Issue 44 | May, 2024

AMBIT
Acumen at work

Global Private Client

KNOW THE NOW

BULLISH PROGNOSTICATIONS FROM THE CENTRE

Visit Website

AMBIT
Acumen at work
Global Private Client

INVESTMENT COMMENTARY

MAY 2024

Every month, our focus is on the relevant issues of the day for Indian investors. This month, we focus on FI selling at the beginning of the month, update corporate earnings and valuations across large, mid and small, and review the investment landscape heading into key elections.

WHY ARE FIS SELLING?

We share light on the fairly distinct investment considerations that drive FI investment considerations compared to domestic investors.

EARNINGS, VALUATIONS UPDATE ON LARGE MID & SMALL

We update corporate earnings for the latest quarter to get a sense of growth trends.

U.S. ECONOMIC OUTLOOK

What's happening in the U.S. economy will ultimately impact India and keeping an eye on what's happening in the U.S. is a critical piece of the India outlook

INVESTMENT OUTLOOK & ASSET ALLOCATION

We update our asset allocation and investment strategy, style preferences, sector preferences and stock selection outlook.

MARKET DATA, TACTICAL ASSET ALLOCATION & RATIONALE

Key market data across asset classes, tactical asset allocation preferences and investment rationale.

Authored by:

SUNIL A SHARMA

Chief Investment Strategist

AMBIT
Acumen at work
Global Private Client

TABLE OF CONTENTS

Main Content

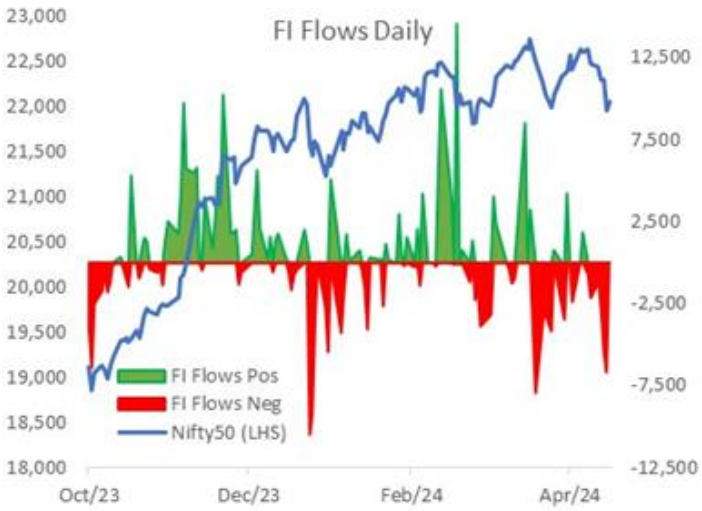
Why are FIs Selling?	04
Earnings & Valuation Update	06
U.S. Economic Outlook	12
Investment Outlook & Asset Allocation	16

Market Data & Asset Allocation

Key Economic Data	19
Key Calls from Past Commentaries	20
Market Data – Indices, Rates, Prices	21
Asset Allocation Rationale	25
Asset Allocation Tactical Weights	27
Wealth Profiles	28
Asset Allocation Team	29

WHY ARE FIS SELLING?

FIs Have Been Selling India Equities of Late

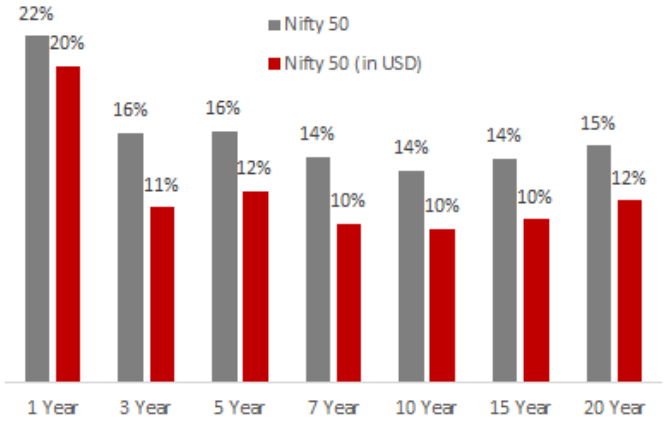


Source: NSE, Bloomberg unless stated otherwise.

Let's consider some of the reasons why they're doing so:

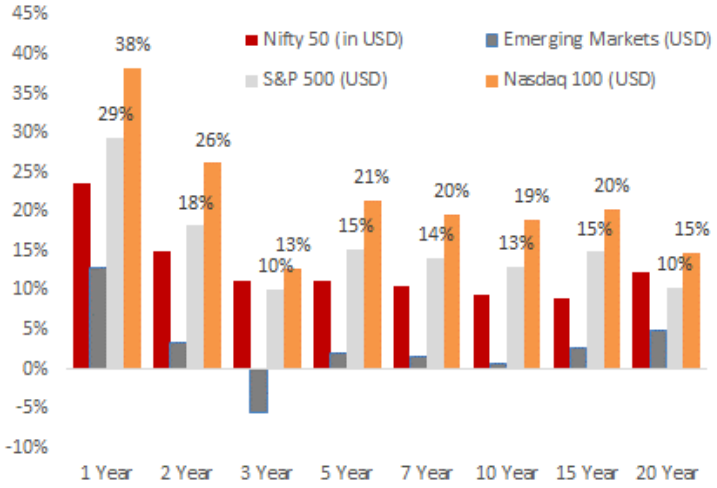
Nifty 50 Returns in USD are Average - Nifty 50 returns in USD have averaged 10-12% going back 20 years. That's not as compelling as the 14-16% Indian investors have enjoyed.

Nifty 50 USD Returns are Only 10-12% CAGR



The Nasdaq and S&P are Delivering Strong Performance – The NDX has consistently delivered 20%~ CAGR over the past 5-20 year period.

Nasdaq & S&P 500 Have Been Delivering Strong Returns, Particularly in the Last 1 Year



AI is Leading a U.S. Tech Resurgence and U.S. Earnings Have Beaten Expectations

Capital is fluid. With improving fundamentals, and clear visibility, investors prefer to own dominant global franchises with strong visibility of earnings.

EM & China Returns have been Dismal, and India, For Many FIs, is a Part of the EM Pack

For much of the institutional universe, India remains a part of the EM pack. So the primary call is often an EM vs developed market call. With a strong dollar, declining rate differentials on high U.S. rates, and signs of improving U.S. earnings, EM has struggled.

FIs Sold Financials, Tech, FMCG

According to a report by Bloomberg, FIs did most of their selling in Financials, Staples and Information Technology. In Financials, some large private banks have underperformed; in IT, the IT majors have underperformed, and large FMCG companies have also underperformed.

India's Valuation Premium

Some institutional investors are paring exposure to India and pivoting to former favorite China, preferring to play a China recovery and lower valuations.

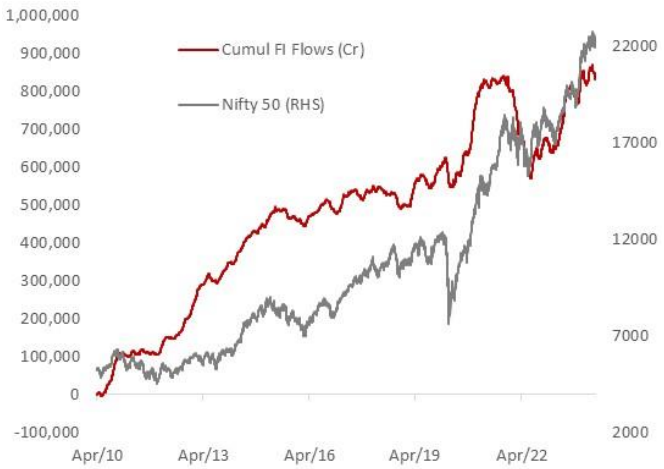
FIs Avoiding Election Event Risk

Should an unexpected election result unfold, there is perceived risk to Indian equities. Investors – domestic and foreign – might be choosing cash in the short term, taking profits on a strong rally in equities.

That Being Said… All Prior Bouts of FI Selling Have Been Buying Opportunities

Moving chronologically back in time; in **2022**, FIs sold upwards of INR 2.5 lakh crore. A massive rally ensued in 2023 in India. In **2020**, FIs sold en masse in March 2020. A massive rally ensued starting late March 2020. In **2018**, FIs were sellers on worries around the financial system. India has been a top performer since that time. Net net, the underlying fundamentals of our economy are strong, driven by sound fiscal policy, sound infrastructure, public investment, strong demographics and rising productivity.

FI India Flows Have Been Stagnant Since 2020

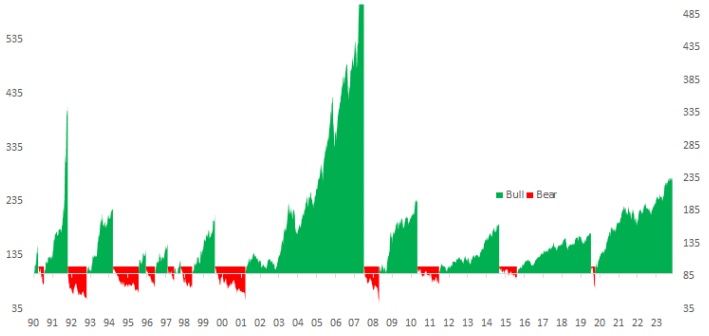


Bears Get Put on Notice

The Modi Shah team has an enviable track record of market predictions. A few quarters ago, P.M Modi advised investors to put money in PSU banks and PSEs. Prior to that, P.M. Modi urged investors to stay the course in 2018 and invest in equities. Their views have been prescient. Recently, the Minister of Home Affairs Mr. Shah clearly stated (May 13, 2024) during an interview: **"Buy Indian equities before June 4th**, because the markets are likely to shoot up by June 6th, once election results are declared. Bears have been put on notice.

Investors were jittery as rumors of a low turnout and election risk were making the rounds. Mr. Shah's statement calmed investor nerves, and markets turned around literally within the hour, and have been rising since.

The Second Longest Bull Market Since 1990



Increasingly, DI Flows Drive Equities

Cumulative FI follows peaked in 2020, dipped and have risen again, but are stagnant since 2020. (see chart on left). The India story is increasingly driven by SIPs, domestic flows, new accounts. The government is attuned to the new reality that **market sentiment often, if not always, drives consumer sentiment.**

INSIGHTS FROM CURRENT QUARTER EARNINGS

Nifty 50 Delivering Solid Numbers to Date

With 70% of companies reporting, sales are up 17.7% over the prior year, and profits are up 17.2%. Top line growth has come through across all sectors, led by Financials and Consumer Discretionary. Clearly, the customer is spending and the customer is borrowing.

with 15.4% topline growth and 25.7% earnings growth. The performance is **broad based**, across Consumer Discretionary, Financials, Energy, Health Care, Industrials and Materials. Information Technology and Consumer Staples are laggards. Sequential growth looks healthy, and margins are in line with prior quarters.

Full year numbers look equally impressive,

With 70% of Companies Reporting, Nifty Sales are Up 17.7% and Profits are Up 17.2%

Nifty 50	Sales Qtr YoY %	Net Profits Qtr YoY%	Sales LTM YoY %	Net Profits LTM YoY%	Sales QoQ %	Net Profits QoQ%	P/S	Bottom Up P/E	Cap Wt %	Profit Contrib %	Net Margin
Communication Services									5.0%		
Consumer Discretionary	19.9%	28.2%	19.4%	39.7%	1.9%	4.3%	5.5	47.1	10.1%	5.5%	12.0%
Consumer Staples	3.5%	5.1%	4.9%	4.2%	1.3%	9.5%	13.9	91.7	10.2%	2.7%	15.6%
Energy	5.8%	2.3%	0.0%	33.4%	3.7%	9.8%	1.6	18.0	15.2%	20.2%	8.4%
Financials	39.8%	29.2%	40.6%	31.1%	9.0%	14.5%	2.3	16.7	28.5%	45.6%	13.4%
Health Care	10.1%	34.1%	13.4%	29.2%	-4.0%	-8.5%	3.9	21.4	1.4%	1.4%	17.0%
Industrials	8.0%	16.5%	3.6%	34.4%	14.1%	-3.0%	3.1	45.1	7.2%	4.3%	6.6%
Information Technology	1.7%	7.5%	5.3%	5.0%	-0.3%	9.6%	4.2	26.9	18.8%	18.1%	16.9%
Materials	6.2%	21.2%	8.9%	35.9%	12.8%	9.0%	5.2	44.4	3.6%	2.2%	12.1%
Utilities									0.0%		
Total	**17.7%**	**17.2%**	**15.4%**	**25.7%**	**5.9%**	**10.6%**	**3.1**	**25.8**	**100.0%**	**100.0%**	**11.9%**

Strong Sequential Top Line Growth Continues...

