INVESTMENT STRATEGY

MUTUAL FUND PORTFOLIOS

July 2024

July 2024

Equity Market Outlook

Union Budget 2024

Win some, lose some!!

Union Budget FY24-25: On the Right Path!

Overall, it is a growth-oriented budget and equity markets would quickly adjust to changes in taxation post the initial knee-jerk reaction. Hence, investors could use the volatility to buy into quality stocks to ride the multi-year economic upcycle in the Indian economy.

Steps on the right direction.. Viksit Bharat 2047!!

Fiscal Prudence

- Sets fiscal deficit target of 4.9% against expectations of 5-5.1%.
- FY2026 target of 4.5% followed by continued improvement in debt/GDP ratio every year

Capex

Total allocation of Rs. 15 lakh crore (including grants of Rs. 3.9 lakh crore) as against Rs. 12.5 lakh crore in the previous year

No let down on capex driven growth agenda despite political pressures

Consumptions

Non-capex expenditure has been taken up by $10 billion as compared to interim budget up 5% y-o-y — largely driven by new employment-generation-related payments and additional spending at the state level. Augurs well for consumption.

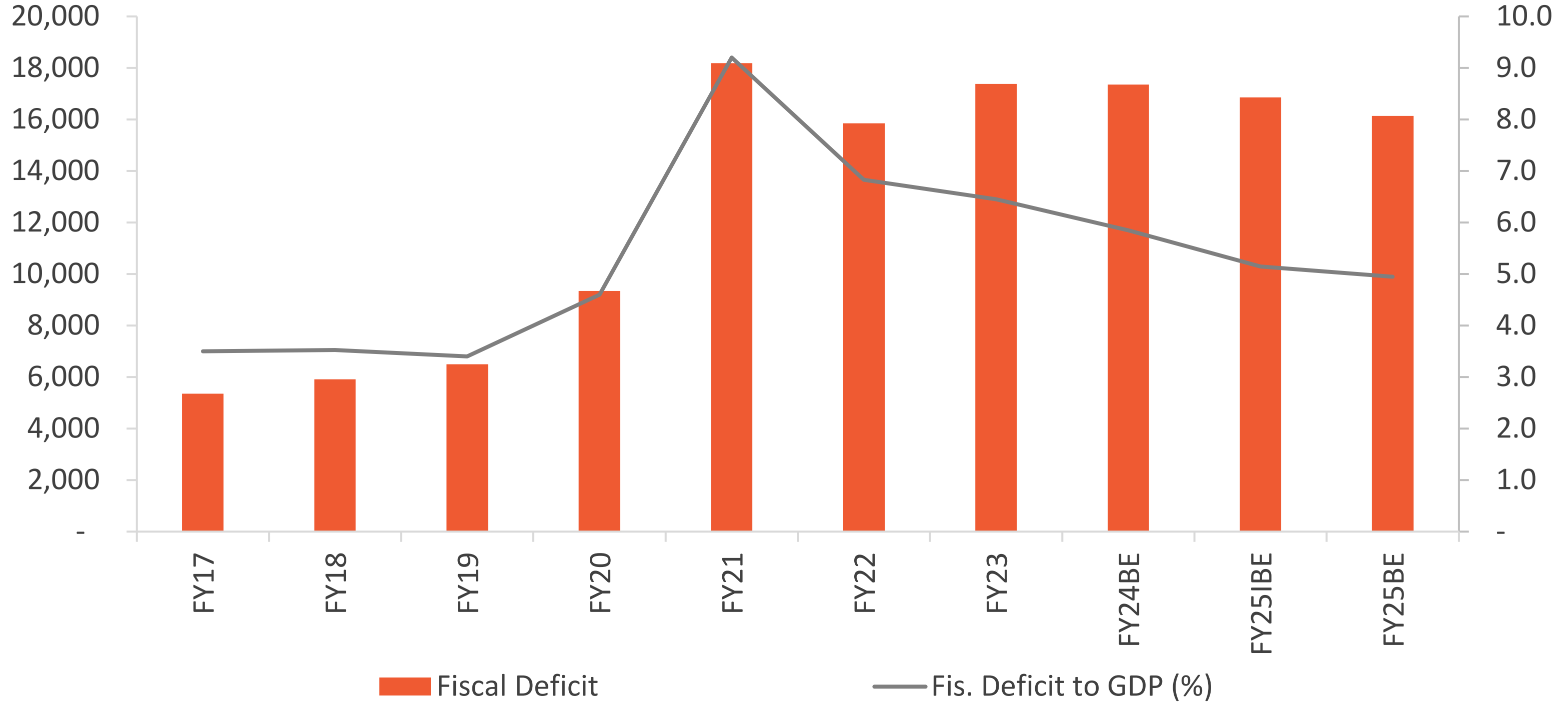
Employment

- DBT of three-month salary upto Rs. 15000
- Govt reimburse EPFO for 2 years up to Rs. 3,000
- Overall, there would be around 29 million beneficiaries

Budget: Fiscal discipline augurs well for a sovereign rating upgrade

- Fiscal deficit target of 4.9% is better than street expectations. What's more, the government has highlighted a clear roadmap to move to 4.5% in FY2026 and eventually reduce debt/GDP ratio on continuous basis from FY2027 onwards
- Fiscal discipline shown by government makes strong case for a possible sovereign rating upgrade for India.

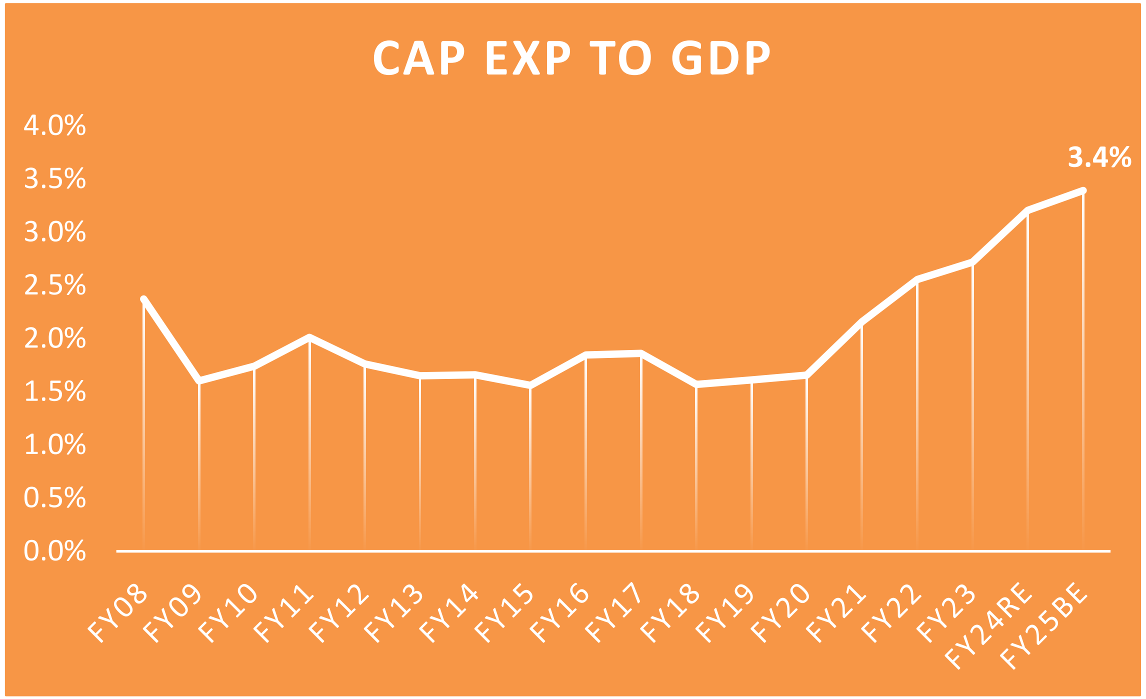
Fiscal deficit movement and FD as % to GDP (Rs. '00 cr)

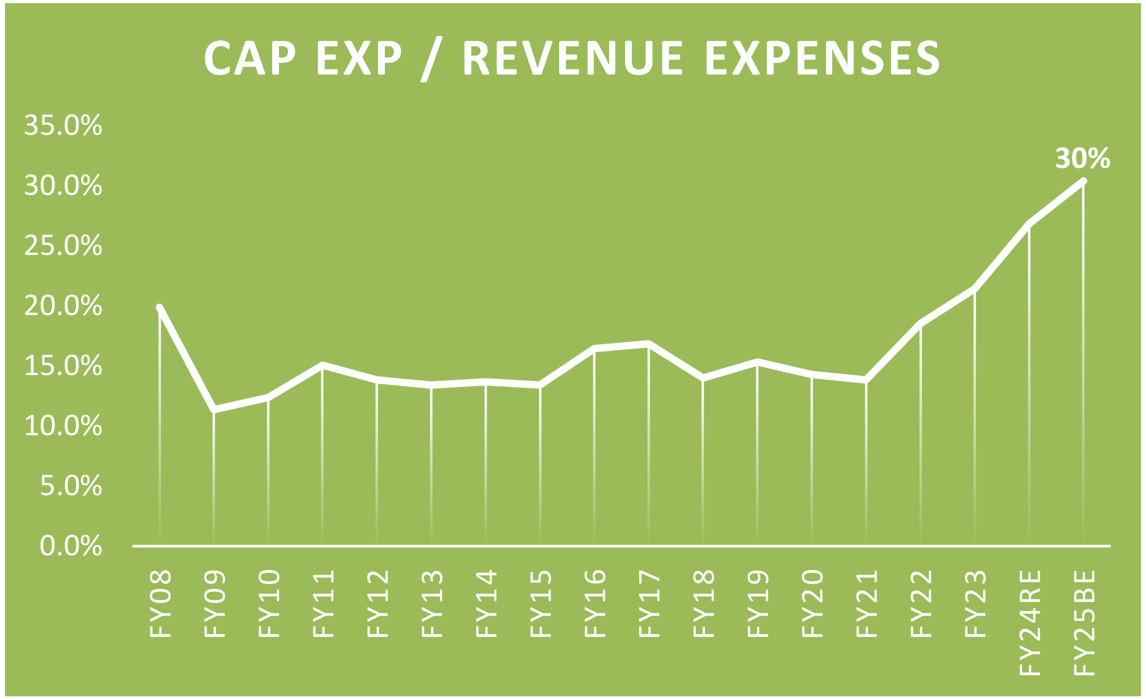


Source: Budget Document, Sharekhan Research

Budget: Quality of spending matters a lot in the long run…

- Importantly, the capex to GDP ratio is at 3.4% and capex to revenue expenses at 30.4% doubled from FY19 levels. This shows quality of investments, which can have far fetched impact on economy in future.
- Multiplier effect of high capital expenditures to result in sustainable economic growth and corporate earnings.





Source: Budget Document, Sharekhan Research

Union Budget FY24-25: What Works, What Doesn't

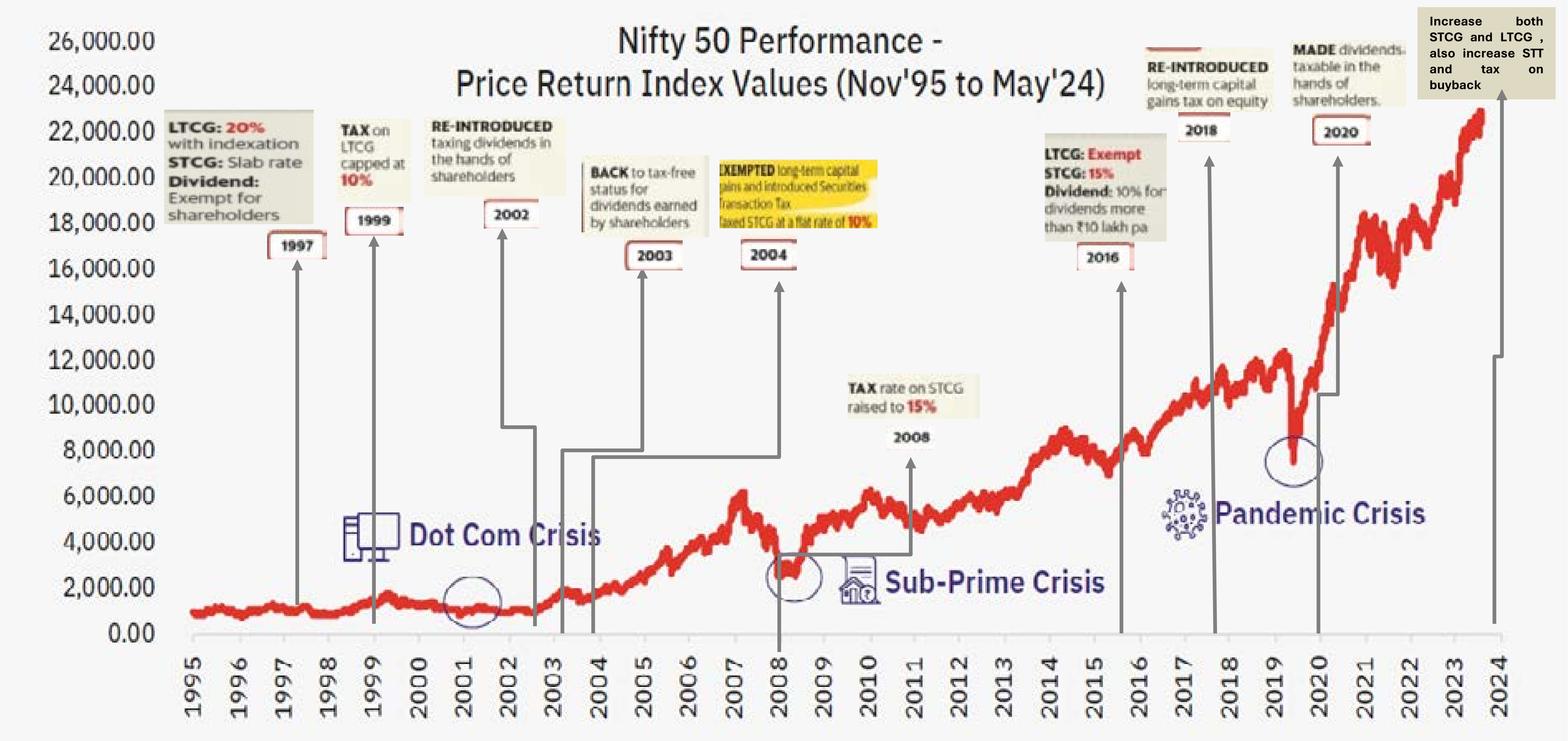
What Works!!

- ✓ **Capex:** Overall, the capex outlay is unchanged at Rs 111 lakh crore, a 17% y-o-y growth. Allocation for Railways was unchanged at Rs. 2.55 trillion. Both allocations remain unchanged from the Interim Budget, despite lower spends in the past quarter.
- ✓ **Fiscally prudent:** As against the interim budget's projection of 5.1%, the government presented the final FY25 budget with a fiscal deficit target of 4.9%, that is 20 bps lower. The government has further headroom to go below 4.9% also.
- ✓ **Consumption:** A rise in non-capex expenditure by 4.8% to as compared to 3% in the Interim Budget. Importantly, a larger portion will go for employment generation payments along with state-level spending.

What Doesn't!!

- ✓ **Hike in capital gains tax:** An increase in capital gains taxes (**STCG:** up from 15-20% and **LTCG** to go up from 10-12.5%).
- ✓ **Indexation removed for real estate:** Indexation benefit removed on real estate, but the capital gains tax rate also lowered from 20% to 12.5%, so the net impact will be a small negative.

