

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 nineteen 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,

India created history with the successful soft landing of Chandrayaan3 Lander Module making it only the fourth country to do so, and the first to reach the uncharted south pole of Earth's only natural satellite. Chandrayaan-3's Moon landing is a great achievement for India and all humanity! Now we all await the successful launch of Aditya-L1 on September 2, India's first space-based observatory to study the sun.



However, the stock market turned out to be a mixed bag during the month of August. While the Sensex dropped 2.55 percent in August after rising 12.83% in the previous five months, the mid and small cap indices of the BSE were up 2.57 percent and 6.12 percent respectively. The foreign inflows were at a four-month low of ₹ 12262 crore in August due to higher crude price, rise in bond yields, resurfacing inflation and other macro concerns. The stock market could remain in consolidation mode after a sharp up move over the last five months.

India's gross domestic product (GDP) grew by 7.8 per cent in the April-June quarter of current fiscal (2023-2024), compared to a growth of 6.1 per cent in the previous January-March quarter of fiscal 2022-23. India remains one of the fastest growing major economies, especially as China's post-pandemic recovery has slowed. The GDP growth numbers came largely in line with economists projections that the economy recorded the fastest annual pace in a year, driven by the services sector and greater capital expenditure.

The government's Goods and Services Tax (GST) collections climbed 10.8 percent year-on-year in August. At ₹ 1.59 lakh crore, the August GST collections is 3.7 percent lower than the ₹ 1.65 lakh crore collected in July and is the sixth month in a row that the monthly mop-up has come in above the ₹ 1.5-lakh-crore mark.

India's manufacturing sector activity continued to expand in August, with the S&P Global Purchasing Managers' Index (PMI) rising to a three-month high of 58.6. The manufacturing PMI rose on the back of new orders and output increasing at the quickest rates in nearly three years. Export orders rose for the 17th month in a row and to the greatest extent since November.

Warm regards,

Hemant Rustagi
Editor

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The Stock Market Performance During August 2023.

Indices	31st July 2023	31st August 2023	Change in (%)
Sensex	66,527.67	64,831.41	-2.55
MIDCAP	30,419.75	31,200.60	2.57
SMLCAP	35,002.32	37,143.67	6.12
BSE-100	20,150.32	19,764.93	-1.91
BSE-200	8,556.65	8,429.83	-1.48
BSE-500	27,069.01	26,848.76	-0.81

Kotak Equity Savings Fund

A fund that invests in equity, debt and arbitrage opportunities with an aim to neutralize market volatility.



Kotak equity savings fund
An open ended scheme investing in equity, arbitrage and debt

It is suitable for investors who are seeking*:

- Income from arbitrage opportunities in the equity market & long term capital growth
- Investment predominantly in arbitrage opportunities in the cash & derivatives segment of the equity market and equity & equity related securities

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them..

The above riskometer is based on the scheme portfolio as on 28th February 2023. An addendum may be issued or updated on the website for new riskometer.



Market Outlook



Global Macro & Markets – August 2023

India’s NIFTY index fell 2.5% in August. The S&P500 (-1.8%), the Euro 50 (-3.9%), the MSCI World (-2.6%), Japan’s Nikkei (-1.7%) also ended negative, as global markets faced a negative month. Among emerging markets indices, the MSCI EM, the HANG SENG, BOVESPA Brazil all recorded degrowths in August, of -6.4%, -8.5%, and -5.5% respectively. MOEX Russia bucked the trend, recording a growth of +5.0% over the month.

LME Metals Index fell by 5.0% in August as China’s Manufacturing PMI remained in contraction (<50%) and US Dollar strengthened. Despite Chinese Government fiscal stimulus measures base and industrial metal prices remained volatile. China also announced moves to support its currency, which slid toward its weakest level since 2007 in August.

WTI and Brent Crude rose in August, by +2.2% and +1.5% respectively, as the market’s supply remained tight post supply restrictions by OPEC+ (Organization of the Petroleum Exporting Countries plus) in previous months, and demand concerns were reduced by China’s fiscal and monetary measures to bolster its economy. WTI crude reached its highest level since November 2022, settling at USD 86. The Dollar index strengthened by +1.7% over the month, with the Dollar appreciating by -1.9% vis-à-vis EM currencies and appreciating by +0.6% against the Indian Rupee. India 10Y G-Sec remained flat, falling by -1 bps, while US 10Y G-Sec yields rose by 15 bps, and the German Bund fell by -3 bps, with rates settling at 7.16%, 4.11% and 2.47% respectively.