Nifty 50	Sequential Sales Growth			
Sector	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services				
Consumer Discretionary	1.9%	1.7%	6.6%	8.4%
Consumer Staples	1.3%	-2.1%	3.2%	1.2%
Energy	3.7%	2.4%	3.2%	-3.4%
Financials	9.0%	7.9%	17.7%	0.9%
Health Care	-4.0%	1.9%	3.5%	8.7%
Industrials	14.1%	12.7%	0.8%	-16.7%
Information Technology	-0.3%	1.5%	0.8%	-0.3%
Materials	12.8%	5.5%	-9.0%	-1.9%
Utilities				
Total	**5.9%**	**5.0%**	**7.6%**	**-1.7%**

Healthy Sequential Profit Growth Continued

Nifty 50	Sequential Net Profit Growth			
Sector	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services				
Consumer Discretionary	4.3%	-3.9%	30.9%	-2.3%
Consumer Staples	9.5%	-10.8%	10.8%	-2.9%
Energy	9.8%	-9.0%	-6.3%	9.2%
Financials	14.5%	1.6%	4.7%	6.2%
Health Care	-8.5%	-6.6%	9.0%	44.0%
Industrials	-3.0%	35.5%	-1.6%	-10.0%
Information Technology	9.6%	3.1%	2.2%	-7.0%
Materials	9.0%	29.7%	-23.2%	11.7%
Utilities				
Total	**4.3%**	**2.0%**	**10.3%**	**-1.3%**

Mid Cap 150 Earnings

With 47% of companies reporting, midcap top line and profits are short of expectations. Quarterly sales are up 13.4% YoY, lower than the Nifty 50's 17.7% surge, and profits are up a scant 0.4% YoY.

Three companies – Tata Chemicals, Hind Zinc and Adani Power – have been negative contributors. Excluding these companies, sales are up 13.4% and profits are up 15.6%.

Excluding Materials and Utilities, core midcap sales are up 15.4% and earnings 17.2% y-o-y.

For the full year, midcaps have had a strong year, growing sales by 10.6% and profits by 43.9%. Yet again, Energy and Materials were negative contributors to top line growth. Most sectors delivered double digit top line and bottom line. Valuations are marginally higher than large caps, while margins are marginally lower, as has been the historical trend.

With 47% of Companies Reporting, Core Midcap Sales are Up 15.4% and Profits Up 17.2%...

...Including Materials & Energy, Profits Are a Muted +0.4% YoY

Nifty MidCap	Sales Qtr YoY %	Net Profits Qtr YoY%	Sales LTM YoY %	Profits LTM YoY%	Sales QoQ %	Net Profits QoQ%	P/S	P/E	Cap Wt %	Profit Contrib %	Net Margin
Communication Services	13.8%	29.8%	7.2%	103.5%	0.4%	37.2%	4.6	32.8	4.8%	5.6%	16.9%
Consumer Discretionary	6.6%	24.0%	11.4%	52.6%	4.4%	-7.1%	5.1	49.3	6.4%	4.1%	10.2%
Consumer Staples	171.2%	727.7%	36.7%	34.9%	15.3%	-4.9%	3.9	123.5	1.1%	0.2%	1.7%
Energy	13.0%	-24.9%	1.7%	-329.4%	3.1%	280.1%	0.2	4.4	1.5%	6.9%	2.2%
Financials	17.0%	27.0%	23.4%	17.3%	2.7%	12.4%	2.5	18.5	27.0%	47.7%	13.4%
Health Care	9.1%	28.7%	10.5%	43.4%	0.7%	-11.5%	9.9	81.1	8.4%	3.1%	11.6%
Industrials	20.3%	7.0%	15.8%	20.1%	19.4%	16.8%	7.9	88.8	14.3%	5.5%	8.6%
Information Technology	10.0%	18.5%	11.1%	13.9%	0.6%	-7.3%	5.9	39.3	5.8%	4.7%	15.2%
Materials	-6.2%	-37.0%	-6.1%	-19.5%	1.3%	-11.9%	5.6	45.8	16.2%	9.2%	10.3%
Real Estate	11.1%	-1.7%	13.9%	115.6%	67.0%	100.3%	14.6	85.3	4.0%	2.9%	20.9%
Utilities	18.8%	-37.4%	15.3%	67.0%	5.9%	7.3%	5.6	20.1	10.7%	10.1%	16.1%
Total	**13.4%**	**0.4%**	**10.6%**	**43.9%**	**4.3%**	**14.2%**	**3.2**	**29.3**	**100.0%**	**100.0%**	**9.6%**
Total Ex Materials, Utilities	**15.4%**	**17.2%**	**12.5%**	**56.6%**	**4.5%**	**19.2%**	**2.7**	**28.9**	**73.1%**	**80.7%**	**0.0%**

Sequential Sales Growth +4.3% QoQ...

Nifty Midcap	Sequential Sales Growth			
Sector	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services	0.4%	6.9%	1.3%	4.6%
Consumer Discretionary	4.4%	3.3%	-3.4%	2.3%
Consumer Staples	15.3%	119.8%	-16.9%	28.8%
Energy	3.1%	23.8%	-14.6%	3.7%
Financials	2.7%	4.8%	6.8%	1.8%
Health Care	0.7%	0.1%	4.3%	3.7%
Industrials	19.4%	3.8%	-1.8%	-1.1%
Information Technology	0.6%	5.8%	2.5%	0.8%
Materials	1.3%	0.0%	-3.4%	-4.1%
Real Estate	67.0%	55.8%	-18.0%	-47.9%
Utilities	5.9%	-2.9%	12.2%	2.9%
Total	**4.3%**	**9.6%**	**-2.1%**	**1.2%**

Profit Growth Has Pockets of Weakness...

Nifty Midcap	Sequential Net Profit Growth			
Sector	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services	37.2%	4.6%	-12.4%	3.3%
Consumer Discretionary	-7.1%	24.6%	-6.6%	14.7%
Consumer Staples	-4.9%	-20.5%	-21.2%	1288.5%
Energy	280.1%	-87.8%	-13.9%	87.5%
Financials	12.4%	-11.6%	15.3%	10.9%
Health Care	-11.5%	6.7%	9.9%	24.1%
Industrials	16.8%	-2.1%	-1.4%	-5.1%
Information Technology	-7.3%	25.8%	-1.5%	3.3%
Materials	-11.9%	-3.5%	-16.7%	-11.1%
Real Estate	100.3%	111.2%	-11.4%	-73.8%
Utilities	7.3%	-55.8%	-15.2%	55.8%
Total	**14.2%**	**-24.2%**	**-2.4%**	**18.8%**

Small Cap 250 Earnings

With 40% of small caps reporting, sales are up a healthy +14.9% and earnings are up a strong +19.3% y-o-y. Small caps continue to deliver strong earnings performance. **Sales are up double digits in all sectors except Materials and Real Estate**. For the full year, small caps top line showed strength in Consumer Staples, Financials, Industrials, Tech and Utilities. Sequential top line and profit growth trends remain healthy at 7.1% and 21.9%.

Small cap profit contribution was led by Financials at 49%. Margins are marginally lower than larger caps at 8.6%.

Small Cap Sales are Up 14.9% and Profits are Up 19.3% YoY

Nifty Small Cap	Sales Qtr YoY %	Net Profits Qtr YoY%	Sales LTM YoY %	Net Profits LTM	Sales QoQ %	Net Profits QoQ%	P/S	P/E	Cap Wt %	Profit Contrib %	Net Margin
Communication Services	37.9%	70.4%	32.6%	26.9%	32.2%	41.7%	2.2	(65.4)	3.1%	-1.6%	-4.4%
Consumer Discretionary	13.3%	12.1%	9.2%	44.1%	2.0%	2.2%	2.1	40.2	13.4%	7.2%	4.4%
Consumer Staples	23.6%	-12.6%	17.4%	6.2%	7.9%	-1.7%	5.6	46.6	1.6%	0.9%	11.7%
Energy	32.4%	-22.5%	-9.9%	15.9%	18.4%	119.7%	0.5	8.3	2.9%	11.4%	6.7%
Financials	16.8%	37.2%	25.8%	42.9%	4.2%	15.3%	3.5	23.4	39.9%	49.7%	16.1%
Health Care	-5.3%	11.2%	5.4%	72.0%	-2.9%	18.2%	3.3	52.6	3.2%	2.1%	8.5%
Industrials	19.4%	73.8%	16.4%	65.2%	16.3%	15.7%	2.6	51.9	15.2%	7.9%	4.6%
Information Technology	11.4%	11.2%	13.8%	21.7%	4.6%	18.9%	2.9	34.3	8.3%	6.6%	8.5%
Materials	-7.3%	-4.5%	-10.5%	-12.1%	-2.0%	33.6%	1.6	28.8	10.2%	11.4%	7.3%
Real Estate	-94.4%	13390.6%	-65.0%	-4.4%	-82.6%	43.1%	44.2	95.5	0.5%	0.4%	500.3%
Utilities	47.6%	95.0%	14.7%	35.8%	5.8%	2.1%	1.4	13.2	1.6%	4.0%	11.5%
Total	**14.9%**	**19.3%**	**8.3%**	**31.2%**	**7.1%**	**21.9%**	**2.4**	**29.0**	**100.0%**	**100.0%**	**8.6%**

Top Line Sequential Momentum Strong...

Nifty Small Cap	Sequential Sales Growth			
Sector	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services	32.2%	-5.2%	-33.0%	64.3%
Consumer Discretionary	2.0%	2.0%	4.5%	4.3%
Consumer Staples	7.9%	2.3%	0.1%	11.9%
Energy	18.4%	26.7%	-21.7%	12.7%
Financials	4.2%	7.1%	4.6%	0.0%
Health Care	-2.9%	1.0%	6.3%	-9.2%
Industrials	16.3%	5.9%	4.8%	-7.5%
Information Technology	4.6%	5.1%	4.3%	-2.9%
Materials	-2.0%	-1.6%	-2.1%	-1.8%
Real Estate	-82.6%	361.4%	-81.9%	-61.6%
Utilities	5.8%	35.1%	7.4%	-3.8%
Total	**7.1%**	**7.0%**	**-1.8%**	**2.0%**

Profit Growth Exceptional Across Sectors ...

Nifty Small Cap	Sequential Net Profit Growth			
Sector	Latest Qtr	Prior Qtr	2 Qtr Prior	3 Qtr Prior
Communication Services	41.7%	-21.3%	165.4%	-42.4%
Consumer Discretionary	2.2%	-7.4%	-35.9%	84.8%
Consumer Staples	-1.7%	8.9%	0.7%	-18.9%
Energy	119.7%	-43.5%	3.5%	-39.7%
Financials	15.3%	8.2%	1.3%	8.6%
Health Care	18.2%	16.1%	122.5%	-63.6%
Industrials	15.7%	-30.2%	97.4%	9.1%
Information Technology	18.9%	-8.7%	0.7%	1.8%
Materials	33.6%	14.9%	-10.9%	-30.2%
Real Estate	43.1%	-363.7%	343.8%	-905.7%
Utilities	2.1%	56.6%	35.7%	-10.2%
Total	**21.9%**	**-1.5%**	**1.3%**	**-1.9%**

Valuations

Trailing P/Es

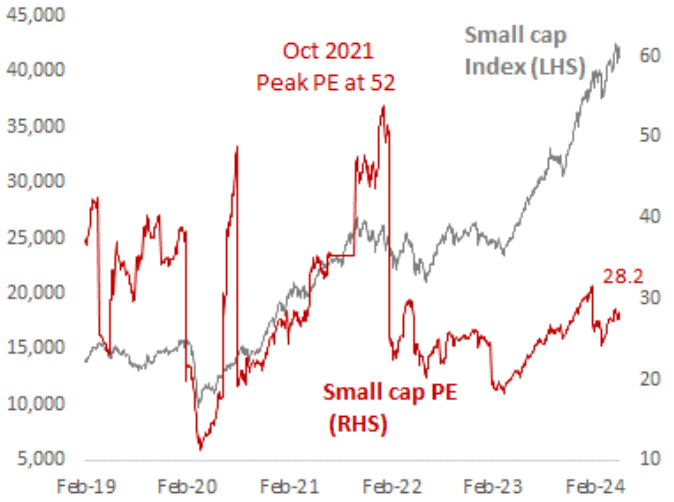
The Nifty 50 trailing P/E has dropped from a peak of 33.9 times in Oct 2021 to 21.9 today. That's just marginally above its 20 year average of 20.2. Moreover, the P/E has dropped despite a rising equity market, and is now at the lower end of its range since 2016, excluding the period of the covid crash.

Nifty Trailing P/E is 21.9, Near Average of 20.1

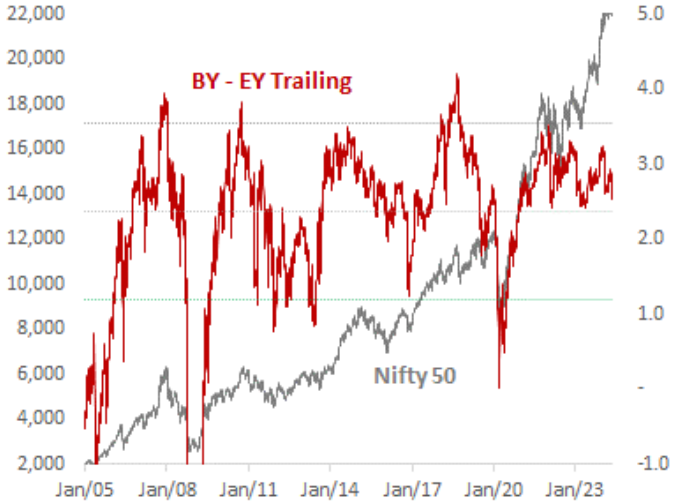
Mid Cap P/E is Well Below Prior Peaks at 29.2

Midcap valuations remain much lower than cycle peaks of 43.4 in Aug 2018 and 62.8 in Oct 2021.

