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WEALTHWISE®

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Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest, an AMFI-registered Mutual Fund Distributor. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 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. Providing quality service is our top priority. In keeping with that, we constantly take steps to provide up-to-date information to our clients. In the last eighteen years, thousands of our clients have made mutual funds the mainstay of their portfolios. You can benefit too from our service support 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@wiseinvest.co.in.**

Dear Investor,

Happy New Year! I hope 2023 brings you and your loved ones a lot of happiness, good health as well as good fortune. I also want to take this opportunity to thank you for your continued support and reiterate our commitment to serve you with complete honesty and sincerity.

2022 was a roller coaster ride for Indian as well as international markets. Thankfully, India was a standout market during the year. The strong flows from domestic investors not only cushioned the shocks of record-high selling by FIIs, but also helped the BSE Sensex and NSE Nifty end the year in positive territory. Both Sensex and Nifty were up around 5%, while the dollar-denominated MSCI India index gained close to 2%. In contrast, while the S&P 500 closed out its worst year since 2008, falling 20%, the Dow Jones Industrial Average lost 9%, and the tech-heavy Nasdaq was down 33%.

Overall, FPIs made a net withdrawal of ₹ 1.21 lakh crore from the Indian equity market in 2022 on aggressive rate hikes by the central banks globally, particularly the US Federal Reserve, volatile crude, rising commodity prices along with the Russia-Ukraine conflict. FPIs made a net infusion of ₹ 25,752 crore in equities in 2021, ₹ 1.7 lakh crore in 2020, and ₹ 1.01 lakh crore in 2019.

India collected ₹ 1.5 lakh crore as Goods and Services Tax (GST) in December. At ₹ 1.5 lakh crore, the GST collections for December were up 15.2 percent compared to the last month of 2021, and 2.5 percent higher from November 2022. Gross GST collections stood at ₹ 1.46 lakh crore in November 2022 and ₹ 1.3 lakh crore in December 2021. The GST collections have now exceeded the ₹ 1.4 lakh crore mark for 10 months in a row.

Retail inflation hit an 11-month low of 5.88% in November, dropping below the upper limit of the Reserve Bank of India's (RBI's) medium-term target of 2-6% after a gap of 10 months due to a sharp moderation in price pressure in food. However, industrial production shrank 4% in October, the second contraction in three months and the worst since August 2020.

We expect 2023 to be a year of consolidation in the stock markets. The disciplined equity investors with a clearly defined time horizon will be able to earn healthy returns. The key would be to build a quality portfolio and invest in line with one's asset allocation and maintain it irrespective of the market conditions.

Warm regards,

Hemant Rustagi
Editor

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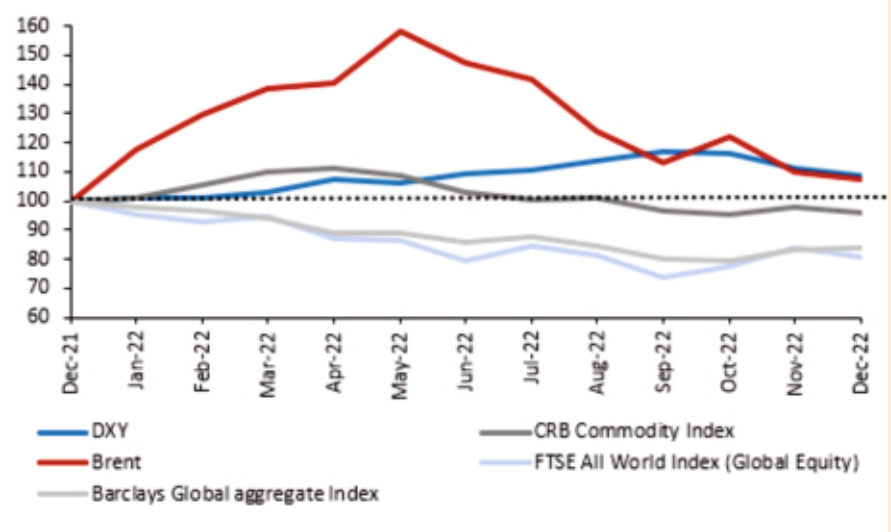
The Stock Market Performance During December 2022.