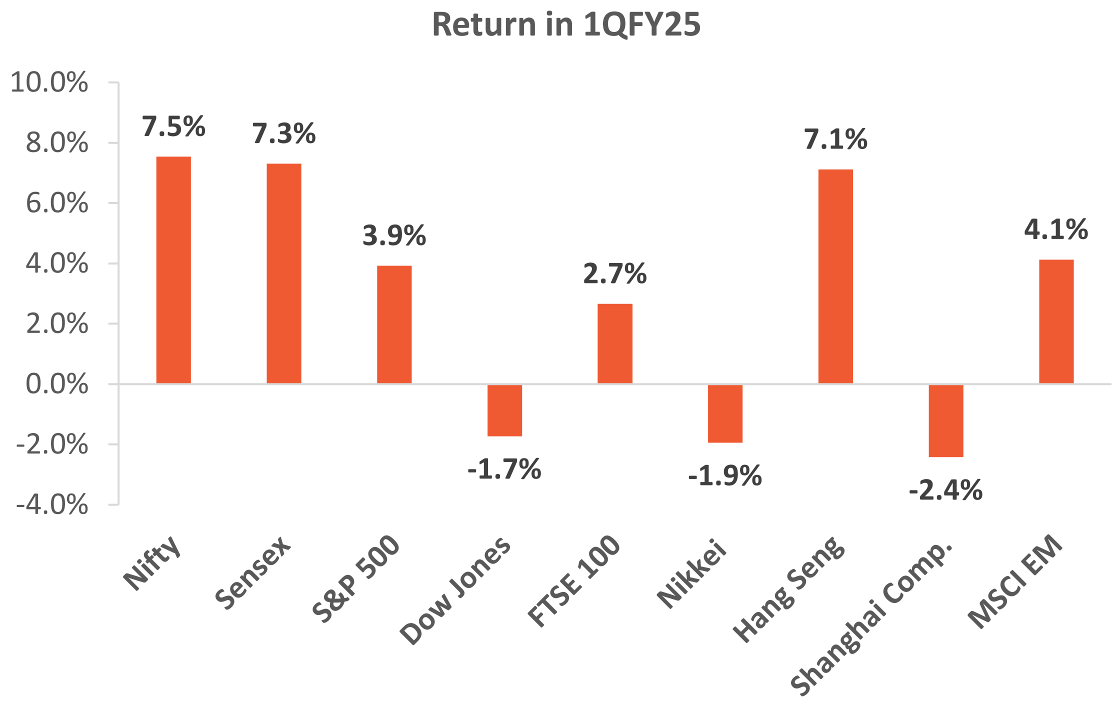
Well, the Market always wins!!

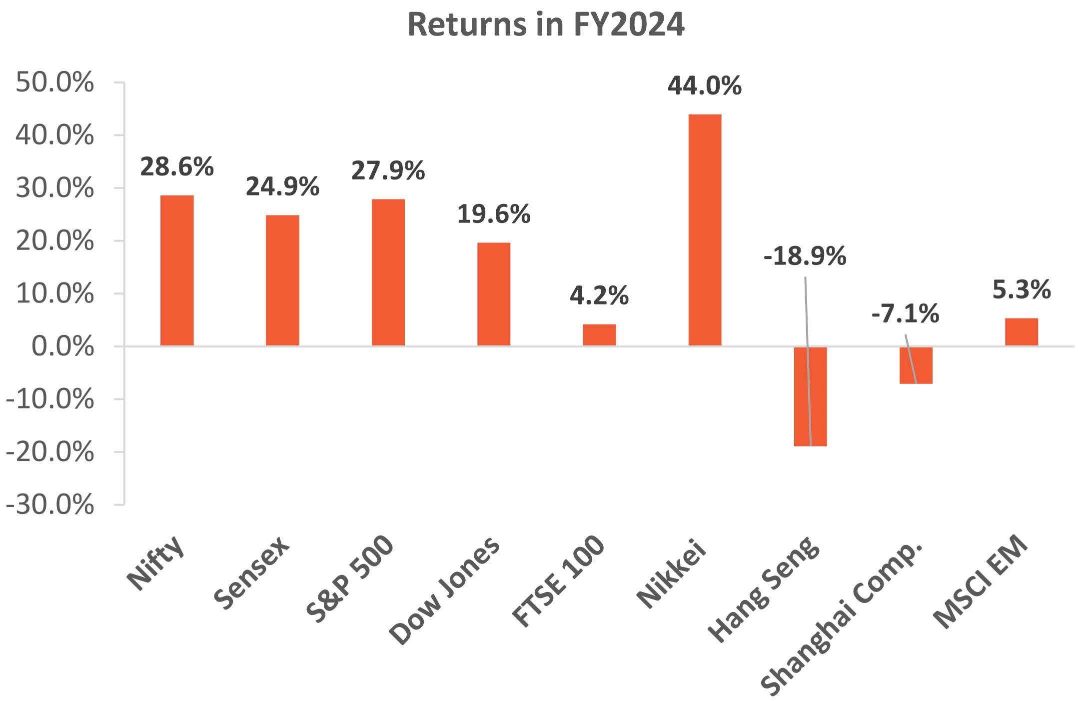


Don't miss the "Big Picture"

India continues to outperforms most major global equity markets

- India remained one of the best markets in FY2023 and FY2024 among global markets and has been outperforming many of its peers convincingly for the past couple of years.
- 1QFY25 outperformance shows that momentum to continue in current fiscal also.





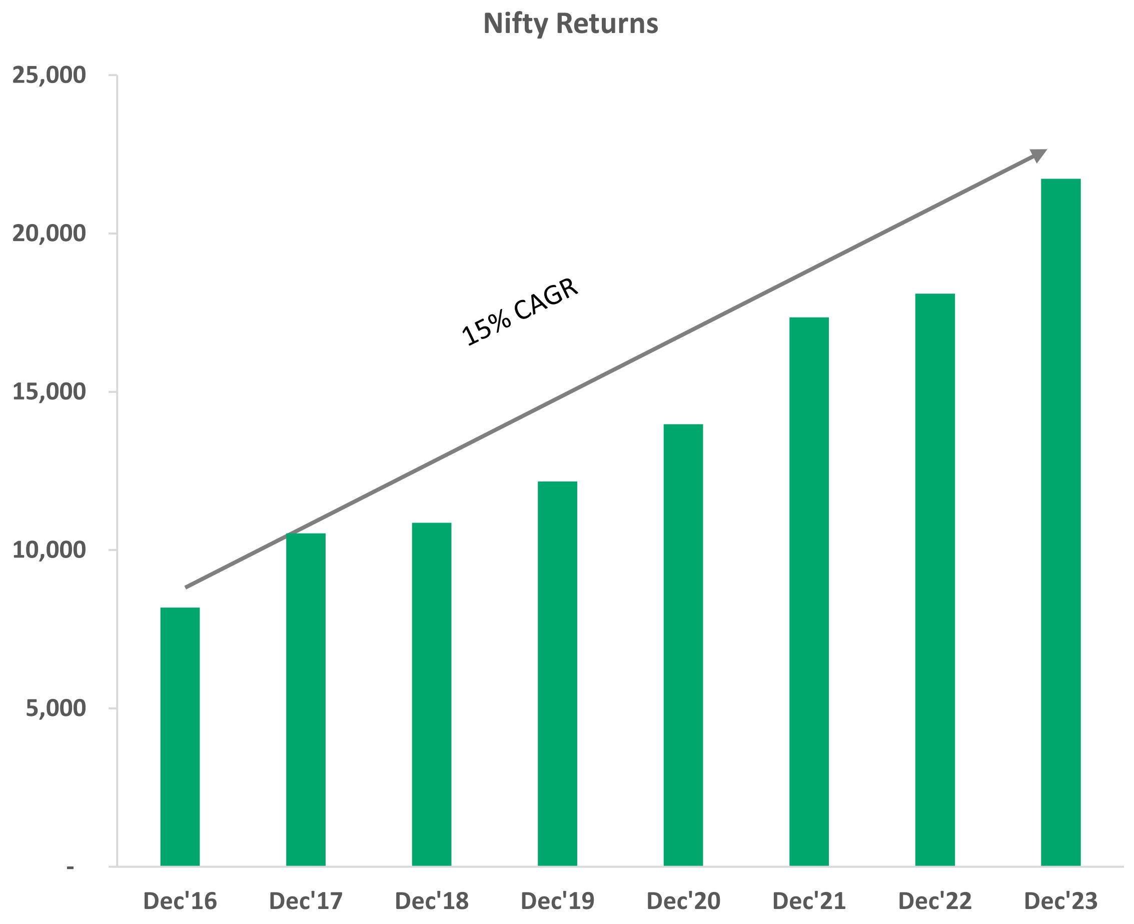
Source: Sharekhan Research

Nifty: Healthy Returns despite major events in India and Globally

CY2016-2023 (8 years): Nifty returns of 15% CAGR despite major events in India & globally

Major events include:

- Demonetisation
- GST implementation
- Ballooning bad loans in banks
- ILFS Fiasco leading to credit crunch
- Pandemic & global lockdown
- Russia-Ukraine conflict & supply-side issues
- Record inflation & one of the most aggressive rate hike cycle in India & globally
- Israel-Palestine conflict



Source: Bloomberg, Sharekhan Research

Indian Economy

Primed for multi-year upcycle

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

Already firing and aiding economy for last couple of years

Corp capex and likely boost in consumption to sustain growth

REAL ESTATE

(Solid recovery after slumber)

- Revival in property cycle to sustain driven by a time correction in prices, better affordability, reasonable interest rates and need to have bigger houses
- This has a positive impact on many industries (such as steel, cement, building materials & other related sectors) and generates employment across income strata

INFRASTRUCTURE

(Infra spendings remain a key booster)

- Budgetary allocation for capex has been going up substantially for last couple of years and supporting various industries
- The government looked at innovative ways like Nation Asset Monetisation Plan to support its ambitious target Rs 111-trillion investment under the National Infrastructure Pipeline (NIP).

CORPORATE CAPEX

(Set for an expansion spree)

- Many large corporates have set out a capacity expansion (including core sectors). Banks in better health now and capitalised to support credit growth in the economy
- Private sector deleveraging and improved asset quality of banks to aid exp plans
- Intensity of corporate capex doubled in the range of Rs 24-26 trillion vis-à-vis five years ago.

CONSUMPTION

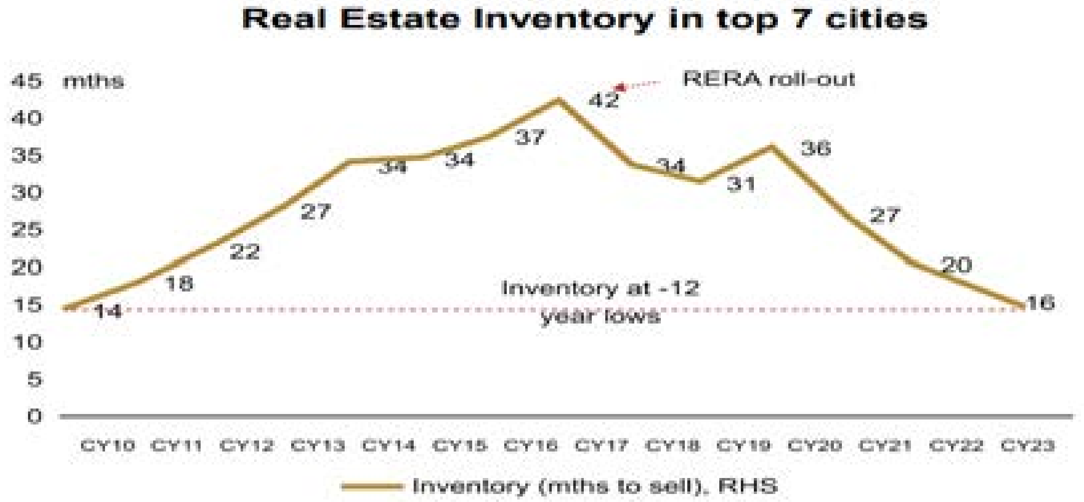
(Multifold growth potential)

- Given the cost of living in India, Discretionary Spendingto see Substantial Growth once the Per Capita income crosses $2,000
- China's per capita income grew by ~5 times; once it crossed the $2,000 mark in 2006

Real estate set to grow ~2x faster than the economy

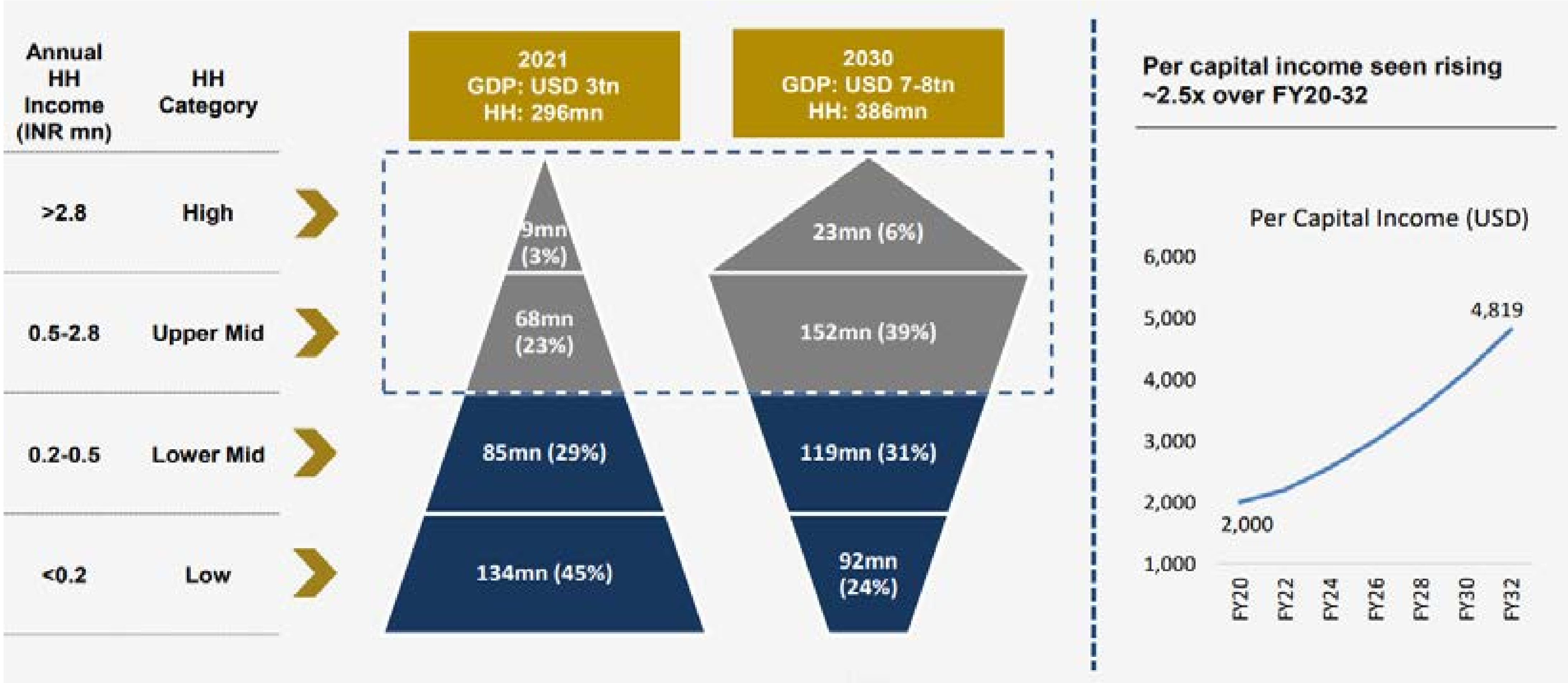
Improving per capita income, rapid urbanisation, family nuclearization, increasing educated workforce every year and most importantly improving affordability ratio to support real estate growth.

