PARTNER CONNECT

MIRAE ASSET Mutual Fund

www.miraeassetmf.co.in

7th EDITION | SEPTEMBER 2020

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

EQUITY OUTLOOK

Mr. Harshad Borawake
Head - Equity Research

1QFY21 results were better than expectations and management commentary implies sequential recovery in quite a few sectors, while some still remain impacted. During this period, many corporates have relooked at the costs for structural reductions, while some have raised capital or restructured businesses to strengthen the balance sheet.

The negative GDP print was a reflection of the economic activity and as the lockdown is eased, we are witnessing ramping up of the activity. Volumes are ramping up in many utilities, while, supply side issues are also easing. Good monsoon is positive for the overall rural economy. Positive newsflow on the vaccine development is encouraging and what we believe is the eventual solution for the pandemic.

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 a function of the interplay of COVID situation and restoration of normalcy in the economy. RBI and government intervention so far has ensured enough liquidity in the system and also taken care of the economically weaker sections of the economy. While the government revenues are constrained in current fiscal, to the extent possible, we believe an intervention will be required to boost the demand.

The three key macro factors which matter the most - (1) Interest rates, (2) currency and (3) oil prices are currently in a favourable zone. The interest rate remains an important lever for recovery, as it impacts the equity markets in three ways - (a) it helps improve demand in rate-sensitive sectors, (b) helps improve cash flows, and (c) P/E multiples improve with fall in interest rates.

Recommendations for Investors

Asset allocation: Whenever there is a crisis, it is extremely important to revisit and maintain the asset allocation discipline. We recommend investors to balance and front-load asset allocation in favour of equities. We would recommend investors to look at equities and allocate capital that is not required for the next 3 years.

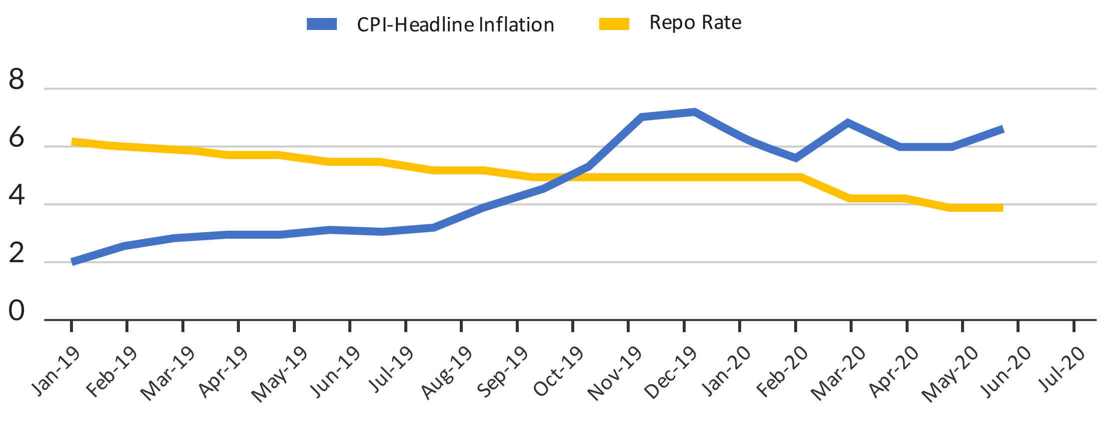
Large cap vs midcap: We continue to prefer large cap and would advise investors to allocate about 70% towards large cap or multi-cap funds. Our preference for large companies is due to superior risk-adjusted returns, a decent growth profile and the fact that large franchises are more capable to weather challenging times.

FIXED INCOME OUTLOOK

Mr. Mahendra Jajoo
CIO - Fixed Income

While there are signs of moderate recovery across the globe, there is no clear trajectory as to where this pandemic is heading with fear of second wave. But none the less severe lockdown looks like a story of yesteryear. Domestically, July CPI inflation is significantly higher than expected led by higher food inflation and supply chain disruption. It is expected to remain high over the next few months owing to the persistence of supply-side disruptions. This might keep the RBI cautious on the rate cut in the next policy.

The recent RBI actions dismiss apprehensions of any possible sharp spike in yields though the market, weighed down by fear of high supplies hardly has strength to take yields down on its own. The short term yields has already bottomed out as they are trading below the reverse repo , there is no room for rate to come down from current levels. Market propensity for long term yields is to go up however, the strong intervention from Central Bank will likely keep the yields in narrow range. That calls for a range bound market in near term where the obvious strategy would be to buy at resistance levels and sell at support levels.



Source: RBI, 7th september 2020.

