9-Jun-2024

Dear Investors,

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

Exhibit 1: Performance as of 31-May-24

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception
Discretionary PMS							
Bespoke	13-Apr-23	43.26	-1.57	3.51	8.42	25.79	32.01
(S&P BSE 500 TRI)			0.83	5.19	17.75	34.7	36.51
(Nifty 50 TRI)			0.03	2.86	12.51	23.02	28.27
Flexicap	11-Apr-23	70.77	-0.39	6.03	13.06	27.24	29.73
(S&P BSE 500 TRI)			0.83	5.19	17.75	34.7	36.51
(Nifty 50 TRI)			0.03	2.86	12.51	23.02	28.27
Small MidCap	11-Dec-23	86.71	-9.54	-1.21	NA	NA	6.11
(S&P BSE 500 TRI)			0.83	5.19	17.75	34.7	36.51
(Nifty 50 TRI)			0.03	2.86	12.51	23.02	28.27
Non-Discretionary PMS							
ND PMS	11-Apr-23	1.53	-6.11	2.01	8.68	27.46	27.21
Advisory PMS							
Advisory PMS	NA	94.41	NA	NA	NA		NA
Total AUM		**296.68**					

Elections: NDA is back with a changed equation

- Finally, the big election event is behind us. The result was quite a surprise for the market and hence caused tremendous volatility last week. However, the comforting factor is that NDA has an absolute majority and Mr Modi continues to remain Prime Minister for another term. We feel that the chances of this government lasting a full term are high.
- The broad investment narrative has not changed, but there may be subtle shift in the policies towards populism. The Government has elbow room to manage this as the fiscal situation is quite healthy, thanks to their focused efforts of the previous two terms.
- The reduced mandate may hinder the passage of certain social reforms bills. However, we don’t think there will be any hindrance in pursuing aggressive economic growth. Some of the reforms that may be on the agenda are mentioned below (Exhibit 2):

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Exhibit 2: Reforms according to ease of implementation

Ease of implementation (on a relative scale)	Reforms / projects
Easy	Continue the central government's capex thrust on infrastructure (i.e. improve roads, railways, airports and multi-modal connectivity) Support futuristic sectors like electronics, semiconductors, and EVs via subsidies and ease of doing business for certain projects Disinvest some PSUs Incentivise state reforms via conditional loans from the central government Reach a fiscal deficit target of 4.5% by FY26 Maintain inflation in the 4% +/1% range Support innovative use of digital public infrastructure (e.g. ONDC platform)
Moderate	Raise funding for the third tier of government (e.g. municipalities) Improve GST (e.g. moving towards fewer rates) Strengthen the Insolvency and Bankruptcy Code Implement a new Direct Tax Code Improve health of power distribution companies Revamp India's railways Introduce innovation in infra funding (e.g. new models of partnering with private sector) Introduce financial innovation via Gift City Improve India's statistical systems and data quality Rationalise import tariffs to aid manufacturing
Difficult	Rationalise food and fertiliser subsidies by building on the Direct Benefit Transfers momentum Undertake effective land and labour reforms Undertake farm reforms Undertake judiciary and bureaucratic reforms to improve efficiency Improve and scale up skilling programmes Futureproof the education and health systems

Source: HSBC

GDP Growth surpasses expectations

- India remained one of the fastest emerging economies with a real GDP growth rate of 8.2% for FY24 driven by strong government capex spending.
- The key driver of the growth over the last few years has been the government capex which recorded a growth of 9% in FY24.
- Higher tax revenues and RBI's record dividend of INR 2.1 lakh crores will also ease the fiscal deficit for the current fiscal year.
- Most of the high frequency indicators that we track e.g. loan growth, auto sales, GST collections etc show robust economic growth (Exhibit 3).

