Issue 38 I October, 2023

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Investment Commentary

Navigating Turbulence

In This Month's Commentary...

U.S. Yield Curve Steepening – How Likely is a Recession in the U.S.?
The historical precedent is clear that yield curve steepening is followed by market volatility. We present a view on why this time is likely different

Asset Allocation – Part II
We wrap up our discussion on asset allocation and present moderate and aggressive model portfolios that handily beat the benchmark with lower volatility

Market Outlook
We share our outlook for equities and style preferences

Market Data & Tactical Views
Cross asset market data and our asset allocation tactical preferences

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Chief Investment Strategist

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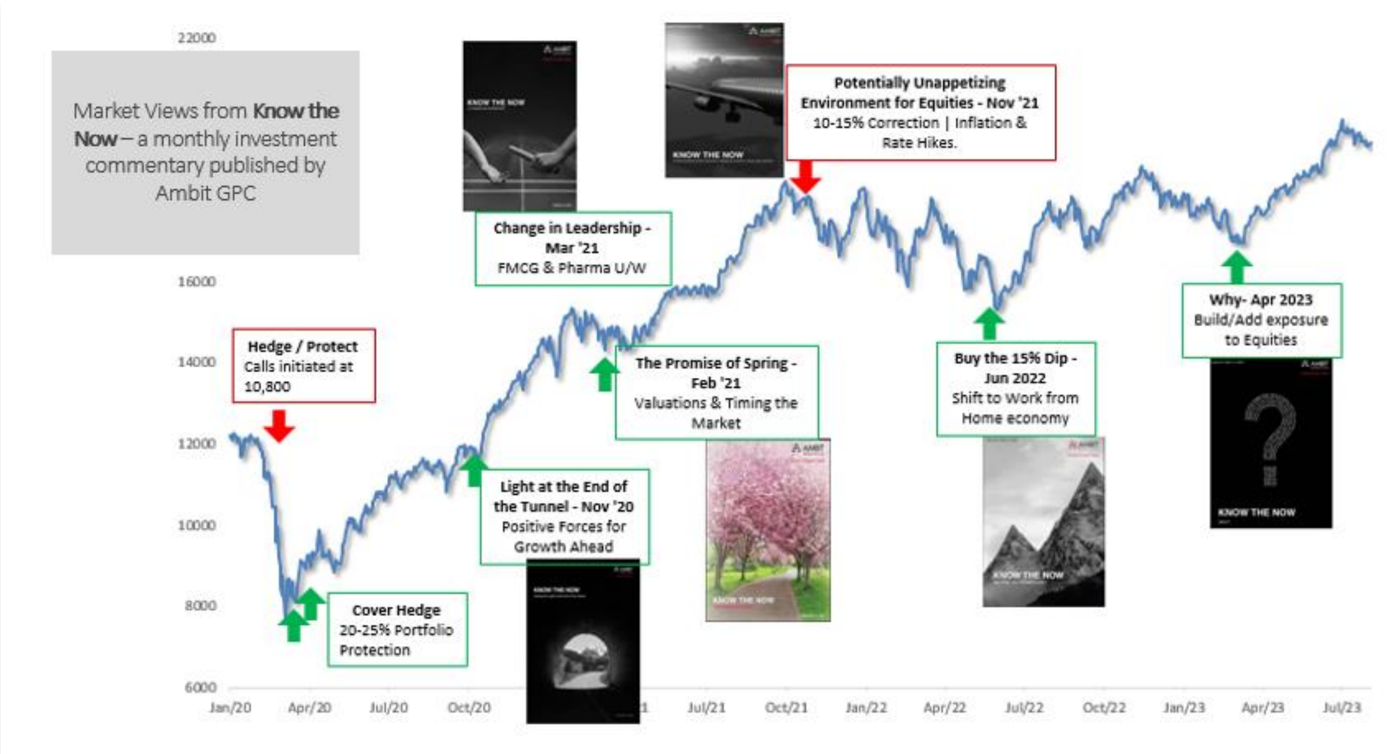
- Neutral Summer 2020
- Bullish Fall 2020 – Nov 2021
- Cautious Nov 2021 – Expected a 10-15% Correction
- Bullish in June 2022, Reiterated in March 2023

Know the Now - Equity View - Timeline



Are U.S. Recession Fears Real?

Does Yield Curve Steepening Portend Market Weakness?

The latest worries emanating out of the U.S. are related to a so called bear steepening in the yield curve. A bear steepening is caused by long term rates rising at a faster rate than short term rates.

Bearish Curve Steepenings Are a Rare Event

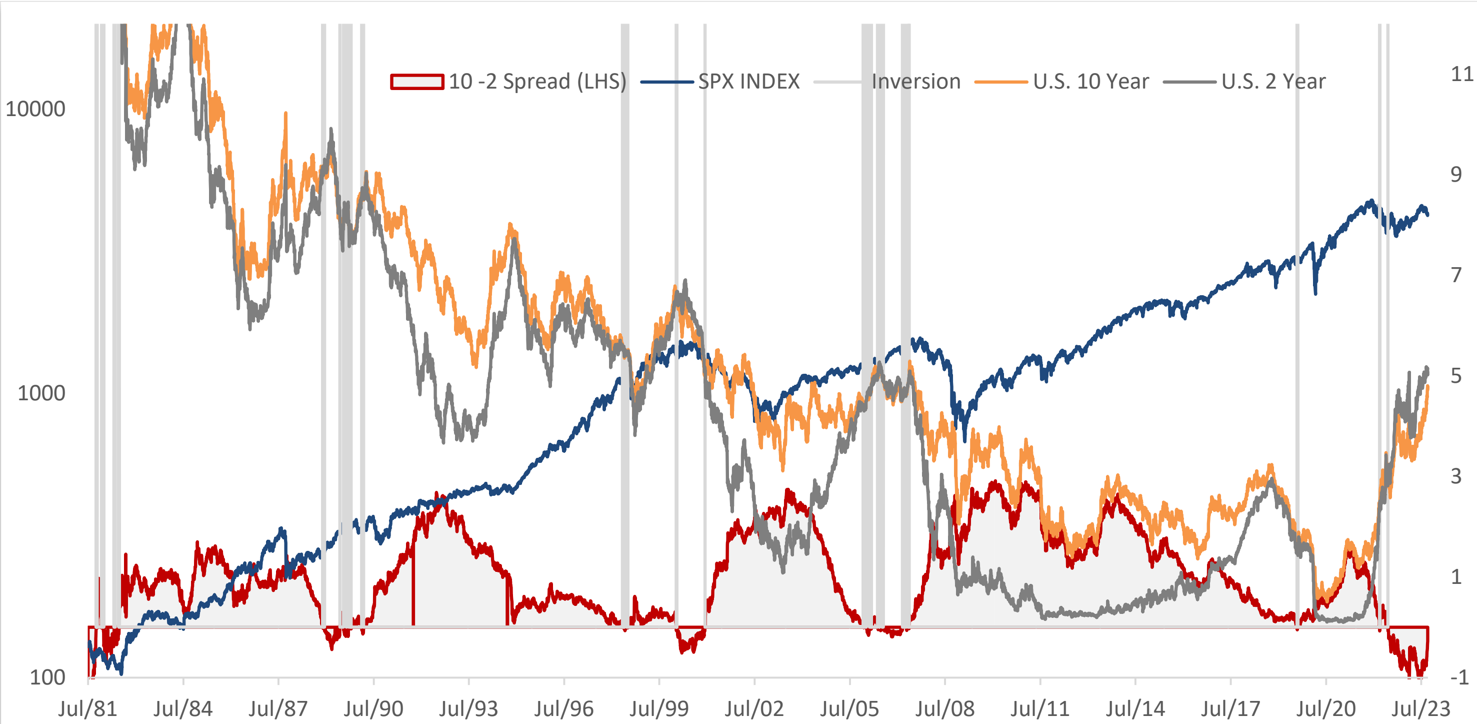
In 1990-91, 2001 and 2007, the yield curve inversion was caused by the U.S. 2 year bond yield (chart below) dropping rapidly, faster than the U.S. 10 year yield, leading to a yield curve steepening. This time around, the 10 year has *risen* faster than the 2 year, leading to the curve steepening. The historical precedent doesn't really apply in this case.

The 10 year yield has risen from 3.85% on July 4th, 2023 to 4.80%, a rise of 95bps. In contrast, the 2 year has risen 15 bps. There are no instances of this happening in the last 40 years.

