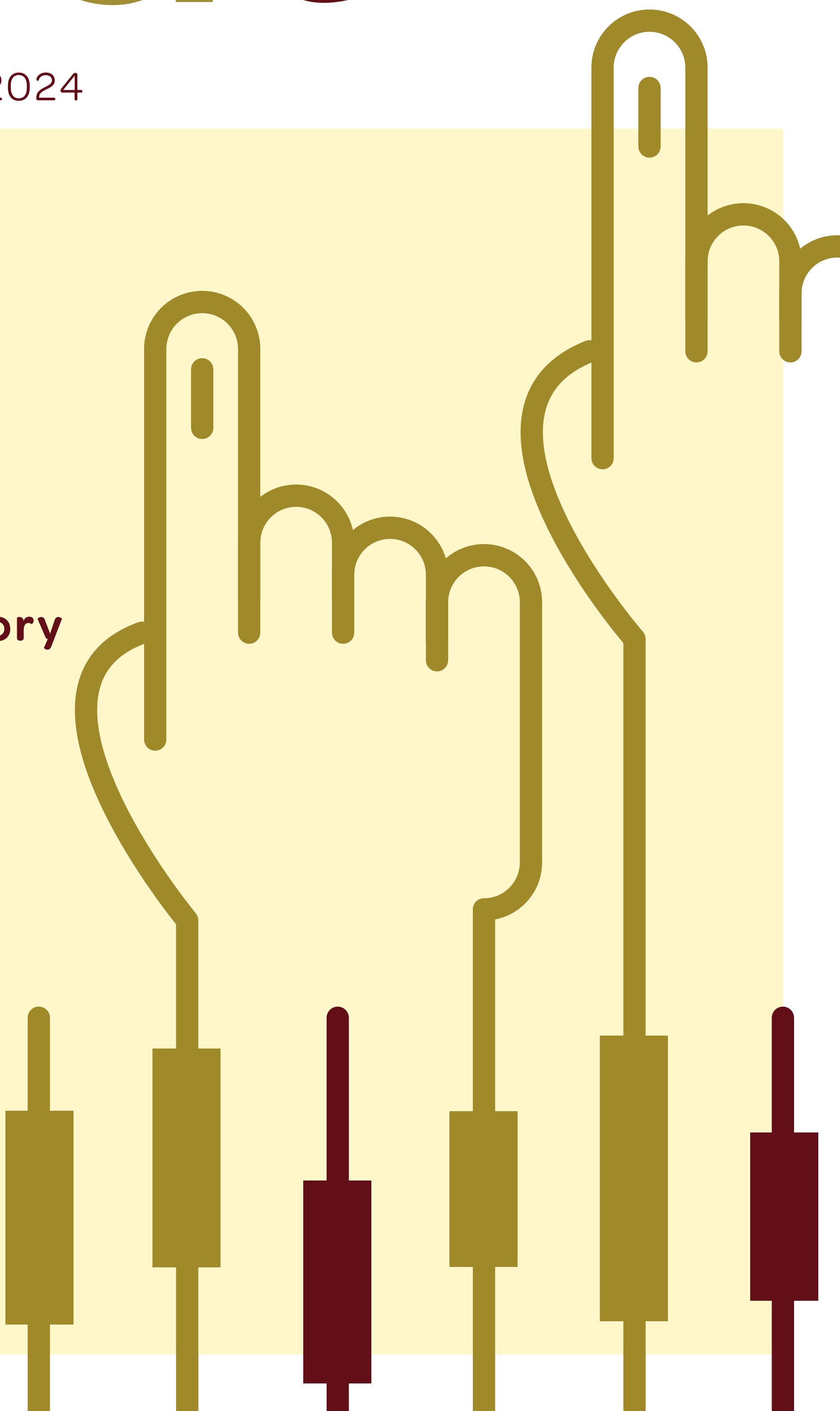
TATA CAPITAL WEALTH

EDGE

ISSUE 6
ANNUAL EDITION 2024



Bulls and Ballot:

Charting India's Growth Trajectory

Foreword

Mr. Rajiv Sabharwal

Managing Director & CEO,
Tata Capital Limited

I extend my heartfelt wishes for a Happy New Year filled with glory and prosperity for you and your loved ones. As we embrace 2024, I am pleased to reflect on the dynamic landscape of the past year and share insights that shape our outlook for the months ahead.

India's macro and micro fundamentals remain robust, with positive indicators such as a growing discretionary consumption, downward-trending inflation, and healthy credit growth, contributing to a thriving economy. Our markets are scaling new highs, supported by strong FII and DII flows.

Amidst this positivity, we acknowledge geopolitical tensions and global inflation as challenges. Looking ahead, the upcoming elections in India and across the globe, as well as developments in US interest rates, will be key focal points affecting global market sentiments. Despite these factors, I am optimistic about our nation's steady progress amid global uncertainties, given the Indian government's emphasis on infrastructure development, promotion of manufacturing capability, and technological progress.

Turning your attention to Tata Capital, in a significant move, Tata Capital Financial Services Ltd (TCFSL) and Tata Cleantech Capital Ltd (TCCL) have merged into Tata Capital Limited (TCL) now. Post this merger, TCL will become one of the country's largest diversified NBFCs.

At Tata Capital, your trust is our driving force. We continue to remain dedicated in serving you with integrity, expertise, and personalized attention. Together, we can navigate challenges and capitalize on opportunities, forging a prosperous future for you and your loved ones.

Mr. Saurav Basu

Business Head – Tata Capital Wealth,
Tata Capital Limited

Here's wishing you a healthy and prosperous 2024. As we welcome the promising opportunities of the new year, it is my privilege to share some highlights and insights in this edition of our annual newsletter. The year 2023 has been remarkable, India proudly stood out as one of the best-performing markets globally, showcasing resilience and growth.

In this newsletter, you'll find insightful articles on the market's performance during election years, fund manager views for 2024, outlook on Infrastructure & Capital goods and much more awaits your exploration.

In line with our commitment to innovation, we introduced new products such as Real Estate Referral Services and Unlisted Equities, offering you diversified avenues for wealth creation. Our digital initiatives have empowered us to serve you more efficiently, ensuring a seamless experience as we collectively explore new horizons in wealth management.

While, the markets are at all-time highs, it is essential to maintain a balanced perspective and follow the desired asset allocation based on your risk appetite and investment horizon. Your financial goals are at the heart of our wealth management philosophy, and we are committed to guiding you towards achieving these goals.

Thank you for entrusting us with your wealth management journey. Here's to a prosperous and fulfilling 2024! Keep investing with us!

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Index

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Quick Recap

Key Events in 2023 - India

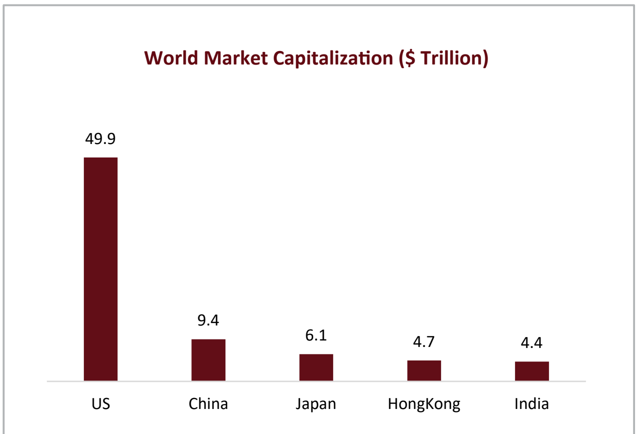
Indian equity markets reached historic highs in 2023

<table>
<tr><th>MPC Meet Date</th><th>Decision</th><th>Stance</th></tr>
<tr><td>February 8, 2023</td><td>hike by 25 bps</td><td rowspan="6">Withdrawal of Accommodation</td></tr>
<tr><td>April 6, 2023</td><td rowspan="5">Status Quo</td></tr>
<tr><td>June 8, 2023</td></tr>
<tr><td>August 10, 2023</td></tr>
<tr><td>October 6, 2023</td></tr>
<tr><td>December 8, 2023</td></tr>
</table>

RBI maintained status quo post Feb 2023 meet as growth-inflation dynamics were favorable eliminating the need for further adjustments

India's inclusion in JP Morgan's Global bond index-suite for Emerging Markets (GBI-EM) - positive for Indian bonds

The Hindenburg report significantly affected Adani Group stock prices



India's strong equity performance enabled it into the exclusive $4 trillion club, making it the fifth country to achieve this milestone

IMEC: A rail and shipping corridor linking India with the Middle East and Europe - project aimed at fostering economic growth and political cooperation

Common source: News articles

Quick Recap

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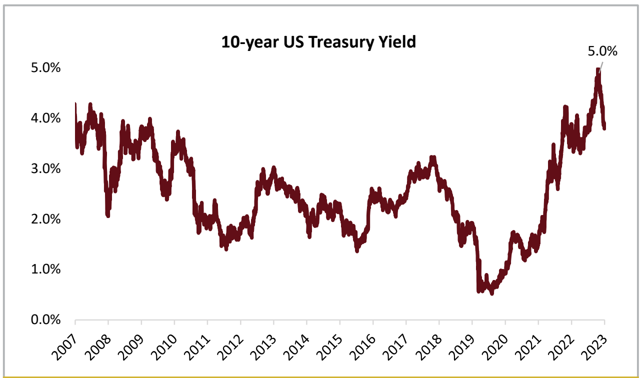
Key Events in 2023 - Global

