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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,

Union Ministry of Home Affairs (MHA) issued new guidelines for phased re-opening of all activities outside containment zones for the next one month beginning June 1. Unlock 1.0 comprises of three phases and has economic focus. Of course, states have issued their own guidelines with respect to reopening of different activities that are either in line with MHA guidelines or more stringent.

In an effort to soften the devastating fallout of the coronavirus lockdown that has rendered millions of people jobless and pushed thousands of businesses to the brink of bankruptcy, Prime Minister announced a 20 trillion stimulus package, equating to about 10 percent of Gross Domestic Product (GDP). The fiscal package aims to build a self-reliant India, and focuses on land, labour, liquidity and laws. The details of the package were announced by the Finance Minister over 5 days.

However, stimulus package turned out to be a mixed bag. While certain important medium and long-term measures will contribute significantly to India's economic growth over time, it lacked steps to address immediate concerns of Indian economy. An analysis of the steps announced in the package reveals that actual Covid-19 package is only around one percent of the GDP and the rest is repackaging and appropriation of liquidity measures announced by the RBI. It is evident that delay in effective economic package will only deepen the downturn in the economy.

The Reserve Bank of India announced a surprise 40 basis points repo rate cut in an off-cycle policy review. The short-term lending rate now stands at 4 per cent, down from 4.4 per cent earlier. The repo rate has, thus, fallen to the lowest level since 2000. The reverse repo rate has also been reduced by a similar measure to 3.35 per cent from 3.75 per cent earlier. The central bank maintained its 'accommodative' stance.

Indian markets have under-performed its emerging market peers. The under-performance can be attributed to the stringent lockdown and lack of near-term stimulus from the government to jumpstart the economy. However, Indian markets are likely to catch up with the global markets as the economy reopens. The pace at which it may happen will depend upon how demand is restored to normalcy. Equity investors need to demonstrate faith in the asset class and continue the disciplined approach to investing for long-term goals.

Warm regards,

**Hemant Rustagi**
**Editor**

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## The Stock Market Performance During May 2020.

| Indices | 4th May 2020 | 29th May 2020 | Change in (%) |
|---|---|---|---|
| Sensex | 31,715.35 | 32,424.10 | 2.23 |
| MIDCAP | 11,502.59 | 11,843.22 | 2.96 |
| SMLCAP | 10,753.58 | 10,892.60 | 1.29 |
| BSE-100 | 9,392.99 | 9,697.90 | 3.25 |
| BSE-200 | 3,916.23 | 4,040.42 | 3.17 |
| BSE-500 | 12,051.46 | 12,414.85 | 3.02 |

# Market Outlook

Elon Musk's SpaceX created history by launching astronauts into the space for the first time ever from a commercially made spacecraft. This at a time when the world is still struggling with the virus lends out some hope, that we should not write off human ingenuity. It also underscores the importance of innovation and technology as key drivers for success in today's era when some are seeing the crisis as an opportunity while most others fall by the wayside. It is no surprise then that big tech and biotech continue to drive the US stocks rally. Yet a continuation of the rally should not be taken for granted given the rising civil unrest in the US, the growing global clamour for protectionism and perhaps a potential second wave of the virus. And nor should be the dominance of big tech.

The deflationary environment of the past decade marked by low growth, low inflation and low rates has driven polarization of the stock market into select few winners globally. A structural break into a reflationary environment can reverse this. With a rapidly rising unemployed population and an ever-increasing number of zombie companies, this is all but vital. A regulatory backlash cannot be ruled out to correct this. More simply, aggressive fiscal measures complemented with accommodative monetary policy can help revive inflation globally, provided economies reopen enough to allow multipliers to work. That however is contingent on the progress of the pandemic with further waves of the virus staying the key risk.

