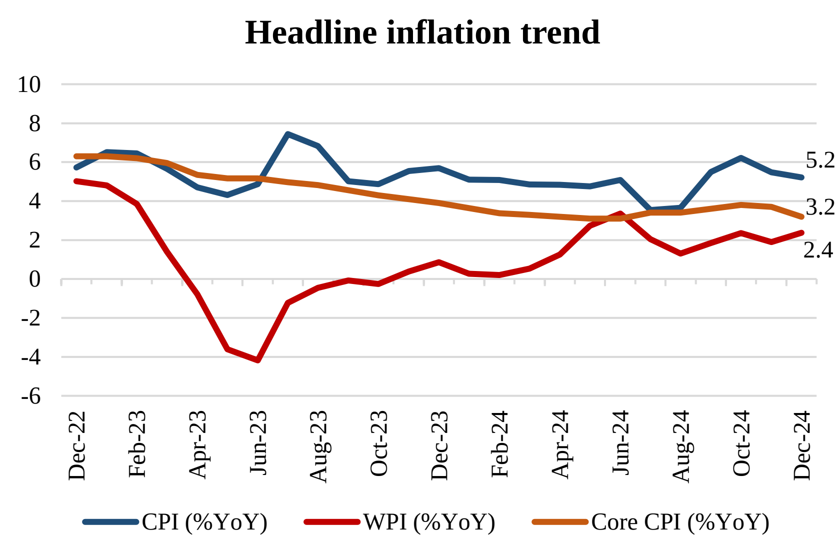
Source: BSE As of 31st January 2025

- **Important Events**

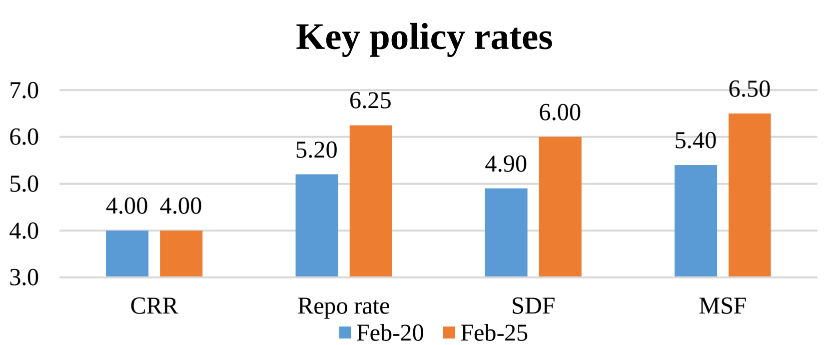
1- In line with expectations, the RBI's MPC, under the new Governor and a new internal member, unanimously decided to reduce the policy rates by 25bps to 6.25% and retain the policy stance at 'neutral', marking the first unanimous resolution in the last 12 months. Notably, this is the first-rate action since February 2023, and the first cut in nearly five years (Last cut in May 2020). The MPC's policy announcements have been calibrated and gradual, beginning with a shift in stance to a 'neutral' in October, followed by liquidity infusion through a 50bps CRR cut in December, additional support via OMO purchases, forex buy/sell swaps, and longer-duration VRRs in late January and a rate cut today. Notwithstanding an expected growth recovery in the second half, emerging signs of growth moderation in high-frequency indicators, along with sustained softening of headline inflation toward the 4% target, created room for the current rate cut. Growth forecast for FY26 is pegged at 6.7%. Inflation, on the other hand, is projected to decline from an estimated 4.8% in FY25 to 4.2% in FY26, aided by softening food inflation.

