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WEALTHWISE®

Wiseinvest®
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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 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,

At the outset, I would like to wish you and your dear ones a "Happy, Healthy and Prosperous 2024". Team Wiseinvest is grateful for your continued support and willingness to partner with us in pursuit of your investment goals. We look forward to working closely with you in your wealth creation journey. As we step into 2024, we reiterate our commitment to be more proactive than ever, while seeking to guide you through various challenges you may face during this on-going wealth creation process.

In 2023, the Sensex and Nifty both gained around 19%. The BSE midcap and small cap indices were up 46% and 48% respectively. While the year began with restrained expectations and increased volatility, the market witnessed a remarkable recovery in the second half. By early March, the Sensex had dipped to a low of 57,000 mainly on account of Hindenburg's damaging report against Adani group and foreign fund outflows from the stock market.

The stock market recovery started in the second quarter after India's inflation showed signs of moderation and picked up steam in the last quarter after the results of polls in four states raised hopes of the BJP-led alliance coming back to power in the next general elections and US Federal Reserve signalled rate cuts in 2024. No wonder, foreign investors flocked back to pump in ₹1.75 lakh crore, the highest ever in a calendar year. Retail investors continued to invest big, steadily eroding foreign investors' hold on the Indian markets. On an average, they invested ₹15,100 crore a month through SIPs in 2023.

Indian equities were amongst the best performing markets globally as the economy remained firm while the rest of the world stuttered. Overall, Indian markets added USD 1 trillion in market cap in 2023. While the stock market is likely to continue the good show in 2024, the extent of growth will depend upon how corporate profitability accelerates. The government is confident of comfortably achieving a growth rate of upwards of 6.5% FY 24 on account of continued growth in manufacturing, upbeat sentiments in the services sector, sustained rise in consumption expenditure and much improved current account balance.

Happy Investing!

Warm regards,

H Rustagi

Hemant Rustagi
Editor

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The Stock Market Performance During December 2023.

Indices	30th November 2023	29th December 2023	Change in (%)
Sensex	66,988.44	72,240.26	7.84
MIDCAP	34,256.42	36,839.22	7.54
SMLCAP	40,371.61	42,673.76	5.70
BSE-100	20,718.71	22,384.89	8.04
BSE-200	8,904.98	9,638.97	8.24
BSE-500	28,442.43	30,720.28	8.01

Equity Market Outlook

As they say, history doesn't repeat itself but often rhymes. As we approach 2024 having seen high inflation followed by high interest rates globally over the last 2 years, we can look at 3 cycles of the US in the past, which may serve as a blueprint for the way ahead:

Cycle I - The 1994-95 cycle: Soft landing

This was a benign cycle where the Fed tightened preemptively, and the outcome was one of the few truly soft landings in US economic history. The unemployment rate had fallen since 1992, and GDP growth was reasonably healthy, between 2.5% and 4% in 1992-94. At the beginning of 1994, inflation was above 2.5%, and the Fed increased interest rates swiftly from 3% to 6% by March'95. Inflation was controlled, peaking at 3% in June'95, and GDP growth slowed down to 2.25% in Dec'95 with inflation at 2.5%. The improvement in macroeconomic conditions laid the base for an upcycle of more than 4% real GDP growth till 2000. The dollar weakened, with the US Dollar index falling from 97 in Jan'94 to 82 in Jun'95.

Cycle II - The 1973-79 cycle: Inflation strikes back

The US economy performed well during 197-73 with GDP growth crossing 5% in 1972. Due to tightness in oil markets and loose fiscal/monetary policy, inflation galloped to above 12% in 1974. Fed increased rates to 12% in mid-1974 but started cutting aggressively once inflation fell. Inflation bottomed out at the end of 1976 at 5%, with the Fed rate at 4.6%. Subsequently, due to the increase in commodity prices and GDP growth recovery, inflation rebounded, reaching a peak of 15% in 1980. Fed had to raise rates to 19% to get inflation down, causing recessionary conditions from 1980-82. The dollar was weak through this period of 1973-80.