GDP Growth	USD ~3tn FY22	USD ~7-8tn FY31	~2.5x FY22-31
Real Estate Contribution to GDP	6-7% FY22	13-15% FY31	Doubling of contribution FY22-31
Real Estate Industry Size	USD 200bn FY22	USD ~1tn FY31	~5x (20% CAGR) FY22-31



Source: Macrotech Developers; Industry Reports; Sharekhan Research

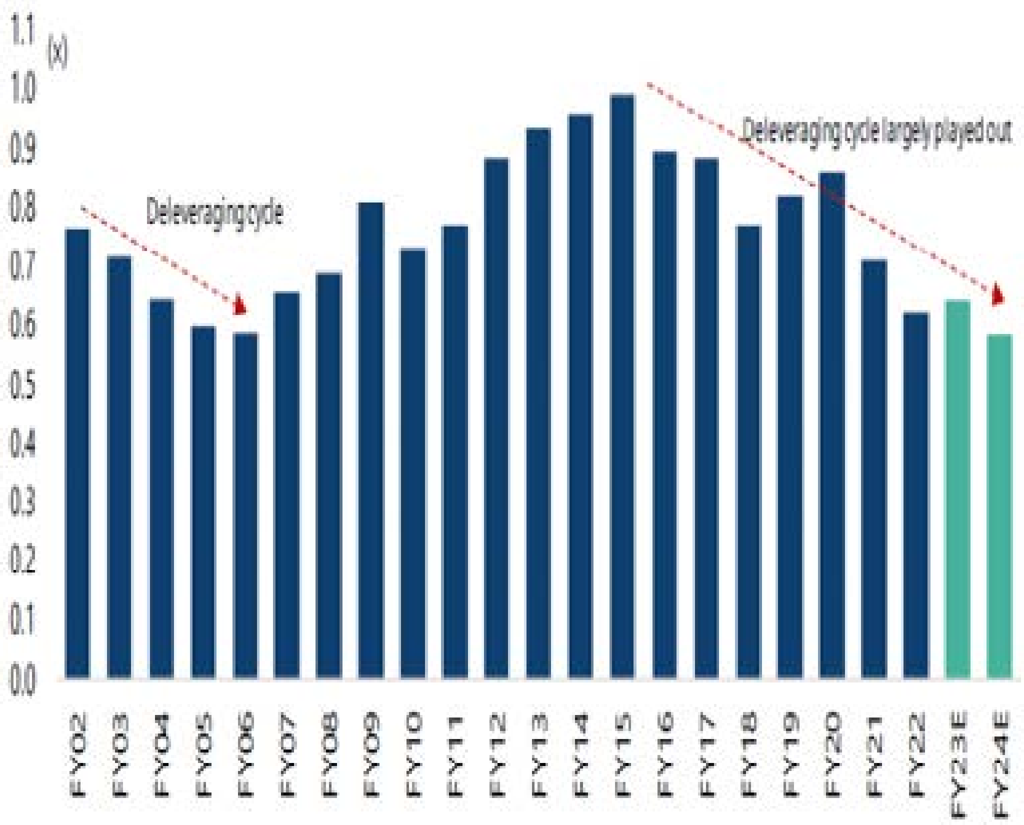
Real Estate: Potential demand of 8-9 crore new houses over the next decade

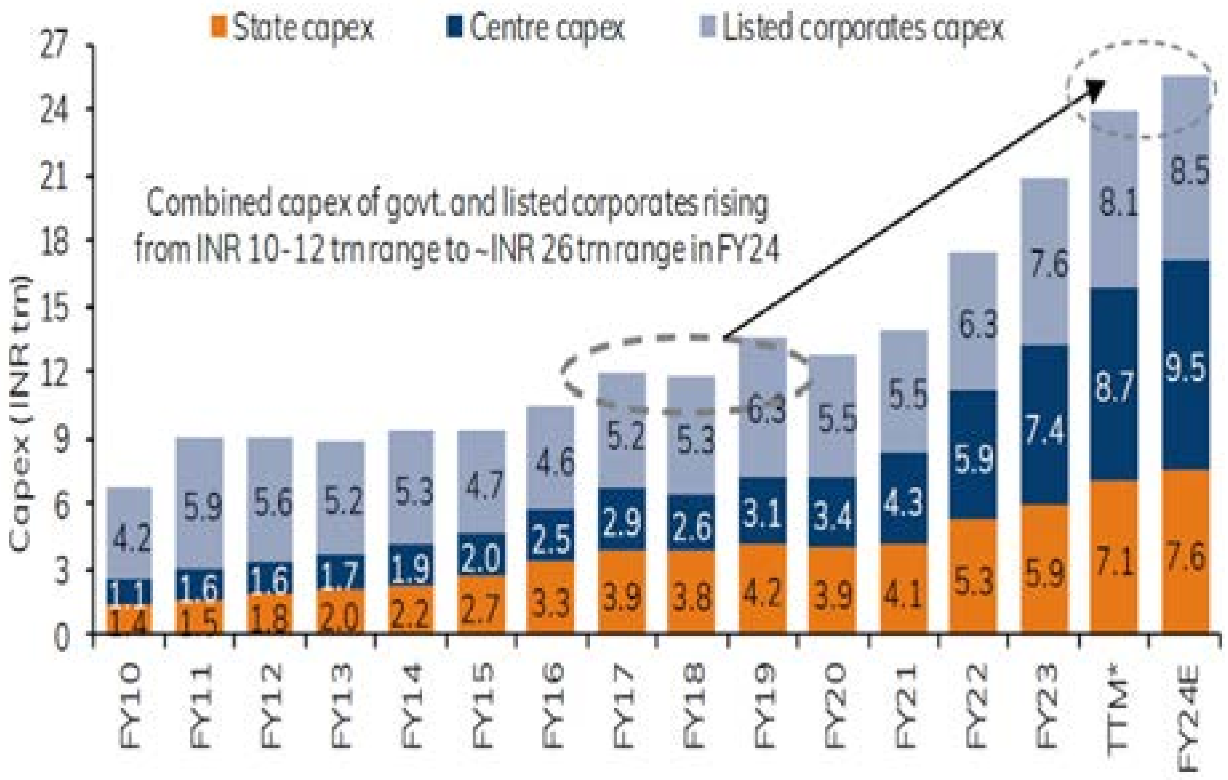


Source: Macrotech Developers; Sharekhan Research, HH - Households

Corporate Investment Cycle: On a Cusp of a Multi-year Upcycle

- Visible revival in private capex along with sustained pick up in govt capex bodes well. A record capex of Rs 26 lakh crore vis-à-vis Rs 10-12 lakh crore four years back will continue to foster momentum..
- Private sector deleveraging and bank balance sheet back in shape to support expansion plans.





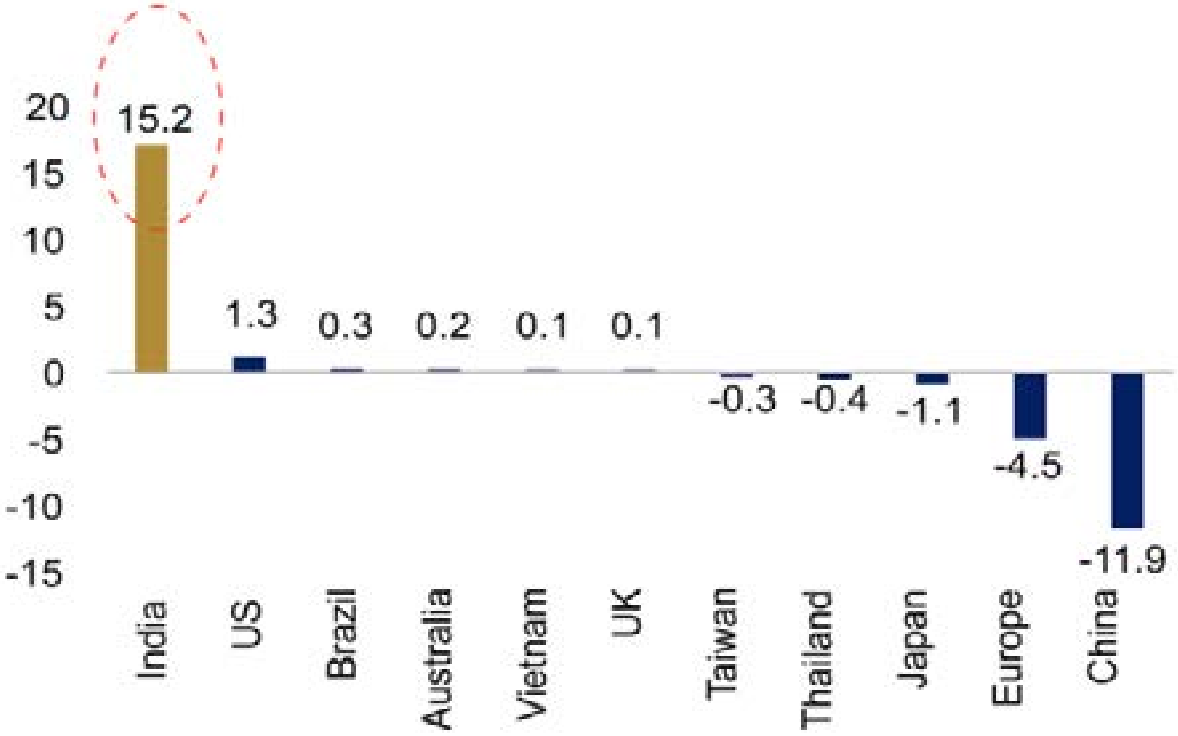
Source: Industry Reports, Sharekhan Research

Sharekhan by BNP PARIBAS

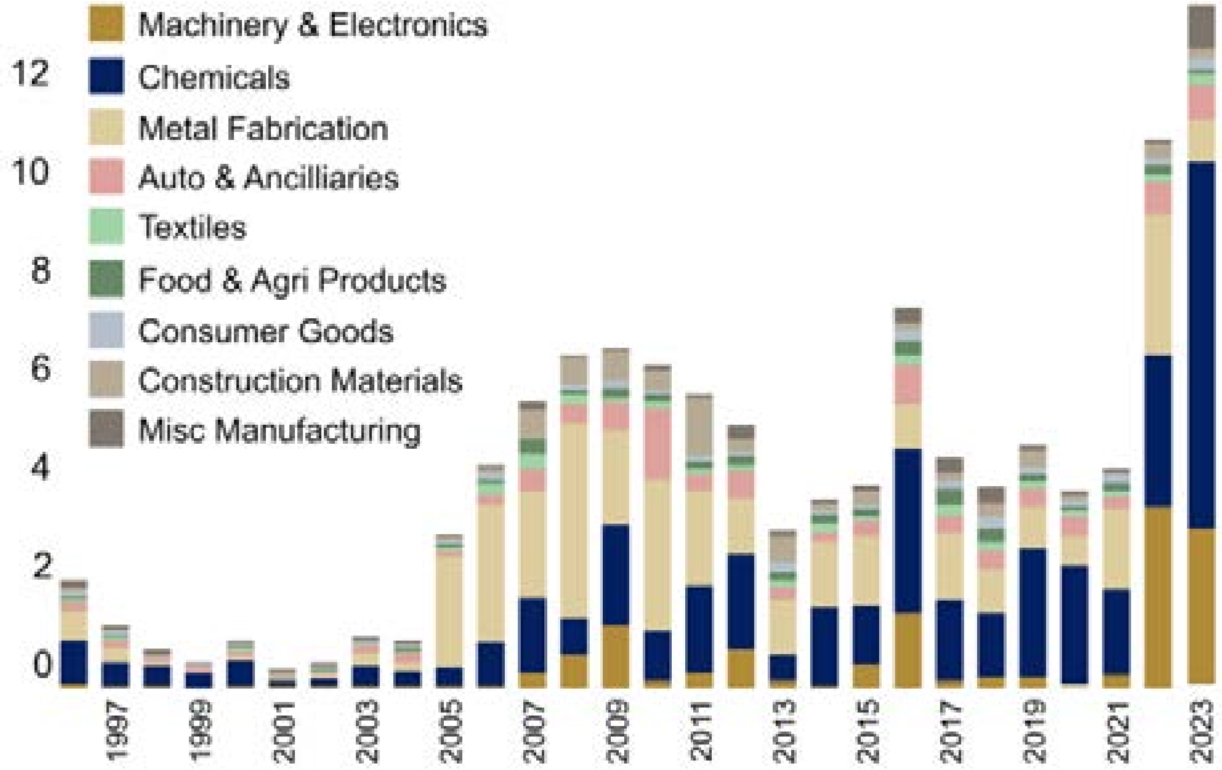
Manufacturing: India to become the factory to the world by 2045..

India outpacing world by adding an over 15-crore working population by 2045 offers it an edge and it may propel India to become manufacturing hub of the world

Addition in 30-60 year age bracket by 2045 (in crore)



New projects announcements in manufacturing have taken off sharply



Source: Industry Reports, Sharekhan Research

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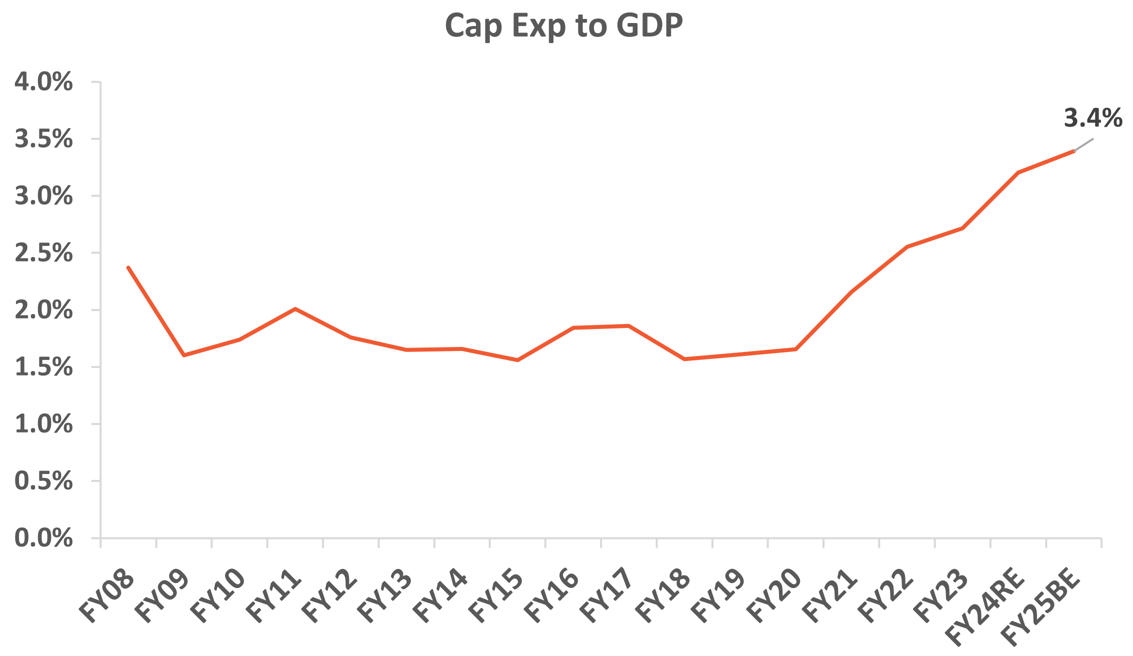
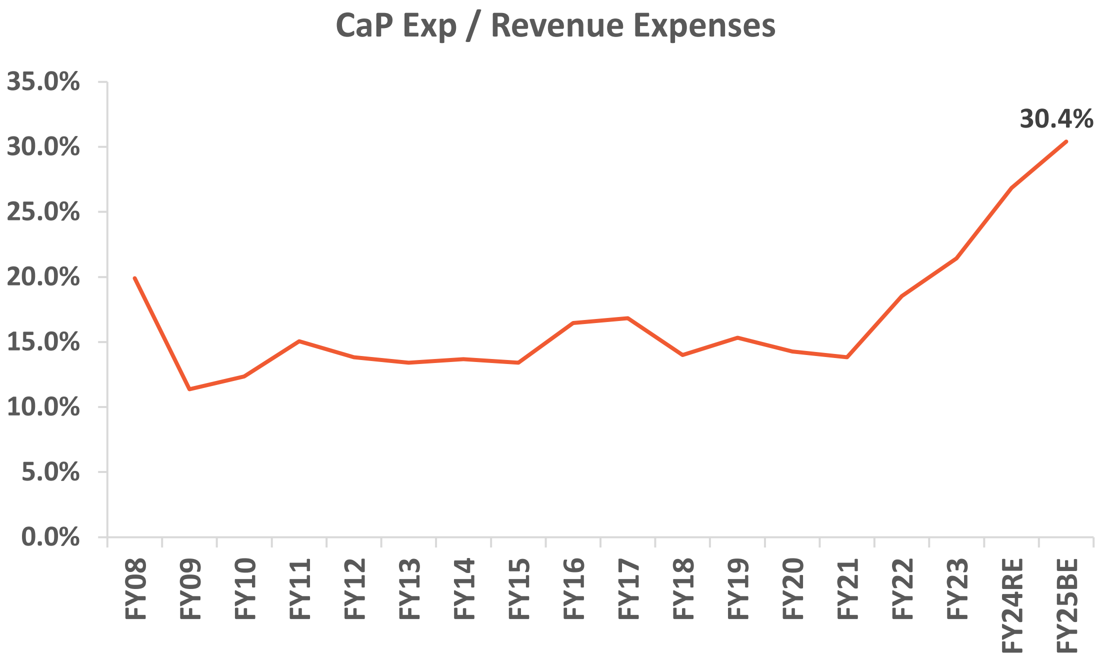
- The multiplier effect of such high capital expenditures to result in sustainable economy growth and corporate earnings.

