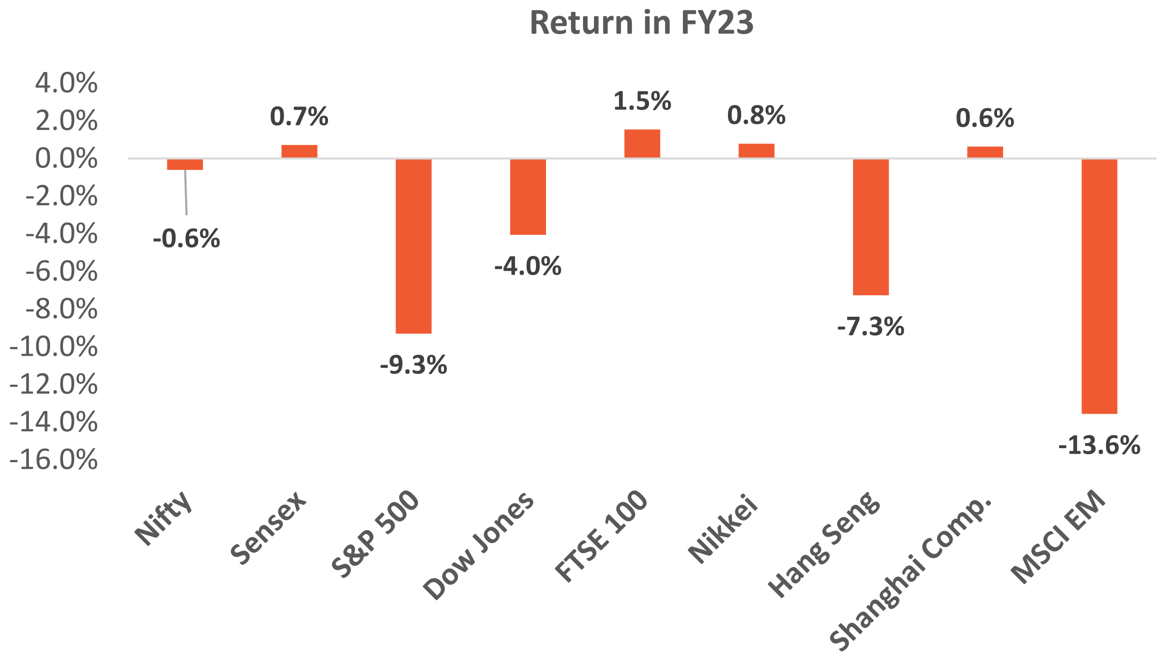
INVESTMENT STRATEGY

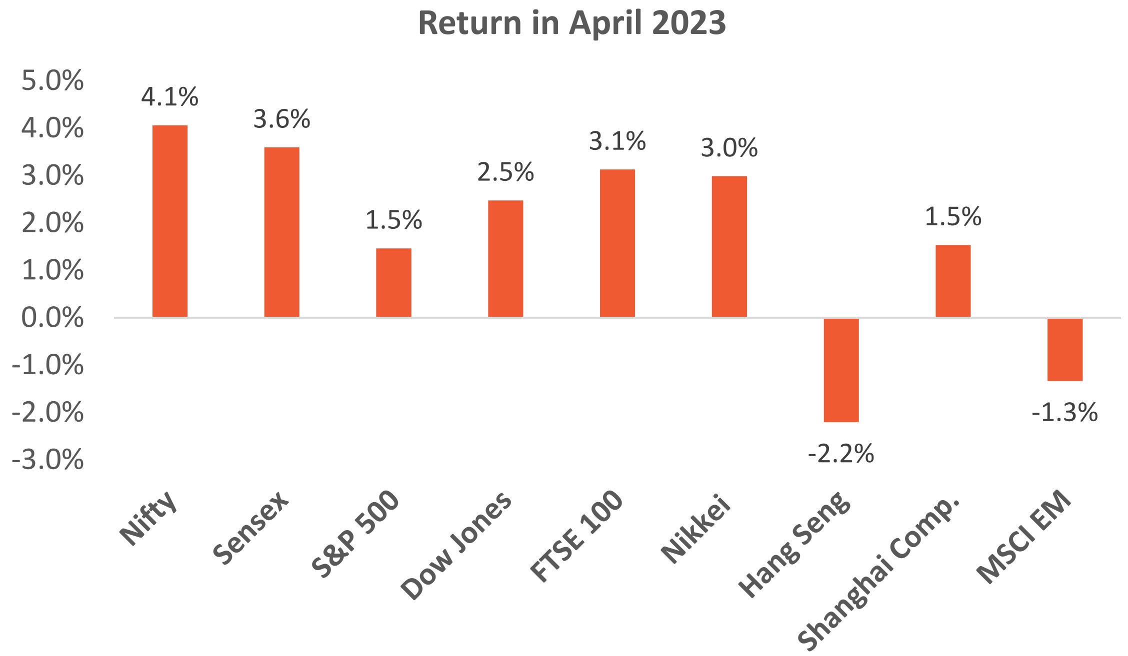
MUTUAL FUND PORTFOLIOS

May 2023

FY23 : Indian Equities remained resilient and outperformed MSCI EM; FY24 started in a sound note

- India remained the best among global markets and outperformed most peers convincingly in FY23 supported by resilience in the economy, healthy corporate earnings and strong retail inflows despite sizeable outflows from FPIs
- FY24 beginning has been good in April aided by visible revival in FIIs flows.





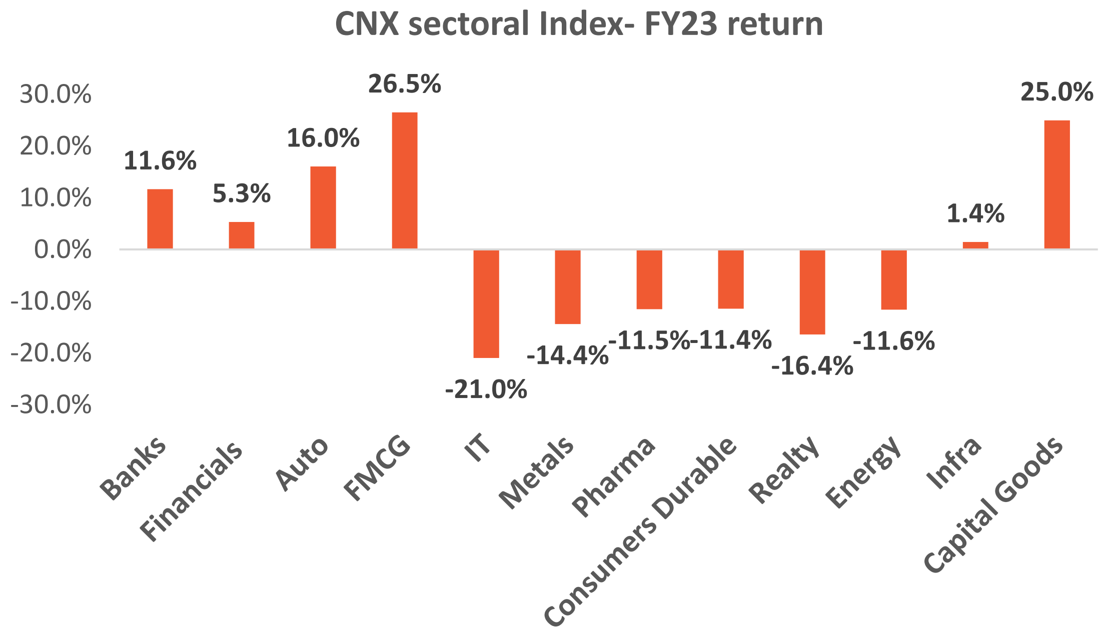
Source: Sharekhan Research

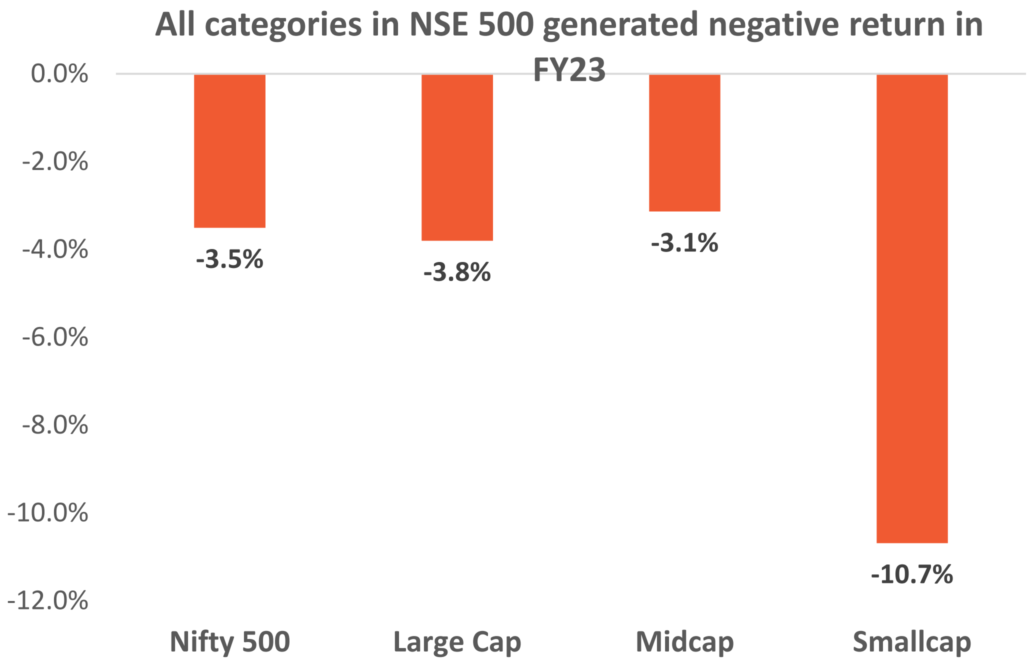
April 2023

Equity Market Outlook

FY23 : Investors' portfolios suffered from high polarization

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





Source: Sharekhan Research

Sharekhan by BNP PARIBAS

Global Banking Turmoil

Banking stress reflect side-effects of aggressive rate hikes!