2- Headline CPI inflation currently stands at 4.9% YoY in FY25TD (April-December), significantly below historical peaks yet still above the trough of 3.4% reached in FY19. This moderation is partly attributable to a steep deceleration in Fuel & Light (now at -3.1% YoY) but is offset by higher Food & Beverages inflation of 7.6% YoY, driven by surging vegetable and cereal prices. Additionally, core inflation has declined to 3.5% YoY, reflecting a broad-based easing from the multi-year high of 6.3% in FY23. Even so, certain categories remain prone to sporadic spikes, underscoring the persistent risk of localized price pressures. Meanwhile, rural-urban inflation dynamics continue to shift highlighting the nuanced impact of differing consumption patterns, supply bottlenecks, and local market structures.

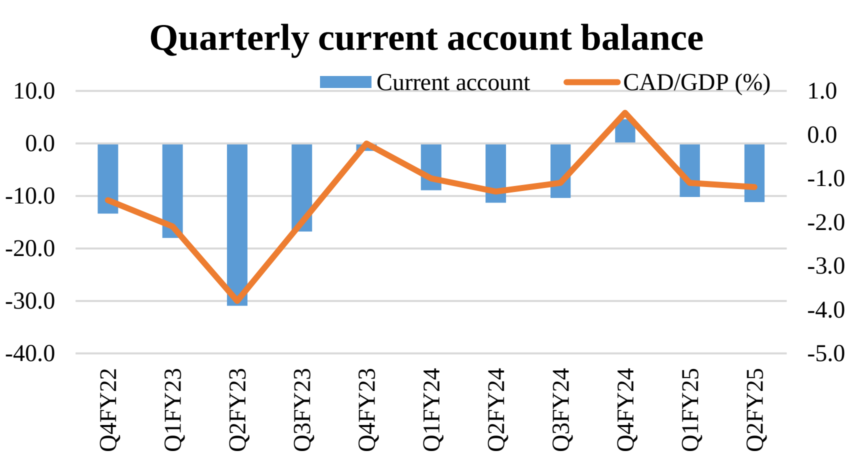
2- Economic Developments:



Source: Mospi



Source: RBI



Source: RBI

a) India's merchandise trade deficit, though off its FY23 peak of US$264.8bn, remains considerable at US$210.8bn so far in FY25 (Apr-Dec'24 (vs. US$ 208.7 bn in the same period last year), highlighting persistent pressures from elevated crude prices and steady demand for electronics and machinery. Exports, after hitting the peak of US$450.6bn in FY23, have also softened to US$321.7bn in FY25TD (vs. US$ 358.6 bn in FY24TD) amid a global economic slowdown, while imports stand at US$532.5bn in FY25TD (vs. US$ 567.3 bn)—down from the FY23 record of US$715.3bn but still elevated by historical standards. Petroleum products and gold continue to influence both sides of the ledger, although non-oil, non-gold imports also carry weight, reflecting expanding consumer and industrial needs. With geopolitical tensions and commodity price volatility lingering, India's external sector faces a delicate balancing act, emphasizing the need for export diversification and prudent demand management to contain the trade gap.

b) India's current account deficit (CAD) moderated slightly to US$11.2 bn (1.2% of GDP) in Q2FY25, down from US$ 11.3 bn (1.3% of GDP) in Q2FY24 but higher from US$10.2 bn (1.1% of GDP) in Q1FY25. A sequential rise in the merchandise trade deficit driven by weaker exports (especially petroleum) and stronger domestic demand for gold and non-oil non-gold imports, was offset by growth in net services income remittances, and reduced investment income outflows. The capital account surplus rose sharply, supported by strong foreign portfolio inflows and higher loan disbursements, despite net FDI outflows amidst higher repatriations. As a result, the balance of payments (BOP) surplus widened in Q2FY25, compared to Q1. For H1FY25, CAD stood at US$21.4 bn (1.2% of GDP), marginally higher than US$20.2 bn (1.2% of GDP) in the same period last year.

3-Market Outlook:

1. Equity markets have seen a reasonable correction in the last few months. However, investors should steer clear of pockets of frothy valuations. Over medium-term, equity markets should reflect the

growth in earnings of corporate India. Escalation in geopolitical tensions, and consequent surge in commodity price volatility, coupled with weather-related disruptions, pose key downside risks.

