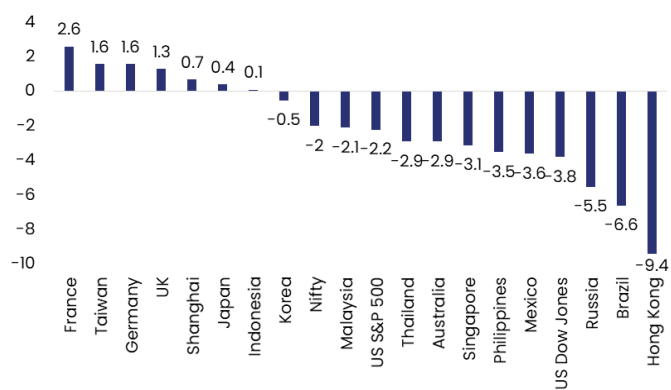


Market Update

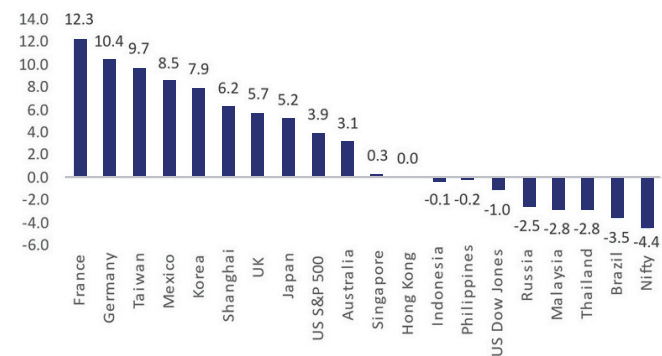
Global markets started the month of February 2023 with continuation of optimism from the previous month. However, risk off set in as the markets started to re-price the peak Fed rate higher after the recent inflation surprise. Most equity markets ended in the negative for the month, with Hong Kong and Nasdaq being the weakest. In India, NIFTY50 too was down by 2.0% accompanied by broader markets, with both BSE Midcap and Small Cap 250 indices being down 2.0% and 2.9% respectively. Despite a very good- and forward-looking finance budget presented by the Finance Minister, concerns over the collateral damage caused by sharp fall in Adani group stocks led to cautiousness and nervousness among investors. FIIs continued to be sellers of Indian equities to the tune of ~USD 682 mn while DIIs continues the trend of absorbing the FII outflows by pumping in another USD 2.3 bn.

1 Month Performance of NIFTY50 Index versus global indices (%)



Source: Bloomberg, Kotak. As on Feb 28 2023, returns in LCY

YTD Performance of NIFTY50 Index versus global indices (%)



Source: Bloomberg, Kotak, As on Feb 28 2023, returns in LCY

On the economy front, Indian GDP grew 4.4% in Q3 FY23 mainly due to a contraction in the manufacturing sector. The February RBI MPC hiked the repo rate by 25 bps. On the global front, US 10-year G-Sec yields rose back to ~3.94% on increasing concerns of inflation.

US 10 Year G-Sec Yield (%)



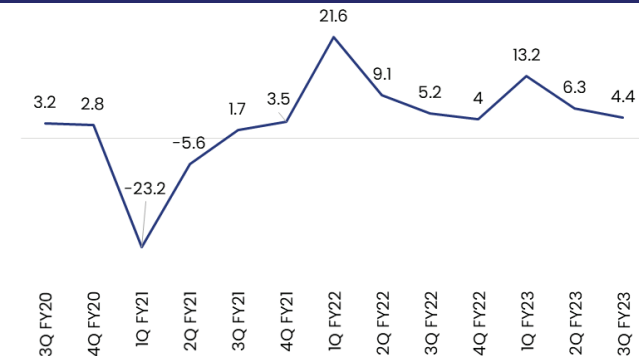
Source: Bloomberg

India 10 Year G-Sec Yield (%)



Source: Bloomberg

India's Real GDP growth (%YoY)

