February 8, 2024

Dear Investors,

Hope all is great at your end. Our performance for the month of Jan-2024 is as follows (Exhibit 1).

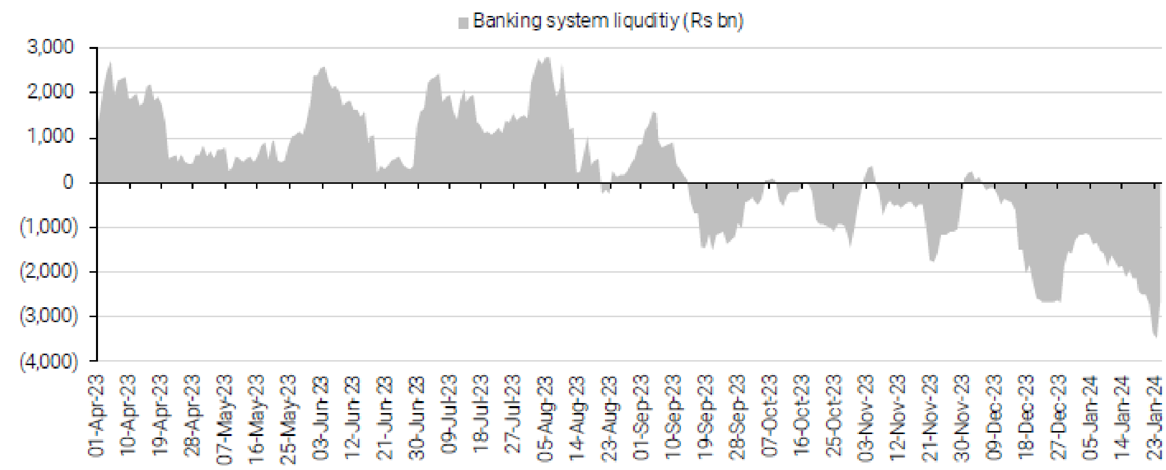
Exhibit 1: Performance as on 31-Jan-2024

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	Since Inception
Bespoke	13-Apr-23	33.16	0.34	12.35	11.48	33.04
(S&P BSE 500 TRI)			1.92	17.88	16.2	33.18
Flexicap	11-Apr-23	60.29	1.2	12.49	10.41	26.84
(S&P BSE 500 TRI)			1.92	17.88	16.2	34.55
Small MidCap	11-Dec-23	51.12	9.5	NA	NA	6.63
(S&P BSE 500 TRI)			1.92	NA	NA	5.87
ND PMS	11-Apr-23	1.50	2.39	13.57	12.02	29.76
Advisory PMS	NA	43.04	NA	NA	NA	NA
Total		**189.11**				

Markets took a little bit of breather in Jan-24, especially compared to a very strong Dec-23. On the political side, markets are fully discounting a return of the Modi-led government particularly after the Ram Mandir inauguration, re-alignment of BJP's alliance in Bihar with JDU and an extreme sense of unease in the Opposition's INDI alliance. Should there be any change in sentiments in the run up to the elections or if the actual results happen to be different, there can be a big jolt to the market. The chances of such an event happening are quite improbable, though.

On the macro side, suddenly the liquidity in the system has turned into a major deficit. Most banks spoke about this as one of the major reasons for the slow deposit growth.