FOMC Meeting Date	Rate hike (in bps)	U.S Interest Rate
01-Feb-23	25bps	4.50% to 4.75%
22-Mar-23	25bps	4.75% to 5.00%
03-May-23	25bps	5.00% to 5.25%
14-Jun-23	No hike	
26-Jul-23	25bps	5.25% to 5.50%
20-Sep-23	No hike	5.25% to 5.50%
01-Nov-23		
13-Dec-23		
Total rate hikes in 2023	100bps	

Quantum of rate hikes by US Fed
since March 2022 to tame inflation was 5.25%



10-year US Treasury Yield tops 5% for first time since 2007

Banking crisis in the US and Europe stoked fears of financial contagion

International gold prices rose to a record high above $2,100 per ounce - citing geopolitical uncertainty, weaker US dollar and possible interest rate cuts

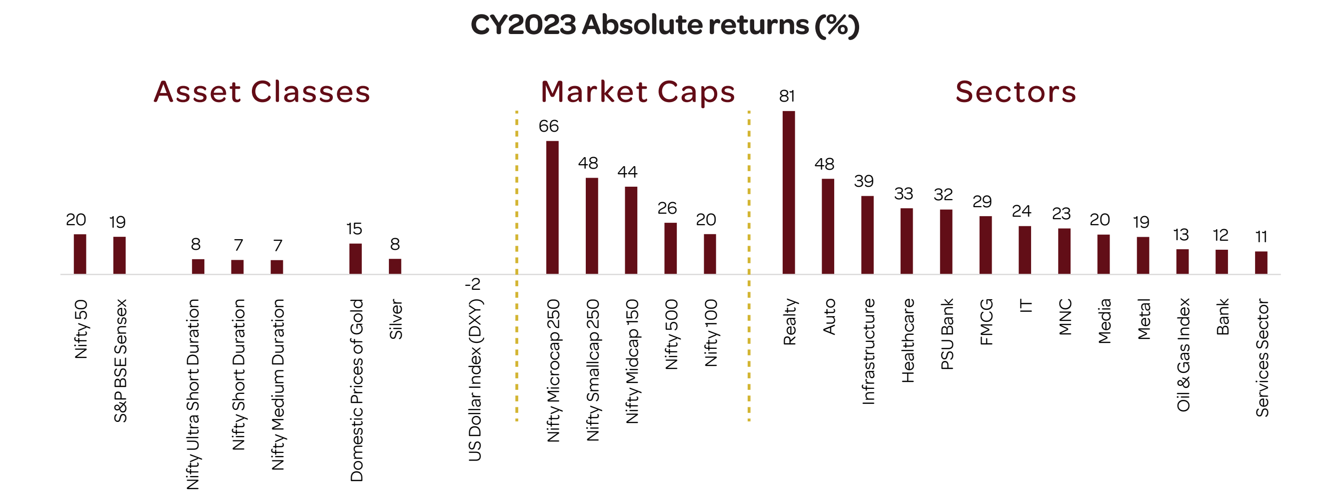
The outbreak of the Russia-Ukraine war affected global markets

Conflict in Gaza and Israel had spillover effects on the global economy

Common source: News articles

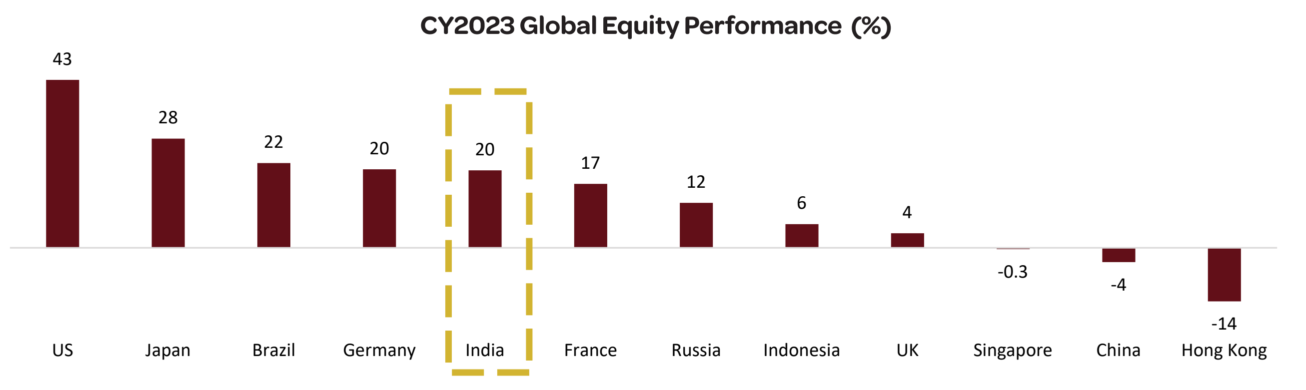
Market Performance

The Year Gone By - Market Performance in CY2023



Source: ICRA MFI. NSE Sectoral indices. Performance is shown for Price Return Index for equity indices. Data as on Dec 31, 2023

- Global headwinds dominated markets in 2023. **Indian equity markets however, kept touching new highs and ended the year on a positive note.**
- Performance of the domestic market is attributed to **India's robust GDP growth, significant corporate revenue growth, robust GST collection figures along with strong FII and DII flows.**
- **Microcaps outperformed** Small, Mid and Large caps in CY2023.
- Among Nifty's sectoral indices, top gainers were - **Realty, Auto and Infrastructure.**
- Gold had a strong 2023, against all the negative expectations amid a high interest rate environment, and outperforming Silver and Fixed Income markets.



Index used: US - Nasdaq Composite, Japan - Nikkei, Brazil - Ibovespa Sao Paulo, Germany - DAX, India - Nifty 50, France - CAC, Russia - RTS, Indonesia - Jakarta Composite, U.K. - FTSE 100, Singapore - Strait Times, China - SSE Composite, Hong Kong - Hang Seng. Source: Morningstar Direct. Data as on Dec 31, 2023.

- **2023 witnessed significant geopolitical and economic events** that had a profound impact on the international relations and economies of various nations.
- **India continues to be a sweet spot in global equity market** with stable macro-economic indicators, healthy corporate balance sheet and reasonable earnings.
- Majority of the global equity markets ended in green in CY2023; **U.S., Japan and Brazil gained the most**. Moreover, most equity benchmarks delivered double-digit returns for CY2023.
- **Hong Kong and China remained laggards** due to slow economic recovery.

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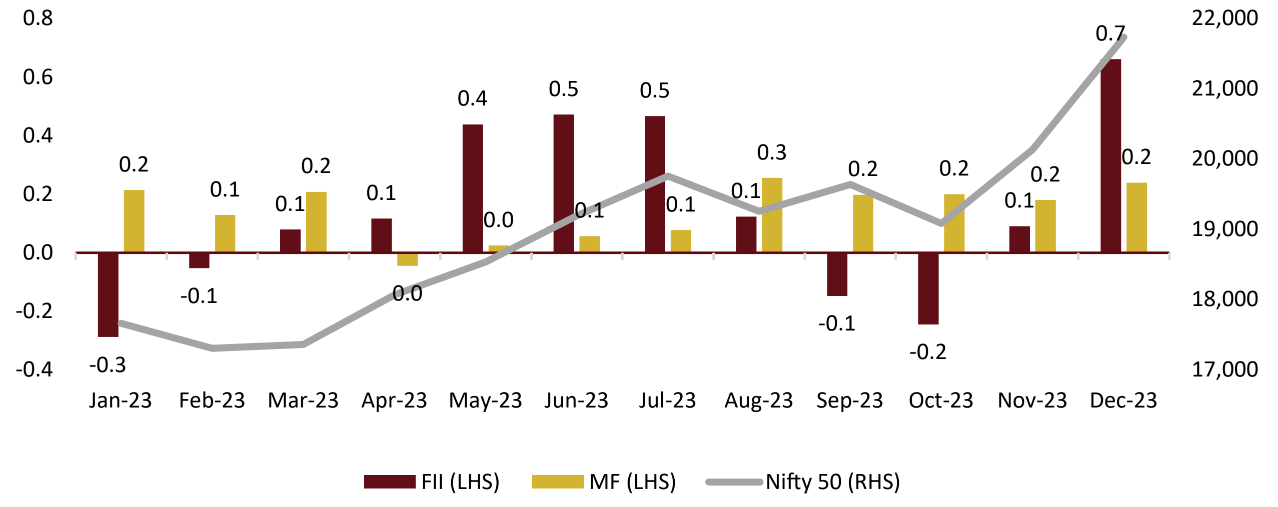
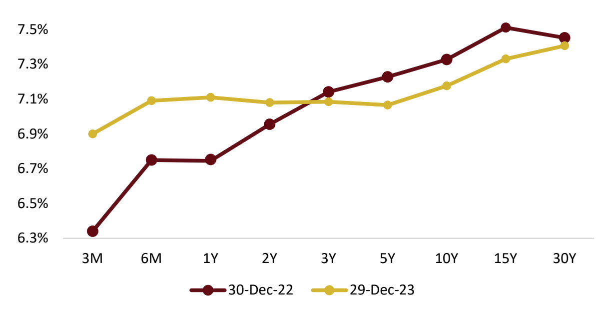
Equity - Net FII & MF Flow (Cash) in Rs. lakh cr. vs Nifty 50



• For CY2023, **FIIs purchased a record Rs. 1.71 lakh crore worth of shares. Within the emerging market basket, India was the highest beneficiary of FII inflows.**

• **Mutual Funds (MFs) bought equities worth Rs. 1.73 lakh crore.** The rapid mobilisation of household savings was another factor that worked in favour of MFs. **Monthly SIP inflows topped the Rs. 17,000 crore mark** and most of it was reflected in inflows into mid and small cap funds.

