Fintrust

bulletin...

- Economic & Debt Market Update
- Equity Market Update
- Evolving role of family office in India
- Portfolio balancing and diversification for long term wealth creation for HNIs
- Awards & Recognitions

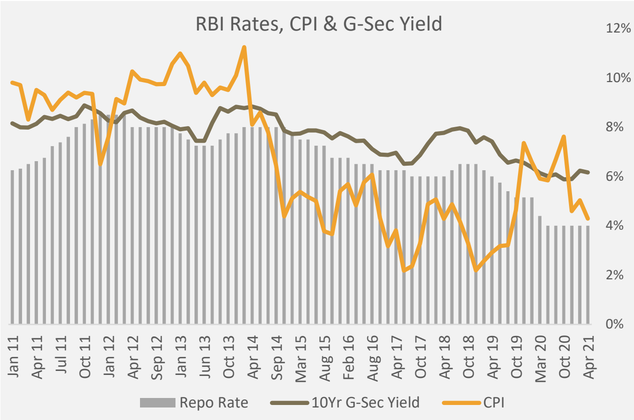
May' 2021

Economic Indicators

- The output of eight core sectors grew by 6.8% in March, driven by base effect-led uptick in production of natural gas, steel, cement and electricity; the growth rate of the eight infrastructure sectors stood at -8.6 % in March 2020.
- India's IHS Markit manufacturing Purchasing Managers' Index (PMI) increased to 55.5 in April from 55.4 in March while services PMI declined to 54.0 in April from 54.6 in March. The composite PMI decreased to 55.4 from 56.0 in the same period.
- GST collections rose 14% to hit a record high of nearly Rs 1.41 lakh crore for the month of April.
- The RBI, in its monthly bulletin, said that the country's economic activity has held up well against the recent spike in Covid-19 cases, but the rise in infections risks protracted restrictions and inflationary pressures.
- The real estate market continued to be affected due to the pandemic with new home purchases set to decline as new home buyers postponed purchases.
- 7.35 Million Indians lost their jobs in April that can be ascribed to the pandemic as the job losses before the second COVID-19 wave in February and March were relatively lower.
- Major rating agencies and investment banks including Fitch, Moody's, IMF have cut India's GDP forecast to around 10% in FY 22 from 12%, attributed to slow vaccination pace and understatement of fatalities during the second COVID-19 wave.
- Pandamic induced lockdowns announced in some states could hamper economic recovery, and had also triggered some foreign fund outflows.

RBI Policy Highlights

- RBI kept the repo and reverse repo rate unchanged at 4% and 3.35% respectively on its last meeting on 5th April 2021.
- The RBI announced a slew of measures wherein banks can park surplus healthcare related liquidity at 40bps higher than the reverse repo rate.
- The RBI's restructuring proposal, which is applicable to borrowers (exposure <Rs. 25 Cr.) will enhance liquidity and allow balancing of cash flows with repayment obligations.



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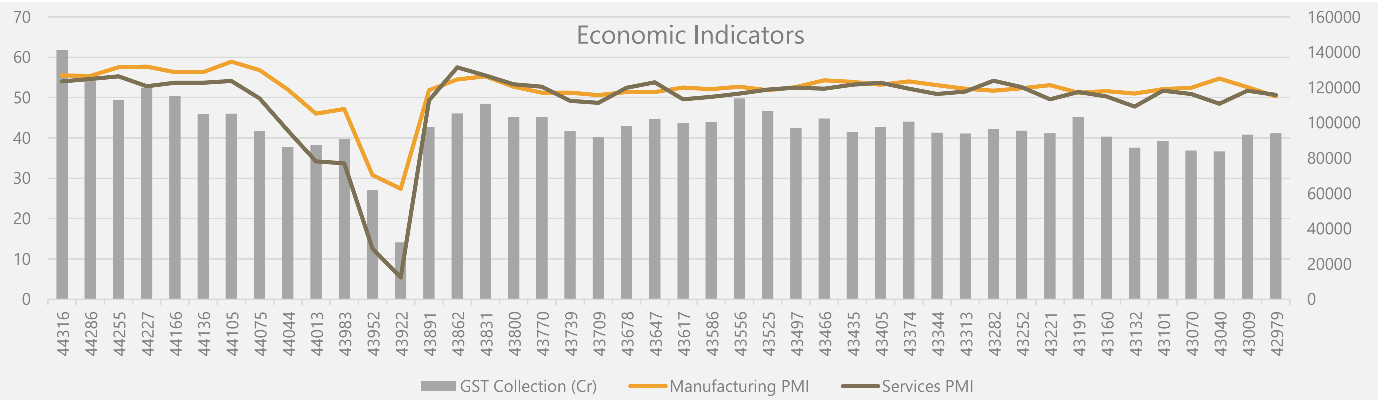


