Fintrust

bulletin...

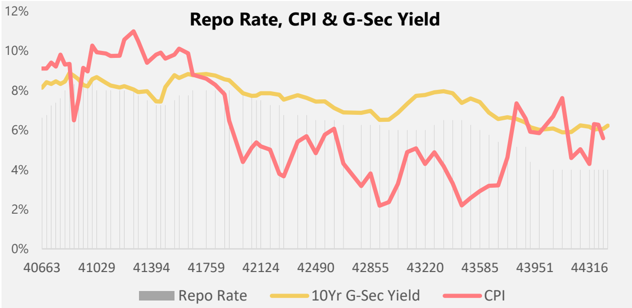
September' 2021

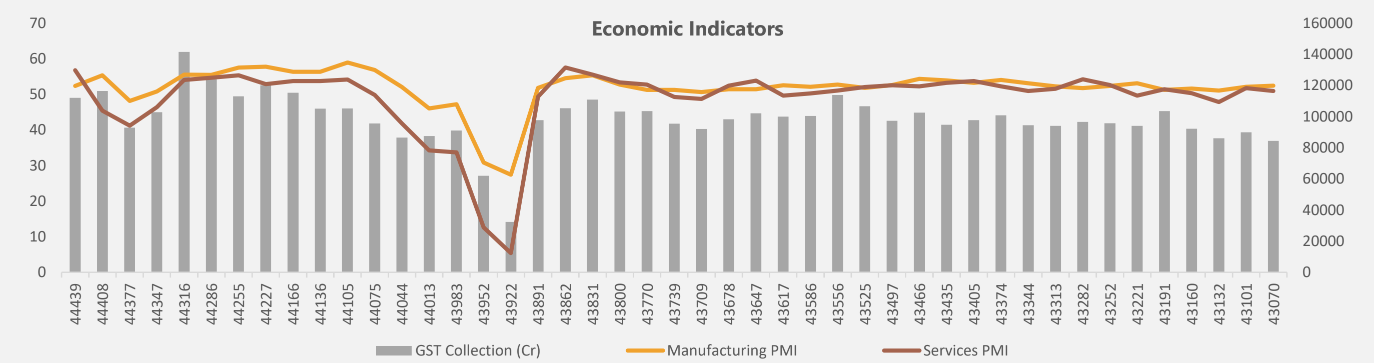
Economic Indicators

- Though the GST collection for August was 3.8% less than the previous month at Rs 1.12 lakh crore, the robust GST revenues over Rs.1 lakh crore is likely to continue in the coming months too.
- Manufacturing PMI dropped to 52.3 in August from 55.3 in July, which shows a continued but muted recovery. The growth of manufacturing in India was curbed in August by the pandemic and rising input costs.
- With order books still expanding and businesses retaining optimistic growth projections, stock-building efforts continued, and additional raw materials were bought.
- The 12-month outlook for production remained positive, though confidence faded amid worries concerning the lasting scars of the pandemic and the adverse impact of rising costs on companies' finances along with lack of pricing power. Input prices increased sharply due to strong demand for scarce raw materials and transportation issues.
- Services PMI jumped to 56.7 in August of 2021 from 45.4 in the previous month and far above market expectations of 48.5. The reading pointed to the first expansion in the sector since April and the most robust growth since February 2020.
- New orders expanded at the fastest pace since January 2013, while output grew for the first time in four months. Meanwhile, the rate of job shedding was marginal and the weakest since January.
- Uncertainty regarding growth prospects, spare capacity and efforts to keep a lid on expenses led to a hiring freeze in August, following the first upturn in employment for 16 months in July.
- As far as agriculture is concerned, Kharif crop sowing picked up in July and high-frequency indicators of rural demand viz. tractor and fertilizer sales.

Head's Up from the Central Bank

- In the minutes, the Monetary Policy Committee members highlighted inflation risks and showed their discomfort with the banking system's high liquidity surplus.
- Finance Ministry has asked banks to conduct credit outreach programmes across the country from October to boost the stimulus package.
- In multiple interviews over the month, the RBI chief said that inflation has eased along the expected lines. The banking regulator is waiting for growth signals to become more sustainable before taking any further policy action. It also added that policy actions would be calibrated, so as to not surprise the market.
- RBI has approved SBI, ICICI etc., to create a Secondary Loan Market Association where lenders will trade corporate loans, thus mitigating concentration risk.