Indices	30th November 2022	30th December 2022	Change in (%)
Sensex	63,099.65	60,840.74	-3.58
MIDCAP	25,950.89	25,314.50	-2.45
SMLCAP	29,519.61	28,926.79	-2.01
BSE-100	19,081.70	18,425.17	-3.44
BSE-200	8,117.40	7,851.99	-3.27
BSE-500	25,406.76	24,605.78	-3.15

Market Outlook

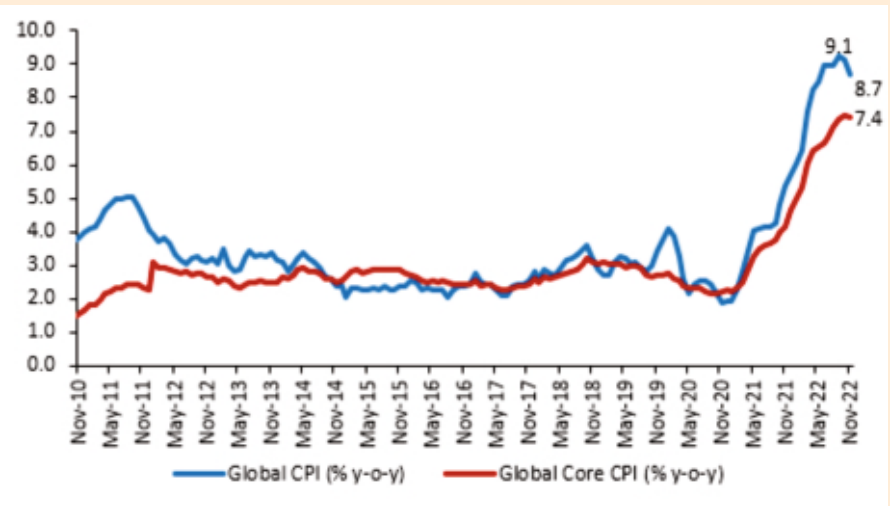
CY22 has turned out to be a bruising year for financial markets in general, as the settled template of benign inflation, lower/ near zero interest rates as well as a tranquil Geopolitical landscape gave way. What has replaced that is the new reality of persistent above target inflation, higher interest rates as well as geopolitical flashpoints. In line with the changing realities, as the year has progressed, less has been heard of exotic terms such as MMT (Modern Monetary Theory), SPAC's (special purpose acquisition companies) and speculative assets such as Bitcoins and other Cryptos. What has replaced that is the reality of a tough battle against inflation that necessitates higher rates and lesser accommodation of financial markets through liquidity injections. The result has been a drawdown in most asset classes globally with even the traditional 60/40 portfolios of equities and debt providing no hedge as both asset classes bore the brunt of rising rates. Commodities, helped by the geopolitical developments have been an outlier.



Source: SBIMF Research, Bloomberg

While the Russian invasion of Ukraine has been touted as the proximate cause of higher inflation, the genesis of this can be traced back to the extraordinarily large and synchronous monetary and fiscal loosening provided in the aftermath of the pandemic in 2020. While the immediate support was warranted, the role played by the delayed adjustment/ unwinding by key Central Banks will need to be debated. Perhaps that may continue to shape central bank actions going forward. Nowhere is this more apparent than the current divergence between market expectations of Central Bank pivots and the reality of continuing hawkish policy stances even as growth concerns start to emerge.

As markets hope for a pivot and dovish guidance, the year has ended with hawkish commentary from key global Central banks. This is perhaps likely to persist in the near term with the experience of " transitory inflation" narrative likely to incrementally result in realised inflation outcomes being assigned larger weightage as Central banks grapple with above target inflation alongside slowdown in growth. The recent emphasis on core inflation by most central banks attests to the worry on persistence as well as generalisation in price pressures.