Domestic Macro & Markets - August 2023

The BSE SENSEX (-2.5%) fell in August. BSE Mid-cap and small-cap indices outperformed the SENSEX and were up +2.6% and +6.1%, respectively. Sector-wise, Oil & Gas, FMCG and PSU indices saw the greatest declines, falling 5%, 4% and 2.7% respectively m/m. Top gaining indices were Consumer Durables and IT, which were up 4.2% and 4.1% respectively.

Net FII flows, continued to be positive for August, albeit at a lower quantum (+\$1.2 Bn, following +\$4.2 Bn in July). DIIs turned into marginal net buyers of Indian equities.

Market View

Higher interest rates have weighed on the global growth prospect. While the inflation may have peaked out globally, Central Banks remain vigilant of the elevated inflation levels and rates are expected to be higher for longer with policy action being data dependent.

Domestic macro trends have been resilient despite global uncertainty. Green shoots are visible on the industry Capex recovery which may be supported by Production Linked Incentive (PLI), Localization, China+1. We are also witnessing early signs of recovery in the rural demand. India’s external sector situation is supported by strong services exports and lower imports.

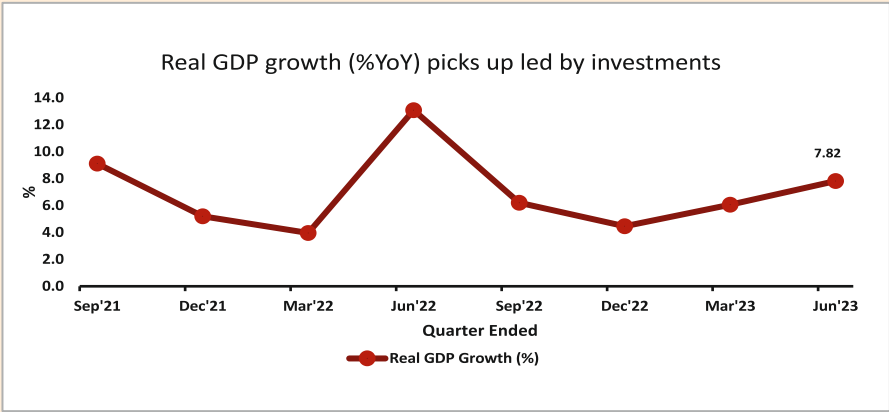
India’s tax collections to GDP, credit to GDP and most importantly rising corporate earnings to GDP reflect transparency and formalisation reforms undertaken in the pre-pandemic period.

Valuations remain challenging in the near term. In the given market scenario, stock selection along with risk management become critical. We continue to focus on domestic demand related sectors as growth and earnings certainties may be higher in related segments.

We believe medium to long term opportunities remain strong for India and will be driven by investment cycle & policy reforms. 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.

Chart of the Month

Real GDP growth of 7.8%YoY in Q1FY24 was broad-based in nature, with investment growth (GFCF (Gross fixed capital formation)) beating private consumption growth for the fifth straight quarters. Government consumption remained weak (-0.7%), while nominal GDP growth touched 8%, as GDP deflator barely grew 0.2%YoY owing to WPI deflation.