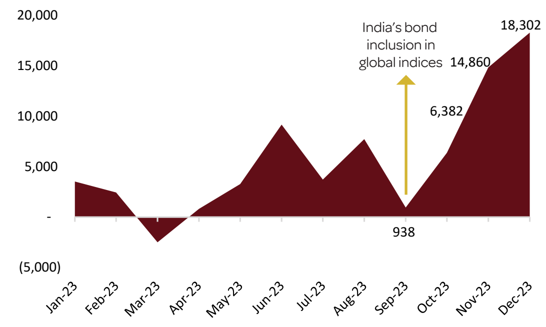
G-sec Yield Curve Movement across tenures



•Rise in bond yields was clearly visible in the short-end mainly due to tighter liquidity conditions.

•The yield curve flattened considerably during the year.

Net FII Flows in Debt Market (in Rs. Crore)



• Index Inclusion is expected to have a positive impact on domestic bond yields and the Indian rupee in FY25, when the actual inflows materialize.

Common source: Investing.com, NSE India, ICRA MFI (http://www.icraanalytics.com/legal/standard-disclaimer.html)

How will 2024 turn out for the Equity Markets?

2023 was an interesting year for equity markets. Both Nifty and Sensex broke their all-time high records. Following the trajectory, Midcap and Smallcap indices scaled fresh highs.

Will the trend continue? Market veterans share their outlook on what to expect in 2024.

Mr. Mrinal Singh,
CIO & CEO,
InCred Asset Management

Mr. Rajeev Thakkar
CIO & Equity Fund Manager,
PPFAS Mutual Fund

Market View for 2024	Cautious	Cautious
Has the market priced in risk of global recession?	May be partially, however, even if there is a global recession, it may not be too deep or prolonged.	The risk of recession seems to be taken by the market in its stride.
Themes bullish on	Rural consumption, Healthcare, Capex revival, Technology	Banks and Financials, Auto, Pharma, select PSUs and Utilities
Themes bearish on	Highly Leveraged businesses, Commodity oriented	FMCG and newly listed startups
Factors to watch out for in 2024	2024 will likely be a year of volatility in equity markets due to multiple macro and global events like general elections and probable conclusion of ongoing global conflicts.	One has to be prepared for more subdued returns from equity although for longer term investments, equities are likely to do better than bonds.
Suggested Investment Strategy	Flexi approach would be best suited given India would continue to grow faster than other large economies.	Either invest in Flexi cap funds or choosing funds based on market caps: 70%-75% allocation to large caps, 15%-20% - mid caps and 5%-10% - small caps should be appropriate.

Fund Manager Views

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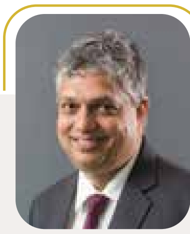

	Mr. Nilesh Shah Group President & MD, Kotak Mahindra Asset Management Company	**Mr. Sankaran Naren** Executive Director & CIO, ICICI Prudential Asset Management Company Limited
Market View for 2024	Neutral Weight to Equities	India's fundamental remains strong although valuations are on the higher side.
Has the market priced in risk of global recession?	Market's response to the risk of a global recession appears mixed.	Macros remains strong and strong govt. reforms creates a conducive environment for India to shine.
Themes bullish on	Infra, Railway, Defence, Real Estate & Home Improvement, Financial Services, Rural FMCG and Manufacturing	Telecom, Power, Pharma and Infra
Themes bearish on	Not bearish on mid & small caps but be careful and look at bottom up ideas and avoid stocks which lack governance and balance sheet quality.	Consumer Non-Durable names which are expensive
Factors to watch out for in 2024	2024 will be full of ups and downs. Essential to balance investments across Debt, Equity, Real Estate, and Commodities.	Paying due attention to valuations and buoyant sentiments is important.
Suggested Investment Strategy	Investors should maintain neutral weight in equity, with a marginal overweight in large caps, an equal weight in mid-caps and marginally underweight in small caps.	1. Given the recent out performance of midcap & smallcap stocks, we prefer large cap companies. 2. We continue to recommend diversified equity schemes with a flexibility to move between market-cap and sector/themes. 3. We also continue to remain positive on our hybrid offerings, which aim to efficiently allocate across asset classes basis market conditions.

The views expressed in this article are solely of the author and do not necessarily reflect the views of Tata Capital Wealth.

Fund Manager Views

How will 2024 turn out for the Debt Markets?

With most central banks near the end of the rate hiking cycle and inflation trending down.

Will the global central banks start cutting interest rates in 2024? Gain insights from Industry experts on what to expect in 2024.

Mr. Rajeev Radhakrishnan
CIO - Fixed Income, SBI AMC

Overall Debt Market View
Currently, economic growth outlook remains robust. Most high frequency indicators show resilience even as it remains uneven segment wise. Domestic growth inflation dynamic would determine interest rate stance and the same is likely to favour tighter liquidity as well as higher rate scenario for a bit longer. **A lower rate cycle can be estimated over the next 12-18 months, given the external backdrop, lag effects of policy hikes domestically and the positive fiscal dynamics.**

Will the US Fed and RBI start cutting interest rates in 2024? If yes, then when?
A shallow rate cut cycle may emerge towards the second half if CPI aligns closer to the midpoint target of 4%. While the outlook on the Fed rate cycle is "higher for longer", there is a high possibility of some rate cuts by the Fed sometime in H2 of CY2024.

What investors should watch out for in 2024?
The evolution of expectations on US interest rates will have a higher bearing on all asset classes. As economic growth slows due to cumulative lag effects, softer data patch is likely, while the prospect of higher than 2% trend inflation may not keep central banks as accommodative as in the past. Geopolitical frictions also need to be watched.

Suggested Investment Strategy
Possibility of capital gains over a 12-18 months timeline as the impact of rate actions work through. Investment strategy accordingly remains contingent of specific tenor and risk tolerance. **Duration is recommended for investors with higher rate risk tolerance if the tenor is at least 12-18 months. Shorter end products including money markets continue to provide enough visibility on higher carry.**

Mr. Deepak Agrawal
CIO - Debt, Kotak Mahindra Asset Management Company

Overall Debt Market View
• Based on current operating policy rate, the positive real • Based on current operating policy rate, the positive real rates upward of 200 bps is restrictive and will put downward pressure on growth.
• **As RBI changes the stance in 2024, we expect liquidity pressure to ease in the system; however, till March'24 the system liquidity may remain tight.**
• The yield curve is currently flat, and we expect the yield curve to bull flatten in CY2024.
• Indian Bonds being included in JP Morgan Bond Index would attract US$ 20~25 billion flows in CY2024. This will help in compressing the spread between US Bond and Indian Bond yields.

Will the US Fed and RBI start cutting interest rates in 2024? If yes, then when?
• **We expect Fed to "Pivot" in Feb'24 and begin rate cuts from Q2 CY24.**
• Hence, post Fed "Pivot", **we expect RBI to change monetary policy stance to "neutral" in Q1 FY25 and cut rates by 50 bps starting H2 CY24.**

What investors should watch out for in 2024?
Market has assumed the continuity for NDA Govt and ignoring Geopolitical conflicts. However, **if there is change of Govt or should there be any escalation impacting Oil prices then situation will become very complicated to deal.**

Suggested Investment Strategy
The debt market remains appealing particularly for duration strategies. Investors shall look to add duration to the investment portfolio. **Categories like the Dynamic Bond Fund, Gilt Fund, and Bond Fund are worth considering.**

Fund Manager Views

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Mr. Murthy Nagarajan
Head - Fixed Income,
Tata Asset Management

Overall Debt Market View

RBI has pushed back against any rate cuts expectations till CPI inflation comes on a durable basis to 4% levels. Supply side issues relating to food inflation is addressed by the Government. Government has increased domestic supply of Onions, Sugar, Wheat and Rice by restricting or banning exports of these items. This should bring down food inflation in the coming months.

As CPI inflation moves towards the 4% band, its opens scope for rate cuts, which should happen in 2024 in the second half, provided we have normal monsoon. However, the market is expected to start discounting a 50 bps of rate cut from March 2024 onwards, when US Fed is expected to indicate rate cuts. **We expect 75 to 100 bps of rate cuts from the RBI in this cycle, with the RBI following the US Fed in cutting rates after a period of time.**

Will the US Fed and RBI start cutting interest rates in 2024? If yes, then when?

The US Fed indicated 75 bps of rate cut in 2024 and markets expect US Fed to cut rates by 125 bps. **The US Fed is expected to cut rates from March onwards and the RBI should follow from Sep 2024,** as CPI inflation sustains near 4% range.

What investors should watch out for in 2024?

Expectations of rate cuts in US. Significant part of the fixed income allocations to go to more than one year maturity to take benefit of capital appreciation.

Suggested Investment Strategy

30-40% in less than one year maturity, 40-50% in short term, corporate bond, Banking and PSU Fund and 10-15% in Gilt fund.

Mr. Manish Banthia
CIO - Fixed Income,
ICICI Prudential Asset Management
Company Limited

Overall Debt Market View

The longer-end yields i.e. 10-year would be volatile, as it would continue to be influenced by various macro developments. The short-end of the duration would continue to remain elevated, impacted by the tight liquidity conditions. **We could see attractive yields on corporate debt of shorter-tenure, up to 3 years. And the longer-end would also open up opportunities for trading, with more focus on accruals.**

Will the US Fed and RBI start cutting interest rates in 2024? If yes, then when?

In US, rates were lifted to slowdown an overheated economy and cool high inflation. So far, growth has been resilient but is expected to slow down in 2024. Inflation has also shown sustained cooling over several months but is still above the US Fed's target. There is progress. Hence, rates may start to mean revert.

