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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,

The stock market did well during the month of July 2020. While the benchmark Sensex was up 6.19 percent, the mid and small cap indices of the BSE were up by 5.20 percent and 4.77 percent respectively. However, the stock market entered into a consolidation mode towards the end of the month.

The tax revenues of the government fell sharply in the April-June quarter and that resulted in forcing it to borrow record amounts to meet its spending. The gross tax revenue declined 32.6% in the first quarter of the year from the corresponding year ago period. The centre's goods and services tax (GST) took the maximum 47% knock, indicating extreme consumer distress or caution.

The supply side constraints due to lockdown have led to spike in India's retail inflation to 6.09 per cent in the month of June. The retail inflation has grown beyond the Reserve Bank of India's (RBI) upper margin of 6 per cent. The government has mandated the Indian central bank to keep inflation within the range of 4 per cent with a margin of 2 per cent on either side. After cutting rates by 115 bps in two consecutive policy meetings, RBI is expected to pause in the forthcoming review on August 6. The RBI may revise its inflation forecast for the year upward. However, considering the slowdown in the economic growth, it is expected to hold on to an accommodative stance and continue to keep domestic liquidity in surplus. If the activity remains subdued and the seasonal spike in vegetable prices reverses over the next few months, RBI is likely to cut rates later in the year.

U.S. Gross Domestic Product (GDP) dropped around 33 percent in the second quarter of 2020. The second-quarter decline is the worst since World War II. U.S. GDP shrank 5.0 percent in the first quarter of the year, measuring January through March, when the first restrictions on individuals and businesses were put in place.

As is evident from the corporate results declared so far, Q1FY21is heavily impacted by the lockdown and is likely to be the worst quarter of FY21. Q4FY20 was impacted by supply chain issues in China and its impact on world demand. Therefore, the stock market could remain range bound in the month of August 2020. However, the global liquidity and the hope of a virus free 2021 could keep the market positive after this consolidation.

Warm regards,

Hemant Rustagi
Editor

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The Stock Market Performance During July 2020.

Indices	1st July 2020	31st July 2020	Change in (%)
Sensex	35,414.45	37,606.89	6.19
MIDCAP	13,078.46	13,759.11	5.20
SMLCAP	12,428.65	13,021.76	4.77
BSE-100	10,527.66	11,158.96	6.00
BSE-200	4,400.70	4,653.04	5.73
BSE-500	13,569.42	14,346.18	5.72

Equity Market Outlook

Equity Market Update

- July 2020 again saw a good month for Indian Equity Market as Nifty 50 and Sensex soared up by more than 7.45% by month end. Globally too, equity markets were buoyant and outperformed during the same time period.
- During the month, Foreign Institutional Investors (FIIs) were net buyers to the tune of ₹ 5086.34 Cr.

- On the COVID front, India continues to record a steady rise in the number of cases. What is somewhat heartening is the rise in the recovery rates and also the positive development on the effectiveness of a few drugs including Remdisivir and Favipiravir while the vaccine being developed by Oxford University has just begun phase-III human trials.
- On a M-o-M sectoral front, Infoteck gained the most at 22.6% followed by India Tech 16.79%, Healthcare, Metals and India Auto which gained 12.43%, 8.28% and 7.95% respectively whereas Power sector showed -2.28% growth.
- Though during the middle of the month, markets witnessed some volatility as there were renewed signs of geo-political tension between U.S and China, major global rating agencies trimmed India's growth forecast for FY22 to 8% from 9.5% and rising Corona Virus cases with fresh lockdown in some parts in country kept the investors on the side lines. Further, investor sentiments were weighed down after the Reserve Bank of India in the bi-annual Financial Stability Report stated that gross NPA ratio of banks may increase from 8.5% in Mar 2020 to 12.5% by March 2021 under the baseline scenario, but it could worsen to as much as 14.7% under a very severely stressed scenario.
- Markets reacted positively as Government approved a scheme aimed at improving the liquidity position of NBFCs/HFCs through a special purpose vehicle (SPV) to avoid any potential systemic risks to the financial sector. Series of better than expected earning numbers of certain blue chip companies improved market sentiments. PM Modi also hinted at India Global Week Summit that India is seeing green shoots of economic recovery.
- Positive developments on the discovery of the potential vaccine for coronavirus and government's announcement to ease lockdown in phased manner across the country after almost three months of strict measures kept investor sentiments high, albeit for short spans.
- Globally also major markets witnessed buying spree led by continued optimism over economic recovery following gradual reopening of business coupled and European Union leaders approving a massive stimulus package to counter the impact of Corona Virus.

