NEWSLETTER

NAG MUNAGAPATI WEALTH ADVISORS

SEBI REGISTERED INVESTMENT ADVISOR

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Hi all
Happy new year!

I am Nag Munagapati, a qualified chartered accountant with 7+ years of experience in investing and trading activities in Indian equity bourses. I want to help people who wants to build their wealth through equities as an asset class.

I am a SEBI registered investment advisor and you can trust my advice on how you can manage your equity portfolio by investing in a bunch of good stocks in the Indian equity markets

I wish to interact with my clients through a newsletter every month on the first sunday. This brief newsletter will help you understand how the external and internal macro-economic factors impact our equity markets in general and our focused equity portfolio in specific

Since a starter, I want this newsletter to be a bit detailed as the introductions demand some elaboration about myself as an investment advisor and equity as an asset class.

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EQUITY AS AN ASSET CLASS

If we take NIFTY index as a measuring rod to gauge the returns on equity as an asset class, NIFTY has given annualised returns of 11% in the last 25 years as per one of the research reports published by economic times.

Other advantages of equity investing are easy liquidity (can cash out as and when necessary), availability of fair price in the market and easy to invest even with a small sum. The given advantages are hardly available with the popular asset classes of real estate

Together with the given advantages, if we can adopt a model of investing based on certain fundamental and technical parameters with appropriate weightage to the principles of risk management, it will not be a difficult task to achieve better returns than the benchmark 11% CAGR (compounded annual growth rate)

This is where Nag Munagapati Wealth advisors want to help you to invest your savings in to equity asset class for better than the benchmark returns. If you are planning for any financial goal like retirement planning/child education/marriage etc, we will help you invest your savings in to equities to reach your goal in the given timeframe.

I wish I can be helpful for making you understand this asset class as one best to invest in and want to accompany you in this journey through out

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OUR MODEL OF INVESTING

Firstly, I want you to understand our model of investing. We have 5000+ stocks in the Indian equity market. We select 50 best stocks only and our bets are spread in a defined allocation basis. 50 Stocks are selected from different sectors to ensure diversification. We follow a strong risk management model to ensure growth and stability

We review the stocks based on our tested fundamental and technical parameters. If a specific stock loses its fundamental character of creating wealth for the shareholders, we will exit and find a new stock with the parameters of growth and stability

We report their respective portfolio performances to our clients on a monthly basis along with the newsletter of this kind to make them understand how and what is impacting their fund value

Our newsletter comprises of two topics. First topic (Macro talk) gives us a glance of macro factors impacting the equity asset class. Second topic (Our exposures) talks about out our action on our equity portfolio based on the macro factors

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MACRO TALK

When I was a naïve in the markets, I was always inquisitive about how these valuations are perceived by the market participants. I know that the price is just an intersection of demand(buyers) and supply(sellers) for the specific stock. But unsure on how the fundamentals will play to derive the valuations

As the time passed and theory understood, value of a company is its potential to make money for the shareholders which is called profit. As the profit increases, the valuation too will go up given the factor of multiple (which we call as Price earnings (PE)) with which profit is multiplied to arrive at the valuation (market capitalization of the company) remains constant.

So, the objective of the company shall be to increase their sales revenues which will increase their profits given the percentage of margin remains constant, in turn which will increase the valuation of the company. It means, the economy should throw ample demand at companies to increase their revenues and the companies should get enough supply of resources to meet the demand as well.

Indian economy has the potential to provide such demand, thanks to good demographic factor/rural to urban transition/Modern life style changes/Educational uplift. Whereas supply will be taken care by our internal production of goods/strong supply chain mechanism and imports helped by good international relations with all the countries barring a few

SO, IN THE PRESENT SCENARIO, WHAT CAN IMPACT THE OVERALL DEMAND ?

A **sudden outburst of COVID** alike our first and second waves may send jitters on the demand side. A recent outburst in China may take us there again but experience showed us that few sectors of the economy may flourish as well during those tough times and so COVID will not deter us on the demand front much unless it goes out of hand in India but that is remotely possible with the coverage of vaccinations we have seen

But COVID may put some breaks on supply chain which is a deterrent to the companies to meet the demand. Already **Russia - Ukraine war** affects are still haunting us in the form of high inflation because of supply chain breaks and oil price. Europe and US are slowly slipping in to the recession because of this high inflation.

High inflation will demand **higher interest rates** to tame the inflation. High interest rates will trim the demand momentum in the economy during the short run. This will halt the revenue growth for the companies which will lead to either a slump or mute in the valuations.

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OUR EXPOSURES

Even with the presence of macro threats like high inflation, high interest rates causing lower demand and sense of recession coming in, yet Indian markets are very resilient on the valuation front.

Though markets are going up quite well, only Banks and some consumption stocks are contributing to the rally. I don't see a secular trend here yet.

For example, a company like Asian Paints is struggling with its input costs because of high inflation and that clearly reflects in its muted price. Whereas a private bank like HDFC Bank did very well in the last quarter owing to high interest costs and increase in the asset quality (lessened provisions for NPAs).

When we see an ease in the inflation going forward which will ultimately result in a low interest regime combined with uninterrupted supply chain phase, India is poised for a strong growth on all fronts which will create real growth in valuations. Let's wait for it to come.

"An Opportunity lost is opportunities lost"

CA Nag Munagapati