



Date: 01/02/2022

Dear Investor,

Hope all is fine at your end with your family.

Consolidation mood continued

The market further consolidated in Jan 2022 after an all-time high in December 2021. Global clues such as inflation, liquidity tightening, hike in interest rates by fed, ruled the market sentiment. The turmoil in Russia and Ukraine conflict aggravated the fall also caused spike in crude. The forthcoming election in 5 states and its likely outcomes also made FPIs cautious. FPIs continued selling spree and in January 2022 alone had sold 6\$ bn in Indian equities. The interesting milestone in 2021 was marked by the emergence of the strength of retail investors both through direct equity and fund-based investing. Domestic India was able to absorb the large FPIs outflows in secondary market in the last 4 months with lot of ease as local investors were in the buy seat. Let me tell that our strong view that the period of easy money making is behind and going ahead we need to be more focused on what sectors we take exposure and what companies we buy within those sectors as market will track earnings and it wouldn't be a broad-based run like we saw in the last 18 months.

India in early stages of capex cycle

Multiple policy intervention (like low tax rate, interest rate, surplus liquidity, PLI scheme, buoyant equity market etc.) has helped in faster investment recovery. Various macro parameters (like business confidence, tendering activity, central government capex, engineering goods export & import, IIP of capital goods) are hinting towards a pick-up in capex cycle finally.

Manufacturing is likely to be a key growth engine driving higher capex and economic growth over next 5 years on back of:

- India may be one of the key beneficiaries of global strategy of de-risking global supply chain.
- Production linked incentive (PLI) may induce private capex of INR 7.7 trillion over next 5 years. In addition, the recent approval to provide INR 760bn fiscal support to set-up semi-conductor and display manufacturing to help establish electronics manufacturing eco-system in India.
- Import substitution due to correction of inverted duty structure; and
- Supply side reform measures undertaken over past few years.

The budget to be presented we believe will also facilitate and provide impetus to the manufacturing setup faster to revive the economy, create employment and thereby improve consumption spending and tap the vast exports markets globally on a long-term basis.

All the above could in turn will have positive impact on automobiles, banking, housing and home improvements, technology related to cloud and digital, new-age startup companies launching more life-convenience and several new categories products.

Portfolio Positioning

Our investments approach has been of bottom-up approach in investing across caps. We continue to track the portfolios liquidity, market-cap, and new-age allocations on an ongoing basis. Wishing you the best from KRIIS team and stay safe.

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