Indices Performance (M-o-M Basis)	(in %)
Nifty 50	7.49
Sensex	7.71
S&P BSE Infotech	22.60
S&P BSE India Teck	16.79
S&P BSE Healthcare	12.43
S&P BSE India Metal	8.54
S&P BSE India Auto	7.95

Outlook

Globally economies went into lockdown during Jan-July 2020 to put in place healthcare infrastructure and to contain community spread of COVID-19. Clearly at the start, it was imperative to look at healthcare issues at the cost of economic realities. Most Govt. have succeeded to different degrees, in this attempt to contain virus, although not fully. As time elapsed, economic realities are taking precedence and thus we expect opening of economies to continue, with minor localised lockdowns across globe and domestically.

During July, the Global equity markets continue to recover from the lows formed during March'20. This sharp bounce back is driven by four key reasons, – 1) Massive fiscal and monetary stimulus put in place by developed countries – expect more of this on any sign of troubles in economies(US is contemplating another US1trn package), 2) News flow on possible usage of existing drug combination as a remedy for COVID patients /vaccines moving into 2nd and 3rd stage of trials and 3) Opening up of economies across the world and particularly in Europe, US and China(90% open), 4) Depreciating dollar bias as it increases pace of printing money – helping EM markets and commodities.

Key driver from market perspective has been fiscal stimulus to the tune of 5%-20% GDP across developed world, along with central bank's monetary policy extension into buying of lower grade corporate bonds, including Junk bonds in US. Monetary expansion is also driving reflation of assets in the other geographies and commodities. We think, more will follow from countries like China and Euro zone. Oil and several other commodity prices have stabilised and have moved up (due to depreciation bias in USD and China operating at >80%) - which augurs well for several ME/African/LA and CIS countries.

Domestically, while the overall figure crossed 15lac (actual active cases are only ~5 lac), the COVID cases growth rate has remained in the range of 3-4% on daily basis. Doubling rate has increased to more than 20 days now and recovery rate is at ~65% is also heartening. Fatality rate at just above 2.3% is also among the best globally. The key risk remains whether we will be able to sustain these numbers as we gradually get out of lockdown of past 75-90 days. With migrants travelling back to home states and economy opening up meaningfully, India runs a risk of exponential increase in numbers – which can act as a potential risk to markets are current levels. However, statistically none of COVID data points domestically today suggest dramatic closing of broader economy again (neither can India afford it now).

Economic consequences are severe, as 2-3 months lockdown will effectively mean US$150-300bn of GDP loss. RBI has been aggressive in providing liquidity of almost ₹ 4trn to system through CRR cut, LTROs etc. RBI increased moratorium period to 6 months so that households and corporates can manage the cash flows better (creates little bit of moral hazard issues). Key is how Govt responds to the situation as it unfolds. The initial response on fiscal front from Govt is muted at ~2% GDP. Also, the initial ₹ 1.7lac Crs package was more to ensure than people don't go hungry during lockdown. Government, given its fiscal constraints, may not be able to give meaningful demand push. This will be key (apart from COVID numbers recovery) for how fast the country recovers through the cash flow losses that entire system has witnessed for last 90 days.

There are two distinct benefits India will see out of Corona Virus issue – 1) Many global corporations will now actively seek to diversify the supply chain to countries other than China (India is well positioned now with corporate tax cuts etc.) and 2) Oil price decline will act as a fiscal and CAD boost to India (given Govt will keep major part of benefits of price decline. Every US$10/bbl oil helps India to save ₹ 700bn assuming everything is kept by Government through tax increases. This can create possible space for fiscal stimulus as time passes, which hitherto was missing in India. Lack of aggression on fiscal expansion is a key risk to possible upside in economy and markets.

Based on above we are working with three thesis – 1) Developed world through aggressive fiscal expansion will lead the aggregate demand recovery, 2) Indian rural will do relatively better given higher water reservoirs, crop production and stimulus from Govt and 3) Economies will gradually keep opening up irrespective of COVID, as economic realities start superseding healthcare issues.

Nifty has recovered ~45% from bottom of 7511 formed in last week of March. The recovery has been in line with global markets. Nifty now is trading at 18xFY22 (ignoring FY21 as it would be a washout year from earnings perspective) on consensus earnings – no more in a attractive zone from near term perspective.

