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# WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

## Inside

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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,

Overseas portfolio investors turned upbeat about India's growth and inflation outlook and invested around $7.6 billion in Indian equities and bonds in August. Although the stock market turned volatile during the month, the benchmark BSE Sensex managed to close higher by 3.42%. The mid-cap and small cap indices of the BSE were up 5.64% and 5.89% respectively.

India collected goods and services tax (GST) worth ₹ 1,43,612 crore in August. The revenue collected in August was 28 per cent higher than the one collected in the same month last year. For the sixth consecutive month, the monthly GST revenue has been more than ₹ 1.40 lakh crore.

India's gross domestic product (GDP) saw a double-digit growth of 13.5% in the first quarter of current financial year at a time when major global economies are struggling and more importantly, the Chinese economy is heading for a slowdown. India's manufacturing sector activity in August witnessed the second-strongest improvement in operating conditions in nine months, boosted by strengthening demand conditions and softening inflation concerns.

Inflation in July 2022 eased by 30 basis points from June 2022 and 60 basis points from the average of 7.3% for Q1 FY23, thereby validating RBI's premise that retail inflation peaked in April in India. However, the imported inflation pressure points still remain a major risk. Besides, there could be further pressure if producers manage to pass on higher input costs to the consumers. June was the sixth consecutive month when the headline CPI inflation remained at or above the RBI's upper tolerance level of 6%.

Based on its assessment of the current and evolving macroeconomic situation, the MPC increased the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.40 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.15 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 5.65 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

Warm regards,

**Hemant Rustagi**
**Editor**

Address to be affixed here

If undelivered, please return to:

**Wiseinvest Pvt. Ltd.**
602, 6th Floor, Sri Krishna Complex,
Opposite Laxmi Industrial Estate,
New Link Road, Andheri (W),
Mumbai 400 053.
Tel : 2673 2671 / 2673 2676

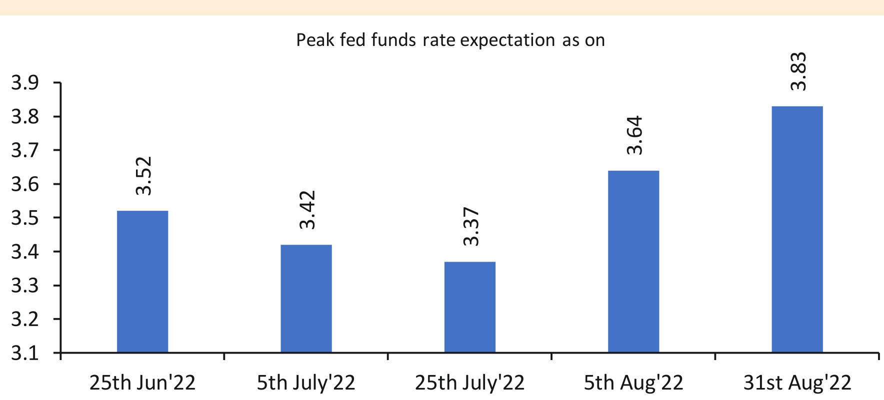
## The Stock Market Performance During August 2022.

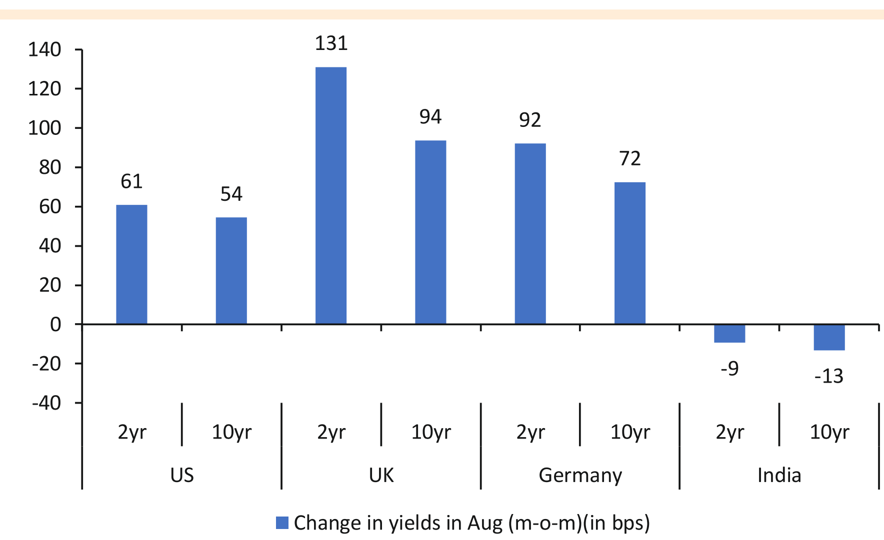
| Indices | 29th July 2022 | 30th August 2022 | Change in (%) |
|---|---|---|---|
| Sensex | 57,570.25 | 59,537.07 | 3.42 |
| MIDCAP | 24,050.90 | 25,408.49 | 5.64 |
| SMLCAP | 27,056.38 | 28,650.88 | 5.89 |
| BSE-100 | 17,530.28 | 18,222.39 | 3.95 |
| BSE-200 | 7,465.40 | 7,800.62 | 4.49 |
| BSE-500 | 23,359.64 | 24,437.22 | 4.61 |

