INVESTMENT STRATEGY

MUTUAL FUND PORTFOLIOS

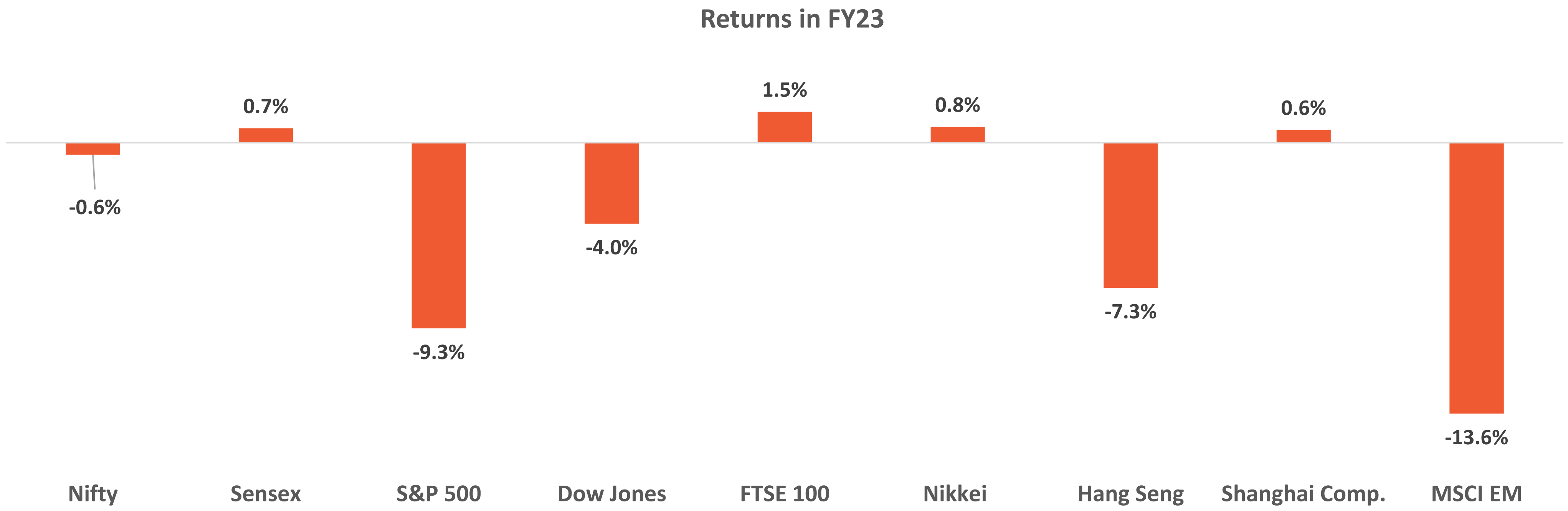
April 2023

April 2023

Equity Market Outlook

FY23 : Indian Equities remained resilient and outperformed MSCI EM

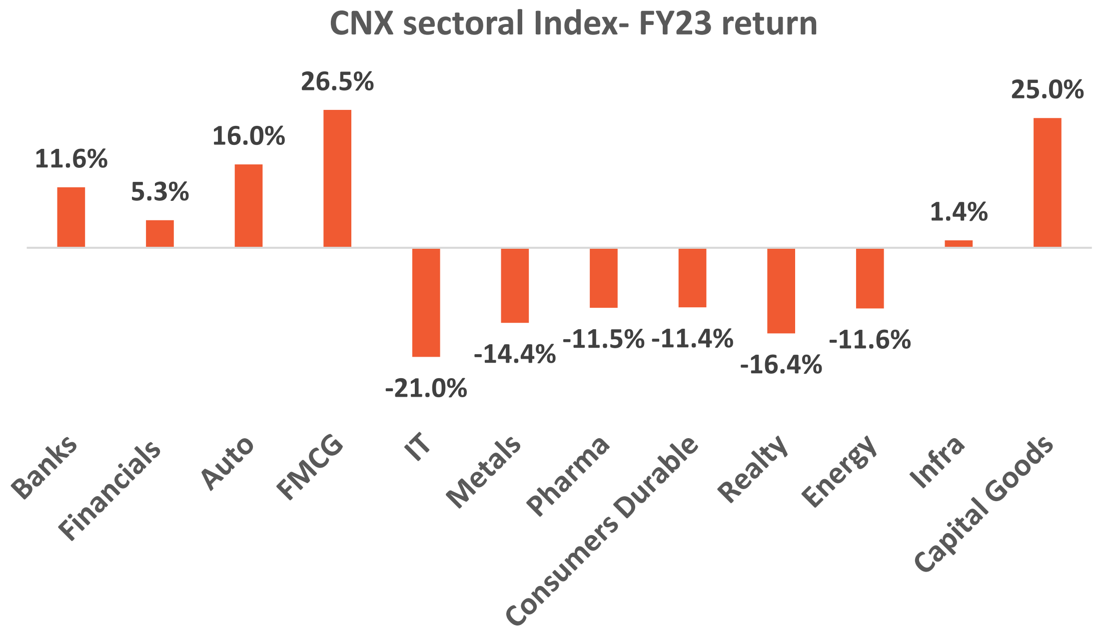
- India remained the best among global markets and outperformed most peers convincingly in FY23.
- Indian markets were supported by resilience in the economy, healthy corporate earnings and strong retail inflows despite sizeable outflows from FPIs

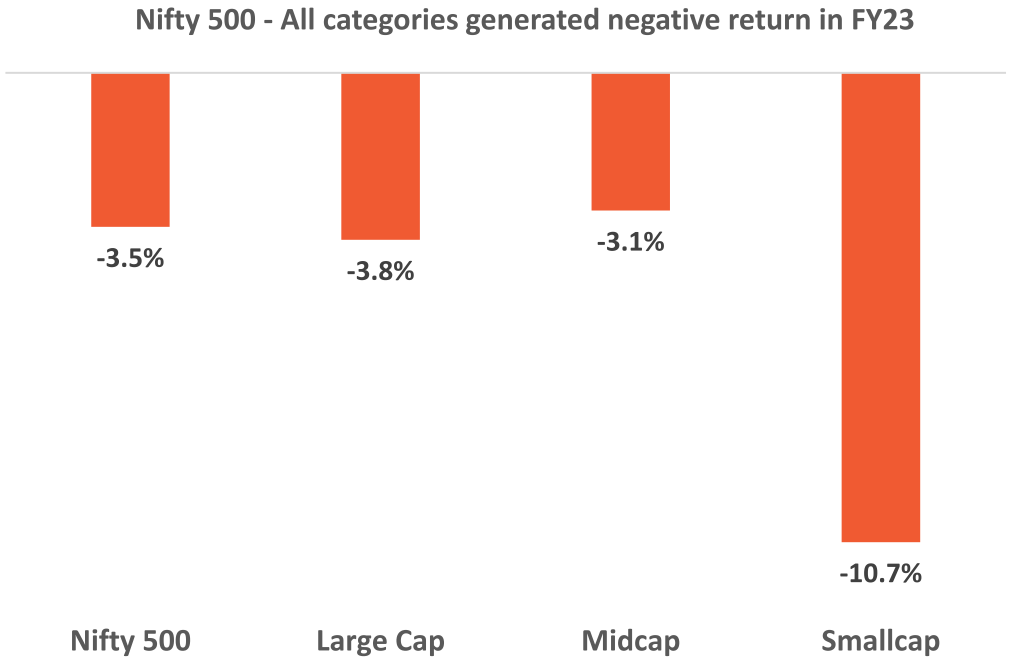


Source: Sharekhan Research

FY23 : Investors' portfolios suffered from high polarisation

- While markets remained resilient in FY23, sharp contraction in over-owned IT and Energy and under-owned capital goods and FMCG stocks adversely hit investors' portfolio.
- From Nifty 500, all three categories witnessed a correction during the year with small-cap stocks seeing a steeper correction.





Source: Sharekhan Research

Global Banking Turmoil

Fallout of aggressive rate hikes!

Barring 2008 GFC, market delivered positive return in all periods hit by global banking/financial crisis

Cause	High deficit due to rise in oil and rupee depreciation	Thailand crisis impacting East and South East Asia	Subprime crisis and Lehman brothers fallout
	1991	1997	2008
	Economic Crisis India	Asian Financial Crisis	Global Financial Crisis
Return	80%	14%	-51%

Cause	Unwinding of QE Programme by Fed	Fiscal policy normalization after economy reopening	High interest rate and asset-liability mismatch
	2013	2022	2023
	Taper Tantrum	Record high inflation and policy tightening	SVB Fallout
Return	7%	4%	??

Since liberalisation, domestic market delivered positive return all years (barring 2008) affected by global financial issues, while volatility has been high within that year….

Source: Sharekhan Research

SVB collapse, not same as 2008!

A flow chart of fallouts of Lehman Brothers and SVB

Lehman Bro (LB)	SVB
US housing boom made LB to grow its real estate exposure sharply	Accumulated huge deposits (low cost) from tech start-ups during COVID-19
Acquired five mortgage lenders in 2003-2004 in pursuit of high growth	Absence of healthy credit growth led SVB to park it in govt bonds (low yielded)
In 2007, its exposure towards subprime doubled in one year to US$ 111 bn	Rising interest rates in the USA caused sharp fall in bonds value
Aggressive exposure in subprime led leverage ratio to record high at 30x in 2007	Further, dry up funding for start ups led them to withdraw deposits
As real estate bubble busts in USA, MBS value fell sharply and led collapse of LB	Short on cash led to asset liability mismatch and collapse of SVB

SVB or the issue with other banks is more of side effect of aggressive rate hikes and asset liability mismatch rather than investment in risky instruments backed by weak collaterals in 2008.

- While the flow-chart shows asset liability mis-match was common for both collapses, LB was primarily on account of aggressive focus on real estate subprime and SVB saga happened due to lack of business diversification beyond start-ups.
- The current environment with strong job data and economic strength, we do not expect any crisis like sub-prime in the near term.

Unlike 2008, the regulator is able to revive banks with credit limits and is not required to infuse fresh equity capital or use taxpayers' money to bailout the banks.

Banking turmoil spreading to Europe

- Credit Suisse has been already under stress and the US banking issues along with its own announcement of financial reporting for 2021/22 led to stock plummeting further. These sentiments also dragged down other banking stocks across Europe. Swiss Central Bank stepped in to provide credit limit to Credit Suisse and control the situation.

- ECB has announced another 50 bps hike post the Credit Suisse issues and it shows that it is not concerned about the stability in the banking system in Europe.

Global large banks are placed better than last GFC..