Although, the benchmark 10 yr bond yields is at 5.8%. Thus, now the equity and bonds are trading at almost same yield of 5.6-5.8% - which is typically a very attractive medium-term valuation start point for equities, if one looks through the cycle of 24-36months. After selling aggressively US$8bn in March/April, FIIs have been modest buyers during May-July'20 to the tune of US$5bn. Currently market looks evenly balanced at fair valuation from near term perspective. We expect market to consolidate now with meaningful divergence within sectoral performance based on incremental data points, quarterly earnings and opening up of economy over next few months. Upside risk to market remains, earlier than expected Vaccine commercialization and abundance of liquidity sloshing around as developed countries keep expanding the balance sheets.

Source: ICRA MFI Explorer

Shridatta Bhandwaldar
Head Equities
Canara Robeco Mutual Fund

Fixed Income Outlook

Covid-19 pandemic and the policy response to it has been the key driver to global economy and markets. Global economy, which hit a bottom in April has gained steam in May and June. There is a broad-based improvement in high frequency growth indicators around the world from March-April lows, though still lower than a year ago, as lockdowns begin to ease. Policy-support has been unprecedented across the world, which has been able to contain the most negative fallout of the pandemic.

Global fiscal stimulus announced so far has been of much bigger scale and scope compared to Global Financial Crisis. Global fiscal support announced so far has exceeded US$11 tn and rising, with a combination of above the line spending, grants, loans and guarantees. Global equity markets have rallied strongly on the back of this strong policy response as well as the opening up of the economies. Even when the pandemic is past us, the stimulus is expected to stay for longer, underpinning market optimism.

Monetary stimulus has also been very aggressive. Global rates are at their lowest levels with aggressive cuts both in Developed Markets (DM) and Emerging Markets. Fed has particularly been very aggressive, consistently bettering market expectations since the beginning of the crisis. Japan has also come out with big fiscal stimulus and even Germany is responding aggressively. With monetary policy reaching near conventional limit in many DM economies, the template is shifting towards a benign version of Modern Monetary Theory, with greater monetary fiscal co-ordination in response. Aggressive and unlimited Quantitative Easing have kept bond yields near record lows despite significantly high fiscal deficits.

In India the process of reopening the economy is underway with Unlockdown 3.0, even as Covid-19 cases continue to rise. However, the severity of disease in India appears to be low with healthy recovery rate. India had seen one of the strongest lockdown and hence the growth collapse in April-May was more severe. With the opening up of the economy, recovery is underway with most high frequency beginning to recover as lockdown has eased but they are still at about 80% of pre-Covid levels.

After initial rebound in economic data from April lows the recovery is plateauing. This is most likely due to exhaustion of pent-up demand during lockdown, and continuing concerns on virus and renewal of localised lockdown. The silver lining is healthy recovery in rural economy, which is expected to do well with healthy government transfers, good harvest and low impact of pandemic.

India external account remains comfortable with sustained capital inflows and current account turning to a marginal surplus in 4Q FY20 with bigger surplus likely in 1QFY21 given that even trade account has moved to surplus. Strong BoP surplus and rising forex reserve gives greater flexibility to policy makers to deal with growth challenge.

Fiscal deficit increased sharply in April-May, but the increase in deficit is lower than expectations despite the countrywide lockdown and sharp fall in government revenues. While government receipts were expectedly very low, government expenditure were also contained at -0.2% y-y decline in government expenditure in the first two months of the fiscal. Contraction in government expenditure when other drivers of growth are already very weak will further exacerbate the slowdown.

Inflation data came sharply above expectations with June CPI at 6.1%. While there were problems with data gathering and Central Statistical Organisation used imputation methods for missing data, but now headline inflation has averaged above the upper end of inflation target range of 6% for two consecutive quarters. This complicates monetary policy choices for the MPC. We expect accommodative monetary policy stance to continue. However, fiscal concerns continue to keep the term-premia at longer end elevated. We expect abundant liquidity to remain in system for foreseeable future. Our and investors' focus should be on carry assets, as we expect spreads across the spectrum to further normalize from here.