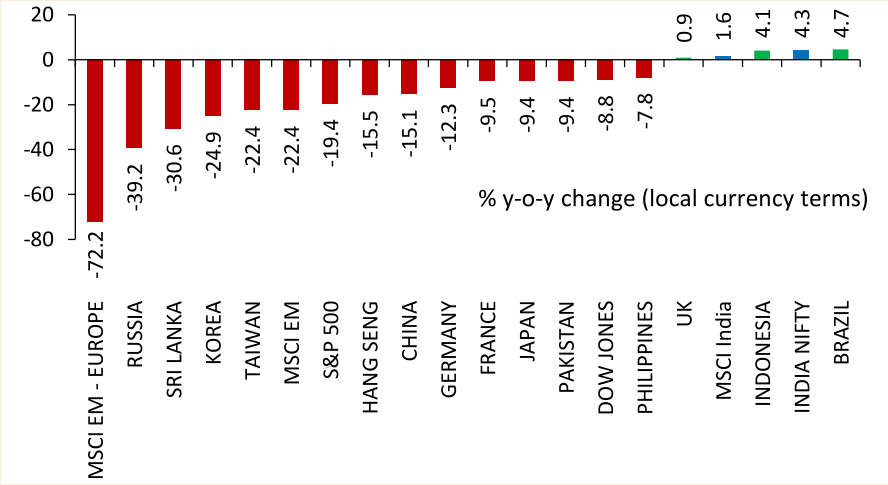


Source: SBIMF Research, Bloomberg

Equity

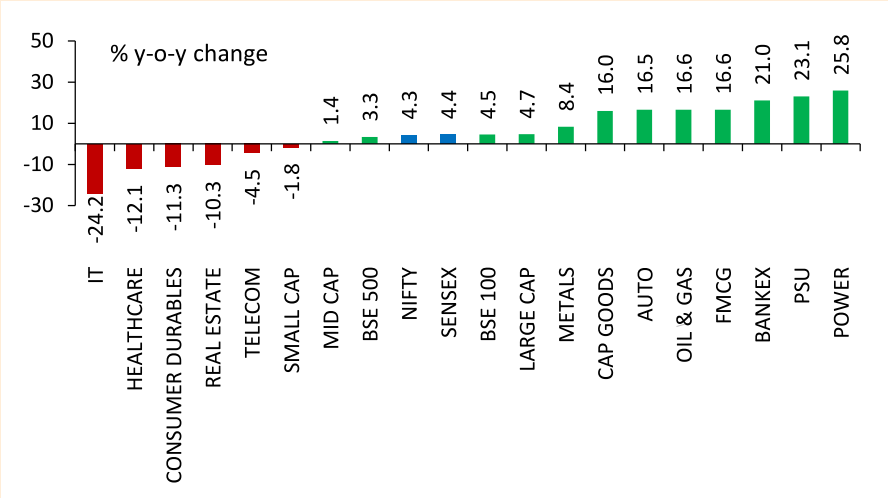
2022 ended up being an eventful year for investors. The year began with the Omicron scare which thankfully proved to be short-lived. However, just when Covid risks appeared to be fading, geopolitics flared up and aggravated the already grave inflation challenge. For equities, while frontline indices largely consolidated through CY2022 (gains of 5.8% each for the Nifty and the Sensex), the intermittent volatility was high. On one hand global macro uncertainty weighed on earnings outlook, on the other high bond yields continued to put pressure on equity valuations. Broader market performance was weaker with Mid and Small caps underperforming- Nifty MidSmall Cap 400 Index was up less than 1% for the year. Yet relative to global equities, India was a strong outperformer. Sectorally, economically linked sectors such as Banks, Power, Automobiles and Capital Goods did well while Information Technology and Healthcare were the worst performers. Similarly, value stocks had a much better outing versus quality and growth, which is typical of an inflationary, rising interest rate environment.

Indian equities were significant outperformers in CY22



Source: Bloomberg, SBIFM research

Cyclicals and Value did well in 2022



Source: Bloomberg, SBIFM research

As we enter 2023, there is reason to believe that the aggressive policy response should help tame inflation if it has not already done so. The lagged impact of tightening will however also mean growth sacrifice for the global economy. A sharp deceleration in global money supply growth and a sharply inverted yield curve in the US point to potential growth headwinds. While India's fundamentals are in much better shape, directionally global growth challenges will likely feed their way into weak exports and investment activity and hence lead to a slowdown in Indian economy as well. Therefore, growth concerns outweighing inflation challenges should be a dominant theme in the new year.

A related theme that we believe will likely play out in 2023 is a correction in the K-shape of the recovery. The recovery so far has been two-pronged. While

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Market Outlook...

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exports and related themes as well as high ticket, urban consumption did well, mass consumption suffered owing to high inflation eating into real disposable incomes. Consumption recovery in India has lagged other components of demand since the Covid shock. In 2023, consumption is likely to stand as a relatively resilient factor amidst growth headwinds, aided by improving jobs in the low-end segment and ebbing out inflationary pressures which will help to boost real spending. Overall, amidst slower growth the silver lining is that the K -shape should correct or normalize making the economy more balanced and hence growth more sustainable on the other side of the near-term sluggishness.

These themes will have several investment implications. On equity valuations, even as the worst of rate increase may be behind, macro uncertainty may limit valuation upside through a rise in equity risk premium. 2023 may therefore continue to be a year of volatility for equities, at least in the first half. Pockets such as mass consumption that benefit from cooling inflation and where demand is domestically driven may be better off in this environment. Asset class diversification beyond equities (into bonds, and to some extent Gold) should help. Within equities, diversification beyond pro-cyclical pockets such as value stocks and cyclical sectors should help too.

