

OUT LOOK

2021

NEWSLETTER: ISSUE 3



FOREWORD

Dear Esteemed Client,

Here's wishing you a healthy and prosperous 2021. May the new year triumph over the hardship of 2020 and bring you and your family happiness and success!

For Tata Capital Wealth, every step that we take is marked with an endeavour to aid our customers. And with that stride, I'm delighted to present to you our latest newsletter. Meticulously curated to help you understand Financial Markets, the importance of Asset Allocation and Economic Recovery Trends. Presented inside are views of some of the most seasoned fund managers who manage client monies across various asset classes including International Investments and new themes like ESG investing.

2020 has been a volatile year for equities and good for asset classes like debt and gold which have done well due to rate cuts by the RBI and money moving to safe heavens. The recovery in equity markets has also been broad based with mid & small-caps also participating in the rally. This year, markets have made a good start with the Sensex making a new all-time high of 50,000 level. The outlook of accelerated earnings growth coupled with low interest rates in India and abroad should herald a better trajectory for equity markets going forward too.

Flipping of the calendar is always a good time to further enhance your investment strategies and we would like to seize every opportunity to re-inforce your trust in us. We not only aspire to do what is best for you but also look towards re-inventing ourselves constantly.

It gives me great pleasure to share some of our new initiatives across products and digital capabilities to enhance your investing experience:

- **Enhanced Product Proposition** - We have enhanced our product offerings across Mutual Funds, Portfolio Management Services, Alternate Investment Funds and increased our coverage on secondary bond offerings
- **Unified Family View** – You as the Head of the family can view the portfolio of the entire family
- **External Mutual Fund Portfolio Consolidation** – Now you can add your external portfolio & view your overall portfolio at one glance
- **Client Statement** – We have started sharing monthly and quarterly portfolio statements to help you keep track of your portfolio better
- **Digital Meetings & Virtual Portfolio Reviews** – We have enabled our relationship managers along with investment product specialists to interact with you virtually in these unprecedented times
- **Single Point of Contact** – Our relationship team is a one stop shop for all your investment, protection and financing services

In a world where uncertainty is more a feature than a bug, we are always here to take care of your financial wellbeing. Looking forward to strengthening our partnership. Keep investing with us!

Once again, wishing you and your loved ones good health, joy and a financially rewarding new year!

Saurav Basu

Business Head – Tata Capital Wealth
Tata Capital Financial Services Ltd.

We nurture your wealth, every step of the way.



Why are we best-suited to manage your wealth?



A legacy of
150 years



Best in class digital
platform



Exclusive
privileges



Research Reports
and Market
updates



Relationship Managers
& Investment Products
Specialists

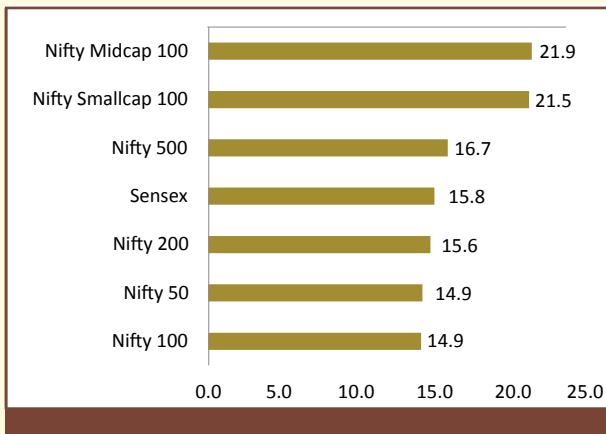


Bouquet of
Financial
Products

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The Year Gone By – Equity Market Performance in 2020

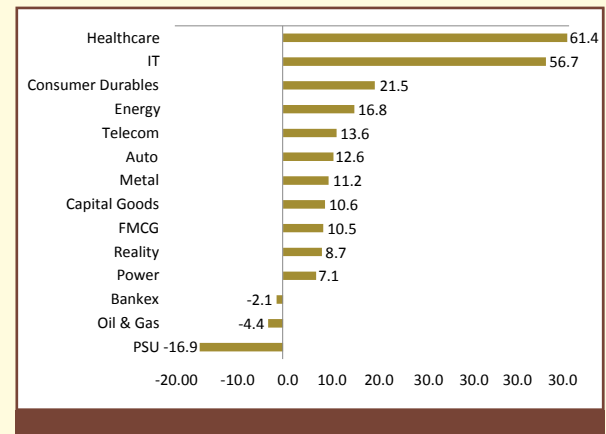
Domestic Indices Annual Movement (%):



Data as on 31 December 2020 Source: NSE & BSE

- While extreme polarization was the key characteristic of CY2019, the Indian equity market in CY2020 witnessed volatility and a broad based rally.
- After the Indian Markets plummeted in March, the key benchmark indices reported a stellar rally with the **S&P BSE Sensex and Nifty 50 gaining 15.8% and 14.9% respectively.**
- The returns of the broader markets – Nifty 500 gaining 16.7%, were pulled up by the outstanding performance of the mid-caps and small-caps which gained 21.9% and 21.5% respectively.

Sectoral Indices Annual Movement (%):



Data as on 31 December 2020 Source: BSE

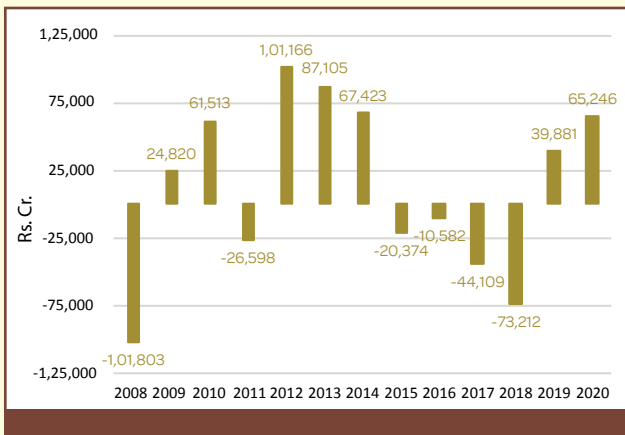
- In the CY2020 all the major sectoral and thematic indices reported positive returns with the defensives such as the **Healthcare and the IT Index gaining a whopping 61.4% and 56.7% respectively.**
- The other sectors that reported double digit returns were Consumer Durables, Energy, Telecom, Auto, Metal, Capital Goods and FMCG.
- The major laggard was the PSU Index. While the Oil & Gas and Bankex Index reported marginal losses.



It just took 16 trading days for the Dow Jones to push into a bear market territory at a 20% Decline in March'20.

FIIs & DIIs Flow

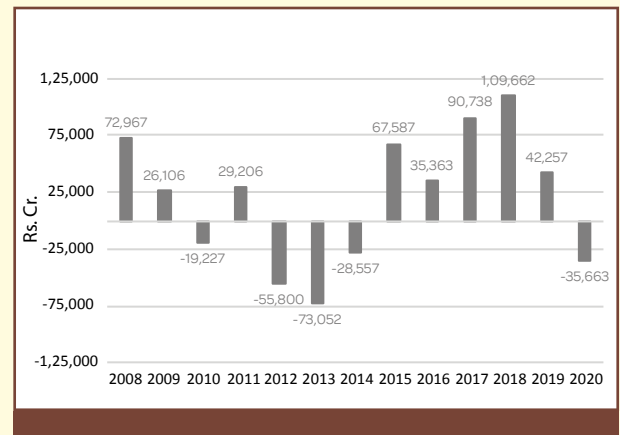
Foreign Institutional Investors (FIIs):



Data as on 31 December 2020 Source: Moneycontrol

- In spite of pricey valuations, India has been an outlier among emerging market peers in terms of foreign fund inflows. In November, FIIs invested Rs. 65,317 crore in Indian stocks and for the CY2020 Indian equities have seen inflows worth Rs. 65,246 crore.
- While the increase in **India's weightage in the MSCI emerging market index** from 8.1% to 8.7% did contribute to increase in the flows, the sentiment towards Asian markets significantly improved mainly due to **dollar weakness**.

