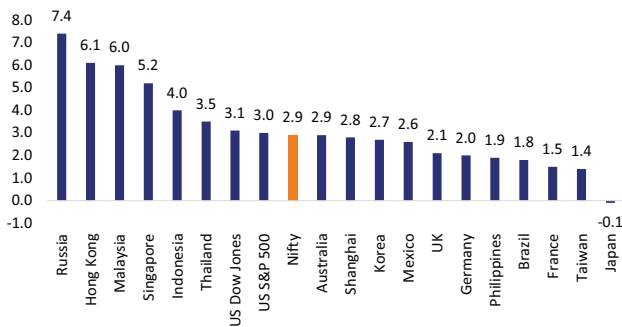


Market Update

The “risk-on” momentum continued for equity markets globally in July and Indian markets too participated in this, logging in fresh all-time highs. The favorable macro backdrop - moderating inflation, peaking rates, stable growth and support from both domestic and FIIs inflows has led to renewed momentum in the Indian markets since April’23. NIFTY50 was up 2.9% for the month, while broader markets S&P BSE Midcap and S&P BSE 250 SmallCap were up sharply by 5.7% and 7.4% respectively. Foreign Portfolio Investors, who have now been net buyers for fifth consecutive months, invested another USD ~5.7 bn in July while DIIs flows were marginally negative to the tune of USD ~0.3 bn. Pharma sector was the star performer with Pharma index rising 9%, followed by PSU, Power and Realty sector.

Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 31st July 2023 in Local Currency)

As widely expected, the US Fed raised the key benchmark rate by 25bps at its July meeting, while suggesting that future rate trajectory will be data dependent. Globally the optimism that the U.S. economy will achieve a soft landing, has helped a rally in the stock market in recent months. Bullish sentiment on Wall Street indicates there is more conviction that the Fed’s efforts to tame inflation have not come in at the expense of the economy. Interestingly of late, even rate increases by the US Fed have resulted in positive market movements, signaling that these were already anticipated by the markets. Indian markets have responded similarly to rate increases by the US Fed. We expect an end to the rate hike cycle soon, with a possible reversal in the trajectory by end 2023/early 2024. The recent downgrade of US ratings by Fitch though has led to an increase in US 10-year yields to 4.15% and a temporary risk-off.

FOMC Meeting Date	Rate Change (bps)	Federal Funds Target Rate	Nasdaq % Change		
			1D	1W	1M
July 26, 2023	25	5.25% to 5.50%	-0.5%	1.1	NA
June 14, 2023	Held steady	5.00% to 5.25%	1.1%	-0.9%	3.6%
May 3, 2023	25	5.00% to 5.25%	-0.5%	2.3%	10.1%
March 22, 2023	25	4.75% to 5.00%	1.0%	2.2%	3.4%
Feb 1, 2023	25	4.50% to 4.75%	3.3%	0.8%	-1.1%
Dec 14, 2022	50	4.25% to 4.50%	-3.2%	-4.1%	-0.8%
Nov 2, 2022	75	3.75% to 4.00%	-1.7%	-1.6%	8.9%
Sept 21, 2022	75	3.00% to 3.25%	-1.4%	-1.5%	-3.2%
July 27, 2022	75	2.25% to 2.50%	1.1%	5.3%	0.9%
June 16, 2022	75	1.50% to 1.75%	1.4%	5.5%	7.6%
May 5, 2022	50	0.75% to 1.00%	-1.4%	-7.7%	-2.5%
March 17, 2022	25	0.25% to 0.50%	2.0%	4.2%	-2.1%

Source: Bloomberg

FOMC Meeting Date	Rate Change (bps)	Federal Funds Target Rate	NIFTY50 % Change		
			1D	1W	1M
July 26, 2023	25	5.25% to 5.50%	-0.6%	-1.3	NA
June 14, 2023	Held steady	5.00% to 5.25%	-0.4%	0.5%	4.3%
May 3, 2023	25	5.00% to 5.25%	0.9%	1.2%	2.5%
March 22, 2023	25	4.75% to 5.00%	-0.4%	-0.4%	2.8%
Feb 1, 2023	25	4.50% to 4.75%	0.0%	1.4%	-0.1%
Dec 14, 2022	50	4.25% to 4.50%	-1.3%	-2.5%	-3.8%
Nov 2, 2022	75	3.75% to 4.00%	-0.2%	0.4%	3.4%
Sept 21, 2022	75	3.00% to 3.25%	-0.5%	-4.9%	-0.8%
July 27, 2022	75	2.25% to 2.50%	1.7%	4.5%	5.5%
June 16, 2022	75	1.50% to 1.75%	-0.4%	1.3%	4.5%
May 5, 2022	50	0.75% to 1.00%	-1.6%	-5.2%	-0.6%
March 17, 2022	25	0.25% to 0.50%	-1.0%	-0.4%	-0.7%

