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## Q1 2024 Newsletter

### Economy & Market Valuation

The US stock market as measured by the S&P 500 went up by approximately 10% in Q1 2024. The US economy defied expectations and forecasts by many economists of a slowdown. The US consumer and economy proved to be strong in Q1 2024. Many economists are now raising the growth forecasts for 2024. The talk of a US recession in 2024 has also faded away. It confirms our view that the US economy is strong, and we do not see a recession in 2024.

One side effect of a strong US economy is that interest rate cuts may be delayed or pushed out. The market was expecting three rate cuts of 25 basis points or bps (100 bps is 1%) each in 2024. We think that those expectations are going to be reset. We may see less than three interest rate cuts in 2024 or we may not see any interest rate cuts in 2024. Inflation is still the key to interest rate cuts. Inflation has to come down, closer to the Fed target of 2%, for them to start cutting rates.

We do not see a delay in interest rate cuts as a big issue. The economy is in a goldilocks scenario where US companies will grow revenue and profits on the back of a strong US economy.

### 2024 investment strategy

There has not been any material change in our investment strategy as compared to last quarter. We still believe in the secular themes of AI, Cloud adoption, US housing and E-commerce. Our outsized positions in Amazon, META and Semiconductors have provided handsome gains in Q1 2024.

We wrote about AI and Cloud themes in our earlier newsletters. We have not spoken about Home Builders and Building Material companies in our

earlier letters. Some of our reasons for liking these companies are:

- There is a housing shortage of more than a million homes in the US. It is due to the under-building of homes since the 2008 financial crisis. It will take many years to fill the gap.
- Housing and Building Material sectors are going through consolidation where strong players are buying weak players who are not able to scale up.
- Home Builders have gotten smarter and are not overbuilding.
- Home Builders are following an asset light model where they are not buying land upfront but are buying only the option to buy land.

We are constantly watching the macro economy and trying to find opportunities in individual companies.

We outperformed the S&P 500 index by a huge margin in Q1 2024. This is after a huge outperformance in 2023. We hope that you have noticed the gains in your portfolio.