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

	1991	1997	2008
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
	Economic Crisis India	Asian Financial Crisis	Global Financial Crisis
Return	80%	14%	-51%

	2013	2022	2023
Cause	Unwinding of QE Programme by Fed	Fiscal policy normalization after economy reopening	High interest rate and asset-liability mismatch
	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 / FRB collapse, not same as 2008!

A flow chart of fallouts of Lehman Brothers and SVB/FRB

Lehman Bro (LB)	SVB and First Republic Bank
US housing boom made LB to grow its real estate exposure sharply	Accumulated huge deposits (low cost) from tech start ups and UHNIs during COVID
Acquired five mortgage lenders in 2003-2004 in pursuit of high growth	Absence of healthy credit growth led them 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 and rating downgrade led withdrawal of 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 these banks

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

- While the flowchart shows that an asset liability mismatch was common for both collapse, LB was primarily on account of aggressive focus on real estate subprime and SVB / FRB saga happened due to lack of business diversification beyond startups and affluent / wealthy clients.
- In the current environment with strong job data and economic strength, we do not expect any crisis like subprime in the near term.

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

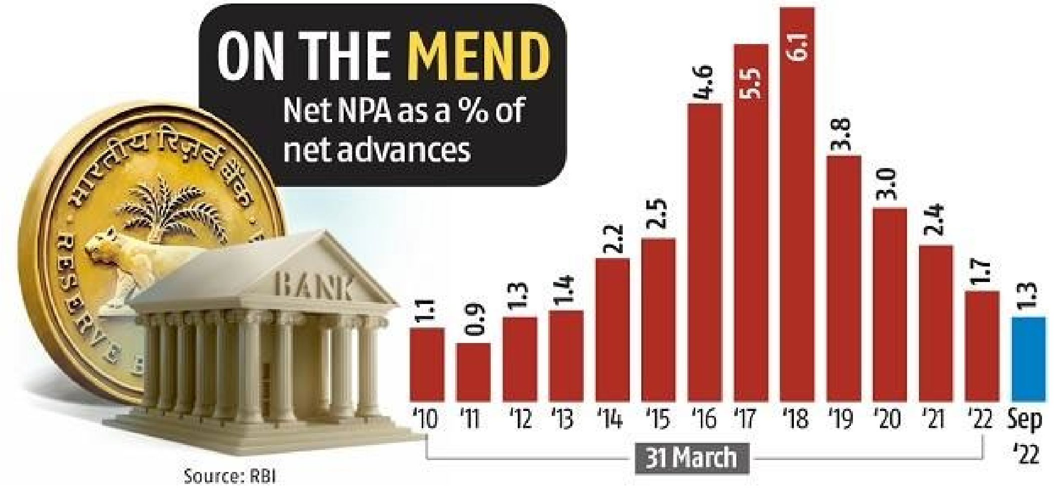
Banking crisis prompts central banks to reopen the liquidity taps again

- For better part of CY2023, the central banks (especially US Federal Reserve) hiked policy rates aggressively along with Quantitative Tightening (QT; squeezing liquidity)

- However, the banking crisis has led to run on some smaller banks and central banks have stepped in with borrowing window, which essentially means reverting back to balance sheet expansion.

- Liquidity is an important driving force that boost inflows into riskier assets including emerging market equities.

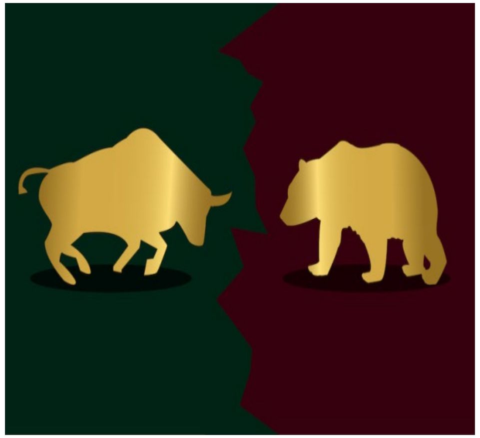
- No wonder, most equity markets have done well including India lately.



Indian Economy

Primed for a multi-year upcycle

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, reasonable interest rates and need to have bigger houses. Real estate has positive effect on many industries (such as steel, cement & other related sectors) and generates employment across income strata.

Infrastructure spending – Focus area for policy makers

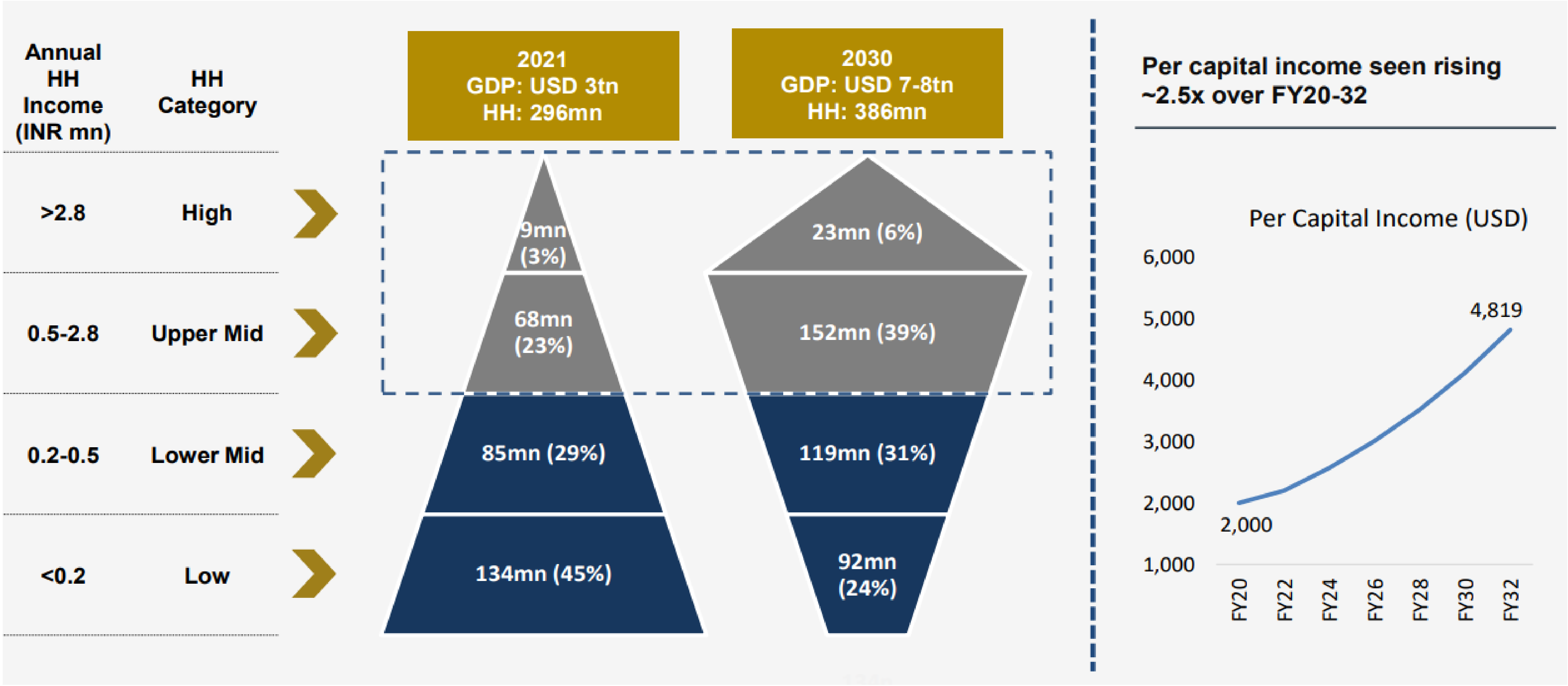
Budgetary allocation for capex has gone up substantially. Also, the government looking at innovative ways like Nation Asset Monetisation Plan to support its ambitious target set under National Infrastructure Pipeline (NIP).

Corporate Capex – Set for an expansion spree

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

Real Estate: Over 9 cr new households to become 'home ownership capable'

Steady rise in per capita income to add over 9 crore capable household in the remaining 8-9 years will ensure sustainability of ongoing real estate revival in the subsequent years.

