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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 seventeen 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,

Finance Minister presented Union Budget 2021 amid hopes to revive the economy that has been hit hard by the COVID-19 pandemic. Given this backdrop, it was indeed a bold budget with a clear focus on increasing capital expenditure both by the Centre as well as States.

The fiscal deficit is pegged at 6.8% of GDP in FY22 compared to a revised estimate of 9.5% for FY21. Moreover, the budget introduced new institutional structures (like the Development Finance Institution and Asset Reconstruction Company) and provided greater details on asset monetisation to finance infrastructure needs in the economy. As expected, Customs duties have been increased on certain auto parts, parts of refrigerators, ACs, mobile phones and solar panels in order to provide impetus to domestic manufacturing.

In light of the COVID-19 health crisis, the budget's focus on health and sanitisation with increased allocations and introduction of a new health scheme are also welcome steps. The consolidation of securities laws and the proposed decriminalization under the LLP Act marks an important move.

Although there is no tax relief for tax-payers, steps have been announced to ease the compliance in the form of advance tax liability arising only after declaration or payment of dividend, exemption from filing returns for Senior Citizens above 75 years of age with only pension and interest income, reduced time lines for reopening past tax cases and pre-filled forms having details of capital gains and interests etc. The announcement of a faceless dispute resolution system should help taxpayers by fast-tracking the resolution process.

Of course, there are a few dampeners in the form of removal of tax exemption under Section 10 (10D) to ULIPs with an annual premium of ₹ 2.50 lakh and tax at nominal rate on interest earned on EPF for annual contributions above ₹ 2.50 lakh.

For the bond market, a higher than expected market borrowing estimate (INR 12 trn) in FY22 and additional borrowings of INR 80,000 crore in FY21 are likely to add pressure on borrowing costs. The 10-year yield is up by 16bps since the budget announcement crossing 6%. Over the coming year, higher market borrowings, concerns over inflation and a move towards normalising liquidity conditions by the RBI could maintain pressure on yields.

The stock market gave thumbs up to the measures announced in the Union Budget to boost growth. The prospect of healthy economic growth coupled with improving corporate earnings should keep the stock market in good spirits.

Warm regards,

HRustagi

Hemant Rustagi
Editor

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The Stock Market Performance During January 2021.

Indices	1st January 2021	29th January 2021	Change in (%)
Sensex	47,868.98	46,285.77	-3.31
MIDCAP	18,164.48	18,082.23	-0.45
SMLCAP	18,261.03	17,988.20	-1.49
BSE-100	14,149.78	13,797.78	-2.49
BSE-200	5,932.14	5,790.35	-2.39
BSE-500	18,389.08	17,975.30	-2.25

Key Highlights Of Union Budget 2021-22

The Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman presented the first ever digital Union Budget.

The key highlights of the Union Budget 2021-22 are as follows:

Health and Wellbeing

- ₹ 2,23,846 crore outlay for Health and Wellbeing in BE 2021-22 as against ₹ 94,452 crore in BE 2020-21 – an increase of 137%.
- Focus on strengthening three areas: Preventive, Curative, and Wellbeing.
- Steps being taken for improving health and wellbeing.

Vaccines

- ₹ 35,000 crore for COVID-19 vaccine in BE 2021-22.
- The Made-in-India Pneumococcal Vaccine to be rolled out across the country, from present 5 states – to avert 50,000 child deaths annually.

Health Systems

- ₹ 64,180 crore outlay over 6 years for PM Aatmanirbhar Swasth Bharat Yojana – a new centrally sponsored scheme to be launched, in addition to NHM.
- Main interventions under PM AatmaNirbhar Swasth Bharat Yojana.

Universal Coverage of Water Supply

- ₹ 2,87,000crore over 5 years for JalJeevan Mission (Urban).

Swachch Bharat, Swasth Bharat

- ₹ 1,41,678crore over 5 years for Urban Swachh Bharat Mission 2.0.

Scrapping Policy

- Voluntary vehicle scrapping policy to phase out old and unfit vehicles 1′ Fitness tests in automated fitness centres.
- After 20 years in case of personal vehicles.
- After 15 years in case of commercial vehicles.

