PARTNER CONNECT

MIRAE ASSET
Mutual Fund

www.miraeassetmf.co.in 4th ISSUE | March 2020

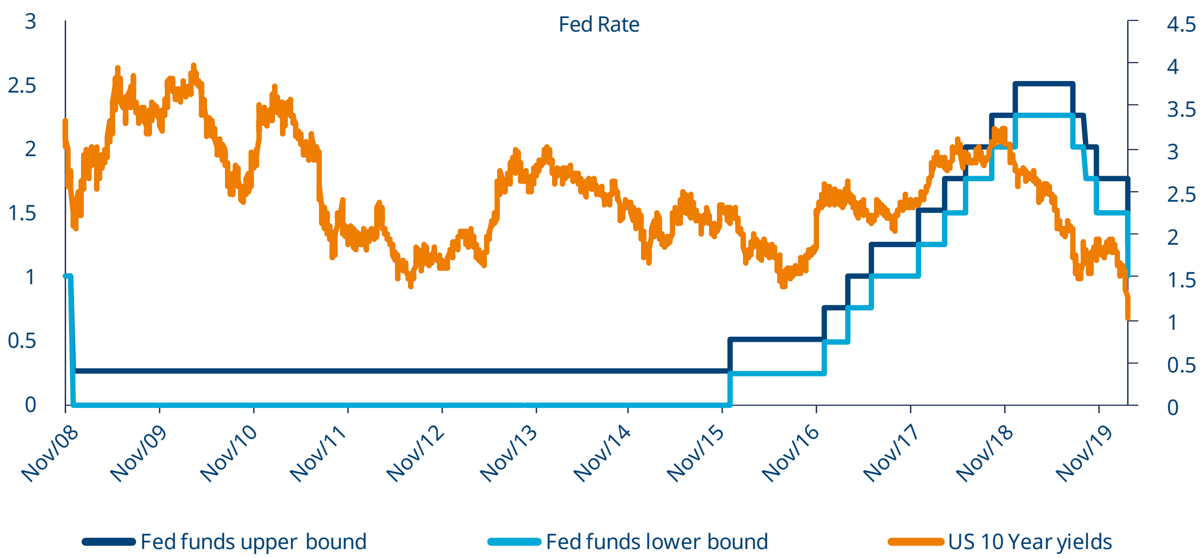
LET'S UNITE FOR
THE PERFECT **PARTNERSHIP**

MARKET OUTLOOK
DEBT

Mr. Mahendra Jajoo
CIO – Fixed Income

As indicated in the last week of Feb, Fed announced first emergency rate cut (0.50%) since the financial crisis, a bold attempt to give the US economy a jolt in the face of concerns about the coronavirus outbreak. Also the finance ministers from the G7 group of leading economies issued a statement pledging action to be taken individually by each nation to achieve strong, sustainable growth and safeguard against downside risks

While globally the effect of coronavirus will be closely watched, already some major central banks have taken bold measures to cut rates (US Fed & Australia) or introduce stimulus package to keep the economy going. Domestically the situation had slightly improved with RBI clearance to support growth and markets accepting fiscal slippage, the recent comforting comments from RBI governor keep the market hopeful, however inflation still remains a worry therefore we expect RBI to use the alternate tools to inject liquidity and make transmission more effective. With this we expect markets to remain range bound.



Source: Bloomberg as on 01st March, 2020

MARKET OUTLOOK
EQUITY

Mr. Harshad Borawake
Head - Equity Research

Global outlook evolving:

The coronavirus situation remains a concern – while incremental cases have significantly reduced in China, other countries have started to show new cases. US Fed to support the growth have cut rates by 50bps and we expect other central banks to follow. Overall, we expect weakness in the overall global trade and situation would normalize as the new cases reduce along with development of effective anti-viral medicine.