Small Cap P/E at 27.8 Has Held Steady as EPS Growth Continues to Deliver

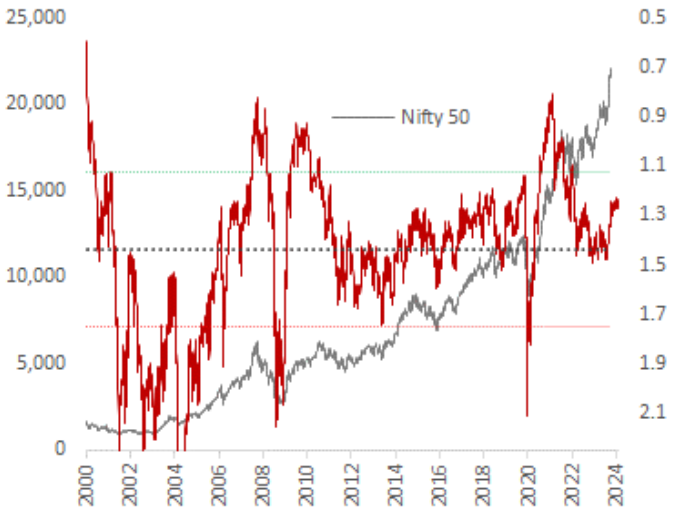


Earning & Bond Yield Differentials at Neutral

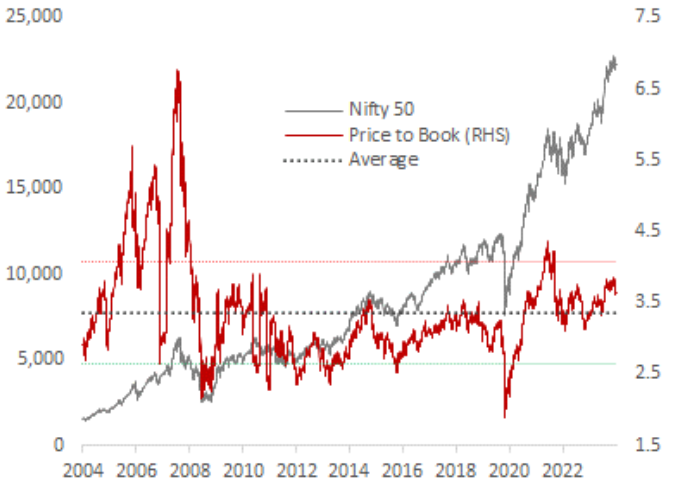


The yield gap differential between the earnings yield on the Nifty 50 and the 10 year bond yield implies no particular over-valuation on equities. Rather, the yield differential has narrowed in recent months.

Price to Dividend Yield



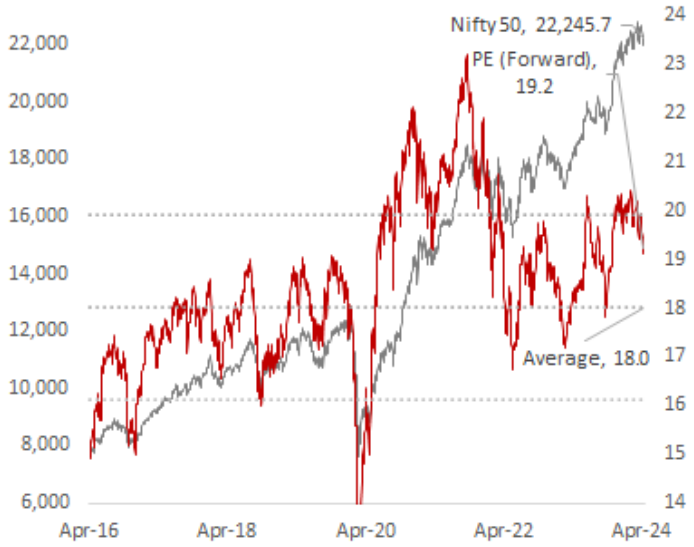
Price to Book



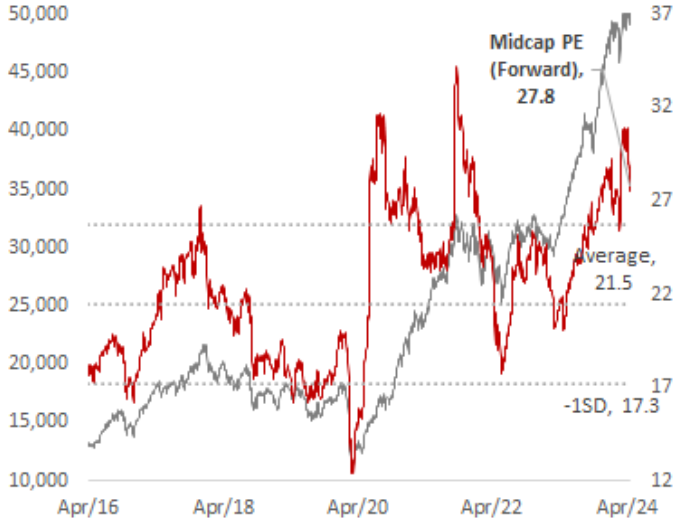
Valuations relative to earnings growth in a growth challenged world, and relative to historical ranges, remain reasonable. The India valuation premium is justified in light of stellar earnings growth and strong, consistent fundamentals.

Forward P/E

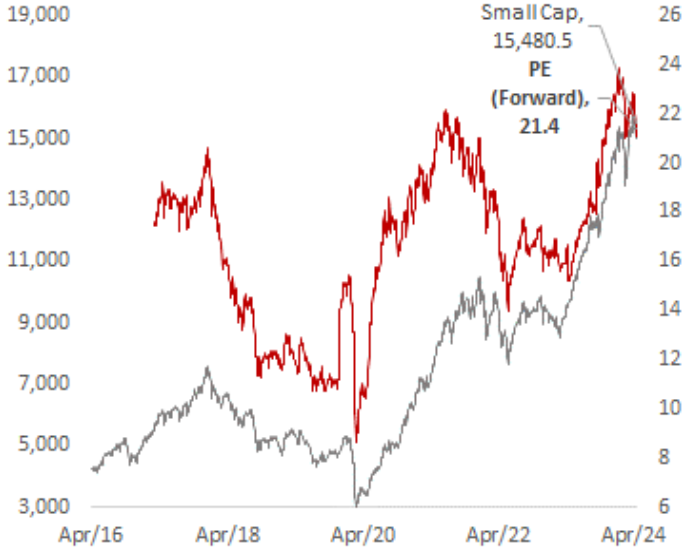
Nifty 50 Forward P/E at 19.2 Times



Midcap Forward P/E at 27.8 Times

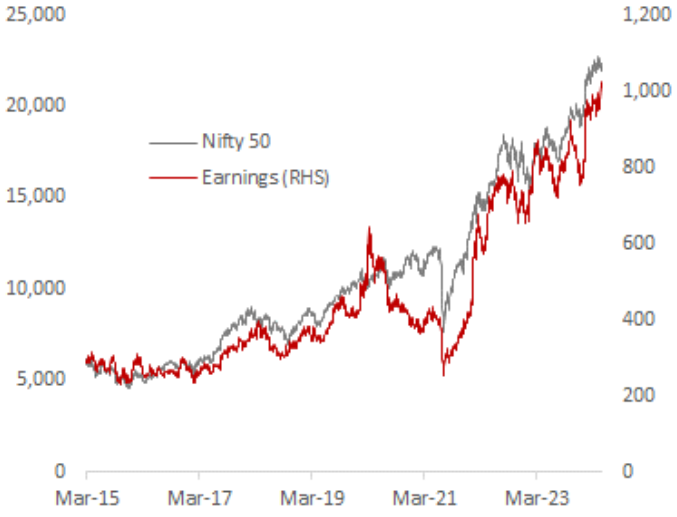


Smallcap Forward P/E at 21.4 Times

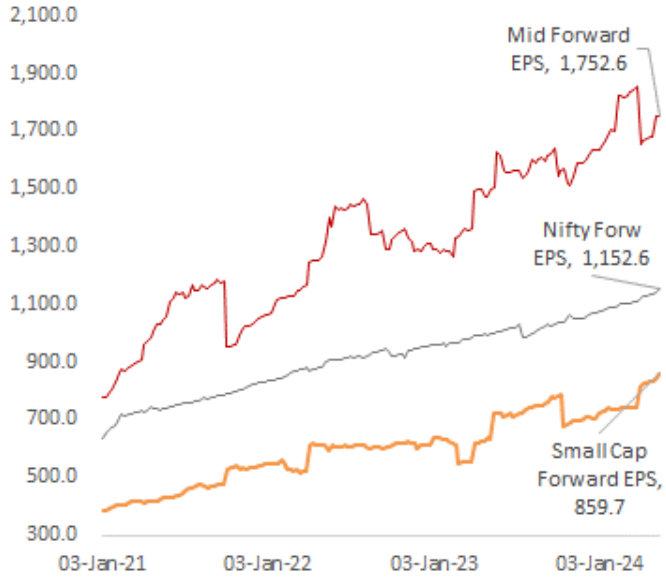


Earnings Growth Drivers

Nifty 50 Earnings

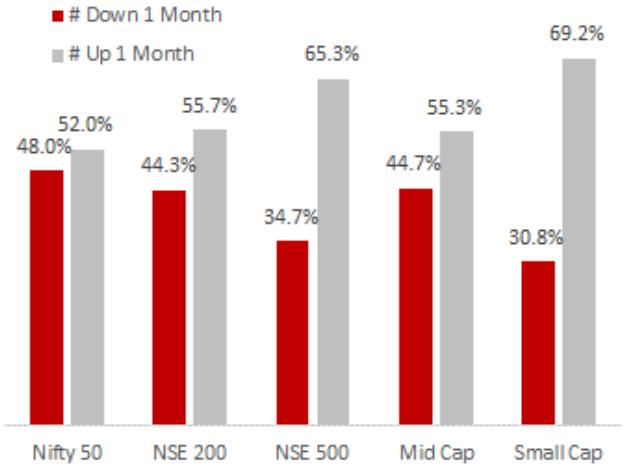


Earnings Have Accelerated Across 2021-24

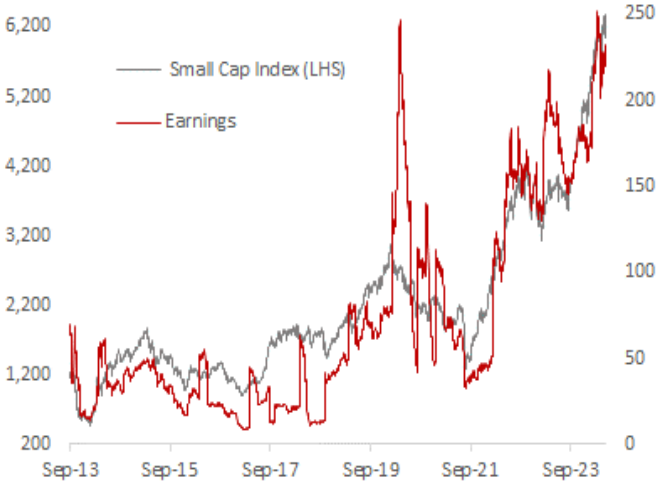


Midcap Earnings Have Rocketed Since 2020

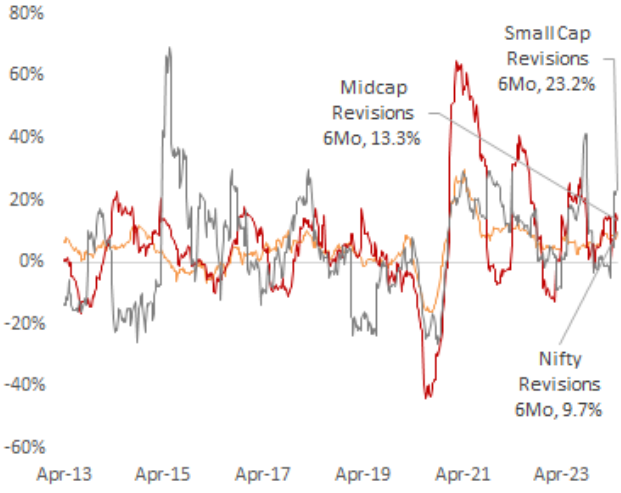
Strong Upward Revisions Momentum Continues



Smallcap Earnings Growth Remains Solid



Strong Upward Revisions Momentum Continues



IS THE U.S. SLOWING? IMPLICATIONS FOR INDIAN MARKETS

Reviewing the U.S. Economy

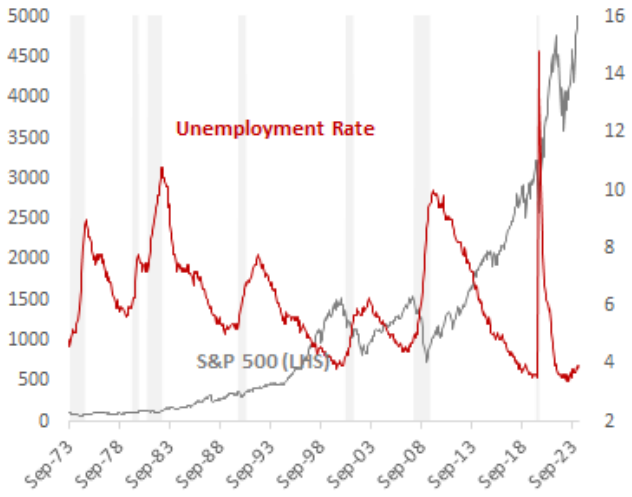
Over the years, the noise around fears of a U.S. slowdown, recession, dollar reserve status, debt ceiling has only grown louder. Let's look at the data.