# Market Outlook

"Higher for a bit longer" on policy rates was the hard, though obvious message that came out of the much awaited Jackson Hole Symposium speech by the US FED Chairman. Ever since the initiation of QE post the 2008 Financial crisis, financial markets have been conditioned to factor in weaker economic data as "Good data" for asset prices given the disposition of Central Banks, especially the US FED to provide backstop support. Whether this points to excess financialisation or the overreliance on softer interest rates, the fact remains that Central bank policy actions continue to remain a key factor in the evolution of market trends. At the same time, given the recent policy failures it is quite likely that as the dust settles, policy mandates, operating frameworks as well as the broader topics of central bank independence and accountability mechanisms would undergo a relook. This has already been set in motion at an operational level with most central banks eschewing the practice of giving specific forward guidance . The decision of the Australian Government in July 22 to review the role of Reserve Bank of Australia's Monetary Policy framework and operations could well be the first among many other similar steps in other jurisdictions in the developed world.

With the FED promising to "be at it until the job is done on inflation", financial markets have repriced expectations on the peak FED rates back higher. The expectation of modest easing towards the end of CY23 still remains difficult to fathom in the current circumstances. At the same time, bond yields across most of the developed markets have substantially retraced the easing seen since July22, in a flattening trend. The key recession indicator, i.e the steepness of the 2/10Y US treasury yield curve still remains inverted at around -23 bps.




*Source: Bloomberg, SBIMF Research*

## Equity

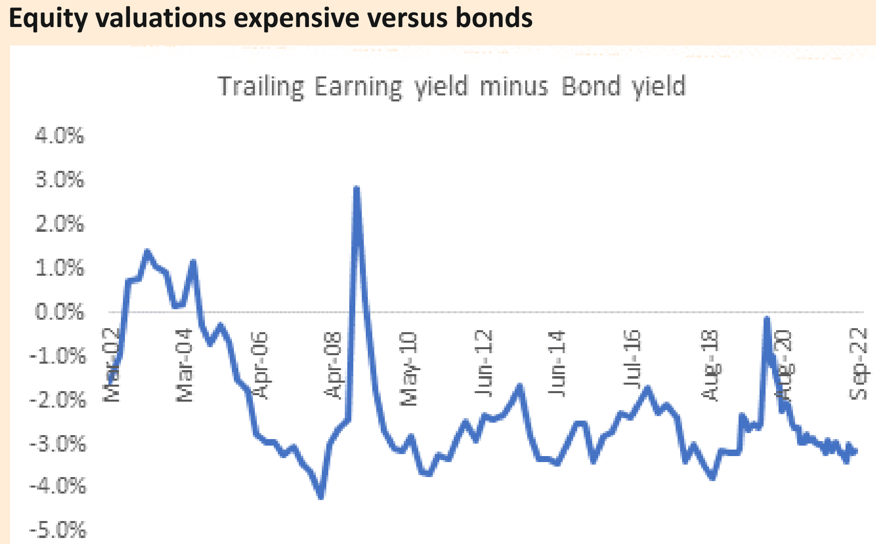
Indian equities continued with the up move off their June lows with the Nifty and the Sensex gaining 3.7% and 3.6% respectively for the month of August. This was a strong outperformance to the rest of Emerging Market (EM) complex that was broadly flat for the month as well as to the US market with the S&P500 declining 4% for the month. On a YTD basis, India has outperformed EMs by over 14% in 2022 after already outperforming strongly in CY21. Since the beginning of 2021, Indian equities have outperformed the EM index by over 38%. This has in turn led to India's valuation premium to EMs swelling to near historical highs. While this may be reflective of India's rising prominence in the global economy, from a near term standpoint it could also mean that further upsides may be capped till the valuation argument improves.

