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

June, 2022

Price ₹ 2

Volume 16, Issue 6

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 remained volatile during the month of May 2022. While the BSE Sensex was down by 2.62%, the mid-cap and small cap indices of the BSE were down 5.22% and 7.83% respectively. A number of global and domestic factors like Russia-Ukraine war, inflation and rate hikes contributed to the volatility in the stock market.

India's economy grew 4.1% in the January-March period, the slowest in four quarters. The economy was hit by third wave of the pandemic, supply disruptions and high commodity and crude prices due to the Russia-Ukraine war. However, for the full fiscal year, gross domestic product (GDP) rose 8.7%, making India the fastest growing major economy. The government expects the economy to grow 7% in FY 23 even as it faces multiple challenges. Stronger revenue collection helped the Centre to contain its fiscal deficit for 2021-22 at 6.71%, a tad lower than the revised estimate of 6.90% presented during the budget.

Indian companies are facing margin pressures selectively due to rising costs. However, the demand scenario in the economy remains quite strong. Rural economy too is looking buoyant thanks to good agriculture produce and record agriculture prices. While the near term situation continues to be dominated by news flows and sharp movements in the US markets, stock market valuations have begun to look attractive as they are in line with their 10 year averages.

There is also a positive news on inflation front in the US as it begins to abate from a 40-year high. Even in India, early monsoon brings hopes of cooling inflation. Besides, the government announced a series of steps like excise duty cut on petrol and diesel and subsidy on LPG cylinders to rein in inflation. As per a report from Goldman Sachs, the stock markets benefit when inflation shows a sign of peaking. It further states that while the market usually falls in the run up to the peak in headline inflation, the situation usually begins to change as inflation peaks resulting in recovery in the market.

In 13 inflation runs since 1951, the market was up 12 months later nine times. Although we have witnessed small recovery in the market in the last few days, economic recovery, low valuations and interest rate movements will play a crucial role in the stock market performance in the near term.

Considering that there are signs of inflation peaking and risk-reward for investors getting favourable, staying invested and continuing investment process in line with your risk profile and time horizon could yield very healthy returns going forward.

Warm regards,

HRustagi

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 May 2022.

Indices	29th April 2022	31st May 2022	Change in (%)
Sensex	57,060.87	55,566.41	-2.62
MIDCAP	24,418.04	23,143.82	-5.22
SMLCAP	28,611.92	26,370.81	-7.83
BSE-100	17,574.51	16,887.92	-3.91
BSE-200	7,485.54	7,176.18	-4.13
BSE-500	23,551.65	22,497.64	-4.48

Passives Is The Present And Also The Future

As we approach the end of HY2022, stock markets have recently seen increased volatility due to geopolitical unrest in Europe and the resulting energy supply shortages. This has contributed to growing inflation and input costs, prompting global central banks to adopt a hawkish approach, which could have a lasting influence on global GDP. Corrections have thus become a worldwide phenomenon.

S&P500 has corrected by ~14.34%, Nikkei 225 by ~5.26%, Euro Stoxx 50 by ~12.56%, and CSI 300 (China) has suffered due to COVID induced lockdowns and economic slowdown to the tune of ~17%. Nasdaq 100 has corrected the most upto ~26% due to the rise in the US Federal rate & geopolitical tensions (CYTD as on Jun 4, 2022). During the ongoing global corrections, Indian markets have been relatively resilient, wherein the Nifty 50 has shown marginal corrections of 5.91% over the same period despite facing significant FII outflows. The strength in the Indian market is due to the solid domestic inflows, confidence of Indian consumers, record GST collection in April 2022 (20% growth Y-O-Y), and May 2022(which is 44% growth Y-O-Y), and Employment levels back at the pre-covid level. When we talk about the corrections and broad market, we talk about indices.

