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SECULAR BULL MARKETS - 1950 TO PRESENT

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INVESTMENT COMMENTARY

AUGUST 2024

Welcome to the latest edition of "Secular Bull Markets: 1950 – Present," your monthly source for insightful analysis and commentary on Indian equity markets. In this edition, our Chief Investment Strategist, Sunil Sharma, takes a deep dive into the factors that drove equity markets lower this week and assesses their impact on our market outlook.

A BUTTERFLY FLAPS ITS WINGS IN JAPAN

Well, it was actually the Bank of Japan, with hawkish signaling that triggered a historic global equity sell-off. We evaluate factors that have contributed to a growing bearish thesis on U.S. markets.

SECULAR BULL MARKETS SINCE 1950

What is a secular bull market? Why is it important? We analyze secular bull markets in Asia and the U.S. back to 1950, and share a broad framework for understanding secular bull markets. Understanding what type of cycle we are in can be a critical input in determining short and long term investment strategy.

IS INDIA IN A SECULAR BULL MARKET?

We share data to determine whether India is in a secular bull market. Answering this question is crucial for shaping portfolio strategies and asset allocation decisions for investors in Indian equities.

INVESTMENT OUTLOOK & ASSET ALLOCATION

We share our investment outlook for Indian equities, and tactical changes to asset allocation.

MARKET DATA, TACTICAL ASSET ALLOCATION & RATIONALE

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

Authored by:

SUNIL A SHARMA

Chief Investment Strategist

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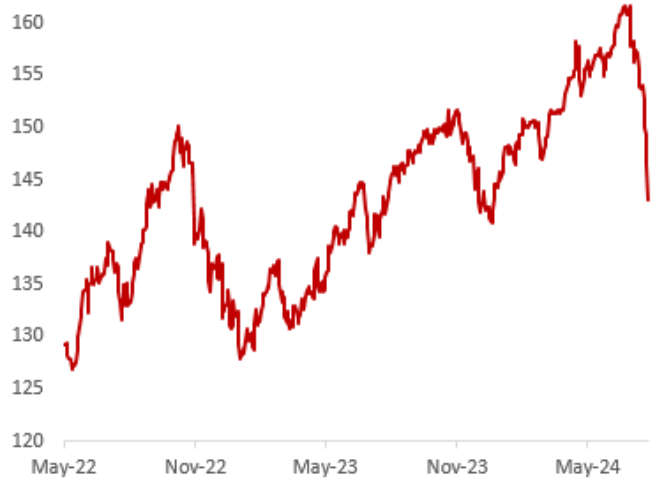
Market Data & Asset Allocation

A Plethora of Worries Drive Markets Lower

Global markets are selling off sharply, as we write this missive on a Monday morning in early August with shockingly deep red on the stock screen, and the Nikkei bringing reminders of Black Monday, Oct 1987. The move lower is being led by **Japan, the Mag 7, Nasdaq, Taiwan** and Korea. It's interesting to infer that the Yen carry trade crowd's primary investment preference seems to be Mag 7 and Taiwan.

While a walk-back and dovish signaling by the Bank of Japan markets has calmed markets since, the incident highlights the embedded volatility and leverage in the global equity complex, primarily perpetrated by the hedge fund herd. Some stats… the sell-off in Japanese equities is the steepest decline since Oct '87. The 3 day 20%~ move is the worst since 1959. The 10% rebound is the best since 2008. The value of shares traded was the highest ever. A historic sell-off.

A Massive Move in the Japanese Yen De-Rails the Carry Trade Herd



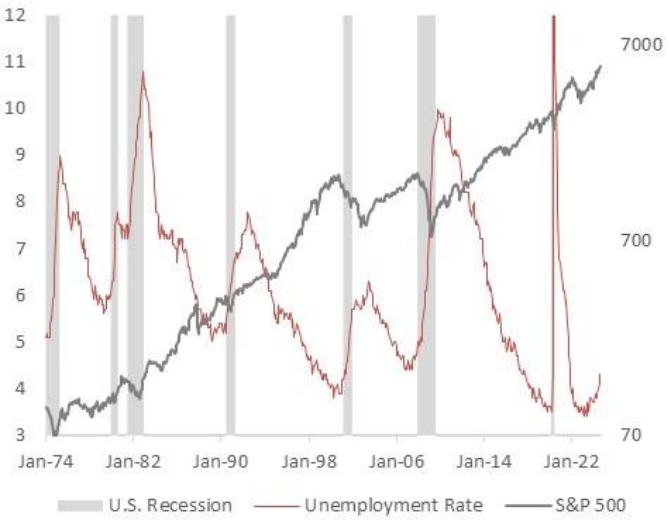
Tensions in the Middle East

Meanwhile, tensions are boiling in the Middle East, between Israel and Iran, as Israel is on full alert for Hezbollah retaliatory attacks.

Sahm Rule, Initial Claims & ISM Manufacturing

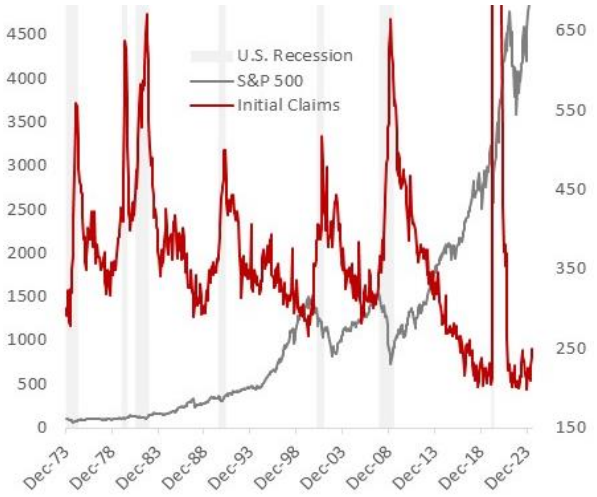
Many market watchers learnt about the Sahm rule this month, which triggered on a weak employment report. The Sahm rule states that a recession is reliably upon us once the 3MMA of the unemployment rate rises 0.5% above the lowest prior 12 month reading. It's a small dataset, but there is rising noise about a U.S. recession. It's one month of slightly worsening data, which has since reversed on claims. Notably, the **labor force participation** rate actually nudged higher to 62.7%, but that's been largely ignored.

The Move Higher in the Unemployment Rate Triggered the Sahm Recession Rule

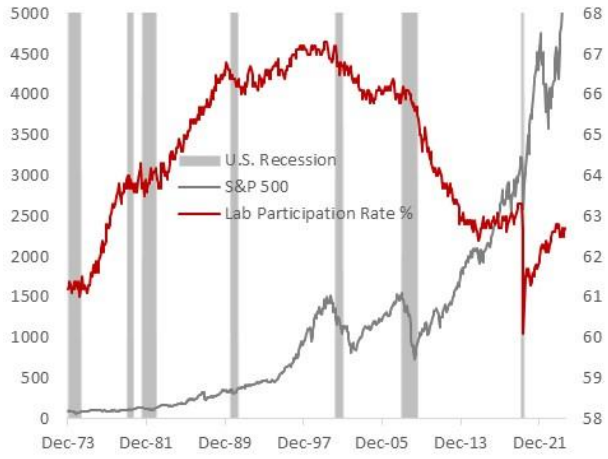


Weakness in ISM manufacturing, which dipped back down to 46 is another indicator pointing to weakness in the U.S. economy.

Initial Claims Ticked Up to the Highest Reading Since Aug 2023 But Have Dropped Back in July



The Labor Force Actually Grew Marginally



Mag 7 Earnings & Capex Worries

If all that wasn't enough, tech investors *appear* to be souring on the darlings of the Nasdaq – the Mag 7. Worries about large capex spend related to AI appear to cause consternation, with murmurs about slowing top line and deceleration in earnings growth for some names.

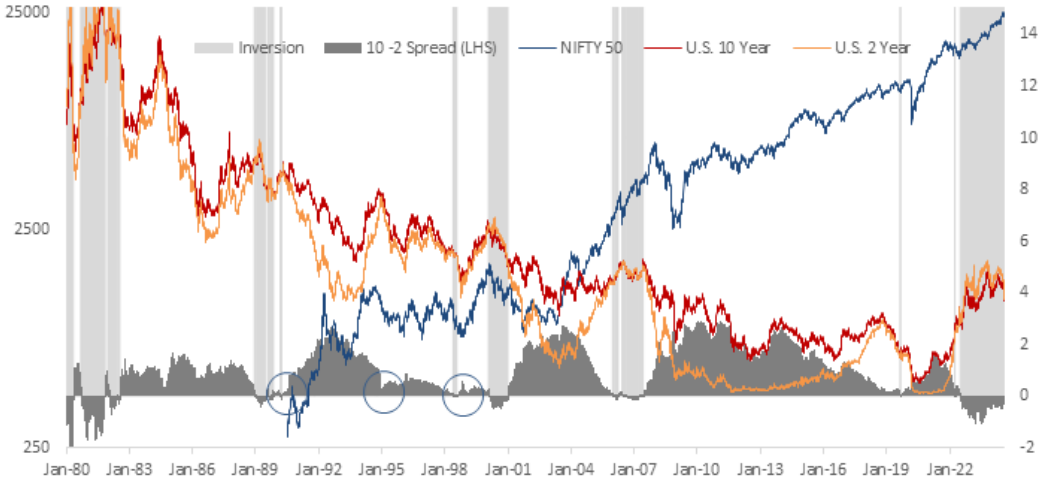
Warren Buffett Reduces Apple and Bank of America Stake

News that the Oracle of Omaha sold 50% of his Apple stake only added to the jitters. Berskshire also sold Bank of America in late July, some $800 million, and unloaded almost 50% of its stake in Apple, raising cash to the highest levels of ~30% in a long time. We note, though, that Bank of America has been an average performer at best since 2019. Apple sales and earnings performance have been dismal for a few quarters now. Could it be stock specific? Time will tell.