MIRAE ASSET TREND SETTER

FUND OF FUND CAN BE AN EFFECTIVE INVESTMENT OPTION

Mr. Siddharth Srivastava
Head - ETF Products

From 2014 – 2017 post Lok Sabha elections, the succeeding policies by the central government provided impetus to midcap stocks. During this tenure, Nifty Midcap 150 index compounded at rate of 31% per annum. Nifty Next 50, which captures the performance of smaller 50 large cap stocks, provided return of 26% per annum. Whereas, Nifty 50, the flagship torch bearer of blue-chip stocks grew only by 15% per annum. However, in later years from 2017 – 2019, we saw sharp corrections in midcap, due to corporate governance issues identified in some of the midcap, IL&FS Debt Fiasco, followed by liquidity issues among NBFCs and slowdown in private consumption at aggregate level in economy. For this period, Nifty 50 compounded at 19% per annum, while Nifty Next 50 and Nifty Midcap 150 indices provided a negative return -6% and -12% per annum respectively. The example exhibits an essential trait that different segments of the market perform very distinctly across different market cycles. This observation can be detected even for the period before 2014, for instance, during the time of global financial crisis and successive recovery from it. Thus, diversifying your investment across different segments of the market becomes necessary to avoid significant volatility to the wealth corpus.

However, the decision of allocation within equities may leave investors with a lot of queries such as: 1) Which segment of market should I get exposure from? 2) What should be my allocation to each segment? 3) When do I rebalance my allocation? 4) How many funds do I need to invest in? 5) Are the funds chosen, well diversified? 6) Should I take passive exposure? 7) How do I maintain the cost of portfolio low?

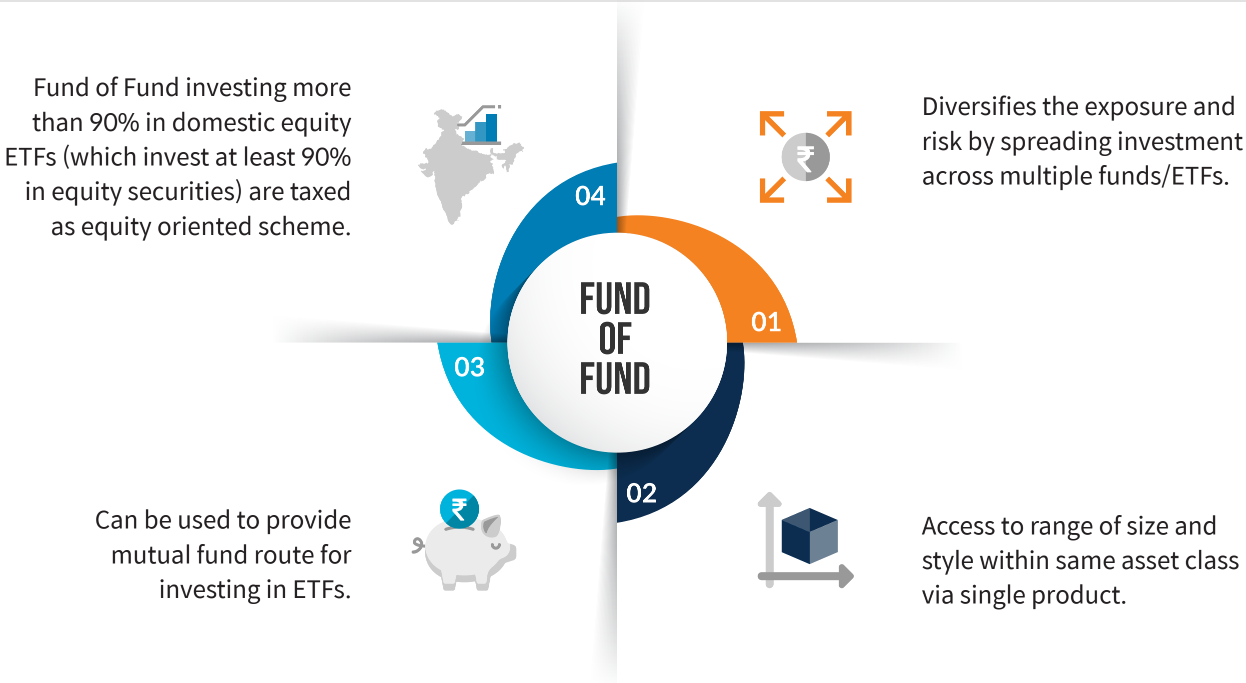
A Fund of Fund can be an effective investment option to provide answers to the aforesaid questions by offering a convenient way to manage allocation within the equity segment. A fund of fund is a type of mutual fund which invests in the units of other mutual funds including but not limited to index funds and ETFs. By investing in multiple schemes, the Fund of Fund can provide an investor with a broader exposure to the multiple market segments or strategies and may provide better risk to return performance. For example, a Fund of Fund can invest in large cap and midcap equity segments through multiple schemes and aim to provide the best of both segments, along with reducing the overall risk due to diversification. Additionally, Fund of Fund allocation to these segments can be changed using various parameters like current valuations and future attractiveness based on earnings estimates etc. This can be done with an objective to align the investor exposure based on changing market scenarios with an aim to generate additional returns over and above the underlying scheme returns.

