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WEALTHWISE®

Wiseinvest®
With YOU, in meeting
FINANCIAL CHALLENGES

Inside

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest Advisors, which is a quality investment advisory firm that specializes in mutual funds. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of around 30 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance expert on many investments related TV shows. Besides, our team of advisors has professionals who have spent years in the mutual fund industry. In the last fifteen years, thousands of our clients have benefitted from our quality advice and have made mutual funds as the mainstay of their portfolio. You can benefit too from our expertise for your existing as well as new investments. All you need to do is to just call up any of the offices or email your requirements at information@wiseinvestadvisors.com and our professional advisors will do the rest.

Dear Investor,

Global financial markets lost ground amid Coronavirus-fuelled volatility. Investors are growing increasingly concerned about the effect the Covid-19 outbreak will have on the world economy and businesses. The sell-off in global markets worsened on worries that the Covid-19 outbreak in several countries outside China may have signalled the start of a global pandemic.

As China grapples with the Coronavirus, the economic damage is mounting around the world. China's economic growth is expected to be around 4.5% in the first quarter of 2020. However, the economists are optimistic that if the virus can be contained, the economy would recover quickly. The market will continue to react to news around coronavirus in the near-term while Q3 GDP numbers will also be on investors' radar.

On the domestic front, the Monetary Policy Committee (MPC) at its meeting on February 6, 2020 decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.15 percent. The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target.

The Reserve Bank has projected GDP growth forecast for FY21 to 6%. In order to provide enough credit to productive sectors, the Reserve Bank decided to link loans to medium size enterprises to an external benchmark, starting April 1, 2020. The Reserve Bank has relaxed norms for calculating total deposits by changing the Cash Reserve Ratio (CRR) maintenance rules to increase the flow of credit to the vehicle and housing sector with micro, small and medium enterprises (MSME). This move will increase the loans of banks to these targeted areas as they will get a relaxation in the CRR on the increased loans.

Clearly, these are testing times for investors, especially for those who are relatively new to investing in equities. While a virus like Covid-19 adds in an element of uncertainty, it is important for long-term investors not to panic. It's not that one shouldn't be worried about how this virus will impact the portfolio, the key is not to change your asset allocation in panic as past pandemics didn't typically lead to sustained selling. Even if the stock market gets impacted for slightly longer period, a disciplined approach will help you tide over turbulent times.

Warm regards,

Hemant Rustagi
Editor

Address to be affixed here

If undelivered, please return to:

Wiseinvest Advisors Pvt. Ltd.
602, 6th Floor, Sri Krishna Complex,
Opposite Laxmi Industrial Estate,
New Link Road, Andheri (W),
Mumbai 400 053.
Tel : 2673 2671 / 2673 2676

The Stock Market Performance During February 2020.

Indices	1st February 2020	28th February 2020	Change in (%)
Sensex	39,735.53	38,297.29	-3.62
MIDCAP	15,119.65	14,600.02	-3.44
SMLCAP	14,344.70	13,709.01	-4.43
BSE-100	11,767.64	11,292.68	-4.04
BSE-200	4,911.08	4,718.62	-3.92
BSE-500	15,248.38	14,627.62	-4.07

Market Outlook

Coronavirus dominated headlines through the month and global risk assets sold off sharply as the spread of the disease outside China led to fears that disruption for the global economy could be more severe than earlier estimated. The long-dated US bond yields have plunged to record lows consequently. The 30-year US treasury yield at 1.67% now is almost 100 bps lower than the level touched in December 2008!! Financial markets globally had so far been helped by concerted monetary accommodation from central banks even as the economy had yet to show signs of meaningful pickup. The Coronavirus shock perhaps just acted as a trigger for a market anyway waiting for correction. While it is too early to estimate the exact impact, it is very likely that policy action will have to stay very growth supportive. Yet growth continuing to struggle even with all the monetary accommodation only suggests that monetary policy has hit its limits. This only reaffirms our belief that fiscal policy will have to play a major role going forward to take the global economy out of this prolonged slump.