In India, rates are at a neutral zone – enough to tame high inflation but keep the growth engine running. Domestic engine of growth are firing well. Hence, **we believe that rate cuts are not on the menu here. However, any sharp deviations in growth or inflation pose a risk to our outlook.**

What investors should watch out for in 2024?

The inclusion of Indian bonds in global bond indices, budget and the fiscal deficit roadmap would be a key influence on bond yields. Lastly, **we expect the tight liquidity situation at banks to enable higher corporate participation in debt markets. The higher supply could make yields even more attractive.**

Suggested Investment Strategy

Accruals should form the dominant source of returns from debt schemes. Hence, around 80% of the allocation can be towards accrual strategy. The rest can be dedicated to tactical bets on long-duration on opportunistic basis.

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Event Calendar

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Event Calendar for CY2024

View of upcoming events and trends to watch for in the next 9 months

Jan-24

- 12th - IIP data (Nov-23) and CPI data (Dec-23) for India
- 15-19th - World Economic Forum (WEF) Annual Meeting 2024
- 23rd - BoJ Interest Rate Decision
- 30-31st US Fed Policy meet
- 31st - Economic Survey 2024-25
- Taiwan General Election

Feb-24

- 1st - Union Budget 2024-25 (India) and U.K. BoE Interest Rate Decision
- 6-8th RBI MPC Policy meet
- 12th - IIP data (Dec-23) and CPI data (Jan-24) for India
- 14th - Indonesia Presidential Election

Mar-24

- 17th - Russia Presidential Election
- 12th - IIP data (Jan-24) and CPI data (Feb-24) for India
- 19th - BoJ Interest Rate Decision
- 19-20th US Fed Policy meet

Apr-24

- 12th - IIP data (Feb-24) and CPI data (Mar-24) for India
- 26th - BoJ Interest Rate Decision

May-24

- 30th Apr - 01st May: US Fed Policy meet
- India General Election
- 9th - U.K. BoE Interest Rate Decision
- 10th - IIP data (Mar-24) for India
- 13th - CPI data (Apr-24) for India

Jun-24

- 11-12th US Fed Policy meet
- 12th - IIP data (Apr-24) and CPI data (May-24) for India
- 14th - BoJ Interest Rate Decision
- European Union Parliamentary Elections

Jul-24

- 12th - IIP data (May-24) and CPI data (June-24) for India
- 30-31st US Fed Policy meet
- 31st - BoJ Interest Rate Decision

Aug-24

- 01st - U.K. BoE Interest Rate Decision
- 12th - IIP data (Jun-24) and CPI data (Jul-24) for India

Sep-24

- 12th - IIP data (Jul-24) and CPI data (Aug-24) for India
- 17-18th US Fed Policy meet
- 20th - BoJ Interest Rate Decision

All dates are expected dates of release and are subject to change.
IIP: Index for Industrial Production, CPI: Consumer Price Index, RBI: Reserve Bank of India, MPC: Monetary Policy Committee, BoE: Bank of England, Fed: US Federal Reserve, BoJ: Bank of Japan

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Election and Markets

Mr. Manish Gunwani

Head – Equities, Bandhan AMC Limited

As we enter 2024, global market participants will closely monitor factors like central bank policies, geopolitical tensions, and reforms. The spotlight particularly falls on the elections, with around 50 nations, including India, set for significant electoral processes. **India's elections in April-May, followed by European Union elections and the US presidential election in November, alongside other key countries like Mexico, South Africa, Taiwan, Indonesia, Russia, Iran, and Pakistan, mark this year a remarkable one.**

Post-elections, market reactions typically hinge on the new government's fiscal reforms. Predicting election outcomes proves challenging, as poll predictions can vary. **Interestingly, historical market performance doesn't consistently align with ruling party terms.**

Exhibit I: S&P 500 (CY Price Return %)

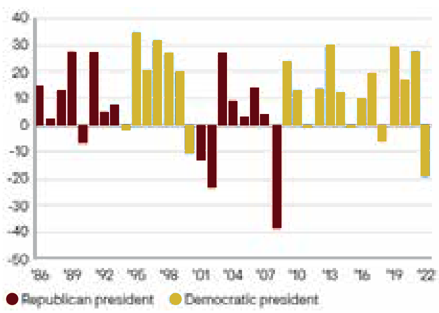
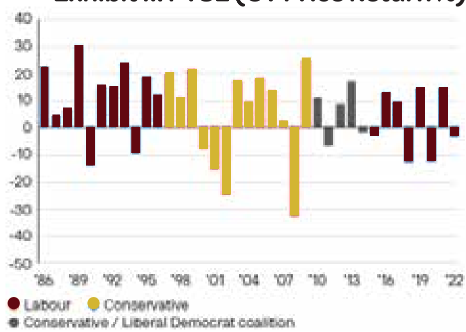


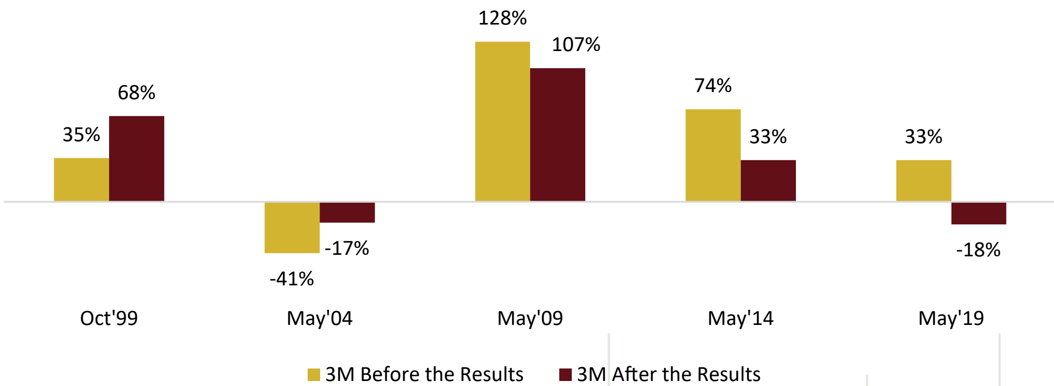
Exhibit II: FTSE (CY Price Return %)



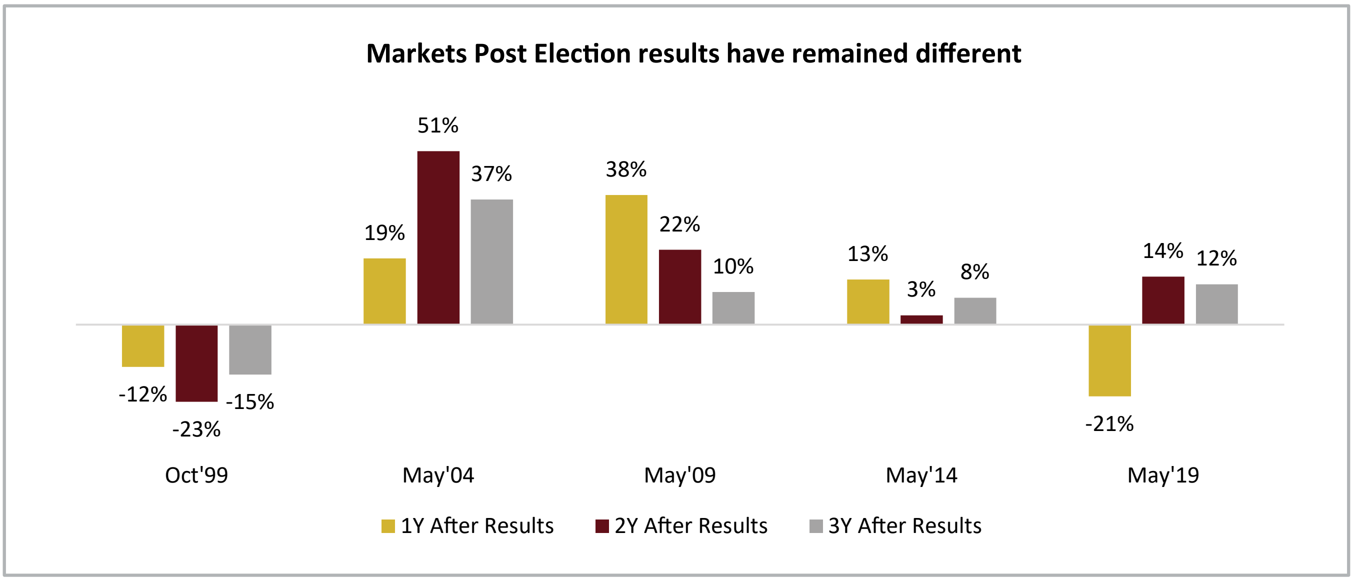
Source: FTSE, LSEG Datastream, S&P Global, J.P. Morgan Asset Management. Past performance may not be sustained in the future.

India is no different when it comes to results of election and market performance.
Exhibit III: S&P BSE Sensex (Periodic returns - %)

Market reaction to Election Results - Pre and Post



Source: MFIE, the Data above is shown for various periods from the date of results of various general elections for S&P BSE Sensex.



