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August 2021

THINKING MAN

DIRECTOR'S NOTE

Little disciplines compounded over time make a huge difference.

~ Orrin Woodward

Tarun birani

Dear Investor,

We are amidst a raging bull market, with valuations being the talk of the town. The current market environment is now becoming a bit uncertain, with some stocks having a run far ahead of their valuations. If you are an equity investor, you may have noticed every opportunity shows the potential to offer better gains. Growth stocks are compounding investor gains. Once gauged by higher cost of stock versus trailing PE ratios, today, we see valuations straying beyond those parameters. On the other hand, Indian Equities have been in one of the sweetest spots in many years.

What is fuelling this current market condition?
With Corporate India massively deleveraging their balance sheets and a much-improved expectation of earnings growth in the coming 3-5 years, markets are currently flush with liquidity. Many players are participating in the public markets with their IPOs, and most of them are oversubscribed in multiples. Even retail investors are showing resilience. Compared to domestic and foreign institutions, the share of retail participation is very competitive, thus indicating a much better awareness amongst the investors. Although, as a thumb rule, retail investors should focus on preserving capital and not expand their investment bets to an excessive extent. Here is what retail investors can gauge when they invest:

Inflation:
Stabilizing inflation in an environment when interest rates are near record low is difficult. Inflation can constrain RBI from inducing liquidity in the market, which could hamper the current bull-run and trickle down to retail investors who will ultimately bear the brunt. Inflation erodes the purchasing power of the people. It reduces their actual income and ultimately affects the revenue of the companies. With a rise in retail participation, this could have a cascading effect on the markets.

Uncertainty:
It is possible to control inflation to a certain extent, but uncertainties too play a significant role in investing. The current state of the lockdown-like curbs and the looming third wave are uncertainties that investors must be wary of. During times of pessimistic market environments, investors often become risk-averse and follow the herd to avoid losses. This blind attitude leads to high sentiment periods and herding behavior in investors, prominent during market volatility. Herding inequities are likely to cause investors to lose out on possible gains.

Retail investors today are far more informed due to the overload of information we presently receive. However, the skill of extracting wisdom from the Flood of Information overload is rare.

So what is that wisdom?
Wisdom lies in taking advantage of anchors like Asset Allocation and Periodic Rebalancing in Alignment with your goals.

Here is what we mean; we are advisors to clients A & B who are at different stages of their investment journey but in the same current market scenario.

Client 'A' is nearing the end of his investment journey. With the rise in small and midcap, his ideal asset allocation has been breached. To maintain his allocation, we advise him to take active steps and take his money off the table to park it in safer investments or, even for that matter, book profits and distribute them back.

Client 'B' has just begun his investment journey. He is equally worried about market valuations. Our advice to him is that he must start his SIPs in a staggered approach to his investments. This approach will help him build momentum and use the correction as an opportunity to steadily build his wealth.

Are we timing the market?
No.
Are we bullish or bearish overall?
No.

It's the same market scenario for both investors, yet we chose two completely different strategies for both clients. By maintaining their desired asset allocation and rebalancing their portfolios based on their custom goals, needs, and risks appetite, we ensure their portfolios are well hedged.

So, there are no right answers, just the right approach and processes where asset allocation and customization are the anchors and goals-based investing the answer.

MARKET OUTLOOK

Major global indices continued their upward trend. Positive performance sustained as major developed economies moved well past their COVID-19 peaks with targeted and ongoing vaccination drives being implemented successfully, resulting in a decent pick-up in demand and subsequently inflation. Indian markets were up 4%, largely in line with Emerging Markets, but it was a quarter of 2 halves. Indian markets lagged global markets in April and May, with the number of cases rising. **However, they caught up with the rest in June with a fall in cases and an increased pace of vaccination. However, some pockets of concern are reappearing with a pick-up in Delta plus variant cases in various states.**

Domestic Equity Benchmark Indices (Returns %)			
India	**30th June 2021**	**1st July 2020**	**1 Year**
Sensex	52482	35009	49.91%
Nifty 50	15722	10430.05	51%