Looking beyond the short-term, this episode may just add to the list of reasons for the rest of the world to reduce over-reliance on China. While there has been truce of sorts between US and China of late, it is highly unlikely that the trade wars and tech wars will deescalate meaningfully. Moreover, demographics will continue to deteriorate for China and put pressure on the availability and cost of labour. This implies that global supply chains will have to readjust, and manufacturing should shift away from China to other countries. While India isn't the only choice, and there are strong contenders in Vietnam, Thailand and Bangladesh amongst others, India should fancy its chances as an alternative to China given the many unique advantages it has. In that context, US President Trump's recent visit to India holds immense symbolic value even as nothing concrete may have come out of it immediately.

Size works in India's favour. India provides a large supply of cheap labour and is a big local market at the same time. Yet we can't just count on size and demographics as panacea to all our problems. Countries that do well tend to have three things in common-first, a strong institutional framework that deals with sanctity of contracts, dispute resolution, enforcement of law and the likes. Second, strong focus on innovation and education, and third, a robust social security net. Of these, we are making significant progress on the third point but need to do a lot more on the first two.

A lot of financial resources are needed for continued social welfare spends which will have to be garnered through focus on the first two points. We need to keep pushing the envelope lest we fall in the middle-income trap. We need to ensure that we have adequate institutional capacity, on judicial, administrative or regulatory fronts, to match our growth ambitions. The developments around GST, IBC, the significant improvement in ease of doing business, etc are in the right direction but we need to do a lot more on execution and dispute resolution. The troubles of the telecom sector, with Vodafone Idea still struggling for survival, are far from over as remains the case with stressed NBFCs too. We need speedy and decisive resolution to these issues to revive confidence amongst foreign investors on our institutional capacity.

We also need to up our game on innovation and education. Not just is our R&D expenditure meagre at 0.6%-0.7% of GDP, we also need more coordination between business, academia and government agencies on research. As the quest for global supremacy leads to a race to indigenize technology, particularly between the US and China, the world could be staring at this century's 'Sputnik' moment. The pace of technological evolution and consequently disruption could increase manifolds. Action on climate change risk will potentially lead to more innovation too. It becomes imperative against this backdrop for India to keep pace. Following China's example, we should incentivize Indian talent abroad to return to the country. Right education and skill development similarly are vital to reap the demographic dividend and assume even more significance in the wake of the ongoing tech revolution.

All this being said, we have indeed travelled quite a distance over the past few years in putting the right framework to build on. Post GFC, there was a prolonged period of persistent negative real rates, with the latter part of this period marked by excessive capacity creation, rampant lending by banks coupled with heightened policy uncertainty. This lay the seeds of a macro-economic crisis which hit a climactic peak in 2013, with the trough on economic activity recorded that year too.

To correct this, we did an administrative, regulatory and judicial overreach, kept real rates high for too long, embarked on fiscal tightening, acted to clean up the economy all at the same time. We also undertook structural reforms such as GST and IBC during this period which had a bearing on near term growth. A related consequence was a slowdown in the real estate sector which in turn impacted growth through both job creation as well as wealth effect. And to top it all, all this coincided with global slowdown and severe technological disruptions. It is therefore no surprise that we landed in the situation we are in today. GDP growth data (Q3FY20 at 4.7%) and fiscal deficit numbers for the period Apr-Jan 20 (128.5% of budgeted for 2019-20) released yesterday point to an extremely challenging state of affair. Yet, we shouldn't get overly pessimistic about the current slowdown. Just as the blind optimism on continued 10% GDP growth a decade ago proved unfounded, we believe the current pessimism may turn out to be excessive and misplaced too.

We have achieved macro stability with current account and fiscal deficits under control, rupee largely stable and foreign reserves comfortable and rising. Inflation expectations are down, and cost of capital has declined too as manifested in the continued decline in g-sec yields. Banking system has been repaired with NPA clean-up, PSU bank recapitalization and consolidation, and most importantly the IBC framework in place for stress resolution. There were pockets such as NBFCs where there was a bit of bubble creation but now that space is getting cleaned up too. Both availability and cost of capital should therefore improve. In addition, steps such as global bond index inclusion, full tax exemption to sovereign funds for infrastructure investments, etc should continue to attract foreign capital.

On the other side, reforms such as GST and corporate tax cuts, improvement in ease of doing business, and the formalization of the economy and financialization of savings should all help the supply side too. Similarly, we have also made significant strides on food production. Public sector units haven't done well but with the government now intent on strategic divestment, they can turn value creators over time. The government's focus on supply side reforms has allowed the RBI to be more accommodative to revive demand. Recent moves such as Operation Twist, sector specific relaxations for Real Estate and MSMEs, and long-term repo operations (LTROs) suggest the RBI has taken a leaf out of global central banks' book and is intent on doing 'whatever it takes' to revive the economy.