Measures to help normalization of the domestic economy:

The benefit of the government and RBI measures since Aug'19 to revive growth are yet to reflect in the economy. The recent budget clearly indicates priority for fiscal prudence over short-term fiscal stimulus. We are hopeful of rural recovery as and when rabi crop gets harvested in the coming weeks and this along with base effect, lower interest rates and government spending should improve the earnings trajectory in the coming quarters. .

Key things to watch out for:

Apart from the usual macroeconomic parameters and corporate earnings trend, key things to watch out for includes (a) coronavirus situation, (b) improvement in the high frequency data and (c) follow-up policy initiatives of the government.

Valuations:

While the market could remain volatile in the near term led by coronavirus situation, with the earnings recovery expectation, we would expect the broad based market performance over the coming period. The Bloomberg consensus earnings growth is currently pegged at ~21% CAGR over FY20 to FY22 led by financials and oil & gas, implying P/E of ~18x on FY21E.

We would advise to not to try to time the market and invest in a disciplined way in equities for long-term, within the earmarked asset allocation (based on individual risk profile). In the current market scenario, staggered investments through SIP or STP, would remain the best ways to invest in equities.

MIRAE @ WOMEN'S DAY

This Women's Day, open a new chapter in financial empowerment for yourself.

We would like to extend our support with various collaterals for you to share it with your investors.

This may help you overcome challenges to approach a women investor:

BOOKLETS

WOMEN'S DAY VIDEOS

THE BIG LEAP

SUCCESS STORIES TIPS FOR BIG LEAP

SOCIAL MEDIA CAMPAIGNS

Growth stories of inspiring Financial Advisors

THE BIG LEAP

Tips that may help you grow your business:

- CLIENTS FIRST POLICY
- CONDUCT IAP FOR CLIENTS KNOWLEDGE BUILDING
- SOLUTION BASED PLANNING
- GO DIGITAL
- INCREASE SIP BOOK
- LET YOUR TEAM SET TARGET & ACHIEVE THEM
- DELIVER BEST INFLATION ADJUSTED POST TAX POTENTIAL RETURNS
- BUILD ROBUST TEAM
- FOCUS ON INVESTOR EXPERIENCE FROM BEGINNING

CLICK TO VIEW

FLIGHT FARE PE DEAL PAAYA

ELSS
#TAX BACHAYA KYA?

People are always on the lookout for opportunities to save money, be it through deals on flight, shopping, food, or movie tickets. Par when it comes to investing do people try as hard? Do investors, even think of taking advantage of tax planning? Interestingly one can save more money on taxes than on all these deals put together. Then why exactly are investors losing out on this opportunity.

Aap ke Investors' Ne Tax Bachaya Kya?

At the end of the year everyone is running around in a bid to save money in taxes. There is tension in the air .... Idhar paise daluu ya udhar ? Tax bachana hai, returns bhi chahiye ...... karein toh kya karein?

While there are many options in the open ended equity funds. ELSS is one of the most tax friendly investment scheme. An Investor not only saves on taxes but aims to create wealth by investing in ELSS. What's different about this though? Is that there is no taxation during the investment period unlike the rest?

We understand as an advisor you may have encountered challenges to find a right medium to approach your investors. As you look out to educate & plan your investor's tax saving. Mirae Asset Mutual Fund will initiate a dedicated page for ELSS. This will be loaded with latest videos, Articles, Tax Calculators & more as an extended support visit us now **CLICK HERE**

This will enable you to overcome most of your tax related queries.

You can also write to us your stories #TaxBachayakya and will help you to publish them on our website **CLICK HERE**

WALL OF FAME
MY MUTUAL FUND JOURNEY

Mr. Chokkalingam Palaniappan
Director, Prakala Wealth Management Pvt. Ltd., Chennai

I studied Mechanical Engineering from NIT, Jamshedpur. After graduation, I remained in the field with companies such as Hindalco, NTPC, and a few international companies. Have worked in India, Iran and Greece.

10 years later, I realized that engineering was not for me, and then decided to pursue an MBA degree from the US. Went to one of the best b-schools in America located in Arizona after which I started working as a management consultant. After 7 years in the US, I sold my house in Houston, Texas and relocated to India to pursue the growth opportunities the country had to offer.