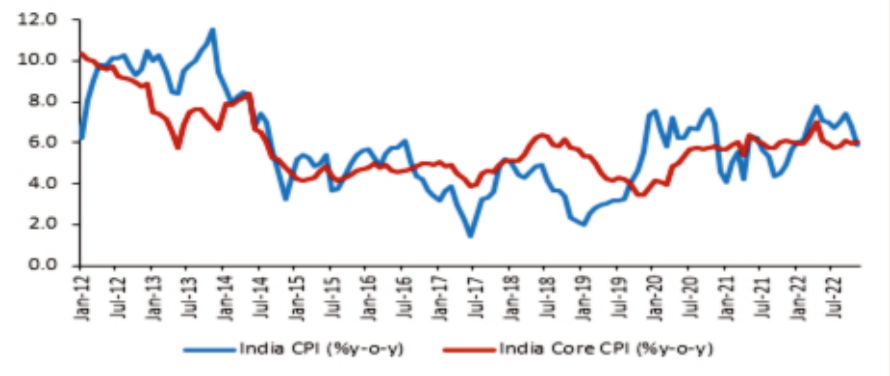
That said, once global headwinds fade, India can potentially post a strong rebound. India's corporate and bank balance-sheets are in a much better shape than the pains of last decade. Corporate debt to GDP has come off significantly from 71% in 2013 to 52% now. Banking sector has ironed out the stressed asset issues, with net NPA under 2% and capital adequacy ratio at a multi-year high of 16%. Corporate capex witnessed a modest expansion in 2022. While the corporate capex cycle could take a mild breather in 2023, once the global headwinds subside, strong balance-sheets coupled with production linked incentives, a decade long of minimal capex activity in India, mushrooming new age industries make a case for a strong medium term corporate capex cycle in India. China + 1 is a durable reality today as global firms diversify their production in other countries. India is also on the cusp of revival in real estate construction after a decade long dormancy.

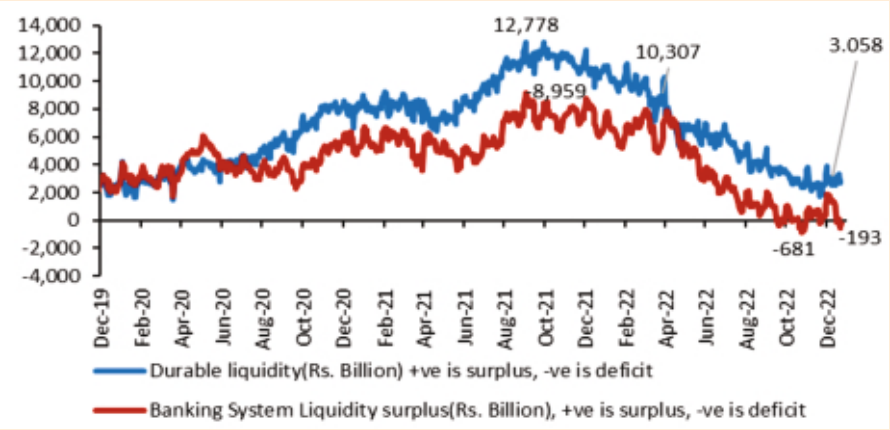
We therefore think of 2023 as a year of adjustment, where growth slows down but at the same time becomes more balanced setting stage for a more sustainable recovery on the other side. Beyond the near-term adjustment, India appears ripe for a multi-year uptrend in economic growth and earnings driven by manufacturing and investment revival. Navigating this interim phase will require a diversified strategy across assets as well as across styles, market caps and sectors within the equity portfolio.

Fixed Income

Central bank policy announcements in Dec 22 had a broader common messaging even as the anticipated downshift in rate actions happened. Even as most central banks incrementally dial down the pace of tightening, the guidance from financial market perspective continues to be hawkish. While the FED reiterated the message around rates likely to stay "higher for a bit longer", the ECB guidance emphasized that "interest rates will still have to rise significantly at a steady pace to reach levels that are sufficiently restrictive". The bigger and completely unanticipated directional shift came from the Bank of Japan which readjusted the upper end of the yield curve control target on the 10y Government security by 25bps to 0.50%.

The RBI MPC statement was similarly perceived as hawkish even as the rate hike was scaled down to 35bps increment as expected. References to elevated core inflation, the midpoint target of 4% as well as the still surplus system liquidity clearly points to the near-term policy preferences within the Flexible Inflation Targeting regime. For a fixed income investor with a medium-term horizon, a conservative Central Bank that assigns higher weightage to inflation outcomes alongside the visible improvement in Tax compliance/ tax buoyancy on the fiscal side are meaningful positives.





Source: Bloomberg, SBIFM research

Even as the wider external cues remained negative, with uptick in global yields, domestic rates were more sanguine in Dec 22 even as there was some retracement post the policy. While at a broader level, the divergence could be attributed to the relative better dynamics from a policy rate perspective,

Cont. on page 5...