When we talk about Indices, one thing that is all over the news is Passive funds. Passive funds are becoming a high growth phenomenon in the Indian Mutual fund landscape contemporarily. Actively managed large-cap funds have long been a staple of every investor's mutual fund portfolio. However, passive index funds and ETFs are increasingly replacing active large-cap funds for the reasons including a) active large-cap funds' failure to outperform the index b) Passive funds have lower costs. C) Passive funds being transparent d) Shrinking alpha returns e) Raising investor knowledge about passive funds.

Last year, the asset management business emerged from the global pandemic in a strong position. The sector has surpassed the $100 trillion mark in AUM. Overall, the asset management industry's global assets increased by 11% in 2020, reaching $103 trillion in AUM and is estimated to grow upto $136 trillion by 2025. Despite the pandemic's economic problems, uncertainty, and early shock, global markets have rebounded with good returns. The pandemic-affected year had the most significant rise in passive returns. With solid net inflows and market expansion, passive funds AUM increased by 17% globally in 2020. The underperformance of active funds compared to benchmarks, the lower cost of passive funds compared to active funds (expense ratio), and the favourable legislation and policies in the US for passive investments have all contributed to the rise of passive assets in developed countries as the US. In the last decade or so, the expansion of passive investments by about 4x has sparked interest in passive products such as Fund of Funds, Index Funds, and ETFs. With $29.3 trillion in total net assets, US remained the largest country globally for the MF industry as of Dec 2020, where passive funds have represented about 40% of all fund assets. In the products space, the number of ETFs accessible climbed from 950 in Dec 2010 to 2693 in Dec 2021; index funds bouquet rose from 365 in 2010 to 490 by the end of 2020. Overall, passive assets have expanded from $2 trillion to $10.3 trillion in the last decade, representing a 410% absolute increase and an 18% CAGR. The market capitalization of index mutual funds increased from $1,016 bllion at the end of 2010 to $4,807 billion by Dec 2020, with a 373% absolute increase and a 17% CAGR. ETF assets have increased from $992 billion at the end of 2010 to $5,449 billion in 2020. The total growth rate was 45%, with a 19 percent CAGR.

In India, Passive Funds (ETFs, Index Funds, and Fund of Funds) have proliferated. AUM of these funds have increased from less than 2% in 2010 to a little over 10% by Dec 2020. As of the end of Apr 2022, it is already close to 15% of the total MF industry. Passive Funds AUM have grown from ~₹22,000 crores in 2016 to ~₹4.36L crores in Dec 2021. The number currently stands at ₹5.81L crores as on Apr 2022. While this growth was triggered by EPFO's decision to invest in equities through ETFs in 2015, the business growth seems as broad-based as the stock market itself. This is evident because 139 ETFs are listed on NSE to date. The development also comes from tier 2 & tier 3 cities that had low penetration. A bouquet of innovative products in the passive space have been launched in the last couple of years, especially the creation of portfolios from International based funds, ESG ETFs, and public sector companies. The market regulator SEBI has recently launched a few guidelines to make passive funds more efficient and improve liquidity. One important announcement was that AMCs can now launch passively managed equity-linked savings schemes (ELSS) so that investors can have one more product category to invest in and save tax.

A closer look at the Passive industry shows that it is not only the ETFs that are growing owing to their ease of trading, meagre cost & performance issues of specific traditional MF categories, but other categories like Index & FOF's, which can offer participation in Passive's to distribution partners, have also multiplied. Globalization and financial regulation advancements have opened additional financial markets to foreign investment. Currently, AMC's are not allowed to invest in international stocks directly. However, there are several options available for domestic investors to invest in domestic FoF's which then invest in the underlying ETF's. Following a strong stock market boom in recent years, US benchmark indexes such as the Nasdaq 100 have recently corrected substantially, offering investors good investing possibilities.

Cont. on page 3...

Passives Is The Present And Also The Future...

...Cont. from page 2

In the past two years, Index Funds AUM has risen from a meagre ~ ₹392 crores in Dec 2010 to nearly ₹15,269cr in Dec 2020 and rose to ~ ₹78,763 crores as of Apr 2022, which is a 415% rise compared to Dec 2020. At the same time, Fund of Funds AUM has multiplied, primarily driven by the internationally focused themes. FoF's AUM has grown from ₹4,180 crores in Dec 2010 to ₹32,542 crores in Dec 2020. The current number stands at ~₹68,815 crores as of Apr 2022, a 111% increase compared to Dec 2020.

