Foundation of Independent Financial Advisors

AUG 2019

What's New?

Market Performance during August 2019

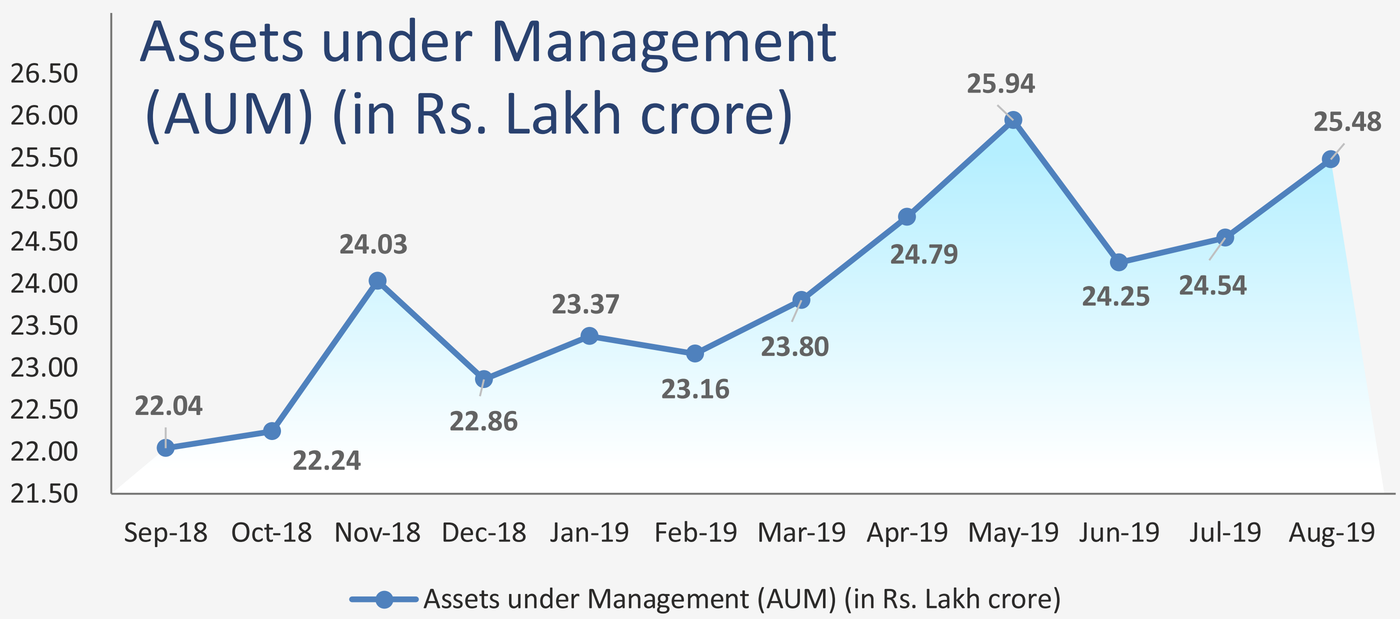
Indian markets continued to post negative monthly returns, as the benchmark indices, S&P BSE Sensex and NSE Nifty50, generated negative returns of 0.40% and 0.85% respectively during August 2019. The markets continued to stay volatile during the month on the back of escalation in US-China trade war, heightened Ind-Pak geopolitical tensions due to abrogation of Article 370 in J&K and the visible signs of economic slowdown due to lower GDP growth in Q1 2019-20. However, the market correction was moderated, as the Govt. seemed alert by taking some stern measures to push the economy back on the high growth track and to address the persisting issues in specific sectors. DII inflows almost matched the FII outflows, helping the markets to sustain heavy selling pressure.

S&P BSE Metals Index was the worst performer in August 2019 with negative returns of approx. 12% during the month, which can be attributed majorly to global trade developments. S&P BSE PSU Index and S&P BSE Bankex were another significant underperformers with -9% and -5% returns respectively during the month. S&P BSE Consumer Durables Index outperformed the markets and generated 5% returns for the month, as the investors flocked to the defensives during the month.

