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WEALTHWISE®

Wiseinvest®
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Inside

Inside	Pg No.
Market Outlook - Nippon India Mutual Fund	2-3
Performance Of Select Funds	4
Market Outlook - SBI Mutual Fund	5
Hasty Investment Decisions Can Backfire	6

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 twenty 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 month of November turned out to be a good one for the stock markets. While the BSE Sensex was up 4.87 %, the mid and small cap indices of the BSE were up 9.64 % and 9.35% respectively. As is evident, the mid and small cap stocks continue to out-perform their large cap counterparts.

India's economy expanded 7.6% in the September quarter from a year earlier, exceeding expectations as manufacturing posted strong growth and investments gathered pace. The second quarter GDP growth is just shy of 7.8% clocked in June quarter and significantly higher than 6.2% recorded in September quarter last year.

India's core sector output rose 12.1% in October compared with 9.2% in September, as the government capital expenditure push lifted key infrastructure sectors. In fact, all eight infrastructure industries registered positive year-on-year growth during the month.

FPIs bought Indian equities worth more than ₹ 9000 crore in November, reversing two consecutive exit runs in the previous two months due to decline in energy prices and stable US yields. The trend is likely to continue on the back of strong economic growth in India.

GST revenue collection for November 2023 came at nearly ₹ 1.68 lakh crore, which is a 15% jump on an annual basis. Gross GST collection crossed ₹ 1.6 lakh crore mark for the sixth time in FY24. The gross GST collection for the FY24 ending November, 2023 at ₹ 13,32,440 crore, averaging ₹ 1.66 lakh per month, is 11.9% higher than the gross GST collection for FY23 ending November, 2022.

Clearly, investors who have been investing in equity funds through a disciplined investment process are reaping the benefits now. Considering that interest rates have likely peaked and could trend down in the coming months, the stock market can be expected to continue the good show for the next few years. As for investors who may be wondering whether they have missed out the opportunity, they will do well to understand that investing is an on-going process. Therefore, rather than focusing on the current level of the stock market, the key criteria should be time horizon, risk taking capacity and commitment to invest systematically. Simply put, it's never too late to start your investment process.

Warm regards,

H Rustagi

Hemant Rustagi
Editor

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The Stock Market Performance During November 2023.

Indices	31st October 2023	30th November 2023	Change in (%)
Sensex	63,874.93	66,988.44	4.87
MIDCAP	31,245.10	34,256.42	9.64
SMLCAP	36,919.10	40,371.61	9.35
BSE-100	19,558.03	20,718.71	5.93
BSE-200	8,355.24	8,904.98	6.58
BSE-500	26,605.19	28,442.43	6.91

Market Outlook - Nippon India Mutual Fund

Global Macro & Markets

India's NIFTY index grew by 5.5% MoM in November 2023. Global markets rebounded, with positive growth in the S&P500 (+8.9%), Euro 50 (+7.9%), MSCI World (+9.2%), and Japan's Nikkei (+8.5%). Among emerging markets, MSCI EM and BOVESPA Brazil rose by +7.9% and +12.5%. MOEX Russia and HANG SENG Hong Kong posted -0.4% and -1.1% degrowth.

In November, LME Metals Index rose by +1.1%, driven by China's expanding Manufacturing PMI. WTI and Brent Crude slipped by -6.2% and -5.2% due to OPEC+ postponing production cut discussions. The Dollar index weakened by -3.0%, appreciating by 2.0% against EM currencies and +0.2% against the Indian Rupee. India 10Y G-Sec yields fell by -7.5 bps, US 10Y G-Sec yield slid by -60 bps, and the German Bund yield fell by -35 bps, settling at 7.28%, 4.33%, and 2.44%, respectively. The drop in US government bond yields reflects a perception of long-term moderation in inflation, as US CPI inflation decelerated, and jobless claims increased in October.

Domestic Macro and Market

The BSE SENSEX (+4.9%) rose in November, in tandem with other benchmark Indian indices. BSE Mid-cap and Small-cap indices outperformed the large cap index, posting performances of 9.6% and 9.4% respectively. Sector-wise, Realty, Oil & Gas, Healthcare and Power indices were the top 4 performers over the month, clocking +18.9%, +12.7%, +11.4%, and +11.0%, respectively. All 13 of BSE's sectoral indices ended the month in green.

Net FII (Foreign Institutional Investors) flows into equities were positive for November (+$1.1Bn, following -$2.9Bn in October). DIIs remained net buyers of Indian equities (+$1.5Bn, from -$3.4 Bn from last month). YTD, FPI net buying stands at US$14.2 Bn, while DIIs (Domestic Institutional Investors) have bought stocks worth US$20.5 Bn.