Interpreting the Rise in 10 Year Yields

The Fed's made it clear they expect rates "higher for longer", and the 10 year has adjusted to this new normal. The old normal of a 5% 10 year yield is the new normal. Further, the debt burden of the U.S. (now $25T) is rising, as the Fed is allowing bonds to mature without replacing them, adding to pressure on rates. Finally, foreign holders aren't as active and some are net sellers. Despite the rise in rates, the U.S. economy is showing resilience in pockets, and we look at that next.

This Year's Curve Steepening in the U.S. Is Not Like Past Steepenings Since 1980...
...Long Rates Have Risen Sharply, Rather than Short Rates Dropping



Source: All data from NSE, Bloomberg unless noted otherwise. Data as of October 10, 2023.

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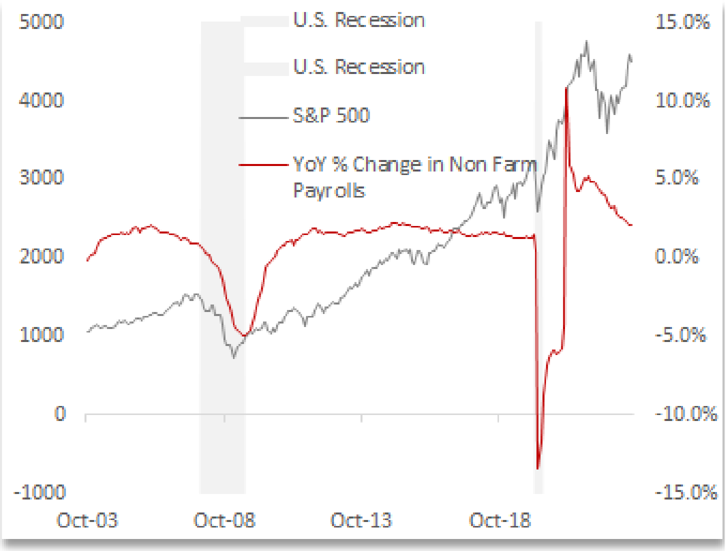
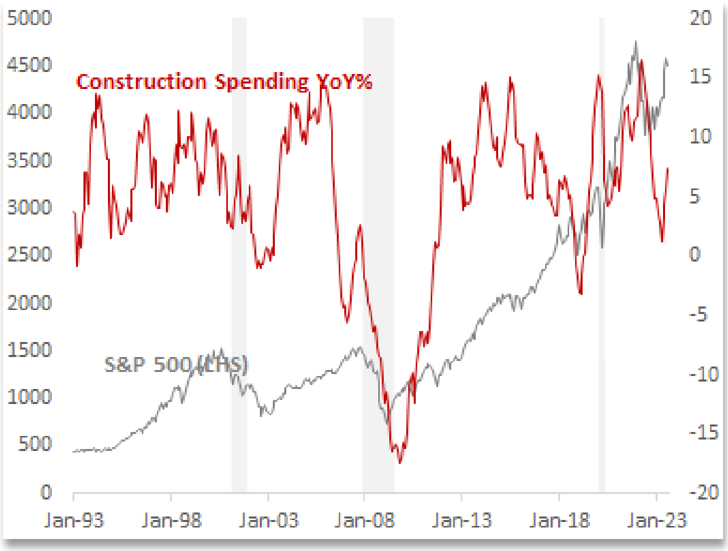
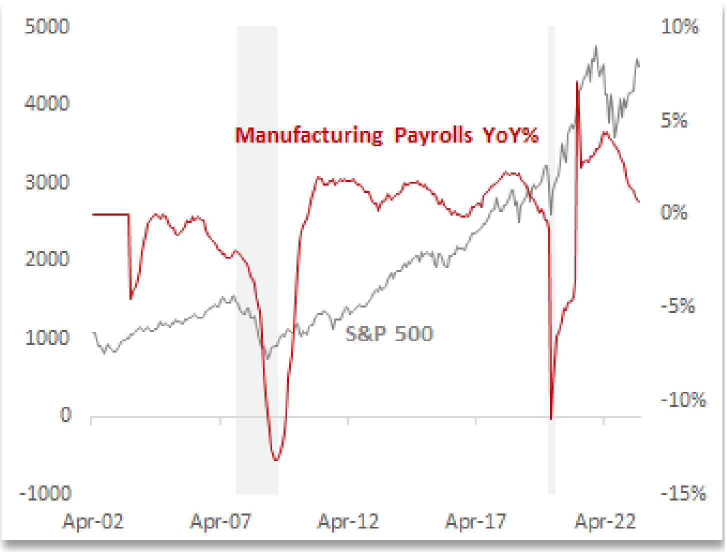
Non Farm Payroll Growth is Normalizing to Trend



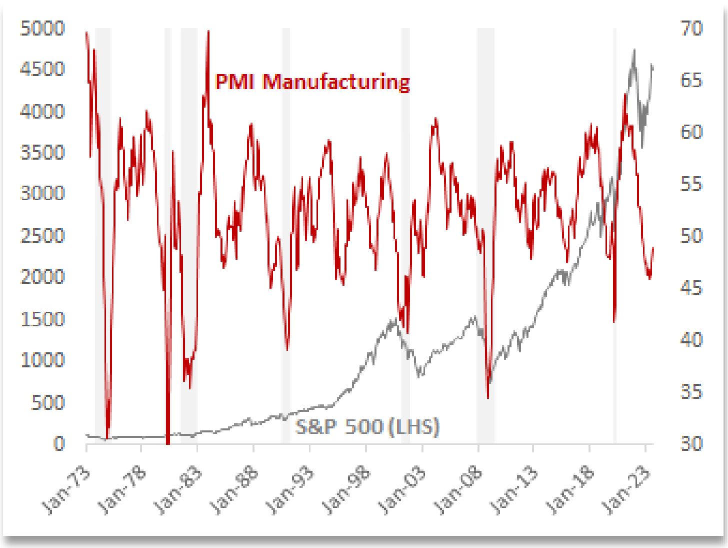
Construction Spending is Picking Up



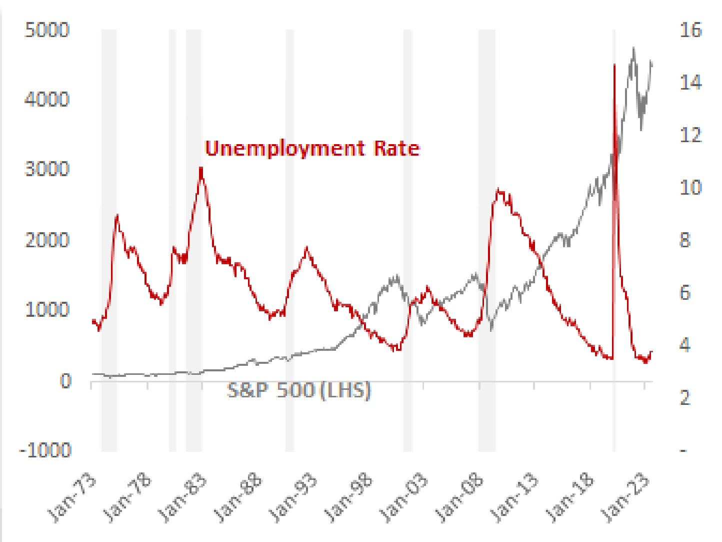
Manufacturing Payrolls are Slowing but +Ve



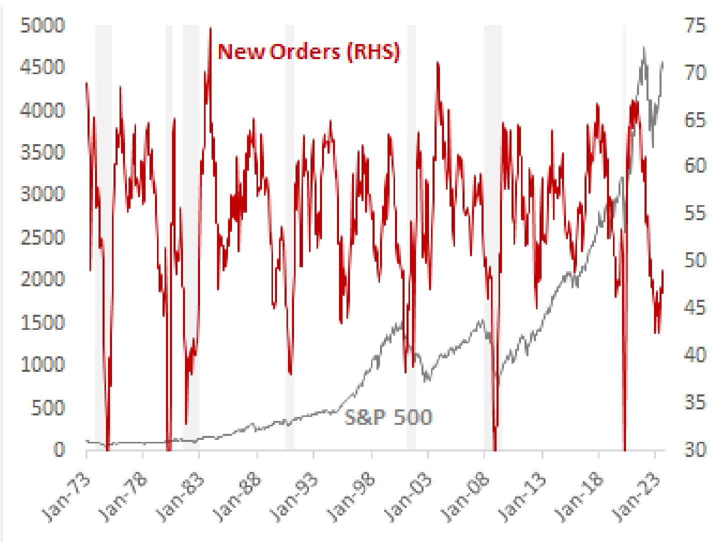
Manufacturing is Showing a Slight Uptick...



