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WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

Inside

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,

The S&P BSE Sensex was up 2.80% during the month of July 2023. The midcap and small cap indices of the BSE were up 5.71% and 7.36% respectively during the month. The Sensex has moved up 7565.55 points or 12.83% over the last five months, the largest five-month point and percentage gain since Nov. 2022.

Indian stock market has been rallying, in line with the global market trend. The cooling inflation across the globe gave hope of an end to the policy tightening era. The latest positive development was the Eurozone's inflation coming in at 5.3%, slowing for the third consecutive month in July. Moreover, the euro zone economy grew by 0.3% during the June quarter, slightly surpassing market expectations.

The first quarter report card of India Inc so far has been largely in line with expectations. The sharp rally in Indian equities in the past few months, which took benchmark indices to all-time highs, was primarily led by sectors such as automobiles, capital goods, and fast-moving consumer goods, while sectors such as metals and information technology lagged. While the aggregate profit of Nifty 50 companies rose 37% YoY and 10% sequentially in the quarter ended June, there has been a de-growth of 12%, if the financial sector is excluded.

The government's Goods and Services Tax (GST) collections was up 10.8% YoY in July. At ₹ 1.65 lakh crore, the July GST collections is the third-highest of all time and is 2.2% higher than the collections in June, which was the third-highest monthly mop-up. This is the fifth month in a row that the monthly GST collection has come in above the ₹ 1.5-lakh-crore mark.

The IMF raised India's growth forecast for FY24 to 6.1%, up from 5.9% estimated in April 24, citing strong domestic investment. The FY25 forecast is unchanged at 6.3%. India's core sector growth accelerated to 8.2% in June, the fastest in five months on account of capital expenditure push by the central and state governments.

India's retail inflation, which is measured by the consumer price index (CPI), rose to a three-month high of 4.81% in June 2023, from 4.25% in May this year. CPI hit the highest of 7.79% in Apr. 2022, and the lowest of 4.06% in Jan. 2021.

Warm regards,

Hemant Rustagi
Editor

Address to be affixed here

If undelivered, please return to:

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

The Stock Market Performance During July 2023.

Indices	30th June 2023	31st July 2023	Change in (%)
Sensex	64,718.56	66,527.67	2.80
MIDCAP	28,776.20	30,419.75	5.71
SMLCAP	32,602.14	35,002.32	7.36
BSE-100	19,571.34	20,150.32	2.96
BSE-200	8,273.51	8,556.65	3.42
BSE-500	26,078.65	27,069.01	3.80

Market Outlook

Global Macro & Markets – July 2023

India's NIFTY index ended the month with 2.9% gains over July. The S&P500 (+3.1%), the Euro 50 (+1.6%), and the MSCI World (+3.3%) were all gainers, with Japan's Nikkei remaining broadly flat (-0.1%). Among EM indices, the MSCI EM, the HANG SENG, BOVESPA Brazil, and the MOEX Russia, all recorded positive month over month growths in July, of +5.8%, +6.1%, +3.3% and +9.9% respectively. LME Metals Index surged by +6.3%, owing to expectations of fiscal support via stimulus from China's central government, augmented by a marginally weaker dollar and dull economic activity data from China.

WTI and Brent Crude soared up in June, by +15.8% and +14.2% respectively, as Brent Crude notched up its steepest monthly gains since January 2022, as the market tightened post OPEC+ (Organization of the Petroleum Exporting Countries plus) supply cuts, even as the demand outlook remained stable. The Dollar index weakened by -1.0% over the month, with the Dollar depreciating by -0.4% vis-à-vis EM currencies and appreciating by +0.3% against the Indian Rupee. India 10Y G-Sec ticked upwards by 6 bps, while the USA's 10Y G-Sec yields rose by 12 bps, and the German Bund rose by 10 bps, with rates settling at 7.18%, 3.95% and 2.49% respectively.

Domestic Macro and Market – July 2023

The BSE SENSEX (+2.8%) rose in July, in tandem with other Indian indices. BSE Mid-cap and small-cap indices outperformed the SENSEX and were up +5.7% and +7.4%, respectively. Sector-wise, all sectors barring consumer durables ended the month in green, with PSUs, Power and realty witnessing the largest growths of +9.3%, +9.2% and +9% respectively. Consumer durables marginally fell, with a -0.3% degrowth.

Rallies in Indian indices were partly driven by FII flows, as FIIs continued to be net buyers of Indian equities in July, albeit at a lower quantum (+$4.2 Bn, following +$5.3 Bn in June). DIIs turned into net sellers of Indian equities (-$0.3 Bn, down from +$0.5 Bn from last month).

India's high frequency data update:
Elevated levels of GST collections, tolerable retail inflation, deflated input inflation, rising core sector outputs, and elevated credit growth augurs well for the Indian economy.