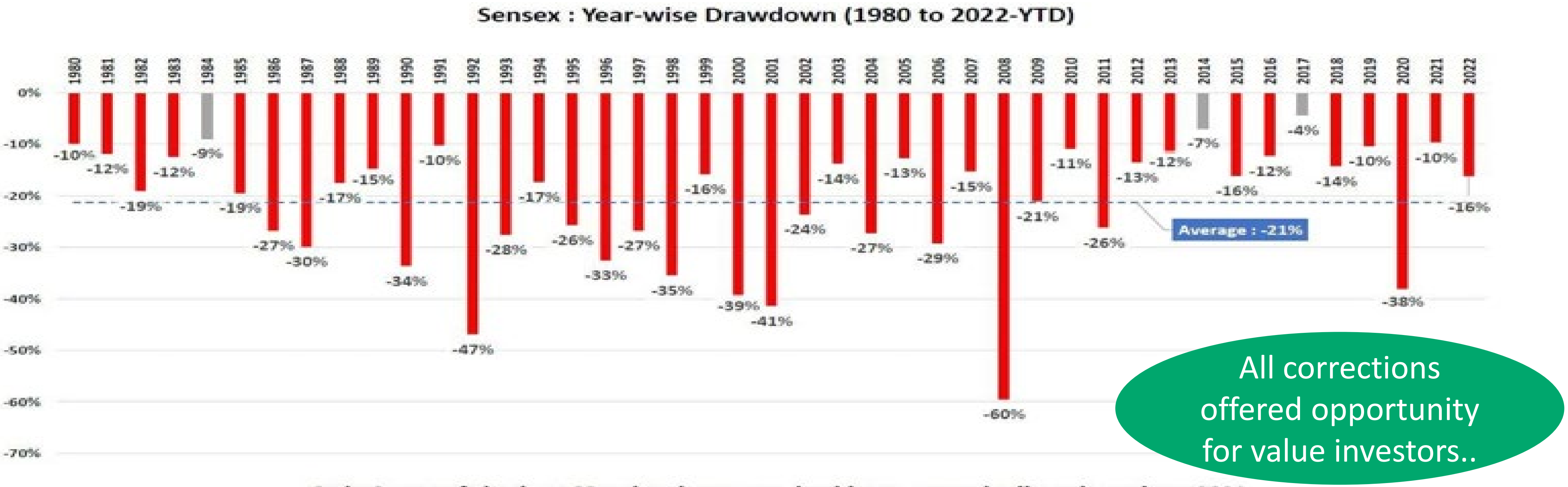
- An analysis of balance sheets of top 10 USA and European banks shows that global banks are now better placed than 2008 global financial crisis, as most of them maintain significantly higher-than-required CET-1 ratio.
- Further, leverage ratio of most banks are reasonably below 20x vis-à-vis 30.7x of Lehman Brothers in 2007. This also offers comfort against any possible collapse of any large bank in current scenario.

Global Banks ($ bn)	Total Assets	Leverage Ratio	CET 1 Ratio
JP Morgan Chase	3,666	12.6	13.2%
Bank of America	3,051	12.5	11.2%
Citibank	2,417	13.3	13.0%
Wells Fargo	1,881	11.7	10.6%
Goldman Sachs	1,442	12.3	15.1%
HSBC	2,966	15.9	14.2%
Barclays (bn pound)	1,513	22.3	13.9%
Deutsche Bank (bn Euro)	1,337	21.6	13.4%
UBS	1,104	19.4	14.2%
Credit Suisse (CHF bn)	531	11.8	14.1%

Source: Companies, Sharekhan Research *Req CET 1 in the USA is 9.2%. Leverage Ratio= Total Assets/shareholders fund*

Market volatility: 10-20% temporary fall almost all years since 1980..

- While historical trends show that the domestic market delivered positive return almost all years being affected by global financial/banking headwinds, it has equally been quite volatile within the years as shown below.
- Markets usually saw a steep correction in most years (since 1980), but has bounced back convincingly and rewarded patient and value investors.

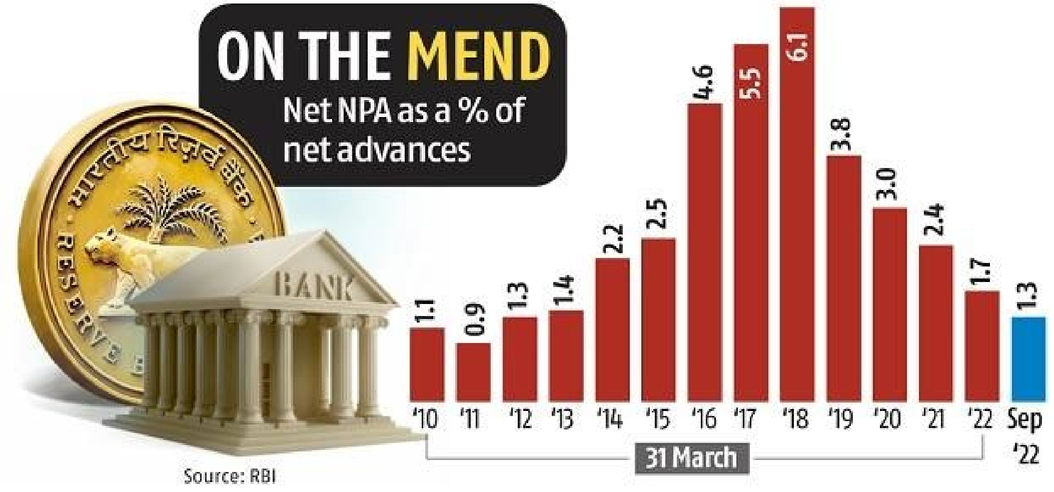


Only 3 out of the last 43 calendar years, had intra-year declines less than 10%

Source: Industry Reports, Sharekhan Research

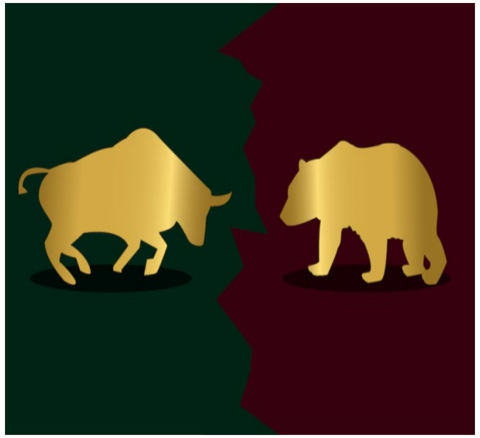
It could be a blessing in disguise for India, once dust gets settled

- Recent softening of the US dollar and bond yields indicates that the US Federal Reserve might not be as aggressive as anticipated in the beginning of March.
- Any clarity about pivoting of interest rate cycle in the US may bode well for India for FII flow perspective as recent correction in India makes risk-reward favourable.
- Indian financial system, especially banks, continue to reflect strength in terms of superior asset quality and credit cost vis-à-vis global banks.
- Non-food credit growth has picked up in the past few quarters and boosted core operating income of banks.



India’s growth story intact!

Indian Economy: Set for multi-year upcycle with all three growth engines firing



Real Estate – Coming out of a slumber

Early signs of a strong revival in property cycle; driven by a time correction in prices, low interest rates and need to have bigger houses. Real estate has positive impact on many industries (such as steel, cement & other related sectors) and generates employment across income strata.

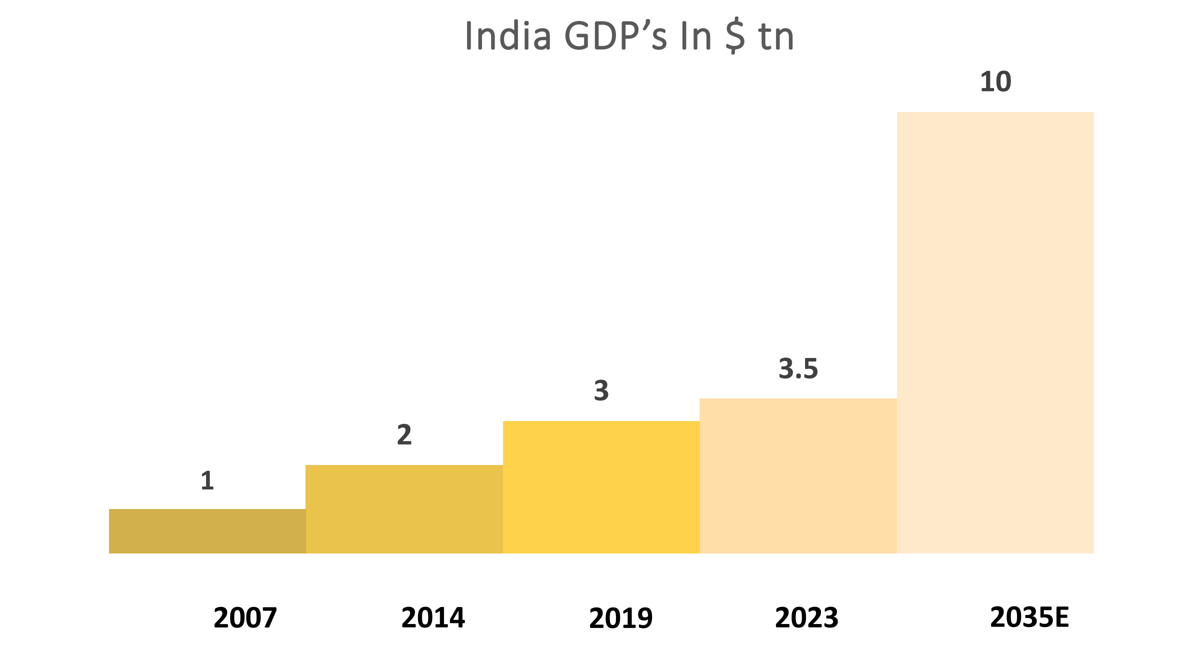
Infrastructure spending – Focus area for policy makers

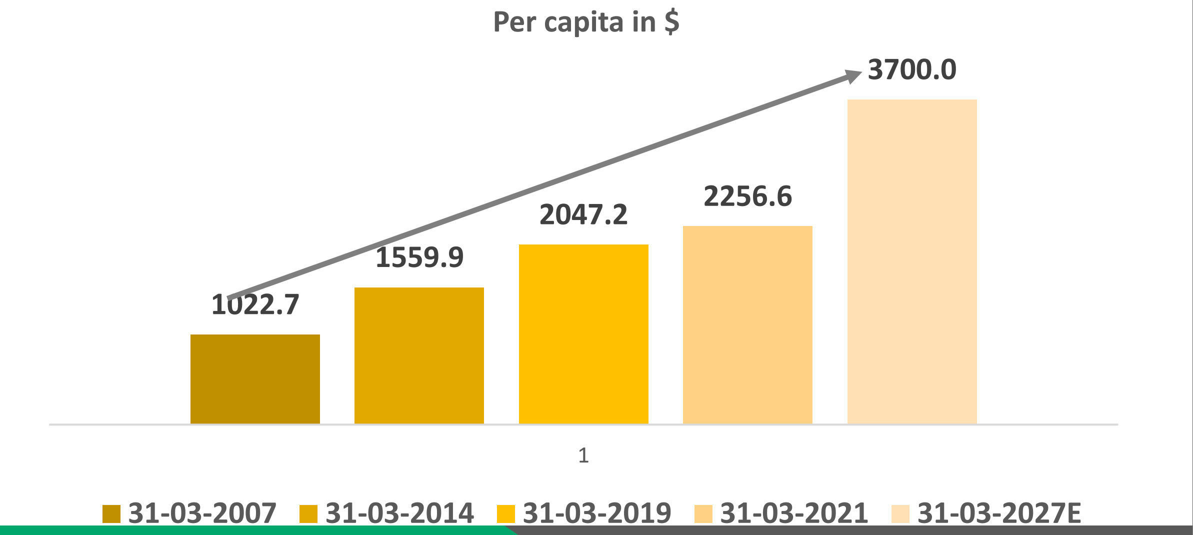
Budgetary allocation for capex has gone up substantially. Also, the government looking at innovative ways like Nation Asset Monetisation Plan to support its ambitious target set under National Infrastructure Pipeline (NIP).

