

Dear Investors,

Greetings!! Our performance as of last month is as follows (Exhibit 1).

Exhibit 1: TWRR Performance (after all fees and expenses) as of 30-Nov-2024

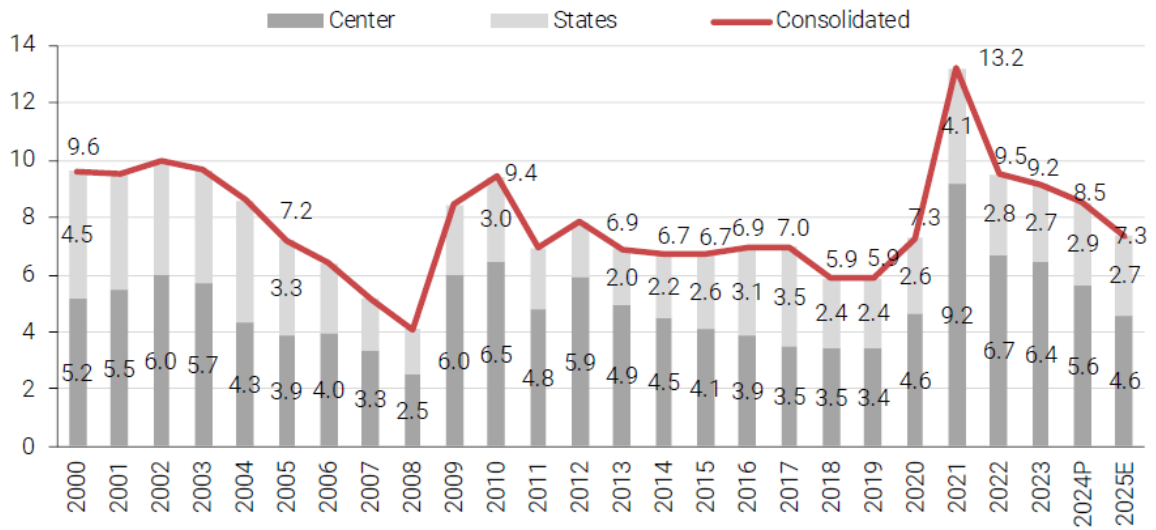
Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception (Annualized)*
Flexicap	11-Apr-23	91	-0.63%	-4.06%	12.38%	27.05%	28.65%
(S&P BSE 500 TRI)			0.06%	-4.44%	7.87%	27.01%	30.69%
(Nifty 50 TRI)			-0.26%	-4.23%	7.79%	21.27%	22.66%
Small MidCap	11-Dec-23	156	-1.32%	-7.88%	43.25%	NA	52.00%
(S&P BSE 500 TRI)			0.06%	-4.44%	7.87%	NA	22.12%
(Nifty 50 TRI)			-0.26%	-4.23%	7.79%	NA	16.44%
Blend	11-Aug-24	4	-2.31%	-9.50%	NA	NA	-7.48%
(S&P BSE 500 TRI)			0.06%	-4.44%	NA	NA	-1.04%
(Nifty 50 TRI)			-0.26%	-4.23%	NA	NA	-0.68%
Other AUM		188					
Total AUM		439					

**Returns for Flexicap are annualized as it has completed one full year. However, returns for Small Midcap and Blend are not annualized as they are yet to complete one full year.*

