



TATA CAPITAL WEALTH

Issue 1 : Oct 2019
Inaugural Newsletter

Happy Diwali





Message from Tata Capital Wealth Head

Dear Esteemed Client,

At the outset, let me wish you and your family a very Happy Diwali and a Prosperous New Year ahead!

It gives me immense pleasure to launch our first Newsletter which would give you an in-depth insight on Markets, Industry trends across Investments, Insurance and Alternates, updates, news and any regulatory changes which will have impact on the markets.

We are extremely thankful and humbled by the trust you have put in Tata Capital Wealth with respect to your finances. I assure you, we, at Tata Capital Wealth will always strive towards not only doing what is best for you but also look towards re-inventing ourselves constantly. At Tata Capital Wealth, every change is minutely thought, debated and put through rigorous tests before we arrive at something different. These changes can be seen across the board and its impact can be measured in terms of the outcome delivered, which we believe will not only help us engage with you better but more importantly re-inforce your trust with us even more.

At TATA Capital Wealth, our endeavour is to ensure we provide you best suited products matching your investment objective. Our teams of vintage Wealth Relationship Managers, and well researched products with Institutional safety are the key drivers ensuring the best for our customers.

Some of the changes which we have implemented over the course of this year:

- **Online Mutual Fund** - Transactions for all our Tata Capital Wealth customers
- **Revamped Client Portal** – Now you can access the new client online portal through Mobile or Desktop and can do safe and secured transactions.
- **New Website** - Our Website got a new makeover which have various additional features such as various investment calculators, new reports, etc.
- **New Logo** - We have unveiled our New Tata Capital Wealth Logo which will create our brand and visibility in the market.

We would once again like to thank you for choosing Tata Capital Wealth. So, this Diwali, let's continue this exciting journey while celebrating the auspicious occasion. Happy Diwali once again!



Saurav Basu

Head – Wealth Management, Distribution & Advisory
Tata Capital Financial Services Ltd.



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- Meeting as per convenience.



Intuitive Website

- Overview of Products
- Financial Calculators
- Query Page
- In House research reports





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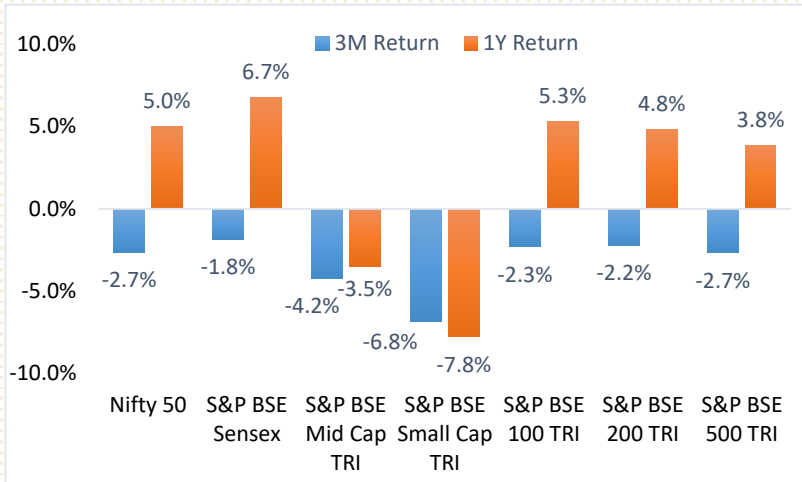
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Indian Equity Market Update