ISM Services Slowing

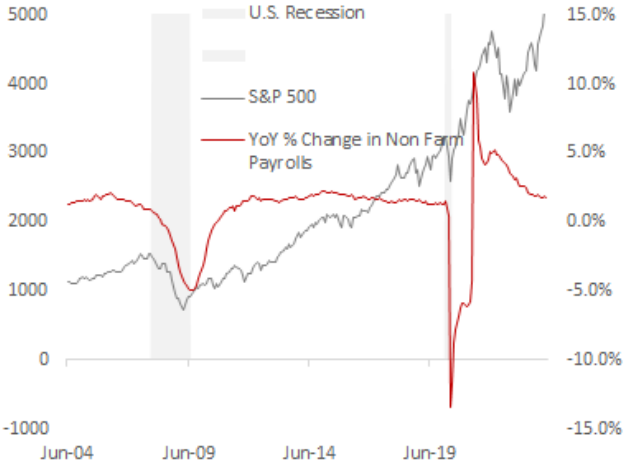
The services sector has witnessed a marked slowdown. ISM Services PMI peaked in Oct 2021, and was a prescient indicator of a slowing global economy. It also dipped below 50 in Dec 2022, again in advance of a crisis in regional banking. Prior dips below 50 have **coincided with recessions** in 2020, 2008 and 2001. The recovery in 2023 was minimal, topping out under 55, and the indicator has turned lower, hitting 49.4 in April, and signaling the U.S. services sector appears to be trending lower into contraction.

Prior PMI Services Dips Below 50 Have Coincided with Recessions… But it's a Small Sample Size

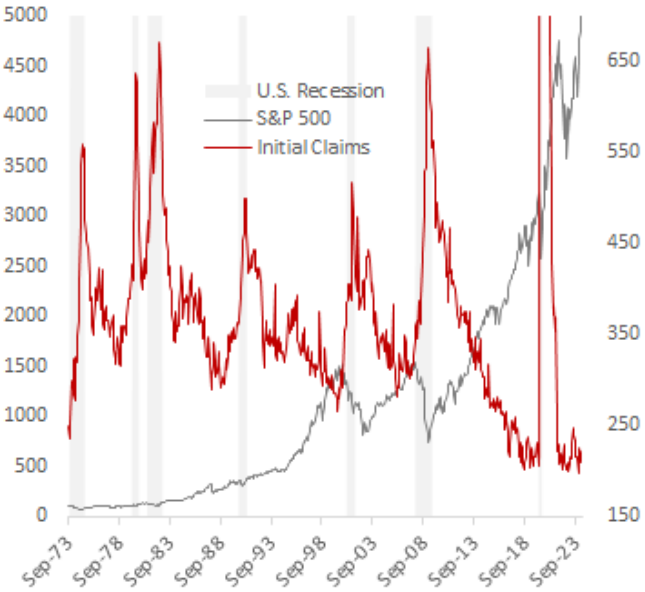
Unemployment Rate Remains Below 4%



Non Farm Payrolls Continue to Grow

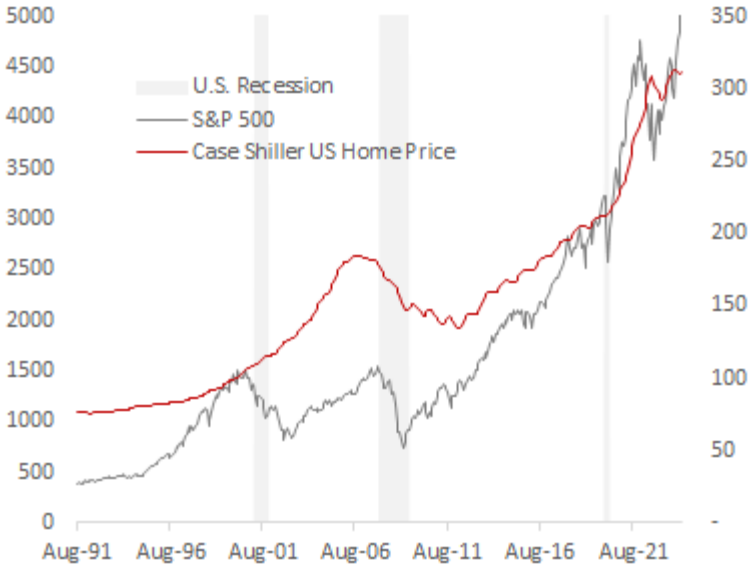


Unemployment Claims Remain Very Low

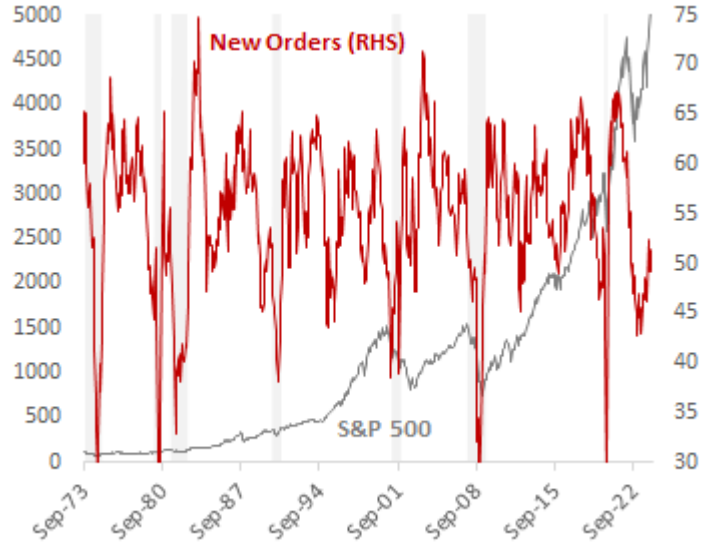


Manufacturing Has Dipped to Neutral

Home Prices Continue to Hold Highs

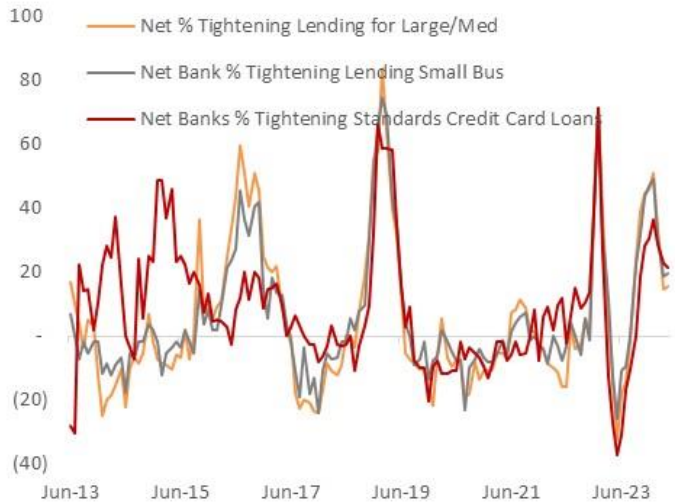


New Orders Have Recovered to Neutral

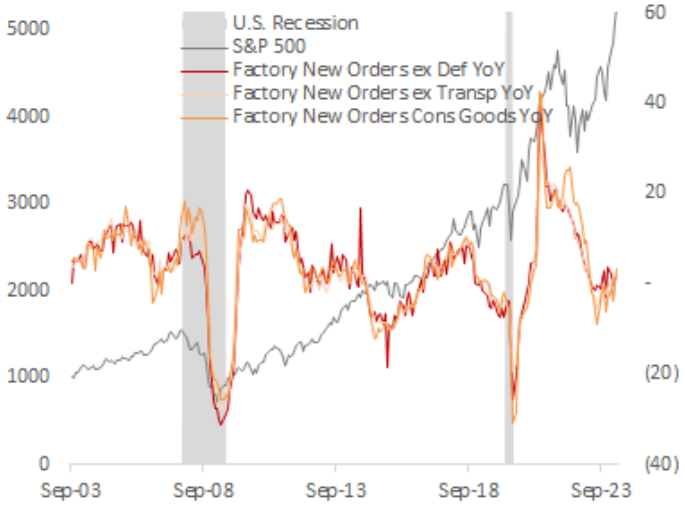


U.S. Auto Sales Remains Steady

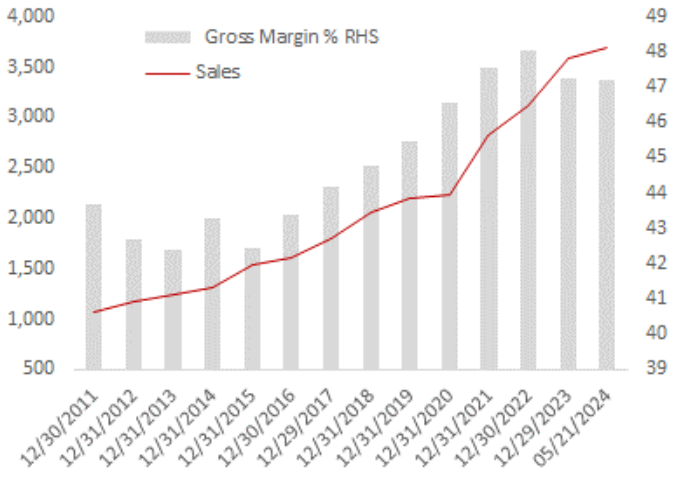
Meanwhile, Banks Have Reduced Tight Lending Standards to Businesses & Credit Card Owners



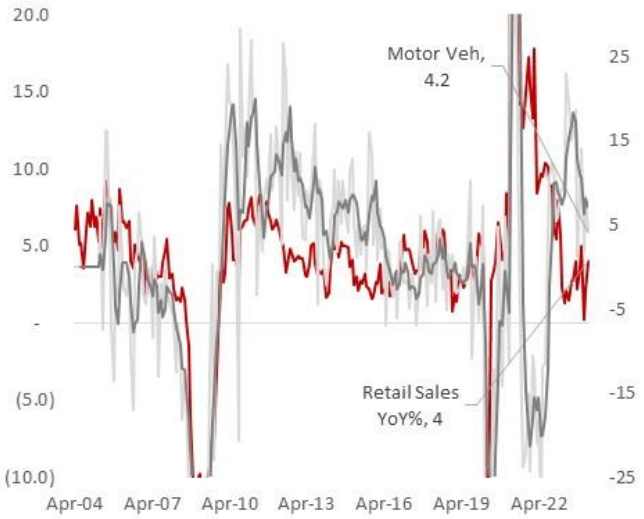
While Factory New Orders Remain at Neutral



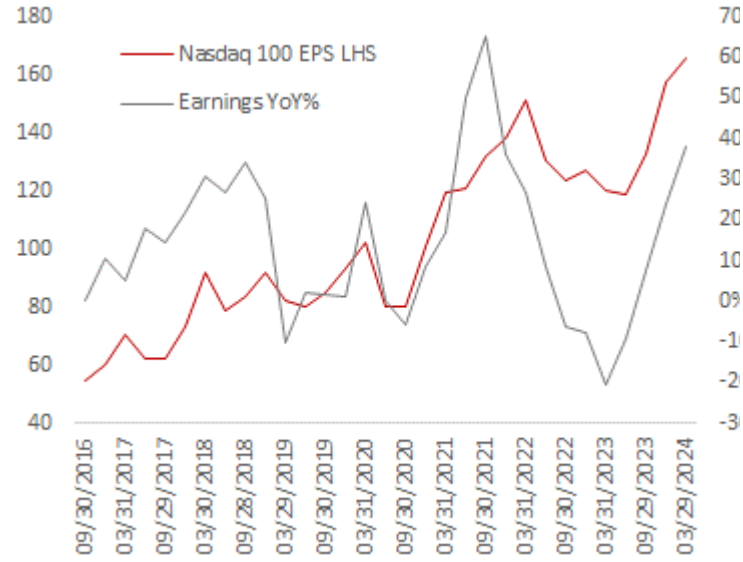
Moving Beyond Economic Data, Nasdaq 100 Sales Momentum Continues