BJP's victory in Maharashtra signals balancing populism with progress

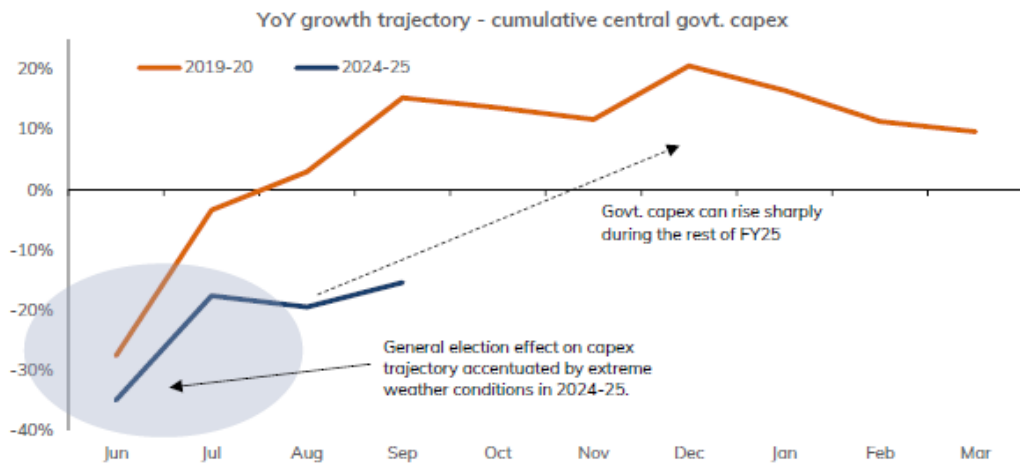
- NDA's resounding victory in Maharashtra state elections highlights how populist schemes (much like UPAs but less onerous on the exchequer) such as direct cash transfers to women played an instrumental role in securing their victory.
- Similarly in Jharkhand, populist schemes helped Hemant Soren-led government to win the election.
- While effective in swaying voters, these populist measures are not fiscally sustainable at the state level (Exhibit 2).
- We anticipate that the Central Government will continue its focus on development initiatives, with an emphasis on ramping up much needed government capex in H2 FY25 (early signs of uptick) to revive growth which got affected due to general elections. In FY20 also, a similar uptick happened in the H2 (Exhibit 3).
- This is particularly crucial as the central government remains behind its FY25 capex targets (Exhibit 4).

Exhibit 2: Increasing populism in States may weaken fiscal position in future



Source: Ministry of Finance, Kotak Institutional Equities estimates

Exhibit 3: Govt. capex could rise in rest of FY25, much like FY20 which was affected by General elections



Source: CEIC, I-Sec Research

Exhibit 4: Govt. capex has been significantly below the target in H1FY25(Rs bn)

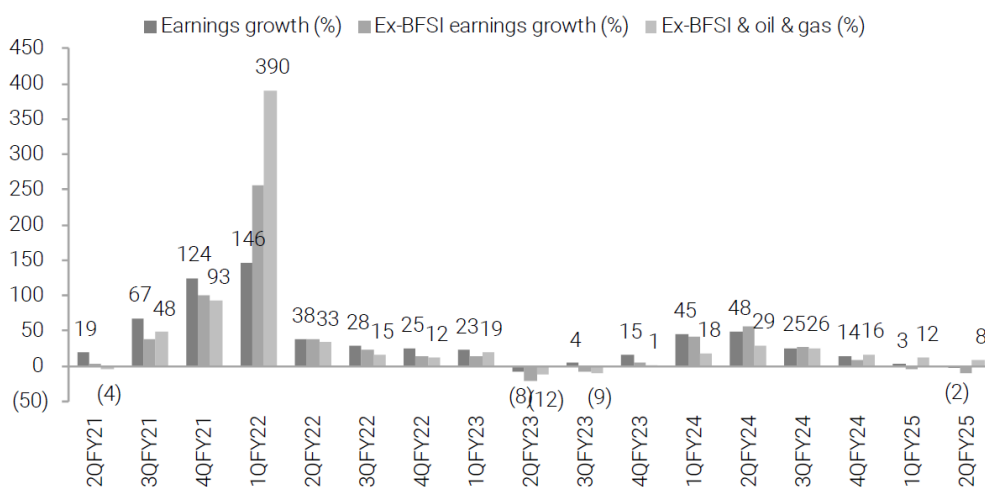
Date	Sep-24	Sep-23	Aug-24	Chg. (%)		FYTD (Apr-Sep)		Chg. (%)
				yoy	mom	2025	2024	
Total receipts	4,198	3,883	1,938	8.1	117	16,370	14,173	16
Total expenditure	4,591	4,474	3,520	2.6	30	21,115	21,191	(0)
Revenue expenditure	3,452	3,306	3,123	4.4	10.5	16,965	16,285	4
Capital expenditure	1,140	1,168	397	(2.4)	187	4,150	4,906	(15)
Fiscal deficit	393	590	1,582	(33)	(75)	4,745	7,019	(32)
Revenue deficit	(689)	(530)	1,210	30	(157)	742	2,314	(68)
Primary deficit	(755)	(578)	860	31	(188)	(405)	2,175	(119)