Many risk-averse investors have shifted to debt funds when interest rates on assured savings products have changed. Debt funds are less volatile than popular equity funds and have the potential to provide higher returns. TMFs (Target Maturity Funds) assist investors in navigating the risks of debt funds more effectively by matching their portfolios with the fund's maturity date. TMFs, unlike FMPs, are open-ended and are available as Target Maturity Debt Index Funds or Target Maturity Bond ETFs, providing more liquidity than FMPs. TMFs currently invest in G-secs, Treasury Bills, AAA-rated corporate bonds, and SDLs that carry a moderate to the high level of risk, where investors infuse their money with some levels of predictable returns. Investors gain from roll-down maturity portfolios when interest rates are higher, improving the return. This has increased the category's assets to ~₹71,000 crores as of Feb 2022, over six times the ~₹12,000 crore mark as on Dec 2019 and increased the category's proportion in open-ended debt funds to 4.8 % from 1%.

The importance of insulating investment portfolios through proper asset allocation has grown increasingly. The ideal way to implement asset allocation is to use passive ETFs or index funds. An extensive range of low-cost passive products spanning equities, sectors, themes, fixed income, and gold are accessible for portfolio development. It is important to note that asset allocation is the primary driver of returns, as evidenced by several research. In the current market, not many companies have as many products using this strategy of creating a portfolio except for a few AMCs. The Asset Allocation FoF's has garnered close to ~₹9,217 crores in Apr 2020 and rose to ~₹25,156 crores as of April 2022. The quarter-wise performance also shows that the asset allocation strategy is gaining momentum rapidly. Q1CY22 vs Q1CY17 showed a 1067% increment in AUM.

As the sector rushes to launch more products (since April 2021, there have been a whopping 199 filings of funds out of 223 products in passives), the companies should look at answering some questions like how is it going to achieve its market share, growth, and improved customer and partner experience? How will the dynamics evolve by the end of this decade in India's 38.73 lakh crore mutual fund market, with passives accounting for only 15% of assets? A few exciting trends have come up with the changing scenario and seem like they are here to stay. The first would be the emergence of goal-based investment funds. This fund focuses on performing according to the index and giving its investors predictable returns. Another key trend that companies can look at is the acceptance of Smart Beta ETFs. These work by handpicking portfolios where investors get the dual benefit of both active and passive investing strategies, which is a low-cost strategy that eventually gives a higher alpha. More acceptance and products on this can be paradigm-altering for passive investments. In the last financial year, assets of smart beta ETFs / Index funds across the Indian MF industry grew by ~3.4x, which would enable investors to diversify their assets away from traditional investments and take calls on the factor of their choice.

Abhishek Singhal
Business Head – Passives & Alternate Strategy
Aditya Birla Sun Life AMC Ltd, India

