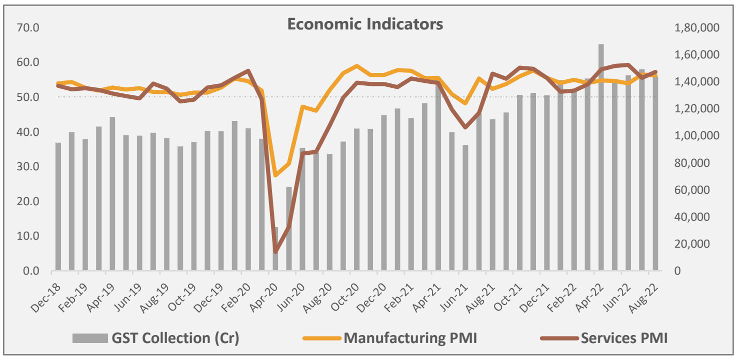
Sep 2022

Fintrust

bulletin...

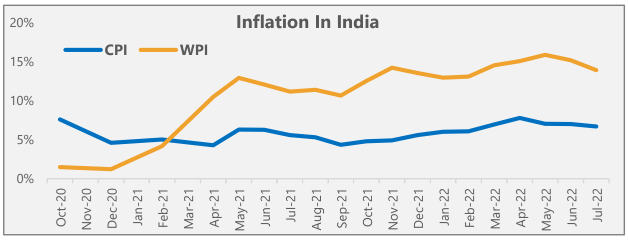
Economic Indicators

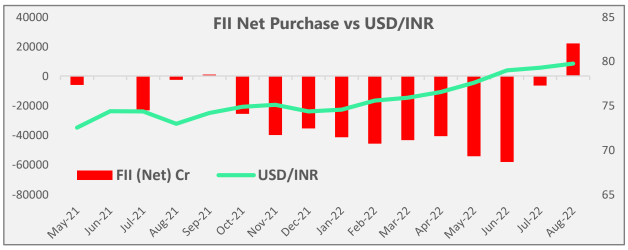
- The S&P Global India Manufacturing PMI edged down to 56.2 in August 2022 from July's 56.4, beating the market consensus of 55 and signalling the second-strongest expansion in the sector since last November.
- Both output and new orders expanded at the fastest pace since November, and new export orders rose at a quicker rate. At the same time, input purchasing continued to increase amid the third consecutive month of improvement in supplier performance. On the price side, input cost inflation slowed to a 12-month low due to a softer rise in commodity prices, while output prices changed little.
- The S&P Global India Services PMI increased to 57.2 in August 2022 from July's four-month low of 55.5 and above the market consensus of 55. The latest reading was the sector's 13th straight month of expansion, amid a faster rise in output and new orders.
- On the price front, input price inflation eased to an 11-month low, meanwhile, output cost inflation was solid and broadly similar to that seen in July.
- GST collections for August remained above Rs. 1.4 lakh crore for the sixth straight month at Rs. 1.43 lakh crore. The revenues for the month of August 2022 are 28% higher than the GST revenues in the same month last year of Rs. 1.12 lakh crore.
- During the month, revenues from the import of goods were 57% higher, and the revenues from the domestic transaction (including import of services) were 19% higher than the revenues from these sources during the same month last year.
- While India's wholesale inflation eased to 13.93% year-on-year in July compared to 15.18% in June, retail inflation declined to 6.71% from 7.01% during the same period.
- India's exports grew 2.14% year-on-year to $36.27 billion in July, while imports surged by 43.61% to $66.27 billion, resulting in a trade deficit of $30 billion.