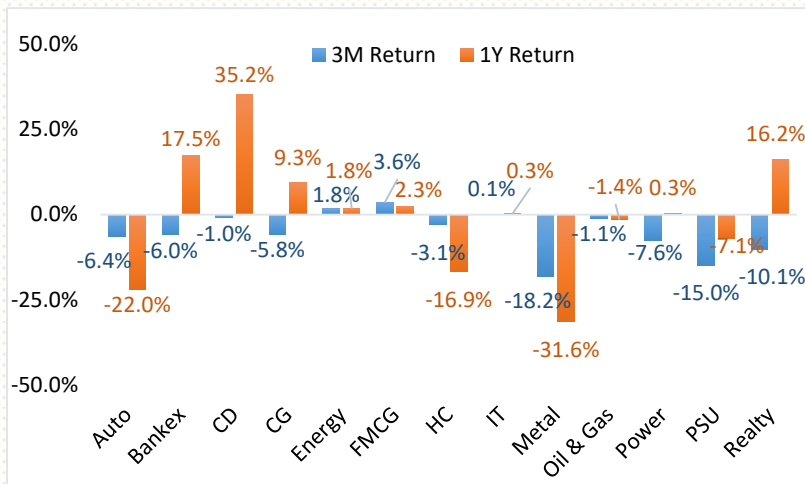
Domestic Indices Movement:



Data as on 30 September 2019. Source: ICRA MFI

- Indian equity market showed remarkable performance with recording highest 10-year single day growth on September 20, 2019 following corporate tax rate cut announcement by Finance Minister.
- S&P BSE Sensex and Nifty 50 rose by 6.7% and 5.0% respectively in the past year, however, quarter on quarter performance ended in red in September 2019.
- The returns of the broader markets were dragged by the dismal performance of the mid-caps and small caps.

Sectoral Indices Movement:



Data as on 30 September 2019. Source: ICRA MFI

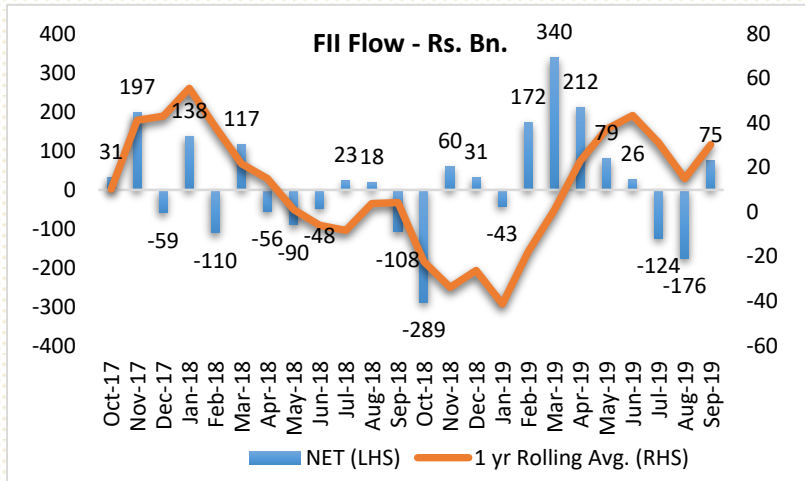
- In the past year, Consumer Durables sector was top gainers. The consumer durables rose by 35.2% during the year, though the consumption numbers slipped in the month of September 2019.
- Banking, Capital Goods, Energy, FMCG and Realty ended on a positive note in past one year. Banking and FMCG considered to be the biggest beneficiaries of corporate tax cut.
- Auto, Health Care and Metals were the laggards for the September quarter.





FII and MF Flows Update

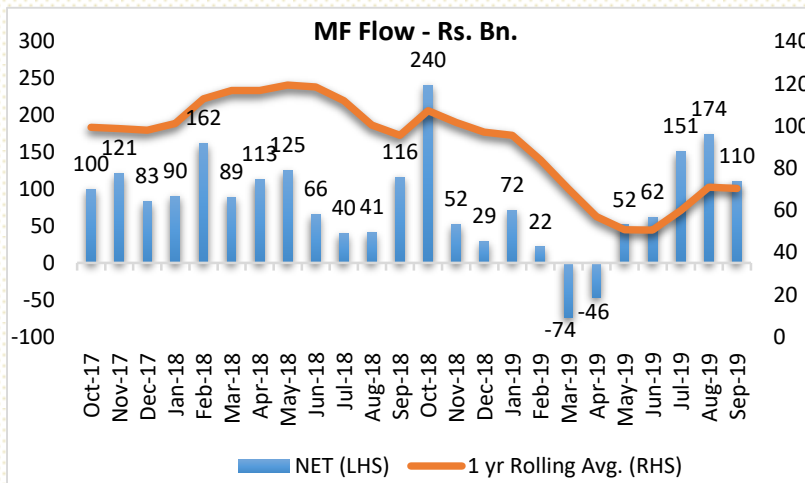
FII Flows:



