

Monthly Communication

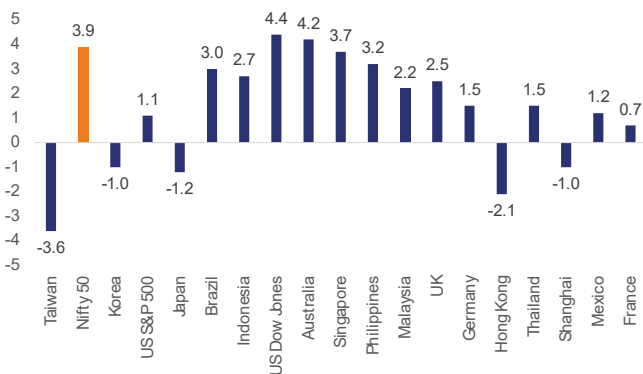
August 2024



Market Update

July 2024 was an eventful and volatile month for Indian equities. We started the month amidst uncertainty on the first budget of the third term of Modi government. There were concerns that the budget could sway more towards populism given the lower mandate, which led to some profit booking ahead of the budget speech. Though there was a hike in capital gains tax that caused initial jitters, continuity in fiscal prudence path and a pro-growth stance soothed the investors nerves. Markets finally ended the month on a new record high, rising 4% in the month of July. Broader markets outperformed with mid-cap and small-cap indices gaining 5.8% and 4.5%, respectively. Foreign Portfolio Investors (FPIs) bought US\$3.7 billion (until Jul 30) of Indian equities in the secondary market, whereas Domestic Institutional Investors (DIIs) bought US\$2.8 billion (until July 31).

Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 31st July 2024 in local currency)

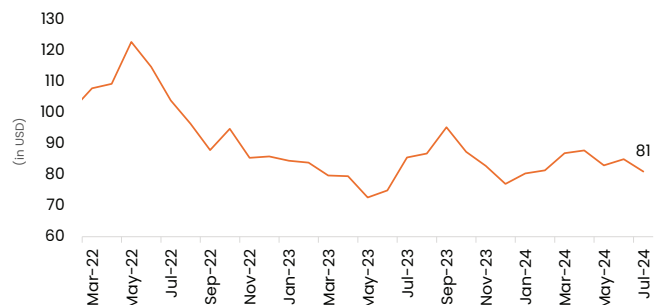
Keeping with the concept of “Viksit Bharat,” the finance minister Nirmala Sitharaman unveiled a growth-oriented budget that prioritized continuity, ease of doing business, streamlining tax laws, developing infrastructure, and making India a hub for global manufacturing. Despite the burden of coalition politics, the Government, from a policy perspective, communicated through this Budget that it would remain committed to its key areas of focus and exercise fiscal restraint. The budget continues with the agenda of GDP growth, infrastructure spending, thrust on manufacturing, agriculture efficiency improvement, and enhancing employment. The Budget struck a sensible balance between capital spending, fiscal restraint, and welfare. Individual tax rates were slightly adjusted and capital gains taxes were streamlined for all asset classes. Slight increase in capital gains tax on listed equities is a mild negative but at the same time capital gains tax on unlisted equities, real estate, and other asset classes should balance a diversified investors tax burden.

Macro Update

On the economy front, CPI inflation in June increased to 5.1% from 4.8% in May due to a spike in vegetable prices. WPI inflation in June increased to 3.4% from 2.6% in May. IIP growth in May was at 5.9% compared to 5% in April. The trade deficit narrowed to \$20.98 billion in June as compared to a

seven-month high of \$22 billion in May but widened from the \$19.2 billion in June last year. India’s Gross GST revenues hit a record high of Rs 2.10 trillion in April 2024, the previous high was on April 2023 when it was Rs 1.87 trillion. At Rs 1.82 trillion, collection in July 2024 is the third highest ever. India 10-year G-sec yield ended the month at 6.92%. The INR for the month was stable and closed at ~83.7. Brent crude price up to USD 81.00 per barrel in the month of July’24.

Brent Crude



Source: Bloomberg

Market Outlook

With the budget event behind us, there are no near term monitorable’s and the ongoing result season is the only monitorable. Monsoons rains seem to have picked up well and as seen regularly it’s quite scattered with some areas getting flooded. Overall this is good news for the argi sector and bodes well for the rural demand which is expected to pick up in the second half of the year.

