

Navigating Tariff Uncertainty

Major U.S. policy shifts have stoked uncertainty. In his bid to reduce trade deficit and Make America Great Again, Mr. Trump announced increased import tariffs followed up with reciprocal tariffs and then after the biggest four-day stock market rout in five years, he pulled back with pause for 90 days except his policy on China. His recent change in stance makes market to believe that Mr. Trump is flexible and that is sigh of relief for global markets. Net-net, as on now, US tariffs on steel, aluminium and automobiles remain at their current rates. Tariffs of 10% on all countries (except China where it is 125%) or 25% on Canadian and Mexico goods, with the exception of items covered by the North American trade pact, will also stay the same and EU imports to also face 10% tax.

Impact on tariff on India:

India remains a domestic oriented economy with consumption accounting for ~60% of total GDP. On the other hand, merchandise exports accounted for only 12% of GDP in FY24. Assuming a 10% decline in value of India's exports to the US, the total impact on India's GDP growth is likely to be ~0.2%. However, lower rates on pharma products and the possibility of a trade agreement can limit this impact. Further, there is also an opportunity for India's exporters to gain market share from other South-East Asian countries, in which case these tariffs could be marginally positive for India.

Prima facie, the sectors which are likely to be impacted most are precious stones, auto component and machinery besides readymade garments. Further, since these sectors have a high concentration of MSMEs, the sector may face increased challenges, requiring possible government support. The government may be expected to come out with special schemes to buffer this impact. Recession in USA can adversely impact India's service exports to USA.

Profitability of companies in these sectors would need to be monitored as they can get affected due to export turnover coming down or prices being reduced to maintain competitive edge. This is something which banks would also need to monitor given their exposures to these sectors.

Investment playbook:

India vs other Markets

India has lower dependence on USA exports which offers natural advantage of lowest adverse impact on its economy. USA has significant higher deficit with China and Vietnam and hence, high possibility of US imposing higher tariffs on these countries compared to India. That gives India a unique opportunity to take advantage to improve its market share on global map in categories like textile and electronics.

Domestic driven sectors to perform better

In such macro uncertain environment, domestic linked sectors like healthcare, consumer, banking are likely to perform better. For sectors which are globally linked there is a possibility of second level impact on sectors which are linked to USA economy. Hence fear of recession can adversely impact the growth prospects for sectors like IT, metal, textile.

Multiple defenders needed to cushion portfolios from shocks

In such uncertain environment, diversification across sectors and companies enables portfolio to insulate itself from volatility and sharp drawdown.

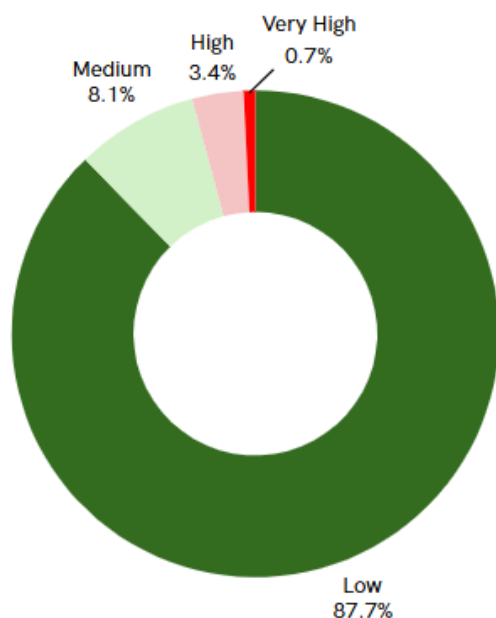
Active management to separate winners and losers

Companies and sectors will be impacted unevenly. Companies that are domestically oriented, services-oriented and have higher pricing power are likely to fare better. Companies that have large profit size will be more resilient compared to smaller profit size.

AAA portfolio positioning

AAA IOP and AAABB, both the portfolios have low exposure to USA (defined as portfolio company's revenue as percentage of sales in USA) (refer below charts) and hence less vulnerable to any major slowdown in USA economy.

AAA India Opportunity PMS Vulnerability Test



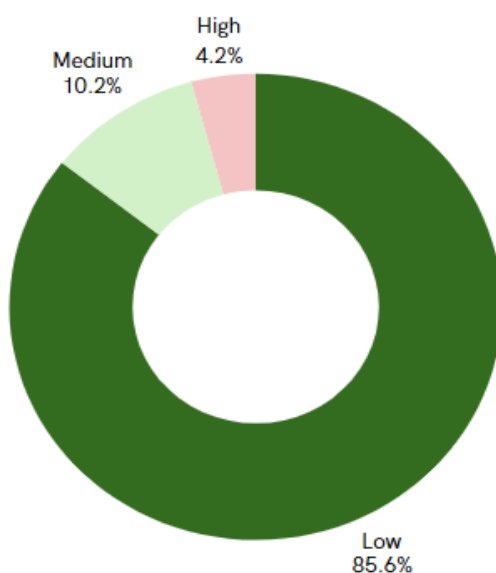
AAA IOP PORTFOLIO

Portfolio co exposure to USA (% of sales)

