

January 7, 2024

Dear Investors,

We wish you a very happy and a healthy New Year. Hope all is great at your end. Our performance for the month of December is as follows (Exhibit 1).

**Exhibit 1: Performance as on 31-Dec-2023**

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	Since Inception
<b>Bespoke</b>	13-Apr-23	33.45	4.85	7.82	15.5	32.59
(S&P BSE 500 TRI)			8.03	12.35	18.51	30.67
<b>Flexicap</b>	11-Apr-23	56.90	5.28	8.22	12.42	25.34
(S&P BSE 500 TRI)			8.03	12.35	18.51	30.67
<b>Small MidCap</b>	11-Dec-23	7.71	NA	NA	NA	-2.62
(S&P BSE 500 TRI)			NA	NA	NA	3.88
<b>ND PMS</b>	11-Apr-23	1.46	4.63	8.28	17.21	26.72
<b>Advisory PMS</b>	NA	3.96	NA	NA	NA	NA
<b>Total</b>		103.48				

There are two very significant developments at our end that we wish to highlight:

1. **Domain Expansion:** We have expanded our domain and launched a new **Small Midcap scheme** in the month of Dec 2023. The scheme is being managed by Mr Viraj Mahadevia, who has joined MoneyGrow as a Partner and Fund Manager. Viraj comes from a private equity background and has a very bottom-up fundamental approach to investing in small and mid-cap firms that involves extensive homework. He spent over a decade at the UK-headquartered Actis Private Equity. Prior to that he worked with Citi and Goldman Sachs in London. He is an alumnus of ISB Hyderabad (MBA) and University of Michigan (BS Electrical Engineering). We seek your blessings as we move ahead in our journey.
2. **Milestone Achievement:** We wish to thank each and every one of you for your trust and faith in us as we crossed the milestone of INR 100cr AUM in the 9 months of our launch.

Coming to markets, Indian as well as global markets had a great December. The twin effects of “better-than-expected” surprise performance of BJP in state elections along with the Fed pivot catapulted the markets to new highs. This was something that we had highlighted in the Flash note published on 3-Dec-23.

On the macro, we remain extremely constructive because of the following reasons:

- Indian inflation has steadily moderated and remains benign (Exhibit 2)

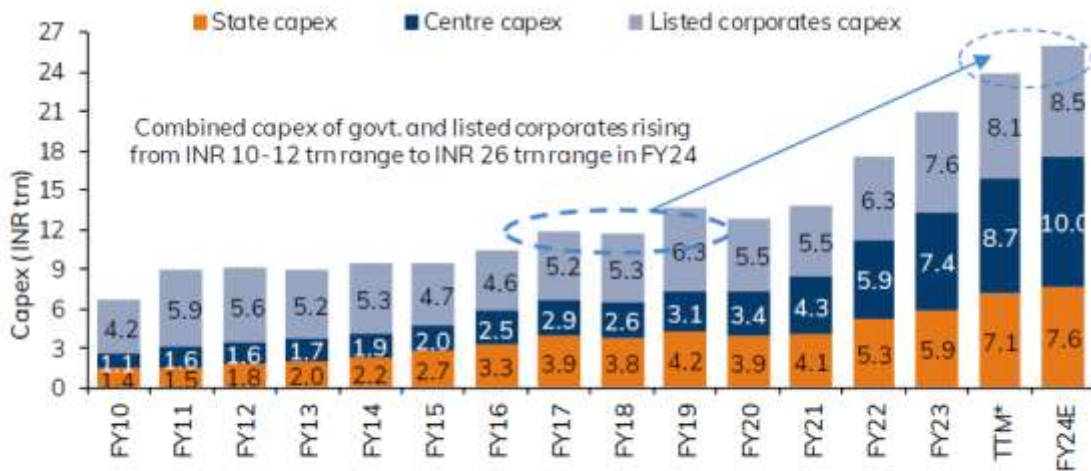
**Exhibit 2: India's core CPI inflation**



Source: I-Sec, based on data from MoSPI and CEIC

- Indian capex cycle is turning more broad-based and private sector participation has also picked up (Exhibit 3).

**Exhibit 3: Capex Cycle**

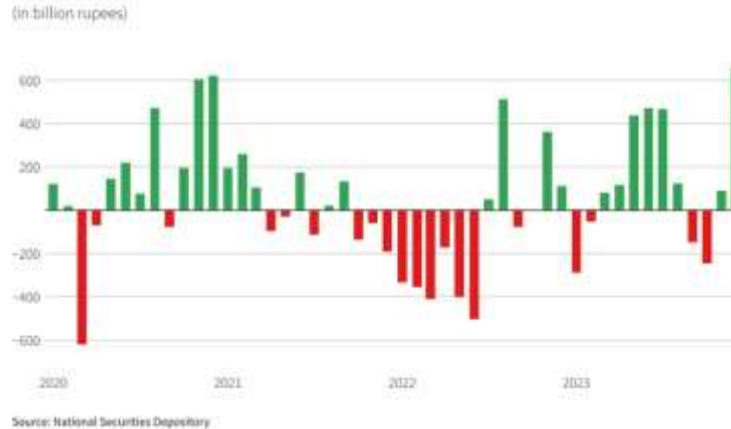


Source: CEIC, Capitaline, I-Sec research

Note: TTM represents Oct'23 end for central and state capex while Sep'23 end for corporate capex.