India's high frequency data update

Elevated levels of GST collections, festive season demand uptick, stable retail inflation, deflated input inflation, rising core sector outputs, and elevated credit growth augurs well for the Indian economy.

Manufacturing PMI: Manufacturing PMI in November came in at 56, up from an 8-month low of 55.5 in October and remained in expansion zone for the 29th straight month driven by reduced price pressures and increased demand from clients.

GST Collection: Collections of INR 1.68 Tn (+15% YoY) in November concluded the twenty first consecutive month of collections over the INR 1.4 Tn mark, following record collections of INR 1.87 Tn in April 2023. Collections for 6 out of 8 months in this fiscal year crossed INR 1.6 Tn. The YoY growth of the collections was its highest since the inception of the regime in 2017. Rising compliance, increased formalization of the economy, festive demand, and improved administrative efficiency have driven sustainedly high levels of GST collections.

Core Sector Production: The index of eight core sector industries grew by 12.1% in October, against an 8.1% jump in September 2023, as a favourable base effect continued to come into play for India's eight core sectors. All eight constituent sectors recorded positive YoY growths, with electricity production leading with a growth 20.3%.

Industrial Production: Factory output as measured by the IIP(Index of Industrial Production) index decelerated MoM to 5.8% in September, vs a growth of 10.3% YoY in August, buoyed by positive YoY growths in all 3 constituent sectors- Mining, Manufacturing and Electricity.

Credit Growth: Scheduled Commercial Bank Credit growth reached 19.73% YoY as of In October against YoY growth of 16.65% as observed in October 2022.

Inflation: October's CPI (Consumer Price Index) inflation rate dropped to a four-month low, and reached 4.87%, easing from 5.02% in August. Deceleration in the CPI rate was attributed to slowdown in price rises for housing, clothing and footwear. Food inflation remained elevated and unchanged, coming in at 6.61%. WPI (Wholesale Price Index) inflation remained in negative territory, with the October print at a -0.52%, 26 bps down from September's at -0.26%, as fuel and manufactured products remained in the deflation zone.

Trade Deficit: Indian Merchandise Exports recorded a rise of 6.23% YoY to $33.57 Bn in October, while Imports growth rose by +12.29% YoY to $65.03 Bn. India's trade deficit widened to a record $31.46 Bn as the global economic outlook remained uncertain.

Market Outlook

Equity market sentiment improved as risk aversion reduced supported by some positive news flows emerging both globally and locally. Deceleration in US inflationary expectations relative to past and declining Oil prices despite the production cuts & geopolitical tensions have been important positives.

On the domestic front the activity indicators remained buoyant, and the corporate result season witnessed growth in profitability driven by lower costs. Overall revenue growth remained relatively muted and is likely to improve in the coming quarters. Rural dependent businesses generally remained under stress. RBI flagged some concerns on retail unsecured credit and increased capital requirements for banks and NBFCs.

Going forward the sentiment appears to positive supported election results in few states leading to expectation of a political continuity in the upcoming general elections, even as the valuations remains elevated compared to long term averages. The geo-political challenges remain and may impact the growth trajectory.

We believe Large Cap oriented strategies across Large Cap and Flexi/Multi Cap categories appear to be better placed while Asset allocation products can help to manage the downside risks.

Fixed Income Outlook

Globally, November 2023 saw easing of geo-political risks, decline in US inflation followed by sharp decline in US treasury yields, depreciating dollar and dovish global Central bankers.

Robust growth, decline in headline and core inflation (although volatile food prices are key concern), robust fiscal and worsening trade deficit were key macro data-points for Indian fixed income markets.

Domestic Market

Economic Growth: Indian GDP continued robust growth at 7.6% y/y in 2Q (July-Sep 2023) and 7.8% y/y in 1Q (Apr-Jun 2023). Government spending and capital expenditure fueled the expansion, with manufacturing, electricity, and construction driving growth. Private consumption and agriculture exhibited muted growth. 1H GDP reached a strong 7.73% y/y, surpassing RBI's 7.2% estimate.

Inflation: CPI inflation, spiking to 7% in July-Aug 2023, eased to 4.87% y/y in October. Factors include a favorable base effect, a decline in fuel prices, and benign momentum in services prices. Core inflation decreased to 4.23% y/y.

Fiscal: April-Oct 2023 gross and net tax collections grew robustly by 14% y/y and 11% y/y, driven by buoyant direct tax collections. Expenditure growth was robust at ~12% y/y, leading to a fiscal deficit at ~45% of budget estimates. November 2023 GST data indicated robust tax collections.