In current market scenario, active funds are finding it increasingly difficult to outperform benchmark indices like Nifty 50, hence passive products like ETF are good avenues to get market returns (subject to tracking error) by avoiding fund manager's risk of underperformance. The popularity of ETF can be gauged from the fact that that total global AUM stands at USD 6.3 trillion and in India stands at Rs. 2.1 Lakh crore. A Fund of Fund can use ETFs like NIFTY 50, Midcap 150, etc. to take exposure to the equity market. Since the investments will be done in equity ETFs, the Fund of Fund will have a low overall cost and equity taxation will apply to such scheme. Additionally, as asset allocation can be done by the scheme itself (depending on its objective), the cost impact and tax incident involved in rebalancing can be greatly reduced. The investor can subscribe to such schemes like a normal mutual fund and a demat account is not required.

Thus, Fund of Fund based on ETFs with an objective to manage asset allocation can provide a convenient mutual fund way of taking low cost, lower active risk, passive exposure of broader equity market segments with an aim of get additional returns with changing asset allocation through an investment product, where equity taxation will apply and investors can avoid cost and hassle associated with rebalancing portfolio themselves.

(Source: Bloomberg, ETFGI and ACE MF)

Fund of Fund (FoF) is an investment fund which invests in the units of other mutual funds including but not limited to index funds and ETFs.



Equity Taxation is only if scheme invest at least 90% in underlying fund which trades on exchange and underlying fund invests at least 90% in equity shares of listed domestic companies.

GRAPPLING THE PANDEMIC

THE DISTRIBUTOR, ADVISOR WAY.

Mr. Ritesh Patel
Head - Compliance, Legal, Risk & Company Secretary

The current scenario and the challenges posed by COVID-19 has reminded everyone that pandemic risk is real and capable of changing the risk profile of one's business very quickly. When there is a question of survival for many businesses, it is very important to manage well these continued risks, which are here for a very long period of time. Risk management for the distributor/advisor business model is equally very important in these current times.

While other businesses like hospitality, travel, manufacturing and automobile industry, etc. have taken a significant hit in these times, it is believed by many Industry experts that MF industry would continue to get new business as many people have realized the importance of financial savings and investments.

In these times, the distributors will have to discover a solution to sustain themselves, especially smaller players, from a cash flow and sustainability perspective. The methods could be adapting the conventional mode of communication, switching their product sales pitches and adjusting risk profiles of their clients.

The Distributors can use the basic principles of risk management to shape a path through the COVID-19 pandemic and minimize the lasting negative impacts. Some of the important factors which you should consider are:

Identify your clients' risks

To navigate the risks (and opportunities) associated with the pandemic, it is critical to first identify what those risks are. The Distribution model is largely based on direct contact with their clients and hence, it important to understand as to how the pandemic has impacted your client. In order to accomplish this most effectively, you should establish customer contact in order to understand whether there has been an impact of the pandemic on his business or job. Update the risk profile of the customer accordingly and suggest a risk-adjusted plan, which can accommodate his present as well as future (at least 1 year) sustainability. This approach will go a long way in building an ever-lasting relationship with your investors.

Adopt technology

You will have to adapt to new digital measures and embrace new channels of communication, including VCs, Whatsapp/Telegram and email, but mostly importantly, if they have their own digital app. These means are the future of any business going forward and hence, the traditional advisors/distributors, including investors, who were comfortable with only paper-work will have to immediately switch to the new mode of investing. Some Mutual Funds are already offering e-KYC for new clients and hence, it is important that the Distributors undertake complete video based e-KYC (without any paper work) and activate such clients investments by ensuring atleast one investment through such mutual fund websites.

Focus on existing clients

Rather than giving your majority time on new client acquisition in this pandemic period, it is very important to consolidate the base and increase the share-of-wallet from their existing clients by showcasing a wider bouquet of products and services.

Never stop educating

It is very important that you never stop educating investors and prospective clients about mutual funds. Try and conduct as many investor education programs as possible, be it one to one or to a group. With this pandemic, many investors are forced to work from home and you should take this as an opportunity to take their time and keep educating them about the various new products, targeting new set of clients and introducing them to mutual funds.

Lastly, consider your reputation. It is not the time to stay dormant or maintain status quo but to act swiftly.