In 2006, Prakala Wealth Management Private Limited was incorporated in Chennai when I got a PMS license from SEBI. I faced a few challenges when the policies by SEBI changed, so I surrendered my PMS license and decided to focus on mutual funds & financial planning.

I then began authoring articles in popular local personal finance magazines such as Nanayam Vikatan. Also, frequently appeared in televisions such as Sun TV educating investors on various aspects of personal finance and investments. This gave me an exposure to a target audience and attracted customers. Transparency & remaining close to investors by talking in their own language helped me gain more popularity. Also, I made sure that I don't not use any investment jargons while discussing investments with my investors. Since most of my customers are first generation mutual funds investers, I counted gold & land as my biggest competition.

My clients come to me across the world for advisory on mutual funds, deposits, insurance, bonds etc. I always encourage my clients to invest for more than 5 years to reap the benefits of their investments. My company collectively handles mutual fund assets of more than Rs. 200 Crores and is steadily growing with a 7-member team. Our greatest aim is to make people realize that mutual funds are not such a risky proposition as they imagine it to be. We make sure that prospective customers make a commitment before approaching Prakala by paying a nominal customer registration fee. At Prakala, we believe in building strong bonds with our clients and truly understand their perspective & needs.

Many of our investors thank us for making them accumulate so much money in one place with Prakala. Next only people talk about returns. Inculcating savings habits with my investors is one of my greatest success.

Now share your success stories with us and we will help you to publish them on our Wall of Fame **CLICK HERE**

MIRAE TREND SETTER:
AGGRESSIVE HYBRID FUND -
A SUITABLE INVESTMENT OPTION?

Mr. Vaibhav Shah
Head - Product,
Marketing & Corporate Communications

Aggressive Hybrid Fund–
A Suitable Investment Option ?

Asset allocation is the mix of different asset classes e.g. equity, debt, gold etc. in an investment portfolio. The aim of asset allocation is to balance risk and returns in accordance with different financial goals and risk appetites. Unfortunately, asset allocation is not given its due importance by many investors and we see investment portfolios heavily skewed towards particular asset classes without factoring in risk and return consideration.

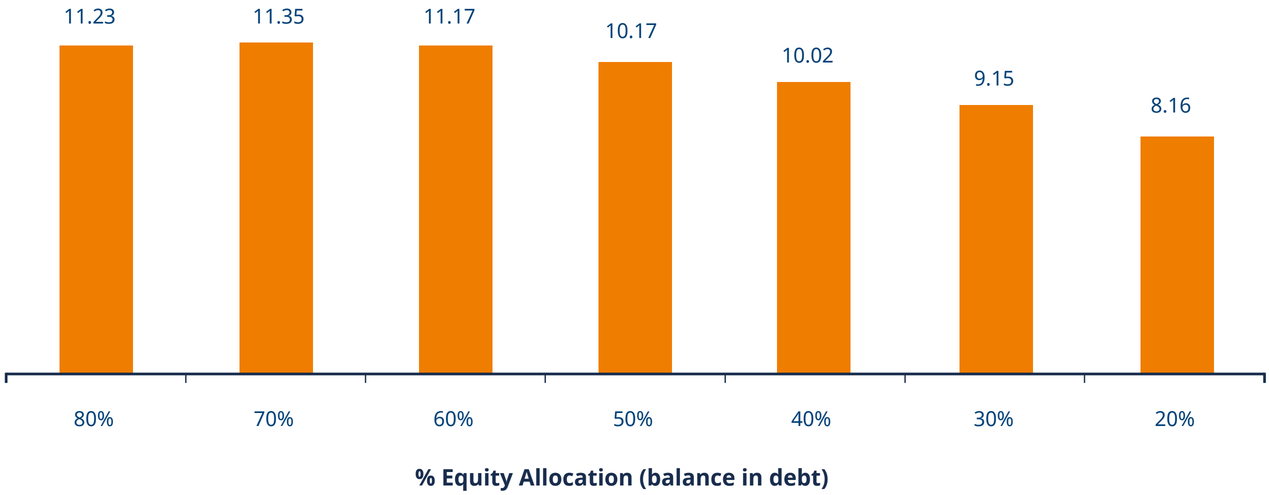
Different asset classes have different risk profiles. Risk and returns are directly related but risk is a double edged sword. If you take too little risk, you may not be able to make the money needed for your financial goals. On the other hand, if you take too much risk, you will expose your financial goals to uncertainties of capital markets. Right asset allocation means that you take the optimal amount of risk to meet your short term, medium term or long term financial goals.

