THE ECONOMIC TIMES
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Where are markets headed?

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WHERE ARE MARKETS HEADED?

Macroeconomic concerns are spooking investors. However, the long-term fundamentals of Indian equities remain intact.

GETTY IMAGES

By **Sameer Bhardwaj**

Global equity markets are caught in a perfect storm of liquidity tightening by central banks, the Ukraine crisis, slowdown in China's demand, rising global inflation and hike in interest rates. The MSCI World and MSCI Emerging Markets indices have lost 17.5% and 16.4% respectively in 2022. The Indian markets also saw heavy selling in the past few weeks, with the Nifty losing 8.9% and Nifty Midcap-100 losing 10.4% this year. Small-caps were the worst hit: the Nifty Smallcap 100 fell more than 21% in 2022. Nearly 64% of the 4,000 BSE scrips have fallen in 2022, while the volatility index (NSE VIX) has surged 51%.

A recent Cholamandalam Securities report advises investors to stay cautious as it sees major risks to the domestic markets from external factors which are difficult to predict and quantify in the short term.

Despite the correction, the domestic markets appear expensive. Based on the 12-month forward PE multiple, the Nifty is currently trading at a 62.5% premium to the MSCI Emerging Market index and 13.4% higher than the MSCI World index.

The global macroeconomic stress is reflected in the IMF's latest forecasts. It expects world economic growth to slow down in the next two years and has lowered its growth projections by 80 and 20 basis points in its April 2022 World Economic Outlook report. It also expects global inflation to surge due to the war-induced jump in commodity prices. IMF's 2022 inflation projections in advanced economies and emerging markets stood at 5.7% and 8.7% respectively, 1.8 and 2.8 percentage points higher than projected last January.

The concerns of rising inflation can be assessed by looking at the global

Get ready for higher volatility in markets

The rise in VIX or Fear Index indicates rough weather ahead for stocks.

bond yields. The 10-year bond yields of developed countries like the US, Canada, France, Germany, Italy and Spain have jumped over 100 basis points in the past 6 months. Emerging economies like Brazil, Mexico, India, Indonesia, South Korea and Malaysia also saw 10-year bond yield jump by more than 80 basis points in the past six months, according to Bloomberg data.

Here are the factors impacting the performance of domestic equity markets.

FIIs exit as risk premiums fall

The rise in domestic bond yields has led to the contraction in the risk premium, which is making equities unattractive. The risk premium is the return expected from equities over the risk-free rate. India's 10-year bond yield shot up to a 3-year high after the RBI raised the repo rate and cash reserve ratio to control inflation. It is now 7.32%. The 10-year US bond yield also shot up and is currently at 2.9%.

The spread between the Nifty earnings yield and US 10-year bond yield has come down since the start of 2022. The earnings yield is calculated by taking the inverse of the PE ratio. If PE ratio of an index is 20 times, its earnings yield will work out to 5% (1/20). This spread, calculated by subtracting the US 10-year bond yield from Nifty earnings yield, stood at 1.85% in the second week of May 2022 compared to 2.61% in January (*see chart*).

This decline in the spread is one of the reasons for the significant foreign investors' outflows. It has made the US markets more attractive to foreign investors. FIIs remained net sellers of Indian equities for the seventh straight month in April 2022 and sold over $17 billion (₹1.3 lakh crore) worth of Indian equities in the first four months of 2022. According to a Kotak Securities report, FII holding (including ADR and GDR) in the BSE-200 Index declined to 22.4% in the March quarter from 23% in the December quarter. The FII selling spree continued in the month of May 2022 with net equity outflows of over $3.7 billion up to 17 May (*see chart*).

Rising inflation = higher costs

The prices of commodities used by manufacturers are surging. A World Bank Commodities Market Outlook report for April 2022 sees major supply disruptions due to the Russia-Ukraine war and expects non-energy prices to rise by about 20% in 2022, with the largest increases in commodities where Russia or Ukraine are key exporters. It expects the price of Brent crude oil to average $100 a barrel in 2022, 40% higher than last year.

The Bloomberg Commodity Index which tracks the global prices of oil, natural gas, copper, zinc and other commodities surged 40% in the last one year and over 29.4% in the year 2022 so far. Back home, India's wholesale price inflation hit a record high at 15.08% in April fuelled mainly by the rise in prices of mineral oils, basic metals, petroleum & natural gas, chemicals, food and non-food products.

This has pushed up the operating costs of companies and hit their profitability. Not all companies are able to pass on the increased costs due to the risk of demand destruction. "Any disruption and demand destruction on account of higher prices will impact sales volumes for companies, leading to further pressure on operating margins," says a Motilal Oswal report.

The raw material costs as a percentage of sales for BSE200 Index companies have gone up from 35.6% in December 2020 quarter to 39.4% in the December 2021 quarter. Out of 77 of BSE200 companies (excluding banks, finance and insurance) that have declared the March 2022 quarter results so far, 45 companies (or 58.4%) have witnessed a contraction in EBITDA margins compared to the December 2021 quarter and 57 companies (or 74%) have seen a contraction in EBITDA margins compared to the March 2021 quarter.

Sectors like autos, cement, chemicals, and consumer durables are hit the most due to rising input costs. On the other hand, higher energy prices is impacting the power, petrochemicals and gas distribution sectors by pushing up their operational costs. The fertiliser sector is also impacted because natural gas is used as a feedstock in urea manufacturing. However, the sector is protected by government subsidies. Moreover, if the rise in fuel prices not fully passed on to the consumers, oil marketing companies will get hit.

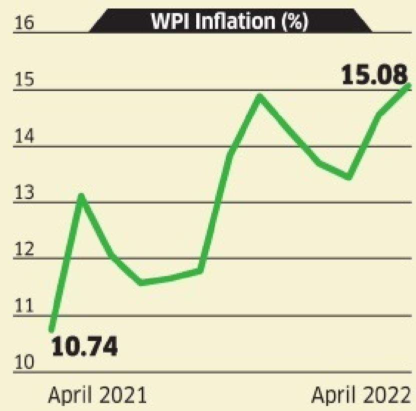
Weak macro readings

The latest industrial production numbers for March 2022 show lacklustre growth. The demand for consumer durables and non-durables continues to contract due to price hikes taken by producers to mitigate the input cost inflation. The performance of other sectors like capital goods and infrastructure has also moderated. According to a report by AnandRathi, rate hikes can further complicate the situation by depressing industrial productiwon. An Emkay report says the rising input costs could impede the recovery through both lower corporate profits and consumption.

Other macro data also point at the stress. According to data from the Commerce Ministry, India's core sector growth slowed to 4.3% in March compared to 6% in February. On the other hand, India's labour force participation rate fell to 40%, compared to the previous low of 47% in 2016, indicating increased unemployment.

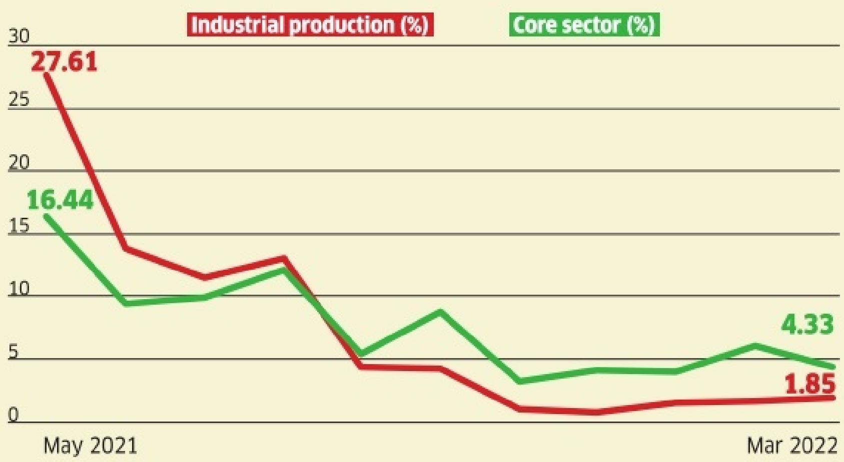
High inflation is here to stay

Higher input costs will put pressure on manufacturers.



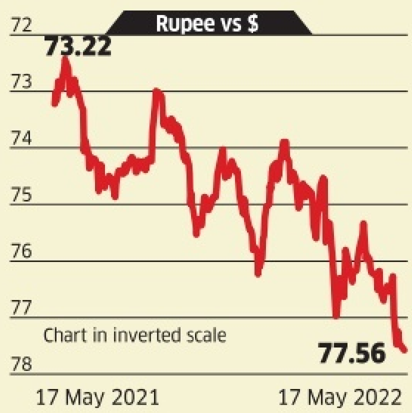
Weak macro numbers are worrisome

Industrial production and core sector growth continue to be low.



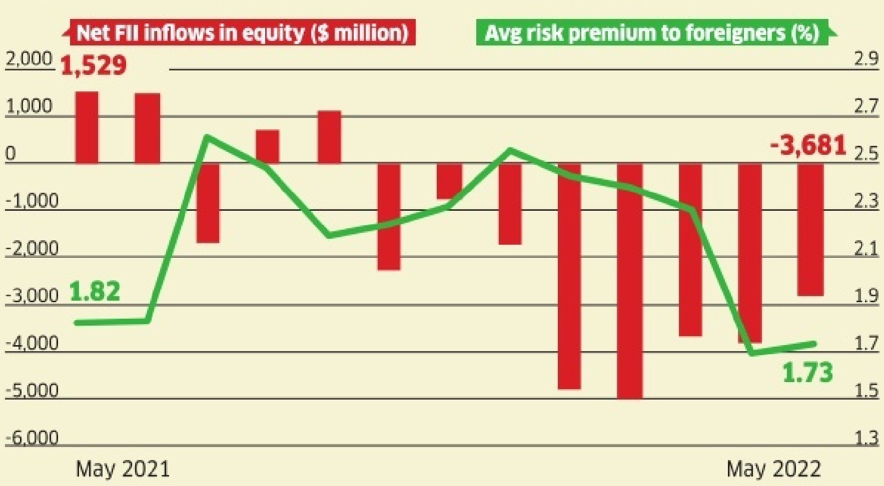
Falling rupee adds to woes

Will push up the import bill and hurt companies with foreign debt.



Risk premium down for foreign investors

FIIs have been net sellers in equities for the past eight months.



Rupee in free fall

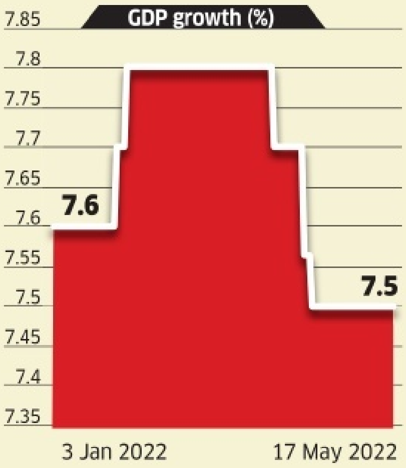
The rupee touched a low of 77.72 against the US dollar in May, depreciating by over 4% in 2022 so far. On the other hand, the Dollar Index which measures the strength of the US dollar against other major currencies, has jumped by over 9.3% in 2022.

The rupee is losing due to a surge in oil prices, subdued industrial production data and concerns of rising inflation. India meets most of its oil requirements through imports and rising oil prices increase the import bill. The latest NSE Market Pulse report forecasts a widening of current account deficit by 170 basis points to 3.5% in 2022-23 if crude prices average $100 per barrel.

The weakening rupee will also increase the cost of imported raw materials which in turn will hurt the operating profit margins of companies. Also, companies will find it difficult to service the debt raised in foreign currency. As the rupee weakens, one needs more rupees for trading the same US dollar and therefore the cost of interest servicing rises.

GDP growth forecasts lowered

Bloomberg analysts have downgraded GDP growth forecasts in the past few weeks.



Downgrade in GDP forecasts

The worsening macroeconomic issues have led to analysts downgrading their GDP forecasts for India. Morgan Stanley, the World Bank and even the RBI have revised their GDP growth forecasts for 2022-23. Morgan Stanley expects the GDP to grow by 7.6%, down from 7.9% earlier. The World Bank expects 8% growth, compared with 8.7% projected earlier. The RBI expects 7.2% growth, down from 7.8% earlier.

Such downgrades reflect the uncertainty regarding the recovery of consumption and investment demand as rising interest rates could impact the industrial capex or could delay or weaken consumer spending.

Most companies have also witnessed downgrades for 2022-23 earnings estimates. Over 67% of the companies in the BSE200 Index (184 for which Bloomberg earnings estimates are available) have witnessed downgrades in adjusted EPS consensus estimates for 2022-23 in the past three months.

Though Indian equity markets are volatile due to macroeconomic concerns, some analysts remain confident about its long-term prospects. According to a recent Jefferies report, Indian stocks remain Asia's best long-term structural story in terms of equities. The report lists strong tax revenues, rising government capital expenditure (central government's capex to GDP ratio rising from 1.6% in 2019-20 to 2.9% in 2022-23), and reforms like the performance-linked incentive (that aims to support the manufacturing sector) as key factors that will contribute to the success of Indian equities. There are other signs too.

Strong domestic inflows

Domestic mutual funds continue to partially absorb the selling pressure of FIIs. Inflows have remained positive since June 2021. In the first four months of 2022, domestic institutions invested ₹89,259 crore in equities (*see chart*). According to a Kotak Securities report, the domestic institutional investors holding in the BSE 200 Index increased from 13.4% in the December quarter to 14% in the March quarter. SIP inflows also continue to be robust, with ₹1.25 lakh crore inflows in 2021-22, a growth of 29.6% year on year. This massive inflow indicates the continuing interest from retail and HNI investors. Interestingly, SIP inflows have remained strong despite weak equity markets.

"The equity segment saw net inflows of ₹15,600 crore in April compared to ₹28,300 crore in March. Funds raised in NFOs were merely at ₹3,100 crore, indicating strong flows in the existing schemes. Equity funds across all cohorts saw net inflows and equity AUM grew 5% m-o-m to ₹13.9 lakh crore despite weak equity markets," says a Motilal Oswal report.

Decent Q4 numbers so far

There is good news coming from the boardrooms of India Inc. Till now, 32 companies in the Nifty index have declared fourth quarter results. For 28 companies, Bloomberg consensus estimates for adjusted EPS are available. Out of these, 18 companies (or 64%) have reported adjusted EPS higher than the Bloomberg consensus. Only 10 companies were below consensus.

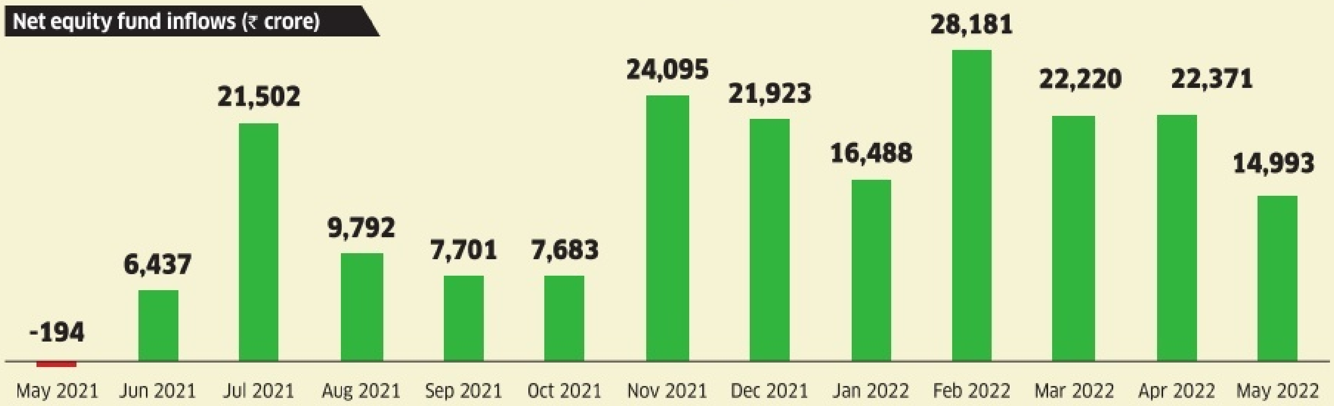
Private banks reported improved performance due to an improvement in asset quality and moderation in credit costs. The IT sector is supported by a strong demand environment and good deal wins. The automobile sector also reported a good set of numbers helped by price hikes and operating leverage. However, the sector will continue to face margin pressures due to the rising raw material costs.

Record GST collections

There is some more good news. GST collections hit a record high of ₹1.68 lakh crore in the month of April, a 20% growth from last year. "The total number of e-way bills generated in the month of March 2022 jumped 13% on a MoM basis, which reflects the recovery of business activity at a faster pace," according to the Finance Ministry release. Tax revenues grew 34% y-o-y in 2021-22 to ₹27.07 lakh crore indicating a good economic recovery. "This revenue growth has been propelled by rapid economic recovery after successive waves of Covid," says another release from the Finance Ministry.

Mutual fund inflows continue to be robust

Domestic investors have filled the vaccum created by exiting FIIs.



*May data up to 12 May 2022

Indian investors keep faith in markets

High SIP inflows indicate that investors are not worried by volatility.

Source: AMFI

GST collections at record high

Indicates that business has started booming again.

"Invest in mid and small caps through SIPs, not lumpsum"

Equity markets in India will continue to remain volatile till the US Fed decides that it is time to step away from fighting inflation, Sankaran Naren tells **Sanket Dhanorkar**

Sankaran Naren
ED & CIO, ICICI Prudential AMC

What is your perception of the market sell off? Do you expect more pain ahead or a quick rebound?
The US Federal Reserve Chair Jerome Powell believes that fighting inflation is the most important thing at this point of time. Consequently, we believe that equity markets will continue to remain volatile till the US Fed decides that it is time to step away from fighting inflation. But this does not rule out possibilities of periodical relief rallies.

