

# Monthly Communication

November 2024



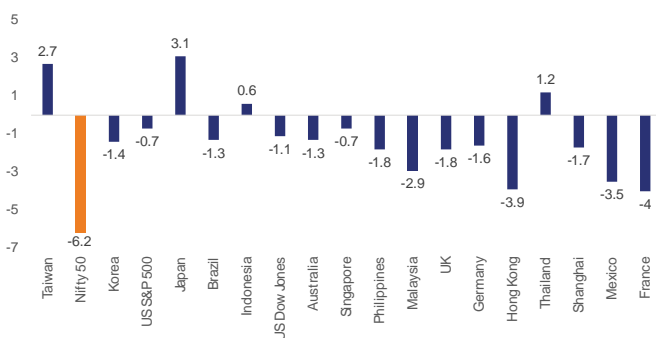
## Market Update

Indian equity markets had a challenging month, with Nifty declining 6.2% for the month of October. This was its biggest monthly drop since March 2020. Small and midcap indices dropped 3% and 6.7%, respectively. The worst-performing industries were oil and gas (-14%), consumer durables (-10%), and auto (-12%). Investor sentiment was impacted by (1) the Chinese market's strong early-month surge, (2) ongoing FPI outflows, (3) poor 2Q performance, (4) geopolitical concerns, and (5) uncertainty around the forthcoming US presidential election. Indian market performed the worst globally for the month, with France (-4%) Hong Kong (-3.9%), and Mexico (-3.5%) being the other notable losers. Dow Jones and US SPX both fell by a modest 1%. Other significant events include: (1) BJP winning the Haryana assembly elections; (2) SEBI introducing plans to limit retail participation in speculative index derivatives; (3) Government raising the minimum support price for rabi crops; (4) RBI prohibiting four NBFCs from approving and disbursing loans; and (5) IMF maintaining India's GDP forecast at 7% for FY2025.

The data of 2QFY25 point to a widespread decline in the Indian economy. However, it is expected that H2FY25 will be a much better period as demand has shifted to the second half due to delayed monsoons and delayed onset of festive and marriage seasons. 34 Nifty-50 stocks have released their results thus far, and their net income rose 1.9% year over year, which is less than the 4.5% growth which we had anticipated.

Foreign Portfolio Investors (FPIs) were aggressive sellers to the tune of US\$12.4 billion of Indian equities in the secondary market, whereas Domestic Institutional Investors (DIIs) continued to be buyers at US\$12.8 billion for the month.

### Global and regional indices 1 Month performance (%)



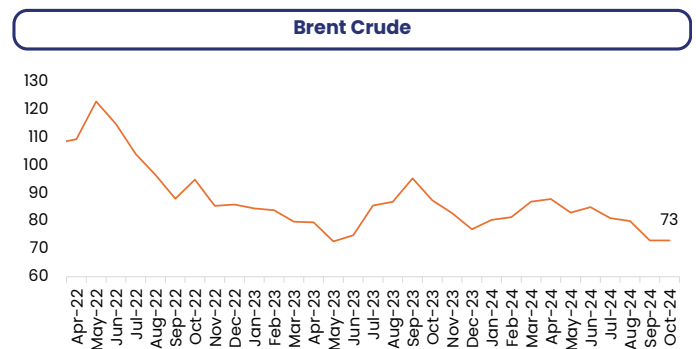
Source: Bloomberg, Kotak Institutional Equities (Data as on 31st October 2024 in local currency)

## Macro Update

On the economic front, CPI inflation in September rose to 5.5% from 3.7% in August. WPI inflation fell to 1.8% (Provisional) from 1.3% in August. August IIP witnessed a contraction of 0.1% against a growth of 4.7% in July. India's total exports during April-September 2024 saw a growth of 4.86% as compared to total exports during April-September 2023 and the total imports rose by 6.89% during the same period resulting in an overall trade deficit of USD \$54.83 billion during the first six

months of FY25. The gross GST collection, which is the number before adjusting refunds, stood at Rs 1.87 trillion in October. On a month-on-month basis, India's GST collections rose 8.1 per cent in October 2024. It was 8.9 per cent higher than in October 2023, when it stood at Rs 1.72 lakh crore. India 10-year G-sec yield ended the month at 6.8%. The USD/INR for the month was stable and closed at ~84. Brent crude price was stable and closed at ~73 barrel in the month of October '24.

## Brent Crude



Source: Bloomberg

## Market Outlook

### Geopolitical Tensions and Energy Market Impact

October saw intensified geopolitical tensions, with ongoing conflicts in the Middle East leading to a temporary spike in oil prices. However crude has since reacted to \$73 per barrel as possibility of Iran-Israel tension escalation reduced. Though demand for crude should increase in winter months, our view on oil prices is soft due to massive deployment of solar and renewable energy as also new age technologies like battery storage, hydrogen as also resurgence of nuclear power.

### U.S. Economic Landscape

The Federal Reserve, after its recent rate cut to support employment and stabilize inflation, is still closely watching inflation trends. Elevated U.S. Treasury yields and a strong dollar continue to impact foreign capital flows into emerging markets, creating pressure on economies like India, which rely on steady foreign investments. The dollar's strength has already led to some capital reallocation out of Indian equities in October, a trend likely to persist if the Fed's hawkish stance continues.