Performance Of Select Funds

Data as on December 30, 2022

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	14.84	3.54	15.10	14.79	9.58	12.05	13.49	10.26
ABSL Flexi Cap Fund	Aug-98	14.51	-1.11	13.52	14.35	9.24	13.28	15.25	9.14
Axis Bluechip Fund	Jan-10	11.86	-5.66	6.69	10.86	11.46	12.56	13.71	—
Axis Focused 25 Fund	Jun-12	8.14	-14.50	2.97	8.66	8.15	12.25	13.11	—
Axis Growth Opportunities Fund	Oct-18	9.56	-8.89	14.79	17.99	—	—	—	—
Canara Robeco Flexi Cap Fund	Sep-03	13.43	-1.67	14.21	16.81	12.53	13.57	13.52	10.54
Canara Robeco Emerging Equities	Mar-05	12.69	-1.65	16.10	18.83	10.58	14.49	19.41	13.06
HDFC Flexi Cap Fund	Jan-95	20.27	18.29	26.96	19.69	12.04	14.58	14.66	11.56
HDFC Top 100 Fund	Sep-96	15.92	10.61	19.27	14.62	10.17	12.81	12.78	10.44
HDFC Large and Mid Cap Fund	Feb-94	16.99	8.17	24.44	19.92	12.05	13.16	11.66	6.96
HSBC Large Cap Fund	Dec-02	15.15	0.51	11.07	12.63	9.74	12.25	11.72	7.12
ICICI Prudential Bluechip Fund	May-08	15.27	6.85	17.51	16.14	11.26	13.58	14.23	—
ICICI Prudential Large & Mid Cap Fund	Jul-98	16.69	11.70	25.89	20.96	11.89	14.06	14.41	10.32
IDFC Core Equity Fund	Aug-05	19.08	6.93	19.77	17.43	9.75	13.06	12.60	7.21
Invesco India Contra Fund	Apr-07	15.75	3.79	15.99	17.68	10.79	14.59	16.50	12.08
Kotak Bluechip Fund	Dec-98	13.77	1.99	14.16	14.88	11.12	12.30	13.26	8.42
Kotak Equity Opportunities Fund	Sep-04	16.33	6.99	18.15	17.57	11.64	14.40	15.26	9.37
Kotak Flexicap Fund	Sep-09	16.77	5.00	14.76	13.74	10.36	13.37	15.30	—
Mirae Asset Emerging Bluechip Fund	Jul-10	11.73	-1.45	17.12	18.84	12.72	17.23	21.41	—
Motilal Oswal Large and Midcap Fund	Oct-19	22.55	1.66	19.67	17.24	—	—	—	—
Nippon India Large Cap Fund	Aug-07	17.97	11.33	21.42	15.63	10.59	12.92	14.32	9.97
Nippon India Multi Cap Fund	Mar-05	20.36	14.12	30.41	19.35	11.17	12.16	14.12	11.61
Parag Parikh Flexi Cap Fund	May-13	8.45	-7.23	16.21	21.33	15.25	15.35	—	—
PGIM India Flexi Cap Fund	Mar-15	12.30	-6.42	15.91	22.20	13.06	14.05	—	—
SBI Focused Equity Fund	Oct-04	11.15	-8.49	14.41	14.44	10.83	13.82	14.16	10.70
UTI Flexi Cap Fund	May-92	8.97	-13.42	7.71	15.13	12.02	12.79	13.97	11.07

Midcap & Smallcap

Axis Midcap Fund	Feb-11	11.45	-5.07	15.28	18.73	14.02	14.95	17.26	—
HDFC Mid-Cap Opportunities Fund	Jun-07	22.70	12.29	25.38	24.13	11.21	15.14	18.58	14.68
Kotak Emerging Equity Fund	Mar-07	16.37	5.13	24.48	23.59	12.63	16.21	18.62	10.52
Nippon India Small Cap Fund	Sep-10	19.21	6.54	36.34	33.90	14.27	18.86	23.91	—
Motilal Oswal Midcap Fund	Feb-14	19.70	10.71	31.39	23.55	12.54	13.88	—	—
PGIM India Midcap Opportunities	Dec-13	13.65	-1.66	26.95	33.70	15.72	15.87	—	—
UTI Mid Cap Fund	Apr-04	14.44	-0.75	19.19	23.51	9.83	12.97	17.99	12.02

