

**Sun Life Excel India Fund:**

# Monthly Commentary

September 2020

*Opinions and commentary provided by Aditya Birla Sun Life Asset Management.  
(Note: In India, the Financial Year runs April 1 to March 31, so the current period is FY 2020-21)*

## Equity Market Recap

Domestic equity markets rose during September. Military tension between India and China kept investors wary initially before both the nations made strong promises to resolve their disputes.

Investors reacted positively to the Securities and Exchange Board of India (SEBI) mandated Multi Cap Funds to allocate least 25 per cent of their portfolios in large-, mid- and small-caps each by February 2021. Nonetheless, concerns over growing COVID-19 cases, the passage of controversial farm bills and weak global cues capped these gains.

Moving ahead, these global cues are likely to be in focus. The resurgence of COVID-19 cases around the world has led to more restrictions and pressure on economic recovery. Furthermore, the developments on the COVID-19 vaccine will be in the radar. Speculation over the U.S. Presidential election shall also affect market sentiments.

In India, the highly anticipated monetary policy meeting of the Monetary Policy Committee was rescheduled from September 28<sup>th</sup> to October 9<sup>th</sup>, due to a lack of members initially available in the quorum.

## News Flow and Market Performance

India was amongst the best performing markets globally in September. Market breadth continued to improve with mid-cap and small-cap outperforming large-cap stocks.

Daily new COVID-19 cases averaged 87,000 in September against 64,000 in August. Globally, India has the third highest number of deaths at 99,000 behind the US and Brazil. However, the mortality rate has been trending lower at 1.6% compared to 1.9% in August. The recovery rate continues to pick up at 83% compared to 75% at the end of August.

Both state and federal governments have further eased restrictions in Unlock 5.0 (Indian COVID-19 restriction guidelines) for October. Under the new guidelines cinemas, theatres and multiplexes can open with maximum 50% seating capacity. States and Union Territories can decide on the reopening of schools and other educational institutions.

In the short term, market volatility is expected to continue due to global developments. At least until we see a flattening of the COVID-19 curve in India.

Corporate earnings growth should bottom out in fiscal year 2021 (April 1 2020 to March 31 2021). A sharp recovery is projected in fiscal year 2021 supported by a low base and due to effective cost control measures by companies which may sustain going forward. The overall economy and earnings are expected to normalize by fiscal year 2023. Consumption, Finance, Pharmacy and Technology will be sectors of interest. Aatmanirbhar Bharat (presidents Modi's vision of the future of India) and "Make in India" (a push to incentivize domestic manufacturing in India) will also be of large importance within the next few years.

In the current environment, it would be best to take a 3-year view as the economy and earnings will potentially have been normalized by then.

### Key events

Quarterly Indicators	Q1FY21	Q4FY20	Q3FY20	Q2FY20
GDP (%)	-23.90	3.10	4.10	4.40
CAD as % of GDP	3.90	0.10	- 0.20	- 0.90

Source: Refinitiv

FY2020 = Fiscal Year ending March 31st ,2020

Q1FY21: Quarterly ending September 30th, 2020

Q4FY20: Quarterly ending June 30th, 2019

Q3FY20: Quarterly ending March 31st, 2019

Q2FY20: Quarterly ending December 31st, 2019

### Return Monitor

Indices, commodities & currencies	Returns (in %)			
	Value as on September 30, 2020	1 Month	6 months	1 year
MSCI India NR	590.53	3.16	30.08	1.44
MSCI India Small NR	427.06	5.25	45.79	6.12
Brent Crude (CAD/bbl)	53.52	-10.86	145.58	-34.68
INR (per CAD)	55.23	-1.63	3.10	3.53
INR (per USD)	73.77	0.21	-2.36	4.08

Source: Morgan Stanley, Refinitiv. Values and Returns as on September 30, 2020

### Valuation Ratios

Ratios	MSCI India NR	MSCI India Small NR
P/E	26.33	64.06
1 Year forward PE	24.05	27.07
P/B	2.96	2.40
Dividend Yield	11.23%	3.74%

Source: Morgan Stanley. Values and Returns as on September 30, 2020

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