



March 2024

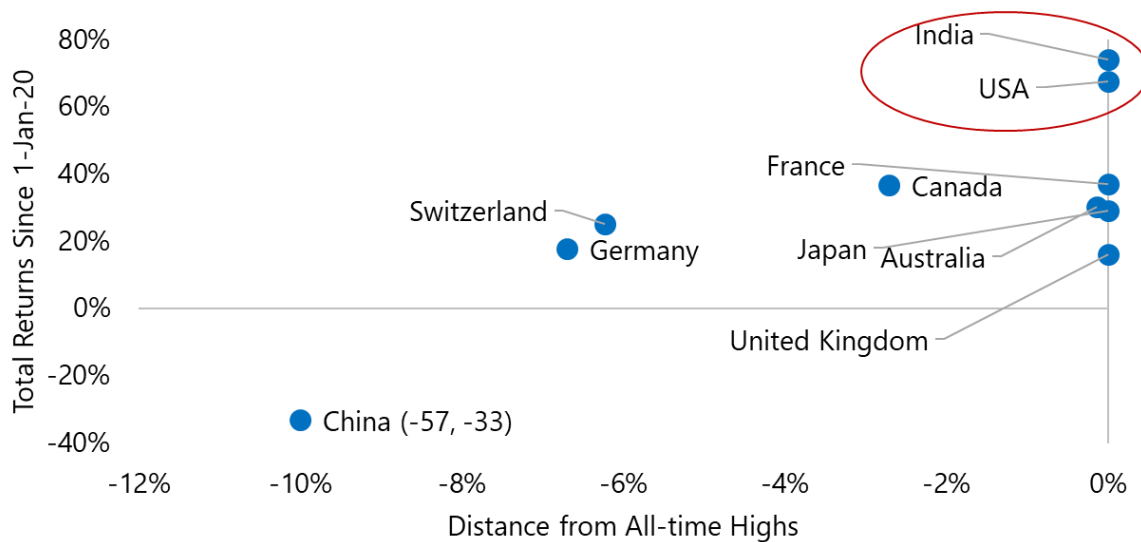
Not All Bull Markets Are Created Equal

Given that the United States now accounts for more than half the value of global stock markets, perhaps it's not surprising that investors are drawn by its hot run of late, which is intensely concentrated in mega cap tech stocks with a tie to AI. The US market is not, however, the world's only bull. Most striking is India, which is just as hot, but much more broad based. India has different kinds of risks, but in some ways more kinds of opportunity.

The Two Stand Outs

Global equity markets have returned an impressive 48 percent in total return terms, this decade. As the chart below shows, seven of the ten largest markets are close to all time highs. However, screen for returns over that period, and India and the United States are in a league of their own.

Chart 1. Market Trends in the 10 Largest Global Markets (Percent)



Source: Bloomberg, Breakout Capital Calculations. Note: Calculations are based on MSCI Equity Indices in USD and based on total return indices

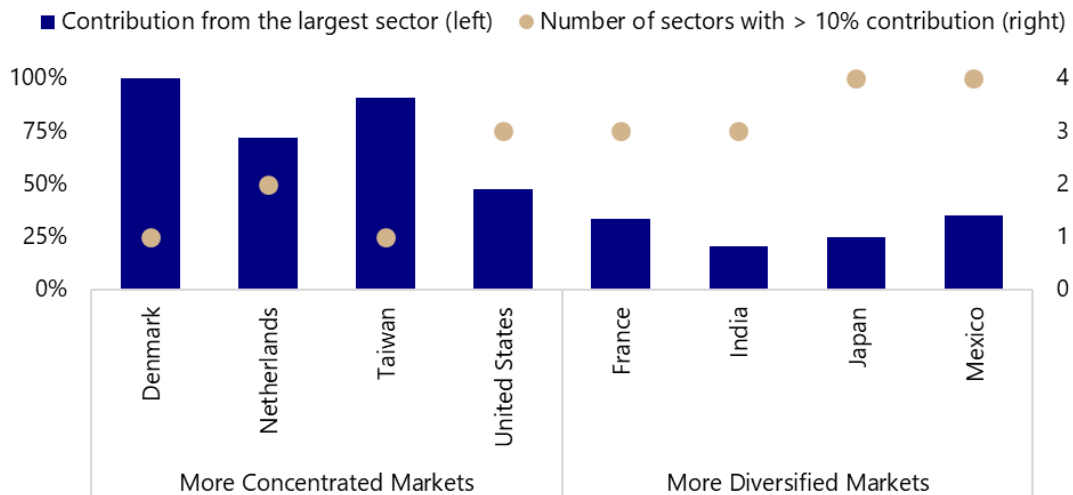
Where Balance Prevails (or Not)

