Registered - R.N.I. No.: MAHENG/2007/19802

July, 2022

Price ₹ 2

Volume 16, Issue 7

A Monthly Publication from **Wiseinvest Private Limited**

WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

Inside — Pg No.

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,

The stock market volatility continued through the month of June 2022 due to incessant selling pressure by the FIIs. FIIs have been selling for the last 9 months, by far the longest selling streak by them. Though the DIIs have provided massive support to the markets and have tried their best to match their buying with FII selling, the indices are down more than 15% from their all-time high hit on October 19 last year.

While the benchmark Sensex was down 4.58% during the month, the mid and small cap indices were down 6.18% and 6.01% respectively. In fact, the markets recorded their worst quarter since the pandemic began. The fear of the central bank taking some aggressive steps to curb inflation which could further hurt the economy, kept investors on the edge. Globally, stock markets continued to decline as the US economy contracted, fuelling fears of a worldwide downturn.

The surge in inflation to multi-decade highs has forced central banks to quickly tighten pandemic-era monetary policies, dealing a hefty blow to equities, particularly tech firms that are susceptible to higher borrowing costs. The Federal Reserve has already sharply lifted rates and is expected to announce a second successive 75-basis-point lift next month.

On the basis of its assessment of the current and evolving macro economic situation, the Monetary Policy Committee (MPC) increased the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 4.90 per cent with immediate effect. However, on the economic front, the RBI indicated that domestic economic activity is gathering strength.

Rural consumption is also expected to benefit from the likely normal south-west monsoon and the expected improvement in agricultural prospects. Investment activity is expected to be supported by improving capacity utilisation, the government's capex push, and strengthening bank credit. Taking all these factors into consideration, the real GDP growth projection for 2022-23 is retained at 7.2 per cent, with Q1 at 16.2 per cent; Q2 at 6.2 per cent; Q3 at 4.1 per cent; and Q4 at 4.0 per cent, with risks broadly balanced.

FIIs are expected to be in Indian markets once the interest rate hike uncertainty fades, followed by peaking of Inflation. As is evident, second half of 2022 would witness growth in certain pockets though volatility may continue to rattle overall market sentiments.

Warm regards,

H Rustagi

Hemant Rustagi
Editor

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The Stock Market Performance During June 2022.

Indices	31st May 2022	30th June 2022	Change in (%)
Sensex	55,566.41	53,018.94	-4.58
MIDCAP	23,143.82	21,713.24	-6.18
SMLCAP	26,370.81	24,786.42	-6.01
BSE-100	16,887.92	16,014.13	-5.17
BSE-200	7,176.18	6,812.11	-5.07
BSE-500	22,497.64	21,324.54	-5.21

Credit Risk Funds : The Second Coming

From the heydays of 2017-18, when Credit Risk & Allied categories were managing more than 1.5 lakh crs of AUM, the current allocations at the MF industry level has shrunk well below ₹0.5 lakh crs.

The shrinking of size of Credit Risk funds doesn't mean investors have lost appetite for credit risk. In fact, it could be argued that the space vacated by Credit Funds has been taken at least partly by direct bond investments, where the degree of credit, concentration and liquidity risks at the end investor level may have increased rather than come down. Tax efficiency is also a non-uniform / interpretational issue there. Depending on various industry estimates these numbers could easily be more than ₹0.5 -0.75 lakh crs.

Credit Strategy AIFs have also come of age and will take a part of the space hitherto occupied by Credit Risk Funds. They are institutionalized and regulated platforms, here to stay with a wider landscape of risk – return matrix going forward. In fact, the growth in Credit AIFs is complementary to an imminent second coming of Credit Risk Funds in the MF platform, as both will offer reasonably differentiated risk-return and tenor-liquidity offerings going forward.

Whilst all this, a lot of improvements have happened in the Credit Risk Fund space in the interim. Today Credit risk Funds due to a variety of positive Industry & Regulatory interventions present a much refined yet viable offering for fixed income allocations. The three main pillars that have driven these changes have been, a) much more proactive regulation led liquidity management practice, b) more much focus on asset side and liability side concentration risks and c) significant changes in the choice of exposures which populate these schemes.

