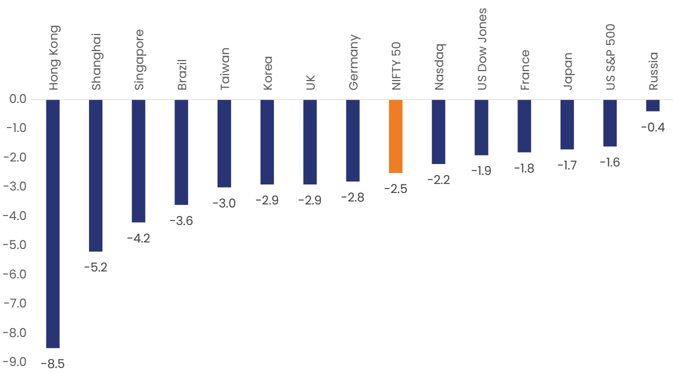
Market Outlook

September 2023

Market Update

After a stupendous run since April 23, markets globally took a breather in August. Almost all major global indices were down for the month, with the Chinese markets correcting the most. The change in sentiments may be attributed to the Fitch's downgrade of the US credit rating from 'AAA' to 'AA+' which resulted in US bond yields spiking up. The slow growth seen in China also added to the weak sentiments. Indian markets too followed global clues with the benchmark NIFTY50 down 2.5% for the month. However, the headline index performance camouflaged the real action, with the broader market rally continuing unabated. S&P BSE Midcap and S&P BSE 250 SmallCap gained another 2.6% and 4.5% respectively for the month. With this move, S&P BSE MidCap and S&P BSE small cap indices have delivered 23% and 28% returns respectively YTD. Sector-wise for the month, oil & gas (-5%), banks (-4%) and FMCG (-2.7%) declined the most, whereas consumer durables (+4.2%), IT (+2.7%) and capital goods (+2.7%) gained the most. FIIs continued to be net buyers for sixth consecutive month having invested another USD ~1.5 bn in August. DIIs flows were positive to the tune of USD ~3.0 bn.

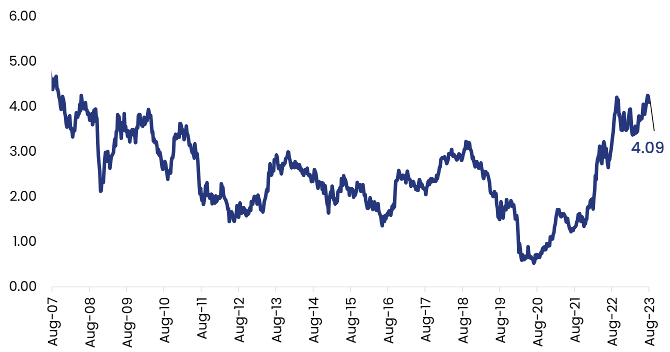
Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 31st August, 2023 in Local Currency)

Globally investor focus remains on inflation and bond yields. Inflation in the USA remains higher than comfort and this is pushing back expectations of an early rate cut. Opinion is also now divided that there can be another small rate hike which can come in. US Fed Chair Jerome Powell indicated that policymakers will proceed "carefully" when looking at whether to continue to raise interest rates to bring down inflation. Crude oil prices have also moved up sharply over the last three months, adding to inflation concerns. In India too, as CPI inflation hit a 15-month high, though RBI-the central bank, has maintained its status quo stance for now.

US 10 Year G-Sec



Source: Bloomberg

Macro Update

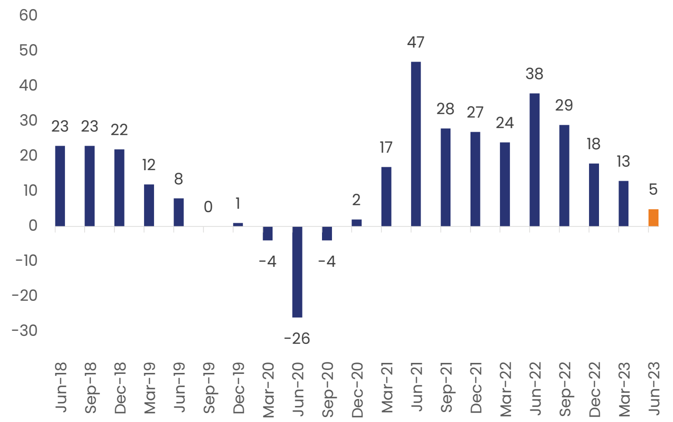
On the domestic macro front, economic data continues to stay strong. India's gross domestic product (GDP) grew by 7.8% in the April-June quarter of current fiscal (2023-2024), compared to a growth of 6.1% in the previous January-March quarter of fiscal 2022-23. CPI inflation rose to 15 months high of 7.44% YoY in July'23 vs 4.81% in June'23. The spike was led by high vegetable prices. WPI inflation contracted for the fourth straight month at -1.36% in July'23 vs -4.12% in June'23, led by falling prices in various sectors like mineral oils, basic metals, chemical & chemical products, textiles, and food products. India's manufacturing PMI rose to 3-month high at 58.6 in August'23 vs 57.7 in July'23, indicating robust improvement in conditions across India as new orders and output increased. IIP growth in June'23 stood at 3.7% vs 5.2% in May'23. Brent crude hovered around USD ~86/bbl in August'23. GST collection rose 11% YoY to 1.65 lakh cr in July'23. GST collections have been more than INR 1.6 lakh cr for the 6th time since inception of GST. INR was stable and closed at ~82.6.

