

State of the Market & Outlook

February 2025



Backdrop

Global Equity Market Performance

Global Indices	1M Returns (%) - USD Terms	1M Returns (%) - Local Currency Terms	12M Returns (%) - USD Terms	12M Returns (%) - Local Currency Terms
MSCI World Index	3.5	3.5	19.7	19.7
MSCI Emerging Markets Index	1.7	1.7	12.0	12.0
MSCI EM Asia Index	0.6	0.6	16.8	16.8
MSCI EM BRIC USD	-0.1	-0.1	14.1	14.1
MSCI India Index	-3.6	-2.5	4.6	9.1
Dow Jones Industrial Average	4.7	4.7	16.8	16.8
NASDAQ Composite Index	1.6	1.6	29.4	29.4
Nikkei 225	0.7	-0.8	3.1	9.1
CAC 40	8.5	7.7	-0.3	3.8
FTSE 100 Index	5.6	6.1	11.3	13.7
Deutsche Boerse AG German Stock Index DAX	9.4	9.2	23.5	28.6
Ibovespa Brasil Sao Paulo Stock Exchange Index	11.0	4.9	-16.5	-1.3
Shanghai Shenzhen CSI 300 Index	-2.3	-3.0	17.5	18.7
Hang Seng Index	0.6	0.8	31.1	30.6
NSE Nifty 50 Index	-1.7	-0.6	3.8	8.2
NIFTY Midcap 100	-7.1	-6.1	6.1	10.6
NIFTY Smallcap 100	-10.9	-9.9	1.2	5.5

Source: Bloomberg, Data as of January 2025.

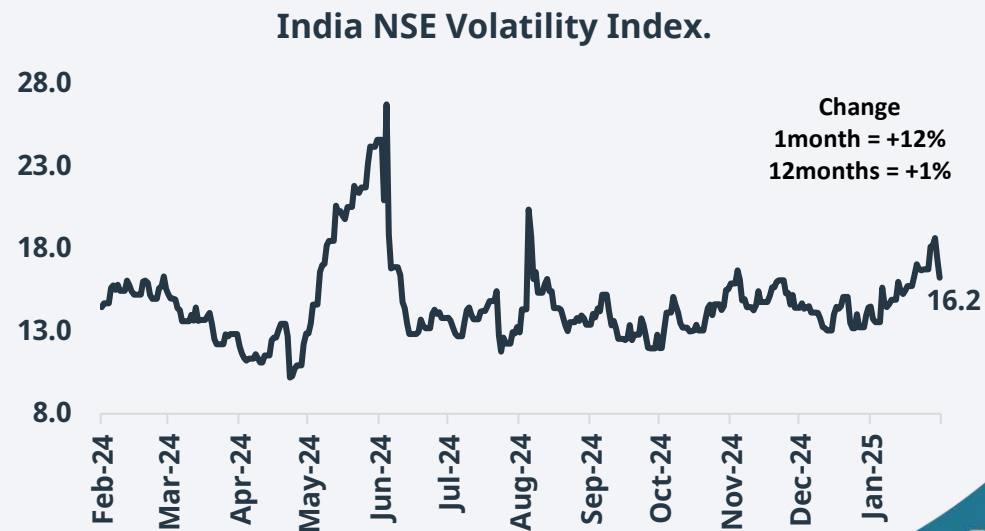
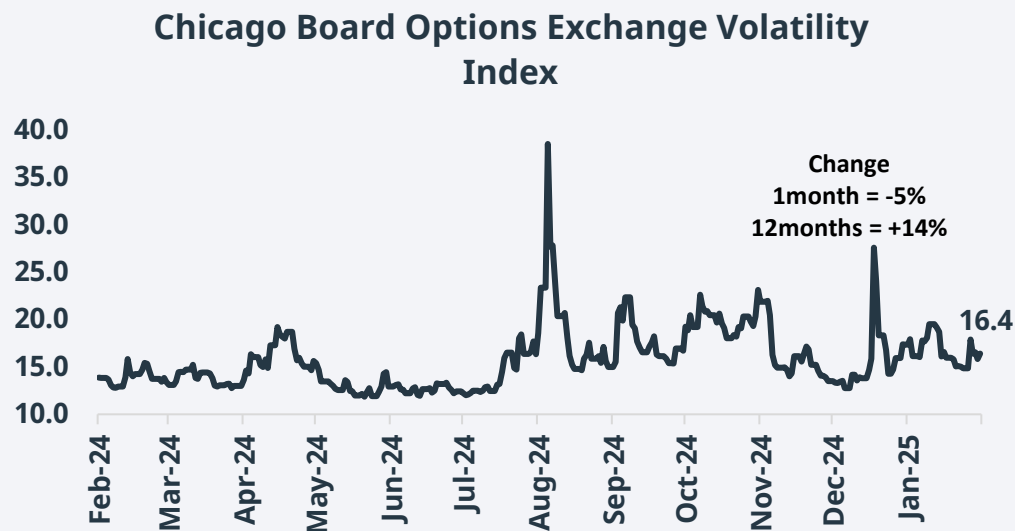
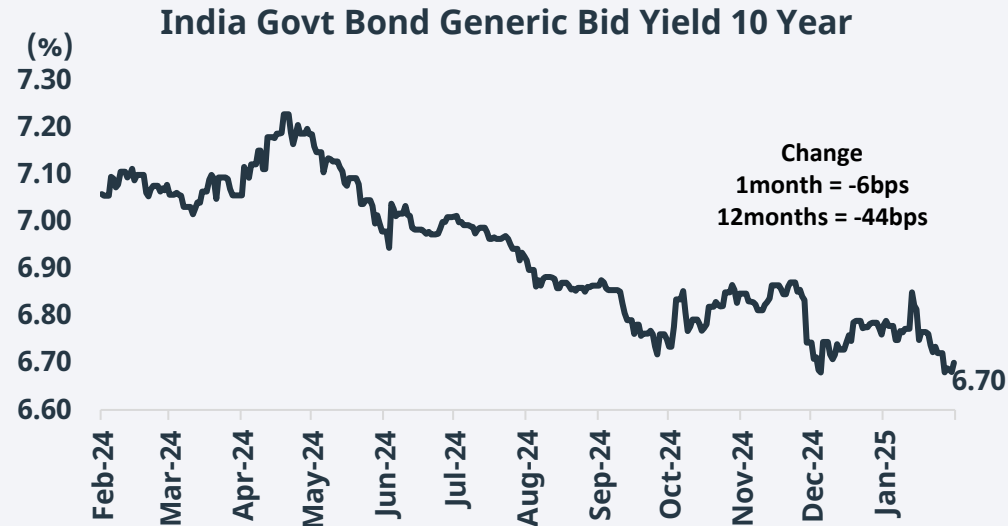
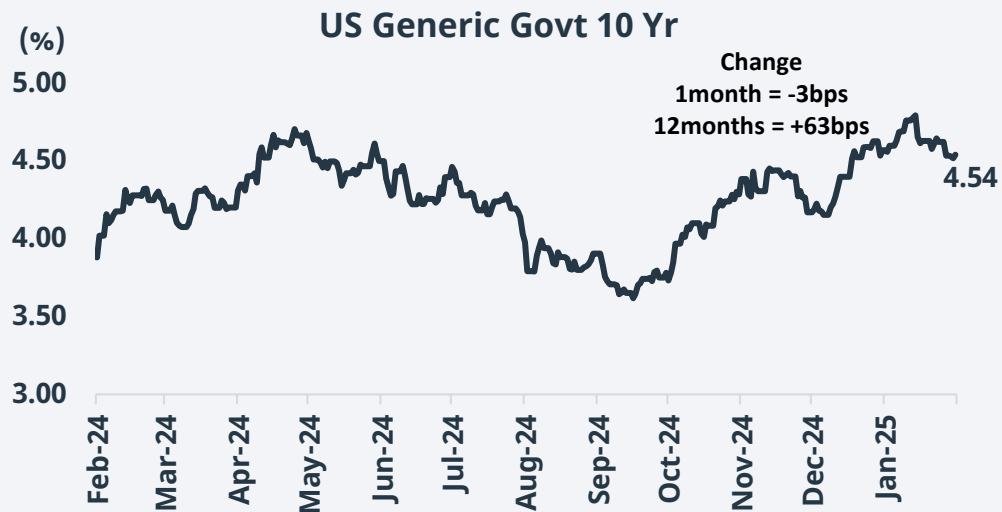
Past performance may or may not be sustained in future.
The Above-mentioned returns should not be construed as any indication of future returns.

Indian Equity Market Performance

Index	MoM (%)	YoY (%)
NSE Nifty 50	-0.6	8.2
Auto	-0.3	17.1
Bankex	-2.6	8.2
Capital Goods	-4.8	13.8
Consumer Durables	-10.2	14.9
Financial Services	-2.9	8.2
FMCG	-1.0	3.3
Healthcare	-7.7	23.6
Industrials	-7.2	13.8
IT	-2.9	12.3
Metal	-1.1	6.8
Oil & Gas	-2.4	-1.9
Realty	-13.2	5.7
Telecom	-3.3	13.7
Utilities	-5.5	-2.6

Note: BSE Sectoral Indices, Data as of January 2025.

