

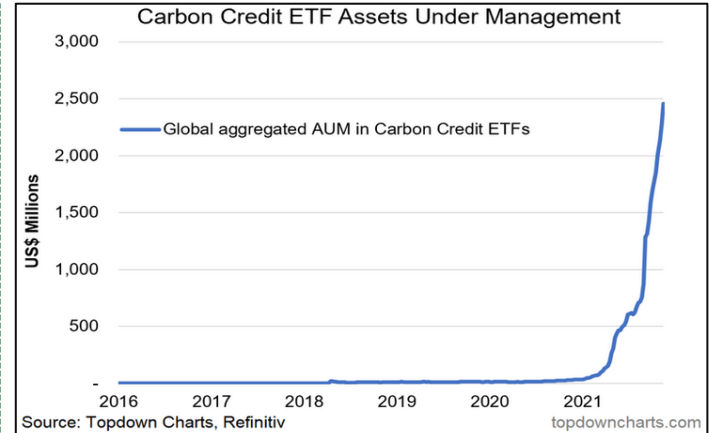
Brave New World

Edition 8



Carbon Credits : The New Asset Class?

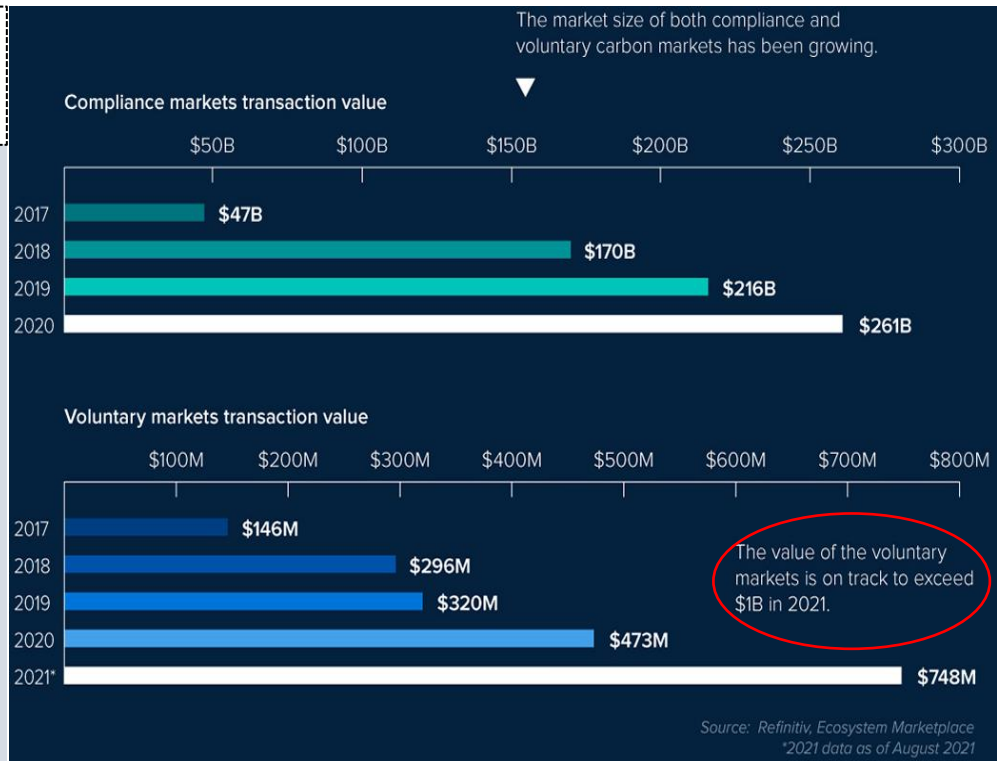
- New asset class that has born out of regulation – Carbon credits is witnessing surging fund flows in an ESG dominated volatile situation this year.
- Number of companies with net-zero targets has jumped ~200% between 2019 & 2020, up from 500 to 1,565. As per McKinsey’s estimates the market for voluntary carbon credits could be worth upward of \$50bn in 2030 (Source: Visual capitalist)
- The buyers of this credit are starting from energy & utility firms to corporate entities looking to put their green foot forward, to retail & speculative investors trying to catch the parabolic rise as price & volatility increases.



Carbon credits are an allowance that works on a ‘cap & trade concept’ regulators cap the amount of carbon emissions & then allow emitters to trade the credits.

The Krane Shares Global Carbon ETF (KRBN) which tracks the EU ETC carbon price can be subscribed to by Indian Resident Investors.

