

Dear Investors,

I wanted to reconnect and discuss the current state of the market and your investments with INVasset PMS.

When you first joined us, we set out some clear objectives. Firstly, we believed that the Nifty, which is a representation of the Indian stock market, would grow at an average rate of around 12% over the long term. Our goal was to outperform the Nifty by 1.5 to 2x, aiming for returns in the range of 18-24% after factoring in expenses. This means that, on average, we aimed to double your investments every 3 to 4 years. Secondly, we encouraged you to adopt a 3 to 4-year investment horizon, as this is typically the time it takes for market cycles to fully unfold. Lastly, we committed to protecting your investments by aiming not to let them drop more than 20%.

It's important to clarify that these are targets we set for ourselves, not promises. The financial markets are influenced by various factors, and while we diligently work towards these targets, we cannot guarantee that we will always meet them.

Now, let's talk about our recent performance. We've had an outstanding run, with returns of around 62% over the past year. This significantly outperforms the Nifty's growth of 17.5% during the same period. Over two years, our Compound Annual Growth Rate (CAGR) has averaged around 31%, while the Nifty has grown by only 8.5%. Over three years, our CAGR stands at approximately 46%, compared to the Nifty's 24%. Since our inception, we've delivered an annual return of 41%, while the Nifty has grown at an average of 18% per year. We're pleased with our performance and feel that we are on track with our targets.

At present, our investment strategy places us in what we refer to as the "Trendsetters Phase." This is a dynamic period where we actively seek out trends in the market that can lead to growth and special opportunities. This phase typically occurs about half of the time during a market cycle and begins when a new bull run starts, continuing until stocks or sectors become overpriced. Our algorithm currently suggests that the market is not overpriced, which aligns with our investment strategy.

Now, regarding the theme guiding our investment decisions, let's take a step back. It all started with significant tax reforms introduced by the government. The introduction of the Goods and Services Tax (GST) was a pivotal moment. GST brought two major benefits to the country. Firstly, it injected much-needed capital into the government's coffers, enabling increased spending on capital projects and infrastructure. Secondly, it provided businesses in India with a degree of formalization. Whenever there is a degree of formalization in any business or sector, it tends to experience growth. This positive impact

of GST on businesses and the economy as a whole cannot be understated. When formalization happens, the pie becomes bigger, benefiting all participants.

In addition to indirect tax reforms, the government reduced corporate taxes to 25%, making India's tax regime more competitive on a global scale. They introduced 115BAB to incentivize new manufacturing companies, with tax rates as low as 15%. These steps aimed to foster a more business-friendly environment in India, encouraging investment and economic growth.

Furthermore, there has been notable coordination between the Reserve Bank of India (RBI) and the government, particularly during the COVID-19 pandemic. The RBI took a measured approach, avoiding unnecessary stimulus measures that could lead to inflation, a concern in many other global economies.

The government, on the other hand, made sure to recapitalize public sector banks in a timely manner and introduced necessary laws, including those related to the National Company Law Tribunal (NCLT) and The Insolvency and Bankruptcy Code (IBC), to improve the functioning of public sector banks for the future. This coordination between monetary and fiscal policy helped stabilize the financial sector during challenging times.

Furthermore, the government's successful vaccine drive allowed India to reopen its economy swiftly after the COVID-19 pandemic. This presented post-COVID opportunities as global supply chains were disrupted due to China's "Zero COVID" policy and the Russia-Ukraine war, highlighting the risks of overreliance on a single country for production. In response, India introduced initiatives like "Aatmanirbhar Bharat" and Production Linked Incentive (PLI) schemes to encourage domestic manufacturing and self-reliance. India's skilled workforce and diverse manufacturing capabilities positioned it as a preferred alternative, attracting businesses looking to diversify from their China-centric strategies. "Aatmanirbhar Bharat" aimed to make India self-reliant in various sectors, reducing dependence on imports. The PLI schemes provided financial incentives to boost manufacturing in key sectors, including electronics, pharmaceuticals, and textiles. These initiatives aimed to attract foreign and domestic investments, stimulate job growth, and bolster India's role in the global supply chain. The result has been increased economic resilience and a significant push towards making India a global manufacturing hub.

In addition to these initiatives, it's noteworthy that the Indian government has embarked on an ambitious path of capital expenditure (capex). After the year 2005, we witnessed one of the most significant increases in capex as a percentage of the GDP, reaching an impressive 19%. This allocation of resources towards capital expenditure is one of the largest in recent history, demonstrating the government's commitment to infrastructure development, which is crucial for sustained economic growth.

The significant capex not only enhances the country's physical infrastructure but also creates a conducive environment for business expansion and innovation. This substantial commitment to infrastructure development further supports our belief in the "Building India" theme, as it provides a solid foundation for economic expansion and investment opportunities.

We see this as a positive sign that the government is planning not just for the short term but also for the next 10 to 15 years, aligning with our long-term investment approach. It underscores the potential for continued growth and prosperity in India's economic landscape.

As we navigate the current market dynamics within the Trendsetters Phase, we remain focused on identifying opportunities that align with these positive developments and working diligently to achieve our targets.

At INVasset, we believe in the "Two-Run Theory." The first run, which we refer to as the "Old Economy Run," is characterized by high growth, high inflation, and significant capital expenditure. Sectors such as real estate, commodities, and infrastructure take the lead. India, with its democratic values, demographic diversity, and multifaceted sectors listed on exchanges, often leads the way during this run. As a leader index before exuberance, Nifty has a tendency to approach its 200-day moving average (DMA), which is currently at 18,500 levels, during this phase. The ongoing Middle East conflict might create opportunities for Nifty to approach these levels. It could be an excellent opportunity to make substantial gains.

If you've been waiting on the sidelines, wondering if this is the right time to invest, let me assure you that every correction in the market presents an opportunity. Fear may set in, and it's natural for our human minds to hesitate.

However, history has shown that well-timed investments during corrections have often yielded great returns. We believe that the current market environment, despite its ups and downs, offers a favorable landscape for investment.

We encourage you to consider deploying any additional funds you have been holding back. We're here to guide you through these market fluctuations with the help of our algorithm and your own INVasset AAID. Together, we can make informed decisions and work towards your financial goals.

Thank you for your continued trust in INVasset PMS as we strive to help you pursue your financial goals.

Warm regards,

Anirudh Garg