Key Trends



Key Trends

Crude Oil Dated Brent FOB NWE



FTSE/CoreCommodity CRB Excess Return Index



GOLD SPOT \$/OZ

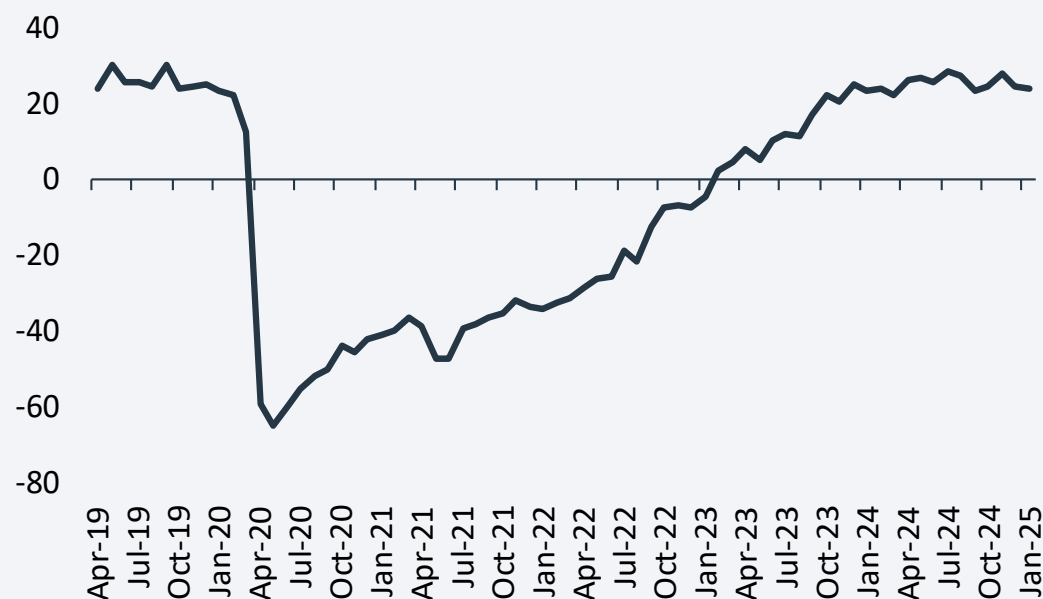


DOLLAR INDEX SPOT



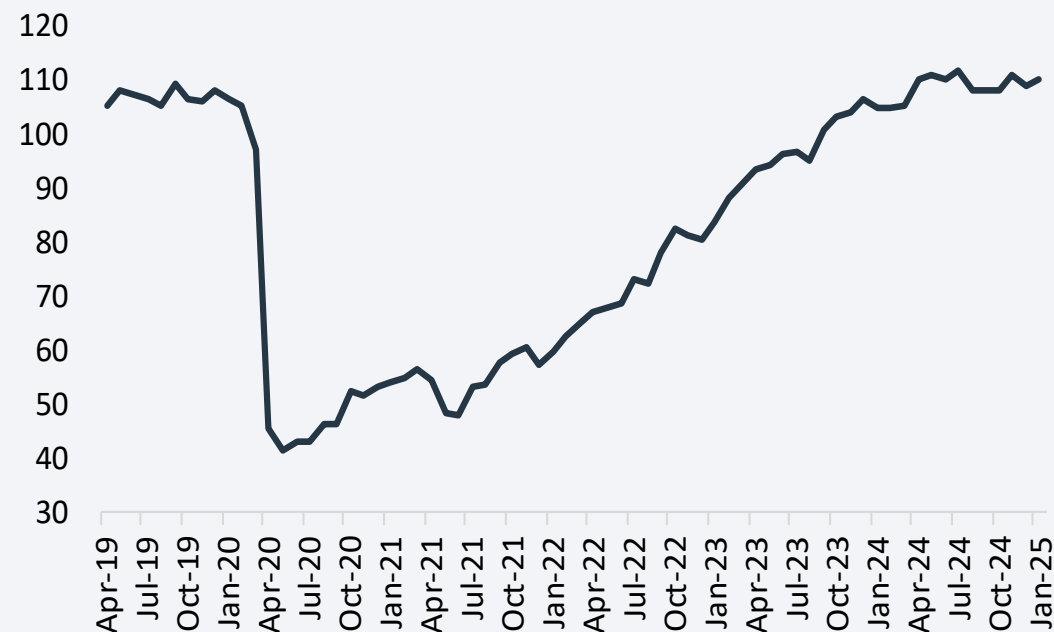
Indian Business Expectations & Consumer Sentiment

Financial And Business Conditions In Country In Next 12 Months



Business Conditions - 'Net response' is the difference between the percentage of respondents reporting optimism and those reporting pessimisms. It ranges between -100 and 100. Any value greater than zero indicates expansion/ optimism and values less than zero indicate contraction/ pessimism.

Index consumer sentiments



Consumer Sentiment Indices (Base Sep-Dec 2015 = 100)

Outlook

Key Positives & Risks

POSITIVES

- ✓ India's solid relative macro-economic fundamentals
- ✓ High sustainable potential growth rate
- ✓ Robust balance sheets of corporates & banks
- ✓ Likely demand boost from tax concessions & broadening welfare payments
- ✓ Possible private capex in response to demand recovery
- ✓ Resilient domestic flows

RISKS

- x Volatile geopolitics + Trump induced uncertainty
- x Competitive welfarism, compulsion of coalition politics
- x Likely growth deceleration in pockets of infrastructure investments due to altered government priorities
- x High valuations in some pockets
- x Excessive supply of equity in a short time frame
- x Impact on foreign flows due to US/China factors

Largecap likely to remain attractive from the risk-reward perspective compared to mid and smallcaps.

Key Sectoral Positioning

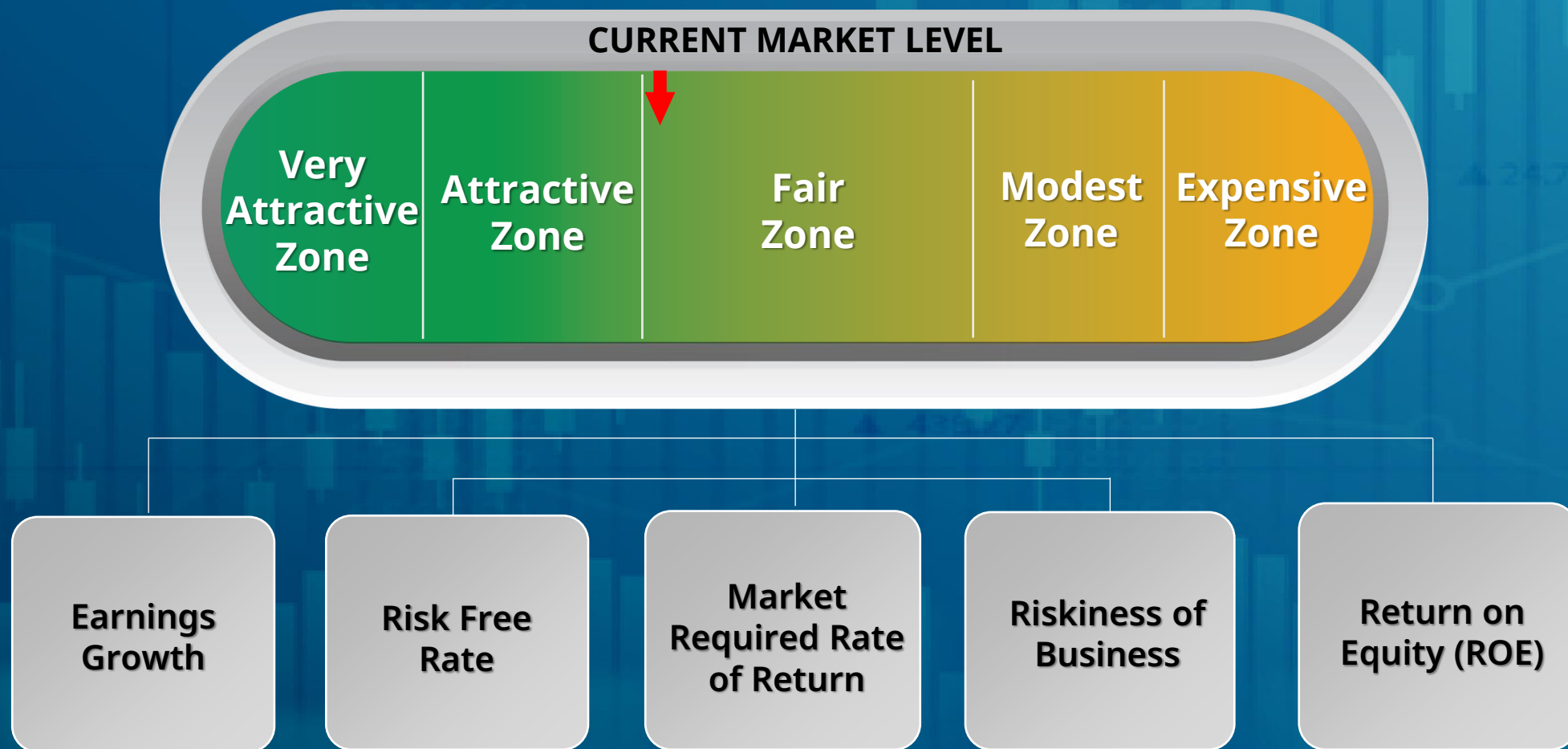
OVERWEIGHT

- ❑ **Consumer Discretionary:** Budget incentives through tax-cuts and improving demand provides attractive risk-reward for the sector
- ❑ **Telecom:** Recent Average Revenue Per User increases may lead to higher accruals in profitability and cashflows
- ❑ **Information Technology:** Improving future demand outlook along with reasonable valuations
- ❑ **Capital Goods/Industrials:** Significant under-investing in the past in select sub-segment has exacerbated demand-supply imbalance. Pockets of Defense, Power T&D sector look attractive.
- ❑ **Healthcare:** Defensive nature of the industry & margin tailwinds provide attractive risk-reward

UNDERWEIGHT

- ❑ **Financials:** Limited triggers with best of the cycle credit costs, ROEs behind us
- ❑ **Energy:** Weak global demand environment leading to uncertainty in prices
- ❑ **Consumer Staples:** Limited improvement visible in the overall demand scenario. Quick commerce may put pressure on margins.

