

Dear Investors,

Happy New Year Greetings to you! Our performance as of last month is as follows (Exhibit 1).

Exhibit 1: TWRR Performance (after all fees and expenses) as of 31-Dec-2024

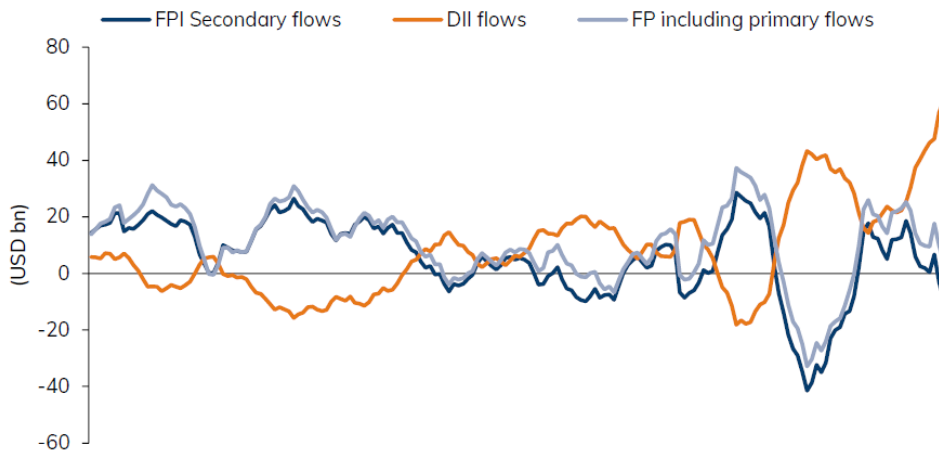
Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception (Annualized)*
Flexicap	11-Apr-23	89	-2.04%	-7.90%	1.21%	18.22%	25.56%
(S&P BSE 500 TRI)			-1.50%	-7.79%	-0.74%	15.81%	27.86%
(Nifty 50 TRI)			-2.02%	-8.25%	-1.08%	10.09%	20.02%
Small MidCap	11-Dec-23	153	-2.23%	-7.38%	17.47%	52.61%	45.33%
(S&P BSE 500 TRI)			-1.50%	-7.79%	-0.74%	15.81%	19.06%
(Nifty 50 TRI)			-2.02%	-8.25%	-1.08%	10.09%	13.25%
Blend	11-Aug-24	5	-2.35%	-10.23%	NA	NA	-9.66%
(S&P BSE 500 TRI)			-1.50%	-7.79%	NA	NA	-2.52%
(Nifty 50 TRI)			-2.02%	-8.25%	NA	NA	-2.69%
Other AUM		186					
Total AUM		433					

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

Cautious outlook for next few months

- 2024 was a volatile year, with NIFTY returns of just about 10%. The weaker returns can be pinned on slower government spending (thanks to elections and direct cash transfer schemes), shaky geopolitics, and FPIs cashing out (Exhibit 2).
- Earnings growth has also taken a hit, mainly because of sluggish consumption. Reports suggest urban demand is slowing down, though rural consumption seems to be picking up.
- A pickup in government and private capex could really give consumption the boost it needs. (Exhibit 3 and 4)
- Banks also seem to be hitting the bottom of the NPA cycle (Exhibit 5), and we expect that a re-leveraging phase will kick in as the capex cycle gains steam (Exhibit 6).
- Trump’s tariff drama could be a major headache for investors and could test Indian companies, especially in IT and Pharma. That said, India should be less affected than China or Mexico. For now, it’s a wait-and-watch game—too risky to make assumptions with Trump running the show.

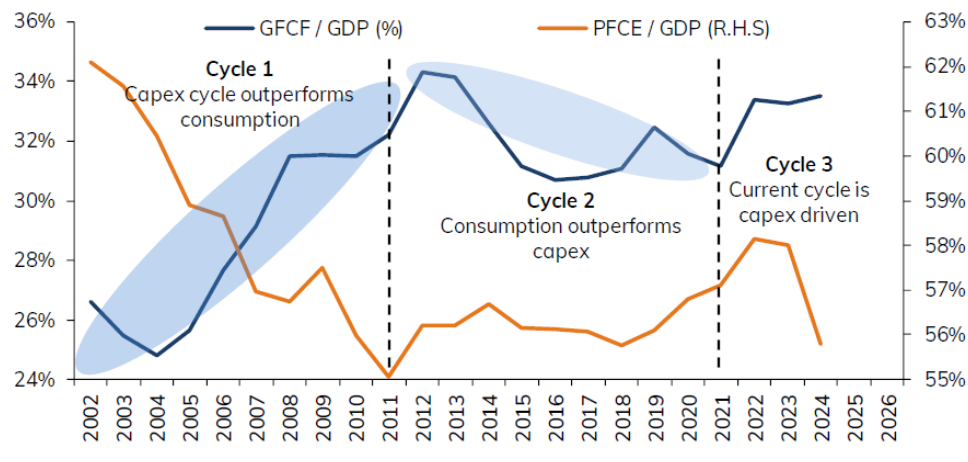
Exhibit 2: FPIs outflow has been absorbed by DIIs due to high Inflows*