The analysis reveals interesting variations in market responses to election outcomes. **When comparing market returns across different economies during various regimes (Exhibit I and II), no clear correlation emerges. Both the US and UK witnessed volatile market returns across calendar years.**

Examining Indian equity market returns pre and post-elections also showcases different outcomes. In 2009, elections following the Global Financial Crisis (GFC) resulted in higher-than-anticipated market returns, attributed more to the crisis recovery than election results. **Over the past 24 years, amidst five government changes, the Indian market (S&P BSE Sensex) achieved a 12% CAGR return (as of 22nd Dec 23), indicating consistent growth despite political shifts.**

> **"Amidst five government changes, S&P BSE Sensex achieved a 12% CAGR return, indicating consistent growth despite political shifts."**

India stands as a bright spot for consistent growth, backed by enduring structural strengths such as robust demographics, political stability, and stable macroeconomic indicators. With a focus on reforms and government spending, infrastructure and manufacturing, particularly through initiatives like the PLI scheme, gain prominence. **While the macro context favours equities, similar high returns across the broader market might not be a reality. Nonetheless, patient investors adopting a long-term view should consider equity allocation based on their risk tolerance within an asset allocation strategy.**

Sector View

Outlook on Infrastructure and Capital Goods Sectors

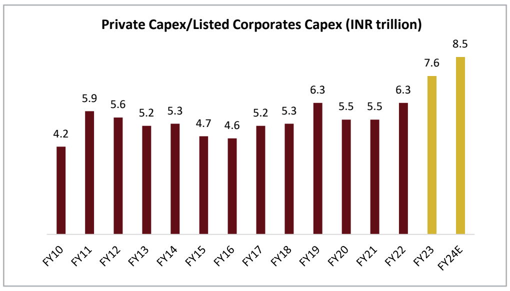
Mr. Abhinav H Sharma

Fund Manager, Tata Asset Management

Infrastructure and Capital Goods sectors have given strong returns over the last 3 years driven by a combination of low valuations and a nascent pick up in India's investment cycle. Both these sectors are a play on fixed asset investments in India and in our view the long-awaited uptick in investment cycle is truly underway thanks to a mix of positive factors. **The government's strong commitment to building top-notch infrastructure, with the ambitious target of becoming a developed economy by 2047, provides a clear roadmap.** In addition, cyclical uptick in corporate and real estate capex provides further legs to the upcycle.

India's investment rate as measured by GFCF (gross fixed capital formation) to GDP was 29% of GDP in FY23 as compared to China's 42%. Global experience suggests that in high growth phase, this ratio has been 35-45% for emerging economies during their transition to higher income economies. Thus, investment rates in India need to go up materially for it to improve its infrastructure and achieve its economic objectives.

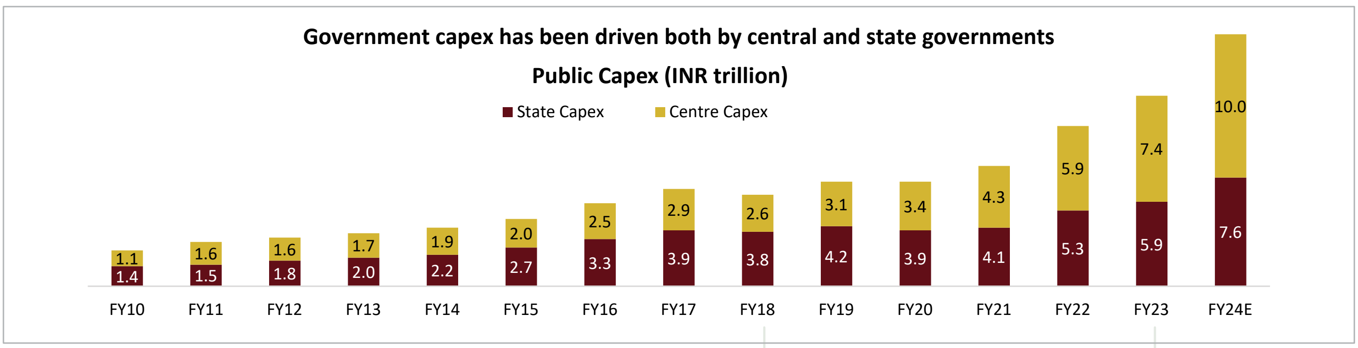
> **"The government's strong commitment to building top-notch infrastructure, with the ambitious target of becoming a developed economy by 2047, provides a clear roadmap."**



Due to a combination of various structural and cyclical factors, building blocks for a take-off in investment cycle are finally in place. Some of these factors are-

1.Deleveraged private sector and pick up in corporate capex: A big factor in this positive change is the private sector, which has recovered from financial challenges since 2008. Companies are now more deleveraged and eager to spend money on capex. Private capex has seen an increase across sectors and the tailwinds will most likely continue.

2. Government Capex and supportive policies: The government capex uptick due to government spending across infrastructure segments such as roads, railways, water, defence, etc. has been superlative and we expect similar trends to continue going forward. This push is further supported by government efforts to aid private investments, like encouraging local manufacturing and the push for self-reliance via PLI schemes.



Common source: CEIC, Capitaline, I-Sec research, Company Filings

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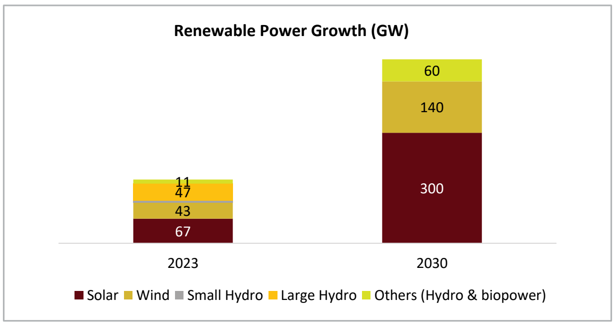
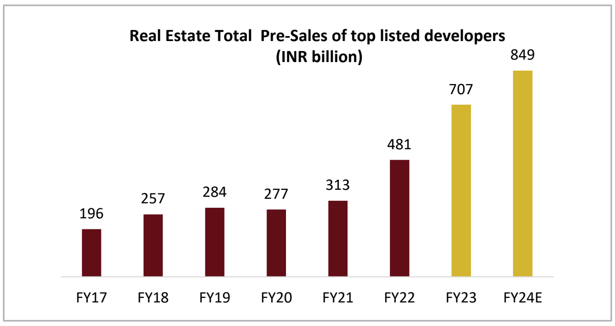
3. Sustainability Led Capex: Additionally, the strong commitment to reducing carbon emissions by using more renewable energy, electric vehicles, and green hydrogen is in line with global trends. The government has set ambitious goals, like reaching 500 GW of renewable power by 2030, showing a shift towards more sustainable infrastructure. An addition of 330GW over 7 years would mean a massive capex of INR 13.2tn.

4. China+1 Strategy: Due to geopolitical issues seen over past 5 years and India's strategic position as a valuable global supply hub, large multinational companies are actively exploring India as an additional supply chain hub. This strategy known as the "China+1" strategy, is attracting significant investments from big international companies.

5. Real Estate Up-cycle: Housing or real estate is also a significant contributor to the investment cycle. After a long lull, the sector has seen a reversal in fortunes and sales have picked up materially over the last three years. With favourable demand supply dynamics, we expect buoyancy in housing market to continue.

"Housing or real estate is also a significant contributor to the investment cycle."





As India aims to become a major global economic player, the infrastructure and capital goods sectors will have to be a major contributor in its success. Both cyclical and Long-term structural tailwinds are favourable and given this context the sectors have a long runway for growth.

Nifty infrastructure index has barely crossed previous all-time highs reached in 2007 and there is still enough headroom for strong returns as valuations continue to remain far below previous peaks across most segments. Thus, our view remains constructive on both these sectors.

Disclaimer: The views expressed in this article are personal in nature and in is no way trying to predict the markets or to time them. The views expressed are for information purpose only and do not construe to be any investment, legal or taxation advice. Any action taken by you on the basis of the information contained herein is your responsibility alone and Tata Asset Management Pvt. Ltd. will not be liable in any manner for the consequences of such action taken by you. Please consult your Mutual Fund Distributor before investing. The views expressed in this article may not reflect in the scheme portfolios of Tata Mutual Fund. The views expressed are based on the current market scenario and the same is subject to change. There are no guaranteed or assured returns under any of the scheme of Tata mutual Fund.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

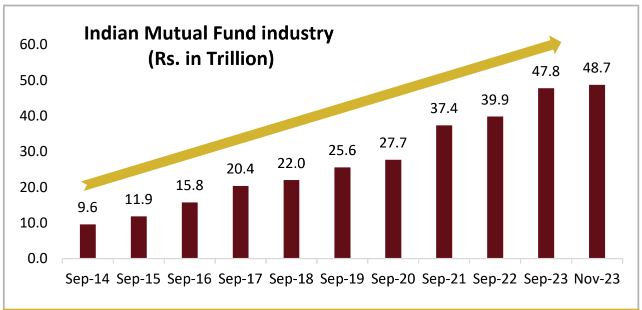
Common source: CEIC, Capitaline, I-Sec research, Company Filings

The views expressed in this article are solely of the author and do not necessarily reflect the views of Tata Capital Wealth.

MF Snapshot

Growth Story of the Indian Mutual Fund Industry

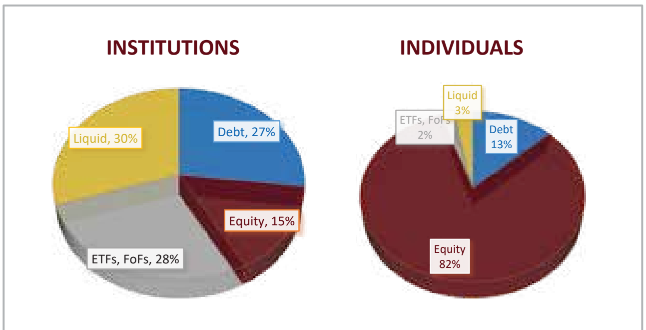
Mutual Fund Industry continues to grow



Average Net Assets Under Management for the month

- Over the past decade, the assets managed by the **mutual fund industry have increased more than fivefold.**

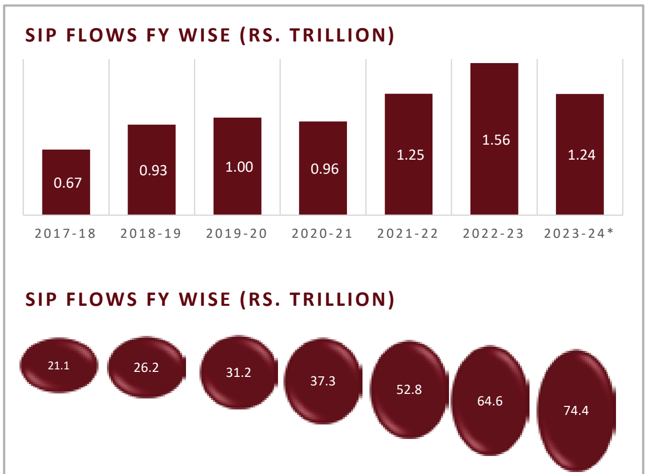
Growing Individual Investor participation in Equity oriented schemes:



Note: Institutions include domestic and foreign institutions and banks. Individuals include HNIs or investors who invest with a ticket size of Rs. 2 lakhs or above. Equity-oriented schemes include equity and balanced funds.

