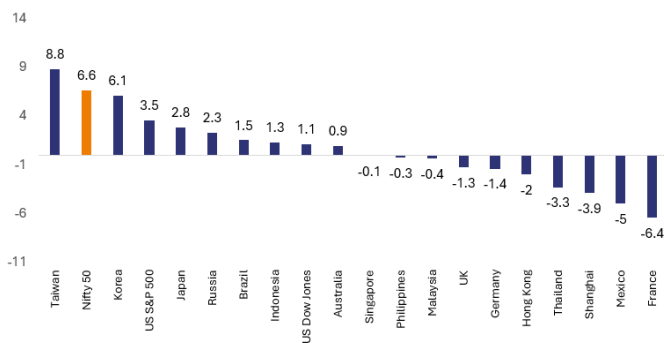


Market Update

It was a very volatile month of June for Indian equity markets. The markets witnessed a sharp correction on June 4th, as the election results came in short of market expectations and much lower than the exit polls that were announced on May 31st. However, as participants started to build in a view of a third term for Modi-led NDA coalition and subsequent growth focused narrative by PM Modi, the Nifty witnessed a quick recovery. The fact that the pre-poll NDA alliance got a comfortable majority as well as retaining key Ministers in their previous terms responsibilities, also aided sentiments. Nifty closed at an all-time high level of over 24,000, gaining 7% for the month. Broader markets outperformed, with the S&P BSE Midcap rising 7.7% and the S&P BSE SmallCap 250 rising by 10.3%. Inflows into Indian equities continue unabated, and this has been one of the key reasons for the strong performance. Foreign Institutional Investors (FIIs) purchased US\$2.7 billion in Indian equities, while Domestic Institutional Investors (DIIs) bought US\$3.4 billion.

Global and regional indices 1 Month Performance (%)



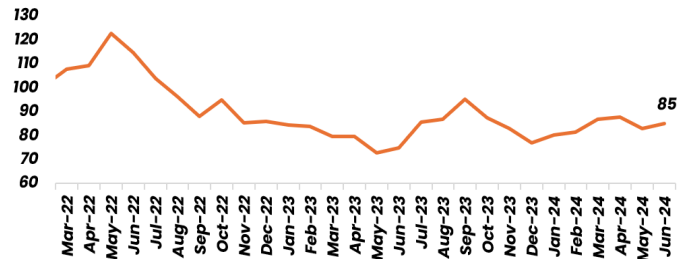
Source: Bloomberg, Kotak Institutional Equities (Data as on 30th June 2024 in local currency)

Macro Update:

India's CPI inflation for May'24 month fell to 4.75% YoY vs. 4.83% YoY in April'24. WPI inflation rose to 2.6%, and April IIP growth at 5%. The merchandise trade deficit stood at USD 23.78 billion in May, up from \$19.1 billion in April 2024 and \$22.53 billion during May 2023, indicating the steady pace of growth for the Indian economy. India's Goods and Services Tax (GST) collection amounted to ₹1.74 lakh crore, showing a 7.7% increase compared to the previous year. The INR for the month was stable and closed at ~83.44.

The Reserve Bank of India, in its June monetary policy, has raised its real GDP growth forecast for the current financial year 2024-25 (FY25) to 7.2 percent from 7 percent earlier. India 10-year G-sec yield ended the month at 7.01%. Brent crude price up to USD 85.00 per barrel in the month of June'24.

Brent Crude



Source : Bloomberg

Market Outlook:

Indian equity markets demonstrated robust resilience, Continuing their upward trend driven by strong liquidity and sentiments. The good news is that this sentiment is backed by strong corporate earnings and a pickup in economic growth. With another five-year term under the able leadership of PM Modi, there is optimism of strong growth-oriented policies leading to confidence of over 7% GDP growth over the medium term. Indian economy is in a sweet spot and the same is getting reflected in equity markets. Valuations too, while above historic averages are not too frothy, and this gives comfort that a rational return can still be made even from current levels. Positive monsoon progress lends optimism of the economy doing well and consumption reviving.

Events to keep track of will be the Union budget slated to be presented by the finance minister on July 23rd and the upcoming results season. On the budget, we do not expect any tinkering with the capital gains regime, though it will be a major factor to keep track of. Continuation of path to fiscal prudence as well as infrastructure spending will be other factors to keep note of. On the quarter results front, overall earnings are expected to continue to report a low double digit growth.

The broader markets have once again seen a lot of interest and it is reflected in the mid-caps and small caps doing very well. There is no doubt that valuations in quite a few segments have shot up to much beyond the historical averages. This has reinforced our time-tested philosophy of risk reward equation, fundamental focused and most importantly valuation focused approach to investing. Though tougher, we do see pockets of opportunities in broader markets even now.

However, there is a clear euphoria and momentum that is witnessed in a wide array of sectors. Particularly most defence and railway related companies; and renewable and electronic manufacturing services stocks are trading at much higher than their best case scenarios. Momentum is strong and is enjoyable as long as it lasts. We will stay away from this near-term FOMO and momentum, even at the cost of missing out on near-term returns.

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, 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 Trust, 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>

Compliance Officer details under AIF:

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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=iacomaprepage>

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