Exhibit 3: High Frequency Indicators

Consumption Indicator	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Personal Loan growth	18.28%	18.19%	18.04%	18.63%	17.66%	18.36%	18.09%	17.68%	17.38%	NA
4W growth	11.6%	14.2%	17.3%	4.3%	-8.3%	13.9%	11.1%	10.4%	1.2%	NA
2W growth	0.6%	0.8%	20.2%	31.3%	16.0%	26.2%	34.6%	15.3%	30.8%	NA
IIP - Primary Goods.	12.4%	8.0%	11.4%	8.4%	4.8%	2.9%	5.9%	2.5%	NA	NA
IIP Consumer Goods Durables	6.0%	1.0%	15.9%	-4.8%	5.2%	11.9%	12.4%	9.5%	NA	NA
IIP Consumer Goods Non-Durables	9.9%	2.7%	9.3%	-3.4%	3.0%	-0.2%	-3.5%	4.9%	NA	NA
Petrol Consumption	2.9%	8.2%	4.8%	9.4%	0.2%	9.7%	8.9%	7.0%	14.1%	NA
S&P Global India Services PMI	60.10	61.00	58.40	56.90	59.00	61.80	60.60	61.20	60.80	60.20
CPI	6.83%	5.02%	4.87%	5.55%	5.69%	5.10%	5.09%	4.85%	4.83%	NA
Passenger - all airports	23.2%	19.4%	11.9%	10.7%	9.9%	7.2%	8.1%	6.5%	6.0%	NA
GST Collections (INR bn)	1,591	1,627	1,720	1,679	1,649	1,721	1,683	1,780	2,102	1,730
Consumer confidence index	NA	92.20	NA	92.21	NA	95.06	NA	98.54	NA	NA

Source: ICICI Securities

Monsoon expected to be healthy

- IMD has forecasted above normal monsoon in 2024, due to La Nina effect and pre-monsoon showers has already arrived in different parts of India.

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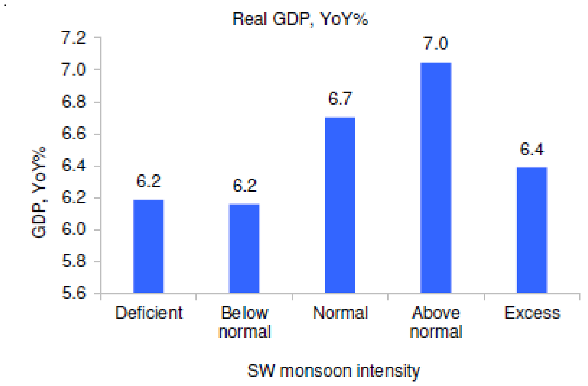
- This is a big boost to the agriculture sector and can boost consumption, especially in the rural regions. Food inflation is likely to cool off and other tailwinds like increase in rural wage can help the rural economy.
- Empirical analysis shows that above normal monsoon leads to lower inflation and higher GDP growth (Exhibit 4).

Exhibit 4: Better rainfall leads to lower inflation and higher GDP growth

Past 20 year analysis (CPI - YoY %)

Rainfall intensity	Number of instances in past 20 years	Average 3m before	Average During monsoon	Average 3m after
Deficient	4	4.7	4.7	5.3
Below normal	4	5.5	5.7	5.6
Normal	**6**	**7.3**	**7.5**	**6.6**
Above normal	**5**	**6.9**	**6.9**	**6.7**
Excess	1	3.0	3.4	5.8

Source: CMIE, Antique



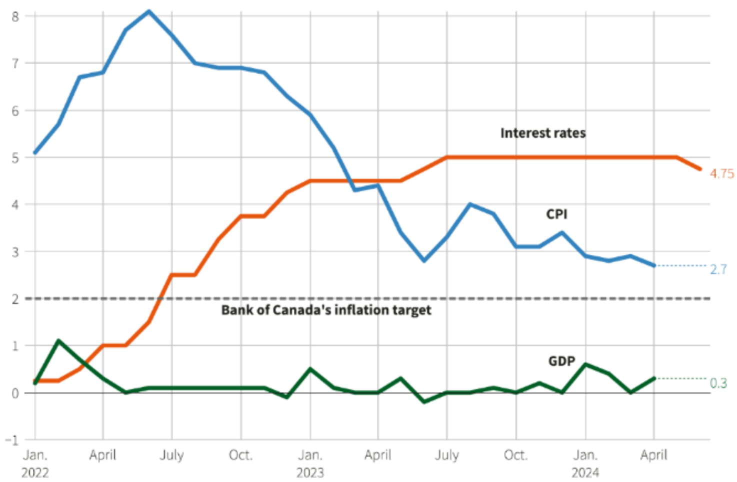
Source: IMD, CMIE, Antique Note: Analysis over 1992-2023 period excluding 2019, 2020, 2021 due to Covid impact