Physical and Financial Capital and Infrastructure

Production Linked Incentive scheme (PLI)

- ₹ 1.97 lakh crore in next 5 years for PLI schemes in 13 Sectors.
- To create and nurture manufacturing global champions for an AatmaNirbhar Bharat.
- To help manufacturing companies become an integral part of global supply chains, possess core competence and cutting-edge technology.
- To bring scale and size in key sectors.
- To provide jobs to the youth.

Infrastructure

- National Infrastructure Pipeline (NIP) expanded to 7,400 projects.
- Around 217 projects worth 1.10 lakh crore completed.

Creation of institutional structures: Infrastructure Financing.

- ₹ 20,000 crore to set up and capitalise a Development Financial Institution(DFI) – to act as a provider, enabler and catalyst for infrastructure financing.
- 5 lakh crore lending portfolio to be created under the proposed DFI in 3 years.
- Debt Financing by Foreign Portfolio Investors to be enabled by amending Inv ITs' and REITs' legislations.

Enhancing the Sharp Increase in Capital Budget

- ₹ 5.54 lakh crore capital expenditure in BE 2021-22 – sharp increase of 34.5% over ₹ 4.12 lakh crore allocated in BE 2020-21.

Power Infrastructure

- Consumers to have alternatives to choose the Distribution Company for enhancing competitiveness.
- ₹ 3,05,984crore over 5 years for a revamped, reforms-based and result-linked new power distribution sector scheme.
- A comprehensive National Hydrogen Energy Mission 2021-22 to be launched.

Financial Capital

- A single Securities Markets Code to be evolved.
- Support for development of a world class Fin-Tech hub at the GIFT-IFSC.
- A new permanent institutional framework to help in development of Bond market by purchasing investment grade debt securities both in stressed and normal times.
- Setting up a system of Regulated Gold Exchanges: SEBI to be notified as a regulator and Warehousing Development and Regulatory Authority to be strengthened.
- To develop an investor charter as a right of all financial investors.

Increasing FDI in Insurance Sector

- To increase the permissible FDI limit from 49% to 74% and allow foreign ownership and control with safeguards.

Stressed Asset Resolution

- Asset Reconstruction Company Limited and Asset Management Company to be set up.

Recapitalization of PSBs

- ₹ 20,000 crore in 2021-22 to further consolidate the financial capacity of PSBs.

Deposit Insurance

- Amendments to the DICGC Act, 1961, to help depositors get an easy and time-bound access to their deposits to the extent of the deposit insurance cover.
- Minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 proposed to be reduced from ₹ 50 lakh to ₹ 20 lakh for NBFCs with minimum asset size of ₹ 100 crore.

Company Matters

- To decriminalize the Limited Liability Partnership (LLP) Act, 2008.
- Easing Compliance requirement of Small companies by revising their definition under Companies Act, 2013 by increasing their thresholds for Paid up capital from "not exceeding ₹ 50 Lakh" to "not exceeding ₹ 2 Crore" and turnover from "not exceeding Rs. 2 Crore" to "not exceeding ₹ 20 Cr".

Disinvestment and Strategic Sale

- ₹ 1,75,000 crore estimated receipts from disinvestment in BE 2020-21.
- Strategic disinvestment of BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, NeelachalIspat Nigam limited etc. to be completed in 2021-22.
- Other than IDBI Bank, two Public Sector Banks and one General Insurance company to be privatized.
- IPO of LIC in 2021-22.
- New policy for Strategic Disinvestment approved; CPSEs except in four strategic areas to be privatized.
- NITI Aayog to work out on the next list of CPSEs to be taken up for strategic disinvestment.
- Incentivizing States for disinvestment of their Public Sector Companies, using central funds.
- Special Purpose Vehicle in the form of a company to monetize idle land.
- Introducing a revised mechanism for ensuring timely closure of sick or loss making CPSEs.

Inclusive Development for Aspirational India

Agriculture

- Ensured MSP at minimum 1.5 times the cost of production across all commodities.
- APMCs to get access to the Agriculture Infrastructure Funds for augmenting infrastructure facilities.