The 10-yr benchmark G-sec yield ended August 2019 at 6.56%, increasing by 19 bps during the month, as the signs of economic slowdown escalated the chances of fiscal slippages due to expected fiscal stimulus and lower GDP growth. Even while RBI has cumulatively reduced 110 bps in the policyrates during the year, the G-sec yields have moderated only by around 81 bps, reflecting only the partial transmission of the rate cuts. However, the credit spreads have moderated from 104 bps for 10-year benchmark papers for AAA credit rating at July end to 84 bps at August end. The trade war escalation between US and China along with FII outflows from Indian markets pushed the USD/ INR rates to Rs. 71.41 per USD at August-end, as against Rs. 68.78 per USD at July end.

While the slowdown in economic growth can be partially attributed to the global factors, the structural and cyclical issues in the NBFC sector have also contributed to it due to lower consumption growth. Govt. has taken several measures during the month in this regard including rollback of FPI surcharge on capital gains, consolidation in the Public Sector banking space, capitalization of PSBs, etc. In the first week of September 2019, RBI also made it mandatory for the banks to link retail home and consumer loans to external benchmarks, which will make the transmission of rate cuts easier and seamless. With the Govt. staying reactive to the Economy's demands, we can continue to be optimistic towards long term prospects of the economy, even while the markets can be volatile over short term. Further, with reasonable correction in the valuations, the investors can continue their SIPs in pure equity schemes, especially in Mid and small-cap schemes for long term.

AUM Movement over the last 12 months



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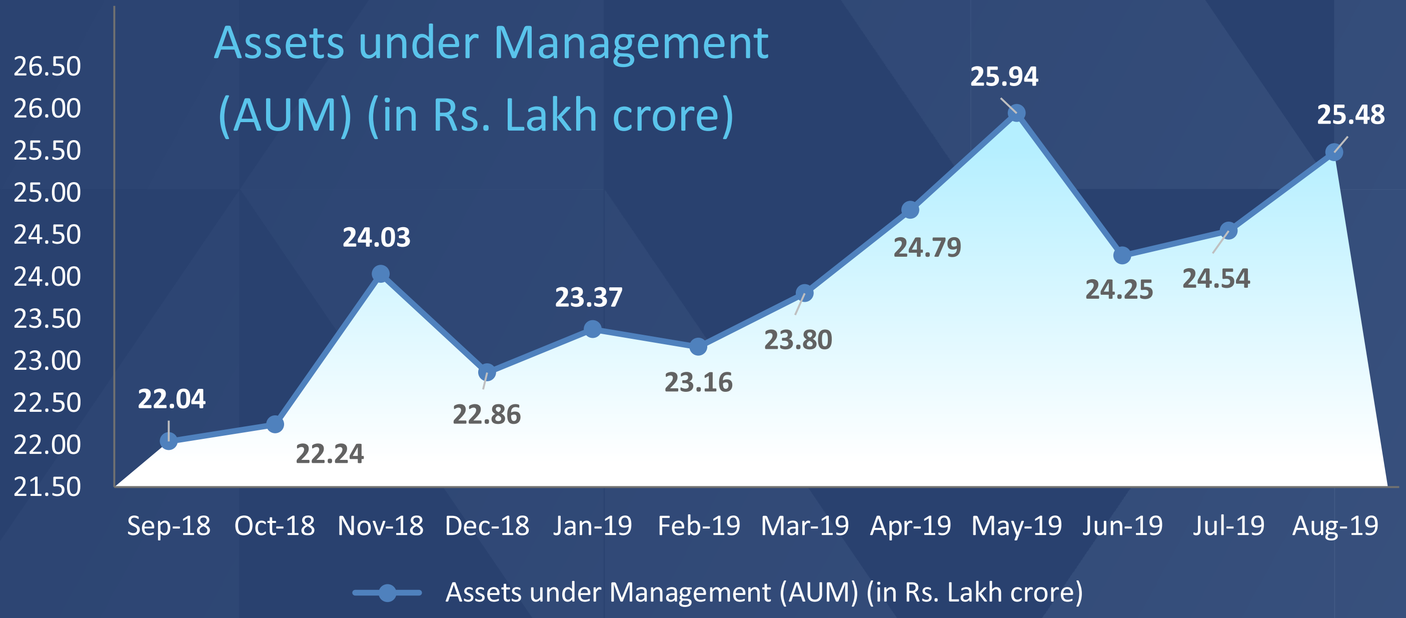
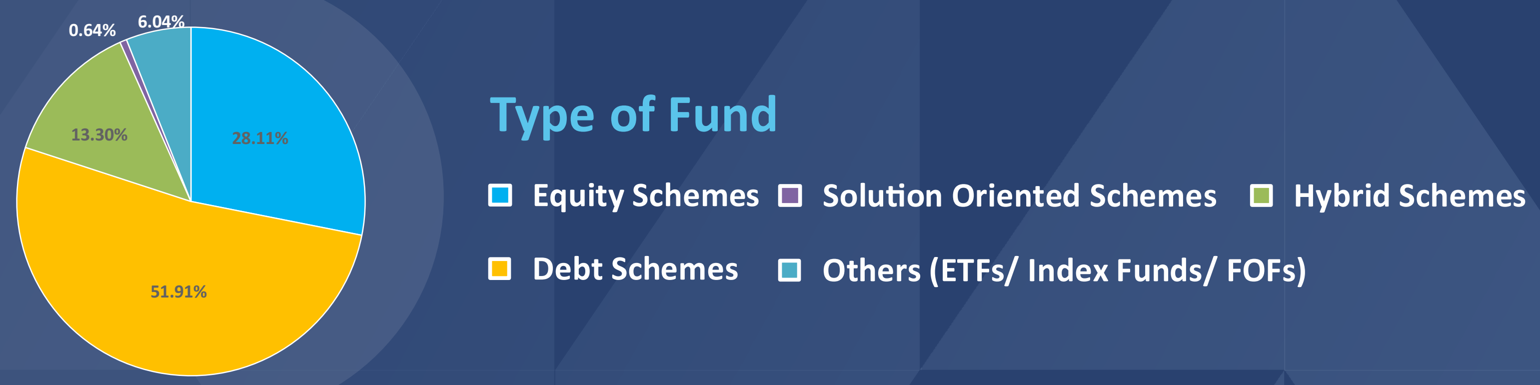


