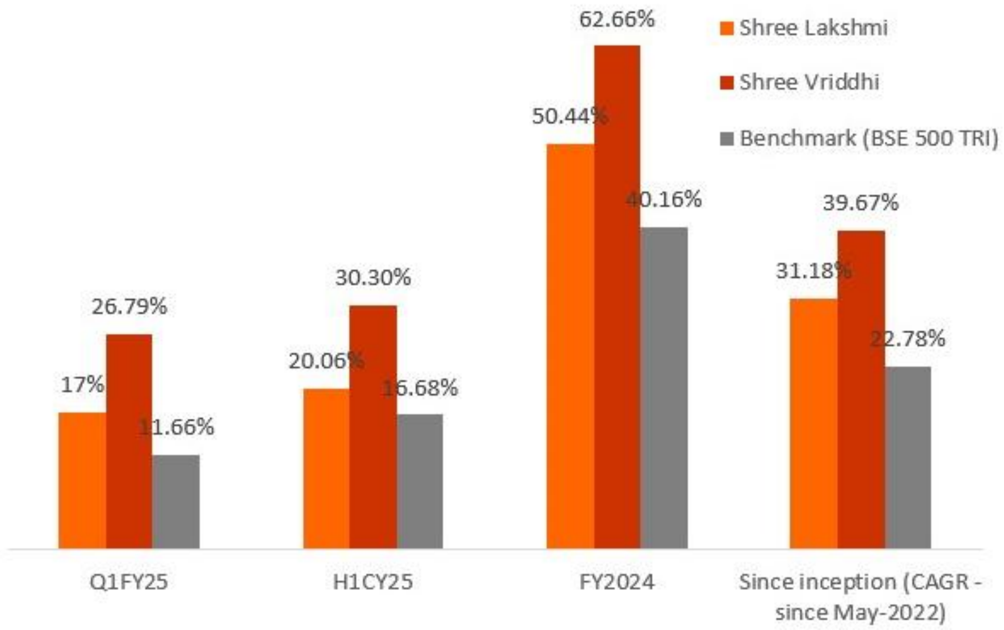
Let me take this opportunity to update you on the performance of both Shree Lakshmi and Shree Vriddhi funds for the first six months of 2024 and also the first quarter of FY25.



As you must have seen, the funds continue to outperform the benchmark consistently. One of the main reasons for the performance has been that the markets have been kind. My focus is more on the consistency than on the absolute outperformance. **Over time, I believe, consistency and reasonable returns work the best in wealth creation.**

Markets are at an all-time high. Should you invest now?

This is by far the most common question that I get these days. Look at the chart below.

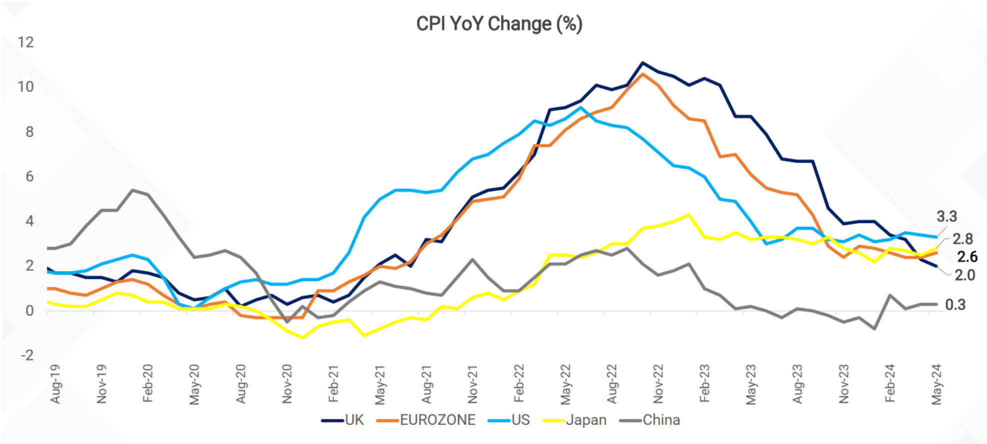
Well. well. Look again at the same chart below.

The first chart was from 2017-18. The markets had a great run earlier till 2014-15. It went sideways the following two years and then started moving up again. This is pretty much what has happened now. Markets made a Covid rally high around Oct 2021 and then went sideways for two years till about Oct 2023. The rally has resumed since October 2023.

The markets will never go up or down linearly. There will be volatility, sometimes extreme volatility. As investors, we need to behave rationally and with discipline acknowledging that we are playing a long game.

What to expect in the future?

Consumer price index (CPI) is on the down swing globally after a few years of major up move during Covid. This will necessitate a reduction in interest rates sometime in the near future. Some countries have already started cutting rates but most are waiting and watching for the US Fed. Once the US Fed cuts rates, it will be very quickly replicated by other central banks. It is possible that a US rate cut may come in the last quarter of this year post the US presidential elections. Reducing interest rates are good for equities.



India is forecasted to be the fastest growing major economy in the world as per IMF this year. With our central elections behind us and a continuity in government, India offers a haven of opportunity to global investors.

Liquidity flows from both foreign and domestic institutions and participants is expected to be buoyant. **Indian markets are not cheap but there continues to be opportunities in pockets.**

Recently, S&P upgraded India sovereign rating to "positive" which is definitely a good indicator, especially for large FIIs whose mandates are dictated by checklists. India would now make the cut as an investment destination.

Another point which is not often mentioned in the media is that India's banking system has undergone a major transformation and the gross NPA is now 2.8% and net NPA is 0.6%.

Risks

There is a lot of chatter in the media regarding new regulations coming in for reducing the bubble in derivatives trading volumes. With the Prime Minister, Finance Minister and the SEBI chairperson speaking about curbing speculative buildup in derivatives, it is nearly sure that some regulatory intervention is in the offing. What form and shape it takes would be interesting to see. Any restriction in F&O trading, or changing of capital gains tax rates or taxation rules for equities or mutual funds can have a sharp knee-jerk reaction across the market. Mostly, these kinds of sharp moves are temporary and sanity returns in a few weeks to a few months.

The 1-in-4 Rule

I wrote about this in one of my previous investor letters. Repeating it here so as to reinforce the point.

I have this rule that I always keep at the back of my mind. It goes like this:

- 1 in 4 years will be bad where we will lose money.
- 1 in 4 stocks will not play out the way we thought it would.
- 1 in 4 stocks we will get in or out too early or too late.

In addition, once every year, we are likely to see a 10% fall in the markets. Once every 2-3 years, a 20% fall and once every 8-10 years a 30%+ fall.

The problem is we don't really know which of these we are in now. Is this the one year where we will lose money? Or is this the stock in which we are making a mistake on?

Since we don't know if this year will be that bumper year or that bad year, the most rational thing to do if we have a long-term horizon, is to remain invested.

Once we understand this, it is easier to handle the ups and downs. Plan for the occasional speed breaker on the road. It is not that you leave your house only when you know that the road to your destination is all clear with zero traffic. You get out on the road and make the journey. Along the way, sometimes the traffic is slow, sometimes fast and if there are diversions, you take them as long as they take you towards the destination.

It is exactly the same here. Just keep in mind the destination in this journey is to compound your capital at a reasonable rate over your investment horizon and not make large capital losses.

Thank you once again for being a part of our journey of wealth creation.

Abhishek Basumallick
Fund Manager
Shree Lakshmi & Shree Vriddhi

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    - *differences in the portfolio composition because of restrictions and other constraints.*
- *Past performance should not be taken as an indication or guarantee of future performance.*