The deflationary pulse has also led to continued underperformance of emerging markets, in line with the trend of the past decade. In a crisis, the challenges get aggravated as EMs cannot afford the same fiscal profligacy as their developed peers nor can their central banks explicitly monetize the fiscal deficits. Run on the currency and hyperinflation often result from deficits and direct monetizations perceived as incredible and unsustainable. History is full of such instances. EM performance bottoming out too will depend on return of reflationary forces with dollar weakness and commodities strength being the two key trends to watch out for. The recent rally in EM equities has indeed been fuelled by a pullback in the US dollar even as the sustainability of this pullback remains to be seen.

Indian market had been an under-performer within the EM complex in this crisis. Even though an environment of dollar strength and commodity weakness is usually associated with its relative outperformance given low dollar debt, high FX reserves and net imports of commodities. Yet, the still rising number of Covid cases, concerns on financial sector and lesser fiscal support all contributed to this weak performance. This, when we were already in a prolonged slowdown as underscored by the recent GDP print. The technical aspect of high weightage of Financials in the index also weighed on relative performance. However, recent signs of the economy opening up have led to a sharp rally for Indian equities helping reverse some of the underperformance.

The government announced a slew of stimulus and reform measures in a bid to seize the crisis as an opportunity and fight for a position of strength in the changed world order. Overall, it prioritized structural supply side reform over near-term demand boost. Reforms in the farm sector were encouraging and should help address the two key challenges of price discovery and value addition. Also encouraging was the intent for reforms around factors of production- land, labour, capital, and enterprise. However much more needs to be done on this front, especially on the last one - enterprise.

Corporate profits as a proportion of GDP have been dwindling for almost a decade now. Large profit pools are necessary to fund investments leading to employment and income generation. At a time when innovation and technology are key differentiators, these profit pools are critical to fund R&D. Aspiration to play a prominent role in the global supply chain requires pro-business policies that incentivise creating organizations of size and scale that can compete in the global marketplace.

The PM also talked about the government's focus on laws. Judicial, administrative, and regulatory reforms are needed to align the machinery to this growth aspiration; accountability and efficiency must go hand in hand without compromising one for the other. We must leverage data and technology to accelerate our transformation. The thrust on uplifting the masses must continue as strong social capital is vital to fulfil our aspirations as a nation. The current migrant crisis needs to be carefully handled. Rehabilitating them is important, and so is keeping the rural economy insulated from Covid, as it has remained amongst the only bright spots so far.

Another thrust of the stimulus announcement was to revive the credit engine through credit guarantee support to MSMEs and to some extent NBFCs. This should help better transmission and allow money multiplier to kick in. Similarly, the focus on NREGA is welcome given its high multiplier impact. We believe this is one of the most productive ways of boosting aggregate demand and should be significantly scaled up. In the same vein, allowing additional borrowing by states with conditionality attached on reforms is in the spirit of cooperative federalism and makes immense sense given the higher multiplier of state spends.

Yet the gravity of the slowdown may force the government to spend more to revive demand. If additional borrowings are accompanied by a credible medium-term plan to revive growth, emphasis on structural supply side reforms, and a roadmap on fiscal consolidation, it may not be taken negatively by rating agencies. On the other hand, lack of growth will anyway deteriorate the debt profile through sheer interest burden. The recent downgrade by Moody's is a quick reminder of this very dynamic. In any case, capital flows into India historically have been driven by growth prospects rather than ratings.

The RBI will need to undertake calibrated monetization of additional borrowings. On its part, it has been aggressive on rates, liquidity, and transmission. Yet the current yield curve is one of the steepest in India's history. Given the sharp jump in quantum of bond supply (both G-sec and SDL), the market would be keenly watching the actions of central bank in creating additional demand avenues including OMOs. Additionally, further relaxations may be needed for greater flexibility to lenders on one-time restructuring. Hasten to add, while this is the crying need of the hour, we must keep an eye on hard-earned gains on the credit culture across all segments. It is our collective responsibility.

We have been maintaining a relatively high duration in fixed income funds. While structural view remains unchanged, we will take advantage of tactical opportunities as we expect bond market to be in a consolidation mode for the time being. Credit spreads are elevated, but they also reflect the economic uncertainty and constraints in the financial system and therefore we stay selective.

