An India focused Large Cap AIF CAT III

Monthly Performance of Indices

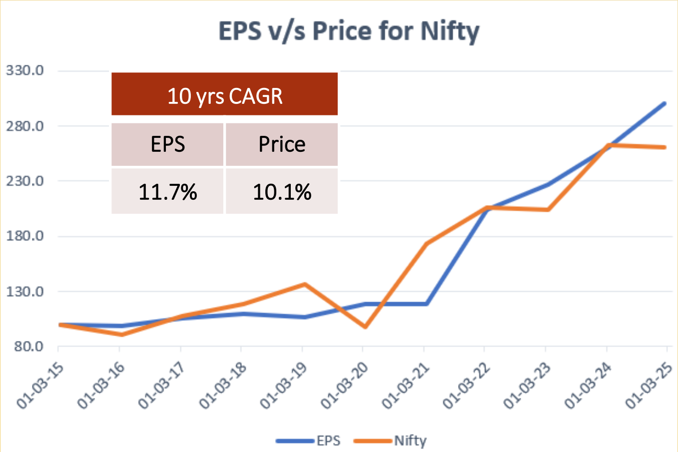
Nifty : 22124.70 (-5.89%)

Sensex : 73198.10 (-5.55%)

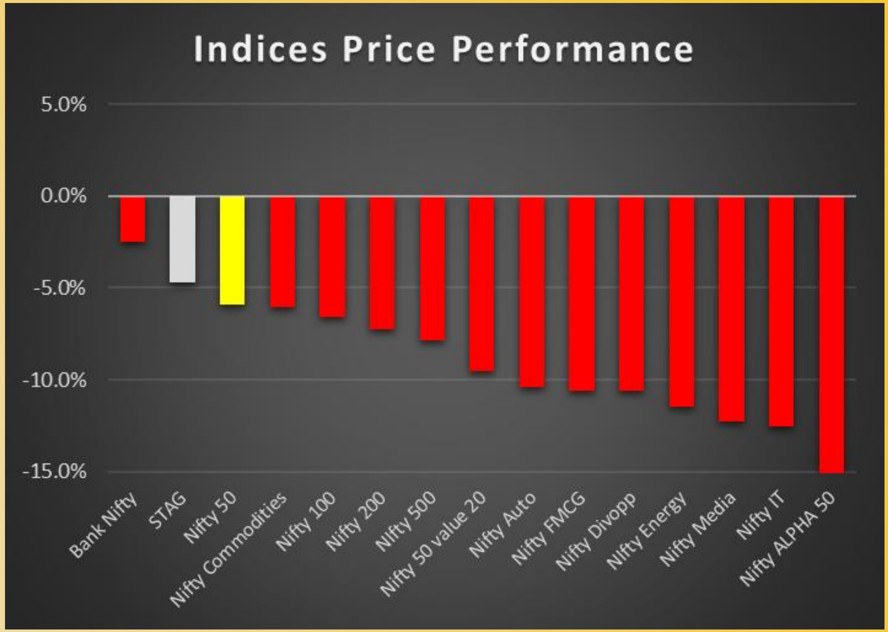
06th Mar 2025

Dear Investors,

- The current state of the market is best described as perplexing. The continued declines in January and February lack any real fundamental backing, especially when it comes to large-cap stocks. The drop we saw from October to December could be explained by factors like an economic slowdown, global macro concerns, and the US elections. However, the persistent fall in January and February doesn't seem to align with any of these reasons. In fact, it's hard to attribute this decline to any specific cause—there's no unwinding of leverage or significant institutional selling. It seems more like a lack of buyers, which is reflected in the low volumes.
- In times of panic, we usually see selling pressure, a reduction in leverage, and a sharp increase in implied volatility. While the price correction suggests some form of panic, the data doesn't support this. There's no spike in volatility or accelerated selling by institutions, which makes it difficult to predict when the trend will shift. All I can say for now is that when the trend does reverse, large-cap stocks will likely see a sharp bounce due to the significant margin of safety in these names.
- At the current Nifty level of 22,500, we're trading at a 22x current PE, which places us at the lower end of the historical PE range over the last decade. In fact, Nifty's IRR is now lower than the earnings growth we've seen over the past ten years, indicating that there's a healthy margin of safety. The valuation looks attractive, and whenever the market does change direction, large-caps are poised to recover sharply



