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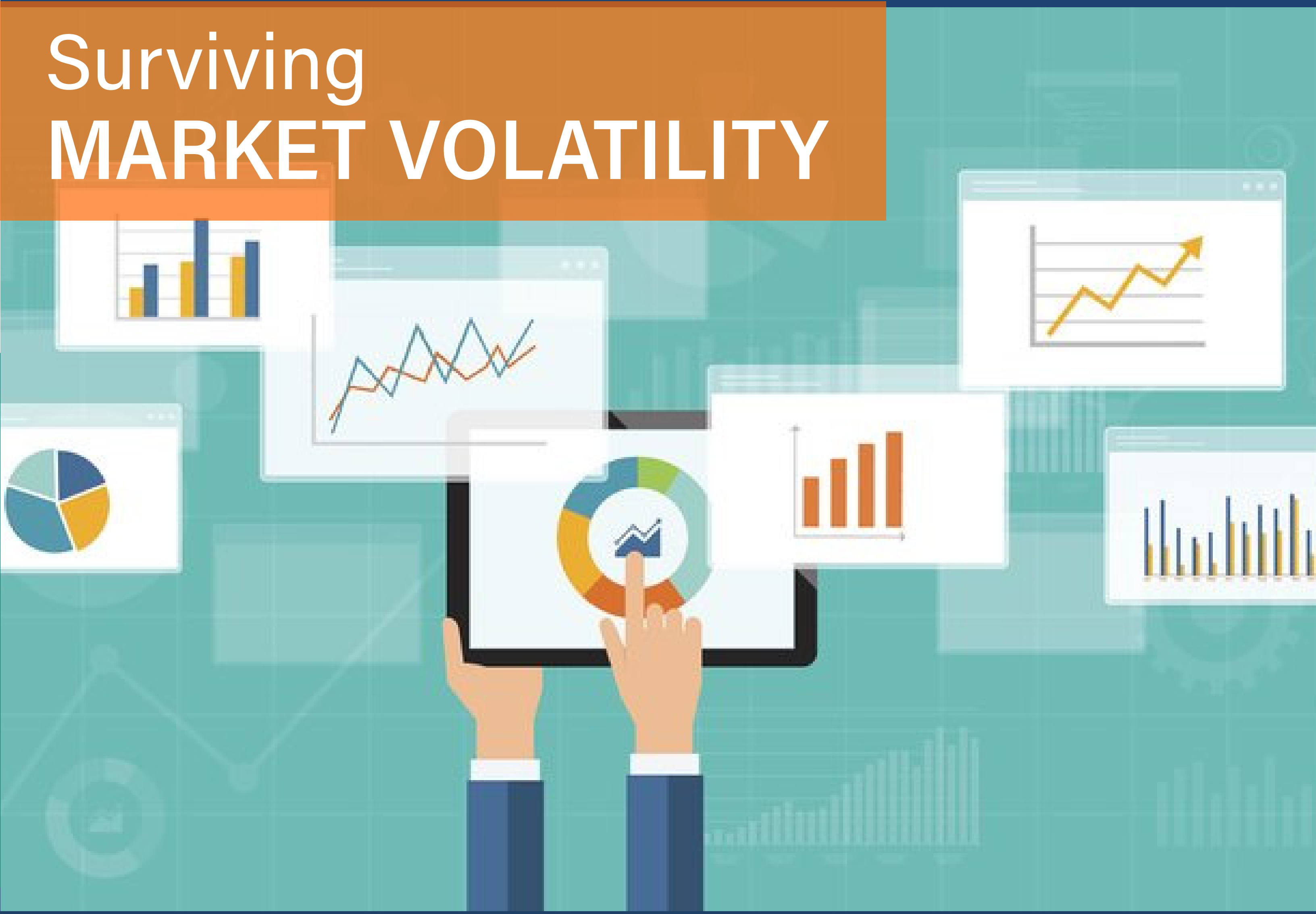
THINKING MAN

Surviving MARKET VOLATILITY



DIRECTOR'S NOTE

Tarun Birani

Dear Investor,

The June'20 quarter ended up being the best for US equities in over 20 years. For India, this was the best quarter in 11 years, since June 2009. The rise has been as swift and unusual as was the crash. The Nifty has surged over 35% from March lows even as the numbers of Covid-19 cases in the country have jumped from 500 to over 6lacs during the period. Valuations were near GFC (2008) troughs in late March and investor positioning was reflecting extreme pessimism. At the same time, economic data globally suggests continued pick-up from Mar-April levels. This has partly been a function of economies reopening and partly owing to the unprecedented policy support that has come through globally on both monetary and fiscal fronts. Optimism on a vaccine is high too with several competing candidates.