On equities, we are anxiously excited as we scout for winners amidst this chaos. With a deadly mix of issues ranging from a pandemic, country-wide migrant crisis, locust attacks, cyclones, earthquakes, border tensions with neighbours, a ratings downgrade, all coming together, India's resolve is being tested. Adding to the macro issues, disruption is becoming a norm be it around consumer behaviour, technology, policy, geopolitics, supply chains, and so on. The response can be either to hope for normalcy to return or to seek opportunity in this apparent chaos. Firms that take the latter approach are likely to survive and thrive.

Winners will be the firms that stand ready to rethink and reimagine their business processes. Agility and nimbleness will matter more than size. Innovation and R&D will create lasting competitive advantage, and not the scale of physical assets. Planning will help, but more important will be creating strong feedback loops to prepare for unknown-unknowns. Risk management should evolve to account for black swans and also newer risk areas such as cyber security. Scouting for talent will be important, as will be re-skilling and holistic well-being of employees amidst the new Work regime. Treating all stakeholders fairly amidst the crisis will be vital in building trust, that in turn will help create long-term value.

As we navigate this period of heightened uncertainty, market gyrations will likely continue. Investors who identify these winners and have the patience to stay invested should end up reaping rewards in the medium term.

**Navneet Munot**
CIO,
SBI Funds Management Private Limited

# Is Your Portfolio On Track To Create Wealth?

Investing is a process that requires every investor to create a balance between risk and reward. Some of the factors that can help an investor achieve this are asset allocation, attitude towards risk, time horizon and the extent to which risks to life, health and assets are covered.

It is quite common to see a mismatch of varying degree between how investors design their portfolios and what they intend to achieve through it. It is important to rectify the imbalance in the portfolio so as to improve the chances of achieving different investment goals. While the truth is that if one doesn't take enough risk, healthy returns would remain a distant dream; taking too much risk could turn one's dreams into worst nightmares. This is where an asset allocation strategy helps in keeping investments on track to achieve the desired results. Asset allocation is the process of combining various asset classes such as equity, debt, real estate and commodities into a portfolio.

While asset allocation provides a roadmap, it is equally important to stay on course for long-term investment to benefit from power of compounding. Remember, the real power of compounding comes with time. Essentially, compounding is the idea that you can make money on the money you've already earned. That's why, the earlier you start investing, the more your money can work for you. Look at it another way; for every 10 years you delay before starting to save for retirement, you will need to invest three times as much each month to catch up. No matter how young you are, the sooner you begin investing, the better.

Another significant aspect of successful investing is having a strategy for exiting from an investment. Remember, a proper strategy helps you avoid taking decisions that are dictated by emotions rather than any logic.Investors often err by either holding onto funds for too long or exit in a hurry. One needs to do a thorough analysis before taking a decision to sell. In other words, the focus has to be on long-term track record rather than short term performance. A long-term track record moderates the effects which unusually good or bad short-term performance can have on a fund's track record. Besides, longer term track record compensates for the effects of a fund manager's particular investment style.

In an era of constant changes and volatile financial markets, it is important for investors to keep their investments on track through their defined time horizon. While it is great to see investors taking interest in their investment process, the "Do It Yourself" (DIY) strategy could expose them to unwarranted risks if they are not sure about their ability to make right investment decisions. Although investing in a regular plan is more expansive as compared to a direct plan, the benefits of keeping the asset allocation intact far outweighs the increased cost in the long run. Besides, working with an advisor helps in having a strategy for monitoring the progress of the portfolio.

Last but not the least, tax efficiency of portfolio returns plays a crucial role in improving the real rate of return in the long run. The tax efficiency becomes even more important when you invest to achieve medium to long-term investment objectives like children's education, buying a house and retirement planning. After all, how much you get to keep at the end of your time horizon decides how successful you would be in achieving your investment goals.