The past mistakes that have been meaningfully addressed by the industry include reducing concentration risks meaningfully, using management quality and pedigree as the first basic filter for all exposures including structured as well as non-balance sheet exposures, and a prerequisite of cashflow and / or very liquid collateral visibility in all incremental credit / structured exposures being populated in these schemes.

The paradigm shift in investor risk appetite in the last 2 years however, has come owing to the massive improvements in the ground level environment in which credit risk exposures operate. We have seen significant improvements in terms of Risk mitigation both at the Systemic and Issuer Specific level. In the ensuing paragraphs we attempt to list out in some detail these significant changes. But, First the big picture:

- Given significantly lower capex by private corporates and sustained operating cash flows, corporate balance sheets have deleveraged. Attractive interest rates and deleveraging have also aided improvement in free cash flow generation.
- Consolidation across sectors has benefitted larger businesses in gaining market share.
- Deleveraging evident across sectors even the traditionally asset heavy businesses – Telecom, Manufacturing, Metals, Infrastructure and Real Estate amongst others.
- Most of NBFCs have also seen normalization in Collection efficiencies which was temporary effected due to Covid. Reasonable Built-up of additional Capital Reserve buffers has happened and the reported stress is lower than estimated for most NBFCs.
- Banks have realigned their portfolios towards more granular assets and have likely seen peak of corporate stress. Significant improvement in capitalisation has acted as a buffer for any macro environment uncertainty.
- IBC has aided assets change in hands from incompetent/unscrupulous management. In general ownership is changing hands from less transparent to more transparent and pedigreed promoters / shareholders.

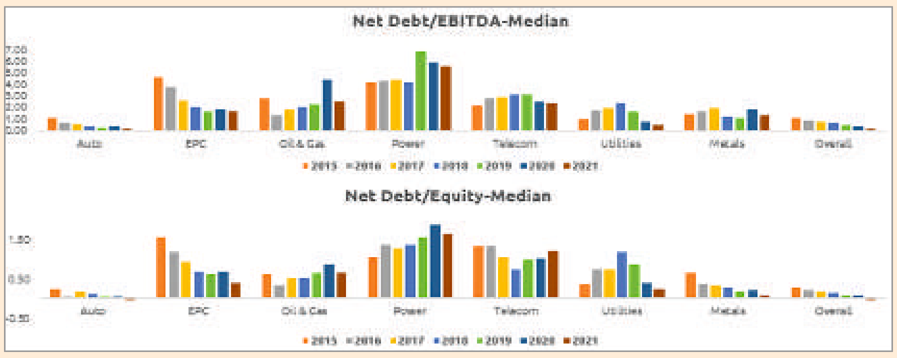
We now delve into some of systemic parameters including those mentioned above in detail.

Rating Upgrade/Downgrade Ratio

#Sample based out of 818 listed entities taken from CRISIL Quantix

- The rating upgrade to downgrade ratio is an indicator of how the credit profile of the rated companies is improving over a period. A ratio over 1x would indicate that number of upgrades are higher than number of downgrades thereby implying that the credit profiles in general are on an improving trend.
- As reflected in the table above, the upgrades have far exceeded the downgrades in calendar 2021 implying a recovery trend post two weak years. In fact, the ratio is one of the highest in the recent years also due to the fact the absolute base of downgrades was very high in the last two years which has dropped significantly while upgrades has picked pace.