In the near term, in addition to the various policy measures for reviving growth, a pick-up in rural economy, aided by better acreage and rise in global food prices, should help too. Gold price rise will help with positive wealth effect as should financial markets even as real estate continues to be a dampener. While job creation and income growth through supply side measures will happen at its own pace, focussed approach on real estate and infrastructure is vital for near-term demand revival. A scrap page policy for the Automobile sector will likely be a big boost. More importantly, after the reforms of the past few years, we need to avoid any further disruptions or friction of any sort to ease the economy and businesses into adjusting to the new way of doing things. Issues such as in those in the telecom sector should be quickly resolved.

Overall, developments around the extent of spread of Coronavirus, and the economic disruption it causes will continue to keep financial markets volatile, both globally and in India. Yet eventually this could prove a blessing in disguise for India as the disease forces a quicker rethink on global supply chain reorientation in a bid to reduce over-reliance on China. India stands ready to benefit from this shift given the strong reforms of the past few years, provided we continue following up with policy certainty, adequate institutional capacity and right execution.

While the global situation is worrisome, we hope mankind to quarantine any differences and inertia and work together with a much bigger zeal to not only overcome the current challenge but also achieve the ambitious Health and well-being goals for 2030 as set out in UN SDG 3.

Amidst heightened volatility, words of wisdom from the sage of Omaha are pertinent for investors- Be fearful when others are greedy. Be greedy when others are fearful.

Navneet Munot
CIO,
SBI Funds Management Private Limited

(Mutual funds' investments are subject to market risks, read all scheme related documents carefully.)

Equity Market Outlook

The Coronavirus (COVID-19) outbreak in China has spooked investors across the globe. There remains significant uncertainty on the potential spread of the virus and responsive action by policy makers and healthcare departments globally. While the condition is now easing out in China, new cases have been reported in 45 countries, spreading rapidly in South Korea and parts of Europe and the Middle East. Clearly, we are set for a major supply chain disruption of key raw materials and components from China if the crisis is prolonged. In India, industries such as Consumer Durables, Pharma, Chemicals, and Auto ancillaries are vulnerable to such risks. In our base case, we expect such disruptions to be temporary in nature and may ease out over the next six months.

2020 – Consolidation in 1H and Recovery in 2H

While the COVID-19 related risks persist, the key factor to monitor for the Indian equity markets would be the economic growth turnaround. While the Union Budget in February 2020 had no major announcements to kick start economic growth, we expect the government to roll out additional reforms and policy initiatives outside the budget. Over the next six months, we are set to see higher inflation, pause on rate cuts and a continued slowdown in investment and consumption demand. The factors primarily contributing to this are higher food prices, higher telecom charges, BS-VI related price hikes and constrained government spending.

However, we do expect economic growth recovery in the second half of the year. We see both, consumption and government spending picking up in the second half of the year, though recovery in private capex may take longer. While headline liquidity has improved significantly, credit growth continues to remain muted in single digits due to an overall economic slowdown and reduced risk appetite of banks. However, potential large ticket resolutions and improvement in balance sheets of banks would drive a rebound in their risk appetite and kick start the cycle. RBI's efforts to flatten the yield curve and enhance transmission of rate cuts via Open Market Operation (buying long term bonds and selling short term securities – the Indian variant of Operation Twist) is likely to further enhance credit offtake during the year. Consumption demand over a low base should witness pick up by the second half of the year as destocking and Bharat Stage VI (BS VI) related disruptions would be behind us and credit availability for distributors, dealers and channel partners would improve. Rising GST collections and completion of privatisation of large PSUs such as BPCL would reduce pressure on the fiscal deficit, enabling the government to resume thrust on spending. While the National Infrastructure Pipeline of $1.5tn over 2020-2025 (almost double of the government's investment in infrastructure over last five years) seems ambitious, it is a step in the right direction.