- In fact, over the last two months, global equities and macro factors have turned positive. With crude prices lower, both the Indian markets and the INR continue to be in a bearish trend. This is something we've only seen when there have been India-specific issues, which is clearly not the case here. Therefore, it's tough to pinpoint a reason for this divergence.
- In CY25, the DXY has corrected by 4.0%, the Dow is up by 1.5%, the KOSPI is up by 7.4%, and US 10 yr bond yields have corrected by 30bps. Historically, such macro movements tend to lead to an upside in Indian markets, but surprisingly, we are down. We believe the biggest reason for this is a lack of confidence among investors in the market's texture.
- So, the pertinent question remains: What should investors do? and how and when will this reverse?
- For the reversal, buyers need to return. For that to happen, the market's texture needs to change. What are the signs of a change in texture?
  - FII buying
  - A decrease in futures OI
  - Stronger earnings
  - Improving global macro conditions
  - Global risk-on sentiment
- We believe that when the market is driven by liquidity, finding the top or bottom is a futile exercise. If you have a 1- to 2-year view, we are more than confident that we can deliver 25% or more in returns through earnings and multiple growth. But can you get a better entry point? This is something we're not in a position to comment on.



Stock	Stock
Structural	
ICICIBANK	ZOMATO
MARUTI	CHOLAFIN
SBIN	TATAPOWER
BHARTIARTL	TATAMOTORS
RELIANCE	
Medium Term	
BANKBARODA	UNITDSPR
AMBUJACEM	
Momentum	
AXISBANK	INDIGO
Contra	
JUBLFOOD	JIOFIN

- Coming to fund performance, February was another tough month for us, with the fund down 5.6% at the gross level, compared to the Nifty being down 5.9%. The table highlights the key winners and losers for the month and since inception.
- At the portfolio level, there was no major change as earnings were mostly in line, except for a couple of names. We did a deep-dive analysis on our portfolio stocks and the market, which we released on 19-02-25. The correction has presented us with an opportunity to look at some stocks for addition to the portfolio, and hopefully, we can find a couple of actionable ideas.
- Meanwhile, nothing has changed in terms of our confidence in the earnings CAGR for the portfolio stocks. We see this as a cyclical phase of the market, and we expect enough action from the Government and the RBI to boost liquidity and the economy, getting it back on track.
- If we look at the performance of major indices, it is evident that the fall is more pronounced in the broader market and is more stock-specific. The sectoral indices' performance confirms our view that large-caps offer the best risk-reward profile
- Technically, the market has multiple supports between 21,800 to 22,000, and if we can hold on to these levels, we could slowly see confidence returning to the market

Since Inception Returns

Gainers		Losers	
Stock	Returns	Stock	Returns
JUBLFOOD	12.70%	JIOFIN	-41.72%
ZOMATO	12.60%	TATAMOTORS	-34.80%
BHARTIARTL	7.58%	BANKBARODA	-29.86%
INDIGO	5.95%	AMBUJACEM	-29.24%
UNITDSPR	0.60%	TATAPOWER	-21.52%
		RELIANCE	-21.12%
		AXISBANK	-20.99%
		SBIN	-18.52%
		NIFTY	-7.31%
		MARUTI	-2.07%
		CHOLAFIN	-2.06%
		ICICIBANK	-1.14%

Monthly Returns

Gainers		Losers	
Stock	Returns	Stock	Returns
CHOLAFIN	8.94%	JIOFIN	-14.09%
INDIGO	3.54%	TATAMOTORS	-13.33%
AXISBANK	2.99%	JUBLFOOD	-11.05%
ZOMATO	0.79%	SBIN	-10.88%
		UNITDSPR	-9.80%
		AMBUJACEM	-9.33%
		BANKBARODA	-7.65%
		TATAPOWER	-6.94%
		NIFTY	-5.89%
		RELIANCE	-5.14%
		ICICIBANK	-3.89%
		BHARTIARTL	-3.45%
		MARUTI	-2.96%