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WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

Inside

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest, an AMFI-registered Mutual Fund Distributor. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 30 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance expert on many investments related TV shows. Providing quality service is our top priority. In keeping with that, we constantly take steps to provide up-to-date information to our clients. In the last eighteen years, thousands of our clients have made mutual funds the mainstay of their portfolios. You can benefit too from our service support for your existing as well as new investments. All you need to do is to just call up any of the offices or email your requirements at **information@wiseinvest.co.in.**

Dear Investor,

The volatility in the stock market continued in the month of March on account of global uncertainties fuelled by a banking crisis and persisting inflation. The collapse of the Silicon Valley Bank (SVB), Credit Suisse's buyout by rival UBS, global inflation and continuing geopolitical tensions kept the stock markets on the edge.

While emerging markets have been performing in line with the developed markets, weak economic prospects in developed markets and relatively higher growth in emerging markets is likely to result in increased allocation by FPIs to select emerging markets and India. In fact, India could get higher allocations due to its structural growth potential relative to other emerging markets. In other words, the slowdown in foreign portfolio investments due to the current situation is not likely to reverse course in the longer run.

India's gross collection from Goods and Services Tax rose 13% from a year earlier to ₹ 1,60,122 crore, registering second highest collection since implementation of GST in July 2017. Gross GST collections crossed ₹ 1.5 lakh crore mark for a month for the fourth time in the last financial year. Gross GST collection in the last fiscal year rose 22% on year to ₹ 18.10 lakh crore and the average gross monthly collection for the full year was ₹ 1.51 lakh crore.

The RBI may increase the repo rate by 25 bps in April 2023, as retail inflation continues to remain above RBI's tolerance limit of 2% to 6%. This could be the last rate hike for the current fiscal year. The RBI's MPC commentary and decision is likely to set the tone for the market. Some of the other factors like Corporate earnings, US manufacturing PMI, FY 23 auto sales numbers, IIP and inflation too would provide direction to the stock market in short and medium-term.

No doubt, last 18 months have been quite challenging for equity investors. However, investments made in a disciplined manner during this period will yield results and could contribute significantly to portfolio returns over the next couple of years. Also, the beginning of a new financial year is a good time to have a look at your asset allocation and realign the portfolio, if need be.

Warm regards,

H Rustagi

Hemant Rustagi
Editor

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The Stock Market Performance During March 2023.

Indices	28th February 2023	31st March 2023	Change in (%)
Sensex	58,962.12	58,991.52	0.05
MIDCAP	24,157.96	24,065.59	-0.38
SMLCAP	27,341.14	26,957.01	-1.40
BSE-100	17,538.20	17,601.67	0.36
BSE-200	7,350.71	7,388.69	0.52
BSE-500	23,084.79	23,160.01	0.33

India: Standing Tall In The Midst Of Global Volatility

As the famous saying goes, "May you live in interesting times". Last few years have been nothing short of interesting for equity markets, both in India and the world over.

Over the past 3 years, COVID-19 and the Russia-Ukraine war were two major events which disrupted world equilibrium. In recent times, the banking crisis unfolding in the US and Europe have been dominating the financial world.

In early 2020, COVID-19 disrupted the way world worked. Central Banks and Governments across the world took various measures to tackle the COVID-19 virus and embarked on an expansionary monetary and fiscal policy. The US Federal Reserve undertook quantitative easing to infuse liquidity into the markets as the FED balance sheet expanded from nearly USD4trillion before pre-COVID to USD8 trillion+ currently.

Just, as the world was recovering from COVID-19 pandemic, another event hit the financial markets i.e. Russia-Ukraine war. Russia and Ukraine account for majority of the global exports of wheat, barley etc. and the war has led to rising global prices for these commodities.

The global economy has since felt the effect of slower growth and faster inflation. Inflation in the US reached a high of 8.5% versus US FED target range of 2%. CPI in India too hit a high of 7.79% versus the targeted range set by RBI of 4 to 6%. This dramatic rise inflationary pressures has resulted in central banks reversing monetary policy and raising rates to bring inflation under control. However, while central banks raised rates, they did not tighten liquidity by the same extent. While goods inflation in the US has fallen sharply, service inflation remains elevated. This has led to a dilemma among central bankers over how high should rates go in order to lower inflation even as growth slows down.

"A rising tide lifts all boats. Only when the tide goes out do you discover who's been swimming naked" - Warren Buffett

Tightening monetary policy has also led to repercussions in the global banking world. The key factor contributing to the recent demise of Silicon Valley bank was asset liability management (ALM) mismatch in a rising rate environment which manifested into solvency issues for the bank.