Going forward, we could see some structural changes, such as

- Increased work from home (WFH) and reduced travel
- Rising use of new technologies such as automation, robotics and 5G
- Increased digitalization, for example, FinTech
- Rise of e-commerce, which can lead to the disintermediation of supply chains
- Global companies looking to diversify manufacturing outside China
- Strong companies will become stronger
- Globalization to Deglobalization

Sectors such as travel and tourism, hospitality, retail, and aviation may get impacted the most by changing consumer preferences. Sectors such as four-wheeler auto, infrastructure and capital goods, and real estate and construction have been severely impacted due to the lockdown and any recovery will only be gradual. Banking and financials should also be under some pressure due to slower growth and elevated NPA cycle. In the wake of this crisis, global firms are looking to diversify supply chains as they weigh reliability against efficiency. India's policy intent is to fight for a position of strength in the changed world order. Continued focus on factor reforms - land, labour, capital and enterprise - as well as judicial and administrative reforms is encouraging, as is the continued thrust on uplifting the masses.

The Covid-19 crisis is likely to accelerate deglobalization and localization in manufacturing and at the same time lead to increased globalization on services. Both are trends that India is well placed to capitalize on. On manufacturing, we need to go with full might, through policy, capital and infrastructure support, to help industries that we want to prioritize as we make in India, and for India.

Monetary policy has stayed accommodative and real rates are negative. Interestingly, continued monetary accommodation and low real rates could revive demand for real assets. Price correction along with low rates can do the trick for the real estate sector, which in turn has the potential to pull the economy out of its slump.

The pandemic has raised a lot of questions on existing business models and a lot will change once things come back to normal. The normalization process of the economy and business environment will improve only gradually. It could take a few months to a few quarters, depending on the impact. We believe that the essential goods/ services and consumer-staple segments are likely to witness lesser adverse impact and also see faster normalization than the discretionary demand-oriented sectors.

This is a good time to take stock of your investments and your money habits. Revisit your goals and timelines, this period of isolation and inaccessibility could have brought about changes in your short-term goals and life plans. Take travel for instance, an international holiday originally planned in the near future may not be doable and so the money set aside for the trip could be re-invested to achieve another goal.

The past couple of months have been a rollercoaster ride, especially for those whose personal behavioural biases may have hampered their gains. Look out for signs for biases:

- Did the fear of missing out lead you to make decisions to follow the herd?
- Did your mental accounting bias dip you into deeper debt when you could have offloaded it?
- Were your decisions driven by pre-existing information and not on the intrinsic value of an investment?

Take charge of your money habits and focus on future goals. Ensure your assets allocation is aligned with your goals. Take note of structural changes mentioned earlier and look for potentially profitable future businesses to invest in. Be future-ready.

After all, for success in investing it is your financial plan and behavioural discipline that is likely to get you to where you want to be.

MARKET OUTLOOK

EQUITY UPDATE

Market rose sharply owing to optimism following the gradual reopening of the domestic economy, and after the Drugs Controller General of India approved the manufacture of Covid-19 drugs. De-escalation of geopolitical tensions, gains in index heavyweights, and buying of domestic equities by foreign institutional investors also argued well for the indices.

There are Concerns about the relentless spike in the new Covid-19 cases back home and a second wave of the pandemic globally. Escalating geopolitical tensions between India and China, profit-booking post the rally, and selling by domestic institutional investors kept the market under pressure as well.