In credit, we continue to look for opportunities to invest in stable cash flow generating companies, with reasonable capital structures and good vintage and parentage. Credit is being added to portfolios by adding "incremental credits". Consumer discretionary spending and associate companies may take a little more time to recover. We like regular cash flow sectors - Power Transmission, Commodities, telecom etc. We remain wary of MFIs, renewables etc. Valuations are at fairly attractive levels. AA and A spreads peaked at about 6% and 8-10% respectively over Gilts in May signaling a near complete capitulation in credit markets and have already climbed down rapidly. Only very briefly in the last 20 years have we seen the spreads at these levels. We expect that with the normalisation of markets, these spreads should moderate in the short to medium term.

Sources: IMF, CEIC, RBI, CSO. Bloomberg

Maneesh Dangi
CIO – Fixed Income
Aditya Birla Sun Life AMC Limited

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Equity Outlook

Over the past month, we have seen a smart rally in equity markets. While headline indices in the US are close to the pre-COVID highs, in India, the Nifty is still around 10% from its recent peak.

Looking ahead, the global equity markets are expected to remain volatile due to the resurgence of the virus in a few countries. However, a V-shaped economic recovery is expected, as is being seen in China. And fiscal and monetary policy will remain highly accommodative which should provide a supportive backdrop for equity markets.

In India, we are seeing initial signs of a reflation in the economy. Key high frequency indicators such as Purchasing Managers Index (PMI), electricity consumption, petrol/diesel consumption, etc. are showing improvement. The rural economy is resilient due to a good rabi harvest, normal monsoons and higher kharif sowing, and government's focus to put cash in the hands of the rural population through various schemes. Banks have recently announced that customers seeking moratorium on their loans have declined. The auto industry too, especially 2W, is seeing demand coming back to pre-COVID levels. Overall, this gives us confidence that things are recovering, and we can expect the economy coming back to normal by Q4 FY21.

In addition, interest rates are expected to be low for next few years and liquidity will remain high. This will justify higher equity valuations.

The market may look expensive now from a P/E perspective. However, in the current environment, when earnings are depressed and uncertain, P/B multiple is better indication of long term value. On P/B multiple market is still 10% lower than long term average.

In the current situation, taking a 3-year view rather than a short-term view would be advisable as the COVID crisis would have played out and the economy and valuations would have normalised. Over a 3-year timeframe, even from current levels, the market can deliver returns above their long-term average of 12.5%.

In the near term, in case of volatility, market should find support at about 10-12% correction. Hence, while not being too aggressive at current levels, steady investment should continue because one cannot predict and wait for the correction to happen and miss the boat. We are currently agnostic towards market cap and see equal risk reward in Large and Mid-and-smallcaps.

(Source – Bloomberg and ABSLAMC Research)

Mahesh Patil
CIO – Equity
Aditya Birla Sun Life AMC Limited

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Performance Of Select Funds

Data as on July 31, 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	-8.93	-2.64	-3.29	-0.27	4.52	12.03	9.52	14.43
ABSL Equity Fund	Aug-98	-12.04	-0.67	-2.57	-0.14	6.28	15.80	9.91	13.60
Axis Bluechip Fund	Jan-10	-6.23	4.64	2.66	8.63	8.67	13.63	10.74	—
Axis Focused 25 Fund	Jun-12	-9.58	4.03	-1.44	5.39	8.96	14.23	—	—
Canara Robeco Equity Diversified Fund	Sep-03	-4.24	7.64	2.53	5.95	6.72	12.71	10.03	13.90
HDFC Equity Fund	Jan-95	-15.32	-13.59	-6.06	-2.78	3.09	11.95	7.82	13.72
HDFC Top 100 Fund	Oct-96	-12.55	-11.30	-4.30	-1.41	4.01	11.32	7.87	13.84
HSBC Large Cap Equity Fund	Dec-02	-7.98	0.11	-1.16	1.96	6.11	11.24	7.67	11.44
ICICI Prudential Bluechip Fund	May-08	-8.14	-1.03	-1.57	2.19	5.96	12.39	10.28	—
IDFC Core Equity Fund - Regular Plan	Aug-05	-12.93	-3.62	-6.12	-1.84	4.52	9.96	6.98	—
Kotak Bluechip Fund - Regular Plan	Dec-98	-7.02	4.63	0.05	3.04	5.50	12.26	8.92	12.99
Kotak Standard Multicap Fund Regular	Sep-09	-9.94	-0.27	-1.09	2.22	7.19	15.40	11.54	—
Mirae Asset Large Cap Fund - Regular	Apr-08	-7.21	0.64	0.70	3.61	7.99	16.10	12.48	—
Mirae Asset Emerging Bluechip Fund	Jul-10	-5.66	7.43	4.71	5.04	11.57	23.99	18.16	—
Motilal Oswal Multicap 35 Fund	Apr-14	-8.54	1.26	-4.06	-0.57	6.18	—	—	—
Nippon India Large Cap Fund	Aug-07	-16.98	-11.86	-6.22	-1.65	3.32	12.51	9.02	—
Nippon India Multi Cap Fund	Mar-05	-23.73	-17.83	-9.54	-4.92	-0.44	10.20	8.12	13.21
Invesco India Contra Fund	Apr-07	-3.61	7.07	-0.40	5.47	8.33	18.65	11.79	—
SBI Bluechip Fund	Feb-06	-9.55	-1.63	-2.02	0.92	5.09	13.20	10.09	—
SBI Focused Equity Fund	Oct-04	-10.48	1.65	1.84	6.07	8.77	15.94	13.65	14.13

