Date: 01st September, 2022

Dear Investor,

With most of us now having taken both the shots of the vaccine I hope this letter finds you and your family back to a more normal day to day life to a large extent unlike the last 15 months. Now most of us have realized that this virus is here to stay in some form or the other and we must live with it taking precautions and get on with life.

Market displayed volatility during August with FED announcing the taper in their meeting and later back tracking and postponing to the year-end mainly due to increasing third wave of Covid cases in US. Locally the Index displayed strong momentum and closed near its lifetime high with the support of technology and metals sector, while the mid-cap and small-cap corrected sharply anywhere between 25-30% scrip-wise. The benchmark nifty index rose 1200 points and closed of 15760 during the month. There was widespread buying from FPI and Domestic institutions mainly in large cap stocks. Corrections are healthy for the markets, to become stronger though this could be painful in the near term especially for the midcap/small cap space.

Buoyancy remains:
As we have highlighted in our earlier investor letters, that the current rally in Indian equity markets has a firm footing in earnings recovery and barring some over exuberance seen in some select segments of the market, we can confidently say, every part of the market is not expensive and there is enough room to build a high growth fair value portfolio with a long-term view in these markets even at these levels. All we need to do is keep an eye on earnings growth and outlook for the companies one owns in the portfolio and avoid the noise around as it is easy to get distracted in today's market environment.

Mixed results display:
Banks and NBFC reported lower numbers due to the 2nd wave effects especially slippages from retail segment and higher provisioning. Had it not been for the second wave the results would have been much better with the economy beginning to pick up. Metals on the whole reported superior results during the quarter with prices and volumes improving with improving cashflows and improved balance sheet. Automobiles were the worst hit due to lower volumes offtake, higher commodity prices affecting their margins, shortage of chips affecting the passenger vehicle the most. Cement and home improvement segment reported decent margins and growth. IT and IT services announced healthy deal wins and adoption of cloud/AR/digital services order. FMCG sector were also affected due to covid in volumes and distribution and margins due to commodity upcycle. Chemicals and pharma continued to improve margins despite disruption in logistics and supply chains.

Beginning of new era:
The year 2021-22 will be the year of great transition not only for all of us but also how the businesses are conducted.

• Barring any unforeseen situations with economies in India opening up in a phased manner and the likelihood of a 3rd wave of pandemic being mild, we see a sustained recovery in our economic activity as we head into the festive season.

• China's strict regulation on their technology companies has dealt a massive blow to the image of China in the eyes of foreign investors both on FDI and FII sides and this would be structurally positive development for India in the medium to long term. We could see decent inflow of capital both in FPI and FDI.

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Portfolio Positioning:

We would continue to follow a policy of bottom-up approach in investing across caps. We believe during the economic growth phase mid and small caps perform well and visa-versa. We continue to monitor the portfolios liquidity, market-cap and sectoral allocation on an ongoing basis and realign as needed which is the formula for building long term wealth. Wishing good health from our team and stay safe.

Thanks with Regards,
CA Rakesh Doshi
Principal Officer & Fund Manager
KRIIS – The Portfolio Management Company