Annual Outlook - 2023

presented by **Bhavya Sharma**
B.Com, M.Com, CFP

BSE SENSEX touched 63k in 2022 for the 1st time

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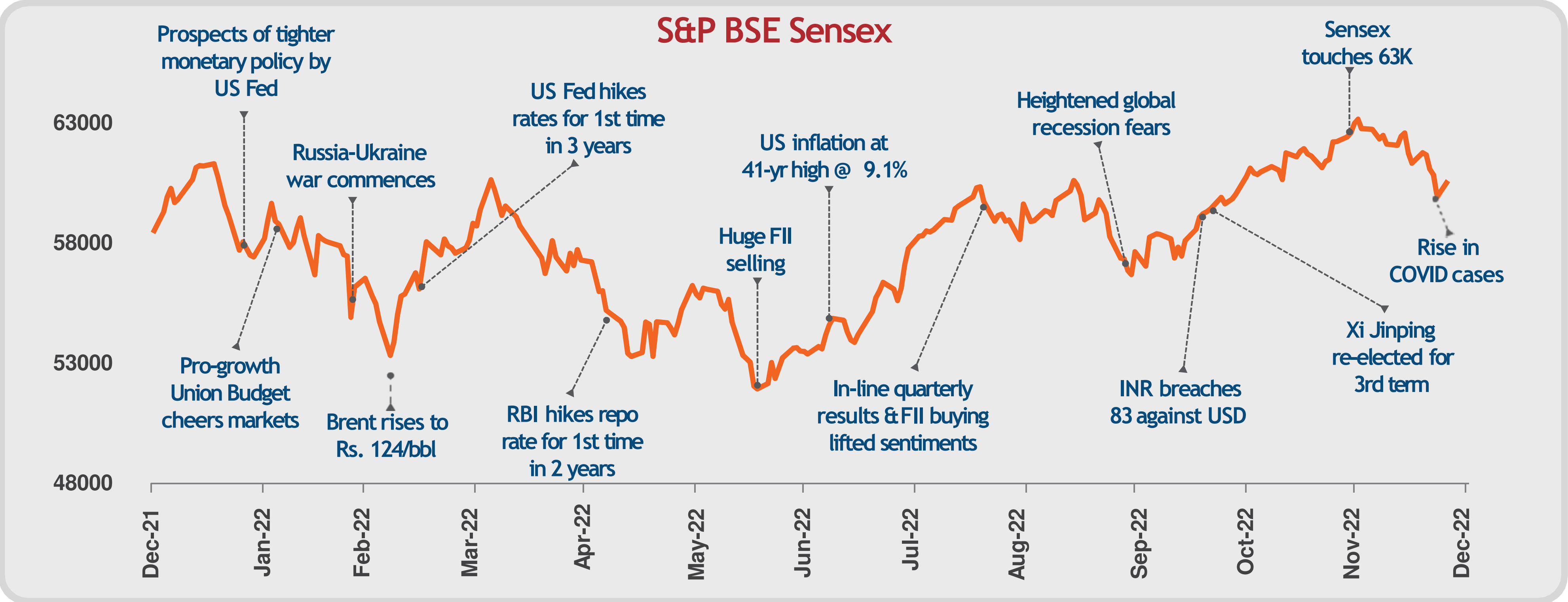
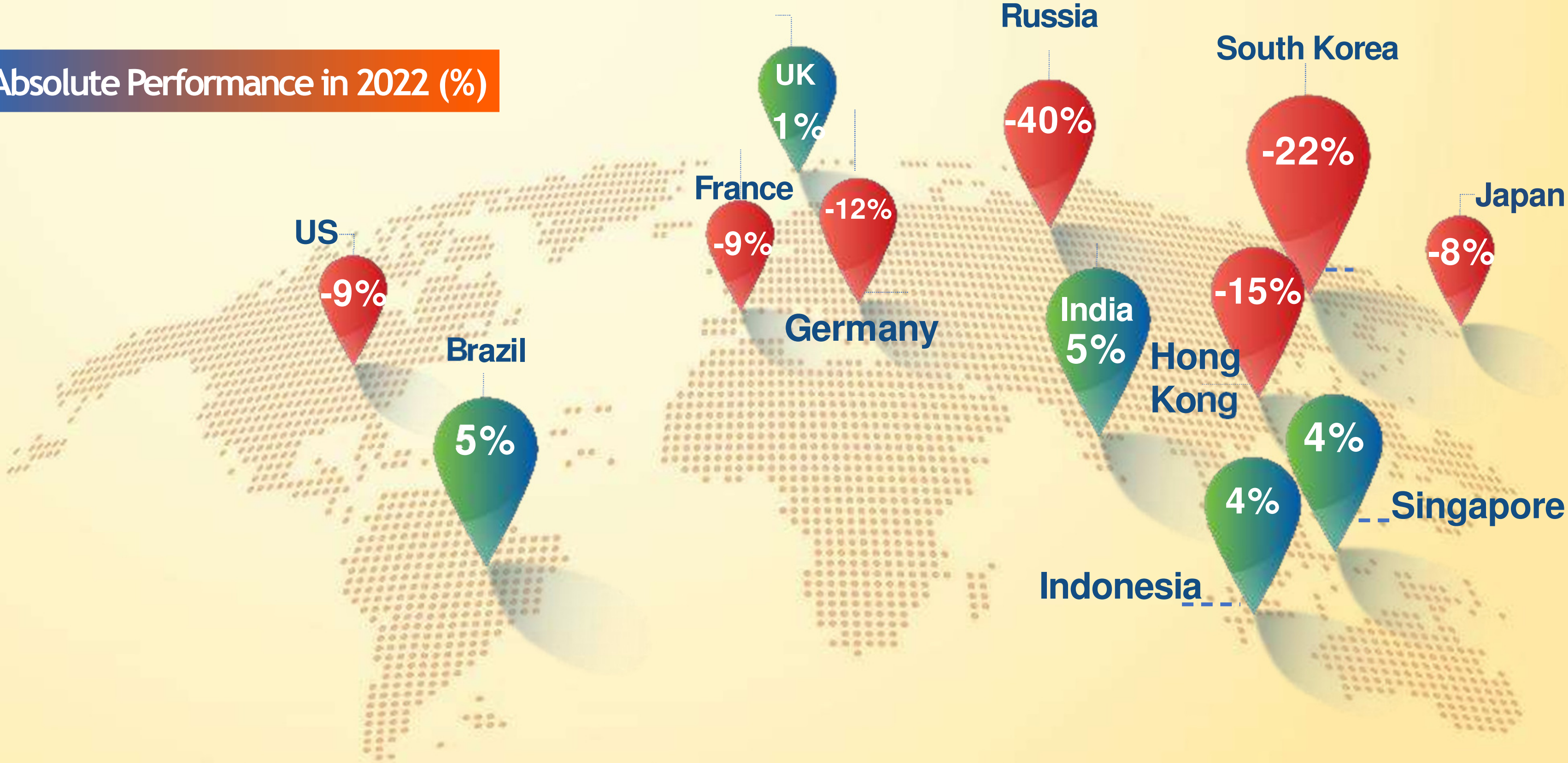


Source: BSE, NSDL, Data as of Dec 26, 2022. US Fed - United States Federal Reserve, RBI - Reserve Bank of India, FII - Foreign Institutional Investors, bbl - barrel, COVID - Coronavirus Disease.
Past performance may or may not sustain in future

Market of the year 2022 goes to… India steals the show

Absolute Performance in 2022 (%)



Best Supporting Asset Class goes to…

Asset Class/Index	CY 2022 Absolute Returns
Gold (INR/oz)	-0.2%
Silver (INR/t oz)	3.6%
Bitcoin (USD)	-63.5%
INR against USD	-11.0%
US Dollar Index (DXY)	8.7%

