Issue 37 | September, 2023

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KNOW THE NOW

NOW WHAT?

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Investment Commentary

Now What?

In This Month's Commentary...

The Rally in Mid and Smaller Caps?

Is our old friend "irrational exuberance" back? Are mid and smaller caps topping? We dig into the data to get to an answer

Asset Allocation Performance

We share asset class performance across indices, sectors and thematic strategies

Strategies to Enhance Portfolio Returns

We share strategies to enhance portfolio returns, and review the changing character of risk and volatility

Market Outlook

We share our outlook for equities and style preferences

Authored by:

SUNIL A SHARMA
Chief Investment Strategist

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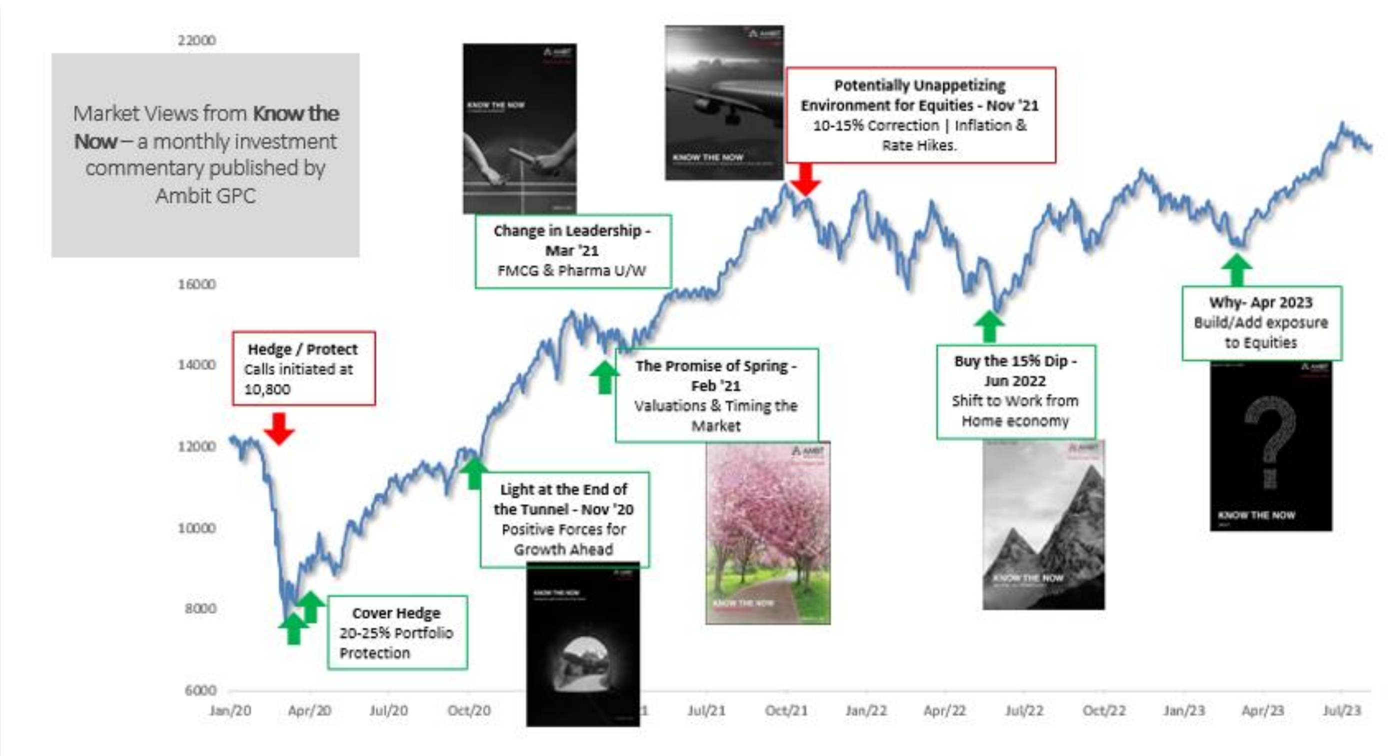
Key Calls from Past Commentaries

- Hedge in March 2020, Exited Hedge at the Bottom
- Neutral Summer 2020
- Bullish Fall 2020 – Nov 2021
- Cautious Nov 2021 – Expected a 10-15% Correction
- Bullish in June 2022, Reiterated in March 2023

Know the Now - Equity View - Timeline



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Is Irrational Exuberance Back?

Have mid & small caps run too far, too fast? Are markets behaving irrationally?

There has been concern of late that the historic rally in mid and small caps is overdone, and irrationally exuberant.

Mid & Small Have Delivered Stellar Performance

We start by noting the stellar performance delivered by mid and small cap indices, up 29% and 31% YTD, and the wide dispersion in returns across equities. However, neither is the top performing index (table below). That honor belongs to the Nasdaq 100 and NYSE Fang indices, which are up 41% and 77% YTD, as of this writing. Where one is allocated has mattered this year. Let's look at valuations next.

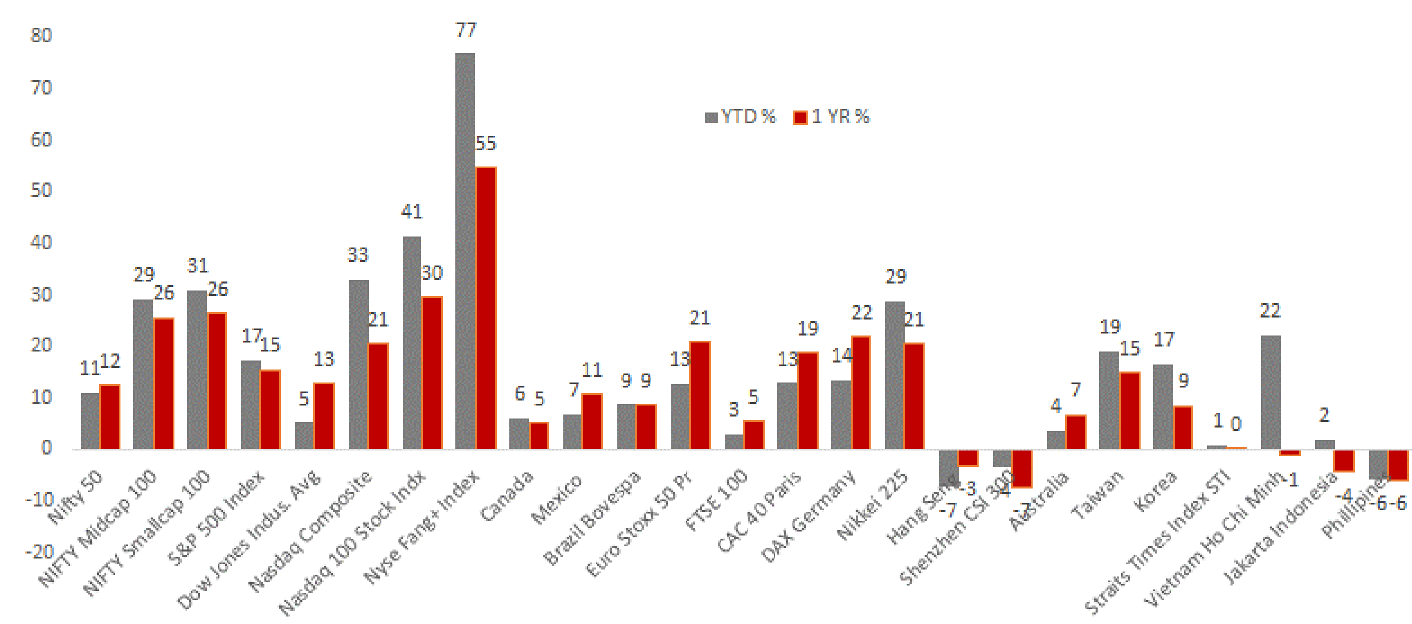
Mid Cap Valuations at Prior Peaks

In the past decade, there have been two major peaks in the mid cap space – Jan 2018 post a euphoric rally in 2017, and Oct 2021 (chart on next page). In 2015-16, mid-caps continued to hold up well despite a large cap sell off. In the Jan 2018 peak, the mid cap PE peaked at 41.8 times trailing earnings. In the Oct 2021 peak, the mid cap PE peaked at 46.0 times trailing earnings. The current mid cap PE is 28.6 times, a far cry from prior peaks at 42-46 times.

Earnings Growth Has Driven Performance

Bears will argue that 28.6 times is high. Maybe. However, mid cap earnings have grown at a 1 year EPS CAGR of 30.1%, 3 year EPS CAGR of 29.7% and 5 year EPS CAGR of 34.3%. That implies a 1, 3, and 5 year trailing PEG of under 1. A trailing PEG of under 1.0 suggests valuations are in line with growth.

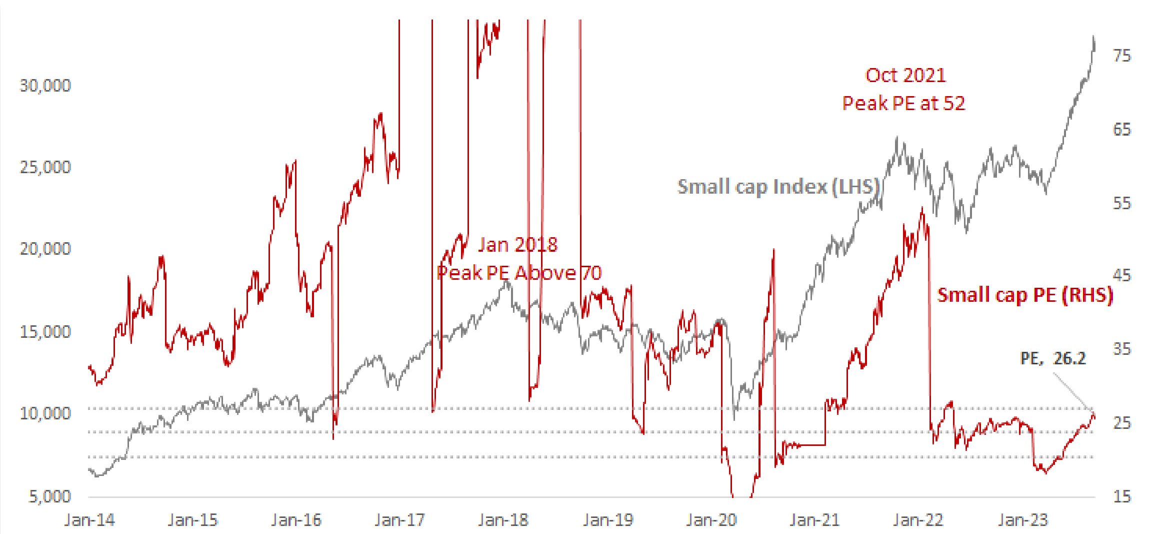
Nifty Mid Cap & Small Cap Indices are up 29% and 31% YTD Respectively...
...Prompting Calls of Irrational Exuberance by Some Market Analysts



Source: All data from NSE, Bloomberg unless noted otherwise. Data as of September 14, 2023.