Domestic Institutional Investors (DIIIs):



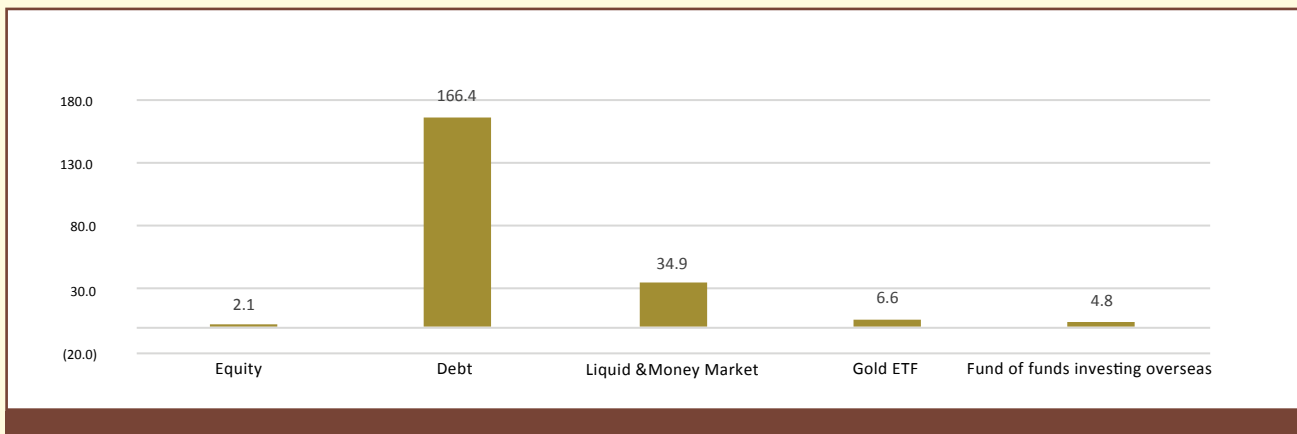
Data as on 31 December 2020 Source: Moneycontrol

- For the calendar year 2020 DIIIs were the net sellers to the tune of Rs. 35,663 crore, booking the highest inflow in March when the markets plummeted and its highest outflow in November.
- While the major reason is for this in CY2020 is that there has been a big rise in **retail investors going for direct stock picking** and there has been a significant jump in investor accounts.

Conclusion: Other than the fact that FIIs **get attracted to Emerging Markets when the dollar is weak** one of the other reason being that both FIIs & DIIIs adopt different trading strategies. **FIIs adopt a positive feedback trading strategy**, while the **DIIIs adopt negative feedback trading strategies** and are known for their contrarian views.

Domestic Mutual Fund Industry Flows & Global Equity Market Movement

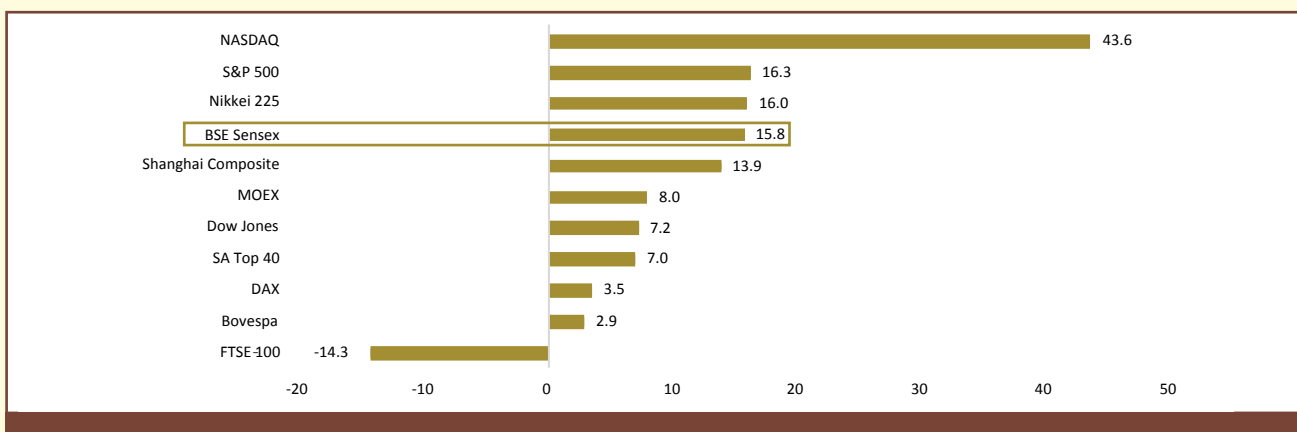
Mutual Fund Industry Net Flows



Data as on 31 December 2020 Source: AMFI

- In CY2020, debt mutual funds received highest net inflows of Rs. 166 thousand crores.
- Amid COVID-19, investors resorted to safe-haven buying of gold. Also, international funds got more attention than ever before.
- **Gold and overseas FoFs surpassed domestic equity in terms of net flows**, with net inflow of Rs. 6.6 and Rs. 4.8 thousand crores respectively in each.

Global Equity Market Movement 2020 (%)



Data as on 31 December 2020 Source: Investing.com

- On the back of **"FAANG" stocks** - an acronym that refers to the stocks of five prominent American technology companies: Facebook, Amazon, Apple, Netflix; and Alphabet / Google; the **NASDAQ (U.S.) gained a whopping 43.6% during the year** followed by S&P 500 (U.S.), Nikkei 225 (Japan), S&P BSE Sensex (India), Shanghai Composite (China) gaining in double digits.
- **India was the best performing nation among the BRICS nation** – Bovespa (Brazil), MOEX (Russia), S&P BSE Sensex (India), Shanghai Composite (China) and South Africa Top 40 (South Africa).
- **FTSE 100 (U.K.) was the only Index that reported negative returns** among the top global Indices.
- The other prominent Indices closed in the green with single digit returns were the Dow Jones (U.S.) and DAX (Germany).

Commodity & Currency Movement 2020

Gold:



Data as on 31 December 2020 Source: Investing.com

Gold was the **best performing asset class during the calendar year.**

Gold started the year around \$ 1521 an ounce, it touched a low of \$ 1487 an ounce and crossed the psychological \$ 2000 an ounce mark in August.

It closed the year at \$ 1895 an ounce, thus **returning over 22% during the year.**

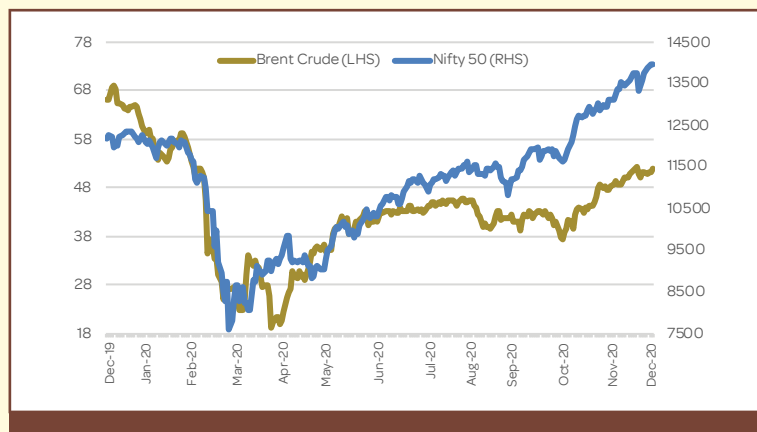
USD / INR:



Data as on 31 December 2020 Source: Investing.com

The Rupee had a bumpy ride in 2020. Trading at Rs. 71 / USD, in Jan it **depreciated against the dollar to near Rs. 77 / USD** Later as the Indian economy showed signs of revival it consolidated and settled the year at Rs. 73 / USD. Thereby **depreciating against the greenback by ~2% in 2020.**

Brent Crude:



Data as on 31 December 2020 Source: Investing.com

Crude along with the global markets plummeted in March 20 & **dipped below the \$20 per barrel.**

With the economy recovering, it closed the year above the \$ 50 per barrel, recording **a loss of over 21% in the calendar year.**

Equity Outlook 2021: Views by Industry Experts

**Fund
Manager
Views**



Nilesh Shah,
Group President & Managing Director
Kotak Mahindra AMC

“If we look at Nifty’s valuation, compared to its historical average, it is higher, but compared to where other emerging markets are trading, it is in line with its average. If we look at small-caps, they are still trading below their Jan-18 peak. The large-caps and mid-caps are trading at their all-time high levels. Clearly there is polarization in the market, few stocks are leading this rally. Barring few sectors like banks and media, every other sector has delivered positive returns in calendar 2020. The 2020 year saw small and mid-caps delivering better return than large-caps.

In this backdrop, we maintain a nuanced view. Valuation wise we maintain a neutral weight on equities while momentum wise investors can be slightly positive. This does not mean one must sell equity. It only means that an investor can book profit if he/she has been overweight on equities this point of time. Also, let’s be aware that valuation wise, we are trading at MarketCap-GDP ratio of 98% against historical average of 75% MarketCap-GDP ratio. The forward PE ratio is slightly at a premium over the average but as earnings upgrade comes in, it may get neutralized. P/B ratio seem to be trading just above historical average. Putting all these things together, we believe that markets are at fair value and this is time to be neutral weight on equities.”



Mahesh Patil,
Chief Investment Officer
Aditya Birla Sun Life AMC

“2020 saw COVID-induced turbulence in which global and Indian Equity markets crashed by 35-40% but then recovered to all-time highs. Central banks expanded their balance sheets and interest rates declined sharply leading to a wave of liquidity globally.

