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MONTHLY NEWSLETTER

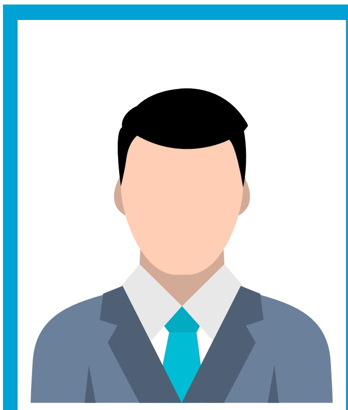
A MONTHLY WRAP-UP OF INDIAN FINANCIAL MARKET

What's Inside:

IT'S TIME TO REDUCE YOUR RISK?

Indian equity market has seen a one-sided rally in past few years. Our market scaled new all-time high. This year with consistent outperformance as compared to other emerging markets.

Experts believe that this is the time to be cautiously optimistic. Most of our investors are seeking the portfolio advice in terms of **Buy, Hold or Exit.**



YOUR NAME

DESIGNATION

COMPANY NAME

As far as our house view is concerned, our clients should follow these wise steps:

- Book profit or reduce allocation from sectoral or thematic schemes.
- Transfer the profits from small cap to flexi cap funds.
- Move your mid cap scheme to flexi cap funds or large cap funds.
- Let your SIP's run as it is, irrespective of schemes.

Preserving all your profits into any good dynamic asset allocation schemes like balanced advantage funds can be a good idea.

There is often a significant long-term stock effect driven by quarterly earnings reports (EPS) of momentum or growth stocks. However, it's essential to recognize that these short-term fluctuations may not necessarily reflect the company's long-term growth trajectory. For many businesses, particularly those involved in emerging sectors or benefiting from macroeconomic trends, the overarching growth story remains intact.

As our country's role in the global supply chain continues to expand, the potential for wealth creation remains strong, providing investors with opportunities that align with their long-term financial goals.

> " One option is to hold onto these investments and continue to capitalize on profits as they grow over time, especially if the company's fundamentals remain solid. "

For those who are currently invested in growth or momentum stocks, you may be considering your options in light of recent market movements. One option is to hold onto these investments and continue to capitalize on profits as they grow over time, especially if the company's fundamentals remain solid.

To ensure you're making the most appropriate decision for your portfolio, it's crucial to revisit your investment strategy and risk tolerance. We are here to help you assess these factors and guide you toward informed choices that align with your financial objectives.

Please reach out to us for a personalized discussion to ensure your portfolio is positioned optimally for both current conditions and long-term success.

Call us

+91-99999-99999
+91-123-456-7989

Mail us

email@yourdomain.com

Visit us

Address line1, Your City, State - 000000

2. INVESTMENT GYAN

KEY MUTUAL FUND TERMS

Investing in mutual funds can be a highly rewarding journey, especially when you're equipped with the right knowledge. However, to make the most of your investment, it's crucial to understand the key terms that play a significant role in shaping your decisions.

Being familiar with these terms empowers you to make informed choices, avoid common pitfalls, and better navigate the often-complex world of mutual funds. By mastering these concepts, you'll be able to evaluate investment opportunities more effectively and align them with your financial goals.

Here are five essential terms every mutual fund investor should know to start their investment journey on the right foot.

Benchmark

A benchmark is a standard against which the performance of a mutual fund is compared. It usually reflects the performance of a specific market index (such as the Nifty 50 or S&P 500) that shares similar characteristics with the fund. When evaluating a mutual fund, its returns are often assessed relative to this benchmark. If the fund consistently outperforms its benchmark, it's generally considered a sign of good performance. Conversely, underperformance may indicate a need for reassessment of your investment.

Example: If an equity fund has the Nifty 50 as its benchmark and the index returns 10% over a year, but the fund delivers 12%, the fund has outperformed its benchmark by 2%.

Turnover

Turnover refers to the percentage of a fund’s holdings that are replaced (or "turned over") in a given year. A high turnover ratio means the fund manager is frequently buying and selling securities within the fund, which can result in higher transaction costs and tax liabilities for investors. On the other hand, a lower turnover indicates a more stable, buy-and-hold strategy. Understanding a fund's turnover ratio is key to evaluating its cost efficiency and the investment style of the fund manager.