RBI has finally kick-started the rate hike cycle. How do you expect the interest rate trajectory to play out and its impact?
We believe that short-term interest rates are likely to continue to go up significantly / have much more scope to increase from where we are at this point of time. The longer term curve has already become higher, while we don't discount the possibility of it going further up. At least the longer term curve reflects higher rates even now, unlike the shorter term curve.

What is your take on the impact of the weakening rupee and rising cost inflation for India Inc? Do you expect sharp earnings downgrades?
We believe that while some commodity oriented companies are likely to benefit from this trend, others are going to get hurt. So there will be areas where there would be earnings upgrade and in other areas we could witness earnings downgrades. We believe that export oriented companies in some cases would be beneficiaries of the weakening rupee at this point of time. We recommend funds, which are focused on exports and services, considering that in India, services sector is less hurt by increasing cost inflation and also benefits due to this trend.

"Investors who have not bothered to focus on risk management are likely to get hurt in this period of the market."

Is this likely to put a halt to the recent uptick in the value segment of the market?
Usually, it is globally believed that a sharp increase in interest rate aids the value segment in the market as compared to the growth segment. So we are still believers in the near term out-performance of the value segment relative to the growth segment. Yes, the segment has fared well in recent times. We also believe that this trend will likely continue in the near term.

Is the mid- and small-cap space ripe for bargain hunting now?
We don't believe that it is yet time for big lump sum investments in small- and mid-cap space. We think that the next few years would mark volatility in stocks in the segment. Hence, it merits a systematic approach like SIPs rather than lump sum at this point in time.

What are the big calls you're making in your equity and asset allocation funds amid the current market correction?
Since the market touched 60,000 level in September 2021, our call has been that we are in for a period of volatility. We believe that this period of volatility will end once the US Federal Reserve decides to stop tackling inflation and focuses on growth like they did in December 2018. So we are big believers in asset allocation and in volatility in equities and in debt markets. Consequently, we think that a systematic approach, along with following asset allocation techniques and investing in asset allocation funds / multi asset strategies which involves investing across categories is the best way to navigate the current volatile markets. We believe that investors who have not bothered to focus on risk management are likely to get hurt in this period of the market.

What is your take on the rout in the big tech names globally? What is the best approach for investors in global funds?
We believe that investors who are invested in global funds should not redeem at this point of time and invest in category like passive multi-assets for investing in global funds because the global stocks have corrected much more than Indian stocks.

How do you perceive value in some of the new age internet businesses that listed amid fanfare recently?
Some of these listings corrected substantially. Since most of the New Age and Internet businesses have not been listed, we are happy as a mutual fund industry that as and when they list in future, they will be at more reasonable valuations. We will get the benefit of more reasonable valuation given that the first few listings in this segment have seen losses for many investors. We hope, therefore, that issuers and investors are likely to be more reasonable in valuation techniques that they adopt in future instances.

What is the ideal approach to debt fund investing today?
People believe very often that in periods of increasing interest rates, it's difficult to find appropriate products in the debt mutual funds. But we believe that floating interest category is a very interesting category which benefits out of such an environment. And unlike decades ago, we are in a position to benefit out of increasing interest rate regime but only if investors choose to invest in this category.

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A crypto blow up, the first among many

The price of a cryptocurrency hits rocks bottom, leaving investors with nothing. But why are people surprised, asks **Dhirendra Kumar**.

DHIRENDRA KUMAR
CEO, VALUE RESEARCH

MONEY MYSTERIES

There are people who are saying that since crypto has fallen so much, it is better value now. This is perversion of what 'value' means in investing. There is no 'value' in an investment in which there is no underlying economics.

Something called Luna, which is (was?) apparently a cryptocurrency, fell by 99.98% in about a week's time. Actually, the arithmetic of the fall was tremendously entertaining as well as educational. It fell 96.7% over four days and then fell another 99.3% over the next two days. Presumably, the currency's full name is 'lunatic' and it's named after people who invested in it. If stories in the media are to be believed, there were many Indians who had invested in this thing. If your holding was worth ₹1 lakh on 5 May, then you might still be able to buy a samosa with it, provided you don't go to an expensive place.

As I'm writing this page, I can hear TV anchors screaming about the staggering losses. However, I don't think these losses are staggering at all. In fact, they are not even mildly surprising—they are exactly what one should have expected from this crypto nonsense. This is just one so-called currency—such things will be routine across the entire crypto wasteland in the days and weeks to come.

The only reason that is there to buy cryptos is the price and so if the price falls, then that reason only gets weaker.

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The best comment I read on social media about crypto was this: Sick of people calling everything in crypto a Ponzi scheme. Some crypto projects are pump and dump schemes, while others are pyramid schemes. Others are just standard issue fraud. Others are just middlemen skimming off the top. Stop glossing over the diversity in the industry. However, I don't actually intend to write about this thing today—there's nothing new in it and there is no sense in engaging with the sort of people who are obsessed with all this. I just hope that the kind of tax structure that this year's budget brought in for crypto currencies means that relatively few Indians will be impacted in the crypto disaster.

The most mind boggling idea is that investors should stick to 'conservative options' like Bitcoin instead of fringe ones like Luna. Strangely, even today, there are plenty of people who are saying that since crypto has fallen so much, it is much better value now. This is a complete perversion of what 'value' means in investing. There is no 'value' in an investment in which there is no underlying economics. Some weeks back, at the beginning of the current crypto crash, Nassim Nicholas Taleb tweeted this: For a contagion driven asset with no economic anchor such as #BTC, a falling price does not make it "cheaper" and more attractive. A falling price makes it less desirable and, paradoxically, more expensive. Why? Because price is its ONLY information.

If you think about what he means by saying that 'price is its ONLY information' then you will understand the whole story effortlessly. The stock price of a company has an underlying financial logic. That logic arises from its business track record, the profits it makes and will continue to make in the future. This means that if the stock price falls and the business parameters remain the same or improve, the stock becomes cheaper and therefore more desirable to buy. In fact, that's exactly what is happening in the Indian stock markets nowadays. The stock prices are crashing but the business parameters of many fundamentally sound businesses are stable or improving. That makes them a better value for investors. That's pretty much what value means in investing.

Cryptocurrencies have no such underlying economic logic. The only reason that is there to buy is the price and so if the price falls, then that reason gets weaker. There is no way to calculate value. It's a gamble, pure and simple. There is nothing else there. On top of that are the issues like taxation and the need to trade through shadowy entities that are self-declared exchanges but which have no one regulating them. If you still want to gamble, go ahead but don't say that no one warned you.

Please send your feedback to
etwealth@timesgroup.com

Fuel, veg prices see high inflation

Cabbage, raw cotton, radish and the humble *karela* saw the highest wholesale inflation in April and together with kerosene, liquid ammonia, aviation fuel, and natural gas, drove the price rise to a record 15.08% in April.

While the wholesale inflation in kerosene was 118.2% y-o-y in April, that for cabbage and bitter gourd was in high double digits at 88.3% and 75.4%, respectively. The high inflation in the food and fuel basket may put pressure on household budgets and drive down the consumption of discretionary goods such as mobile phones, leisure and travel.

The wholesale price index (WPI) measures price rises in 697 items, of which 564 are manufactured products. High wholesale inflation has impacted retail prices, driving consumer inflation to an eight-year high of 7.79%.

"Most of these items impact household budget and a rise in inflation will constrain their disposable income and demand," said ICRA chief economist Aditi Nayar.

Irdai rap for motor insurers over ads

Wants ads showing services not part of cover removed.

Regulator Irdai has asked motor insurance providers to discontinue advertisements showing services, like free pick up and drop of vehicle, which are not part of the insurance cover. General insurance companies enter into service agreements with motor workshops/garages for the purpose of providing motor insurance claim services for repair of accident vehicles.

Irdai said it is noticed that the service agreements in addition to claim services, extend certain assistance services not related to insurance claims such as free pick up and drop of vehicle, body wash, interior cleaning, inspection of vehicle etc.

"While the bundling of (such) facilities with insurance is left to the motor service providers, the general insurers issuing advertisements on the said services, projecting them as benefits provided within the insurance cover is unacceptable," the Insurance Regulatory and Development Authority of India said in a circular.

The main objective of service agreements with motor garages/ workshops shall only be providing insurance services for claims of accident vehicles and it cannot arbitrarily expand to include scope of services which are not relevant for insurance claims, it said.

The regulator has asked the insurers "to discontinue the advertisements in respect of the services not related to insurance claims as may be provided by motor garages/ workshops".

They have also been asked to stop displaying discounts with reference or comparison to rates of erstwhile tariff.

Irdai noted a perusal of advertisements issued by a few general insurers showing discounts up to certain percent, saving in the premium, and the illustrations provided therein, reveals that the features or benefits are applicable under extreme or exceptional scenarios.

The discounts in certain advertisements are not shown objectively on filed rates but expressed in comparison to rates of erstwhile tariff, Irdai said, and added this is not to be done.

NEWS IN BRIEF

Indian crypto exchanges face rough times

Indian cryptocurrency exchanges are set to face lower valuations, longer negotiation cycles, and hard bargaining by venture capital firms due to dipping trading volumes, talk of more restrictive tax regulations, and the impact of the Terra Luna collapse on retail investors. Market watchers say at least six transactions are stuck due to valuation mismatches between crypto platforms and investors and strategic buyers. Trading activity, which accounts for the bulk of revenue at exchanges, will shrink further when tax deducted at source (TDS) kicks in on 1 June, squeezing profit or even leading to losses for players with higher costs.

Uber fare hike

Ride-hailing app Uber India has said it has, over the past few weeks, raised fares to cushion drivers from the impact of rising fuel prices. The company said it always strives to make driving with Uber a viable and attractive option for drivers, and added that "the recent hike in fares will directly boost their earnings per trip".

Most expensive car

A 1955 Mercedes-Benz, one of only two of its kind, was auctioned off earlier this month for a whopping 135 million euros ($143 million), making it the most expensive car ever sold, RM Sotheby's has announced. The Mercedes-Benz 300 SLR Uhlenhaut was sold to a private collector, fetching almost triple the previous record price for a car, which was set in 2018 by a 1962 Ferrari 250 GTO that went for over $48 million.

Top executives may get 9% hike, finds survey

Top executives in India are expected to receive an increment of 8.9% this year, the highest in six years, according to a survey. The meatiest hikes are expected to be witnessed in sectors such as manufacturing, technology and ITeS, followed by life sciences and finance.

"Over the last few decades, a large percentage of India Inc has turned to outside talent instead of building from within. In the wake of the pandemic, however, talent is in short supply and the cost of attracting, retaining and engaging leadership talent that grows business is rising rapidly," said Nitin Sethi, partner and CEO, India for Human Capital Solutions at global human resource consulting company, Aon, which conducted the survey.

Pay at risk, the sum of variable pay and long-term incentives to total compensation for CEOs is pegged at around 60%, while C-level executives including the COO, CFO, sales head and chief human resources officer follow close behind at 50%, showed data from 475 companies across more than 20 industries.

These buoyant trends mean that robust salary hikes are expected over the next two years, while roles connected with the future of work will be highly valued. "Not only is the average executive compensation increase the highest in five years, but variable pay and equity grants have also risen as companies cannot risk losing key talent at senior levels," said Sethi. —*John Sarkar*

Axis MF sacks chief trader

Axis Mutual Fund has asked chief trader and fund manager Viresh Joshi to leave the firm following a probe into alleged wrongdoings by him.

The fund house was investigating whether two fund managers—Viresh Joshi and Deepak Agarwal—were involved in front-running, received kickbacks and executed trades that were detrimental to the interests of the unitholders. Earlier this month, the fund house had suspended Joshi and Agarwal as it was investigating "potential irregularities." In its latest statement on the dismissal of Joshi, Axis did not name Agarwal. It could not be ascertained if the charges against Agarwal have been cleared.

"Axis AMC has been conducting a suo moto internal investigation since February 2022, using reputed external advisors to assist with this ongoing investigation. Further to our investigation, his conduct and following the decision to suspend him, the employment of Mr. Viresh Joshi has been terminated with effect from May 18, 2022," said an Axis MF statement. Joshi has been working with the fund house since 2009.

What ails India's ETF industry?

Lack of liquidity in underlying stocks is leading to distortion in prices, negatively impacting investors.

by **Himadri Buch**

For sometime now, prices of lemons have been at the centre of some tart discussions. Experts say unconducive weather and a heatwave across the country forced prices up. But it boiled down to an imbalance between demand and supply. This imbalance is what controls prices and markets for the tangible and intangible. Exchange-traded funds (ETFs) are ailing because of this imbalance. As a result, there is lack of liquidity in India's ETFs.

To be sure, ETFs in India are spreading wings. In July 2021, the 100th ETF got listed on NSE, but it took 19 years to hit the century. Liquidity has been a cause for worry. The Motilal Oswal Nasdaq 100 ETF, with assets at ₹6,130 crore, is trading at ₹104.50 or 9% premium over its NAV. The Hang Seng BeES, managed by Nippon Life India AMC, with assets of ₹88 crore, is trading at a premium of 18% over its NAV, with the market price at ₹305. This difference in NAV and market price happens because of an imbalance between demand and supply.

Currently, ETFs tracking international indices have to cap their investments at $ 1 billion in foreign stocks and these funds are not allowed to create new units by raising new money. But since they continue to trade on NSE as well as BSE, their prices are distorted vis-à-vis their NAVs.

While international ETFs on Indian exchanges have a regulatory problem, the fact is Indian ETFs have always had distorted prices. This problem is getting serious because investors are now demanding ETFs on various indices. There are now a slew of ETFs that are launched on indices that are related to factors like quality, alpha, value, or size, where the underlying is not liquid, leading to distortion of prices.

While there is no easy solution for this, the right thing for most investors is to simply follow a market-cap index like the Nifty 50 and the ETFs based on it like the SBI Nifty 50 ETF or the Nippon Nifty BeES.

But even here, in times of extreme drawdowns, these ETFs have failed to meet investors' expectations. Anish Teli, managing partner of QED Capital PMS, says, "In India, the structure of the ETF market is a problem. ETFs can only be launched as a passive product. In the US, ETFs are more tax-efficient than mutual funds, and there are ETFs based on actively managed strategies. So, the underlying stocks and the ETFs are traded every day and liquidity is usually not an issue."

According to NSE, during the last five years, passive funds' AUM has increased from ₹52,368 crore as on 31 March 2017, to ₹499,319 crore as on 31 March 31 2022 (an annualised growth rate of 57%).

According to industry experts, EPFO has 92% of passive funds and retail investors hold only 2%. "Lack of liquidity in ETFs today is mostly due to lack of awareness of ETFs in the retail segment. In addition, most of the large buyers of ETFs tend to skip the exchange and go directly to the AMC," says Pratik Oswal, head - passive funds, Motilal Oswal Asset Management.

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Tracking liquidity of some prominent ETFs

BROAD MARKET ETFS	PRICE AS ON 6 MAY 2022	VOLUME	AVERAGE VOLUME
Nippon India ETF Nifty BeEs	177.94	95,09,041	48,39,113
SBI-ETF NIfty 50	168.76	9,74,501	5,05,541
SBI-TF Nifty Next 50	423.46	95,888	39,564
ICICI Prudential Nifty 100 ETF	181.99	17,582	15,838
Nippon India ETF Bank BeEs	348.58	19,51,542	10,01,483
MOST Shares N100 ETF	104.57	9,76,633	4,51,848
MOST Shares Q50 ETF	51.24	41,012	19,878
Mirae Fang+ETF	41.31	8,93,561	7,00,001
Mirae S&P Top 50	26.84	2,57,663	2,18,413
Mirae HK Tech Index	13.84	2,68,904	4,87,029
Nippon India ETF Hangseng BeEs	305.95	Low volume	1,803

Source: Indian ETFs and Index Funds

In India liquidity is a big deal. Leaving aside the top 100 stocks, liquidity, which can be measured in impact costs, starts to fall. Faced with limited options, investors want to pile on whatever products are available in the exchanges. This leads to a premium over the NAV, resulting in a loss to the investor where he is buying a product with low costs, but ends up actually shelling out a higher price.

"In index funds, you buy/redeem with the MF company at NAV, whereas in ETFs, you buy/sell at the exchange, where the last-traded price can deviate significantly from published NAVs. Thus, the total cost of ownership can be significantly higher than index funds," says Ravi Saraogi, co-founder, Samasthiti Advisors.

He feels that even in prominent ETFs, there are times when the exchange price shows volatility over the NAV. Smaller and newer ETFs with thin trading volumes will require significant market-making support from AMCs before retail investors can confidently invest in them.

Industry players say liquidity will become robust only if promotional activities are done. Also Sebi must allow smaller investors to come directly to the exchange as opposed to buying a basket, and regulate ways to incentivise market-makers.

Sometimes liquidity scarcity is artificial. For instance, an ETF launched by Kotak Mutual Fund in December 2021 called Kotak Nifty Alpha 50 ETF, based on the Nifty Alpha 50, holds mid- and small-cap stocks that are often illiquid. Its top holdings, Brightcom Group (10.46%) and TTML (6.31%), have the highest impact costs in the top 500 stocks on the NSE. Both these stocks have given very high returns in the past year, but they are illiquid. These illiquid stocks made the ETF illiquid.

Interestingly, the Kotak Nifty Alpha 50 ETF did not hold these two stocks, violating Sebi guidelines that an ETF should replicate the full index. As the fund did not buy 16% of the index holding in the ETF, it led to a tracking error of almost 3%. Market-makers will also refrain from providing liquidity to an ETF which is illiquid. New fund houses are also not too keen on launching ETF products, as they feel the liquidity crunch will spook investors.