Interest rate scenario

- Canada is the first G7 country to lower its interest rate, reducing it from 5% to 4.75% as inflation eases (Exhibit 5). The European Central Bank (ECB) has also cut interest rates by 25 bps and leading emerging market countries may follow suit. With persistent inflation in the U.S., markets anticipate that the Federal Reserve will cut rates only once this year.
- In the recent RBI policy, while RBI did not cut rates, 2 out of 6 MPC members voted in favor of rate cuts. Most economists expect 2-3 rate cuts in FY25.
- Also, with India's inclusion in Global bond indices, global flow in Indian bonds is likely to be robust. This will help soften yields further. RBI's gigantic dividend of INR 2.1 lakh cr also has an effect somewhat similar to a rate cut on bond yields.

Exhibit 5: Canada

Bank of Canada cuts interest rate by 25 bps to 4.75%



Source: Statistics Canada, Bank of Canada

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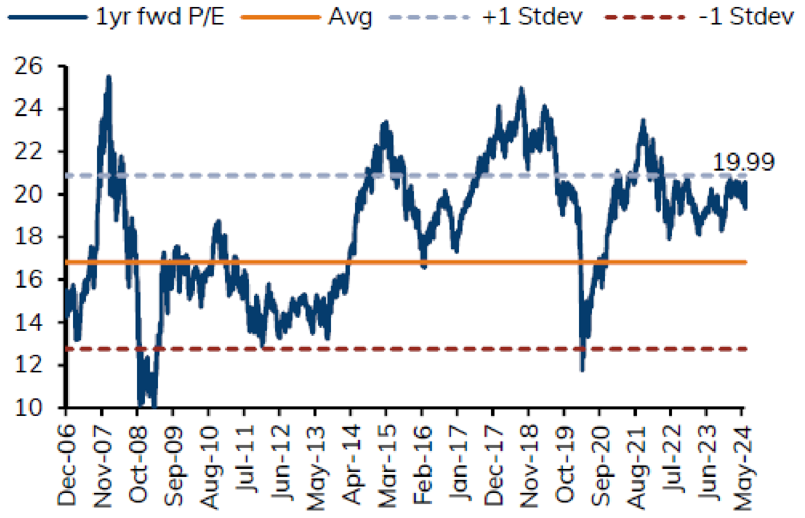
Valuations

- Valuations have been rich and indices trade almost near +1 Std Deviation (Exhibit 6). Hence, it is important to remain watchful and invest in companies that offer durable growth.

Exhibit 6: NIFTY50 forward P/E at 20x



Source: Bloomberg, I-Sec research

Conclusion

- Just to conclude, we believe that the big uncertainty around elections is over. Investors who were waiting for this event to pass will resume their asset allocation towards equities and this can keep the flows healthy.
- Also, the domestic economy seems to be doing fine, particularly the manufacturing sector. While consumption is slow, it may see a pick-up if monsoon is above normal and some populist measures are announced by the new government.
- Globally, interest rates have clearly peaked and have already started to see a decline. This may happen in India too and will be positive for businesses, consumption and markets.
- Volatility has been very high of late. Some of our investments, particularly in the Small Midcaps are a play on policy and reform themes. These stocks took a knock in end-May due to uncertainty around government formation. Fortunately, they have rebounded strongly in the first week of June as the dust has settled.
- We remain watchful of the above developments and continue to remain focused on investing in bottom-up fundamentally sound growth-oriented companies trading at reasonable valuations.

We will be happy to have a quick call with you to discuss your portfolio.

Warm regards,
MoneyGrow Team

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