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WEALTHWISE®

Wiseinvest®
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Wealthwise

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

Dear Investor,

After nine consecutive months of relentless selling, foreign investors turned net buyers and invested nearly ₹ 5,000 crore in Indian equities in July on softening dollar index and good corporate earnings. This is in sharp contrast to a net withdrawal of ₹ 50,145 crore from the stock market seen in June. FPI flows are likely to remain positive as the worst for the rupee seems to be over, and oil seems to be confining in a range.

The stock market staged a robust recovery during the month of July 2022. While the benchmark BSE Sensex was up 8.58%, the mid and small cap indices were up 10.77% and 9.16% respectively. While we may see some consolidation going ahead, the undertone in broader market is likely to remain strong. Mid-cap and small cap indices are expected to continue to out-perform the benchmark indices even in the coming months.

India's manufacturing activity improved in July as S&P Global's Purchasing Managers' Index (PMI) rose to an eight-month high of 56.4. In June, India's manufacturing PMI was at a nine-month low of 53.9. India's power consumption grew marginally by 3.8 per cent year-on-year to 128.38 billion units (BU) in July amid widespread rains in the country.

After touching a record ₹ 1.68 lakh crore in April 2022, the Goods and Services Tax collection in the month of July stands at ₹ 1,48,995 crore, the second highest ever since the implementation of GST. The revenue for the month is 28 per cent higher than the GST revenue of ₹ 1,16,393 crore in the corresponding month last year.

The annual inflation rate in India edged down to 7.01% in June of 2022 from 7.04% in the previous month, and below market expectations of 7.03%. However, it remained above the RBI's target range of 2% - 6% for the 6th straight month. The Reserve Bank of India's MPC is likely to raise repo rate by 50 basis points when it meets in the first week of August, in line with monetary policy tightening by global central banks to tame inflation.

Warm regards,

Hemant Rustagi
Editor

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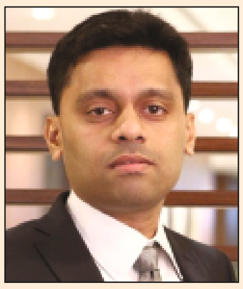
The Stock Market Performance During July 2022.

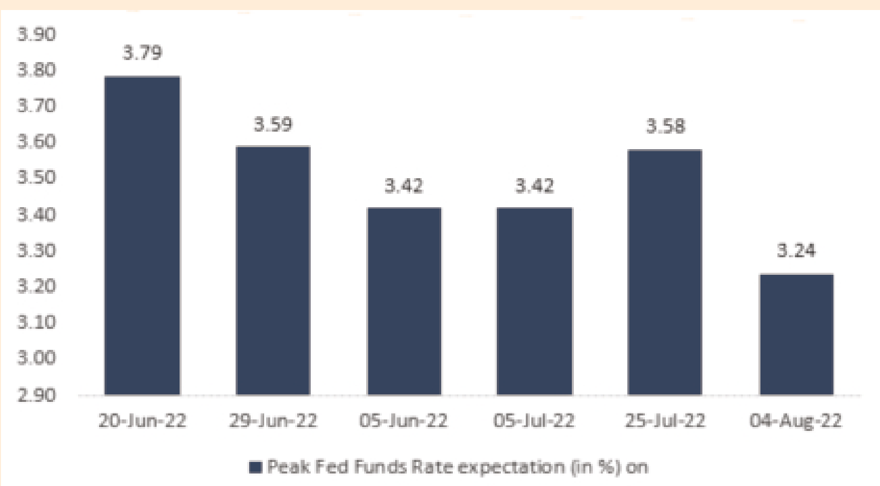
Indices	30th June 2022	29th July 2022	Change in (%)
Sensex	53,018.94	57,570.25	8.58
MIDCAP	21,713.24	24,050.90	10.77
SMLCAP	24,786.42	27,056.38	9.16
BSE-100	16,014.13	17,530.28	9.47
BSE-200	6,812.11	7,465.40	9.59
BSE-500	21,324.54	23,359.64	9.54

