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DESK OF FUND MANAGER

From the desk of

FUND MANAGER

Dear Investors,

From the peak of September 2024, as on 28th February, Nifty 50, BSE 500, NSE Midcap 100 and NSE Small cap 100 is down -15.61%, -18.96%, -20.76% and -23.68% respectively. Market breadth is significantly deteriorated with 2/3rd of stocks are down more than 30% for BSE 500 universe. Correction is driven by multiple reasons such as reduced GDP growth rate, falling corporate earnings growth rate (9MFY25 Nifty EPS is up by just 5% YoY), and heavy FII sell off amidst valuations froth in certain segments of the market. Reason for FII sell off was three pronged – (a) Overvalued INR vs. USD as INR remained almost stable between Oct-22 to Oct-24 thanks to RBI intervene of selling USD to support INR (b) slowing Govt. Capex and GDP growth and (c) Expensive valuations with enough liquidity provided DII and retail for them to take easy exit. Also prolonged RBI intervention led to system wide shortage of liquidity from banking system (monetary tightening) coupled with fiscal tightening (subdued capex spend) affected GDP growth rate negatively.

Until September 2024, Pendulum was swinging in favour of extreme greed at peak and fear was completely missing then. Same pendulum has now swung in completely opposite side with very high fear and low greed. However, we feel Nifty in the range of 21000 to 22000 offers very strong long term investing opportunity based upon available attractive risk: return matrix. Let's go through compelling reasons.

(1) Govt. has rightly recognized slowing GDP growth rate and has tried to address it via fiscal and monetary loosening. Budget has focussed on consumption revival by way of income tax rate cuts, reasonable push for capex on subdued base of RE of FY25 and controlled fiscal deficit allowing RBI to do the rate cut and inject liquidity back into the banking system. We have already seen series of OMO, CRR cut, and repo rate cut.

(2) Recently printed 3Q GDP numbers have come better compared to 2Q and we feel incrementally, we shall see better growth rates in coming quarters. HSBC PMI for last month is indicating strong activity levels at both manufacturing and services side.

(3) Corporate earnings too should start improving from FY26 onwards on the back of lower base of FY25, consumption revival and much better Govt. capex spend YoY.

(4) Valuations have corrected from peak and in certain pockets, they have come into value zone. At current Nifty levels, based on FY26 estimates, PE ratio stands at 18.9x, which is below long period average.

India has strong run way for growth as our per capita income has just entered right into sweet spot of J curve stage (USD 2600-2700). Usually, as name indicate J curve or hockey stick curve will have much faster growth rate of income for the next 7-10 years once it crosses USD 2500-3000 mark. Historically, many countries such as Brazil, Mexico, Indonesia, Thailand, Vietnam etc. have reaped benefits of the same when their per capita income swiftly moved up post surpassing J curve hurdle.

We are extremely excited to search for quality ideas where valuations have corrected and their corporate earnings growth looks highly promising. We had 25-30% cash levels across our strategies as on 31st December 2025, which we have started deploying gradually during this market fall.

Sector wise, We remain positive on BFSI/NBFCs, Consumption, and Pharma – CDMO/API and have accordingly increased our sectoral weightages across portfolios. Over the past two months, we have been gradually deploying cash in a calibrated manner. As of now, our cash levels stand at 12.08% for the All-Weather portfolio, 9.25% for the Diversified portfolio, 21.02% for the BCF strategy, and 2.85% for the ICE Growth Investment Approach.

Additionally, in our newly launched ICE Growth Fund, we have strategically deployed approximately 60% of the corpus post-budget, capitalizing on Nifty levels between 22,800 and 23,300 to position the portfolio for long-term growth.

One thing we all must remember that, when we look at rear-view mirror of the past market corrections, we always say that wish I had invested then!! Remember, timing in the market is futile whereas time spent in market is the only success recipe.

CKREDENCE WEALTH MANAGEMENT PVT LTD.

KARTIK MEHTA

Chief Investment Officer (CIO)

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