Cycle III - The 1945-50 cycle: Negative real rates for deleveraging the government debt

During the early 1940's due to World War II, the government sought to maintain price stability through the imposition of wage and price controls. After the war, as these controls were dismantled, the price level surged upward. Notably, consumer price inflation averaged 10% from 1946 to 1948. Also, the government debt-GDP had climbed to above 100% by 1946 from 40% before the war. Despite the high inflation, the Fed kept the yield on long-term bonds capped at 2.5% during 1945-1951, hence running high negative real rates. This helped the economy recover to 4% GDP growth in 1948, and government debt to GDP fell swiftly to 75% by 1950.

Our view of how 2024 may shape up in terms of the above cycles:

At this point, the current cycle most likely resembles 1994-95 Cycle, where inflation in the US has come down to 3% from a peak of 9% in Jun'22. Even as the Fed has increased rates to more than 5%, the GDP growth has remained strong, and unemployment is at a multi-decade low. If the Fed continues to keep real rates relatively high, then the US economy should slow down in 2024, with interest rates falling gradually. Given slowing global GDP growth as a headwind and lower interest rates as a tailwind for equity markets, it could be a neutral outcome.

The next likely outcome is that the Fed is more aggressive in cutting rates as the government debt to GDP is as high as in 1945-50 Cycle – if this occurs, equities could get a boost as this could help both the economy and valuations (through better liquidity). The downside risk is a resurgence in inflation like the 1973-79 Cycle – we believe the probability of this is low. Finally, there is a tail risk of the monetary tightening causing a big credit event or deep recession – as the tightening cycle is mature this risk has reduced over the last year. Overall, the chances of emerging markets outperforming developed markets are high in 2024 as interest rates in the latter start coming down.

Things are clearer on the domestic side. Noticeably, India remains a bright spot for global growth with long-term structural positives – strong demographics, political stability, stable macroeconomic indicators, etc. The reforms in the economy a few years back are now paying off through robust tax collections, improvement in the quality of government expenditure with a focus on infrastructure, boost to manufacturing through the PLI scheme and other measures, etc. Most other large emerging countries like China, Brazil, Taiwan, Saudi Arabia, etc. have issues around growth or geopolitics and this should help India garner a big share of global capital flows into emerging markets.

Indian markets have done well in 2023 in absolute terms and relative to the emerging markets index. The broader markets have significantly outperformed large cap indices. While the macro context looks supportive of equities it would be unrealistic to expect such high returns to continue in the broader market. However, for the patient investor who can look at equities from a long-term perspective the small and midcap space still deserves a healthy allocation in our view.

Source: Bloomberg

Manish Gunwani
Head - Equities
Bandhan Mutual Fund

Disclaimer

Step Up SIP Through Your Time Horizon

Systematic Investment Plan (SIP) has emerged as the most preferred way for retail investors in India to invest in equity and equity-oriented funds. This systematic approach allows them to maintain discipline in their savings as well as investment process, keep emotions out of their investment and tackle the volatility in the market place. No wonder, the fear of volatility no longer keeps them away from this wonderful asset class.

As is evident, SIP is allowing investors across the length and breadth of the country to participate in the growth of the stock market and create wealth over time. However, to get the best out of this disciplined approach, it is important for an investor to ascertain how much to invest to achieve varied investment goals, have a strategy to increase SIP amount over time and remain committed to the defined time horizon.

Here are a few steps that can help you get the best out of your investments through SIP.

Choose the correct SIP amount

The right way to determine SIP amount is to follow a goal-based investment process. After defining the goals, ascertain time horizon and set a target for each one of them. For long-term goals, you must consider inflation while setting the target. Thereafter, based on an asset allocation for each one of the goals, assume an annualized return and then calculate the SIP for each of the goals. There are numerous calculators that can help you in this process. The cumulative amount for all the goals put together will determine how much you need to invest per month.

Follow budgeting to ensure there are no gaps

Once the SIP amount is worked out, the next step should be to do the budgeting and figure out how much you can invest every month. If there is a gap, re-look at your budget and figure out if some of the expenses can be cut/curtailed to fill the gap. If the gap still remains, you need to commit to step up your SIP every year to ensure that you are investing as much as required and maintain the discipline of investing a part of your growing income every year.

Even if there is no gap at the beginning, it is important to remember that target amount for long-term goals like retirement planning have to be reset in line with your changing lifestyle and income. That's where step up SIP will ensure that you have the capacity to achieve the revised target.