**India's valuation premium to Emerging Markets near historic highs**


*Source: Bloomberg, SBIFM Research*

On a standalone basis too, Indian equity valuations are on the expensive side, as measured by our preferred valuation gauge- yield spread of earnings yield over bond yields (please refer the chart below- the lower this spread, the more expensive equities are versus bonds).

**Equity valuations expensive versus bonds**




*Source: Bloomberg, FactSet, SBIFM Research*

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# Market Outlook...

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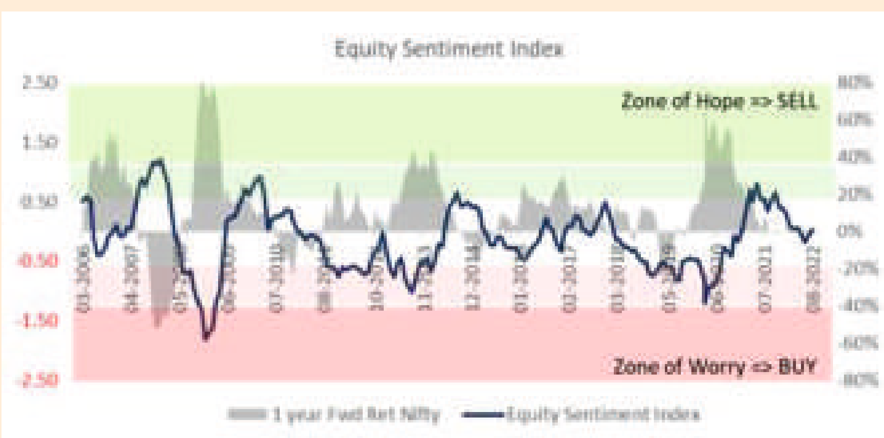
Valuations are expensive at a time when global macro uncertainties continue to persist. Even as inflation may be peaking for good, headwinds on global growth stay. With the Fed chair having decisively declared fighting inflation as the priority even if it comes at the expense of growth, China continuing to struggle and Europe potentially staring at an energy crisis in the winters, we believe we may still not be out of woods. For valuations to support further upsides, either a meaningful decline in bond yields must materialize, or else markets need to consolidate till earnings catch-up.

Beyond the headline index however we find decent dispersion in stock valuations and hence stock specific opportunities. Our measure of market sentiment has turned neutral over the past few months after pointing to euphoria in second half of 2021. This is suggestive of the froth in broader markets having been cleared thanks to the price action of the past many months. This in turn has opened bottom-up, stock specific opportunities.

**Equity market sentiment has cooled off over the past few months**

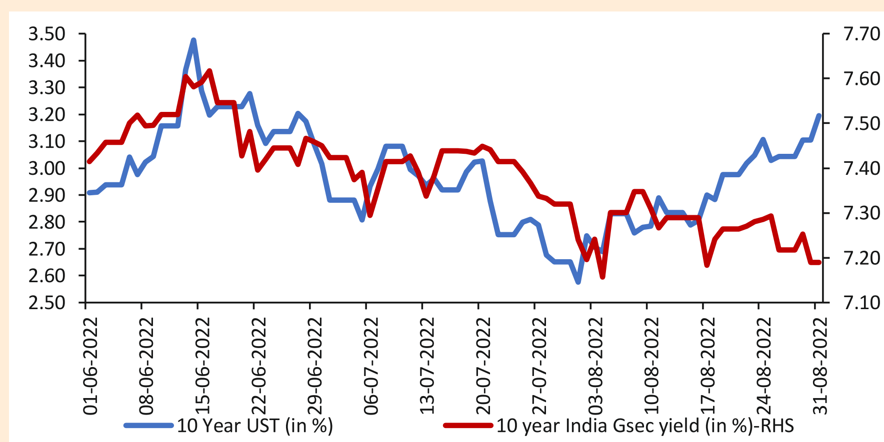



*Source: Bloomberg, FactSet, SBIFM Research*

We therefore stay bottom-up and stock specific. On the other side of the potential near term turbulence however, we stay optimistic on the prospects of a manufacturing and investment activity driven earnings expansion over the next few years.