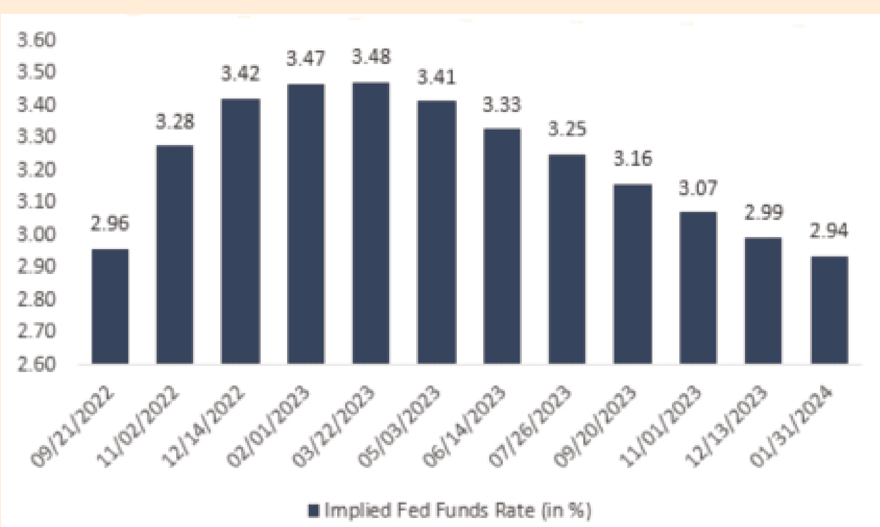
Market Outlook



Financial markets have been quick to identify a questionable "Fed Pivot" to validate recent price actions and reinforce the "Recession trade". The US FED delivered a 75 Bps hike in July that was largely expected, notwithstanding fears of even a larger move post the latest CPI data for June 22. The FED has joined most other central banks that have rightly refrained from providing explicit forward guidance on the path of future policy rates while reinforcing the broader policy objective in the current context, i.e getting inflation back under the mandated 2% target. Considering a relatively faster pace of rate hikes since lift off in March 22 and with policy rates at 2.25% -2.50% which seems close to neutral zone, it is quite logical to assume that incremental hikes may not be of similar magnitude in every policy. That definitely does not preclude rates moving further into a more restrictive range if inflation outcomes and expectations warrant it.

Comments that seemed to confirm a more measured and data dependent approach on the magnitude of further actions in future policy meetings seemed to validate an emerging theme on a turn in the FED stance. A one sided market narrative/ positioning has led to further mark downs in the terminal rate as well as reinforcing hopes of rate cuts into CY23.





Source: Bloomberg

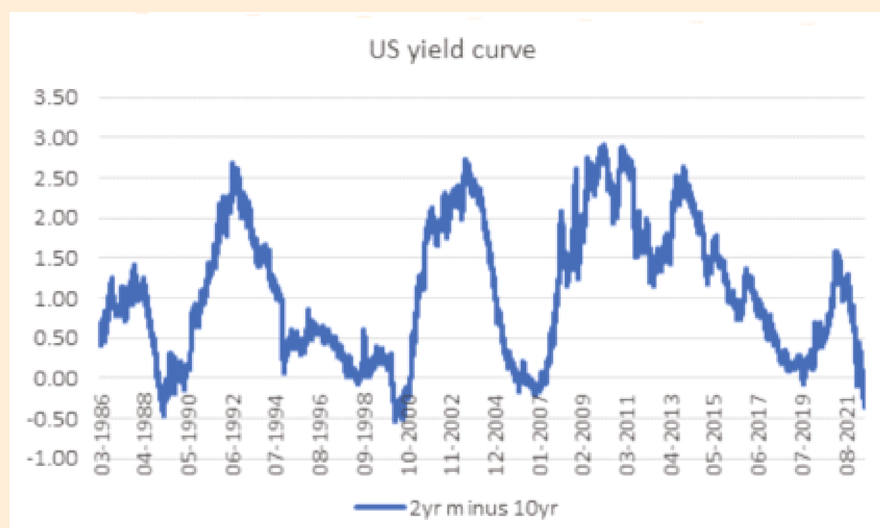
Financial markets have been conditioned repeatedly to the "Central Bank PUT",(where policy easing/QE/dovish guidance comes in at the first signs of market frictions/growth slowdown) ever since the 2008 financial crisis and have probably been anchored to the same template in recent times. The moot difference is that all along over this timeframe, central banks have been helped by a deflationary era where inflation stayed much below targets. It is not so far back that the US FED adopted an Average Inflation Targeting framework to anchor inflation closer to 2% on an average. However, the current phase of potential demand slowdown has been marked by persistent inflation way above targets and a healthy labour market amid signs of second order effects of elevated inflation. The geo political backdrop adds an additional layer of vulerability.