- **More than 80% of individual investor assets** are held in equity-oriented schemes.
- **Share of individual investors has been growing rapidly** year after year.

Rising trend of SIPs in equity-oriented schemes:



Common Source: AMFI, *at the end of FY

- Investors have showed robust confidence in SIPs, propelling **inflows to an impressive Rs. 1.24 trillion** (for FY24, data till Nov-23); most of it was reflected in inflows of Mid and Small cap funds.
- Total number of SIP accounts to the **highest-ever figure of 74.41 million.**
- **Investors continue favoring SIPs** as a disciplined and accessible investment avenue.

Back to Basics

Unlocking Investment Potential: The Power of Thoughtful Asset Allocation

Mr. Gaurav Talwar

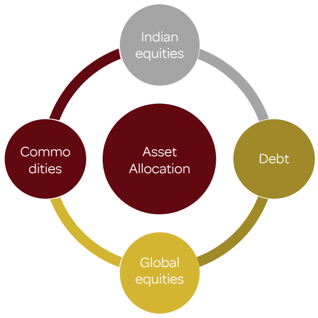
Product Head, Tata Capital Wealth

In the dynamic world of finance, where market trends can be as unpredictable as the weather, the importance of asset allocation cannot be overstated. In this article, we explore why **balancing your investment portfolio across various asset classes is not just a prudent choice but a fundamental strategy for long-term financial success.**

Asset allocation is a fundamental investment strategy that aims to balance the risk and return of an investment portfolio by diversifying assets across different classes.

Factors on which proportion of different asset classes in the portfolio depends upon:

- Financial goals
- Investment horizon
- Age of investor
- Risk tolerance



1. Explaining Asset Allocation:

• **Each asset class plays a unique role within the portfolio**, providing potential growth, stability, or inflation protection.

• **Each of them moves differently during market cycles,** which means that during any given period, there will be some winners and some losers.

• **Combining various asset classes will minimize portfolio volatility** and thereby improve risk-adjusted returns.

2. Diversifying Portfolio across Asset Classes and Sub-Asset Classes:

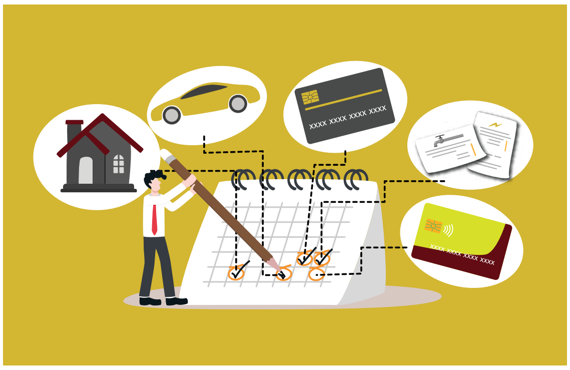
No single asset class has been a winner consistently across the years (see table). A winner in a single year may be the underperformer in the later years. Thus, diversifying investments across uncorrelated assets can yield higher returns with lower risk compared to focusing on a single asset class.

Moreover, **as one diversifies portfolio across different asset classes and further into the different sub-asset classes, the investment risk reduces significantly due to the lower concentration risk.** For example, within equity options, one may invest across large-caps, mid-caps, small-caps, etc. (see table). Similarly, within debt, one may choose to invest across different credit ratings, varying tenors, etc. Such a **diversified portfolio enables the investors to benefit from the market rallies in different sub-asset classes**

Rank	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)
Best	Small Cap 57.43	G-Sec 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 13.94	Small Cap 48.23
2nd	Mid Cap 54.49	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Cash 5.23	Mid Cap 43.80
3rd	Large Cap 28.72	Cash 7.25	Bonds 12.20	Mid Cap 24.13	Intl 24.76	Large Cap 4.34	Intl 24.58
4th	Intl 19.39	Bonds 6.04	Large Cap 12.02	Intl 18.81	Large Cap 24.12	Mid Cap 2.97	Large Cap 20.08
5th	Real Estate 7.20	Real Estate 5.13	G-Sec 11.34	Large Cap 14.86	Bonds 4.22	Bonds 2.71	Gold 15.41
6th	Cash 6.57	Large Cap 3.13	Cash 6.74	Bonds 13.46	Cash 3.56	G-Sec 2.34	G-Sec 7.68
7th	Bonds 5.55	Intl -6.55	Real Estate 2.99	G-Sec 13.20	G-Sec 3.13	Real Estate 1.43	Cash 7.35
8th	Gold 5.12	Mid Cap -13.26	Mid Cap -0.28	Cash 4.43	Real Estate 3.12	Small Cap -3.66	Bonds 7.21
9th	G-Sec 3.52	Small Cap -26.65	Small Cap -8.27	Real Estate 2.19	Gold -4.21	Intl -20.47	Real Estate 1.98

Did you Know? - "According to a study by Vanguard, asset allocation is responsible for up to 90% of a portfolio's returns over the long term."

3. Asset Allocation across Life Stages:
Your investment needs evolve as you progress through life. Your asset allocation strategy should be able to adapt to different life stages – from early career to retirement. **A well-designed asset allocation strategy can help you balance growth and risk at each stage, ensuring that your financial portfolio aligns with your changing lifestyle and goals.**



4. Periodic Portfolio Rebalancing:
Regularly adjusting the composition of an investment portfolio through periodic rebalancing is essential to maintaining balance and alignment. Over time, variations in the performance of diverse asset classes can lead to an imbalance in the portfolio. For instance, if stocks outperform bonds, the portfolio may become excessively weighted in equities, elevating the risk of losses in a market downturn.

Rebalancing allows investors to realign their portfolio with their intended asset allocation, effectively managing risk.

To sum up:
Asset allocation is not just a buzzword in the financial world; it's a guiding principle that can significantly impact your investment journey. Achieving your investment goals over the long term requires a thoughtful approach to managing your portfolio. **By diversifying your investments across various asset classes, sectors, and regions, and consistently reassessing and fine-tuning your allocation, you have the potential to optimize returns while mitigating risks.**

Lastly, seeking expert guidance is highly beneficial for investors in creating and maintaining an effective asset allocation strategy. A financial expert can help assess risk tolerance, identify suitable asset classes, and provide ongoing support to ensure that the portfolio remains in line with the investor's financial goals.

We can help develop an asset allocation for your portfolio and suggest suitable products as per your risk profile and financial goals.

Email ID: wealth@tatacapital.com Missed Call Number: 022 50061349 WhatsApp: 7506596060

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Spreading Financial Wisdom

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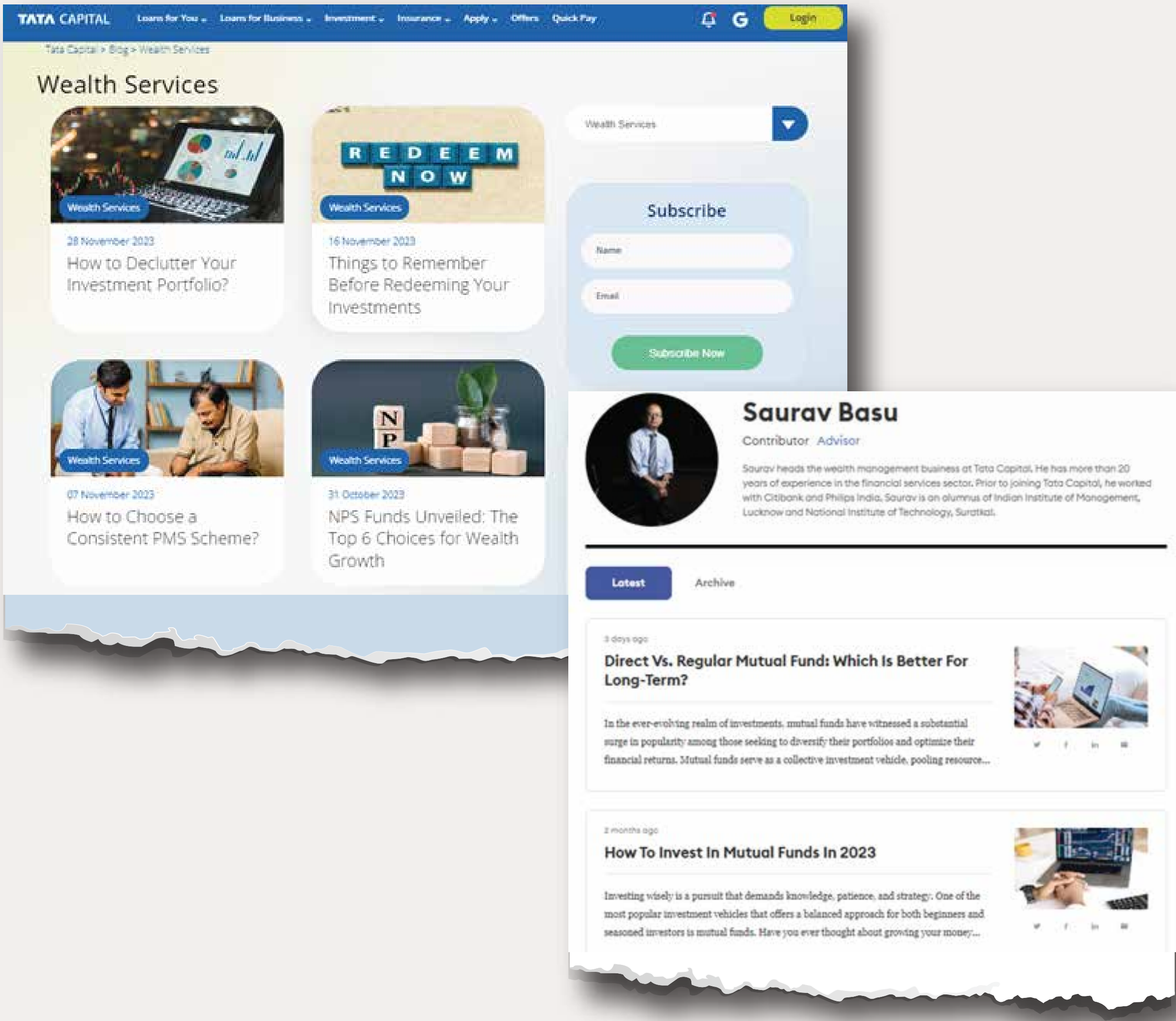
Tata Capital Wealth regularly contributes to Forbes advisor column & posts blogs on their website.