RBI Bi-Monthly Monetary Policy Updates

- The RBI's Monetary Policy Committee (MPC) voted unanimously to increase the policy repo rate by 50 bps to 5.4%. The MPC also decided to remain focused on withdrawing accommodation to ensure that inflation remains within the target while supporting growth.
- Inflation remains high, globally and locally (core inflation is around 6% in India). Also, the supply of government securities continues to be high as the fiscal deficit target for FY23 is high.
- The projection for real GDP growth for FY23 is maintained at 7.2%, as projected in the last MPC meeting. RBI maintained its projection of annual inflation to 6.7% for FY23. The inflation projections are based on the assumption of a normal monsoon in 2022 and an average crude oil price (Indian basket) of $105 per barrel.
- The overall system liquidity continues to be in surplus, with average daily absorption under the liquidity adjustment facility at INR 3.8 lakh crore during June-July.
- The RBI also highlighted that the Emerging Market Economies are facing a rapid tightening of external financial conditions, capital outflows, currency depreciations and reserve losses.
- RBI emphasized that they expect the current account deficit to remain within sustainable limits, and India's foreign exchange reserves, supplemented by net forward assets, provide insurance against global spillovers.





Debt Market & Other Indicators

- The interbank call money rate ended the month higher at 5.55% on 30th August 2022, compared with 4.25% a month earlier.
- Yields across maturity came down during August. The weighted average yield on the 10-year G-Sec benchmark paper settled at 7.19% on 30th August 2022, compared to 7.32% a month earlier.
- A sharp fall in global crude prices and easing domestic inflation numbers for July kept yields on the lower side. Sentiments were further buoyed by reports of the possible inclusion of Indian bonds in global indices.
- The Rupee depreciated further against the US dollar during August but was limited due to gains in domestic equity markets and persistent foreign capital inflow. Further easing crude oil prices also supported the local unit.
- The Rupee appreciated against other major currencies as these major currencies depreciated against the greenback.
- Bullion prices have also maintained the downtrend from the previous three months with the US dollar index's consistent net upward movement.
- Crude oil prices came down sharply from $96 to $89 per barrel amid concerns of global recession and lesser than expected demand. Fall is also aided by the pending G7 deal to cap Russian oil prices.

Indicator	Aug 22	Jul 22	Trend
Call rate	5.55%	4.25%	▲
3 Month CP	5.59%	6.03%	▼
1 Year AAA	6.34%	6.90%	▼
3 Year AAA	6.88%	7.10%	▼
5 Year AAA	6.99%	7.07%	▼
10 Year G-Sec	7.19%	7.32%	▼

Currency (USD)	Aug 22	Jul 22	Trend
US Dollar	79.73	79.26	▲
GBP	92.19	96.30	▼
EURO	80.19	80.89	▼
YEN	0.57	0.59	▼

Commodity (USD)	Aug 22	Jul 22	Trend
WTI Crude	89.25	96.42	▼
Gold	1720.00	1781.23	▼
Silver	17.78	20.24	▼

Debt Market Outlook

- Yields across maturity came down during August as India's bond investors are betting on the disappearance of interest rate risks on their investments in a year's time, in contrast to everyone else worried about inflation and monetary policy tightening.
- The FOMC (Fed Open Market Committee) has hiked rates by 225 bps this calendar year till July and expects it to peak at 3.8% in 2023. As we advance, we expect further rate hikes by RBI and a terminal policy rate of 6 - 6.25% by the end of FY 2022-23.
- Given the expected rate hikes, the reduction of liquidity, the hawkish stance by global central banks and the substantial supply of government securities, we expect yields to remain under pressure in the near future. Investors may consider shorter maturity funds and floating rate funds as they provide a hedge against a rise in interest rates.