Debt Market & Other Indicators

- The interbank call money rate settled at 3% on April 30, flat compared with April 23.
- Overall systemic liquidity remained in surplus.
- Government bond prices ended considerably higher over the month. Yield on the 10-year benchmark 5.85% 2030 paper settled at 6.04% against 6.16% on April 30 versus 6.18% on March 31.
- Rs. 32,000 Crore auction conducted by the RBI was successful and fully sold in the 1st week of May.
- Banks have invested Rs. 7.2 trillion in G-secs compared to Rs 5.8 trillion of loans disbursals in FY 21 as per RBI which indicates higher scrutiny and caution from banks.
- The RBI's upwardly revised domestic inflation projection also impacted the local unit. The central bank revised the consumer price index (CPI)-based retail inflation upwards to 5.2% in the first half of the current fiscal year.
- The rupee weakened sharply to 74.06 (73.20 on March 31) against the US dollar aided by dollar sales by exporters and foreign banks.
- Crude prices were also up significantly led by economic recovery in developed economies.

Indicator	Apr 21	Mar 21	Trend
Call rate	3.00%	2.75%	▲
3Month CP	3.55%	3.50%	▲
1Year CP	4.50%	4.45%	▲
3Year AAA	5.10%	5.20%	▼
5Year AAA	5.90%	6.20%	▼
10Year G-Sec	6.04%	6.16%	▼

Currency (USD)	Apr 21	Mar 21	Trend
US Dollar	74.06	73.20	▲
GBP	103.02	100.85	▲
EURO	89.60	85.70	▲
YEN	0.68	0.66	▲

Commodity (USD)	Apr 21	Mar 21	Trend
WTI Crude	65.01	59.16	▲
Gold	1782.00	1713.80	▲
Silver	25.69	25.65	▲

Debt Market Outlook

- For the month of April inflation has come well below RBI's long term guidance and this will provide much needed breathing space for RBI to hold rates for little longer.
- We believe that going foreword interest rate hike is inevitable and we would remain in the shorter and medium end of the maturity curve to minimize any interest rate related volatility.