Source: CEIC, Kotak Institutional Equities

Weak Earnings drive deratings, H2FY25 revival remains a key monitorable

- The current earnings season was marked by poor earnings growth (Exhibit 5), worsening cash flows (Exhibit 6) due to weak consumption demands and low govt capex.
- We are expecting revival in the coming quarters, as consumption grows, and capex starts picking up. Despite weaker results in some holdings, we anticipate a rebound in profitability and growth once the cycle turns around.
- Outlook for private corporate capex remains positive give the rising capacity utilization, high CFO/Capex ratio, low leverage and NPAs. Cycles over the past 4 decades suggest there is enough room to leverage further as current industry credit growth is currently below 1 SD (Exhibit 7).
- Amidst volatile geopolitics, increasing protectionist policies, and heightened uncertainty, near-term challenges are expected. Domestically, while rural distress is showing signs of some improvement, increased provisions by private banks (especially Unsecured and MFI segment) and slowing urban demand leave considerable room for recovery. Government capex will continue to be a key growth driver, as the consumption cycle is likely to take longer to regain momentum.
- In this environment, the focus is on navigating these turbulent waters with a "wait-and-watch" approach, focussing on bottom-up strategies, and maintaining strict valuation discipline.

Exhibit 5: Earnings growth decline in Q2 FY25

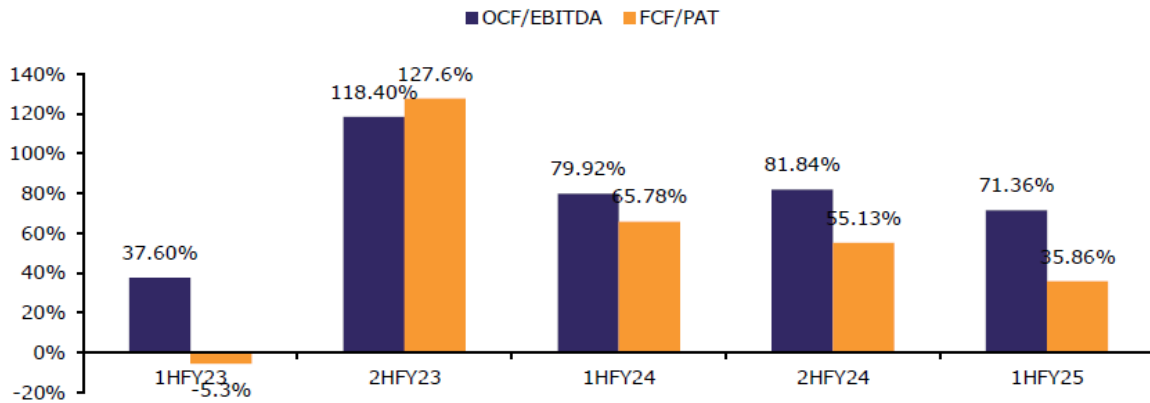


Notes:

(a) We have removed companies where historical data is not available for all the quarters.