GLOBAL INVESTMENT PERFORMANCE

MSCI World Index (Developed & Emerging Markets)	-20.0%
MSCI Developed Market Index	-19.6%
MSCI Emerging Market Index	-22.6%

Our outlook for 2023

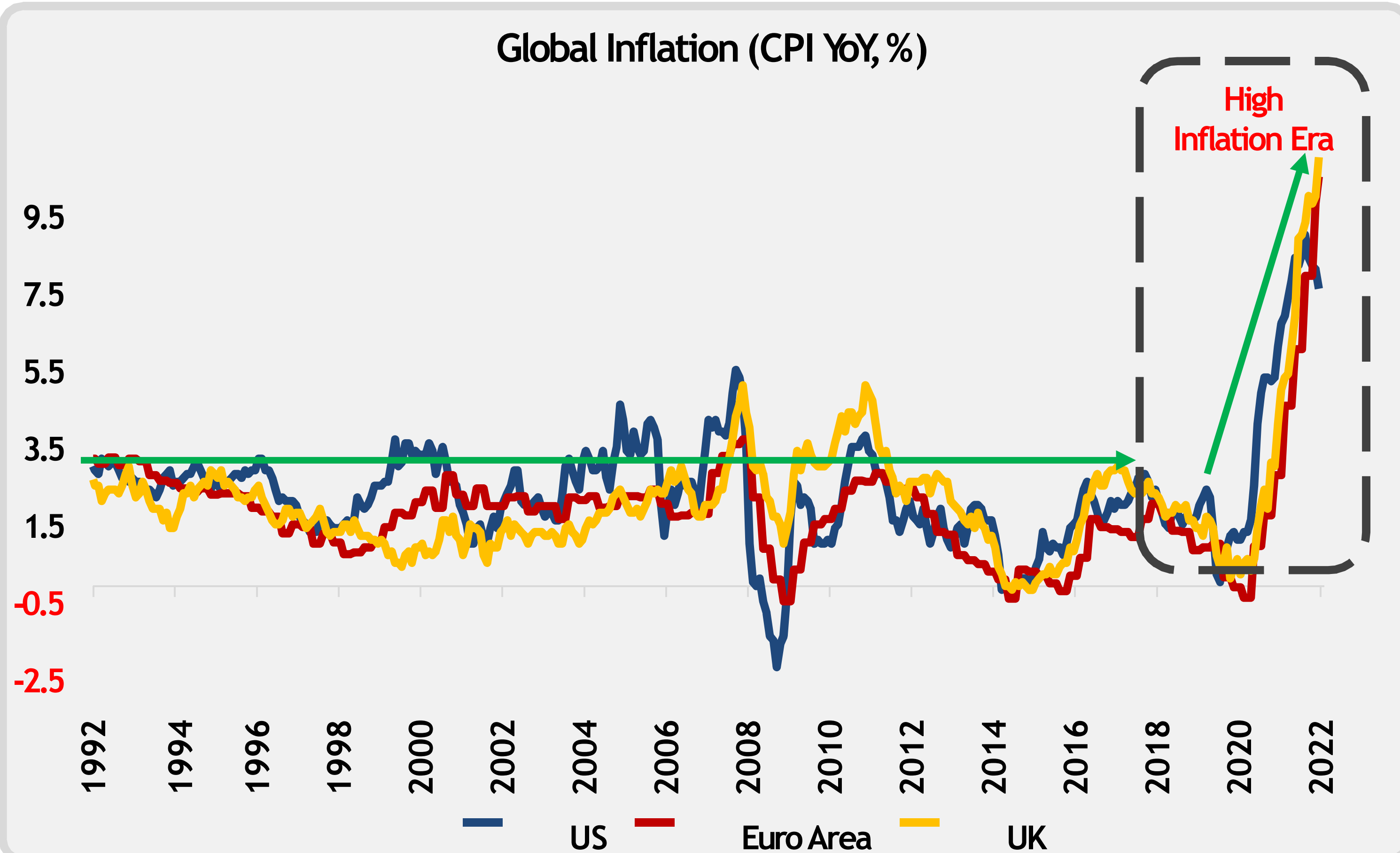
As we enter 2023, our Annual Outlook is based on the theme ***'Multi Asset'*** as we believe that transition of decadal macro trends from

1. Low inflation to high inflation.
2. Low interest rates to high interest rates.
3. Abundant liquidity to limited liquidity.
4. De-escalation to escalation.
5. Monetization to tightening.
6. Low to high volatility is now complete.

The new era warrants for a change in investment style with a need to prudently handpick asset classes which may perform at different points in time.

Hence, going forward we believe that the new era will be an era of investing in multiple asset classes (Multi Asset Funds / Dynamic Asset Allocator)

Period of Disinflation to Inflation

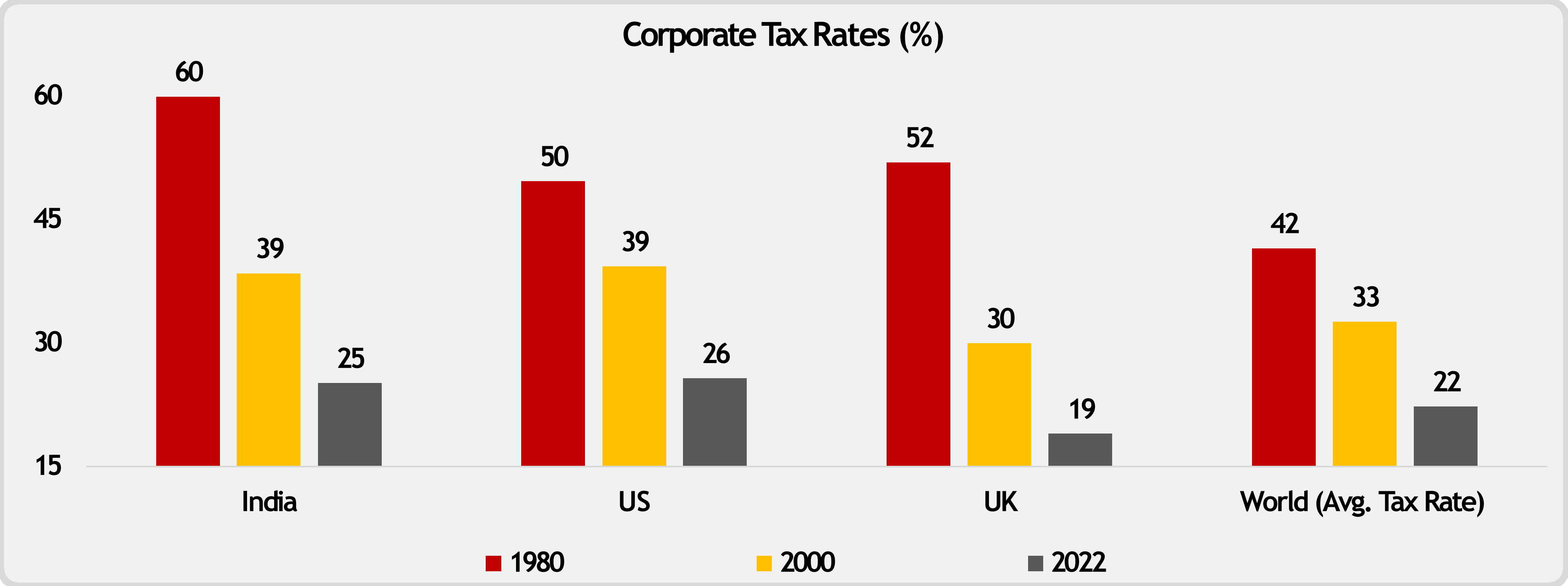


Developed Economies which have historically witnessed inflation in the range of 0-2%, are now facing decadal high inflation

Source: Nuvama Institutional Equities. Data as of Nov 30, 2022. US - United States, UK - United Kingdom, CPI - Consumer Price Index. Past performance may or may not sustain in future.