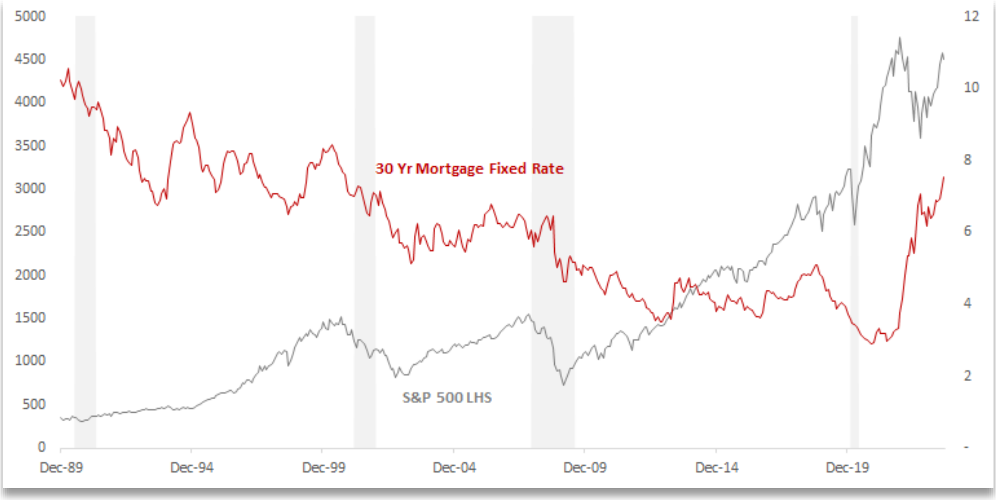
Unemployment is the Lowest in Decades



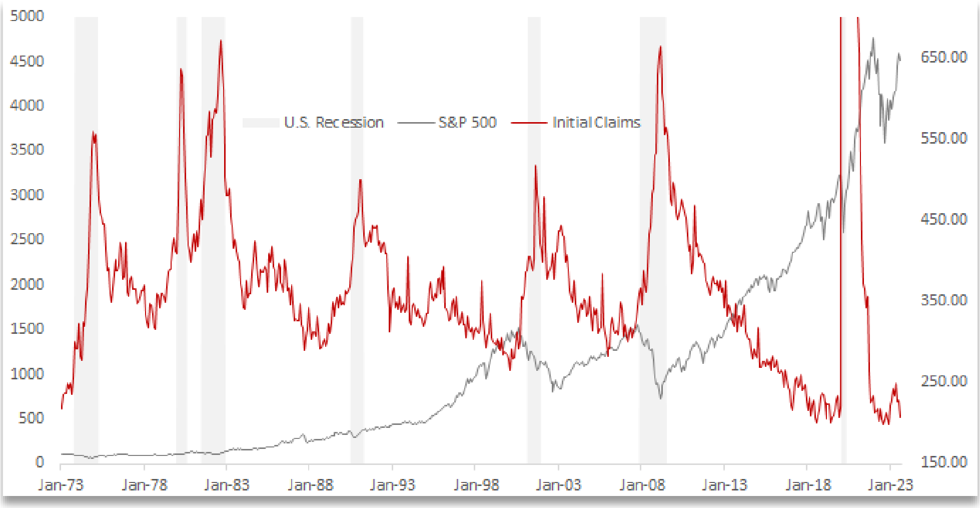
PMI New Orders are Also Rising...



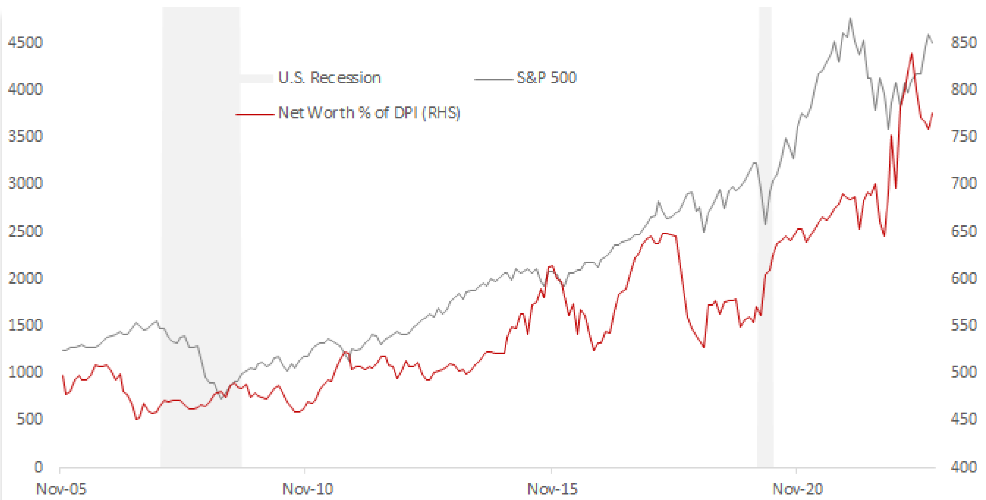
While the Rapid Rise in Mortgage Rates Presents a Clear Headwind to the U.S. Economy...



...But Initial Jobless Claims are the Lowest in Years..



...And Household Net Worth as a % of Disposable Income Has Risen Rapidly, As Has Equity in Real Estate



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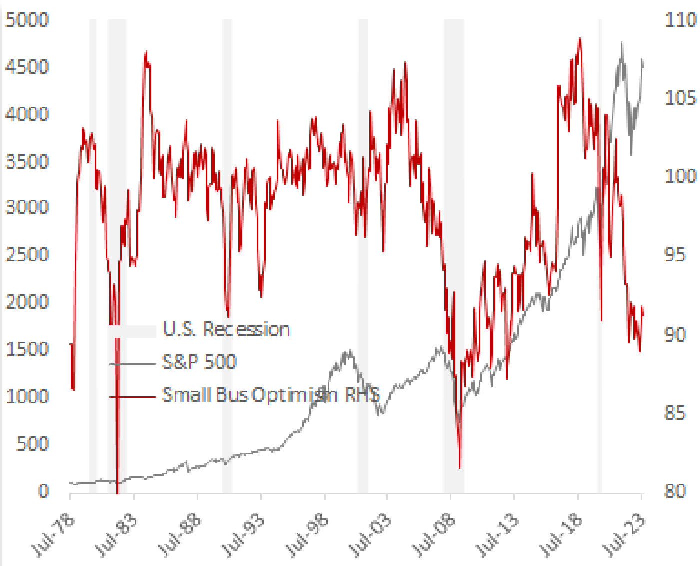
A Growing Gap Between the Haves & Have Nots in the U.S.?

The U.S. economy remains an enigma. Jobs are plentiful, but high paying jobs are more difficult to come by. Net worth and equity in real estate has grown, but these gains have accrued to the asset owning consumer. The gap between the rich and poor is widening. Manufacturing and construction spending are showing up ticks, possibly driven by the wealth effect in equities and real estate.

The 30 year mortgage rate is approaching 8% and is a cause for concern. Housing is in a slowdown. Slowing retail sales are also a cause for concern.

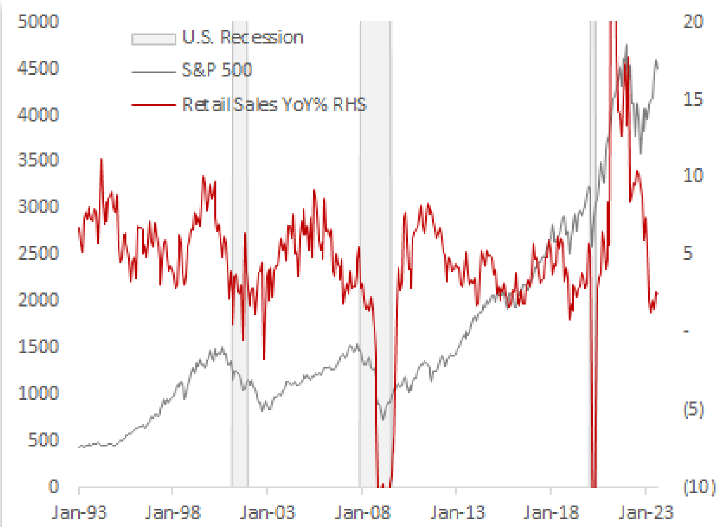
Meanwhile small business optimism and consumer confidence remain low. Small business owners are likely struggling, as are lower end consumers. Expectations for a better future are muted as well.

Small Business Owner Optimism Remains Muted



The deceleration in retail sales suggests that pressures are coming to bear on the U.S. consumer, alongside high mortgage rates, and high interest rates.