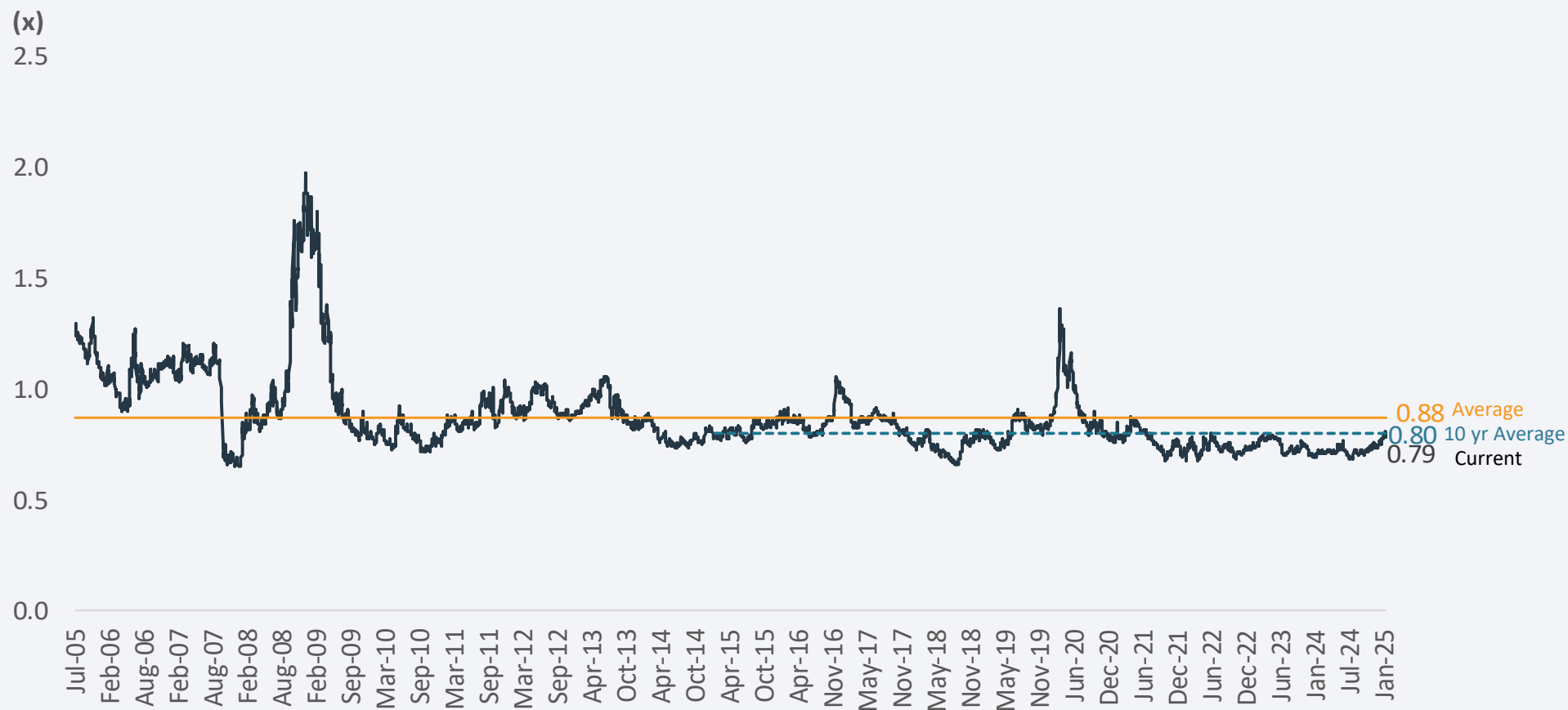
The Fair Value Spectrum- 5y view



Source: Union AMC Internal Research, Bloomberg; Data as on January 31, 2025

Disclaimer: Past performance may or may not be sustained in future. The Fair Value Spectrum only depicts our Fund House view on the current equity market environment, and should not be construed as any indication of guaranteed returns or future returns. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy. While utmost care has been exercised while preparing the data, the Sponsors/ Asset Management Company/ Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The recipients of this material should rely on their investigations and take their own professional advice.

Earnings Yield of Nifty 50 vs 10 Year Gov Bond Yield

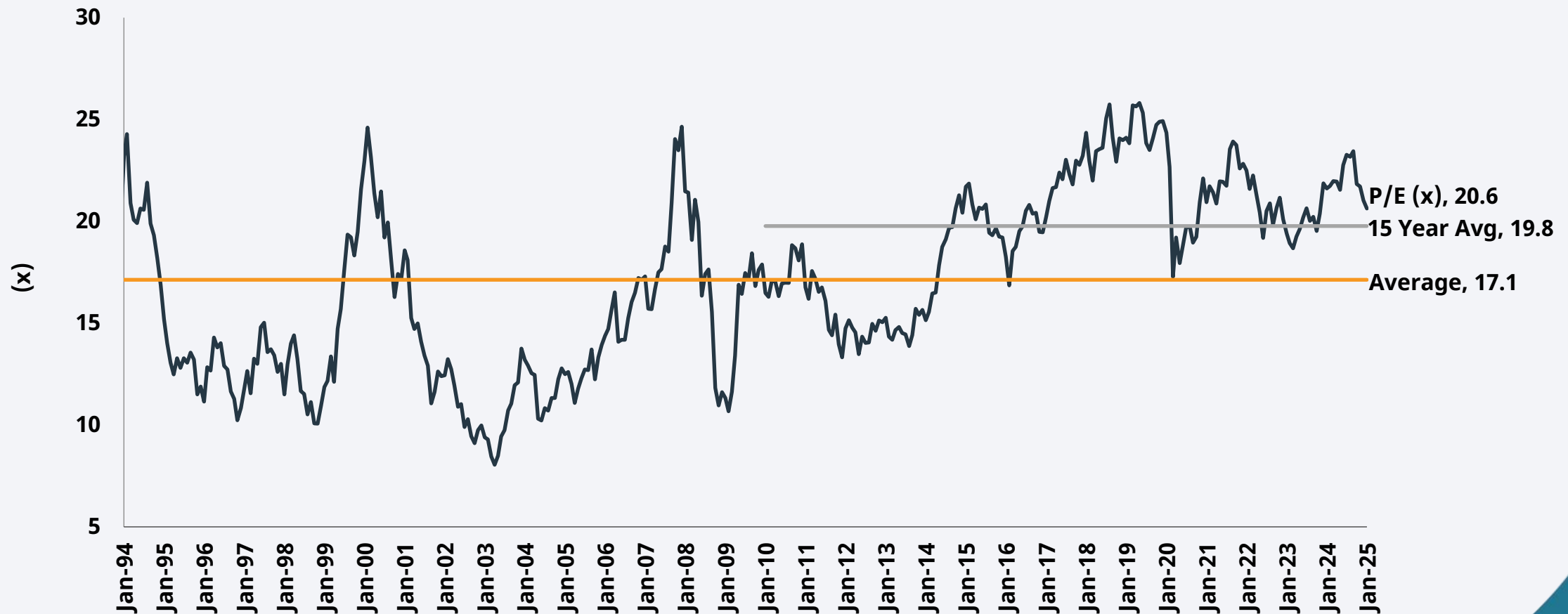


Source: Bloomberg; The chart represents the Earnings Yield of Nifty 50 divided by 10 Year Gov Bond Yield
Past performance may or may not be sustained in future.

Data as on Jan 25



SENSEX P/E – 1 Year Forward



(x) represents times.

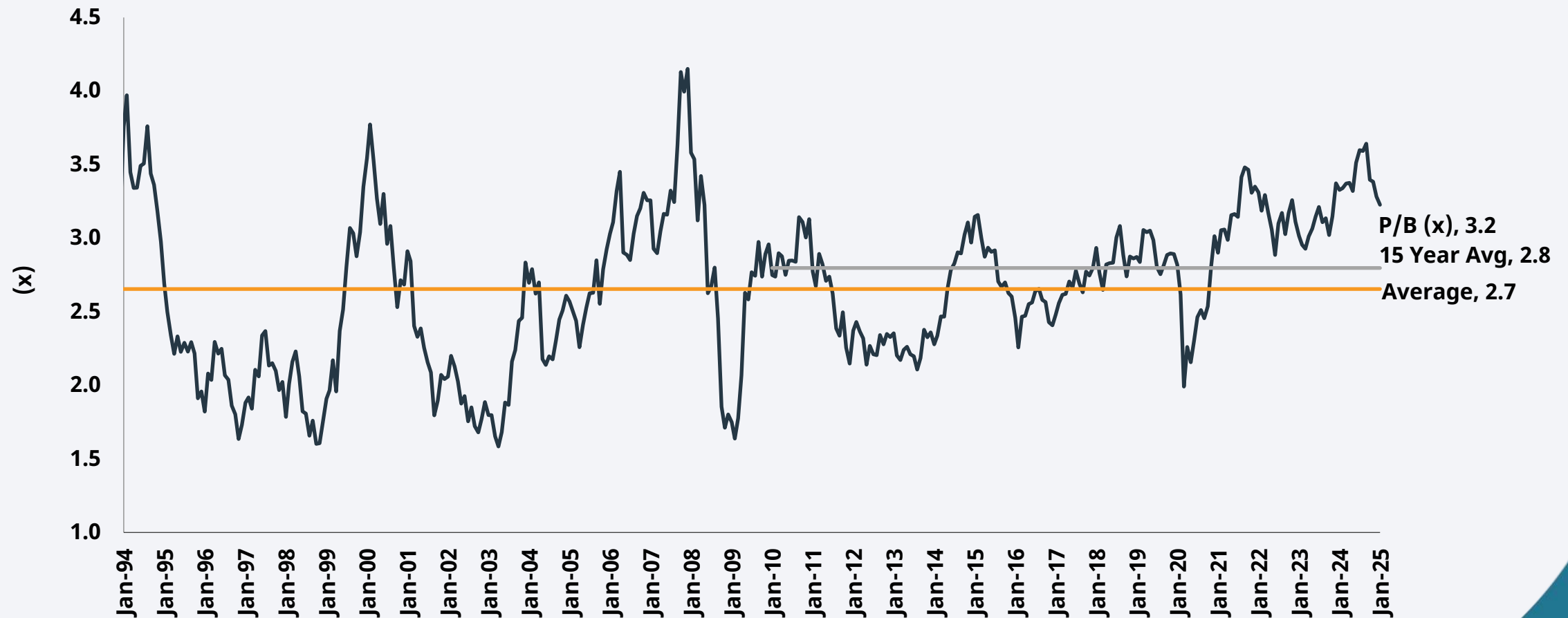
Source: Motilal Oswal Financial Services Limited

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Data as on Jan 25

SENSEX P/B – 1 Year Forward



(x) represents times.