External Sector: October 2023 Trade deficit surged to US$31.4 bn (Sep 2023: US$19.4 bn) due to a broad-based increase in imports. Exports remained flattish. Net services exports grew robustly at 14% y/y, improving the current account balance.

Cont. on page 3...

Market Outlook...

...Cont. from page 2

FPI and Rupee: November 2023 saw robust FPI inflows (~US$ 3 bn), countering two consecutive months of outflows. Apr-Nov 2023 witnessed strong inflows of ~US$21.5 bn, contrasting with the FY23 FPI flows contraction. The average Rupee depreciated marginally to 83.30 against the US dollar in Nov 2023. Rupee has depreciated marginally by ~0.68% against dollar in CY23 till date.

Liquidity: November 2023 witnessed core liquidity (system liquidity + Government balances) declining from 3.3 trillion to 2.5 trillion by Nov end, driven by festive season demand and credit pick-up.

Global Market

Monetary Policy: In early November 2023, the US Federal Reserve maintained the policy rate unchanged, leaving room for potential rate hikes amid robust economic growth and a resilient labour market. Subsequent speeches by Federal governors took a dovish stance, citing comfort from easing inflationary pressures.

Inflation: US inflation eased to 3.2% y/y in October 2023 from 3.7% in September, driven by a decline in energy prices. Global food prices have experienced twelve consecutive months of disinflation, with the IMF's FAO food index down to negative 10.9% y/y in October 2023 compared to positive 1.6% y/y a year earlier. Uncertainty surrounds the food price outlook due to El Nino concerns and erratic climate patterns.

Oil Prices: Post the OPEC meeting on output targets for calendar year 2024, oil prices have declined, hovering around the $80/barrel range.

Financial Markets: In November, US treasury yields eased on expectations of limited impact from the Israel-Hamas conflict, moderating growth, and dovish Federal Reserve speeches. The US 10 Yr Treasury bond (UST) yield started the month at 4.77%, sliding down to close lower at 4.37% (Oct 2023: 4.88%, Sep 2023: 4.59%). The Dollar Index depreciated by ~2% m/m, reversing two consecutive months of appreciation. Calendar year to date, the dollar index now stands flattish.

Indian Fixed Income Market- Future Outlook

- Volatility of food prices has been key driving factor to the evolution of headline CPI trajectory during Apr-Oct 2023. Erratic nature of climate is likely to keep food inflation volatile in coming months.
- November print is likely to be in 6% range (after declining to 4.87%y/y in October) driven primarily by volatile veggies prices (erratic climate) and elevated cereals, pulses, sugar prices (on back of lower supply). That said, seasonally, food inflation tends to ease during winter season on improved supply of veggies and fruits.
- Core inflation is now at 4.23% and expected to remain muted in 2H (Oct-March) FY24 helped by favourable base effect and muted sequential momentum.
- We believe that RBI is likely to be in for long pause in FY24, taking cues from global central bankers. Robust growth (latest GDP print) and volatile food prices are likely to keep RBI vigilant and data dependent. We do expect RBI to continue to actively manage liquidity as effective policy instrument.
- System Liquidity has remained in deficit on average ₹67,000 cr since advance tax payment in mid-Sep - driven by festive season demand and credit pickup. With December seasonally having higher tax pay-out (advance tax, GST etc), liquidity is expected to remain tight during the month.
- Going forward, Fixed income markets are likely to take global cues like geo-political risk, UST, Fed speak, crude oil etc along with evolving domestic inflation trajectory.