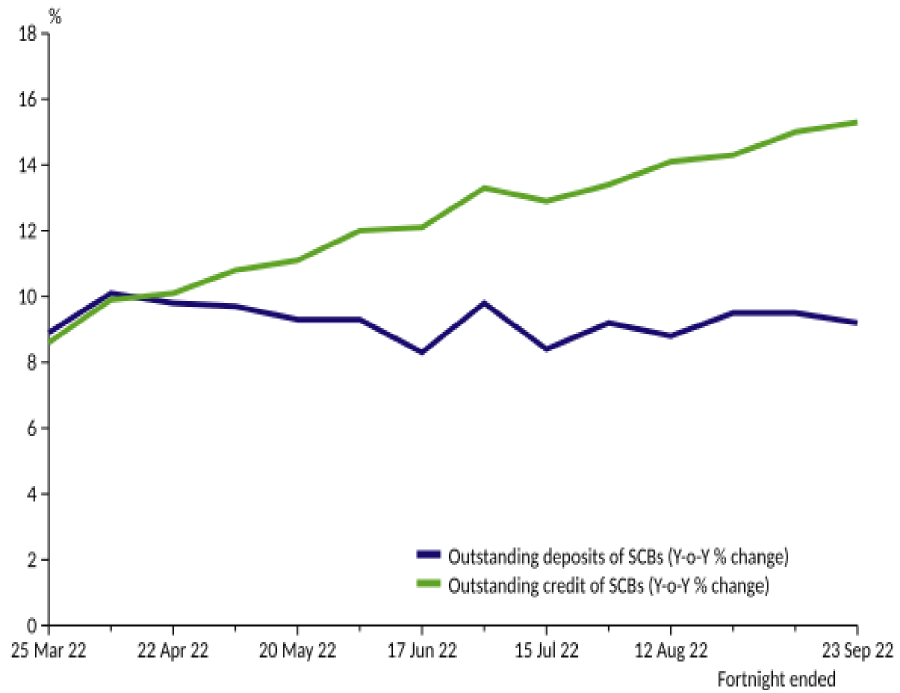


Source: Macrotech Developers; Sharekhan Research, HH - Households

Indian Economy: Robust credit growth indicates growth momentum

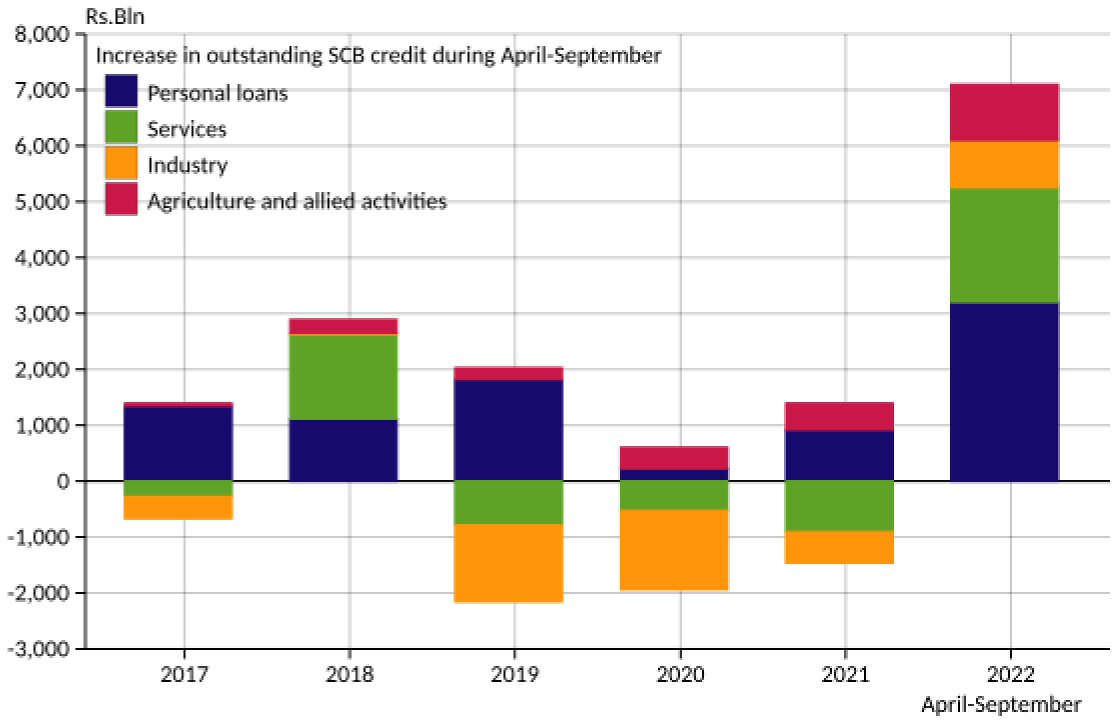
- Improved asset quality of banks along with pick-up in economic activities with revival in corporate capex-led sharp recovery in credit growth from the beginning of current fiscal.
- Credit growth has started outpacing deposit growth for last couple of months, which essentially a good sign for economy. 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

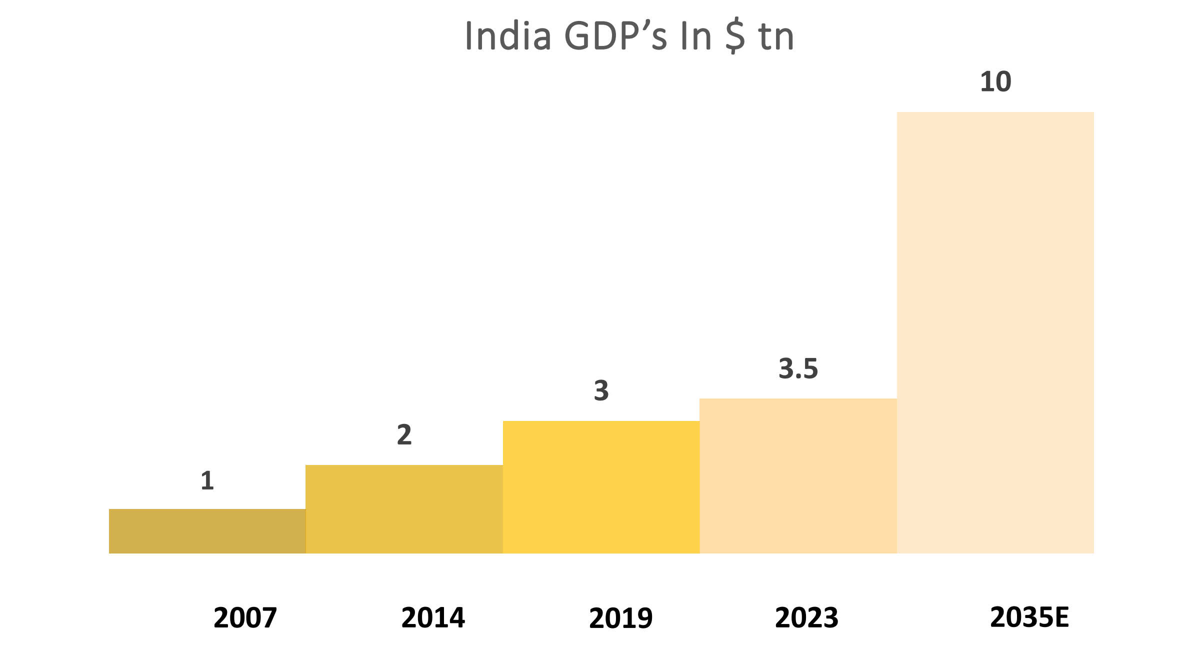
Pickup in bank credit offtake across all segments