Exhibit 1: Banking System Liquidity



Source: RBI, CEIC, Kotak Economics Research

804 Lodha Supremus, 2 Senapati Bapat Marg, Lower Parel (West), Mumbai 400013
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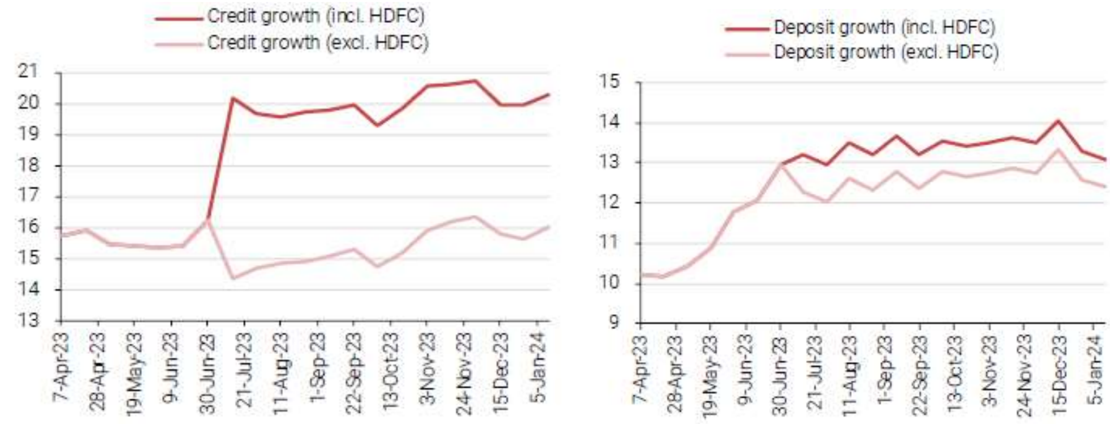
While credit growth has been around 16%, deposit growth has lagged substantially at around 12%.

Exhibit 2: Credit and Deposit Growth



Source: CEIC, Kotak Economics Research

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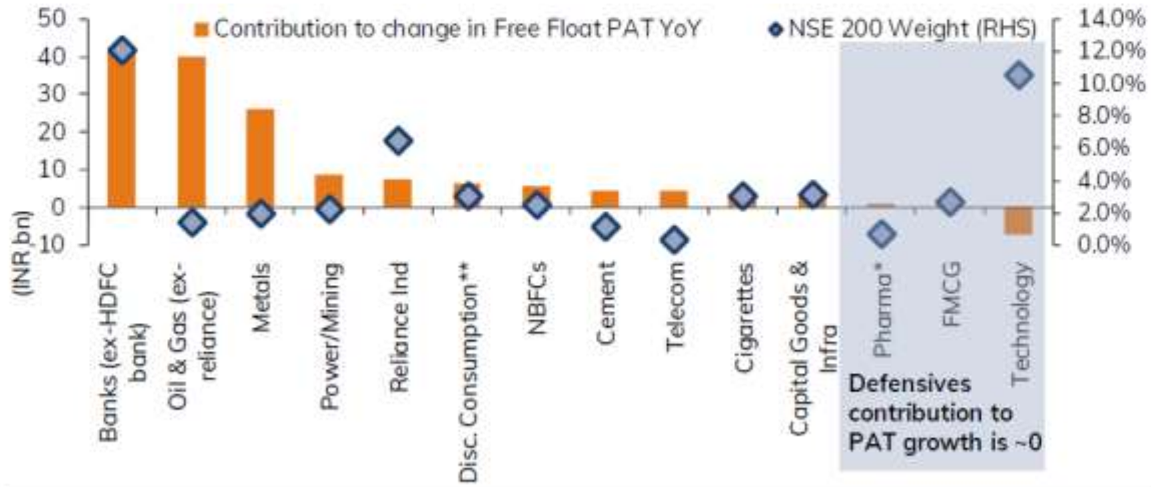
Q3FY24 Earnings

- As on 31-Jan-24, NSE200 universe (Ex HDFC) has grown by 23% led by cyclicals and capital intensive sectors.
- Sectors like IT has shown minimal growth due to the sectoral headwinds.
- Banking sector results have been weak due to liquidity issues and poor deposit growth.

Exhibit 3: Cyclical and capital-intensive stocks contributed significantly to PAT growth



Source: Bloomberg, Capitaline, I-Sec research

Note: *Pharma includes healthcare services companies. Discretionary consumptions includes Auto and auto ancillaries, paints and other discretionary consumptions.