Data as on 30 September 2019. Source: ICRA MFI

- After two months of consecutive net outflow, FIIs buying was seen in September 2019.
- The average rolling monthly flow during the year has steadily turned positive with the steps taken by the government to boost the economy.
- Rs. 75 billion net inflow was seen in September 2019 compared to selling of Rs. 176 billion in August 2019.

MF Flows:



Data as on 30 September 2019. Source: ICRA MFI

- The domestic investors flow driven by mutual funds remained robust; when the FII had carnage by the market after the IL&FS debacle in September 2018.
- Mutual funds bought equities worth Rs. 110 billion in September compared to Rs. 62 billion in June 2019.





Bipolar Behaviour of Nifty 50 Stocks

The recent rally in the Nifty 50 can largely be contributed to handful of stocks. One-year performance of the Nifty 50 stocks shows 2 of 50 stocks have generated more than 50% returns and 7 stocks have generated more than 25% but less than 50% returns in past one year. 17 stocks of Nifty 50 index have generated negative returns in the past one year. Performance of index is highly tilted towards few stocks which are now trading at premium and majority of the other Nifty stocks are now trading at lower valuations.



Data as on 30 September 2019. Source: NSE India





Market Outlook - Sunil Singhania of Abakkus Asset Manager LLP

Decisive month:

The month of September '19 turned out to be one of the most eventful one for a long time. Just as the concerns on government actions were getting louder, the Finance Minister (FM) doled out what was considered as the biggest of all reforms since 1991. The massive cut in corporate tax rates, along with an even lower tax rate for new manufacturing corporate brought instant cheers to Indian equities. Markets surged sharply, recovering the early losses of the month enabling the Nifty 50 to end up 4% whereas the mid and small cap indices were up 4% and 5% respectively for the month. Gains were pronounced in companies benefitting the most from tax cuts like the consumer pack. A move away from defensives to higher beta was also visible.

Government Actions – Walking the talk

Tax cuts clearly highlighted the government resolve to do their best to revive the slowing Indian economy. Corporate tax rates in India now are at a two-decade low and amongst the lowest in Asia - bolstering India's global competitiveness. An immediate impact of the tax cuts would be a meaningful increase in corporate earnings. A more long-term impact would be an encouragement for corporates to expand their business in India. More so, along with the proposal to allow 100% FDI in contract manufacturing, the lower 17% corporate tax provides a big incentive to global companies to set up manufacturing base in India.

Prime Minister (PM) Modi's visit to USA and the camaraderie with US President Trump was another highlight of the month. This should allay any fears of unfavorable US trade policies against India. The reiteration by both PM and FM that more announcements can be expected to bring the economy back on the growth track also gives comfort.

Another important and path-breaking move was the announcement of strategic divestment of five Public Sector Enterprises (PSUs) including that of BPCL and Concor. This is a bold move and has the ability to take care of any shortfall in government revenues because of the big tax relief. It also gives credence to our belief and expectation that more policy announcements are expected.

Monsoon has also ended on a very strong note. This should help support the rural economy and revive demand. Oil prices continue to be subdued and look weak over the medium term.

Amidst the good news, challenges also continued to plague the markets. The problems of the financial sector and the issues facing NBFC continued. The collapse of a co-operative bank and their linkage to a large realty company cause additional jitters to an already nervous liquidity starved financial system. Uncertainty and lack of confidence has led to equity markets giving away almost 50% of the gains post the big corporate tax rate cuts.



