

9-Aug-23

Dear Investors,

Hope all is great at your end. Our performance for the month of July is as follows (Exhibit 1).

Exhibit 1: Performance as on 31-Jul-2023

	1 month	Since Inception (Apr-23)	AUM (INR Cr)
MoneyGrow Flexicap	3.04%	14.41%	52.13
MoneyGrow Bespoke	3.97%	19.76%	28.25
MoneyGrow NDPMS	7.14%	15.21%	0.71
BSE 500 TRI	3.95%	14.61%	
Total AUM			81.09

The results from corporate India have been quite strong. Out of the companies of the Nifty 200 Index that have reported so far, 49% reported above expectations, 14% were in-line and 36% missed expectations (Exhibit 2). The strength in results of commodity consuming sectors was particularly evident as the global commodity prices were benign, thanks to aggressive Fed tightening over the last 2 years.

Exhibit 2: NSE 200 sectoral free-float earnings (Source: ICICI Securities)

Free-float, INR bn	NSE 200 Index	Sales			EBITDA			PAT			Actual vs consensus expectations		
		Weights	Q1FY24	YoY(%)	QoQ (%)	Q1FY24	YoY(%)	QoQ (%)	Q1FY24	YoY(%)	QoQ (%)	Beat	Neutral
Consumption													
Automotives	3.4%	780	33.8%	-3.0%	99	159.6%	-1.6%	43	LtoP	-19.4%	3	3	0
FMCG	4.9%	188	8.0%	6.4%	35	12.2%	13.7%	24	12.7%	18.0%	4	2	3
Discretionary	2.5%	134	14.2%	5.0%	16	7.5%	-4.0%	10	7.4%	-4.1%	2	0	6
Aviation	0.3%	53	29.8%	17.8%	16	731.1%	80.8%	10	725.6%	346.4%	1	0	0
Paints	1.3%	43	6.7%	4.5%	10	36.3%	13.8%	7	48.9%	22.5%	1	0	0
Auto Ancillaries	0.6%	61	14.8%	5.9%	10	64.9%	16.4%	6	105.8%	27.5%	1	1	1
Agriculture	0.3%	60	-17.2%	-45.9%	11	-30.3%	-45.7%	4	-59.9%	-63.2%	1	0	0
Real Estate	0.5%	10	37.7%	-23.7%	2	-26.3%	-48.2%	2	-5.9%	-42.4%	0	0	3
Internet	0.4%	20	56.6%	9.9%	0	LtoP	LtoP	-1	loss maker	loss maker	0	0	2
Exports													
Technology	10.7%	828	10.0%	-0.1%	154	9.7%	-4.7%	120	7.9%	-6.6%	1	3	8
Pharma*	2.5%	184	18.5%	8.2%	47	49.9%	28.9%	30	63.2%	36.1%	5	0	1
Financials													
Banking	19.4%	NM	NM	NM	NM	NM	NM	407	54.3%	37.5%	11	3	1
NBFCs	2.9%	NM	NM	NM	NM	NM	NM	42	35.0%	6.8%	3	1	2
Financial Services	3.3%	NM	NM	NM	NM	NM	NM	30	23.6%	-5.0%	2	2	3
Industrials and capex													
Oil & Gas	1.4%	1,742	-8.6%	-2.4%	185	LtoP	50.8%	118	LtoP	41.4%	5	1	1
Reliance Inds	7.5%	1,038	-5.4%	-2.5%	190	0.2%	-0.9%	80	-10.9%	-17.0%	0	0	1
Power/Mining	2.2%	283	-2.8%	-5.2%	114	4.5%	-3.3%	57	17.7%	-7.7%	1	0	2
Capital Goods & Infra	2.8%	422	33.5%	-17.3%	44	25.2%	-27.4%	23	49.8%	-34.8%	2	0	0
Telecom	2.2%	204	12.4%	4.1%	85	2.5%	-11.2%	23	129.1%	26.3%	2	1	0
Metals	2.2%	693	-3.9%	-7.3%	87	-43.8%	-21.4%	20	-71.8%	-44.9%	2	1	3
Cement	1.7%	145	16.5%	-0.1%	25	12.5%	4.8%	14	5.3%	-8.5%	2	0	2
Speciality Chemicals	0.5%	43	-4.9%	-6.0%	7	-15.4%	-6.6%	4	-24.2%	-11.4%	1	0	2
Industrials	0.9%	77	-34.7%	-17.4%	8	44.5%	-19.5%	3	48.0%	-26.2%	0	1	0
Defense	0.4%	17	12.2%	-45.4%	3	28.7%	-63.3%	3	47.0%	-61.0%	1	0	0
Total	74.8%	7,025	2.9%	-3.9%	1,148	35.7%	0.2%	1,078	57.6%	9.0%	51	19	41
Ex-financials	49.2%	7,025	2.9%	-3.9%	1,148	35.7%	0.2%	598	64.3%	-3.7%	35	13	35
Ex-Commodity	71.3%	4,590	9.4%	-3.9%	877	18.2%	-3.9%	940	39.9%	8.2%	44	17	37
Ex-Financials & Ex-commodity	45.7%	4,590	9.4%	-3.9%	877	18.2%	-3.9%	460	30.8%	-8.1%	28	11	31