Corporate Capex – Set for an expansion spree

Many large corporates have set out on an capacity expansion (including core sectors). Banks in better health now and capitalised to support credit growth in the economy.

India – Moving Towards a $10 Trillion Economy

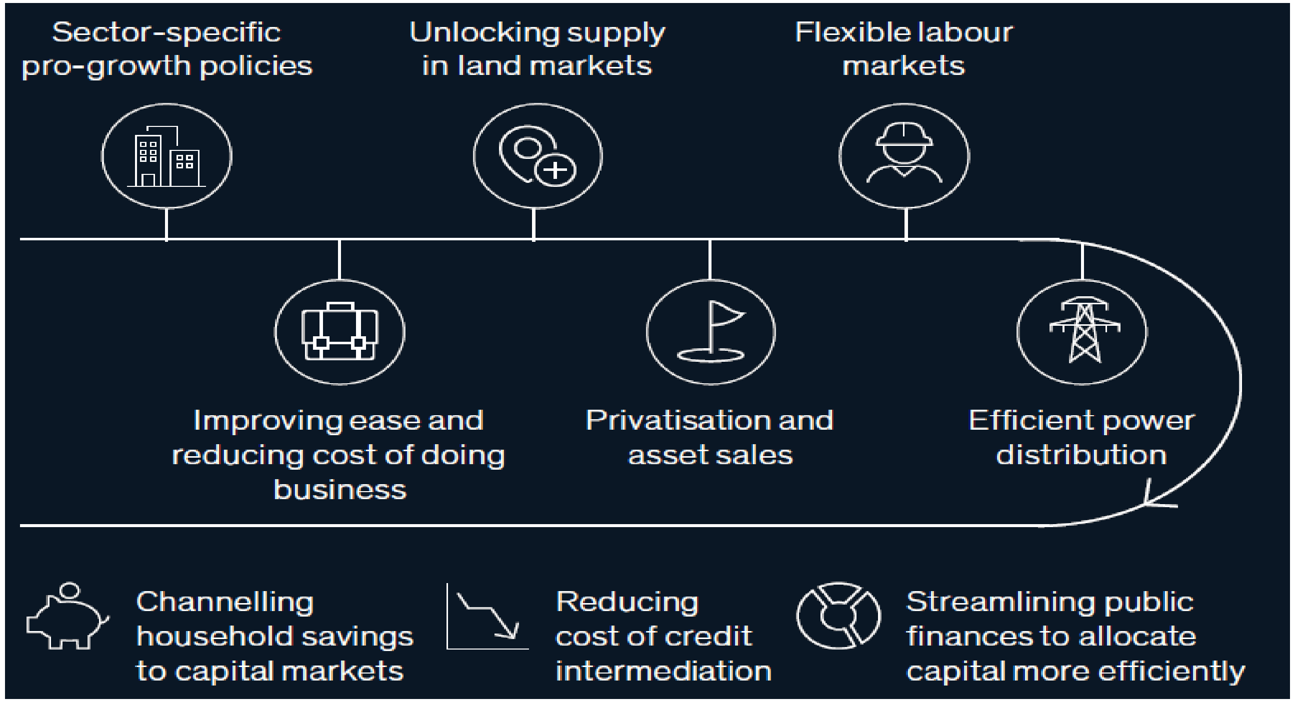




It took India 60 years since Independence to become a One Trillion-Dollar economy, but the next trillion dollars were added in just seven years. The 3rd trillion was added in just 5 years in 2019.

According to the report of the Centre for Economics and Business Research (CEBR), ***India will become a $ 10-trillion economy by 2035.***

Amrit Kaal: Envisioning India @2047



Source: Industry reports and RBI

India Growth Story Acknowledged Globally now

The Economist (May 5, 2022 Issue)

India is likely to be the world's fastest-growing big economy this year

Morgan Stanley- Asia Economics (Aug'22)

Morgan Stanley | RESEARCH

IDEA

August 9, 2022 05:40 PM GMT

Asia Economics | Asia Pacific

The Viewpoint: Why India is best placed to generate domestic demand alpha

Our view remains that India is best positioned within Asia to deliver domestic demand alpha. Its cyclical recovery will be sustained by structural factors. Over 2022-23, India's growth will average 7%, the strongest among the largest economies, contributing 28% and 22% to Asian and global growth.

- We have been constructive on India's outlook, both from a cyclical and structural perspective, for some time. The recent strong run of data increases our confidence that India is well positioned to deliver domestic demand alpha, which will be particularly important as DM growth weakness percolates into Asia's external demand.
- The key change in India's structural story lies in the clear shift in the policy focus towards lifting the productive capacity of the economy. Policymakers have taken up a series of reforms which will catalyse an upswing in the private capex cycle, helping to unleash a powerful productivity dynamic, leading to the onset of a virtuous cycle.
- Cyclically, the economy is lifting off after a prolonged period of adjustment. The corporate sector has delevered and the balance sheets of the financial sector have also been cleaned up. This backdrop of healthy

MORGAN STANLEY ASIA LIMITED
Chetan Ahya
CHIEF ASIA ECONOMIST
Chetan.Ahya@morganstanley.com +852 2239-7812
Derrick Y Kam
ECONOMIST
Derrick.Kam@morganstanley.com +852 2239-7826
Qiusha Peng
ECONOMIST
Qiusha.Peng@morganstanley.com +852 3963-0376
Jonathan Cheung
ECONOMIST
Jonathan.Cheung@morganstanley.com +852 2848-5652

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Morgan Stanley- Asia Economics (Nov'22)

Morgan Stanley | RESEARCH

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October 31, 2022 10:49 PM GMT

The New India | Asia Pacific

Why This Is India's Decade

India has the conditions in place for an economic boom fueled by offshoring, investment in manufacturing, the energy transition, and the country's advanced digital infrastructure. These drivers will make it the world's third-largest economy and stock market before the end of the decade, we estimate.

MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED+
Ridham Desai
EQUITY STRATEGIST
Ridham.Desai@morganstanley.com +91 22 6118-2222
Girish Achhipalia
EQUITY ANALYST
Girish.Achhipalia@morganstanley.com +91 22 6118-2243
MORGAN STANLEY ASIA LIMITED+
Chetan Ahya
CHIEF ASIA ECONOMIST
Chetan.Ahya@morganstanley.com +852 2239-7812
MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED+
Sameer Baisiwala, CFA
EQUITY ANALYST
Sameer.Baisiwala@morganstanley.com +91 22 6118-2214
Upasana Chachra
CHIEF INDIA ECONOMIST
Upasana.Chachra@morganstanley.com +91 22 6118-2246
Rahul Gupta
EQUITY ANALYST

Jefferies – Greed & Fear Strategy

Jefferies GREED & FEAR

Christopher Wood * christopher.wood@jefferies.com +852 3743 8746

5 May 2022

A hapless Powell and a resilient Modi

Delhi

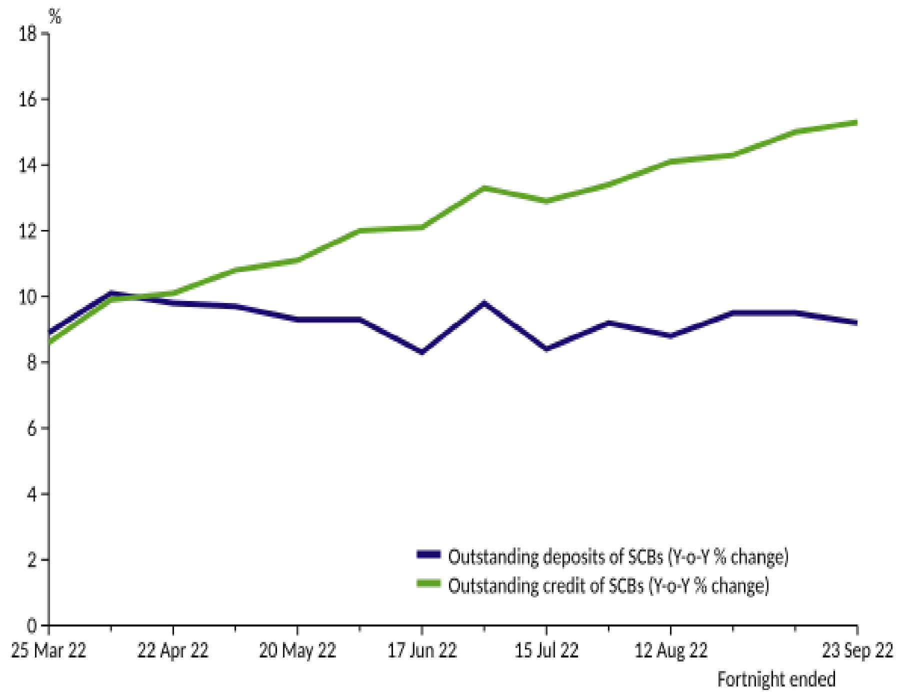
The reality of stagflation was the title of the most recent *Asia Maxima* (see *Asia Maxima 2Q22 – The reality of stagflation*, 5 April 2022). That reality has certainly been confirmed by the latest US data both as regards inflation and wage growth. US headline PCE inflation rose from 6.3% YoY in February to 6.6% YoY in March, the highest level since January 1982. While core PCE inflation was 5.2% YoY in March, though down marginally from 5.3% YoY in February, the highest level since April 1983 (see Exhibit 1). As for wage growth, the US employment cost index (ECI) rose by 1.4% QoQ and 4.5% YoY in 1Q22, the highest growth since the data series began in 2001, while the sub-index for private sector wages and salaries rose by a record 5.0% YoY in both 4Q21 and 1Q22 (see Exhibit 2).