Check this at - <https://www.easternfin.com/international-investing>



Water ETFs: \$111 Billion For Water Infrastructure

- By 2025, it is estimated that 66% of the world will live in water-stressed areas according to the World Resources Institute. This is not just usual drought of California, North India (whose groundwater loss can be seen from space) or the Arabian Peninsula either, but a worldwide mismatch that will see a 40% gap between demand and supply emerge over the next 15 years.
- A significant issue in the Western world comes in the form of an ageing infrastructure that is prone to springing leaks. In the US, 13.7% of daily household water usage is lost through leaks, while almost a quarter of the UK's public supply goes the same way.
- Barclays Capital analysts forecast global freshwater requirements for food production to increase 40% by 2030. The global consumer staples sector faces a \$200bn impact from water scarcity and is the most exposed of all sectors to the water risk.

There are ETFs listed in US focused on water space – PHO, FIW and CGW, available for investment by Indian resident investors via portal like Stockal.



SPR release by US: Do we see triple digit in Oil coming soon?

The US has already released a significant amount of oil from SPR with drawdowns accelerating lately – falling off a cliff in 2021. The most US can even sell is ~50-60 mpd which is only enough to soak up a few hours of global demand. Total global demand is touching 100mbpd. Total US demand is 20mbpd.

The Strategic Petroleum Reserve (SPR) is an emergency stockpile of petroleum maintained by the United States Department of Energy (DOE). It is the largest known emergency supply in the world.

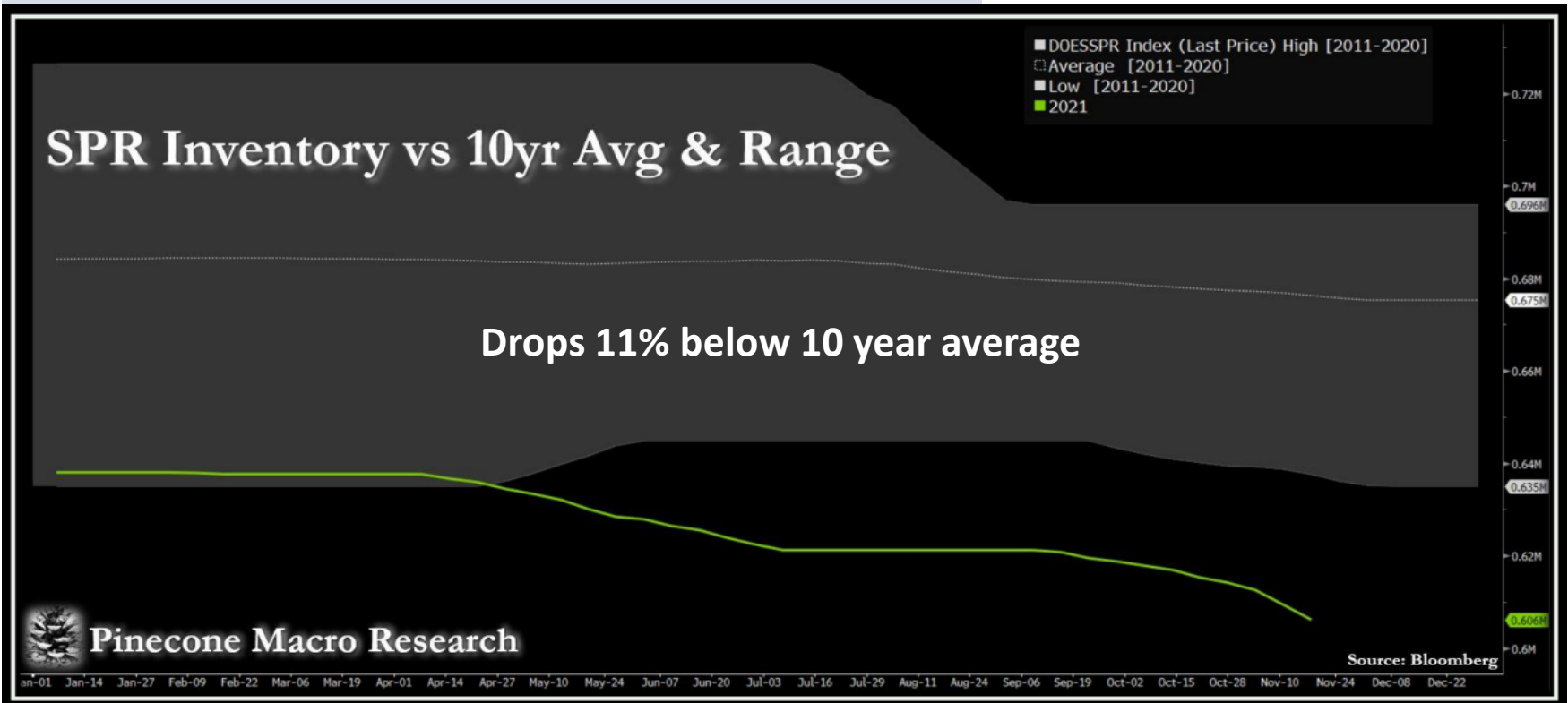
Investors keen to build exposure to this asset class can check out ETFs like OIH, XLE available for investment by Indian resident investors.