Domestic Equity Market

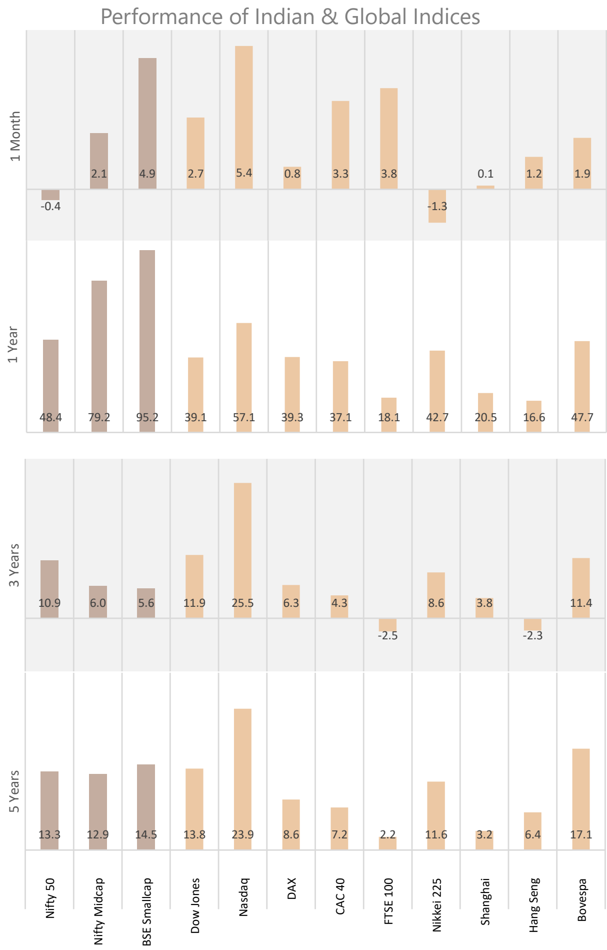
- Even though the three-week negative trend in Indian equities has come to a halt in the last week of April, S&P BSE Sensex and Nifty 50 closed in red by 1.5% and 0.4% respectively.
- The advance – decline ratio continued to be positive in general, thus suggesting that investors engaged in broad-based purchases.
- Broader indices performed extremely well with Nifty Midcap & BSE Smallcap closing higher by 2.1% and 4.9% respectively.
- A sell-off in the FMCG, capital goods and realty stocks pulled the market down. S&P BSE FMCG, S&P BSE CG and S&P BSE Realty lost 2.8%, 4.0% and 7.6% respectively.
- Most of the losses were recouped by Metal and Healthcare stocks with S&P BSE Metal and S&P BSE Healthcare recording 24.2% and 10.3% gains respectively.
- Some losses were recovered on tracking positive global cues, including upbeat economic data from China and the US, and a dovish stance of the US Federal Reserve.
- A "skin in the game" requirement was introduced with a minimum of 20% of the compensation for key personnel of MFs be in the form of units of the managed schemes
- With high court's intervention some states enforced partial/ full lockdown and concerns over rising Covid-19 cases in the country and further tighter restrictions weighed on the market.

Broad Indices	Apr 21	Mar 21	Change
Nifty 50	14631	14691	-0.4%
BSE Sensex	48782	49509	-1.5%
Nifty Midcap	24196	23693	2.1%
BSE Smallcap	21670	20649	4.9%
S&P BSE 500	19690	19602	0.4%

Sectoral Indices	Apr 21	Mar 21	Change
S&P BSE Bankex	37305	37548	-0.6%
S&P BSE Metal	17822	14351	24.2%
S&P BSE Healthcare	23531	21328	10.3%
S&P BSE IT	26306	26543	-0.9%
S&P BSE FMCG	12509	12875	-2.8%
S&P BSE CD	32325	32826	-1.5%
S&P BSE Auto	21668	22252	-2.6%
S&P BSE Oil & Gas	14996	14894	0.7%
S&P BSE Realty	2468	2670	-7.6%
S&P BSE CG	20252	21096	-4.0%
S&P BSE Power	2481	2475	0.2%

Global Equity Markets

- Most of the global equities ended in green on rising hopes of economic recovery.
- US industrial index (Dow Jones) advanced 2.7% and tech index (Nasdaq) surged 5.4%.
- Of the 303 companies in the S&P 500 that reported earnings thus far, a whopping 87% have topped analysts' earnings estimates, thus demonstrating strong performance.
- US personal income increased sharply by 21% in March and spending increased by 4.2% in February suggesting that revival was on the cards for the US economy.
- The US GDP increased at a 6.4% annualized rate in the first quarter of 2021, which is the second-fastest GDP growth pace since the third quarter of 2003, following a 4.3% growth rate in the fourth quarter of 2020.
- New home sales in the US surged 20.7% to an annual rate of 1.021 million in March after plunging 16.2% to a revised rate of 846,000 in February.
- Durable goods orders in the US rose 0.5% on-month to a seasonally adjusted $256.3 billion in March, compared with a 0.7% fall in February
- The US consumer confidence index soared to 121.7 in April compared with a revised 109.0 in March.
- European equities advanced on expectations of a global economic rebound. UK's FTSE 100, France's CAC 40 and Germany's Dax rose 3.8%, 3.3% and 0.8%, respectively.
- Japan ended in red downbeat corporate earnings reports and rising Covid-19 cases.
- China's Shanghai Composite closed flat following lacklustre domestic industrial profits and factory activity data.
- China's manufacturing PMI fell to 51.1 in April from 51.9 in March, while non manufacturing PMI fell to 54.9 from 56.3 in the same period.
- Within emerging markets, Brazil's Bovespa closed up 1.9% for the month.



