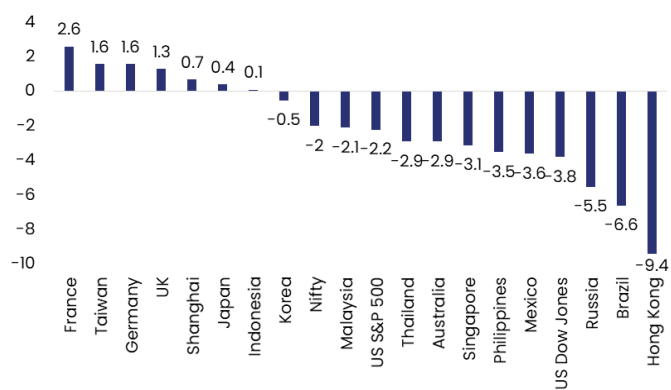


Market Update

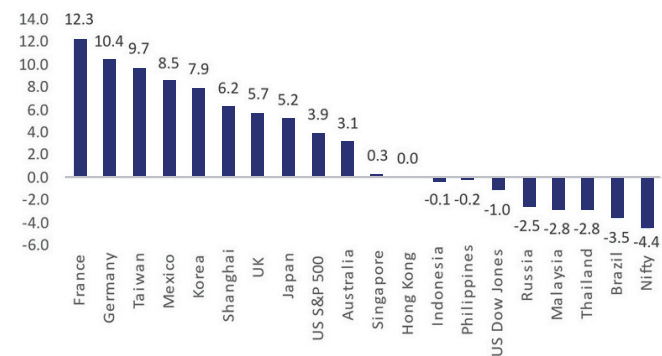
Global markets started the month of February 2023 with continuation of optimism from the previous month. However, risk off set in as the markets started to re-price the peak Fed rate higher after the recent inflation surprise. Most equity markets ended in the negative for the month, with Hong Kong and Nasdaq being the weakest. In India, NIFTY50 too was down by 2.0% accompanied by broader markets, with both BSE Midcap and Small Cap 250 indices being down 2.0% and 2.9% respectively. Despite a very good- and forward-looking finance budget presented by the Finance Minister, concerns over the collateral damage caused by sharp fall in Adani group stocks led to cautiousness and nervousness among investors. FIIs continued to be sellers of Indian equities to the tune of ~USD 682 mn while DIIs continues the trend of absorbing the FII outflows by pumping in another USD 2.3 bn.

1 Month Performance of NIFTY50 Index versus global indices (%)



Source: Bloomberg, Kotak. As on Feb 28 2023, returns in LCY

YTD Performance of NIFTY50 Index versus global indices (%)



Source: Bloomberg, Kotak, As on Feb 28 2023, returns in LCY

On the economy front, Indian GDP grew 4.4% in Q3 FY23 mainly due to a contraction in the manufacturing sector. The February RBI MPC hiked the repo rate by 25 bps. On the global front, US 10-year G-Sec yields rose back to ~3.94% on increasing concerns of inflation.

US 10 Year G-Sec Yield (%)



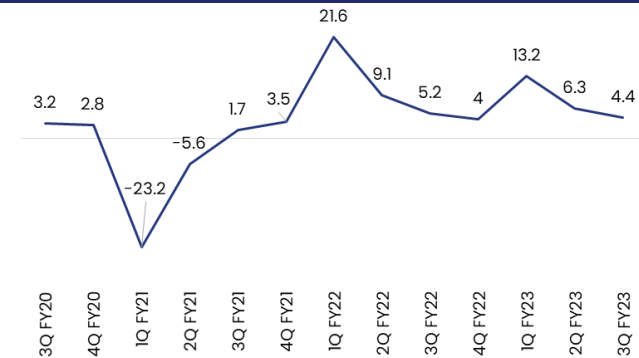
Source: Bloomberg

India 10 Year G-Sec Yield (%)



Source: Bloomberg

India's Real GDP growth (%YoY)