Domestic Equity Market

- Indian equities extended gains for the second consecutive month in August as a moderation in the wholesale and retail inflation in July raises hopes of slower rate hikes by RBI in the future. While Nifty 50 rose 3.5%, broader indices continued their sharp pullback rally, with Nifty Midcap 100 and S&P BSE Smallcap surging 6.2% and 5.9%, respectively.
- All major sectors ended positively except Information Technology. S&P BSE Power, S&P BSE Capital Goods and S&P BSE Consumer Durables saw the highest increase at 14.7%, 8.4% and 7.9%, respectively. S&P BSE IT lost 1.9% amid the growing noise of job cuts among global IT players.
- To our surprise, FIIs turned positive after ten consecutive negative months, with a net purchase of 22,025 crores. During August, DIIs sold Rs. 7,068 crores of shares in the cash segment. Further decline in crude oil prices also buoyed market sentiment.
- SEBI joined RBI's account aggregator framework, with the move resulting in allowing customers to share information about their mutual fund and stock holdings with financial services providers.
- A couple of years back, India's weight in the MSCI Emerging Markets (EM) index was closer to the ASEAN countries, and it has now crossed South Korea and stands close to Taiwan. India's weight in the MSCI EM index has risen from 8.1% in October 2020 to 13.96%.
- India has a higher number of companies (121) with free-float market capital greater than USD 2 billion (Korea – 60, Taiwan – 36). A higher free float market cap encourages more investors to participate as these stocks tend to be less volatile.
- Further, China plus one strategy has regained momentum post-Covid and India is ideally placed to be its biggest beneficiary.

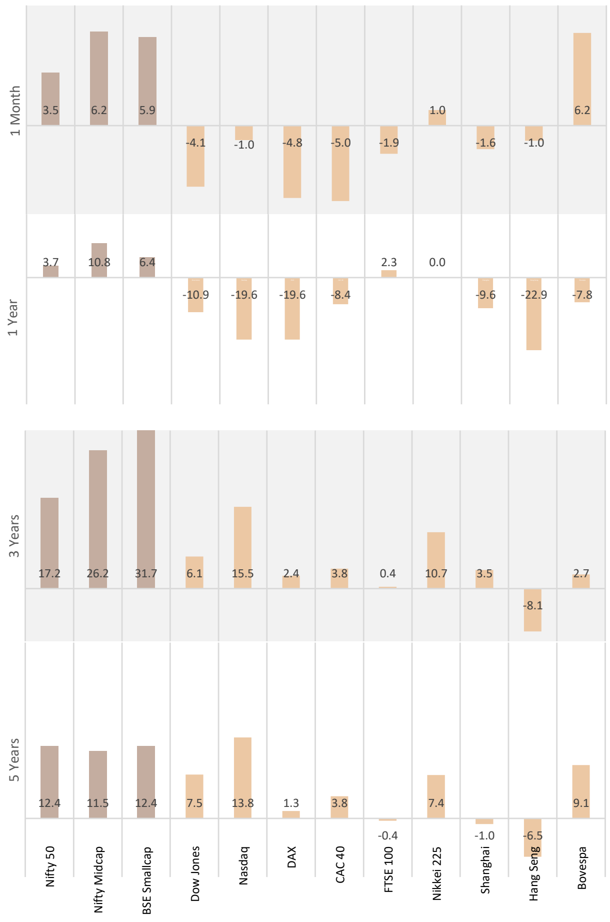
Broad Indices	Aug 22	Jul 22	Change
Nifty 50	17759	17158	3.5%
BSE Sensex	59537	57570	3.4%
Nifty Midcap	31482	29634	6.2%
BSE Smallcap	28651	27056	5.9%
S&P BSE 500	24437	23360	4.6%

Sectoral Indices	Aug 22	Jul 22	Change
S&P BSE Bankex	45296	43131	5.0%
S&P BSE Metal	19166	18190	5.4%
S&P BSE Healthcare	23014	22902	0.5%
S&P BSE IT	28915	29488	-1.9%
S&P BSE FMCG	15954	15489	3.0%
S&P BSE CD	42711	39570	7.9%
S&P BSE Auto	30334	28729	5.6%
S&P BSE Oil & Gas	20290	18999	6.8%
S&P BSE Realty	3691	3591	2.8%
S&P BSE CG	32225	29717	8.4%
S&P BSE Power	5228	4556	14.7%

