PARTNER CONNECT

MIRAE ASSET
Mutual Fund

www.miraeassetmf.co.in 6th EDITION I JULY 2020

LET'S UNITE FOR THE PERFECT PARTNERSHIP

HIGH

TO US!

Celebrating ten years of

Mirae Asset Emerging Bluechip fund

Large & Mid Cap Fund - An open ended equity scheme investing in both large cap and mid cap stocks

What began on 10th July, 2010 as a fund that aimed to grow wealth, has today scripted a growth story.

As we reach this milestone, we would like to thank our partners such as you who have made this possible.

Congratulations and looking forward to successful endeavours together.

* High 10 stands for 10 year track record of the scheme. Growth story indicates the rise in AUM.

CLICK TO READ

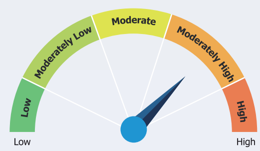
PRODUCT LABELLING

Mirae Asset Emerging Bluechip Fund is suitable for investors who are seeking*

- Long term capital appreciation
- Large & Mid Cap fund investing atleast 35% in large cap stock & atleast 35% in mid cap stocks

*Investors should consult their financial advisers if they are not clear about the suitability of the product.

Riskometer



Investors understand that their principal will be at Moderately High Risk

MARKET OUTLOOK
DEBT

Mr. Mahendra Jajoo
CIO - Fixed Income

Building wave of dichotomy between the markets and the macros, both moved in opposite directions. This might be the case of large flush of liquidity through the global central banks and less than normal economic activity levels. Major central banks around the world (top 4 central banks have increased the balance sheet by USD 5.5 tn since the beginning of March) have contributed to the substantial easing of financial conditions via interest rate cuts and a balance sheet expansion of over USD 6 tn. Risky asset prices have rebounded since the precipitous fall in March, whereas the benchmark interest rates have fallen. Aggregate portfolio outflows have stabilized, and some countries have experienced some modest inflows again. India's flows have increased to 18 months high. Credit markets, spreads of investment-grade companies in advanced economies as well as EM are currently quite contained, contrary to the sharp widening seen during March-April.

Globally, FOMC indicated that rates would remain at 0-0.25% till the end of 2022. Financial conditions stress index has returned back to normal levels. Real GDP projection has been revised downwards sharply to -6.5% in 2020 compared to 2% in Dec'19 projection. Such a sharp revision in projection is also reflected in unemployment which is likely to hit 9.3% in 2020. Unemployment rate improved to 11.1% in June. Fed governor mentioned that they would do whatever possible to bring the unemployment rate to as low as 3.5%. The Main Street Financing facility for MSME borrowers will get a 2 year moratorium on principal payments on a 5 year loan and 1 year deferral in interest payments. The registered lenders can sell 95% of the book to SPV of Fed. It is likely to support USD 600 bn of fresh loans. ECB also revised the inflation downwards and increased the pandemic emergency purchase by EUR 600 bn to EUR 1.35 tn. The extension of purchase program is now till Jun'21. ECB's TLTRO expanded by EUR 380 bn. ECB has raised the maximum amount a single bank can borrow upto 50% of a bank's outstanding consumer and business loans.