Common Sources: NIMF Research, CMIE, Bloomberg

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

Disclaimer

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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 August 31, 2023. 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	8.84	15.66	12	23.49	12.94
Aditya Birla Sun Life Flexi Cap Fund	Aug-98	10000	6	8.86	15.73	12	24.97	14.09
Bandhan Tax Advantage (ELSS) Fund	Dec-08	10000	6	10.45	22.58	12	29.35	17.10
Canara Robeco Emerging Equities Fund	Mar-05	10000	6	9.30	17.75	12	29.42	17.15
HDFC Focused 30 Fund	Sep-04	10000	6	10.33	22.08	12	26.08	14.90
HDFC Large and Mid Cap Fund	Feb-94	10000	6	10.58	23.07	12	-	-
HDFC Mid-Cap Opportunities Fund	Jun-07	10000	6	11.55	26.76	12	33.24	19.41
HDFC Small Cap Fund	Apr-08	10000	6	12.36	29.64	12	-	-
ICICI Prudential Bluechip Fund	May-08	10000	6	9.20	17.27	12	25.23	14.28
ICICI Prudential Large & Mid Cap Fund	Jul-98	10000	6	10.26	21.79	12	27.11	15.62
Kotak Emerging Equity Fund	Mar-07	10000	6	10.88	24.27	12	33.48	19.55
Kotak Equity Opportunities Fund	Sep-04	10000	6	9.82	19.97	12	27.95	16.19
Kotak Flexicap Fund	Sep-09	10000	6	8.81	15.52	12	25.20	14.25
Kotak Tax Saver Fund	Nov-05	10000	6	9.58	18.96	12	27.23	15.70
Mirae Asset Emerging Bluechip Fund	Jul-10	10000	6	9.79	19.84	12	33.21	19.40
Motilal Oswal Midcap Fund	Feb-14	10000	6	11.98	28.32	12	-	-
Nippon India Focused Equity Fund	Dec-06	10000	6	9.82	19.98	12	27.79	16.09
Nippon India Large Cap Fund	Aug-07	10000	6	9.84	20.04	12	26.89	15.47
Nippon India Multi Cap Fund	Mar-05	10000	6	11.34	25.98	12	29.72	17.33
Nippon India Small Cap Fund	Sep-10	10000	6	13.81	34.38	12	45.02	25.04
Parag Parikh Flexi Cap Fund	May-13	10000	6	10.13	21.28	12	31.03	18.14
SBI Focused Equity Fund	Oct-04	10000	6	8.89	15.86	12	26.38	15.11
SBI Small Cap Fund	Sep-09	10000	6	11.47	26.48	12	-	-
UTI Flexi Cap Fund	May-92	10000	6	8.49	14.01	12	24.14	13.45
UTI Mid Cap Fund	Apr-04	10000	6	10.59	23.10	12	29.59	17.25

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.

MUTUAL FUNDS
Sahi Hai

INVESTING in a balanced manner can help you approach the future with confidence.

Aditya Birla Sun Life Balanced Advantage Fund

Aditya Birla Sun Life Mutual Fund



ADITYA BIRLA CAPITAL

1800-270-7000



Amol Patwari & Pallavi Mohadikar Patwari | Entrepreneurs

Scheme:	This product is suitable for investors who are seeking*:	
Aditya Birla Sun Life Balanced Advantage Fund (An open ended Dynamic Asset Allocation fund)	<ul style="list-style-type: none">Capital appreciation and regular income in the long termInvestment in equity & equity related securities as well as fixed income securities (Debt & Money Market securities)	
*Investors should consult their financial advisors, if in doubt about whether the product is suitable for them.		

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The Risk-o-meter(s) specified will be evaluated and updated on a monthly basis. For updated Risk-o-meters kindly refer to latest factsheet.