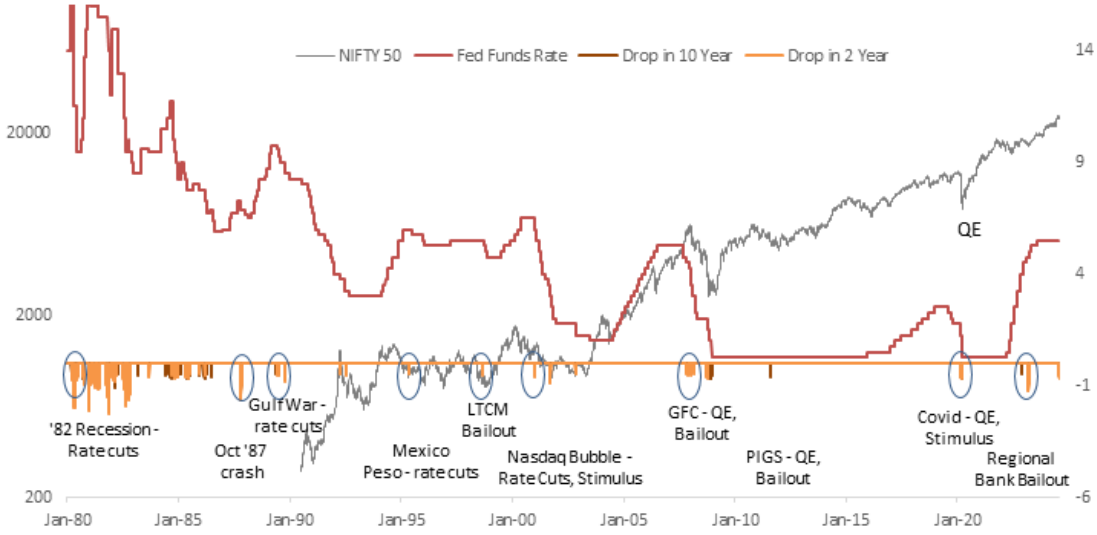
Yield Curve De-Inversion

The short end of the U.S. yield curve has also moved sharply lower over the past month, signaling market expectations for a **rate cut**, and yield curve steepening.

The U.S. Yield Curve Is De-Inverting… Shorter Term Rates are Coming Down Sharply…
…With the Fed Ready to Move Aggressively, Hopes Remain for a Soft Landing Circa 1995



Prior Instances of a Sharp Drop in the 2 Year Yield Have Typically Led to Rate Cuts / QE / Stimulus



Separately, the Commodity Pack Has Been Getting Clobbered…

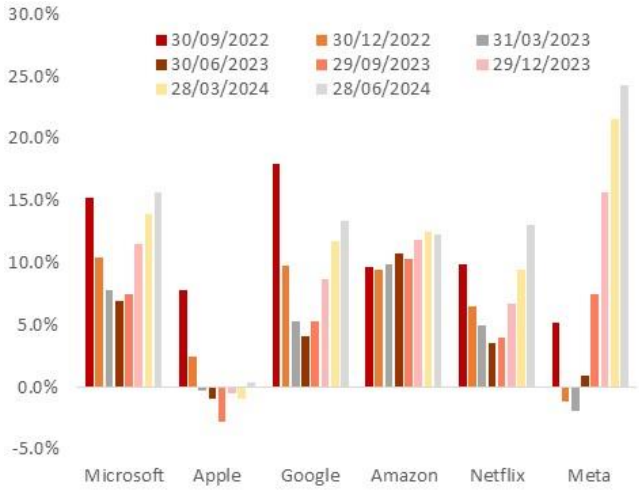
…Alleviating Fears of Resurgent Inflation

5-Aug-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %
Brent Crude	76.2	-0.8	-4.5	-11.9	-5.6	-8.1	-2.3	-11.8	-1.1	-11.6
CRB Raw Industrials Index	543.2	0.3	0.2	-2.3	-0.3	-1.5	0.4	-2.4	-0.1	-2.6
BBG Cmdty ex-Prec Mtl	79.9	-0.7	-2.1	-9.8	-2.8	-9.9	-7.1	-8.9	-8.8	-17.3
CRB Metals Index	1,029.3	0.6	0.7	-4.7	-0.2	-5.1	1.3	-4.7	-0.3	2.2

Yield curve de-inversions were associated with volatility in the 2008 and 2000 cycles, but led to a soft landing in other periods such as 1995 and prior. The second order takeaway is that similar moves in the short end of the bond market led to Fed rate cuts, stimulus, QE in the past (see chart). Markets are also taking comfort in the fact that the Fed is ready to act aggressively if needed, alleviating the risk of a blatant central bank policy error, a la the BOJ.

Separately, the recent sell-off has delivered the added benefit of crushing the commodity pack, a clear positive for commodity importers like India. (see table above). Inflation is a much lower concern in the event than it was last month.

Apple's Sales Momentum Has Slowed in Recent Quarters



In our view, Mag 7 sales momentum appears to be normalizing, but earnings momentum – while decelerating from very high levels – remains healthy.

SECULAR BULL MARKETS SINCE 1950

Indian equities have been on a historic run. Over a 1000 listed companies have delivered a 30% CAGR in the past 5 years. An astounding 372 companies have delivered a 10 year CAGR of 30%. These are Microsoft, Amazon, and Apple type returns.

The historical record can often provide great insights into the present condition. History in markets, generally tends to rhyme, *and* repeat.

Understanding the cycle can mean the difference between riding out the entire trend, ideally exiting at an opportune time, versus jumping off the bus too early, or making other critical errors of judgement.

Secular Bull Markets – A Definition

First things first. We define a secular bull market as generally characterized by broad economic expansion, rising corporate earnings, rising markets, typically surging frequently to new all-time highs. As the expansion unfolds, bulls become increasingly confident and many new participants enter the fray.

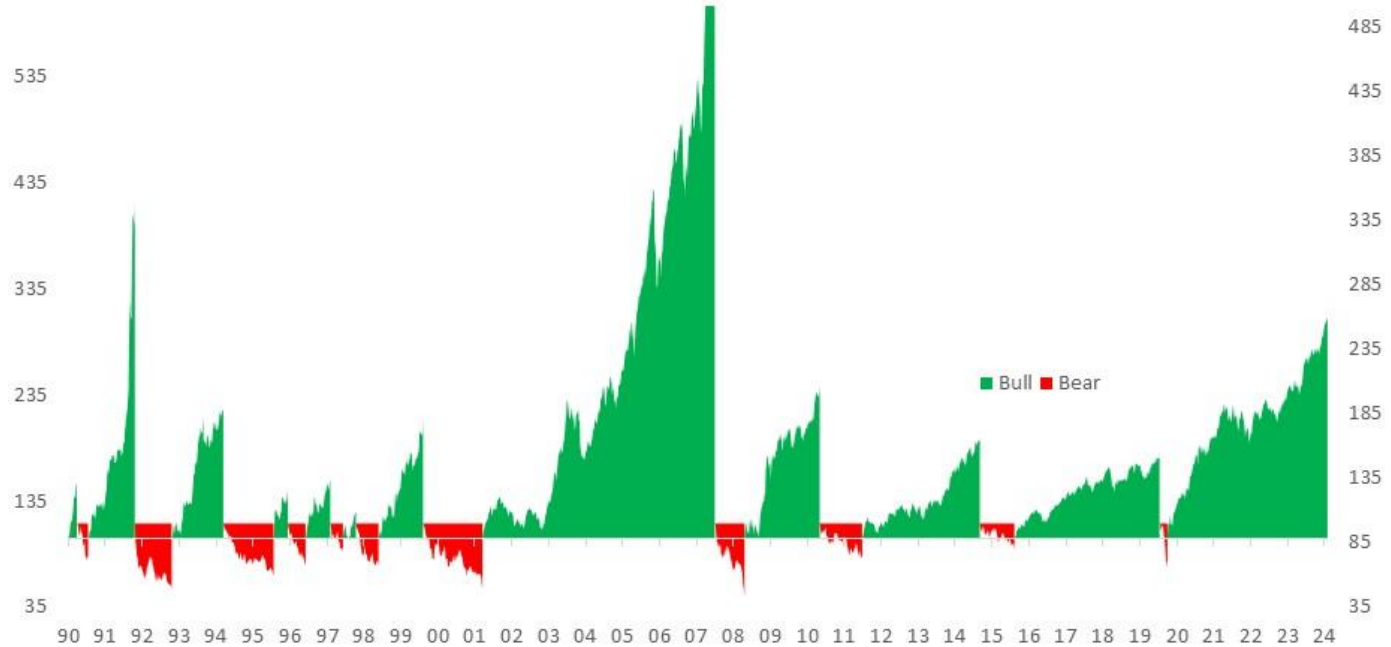
Of Eras, Cycles, Themes, Trends, Periods…

We work from a fundamental thesis that markets and economies move in multi-decadal cycles. The chart on the next page presents some evidence of this, an **investment theme for each decade** since 1950. Eras are defined by dominant themes or trends that make them unique in nature, reflecting the **prevailing geo-political, economic, technological themes** or eras.