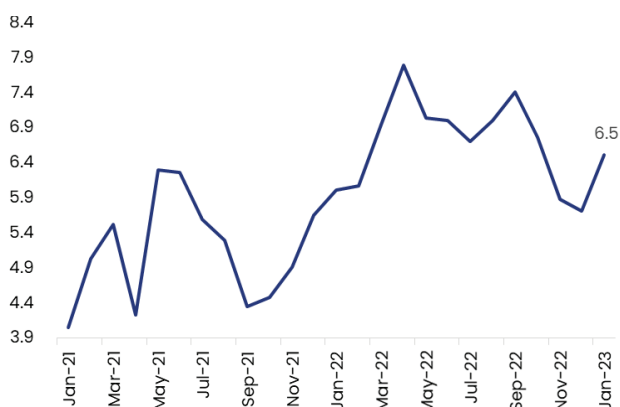


Source: Bloomberg

January'23 CPI inflation increased to 6.5% from 5.7% in December'22. WPI inflation eased to a 2-year low with January'23 print at 4.7% vs 4.9% in December'22. December'22 IIP grew by 4.3% y-o-y versus 7.1% in November'22. The core sector growth rose to 7.8% in January'23 as against 4.0% in the same month last year.

FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index FII: Foreign Institutional Investors, GST: Goods & Services Tax, DII: Domestic Institutional Investors Fed: US Federal Reserve, IIP: Index of Industrial Production, GSec: Government of India Dated Securities, GOI: Government of India, FDI: Foreign Direct Investment, CAD: Current Account Deficit, YTD: Year To Date, CY: Calendar Year, WTI: West Texas Intermediate, UPI: Unified Payments Interface. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 month lag
Source: NSDL, PTI, ANI, Bloomberg, BSE, NSE, Abakkus Estimates, RBI

India - CPI Inflation (%)



Source: Bloomberg

PMI reading for February'22 little changed to 55.3 from 57.4 in January'22, signaling a strong improvement in the health of the sector. The GST collections continued to be strong in February'23 rising 12% YoY to INR 1.5 lakh crore. Brent crude was hovering around USD 83.5/bbl. INR was also stable and closed at 82.6.

Quarter results update

Q3FY23 was a tepid quarter with NIFTY50 earnings rise 12% YoY led by the BFSI sector. Investment-led sectors such as capital goods and cement posted a healthy topline while consumption-driven sectors such as FMCG and durables found their pricing abilities put to the test. BFSI had a good quarter with margin expansion and improved asset quality. Exports were steady in both services and manufacturing sectors led by tier-I IT and electronics manufacturing services (EMS) players, though the pharma sector saw continued generics price erosion in the US.

Market Outlook:

The month of February witnessed many headwinds and led to general risk-off for global equity markets. Indian markets also witnessed nervousness with broader markets seeing sharp corrections. However, on multiple parameters there is now reason to be optimistic.

The sharp fall in Adani group stocks led to concerns of collateral damage on banks and generally on the perception of Indian economy. However, there seems to be little reason to doubt on the serviceability of debt by the group as most borrowings are backed by profit generating assets. The secondary market fund raising of USD 2 bn by promoters has eased the nervousness to a large extent with group stocks recovering sharply.

Recent economic data points from US and other major economies are showing that global growth remains steady so far. While in China economic activity (PMIs, home sales, travel) has rebounded sharply post the reopening of the economy, in the US, labour market strength is supporting domestic demand. Globally, lower commodity prices are translating into lower input costs which in turn is helping in cooling inflation down. However, the pace of moderation is weaker in US than earlier anticipated. Core inflation also remains sticky in both US and Europe. This is likely to put pressure on central banks to keep rates elevated for long. However, we believe that inflation will cool off sharply by mid-2023 and ease the upward pressure on interest rates.

Rural economy and domestic agri industry is positioned to benefit from a bumper rabi crop (output up by 6% YoY) coupled with stable crop prices (wheat up 20% YoY) leading to strong cash flows for farmers. There is fear of poor monsoon emanating from potential El-Nino conditions. However, reservoir level remains above the ten-year average (all India level) and with farmers entering kharif season with solid cash flows, impact on overall rural / Tier 2 demand should not be material.