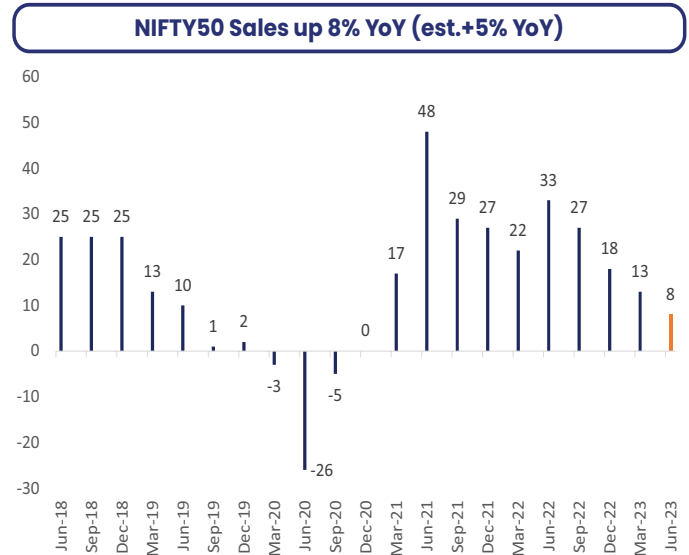
Source: Bloomberg

On the inflation front, data coming in has surprised positively, with US headline inflation numbers coming in lower than expectations consistently since February 2023. Equity markets have reacted positively on every inflation data release. We continue to believe that the trajectory of inflation is downwards, and we should see it hit the US Fed comfort level of 2% by end 2023/early 2024.

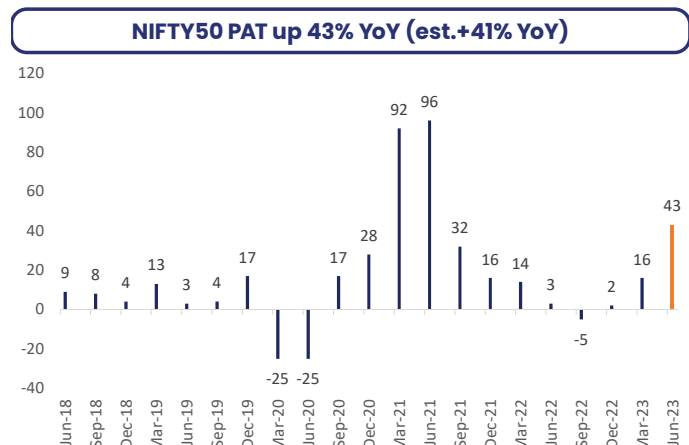
FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index FI: Foreign Institutional Investors, GST: Goods & Services Tax, DI: Domestic Institutional Investors Fed: US Federal Reserve, IIP: Index of Industrial Production, GSec: Government of India Dated Securities, GOI: Government of India, FDI: Foreign Direct Investment, CAD: Current Account Deficit, YTD: Year To Date, CY: Calendar Year, WT: 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 months lag.