As we have highlighted in the past we continue to believe that risks to Indian equities lies more in global factors vs local. On this front we have seen recent volatility on account of the sharp move in Yen currency post the rate hike by the Japanese central bank. Adding to this is the rise in geopolitical tensions within middle east and the event of USA presidential elections. Sharp currency moves impact global liquidity flows along with sentiment. The recent move in Yen is bound to have an impact on the Yen carry trade where investors borrowed cheaply in Yen and invested in high yielding markets including USA treasuries. While we expect Indian markets to outperform on a relative basis, any correction globally while have an absolute impact here. We will remain watchful and will look to deploy the cash if markets gives an good entry opportunity.

The broader markets have once again seen a lot of interest and it is reflected in the mid-caps and small caps doing very well. There is no doubt that valuations in quite a few segments have shot up to much beyond the historical averages. This has reinforced our time-tested philosophy of risk reward equation, fundamental focused and most importantly valuation focused approach to investing. Though tougher, we do see pockets of opportunities in broader markets even now. Our long-term positive stance on Indian equities continues, though, return expectations going forward must be reasonable. Hyped sectors and momentum plays are best avoided, even if it means letting go of perceivable short-term gains.

Abakkus Diversified Alpha Approach

PMS Strategy

Abakkus
Believe in the Basics

August 2024

Portfolio Update

The Portfolio continues to focus on our core philosophy of fundamental based investing. The month of July saw gains with returns of 2.6%, slightly lower than the benchmark despite not chasing momentum. We have been building the portfolio gradually and despite having significant cash, the fund has delivered 16.5% absolute returns since inception. We are comfortable with the existing portfolio and do not see any need to change majorly post budget. We are looking forward to deploying the cash held in the near term.

Portfolio Performance as on July 31, 2024 (in INR)

Period	1 Month (%)	3 Months (%)	6 Months (%)	FY25 YTD (%)	Since Inception Absolute (%)
Abakkus Diversified Alpha Approach	2.6	9.6	15.8	14.9	16.5
BSE 500 TRI	4.4	12.7	19.6	16.6	19.1

**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 July 31, 2024. Inception Date is August 26, 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 5 Sector Classification as on July 31, 2024

Sector	Asset %
BANKS	17.2
NBFC	15.6
TELECOMMUNICATION	7.2
COMMODITIES	6.9
HEALTH CARE	5.1

Securities/sectors quoted are for illustration only and not recommendatory. The sectors are classified as per internal classification.

Top 10 Holdings on the basis of Asset %*

NTPC LIMITED	HDFC BANK LIMITED
LARSEN AND TOUBRO LIMITED	360 ONE WAM LIMITED
PNB HOUSING FINANCE LIMITED	CANARA BANK
STATE BANK OF INDIA	AXIS BANK LIMITED
BHARTI AIRTEL LIMITED	INDUS TOWERS LIMITED

Data as on July 31, 2024. *The current portfolio holdings may or may not be a part of the future portfolio holdings and may or may not be part of all client portfolios.

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, India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022, Abakkus India Equity Trust, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/23-24/1326 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.

The branch office of Abakkus situated at IFSC-GIFT City is registered with the IFSCA as Registered FME (Non-retail) (IFSCA/FME/II/2022-23/041) under IFSCA (Fund Management) Regulations, 2022.

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Abakkus operates from within India and is subject to Indian laws and any dispute shall be resolved in the courts of Mumbai, Maharashtra only.

Alternative Investment Fund

As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at <https://www.nseindia.com/products-services/aif-benchmark-report> & <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html>

Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600
For Queries/Grievances -
Email – complianceteam@abakkusinvest.com

Portfolio Management Services:

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

As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepape>

Principal Officer and Compliance Officer Details under PMS:

Principal Officer: Mr. Aman Chowhan, Tel: 022-68846600
Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

Investment Advisory Services:

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

Principal Officer and Compliance Officer Details under IA:

Principal Officer: Mr. Biharilal Deora, Tel: 022-68846600
Compliance Officer: Mr. Lijo Varghese, Tel: 022-68846600

Contact Us:

Website: www.abakkusinvest.com
Email: info@abakkusinvest.com
Tel: 022-68846600

Corporate and Registered Address:

Abakkus Corporate Center, 6th Floor, Param House, Shanti Nagar, Near Grand Hyatt, Off Santacruz Chembur Link Road, Santacruz East, Mumbai – 400055.
LLPIN: AAM-2364;