### Developments in China and Japan

China's markets witnessed continued momentum in October, driven by government stimulus measures that have now catalyzed a nearly 15% rise in the Shanghai Composite Index over the past month. Investors are increasingly reallocating funds to Chinese equities, viewing the country's economic policies as stabilizing factors amidst global uncertainties. There was a clear move of allocation away from India to China, a combination of Indian markets having done very well, valuation difference and positive outlook post stimulus on Chinese equities. In Japan, a policy shift under new

leadership could signal the start of monetary tightening, raising concerns about the yen carry trade's sustainability. This could redirect some liquidity away from emerging markets, impacting global investment flows, including those into India.

- **India's Domestic Economy**

The Indian economy has shown resilience, though consumer spending in first half of current financial year has been soft. However, festive spending has led to a revival in demand, bolstering retail sales and consumption. Positive monsoon effects have boosted the agricultural sector and can also contribute to increased consumer spending in second half of FY25.

- **Near-Term Outlook**

Looking into November, we anticipate persistent global volatility, driven by geopolitical tensions, U.S. election developments, and shifting policies in major economies. Additionally, any fluctuations in crude prices will likely impact India's inflation and fiscal balance. State elections in Maharashtra and Jharkhand are set to influence market

sentiment and could lead to short-term fluctuations. This period might also provide potential entry points for long-term investors as Indian markets adjust, balancing short-term pressures with underlying economic strength.

As we write this communication, the news of Donald Trump coming out winner in the US Presidential elections comes as a positive for the global equity markets generally and for India in particular. We expect a risk on emerging in global markets and the trend away from Indian equities to Chinese equities to reverse a bit, lending support to Indian equities.

Valuations in certain sectors remain high, with IPOs and offer for sale reflecting market enthusiasm, but also signalling potential overvaluation and desperation to invest in some areas. Our strategy focuses on quality investments, emphasizing fundamentals over speculative growth. With India's structural growth drivers intact, particularly in sectors like infrastructure, technology, and finance, we advise a cautious approach—prioritizing companies with strong fundamentals while avoiding overheated segments. Our fundamental based investment philosophy has worked well, with our broader market focussed mid and small cap fund delivering positive returns even in a very challenging month of October.

# Abakkus All Cap Approach

## Portfolio Update

The Portfolio continues to focus on our core philosophy of fundamental based investing. The strategy did very well in a challenging month, declining a much lower 4.8% in comparison to the almost 6.5% decline in the benchmark. Since inception the portfolio is up 196.5% absolute. Focus on risk-adjusted returns over maximum returns will be the mantra for us over the near term. The portfolio has been deploying the inflows carefully and gradually, while avoiding stocks that are intrinsically significantly overpriced, even at the cost of near-term performance drag due to cash holdings.

### Portfolio Performance as on October 31, 2024 (in INR)

Period	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	Since Inception CAGR (%)	Since Inception Absolute (%)	FY25 YTD (%)	FY24 (%)	CY24 YTD (%)	CY23 (%)
Abakkus All Cap Approach	-4.8	-1.2	6.9	29.3	27.2	17.3	31.2	196.5	11.8	44.8	15.9	36.2
BSE 500 TRI	-6.5	-3.6	8.7	35.9	22.1	15.7	25.1	146.9	12.5	40.2	17.5	26.5

\*\*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 October 31, 2024. 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.

### Top 5 Sector Classification as on October 31, 2024

Sector	Asset %
BANKS	15.2
INDUSTRIALS	11.9
NBFC	11.3
TELECOMMUNICATION	10.9
COMMODITIES	8.5

Securities/sectors quoted are for illustration only and not recommendatory. The sectors are classified as per internal classification.

### Top 10 Holdings on the basis of Asset %\*

BHARTI AIRTEL PP LIMITED	NTPC LIMITED
SUN PHARMACEUTICAL INDUSTRIES LIMITED	AXIS BANK LIMITED
MAX FINANCIAL SERVICES LIMITED	LARSEN AND TOUBRO LIMITED
HCL TECHNOLOGIES LIMITED	JINDAL STAINLESS LIMITED
STATE BANK OF INDIA	HDFC BANK LIMITED

Data as on October 31, 2024. \*The current portfolio holdings may or may not be a part of the future portfolio holdings and may or may not be part of all client portfolios.



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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, India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022 and Abakkus India Equity Trust, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/23-24/1326 dated August 9, 2023 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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For PMS, IA and AIF related queries and complaints – [service@abakkusinvest.com](mailto:service@abakkusinvest.com) and [complianceteam@abakkusinvest.com](mailto:complianceteam@abakkusinvest.com) (both) Alternatively, the Investor may call on +91 22 6884 6601/02/85

#### **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.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html> and <https://www.nseindia.com/products-services/aif-benchmark-report>.

#### **Compliance Officer details under AIF:**

Mr. Biharilal Deora, Tel: 022-68846600

#### **Portfolio Management Services:**

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/> for detailed disclosures. 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>

#### **Principal Officer and Compliance Officer Details under PMS:**

Principal Officer: Mr. Aman Chowhan, Tel: 022-68846600

Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

#### **Investment Advisory Services:**

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/>

#### **Principal Officer and Compliance Officer Details under IA:**

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