Debt Market & Other Indicators

- The yield on the 10-year benchmark 6.10% 2031 paper settled at 6.22% on 31st Aug compared to 6.10% on 31st July. Bond prices were under pressure as the RBI's monetary policy meeting minutes, which were released last week, were perceived as hawkish.
- On 27th August, the RBI conducted a 13-day variable-rate reverse repo auction for a notified Rs 3 lakh crore. The central bank received offers amounting to ~Rs 5.08 lakh crore in the auction showing firm demand.
- The US Fed Chairman Jerome Powell said that the Fed is likely to begin tapering some of its easy-money policies before the end of the year. However, he added that he still feels there's "much ground to cover" before rate hikes.
- The rupee ended at over a two-month high against the US dollar, aided by foreign bank's dollar sales and a decline in the US dollar index amid expectation that the Fed could delay scaling back of stimulus given the threat posed by the spread of the Covid-19 delta variant.
- Crude oil prices were down in August amid the surge in Covid infections around the world. During the last week, prices recovered a bit, owing to a production outage in Mexico and tracking US government data that showed demand for fuel rose to its highest since the start of the pandemic.

Indicator	Aug 21	July 21	Trend
Call rate*	3.25%	3.35%	▼
3Month CP*	3.57%	3.70%	▼
1Year CP*	4.50%	4.55%	▼
3Year AAA*	5.20%	5.30%	▼
5Year AAA*	6.10%	6.00%	▲
10Year G-Sec	6.22%	6.20%	▲

** as on 27th August 2021*

Currency (USD)	Aug 21	July 21	Trend
US Dollar	72.95	74.34	▼
GBP	100.33	103.34	▼
EURO	86.13	88.24	▼
YEN	0.66	0.68	▼

Commodity (USD)	Aug 21	July 21	Trend
WTI Crude	68.50	73.62	▼
Gold	1818.10	1809.15	▲
Silver	24.01	25.55	▼

Debt Market Outlook

- Bank credit growth has remained low-spirited, with the moderation being broad-based across bank groups. Loan disbursals to the MSMEs and pandemic hit segments will remain tight.
- Long duration bonds will be under pressure as inflation creeps up and the Central Bank tightens monetary policy. We would like to remain in the shorter and medium end of the maturity curve to minimize any interest rate related volatility in the near future.

Domestic Equity Market

- The Indian benchmark index Nifty 50 surged to new highs during August with a hefty gain of 8.7%. While the Nifty Midcap 100 continued the rally with a 2.2% gain, the BSE Smallcap remained flat with a 0.5% gain.
- In the cash segment of the stock market, the net activity of Foreign Institutional Investors (FIIs) remained flat to negative from the past five months. In contrast, the Domestic Institutional Investors (DIIs) activity remained flat to positive during the same period.
- A rally in oil and gas, power, IT, FMCG, Bankex, capital goods stocks fueled the market. S&P BSE Oil & Gas, S&P BSE Power, and BSE IT gained double digits, while metals and realty were the only two major sectors to witness losses.
- Positive global cues that supported the domestic market included the full US regulatory approval for a Covid-19 vaccine and the Chinese central bank's liquidity-boosting measures to aid the economy.
- Freight movement and merchandise exports have already returned to their second wave levels, along with clear recovery signs in core sector output.
- SEBI empanelled 16 entities for conducting forensic audits of financial statements of listed companies as part of efforts to curb accounting frauds. Also, depositories were asked to use blockchain technology to record and monitor security creation as well as covenants of non-convertible securities.
- Finance Minister Nirmala Sitharaman announced a pipeline of assets that the Centre is looking to monetise to the tune of Rs 6 lakh crore over the next four years ending fiscal 2025.