BFSI lead to continue; Small and Midcap to make a comeback

We expect Private Sector BFSI companies to outperform the market. Despite a challenging environment around credit quality and credit growth, leading private sector banks and stronger private sector NBFCs would continue to garner market share from the public-sector players, in addition to benefitting from a secular growth in the retail credit segment. BFSI would continue to be the dominant growth driver of Nifty's earnings in FY21. Quality cyclicals such as Industrials should also gather steam during the course of the year. Unlike the equity market performance in 2019, which was dominated by a few large cap companies, 2020 should mark the comeback of small and midcaps. The one year forward PE valuation of Nifty midcap 100 index has corrected from a 40% premium to Nifty in Dec 2017 to approximately a 5% discount to Nifty in January 2020. Risk-reward is definitely attractive in the small and mid-cap segment now. As the cycle recovers during the second half of the year, good quality small and midcap stocks should start attracting more investor interest.

Mayur Patel
Fund Manager,
IIFL Focused Equity Fund

Performance Of Select Funds

Data as on February 28, 2020

EQUITY FUNDS

Large Cap, Large & Midcap, Multi Cap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Frontline Equity Fund	Aug-02	2.29	3.42	0.39	5.33	5.28	12.54	11.05	15.72
ABSL Equity Fund	Aug-98	8.57	8.75	1.89	6.74	8.30	16.24	11.99	15.82
Axis Bluechip Fund	Jan-10	8.90	18.30	12.64	16.51	9.66	14.94	12.39	—
Axis Focused 25 Fund	Jun-12	10.88	18.41	9.03	14.45	10.86	15.15	—	—
Franklin India Equity Fund	Sep-94	2.67	-1.29	-2.41	3.18	4.69	12.64	11.44	15.38
HDFC Equity Fund	Jan-95	-2.41	-1.42	-1.65	5.07	4.81	12.04	10.50	15.63
HDFC Top 100 Fund	Oct-96	-3.47	-1.98	-0.46	4.85	4.74	11.20	9.92	15.24
HSBC Large Cap Equity Fund	Dec-02	2.62	9.13	2.82	7.63	5.98	11.10	8.93	12.16
ICICI Prudential Bluechip Fund	May-08	1.88	3.55	1.44	7.05	6.23	12.66	11.95	—
IDFC Core Equity Fund - Regular Plan	Aug-05	7.88	5.83	-0.94	5.95	6.61	11.02	8.88	—
Kotak Bluechip Fund - Regular Plan	Dec-98	5.75	8.85	3.69	7.58	5.93	12.07	10.23	13.97
Kotak Standard Multicap Fund Regular	Sep-09	5.02	9.14	4.37	8.67	8.69	16.23	13.43	—
L&T Equity Fund	May-05	1.44	2.97	-2.10	4.59	4.29	12.07	10.54	—
Mirae Asset Large Cap Fund - Regular	Apr-08	2.92	6.53	3.91	9.66	9.02	16.21	14.09	—
Mirae Asset Emerging Bluechip Fund	Jul-10	8.32	13.59	5.72	11.14	13.73	23.31	—	—
Motilal Oswal Multicap 35 Fund	Apr-14	3.54	7.67	-0.84	6.17	9.29	—	—	—
Nippon India Large Cap Fund	Aug-07	3.64	0.99	0.41	7.15	5.73	13.29	11.50	—
Nippon India Multi Cap Fund	Mar-05	5.44	1.06	-0.78	6.88	3.74	12.23	12.55	—
Invesco India Contra Fund	Apr-07	8.03	8.18	2.05	10.40	8.65	16.95	12.81	—
SBI Bluechip Fund	Feb-06	2.44	6.93	1.14	6.23	6.44	13.30	11.24	—
SBI Focused Equity Fund	Oct-04	14.78	19.90	8.11	14.54	11.04	15.72	16.95	17.52
Principal Emerging Bluechip Fund	Nov-08	12.81	11.50	-0.04	8.19	9.79	19.24	14.63	—

Midcap & Smallcap

Axis Midcap Fund	Feb-11	14.60	16.83	10.29	15.53	10.05	18.38	—	—
DSP Midcap Fund - Regular Plan	Nov-06	15.08	15.22	2.22	7.97	10.16	18.76	15.07	—
HDFC Mid-Cap Opportunities Fund	Jun-07	9.15	6.03	-2.69	4.55	8.02	17.61	15.98	—
Kotak Emerging Equity Fund Regular	Mar-07	14.69	14.42	1.48	7.43	9.88	18.62	14.98	—
Franklin India Smaller Companies Fund	Jan-06	3.51	-3.05	-10.74	-0.16	4.90	17.01	14.81	—
HSBC Small Cap Equity Fund	May-05	4.73	-0.96	-14.99	-2.06	3.15	14.09	7.98	—
L&T India Value Fund	Jan-10	3.53	3.70	-4.49	3.49	7.50	16.75	13.57	—
SBI Magnum Global Fund	Sep-94	8.56	7.90	0.69	8.03	5.77	15.15	14.01	16.76