2021 should see a transition at multiple levels:

- From virus to vaccine: Multiple COVID vaccines in the pipeline and expected to be widely available in 2021.
- From lockdown to reopening: High frequency data points indicate global economy back to pre-COVID levels.
- From recession to recovery: Upgrades to economic growth estimates supported by continuing monetary and fiscal stimulus.
- From narrow rally to broad-based rotation: Developed Markets to Emerging Markets, Large-caps to Mid and Small -caps, Defensives to Cyclical, and Growth to Value.

‘GOLDILOCKS’ macroeconomic backdrop (strong growth and low rates) for Equities is driving risk-on sentiment globally which should benefit Emerging Markets, including India.”



The world’s first bank was Monte Dei Paschi di Siena, founded in 1472 and headquartered in Tuscany, Italy. It still operates today.

Equity Outlook 2021: Views by Industry Experts

**Fund
Manager
Views**



S Krishnakumar,
Chief Investment Officer- Equity
Sundaram AMC

“2021 is set to witness a well-entrenched and a globally synchronous recovery. A Democrat-US and continued fiscal/monetary support add certainty and stability to global trade and growth. 2021 would see a weak dollar, continued central bank liquidity and peaking Chinese credit impulses. We see this set-up to be conducive EM equities, India in particular. Contained inflation and lower rates for longer would give an added boost to India’s renewed manufacturing drive through the PLI schemes alongside the structural China+1 push. We see the return of the investment cycle, driving the earnings recovery in the years ahead. In addition to the positivity around rural India, we see the twin engines of consumption & investment to fire up growth in manufacturing and services.”



Sankaran Naren,
Executive Director and CIO
ICICI Prudential AMC

“While the last decade was all about easy monetary policy and interest rate cuts, the coming decade presents limited room for rate cut and elevated global equity valuations. So, the optimal way to approach investments is to be prepared for times of enhanced volatility. Going forward, equity markets could be volatile owing to the uncertainty related to Covid and global central bank policies. At such a time, we believe adhering to asset allocation, by way of spreading investments across equity, debt, gold etc. becomes absolutely important now. One of the ways of achieving a sound asset allocation is through investing in dynamically managed asset allocation schemes which tend to gain from market volatility. Such products allow the investor to participate in the market rally through equity allocation while the presence of debt limits downside to the portfolio.”



Aishvarya Dadheech,
Fund Manager
Ambit AMC

“Equity markets have witnessed a ‘V’ shaped broad based recovery in CY2020, after an intense drawdown in March 2020. After many years, mid-cap and small-cap (broad market) gave better returns vs. large-cap in CY2020. Earlier underperformance of the broader market was due to weak economic activity in the last three- four years, which led to investors hoarding few quality large-cap names. This phenomenon of “flight to safety” led to polarization, where 25 stocks accounted for majority of the gain of the BSE 500. For the first time since 2017, the market has witnessed gradual unwinding of this polarization. We believe this trend will continue over the coming years as gradual economic recovery will foster confidence in investor psyche to move from “flight to safety” to “flight to quality”.”

Debt Outlook 2021: Views by Industry Experts

**Fund
Manager
Views**



R Sivakumar,
Head – Fixed Income
Axis AMC

“The RBI and the government have up until now used significant monetary policy tools and liquidity injections to cushion the impact of the economic slowdown. As the economy recovers, it is widely expected that policy action will gradually normalize. We anticipate the action will follow a staggered approach, first by normalizing system liquidity and second by raising rates. We expect policy rates to rise in the latter half of FY22.

An unintended consequence of the RBI’s focus to bring down borrowing costs has been a ‘steep yield curve’. While money markets and short term rates saw the transmission of rates almost entirely, longer term bond yields (8 years+) saw only a partial drop in yields. We anticipate that as accommodative monetary policy measures are rolled back, the yield curve is likely to normalize with money markets and medium term yields rising. In such an environment 2-4 year assets are likely to underperform.

Another segment that offers opportunity for investors are ‘Credits’. Good quality credit papers continue to trade at attractive valuations offering a significant yield kicker to investor portfolios. As the economy normalizes and corporate earnings recover, the default risk falls thus making these papers attractive from a risk reward perspective.

Across portfolios today we are following barbell strategies – a strategy where we mix long duration assets (8-10 year) with ultra-short assets including credits (Up to 2 years) to build a desired portfolio maturity. The ultra-short assets will help us play the reinvestment trade whilst limiting the impact of MTM as yields rise. Long bonds will likely add value in capturing higher accruals with relatively lower credit risk and lower MTM movement in the current context.”



Sunaina Da Cunha,
Senior Fund Manager
Aditya Birla Sun Life AMC

“The RBI’s accommodative stance is expected to continue till it is convinced of a broad-based economic recovery. However, we have reached peak of monetary accommodation and future steps will likely be on the withdrawal of this extra-ordinary accommodation. But we believe the process of withdrawal will be gradual giving markets time to prepare.

While current environment of surplus liquidity is expected to continue through 2021 helping corporate bond spreads to remain anchored at around current levels, RBI may modulate these conditions to align the extreme short end of the curve to the operative rate. The RBI’s inflation framework is also up for review and will be a key factor for broad monetary policy settings incrementally. Quality issuers in AA+ / AA rated space where yields and spreads have not compressed to pre-covid 19 levels or earlier lows, might see additional spread tightening as further economic recovery will see credit fundamentals improve going further into 2021.

In the current low rate environment, we will not see any substantial capital gains for 2021, and accrual returns will take the driver’s seat for fixed income investors while tactical opportunity to capture attractive tenor spreads is likely to continue given the steepness across yield curves.”



Crude oil futures contracts for West Texas Intermediate turned negative for the first time in history, (minus \$40 per barrel).

Debt Outlook 2021: Views by Industry Experts

**Fund
Manager
Views**



Rahul Goswami,
Chief Investment Officer-Fixed Income
ICICI Prudential AMC

"Past few years have been favorable for fixed income as an asset class with RBI stance remaining supportive in terms of aggressive rate cuts and resulting in abundant liquidity. These conditions created a conducive environment for duration and high quality instruments. However, the road to 2021 and beyond, consists of various turning points, which we believe may change the course for the current market direction, leading to increased volatility and returns moderation. Hence, we believe, this phase may require investment portfolios to be managed actively with focus on accrual strategy."



Lakshmi Iyer,
Chief Investment Officer (Debt) & Head Products
Kotak Mahindra AMC

"Liquidity remains high at more than Rs 6 lakh cr. While Inflation remains high above the RBI's comfort zone, the core inflation has been well within the comfort zone. We believe inflation will come down in 2nd half of FY21. Then there is the issue of multiple inflation parameters. WPI is well below RBI's 2% comfort level mark. WPI-Food Price inflation is low but CPI-Food inflation (9.6%) is behaving differently. Clearly there are too many inflation parameters. We hope that RBI remains focused on growth.

We do expect that the steep yield curve may flatten over a period of time. FPIs have been net buyers over last 4 months. The five year and 10 year spread of corporate bonds over commensurate gilt, the valuation looks attractive in that segment. For long term investors, investing in around 10 yr segment looks attractive as the term spread between 1 yr-10 yr. spread is high at around 250 bps. Similarly, at the lower end of credit rating (AA/AA-), spreads are still above pre-covid level. Interest rates are likely to move like a pendulum. Investors can consider dynamic, credit risk, floating rate kind of products to capture the carry."

Macroeconomic Scorecard

Quick Read

Parameters	Feb-20	Mar-20	Apr-20	May-20	Jul-20	Sep-20	Nov-20	Dec-20	Status
Banking									
Bank Non Food Credit Growth (YoY %)	6.9	6.1	6.7	5.5	6.1	5.1	5.6	5.8	↔
Industry									
PMI (Composite Index)	57.6	50.6	7.2	14.8	37.2	54.6	56.3	54.9	↔
Manufacturing Index	54.5	51.8	27.4	30.8	46.0	56.8	56.3	56.4	↑
Services Index	57.5	49.3	5.4	12.6	34.2	49.8	53.7	52.3	↔
Fiscal									
Indirect Tax (YoY %)	13.1	3.8	(74.9)	(42.8)	14.1	12.0	23.9	51.8	↑
Foreign Trade									
Export Growth (YoY %)	2.9	(34.6)	(60.3)	(36.2)	(10.2)	6.0	(8.7)	(0.8)	↓
Import Growth (YoY %)	2.5	(28.7)	(58.6)	(52.4)	(28.4)	(19.6)	(13.3)	7.6	↑
Consumer									
Motorvehicle Sales (YoY %)	(19.1)	(45.0)	(98.0)	(84.8)	(18.6)	7.2	7.2	0.7	↑
Passenger Vehicle (YoY %)	(7.6)	(51.0)	(100.0)	(85.2)	(3.9)	26.5	12.7	13.6	↑
Commercial Vehicle (YoY %)	(32.9)	(88.1)	(97.8)	(90.0)	(50.0)	(3.0)	1.0	0.8	↑
Two wheeler (YoY %)	(19.8)	(39.8)	(96.2)	(83.8)	(15.2)	11.6	13.4	7.4	↑
Tractor Sales (YoY %)	21.3	(49.9)	(79.4)	4.0	38.5	28.3	51.3	43.1	↑
Petroleum Consumption (YoY %)	11.3	(16.4)	(60.4)	(35.3)	(10.4)	3.3	5.1	9.3	↓
Diesel Consumption (YoY %)	6.6	(24.0)	(55.6)	(29.5)	(19.5)	(6.0)	(6.9)	(2.8)	↓
Air Traffic (YoY %)	9.0	(32.8)	(100.0)	(97.7)	(82.2)	(65.7)	(50.8)	(43.6)	↓
Freight									
Major Port Traffic (YoY %)	4.5	(5.1)	(21.1)	(23.3)	(13.2)	(1.9)	2.8	4.4	↔
Rail Freight Traffic (YoY %)	6.5	(13.9)	(35.3)	(21.3)	(4.6)	15.5	9.0	8.7	↑
E-way Bills Generated (YoY %)	14.3	(26.0)	(83.6)	(53.0)	(7.3)	9.6	8.1	15.9	↑

Source: Data extracted from "Macroeconomic Dashboard" dated 8th Feb. 2021 by BNP Paribas Asset Management India Pvt. Ltd.