Financial Inclusion

- Under Stand Up India Scheme for SCs, STs and women.
- Margin money requirement reduced to 15% to also include loans for allied agricultural activities.
- ₹ 15,700 crore budget allocation to MSME Sector, more than double of this year's BE.

Tax Proposals

- Vision of a transparent, efficient tax system to promote investments and employment in the country with minimum burden on tax payers.

Direct Taxes

Achievements:

- Corporate tax rate slashed to make it among the lowest in the world.
- Burden of taxation on small taxpayers eased by increasing rebates.
- Return filers almost doubled to 6.48 crore in 2020 from 31 crore in 2014.
- Faceless Assessment and Faceless Appeal introduced.

Relief to Senior Citizens:

- Exemption from filing tax returns for senior citizens over 75 years of age and having only pension and interest income; tax to be deducted by paying bank, Reducing Disputes, Simplifying Settlement.
- Time limit for re-opening cases reduced to 3 years from 6 years.
- Serious tax evasion cases, with evidence of concealment of income of ₹ 50 lakh or more in a year, to be re-opened only up to 10 years, with approval of the Principal Chief Commissioner.
- Dispute Resolution Committee to be set up for taxpayers with taxable income up to ₹ 50 lakh and disputed income up to ₹ 10 lakh.
- National Faceless Income Tax Appellate Tribunal Centre to be established.
- Over 1 lakh taxpayers opted to settle tax disputes of over ₹ 85,000 crore through Vivad Se Vishwas Scheme until 30th January 2021.

Relaxation to NRIs:

- Rules to be notified for removing hardships faced by NRIs regarding their foreign retirement accounts Incentivising Digital Economy.
- Limit of turnover for tax audit increased to 10 crore from ₹ 5 crore for entities carrying out 95% transactions digitally.

Cont. on page 3...

Key Highlights...

...Cont. from page 2

Relief for Dividend:
- Dividend payment to REIT/ Inv IT exempt from TDS.
- Advance tax liability on dividend income only after declaration/ payment of dividend.
- Deduction of tax on dividend income at lower treaty rate for Foreign Portfolio Investors.

Attracting Foreign Investment for Infrastructure:
- Infrastructure Debt Funds made eligible to raise funds by issuing Zero Coupon Bonds.
- Relaxation of some conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment.

Supporting 'Housing for All':
- Additional deduction of interest, up to Rs. 1.5 lakh, for loan taken to buy an affordable house extended for loans taken till March 2022 .
- Tax holiday for Affordable Housing projects extended till March 2022.
- Tax exemption allowed for notified Affordable Rental Housing Projects.

Ease of Filing Taxes
- Details of capital gains from listed securities, dividend income, interest from banks, etc. to be pre-filled in returns.

Indirect Taxes

GST:

Pre-filled editable GST return
- Staggering of returns filing.
- Enhancement of capacity of GSTN system.
- Use of deep analytics and AI to identify tax evaders.

Custom Duty Rationalization:
- Twin objectives: Promoting domestic manufacturing and helping India get onto global value chain and export better.
- 80 outdated exemptions already eliminated.
- Revised, distortion-free customs duty structure to be put in place from 1st October 2021 by reviewing more than 400 old exemptions.
- New customs duty exemptions to have validity up to the 31st March following two years from its issue date.

Electronic and Mobile Phone Industry:
- Some exemptions on parts of chargers and sub-parts of mobiles withdrawn.
- Duty on some parts of mobiles revised to 2.5% from 'nil' rate.

Iron and Steel:
- Customs duty reduced uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels.
- Duty on steel scrap exempted up to 31st March, 2022.
- Anti-Dumping Duty (ADD) and Counter-Veiling Duty (CVD) revoked on certain steel products.
- Duty on copper scrap reduced from 5% to 2.5%.

Textiles:
- Basic Customs Duty (BCD) on caprolactam, nylon chips and nylon fiber & yarn reduced to 5%.

Chemicals:
- Calibrated customs duty rates on chemicals to encourage domestic value addition and to remove inversions.
- Duty on Naptha reduced to 2.5%.

Gold and Silver:
- Custom duty on gold and silver to be rationalized.