Step up SIP also gives you flexibility to decide when to increase the amount. For example, you may like to increase the amount of SIP after taking care of your other goals like children's education, buying a house etc.

Understand how Step up SIP works

Step up SIP entails increasing your monthly SIP contribution on a periodic basis. For example, you can follow the strategy of increasing your SIP amount every year. The amount can either be increased by a fixed sum or in term of percentage of SIP amount.

The biggest advantage of maintaining the discipline of increasing your SIP amount is that it allows you to synchronize the SIP amount with your growing income. Simply put, it allows you to invest more as you earn more. Step up SIP can make a huge difference to what you get to accumulate over a longer period. For example, if you invest ₹20,000 pm in equity funds thru SIP over a period of 20 years, based on an annualized return of 12%, you can expect to build a corpus of ₹2 crore. However, if you step up your SIP by 10% every year, the accumulated corpus could be around ₹4 crore.

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

A Note To Our Esteemed Readers

Wealthwise is being sent to some of you on a Complimentary basis as a part of our humble effort to ensure that more and more investors get the best from their investments. We sincerely hope that you would like the contents of Wealthwise and in some way benefit from it. However, if you do not wish to receive "Wealthwise" on a regular basis, please let us know by sending us a mail on information@wiseinvest.co.in. You can also write to us at our Corporate Office address mentioned on page number 6.

Performance Of Select Funds

Data as on December 29, 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	17.29	25.95	11.64	17.55	15.38	14.74	17.13	17.18
ABSL Frontline Equity Fund	Aug-02	14.53	23.07	12.92	17.72	14.92	14.25	14.85	16.85
Axis Focused 25 Fund	Jun-12	10.22	17.24	0.12	7.53	11.52	14.11	14.27	-
Axis Growth Opportunities Fund	Oct-18	13.11	30.24	8.97	19.77	20.04	-	-	-
Bandhan Focused Equity Fund	Mar-06	16.48	31.30	11.71	15.86	14.23	14.75	12.88	13.22
Canara Robeco Flexi Cap Fund	Sep-03	14.01	22.84	9.93	17.04	17.07	17.30	15.40	17.50
HDFC Flexi Cap Fund	Jan-95	20.06	30.60	24.37	28.19	19.07	17.85	17.33	18.89
HDFC Large and Mid Cap Fund	Feb-94	23.71	37.72	22.12	28.75	20.42	17.81	14.79	15.55
HDFC Top 100 Fund	Sep-96	19.26	30.02	19.98	22.78	16.10	15.76	15.32	17.01
ICICI Prudential Bluechip Fund	May-08	18.72	27.39	16.72	20.74	16.99	16.34	15.91	18.28
ICICI Prudential Large & Mid Cap Fund	Jul-98	20.68	29.94	20.54	27.26	19.46	16.77	16.19	17.22
Invesco India Contra Fund	Apr-07	20.23	28.82	15.68	20.14	17.34	17.72	18.94	19.22
Kotak Bluechip Fund	Dec-98	14.86	22.90	11.99	17.02	16.31	15.19	15.14	15.17
Kotak Equity Opportunities Fund	Sep-04	17.71	29.33	17.68	21.79	18.93	17.15	17.78	17.66
Kotak Flexicap Fund	Sep-09	16.81	24.20	14.24	17.84	15.47	15.44	17.13	-
Kotak Multicap Fund	Sep-21	27.22	39.77	24.03	-	-	-	-	-
Mirae Asset Large & Midcap Fund	Jul-10	19.83	29.34	12.94	21.09	20.03	19.64	23.55	-
Motilal Oswal Large and Midcap Fund	Oct-19	22.74	38.05	18.52	25.54	-	-	-	-
Nippon India Large Cap Fund	Aug-07	18.25	32.15	21.36	24.93	17.00	17.14	17.08	17.20
Nippon India Multi Cap Fund	Mar-05	20.84	38.13	25.63	32.97	19.15	18.63	17.35	20.44
Parag Parikh Flexi Cap Fund	May-13	17.54	36.79	12.70	22.75	22.85	20.09	19.36	-
PGIM India Flexi Cap Fund	Mar-15	11.05	19.94	5.96	17.25	19.23	17.15	-	-
SBI Focused Equity Fund	Oct-04	13.35	22.23	5.78	16.98	16.29	16.77	17.43	21.18
SBI Large & Midcap Fund	Feb-93	16.05	26.79	16.67	23.80	18.58	17.64	17.82	18.36
UTI Flexi Cap Fund	May-92	11.16	19.81	1.85	11.62	15.36	15.55	15.21	17.02