Common Source: NIMF Research, CEIC, Bloomberg

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

Performance Of Select Funds

Data as on November 24, 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	14.24	12.41	6.68	16.55	13.90	13.48	16.90	17.21
ABSL Frontline Equity Fund	Aug-02	11.25	10.72	7.51	16.95	13.63	13.14	14.47	16.92
Axis Focused 25 Fund	Jun-12	8.42	5.46	-4.31	7.38	10.91	13.12	13.77	-
Axis Growth Opportunities Fund	Oct-18	14.65	22.24	6.39	19.86	18.92	-	-	-
Bandhan Focused Equity Fund	Mar-06	12.60	16.01	7.58	13.97	12.19	13.46	12.29	13.13
Canara Robeco Flexi Cap Fund	Sep-03	10.67	10.69	5.79	15.92	15.80	16.10	15.04	17.52
HDFC Flexi Cap Fund	Jan-95	15.97	17.13	17.82	27.93	17.54	16.41	17.13	19.06
HDFC Large and Mid Cap Fund	Feb-94	21.72	24.51	15.17	27.85	19.01	16.57	14.24	15.46
HDFC Top 100 Fund	Sep-96	14.32	16.06	13.55	21.67	14.43	14.31	14.97	16.94
ICICI Prudential Bluechip Fund	May-08	14.77	16.23	10.90	20.29	15.45	15.06	15.44	18.19
ICICI Prudential Large & Mid Cap Fund	Jul-98	17.61	19.39	14.08	27.03	18.14	15.65	15.77	17.17
Invesco India Contra Fund	Apr-07	16.28	15.29	9.80	18.94	15.98	16.63	18.97	19.44
Kotak Bluechip Fund	Dec-98	10.64	11.02	6.93	16.06	15.19	14.05	14.62	15.02
Kotak Equity Opportunities Fund	Sep-04	15.51	18.45	13.26	20.51	18.08	16.10	17.44	17.73
Kotak Flexicap Fund	Sep-09	10.91	12.13	8.67	15.82	13.93	14.07	16.64	-
Kotak Multicap Fund	Sep-21	23.61	25.19	16.71	-	-	-	-	-
Mirae Asset Emerging Bluechip Fund	Jul-10	17.37	17.05	7.90	19.91	18.74	18.33	23.38	-
Motilal Oswal Large and Midcap Fund	Oct-19	21.42	27.79	13.70	25.11	-	-	-	-
Nippon India Large Cap Fund	Aug-07	14.17	17.98	14.41	24.30	15.27	15.74	16.87	17.04
Nippon India Multi Cap Fund	Mar-05	21.04	27.15	20.15	32.99	18.27	17.39	17.65	20.62
Parag Parikh Flexi Cap Fund	May-13	15.37	25.39	9.88	22.30	21.83	19.33	19.06	-
PGIM India Flexi Cap Fund	Mar-15	8.88	9.21	2.70	17.26	18.13	16.13	-	-
SBI Focused Equity Fund	Oct-04	14.04	14.58	2.43	17.36	16.22	15.69	17.62	21.89
SBI Large & Midcap Fund	Feb-93	13.01	14.30	11.92	23.74	17.36	16.35	17.76	18.36
UTI Flexi Cap Fund	May-92	10.56	7.90	-1.57	12.18	14.67	14.55	15.12	17.04

Midcap & Smallcap

Axis Midcap Fund	Feb-11	15.29	18.59	6.88	19.21	19.04	18.76	20.04	-
HDFC MidCap Opportunities Fund	Jun-07	26.71	34.25	22.26	30.60	21.61	18.28	22.07	23.47
Kotak Emerging Equity Fund	Mar-07	20.51	23.89	14.30	26.63	21.39	18.22	22.87	20.97
Motilal Oswal Midcap Fund	Feb-14	21.86	29.79	21.57	33.45	23.26	17.54	-	-
PGIM India Midcap Opportunities Fund	Dec-13	14.13	12.24	7.63	26.02	23.59	18.45	-	-
UTI Mid Cap Fund	Apr-04	20.49	22.43	10.91	23.74	18.96	16.07	20.67	21.46
HDFC Small Cap Fund	Apr-08	24.73	37.97	21.59	37.35	21.01	21.08	21.16	21.65
Kotak Small Cap Fund	Feb-05	20.75	26.18	10.41	31.61	24.90	19.69	22.75	21.96
Nippon India Small Cap Fund	Sep-10	29.07	38.13	23.95	41.20	26.72	24.14	28.16	-
SBI Small Cap Fund	Sep-09	17.49	19.33	13.81	27.66	22.67	21.40	26.83	-

Sectoral / Thematic Fund & Tax Saving

UTI Flexi Cap Fund	May-92	10.56	7.90	-1.57	12.18	14.67	14.55	15.12	17.04
Nippon India Banking & Financial	May-03	11.78	16.89	14.45	23.89	13.17	14.18	16.81	18.68
ICICI Prudential Pharma Healthcare	Jul-18	30.14	31.21	13.01	16.18	20.36	-	-	-
Nippon India Pharma Fund	Jun-04	31.97	29.80	11.63	16.29	19.47	14.92	17.12	22.65
SBI Healthcare Opportunities Fund	Jul-99	25.36	27.54	14.80	16.32	19.01	11.41	14.93	20.33
Kotak Pioneer Fund	Oct-19	17.15	24.16	6.57	19.85	-	-	-	-
Axis Long Term Equity Fund	Dec-09	10.69	10.91	-0.95	10.06	12.36	13.55	16.36	-
Bandhan ELSS Tax Saver Fund	Dec-08	15.15	17.53	12.01	25.90	17.90	17.76	17.72	-
Kotak ELSS Tax Saver	Nov-05	13.02	14.23	10.23	20.03	17.04	15.53	17.29	16.59
Mirae Asset Tax Saver Fund	Dec-15	13.62	13.89	7.59	18.51	17.50	18.04	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.73	3.53	7.29	5.38	4.82	4.90
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.72	3.59	7.27	5.45	4.97	5.03
Kotak Equity Arbitrage Fund	Sep-05	1.85	3.77	7.60	5.74	5.20	5.20