De-regulation to Regulation

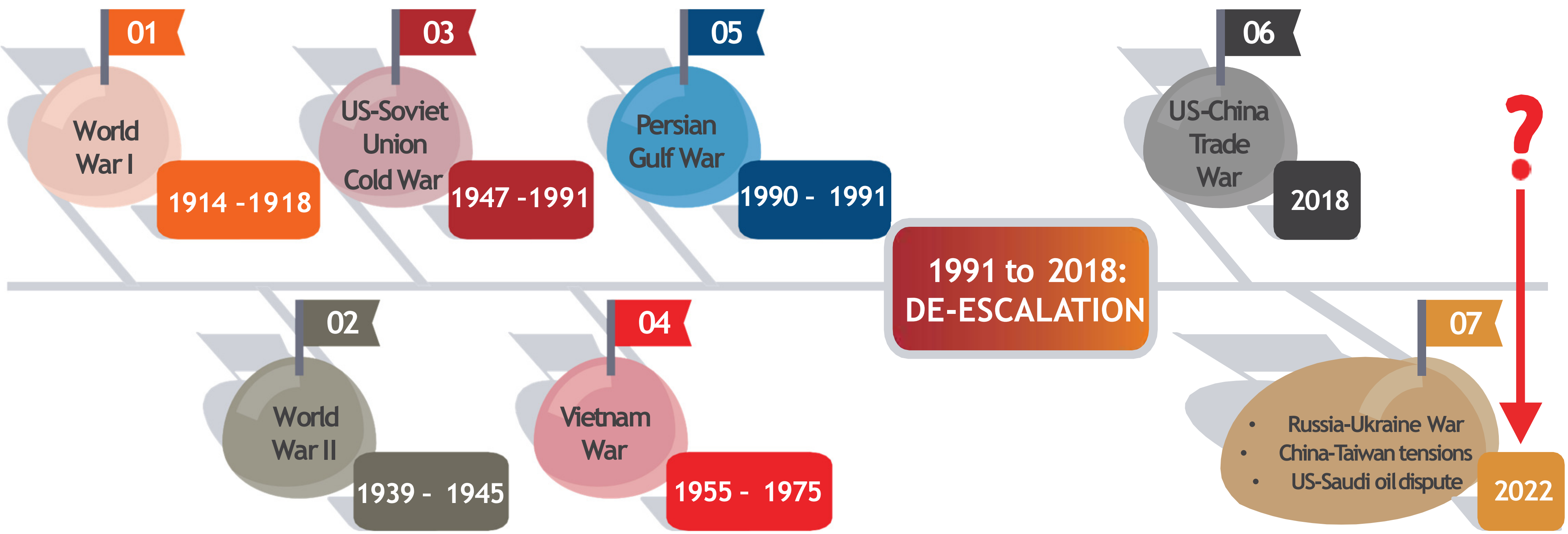
Low corporate tax rates or tax reforms, one of the key measures of easing of Regulations, have declined in last 40 years. This trend seems to be reversing again with US & UK set to hike corporate tax rates to 28% & 25%



Source: DAM Capital. US - United States, UK - United Kingdom. Data as of Dec 2022. Past performance may or may not sustain in future

De-escalation to Escalation

20th century was marked by numerous geo-political issues. 21st Century seemed different until 2018 post which we saw multiple geo-political issues again coming to the fore



End of Monetization: Lower Interest Rates are gone

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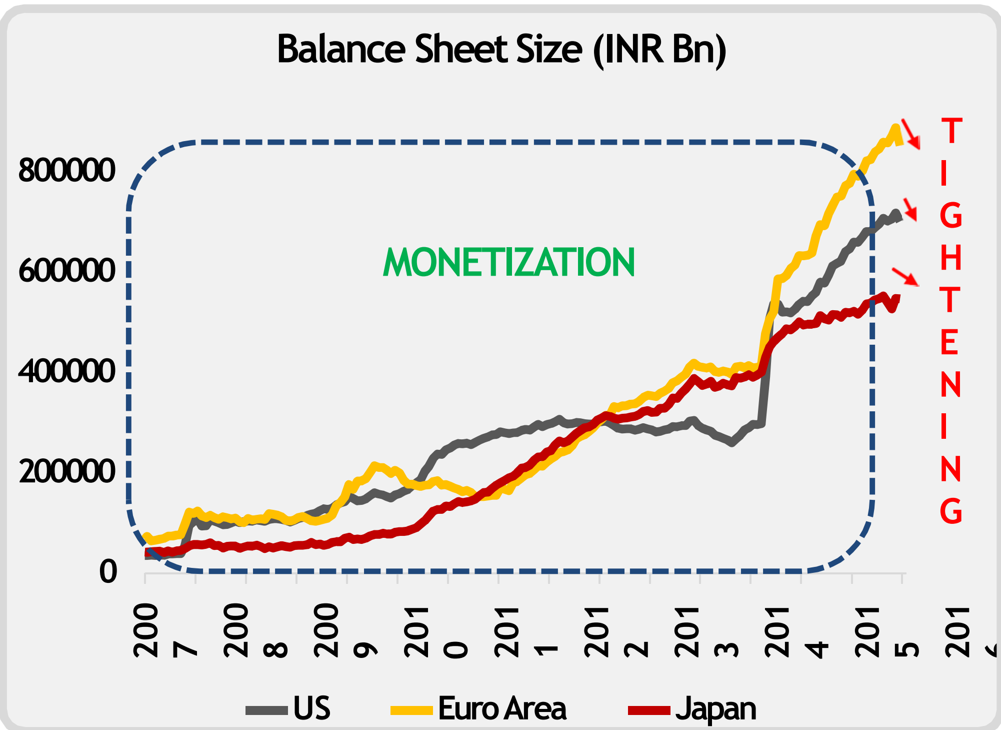
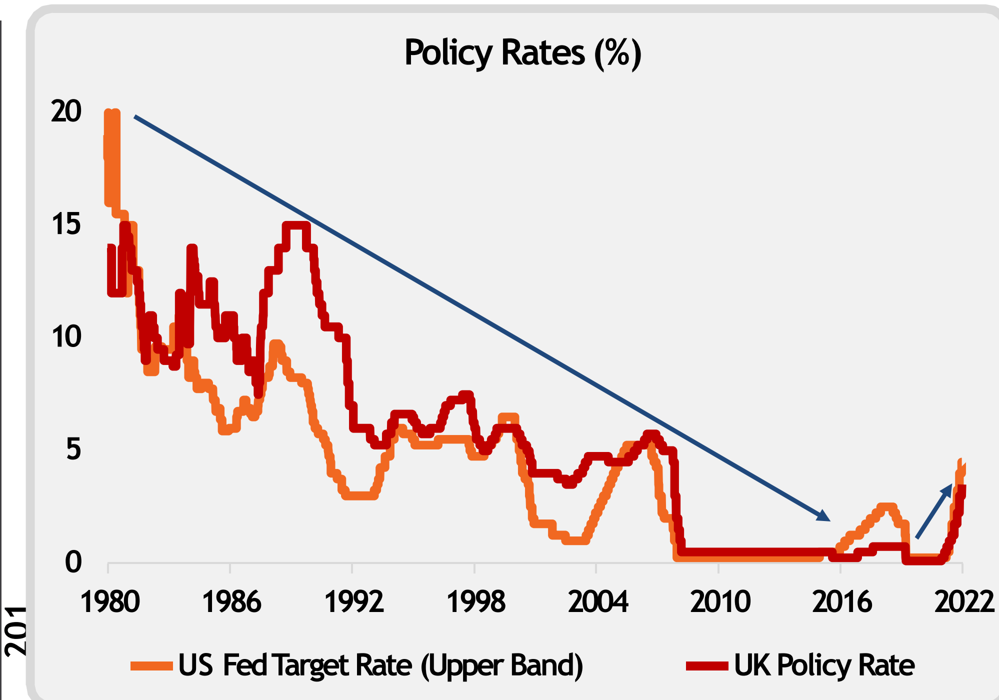
Last four decades were marked by low Interest Rates and Quantitative Easing contributing to ample liquidity. The scenario is changing as we are moving again towards a high interest rate era and limited liquidity





Source: Morgan Stanley, US Federal Reserve, Bank of England, US - United States, UK - United Kingdom. Past performance may or may not sustain in future.