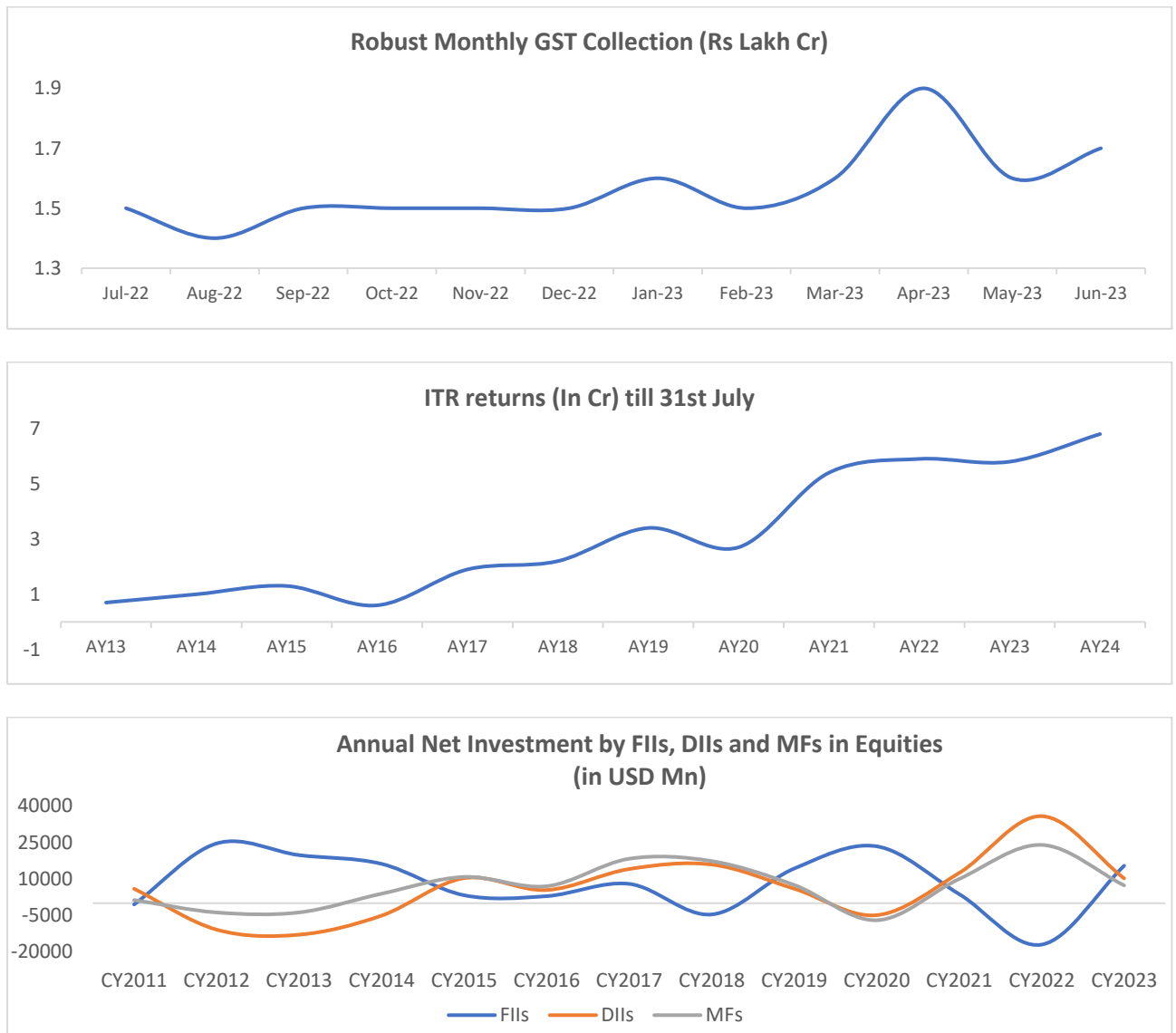
Domestic Economy:

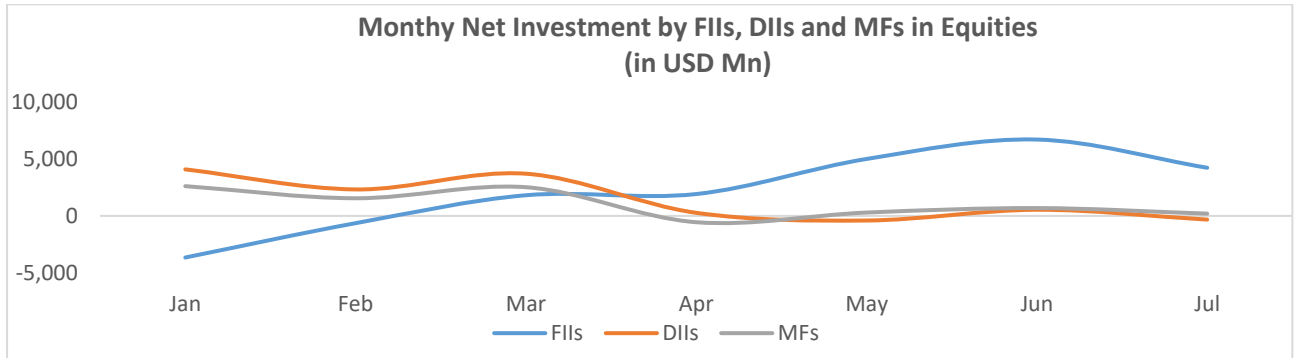
Overall strength in the economy is evident from the fact that credit growth has been very healthy at around 14-15% range: Jun-23 core credit growth at 8.2% YoY and fortnightly non-food credit growth (as of 14-Jul-23) stood at 20.4% YoY (15.1% adjusting for HDFC Ltd merger). With excellent monsoon, the outlook for rural consumption is positive for the second half of FY24. Also, with general elections scheduled for May 2024, the investments in infra and capex are likely to remain on full steam in the next 12 months as the focus will be on project completion.

Some of the other promising macro developments are:

- Record high ITR returns of 6.8 crores filed for FY23 till Jul’23, registering a growth of 16.1% YoY.
- GST collections continued to remain robust, Monthly GST collections for April-July 2023 have reached Rs1.7 trillion as compared to Rs1.2 trillion in the same period a year ago.
- Robust FII inflows compared to last year, positive for rupee and CAD financing.
- India’s GDP growth for FY24 is estimated at 6.5% as per RBI, better than peers.

Exhibit 3: Macro Data (Source: Kotak Securities and SBI Investor Presentation)





Our portfolio is fully geared to take advantage of this trend as a significant portion of the stocks are a direct beneficiary of the strength of the domestic economy. The key risks for the domestic economy are high inflation and political upheaval in 2024 elections. The chances of either of these risks manifesting appear low.

Global Economy:

US Fed hiked Federal Funds rate by 25bps in July. This was in-line with street expectations and the minutes of the FOMC meeting highlighted that the labour market and inflation are showing encouraging signs. Overall sentiments of the market remained upbeat over the expectations of a soft landing of the US economy, dodging the fears of USA recession.

In the middle of optimism over the US economy, Fitch’s downgrade of US credit rating attempted to derail the ongoing upbeat market sentiments. Similar rating downgrade was last done by S&P in 2011 and it did result in weakness in equity market at that time. This downgrade does highlight some extremely pertinent long-term issues like the massive increase in public debt, interest burden etc., but from a medium term (2-3 years) perspective, our view is that it is a non-issue. USD firmly remains the reserve currency for the world and with trust deficit caused by COVID and Russia/Ukraine conflict, the chances of the world’s second largest economy (China) giving any competition to US appear extremely remote. On the other hand, EUR has been around for almost a quarter century now and has not been able to much progress as EU is only a monetary union and not a fiscal union.