Following the government's dismal Economic Package 2.0, the RBI reduced rates, extended the moratorium of term loans by three more months, extended liquidity support to some of the financial institutions and provided some relief to states. RBI measures would act as a support and not aid in salvaging the economic loss. Post-Covid-19, the RBI has reduced the repo rate by 115 bps and reverse repo rate by 155 bps (widening the gap to discourage banks from parking under LAF). We believe that so far, the transmission of the earlier rate cuts has been less than 60% (out of 210 bps repo rate cut, only 120 bps have been passed on), hence the impact of rate cuts would not have been meaningful. The RBI has so far announced liquidity measures to the extent of Rs 9.6 tn, 4.6% of GDP (way higher than govt economic package of 1% of GDP). In its latest measure, RBI announced special open market operations (operation twist) of government securities worth Rs 10,000 cr. RBI governor also continued to stick to its phrase that "we would do whatever it takes". RBI's balance sheet expanded by Rs 13 tn in FY21 till now. Largely on huge Reverse Repo balance parked with RBI (Rs 6.2 tn) and increase in printing of currency by Rs 4.5 tn. 60% of the expansion in the balance sheet is due to sharp increase in foreign exchange reserves. Based on high printing of the currency, huge transfers to the rural economy and temp change in consumption pattern has resulted in sharp increase in currency in circulation to 19% yoy i.e. by Rs 2.0 tn expansion. The fiscal deficit for April-May'20 expanded to 58.6% of FY21 BE. Lower revenue realization was due to low economic activity and deferment of tax fillings. Also, the expenditure has been concentrated to MNREGA allocation, transfers to states and PM-Kisan. PM Gareeb Kalyan Scheme has been extended till Nov'20. This increases the food subsidy cost by another Rs 900 bn. Total increase in food subsidy due to various schemes is ~ Rs 1.3 tn. FY20 tax collection of 11 states fell sharply by 3%, leading to sharp curtailment in capital spending of these states. High frequency data showed some improvement but is still lower than the normal level, like Vahaan sales (particularly tractor sales) slightly lower than normal, electricity consumption (down 6%), stamp duty registration is still 60% lower than Feb'20 levels, work place mobility has deteriorated (compared to last week), e-way bill generation is 25% lower than Feb'20 levels etc. India's manufacturing PMI hits recovered to 47.2. India's manufacturing sector moved towards stabilisation in June, with both output and new orders contracting at much softer rates than seen in April and May. Following these developments the India 10Y dropped below 6.0% levels to close the month at 5.88%.

Corporate bonds witnessed yields dropping by 35-40 bps due to lack of issuances and demand from the institutions. Money Markets continued its rally and moved lower by 40-50 bps mainly due to ample liquidity with Mfs and the deployment options remain low due to lower issuances.

Market Outlook

A quarter into a pandemic now, still there is no certainty about when the economies will be fully functional. While central banks continue to focus on maintaining financial stability, governments struggle with putting a plan in place to restart with the new normal. With this, yields are expected to trade in narrow range with a positive bias.

MARKET OUTLOOK

EQUITY

Mr. Harshad Borawake
Head – Equity Research

The COVID situation is still evolving as some of the countries have witnessed second wave. As an investor, we are hopeful, given the encouraging news flow on the vaccine development.

On the corporate earnings front, as expected, the 4QFY20 was weak and 1QFY21 earnings too will be impacted by the lockdown. While the COVID-19 situation continues to be challenging, execution and efficacy of various govt/RBI measures will determine the pace of economic recovery. Low interest rates and benign oil price will be supportive as and when recovery resumes. Investors are now focusing more on earnings beyond FY21 and the pace of normalization and recovery in the economy–both at the domestic and global level.

In India, the rural economy is relatively less affected due to minimal COVID infections, cashflow from various government schemes and better start of monsoons.

Overall, while there is recurrence of lockdowns in some pockets, wherever the micro-markets are open, the early signs of recovery are encouraging but it is a combination of pent-up demand & recovery and will have to wait to get more clarity on the recovery. The supply side is gradually coming back to normalcy, while demand will take some time to review, in our view. On a CYTD basis, Nifty-50 index after recovering ~40% from the bottom on 23rd March is now down ~12%. At the current index levels, it is now still trading below 5/10-year averages at 16.9x FY22 earnings.

India's 3-5-year outlook is encouraging as the benefits of various government reforms over the last few years would start to accrue. However, near term performance will be function of the inter-play of COVID situation and restoration of normalcy in the economy.

BANKING AND PSU DEBT FUND

Mr. Vaibhav Shah
Head- Product & Marketing

Banking and PSU funds defined

As per the SEBI mandate, Banking and PSU funds are open-ended debt schemes required to invest 80% of their assets in debt instruments of Banks, PSUs, Public Financial Institutions (PFIs) and Municipal Bodies.