Renewable Energy:
- Phased manufacturing plan for solar cells and solar panels to be notified.
- Duty on solar invertors raised from 5% to 20%, and on solar lanterns from 5% to 15% to encourage domestic production.

Capital Equipment:
- Tunnel boring machine to now attract a customs duty of 7.5%; and its parts a duty of 2.5%.
- Duty on certain auto parts increased to general rate of 15%.

MSME Products:
- Duty on steel screws and plastic builder wares increased to 15%.
- Prawn feed to attract customs duty of 15% from earlier rate of 5%.
- Exemption on import of duty-free items rationalized to incentivize exporters of garments, leather, and handicraft items.
- Exemption on imports of certain kind of leathers withdrawn.
- Customs duty on finished synthetic gem stones raised to encourage domestic processing.

Agriculture Products:
- Customs duty on cotton increased from nil to 10% and on raw silk and silk yarn from 10% to 15%.
- Withdrawal of end-use based concession on denatured ethyl alcohol.
- Agriculture Infrastructure and Development Cess (AIDC) on a small number of items.

Rationalization of Procedures and Easing of Compliance:
- Turant Customs initiative, a Faceless, Paperless, and Contactless Customs measures.
- New procedure for administration of Rules of Origin.

Achievements and Milestones during the COVID-19 pandemic

Pradhan Mantri Garib Kalyan Yojana (PMGKY):
- Valued at 2.76 lakh crore.
- Free food grain to 80 crore people.
- Free cooking gas for 8 crore families.
- Direct cash to over 40 crore farmers, women, elderly, the poor and the needy.

AatmaNirbhar Bharat package (ANB 1.0):
- Estimated at 23 lakh crore – more than 10% of GDP.
- PMGKY, three ANB packages (ANB 1.0, 2.0, and 3.0), and announcements made later were like 5 mini-budgets in themselves.
- 27.1 lakh crore worth of financial impact of all three ANB packages including RBI"s measures – amounting to more than 13% of GDP.

Structural reforms:
- One Nation One Ration Card.
- Agriculture and Labour Reforms.
- Redefinition of MSMEs.
- Commercialisation of the Mineral Sector.
- Privatisation of Public Sector Undertakings.
- Production Linked Incentive Schemes.

Performance Of Select Funds

Data as on January 29, 2021

EQUITY FUNDS

Large Cap, Large & Midcap, Multi Cap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Frontline Equity Fund	Aug-02	24.28	13.18	11.09	4.90	11.48	14.04	11.72	14.10
ABSL Equity Fund	Aug-98	27.19	11.88	12.66	5.62	14.10	17.26	12.94	13.22
Axis Bluechip Fund	Jan-10	20.64	13.12	16.74	12.47	15.02	15.68	13.12	—
Axis Focused 25 Fund	Jun-12	23.98	12.10	18.25	9.79	16.20	17.16	—	—
Axis Growth Opportunities Fund	Oct-18	23.45	17.21	19.07	—	—	—	—	—
Canara Robeco Equity Diversified Fund	Sep-03	22.20	17.03	15.84	10.19	14.38	15.13	12.28	13.42
Canara Robeco Emerging Equities	Mar-05	26.50	17.14	16.15	7.18	15.38	23.52	18.41	15.26
HDFC Flexi Cap Fund	Jan-95	28.70	8.99	6.88	2.26	12.09	13.88	10.13	13.12
HDFC Top 100 Fund	Oct-96	24.45	8.83	6.58	3.18	12.08	13.10	9.90	13.00
ICICI Prudential Bluechip Fund	May-08	23.72	13.65	12.15	6.16	12.98	14.30	12.14	—
IDFC Core Equity Fund - Regular Plan	Aug-05	26.74	10.36	10.22	2.84	11.64	12.69	9.76	9.87
Kotak Bluechip Fund - Regular Plan	Dec-98	23.32	14.66	15.28	7.65	12.40	14.60	11.32	12.18
Kotak Equity Opportunities Fund	Sep-04	22.81	11.43	15.34	7.33	14.29	16.69	12.77	13.54
Kotak Standard Multicap Fund Regular	Sep-09	21.77	9.66	12.36	6.77	13.93	17.33	13.74	—
Mirae Asset Emerging Bluechip Fund	Jul-10	29.31	22.00	19.86	10.85	19.00	24.96	21.43	—
Mirae Asset Focused Fund - Regular	May-19	26.06	20.38	—	—	—	—	—	—
Mirae Asset Large Cap Fund - Regular	Apr-08	22.50	13.66	12.78	7.13	14.83	17.44	14.44	—
Motilal Oswal Multicap 35 Fund	Apr-14	17.74	7.69	9.95	2.44	12.40	—	—	—
Nippon India Large Cap Fund	Aug-07	26.68	5.17	6.14	2.87	11.16	14.36	11.34	—
Invesco India Contra Fund	Apr-07	22.01	17.60	14.47	6.86	14.82	19.13	14.19	—
SBI Bluechip Fund	Feb-06	25.70	13.69	14.27	6.49	11.54	15.24	12.90	—
SBI Focused Equity Fund	Oct-04	20.94	8.27	15.70	7.82	14.35	17.85	16.38	13.75