AUM Composition as at Augest 2019 End



Growth in SIP Inflows

(All figures in Rs. crore)

Particulars	AUM as at 31-Jul-19	Net Inflows/ (Outflows)	Increase/ (Decrease) due to market movements	AUM as at 31-Aug-19
Equity Schemes	7,16,115	9,090	(8,996)	7,16,209
Debt Schemes	12,25,741	89,542	7,083	13,22,366
Hybrid Schemes	3,37,917	4,946	(4,153)	3,38,710
Solution Oriented Schemes	16,360	144	(120)	16,384
ETF/ FOF/ Others	1,57,493	(1,184)	(2,384)	1,53,925
Total	**24,53,626**	**1,02,538**	**(8,570)**	**25,47,594**

Source – AMFI

FIFA Welcomes New Members

Member TYPE	Member No	Type	Member / Organization	Location
Founder	F160	N.Indv	Complete Circle Consultants Pvt Ltd	Noida
General	O2064	Ind	Sunil Kumar	Mumbai
General	O2065	Ind	Amit Mishra	Jabalpur
General	O2066	Ind	Shubhankar Naik	Jabalpur
General	O2067	Ind	V4U Investment Services	Rajkot
General	O2068	Ind	Bhuvana Shreeram	Mumbai
General	O2069	Ind	Seema Shukla	Jabalpur
General	O2070	Ind	Signature Financial Services Pvt Ltd	Delhi
General	O2071	Ind	Jitendra Khemani	Indore
General	O2072	N.Indv	Ambar Modi	Indore
General	O2073	Ind	Mitul Bharatbhai Shah	Ahmedabad
General	O2074	Ind	Mitul P Desai	Valsad
General	O2075	N.Indv	Konda Ravinder	Hyderabad
General	O2076	Ind	Subramanian Ramanathan	Hosur
General	O2077	Ind	Anoop Unnikrishnan	Kochi
General	O2078	Ind	Maitrik Mukeshbhai Sanghavi	Ahmedabad
General	O2079	Ind	Pulkit Trehan	Noida

Events

8th Annual General Meeting was held on 28th August 2019, at Indian Merchants Chamber (IMC) at Churchgate, which was attended by the Board of Directors and many IFAs.


Mr Mayank Neema from CAMS conducted session on Cutting Edge Platform - Edge 360 in coordination with Ms Sangeeta Jhaveri at Indian Merchants Chamber (IMC) Churchgate, which was attended by many IFAs.