Sharekhan by BNP PARIBAS

Indian Economy: Robust credit growth indicates growth momentum

- Improved asset quality of banks along with a pick-up in economic activity with a revival in corporate capex led sharp recovery in credit growth from the beginning of current fiscal.
- Credit growth has started outpacing deposit growth for last couple of months, which essentially a good sign for the economy. However, banks may have to put strong efforts to mobilize low-cost liquidity or deposits, going forward.

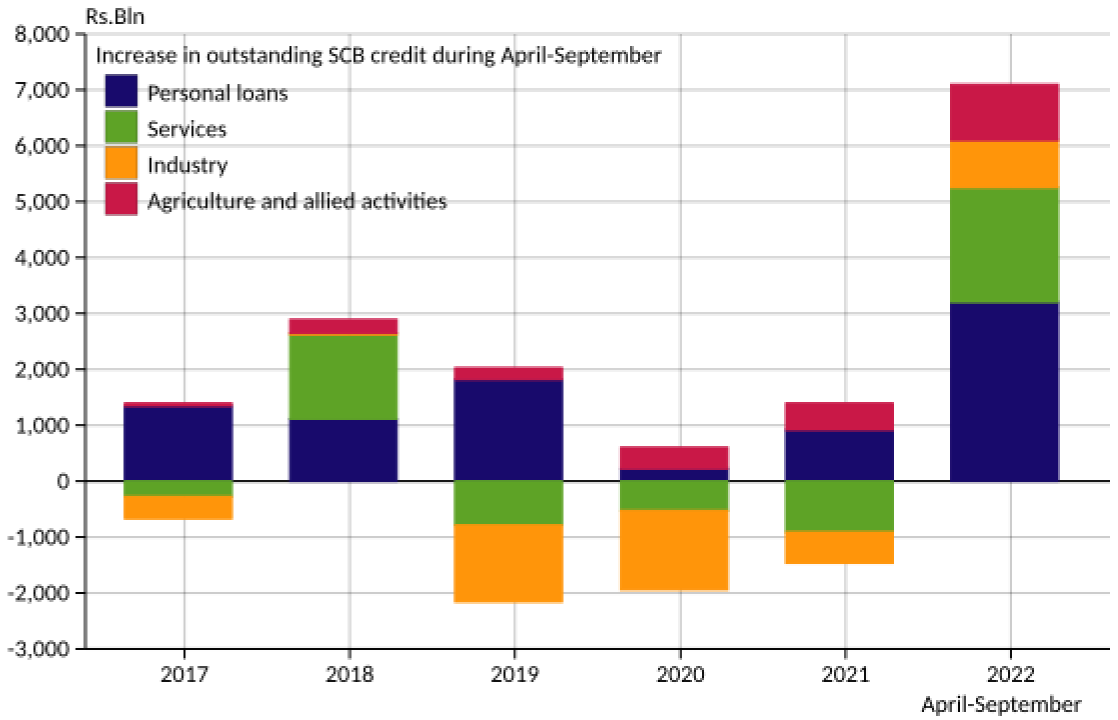
Deposit growth steady; credit growth races ahead



Centre for Monitoring Indian Economy Pvt. Ltd., 14 Oct 2022

Source: CMIE; Sharekhan Research

Pickup in bank credit offtake across all segments



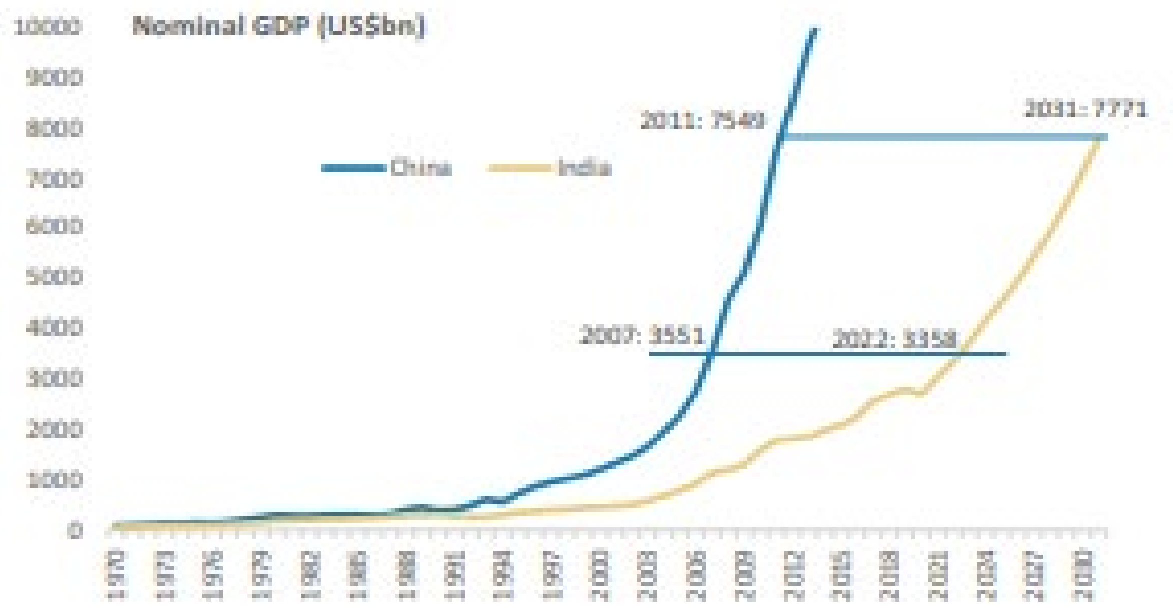
Centre for Monitoring Indian Economy Pvt. Ltd., 15 Nov 2022

Sharekhan by BNP PARIBAS

India's next decade resembles to China's 2007-2011 makeover..

- Despite having a similar population size, global investors tend to give more importance to China due as its economy's size is 5x larger as compared to India.
- In the coming decade, as India's economy transforms, it will be increasingly relevant for global investors in a similar way that China is today.

	China		India	
US$bn	2007	2011	2022	2031E
Nominal GDP	3551	7549	3358	7771
GDP per capita (US$)	2688	5596	2393	5140
Private consumption	1292	2636	1987	4468
Investment (GCF)	1438	3523	1026	2681
Exports	1353	2100	674	1880



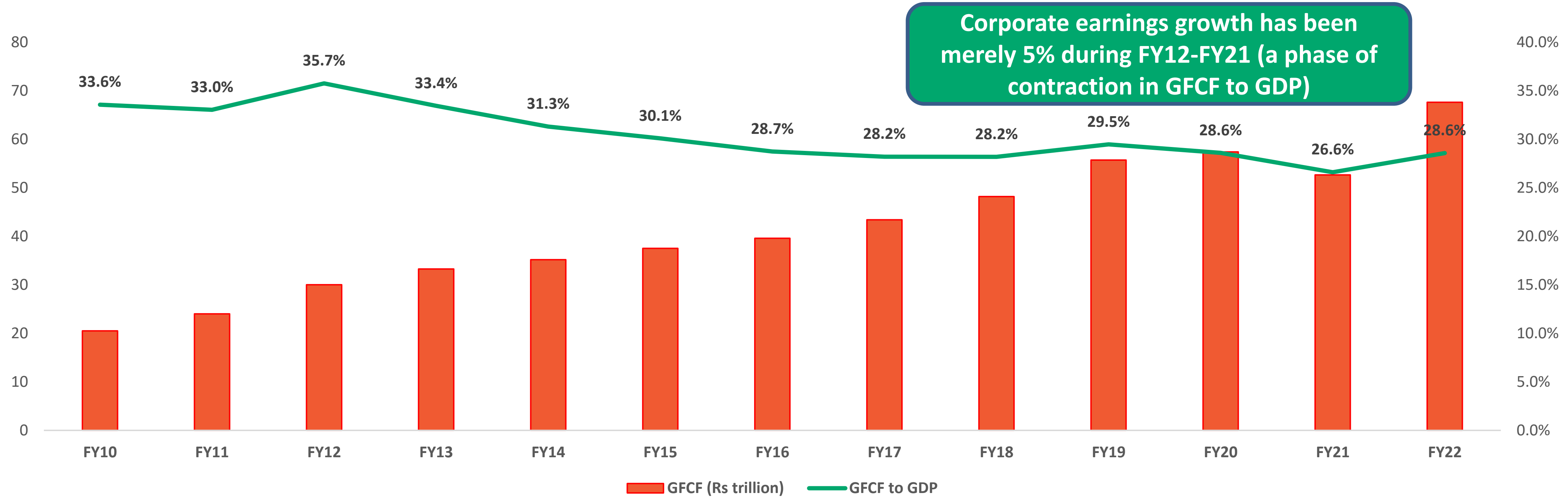
Source: Industry Reports, Sharekhan Research

Corporate Earnings – Strong economic outlook to result in solid growth

Likely Improvement in GFCF to aid corporate earnings

- India is on the cusp of witnessing a sharp improvement in Gross Fixed Capital Formation (GFCF) hereon after seeing sluggish investment cycle for the past 10 years.
- Notably, GFCF to GDP has contracted from 33-35% during FY11-12 to 27% in FY21 and 29% in FY22.

GFCF as % of GDP witnessed continued deceleration led by absence of solid capex



Source: RBI, Sharekhan Research

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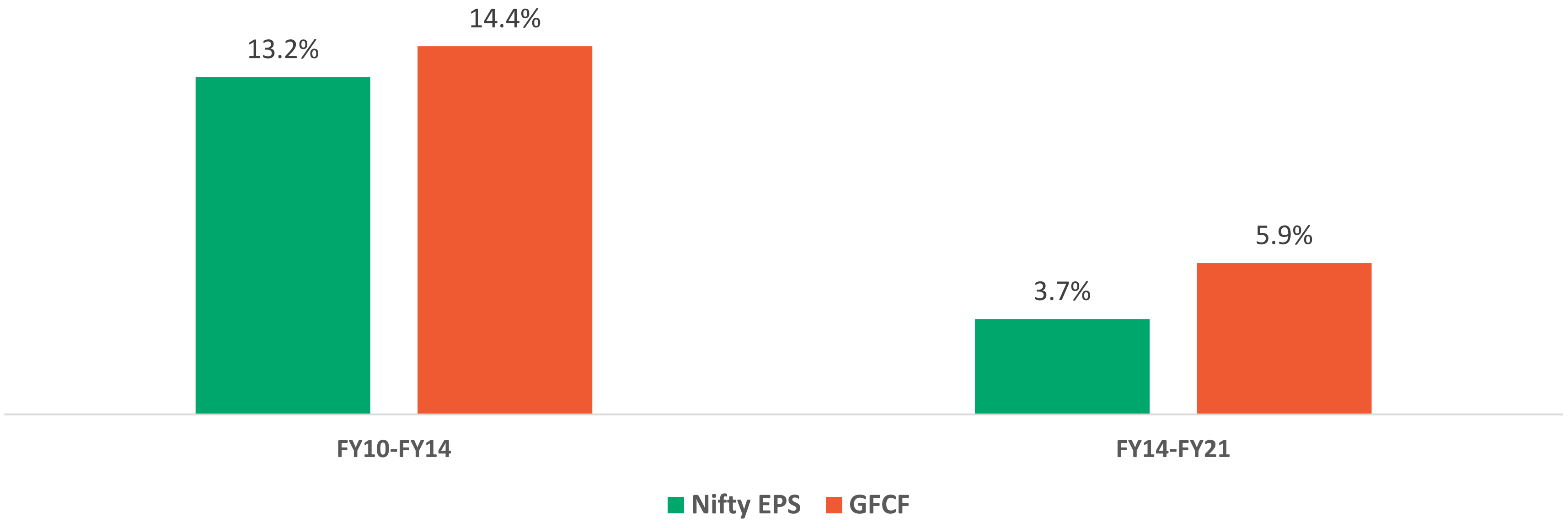
Strong correlation between GFCF growth and Nifty earnings

- There is a strong correlation between GFCF and corporate earnings growth as the latter tends to mirror growth in the former.
- Therefore, ongoing earnings recovery seen in corporate earnings (Nifty reported over 20% earnings growth in eight out of last nine quarters) is expected to sustain.