Midcap & Smallcap

Axis Midcap Fund	Feb-11	15.22	29.59	10.95	19.89	19.30	19.84	19.86	-
HDFC Mid-Cap Opportunities Fund	Jun-07	24.46	44.47	27.45	31.48	22.60	19.51	21.90	23.34
Kotak Emerging Equity Fund	Mar-07	19.49	31.50	17.63	26.81	22.01	19.16	22.56	20.77
Motilal Oswal Midcap Fund	Feb-14	23.01	41.68	25.32	34.78	24.01	18.84	-	-
PGIM India Midcap Opportunities Fund	Dec-13	13.15	20.84	9.04	24.90	24.51	19.29	17.98	-
UTI Mid Cap Fund	Apr-04	17.59	30.54	13.87	22.89	19.68	16.79	20.07	21.44
HDFC Small Cap Fund	Apr-08	23.24	44.84	23.15	35.76	22.14	21.96	21.17	21.24
Kotak Small Cap Fund	Feb-05	18.86	34.83	14.36	30.79	25.81	20.79	22.53	21.78
Nippon India Small Cap Fund	Sep-10	27.09	48.92	26.04	40.46	28.38	24.86	27.51	-
SBI Small Cap Fund	Sep-09	16.19	25.30	16.46	26.04	23.18	22.21	26.48	-

Sectoral / Thematic Fund & Tax Saving

UTI Flexi Cap Fund	May-92	11.16	19.81	1.85	11.62	15.36	15.55	15.21	17.02
Nippon India Banking & Financial	May-03	14.13	24.16	22.48	24.86	14.00	15.49	16.82	18.26
ICICI Prudential Pharma Healthcare	Jul-18	24.45	41.52	13.86	15.30	22.42	-	-	-
Nippon India Pharma Fund	Jun-04	24.11	39.15	12.00	15.85	21.35	16.61	16.68	21.92
SBI Healthcare Opportunities Fund	Jul-99	19.18	38.24	14.02	16.03	20.84	13.11	15.04	20.18
Kotak Pioneer Fund	Oct-19	17.51	36.65	11.95	19.51	-	-	-	-
Axis ELSS Tax Saver Fund	Dec-09	11.64	21.96	3.62	10.18	13.10	14.69	16.48	-
Bandhan ELSS Tax Saver Fund	Dec-08	16.56	28.30	15.67	25.93	19.28	18.87	17.74	18.66
Kotak ELSS Tax Saver	Nov-05	15.34	23.62	15.01	20.80	17.94	16.63	17.49	16.54
Mirae Asset ELSS Tax Saver Fund	Dec-15	17.49	27.02	12.82	19.88	19.01	19.34	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.60	3.49	7.13	5.62	4.92	4.94
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.58	3.56	7.13	5.67	5.06	5.08
Kotak Equity Arbitrage Fund	Sep-05	1.66	3.65	7.38	5.96	5.29	5.25

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	12.59	21.27	9.18	13.97	11.60	10.96	13.22	14.89
Canara Robeco Equity Hybrid	Feb-93	12.48	19.91	10.27	14.29	14.81	14.17	15.00	15.87
DSP Equity & Bond Fund	May-99	14.68	25.33	10.44	14.87	15.15	13.66	14.96	14.90
ICICI Prudential Equity & Debt	Nov-99	18.95	28.25	19.74	26.67	19.32	16.77	17.46	17.78
Kotak Equity Hybrid Fund	Nov-99	12.71	20.07	12.32	17.60	16.45	13.81	13.65	13.90
SBI Equity Hybrid Fund	Dec-95	11.67	16.41	9.14	13.77	13.53	13.36	14.39	15.18
ABSL Bal. Advantage Fund	Apr-00	9.66	16.54	10.22	11.28	11.43	-	-	-
Bandhan Bal. Advantage Fund	Oct-14	7.89	14.89	6.22	9.24	9.84	-	-	-
ICICI Prudential Bal. Advantage	Dec-06	10.75	16.52	12.16	13.14	12.37	-	-	-
Kotak Bal. Advantage Fund	Aug-18	8.79	16.06	9.76	10.82	11.64	-	-	-
Nippon India Bal. Advantage	Nov-04	11.98	17.51	11.16	12.65	11.46	-	-	-
Bandhan Equity Savings Fund	Jun-08	5.14	9.64	6.02	7.38	7.40	-	-	-
Kotak Equity Savings Fund	Oct-14	9.75	15.67	11.18	11.15	10.31	-	-	-