Slowing Retail Sales But Still in Line with the Range over the Past Few Years



Net net, in the wake of strong employment data, it's difficult to make a definitive case that the U.S. economy is in imminent threat of rolling over. As long as employment holds up, things are likely to trudge along. However, questionable policy choices over decades are now impacting the economy in meaningful ways, via high absolute prices, high cost of living, high insurance premiums etc.

Asset Allocation – Part II

Last month, we reviewed asset class performance across indices, sectors, thematics, and shared observations, return enhancement and risk mitigation strategies. This month, we wrap up the analysis by focusing on optimal asset allocation and portfolio construction.

The Asset Allocation Conundrum

The biggest problem most investors encounter today is the lack of investable opportunities that yield real, post-tax returns of 5%+, i.e. nominal returns around 12%+. Debt has delivered 6-7% nominal over the past few years, and as an asset class in an inflationary world of 6-7%, provides diversification, stability and some income but no real growth. InvITs are an attractive opportunity that requires expertise to invest and should be considered selectively on a case by case basis. Ditto REITs. Hedge funds, long short funds have generally not lived up to their promise.

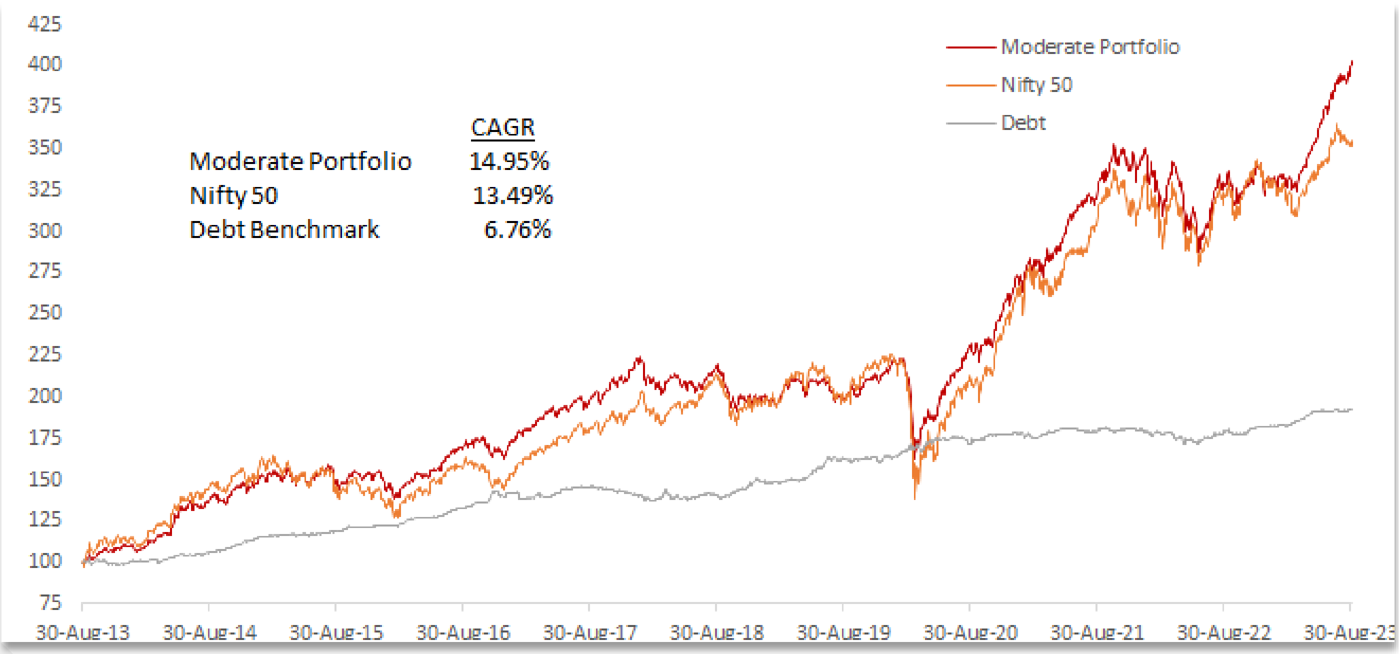
As a result, investors are generally finding themselves nudged towards riskier asset classes. Unfortunately, many investors invest for return without considering risk. As a result, many portfolios end up owning significant risk.

A Moderate Portfolio & 15% CAGR

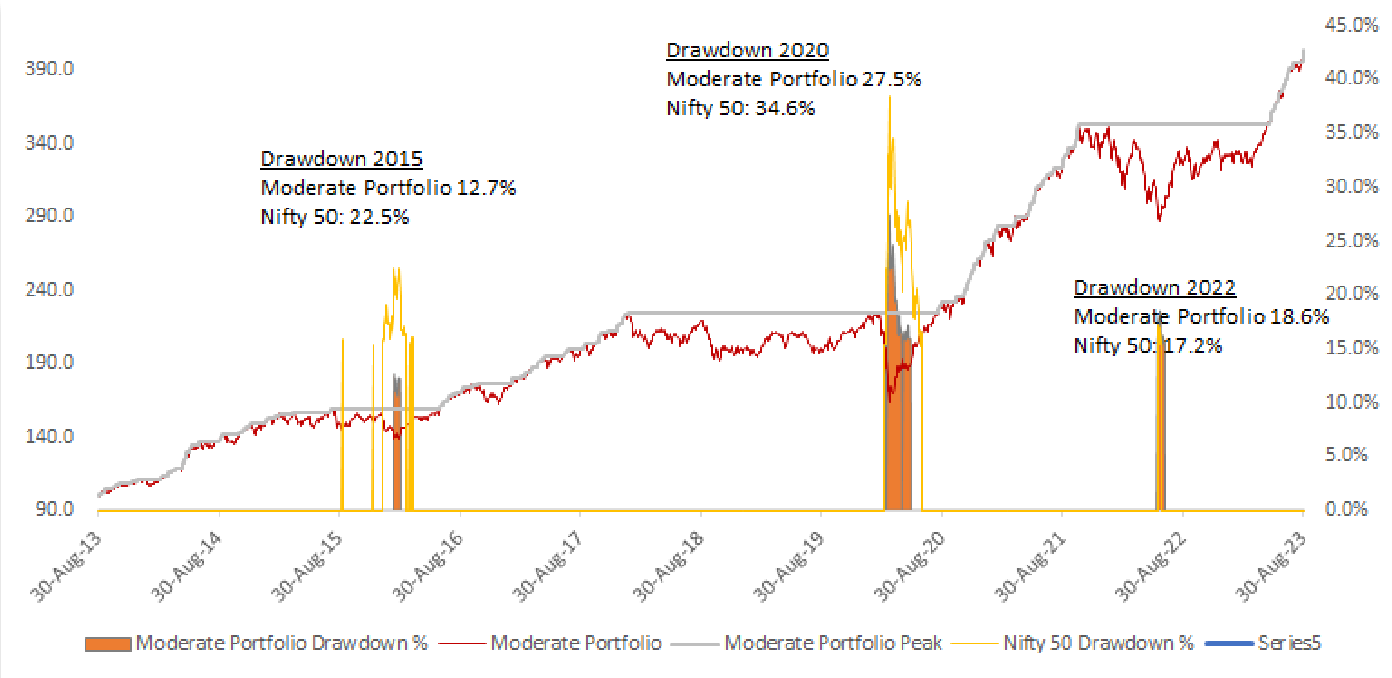
It does not have to be so. We share a portfolio for investors seeking moderate growth with moderate risk tolerance.

The Moderate Portfolio beats the Nifty 50 by 1.5% CAGR, (see chart below) while holding 35% of assets in debt and gold. In other words, the portfolio provides 15% CAGR while holding 35% in safe assets, beating the Nifty 50 handily and consistently. The portfolio provides returns in excess of the Nifty

Our Moderate 65/35 Portfolio Delivers 15% CAGR & Never Underperforms Bonds...
... Has Lower Volatility than the Nifty 50, While Holding 35% in Safe Assets