Domestic Equity Benchmark Indices (Returns %)		
India	30-Jun	1 year
Sensex	34,916	-11.37
Nifty 50	10,302	-12.61

Nifty Equity Benchmark Indices (Returns %)		
Index	30-Jun	1 year
Mid Cap	14,704	-16.7
Small Cap	4,615	-25.6
Auto	6,719	-15.3
Bank	21,370	-31.3
Energy	14,397	-10.3
FMCG	30,063	1.8
Infra	3,032	-10.0
IT	14,754	-7.4
Metal	1,991	-33.2
Pharma	9,985	23.8
Realty	203	-28.8

US ECONOMY

US real GDP slipped 5% on-year in the first quarter of 2020. The US Fed kept benchmark rates unchanged at near zero over the next two years, while continuing its bond-buying programme, at least at its current pace, to support credit markets.

EUROZONE

The euro zone economy is likely to contract 10.2% in 2020, followed by a rebound of 6% in 2021. Meanwhile, the European Central Bank (ECB) has provided 1.31 trillion euros ($1.46 trillion) in long term, ultra-cheap credit to banks as part of its emergency support aimed at cushioning the impact of the pandemic on businesses and workers.

UK

According to the IMF, the pandemic will hit UKs economy much harder than much of the rest of the world, with the country's GDP projected to spiral 10.2% this year. To addressee the woes cause by Covid-19, the Bank of England's (BoE) policy panel voted 8-1 to increase its quantitative easing programme by 100 billion pounds ($125 billion), while holding the benchmark interest rate at a record-low 0.1%.

JAPAN

The Bank of Japan (BoJ) voted 8-1 to retain the interest rate at -0.1% on current accounts that financial institutions maintain at the central bank. The BoJ governor warned of protracted battle with pandemic, and also signaled the bank's readiness to top up monetary support. Meanwhile, the country's GDP was revised down to 2.2% contraction on-year in the first quarter of 2020.

Global Equity Benchmark Indices (Returns %)		
	30-Jun	1 Year
DJIA	25,813	-3.0
Nasdaq	10,059	25.6
FTSE	6,170	-16.9
Nikkei	22,288	4.8
Hang Seng	24,427	-14.4
Strait Times	2,590	-22.0

CHINA

China has abandoned setting a target for GDP growth for the first time in decades, citing "Great uncertainty" caused by the pandemic. The People's Bank of China injected 120 billion yuan ($16.80 billion) via seven-day reverse repos at 2.20% on May 27, 2020.

MACRO UPDATE

CRUDE OIL

London Brent crude oil prices rose 16.4% in June to close at $41.15 per barrel on 30th day of the month vis-à-vis $35.33 per barrel on May 29, 2020 on the International Petroleum Exchange (IPE). Oil prices remained mostly positive in the month mainly after reports suggested that OPEC and its allies will extend output cut pact and as upbeat economic data from major countries raised demand growth hopes. However, higher oil supply from the US and increasing coronavirus cases in many countries capped the rally.

YoY (%)	Current	Year Ago
Monthly Inflation (CPI)	5.84% (Mar-20)	2.86% (Mar-19)
IIP	-55.5% (Apr-20)	3.18% (Apr-19)
GDP	3.10% (Q4 FY20)	5.70% (Q4 FY19)
Monthly Inflation (WPI)	-3.21% (May-20)	2.79% (May-19)

INFLATION

Retail inflation, based on Consumer Price Index (CPI), for May 2020, was not released by the National Statistical Office owing to the lockdown restrictions announced by the government to prevent the spread of Covid-19.

DEBT UPDATE

Average Liquidity Support by RBI	
Bank Credit Growth	Bank Deposit Growt
6.20%	11.30%
Source: CRISIL, ICICI AMC data as on June 30, 2020	

The short end of the yield curve collapsed with T-bill and CD yields falling below the repo given excess system liquidity. The 10 year Government bond ended the month at 5.88% The economy is expected to contract in the fiscal year through March 2021 as extensive lockdown measures have continued to remain in place for more than two months and has brought economic activity to a sudden halt. There have been profound impacts on private consumption and business investment. Although, coordinated policy efforts from the government and the RBI have provided a cushion. Fiscal stimuli has been announced but have provided only a marginal impetus to growth.

The near term growth revival faces challenges from weak credit flows and as Covid-19 cases continue to rise delaying further relaxation of lockdown measures. RBI's dovish assessment of inflation and growth, suggest that further rate cuts are possible with a greater emphasis on improving monetary policy transmission, assisting stressed MSME sector and focus on the health of the banking system and funding of the fiscal deficit.