For retail interest to grow in ETFs, listed-units trading is the alternative to accumulate ETFs from exchange. In India, while clearing investment documents of ETFs, Sebi requires a minimum of two market-makers to create liquidity per ETF by giving two-way buy and sell quotes on the exchange for listed ETFs. This is expected to help retail accumulate and exit ETFs when desired. Although listing ETFs is beneficial to retail investors operationally, there is a flip side to exchange listing of ETFs when the listed price goes at a premium or discount to actual NAV of the ETF. At premium, the ETF buyer is left with less returns, while at discount, the ETF seller does not get the best realisable value.

If volumes increase to consistent healthy levels on the exchange, domestic industry will have ETFs that will be more efficient. AMFI needs to focus on making ETFs' low-cost investing popular among retail, especially ultra HNIs and HNIs. With deep pockets, these investors can buy or sell in large volumes on exchanges that could propel higher consistent trading volumes.

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FRONT RUNNING DOESN'T HURT, BUT IS UNETHICAL

Allegations of malpractices by mutual funds have surfaced in recent times. We explain the modus operandi of the perpetrators and whether such malpractices hurt investors.

The allegations of front-running in mutual funds may have shocked investors, but observers are not surprised. Front-running, insider trading and misuse of information are not uncommon in the investment world. In the past 12 months alone, several such instances have come to light (*see box*).

Front-running is the illegal use of advance information leaked to brokers by mutual fund staff. Tips on impending purchases give the trader an advantage over others and is a sure-shot way to make big money (*see graphic*). Leveraged buying can yield even bigger gains.

But this game is not as easy as it may sound. The dealing rooms of mutual funds and brokerages are high security areas with strict confidentiality rules. Dealers aren't allowed to carry personal phones and must use recorded phone lines. In the past two years, these rules have got diluted due to work-from-home. Also, the stringent rules cannot stop an individual from leaking the information after office hours. So, although fund houses and market regulator Sebi keep a tight watch, the human element in the equation means they can't completely stop front-running.

Though front-running works well in the mid-cap and small-cap stocks, it does not yield too much in the large-cap segment. If a mutual fund places a large purchase order of ₹20-30 crore, it can make a big difference in the price of a stock with a market cap of ₹2,000-3,000 crore. But a large-cap stock with a market cap of ₹50,000-60,000 crore may not get affected.

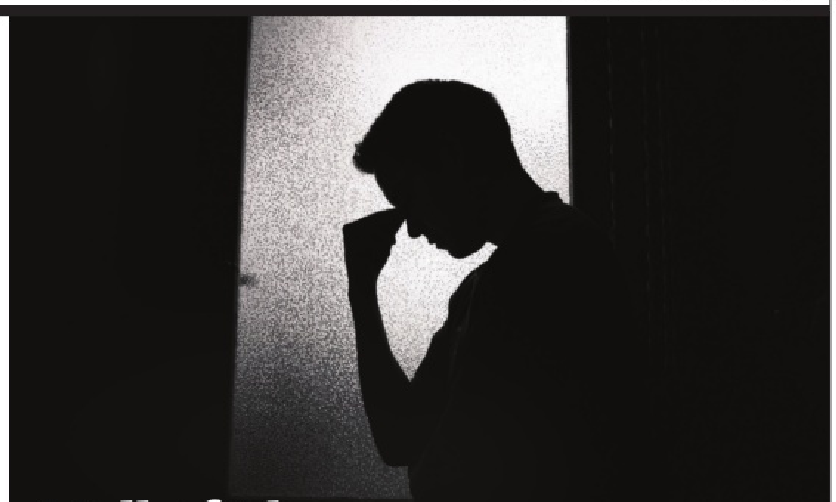
At the same time, some momentous development like the merger announcement of HDFC Bank and HDFC can make even large-caps zoom. Derivative buyers would have made a killing the day the merger news came out. That the move was kept a closely guarded secret is an indicator of the corporate governance norms followed by the HDFC group.

While front-running is both unethical and illegal, it does not really hurt the common investor in stocks and mutual funds. Yes, the advance information is very potent and brokers have made millions using this illegal market practice. In 2019, two entities coughed up ₹10 crore to settle a front-running case.

However, purchases by front-running racketeers are not big enough to make a difference to the stock price. The front-runners make big money, but not at the expense of mutual fund investors. Sellers from whom the front-runners buy are possibly the only ones who lose out. They are not aware that a large purchase order will push up the stock the next day.

Modus Operandi

How front runners make their millions



Hall of Shame

Front-running, insider trading and stock price manipulation–instances of malpractices are common in the investment world. Here are some recent cases:

May 2022

Two fund managers of Axis Mutual Fund–Viresh Joshi and Deepak Agarwal–were suspended after an investigation by the fund house. They allegedly shared information about investment decisions with brokers in Gujarat in return for kickbacks. The two had assets disproportionate to their known income. Sebi is still investigating.

Dec 2021

Deutsche Mutual Fund fund manager Akash Singhania and his parents paid ₹5 crore to settle a case of alleged front-running. As the fund manager of Deutsche Mutual Fund, Singhania had knowledge of impending orders of the fund house. He opened four trading accounts in the names of his parents–Ashok Kumar Singhania and Premlata Singhania–who bought the scrips before the fund house placed orders and sold them when prices rose. Sebi says they made more than ₹1.4 crore profits.

Jun 2021

Just before Franklin Templeton shut its six debt mutual funds on 23 April 2020, some senior functionaries and their relatives reportedly redeemed almost ₹30 crore worth of investments in the troubled schemes. Sebi termed this as misuse of non-public information and imposed a cumulative penalty of ₹7 crore on Franklin Templeton director Vivek Kudva, his wife Roopa Kudva, and other relatives. The Kudvas have challenged the Sebi order.

May 2021

Sebi barred three individuals from accessing the capital market for running a front running racket. Rakesh Shah, a dealer with Reliance Capital Mutual Fund, Anita Shyam Mhatre, who had a trading account, and Sanjay Parekh, a dealer with a brokerage firm Anugrah Stock & Broking teamed up to run the racket. As a dealer with Reliance Capital Mutual Fund, Shah knew about impending large trades. He passed that information to Parekh, who used Mhatre's trading account to purchase securities. The three made around ₹8.87 lakh in profits.

Feb 2021

TV anchor Hemant Ghai, his wife and his mother were barred from accessing the capital markets after Sebi found them guilty of price manipulation. Ghai used to recommend scrips in his TV show. He had opened trading accounts in the name of his wife and mother. The shares were bought one day before the recommendations were made and sold when the stock price went up after the show. According to Sebi, Ghai made an estimated ₹2.95 crore this way.

Jul 2020

Four entities were fined ₹2 crore for front running at HDFC Mutual Fund. The equity dealer of the fund house, Nilesh Kapadia used to tip off Dharmesh Shah about impending orders at HDFC Mutual Fund. Both were fined ₹50 lakh each, while brokerage firm IKAB Securities & Investments was fined ₹60 lakh and Ashok Nayak was fined ₹40 lakh. The four were also barred from the capital markets. Sebi estimated they made ₹1.75 crore from front running.

NBFCs in India face moment of truth

by **Joel Rebello**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HDFC's merger into its banking arm has brought into focus the future of non-banking finance companies (NBFCs) as tightening regulations and greater oversight from the RBI have slowly eroded the advantages of being a shadow bank.

Analysts said large NBFCs who were thriving on the availability of easy money and soft regulations will now have to brace for tighter supervision on par with banks, forcing a rethink on their existing structure.

"Increasingly as the regulatory arbitrage is shrinking, and regulators are looking at differential oversight based on scale, the decision on the form of business —either NBFC or bank—is more relevant from the perspective of the business model," said Prakash Agarwal, head-financial institutions at India Ratings. "A banking structure gives funding stability, gradually over the long term."

The RBI has slowly harmonised regulations between banks and non-banks after the stunning collapse of IL&FS in September 2018. A few months ago, it introduced scale-based supervision rules for NBFCs which tightened regulations for large companies. These norms will be effective from October.

NBFCs above a threshold size will have to set aside funds like banks under liquidity coverage ratio (LCR). The RBI has also asked NBFCs to follow the 90-day timeline for NPA classification in line with banks. Besides, NBFCs will be covered under the prompt corrective action (PCA) framework that imposes curbs whenever financial parameters deteriorate.

"At some point, the size of NBFCs will start biting... and therefore, the end game is a banking licence. The fact that RBI has killed all arbitrage that was there in the NBFC sector by harmonising norms, introducing LCR and keeping higher capital levels means that increasingly it is going to get difficult for them to operate and maintain the same levels of profitability as in the past," said Suresh Ganapathy, analyst at Macquarie Securities.

But, not all NBFCs will find it attractive to convert to a bank. "It will not be 'one size fits all' because some large NBFCs may not want to dilute promoter stake below 26% while others are corporate-backed entities for which current RBI do not allow a banking licence. One way to ensure promoter holding is diluted is to merge with another NBFC or, easier still, merge with a bank. This HDFC deal is a template," said Anil Gupta, vice-president, ICRA.

NBFCs like Shriram Transport, Bajaj Finance, Cholamandam Finance, L&T Finance or even Tata Capital will have to rethink their future in light of heightened regulations.

"The dispensation RBI gives HDFC Bank to achieve its statutory ratios, lending targets and stakes in subsidiaries is now important. If the RBI gives HDFC more time or an easy glide path, it will be an indirect signal for others to convert or merge with a bank," Gupta said.

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How credit fit are Indians?

A Paisabazaaar survey analyses how aware Indians are about their credit scores.

Customers from metros more credit healthy

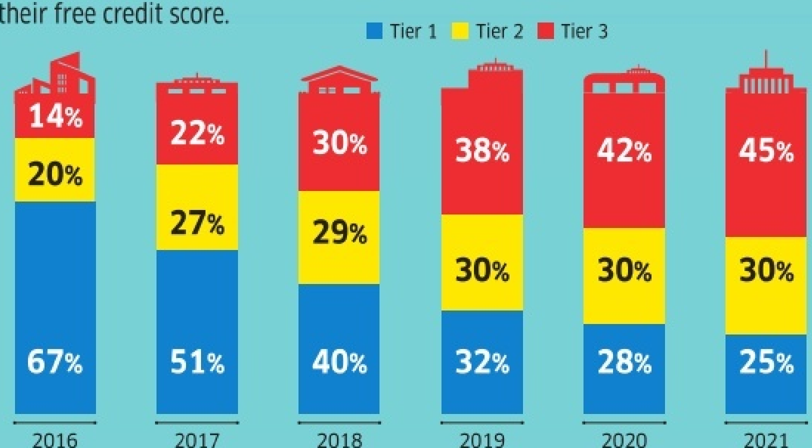
Despite rising awareness among consumers from non-metro cities, they are still behind in terms of credit health.

43% customers from metros have a credit score of 750 or more

36% customers from non-metros have a credit score of 750 or more

Smaller cities wake up to importance of credit score

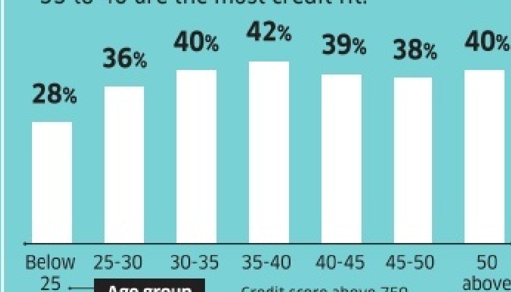
Rising number of customers from Tier 2 and 3 cities are visiting the Paisabazaar site to check their free credit score.



Y-o-y geographical distribution of new credit score customers

Steady rise in credit awareness with age

While those below 25 years seem to be least credit healthy, consumers in the age group of 35 to 40 are the most credit fit.



Credit score above 750

Continuous monitoring help consumers work towards a strong credit score through responsible credit behaviour, which in turn builds their eligibility for the best loan and credit card offers from banks and NBFCs.

To build and maintain a strong credit score, one must regularly monitor one's credit score. This enables responsible and corrective action, which help improve and build credit score over time. Regularly checking one's credit report will also help one in keeping it error-free and detect any fraudulent activity.

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Don't write off gold yet

Gold's recent showing has been less than stellar but factors that can push up prices still remain in play.

by **Sanket Dhanorkar**

In the past one month, both equity and bond markets have suffered amid rising inflation and fallout of the prolonged Russia-Ukraine conflict. Surely gold would have put up a better show, given its safe-haven appeal? Not quite. Gold prices have also fallen in tandem with other asset classes, compounding investors' misery. Domestic gold prices have fallen 7% to ₹50,450 per 10 gram from April peak of ₹54,380 per 10 gram. So does this mean gold is not doing its job? Is gold's utility as an asset allocation diversifier broken? Let's find out.

Gold is traditionally seen as a safe-haven asset during times of economic strife and uncertainty. The precious metal is also viewed as an inflation hedge to protect against the debasement of fiat currencies. It tends to have a loose correlation with other asset classes, particularly equities. That is why, financial advisers usually recommend having some allocation to gold as a diversifier to cushion the investor's portfolio during bad times. However, the yellow metal has failed to live up to its billing in recent weeks even as financial markets have tumbled. This is despite a fall in real interest rates, which is usually conducive for gold.

The answer lies in a resurgent US dollar and buoyant US bond yields. The dollar has been surging as investors rush to the safety of the greenback amid concerns over persistent inflation. The dollar index rose for five straight weeks to a 20 year high as US treasury yields have climbed on expectations the Fed will be aggressive in attempting to tame inflation. After its 50 bps hike earlier this month, investors expect the Fed to follow up with two more front-loaded rate hikes. This is making investors nervous, and putting them in risk-off mode. "Market fear that inflation may remain high in the near term while tightening may slow down growth caused market players to shun all riskier assets like commodities and equities and stick to the most trusted asset which is the US dollar," says Ravindra Rao, CMT, EPAT, VP- Head Commodity Research, Kotak Securities.

Gold and dollar tend to have an inverse relationship. When the dollar is on a strong footing, it makes gold less attractive for buyers holding other currencies. Rising short-term interest rates and yields in turn raise the opportunity cost of holding gold. While the Fed maintains its hawkish stance, real yields (adjusted for inflation) are expected to move higher. Positive real yield undermines demand for gold because gold does not yield anything. That is why gold has been declining despite the safe-haven demand from inflation and war concerns. "The Fed's tightening cycle will continue to put downward pressure on gold for the next couple of months," opines Chirag Mehta, CIO, Quantum AMC. As gold lost momentum near $2,000/oz level, some investors chose to exit. Gold holdings with SPDR ETF fell by 12.55 tonnes to 1,082 tonnes, lowest since mid- March. Gold ETF flows may become more price sensitive, Rao observes. "We may see fresh buying in gold only when market focus shifts from central banks to economic risks."

However, this does not mean that gold has lost its own safe haven allure, experts insist. Factors supportive of gold prices continue to remain in play. Central banks continue to value gold's utility in these uncertain times and thus added 84 tonnes to global official gold reserves during the first quarter. Analysts expect central banks to continue to diversify away from dollar assets into gold. Global growth worries have only intensified in recent weeks amid mixed economic data from major economies, downbeat growth forecasts, continuing Russia-Ukraine fighting and anaemic activity in China owing to virus related restrictions.

With so many moving parts, the likelihood of the US Fed achieving a soft landing for the economy is low, reckons Mehta. "A growth slowdown, high debt levels, and financial market instability will ensure that the Fed's tightening is short-lived, making conditions conducive for gold again," argues Mehta. He believes the US and other global central banks are staring at a policy error. Inflation may not come down even if interest rates are hiked as supply-side inflation persists and contributes equally. It is possible aggressive policy actions may kill inflation at the expense of growth. If central banks realise this and take a U-turn, it will lead to repricing in gold.

The yellow metal has already seen some respite as the strength in US dollar and US bond yields has started to moderate. Rao reckons gold may see some recovery soon as growth and inflation concerns increase its safe haven appeal. Experts maintain that investors should be guided by their asset allocation and keep up to 10-15% of their portfolio in gold. This can be built in a staggered manner via investments in gold ETFs or fresh tranches of Sovereign Gold Bonds.

Price change

Will gold live up to its utility as a portfolio diversifier?

Year	S&P BSE Bond Index	Nifty 50 Index	Mumbai Spot Gold
2013	4%	7%	-5%
2014	15%	31%	-8%
2015	8%	-4%	-7%
2016	13%	3%	11%
2017	4%	29%	7%
2018	8%	3%	7%
2019	11%	12%	21%
2020	12%	15%	31%
2021	4%	24%	-7%
2022*	-1%	-9%	6%

*until 16 May. Compiled by ETIG Database. **Source:** Bloomberg.

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Q&A

Our panel of experts will answer questions related to any aspect of personal finance. If you have a query, mail it to us right away.

QUESTION OF THE WEEK

I am 26 and employed in the government sector. My income is around ₹70,000 per month. I have my savings mostly in PPF and FD. I am keen on investing in mutual funds, bonds and equities. How do I start investing?

The amount parked in FDs can be set aside as part of your emergency fund, which should cover at least 6-9 months' worth of expenses. You can gradually increase this buffer as your expenses and responsibilities grow. You have not mentioned how much you wish to invest in mutual funds. Assuming you wish to invest for the long term, it is advisable to have a higher allocation to equity funds. Your long-term debt allocation is already managed via EPF contributions. So start with two or three equity funds. Pick from the following options: 40-60% in one large-cap index fund and remaining 40-60% in one flexi-cap or large and mid-cap fund. Or go for 30% in one large-cap index/active fund, 40-50% in one large and mid-cap or flexi-cap fund and remaining 20-30% in a mid-cap fund. Since you are just starting, begin with a few funds only. As your investment amount increases, you can introduce new funds into the mix. Also, it's assumed that your tax savings are already handled via EPF/PPF contributions and hence, no ELSS funds have been suggested. If you have any short-term goals, consider debt funds too. Pick one or two schemes with large AUM from ultra-short, low or short-duration funds.