Prior Mid Cap Peaks Occurred at 41.8 Times PE and 46 Times PE...
...the Current Mid Cap PE is 28.6 and the PE/Growth Ratio is Under 1.0

Prior Small Cap Peaks Occurred at 70+ Times PE and 52 Times PE...
...the Current Small Cap PE is 26.2 and the PEG is Also Under 1.0



Source: All data from NSE, Bloomberg unless noted otherwise. Data as of September 14, 2023.

Small Cap Valuations Tell the Same Story

Small caps have had the same two major peaks as mid-caps. In the Jan 2018 peak, the small cap PE peaked at above 70 times trailing earnings. In the Oct 2021 peak, the small cap PE peaked at 52.0 times trailing. The current .small cap PE is 26.2 times, versus prior peaks at 52 and 70+ times.

Earnings Growth Has Driven Performance

Small caps have grown at a 1 year EPS CAGR of 32.2%, 3 year EPS CAGR of 23.8% and 5 year EPS CAGR of 35.3%. That again implies a 1 and 5 year trailing PEG of under 1 and a 3 year PEG of 1.10. Valuations are not at peak levels.

Earnings Growth Has Driven Performance

Mid Cap earnings have grown at a 34.3% CAGR over the past 5 years, and the index is up 23.5% CAGR. On 3 year, EPS CAGR is +29.6% and the index is up 28.1%. The move appears to be driven entirely by earnings growth. The small cap data tells the same story. (see table below)

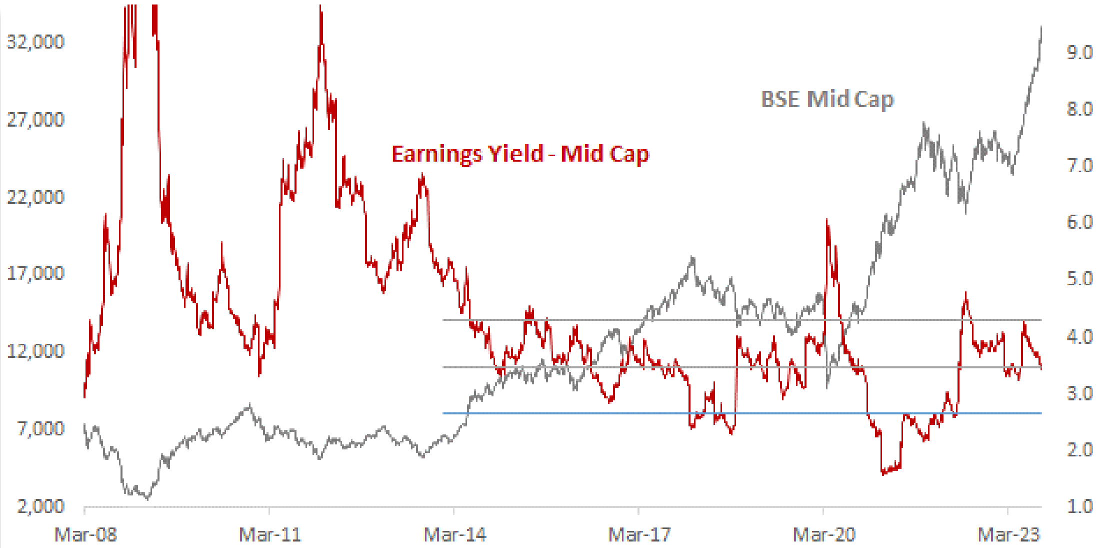
Earnings Yield Provides Further Confirmation

We examine the earnings yield and earnings growth for mid and small (charts on next page). These further confirm the view that the move in mid and small caps is driven largely by improving fundamentals and earnings delivery.

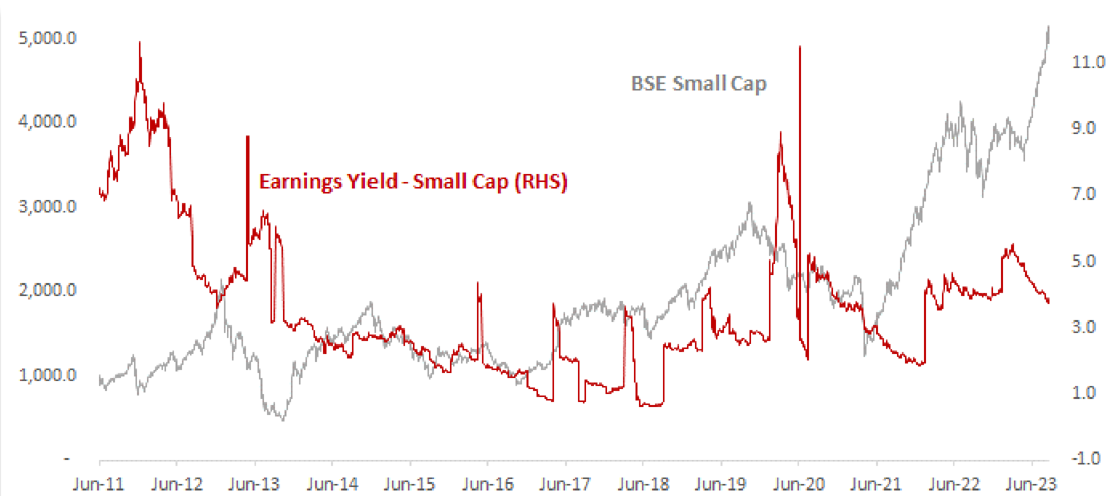
The Move Appears to Be Driven Entirely by Earnings Growth

	Mid Cap EPS CAGR	Mid Cap Index CAGR	Small Cap EPS CAGR	Small Cap Index CAGR
1 Year	30.0%	36.6%	32.3%	34.6%
3 Year	29.6%	28.1%	23.8%	29.8%
5 Year	34.3%	23.5%	35.3%	23.3%

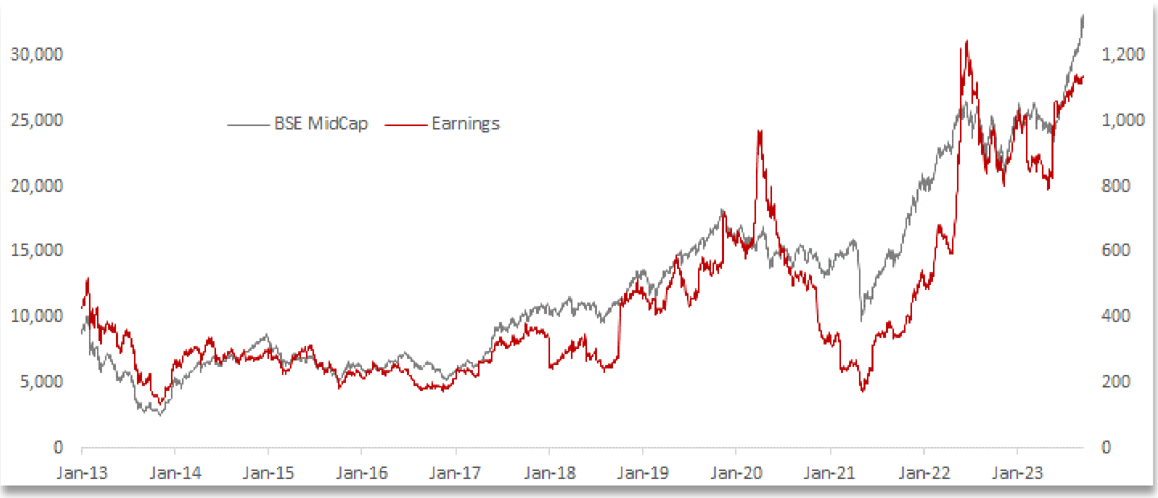
The Mid Cap Earnings Yield is At the 10 Year Average of 3.5%…



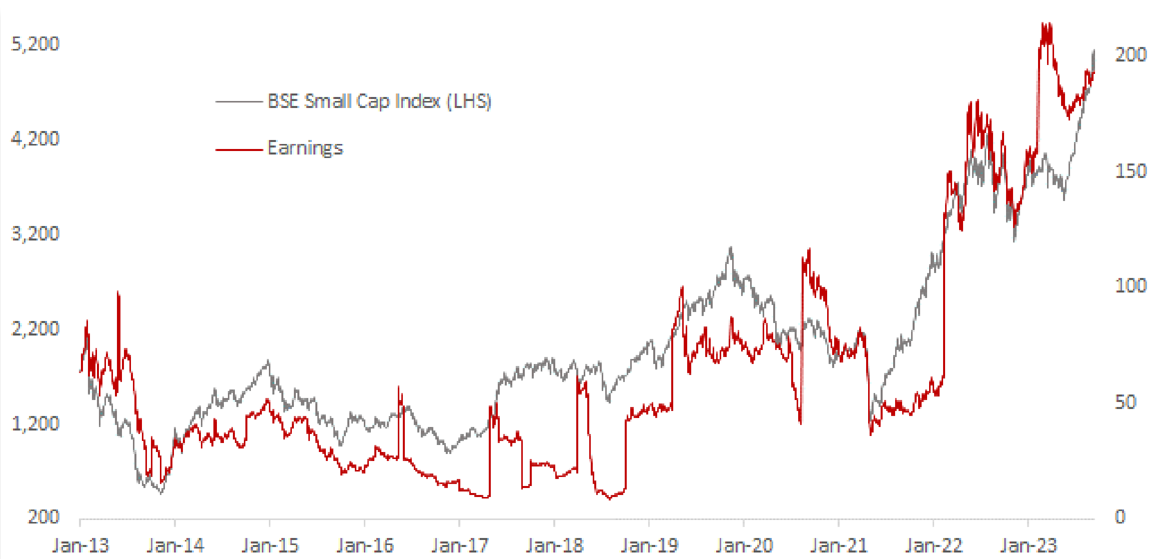
The Small Cap Earnings Yield is Only Slightly Above Its 10 Year Average of 3-4%…



An Explosion in ...Earnings! Mid Cap Earnings Have Rocketed Higher



Small Cap Earnings Have Easily Quadrupled Since 2018...Shouldn't Price Follow?



Finally, the Yield Gap Model Is Typically Early, & It Isn't Close to Levels That Suggest a Switch to Bonds

Digging Deeper at Stock Level

We Single Out the Top Performing Mid-Caps

20 stocks in the mid cap universe delivered 100%+ returns over the past 1 year. 44 stocks delivered 50%+ returns. The 100%+ performers have grown earnings at a 40%+ clip. The 50%+ performers have delivered earnings at 55% clip over the past 3 years. (see table below)

The Top Performing Mid-caps are Delivering Stellar Earnings Growth

Mid Caps	# of Stocks	1 Yr EPS Growth	3 Yr EPS Growth	5 Yr EPS Growth
Stocks w/ 1 Yr Return > 100%	20	47.2	78.0	42.9
Stocks w 1 Yr Return > 50%	44	34.9	55.2	31.2

Their Valuations Are Rational

The median PE of the same data set is 25.2 and 29.7 respectively (table below). The run rate PE is 30.2 and 32.6. It is not in the stratosphere of 70 PE and 100 PE; rather, it's 6 points above the market PE for massively superior growth. Seems fairly reasonable.