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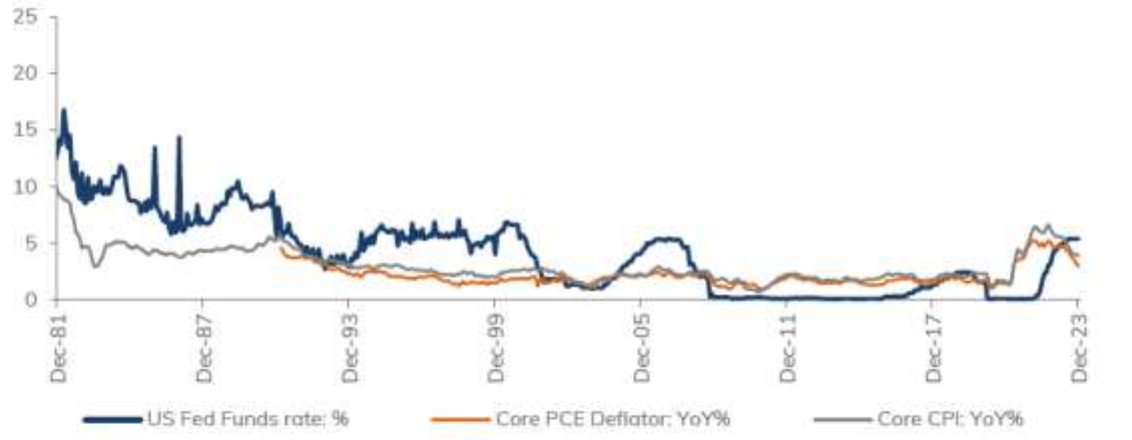
US markets continue to remain strong and markets are pricing in series of rate cuts beginning Jun-24. Core inflation came in below 3% YoY in Dec-23 for the first time since Mar-21.

Exhibit 4: US Inflation



Source: I-Sec, based on data from US BEA and FRB

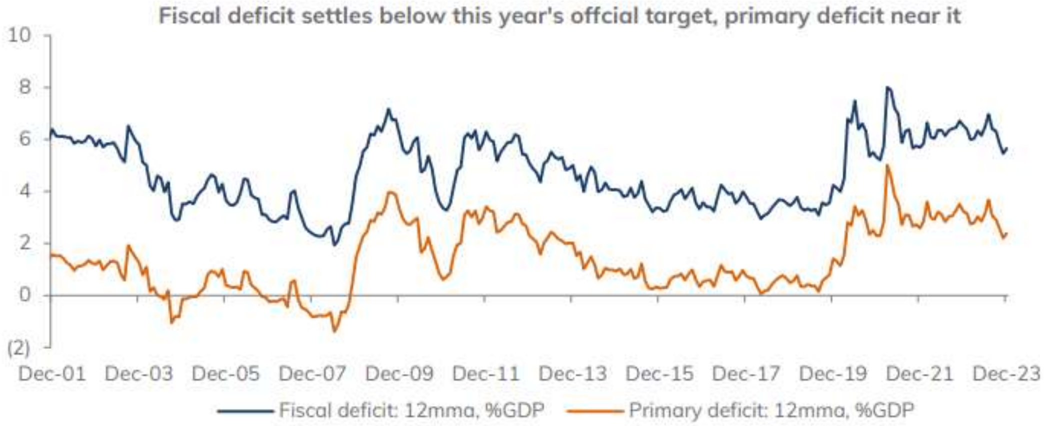
FPI/DII Flows

- FPIs turn net seller in January amid uncertainty over delay in Fed rate cuts and geopolitical situation in the Middle east.
- FPIs continued to be sellers of sectors like Auto, media & entertainment, and preferred sectors like IT.
- In contrast, DIIs were net buyers which countered the sell offs.

Interim Budget

- The interim was good as there was focus on fiscal discipline.
- Moderation in government led capex is expected with focus on sunrise sectors.
- With moderation of CPI inflation, policy rate cut can be expected in Apr-Jun quarter, which will further bolster the growth.

Exhibit 5: Fiscal Deficit



Source: I-Sec, based on data from Controller General of Accounts

Conclusion

- As discussed above, the outlook for growth continues to be robust and the profitability is also strong.
- We continue to find good investment opportunities from a medium term (2-3 year) perspective where valuations are also not in the zone of "irrational exuberance".
- Volatility can be high in 2024 due to elections and dynamic stance of global central banks/RBI.

Warm regards,

Manish Gupta & entire MoneyGrow team

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