The United States is not the only market where the rally has been heavily concentrated in one sector: Taiwan is also driven by tech, Denmark by pharma. On the other hand, the rallies in Mexico and Japan are much more broad-based. Here too, India is the standout with the largest sector contributing just 20% of the total returns (vs 80% for the more concentrated markets). It's a classic bull market, lifting all sectors.

Breakout Briefings

Our Worldview in Charts

Chart 2: Concentration Metrics in Key Markets

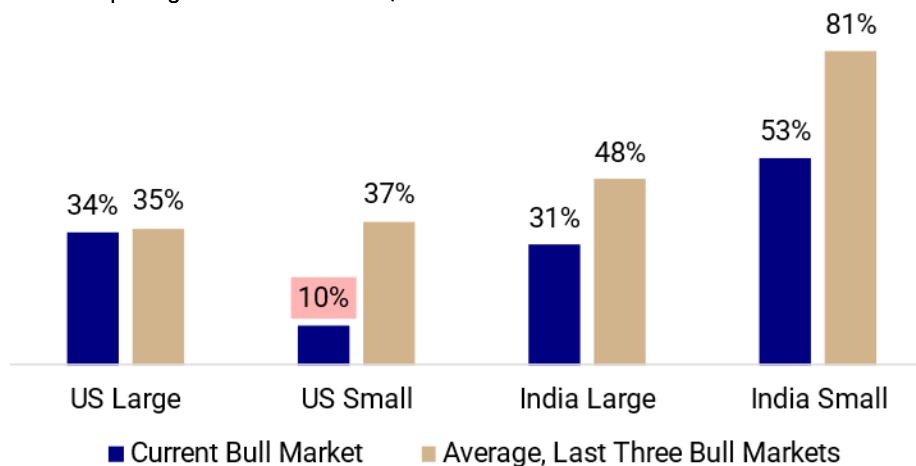


Source: Bloomberg, Factset, MSCI, Breakout Capital Calculations. For the last 12 months as of March 1, 2024.

The US Bull Is an Unusual Animal

The intense concentration in the US market represents a stock departure from its own past. During past bull markets which saw large caps outperform—in the early 1970s and late 1990s—small caps did not suffer. They delivered strong double digit returns: this time, they are up just 10 percent in the last year. Meanwhile the biggest of the big tech stocks, now known as the Magnificent Seven, are up almost 80 percent and account for more than half of US stock market returns.

Chart 3. The Small Caps Lag in the United States, not in India



Source: Bloomberg, Breakout Capital Calculations. Returns are for MSCI Indexes in USD as of February 29, 2024. The current bull market measure the last 12 months of returns; last three bull markets reflects average annualized returns for common bull markets over 8/2013-4/2015, 12/2016-1/2018, and 3/2020-10/2021.