**Sunil Singhania, CFA,
Founder of
Abakkus Asset Manager LLP**





Going ahead:

The markets seem to be balanced between the bad news emerging from the financial sector and the economy slowdown; and the positives emerging from the government policy announcements. After the RBI rate cut in early October, interest rates are now at the lowest since 2010. We expect incremental steps from the government to give comfort to the financial markets as also aid in getting the GDP growth back to the 7-7.5% trajectory. The upcoming festive season is being watched with bated breath to see if there is recovery in consumer demand. Any positive indications from demand side will give greater comfort to the markets. The declining interest rates should also start to have a positive impact on demand as also corporate capex. Support from lower oil prices and lower inflation should aid macros.

While accepting the challenges particularly in the financial sector, our view is that these are cyclical road blocks and we should start to see confidence in the system return back. These are also the reasons that some of the stocks are available back at the same prices as before the revolutionary tax cuts. We would advocate building positions over the next 3-4 months.

On the strategy part, we have noticed money move to growth and quality. This is becoming a consensus allocation trade. As a result, we believe that growth and quality are now trading at euphoric valuations.

Given their slower growth compared to their valuations as also likely future growth, our view would be focusing on growth at fair value and even value.

Sunil Singhania is Founder of Abakkus Asset Manager LLP. The views expressed in this article are solely of the author and do not necessarily reflect the views of Tata Capital Wealth.

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Patience Pays. So, Stay Invested.

What worries the most investors is volatility in equity markets, however, the fact that is often forgotten is – “Volatility is the inherent nature of equity markets.” Market goes through rounds of up and down phases which are triggered by various factors. With the different market phases, investors go through an emotional journey of rejoice, panic, or nervousness. However, disciplined and well informed investment is all needed to make the most of equity investments.

Let’s look at the below table, to understand how long term investment reduces probability of loss in longer time frames. The table represents rolling returns of S&P BSE Sensex from 1 January 2000 till 30 September 2019 for various rolling periods.

| Average Rolling Returns | | | | | | | | |
|---|--------|---------------------|---------|---------------------|----------|---------------------|----------|---------------------|
| Date | 1 Year | Current Value (Rs.) | 5 years | Current Value (Rs.) | 10 Years | Current Value (Rs.) | 15 Years | Current Value (Rs.) |
| 01-Jan-00 | | 100,000 | | 100,000 | | 100,000 | | 100,000 |
| 01-Jan-01 | -24.1% | 75,860 | | | | | | |
| 01-Jan-02 | -14.8% | 72,607 | | | | | | |
| 01-Jan-03 | -3.3% | 90,507 | | | | | | |
| 01-Jan-04 | 9.8% | 145,295 | | | | | | |
| 01-Jan-05 | 14.5% | 196,629 | 10.0% | 161,271 | | | | |
| 01-Jan-06 | 21.4% | 319,645 | 18.5% | 277,313 | | | | |
| 01-Jan-07 | 23.4% | 436,708 | 24.5% | 464,427 | | | | |
| 01-Jan-08 | 20.1% | 433,722 | 26.0% | 634,876 | | | | |
| 01-Jan-09 | 18.4% | 455,874 | 24.6% | 724,919 | | | | |
| 01-Jan-10 | 20.5% | 647,070 | 23.8% | 847,732 | 14.8% | 397,575 | | |
| 01-Jan-11 | 18.5% | 648,800 | 21.8% | 872,069 | 16.3% | 525,976 | | |
| 01-Jan-12 | 17.0% | 657,332 | 19.4% | 838,717 | 17.0% | 657,332 | | |
| 01-Jan-13 | 16.6% | 736,345 | 18.0% | 862,782 | 17.2% | 788,901 | | |
| 01-Jan-14 | 17.2% | 923,646 | 17.6% | 961,871 | 17.0% | 899,668 | | |
| 01-Jan-15 | 16.9% | 1,040,442 | 16.7% | 1,017,975 | 16.5% | 988,300 | 12.7% | 597,787 |
| 01-Jan-16 | 15.6% | 1,022,655 | 16.0% | 1,077,769 | 15.4% | 987,849 | 13.6% | 767,061 |
| 01-Jan-17 | 15.7% | 1,198,343 | 15.7% | 1,193,073 | 14.4% | 980,181 | 14.4% | 990,429 |
| 01-Jan-18 | 15.7% | 1,376,097 | 15.5% | 1,331,818 | 13.9% | 1,032,749 | 14.9% | 1,208,810 |
| 30-Sep-19 | 15.3% | 1,502,808 | 15.1% | 1,456,459 | 13.8% | 1,156,316 | 14.6% | 1,340,872 |
| Probability of Loss | | 28% | | 1% | | 0% | | 0% |
| Probability of generating more than 8% | | 60% | | 76% | | 86% | | 100% |