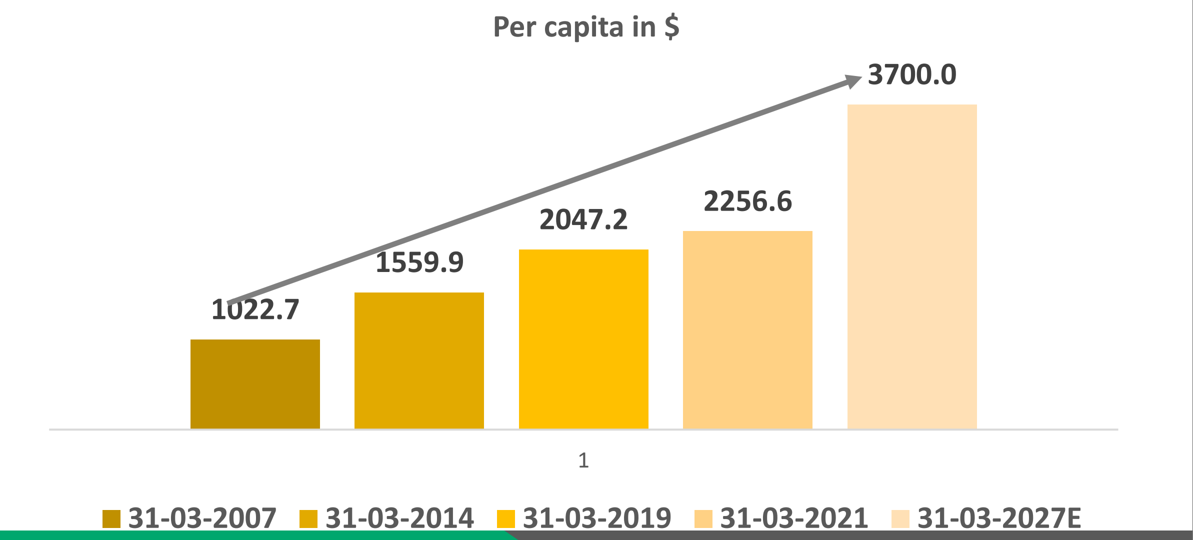


Centre for Monitoring Indian Economy Pvt. Ltd., 15 Nov 2022

Source: CMIE; Sharekhan Research

India's Towards $10 Trillion Economy

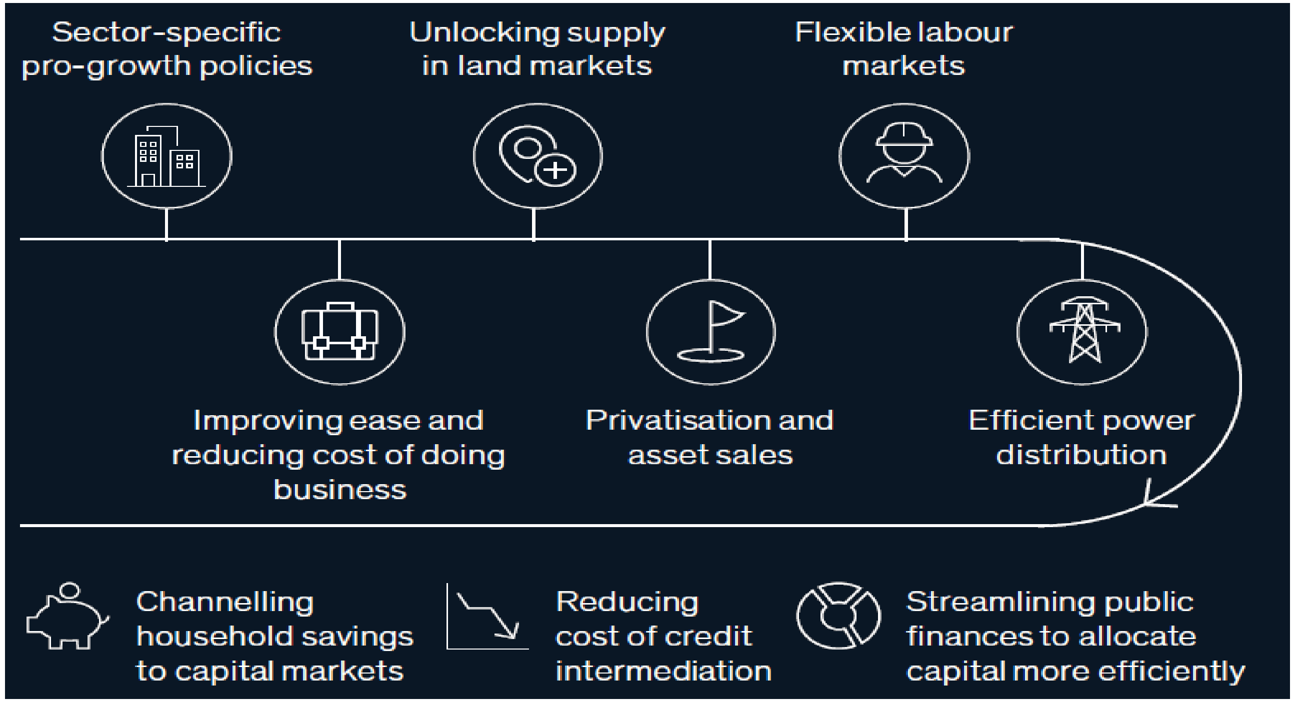




It took India 60 years since Independence to become a one trillion-dollar economy, but the next trillion dollars was added only in 7 years. The third trillion was added in just 5 years in 2019.

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

The Washington Post (Apr'23)

The Washington Post
Democracy Dies in Darkness

Opinion | India's economy is surging thanks to these three revolutions

By Fareed Zakaria
Columnist | + Follow
April 28, 2023 at 8:18 a.m. EDT

Morgan Stanley- Asia Economics (Nov'22)

Morgan Stanley | RESEARCH BLUEPAPER

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 regard 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).

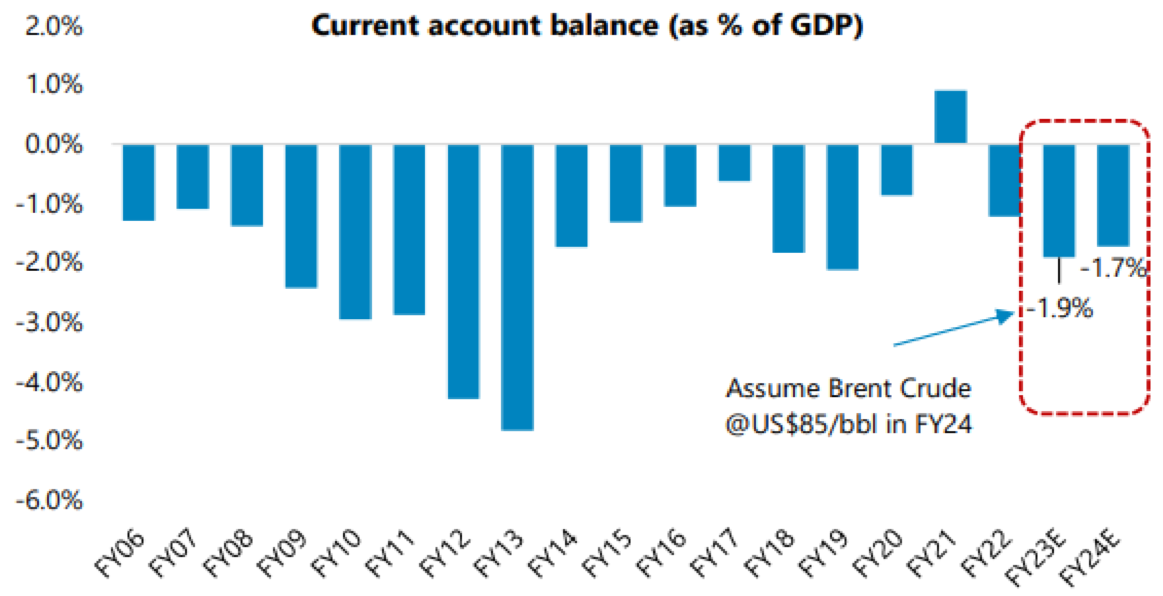
FIIs Flows

Can FIIs turn net buyers in current fiscal and lead market to see new high??

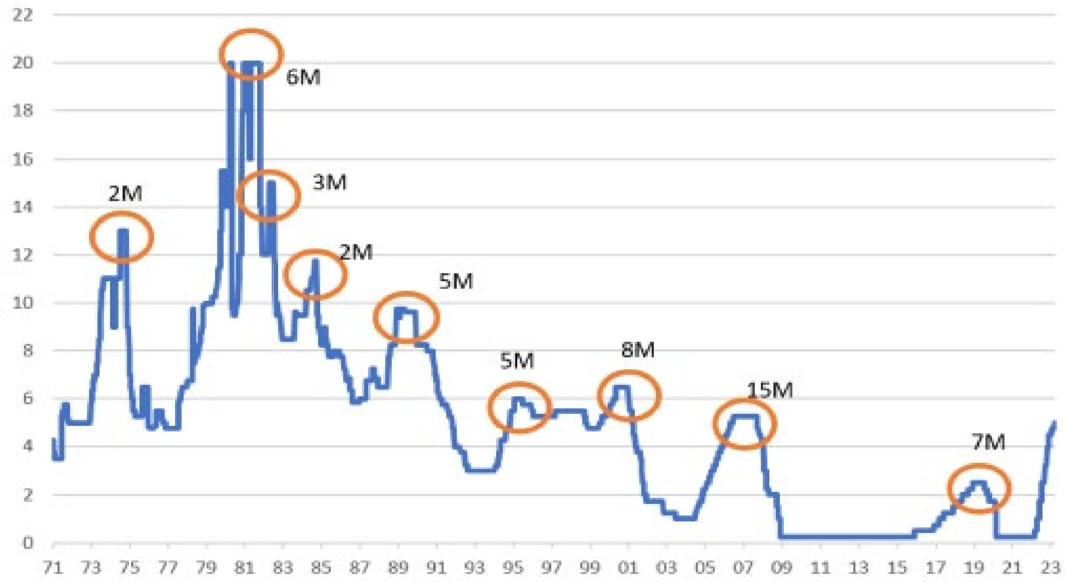
FIIs emerged net buyers in past two consecutive months; good sign for market

- FIIs have continuously sold over last two fiscals due to concerns over current deficits due to higher oil prices, interest rate hike, INR depreciation and valuations concerns (sold over Rs. 4.7 lakh crore over last two fiscals).
- However, with emerging clarity over CAD, interest rates and a stable Indian Rupee, FIIs are expected to turn net buyers in the current fiscal, which will be a big boost for markets, which already had strong support from DIIs and retail investors.

CAD likely to remain comfortable within 2%



With interest rate hike cycle nearing end, rate cut may be seen in 8-9 months



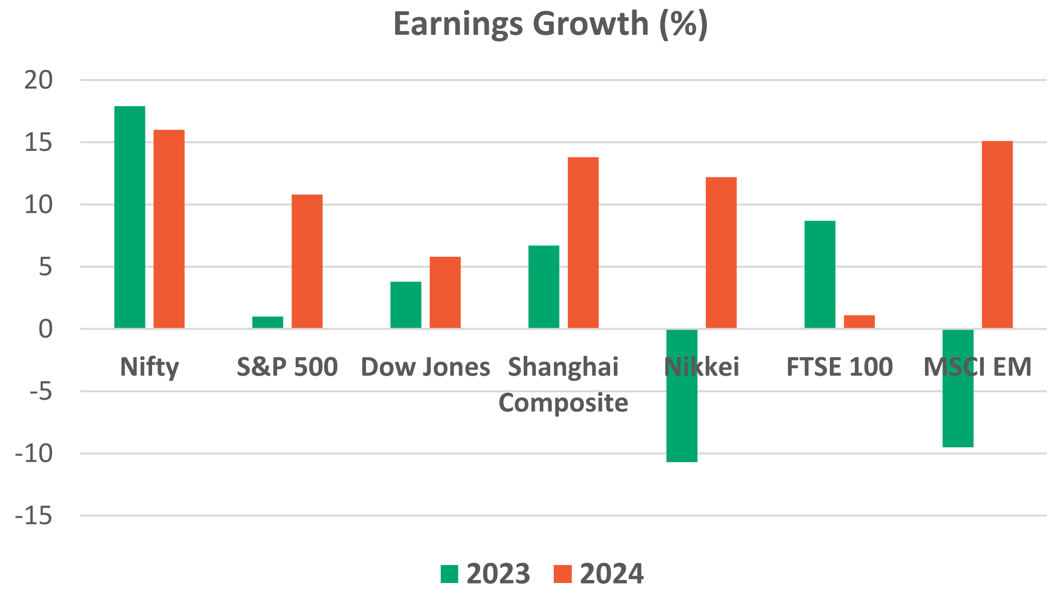
Source: Industry's report, Sharekhan Research

Sharekhan by BNP PARIBAS

India remains the best in terms of corporate earnings growth and PEG ratio..

- India is expected to deliver 18% and 16% earnings growth in 2023 and 2024, respectively, which is the best among peers.
- Further, despite premium valuations in PE, India's Price Earnings to Growth ratio (PEG) offers comfort and thwart the thesis of expensive valuations.

