BILLIONAIRE

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Quadratic™
FINANCIAL SERVICES PVT. LTD.
Advisors with a Heart – Advice from the mind

QFundamental

Direct Equity

From Ram's Desk

Equity markets are grinding upwards for the last 5 months obeying the "HIGHER TOP, HIGHER BOTTOM" formation. The correspondence may not last long going forward. We feel the markets are slowly becoming expensive and in fact it is already trading at 21 times current to a more respectable 14 times 2 years forward. Sensex EPS is expected to be 1045 this year and about 1290 FY2012. This makes it one of the most expensive markets in the emerging world. *BEWARE OF CORRECTIONS. USE THE CORRECTIONS TO BUY STEADILY AND CONSISTENTLY.*

The markets touched a bottom of around 4785 and then bounced back as expected to touch a level of 5366. This approximates to 60.8% of the retracement. Thus it fulfills the basic premise of a bounce back as sustainable. We believe the medium term bottom is around 5127, long term bottom is around 4785 and the short term bottom is around 5210. This month of July traditionally has been one of extreme swings and we probably would not be disappointed. Fund inflows continue to be robust and the *markets may see a break out in this month of 5600-5700 on the Nifty.*

As mentioned last month, our analysis gave us an insight that we need to buy when Gold, US$ and Crude are peaking and sell when the above 3 asset classes are down in the dumps.
An hedge in asset classes.

Right now there is a lot of confusion on global markets, but investors must allocate higher allocation to the emerging world especially India, South Africa and Singapore (developed) to get the best performance for the next 2 years. We believe there is a real estate bubble building in New Zealand and Australia and the impact of that is still not tangible. *The biggest danger to equity markets will come not from Europe but from Australia and New Zealand.*

A lot of our clients asked us how to do it and we believe the best way to do it is to play in **ETF's (Exchange Traded Funds) especially Gold ETF's and others if available.**

We have now rolled out a hedge strategy where we would shift the equity assets of clients where allowed and available from equity (when they are hot) to GOLD ETF's or similar asset class ETF's to improve the stability of the portfolio. This has actually improved the alpha by 6% and returns by 3-5% on the whole.

We will try to keep innovating and improving our skills so that wealth creation can be done in a sustainable and easy process. ***We have also put in place a portfolio view mechanism for Mutual Fund investments on our website so that clients can see their portfolios at their convenient time.***

We request our clients to see it and revert if any changes need to be done in the format or usage.

K.V.Ramaswamy
Director