The year 2020 began with a not so rosy picture of the economy – inflation was above the RBI comfort zone, auto sales were not picking up, foreign trade was contracting and the fiscal deficit target was missed. Then, COVID -19 struck the economy in March and the macroeconomic indicators displayed such numbers that were never witnessed in the history of mankind.

Below the Pre COVID levels	Reached the Pre COVID levels	Surpassed the Pre COVID Levels
<ol style="list-style-type: none"> Export Petrol & Diesel Consumption Air Traffic 	<ol style="list-style-type: none"> Bank Credit PMI Composite PMI Services Major Port Traffic 	<ol style="list-style-type: none"> Manufacturing PMI Indirect Tax Import Motor Vehicle Sales Rail Freight E-Way Bills Generated

Conclusion: With consistent efforts of RBI and the government, India is swimming its way back to the shore to witness a "V" shaped recovery. In its monthly bulletin RBI in Jan 2020 stated that recent shifts in the macroeconomic landscape have brightened the outlook, with GDP in striking distance of attaining positive territory, inflation easing closer to the target and India's recovery may overtake most projections. These couple of statements itself gives a clear glass view of the economic growth trajectory in the country.

The article has been curated by Tata Capital Wealth Product team. The content does not construe to be any investment, legal or taxation advice.

Advantage India!

CIO Speak

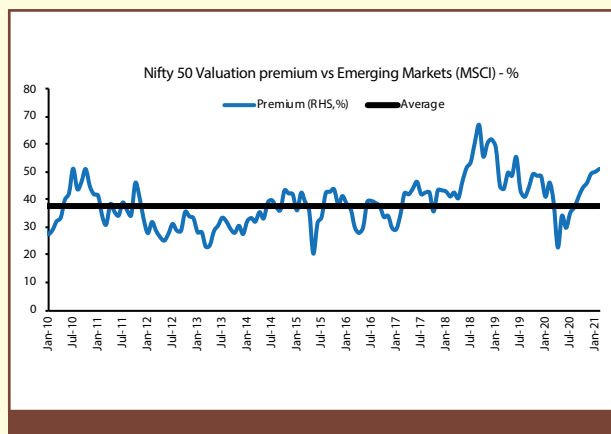


Rahul Singh

*Chief Investment Officer (CIO) – Equities
Tata Mutual Fund*

The market rally has been supported by two drivers - Liquidity driven by lower rates globally and bounce back in corporate earnings as cost cuts, tail winds in certain sectors like IT/pharma and lower-than-expected stress in financials.

INDIA VALUATION VS EMERGING MARKET

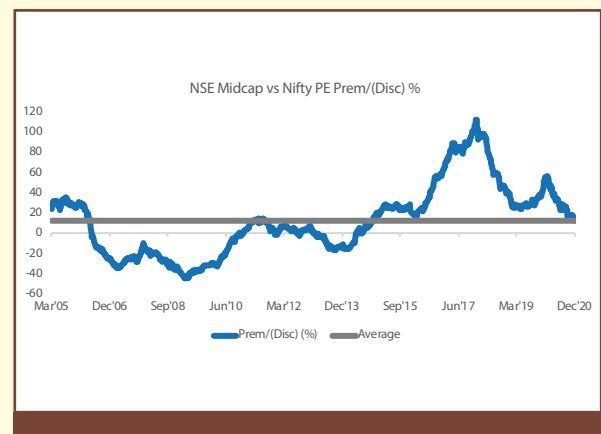


Source: Bloomberg

Even after the rally we have seen so far, **Indian markets are trading at near or slightly above its long-term averages (@19.5x FY22).**

- **India's valuation premium with respect to MSCI Emerging markets** has remained stable at 40-45% over the last 4 months indicating that the rally has been a global one.
- **1 year forward valuations for the Nifty** stands at 21.4X PE which is at the higher end of the range in terms of historical benchmarks.
- **Weak dollar, strong Asian Government Balance sheets** as compared to the West (debt as a % of GDP), earnings growth differential / strong EM earnings recovery to favour EMs going ahead.

MID-CAP VALUATION



Source: Bloomberg

- **The headline valuations for Nifty Mid-cap 100 suggest that we are in an acceptable zone** which can act as a platform for the broader markets to do better from here on.
- **Mid-caps in a growing market with market leadership and low leverage can be equally attractive investment option as any large -cap.** Sector performance has so far been led by large-caps, but gradually within sectors mid-caps and small-caps are emerging as top performers. In the sectors with post-Covid tailwinds viz. pharma, digitization, e-commerce, electronic manufacturing, large-caps and mid-caps are adequately represented and in some cases even dominated by mid-caps.
- Covid impacted most sectors, however **certain sectors have emerged as relatively Covid-proof** i.e. Pharma, Telecom, Packaged foods, Chemicals, Digital spending and Digital transformation.

Advantage India!

SECTOR-WISE PERFORMANCE



Source: MFJ

- In India, mid-caps and small-caps have outperformed Nifty in CY2020.
- Healthcare and Technology have been top sector performers in CY2020, banks being negative.

Pharmaceutical and Healthcare Sector:

- **US revenues have declined over 25%** for most large Indian pharma companies over FY15-19.
- **Increasing number of shortages, improving pricing scenario, product prioritization** is leading companies back to growth trajectory.
- **Balance sheets to become more leaner** with most companies turning net cash over next two years.
- **Valuations are around long-term average** with substantial earnings visibility for next two years.

Infrastructure / capex cycle theme:

- Companies which invest in **long term physical infrastructure** (roads, electricity networks, ports etc.), make **large scale capital investments** (metals, telecom, realty, oil and gas etc.) or **benefit from such investments** (building materials, engineering, construction, capital goods etc.).
- The **capex cycle for past few years has been largely driven by government** (which is expected to remain steady) while private sector has been on the side-lines.
- **Private investment may increase, especially on the manufacturing side**, as India becomes more attractive for manufacturing due to various game changing initiatives taken by the government like production-linked incentives, reduction in corporate tax and relaxation in labour laws.
- Further an expected **revival in real estate sector due to decade high affordability** can help the housing sector to revive and spur demand for allied industries like building materials and construction.

Outlook

Markets are trading at 5-10% high compared to historical valuations, yet it's a good time to invest in equities because of lower interest rates, weakening dollar, normal range of valuation premium amongst emerging markets and recovery of economy leading to opportunities to generate above average returns.

A Diversified mix of funds can give stability and increase exposure to mid & small-caps and can perform relatively better. As we move ahead, Government's tax revenues are likely to recover coupled with likely start to manufacturing investments due to demand uptick (Example: Cement). Government's PLI can lead to revival in both public and private investments.

This will be a new leg to sustaining economic growth in the medium to long term which cannot sustain only on consumption.



India received the highest ever total FDI between April – August 2020, \$35.73 billion.

Disclaimer: The views expressed in this article are personal in nature and in no way trying to predict the markets or to time them. The views expressed are for information purpose only and do not constitute 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 will not be liable in any manner for the consequences of such action taken by you. Please consult your Financial/Investment Adviser before investing. The views expressed in this article may not reflect in the scheme portfolios of Tata Mutual Fund. This is for information only and is not to be considered as sales literature. Not to be used for solicitation of business in schemes of Tata Mutual Fund.