Earnings Update

The corporate earnings for FY24 have begun on a healthy note. After a solid 22% earnings CAGR over FY20-23, NIFTY 50 for 1Q FY24 reported a 32% earnings growth. Reported revenue growth was a sober 5%. Earnings beat was seen in Banks, Capital Goods, Infrastructure, Metals, Oil & Gas, and Paints; missed for Automobiles, Retail, FMCG, NBFC, and IT. Going forward, we expect the earnings to remain healthy and pencil in 20%+ earnings growth for NIFTY50 in FY24.

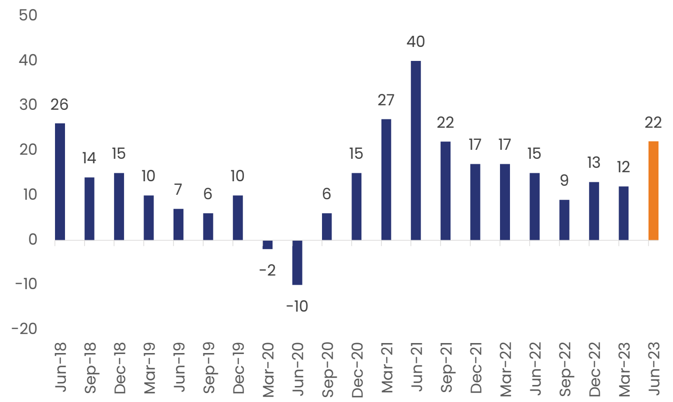
FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index FII: Foreign Institutional Investors, GST: Goods & Services Tax, DII: Domestic Institutional Investors Fed: US Federal Reserve, IIP: Index of Industrial Production, GSec: Government of India Dated Securities, GOI: Government of India, FDI: Foreign Direct Investment, CAD: Current Account Deficit, YTD: Year To Date, CY: Calendar Year, WTI: West Texas Intermediate, UPI: Unified Payments Interface. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 months lag.

NIFTY50 sales up 5% YoY (est.3%) in 1QFY24



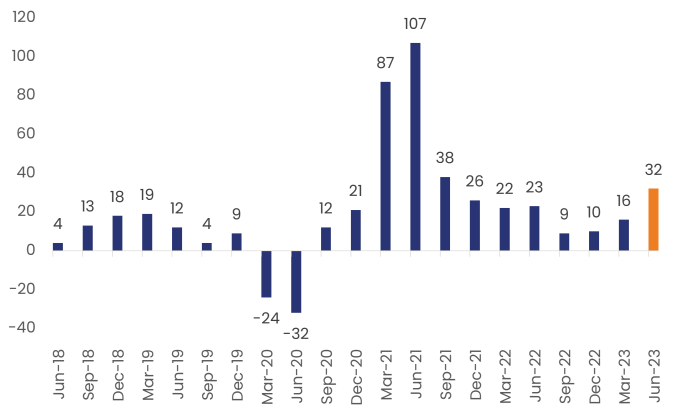
Source: MOSL

NIFTY50 EBITDA up 22% YoY (est. 18%) in 1QFY24



Source: MOSL

NIFTY50 PAT up 32% YoY (est. 25%)



Source: MOSL

Market Outlook

To us, a flattish August has been a welcome move. After a sharp run, such a slowdown in momentum is very much needed. While the headline markets have taken a breather, mid-cap and small-cap rally has continued unabated in August. We have seen strong equity supply coming in via PE exits and IPO's and this can absorb decent inflow liquidity. August itself has seen around USD 1.8-2 bn of deals happening. The demand for equities can be gauged by the fact that the entire ownership of a PE-owned IT services company worth almost USD 1 bn, was lapped up by institutional investors as a secondary offering. The company now has no identifiable promoter and will be independently managed by the board. More concerning has been the momentum in theme-based and FOMO-based (Fear Of Missing Out) investing.