Top Mid-cap Run-Rate & Median PEs are a Few Points Above the Market, For High Growth Co's

Mid Caps	Run Rate PE	Median PE	Average PE
Stocks w/ 1 Yr Return > 100%	30.2	25.2	39.8
Stocks w 1 Yr Return > 50%	32.6	29.7	39.7

The Data for Small caps Also Shows High Growth…

Small Cap	# of Stocks	1 Yr EPS Growth	3 Yr EPS Growth	5 Yr EPS Growth
Stocks w/ 1 Yr Return > 100%	96	119.3	59.2	31.0
Stocks w 1 Yr Return > 50%	229	28.9	43.9	23.9

Half the Top Performing Small Cap Universe is Cheaper than the Market's PE

Small Cap	Run Rate PE	Median PE	Average PE
Stocks w/ 1 Yr Return > 100%	31.6	27.2	51.3
Stocks w 1 Yr Return > 50%	32.1	23.8	29.3

Yield Gap Model Nowhere Close to Sell

Finally, while much of the discussion has been on mid and small caps, our yield gap model comparing the relative yield between equities (Nifty 50) and bonds (10 year) shows that we're not at levels that have historically been associated with peaks.

Flows – Structural or Cyclical?

The bearish irrational exuberance argument is also based on an unsophisticated retail investor that is chasing momentum, and flooding the market, buying recklessly. Let's take a look at the data.

FI Flows

While FI flows grew aggressively in 2020, that money exited India during the Fed hikes and Ukraine war period. It's now back in the market, as FIs have re-entered India aggressively in March –Aug 2023. We consider this hot money that will exit on the next cyclical downturn or global crisis.

DI Flows

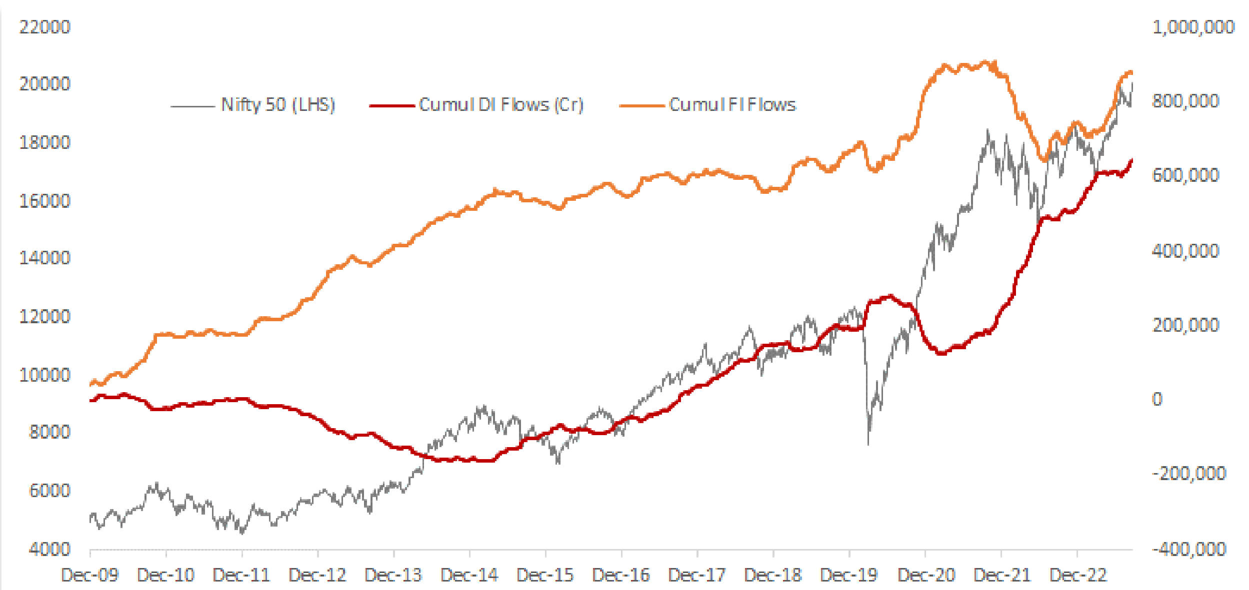
In 2011, domestic investors exited the market, during PIGS. It was only with Mr. Modi becoming P.M. in 2014 that the domestic investor bought into the India story and returned to equities. Since 2014, a secular rise in domestic flows is clearly evident. There was a blip in 2020 as Covid brought up survival fears. Post Covid, DIs are now a dominant force in the market, and bought aggressively as FIs sold in 2021 (see chart below).

Financialization Trend

The rise in retail accounts and broadening participation is well known. Fixed income and Gold as an asset class have barely beaten inflation. Many large cap "consistent compounders" have sputtered. The logical search for growth leads to mid and small caps. This trend in flows in our view is structural and strong. There may be pauses and dips along the way, but it is foolhardy in our view, to focus on the volatility. Appropriate asset allocation and an investment plan working with a competent, experienced, trustworthy wealth manager is the optimal approach.

We share our view on irrational exuberance in the Outlook section (page 19).

Domestic Investors Have Been a Dominant Force in the Equity Market Since 2020



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Asset Allocation Update

Large Cap Growth Sputters...

We share the performance data of the major indices below.

- Nifty 50 returns appear to be reverting to a long term range between 11 to 14%.
- The Nifty 50 equal weighted has outperformed, suggesting the index returns have been impeded by mega caps
- Mid and small caps are delivering the sort of high teens returns that investors seek
- Micro cap returns are off the charts, across all time periods, having accelerated over the past 3 years.

Creative Disruption vs Dominant Large Caps

Since 1995, the advent of the internet, we've seen a world accelerating into constant flux. We've seen Schumpeter creative destruction in action over and over. Disruption can attack business anytime, anywhere.

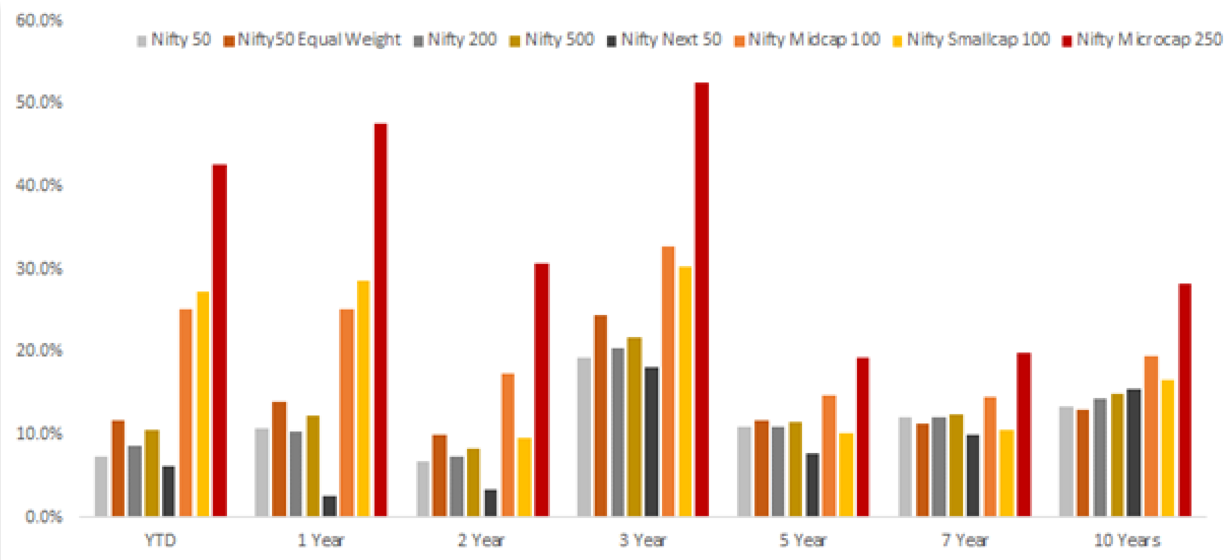
The perceived advantages of certain dominant large cap companies were "unassailable" brands, product innovation, and distribution network as a barrier to entry, management acumen, and technology.

Disruption has accelerated over the past 2-3 years in the form of innovative, aggressive equity capital, global tech establishing footholds in India, alternative ecommerce distribution networks, emerging brands, and state of the art technology and ops. Amazon for instance, has invested $26 billion cumulatively into building its business in India.

Consensus Got it Wrong on Large Caps

In 2020, a consensus opinion amongst HNIs in particular, emerged that large caps were dominant consistent compounders, delivering mid-teen returns, with low volatility. There was no need to deal with the volatility of small and mid. And the cycle turned towards mid and small. Investing in the markets can be a humbling experience.

Nifty 50 & Large Caps Had a Mediocre Year... But Mid, Small & Micro Have Shined...



Mid Caps Have Delivered Respectable Returns of 25.2%, 17.4% and 14.7% Respectively…
…. Micro Cap Returns are Off the Charts

Name	Nifty 50	Nifty50 Equal Weight	Nifty 200	Nifty 500	Nifty Next 50	Nifty Midcap 100	Nifty Smallcap 100	Nifty Microcap 250	Nifty Total Market
YTD	7.3%	11.6%	8.6%	10.5%	6.2%	25.2%	27.3%	42.6%	11.3%
1 Year	10.8%	14.1%	10.4%	12.2%	2.5%	25.2%	28.6%	47.5%	13.1%
2 Year	6.7%	10.0%	7.3%	8.3%	3.4%	17.4%	9.7%	30.7%	8.9%
3 Year	19.2%	24.5%	20.5%	21.8%	18.2%	32.9%	30.2%	52.6%	22.5%
5 Year	10.9%	11.8%	10.9%	11.5%	7.6%	14.7%	10.1%	19.2%	11.7%
7 Year	12.0%	11.2%	12.1%	12.5%	10.0%	14.5%	10.6%	19.8%	12.7%
10 Years	13.4%	13.1%	14.3%	15.0%	15.4%	19.4%	16.7%	28.2%	15.2%

Ten Year Performance—Micro Caps and MidSmall Lead the Way

Source: All data from NSE, Bloomberg unless noted otherwise. Data as of September 14, 2023.

Enhancing Portfolio Returns

The data above makes it abundantly clear that one way for investors to enhance portfolio returns is gradually increasing exposure to mid caps, small caps and for aggressive investors, micro caps. That's been happening in the markets and we wrote about the shifting nature of equity flows into mid and small last month.

Secondly, value mega caps have done well. The reason for the move has been driven by government initiatives, which are leading to many CPSE, PSE, PSUs doing well, defense doing well.

Long term investors know full well that trends in markets rarely last forever. Ergo, a philosophy that identifies shifts in trends, sectors and stocks is a third way to dramatically enhance portfolio return.

That being said, it is imperative that changes in asset allocation and portfolio strategy be carefully thought through and planned out.