Global Equity Markets

- Most global equity markets have declined on the hawkish stance the Central bank heads at the Jackson Hole symposium as they reaffirmed their determination to smash inflation and opt for higher rates over a more extended period.
- The industrial index - Dow Jones and the technology index - Nasdaq, declined by 4.1% and 1.0%, respectively, amid losses in technology and growth shares and the outcome of the Jackson Hole symposium.
- The pace of price rises dipped in the US in July as gas prices eased, bringing down the annual inflation rate to 8.5%, still close to a multi-decade high. The Fed hiked its benchmark rate by 0.75% to a range of 2.25%-2.5% to curb soaring inflation.
- The outcome of the Jackson Hole symposium made it clear that the Fed will not be less hawkish than expected as US GDP fell 0.9% in the second quarter of 2022, compared with a 1.6% drop in the first quarter.
- Britain's FTSE fell 1.9% on fears of a potential rate hike by the Fed and the inflationary pressure mounting over the UK and the Eurozone.
- Other European equities declined, with Germany's DAX and France's CAC 40 losing 4.8% and 5.0%, respectively. Eurozone economy expanded 4% year-on-year in the second quarter of 2022, slowing from a 5.4% growth in the previous quarter.
- UK annual inflation rate increased to 10.1% in July, the highest since 1982, from 9.4% in June.
- Eurozone's annual inflation rate soared to 9.8% in July compared to 8.6% in June. The yearly core inflation rate of the Eurozone increased to 4.3% in July from 3.7% in June.
- Japan's Nikkei advanced 1.0% after the Bank of Japan (BoJ) decided to continue its easy monetary policy.
- China's Shanghai Composite and Hong Kong's Hang Seng were down by 1.6% and 1.0%, respectively, on rising Covid-19 cases and worries over economic growth following weak economic data indicating a slowdown in economic activities and credit expansion.

Performance of Indian & Global Indices



Note: *For Periods till 1 year the returns are absolute and for beyond 1 year, its CAGR returns*

Equity Market Outlook

- Lowering household purchasing power in the developed economies, imposition of further lockdowns and real estate crisis in China, disruptions in the European economy resulting from the Russia-Ukraine war, continued disruption to the global supply chain and rise in global inflation led by commodity and food price rise are some of the key factors that have cumulatively led to the heightened downside risk to global growth projection.
- A growth moderation is expected over the coming quarters, led by slower trade growth, tighter financial conditions and changes in commodity prices.
- Downside domestic economic growth risk primarily emerges from global and domestic recessionary concerns. Early signs of growth moderation are already visible in lower-than-expected first-quarter earnings growth.
- Amid all the downside risks, the expansion of India's manufacturing and services sector has been robust over the past year, and the growth is continuing. Investors may participate in a staggered manner and invest systematically for the long term.

Where Are HNIs Investing?

HNIs and family offices are embracing the 'core and satellite approach' in equity investment

Quotes By Prashant Joshi
Published in
Entrepreneur - 18th August 2022

Investment strategies in 2022 for the high-net-worth individuals (HNIs) and the ultra HNIs are reshaping post-pandemic. With so many moving parts (economic factors, social factors, geo-political events, asset cycles, etc.) and structural changes underway, the investment environment is continuously transforming for the better amidst unforeseen challenges, which, in turn, are ushering in new investment opportunities.

Some essential HNI investing trends to watch for in 2022 are as follows.

Equity trends

HNIs and family offices are embracing the 'core and satellite approach' in equity investment. This is a departure from their earlier 'buy and hold strategy' stance. Gradually HNIs and family offices are accepting the importance of economic cycle and business cycle investing and hence are carving out an allocation for the same. This may sound risky on the surface; however, when done wisely, economic and business cycle investing brings the much-needed diversification to a 'long-only' portfolio in addition to agility, market adaptability and a robust portfolio structure.

A business cycle is generally defined as periods of expansion, contraction, slump and recovery. For instance, cyclical stocks tend to outperform during the early expansion phase. At the same time, the defensive sectors such as healthcare, consumer staples, etc., tend to do well in the contraction period because of their stable cash flows and dividend yields.

Debt market trends

A lot has happened and is happening in the debt space. The HNIs and family offices are opening to structured debt products and venture debt, evident from the slew of new offerings in the debt space. These funds are structured for lower tax incidence when compared to other debt instruments, making them a good fit for the HNI portfolios. The venture debt funds offer returns of 10-13 per cent.