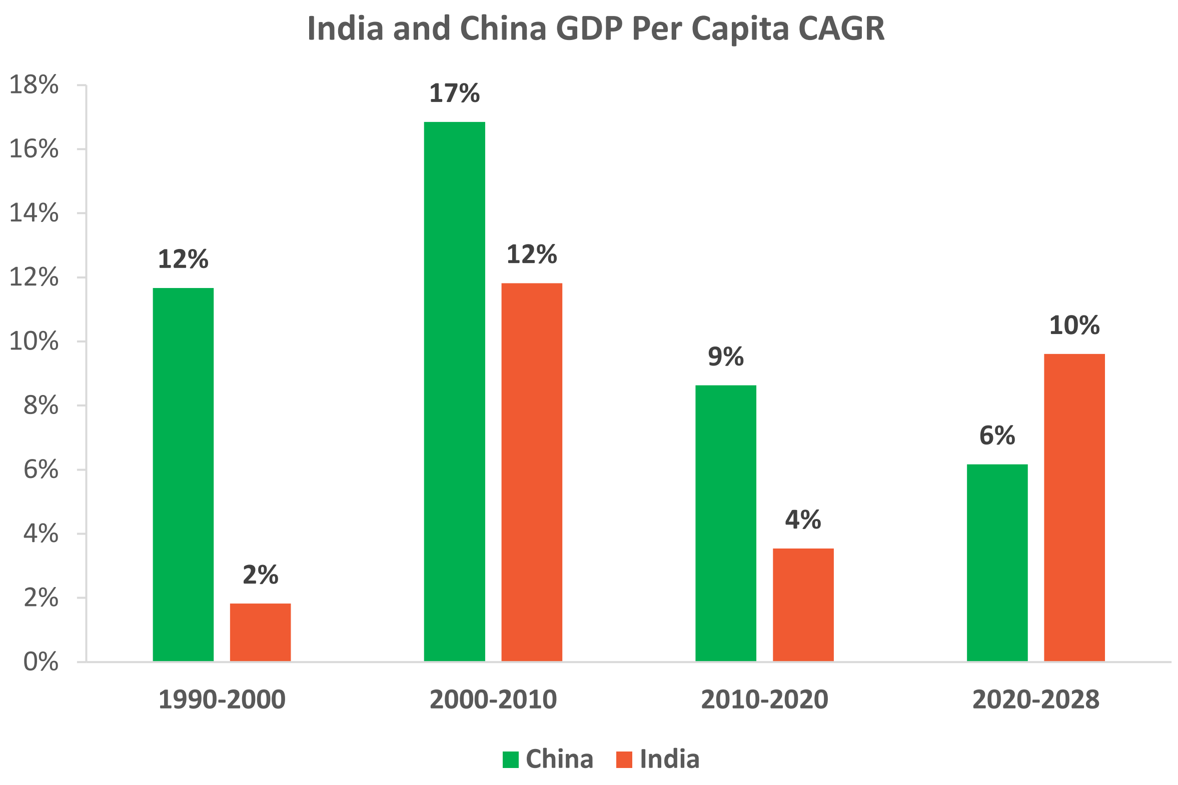


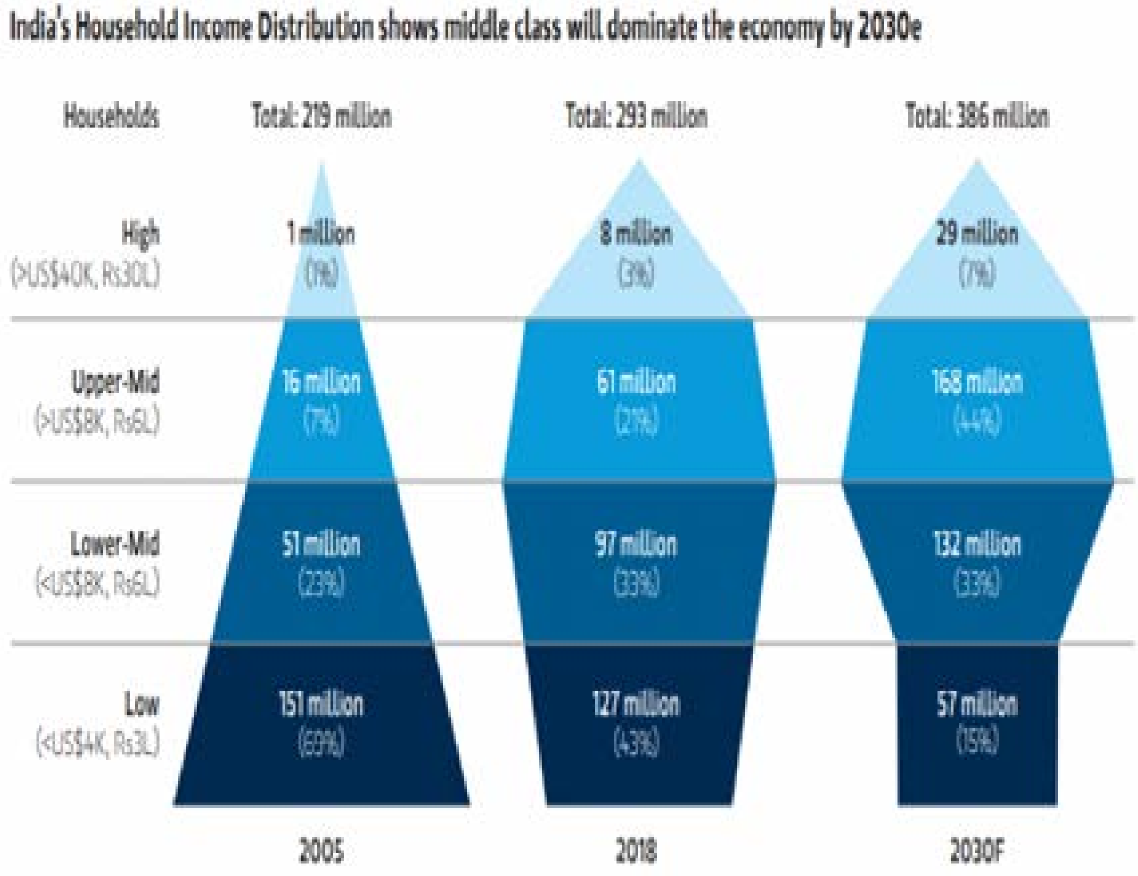


Source: Budget Document, Sharekhan Research

Consumptions: Multifold growth potential is imminent

As India is expected to record double-digit growth by outpacing China in the next decade (first time after 1991 economic crisis), consumption potential in India is at inflexion point and is likely to see a sharp rebound in subsequent years with India is expected to reach ~$4000 GDP per capita in 2028 (as per IMF).



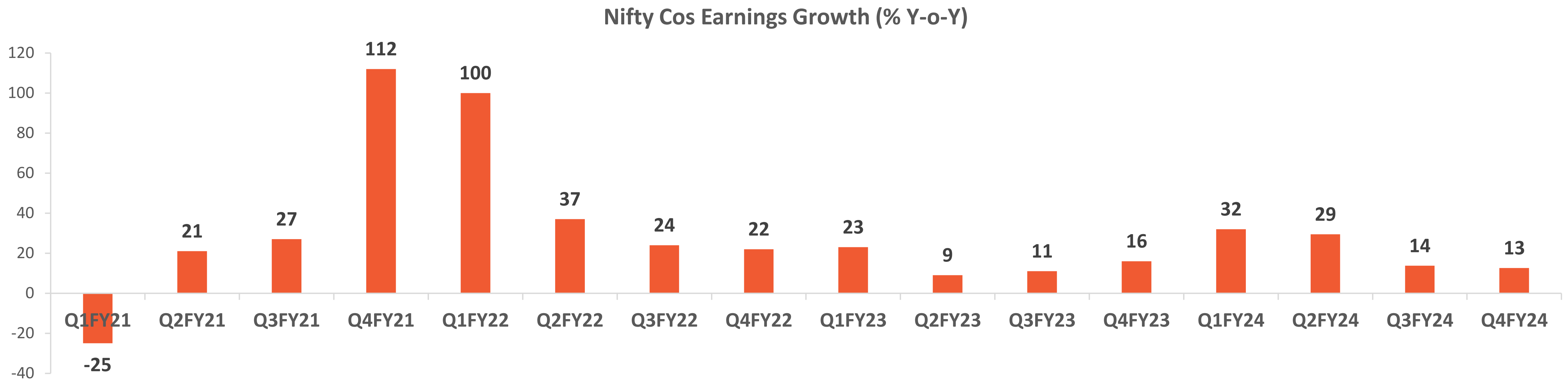


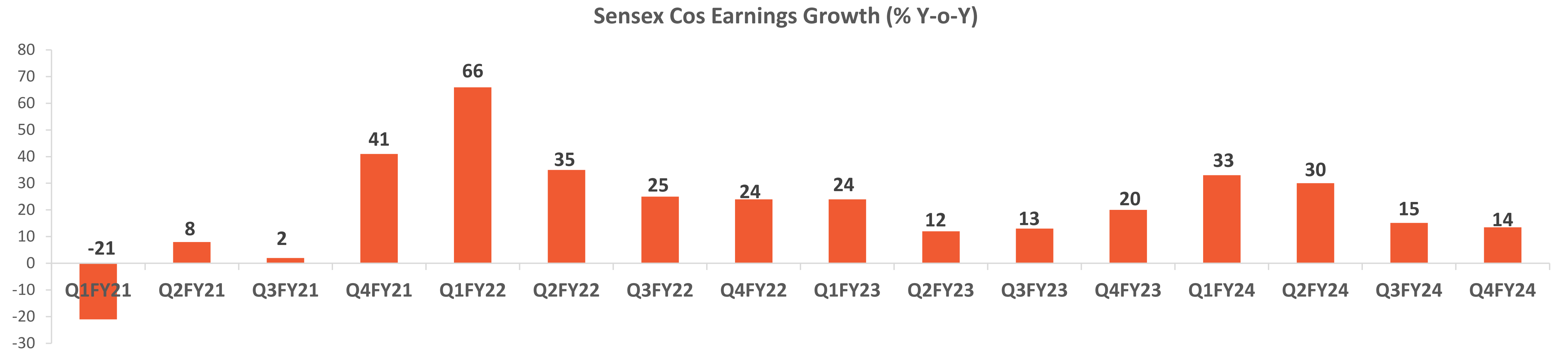
Source: IMF, WB and Industry Reports

Corporate Earnings

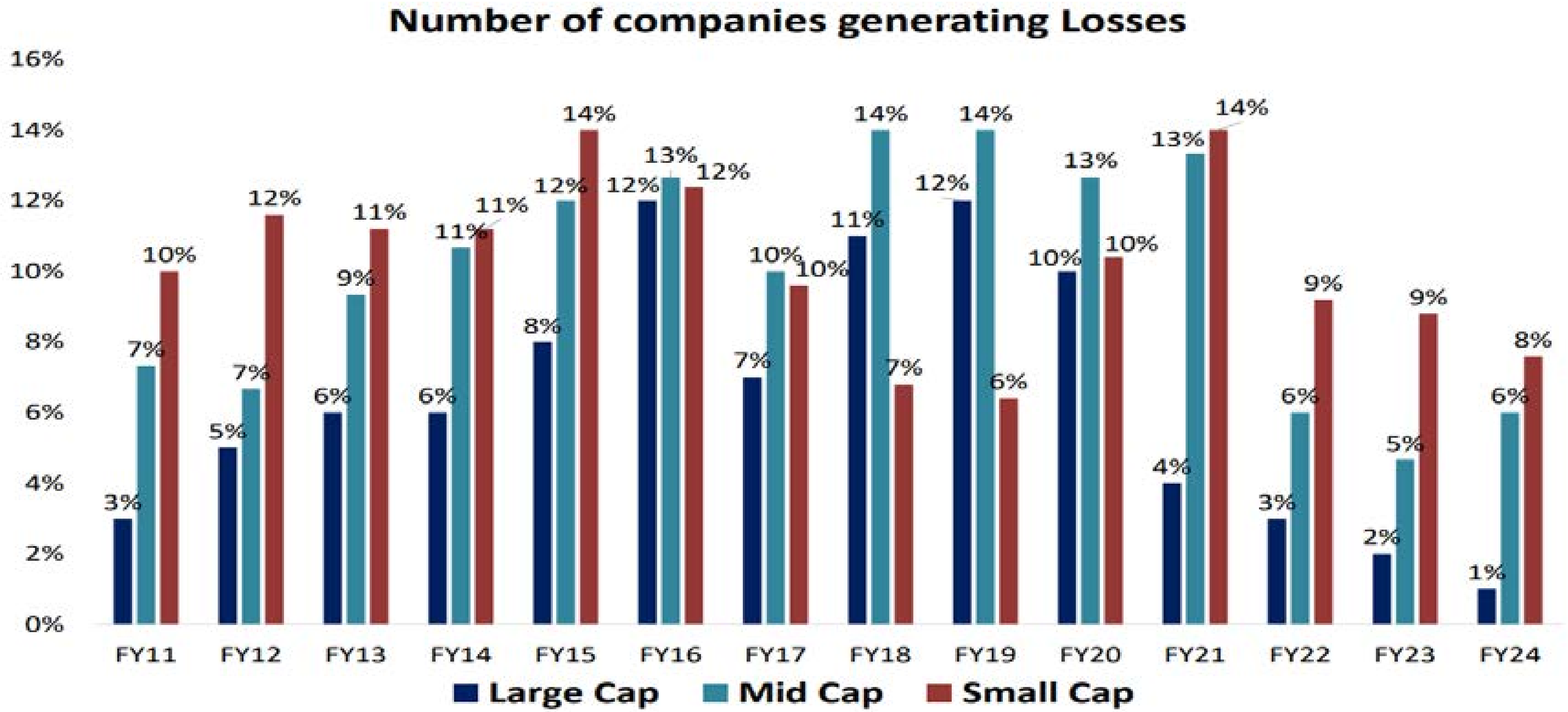
Double-digit earnings despite rate hikes

Nifty & Sensex: Strong Earnings Growth for 15 Quarters Now!