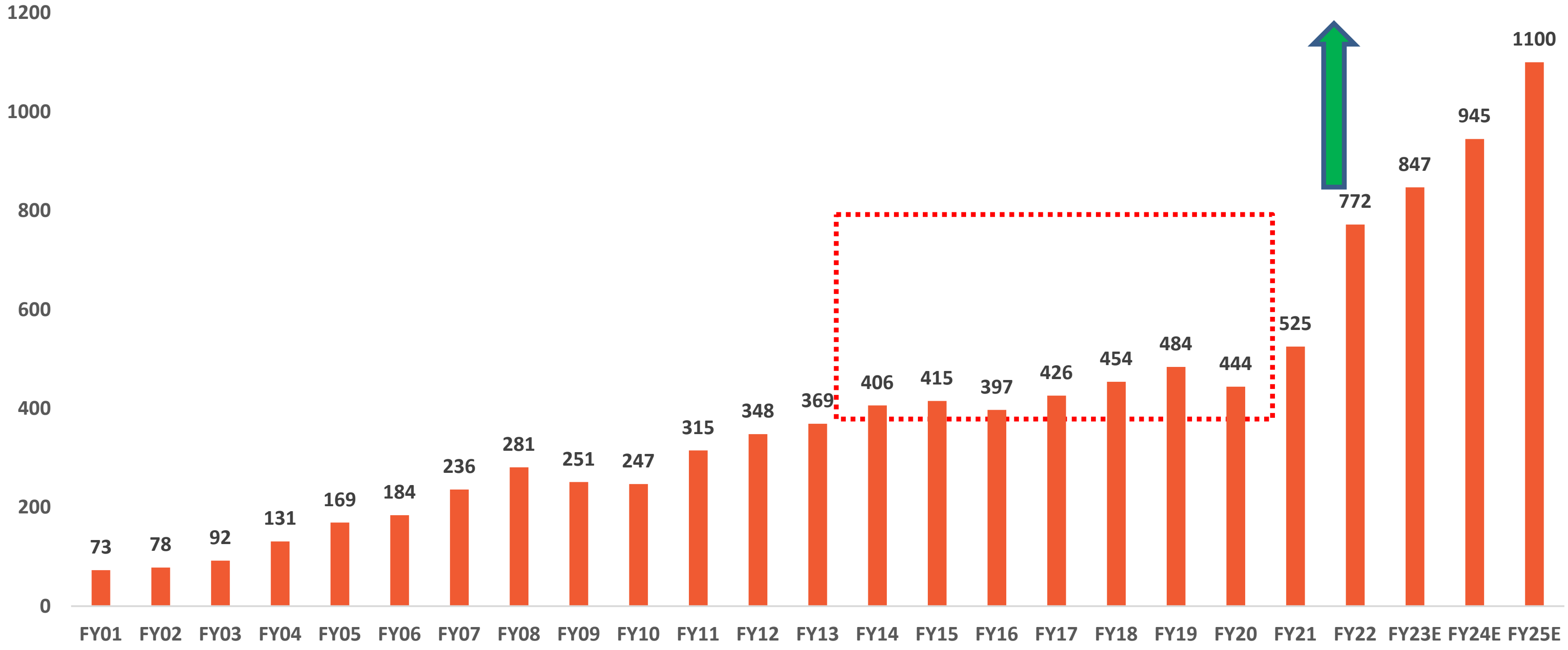
Strong correlation between GFCF growth and Nifty earnings



Source: RBI, Sharekhan Research

Corporate Earnings: Nifty EPS on a high growth trajectory

Nifty EPS: Consensus estimates suggest a strong growth during FY2022 - FY2025 after a long period of muted growth in earnings of Nifty companies (FY2014 to FY2020).

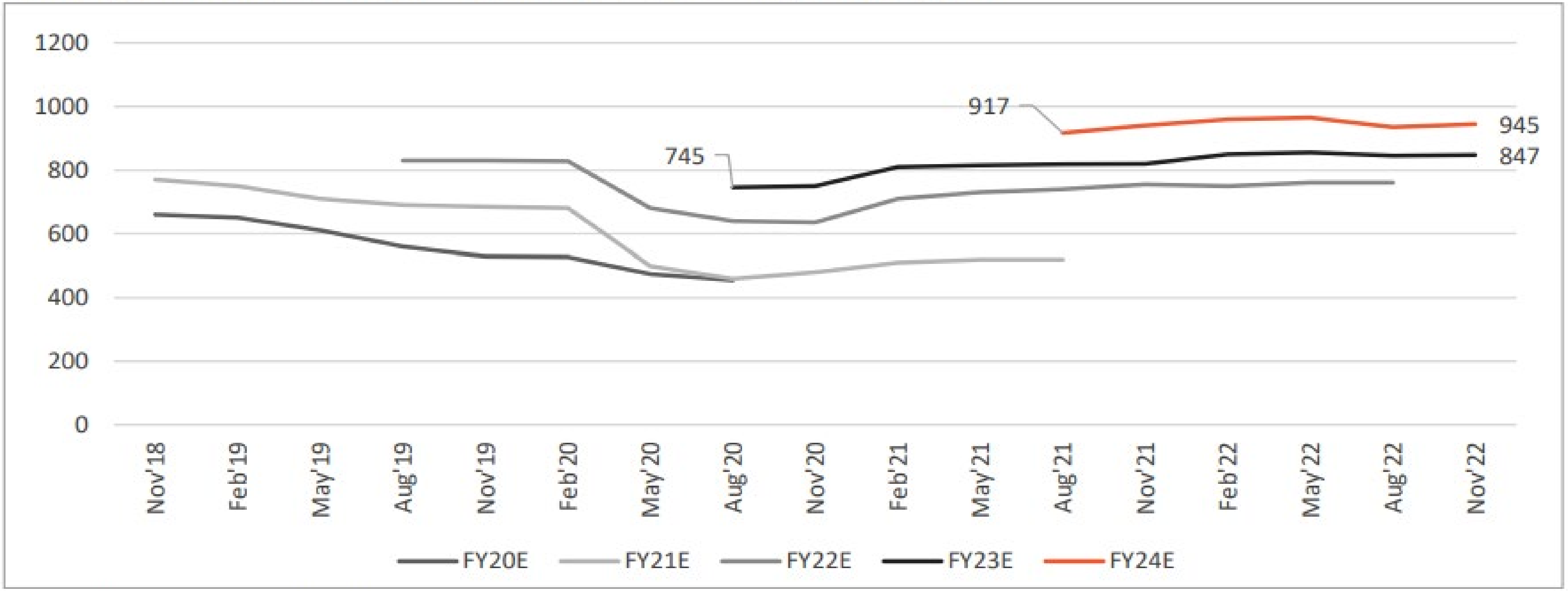


Source: Company; Sharekhan Research

Consensus earnings estimates stable despite macro headwinds

Consensus estimate on Nifty earnings has been quite steady over the past couple of quarters, led by improved visibility of corporate earnings despite near term headwinds

Summary of movement of Nifty earnings forecast: Looks steady in recent period

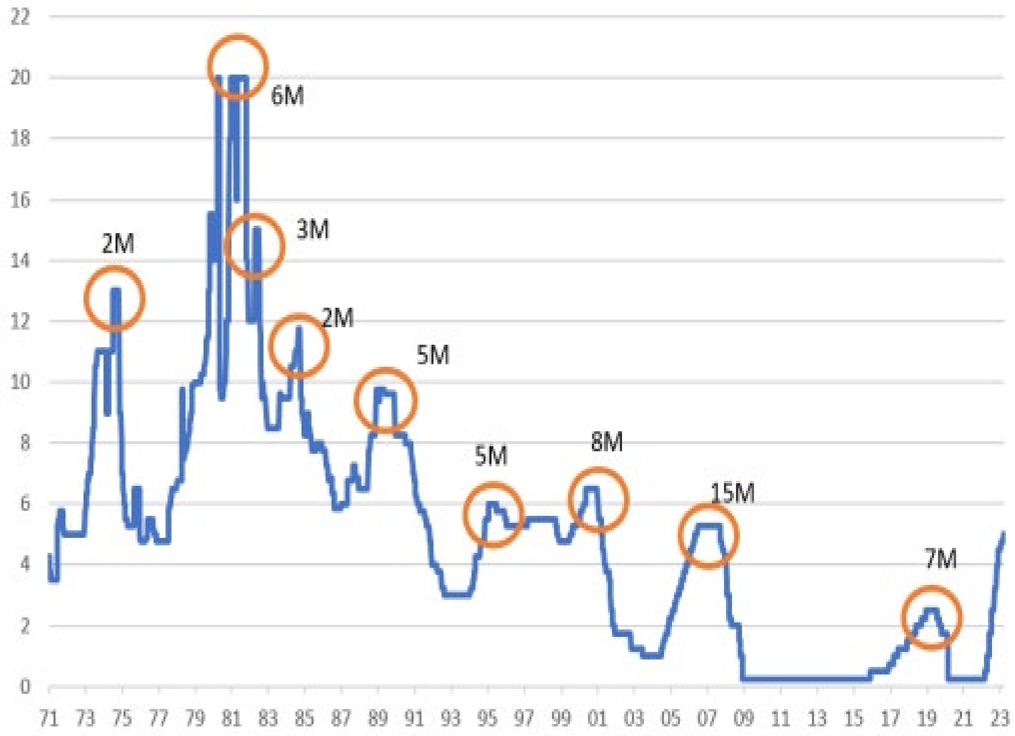


Source: Bloomberg, Sharekhan Research

Valuations turn reasonable

FII Flows: Valuation readjustment done; Fed hike likely to pivot..