India to deliver the best double digit earnings growth among peers



PEG Ratio (x)	2023	2024
Nifty	1.06	1.02
S&P 500	20.64	1.71
Dow Jones	4.83	3.04
Shanghai Composite	1.64	0.7
Nikkei	-1.6	1.26
FTSE 100	1.29	9.73
MSCI EM	-1.2	0.65

Source: Bloomberg, Sharekhan Research

Corporate Earnings

Double-digit earnings despite rate hikes

Q4FY23 Nifty 50 performance so far

Company	Sector	Sales Q4FY23	YoY (%)	QoQ (%)	EBITDA % Q4FY23	YoY (%)	QoQ (%)	PAT Q4FY23	YoY (%)	QoQ (%)	Perf Vs Estimate
TCS	IT	59,162.0	16.9	1.6	26.7	-70.6	-5.1	11,392.0	14.8	5.0	In-line
INFY	IT	37,441	16.0	-2.3	24.0	-27.7	-41.3	6,128	7.8	-7.0	Below
HCLTECH	IT	26,606	17.7	-0.4	22.0	-32.5	-180.3	3,981	10.8	-2.8	In-line
WIPRO	IT	23,289	11.1	-0.3	19.8	-47.8	-28.5	3,075	-0.4	0.7	Below
TECHM	IT	13,718	13.2	-0.1	14.7	-250.6	-88.0	1,330	-11.6	2.6	Below
Nestle India	FMCG	4,831	21.3	13.5	22.7	-55.0	-19.0	737	23.9	17.2	Above
Hindustan Unilever	FMCG	14,893	10.6	-2.2	23.3	-79.9	-168.7	2,472	8.2	-13.3	Below
Tata Consumer Products	FMCG	3,619	14.0	4.1	14.1	14.7	108.3	294	16.4	-3.9	Above
TATASTEEL	Metal	60,458	-12.8	5.9	9.8	-1295.6	266.7	956	-91.1	-140.1	Above
HEROMOTOCO	Auto	8,307	11.9	3.4	13.0	188.7	153.0	859	37.0	20.8	Above
BAJAJ-AUTO	Auto	8,905	11.7	-4.4	19.3	215.3	20.3	1,433	17.0	-3.9	Above
MARUTI	Auto	32,048	19.9	10.3	10.5	137.8	70.0	2,624	42.7	11.6	In-line
ULTRACEMCO	Cement	18,121	19.5	20.7	17.3	-206.8	304.3	1,650	12.2	66.0	In-line
BAJAJFINSV	BFSI	23,625	25.3	8.6	100.0	0.0	0.0	1,769	31.4	-0.7	In-line
HDFCBANK	BFSI	23,352	23.7	1.6	79.7	-693.0	-301.6	12,047	19.8	-1.7	In-line
KOTAKBANK	BFSI	6,103	35.0	8.0	76.2	228.6	805.1	3,496	26.3	25.2	Above
BAJFINANCE	BFSI	6,255	30.2	5.6	81.8	-75.1	-11.0	3,158	30.5	6.2	In-line
AXISBANK	BFSI	11,742	33.1	2.5	78.1	476.0	-288.6	-5,729	-239.1	-197.9	Below
ICICIBANK	BFSI	17,667	40.2	7.3	78.3	-339.8	-234.1	9,122	30.0	9.7	In-line
INDUSINDBK	BFSI	4,669	17.2	3.9	80.4	-310.7	-150.3	2,041	49.9	4.2	In-line
HDFC Life Insurance	BFSI	19,469	24.6	35.2	18.1	292.6	182.1	574	-14.1	74.2	In-line
SBI Life Insurance	BFSI	19,897	14.1	3.8	9.8	243.0	821.1	777	15.6	155.6	In-line
RELIANCE	Diversified	2,12,945	2.7	-1.9	18.1	292.6	182.1	19,299	19.1	22.2	Above
Titan Company	Consumer Discretionary	10,360	32.9	-10.8	10.5	32.7	-109.1	736	29.8	-19.3	Above

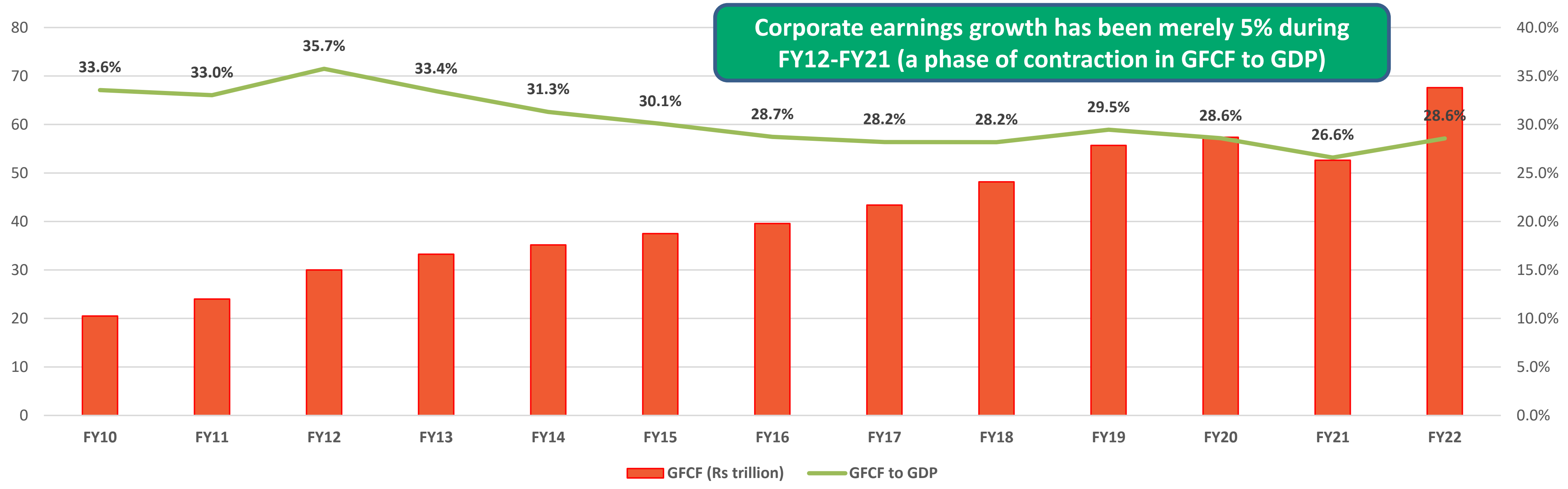
Out of the 24 Nifty companies which reported Q4FY23 results so far, 11 companies reported in–line numbers whereas 8 reported results above estimates and 5 reported results below estimates

Source: Sharekhan Research

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.

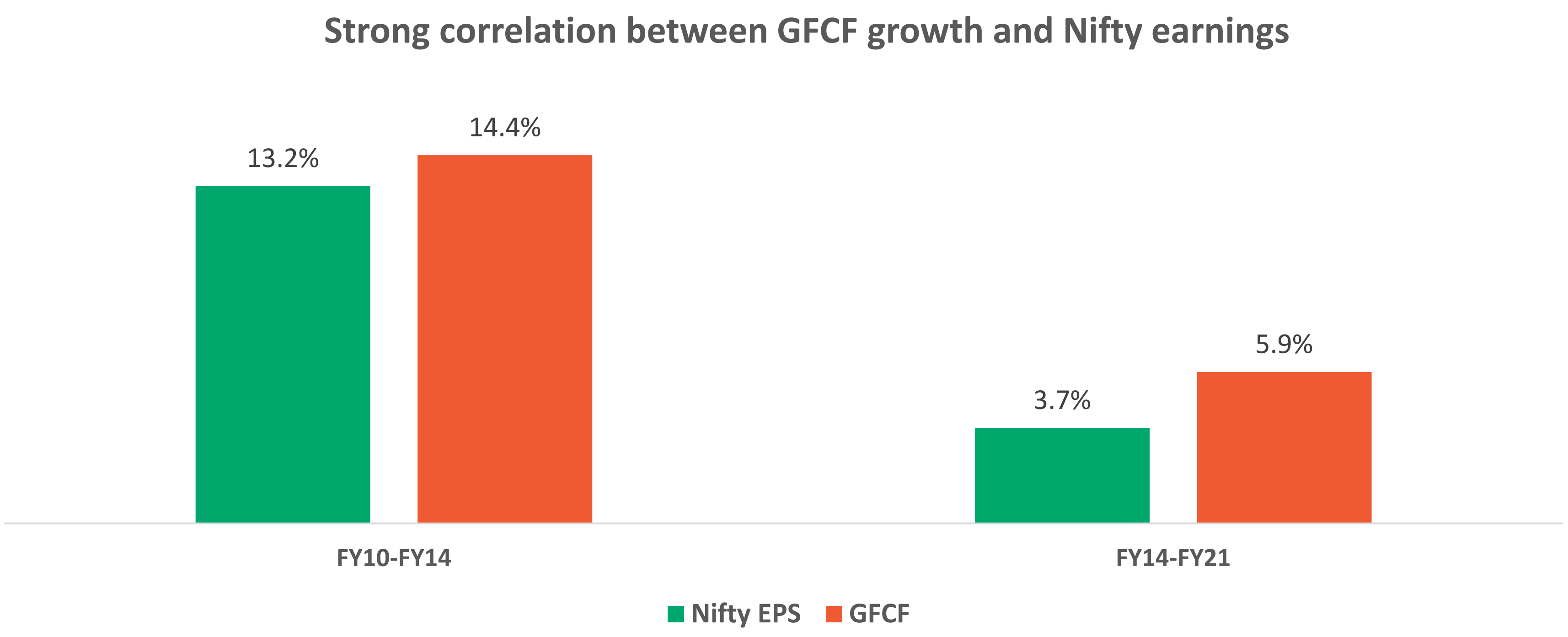
GFCF as % of GDP witnessed continued deceleration led by absence of solid capex