Midcap & Smallcap

Axis Midcap Fund	Feb-11	-5.64	12.63	4.42	8.64	7.30	19.12	—	—
DSP Midcap Fund - Regular Plan	Nov-06	-6.96	10.92	0.72	2.45	7.89	20.03	12.60	—
HDFC Mid-Cap Opportunities Fund	Jun-07	-11.67	-0.54	-7.00	-2.86	4.88	17.01	12.88	—
Kotak Emerging Equity Fund Regular	Mar-07	-13.15	4.00	-2.31	0.36	6.53	19.64	11.85	—
HSBC Small Cap Equity Fund	May-05	-14.29	-5.20	-13.00	-8.85	-0.50	16.15	5.87	8.60
L&T India Value Fund	Jan-10	-9.95	-2.35	-5.25	-2.41	5.10	16.59	11.63	—
SBI Magnum Global Fund	Sep-94	-1.17	12.79	1.22	4.43	5.16	15.81	12.48	15.25

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	-29.24	-22.44	-11.16	-7.02	4.72	14.76	11.12	—
Nippon India Banking Fund	May-03	-32.99	-29.05	-17.15	-10.20	0.81	11.11	7.29	12.98
ICICI Prudential Pharma Healthcare	Jul-18	37.12	53.06	20.60	—	—	—	—	—
Nippon India Pharma Fund	Jun-04	35.26	52.23	20.15	17.68	8.41	17.02	14.97	19.47
SBI Healthcare Opportunities Fund	Jul-99	30.84	50.19	18.05	8.53	2.68	13.49	14.97	13.38
Axis Long Term Equity Fund	Dec-09	-10.86	2.05	-0.52	5.06	7.32	17.28	14.40	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	-10.71	-3.71	-6.56	-1.35	3.75	13.08	10.01	—
Kotak Tax Saver Regular Plan	Nov-05	-10.99	1.07	0.46	1.90	5.80	14.13	9.01	—
Mirae Asset Tax Saver Fund - Regular	Dec-15	-6.69	3.84	2.72	5.07	—	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.61	2.18	4.80	5.63	5.75	5.95
IDFC Arbitrage Fund - Regular Plan	Dec-06	0.54	1.77	4.38	5.56	5.70	5.85
Kotak Equity Arbitrage Fund Regular	Sep-05	0.58	2.15	4.86	5.73	5.88	6.05

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	-9.15	-4.71	-4.68	-1.81	3.80	11.16	8.73	12.56
Canara Robeco Equity Hybrid	Feb-93	-1.26	9.09	4.69	6.00	7.56	14.16	11.06	14.42
DSP Equity & Bond Fund	May-99	-6.15	5.89	2.59	3.74	6.82	13.45	9.49	13.21
DSP Dynamic Asset Allocation	Feb-14	0.37	7.61	6.35	4.95	7.04	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	-3.22	4.71	4.26	5.11	6.90	—	—	—
ICICI Prudential Equity & Debt	Nov-99	-8.74	-3.89	-0.68	1.17	5.95	12.88	11.32	12.22
Invesco India Dynamic Equity	Oct-07	-1.99	3.22	0.36	2.54	5.55			
Kotak Equity Hybrid Fund	Nov-99	-8.86	1.80	0.58	1.64	5.52	9.92	8.11	10.74
L&T Hybrid Equity Fund	Feb-11	-4.99	1.92	-1.44	0.71	5.23	12.89	—	—
SBI Equity Hybrid Fund	Dec-95	-5.97	2.94	3.61	5.22	7.30	14.06	10.68	13.01
IDFC Equity Savings Fund	Jun-08	0.24	4.87	3.02	4.00	4.90	—	—	—
Kotak Equity Savings Fund	Oct-14	0.75	6.43	4.40	5.72	6.73	—	—	—