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

Pros & Cons of Investing in Global Equity via MFs



Srinivas Rao Ravuri

*Chief Investment Officer (CIO) – Equities
PGIM India Mutual Fund*

First, let's look at why one should invest in global equities. We are living in an increasingly globalised world. As an Indian consumer, we have benefitted from access to a variety of high-quality goods and services that are produced outside India, be it mobile phones or luxury cars. Globally, there is a lot of innovation taking place that is impacting our day to day lives by disrupting various industries and will have investment implications. At this point of time, very few innovators are listed on the Indian stock markets. **India may be the fifth-largest economy, but our market cap is about USD 2.1 trillion while market capitalisation of the rest of the world is USD 90 trillion. So if you are not invested in global markets outside India, you are ignoring an opportunity that is roughly 43 times bigger.** Investing entails risk and risk cannot be eliminated but can be reduced by diversification. **Diversifying investments across asset classes and also within the asset class is key to manage risk.**



Data as on December 2020 Source: Market Capitalisation - Times Now News & GDP – Statisticstimes.com The above graph is curated by Tata Capital Wealth *source: bloomberg*

Investing in global funds/stocks also helps you get the benefit of rupee depreciation. Over the last 35 years, the rupee has depreciated by an average of 6%. So if you are planning for your daughters or sons education abroad a few years down the line, you will have to account for higher cost due to the rise in fees and also depreciation of the rupee.

Global investing is relatively a new journey for the Indian investors. This journey is almost akin to the journey of an investor investing in equity MFs. We now have a segment of investors who have invested over the cycles and are comfortable with MF as a concept. They are moving beyond the regular conversation and are now engaging with their advisors on strategies to diversify beyond equity and debt predominantly to diversify, take advantage of currency as an asset class and participate in global businesses that do not have representation on the Indian bourses. As more people appreciate the fact that the source of market volatility can emanate from anywhere in the world and the only way forward is to diversify portfolios in as many asset classes as possible, international investing will gain traction.

Pros & Cons of Investing in Global Equity via MFs

Now, let us address the **pros and cons of investing in global equities via Mutual Funds**. Investors have two choices

- 1) Investing directly into global equities.
- 2) Investing in mutual funds.

Investing directly into global stocks has advantages like:

- a) Investor can run concentrate portfolio of select stocks (anywhere from single stock to about ten stocks) based on his understanding, comfort and acumen. He has complete control here and this may appear to be an easy option, but it is so only for a seasoned investor with reasonable resources and time.
- b) In addition to the capabilities to identify and monitor global events that would impact his stocks, an investor should also have the bandwidth to deal with compliance and regulatory issues. For example, it is mandatory to provide exhaustive details of foreign assets held by investors in Schedule FA of the income tax returns (ITR) form. Also, there is a limit of USD 250,000 per person per annum under the Liberalised Remittance Scheme (LRS).

Whereas investing in a mutual fund (international fund of funds or feeder funds) has many advantages like:

1. **Treated as a domestic fund:** Investments into these funds are treated like investments into any other domestic fund, there are no additional regulations as the case with investing into stocks. At the same time, investors get currency exposure too.
2. **LRS is not applicable.**
3. **Experts manage funds:** Professional fund managers have the expertise, technology and global reach needed to identify, analyse and monitor stocks and portfolios.
4. **Diversification:** Mutual funds typically own many stocks (about 30 – 50 stocks in case of active funds) in different countries and across various industries, which offers diversification across geographies, sectors and currencies.

However, there are few **disadvantages of investing via mutual funds, like lag of a day for applicable NAV, currency risks, long-term capital gains tax for less than three-year holding.**

To conclude, **investing in global equities through mutual funds is a superior option for retail individuals than doing direct equities.** Most advisors opt for diversified equity funds for first time investors in equity, here also going with strategies that are investing across the globe should be the logical first choice. Sophisticated high net worth investors with the resources and wherewithal to manage all the reporting and research, can supplement these rupee denominated global funds with direct stocks or other equity options available to them under the LRS route.



Apple's stock has surged energetically over recent months helping it to cross \$2 trillion in value to become the world's most valuable company in 2020.

Pros & Cons of Investing in Global Equity via MFs

Quick Read

In unprecedented times of COVID-19 pandemic situations when markets were swinging up and down and gold shining like never before, a lot has been talked about importance of diversifying portfolio to tackle volatility and create wealth in the long term.

So, to understand how a diversified portfolio has delivered in different market cycles compared to individual asset classes, we have taken performance data of various asset classes and compared with diversified portfolio over the same period. We have taken **diversified portfolio** which has exposure in **Equity 45%, International Equity 15%, Debt 30%, and Gold 10%**.

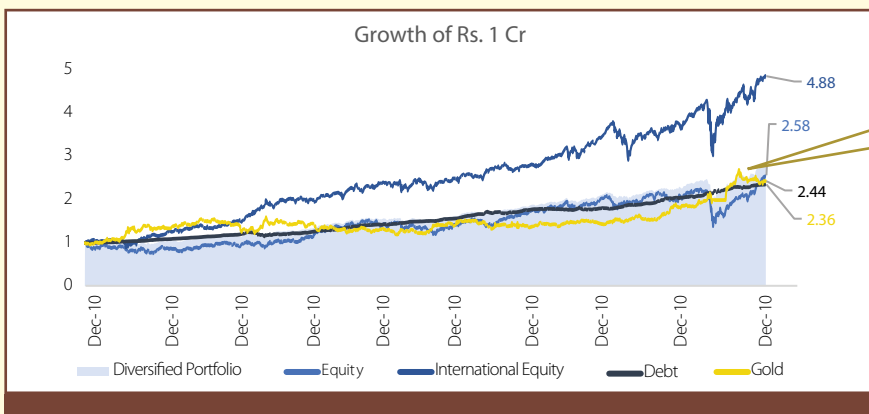
CY Returns	Domestic Equity	International Equity	Debt	Gold	Diversified Portfolio
2011	-24%	19%	7%	31%	-3%
2012	29%	18%	9%	12%	18%
2013	7%	46%	4%	-5%	11%
2014	33%	14%	14%	-9%	19%
2015	-3%	4%	9%	-6%	2%
2016	4%	12%	13%	11%	9%
2017	30%	12%	5%	5%	16%
2018	6%	2%	6%	8%	5%
2019	13%	32%	11%	24%	18%
2020	16%	19%	13%	28%	17%
Std. deviation	17%	13%	4%	14%	8%

In CY2011, domestic equity fell by 24%, in CY2013, 2014 and 2015 gold remained continuously in the negative territory and in CY2013 debt had generated mere 4% returns. Apart from a 3% fall in CY2011, diversified portfolio remained positive in all other calendar years under analysis.

Standard Deviation which denotes volatility, indicates that a diversified portfolio is less volatile and can generate more stable returns compared to equity and gold in different calendar years.

Data as on 31 Dec 2020. Source: Morningstar Direct & ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>) Index used for each of the Asset Class: Equity: Nifty 50 TR, Intl: S&P 500 INR, Debt: CRISIL Composite Bond Fund Index, Gold: Domestic Prices of Gold.

Now let's see growth of Rs. 1 Cr invested compared to different assets over past 10 years.



Diversified Portfolio has grown 2.58 times in 10-year time frame, whereas domestic equity, debt and gold has grown ~2.4 times.

Though international equity investment in rupee has grown 4.9 times, from the chart it is evident that asset allocation can ensure a smoother investment journey with less volatility.

Conclusion: There is **no perfect correlation between asset classes**, and practically it is not always possible to buy an asset class at low and sell at high. Therefore, **it is imperative to create a portfolio with asset allocation** which suits your risk profile, goal and investment horizon and stay invested for long term to create wealth.

2020...What a Year!

**CEO
Speak**

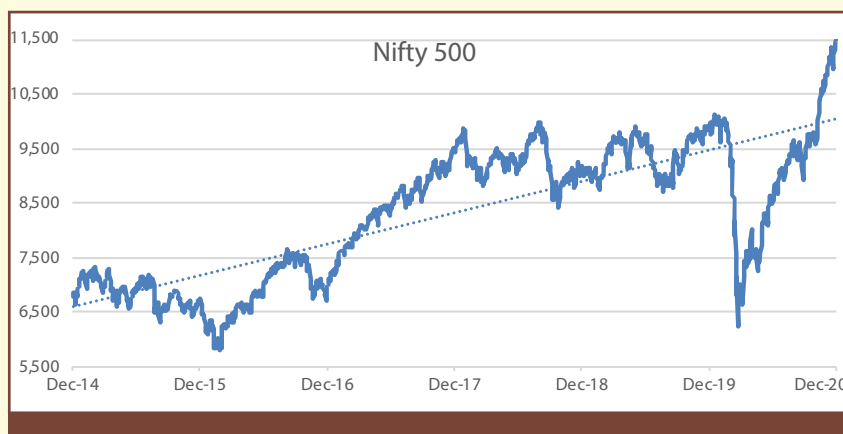


Ashish P. Somaiyaa
Chief Executive Officer
White Oak Capital Management

New Year 2020 began with great promise. Markets were at an all-time high in January 2020 with early signs of economic recovery on the back of benign macro indicators, the government’s tax cuts and the RBI’s expansionary policy. After the incidents of 2018 and 2019, there was finally a seed of belief that economic growth and the elusive earnings cycle, better known as “Karan Arjun”, would finally come back. The spread of COVID-19 and scary data emerging from countries like Italy, Spain and then UK followed by US resulted in panic in the global markets and looked like “Karan Arjun” would be delayed by a couple of decades in real, just like in the reel. Pardon the hyperbole, but a **40% decline in Nifty with an unprecedented \$10 billion Foreign Portfolio Investment (FPI) outflow in first 3 weeks of March 2020** did suggest something just along those lines.