On the corporate bond space, credit premium remains high, good quality spread assets (AA corporate bond) continue to provide better carry over AAA. Flight to safety has pulled the AAA yields closer to ~5%.

OUR VIEW

EQUITY

We believe that volatility is expected to prevail for some time as the world comes to terms with the evolving COVID-19 situation and its economic fallout. We recommend to accumulate Equities on every fall for long term wealth creation.

DEBT

These are interesting times, we are about to see one of the worst growth in decades but interest rates still remains higher than lows seen during other crisis. Even post RBI aggressive rate cuts, we are seeing yield curve which is one of the steepest seen in India's history. The best strategy may be to invest in short term funds (2-5 years maturity).

DO YOU CONTROL YOUR FINANCES OR DO YOUR FINANCES CONTROL YOU?

Financial freedom is not a mere state of mind; it is the perk of being prudent with your earnings. It is not about being a millionaire or a business tycoon; rather it is about having a dependable residual income that covers your expenses and lets you live the life you want to live.

Today, we are seeing strong economies tumble; businesses go bust and job loss as trending news. Wouldn't we love to have a peaceful night's rest knowing no matter how bad the situation our savings will see us through?

Unfortunately, we work hard to earn our income, but not as hard when it comes to managing it. Indian households contribute to about 60% of the country's savings. The average Indian household holds its savings at a mere 5% in financial assets. Rest of the assets are in real estate (77%), durable goods (7%), and in gold (11%) . While one of the prime reasons for savings is to secure finances post-retirement, the percentage saved is proportionally negligible in comparison. Heavy investments made in assets like real-estate and durable goods tend to remain fixed and not liquid. These habits are skewed and in contrast to the saving habits of developed economies where households invest a substantial amount of their earnings in financial assets.

When you reach a stage where you do not panic about a hefty unexpected expense by wondering about how you are going to pay for it, that empowering peace of mind knowing that you'll have it covered is what financial freedom is.

Do you enjoy such freedom? What does it look like to you?
- Opportunity to pursue a profession without salary being a constraint.
- Choice to go on holiday without having to worry about budgets.
- Freedom to donate freely to those in need without hurting your pocket.
- Ability to retire early in life.

To get to this point takes a lot of hard work which begins from :
- Listing your goals, long term/short term and the financial backing needed to achieve it.
- A structured plan and right investment instruments to get you there.
- And, commitment and a regular check on behavioural biases to ensure you do not deflect along the way.

Learning how to manage money is not a difficult task. Plan ahead and avoid living paycheck to paycheck. Budget your expenses and start by paying off your debts before you plan to start saving.

Even though not everyone will admit it, but our financial status has a lot to do with how we behave. An article 'The pleasure of walking tall' published in 1969 explains it perfectly :

"Your savings, believe it or not, affect the way you stand, the way you walk, the tone of your voice. In short, your physical well-being and self-confidence. A man without savings is always running. He must. He must take the first job offered, or nearly so. He sits nervously on life's chairs because any small emergency throws him into the hands of others."

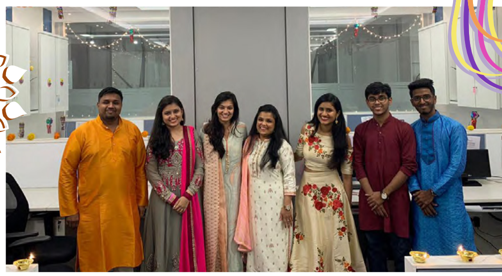
Building a corpus that makes you financially independent can be simple, it's the first few steps of getting down to doing it and diligently so is where most have trouble. As busy professionals we tend to postpone these difficult money matters to a later date and finally make rash investments with a sole focus on saving taxes at the end of the financial year. Avoid these habitual mistakes, if financial planning is a daunting task get in touch with a professional and seek their assistance. Making the right investment choices is the first step in the right direction to financial freedom.