Elevated and persistent inflation that leads to demand destruction and reasonably fast, though belated catch up in policy rates alongside an exit from QE policies have definitely set the stage for demand slowdown as financial conditions tighten at the margin. The decline in global money supply also provides a favourable backdrop. The "bullwhip effect" in supply chain in goods that arise from rapid shifts in supply and inventories as end user demand swings from excess to moderate could also lead to downward adjustment in goods prices. At the same time, sharp loosening in financial conditions as markets overextend, could negate the very effects of policy tightening. As markets start to reprice expectations of policy loosening , one could expect continued volatility in markets. While inflation could head downwards in the backdrop of growth concerns, it may require higher policy rates/ tighter financial conditions for a bit longer to bring those within the targets as well as anchor expectations.

Equity

The past month saw risk assets including equities make a strong comeback after several months of weakness. The move was primarily driven by markets beginning to believe in the 'peak inflation' narrative. The fall in commodities especially crude has helped fortify this narrative and has also led foreign investors to look at commodity importers like India more favorably. We have been talking about it for a while, that a sharp decline in global money supply growth should eventually lead to a decline in inflation. That the market has now begun accepting this is in line with our expectations. However, we do think that just as slowing global money supply is likely to lead to disinflation, it also will have an impact on global growth. To that extent while the decline in global yields provide support to equity valuations, economic sluggishness is likely to stay a headwind. This is especially true for outward facing segments of the economy even as global sluggishness is likely to have a rub-off on Indian growth as well. US yield curve is now decisively inverted and historically this has been a harbinger of recession.

US yield curve is decisively inverted



Source: Bloomberg, SBIFM research

And the fact that the US Fed is still tightening (and shrinking the size of its balance sheet) in the wake of already low money supply growth only adds to slowdown risks.

Dipping money supply growth may mean lower inflation but also slower global growth

Source: Bloomberg, SBIFM Research. Note: Approximated by adding up US, Eurozone and China money supply measures.

Cont. on page 3...

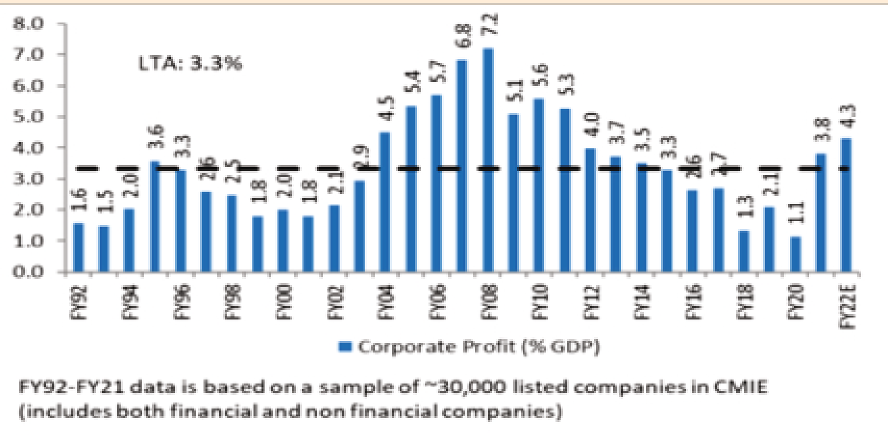
Market Outlook...

...Cont. from page 2

In this context, we believe it may be premature to declare an end to the current volatility. Investors should stay patient and stick to their long-term asset allocation. Just as potential disinflation had provided reason not to be overly pessimistic after the sharp decline, investors would do well to not get carried away after the recent sharp rally given the global growth risks.

However, patience through the turbulence is likely to be rewarded on the other side given that corporate earnings have likely turned the corner and are likely to trend higher over the next few years.