Sharp drop in companies generating losses vindicates robust earnings trajectory



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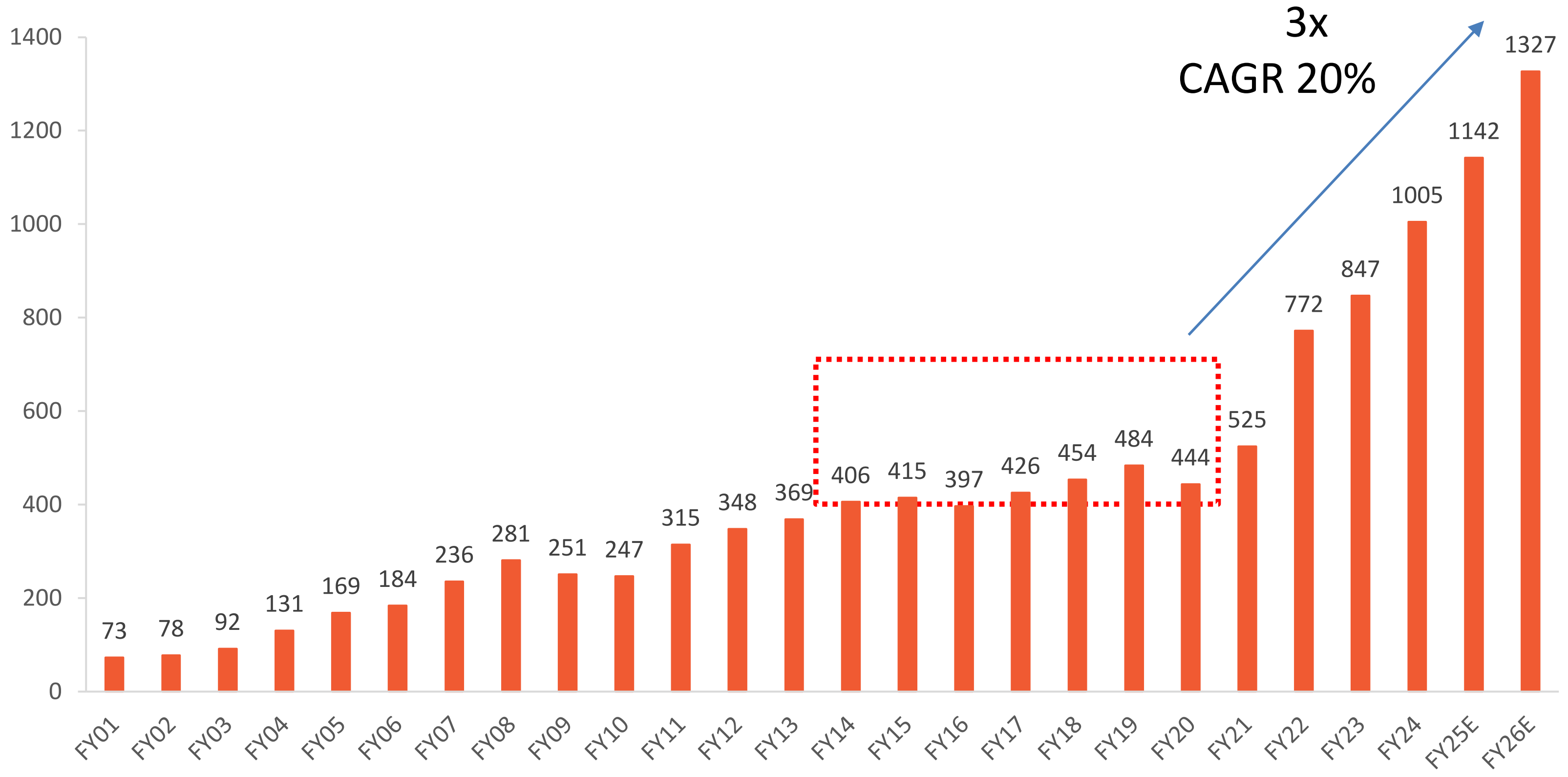
Corporate Earnings: Nifty EPS on a high growth trajectory

Nifty EPS: Consensus estimates suggest 3x surge in Nifty EPS during FY2020 - FY2026 after a long period of muted growth in earnings of Nifty companies (FY2014-2020).



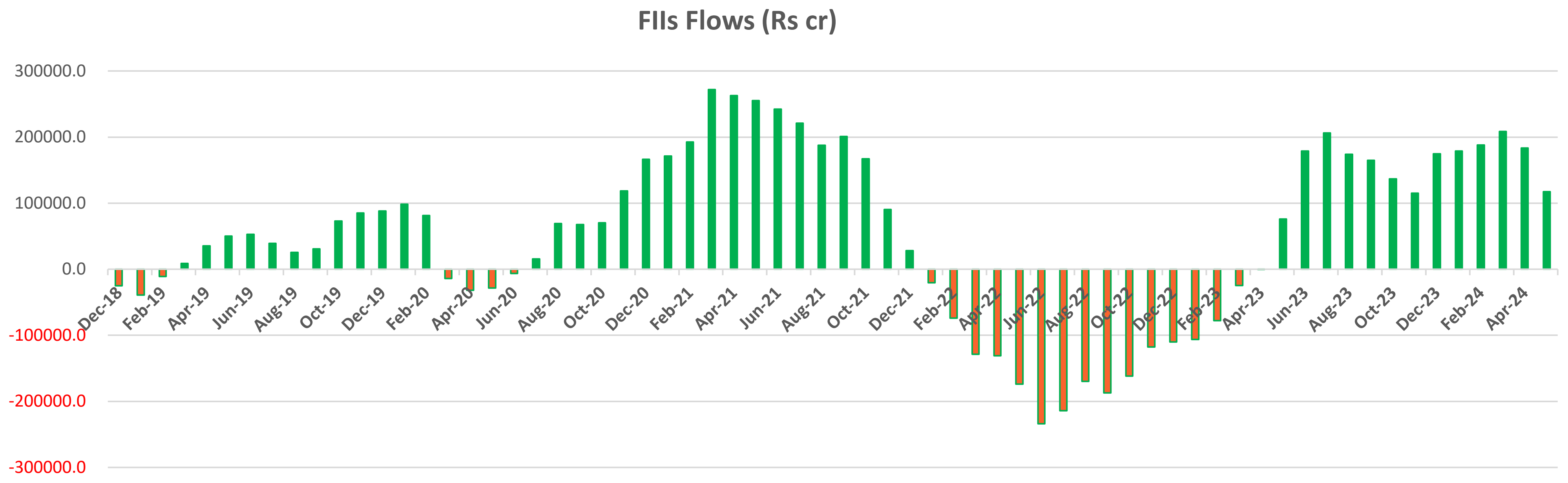
Source: Company; Sharekhan Research

India Equity

Can’t be ignored by serious investors anymore

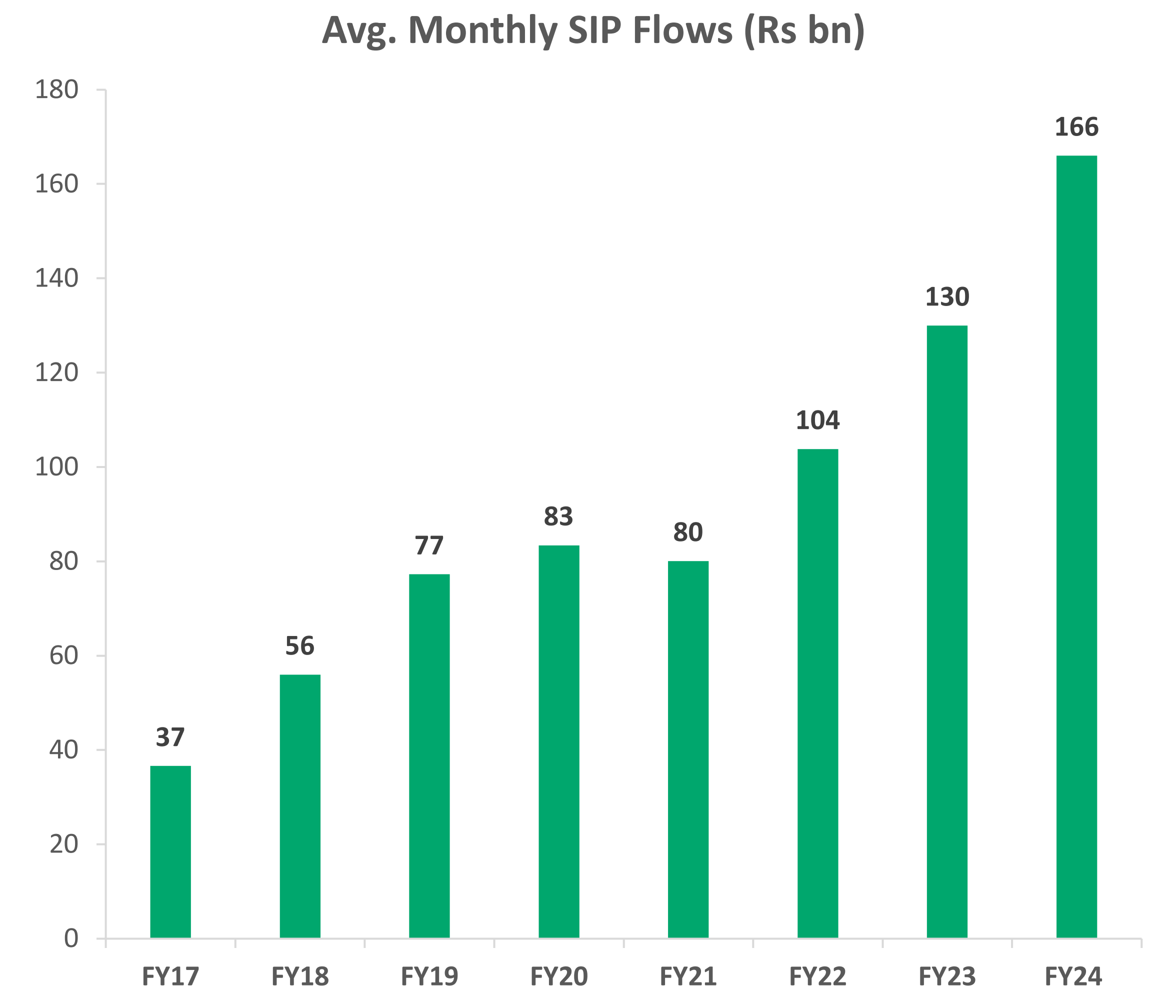
FII Flows: Can be Volatile & Unpredictable but 12-month rolling trend is a good indicator

- Weekly or monthly trend in FII flows can be very volatile and unpredictable.
- However, on a 12-month rolling basis, FII flows into India has turned positive in May'23 after a long gap since December 2021. This along with broad improvement in macros for India indicates current trend to sustain in subsequent period.

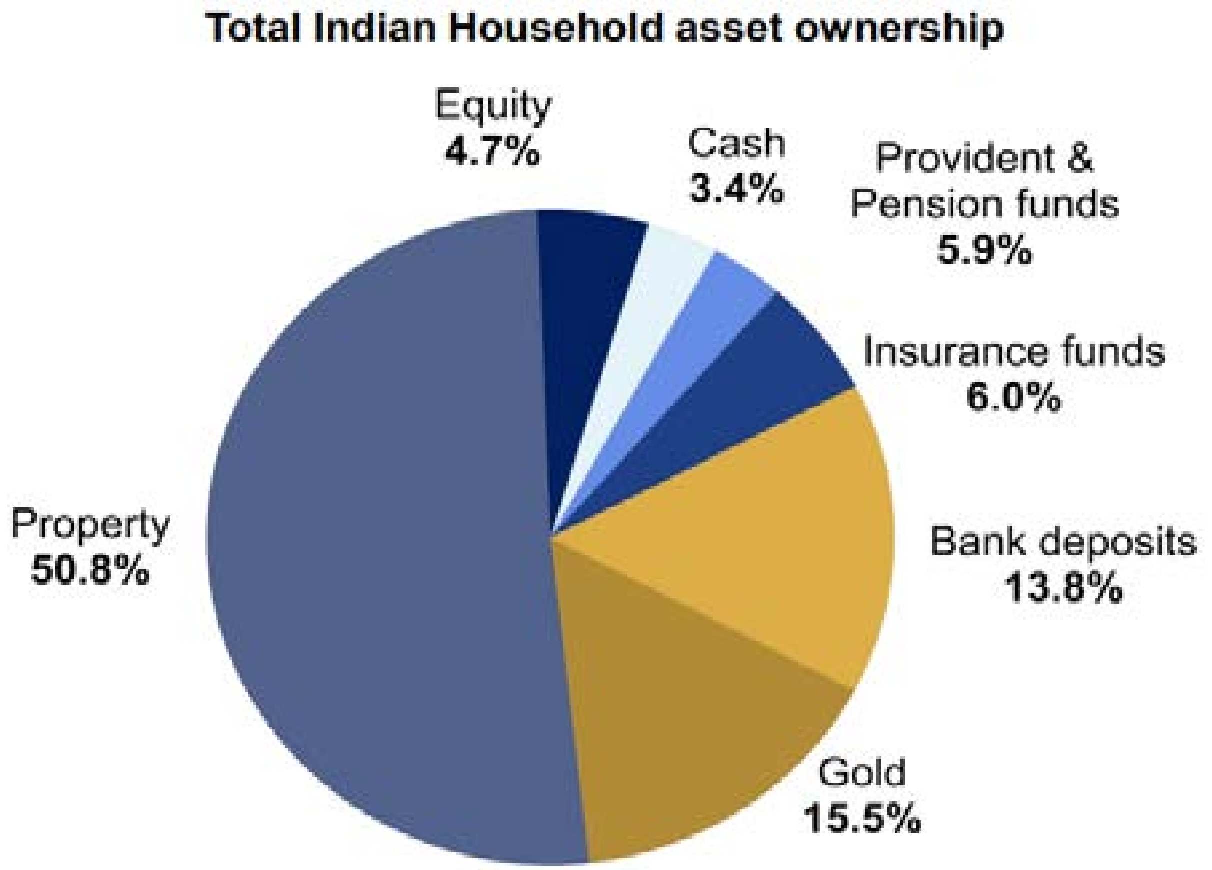


Source: Bloomberg, Sharekhan Research

Improvement in SIP flows to remain visible as equity penetration is still low in India



