



Kenneth Andrade CIO Old Bridge Mutual Fund Sees "Goldilocks Period" for Economy; Recommends Aligning with Growth Businesses Amid Scarce Undervalued Opportunities

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According to the report by Old Bridge Mutual Fund, Kenneth Andrade provides a cautious yet optimistic outlook on various sectors, emphasizing the importance of aligning with growth businesses and being patient for opportunities to invest at attractive valuations. The infrastructure, IT, and select segments within chemicals and real estate are highlighted as areas of interest, with a focus on monitoring sector fundamentals and market conditions

Current Investing Landscape According to **Kenneth Andrade of Old Bridge Mutual Fund**, the current economic environment is robust, with corporate capacity utilization nearing 90%. This high utilization rate suggests that corporate profitability growth will be healthy this financial year. He sees a "Goldilocks period" for the economy and corporate profitability but notes that finding value in the market is challenging due to high valuations. Investors should align with growth businesses rather than seeking undervalued opportunities, which are scarce.

Investment Strategy Andrade emphasizes sticking with existing portfolio holdings due to the difficulty in finding new, struggling industries to invest in. He advises patience, suggesting that opportunities to buy at comfortable valuations will arise, possibly within the next year or two. The focus remains on monitoring troubled sectors for potential investment when valuations become attractive.

Corporate Capex and Growth The private capex cycle is strong, with various industries, including infrastructure, pharmaceuticals, chemicals, and automotive, actively investing in new capacities. Andrade highlights the significant momentum in infrastructure, driven by government spending, and the robustness in pharmaceuticals and chemicals. He notes that the power sector, linked to infrastructure, is also experiencing substantial capex.

Infrastructure Sector Andrade views the entire value chain of the infrastructure sector, from developers to commodity suppliers, noting profitability across the board. He highlights the improved performance and manageable working capital cycles of companies involved in government projects. Contractors and commodities are identified as key areas within the infrastructure sector with potential for further gains.

Information Technology (IT) Sector The IT sector is seeing renewed interest due to its relative valuation comfort compared to other sectors. Andrade points out that large IT companies, despite not performing well recently, have a robust pipeline of orders that could drive growth in the near future. The sector's revival is attributed to its valuation attractiveness and potential for order execution in the coming years.

Chemical Sector Andrade is cautious about the chemical sector, particularly agrochemicals, believes that it may take another year for the cycle to bottom out. He advises a wait-and-watch approach, with the possibility of moderated returns rather than the significant gains seen in previous cycles. The focus is on businesses with stable fundamentals, even if the broader sector remains challenging.



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Real Estate Sector Andrade believes the real estate sector is in the early stages of topping out. Companies are raising capital to buy new land banks, which could temper sales due to rising prices. He mentions that while the sector has already performed well, the best gains may be behind it, and the leverage cycle in some companies could begin in about a year.

Disclaimers

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