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

Performance Of Select Funds

Data as on August 25, 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	14.15	13.42	7.30	20.16	11.17	12.27	18.11	13.48
ABSL Frontline Equity Fund	Aug-02	13.02	12.08	8.87	20.39	10.97	11.49	15.45	13.63
Axis Focused 25 Fund	Jun-12	10.78	-1.01	-3.36	11.27	6.96	11.35	14.55	-
Axis Growth Opportunities Fund	Oct-18	18.24	10.47	7.84	21.76	-	-	-	-
Bandhan Focused Equity Fund	Mar-06	16.61	11.76	8.04	14.71	7.84	11.55	12.73	10.33
Canara Robeco Flexi Cap Fund	Sep-03	11.69	10.32	6.91	18.76	12.80	14.11	15.58	14.26
HDFC Flexi Cap Fund	Jan-95	16.00	20.58	20.40	29.50	14.83	15.03	18.21	15.23
HDFC Large and Mid Cap Fund	Feb-94	21.66	22.04	17.84	28.40	15.56	14.67	14.68	11.22
HDFC Top 100 Fund	Sep-96	14.14	16.66	14.47	23.44	11.96	12.85	15.85	13.44
ICICI Prudential Bluechip Fund	May-08	13.75	15.21	12.37	22.21	12.63	13.50	16.00	14.90
ICICI Prudential Large & Mid Cap Fund	Jul-98	15.50	18.03	18.18	27.26	15.31	14.03	16.39	13.70
Invesco India Contra Fund	Apr-07	15.19	14.26	10.73	20.81	12.38	14.69	20.10	16.04
Kotak Bluechip Fund	Dec-98	11.09	11.03	7.75	19.44	11.81	12.24	15.36	11.67
Kotak Equity Opportunities Fund	Sep-04	16.44	18.00	13.09	23.43	14.91	14.66	17.92	13.78
Kotak Flexicap Fund	Sep-09	13.41	13.53	9.32	19.35	11.24	12.79	17.47	-
Kotak Multicap Fund	Sep-21	22.12	23.76	-	-	-	-	-	-
Mirae Asset Emerging Bluechip Fund	Jul-10	16.89	14.08	9.11	22.90	16.08	16.97	24.83	-
Motilal Oswal Large and Midcap Fund	Oct-19	20.78	25.58	13.65	27.09	-	-	-	-
Nippon India Large Cap Fund	Aug-07	18.34	20.77	17.06	26.23	13.20	14.24	17.70	13.54
Nippon India Multi Cap Fund	Mar-05	25.74	29.40	23.52	34.35	16.54	15.45	18.63	16.79
Parag Parikh Flexi Cap Fund	May-13	15.63	17.12	10.21	21.99	17.27	17.41	19.11	-
PGIM India Flexi Cap Fund	Mar-15	12.21	9.27	4.64	21.39	14.99	14.37	-	-
SBI Focused Equity Fund	Oct-04	17.90	11.51	7.31	19.13	13.08	13.80	18.05	16.14
SBI Large & Midcap Fund	Feb-93	15.31	16.52	14.87	26.26	15.08	14.45	18.93	14.73
UTI Flexi Cap Fund	May-92	12.06	4.19	0.57	17.28	10.88	12.50	15.98	13.97

Midcap & Smallcap

Axis Midcap Fund	Feb-11	17.29	12.56	8.84	22.10	15.45	16.47	21.30	-
HDFC Mid-Cap Opportunities Fund	Jun-07	27.07	30.97	22.87	31.74	16.80	16.22	23.11	19.39
Kotak Emerging Equity Fund	Mar-07	18.26	17.53	15.55	29.36	17.58	16.32	24.24	16.41
Motilal Oswal Midcap Fund	Feb-14	19.96	23.51	25.75	33.73	16.84	15.24	-	-
PGIM India Midcap Opportunities Fund	Dec-13	12.25	7.17	10.22	29.17	19.21	16.50	-	-
UTI Mid Cap Fund	Apr-04	21.02	17.70	13.46	26.57	15.68	13.83	22.20	16.85
HDFC Small Cap Fund	Apr-08	28.32	36.87	22.45	38.01	17.69	19.03	21.82	17.38
Kotak Small Cap Fund	Feb-05	20.60	17.72	14.69	35.79	20.82	17.84	24.09	17.27
Nippon India Small Cap Fund	Sep-10	29.37	34.10	25.60	40.89	21.86	22.25	29.74	-

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	14.52	14.52	9.38	22.95	9.17	12.00	18.70	16.39
Nippon India Banking & Financial	May-03	17.88	20.08	15.18	29.69	9.60	12.65	18.04	16.02
ICICI Prudential Pharma Healthcare	Jul-18	27.82	26.13	6.92	15.27	17.39	-	-	-
Nippon India Pharma Fund	Jun-04	27.95	25.45	6.45	15.89	17.00	13.42	17.35	19.37
SBI Healthcare Opportunities Fund	Jul-99	27.85	30.50	10.41	16.97	16.47	9.86	15.80	15.60
Kotak Pioneer Fund	Oct-19	17.85	15.40	9.16	21.94	-	-	-	-
Axis Long Term Equity Fund	Dec-09	12.79	2.97	-0.93	13.57	8.89	11.35	17.44	-
Bandhan Tax Advantage (ELSS) Fund	Dec-08	18.26	19.40	15.55	29.00	15.00	16.02	19.12	-
Kotak Tax Saver Regular Plan	Nov-05	14.72	16.17	12.22	23.58	14.23	14.23	17.95	12.58
Mirae Asset Tax Saver Fund	Dec-15	15.21	13.98	9.34	22.45	15.02	17.04	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.88	3.68	6.76	4.97	4.55	4.95
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.93	3.68	6.78	5.09	4.73	5.07
Kotak Equity Arbitrage Fund	Sep-05	1.98	3.78	6.97	5.32	4.91	5.24