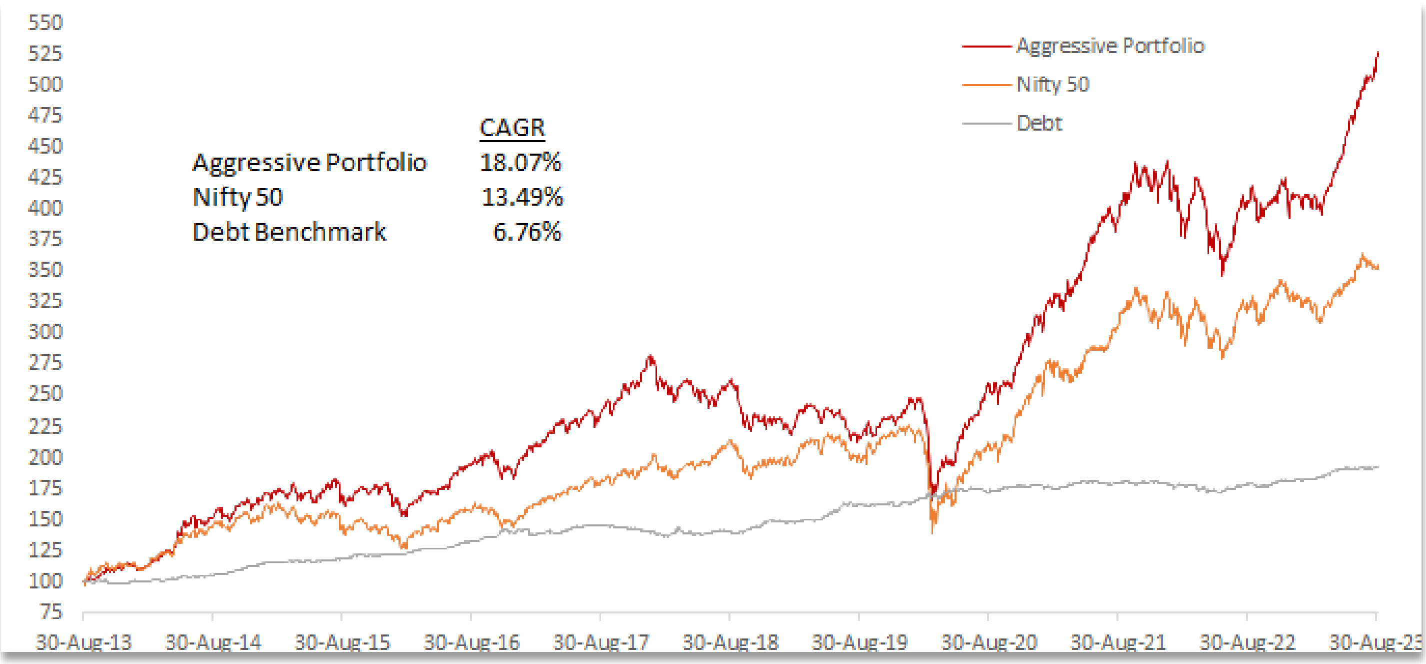


The Moderate Portfolio Has Lower Volatility Than the Nifty 50 During Bear Markets



Our Aggressive Portfolio Delivers 18% CAGR ...

... While Never Underperforming Equity or Debt Benchmark over 10 Years



50. The portfolio never underperforms bonds over the past 10 years. We choose 10 years since India entered a new investment regime in early 2014; these returns hold up over longer periods.

Our Aggressive Portfolio delivers equally impressive returns, 18.0% CAGR over 10 years. The portfolio outperforms both benchmarks over the entire 10 year period.

Returns can be enhanced further by adding active managers that deliver higher than benchmark returns, yield enhancement and tactical overlays. The portfolio focuses on principles of portfolio construction, via multiple negatively correlated high return assets.

Risk

Addressing Timing Risk

Owning high growth portfolios does entail timing risk. We work with clients to implement customized strategies to mitigate timing risk.

What if the Next Decade Doesn't Look Like the Past?

We've not had a prolonged, crippling downturn for many years now, but that doesn't mean it can't happen. That's where diversification becomes critical, and a prudent portfolio management philosophy. Even in the most crippling investment environment, opportunities exist.

The portfolios we have shared make it abundantly clear that strategies to deliver excess returns over benchmark, with lower volatility can be constructed with relative ease. Returns can be further enhanced using a multi-pronged approach that includes return enhancement strategies and tactical overlays.

Please contact your Ambit GPC wealth advisor if either of these portfolios are of interest to you.

Continued on next page

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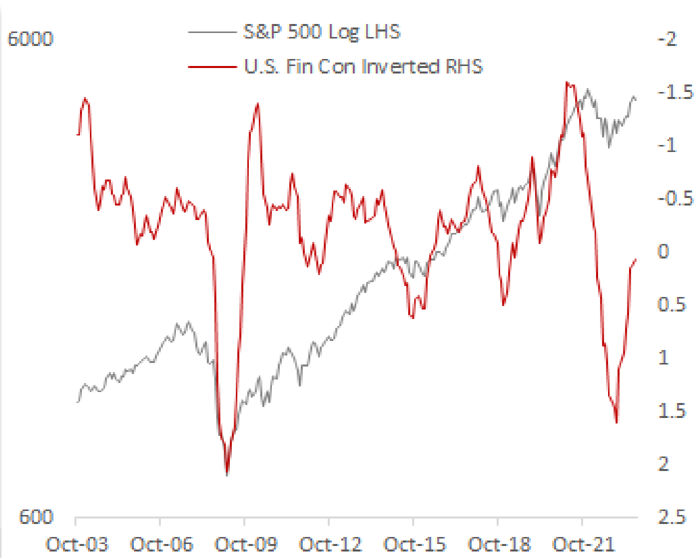
Outlook

U.S. Recession? Difficult to Predict...

Rising interest rates, mortgage rates will certainly be a headwind for the U.S. economy. The real estate market will possibly languish as the gap between expectations and affordability widens. However, bearish considerations must be balanced by the dramatic rise in household net worth relative to disposable income and the rapid rise in household equity in real estate, improving financial conditions, strong employment data and a variety of indicators that suggest the economy remains steady. Now are we witnessing rising consumer defaults.

Interestingly, financial conditions are improving (chart below), and headwinds receding, which typically heralds an improvement ahead in the rate sensitive, manufacturing sector. Net net, there are too many countervailing factors at play, and current cycle dynamics with respect to QE programs and excess savings aren't well understood.

Improving Financial Conditions in the U.S.

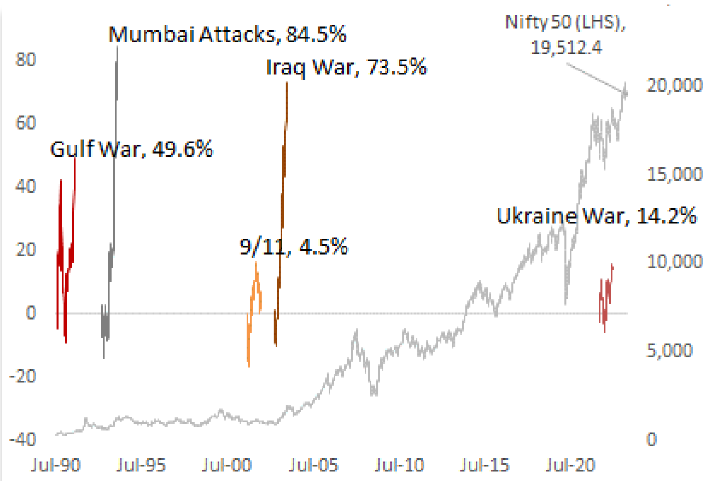


Israel Hamas War ...

Post War Market Performance is Positive

Forward 1 year returns following each major war/terrorist attack since 1990 have ranged from positive to significantly positive. While prices fluctuated lower in the immediate aftermath, markets have consistently recovered and forward returns have been attractive with the exception of 9/11 (+4.5%).

Improving Financial Conditions in the U.S.



The India Story Remains on Firm Footing...

India Services Activity Gains on Solid Demand

Indian firms noted higher sales to Asia, Europe and the U.S. last month. Input cost pressures retreated substantially in September, to amongst the lowest in 2 ½ years. Demand remains resilient domestically.

The S&P Global India Services PMI rose to 61 in September from 60.1 in August. New orders rose at one of the strongest rates in 13 years. A reading above 50 signals an expansion in activity, while a number below denotes a contraction.

S&P noted that business optimism is rising, fueled by buoyant demand conditions. India's services sector contributes more than 50% of gross domestic product.

India's manufacturing activity also remained strong in September, outperforming other Asian economies, as businesses picked up new clients in key overseas markets.

What's Driving India's Standout Performance?

India stands out from the rest of Asia, where factory growth remained subdued because of slowing global demand. Japan, Thailand, Vietnam, Taiwan and Malaysia witnessed contraction in activity. Philippines and Indonesia are in a mild expansion.

We continue to believe the India story is unique, benefitting from strong demographics, structural reforms, massive government investments in physical and digital infrastructure, reductions in bureaucracy, rising productivity, a growing workforce, an upskilling workforce, rising incomes, declining unemployment, wealth effects from equities and real estate, market share gains in services and manufacturing and similar factors.

Demand Trends Remain Positive

Core eight industry growth posted a 13 month high in Aug of 12.1% YoY, GST collections posted strong double digit growth, and per the CMIE, unemployment in India hit a one year low in Sep. Anecdotal company reports suggest consumer demand remains in place. Separately, inflation appears to be headed lower.