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	1.84	6.05	6.60	9.81	9.68	7.85	8.42
ABSL Medium Term Plan	Mar-09	5.33	9.11	3.26	-3.17	0.56	2.07	5.16
Invesco India Short Term Fund	Mar-07	1.09	4.77	6.56	10.63	9.81	7.76	7.87
SBI Magnum Income Fund	Nov-98	1.34	4.95	7.29	12.79	11.51	8.30	9.32
Axis Corporate Debt Fund - Regular	Jul-17	1.59	6.05	7.49	12.23	9.09	8.25	—
HDFC Corporate Bond Fund	Jun-10	1.30	5.44	7.83	11.85	11.33	9.00	9.17
Kotak Corporate Bond Fund	Sep-07	1.10	4.28	5.74	10.33	9.81	8.63	8.58
Kotak Banking and PSU Debt Fund	Dec-98	1.35	5.29	6.72	11.37	11.17	8.87	8.93
SBI Banking and PSU Fund	Oct-09	1.16	4.96	6.77	11.24	10.50	9.07	8.64
Kotak Savings Fund Regular Plan	Aug-04	0.48	2.11	3.59	7.10	7.64	7.26	7.51
L&T Ultra Short Term Fund	Apr-03	0.35	1.85	3.54	6.84	7.49	7.14	7.51

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
Tata Equity Savings Fund	03/07/2020	0.04
ICICI Prudential Balanced Advantage Fund	03/07/2020	0.07
Tata Hybrid Equity Fund	03/07/2020	0.21
Nippon India Balanced Advantage Fund	13/07/2020	0.15
Kotak Equity Savings Fund	14/07/2020	0.04
Sundaram Equity Hybrid Fund	14/07/2020	0.12
ICICI Prudential Focused Equity Fund	16/07/2020	1.00
ICICI Prudential Exports and Services Fund	16/07/2020	1.50
Invesco India Dynamic Equity Fund	21/07/2020	0.09
Kotak India EQ Contra Fund	21/07/2020	1.09
L&T Large and Midcap Fund	23/07/2020	0.13
Aditya Birla Sun Life Balanced Advantage Fund	24/07/2020	0.11
Edelweiss Aggressive Hybrid Fund	27/07/2020	0.19
Edelweiss Balanced Advantage Fund	27/07/2020	0.20
DSP Dynamic Asset Allocation Fund	28/07/2020	0.05
PGIM India Hybrid Equity Fund	28/07/2020	0.11
DSP Equity & Bond Fund	28/07/2020	0.15
HDFC Balanced Advantage Fund	28/07/2020	0.23
ICICI Prudential Technology Fund	29/07/2020	3.00
Motilal Oswal Dynamic Fund	30/07/2020	0.30
Aditya Birla Sun Life Focused Equity Fund	30/07/2020	0.87

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.

Debt Outlook

A new era of lower for longer

The Covid19 pandemic has swept the world and has brought in the global recession. To avert the situation, global central bankers have announced stimulus now more than the Global Financial Crisis (GFC).Debt levels had already been rising since the Global Financial Crisis (GFC) and are now set to increase further.With global GDP set to fall sharply this year and nearly USD 15 trillion in stimulus announced so far, these ratios (Debt/GDP)are bound to rise even further.

The COVID-19 crisis will have a lasting impact on societies and markets. Debt levels will be higher, perhaps permanently, and growth will be slower, at least in the medium term. In contrast to previous periods when high debt burdens were reduced either through inflation or default, many central banks are instead simply taking assets onto their balance sheets. The increases are smaller than after the GFC, however, and central banks are likely to buy a significant share of the new debt as QE programmes are expanded and extended. With moderate inflation, the main consequence will be interest rates remaining even lower for longer than investors had previously imagined.

Quasi Demonetisation World - Surplus Liquidity

The liquidity injection by global and domestic central bankers is keeping the fixed income markets strong. The M3 has expanded since Mar'20 and as of June'20 was up 12.5% YoY, the second fastest expansion rate since 2013. The source of M3 expansion has been a rise in credit to the government by both the RBI and other banks, which have absorbed the higher govt. paper issuance. Interestingly, 30% of higher M3 has found its way as currency in circulation which is growing at 21% pace, driven partly by higher rural activity. Remaining 70% is accumulated in the form of bank deposits.