Also, if not immediately then eventually, please try to assess how much needs to be invested for important goals like house purchase, (future) children's education, retirement, etc. And that is because just investing an X amount every month may not be enough to achieve all goals on time. Find out how much needs to be invested, and then begin investing that amount. Also try to increase your SIP every 1-2 years. Your income would grow every year. It's a good idea to bump up your SIP amount too periodically.

Dev Ashish
Founder, StableInvestor and Sebi-registered investment advisor

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On 26 July 2016, I paid advance tax of ₹1,79,000. Unfortunately, I missed claiming it in the 2016-17 returns and also in the ITR of subsequent years. The challan is basically lying unutilised. I realised this only a few days back and cannot file a rectification income tax return for the financial year 2016-17 as four years have already passed. How can I get a refund or can the date be changed on the challan so that I can claim it in this or next year's return?

This will require the payment challan to be re-assigned to the current assessment year, so that you can use it to set off your current tax liability. This reassignment is possible only via your jurisdictional assessment officer. You can write them an email detailing the issue or visit them for the same. The contact details of your jurisdictional assessment officer are available at *https://www.incometax.gov.in/iec/foportal*. You can click on Quick links>>Know your AO. You will need to put in your mobile number and PAN and validate an OTP received on your mobile to get to the final page which displays assessing officer's details.

Shubham Agrawal
Senior Taxation Advisor, TaxFile.in

I intend to invest in an overseas tech startup through the platform Crowdcube. The company is based out of the Cayman Islands. Please guide on what are the rules in India for an individual citizen to invest in such a startup. Also, what would be the tax implication of such investment on the individual?

Under foreign exchange regulations, resident individuals are allowed to invest in equity shares of startups outside India. Such investment is subject to overall limit of $2,50,000 per financial year and criteria laid down in the regulations which provides for certain prohibitions (investment in real estate business, financial service business, banking business) and specific guidelines such as valuation, compliances etc. Besides, tax implications shall not be triggered at the time of investment. Any dividend income earned shall be taxed as per applicable slab rates under the Income-tax Act,1961. Further, any gains at the time of transfer of such shares shall be taxed depending upon the period of holding (short term gains at applicable slab rates and long term capital gains at the rate of 20% plus surcharge and cess). Additionally, such investments have to be reported in your income tax return in the Schedule Foreign Asset and Liabilities and under the head details of unlisted equity shares.

Amit Maheshwari
Partner, AKM Global

My parents are 62 and 65. Both have high BP and diabetes. Earlier, they were covered under the medical insurance provided by my previous employer. However, for the past five months, they are not covered under any health insurance policy. Would it be a good idea to get health insurance for them at this age? If yes, please suggest, which insurance should I get for them and how much would it cost? They don't have any other major health issues.

As your parents are senior citizens, my suggestion is that you buy a separate health insurance plan for your parents rather than covering them under your corporate plan. It's never advisable to solely rely on corporate policy either for yourself or your family. In the case of senior citizens, corporate plans have many limitations. So, it's highly recommended that they should opt for comprehensive coverage under a senior citizen health insurance plan individually instead of being part of a family floater plan. Health issues are unpredictable, so it's important to choose a policy that ticks the maximum number of boxes on your checklist. This includes pre-existing disease coverage, OPD coverage, high sum insured, and a shorter waiting period. There are several plans available in the market with varying costs. For instance, Max Bupa Health Insurance or Care Health Insurance offer a cover of up to ₹1 crore with a premium ranging from ₹6,000-8,000 per month for a 65-year-old male and 60-year-old female in a metro city depending on terms and conditions. Don't forget to check for riders that may enhance the coverage for your parents depending on their health condition.

Sarbvir Singh
CEO-Policybazaar.com

I have been investing through SIPs in Motilal Oswal Nasdaq Fund for the past two years. With the limit constraint, my SIP has been stopped. Should I wait or redeem? How else can I invest in US funds?

You need not redeem the Motilal fund as there is no performance related issue. Since the RBI restriction is taking time to resolve, you can consider starting SIPs in FoFs that invest in global ETFs, as their limit is yet to be breached. Kotak Nasdaq 100 FoF is one such fund that invests in Shares Nasdaq 100 ETF and is also allowed to invest in a few other Nasdaq 100 ETFs globally. Given the present correction, you can start accumulating now.

Vidya Bala
Co-Founder, PrimeInvestor.in

Ask our experts

Have a question for the experts?
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In PF, one size doesn't fit all

Ways of managing finances vary widely for those earning and those retired, says **Uma Shashikant**

GETTY IMAGES

UMA SHASHIKANT
IS CHAIRPERSON, CENTRE FOR INVESTMENT EDUCATION AND LEARNING

The earning person's portfolio is more capable of making tactical portfolio reviews and changes. A retired person's portfolio needs to be more strategically managed.

A reader asked an interesting question: Aren't personal finance principles universal? My father and I have persistent arguments over our money decisions. That is to be expected. So much has been already written about how one's life stage influences one's personal financial decisions. Can you compare and contrast the earning stage with the retirement stage, he asked. This column is another attempt.

First, risks to income in the earning phase come from the human asset. In retirement, risks to income come from the financial and physical assets. The primary source of income is the profession, job, or business when one is young. The skills one brings to the task, and the demand for those skills in the marketplace determine how well a human asset can perform and earn a stable, sufficient and sustained income.

In retirement, the income is generated from pensions, or from assets or investments. While most argue that not having a job is risky, in reality, control over income is better in retirement. Pension does not get impacted by performance appraisal, nor is it at risk from losing a job. It remains as long as one is alive. Returns from investment are subject to risk, but a large enough corpus and a sensible asset allocation can fix that problem satisfactorily.

Second, the adequacy of income and its ability to fight inflation are very different though. Pensions may not be sufficient. Their indexation to inflation may not be adequate. Even with a smart asset allocation and investment management, an insufficient corpus cannot offer an adequate and steady income. Retirement is constrained by the ability to flex and modify income levels. The earning phase enjoys tremendous facility to enhance income from new skills, new ventures, improved job markets, multiple sources of earning through moonlighting, and the ability to climb the career ladder.

Third, the presence of a potentially increasing income stream offers better cushioning in the earning years in making portfolio construction and rebalancing decisions. For example, if adequate income is available and some savings are possible every month, an earning member's portfolio can be overweight equity. A retired person's portfolio cannot overdo equity for two reasons: it needs to generate income and it has to hedge any serious fall in equity assets.

Fourth, the earning person's portfolio is more capable of making tactical portfolio reviews and changes. A retired person's portfolio needs to be more strategically managed. For example, we speak of taking advantage of a falling or fallen market, to enter into new long positions. Someone with a steady salary and investible surplus is always in a position to deploy funds into a bear market. A retired person will not have this tactical advantage, as they may have no liquid funds when an opportunity presents itself.

Fifth, a retired person's portfolio will have to be strategically constructed and does not benefit from accretions. The value of the portfolio is closely linked to market performance. A bold equity allocation at the start can suffer a serious dent if the markets crashed thereafter. An earning member's portfolio enjoys accretions from regular surpluses coming from growth in income over the years. Many have seen their saving ratios advance significantly as they earn better with the years. They may be able to spend and save more. A retired investor's portfolio accretions are purely from returns from their assets, not contributions of surpluses.

Sixth, a retired person's portfolio may be tuned to realised gains and reallocations, while an earning person's portfolio might be focussed on allowing unrealised gains to run. Laddering and rebalancing are precious strategies for the retired. Booking profits out of growth assets and moving them to the income portfolio is often done to keep incomes strong and to prune equity allocations from going too high. They however end up getting out of winning assets prematurely. Since the earning member's portfolio has no income requirement, they can allow profits to run and focus on cutting losses when they occur.

Seventh, an earning member is able to use leverage to enhance their gains and to fund their income needs without liquidating the portfolio. They can borrow against their assets, using their incomes to repay these loans while protecting their assets. A retired person's ability to borrow and service loans is limited. Both by a limited and investment dependent income stream. A retired person with an income surplus might be conservative in their spending habits, or investment allocation, or both. They may therefore be reluctant to borrow, even if they actually can.

Eighth, an earning member's portfolio benefits from being oriented towards defined financial goals. The run rate of the portfolio, or the required rate of return, is defined by the funding required for the financial goal. The saving and investment are tuned to that calculation. A retired investor enjoys the luxury of not having to worry about funding financial goals. The corpus that gets left behind for heirs can be treated as residual after their needs are met.

Ninth, a retired person needs no life insurance, though the health insurance needs may be high and expensive. A young earning investor needs life insurance first, before building assets. Health insurance may be provided by the employer or may be available at better rates. A retired person is able to use their assets if an emergency arises; a young earning investor may not have built adequate assets yet. Insurance is the protection until then.

Tenth, an earning investor may be keen on acquiring assets and building wealth, skewing their portfolio while trying to do so. Someone buying a house early in their career, will most likely have all their wealth in one property. The retired investor should ideally have a balanced mix of assets—equity, debt and property. If their portfolio is also skewed, it may become a constraint in generating income and protecting from inflation.

Much of these contrasts are well known. This listing is to contrast how the fundamental principles with respect to risk, return, income, growth, borrowing, surplus, strategic and tactical asset allocation are very different for those earning an income and those who may have retired. These differences drive how portfolios will be constructed, reviewed and rebalanced. In personal finance, there is truly no generalising; every person may have their unique objectives and constraints.

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How to save for your higher studies

GETTY IMAGES

Save more so that the loan amount is lower and hence easier to repay.

Manya has just got her first job after completing undergraduate studies. She plans to work for a few years before going back to school to get a management degree. She has been told that her chances of getting into a good management school will improve with work experience. Besides, she will also be able to save up for her higher education. Like all young earners, she likes to spend on holidays and enjoying life, but is also keen to save for her future. Her parents live a comfortable life but are not wealthy enough to fully fund her education. Allocating a large sum for her education will compromise their other goals. Manya likes her financial independence and is tempted to leave home and fend for herself in another city since she has a lucrative job offer. She, however, does not have a large enough salary to live on her own while also saving for her education. What should she do?

Manya's key goal is to fund her higher education. She has to first ascertain whether her savings would be adequate to cover her education costs. She should build in a conservative rate of return (use a bank deposit rate) on her investments in which she will deploy her savings. She can seek a bank loan for the balance amount. She should choose her management school with a good placement record so that she can repay the loan without any difficulty. Her focus should be on increasing savings so that her loan amount is lower to that extent and repayment does not become a problem.

Since her parents are willing to support her routine needs, Manya should use this to increase her monthly savings. If rent, food, health, transport and such routine expenses are taken care of by her parents while she works, she will have a higher saving surplus. She should not move out on an emotional impulse, as it would increase her expenses and significantly reduce her ability to save. Her parents may be willing to see this arrangement much better compared to funding a large sum for her higher education. They may also be willing to guarantee her education loan, instead of funding her directly.

Since Manya knows that she will need an education loan in the future, she should work on building a good relationship with her bank. She should ensure that she builds her deposits and investments through one bank account and should keep a clean record.

She should use the credit card judiciously at this time, and not take personal loans. If she takes a loan, for example, to buy a car, she should repay it on time and maintain a good credit record. Since what is not saved ends up being spent, Manya should begin a systematic investment plan that auto-debits her account towards investment, even before she has money to spend.

Content on this page is courtesy Centre for Investment Education and Learning (CIEL). Contributions by Girija Gadre, Arti Bhargava and Labdhi Mehta.

SMART THINGS TO KNOW

Retirement bucket strategy

1 It is an investment approach that bifurcates your retirement corpus into three buckets.

2 These buckets are based on the time horizon for the money will be required—immediate, medium-term and long-term.

3 Immediate bucket holds money in liquid assets, medium-term bucket in income assets, and long-term bucket monies in growth assets.

4 It helps withstand market fluctuations while managing withdrawals.

5 This strategy should be topped up with asset allocation and rebalancing strategies for optimisation.

PAPER WORK

Selecting a health insurance policy

In view of rising medical costs and treatments, it is extremely important to have a health cover. However, one should consider some basic factors before finalising an appropriate cover.

Waiting period

In case of a pre-existing disease or certain procedures or maternity benefits, there is a waiting period applicable. It is not possible to make a claim for that disease or procedure during this period. So, check the waiting periods while evaluating a product.

Hospital tie-ups

Every insurance company has tie-ups with certain hospitals and this list can easily be viewed on the company or TPA website. These network hospitals offer a cashless claim facility wherein the insurance company directly settles the claim with the hospital. One should check whether a nearby hospital is covered under this list.

Coverage

It is important to check the various coverages of the policy, the limits of each cover, and whether modern or alternative types of treatment, pre and post-hospitalisation costs with respect to diagnostic tests, check-ups, etc are covered. Also, check whether the policy covers daycare procedures.

Claims process

A hassle-free and fast claims process plays a crucial role in selecting an insurance company. It should have responsive customer support and a quick resolution mechanism.

Points to note

- It is necessary to disclose all health-related information to the insurance company with respect to pre-existing diseases and other health related factors.
- There is a free-look period of 15 days from the date of receipt of the policy, during which the insured can cancel the policy if not found suitable, without any charges being levied.

The Economic Times **Wealth**
May 23-29, 2022

In This Section

SMART STATS

ET WEALTH TOP 50 STOCKS

Every week we put about 3,000 stocks through four key filters and rate them on a mix of factors. The end result of this is the listing of the top 50 stocks based on the composite rating to help ease your fortune hunt.

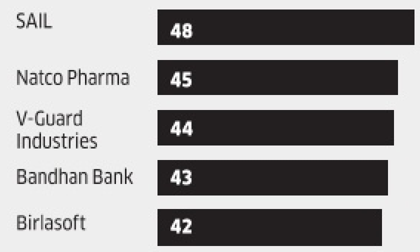
	RANK		PRICE ₹	GROWTH%*		VALUATION RATIOS				RISK		RATING	
	Current Rank	Previous Rank	Stock Price	Revenue	Net Profit	PE	PB	Div Yield	PEG	Downside Risk	Bear Beta	No. of Analysts	Consensus Rating
SAIL	1	1	80.20	47.65	104.02	8.43	0.77	9.81	0.08	1.88	1.37	28	4.21
NTPC	2	3	148.00	33.35	31.81	9.84	1.15	4.81	0.31	1.12	0.79	28	4.82
Coal India	3	2	181.20	29.22	40.73	9.00	3.13	9.43	0.22	1.54	0.67	27	4.26
Embassy Office REIT	4	4	373.20	20.12	80.21	39.45	1.35	5.88	0.44	0.93	0.32	15	4.80
Dr Reddy's Laboratories	5	5	3,929.45	24.80	82.87	33.83	3.70	0.64	0.43	1.14	0.59	44	4.66
IndusInd Bank	6	6	866.25	18.95	52.03	14.55	1.46	0.55	0.25	1.63	1.58	52	4.69
Hero MotoCorp	7	7	2,515.50	24.85	44.37	21.90	3.20	3.74	0.52	1.17	1.00	49	4.08
NCC/India	8	9	62.60	0.94	49.45	8.10	0.70	1.25	0.17	1.67	1.17	20	4.95
Bandhan Bank	9	14	314.40	43.16	116.13	24.15	3.06	0.30	0.23	1.72	1.25	28	4.25
City Union Bank	10	10	124.90	19.39	53.97	15.55	1.58	0.40	0.29	1.21	1.10	27	4.52
Apollo Tyres	11	--	215.25	13.25	51.00	21.28	1.16	1.63	0.42	1.51	1.60	32	4.25
Larsen & Toubro	12	8	1,547.95	16.45	33.95	25.48	2.68	1.14	0.67	1.06	1.05	41	4.80
Natco Pharma	13	12	699.60	45.43	87.34	29.55	3.16	0.63	0.26	1.34	0.70	15	3.60
Mahanagar Gas	14	16	745.55	25.55	25.57	12.67	2.10	3.07	0.50	1.22	0.96	32	4.12
Sagar Cements	15	--	215.95	39.02	79.24	36.36	2.00	0.23	0.42	1.70	0.93	13	4.69
Birlasoft	16	17	382.95	41.76	77.39	33.77	4.95	1.03	0.43	1.86	1.67	12	4.75
Zee Entertainment	17	22	230.25	17.48	64.87	29.11	2.31	1.03	0.31	1.93	1.44	24	4.46
Eicher Motors	18	--	2,650.50	37.18	61.29	43.96	6.44	0.63	0.73	1.16	0.73	47	4.17
Balrampur Chini Mills	19	20	407.05	19.86	53.92	19.07	3.44	0.58	0.32	1.95	0.94	10	4.90
Maruti Suzuki India	20	21	7,404.55	27.59	111.67	58.92	4.13	0.59	0.58	1.29	1.11	53	4.09
TVS Motor Co	21	18	679.10	26.02	108.26	42.70	7.35	0.55	0.38	1.33	1.17	48	4.08
Hindustan Zinc	22	25	285.45	19.50	30.68	12.77	3.59	6.19	0.35	1.35	0.60	19	2.58
EPL	23	24	155.30	13.30	35.90	23.12	2.72	2.68	0.52	1.29	1.07	15	4.33
Endurance Technologies	24	26	1,207.65	39.01	46.09	33.71	4.92	0.48	0.72	1.47	0.68	24	4.25
UPL	25	29	814.00	11.28	26.14	17.33	2.55	1.22	0.65	1.29	1.00	30	4.70
Bharat Electronics	26	27	227.50	26.92	30.90	27.04	5.14	1.80	0.88	1.42	1.11	29	4.62
Vedanta	27	28	303.55	4.38	27.23	6.33	1.82	13.91	0.23	2.04	0.72	18	4.00
Sun TV Network	28	33	404.40	29.97	18.46	10.91	2.36	3.26	0.59	1.29	1.03	19	4.05
Sudarshan Chemical	29	30	471.10	40.92	29.02	24.99	4.75	1.18	0.85	1.45	1.02	10	4.80
Jyothy Labs	30	34	147.75	29.11	22.82	27.08	3.78	2.72	1.11	1.04	0.55	18	4.50
Cyient	31	37	775.45	23.42	14.89	16.44	2.74	3.44	1.18	1.39	0.71	21	4.57
Power Grid Corp	32	32	228.30	8.43	11.59	13.62	2.27	7.57	0.87	1.09	0.37	27	4.52
Transport Corp of India	33	31	709.65	37.84	114.16	37.75	4.76	0.73	0.32	2.36	1.70	10	4.10
Manappuram Finance	34	--	94.60	11.12	22.21	6.66	1.06	2.87	0.44	1.87	1.28	18	4.67
Exide Industries	35	38	141.65	3.31	23.88	17.72	1.16	1.38	0.64	1.04	1.16	25	4.28
Glenmark Pharma	36	39	392.65	19.55	25.27	11.82	1.62	0.62	0.43	1.34	0.77	21	3.62
Birla Corp	37	13	1,023.00	19.30	18.08	19.96	1.32	0.97	1.10	1.70	1.08	23	4.70
Indoco Remedies	38	15	362.20	17.13	31.47	22.03	3.77	0.41	0.70	1.73	0.68	11	4.55
Tech Mahindra	39	--	1,108.35	19.31	10.31	19.88	3.83	3.84	1.91	1.33	1.16	49	4.41
Mphasis	40	47	2,457.65	23.81	27.18	34.70	7.15	2.46	1.32	1.58	1.38	33	4.67
Alembic Pharma	41	43	733.20	10.10	32.56	27.03	2.82	1.87	0.80	1.30	0.47	19	3.26
Alkem Laboratories	42	35	2,917.10	32.83	10.48	21.40	4.08	1.19	2.10	1.00	0.35	24	4.33
Symphony	43	42	1,096.30	32.90	68.63	63.03	9.00	0.65	0.92	1.21	0.88	10	4.30
Varun Beverages	44	48	1,061.15	32.00	78.44	68.82	11.71	0.23	0.91	1.54	0.80	17	4.71
HDFC Asset Mgmt.	45	--	1,706.75	21.43	29.52	27.16	6.85	1.92	0.92	1.18	1.05	25	3.92
Coromandel International	46	--	908.65	32.42	12.02	17.84	4.29	1.29	1.34	1.21	0.82	12	4.50
Kajaria Ceramics	47	--	955.65	21.66	29.34	40.32	7.17	0.84	1.33	1.39	1.11	30	4.57
Cholamandalam Invest	48	45	638.55	37.68	21.85	25.26	4.62	0.30	1.14	1.79	1.44	34	4.38
Bharat Forge	49	--	661.40	10.01	36.84	29.73	4.89	0.43	0.81	1.47	1.36	31	4.32
V-Guard Industries	50	50	224.25	43.61	38.29	47.00	7.81	0.55	1.45	1.23	0.82	23	4.09