Wealth Effect Contributes to Rising Confidence

Equity markets in India have doubled since Oct 2018. Mid and small caps have better. Businesses have posted smart recoveries.

Investing Returns and Volatility Go Hand in Hand

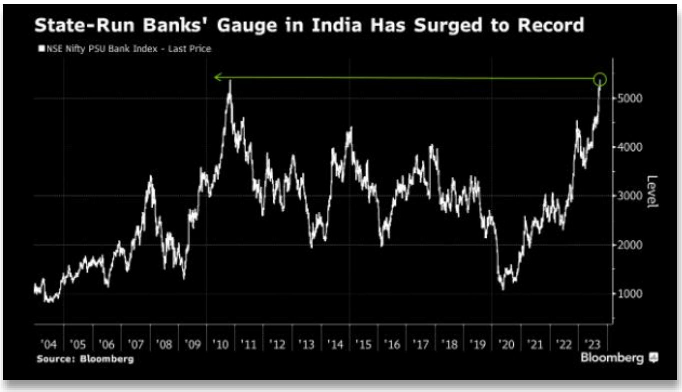
One of the greatest risks to an investor is getting the short term right, while missing the big picture. Five years ago, Oct 2018, few would have believed that the market at 10,300, would double from these levels to 20,000. Ten years ago, Oct 2013, the Nifty 50 sat at 6,000, and in 10 years the market has more than tripled. During this entire period, the world has been in global slowdown or crisis mode much of that time. Making money is never easy.

Despite risks, we prefer to maintain our over-weight stance on equities, while remaining watchful on geo-political and global economic trends.

Sectors – PSU CPSE Leadership

The Nifty PSU Bank has rallied about 19% year to date, eclipsing a high set 13 years ago. Some individual shares such as Central Bank are up 50% plus. Perennial issues with public banks are being addressed. Government backed lenders have inherent competitive advantages and are increasingly competing for the rising demand for loans.

The Nifty PSU Bank index has outperformed the Private Bank by 16% YTD. Fundamentals back the move. For instance, Indian Bank has a higher 3 and 5 year earnings growth than Bajaj Finance, while selling at roughly 1 times book.



Source: Bloomberg

Style Preferences

Our style preferences are listed in the table on page 18 and page 20. Since Nov 2021, large cap, high valued growth has underperformed. The initial rationale was rising interest rates, rising costs. Now an additional factor is that even as the economy has recovered, the market has been slow in rewarding expensive growth. Meanwhile, returns in value, particularly value companies that are re-rating, have been stellar. Valuation sentiment has shifted and high valuations are a headwind for many highly valued companies.

Net net, for portfolios holding reasonably priced, quality companies, riding the business cycle remains the preferred option. On the flip side, a portfolio concentrated in high valuation stocks, that have under-performed, or non-diversified across capitalization, would clearly suggest a thoughtful review and possible re-calibration of going forward portfolio strategy.

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Equity Index Performance

11/10/2023	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	**19,811**	**-0.9**	**0.9**	**1.9**	**11.8**	**0.9**	**9.4**	**16.7**	**20,222**	**16,828**	**-2.0%**	**17.7%**
Americas												
S&P 500 Index	4,358	-2.9	1.6	-1.8	6.1	1.6	13.5	21.4	4,607	3,492	-5.4%	24.8%
Dow Jones Indus. Avg	33,739	-2.7	0.7	-1.5	0.2	0.7	1.8	15.4	35,679	28,661	-5.4%	17.7%
Nasdaq Composite	13,563	-2.6	2.6	-1.4	12.7	2.6	29.6	30.1	14,447	10,089	-6.1%	34.4%
Nyse Fang+ Index	7,685	-3.2	4.3	-0.2	28.5	4.3	72.8	72.7	8,293	4,103	-7.3%	87.3%
Canada	19,501	-3.4	-0.2	-1.9	-4.5	-0.2	0.6	7.1	20,843	17,873	-6.4%	9.1%
Mexico	50,290	-3.8	-1.2	-7.1	-7.9	-1.2	3.8	9.8	55,627	45,026	-9.6%	11.7%
Brazil Bovespa	116,737	-0.1	0.1	-0.7	9.9	0.1	6.4	1.7	123,010	96,997	-5.1%	20.4%
Europe												
Euro Stoxx 50 Pr	4,194	-1.4	0.5	-2.2	-3.2	0.5	10.5	25.5	4,492	3,256	-6.6%	28.8%
FTSE 100	7,633	1.8	0.3	4.8	-2.0	0.3	2.4	10.9	8,047	6,708	-5.1%	13.8%
CAC 40 Paris	7,124	-2.1	-0.2	-1.3	-3.6	-0.2	10.0	22.1	7,581	5,705	-6.0%	24.9%
DAX Germany	15,432	-2.3	0.3	-2.3	-1.4	0.3	10.8	26.3	16,529	12,000	-6.6%	28.6%
Asia												
Nikkei 225	31,937	-1.6	0.2	-0.8	14.4	0.2	22.4	21.0	33,773	25,662	-5.4%	24.5%
Hang Seng	17,893	-1.1	0.5	-4.1	-12.7	0.5	-9.5	6.3	22,701	14,597	-21.2%	22.6%
Shenzhen CSI 300	3,668	-2.7	-0.6	-5.2	-10.6	-0.6	-5.3	-1.6	4,268	3,496	-14.1%	4.9%
Australia	7,088	-1.4	0.6	-0.3	-3.0	0.6	0.7	6.7	7,568	6,633	-6.3%	6.9%
Taiwan	16,672	0.6	1.9	0.0	5.3	1.9	17.9	21.7	17,464	12,629	-4.5%	32.0%
Korea	2,450	-4.2	-0.6	-4.4	-3.8	-0.6	9.6	11.8	2,668	2,163	-8.2%	13.3%
Straits Times Index STI	3,193	-0.8	-0.8	0.9	-3.2	-0.8	-1.8	2.8	3,408	2,969	-6.3%	7.5%
Vietnam Ho Chi Minh	1,151	-6.0	-0.3	-0.1	7.6	-0.3	14.3	14.4	1,255	874	-8.3%	31.7%
Jakarta Indonesia	6,932	-0.5	-0.1	2.0	1.8	-0.1	1.2	-0.1	7,128	6,543	-2.8%	5.9%
Phillipines	6,254	0.3	-1.1	-2.3	-3.5	-1.1	-4.8	7.0	7,138	5,835	-12.4%	7.2%

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	**19,811**	**-0.9**	**0.9**	**1.9**	**11.8**	**0.9**	**9.4**	**16.7**	**20,222**	**16,828**	-2.0%	17.7%
Microsoft Corp	328	-2.8	4.0	-1.2	16.1	4.0	36.9	45.7	367	213	-10.5%	53.9%
Meta Platforms Inc-Class A	322	4.6	7.2	7.9	50.5	7.2	167.4	150.4	326	88	-1.3%	265.4%
Apple Inc	178	-0.5	4.2	-5.2	10.9	4.2	37.3	28.4	198	124	-10.0%	43.7%
Walt Disney Co/The	85	3.0	4.9	-5.0	-15.4	4.9	-2.2	-8.7	118	79	-28.1%	7.9%
Amazon.Com Inc	129	-9.5	1.9	0.5	29.6	1.9	54.1	15.4	146	81	-11.2%	59.0%
Netflix Inc	373	-16.2	-1.1	-15.2	10.4	-1.1	26.6	74.2	485	212	-23.0%	76.3%
Alphabet Inc-Cl A	138	0.8	5.5	17.9	31.0	5.5	56.5	42.1	140	83	-1.2%	65.7%
Hdfc Bank Limited	1,540	-5.7	0.9	-6.6	-7.4	0.9	-5.4	9.9	1,758	1,384	-12.4%	11.2%
Icici Bank Ltd	953	-2.6	0.1	0.9	8.1	0.1	7.0	9.5	1,009	796	-5.5%	19.7%
Tata Consultancy Svcs Ltd	3,610	3.7	2.3	10.3	12.3	2.3	13.1	20.0	3,679	2,992	-1.9%	20.7%
Bajaj Finance Ltd	8,102	9.6	3.7	8.8	38.8	3.7	23.2	12.5	8,192	5,486	-1.1%	47.7%
Hindustan Unilever Ltd	2,556	0.8	3.7	-4.8	0.3	3.7	-0.2	0.2	2,770	2,393	-7.7%	6.8%
Nestle India Ltd	23,211	4.9	3.1	1.6	18.0	3.1	18.4	25.8	23,395	17,880	-0.8%	29.8%
Titan Co Ltd	3,281	2.1	4.2	6.2	27.1	4.2	26.3	25.0	3,352	2,270	-2.1%	44.5%
Asian Paints Ltd	3,164	-2.9	0.1	-6.7	14.9	0.1	2.5	-4.1	3,568	2,686	-11.3%	17.8%
Srf Ltd	2,250	-7.7	0.0	3.4	-6.2	0.0	-1.8	-10.1	2,640	2,040	-14.8%	10.3%
Central Depository Services	1,331	-4.3	-2.1	10.9	33.2	-2.1	19.3	7.8	1,430	881	-6.9%	51.1%

