CAPGROW CAPITAL

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<u>Ukraine Crisis- Window of Opportunity to own Quality</u>

Dear Investors,

While the title is shocking in itself, however, our article lies somewhere in between the two extremes. As your Portfolio Managers, we continue to look at strong business moats, deep value, and tactical opportunities.

As the cohort of Global Central Banks sloshed the globe with liquidity, the reversal of the same is likely to have meaningful withdrawal effects. Yet the Central Banks also step in whenever the probability of a steep fall increases. The FED essentially becomes the protector of the equities market. With this background, a geopolitical risk seemed to be the only risk that could shake the froth out of the market.

We do not have an opinion on the Ukraine- Russia conflict which has brought the world to the edge of a WWIII, however, we do believe that every crisis creates opportunities. The markets have corrected by more than 15% from the top and several quality stocks, more so.

PE of the NIFTY has fallen below its long-term averages, Technical tells an oversold story, and options data indicate a bunch up on the Put options. Large-cap names have fallen more than others due to nonstop FII selling, while their fundamentals remain intact.

India's forex reserves are more than$ 600bn and enough to withstand any external payment shocks. The strong economic background and credibility that India carries today make it a difficult market to ignore by any investor.

Amongst the large economies, India is in a sweet spot. China +1 strategy amidst the current geopolitical environment is only going to fuel the Capex cycle in India further. Banking credit growth is picking up, private Capex towards technology and PLI schemes is picking up pace and is likely to continue.

Markets in the short term are less predictable but over the longer term, say 5 to 10 years, the market has never given negative returns. We do not believe that business models of companies with strong moats will get impacted beyond more than 1-2 quarters, primarily due to their stronger pricing power and ability to improve efficiencies or quality of products.

<u>We remain invested and recommend that an additional 20%-30% of the patient long-term corpus can be allocated to equities</u>.

We would be more than happy to provide you with any additional information. Please reach out to us at pms@capgrowcapital.com or + 91 98195 61662 if you have any queries.

Warm Regards,

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