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DESK OF FUND MANAGER

From the desk of

FUND MANAGER

Dear Investors,

January 2025 was challenging for Indian markets, with the Nifty 50 declining 0.6% while broader market indices experienced more significant corrections - the Nifty Midcap 150 fell 5.9% and the Nifty Smallcap 250 dropped 11.9%. Anticipating this market adjustment, we proactively increased our cash reserves in the preceding months, positioning us favourably to capitalize on attractive valuations.

We currently identify two primary risks in the economic landscape. First, external pressures from U.S. tariff impositions and associated global market volatility. Second, concerns about domestic growth momentum. We believe the recent budget effectively addresses the latter through strategic tax cuts designed to stimulate consumption while maintaining commitment to capex growth.

Though government capital expenditure was underspent through December 2024 due to election-related priorities, we anticipate a substantial acceleration. Analyzing the combination of planned capex for the coming fiscal year and pending allocations for the current year's final quarter reveals a projected monthly run rate of approximately ₹1 trillion - the highest level on record. This significant investment should provide robust support for economic expansion.

Additionally, the Reserve Bank of India's recent rate cut and efforts to enhance market liquidity create a supportive monetary environment that should further catalyze demand, promote investment, and accelerate growth. The coordinated approach between fiscal and monetary policy provides a strong foundation for economic revival.

From a valuation perspective, our analysis had projected Nifty levels ranging from 21,300-21,400 to 25,000. We began increasing our cash levels from Q2FY25 amid global uncertainty, reaching a peak of 25%. With domestic concerns being effectively addressed through policy measures, while acknowledging that international factors remain less predictable, we have begun gradually deploying our accumulated cash reserves into select opportunities post budget bringing our current average cash levels to 13%. This measured approach allows us to take advantage of attractive valuations while maintaining appropriate risk management.

As we analyze the recent budget and broader macroeconomic factors, we remain positive on consumption-driven sectors and have strategically positioned our portfolio to capitalize on this trend. Our investment approach continues to be guided by fundamental business metrics and long-term growth potential over the next 2-3 years.

We are particularly optimistic about the NBFC sector, which stands to benefit significantly from recent rate cuts and enhanced liquidity measures. As consumption revives, NBFCs focused on consumer financing are well-positioned to experience robust growth in their loan books while potentially seeing improvements in asset quality.

Our conviction in the pharma sector, particularly in the CDMO (Contract Development and Manufacturing Organization) space, remains strong despite near-term uncertainties. While we acknowledge the risk of U.S. tariff impositions - given India's position as a major pharmaceutical supplier to the American market - we view any resulting volatility as a potential opportunity to increase our exposure at attractive valuations.

The chemical sector appears to be approaching the final phase of its current earnings down cycle. Our analysis suggests that financial performance should begin improving gradually from FY2026-27 onwards, leading us to adopt an increasingly constructive stance on select companies within this space.

With regard to our newly launched ICE Growth Fund, we have deployed approximately 50% of the corpus following the budget announcement, taking advantage of Nifty levels between 22,800 and 23,300. Our core portfolio exposure remains anchored in consumer and pharmaceutical sectors, which we believe offer the optimal balance of growth potential and downside protection.

As we navigate the current market environment, we remain disciplined in our investment process, focusing on businesses with sustainable competitive advantages, robust growth prospects. We believe this approach will serve our investors well over the long term, allowing us to deliver superior risk-adjusted returns regardless of short-term market fluctuations.

CKREDENCE WEALTH MANAGEMENT PVT LTD.

KARTIK MEHTA

Chief Investment Officer (CIO)

The investment strategy, approach and the structure of the strategy herein involves risk and there can be no assurance that specific objectives will be met under differing market conditions or cycles. The investment strategy and the composition of the portfolio as stated herein is only indicative in nature and is subject to change within the provisions of the disclosure document and client agreement without any prior notice to investors. Please refer to the disclosure document & client agreement for details and risk factors. Clients are requested to refer the DD before investing. There may be other factors that may be relevant for identification of a contrarian investing opportunity.