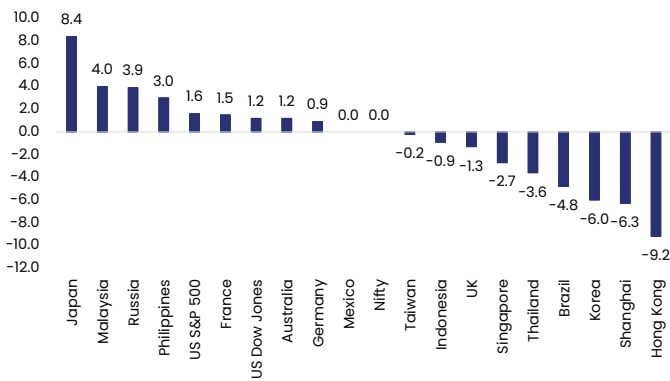


Market Update

January was a month where global equity markets witnessed significant volatility and contrasting performance. Japan (+8%), Malaysia (+4%) and Russia (4%) were the major gainers, while Hong Kong (-9%), Shanghai (-6%) and South Korea (-6%) were the major losers. Indian markets also witnessed swings, with Nifty 50 being flat after two consecutive months of gains. Broader markets continued their gains for the third consecutive month with the S&P BSE SmallCap and S&P BSE MidCap gaining 7.1% & 5.3% respectively. Sector-wise, the oil & gas, PSU, and realty sectors showed strong performances, with gains of 13%, 11%, and 9%, respectively. Conversely, the Bank, FMCG, and metals sectors experienced declines of 4%, 3%, and 1% respectively. Momentum rather than valuations or fundamentals was clearly in the fore.

The market movements in January were influenced by factors such as the third-quarter results season, the US Federal Open Market Committee (FOMC) meeting, interim budget announcements, and escalating tensions in the Middle East. Foreign Institutional Investors (FIIs) recorded net outflows of USD 3.09 billion during the month. On the other hand, Domestic Institutional Investors (DIIs) continued to see net inflows, amounting to USD 3.3 billion. FII selling was largely concentrated in HDFC Bank and other banking stocks.

Global and regional indices 1 Month performance (%)

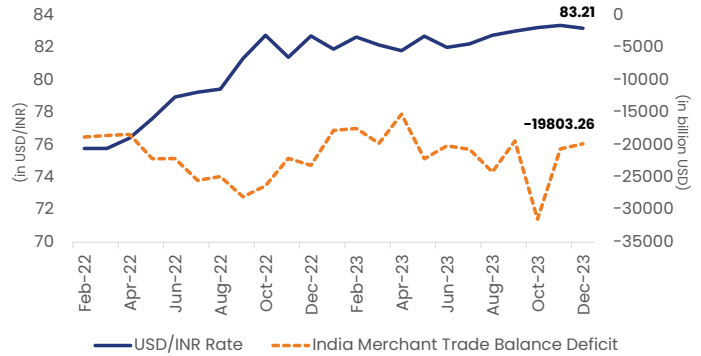


Source: Bloomberg, Kotak Institutional Equities (Data as on January 31, 2024 in Local Currency)

Brent Crude



Trade Balance Deficit Shrinks, INR stabilizes



Macro Update

On the domestic macro front, India's CPI inflation for December'23 month came marginally higher at 5.7% YoY vs. 5.6% YoY in November'23, largely due to higher vegetable prices. WPI inflation increased in December due to higher food prices at 0.73% vs. 0.26% in November'23. IIP grew by 2.4% in November'23 vs. 11.7% in October'23.

India's merchandise trade deficit narrowed to USD 19.8 billion in December from USD 20.58 billion in November, largely due to rise in exports against imports. December exports recorded a strong uptick to USD 38.45 bn from USD 33.9 bn in November, a rise of 13.4% month on month basis. GST collections rose 10% YoY to INR 1.72 lakh crore in January'24, this is the second highest monthly collection since inception. The INR was stable and closed at ~83.1. India G-sec yield corrected 10bps, after lower fiscal deficit guidance by the Finance minister. Brent crude price rose to USD 80.4 per barrel in the month of January'24.

Budget Highlights

Indian markets exhibited hesitation ahead of the interim budget presentation, but the government resisted the allure of populist measures before elections. Instead, it maintained a theme of rational thinking and development. Overall, the focus on growth persisted, with an emphasis on increasing capital expenditure while simultaneously adhering to fiscal prudence. The goal is to reduce the deficit to 4.5% by 2025-26, with a capex target for FY25 set at INR 11.1 lakh crore, marking an 11.1% increase. Tax rates remain unchanged for direct and indirect taxes, including import duties, easing worries of the middle class.

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, GOI: Government of India, FDI: Foreign Direct Investment, YTD: Year To Date, CY: Calendar Year. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 months lag.

Government continued the path of development under various government schemes and there were promises made to the Agri sector, with Nano Dap and a new atmanirbhar strategy for oilseeds. The defense sector emerged as a winner, securing the largest sectoral allocation this year. Overall, the budget reflects a positive, development-focused approach.

Market Outlook

Strong domestic liquidity and money chasing returns have seen mid and small caps deliver 27% and 30% returns in the past six months vs just 10% of the Nifty. Owing to this we are seeing many strategists predict a mean reversal and expect large caps to outperform in the coming months. Instead of trying to preempt the market moves we remain focused on identifying companies with strong earnings growth visibility.

Post the favorable state election outcome in December, we feel markets have already started to factor in the ruling BJP party coming back to power in the forthcoming general elections to be held in April/May 2024.

While markets will continue to see movements based on liquidity and newsflows, we continue to believe that India is in a sweet spot where economic growth is set to accelerate and expect the same to be reflected in equity returns. Though our view on the markets is positive from a medium to long-term perspective, there is clear exuberance in many stocks. This is a time to overcome greed and ensure that the quality of the portfolio is not compromised. We continue to focus on fundamentals and will sacrifice near-term momentum returns in favour of longer term wealth creation.

About Us

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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.

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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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Email – complianceteam@abakkusinvest.com

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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