Investment options like mutual funds provide tax efficient returns. For example, any gains from an investment in equity and equity-oriented fund held for 12 months or more are considered as long-term capital gains taxed and are taxed at a flat rate of 10%. Similarly, any gains from investments held in debt funds for three years or more are considered as long-term capital gains and are taxed at 20 percent after claiming indexation. For investors in higher tax brackets, it can make a significant difference when compared with taxation on traditional options wherein returns are taxed at their nominal tax rate. Therefore, you must have a “tax aware” investment strategy in place to improve your post tax returns.

# 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**

# Performance Of Select Funds

**Data as on May 29, 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 | -20.52 | -19.77 | -7.89 | -2.71 | 2.43 | 9.21 | 8.79 | 14.32 |
| ABSL Equity Fund | Aug-98 | -20.45 | -18.33 | -7.93 | -2.45 | 4.53 | 12.65 | 9.32 | 13.48 |
| Axis Bluechip Fund | Jan-10 | -14.33 | -9.06 | 0.39 | 6.77 | 6.96 | 11.19 | 10.12 | — |
| Axis Focused 25 Fund | Jun-12 | -18.00 | -12.67 | -5.11 | 3.48 | 6.89 | 11.17 | — | — |
| Franklin India Equity Fund | Sep-94 | -20.20 | -20.95 | -9.76 | -4.09 | 1.14 | 9.73 | 9.38 | 13.97 |
| HDFC Equity Fund | Jan-95 | -25.74 | -28.27 | -9.69 | -4.49 | 1.31 | 8.53 | 7.57 | 13.83 |
| HDFC Top 100 Fund | Oct-96 | -24.67 | -26.75 | -8.01 | -3.49 | 2.03 | 8.04 | 7.41 | 13.71 |
| HSBC Large Cap Equity Fund | Dec-02 | -18.82 | -15.66 | -5.58 | -0.36 | 3.91 | 8.45 | 6.85 | 11.32 |
| L&T Equity Fund | May-05 | -19.03 | -19.86 | -10.49 | -3.54 | 1.41 | 8.91 | 7.89 | 13.35 |
| IDFC Core Equity Fund - Regular Plan | Aug-05 | -22.49 | -22.59 | -11.72 | -4.99 | 1.81 | 7.39 | 6.16 | — |
| Kotak Bluechip Fund - Regular Plan | Dec-98 | -18.82 | -15.50 | -4.83 | -0.55 | 3.18 | 8.96 | 8.04 | 12.89 |
| Kotak Standard Multicap Fund Regular | Sep-09 | -19.48 | -18.53 | -4.75 | -0.65 | 5.51 | 12.74 | 10.95 | — |
| L&T Equity Fund | May-05 | -19.03 | -19.86 | -10.49 | -3.54 | 1.41 | 8.91 | 7.89 | 13.35 |
| Mirae Asset Large Cap Fund - Regular | Apr-08 | -20.60 | -18.05 | -4.45 | 0.45 | 5.69 | 12.92 | 11.48 | — |
| Mirae Asset Emerging Bluechip Fund | Jul-10 | -17.41 | -13.25 | -2.22 | 1.41 | 9.82 | 19.89 | — | — |
| Motilal Oswal Multicap 35 Fund | Apr-14 | -20.38 | -20.43 | -10.58 | -3.79 | 3.94 | — | — | — |
| Nippon India Large Cap Fund | Aug-07 | -26.42 | -28.49 | -9.88 | -3.56 | 1.47 | 9.41 | 8.48 | — |
| Nippon India Multi Cap Fund | Mar-05 | -31.72 | -34.68 | -14.57 | -7.13 | -2.38 | 7.00 | 7.92 | 13.27 |
| Invesco India Contra Fund | Apr-07 | -14.74 | -14.66 | -5.99 | 1.77 | 6.16 | 14.34 | 10.81 | — |
| SBI Bluechip Fund | Feb-06 | -19.34 | -18.30 | -6.97 | -1.67 | 3.33 | 10.29 | 9.30 | — |
| SBI Focused Equity Fund | Oct-04 | -17.11 | -13.69 | -3.91 | 5.06 | 7.29 | 12.21 | 13.71 | 14.51 |
| Principal Emerging Bluechip Fund | Nov-08 | -15.55 | -14.42 | -8.93 | -1.45 | 5.54 | 15.63 | 12.01 | — |

