

03rd December, 2023

Dear Investor,

Greetings!

Post a decent correction last month markets, rebounded strongly in November 2023 on numerous positive global and domestic news flow. The Nifty benchmark index after touching a low of 18837 in October month closed near to the new high of 19700 in Nov 2023. This was possible due to the truce in war in west Asia with the US intervention, mild drop in the inflation data in US and thereby bond yields, softening influenced by oil prices weakness.

As I write this note the state elections results outcome shows stunning win for the BJP cornering 3 (northern states) of the 4 results declared. This could be the precursor to the 2024 General Elections to be held April May, reflecting the mood of the voters. Also this augers well for the markets from the political stability point and the continuity of the policy programs.

Risk of Oil prices flaring up: Oil prices have receded sharply and are now below USD80/bbl on slower Chinese/European growth and prospects of more Venezuelan crude coming to the market. We had discussed last period that as an economy our tolerance limit here has improved to over USD100/bbl. Lower than USD80/bbl crude should help improve current account deficit projections.

Domestic economy projects resilience through a mix of robust macro and micro indicators that show pick up in investments and recovery in domestic demand. Healthy increase in the domestic activity tracker, Purchasing Managers' Index (PMI) in an expansionary mode, moderation in Consumer Price Index (CPI) inflation, improvement in consumer sentiment index and an uptick in rural economic activity bodes well for growth projections. The earnings momentum of the broader universe continues to be stronger than narrow large cap indices. Since market performance is expected to follow earnings, this implies that the tailwinds of Alpha Generation are still strong. This is more so in the midcap and small cap companies.

Strong growth in GDP for second quarter mainly due to government capex complimented by private capex. This should sustain going forward. Also the recent Manufacturing growth in Q2 was going towards double digits. The October 2023 growth came at 13.9% vs 3.8% last year yoy. This should provide massive employment opportunities and consumption growth.

With the US treasury bond yields weakening the FIIs should start the investing in developing markets. Also more sovereign fund managers are shifting the investment from China to India. The foreign net flows turn positive during the second half of November 2023.

The indirect and direct tax collection has been buoyant during the year growing higher at 15% and 23% respectively reflecting healthy business environment. The property market has been shown decent growth with highest number of registration during the current fiscal year despite the interest cost increase.



In Memoriam:

The passing of Charlie Munger, who served as Berkshire's vice chairman since 1978, signifies the end of an era in both corporate America and the world of investing. Alongside Warren Buffett, Munger earned widespread respect and admiration from investors globally, with many attending Berkshire's annual shareholder weekends in Omaha, Nebraska, to glean insights from the duo's down-to-earth wisdom on investing and life. Filling Munger's role will be challenging and the void for investors who followed his insights.

Valuation

We continuously keep tinkering with our portfolio to capture the alpha for better returns. Most listed companies especially the mid/small cap have shown remarkable performance during the first half 2024 as expected. The new private capex and improving utilization should provide good operating leverage across sectors and keep equities strong. We continue to believe it is time for alpha with earnings growth being higher outside the Index. This is where we have positioned our investment portfolio.

Thank You
Happy Investing

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