Large, Mid & Small

11/10/2023	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												
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Sensex	66,473	-1.0	1.0	1.3	10.5	1.0	9.3	16.3	67,927	57,050	-2.1%	16.5%
Nifty 500	17,407	-1.4	0.7	4.6	17.1	0.7	12.7	18.2	17,754	14,178	-2.0%	22.8%
NIFTY Midcap 100	40,486	-2.3	-0.1	11.7	32.2	-0.1	28.5	32.4	41,687	29,200	-2.9%	38.7%
NIFTY Smallcap 100	12,867	-0.9	0.9	14.9	38.9	0.9	32.2	35.8	13,079	8,682	-1.6%	48.2%

Nifty Sectors

11/10/2023	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	16,176	-1.2	-0.1	3.6	26.9	-0.1	28.3	29.5	16,647	11,902	-2.8%	35.9%
Nifty Bank	44,517	-2.3	-0.2	-0.5	7.6	-0.2	3.6	15.0	46,370	38,438	-4.0%	15.8%
NIFTY Private Bank	23,123	-2.3	0.1	1.2	10.3	0.1	5.8	15.2	23,955	19,593	-3.5%	18.0%
Nifty Financial Services	19,930	-1.8	0.6	-0.2	7.2	0.6	5.0	14.2	20,667	17,261	-3.6%	15.5%
Nifty India Consumption	8,571	0.2	1.3	1.5	17.6	1.3	13.5	12.1	8,627	7,040	-0.7%	21.8%
Nifty FMCG	52,254	0.0	1.3	-1.7	12.9	1.3	18.3	22.8	54,350	42,462	-3.9%	23.1%
Nifty Energy	27,003	-2.6	-1.2	5.0	15.9	-1.2	4.4	7.1	27,939	21,631	-3.4%	24.8%
Nifty Infrastructure	6,288	0.1	0.7	6.8	20.4	0.7	19.7	28.0	6,336	4,874	-0.8%	29.0%
Nifty IT	32,548	-0.3	2.4	11.0	13.5	2.4	13.7	18.5	33,403	26,184	-2.6%	24.3%
Nifty Metal	6,812	-4.1	-0.4	7.0	20.2	-0.4	1.3	17.7	7,169	5,209	-5.0%	30.8%
Nifty Pharma	15,177	-0.9	-1.6	9.2	23.4	-1.6	20.5	18.3	15,751	11,542	-3.6%	31.5%
Nifty PSU Bank	5,125	5.6	-2.5	15.8	35.8	-2.5	18.7	74.4	5,397	2,917	-5.0%	75.7%
Nifty Realty	611	2.5	6.2	16.0	45.5	6.2	41.6	45.2	617	371	-1.0%	64.9%
Nifty Sectors & Themes												
Nifty Media	2,279	-5.3	0.5	21.1	30.6	0.5	14.4	8.8	2,466	1,637	-7.6%	39.2%
Nifty CPSE	3,866	0.2	-1.1	16.8	28.4	-1.1	38.2	47.4	3,922	2,618	-1.4%	47.7%
Nifty PSE	5,942	-1.0	-0.8	14.0	29.4	-0.8	36.1	47.7	6,052	4,005	-1.8%	48.4%
Nifty Commodities	6,446	-2.8	-0.6	5.2	13.3	-0.6	8.4	16.3	6,674	5,354	-3.4%	20.4%
Nifty MNC	22,225	-1.7	1.2	1.2	15.0	1.2	12.8	15.0	22,675	18,651	-2.0%	19.2%

Crude Oil & Commodities

11/10/2023	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	**19,811**	**-0.9**	**0.9**	**1.9**	**11.8**	**0.9**	**9.4**	**16.7**	**20,222**	**16,828**	**-2.0%**	**17.7%**
Gold U.S. & India												
Gold Spot $/Oz	1,871	-2.7	1.2	-3.2	-6.6	1.2	2.6	12.3	2,063	1,617	-9.3%	15.7%
Gold India	57,391	-2.6	-0.4	-2.2	-4.7	-0.4	5.2	13.8	61,460	49,688	-6.6%	15.5%
Platinum Spot $/Oz	884.5	-2.2	-2.6	-4.8	-11.4	-2.6	-17.7	-0.8	1,135	854	-22.1%	3.5%
Crude												
Brent Crude	87.2	-3.8	-8.5	9.9	1.9	-8.5	1.5	-7.5	100	70	-12.4%	24.4%
WTI Crude	85.5	-2.1	-5.9	14.2	4.8	-5.9	6.5	-4.4	95	64	-10.1%	34.3%
Metals												
LME Copper	7,945.0	-3.5	-3.3	-4.9	-9.8	-3.3	-5.0	4.0	9,436	7,410	-15.8%	7.2%
LME Aluminum	2,178.8	1.7	-6.5	3.8	-5.0	-6.5	-7.3	-3.6	2,636	2,061	-17.3%	5.7%
LME Nickel	18,399.0	-7.2	-0.2	-11.6	-18.8	-0.2	-38.4	-17.4	31,176	18,199	-41.0%	1.1%
LME Zinc	2,442.8	0.9	-7.6	4.6	-12.6	-7.6	-18.7	-18.0	3,509	2,222	-30.4%	9.9%
LME Lead	2,124.0	-7.1	-3.5	3.0	1.0	-3.5	-9.1	4.9	2,335	1,884	-9.0%	12.8%
LME Tin	24,414.0	-3.7	3.2	-14.1	0.5	3.2	-1.4	20.9	32,170	17,400	-24.1%	40.3%
Commodities												
Lumber	7,945.0	-3.5	-3.3	-4.9	-9.8	-3.3	-5.0	4.0	9,436	7,410	-15.8%	7.2%
Palm Oil	3,533.0	-2.6	-4.2	-7.4	-17.5	-4.2	-15.3	1.4	4,349	3,232	-18.8%	9.3%
BBG Cmdty ex-Prec Mtl	95.6	-2.4	-1.3	2.3	-0.9	-1.3	-8.8	-13.3	114	86	-16.3%	11.2%
CRB Metals Index	977.8	-1.0	-1.2	-2.2	-6.9	-1.2	-3.3	2.4	1,149	914	-14.9%	7.0%
Bloomberg Commodity Index	103.9	-2.6	-0.9	0.8	-3.0	-0.9	-7.9	-10.0	119	97	-12.9%	7.1%
CRB Commodities Index	548.1	-0.1	-0.1	-0.7	0.6	-0.1	-1.2	-2.0	570	536	-3.9%	2.2%
Wheat	557.5	0.3	3.0	-14.2	-17.3	3.0	-29.6	-38.1	937	540	-40.5%	3.2%
CRB Raw Industrials Index	550.3	-0.6	-0.9	-0.3	-1.3	-0.9	-3.4	-2.9	590	543	-6.7%	1.4%
Commodities												
Bloomberg Grains Spot	249.85	-4.3	1.4	-7.9	-19.4	1.4	-23.7	-24.5	337	247	-25.8%	1.4%
Raw Sugar	26.98	2.2	2.7	14.7	10.7	2.7	34.6	44.0	28	18	-2.3%	53.7%
Simex Iron Ore	116.50	-2.5	-3.6	7.7	-4.1	-3.6	4.7	20.8	132	77	-11.6%	51.6%