## Fixed Income

The domestic bond markets have surprisingly remained insulated from the repricing of overseas yields and expectations. Stable currency and softness in crude prices alongside newsflow pertaining to inclusion in the JP Morgan Bond Index led to a softening trend in yields. Crude prices have remained lower than the RBI estimate of USD 105/barrel , but prone to swings based on newsflow including China lockdowns, Iran nuclear deal resolution as well as demand data. This is likely to sustain in coming months as the war in Europe drags on even as other sanctions on Russian oil take effect alongside the scheduled end for the Strategic reserve drawdowns which have been supplying additional barrels of oil to the markets so far.




*Source: Bloomberg, SBIMF Research*

The issue of Index Inclusion has been triggered by the routine review expected around September and certain research reports and news stories surrounding it. While the same was considered imminent around the Union Budget, this has been on the backburner for a while as the Government remains unwilling to provide preferential taxation benefits or enable overseas clearing. The immediate trigger seems to be the exclusion of Russia from the indices and the concern of Index trackers on increasing concentration within

Cont. on page 5...

# Performance Of Select Funds

**Data as on August 26, 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 | 5.58 | 6.09 | 24.66 | 17.35 | 10.44 | 12.01 | 14.75 | 12.85 |
| ABSL Flexi Cap Fund | Aug-98 | 2.64 | 1.95 | 23.58 | 17.93 | 10.29 | 13.18 | 16.47 | 11.96 |
| Axis Bluechip Fund | Jan-10 | 1.17 | -1.59 | 18.33 | 14.63 | 13.35 | 13.34 | 15.02 | — |
| Axis Focused 25 Fund | Jun-12 | -0.90 | -5.69 | 17.95 | 14.92 | 11.67 | 13.65 | 15.07 | — |
| Axis Growth Opportunities Fund | Oct-18 | 6.63 | 4.52 | 27.60 | 24.22 | — | — | — | — |
| Canara Robeco Flexi Cap Fund | Sep-03 | 2.57 | 3.74 | 23.09 | 20.38 | 14.03 | 13.72 | 14.62 | 13.34 |
| Canara Robeco Emerging Equities | Mar-05 | 5.56 | 6.57 | 26.39 | 23.49 | 13.69 | 15.92 | 21.18 | 15.78 |
| HDFC Flexi Cap Fund | Jan-95 | 13.37 | 21.26 | 34.32 | 20.42 | 13.13 | 13.80 | 15.52 | 13.67 |
| HDFC Top 100 Fund | Oct-96 | 9.70 | 12.90 | 26.96 | 15.97 | 11.02 | 12.43 | 13.77 | 12.81 |
| HDFC Large and Mid Cap Fund | Feb-94 | 10.54 | 14.04 | 31.58 | 22.69 | 13.08 | 12.89 | 12.92 | 9.07 |
| HSBC Large Cap Equity Fund | Dec-02 | 4.73 | 3.83 | 21.52 | 15.28 | 10.50 | 12.07 | 12.52 | 10.05 |
| ICICI Prudential Bluechip Fund | May-08 | 5.63 | 9.67 | 25.52 | 18.28 | 12.24 | 13.38 | 14.96 | — |
| ICICI Prudential Large & Mid Cap Fund | Jul-98 | 10.16 | 19.28 | 32.25 | 22.75 | 12.86 | 14.49 | 15.00 | 12.33 |
| IDFC Core Equity Fund | Aug-05 | 7.33 | 8.09 | 26.04 | 19.22 | 10.54 | 13.12 | 13.54 | 9.86 |
| Invesco India Contra Fund | Apr-07 | 7.76 | 7.74 | 24.23 | 20.61 | 14.23 | 14.88 | 17.71 | 14.20 |
| Kotak Bluechip Fund | Dec-98 | 5.98 | 4.61 | 23.60 | 18.63 | 12.41 | 12.38 | 14.09 | 11.46 |
| Kotak Equity Opportunities Fund | Sep-04 | 8.89 | 9.14 | 26.19 | 21.02 | 12.75 | 14.13 | 16.31 | 13.27 |
| Kotak Flexicap Fund Regular Plan | Sep-09 | 7.17 | 5.53 | 22.38 | 16.09 | 11.03 | 13.17 | 16.38 | — |
| Mirae Asset Emerging Bluechip Fund | Jul-10 | 5.11 | 4.66 | 27.35 | 23.28 | 15.72 | 18.27 | 23.17 | — |
| Motilal Oswal Large and Midcap Fund | Oct-19 | 3.73 | 2.23 | 27.91 | — | — | — | — | — |
| Nippon India Large Cap Fund | Aug-07 | 10.89 | 13.90 | 28.93 | 18.75 | 12.08 | 12.57 | 15.24 | 12.25 |
| Nippon India Multi Cap Fund | Mar-05 | 14.02 | 19.01 | 36.81 | 21.79 | 13.49 | 12.04 | 15.25 | 14.14 |
| Parag Parikh Flexi Cap Fund | May-13 | 2.53 | 4.14 | 24.03 | 25.50 | 17.88 | 17.06 | — | — |
| PGIM India Flexi Cap Fund | Mar-15 | 2.67 | 0.44 | 27.90 | 26.43 | 14.79 | 14.39 | — | — |
| SBI Focused Equity Fund | Oct-04 | 0.27 | 3.23 | 23.07 | 19.30 | 14.53 | 14.49 | 16.53 | 14.03 |
| UTI Flexi Cap Fund | May-92 | 1.12 | -2.84 | 24.24 | 22.00 | 14.97 | 13.70 | 15.69 | 14.02 |