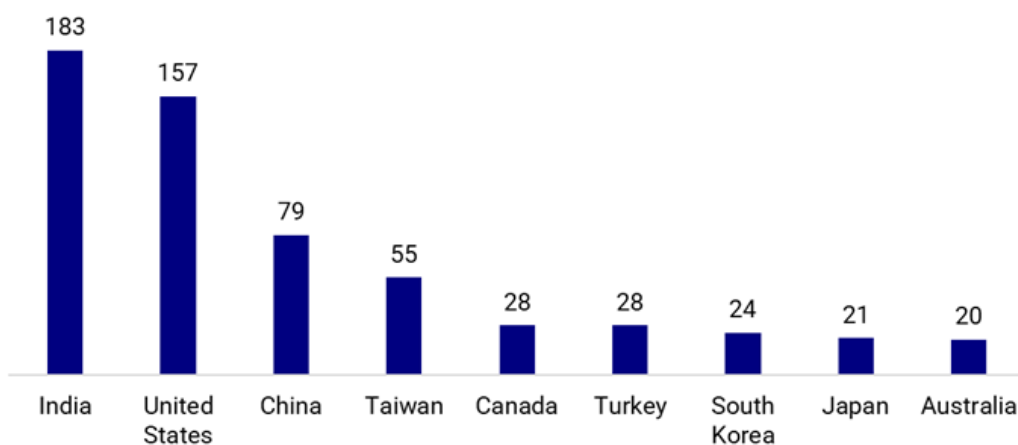
Breakout Briefings

Our Worldview in Charts

India's Bull Is Also Different, in a Healthier Way

This tale of two rallies is well captured by the median stock in each market: it is down over the last year in the United States, up 40 percent in India. More evidence of India's unusually broad base comes from the number of stocks that have tripled in value this decade, and now have a market cap of \$1 billion or more. India has more than 180 of these big success stories, more than any other country, including the United States.

Chart 4: Number of Stocks That Are Up 3x This Decade, and Have a Market Cap Over \$1 Billion USD



Source: Bloomberg, Factset, Breakout Capital Calculations

India's Opportunities and Risks

India's market is getting a lift from domestic equity culture, which is deepening as incomes rise and an improving tech ecosystem enables more people to purchase stocks. The amount of money Indians hold in targeted investment plans has tripled this decade to nearly \$110bn, with domestic equity flows providing a strong support to the market.

Still, no bull market is free of excesses. In India, they are most visible in the fervor of the new retail investor class, particularly for options. In 2023, Indians purchased more than 85bn options, or nearly eight times the volume in the US, and on average held those contracts for less than half an hour. India's market is even more highly valued than its American counterpart yet less volatile, suggesting that confidence is very high. Investors need to tread carefully, but a classic bull market still offers a wealth of options.

Breakout Briefings

Our Worldview in Charts

Chart 5. Signs of Excess: Option Buying in India



Source: Bloomberg

Breakout Briefings

Our Worldview in Charts

Disclaimer

Breakout Capital has entered into a strategic relationship with Rockefeller Capital Management ("RCM"). Neither RCM nor its subsidiaries has any investment or trading authority or risk management responsibility for Breakout Capital or over the positions held by Breakout Capital's clients, including the Fund. RCM provides ongoing human resource related services to Breakout Capital for a fee. RCM has also been appointed as a placement agent for the Fund.

Past Performance is no guarantee of future results. In considering the performance information contained herein, prospective investors should bear in mind that past, forecasted or targeted performance is not necessarily indicative of future results, and there can be no assurance that comparable results will be achieved. This newsletter is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date. None of the Fund or any of its authorized representatives has any obligation to update this newsletter at any time in the future.

Breakout Capital is a registered investment advisor. Registration does not imply a certain level of skill or training. The views of Breakout Capital expressed herein were current as of the date indicated above and are subject to change. Any performance data quoted represents past performance and does not guarantee future results. This communication does not constitute investment advice and is for informational purposes only. An investor should assess his/her own investment needs based on his/her financial circumstances and investment objectives. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Breakout Capital to buy or sell any securities or investments. To the extent that any information contained herein has been obtained from third-party sources, such sources are believed to be reliable, but Breakout Capital has not independently verified the accuracy of such information.

Certain information contained in this document constitute "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "forecast," "intend," "continue," "target," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

For accredited investors only

For more information,
please contact:

Cheryl Galante, Head of Investor Relations
Main 212 497 5100 | Direct 646 216 8400
cgalante@breakout-capital.com