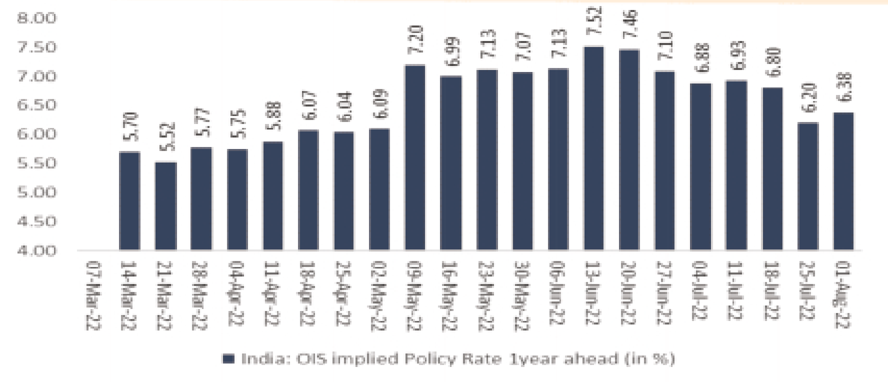
Earnings may be headed higher in the medium term even as near-term stays challenging



*Source: CMIE Economic Outlook, Bloomberg, SBIMF Research; *FY22 and FY23 earnings estimates are SBIMF*

Fixed Income

With no significant data release, domestic markets have continued to take cues from external developments with yields and market expectations on terminal rates getting repriced lower. Commodity prices, especially oil staying lower has been an incremental positive, even as a weaker rupee potentially offsets the positive impact to an extent. Activity based indicators point to reasonable traction in growth even as inflation settles higher than the upper band of the corridor. With inflation likely to have peaked at least in the near term, what is directionally important is the trajectory with respect to the policy target of 4% inflation, which has been completely absent both from the RBI and market commentary so far.



Source: Bloomberg

In this context, the RBI MPC statement and post policy briefings as well as the Governor's statement have rightly prioritised inflation and external sector and financial stability. The policy hike by 50bps and continued stress on withdrawal of accommodation bode well from a medium term as well as near term perspective. The significant take away has been the RBI Governor's statement as well as post policy briefing rightly emphasising the requirement to align inflation outcomes closer to the policy target i.e 4%. This has been in alignment with our expectation that, considering the positive trends emerging from domestic growth revival, the RBI would need to gradually condition expectations around the midpoint or the policy target of 4%. Recent market commentary as well as past RBI guidance had probably reset comfort range (inadvertently) towards 6%. At the same time, a subtle hint towards discomfort with negative real rates should broadly condition expectations towards the terminal policy rate range in the current rate cycle. Assuming a forward estimate of average CPI around 5% in FY24, policy rates around 6%-6.25% probably should be a base case if one were to look at real positive rates. Recent RBI research papers (RBI Bulletin July 22) have estimated a range of real rates of around 0.8-1.0% in the Indian context.

Monetary policy actions in the current context of potential global growth slowdown, persistent elevated inflation, geopolitical uncertainties as well as capital outflows would require deft handling, more so for emerging markets. In this context, the RBI has rightly eschewed providing forward guidance as expected in some quarters, while showing resoluteness to ensure inflation moves lower to the target range first and then closer to the policy target. Alongside a gradual unwinding of surplus liquidity, this should set the stage for monetary and liquidity conditions to gradually evolve consistent with maintaining stable inflation and inflationary expectations. This provides us space to incrementally add duration from a more medium-term perspective. Volatility in rates markets, especially in the context of continuous repricing of policy rate expectations in overseas markets would warrant a staggered approach alongside adequate focus on liquidity.

As we have maintained earlier, policy rates moving closer to neutral, RBI emphasising the midpoint target of 4%, while being alert towards external sector stability were the key variables to provide more confidence. This has largely been met with the MPC meeting in August.