Biden releasing oil from Strategic Petroleum Reserve to help lower gas prices

UPDATED ON: NOVEMBER 23, 2021 / 7:00 PM / CBS NEWS

BUSINESS

Japan to join U.S. and others in coordinated oil-reserve release



Active Management still didn't win in 2021

- For decades, active managers have claimed that in boring markets, don't expect them to outperform. If there ever was a year active management should have outperformed passive indexed strategies, 2020 (*most turbulent times since the great recession*) and the first half of 2021 should have been it.
- As per a recent report from S&P Dow Jones Indices : Over the 12-month period ending June 30, 58% of large-cap funds, 76% of mid-cap funds and 78% of small-cap funds trailed the S&P 500, S&P Mid Cap 400 and S&P SmallCap 600, respectively. (Source: CNBC)
- The performance of active managers gets much, much worse when you look at longer time horizons: over a 10-year period, only 25% of all active funds beat their passive counterparts, according to the Morningstar report.
- It's even worse among large-cap equity funds, which are what most investors hold: Only 11% of actively managed large-cap funds outperformed their passive peers over 10 years. (Source: CNBC)

Asset allocation accounts for a whopping **88 percent** of volatility and returns, according to Vanguard and the simplest and cost effective measure to gain exposure to any asset class is via ETFs. There are approximately 2200 ETFs/ETPs listed in the US markets with an AUM of \$7.7 trn.

In one of the most volatile markets in decades, active fund managers underperformed again

PUBLISHED MON, NOV 1 2021-7:07 AM EDT | UPDATED MON, NOV 1 2021-12:28 PM EDT

Index	YTD return	% of members with positive YTD return	% of members with at least -10% drawdown from YTD high	Average member drawdown from YTD high
S&P 500	25%	83%	92%	-18%
NASDAQ	25%	63%	89%	-40%
Russell 2000	19%	68%	98%	-36%

Source: Charles Schwab, Bloomberg, as of 11/19/2021. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. Past performance is no guarantee of future results.

Stock Market leverages spike: What will reverse this trend?