### 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 | 6.26 | 5.28 | 27.09 | 25.09 | 17.73 | 15.26 | 19.89 | — |
| HDFC Mid-Cap Opportunities Fund | Jun-07 | 12.76 | 15.50 | 32.28 | 25.53 | 13.19 | 14.92 | 19.34 | 16.59 |
| Kotak Emerging Equity Fund | Mar-07 | 11.79 | 13.66 | 35.61 | 28.51 | 15.86 | 16.93 | 20.68 | 13.93 |
| L&T India Value Fund | Jan-10 | 5.19 | 7.83 | 27.68 | 20.19 | 10.36 | 13.41 | 18.22 | — |
| Motilal Oswal Midcap Fund | Feb-14 | 12.71 | 27.78 | 38.79 | 27.70 | 14.37 | 13.55 | — | — |
| PGIM India Midcap Opportunities Fund | Dec-13 | 9.46 | 13.71 | 41.95 | 40.62 | 19.24 | 16.58 | — | — |
| UTI Mid Cap Fund - Regular Plan | Apr-04 | 7.81 | 9.63 | 31.45 | 28.07 | 13.73 | 13.35 | 19.76 | 15.64 |

### 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 | 7.48 | 4.52 | 26.94 | 11.96 | 7.61 | 13.45 | 16.72 | — |
| Nippon India Banking & Financial | May-03 | 9.01 | 10.45 | 34.07 | 13.41 | 7.81 | 12.39 | 14.73 | 15.03 |
| ICICI Prudential Pharma Healthcare | Jul-18 | 0.75 | -9.43 | 10.47 | 26.03 | — | — | — | — |
| Nippon India Pharma Fund | Jun-04 | -0.89 | -9.58 | 11.36 | 25.57 | 17.15 | 9.66 | 15.72 | 17.76 |
| SBI Healthcare Opportunities Fund | Jul-99 | -0.12 | -6.28 | 10.89 | 24.74 | 11.87 | 5.65 | 14.37 | 13.24 |
| Kotak Pioneer Fund | Oct-19 | 5.72 | 3.41 | 25.28 | — | — | — | — | — |
| Axis Long Term Equity Fund | Dec-09 | 1.39 | -4.62 | 19.39 | 15.56 | 12.39 | 12.40 | 17.69 | — |
| IDFC Tax Advantage (ELSS) Fund | Dec-08 | 6.67 | 12.16 | 33.82 | 24.70 | 13.59 | 14.40 | 17.50 | — |
| Kotak Tax Saver Regular Plan | Nov-05 | 7.71 | 9.11 | 27.16 | 20.19 | 12.95 | 13.60 | 15.16 | 10.82 |
| Mirae Asset Tax Saver Fund | Dec-15 | 5.16 | 4.98 | 26.67 | 21.77 | 15.35 | — | — | — |