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	0.80	1.70	3.16	6.87	5.54	4.97	6.86
Axis Corporate Debt Fund	Jul-17	0.73	1.61	3.08	6.78	5.24	4.71	6.32
HDFC Corporate Bond Fund	Jun-10	0.65	1.47	3.28	7.20	5.23	4.79	7.25
Kotak Corporate Bond Fund	Sep-07	0.71	1.67	3.20	6.87	5.27	4.77	6.69
Kotak Banking and PSU Debt Fund	Dec-98	0.66	1.68	3.16	6.77	5.19	4.76	7.09
SBI Banking and PSU Fund	Oct-09	0.69	1.51	2.94	6.56	4.71	3.99	6.38
ICICI Prudential Savings Fund	Sep-02	0.58	1.58	3.63	7.63	6.07	5.29	6.63
Kotak Savings Fund	Aug-04	0.53	1.57	3.22	6.80	5.64	4.82	5.62

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
Invesco India Balanced Advantage Fund	01-12-2023	0.12
ICICI Prudential Equity & Debt Fund - Monthly	04-12-2023	0.16
Nippon India Balanced Advantage Fund	13-12-2023	0.17
PGIM India Hybrid Equity Fund - Monthly	15-12-2023	0.16
Motilal Oswal Balance Advantage Fund - Quarterly	15-12-2023	0.20
Sundaram Aggressive Hybrid Fund - Monthly	15-12-2023	0.25
ICICI Prudential Equity Savings Fund - Quarterly	18-12-2023	0.18
ICICI Prudential ELSS Tax Saver Fund	18-12-2023	0.70
ICICI Prudential Infrastructure Fund	18-12-2023	2.10
ICICI Prudential Multicap Fund	18-12-2023	2.60
Sundaram Diversified Equity Fund	22-12-2023	0.11
Aditya Birla Sun Life Balanced Advantage Fund	22-12-2023	0.15
UTI Large Cap Fund	22-12-2023	1.20
Invesco India ELSS Tax Saver Fund	22-12-2023	2.70
HDFC Balanced Advantage Fund	26-12-2023	0.25
Axis Equity Hybrid Fund - Monthly	27-12-2023	0.10
Axis Multi Asset Allocation Fund	27-12-2023	0.15
Edelweiss Aggressive Hybrid Fund	27-12-2023	0.17
Edelweiss ELSS Tax saver Fund	27-12-2023	0.20
Axis Equity Hybrid Fund - Quarterly	27-12-2023	0.30
Bandhan Equity Savings Fund - Quarterly	28-12-2023	0.16
Bandhan Balanced Advantage Fund	28-12-2023	0.17
DSP Equity & Bond Fund	28-12-2023	0.20
DSP Equity Savings Fund - Quarterly	28-12-2023	0.20
Bandhan Hybrid Equity Fund	28-12-2023	0.21
Invesco India Balanced Advantage Fund	29-12-2023	0.12
Canara Robeco Equity Hybrid Fund - Monthly	29-12-2023	0.69
Invesco India Smallcap Fund	29-12-2023	4.00

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.

Things To Remember While Investing In MFs

Mutual funds are a simple, yet effective investment vehicle. However, investing in them may not always be an easy task for an investor since there are hundreds of schemes to choose from. No wonder, investors often err by choosing funds that don't match their needs and/or by ignoring the need to balance risk and reward. That's why, identifying the right level of risk tolerance and choosing the right funds should be the key focus areas while building your mutual fund portfolio.