Last couple of quarters quite a few sectors faced headwinds, due to sharp volatility in input prices as also the impact of higher energy and freight costs. However, all these cost headwinds: input, energy, and freight; have subsided meaningfully and we expect margins to start improving from March 2023 quarter and fully normalizing in the June 2023 quarter. This should lead to earnings growth trajectory for Indian corporates trending back to 15%+ annually.

There have been no returns delivered by Indian equities over the last 18 months. This, along with the almost 25% growth in earnings during that period, has led to the valuations of Indian markets come almost to 10-year trend. NIFTY50 now trades at ~18x FY24 and ~16x FY25 earnings, providing opportunities to generate decent returns. The sharp fall in broader markets have also opened-up avenues to generate alpha over the market returns through investing in the less obvious names.

We are now very constructive and believe that the next two years can be good period for investors in Indian equities.

About Us

Abakkus Asset Manager LLP (“Abakkus”) is registered as a Portfolio Manager with SEBI under SEBI (Portfolio Managers) Regulations, 2020 as amended from time to time and the Circulars and Guidelines issued there under from time to time vide SEBI Reg. No.: INP000006457 dated March 14, 2019 and as an Investment Advisor under SEBI (Investment Advisors) Regulations, 2013 as amended from time to time and the Circulars and Guidelines issued there under from time to time vide SEBI Reg. No.: INA000015729 dated February 03, 2021.

Abakkus is also the Investment Manager to Abakkus Growth Fund, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/18-19/0550 dated June 05, 2018, India-Ahead Venture Trust, a SEBI registered Category I AIF vide SEBI Reg. No.: IN/AIF1/21-22/0976 dated January 25, 2022 and India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022, under SEBI (Alternative Investment Fund) Regulations, 2012 as amended from time to time and the Circulars and Guidelines issued there under from time to time collectively referred as the SEBI Registered Intermediary.

Disclaimer and Disclosures

This website/email/document is confidential and is intended only for the personal use of the prospective investors/contributors (herein after referred as the Clients) to whom it is addressed or delivered and must not be reproduced or redistributed in any form to any other person without prior written consent of Abakkus. This website/email/document does not purport to be all-inclusive, nor does it contain all of the information which a prospective investor may desire. This website/email/document is neither approved, certified nor its contents is verified by SEBI.

Abakkus retains all the rights in relation to all information contained in the website/email/document(s) and to update the same periodically or otherwise from time to time. The website/email/document is neither a general offer nor solicitation to avail the service of investment from the SEBI Registered Intermediary under the services offered by Abakkus/Fund nor is it an offer to sell or a generally solicit an offer to become an investor in the services offered by the Abakkus/Fund. The delivery of this email/document at any time does not imply that information herein is correct as of any time subsequent to its date. The contents of this website/email/document are provisional and may be subject to change. In the preparation of the material contained in this website/email/document, Abakkus has used information that is publicly available, certain research reports including information developed in-house. Abakkus warrants that the contents of this website/email/document are true to the best of its knowledge, however, assume no liability for the relevance, accuracy or completeness of the contents herein.

Abakkus declares that the data and analysis provided shall

be for informational purposes. The information contained in the analysis shall be obtained from various sources and reasonable care would be taken to ensure sources of data to be accurate and reliable. Abakkus will not be responsible for any error or omission in the data or for any losses suffered on account of information contained in the analysis. While the Abakkus will take due care to ensure that all information provided is accurate however the Abakkus neither guarantees/warrants the sequence, accuracy, completeness, or timeliness of the report. Neither the Abakkus nor its affiliates or their partners, directors, employees, agents, or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this analysis or the contents or any systemic errors or discrepancies or for any decisions or actions taken in reliance on the analysis. Abakkus does not take any responsibility for any clerical, computational, systemic, or other errors in comparison analysis.