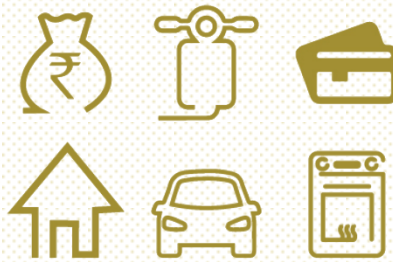
Source: ICRA MFI; Data as on 30th Sep 2019.

- **Probability of loss reduces with increase in investment horizon. As per the analysis, beyond 5 years of investment time frame, probability of loss becomes 0%.**
- **The main objective behind investing in equity asset class is to generate higher returns than returns offered by conservative investment opportunities. Probability of generating more than 8% is more than 85% for 10 years and 100% for 15-year time frames. (Approximately 8% returns are offered by other conservative investment options and hence; we are considering 8% returns for comparison).**





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Debt Outlook by Tata Mutual Fund

How we read the Oct 19 MPC:

- In line with market expectations
- Dovish commentary
- Likely chance for another rate cut in upcoming December policy
- Terminal rate of 5% in this cycle if the inflation and growth trajectory follow as projected.
- In case of any further downside shock in growth, we cannot rule out one more cut post December policy
- RBI is likely to keep liquidity is very comfortable zone
- Rationale for Rate cut
- Comfortable range of CPI forward looking opened up space for RBI to cut rates and also comfort for maintaining accommodative stance.
- There has been constant downward pressure on growth with Q1:2019-2020 GDP growth surprising 5%. RBI has stated that it has decided to continue with accommodative stance as long as it is necessary to revive growth, while ensuring inflation remains within the target.

Our basis for further rate cut

- If inflation stays in line with projected trajectory, further some space will likely open for monetary policy to ease rates.
- We believe that growth might not meet the projected trajectory and hence RBI might cut rates further to support the same inspite of limited impact of monetary policy easing since February.

Outlook

Yield Curve - We believe yield curve will steepen with shorter end of curve remaining anchored and longer end of curve inching higher

10-year benchmark (new paper) - To trade in range of 6.30% - 6.60%.

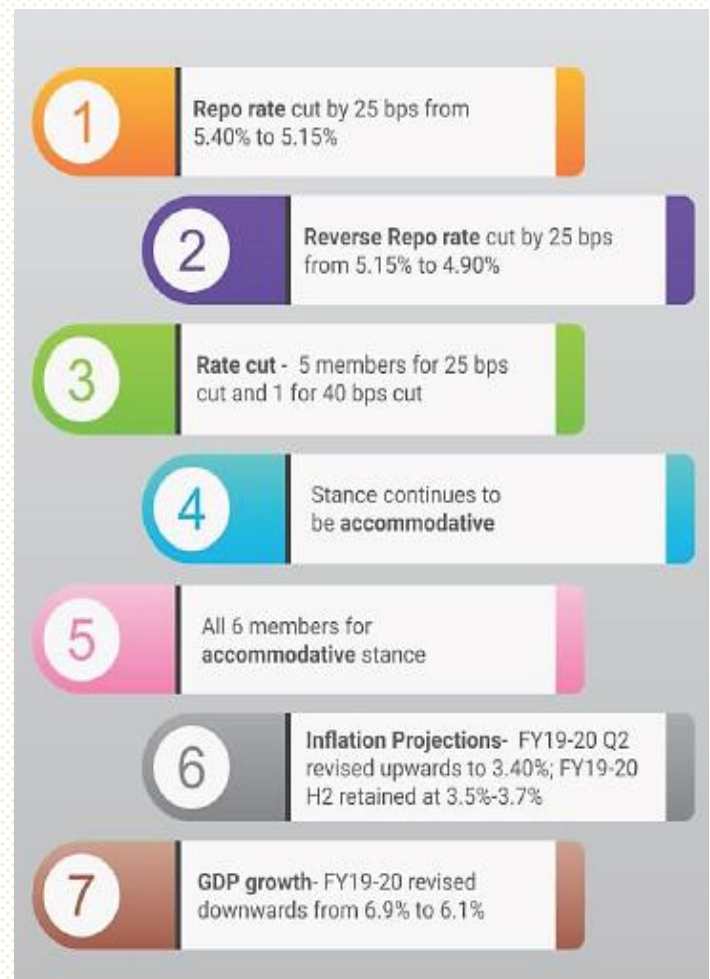
5-year benchmark G-sec - To trade in range of 6.10% – 6.35%