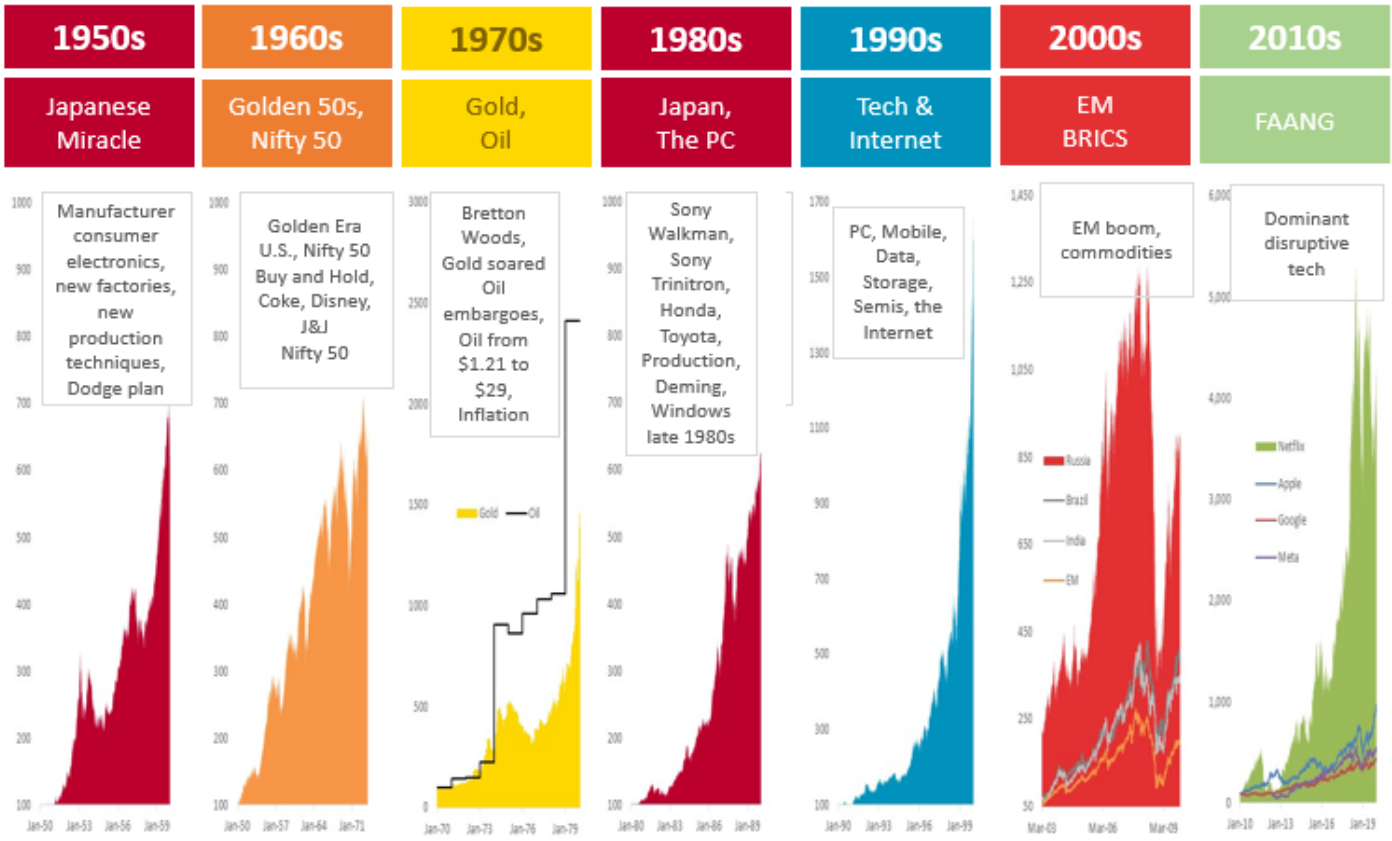
We also present data that **India entered a secular bull market in 2020**, arguably earlier, in 2017. India was in a bear market from 2008 through 2016. The early 2010s were a period most investors were done with equities. The structural foundation started to be put in place in 2014-19 with demonetization, India stack, the cleanup of the banking system etc.

India Was in a Secular Bear Market From 2008 – 2016…

…India Is in a Secular Bull Market Since 2020, Arguably Since 2017



Secular Investment Themes By Decade Since 1950



The U.S. was in a Secular Bull Market in the 1980s..

...the PC Revolution Arrived in the Mid 1980s

...and the Secular Bull Market Lasted Two Decades from 1982-2000...

Today, the U.S. is in a Secular Bull Market Since 2016...

...and A.I / Robotics Arrived Last Year

Source: Robert Shiller, FactSet. Data shown in log scale to best illustrate long-term index patterns. *The performance quoted is past performance and is not a guarantee of future results.*

With each secular cycle, a **dominant market trend** emerges that is multi-decadal, powerful, and disruptive, and can **last for decades**.

Valuations tend to rise from bear market lows and trend higher. Consumer incomes rise. Stock markets deliver strong returns. **Wealth effects** are evident, standards of living improve. Technological, structural and often life-changing progress is evident.

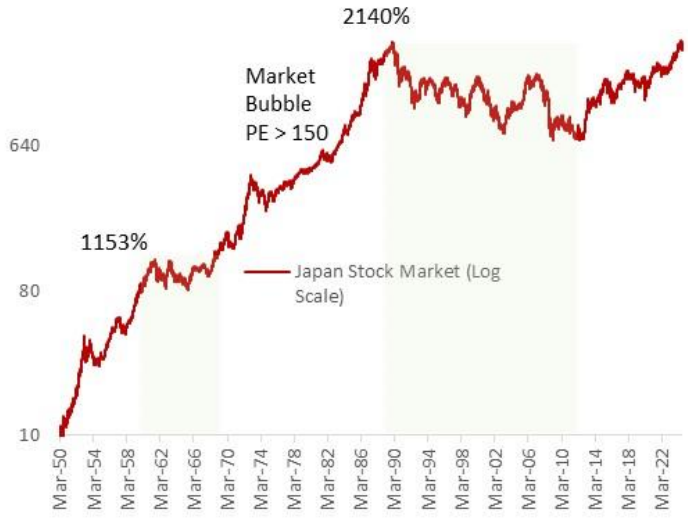
Market volatility tends to decline during these periods. New all-time highs are common. **Multiple expansion** provides returns in excess of earnings growth, particularly early on in the cycle.

In contrast, **secular bear markets** are associated with economic challenges, inflation, crude oil spikes, geo-political crises, war, terrorism, unrest, high inflation, weakening consumption, rising unemployment, weak financial performance, corporate, accounting or political scandals, rising spreads, stress, and rising defaults. Equities markets can move sideways or sharply lower for years. Valuations head lower.

The Multi-Decade Japanese Miracle

Within years of being the vanquished in WWII, the Japanese stock market rose like a phoenix delivering an 11X return in the 1950s. Then followed a period of consolidation as the U.S., a key partner, struggled with war and civil unrest. Starting in 1970, Japan de-coupled with the U.S., embarking on a **20 year bull** market and delivering 21X returns between 1970-90.

The Japanese Market Rocketed Higher in the 1950s, and in the 1970s-80s



The Japanese economy flourished in the 1970s, clearly **decoupling from the U.S.** (U.S. Nifty 50, oil, inflation, unrest), delivering innovative products, and proving **secular EM bull markets need not be correlated with U.S.** bull markets.

India, China, Brazil, **EM bull markets in the 2000s,** versus the **Lost Decade** in the U.S., is another example.

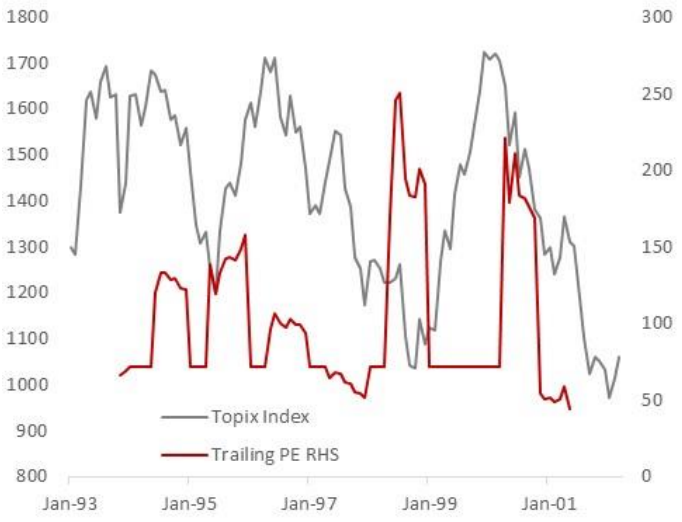
Arguably, the Japanese enjoyed a 40 year bull run, spread across the 1950s, 70s and 80s. **Secular bull markets can last for decades**.

Japanese Secular Bull Characteristics

The Japanese built globally dominant companies around a reputation for **quality**, **innovation, operational efficiency**, and attractive pricing, across electronics, motorcycles, automobiles, and household goods. Sony gave the world the **Walkman**, as iconic in its time as the Iphone is today. **Honda** broke through with the Honda A-type motor cycle, and the D-type Dream. Toyota, Mitsubishi Sansui became global MNCs. Sony was instrumental in unleashing music to the masses with the Walkman and the **Sony Trinitron** TV was the epitome of quality and durability. **Just in time** production concepts from Japan were much admired. **Operations** became a requisite MBA course taught in business schools in the 1990s. Phil Knight worked with Japanese companies to launch his dominant **Nike** shoe company.

The **Japanese bull market ended in a bubble.** The **Taiwanese** bull market also led to a bubble. The Chinese bull market has been characterized by wild swings between boom and bust. The same holds for the **Nasdaq** and other secular bull markets. Secular bull markets eventually run into **valuation excesses**.