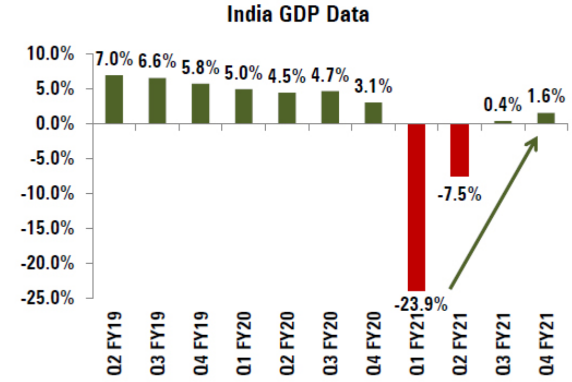
Nifty Equity Benchmark Indices (Returns %)		
Index	**30th June**	**1 Year**
Mid Cap	26971	83%
Small Cap	9734	109%
Auto	10600	58%
Bank	34772	58%
Energy	19822	37%
FMCG	36093	19%
Infra	4339	43%
IT	29168	98%
Metal	5216	161%
Pharma	14309	45%
Realty	344	71%

The Finance Minister, on 28th June, unveiled a set of relief measures largely focused on broadening the credit guarantees. Among key measures, the Emergency Credit Line Guarantee Scheme limit was hiked by 50% to Rs 4.5 trillion for the micro, small and medium enterprises sector facing a liquidity crunch.

The key triggers for Indian markets going forward can be:
1) Any policy measures
2) The pace and quality of vaccination drives
3) Further lockdowns in certain parts restricting mobility and economic activities and
4) Pace of implementation of Govt. reforms measures mentioned in the budget to revive the economy.

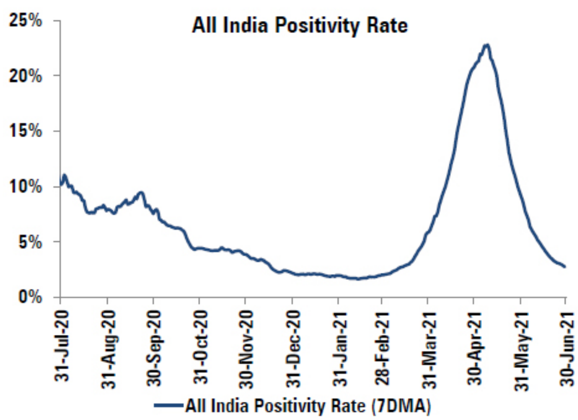
The manufacturing sector witnessed a growth of 6.9% as against 1.7% growth of preceding quarter. However, a further rise in the market was capped as investors remained cautious of the decline in India's manufacturing.

Market volatility, too may continue given uncertainty related to COVID and Global Central Bank policies. The macroeconomic environment is going to be critical, and we may witness a continued change in sectoral leadership.

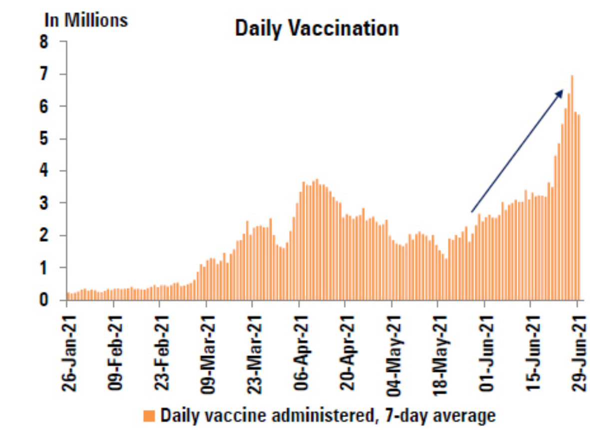


Source: GDP - MOSPI. Data as of Mar 31, 2021. Credit Growth – RBI. Data as of May 7, 2021

<u>**India Covid Update:**</u>
The second wave of COVID in India appears to be moderating with a decline in daily cases, deaths and positivity rates.