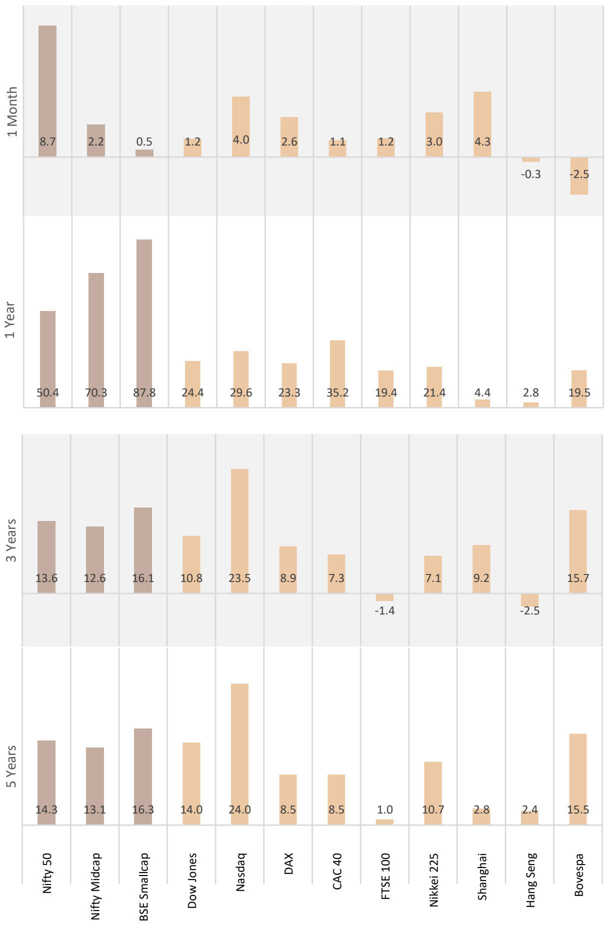
Broad Indices	Aug 21	July 21	Change
Nifty 50	17132	15763	8.7%
BSE Sensex	57552	52587	9.4%
Nifty Midcap	28417	27815	2.2%
BSE Smallcap	26920	26787	0.5%
S&P BSE 500	23174	21773	6.4%

Sectoral Indices	Aug 21	July 21	Change
S&P BSE Bankex	41470	39190	5.8%
S&P BSE Metal	20580	21012	-2.1%
S&P BSE Healthcare	26570	26156	1.6%
S&P BSE IT	34180	30847	10.8%
S&P BSE FMCG	14581	13481	8.2%
S&P BSE CD	37361	36386	2.7%
S&P BSE Auto	22571	22489	0.4%
S&P BSE Oil & Gas	17084	15442	10.6%
S&P BSE Realty	3085	3183	-3.1%
S&P BSE CG	24974	23672	5.5%
S&P BSE Power	2921	2617	11.6%

Global Equity Markets

- Global equities ended mostly higher this week amid region-specific cues. US treasury prices declined as investors turned wary ahead of the Fed's annual economic symposium.
- Dow Jones posted a gain of 1.2%, and Nasdaq gained 4% during August, backed by comprehensive economic data. US stocks advanced following a full US drug regulatory approval for a Covid19 vaccine, raising hopes for swift economic recovery.
- US gross domestic product increased at a 6.6% annualised rate in the June quarter, revised from 6.5% growth reported earlier and compared with 6.3% growth in the first quarter.
- US manufacturing PMI was 61.2 in August, compared with 63.4 in July. Services PMI was 55.2 in August, compared with 59.9 in July. Composite PMI was 55.4 in August, compared with 59.9 in July.
- Britain's FTSE rose 1.25% on the back of buying shares of consumer staples, financial, energy, mining, and commodity-related firms.
- Other European equities ended mixed – France's CAC 40 rose 1.1%, while Germany's DAX rose 2.6%. Markets gained earlier on bargain hunting. However, investors remained on the sidelines ahead of the Fed meet at Jackson Hole.
- Asian equities ended higher with Japan's Nikkei advancing 3% tracking positive global cues and a rally in transport stocks. Japan manufacturing PMI ended 52.4 in August as compared to 53.0 in July.
- China's Shangai Composite rose 4.3% after the country's central bank injected a total of 120 billion yuan this week to support retail, catering, and trading firms, which were affected by the recent Covid-19 resurgence.
- China maintained its one and five-year loan prime rates at 3.85% and 4.65%, respectively. China's industrial profits grew at a slower pace of 16.4% year-on-year to 703.67 billion yuan in July, compared with 20% growth in June.
- Investors remained cautious ahead of the Fed's annual symposium at Jackson Hole and amid the developments in Afghanistan.