India PMI: Manufacturing PMI in July 2023 came in at 57.7, down to a 3-month low, and remained in expansion zone (>50) for the 25th straight month, sustained by new orders growth at its highest since November 2022. Input cost inflation hit a 9-month high but remained well below the series average. Lead times shortened for the fifth month sequentially. Indian Services PMI surges ahead to 13 years high level of 62.3 supported by robust domestic and export demand. Composite PMI also came in at 13-year high reading of 61.9!

GST Collection: Collections of INR 1.65 Tn (+11% YoY) in July 2023 concluded the seventeenth consecutive month of collections over the INR 1.4 Tn mark, following record collections of INR 1.87 Tn in April 2023. This is the fifth time that GST collections crossed the INR 1.6 Tn mark since the inception of the system 6 years ago. The MoM and YoY rise in collections was owed to rises in domestic transactions (Including import of services) (+15% growth YoY). Rising compliance, boosted economic activity and improved consumer spending are key proponents of sustained GST collections.

Core Sector Production: Core sector production growth accelerated to 8.2% in June 2023, against a 5% growth in May 2023, owing to an expansion in seven of the eight component sectors. Production of Coal, Fertilizers, Steel, refinery products, electricity, natural gas, and Cement rose by 9.8%, 3.4%, 21.9%, 4.6%, 3.3%, +3.6% and 9.4% YoY respectively. Crude oil was the only component that declined, by -0.6%.

Industrial Production: Factory output as measured by the IIP index rose MoM by 5.2% YoY in May 2023 vs a growth of 4.5% YoY in April 2023. Mining output rose +6.4% while power generation grew by 0.9% YoY in May.

Credit growth: Credit growth reached over 14% YoY as of 14th July 2023 against YoY growth of 12.9% as observed on 15th July 2022.

Inflation: June 2023's CPI inflation rate rose for the first time in five months 4.81% from 4.25% in May 2023, led by an unsupportive base, and rising food inflation rates (+4.49%). The rate remains below the RBI's upper tolerance band of 6%. WPI inflation continued to drop for the thirteenth straight month, with the June 2023 print at -4.12%, 54 bps down from May 2023's at -3.58%, as a favourable base effect came into play for manufactured goods, fuel and primary articles. This was the lowest print witnessed since October 2015.

Trade Deficit: Indian Merchandise Exports recorded a decline of -22% YoY to $32.97 Bn in May 2023, while Imports growth declined by -17.5%% YoY to $53.10 Bn. India's trade deficit narrowed by 8.7% to $20.13 Bn. Exports lowered to a 8-month low, as global demand weakened.

Monthly Performance for Key Indices:

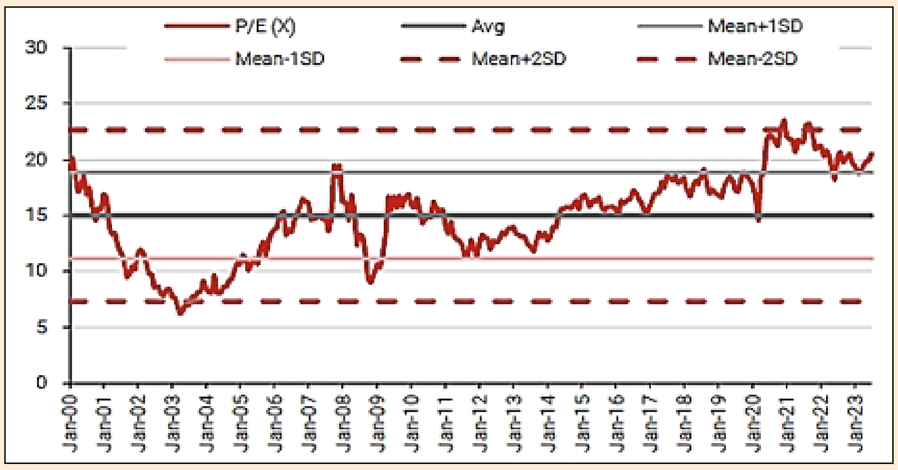
INDEX	2021	2022	May-23	Jun-23	Jul-23
MSCI WORLD	20.1%	-19.5%	-1.2%	5.9%	3.3%
S&P 500 (US Markets)	26.9%	-19.4%	0.2%	6.5%	3.1%
Euro 50	21.0%	-11.7%	-3.2%	4.3%	1.6%
MSCI EM	-4.6%	-22.4%	-1.9%	3.2%	5.8%
HANG SENG	-14.1%	-15.5%	-8.3%	3.7%	6.1%
Nifty 50 India	24.1%	4.3%	2.6%	3.5%	2.9%
LMEX LONDON METALS INDEX	31.8%	-11.5%	-7.2%	1.5%	6.3%
BRENT	50.2%	10.5%	-8.6%	3.1%	14.2%
DOLLAR INDEX SPOT	6.4%	8.2%	2.6%	-1.4%	-1.0%
BSE SENSEX	22.0%	4.4%	2.5%	3.3%	2.8%
BSE MIDCAP	39.2%	1.4%	6.3%	6.2%	5.7%
BSE SMALLCAP	62.8%	-1.8%	5.6%	6.8%	7.4%
USDINR	1.7%	11.3%	1.1%	-0.8%	0.3%

Note: Market scenarios are not reliable indicators for current or future performance. The same should not be construed as investment advice or as any research report/research recommendation.