*12-month cumulative flows (FPI and DII secondary market flows)

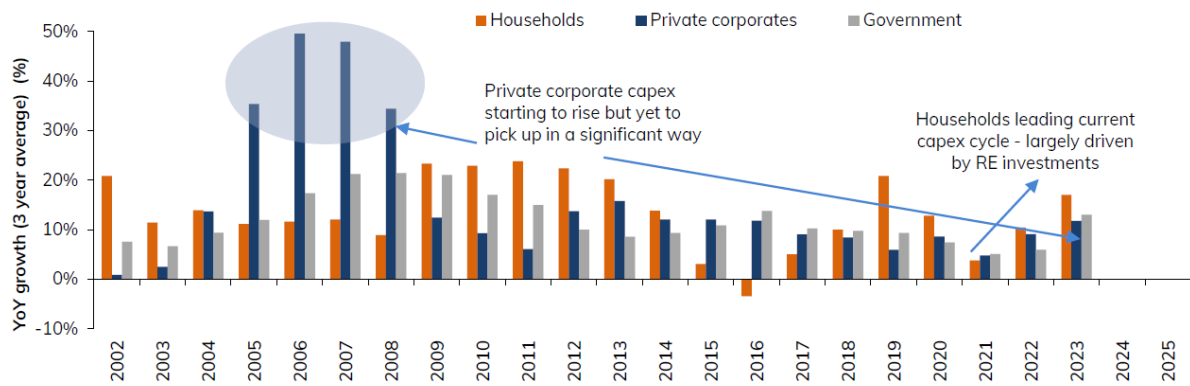
Source: Bloomberg, I-Sec research

Exhibit 3: Current cycle is capex driven; consumption should pick up in the coming years



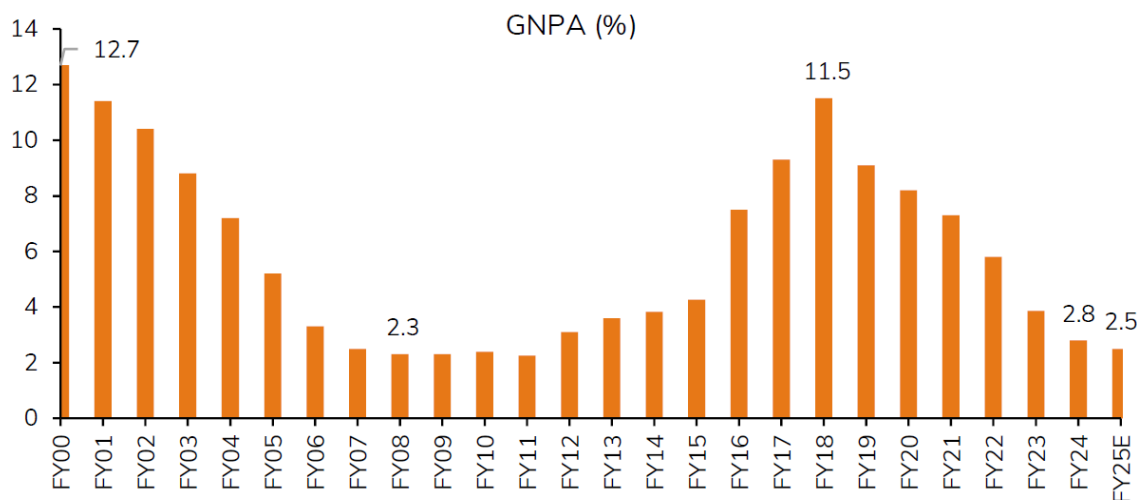
Source: CEIC, I-Sec research

Exhibit 4: Post-pandemic growth in GFCF has been driven by RE investments by households