There can be no assurance that future results, performance or events will be consistent with the information provided in this document and the past performance, if any is not the guarantee of the future/assured performance. Any decision or action taken by the recipient/visitor of this website/email/document based on this information shall be solely and entirely at the risk of the recipient/visitor of the website/email/document. The distribution of this information in some jurisdictions may be restricted and/or prohibited by law, and persons into whose possession this information comes should inform themselves about such restriction and/or prohibition and observe any such restrictions and/or prohibition. Unauthorized disclosure, use, publication, dissemination or copying (either whole or partial) of this information, is prohibited. Abakkus shall not treat recipient/user as a client by virtue of his receiving/using the contents of the document in full or part. Neither the Abakkus nor its affiliates, directors, partners, employees, agents, or representatives, shall be responsible or liable in any manner, directly or indirectly, for the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the information. The person accessing this information specifically agrees to exempt/absolve the Abakkus or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse/improper/illegal use and agrees not to hold the Abakkus or any of its affiliates or employees responsible for any such misuse/improper/illegal use and further agrees to hold the Abakkus or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Abakkus (including its affiliates) and any of its Partners, officers, employees, and other personnel will not accept any liability, loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this website/email/document or any information in any manner whatsoever.

This website/email/document may include certain forward-looking words, statements and scenario which contain words or phrases such as "believe", "expect", "anticipate", "estimate", "intend", "plan", "objective", "goal", "project", "endeavor" and similar expressions or variations of such expressions that are forward-looking statements, words, and scenario. Actual results may differ materially from those suggested by the forward-looking statements due to risks, uncertainties, or assumptions. Abakkus takes no responsibility of updating any data/information.

The contents of this website/email/document cannot be copied, reproduced, in whole or in part or otherwise distributed without prior written approval of the Abakkus.

Prospective investors/clients are advised to review this website/email/document, the Private Placement Memorandum/Disclosure Document, the Contribution Agreement/Client Agreement, representations and presentation(s) and other related documents carefully and in its entirety and seek clarification wherever required from the SEBI Registered Intermediary/Abakkus. Prospective investors should make an independent assessment, and consult their own counsel, business advisor and tax advisor as to legal, business and tax related matters concerning this document and the other related documents before becoming investing with /through the Abakkus/in the Fund.

The information contained in this website/email/document has been prepared for general guidance and does not constitute a professional advice/assurance and no person should act upon any information contained herein without obtaining specific professional advice/Assurance. Neither the Abakkus nor its Affiliates or advisors would be held responsible for any reliance placed on the content of this document or for any decision based on it. Each existing/prospective client, by accepting delivery of this document agrees to the foregoing. The Investment portfolio are subject to several risk factors including but not limited to political, legal, social, economic, and overall market risks. The recipient alone shall be fully responsible/are liable for any decision taken on the basis of this document. Abakkus, its partners, employees, PMS clients, AIF scheme(s), Advisory clients may have existing exposure to the stocks that form part of the PMS portfolio/Advisory portfolio/AIF scheme(s). Further, in view of the investment objective/strategy of the PMS /Advisory and AIF scheme(s) there may be situations where Abakkus may be selling a stock which is part of the PMS portfolio/Advisory portfolio/AIF scheme as the case may be.

Abakkus (including its affiliates) may offer services in nature of advisory, consultancy, portfolio management, sponsorship of funds, investment management of funds which may conflict with each other.

Abakkus operates from within India and is subject to Indian laws and any dispute shall be resolved in the courts of Mumbai, Maharashtra only.

Alternative Investment Fund

As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at <https://www.nseindia.com/products-services/aif-benchmark-report>

Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600
For Queries/Grievances -
Email - complianceteam@abakkusinvest.com

Portfolio Management Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/> for detailed disclosures.

Principal Officer and Compliance Officer Details under PMS:

Principal Officer: Mr. Sunil Singhania, Tel: 022-68846600
Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

Investment Advisory Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/>

Principal Officer and Compliance Officer Details under IA:

Principal Officer: Mr. Biharilal Deora, Tel: 022-68846600
Compliance Officer: Mr. Lijo Varghese, Tel: 022-68846600

Contact Us:

Website: www.abakkusinvest.com
Email: info@abakkusinvest.com
Tel: 022-68846600

Corporate and Registered Address:

Abakkus Corporate Center, 6th Floor, Param House, Shanti Nagar, Near Grand Hyatt, Off Santacruz Chembur Link Road, Santacruz East, Mumbai - 400055.

LLPIN: AAM-2364;