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	10.63	11.45	5.28	13.38	10.69	9.99	12.97	15.17
Canara Robeco Equity Hybrid	Feb-93	9.86	10.58	6.98	13.43	13.79	13.11	14.82	16.05
DSP Equity & Bond Fund	May-99	12.47	15.84	6.83	14.25	14.18	12.46	14.81	14.75
ICICI Prudential Equity & Debt	Nov-99	15.59	18.47	14.31	27.31	17.95	15.90	17.28	17.97
Kotak Equity Hybrid Fund	Nov-99	10.94	12.59	8.88	17.30	15.69	12.97	13.39	13.87
SBI Equity Hybrid Fund	Dec-95	9.58	8.96	5.94	13.56	12.91	12.18	14.36	15.32
ABSL Bal. Advantage Fund	Apr-00	7.70	9.73	7.01	10.54	10.64	-	-	-
Bandhan Bal. Advantage Fund	Oct-14	7.43	9.45	4.38	8.95	9.46	-	-	-
ICICI Prudential Bal. Advantage	Dec-06	8.81	11.51	9.38	12.79	11.90	-	-	-
Kotak Bal. Advantage Fund	Aug-18	7.02	10.59	7.19	10.28	11.02	-	-	-
Nippon India Bal. Advantage	Nov-04	8.94	9.60	7.48	12.06	10.54	-	-	-
Bandhan Equity Savings Fund	Jun-08	4.62	7.12	5.09	7.38	7.14	-	-	-
Kotak Equity Savings Fund	Oct-14	7.74	11.29	8.66	10.34	9.71	-	-	-

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	0.72	1.34	2.67	6.46	5.17	4.83	6.93
Axis Corporate Debt Fund	Jul-17	0.68	1.33	2.60	6.40	4.93	4.56	6.42
HDFC Corporate Bond Fund	Jun-10	0.59	1.39	2.92	6.90	4.88	4.74	7.36
Kotak Corporate Bond Fund	Sep-07	0.66	1.38	2.72	6.44	4.89	4.63	6.73
Kotak Banking and PSU Debt Fund	Dec-98	0.74	1.42	2.60	6.27	4.84	4.66	7.18
SBI Banking and PSU Fund	Oct-09	0.51	1.29	2.39	6.26	4.31	3.87	6.44
ICICI Prudential Savings Fund	Sep-02	0.56	1.63	3.67	7.35	5.68	5.30	6.68
Kotak Savings Fund	Aug-04	0.53	1.56	3.23	6.83	5.46	4.70	5.68

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Monthly	02-11-2023	0.16
ICICI Prudential Balanced Advantage Fund - Monthly	02-11-2023	0.07
Sundaram Infrastructure Advantage Fund	03-11-2023	3.26
Invesco India Balanced Advantage Fund	03-11-2023	0.12
Nippon India Balanced Advantage Fund	13-11-2023	0.17
ICICI Prudential MidCap Fund	15-11-2023	2.80
ICICI Prudential Large & Mid Cap Fund	15-11-2023	2.30
ICICI Prudential Smallcap Fund	15-11-2023	2.80
Sundaram Aggressive Hybrid Fund - Monthly	17-11-2023	0.25
Sundaram Balanced Advantage Fund - Monthly	17-11-2023	0.08
PGIM India Hybrid Equity Fund - Monthly	20-11-2023	0.16
PGIM India Equity Savings Fund - Monthly	20-11-2023	0.07
DSP ELSS Tax Saver Fund	23-11-2023	0.51
UTI Aggressive Hybrid Fund	23-11-2023	0.74
DSP Equity & Bond Fund	28-11-2023	0.20
Edelweiss Aggressive Hybrid Fund	28-11-2023	0.17
HDFC Balanced Advantage Fund	28-11-2023	0.23
DSP Dynamic Asset Allocation Fund	28-11-2023	0.05
DSP Equity Savings Fund - Monthly	28-11-2023	0.06
Edelweiss Equity Savings Fund - Monthly	28-11-2023	0.08
Axis Equity Hybrid Fund - Monthly	29-11-2023	0.10
Bandhan Equity Savings Fund - Monthly	29-11-2023	0.06
Axis Equity Saver Fund - Monthly	29-11-2023	0.09