Plan your investments

It's always a good idea to plan your mutual fund investments rather than investing haphazardly in every fund that comes your way. When you make investment decisions based on short-term performance of funds, you could either end up making your portfolio very aggressive or very conservative. Remember, creating a road map before beginning to invest not only ensures that you follow the right process but also keep your investments on track to achieve your goals. While asset allocation helps you maintain a balance between risk and reward, investing in an option like mutual funds provides you the flexibility to make changes, when required for different reasons.

Don't over-react to the current market level

The market's dizzy heights can evoke a mixed response from investors. On the one hand, there are those who face the dilemma of whether to book some profits or not and on the other, there are those who wonder whether it is safe to start investing at these levels. In reality, if you are someone who is looking to start investing in mutual funds, the current market level shouldn't be a deterrent. Remember, equity markets have a tendency to go up and down but in the long run they help you earn better returns than other asset classes provided you stay disciplined and invest with a clearly defined time horizon.

In a rising market, investors often get tempted to invest in aggressive categories of equity funds like sector and thematic funds. If you are not well-versed with the attendant risks and how to time entry and exit, you must stay away from these funds and rely on well-diversified funds to build your portfolio. You can be reasonably sure that if the fund managers see potential in any sector and/or theme, they will surely make you participate in them to an extent through diversified funds.

Allocate to different market segments carefully

While allocation to equities is important to earn positive real rate of return over the longer term, you must keep an eye on allocation to different segments of the market. Since equity is an aggressive asset class, the attempt should be to avoid making the portfolio very aggressive by keeping a bias towards the large caps in the portfolio. Of course, mid and small cap segments have an important role to play in enhancing overall portfolio returns and hence healthy exposure to both these segments must be there in the portfolio. Considering that stocks in these two segments tend to be more volatile than their large cap counterparts, investing in a disciplined manner and having a longer-term view can help in minimising the impact of volatility in short and medium term.

Thankfully, it is possible for investors to track the exposure to different markets segments in their portfolio through information available in the factsheets published by the fund houses. Besides, many portals as well as distributors website carry a detailed analysis on this aspect. Remember, the allocation to a particular segment should be the sum total of exposure to that segment thru funds investing exclusively in it and also through other categories of equity funds like flexi, large & mid and multi-cap funds etc.

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

Plan Ahead For Your Golden Years

Everyone dreams of having a comfortable retirement. Unfortunately, not many put in the kind of efforts required to make it a reality. Many investors delay investing for retirement thinking that they have enough time on hand to do so. That's because most young people do not think about retirement - mentally or financially. In reality, for every 10 years of delay in the start of your investment process, you will need to invest three times as much each month to catch up.

Then, there are those who prioritise short and medium-term goals at the cost of ignoring their needs during one of the most crucial phases of their lives. In other words, they start thinking about planning for retirement when they are nearing it. No wonder, they end up compromising their life style after retirement.

Remember, your saving and investment habits during the accumulation stage holds the key to how you would end up spending your golden years. Therefore, your investments must be prioritized in a manner that this important goal of your life doesn't get side-lined. It helps to know that a few behavioural factors like lack of saving attitude, lack of knowledge about financial products and unwillingness to plan often derail investment during the accumulation phase. Therefore, you need to work on these to get the best out of the accumulation phase.

Planning for retirement can keep you focused on this very important goal of your life, and hence you must begin the process as much ahead as possible. Remember, a carefully planned investment strategy not only goes a long way in helping you identify what you need to do in the present to lead a particular lifestyle after retirement, but also in avoiding pitfalls in your retirement. Your retirement plan should take into account factors such as number of years to retirement and the corpus you would require to have a comfortable retirement.

There is also an ever-expanding segment of aspiring retirees who wants to retire early. If you want to retire early, you must plan for it since it will require a substantial savings. It's important because you will require a large enough corpus to generate income to meet your expenses to cover the period of traditional retirement age as well as the period after retirement. Broadly speaking, depending upon when one decides to retire, these two periods could add up to around 30-40 years. Therefore, it becomes absolutely essential to not only plan early but also save a substantial part of your income and follow a disciplined approach of investing.

The question that you need to address is how much money would you do you need for early retirement? Usually, if you retire at the traditional age of 60 years, your post-retirement expenses could drop to around 70% of the pre-retirement expenses. However, in the case of early retirement, you many need to provide for higher expenses.