Sector Level Review

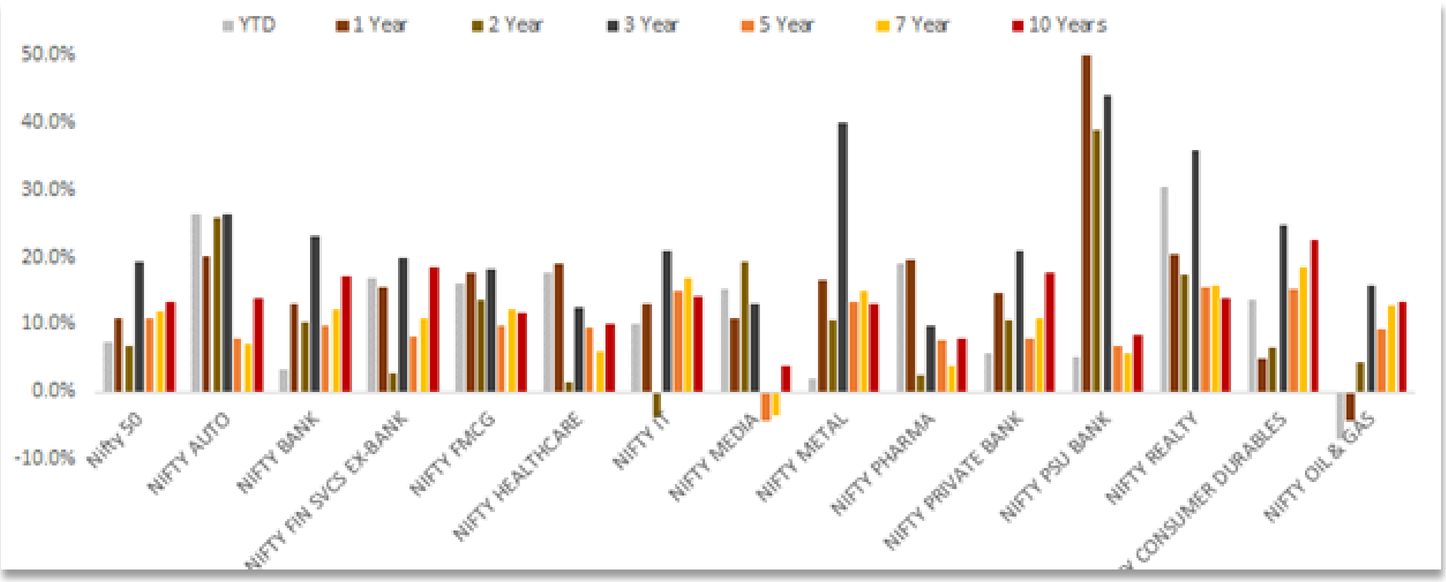
Over the longer term, private banks remain a top performer with a very attractive 17.8% CAGR over 10 years. However the 5 and 7 year numbers are mediocre, likely impacted by mega cap banks.

Sector performance is dramatically variable, driven by sector rotation as the business cycle progresses. Nifty Metals are up 40% over 3 years but 13.1% over 10 years. PSU banks look to be breaking a decade old pattern break of underperformance. Real estate has also done well of late. As mentioned earlier, a strategy that can catch sector turns will handily outperform the market.

Mid-Small IT & Telecom is one of the top performing sectors. These companies have consistently delivered 20% plus CAGR. Innovative, efficient, attractively priced, nimble setups, with delivery, hungry entrepreneurial energy are all good reasons why these companies are doing well, and gaining market share.

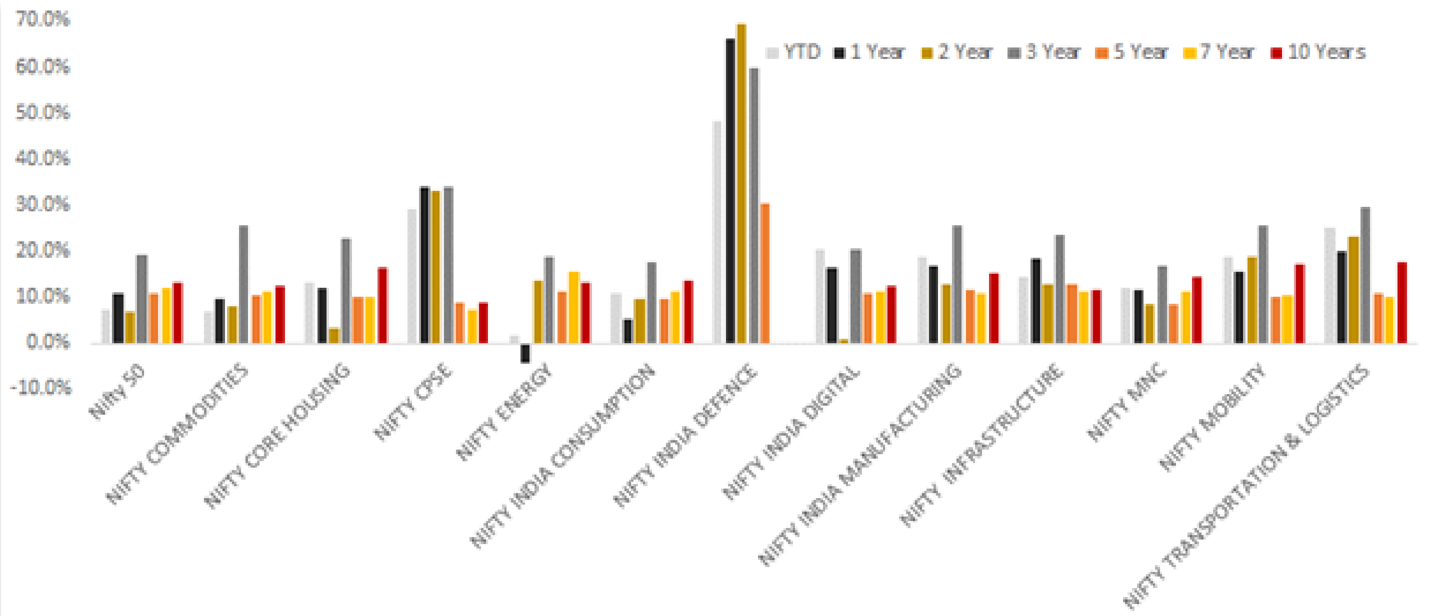
Defence and CPSEs are soaring, benefitting from government initiatives that are waking up these slumbering giants. Transportation, Logistics, Mobility are doing well as would be expected. Meanwhile, Energy, Commodities, Core Housing, Consumption, Infra and MNCs are struggling.

PSU Banks are a Surprising Standout Performer, Alongside Real Estate and Autos



Name	Nifty 50	NIFTY COMMODITIES	NIFTY CORE HOUSING	NIFTY CPSE	NIFTY ENERGY	NIFTY INDIA CONSUMPTION	NIFTY INDIA DEFENCE	NIFTY INDIA DIGITAL	NIFTY INDIA MANUFACTURING	NIFTY INFRASTRUCTURE	NIFTY MNC	NIFTY MOBILITY	NIFTY TRANSPORTATION & LOGISTICS
YTD	7.3%	6.9%	13.0%	29.2%	1.8%	10.6%	48.4%	20.6%	18.9%	14.5%	11.9%	18.7%	25.0%
1 Year	10.8%	9.4%	12.1%	33.8%	-4.5%	5.4%	66.2%	16.4%	16.8%	18.2%	11.6%	15.5%	19.8%
2 Year	6.7%	7.9%	3.2%	33.2%	13.7%	9.7%	69.3%	1.0%	12.9%	12.8%	8.4%	18.9%	23.0%
3 Year	19.2%	25.7%	23.0%	34.0%	18.9%	17.7%	59.9%	20.2%	25.4%	23.4%	16.6%	25.6%	29.4%
5 Year	10.9%	10.6%	10.0%	8.8%	11.0%	9.5%	30.3%	10.8%	11.7%	12.9%	8.4%	10.0%	10.8%
7 Year	12.0%	11.1%	10.1%	7.2%	15.6%	11.3%	N/A	11.1%	10.8%	11.1%	11.4%	10.4%	10.1%
10 Years	13.4%	12.5%	16.4%	8.8%	13.3%	13.6%	N/A	12.2%	15.1%	11.8%	14.5%	17.3%	17.4%

India Defence Stocks, CPSEs and Logistics Are Standout Performers



Name	Nifty 50	NIFTY AUTO	NIFTY BANK	NIFTY FIN SVCS EX-BANK	NIFTY FMCG	NIFTY HEALTH CARE	NIFTY IT	NIFTY MEDIA	NIFTY METAL	NIFTY PHARMA	NIFTY PRIVATE BANK	NIFTY PSU BANK	NIFTY REALTY	NIFTY CONSUMER DURABLES	NIFTY OIL & GAS
YTD	7.3%	26.3%	3.4%	16.9%	16.0%	17.7%	10.1%	15.3%	1.9%	19.2%	5.9%	5.1%	30.5%	13.7%	-7.0%
1 Year	10.8%	20.1%	13.1%	15.5%	17.8%	19.2%	13.2%	10.8%	16.5%	19.6%	14.6%	50.1%	20.4%	4.9%	-4.3%
2 Year	6.7%	25.9%	10.2%	2.7%	13.7%	1.4%	-3.9%	19.4%	10.5%	2.4%	10.6%	38.8%	17.5%	6.5%	4.4%
3 Year	19.2%	26.4%	23.1%	19.9%	18.3%	12.4%	20.9%	12.9%	40.0%	9.8%	21.1%	43.9%	35.9%	24.8%	15.7%
5 Year	10.9%	7.8%	9.8%	8.0%	9.8%	9.5%	14.9%	-4.3%	13.4%	7.7%	8.0%	6.7%	15.6%	15.2%	9.3%
7 Year	12.0%	7.0%	12.3%	11.0%	12.3%	6.0%	16.9%	-3.4%	15.0%	3.9%	11.0%	5.7%	15.9%	18.5%	12.7%
10 Years	13.4%	13.8%	17.1%	18.4%	11.8%	10.1%	14.1%	3.8%	13.1%	7.9%	17.8%	8.5%	13.8%	22.7%	13.3%

There is a Large Variance – and Opportunity - in the Long Term Performance of Sectors

PSU Banks, MidSmall IT, Metals & Realty are the Standout Performers Since 2020

Risk

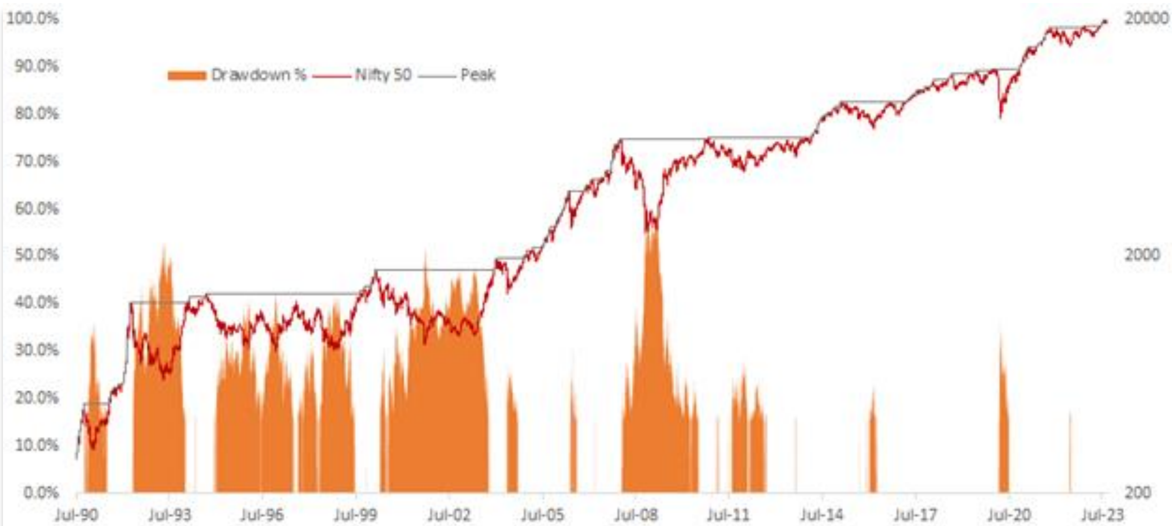
Volatility Has Declined Dramatically in the Past Decade

The Nifty 50 was a volatile index in the 1990s, experiencing regular drawdowns of 40-50%. Thankfully, as is evident below, drawdowns have declined substantially since 2012. The Nifty 50 has suffered only 3 meaningful – defined as greater than 15% - drawdowns in the past 10 years.