Source: AMFI, Sharekhan Research



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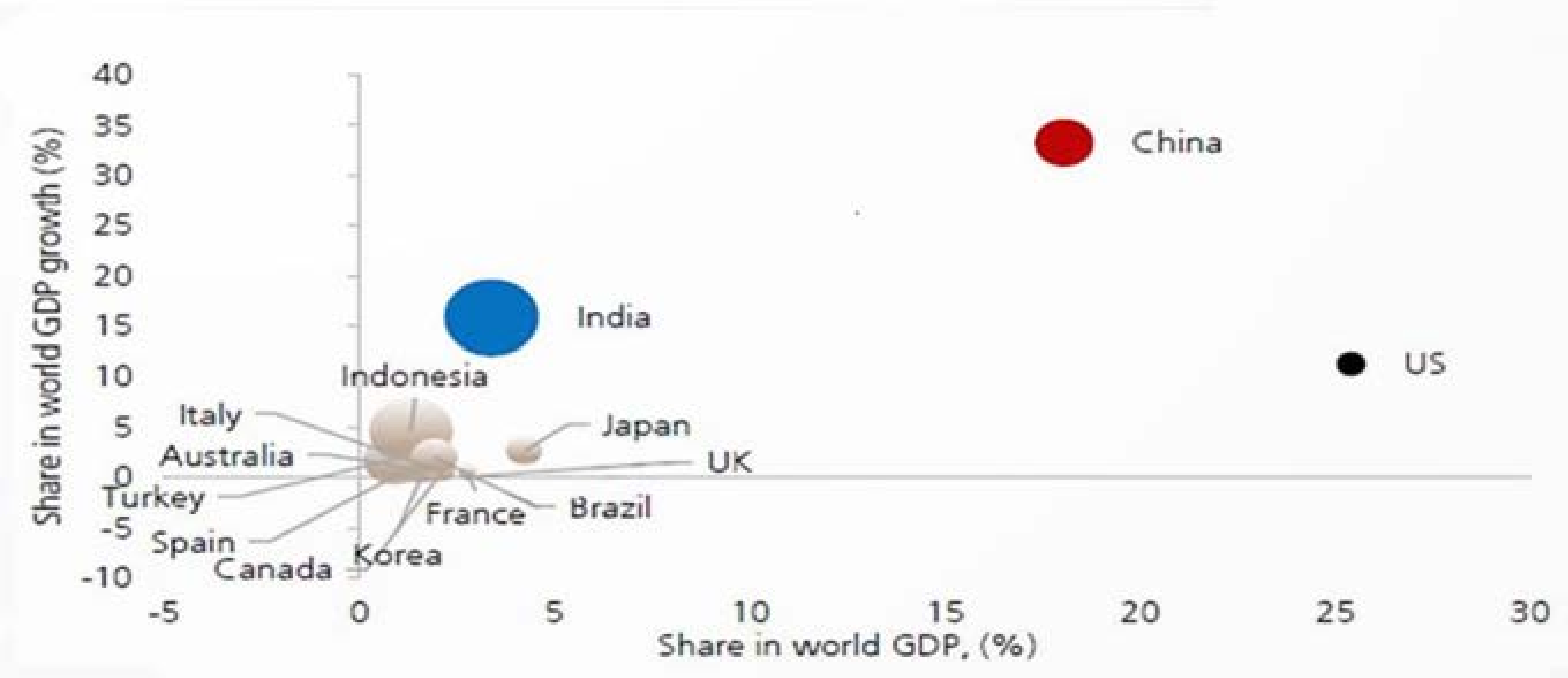
India: Fastest-growing large economy globally in CY2023/CY2024

(Real GDP, annual percent change)	2022	PROJECTIONS 2023	2024
World Output	3.5	3.0	2.9
Advanced Economies	2.6	1.5	1.4
United States	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
Italy	3.7	0.7	0.7
Spain	5.8	2.5	1.7
Japan	1.0	2.0	1.0
United Kingdom	4.1	0.5	0.6
Canada	3.4	1.3	1.6
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.1	4.0	4.0
Emerging and Developing Asia	4.5	5.2	4.8
China	3.0	5.0	4.2
India	7.2	6.3	6.3
Emerging and Developing Europe	0.8	2.4	2.2
Russia	–2.1	2.2	1.1
Latin America and the Caribbean	4.1	2.3	2.3
Brazil	2.9	3.1	1.5
Mexico	3.9	3.2	2.1
Middle East and Central Asia	5.6	2.0	3.4
Morocco	1.3	2.4	3.6
Saudi Arabia	8.7	0.8	4.0
Sub-Saharan Africa	4.0	3.3	4.0
Nigeria	3.3	2.9	3.1
South Africa	1.9	0.9	1.8
Memorandum			
Emerging Market and Middle-Income Economies	4.0	4.0	3.9
Low-Income Developing Countries	5.2	4.0	5.1

India's share to world GDP growth at 15%: The second best and can not be ignored..

- Various economic reforms resulting in India's healthy GDP growth made India to contribute 15% of global incremental GDP growth, which is the second-best in the world.
- This certainly augurs well for India in terms of attracting greater FIIs flows.



Source: Industry Report, Sharekhan Research

Structural Bond Market on Anvil

Bodes well for economy and equities too

India is on firm footing to see a structural bond market like never before

We analyse four key factors ensuring a likely structural market for India Bonds

Favourable macro-economic dynamics

CAD: $5 billion-odd a month pick up in net services trade surplus over the past three years to sustain and keep CAD lower on a sustained basis

Fiscal Deficit: On track to achieve 4.5% target in FY26 aided by steady tax collections and improvement in quality expenditures

Inflation: Govt's proactive supply side mgt and better crop productivity aided by favourable monsoon to keep it under control

Size and scale

India is already the 5th largest economy soon to hopefully be third over a reasonable forecast horizon. This is now too large for global investors to ignore.

Bond index inclusion

Index inclusion is just the nudge needed for global fixed income investors to set up the apparatus for taking exposure to India fixed income

De-premiumization of US Dollar assets

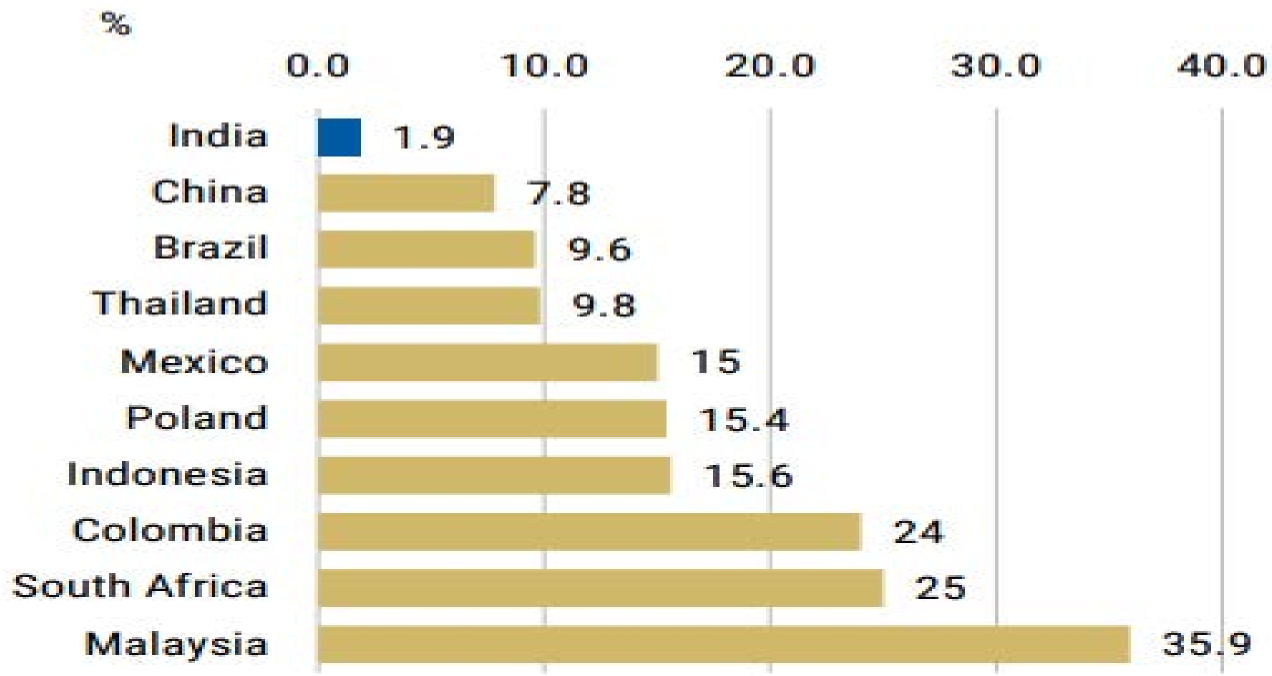
Over 6% fiscal deficit (higher than GDP growth), narrowing of bond yield spreads between USA and others, sudden rise in gold demand by global central bankers, among others justify de-premiumization of USD and promote bond diversification

Source: Sharekhan Research

Bond's inclusion in GBI-EM to ensure whopping inflows of US$ 25-30 bn

- India is set to join the index with 1% in June 2024. The weight will increase by 1% each month until 10% in April 2025. India will be the second biggest EM country in the index, after China.
- **Notably, this is likely to ensure India to see foreign inflows (into debt) in the range of US$ 25-30 bn. This will result in a stable Rupee and low cost of funding for India.**

India has the lowest foreign ownership of government bonds among major EM countries



Source: Industry Report

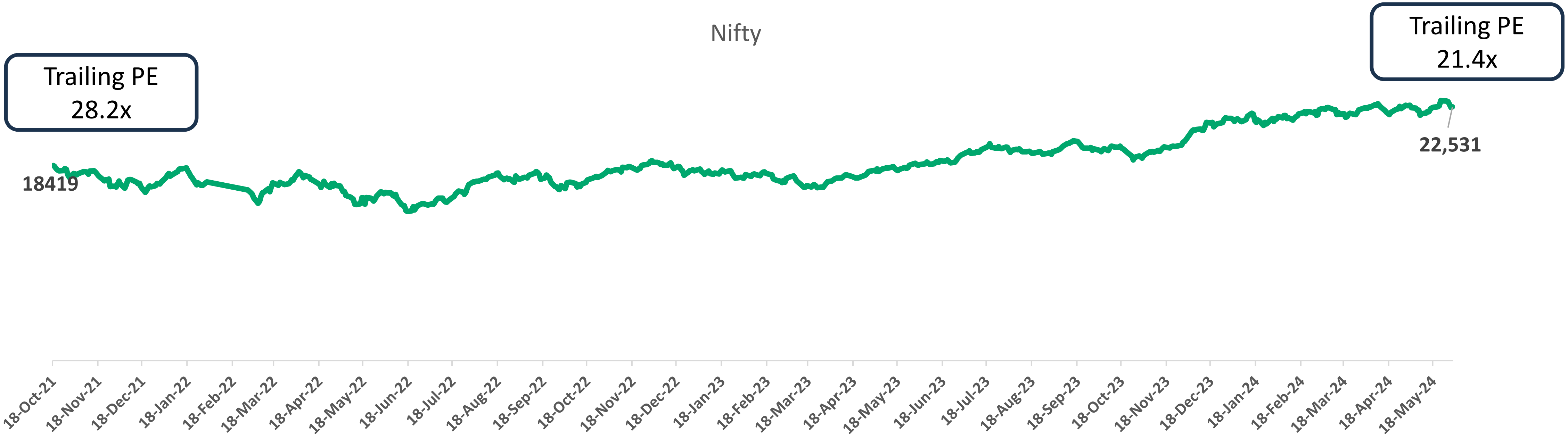
Valuation

Not cheap anymore but not also anywhere close to euphoric levels too

Nifty witnessed sharp upmove in FY24, but valuations nowhere close to all-time high

	Oct-21	May-24
Nifty EPS	582	1020
GST Collections (Rs. bn)	1300	1734
Credit Growth (%)	6.3	20.2
Manufacturing PMI	55.9	57.5
Services PMI	58.4	60.2

	Oct-21	May-24
CPI (%)	4.48	4.83
WPI (%)	13.83	1.26
10-year G-Sec Yields (%)	6.4	6.98
Brent Crude ($/bbl)	84.4	80.9
Fiscal Deficit (%)	6.4	5.8

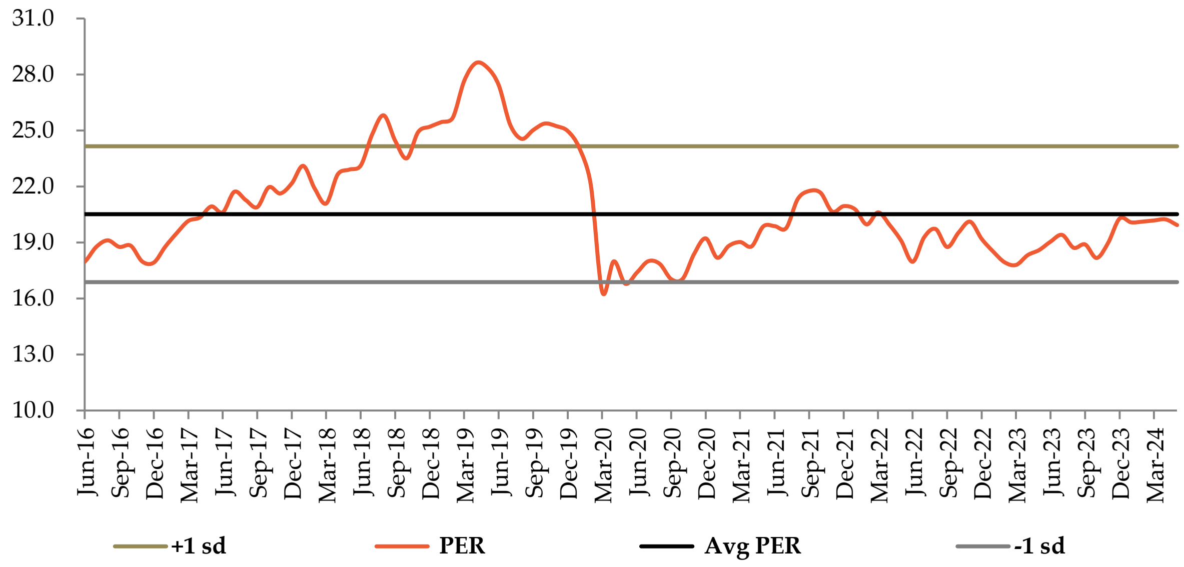


Source: Bloomberg, Sharekhan Research

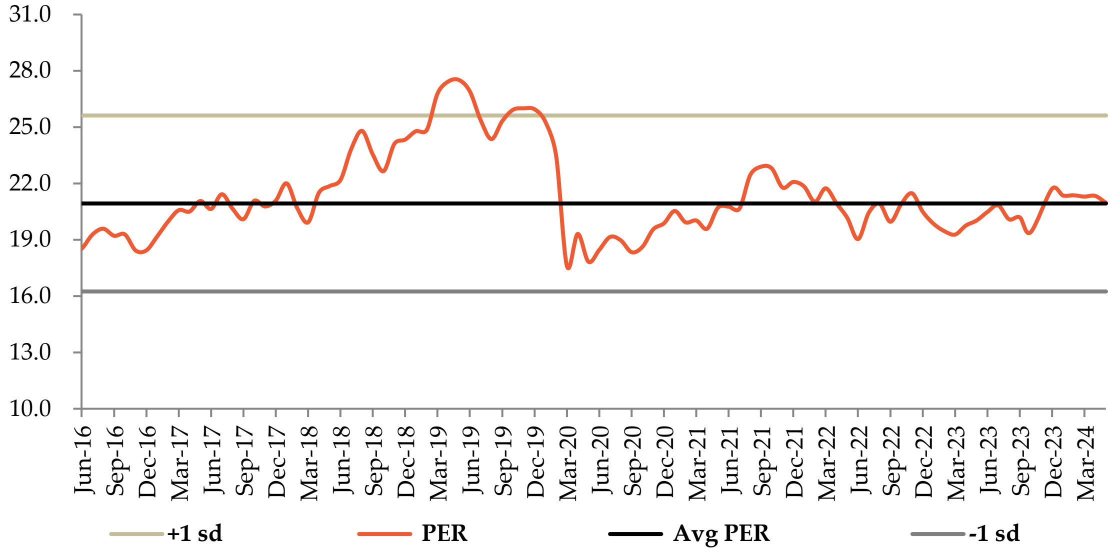
Valuation: Not cheap anymore; sound earnings outlook to aid premium valuations

- The Nifty trades at 20.4x and 18.5x of FY25E and FY26E earnings, respectively, which is a mostly at par to modest premium vis-a-vis long-term average multiples.
- However, premium of a single majority stable government might see some readjustments.