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

- According to Nomura, India has made a swift recovery from COVID 2.0, with business activity recovering to pre-pandemic levels, thus supporting their 10.4% YoY GDP growth forecast for FY 2022. Freight movement and merchandise exports have already returned to their second wave levels, along with clear recovery signs in core sector output.
- The renascent of the COVID-19 variant in the US and China, if persistent, could well puncture the Indian stock market bullishness. US data will play a key role in Indian market performance; therefore, it is best to pick fundamentally strong stocks.
- Given a slew of positive economic indicators, markets have done well. Still, it remains to be seen how resilient the economy would be, thus influencing the market sentiment as we advance.

Passion Investing: Is it a good diversification tool? Find out

The market is not only small, but opaque, highly fragmented, as well as unregulated, and usually have issues like illiquidity and valuation subjectivity.

Quotes By Prashant Joshi
Published in - Financial Express
27th Aug 2021

One should look at how different passion investments have performed over the past ten years and then buy the assets they are passionate about considering it has the potential to appreciate.

Investment is not always just about stocks, bonds, etc. Apart from such traditional investment options, an increasing number of people are investing in non-traditional types of assets, such as jewellery, fine art, vintage cars, wine, etc.

Industry experts say these investments are items that people are passionate about and enjoy owning. Investing in such assets will also help them make money at the same time, as the value of these items appreciates over time. Investing in such non-traditional assets that one is passionate about is termed passion investing. Passion investing is an ideal way to create long-term investment strategies that could be rewarding for the investor.

Prashant Joshi, Co-founder, Fintrust Advisors LLP, says, "Passion investing can be an effective way for portfolio diversification when done correctly. It has transitioned from a hobby to a lifestyle to investment over decades. In Passion Investment, the word passion is followed by investment; hence it should be considered a passion first and investment later."

Having said that, one should keep in mind that this type of investment is speculative, therefore can not guarantee a return. Passion investing can be an effective way for an individual to diversify his/her investment portfolio, at the same time enjoy their wealth and satisfy their desires while making money when the value of these items increases over a period of time.

Investment strategy

Passion investing should only be considered a long-term investment strategy and a part of a broader wealth management strategy. Joshi says, "While investing in such type of assets, it is best to choose the asset that the investor loves and have knowledge of."

He further adds, "One should look at how different passion investments have performed over the past ten years and then buy the assets they are passionate about considering it has the potential to appreciate. It is prudent to build it over time and diversify within this sub-asset class rather than putting all eggs in one basket."

For instance, with investment in art collection, experts say investors could allocate 3-5 per cent of their portfolio, and gradually increase up to 10 per cent of the portfolio, as a sub-asset class.

Are these investments volatile in nature?

The value of these assets generally, does not rise and fall simultaneously as the stock market, so experts say they could help minimize the pain of stock market downturns. In addition, these types of investments typically tend to do well during times of economic uncertainty. However, note that their financial returns are far from assured or predictable.

Things to be aware of

Passion investing could be highly attractive, but there is also a high level of risks involved, as passion investing are substantially different to other investment markets. Industry experts say detailed due diligence is vital for any investor, as the available market intelligence and public information about such investment may be limited.

Additionally, it is imperative to know the asset, the seller, hidden costs, and the asset's authenticity. "The market is not only small, but opaque, highly fragmented, as well as unregulated, and usually have issues like illiquidity and valuation subjectivity. A comprehensive due diligence process and experienced legal and transaction counsel can help investors take informed investment decisions and mitigate risk," adds Joshi.

Factor funds, ETFs give returns of up to 57% in a year; should you invest?

Factor investing is – dividing stocks in terms of different parameters - called factors – for peak performance in the stock market.

Quotes By Prashant Joshi
Published in
Money9 - 23rd Aug 2021

The active versus passive debate has no end. How about making a balance? The investment world has no dearth of choices. If you don't want fund manager's active role in stock selection (as it is in passive funds) and still want alpha over a passive fund, then you may go for factor investing. Factor mutual funds and ETFs have rallied anywhere between 39% and 57% over the last one year. DSP Equal Nifty 50 Fund Gr, Kotak NV 20 ETF, ICICI Pru NV20 ETF, Nippon India ETF NV20 and Sundaram Smart NIFTY 100 Eql Wgt Reg Gr are among the top performers, rising 57%, 55.25%, 55.22%, 54.68% and 51.62%, respectively.