*REVENUE AND NET PROFIT GROWTH IS BASED ON CONSENSUS ANALYSTS' EXPECTATIONS. NR: NOT IN THE RANKING. DATA AS ON 19 MAY 2022.

SOURCE: BLOOMBERG

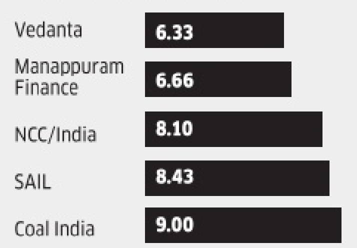
1 Fast growing stocks

Top 5 stocks with the highest revenue % growth over the previous year



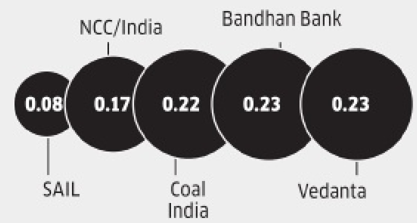
2 Least expensive stocks

Top 5 stocks with the lowest price-earnings ratio



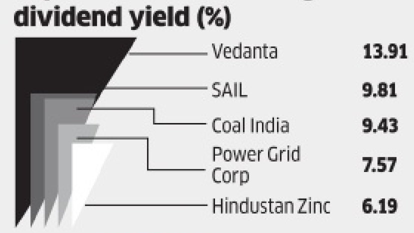
3 Best PEGs

Top 5 stocks with the least price-earnings to growth ratio



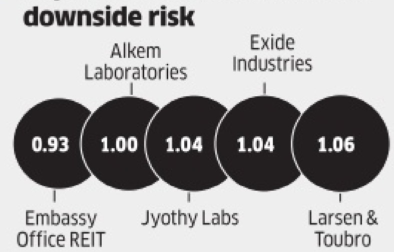
4 Income generators

Top 5 stocks with the highest dividend yield (%)



5 Least risky

Top 5 stocks with the lowest downside risk



SEE DOWNSIDE RISK AND BEAR BETA COLUMNS IN THE ADJACENT TABLE.

ETW FUNDS 100

BEST FUNDS TO BUILD YOUR PORTFOLIO

ET Wealth collaborates with **Value Research** to identify the top-performing funds across categories. Equity funds and equity-oriented hybrid funds are ranked on 3-year returns while debt-oriented hybrid and income funds are ranked on 1-year returns.

	Value Research Fund Rating	Net Assets (₹ Cr)	RETURNS (%) 3-Month	6-Month	1-Year	3-Year	5-Year	Expense Ratio (%)
EQUITY: LARGE CAP								
Canara Robeco Bluechip Equity Fund	★★★★★	6,718.31	-7.68	-10.88	4.82	15.97	12.89	1.90
Kotak Bluechip Fund	★★★★	4,162.45	-6.32	-10.66	7.06	14.80	11.12	2.14
UTI Mastershare Fund	★★★★★	9,669.35	-7.20	-12.02	7.18	14.48	11.36	1.62
Baroda BNP Paribas Large Cap Fund	★★★★★	1,281.22	-6.37	-9.50	6.55	14.18	10.72	2.16
ICICI Prudential Sensex Index Fund*	★★★★	525.13	-6.23	-9.01	8.73	13.46	–	0.29
UTI Nifty Index Fund	★★★★	6,851.88	-5.92	-8.38	8.45	13.40	12.50	0.28
IDFC Nifty Fund *	★★★★	409.43	-5.85	-8.26	8.20	13.37	12.44	0.35
HDFC Index Fund - Sensex Plan	★★★★★	3,306.74	-6.21	-8.98	8.73	13.26	12.96	0.40
Mirae Asset Large Cap Fund	★★★★	31,722.14	-6.44	-10.00	7.62	13.22	11.66	1.57
HDFC Index Fund Nifty 50 Plan	★★★★	5,721.09	-5.95	-8.43	8.29	13.14	12.29	0.40
Nippon India Index Fund - Sensex Plan	★★★★	274.98	-6.24	-9.05	8.67	13.11	12.63	0.50
Tata Index Sensex Fund	★★★★	133.11	-6.20	-8.98	8.28	12.71	12.53	0.58
Axis Bluechip Fund	★★★★★	34,908.93	-8.95	-15.23	1.43	12.42	13.22	1.63
EQUITY: LARGE & MIDCAP								
Quant Large and Mid Cap Fund*	★★★★	111.15	-1.47	-4.30	13.93	23.38	12.50	2.31
Mirae Asset Emerging Bluechip Fund	★★★★★	21,910.25	-6.89	-11.15	7.38	19.96	14.45	1.69
SBI Large & Midcap Fund	★★★★	6,598.83	-4.04	-7.34	12.99	17.43	12.61	2.08
Canara Robeco Emerging Equities Fund	★★★★★	13,113.31	-6.86	-11.20	9.39	17.36	11.86	1.84
Kotak Equity Opportunities Fund	★★★★	9,556.58	-3.65	-6.27	9.69	16.77	11.56	1.89
Edelweiss Large & Mid Cap Fund	★★★★	1,284.78	-6.07	-10.66	7.90	16.58	12.58	2.21
EQUITY: FLEXI CAP								
Parag Parikh Flexi Cap Fund	★★★★★	21,906.96	-5.81	-11.54	11.91	22.53	17.87	1.94
PGIM India Flexi Cap Fund	★★★★★	4,179.77	-8.42	-14.27	6.53	21.88	13.71	1.98
HDFC Retirement Savings Fund Equity Plan	★★★★	2,163.44	-2.10	-6.55	14.87	18.92	13.26	2.10
IIFL Focused Equity Fund	★★★★★	2,835.43	-9.87	-14.35	8.76	18.73	14.69	1.96
UTI Flexi Cap Fund	★★★★★	24,649.48	-9.36	-19.53	1.75	17.06	13.76	1.49
Union Flexi Cap Fund	★★★★	1,045.33	-6.22	-12.07	10.47	16.97	11.97	2.33
Sundaram Focused Fund*	★★★★	686.47	-8.33	-12.87	5.53	16.35	12.24	2.41
Canara Robeco Flexi Cap Fund	★★★★	7,284.78	-8.33	-11.69	7.21	16.04	13.24	1.88
SBI Focused Equity Fund	★★★★	24,706.56	-7.69	-16.36	9.82	15.32	14.24	1.82
DSP Flexi Cap Fund*	★★★★	7,537.52	-9.13	-15.53	0.61	15.03	10.86	1.90
Axis Flexi Cap Fund	★★★★	10,503.80	-9.29	-16.75	3.75	13.55	–	1.85
Axis Focused 25 Fund	★★★★	19,146.19	-9.82	-19.63	-1.33	12.60	11.31	1.74
EQUITY: MID CAP								
PGIM India Midcap Opportunities Fund	★★★★★	5,012.38	-6.02	-11.09	15.97	31.97	15.93	2.00
Edelweiss Mid Cap Fund	★★★★	1,958.70	-3.41	-9.97	11.63	22.87	13.41	2.10
Kotak Emerging Equity Fund	★★★★	19,303.37	-2.66	-7.31	13.74	22.62	13.39	1.80
Axis Midcap Fund	★★★★★	17,678.92	-5.13	-14.04	8.81	20.87	16.64	1.81
Nippon India Growth Fund	★★★★	12,178.26	-3.82	-9.99	16.45	20.83	13.65	1.89
Invesco India Mid Cap Fund	★★★★	2,272.70	-5.81	-11.40	10.55	19.79	13.04	2.27
EQUITY: SMALL CAP								
Kotak Small Cap Fund	★★★★	7,384.60	-4.45	-10.43	19.30	31.44	16.06	2.03
Axis Small Cap Fund	★★★★★	9,261.23	-3.94	-6.45	19.38	28.04	18.47	1.98
Nippon India Small Cap Fund	★★★★	19,768.28	-3.24	-5.37	22.62	27.63	16.53	1.84
SBI Small Cap Fund	★★★★	12,097.84	-2.23	-6.12	16.34	26.17	18.00	2.02
EQUITY: VALUE ORIENTED								
SBI Contra Fund	★★★★★	4,490.53	-0.84	-3.47	20.30	23.27	13.51	2.10
UTI Value Opportunities Fund	★★★★	6,461.95	-6.69	-10.30	7.35	15.82	11.63	1.67
Invesco India Contra Fund	★★★★	8,654.61	-6.35	-10.64	6.58	15.26	12.58	1.92
Kotak India EQ Contra Fund	★★★★	1,260.04	-5.94	-8.17	8.16	14.32	13.25	2.36
EQUITY: ELSS								
Quant Tax Plan*	★★★★★	1,316.08	-1.49	-3.99	16.97	34.27	21.14	2.62
BOI AXA Tax Advantage Fund	★★★★★	595.57	-6.80	-13.73	6.88	21.86	14.72	2.52
IDFC Tax Advantage (ELSS) Fund *	★★★★	3,741.56	-4.67	-6.51	13.08	18.92	13.45	1.96
Mirae Asset Tax Saver Fund	★★★★★	11,962.66	-5.98	-10.08	8.09	18.86	15.01	1.64
Canara Robeco Equity Tax Saver Fund	★★★★★	3,629.47	-8.02	-11.98	6.64	18.20	14.17	2.05
Union Long Term Equity Fund	★★★★	497.04	-5.42	-10.78	12.31	17.29	11.75	2.50
DSP Tax Saver Fund*	★★★★	9,811.13	-5.55	-8.63	8.05	17.23	12.08	1.92
Kotak Tax Saver	★★★★	2,670.33	-4.48	-8.31	10.45	15.85	11.55	2.11
JM Tax Gain Fund	★★★★	65.07	-7.98	-13.46	8.45	15.69	11.80	2.54
Invesco India Tax Plan	★★★★	1,829.42	-9.40	-14.99	3.39	14.01	11.35	2.15
Axis Long Term Equity Fund	★★★★	31,655.93	-10.09	-20.11	-2.19	12.21	11.37	1.68

15.97% THE 3-YEAR RETURN OF CANARA ROBECO BLUECHIP IS THE HIGHEST IN ITS CATEGORY.

23.38% THE 3-YEAR RETURN OF QUANT LARGE AND MID CAP IS THE HIGHEST IN ITS CATEGORY.

31.97% THE 3-YEAR RETURN OF PGIM INDIA MIDCAP OPP IS THE HIGHEST IN ITS CATEGORY.

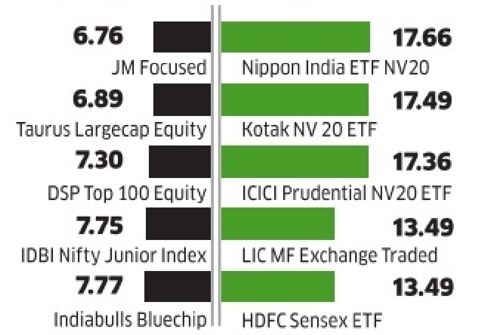
34.27% THE 3-YEAR RETURN OF QUANT TAX PLAN IS THE HIGHEST IN ITS CATEGORY.

LAGGARDS & LEADERS

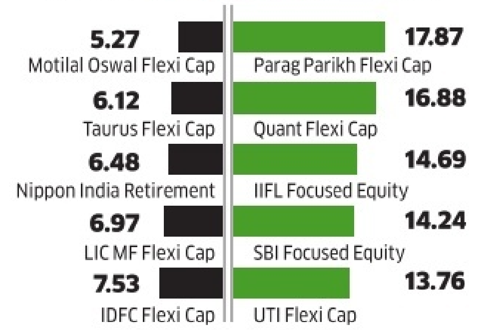
Taking a long-term view of fund returns, here is a list of 10 funds in each category—five leaders (worth investing) and five laggards (that may be a drag on your portfolio).

LAGGARDS LEADERS

Equity: Large-cap 5-year returns



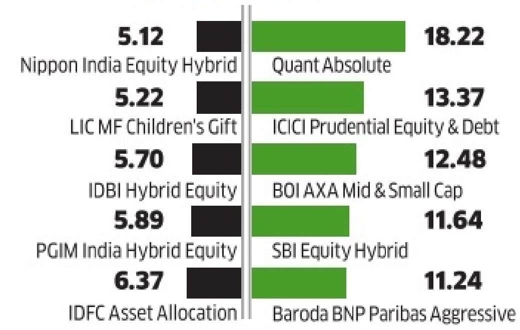
Equity: Flexi Cap 5-year returns



Equity: Mid-cap 3-year returns

Equity: Small-cap 3-year returns

Hybrid: Aggressive 5-year returns



ANNUALISED RETURNS IN % AS ON 18 MAY 2022.