Midcap & Smallcap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
Axis Midcap Fund	Feb-11	25.14	18.08	19.98	13.73	15.55	20.69	—	—
DSP Midcap Fund - Regular Plan	Nov-06	24.54	15.87	18.48	7.38	15.03	20.39	15.38	—
HDFC Mid-Cap Opportunities Fund	Jun-07	31.06	15.76	12.71	3.48	12.71	18.38	15.99	—
Kotak Emerging Equity Fund Regular	Mar-07	33.27	15.74	18.43	7.05	15.18	21.96	16.18	—
L&T India Value Fund	Jan-10	24.05	11.70	10.51	1.49	11.25	18.59	14.24	—
Motilal Oswal Midcap 30 Fund	Feb-14	28.42	2.84	12.32	3.99	8.47	—	—	—

Sectoral / Thematic Fund & Tax Saving

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ICICI Prudential Banking and Financial	Aug-08	32.51	-6.24	4.89	1.04	15.17	18.51	14.05	—
Nippon India Banking Fund	May-03	36.79	-8.33	0.58	-1.71	11.29	15.16	10.10	15.15
ICICI Prudential Pharma Healthcare	Jul-18	14.99	57.67	31.56	—	—	—	—	—
Nippon India Pharma Fund	Jun-04	15.36	56.04	26.79	19.32	11.51	16.38	16.23	18.69
SBI Healthcare Opportunities Fund	Jul-99	18.74	55.35	27.07	14.55	5.96	13.83	16.05	12.43
Kotak Pioneer Fund - Regular Plan	Oct-19	29.89	30.99	—	—	—	—	—	—
Axis Long Term Equity Fund	Dec-09	24.94	11.37	17.45	9.79	13.64	18.77	16.77	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	31.93	17.81	12.73	3.05	12.72	15.53	13.01	—
Kotak Tax Saver Regular Plan	Nov-05	24.71	11.00	14.46	7.84	13.87	16.81	11.63	10.95
Mirae Asset Tax Saver Fund	Dec-15	29.21	20.56	18.01	10.04	18.98	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.57	1.61	3.83	4.93	5.32	5.67
IDFC Arbitrage Fund - Regular Plan	Dec-06	0.55	1.57	3.37	4.77	5.22	5.55
Kotak Equity Arbitrage Fund Regular	Sep-05	0.64	1.75	3.94	5.01	5.43	5.78

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	22.34	11.15	8.47	3.26	9.23	13.12	10.80	12.78
Canara Robeco Equity Hybrid	Feb-93	17.32	15.84	14.72	9.75	12.93	15.66	12.89	13.20
DSP Equity & Bond Fund	May-99	20.68	13.26	16.25	8.36	12.68	15.53	11.45	12.98
DSP Dynamic Asset Allocation	Feb-14	10.61	11.03	10.73	8.24	9.44	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	14.54	10.85	11.47	8.12	10.79	—	—	—
ICICI Prudential Equity & Debt	Nov-99	21.02	10.44	10.14	5.02	11.78	14.14	13.10	11.85
IDFC Dynamic Equity Fund	Oct-14	8.83	10.51	10.84	6.81	8.65	—	—	—
Kotak Bal. Advantage Fund	Aug-18	12.02	12.86	12.95	—	—	—	—	—
Kotak Equity Hybrid Fund	Nov-99	25.07	13.99	16.04	7.42	12.07	12.23	10.50	10.77
SBI Equity Hybrid Fund	Dec-95	16.49	9.53	13.23	7.76	11.57	14.79	12.50	12.39
IDFC Equity Savings Fund	Jun-08	8.47	8.73	7.97	5.97	6.00	—	—	—
Kotak Equity Savings Fund	Oct-14	8.69	9.51	8.80	6.90	8.57	—	—	—