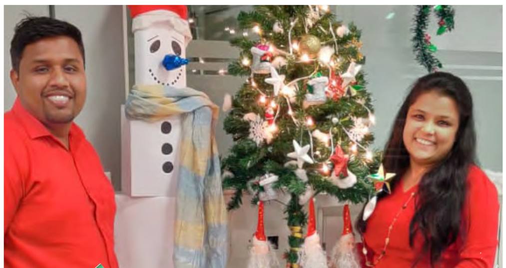
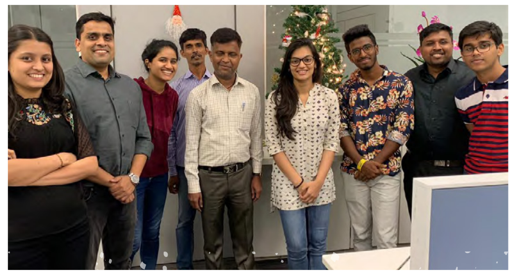
"Take waste out of your spending; you'll drive haste out of your life."

And above all,

"If you don't need money for college, a home or retirement, then save for self-confidence. The state of your savings does have a lot to do with how tall you walk."

LIFE @ TBNG



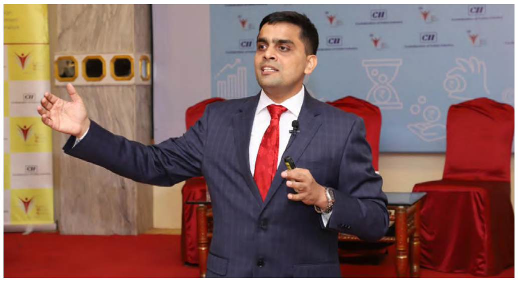



THINKING MAN - Financial Wellness Programme

The Thinking Man workshop was created with a vision to educate investors and help them in making more informed related decisions. So far over 1500+ business owners and professionals and a dozen corporate houses have benefited from our highly interactive and informative sessions which are expertly designed and curated by industry professionals .

In this program we aim to educate the attendees on :

- How to save money by controlling your behavior
- The power of 7, Regret of 5,Magic of 20
- Breaking the myth between real estate return and equity return
- Understanding the Gap between investor return & market return




TESTIMONIALS

"TBNG is extremely professional in their approach. And their strength according to me is their persistence, constant reminders and feedback with their clients. Especially for me because I need someone behind me to get my job done. Thanks guys!"

Dr. P. Anantnarayanan, Senior Dentist, Meenakshiammal Dental College, Chennai

"Thank you is really a small word for guiding, trusting and forcing me for systematic investment planning. I remember 3 years back when my net worth was close to zero and you and your team at TBNG Capital Advisors Pvt. Ltd., were consistence in making me think for financial security and long term planning. Today things look different as all aspects including my daughter's higher education have been secured financially. TBNG also helped me to inculcate the habit of keeping personal and professional finance differently, which has also resulted in Infiniti maintaining its accounts in proper manner and generating funds when necessary."Big thanks from my family."

Mr. Sahin Talathi, Director Infiniti Building Products Pvt. Ltd.

"I have been associated with TBNG for almost 4 years now and we did click up instantly. Tarun has a depth of knowledge which is backed by an efficient team. The team is very informative and responsive. Each interaction is taken as learning and they strive to improve each time. TBNG has helped me in achieving my goals with a proper product mix of investments in mutual funds, direct equity and insurance. Tarun also believes in sharing his knowledge which is seen through the various programs he attends in the capacity of a speaker and articles published in various news papers. It has been a great experience to work with such a humble and wonderful person and his every supporting and smiling team."

Paresh Joglekar Vice President Compliance,RBS Bank

MEDIA PRESENCE

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ABOUT TBNG

TBNG is a 15 yearold SEBI Registered InvestmentAdvisor& is considered one ofthe India's leading independent FinancialAdvisors.

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 "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 the Family CFO of choice of successful families.

With our flagship online platform - **"Thinking Man,"** a digital financial planning platform, we intend to digitize our core Financial Planning services in a cost effective and transparent manner to reach the masses. On our Thinking man platform we offer options to select plans based on the clients' suitability. The primary aim of the Premium Plan is to assist naïve, young and retail investors .we also provide our users with half yearly, as well as yearly review, portfolio rebalancing services and also the facility to interact with the assigned financial planner to help align the portfolio to any changes in financial goals that require an immediate and corrective course of action.

TBNG

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