Past performance may or may not be sustained in future.
Source: Bloomberg

Valuations
With the run up in markets in the last few months, valuations in several pockets have become elevated like companies with less than 5k crs MCap, IPO market and Manufacturing (pockets like Defence). In the given market scenario, stock selection along with risk management become critical.

Nifty 50 P/E movement



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Market Outlook...

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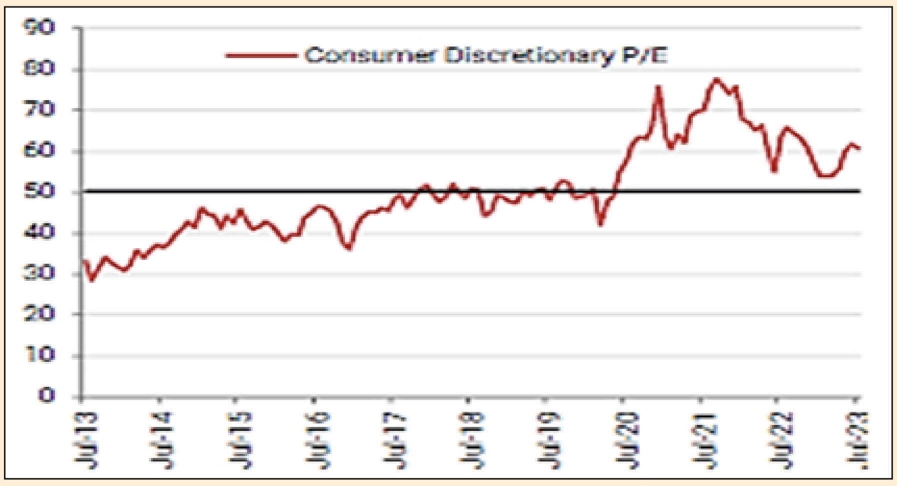
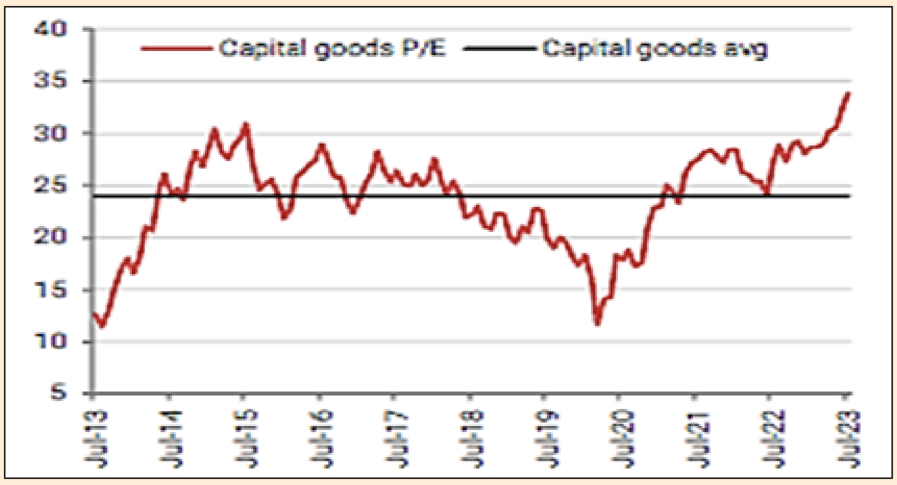
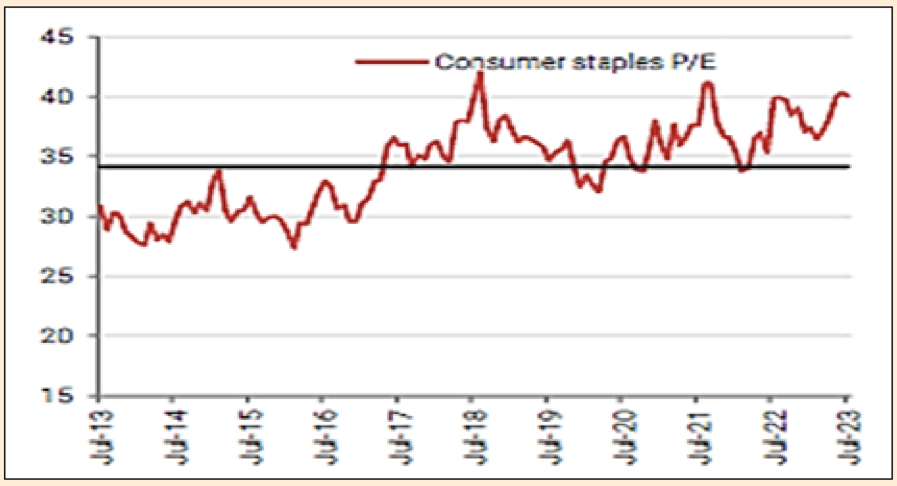