ETW FUNDS 100

	Value Research Fund Rating	Net Assets (₹ Cr)	RETURNS (%) 3-Month	6-Month	1-Year	3-Year	5-Year	Expense Ratio
HYBRID: EQUITY SAVINGS								
Mahindra Manulife Equity Savings Dhan Sanchay	★★★★	424.46	-2.13	-4.17	7.18	10.93	7.56	2.57
Kotak Equity Savings Fund	★★★★	1,853.86	-0.19	-0.35	8.50	9.08	8.29	2.14
Edelweiss Equity Savings Fund	★★★★★	324.47	-1.66	-2.87	5.29	8.96	8.14	2.07
HYBRID: AGGRESSIVE (EQUITY-ORIENTED)								
Quant Absolute Fund*	★★★★★	341.66	-0.11	-2.28	14.17	26.98	18.22	2.31
ICICI Prudential Equity & Debt Fund*	★★★★★	19,330.76	-1.99	-0.78	20.59	18.52	13.37	1.87
Kotak Equity Hybrid Fund	★★★★	2,554.09	-3.46	-5.58	9.42	16.25	10.61	2.11
Baroda BNP Paribas Aggressive Hybrid Fund	★★★★★	764.15	-4.73	-7.26	4.15	14.57	11.24	2.28
HDFC Children's Gift Fund	★★★★	5,370.53	-3.74	-7.35	8.00	14.04	11.05	1.91
Canara Robeco Equity Hybrid Fund	★★★★★	7,661.94	-6.03	-7.99	5.37	13.68	11.01	1.87
SBI Equity Hybrid Fund	★★★★	50,932.81	-3.04	-5.30	8.78	13.35	11.64	1.60
DSP Equity & Bond Fund*	★★★★	7,317.96	-7.06	-11.65	1.41	12.80	9.17	1.85
Axis Children's Gift	★★★★	694.90	-7.60	-11.69	5.81	12.77	10.49	2.43
HDFC Retirement Savings Fund - Hybrid Equity Plan	★★★★	806.06	-3.80	-8.79	5.00	12.56	10.32	2.41
Mirae Asset Hybrid Equity Fund	★★★★	6,648.52	-4.97	-8.12	6.18	12.54	10.86	1.77
Axis Equity Hybrid Fund	★★★★	1,864.51	-6.84	-12.26	5.59	12.00	–	2.15
HYBRID: CONSERVATIVE (DEBT-ORIENTED)								
SBI Magnum Children's Benefit Fund - Savings Plan	★★★★★	86.96	-0.69	-0.60	11.98	11.08	9.41	1.20
SBI Conservative Hybrid Fund	★★★★	5,976.04	-1.08	-1.87	7.82	10.36	7.41	1.10
ICICI Prudential Regular Savings Fund*	★★★★★	3,284.94	-1.12	-0.77	5.95	8.83	8.13	1.83
Kotak Debt Hybrid Fund	★★★★★	1,468.63	-2.10	-2.94	5.76	10.84	8.10	1.85
Canara Robeco Conservative Hybrid Fund	★★★★	1,137.63	-2.18	-2.54	3.40	9.45	7.46	1.81
HDFC Retirement Savings Fund - Hybrid Debt Plan	★★★★	145.60	-2.43	-2.51	2.71	7.29	6.09	2.23
DEBT: MEDIUM- TO LONG-TERM								
Aditya Birla Sun Life Income Fund	★★★★	1,591.09	-1.89	-1.15	1.68	7.30	6.35	0.90
SBI Magnum Income Fund	★★★★★	1,655.37	-1.38	-1.07	1.59	7.60	6.62	1.46
Kotak Bond Fund	★★★★	1,652.58	-1.84	-1.63	1.27	6.54	5.70	1.78
ICICI Prudential Bond Fund*	★★★★	2,707.06	-1.39	-1.39	0.69	6.77	6.31	1.18
DEBT: MEDIUM-TERM								
Axis Strategic Bond Fund	★★★★	1,828.04	-0.55	0.43	3.37	6.50	6.77	1.08
ICICI Prudential Medium Term Bond Fund*	★★★★★	6,816.16	-0.67	0.05	2.85	7.47	6.73	1.43
SBI Magnum Medium Duration Fund	★★★★★	9,967.97	-1.09	-0.34	2.50	7.69	7.28	1.21
HDFC Medium Term Debt Fund	★★★★	4,078.87	-1.35	-0.43	2.41	6.70	6.43	1.30
DEBT: SHORT-TERM								
Aditya Birla Sun Life Short Term Fund	★★★★★	7,639.91	0.02	0.81	3.12	7.00	6.83	1.12
ICICI Prudential Short Term Fund*	★★★★	16,622.61	0.05	0.51	2.86	7.01	6.74	1.13
Axis Short Term Fund	★★★★	10,085.99	-0.24	0.61	2.70	6.75	6.69	0.98
HDFC Short Term Debt Fund	★★★★	14,549.42	-0.41	0.29	2.69	7.06	7.04	0.75
Nippon India Short Term Fund	★★★★	8,159.86	-0.68	0.33	2.63	6.62	6.40	1.15
DEBT: DYNAMIC BOND								
HDFC Dynamic Debt Fund	★★★★★	517.46	-1.03	-1.45	5.79	6.84	4.89	1.73
IIFL Dynamic Bond Fund	★★★★★	651.30	-0.86	0.48	3.81	6.23	6.33	0.52
Quantum Dynamic Bond Fund	★★★★	84.81	-0.36	0.19	2.26	6.82	6.23	0.73
ICICI Prudential All Seasons Bond Fund*	★★★★★	5,993.45	-0.68	-0.38	2.13	7.54	7.05	1.37
Kotak Dynamic Bond Fund	★★★★	2,237.98	-1.33	-1.04	2.02	7.01	7.09	1.20
Axis Dynamic Bond Fund	★★★★	2,520.97	-2.43	-1.99	0.42	7.14	6.56	0.66
DEBT: CORPORATE BOND								
ICICI Prudential Corporate Bond Fund*	★★★★	17,711.05	0.12	0.55	3.17	7.07	6.97	0.60
Kotak Corporate Bond Fund - Standard Plan	★★★★	9,534.60	-0.27	0.48	2.93	6.52	6.93	0.66
Aditya Birla Sun Life Corporate Bond Fund	★★★★★	15,360.08	-0.35	0.48	2.79	7.35	7.30	0.46
HDFC Corporate Bond Fund	★★★★	22,737.04	-0.85	-0.18	2.40	7.21	7.15	0.60

All equity funds ranked on 3-year returns. Debt funds ranked on 1-year returns.

26.98% THE 3-YEAR RETURN OF QUANT ABSOLUTE FUND IS THE HIGHEST IN CATEGORY.

1.68% THE 1-YEAR RETURN OF ABSL INCOME FUND IS THE HIGHEST IN ITS CATEGORY.

3.12% THE 1-YEAR RETURN OF ADITYA BIRLA SUN LIFE SHORT TERM FUND IS THE HIGHEST IN ITS CATEGORY.

Expense as on 30 April 2022
*Expense as on before 30 April 2022
Returns as on 18 May 2022
Assets as on 30 April 2022
Rating as on 30 April 2022

Did not find your fund here?
Log on to www.wealth.economictimes.com for an exhaustive list.

Methodology

The Top 100 includes only those funds that have a 5- or 4-star rating from Value Research. The rating is determined by subtracting a fund's risk score from its return score. The result is assigned stars according to the following distribution:

- ★★★★★ Top 10%
- ★★★★ Next 22.5%
- ★★★ Middle 35%
- ★★ Next 22.5%
- ★ Bottom 10%

(Not covered in ETW Funds 100 listing)

Fixed-income funds less than 18 months old and equity funds less than three years old have been excluded. This ensures that all the funds have existed long enough to be tracked for consistency of performance. Given the focus on long-term investing, liquid funds, short-term funds and FMPs are not part of the list. For the same reason, we have considered only the growth option of funds that reinvest returns instead of offering dividends that increase the NAV of funds.

Despite these rigorous filters, the list includes 2/3 funds of each category to maximise choice from the best funds. The fund categories are:

EQUITIES (figures over the past one year)

Large-cap: Mostly invested in large-cap companies.

Multi-cap: Mostly invested in large- and mid-cap companies.

Mid-cap: Mostly invested in mid-cap companies.

Small-cap: Mostly invested in small-cap companies.

Tax planning: Offer tax rebate under Section 80C.

International: More than 65% of assets invested abroad.

Income: Average maturity varies according to objective.

Gilt: Medium- and long-term; invest in gilt securities.

Equity-oriented: Average equity exposure more than 60%.

Debt-oriented aggressive: Average equity exposure between 25-60%.

Debt-oriented conservative: Average equity exposure less than 25%.

Arbitrage: Seek arbitrage opportunities between equity and derivatives.

Asset allocation: Invest fully in equity or debt as per market conditions.

FUND RAISER

₹4.99 LAKH CRORE

was the AUM of passive funds in March 2022 compared to ₹52,368 crore in March 2017. The AUM has grown at 57% per year in the past five years.

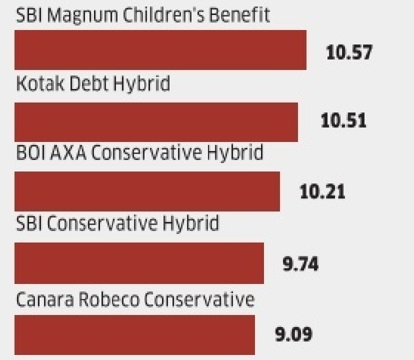
1 Top 5 SIPs

Top 5 equity schemes based on 10-year SIP returns

SIP: SYSTEMATIC INVESTMENT PLAN — % ANNUALISED RETURNS AS ON 18 MAY 2022

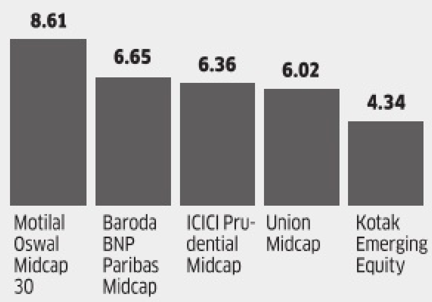
2 Top 5 MIPs

Top 5 MIP schemes based on 3-year SWP returns



SWP: SYSTEMATIC WITHDRAWAL PLAN — % ANNUALISED RETURNS AS ON 18 MAY 2022

3 Mid Cap: Cash holdings



% OF ASSETS AS ON 30 APRIL 2022

4 Debt: Money market funds lowest expense ratio

% AS ON 31 MARCH 2022

% EXPENSE RATIO IS CHARGED ANNUALLY.

METHODOLOGY OF TOP 100 FUNDS ON WWW.WEALTH.ECONOMICTIMES.COM

LOANS & DEPOSITS

ET WEALTH collaborates with **ETIG** to provide a comprehensive ready reckoner of loans and fixed-income instruments. Don't miss the information on investments for senior citizens and a simplified EMI calculator.

Top five bank FDs

TENURE: 1 YEAR	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
RBL Bank	6.25	**10,640**
Indusind Bank	6.00	**10,614**
Bandhan Bank	5.75	**10,588**
IDFC First Bank	5.75	**10,588**
ICICI Bank	5.60	**10,572**
TENURE: 2 YEARS		
Indusind Bank	6.50	**11,376**
RBL Bank	6.50	**11,376**
Bandhan Bank	6.25	**11,321**
DCB Bank	6.25	**11,321**
Federal Bank	5.75	**11,210**
TENURE: 3 YEARS		
Indusind Bank	6.50	**12,134**
RBL Bank	6.30	**12,063**
Bandhan Bank	6.25	**12,045**
DCB Bank	6.25	**12,045**
IDFC First Bank	6.00	**11,956**
TENURE: 5 YEARS		
Indusind Bank	6.50	**13,804**
RBL Bank	6.30	**13,669**
DCB Bank	6.25	**13,635**
IDFC First Bank	6.25	**13,635**
Karur Vysya Bank	5.80	**13,336**

Top five senior citizen bank FDs

TENURE: 1 YEAR	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
RBL Bank	6.75	**10,692**
Bandhan Bank	6.50	**10,666**
Indusind Bank	6.50	**10,666**
IDFC First Bank	6.25	**10,640**
DCB Bank	6.05	**10,619**
TENURE: 2 YEARS		
Bandhan Bank	7.00	**11,489**
Indusind Bank	7.00	**11,489**
RBL Bank	7.00	**11,489**
DCB Bank	6.75	**11,432**
Axis Bank	6.25	**11,321**
TENURE: 3 YEARS		
Bandhan Bank	7.00	**12,314**
Indusind Bank	7.00	**12,314**
RBL Bank	6.80	**12,242**
DCB Bank	6.75	**12,224**
IDFC First Bank	6.50	**12,134**
TENURE: 5 YEARS		
Indusind Bank	7.00	**14,148**
RBL Bank	6.80	**14,009**
DCB Bank	6.75	**13,975**
IDFC First Bank	6.75	**13,975**
Axis Bank	6.50	**13,804**

Top five tax-saving bank FDs

TENURE: 5 YEARS AND ABOVE	Interest rate (%)	What ₹10,000 will grow to
Indusind Bank	6.50	**13,804**
RBL Bank	6.30	**13,669**
DCB Bank	6.25	**13,635**
IDFC First Bank	6.25	**13,635**
Karur Vysya Bank	5.90	**13,402**

ALL DATA SOURCED FROM ECONOMIC TIMES INTELLIGENCE GROUP (ETIGDB@TIMESGROUP.COM)

HOME LOAN RATES

With effect from October 2019, all banks have made the transition to external benchmarks for pricing new home loans. Most banks have picked the RBI repo rate as the external benchmark.

REPO RATE: 4.40%

BANK		FOR SALARIED		FOR SELF EMPLOYED (%)		
	RLLR (%)	FROM (%)	TO (%)	FROM (%)	TO (%)	WEF
SBI Max Gain	6.65	6.65	7.15	6.85	7.35	1 April 2022
Bank of Maharashtra	7.20	6.80	8.20	7.05	8.70	7 May 2022
Bank of Baroda	6.90	6.90	8.25	6.90	8.25	5 May 2022
Union Bank of India	7.20	6.90	8.60	6.90	8.60	11 May 2022
Punjab & Sind Bank	6.60	6.90	7.75	7.05	8.00	4 May 2022
Bank of India	7.25	6.90	8.60	6.90	8.75	4 May 2022
Punjab National Bank	6.90	6.90	8.10	7.00	8.20	7 May 2022
Kotak Mahindra Bank	6.55	7.00	7.50	7.05	7.60	4 May 2022
Axis Bank	6.75	7.00	7.30	7.05	7.35	5 May 2022
Canara Bank	7.30	7.05	9.25	7.10	9.30	7 May 2022
SBI Term Loan	6.65	7.05	7.55	7.15	7.65	1 April 2022
Indian Overseas Bank	6.85	7.05	7.30	7.05	7.30	1 July 2020
ICICI Bank	6.75	7.10	7.80	7.20	7.95	4 May 2022
Karur Vysya Bank	7.45	7.15	9.35	7.15	9.35	9 May 2022
Indian Bank	6.80	7.20	7.40	7.35	7.55	7 May 2022
Central Bank of India	7.25	7.25	7.70	7.25	7.70	6 May 2022
UCO Bank	7.30	7.30	7.40	7.30	7.40	5 May 2022
J & K Bank	7.35	7.35	7.75	7.35	7.75	10 May 2022
Karnataka Bank	7.50	7.50	8.85	7.50	8.85	1 May 2021
South Indian Bank	7.25	7.75	10.00	7.10	10.50	
Dhanlaxmi Bank	7.00	7.85	8.50	8.35	9.00	1 May 2022

Your EMI for a loan of ₹1 lakh

TENURE	5 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS
@ 7%	1,980	1,161	899	775	707
@ 8%	2,028	1,213	956	836	772
@ 9%	2,076	1,267	1,014	900	839
@ 10%	2,125	1,322	1,075	965	909

FIGURES ARE IN ₹. USE THIS CALCULATOR TO CHECK YOUR LOAN AFFORDABILITY. FOR EXAMPLE, A ₹5 LAKH LOAN AT 12% FOR 10 YEARS WILL TRANSLATE INTO AN EMI OF ₹1,435 X 5 = ₹7,175

Post office deposits

	Interest (%)	Minimum investment (₹)	Maximum investment (₹)	Features	Tax benefits
Sukanya Samriddhi Yojana	7.60	250	1.5 lakh p.a.	One account per girl child	80C
Senior Citizens' Savings Scheme	7.40	1,000	15 lakh	5-year tenure, minimum age 60 yrs	80C
Public Provident Fund	7.10	500	1.5 lakh p.a.	15-year tenure, tax-free returns	80C
Kisan Vikas Patra	6.90	1,000	No limit	Can be encashed after 2.5 years	Nil
5-year NSC VIII Issue	6.80	1,000	No limit	No TDS	80C
Time deposit	5.5-6.7	1,000	No limit	Available in 1, 2, 3, 5 year tenures	80C#
Post Office Monthly Income Scheme	6.60	1,000	Single 4.5 lakh	5-year tenure, monthly returns	Nil
			Joint 9 lakh	5-year tenure, monthly returns	Nil
Recurring deposits	5.80	100	No limit	5-year tenure	Nil
Savings account	4.00	500	No limit	₹10,000 interest tax-free	Nil

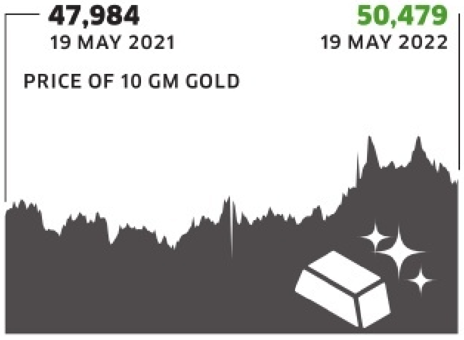
Data as on 19 May 2022

Benefit available only for 5-year deposit

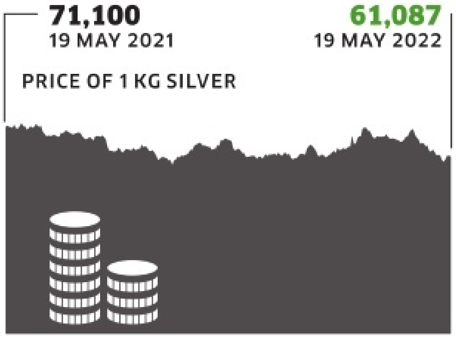
ALTERNATIVE INVESTMENT RETURNS MONITOR

The scope and attractiveness of alternative investments is increasing. Here's a weekly tracker of returns from such investments. But don't compare these with returns from traditional investments since the proportion and purpose of alternative investments is vastly different.