- After the sharp appreciation in Chinese equity market and correction in India, the valuation premium has normalised to long term average level of 1.3-1.4x which supports FIIs flows to India.
- Further, increasing chance of reversal of rate hike over next 8-10 months also offers comfort.



Source: Bloomberg, Sharekhan Research

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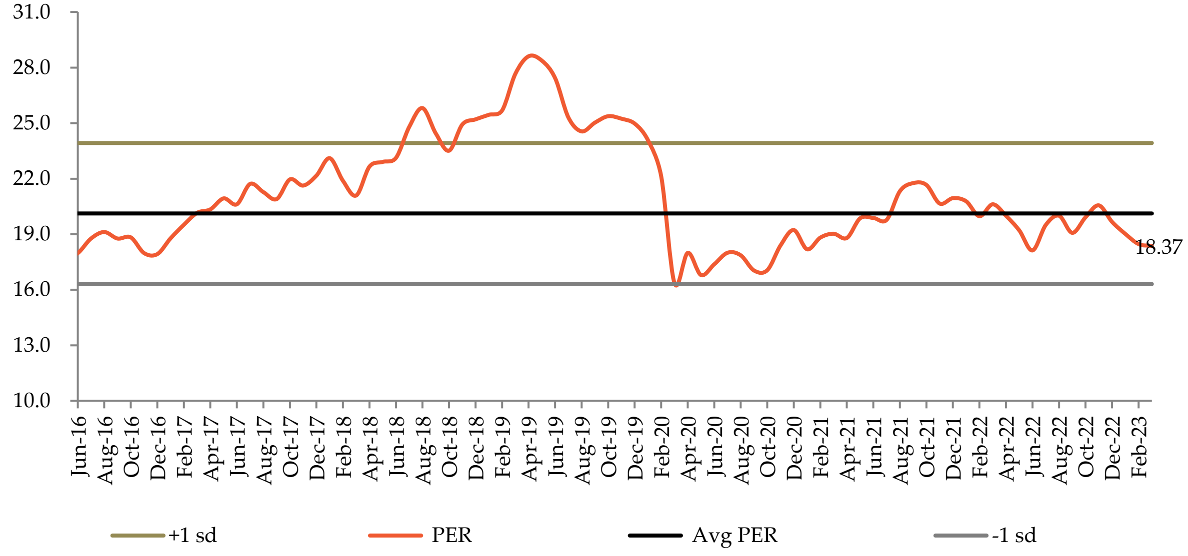
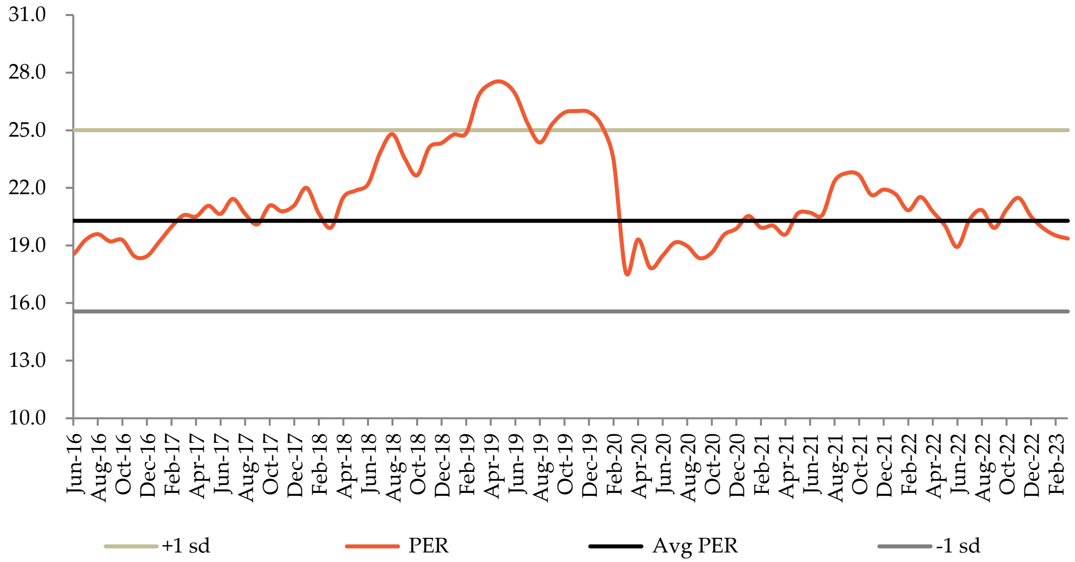
Valuation: Reasonable also on absolute basis now

- The Nifty trades at 18.3x and 16.0x of FY24E and FY25E earnings, respectively, which is in line with long term average multiples and not expensive anymore.

One-year forward PE chart of Nifty



One-year forward PE chart of Sensex



Source: Bloomberg; Sharekhan Research

Elections: Historically Nifty has witnessed solid gain in preceding year of general election

- An analysis of the past five general elections from 1999 shows that the Nifty gained substantially in four out of five times in the preceding year of election.
- Hence, if history repeats, 2023 will see a sharp uptick in market ahead of May 2024 general election.
- Additionally, nine states will see assembly elections in 2023, which in our view, could offer a glimpse of the possible outcome of 2024 general election as these nine states altogether account for 21% of total Lok Sabha seats.

Nifty performance one year before general election since 1999

Election Year	Nifty Level	Preceding Year	Nifty Level	% Gain/Loss
3rd September 1999	1413	3rd September 1998	846	67%
19th April 2004	1844	19th April 2003	941	96%
15th April 2009	3484	15th April 2008	4880	-29%
4th April 2014	6694	4th April 2013	5575	20%
11th April 2019	11597	11th April 2018	10417	11%

Source: Sharekhan Research

Nine states going for assembly election in 2023

States	Currently Ruled By	No of MPs
Rajasthan	INC	25
Madhya Pradesh	NDA	29
Karnataka	NDA	28
Chhattisgarh	INC	11
Telangana	BRS	17
Meghalaya	NDA	2
Nagaland	NDPP	1
Tripura	NDA	2
Mizoram	MNF	1
Total		**116**
% of General Election Seats		**21%**

Stay invested, but in right quality stocks

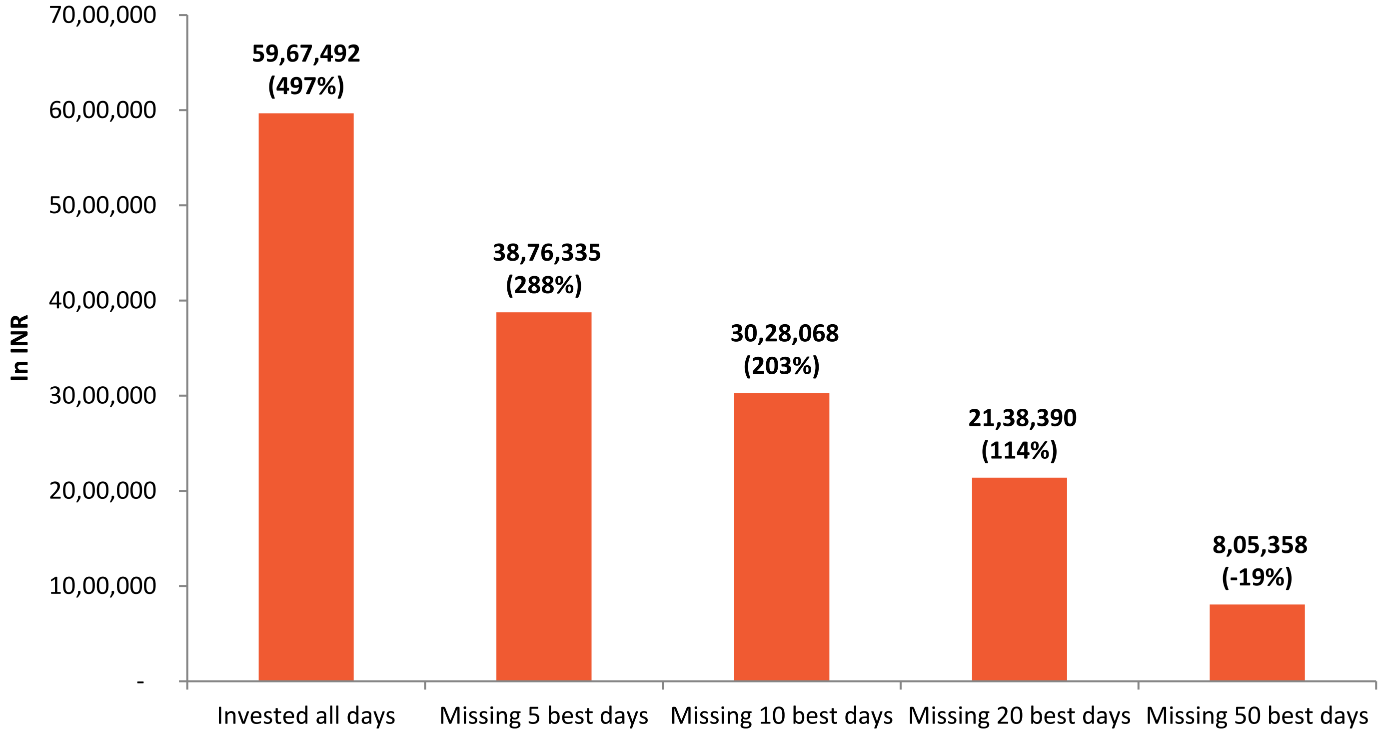
Don’t time the market; missing out on few good days seriously impacts returns

- If you miss even a few of the best days, it can significantly impact returns on your portfolio.
- Portfolio value would have reduced almost to half i.e. Rs. 30.28 lakh instead of Rs. 59.67 lakh if investor misses out on 10 best days in an attempt to time the market.
- But quality of stocks does matter. Staying invested in low-quality stocks; speculative, event-based stories, momentum stocks could actually hurt your portfolio.

So stay invested, but in right quality stocks

….. missing out on few days can be very costly

Growth of Rs. 10 lakh invested on January 1, 2009



Source: Sharekhan Research

** Rs. 10 lakh invested on January 1, 2009 in Index*

Despite concerns, equity gives healthy returns - better than other asset classes

Sensex moved up from 16,500 level at end of 2011 to 58,254 level by the end of 2021 – returns of **13.4% CAGR** in the past one decade, despite the following:

- Hurdles on the way; many domestic and global concerns hurting economy & sentiments.
- Weak growth in corporate earnings in the period of FY2014 to FY2020.
- Unpredictable global inflows and phases of strong selling pressure.

So stay invested but in right quality stocks!

