

8th April 2025 - 2nd Letter to investors - Amid tariff drama.

Keep in mind that you invested for the long term. And as the saying goes, the market is a voting machine in the short term and a weighing machine in the long term. Investments in high grade companies and mutual funds will not be hollow and will have higher chances of growing your money. Give them time.

The global economic landscape is currently navigating a period of uncertainty, largely driven by escalating trade tensions due to the recent tariffs drama. You've likely seen the headlines about new 'retaliatory' tariffs being imposed by major economies, and it's natural to be worried about the implications for your investments. I'll help you navigate this market situation. We're in this together 🤝

In simple terms, tariffs are like taxes on goods imported from other countries. When these tariffs increase, it can lead to higher prices for consumers and businesses, potentially impacting trade relationships and overall economic growth. The recent tariff announcements have induced high volatility in global stock markets. The Indian stock market has also seen some shocks but we are way better than other economies because of some good reasons.

Where does India stand in all of this?

India's situation in the midst of this global tariffs drama is somewhat unique. While the broader global uncertainty does affect our markets, several factors offer a degree of resilience:

- **Lower Reliance on Exports:** Compared to many other Asian economies, India's growth is significantly driven by domestic demand rather than exports. This means we are relatively less vulnerable to fluctuations in global trade. As per some credible reports, the near term impact on India's GDP may be insignificant. However going further we 'may' see a slightly negative impact of about 0.26% on our GDP because of an expected -4.6% impact on our exports to the US. There are some chances that this impact may be offset by local demand.
- **Moderate Tariffs Compared to Peers:** While new tariffs will impact some of our exports, India's tariff rates, in comparison to countries like China,

Vietnam, and Thailand, are relatively moderate. This may make some Indian exports more competitive and attract demand in foreign markets.

- **Strong Domestic Fundamentals:** Our economy continues to show strong underlying fundamentals, supported by government spending and a potential revival in private investment. Inflation has also shown signs of easing. It is also expected that the Indian government may revive its capex plans, which recently took a hit, and focus on reforms, manufacturing and infrastructure.

Impact on Investments and Expectations:

- **Short-Term Volatility:** Expect continued short-term fluctuations in the stock markets due to global cues and investor sentiment.
- **Sector-Specific Impacts:** Certain sectors with high exposure to the US market, such as textiles, some parts of the auto industry, and potentially IT services, may face some issues due to the tariffs. On the other hand sectors like banking and NBFCs, telecom and infrastructure look strong and resilient. We'll take care of those things with diversification.
- **Long-Term Perspective:** It's crucial to maintain a long-term perspective. While the immediate news might seem concerning, India's overall growth story remains intact. Focus on fundamentally strong companies and sectors that benefit from domestic demand.
- **Cautious Optimism:** While we should be prepared for some turbulence, there's also reason for cautious optimism. India's relatively strong domestic economy and lower tariff exposure compared to peers provide a buffer. The government is also engaging in diplomatic efforts to resolve trade issues.

In short, the first thing that you read in this message was all you have to do to be able to make money here. You relax while we manage your money and give you timely updates. Here to serve better!

Thank you for your trust.

Sincerely,

Chaitanya Sabharwal and Shashank Jha