Example: A turnover ratio of 100% means the entire portfolio has been bought and sold within the year.

Inflation Risk

Inflation risk refers to the possibility that the returns from your investment may not keep pace with inflation. Since inflation erodes purchasing power, mutual fund investors need to consider whether their investments are generating returns higher than inflation. Equity funds, in general, tend to offer better inflation-adjusted returns over the long term compared to debt funds, but they also come with higher risk.

Example: If inflation is at 6% and your mutual fund returns 5%, you're effectively losing purchasing power, despite seeing nominal gains.

Risk-Adjusted Returns

Risk-adjusted returns take into account not just the returns of a mutual fund, but the level of risk taken to achieve those returns. A higher return does not always mean better performance if the risk is disproportionately high. Common measures like the Sharpe ratio or the Treynor ratio help compare funds based on their risk-adjusted performance. This helps investors choose funds that provide the best balance between risk and reward.

Example: A fund with a return of 8% and a low-risk profile could be more attractive than a fund with a 12% return but much higher volatility.

Sector Allocation

Sector allocation refers to the distribution of a mutual fund's investments across various sectors of the economy, such as technology, healthcare, or financial services. A well-diversified fund may spread its investments across multiple sectors to reduce risk, while some funds may focus on specific sectors to capitalize on growth in those areas. Understanding a fund's sector allocation can help investors assess whether they are overexposed to certain economic trends or industries.

Example: A fund heavily invested in the technology sector may see high growth during a tech boom but also face significant risk if the sector underperforms.

By familiarizing yourself with these key terms, you'll be better equipped to evaluate mutual funds and choose the ones that align with your financial goals and risk tolerance.

Happy investing!

3. MIDDLE EAST INSTABILITY

HOW THE **ISRAEL-IRAN CONFLICT** COULD IMPACT INDIA'S ECONOMY

The recent escalation between Israel and Iran highlights the ongoing instability in the Middle East, with Iran's involvement raising the risk of a broader regional war. This not only worsens the conflict in Gaza but also threatens wider unrest, especially given Iran's military power and nuclear ambitions.

India, heavily reliant on the region for oil imports, faces major economic risks if the conflict disrupts supplies, leading to higher prices, inflation, and slowed growth. Additionally, trade routes to Europe are at risk, which could delay exports and raise costs. India's diplomatic balancing act between Israel and Iran further complicates its geopolitical position.

Energy Security Risks:

India relies on the Middle East for nearly 80% of its crude oil imports, making any disruption in oil supplies critical. The Iran-Israel conflict threatens to spike oil prices, straining India's public finances and driving inflation. Rising energy costs would increase the cost of living, dampen consumer demand, and slow economic growth. For an economy already recovering from the pandemic, these risks are particularly destabilizing.

Trade and Diplomatic Challenges:

The Middle East is also vital to India's trade, especially through key maritime routes like the Strait of Hormuz. Disruptions in these routes could affect Indian exports, raising shipping costs and causing supply chain delays. Additionally, India must balance its diplomatic ties with both Iran and Israel. Israel is a key defence partner, while Iran is crucial for energy security and access to Central Asia. Navigating these relationships without jeopardizing either is a delicate task.

Geopolitical Pressures:

Beyond energy and trade, instability in the Middle East could impact India's national security and regional influence. The conflict could stoke sectarian tensions within India and destabilize neighbouring regions. India also faces external pressure from global powers, needing to maintain strategic autonomy while balancing relationships with the U.S., Russia, and China, all of whom have stakes in the region.

Conclusion: The ongoing Iran-Israel conflict threatens India's economic stability and global standing. To safeguard its interests, India must engage in strategic diplomacy, secure alternative energy supplies, and prepare for the potential fallout of a prolonged crisis in the Middle East.