….. Concerns will also remain but markets still gives handsome returns

Year	Major Issues
2011	Black Monday; high retail inflation
2012	Policy paralysis + QE withdrawal; India among fragile 5
2013	Natural disasters; Uttarakhand floods, earthquakes
2014	Devaluation of yuan; drought
2015	Bank NPAs AQR; second consecutive year of drought
2016	Brexit; Demonetisation
2017	Dokalam Crisis; GST implementation disruption
2018	IL&FS crisis; hikes in interest rates
2019	DHFL fiasco, surgical strikes
2020	Pandemic; lockdowns
2022	Russia-Ukraine War

Source: Sharekhan Research

Time spent in the market is far more important than timing the market

- Benchmark indices, Nifty/Sensex, have been largely stuck in a broad range for the past 12-15 months due to concerns related to inflation, aggressive interest rate hikes and other global uncertainties. In this period, the corporate earnings continue to be healthy despite margin pressure and slowdown in global trade.
- Increasing trend in earnings along with range-bound indices have resulted in a healthy correction in valuation multiples. Nifty is not expensive anymore and at around 18x one year forward earnings is trading below the last five year average PE multiples. However, the correction in the broader market has been more severe and caused lot of damage to investor portfolios.
- From an investor’s point of view, the volatile phase would offer attractive buying opportunities. Keep in mind the **BIG PICTURE** of multi-year growth upcycle in Indian economy & corporate earnings rather than get bogged down by near-term challenges
- The empirical data shows that trying to time the market is not practically viable and actually has an adverse impact on long term returns of portfolio. So, do not try to time the market; stay invested in right-quality stocks for handsome gains in the next 2-3 years

DEBT/ FIXED INCOME UPDATE & OUTLOOK

RBI monetary policy: Surprises with a pause, keeps rate unchanged

The RBI has left the policy repo rate unchanged at 6.5% in its first bi-monthly policy for FY24 and maintained the stance at “withdrawal of accommodation” while keeping the window open for further monetary policy tightening if required. The central bank also re-emphasized its commitment towards achieving CPI target of 4%, while supporting growth.

Key Highlights

- The RBI left the repo rate unchanged at 6.5%. The standing deposit facility (SDF) rate and marginal standing facility (MSF) rate remained unchanged at 6.25% and 6.75% respectively.
- The decision to keep the repo rate unchanged was unanimous as all six members voted to pause the policy repo rate.
- Economic activities remained resilient in Q4 as reflected in health Industrial activities along with robust services activities like domestic air passenger traffic, port freight traffic, e-way bills, and toll collection. The PMI also pointed towards sustained expansion in manufacturing and services.
- The RBI marginally revised its growth projections at 6.5% for 2023-24 with Q1:2023-24 at 7.8%, Q2 at 6.2%, Q3 at 6.1% and Q4 at 5.9%. However, the drag of external demand, tight global financial conditions and geopolitical tensions pose risk to the outlook.
- CPI inflation rose from 5.7% in December 2022 to 6.4% in February 2023 on the back of higher inflation in cereals, milk and fruits. The core inflation also remained elevated and was above 6% in Jan-Feb 2023.
- Inflation trajectory for FY2023-24 would be shaped by domestic and global factors. The possibility of weather related shocks and any further spike in global crude oil prices would pose the upside risk to the inflation projections.

Finance Bill 2023 removes tax benefit on debt mutual funds

As per the amendment to the Finance Bill, any capital gains on mutual funds in which less than 35% of holdings is in domestic equities and if investment is done after 1st April 2023, it will be classified as short-term capital gains irrespective of period of holdings. This means that the indexation benefit of debt mutual fund is no longer available.

Impact:-

Holdings	Timeline	Impact
Existing investments of debt mutual funds	Up to 31st Mar 2023	All the investment made before March 31, 2023 will continue to enjoy indexation benefits
New investments in debt mutual funds	After 1st April 2023	Will be taxable as per the income tax slab irrespective of the holding period

Even the capital gain of debt mutual funds are now taxable as per income tax slab, but it still make sense considering the below benefits -

- The investor pays the tax on debt funds only if there is a realised profit and not on accrued interest.
- Currently the yields are at peak level and the easing of yields could generate capital gain by choosing the right fund matching the investor's risk appetite and investment horizon.
- Debt funds don't have any lock-in period and can be redeemed at any time.
- The mutual funds invest across companies and this reduces the risk of defaults.

Index of Industrial Production (IIP)

The IIP growth further improved to 5.6% in Feb-23 from 5.5% in Jan-23 and 4.7% in Dec-22 on account of broad based expansion across sectors. Growth in manufacturing helps to keep the current momentum.

- **Mining:-** Activity shrunk to 4.6% in February 2023 compared to previous month growth of 8.8% and 10% growth in December 2022.

- **Manufacturing:-** It has the highest weightage of (77.6%) in the IIP. The output grew by 5.3% in Feb-23 as compared to previous month. Out of 23 industries, only 5 have recorded double digit growth and remaining are in single digit or in negative growth. The highest growth were in manufacture of pharma, medical chemical and botanical products (23%), manufacture of electrical equipment (12.5%) & manufacture of machinery and equipment (10.8%).

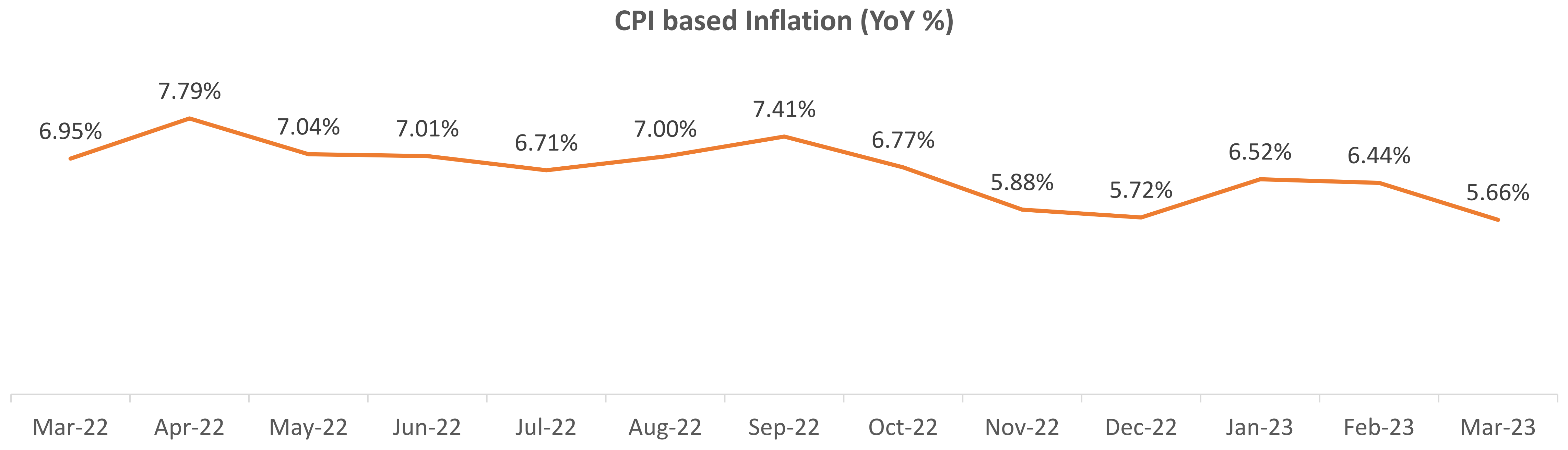
- **Electricity:-** Output decreased to 8% in Feb-23 compared to double digit growth in the previous three months. The electricity was grew by 4.5% in the corresponding month of last year.

GROWTH IN SECTORAL			
	Dec-22	Jan-23	Feb-23
MINING	10.0%	8.8%	4.6%
MANUFACTURING	3.1%	4.0%	5.3%
ELECTRICITY	10.4%	12.7%	8.2%
GENERAL	4.7%	5.5%	5.6%
GROWTH IN USE-BASED CLASSIFICATION			
PRIMARY GOODS	8.4%	9.6%	6.8%
CAPITAL GOODS	7.8%	10.7%	10.5%
INTERMEDIATE GOODS	0.6%	0.5%	-0.3%
INFRASTRUCTURE/ CONSTRUCTION GOODS	9.1%	9.8%	7.9%
CONSUMER DURABLES	-11.0%	-8.2%	-4.0%
CONSUMER NON-DURABLES	7.6%	6.3%	12.1%

Source: MOSPI, Sharekhan Research

Industrial activity will continue to get support from urban and rural demand, but the weakening of external demand and global uncertainties could impact the industrial production.

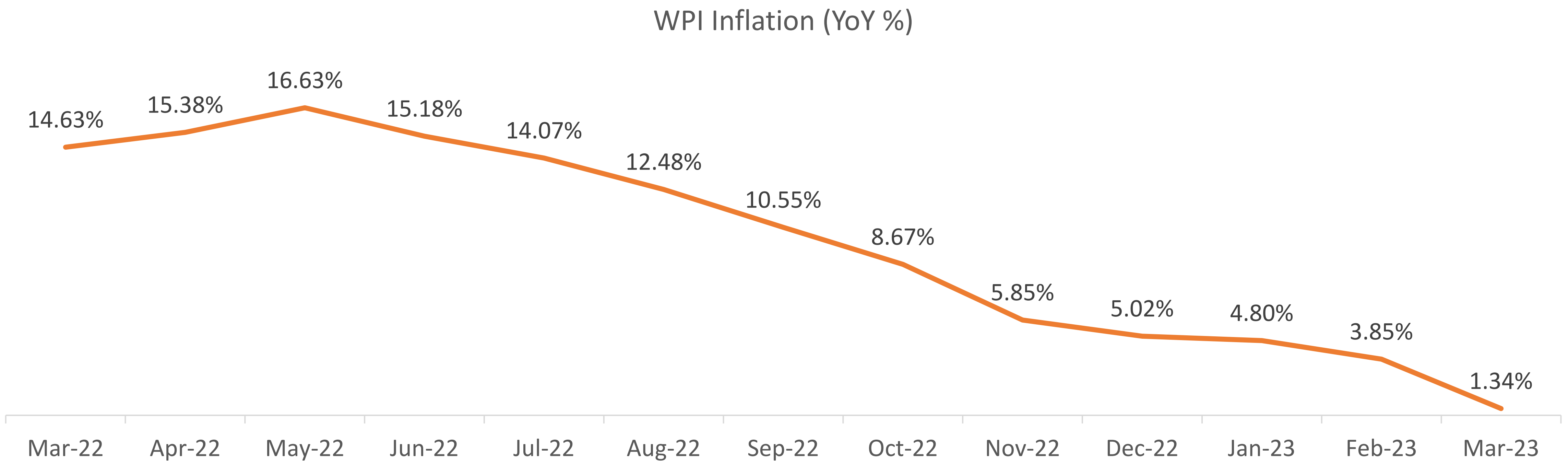
Consumer Price Index (CPI) Inflation



CPI inflation fell to 15-month low of 5.66% in March 2023 after remained above the tolerance level for most of the period. The ease in inflation was mainly due to the reduction in vegetable prices and now it is below the RBI's upper band tolerance level.