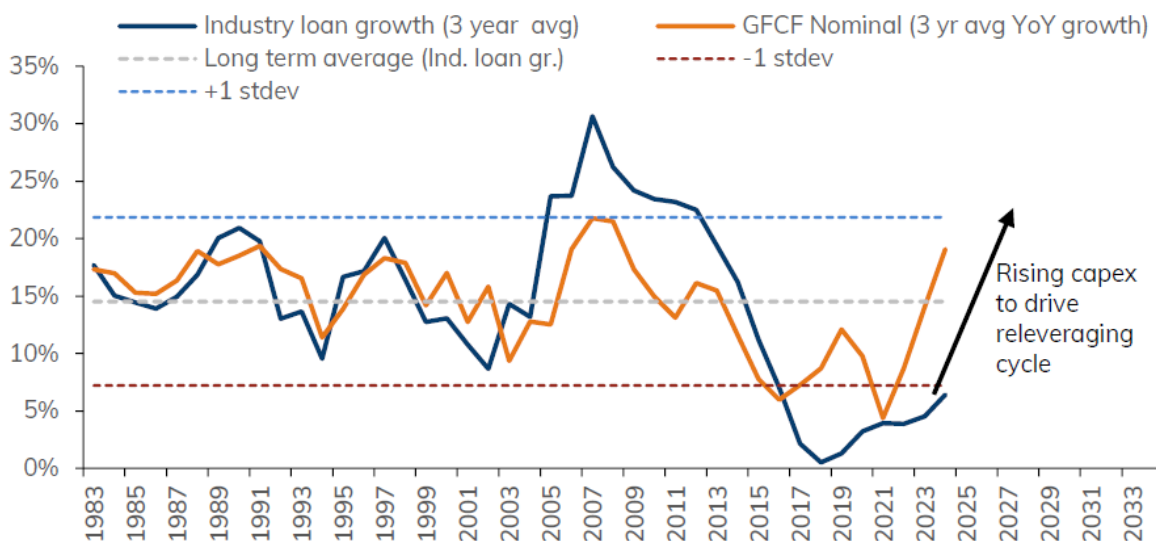
Source: CEIC, National Accounts Statistics, I-Sec research

Exhibit 5: NPA cycle to a cyclical low



Source: RBI, I-Sec research

Exhibit 6: Rising capex should drive re-leveraging cycle given the low base

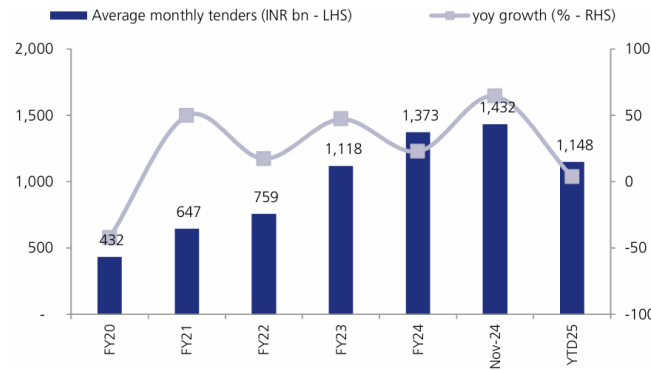


Source: CEIC, I-Sec research

Pick-up in Capex: Scope for H2 Revival

- Government capex appears to be gaining momentum, with tendering activity in November 2024 surging 65% YoY to INR 1.43tn (Exhibit 7), driven by Highways and Infrastructure.
- Key segments such as Telecom and Power saw significant traction, highlighted by notable orders worth INR 275bn secured by L&T in MP and Bihar.
- These trends indicate a potential revival in H2, with government capex and tendering activities emerging as critical indicators to track in the short term, especially as near-term consumption recovery remains uncertain.

Exhibit 7: Tendering activity up by 65% YoY in Nov 24.

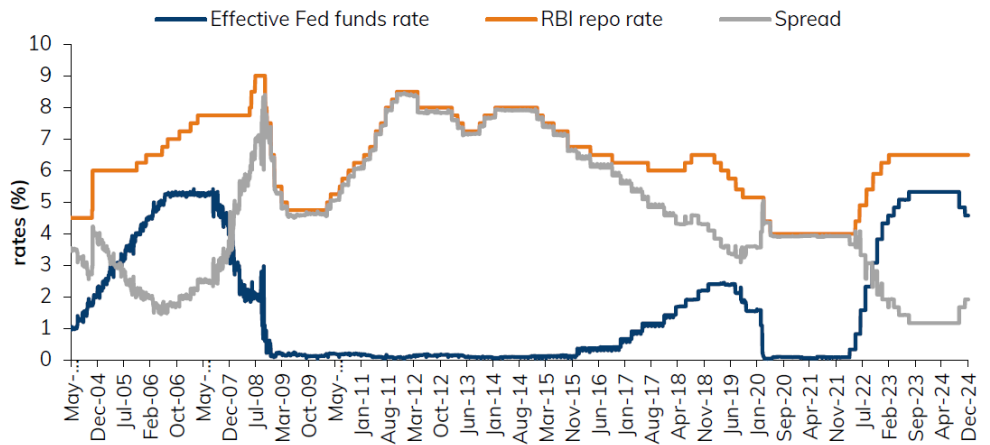


Source: Project Today, Graphics by JM Financial

US Fed signals fewer rate cuts; India rate cut may be delayed

- The US Federal Reserve in its Dec 24 policy, revised up the PCE inflation projections driven by elevated inflation readings and potential impact of Trump’s tariff policies.
- Interest rate cuts in India may be delayed as interest rate over the US remains the lowest in recent years (Exhibit 8).

Exhibit 8: Spread between US Fed Rate and RBI Repo near low level



Source: Bloomberg, CEIC, I-Sec research

Conclusion

- We remain bullish over the medium term because we feel that recent correction has made valuations more reasonable. However, near term, there is policy uncertainty emanating from US and this could create volatility in global equity markets. In the coming months- key catalysts are going to be pickup in capex and potential consumption recovery.

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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