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

Performance Of Select Funds

Data as on May 27, 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	-5.72	6.77	32.69	10.90	9.57	10.00	14.95	12.38
ABSL Flexi Cap Fund	Aug-98	-7.93	2.76	32.86	11.63	9.92	11.67	16.66	11.66
Axis Bluechip Fund	Jan-10	-10.99	0.10	23.43	11.08	12.93	11.32	15.19	—
Axis Focused 25 Fund	Jun-12	-16.51	-3.94	25.47	10.60	11.29	11.68	—	—
Axis Growth Opportunities Fund	Oct-18	-12.66	5.63	34.01	19.04	—	—	—	—
Canara Robeco Flexi Cap Fund	Sep-03	-7.57	5.58	30.64	13.96	13.12	11.65	14.58	13.07
Canara Robeco Emerging Equities	Mar-05	-7.38	8.09	35.72	15.31	12.24	14.24	20.83	15.61
HDFC Flexi Cap Fund	Jan-95	1.85	12.62	42.05	11.74	11.26	11.35	14.97	13.00
HDFC Top 100 Fund	Oct-96	-1.06	8.68	34.52	8.67	9.54	10.16	13.55	12.29
HDFC Large and Mid Cap Fund	Feb-94	-5.04	11.67	42.17	14.72	10.89	10.09	12.80	8.38
HSBC Large Cap Equity Fund	Dec-02	-6.72	2.03	27.62	9.98	9.40	9.87	12.49	9.49
ICICI Prudential Bluechip Fund	May-08	-3.29	9.84	33.31	12.60	11.60	11.45	15.09	—
ICICI Prudential Large & Mid Cap Fund	Jul-98	-2.15	16.75	41.74	15.40	11.35	11.53	14.78	11.62
IDFC Core Equity Fund	Aug-05	-5.24	3.96	35.58	11.30	9.13	10.33	13.68	9.40
Invesco India Contra Fund	Apr-07	-6.10	4.99	32.51	13.30	12.50	12.83	17.51	13.54
Kotak Bluechip Fund	Dec-98	-5.56	5.75	32.36	13.07	11.04	10.61	14.32	11.02
Kotak Equity Opportunities Fund	Sep-04	-2.78	7.11	33.07	14.23	11.41	12.31	16.28	12.60
Kotak Flexicap Fund	Sep-09	-4.41	3.43	29.17	9.70	9.98	11.56	16.51	—
Mirae Asset Emerging Bluechip Fund	Jul-10	-7.20	5.50	39.13	17.83	14.68	17.21	23.34	—
Motilal Oswal Large and Midcap Fund	Oct-19	-12.12	4.79	33.26	—	—	—	—	—
Nippon India Large Cap Fund	Aug-07	-2.53	11.08	37.72	8.94	10.55	10.37	14.93	—
Nippon India Multi Cap Fund	Mar-05	-2.66	17.09	47.34	10.50	11.07	9.47	14.65	12.98
Parag Parikh Flexi Cap Fund	May-13	-9.64	9.66	35.67	21.92	17.68	15.43	—	—
PGIM India Flexi Cap Fund	Mar-15	-11.14	3.20	39.36	18.79	13.32	12.90	—	—
SBI Focused Equity Fund	Oct-04	-15.72	7.09	30.85	13.30	14.39	13.15	16.76	13.71
UTI Flexi Cap Fund	May-92	-16.25	-1.06	33.35	15.74	13.46	11.60	15.61	13.09

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	-10.84	5.90	32.66	18.92	16.80	13.30	19.80	—
HDFC Mid-Cap Opportunities Fund	Jun-07	-4.10	7.33	42.42	15.47	10.67	12.46	18.55	—
Kotak Emerging Equity Fund	Mar-07	-4.90	9.84	45.10	19.78	13.41	14.63	19.98	13.08
L&T India Value Fund	Jan-10	-5.52	7.09	37.96	12.38	9.24	12.04	18.09	—
Motilal Oswal Midcap 30 Fund	Feb-14	-2.16	24.52	47.74	19.28	11.77	11.50	—	—
PGIM India Midcap Opportunities Fund	Dec-13	-7.75	12.25	54.87	28.18	15.75	14.35	—	—
UTI Mid Cap Fund	Apr-04	-10.20	6.85	41.41	18.18	11.24	11.33	18.76	14.41