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Fresh Entrant in Indian Mutual Fund Offerings - Balanced Hybrid Funds

About Balanced Hybrid Funds - Benefit of Both Asset Classes:

40-60%

Equity Allocation - seeks to provide Growth

40-60%

Debt Allocation - seeks to provide Safety & Stability

100%

Balanced Hybrid Fund - Active strategy between Equity and- Debt to capitalize on evolving market situations

Features of Balanced Hybrid Funds:

Best of Both Worlds: Combines superior return potential from equity and stability from debt asset class

Objective: Focus on stability and long-term growth

Fund Manager Expertise: Fund manager determines the asset allocation (aiming to decrease volatility and optimize the risk-reward ratio)

Low Volatility: 40% to 60% exposure to debt will help lower volatility in the portfolio

Taxation: Lower LTCG Tax - 20% after Indexation compared to traditional fixed income products (holding period - 3 years and above to avail LTCG tax rate)

Suitability:

- Looking for a overall portfolio diversification across equity and debt
- Looking for growth with limited downside risk to their portfolio
- Looking for diversification of portfolio with relatively static asset allocation
- Retirees looking for moderate and stable post-tax returns with low volatility
- Looking for limited participation in equities, want lower volatility and wants to earn potentially higher returns than traditional fixed income avenues

The article has been curated by Tata Capital Wealth Research team. The content does not construe to be any investment, legal or taxation advice.
*LTCG - Long Term Capital Gains.

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Why Do Winners Rotate?

Sectoral, Style and Market Cap Leadership Keep Rotating

The key phenomenon of our industry is that the best performing fund/fund house/manager or sector/market cap/style is rotating in about 18 to 24 months. Following are some past instances of the challenges one faced with a style or theme bias investment approach.

Mr. Ramesh Mantri
Chief Investment Officer,
WhiteOak Capital Asset Management Limited

Value Style Under-Performed for 3 Years

Before the comeback in CY2021, for three consecutive calendar years (2018, 2019, 2020), **Value Style underperformed most of the other styles of fund management (Exhibit I)**. Delivering poor investor experience.

Roller-Coaster Ride with Quality Style

Quality Style worked well in CY2018 and CY2020 but did poorly in CY2017 and CY2019.

Domestic v/s Export Oriented Theme

Sectors like **IT and Pharma were among the worst performing sectors in CY2016 and CY2017** compared to broader market.
Subsequently, **IT outperformed most of the other sectors in CY - 2018, 2020 and 2021,** and Pharma outperformed in CY2020 (Exhibit II).

Defensives v/s Cyclicals

Some of the **Defensive sectors did well in CY2020** but in CY2021 many of the Cyclical sectors performed relatively better than broader market and Defensive sectors were among the laggards **(Exhibit II)**.

Exhibit I - Mapping the Investment Style Performance

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 CYTD Dec
Value 78.9	Alpha 15.3	**Value 25.1**	Alpha 69.9	Quality 8.8	**Nifty 50 13.5**	Alpha 52.5	Alpha 75.4	**Value 23.2**	**Value 51.1**
Alpha 69.3	Momentum 10.8	Momentum 9.6	Momentum 57.6	**Nifty 50 4.6**	Momentum 10.6	Quality 26.2	**Value 56.4**	**Nifty 50 5.7**	Alpha 37.5
Momentum 49.6	Low Volatility 10.1	Low Volatility 5.1	**Value 47.1**	Low Volatility 1.0	Alpha 7.8	Low Volatility 25.7	Momentum 53.8	Low Volatility 1.6	Momentum 35.8
Low Volatility 45.0	Quality 2.4	**Nifty 50 4.4**	Low Volatility 32.3	Momentum -1.7	Low Volatility 6.6	Momentum 19.9	Quality 26.2	Quality -4.4	Low Volatility 25.1
Quality 40.5	**Nifty 50 -3.0**	Quality 1.0	**Nifty 50 30.3**	Alpha -13.5	Quality 5.6	**Nifty 50 16.1**	**Nifty 50 25.6**	Momentum -5.5	Quality 23.9
Nifty 50 32.9	**Value -7.2**	Alpha -9.1	Quality 30.3	**Value -26.0**	**Value -13.7**	**Value 8.4**	Low Volatility 24.5	Alpha -13.5	**Nifty 50 16.4**

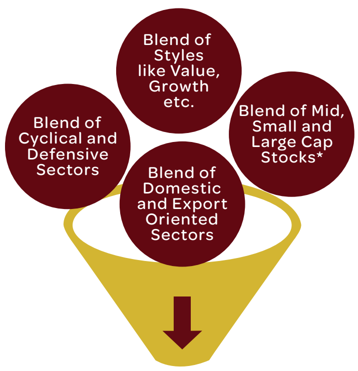
It is not possible to consistently time the winners and there may be prolonged cycle of outperformance and underperformance. Following or Skewness to a particular style may increase portfolio volatility and can adversely impact portfolio performance on risk adjusted basis.

Exhibit II - Yearly Performance (%): Sector Wise

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 CYTD Dec
PSU Banks 69.9	Pharma 9.7	Metals 48.4	Real Estate 111.0	IT 26.0	Real Estate 29.3	Pharma 61.5	Metals 73.4	PSU Banks 74.9	Real Estate 70.7
Pvt Banks 69.5	Telecom 3.3	Energy 21.6	Metals 54.1	FMCG 15.2	Pvt Banks 16.8	IT 57.9	IT 62.3	Metals 25.4	Auto 42.2
Auto 58.2	IT 1.5	Auto 11.7	Telecom 51.2	Pvt Banks 8.6	Telecom 14.4	Metals 18.0	Real Estate 54.7	Pvt Banks 22.0	Infra 32.6
Pharma 44.4	FMCG 1.4	Pvt Banks 8.5	Energy 42.1	Energy 2.7	Energy 13.3	FMCG 14.7	PSU Banks 44.8	FMCG 20.1	Pharma 29.9
Infra 24.2	Energy 1.1	PSU Banks 5.1	Pvt Banks 41.8	Pharma -7.3	IT 11.0	Telecom 14.4	Telecom 43.2	Auto 16.6	PSU Banks 26.1
IT 20.1	Auto 0.3	FMCG 4.6	Infra 36.2	Infra -10.9	Infra 4.5	Infra 14.3	Energy 38.4	Energy 16.5	Telecom 24.6
FMCG 19.6	Pvt Banks -2.4	Infra -0.9	Auto 32.7	PSU Banks -16.5	FMCG 0.1	Auto 13.0	Infra 37.8	Infra 7.5	FMCG 24.9
Real Estate 10.8	Infra -7.6	Real Estate -3.5	FMCG 31.3	Metals -16.7	Pharma -8.7	Energy 9.5	Auto 20.3	Telecom -3.1	Energy 22.2
Energy 10.1	Real Estate -14.3	IT -5.3	PSU Banks 25.0	Auto -22.2	Auto -9.4	Real Estate 5.6	FMCG 12.4	Real Estate -10.6	IT 15.5
Telecom 10.1	Metals -29.4	Pharma -13.8	IT 14.6	Real Estate -32.5	Metals -9.6	Pvt Banks -2.9	Pharma 10.9	Pharma -10.8	Pvt Banks 12.4
Metals 8.4	PSU Banks -32.0	Telecom -21.0	Pharma -5.7	Telecom -39.0	PSU Banks -18.3	PSU Banks -30.5	Pvt Banks 4.9	IT -24.5	Metals 10.8

Ordered by performance (best to worst) for each Calendar Year. Returns are absolute. Source: MFI Explorer, Internal Research. Value = Nifty 500 Value 50 TRI, Momentum = Nifty 200 Momentum 30 TRI, Quality = Nifty 200 Quality 30 Index, Alpha = Nifty Alpha 50 TRI, Low Volatility = Nifty Low Volatility 50 TRI. Data for sectoral NSE TRI indices, except for Telecom which is for BSE Telecom TRI. For Metals sector, year 2012 and 2013 BSE Metals TRI is used, while for rest of the years NSE Index is used. Past performance may or may not be sustained in future and is not a guarantee of any future returns. Data as of December 05, 2023.