On a relative basis, Indian banks hold-up well fundamentally given better quality and granularity of deposits (>60% of deposits are households), adherence to BASEL 3 norms on LCR (Liquidity Coverage ratio) and cap on the proportion of HTM portfolio as a percentage of NDTL.

While Indian Banks are strong fundamentally with adequate liquidity and capital buffers, we are not an island. The key to watch out for would be any further liquidity issues and any rub-off on counter-party risk assessment (especially in derivatives) in India.

"If I have to bet on one country in Asia, it is India. If It is two, I will bet India twice" - John Chambers

In the last few years, it has been clear, that in a world where volatility has been the name of the game, the Indian economy stands out as an Oasis in a desert. As per the economic survey of 2022-23, India's GDP growth is estimated at 6.5% in FY24. The World Bank & IMF echoed the same outlook for India's growth. India has moved from accounting for ~1.1% of global nominal GDP in 1993 to 3.4% and was the 5th largest economy at ~US$3.5trn in 2022. The IMF estimates that India will become the third-largest economy by 2027, accounting for ~4.0% of global GDP.

Data shows that between 2000 and 2022, India and China are the only 2 countries among the large economies globally which have grown faster relative to the US economy. At a state level too growth has been rapid. Maharashtra's GDP today is equal to Indian GDP in 2005. Tamil Nadu, Gujarat and Karnataka's GDP today is equal to Indian GDP in 2000.

One key shift in policy has been the focus on investment led growth and not just consumption (which has been the main stay of India's GDP growth). Many MNC companies are adopting the China+1 manufacturing model and India is providing them a platform for the same. The Production Linked Incentives (PLI) has helped bring manufacturing into India in segments such as mobile phones and electronics. For example, Apple exported USD1 billion of I-phones from India in the month of December. Policy focus on investment led growth has helped improve India's ease of doing business ranking by 23 positions.

Another interesting play in India is the entire digital / internet economy. We may continue to debate about the disruptions and valuations, but India is all set for a rapid growth with almost 800mn users on internet on their hand-held devices. India is the largest global user base for Whatsapp, Instagram, Youtube and with data costing less than $10 cents per GB, this entire ecosystem can break the inherent infrastructural bottlenecks in India and rapidly create value. However, with burn capital becoming scarce, businesses are reorienting strategies for a profitable growth model.

The rural segment has been a major growth driver for India in the past. Recently, it has taken a back seat, but green shoots of recovery are visible. The share of bottom 20% of Population in consumption fell from 6% (pre Covid) to 3% during Covid and is at 4.5% in FY23E. However, now data shows that rural wage growth increased for the third consecutive month. The winter crop production is expected to be a positive for rural income. Improving rural

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India: Standing Tall In The Midst Of Global Volatility...

...Cont. from page 2

indicators bodes well for rural consumption going forward. El Nino impacting the monsoon in 2023 however remains a concern for rural consumption.

One must remember that while Indian economy has been relatively resilient there is a sandstorm brewing globally and one must not let their guard down. India is not immune from global growth cycles. Going forward, investors will focus on macro data like US and India CPI print and monetary policy decisions of the central banks.

From an equity market perspective, one of the key factors driving re-rating of equity markets in India has been improvement in India's corporate profitability. We expect that the earnings cycle in the medium term is likely to move higher. Corporate tax is now at 25% as against 35% earlier. Corporate balance sheets have much lower leverage and the biggest long term driver for higher corporate profitability is the changing nature of economy, from informal to formal leading to large market share gains for the formal economy, i.e. corporate India.

Indian equities outperformed in CY22. CY23 has however been a different story with India underperforming its large EM (Emerging Market) peers. With this, MSCI India Premium Vs MSCI EM Has Shrunk and absolute valuations (Nifty) has come back to Long term averages.

Overall, India stands-out amongst the major economies of the world in terms of growth. However, in the near term we believe that equity markets may remain range-bound and volatile amidst domestic and global headwinds and macro uncertainties on growth, inflation and interest rates.

ESG: The global debate

Climate change has been at the forefront of regulatory priorities across the globe in the last few years. While the last few years has seen steady adoption and integration of ESG into the investment philosophy and framework of asset managers, the COVID crisis and the Russia Ukraine conflict have brought the ESG debate back on the table.

According to Morningstar, assets in global sustainable funds which hit a high of USD2.97 trillion were down to USD2.24 trillion by the end of September 2022. Another meltdown for worldwide asset managers was the failure of Silicon Valley Bank (SVB) which was rated highly under various ESG criteria.

Despite the recent developments, we expect that the asset management sector's focus on ESG is here to stay: Focus on businesses which hold sustainability as a core philosophy is a structural change. Regulation, investor pressure and wider societal attitudes has prompted a sea change in practices, bringing ESG into the mainstream.