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	21.59	11.95	17.59	9.30	8.27	14.71	14.84	—
Nippon India Banking & Financial	May-03	27.42	20.70	25.17	11.88	8.89	13.72	13.07	12.92
ICICI Prudential Pharma Healthcare	Jul-18	6.74	-8.50	4.02	22.85	—	—	—	—
Nippon India Pharma Fund	Jun-04	8.36	-9.90	5.68	22.95	14.37	9.47	15.05	16.00
SBI Healthcare Opportunities Fund	Jul-99	11.13	-6.02	6.27	23.26	10.91	5.69	13.98	12.42
Kotak Pioneer Fund	Oct-19	7.66	-8.36	11.70	18.40	—	—	—	—
Axis Long Term Equity Fund	Dec-09	11.59	-11.97	4.71	9.73	9.26	11.37	15.94	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	15.93	4.20	24.72	22.66	11.24	14.77	16.45	—
Kotak Tax Saver	Nov-05	17.64	6.92	19.39	17.87	12.14	14.31	14.28	8.20
Mirae Asset Tax Saver Fund	Dec-15	12.28	0.15	16.43	18.09	12.90	17.62	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.39	2.33	4.19	4.03	4.11	4.89
IDFC Arbitrage Fund	Dec-06	1.41	2.29	4.11	3.83	3.82	4.77
Kotak Equity Arbitrage Fund	Sep-05	1.45	2.36	4.53	4.25	4.27	5.03

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	7.64	-1.74	10.47	10.86	6.27	9.25	11.71	9.59
Canara Robeco Equity Hybrid	Feb-93	11.51	1.35	11.56	14.19	10.97	11.80	13.38	10.80
DSP Equity & Bond Fund	May-99	12.01	-2.72	9.94	12.24	8.89	11.30	12.35	9.64
ICICI Prudential Equity & Debt	Nov-99	12.47	11.70	25.85	19.92	13.07	14.76	15.79	11.47
Kotak Equity Hybrid Fund	Nov-99	11.64	5.01	16.35	16.01	10.82	12.53	12.26	8.48
SBI Equity Hybrid Fund	Dec-95	10.69	2.27	12.45	12.59	10.10	11.50	13.93	9.60
ABSL Bal. Advantage Fund	Apr-00	9.20	4.19	8.71	10.88	8.22	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	8.03	7.90	11.48	11.54	9.50	—	—	—
IDFC Bal. Advantage Fund	Oct-14	8.37	-1.83	6.51	8.60	7.09	—	—	—
Kotak Bal. Advantage Fund	Aug-18	8.34	3.76	8.27	10.03	—	—	—	—
Nippon India Bal. Advantage	Nov-04	8.70	5.09	10.28	10.57	8.00	—	—	—
IDFC Equity Savings Fund	Jun-08	4.42	2.49	6.26	7.43	6.09	—	—	—
Kotak Equity Savings Fund	Oct-14	6.76	6.81	8.94	9.41	8.01	—	—	—

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	0.43	1.51	3.29	4.19	4.02	6.31	6.78
Axis Corporate Debt Fund	Jul-17	0.39	1.53	3.01	3.69	3.69	6.24	6.52
HDFC Corporate Bond Fund	Jun-10	0.41	1.58	3.46	3.27	3.59	6.26	7.10
Kotak Corporate Bond Fund	Sep-07	0.36	1.55	3.03	3.67	3.72	5.66	6.79
Kotak Banking and PSU Debt Fund	Dec-98	0.31	1.58	3.36	3.60	3.76	5.96	7.06
SBI Banking and PSU Fund	Oct-09	0.44	1.55	2.62	2.87	2.73	5.24	6.53
ICICI Prudential Savings Fund	Sep-02	0.43	1.42	3.75	4.50	4.14	5.60	6.55
Kotak Savings Fund	Aug-04	0.54	1.51	2.70	4.46	3.84	4.50	5.73

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

Dividends declared by equity and equity-oriented funds during the month of December 2022

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Monthly	01/12/2022	0.16
Sundaram Aggressive Hybrid Fund - Monthly	16/12/2022	0.25
PGIM India Hybrid Equity Fund - Monthly	16/12/2022	0.14
ICICI Prudential Long Term Equity Fund (Tax Saving)	19/12/2022	0.50
Sundaram Diversified Equity Fund	23/12/2022	0.38
Edelweiss Aggressive Hybrid Fund	26/12/2022	0.15
Edelweiss Long Term Equity Fund (Tax Savings)	26/12/2022	0.30
ICICI Prudential Infrastructure Fund	27/12/2022	1.70
ICICI Prudential Multicap Fund	27/12/2022	2.50
Edelweiss Long Term Equity Fund (Tax Savings)	27/12/2022	0.30
Axis Equity Hybrid Fund - Monthly	27/12/2022	0.10
Axis Equity Hybrid Fund - Quarterly	27/12/2022	0.30
DSP Equity & Bond Fund	28/12/2022	0.20
IDFC Hybrid Equity Fund	29/12/2022	0.19
LIC MF Equity Hybrid Fund - Plan A	29/12/2022	0.10
LIC MF Tax Plan	29/12/2022	0.25
LIC MF Large & Mid Cap Fund	29/12/2022	0.25
PGIM India Large Cap Fund	30/12/2022	0.36

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 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.