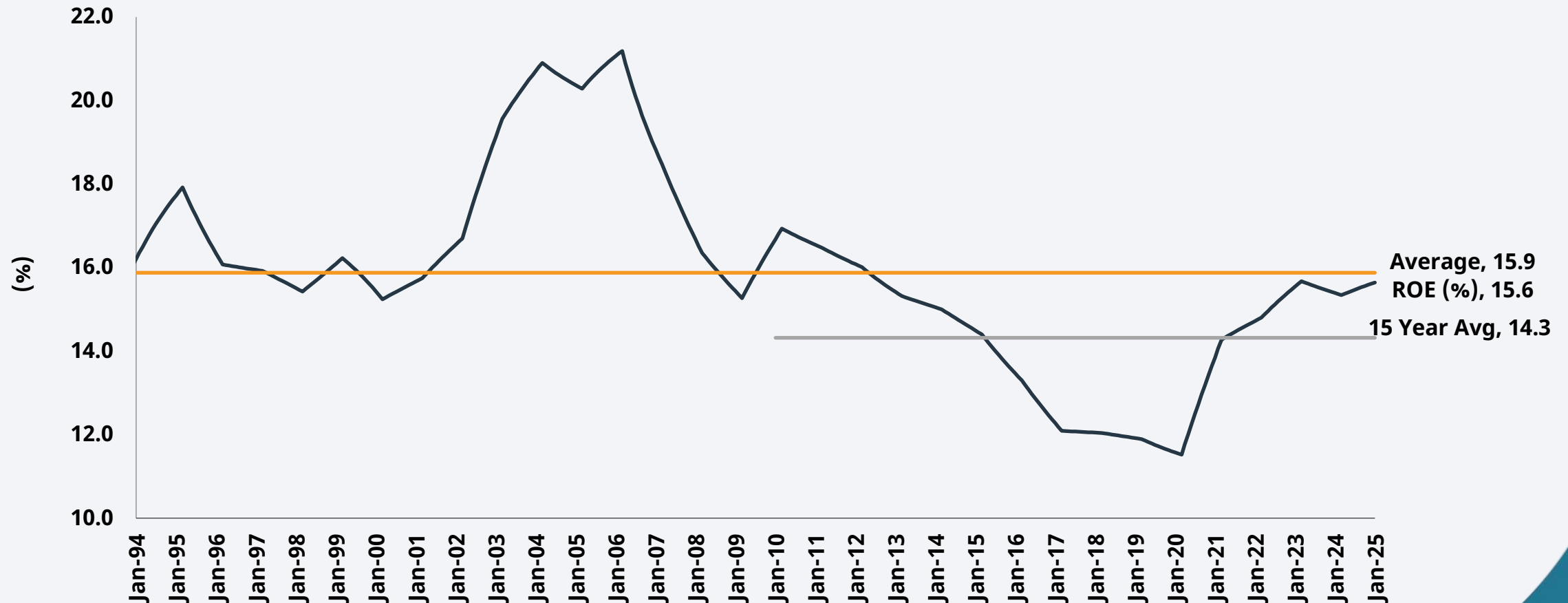
Source: Motilal Oswal Financial Services Limited

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Data as on Jan 25

SENSEX ROE (%) – 1 Year Forward



Source: Motilal Oswal Financial Services Limited

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Data as on Jan 25

Breakup of Returns – Nifty 50

	Nifty	% change	EPS 1yr Rolling Forward	% change	P/E 1yr Rolling Forward	% change
Now	23,508		1,230		19.1	
1m ago	23,645	-1%	1,235	0%	19.1	0%
3m ago	24,205	-3%	1,209	2%	20.0	-5%
6m ago	24,951	-6%	1,203	2%	20.7	-8%
1yr ago	21,726	8%	1,108	11%	19.6	-3%
3yr ago	17,340	36%	833	48%	20.8	-8%
5yr ago	11,962	97%	683	80%	17.5	9%

The above table shows the breakup of Historical Nifty Returns in EPS change and Valuation change

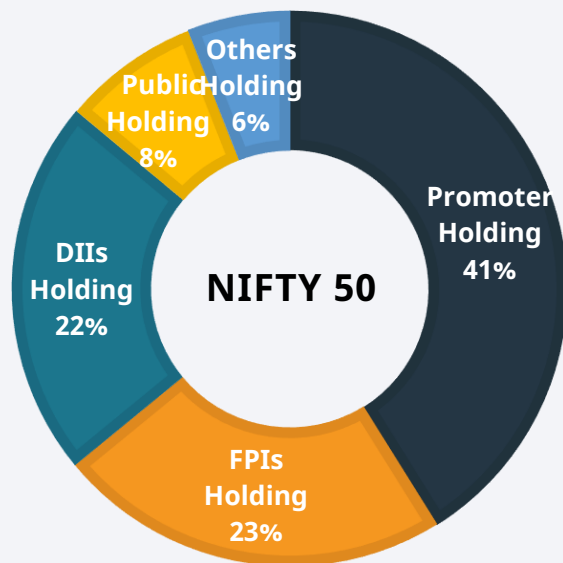
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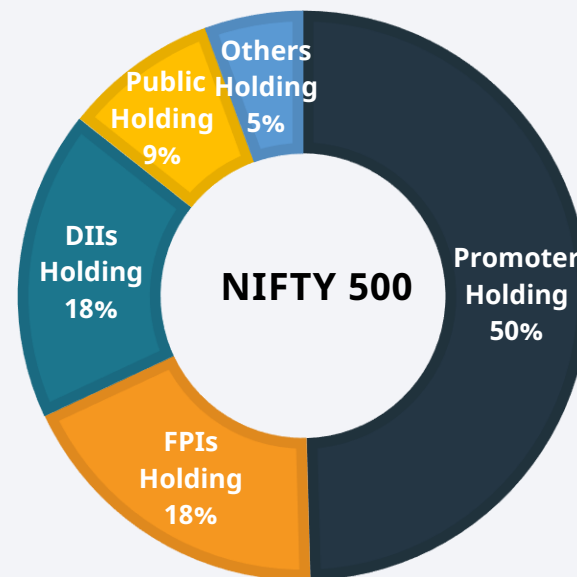
Demand & Supply of Equities

Who Owns Corporate India?

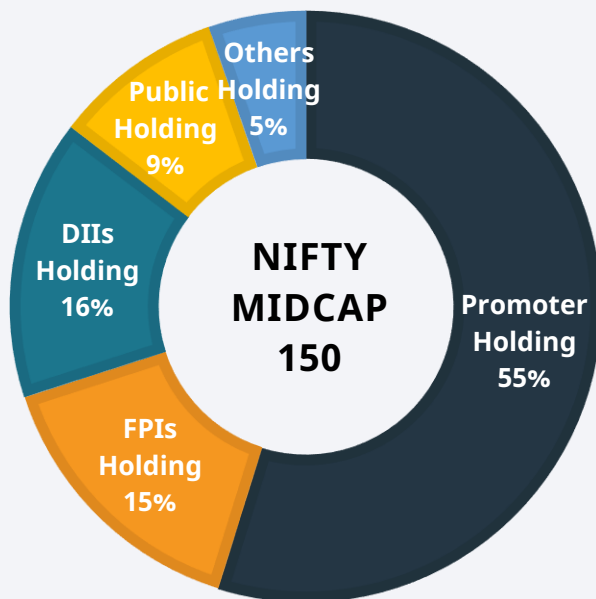
**Market
Capitalisation:
USD 2.2 trillion**



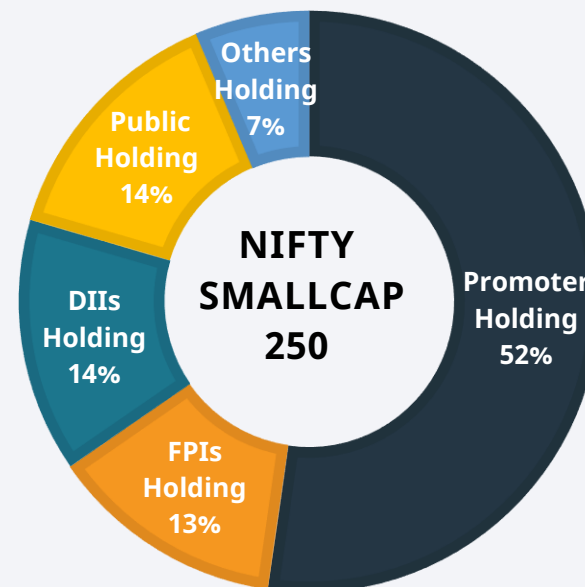
**Market
Capitalisation:
USD 4.5 trillion**