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	-5.09	-1.96	39.13	3.84	7.01	11.20	17.09	—
Nippon India Banking & Financial	May-03	-2.36	4.06	46.49	3.53	6.89	9.48	14.36	14.75
ICICI Prudential Pharma Healthcare	Jul-18	-9.61	-7.76	23.21	23.08	—	—	—	—
Nippon India Pharma Fund	Jun-04	-12.37	-8.65	21.60	22.81	17.60	10.29	16.76	17.87
SBI Healthcare Opportunities Fund	Jul-99	-9.13	-8.81	21.65	22.22	11.62	5.66	15.48	12.59
Kotak Pioneer Fund	Oct-19	-13.95	1.85	37.76	—	—	—	—	—
Axis Long Term Equity Fund	Dec-09	-16.91	-4.78	23.75	10.38	11.11	10.36	17.58	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	-3.29	8.89	47.68	15.85	12.95	12.36	17.89	—
Kotak Tax Saver Fund	Nov-05	-5.32	7.45	34.53	13.37	11.36	11.71	15.19	10.09
Mirae Asset Tax Saver Fund	Dec-15	-6.07	6.20	39.41	16.78	14.90	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.70	1.62	3.85	3.50	4.29	5.01
IDFC Arbitrage Fund	Dec-06	0.69	1.56	3.63	3.31	4.03	4.89
Kotak Equity Arbitrage Fund	Sep-05	0.85	1.87	4.12	3.73	4.45	5.19

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	-5.60	4.74	28.04	9.21	7.38	8.72	13.11	11.41
Canara Robeco Equity Hybrid	Feb-93	-4.71	4.37	23.07	12.17	10.95	10.91	14.13	12.52
DSP Equity & Bond Fund	May-99	-8.88	0.04	22.98	11.16	9.08	10.32	13.01	11.45
ICICI Prudential Equity & Debt	Nov-99	1.51	18.78	37.34	16.62	13.12	13.23	16.59	12.74
Kotak Equity Hybrid Fund	Nov-99	-2.70	7.29	32.88	14.21	10.60	10.87	12.78	10.58
SBI Equity Hybrid Fund	Dec-95	-3.60	7.16	25.41	11.83	11.72	10.71	15.44	11.61
ABSL Bal. Advantage Fund	Apr-00	-2.63	3.16	20.94	9.36	7.69	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	0.66	7.27	22.29	10.73	9.77	—	—	—
IDFC Bal. Advantage Fund	Oct-14	-7.06	0.96	14.72	7.74	7.51	—	—	—
Kotak Bal. Advantage Fund	Aug-18	-1.90	4.35	19.10	9.74	—	—	—	—
Nippon India Bal. Advantage	Nov-04	-2.12	4.01	20.04	8.42	7.86	—	—	—
IDFC Equity Savings Fund	Jun-08	-0.77	4.26	12.26	6.13	5.84	—	—	—
Kotak Equity Savings Fund	Oct-14	1.10	7.70	14.60	8.64	8.17	—	—	—

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	-0.32	0.22	0.94	3.14	6.10	6.79	6.80
Axis Corporate Debt Fund	Jul-17	-0.47	-0.18	0.65	2.55	5.40	5.76	—
HDFC Corporate Bond Fund	Jun-10	-0.81	-0.68	-0.15	2.22	4.87	6.94	7.12
Kotak Corporate Bond Fund- Standard	Sep-07	-0.49	-0.05	0.64	2.97	4.93	6.38	6.92
Kotak Banking and PSU Debt Fund	Dec-98	-0.59	-0.30	0.37	2.89	4.78	6.89	7.03
SBI Banking and PSU Fund	Oct-09	-0.76	-0.63	0.04	1.79	3.87	6.22	6.67
ICICI Prudential Savings Fund	Sep-02	-0.18	0.72	0.81	3.29	4.86	6.06	6.60
Kotak Savings Fund	Aug-04	0.02	0.70	1.59	3.23	3.68	4.90	5.86

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund	05/05/2022	0.16
Sundaram Aggressive Hybrid Fund	17/05/2022	0.24
PGIM India Hybrid Equity Fund	17/05/2022	0.13
DSP Tax Saver Fund	19/05/2022	0.44
L&T Large and Midcap Fund	23/05/2022	0.17
UTI Hybrid Equity Fund	23/05/2022	0.60
L&T Hybrid Equity Fund	23/05/2022	0.14
Edelweiss Aggressive Hybrid Fund	24/05/2022	0.15
Axis Equity Hybrid Fund	26/05/2022	0.10
DSP Equity & Bond Fund	27/05/2022	0.20
LIC MF Equity Hybrid Fund	27/05/2022	0.10

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.