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	12.60	9.94	5.77	16.96	8.34	8.96	13.66	12.69
Canara Robeco Equity Hybrid	Feb-93	10.29	10.37	6.97	15.57	11.68	11.98	15.34	13.65
DSP Equity & Bond Fund	May-99	14.07	14.48	7.04	16.69	11.47	11.46	15.34	12.38
ICICI Prudential Equity & Debt	Nov-99	13.39	17.50	17.71	26.70	15.83	14.81	17.76	14.87
Kotak Equity Hybrid Fund	Nov-99	11.66	12.10	10.72	20.89	13.27	12.13	13.77	11.55
SBI Equity Hybrid Fund	Dec-95	10.95	8.17	6.98	15.50	11.07	11.33	15.13	12.57
ABSL Bal. Advantage Fund	Apr-00	9.73	11.00	7.17	13.17	9.75	—	—	—
Bandhan Bal. Advantage Fund	Oct-14	9.05	8.16	4.50	9.50	7.78	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	7.77	10.12	9.54	13.81	10.58	—	—	—
Kotak Bal. Advantage Fund	Aug-18	7.88	9.81	7.32	11.43	9.96	—	—	—
Nippon India Bal. Advantage	Nov-04	8.84	8.80	6.88	12.93	9.09	—	—	—
Bandhan Equity Savings Fund	Jun-08	5.64	7.14	5.37	8.02	6.35	—	—	—
Kotak Equity Savings Fund	Oct-14	7.04	10.82	9.24	11.01	8.55	—	—	—

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	0.37	1.30	3.77	6.35	4.89	5.56	7.05
Axis Corporate Debt Fund	Jul-17	0.37	1.26	3.81	6.25	4.65	5.07	6.51
HDFC Corporate Bond Fund	Jun-10	0.51	1.53	4.18	6.83	4.75	5.28	7.41
Kotak Corporate Bond Fund	Sep-07	0.42	1.36	3.90	6.43	4.69	4.98	6.78
Kotak Banking and PSU Debt Fund	Dec-98	0.42	1.19	3.78	6.56	4.81	5.12	7.27
SBI Banking and PSU Fund	Oct-09	0.36	1.13	3.69	6.10	3.99	4.39	6.52
ICICI Prudential Savings Fund	Sep-02	0.65	2.02	4.17	7.69	5.35	5.41	6.70
Kotak Savings Fund Regular Plan	Aug-04	0.52	1.65	3.58	6.51	5.02	4.55	5.72

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

Dividends declared by equity and equity-oriented funds during the month of August 2023

Scheme name	Date	Dividend declared in ₹ Per unit
UTI Regular Savings Fund - Monthly	01.08.2023	0.08
ICICI Prudential Equity & Debt Fund - Monthly	03.08.2023	0.16
ICICI Prudential Balanced Advantage Fund - Monthly	03.08.2023	0.07
Invesco India Balanced Advantage Fund	03.08.2023	0.12
ICICI Prudential Exports and Services Fund	10.08.2023	2.75
ICICI Prudential Focused Equity Fund	10.08.2023	2.00
Nippon India Balanced Advantage Fund	10.08.2023	0.17
ICICI Prudential Technology Fund	14.08.2023	5.20
ICICI Prudential Pharma Healthcare and Diagnostics (P.H.D) Fund	14.08.2023	1.55
Sundaram Aggressive Hybrid Fund - Monthly	17.08.2023	0.25
DSP Tax Saver Fund	17.08.2023	0.50
Sundaram Balanced Advantage Fund - Monthly	17.08.2023	0.08
PGIM India Equity Savings Fund - Monthly	18.08.2023	0.07
HDFC Balanced Advantage Fund	25.08.2023	0.23
Aditya Birla Sun Life Regular Savings Fund - Monthly	25.08.2023	0.08
DSP Equity & Bond Fund	28.08.2023	0.20
Axis Equity Hybrid Fund - Monthly	28.08.2023	0.10
DSP Regular Savings Fund - Monthly	28.08.2023	0.07
DSP Dynamic Asset Allocation Fund	28.08.2023	0.05
Axis Equity Saver Fund - Monthly	28.08.2023	0.09
Bandhan Sterling Value Fund	30.08.2023	1.98
LIC MF Aggressive Hybrid Fund	30.08.2023	0.10
Bandhan Equity Savings Fund - Monthly	30.08.2023	0.06
Bandhan Regular Savings Fund	30.08.2023	0.06

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.