Source: Kotak Institutional Equities Research

Market View

Higher interest rates have weighed on the global growth prospect. While the inflation may have peaked out globally, but with the elevated levels markets may look for clarity on Central Banks' stance on the direction of interest rates.

Domestic macro trends have been resilient despite global uncertainty. Green shoots are visible on the industry Capex recovery which will be supported by PLI, Localization, C+1. India's external sector situation continues to improve led by strong services exports and lower imports. While revenue growth is still muted, with a low base effect coming into play from next 2 quarters, revenue uptrend should look better in H2. We have also seen a sharp recovery in Monsoon after a weak start. Pan India deficit has materially reduced led by monsoon coverage in Western and Northern regions.

India's tax collections to GDP, credit to GDP and most importantly rising corporate earnings to GDP reflect transparency and formalisation reforms undertaken in the pre-pandemic period.

While valuations remain challenging in the near term. We believe medium to long term opportunities remain strong for India and will be driven by investment cycle & policy reforms. We are positive on Large Banks, Power/Energy Transition and Healthcare.

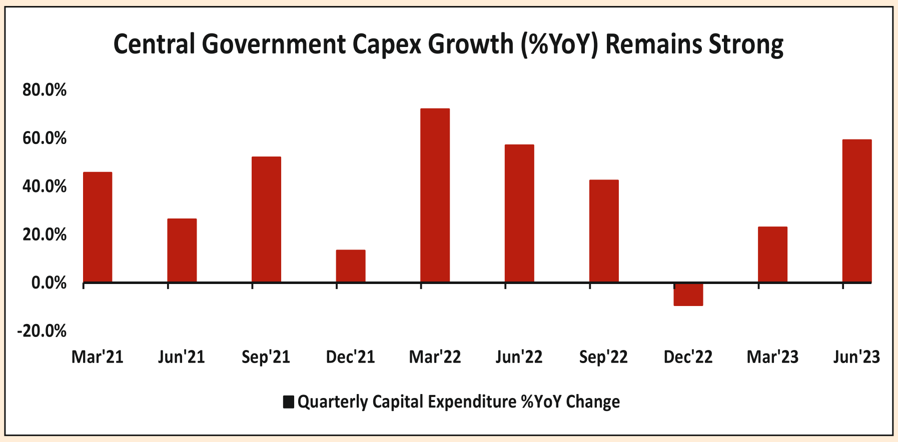
We suggest investors should have a long-term orientation for equity investments and should consider products based on their investment goals and risk appetite. Investors can look to invest in a staggered manner to ride the near-term uncertainties. Conservative investors may consider asset allocation strategies.

Note: The sectors mentioned are not a recommendation to buy/sell in the said sectors.

Past performance may or may not be sustained in future.

Chart of the Month

The Central Government's quarterly capex growth (YoY%) is picking up and remains strong, on a YoY (%) and QoQ (%) basis, with the latest figure (Q1FY24) coming in at ~59%YoY. This bodes well for infrastructure related segments of the economy.