Usually analysts have a bear case, a bull case and a base case and one sees an artificially narrow range of variables defining these outcomes, often devoid of real-world unpredictability. It happens very rarely that there is a choice to be made between two crystal clear options like “the world will come to an end” case and “the world will not come to an end” case. Remember those last few days of March 2020?

Somebody posted on Facebook recently asking for a **one-word characterization of the year 2020**. I replied “**Masterclass**”. This is a year that will be referenced by many a stock market warrior in the years to come. So, let me share **what I learnt in 2020 with a short story of my interaction with an equity investor**. This is one exemplar, but we know this is what is happening with many.



Data as on 31 December 2020 Source: Investing.com

There was an investor who invested somewhere in March 2015 when Nifty was close to 9,000 and by end February 2020 when five years were over, the investor had a return of about 12% CAGR in a large and mid-cap fund; about 4% CAGR ahead of the Nifty 500 TRI index like to like basis. When this investor spoke to me in early April 2020, obviously she didn’t care for the position in February 2020. When I got the call, she was quite upset because the five-year CAGR was 4%. **What is long term and what is the use of investing if return is less than FD rates after five years?**

2020...What a Year!

1. Belief and conviction in the concept of equity needs to be demonstrated at the troughs and not just at the peaks: One may or may not demonstrate faith when Nifty is 14,000, one does need to demonstrate faith in this concept of equity investing when Nifty falls 40% and hits 7,500 in flat 15 days. When money doubles in a year, everybody has faith and belief; what you do when it halves, is what will eventually count.

2. Equity returns are non-linear and lumpy: What was built over 5 years can be destroyed in a matter of weeks and that which can be destroyed in weeks can be regained in short periods too. Did a 3-6-9- month disruption call for companies to lose 50-60-70% of their market value? The wise investor is one who takes advantage of the irrational mood swings of the markets rather than become party to it. "Be greedy when others are fearful; be fearful when others are greedy", is not just meant to be a soft board pin-up.

“*Be greedy when others are fearful;
be fearful when others are greedy*”

- Warren Buffett

3. Recent experience has nothing to do with the future potential: Famous American novelist, F Scott Fitzgerald said, "The test of a first-rate intelligence is the ability to hold two opposing ideas in mind at the same time and still retain the ability to function". Another famous American novelist Jack London said, "life is not always a matter of holding good cards, but sometimes, playing a poor hand well". When things do not work out as expected, instead of re-visiting and re-calibrating, we human beings crave for closure and conclusion. **In the equity investing journey there is nothing like black vs. white, right vs. wrong, good vs. bad; there is only context and perspective.** One needs to stay away from drawing fateful definitive conclusions because what works is careful calibration and probabilities.

“*Life is not always a matter of holding good cards,
but sometimes, playing a poor hand well*”

- Jack London

4. Equities are for optimists: Something that economic analysis will not be able to model; when humans experience threat to life and livelihood locked down for months; **what does that prolonged fear and suppression eventually do to the human spirit to overcome fear, bounce back with vengeance, rebuild and reclaim life?** If one generally believes that humans, and corporations or businesses run by humans are the next dinosaur, then equity is not for you. I, for one, am an optimist and I see 2021 start with a lot of positives on the horizon; just like 2020. What is the chance there is another COVID 19 around the corner? **For now, "the world will not come to an end" case has played out, the macroeconomic conditions for India are benign, interest rates are low, liquidity is high and the Government has heeded Winston Churchill's advice, "Never waste a good crisis".**

“*Never waste a good crisis*”

- Winston Churchill



The CBOE Volatility Index (VIX) in March'20 hit an all-time high of 85.47, eclipsing its previous record set high during the Great Recession.

Women in Business & Finance

Quiz



1
India's richest self-made woman, founded India's largest listed Bio-pharmaceutical firm by revenue, in 1978.



2
On November 7, 2020 she became the first woman in American history to be elected to the vice presidency.



3
She's responsible for all strategic decisions for the \$9.9 billion technology company. She took HCL's chairperson role from her father in July 2020.



4
Founder of Nykaa, an Indian retail seller of beauty, wellness and fashion products.



5
CEO of Standard Chartered Bank India.



6
MD & CEO of India's First Credit Rating Agency.



7
In 2020 she was hired as the chairperson and chief executive for the India division of Salesforce, the global giant in CRM.



8
CEO of an FMCG Company where Frooti is the flagship mango drink.



9
She is the Economic Counsellor and Director of the Research Department at IMF.



10
She is India's only female head of a major AMC and has set up the country's first domestic hedge fund. She is known as "the girl with the broken neck".

- Answers
1. Kiran Mazumdar-Shaw 2. Kamla Harris 3. Roshni Nadar Malhotra 4. Falguni Nayyar 5. Zarin Daruwala 6. Ashu Suyash 7. Arundati Bhattacharya 8. Schanna Chauhan 9. Gita Gopinath 10. Radhika Gupta

2020 - A Record Year For ESG Inflows

**AMC
View**



Abhay Laijawala

Managing Director & Fund Manager

Avendus Capital Public Markets Alternate Strategies LLP

2020 has been a record year for inflows into ESG funds. Demand for ESG investments has shown no sign of abating. According to Bloomberg, inflows into **ESG-ETF's have surged this month, taking the amount received in 2020 to over USD 50 billion, more than double that of last year.**

Joe Biden's election win is a massive boost for ESG globally:

With Joe Biden as the President elect of the United States, the global ESG environment will see a massive boost - inflating further demand for ESG funds - and complement the strong enabling environment for ESG that the European Union has been building on. **Biden plans to re-join the Paris Climate Agreement, which President Trump exited.** He wants to make **electricity production carbon-free by 2035** and have the **US move to net zero carbon emissions by 2050.** His strong commitment to climate change and ESG is borne out by the fact that he has **created a special position - at the cabinet level - to advise his administration on ESG and climate change, by appointing John Kerry, former secretary of state as special presidential envoy of climate change. John Kerry will sit on the National Security Council (NSC).** This is for the first time ever that the NSC will include an official dedicated to climate change, unequivocally endorsing the Biden administration's commitment to addressing climate change as an urgent national security issue.

Stakeholders should prepare for rapid change on ESG regulation, in Europe and the US:

The pace at which ESG inflows are accelerating has led to a demand for **standardized data on the definition of ESG, regulatory oversight on ESG funds and full transparency on what they are investing in.** While international efforts around ESG issues have produced various recommendations and guidance, they have been in the form of soft law, which is non-binding. With President Trump's disbelief in climate change, the United States used to stand out as a materially relevant financial centre which neither attempted any regulatory scrutiny on ESG nor encouraged ESG investments in pension funds. As a result of the **strong demand for ESG funds, asset management firms have been incorporating ESG considerations into their investment decisions.** However, these trends have been occurring without much public policy or regulatory support.

Stakeholders should now be prepared for a **rapid change in regulation, definition, and transparency of ESG, as mandatory legal obligations come into force.** These requirements mean that firms will have to build consideration of ESG issues into their investment and advisory processes and provide investors with consistent and reliable disclosures of ESG issues in their products and services.

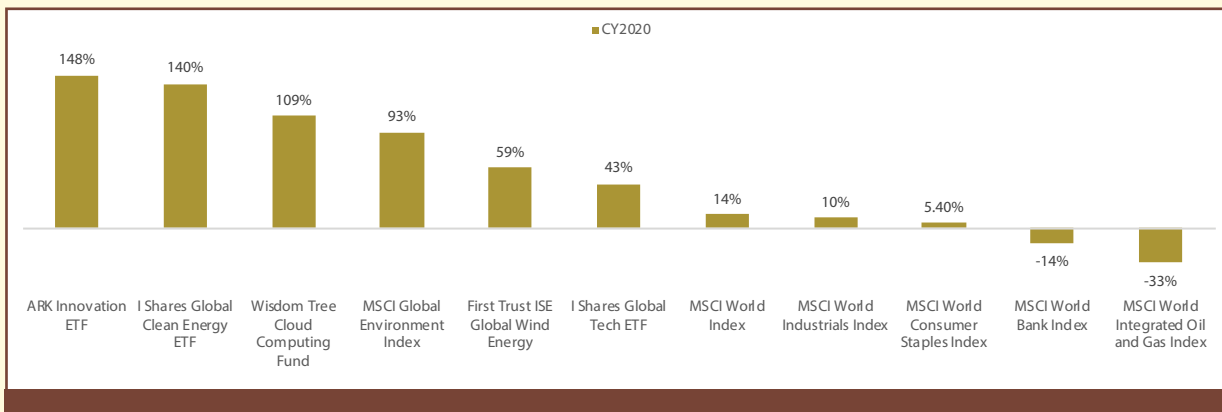
The Biden Administration led **Securities and Exchange Commission (SEC), will likely look for expanded ESG disclosure requirements by companies, making these mandatory.** The focus on ESG data will also lead to greater enforcement risks as the SEC and other regulators increase scrutiny of ESG disclosures and their accuracy.