**Market
Capitalisation:
USD 1.0 trillion**

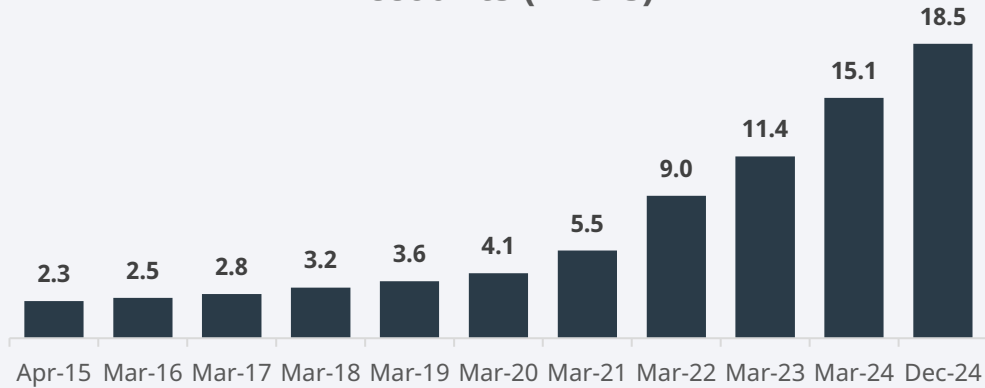


**Market
Capitalisation:
USD 0.5 trillion**

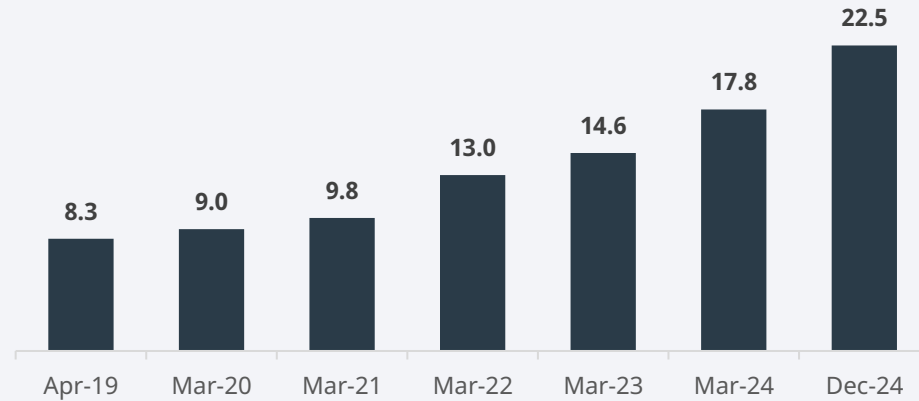


Growing Saliency of Domestic Investors

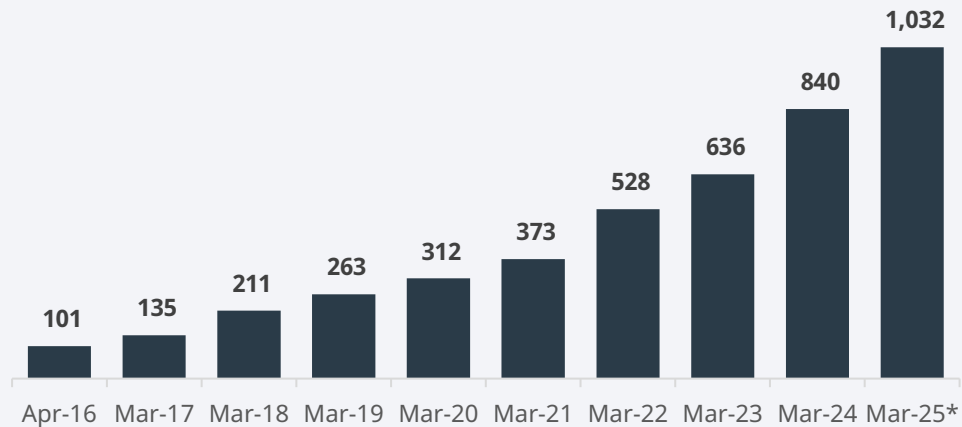
Number of Investors Accounts - Demat Accounts (in Crs)



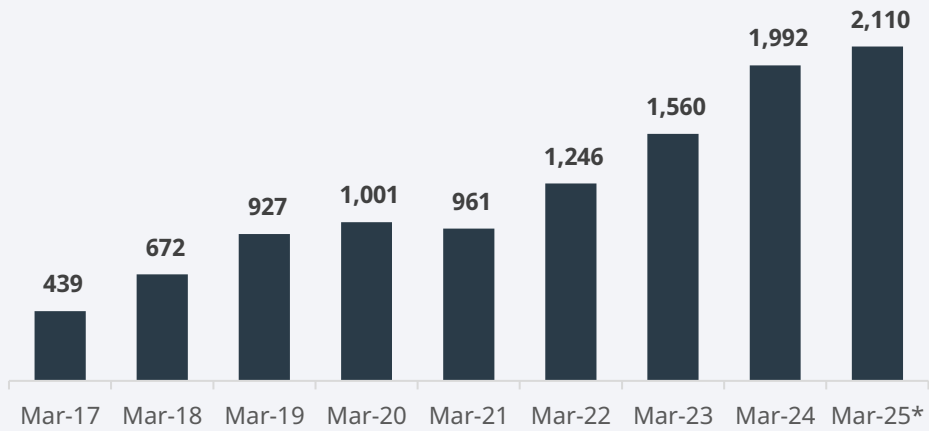
MF - No. of Folios (in Crs)



No. of SIP Accounts in Lakhs

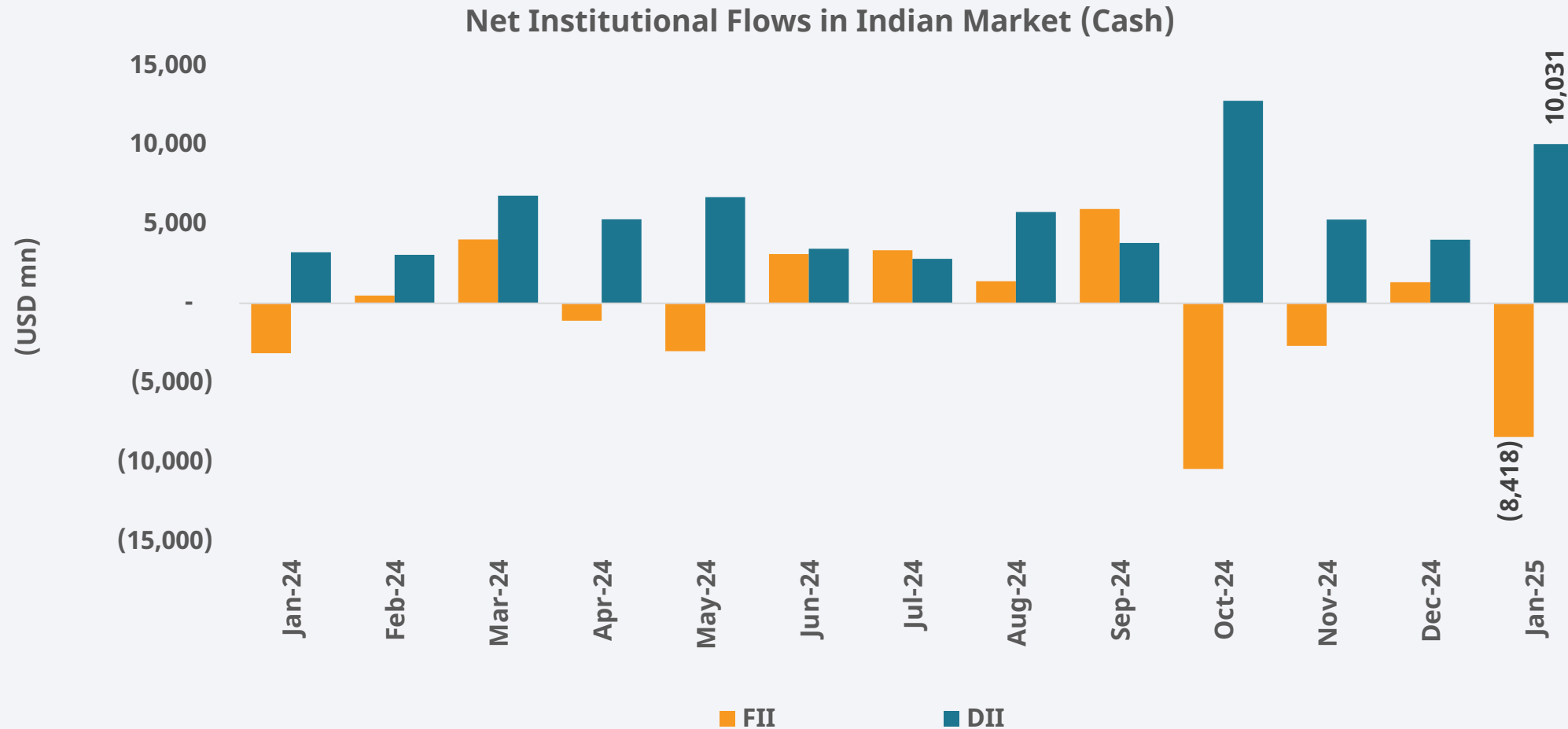


Annual - SIP Contribution (Rs. bn)