Indian companies have also upped the ante when it comes to ESG adoption. The implementation of voluntary BRSR (Business Responsibility and Sustainability Reporting) by 160 companies so far has been a starting point. As per regulations, top 1000 Indian companies by market capitalisation are expected to publish their BRSR reports in Fy24.

We, at Kotak Mahindra Asset Management, demonstrated our commitment to ESG by being the first domestic asset management entity to sign up with UNPRI (United Nations Principles for Responsible Investments) in 2018. For us, the journey continues, with ESG integration being a marathon and not a sprint.

Shibani Sircar Kurian
Fund Manager
Kotak Mahindra Asset Management

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

Performance Of Select Funds

Data as on March 31, 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 Frontline Equity Fund	Aug-02	0.40	0.24	9.73	27.01	10.08	11.74	13.56	12.01
ABSL Flexi Cap Fund	Aug-98	-0.76	-4.15	7.82	26.46	9.60	12.95	15.70	11.47
Axis Bluechip Fund	Jan-10	-4.16	-7.44	3.48	16.82	10.88	12.44	13.07	-
Axis Focused 25 Fund	Jun-12	-9.71	-15.40	-1.36	15.96	7.70	11.60	12.43	-
Axis Growth Opportunities Fund	Oct-18	-5.69	-9.07	8.46	25.72	-	-	-	-
Canara Robeco Flexi Cap Fund	Sep-03	-0.84	-2.26	8.67	24.47	12.68	14.10	13.82	12.57
Canara Robeco Emerging Equities	Mar-05	-3.50	-1.99	9.58	27.43	11.43	15.49	20.23	15.86
HDFC Flexi Cap Fund	Jan-95	5.19	10.90	18.59	34.81	13.62	15.19	15.23	13.58
HDFC Top 100 Fund	Sep-96	5.07	6.18	13.28	28.81	11.40	13.21	13.33	12.17
HDFC Large and Mid Cap Fund	Feb-94	0.10	3.66	14.61	33.45	12.67	12.93	11.74	8.98
HSBC Large Cap Fund	Dec-02	0.52	-0.68	6.83	23.42	9.92	11.90	11.96	8.73
ICICI Prudential Bluechip Fund	May-08	3.13	2.97	12.21	28.55	11.81	13.68	14.34	-
ICICI Prudential Large & Mid Cap Fund	Jul-98	2.10	6.61	17.79	34.81	12.87	14.26	14.57	12.03
Bandhan Core Equity Fund	Aug-05	1.53	4.17	12.05	30.67	10.18	13.34	12.92	9.29
Invesco India Contra Fund	Apr-07	-1.66	1.02	9.96	27.85	11.14	14.33	16.91	14.17
Kotak Bluechip Fund - Regular Plan	Dec-98	1.24	0.76	8.73	26.46	11.59	12.23	13.27	10.28
Kotak Equity Opportunities Fund	Sep-04	1.47	3.66	11.56	28.74	12.79	14.65	15.96	11.88
Kotak Flexicap Fund Regular Plan	Sep-09	1.81	2.01	8.59	25.21	10.75	13.26	15.82	-
Mirae Asset Emerging Bluechip Fund	Jul-10	-1.33	-2.71	8.53	29.85	14.25	17.58	21.95	-
Motilal Oswal Large and Midcap Fund	Oct-19	3.81	7.56	12.49	29.00	-	-	-	-
Nippon India Large Cap Fund	Aug-07	2.64	6.53	15.43	30.73	11.72	13.53	14.80	11.86
Nippon India Multi Cap Fund	Mar-05	0.00	7.64	20.26	36.03	12.67	13.67	14.72	14.32
Parag Parikh Flexi Cap Fund	May-13	5.87	0.03	14.12	33.07	17.19	16.65	-	-
PGIM India Flexi Cap Fund	Mar-15	-0.89	-4.32	9.89	33.15	13.95	14.64	-	-
SBI Focused Equity Fund	Oct-04	-5.63	-6.75	7.88	22.03	10.79	13.44	15.00	13.42
UTI Flexi Cap Fund - Regular Plan	May-92	-7.79	-10.08	1.83	23.79	11.36	12.49	14.06	12.38

Midcap & Smallcap

Axis Midcap Fund	Feb-11	-5.80	-4.53	8.53	25.49	13.99	15.77	18.05	-
HDFC Mid-Cap Opportunities Fund	Jun-07	1.87	9.87	16.57	36.73	12.43	15.55	19.16	16.97
Kotak Emerging Equity Fund	Mar-07	-1.74	4.04	13.78	35.99	13.75	16.71	19.97	13.69
Nippon India Small Cap Fund	Sep-10	0.36	6.65	23.98	49.51	15.96	20.72	25.51	-
Motilal Oswal Midcap Fund	Feb-14	-4.49	10.00	23.31	36.93	14.49	14.55	-	-
PGIM India Midcap Opportunities Fund	Dec-13	-6.40	-1.44	15.46	42.58	16.87	16.66	-	-
UTI Mid Cap Fund - Regular Plan	Apr-04	-6.58	-1.50	9.90	32.83	10.57	13.03	18.98	14.96

