Quarterly Financial Magazine by TBNG
November 2021

THINKING MAN

Inside :

Directors note

Time is your Friend,
Impulse is your Enemy
- John C Bogle

Dear Investor,

The enthralling festival of lights is here. As we prepare to celebrate this festival of triumph of good over evil, and light over darkness, let's pledge to spend some time ensuring we are financially ready for the future. While analyzing the market pulse may seem a bit intricate at this juncture, we must ensure to keep ourselves prepared for volatility from a personal finance standpoint. Key indicators point toward a probable pause in the current bull market; market corrections can be expected. It's time to ensure your portfolio is well-hedged to withstand market volatility.

India is witnessing the fastest wealth creation era in history. Yet, the allocation of household income to savings and investments has fallen from 34% to 30% over the past two years. While the pandemic has been an eye-opener for everybody, reenforcing the absolute need to achieve financial independence, few have taken heed.

51 percent of urban Indians have not made retirement plans.

Most Indian investors lack the basics, like a 'retirement fund'! They bank on their all-purpose investments to take them through their retirement days, contingencies, financial goal, etc. Nearly 48% of Indian investors are unaware of the corpus they require to sustain them through retirement. Then there are taxes and inflation that are often unaccounted for, eating into their gains.

Have you created a source of passive income to aid your wealth creation journey?

A recent survey shows barely one-third investors have created alternate sources of income. The affluent have multiple passive income sources like dividends, rent, royalty, interest, and beyond. They have zero dependencies on their jobs or business to support their lifestyle. This independence gives them the levy to reinvest their earnings and multiply their income sources which further helps them create more wealth. What if your primary source of income stops? What alternative sources can your work on to replace your income? Begin here. There are two crucial traits common in most wealthy individuals.

1. They are disciplined

Discipline is the cornerstone of wealth creation. To put investments and savings before luxury or wants requires one to be strong-willed and hungry to attain set goals. Contingencies, unplanned expenses, changes in goals will interrupt your investment plans. Even if it means stopping your investments or dipping into some part of your savings for a while, one must ensure to restart and return to their disciplined investment journey at the earliest.

2. They understand the rules of compounding.

The advantages and effects of compounding on your investments only work if you let your corpus stay invested for the long term. For instance, to double your money with gains at the rate of 12% per annum would take you approximately 6 years. The wealthy understand compounding rules and begin their investment journey at a young age by being consistent and growing their capital. Once a sizeable corpus is created, it is merely time and compounding that does the magic.

The straightforward approach to wealth creation is to maximize your income by:

- Doing what you love for a living,
- Keeping your costs constant & low, and
- Investing the surplus post essential expenses in a well-diversified portfolio of investment products aligned to your financial goals.

Once you've mastered that recipe, all you need is patience to see your corpus grow.

Economic Update

India's GDP continued to grow for the third straight quarter in April-June (first quarter) of this fiscal, recording a 20.1% rate compared with 1.6% in the March quarter (fourth quarter of fiscal 2021). In gross value-added (GVA) terms, the economy grew 26.5% compared with 3.7% in the previous quarter.

CRISIL has maintained its GDP growth forecast at 9.5% for the fiscal compared with 11% predicted earlier, noting that while the economic recovery continues to gather momentum, waning impact of the second Covid-19 wave, the climb up will be only gradual.

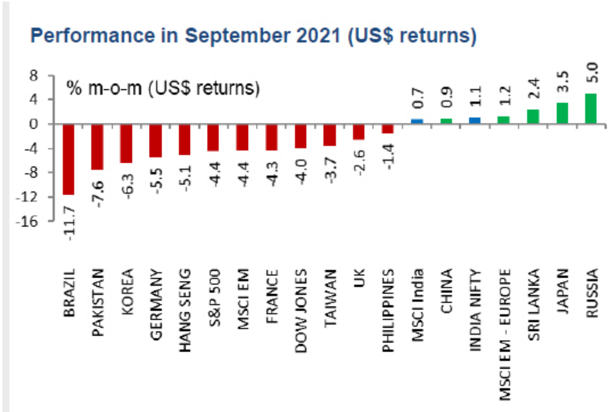
Even as exports and the government's capital expenditure do well, broad-based support from household consumption and private capital expenditure remain elusive. Worst of household income, jobs, and consequently retail sales may be behind us. Meanwhile, the risk of a third wave remains, given the slow pace of vaccination.

Segments such as toll collections, power generation, GST collections, electricity demand, rail freight, exports of goods and government capex depict strong momentum on a 2 yr CAGR basis. Economic recovery would be gradual as urban and rural consumer sentiments are still weak (depicted in 2-wheeler and passenger car sales) and will only pick up after a few quarters of a sustained rise in income.

Some Highlights of the quarter:

- *India's quarterly exports cross the $100 billion mark for the first time.*
- *GST collection at 5-month high in Sept; above Rs 1.1 lakh for a third straight month.*
- *Net direct tax collections have grown over 74% to Rs 5.7 lakh Cr so far this fiscal.*
- *EPFO added 14.65 lakh net new subscribers in July.*
- *Mumbai property registrations activity is at a 10 year high in September.*
- *India's manufacturing activities improve in Sep'21 on strong demand conditions: PMI survey.*

Economic Indicators			
YoY	**Current**	**Quarter Ago**	**Year Ago**
Monthly Inflation (CPI)	4.35% (Sep-21)	6.26%(Jun-21)	7.27%(Sep-20)
IIP	11.9%(Aug-21)	27.6%(May-21)	(7.1%) (Aug-20)
GDP	20.1% (Apr-Jun Fy22)	1.60% (Jan-Mar Fy22)	(24.4%) (Apr-Jun FY 21)
Monthly Inflation(WPI)	10.66%(Sep-21)	12.07%(Jun-21)	1.32%(Sep-20)



Equity Update

The Equity market delivered negative returns across most key economies in September' 21. Mounting inflationary concerns, expectations of earlier than anticipated tapering by the US Federal Reserve, China's power outages, Evergrande liquidity crisis and the recent US debt ceiling negotiations weighed on the global stock markets in September 2021.

