

From the desk of

FUND MANAGER

Dear Investors,

The Nifty 50 fluctuated widely in November, driven by concerns over stretched valuations, weak performance by Indian companies in Q2 and persistent selloffs by foreign investors, causing the index to oscillate consistently between gains and losses.

The uncertainty was further exacerbated by global economic headwinds, including rising tensions between Russia and Ukraine, ongoing conflicts in the Middle East, the U.S. presidential elections, and India's Assembly elections, leaving investors struggling to find direction. Amid this uncertainty, the index ended the month with a mild drop of 0.31%, as strong support from domestic institutional investors and a slowdown in FPI selling helped contain the sharp decline.

With the change in leadership in the United States, the incoming president is expected to bring fresh perspectives and potentially transformative policies. Early indications point to a focus on imposing duties and tariffs, signalling significant changes to the global trade regime once the new administration stabilizes and assumes full control. These shifts could have implications for the Indian market, particularly for export-driven sectors.

From India's perspective, the IT sector appears to be the most vulnerable. So far, there is no immediate cause for concern from the US administration, but their clear priority is to localize manufacturing, reduce import dependency, and generate employment and growth within the US. This strategy could reshape global trade dynamics, and we will need to monitor developments closely as the new president takes office. While India's direct exports to the US remain relatively modest beyond IT and a few select areas, vigilance will be key in assessing and managing potential risks and opportunities arising from these policy changes.

We are closely monitoring domestic policies as economic growth shows signs of moderation. With the government's focus recently diverted to elections at both the central and key state levels, there is now a pressing need to refocus on the economy. A significant step-up in investments, particularly capital expenditure is essential to drive growth and support recovery. Current capital expenditure trends reflect this temporary shift in priorities, but a renewed focus on economic development will be critical in the coming months to ensure sustainable progress.

RBI is closely monitoring inflation dynamics, particularly in light of stable crude oil prices. A reduction in petrol and diesel prices by the government could help ease inflationary pressures, potentially paving the way for the RBI to consider an interest rate cut. While the RBI has already initiated a CRR rate cut to enhance liquidity in system, a broader and more significant impact is likely to come from a reduction in Interest rates. However, the RBI remains cautious about the potential depreciation of the Indian Rupee (INR) that could follow a rate cut. The central bank is also closely tracking the U.S. Federal Reserve's policy direction, as further rate cuts by the Fed may prompt the RBI to act in conjunction to maintain global alignment. If conditions align, we anticipate the RBI could begin reducing interest rates by Q4, offering additional support to the economy.

We launched our new ICE Growth Investment Approach, which is built on the foundation of three key economic pillars Investment, Consumption and Exports.

The fund's objective is to identify and capture pillar-centric trends in advance, ensuring that investors do not miss out on key opportunities within these segments. ICE Growth is benchmark and market cap agnostic absolute return product. Additionally, the ICE Growth Fund will also participate in Next-Generation Businesses (NGB) such as FinTech, electric vehicles, renewable energy, and AI, aligning with India's transition into a global production and digital hub. We believe this approach positions us well for long-term growth and value creation in the evolving economic landscape.

Given the current market conditions, we are approaching the deployment of the ICE Growth Fund with caution and prudence. Initially, we are investing 30% of the fund's capital, with the remainder being parked in a liquid fund. This approach allows us to remain nimble and responsive to market fluctuations while gradually deploying funds into high-conviction opportunities.

We have strategically increased cash levels across our portfolios compared to last month as part of our risk management framework. The All-Weather Portfolio currently holds 25.29% in cash, while the Diversified Fund has 25.87%. This approach is part of our risk management framework, allowing us to adapt to market conditions and seize future opportunities. In line with our strategy, we are also adding exposure to the Chemicals sector across these portfolios, driven by its strong growth potential and favorable business cycle dynamics.

Business Cycle Fund which focuses on identifying and investing in 4-5 carefully selected sectors across various market capitalizations. This strategy is designed to target under-researched, undervalued, or under-owned companies poised for significant growth due to a favorable turn in the business cycle. Our goal is to create substantial wealth over a 3-5 year period by capturing these inflection points early. Over the past year, our fund has generated an impressive 37.47% return, significantly outperforming the market. The strategy has delivered 13% alpha, reflecting the added value of our sector-specific insights and timely investment decisions. Reflecting the strength of our sector-specific insights and timely decisions.

Currently, 42% of our BCF portfolio is allocated to the Pharmaceutical sector, which remains a core theme as we believe it is still in the middle of its growth cycle. We are gradually reallocating a portion to the Chemicals sector, driven by its strong growth potential, and have recently entered the Building Materials sector, anticipating a turnaround in the next few quarters.

We have increased the cash levels looking at the global uncertainties and regime change related impact in US. The approach reflects a cautious yet proactive financial strategy, recognizing the potential impacts of international economic shifts.

CKREDENCE WEALTH MANAGEMENT PVT LTD.

KARTIK MEHTA

Chief Investment Officer (CIO)