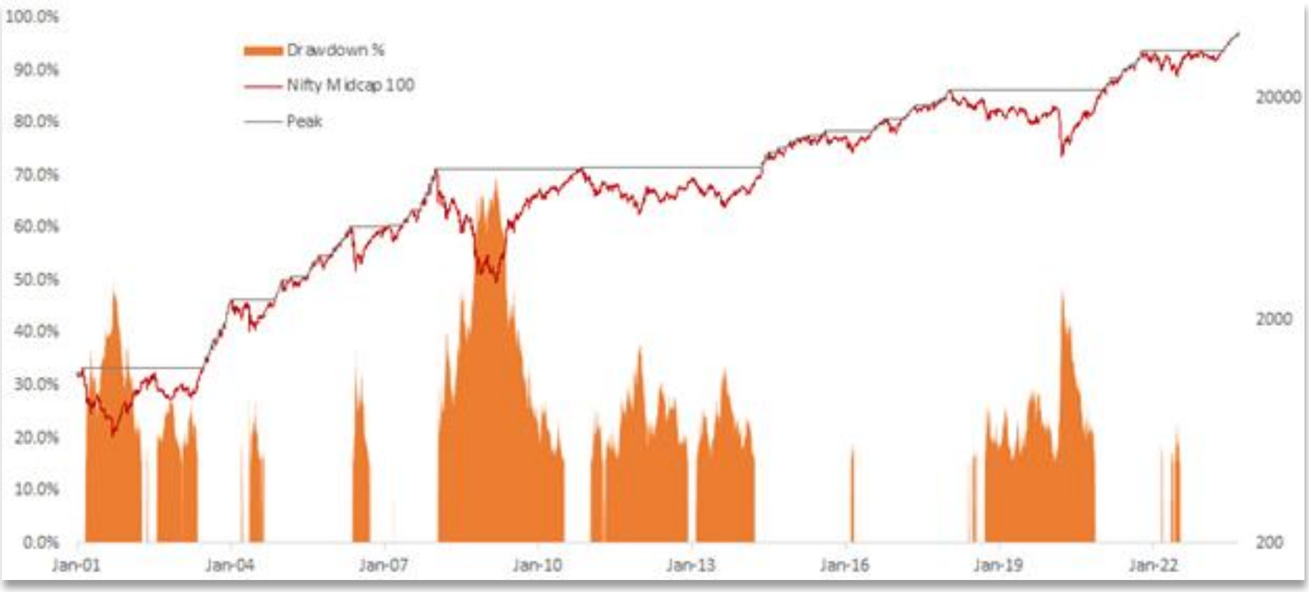
Midcap, small and micro cap volatility is much higher, as would be expected. Bad timing on capital deployments can be fatal to portfolio performance.

As is evident in the drawdowns for mid and small caps, chasing returns and bad timing on entry can be fatal to portfolio performance. A prudent, sensible, measured approach to managing exposure to smaller caps is critical.

Nifty 50 Drawdowns Have Declined Dramatically in the Past 10 Years...
...There Have Only Been 3 Meaningful Drawdowns – 2015, 2020 and 2021



Mid Caps Had a Severe Drawdown of 40%~ in 2018-20 and Another One in 2011-12



Excessive Exposure to Small Caps Can Be Fatal to Portfolio Performance...
...Small Caps Fall 60-80% During Bear Markets and Take Years to Recover Prior Peaks

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Portfolio Construction

Fixed Income Has Delivered Sub Par Returns over the Past 3 Years

Name	NIFTY COMPOSITE G-SEC	NIFTY 10 YEAR BENCHMARK G-SEC	NIFTY 5 YEAR BENCHMARK G-SEC	NIFTY 10 YEAR SDL INDEX	INDIA SELECT 7 GOVERNMENT BOND	BOND PLUS SDL SEP 2026 50:50	NIFTY REITS & INVITS	MCX Gold	S&P 500 (INR)	NASDAQ 100 (INR)	EURO STOXX (INR)	DAX (INR)	NIKKEI (INR)	CHINA (INR)
YTD	5.6%	5.9%	5.0%	5.8%	5.3%	4.9%	-5.7%	8.6%	17.6%	41.6%	13.6%	14.5%	12.3%	-7.0%
1 Year	7.3%	7.0%	6.5%	7.8%	6.8%	6.3%	-11.5%	17.9%	18.1%	30.9%	39.5%	41.2%	17.6%	-7.5%
2 Year	4.3%	3.2%	4.3%	5.3%	3.8%	N/A	-0.9%	12.1%	6.4%	6.1%	2.2%	1.6%	-0.9%	-11.4%
3 Year	4.3%	3.2%	4.4%	5.0%	N/A	N/A	3.9%	4.8%	13.2%	12.6%	10.1%	7.7%	5.1%	-5.9%
5 Year	7.8%	6.5%	7.8%	9.0%	N/A	N/A	N/A	14.4%	12.6%	18.7%	6.3%	6.7%	4.9%	4.5%
7 Year	5.5%	5.4%	7.2%	6.2%	N/A	N/A	N/A	9.8%	14.5%	21.9%	7.8%	8.7%	7.8%	3.9%
10 Years	N/A	6.6%	8.4%	N/A	N/A	N/A	N/A	6.4%	12.8%	19.7%	4.7%	7.0%	7.5%	5.6%

Role of Fixed Income and the 60/40 Portfolio

G-sec yields post tax are below inflation. Bond mutual funds have not lived up their promise either. Fixed income, in its traditional sense has not delivered positive real returns for a number of years now. We prefer to recommend fixed income exposure on a case specific basis, tailored to an individual investor's portfolio requirements. Well-researched opportunities offering yields in excess of 8% are worthy additions to portfolios. Fixed income then serves the dual purpose of reliable income and safety of capital.

Bond Funds Performance

All corporate bond funds that we track from major fund houses have delivered category average returns in the range of 6-7%. Ditto for Banking and PSU funds. Medium duration has done worse, and with a 3 year holding period for tax efficiency, duration is a tricky proposition. The returns for credit risk category are equally sub par.

Fixed income exposure is best achieved via security level analysis, working with an experienced fund manager. We provide those services as an in house debt PMS structure and at security level as well.

Please contact your Ambit GPC wealth advisor for more details on achieving your desired fixed income return profile.

REITs & InvITs

REITs and InvIts as an investment class also need to be researched and recommended on a case by case basis at a security level. As an asset class, they have not performed; however, select REITs and InvITs make for attractive yield investments with capital appreciation. As always, research and expertise with the asset class is a necessity. Again, we have strong in house resources that can provide valuable insight into this asset class.

Gold

Gold provides worthwhile benefits in portfolio construction, and has delivered attractive long term returns, and equally importantly serves as a portfolio hedge.

Global Equities

The NASDAQ is an attractive consideration because of the attractive low correlation and diversification, as well as high growth benefits alongside currency appreciation benefits it provides.

The Case for Investing in Micro Caps

This recommendation is for aggressive investors with the ability to accept very high volatility. Now is also not the time to go in whole hog, post a strong rally.

In the U.S., micro-cap investing is a widely accepted strategy, one that has a track record of delivering stellar returns, when done right. Micro caps are typically not investable for institutional investors due to a lack of liquidity. That spells opportunity for individual investors that can identify growth stocks prior to their potential growth spurts and institutional acceptance. Micro caps also have limited analyst coverage, so individual effort is required to identify potential winners. Doing so can be difficult because these companies typically do not always provide the investor community with a lot of information.

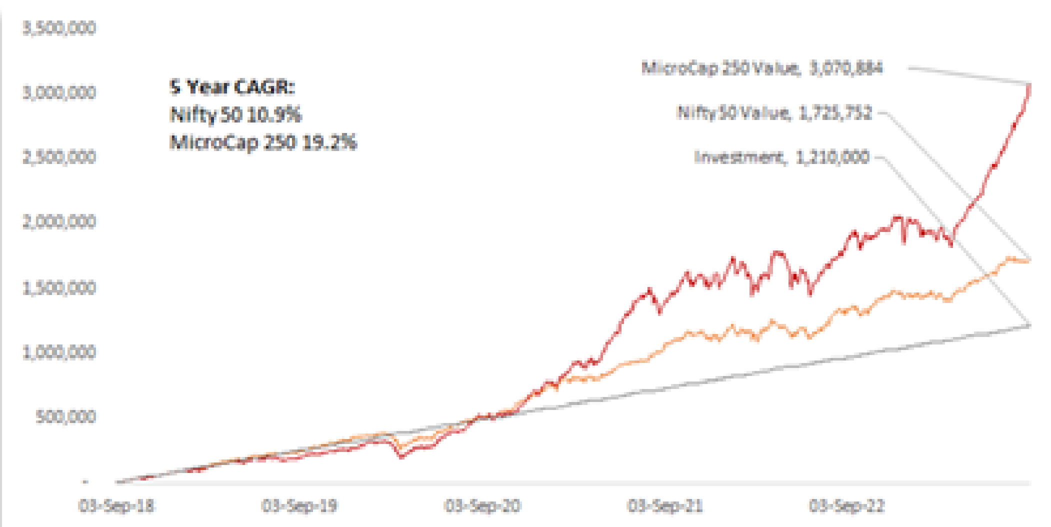
Micro caps typically have low correlations with large-caps, as institutional investors are typically not buying or selling these names. Hence these companies will often provide portfolio diversification benefits. Micro caps provide decent liquidity in normal market conditions, except during bear markets, investors should be prepared to encounter shrinking liquidity and wider bid ask spreads at these times.

Investing in micro caps is only for investors with a very high tolerance for risk and volatility. Price impact on larger transactions is another variable that must be recognized and managed. There are risks associated with lack of information and effective compliance.

So why bother? A simple monthly SIP strategy investing in a basket of Indian micro caps would have generated a 19.2% CAGR over 5 years. A minimal exposure to micro caps can generate outsized returns. Investors can get exposure to innovative technologies, business models, and exposure to emerging industries.

For those clients that enjoy the thrill of the game, chasing outsized returns, micro caps offer attractive opportunities. We believe micro-cap investing is here to stay in India, and already garnering significant interest. This concludes Part I of our asset allocation update. Next month, we'll delve into portfolio construction and asset allocation.

A 5 Year SIP Strategy Gradually Adding to Micro Caps Would Have Led to a 19.2% CAGR Over 5 Years



Outlook

Government Investment & Initiatives Driving the India Story…

A defining characteristic of the current regime has been the courage to form bold economic visions, collaborate effectively to drive execution, in arenas that would generally have been perceived as infeasible for India a few years ago.