- Flows continue to remain benign. DIIs have been buying steadily and now FIIs have also joined (Exhibit 4).

**Exhibit 4: FII Flows in Indian equity markets**



- Q3 result season is around the corner. Most estimates indicate a growth exceeding 20% (Exhibit 5).

**Exhibit 5: Earnings expectations from Q3 results**

**We expect net income of the KIE universe to increase 22% yoy; decline 6% qoq**

**Sector-wise sales, EBITDA and PAT growth of the KIE universe**

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PAT growth (%)	
	yoy	qoq	yoy	qoq	Dec-22	Sep-23	Dec-23E	yoy	qoq
Automobiles & Components	19	2	42	4	11.5	13.4	13.7	60	4
Banks	10	2	-	-	-	-	-	17	(2)
Building Products	13	5	34	13	14.7	16.1	17.4	65	17
Capital Goods	18	6	12	7	11.7	11.0	11.1	22	2
Commercial & Professional Services	14	5	19	6	3.2	3.3	3.3	(10)	16
Commodity Chemicals	1	2	13	6	17.8	19.1	19.8	20	6
Construction Materials	7	4	52	28	13.3	15.3	18.8	97	23
Consumer Durables & Apparel	13	12	10	28	11.6	9.8	11.2	3	49
Consumer Staples	5	(1)	6	(3)	24.6	25.2	24.8	5	(3)
Diversified Financials	20	5	-	-	-	-	-	55	5
Electric Utilities	(3)	(6)	(11)	(6)	38.6	35.5	35.6	(1)	(10)
Fertilizers & Agricultural Chemicals	(23)	(11)	(57)	(31)	17.9	12.9	9.9	(122)	(219)
Gas Utilities	(2)	10	188	(6)	3.6	12.5	10.7	265	(14)
Health Care Services	12	(0)	13	(2)	17.8	18.3	17.9	19	2
Hotels & Restaurants	13	13	8	31	26.8	22.2	25.6	6	129
Insurance	11	16	-	-	-	-	-	16	17
Internet Software & Services	37	7	NM	30	0.8	7.2	8.7	NM	25
IT Services	2	1	(2)	2	23.1	22.2	22.4	(1)	3
Media	16	(17)	(2)	(27)	24.6	23.7	21.0	(5)	(34)
Metals & Mining	5	2	28	10	12.2	13.8	14.9	132	57
Oil, Gas & Consumable Fuels	(4)	2	12	(23)	10.4	16.1	12.2	7	(37)
Pharmaceuticals	13	2	18	3	23.6	24.5	24.7	22	(1)
Real Estate	18	11	24	15	37.4	37.9	39.4	24	(12)
Retailing	20	9	26	20	11.2	10.7	11.8	24	17
Specialty Chemicals	(2)	0	(4)	(1)	20.6	20.6	20.4	(9)	(4)
Telecommunication Services	7	3	6	1	47.0	47.5	46.6	41	23
Transportation	23	12	41	35	26.8	25.4	30.7	65	89
<b>KIE universe</b>	<b>4.4</b>	<b>2.4</b>	<b>13.8</b>	<b>(3.9)</b>	<b>15.4</b>	<b>18.0</b>	<b>16.9</b>	<b>22.4</b>	<b>(6.3)</b>

Source: Kotak Institutional Equities estimates

- Valuations: While the market is at all-time high, but valuations for large-cap universe is not showing any “irrational exuberance” (Exhibit 6)

**Exhibit 6: NIFTY50 forward P/E**



Source: Bloomberg, I-Sec research

**Conclusion**

- As discussed above, fundamentals are extremely conducive and indicate a robust underlying growth in the economy and profitability of the companies.
- Valuations are rich, but not in the zone of “irrational exuberance”.
- I expect that 2024 could be a year of high volatility. We have elections in India in the first half and elections in US in the second half. Also, markets are expecting a rate cut in India and US both. Geopolitical situation continues to remain fragile in Middle East and Ukraine/Russia. Any adverse geopolitical development may lead to a spike in inflation and could derail the expectations of rate cuts. Hence, one needs to be watchful.

Once again, wishing you a great 2024!!

Warm regards,

Manish Gupta & entire MoneyGrow team

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