Start of Volatile Phase and end of Low volatility

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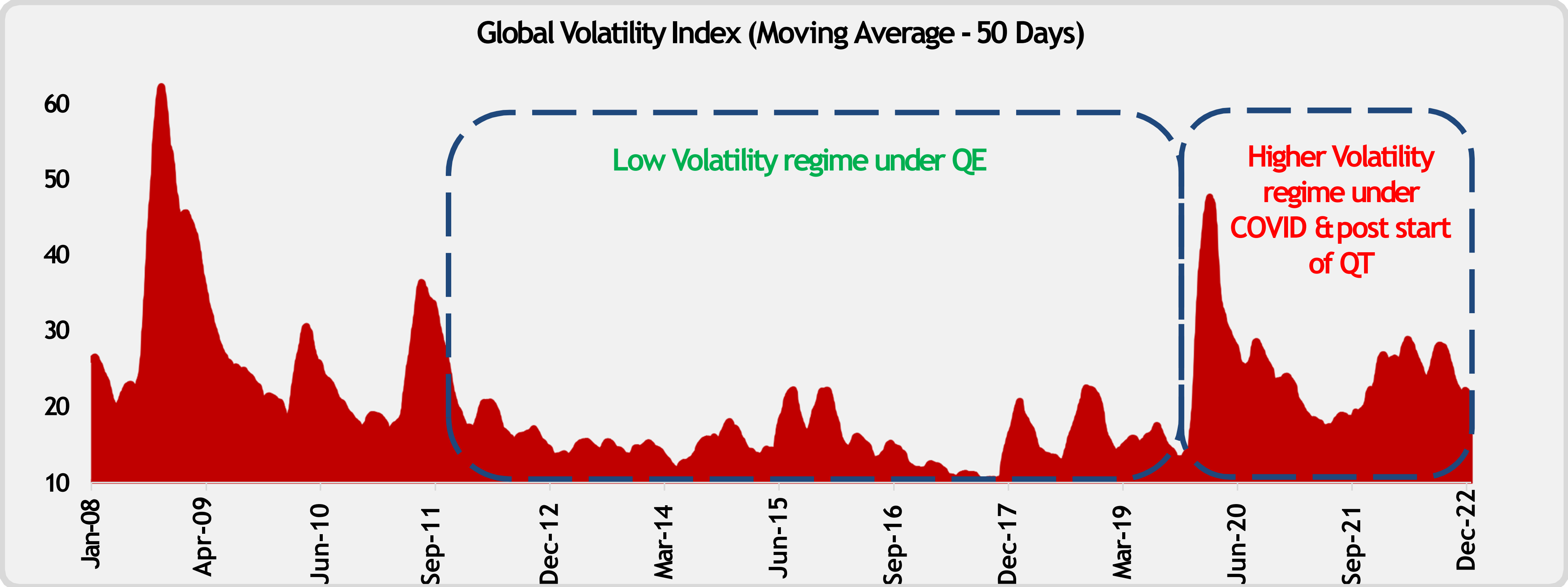
Global volatility was on the lower side last decade as Central Banks especially US Fed opted for QE.
Currently volatility is on the rise as Central Banks are opting for tight monetary policies



Source: WSJ, QE – Quantitative Easing, QT – Quantitative Tightening, GFC – Global Financial Crisis, COVID – Coronavirus Disease. Past performance may or may not sustain in future.

Portfolio Positioning for various economic scenarios

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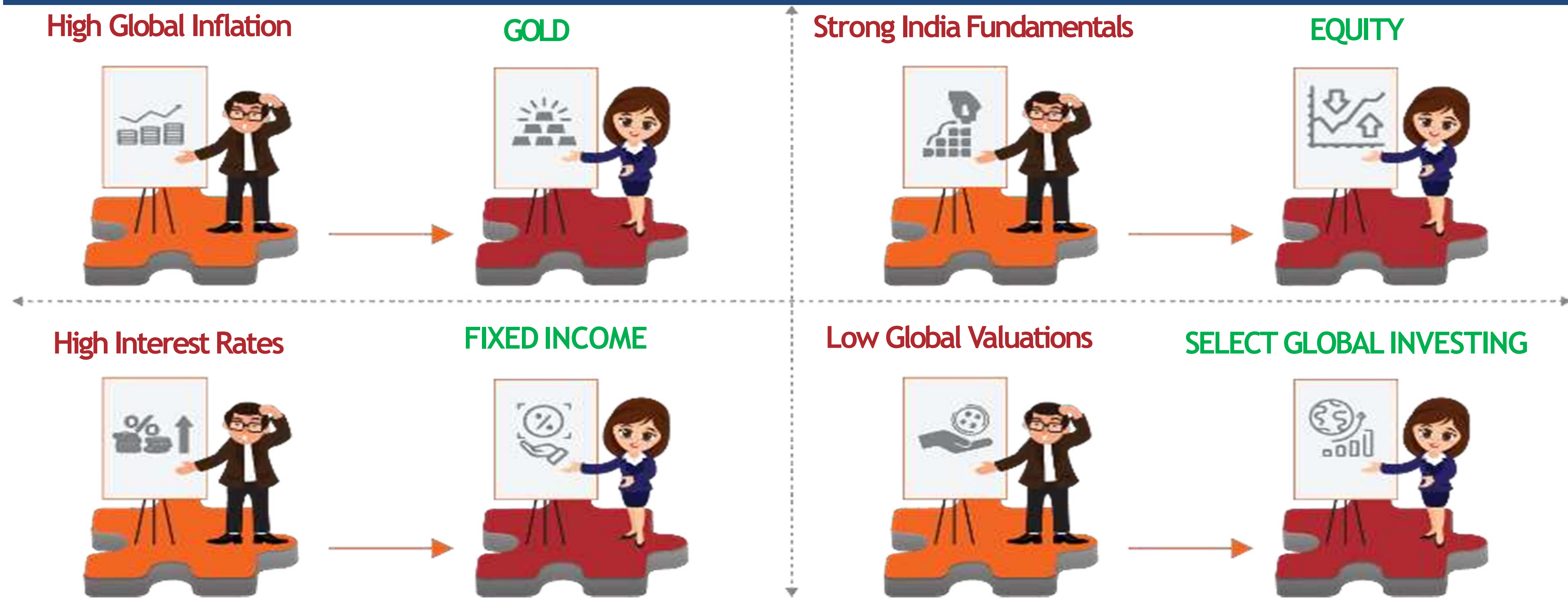
As highlighted in previous slides, we have entered into a new era marked with high inflation & interest rates, low liquidity, high volatility and escalating geo-political issues, it is important to adopt an all asset class approach



Case for Fixed Income: Priority No.1 (FD-Insurance-Debt Funds)