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	7.04	11.44	5.19	9.59	11.25	17.51	16.28	—
Nippon India Banking Fund	May-03	4.88	6.41	1.30	7.83	7.61	13.72	13.75	17.10
Nippon India Pharma Fund	Jun-04	10.39	4.75	5.16	4.69	4.12	13.58	13.64	18.33
Canara Robeco Consumer Trends	Sep-09	13.53	17.27	9.56	13.30	10.75	16.31	15.22	—
SBI Consumption Opportunities Fund	Jul-99	8.69	4.28	-0.66	10.24	8.15	13.25	18.76	17.75
Tata India Consumer Fund - Regular	Dec-15	8.07	4.97	1.40	12.27	—	—	—	—
Axis Long Term Equity Fund	Dec-09	10.49	18.00	9.10	14.14	9.70	19.46	17.06	—
HDFC Taxsaver Fund	Mar-96	-1.77	-3.61	-5.82	1.51	2.60	10.77	9.19	13.80
HSBC Tax Saver Equity Fund	Jan-07	8.30	10.98	-0.44	5.85	6.14	13.25	11.22	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	3.85	1.53	-5.10	6.30	5.99	13.80	12.04	—
Mirae Asset Tax Saver Fund - Regular	Dec-15	5.10	9.68	4.70	11.71	—	—	—	—

HYBRID

ABSL Equity Hybrid '95 Fund	Feb-95	-0.09	-0.06	-2.03	2.88	4.71	11.47	10.49	13.92
Canara Robeco Equity Hybrid Fund	Feb-93	9.87	12.94	7.44	10.08	8.59	13.95	12.61	15.39
HDFC Hybrid Equity Fund	Sep-00	1.44	4.07	0.73	5.99	6.91	13.81	12.85	—
ICICI Prudential Balanced Advantage	Dec-06	4.65	8.37	5.41	7.59	7.68	—	—	—
ICICI Prudential Equity & Debt Fund	Nov-99	2.22	3.80	0.93	5.28	6.89	13.25	12.72	13.34
Invesco India Dynamic Equity Fund	Oct-07	4.77	8.78	2.68	7.51	6.44	—	—	—
Kotak Equity Hybrid Fund - Regular	Nov-99	7.07	12.78	3.18	5.85	6.40	10.27	9.46	12.12
L&T Hybrid Equity Fund	Feb-11	3.87	6.78	0.48	5.41	6.35	13.35	—	—
Nippon India Equity Hybrid Fund	Jun-05	1.23	-1.81	-3.97	2.87	4.83	11.01	10.06	—
SBI Equity Hybrid Fund	Dec-95	8.20	14.47	7.40	10.64	8.67	14.58	12.09	14.68
IDFC Equity Savings Fund - Regular	Jun-08	2.93	5.06	3.17	3.87	4.83	—	—	—
Kotak Equity Savings Fund - Regular	Oct-14	3.79	6.37	5.38	7.16	6.93	—	—	—
Nippon India Equity Savings Fund	May-15	-7.01	-9.39	-5.64	-0.05	—	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.56	2.81	6.39	6.23	6.08	6.34
IDFC Arbitrage Fund - Regular Plan	Dec-06	1.57	2.83	6.53	6.31	6.16	6.30
Kotak Equity Arbitrage Fund Regular	Sep-05	1.57	2.90	6.52	6.32	6.26	6.43