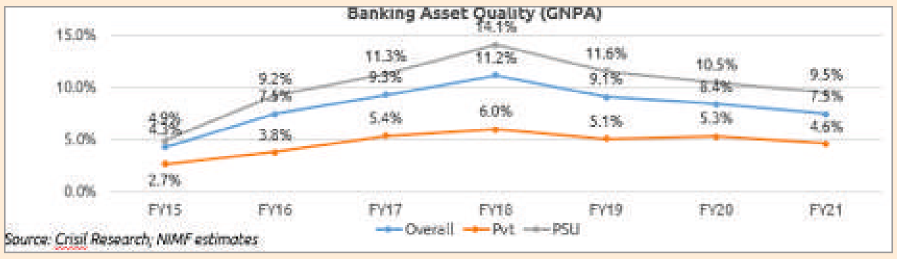
Balance Deleveraging – Indicators



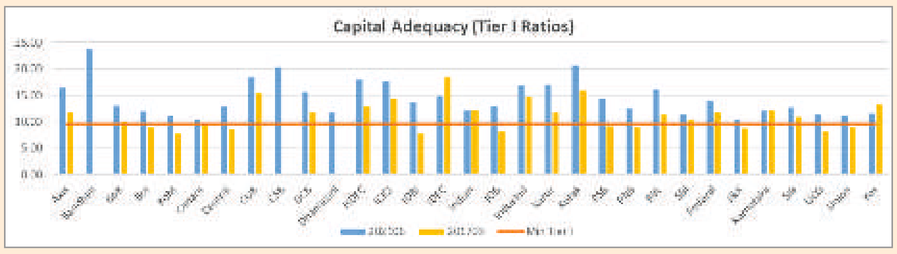
- As reflected above, the median ratio for Net Debt/EBITDA and Net Debt/Equity ex-BFSI have improved over the last seven years indicating better overall health of corporates. While the sectoral numbers could be impacted by certain outliers given the small sample set, the overall set of BSE-500 companies provides a clear picture (same has steadily improved as reflected in the last few bars).
- The sectors reflected above are some of most debt heavy sectors and there has been deleveraging across most sectors including telecom, metal, utilities, EPC, auto etc.

Banking asset quality and capital position improving

- Banking asset quality has improved - Bulk of the corporate stress recognised; Covid-19 impacted retail asset quality but it remains contained till now with RBI support.



- The capital position of the banking sector has also improved despite large credit provisioning and write-offs over the last few years; most banks having sufficient buffers over minimum regulatory Tier I ratio of 9.5% applicable from 1st October, 2021.



Source: Company Reports; NIMF estimates

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Credit Risk Funds : The Second Coming...

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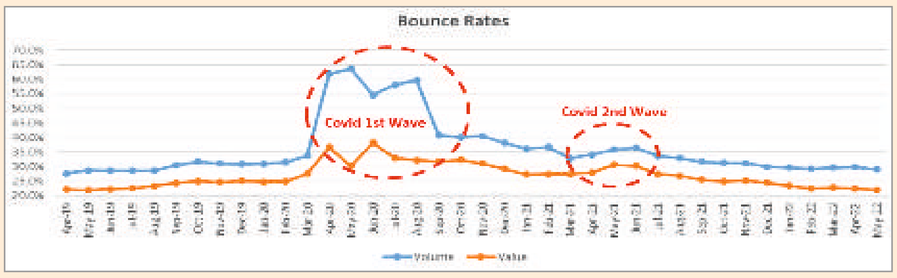
Bounce rates normalizing; improving payment

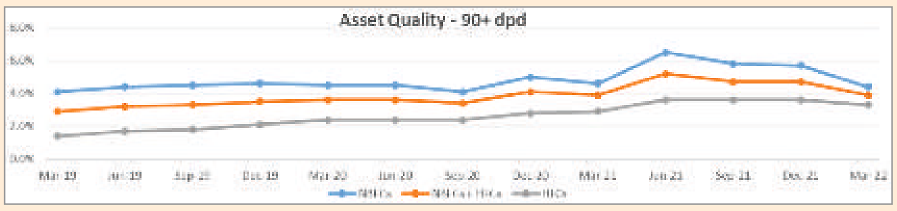


Source: NPCI

- The bounce rates for automatic debit of recurring payments through National Automated Clearing House (NACH) has improved post the second wave reflecting trend towards improved financial discipline and normalisation of collections for Banks/NBFCs (please note NACH is used not just loan payments but for other recurring payments also; apart from NACH, there are other payment modes like PDCs, ECS, etc. which are not captured by above data).
- During the 1st wave, bounce rates had increased significantly, impact of which was also visible in asset quality pressures for Banks/NBFCs. Impact was limited during 2nd second wave. The latest NACH bounce rates are one of the better ones in the last 3 years.