SDL Curve - Yield expansion on SDL curve, given the supply of SLR papers

We remain constructive on debt markets, however more comfortable on shorter end of curve. Longer end of curve might also deliver decent, but there would be volatility in near term.

In current scenario, short duration funds (up to 3 years' duration) are likely to benefit more compared to long duration funds. In case there is some sharp sell-off in longer yields (20-30 bps), one should revisit the longer duration funds as there could be tactical opportunities there.

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Alternatives - The Next Big Thing

Globally Alternatives have become Mainstream

Since 2005, Alternatives are growing at more than twice the rate as against the traditional investments. It is expected to touch \$18.1 trillion in 2020 at the growth rate of ~11% CAGR.

The Alternatives accounted for 12% of total industry assets and 30% of total industry revenue.

It is expected that by 2020, alternatives could comprise about 15% of global industry assets and produce up to 40% of industry revenues.

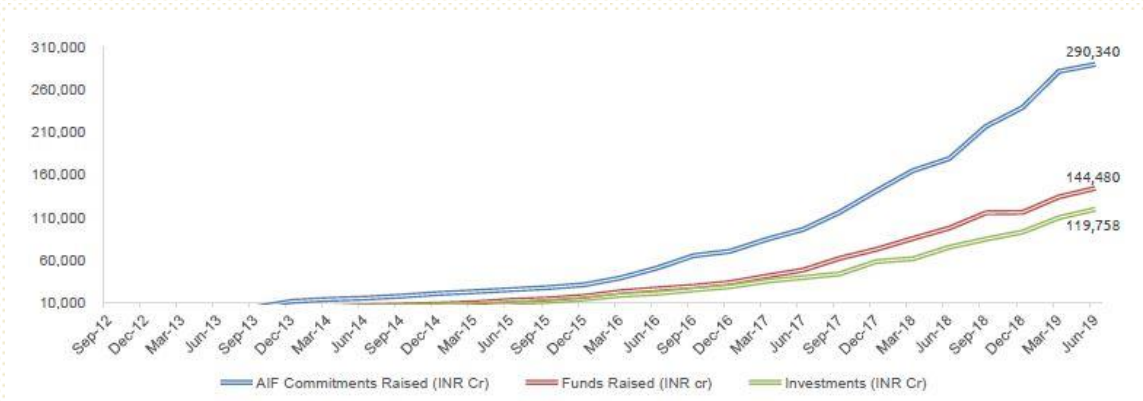


Shahzad Madon
Head AIF
Nippon India Alternate
Investments

Trends leading to growth of Alternatives in India

- ❖ As affluence has increased, investors are increasingly becoming more demanding
 - Investors wants offerings which have higher potential to deliver alpha.
 - They are seeking newer managers with the potential to deliver the same.
 - They want innovative offerings beyond traditional debt and equity instruments.
- ❖ Currently, traditional investments pools are increasingly getting regimented and facing challenges in product innovations, differentiation and alpha generation.
- ❖ Wealth Management industry is moving/moved beyond plain vanilla offerings and seeking to distinguish themselves with differentiated offerings.
- ❖ There is wide participation by various distributors, mainly Wealth Managers but limited Institutional participation.
- ❖ There is active participation from both Large Managers and Boutique Firms for Alternatives.