Market PE Was Well Above 100 at the Peak



The Cycle End

Operational efficiency, cheap labor and innovation were the primary **disruptors** that launched the Japanese miracle in the 1950s.

Ultimately the Japanese bull market ran into **excessive speculative excess**. Japanese monetary policy was too easy in the 1980s. A speculative boom resulted in billions of dollars of bad loans and **bad debt** leading to systemic concerns for the financial system that ultimately required a bailout of the failed institutions, creating tremendous stress on the banking system and economy.

It was also **the arrival of rivals** – China - that led entrepreneurs away from Japan and opt for cheaper production. The Big Three in the U.S. started to gain back market share. Gates, Jobs, Grove, Iaccocca, Welch et al in the U.S. started to drive a U.S. resurgence, and a new wave of U.S. leadership.

The Japanese stock market's earnings collapsed in the early 1990s as markets buckled under excessive debt and a real estate bubble of historic proportions. It took Japan 20 years to finally find a semblance of growth.

Stock Market Earnings Collapsed in the 1990s

Taiwan - Asian Tiger & 1980s Bubble

Post the Chinese civil war in 1949, Chiang Kai Shek and 2.5 million followers evacuated to the island of Taiwan. Key initiatives followed, including distributing 430,000 acres of land to the working class. Economic policies were created for the **promotion of manufacturing** exports. Taiwan experienced an **export boom** that continued from the **1950s** all the way to the **1990s** and today.

The Taiwan Stock Market Surged from 90 to 12,400 Over a 20 Year Period

The secular Taiwanese Bull started from humble beginnings, and has sustained as the Taiwanese have focused on **capital intensive, high skill manufacturing**, creating exceptionally strong barriers to entry.

Taiwan's information technology and electronics sector has delivered a vast supply of tech products since the 1980s. The Industrial Technology Research Institute (ITRI) was created in **1973** to meet emerging demands from the **nascent tech industry**. Companies like Taiwan Semiconductor (TSMC) were born and the industrial parks such as the Hsinchu Park were established that house 500 tech companies today.

A Massive Stock Market Bubble

It's not a well-known fact that the Taiwanese stock market experienced a massive **bubble during 1986-1990,** with the the Taiwan Stock Exchange Index rocketing from 650 to over 12,000 over a 3 year period in the late 1980s.

The **P/E multiple in Taiwan was well above 100x** near its peak in the fall of 1989. Another characteristic that we'll often find in our examples is peak valuations in triple digit territory. At the peak of the bubble, over 5 million - one-third of all Taiwanese over the age of 15 - were actively playing the stock market.

Taiwan leveraged **cheap labor initially** to build a manufacturing base. In the 1980s, Taiwan wisely shifted focus to **technology** and capital intensive manufacturing, and many Taiwanese firms became important suppliers to **DEC and IBM**, while others established branches in Silicon Valley.

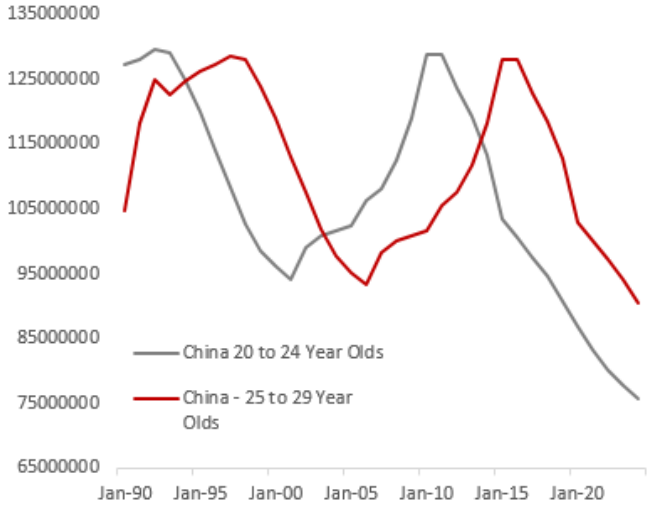
Cheap labor arbitrage is a consistent feature of secular Asian bull markets. Valuations typically end up at stratospheric levels on euphoria, and eventually run ahead of earnings as investors are increasingly confident and willing to pay a premium. These are typically times to be cautious.

Taiwan's **per capita income of $35,129** in 2024 is much higher than China's $13,136, #30 in the world, and a testament to its highly developed free market policies. Its evolution from an agriculture based economy to an industrialized high income country within a 3 decades is a testament to its incentivized free

market economy and diligent work force. **GDP growth averaged ~8%** over the 1980s, 90s and through 2007.

The Taiwanese secular bull market has **lasted for decades**, primarily by building expertise in industries with large barriers to entry, cementing Taiwan's role in the global supply chain as a critical region for technology expertise. **Taiwan soared despite the 1970s stagnation** in the U.S.

China's Demographic Challenges



China's Secular Bull

The Chinese story is well known to most. China experienced rapid economic expansion since 1979, sustaining an average growth rate of **10% per year** in the 90s and 2000s. The Open Door Policy in 1979, opened the country to foreign investment. Its GDP has grown from US$ 180 billion to **US $18 trillion** to make it the world's 2nd largest economy. At its core, China leveraged **foreign investment**, **labor cost** arbitrage, a growing domestic market and low cost manufacturing to flood global markets with cheap goods.

Expectations Gone Astray

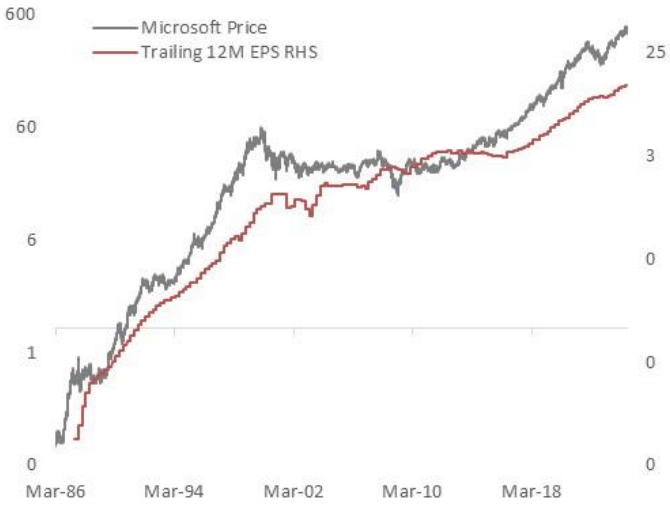
The Chinese at one point, were expected to be the dominant superpower of the 21st century. Today, much of China's challenges are related to ill-conceived policies on population control, perverse incentives, centralized authoritarianism and ambitions for world dominance and aggression. The Chinese story is under pressure because of **geopolitical tensions** with Europe, the U.S., south east Asia, India. **Strategic investments** haven't borne fruit such as the Belt & Road and infrastructure investments. Demographic policies have created workforce and societal challenges. Policies towards entrepreneurs have gotten increasingly adversarial. **Cheaper alternatives** have emerged such as Vietnam and India. The Chinese secular bull, in our view, is one that will have challenges sustaining itself over decades, as **demographic challenges** loom large, ill-conceived investments have created large **debt** burdens, geo-politically alignment with Russia, export dumping and a **trade war** with the U.S. and Europe does not help its cause. Most importantly, China has squandered its positioning in the Western world as a trusted manufacturing ally.

The Nasdaq Secular Bull 1980 – 2000

A secular bull market underpinned by the PC, mobile, internet and dominant global technology companies that have changed the way the world lives. Along the way, the internet led to extreme euphoria that proved unfounded early on but has changed the world. The bubble popped due to over-valuations, disappointing earnings, questionable business models, the Iraq war, oil spikes, terrorism, and over-speculation. It's notable that it took the Nasdaq almost 15 years to regain the old highs.

The Nasdaq Secular Bull Market

Ultimately, Earnings Growth Leads Stock



The Nasdaq epitomizes characteristics of secular bull markets. Once in place, **trends typically are difficult to dislodge.** The secular bull **lasted 20 odd years**, but the secular bear lasted 15~ years as well, before the Nasdaq began a new secular bull market in 2016.

The Nasdaq mirrored Asian bull markets in that it ultimately took euphoria, **triple digit PE valuations**, war, terrorism and ultimately muted, negative earnings that ended the mania. Amazingly, it took a scant 15 odd years before a new bull market driven by FAANG started.

What Ends Secular Bull Markets?

As we've seen, it takes a lot to end a secular bull, but typically a **cheaper** alternative producer, excessive **valuations** driven by **euphoria**, excess leverage and credit, new era thinking, **war** and **geo-political** instability, **inflation** and interest rates, regulatory changes or sub-optimal business models (dot coms, Chinese real estate) are typically reasons.

IS INDIA IN A SECULAR BULL MARKET?

Consider an Economy…

Consider an economy with rising education levels, a growing work force, growing manufacturing – washing machines, cars, durable goods – catering to aspirational consumer demand. New industries are becoming a part of consumer's lives. Demand for goods is expanding rapidly. Homeownership is rising, and investments are being made in highways, the automobile culture is growing and credit is easily available. No, we are **not talking about India.** This was the **U.S. in the Golden 50s**, but it **sounds a lot like India today**.

It is only by studying prior economic successes that one understands the opportunity that presents itself to India today.