On 29th August 2019, Wealth Forum awarded Ms Roopa Venkatkrishnan and Mr Sanjay Khatri with Legend IFA awards for their meritorious service to the IFA Community.

Where and how should you invest in a slowdown ? Keep these tips in mind

Articles by
RISHABH PARAKH

How is the josh? Low sir, isn't it? Well, this is the answer I am getting from investors in most of my recent interactions through my columns and seminars. The constant reports of low corporate earnings, job cuts, liquidity crunch and the decelerating demand has turned many investors press the panic button and doubting their investing decisions. They are also thinking about what their investment strategy should be.

Let us understand this in detail:

Strategy for mutual fund investments

People who had started their stock or mutual fund investments in the last two years and even the SIPs which were started some 2 or 3 years ago are in negative zone. This often prompts investors to think about stopping their SIPs. They get tempted to take out their investment from the stock market or stop investing more.

The strategy should be to use this time to revisit your asset allocation and financial goals. If you need immediate money to fund any of your financial goals there is cause for worry but not otherwise. In fact, the market fall can help you make more money; imagining that the market will only go up from the date you will invest is a myth, rather it is a very inherent nature of stock market to be volatile which helps make more money provided you play your cards well. In fact, the market slowdown is the best time where your SIPs will actually work in your favour, because every SIP will fetch you more units and help you create a bigger corpus when the market starts recovering.

For your lump sum investments which you want to invest, follow STP route, looking at the market and near future, go for one year STP to systematically invest and beat the volatility factor. It is a time where you should also check your return expectation from the market given the next couple of years. A return of 15 percent or more on the basis of past performances may not be logical to expect in the next few years, you need to be realistic and align your portfolio expecting a return in that fashion.

One more interesting thing is to look out for the mid-cap funds in the next 6-8 months because this category is corrected big time. This is the time to invest in these funds gradually, via SIPs and STPs. Going forward the experience of a mid-cap investor of last three years will be different for a mid-cap investor in the next 3 years, so slowly get into this space to help you make more money. If your risk profiling doesn't allow you to go all out with mid-cap investments, go for a mix of multi-cap funds and Index funds.

And as far the investment in the large-cap funds are concerned, go for the index funds, invest in nifty 50 and also don't forget the junior nifty, means the next top 50 stocks of Indian stock market. Both these together can make you a part of top 100 companies in India and reduce your expenses overall. Also, this would work well in present times, given the fact that it would be difficult for a large-cap fund manager to constantly beat the returns of index funds especially post Sebi's categorisation of mutual fund schemes.

Real estate investment plan

The real estate sector has not generated any returns in the past few years, it had a fantastic run from 2003 till 2013. Plus given the slowdown and the uncertainty about job, bonus, and getting the incentives, investing in a real estate sector by taking a loan is a strict no-no. You will be paying around 8 percent to 9 percent interest on your loan against an asset which may appreciate by 4 percent to 5 percent in the next few years, and that too looks dicey as of now. So, the math doesn't work in your favour. Unless you are getting into a distress sell or a deal, investing in a property may not make sense at this point of time. If the property in question is for your own residence then it is a different matter; in fact you may be able to buy a property at a good discount because it is a buyer's market. So, take your call accordingly, whether you want to buy a property for your own residence or purely as an investment.

Should you invest in gold at the current level?

Yes, you can, provided you are not investing more than 10 percent or so and the decision to invest in it is based on your financial planning and not due to the fact that everyone else is buying in anticipation of gold prices to go up in future. Ask yourself, why do you invest in any product, isn't it for meeting our financial goals? So, investing in gold should be any different. Chances of meeting your financial goals are much higher when you have a defined set of targets and you execute them successfully. The decision of buying gold should be based on your financial planning only, rather than on the basis of emotion, tradition or what is going on in the market. Buying due to those reasons can put a dent in your financial planning. Make sure that your investment in gold does not exceed 5-10 percent of your overall investment portfolio.

Avoid investing in physical gold unless you want to use it as jewelry as there will always be a problem of its safety, storage and making charges. Alternatively, you can invest in gold via gold Exchange Traded Funds (ETFs) or through mutual funds. One more option is to invest in Sovereign Gold Bonds (SGBs), but these are open for investment for a limited period only. All these options are good as you would not incur any making charges. You can also sell or liquidate these investments instantly. Whatever the means of buying gold, keep in mind that gold investment should be a small part of your financial planning.