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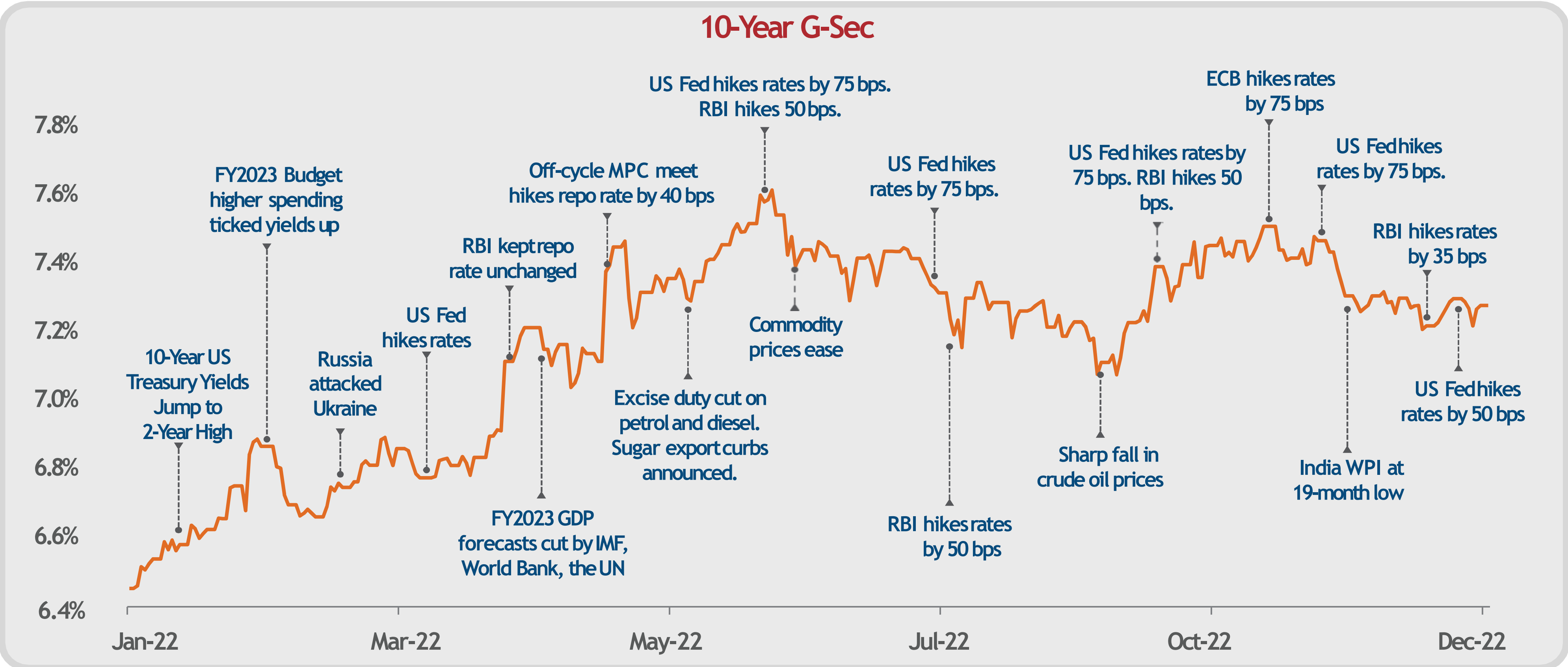

Data as on Dec 19, 2022. Source – RBI, www.federalreserve.gov, MOSPI. RBI – Reserve Bank of India, US Fed – US Federal Reserve, GDP – Gross Domestic Product, IMF – International Monetary Fund, UN – United Nations, MPC – Monetary Policy Committee, ECB – European Central Bank,

Next 3-5 years: Fixed Income returns will be good.

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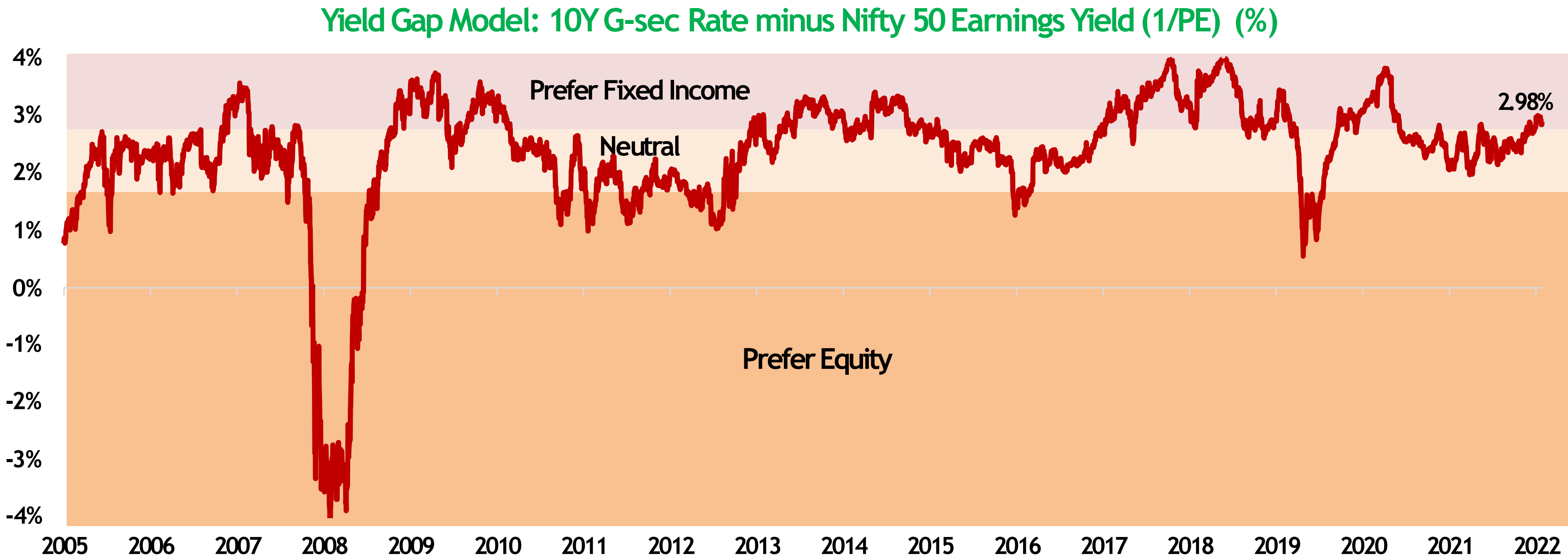
Equity Market Valuations and Debt instruments yields moving higher, the relative attractiveness of fixed income investment has increased



Data as on Dec 27, 2022. Source - Kotak Research, P/E - Price to Earnings Ratio. The Yield to Maturity (YTM) mentioned is based on scheme portfolio dated Dec 23, 2022. YTM is the rate of return on a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities.