Source: RBI, Sharekhan Research

Strong correlation between GFCF growth and Nifty earnings

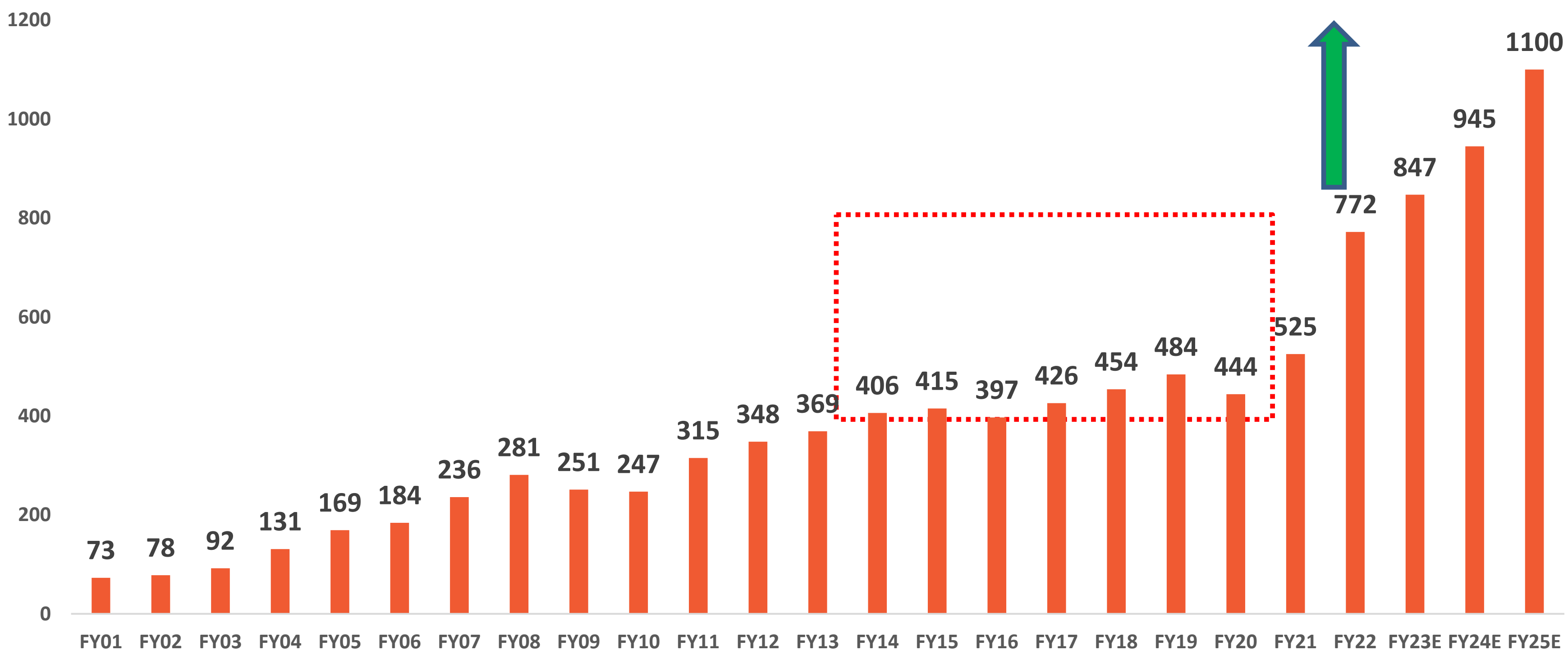
- There is a strong correlation between GFCF and corporate earnings growth as the latter tends to mirror growth in the former.
- Therefore, ongoing earnings recovery seen in corporate earnings (Nifty reported over 20% earnings growth in eight out of last nine quarters) is expected to sustain.



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 (FY2014-2020).



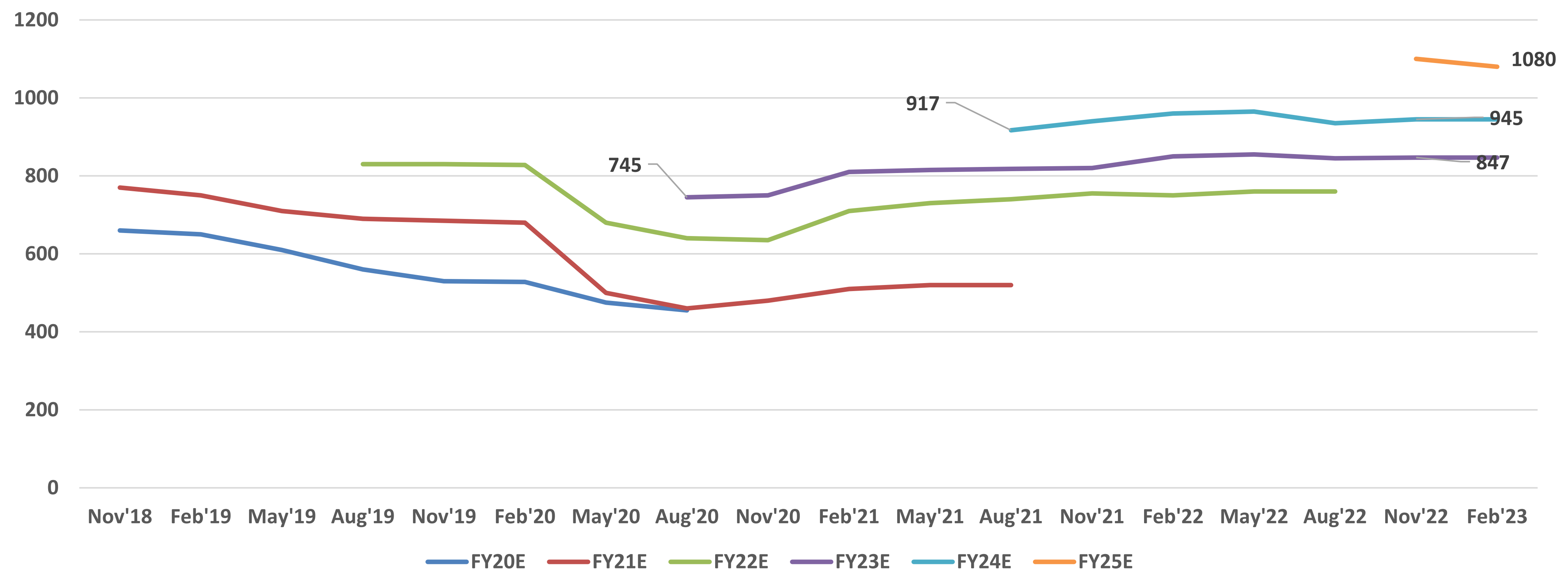
Source: Company; Sharekhan Research

Sharekhan by BNP PARIBAS

Consensus earnings estimates stable despite macro headwinds

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

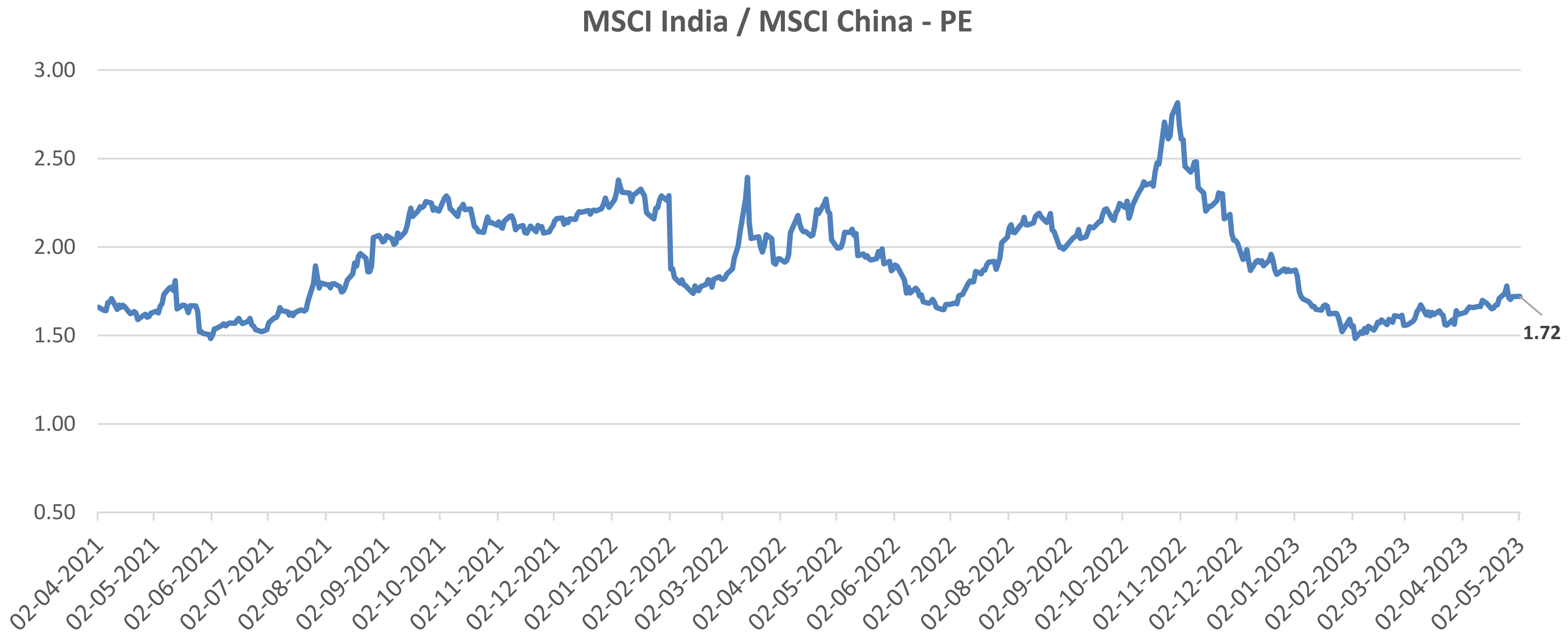
Summary of movement of Nifty earnings forecast: Looks steady in recent period



Valuations remain reasonable

Valuation readjustment vis-à-vis MSCI China done; Now at 1.7x (below long-term average)

Post the sharp appreciation in Chinese equity market and correction in India, the valuation premium has normalized to long term average level of 1.9-2.0x which supports FIIs flows to India.