Growth story of AIF Industry:



Key Facts:

- SEBI has permitted 610 AIFs* to be set up; Participants include AMCs, Private Equity, Venture Capital firms, Hedge Funds, Corporates, Boutique Investment Funds, Individuals etc.
- Funds Raised: Category II largest segment (62%); Category III growing strongly (28%)
- In the last 1 year, in terms of Funds Raised Cat II has grown by approx. 60% and Cat III has grown over 32%.

*Number of registered AIF trusts, actual number of schemes is much higher. Source: SEBI





Industry Composition:

| Types | Description | Funds Raised |
|---------------------|--|-------------------------------|
| Category I | Startup or early stage ventures, Social ventures, SME, Infrastructure Other sectors considered as socially desirable | 10% Rs. 14, 636 crs |
| Category II | AIFs which do not fall in either category I or category III - Pre IPO, Distress Debt, Real Estate (Debt / Mezz/ Equity), Credit (Sector Agnostic), Private Equity / Start Up Equity | 62% Rs. 89, 998 crs |
| Category III | Employs diverse or complex trading strategies - Absolute Return / Long Short Funds, Long Only / Thematic Equity, Commodity | 28% Rs. 39, 846 crs |
| Total | | Rs. 1,44,480 |

Cat II, typically Private Debt & Equity is the largest category: while Cat III is growing at fast pace

The Growth of CAT III AIFs:



Primarily Includes:

- Long only buy & hold oriented funds without leverage.
- Hedge Funds/ Long Short / Absolute Return Strategies.

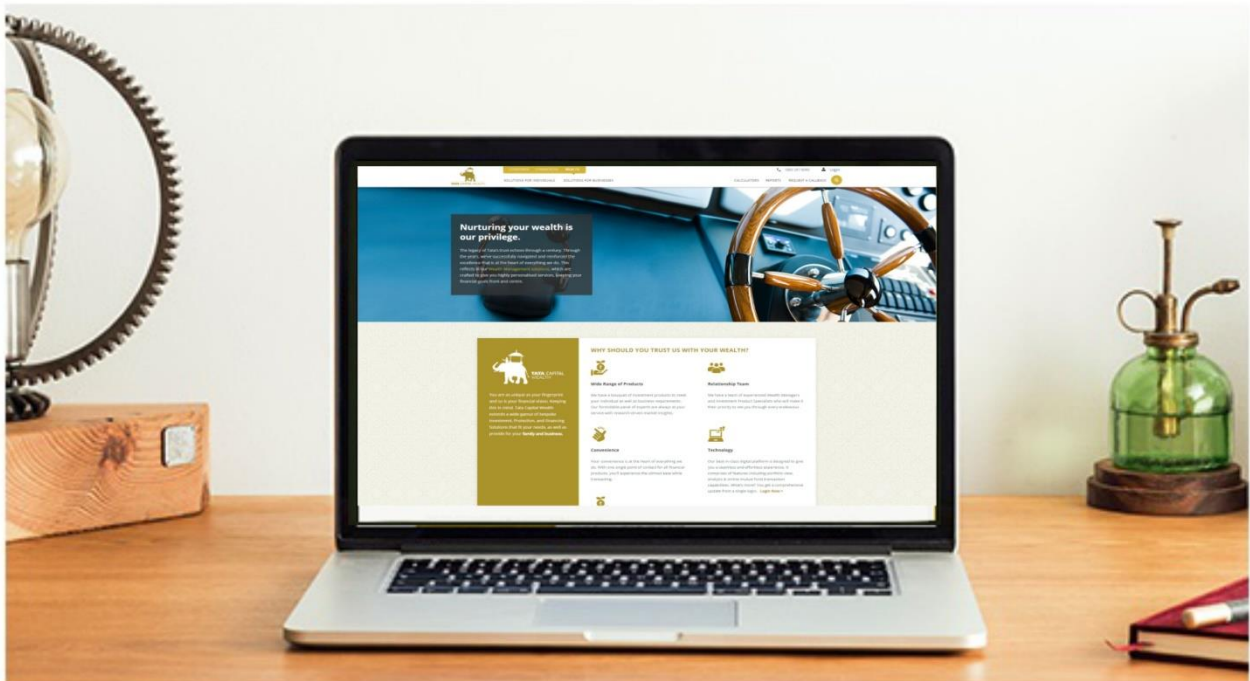
Source: Article is sourced from Nippon India Alternate Investments