Invest in FDs-Debt Funds-Guaranteed Insurance Scheme

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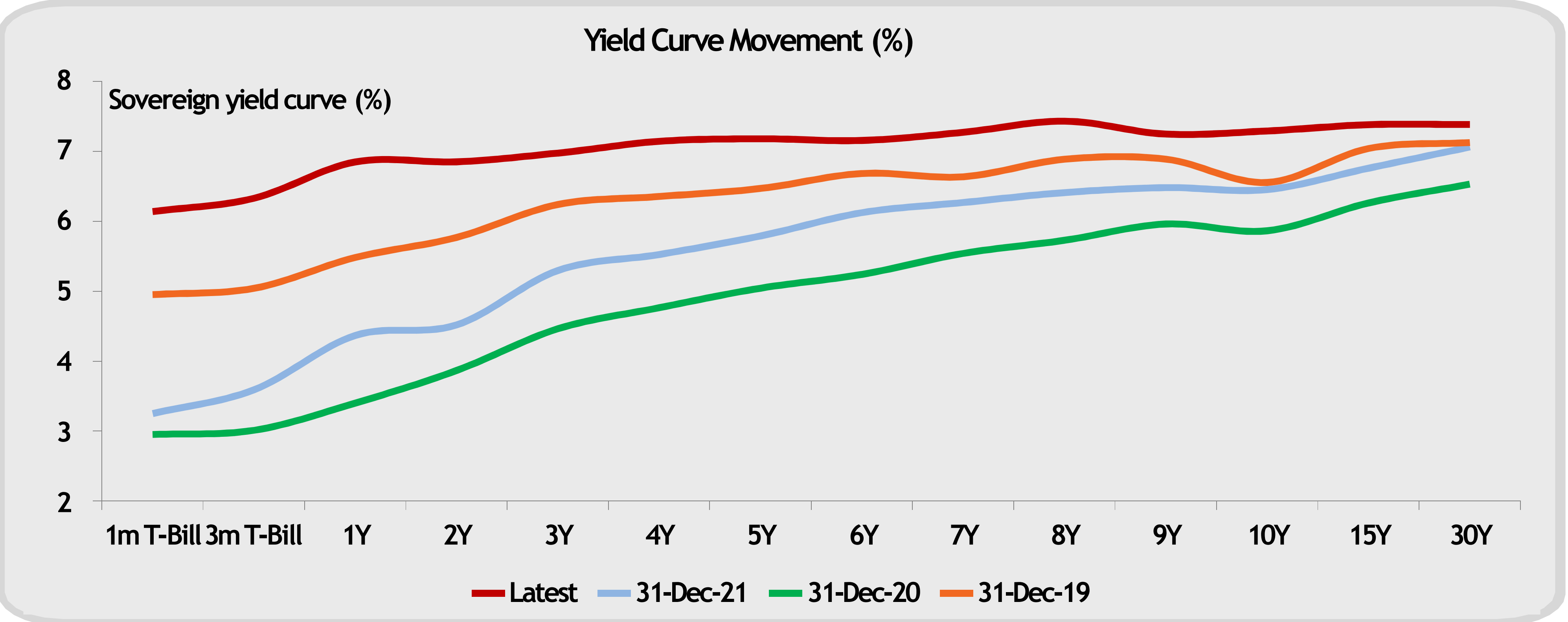
With RBI hiking rates aggressively, the whole yield curve has shifted upwards, making the yield on the fixed income space attractive



Data as on Dec 14, 2022. Source : IIFL Research

Next few years belong to Fixed Income Products

Instruments/ Investment Avenues	Rate as on Sept 30, 2021 (%)	Rate as on Dec 23, 2022 (%)	
Repo Rate	4.00	6.25	2.25%
Traditional Instrument	5.40	6.75	1.35%
6 Months CP	4.05	7.65	3.60%
1 Year AAA	4.20	7.55	3.35%
2 Year AAA	4.80	7.57	2.77%
3 Year AAA	5.30	7.58	2.28%

Capital Market

The transmission of rates has happened efficiently when it comes to capital markets compared to traditional investment avenues

Case for Investing Globally: Priority No.2

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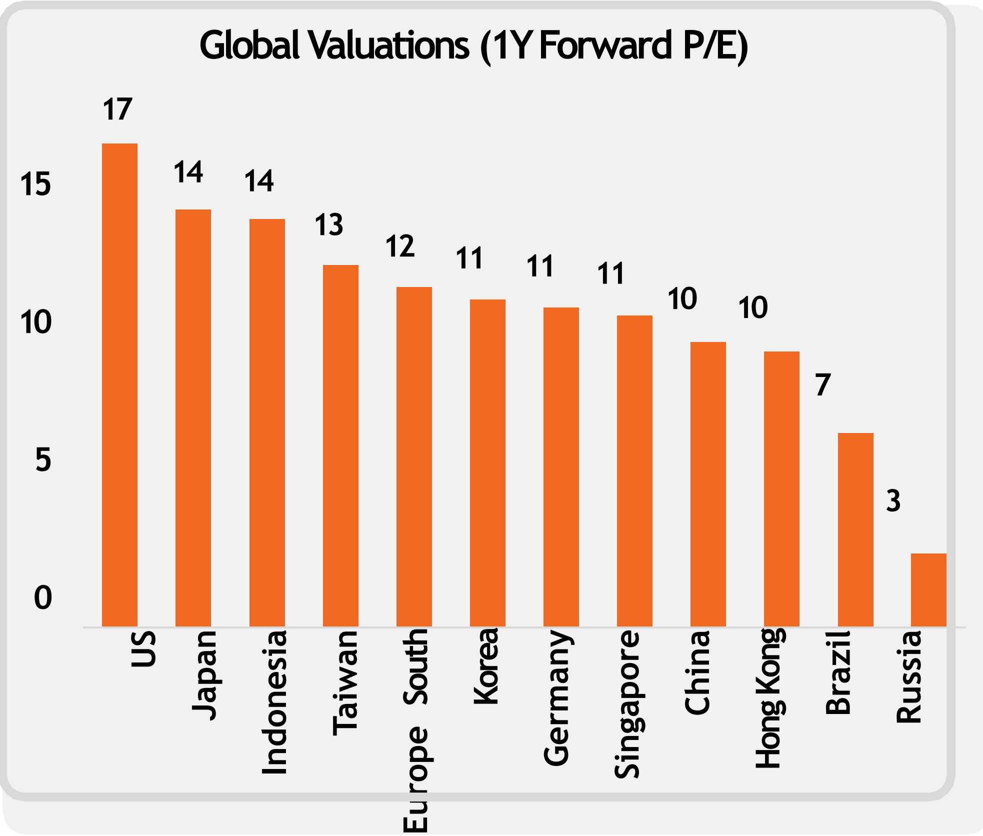
Global valuations in certain pockets looks attractive



Country	Absolute Returns		
	1Y	2Y	3Y
Russia	-39%	-30%	-37%
South Korea	-23%	-16%	5%
Taiwan	-20%	0%	19%
China	-16%	-9%	3%
Hong Kong	-16%	-26%	-30%
Germany	-12%	3%	5%
Japan	-8%	0%	11%
Europe	-8%	13%	8%
US	-8%	10%	16%
Indonesia	4%	14%	8%
Brazil	5%	-7%	-5%
Singapore	5%	15%	1%

Why should your investment be global

Tapping some themes/opportunities of future which are not much available in Domestic Markets