## ARBITRAGE FUNDS

| Funds | Launch | 3 Mth* | 6 Mth* | 1 Year* | 2 year** | 3 Year** | 5 Year** |
|---|---|---|---|---|---|---|---|
| ICICI Prudential Equity Arbitrage Fund | Dec-06 | 0.71 | 1.38 | 3.31 | 3.69 | 3.96 | 4.88 |
| IDFC Arbitrage Fund - Regular Plan | Dec-06 | 0.69 | 1.34 | 3.13 | 3.44 | 3.69 | 4.76 |
| Kotak Equity Arbitrage Fund | Sep-05 | 0.74 | 1.56 | 3.58 | 3.85 | 4.14 | 5.03 |

## 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 | -0.89 | 1.99 | 20.56 | 13.70 | 7.72 | 9.91 | 12.86 | 11.71 |
| Canara Robeco Equity Hybrid | Feb-93 | 3.22 | 3.77 | 18.20 | 16.78 | 11.81 | 12.41 | 14.21 | 12.94 |
| DSP Equity & Bond Fund | May-99 | 2.34 | -0.08 | 17.75 | 15.18 | 10.47 | 11.49 | 13.36 | 11.99 |
| ICICI Prudential Equity & Debt | Nov-99 | 6.33 | 18.82 | 31.72 | 22.07 | 13.99 | 14.77 | 16.65 | 13.40 |
| Kotak Equity Hybrid Fund | Nov-99 | 6.45 | 9.61 | 25.37 | 19.31 | 12.20 | 12.67 | 12.99 | 11.02 |
| SBI Equity Hybrid Fund | Dec-95 | 3.94 | 6.04 | 19.38 | 15.13 | 11.74 | 11.87 | 15.19 | 11.94 |
| ABSL Bal. Advantage Fund | Apr-00 | 4.18 | 3.65 | 14.12 | 12.50 | 8.31 | — | — | — |
| ICICI Prudential Bal. Advantage | Dec-06 | 5.39 | 9.07 | 15.57 | 13.40 | 10.13 | — | — | — |
| IDFC Bal. Advantage Fund | Oct-14 | 2.28 | 1.02 | 10.38 | 10.93 | 8.15 | — | — | — |
| Kotak Bal. Advantage Fund | Aug-18 | 4.27 | 4.95 | 12.18 | 11.94 | — | — | — | — |
| Nippon India Bal. Advantage | Nov-04 | 6.15 | 5.14 | 14.93 | 11.94 | 8.84 | — | — | — |
| IDFC Equity Savings Fund | Jun-08 | 2.17 | 3.73 | 8.45 | 8.28 | 6.14 | — | — | — |
| Kotak Equity Savings Fund | Oct-14 | 3.01 | 7.85 | 11.04 | 9.94 | 8.07 | — | — | — |

## 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 | 0.68 | 1.71 | 1.92 | 3.49 | 5.23 | 6.40 | 6.63 |
| Axis Corporate Debt Fund | Jul-17 | 0.75 | 1.64 | 1.47 | 3.15 | 4.54 | 6.56 | 6.59 |
| HDFC Corporate Bond Fund | Jun-10 | 1.02 | 1.83 | 1.15 | 2.82 | 4.60 | 6.38 | 6.94 |
| Kotak Corporate Bond Fund | Sep-07 | 0.68 | 1.38 | 1.33 | 3.03 | 4.31 | 5.95 | 6.77 |
| Kotak Banking and PSU Debt Fund | Dec-98 | 0.73 | 1.44 | 1.16 | 3.17 | 4.47 | 6.21 | 6.84 |
| SBI Banking and PSU Fund | Oct-09 | 0.51 | 1.25 | 0.60 | 1.93 | 3.62 | 5.46 | 6.56 |
| ICICI Prudential Savings Fund | Sep-02 | 1.00 | 1.34 | 2.09 | 3.20 | 4.35 | 5.74 | 6.46 |
| Kotak Savings Fund | Aug-04 | 0.45 | 1.25 | 1.94 | 3.57 | 3.59 | 4.62 | 5.73 |