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	-0.10	1.08	3.74	10.59	9.55	8.58	8.45
Invesco India Short Term Fund	Mar-07	-0.26	0.78	1.68	8.35	8.86	7.88	7.55
Axis Corporate Debt Fund - Regular	Jul-17	-0.15	0.96	2.85	10.55	8.33	8.25	—
HDFC Corporate Bond Fund	Jun-10	-0.10	1.25	2.85	10.91	10.65	9.36	8.97
Kotak Corporate Bond Fund	Sep-07	-0.16	1.01	2.71	8.61	9.12	8.69	8.42
Kotak Banking and PSU Debt Fund	Dec-98	0.01	1.14	2.70	9.60	10.33	9.17	8.71
SBI Banking and PSU Fund	Oct-09	-0.10	1.11	2.34	9.27	9.85	8.96	8.30
ICICI Prudential Savings Fund	Sep-02	0.19	1.55	3.11	8.09	8.41	8.11	8.07
Kotak Savings Fund Regular Plan	Aug-04	0.15	0.75	1.79	5.45	6.53	6.91	7.11
L&T Ultra Short Term Fund	Apr-03	0.17	0.73	1.62	5.22	6.29	6.73	7.05

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

Dividends declared by equity and equity-oriented funds during the month of January 2021

Scheme name	Date	Dividend declared in ₹ Per unit
Templeton India Value Fund - D	04/01/2021	5.00
Franklin Build India Fund - D	04/01/2021	1.75
Tata Hybrid Equity Fund - DM	05/01/2021	0.26
ICICI Prudential Equity & Debt Fund - DM	06/01/2021	0.16
Sundaram Equity Hybrid Fund - D	08/01/2021	0.13
ICICI Prudential Bluechip Fund - D	11/01/2021	2.40
DSP Equity Opportunities Fund - D	14/01/2021	2.80
PGIM India Hybrid Equity Fund - DM	18/01/2021	0.12
Tata Equity PE Fund - D Trigger Option A (5 Percentage)	19/01/2021	0.90
Mahindra Manulife Multi Cap Badhat Yojana - D	22/01/2021	0.80
Mahindra Manulife Hybrid Equity Nivesh Yojana - D	22/01/2021	0.60
Nippon India Vision Fund - D	22/01/2021	3.00
L&T Large and Midcap Fund - D	22/01/2021	0.16
L&T Hybrid Equity Fund - D	22/01/2021	0.12
Aditya Birla Sun Life Banking and Financial Services Fund - D	25/01/2021	0.95
HSBC Tax Saver Equity Fund - D	25/01/2021	0.50
DSP Top 100 Equity Fund - D	28/01/2021	1.05
DSP Equity & Bond Fund - D	28/01/2021	0.15
Canara Robeco Equity Hybrid Fund - DM	29/01/2021	0.73
LIC MF Equity Hybrid Fund - Plan A - D	29/01/2021	0.10
Axis Equity Hybrid Fund - DM	29/01/2021	0.08

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.

Annual Outlook – CY21

Cy20, was a tumultuous year for the global economy with historic volatility in financial markets. The health pandemic caused by the Covid-19 virus, mostly likely, may not have the same negative influence as it had in the year gone by.

While it is impossible to include all factors, here are a few, which we believe, will be key to drive markets in CY21:

Promise of delivery vs Delivery of promise

Earnings Estimates vs Actuals

For equity investors, 2015 onwards, wishing for Index earnings growth has been an annual exercise of disappointment. Every December, estimates for the next financial year are compiled and most of these years, the actual vs expected has witnessed a wide gap between Estimates and Actuals.