2. Moreover, the recent market correction and the moderation in valuations offer an opportunity to add selective stock ideas. Our view has been that at an aggregate level, markets are nearing their bottom with chances of heavy FII selling pausing soon from a market standpoint. The structural growth outlook for India’s economy remains very much intact in our view, with various signs indicating that the slowdown in 2024 will be transitory. We expect the growth momentum to improve entering 2025, as government spending picks up again and consumer sentiment stays resilient. This should enable better earnings growth, amid an improving economic backdrop that may also find support from favorable monetary and fiscal policies.

4-Our Portfolio Management Services:

Strategy 1: DREAM

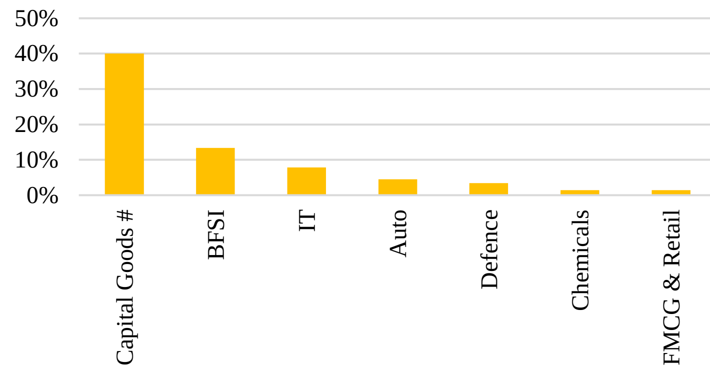
- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & potential multi-baggers.
- In order to minimize concentration risks, we believe in sector diversification.
- We make dedicated efforts to find attractively valued firms with sustainable business models to capture new and dynamic opportunities.

Performance as on 31st January 2025:

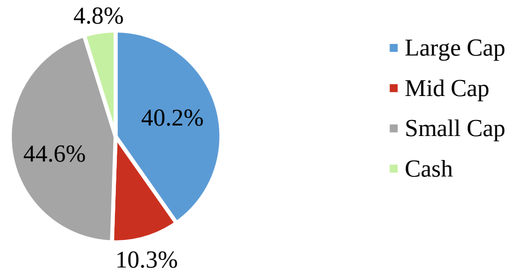
	1Y	2Y	3Y	Since inception (CAGR)
HEM PMS	**15.68%**	**32.13%**	**19.74%**	**26.39%**
S&P BSE 500	**8.50%**	**19.50%**	**12.71%**	**18.44%**

Inception date: 4th March, 2020. Returns presented are not verified by SEBI

Sectoral Mix



Market Capital Diversification



Our Top 10 Holdings in DREAM

Hindustan Aeronautics Ltd.	Agarwal Industrial Corporation Ltd.
Bharat Electronics Ltd.	PG Electroplast Ltd.
ICICI Bank Ltd.	Mahindra & Mahindra Ltd.
KEI Industries Ltd.	InterGlobe Aviation Ltd.
Gravita India Ltd.	EMS Ltd.

Strategy 2: IRSS

1- Niche SME & Small Cap based PMS launched in February 2022.
2- We came No. 1 in India according to PMS Bazaar in June 2024.
3- Exclusive selection of potential multi baggers from SME & Small cap space.
4- It is a high risk & high return strategy and therefore suitable for investors having high risk appetite

Performance as on 31st January 2025:

	1Y	2Y	Since inception (CAGR)
HEM IRSS	**17.96%**	**29.36%**	**37.79%**
S&P BSE 500	**8.50%**	**19.50%**	**13.25%**

Inception Date: 18th Feb 2022.Returns presented are not verified by SEBI. Please read Disclaimer and T&C before investing.

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[#]Capital Goods Includes Railways, Constructions, Logistics and EMS

*The data presented are indicative in nature and can change without prior notice.

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