Market Outlook...

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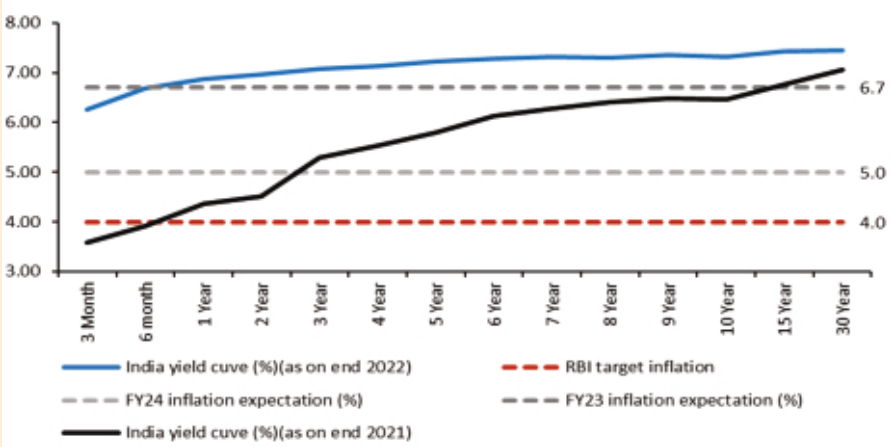
shallow market conditions in terms of liquidity towards the year end could also have been at play. Overall, over the last year, domestic bond markets witnessed an effective policy tightening of around 300bps with the change in the overnight settings (policy operating target) helped by the unwinding of surplus liquidity. A significant flattening of the curve, apart from still tight credit spreads remains the other key outcome.



Source: Bloomberg, SBIFM research

Over the last quarter of the year, issuance pressure in the bond markets increased with a large volume of issuances from banks, both in Basel 3 instruments as well as Infrastructure bonds. This has been alongside the issuances in the Money market through CD's and the upward repricing seen in deposits. Alongside the unwinding of surplus liquidity, the issuance schedule could set the stage for a reasonable repricing in credit spreads over the coming months. EBP issuances in Q3 FY23 at ₹ 2.38 trillion grew by 67% y-o-y as compared to the Q3 FY22 issuance size of ₹ 1.42 trillion. Cumulative issuances in 9mFY23 have been ₹ 4.88 trillion as against the corresponding 9mFY22 issuance of ₹ 3.71 trillion, growing at 31% y-o-y. Within this, the issuances from Banks in just Q3FY23 was at ₹ 61,194 crs as against full year FY22 issuance size of ₹ 76,309 crs.

As we head into CY23, the outlook towards Fixed Income as an asset class in India continues to remain positive as we have been emphasising in the recent past. However, this does not imply a view on any immediate shift in stance or any near-term easing. Considering the evolving dynamics, Monetary policy making in India clearly has reached a stage where subjective assessments would come into play, unlike the case a year back when all indicators pointed to a shift in the stance towards tightening aggressively. After a material shift in both the policy rates and more importantly liquidity dynamics over the last 7 months, the argument towards assessing lag effects of earlier actions is compelling. This alongside the forward-looking estimates on growth and inflation would warrant a pause in the near term. At the same time, the focus on the midpoint of the inflation target, alongside likely spill over volatility from external developments would necessitate that policy stance continues to focus on withdrawal of accommodation.

The navigation of challenges including the external spill overs and the persistence of inflation would necessitate adjustments across policy rates, currency markets as well as liquidity dynamics. With the policy rate adjustments having broadly been accomplished and the recent adjustment in the currency, ongoing adjustments to further modulate liquidity would be essential. This may entail a period where market rates stay elevated for a while longer. With respect to navigating the same within portfolios, a flexible approach and focus on liquidity continues to be key guiding factors in the near term.

The medium-term positive view on domestic fixed income continues to be based on the following assessment.

- The emerging growth – inflation outlook as well as cumulative effects of earlier rate actions, alongside a forward looking real neutral rate range of around 1% should enable policy rate actions to pause at close to 6.5%.
- Market yields provide a positive real rate across most tenors both on realised and anticipated forward measures of inflation. This is unlike the scenario prevalent over the last few years.
- Fixed income yields remain attractive both on relative and absolute basis, notwithstanding near-term volatility.
- Inspite of challenges arising from the larger stock of Public debt/GDP, fiscal consolidation outlook is promising as tax buoyancy is improving led by better compliance.
- Interest rate sensitive flows within the capital account are far less even as the outstanding stock held by debt FPI's is very marginal. This is a crucial variable within the external sector account that provides a high resilience to external pressures.