Case for Investing in Gold: Priority No.3

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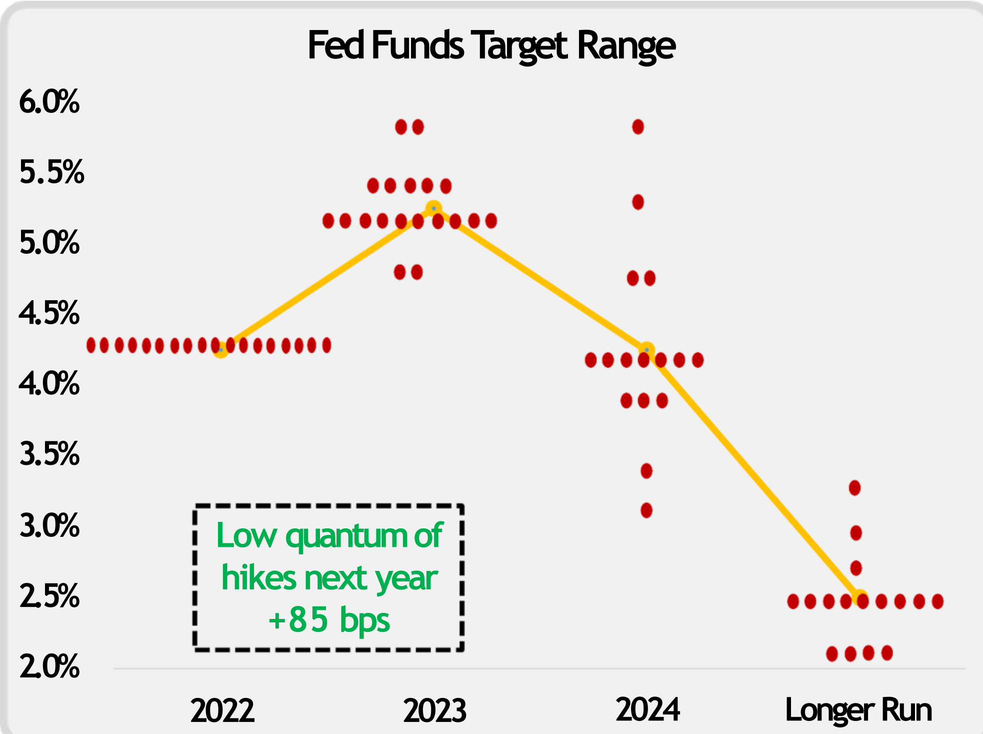
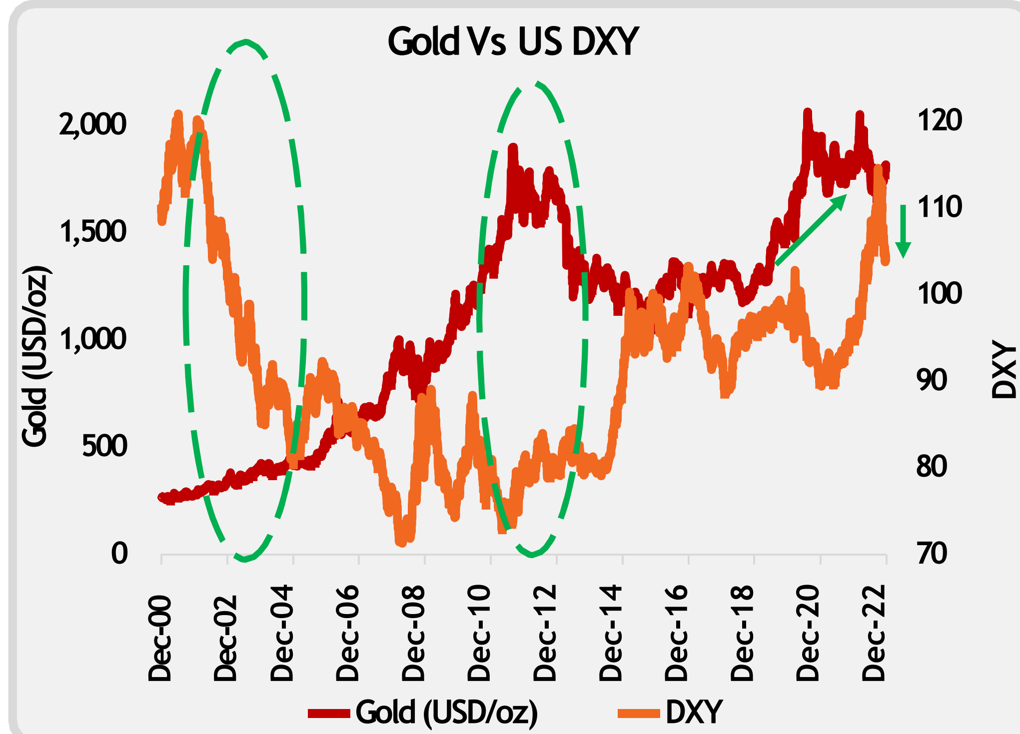
US Fed has aggressively hiked rates by 425 bps in current FY resulting in dollar appreciation and muted returns for Gold





Data as of Dec 23, 2022. FYTD - Financial Year Till Date. Source - US Federal Reserve, DAM capital. Past performance may or may not sustain in future.

Why Invest in Gold now?

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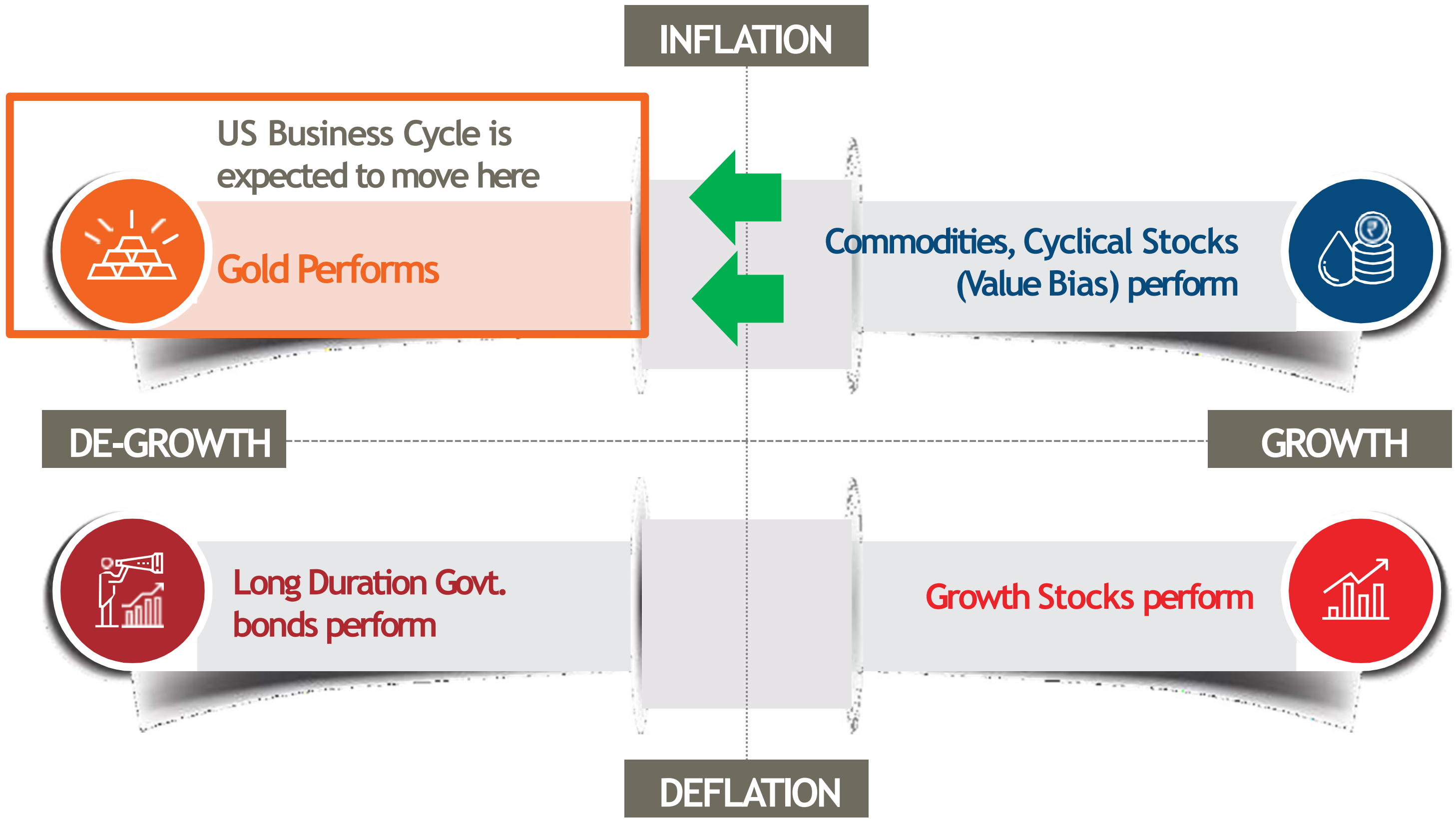
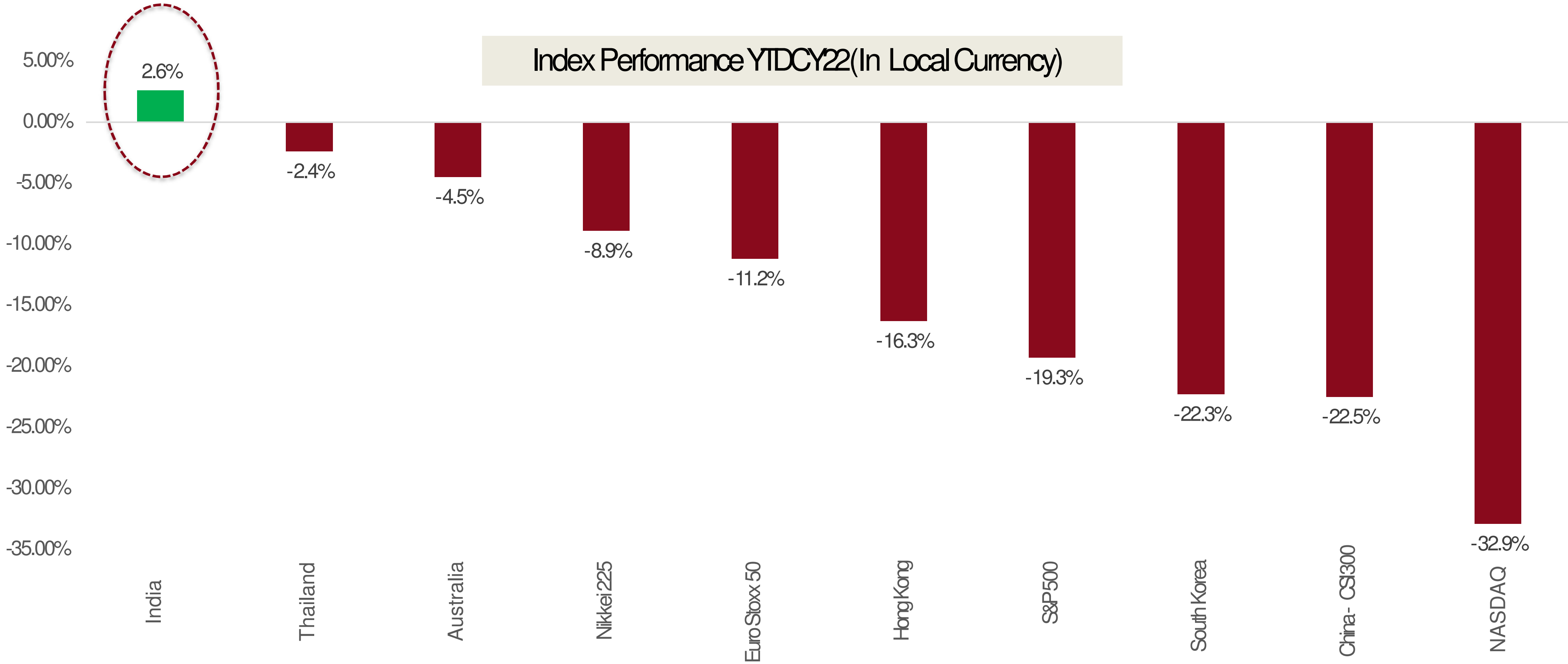