- For instance, Chandrayaan-3 has accelerated India's positioning in the space industry which is estimated to grow to $12.5 billion in India by 2025. Demand for satellite launches, global satellite imaging data, navigation and positioning systems is rising globally, entering an exponential growth trajectory, with a multitude of spillover benefits in component manufacturing, skill transfer/development, satellite systems, telecom, and most importantly, highly skilled, high paying jobs.

- India is making progress in its entry into another high skill industry, semiconductors. Advanced Micro Devices plans to invest over US$400M in India over the next five years. Foxconn, Micron, AMD, IBM, Marvell, Lam Research, NXP Semiconductors, STMicroelectronics, Applied Materials were attendees at a six day event titled Semicon India recently. Foxconn is reportedly engaged in discussions with TSMC and Japan's TMH Group to form partnerships to establish semiconductor fabrication units in India. Foxconn has already made remarkable progress in manufacturing Apple phones in India.

- CEOs of global behemoths from Tim Cook to Elon Musk to Nvidia's Jensen Huang, Ikea, PepsiCo, Mercedes, Samsung et al., are highlighting India as a core pillar in their global growth strategy. India has established itself as a go-to destination for manufacturing, an attractive alternative to China, as well as an attractive, growing, vibrant end market with aspirational consumers.

- Digital and physical infrastructure investments have accelerated the velocity of goods, products, services. A laborer in Mumbai can transfer money to his family living in a village in seconds, bypassing middle man fees and time wastage. 45% of global digital payments transactions now occur in India. Measures tied to digital identity and payments have vastly improved the ease of doing business. QR codes are ubiquitous. The government has invested massively in building out physical infrastructure, airports, highways and rail. BharatNet is its next bold initiative, aimed at providing broadband connectivity to 6.4 lakh villages.

- The Financial Sector clean-up and gradual progress towards a culture of accountability has unleashed a change in mindset in PSU banks, CPSE, and PSE companies. Moves to reduce bureaucracy, red tape, replacing incumbents with private sector talent is leading to notable improvements in performance. The market is recognizing the government's initiatives, and many of these companies are being re-rated higher.

- Myriad additional opportunities for growth exist in aerospace and defence, cyber security, pharmaceuticals, manufacturing, automotive and electric vehicles, machine tools, components, and green energy just to name a few.

Growth in a Sluggish Global Economy

India's growth continues despite a global economy that is facing a plethora of challenges. Europe, China, Japan, Russia and North America are each struggling with challenges ranging from slowing growth, ageing populations, slowing birth rates to shadow inflation, and debt.

In particular, China's slowing economy, increasingly internal focus, severe debt overhang and geopolitical choices have created a need for India and others to step in and provide an alternative. India's young, hungry and growing workforce stands ready to oblige. P.M. Modi succeeded in leveraging the recent G-20 summit in Delhi to further highlight India's readiness as a reliable partner to the West.

Foreign institutional investors are giving India its due, with the country looking like a consensus favorite as a long term, consistent growth story. Morgan Stanley recently noted that investors were overinvested in China while India is the opposite.

Is Irrationality Back?...

Does a Historic Rally Equate to a Market Top?

No question, the rally in small, mid and micro caps this year has been frenetic and euphoric at times.

We've shared a plethora of data in this report that suggest earnings have grown in line with price appreciation for mid and small caps. We've made the case in this report that valuations aren't at peak prior valuations. Valuations, while arguably somewhat high on an absolute basis, are closer to rational than irrational. Growth is scarce.

As large cap growth stocks have stagnated, investors are being nudged lower on the cap scale to smaller caps in the search for returns. The move has been manic at times, but moves from bottoms are generally sharp. The action is reminiscent of prior bottoms such as 2009 and 2020 and to a lesser extent 2017 and 2014. Let's recognize that the Fed stimulus yet again provided a turbo boost as it did in prior rallies. The SVB collapse and regional banking crisis was the type of confirmation the market needed to form a clear bottom.

That's typical action for markets off meaningful bear market bottoms, and in each recovery, new leaders emerge, which has also happened. We've witnessed a sharp rally off the lows, after a long period from Nov 2021 to Mar 2023 where mid and small were hammered.

Market Outlook

We continue with our over weights in mid and small caps, and equity as an asset class.

Going forward, with value dominant, we would be judicious about not chasing over-valued securities, particularly ones that have had sharp run ups.

Multiple Pillars Support the India Story

Attractive opportunities at reasonable valuations remain available. Flows are the second pillar that give us comfort, alongside earnings growth. Flows increasingly are structural as Indians have investable surplus that is consistently finding its way into equities in search of meaningful returns in excess of inflation. The earnings growth and flows story has a third pillar – structural reforms.

There is always the possibility of a correction, post a sharp rally, especially with elections looming. However, it's likely that the government will continue to pursue pro-growth fiscal and monetary policies to keep the economy buoyant heading into elections.

Net net, for portfolios holding reasonably priced, quality companies, riding the investment cycle remains the preferred option. On the other hand, a portfolio concentrated in high valuation stocks that have under-performed, would clearly suggest a thoughtful review and possible re-calibration of going forward portfolio strategy.

Our forward target a scant six months ago for the Nifty 50 was 20,200. The Nifty 50 got there quicker than expected. For long term investors, the evidence suggests that India's investment story has only gotten stronger, and is likely to continue.

A large domestic consumer market, rising consumer confidence, strong flows, favorable demographics, competent entrepreneurs, and a government that is taking bold steps in successfully executing its vision give us comfort that long term investors in equities making prudent investment choices will earn high teen returns.

Diwali looms and all indications are that the consumer will be looking to spend.

AMBIT
Acumen at work
Global Private Client

Equity Index Performance

21/09/2023	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	**19,748**	**1.8**	**2.6**	**4.7**	**15.4**	**2.9**	**9.1**	**11.5**	**20,222**	**16,748**	**-2.3%**	**17.9%**
Americas												
S&P 500 Index	4,402	0.1	-2.3	0.8	10.0	-1.1	14.7	16.2	4,607	3,492	-4.4%	26.1%
Dow Jones Indus. Avg	34,441	-0.1	-0.8	1.4	5.8	0.1	3.9	14.1	35,679	28,661	-3.5%	20.2%
Nasdaq Composite	13,469	-0.2	-4.0	-0.2	13.6	-2.3	28.7	20.0	14,447	10,089	-6.8%	33.5%
Nyse Fang+ Index	7,518	0.1	-4.1	-1.1	27.5	-2.9	69.0	52.1	8,293	4,103	-9.3%	83.2%
Canada	20,215	2.2	-0.4	2.6	2.8	0.3	4.3	5.4	20,843	17,873	-3.0%	13.1%
Mexico	52,507	-1.1	-1.0	-2.9	-0.3	-1.9	8.3	11.7	55,627	44,559	-5.6%	17.8%
Brazil Bovespa	118,695	3.7	2.6	-1.4	17.5	0.5	8.2	6.0	123,010	96,997	-3.5%	22.4%
Europe												
Euro Stoxx 50 Pr	4,245	0.5	-1.2	-1.8	1.5	-3.5	11.9	21.6	4,492	3,250	-5.5%	30.6%
FTSE 100	7,695	6.0	3.4	1.8	2.1	2.2	3.3	6.3	8,047	6,708	-4.4%	14.7%
CAC 40 Paris	7,263	0.9	-0.7	0.0	2.1	-1.8	12.2	20.4	7,581	5,628	-4.2%	29.0%
DAX Germany	15,693	0.6	-1.6	-2.1	3.3	-2.8	12.7	22.9	16,529	11,863	-5.1%	32.3%
Asia												
Nikkei 225	32,571	3.2	-0.1	-3.0	20.9	-1.9	24.8	19.3	33,773	25,622	-3.6%	27.1%
Hang Seng	17,646	0.1	-4.0	-8.2	-8.4	-6.7	-10.8	-4.3	22,701	14,597	-22.3%	20.9%
Shenzhen CSI 300	3,672	-1.5	-2.5	-5.0	-7.8	-4.4	-5.1	-5.9	4,268	3,496	-14.0%	5.0%
Australia	7,065	-0.7	-3.3	-3.4	1.6	-1.9	0.4	5.4	7,568	6,412	-6.6%	10.2%
Taiwan	16,317	-0.4	-1.9	-5.1	5.2	-3.5	15.4	13.1	17,464	12,629	-6.6%	29.2%
Korea	2,515	0.2	-1.6	-2.6	5.3	-1.9	12.5	7.1	2,668	2,135	-5.7%	17.8%
Straits Times Index STI	3,205	1.6	-0.9	-0.6	1.0	-0.0	-1.4	-1.7	3,408	2,969	-6.0%	7.9%
Vietnam Ho Chi Minh	1,213	2.8	-0.9	8.4	17.5	8.3	20.4	0.2	1,255	874	-3.4%	38.8%
Jakarta Indonesia	6,992	1.8	0.6	4.3	4.5	5.0	2.1	-2.7	7,226	6,543	-3.2%	6.9%
Phillipines	6,095	-3.1	-1.3	-5.1	-6.7	-5.8	-7.2	-3.9	7,138	5,699	-14.6%	6.9%

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	**19,748**	**1.8**	**2.6**	**4.7**	**15.4**	**2.9**	**9.1**	**11.5**	**20,222**	**16,748**	-2.3%	17.9%
Microsoft Corp	321	-0.3	-2.1	-3.8	17.2	-5.8	33.8	34.2	367	213	-12.5%	50.3%
Meta Platforms Inc-Class A	300	3.4	1.3	6.4	48.2	4.4	149.0	110.9	326	88	-8.1%	240.2%
Apple Inc	175	-0.2	-6.6	-4.6	10.2	-9.5	35.1	14.2	198	124	-11.5%	41.3%
Walt Disney Co/The	83	-3.9	-1.3	-6.9	-14.5	-7.5	-5.0	-21.0	118	80	-30.1%	3.5%
Amazon.Com Inc	135	0.5	-2.0	8.4	34.5	3.8	61.1	14.1	146	81	-7.2%	66.1%
Netflix Inc	386	-5.4	-10.9	-9.0	26.3	-12.3	31.0	63.1	485	212	-20.4%	82.4%
Alphabet Inc-Cl A	134	4.2	-1.8	10.9	27.5	11.7	51.6	34.7	139	83	-3.9%	60.5%
Hdfc Bank Limited	1,560	-1.9	-0.8	-4.6	-1.3	-8.3	-4.2	2.7	1,758	1,365	-11.3%	14.3%
Icici Bank Ltd	968	1.3	1.0	4.7	13.6	3.6	8.7	5.8	1,009	796	-4.0%	21.6%
Tata Consultancy Svcs Ltd	3,556	4.5	5.9	9.1	14.5	7.7	11.4	20.9	3,625	2,868	-1.9%	24.0%
Bajaj Finance Ltd	7,482	6.2	4.5	3.8	31.0	4.5	13.8	-2.7	8,000	5,486	-6.5%	36.4%
Hindustan Unilever Ltd	2,452	-4.3	-2.1	-8.4	-0.4	-8.4	-4.3	-6.5	2,770	2,393	-11.5%	2.5%
Nestle India Ltd	22,545	2.3	2.5	-1.5	19.1	-1.5	15.0	20.9	23,395	17,880	-3.6%	26.1%
Titan Co Ltd	3,298	7.1	6.2	11.0	31.2	8.2	27.0	23.7	3,352	2,270	-1.6%	45.3%
Asian Paints Ltd	3,218	1.1	-1.2	-3.0	13.3	-4.3	4.2	-4.1	3,583	2,686	-10.2%	19.8%
Srf Ltd	2,326	1.1	-1.3	-2.7	-1.0	1.6	1.6	-11.5	2,733	2,040	-14.9%	14.0%
Central Depository Services	1,281	11.4	12.5	23.2	32.8	15.3	14.9	-3.3	1,430	881	-10.4%	45.4%