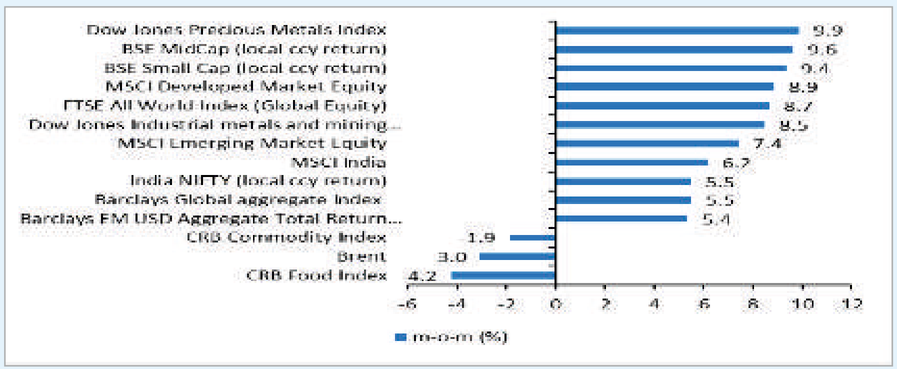
Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or our branch to avail of this free service.

Market Outlook - SBI Mutual Fund

The previous month witnessed another bout of "everything rally" with all manner of risk assets as well as traditional non-correlated assets such as gold and treasury witnessing significant gains. As in previous bouts of similar exuberance, comments from the FED being perceived as dovish, alongside bond positive data surprises led to large downward moves in Treasury yields. This eventually has fed into market expectations of near-term policy easing and large cuts in CY24. The resultant loosening in financial conditions effectively has complicated policy choices with respect to maintaining a sufficiently restrictive stance that aligns with the FED's policy mandate. The sustenance of the November rally therefore remains contingent on continuing negative growth data alongside softer than expected CPI reading. Seen in the backdrop of recent push back by policy makers against premature rate cut expectations, continuing volatility in asset markets is a near certain outcome.

Chart 1:

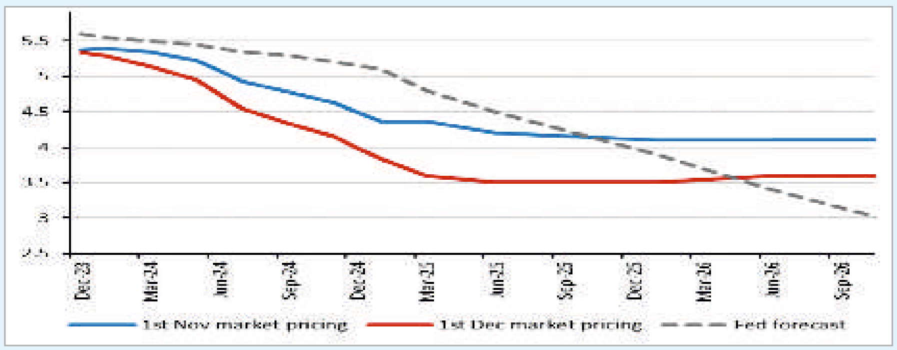
Broad based asset rally in November 23



Source: Bloomberg, SBIFM Research

Chart 2:

Larger and earlier FED policy cuts being priced in CY24.