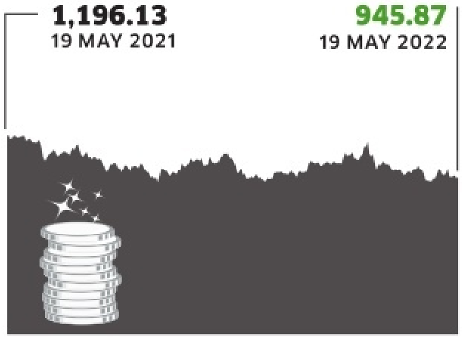
Gold (995) (₹)



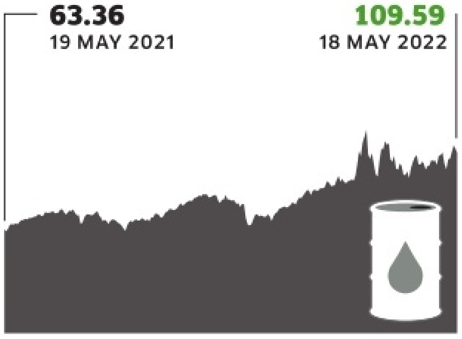
Silver (₹)



Platinum ($/troy ounce)



WTI Crude ($/barrel)

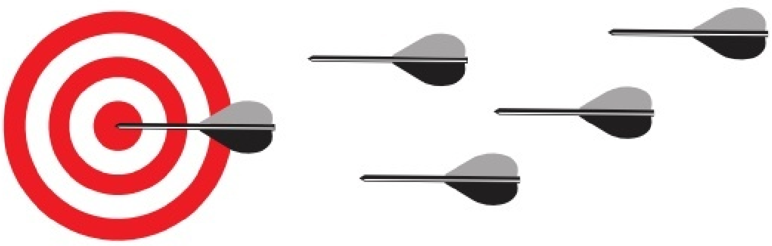


CHANGE

	Gold (995) (₹)	Silver (₹)	Platinum ($/troy ounce)	WTI Crude ($/barrel)
1 WEEK	-0.85%	2.16%	-0.17%	3.26%
1 YEAR	5.20%	-14.08%	-20.92%	72.96%

PENNY STOCKS UPDATE

Penny stocks as a recommended non-traditional investment? Not exactly. **ET WEALTH** neither has the expertise nor does it recommend investing in such stocks. But since the relatively 'low' cost of investment attracts some investors to penny stocks, we provide a weekly snapshot of this most volatile and uncertain type of stock investing.



Top price gainers

STOCK	MARKET PRICE (₹)	1-WEEK (%) CHANGE	1-MTH (%) CHANGE	1-MONTH AVG VOL (LAKH)	1-MONTH AVG VOL CHG (%)	MKT CAP (₹ CR)
Impex Ferro Tech	8.71	12.97	**101.15**	4.50	1,865.17	76.59
Zenith Steel Pipes and In.	6.56	27.13	**65.66**	9.49	802.21	93.34
Quadrant Televentures	1.56	-22.00	**47.17**	18.54	722.49	95.52
Cella Space	6.76	14.97	**34.93**	0.02	-95.01	12.30
Viaan Industries	1.05	25.00	**29.63**	2.47	118.50	11.57
Space Incubatrics Tech.	3.65	21.67	**21.26**	0.60	24.53	12.63
Ramchandra Leasing	2.35	2.62	**21.13**	4.88	142.29	12.03
Prime Industries	8.19	2.76	**19.56**	0.03	5.48	12.94
Vandana Knitwear	1.90	2.15	**19.50**	1.11	27.74	20.33
Bampsl Securities	6.93	2.67	**18.66**	0.58	10.52	23.59

Top price losers

STOCK	MARKET PRICE (₹)	1-WEEK (%) CHANGE	1-MTH (%) CHANGE	1-MONTH AVG VOL (LAKH)	1-MONTH AVG VOL CHG (%)	MKT CAP (₹ CR)
ISF	6.56	-22.46	**-65.47**	5.87	-56.78	62.32
Birla Tyre	9.05	-21.98	**-55.85**	5.10	478.28	129.04
KBC Global	4.87	-5.25	**-48.47**	40.74	293.64	299.51
BCL Enterprises	2.29	-22.11	**-48.42**	37.24	110.7	26.70
Future Enterprises	3.32	2.47	**-47.96**	7.71	-52.12	151.04
Future Consumer	2.38	10.70	**-47.92**	82.52	30.59	472.91
Zee Learn	7.39	17.86	**-47.10**	12.83	159.93	240.99
Mcnally Bharat Engin.	3.82	-5.45	**-46.05**	1.59	-4.01	70.35
Future Market Networks	5.12	6.89	**-38.97**	1.38	215.35	29.46
Advik Capital	3.34	5.70	**-38.94**	15.39	150.43	73.55

Top volume gainers

STOCK	MARKET PRICE (₹)	1-WEEK (%) CHANGE	1-MTH (%) CHANGE	1-MTH AVG VOL (LAKH)	1-MONTH AVG VOL CHG (%)	MKT CAP (₹ CR)
Dhanada Corporation	3.80	-17.21	-28.84	0.02	**3,179.40**	21.24
Impex Ferro Tech	8.71	12.97	101.15	4.50	**1,865.17**	76.59
Zenith Steel Pipes	6.56	27.13	65.66	9.49	**802.21**	93.34
Quadrant Televentures	1.56	-22.00	47.17	18.54	**722.49**	95.52
Nivaka Fashions	4.05	24.23	-37.01	0.99	**722.11**	41.59
Croissance	4.63	12.93	-35.87	2.84	**596.48**	31.72
Gold Line International	1.14	-21.38	1.79	27.28	**506.07**	59.39
Birla Tyre	9.05	-21.98	-55.85	5.10	**478.28**	129.04
Pro Fin Capital Services	5.47	-22.30	0.00	2.95	**439.31**	115.96
KBC Global	4.87	-5.25	-48.47	40.74	**293.64**	299.51

Top volume losers

STOCK	MARKET PRICE (₹)	1-WEEK (%) CHANGE	1-MTH (%) CHANGE	1-MTH AVG VOL (LAKH)	1-MONTH AVG VOL CHG (%)	MKT CAP (₹ CR)
Fone4 Communications	8.13	2.39	-14.42	3.19	**-100.00**	13.86
Housing Development	6.42	19.78	-11.20	2.93	**-82.88**	304.31
GG Engineering	5.42	10.16	-1.99	3.86	**-78.91**	27.94
GTL	8.64	7.20	-20.95	3.64	**-73.42**	135.91
AJR Infra and Tolling	1.82	2.82	-22.55	4.55	**-71.30**	171.42
SREI Infrastructure Fin.	5.07	10.94	-12.59	1.48	**-69.93**	255.07
Shalimar Productions	0.74	-6.33	-20.43	74.30	**-68.71**	72.84
Reliance Naval & Engi.	3.11	8.74	-15.72	3.52	**-68.71**	229.39
Vikas WSP	3.04	10.95	-13.88	1.08	**-63.43**	62.14
Jaiprakash Associates	8.26	6.03	-19.34	16.52	**-62.75**	2,027.50

THE STOCKS HAVE BEEN SELECTED USING THE FOLLOWING FILTERS: PRICE LESS THAN ₹10, ONE-MONTH AVERAGE VOLUME GREATER THAN OR EQUAL TO 1 LAKH AND MARKET CAPITALISATION GREATER THAN OR EQUAL TO ₹10 CRORE. DATA AS ON 19 MAY 2022. **SOURCE:** ETIG DATABASE AND BLOOMBERG.

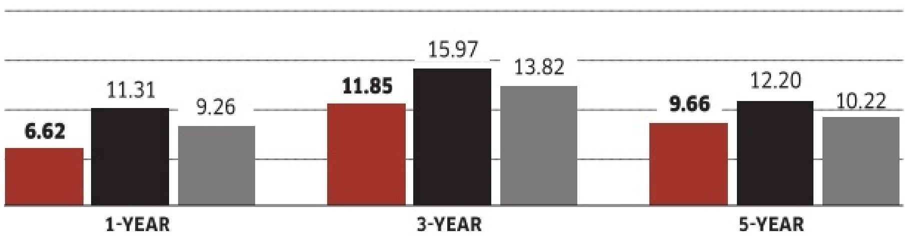
KOTAK FLEXICAP

Prolonged dip in return profile

ET Wealth collaborates with **Value Research** to analyse top mutual funds. We examine the key fundamentals of the fund, its portfolio and performance to help you make an informed investment decision.

HOW THE FUND HAS PERFORMED

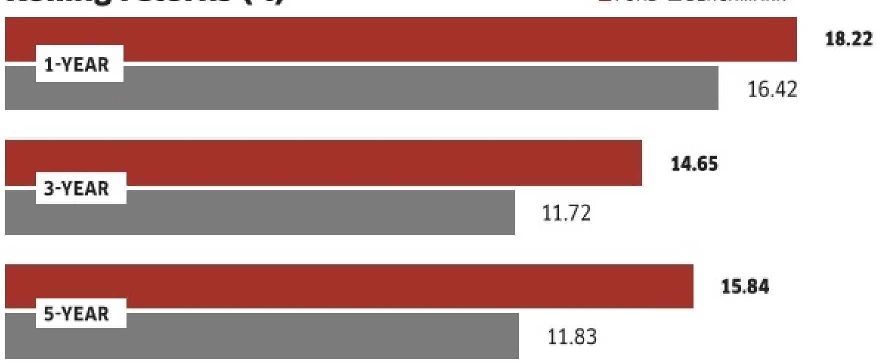
Point-to-point returns (%)



The fund has vastly underperformed index and peers in recent years.

AS ON 17 MAY 2022

Rolling returns (%)



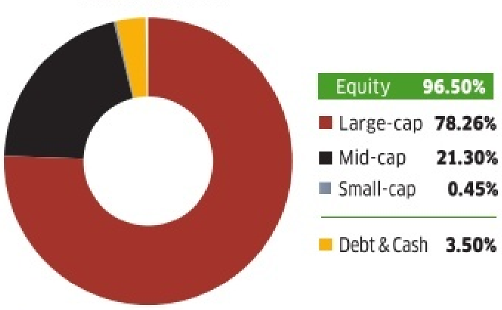
The fund's long term track record still indicates outperformance across time frames.

Note: Different benchmark is used due to non availability of stated benchmark data.
The above figures denote daily average rolling return over past decade for relevant time frames.

AS ON 17 MAY 2022

WHERE THE FUND INVESTS

Portfolio asset allocation



The fund retains a large-cap tilt like many of its peers.

Fund style box

BASIC FACTS

DATE OF LAUNCH
8 NOVEMBER 2009

CATEGORY
EQUITY

TYPE
FLEXI CAP

AUM*
₹36,463 crore

BENCHMARK
NIFTY 500 TOTAL RETURN INDEX

WHAT IT COSTS

NAV**
GROWTH OPTION
₹48.61

IDCW
₹29.35

MINIMUM INVESTMENT
₹5,000

MINIMUM SIP AMOUNT
₹500

EXPENSE RATIO*** (%)
1.55

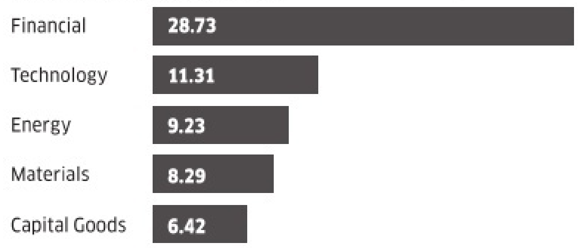
EXIT LOAD
For units in excess of **10%** of the investment, **1%** will be charged for redemption within 365 days

*AS ON 30 APRIL 2022
**AS ON 17 MAY 2022
***AS ON 31 MARCH 2022

FUND MANAGER

HARSHA UPADHYAYA
TENURE: 9 YEARS, 8 MONTHS

Top 5 sectors in portfolio (%)



The fund has large positions in financial and tech stocks.

Top 5 stocks in portfolio (%)

The fund portfolio is modestly diversified and runs large positions in its top bets.

Recent portfolio changes

New Entrants
Bharat Forge

Complete Exits
Bharat Petroleum Corporation

Increasing allocation
Hindalco Industries, State Bank of India, Bharat Forge, Bharti Airtel, Hindalco Industries, Jubilant FoodWorks.

How risky is it?

	Fund	Category	Index
Standard Deviation	20.83	21.01	21.83
Sharpe Ratio	0.53	0.61	0.67
Mean Return	14.49	16.35	18.19

BASED ON 3-YEAR PERFORMANCE.

The fund's risk-return profile has slipped in recent years.

Source: Value Research

Should You Buy

This fund got rechristened from Kotak Select Focus to Kotak Standard Multicap amid fund categorisation in 2018 and again to Kotak Flexicap last year as it was shifted to the flexi cap category to retain its market cap fluidity. Its approach remains unchanged, retaining a large-cap tilt coupled with focused exposure in select sectors. The size of portfolio in terms of individual bets has reduced despite growth in fund corpus. The fund has struggled to maintain its healthy track record in recent years, losing ground to index and category peers. However, its downside performance offers some respite. While the presence of a skilled fund manager provides comfort, continued slippage in performance should not be ignored.

Godrej Properties: Upbeat performance

Robust launch pipeline, strong housing demand and solid fundamentals will drive the company's growth.

Helped by strong housing demand and new business development opportunities, Godrej Properties reported a good set of numbers for the fourth quarter of 2021-22. The consolidated reported net sales and net profits of ₹1,331 crore and ₹260 crore respectively was 213% and 134% higher than the consensus estimate of analysts compiled by Bloomberg.

It recorded the highest ever quarterly sales bookings of ₹3,250 crore in the fourth quarter of 2021-22, with 23% y-o-y growth. It helped the company surpass its full-year 2021-22 sales bookings targets. In 2021-22, the reported pre-sales of ₹7,800 crore grew 17% y-o-y. Collections also jumped 44% y-o-y in the fourth quarter and 78% y-o-y for the full year 2021-22.

Analysts are confident about the future prospects of the company owing to several reasons. First, the company enjoys a strong brand and has robust business development capabilities. With aggressive new project additions and significant market share gains, the company is in a position to capture new growth opportunities.

Second, the presence across key metropolitan cities makes it a beneficiary of a strong housing upcycle. The company plans to expand to tier-2 cities in 2022-23.

Third, the company has a strong launch pipeline of 21.4 million square feet for 2022-23. This includes 10.3 million square feet from new projects and 11.1 million square feet from new phases in the already existing projects.

Fourth, the company has displayed pricing power by increasing prices in the range of 5-8% across portfolios in the fourth quarter of 2021-22. The prices are raised to counter cost inflation and for mitigating the margin pressures. Further price hikes are expected in 2022-23. It reported EBITDA margins of 19.4% in the fourth quarter of 2021-22.

Fifth, the company has a strong balance sheet. It was able to reduce its average borrowing cost in 2021-22, however, the net debt to equity marginally increased in the March 2022 quarter. The management expects the ratio to touch 0.5 times in 2022-23 as it is looking to accelerate land acquisition.

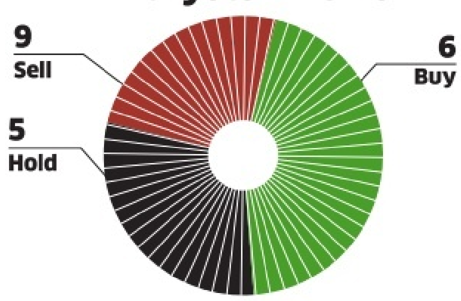
Despite having many positives, most analysts have a neutral rating on the stock as the current price factors all positives. However, the long-term prospects remain bright. The stock trades at premium valuations with a 12-month forward PE ratio of 57.05 times compared to BSE Realty Index which trades at 30.3 times, according to Bloomberg data.

Higher than estimated contraction in pre-sales and lower-than-expected cash flows are key risks for the company going forward.

Selection Methodology: We pick up the stock that has shown the maximum increase in 'consensus analyst rating' during the past month. The consensus rating is arrived at by averaging all analyst recommendations after attributing weights to each of them (i.e. 5 for strong buy, 4 for buy, 3 for hold, 2 for sell and 1 for strong sell) and any improvement in consensus analyst rating indicates that the analysts are getting more bullish on the stock. To make sure that we pick only companies with decent analyst coverage, this search will be restricted to stocks with at least 10 analysts covering them. You can see similar consensus analyst rating changes during the past week in ETW 50 table.

—**Sameer Bharadwaj**

Analysts' views



Godrej properties has a strong brand value and robust business development capabilities. Its plans to expand to tier-2 cities and a launch pipeline of 21.4 million square feet for 2022-23 are the other factors that have made the company a favourite of analysts.

Fundamentals

	Actual		Consensus estimate	
	2021	2022	2023	2024
Revenue (₹ cr)	694.56	1,824.88	2,134.32	2,585.14
EBITDA (₹ cr)	-365.40	123.96	325.23	473.62
Net Income (₹ cr)	-249.99	345.93	594.83	900.45
Basic EPS (₹)	-9.87	12.44	21.43	31.80

Valuations

	PBV	PE	Dividend yield (%)
DLF	2.87	52.91	0.62
Macrotech Developers	11.68	36.16	0.00
Oberoi Realty	4.31	26.17	0.00
Phoenix Mills	4.32	93.18	0.09
Prestige Estates Projects	3.06	10.72	0.36

Brokerage calls

Reco date	Research house	Advice	Target price (₹)
16 May	Elara Capital	Accumulate	1,508
4 May	JP Morgan	Neutral	1,710
4 May	HDFC Research	Add	1,783
4 May	Antique Stock Broking	Hold	1,823
3 May	Motilal Oswal	Neutral	1,750

Relative performance

Godrej Properties is compared with ET Realty. Stock price and index values normalised to a base of 100. Source: ETIG and Bloomberg.