Irrational behaviour is very common in investing because greed and fear plays a big role in how we invest. When the market is high, investors put more and more money in stocks expecting market to go even higher. When the market is low, investors sell stocks fearing market to go even lower. Such irrational actions harm the long term financial interests of the investors. An asset allocation based approach takes emotions out of investing and keeps you disciplined.

Different asset classes outperform / underperform each other in different market conditions; without rebalancing, your asset allocation can deviate significantly from your target allocation.

Let us understand the importance of asset rebalancing with the help of an example. Let us assume you invested Rs 1 lakh in the proportion of 70% equity and 30% debt in 1998. In the first example, you only did a one-time asset allocation at the time of your investment. In the second example, you were rebalancing your portfolio every year to bring back the asset allocation to 70% equity and 30% debt. If equity allocation exceeded 70% equity any year, you sold equity and bought debt to keep asset allocation at your target. Similarly when equity allocation was below 70%, you sold debt and bought equity to keep asset allocation at 30%. In these two examples, we will use Nifty 50 as the proxy for equity and Nifty 10 year G-Sec Index as the proxy for debt. Let us see how your investment would have grown over the last 20 years without any rebalancing. Your investment's market value at the end of 2019 would have been around Rs 8.8 lakhs. However if you had done an annual rebalancing your investment's market value at the end of 2019 would have been around Rs 10.8 Lakhs; an additional profit of around Rs 2 lakhs.
(Source: Advisorkhoj Research, 31st December 2019)

Let us now see market value at the end of 2019 of Rs 1 lakh investment made in 1998 for different asset allocations with annual asset allocation rebalancing to the target asset mix. You can see that the maximum wealth creation has taken place in 70% equity and 30% debt asset mix. Please note that the analysis can be fine-tuned between the asset allocation ranges shown in the chart below, but our analysis shows that 70:30 (equity : debt) asset allocation has been the most optimal range.



Source: Advisorkhoj Research. The period is from 1st Jan 1998 to 31st December 2019.

This analysis has several important lessons for investors:-

- The asset mixes in the above analysis gave double digit returns over the 20 year period. This shows that you can beat inflation with asset allocation.
- While risk and return are related, you need not take excessive risk to get the best results in terms of wealth creation
- With asset allocation it is possible to balance risk and return to get superior absolute returns
- The most optimal asset mix has been around 70% (equity)

We believe Aggressive Hybrid Funds are suitable investment option that Medium to Aggressive investors should look at with a 3+ year horizon. These funds have a static asset allocation strategy with the flexibility to keep its asset allocation within prescribed ranges mandated by SEBI. SEBI requires these funds to invest 65 – 80% of their assets in equity or equity related securities and rest in money market or debt securities. Aggressive hybrid funds follow a rigorous rebalancing process to keep their asset allocations within the prescribed limits. As per our current tax laws, mutual fund schemes which invest 65% or more of their assets in equity and equity related securities enjoy equity taxation. For the benefit of investors, these aggressive hybrid funds have the potential to create wealth over sufficiently long horizon, relatively limited volatility and enjoy equity taxation.

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

TAKE A BREAK
FLAUNT YOUR SKILLS

CHALLENGE YOURSELF

And get featured in the Wall of Fame!

QUIZ

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

Mutual Fund