It is not possible to consistently time the sectoral winners and there may be prolonged cycle of outperformance and under performance. Furthermore, there may be a good company in an under-performing sector and an average company within the out-performing sector. Hence, taking top-down bets on sectors may not always deliver good consistent results.



Factor Diversified Balanced Portfolio

No particular Style performs consistently every year. Likewise, Sector and Market Cap performance keeps rotating year on year. Furthermore, there may be prolonged cycle of out performance and under performance. **Hence, a Balanced Portfolio with blend of these factors can help improving consistency of the performance.**

For understanding purpose only. Portfolio will be managed as per stated Investment objective, investment strategy & asset allocation in the Scheme Information Document (SID) of the respective scheme and is subject to the changes within provisions of SID of the Scheme.

In our view, to **generate better performance over time with higher consistency, it is important to construct a Factor Diversified "Balanced Portfolio".** With this, one can reduce "Active Risk" while maintaining desired "Active Share" (Active share is necessary ingredient for potential alpha generation). This requires in-house Large Investment Team Capabilities and a philosophical framework in place. There can be other narrow strategies targeting specific investing objective (e.g. taking bet on specific factors such a Value Style oriented Portfolio or a Portfolio betting on a certain Theme), investors investing in these strategies should keep in mind the aspects while evaluating these strategies and invest as per their investment objectives by seeking professional advice.

India's IPO market: Navigating Challenges and Paving a Way to Wealth Creation

Mr. Bharat Lahoti

Co-Head, Hybrid and Solutions of
Edelweiss Asset Management Limited (EAML)

In recent months, there has been renewed interest in the primary market. This is reflected in the number of companies which have come out with their maiden or Initial Public Offerings (IPOs) in the markets. **According to the latest study by auditing firm EY, India had 220 new IPOs (including SME IPOs) in CY2023, making it global leader in terms of IPOs in the Year-to-Date (YTD).** However, amid this flood of IPOs, investors continue to face a challenge and the challenge is to secure an allotment of shares of well-managed companies. So, **investors face two key questions. One is: Does it make sense to invest in IPOs? And the other is: How does one deal with the aforementioned challenge of not securing allotment of shares of well-placed companies?**

Let us address these two questions one by one. First and foremost, it makes tremendous sense to invest in IPOs given the fact that you buy shares of companies which could be prominent names in their respective sectors. At present, even the ground realities work in favour of investing in IPOs. Here are a few reasons why you should consider investing in IPOs:

Number of mainboard IPOs & companies outperforming Index:

Year	IPO listed	% of companies outperforming NSE500 Index from issue price	% of companies outperforming NSE500 Index after listing
2021	64	55%	36%
2022	38	68%	61%
2023	47	79%	53%

Source: Bloomberg, Performance till 20 Dec for IPOs listed upto 30 Nov 23

Range of Listing Returns	Average Subscription Nos (x)		
	QIB	HNI	Retail
<0%	17.9	19.2	5.0
0-15%	47.3	27.8	11.5
15-50%	85.7	59.4	31.2
>50%	143.1	62.9	34.2

Source: NSE India, BSE India, Data of IPOs from 01 Jan 23 – 30 Nov 23

Fresh issues

Fresh issue as a percentage of total issue size of IPOs which hit the markets recently is at 41%. This is the highest in the past eight years. Companies which expand capacities tend to show high growth in revenues and profits over a period of time. Quite naturally, they reward shareholders. A case in the point is electronics-manufacturing companies raised money to fund Capital Expenditure (Capex) in CY2022, which translated into incremental sales in CY2023. **On the whole, reviving domestic demand, improving consumer sentiment, opening up of new export markets and high capacity utilisation are some of the key triggers for corporate earnings growth.**

Amount raised in Main Board IPOs from 2016

Year	Amount Raised (Cr.)	Fresh Issue (Cr.)	OFS (Cr.)	Fresh Issue as % of total size
2016	27,080	10,050	17,030	37%
2017	72,053	14,864	57,189	21%
2018	31,408	7,452	23,956	24%
2019	12,360	2,951	9,409	24%
2020	26,314	3,446	22,868	13%
2021	1,19,413	42,600	76,813	36%
2022	58,983	17,539	41,443	30%
2023*	41,419	16,909	24,511	41%

Source: Prime Database, Figures in INR, SEBI website; *Updated up to Nov 30, 2023. OFS – Offer for sale

"Financialisation of savings is going to be the single biggest theme for the markets in the next five to ten years."

The Charm of Earnings

Financialisation of savings is going to be the single biggest theme for the markets in the next five to ten years. **Shift of money from savings in banks to markets especially in companies which have the potential to grow bigger and show earnings' growth is a big trend.** A large number of investors have realised the importance of this trend. They have been investing in companies operating in mutual funds, insurance, exchanges and small finance banks. There is a healthy pipeline of companies planning to go public in the near future. These companies come from high growth manufacturing segments such as electronics, defence and autos. These sectors should see more IPOs going forward, some of which may be great wealth-creation opportunities.

"There is a healthy pipeline of companies planning to go public in the near future."

IPO Pipeline - Companies which have filed DRHP with SEBI

Sectors	Approx Amount to be raised (in cr.)	No. of Deals
BFSI	14,800	13
Consumers/Retail	7,472	12
Pharma/Chemicals	3,803	7
Engineering/EMS	2,815	6
MISC	2,744	14
Healthcare	1,150	4
Auto & Auto Ancillaries	1,150	3
Transportation/Logistics	840	2
Real Estate/Infrastructure	830	4
Tech	120	3
Total	**35,724**	**68**

The expected listing of these companies depends on market conditions, possibly in next 12-18 months.
Source: Prime Database, SEBI website; Updated up to October 30, 2023

Being reasonable

In the past quarter of the present fiscal, investment bankers advised promoters of companies planning IPOs to offer stock at reasonable valuations. As a result of this, the **IPO market may see some IPOs at reasonably good valuations.**

Now, let us address the challenge of not securing allotment of shares of well-placed companies. At times, an IPO is expensively valued. Most sensible investors skip such IPOs. Post listing, such stocks fall and at some point in time become attractive. These stocks can be bought if expansion plans of a company are on track and earnings growth is visible in the near term. In this way, even if you miss allotment of shares of a well-placed company you still get its share at an attractive price. This approach works for investors who have reasonably good understanding and knack of spotting well-placed companies at attractive prices post their listing. The challenge is for a retail investor who may not be well-versed with this approach. **For retail investors, investing through mutual funds' route is a good option as it is effective both in terms of tax and returns as opposed to direct investing in IPOs and stocks.** So, one way to make up for missing out on an allotment of shares of well-placed companies is to invest in schemes which take exposure to multiple IPOs of well-placed companies.

Disclaimer: Mr. Bharat Lahoti is the Co-Head, Hybrid and Solutions of Edelweiss Asset Management Limited (EAML) and the views expressed above are his own. The above views are not sufficient and not be used for implementation of any investment strategy. All opinions, figures are as of this date and subject to change without notice. Investors are advised to consult their financial advisors before taking any investment decision.

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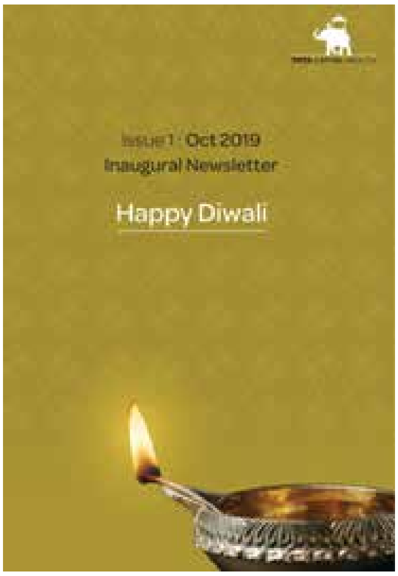

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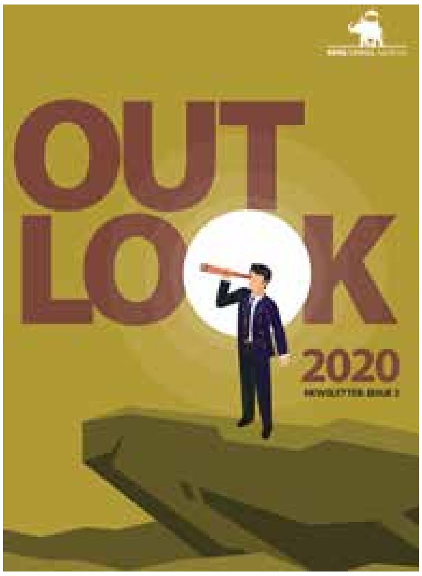

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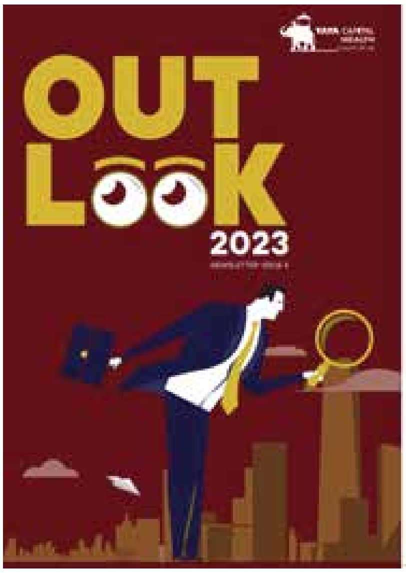

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