Common Sources: NIMF Research, CMIE, Bloomberg

Ashutosh Bhargava
Fund Manager & Head- Equity Research
Nippon India Mutual Fund

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

Performance Of Select Funds

Data as on July 28, 2023

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 Flexi Cap Fund	Aug-98	15.04	18.18	8.92	22.72	12.11	12.88	17.51	13.57
ABSL Frontline Equity Fund	Aug-02	13.55	17.62	11.83	22.22	11.65	11.73	14.87	13.71
Axis Focused 25 Fund	Jun-12	15.67	5.25	0.61	14.04	7.79	11.85	13.99	-
Axis Growth Opportunities Fund	Oct-18	19.60	17.35	8.50	25.11	-	-	-	-
Bandhan Focused Equity Fund	Mar-06	18.41	14.90	9.27	16.90	8.31	11.65	12.09	10.42
Canara Robeco Flexi Cap Fund	Sep-03	13.77	15.38	9.71	21.11	13.59	14.44	15.05	14.40
HDFC Flexi Cap Fund	Jan-95	15.50	25.79	20.74	32.33	15.77	15.04	17.39	15.35
HDFC Large and Mid Cap Fund	Feb-94	20.02	25.44	18.03	31.72	15.82	14.41	13.64	11.29
HDFC Top 100 Fund	Sep-96	14.88	22.76	16.76	25.41	13.06	13.02	15.22	13.67
ICICI Prudential Bluechip Fund	May-08	13.35	21.80	14.86	24.05	13.36	13.61	15.55	14.95
ICICI Prudential Large & Mid Cap Fund	Jul-98	15.03	23.09	19.11	31.29	15.91	14.32	16.21	13.75
Invesco India Contra Fund	Apr-07	14.00	18.05	11.53	21.97	12.73	14.92	19.48	15.81
Kotak Bluechip Fund	Dec-98	12.16	16.21	10.24	20.66	12.52	12.28	14.63	11.85
Kotak Equity Opportunities Fund	Sep-04	18.07	21.98	14.31	25.20	15.07	14.73	17.29	13.79
Kotak Flexicap Fund Regular Plan	Sep-09	13.51	18.01	10.62	20.52	11.71	12.92	16.89	-
Kotak Multicap Fund	Sep-21	20.60	28.64	-	-	-	-	-	-
Mirae Asset Emerging Bluechip Fund	Jul-10	15.72	16.65	9.88	25.45	16.93	17.41	24.12	-
Motilal Oswal Large and Midcap Fund	Oct-19	19.42	28.40	12.87	27.94	-	-	-	-
Nippon India Large Cap Fund	Aug-07	19.07	25.66	19.73	29.13	14.08	14.39	17.27	13.59
Nippon India Multi Cap Fund	Mar-05	24.09	30.99	24.54	37.97	16.96	15.13	17.82	16.67
Parag Parikh Flexi Cap Fund	May-13	17.17	24.37	10.98	25.31	17.88	17.89	19.00	-
PGIM India Flexi Cap Fund	Mar-15	13.34	15.36	6.37	23.68	15.84	14.60	-	-
SBI Focused Equity Fund	Oct-04	17.60	16.69	10.02	22.47	13.79	14.26	17.53	16.35
SBI Large & Midcap Fund	Feb-93	16.04	23.06	14.95	29.48	15.93	14.70	18.25	14.92
UTI Flexi Cap Fund	May-92	12.83	7.83	2.77	19.82	11.60	12.56	15.09	14.06

Midcap & Smallcap

Axis Midcap Fund	Feb-11	18.15	15.39	9.70	25.09	16.15	16.37	20.23	-
HDFC Mid-Cap Opportunities Fund	Jun-07	24.61	35.22	21.31	36.54	16.90	16.53	22.04	19.34
Kotak Emerging Equity Fund	Mar-07	17.11	19.78	13.80	32.26	17.28	16.14	22.71	16.22
Motilal Oswal Midcap Fund	Feb-14	18.97	26.75	26.55	37.67	17.35	14.90	-	-
PGIM India Midcap Opportunities Fund	Dec-13	12.36	12.07	11.18	33.58	19.54	16.65	-	-
UTI Mid Cap Fund	Apr-04	18.91	19.83	12.29	30.01	15.20	13.81	21.11	16.91
HDFC Small Cap Fund	Apr-08	28.88	41.25	19.43	43.76	17.37	19.00	20.70	17.27
Kotak Small Cap Fund	Feb-05	20.02	21.48	13.43	41.16	20.73	17.87	22.78	17.08
Nippon India Small Cap Fund	Sep-10	27.85	35.99	22.52	46.84	22.23	22.08	28.72	-

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	15.12	21.50	10.68	25.85	10.16	12.46	17.83	-
Nippon India Banking & Financial	May-03	17.70	26.12	16.24	32.74	10.45	13.19	16.87	16.09
ICICI Prudential Pharma Healthcare	Jul-18	23.84	23.71	6.13	19.58	18.27	-	-	-
Nippon India Pharma Fund	Jun-04	23.34	25.64	5.81	20.21	18.95	13.53	16.87	19.69
SBI Healthcare Opportunities Fund	Jul-99	24.86	32.11	9.42	22.26	19.11	9.68	15.15	15.81
Kotak Pioneer Fund	Oct-19	19.34	22.99	9.91	26.01	-	-	-	-
Axis Long Term Equity Fund	Dec-09	16.49	9.80	2.78	16.82	9.58	11.53	16.94	-
Bandhan Tax Advantage (ELSS) Fund	Dec-08	18.27	23.42	15.60	32.47	15.42	16.02	18.30	-
Kotak Tax Saver Regular Plan	Nov-05	15.79	20.57	13.86	25.18	14.99	14.38	17.14	12.66
Mirae Asset Tax Saver Fund	Dec-15	15.35	17.94	10.96	25.05	15.99	17.36	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.65	3.44	6.34	4.70	4.38	4.86
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.64	3.40	6.33	4.79	4.50	4.98
Kotak Equity Arbitrage Fund	Sep-05	1.74	3.52	6.54	5.04	4.73	5.15

