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THINKING MAN

Indian Markets are going through correction and it is quite normal for investors to feel the heat and question their investment rationale. During last 30 days, India witnessed a series of events

- ILFS default and subsequent credit downgrade
- RBI's refusal to grant extension to Yes Bank current CEO,
- fear of liquidity for NBFCs and consequential rise in bond yields

These, coupled with rising oil prices, falling currency and rising current account deficit have further made the macro picture look gloomy. Important reason of fall in mid and small cap space were reclassification of Mutual Fund scheme by SEBI as well as IL&FS fall which led to fall in mid cap space completely. We believe that the entire small cap universe can't be painted with the same brush as is being done in the market today. There are a fairly good number of companies that have robust balance sheets, a sound management team and underlying businesses that will continue to do well despite immediate macro concerns of oil price rise and rupee depreciation.

There are some important trends witnessed in the market with Nifty (from Jan-Sep 2018) registering 5% gain whereas midcap indices saw decline of 18% which is a huge divergence. Another important trend witnessed is that performance has been concentrated with top 10 and top 5 gained handsomely whereas the entire other companies in sensex were flat to negative.

Finally we can see fruits of work done by this government in different sphere like Insolvency and Bankruptcy Code, GST Implementation, RERA and spending in infrastructure combined with strong consumption driven economy helped us in reversing trend in falling GDP. We continue to remain bullish on our economy and markets in long term.

My advice to investors will be to focus on goal based approach in investing and not get swayed by current market volatility as this separates investors and traders. Follow disciplined asset allocation approach based on goals and not keep changing your stance based on markets. Investors who are able to avoid mistakes like herd mentality bias where we tend to make our opinion based on group wins in long term. I feel investor should be able to differentiate between awareness and noise as being aware is important but getting swayed by noise around markets does not let you achieve your wealth creation goals. These are time to avoid noise and focus on your investment based on your goals and risk taking ability. For egIn case you clearly know that funds are available for less than 3 years avoid getting into equities and focus on debt and hybrid strategies. At TBNG our philosophy is clear that every family has unique goals, requirement and risk taking ability and goal based investing is the only way to create long term wealth.

Tarun Birani

MARKET OUTLOOK – QUARTER ENDED SEPTEMBER 2018

- Economic Affairs Secretary S C Garg announces a reduction in gross borrowing estimate for the current financial year by Rs 70000 cr – the Centre will borrow Rs 2.47 lakh cr between October and March; also maintains that fiscal deficit target will be contained at 3.3%.
- Major markets world over were hit by global trade concern as the two largest economies, U.S. and China, continued their bickering over tariffs.
- Indian Equity market was burdened by rupee's fall wherein it stopped to lifetime lows. Plus final reading of a private survey showed domestic service sector expanded at a slower pace and manufacturing sector growth eased. These came on top of the trade war worries
- The Domestic currency fell as the U.S dollar continued to gain strength and weakness in domestic equity markets. Surge in global crude oil prices also added to the rupee's weakness.
- **Domestic Equity market Update :** Indian Equity Market closed in the red following rupee's persistent weakness wherein it plunged to a record low that stoked foreign fund outflow fears.

Economic Indicators			
YoY (%)	**Current**	**Quarter Ago**	**Year Ago**
Monthly Inflation (CPI)	3.69% (Aug -18)	4.87% (May -18)	3.28% (Aug -17)
IIP	6.60% (Jul -18)	4.52% (April -18)	1.00% (Jul -17)
GDP	8.20% (Apr -Jun 18)	7.70% (Jan – Mar 18)	5.60% (Apr – Jun 17)
Monthly I nflation (WPI)	4.53% (Aug -18)	4.78% (May – 18)	3.24% (Aug – 17)

Domestic Equity Benchmark Indices (Returns %)		
India	**YoY (%)**	**YoY (%)**
Sensex	36,227	15.81
Nifty 50	10,930	11.89

- Investors Sentiment dented further as final reading of a private survey showed that the domestic service sector expanded at a slower pace on a monthly basis in Aug 2018 as weaker demand and rising input costs restricted hiring.

- Further, growth in Indian manufacturing sector eased in Aug 2018, thereby weighing on market sentiment. Rise in global crude oil prices added to the woes.

- However, some respite was seen following encouraging macro – economic numbers. Government data showed CPI and WPI inflation eased in Aug 2018, which raised optimism that the monetary policy Committee (MPC) might not raise interest rates soon.

- Oil & Gas sector fell on worries over rise in global crude oil prices ahead of the U.S. sanction on Iran oil supplies, which will come into effect from Nov 2018.

- The yield of the 10 year benchmark 7.17% 2028 paper ended at 8.02% on Friday as against 8.03% on Thursday.