Three factor funds — Aditya BSL Nifty50 EW Index Reg Gr, Nippon India Nifty 50 Value 20 I Reg Gr, UTI Nifty200 Momentum 30 Index Reg Gr — have been launched in 2021 so far.

What is factor investing?

Giving an analogy of a marathon, Prashant Joshi, co-founder, Fintrust Advisors, portrays marathon runners as stocks. For the best outcome in competitive marathons, marathon runners can be divided as to how they perform in specific environment conditions such as winters, summers or rainy seasons.

"Now if a marathon is to be happening in an uphill in Pune in the rainy season, the runners can be easily shortlisted. No bias involved. Classification for peak performance is already there," said Joshi.

This is what factor investing is – dividing stocks in terms of different parameters – called factors – for peak performance in the stock market. These factors could be quality, value and low beta. In single factor, only quality stocks will be chosen and multi-factor approach will club more than a single factor. For example, ICICI Pru Nifty Low Vol 30 ETF is a single factor fund while ICICI Pru Alpha Low Vol 30 ETF is a multi-factor fund as it involves two factors — alpha and low volatility.

MONEY 9

FACTORS FUNDS AND ETFS IN INDIA

Index funds/ETFs	Inception Date	Fund Size (Rs Crore)	1-Year Return (%)	5-Year Return (%)
DSP Equal Nifty 50 Fund Gr	10/23/2017	218.81	56.96	NA
Kotak NV 20 ETF	12/2/2015	25.39	55.25	19.37
ICICI Pru NV20 ETF	6/17/2016	17.39	55.22	19.19
Nippon India ETF NV20	6/18/2015	37.42	54.68	19.57
Sundaram Smart NIFTY 100 Eql Wgt Reg Gr	1/12/2017	33.83	51.62	NA
Principal Nifty 100 Equal Wgt Gr	7/27/1999	26.67	51.05	11.62
Nippon India ETF Dividend Opportunities	4/15/2014	3.04	46.81	13.68
ICICI Pru Alpha Low Vol 30 ETF	8/12/2020	81.76	41.50	NA
ICICI Pru Nifty Low Vol 30 ETF	7/3/2017	454.49*	40.90	NA
Edelweiss ETF - Nifty 100 Quality 30	5/25/2016	10.74	40.48	12.51
SBI ETF Quality	12/10/2018	28.11	39.14	NA
Aditya BSL Nifty 50 EW Index Reg Gr	6/8/2021	72.59	NA	NA
Nippon India Nifty 50 Value 20 I Reg Gr	2/19/2021	36.35	NA	NA
UTI Nifty200 Momentum 30 Index Reg Gr	3/10/2021	328.81	NA	NA

Source: Morningstar *This clubs the AUM of ICICI Pru Nifty LV 30 ETF FOF AUM as on July 31, 2021 Returns as on August 18, 2021

"Single factors are cyclicals. They react faster to market moves, hence alpha generates in no time in the rising market scenario. Multi-factor funds give above average performance in the market upturn and downturn. They do well in the flat market. Besides, multi factor strategies outperform single factor strategies in the long-term," explained Joshi.

According to a study conducted by Fintrust Advisors LLP, Nifty Alpha 50 index consistently performed well across various upcycles, followed by Nifty 200 momentum 30. "During down cycles, from mid to long tenure, Nifty low volatility 50 index took centre stage and performed well, followed by Nifty 200 quality 30. In the sideways (flat) market, Nifty 200 quality 30 index did well along with all the multi factor-based indices. All the multi-factor indices have lower volatility and have a better return profile in the long term in comparison to the broader market indices," the study says.

Should you invest?

According to Anish Teli, Managing Partner & Principal Officer at QED Capital Advisors, factor investing helps in keeping emotions at bay.

"Retail investors tend to sell winners and hold on to losers. Factor investing follows a rule-based approach, which is much more efficient," he said.

He further cautions that factor investing doesn't work all the time.

"It works over a period of time. That being said, consider factor investment in your satellite portfolio. Don't make it part of your core portfolio," Teli said.

As you create a portfolio of it, focus on correlations of different strategies.

"Choose negatively co-related strategies. For example, choose factors funds having value and momentum strategies, which are negatively correlated so that if the value doesn't perform, momentum can balance the portfolio returns," Teli added.

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.