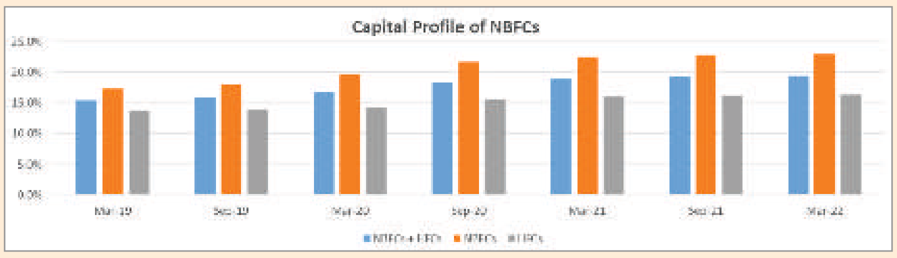
Retail NBFC asset quality; capitalization & liquidity provide cushion

- NBFC asset quality had been adversely impacted owing to Covid though witnessing some sign of normalisation in current collection efficiency; going forward, asset quality is expected to be performing basis the larger macro economic condition.



Source: ICRA; data of ICRA sample set

- Most NBFCs/HFCs have been able to improve their capital and liquidity positions over the last few quarters which is expected to provide better ability to withstand any interim stress on the asset quality.



Source: ICRA; data of ICRA sample set

Snapshot of Key Sectoral Developments

Telecom
- ✓ Increased regulatory certainty with several relief measures by govt including spectrum/AGR deferral, rationalization of levies, reduction in bank guarantee requirements, payment by way of equity stake
- ✓ Significant deleveraging in the sector with large equity raises by two largest players

Metals
- ✓ Upturn in the commodity cycle has enabled metal players to de-leverage; healthy profitability over the last few quarters
- ✓ Revival in economic activity to augur well for the sector; China's curb down on the environment could be structural and likely to support prices over medium term

Auto
- ✓ Vehicle scrappage policy to boost demand for newer vehicles
- ✓ Subsidy for purchase of Electric vehicles
- ✓ PLI scheme of Rs. 26,400 Cr announced for set up of new manufacturing facilities

Power
- ✓ Introduction of LC (Letter of Credit) mechanism for purchase of power, sales of power through energy exchanges-to streamline collections from IPP from state discoms
- ✓ Must run status for renewables power plants; 3 trillion power discom relief package announced
- ✓ PLI (Production Linked Incentive) scheme of Rs4,500 Cr announced for solar modules

EPC-Roads
- ✓ Reduction in requirements of BG for under-construction projects
- ✓ Monthly bill payments from Govt agencies v/s earlier milestone-based payments
- ✓ Arbitration claims to be paid by Govt agencies against submission of BG

In Summary

Suffice to say, the above pointers and narrative gives an adequate backdrop for the medium term comfort that has built into the Credit space at a macro and micro level. Add to this the significant changes that we have seen in how credit risk is perceived, evaluated, priced, and siloed in the institutional space, including in Credit Schemes of Mutual Funds.

The Indian Banking & Financial Services Sector has passed its Evergrande moment much before Evergrande actually happened, and come out much stronger, resilient and with much better credit environment and risk management practices. Balance sheets are at their decadal best.

Most important the investor offering is become much better and more focused, from where we were in 2018. The time has come for Credit Risk Funds to go back and capture the allocation gaps that got created in the last few years and give the investors a superior offering for their debt allocations.