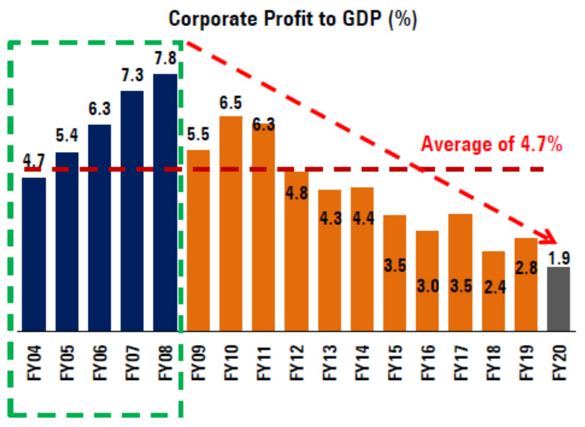
Vaccine supply has been picking up with an improvement in daily vaccination numbers.

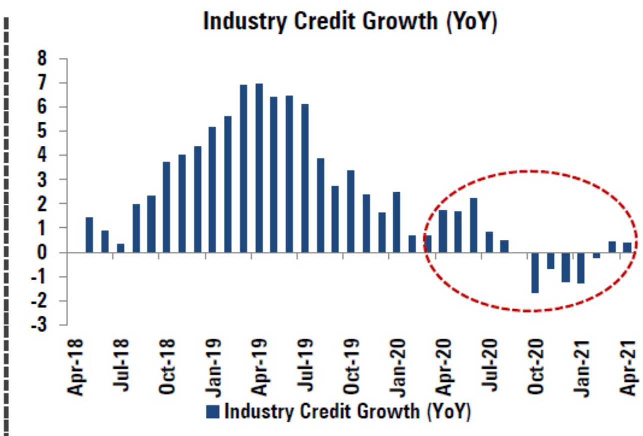


Source: Citi Research, MHFW, CEIC Data Company Limited. Data as on June 29, 2021

Business Cycle remains in the nascent stage. Future market triggers depend on how the COVID-19 situation evolves with the reporting of the new Delta variant cases, pace &

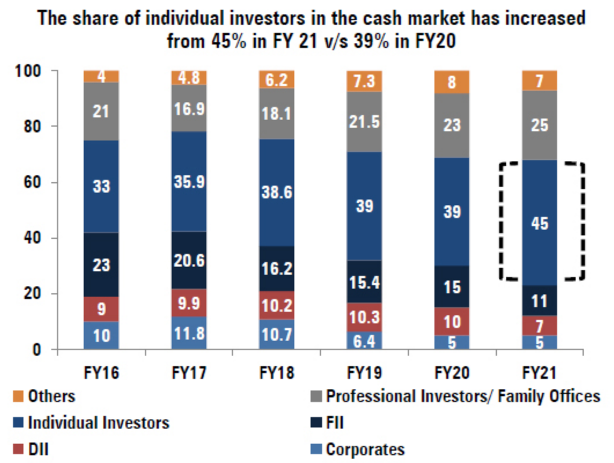
quality of vaccination drive, the impact of stop/start regime on COVID related restrictions, a stickier inflation profile on the back of rising crude prices, and US Fed trajectory on the taper. Sentiments are not euphoric but appear high in certain pockets





Source: Edelweiss Research and ICICI Securities, Data as on April 30, 2021 for Credit Growth and FY 20 for Corporate Profit to GDP (%)

The share of Retail Investors is gradually increasing in the overall market. Retail Participation, as mentioned in the introductory note continues to be on the upward trajectory. This signals the broadening of liquidity as well as, on the other hand, increases the risk of an immediate impact on the markets where the retail investors pull out their money.