Investment in fixed deposits and liquid funds

If you are risk averse or the timeline to meet any of your financial goals is immediate say a few months, a year or two then it would be prudent to park your surplus money in liquid funds and bank deposits. You can go for a combination of liquid, debt and fixed deposits, go for ultra-short-term funds and flexi bank deposits for a period up to 6 months. Anything beyond 6 months, go for short-term mutual funds.

Don't press the panic button

Use this slowdown phase to reassess your portfolio and realign your investments and strategy, don't press the panic button and always remember the fact that market will give you good returns, bad returns, low returns and even negative returns and for making great returns, you need to stay invested for long term. And reallocating your investments as per the market dynamics, because invest for long term and forget it mantra may no longer work. Like a famous automobile advertisement says, fill it, shut it and forget it. That and the age-old logic of invest for long term may no longer work because the world is changing fast, even as we speak. So, you need to be proactive and keep focusing on re-allocating your assets based on your financial goals and deadline you have to meet them; that strategy will help you grow your money in any conditions, be agile, be pro-active.

Also, remember the fact and what history suggests, the market does well and offers great returns immediately after any slowdown or a recession kind of situation. The key is to use this time to create a portfolio of a lifetime which works under all conditions.

Rishabh Parakh *is a personal finance strategist and Chief Gardener of Money Plant Consultancy, an established firm providing tax and wealth management services across Maharashtra, Singapore and the UK.*

SOURCE: **CNBCTV 18**

Can a robo-advisor help you with your finances?

Articles by
RISHABH PARAKH

Before you decide whether to choose between a financial advisor or a robo-advisor, you must know the main difference between the two. Robo-advisors are automated digital investment platforms, driven by algorithms to provide you with financial planning services. They charge much less than human financial advisors would (or don't charge at all), because they need minimal supervision to function. However, cost should not the main criteria for your decision.

Since robo-advisors use algorithms to help you plan your asset allocation strategy, they are dependent on the information you are going to put in. Any model portfolio or a generic one-size-fits-all model does not work in the long run. So, knowing what data needs to be entered requires experience, which is where the robo-advisor model may fall short. Having said that, robo-advisors use machine learning, so they will evolve into more intelligent and trustworthy services over time, with more usage.

Rob-advisors are not equipped to handle specific emotional needs or situations that might arise in the lives of investors. Neither can they provide the hand holding that a human financial advisor can provide during distress. Additionally, they may not be equipped to understand your relationship with money. Investing is more behaviour than science.

For instance, how do you react when you see your stock or mutual funds portfolio turning red, i.e. giving negative returns, in case of a market correction? Even though investors may be aware that this is an inherent short-term pattern, they often press the panic button and take irrational decisions. Or what do you do when you have some some spare money? Will you increase your investments or prefer to spend it? More often than not, people end up using that windfall or surplus money for spending, rather than for long-term planning.

A person who started out investing in stock markets directly or via mutual funds only in the past year or so may not have made any money due to an overall negative trend, especially in the mid-cap and small segment. Many of those investors have started thinking that rather than investing in mutual funds or equity, they could have been better off investing in a fixed deposit, isn’t it? But always remember that comparing fixed deposit to equity investment is not an apple to apple comparison. So, you need to watch out your investing behaviour, patterns and how your emotions can drive you, get an assessment of your emotional profile, apart from risk profiling.

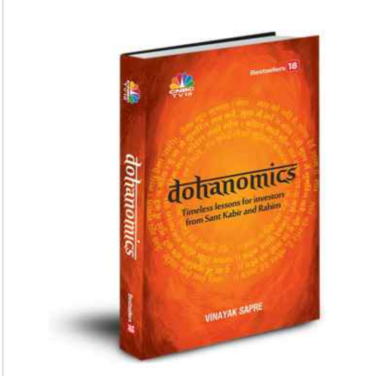
Robo-advisers rely on artificial intelligence, and will take some time to acquire knowledge of human behaviour patterns. So, if you are going to employ a robo-advisor, you need to have your math right. If your financial priorities, goals, and needs are perfectly clear to you, then a robo-advisor can be of great help in devising your asset allocation strategy.