Amit Tripathi
CIO Debt
Nippon India Mutual Fund

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

Performance Of Select Funds

Data as on June 24, 2022

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	-8.49	0.06	24.35	10.70	8.63	9.34	14.04	11.96
ABSL Flexi Cap Fund	Aug-98	-11.62	-4.80	24.29	11.43	8.80	11.08	15.81	11.20
Axis Bluechip Fund	Jan-10	-13.64	-6.71	16.94	9.65	11.83	10.65	14.39	—
Axis Focused 25 Fund	Jun-12	-18.11	-10.00	16.81	9.48	9.94	10.85	—	—
Axis Growth Opportunities Fund	Oct-18	-14.67	-1.83	25.57	17.57	—	—	—	—
Canara Robeco Flexi Cap Fund	Sep-03	-11.50	-1.74	23.59	13.57	12.16	11.11	13.70	12.60
Canara Robeco Emerging Equities	Mar-05	-10.91	0.03	27.93	15.47	11.32	13.67	20.16	14.81
HDFC Flexi Cap Fund	Jan-95	-0.96	7.42	32.40	11.17	10.51	10.68	14.10	12.44
HDFC Top 100 Fund	Oct-96	-4.09	2.76	25.46	7.95	8.95	9.57	12.61	11.86
HDFC Large and Mid Cap Fund	Feb-94	-6.13	3.87	32.26	14.40	10.48	9.42	12.15	8.01
HSBC Large Cap Equity Fund	Dec-02	-11.09	-4.03	19.75	9.50	8.55	9.26	11.59	9.12
ICICI Prudential Bluechip Fund	May-08	-6.33	3.48	25.36	11.84	10.80	10.84	14.17	—
ICICI Prudential Large & Mid Cap Fund	Jul-98	-2.92	10.41	33.89	15.26	11.03	11.37	14.05	11.40
IDFC Core Equity Fund	Aug-05	-8.86	-1.55	27.26	11.41	8.50	10.01	12.98	8.99
Invesco India Contra Fund	Apr-07	-9.02	-1.01	23.71	12.89	11.85	12.19	16.65	13.10
Kotak Bluechip Fund	Dec-98	-8.84	-1.41	24.19	12.56	10.23	10.02	13.53	10.61
Kotak Equity Opportunities Fund	Sep-04	-7.19	-0.10	24.72	13.76	10.54	11.57	15.39	12.15
Kotak Flexicap Fund	Sep-09	-8.74	-3.13	20.66	9.21	9.07	10.88	15.55	—
Mirae Asset Emerging Bluechip Fund	Jul-10	-10.44	-1.32	29.10	16.98	13.56	16.32	22.54	—
Motilal Oswal Large and Midcap Fund	Oct-19	-14.71	-3.29	24.09	—	—	—	—	—
Nippon India Large Cap Fund	Aug-07	-4.60	5.10	28.27	9.63	9.58	9.90	14.25	—
Nippon India Multi Cap Fund	Mar-05	-4.32	10.57	36.01	11.56	10.35	9.23	14.14	12.59
Parag Parikh Flexi Cap Fund	May-13	-12.99	3.50	27.37	20.31	16.19	14.75	—	—
PGIM India Flexi Cap Fund	Mar-15	-15.01	-3.15	30.11	18.36	12.35	12.03	—	—
SBI Focused Equity Fund	Oct-04	-16.27	-1.06	22.40	13.28	12.79	12.90	16.34	12.94
UTI Flexi Cap Fund	May-92	-17.20	-6.71	25.05	15.03	12.69	11.31	14.83	12.89

Midcap & Smallcap

Axis Midcap Fund	Feb-11	-12.59	-1.06	25.75	18.12	15.25	12.86	19.11	—
HDFC Mid-Cap Opportunities Fund	Jun-07	-6.20	2.22	32.08	15.88	10.02	12.10	18.04	—
Kotak Emerging Equity Fund	Mar-07	-8.53	1.58	35.05	19.26	12.30	14.02	19.50	12.32
L&T India Value Fund	Jan-10	-11.40	-0.10	28.08	11.97	8.12	11.13	17.29	—
Motilal Oswal Midcap 30 Fund	Feb-14	-6.72	19.28	38.27	18.91	10.92	10.77	—	—
PGIM India Midcap Opportunities Fund	Dec-13	-10.99	5.65	44.68	29.08	15.20	13.85	—	—
UTI Mid Cap Fund	Apr-04	-11.40	1.10	32.75	19.07	10.85	11.12	18.47	14.09