ESG disclosure standards are already in place in the EU, which the European Commission has sought to develop further in recent years. As part of its Action Plan for Sustainable Finance, the **EU has passed an ESG related Disclosure Regulation and the European Parliament has adopted the text of a Taxonomy Regulation,** both of which are designed to form central pillars of the new sustainability framework. The **"Taxonomy Regulation" is set to establish an EU-wide taxonomy on environmental sustainability,** and will, in theory, give both corporates and financial institutions a common language to identify which activities and financial instruments may be considered environmentally sustainable. Pursuant to the Taxonomy Regulation, firms will need to apply "technical screening criteria" (i.e., performance thresholds) to assess whether specific activities undertaken by investee companies contribute to climate change adaptation or to an increase in climate resilience.

2020 - A Record Year For ESG Inflows

These moves will push the regulatory environment to become more favourable toward sustainable investing, and the mandatory disclosure of climate and other material social and environmental risks will also help investors.

Let's see how various international indices have fared in calendar year 2020.



Source: Bloomberg

It will not be long before India, too, follows in the footsteps of Europe and US on ESG disclosures.

With the increasing launch of ESG funds in India, it is a matter of time before SEBI - in line with its peers in US and Europe - comes up with its own standardization of norms and disclosures of what constitutes ESG. India, on account of both, its vast and unique geography and its high density of population, faces very high climate change related vulnerability. It will be imperative that climate material issues - chiefly carbon and urgent de-carbonization initiatives - receive the attention of regulators, while drafting regulation for ESG disclosure in India.



India received a record FPI Inflow of \$ 13.5 billion in the past 12 Months in contrast to its emerging market.

Debt Products – What’s Next?

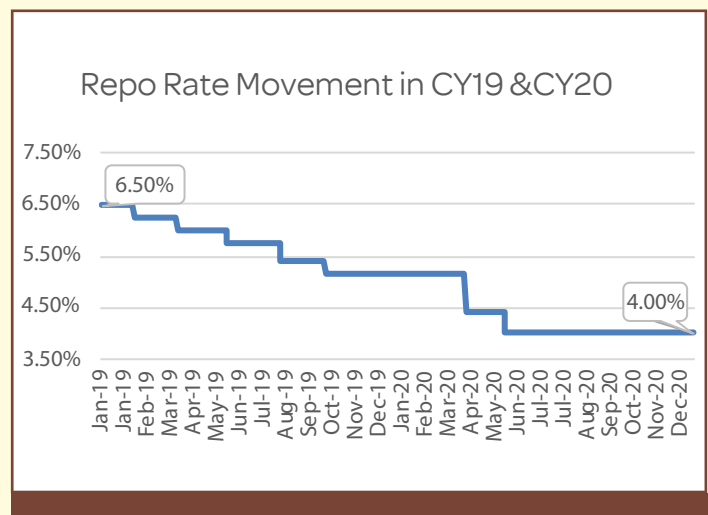
Asset Class Review

The year 2020 began on a not so nice footing from the fiscal & monetary standpoint view. The government fiscal deficit was looming high, credit growth had not picked up momentum and financial condition was tightening for Indian corporates since the IL&FS default in 2018, which triggered a liquidity crisis for non-banking financial companies (NBFCs).

RBI actions in 2020

When COVID struck the economy in March, the Reserve Bank of India (RBI) was the first to act - it cut its headline **policy repo rates by cumulative 115 basis points and the reverse repo rate by 155 basis points in 2020** to provide liquidity to banks to boost lending and encourage economic growth during the pandemic. This was after 135 basis points reduction in the policy rates in the last calendar year. The policy repo rate currently stands at 4% and the reverse repo rate at 3.35%.

Besides increasing liquidity through conventional modes such as cutting the policy rates and the reserve ratios RBI tested unconventional methods such as operational twist and targeted long term repo operation (TLTRO), Special liquidity facility for MFs to manage liquidity and yields to support growth and provide ease of functioning for markets in times of financial stress.



Source: IDFC AMC

Rate Trajectory in 2020

Since the start of CY20, both - AAA Corporate NBFC and the GSec yield curves have come down as the yields fell by 180 to 250 bps at the short end (up to 3 years) and 65-180 bps at the long end. **Thus the shorter end of the curve falling more than the longer end.**

With respect to money market rates the RBI policies have led **the short term money market rates to hover below the Policy reverse repo rates in Nov – Dec 2020**. With the steady normalisation of liquidity policy of the RBI this phenomenon has started to correct in CY2021.

Particulars	Latest (31 Dec'20)	One Year Ago (31 Dec'19)	Y-o-Y Change (bps)
CD Rates			
1 Year	3.65%	6.00%	-235
CP Rates			
1 Year	4.00%	6.70%	-270
T-Bill/G-sec			
91 Days	3.07%	5.00%	-193
364 Days	3.44%	5.22%	-178
India 10 Year G-Sec Yield	5.89%	6.55%	-66
AAA Corp. Bonds (PSU)			
1 Year	3.78%	6.15%	-237
3 Year	4.60%	6.78%	-218
5 Year	5.36%	7.05%	-169
AAA Corp. Bonds (NBFC)			
1 Year	4.16%	6.59%	-243
3 Year	4.89%	7.32%	-243
5 Year	5.72%	7.50%	-178

Source: IDFC AMC & Investing.com

Debt Products – What’s Next?

Returns generated by various categories

Among the various categories of funds, the **Duration Funds have outperformed the Accrual and Money Market categories** clearly on the back of the aggressive rate cut done by the RBI.

The **yield across all categories fell significantly over the past one year** as seen in the chart below. Thus we believe that the **returns across all categories will normalise** in this calendar year.

With respect to the accrual categories – **Short Duration Fund, Banking & PSU Debt Fund and Corporate bond fund were the best performing in their categories.**

In the duration category - **long duration funds and Gilt have outperformed** the rest of the categories on the back of **higher modified duration.**

Category	CAGR (%)				YTM (%)	
	1 Y	2 Y	3 Y	5 Y	Dec'20	Dec'19
Money Market Funds						
Liquid	3.21	4.34	4.87	6.22	3.16	5.29
Accrual Funds						
Short Duration	8.96	7.16	6.71	7.10	4.72	7.08
Medium Duration	3.37	5.55	5.53	6.72	6.39	8.64
Banking & PSU Debt Fund	9.55	9.93	8.83	8.47	4.80	6.84
Corporate Bond Fund	8.66	8.75	7.75	7.86	4.82	7.18
Credit Risk	-2.08	0.36	1.35	3.83	7.66	9.76
Duration Funds						
Long Duration Fund	12.23	12.33	9.96	9.89	6.36	7.03
Dynamic	7.56	8.52	7.52	7.79	5.55	7.12
Gilt	11.06	11.15	9.49	9.21	5.69	6.63

Data as on 31 December 2020 Source: Morningstar Direct

Interest rate outlook

RBI in the beginning of the COVID Crisis had said that it would “do whatever it takes” to bring the country back to the growth trajectory. Later during the year, it also stated that it would continue with its accommodative stance (easy money policy) till March 2022.

With the high frequency data showing signs of improvement, the RBI has already started normalising liquidity operations we believe that the **interest rate cut cycle has nearly come to an end** and further rate cut may happen only in the next fiscal when retail inflation shows decisive stance of movement in the RBI comfort zone of 4 -6%.



SENSEX has given a CAGR of 14.16 % during the period from 1986 till date (21st Jan 2021).

Debt Products – What’s Next?

What’s Attractive in Debt now?

For debt investments in 2021 investors can look at the following categories of investment and choose the apt product to suit their investment needs.

- **Debt Mutual Fund: Investors across risk appetite** and Investment horizon can choose from Debt mutual Funds to meet their goals. One of the biggest advantage of in **debt mutual fund unlike others stated below is the indexation benefit available for long term investment** i.e. on or above 3 years.

Investors who are looking for accrual income opportunities may consider **Short Duration funds, Corporate Bond funds and Banking & PSU funds** which invest most of the portfolio in AAA rated papers. With a significant cut in interest rates in the economy investors should **stick to the shorter end of the curve**. This strategy will minimize interest rate risk and volatility.

- **RBI Floating rate bonds:** In the wake of credit defaults which has shaken the debt investors in the past couple of years; investors wishing to have a government guarantee for their investment in fixed income may look at investment in this paper. Currently these are offering 7.15% for an 8 year investment horizon.