### Midcap & Smallcap

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Axis Midcap Fund | Feb-11 | -10.73 | -3.83 | 0.17 | 7.68 | 6.61 | 15.79 | — | — |
| DSP Midcap Fund - Regular Plan | Nov-06 | -11.00 | -8.40 | -5.16 | -0.68 | 7.22 | 16.05 | 12.28 | — |
| HDFC Mid-Cap Opportunities Fund | Jun-07 | -19.47 | -22.21 | -13.26 | -5.59 | 2.76 | 13.33 | 12.28 | — |
| Kotak Emerging Equity Fund Regular | Mar-07 | -18.75 | -16.76 | -9.54 | -3.25 | 4.79 | 14.93 | 11.47 | — |
| Franklin India Smaller Companies Fund | Jan-06 | -28.43 | -35.24 | -22.94 | -12.83 | -1.69 | 11.31 | 10.58 | — |
| HSBC Small Cap Equity Fund | May-05 | -20.08 | -30.42 | -23.00 | -11.74 | -1.92 | 11.20 | 5.09 | 8.45 |
| L&T India Value Fund | Jan-10 | -21.04 | -23.12 | -11.91 | -5.84 | 3.37 | 13.06 | 10.64 | — |
| SBI Magnum Global Fund | Sep-94 | -8.05 | -2.76 | -1.68 | 3.23 | 4.15 | 13.35 | 12.56 | 15.29 |

### Sectoral / Thematic Fund & Tax Saving

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ICICI Prudential Banking and Financial | Aug-08 | -40.19 | -39.63 | -16.79 | -9.38 | 2.14 | 9.45 | 10.34 | — |
| Nippon India Banking Fund | May-03 | -44.80 | -45.64 | -22.61 | -12.37 | -2.05 | 5.20 | 6.74 | 13.20 |
| Nippon India Pharma Fund | Jun-04 | 22.71 | 29.31 | 17.44 | 15.31 | 6.39 | 14.76 | 13.99 | 19.43 |
| Canara Robeco Consumer Trends | Sep-09 | -13.01 | -7.29 | -1.59 | 4.11 | 7.23 | 12.40 | 12.08 | — |
| SBI Consumption Opportunities Fund | July-99 | -24.85 | -22.18 | -14.10 | -3.01 | 4.23 | 6.96 | 13.76 | 15.15 |
| Tata India Consumer Fund - Regular | Dec-15 | -11.78 | -7.06 | -8.02 | 4.03 | — | — | — | — |
| Axis Long Term Equity Fund | Dec-09 | -15.31 | -10.70 | -3.16 | 4.47 | 5.90 | 15.13 | 14.29 | — |
| HDFC Taxsaver Fund | Mar-96 | -23.28 | -25.78 | -11.64 | -6.77 | 0.08 | 8.11 | 6.70 | 11.67 |
| HSBC Tax Saver Equity Fund | Jan-07 | -21.98 | -20.99 | -10.80 | -5.27 | 2.21 | 8.66 | 8.20 | — |
| IDFC Tax Advantage (ELSS) Fund | Dec-08 | -23.11 | -26.40 | -14.62 | -4.99 | 1.02 | 10.05 | 9.12 | — |
| Mirae Asset Tax Saver Fund - Regular | Dec-15 | -19.63 | -15.64 | -3.56 | 1.76 | — | — | — | — |

