

3rd September, 2023

Dear Investor,

Greetings.

Let me take this opportunity to congratulate my country and the Indian Space Agency ISRO for the successful soft landing of Chandrayaan 3 and also the launch of maiden Solar Mission Aditya L1 on Sept 2 2023. I believe that this should be beginning of Indian Space Industry turning commercial and has great opportunity in years ahead. Indian markets paused in August 2023 after a 4 months rally. The Nifty benchmark ended at 19254 lower by 2.4 %, lower than the previous month. The small cap index touched all time high of 12000 and rose 4.9% MoM.

As we said in our last month note that equity investing can only do well if our nation itself is becoming more progressive. GDP growth for the April-June quarter came in at 7.8 percent year-on-year, which put a smile on the face of the markets. As per S&P Global Market Intelligence, said: "The PMI results for India painted a vibrant picture of the nation's manufacturing landscape in August. Robust and accelerated increases in new orders and production suggest that the engineering sectors looks set to provide a strong contribution to second quarter economic growth." And if this is the strength of manufacturing, the PMI for services should be even better, if the trend of the past months holds. Clearly, the PMI numbers do not show any reduction of demand due to inflation which is positive.

Supportive RBI role

RBI chose to keep rates unchanged in its policy review in August. We believe that if forex reserves continue to be stable, RBI would have a higher degree of monetary independence. Given our focus on growth to focus on employment to our people; in the event of stability on external front, we expect RBI to continue pause mode despite last inflation print being unfavorable (CPI of 7.4%, on account of food inflation).

Monsoon should gain its lot ground.

The monsoon this month has been conspicuous by its absence. According to the Meteorological Department, this August will go down as the driest with a deficit of about more than 50% for the month. The monsoon this year has been very erratic and the distribution of the rains too has been far from uniform. While some regions have been reeling under floods others have wilted under drought-like conditions. These are, however, worst-case scenarios. If the monsoon picks up, we can be back in the fast lane. Till such time, though, it is better to be cautious.

US inflation will continue to be an issue for the next 6–12 months.

While inflation is coming down in many countries, the global economic recovery is uneven.

China is struggling to find sources of economic growth.

Supply-chain rebuilding and friend-shoring should contribute to growth opportunities in some countries.

Japan benefited from recent increases in inflation after struggling with low economic growth for decades.



The upcoming economic data will likely provide further evidence of slowing growth and ongoing disinflation in the US. However, while markets have been anticipating a recession for some time, the strength of the US consumer will likely prevent a massive recession.

Emerging markets can provide diversification.

Many emerging markets have demonstrated strength, partially by controlling debt issuance to a greater extent than their developed market counterparts. They also reacted quickly to bring inflation under control, raising rates ahead of the European Central Bank (ECB) and the Fed. With many emerging market bonds enjoying attractive yields, this asset class provides another source of return that is not necessarily synchronized with the rest of the world.

Valuation

We continue to believe it is time for alpha with earnings growth being higher outside the Index and high growth spaces continuing to deliver strong performance in particular.

Happy Investing
Jai Hind.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company