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	-6.27	-5.97	25.60	3.54	5.57	10.65	15.93	—
Nippon India Banking & Financial	May-03	-3.77	-1.80	30.47	3.37	5.40	8.84	13.19	14.01
ICICI Prudential Pharma Healthcare	Jul-18	-9.47	-10.28	17.12	23.78	—	—	—	—
Nippon India Pharma Fund	Jun-04	-12.17	-12.37	16.82	23.27	15.47	10.18	16.34	16.68
SBI Healthcare Opportunities Fund	Jul-99	-10.99	-10.49	16.79	23.11	10.06	5.33	15.10	11.89
Kotak Pioneer Fund	Oct-19	-13.43	-4.52	27.72	—	—	—	—	—
Axis Long Term Equity Fund	Dec-09	-17.96	-10.79	16.78	9.40	9.92	9.83	16.82	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	-8.37	2.45	36.10	15.69	11.94	11.54	16.96	—
Kotak Tax Saver	Nov-05	-8.17	-0.36	25.62	12.74	10.72	10.97	14.21	9.58
Mirae Asset Tax Saver Fund	Dec-15	-9.61	-1.26	28.95	15.77	13.74	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.82	1.55	3.44	3.57	4.17	4.96
IDFC Arbitrage Fund	Dec-06	0.79	1.55	3.22	3.38	3.91	4.83
Kotak Equity Arbitrage Fund	Sep-05	0.97	1.84	3.70	3.78	4.34	5.13

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	-7.20	-1.06	21.62	8.81	6.68	8.31	12.46	11.19
Canara Robeco Equity Hybrid	Feb-93	-7.95	-1.12	17.91	11.71	10.25	10.51	13.44	12.25
DSP Equity & Bond Fund	May-99	-11.70	-5.59	16.46	10.41	8.69	9.76	12.58	11.01
ICICI Prudential Equity & Debt	Nov-99	-0.47	13.39	30.91	15.90	12.41	12.73	15.93	12.45
Kotak Equity Hybrid Fund	Nov-99	-5.20	1.72	25.31	13.69	9.84	10.39	12.16	10.18
SBI Equity Hybrid Fund	Dec-95	-6.48	1.24	18.75	11.01	10.39	10.20	14.88	11.24
ABSL Bal. Advantage	Apr-00	-4.01	-0.42	14.62	9.10	7.27	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	0.00	5.04	17.20	10.56	9.39	—	—	—
IDFC Bal. Advantage Fund	Oct-14	-8.53	-2.23	9.78	7.46	7.17	—	—	—
Kotak Bal. Advantage Fund	Aug-18	-3.68	0.59	13.05	9.21	—	—	—	—
Nippon India Bal. Advantage	Nov-04	-2.90	1.30	15.46	8.26	7.58	—	—	—
IDFC Equity Savings Fund	Jun-08	-1.62	2.14	9.07	6.30	5.65	—	—	—
Kotak Equity Savings Fund	Oct-14	0.04	5.33	11.50	8.32	7.83	—	—	—

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	0.06	-0.07	0.82	2.91	5.47	6.57	6.59
Axis Corporate Debt Fund	Jul-17	0.17	-0.33	0.59	2.52	4.71	6.98	—
HDFC Corporate Bond Fund	Jun-10	-0.06	-1.05	-0.35	1.98	4.19	6.61	6.87
Kotak Corporate Bond Fund- Standard	Sep-07	0.00	-0.30	0.47	2.68	4.29	6.19	6.75
Kotak Banking and PSU Debt Fund	Dec-98	-0.06	-0.56	0.06	2.45	4.24	6.50	6.81
SBI Banking and PSU Fund	Oct-09	0.23	-0.58	0.24	1.88	3.42	5.95	6.59
ICICI Prudential Savings Fund	Sep-02	-0.32	-0.01	0.65	2.54	4.23	5.76	6.40
Kotak Savings Fund	Aug-04	0.37	0.78	1.70	3.33	3.55	4.82	5.80