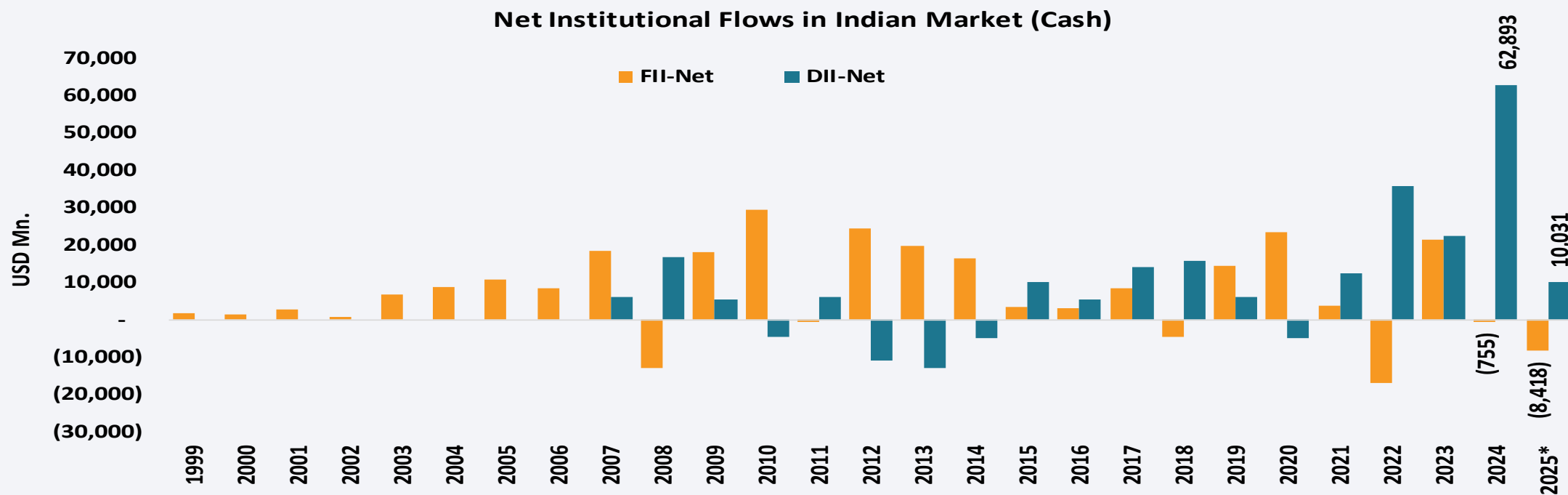


Source: NSDL, CDSL & AMFI. No of SIP accounts and Annual SIP Contribution for March-25* is for the period of Apr-24 to Dec 24

Demand: Monthly Institutional Flows Data



Demand: Annual Institutional Flows Data



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
FII % of Mkt cap**	NA	0.8%	2.1%	0.6%	4.2%	3.3%	2.7%	1.4%	1.8%	-1.2%
DII % of Mkt cap**	NA	NA	NA	NA	NA	NA	NA	NA	0.6%	1.6%
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FII % of Mkt cap**	2.0%	2.1%	0.0%	2.1%	1.8%	1.2%	0.2%	0.2%	0.4%	-0.2%
DII % of Mkt cap**	0.6%	-0.3%	0.4%	-0.9%	-1.2%	-0.4%	0.7%	0.4%	0.7%	0.7%
	2019	2020	2021	2022	2023	2024	2025*			
FII % of Mkt cap**	0.7%	1.2%	0.1%	-0.5%	0.6%	0.0%	-2.0%			
DII % of Mkt cap**	0.3%	-0.2%	0.4%	1.1%	0.6%	1.2%	2.4%			

** Calendar Year Average and annualised for 2025

Source: NSDL, BSE, NSE, Bloomberg; * upto 31-Jan-2025.

New Supply

Issue Size (\$ bn)	IPOs	FPO	QIPs	OFS	Right issue	India Promoter/VC/PE Sell downs*	Total
2012	1	0	1	5	1	0	8
2013	0	1	1	4	1	1	9
2014	0	0	5	1	1	3	10
2015	2	0	3	6	2	6	18
2016	4	0	1	2	0	3	9
2017	10	0	9	5	1	13	38
2018	5	0	3	5	3	6	21
2019	2	0	5	9	8	11	34
2020	4	2	11	3	9	16	44
2021	16	0	6	3	4	15	44
2022	8	0	1	1	1	10	21
2023	6	0	6	2	1	20	36
2024	19	2	16	4	3	32	76

Source: Prime database, Kotak Institutional Equities, IIFL Alternative Research. * Deals worth USD 30mn and more included, data is an indicative but not exhaustive set. Issue Size (\$ bn). Data till December 2024.

Supply & Institutional Demand

(\$ bn)	Institutional Demand (FII & DII)	New Supply
2012	14	8
2013	7	9
2014	11	10
2015	13	18
2016	8	9
2017	22	38
2018	11	21
2019	20	34
2020	18	44
2021	16	44
2022	19	21
2023	44	36
2024	62	76