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	1.71	6.55	9.45	28.47	8.56	14.74	15.35	-
Nippon India Banking & Financial	May-03	1.91	8.23	14.84	32.89	8.50	13.44	13.70	14.29
ICICI Prudential Pharma Healthcare	Jul-18	-2.66	-5.33	3.65	25.02	-	-	-	-
Nippon India Pharma Fund	Jun-04	-4.10	-6.74	4.00	23.57	15.14	10.88	15.25	18.23
SBI Healthcare Opportunities Fund	Jul-99	-0.23	-1.95	5.47	24.09	13.04	7.17	14.03	14.48
Kotak Pioneer Fund - Regular Plan	Oct-19	1.17	-2.76	7.18	32.21	-	-	-	-
Axis Long Term Equity Fund	Dec-09	-8.06	-11.26	0.06	16.43	8.56	11.06	15.67	-
Bandhan Tax Advantage (ELSS) Fund	Dec-08	1.12	0.72	14.95	38.14	11.86	15.45	16.69	-
Kotak Tax Saver Regular Plan	Nov-05	1.61	2.28	11.89	28.97	13.18	14.37	15.00	10.59
Mirae Asset Tax Saver Fund	Dec-15	0.38	-1.20	9.00	30.26	14.11	17.58	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.66	3.07	5.07	4.46	4.11	4.91
Bandhan Arbitrage Fund	Dec-06	1.68	3.11	4.96	4.27	3.93	4.78
Kotak Equity Arbitrage Fund	Sep-05	1.71	3.18	5.31	4.65	4.29	5.05

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	-1.59	-6.35	5.80	21.21	6.72	9.16	11.87	11.39
Canara Robeco Equity Hybrid	Feb-93	0.40	0.24	7.55	19.38	11.04	12.29	13.68	12.31
DSP Equity & Bond Fund	May-99	-0.27	-0.67	5.83	19.40	9.75	11.40	13.00	11.12
ICICI Prudential Equity & Debt	Nov-99	3.91	5.65	18.61	31.10	13.83	15.04	15.92	13.17
Kotak Equity Hybrid Fund	Nov-99	1.18	2.74	9.88	26.42	11.45	12.30	12.11	10.22
SBI Equity Hybrid Fund	Dec-95	-2.84	-2.63	7.13	18.63	10.02	11.12	13.76	11.13
ABSL Bal. Advantage Fund	Apr-00	1.55	3.28	6.80	17.86	8.48	-	-	-
ICICI Prudential Bal. Advantage	Dec-06	2.12	5.99	8.96	19.77	9.66	-	-	-
Bandhan Bal. Advantage	Oct-14	-1.61	-1.47	3.98	14.10	6.96	-	-	-
Kotak Bal. Advantage Fund	Aug-18	2.51	3.92	6.59	17.36	-	-	-	-
Nippon India Bal. Advantage	Nov-04	0.44	3.84	6.98	16.77	8.86	-	-	-
Bandhan Equity Savings Fund	Jun-08	1.65	2.80	5.14	11.64	5.82	-	-	-
Kotak Equity Savings Fund	Oct-14	3.35	5.34	8.07	13.61	8.22	-	-	-

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	0.86	1.59	3.12	4.75	4.73	6.52	6.80
Axis Corporate Debt Fund	Jul-17	0.90	1.57	3.13	4.27	4.34	5.94	6.47
HDFC Corporate Bond Fund	Jun-10	0.83	1.57	3.17	4.01	4.42	5.86	7.06
Kotak Corporate Bond Fund	Sep-07	0.86	1.48	3.05	4.20	4.40	5.52	6.73
Kotak Banking and PSU Debt Fund	Dec-98	0.89	1.52	3.12	4.33	4.63	5.64	6.99
SBI Banking and PSU Fund	Oct-09	0.93	1.57	3.14	3.52	3.75	4.97	6.48
ICICI Prudential Savings Fund	Sep-02	0.76	1.82	3.26	5.57	4.87	5.70	6.53
Kotak Savings Fund	Aug-04	0.71	1.69	3.22	5.20	4.31	4.58	5.72

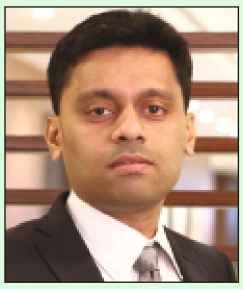
*Absolute ** Annualised. Past performance may or may not be sustained in future.