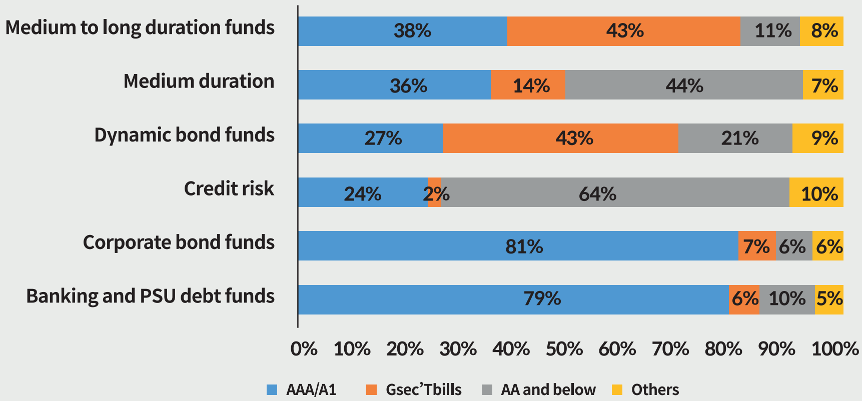
Credit and liquidity combo makes these funds right in a volatile environment

Let's start with the credit quality. By design, these funds primarily invest in top-rated instruments of the debt market – bonds and debentures issued by Banks, PSUs and PFIs.

Some common examples of securities held by the category include NABARD, Indian Railway Finance Corporation, Food Corporation of India, Export Import Bank of India, National Highways Authority of India, Gail, NHPC, NTPC, Power Finance Corp and Power Grid Corporation of India.

Most of these bonds and debentures are AAA-rated. Issuers with AAA rating have relatively higher safety and lower credit risk than those with AA or below rating. The risk of default is very low in case of these instruments as they are supported by the government.

Credit rating profile of Banking and PSU funds vis-à-vis other debt categories

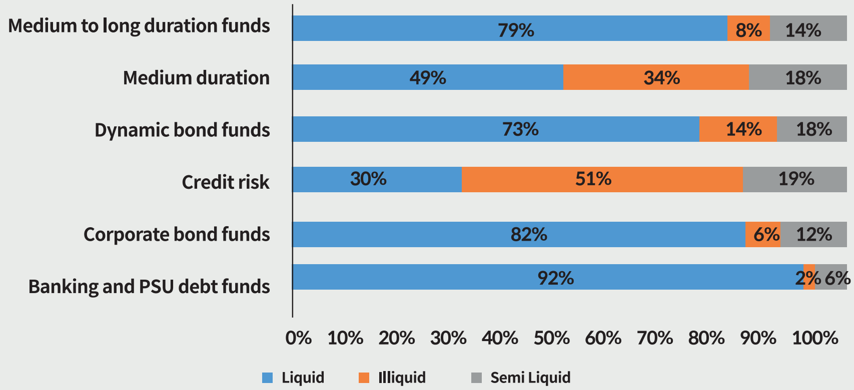


Source: CRISIL Research
Notes: Others include: Reverse repo, CBLO, TREPS, net receivables, interest rate swaps, repo, call, mutual fund units, fixed deposit and margin.

CRISIL-ranked funds for the quarter ended March is considered across all categories
Average exposure of one year ended May 2020 is considered for analysis.

In addition to a favourable credit profile, the underlying securities of these funds enjoy relatively high liquidity in the bond market, enabling the fund manager to implement portfolio churns. The exposure to liquid securities continued to be high in the last year ended in May 2020, despite underlying fragility in the debt market. Analysis of the one year ended in May, reveals that Banking and PSU funds enjoy the highest average exposure to liquid assets (92%) compared with other debt categories.