The economic growth trajectory and earnings growth does offer comfort. Also, there has been a decent earnings upgrades for NIFTY50 earnings for FY24 and FY25, bringing the NIFTY50 PE multiples for FY25 to only slightly over the 10-year average. The festive season approaching is also poised to bring in demand growth on the consumption side, while spending on infrastructure and capital expenditure continues to see a lot of traction. On a concerning note, monsoons have been dismal for the month of August, though normalcy is expected in months to come. Higher crude prices also need to be heeded. In short, we remain positive but much more careful.

On Abakkus front, we continue with our stance of not getting carried away in the momentum and judiciously deploying capital, based on fundamentals and adherence to our MEETS framework. This stance has worked well for us, with consistent performance across our strategies and time periods. We are prepared to bear small underperformance also, if any, in the very near term, if this momentum in broader markets continues, but would stay away from non-fundamental investing.

Abakkus All Cap Approach

PMS Strategy

Abakkus
Believe in the Basics

September 2023

Portfolio Update

Despite the volatility in the equity market, the portfolio had a positive performance, showing a gain of 1.9%, in contrast to the benchmark S&P BSE 500 TRI, which ended the month with a decline of 0.6%. Since inception, the portfolio has delivered 130.4% compared to the benchmark return of 83.1%. The portfolio has not seen any major changes during the month. We remain watchful on the near-term events in the markets that may trigger volatility and have small cash holding to capitalize in that scenario.

Portfolio Performance as on August 31, 2023

Period	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (%)	Since Inception CAGR (%)	Since Inception Absolute (%)	FY22 (%)	FY23 (%)	FY24 YTD (%)	CY23 (%)
Abakkus All Cap Approach	1.9	16.2	26.8	31.3	14.4	34.2	130.4	38.4	(0.6)	25.8	22.7
S&P BSE 500 TRI	-0.6	7.7	17.3	11.3	9.2	23.5	83.1	22.3	(0.9)	16.9	10.3

**Unaudited Performance data for Portfolio Manager and Investment Approach provided hereunder is not verified by any regulatory authority and Past performance may or may not sustain in the future. The performance is based on TWRR as on August 31, 2023. Inception Date is October 29, 2020. As per SEBI guidelines, returns are net of all expenses and investor returns may differ, based on their period of investment, fee structure and point of capital flows.
Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of
1) the timing of inflows and outflows of funds; and
2) differences in the portfolio composition because of restrictions and other constraints.
As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at https://www.apmiindia.org/apmi/ IACompare.htm?action=iacomaprepage

Top 5 Sector Classification as on August 31, 2023

Sector	Asset %
INDUSTRIALS	23.8%
BANKS	15.9%
NBFC	13.7%
MATERIALS	9.3%
COMMUNICATIONS	7.4%

Securities/sectors quoted are for illustration only and not recommendatory

Top 10 Holdings as on August 31, 2023*

POLYCAB INDIA LTD	SUN PHARMACEUTICAL INDUSTRIES LTD
JINDAL STAINLESS LTD	AXIS BANK LTD
IIFL FINANCE LTD	KEC INTERNATIONAL LTD
MAX FINANCIAL SERVICES LTD	HCL TECHNOLOGIES LTD
ICICI BANK LTD	STATE BANK OF INDIA

*The current portfolio holdings may or may not be a part of the future portfolio Holdings and may or may not be a part of all client portfolios.

Disclaimers

Abakkus
Believe in the Basics

September 2023

About Us

Abakkus Asset Manager LLP ("Abakkus") is registered as a Portfolio Manager with SEBI under SEBI (Portfolio Managers) Regulations, 2020 as amended from time to time and the Circulars and Guidelines issued there under from time to time vide SEBI Reg. No.: INP000006457 dated March 14, 2019 and as an Investment Advisor under SEBI (Investment Advisors) Regulations, 2013 as amended from time to time and the Circulars and Guidelines issued there under from time to time vide SEBI Reg. No.: INA000015729 dated February 03, 2021.

Abakkus is also the Investment Manager to Abakkus Growth Fund, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/18-19/0550 dated June 05, 2018, India-Ahead Venture Trust, a SEBI registered Category I AIF vide SEBI Reg. No.: IN/AIF1/21-22/0976 dated January 25, 2022 and India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022, under SEBI (Alternative Investment Fund) Regulations, 2012 as amended from time to time and the Circulars and Guidelines issued there under from time to time collectively referred as the SEBI Registered Intermediary.

The branch office of Abakkus situated at IFSC-GIFT City is registered with the IFSCA as Registered FME (Non-retail) (IFSCA/FME/II/2022-23/041) under IFSCA (Fund Management) Regulations, 2022.

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Alternative Investment Fund

As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at https://www.nseindia.com/products-services/aif-benchmark-report & https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.htm

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Portfolio Management Services:

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