## HYBRID

| Fund | Launch | 6 Mth* | 1 Year* | 2 Year** | 3 Year** | 5 Year** | 7 Year** | 10 Year** | 15 Year** |
|---|---|---|---|---|---|---|---|---|---|
| ABSL Equity Hybrid '95 Fund | Feb-95 | -18.97 | -18.90 | -9.35 | -3.92 | 1.99 | 8.62 | 8.33 | 12.40 |
| Canara Robeco Equity Hybrid Fund | Feb-93 | -7.53 | -4.99 | 1.67 | 4.14 | 6.50 | 12.03 | 10.59 | 14.49 |
| HDFC Hybrid Equity Fund | Sep-00 | -16.76 | -16.93 | -5.78 | -1.42 | 4.01 | 11.23 | 10.47 | 13.16 |
| ICICI Prudential Balanced Advantage | Dec-06 | -11.53 | -7.36 | -0.28 | 2.82 | 5.43 | — | — | — |
| ICICI Prudential Equity & Debt Fund | Nov-99 | -14.72 | -13.55 | -3.22 | 0.07 | 5.02 | 11.18 | 11.15 | 12.44 |
| Invesco India Dynamic Equity Fund | Oct-07 | -10.73 | -8.27 | -3.00 | 1.14 | 4.32 | — | — | — |
| Kotak Equity Hybrid Fund - Regular | Nov-99 | -16.34 | -13.82 | -4.49 | -1.50 | 3.43 | 7.22 | 7.38 | 10.79 |
| L&T Hybrid Equity Fund | Feb-11 | -13.86 | -13.13 | -6.12 | -1.64 | 3.72 | 10.72 | — | — |
| Nippon India Equity Hybrid Fund | Jun-05 | -29.34 | -28.46 | -16.04 | -8.14 | -0.56 | 6.55 | 6.51 | — |
| SBI Equity Hybrid Fund | Dec-95 | -13.59 | -9.53 | -0.77 | 3.86 | 5.62 | 11.73 | 10.17 | 13.08 |
| IDFC Equity Savings Fund - Regular | Jun-08 | -3.90 | -3.62 | 0.99 | 2.28 | 3.85 | — | — | — |
| Kotak Equity Savings Fund - Regular | Oct-14 | -4.54 | -1.23 | 2.60 | 4.47 | 5.80 | — | — | — |
| Nippon India Equity Savings Fund | May-15 | -18.45 | -24.69 | -12.80 | -6.76 | — | — | — | — |

## 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 | 2.30 | 2.22 | 2.93 | 7.95 | 8.46 | 7.26 | 7.93 |
| ABSL Medium Term Plan | Mar-09 | 1.93 | -4.27 | -2.86 | -7.77 | -2.05 | 0.45 | 4.08 |
| HDFC Credit Risk Debt Fund | Mar-14 | 1.56 | -0.40 | 2.00 | 7.03 | 7.47 | 6.42 | 7.75 |
| Kotak Credit Risk Fund Regular Plan | May-10 | 1.97 | -1.67 | 0.58 | 5.63 | 6.73 | 6.26 | 7.56 |
| Invesco India Short Term Fund | Mar-07 | 2.02 | 2.59 | 4.60 | 9.76 | 9.10 | 7.40 | 7.54 |
| Nippon India Credit Risk Fund | Jun-05 | -0.04 | -12.04 | -11.23 | -10.59 | -3.09 | -0.36 | 3.33 |
| SBI Magnum Income Fund | Nov-98 | 2.08 | 2.33 | 6.74 | 12.66 | 10.81 | 8.08 | 8.78 |
| L&T Credit Risk Fund | Oct-09 | -0.74 | -4.61 | -2.49 | -3.29 | 1.54 | 2.82 | 5.40 |
| Kotak Savings Fund Regular Plan | Aug-04 | 0.92 | 1.94 | 3.32 | 7.27 | 7.73 | 7.32 | 7.60 |
| L&T Ultra Short Term Fund | Apr-03 | 0.98 | 2.21 | 3.54 | 7.37 | 7.72 | 7.33 | 7.64 |
| Kotak Banking and PSU Debt Fund | Dec-98 | 2.44 | 2.51 | 4.87 | 10.91 | 10.47 | 8.57 | 8.66 |