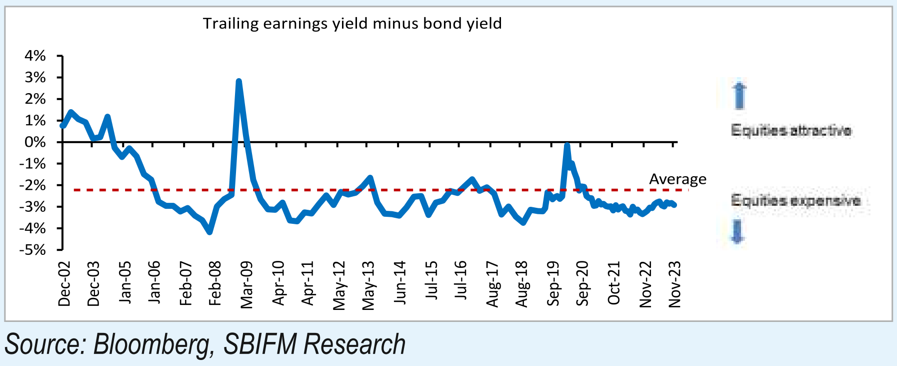
Source: Bloomberg, SBIFM Research

Indian equities rallied sharply last month, helped by easing yields. Indian bond yields declined by around 7 bps month-on-month amidst a sharper decline of nearly 60 bps in US bond yields, aided by expectations of a softer stance by US Federal Reserve on policy rates going forward. The Nifty and the Sensex rose 5.5% and 4.9% respectively over the month. Our preferred valuation gauge that looks at equity yields relative to bond yields suggests equities as moderately overvalued. In other words, the equity risk premium (ERP) has declined and is lower than historical averages. While the recent state elections outcome may help support richer Indian equity valuations on a relative basis, risks from a slowing global economy and the continued lagged impact of tight monetary policy should keep volatility elevated.

Within equities, broader markets have significantly outperformed large caps over the past few months and the valuations differential is now significantly in favour of large caps on a relative basis. The ratio of market caps of Sensex to BSE500 is close to the lower end of the historical range. This suggests that the relative valuation argument is in favour of large caps on a relative basis versus broader markets. Our proprietary equity market sentiment measure has inched up further and continues to reflect elevated readings suggesting more greed than fear in the markets.

Chart 3:

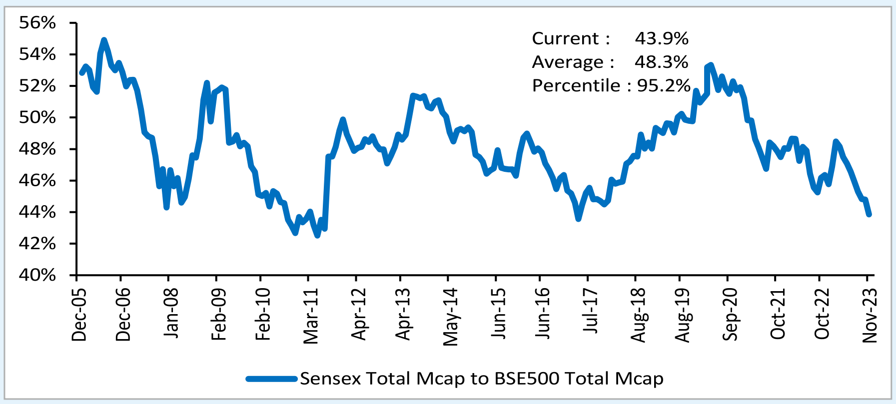
Equity yields relative to bond yields suggest relative expensiveness of equities.



Source: Bloomberg, SBIFM Research

Chart 4:

Relative valuations favour large caps over broader markets.

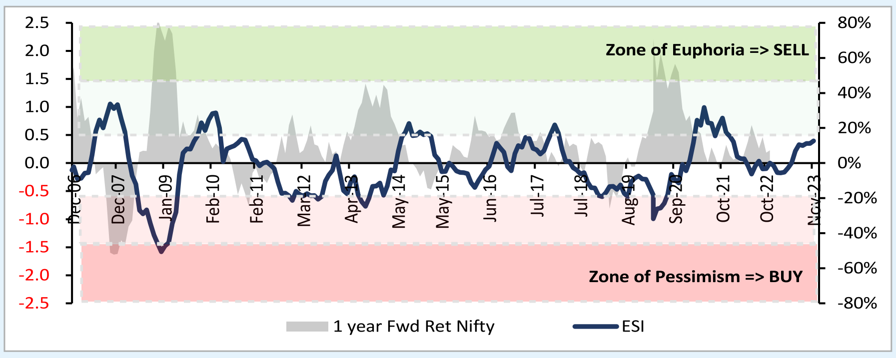


Source: Bloomberg, SBIFM Research

Equity Sentiment as measured through our proprietary framework has been increasing and is now inching towards stretched territory suggesting high complacency. The score considers a total of 14 sub factors covering various aspects of markets to arrive at a measure of market sentiment. The sentiment index works as a contrarian measure and has an inverse correlation to expected forward returns.

Chart 5:

Equity Sentiment Index inching up towards levels suggesting high complacency.