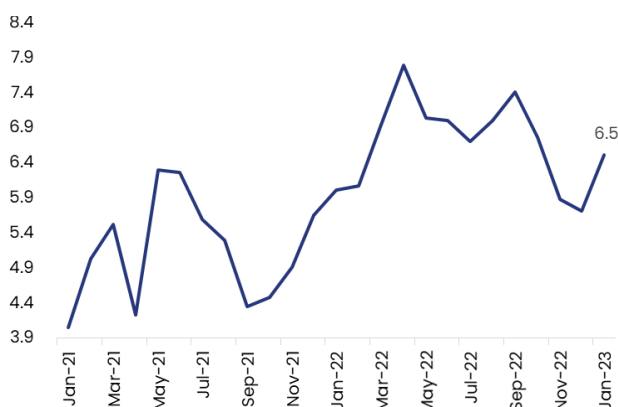


Source: Bloomberg

January'23 CPI inflation increased to 6.5% from 5.7% in December'22. WPI inflation eased to a 2-year low with January'23 print at 4.7% vs 4.9% in December'22. December'22 IIP grew by 4.3% y-o-y versus 7.1% in November'22. The core sector growth rose to 7.8% in January'23 as against 4.0% in the same month last year.

FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index FII: Foreign Institutional Investors, GST: Goods & Services Tax, DII: Domestic Institutional Investors Fed: US Federal Reserve, IIP: Index of Industrial Production, GSec: Government of India Dated Securities, GOI: Government of India, FDI: Foreign Direct Investment, CAD: Current Account Deficit, YTD: Year To Date, CY: Calendar Year, WTI: West Texas Intermediate, UPI: Unified Payments Interface. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 month lag
Source: NSDL, PTI, ANI, Bloomberg, BSE, NSE, Abakkus Estimates, RBI

India - CPI Inflation (%)



Source: Bloomberg

PMI reading for February'22 little changed to 55.3 from 57.4 in January'22, signaling a strong improvement in the health of the sector. The GST collections continued to be strong in February'23 rising 12% YoY to INR 1.5 lakh crore. Brent crude was hovering around USD 83.5/bbl. INR was also stable and closed at 82.6.

Quarter results update

Q3FY23 was a tepid quarter with NIFTY50 earnings rise 12% YoY led by the BFSI sector. Investment-led sectors such as capital goods and cement posted a healthy topline while consumption-driven sectors such as FMCG and durables found their pricing abilities put to the test. BFSI had a good quarter with margin expansion and improved asset quality. Exports were steady in both services and manufacturing sectors led by tier-I IT and electronics manufacturing services (EMS) players, though the pharma sector saw continued generics price erosion in the US.

Market Outlook:

The month of February witnessed many headwinds and led to general risk-off for global equity markets. Indian markets also witnessed nervousness with broader markets seeing sharp corrections. However, on multiple parameters there is now reason to be optimistic.

The sharp fall in Adani group stocks led to concerns of collateral damage on banks and generally on the perception of Indian economy. However, there seems to be little reason to doubt on the serviceability of debt by the group as most borrowings are backed by profit generating assets. The secondary market fund raising of USD 2 bn by promoters has eased the nervousness to a large extent with group stocks recovering sharply.

Recent economic data points from US and other major economies are showing that global growth remains steady so far. While in China economic activity (PMIs, home sales, travel) has rebounded sharply post the reopening of the economy, in the US, labour market strength is supporting domestic demand. Globally, lower commodity prices are translating into lower input costs which in turn is helping in cooling inflation down. However, the pace of moderation is weaker in US than earlier anticipated. Core inflation also remains sticky in both US and Europe. This is likely to put pressure on central banks to keep rates elevated for long. However, we believe that inflation will cool off sharply by mid-2023 and ease the upward pressure on interest rates.

Rural economy and domestic agri industry is positioned to benefit from a bumper rabi crop (output up by 6% YoY) coupled with stable crop prices (wheat up 20% YoY) leading to strong cash flows for farmers. There is fear of poor monsoon emanating from potential El-Nino conditions. However, reservoir level remains above the ten-year average (all India level) and with farmers entering kharif season with solid cash flows, impact on overall rural / Tier 2 demand should not be material.