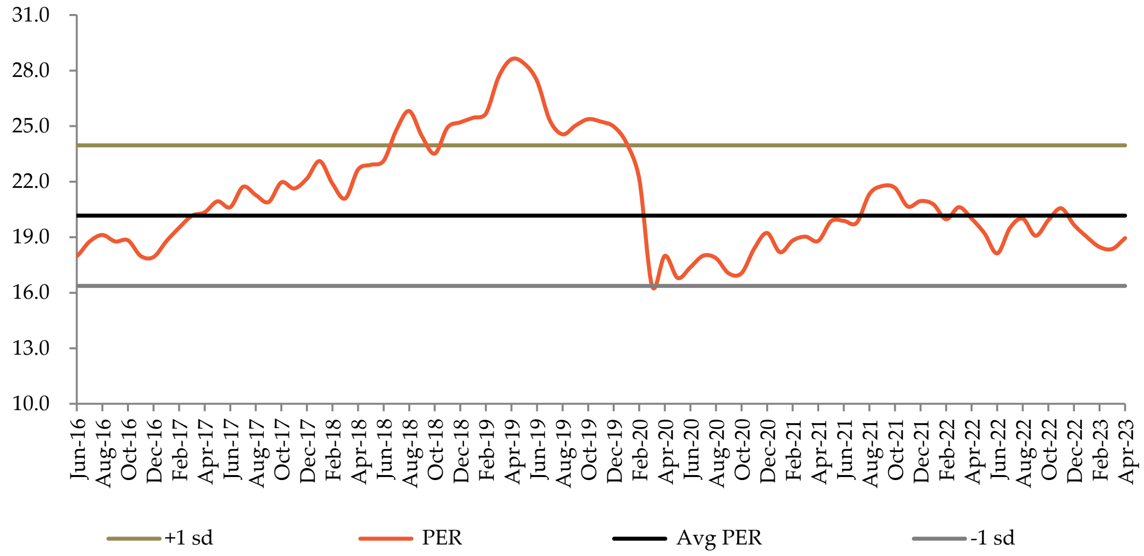


Source: Bloomberg, Sharekhan Research

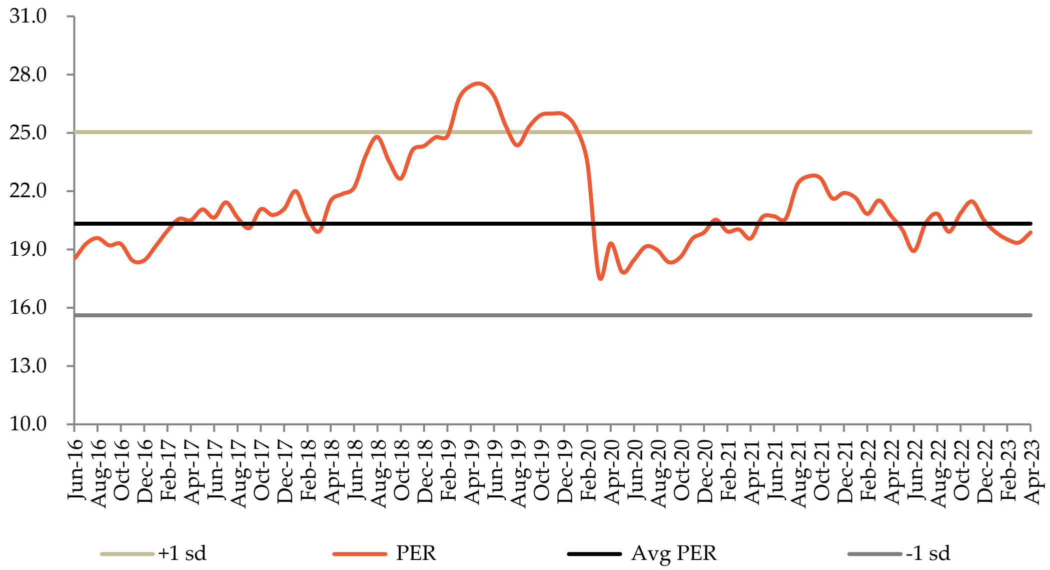
Valuation: Looks Reasonable on One year forward

- Nifty trades at 19.1x and 16.7x of FY24E and FY25E earnings, respectively, which is in line with long-term average multiples and looks reasonable.

One-year forward PE chart of Nifty



One-year forward PE chart of Sensex



Source: Bloomberg; Sharekhan Research

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

- An analysis of last five general elections from 1999 shows that Nifty has gained substantially four times out of five elections in preceding year of election.
- Hence, if history repeats, 2023 will see 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%

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%**

Source: Sharekhan Research

Stay invested, but in right quality stocks

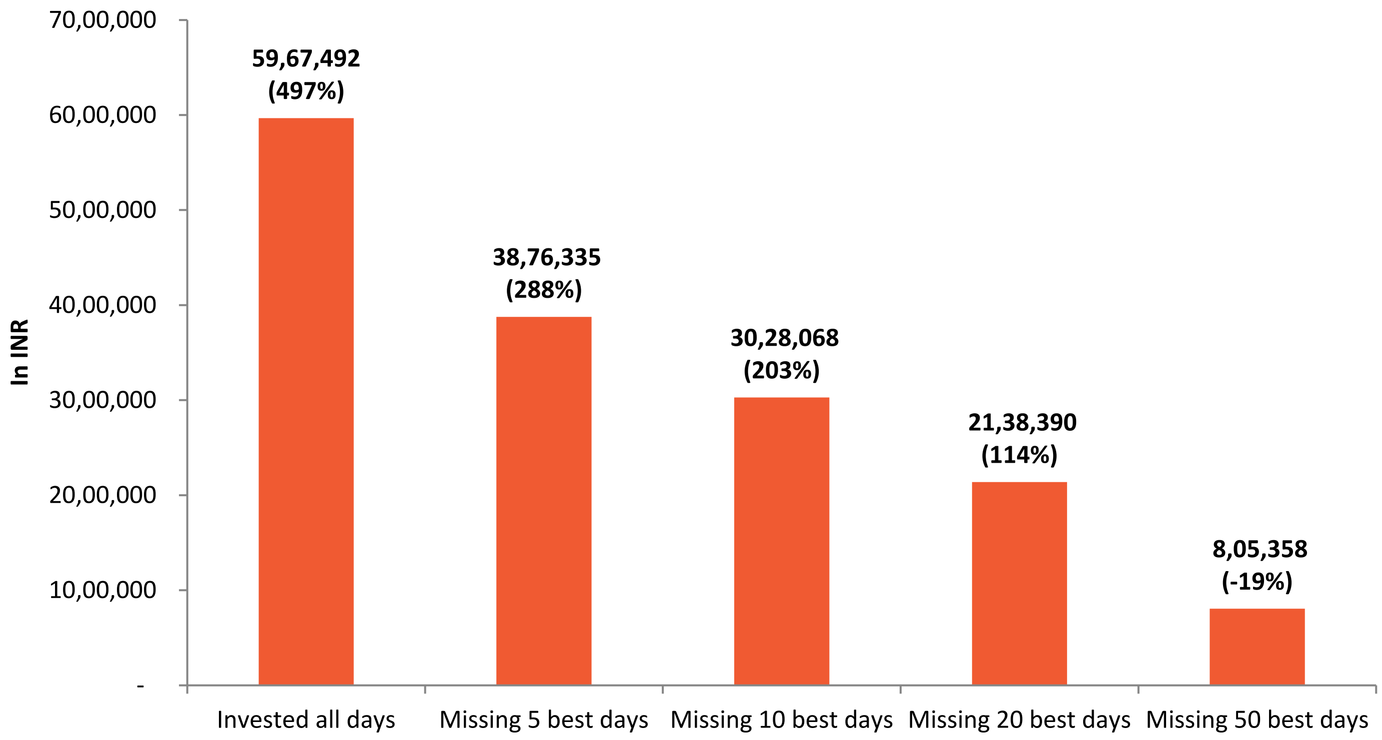
Don’t time the market; missing out on few good days seriously impacts returns

- 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.

<u>So stay invested, but in right quality stocks</u>

….. 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

- The benchmark indices, Nifty/Sensex, have been largely stuck in a broad range for the past 15-18 months due to concerns on 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.

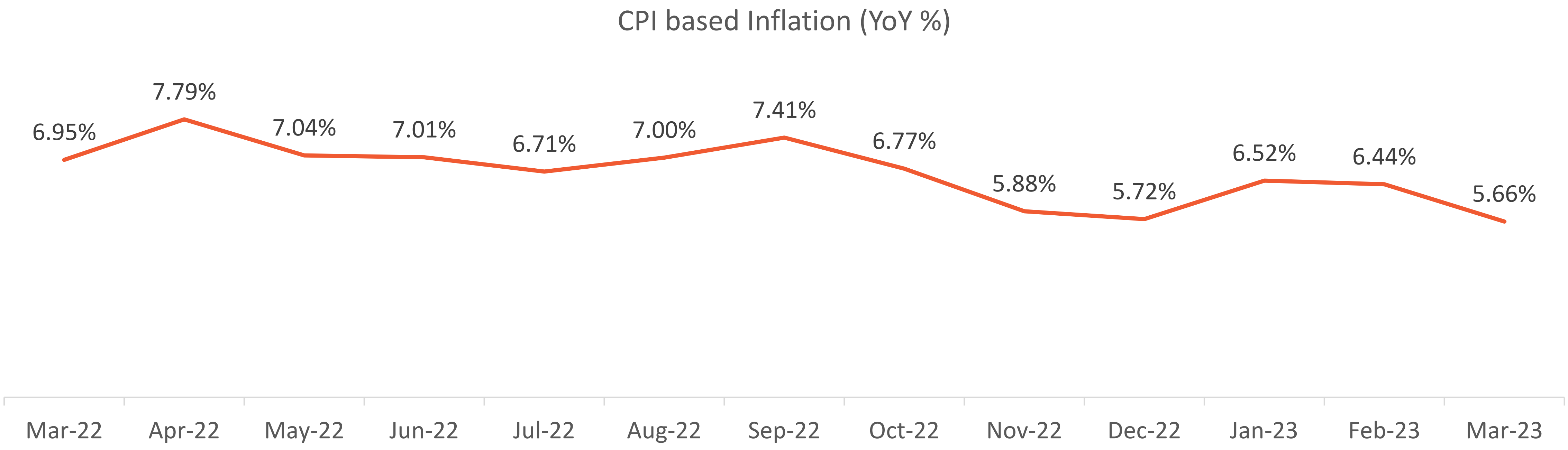
- Increasing trend in earnings along with range-bound indices have resulted in a healthy correction in valuation multiples. The Nifty is not expensive anymore and at around 19x one year forward earnings is trading below the last five-year average PE multiples. However, the correction in the broader market has been more severe and caused lot of damage in 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

Consumer Price Index (CPI) Inflation



CPI inflation fell to a 15-month low of 5.66% in Mar-23 after remained above the tolerance level for most of the periods. 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 Mar-23 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 of 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.