Other asset classes

The other asset classes making inroads in the HNIs and family offices are private equity, venture capital fund and REITs/ InvITs, and are here to stay.

As a result of COVID-19, most companies all over the globe accelerated their digital transformation process. New-age tech firms in fintech, agritech, greentech, edtech, and pharmatech are among the few industrial sectors embracing technology on a broader scale and have gained investor focus over the past few years. The startups in the tech-based business transformation are gathering the attention of HNIs and family office, and the increasing number of Unicorns is influencing the incremental allocations.

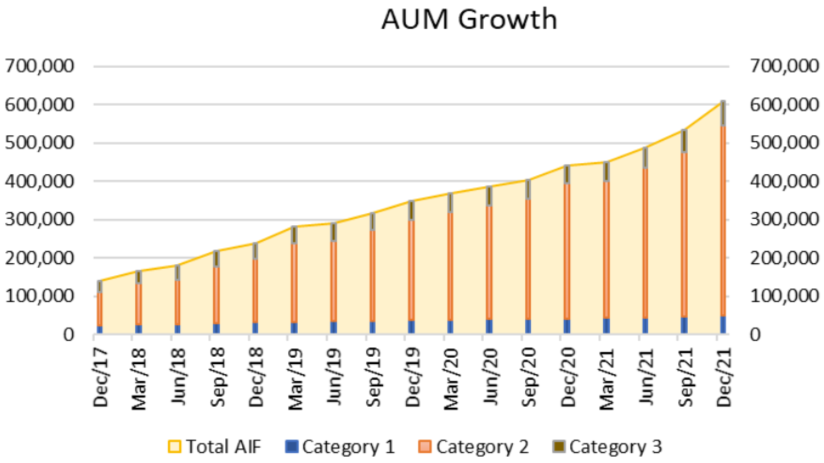
The problems of bigger ticket size and inadequate liquidity have traditionally hampered real estate and infrastructure investments. However, HNIs have started to participate in this space which provides adequate liquidity through new product categories such as REITs and InvITs, and is witnessing a gradual upward trajectory. This new asset class is allowing investors to diversify across real estate and infrastructure as an asset class while also providing liquidity and intermittent income flows (SEBI requires that the funds distribute 90 per cent of their income to unitholders).

Across various asset classes, the AIF (Alternative Investment Funds) is emerging as a preferred investment route for the HNI's & Family Office. Table 2and graph 2shows the growth in the overall AUM of AIF and across categories since December 2017.

Growth in AUM since Dec 2017			
Category 1	Category 2	Category 3	Total
99.28%	468.70%	120.90%	331.61%

Category - II include private equity funds, pre-IPO funds, real estate funds, structured credit funds and venture debt. They provide low correlation to public markets, diversification from traditional equity, debt and other asset classes and are geared toward high risk-adjusted returns. Category – III AIFs employ diverse or complex trading strategies and may employ leverage, including through investment in listed or unlisted derivatives and include funds such as hedge funds PIPE Funds. Both categories are garnering assets under management at a rapid pace. While Category I & II AIF are passthrough vehicles, which means tax has to be computed and shown in the books of investors.

In the case of category III AIF, taxation is at a fund level which means that the investors get only post-tax returns; they need not worry about showing tax on their books and it is increasingly becoming popular. This is evident from the fact that from category -III grew at 36.04% coming close to category – II growth of 40.34% (dec'20 to dec'21)



Focus on Sustainable Development Goals (SDG)

Investors are increasingly seeking transparency and alignment of investment strategies with the ESG policies, be it any asset class. Investors have shifted their focus to Socially Responsible Investing (SRI) and embrace funds whose investment framework factors EGS policies. The age of the passive, unconcerned investor, who would see nothing beyond profits and dividends, is now behind us. They're keen to know the impact of investments on society at large.