Large, Mid & Small

21/09/2023	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India Indices												
Nifty 50	**19,748**	**1.8**	**2.6**	**4.7**	**15.4**	**2.9**	**9.1**	**11.5**	**20,222**	**16,748**	**-2.3%**	**17.9%**
Sensex	66,248	1.6	2.2	4.3	14.1	2.4	8.9	11.4	67,927	56,147	-2.5%	18.0%
Nifty 500	17,319	2.8	2.3	6.6	20.2	5.4	12.1	12.7	17,754	14,178	-2.5%	22.2%
NIFTY Midcap 100	40,261	5.6	2.9	13.0	34.4	12.6	27.8	26.9	41,687	29,200	-3.4%	37.9%
NIFTY Smallcap 100	12,520	6.5	2.3	15.6	38.1	15.5	28.7	28.7	13,079	8,682	-4.3%	44.2%

Nifty Sectors

21/09/2023	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty Sectors												
Nifty Auto	16,206	5.3	3.4	10.4	32.3	7.0	28.5	24.0	16,647	11,902	-2.6%	36.2%
Nifty Bank	44,821	1.9	1.9	2.2	12.3	0.2	4.3	8.8	46,370	37,386	-3.3%	19.9%
NIFTY Private Bank	23,192	1.9	1.2	3.6	14.6	1.2	6.1	9.5	23,955	19,242	-3.2%	20.5%
Nifty Financial Services	19,895	1.7	1.5	1.3	11.7	-0.8	4.8	6.6	20,667	16,984	-3.7%	17.1%
Nifty India Consumption	8,478	2.5	2.2	3.5	19.1	1.9	12.2	5.9	8,627	7,040	-1.7%	20.4%
Nifty FMCG	51,532	-0.5	0.9	-0.8	14.7	-1.3	16.7	15.8	54,350	42,462	-5.2%	21.4%
Nifty Energy	27,213	2.8	5.8	9.4	19.4	10.2	5.2	-0.4	27,939	21,631	-2.6%	25.8%
Nifty Infrastructure	6,177	2.8	3.9	8.2	21.1	7.6	17.6	20.2	6,336	4,841	-2.5%	27.6%
Nifty IT	32,828	6.1	5.3	13.1	16.6	11.0	14.7	22.3	33,403	26,184	-1.7%	25.4%
Nifty Metal	6,798	4.7	2.1	9.6	21.3	9.5	1.1	11.3	7,169	5,209	-5.2%	30.5%
Nifty Pharma	15,355	0.5	1.7	15.8	31.5	11.5	21.9	24.1	15,751	11,542	-2.5%	33.0%
Nifty PSU Bank	5,065	10.7	13.4	23.3	37.7	23.2	17.3	57.9	5,292	2,856	-4.3%	77.4%
Nifty Realty	567	6.0	1.6	10.3	43.7	9.1	31.4	25.7	600	371	-5.4%	53.1%
Nifty Sectors & Themes												
Nifty Media	2,298	2.3	0.2	29.2	31.7	31.8	15.3	8.3	2,466	1,637	-6.8%	40.4%
Nifty CPSE	3,818	9.7	9.3	17.7	31.4	17.2	36.5	40.1	3,898	2,485	-2.1%	53.7%
Nifty PSE	5,868	7.8	7.5	15.4	29.8	15.5	34.4	39.5	6,052	3,882	-3.0%	51.2%
Nifty Commodities	6,472	3.8	3.9	6.4	17.4	7.3	8.9	11.1	6,674	5,354	-3.0%	20.9%
Nifty MNC	21,991	0.9	0.3	1.2	16.2	0.7	11.6	10.3	22,675	18,651	-3.0%	17.9%

Crude Oil & Commodities

21/09/2023	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	**19,748**	**1.8**	**2.6**	**4.7**	**15.4**	**2.9**	**9.1**	**11.5**	**20,222**	**16,748**	**-2.3%**	**17.9%**
Gold U.S. & India												
Gold Spot $/Oz	1,926	1.7	-0.7	-0.3	-0.7	0.4	5.6	15.1	2,063	1,615	-6.6%	19.3%
Gold India	59,113	1.5	-0.3	0.2	-0.2	2.3	8.4	20.1	61,460	49,121	-3.8%	20.3%
Platinum Spot $/Oz	922.6	0.8	-5.1	-2.5	-5.4	1.8	-14.1	1.3	1,135	838	-18.7%	10.1%
Crude												
Brent Crude	92.6	9.6	6.6	20.1	22.9	23.6	7.8	3.1	100	70	-7.0%	32.0%
WTI Crude	88.7	9.9	6.1	22.3	28.0	25.6	10.5	7.0	94	64	-5.4%	39.4%
Metals												
LME Copper	8,281.5	0.8	-1.5	-3.2	-4.8	-0.5	-1.0	5.8	9,436	7,352	-12.2%	12.6%
LME Aluminum	2,214.0	6.0	2.2	1.2	-0.5	4.9	-5.8	-0.5	2,636	2,061	-16.0%	7.4%
LME Nickel	19,326.0	-2.9	-3.8	-11.8	-14.3	-5.0	-35.3	-22.4	31,176	19,337	-38.0%	-0.1%
LME Zinc	2,526.3	10.5	4.6	7.8	-13.3	6.0	-15.9	-19.7	3,509	2,222	-28.0%	13.7%
LME Lead	2,215.0	2.2	-1.4	0.3	3.8	3.3	-5.2	18.9	2,335	1,753	-5.1%	26.3%
LME Tin	25,842.0	3.4	3.0	-8.5	14.3	-5.9	4.4	21.6	32,170	17,400	-19.7%	48.5%
Commodities												
Lumber	8,281.5	0.8	-1.5	-3.2	-4.8	-0.5	-1.0	5.8	9,436	7,352	-12.2%	12.6%
Palm Oil	3,610.0	-8.0	-6.5	-0.6	-8.3	-3.8	-13.5	-5.2	4,349	3,143	-17.0%	14.9%
BBG Cmdty ex-Prec Mtl	97.6	2.4	0.9	2.3	5.2	6.3	-6.9	-13.0	115	86	-14.8%	13.4%
CRB Metals Index	1,002.0	2.7	1.1	-0.6	-4.9	0.9	-0.9	1.6	1,149	914	-12.8%	9.7%
Bloomberg Commodity Index	106.4	2.0	0.3	1.5	3.6	4.8	-5.7	-9.1	119	97	-10.8%	9.7%
CRB Commodities Index	553.4	0.3	0.1	-0.2	1.8	1.0	-0.2	-2.5	570	536	-2.9%	3.2%
Wheat	586.3	-2.2	2.3	-20.2	-14.2	-7.9	-26.0	-35.1	950	548	-38.3%	7.0%
CRB Raw Industrials Index	558.0	1.1	0.2	1.0	0.5	1.4	-2.1	-3.4	590	543	-5.4%	2.8%
Commodities												
Bloomberg Grains Spot	257.18	-2.6	-1.5	-15.2	-15.4	-3.9	-21.5	-23.2	337	256	-23.7%	0.6%
Raw Sugar	26.76	14.4	6.8	3.4	28.7	16.9	33.5	46.9	28	17	-3.1%	54.1%
Simex Iron Ore	121.10	12.7	10.7	7.5	-5.0	7.6	8.8	23.4	132	77	-8.2%	57.6%

Interest Rates and Inflation

21/09/2023	Price	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India G-Sec Yields												
10 Year India G-Sec	7.19	7.22	7.16	7.07	7.33	7.12	7.33	7.23	7.54	6.94	-0.35	0.24
5 Year India G-Sec	7.17	7.20	7.16	7.00	7.23	7.08	7.23	7.19	7.48	6.86	-4.1%	4.6%
3 Year India G-Sec	7.17	7.20	7.15	6.98	7.10	7.05	7.04	7.06	7.42	6.79	-3.3%	5.7%
1 Year India G-Sec	7.09	7.08	7.08	6.83	7.38	6.99	6.72	6.30	7.38	6.50	-4.0%	9.1%
3 Month India G-Sec	6.85	6.83	6.77	6.77	6.73	6.71	6.26	5.78	7.12	5.86	-3.8%	16.9%
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.25	5.40	6.50	5.90	N/A	N/A
India CPI												
India CPI Combined YoY	6.83	7.44	6.83	4.31	6.44	4.87	5.72	7.00	7.44	4.31	-0.61	2.52
India WPI	-0.52	-1.4	-0.5	-3.6	3.9	-4.2	5.0	12.5	11	-4	-104.9%	-87.6%
India Core CPI	5.36	5.6	5.4	5.7	6.4	5.6	6.4	6.0	6	5	-17.3%	0.0%
U.S. & China Yields & CPI												
U.S. 10 Year	4.42	4.34	4.11	3.72	3.61	3.84	3.87	3.53	4.45	3.25	-0.03	1.17
U.S. 5 Year	4.59	4.47	4.25	3.96	3.75	4.16	4.00	3.77	4.62	3.20	-0.03	1.39
U.S. 2 Year	5.16	5.00	4.86	4.72	4.17	4.90	4.43	4.05	5.20	3.55	-0.03	1.61
U.S. 1 Year	5.13	5.38	5.39	5.25	4.59	5.42	4.71	4.05	5.48	3.94	-0.35	1.18
U.S. 3 MO T-BILL	5.30	5.44	5.45	5.29	4.67	5.30	4.37	3.26	5.49	3.19	-0.20	2.11
Spread 10-2	-0.74	-0.66	-0.75	-1.00	-0.56	-1.06	-0.55	-0.52	-0.75	-0.31		
Spread 5-1	-0.53	-0.91	-1.14	-1.29	-0.85	-1.26	-0.71	-0.29	-0.86	-0.74		
U.S. CPI	3.70	3.20	3.70	4.00	6.00	3.00	6.50	8.30	8	3	-54.9%	23.3%
China CPI	0.10	-0.3	0.1	0.2	1.0	-	1.8	2.5	3	-0	-96.4%	-133.3%
Inflation Expectations 10 Year US	2.35	2.2	2.3	2.3	2.4	2.2	2.3	2.5	2	2	-4.7%	6.8%
U.S. Dollar & INR												
USD INR	83.1	83.1	82.8	82.0	82.7	82.0	82.7	80.0	83.3	80.3	-0.2%	3.6%
Dollar Index	105.5	103.3	103.6	102.1	103.3	102.9	103.5	110.6	114.8	99.6	-8.1%	5.9%