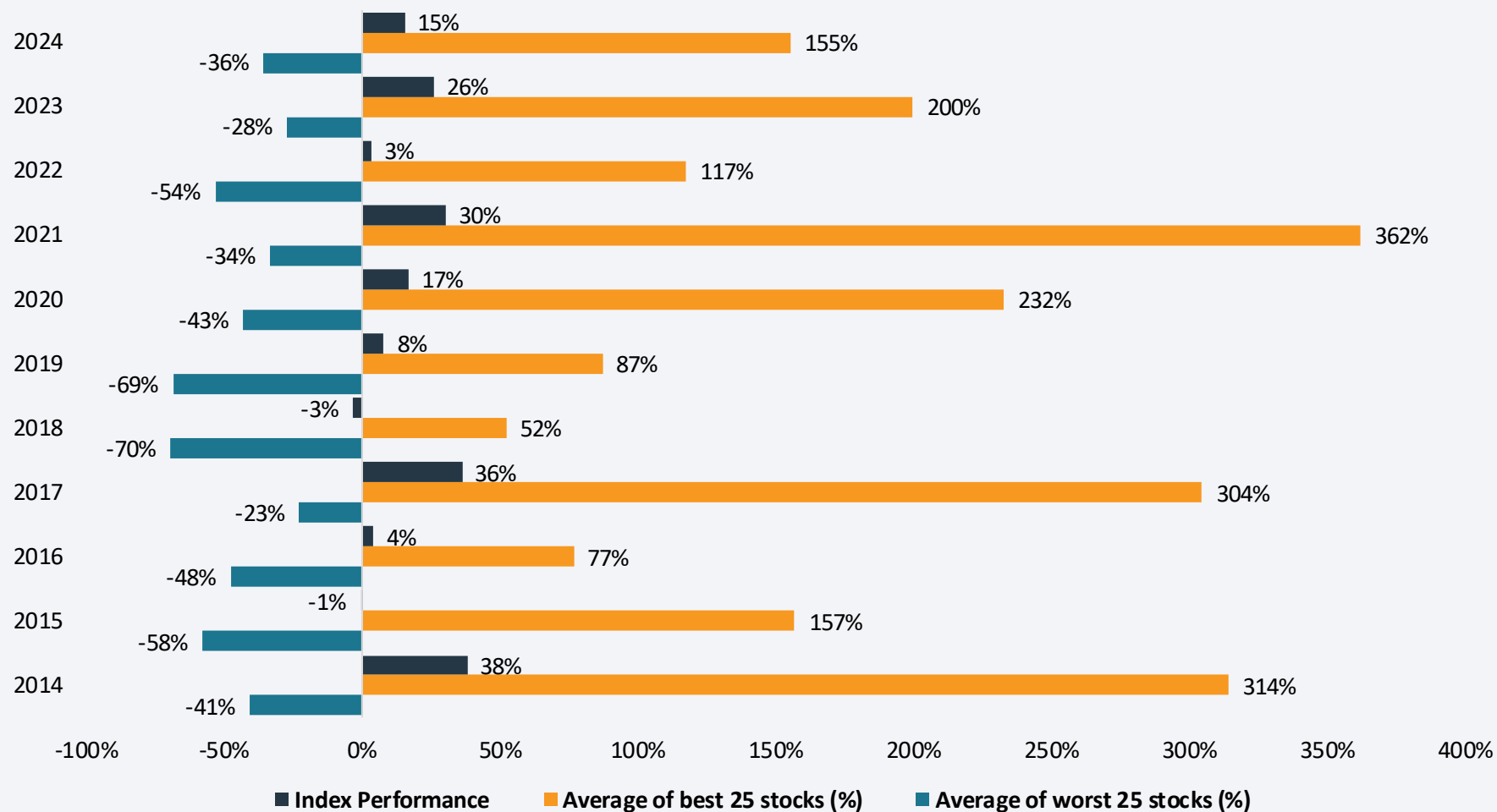
Long Term Historical Market Trends

Evolution Of Sensex

1986 (January)	1996 (March)	2006 (March)	2016 (March)	2024 (March)
ACC	ACC	ACC	Adani Ports & Special Economic Zone	Asian Paints
Ballarpur Industries	Aditya Birla Nuvo	Ambuja Cements	Asian Paints	Axis Bank
Bharat Forge	Ballarpur Industries	Bajaj Holdings & Investment (Bajaj Auto)	Axis Bank	Bajaj Finance
Bombay Dyeing	Bharat Forge	BHEL	Bajaj Auto	Bajaj Finserv
Ceat	Bombay Dyeing	Bharti Airtel	Bharti Airtel	Bharti Airtel
Century Textiles	Ceat	Cipla	BHEL	HCL Technologies
Grasim Industries	Century Textiles	Dr Reddy's Laboratories	Cipla	HDFC Bank
Great Eastern Shipping	Cummins India	Grasim Industries	Coal India	Hindustan Unilever
GSK	Futura Polyesters	HDFC Bank	Dr Reddy's Laboratories	ICICI Bank
Guj. State Fertilizers	Glaxosmithkline	Hero MotoCorp	GAIL India	IndusInd Bank
Hindustan Aluminium	Grasim Industries	Hindalco Industries	HDFC	Infosys
Hindustan Lever	Great Eastern Shipping	Hindustan Unilever	HDFC Bank	ITC
Hindustan Motors	Gujarat State Fertilizers & Chem	HDFC	Hero MotoCorp	JSW Steel
Indian Hotels Co	Hindalco Industries	ICICI Bank	Hindustan Unilever	Kotak Mahindra Bank
Indian Organics	Hindustan Motors	Infosys	ICICI Bank	Larsen & Toubro
Indian Rayon	Hindustan Unilever	ITC	Infosys	Mahindra & Mahindra
ITC	Indian Hotels Co	Larsen & Toubro	ITC	Maruti Suzuki India
Kirloskar Cummins	ITC	Maruti Suzuki India	Larsen & Toubro	Nestle India
Larsen & Toubro	Larsen & Toubro	NTPC	Lupin	NTPC
Mahindra & Mahindra	Mahindra & Mahindra	ONGC	Mahindra & Mahindra	Power Grid Corp of India
Mukand Iron	Mukand	Ranbaxy Laboratories	Maruti Suzuki India	Reliance Industries
Nestle	Nestle India	Reliance Industries	NTPC	State Bank of India
Peico Electronics	Philips Electroics India	Reliance Infrastructure	ONGC	Sun Pharmaceutical Industries
Premier Auto	Premier	Satyam Computer Services	Reliance Industries	Tata Consultancy Services
Reliance Industries	Reliance Industries	State Bank of India	State Bank of India	Tata Motors
Siemens	Siemens	Tata Consultancy Services	Sun Pharmaceutical Industries	Tata Steel
Tata Motors	Tata Motors	Tata Motors	Tata Motors	Tech Mahindra
Tata Power	Tata Power	Tata Power	Tata Steel	Titan
Tata Steel	Tata Steel	Tata Steel	Tata Consultancy Services	UltraTech Cement
Voltas	Voltas	Wipro	Wipro	Wipro

Source: Bloomberg, BSE, SEBI, MOSL, Business Insider. The above data represents constituents of the Sensex Index over a period of time. The above mentioned data is for information purpose only and should not be considered as recommendation to buy, sell or hold any securities mentioned above. Union Mutual Fund may or may not have any future position in the stocks and it does not classify as any recommendation.

Dispersion of Stocks Returns



Return Distribution - Sensex

Historically, Indian Equities (represented by Sensex) have delivered positive returns in 35/45 years.

Average	15
Median	16
# +ve	23

2024	8
2023	19
2022	4
2021	22
2020	16
2019	14
2018	6
2017	28
2016	2
2014	30
2013	9
2012	26
2010	17
2004	13
2002	4
1997	19
1994	17
1993	28
1989	17
1984	7
1983	7
1982	4
1980	25
Year	%
0 to 30	

Average	-12
Median	-16
# -ve	10

2025*	-1
2015	-5
2011	-25
2001	-18
2000	-21
1998	-16
1996	-1
1995	-21
1987	-16
1986	-1
Year	%
-30 to 0	

# -ve	1
2008	-52
Year	%
-30 to -60	

Average	45
Median	47
# +ve	7

2007	47
2006	47
2005	42
1992	37
1990	35
1988	51
1981	54
Year	%
30 to 60	

Average	79
Median	81
# +ve	5

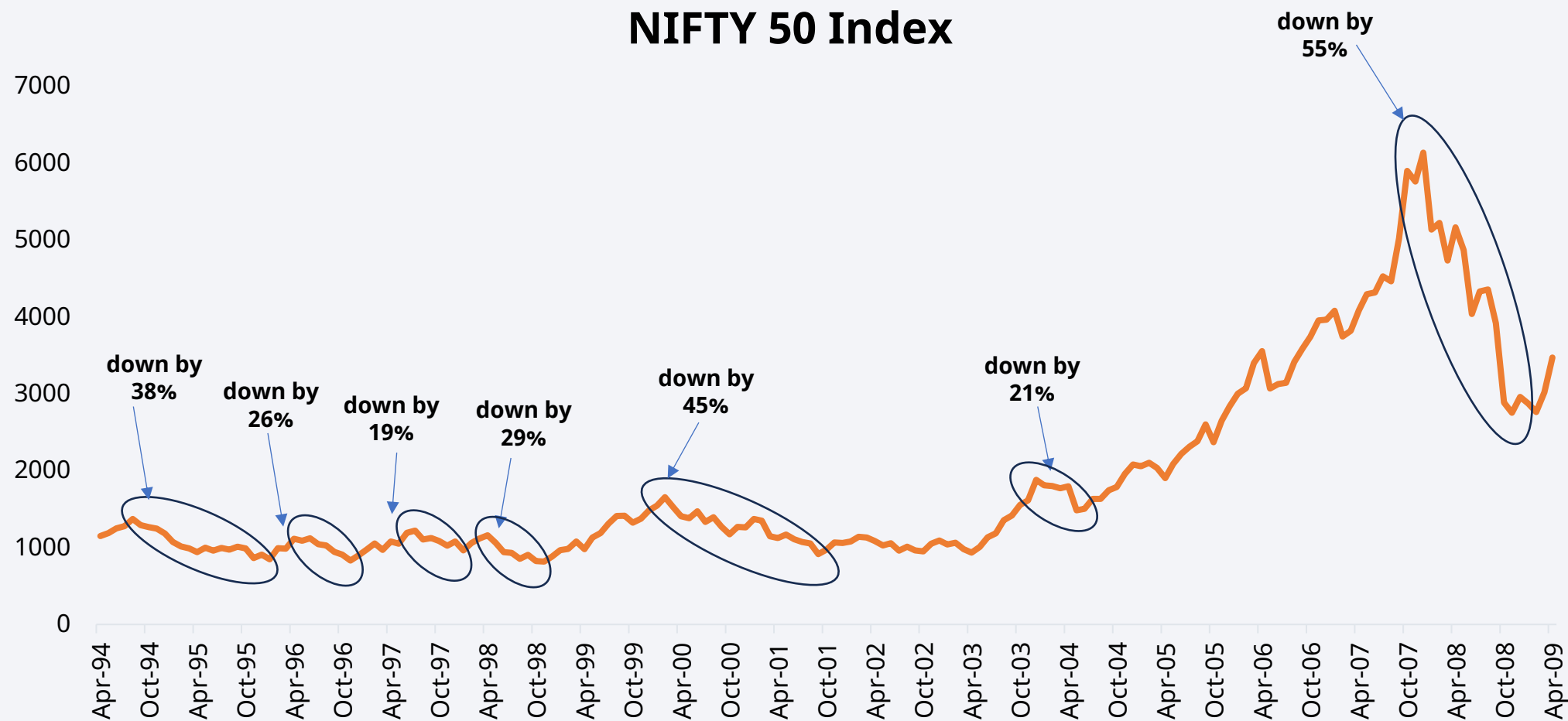
2009	81
2003	73
1999	64
1991	82
1985	94
Year	%
> 60	

Source: Bloomberg, Internal Research; *Data till January 31, 2025.

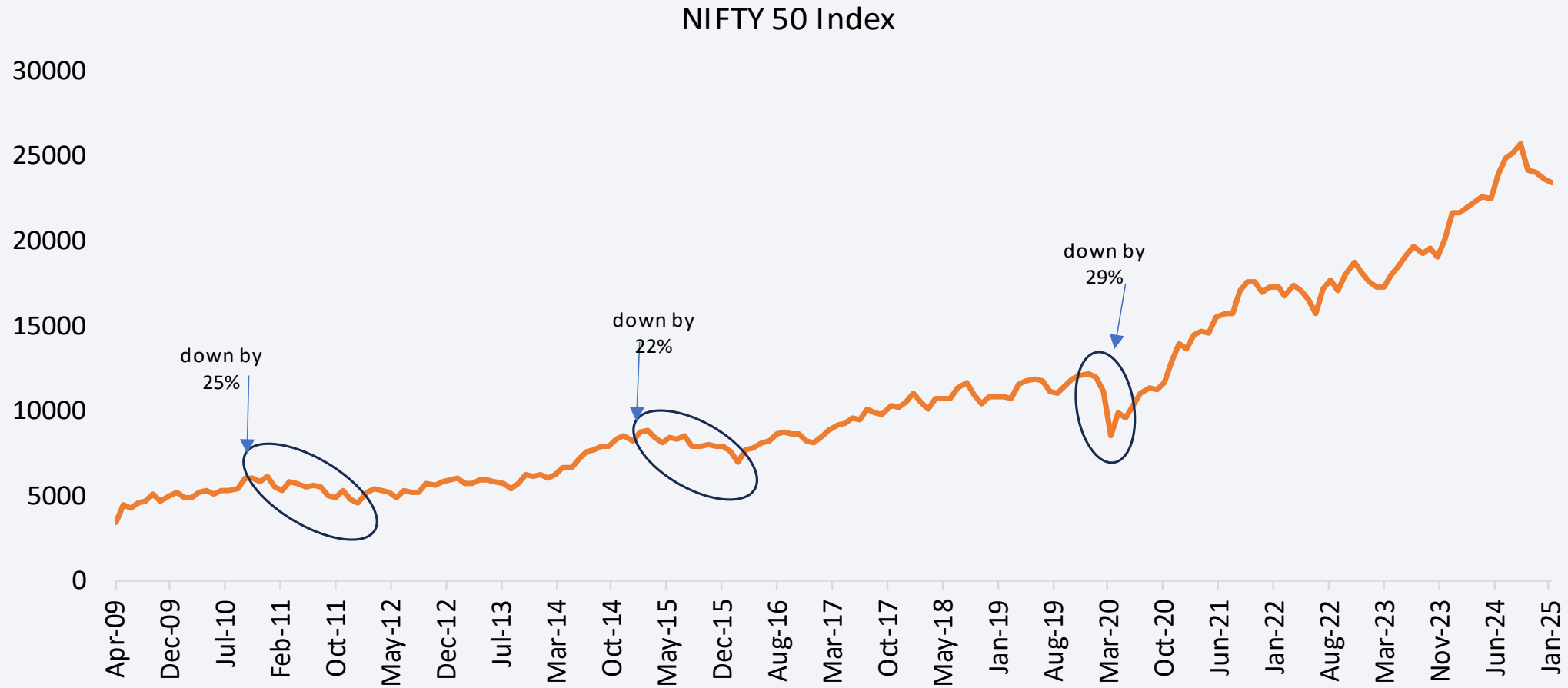
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Drawdown of NIFTY 50 Index (1994 - 2009)

