

Tariffic Times Ahead!!!



OLD BRIDGE
ASSET MANAGEMENT

Macro Challenges

The macro environment will remain fluid for a while. At times like this, discussing valuations and stock prices may not be really material. Till the emotions settle, asset prices would at best tend to drift. For a while, Indian equities have been a pricey asset class to invest in, today, it's reasonable.

On the other end, corporates continue to get increasingly cash rich. It may be a wait and watch in an environment like this. It is unlikely that there is any large capital expenditure cycle coming through, given the environment

Some Scenario Building - Our Take

- The US seems to want a trade balance, not an import ban
- It's unlikely that a developed country wants/needs to compete with a developing nation for low-skilled jobs
- Low-margin products will continue to be manufactured out of developing countries. No signs of that changing
- Tariffs may be inflationary (take prices higher) for the US, and it could end up being deflationary (lowering prices) for the rest of the world as globally we are already surplus on manufacturing capacities
- Countries with a manufacturing trade surplus would be the most affected in the new ways of doing business. All countries incrementally would want to maintain trade equilibrium. This will keep the global market volatile and guessing for direction
- Demand destruction will be real. However, higher inflationary pressures, as prices of end products increase, could be good for corporate profitability
- Devaluing currencies may not be the optimum way of solving the current problem at least in the near term

A Positive Spin on the Outcome?

While we all are looking at the negativity of the trade and the slowdown, what will transpire is a release of cash from virtually all industries that are inventory-led in the USA. This can lead to a small opportunity by itself. Any company/industry operating in an uncertain environment is unlikely to invest in fixed assets – they may, however, invest in creating efficiencies.

From an India Point of View

For any developed country, India is a large market, we house the world's largest population. It's a futuristic market no one would want to miss out on or antagonize, in the medium to long term. As far as the current status goes, we have been treated with kid gloves on – warned, not punished.

Our recent interactions with our portfolio companies indicates some recalibration at their end, due to some element of the prevailing uncertainty, but it's early into the cycle to conclude on the way forward.

Virtually all businesses out of the west are struggling to relook their supply chains located in China, Vietnam, Far East Asia, and Mexico. We are currently at the bottom end of the food chain; we seem to be positioned slightly better than most of the other countries around us.

Our Portfolios

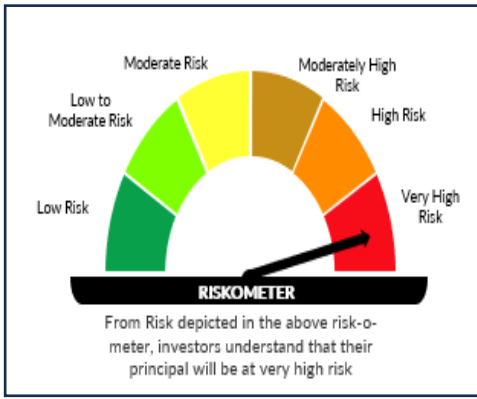
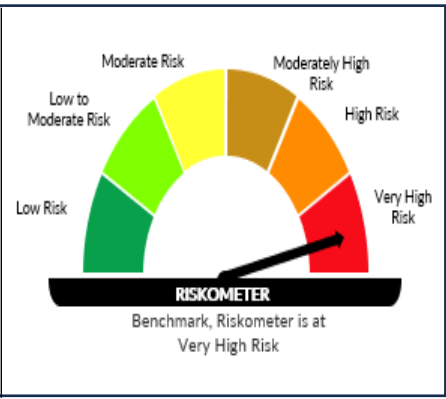
We have in the last few updates narrated our point of view that investing in globally competitive businesses is the way to go. Our portfolio is positioned towards industries where we believe India's category leadership has been established. This implies value proposition here is competitive at global scale, created over time, sans subsidies. We believe that most of these companies have a long tail opportunity (~till 2035), with significant cash flow potential – and these companies are at a discount to the underlying marketplace. They are also the lowest cost manufacturer/service provider with relevant competencies to move higher in the value chain. Given the narrative, even if operating internationally does become expensive, a number of these businesses have potential to maintain their category leadership.

The Old Adage - Buy when low

From a portfolio standpoint, there are no significant changes. As investment managers, we will continue to expand our portfolio companies and encourage investors to view any market dip as a chance to refine their portfolio allocations. If investors are constructing portfolios for this decade, we suggest, they approach it as we do.

RISK O METER

Old Bridge Focused Equity Fund (An Open-ended Equity Scheme investing in maximum 30 stocks) (multi cap)

This product is suitable for investors who are seeking*:	#Risk-o-meter	
	Scheme	Benchmark (BSE 500 TRI)
<ul style="list-style-type: none"> Capital Appreciation over long-term. Investing in concentrated portfolio of equity and equity related instruments of up to 30 companies 	 <p>From Risk depicted in the above risk-o-meter, investors understand that their principal will be at very high risk</p>	 <p>Benchmark, Riskometer is at Very High Risk</p>

*Investors should consult their financial advisers of in doubt about whether the product is suitable for them.

For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.oldbridgemf.com

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Date of Release: 08th April 2025

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