Even as challenges persist in the near term, the above positives should provide a high degree of resilience. Fixed income products across categories provide attractive value currently. At the same time, it is essential that the same be aligned with specific risk tolerance and investment tenors.

Rajeev Radhakrishnan
CIO for Debt
SBI Funds Management Limited

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

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 December 30, 2022. 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)
Aditya Birla Sun Life Frontline Equity Fund	Aug-02	10000	6	8.49	14.03	12	23.32	12.81
Axis Focused 25 Fund	Jun-12	10000	6	7.38	8.30	12	22.22	11.94
Axis Long Term Equity Fund	Dec-09	10000	6	7.60	9.49	12	23.64	13.07
Axis Small Cap Fund	Nov-13	10000	6	10.75	23.78	12	-	-
ICICI Prudential Bluechip Fund	May-08	10000	6	8.84	15.69	12	24.90	14.05
Kotak Emerging Equity Fund	Mar-07	10000	6	9.91	20.39	12	32.39	18.95
Kotak Equity Opportunities Fund	Sep-04	10000	6	9.06	16.69	12	26.57	15.26
Kotak Tax Saver Fund	Nov-05	10000	6	9.17	17.16	12	26.59	15.27
Mirae Asset Emerging Bluechip Fund	Jul-10	10000	6	9.23	17.43	12	33.87	19.78
Motilal Oswal Midcap Fund	Feb-14	10000	6	10.36	22.24	12	-	-
Nippon India Multi Cap Fund	Mar-05	10000	6	9.63	19.22	12	25.94	14.81
UTI Mid Cap Fund	Apr-04	10000	6	9.39	18.15	12	28.41	16.51

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.

Debt Outlook

US Fed has hiked rates by 425 bps in CY 2022 from 0-0.25% to 4.25-4.25%. In the last Federal meeting, Federal Reserve has indicated further rate increases taking Fed rate to 5-5.25% and rate cuts in CY 2024. However, we believe Fed rates to peak in the band of 4.75-5%. (Fed Fund Futures are also indicating the same.

The yield curve is inverted in US with 10 year US Treasury is trading at 3.75% levels and 2 year US Treasury is trading at 4.30%. Inverted yield curve suggest shallow rate hike cycle. We expect Fed to Pivot in Q4 of CY 2023. The inverted yield is likely to start steepening post the FED Pivot.

In CY 2022, RBI has raised repo rate by 225 bps from 4% to 6.25%. However, the actual tightening has been ~ 300 bps, given the overnight rates have shot up from 3.35% to 6.25% levels.

RBI Inflation projection for H1 FY 24 is pegged at 5.20%. Assuming 100 bps real rate over inflation, 6.25% repo rate seem to appropriate. However, given Fed is likely to raise rates by additional 50 bps, one more 25 bps hike in repo rate can't be ruled out.

Core Liquidity in the system has reduced from April 22 till date on account of Cash Reserve Ratio hike, reduction in Foreign Exchange Reserves & increase in currency in circulation and is expected to reduce further from here till March 2023. RBI will add liquidity in the system during the course of the CY 2023 either through absorption of foreign exchange flows or through CRR cut/ Open Market Operations.

Credit Growth has been strong growing upward of 15% year on year. High credit growth coupled with tight liquidity is also exerting upward pressure on rates.

Centre Fiscal Deficit for FY 24 is likely to be in the band of 5.8-6.00%. Gross supply of Central Government and State Government Securities is likely to 22 lakh crs plus.

FY 24 growth is likely to be in the band of 5.5-6%. Lower inflation going ahead and Fed Pivoting may open up space for easing towards beginning of CY 2024.

The yield curve has flattened over the course of last 1 year due to rate hikes by RBI. The flat yield curve is also likely to steepen over the course of next 12-18 months. Hence, we prefer the 3-7 year segment in the yield curve.

To summarize, Central Bankers raised rates in CY 2022, likely to raise marginally more in CY 2023 and then eventually ease towards end of CY 2023, early 2024. As per our view Markets have priced in any incremental hikes in first half of CY 2023 and the current yield curve is likely to remain in a narrow range at least for the first half of CY 2023.

Mutual Fund portfolio yields have risen by ~ 200 bps over the course of last 12 months. Hence investors should look to lock in money at these higher levels of portfolio yield.

Investors should match their time horizon with the duration of the portfolio and can look to go one step higher on duration over the course of next 3-6 months.

Deepak Agrawal
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Kotak Mahindra Asset Management Co. Ltd.

Disclaimer

Mutual Fund investments are subject to market risks, read all scheme related documents carefully. The NAVs of the schemes may go up or down depending upon the factors and forces affecting the securities market including the fluctuations in the interest rates. The past performance of the mutual funds is not necessarily indicative of future performance of the schemes.

A Note To Our Esteemed Readers

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