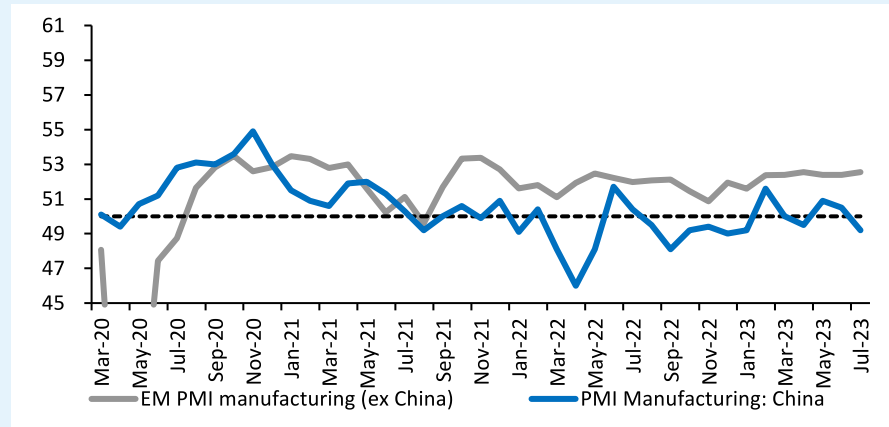
Equity Market Outlook



Even as economic data releases in the US incrementally point to a "Soft landing", the prospect of a potential "crash landing" in China continues to engage market attention. While economic data continues to print softer, the policy responses so far have been underwhelming. Modest cuts in key policy rates have so far failed to provide much confidence as the real estate sector continues to witness continuing pressure.

Chart 1:

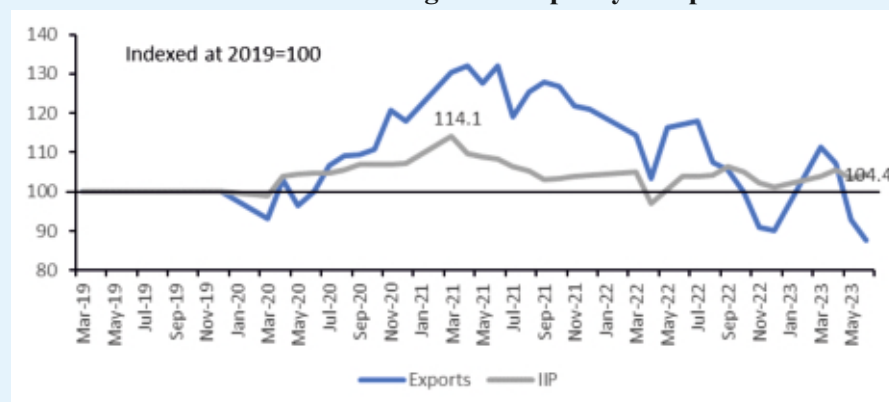
Manufacturing activity in China weakens



Source: Bloomberg, SBIFM Research

Chart 2:

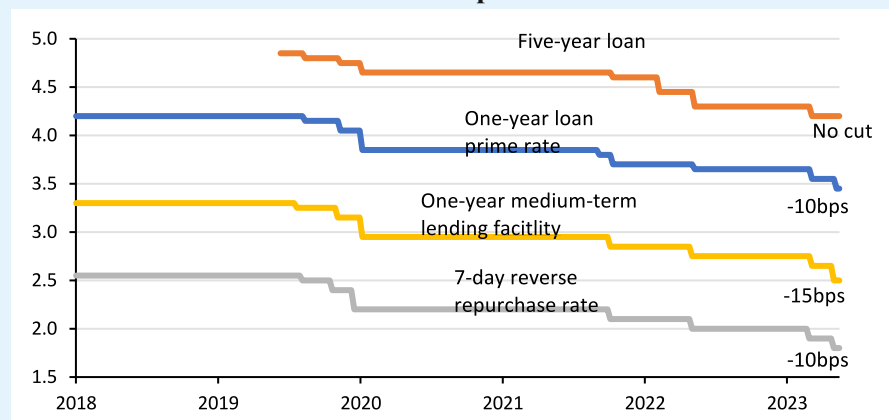
Underutilization of manufacturing sector capacity as exports weaken