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Our website got a makeover



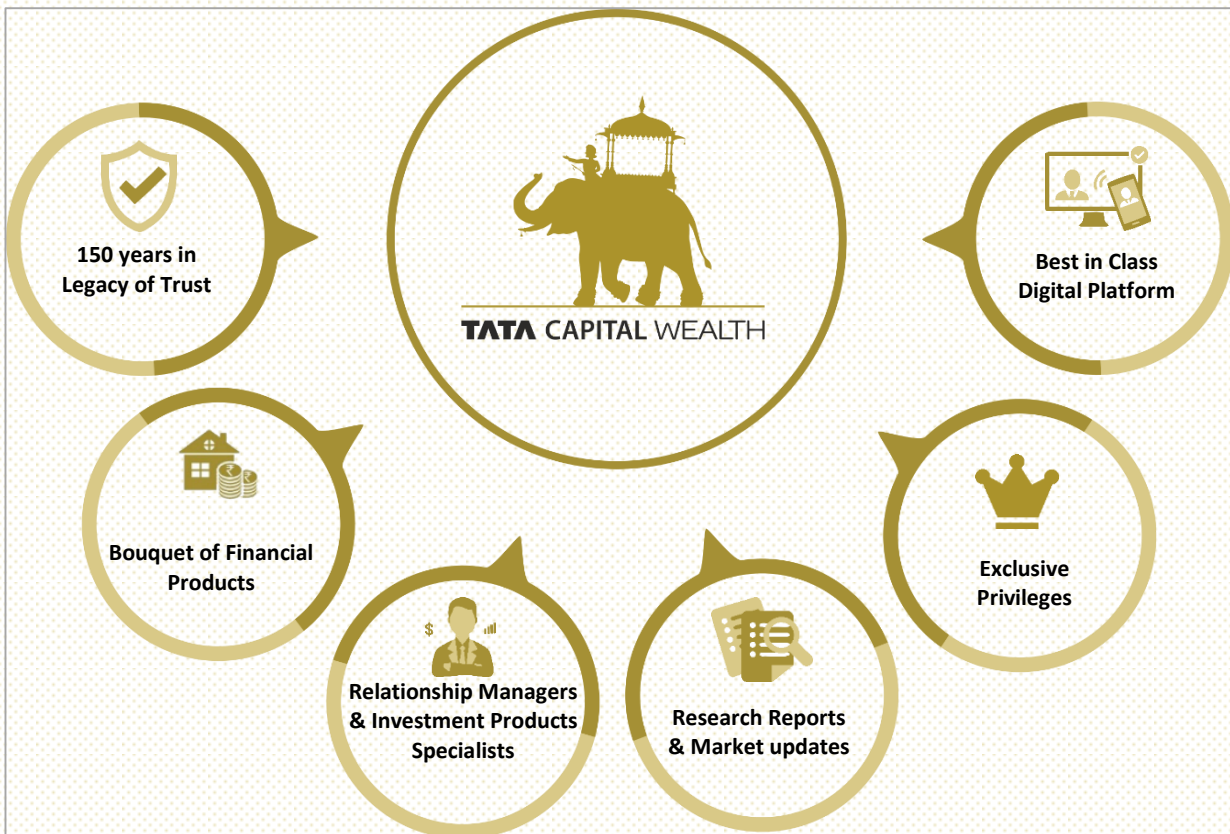
We strive to upgrade your wealth journey every step of the way.

So we've recently upgraded our website with a fresh new look and avant-garde features.





Tata Capital Wealth in a Nutshell



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For more information, write to us:
wealth@tatacapital.com





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