Interest Rates and Inflation

11/10/2023	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	7.31	7.25	7.22	7.09	7.21	7.22	7.33	7.43	7.54	6.94	-0.22	0.37
5 Year India G-Sec	7.35	7.25	7.23	7.08	7.04	7.23	7.23	7.39	7.48	6.86	-1.8%	7.2%
3 Year India G-Sec	7.34	7.18	7.26	7.07	6.99	7.26	7.04	7.22	7.42	6.79	-1.1%	8.1%
1 Year India G-Sec	7.09	7.08	7.08	6.83	7.38	7.09	6.72	6.30	7.38	6.66	-4.0%	6.4%
3 Month India G-Sec	6.84	6.85	6.80	6.72	6.69	6.80	6.26	6.10	7.12	6.20	-3.9%	10.3%
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.25	5.90	6.50	6.25	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	9	-4	-106.0%	-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	4.55	4.29	4.57	3.97	3.43	4.57	3.87	3.95	4.89	3.25	-0.33	1.30
U.S. 5 Year	4.55	4.41	4.61	4.23	3.53	4.61	4.00	4.17	4.87	3.20	-0.32	1.35
U.S. 2 Year	4.96	4.99	5.04	4.87	4.02	5.04	4.43	4.31	5.20	3.55	-0.23	1.41
U.S. 1 Year	5.04	5.41	5.46	5.40	4.67	5.46	4.71	4.27	5.50	4.06	-0.46	0.98
U.S. 3 MO T-BILL	5.31	5.45	5.45	5.40	4.99	5.45	4.37	3.44	5.51	3.36	-0.20	1.96
Spread 10-2	-0.41	-0.70	-0.47	-0.90	-0.60	-0.47	-0.55	-0.36	-0.31	-0.31		
Spread 5-1	-0.49	-1.00	-0.85	-1.17	-1.14	-0.85	-0.71	-0.10	-0.63	-0.86		
U.S. CPI	3.70	3.20	3.70	4.00	6.00	3.00	6.50	8.30	8	3	-51.9%	23.3%
China CPI	0.10	-0.3	0.1	0.2	1.0	-	1.8	2.5	2	-0	-95.2%	-133.3%
Inflation Expectations 10 Year US	2.32	2.3	2.3	2.2	2.2	2.3	2.3	2.4	2	2	-5.9%	5.5%
U.S. Dollar & INR												
USD INR	83.2	83.0	83.0	82.4	82.1	83.0	82.7	82.3	83.3	80.5	-0.1%	3.3%
Dollar Index	105.8	104.6	106.2	101.7	102.2	106.2	103.5	113.2	113.9	99.6	-7.2%	6.2%

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	Selectively Positive	Global financial volatility, increased geopolitical flare ups and latest MPC actions are adding to duration jitters. Investors are advised to consider their appetite to digest intermittent mtm volatility and basis that do allocation. Having said that, strong domestic macros and under control inflation are big positives in the entire equation and make case attractive for selective exposure to duration.
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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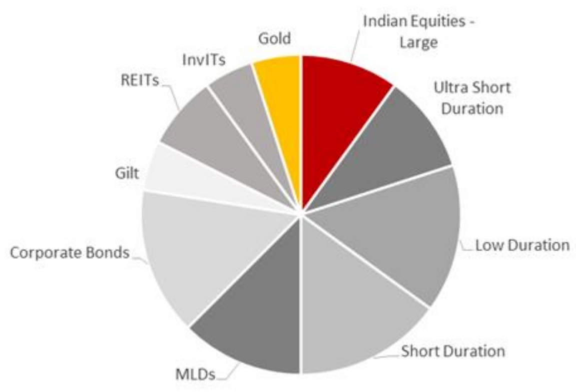
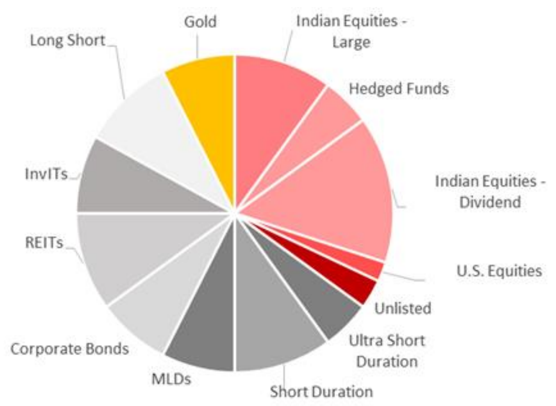
Ambit GPC Wealth Profiles - Strategic Weights

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.

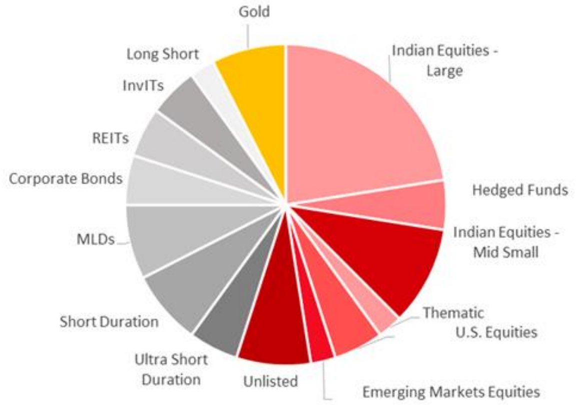
Wealth Conservation



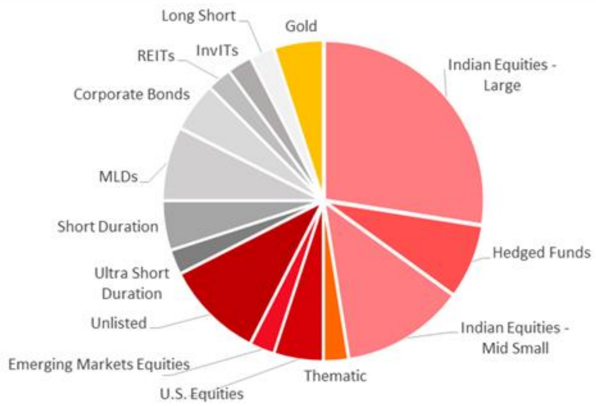
Income



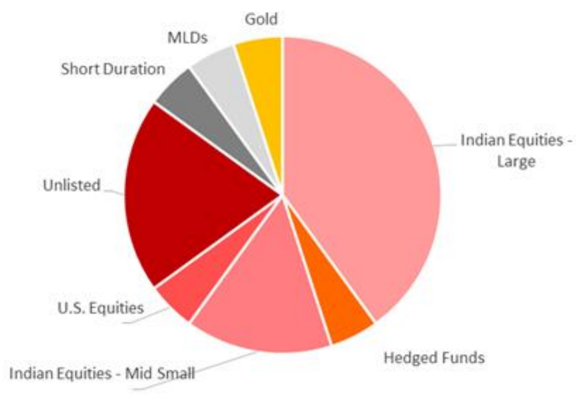
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

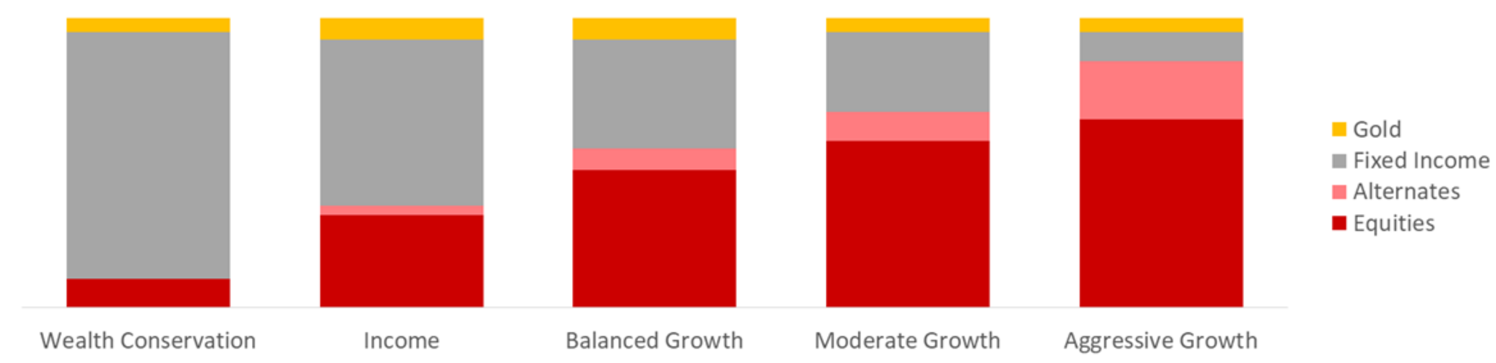
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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	-4	-3	-2	-1	0	1	2	3	4	5	View
Equities												Over-Weight
India Equities – Large												Over-Weight
India Equities – Mid & Small												Over-Weight
U.S Equities												Market-Weight
International ex-U.S.												Under-Weight
Long Short												Over-Weight
Hedge Funds												Over-Weight
Fixed Income												Positive
Duration												Selectively Positive
Accrual												Selectively Positive
Credit Risk												Selectively Positive
InvITs												Over-Weight
REITs												Over-Weight
Alternates												Neutral-Weight
Private Unlisted												Selectively Positive
Gold												Under-Weight

Wealth Profiles - Summary

Strategic Asset Class Weights by Profile



Ambit Global Private Client – Asset Allocation & Investment Committee

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

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