Tactical Asset Class Rationale

Equities	Weight	Rationale
India Equities	Over Weight & Stagger	Outlined in the commentary, we continue to remain moderately over-weight equities and prefer staggered deployments into equities. At this stage of the cycle, we prefer a higher over-weight exposure to mid and small caps.
India Hedge Funds	Marginal Over Weight	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return, while holding the opportunity to provide equity-like returns with debt-like risk. Typically, rising volatility is a constructive environment for hedge fund managers; however, we have not witnessed it translate to alpha for fund managers.
Long Short (Absolute Return)	Marginal Over Weight	Long short funds that have consistently delivered post-tax 8% returns are a worthy consideration for portfolios. Due to the sharp rally, and the upcoming elections, the environment is favourable for L/S strategies. We remain marginally over weight here.
U.S. Equities	Market Weight	Indian HNI portfolios are dramatically underweight U.S. equities. Diversification provides strong portfolio optimization benefits. U.S. equities have dramatic barriers to entry and global leadership. We recommend a staggered accumulation approach.
Emerging Market Equities	Market Weight	The Japanese economy is witnessing a surprising uptick after many years. China concerns remain around real estate and debt. Other emerging markets are valued reasonably and showing growth, but India remains a standout outperformer.
Europe Equities	Under Weight	Growth in India, emerging markets is likely to outpace European growth and therefore find limited triggers to gain exposure to European equities.
Fixed Income	**Weight**	**Rationale**
Duration	Positive	Duration continues to be an attractive proposition on a risk reward basis despite the probable intermittent volatility with certain parts of tenor curve looking more attractive. Domestic macros in terms of inflation cooling, strong revenue trajectory, and consequently comfortable fiscal position are advantages for duration curve. Headwinds exist in form of various factors like rising oil prices, developed markets rate trajectory, and international geopolitical uncertainty continuing unabated. However resultant temporary yields spikes would be an opportunity to add to positions rather than permanent weakness in the fixed income investment proposition.
Accrual	Selectively Positive	Accrual space offers good opportunity to lock in yields. The journey from here could be positive baring occasional hiccups in terms of temporary spread widening. Investors should lock in the attractive spreads that accrual assets offer. The near and belly of the curve offers good options for investors.
Credit Risk	Selectively Positive	Rich pickings are available in credit space of lesser understood / lesser known issuers and they offer attractive risk reward opportunities for risk savvy investors. Allocations should be in line with investor's risk appetite.
REITs	Selectively Over Weight	Real estate investment trusts (REITs) lagged in 2020 and 2021 due to the impact of Covid on retail and urban office space. However, REITs recovered in 2022. During an uncertain and inflationary environment, REITs offer an attractive inflation hedge that provides exposure to fixed assets. We recommend exposure be considered only with strong due diligence on a case by case bottom up basis.
InvITs	Over Weight	Infrastructure Investment trusts offer an attractive opportunity to invest in diversified portfolio of assets generating an attractive yield through regular income distribution
Alternate	**Weight**	**Rationale**
Private Unlisted	Selectively Positive	We are selectively positive and expect significant value and wealth creation in the unlisted space in India primarily led by Technology, Financial and New Age Consumption companies. Our Direct Deal Thesis focuses on late stage companies with significant market share & profitability and our Manager Selection in early stage investments focuses on fund managers with established track record across cycles.
Gold	**Weight**	**Rationale**
Gold	Under Weight	Given the recent run up in Gold prices and attractive opportunities available in equities and fixed income, and where we are in the business cycle, we recommend an under-weight position in Gold.

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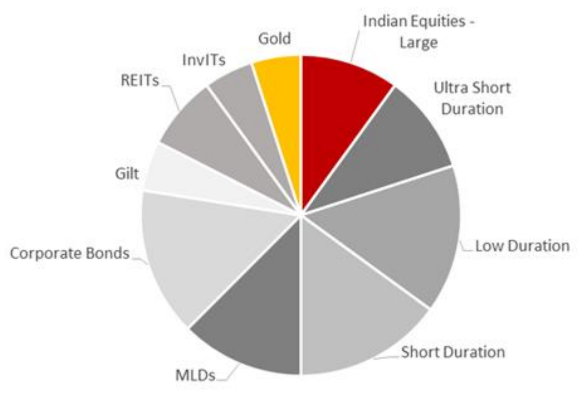
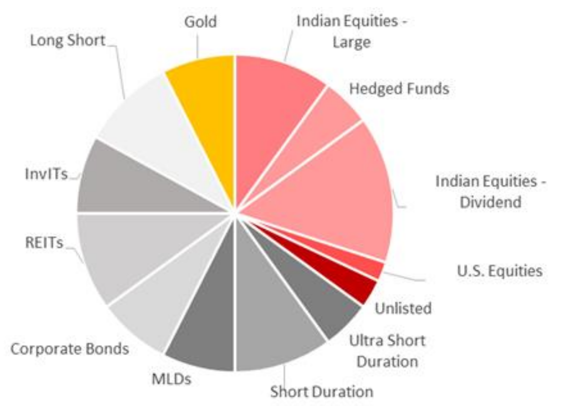
Ambit GPC Wealth Profiles - Strategic Weights

The Ambit GPC Asset Allocation & Investment Committee (AAIC) provide guidance on asset allocation via our wealth profile models below. The models are listed on a scale of rising return and rising risk and represent the most common investor profiles that we base our portfolio construction around.

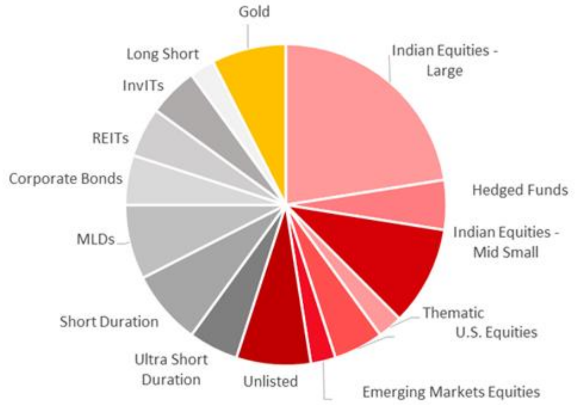
Wealth Conservation



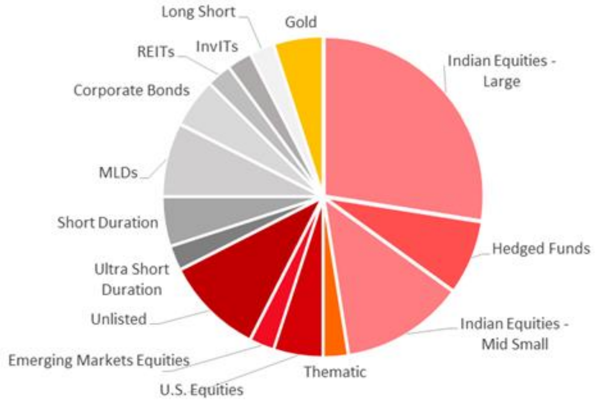
Income



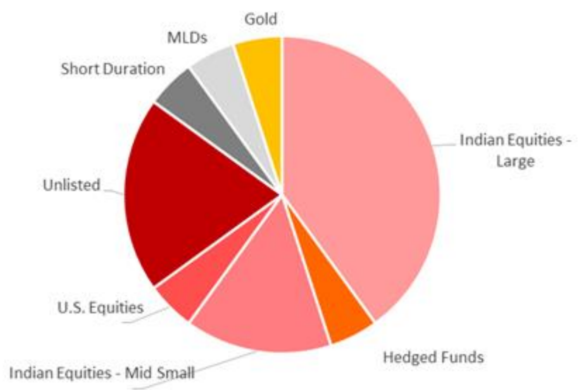
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

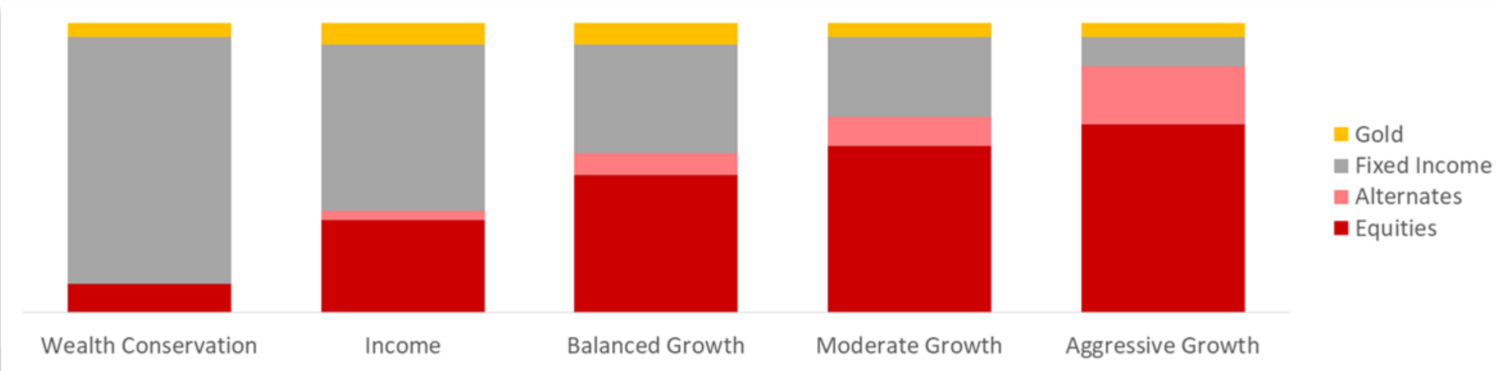
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as necessary during periods of market volatility to discuss the economy and markets. The committee determines the investment outlook that guides our advice to clients. The AAIC continually monitors developing economic and market conditions, reviews tactical outlooks and recommends asset allocation model changes, as well as analysis, investment commentary, portfolio recommendations and reports.

Tactical Allocation Weights Vs Strategic

Asset Class Pairs	Scale (-5 to 5)	View
Equities	2	Over-Weight
India Equities – Large	2	Over-Weight
India Equities – Mid & Small	2	Over-Weight
U.S Equities	0	Market-Weight
International ex-U.S.	-1	Under-Weight
Long Short	0.5	Over-Weight
Hedge Funds	0.5	Over-Weight
Fixed Income	2	Positive
Duration	2	Positive
Accrual	1.5	Selectively Positive
Credit Risk	1.5	Selectively Positive
InvITs	1.5	Over-Weight
REITs	2	Over-Weight
Alternates	0	Neutral-Weight
Private Unlisted	0.5	Selectively Positive
Gold	-1	Under-Weight

Wealth Profiles - Summary

Strategic Asset Class Weights by Profile



Ambit Global Private Client – Asset Allocation & Investment Committee

Amrita Farmahan	Mahesh Kuppannagari	Sunil A. Sharma	Malay Shah
CEO	**Head – Products & Advisory**	**Chief Investment Strategist**	**Head – Fixed Income**
Amrita.farmahan@ambit.co	Mahesh.kuppannagari@ambit.co	Sunil.sharma@ambit.co	Malay.shah@ambit.co

Sources: All sources unless otherwise noted are Bloomberg, NSE.