One-year forward PE chart of Nifty



One-year forward PE chart of Sensex



Source: Bloomberg; Sharekhan Research

India premium on Mcap to GDP is justified given higher growth rate

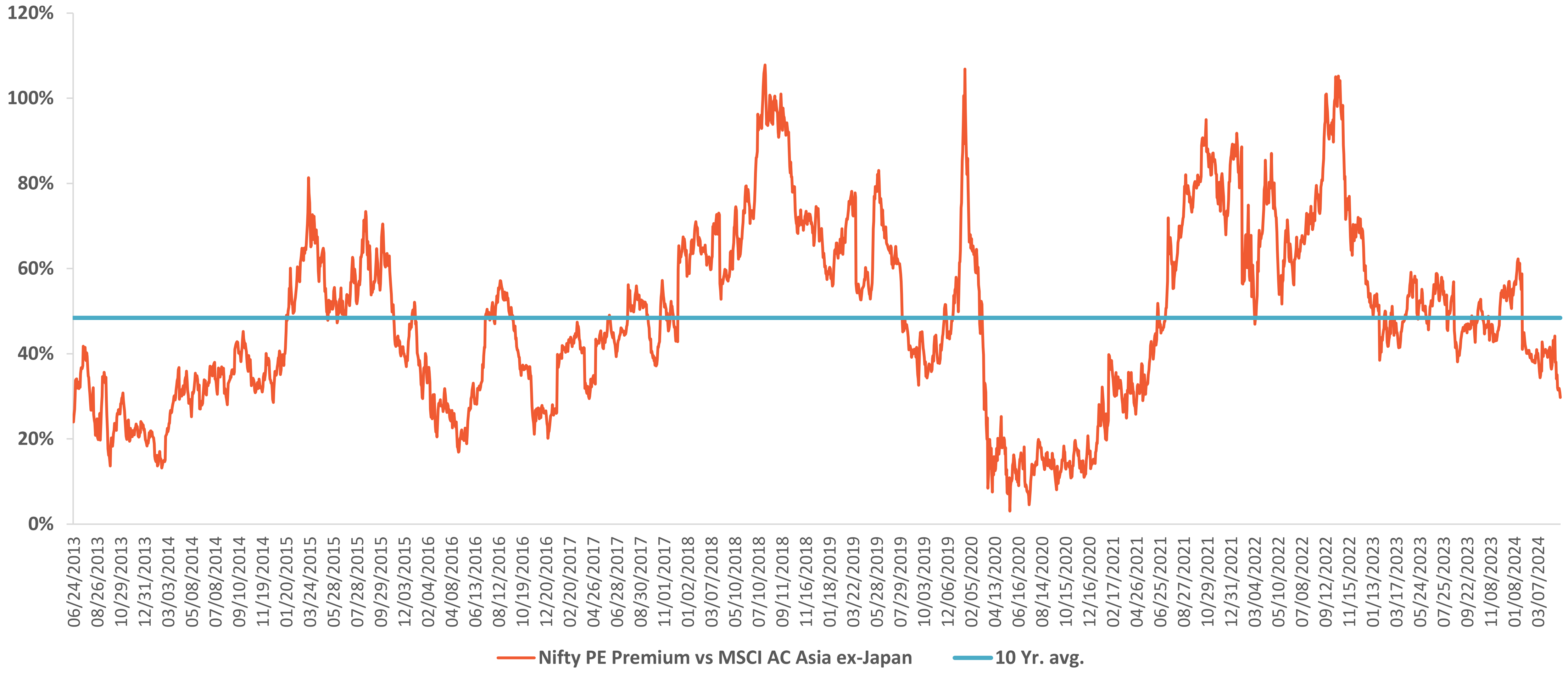
- A comparison with global key peers shows that India (on Mcap to GDP ratio) trades at significant premium to most countries barring the USA and Taiwan.
- We believe this is justified and 2-16x of GDP growth of peers. Further, an improved visibility of India becoming US$ 10tn economy by 2035 itself reflects a healthy growth that is better than peers, over the long run. This essentially indicates that widening premium cannot be ruled out.

Global comparison of M.cap to GDP ratio vis-à-vis GDP growth

Countries	M.cap to GDP	Real GDP Growth
USA	189%	2.70%
Japan	154%	0.90%
UK	93%	0.50%
Germany	50%	0.20%
Taiwan	279%	3.10%
China	58%	4.60%
South Korea	102%	2.30%
India	130%	8.20%

Source: Industry; Sharekhan Research

Nifty PE premium to MSCI AC Asia (ex-Japan) trades at par of historical avg.



Source: Sharekhan Research

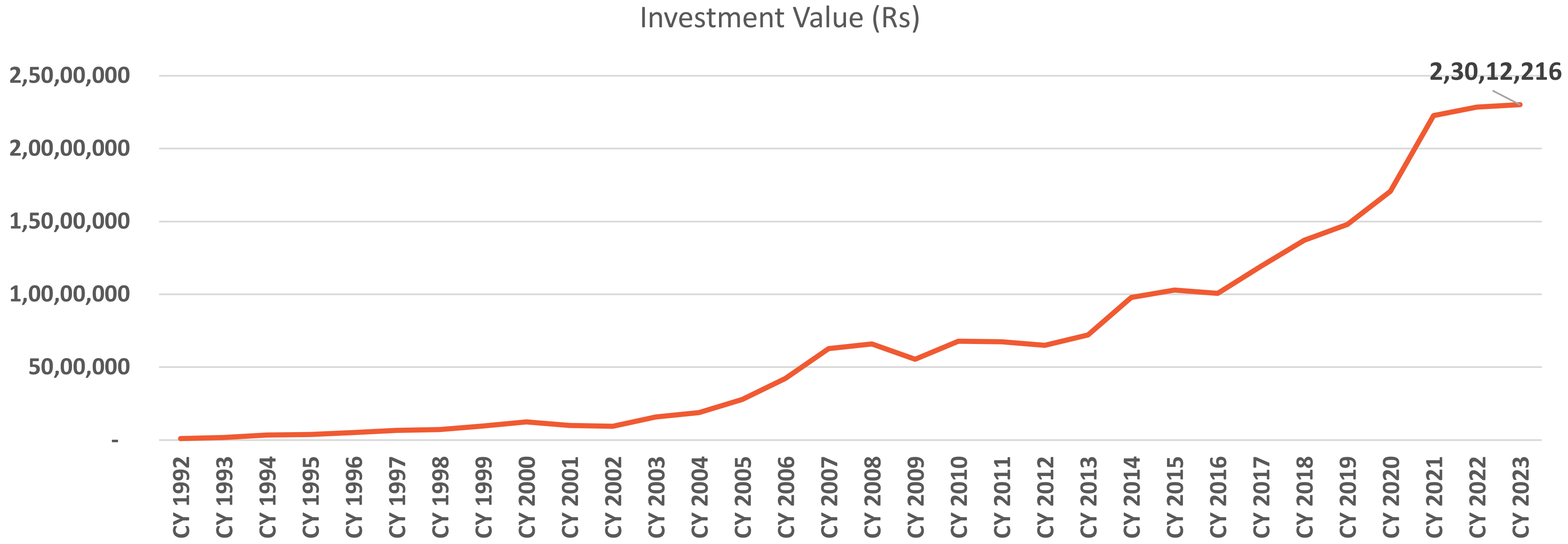
Timing the market

Time spent in market is more important than timing the market

Disciplined investment pays off irrespective of market levels..

- Our analysis shows that if an unfortunate investor had invested **Rs 1 Lakh every year since 1992** at the Sensex's highest level in that year, her investment would have become **Rs 2.3 crore** -- reflecting a **CAGR return of little over 11%.**
- **It is important to invest in disciplined manner rather than try and time the markets.**

Rs 1 lakh investment at market's top of every year since 1992



Source: Sharekhan Research

Sharekhan by BNP PARIBAS

Big Opportunity: Multi-year economic upcycle in India

- The benchmark indices, Nifty/Sensex, continue to be on a strong uptrend. Despite the major events such as the general elections and Union Budget bringing in some negative news flow, the markets have climbed all the walls of worries to scale to new peak level. In fact, Nifty has broken out of the multi-month consolidation zone and consequently the uptrend would continue in the immediate term.

- The quarterly results season is turning out to be a mixed bag. IT services companies have come out with better-than-expected returns and a strong management commentary on the demand outlook. Some consumer companies focused on rural markets are also indicating signs of a pick-up in demand. On the other hand, results in the banking space have been quite mixed with Axis Bank, IDFC First and IndusInd Bank disappointing on the asset quality side, whereas ICICI Bank continues with its steady growth and improving asset quality trends.

- Major domestic events such as the elections and the Union Budget are done and dusted. Fundamentals will come to fore again. Valuation is not a big concern in the large-cap space but the risk-reward is not favourable in the small/microcap space now. So accordingly there is case for fine-tuning your investment portfolios.

- Over the medium term, the focus should be on the **BIG PICTURE** of multi-year growth upcycle in the Indian economy & corporate earnings. Stay invested in right quality of stocks and do not miss out the opportunity to make handsome returns over the next 2-5 years. In the near term, the beginning of the rate cut cycle in US and India is a key potential trigger.

DEBT/ FIXED INCOME UPDATE & OUTLOOK

Union Budget Impact on the Debt Markets

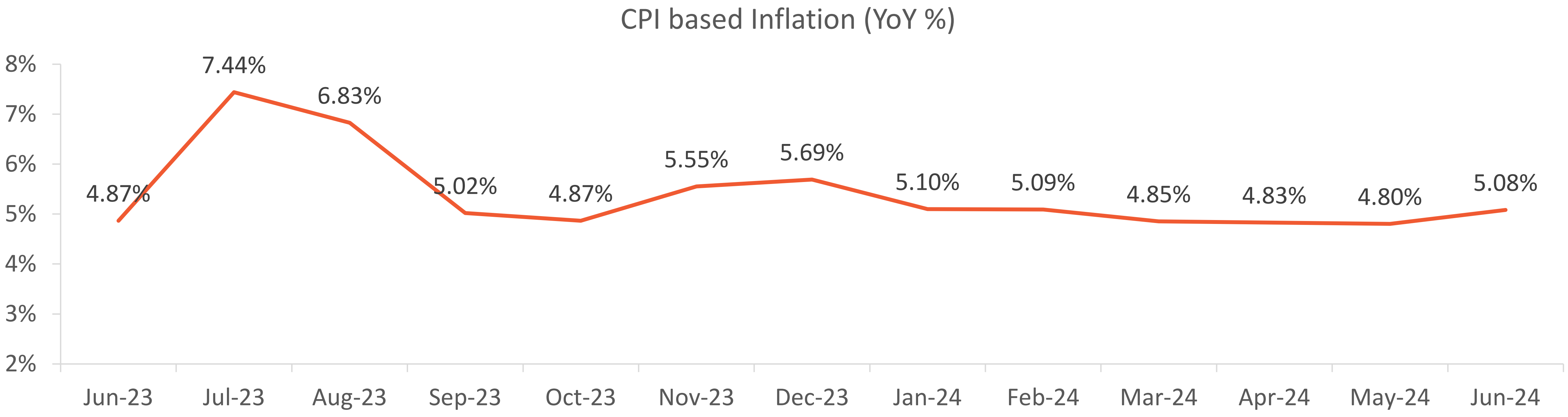
- The fiscal deficit further eased to 4.9% for FY25 as compared to 5.1% in the interim budget. It a reduction of 70 bps as compared to previous year.
- Fiscal deficit for FY26 remained at 4.5%. The extra dividend by the RBI helps to reduce the fiscal deficit.
- As the fiscal deficit reduced to 4.9%, the gross borrowing and net borrowing reduced accordingly to Rs.14.01 lakh crore and Rs.11.63 lakh crore.
- A lower-than-Interim Budget market borrowing helps to ease the bond yields. Further reduction in fiscal deficit target compared to interim budget and fiscal deficit target of 4.5% for FY26 further supported the bond market.

Revised Mutual Fund Taxation

	Holding Period for Long Term	Long Term Tax	Short Term Tax
Equity MF			
Equity MF*	>12 Months	12.50%	20%
Debt MF			
Acquired before 1st Apr 23			
Sold between 1st April 2024 and 22nd July 2024	>36 Months	20%	Slab rate
Sold on or after 23rd July 2024	>24 months	12.50%	Slab rate
Acquired post 1st April 2023			
Sold on or after 1st April 2024	No period of holding	Slab rate	Slab rate
Hybrid MF (>35% and < 65% Indian equity)			
Acquired before 1st Apr 23			
Sold between 1st April 2024 and 22nd July 2024	>36 months	20%	Slab rate
Sold from 23rd July 2024 and onwards	>24 months	12.50%	Slab rate
Other MFs (Gold, Silver, International Equity, Equity FOF)			
Acquired prior to 1st April 2023			
Sold between 1st April 2024 and 22nd July 2024	>36 months	20%	Slab rate
Sold from 23rd July 2024 and onwards	>24 months	12.50%	Slab rate
Acquired post 1st April 2023			
Sold between 1st April 2024 and 22nd July 2024	No period of holding	Slab rate	Slab rate
Sold between 23rd July 2024 and 31 March 2025	No period of holding	Slab rate	Slab rate
Sold from 1st April 2025 onwards	>24 months	12.50%	Slab rate

Note - Capital gains exemption limit increased from Rs.1 Lakh to Rs.1.25 Lakh per year

Consumer Price Index (CPI) Inflation



CPI inflation elevated to 5.08% in June-24 as compared to 4.8% in the previous month. The CPI is treading below the RBI's upper band tolerance level of 6% from last ten months. This spike in inflation is attributed to higher inflation in specific food categories.

- Food & beverages, which have the highest weight of 54.2% elevated to 8.36% in June-24 and it is the highest in the last six months. Double-digit inflationary trend continues in pulses (16.07%) and vegetables (29.32%). The inflation in meat & fish, Egg & spices moderated and helps to control the spike in overall inflation. The contraction in oil and fats continues but the pace of contraction reduces.
- The core inflation remained steady at 3.1% in June 2024 and it is trending below the RBI's CPI target of 4% from last seven consecutive months.

Index of Industrial Production (IIP)

The IIP growth elevated to 5.9% in May-24 after the moderation of 5% in the previous month. The recent IIP growth attributed to manufacturing as it grew by 4.6% and have weightage of 77% in the index.

- **Mining:-** The mining activity grew by 6.6% in May-24 and remained stable compared to previous month. on a month-on-month basis the activity grew by 4.3% as compared to contraction of -16% in the previous month.

- **Manufacturing:-** It has the highest weightage of (77.6%) in the IIP. The activity grew by 4.6% in May-24 as compared to growth of 3.9% in the previous month. The overall IIP growth is attributed to the growth in manufacturing. Among the major manufacturing items, "Manufacturing of basic metals" who has weight of 12.8% grew by 7.8% and "Manufacturing of electrical equipment" who has weight of 3% grew by 14.7%. These two are the major contributors to the overall IIP growth. Out of total 23 industries, six have recorded negative growth and others are in double digit or in positive growth territory.