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	13.43	12.50	7.24	18.10	8.70	9.06	13.12	12.83
Canara Robeco Equity Hybrid	Feb-93	11.75	14.36	8.87	17.11	12.17	12.36	14.91	13.82
DSP Equity & Bond Fund	May-99	14.86	15.62	7.30	17.98	11.68	11.64	14.57	12.35
ICICI Prudential Equity & Debt	Nov-99	13.40	21.86	19.15	28.97	16.38	15.13	17.27	14.83
Kotak Equity Hybrid Fund	Nov-99	11.87	15.75	11.57	22.32	13.34	12.22	13.40	11.61
SBI Equity Hybrid Fund	Dec-95	10.58	11.63	8.78	16.98	11.53	11.48	14.74	12.67
ABSL Bal. Advantage Fund	Apr-00	9.63	13.72	7.84	14.29	10.03	—	—	—
Bandhan Bal. Advantage Fund	Oct-14	9.54	10.43	5.39	10.18	7.94	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	7.75	12.13	10.22	14.91	10.76	—	—	—
Kotak Bal. Advantage Fund	Aug-18	8.38	12.56	8.00	12.07	—	—	—	—
Nippon India Bal. Advantage	Nov-04	8.60	11.74	7.52	14.15	9.40	—	—	—
Bandhan Equity Savings Fund	Jun-08	5.58	7.84	5.98	8.67	6.43	—	—	—
Kotak Equity Savings Fund	Oct-14	7.38	12.34	9.62	11.40	8.71	—	—	—

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	0.49	1.54	3.74	6.54	4.97	5.43	7.09
Axis Corporate Debt Fund	Jul-17	0.49	1.51	3.69	6.52	4.70	4.93	6.54
HDFC Corporate Bond Fund	Jun-10	0.61	1.78	4.06	7.21	4.78	4.95	7.43
Kotak Corporate Bond Fund	Sep-07	0.50	1.58	3.72	6.56	4.76	4.87	6.81
Kotak Banking and PSU Debt Fund	Dec-98	0.47	1.48	3.79	6.71	4.85	4.83	7.30
SBI Banking and PSU Fund	Oct-09	0.44	1.40	3.54	6.18	4.02	4.03	6.55
ICICI Prudential Savings Fund	Sep-02	0.74	2.03	4.19	7.89	5.32	5.32	6.70
Kotak Savings Fund	Aug-04	0.59	1.71	3.59	6.45	4.92	4.48	5.74

*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 2023

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Monthly	03-07-2023	0.16
PGIM India Large Cap Fund	03-07-2023	0.40
Sundaram Aggressive Hybrid Fund - Monthly	17-07-2023	0.25
PGIM India Equity Savings Fund - Monthly	17-07-2023	0.07
Edelweiss Aggressive Hybrid Fund	24-07-2023	0.17
Edelweiss Equity Savings Fund - Monthly	24-07-2023	0.08
LIC MF Aggressive Hybrid Fund	25-07-2023	0.10
LIC MF ELSS	25-07-2023	0.25
Axis Equity Hybrid Fund - Monthly	26-07-2023	0.10
Axis Equity Saver Fund - Monthly	26-07-2023	0.09
Bandhan Tax Advantage (ELSS) Fund	28-07-2023	1.69
Bandhan Focused Equity Fund	28-07-2023	0.93
Bandhan Large Cap Fund	28-07-2023	1.11
Bandhan Core Equity Fund	28-07-2023	1.23
Bandhan Equity Savings Fund - Monthly	28-07-2023	0.06
DSP Equity & Bond Fund	28-07-2023	0.20
DSP Equity Savings Fund - Monthly	28-07-2023	0.06
Canara Robeco Equity Hybrid Fund - Monthly	28-07-2023	0.65
Canara Robeco Consumer Trends Fund	28-07-2023	1.90
Mirae Asset Emerging Bluechip Fund	28-07-2023	3.50
Mirae Asset Tax Saver Fund	28-07-2023	1.80

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.