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

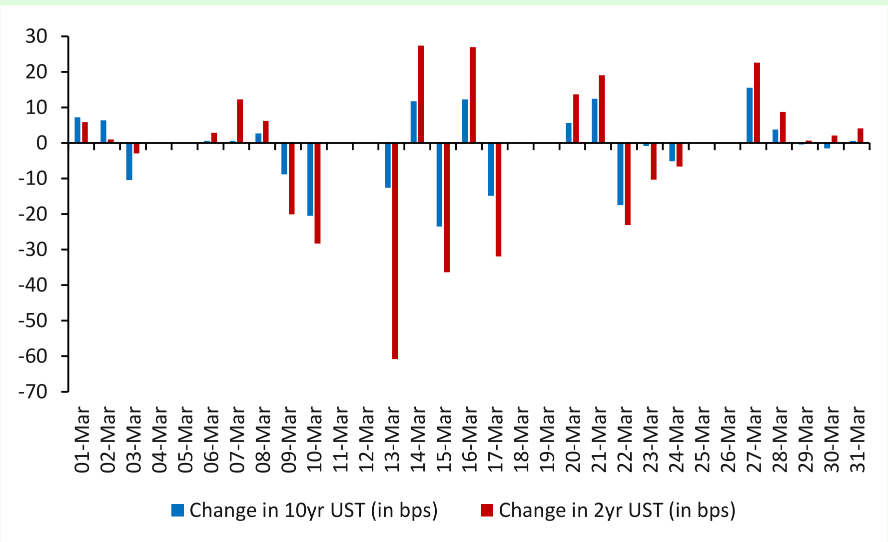
Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Monthly	02/03/2023	0.16
DSP Equity Opportunities Fund	02/03/2023	2.30
Nippon India Large Cap Fund	06/03/2023	1.75
Axis Long Term Equity Fund	08/03/2023	2.20
Axis Flexi Cap Fund	08/03/2023	1.00
Axis Growth Opportunities Fund	08/03/2023	1.75
DSP Flexi Cap Fund	09/03/2023	4.00
Sundaram Large Cap Fund	10/03/2023	0.30
Nippon India Growth Fund	13/03/2023	5.00
Nippon India Multicap Fund	13/03/2023	3.75
Nippon India Tax Saver Fund	13/03/2023	0.75
Axis Bluechip Fund	14/03/2023	1.60
Axis Small Cap Fund	14/03/2023	3.20
Axis ESG Equity Fund	14/03/2023	1.03
ICICI Prudential Long Term Equity Fund (Tax Saving)	16/03/2023	0.70
ICICI Prudential Manufacturing Fund	16/03/2023	1.40
Nippon India Value Fund	17/03/2023	2.00
Nippon India Focused Equity Fund	17/03/2023	2.50
ICICI Prudential Value Discovery Fund	20/03/2023	3.75
Motilal Oswal Focused Fund	21/03/2023	1.18
Motilal Oswal Midcap Fund	21/03/2023	1.97
Motilal Oswal Flexi Cap Fund	21/03/2023	1.53
Motilal Oswal Long Term Equity Fund	21/03/2023	1.35
Motilal Oswal Large and Midcap Fund	21/03/2023	1.08
Aditya Birla Sun Life Dividend Yield Fund	24/03/2023	0.28
Aditya Birla Sun Life Equity Hybrid 95 Fund	24/03/2023	2.12
PGIM India Midcap Opportunities Fund	24/03/2023	1.75
PGIM India Flexi Cap Fund	24/03/2023	1.39
PGIM India ELSS Tax Saver Fund	24/03/2023	1.33
ICICI Prudential Equity & Debt Fund - Half Yearly	27/03/2023	0.80
ICICI Prudential India Opportunities Fund	27/03/2023	1.50
DSP Equity & Bond Fund	28/03/2023	0.20
Axis Equity Hybrid Fund - Monthly	28/03/2023	0.10
Axis Equity Hybrid Fund - Quarterly	28/03/2023	0.30
PGIM India Large Cap Fund	31/03/2023	0.36