Source: Bloomberg, SBIFM Research

Chart 3:

PBOC cuts remain modest and fails to provide confidence



Source: Bloomberg, SBIFM Research

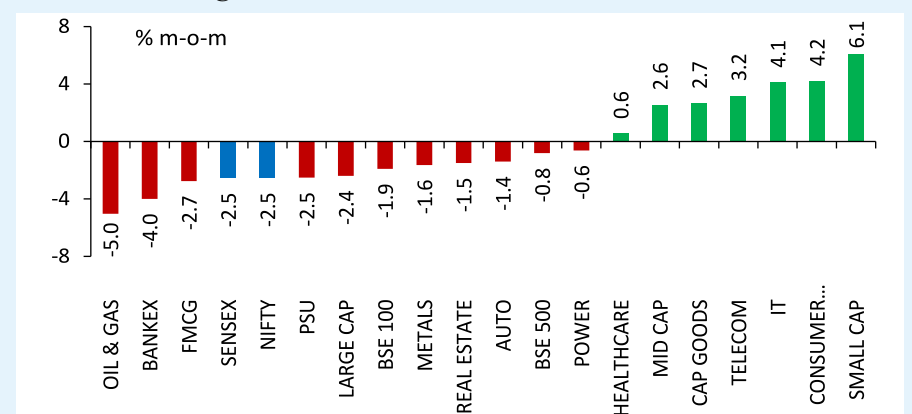
Policy interest rates in most key developed markets seem to have peaked, even as the lag effects work their way through, and the effect of fiscal largesse continue to support economic activity. While financial markets continue to accept the reality of "Higher for longer", significant policy shifts could occur in Asia with divergent directions and uncertain outcomes. A gradual normalization of interest rates in Japan could be accompanied with potential easing in China. The net effect of these on financial flows and market outcome remains uncertain and warrants close and ongoing assessment.

Equity

August 2023 was a month of profit taking globally as equity markets fell across the board amidst rising bond yields. Indian headline indexes saw some pullback too with the Nifty and the Sensex declining 2.5% each. Broader markets however continued to perform well with BSE Midcap index and BSE Small cap index rising 2.6% and 6.1% respectively.

Chart 4:

The trend of broader market outperformance versus frontline indexes continued in August

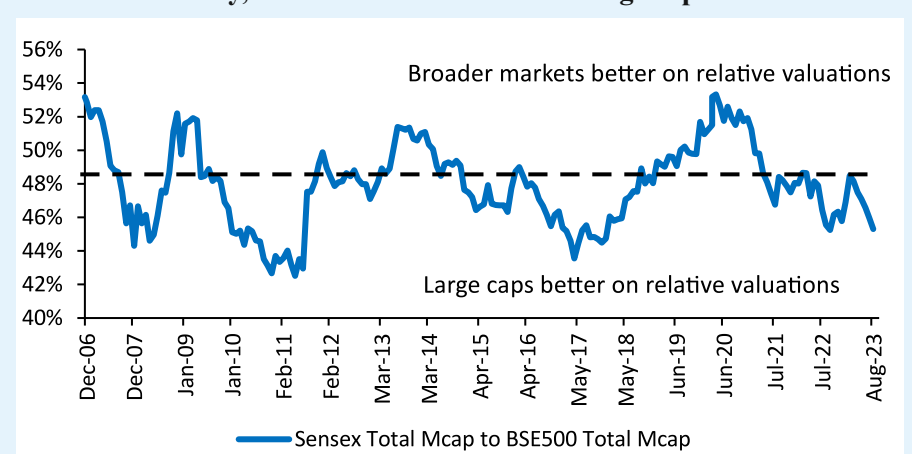


Source: SBIFM Research, Bloomberg

With the continued outperformance of broader markets versus large cap indices, the relative valuation argument has now turned in favour of large caps vs broader markets. This is reflected in the ratio of Sensex total market capitalization to BSE500 total market capitalization now reaching close to the lower end of historical range (even as lower readings than today have been recorded on a few occasions in the past).