Equity Market Outlook

There is never a dull moment in equity markets and the current year 2023 is a testimony to this. In-fact, the words of the famous author Charles Dickens "it was the best of times and it was the worst of times" rings true when describing the performance of Indian Equities in CY2023. Indian equities underperformed global markets in the period Jan – March 2023 and then sharply outperformed in the period April – July 2023. The period April – July 2023 almost feels like Virendra Sehwag knocking the ball out of the park over after over. In FY24TD (till date) India's Nifty index is up 10.8% as compared to 2.58% for MSCI EM and 7.12% for MSCI world (all in USD terms). The highlight for India has been the broader market participation. In the current financial year, in INR terms while the Nifty index is 11.65%, Nifty Midcap index is up 24.27% while Nifty Small cap index is up 29%.

India's outperformance, we believe, has been on the back of the trinity or the "Triveni Sangam" of a) macro stability, b) corporate earnings and c)flows (both domestic and FII). Add to this, the strong improvement of sentiment, makes for a potent combination.

Macroeconomic backdrop for India remains buoyant with India standing out as an oasis in the desert. India's macro fundamentals look resilient, for now, with (1) a steady growth, (2) core inflation largely in check and (3) a comfortable external sector balance. India remains one of the fastest growing large economies of the world. Investment growth in India has seen a pick up led by public sector capex focussed on roads, railways, defence and water. Any acceleration in private capex could further improve growth prospects. More companies globally are also adopting a "China plus one" strategy and setting up manufacturing operations in India, boosting the country's long-term outlook. We are one of the few countries in the world that has positive real interest rates. Forex reserves stand at over USD600 billion which provides the much need cushion on the external front. We had a trade deficit problem till December 2022, with monthly trade deficit in excess of USD25-USD30 billion a month. It has since stabilised and is in now in the range of USD 20-22Bn per month.

The second spoke in the wheel has been flows. Limited investment options for foreign investors in other emerging economies such as Chinese, Russia, South Africa or Turkey is possibly directing flows towards India. India clearly stands tall among these emerging economies. This sentiment is further fuelled by the China Plus One strategy that has been prevalent in the markets recently. In the month of July 2023, FIIs (foreign Institutional Investors) were net buyers of equities to the tune of USD4.2bn. CYTD, FIIs have been net buyers to the tune of USD15Bn.

All the credit on flows cannot go to the FIIs. We must remember that markets have been supported by domestic flows in the last two years. In CY23TD, DIIs (Domestic Institutional Investors) have been net buyers to the tune of USD10.5Bn. There has been a perceptible change in retail behaviour when it comes to equity markets with increased participation either directly or through the mutual fund route. However, this appears to be the tip of the iceberg and there is a long way to go. Ownership of domestic institutions in India's largest 75 companies stood 27.1% in 2QCY23, a marginal decline of 35bps to after making a fresh 20-year high in 1QCY23. Foreign portfolio investor (FPI) ownership, down 1bps, remained lower than domestic holdings for a fifth quarter in a row.

Third aspect of the trinity has been corporate earnings. Despite all the worries, corporate earnings has been holding up fairly well. In FY23, Nifty companies reported a 11% PAT growth on a high base of FY22. Indian companies reported profit growth (on a CAGR basis) of only 5% in the period between FY09 to FY20. In contrast, corporate profit has grown at a CAGR of 34.3% between FY21-FY23. This compares to GDP growth of 10.7% CAGR in the same period, resulting in the improvement of the PAT to GDP ratio from 2.3% in FY20 to 4.1% in FY23.

A lot of the earnings growth has been driven by domestic sectors such as banks, industrials and automobiles. Moreover, corporate earnings estimates have so far been largely stable for FY24 and FY25 and holding on in the range of 15%-20%+ growth for Nifty 50 companies (as per consensus estimates) with margin improvement the key driver for earnings growth.

So far as we write, 33 out of 50 nifty companies have reported Q1FY24 corporate earnings. By and large corporate earnings have been in line with consensus expectations with sales growth of 8.2% YoY, EBITDA growth of 29% YoY and PAT growth of 43% YoY, reflecting improvement in margins. The spread of earnings has also been fairly good with a majority of companies either meeting or exceeding profit expectations.

Given this backdrop, we have been positive on many domestic-oriented businesses. Some of the themes we are positive on are a) capex cycle revival b)increasing penetration of financial services c) rural revival and d) capitalising on global supply chain shifts. Clearly, domestic earnings growth remains more resilient than global growth. We are seeking to identify sectors and companies with strong earnings potential , superior management quality and corporate governance practises but trading at reasonable valuations. We have been positive on domestic cyclicals such as industrials, manufacturing automobiles, cement, etc. Banking also remains one of the top sectors across our portfolios. We have seen credit growth improving, asset quality issues have subsided quite a bit. Overall, the situation for the banking system growth seems quite conducive and we remain positive on this. In fact, this is one of the sectors which will have significantly higher earnings growth over the next two years.

So where do we go from here?