As is evident, planning well during the accumulation stage can help you accumulate the required corpus for your retirement. Similarly, your investments during the distribution stage also require careful planning. Considering that you would be required to generate regular income for a couple of decades and also tackle impact of inflation on your expenses, the selection of suitable products and tax efficiency of returns would be crucial. In fact, an important aspect to generating some income -in addition to investment income- would be to figure out ways to monetize your hobbies/interest.

A smart option like Systematic Withdrawal Plan (SWP) should be considered for generating regular income. It not only allows you to invest in market-linked products that have the potential to help you tackle inflation but also get regular income in a tax-efficient manner.

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

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Fixed Income Outlook

Happy new year. Please find below our view on evolving macro and fixed income markets for 2024.

1. Global economy has proved to be resilient in 2023 despite significantly tight monetary policy, high inflation, disruptions caused by continuous geopolitical uncertainty, volatile commodity prices (particularly crude oil), and struggling Chinese economy.
2. 2023 ended with signs of a slowdown in global economic activity, cooling inflation at a faster pace led by supply response with a lack of any large policy space to respond to slowing growth, as inflation is still trending above pre-covid period.
3. The year 2024 is likely to see volatility in macro environment due to challenging geopolitical setup, active politics (nearly half of world population expected to elect their government in 2024), lagged impact of policy measures and tighter liquidity conditions. On a positive note, nominal policy rates are elevated, and private and household balance sheets are in a much stronger shape to provide resilience to some of the challenges mentioned above.
4. So far gains on inflation have been driven primary by supply side and global growth has not seen meaningful weakness. From here on as demand enters a soft patch, we will see more gains led by core inflation. The inflation trajectory will give space for policy makers to change their hawkish stance to be accommodative.
5. We expect world nominal growth to decelerate. China & other emerging markets will be the wild card against backdrop of slowdown in developed world. We expect a "mild slowdown" as the base case for the global economy for next year and below-trend growth for years to come in the global growth equation. Our world growth projection for 2024 is at 2.60% from 3% in 2023.
6. In advance economies, growth & inflation momentum are normalising near to pre-covid levels, but monetary policy is significantly tighter than pre-covid levels. This there is case for policy normalisation and debate will focus on the pace of normalisation. Growth momentum is likely to be the bigger driver for the pace of rate cuts than inflation.
7. Emerging market central bankers shift focus from financial stability to local growth inflation reality as global headwinds fade. They will also ease up but response at their end will be delayed compared to developed world counterparts both in magnitude and time.
8. For India, we have spent most of 2023 in assessing the terminal policy rates. 2024 will start with lagged impact of restrictive policy & tighter liquidity.
9. For 2024, we expect headline India CPI to average 4.70-4.75%, which is within RBI's mandate. This is slightly higher than RBI estimates.
10. Growth- India seems to be enjoying a Goldilocks Scenario with stable commodity prices, especially crude, weakening dollar bias, slowing inflation amidst reasonable growth momentum. Private capex will drive growth ahead. Global slowdown and lagging consumption are headwinds. We expect India's GDP growth at 6.50% in 2024-25 from 7.0% in 2023-24.
11. RBI has been conservative to secure macro stability & counter potential risks arising from improving growth conditions near to potential GDP of the country.
12. We see policy stance changing to neutral, banking liquidity will be taken to surplus to the extent of 0-1% of NDTL & overnight operative rates near to SDF-repo corridor by the middle of next year. Another influencing factor for 2024-25 would be easing of financial conditions inflows on account of bond indices inclusion.
13. We expect headline policy rates to remain status quo for most part of 2024 with the possibility of a shallow rate easing cycle at end of 2024 unless growth slows down to sub 6%. Real yields are attractive now.
14. Nominal yield curve is elevated and, on a risk reward basis fixed income looks like an investible asset class beyond the asset allocation principle. Time to dial duration is apt now. We expect average benchmark G-Sec to trend towards 6.75%-7% during 2024.
15. In 2024, actively managed duration funds will do well within fixed income space and would advise short-term funds (Short term fund, corporate bond fund, and Banking & PSU fund) as best risk adjusted fixed income play.

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