<u>%Sales to USA</u>	<u>%Port</u>	<u>Sectors</u>
● Low (0-25%)	87.8%	Auto, BFSI, Consumer, Cement, Engineering, Pharma
● Medium (26-50%)	8.1%	Software, Chemical
● High (51-75%)	3.4%	Software
● Very High (75-100%)	0.7%	Textile

Source: AAA Research, data as on 7th April 2025

AAA Budding Beasts PMS Vulnerability Test



AAA BB PORTFOLIO

Portfolio co exposure to USA (% of sales)

<u>%Sales to USA</u>	<u>%Port</u>	<u>Sectors</u>
● Low (0-25%)	85.6%	Auto, BFSI, Consumer, Cement, Engineering, Pharma
● Medium (26-50%)	10.2%	Software, Chemical
● High (51-75%)	4.2%	Software, Textile

Source: AAA Research, data as on 7th April 2025

Market outlook

We expect market to continue to remain volatile. Nifty earnings to be impacted much lesser as only ~22% of Nifty earnings are linked to Global economy; hence, we expect Nifty earnings growth for FY26 to remain strong ~10%+ depending upon the outcome of final tariffs. Nifty valuations at ~19x price to earnings multiple on FY26E is near to its long term 10 years average, which provides good entry point for long term investors. Historically, maximum point of uncertainty has also resulted in maximum point of returns. Hence, we recommend investors, to remain calm and possibly use volatility to their advantage by adding to equity asset class.

Tariffs and Trade: Understanding Policies, Announcements, and Impacts

What are tariffs and how are they used?	Tariffs are essentially taxes on goods imported from other countries. They are used to help protect domestic producers from foreign competition, among other purposes.
What was announced?	President Trump is imposing a minimum 10% tariff on all exporters to the U.S. and additional reciprocal duties on approximately 60 nations with the largest trade imbalances with the U.S. The tariffs will be implemented from April 5 to 9.
What are reciprocal tariffs?	Reciprocal tariffs are trade duties imposed by a country in response to tariffs levied by another country, aiming to equalize the trade conditions between them. In the context of President Trump's administration, reciprocal tariffs were part of a strategy to address perceived trade imbalances and protect domestic industries by imposing similar tariffs on imports from countries that had imposed tariffs on U.S. exports. This approach is intended to encourage negotiations and potentially lead to more favourable trade terms for the imposing country, though it can also lead to trade tensions and economic disruptions due to retaliation or changes in consumption. The tariff rates announced appear to be calculated as the greater of 10% or the country's trade surplus (exports to the U.S. minus imports from the U.S.) divided by its exports to the U.S.
What's the effect?	This raises the average effective tariff rate in the United States to around 25% from around 5%. The new levies push the effective tariff rate to the highest level in over 100 years. This is higher than market participants were expecting.

AAA PMS & AIF Performance

Compounded Annual Returns (%)	1 Year	2 Years	3 Years	5 Years	10 Years	Since inception*
AAA IOP PMS	12.9	23.8	15.7	27.1	14.6	18.3
BSE 500 TRI (Benchmark)	6.0	21.9	13.7	26.3	13.2	12.6
Nifty 50 TRI	6.7	17.8	11.8	23.7	12.1	11.8

Compounded Annual Returns (%)	1 Year	2 Years	3 Years	5 Years	10 Years	Since inception#
AAA FOCUS PMS	14.5	20.3	13.1	23.8	13.4	14.2
BSE 500 TRI (Benchmark)	6.0	21.9	13.7	26.3	13.2	13.0
Nifty 50 TRI	6.7	17.8	11.8	23.7	12.1	11.8

Compounded Annual Returns (%)	1 Year	2 Years	3 Years	Since inception@
AAA Budding Beasts PMS	16.4	29.8	22.1	26.1
BSE 500 TRI (Benchmark)	6.0	21.9	13.7	16.8
BSE 400 MidSmall Cap TRI	7.5	30.3	19.4	24.1

Compounded Annual Returns (%)	1 Month	3 Months	6 Months	1 Year	Since inception**
AAA India Equity Plan	5.7	-6.9	-12.1	12.5	20.6
BSE 500 TRI (Benchmark)	7.3	-4.7	-12.7	6.0	19.4
Nifty 50 TRI	6.3	-1.0	-9.8	6.7	15.7

(AAA Emerging Giants PMS Plan has been renamed as AAA Budding Beasts PMS Plan)

*(23 Nov 2009 – 31 Mar 2025); #(17 Nov 2014 – 31 Mar 2025); @(01 Jan 2021 – 31 Mar 2025); **(16 May 2023 – 31 Mar 2025)

Performance is after all expenses and fees. For AAA IOP, prior to April 2018, the performance is after all expenses and Fixed Management fees. Index performance is calculated using Total Return Indices, as per SEBI guidelines. For AAA India Equity Fund, the performance is calculated based on pre-tax NAV for share class A1 as on last Friday of the month.

Note: Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. Performance related information provided herein is not verified by SEBI. For AAA PMS, returns of Individual clients may differ depending on the time of entry in the strategy.

For further details please contact: investorservices@alfaccurate.com; www.alfaccurate.com

Equity Investments are subject to market risks, read all plan related documents carefully.

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