Source: B&K Research, NSE. Data as on March 31, 2021

Economic Indicators			
YoY (%)	**Current**	**Quarter Ago**	**Year Ago**
Monthly Inflation (CPI)	12.07% (Jun-21)	7.89% (Mar-21)	-1.81% (Jun-20)
IIP	29.3% (May-21)	-3.43%(Feb-21)	-33.4% (May-20)
GDP	1.6% (June-21)	0.50% (Mar-21)	-1.81% (Jun-20)
Monthly Inflation (WPI)	6.26% (June-21)	5.52% (Mar-21)	6.23% (Jun-20)

- **CRUDE:** Crude Oil touching 60-65$/bbl would generally lead to high inflation. Further upside may lead to equity market volatility. Brent crude prices rose nearly 7.8% to close at $74.78 per barrel on June 30, 2021
- **CURRENCY:** Rupee rose 2.39% to settle at Rs 74.36 per dollar on June 30, 2021. Further, the direction in Oil prices and export numbers would indicate the short-term trajectory of the Rupee's appreciation or depreciation.

- **GILTS:** Gilts were little changed at month-end, with the yield of the 10-year benchmark 5.85% 2030 paper settling at 6.05% on June 30, 2021.

OUR VIEW

EQUITY

Economic recovery though seems to have been delayed due to COVID-19 second wave but is well on track given favourable macro environment, govt. policies, various stimulus measures by Global central banks & resilient domestic economic indicators. With Government's focus mainly on growth, the economic environment is becoming more conducive for a Business Cycle recovery and hence for equities over the long term. Market rally in the last couple of years was narrow & driven by select Growth stocks.

Given the current elevated valuations in small caps, it is important for investors to remain cautiously optimistic as Q1 results could have some impact due to lockdowns and the second wave.

However, going forward, we expect broad-based reasonably valued companies to perform on a 3–5 year basis.

DEBT

RBI may have to support growth trajectory and on the other hand, RBI would need to keep an eye on upside risk to inflation. The growth recovery got disrupted due to the second wave, but we expect it to pick up. The inflation trajectory needs to be monitored closely. We continue to believe in a gradual withdrawal of monetary stimulus. The decision to continue with the GSAP program is positive for the continued orderly evolution of the yield curve and may remain supportive for longer-term yields. As communicated earlier, we believe that we are at the fag-end of the interest rate cycle. In the current phase, a more nimble and active duration management strategy is recommended. We continue to recommend the Accrual strategy with an aim to benefit from higher carry. It is prudent to keep portfolios nimble.

Investors are recommended to stay invested across fixed income strategies that are in line with their investment horizon and risk appetite.

TBNG

POINTS TO KNOW BEFORE INVESTING IN GLOBAL FUNDS

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Q. How do I go about investing in Global Funds? I am a 32-year-old individual investing in the stock markets for the last 5 years. With various opportunities available in the US markets and other countries, I want to invest a portion of my corpus and future income in the options available in those countries. What should I keep in mind while investing globally?

- Name withheld on request

Tarun: To start with, you must look to invest at least 10-15% of your portfolio in well-performing global funds with the right combination of developed and emerging market allocation.

While investing globally is always an exciting prospect, there are certain fundamental rules that an investor can follow to make their global investing journey fruitful and avoid pitfalls. While the bluechip and tech companies of the US are the first options that come to our mind, that may not necessarily be the most appropriate strategy if the right amount of research and study is not done before investing in them.

An emerging versus a developed market approach can be an appropriate way to look at global investments. We can implement this allocation by determining appropriate weights based on each market's contribution to the world GDP.

For example, the US (developed market) contributes about 40 % to the world GDP while Asia Pacific (ex-India) contributes about 30% to the world GDP. Europe has almost a 17-20% contribution to the world GDP.
So, to get an appropriate global allocation that is well-diversified, risk-adjusted and has a low correlation with each other, we could look at investing in the above ratio. The following thumb rule could be followed:

Allocate 10-15% of your overall portfolio to global options.
Within that, allocate about 65-70% to developed markets in good index/active funds, which mimic the performance of S&P 500 and/or NASDAQ and about 30-35% to emerging markets (ex-India).