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. The growth in manufacturing helps to keep the current momentum.

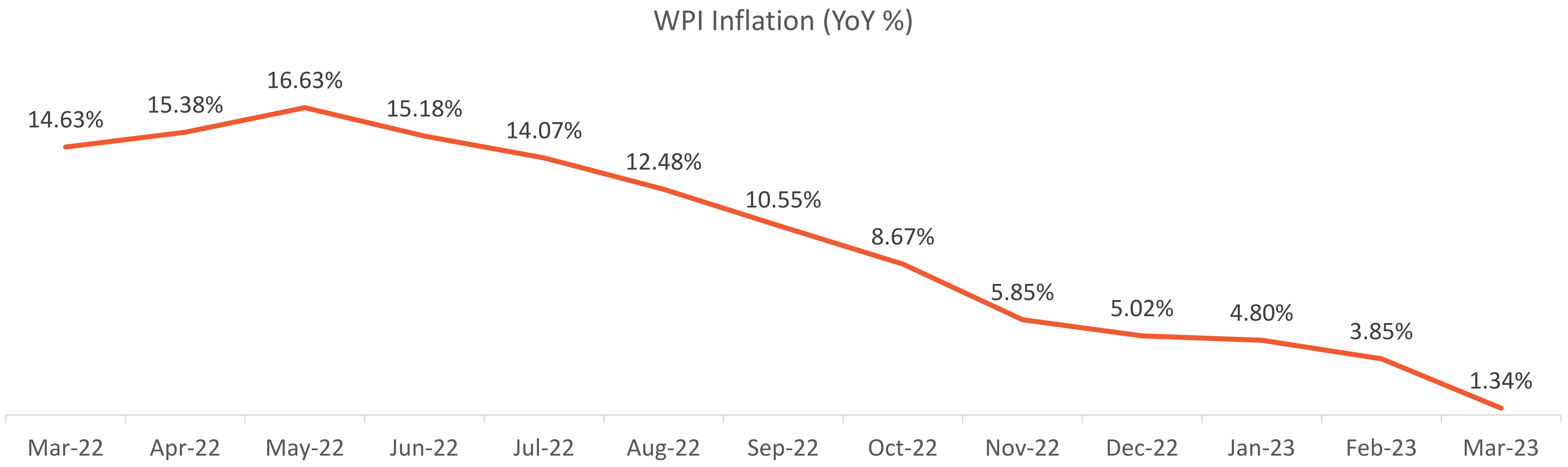
- **Mining:-** The mining activity shrink to 4.6% in Feb-23 compared to previous month growth of 8.8% and 10% growth in Dec-22.
- **Manufacturing:-** It has the highest weightage of (77.6%) in the IIP. The output grew by 5.3% in Feb-23 as compared to previous month. Out of 23 industries, only five have 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:-** The output decreased to 8% in Feb-23 compared to double digit growth in the previous three months. Electricity output 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.

Wholesale Price Index (WPI) Inflation



WPI inflation has been in a downward trend from last nine months and further eased to 1.34% in Mar-23 compared to 3.85% in the previous month. The WPI inflation declined to 29-month low and this can be attributed to easing 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 Mar-23 compared to 3.28% in the previous month owing to easing of inflation in non-food articles, minerals and crude petroleum & natural gas.
- Food inflation is in upward trend from previous month and moved to 5.48% in Mar-23 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 6.7% as on May 08,2023 compared to previous month and above the repo rate by 20bps.

- Banking system liquidity move close to neural from surplus for May-23 compared to previous month. The system liquidity remained at Rs. 0.51 lakh crore on May 05,2023 as compared to average liquidity of Rs.1.45 lakh crore in the previous month. During the month of April-23, liquidity ranged between Rs. 0.42 lakh crore to Rs. 2.72 lakh crore.

Bond prices & other updates

- The 10-year 7.26% 2033 G-Sec yield settled at 7.01% as on May 05,2023 and dropped sharply compared to past couple of months.

- The 10-year G-sec yields dipped at this level for the first time in over a year. An unexpected pause in rate hike cycle by the RBIs monetary policy and the expectation that the interest rates are at peak and may decline from here on helps to ease the yields.

- Crude oil prices have declined steadily despite production cuts by major oil producers. The easing of oil prices can help to cool down inflation and this also aided to ease the yield curve.

- In response to monetary policy initiatives, the CPI inflation fall from a high of 7.8% in April-22 to 5.7% in March 2023 and is expected to fall further.

Sticky inflation keeps rate higher for longer

- The RBI kept policy rates steady in the first policy of FY2024 and now the market is expecting that the RBI to remain in pause mode for rest of 2023. The G-sec yields dropped sharply on RBIs surprise move, drop in inflation to below 6% and overall global rate sentiment.

- Overall, the yield curve dropped with flattening bias as long-term yield curve dropped more on back RBIs rate hike pause compared to short-term yield curve.

- The RBI is projecting inflation to be at 5.2% for FY2024 and it is above the medium-term policy target of 4%, this gives them little room for easing action. The 10-year G-sec yields are near to 7% and the downside of yields is limited in absence of any rate easing expectation in the near term. The yield movement may depend on global cues, supply of local bonds in the market, oil prices and inflation trajectory.

Strategy: The spread in Arbitrage funds is good and the investor with tenure up to 6 month should go with these funds. The active duration management is useful in current market scenario and therefore investor should go with dynamic bond funds. The benefits of long-term taxation has removed and now the investor with more than 3 years of tenure should go with equity savings and dynamic asset allocation category schemes. These schemes enjoys the equity taxation.

Arbitrage Funds

Arbitrage Funds	AUM (In Crs)	Performance		
		3 Months	6 Months	1 Year
Kotak Equity Arbitrage Fund	21,918	1.65	3.53	5.51
ICICI Prudential Equity Arbitrage Fund	9,751	1.62	3.41	5.34
Edelweiss Arbitrage Fund	4,317	1.59	3.43	5.31
Bandhan Arbitrage Fund	2,927	1.63	3.46	5.31
Tata Arbitrage Fund	5,187	1.61	3.40	5.27

Performance as on 8th May 2023

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 40%	Mid & Small Cap 30%	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 35%	Credit Opportunity & Dynamic bond 40%	Mid & Small Cap 25%

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	Short Duration & Dynamic Bond	Dynamic Asset Allocation
40%	40%	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	Captail 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

DISCLAIMER

This document is meant for sole use by the recipient and not for circulation. The information contained in this report is intended for general information purposes only. The information published should not be used as a substitute for any form of investment advertisement, investment advice or investment information. The information in this report has not been prepared taking into account specific investment objectives, financial situations and needs of any particular investor, and therefore may not be suitable for you. You should verify all scheme related information before relying on it. Further, the selection of the Mutual Funds for the purpose of including in the indicative portfolio does not in any way constitute any recommendation by Sharekhan Limited with respect to the prospects or performance of these Mutual Funds. We recommend investors to seek advice from professional financial advisors.

- Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the objectives of any of the schemes of the Fund will be achieved. Please read the Offer Document carefully in its entirety prior to making an investment decision.
- The NAV of units issued under the Schemes of mutual funds can go up or down depending on the factors and forces affecting capital markets and may also be affected by changes in the general level of interest rates. The NAV of the units issued under the scheme may be affected, inter-alia by changes in the interest rates, trading volumes, settlement periods, transfer procedures and performance of individual securities. The NAV will inter-alia be exposed to Price / Interest Rate Risk and Credit Risk.
- Past performance of any scheme of the Mutual fund do not indicate the future performance of the Schemes of the Mutual Fund. Sharekhan shall not responsible or liable for any loss or shortfall incurred by the investors.
- Investors are not being offered any guaranteed or assured rate of return through this document.

Sharekhan and/or its associates receive commission for distribution of Mutual Funds from various Asset Management Companies (AMCs) and the details of the commission rates earned from various Mutual Fund houses are available on our website. Sharekhan or its associates may have received commission from AMCs whose funds are mentioned in the report during the period preceding twelve months from the date of this report for distribution of Mutual Funds. Sharekhan also provides stock broking services to institutional clients including AMCs and hence may have received brokerage for security transactions done by any of the above AMCs during the period preceding twelve months from the date of this report.

As per the Equity Linked Savings Scheme, 2005, investments made under the scheme qualify for tax benefits under Section 80C of Income Tax Act, 1961, and shall be locked-in for a period of 3 years from the date of allotment of units.

Sharekhan may offer or distribute Mutual Fund schemes of BNP Paribas Asset Management India Private Limited as both entities are part of the same group BNP Paribas SA.

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

---

Registered Office: Sharekhan Limited, The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA, Tel: 022 – 67502000 / Fax – 022-24327343. Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669; Research Analyst: INH000006183; For any complaints email at igc@sharekhan.com.Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.