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.

Market Outlook

Equity Outlook

Indian markets were down 3% in May 2022 on the back of worries over a global economic slowdown amid aggressive policy tightening, lockdowns in China and ongoing Russia-Ukraine conflict. Broader indices NSE500/Midcap were down even sharper at 4.5%/5.3% respectively during the month. Sector wise Auto, Banks and Consumption Staples outperformed while Metals, Energy and Realty underperformed significantly.

The Indian government unveiled a number of measures to control inflation such as (1) reduction in excise duties for auto fuels, (2) increasing export duty for steel and (3) allowing duty free imports of 2mn tons of edible oil. RBI announced an unanticipated interest rate hike of 40 bps in line with US Federal Reserve which raised rates by 50bps while suggesting another 50bps hike in subsequent meetings.

In FY2022, RBI's balance sheet increased by 8.5% to ₹ 61.9 tn over FY2021 (July 2020-March 2021). The RBI transferred a surplus of ₹ 303 bn to the central government for FY2022 compared to ₹ 991 bn for FY2021. GST collections for May'22 came in at ₹ 1.41tn, down 15.9% MoM and up 44% YoY. Bank Credit growth in the month of April of 11.3% compares favorably to 4.7% a year ago. Oil prices continue to hover around elevated levels of US$120/bbl and is a key monitorable. March IIP growth remained lackluster at 1.9%.

India Q4FY22 GDP/GVA came in at 4.1%/3.9% yoy slowing down a tad on account of Omicron wave on manufacturing sector and contact-intensive services. FY22 GDP grew by 8.7% buoyed by PFCE (8% vs -6% in FY21) and GFCF (16% vs. -10.4% in FY21). Overall growth estimate has been revised for FY22 to 8.7 per cent from 8.8%. Moody's cut India's CY2022 GDP growth forecast to 8.8% from 9.1% earlier. FY22 fiscal deficit to GDP came in-line with Revised Estimate at 6.7%. FD/GDP ratio for FY23 is projected at 6.6% vs Budgeted 6.4%.

Q4FY22 has seen YoY growth of Revenue/EBITDA/PAT for Nifty at +23%/+16%/+21% YoY. Strong earnings growth was seen in Banks, NBFCs, Metals, Cement and Agri input, while contraction was recorded in Cap goods, EPC, and Oil & gas.

FPIs continued their selling spree in May, pulling out nearly ~$4.87 billion from domestic markets. This is the eighth straight month of FII selling. DIIs however bought equities worth US$6.6bn thereby offsetting the impact of FII net sales.

Currently Nifty is trading at one-year forward PE of 18x (is at the lowest level since 2016, excluding the brief covid period), compared to 12 month peak of 23x. With valuations having corrected and earnings growth still reasonably healthy (in spite of inflation), risk reward is favorable than before. With inflation likely to see a base effect led moderation in H2FY23 and rate hikes likely to be front loaded we believe medium term outlook is positive.

Investment cycle driven by higher realizations and improving demand for commodity producers in core sectors, infrastructure push, real estate cycle, energy self-reliance, exports manufacturing and the digital infrastructure space, appears promising. While there can be broad-based consumption moderation given the inflation pressure on low income households, however, demand driven by discretionary consumption in the higher income bracket driven by expansion of formal workforce pool appears positive.

With nominal GDP growth likely to be upwards of 15% in FY23 (though partly inflation led), India still is one of the better growing economies and offers a good value proposition at the current juncture. Geopolitics, inflation and high rates are risks to global as well Indian economy, however the same seems to be getting factored in valuations to some extent atleast.