4. THE INNOVATION AND ITS BENEFITS IN MUTUAL FUNDS

Over the last decade or so, rapid advances in technology have changed the way people save and invest. The age of digital innovation has also ushered in a new era for mutual fund investments. Easing access, providing analyses, and enabling informed decision making, the technology trend in mutual fund is continually transforming the way investors engage with their financial portfolios.

In this article, we will understand the changing dynamics of mutual funds in the technological age, exploring the impact of digital progress, and how new innovations are shaping the future of mutual fund management.

CHANGING DYNAMICS OF MUTUAL FUNDS

Traditionally, mutual funds have been a popular avenue for investors to pool their money into a professionally managed investment portfolio. However, as technology continues to redefine our world, it is also reshaping the way mutual funds operate and how investors interact with them.

Mutual funds, like many other sectors, have experienced a tremendous reduction in turnaround time for their processes, thanks to the pivotal role played by technology. What took days, weeks and multiple in-person visits can now be accomplished in a few clicks on a smartphone.

Consequently, embracing technology has proven to be a positively disruptive force, propelling substantial growth within the industry.

HOW IS TECHNOLOGY IMPACTING THE MUTUAL FUND INDUSTRY?

DIGITAL ONBOARDING & TRANSACTIONS

Investors can now onboard onto mutual fund platforms easily, completing the entire process digitally. Transactions, including buying and selling mutual fund units, can be executed with a few clicks on mobile apps or websites.

REGULAR COMMUNICATIONS

The rise of information dissemination process has brought better understanding about schemes and related risk factors. Our regular Newsletters and articles have made investment decisions more accessible and easy.

DATA ANALYTICS FOR PERSONALISATION

Today we are able to reap the benefit of data analytics to understand investor preferences and behavior. Personalized recommendations based on individual risk tolerance, financial goals, and investment history enhance your investor experience.

EDUCATING INVESTORS

midst technological growth, educating investors about these advancements is crucial. We focus on empowering investors to make informed decisions. Our financial literacy initiatives and user-friendly educational resources can play a vital role in bridging the knowledge gap.

Trending Mutual Fund categories as on: 03 October 2024

Category	1 Day	YTD	1 Week	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
Equity: Sectoral-Pharma	-0.85	37.70	-0.47	1.49	17.33	52.75	18.54	29.76	14.33
Equity: Thematic-Consumption	-1.83	30.92	-3.08	2.69	11.76	45.94	21.60	22.51	16.63
Equity: Sectoral-Technology	-1.51	21.72	-1.22	-1.99	11.42	37.18	10.39	28.17	17.74
Equity: Thematic-ESG	-1.97	23.43	-2.96	0.29	6.44	37.10	14.52	18.92	13.79
Equity: International	-0.40	16.35	0.41	5.69	6.03	30.39	7.46	11.25	7.79
Equity: Thematic-Dividend Yield	-1.69	28.19	-2.04	-0.37	5.71	46.28	22.31	25.51	15.51
Equity: Multi Cap	-1.93	27.85	-2.30	0.13	5.16	42.60	20.64	--	--
Equity: Value Oriented	-1.72	27.82	-2.09	-0.62	5.09	46.88	21.53	24.71	16.37
Equity: Small Cap	-1.78	29.03	-1.20	0.11	4.89	45.39	23.93	32.71	19.49
Equity: Large & MidCap	-2.04	27.91	-2.63	-0.12	4.62	42.89	19.74	23.44	16.03
Equity: Flexi Cap	-1.96	24.50	-2.76	0.16	4.58	38.76	17.12	20.23	14.75
Equity: Large Cap	-2.15	24.08	-3.16	-0.12	4.43	40.85	16.30	19.42	13.29
Equity: Thematic	-2.00	29.47	-2.31	0.21	4.39	45.88	20.02	23.64	15.16
Equity: Mid Cap	-2.10	30.76	-2.06	0.01	4.34	46.47	23.48	28.63	18.32
Equity: ELSS	-1.94	24.72	-2.77	0.02	4.29	39.58	18.21	21.85	15.21
Equity: Thematic-MNC	-1.65	23.62	-1.01	1.84	4.25	33.00	14.35	18.27	13.19
Equity: Thematic-Energy	-1.83	27.64	-0.53	0.33	3.65	47.05	19.46	26.40	18.46
Equity: Thematic-PSU	-1.98	37.32	-1.43	-3.19	0.99	69.02	38.88	30.36	15.50
Equity: Sectoral-Infrastructure	-2.16	34.93	-2.15	-0.44	0.18	55.02	29.84	29.53	17.25
Equity: Sectoral-Banking	-2.13	12.57	-4.21	-0.28	-0.62	22.34	15.15	15.18	12.88