Last couple of quarters quite a few sectors faced headwinds, due to sharp volatility in input prices as also the impact of higher energy and freight costs. However, all these cost headwinds: input, energy, and freight; have subsided meaningfully and we expect margins to start improving from March 2023 quarter and fully normalizing in the June 2023 quarter. This should lead to earnings growth trajectory for Indian corporates trending back to 15%+ annually.

There have been no returns delivered by Indian equities over the last 18 months. This, along with the almost 25% growth in earnings during that period, has led to the valuations of Indian markets come almost to 10-year trend. NIFTY50 now trades at ~18x FY24 and ~16x FY25 earnings, providing opportunities to generate decent returns. The sharp fall in broader markets have also opened-up avenues to generate alpha over the market returns through investing in the less obvious names.

We are now very constructive and believe that the next two years can be good period for investors in Indian equities.

Abakkus All Cap Approach

PMS Strategy

Abakkus
Believe in the Basics

March 2023

Portfolio Update

The portfolio fell in line with the markets in a very challenging month. Portfolio is down only 3.2% in 2023 YTD vs 6.4% for the benchmark. Since inception, it is up 82%, almost twice that of the benchmark indices. There was no major change in the portfolio during the month. Broadly the portfolio is positioned to benefit from domestic demand, reviving capex and credit growth. Going ahead our focus will remain on staying invested in stocks/sectors where there is earnings growth visibility along with rational valuations.

Portfolio Performance as on February 28, 2023

Period	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (%)	Since Inception CAGR (%)	Since Inception Absolute (%)	FY22 (%)	FY23 YTD (%)	CY23 (%)
Abakkus All Cap Approach	(3.3)	(3.5)	3.6	3.3	17.7	29.2	81.8	38.4	(1.4)	(3.2)
S&P BSE MIDCAP	(2.0)	(6.9)	(4.9)	3.4	10.0	23.3	62.1	19.5	0.2	(4.6)
S&P BSE 200	(3.0)	(9.4)	(5.8)	1.4	8.8	18.6	49.7	19.9	(2.5)	(6.4)
NIFTY50	(2.0)	(7.8)	(2.6)	3.0	9.1	18.1	48.6	18.9	(0.9)	(4.4)

**Unaudited Performance data for Portfolio Manager and Investment Approach provided hereunder is not verified by any regulatory authority and Past performance may or may not sustain in the future. The performance is based on TWRR as on February 28, 2023. Inception Date is October 29, 2020. As per SEBI guidelines, returns are net of all expenses and investor returns may differ, based on their period of investment, fee structure and point of capital flows.

Top 10 Holdings as on February 28, 2023*

POLYCAB INDIA LIMITED	HCL TECHNOLOGIES LIMITED
IIFL FINANCE LIMITED	SUN PHARMACEUTICAL INDUSTRIES LIMITED
ICICI BANK LIMITED	UPL LIMITED
AXIS BANK LIMITED	ADITYA BIRLA CAPITAL LIMITED
STATE BANK OF INDIA LIMITED	MAX FINANCIAL SERVICES LIMITED

*The current portfolio holdings may or may not be a part of the future portfolio Holdings and may or may not be a part of all client portfolios.

e=estimated

About Us

Abakkus Asset Manager LLP ("Abakkus") is registered as a Portfolio Manager with SEBI under SEBI (Portfolio Managers) Regulations, 2020 as amended from time to time and the Circulars and Guidelines issued there under from time to time vide SEBI Reg. No.: INP000006457 dated March 14, 2019 and as an Investment Advisor under SEBI (Investment Advisors) Regulations, 2013 as amended from time to time and the Circulars and Guidelines issued there under from time to time vide SEBI Reg. No.: INA000015729 dated February 03, 2021.

Abakkus is also the Investment Manager to Abakkus Growth Fund, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/18-19/0550 dated June 05, 2018, India-Ahead Venture Trust, a SEBI registered Category I AIF vide SEBI Reg. No.: IN/AIF1/21-22/0976 dated January 25, 2022 and India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022, under SEBI (Alternative Investment Fund) Regulations, 2012 as amended from time to time and the Circulars and Guidelines issued there under from time to time collectively referred as the SEBI Registered Intermediary.

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You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/> for detailed disclosures.

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You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/>

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