Date	U.S. Consumer Price Index (CPI)YoY		Nasdaq % Change		
	Actual	Forecast	1D	1W	1M
12-07-2023	3.0%	3.1%	1.6%	3.2%	NA
13-06-2023	4.0%	4.1%	0.4%	0.7%	4.2%
10-05-2023	4.9%	5.0%	0.2%	1.6%	7.7%
12-04-2023	5.0%	5.2%	2.0%	1.9%	3.0%
14-03-2023	6.0%	6.0%	0.1%	3.8%	6.5%
14-02-2023	6.4%	6.2%	0.9%	-3.9%	-2.0%
12-01-2023	6.5%	6.5%	0.7%	-1.4%	8.1%
13-12-2022	7.1%	7.3%	-0.8%	-6.3%	-2.3%
10-11-2022	7.7%	8.0%	1.9%	0.3%	0.3%
13-10-2022	8.2%	8.1%	-3.1%	-0.3%	5.1%
13-09-2022	8.3%	8.1%	0.7%	-1.8%	-8.5%
10-08-2022	8.5%	8.7%	-0.6%	0.6%	-5.8%
13-07-2022	9.1%	8.8%	0.0%	5.8%	16.0%
10-06-2022	8.6%	8.3%	-4.7%	-4.8%	0.3%
11-05-2022	8.3%	8.1%	0.1%	0.5%	-0.2%
12-04-2022	8.5%	8.4%	2.0%	1.9%	-15.0%
10-03-2022	7.9%	7.9%	-2.2%	3.7%	2.1%
10-02-2022	7.5%	7.3%	-2.8%	-3.3%	-11.3%
12-01-2022	7.0%	7.0%	-2.5%	-5.6%	-9.2%

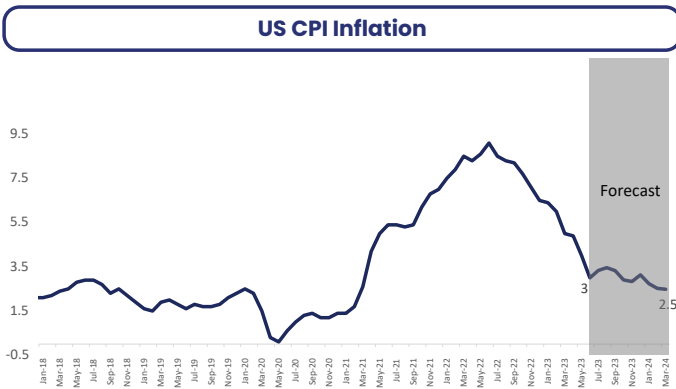
Source: Bloomberg, U.S. Bureau of Labor Statistics

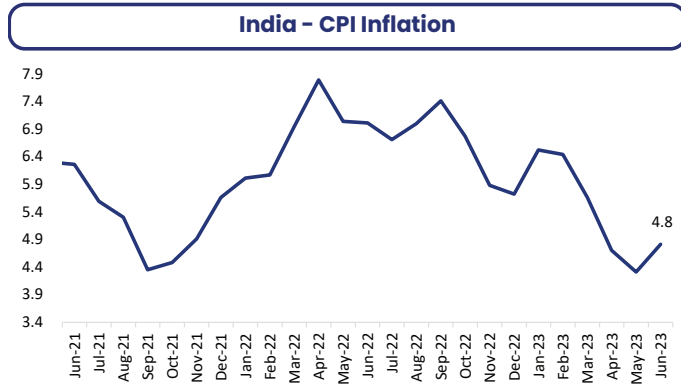


Source: MOSL



Source: MOSL





Source: Bloomberg

Market Outlook

Indian markets have participated in the ongoing global rally and are now trading at an all-time high. The good news is this rally has been accompanied by a strong economy, robust corporate profit outlook and improving macros. The initial fear of the El Nino effect induced lower monsoons have been allayed with widespread rains all across the country and forecasts of a normal rainfall for the latter part of the monsoon season. Having said that,

in the near-term markets have had a very strong run-up since April – 23 and there is a fair chance that it can take a breather at current levels. Valuations are at just about 10% higher than the long-term average and any correction might be short and swift.

While maintaining our strong and positive view on Indian equities, we would continue to advise restraint. FOMO (Fear of Missing Out) is high and momentum and theme-based stock movement have been very prevalent. We would advise discipline and staying away from greed-based investing in the current optimistic scenario. From our perspective, we continue to follow our fundamental and value-focused way of investing. We believe in being “Rightly invested, rather than fully invested” and are prepared for any opportunity that comes across due to short corrections with the cash in our portfolios. All our portfolios have done significantly well, outperforming significantly and we intend to stick to our core investment philosophies even at the cost of sacrificing near-term returns, if any.

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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> & <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.htm>

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Portfolio Management Services:

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

As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepape>

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