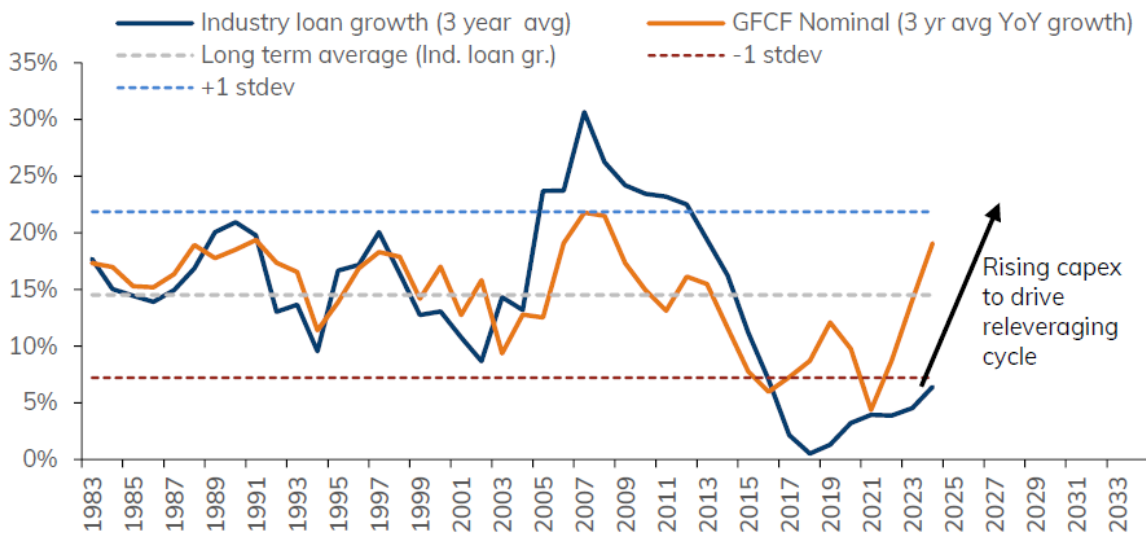
Source: Capitaline, Kotak Institutional Equities

Exhibit 6: Worsening Cash flow ratios



Source: Bloomberg, Emkay Research

Exhibit 7: Going forward significant re-leveraging cycle is possible given the low base



Source: CEIC, I-Sec Research

GFCF- “Gross fixed capital formation”

Geopolitics: Trump’s tariff tantrums, Russia- Ukraine war escalates, Israel-Hezbollah Ceasefire

- Trump's tariff rhetoric towards major trading partners could have far-reaching consequences for global economic growth. The uncertainty surrounding his intentions—whether they are strategic moves to rally his voter base or genuine policy shifts—compounds the unease. His appointments to key positions, echoing his polarizing style, further underscore the unpredictability of his administration’s approach.
- While the Israel-Hezbollah ceasefire offers temporary respite, the Middle East remains a hotspot of volatility. A Trump administration, likely to adopt an even stronger pro-Zionist stance than the Democrats, could inflame regional tensions further. The ongoing polarization over Gaza raises the risk of a broader regional conflict, with implications for oil prices and political stability across the Middle East.

- In the short term, the Russia-Ukraine war may intensify as President Biden seeks to bolster Ukraine's position ahead of a potential Trump presidency. Markets are likely to react negatively to heightened tensions, but Trump's potential return could shift the trajectory. His inclination to press Ukraine for concessions and broker a peace deal might lead to de-escalation, albeit with significant geopolitical compromises.

Conclusion

- The intersection of trade tensions, geopolitical risks, and energy market volatility paints a volatile picture for the markets in the near term.
- On the domestic front, we anticipate a significant uptick in the Government capex, which could act as a growth trigger in the second half of the year. Our focus remains firmly on bottom-up strategies and strict valuation discipline.
- While consumption growth remains subdued across both urban and rural areas, we expect the cycle to recover within the next 2-3 quarters. However, the short-term outlook remains sluggish.

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

Also, we really appreciate the references you have shared thus far and would request you to continue to remain generous in sharing more references.

Warm regards,
MoneyGrow Team

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