The Real Risk

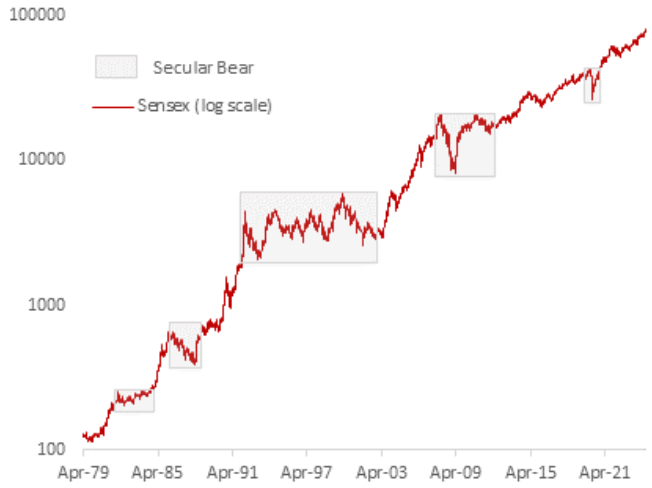
In our opinion, the risk today isn't buying at the top or being exposed to a counter-cyclical sell-off. The real risk in our view is the opportunity cost of missing out on a **secular bull** market.

Similarities to Prior Secular Bull Markets

India looks similar to Japan, Taiwan and China on labor cost arbitrage. However, India is borrowing from **Japan** on efficient manufacturing, certainly when we look at EMS, electronics, auto etc. India is borrowing from **Taiwan** in building capital intensive expertise in semiconductors, green energy, manufacturing, defence, ship-building, drone technology, space and technology. And India is also mirroring **China** is offering cheap labor alongside a large domestic consumer market.

Moreover, India is building its own particular brand, which is centered on a holistic, integrated investment and growth vision, generating multiplier benefits, alongside private sector expertise in tech, outsourced services, and incentivized manufacturing.

India Equities are on a Strong Multi Year Run



India's Unique Advantages

What's different and surprising though about the India bull market, is that a significant number of companies are succeeding by catering to the **domestic** sectors such as financials, autos, defence, infrastructure, power, real estate, leisure, consumption, EMS, technology and services.

India has leapfrogged many nations with the **India stack**, and successfully implemented **structural reforms**. Easier said than done. One need look no farther than eastward or immediately westward to Pakistan, or to any of our neighbors – Sri Lanka, Bangladesh - to understand the vast difference in outcomes that India has achieved.

Moreover, India has supplemented the labor cost arbitrage strategy with massive **investments** in infrastructure projects, doled out to the private sector, via bid, creating massive multiplier benefits.

While there is a tendency to feel disappointment that we didn't get started in the 1950s or 1960s, the timing today is aligned with strong **demographics.** In prior Know the Now issues, we have shared data on the **demographics** that drive bull markets. (see **Know the Now, The Next 5 Years**, June 2024)

While possessing the characteristics that drove success for other Asian economies, India's **large domestic market** is an extremely attractive draw. Geo-political trends are also working strongly in India's favor and India is front and center as a China plus 1 option alongside Vietnam and Mexico.

India's advantages aren't limited to cheap labor, India provides a **ready supply of tech skills and labor** that will be increasingly necessary as we move deeper into an **AI** and tech driven global economy.

Typical Secular Bull Behavior

The initial phase of the bull market was characterized by earnings multiple expansion. (see chart). Since 2020, Indian corporates have delivered earnings growth that accounts for the entirety of the price appreciation. (see **Know the Now**, **Redux 1995** - July 2024)

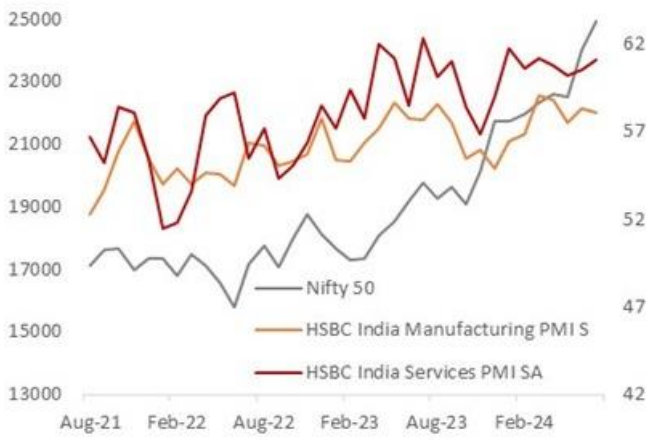
In our view, India's done a whole of things right. Yes, there are things that could be better. The government has implemented sound economic policies unlike China, is looking to move up the value chain, building manufacturing expertise and capital intensive industry, while building up skillsets in IT and Services

The First Few Years of the India Bull Market Were Driven by PE Expansion, Classic Bull Behavior

India is in a Secular Bull Market

We stick to our view that India is riding a secular trend that is likely to continue for a number of years. The drivers driving domestic growth – government investment, cheap labor arbitrage, services, manufacturing incentives, a relatively healthy consumer base, attractive demographics, productivity, global competitiveness, supply chain substitution, technology capabilities, manufacturing incentives, structural reforms, earnings growth, a sound banking system, and rate cuts if necessary, and the continuing shift to services, urban, and healthy participation in AI remain in place.

India Services & Manufacturing Remain Strong



INVESTMENT OUTLOOK & ASSET ALLOCATION

Shifting perspective to the here and now…

12% 1 Day Wipeout in Japan

We're hard-pressed to believe that a dip in U.S. ISM manufacturing PMI or a marginal rise in unemployment to 4.3%~, or Buffett selling Apple would be reasons for a 12.4% crack in the Japanese Nikkei stock market index. Rather, hawkish messaging by the Bank of Japan roiled the yen carry trade herd, that was over-leveraged in risk assets such as the Mag 7, Taiwan, Korea etc. This episode reminds us of the VIX event in early 2018, and highlights the **hidden leverage** that sloshes around global markets.

The recession scenario bears watching in the U.S., but we would note that central banks remain ready to act aggressively, and an AI investment cycle is underway.

India Earnings

India earnings continue to grow. Forward estimates for the Nifty 50 earnings per share are now **1186**, up +5.6% since March 31st, 2024. Analysts' forward earnings expectations hit a record high this week, **up 18.2% YoY**, confirming that forward prospects for the market **remain healthy**. Trailing earnings are at 990, up **+18.6%** YoY. Midcap earnings estimates hit a new high this week as well and small cap earnings so far this quarter have delivered strong growth as well.

Earnings Continue to Drive Equities Higher

Valuations

In the previous section, we made the case that secular bull markets typically peak at peak valuations. If this is a secular bull, we are far from peak valuations.

Large caps are **fairly valued** (see Know the Now – 1995 Redux, July 2024). Small caps are similarly fairly valued in our opinion. While many investors gripe about premium valuations, we believe the premium valuations are justified for a broad based, structural growth bull market driven by strong fundamentals.

We laid out data last month demonstrating that the **entire rally since 2020 has been driven by earnings growth**. (see **Know the Now** – Redux 1995, July 2024). Markets have rallied on the back of earnings growth.

Growth

Economic growth prospects for India remain healthy. U.S. economic growth prospects appear to be weakening as employment claims have ticked up and PMIs have weakened. On the other hand, a nascent tech boom could be unfolding in AI or robotics.

Inflation

Increasingly inflation appears to be receding. The recent volatility has taken crude below $80. Prices across the commodity pack have been trending lower.

Monetary policy – Fed Rate Cuts Ahead

Central banks are vigilant and the Fed appears ready to cut interest rates, and move aggressively if necessary, alongside the ECB. Domestically, the RBI has the leg room to do so as well, if necessary.

The Fed's willingness to **ease early on weakness** will be critical in heading off U.S. economic weakness and ensuring a soft landing. Chairman Powell is acutely aware of this. Accommodative monetary policies and falling bond yields – domestic and DM - continue to **bode well for long-term equity performance.**

Fiscal policy

Fiscal policy continues to be a key driver of the India story. Government **capex** is a robust 11.1 lakh crores, reforms are delivering productivity gains, and manufacturing incentives for Make in India continue to attract China +1 diversifiers. India continues to invest in infrastructure, power, solar, semis etc.

Sentiment Remains Mixed

Social media continues to hype sensationalist bad news. We're hard wired to be attuned to threats to our survival. Good news does not get the same attention. There remains healthy skepticism and markets will continue to climb the wall of worry and convert naysayers.

Broad Based Performance

Unlike a narrow stock rally driving U.S. markets, the India story is broad based. Hundreds of stocks have delivered eye popping returns over the past 3, 5, 7, 10 year periods.

The Indian markets are broad and diversified, less susceptible to a single industry's fortunes with a great number of investment opportunities.

The 2020s Theme – An AI Driven Bull Market

We think the theme for the 2020s looks likely to be A.I and Robotics. AI is a big part of the bullish outlook. In a move reminiscent of the Nasdaq bull market, Corning raised second-quarter guidance stating **generative AI technologies sparked strong demand for its optical connectivity products**, a key ingredient for data centers. Based on current quarter commentary, tech firms remain committed to building out the AI foundation.

Outlook

The weight of the evidence remains consistent with an ongoing secular bull. There remain an abundance of positives that counter-balance, and in our view, clearly outweigh the risks.

That's the way we're seeing markets today. Should the fundamentals change, we'll update our outlook if necessary. In the immortal words of John Maynard Keynes: "When the facts change, I change my mind. What do you do, sir?" We remain vigilant in tracking cycles, asset classes, across multiple frameworks and disciplines. There are **no changes to our asset class, style or tactical preferences.** Our tactical weights are listed on page 27.