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

Dividends declared by equity and equity-oriented funds during the month of June 2022

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Monthly	02/06/2022	0.16
Sundaram Diversified Equity Fund	13/06/2022	0.35
ICICI Prudential Long Term Equity Fund (Tax Saving)	14/06/2022	0.70
Sundaram Aggressive Hybrid Fund - Monthly	17/06/2022	0.24
PGIM India Hybrid Equity Fund - Monthly	17/06/2022	0.13
PGIM India Large Cap Fund	24/06/2022	0.31
LIC MF Equity Hybrid Fund - Plan A	24/06/2022	0.10
LIC MF Tax Plan	24/06/2022	0.13
LIC MF Large & Mid Cap Fund	24/06/2022	0.25
HDFC Hybrid Equity Fund	27/06/2022	0.25
Aditya Birla Sun Life Dividend Yield Fund	27/06/2022	0.24
Aditya Birla Sun Life Equity Hybrid 95 Fund	27/06/2022	2.09
Edelweiss Aggressive Hybrid Fund	27/06/2022	0.15
Edelweiss Long Term Equity Fund (Tax Savings)	27/06/2022	0.25
Axis Equity Hybrid Fund - Monthly	27/06/2022	0.10
Axis Equity Hybrid Fund - Quarterly	27/06/2022	0.30
DSP Equity & Bond Fund	28/06/2022	0.20
IDFC Flexi Cap Fund	29/06/2022	1.78
IDFC Emerging Businesses Fund	29/06/2022	0.86

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.

Are You Equipped To Handle The Market Volatility?

The volatility in the stock market over the last few months has been testing the patience and perseverance of investors. In times like these, certain concerns begin to weigh on their minds. As a result, they either begin to doubt their investment strategy or make some abrupt decisions that can derail their investment process.

As the market place consists of investors with different temperaments, even the reactions vary significantly. For example, in a falling market, while some of the investors may feel compelled to sell, some others may see it as an opportunity to invest. However, the right way to tackle such a situation is not to react and keep focus on your goals and time horizon. By remaining committed to your time horizon, it becomes easier to tackle tough situations.

Every time the stock market turns volatile, investors are faced with a situation wherein a healthy looking portfolio starts showing dramatically shrunk profits or even losses. Investors need to realize that any impact on portfolio valuations due to market volatility is short-lived. As the markets turn around, portfolios start looking healthier again. That's why, it makes sense to not only remain invested but continue the investment process un-interruptedly.

At times, the frequent bouts of volatility, make investors wonder how will they make money from their equity portfolios. Since stock markets have the tendency to be volatile, investors experience ups and down of varying degree from time to time. But, it is also a fact that in the long term, the stock markets generally go up. That's why, equities have earned the reputation of being an asset class that has the potential to earn positive real rate of return for investors. Thankfully, there are strategies to turn volatility to your advantage. One such strategy is to remain committed to our time horizon and continue investing in a disciplined manner.

Then, there is an issue of some of the funds in the portfolio falling more than others. This often prompts some of the investors to act in haste. In reality, a mutual fund portfolio may have a mix of diversified, mid-cap, small cap, specialty as well as sector funds. Since different segments of the market react differently to different market situations, the impact on the performance varies too.

For example, generally a mid-cap fund would fall more than a large cap fund in a falling market. Investors who follow a haphazard approach to investing may end up owning aggressive funds that may fall more than the average. For example, following a strategy whereby one invests only in funds that are the “flavour of the month” is more likely to create a situation like this. Therefore, if you wish to be a successful long-term investor, it is imperative to design a well balanced portfolio. It is equally important to understand the likely impact on the performance in case the market turns bearish or volatile.

Many investors often feel that when they book profits, the market continues to go up and when they don't, it falls. This is a situation that investors face many a times. Actually, this happens when one tries to time the market. It is a well-known fact that even the most experienced fund managers find it difficult to time the market successfully on a consistent basis.