Retail Sales and Motor Vehicle Sales Have Surprised to the Upside



NDX Quarterly Earnings Trends Look Healthy

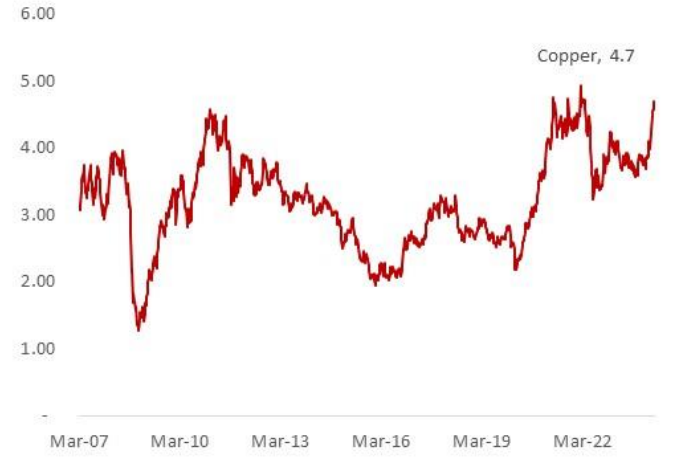


S&P 500 Earnings Surprises Best in 2 Years

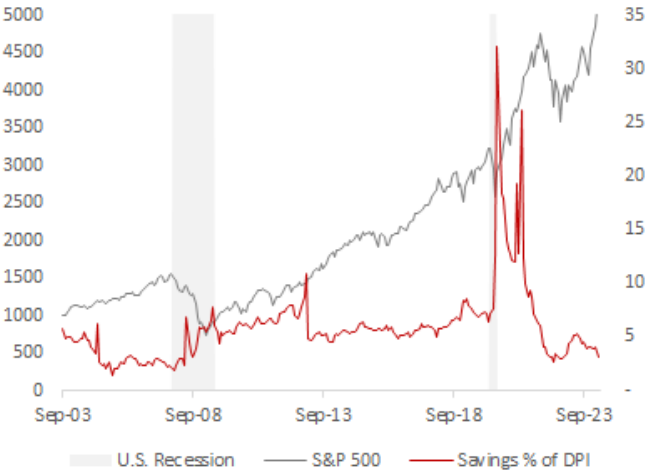
Current quarter S&P 500 earnings surprises are the best in 2 years. The S&P 500 is beating expectations. The GDP forecast per the Atlanta Fed's GDPNow is 4% for the second quarter.

Naysayers will argue that the U.S. consumer has spent their excess savings, and personal savings are at the lowest levels since the financial crisis.

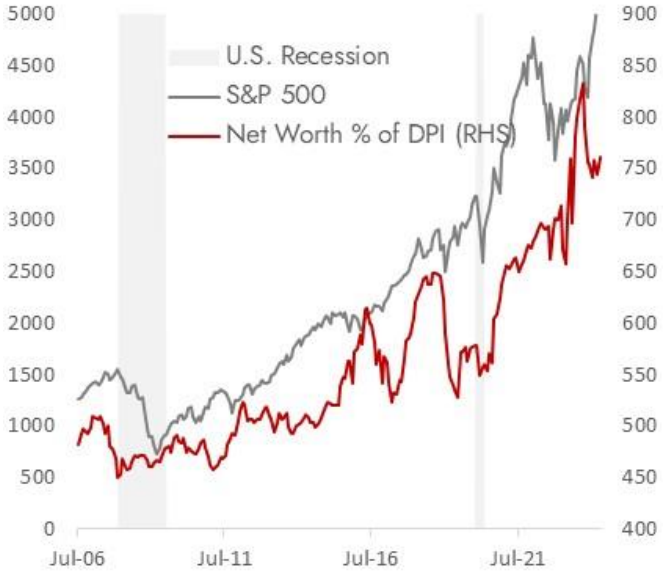
Copper Prices Have Also Risen, Which Typically is Considered a Positive Global Economic Signal



Consumer Savings Are Declining



But Net Worth % of Disposable Income Remains High



Net Worth in Real Estate Remains High

Net worth as a percent of disposable personal income remains healthy and consumers are sitting on home equity, strong equity wealth creation and healthy net worth.

Consumer sentiment has improved across sentiment gauges. As markets have done well, and confidence in the AI driven boom rises, investors are shifting to higher equity allocations.

Momentum has been the best performing factor strategy, indicating a rising appetite for risk.

Investors Are Buying into the Optimism on Equities, Raising Equity Allocations

Fed Will Manage Volatility, Earnings Improving

With such a backdrop, rates are likely to remain higher for longer, the Fed will remain on the sidelines, but ready to intervene if weakness emerges, inflation remains contained (see appendix data), corporate **earnings are driving investor spirits** and the U.S. remains a smorgasboard of narratives – struggling lower and middle income families, slowing services, but rising net worth, an economy that is showing pockets of improvement, driven by tech resurgence and better than expected earnings performance.

INVESTMENT OUTLOOK & ASSET ALLOCATION

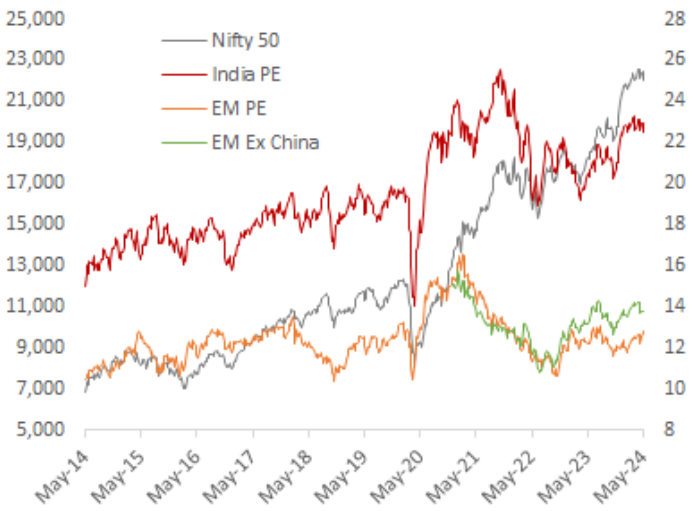
India Earnings Story Remains Healthy in What Was Always Expected to be a Soft Quarter

With the government focused on elections, many investors expected that earnings would be softer than prior quarters. Larsen & Toubro shares fell after the company reported orders may slow as the government focuses on elections, pausing or slowing public infrastructure investments. But as we've listed, earnings have by and large been coming through, and the earnings story remains healthy.

FI Selling & Low Voter Turnout Rumors Are Key Reasons for Recent Weakness

Markets have experienced weakness in recent weeks, as a result of FI selling, and capital shifting to the sidelines on event risk, and/or shifting to China/EM on valuation, or back to the U.S. on prospects. Narratives around low voter turnout have also possibly contributed to the selling.

MSCI India Premium over China EM

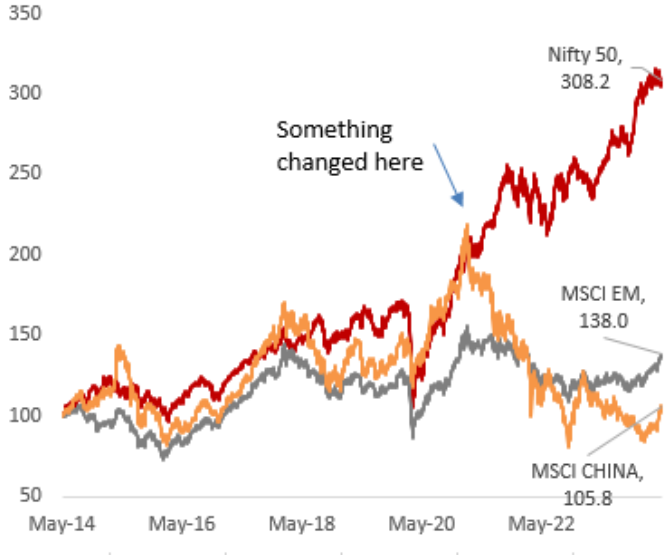


Is an India Premium Justified?

However, we would counter that emerging markets have remained cheap for over a decade now. Cheap can always get cheaper, not to mention the very real concerns about regulatory risk in EM and ease of capital outflow. Is the gap in valuation justified when one country delivers a 3X return over 10 years, while another delivers 5.8%?

Over the Past 10 Years, the Nifty 50 is Up 208%...

...While China is up 5% and EM is up 38% ...

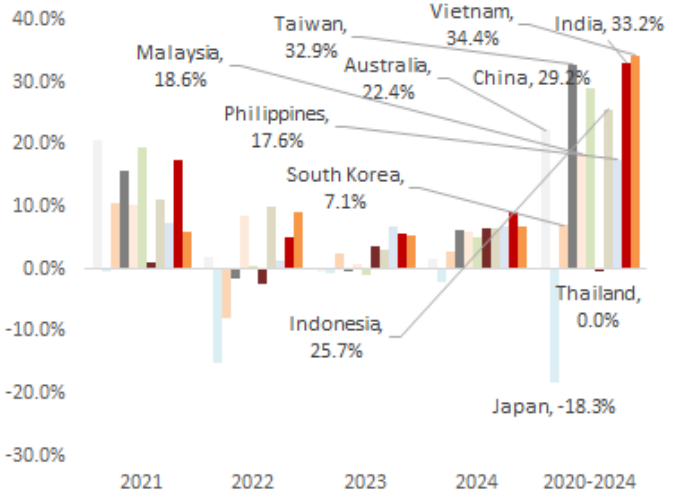


Moreover, something snapped in China in late 2020. India and China diverged. There are a multitude of reasons, and they're well known.

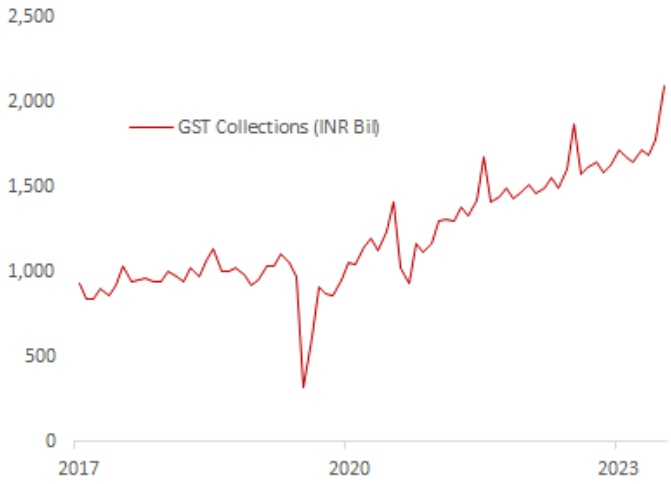
India Makes Strong Strides in Per Capita Income Growth

India and Vietnam have had the highest per capita income growth since 2020. India's per capita income is now $2730. There's a fairly substantial catchup still in play versus Asian EM peers, and China. What's notable though is that per capita income has almost doubled during the Modi years.

India's Per Capita Income Is Up 33% in 4 Years



Strong GST Collections Will Be Ploughed Back into the Economy

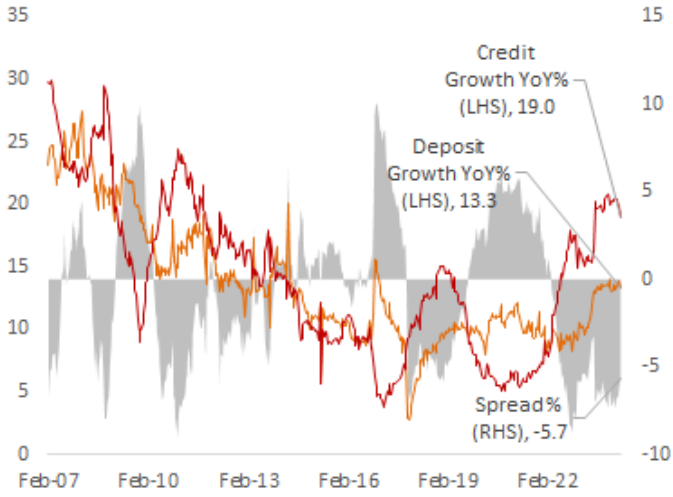


The Consumer is in Good Shape

Passenger vehicle sales crossed 4 million in FY 2023-24. India maintained its position as the 3rd largest passenger vehicle market in the world. SUVs contributed over 50% of sales. Strong SUV sales – a premium purchase generally - and strong 2 wheeler sales add credence to the view that the Indian consumer is increasingly upwardly mobile.

Strong Credit Trends Remain in Place

Further proof that the consumer remains healthy are the strong credit trends that remain in place. Deposit growth has also been strong, rising close to the highest non-demonetization levels in a decade.