Risks

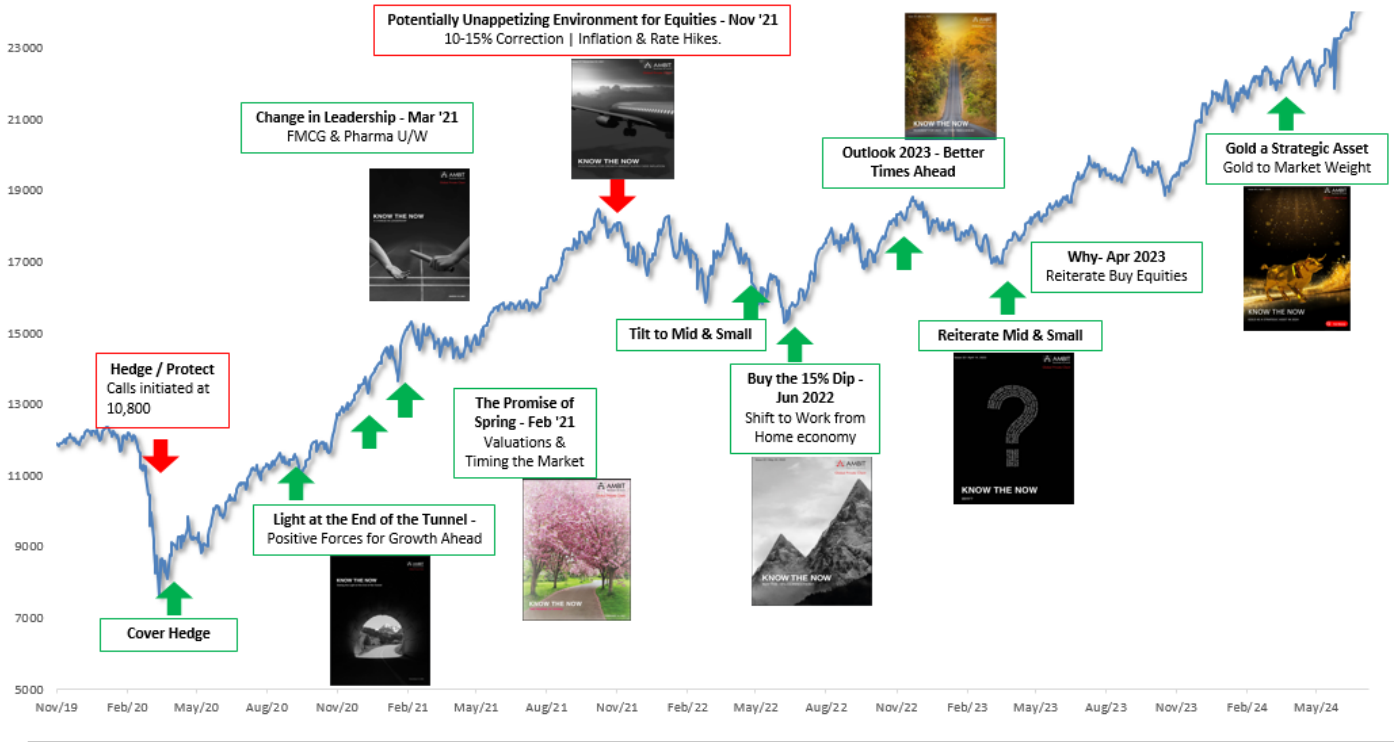
The risks to our view remain geopolitical – war, a U.S. hard landing and policy error by the Fed, or a lurking risk as evidenced last week somewhere in the global system.

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 – Tactical Asset Allocation Views – Timeline



Global Index Performance

7-Aug-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**24,253**	**1.1**	**-2.8**	**-0.3**	**-2.8**	**8.7**	**10.6**	**1.0**	**11.6**	**23.8**	**-3.3%**
Sensex	79,349	1.0	-2.9	-0.8	-2.9	7.9	10.0	0.4	9.8	20.3	-3.4%
Nifty 500	22,728	1.3	-3.4	-1.1	-3.4	10.1	13.0	0.7	17.0	34.0	-3.8%
NIFTY Midcap 100	56,398	1.6	-4.4	-1.2	-4.4	13.5	14.3	1.2	22.1	49.1	-4.9%
Nifty Midcap 150	20,899	1.4	-4.4	-2.1	-4.4	13.1	14.8	0.3	22.4	47.7	-4.9%
NIFTY Smallcap 100	18,116	1.4	-5.3	-4.4	-5.3	10.7	9.4	-1.1	19.6	54.5	-5.9%
NSE NIFTY Smallcap 250	17,066	1.1	-4.9	-3.7	-4.9	11.3	10.9	-0.3	21.5	50.3	-5.5%
Americas											
S&P 500 Index	5,240	1.0	-3.6	-5.9	-5.1	1.0	4.9	-4.0	9.9	16.0	-7.6%
Dow Jones Indus. Avg	38,998	0.8	-4.3	-1.0	-4.5	0.3	0.8	-0.3	3.5	9.9	-5.7%
Nasdaq Composite	16,367	1.0	-4.6	-10.8	-7.0	0.2	3.9	-7.7	9.0	17.1	-12.3%
Nasdaq 100 Stock Indx	18,078	1.0	-3.8	-11.3	-6.6	-0.1	1.8	-8.2	7.4	17.3	-12.6%
Nyse Fang+ Index	10,266	1.3	-4.9	-15.3	-8.0	1.0	5.9	-9.2	17.8	30.1	-16.4%
Bbg Magnificent 7 Pr Usd	19,581	1.3	-4.6	-15.1	-7.8	4.3	13.4	-8.3	25.4	35.1	-17.1%
S&P Ex Magnificent 7	111	1.0	-3.2	-1.5	-4.0	0.4	3.0	-1.3	5.9	10.7	-4.8%
Russell 2000 Index	2,064	1.2	-8.0	1.9	-8.4	-0.0	5.8	0.8	1.8	5.4	-10.2%
Canada	21,979	-1.1	-3.5	-0.4	-4.9	-1.4	4.8	0.5	4.9	8.6	-5.3%
Mexico	52,400	1.2	0.1	0.1	-1.3	-8.2	-10.8	-0.1	-8.7	-3.0	-11.2%
Brazil Bovespa	126,267	0.8	0.1	-0.0	-1.1	-2.3	-2.8	1.9	-5.9	5.8	-6.0%
Europe											
Euro Stoxx 50 Pr	4,575	0.1	-5.5	-8.1	-6.1	-8.8	-2.2	-6.5	1.2	5.5	-10.7%
FTSE 100	8,027	0.2	-3.0	-2.2	-4.1	-3.5	5.2	-1.7	3.8	6.3	-5.3%
CAC 40 Paris	7,130	-0.3	-4.6	-7.1	-5.3	-11.7	-6.3	-4.7	-5.5	-2.6	-13.7%
DAX Germany	17,354	0.1	-5.7	-6.1	-6.2	-5.8	2.6	-4.8	3.6	8.8	-8.1%
Asia											
Japan - Nikkei 225	35,584	2.6	-9.0	-13.0	-9.0	-8.4	-1.5	-10.1	6.3	10.3	-16.1%
Hang Seng	16,865	1.3	-2.8	-5.3	-2.8	-8.7	4.9	-4.8	-1.1	-13.7	-14.4%
Shenzhen CSI 300	3,349	0.2	-2.7	-2.4	-2.7	-8.5	0.2	-3.3	-2.4	-16.1	-16.3%
Australia	7,726	0.6	-4.5	-1.2	-4.5	-0.9	1.4	-0.5	1.8	5.7	-5.2%
Taiwan	21,261	3.7	-4.2	-9.7	-4.2	2.9	17.5	-7.7	18.6	25.1	-12.9%
Korea	2,587	2.6	-6.6	-9.6	-6.6	-5.4	-0.9	-7.5	-2.6	0.2	-10.7%
Straits Times Index STI	3,239	1.3	-6.3	-5.0	-6.3	-1.9	2.6	-2.8	-0.0	-2.1	-7.7%
Vietnam Ho Chi Minh	1,209	-0.1	-3.4	-5.7	-3.4	-3.2	0.9	-2.9	7.0	-2.6	-7.4%
Jakarta Indonesia	7,231	1.4	-0.3	-0.3	-0.3	1.5	-0.1	2.4	-0.6	5.0	-3.0%
Phillipines	6,457	0.4	-2.5	-0.6	-2.5	-2.4	-5.5	0.7	0.1	-0.8	-8.7%