Liquidity profile of Banking and PSU funds vis-à-vis other debt categories



Source: CRISIL Research
Notes: CRISIL-ranked funds for the quarter ended March 2020 are considered across all categories .

Average exposure of one year ended May 2020 is considered for analysis
Liquidity classification based on CRISIL's internal model that factors trades, volumes and spreads of issuers .

Encouraging performance

The category has shown encouraging performance in recent times despite volatility in the debt market.

Point-to-point returns across different time frames

Category returns^	6 months	1 year	3 years	5 years	7 years
Banking and PSU debt funds	5.96	10.96	8.13	8.40	8.56
Corporate bond funds	5.85	10.82	7.90	8.40	8.23
Credit risk funds	-4.26	-2.98	0.75	3.85	6.27
Dynamic bond funds	6.20	9.62	6.25	8.06	7.92
Medium duration funds	0.86	4.00	4.36	6.45	7.49
Medium to long duration funds	6.66	10.28	6.20	7.86	7.33

Source: CRISIL Research
Note: ^Average returns of CRISIL-ranked funds for the quarter ended March across all categories are considered for analysis.
Returns for less than one absolute and above one year are annualised
Data for the period ended June 17, 2020 .
Past performance may or may not sustain in future.
The data/performance provided above pertains to the category of scheme and does not in any manner constitute performance of any individual scheme of the Fund.

The superior performance of the category in the last one year also came on the back of low volatility and higher risk-adjusted returns.

Risk measures

Risk ratio of categories	Standard deviation	Sharpe ratio
Banking and PSU debt funds	1.61%	3.32
Corporate bond funds	1.58%	3.10
Credit risk funds	5.51%	-0.32
Dynamic bond funds	2.63%	1.87
Medium duration funds	3.72%	0.93
Medium to long duration funds	2.42%	2.20

Source: CRISIL Research
Notes: CRISIL-ranked funds for the quarter ended March across all categories are considered for analysis .
Risk ratios are six months rolling for the one year ended June 17, 2020.
The risk-free rate is 2.6% for computation of debt schemes' risk ratios.

Tax benefit for investment over three years

Like other debt funds, investment in banking and PSU funds for a period exceeding three years qualifies for long-term capital gains tax at 20% with indexation. This augurs well for investors in the highest tax bracket as returns from traditional debt instruments such as bank fixed deposits are taxed as per the income tax slab.

Fitment

These funds have certainly become popular in recent times as can be seen in the rise of their AUM, which doubled from Rs 35,682 crore in April 2019 to Rs 89,945 crore in May 2020. Investors with a low risk appetite looking for relatively safe investment avenue should consider investing in Banking and PSU debt funds over the medium term. However, notwithstanding all the benefits, these are mark-to-market products and exposed to market risk. A 360-degree analysis of the personal risk-return profile, credit and portfolio attributes of the scheme, the fund house's track record is a must before investing.

Source: Crisil, June 2020

PARTNER WALL OF FAME

Mr. Nishant Raj

RK Financial Services

- Journey from Corporate World to Entrepreneurship

I did my Masters in Marketing from BEM, France and after that I worked with Aditya Birla, Bajaj and Tata Group of companies. I always got an opportunity to work in the core Marketing Vertical which I thoroughly enjoyed, but deep inside me, the feeling of having a work of my own always kept chasing me. So, after having work-ex of more than 6years, I resigned and joined my Father's empire of Mutual Fund Distribution House, R K FINANCIAL SERVICES.

- Digitalization – In Sync with current scenario

When I joined my Father's Business, the first thing I did was to automate/digitalize the whole system, which I felt was the need of the hour. After purchasing a good Mutual Fund software, I immediately merged it with BSE platform which gave independence to my clients to monitor their portfolio from their system and this in return generated a confidence among them, and this was a major boost which helped to grow our AUM.