DEBT

Debt Oriented & Ultra Short Term Debt Fund

Funds	Launch	1 Mth*	3 Mth*	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**
ABSL Short Term Fund	May-03	0.60	0.70	2.98	8.73	7.84	7.21	7.88
ABSL Medium Term Plan	Mar-09	0.76	1.47	-5.70	-1.96	0.81	2.87	5.44
HDFC Credit Risk Debt Fund	Mar-14	1.40	2.41	5.32	10.49	8.19	7.28	8.18
Kotak Credit Risk Fund Regular Plan	May-10	1.07	2.28	5.18	10.15	8.27	7.55	8.35
Invesco India Short Term Fund	Mar-07	1.14	1.96	4.20	10.02	8.19	7.04	7.26
Nippon India Credit Risk Fund	Jun-05	0.04	0.91	1.51	1.22	3.89	4.66	6.46
SBI Magnum Income Fund	Nov-98	1.98	4.32	6.80	14.49	9.77	8.26	8.33
L&T Credit Risk Fund	Oct-09	0.96	2.23	1.49	3.54	4.52	5.11	6.87
Kotak Savings Fund Regular Plan	Aug-04	0.45	1.36	3.13	7.49	7.64	7.24	7.66
L&T Ultra Short Term Fund	Apr-03	0.43	1.29	2.95	7.23	7.48	7.17	7.62
Kotak Banking and PSU Debt Fund	Dec-98	1.29	2.30	4.97	11.83	9.69	8.39	8.61

*Absolute ** Annualised. Past performance may or may not be sustained in future.

Dividends declared by equity and equity-oriented funds during the month of February 2020

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Dividend - Monthly	03/02/2020	0.20
Tata Hybrid Equity Fund - Dividend - Monthly	03/02/2020	0.35
DSP India T.I.G.E.R. Fund - Dividend	06/02/2020	1.58
DSP Small Cap Fund - Dividend	06/02/2020	3.10
UTI MNC Fund - Dividend	06/02/2020	3.10
Nippon India Banking Fund - Dividend	07/02/2020	3.98
Invesco India Mid Cap Fund - Dividend	07/02/2020	2.21
SBI Equity Hybrid Fund - Dividend	09/02/2020	0.86
Sundaram Equity Hybrid Fund - Dividend	11/02/2020	0.11
Nippon India Large Cap Fund - Dividend	13/02/2020	0.09
ICICI Prudential Banking and Financial Services Fund - Dividend	14/02/2020	3.10
Nippon India Power & Infra Fund - Dividend	14/02/2020	2.21
DSP Tax Saver Fund - Dividend	14/02/2020	0.40
Franklin India Equity Fund - Dividend	17/02/2020	2.75
Sundaram Mid Cap Fund - Dividend	18/02/2020	0.17
HDFC Capital Builder Value Fund - Dividend	20/02/2020	2.75
HDFC Focused 30 Fund - Dividend	20/02/2020	1.75
L&T Large and Midcap Fund - Dividend	24/02/2020	0.15
UTI Hybrid Equity Fund - Dividend	24/02/2020	0.15
Axis Midcap Fund - Dividend	24/02/2020	1.99
Aditya Birla Sun Life Midcap Fund - Dividend	25/02/2020	1.97
Aditya Birla Sun Life Infrastructure Fund - Dividend	25/02/2020	0.84
Aditya Birla Sun Life Manufacturing Equity Fund - Dividend	25/02/2020	0.61
Axis Equity Hybrid Fund - Dividend - Monthly	26/02/2020	0.06
Kotak Equity Opportunities Fund - Dividend	27/02/2020	0.45

Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest Advisors can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or our branch to avail of this free service.

Dividend Or Growth - Which One Should You Choose Now?

A lot was expected by mutual fund investors from Union Budget 2020. However, it turned out to be a disappointing one for them. To begin with, it has proposed that dividends from mutual fund units in both equity as well as debt-oriented funds will be taxed in the hands of unitholders at the applicable rate. Currently, equity and debt funds are required to pay Dividend Distribution Tax (DDT) of 11.64% and 29.12% (including surcharge and cess) respectively before paying dividend to unitholders. However, dividend is tax free in the hands of investors. Union budget has also proposed TDS of 10 percent if dividend from mutual funds exceeds ₹ 5000 in a year.

The taxation of dividends in the hands of mutual fund investors is actually a mixed bag for those looking to generate regular income thru dividend option. While those with income lower than ₹ 5 lakhs (including dividend amount) will benefit as they will not be required to pay any tax, others in higher tax bracket will lose out as they will have to pay higher tax. Of course, investors in 20 percent tax bracket will benefit if they have opted for dividend payout in debt funds. It is also important to understand that even those who have opted for dividend reinvestment will also get impacted. Dividend reinvested during the financial year will have to be included in income and taxed as per the applicable slab.