GST collections have hit a new threshold of INR 2.1 lakh crores, representing a y-o-y growth of 12.3%. This money will find its way back into the economy, and add to future growth.

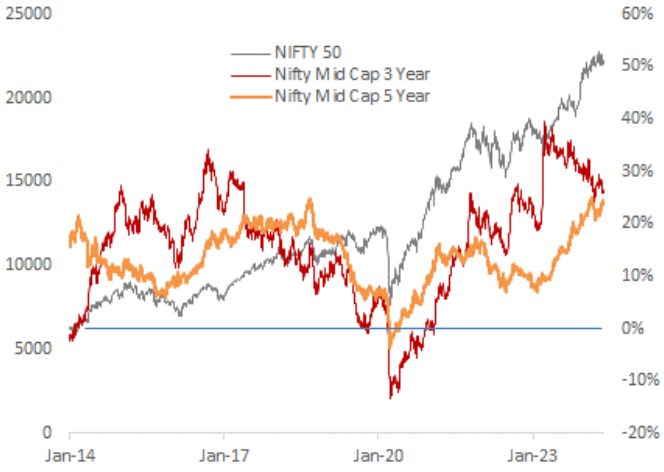
Alongside strong earnings delivery continuing in the current quarter, easing inflationary pressures, strong services and manufacturing momentum, strong public capex and strong demographic trends, India looks set to continue its growth momentum.

The Amit Shah Put

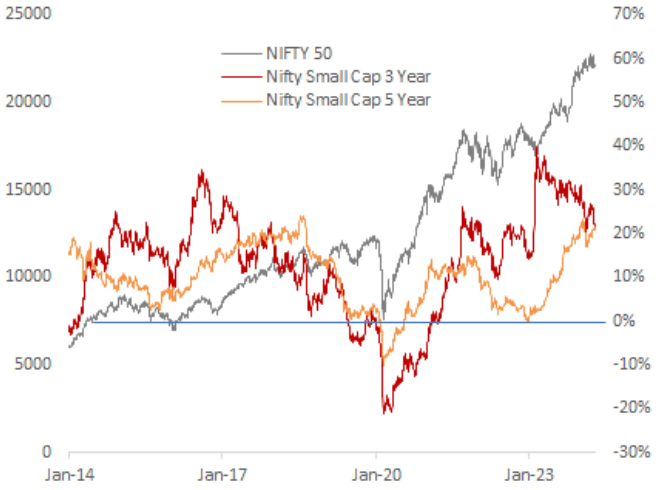
Prevailing bearishness, selling and worry was put to rest by Minister of Home Affairs Amit Shah as he reassured investors on poll results and urged investors to buy equities prior to June 4th. Shorts covered and markets have recovered much of the gains lost in the past month. Investor sentiment has also improved markedly.

The regime's confidence is not misplaced. Rolling 3 year and 5 year returns have been stellar, and any investor with a moderately long investment horizon has reaped handsome returns.

3 Year Rolling Midcap Returns Are Positive For the Past Decade Except for the Covid Period



3 Year Rolling Small cap Returns Are Positive For Most of the Past Decade Except the Covid Period



The India Story Continues on Firm Footing

With rising per capita income, strong demographic trends, geo political shifts towards India, attractive labor cost advantages, young aspirational workforce, rising numbers of MNCs devoting resources to India, strong services demand, rising manufacturing prowess, strong consumer, strong credit, healthy automobile sales, strong domestic flows and financialization trends, wealth creation via equity and real estate, massive public infrastructure investment, corporates are going to continue to deliver growth, and equity markets will continue to deliver attractive returns.

Asset Allocation & Style Preferences

Our style, factor and sectoral preferences, as well as asset allocation remain unchanged this month.

We remain **over-weight equities**, with a preference for large and multi-cap portfolios, and investments in mid and small caps at strategic weight.

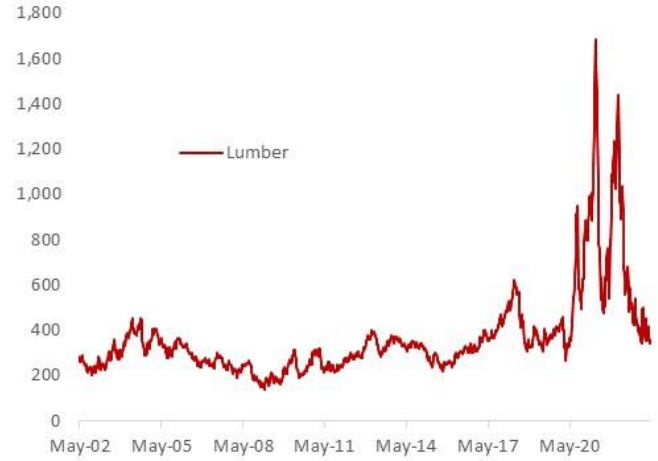
We are **over-weight Gold and Silver**. Gold is a strategic asset and attractive portfolio hedge. We shared our view on Silver ("Silver Lining", May 2024).

Our over-weight under-weights by asset and sub-asset class are shared on pages 25 and rationale on pages 23-24.

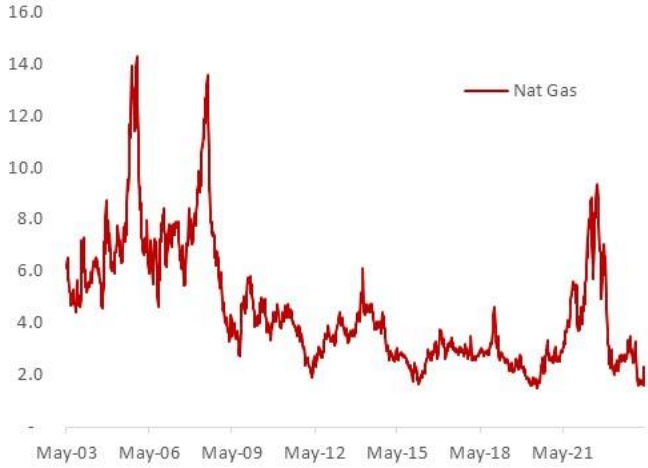
Please do not hesitate to contact your Ambit wealth advisor for a review or discussion of your portfolio holdings, a discussion on asset allocation, our tactical call on Silver, long term planning, or any other requirements whereby we may be of assistance.

APPENDIX – KEY COMMODITY PRICES

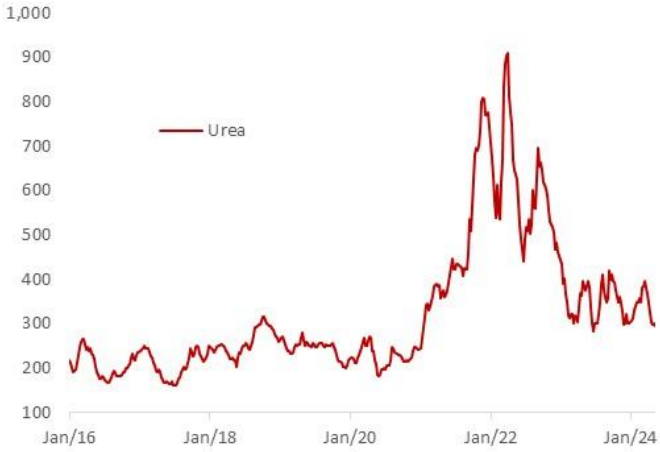
Lumber



Natural Gas

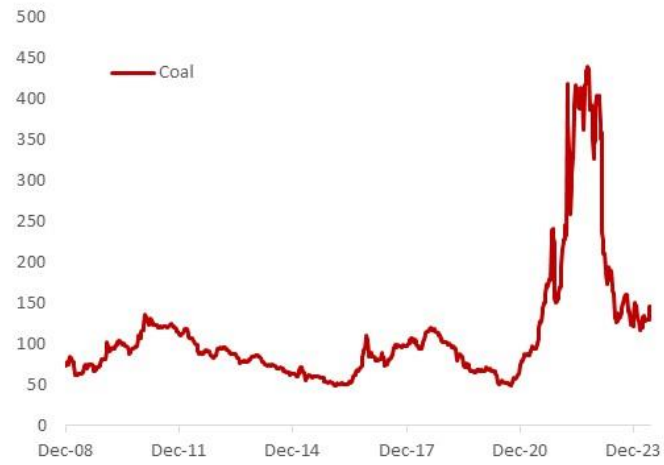


Urea

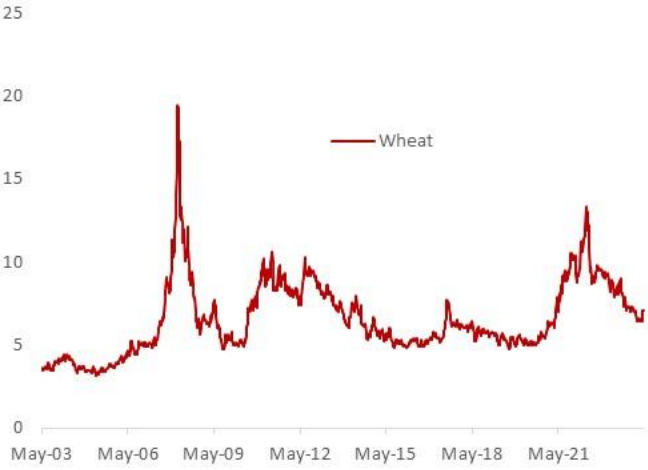


Palm Oil

Coal



Wheat

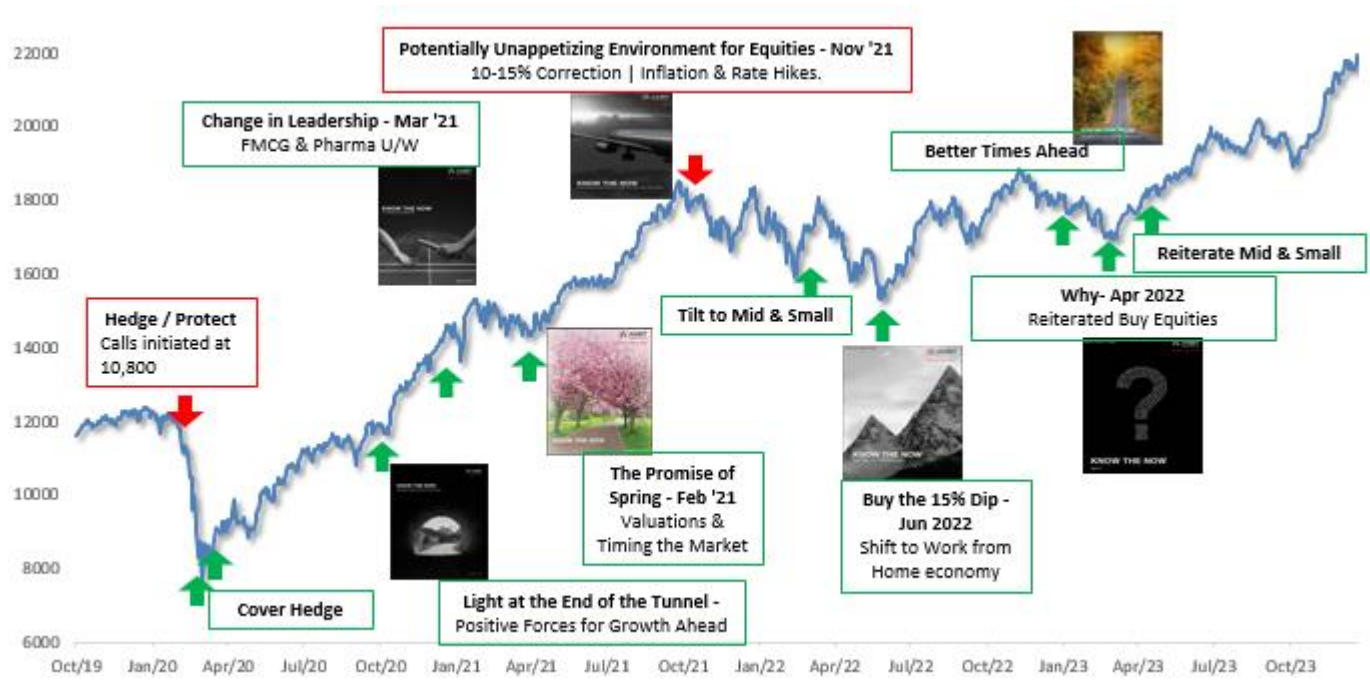


AMBIT
Acumen at work
Global Private Client

KEY CALLS FROM PAST COMMENTARIES

- Hedge in March 2020, Exited Hedge at the Bottom March 24, 2020
- Neutral Summer 2020
- Bullish Fall 2020 – Nov 2021
- Cautious Nov 2021 – Expected a 10-15% Correction
- Bullish in June 2022, Reiterated in April 2023 post the Regional Bank crisis
- Tilt to Mid & Small Caps in Apr 2022, Reiterated in May 2023