BSE 100 EPS Est	Fy16	Fy17	Fy18	Fy19	Fy20	FY21E	FY22E	FY23E
Dec-15	447	571	653					
Dec-16		476	582	673				
Dec-17			503	627	738			
Dec-18				534	663	774		
Dec-19					583	706	830	
Dec-20						497	688	824
Actual		**426**	**486**	**442**	**454**			

Growth Year 1 Estimated in Dec	27.8%	22.1%	24.6%	24.0%	21.2%	38.3%	27.8%	
Deviation- Actual over forward 1year estimate		-25.5%	-16.4%	-29.5%	-31.4%			
Deviation Actual over forward 2year estimate			-25.6%	-34.3%	-38.4%			

BSE 100 -on Dec End	**8,098**	**8,387**	**11,030**	**11,161**	**12,236**	**13,732**		
Valuation Year+1 (x)	14.2	14.4	17.6	16.8	17.3	20.0		
Valuation Year+2 (x)	12.4	12.5	14.9	14.4	14.7	16.7		

Source: Bloomberg

Key observations

- Consensus have normally estimated a 1-year forward growth of more than 20%.
- Past data suggests deviation over 1-year forward estimates and the actual numbers on an average is 25% and is as high as 31%.
- Consensus 2-year forward estimates are to be taken with caution as there has been a tendency to over-estimate them over actual by more than 25% and as high as 40%.

Clearly, the markets are primed for a strong revival in earnings, after a dismal FY20. The trajectory of this growth will clearly have the closest correlation to market levels. The delivery of promise, on this front, will be the most critical factor which will influence the markets, as valuations boosted by the benign monetary and fiscal policies are at an elevated level.

With the spread of the pandemic and the lockdown during Q1 FY21, earnings for the year FY21 were sharply downgraded. GDP estimates forecasted -10% and even -15%, de-growth. However, the swifter than expected economic recovery led to a more robust Q2 FY21. As a result, upgrades exceeded downgrades 3x, a rarity, after years of earnings disappointment. FY21 estimates, quickly rebounded from negative to positive territory, despite the Q1 debacle.

However, FY22 and beyond, is what investors are playing for. In the past, forecasting 2-year forward earnings growth has had a poor track record, with actual earnings lower by 25-30%. As we stand today, estimates for FY23 appear to build growth rates higher than the peak growth achieved in any period during the 2013-19 phase across sectors. Will FY22 and FY23 earnings delivery be another case of "promise of delivery" or truly surprise investors with "delivery of promise"?

Promise of Delivery vs Delivery of Promise

Growth vs Value, actually, Consistent vs Cyclical Earnings

Over the last five years, since 2014 Government regime change, the debate of Growth vs Value has raged, mainly one sided each year - CY14 and CY17, Value trumped Growth; and in CY15, CY16, CY18 and CY19, Growth has trumped Value. CY20 saw a revival of this debate – after Growth trounced Value in the 1st quarter of CY20, Value has staged a smart comeback.

Investors, world over, worship at the altar of stable, consistent earnings. While in US, growth investing is synonymous for investing in Technology companies, value denotes "old" economy. The Indian "growth" companies, on the other hand, comprise chiefly of large caps, market leaders operating across "old" economy sectors. It's the consistency and stability of earnings these companies have reported during the 2011-20 period which have driven Indian investors to hand them "growth" multiples. Value, on the other hand in India denotes PSU pack, Small caps, Cyclical sectors and companies which are challengers to the established market leaders. Remarkably, these high valued, "growth companies" become even more important places to hide when economic growth slows as their steady earnings easily, outshines their inconsistent and cyclical peer / rest of the market. During periods, when perception moves to an economic revival this group lags, their inconsistent, cyclical, "value" peers – CY14, CY17 and post Q1 CY20.

Will CY21, witness a revival of Value over Growth, especially Small caps? Till monetary policies, especially, Indian monetary policy remains accommodative, real interest rates do rival the range in 2016-19 period and economic growth is broader rather than "K" shaped, hope of V outperforming G could be sustained.