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	**24,253**	1.1	-2.8	-0.3	-2.8	8.7	10.6	1.0	11.6	23.8	-3%
Microsoft Corp	400	1.1	-5.5	-14.5	-4.5	-2.4	-3.5	-10.6	6.3	21.1	-15%
Apple Inc	207	-1.0	-5.3	-8.4	-6.7	13.6	9.4	-1.6	7.6	15.9	-13%
Amazon.Com Inc	162	0.6	-10.9	-19.0	-13.4	-14.2	-5.0	-16.2	6.6	13.9	-20%
Walt Disney Co/The	90	2.5	-4.1	-8.2	-4.0	-14.6	-9.2	-9.4	-0.4	3.6	-27%
Nvidia Corp	104	3.8	0.5	-17.2	-10.9	15.1	48.7	-15.6	110.5	129.5	-26%
Netflix Inc	610	1.8	-2.1	-11.7	-3.0	0.6	9.0	-9.7	25.2	38.3	-13%
Tesla Inc	201	0.9	-9.9	-20.2	-13.5	12.8	7.0	1.4	-19.3	-20.2	-28%
Alphabet Inc-Cl A	158	-0.6	-7.0	-17.0	-7.7	-7.6	8.8	-13.1	13.3	20.3	-17%
Hdfc Bank Limited	1,613	0.8	-0.1	-2.1	-0.1	7.1	12.8	-4.2	-5.6	-2.3	-10%
Icici Bank Ltd	1,173	0.5	-3.4	-4.9	-3.4	3.6	14.8	-2.2	17.7	20.2	-7%
Tata Consultancy Svcs Ltd	4,200	0.7	-4.2	4.7	-4.2	5.6	2.9	7.6	11.2	21.1	-5%
Reliance Industries Ltd	2,929	0.6	-2.7	-7.8	-2.7	4.5	1.6	-6.4	13.3	16.1	-9%
Bajaj Finance Ltd	6,630	1.4	-2.6	-7.1	-2.6	-3.5	-1.2	-6.8	-9.5	-6.9	-19%
Hindustan Unilever Ltd	2,767	0.6	2.3	8.6	2.3	16.3	14.1	11.9	3.9	7.7	-2%
Nestle India Ltd	2,525	0.6	2.8	-1.9	2.8	0.6	1.0	-1.1	-5.0	12.4	-9%
Titan Co Ltd	3,340	0.1	-3.4	2.2	-3.4	2.1	-6.6	-1.9	-9.1	15.0	-14%
Asian Paints Ltd	3,072	-0.9	-0.4	4.6	-0.4	5.5	3.1	5.3	-9.7	-8.1	-10%
Srf Ltd	2,533	1.8	-4.2	5.5	-4.2	4.8	10.4	4.0	2.2	10.9	-6%

Large, Mid & Small

7-Aug-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	**24,253**	**1.1**	**-2.8**	**-0.3**	**-2.8**	**8.7**	**10.6**	**1.0**	**11.6**	**23.8**	**-3.3%**
NIFTY Midcap 100	56,398	1.6	-4.4	-1.2	-4.4	13.5	14.3	1.2	22.1	49.1	-4.9%
NIFTY Smallcap 100	18,116	1.4	-5.3	-4.4	-5.3	10.7	9.4	-1.1	19.6	54.5	-5.9%

Nifty Sectors

7-Aug-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	24,942	1.7	-6.5	-1.8	-6.5	12.8	25.3	-1.0	34.0	62.1	-7.4%
Nifty Bank	50,065	0.6	-2.9	-4.9	-2.9	3.7	9.3	-4.3	3.7	11.7	-6.2%
NIFTY Private Bank	25,034	0.6	-2.6	-4.7	-2.6	4.1	7.5	-4.0	0.6	7.9	-6.1%
Nifty Financial Services	22,741	1.0	-2.9	-3.8	-2.9	5.6	11.2	-2.9	5.8	13.6	-5.4%
Nifty India Consumption	11,592	1.1	-1.8	3.3	-1.8	11.6	19.2	4.1	21.0	39.5	-2.3%
Nifty FMCG	62,313	1.2	0.4	8.0	0.4	11.7	13.8	9.8	9.3	19.7	-1.2%
Nifty Energy	43,289	1.9	-1.8	1.8	-1.8	10.9	11.2	3.6	29.3	64.8	-3.8%
Nifty Infrastructure	9,183	1.4	-3.3	-0.7	-3.3	10.3	14.9	0.5	25.7	52.3	-3.8%
Nifty IT	39,126	1.3	-4.2	3.7	-4.2	16.9	3.6	8.2	10.2	27.1	-5.4%
Nifty Metal	9,067	2.0	-5.4	-9.1	-5.4	1.1	9.6	-7.6	13.7	36.9	-11.1%
Nifty Pharma	21,842	1.3	0.3	6.8	0.3	15.9	17.7	10.7	29.8	41.1	-0.7%
Nifty PSU Bank	6,879	0.9	-7.0	-6.5	-7.0	-2.9	2.0	-6.6	20.4	56.6	-14.6%
Nifty Realty	1,015	1.4	-7.2	-9.3	-7.2	6.3	15.0	-8.1	29.6	87.1	-12.3%
Nifty Sectors & Themes											
Nifty Media	2,047	2.0	-4.8	-0.0	-4.8	14.7	-5.0	2.7	-14.3	0.2	-18.4%
Nifty CPSE	7,363	3.0	-2.0	3.8	-2.0	20.5	28.3	8.2	51.5	113.8	-3.9%
Nifty PSE	11,295	3.1	-3.3	1.8	-3.3	16.0	21.6	5.7	43.8	109.1	-4.4%
Nifty India Defence PR	6,947	-2.1	-9.0	-16.1	-9.0	35.3	61.1	-4.6	66.4	139.5	-16.3%
Nifty Commodities	9,323	2.0	-3.4	-0.7	-3.4	8.8	12.2	0.6	20.8	48.4	-4.3%
Nifty MNC	30,321	0.9	-3.1	-2.0	-3.1	10.6	23.4	-0.1	25.2	37.5	-3.7%

Crude Oil, Commodities and Precious Metals

7-Aug-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Brent Crude	76.7	0.2	-5.0	-11.4	-5.0	-7.8	-3.2	-11.3	-0.5	-10.2	-22%
CRB Raw Industrials Index	538.6	-0.1	-0.5	-3.7	-1.2	-3.1	-0.3	-3.2	-0.9	-3.4	-5%
BBG Cmdty ex-Prec Mtl	80.3	-0.1	-2.3	-9.3	-2.3	-10.5	-6.8	-8.5	-8.3	-16.8	-20%
CRB Metals Index	1,009.6	-0.1	-0.3	-8.6	-2.1	-8.2	0.2	-6.5	-2.2	0.2	-12%
LME Copper	8,804.0	0.4	-0.4	-10.1	-3.3	-10.1	6.2	-6.9	4.0	3.3	-19%
LME Aluminum	2,233.8	2.1	3.5	-9.9	0.3	-11.0	1.7	-10.2	-4.8	2.3	-18%
LME Nickel	16,128.2	0.7	2.1	-5.6	-1.3	-15.3	3.0	-5.4	-1.5	-23.5	-25%
LME Zinc	2,540.4	-1.4	-1.2	-13.7	-2.9	-11.6	5.1	-11.7	-3.8	1.4	-18%
LME Lead	1,897.3	1.6	-4.7	-13.4	-7.4	-12.9	-10.4	-12.8	-6.7	-10.5	-18%
LME Tin	29,540.2	0.6	3.5	-12.8	-0.9	-7.9	18.5	-9.0	17.3	6.9	-17%
SGX Iron Ore	102.1	-0.4	1.1	-7.2	1.1	-12.3	-12.2	-3.7	-19.6	15.0	-25%
Commodities											
Bloomberg Commodity Ind	94.1	-0.0	-2.4	-8.2	-2.4	-8.2	-2.6	-6.8	-4.6	-11.0	-13%
CRB Commodities Index	531.6	0.1	-0.4	-1.9	-0.7	-2.3	2.8	-1.4	4.2	-4.6	-5%
Lumber	8,804.0	0.4	-0.4	-10.1	-3.3	-10.1	6.2	-6.9	4.0	3.3	-19%
Palm Oil	3,845.0	0.4	-4.5	-5.9	-4.5	-2.9	-2.2	-3.3	5.0	3.9	-16%
Wheat	542.0	-0.2	2.8	-5.3	2.8	-13.2	-10.0	-2.1	-13.7	-17.6	-25%
Cocoa	8,223.0	4.1	1.1	6.5	1.6	-4.1	57.5	6.4	96.0	134.3	-33%
Commodities											
Bloomberg Grains Spot	208.61	-0.5	1.5	-7.3	1.5	-16.7	-11.3	-5.5	-17.5	-20.6	-22%
Raw Sugar	17.87	-1.2	-6.5	-11.3	-5.6	-8.3	-24.2	-12.0	-13.2	-24.6	-36%
Simex Iron Ore	102.20	-0.4	-3.5	-7.9	-3.5	-13.8	-19.2	-4.0	-25.1	-1.5	-32%
Gold U.S. & India											
Gold Spot $/Oz	2,392	0.0	-2.3	1.4	-2.3	3.4	17.5	2.8	16.0	23.5	-3.7%
Gold India	68,996	-0.4	0.8	-4.6	-0.1	-3.5	10.9	-3.6	9.6	16.9	-6.9%
Silver Spot $/Oz	27	1.0	-6.1	-11.4	-6.1	0.0	22.6	-6.5	14.5	17.8	-16.2%
Platinum Spot $/Oz	923.6	0.9	-5.6	-7.9	-5.6	-5.6	4.6	-7.3	-6.9	-0.1	-15.7%