The lower fee structure and ease of use of robo-advisory are key factors that make it suitable for millennials. It is a great way for those starting out their investment journey and can work wonders for them due to its ease of use. Keeping in mind the conditions specified and some careful planning, going with a robo-advisor can be an excellent tool to manage your money.

The author is a Chartered Accountant by Profession and a founder and Chief Gardener of Money Plant Consultancy.

SOURCE: **Forbes India**

Let’s Wait For A While, Abhi Aur Girega



Articles by **Dohanomics**

Let’s wait for a while, Abhi aur girega

It is a very common answer these days, whenever a conversation strikes to put surplus money in the market. This conversation happens mostly with the existing investors who have not seen positive return in the last 18-24 months. It is a common nature that people like to participate more when they see positive returns if not decent returns.

This, ‘Let’s wait for a while’ has a big impact on the advisors as well and this goes viral. And if markets start falling then the verdict gets even stronger against investing, ‘Wait, abhi aur correction aayega’. Market bounces back, crosses the previous high i.e. the level where ‘Let’s wait for a while’ had started. Sentiments start becoming positive, people start with little participation and go all out when it reaches to the top and we all know what happens there after. This a very common story of a common investor.

Let us look at how much weight this wait carries:

Let us assume that market corrects 30%, 20% and 10 % respectively for an existing investor whose equity mutual fund portfolio value is Rs. 1000000 i.e. 10 lakhs and three investors put another 3 lakhs assuming that investment post correction will earn them 15% CAGR. Let us assume that 30% correction will happen over one year, 20% correction will happen over 6 months and 10% correction will happen over 3 months, so how their portfolio will look like, six years down the line, vis a vis the investor who puts 3 lakhs now and earns 12% CAGR?

Investor No.01	Value of Existing Investments on 1st Mar 2019	**₹1000000**
Investor No.02	VOI after 30% correction on 1st Mar 2020	**₹700000**
Investor No.03	VOI after 20% correction on 1st Sept 2019	**₹800000**
Investor No.04	VOI after 10% correction on 1st June 2019	**₹900000**

Let us look at how the picture looks like when the additional investment of 3 lakhs is made and the VOI thereafter.

Table No. 1

Additional Investment	300000	300000	300000	300000
Total	1300000	1000000	1100000	1200000
Investment date	**Now**	**1 year later**	**6 months later**	**3 months later**
Rate of return	12%	15%	15%	15%

To earn more than by investing today @12% over six years versus assuming 15% CAGR, only in one scenario WAITING helps. Equation will be no different for new investors as well.

Time and again we have seen ‘Experts’ being proven wrong in predicting the markets. As an investor, Do I really need to care for correction if I am investing for long term? Well, the data doesn’t suggest so.

In the words of legendary investor Peter Lynch, “Far more money has been lost by investors preparing for corrections, or trying to anticipate for corrections, than has been lost in corrections itself.”

जिन ढूंढया तिन पाइयां, गहरे पानी पैठी I

मैं बैरा बूडन डरा, रहा किनारे बैठी II

If one wants to create wealth, instead of sitting on the fence he needs to participate.

Disclaimer : The above article is only for information purpose and should not be constued as an advise.

SOURCE: **Vinayak Sapre**

Quiz

Q.1 - Credit Risk Funds cannot invest in AAA rated bonds.

A) True B) False

Q.2 - ELSS funds carry a lock-in period of 5 years from the date of investment.

A) True B) False

Q.3 - Changes in interest rates in the market do not impact the valuation of debt securities.

A) True B) False

Q.4 - Mutual funds are regulated in India by:

A) Reserve Bank of India (RBI)

B) Securities and Exchange Board of India (SEBI)

C) Association of Mutual Funds in India (AMFI)

D) Ministry of Finance, Govt. of India

Q.5 - A monthly SIP can be registered only upto Rs. 10,000 in one mutual fund scheme.

A) True B) False

Ans. Q.1 - A), Q.2 - B), Q.3 -B), Q.4 - B), Q.5 -B),

All Members are requested to update their email IDs and cell numbers on telegram and database. Also, please provide the GST Number. All those Members who have not paid the Annual Fee are requested to do so at the earliest for both 2017-18 & 2018-19.

Your contribution towards this newsletter is solicited. Please share your views on events that you at your end.

Mail to response@fifaindia.com

Editor: Nisreen Mamaji