Promise of Delivery vs Delivery of Promise

USD Weakening, Rest of World to Outperform US market

The previous decade could easily be tagged as America's decade, not only was USD a strong currency, US markets annihilated Rest of World (RoW) markets. Will the coming decade see a U-turn? A weak USD, has in the past, led to strong Emerging market flows, with Rest of World outperforming US markets. Already metal and crude oil prices have started to inch up, as a corollary to the weakening dollar. A "global" consensus view on USD weakening in 2021 has been built in the past few months, will it deliver in 2021? Will US markets, after a decade of dominance, cede leadership to RoW markets? If USD weakens, as being forecasted, how long will INR remain weak – it is among the worst performing Emerging currencies in CY20. Will INR strengthen in CY21? Could RBI actually allow INR to strengthen to cushion the blow of inflation? How will that impact export leaning sectors, especially IT services?

Promise of Delivery vs Delivery of Promise

Will Central Banks blink, as inflation picks up, or will loose monetary policies go beyond 2021?

CY20, saw a new chapter in the playbook of how to tackle a financial crisis - Fiscal Stimulus. Unlike 08-09 financial crisis, which was largely "stimulated" through monetary injection by Central Banks in US and Europe, CY20 witnessed large fiscal stimulus by Governments across the world. As of now, the US Fed governor has maintained holding on to the interest rates at least till the end of CY22, if required even later, "allowing inflation to overshoot its targeted rate of 2% during this period".

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This has made several commentators worried, could the specter of inflation return, just as was the case in 1970-77 period or will a swift control of the virus and strong fiscal and monetary stimuli spur a robust economic recovery? Even, if inflation crosses the "inflation target" of 2% in US and Europe, equity may be less impacted unlike Government debt, which would make equity to be the "least" bad option amongst all financial assets (save, the new sensation Bitcoin) in either scenario. However, the trajectory of returns for the equity investor will vary dramatically in each of the scenarios.

Promise of Delivery vs Delivery of Promise

Will key Government reforms – IBC, GST, Labor, Agriculture PLI (production-linked incentive) deliver growth?

For most equity bulls, economic reforms have always been a key variable for a sustainable bull market. The series of reforms announced by this Government, rival and exceed even the "reformist" Narasimha Rao Government, yet a sustained bull market eludes equity markets! While reforms, are critical, it is their execution and the mindset of those governing these reforms, which is an equally important element to get economic growth from such reforms. Clearly, sequencing, absorption, implementation is as critical as having the political will to announce such important and difficult measures. Will CY21 be the year, when focus will shift to execution rather than more, new and bold announcements? Will GST system stabilize, will e-way bill be matching move from realm of possibility to reality?

Quick sector rotation

As investors searched for stable earnings, rotation from one sector to another, as exhibited from Apr-Dec'20 phase was evident – Staples after outperforming in Mar-Apr, have underperformed since then. Pharma and IT services outperformed during May-Sept; Banks/NBFC, after underperforming from Mar-Sept, outperformed during Oct-Dec. With earnings growth compressed across few sectors, investors rushed from one segment to another, sector rotation has been fast and furious.

Looking back, the pattern / rationale behind these manic moves was clear – sectors which were perceived to return to pre-covid level of profitability and sales growth out performed – Pharma, IT services, Telecom at the start and as the level of economic activity surprised, other sectors joined in. As we get closer to "normalization" post the vaccine roll out, will such sector rotation continue?

Time for Small caps to shine? After the debacle of Mar'20, Small caps outshone the rest of the market – for the first time since CY17. If economic recovery is robust and RBI does not move aggressively into high real interest zone, Small caps could benefit the most. This is also reflected in market recovery post a sharp fall in 2009 (GFC), 2014 (General elections) and 2017 (post Demonetization) as well. Will CY21 sustain this move? Will the nascent rally in Value/Cyclicals sustain or peter out? Of course, owning consistent earnings growth company is important, so used to be their valuation, unfortunately, not any more. Will the rally in cyclicals/Value sustain, or as many Growth focused Portfolio Manager believe "90% of all value stocks are crap"?

Have a safe and profitable 2021.

Anoop Bhaskar
Head – Equity
IDFC Mutual Fund

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