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

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

| Scheme name | Date | Dividend declared in ₹ Per unit |
|---|---|---|
| ICICI Prudential Equity & Debt Fund - Monthly | 04/08/2022 | 0.16 |
| ICICI Prudential Exports and Services Fund | 11/08/2022 | 2.75 |
| ICICI Prudential Focused Equity Fund | 11/08/2022 | 2.00 |
| ICICI Prudential Technology Fund | 11/08/2022 | 5.30 |
| ICICI Prudential Pharma Healthcare and Diagnostics (P.H.D) Fund | 11/08/2022 | 1.40 |
| PGIM India Hybrid Equity Fund - Monthly | 17/08/2022 | 0.13 |
| UTI Hybrid Equity Fund | 17/08/2022 | 0.60 |
| DSP Tax Saver Fund | 18/08/2022 | 0.48 |
| L&T Large and Midcap Fund | 23/08/2022 | 0.17 |
| UTI Dividend Yield Fund | 23/08/2022 | 0.60 |
| L&T Hybrid Equity Fund | 23/08/2022 | 0.14 |
| Edelweiss Aggressive Hybrid Fund | 24/08/2022 | 0.15 |
| Aditya Birla Sun Life Equity Advantage Fund | 25/08/2022 | 7.11 |
| Aditya Birla Sun Life Midcap Fund | 25/08/2022 | 2.59 |
| Aditya Birla Sun Life Small cap Fund | 25/08/2022 | 1.67 |
| DSP Equity & Bond Fund | 26/08/2022 | 0.20 |
| LIC MF Equity Hybrid Fund - Plan A | 26/08/2022 | 0.07 |
| Axis Equity Hybrid Fund - Monthly | 26/08/2022 | 0.10 |
| L&T Midcap Fund | 26/08/2022 | 3.75 |
| IDFC Sterling Value Fund | 29/08/2022 | 1.57 |

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.

Mutual funds, like securities investments, are subject to market and other risks. As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

# Market Outlook...

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the index. Alongside similar worries around China, the issue of non-inclusion of a large market like India has been raised again in the routine investor feedback reviews. While we believe that a policy decision to be part of indices has been taken with a more open framework for debt flows such as the Fully Accessible Route (FAR securities), there is no evidence so far of any additional measures to immediately accelerate the process. Hence, we remain sceptical of any immediate inclusion, though the same can be accelerated if the Index providers climb down in their preconditions to accommodate the second largest EM Debt market within Asia. At the same time, index inclusion announcement in the current year would be sentimentally positive and less likely to result in any large flows given the global backdrop as well as the process of staggered inclusion that the indices follow.

The resilience of markets also should be seen in the context of reasonable appetite and probably space available in Bank Held to Maturity Book for sovereign securities. In the current FY till date (Aug 12, 2022), scheduled bank's incremental investments in SLR securities have remained robust at ₹ 3.43 trillion as against ₹ 1.50 trillion in the corresponding period in the previous FY. Alongside healthy investor demand from long term investors and lower issuances of SDL as against the calendar, SLR securities have remained well bid so far. SDL issuances in this FY till end August have been around 67% of the indicated calendar for the same period. At the same time, as second half supply meets the reality of better credit growth as well as less favourable domestic liquidity and overseas cues, we could witness episodes of volatility in yields.

Corporate Bonds continue to be supported by pending demand for mandated investment quotas, despite glaring disconnect in valuations. AAA PSU/PFI bonds continue to trade lower than SDL's and almost in line with Government securities across most tenors. Spreads on liquid AAA PSU/PFI bonds over government securities range from zero to 17bps across various benchmark tenors. These spreads provide no compensation for either credit or liquidity/ impact cost. Similarly, other credits priced over an overvalued AAA curve remain an equally non attractive proposition on a relative basis. A gradual unwinding of excess liquidity and repricing of the existing favourable terms on External benchmark linked Bank loans should set the stage for a gradual unwinding of the excesses seen in credit spread pricing. Sovereign securities provide the best space currently to position for a medium-term positive view on the interest rate cycle.

