KRIIS
PORTFOLIO PRIVATE LIMITED

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Dear Investor,

Greetings.

Indian markets after a consecutive correction for four weeks in August rebounded strongly with the announcement of strong June quarter GDP numbers of 7.8% and the successful G20 Summit. The Nifty benchmark index made an ATH of 20222 during the sept month. Nifty however closed higher by nearly 2% over last month at 19638. The weak global clues including rate hikes, higher bond yields, rising crude prices and FII selling kept the domestic indices volatile during the last week of September.

**India Globally Shining.**
India s international profile has been raised by its successful presidency of the G20 summit. The New Delhi declaration was released on the first day before the summit ended, with consensus achieved behind closed doors on its wording. In a way, it was a nod to the realities of diplomacy, with a G20 declaration strengthening the grouping's relevance on the global stage. That this consensus took place on Indian soil has boosted the Modi-led government's international profile, in successfully conducting and concluding its presidency. It has also positioned India as a successful counter to China's attempt to grow its influence in the Global South. One of the tangible outcomes of the G20 meeting was the announcement of an India, Middle East, and Europe Economic Corridor, in what seems like a counter to China's Belt and Road Initiative (BRI).

**Dream Run in Mid and Small cap stocks.**
Mid-cap and small-cap stocks have had a dream run in the past six months, beating the bigger companies by a wide margin. NSE SME Emerge Index has gained 71 percent while the small-cap index has gained 28 percent over the same time frame. The Nifty, on the other hand, has given a return of 8.6 percent. Shares in the SME segment are trading in a world of their own. Just to get an idea the average return from listed SME IPOs in 2023 is over 80 percent. SEBI has warned investors against the frenzy in the segment and introduced measures like increasing their margin for trading or putting them under surveillance, but the rally continues. The regulator has now decided to tighten monitoring of the SME platform. *There is famous saying that in the short term market is a voting machine while in the long-term it is a weighing machine meaning short-term is driven by sentiments and long-term by fundamentals.*

**Global Outlook**
We have discussed the global scenario outlook in our earlier notes as well. We continue to share here the voices and the commentaries of market experts.  The resilience of US growth, earnings and markets has been the big surprise of 2023. Following more than a year of aggressive Federal Reserve (Fed) rate hikes, few would have believed at the beginning of this year that the United States would avoid a recession, see an upswing in US corporate earnings expectations, and enjoy a strong rebound of major equity indexes.

Stephen Dover, Head of Franklin Templeton Institute has explored factors contributing to this resilience in his latest blog. Here are the key investment implications from it:

1. Investors should be wary of recession forecasts based purely on historic norms. US private sector indebtedness has changed significantly in amount, structure, and maturity since the Global Financial Crisis and most of those changes lend greater stability and resilience to the economy.
2. Assuming inflation continues to recede, and growth remains moderate, interest rates are probably near their peak. To the extent they fall from here, companies will be able to refinance on more favorable terms. For many of them, time is on their side, having locked into longer maturities.
3. Investors ought to be prepared to use any bouts of overall weakness in credit markets to take advantage of improved corporate debt fundamentals. To be sure, doing so requires careful discrimination about where idiosyncratic credit risk is warranted, but in our view, prudent "buy-the-dips" approaches are justified.

The Fed's new "Summary of Economic Projections" unveiled important changes to the Fed's views and forecasts. On the macroeconomic outlook, the Fed now envisions a much stronger economy this year and next, with faster growth and lower unemployment.

**Normal Monsoon season.**
According to the Meteorological Department recent release, the monsoon season has been normal for the 4 months, with 820 mm with positive factors countering the El Nino conditions. This is a positive news for the agricultural crop production and there anti-inflationary.

**Valuation**
With corporate commentary being strong and with ensuing result season, we expect better valuations going forward. The new private capex and improving utilization should provide good operating leverage across sectors and keep equities buoyant. We continue to believe it is time for alpha with earnings growth being higher outside the Index delivering strong performance more so in mid and small cap companies. This is where we have positioned our investment portfolio.

**Happy Investing**

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