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

Equity Market Outlook

- Economic indicators were pointing towards a recovery but one needs to be cautious as India is hit hard by the second wave of Covid and vaccine shortages. We are a country of 140 billion people where social distancing is a luxury, any strategy is hard to implement.
- We believe that RBI may embark on gradual exit from the prevailing loose monetary policy stance once the current pandemic subsides, and the vaccination drive reaches critical mass during H2FY22.
- In past two weeks, a slew of GDP growth downgrades were triggered by all major rating agencies and investment banks.
- We believe that equity markets might see some correction but unlike Mar 2020, it should consolidate further as valuations play catch up.

Evolving Role of Family Office in India

Family offices are increasingly gaining prominence in India. However, not many understand the purpose and role of this institution. They are setup with the primary objective of preserving and growing the family fortunes while also guiding with philanthropy and tax management.

By Anurag Jhanwar
Published in - Peaklife Investment
22nd March 2021

The Indian economy went through liberalization in 1991. Since then, liberalization and globalization continued in various foms, which supported family owned small businesses achieve exponential growth. Wealth kept growing and these small businesses turned into empires. It was the same era when another trend had picked up - studying abroad. However, most of them were settling down away from their country of origin, once they completed a privileged education, given limited opportunities available in India. Now the scenario has changed in the last decade and more so predominantly in last 5 years. Our 2nd and 3rd generations are opting to return to India and prefer to take ownership of their family businesses in a distinct way to protect a legacy. Overall, since 2000, India has produced about 3.0 lakhs millionaires, totalling about 3.5 lakhs millionaires and in the next five years, the number is expected to swell further to over 5.2 lakhs millionaires.

As more and more people are turning riches in the country, the need for family offices is also on the rise. Culturally entrenched in India is the traditional concept of family business, which is mainly the attempt to preserve and grow the wealth within families, for generations to reap the benefits! However, the avenues of profit making from this wealth have changed dramatically over the years and this has revived the family offices culture and accelerated to the fore front.

With the millennials at the helm of affairs, their global education has given a boost to the concept of family offices which has its roots in the USA. Today, the investment options are no more limited to purchasing shares of their own listed companies, lower-risk assets such as property, land, treasuries, and mutual funds. Investing in start-ups, unicorns, international businesses, mines, crypto currencies international hedge funds, arts, unique collections and so on are the most favourites of these UHNIs. And with these changing dynamics, the role of family offices has expanded and contributed significantly to recent trends in India.

In 2002, Mr. Amit Patni, part of the founding family of Patni Computers, was the first one to start a family office in India and by the end of 2018, there were about 45 family offices successfully operating in India. As per a latest Credit Suisse report, total wealth in India has increased four-fold between 2000 and 2019, reaching USD 12.6 trillion in 2019. This is expected to touch 16 trillion by 2024 – which is 5 years from now.

Given the steady increase in the wealth of UHNIs, establishing a family office is a great way to ensure family wealth is properly managed and eventually distributed to successive generations.

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While different economic cycles brought in different trends, Covid-19 is expected to change the risk contour completely and evaluating various investment options will also undergo a significant change. This is one of the best times for UHNIs to actually set up and invest in family offices.

The services of FOs are not limited to only managing family fortunes, but span across services like tax advising, succession planning, even philanthropy or any other financial/nonfinancial advises that the family may need. FOs manages complex family business structures, business liquidations, and assiduously takes care of the client's wealth and their needs while the clients focus on their core businesses. FOs are evolving with flexible models customised to suit the family's requirements, the pay-outs based on the pre-determined performance, rather than the current fixed pay-outs or brokerage models. As the cost of running or hiring a single FO is huge, the concept of multiclient family offices is also gathering momentum bringing in synergies and cost efficiencies.