Rajeev Radhakrishnan
CIO for Debt
SBI Funds Management Limited

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

Performance Of Select Funds

Data as on July 29, 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	-1.84	6.74	26.04	15.61	9.50	10.25	14.78	12.09
ABSL Flexi Cap Fund	Aug-98	-4.02	0.55	26.05	16.39	9.59	11.58	16.56	11.19
Axis Bluechip Fund	Jan-10	-3.92	1.82	19.56	14.34	12.86	11.67	15.19	—
Axis Focused 25 Fund	Jun-12	-5.80	-2.66	20.12	14.48	11.04	12.03	15.15	—
Axis Growth Opportunities Fund	Oct-18	-3.93	3.23	30.55	21.98	—	—	—	—
Canara Robeco Flexi Cap Fund	Sep-03	-4.16	4.71	25.30	19.08	13.29	11.72	14.54	12.70
Canara Robeco Emerging Equities	Mar-05	-2.77	5.13	29.93	21.78	12.48	13.74	21.21	15.17
HDFC Flexi Cap Fund	Jan-95	2.70	16.39	37.06	17.47	11.50	11.80	15.17	12.78
HDFC Top 100 Fund	Oct-96	0.67	12.02	28.54	13.55	9.60	10.48	13.55	12.03
HDFC Large and Mid Cap Fund	Feb-94	0.79	10.90	36.53	20.50	11.76	10.69	12.87	8.32
HSBC Large Cap Equity Fund	Dec-02	-2.36	6.53	22.43	14.46	9.69	10.53	12.60	9.39
ICICI Prudential Bluechip Fund	May-08	-1.33	10.27	27.02	16.85	11.46	11.58	14.95	—
ICICI Prudential Large & Mid Cap Fund	Jul-98	-0.06	14.66	36.71	20.65	11.90	12.63	14.87	11.60
IDFC Core Equity Fund - Regular Plan	Aug-05	-2.50	4.69	29.49	17.31	9.64	11.10	13.58	9.19
Invesco India Contra Fund	Apr-07	-2.05	4.89	25.25	18.84	12.96	12.90	17.73	13.39
Kotak Bluechip Fund - Regular Plan	Dec-98	-2.27	5.37	24.65	17.55	11.17	10.63	14.06	10.67
Kotak Equity Opportunities Fund	Sep-04	0.50	6.81	27.78	19.75	11.81	12.48	16.26	12.46
Kotak Flexicap Fund Regular Plan	Sep-09	-2.22	3.70	23.05	14.70	10.08	11.49	16.33	—
Mirae Asset Emerging Bluechip Fund	Jul-10	-3.61	3.69	31.15	22.67	14.77	16.83	23.46	—
Motilal Oswal Large and Midcap Fund	Oct-19	-6.98	-0.45	29.12	—	—	—	—	—
Nippon India Large Cap Fund	Aug-07	1.97	14.31	32.65	15.71	10.82	10.94	15.22	—
Nippon India Multi Cap Fund	Mar-05	4.08	18.21	43.35	19.02	12.01	10.46	15.21	13.26
Parag Parikh Flexi Cap Fund	May-13	-5.30	2.12	26.76	23.98	17.22	15.59	—	—
PGIM India Flexi Cap Fund	Mar-15	-7.55	-1.61	28.73	24.30	13.55	12.65	—	—
SBI Focused Equity Fund	Oct-04	-4.87	3.77	25.98	17.25	13.61	13.42	16.60	13.30
UTI Flexi Cap Fund - Regular Plan	May-92	-6.50	-1.72	26.82	20.90	13.79	12.25	15.65	13.32

Midcap & Smallcap

Axis Midcap Fund	Feb-11	-2.17	4.16	30.28	24.08	16.81	13.40	20.22	—
HDFC Mid-Cap Opportunities Fund	Jun-07	0.86	8.52	37.11	23.15	11.46	13.20	19.01	15.89
Kotak Emerging Equity Fund	Mar-07	1.27	7.76	39.49	26.44	14.45	15.04	20.70	12.91
L&T India Value Fund	Jan-10	-4.62	4.91	29.89	18.07	9.38	11.64	18.21	—
Motilal Oswal Midcap 30 Fund	Feb-14	3.03	24.88	43.86	26.97	12.97	11.97	—	—
PGIM India Midcap Opportunities Fund	Dec-13	-1.60	9.30	46.29	38.51	17.63	14.67	—	—
UTI Mid Cap Fund	Apr-04	-2.41	4.52	35.84	26.45	12.43	11.89	19.65	14.68