- SIP Book– 10 Lakhs to 85 Lakhs

We started marketing our Brand heavily by doing outdoor campaigns Like Stalls in Mela, Big Hoardings on Highways and most important was IAP, which helped us to increase our SIP Book from 10 Lakhs to 85 Lakhs in a matter of just 24 months. SIP facility allows an investor to invest a fixed amount of money at pre-defined intervals in a particular mutual fund scheme. The fixed amount of money can be as low as Rs. 500, while the pre-defined SIP intervals can be on a weekly/monthly/quarterly/semi-annually or annual basis. By taking the SIP route to investments, the investor invests in a time-bound manner without worrying about the market dynamics and stands to benefit in the long-term due to average costing and power of compounding. (data as on June 2020)

- Data Mining – Foundation of A Successful Organization

My Father had a huge Distribution of LIC and thus, we had a client base of approximate 4000. We started Data Mining of this base and segregated them as business owners, salaried class, students, house wives etc. and started pitching products to them according to their personal needs. This practice helped us to strike directly into the customer's mind and became a huge success for us.

Above all, I believe, having faith in your values and ethics and practicing them on a daily basis is a sure shot way to achieve success and it enhances the organizational climate and establishes character. When an organization is committed to improving the lives of its customers, it creates a mutual trust between them which is quite apparent.

CLICK HERE IF YOU WISH TO UPLOAD YOUR SUCCESS STORIES

THE BIG LEAP

EPISODE 24
Mr. Krishnan Nagrajan

EPISODE 26
Mr. Chokkalingam Palaniappan

EPISODE 25
Mr. K L Dixit

EPISODE 27
Mr. Sashidhar Kadali

Tips that may help you grow your business:

- Spend more time on your Investors
- Manage an Investor's fear before advising
- Passion, Time, Decidication & Patience
- Monitor schemes yourself before recommending

The growth stories of 4 inspiring financial advisors

CLICK TO VIEW

MAGiQ
Mirae Asset Great India Quiz

MORE TIME FOR PREPARATION.
MORE CHANCES OF BEING THE
MIRAE ASSET IQ CHAMP!

MAGiQ is now once a week every Tuesday.

Starting 7th July as next module

CLICK AND LOGIN IN MAGIQ

YOUR QUIZ TOPIC FOR JULY 2020 :

MODULE No	DATE	TOPIC
1	07.07.20	CRICKET
2	14.07.20	LITERATURE AND MYTHOLOGY
3	21.07.20	FOOD AND CLOTHING
4	28.07.20	TRAVEL, LIVING & CULTURE

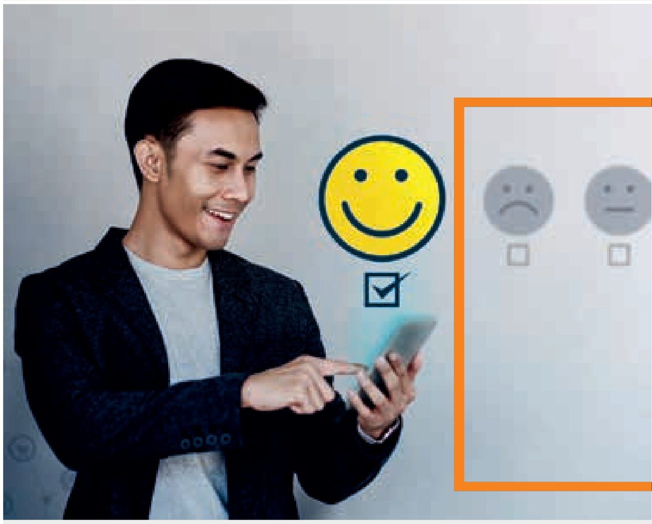
TAKE A BREAK
FLAUNT YOUR SKILLS

CHALLENGE YOURSELF

QUIZ

And get featured in the Wall of Fame!

CLICK TO PARTICIPATE!



HELP US HELP YOU!
SHARE YOUR FEEDBACK

YOUR FEEDBACK MATTERS.

To help us improve, we would like to ask you a few questions about your experience so far.

CLICK HERE