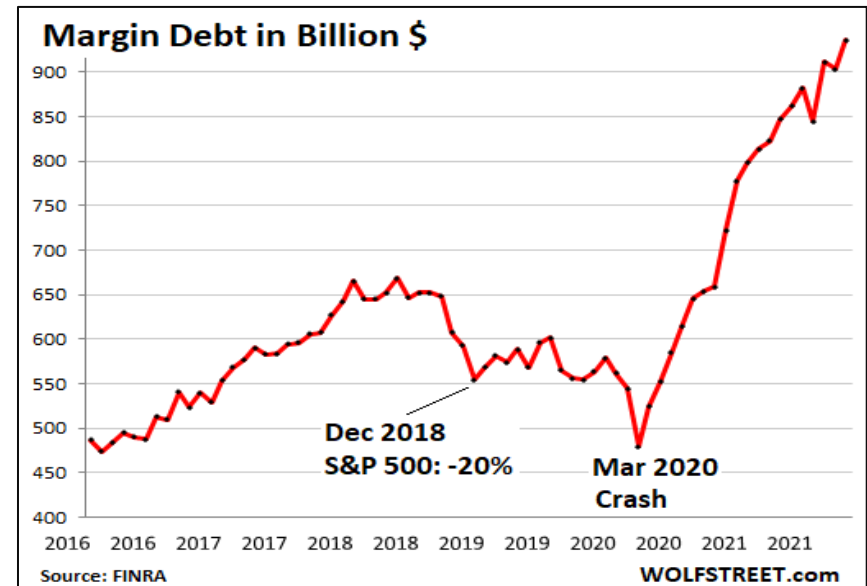
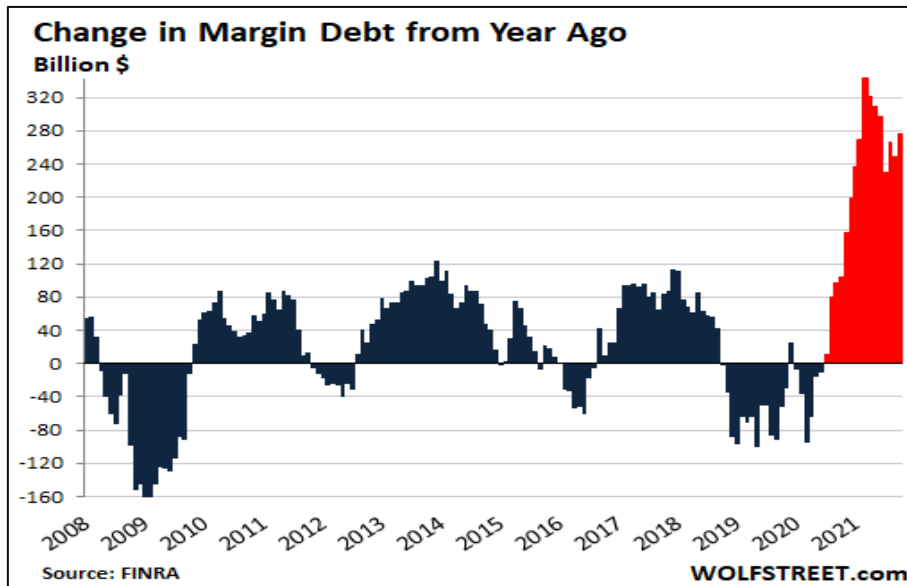
- Stock market margin debt spiked to another all-time high of \$936 billion in Oct, up by 42% from a year ago and up by 67% from October 2019. Margin debt is a big accelerator both on the way up and way down for markets.
- While the direction of the market sentiments is difficult to predict but when this market starts going down, it will trigger massive bouts of forced selling as margin calls get triggered and leveraged investors have to sell stocks to pay down their margin debt, which then pushes down prices further, which then triggers more forced selling, and more fears of forced selling, as portfolios are being liquidated, thereby accelerating the swoon.
- In the financial stability report, Fed mentioned – ‘The median leverage ratios of younger retail investors are more than double those of all investors, leaving these investors potentially more vulnerable to large swings in stock prices, as they have a larger debt service burden’

With hedge fund managers announcing closure, fresh signs of lockdown emerging, dollar index gaining strength – we treat ‘Cash’ as an important asset to be deployed opportunistically.

Hedge Fund Perma Bear Clark Shuts Down Amid Historic Bull Market

By Nishant Kumar +Follow

11 November 2021, 19:40 GMT+5:30



Team



Mr. Ritesh Jain

Director

Master of Business Economics (MBE)
Executive MBA - Haskayne School
(Calgary)

He has held many senior leadership roles including CIO – BNP Paribas Mutual Fund, where he was responsible for managing US\$1.2 billion of AUM and also has served as the CIO of Tata Mutual Fund, where he was responsible for managing AUM of 6 billion.

In 2019, LinkedIn rated him among the top three influencers in the world of Economy and Finance. He is also a recipient of numerous national and international awards in the field of fixed income and equity investments.



Ms. Chanchal Agarwal

Head - Products

Chartered Accountant
CFA Charterholder

She brings with her about 12 years of Industry experience spanning across verticals like Family Office Investment Advisory, Equity management, Investment banking, etc.

In 2020, AIWMI recognized her amongst the 'Top 100 women in Finance'. She has featured in the Audio talk series 'Show me the Money' by Meghna Pant (available on Audible Suno). Her article reflecting on 'What stops women from investing' was published in The Hindu Newspaper.

Management



Mr. Ajoy Agarwal

Founder, Chairman & Managing Director

One of the pillars of the Indian investment advisor's fraternity.

Over the last five decades, his contribution to the growth of financial literacy is immense, led by un-biased, focused and disciplined approach with strong emphasis on ethics and creating a sense of ownership amongst the employees.



Mr. Abhishek Agarwal

Director

Having started his career at the grass-roots level of the financial services industry, his dedication and strategic planning has enabled EF to enter into several remote towns across Eastern India, thus spreading its wings with a large network of company-owned branches.



Mr. Ambrish Agarwal

Director

Aiming to change the speculative, traditional ways of trading by developing a sustainable, investment-based dealing platform.

His contribution helped catapult EF into the league of players actively catering to the discerning Institutional and High Net worth investors who are well aware of global developments and thus very demanding.

Thank You



Get In Touch

Registered Office

Eastern Financiers Limited
102, 104 & 210 Lords, 7/1, Lord Sinha
Road, Kolkata, India - 700 071

Contact Us

(033) 40006800

Write to us

research@easternfin.com

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