Chart 5:

Market capitalization of Sensex as a proportion of BSE500 market cap low versus history, relative valuations favour large caps now

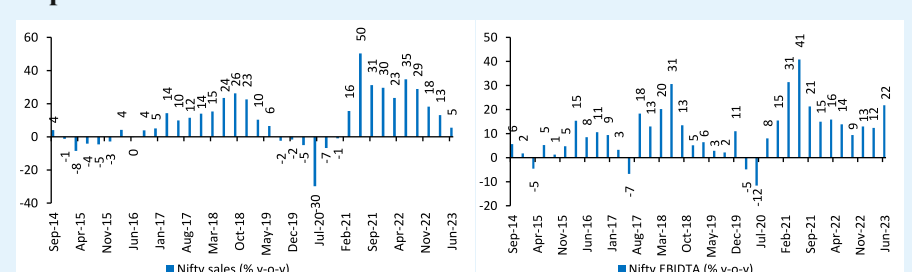


Source: SBIFM Research, Bloomberg

The recently concluded earnings season pointed to continued sluggishness in revenues even as cool off in raw materials helped margins and aided profit growth. Continued headwinds in the global economy may keep revenue trajectory subdued in the near term. In that context margins trajectory will be crucial and the recent rise in commodity prices will be carefully watched.

Chart 6:

Sales growth continued to trend lower last quarter while margins improved



Source: SBIFM Research, MOSL

That said, the longer-term earnings backdrop continues to be favorable for India as evinced in the rising profits to GDP trend over the past three years. Valuations, however, have upfronted some of the expected earnings improvements. We therefore continue to advocate a diversified approach to asset allocation, as well as to style and sector exposure within the equity portfolio, in this environment.

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

Random Decisions Can Derail Systematic Investing

Systematic investing, through SIP, brings a discipline into your investment process. Since you commit to invest a fixed sum, on a fixed date in a pre-decided fund, you become an unemotional investor. In other words, when you invest in equity funds thru SIP, you save a part of your income every month, avoid timing the market, benefit from averaging and if you stay committed to your time horizon as well as from the true potential of equity and power of compounding.

While there are merits of following this potentially rewarding approach, it is equally important to follow the right investment process. Remember, a random approach can either expose you to unwarranted risks or disappoint you in terms of returns. Simply put, you won't achieve your investment goals by investing a random amount that is either not enough to achieve your goals or exceeds your capacity to invest thereby compelling you to disrupt your investment process.

Another important aspect in this process is asset allocation. Ignoring asset allocation can either make your portfolio very aggressive or very conservative. Investing in too many funds, continuing with the same amount of investment despite rise in your income over the years and not tracking the performance of funds thinking that over time all funds do very well are some of the other pitfalls that can impact the final result. Here's how to figure out whether you are on right track or not.

Review your investment amount and Portfolio

You need to review your investment amount and portfolio to avoid any disappointment in future. To do so, ensure that your goals to be achieved over varied time horizons are well-defined, a target is set for each one of them and calculate how much you need to invest to achieve those targets.

When you follow a similar approach for all your goals, it helps you ascertain your asset allocation and how much money has to be invested per month to achieve these goals. It is possible that you may not have the required surplus to begin investing for all your goals. In that case, budgeting can help you identifying areas where you are spending more than you realize as well as prioritize your goals. The key, however, is to begin investing and top up your investment amount every year, rather than delaying investment process itself.

The fund selection should be done subsequent to working out asset allocation. For equity funds, you must begin with funds in categories such as multi-cap, large & midcap and flexi-cap funds. For hybrid funds, depending upon your time horizon, you can choose a mix of equity savings, balanced advantage and aggressive hybrid funds. For short term goals, debt funds should be chosen by matching your time horizon with maturity duration of fund holdings.

Number of funds in your portfolio

Many investors err by having too many funds in the portfolio. As a result, they not only find it difficult to track the performance but also non-performing funds pull down overall portfolio returns. If you have too many funds in your portfolio, you must realize that mutual funds themselves are diversified investment vehicle and hence having too many similar funds doesn't help in any which way. You must weed out non-performing funds by measuring their performances vis-à-vis their benchmark and average return of the peer group.

Increase investment amount over time

You must increase investment amount as your income rises. Even if you have been investing adequate amount to achieve your goals, increasing investment amount create a cushion for future. Mutual funds have made it quite easy to increase investment amount through SIP top-up facility wherein you can opt for an upper limit and increase the amount of the SIP periodically.

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

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