While earnings have been holding up well, valuations have also moved up. Nifty is now trading slightly above long term average valuations on a P/E and P/BV basis (one year forward). Similarly India continues to trade at a premium to emerging markets and the premium is now slightly above long term averages. With the sharp up-move in the market, one must be prepared for some volatility in the near term even as the long term argument for Indian equities and India's growth story remains unchanged.

The market attention would likely shift towards events such as the general elections in 2024, decisions by the US Federal Reserve and RBI, corporate earnings etc. to name a few. A key to watch out for in the near term would be the inflation trajectory and the commentary from RBI regarding the same along with the progress of the South west monsoons. While headline CPI inflation has been benign so far, unseasonal weather conditions have impacted food prices which is likely to lead to higher headline CPI inflation in the near term. On the other hand, core inflation has been stable. Further, vegetable prices tend to be volatile and can potentially correct swiftly as well. As such, for FY24 we expect inflation to remain within RBI's comfort band of 4%(+/-2%). Geopolitics remains a key factor to watch out for as any worsening could push up commodity prices and adversely affect India's terms of trade.

On an asset allocation basis, we would recommend being neutral to equities in the overall allocation basket given valuation. We would however evaluate using any material dip in the market to add to equities.

We would urge investors to maintain a disciplined approach to investing based on their long tern goals and risk profile.

Shibani Sircar Kurian
Senior Executive Vice President, Fund Manager & Head – Equity Research
Kotak Mahindra Asset Management Co. Ltd.

Aim To Cut Risks In Your Portfolio

Every investor aspires to achieve investment objectives without getting exposed to undue risks. While some of the proven strategies like asset allocation, following a disciplined investment process and exposure to different segments of the stock markets help in reducing the overall portfolio risk, the key is to identify the right level of risk tolerance and building a portfolio in line with that. Besides, monitoring the progress of your investments in a disciplined and an objective manner also goes a long way in minimising the risks of under-performance of the portfolio.

While the path to investment success is well-defined, many investors often follow strategies that expose them to higher risks and that too without guaranteeing higher returns. Therefore, as an investor, you must understand the right meaning of risk. For example, when you invest in mutual funds, the risk refers to the impact of market fluctuations on the NAVs of the funds in the portfolio. Clearly, the impact of volatility is more in short and medium term and not so much over the longer term. Unfortunately, investors often over-react to the volatility and abandon their long-term investment plan. Needless to say, by doing so, they expose themselves to the risk of earning negative real of returns over the longer term.

Remember, your capacity to take risk emanates mainly from your time horizon. That's why, it is crucial to have a clearly defined time horizon as well as an asset allocation in line with that. Remember, asset allocation not only reflects the kind of risks you are taking but also the expected over the defined time horizon. For example, investing for long-term requires you to stay ahead of inflation and that can be achieved only by investing pre-dominantly in an asset class like equity. However, considering that equity markets have a tendency to turn volatile every now and then, time on hand for long-term goals allows your portfolio's risk level to remain within your defined risk profile.

It's a proven fact that portfolio diversification minimizes the overall risks associated with investing. Since investments are made across different asset classes and sectors, the impact of market volatility comes down. When you invest in different funds, industry-specific and company-specific risks get reduced. However, over-diversification in your mutual fund portfolio can be counter-productive. Remember, mutual funds themselves are a diversified investment vehicle and hence investing in too many funds, without looking at the underlying securities and sectors, may not result in proper diversification.

Remember, over-diversification usually results in a portfolio consisting of good as well as poorly performing funds. Needless to say, non-performing funds pull down the overall portfolio return. If you are faced with such a situation, you must take stock of the portfolio mix and take steps to weed out non-performing funds as well as realign the portfolio in a manner that exposure to funds investing in aggressive segments such as mid-cap and small-cap do not take you beyond your risk-taking capacity.

Investors are often guilty of not participating actively in the decision making at the time of investment as well as during monitoring the progress of their investments. No wonder, it exposes them to risk of not achieving the best from the portfolios. While professional and independent advice goes a long way in keeping the portfolio on track, any change in your requirements / personal situation over time may need a change either in the strategy or asset allocation. Therefore, it is important for you to get involved as an active participant in this process. Besides, being actively involved in the process helps you in having the right mind-set, which can be a critical factor in your investment success.

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

A Note To Our Esteemed Readers

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WISEINVEST PRIVATE LIMITED
(CIN No.: U74140MH2003PTC142921)

Corporate Office
Andheri : 602, 6th Floor, Sri Krishna Complex, Opposite Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai 400 053.
Tel : 2673 2671 / 2673 2676. E-mail : information@wiseinvest.co.in

Branch
Thane : 502, 5th Floor, Pratibha Premises, Near Teen Petrol Pump, Panchpakhadi, Thane West - 400 602.
Tel : 2537 1567 / 2539 1306. E-mail : information1@wiseinvest.co.in

www.wiseinvest.co.in

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