Know the Now - Equity View – Timeline



Global Index Performance

17-May-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**22,484**	**0.4**	**1.9**	**1.5**	**-0.5**	**2.0**	**13.9**	**0.7**	**3.5**	**23.7**	**-1.4%**
Sensex	73,986	0.4	1.8	1.4	-0.7	2.2	12.4	0.5	2.4	20.2	-1.5%
Nifty 500	21,055	0.6	2.9	3.1	0.3	4.4	19.6	4.0	8.4	36.5	-0.7%
NIFTY Midcap 100	51,559	0.8	4.1	4.7	1.4	4.9	23.3	7.2	11.6	57.4	0.0%
Nifty Midcap 150	19,220	0.9	4.3	5.3	1.7	6.3	23.3	8.2	12.6	56.5	0.0%
NIFTY Smallcap 100	16,828	1.4	4.5	3.0	-1.1	3.9	21.2	10.2	11.1	69.3	-1.8%
NSE NIFTY Smallcap 250	15,753	1.3	4.3	3.7	-0.5	4.3	21.4	9.9	12.2	62.1	-1.2%
Americas											
S&P 500 Index	5,297	-0.2	1.6	5.5	5.2	5.8	17.3	0.8	11.1	27.4	-0.5%
Dow Jones Indus. Avg	39,869	-0.1	1.2	5.6	5.4	3.2	14.1	0.2	5.8	19.3	-0.5%
Nasdaq Composite	16,698	-0.3	2.2	6.5	6.6	5.8	18.2	1.9	11.2	33.6	-0.6%
Nasdaq 100 Stock Indx	18,558	-0.2	2.5	6.1	6.4	4.9	17.2	1.7	10.3	36.6	-0.6%
Nyse Fang+ Index	10,393	-0.4	2.5	6.9	7.0	6.1	26.9	3.9	19.2	57.8	-0.8%
Magnificent 7	136	-0.3	2.1	7.0	8.0	9.9	22.0	4.9	19.0	48.3	-0.8%
S&P Ex Magnificent 7	113	-0.2	1.4	4.6	3.8	4.0	15.2	-1.0	7.8	20.1	-1.2%
Canada	22,300	0.1	-0.3	3.0	2.7	4.9	10.5	0.6	6.4	9.9	-0.8%
Mexico	57,462	0.0	-0.7	3.7	1.3	0.6	9.1	0.2	0.1	4.3	-2.6%
Brazil Bovespa	128,284	0.2	0.1	3.3	1.9	-0.3	2.8	0.1	-4.4	17.2	-4.5%
Europe											
Euro Stoxx 50 Pr	5,052	-0.4	-0.6	2.8	2.7	6.0	16.4	-0.6	11.7	16.9	-1.4%
FTSE 100	8,418	-0.2	-0.2	7.3	3.4	9.2	12.2	5.9	8.9	9.0	-0.7%
CAC 40 Paris	8,153	-0.4	-0.8	2.2	2.1	5.0	12.7	-0.6	8.1	10.2	-1.3%
DAX Germany	18,664	-0.4	-0.6	5.0	4.1	9.0	17.2	0.9	11.4	17.0	-1.2%
Asia											
Nikkei 225	38,787	-0.3	1.5	2.2	1.0	0.8	15.5	-3.9	15.9	28.9	-5.6%
Hang Seng	19,591	1.1	5.7	20.5	10.3	19.9	12.2	18.4	14.9	0.2	-3.8%
Shenzhen CSI 300	3,678	1.0	0.3	3.2	2.0	9.3	3.1	4.0	7.2	-7.1	-9.5%
Australia	7,814	-0.8	0.8	2.7	2.0	2.0	10.9	-1.0	2.9	8.5	-1.2%
Taiwan	21,258	-0.2	2.7	5.2	4.2	14.2	23.5	4.8	18.6	33.5	-1.2%
Korea	2,725	-1.0	0.5	5.4	1.2	2.9	10.3	-0.8	2.6	9.2	-2.0%
Straits Times Index STI	3,307	0.1	0.5	4.8	0.4	2.6	5.8	2.6	2.1	4.2	-2.5%
Vietnam Ho Chi Minh	1,273	0.3	2.3	6.7	5.3	5.2	15.6	-0.9	12.7	20.1	-1.6%
Jakarta Indonesia	7,333	1.2	3.4	2.8	1.4	-0.0	5.1	0.6	0.8	10.1	-1.6%
Phillipines	6,619	-0.1	1.6	2.6	-1.2	-3.7	6.5	-4.1	2.6	-0.2	-6.4%

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**22,484**	0.4	1.9	1.5	-0.5	2.0	13.9	0.7	3.5	23.7	-1%
Microsoft Corp	421	-0.5	2.1	2.2	8.1	4.2	13.8	0.1	12.0	34.1	-2%
Apple Inc	190	0.1	2.9	13.0	11.5	4.1	0.1	10.7	-1.4	9.9	-5%
Amazon.Com Inc	184	-1.3	-3.1	1.3	4.9	8.3	26.5	1.8	20.9	59.0	-4%
Walt Disney Co/The	103	0.6	-2.3	-8.5	-7.0	-7.4	9.8	-15.5	14.5	11.4	-16%
Nvidia Corp	944	-0.3	6.3	12.3	9.2	29.9	91.4	4.4	90.5	212.7	-3%
Netflix Inc	611	-0.5	-0.3	-0.5	10.9	4.6	31.0	0.5	25.4	79.6	-4%
Tesla Inc	175	0.5	1.7	12.5	-4.6	-12.6	-25.4	-0.5	-29.6	0.6	-42%
Alphabet Inc-Cl A	174	1.0	2.5	12.0	7.0	24.0	28.7	15.4	24.7	44.1	-1%
Hdfc Bank Limited	1,461	0.0	1.6	-3.2	-3.9	2.9	-2.9	0.9	-14.5	-10.8	-17%
Icici Bank Ltd	1,129	-0.1	1.1	5.8	-1.8	10.4	22.5	3.3	13.3	20.2	-3%
Tata Consultancy Svcs Ltd	3,864	-0.9	-0.8	-0.2	1.1	-6.4	10.8	-0.3	2.3	21.0	-9%
Reliance Industries Ltd	2,868	0.6	1.9	-2.2	-2.3	-1.8	21.7	-3.5	10.9	29.0	-5%
Bajaj Finance Ltd	6,755	0.1	1.1	-2.9	-2.4	2.1	-6.5	-6.8	-7.8	0.7	-18%
Hindustan Unilever Ltd	2,329	-0.6	-1.4	4.9	4.4	-2.0	-7.9	2.8	-12.6	-12.5	-16%
Nestle India Ltd	2,446	-0.9	-3.4	-3.9	-2.4	-1.7	0.4	-6.7	-8.0	12.6	-12%
Titan Co Ltd	3,360	0.8	2.1	-7.8	-6.4	-8.1	0.6	-11.6	-8.6	21.6	-14%
Asian Paints Ltd	2,831	0.6	2.1	0.0	-1.6	-5.9	-10.7	-0.6	-16.8	-8.5	-21%
Srf Ltd	2,270	-0.0	-0.4	-9.9	-13.4	-4.6	-3.9	-11.3	-8.4	-8.1	-16%

Large, Mid & Small

17-May-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
India Indices											
Nifty 50	**22,484**	**0.4**	**1.9**	**1.5**	**-0.5**	**2.0**	**13.9**	**0.7**	**3.5**	**23.7**	**-1.4%**
NIFTY Midcap 100	51,559	0.8	4.1	4.7	1.4	4.9	23.3	7.2	11.6	57.4	0.0%
NIFTY Smallcap 100	16,828	1.4	4.5	3.0	-1.1	3.9	21.2	10.2	11.1	69.3	-1.8%

Nifty Sectors

17-May-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty Sectors											
Nifty Auto	23,362	2.1	2.3	7.6	3.9	14.4	38.2	9.1	25.5	68.2	0%
Nifty Bank	48,055	0.2	1.3	1.2	-2.7	3.6	10.3	2.0	-0.5	10.0	-4%
NIFTY Private Bank	23,912	0.2	1.5	0.6	-2.5	2.9	5.3	1.5	-3.9	8.0	-4%
Nifty Financial Services	21,456	0.2	1.7	1.7	-1.8	4.8	9.7	2.2	-0.1	11.2	-3%
Nifty India Consumption	10,632	0.9	2.2	5.1	2.2	8.3	21.4	5.0	11.0	37.5	0%
Nifty FMCG	55,032	0.1	-0.4	3.1	1.5	2.8	4.3	2.0	-3.4	11.3	-5%
Nifty Energy	40,266	0.5	3.0	1.4	-0.2	1.5	42.2	3.2	20.3	68.5	-2%
Nifty Infrastructure	8,610	0.6	3.9	3.4	0.4	6.6	33.9	3.3	17.9	59.5	-1%
Nifty IT	33,542	-0.4	1.8	-0.1	1.0	-12.8	4.2	-3.9	-5.6	20.0	-13%
Nifty Metal	9,568	1.7	6.6	8.1	4.3	20.0	40.6	15.9	19.9	69.9	0%
Nifty Pharma	18,997	0.0	2.1	1.6	0.1	0.7	20.2	0.0	12.9	53.2	-2%
Nifty PSU Bank	7,102	0.1	0.4	1.9	-6.6	-0.5	40.2	1.3	24.3	76.0	-8%
Nifty Realty	995	1.4	6.3	6.1	2.2	12.7	43.6	10.4	27.0	113.5	0%
Nifty Sectors & Themes											
Nifty Media	1,807	0.7	2.0	-3.6	-4.5	-16.5	-20.6	0.6	-24.3	7.8	-28%
Nifty CPSE	6,388	1.0	4.3	5.1	2.1	9.1	54.0	10.9	31.4	102.7	-1%
Nifty PSE	10,293	1.0	5.4	7.3	3.0	9.2	58.8	12.8	31.0	113.7	-1%
Nifty Commodities	8,853	0.8	3.7	3.1	0.6	6.5	33.3	6.3	14.7	53.0	-1%
Nifty MNC	28,791	0.5	4.4	9.1	6.4	16.0	28.5	11.3	18.9	39.8	0%

Crude Oil, Commodities and Precious Metals

17-May-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	22,484	0.4	1.9	1.5	-0.5	2.0	13.9	0.7	3.5	23.7	-1.4%
Crude											
Brent Crude	83.6	0.3	0.9	-4.3	-4.9	0.1	3.6	-4.5	8.5	8.6	-14%
WTI Crude	79.4	0.2	1.4	-4.0	-3.1	0.2	4.6	-4.6	10.8	9.0	-16%
GAS FUTURES NYMEX HEN HUB	2.56	0.7	2.2	-6.3	-5.7	9.4	17.0	-7.4	21.5	-0.5	
Metals											
CRB Raw Industrials Index	559.0	-0.0	0.5	0.9	0.7	2.4	3.1	2.7	2.8	1.8	-1%
BBG Cmdty ex-Prec Mtl	91.2	0.7	1.9	2.8	2.3	6.4	-0.9	4.2	4.1	0.5	-9%
CRB Metals Index	1,119.3	-0.3	1.6	4.2	2.3	10.7	12.0	11.7	8.4	12.2	-2%
LME Copper	10,343.2	2.2	5.8	10.6	4.6	23.0	27.3	18.0	22.2	28.1	0%
LME Aluminum	2,534.3	-0.6	0.8	-0.6	-2.0	15.3	16.4	10.4	8.1	12.4	-5%
LME Nickel	19,575.8	1.6	3.8	11.5	2.7	21.5	16.6	18.2	19.5	-6.7	-15%
LME Zinc	2,915.0	-0.4	1.3	5.9	0.0	23.7	13.4	21.8	10.4	17.6	-2%
LME Lead	2,241.1	1.1	2.4	6.2	2.7	8.1	-1.9	10.7	10.2	10.3	-3%
LME Tin	33,654.0	0.9	3.0	5.4	7.7	25.7	34.8	22.4	33.7	35.6	-6%
SGX Iron Ore	118.0	1.3	1.7	3.0	1.7	-7.4	-0.3	19.7	-10.5	28.1	-14%
Commodities											
Bloomberg Commodity Index	104.7	0.6	1.9	2.4	3.0	8.8	2.7	5.2	6.1	3.2	-3%
CRB Commodities Index	541.0	-0.4	-0.3	-0.7	-1.0	3.5	1.4	0.9	6.0	-0.5	-5%
Lumber	10,343.2	2.2	5.8	10.6	4.6	23.0	27.3	18.0	22.2	28.1	0%
Palm Oil	3,908.0	2.2	1.4	-6.0	1.2	-0.1	2.6	-9.6	6.7	4.9	-15%
Wheat	670.3	1.1	3.8	24.8	14.6	19.6	21.7	19.6	6.7	7.2	-14%
Cocoa	7,393.0	-5.7	-23.6	-27.8	-27.0	29.6	84.6	-24.3	76.2	146.8	-40%
Commodities											
Bloomberg Grains Spot	248.19	-0.4	-1.0	8.3	4.9	8.8	-2.3	6.7	-1.9	-11.7	-18%
Raw Sugar	18.36	0.2	-4.9	-5.0	-6.8	-20.5	-32.5	-18.5	-10.8	-29.1	-35%
Simex Iron Ore	117.60	0.6	0.8	6.5	6.0	-9.8	-9.1	17.5	-13.8	8.4	-21%
Gold, Silver U.S. & India											
Gold Spot $/Oz	2,383	0.2	0.9	0.9	4.2	18.1	20.3	6.8	15.5	20.2	-2.0%
Gold India INR/10g	73,161	0.0	0.4	0.2	2.3	19.0	21.9	9.2	16.2	21.1	-0.2%
Silver Spot $/Oz	30	0.4	5.4	5.2	12.9	29.0	25.2	19.0	24.8	25.0	-0.5%
Silver India INR/kg	86,219	0.4	2.3	3.5	7.8	21.8	22.5	16.5	18.1	20.3	0.0%
Platinum Spot $/Oz	1,061.7	-0.1	6.4	12.5	13.2	17.6	17.6	16.5	7.0	-1.1	-1.9%