Disclaimer: Mutual Fund investments are subject to market risks. Read all scheme related documents carefully. The NAVs of the schemes may go up or down depending upon the factors and forces affecting the securities market including the fluctuations in the interest rates. The past performance of the mutual funds is not necessarily indicative of future performance of the schemes. The Mutual Fund is not guaranteeing or assuring any dividend under any of the schemes and the same is subject to the availability and adequacy of distributable surplus.

5. INSPIRING INVESTMENT STORY

This is the inspiring story of **Tanmay Sharma**, a 44-year-old who embarked on a journey to build wealth through smart investment choices. Tanmay was determined to save and invest wisely, **when he was 30**. Initially considering safer options such as Recurring Deposits (RD) and the Public Provident Fund (PPF), he later considered investing in Mutual Funds.

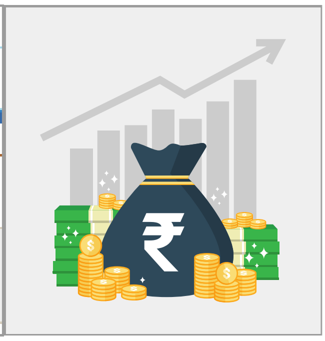
With a long-term horizon of 15 years and a strong desire to grow his wealth, Tanmay was advised to explore Mutual Fund Systematic Investment Plans (MF SIPs). We presented him with historical data, showing how equities have consistently outperformed other asset classes over extended periods. Given his 15-year timeline, we recommended allocating 100% of his investment to MF SIPs which was best suitable to his risk profile - ₹4000 per month

In Sep 2024, after 14 years of his regular disciplined SIP, during a portfolio review meeting, we were thrilled to observe the impressive growth of his investments. Tanmay was ecstatic about the performance and so satisfied with the results that he decided to increase his SIP contributions by an additional ₹10,000 per month.

Check the calculation below to check the growth as on today :

(The shown scheme is a diversified bluechip fund. AMC name and scheme name is hidden deliberately)

Nav Date	Nav	Units	No of Installments	Investment Amount	SIP value as on 03-10-2024	XIRR (%) as on 03-10 2024
03-10-2024	109.98	21,771.121	168	6,72,000	23,94,388	16.79



Key Lessons from Tanmay's Financial Freedom Story

1.Start Early: Tanmay began investing as soon as he started earning. Early investments benefit from the long-term power of compounding. Over 14 years, his savings grew significantly due to the extended time horizon.

2. Discipline in Saving: Saving 50% of his salary-8,000 per month when he earned 20,000-showed a disciplined approach. As his income increased, he continued saving and investing in proportion, ensuring that his lifestyle didn't inflate excessively with his earnings.

3.The Power of Compounding: With an 18% CAGR (Compound Annual Growth Rate), Tanmay's equity investments grew to 3.25 crores over 19 years. Compounding works best when investments are given time to grow.

4. Follow a Strict Formula: Tanmay adhered to the formula: Income - Investments = Expenses. Rather than the common approach of spending first and saving whatever was left over. This mindset shift ensured his savings were prioritized.

5. Living Within Means: By adjusting his lifestyle to fit within the amount left after investing, Tanmay avoided unnecessary spending and achieved a balance that allowed him to enjoy life while securing his financial future.

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Refer to SID/SAI/KIM link: sebi.gov.in/filings/mutual-funds.html

DISCLAIMER

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+91-99999-99999
+91-123-456-7989

Mail us

email@yourdomain.com

Visit us

Address line1, Your City, State - 000000