Interest Rates and Inflation

7-Aug-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %
India G-Sec Yields										
10 Year India G-Sec	6.88	6.88	6.89	6.99	6.93	7.13	7.07	7.01	7.17	7.20
5 Year India G-Sec	6.81	6.82	6.82	6.99	6.85	7.13	7.04	7.02	7.13	7.18
3 Year India G-Sec	6.78	6.79	6.81	6.95	6.83	7.12	7.01	6.98	7.08	7.17
1 Year India G-Sec	6.73	6.74	6.78	6.92	6.79	7.05	7.13	6.93	7.09	6.94
3 Month India G-Sec	6.60	6.62	6.63	6.71	6.65	6.92	7.03	6.79	7.00	6.76
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Spread 10-3Mo	0.28	0.26	0.26	0.28	0.28	0.21	0.04	0.22	0.17	0.44
India CPI										
India CPI Combined YoY	5.08			4.80	5.08	4.85	5.69	5.08	5.69	4.87
India WPI	3.36			2.61	3.36	0.26	0.86	3.36	0.86	(4.18)
India Core CPI	3.38			3.40	3.38	3.49	4.12	3.38	4.12	5.50
U.S. & China Yields & CPI										
U.S. 30 Year	4.20	4.18	4.30	4.48	4.30	4.60	4.32	4.56	4.03	4.27
U.S. 10 Year	3.92	3.89	4.03	4.28	4.03	4.46	4.12	4.40	3.88	4.09
U.S. 5 Year	3.76	3.73	3.91	4.23	3.91	4.47	4.07	4.38	3.85	4.17
U.S. 2 Year	4.02	3.98	4.26	4.60	4.26	4.83	4.43	4.75	4.25	4.76
U.S. 1 Year	4.16	4.50	4.75	5.00	4.75	5.14	4.82	5.12	4.77	5.33
U.S. 3 MO T-BILL	5.07	5.20	5.29	5.38	5.29	5.40	5.38	5.36	5.34	5.41
Federal Funds Target Rate -	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Spread 10-5	0.15	0.16	0.12	0.05	0.12	(0.01)	0.05	0.02	0.03	(0.08)
Spread 30-2	0.18	0.20	0.05	(0.13)	0.05	(0.23)	(0.10)	(0.20)	(0.22)	(0.49)
Spread 10-2	(0.10)	(0.08)	(0.23)	(0.33)	(0.23)	(0.37)	(0.31)	(0.36)	(0.37)	(0.67)
Spread 10-3mo	(1.15)	(1.31)	(1.26)	(1.10)	(1.26)	(0.95)	(1.26)	(0.96)	(1.46)	(1.32)
Spread Fed Funds Vs 1 Year	(1.34)	(1.00)	(0.75)	(0.50)	(0.75)	(0.36)	(0.68)	(0.38)	(0.73)	(0.17)
Bloomberg US Corporate Hi	3.59	3.81	3.13	3.14	3.14	2.89	3.34	3.09	3.23	3.90
Bloomberg Pan-European H	4.02	4.12	3.79	3.58	3.77	3.58	3.61	3.70	3.99	4.45
U.S. CPI	3.00			3.30	3.00	3.50	3.40	3.00	3.40	3.00
China CPI	0.20			0.3	0.2	0.1	-0.3	0.2	-0.3	-
Inflation Expectations 10 Ye	2.24			2.2	2.2	2.2	2.2	2.2	2.2	2.2
U.S. Dollar & INR										
USD INR	83.9	84.0	83.7	83.5	83.7	83.5	83.0	83.4	83.2	82.7
XBT-USD Cross Rate	57,148.1	1.0	-8.6	-0.2	-11.5	-9.2	29.3	-7.7	34.4	96.0
Dollar Index	103.3	103.0	104.1	104.9	104.1	105.4	104.1	105.9	101.3	102.0

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. We remain over-weight across large, mid and small cap, with a slight preference for large and small over mid. We prefer predictable, dominant business models, with earnings visibility, riding structural trends, at reasonable valuations.
India Hedge Funds	**Marginal Under Weight**	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return. However, we prefer to marginally reduce the weight here because of more compelling opportunities in small/mid cap equities, InvITs and precious metals.
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, with an emerging AI wave. We recommend staggered accumulation.
Emerging Market Equities	**Market Weight**	The Japanese economy is witnessing a surprising uptick after many years. We remain cautious on China. Other emerging markets such as Vietnam are valued reasonably and garnering global market share. Taiwan seems set to ride the AI wave. India remains the 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, particularly in light of recent unrest.
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 are market weight in Gold as a hedge against 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

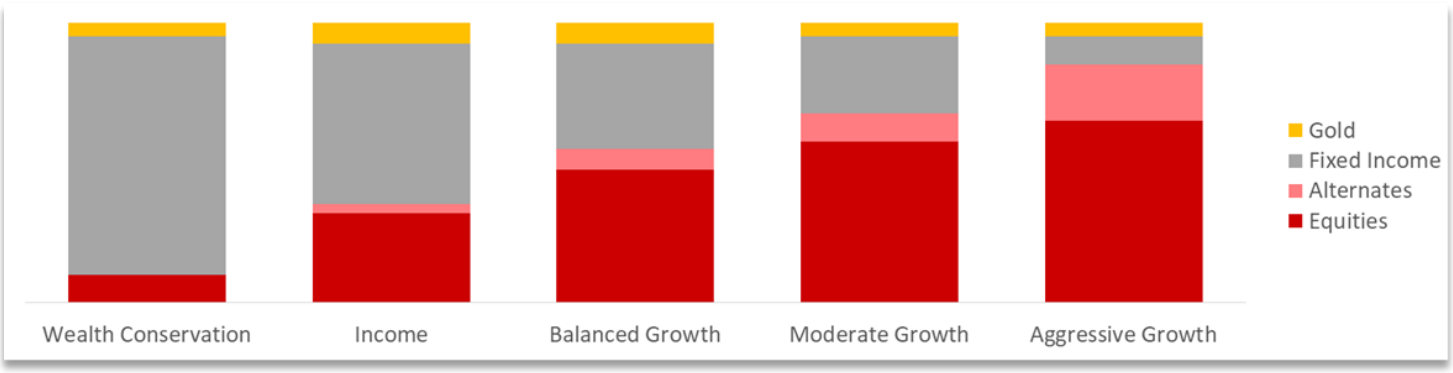
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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						◆						Under-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

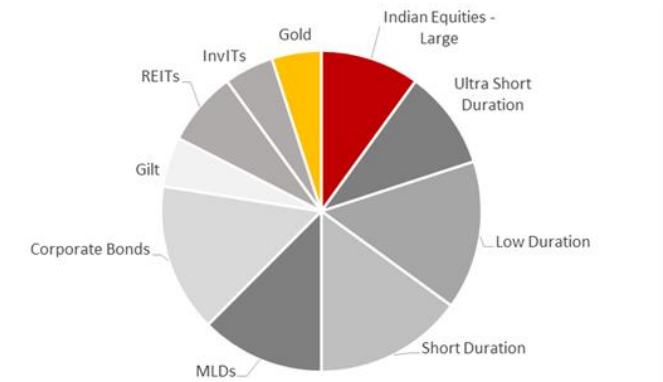
Strategic Asset Class Weights by Profile



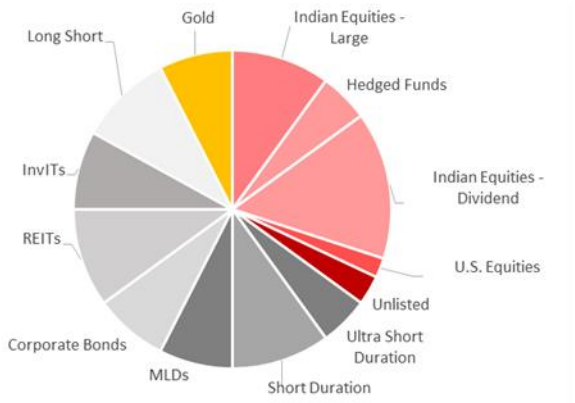
Ambit GPC Wealth Profiles - Strategic Weights

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.

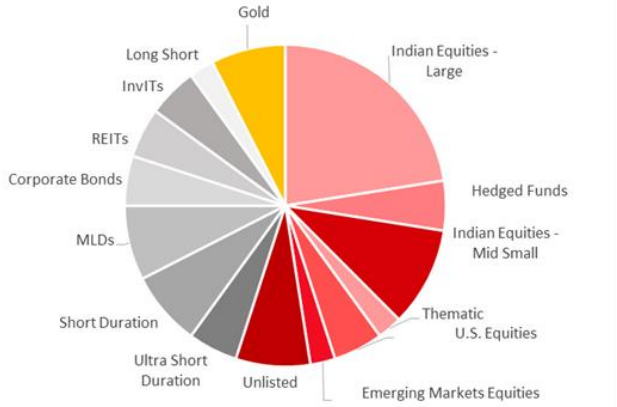
Wealth Conservation



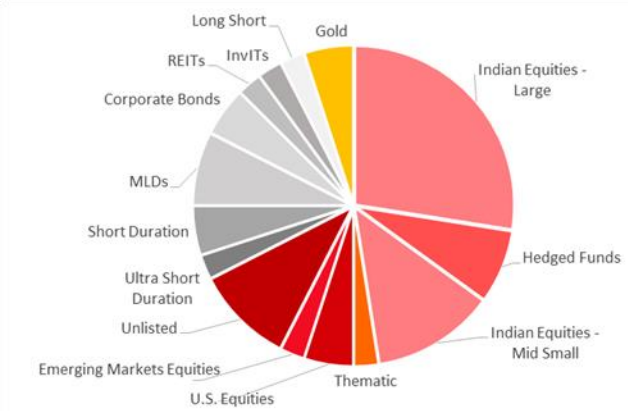
Income



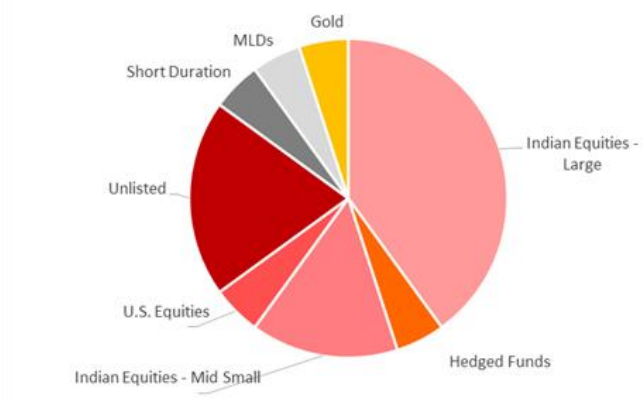
Balanced Growth



Moderate Growth



Aggressive Growth



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