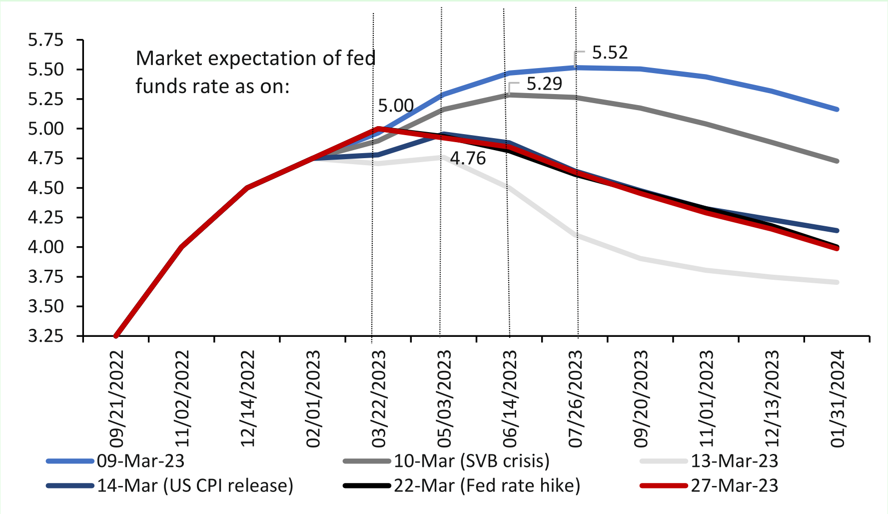
Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can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

Market Insights



Concerns about Financial stability risks, trigerred by the failure of Silicon Valley Bank and Signature Bank and finally leading up to the forced merger of Credit Suisse with UBS convulsed financial markets during the last month. A rapid tightening of monetary policy over the last 12 months that followed a long period of extra ordinary loose monetary settings was bound to throw up hidden fault lines in the Financial system. While there had been adequate warnings following the earlier episodes, ranging from Archegos, Greensil Capital, meltdown in crypto exchanges and the UK pension fund crisis in Sep 22, the current episode, given its origins in the Banking sector warranted higher caution and prompt intervention. As markets continued to whipsaw, fearing a reprise of 2008, financial sector regulators in the US were quick to backstop deposit holders and prevent further contagion. Rates market volatility has remained elevated with large daily swings in Treasury yields apart from quick repricing of market expectations on Fed Policy rates. Interestingly, the month started with worries over further aggressive tightening following recent strong data as well as the Fed Chair's testimony to the Congress. With the banking crisis overtaking macro data, markets were quick to reprise expectations back to large cuts through the rest of the year.





Source: Bloomberg, SBIFM Research

The genesis of the current turmoil can be traced back to 2 primary causes. Poor risk management at the relevant banks and secondly poor regulation and supervision. The dilution of regulatory standards in 2017/18 led to a situation where SVB having a balance sheet size of under 250Bn USD remained outside of most basic regulatory oversight and liquidity requirements applicable for other larger banks. The key readings from recent events from a macro standpoint are:

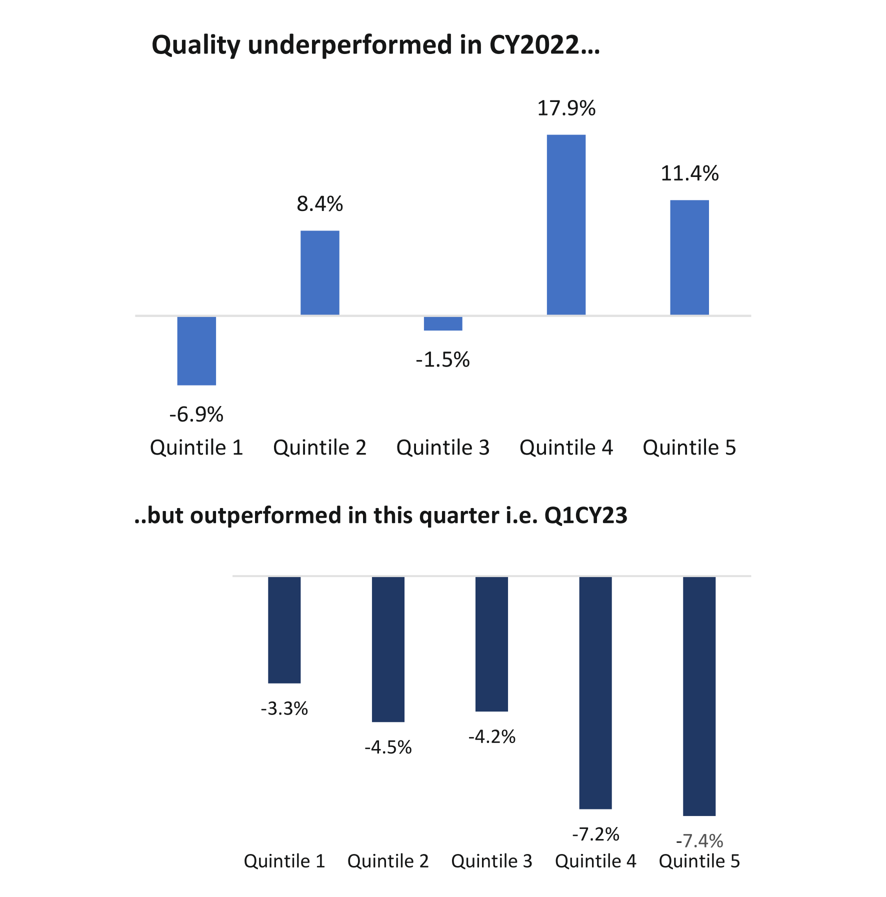
1. Unlike 2008, the present crisis is not a credit event. Hence the parallel to 2008 with its wider ramifications followed by extra ordinary monetary interventions may be misplaced at this point.
2. Further hidden faultlines in other segments of the financial system can well come to the forefront leading to tightening of lending conditions in specific segments.
3. Monetary policy would be incrementally alert to the above possibilities.