The success stories of COVID-19 will be of those distributors/advisors, whose reputation was improved due to their their response to the pandemic, with respect to their relationship with the investors.

Nonetheless, obey social distancing norms and stay safe!

PARTNER WALL OF FAME

Mr. Ashis Podder
IFA - Kolkata

LET ME CHANGE MY INTEREST INTO MY PROFESSION

I have started my business from the year 2008, though I am in the industry from 2002. I completed my graduations and decided that I won't do any job, rather do something of my own in an independent way. From my young days, I had an interest in stock market and I had spent a lot of time in understanding and studying about the market and stocks. I thought that let me change my interest into my profession and since then, my journey of becoming a financial advisor begun.

Currently, I manage portfolios of around 200 clients. Most of my client acquisition has been through the reference of my existing clients. Majority of my clients are quiet knowledgeable and aware about market updates. Besides managing their portfolio and generating returns, another thing I try to do is manage the behaviour of my clients. I think currently with so much of information available everywhere, behaviour management is becoming one of the most important roles for an advisor. I believe in asset allocation very strongly and also keep a close track of the market and rebalance the portfolio of my clients accordingly.

I always keep a sufficient portion of my client's portfolio into a high liquidity product, so that in case of any emergency, the investment portion does not get disturbed. I am very happy that I have been able to create substantial wealth for my clients and help them to achieve different goals of their life. I want to thank my clients for trusting me and helping me become successful in my profession.

Now share your stories to get featured on the wall of fame

CLICK HERE

THE BIG LEAP

EPISODE 33:
Mr. Viksit Rohatgi,
New Delhi

EPISODE 34:
Mr. Ashish Golechha,
Chennai

EPISODE 35:
Mr. C M Purohit,
Mumbai

EPISODE 36:
Mr. Ajay Laddha,
Pune

Tips that may help you grow your business:

- Investment is not a one-time activity, it's a continuous journey.
- Always advice investors as per their risk appetite.
- Investor's needs should be the first preference.
- Utilize time to rebalance your portfolio.

The growth stories of 4 inspiring financial advisors

Click to View

EKYC

Becoming digitally smart for our smart investors.

Presenting new features that enable you to complete your **Aadhaar based Paperless e-KYC and make NEFT and RTGS Payments on our website.**

We have launched eKYC service on our website for your first-time investors.

CLICK HERE

PARTNER SERVICES

Explore the benefits of our Partnership digitally.

It's time to take our partnership to the next level. Explore a world of numerous digital possibilities to keep us connected at all times. Embracing the new normal, we have created a Partner Corner on our website to link and engage with customised services, giving our users an absolute edge. Here to make your online experience truly personal with every click.

INTERACTIVE ACTIVITIES:

- Mirae Asset Great India Quiz
- Live Webinars
- Opinion Poll
- Monthly Quiz
- Partner Connect

AIM TO GROW WITH US:

- Distributor Initiated Transactions
- Generate ARN links
- Empanel with us
- Cobranded Collaterals

RECOGNITION:

- The Big Leap
- Wall of Fame

Click here

to visit our Partner Corner

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, 1PM – 10PM.

Your Quiz Topic for Sept 2020

Module No.	Date	Topic
1	01.09.2020	ETF & General BFSI Trivia
2	08.09.2020	Indian Culture
3	15.09.2020	21st Century Bollywood
4	22.09.2020	Indian Geography
5	29.09.2020	Travel & Tourism

Click to login

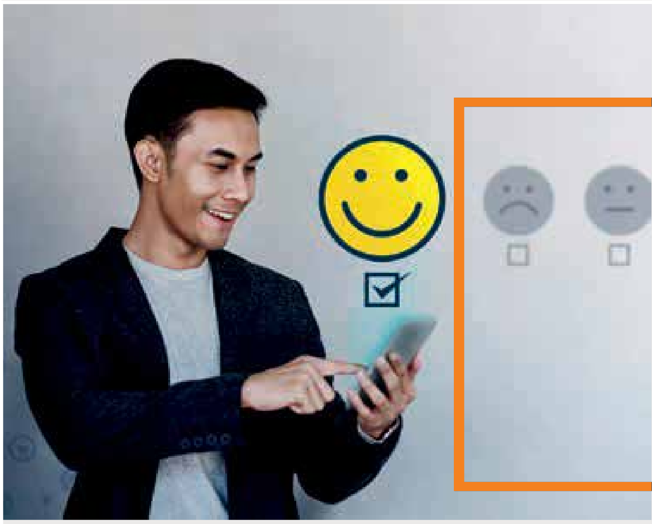
TAKE A BREAK
FLAUNT YOUR SKILLS

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