Debt Outlook

The Monetary Policy Committee (MPC) in an unscheduled meeting on 4th May 2022, announced a surprise repo rate hike of 40bps and a CRR hike of 50 bps. The MPC decision to hike rates was unanimous while continuing to retain the accommodative stance. Global central banks have been hiking rates and the move by MPC just on the eve of the May meeting of the US Fed not just highlighted their concern on domestic Inflation but also the fact that RBI may be starting to be concerned about relative Interest rate differentials. Indian FX reserves have dropped by USD 40bn since the middle of last year. The CPI Inflation print for April (released in May) also surprised to the upside coming in at 7.79% as against the consensus number of 7.40%. We believe that RBI will be front loading rate hikes. Currently the swaps curve is pricing in 200 bps of incremental rate hikes by RBI through to the end of the year. Government reduced excise duties on fuel and other products in an effort to bring down Inflation but this can have fiscal repercussions as it will cause revenue loss. Brent crude prices went up by 12.35% during the month as the Ukrainian Crisis lingered on. We expect the yield curve to flatten further as RBI front loads the rate hikes. The spreads between AAA bonds and Gsec are very tight and running at historically low levels and we expect them to gradually widen as the surplus liquidity in the system reduces.

Srinivas Rao Ravuri
CIO
PGIM India Mutual Fund

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

Here's How To Tackle Investment Challenges

As an investor, you face numerous challenges through your investment time horizon, such as choosing the right mix of assets and investment options as well as ensuring that investments remain on track to achieve your investment goals. Different set of investors work out different strategies to tackle these challenges in their effort to achieve investment goals.

However, one of the most challenging aspects that seldom gets its due is "Real rate of return" i.e. gross returns minus inflation, taxes and costs. Most investors focus on "gross return" and make that the basis of their investment decisions. No wonder, traditional instruments like fixed deposits, small savings schemes and bonds/debentures continue to be the mainstay of portfolios of a large section of investing public in our country. Although these instruments provide guaranteed returns, their returns are low and tax inefficient. Needless to say, the real rate of return is either bare minimum or negative at times.

As is evident, it is absolutely essential to consider factors such as Inflation, Taxes and Costs to improve real rate of return. Remember, when your investments fail to beat inflation, your money grows only in numbers and not in value.

Let us analyze how these factors impact your returns and how you can minimize their impact on your portfolio.

Inflation

Inflation is crucial to investing as it reduces the value of your investment returns. Hence, the most challenging aspect is to keep up with the rate of inflation in order to protect the value of investment as well as returns earned on it.

The impact of a higher inflation scenario on your portfolio would depend upon its composition. It can be quite a challenge to develop a strategy that not only withstands the turmoil in different market conditions but also help in achieving short term as well as long term investment objectives. The key is to focus on the correct asset allocation. It is equally important to curb your expenditures by budgeting them. By doing so, more money will be available for investments every month.

One of the asset classes that have the potential to beat inflation over the longer term is equity. However, investing in equities would mean taking higher risk as compared to some of the instruments that give pre-determined or stable returns. Thankfully, there are strategies like "systematic investing" that can help you in tackling the risk of volatility to a large extent.

Tax efficiency

Tax efficiency of returns on investment plays a crucial role in improving the real rate of return in the long run. The tax efficiency becomes even more important when you invest to achieve medium to long-term investment objectives like children's education, buying a house and retirement planning.

Investment options like mutual funds provide tax efficient returns. For example, returns from an investment held in equity as well as equity-oriented fund for 12 months or more are taxed at a flat rate of 10%. For investors in higher tax bracket, it can make a significant difference when compared with taxation on traditional options wherein returns are taxed at their nominal tax rate. Therefore, you must follow a "tax aware" investment strategy to improve your post-tax returns.

Costs

Not many investors realize that costs relating to an investment in a market-linked product can make a dent in their returns. While the NAVs announced by such products are net of costs, the impact of costs may not be much if you choose your funds well and remain committed to your time horizon. Also, remember that costs have more impact on debt options than equities.

As is evident, keeping your focus on earning positive real rate of return can make a significant difference to your financial future. Therefore, it's time to look beyond traditional options and include market linked products in your portfolio in a phased manner, if you haven't done that already.

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

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

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.**