- **Corporate Fixed Deposits:** A conservative investor who believes in the traditional method of investing can invest a range of Corporate Fixed Deposits which are AAA rated and avoid lower rated papers.

- **Non-Convertible Debentures:** Depending on the rating of the debentures these are suitable for various categories of Investors. Investors looking for higher returns and willing to take some credit risk can look at stable company with high liquidity with AAA & AA paper quality.



Returns Potential Stated in Matrix above are post tax – assuming that the client is in 30% tax bracket

- **Perpetual Bonds (Perp.):** As the name suggest these bonds are held till perpetuity but they usually have a call option after a stipulated tenure. These are suitable for investors who have a longer investment horizon and no near term liquidity requirements.

- **AT1 Bonds:** These can also be called quasi equity instruments. These are meant to be like equity, but are structured as bonds and are a part of tier 1 capital of the banks and can be written down in extreme circumstances. Investors would be better of investing in such bonds of public sector banks and strong private sector banks.

Thus an investor can choose wisely from the bouquet of products to suit their needs.

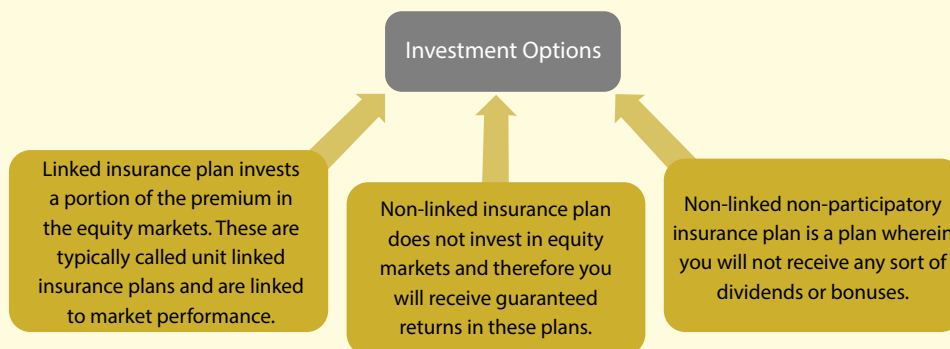
All about Savings Insurance Plans that you should know

SHORT READ

The pandemic has underscored the concept of preparedness like never before and the best way to ensure that you are financially safe is to get yourself an insurance. There are different types of insurance policies available in the market to take the right decision and help secure the financial future of your family it is important to know their finer details.

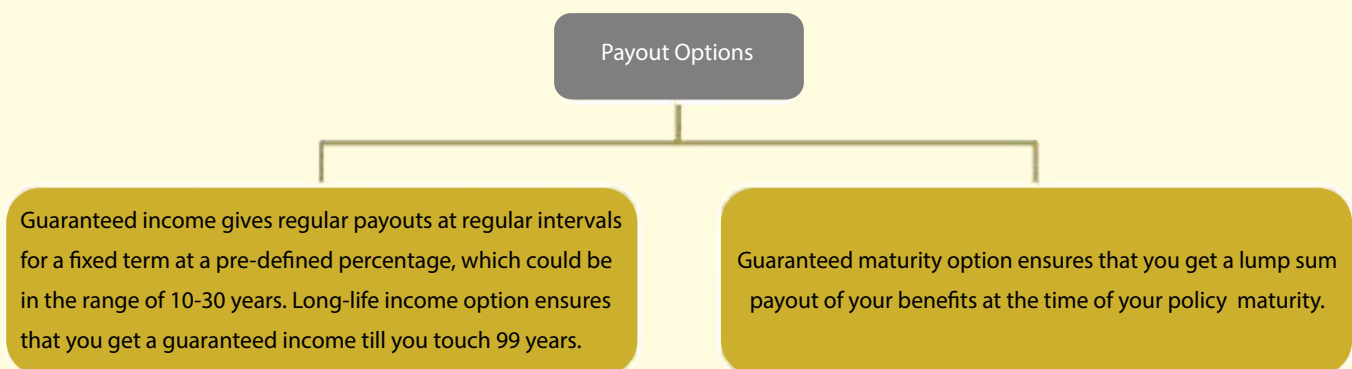
Various types of insurance policies include linked, non-linked non participatory insurance plans, pure protection plans, saving plan, etc. In a pure protection plan, the only aspect that is looked into is the coverage that is offered to the insured person for a term. Term insurance is a pure protection plan.


On the other hand, saving plans add a savings element to a life insurance plan. However, how this savings element comes into play depending on the option you opt for which are as shown below.



In trying times such as the world is currently facing, people look for stability and low-risk, a non-participatory and non-linked insurance plan offers guaranteed income and assured benefits and is a safe and risk-free savings option which helps you plan your life goals without worrying about unexpected liabilities coming your way.

Now let's understand more details about various payout options available under this plan.



 GST collections hit record high of Rs. 1.20 lakh crore in January 2021.

All about Savings Insurance Plans that you should know

Features of Savings Insurance Plans that you should know

- **Tenure and entry age:** Generally, savings plans offer a flexible investment tenure or policy terms that range from mid-to-long-term investments. Depending on the age of the policyholder and the fluctuating nature of earnings and savings, most insurance companies offer the chance to change the investment amount or premium as per convenience. This helps in accumulating remarkably over the entirety of the policy.
- **Investment options:** One can opt for high risk instruments like equities or choose safer instruments that involve fixed income securities such as corporate bonds, government securities or the money-market investments.
- **Tax benefits:** Under Section 80C of the Indian Income Tax Act, 1961, the premium paid for most savings insurance plans is deductible from your taxable income to a maximum limit of Rs.1 lakh. Under Section 10D(D) of the Indian Income Tax Act, 1961, maturity claims and death benefits of endowment plans are eligible for exemptions.
- **Added riders and life cover:** Savings plans such as endowment plans offer guaranteed maturity benefits along with bonuses as life insurance benefits. In addition to yielding fixed income, they build safety cushions to cover the risk with added riders. Money back plans provide dual benefits of insurance and redeeming of money at a regular interval. In addition to these certain riders enhance the financial protection of the policyholder and his family against any accidental death, disability or a critical illness.
- **Premium costs:** While selecting a savings insurance plan, it is important to note the costs and expenses that are involved. Under inevitable circumstances, there are extra charges in account for administration expenses, mortality expenses, premium allocation expenses, fund management expenses, partial withdrawal expenses, switching or discontinuance expenses and various other expenses, although, the best savings plans charge minimum expense and offer flexibility with respect to cash withdrawal, policy terms and receipt of bonus.

Things to keep in mind while choosing any insurance plan

- **Your age:** It is never too early to get yourself an insurance policy. Age is an important factor because the younger you are you get lower the premium you have to pay and a longer tenure to create a solid savings or retirement corpus.
- **Life stage:** As you grow older, you may have more responsibilities including marriage, children, and retirement. Insurance plans allow you the option of increasing the sum assured at different life stages so you would need to check that out.
- **Insurance cover:** Cover is very crucial when you buy insurance policy. Although Rs 1 crore cover looks good, it may not be so substantial if you consider various life stages and inflation. You would need to opt for a cover after considering your liabilities, investments and income, apart from inflation.
- **Life goals:** Life goals can be short term or long term. You could opt for an insurance plan to help with your child's higher education, marriage or your retirement. Pick a plan that matches your life goals.

Summing up

Choosing a reliable insurance plan is half the battle won in an uncertain time. You should look for a policy that is appropriate for your situation, life goals and commitments and which can protect the future of yourself and your loved ones.

Financial Crossword

Fin. Crossword

Across

- 1) MOODY'S changed India's sovereign rating from Baa2 to ____ in 2020
- 2) Stocks whose fortunes swing as per the business cycle of an economy
- 3) Acronym for Sensitive Index of Bombay Stock Exchange
- 4) The oldest and largest stock exchange in the US
- 5) Acronym for stocks of 5 prominent American tech companies
- 6) Investing a fixed sum at regular intervals
- 7) Monetary Policy of the country is formulated by

Down

- 1) Cryptocurrency that surpassed Facebook's market cap of \$752 billion
- 2) One of the few companies that issue cards and has a network to process cards
- 3) Bank in India with the largest market cap
- 4) Regulator for Mutual Funds
- 5) As per AMFI data AUM of ____ Funds have surge 95% to Rs. 14,794 in the last 13 months
- 6) The wealthiest person in the world with a net worth of \$182.9 billion
- 7) This Indian IT Company surpassed the market cap of Accenture for the first time to become the most valuable IT Company globally

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5.										

1. BITCOIN 2. AMEX 3. HDFC 4. SEBI 5. INDEX 6. ELON 7. TCS	Down
1. Baa3 2. CYLICAL 3. SENSEX 4. NYSE 5. FAANG 6. SIP 7. RBI	Across

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