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

## ARBITRAGE FUNDS

| Funds | Launch | 3 Mth* | 6 Mth* | 1 Year* | 2 year** | 3 Year** | 5 Year** |
|---|---|---|---|---|---|---|---|
| ICICI Prudential Equity Arbitrage Fund | Dec-06 | 1.76 | 3.34 | 6.12 | 6.36 | 6.21 | 6.26 |
| IDFC Arbitrage Fund - Regular Plan | Dec-06 | 1.29 | 2.88 | 5.74 | 6.29 | 6.11 | 6.15 |
| Kotak Equity Arbitrage Fund Regular | Sep-05 | 1.70 | 3.30 | 6.18 | 6.46 | 6.35 | 6.37 |

Mutual funds, like securities investments, are subject to market and other risks. As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

# Debt Market Overview

As this note is being written, cases of the Covid-19 virus have crossed the 2 lakh mark in India. The silver lining is that the death rate in the country is below 3%. However the spread of the virus shows no signs of abating with cases rising all around the world. While the world struggles to deal with the coronavirus, large scale civil and political unrest is being seen in several countries including Hong Kong over the China's new security laws, The United States, Brazil etc.

Closer home, in India the FY 2020 Q4 GDP numbers came in at 3.1%, dragging the full year growth at 4.2%. While the Q4 GDP was slightly higher than expectations, all previous GDP figures for FY 20 were revised downward between 4-7 basis points. It is important to remember that lockdown started on 25th March, therefore these numbers include 7 days of lockdown. This may set the stage for lower GDP numbers in Q1 FY21 even as the government has announced a phased reopening plan effective from June 1st 2020. However, a good monsoon predicted by the IMD along with a good crop may support the GDP.

The government also announced an increased borrowing plan for FY 21 in the month of May (revised to ₹ 12 lakh crore from 7.8 lakh crore), taking the monthly borrowing up to ₹ 30000 crore. However, as the economy is in Risk off mode with low credit off take, the increased demand for government bonds has kept the yields anchored. The invisible hand of the market has come into play here. Additionally, the Finance minister announced the "Aatmanirbhar" economic relief package of ₹ 20 lakh crore – a leg up to match what other countries have done to combat the medical emergency.

To complement the government move, the RBI did a Bajrangi Bhaijaan (Bollywood movie which has the famous song "Aajki party meri taraf se..") act by advancing the monetary policy decision from June to May 20.

While, the repo rate cut of 40 bps was in line with expectations, what surprised us and markets is of course the timing of the decision. It is quite evident here that the medical emergency emanating out of Covid19 has meant more agility in actions from world central bankers – and India is no exception.

The governor has also guided that there is likely more space for monetary accommodation if inflation (read CPI) continues to remain tepid. Looking at how the covid19 situation is emerging, inflation for now doesn't seem to be a big evil to be in the reckoning. Discretionary spends are down – you and me are footing lower credit card bills. There are fewer people chasing goods at the same time – all this suggests inflation could surprise on the downside in the coming months.

RBI did not provide any growth forecast for FY21, but admitted that growth will likely be in the negative territory due to the extended lockdown to combat Covid-19. This is understandable as it is quite an uncertain environment making such forecasts less meaningful.

We saw unprecedented swing in the oil markets, the oil trading in the range of 20 to 37 USD a barrel. Lower oil and commodity prices in general are beneficial for us as a nation. The slowdown in demand has helped to lower the trade deficit that could eventually lead to a rare surplus in current account.

Overall, the savings rate is likely to increase in the economy trending to the levels prevalent during the Global financial crises (GFC) period. Real GDP is likely to be flat or negative. In such a scenario overall demand for assets are likely to be much more than supply, hence rates are expected to be soft and spreads may see yields well anchored during the course of the year.