To conclude, over the past few years, the HNIs and family offices' outlook on investments has changed significantly. While the whole world is recovering from the impact of the Corona pandemic and the geo-political tensions, the investment world is brimming with new investment opportunities, and HNI's and Family Office are eagerly waiting to embrace such opportunities.

Rebalancing portfolios will help investors fight market vagaries

Based on the returns of the investments, the weightage of each asset class should change, altering the portfolio's risk profile

By Prashant Joshi
Published in
Deccan Herald - 23rd May 2022

Creating a good investment portfolio is an art and a science. However, just "set it and forget it" is not enough to achieve the long-term investment goal. The portfolio gets out of balance over time, and the asset and sub-asset class weights fluctuate and change due to market movement. The result is that allocations deviate from the ideal asset mix, changing the portfolio's risk-return profile. Rebalancing is the act of bringing the portfolio back to its desired asset mix aligned to the investor's risk-return profile.

Based on the returns of the investments, the weightage of each asset class should change, altering the portfolio's risk profile. Rebalancing helps to keep risk within one's desired limit. It ensures that the portfolio isn't singularly dependent on the success or failure of a particular investment, asset class, or fund type. It helps one avoid relying too much on emotions when making important investment decisions and brings discipline. It allows aligning the investment with the goals by periodically rebalancing the portfolio. Rebalancing keeps portfolio drifts under check. Such drifts may not be evident because they can happen gradually. If one is not paying regular attention, they can skew the asset mix and expose to more risk.

An important question is when and how to rebalance? It is required when there is a significant shift in the asset mix vis a vis original and/or there is a change in an investor's risk profile and/or when an investor is closer to the goal. There are several methods to rebalance. An investor can either define a frequency with which they will continually assess the portfolio allocation's current status or set asset allocation ranges. In periodic (time-based) rebalancing, investors set a schedule, and rebalance the portfolio according to that time frame. For example, every 12 months, measure the actual investment mix against the target. Based on the variation, decide whether to make modifications or wait another year to rebalance. In tolerance-band (percentage-based) rebalancing, investors establish specific thresholds that - if crossed - trigger rebalancing.

This approach means the investor must monitor allocations more frequently than periodic rebalancing, which may only require one to check the portfolio annually. One can also consider a combination strategy, using both periodic and annual rebalancing with tolerance bands.

By selling high-performing investments and buying lower-performing ones, rebalancing can be achieved. It can also be done strategically by using other purchases and sales to rebalance. Often investors make regular portfolio contributions or withdrawals that can help them rebalance at a reduced cost. One should be cognizant of the cost involved while rebalancing. The impact of capital gain, exit loads and brokerage costs have an impact on the cost of rebalancing.

We plan, design and execute. But things may not go as per our plan. This is where rebalancing comes in. Portfolio construction gets high importance but rebalancing does not. Rebalancing ensures that the portfolio and the strategy remain relevant and help the portfolio survive through the tides of different market cycles and help attain the long-term investment goal.