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	-2.13	2.00	30.48	9.66	6.44	11.49	16.57	—
Nippon India Banking & Financial	May-03	-0.57	7.66	38.22	10.62	6.67	10.29	14.25	14.31
ICICI Prudential Pharma Healthcare	Jul-18	-3.54	-9.10	13.78	25.60	—	—	—	—
Nippon India Pharma Fund	Jun-04	-4.06	-11.55	14.11	25.62	16.25	10.01	16.30	16.96
SBI Healthcare Opportunities Fund	Jul-99	-3.69	-10.18	13.84	24.86	10.62	5.75	14.84	12.49
Kotak Pioneer Fund	Oct-19	-2.78	0.91	28.44	—	—	—	—	—
Axis Long Term Equity Fund	Dec-09	-5.44	-2.46	21.55	14.64	11.36	11.19	17.81	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	-3.47	7.56	37.93	22.31	12.77	12.52	17.47	—
Kotak Tax Saver	Nov-05	-0.89	6.95	28.72	18.71	11.86	11.88	15.16	9.98
Mirae Asset Tax Saver Fund	Dec-15	-2.83	4.96	30.30	20.77	14.49	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.62	1.41	3.19	3.60	3.99	4.89
IDFC Arbitrage Fund	Dec-06	0.56	1.38	3.01	3.38	3.71	4.77
Kotak Equity Arbitrage Fund	Sep-05	0.67	1.65	3.49	3.82	4.16	5.06

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	-2.37	2.30	22.24	12.48	7.16	8.75	12.90	11.26
Canara Robeco Equity Hybrid	Feb-93	-2.26	3.94	19.38	15.82	11.15	10.80	14.08	12.40
DSP Equity & Bond Fund	May-99	-3.12	-0.20	19.85	14.98	9.89	10.38	13.47	11.53
ICICI Prudential Equity & Debt	Nov-99	0.21	16.16	33.71	19.73	13.08	13.22	16.65	12.74
Kotak Equity Hybrid Fund	Nov-99	-0.67	7.42	26.59	17.69	10.95	11.14	12.91	10.34
SBI Equity Hybrid Fund	Dec-95	-0.06	6.28	20.48	14.30	11.06	10.90	15.21	11.48
ABSL Bal. Advantage	Apr-00	0.21	2.45	15.39	11.67	7.96	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	2.49	8.48	17.17	12.84	9.77	—	—	—
IDFC Bal. Advantage Fund	Oct-14	-1.72	0.74	10.46	10.44	7.73	—	—	—
Kotak Bal. Advantage Fund	Aug-18	0.45	4.10	12.60	11.29	—	—	—	—
Nippon India Bal. Advantage	Nov-04	1.46	3.66	16.17	11.05	7.81	—	—	—
IDFC Equity Savings Fund	Jun-08	0.12	4.09	9.26	7.77	6.07	—	—	—
Kotak Equity Savings Fund	Oct-14	0.92	7.32	11.37	9.68	7.94	—	—	—

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	0.98	0.80	1.61	3.48	4.82	6.45	6.63
Axis Corporate Debt Fund	Jul-17	0.77	0.57	1.15	3.00	4.09	6.73	6.57
HDFC Corporate Bond Fund	Jun-10	0.83	0.17	0.57	2.49	3.77	6.39	6.88
Kotak Corporate Bond Fund	Sep-07	0.67	0.32	1.05	3.02	4.00	6.07	6.76
Kotak Banking and PSU Debt Fund	Dec-98	0.78	0.30	0.89	3.04	3.83	6.28	6.83
SBI Banking and PSU Fund	Oct-09	0.52	0.04	0.53	1.92	2.91	5.61	6.57
ICICI Prudential Savings Fund	Sep-02	-0.32	0.55	0.92	2.79	4.01	5.65	6.38
Kotak Savings Fund Regular Plan	Aug-04	0.37	0.82	1.79	3.42	3.51	4.69	5.74