From a monetary policy perspective, the more likely outcome remains that policy settings would be factoring both the lag effect of earlier actions plus the effect of potential tightening in financial (lending) conditions as the effects of recent events play out. Effectively, a near term pause in tightening by most global central banks remains the base case. Given that the present events are playing out in a scenario where inflation pressures persist, the template of post 2008 with large rate cuts and other monetary interventions is unlikely to fructify.

Effectively the recent episodes of rates volatility with its resulting impact on other markets would stay for a while longer.

Equity markets closed flat for the month amidst high volatility with the Nifty and the Sensex rising 0.3% and 0.1% respectively. Breadth stayed weak with Nifty Midcap 150 and Nifty Smallcap 250 losing 0.5% and 1.5% respectively. Market internals continue to point to a defensive mood reflecting ongoing macro uncertainties with respect to likely growth slowdown amidst continued tight policy environment. The defensive mood is reflected in quality, large caps and defensive sectors (such as Tech, Consumer Staples) outperforming in the just concluded quarter.

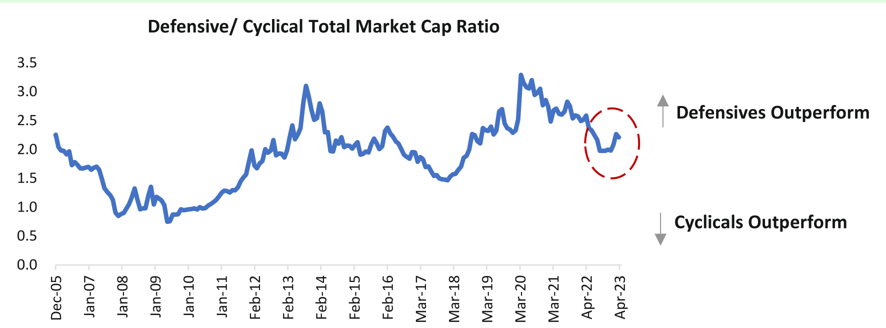
After a rough outing in CY22, investors are seeking shelter in quality again



Source: Bloomberg, SBIFM Research

Note: Quintile 1 is the highest quality while Quintile 5 is the lowest quality on our internal definitions of quality. Universe is BSE100.

Defensive sectors have begun outperforming Cyclical sectors now reflecting economic sluggishness



Source: Bloomberg, SBIFM Research

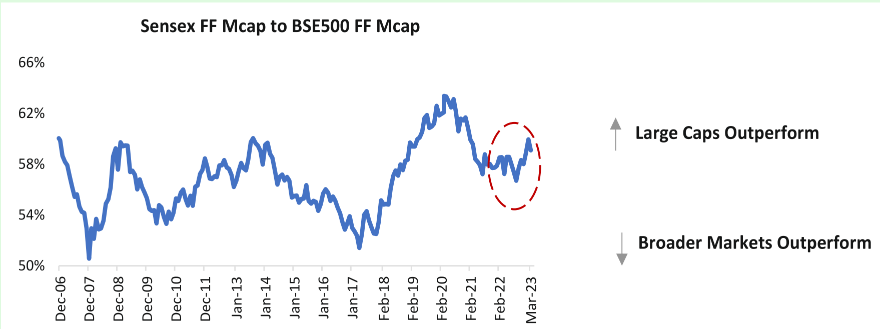
Note: Defensives include Technology, Consumer Staples and Pharma sectors while Cyclicals include Consumer Discretionary and Industrials sectors

Cont. on page 6...

Market Insights ...