Disclaimer

Fintrust Advisors LLP is a company incorporated under the Companies act 1956. Fintrust Advisors LLP is also registered as distributer of mutual funds. The information, data or analysis does not constitute investment advice or as an offer or solicitation of an offer to purchase or subscribe for any investment or a recommendation and is meant for your personal information only and suggests a proposition which does not guarantee any returns. Fintrust Advisors LLP or any of its affiliates is not soliciting any action based upon it. This information, including the data, or analysis provided herein is neither intended to aid in decision making for legal, financial or other consulting questions, nor should it be the basis of any investment or other decisions. The historical performance presented in this document is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for future or specific investments. The relevant product offering documents should be read for further details. Fintrust Advisors LLP does not take responsibility for authentication of any data or information which has been furnished by you, the entity offering the product, or any other third party which furnishes the data or information. The above-mentioned assets are not necessarily maintained or kept in custody of Fintrust Advisors LLP. The information contained in this statement are updated as and when received as a result of which there may be differences between the details contained herein and those reflected in the records of the respective entities or that of yours. In the event where information sent through any electronic Media (including but not limited to Net Banking or e-mail) or print do not tally, for whatever reason, with the records available with the entity offering the product or the third party maintaining such information in each of the foregoing cases, the information with the entity offering the product or third party maintaining such information shall be considered as final. The benchmarking shown in document above is a result of the choice of benchmark Fintrust Advisors LLP uses for the various products. It is possible that some investments offered by the third parties have other benchmarks and their actual relative under- or out-performance is different from that provided in the statement. The recipient should seek appropriate professional advice including tax advice before dealing with any realized or unrealized gain / loss reflecting in this statement. The above data, information or analysis is shared at the request of the recipient and is meant for information purpose only and is not an official confirmation of any transactions mentioned in the document above. Service-related complaints may be acceptable for rectification of inaccurate data. You should notify us immediately and in any case within 15 days of receipt of this document date if you notice any error or discrepancy in the information furnished above, failing which it would be deemed to have been accepted by you. Fintrust Advisors LLP reserves the right to rectify discrepancies in this document, at any point of time. The sharing of information in relation to one's assets may not be secure and you are required to completely understand the risk associated with sharing such information. The information being shared with Fintrust Advisors LLP can pose risk of information being stolen and or used by unauthorized persons who do not have the rights to access such information. Fintrust Advisors LLP or any of its group companies, its employees, and agents cannot be held liable for unauthorized use of such information. Our sales professionals or other employees may provide oral or written views to you that reflect their personal opinions which may be contrary to the opinions expressed herein. You should carefully consider whether any information shared herein and investment products mentioned herein are appropriate in view of your investment experience, objectives, financial resources, relevant circumstances & risk appetite. All recipients of this Information should conduct their own investigation and analysis and should check the accuracy, reliability and completeness of the Information. This Information is distributed upon the express understanding that no part of the information herein contained has been independently verified. Further, no representation or warranty expressed or implied is made nor is any responsibility of any kind accepted with respect to the completeness or accuracy of any information as may be contained herein. Also no representation or warranty expressed or implied is made that such information remains unchanged in any respect as of any date or dates after those stated herein with respect to any matter concerning any statement made herein above. In no event will Fintrust Advisors LLP and their officers, directors, personnel, employees or its affiliates and group company be liable for any damages, losses or liabilities including without limitation, direct or indirect, special, incidental, consequential damages, losses or liabilities, in connection with your use of the information mentioned in this document or your reliance on or use or inability to use the information contained in this document, even if you advise us of the possibility of such damages, losses or expenses. The contents of this document do not have any contractual value. The information contained in this document is confidential in nature and you are receiving all such information on the express condition of confidentiality. If you are not the intended recipient, you must not disclose or use the information in this document in any way whatsoever. If you received it in error, please inform us immediately by return e-mail and delete the document with no intention of its being retrieved by you. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them. This report and information therein is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Fintrust Advisors LLP and affiliates to any registration or licensing requirement within such jurisdiction. The information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Fintrust Advisors LLP. Fintrust Advisors LLP in the course of conduct of its business activity may have financial, business or other interest in other entities including the subject mentioned herein, however Fintrust Advisors LLP encourages independence in preparing this information and strives to minimize conflict in preparation of the above information Fintrust Advisors LLP does not have material conflict of interest at the time of publication of this information. While every effort has been made to ensure that the information provided herein is accurate, timely, secure and error-free, Fintrust Advisors LLP, their directors, promoters, employees, agents and assigns shall not in any way be responsible for any loss or damages arising in any contract, tort or otherwise from the use or inability to use this information and its contents. Any material downloaded or otherwise obtained through the use of the website or email is at your own discretion and risk and you will be solely responsible for any damage that may occur to your computer systems and data as a result of download of such material. Any information sent from Fintrust Advisors LLP to an e-mail account or other electronic receiving communication systems/ servers, is at your risk and if the same is lost, incorrectly received, or sent to the incorrect e-mail or are accessible to third parties, Fintrust Advisors LLP is not and cannot be responsible or made liable for such transmission.