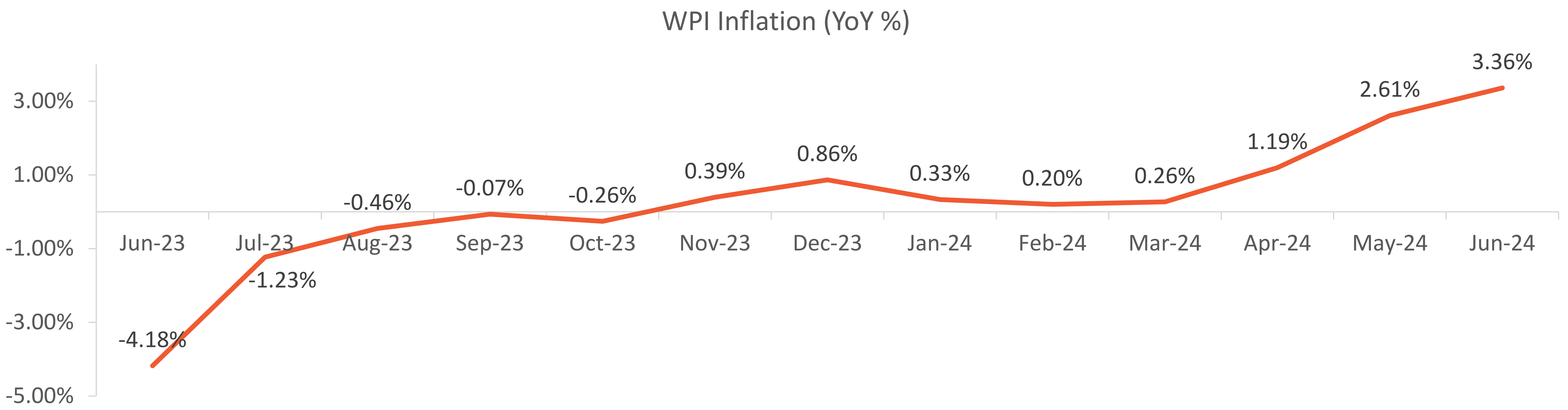
- **Electricity:-** Output further accelerated and grew by 13.7% in May-24 as compared to growth of 10.2% in the previous month.

GROWTH IN SECTORAL			
	Mar-24	Apr-24	May-24
MINING	1.3%	6.8%	6.6%
MANUFACTURING	5.8%	3.9%	4.6%
ELECTRICITY	8.6%	10.2%	13.7%
GENERAL	5.4%	5.0%	5.9%
GROWTH IN USE-BASED CLASSIFICATION			
PRIMARY GOODS	3.0%	7.0%	7.3%
CAPITAL GOODS	6.6%	2.7%	2.5%
INTERMEDIATE GOODS	5.5%	3.2%	2.5%
INFRASTRUCTURE/ CONSTRUCTION GOODS	7.4%	8.0%	6.9%
CONSUMER DURABLES	9.5%	10.0%	12.3%
CONSUMER NON-DURABLES	5.3%	-2.5%	2.3%

Source: MOSPI, Sharekhan Research

The industrial activity performed better than previous month and this overall growth aided by strong growth in manufacturing and electricity output. A Durable and broad based improvement in consumption sectors remain crucial for industrial activity.

Wholesale Price Index (WPI) Inflation



WPI inflation is on an upward trend from last five months and further accelerated to 3.36% in June-24 as compared to 2.61% in previous month. This WPI inflation is sixteen months high and this can be attributed to elevated prices in primary articles as it moves from 7.2% to 8.8% followed by manufactured products as it moved from 0.78% to 1.43%.

- The Inflation in primary articles which has the weight of 22.6% in the WPI further accelerated by 8.8% in June-24 compared to 7.2% in the previous month. The inflation in food articles is in upward trend from last four months and grew by 10.9% in June-24. Withing the food articles, the inflation in “Fruits and Vegetables” and “Food grains” are the major contributors for food inflation. Within the vegetable inflation, the major contributors are “Potato (66.4%)”, “Onion (93%) and “tomato (57.8%).
- Inflation in fuel & power is in positive trajectory from last two months and eased marginally to 1% compared to previous month. The positive trajectory for manufactured products continued from the last two months and grew by 1.4% as compared to growth of 0.8% in the previous month.

Debt Market Wrap

Liquidity: The RBI will remain nimble and flexible in its liquidity management

- The interbank call money rate ended higher at 6.67% on 24 July 26, 2024 as compared to 6.5% on the previous day. The tight system liquidity keeps the call rates at elevated level.

- Banking system liquidity remained neutral in July-24. Average banking liquidity for July-24 remained at Rs. 0.97 lakh crore as compared to deficit in the previous month. The system liquidity ranged from Rs.0.38 lakh crore to Rs.1.4 lakh crore in July-24.

Bond prices & other updates

- The 10-year 7.26% 2033 G-Sec yield settled at 7.00% on July 25, 2024 as compared to average yield of 7.06% in the previous month. The reduction in the fiscal deficit target helps to ease the bond yields.

- The Union Budget cut the fiscal deficit target for FY25 to 4.9% as compared to fiscal deficit target of 5.1% in the interim budget. There is a reduction of 70 bps in current fiscal deficit target as compared to previous year fiscal deficit targets. The extra dividend by the RBI also helps to reduce the fiscal deficit. The gross borrowing and net borrowings are also reduced accordingly to Rs.14.01 Lakh crs and Rs.11.63 Lakh Crs. The budget keeps the fiscal deficit target for FY26 at 4.5%.

- Long-term capital gains tax for all financial and non-financial assets to increase from 10% to 12.5% and the short-term capital gains for certain financial assets to increase from 15% to 20%. The indexation benefit has been removed and the limit of exemption of capital gains on financial assets has been increased from Rs.1 Lakh to Rs. 1.25 Lakh per year.

- CPI inflation elevated to 5.08% in June-24 as compared to 4.8% in the previous month. The CPI is treading below the RBI's upper band tolerance level of 6% from last ten months. This spike in inflation is attributed to higher inflation in specific food categories.

Debt Market Outlook

The reduction in fiscal deficit and inclusion of Indian Bond in the JP Morgan index would helps to ease bond yields

- The FY25 budget further accelerated the path of fiscal consolidation while continuing the existing policy to boost the manufacturing, tourism, housing and energy sectors. The union budget reduced the fiscal deficit to 4.9% for FY25 from 5.1% in the interim budget. The fiscal deficit reduced by 70 bps as compared to the previous year's number. Gross borrowing and net borrowings also get reduced accordingly. The budget keeps the fiscal deficit target for FY26 at 4.5%.
- A reduction in fiscal deficit as compared to the interim budget and keeps the fiscal deficit at 4.5% for FY26. From FY27, the fiscal deficit to be targeted such that central government debt will trend downward. This helps to ease bond yields even though the bond yield movement is marginal.
- CPI inflation has risen in recent months but is still trending below the RBI's upper band tolerance level from last ten months. The spike in CPI inflation is attributable to higher inflation in specific food categories. Core inflation remain stable and trending below 4% from last seven months.
- Expectations of an ease in CPI inflation, inclusion of Indian bond in the JP Morgan Bond Index, the fiscal consolidation path as per the Union Budget and hopes of softening of global bond yields would help bond yields drop from current levels. However, the growth momentum is good and CPI is still trending above the RBI's target level of 4%, therefore probability of a rate cut has reduced for FY25 and could start from next financial year.

Investment Strategy

• For the medium to long term, we have been advising an increase in exposure to duration funds (5-12 years modified duration) including gilt funds. We are close to peak of interest rate upcycle and the bond yield could ease from this level due to inclusion in JP Morgan Bond Index and fiscal consolidation. This would provide decent returns in duration funds.

Gilt Funds

Gilt Schemes	AUM (In Crs)	YTM June-24 (%)	Macaulay Duration (Years)	Performance			
				6 Months	1 Year	2 Years	3 Years
Aditya Birla Sun Life GSec Fund - Reg - Growth	1,673	7.1	8.7	5.1	8.5	7.6	5.7
Bandhan Government Securities Fund Investment Plan - Reg - Growth	2,034	7.2	12.6	6.5	10	8.2	5.8
ICICI Prudential Long Term Bond Fund - Growth	845	7.3	7.1	5.4	7.9	8.1	5.2
Kotak Gilt Fund - Growth	3253.97	7.2	12.1	4.7	7.9	8	5.7
(Performance as on 25 July 2024)							

MUTUAL FUND MODEL PORTFOLIOS

MUTUAL FUND MODEL PORTFOLIOS | AGGRESSIVE PORTFOLIO

AMC	SCHEME NAME
LARGE CAP	
Kotak	Kotak Bluechip Fund
ICICI	ICICI Prudential Bluechip Fund
Mirae Asset	Mirae Asset Large Cap Fund
MID CAP	
Kotak	Kotak Emerging Equity Fund
Edelweiss	Edelweiss Mid Cap Fund
Mirae Asset	Mirae Asset Mid Cap Fund
Small CAP	
HSBC	HSBC Small Cap Fund
HDFC	HDFC Small Cap Fund
Flexi Cap	
HDFC	HDFC FlexiCap Fund
Franklin	Franklin India Flexi Cap Fund

Portfolio Composition

Large Cap 40%	Mid & Small Cap 25%	Flexi Cap 35%

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
Mirae Asset	Mirae Asset Large Cap Fund
MID CAP	
Kotak	Kotak Emerging Equity Fund
Edelweiss	Edelweiss Mid Cap Fund
Mirae Asset	Mirae Asset Mid Cap Fund
Small CAP	
HSBC	HSBC Small Cap Fund
HDFC	HDFC Small Cap Fund
Gilt & Dynamic bond	
Kotak	Kotak Gilt Fund – Growth
ICICI	ICICI Prudential All Seasons Bond Fund
Mirae Asset	Mirae Asset Dynamic Bond Fund

Portfolio Composition

Large Cap	Gilt & Dynamic Bond	Mid & Small Cap
40%	40%	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 & Short Duration	
Aditya Birla Sun Life	Aditya Birla Sun Life Corporate Bond Fund
ICICI Prudential	ICICI Prudential Corporate Bond Fund
Kotak	Kotak Bond Short Term Fund
HDFC	HDFC Short Term Fund
Gilt & Dynamic Bond	
Kotak	Kotak Gilt Fund – Growth
ICICI	ICICI Prudential All Seasons Bond Fund
Mirae Asset	Mirae Asset Dynamic Bond Fund
Dynamic Asset Allocation	
ICICI	ICICI Prudential Balanced Advantage Fund
Edelweiss	Edelweiss Balanced Advantage Fund
Mirae Asset	Mirae Asset Balanced Advantage Fund

Portfolio Composition

Corporate Bond & Short Duration 50%	Gilt & Dynamic Bond 30%	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 | Regular Income Basket

AMC	SCHEME NAME
Dynamic Asset Allocation	
ICICI Prudential	ICICI Prudential Balanced Advantage Fund
HDFC	HDFC Balanced Advantage Fund
Edelweiss	Edelweiss Balanced Advantage Fund
Mirae Asset	Mirae Asset Balanced Advantage Fund
Equity Savings	
Mirae Asset	Mirae Asset Equity Savings Fund
HDFC	HDFC Equity Savings Fund

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	Captail gains on investments withdrawn are taxed as per equity taxation	Tax as per income slab for dividend income

Portfolio Composition

Dynamic Asset Allocation	Equity Savings
70%	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 | Build India Basket

SCHEME NAME	Objective	Riskometer
Thematic Funds		
UTI Transportation and Logistics Fund	Invest predominantly in equity and equity related securities of companies engaged in the transportation and logistics sector	Very High
ICICI Prudential Manufacturing Fund	Invest predominantly in equity and equity related securities of companies engaged in manufacturing theme	Very High
Mirae Asset Healthcare Fund	The investment objective of the scheme is to seek to generate long term capital appreciation through investing in equity and equity related securities of companies benefitting directly or indirectly in Healthcare and allied sectors in India	Very High
Sectoral Funds- Infrastructure		
ICICI Prudential Infrastructure Fund	Invest predominantly in equity and equity related securities of companies belonging to the infrastructure.	Very High
Flexi Cap Funds		
Franklin India Flexi Cap Fund	The investment objective of this scheme is to provide growth of capital plus regular dividend through a diversified portfolio of equities, fixed income securities and money market instruments.	Very High
HDFC Flexi Cap Fund	To generate capital appreciation / income from a portfolio, predominantly invested in equity & equity related instruments	Very High

Scheme Name	Category	Corpus (In crs.)	1 Year	3 Years	5 Years
ICICI Prudential Manufacturing Fund - Reg – Growth	Thematic	5,960	60	30.6	28.6
UTI Transportation and Logistics Fund - Growth	Thematic	3,698	52.9	31.6	27.2
Mirae Asset Great Consumer Fund - Growth	Thematic	3,751	36.5	23	23.5
Tata Digital India Fund - Reg - Growth	Sectoral	10,204	44.1	15.3	26.8
HDFC Flexi Cap Fund - Growth	Flexi Cap	59,123	41.7	26.7	22.9
Franklin India Flexi Cap Fund - Growth	Flexi Cap	16,677	42.9	22.8	23.3
(Performance as on 25 July 2024)					

Portfolio Composition

Thematic/ Sectoral 80%

Flexi Cap 20%

Minimum Time Horizon: 5 years
Review Frequency: 12 months

Investor
You are ready to take high risk and want to participate in growth story through thematic and sectoral schemes.

MUTUAL FUND MODEL PORTFOLIOS | Go Global Basket

Scheme Name	International Allocation	Objective	Riskometer
International Schemes			
Mirae Asset S&P 500 Top 50 ETF FOF	100%	The investment objective of the scheme is to generate returns, before expenses, that are commensurate with the performance of the S&P 500 Top 50 Total Return Index, subject to tracking error and forex Movement	Very High
Kotak NASDAQ 100 Fund of Fund	100%	The investment objective of the scheme is to provide long-term capital appreciation by investing in units of overseas ETF's and/ or Index Fund based on NASDAQ 100 TRI.	Very High
ICICI Prudential US Bluechip Equity Fund	100%	Investing predominantly in securities of large cap companies listed in the United States of America.	Very High
MF Schemes with International Allocation			
Axis Growth Opportunities Fund - Reg – Growth	17%	Investing in a diversified portfolio of Equity & Equity Related Instruments both in India as well as overseas	Very High
SBI Magnum Global Fund – Growth	17%	Investing in diversified portfolio comprising primarily of MNC companies.	Very High

Scheme Name	Corpus (In crs.)	1 Year	3 Years	5 Years
International Schemes				
Kotak NASDAQ 100 Fund of Fund - Reg – Growth	3,228	24.9	12.2	--
ICICI Prudential US Bluechip Equity Fund – Growth	3,031	9.6	8.9	15.9
Mirae Asset S&P 500 Top 50 ETF Fund of Fund - Reg – Growth	539	35.4	--	--
MF Schemes with International Allocation				
Axis Growth Opportunities Fund - Reg - Growth	13,275	38	17.7	23.3
SBI Magnum Global Fund - Growth	6,686	17.1	11.8	18.5
(Performance as on 25 July 2024)				

Portfolio Composition

International 80%

MF Schemes with International allocation 20%

Minimum Time Horizon: 5 years
Review Frequency: 12 months

Investor

You are ready to take high risk and want to invest in international schemes.

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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