WHAT EXPERTS ADVISE

BUY

*STOCK PRICES AS ON 19 MAY

Stock	Research house	Advice	Stock price* (₹)	1-year target price (₹)	Potential upside (%)	Comment
APL Apollo Tubes	Reliance Securities	Buy	889	1,080	22	Reiterate 'buy' due to healthy order book, strong products basket, expected margin expansion, improved volumes of value added products, rising RR, and introduction of new high-margin products.
Balkrishna Industries	Centrum	Buy	1,888	2,561	36	Maintain 'buy' due to continous market share gains, on track capex plans, and strong volume guidance for 2022-23, which is driven by healthy demand across mining and agriculture markets.
Eicher Motors	Motilal Oswal	Buy	2,436	2,900	19	Maintain 'buy' due to product portfolio expansion, resilent demand, strong Royal Enfield bookings, ramp up in exports, and expectations of easing supply chain issues after the second quarter.
Happiest Minds Technologies	KR Choksey	Buy	1,004	1,300	30	Maintain 'buy' as strong deal momentum is expected across verticals. Company's client-centric approach and focus on digital business in analytics and cyber security segment will support growth over the medium to long term.
Triveni Turbine	Yes Securities	Buy	174	273	57	Buy' due to company's strong margin profile, healthy cash flows, robust balance sheet, and focus on cost rationalisation. 'Diversification in new types of turbines will support its long term prospects.
Vinati Organics	AnandRathi	Buy	2,062	2,350	14	Maintain 'buy' considering strong demand prospects driven by a pick-up in butyl phenols, antioxidants and ATBS utilisation. Also, good export demand is visible from Europe, America, and Asia. The approval of Veeral amalgamation will further support the company's growth prospects.

REDUCE

Stock	Research house	Advice	Stock price* (₹)	1-year target price (₹)	Potential downside (%)	Comment
Escorts	Kotak Securities	Reduce	1,550	1,600	3.2	Maintain 'reduce' due to market share loss in the tractor segment, impact on crop yields and high raw material costs. The current stock price fully reflects recovery prospects in construction and railways.

Take home loan for big tax cut

Sudhir Kaushik of *Taxspanner.com* tells readers how they can optimise their tax by rejigging their income and investments.

Hyderabad-based IT consultant Sonia Shukla earns well, but more than 20% of it goes into tax because her pay structure is not tax friendly. Taxspanner estimates that Shukla can save more than ₹2 lakh in tax if her employer gives her some tax-free perks and the NPS benefit, she invests in the scheme on her own and also takes a home loan to buy a house.

As a first step, Shukla should ask for some basic reimbursement of expenses on telephone and newspapers. She should also go for meal coupons. If she gets a telephone allowance of ₹2,000, conveyance reimbursement of ₹5,000, meal coupons of ₹2,000 and newspaper allowance of ₹1,000 per month, her annual tax will reduce by around ₹38,000. If she also gets an LTA of ₹1 lakh, her annual tax will reduce by ₹31,200.

Shukla works from home, so she should also ask for a gadget allowance to compensate for the work related expenses. A monthly allowance of ₹5,000 will cut her annual tax by around ₹19,000.

Big tax savings are possible if Shukla's company gives her the NPS benefit. Under Section 80CCD(2), up to 10% of the basic salary put in the NPS is tax free. If Shukla's company puts ₹10,320 (10% of her basic pay) in the NPS every month, her tax will be cut by ₹38,000. Another ₹15,600 can be saved if she invests ₹50,000 in the NPS on her own under Section 80CCD(1b).

Shukla is unable to claim HRA exemption because her husband pays the rent. The couple plans to buy a flat soon. They should go for a joint loan and claim tax benefits separately.

INCOME FROM EMPLOYER

INCOME HEAD	CURRENT	SUGGESTED	
Basic salary	12,38,400	12,38,400	Reduce this taxable portion of the pay package.
House rent allowance	6,19,200	6,19,200	
Special allowance	5,52,792	1,48,952	
Conveyance reimbursements	0	60,000	Ask your company for fuel reimbursement.
LTA	0	1,00,000	This is tax free if claimed twice in block of four years.
Telephone allowance	0	24,000	These perks are tax-free if supported by actual bills and subject to reasonable limits.
Meal coupons	0	24,000	
Newspaper allowance	0	12,000	
Superannuation fund	1,80,000	1,80,000	
Remote work/gadget allowance	0	60,000	Items bought for personal use by company are taxed at 10% of the value.
Performance incentive	1,20,000	1,20,000	
Employer's contribution to Provident Fund	1,48,608	1,48,608	
Contribution to NPS under Sec 80CCD(2)	0	1,23,840	Up to 10% of basic salary put in NPS is tax free.
TOTAL	28,59,000	28,59,000	

+ INCOME FROM OTHER SOURCES

Interest income	2,800	0	Switch to debt funds to avoid tax on interest.
Capital gains	0	0	
Rental income	0	0	
TOTAL	2,800	0	

All figures are in ₹

Denotes suggestion to increase Denotes suggestion to reduce

Tax-saving investments

INVESTMENT OPTION	CURRENT (₹)	SUGGESTED (₹)
Provident Fund	1,48,608	1,48,608
ELSS funds	1,00,000	1,00,000
Life insurance	0	0
NPS under Sec 80CCD(1b)	0	50,000
TOTAL ADMISSIBLE	1,50,000	2,00,000

Invest in NPS on your own to save more tax.

Other deductions

EXEMPTION OR DEDUCTION	CURRENT (₹)	SUGGESTED (₹)
Home loan deduction	0	2,00,000
HRA exemption	0	0
Medical insurance	0	0
TOTAL	0	2,00,000

Consider taking a home loan to buy house.

Sonia Shukla's tax

	TAX ON SALARY	TAX ON OTHER INCOME	TAX ON CAPITAL GAINS
CURRENT	₹5,88,242	874	0
	₹5,89,116		
SUGGESTED	₹3,84,244	0	0
	₹3,84,244		

TOTAL TAX SAVED
₹2,04,872
PER YEAR

TAX RATIO
(Total tax as % of annual income)

EXISTING (₹)	SUGGESTED (₹)
20.6%	13.4%

WRITE TO US FOR HELP

Paying too much tax? Write to us at etwealth@timesgroup.com with 'Optimise my tax' as the subject. Our experts will tell you how to reduce your tax by rejigging your pay and investments.

Plan for longer retirement of at least 20-25 years

Vivek Bhatia is saving for his children's goals and retirement. Here's what the doctor advised him:

PORTFOLIO CHECK-UP

- Investing in a mix of equity funds for the past 4-5 years.
- Portfolio has well chosen funds. Don't buy more but keep adding to existing ones.
- Early start has helped but needs to hike monthly SIPs by 5% every year.
- Needs to plan for at least 20-25 years in retirement. 15 years not enough.

Note from the doctor

- Take maximum possible exposure to equity funds in NPS.
- Take adequate insurance to safeguard financial goals.
- Review investments and rebalance at least once in a year.
- Reduce risk when goal is near so that you don't miss the target.

GOALS

1	2	3
FIRST CHILD'S EDUCATION: 12 years PRESENT COST: ₹**15 lakh** FUTURE COST: ₹**47 lakh**	**SECOND CHILD'S EDUCATION:** 16 years PRESENT COST: ₹**15 lakh** FUTURE COST: ₹**69 lakh**	**RETIREMENT INCOME: 21** years CURRENT COST: ₹**1.2 crore** (₹50,000 per month) CORPUS REQUIRED: ₹**4.96 crore**

Goal	FUND NAME	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION	NEW SIP (₹)
1	SBI Flexicap	1,46,707	2,000	Continue SIPs in this stable flexicap fund. Increase by 5% every year.	2,000
1	IIFL Focused Equity	35,920	7,500	Continue SIPs in this outperforming flexicap fund. Increase by 5% every year.	7,500
2	Parag Parikh Flexi Cap	38,643	2,500	Continue SIPs in this outstanding flexicap fund. Hike SIPs by 5% every year.	2,500
2	Mirae Asset Emerging Bluechip	13,625	2,500	Continue SIPs in this outperforming large and midcap fund. Hike SIPs by 5% every year.	2,500
2	Axis Smallcap	7,605	2,000	Continue investing in this small cap fund. Hike SIPs by 5% every year.	2,000
2	Nippon India Sensex	9,543	2,000	Continue SIPs in this index fund. Hike amount by 5% every year.	2,000
	ICICI Pru All Seasons Bond	7,981	2,000	This debt fund is not useful for retirement. Switch corpus and SIPs to ICICI Pru Bluechip and increase amount by 5% every year.	2,000
3	PPF	86,0000	12,500	Continue contributing to this tax advantaged scheme.	12,500
3	NPS	24,50,000	24,000	Keep contributing and hike by 5% every year. Allocate maximum to equity funds.	24,000
3	Savings account	3,00,000	0	Switch to a liquid fund or short duration fund for better returns.	0
	TOTAL	**₹38,70,024**	**₹57,000**	The goals can be reached using the mutual funds marked in the same colour.	**₹57,000**

Must hike SIPs to reach ambitious goal

Manmohan Gupta wants to save ₹1 crore in 15 years. Here's what the doctor has advised:

GOAL

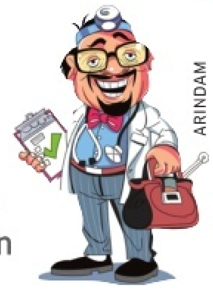
1 **UNSPECIFIED PURPOSE: 15** years
PRESENT COST: ₹**1 crore**
FUTURE COST: ₹**2.76 crore**

Goal	FUND NAME	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION
1	Axis Focused 25	1,67,370	3,000	Increase SIPs to ₹5,000 in this stable focused fund. Hike amount by 10% every year.
1	DSP Nifty Next 50	6,684	0	Switch to HDFC Nifty 50 to consolidate portfolio.
1	Franklin India Bluechip	1,29,506	0	Fund has underperformed. Shift corpus to Parag Parikh Flexicap.
1	HDFC Gold	10,069	0	Gold fund won't help create wealth. Switch to Parag Parikh Flexicap.
1	HDFC Nifty 50	1,57,981	5,000	Continue SIPs in this index fund. Hike amount by 10% every year.
1	ICICI Pru US Bluechip Equity	3,376	0	Switch to Mirae Asset Emerging Bluechip to consolidate portfolio.
1	Invesco India Contra	1,90,260	2,000	Continue SIPs in this outstanding value fund. Hike by 10% every year.
1	Kotak Flexicap	2,16,495		Hold this stable flexicap fund.
1	Mirae Asset Emerging Bluechip	2,44,198	5,000	Continue SIPs in this outperforming large and midcap fund. Hike by 10% every year.
1	Mirae Asset Tax Saver	37,346	2,000	Continue SIPs in this stable ELSS fund. Hike by 10% every year.
1	Motilal Oswal Nasdaq 100 FoF	1,96,600	0	Hold this foreign focused fund.
1	Parag Parikh Flexi Cap	15,920	1,500	Increase SIPs to ₹5,000 in this flexicap fund. Hike amount by 10% every year.
	TOTAL	**₹13,75,803**	**₹18,500**	

PORTFOLIO CHECK-UP

- Investing in equity funds for past 5-6 years.
- Holds too many funds. Needs to reduce the number.
- Inflation adjusted value of goal puts it out of reach.
- Must increase investments and hike SIPs every year.
- Has not mentioned fixed income investments in portfolio.
- Review mutual fund portfolio at least once a year. Change if any fund's performance slips.

PORTFOLIO DOCTOR



Not many investors know whether they have invested in the right funds and if their fund portfolio is on track. The Portfolio Doctor assesses the health of the fund portfolio, examines the schemes and their suitability with regard to the goals and, if required, recommends corrective measures. The advice given is based on the performance of the funds, the risk profile of the investor as well as his financial goals.

Assumptions used in the calculations

INFLATION

Education expenses	For all other goals
10%	7%

RETURNS

Equity funds	Debt options
12%	8%

PORTFOLIOS ANALYSED BY
RAJ KHOSLA, Managing Director and Founder, MyMoneyMantra

WRITE TO US FOR HELP

If you want your portfolio examined, write to etwealth@timesgroup.com with "Portfolio Doctor" as the subject. Mention the following information:

- Names of the funds you hold.
- Current value of the investment.
- If you have SIPs running in any of them.
- The financial goals for which you invested.
- How much you need for each financial goal.
- How far away is each goal.

Readers' response, online and in print, to ET Wealth stories has been enlightening. We pick some that add information and perspective to our articles from previous issues.

The article, 'Long term doesn't mean not paying attention', was to the point. I think if someone wants to invest in stocks on their own, they should invest in 5-10 companies of their choice for the long term. These companies need to be selected after due diligence and not as random picks or over someone's suggestion. However, one should never be over invested in the shares of a particular company, because it can compromise their goals. Diversification is the most important thing to keep in mind while investing.
Aakash Sharma

This is an excellent article that gives us an idea of how to keep a track of our investments and a good way to do that is to see it in terms of quarters rather than years.
Pichumani Rajagopalan

People should never get too attached to their stock investments and should keep a close eye on their portfolio during the market falls and rises.

A good option for new investors

Thanks for the cover story, 'Will curated portfolios work for you?' It was quite informative and introduced another investment route for new investors. These curated portfolios can help people to diversify their investments with limited risk and high return opportunity.
R. N. Sharma

Staying invested for the long term is said to be a better strategy. However, it is important to revisit your portfolio after certain intervals to be able to assess the performing and non-performing investments. There is no one rule that suits all. What worked for one person can cause losses to others.
Nithya Sivaraman

This refers to the article, 'Dealing with the entitled lot'. As always the author has hit the nail on the head with her six points in the article. Coming from a joint family, I could relate to each and every word written by the author. The problem is that there is no end to this entitlement. Those who are served take it as their right and don't take it in the right spirit if that privilege is taken back by those serving them. The entitlement at one point becomes their right from favour. The problem is that these "entitled" people know about their rights but not the responsibilities.
Preeti Singh

A very well-thought-out article. A favour-based relationship can't go a long way and it is bound to get sour if the favours stop. People need to set limits for themselves, be it the giver or taker, because there is no such thing as free lunch. Everything has a cost attached to it. It might not be visible immediately, but it can affect the taker in the long run. The author rightly points out that few people want to be surrounded by sycophants and want to have yes-men around them. Those who try to be closer to you for your money will move away immediately once you are out of resources. So, choose your investments wisely.
Sujata Singh

REALTY HOT SPOT

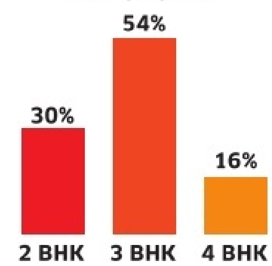
Well connected area of South Delhi

Developed by DDA, this planned residential micro-market also hosts job hubs and social infrastructure.

LOCALITY SNAPSHOT
DWARKA, DELHI

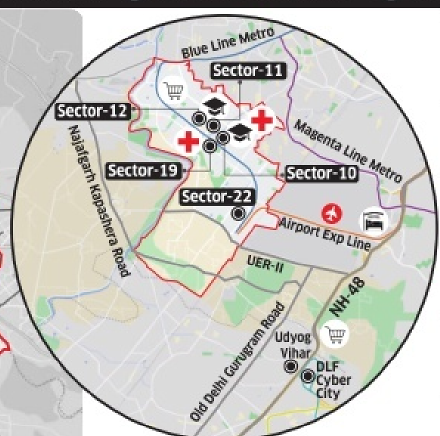
- Dwarka is a planned residential micro-market in south-west Delhi developed by Delhi Development Authority (DDA)
- Connectivity to the airport and employment hubs in Gurugram via Urban Extension Road II and NH 48 drives demand here
- Metro connectivity via Blue Line (Dwarka Sector 21-Noida Electronic City) and Airport Express (Dwarka Sector 21–New Delhi)
- Key employment hubs: Janakpuri District Centre, DLF Cyber City and Udyog Vihar
- Social infrastructure: Venkateshwar Hospital, Manipal Hospital, Delhi Public School, GD Goenka Public School and Vegas Mall

Supply by BHK



PRICE RANGE: ₹7,500-12,500/- psf

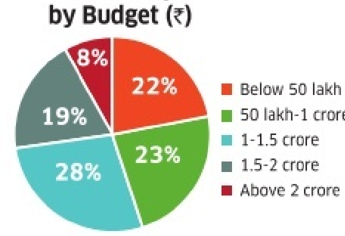
DISTANCES: IGI Airport : 16 km | Palam Railway Station : 6 km | NH-48: 11 km



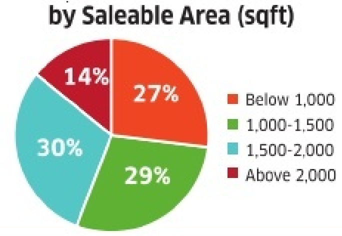
Note: Map not to scale

Top Localities	Capital Value (₹/sqft)	3 BHK Rent (₹/month)
Dwarka Sector 10	7,700-11,600	24,000-35,000
Dwarka Sector 11	7,700-11,500	24,000-34,000
Dwarka Sector 12	7,500-12,000	25,000-34,000
Dwarka Sector 19	7,800-11,500	26,000-35,000
Dwarka Sector 22	7,700-12,500	28,000-35,000

Consumer preference by Budget (₹)



Consumer Preference by Saleable Area (sqft)



Schools 15+ | Hospitals 15+ | Restaurants 20+ | Banks 15+ | Grocery Stores 20+ | Petrol Pumps 15+

PUBLISHED FOR THE PROPRIETORS, Bennett, Coleman & Co Ltd by R.Krishnamurthy at The Times of India Building, Dr. D.N. Road, Mumbai 400001. Tel. No.: (022) 6635 3535, 2273 3535. Fax: (022) 2273 2544 and printed by him at (1) The Times of India Suburban Press, Akurli Road, Western Express Highway, Kandivli (E), Mumbai-400101 . Tel. No.: (022) 28872324, 28872931, Fax: (022) 28874231. (2) The Times of India Print City, Plot No.4, T.T.C. Industrial Area, Thane Belapur Road, Airoli, Navi Mumbai-400708. Tel No.: (022) 2760 9999, Fax: (022) 2760 5275.
EDITOR: Babar Zaidi (Responsible for selection of news under PRB Act).

RNI No.: MAHENG/2014/57046. VOLUME 09 NO. 21