...Cont. from page 5

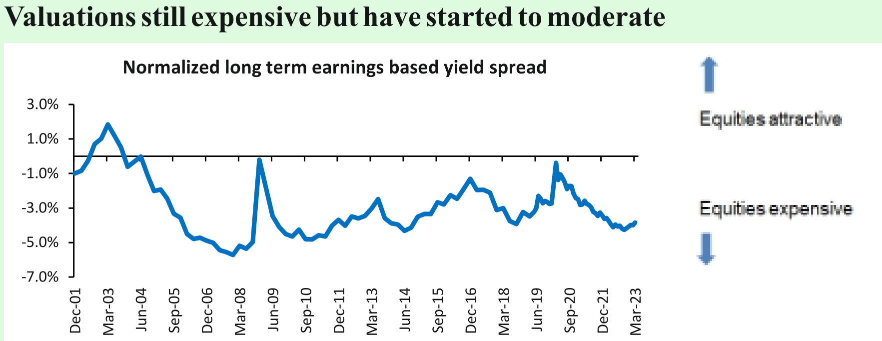
Large caps outperform broader markets; breadth narrows as investors turn risk-averse



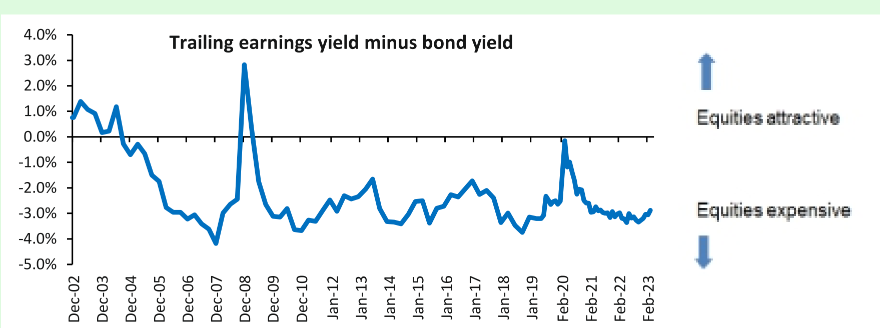
Source: Bloomberg, SBIFM Research

Equity Valuations as measured through our preferred gauges of yield spreads have moderated somewhat but still stay on the expensive side. Some softness in bond yields, along with some price and largely time correction (markets staying sideways as earnings continued to catch up) have been behind this moderation. Shiller yield spread (which looks at the spread of long-term inflation adjusted earnings yield minus bond yield, to adjust for any cyclicality in corporate earnings) which was expensive at 83rd percentile versus history in November has now moderated to 67th percentile. Similarly, trailing yield spread (trailing earnings yield minus bond yield) has moderated to 60th percentile now versus 87th percentile in November 2022. However, with both readings above 50th percentile, valuations are still on the expensive side.

Valuations still expensive but have started to moderate



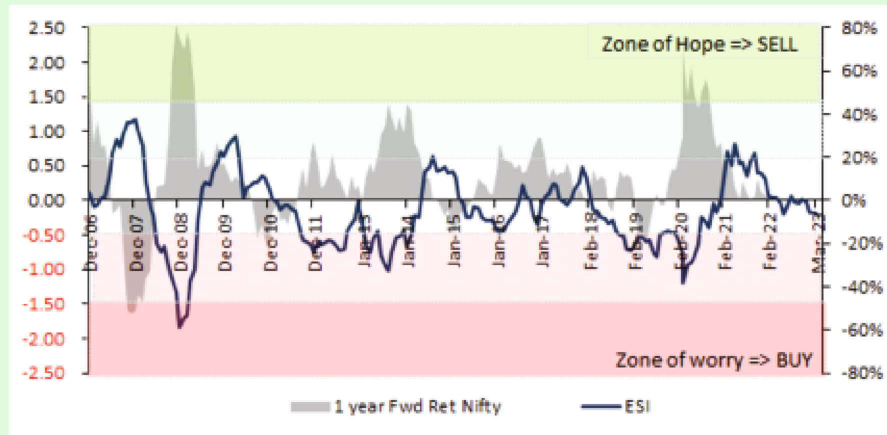
Source: Bloomberg, SBIFM Research



Source: Bloomberg, SBIFM Research

Similarly, **Equity Sentiment** as measured through our proprietary framework has entered the zone of pessimism thanks to the corrective action of the past year and a half. However, it is not pessimistic enough to signal a contrarian buying opportunity for equities yet.

Sentiment Index in pessimistic zone but not at climactic extremes yet



Source: Bloomberg, SBIFM Research; ESI stands for Equity Sentiment Index.

In summary, markets continue to navigate the near-term slow growth environment while correcting valuations excesses that had built up. The adjustment process however may still not be over yet. A cool off in bond yields may be required to open space on equity valuations. Diversification across assets and within equity portfolios should work well in this environment. We continue to think of 2023 as a year of adjustment even as longer-term trends continue to favour an investment led earnings cycle in India.

Rajeev Radhakrishnan
CIO for Debt
SBI Funds Management Limited

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

A Note To Our Esteemed Readers

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