As for TDS of 10 percent on dividend, it is important for investors to understand that TDS is different from DDT.DDT is a tax paid by fund houses before distributing dividend and investors can't claim any refund against that. TDS is deduction of tax at source before distributing dividend. Therefore, if an investor falls in lower income tax slab, he can claim a refund while filing income tax returns. However, if the applicable tax rate is higher, the remainder tax would have to be paid after deducting tax set-offs.

Considering these changes, one has to analyse the current option and choose the right one to enhance post tax returns. Since there are more than one reasons for investors to opt for dividend option, the strategy would depend upon the reason for which one has opted for dividend option. First, there are investors who really need to generate regular income to supplement their other income to meet their expenses. While investors in lower tax bracket, as compared to the current rate of DDT, can continue with dividend option, those in the higher tax bracket will have to rethink their strategy. One such strategy is to redeem units in a disciplined manner through Systematic Withdrawal Plan (SWP). This can reduce tax liability considerably as long-term capital gains (LTCG) in equity funds are taxed at 10 percent (plus surcharge and cess) and LTCG upto ₹ 1 lakh in a financial year is tax free.

Second, there are investors who chose to receive dividend as it was tax-free. Clearly, the need for regular income wasn't the criteria here. For some reason, many of them have continued to remain under dividend option despite introduction of DDT in the Union budget 2018. This set of investors will do well to switch to growth option so as to benefit from compounding as well as lower LTCG.

Third, there are investors who use dividend option as a strategy to book some profit on a regular basis without having to worry about market timing. They will also be better off moving to growth option and redeem units as per their needs.

Although it is evident that SWP can be a better option for investors than continuing in dividend option, not many of them have clarity on this concept. Besides, many of them don't want to redeem their investments for the fear of their original investment getting wiped out over time.

In reality, SWP is a mandate given by an investor to the fund house to redeem units worth a certain amount from a pre-decided fund and on a fixed date. For example, an investor can opt for SWP of ₹ 10,000 pm on 1st day of every month for a certain period. This ensures regularity in receiving money despite varying degree of volatility in the stock market.

As for the fear of losing original investment amount over time, this fear is unfounded. While it is true that units get reduced on account of redemption, the NAV of growth option is much higher on account of compounding and as a result investment value is usually higher than under dividend option over the longer term.

A Note To Our Esteemed Readers

Wealthwise is being sent to some of you on a Complimentary basis as a part of our humble effort to ensure that more and more investors get the best from their investments. We sincerely hope that you would like the contents of Wealthwise and in some way benefit from it. However, if you do not wish to receive "Wealthwise" on a regular basis, please let us know by sending us a mail on information@wiseinvestadvisors.com. You can also write to us at our Corporate Office address mentioned on page 6.

Power of SIP

It is a well known fact that regular investment through SIP in equity funds can produce amazing results. Of course, the key is to continue this process uninterruptedly for the defined time horizon. The table below highlights, how an investment of ₹ 10000 per month in different funds has grown over 5 & 10 Years. Data as on February 28, 2020. SIP - 10th of every Month.

			5 Years			10 Years		
Scheme Name	Date of Launch	Investment Amount Per Month (₹)	Total Investment (₹ in lacs)	Current Value (₹ in Lacs)	Return % (XIRR)	Total Investment (₹ in lacs)	Current Value (₹ in Lacs)	Return % (XIRR)
Axis Long Term Equity Fund	Dec-09	10000	6	8.01	11.64	12	28.45	16.54
HDFC Taxsaver Fund	Mar-96	10000	6	6.24	1.57	12	17.81	7.71
HSBC Tax Saver Equity Fund	Jan-07	10000	6	7.06	6.54	12	21.26	11.07
IDFC Tax Advantage (ELSS) Fund - Regular Plan	Dec-08	10000	6	6.74	4.65	12	21.38	11.18
Aditya Birla Sun Life Equity Fund	Aug-98	10000	6	7.32	8.03	12	23.48	12.95
Aditya Birla Sun Life Frontline Equity Fund	Aug-02	10000	6	6.81	5.12	12	20.46	10.35
Axis Bluechip Fund	Jan-10	10000	6	8.32	13.22	12	24.17	13.49
Axis Focused 25 Fund	Jun-12	10000	6	8.26	12.92	12	-	-
Franklin India Equity Fund	Sep-94	10000	6	6.48	3.10	12	20.26	10.16
ICICI Prudential Bluechip Fund	May-08	10000	6	7.07	6.60	12	20.87	10.72
Invesco India Contra Fund	Apr-07	10000	6	7.57	9.37	12	24.67	13.87
Kotak Standard Multicap Fund Regular Plan	Sep-09	10000	6	7.49	8.92	12	24.27	13.57
L&T Equity Fund	May-05	10000	6	6.65	4.11	12	19.31	9.25
Mirae Asset Emerging Bluechip Fund - Regular Plan	Jul-10	10000	6	8.19	12.55	12	-	-