| Tenor | Gsec | Gsec - Annualised | SDL | SDL - Annualised | AAA- PSU | AAA- Spread over Gsec | AAA PSU- Spread over SDL | AAA-NBFC | AAA NBFC- Spread over SDL |
|---|---|---|---|---|---|---|---|---|---|
| 3YR | 6.83% | 6.95% | 6.90% | 7.02% | 7.05% | 0.10% | 0.03% | 7.45% | 0.43% |
| 4YR | 6.95% | 7.07% | 7.05% | 7.17% | 7.10% | 0.03% | -0.07% | 7.55% | 0.38% |
| 5YR | 7.03% | 7.15% | 7.15% | 7.28% | 7.15% | 0.00% | -0.13% | 7.60% | 0.32% |
| 10YR | 7.18% | 7.31% | 7.55% | 7.69% | 7.50% | 0.19% | -0.19% | 7.85% | 0.16% |

From a monetary policy perspective, while India seems to be in a much better shape as compared to developed economies, the influence of a strong dollar would continue to impact outcomes. Effectively, EM central banks getting complete "operational independence from the policies of the FED", would remain a challenge given the dynamics of capital flows. However, we expect that the RBI could well resort to smaller adjustments incrementally in the Repo rate in the journey towards a near term pause zone of between 6.00% - 6.25%. The path towards this potential end point is unlikely to be smooth and unidirectional as seen in recent weeks.

**Rajeev Radhakrishnan**
CIO for Debt
**SBI Funds Management Limited**

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

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# Choosing The Right Funds Is The Key To Success

The stock market continues to remain volatile. While the market volatility is a natural phenomenon and will always remain an integral part of stock market investing, investors who follow a disciplined approach can tackle this challenge well. In fact, volatility is not the only challenge that investors have to contend with. The prominent ones are how to decide on exposure to different market caps, when to sell and the size of the fund. Here's how these challenges can be tackled by investors.

## Exposure to different market caps in the portfolio

Market cap of a company signifies its market value, which is equal to the total number of shares outstanding multiplied by the current stock price. The market cap has a role to play in the kind of returns the stock might deliver and the riskiness or volatility that one may have to encounter from the stock. For example, large companies are usually more stable during the turbulent periods and the mid cap and small cap companies are more vulnerable.

Since risk profile, time horizon and investment objectives play an important role in deciding the portfolio composition, there cannot be a standard combination that works for all kinds of investors. If you are unable to decide the right mix, begin investing with flexi-cap that invest predominantly in large cap stocks and have a healthy exposure to mid-cap stocks. If you are one of those investors who have the wherewithal to decide what kind of mix will be suitable for you as well as know how to rebalance this exposure periodically, you can opt for funds investing in different market segments.

## When to sell

It is important to remember that any decision to sell your fund has to be well thought out one and not based on some immediate urge. Equally important is to remember that as an investor you have the cushion of your fund manager weeding out the over- priced stocks and laggards out of the portfolio.

The key, therefore, is to focus on the fund selection. If you are invested in a good fund from a fund house with a proven track record, most of your worries are taken care of. This decision itself will save you of a lot of botheration of keeping a track of the market.

If you decide to sell, consider doing it gradually. All of us know that systematic investing is the best way for investing. It is also important to know that selling gradually also ensures certain benefits. Remember, selling non-performing funds can save you money. Don't forget, you invest to make money and not to make losses.

## Size of the fund

It is commonly believed that a fund can become victim of its own success. In other words, it can become too unwieldy to manage efficiently. However, it is important to look at the fund size in the context of its nature and investment style. A fund's performance can suffer in case it outgrows its investment style. For example, a mid-cap fund where the success depends on how effectively the fund manager does the stock picking, the large size of the fund may force him to make certain compromises in terms of the investment approach.

However, the fund size does not matter for some of the fund types. For example, it is much easier for a debt fund manger to manage a large fund compared to an equity fund. Considering that the size of the debt market is much bigger than the equity market, there are plenty of options available for the fund manager.

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

# A Note To Our Esteemed Readers

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

**WISEINVEST PRIVATE LIMITED**

(CIN No.: U74140MH2003PTC142921)

**Corporate Office**

**Andheri :** 602, 6th Floor, Sri Krishna Complex, Opposite Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai 400 053.

Tel : 2673 2671 / 2673 2676. E-mail : information@wiseinvest.co.in

**Branch**

**Thane :** 502, 5th Floor, Pratibha Premises, Near Teen Petrol Pump, Panchpakhadi, Thane West - 400 602.

Tel : 2537 1567 / 2539 1306. E-mail : information1@wiseinvest.co.in

www.wiseinvest.co.in



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