Case for Investment in India: Priority No 4



Note: Data as on 23rd Dec 2022. Source: Bloomberg, ABSLAMC Research

India is the most expensive of all

12M Forward P/E across key geographies

Country	Current	2021 High	Current vs 2021 High	10Y Median	Current vs. Median
Eurozone	12.1	18.1	-33%	13.7	-11%
UK	9.9	14.9	-34%	13.2	-25%
World	15.8	21.2	-25%	15.9	0%
US	17.9	22.9	-22%	17.1	4%
Japan	12.6	18.7	-33%	13.8	-9%
EM	11.5	16.5	-30%	11.7	-2%
India	18.6	24.8	-15%	18.1	3%

Global valuations have corrected as global bond yields have risen. But given strong growth outlook and macro conditions of India, valuations are high.

Source: JPMorgan, Bloomberg, ABSLAMC Research

Global economy to see a slowdown in 2023. But India and China may grow at a slower pace

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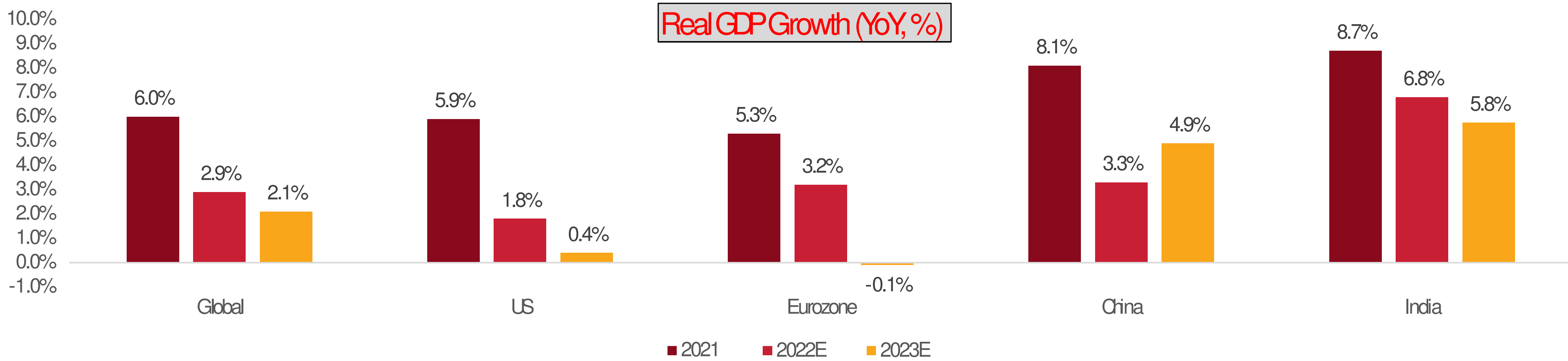

- Global economy is expected to slow down in 2023 due to rising rates and higher energy costs in Europe, partially offset by a recovery in China.
- US GDP expected to be flat YoY in 2023 as aggressive rate hikes by the Fed start to take a toll on demand and housing market slows down.
- The Eurozone economy is expected to contract in 2023 due to high energy prices and rate hikes by the ECB.
- The Chinese economy is expected to rebound as the government relaxes Covid related restrictions and scales up support to the property sector. However, fresh rise in Covid cases is creating some uncertainty.
- Growth in the Indian economy is expected to be largely immune from global headwinds with strong consumer demand and aggressive capex push driving 5.8% real GDP growth.

Note: For India, projections are for FY and CY for rest. Source: Bloomberg, Goldman Sachs, ABSLAMC Research

Conclusion:

Select Global market available at attractive valuations

High inflation & global growth slowdown warrants exposure in Gold/Silver

Yields have turned attractive recommend investing in short-duration fixed Income schemes

End of an era of loose monetary policies, low inflation & low volatility

New era calls for multi-asset investing

Equity valuations look stretched, invest in a staggered manner

Investment approach for 2023: Fixed Income-Multi Asset Fund-Gold/Silver-Global Investment-Indian Equities

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S — STAGGERED
Recommend SIP/STP in Equity Schemes.

A — ASSET ALLOCATION
Expect volatility, recommend asset allocation across asset classes /geographies

F — FIXED INCOME
Debt schemes attractive post rate hikes.

E — EQUITY ARBITRAGE / EQUITY SAVINGS FUND
For parking surplus funds

TRIGGER

The only trigger we would be watching out is further moderation in Indian Equity Market valuations for giving a more aggressive call

SAFE is an acronym used for Investment Approach for 2023 and does not in any manner indicate safety or less risk

Typical Portfolio in 2023

Assuming 100 rupees is to be invested:- **OPTION 1**

1. Invest 60 rupees in Fixed Income/Guaranteed Insurance Products/Debt MF.
2. Invest 30 rupees in Global Technology/China/Asia Pacific Fund/Indian Pharma and Technology sector fund.
3. Invest 10 rupees in Gold/Silver Fund.

Assuming 100 rupees is to be invested:- **OPTION 2 (Preferred)**

1. Invest 80 rupees in Multi Asset Fund/Dynamic Asset Allocator Funds
2. Invest 20 rupees in Global Technology/China/Asia Pacific Fund/Indian Pharma and Technology sector fund.

Contact Us…

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Thank You

for your time & interest

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