The banking system liquidity is expected to remain in a surplus position aided by sustained growth in bank deposits as against the contraction in the bank credit growth. However, as the economy gradually opens up the liquidity may see partial moderation on account of marginal improvement in the bank credit offtake amidst improved credit disbursements by the banking sector.

[1] Source: IMF, April 2020
[2] Source: RBI, June 2020

Policy Initiatives	Objective	Time Period	Amount (₹ Trln)
Reduction in policy rate (750bps + 40bps)	Encourage on-lending	Mar & May 2020	-
TLTROs	Ease financial stress & liquidity management	April 2020	1.50
CRR cut by 100bps (Dispensation for 1 year) Relaxation over LCR & CRR	Augment liquidity in banking system	March 2020	1.37
MSF - O/N borrowing raised by 100bps	Augment liquidity in banking system	March 2020	1.37
SLF-MF	Additional liquidity support to Mfs	April 2020	0.50
Relief package - for NBFCs/HFCs/MFIs - for MSMEs - for DISCOMs - Special Refinance facility to Fls	Ease financial stress & market functioning	May 2020	
Increase limits to 30% from 25% under LEF	Improve resource mobilisation	May, 2020	-

Source: RBI, May 2020

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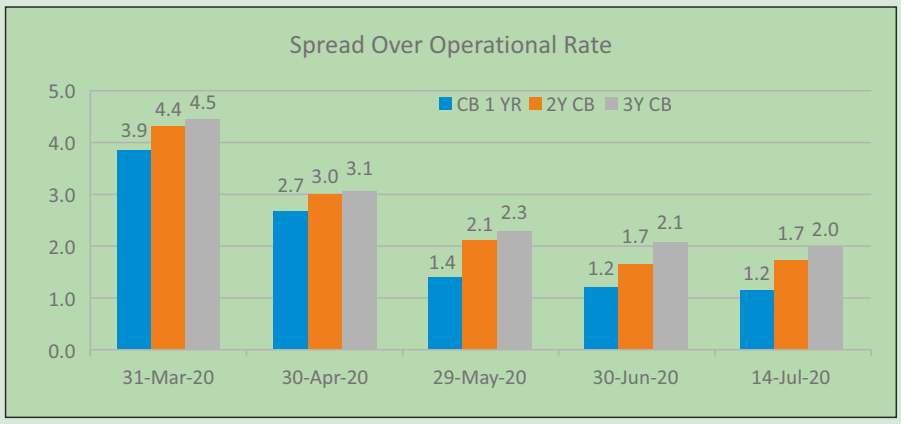
Liquidity to support shorter end of the curve

The decline in Government as well as corporate bond yields at the short-end is much higher than at the long-end. While the short-end benefitted from a steep cut in policy rates and a slew of liquidity enhancement measures taken by the RBI, the long-end remained relatively elevated owing to growth and fiscal concerns. In fact, the short-end (3-month G-sec yield) has been hovering closer to or below the reverse repo rate (the de facto policy rate in a surplus liquidity environment) since April-end. While the spreads across 1 - 3 year space between the Operational rate (at 3.1%) and AAA rated corporates have compressed, they are still in the range of 120-200 bps. As the credit markets ease, we believe that this spread will compress and may benefit the investors who remain at shorter end of the curve.



Source: Bloomberg Data as of Jul 14, 2020, Corporate Bond (CB) AAA

Our template for investing

All the above seems to have led to the existing investors running for cover in predominantly PSU and Banking papers where the investors are not seeking returns ON investment but assurance of return OF their investment. We have been very wary of chasing yields and since the IL&FS issue we have endeavored to maintain a conservative portfolio.Our preference of investments in liquid and high quality assets rather than chasing yields has helped us significantly and have been able to avoid a lot of accidents due to the freezing of the Credit markets post COVID.For shorter duration funds, we have created a conservative portfolio with most of the allocations in the PSU/ PFI/ Sovereign space.With the above movement in mind we intend to move over the credit curve at opportune moments and move from the current PSU/PFI/Sovereign space to AAA first and later to AA/AA+. As we believe that the measures announced coupled with the phased opening of the economy will make the banks be more open towards giving out loans to the AAA corporates first, and later as the Credit markets thaw we will be seeing credit being given to the AA rated corporates as well.

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