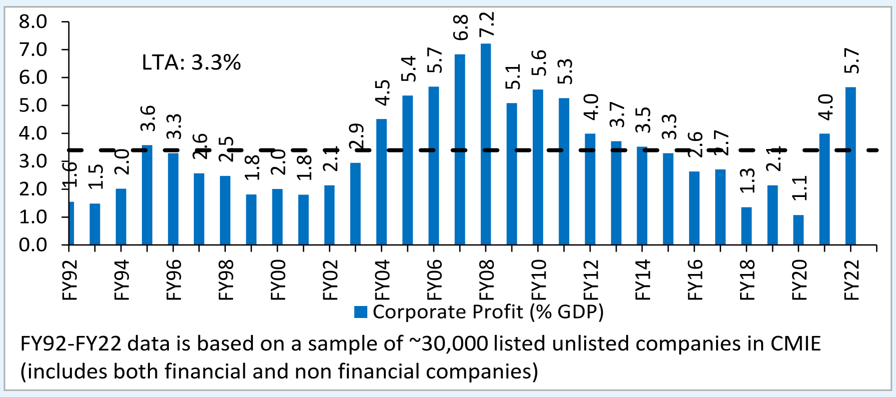


Source: Bloomberg, SBIFM Research

We therefore continue to advocate a diversified approach to asset allocation. Beyond the short-term excesses, the long-term earnings trajectory continues to be encouraging. Corporate profits as proportion of GDP in India have reversed the downtrend of the past decade and have been reverting higher for the past three years. This suggests we are in the early stages of an earnings expansion cycle and augurs well for long term investors.

Chart 6:

Profit cycle reverting higher reversing the downtrend of the last decade



Source: CMIE, SBIFM Research

Sectorally, we continue to like investment recovery related plays including Banks and Financials. We also like discretionary consumption and savings and investments plays as beneficiaries of rising per capita GDP in the country. We also think that beyond the near-term global growth concerns, commodities and physical assets should do well in the wake of years of underinvestment and given the increasing global policy shift towards fiscal expansion.

Gaurav Mehta
CIO, Alternatives
SBI Funds Management Limited

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

Hasty Investment Decisions Can Backfire

Most investors focus on what they need to do to achieve their investment goals, improve portfolio returns and maintain a balance between risk and reward. However, despite starting their investment process well, some of them are often guilty of making haphazard investment decisions, at different stages of their defined time horizon, and thereby disrupting their investment process. If you are looking to achieve consistent investment success, here's what you mustn't do.

Don't panic during market volatility

The market volatility can test your patience and perseverance. Investors, who are relatively new to investing in equities, often panic and end-up making some haphazard investment decisions. It's not that you shouldn't be worried about what is happening in the stock market. The key is how you react to the market volatility. Any panic decision, in such a situation, can impact your asset allocation and the ability of your portfolio to deliver the desired results.

Someone who has spent time in the stock market would know that it is quite normal for it to go up and down during certain time periods. Therefore, while a seasoned investor may take volatility in his stride, a new investor could get tempted to react in a manner that may be detrimental to his fortunes. Remember, if you remain invested and continue your investments un-interruptedly, you minimize your chances of missing out on the sudden rallies in the market.

Don't look at your portfolio everyday

Despite committing to invest for long-term in equity funds, investors usually have the habit of looking at their portfolio valuations quite frequently. In fact, some even look at it every day. This impacts their psyche in different way depending upon the market conditions. When the stock market does well, they feel like putting more and more money into equities which creates an imbalance in their portfolio and exposes them to higher risks. Similarly, when they look at their portfolios on a daily basis in a falling market, it creates self-doubts in their minds and they either feel the urge to exit from their equity investments or stop investing. Therefore, while monitoring the progress of the portfolio is important, doing it on a daily basis doesn't help and hence must be avoided.

Don't try to time the market

Some investors often consider a falling market to be a great investment opportunity. In reality, this can be quite a risky investment strategy as it is extremely difficult, if not impossible, to predict short term market movements. Similarly, any attempt to book profit in a rising market, with an intent to reinvest during a fall in the market in near future, can backfire. Remember, even full-time professionals like fund managers find it difficult to time the market successfully on a consistent basis. Of course, if you have an investible surplus that can be put aside for longer-term, it can be invested as a combination of lumpsum and systematic investing through STP.

Don't let focus shift from your goals

It's a proven fact that investors who follow a goal-based investment process are better equipped to tackle the vagaries of the stock market, as compared to someone who don't have an investment plan in place. The best thing about following a goal-based investment process is that it helps you decide your asset allocation. For example, for short term goals, the money is invested in debt funds, hybrid fuds are chosen for medium term and equity for long-term.

As is evident, it's important not to lose focus during market uncertainties. Remember, investing through different market phases ensures that you benefit from averaging and maintain the desired balance between risk and reward.

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A Note To Our Esteemed Readers

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