**What does all this mean for fixed income investors?**

Benign interest rate regime is reflective of easy liquidity in the banking system. This also means that banks are flooded with deposits, thereby tendency to cut such rates further remains a high chance. Fixed income mutual funds have a plethora of options to investors to suit varying risk appetite as also varying tenors. Such funds are not strictly comparable to bank fixed deposits as they do not offer any assurance of returns. However, such funds do offer potential to participate in likely capital appreciation apart from the portfolio yields which are market linked.

Hence, it makes imminent sense for investors to plan their investments in fixed income in line with individual appetite to stomach risk. It is a fallacy to assume the NAVs of such funds will only keep going up. NAVs move in line with market, and hence would be subject to market volatilities. It is, therefore, imperative for investors to stay the intended investment course as panic would only lead to pain, with nothing much to gain.

In times of extreme uncertainty, much like the one we are currently faced with, the underlying investment theme is Flight to quality. This is likely to play out for most parts of 2020.

Asset allocation is non-negotiable at such times – so is the advisor from your friendly neighbourhood.

Stay safe, stay invested.

**Lakshmi Iyer**
Chief Investment Officer (Debt) & Head Products
**Kotak Mahindra Asset Management Company**

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

## 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.

# Equity Market Overview

2020 has been an unprecedented and uncharted phase for everyone. While the year began with continuation of polarised market movement with the market breadth being extremely narrow, the month of March 2020 changed it all. The Covid -19 pandemic which started out mainly in China and parts of Asia, quickly spread to the rest of the world, severely impacting Europe and USA.

India, too, has not been spared from the contagion. The Indian government was quick to respond, announcing a complete lockdown in the entire country starting March 25, 2020 in the hope that it may help 'flatten the curve' for India and prevent its medical system from being overwhelmed by a large outbreak of Covid-19 cases.

Both the Government and RBI (Reserve Bank of India) have responded by announcing a string of fiscal and monetary measures to counter the impact of the lockdown. The large liquidity infusion by RBI, rate cuts and the announced fiscal measures will likely aid the revival of the economy albeit at a slow and steady pace. The fiscal measures announced by the Government focus on economic revival over the medium term and the measures are intended to aid the SME and the rural segments with the key theme of achieving self-reliance but through integration and not isolation.

The silver lining in the present situation is the fall in crude oil prices. With oil prices appearing to remain benign, we expect that the overall Balance of Payments situation in India may remain under control. Every USD10/bbl decline in oil prices lowers India's Current Account Deficit (CAD) by ~0.5%. Further the RBI has amassed forex reserves in the last year which resulted in the overall forex reserves now standing at ~USD487bn.

The situation is clearly evolving and it is therefore possible, further policy action may be warranted. The execution of these measures already announced would be the key to determine the trajectory of revival of the Indian economy.

The current market outlook is evolving in nature and a lot would depend on the pace or the control of the spread of the virus in India and globally. The key to watch out for would be the advancements towards finding a cure and vaccine for the disease.

Given this backdrop, we continue with our disciplined approach to investing and follow our investment philosophy of Growth at a Reasonable Price (GARP). We are focusing on companies with (a) low leverage (b) strong balance sheets and cash position (c) low fixed cost structures and (d) good quality management and governance. With the current disruption, it is also likely that the pace of consolidation across industries picks up pace and we would see strong market share shifts towards a few companies.

Our focus has been to invest in companies that not only survive this downturn, but also emerge stronger in revival later on. In current scenario, our approach is more bottom-up than top-down sectoral one, as we see companies in a sector performing varying due to their leverage, cost structure and balance sheet strength among other factors.

Given the disruption witnessed until now, we expect FY21 earnings to be significantly impacted. However, this will be an aberration and most likely FY22 will be a normal year of earnings. Therefore, equity market could remain volatile in the short term, which itself presents many attractive investment opportunities for those focused on the longer term.

We advise investors to keep investing through mutual funds in a systematic manner for the medium to long-term keeping in mind individual risk profile and return expectations.

**Harsha Upadhyaya**
President & CIO – Equity
Kotak Mahindra Asset Management

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

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