Another benefit of global investing is a hedge against rupee depreciation, which has been prevalent at 4% annually. Thus, a client's financial goals linked to global aspirations such as foreign vacations and children's education are getting a proxy hedge through investing in the fast-growing global markets.

WHY THE LONG-TERM VIEW IN INVESTING?

In our last blog, we dissected the delicate topic of how Personal Finance is 'personal.' Today, we dive a little deeper down the personal finance avenue. As a financial advisor, I often get questioned, 'How much gains can I expect if I follow your advice?'
This question keeps reminding me of the famous ad by Maruti, 'Kitna deti hai?' which ultimately catapulted in a scenario where competitors too flashed the mileage their vehicles offered in their ads that followed. This question brilliantly sums up the Indian consumer's obsession with mileage, which is equivalently witnessed in the financial domain.
This psychology of sorts defines the short-term view investors have towards their gains. A psychological feature in which people place more emphasis on short-term results than long-term outcomes is known as Recency bias. It hampers their long-term growth potential.

Nobody wants to miss the bus:

Hence the present bull-run has caught the eye of novice investors who want to get a piece of the pie.

What investors fail to realize is that this is a short-term scattered approach to investing. Investors who do not have a streamlined process with set financial goals and knowledge of their risk appetite are likely to invest haphazardly. They might even try to time the market and end up investing in instruments that do not match the right investment strategy or align with their long-term financial goals.

Consider this

You decide to go sky diving. You read up on all the information you can get your hands on to understand what you need to do when you jump off that plane. You've read all the instruction manuals and people's blogs. You may have even gone the extra mile to speak to others who have had a first-hand experience.
You accumulate all this scattered information and make a firm decision about your jump. You choose to skip the trial run with the instructor or even have him join you on the diving experience. Why? Because you have all that you need. Equipped with all the information and necessary equipment, you get onto that plane and plunge out of the window.

The chances of you accomplishing the feat like a pro are 50:50. There is a 50% chance you get overwhelmed by fear and possible anxiety, making you incapable of making a rational decision to open your shoot on time. You could even land up maneuvering yourself to an unknown area. The probability of such a disaster reduces drastically, only if you had chosen to dive with an instructor by your side.

Such is the investing scenario, too; we are bombarded with tons of information of the latest news on what's hot in the market or the best investment products, or even the right stock that has proven to be beneficial for a friend/family member. Unless any of this comes from a financial expert who understands your financial goals and long-term needs, this information is just noise.

Numerous cognitive biases come to play when investors jump into the financial market. Without the help of a guide, these biases can take over your decision-making process and cause you to stray away from the big picture. It is through this noise and range of cognitive biases that an advisor can help you wade through.

Remember, mileage or results are one part of your investment journey. Wading through this noise and filtering the advice that suits your financial needs is where you need an advisor the most. Choose an advisor you trust who acts as your fiduciary and chooses knowledge over the noise to help you through your financial decision-making process. Let them advise you, and see the magic compounding does in the long run.

Think of it this way, would you choose a medicine that a chemist recommends over what a doctor has prescribed after examining your complete medical condition?

Choose wisely. Happy investing!

TBNG MONTHLY MASTER CLASS 2021

Mr. Raunak Onkar

Co-Fund Manager & Research Head,
PPFAS Mutual Fund

Backing Raunak's sharp mind is a decade of experience in the capital market. He started his career with Parag Parikh Financial Advisory Service Limited, following his internship in the year 2009. He joined PPFAS as a research analyst and was quickly appointed Head - Research in 2011. Today, he works parallel with the company as an Associate Fund Manager as well. He has been managing the overseas investment of the scheme since its inception in May 2013.

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. Sachin 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 counterproductive 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.

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TBNG CAPITAL ADVISOR PVT LTD.

Corporate Office : Naman Midtown, A Wing, 303, Senapati Bapat Marg, Elphiston (W), Mumbai - 400013.
Phone : +91 22 49715644 / 45 1 | Mob: 9819070552 | Email: info@tbng.co.in