The biggest responsibility for the family offices will be to assess the risk and opportunities and find the convergence point Some of the themes we expect will emerge are –

- Investment opportunities in social impact funds and businesses touching more lives.
- Further boost to go digital mode as the New Normal will compel everyone to work remotely and virtually for longer than expected!
- Market fluctuations have urged many offices to keep cash reserves. It will be critical how these cash reserves will get deplo yed in next 6-12 months' time.
- "Atmanirbhar Bharat" will open more opportunities for existing business houses to expand and is also likely to introduce a different start-up wave, which will be another area for family offices to look into for investment opportunities.
- Increased awareness and vigilance around succession plan will further highlight the importance of family office set -up.
- Another area of interest will be the distresses assets or asset reconstruction opportunities given many businesses have felt the burns due to the lockdown and other Covid-19 related obstacles (By-products).

Unforeseen conditions and crisis like COVID further emphasis that a structured approach to family wealth planning and management will pick pace. The Multi client family office structure offers the perfect model of providing varied services under one roof along with being a single point of contact for meeting the strategic objectives of the families being served. Family offices will continue to remain a viable and desirable way for HNIs/UHNIs to grow and preserve their wealth and assets for generations to come and spearhead a sustainable legacy.

Portfolio balancing and diversification for long term wealth creation for HNIs

The more money one has, the higher the options for them to move from plain vanilla products like stocks, MF, FD, bonds to more complex products like PE funds, art funds, real estate funds and structures.

By Anurag Jhanwar
Published in - Financial Express
27th April 2021

Ultra HNIs have varying investing approaches, starting from new-age entrepreneurs who have built valuable businesses, to scions of business. Experts say, even though there are similarities when it comes to their investments, it will be wrong to assume that it's all in the same avenues.

Anurag Jhanwar, Co-founder, and Partner, Fintrust Advisors says, "High Net worth Individuals are widely defined as those having an investible surplus of more than Rs 5 crores. By 2027, there will 9.5 lakhs HNIs from close to 3 lakhs currently. HNIs form 58 per cent of India's GDP, with close to 30 per cent based out of Mumbai and Delhi alone."

Traditionally, HNIs used to rely on a mix of equity and debt investments for growing their wealth. Along with economic and market cycles, the preferred asset classes also kept varying.

For instance, about a decade ago, real estate was a favourite for investors. According to an RBI report from 2017, 'Indian Household Finance Survey', amongst other things it stated, the average Indian household holds 84 per cent of its wealth in real estate and other physical goods, 11 per cent in gold and the residual 5 per cent in financial assets. Commercial real estate is one such asset class that had seen a substantial increase in allocation. However, due to lack of returns from this asset class as well as under-performance for a prolonged time, experts say there came a shift in preferences. Over the years there is a tilt in the preferences towards financial assets over physical assets.

Jhanwar, adds, "HNIs have relied on a mix of debt and equity investments to plan their retirement and provide funds for their children. Over the years there has been a shift towards alternative asset classes which offer instruments that match the cash flows with liquidity and inflation."

Going by the figures, in 2019 equities remained the most preferred asset class in the portfolio with 29 per cent allocation, followed by 21 per cent allocation for bonds and 20 per cent for property investments. "Unlike retail investors who prefer diversifying their portfolios for preserving their wealth, the HNIs focus on concentrated portfolios to create more as they plan their strategies from a long-term perspective," says Jhanwar.

Here are some of the mistakes riches should avoid while managing their fortune!

Avoid being pernickety or fussy

Experts say it is always better to be hands-on with one's finances and wealth. However, Jhanwar says "what concerns is the riches' tendency to emphasise on minor or trivial details and lose sight of the big picture. For instance, giving unnecessary importance to either tax efficiency or resisting critical rebalancing of one's portfolio for the want of saving exit loads, etc.

Avoid being an emotional pendulum while making investment decisions

According to experts adopting a balanced and disciplined approach to one's portfolios may sound easy, however, it could become extremely difficult to follow. Jhanwar says, "HNIs are often found oscillating between fence-sitting and super active when "FOMO" kicks in. To be able to invest successfully, HNIs must calmly focus on asset allocation and avoid this evil habit of an emotional pendulum."

Avoid drifting towards more complex – even simple investments are equally critical

The more money one has, industry experts say the higher the options for them to move from plain vanilla products like stocks, MF, FD, bonds to more complex products like PE funds, art funds, real estate funds and structures. Hence, follow your advisor's guidance and invest only when it merits to incorporate the more complex products in your portfolio, not only because they are exotic.

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