- Food & Beverages, which have the highest weight of 54.2% in CPI have eased to 5.11% in March 2023 compared to 6.26% in the previous month. The inflation in cereals & products, milk & products and spices keep the inflation at elevated level.
- The downward trajectory in vegetables inflation continued for the fifth consecutive month and helps to ease the headline inflation. The double digit inflation continued in spices, cereals and products but the inflation in oils & fats, vegetables, sugar and confectionery helps to ease overall inflation.

Wholesale Price Index (WPI) Inflation



The WPI inflation has been in a downward trend from last nine months and further eased to 1.34% in March 2023 compared to 3.85% in the previous month. The WPI inflation declined to 29 month low and this can be attributed to the eased of inflation in manufactured, primary articles and fuel & power groups.

- Inflation in primary articles which has the weight of 22.6% in the WPI basket eased marginally to 2.4% in March 2023 compared to 3.28% in the previous month owing to easing of inflation in non-food articles, minerals and crude petroleum & natural gas.
- The food inflation is in upward trend from previous month and moved to 5.48% in March 2023 compared to 3.81% in Feb-23. The inflation in milk, cereals, paddy and wheat are contributing to the overall inflation but the easing of inflation in vegetables (-2.2%), potato (-24) & onion (-36%) helps to ease the upward pressure in inflation.

Debt Market Wrap

Liquidity: RBI to maintain adequate liquidity

- The interbank call money rate remained elevated at 6.21% as on April 11, 2023 compared to previous month but the ease of system liquidity and the pause in repo rate helps to cool down interbank rate.

- The banking system liquidity move to surplus for March 2023. The liquidity remained at Rs.2.72Lakh crores on April 05, 2023 as compared to average liquidity of Rs.0.60 lakh crores in the previous month. During March 2023, the liquidity ranged at Rs. 0.04-1.24 lakh crore.

Bond prices & other updates

- The 10-year 7.26% 2033 G-Sec yield settled at 7.18% as on April 10, 2023 and ease marginally compared to previous month as the RBI unchanged the repo rate in its recent monetary policy.

- The RBI kept the repo rate unchanged at 6.5%. Five out of six MPC voted to continue with “withdrawal of accommodation” to ensure that the inflation aligns with the target while supporting growth. This leaves the window open for the further rate hikes. The RBI has also revised the CPI projection to 5.2% from 5.3% and the growth projections at 6.5% from 6.4% for 2023-24.

- The Finance Bill 2023 removed the long-term tax benefits for debt mutual funds investing less than 35% of corpus in domestic equities.

- The RBI has revised the CPI projection to 5.2% but the recent cut in crude oil production, weather shock, global uncertainties may pose an upside risk to the inflation trajectory.

Debt Market Outlook

Sticky inflation keeps interest rate higher for longer

- The MPC members unanimously decided to keep the policy rate unchanged at 6.5% and majority of the MPC members voted to continue with “withdrawal of accommodation” policy stance to ensure inflation align with the target. The CPI projection lowered by 10bps to 5.2% and growth projection increased by 10bps to 6.5% for 2023-24.

- Inflation projections for FY24 is at 5.2% and this signals that the inflation may take longer to reach closer to the long term inflation target of 4%. The RBI may continue with pause in policy rates and the policy rates may remain high for longer periods. The RBI has increased the growth projections by 10bps to 6.5% and this may not provide room for rate cut in 2023.

- Any further rate hike would depend on inflation trajectory and would be undertaken only if the inflation comes under pressure. Even the rate cut cycles get delayed due to sticky inflation, the current yields are at attractive level.

- The Finance Bill 2023 has removed the long term tax benefits of mutual funds investing less than 35% of corpus in domestic equity. The investment is done after April 1, 2023 will be classified as short term gains irrespective of period of holding.

Strategy: The benefits of long-term taxation are now removed and investors with more than three years of tenure should go with equity savings and dynamic asset allocation category schemes. These schemes enjoy equity taxation. Even the rate cut cycle will get delayed due to sticky inflation. Yields are at attractive levels and this provides good opportunity for the investment. Investors should increase exposure to credit opportunity and dynamic bond funds.

MUTUAL FUND MODEL PORTFOLIOS

MUTUAL FUND MODEL PORTFOLIOS | AGGRESSIVE PORTFOLIO

AMC	SCHEME NAME
LARGE CAP	
Kotak	Kotak Bluechip Fund
ICICI	ICICI Prudential Bluechip Fund
MID CAP	
Kotak	Kotak Emerging Equity Fund
SBI	SBI Magnum Mid Cap Fund
Mirae	Mirae Asset Mid Cap Fund
Small CAP	
ICICI	ICICI Prudential SmallCap Fund
Nippon	Nippon India Small Cap Fund
Flexi Cap	
HDFC	HDFC FlexiCap Fund
Canara	Canara Robeco Flexi Cap Fund

Portfolio Composition

Large Cap 50%	Mid & Small Cap 20%	Flexi Cap 30%

Minimum time horizon: 5 years
Review frequency: 6 months

Aggressive Investor
You are ready to take high risks, and very easily adapt when things don't go as you had planned, financially. Your objective is to get the highest return possible in the long term, and you accept the ups and downs along the way

MUTUAL FUND MODEL PORTFOLIOS | MODERATE PORTFOLIO

AMC	SCHEME NAME
LARGE CAP	
Kotak	Kotak Bluechip Fund
ICICI	ICICI Prudential Bluechip Fund
MID CAP	
Kotak	Kotak Emerging Equity Fund
SBI	SBI Magnum Mid Cap Fund
Mirae	Mirae Asset Mid Cap Fund
Small CAP	
ICICI	ICICI Prudential SmallCap Fund
Nippon	Nippon India Small Cap Fund
Dynamic bond & Credit Opportunity	
ICICI	ICICI Prudential All Seasons Bond Fund - Reg - Growth
HDFC	HDFC Credit Risk Debt Fund - Reg - Growth

Portfolio Composition

Large Cap 40%	Credit Opportunity & Dynamic bond 40%	Mid & Small Cap 20%

Minimum Time Horizon: 3 years
Review Frequency: 12 months

Moderate Investor

You are an average risk taker, and try to adapt when things don't go as you had planned, financially. Your long term objective is to get a better return than a Fixed Deposit, net of tax, even if the short term performance could sometime be below expectations

MUTUAL FUND MODEL PORTFOLIOS | CONSERVATIVE PORTFOLIO

AMC	SCHEME NAME
Corporate Bond	
Aditya Birla Sun Life	Aditya Birla Sun Life Corporate Bond Fund
ICICI Prudential	ICICI Prudential Corporate Bond Fund
Debt Short Duration & Dynamic Bond	
Kotak	Kotak Bond Short Term Fund
HDFC	HDFC Short Term Fund
ICICI	ICICI Prudential All Seasons Bond Fund - Reg - Growth
Dynamic Asset Allocation	
ICICI	ICICI Prudential Balanced Advantage Fund
Birla	Aditya Birla Sun Life Balanced Advantage Fund

Portfolio Composition

Corporate Bond 40%	Short Duration & Dynamic Bond 40%	Dynamic Asset Allocation 20%

Minimum Time Horizon: 3 years
Review Frequency: 12 months

Conservative Investor
You are unwilling to take risks, and get very uneasy when things don't go as you had planned, financially. Your long term objective is to try to get a slightly better return than a fixed deposit, net of tax.

MUTUAL FUND MODEL PORTFOLIOS | To get Regular Income

AMC	SCHEME NAME
Dynamic Asset Allocation	
ICICI Prudential	ICICI Prudential Balanced Advantage Fund - Reg - Growth
Aditya Birla Sun Life	Aditya Birla Sun Life Balanced Advantage Fund - Growth
Edelweiss	Edelweiss Balanced Advantage Fund - Growth
Equity Savings	
Mirae Asset	Mirae Asset Equity Savings Fund - Reg - Growth
HDFC	HDFC Equity Savings Fund - Growth

Reasons to select SWP option than dividend option to get regular income

	SWP	Dividend
Withdrawal Amount	Regular income amount is Fixed	Dividend amount is not fixed
Flexibility	Investor can change in regular income amount at any time	Dividend frequency is at the discretion of the fund house
Taxation	Capital gains on investments withdrawn are taxed as per equity taxation	Tax as per income slab for dividend income

Portfolio Composition

Dynamic Asset Allocation 70%	Equity Savings 30%

Minimum Time Horizon: More than 5 years
Review Frequency: 12 months

Investor
You are investing lumpsum amount and want regular income from investment. You are ready to take some risk.

MUTUAL FUND MODEL PORTFOLIOS | Tactical Allocation to Thematic Funds

AMC	SCHEME NAME	Objective
Thematic Funds		
UTI	UTI Transportation and Logistics Fund	Invest predominantly in equity and equity related securities of companies engaged in the transportation and logistics sector
ICICI Prudential	ICICI Prudential Manufacturing Fund	Invest predominantly in equity and equity related securities of companies engaged in manufacturing theme
SBI	SBI Magnum Global Fund	Invest predominantly in equity and equity related securities within MNC Space
ICICI Prudential	ICICI Prudential MNC Fund	Invest predominantly in equity and equity related securities within MNC Space

Portfolio Composition

Thematic Funds:-
Up to 10% of overall portfolio

Minimum Time Horizon: 5 years
Review Frequency: 12 months

Investor
You are ready to take high risk and want to take tactical allocation to thematic funds.

MUTUAL FUND MODEL PORTFOLIOS | Tactical Allocation to Sectoral Funds

AMC	SCHEME NAME
Sectoral Funds- Banking	
ICICI Prudential	ICICI Prudential Banking and Financial Services Fund – Growth
SBI	SBI Banking & Financial Services Fund – Growth
Nippon India	Nippon India Banking & Financial Services Fund – Growth
Sectoral Funds- Infra	
Invesco	Invesco India Infrastructure Fund - Growth
Franklin	Franklin Build India Fund - Growth

Portfolio Composition

Sectoral Funds:-
Up to 10% of overall allocation

Minimum Time Horizon: 5 years
Review Frequency: 12 months

Investor
You are ready to take high risk and want to take tactical allocation to sectoral funds.

SCHEME SELECTION AND INVESTING

Funds we Like (click here)

SIP we Like (click here)

One Click SIP (click here)

Talk to your Investment Specialist or Mutual Fund Specialist

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Compliance Officer: Ms. Binkle Oza; Tel: 022-61169602; e-mail: complianceofficer@sharekhan.com Contact: myaccount@sharekhan.com