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - Monthly	05/07/2022	0.16
PGIM India Hybrid Equity Fund - Monthly	15/07/2022	0.13
Sundaram Aggressive Hybrid Fund - Monthly	18/07/2022	0.23
L&T Large and Midcap Fund	22/07/2022	0.17
L&T Business Cycles Fund	22/07/2022	1.10
Aditya Birla Sun Life Digital India Fund	25/07/2022	2.14
Aditya Birla Sun Life Focused Equity Fund	25/07/2022	1.14
Aditya Birla Sun Life Pure Value Fund	25/07/2022	1.71
Edelweiss Aggressive Hybrid Fund	25/07/2022	0.15
LIC MF Equity Hybrid Fund - Plan A	26/07/2022	0.10
Axis Equity Hybrid Fund - Monthly	26/07/2022	0.10
IDFC Tax Advantage (ELSS) Fund	28/07/2022	1.28
IDFC Focused Equity Fund	28/07/2022	0.74
IDFC Large Cap Fund	28/07/2022	0.88
IDFC Core Equity Fund	28/07/2022	0.92
DSP Equity & Bond Fund	28/07/2022	0.20

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.

Thoughts on Monetary Policy

The MPC raised the Repo Rate by 50 bps today from 4.9% to 5.4% and made no change to the Cash Reserve Ratio. Market participants were evenly split between expectations of a 35 and 50 bps hike and therefore the 50-bps accompanied by no change in the wording of the stance surprised markets negatively. Bond yields and Overnight Index Swaps are trading ~10-15bps higher.

The Governor remained focused on external sector risks and adverse spillovers from the synchronized tightening of monetary policy worldwide. Given the volatile external backdrop, domestic economic activity is resilient, and inflation stays 'uncomfortably high' with currency depreciation adding to inflationary pressures. The MPC is also wary of de-anchoring of inflation expectations given high realized inflation in H1FY23.

On liquidity, the Governor stated that the RBI will remain vigilant and conduct two-way fine-tuning operations as required while continuing the stated 'multi-year' process of normalizing liquidity. Governor Das pointed out that the depreciation of the rupee against the dollar is more a function of dollar strength than a reaction to India's macro-economic fundamentals.

Growth and Inflation forecast

GDP Forecast			Inflation Forecast		
	Aug'22	Jun'22		Aug'22	Jun'22
1QFY23	16.2	16.2	1QFY23		7.5
2QFY23	6.2	6.2	2QFY23	7.1	7.4
3QFY23	4.1	4.1	3QFY23	6.4	6.2
4QFY23	4.0	4.0	4QFY23	5.8	5.8
FY23	7.2	7.2	FY23	6.7	6.7
1QFY24	6.7		1QFY24	5.0	

Growth

The RBI retained its growth forecast at 7.2% and projected 1QFY24 GDP growth at 6.7%. The MPC is reasonably confident about India's growth recovery and pointed out signs that show broadening of our recovery. Above-normal monsoons and reservoir levels (albeit with uneven spatial distribution) will help sustain the recovery. Production of consumer durables, air traffic and sale of PVs show improvement in urban demand, but rural indicators are mixed. High frequency indicators remain strong and capacity utilization rates are now above their long-term averages.

Inflation

The Governor highlighted that inflation has remained at or above 6% for six consecutive months. Looking forward, we may be past peak inflation as global commodity and food prices have corrected from their highs although risks remain from shortfall in paddy sowing, pass through of input cost pressures and unseasonal rainfall.

Two points deserve special attention. Q1FY24 inflation has been forecast at 5% which implies that we are already at positive real rates when we compare extant rates to 1Y ahead inflation. The RBI had in a monthly bulletin article suggested neutral real rates to be in the vicinity of 80-100 bps. Secondly, the inflation forecast continues to assume crude oil (Indian basket) at $105 / barrel. A lower oil price, if sustained, may pose downside risks to MPC's inflation outlook. Further, the Governor re-iterated that India's inflation is broadly supply-led, and that excess demand has not contributed to the same unlike many DMs.

Our take

Markets had gone into the policy expecting a dovish outlook and were aided by speculation that the MPC may consider a pause after this policy. As it turned out, the MPC hiked rates by 50-bps which was on the higher end of market expectations with no change in stance. Some participants were hoping for a change in stance to neutral and/or acknowledgment that we are close to the terminal rate in this cycle. In the event, the Governor did not oblige and the rally in both bonds and swaps heading into the policy was quickly unwound with both trading 10-15 bps higher. The 10Y bond sold off further after a weak auction and is currently trading at ~7.3%.