In this context, I wish to highlight that we do have exposure to few of the bellwether IT stocks. This is despite the fact that the general outlook for IT sector has been weak. Our constructive view is largely dependent on the strong TCV of deal wins that the Indian companies have been reporting and the emergence of GenAI/ML as another potential growth engine for the sector (Exhibit 4). The IT companies also fit the 4P framework that I had discussed in my first note (dated 10-Jul-2023). Our view is that minor recovery in growth can cause disproportionate increase in stock prices.

Exhibit 4: TCV of deal wins by Indian IT companies (Source: Kotak Securities)

	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
TCV of deal wins (US\$ mn)									
TCS (a)	8,100	7,600	7,600	11,300	8,200	8,100	7,800	10,000	10,200
Infosys (b)	2,570	2,152	2,525	2,257	1,600	2,744	3,300	2,076	2,300
TechM (d)	815	750	704	1,011	802	716	795	592	359
Mphasis (c)	505	241	335	347	302	302	401	309	707
Wipro (d)	715	580	600	405	1,123	713	978	1,083	1,198
Coforge (a)	318	285	247	301	315	304	345	301	531
HCLT (e)	1,664	2,250	2,135	2,260	2,054	2,384	2,347	2,074	1,565
Persistent (a)	245	283	334	361	394	368	440	422	380
LTIMindtree (a)							1,250	1,350	1,410
TCV of deal wins (YoY growth, %)									
TCS	17	(12)	112	23	1	7	3	(12)	24
Infosys	47	(32)	(65)	7	(38)	28	31	(8)	44
TechM	181	78	55	(3)	(2)	(5)	13	(41)	(55)
Mphasis	95	(33)	36	42	(40)	25	20	(11)	134
Wipro			(50)	(71)	57	23	63	167	7
Coforge	71	42	29	50	(1)	7	40	-	69
HCLT	37	38	64	(27)	23	6	10	(8)	(24)
Persistent			11	46	61	30	32	17	(3)
LTIMindtree									
Growth in TCV on ttm basis (yoy, %)									
TCS	16	4	4	10	6	11	9	(1)	4
Infosys	86	67	(32)	(33)	(43)	(35)	6	2	22
TechM	(22)	25	99	48	19	6	-	(11)	(25)
Mphasis	65	23	24	29	(10)	4	2	(8)	40
Wipro						(27)	(2)	69	47
Coforge			38	48	26	17	20	10	29
HCLT				15	13	6	(1)	7	(4)
Persistent						35	41	33	17

The key risk for the global side remains any significant escalation of the geopolitical conflict involving Russia or China. Also, yesterday's ratings downgrade of US banks by Moody's is a cause of concern. Mind you, this downgrade is far more pertinent compared to Fitch's downgrade of US credit rating.

Conclusion:

Given the strong domestic performance and the winds of change in global sentiment, we feel quite constructive about our portfolio stocks from a medium term (2-3 years) perspective. We do remain mindful of the risks as well. We would be more than happy to discuss the portfolio/outlook anytime as per your convenience.

Warm regards,

Manish Gupta & entire MoneyGrow team

Disclaimer:

The information or material contained herein is strictly confidential and meant solely for use by clients of MoneyGrow Asset Private Limited. The information and opinions expressed in this report have been prepared by MoneyGrow Asset Private Limited and are subject to change without any notice.

This report does not constitute a prospectus or disclosure document or an offer or solicitation to buy any securities or other investment in any jurisdiction. This document is neither approved, certified nor verified by SEBI. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or approach is suitable or appropriate to your specific circumstances. By referring to any particular sector or security, MoneyGrow Asset Private Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. This material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. However, MoneyGrow Asset Private Limited warrants that the contents of this document are true to the best of its knowledge.

Neither MoneyGrow Asset Private Limited 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 errors or discrepancies or for any decisions or actions taken in reliance on the analysis. Also, MoneyGrow Asset Private Limited and/or its directors and employees may have interests/positions, financial or otherwise in the securities mentioned here. The recipient of this material should rely on their own investigations and take their own professional advice.