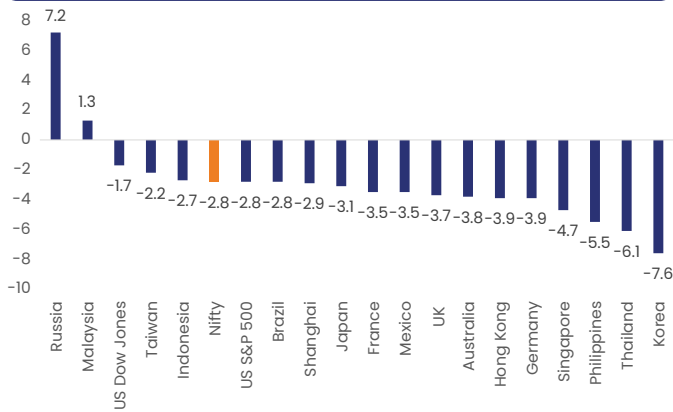


Market Update

The month of October turned out to be a challenging month for global equity markets. The Israel-Hamas conflict, rising US bond yields, and concerns about slowdown in consumer demand; all contributed to a risk-off. In line with the global markets, NIFTY50 was also down 2.8% for the month, while broader markets S&P BSE Midcap and S&P BSE 250 SmallCap were down by 3.4% and 2.7% respectively. All sectoral indices declined, except Real-estate that gained 3.7%. Foreign Portfolio Investors (FPIs) reported net outflows of approximately USD 2.9 billion in October'23, while Domestic Institutional Investors (DIIs) saw net inflows amounting to USD 3.0 billion.

Global and regional indices 1 Month performance (%)



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

India 10 Year G-sec



Source: Bloomberg

US 10 Year G-Sec



Source: Bloomberg

Macro Update

On the domestic macro front, India G-sec yield remained stable and was flat at 7.4% during the month. The central government's fiscal deficit widened to Rs 7.02 lakh crore in April-September from Rs 6.43 lakh crore in April-August period taking the deficit for the HIFY24 to 39.3% of the full-year target of Rs 17.87 lakh crore.

CPI inflation eased to 5% YoY in September'23 vs 6.8% in August'23, mainly due to a reversal in vegetable prices. WPI inflation remained in the deflationary zone for the sixth month in a row at -0.26% in September'23 vs -0.52% in August'23. IIP growth was strong in August'23 at 10.3% vs 5.7% in July'23.

September imports fell sharply to USD 53.8 bn from USD 60.2 bn in August due to a fall in non-oil imports to USD 39.9 bn. Exports moderated to USD 34.5 bn from USD 38.5 bn in August, led by a fall in oil exports. GST collection rose 13% YoY to INR 1.72 lakh cr in October'23, second highest ever since inception. INR was stable and closed at ~83.2. IMF raised India's FY2024 GDP forecast to 6.3% from 6.1% earlier.

Earnings Update

The September quarter earnings season has been broadly in line with consensus earnings. Cyclical related to capex, discretionary consumption, and credit growth have provided robust business growth, while cost pressures have eased, resulting in strong PAT growth. There has been a substantial 35% Y-o-Y increase in profit growth for the nifty companies that have reported numbers so far. On the other hand, stocks in defensive sectors like IT, FMCG, etc. have delivered muted growth. Rise in margins has been the reason for the PAT beat.

Source: IISec

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, 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 months lag.

Exhibit: Q2FY24 earnings so far show robust free float PAT growth for key indices

Free Float (INR bn)	No*	Sales			EBITDA			PAT (ex-financials)			PAT (incl-financials)		
		Q2FY24	YoY	QoQ	Q2FY24	YoY	QoQ	Q2FY24	YoY	QoQ	Q2FY24	YoY	QoQ
Nifty	28	3414	2%	4%	626	33%	2%	369	35%	2%	750	35%	7%
Nifty Next 50	13	93	5%	0%	16	9%	10%	11	5%	10%	52	23%	21%
Nifty Midcap 100	38	321	5%	3%	62	25%	6%	14	17%	7%	52	38%	5%
Nifty Smallcap 100	40	142	18%	4%	24	61%	9%	13	125%	25%	35	58%	15%
NSE 200	79	3828	2%	4%	704	31%	3%	393	34%	2%	855	34%	8%
NSE 200 (ex-HDFC Bank)	78	3828	2%	4%	704	31%	3%	393	34%	2%	697	31%	4%

Source: Bloomberg, Capitaline, ISEC research, data as on October 30, 2023

Note: No* represents number of results considered within respective index.

Market Outlook

Along with global volatility, Indian markets were also impacted and vindicated our stance that risks to Indian equities are more from global factors than local issues. On the global macro-economic front, the US FED left the rate unchanged in early November, though it voiced concerns that job gains are still strong, and inflation is still elevated. This led to US 30-year yields cooling off a bit to almost 4.64%, triggering a mini risk-on and the USD is weakening. After the initial spike post the West Asia conflict, crude prices too have corrected and are now hovering around USD ~85/bbl. We expect inflation in US to cool off materially due to a correction in prices of all commodities as also recent correction in real estate prices. This should allay fears of yields rising from here. Global geopolitical concerns though continue to be a key monitorable.

In India, we have elections in 5 states in November and the ruling party's performance will be keenly watched for. We,

however, do not expect the markets to react meaningfully to the State election results. Investors would be more focused on the central elections which are due mid-next year.

We believe that equity markets in India are likely to move in a range with great domestic factors getting a bit offset with global concerns. However, as we move into a busy festival and wedding season as also, we near the central elections, the bias is towards markets moving up. Some help from global macro-economic factors turning positive as also the West Asia conflict abetting, can lead to a meaningful move upwards. We continue with our stance of judiciously deploying capital along with our focus on fundamentals, while being more constructive than we have been over last three months.

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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, India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022, Abakkus India Equity Fund, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/23-24/1326 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.

The branch office of Abakkus situated at IFSC-GIFT City is registered with the IFSCA as Registered FME (Non-retail) (IFSCA/FME/II/2022-23/041) under IFSCA (Fund Management) Regulations, 2022.

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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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