Interest Rates and Inflation

17-May-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
India G-Sec Yields											
10 Year India G-Sec	7.09	7.08	7.13	7.19	7.19	7.10	7.22	7.06	7.17	6.97	-30.7%
5 Year India G-Sec	7.08	7.09	7.13	7.19	7.20	7.09	7.20	7.06	7.13	6.93	-5.0%
3 Year India G-Sec	7.08	7.08	7.12	7.17	7.19	7.07	7.20	7.05	7.08	6.87	-3.9%
1 Year India G-Sec	7.09	7.10	7.08	7.08	7.08	6.83	7.38	7.09	6.72	6.30	-0.7%
3 Month India G-Sec	6.97	6.97	7.01	6.85	6.98	7.03	6.92	6.90	7.00	6.86	-1.6%
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	N/A
Spread 10-1	0.00	(0.03)	0.05	0.11	0.11	0.27	(0.16)	(0.03)	0.46	0.67	
Spread 10-3Mo	0.12	0.11	0.12	0.34	0.21	0.07	0.30	0.16	0.17	0.11	
India CPI											
India CPI Combined YoY	4.83			4.85	4.83	5.10	4.87	4.85	5.69	4.70	-261.0%
India WPI	1.26			0.53	1.26	0.33	(0.26)	0.53	0.86	(0.79)	0.0%
India Core CPI	3.49			3.49	3.49	3.79	4.49	3.49	4.12	6.01	-39.4%
U.S. & China Yields & CPI											
U.S. 10 Year	4.38	4.38	4.50	4.59	4.68	4.28	4.44	4.20	3.88	3.56	-63.6%
U.S. 5 Year	4.40	4.40	4.51	4.61	4.72	4.27	4.44	4.21	3.85	3.58	-59.5%
U.S. 2 Year	4.78	4.80	4.87	4.93	5.04	4.64	4.89	4.62	4.25	4.15	-47.7%
U.S. 1 Year	4.81	5.12	5.18	5.16	5.24	4.97	5.24	5.03	4.77	4.90	-69.1%
U.S. 3 MO T-BILL	5.20	5.40	5.40	5.41	5.40	5.38	5.39	5.37	5.34	5.23	-30.8%
Federal Funds Target Rate - Up	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.25	0.0%
Spread 10-2	(0.40)	(0.42)	(0.37)	(0.34)	(0.36)	(0.36)	(0.45)	(0.42)	(0.37)	(0.59)	
Spread 10-3mo	(0.82)	(1.03)	(0.91)	(0.82)	(0.72)	(1.10)	(0.96)	(1.17)	(1.46)	(1.66)	
Spread Fed Funds Vs 1 Year	(0.69)	(0.38)	(0.32)	(0.34)	(0.26)	(0.53)	(0.26)	(0.47)	(0.73)	(0.35)	
Bloomberg US Corporate High Yi	2.98	3.01	3.00	3.20	3.01	3.14	3.92	2.99	3.23	4.84	-186.0%
Bloomberg Pan-European High Yi	3.50	3.56	3.51	3.87	3.68	3.53	4.61	3.58	3.99	5.08	-156.0%
U.S. CPI	3.40			3.50	3.40	3.10	3.20	3.50	3.40	4.90	-15.0%
China CPI	0.30			0.1	0.3	-0.8	-0.2	0.1	-0.3	0.1	-57.1%
Inflation Expectations 10 Year US	2.23			2.2	2.2	2.2	2.2	2.2	2.2	2.2	-5.1%
U.S. Dollar & INR											
USD INR	83.4	83.5	83.5	83.5	83.4	83.0	83.3	83.4	83.2	82.4	-0.2%
Dollar Index	104.7	104.5	105.3	106.0	106.2	104.3	103.9	104.5	101.3	102.9	-2.5%

Tactical Asset Class Rationale

Equities	Over Weight	Rationale
India Equities	**Over Weight & Stagger**	Outlined in the commentary, we continue to remain over-weight equities and prefer staggered deployments into equities. Post a historic rally in small and mid caps over the past year, we marginally reduce our exposure to small/mid caps to strategic weight. We prefer an overweight tilt to large caps and cap agnostic multi-cap strategies that invest in reasonably priced growth and emerging value.
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, with the opportunity to provide equity-like returns with debt-like risk.
Long Short (Absolute Return)	**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.
U.S. Equities	**Market Weight**	Indian HNI portfolios are dramatically underweight U.S. equities. Diversification provides strong portfolio optimization benefits, particularly the Nasdaq. 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 debt concerns weigh but the economy is showing signs of recovery. 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 we find limited triggers to own exposure to European equities.
Fixed Income	**Under Weight**	**Rationale**
Duration	**Under Weight**	We reduce our weight in Duration to under weight, as India Government Bonds appear to be adequately pricing rate cuts, and flows are being absorbed, while inflation remains sticky globally. Accordingly, long term bond yields may not fall significantly; hence, duration doesn't look very attractive from a risk-reward perspective. Further challenges include a high taxation structure and timing duration.
Accrual	**Selectively Positive**	Accrual space offers good opportunity to lock in yields. Investors will enjoy good returns based on their ability to lock in spreads in quality papers available currently. Dual advantage of constant high spread and roll down will result in good returns. 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. Post RBI change in norms for NBFCs, spread widening for certain subsectors is likely. While there could be higher returns, they will come with higher risks too and investors are cautioned to be mindful of same while taking advantage of richer pickings available.
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	**Strategic 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.
Precious Metals	**Strategic Weight**	**Rationale**
Gold	**Strategic**	We increase our exposure to Gold to market weight due to inflation, debasement of the US dollar, and concerns on the ever increasing US debt.
Silver	**Tactical**	We increase our exposure to Silver on the rising demand for the metal in industrial production, demand outstripping supply and the Gold/Silver Ratio being much higher than the historical long-term average.

Ambit Global Private Client - Asset Allocation & Investment Committee

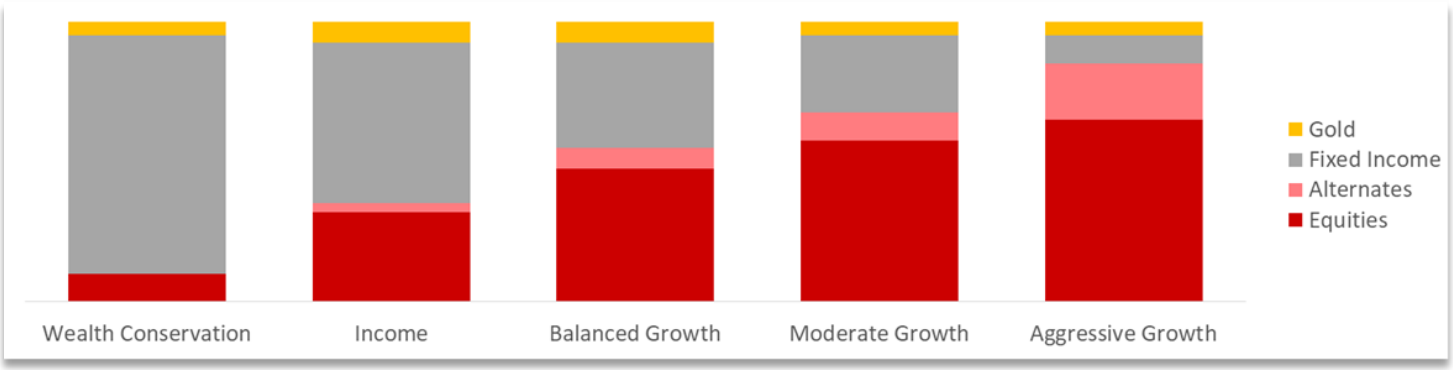
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as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

Wealth Profiles - Summary

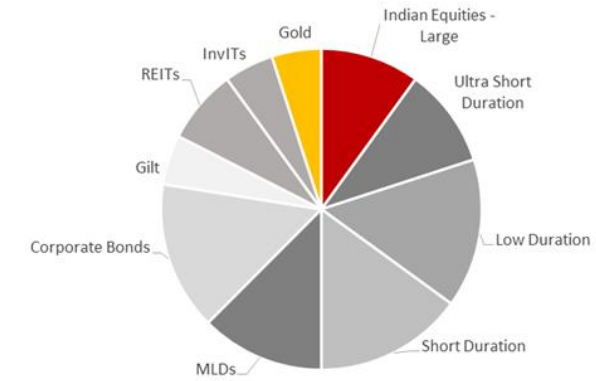
Strategic Asset Class Weights by Profile



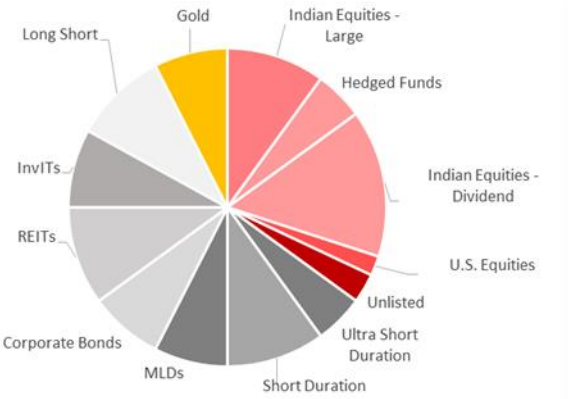
Ambit GPC Wealth Profiles - Strategic Weights

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.

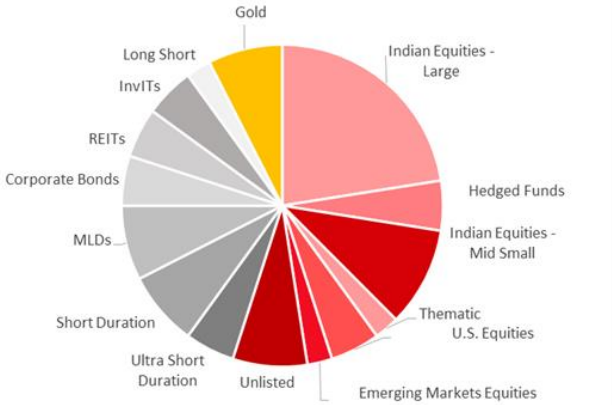
Wealth Conservation



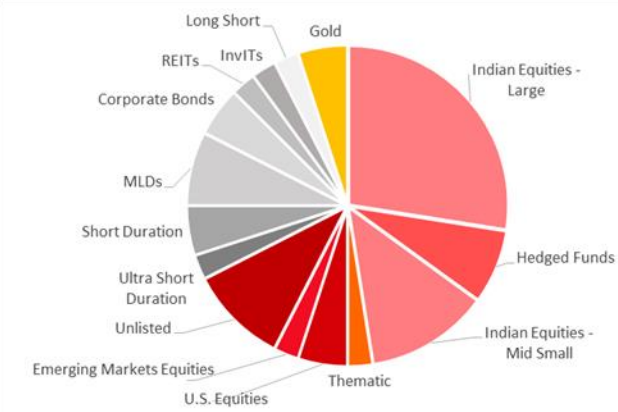
Income



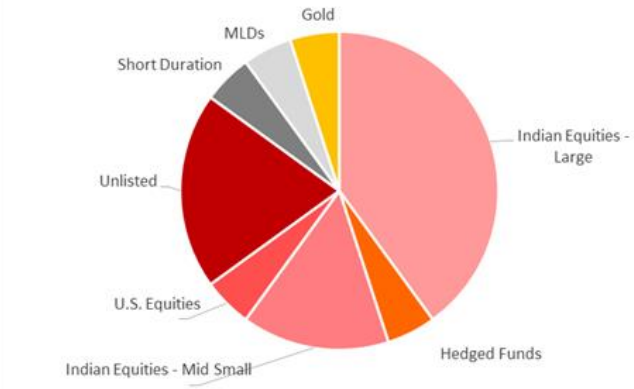
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client – Asset Allocation & Investment Committee

Amrita Farmahan	Mahesh Kuppannagari	Sunil A. Sharma
CEO	Head – Products & Advisory	Chief Investment Strategist
Amrita.farmahan@ambit.co	Mahesh.kuppannagari@ambit.co	Sunil.sharma@ambit.co

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