Past Performance may or may not be sustained in future.
As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

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(See rule 8)

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Nationality : Indian
Address : Wiseinvest Advisors Pvt. Ltd.
602, 6th Floor, Sri Krishna Complex,
Opp. Laxmi Industrial Estate, New Link Rd.,
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6. Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total paid up capital as on 28.02.2020.

Hemant Kumar Rustagi : 1205, Brighton Towers, 2nd Cross lane,
Lokhandwala Complex,
Andheri West, Mumbai 400053.

Shantasree Rustagi : 1205, Brighton Towers, 2nd Cross lane,
Lokhandwala Complex,
Andheri West, Mumbai 400053.

I, Hemant Kumar Rustagi, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/-
Hemant Kumar Rustagi
Signature of Publisher

Date: 01.03.2020

It's Time To Embrace Financial Planning

Financial planning is the process of making informed money management decisions to secure your future. Financial planning helps to achieve financial goals and meet personal priorities, taking into consideration available resources, responsibilities, risk appetite and lifestyle. A financial plan lays down the allocation of savings across various asset classes to achieve an appropriate risk-reward balance.

Do you need a financial plan?

All individuals and families regardless of age or income need a financial plan so that they know that they are saving enough for retirement, education funds or a new home. A financial plan gives you the discipline necessary to save money. A qualified and experienced financial planner can help you plan your investments so that you get the best returns for your risk level by spreading your investments into the different asset classes as well as investment options.

Wiseinvest Advisors is a SEBI registered Investment Adviser (Registration No. INA000000664). To maintain an arm's length distance between our Advisory and Execution services, we have set up a separate department named Investment Adviser Department (IAD).

We can help you achieve your goals by providing comprehensive fee based financial planning and making recommendations of financial products that suit your requirements the most. Our mission is to help you overcome uncertainty and take control of your finances and move confidently towards achieving your goals. The basis of fee calculation is the complexity of the engagement.

Remember, financial planning doesn't have to be an intimidating process. We have qualified and experienced advisers who can make financial planning a simple and fruitful process for you.

Our process:

Step 1: The first meeting provides an opportunity for you and us to get to know each other. You also get an opportunity to decide whether we have the capability to fulfill all your requirements.

Step 2: Establish a clear understanding of your goals and objectives as well as analyze your current situation. We have a discussion to determine what you want to achieve with your wealth.

Step 3: Determine your risk profile through discussion and a psychometric test. This enable us to find out how much risk you would like to and need to take to achieve your goals.

Step 4: Develop your unique financial plan. This will also include the recommended asset allocation and various investment options that suit your needs. While doing this, we also analyze your current investments. We present a final version of your customized financial plan so that you're positioned to move forward.

Step 5: Implement the investment plan. There would be no obligation on you to choose Wiseinvest Advisors to implement the recommendations made in the financial plan.

Step 6: We'll meet regularly to proactively address changes in your circumstances, as well as those in the markets, economy and taxes.

If you are keen to start the process of financial planning, you can get in touch with Investment Adviser Department at our Andheri office or mail us on iad@wiseinvestadvisors.com

WISEINVEST ADVISORS PVT. LTD.

(CIN No.: U74140MH2003PTC142921)

Corporate Office

Andheri : 602, 6th Floor, Sri Krishna Complex, Opposite Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai 400 053.

Tel : 2673 2671 / 2673 2676. E-mail : information@wiseinvestadvisors.com

Branch

Thane : 502, 5th Floor, Pratibha Premises, Near Teen Petrol Pump, Panchpakhadi, Thane West - 400 602.

Tel : 2537 1567 / 2539 1306. E-mail : information1@wiseinvestadvisors.com

www.wiseinvestadvisors.com

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