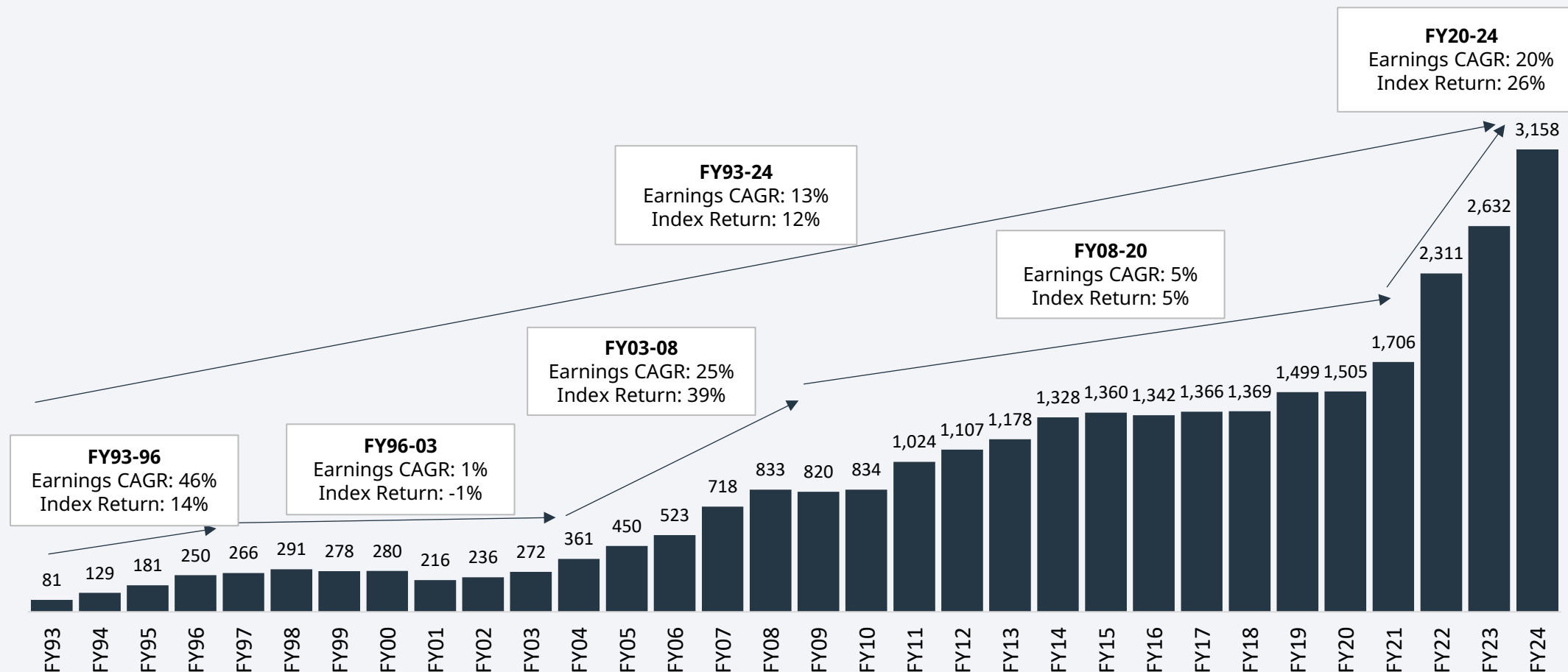


Drawdown of NIFTY 50 Index (2009 – 2025)



Source: NSE; Period 2009 to 2025 (upto January 2025).

S&P BSE Sensex EPS Trend



Source: Motilal Oswal Financial Services Limited, Internal Research

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Indian Equity Market Performance- Rolling

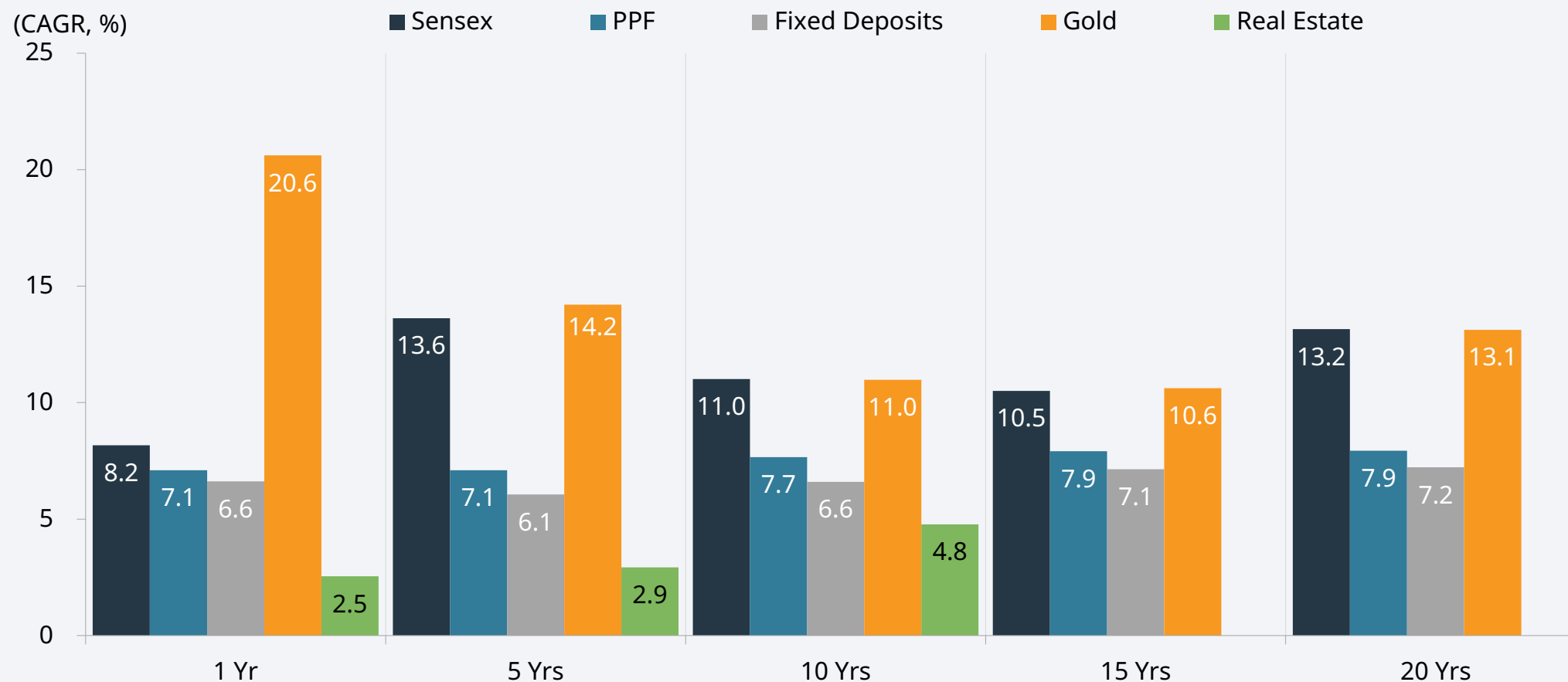
Sensex data since inception

Period	Minimum Returns	Average Returns	Standard Deviation	+ve Returns	-ve Returns	Return to Risk Ratio (Average Returns/Standard Deviation)
1 Year Rolling	-56.1%	18.6%	32.1%	73.6%	26.4%	0.58
3 Year Rolling	-18.5%	15.6%	15.5%	89.1%	10.9%	1.01
5 Year Rolling	-7.9%	15.2%	11.7%	92.8%	7.2%	1.30
7 Year Rolling	-7.6%	15.0%	9.1%	94.8%	5.2%	1.65
10 Year Rolling	-2.8%	14.9%	7.1%	99.2%	0.8%	2.08

Longer the investment is held, lesser the probability of negative returns.

Source: Union AMC Internal Research & Bloomberg; Daily rolling returns are calculated for the period 03-04-1979 to 31-01-2025 by the CAGR approach. Example: For 1 Year Return, the first data point will be CAGR between 01-04-1979 to 01-04-1980, similarly the next data point would be CAGR between 02-04-1979 to 02-04-1980. The last data point would be CAGR between 31-01-2024 to 31-01-2025. Returns are calculated in a similar manner for other time frames (3, 5, 7, and 10 Years). The Index used is BSE Sensex. **Past Performance may or may not be sustained in the future.** Index performance does not signify the performance of any schemes of Union Mutual Fund.

What Returns Did Different Asset Classes Give In The Last 20 Years?



Source: CEIC, Bloomberg, IIFL Research; Data as of December 31, 2024

Fixed Deposits = Source: RBI (*top 5 major banks*) and Maturity is 1year deposit.

*Note: The House Price Index as released by RBI on a quarterly basis is used for real estate prices. The data is available from 2010 onwards and the latest available data is for Sept 2024.

Note: Bank Fixed deposits upto Rs. 5 lakhs are being insured by Deposit Insurance and Credit Guarantee Corporation (DICGC).

Past performance may or may not be sustained in future.

The Above-mentioned returns should not be construed as any indication of future returns and it is only for illustration purpose, should not be compared with Union Mutual Funds Scheme performance.

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THANK YOU