The shadow cast by a weak external account and a depreciating currency was quite perceptible. The Governor deliberated at length on both these issues which is quite unusual for an MPC meeting. We remain watchful for renewed risks on this front which could prompt the MPC to hike rates by a larger extent than what domestic growth-inflation dynamics may warrant.

Having said that, it is important to note that the repo rate is now above the pre-pandemic level. Further, while inflation stays high presently, the MPC expects inflation at 5% in Q1FY24. We believe that future moves from the RBI will remain calibrated and data dependent with enhanced focus on the currency and the external account. We continue to expect the terminal rate at 6% in this cycle and market expectations have converged to our view after pricing a terminal rate of 7.25% a few weeks ago.

We continue to believe that the yield curve upto the 4-5 year point on the curve is still the best point given demand-supply dynamics and steepness. We advise investors to align their fixed income investments with their investment horizon. Investors who can bear some volatility can participate in this through any of our passive strategies in our Debt Index funds or Government Securities fund matching their investment horizons. The key monitorables for us are upcoming inflation prints, the pace and extent of the global growth slowdown, commodity prices, DM central bank policy actions and the impact on the local currency.

Aditya Birla Sun Life Asset Management Company
Fixed Income Desk

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

Don't Follow Thumb Rules Blindly

One of the key factors that can help you keep your investments on track is to have a plan in place and a strategy to implement it. Besides, there are certain thumb rules to help you at different stages of your investment process. However, not all of them should be followed blindly. The key is to understand which ones suit your needs and which don't. Here are some of the important thumb rules:

Rule of 72

This rule tells you the number of years required to double your money at a given rate. For example, if you want to know how long it will take to double your money at 8%, divide 72 by 8- it will take 9 years. As is evident, the rule of 72 is one of the simplest tools to learn about accumulating wealth. Simply put, it helps you decide which investment options to choose and how much to invest to achieve your long-term goals like children's education and your own retirement planning. The flip side is that these returns are just an estimate and the actual return may vary depending on your asset allocation and how you monitor your portfolio.

Rule of 70

This rule tells you how fast the value of your investment will get reduced to half its present value. For example, if you divide 70 by inflation rate of say 7%, the value of your money will reduce to half in 10 years. In other words, if education inflation is 10% and the present cost of education is ₹ 50 lakhs, it will increase to ₹1 crore in 7 years. This is a useful rule for predicting your future buying power and hence can be an important factor while planning for long-term goals.

4% Rule for Financial Freedom

This rule explains how much you should withdraw out of your retirement corpus each year. The 4% rule is supposed to protect you from running short of funds in retirement. To make it work, you must accumulate a corpus 25 times of your annual expenses. However, the 4% rule doesn't account for your non-portfolio income sources like pension and rent. Besides, the rule of thumb uses conservative assumptions. Retirees comfortable with more risk may be able to safely withdraw larger amounts of money each year.

100 minus your age rule

This rule helps you decide your asset allocation. As per this rule, if your age is 30, 70% of your portfolio should be allocated to equities. While 100 minus your age rule makes asset allocation quite simple, there are quite a few drawbacks. The rule propagates that younger investors should invest more in equities and with age exposure should reduce. The problem is that an investor's personal circumstances and risk profile are not taken into account. For example, a younger investor with responsibilities and liabilities may not be able to invest significant amount in equities. Similarly, a retiree may be able to invest more in equities than envisaged by this rule.

Besides, it doesn't take into account time horizon for goals to be achieved over short, medium and long-term time horizon. Hence, the portfolio could be either become more conservative or take you beyond your risk taking capacity. This rule also requires you to rebalance the portfolio more often that may be required in keeping with time horizon of different goals.

50-30-20 Rule

This rule propagates that 50% of your income should be allocated to needs (groceries, rent ,EMI, etc.), 30% to Wants (entertainment, vacations, etc.) and the remaining 20% to savings and investment.

While the rule broadly helps you in understanding the importance of allocating resources to your needs, wants and savings in a manner that present and future is not compromised, you must consider your personal situation and rework allocation accordingly. Of course, getting into a habit of investing regularly and increasing the amount on a regular basis can make a huge difference to your financial future.

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A Note To Our Esteemed Readers

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