No wonder, when a common investor tries to do this, he invariably finds the market moving in the opposite direction. The key is to realize that extra-ordinary returns in a year shouldn't become a benchmark for future returns. Similarly, after a bad year, things can turn around swiftly. Therefore, the focus should on annualized return rather than looking at each year's performance as a yardstick to measure performance.

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

A Note To Our Esteemed Readers

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Registered - R.N.I. No.: MAHENG/2007/19802
WEALTHWISE July 2022 | Page No. 6 Date of Publication: 5th of every month.

Have A Close Look At Equity Funds In Your Portfolio?

If you are an existing investor in equity funds or looking to add them in your portfolio, it is vital to not only make the right choice but also have the right mindset. That's because stock market volatility will challenge your patience and resolve during your defined time horizon.

Many investors grapple with implications of market volatility on their portfolios as well as with the resultant indecision while making fresh investments into equity funds. Besides, they often struggle with the positioning of the certain types of funds in their portfolio. Invariably, this results in over-exposure to certain fund categories that may either not suit their requirements or creates unrealistic expectations in terms of returns.

So how should you go about tackling these issues? Since it is difficult to predict the markets over the short-term, you must focus on long-term potential of the market and the entire strategy should revolve around that. Remember, time and patience is an investor's best allies in reducing the impact of market volatility.

As regards managing risk and expectations, you need to weigh the risks and potential rewards associated with an investment. All of us know about our risk tolerance and comfort level with the ups and downs in the market and the same should be considered with complete honesty at the time of allocating money to different types of funds. Remember, while the stock market drops can be steep and fast, the rise can just be as quick. Therefore, the key is to stay invested and benefit from the true potential of equity market.

During the selection process, the focus should be on funds that are managed well and have consistent performance track record. The right mix of funds in the portfolio can go a long way in achieving the desired results. Here are a few categories of funds that can play a significant role in your portfolio.

Flexi-cap funds

These funds invest a minimum of 65% of its corpus in equities. The fund manager has the flexibility to take exposure to large Cap, mid Cap, and small Cap segments without any restrictions. The allocation to different segments depends on growth potential, historical performance and the attendant risks that these companies and sectors carry. As is evident, flexi cap funds are equipped with the flexibility to move across market caps and tap opportunities available in each market cap segment.

Large & mid-cap funds

Large and mid-cap funds invest in the stocks of companies with large and medium-sized capitalisations. These funds have to invest a minimum of 35% each of their total assets in equity and equity-related instruments of large and mid-cap companies. Simply put, investment universe of these funds is the largest 250 stocks listed in the Indian markets. You must have a close look at the holdings to figure out whether the fund has a bias towards large cap stocks or mid-cap stocks. This will help you select fund in line with your risk profile.

Multi-cap funds

Multi-cap funds have to invest at least 75% of their assets in equity and equity-related instruments at any point in time. The portfolio must allocate at least 25% of its assets to large-cap stocks, 25% to mid-cap stocks, and another 25% to small-cap stocks. While a multi-cap fund ensures diversification across all market segments at all times, it can also be risky in the short-term since it has at least 50% exposure to small and mid-cap stocks. Considering that flexi-cap funds provide more flexibility to the fund managers to move money across market caps, they can be a better bet than multi-cap funds.

If you have these funds in your portfolio, analyze their suitability to your profile and ensure that you own them in the right proportion to get the best results.

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

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Edited, Published and Printed by Mr. Hemant Kumar Rustagi, on behalf of **Wiseinvest Pvt. Ltd.** (formally known as **Wiseinvest Advisors Pvt. Ltd.**) from 602, 6th Floor, Sri Krishna Complex, Opp. Laxmi Ind. Estate, New Link Road, Andheri West, Mumbai 400053 at **AdvantEdge Offset Printers,** K-7 Rizvi Park, S V Road , Santacruz (W), Mumbai 400 054**.** Design by **Mosaic Design.**