- Rising Crude oil Prices
- Rate Hikes by Central banks
- Imposition of trade barriers
- Uptick in core inflation
- Increase in minimum Support price
- Fiscal Slippage at the centre or state level

Nifty Equity Benchmark Indices (Returns %)

	28th Sept	1 year
Mid Cap	17154	-4.39
Small Cap	6151	-17.77
Auto	9590	-10.23
Bank	25120	4.63
Energy	15697	23.39
FMCG	29758	20.36
Infra	2967	-7.58
IT	15838	50.52
Metal	3485	-0.46
Pharma	9972	9.45
Realty	220	-17.58

INTERESTING DATA POINT

Valuations	Dec-07	Sep-18
Trailing P/E Nifty 50	27.6	26.4
Trailing P/E Nifty 50	6.4	3.5
Market Cap to GDP Ratio(Sept 30,2018)	149%	82.6%

*Source – ICICI Prudential

10 Yr Government Bond Yield	Dec-07	Sep-18
India	7.79%	8.02%
USA	4.02%	3.06%

Nifty 50 Past Earnings Per share YoY Growth(CAGR)	Dec-07	Sep-18
Last 1 Year	54.8%	11.7%
Last 2 Year	47.1%	12.7%
Last 3 Year	43.4%	11.2%

*Source – ICICI Prudential

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51% INVESTORS WITHDRAW FROM EQUITY FUNDS WITHIN A YEAR

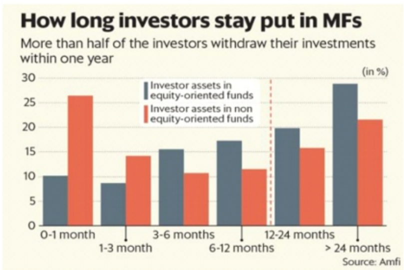
Although more investors are putting their money in mutual funds (MFs) through systematic investment plans (SIPs), they are not necessarily staying invested for the long term. Data from the Association of Mutual Funds of India (Amfi), the MF industry's trade body, shows that just 29% of equity assets stay invested for more than two years. A huge 51% of equity assets get withdrawn before a year gets over.

The Indian mutual fund industry may be boasting about increased SIP inflows over these past two years, but if investors don't stay invested for the long-term, have they really benefited?

The prospect of an economic turnaround and a sustained 'Mutual Funds Sahi Hai' campaign by the Indian MF industry in the past two years have resulted in more investors coming to MFs. The note ban of 2016 also resulted in an increased financialisation of savings wherein investors shifted from real estate and gold investments to MFs. Falling bank fixed deposit rates at the time also nudged investors to move and invest in MFs, particularly balanced funds and in some cases, debt funds.

From getting around ₹3,122 crore every month through the SIP route in April 2016, a little more than ₹7,500 crore poured into equity funds in July 2018, as per Amfi data. The numbers of investor accounts have gone up from 47.7 million to 74.6 million in the same period. To be sure, an investor may open more than one account in a single fund or across funds; so the increase in the number of investor accounts may not necessarily indicate an increase in the number of investors.
"Traditionally, investors have been used to investing in one-year FDs. That explains why so many investors withdraw from MFs within a year. But if you look deeper in the number of investors who do stay invested beyond two years, some of them would stay for a really long time," said Chandresh Nigam, managing director and chief executive officer, Axis Asset Management Co. Ltd.
But surely, rising equity markets would tempt investors to stay on for a little longer given the potential gains they are likely to make? "On the contrary, many investors tend to churn more in rising markets. When their funds don't go up as much as some other funds, very quickly they get a feeling of being left out. This has been especially so in the past year when many large-cap funds underperformed the equity markets. Equity markets have gone up, but the reality is that very few stocks have pulled the markets up. A broad section of stocks have underperformed actually, and that has also resulted in many equity funds underperforming," said Tarun Birani, founder and CEO, **TBNG Capital Advisors.**

What is the ideal holding period?
Experts recommend investors to hold on to their equity MFs for a time period of at least five years. A Mint-Crisil Research study on the effectiveness of SIPs published in November 2017 pointed out that if you stayed invested for shorter time periods such as 1-4 years, your chances of making losses are higher. The study pointed out SIPs that run for at least seven years or more have bare minimum to no chance of making a loss .



"Too many investors have come into MFs—presumably for the first time ever—in these past two to three years based on recent past performances. They expect to make similar returns over the next 2-3 years. But that is a wrong approach. A majority of investors invest haphazardly and without planning for any financial goals. Then, if they don't get a good experience, they exit," said Mrin Agarwal, a financial educator, founder director of Finsafe India Pvt. Ltd and co-founder of Womantra.

One way to develop patience, said Agarwal, is to invest keeping financial goals in mind.
If the goals are long term, then you need to check periodically, at best once or twice a year, as to how close you are getting to your goal. If you are on path, then it doesn't matter whether your fund gives 15% return as opposed to some other fund that has given, say, 20% return.

*This Article was Published in LiveMint on 23rd Aug 2018 where our Director Mr.Tarun Birani was featured.

ABOUT TBNG

TBNG is a 14 year old SEBI Registered Investment Adviser & is considered one of the India's leading Independent Financial Advisors.

We observed that successful Indian families are finding it counter- productive to individually deal with multiple experts including but not restricted to Investment Advisors, tax consultants, Accountants, Lawyers etc. to manage their wealth and are recognizing the value of a "Family CFO"- An experienced guide, a financial coordinator and an advocate who would offer unbiased advice keeping into account the unique context of the families circumstances and goals.

TBNG has emerged as a Family CFO of choice of successful families

TBNG allows its clients to do what they are best at building wealth, pursuing hopes, and living the life of their dreams. At TBNG we have only one passion – to be client centric and guide everything we do. Our overriding objective is to provide our clients with the quality of wealth management and investment advice that we would demand for ourselves.

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