Indian equities have stayed a strong outperformer relative to EM equities, leading to a significant expansion in their valuation premium. The latter has struggled because of a combination of factors, including Fed taper fears, renewed growth concerns, and Chinese regulatory clampdown on Tech companies over the past few months.

Nifty Equity Benchmark Indices (Returns %)		
Index	**31st Sep**	**1 Year**
Mid Cap	30384	77%
Small Cap	10890	86%
Auto	10598	33%
Bank	37425	68%
Energy	22859	52%
FMCG	40427	35%
Infra	5025	62%
IT	35028	74%
Metal	5611	148%
Pharma	14467	22%
Realty	514	138%

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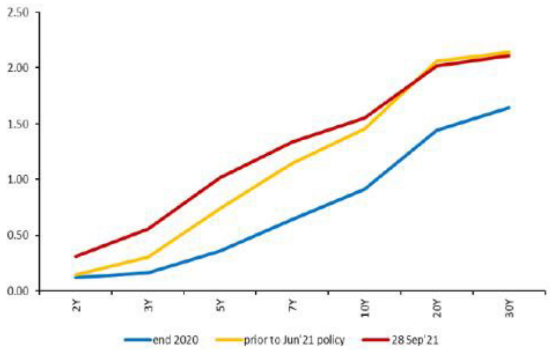
Global Update

Due to upward inflation surprises, select Central Banks (Brazil, Mexico, and South Korea) have initiated policy rate hikes in 2021. Developed markets have either embarked on policy normalization or are expected to do so over the next couple of months via a reduction in bond purchases. 2-year UST has seen a faster increase since the US Federal Reserve indicated tapering commencement in June 21. Markets are now expecting a formal announcement of tapering after the 2-3 November policy meeting versus the earlier expectations of December.



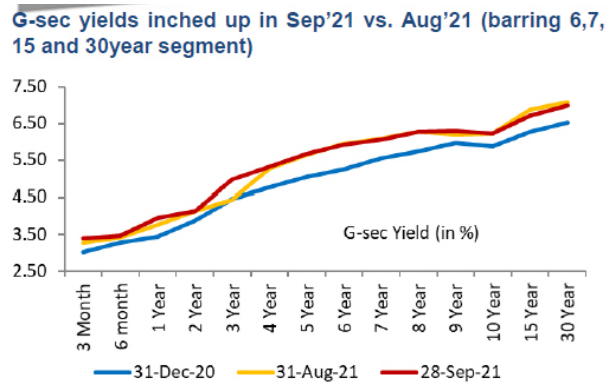
- **China:** China is on the path of modest monetary policy easing as growth shows visible signs of slowdown owing to multiple policy triggers.

- **US:** US GDP grew at an annualized rate of 2.0% in the third quarter, compared to 6.7% growth in the previous quarter. US pending home sales fell 8% on-year in September following an upwardly revised 8.4% fall in August. US initial jobless claims fell to 281,000 in the week ended October 23, compared to 291,000 in the prior week.

- **EUROZONE:** The European Central Bank left monetary policy measures unchanged. Eurozone's final consumer confidence came in at -4.8 in October, down from -4.0 in September.

- **Japan:** The Bank of Japan left its key rates unchanged. Japan's industrial production fell 5.4% on-month in September compared to a 3.6% decline in August

Fixed Income Update



- Headline inflation is likely to head lower temporarily, but it eventually converges to core inflation, which has consistently remained above 5%.

- Fundamentals such as increasing commodity prices leading to inflationary risk across the globe, stickiness in core CPI inflation, elevated supply of government papers have worked against spread compression despite massive monetary easing.

- The central government receipts prospects look promising and are likely to offset any shortfall faced due to disinvestment and the need for excise duty reduction on petroleum products.

- Very clearly, even as prioritization of growth revival remains the predominant objective, the RBI would be mindful of the evolving CPI trajectory, the persistence as well as the shifting drivers of higher inflation across various segments, and also the likely shift in policy by major developed markets.

- FIIs have invested in Indian equities, likely due to the increasing expectation of India's inclusion in one of the three Emerging Market Global Bond Index (JP Morgan and Bloomberg)

- FTSE has retained India on the watch list as it awaits more progress on market accessibility taxation and trading hours for Indian G sec by Indian policymakers.

Our View

Equity:

Outlook stays constructive premised on our view that we are in the early to mid-stages of an economic cycle. Investors would do well to moderate their return expectations, and large-cap-oriented indices opportunities should fare better. However, due to significant earnings uptick expected in certain pockets, we believe that opportunities specific bottom-up fund managers with proven track record will do well over the long-term hereon too; a certain percentage of the portfolio can be allocated to them.

Fixed Income

RBI finds itself in a position where to control the inflation and ill-effects of easy money, it must be vigilant in terms of the fresh OMOs and consider the rate hike at some point in time, maybe even earlier than expected. But simultaneously, it has to support, if not stimulate growth, at least for the next 1 or 2 quarters as the economic activity is almost up and running but still not back to pre-covid levels based on various data points.

So, a Barbell Approach can be followed wherein the core can be parked in a combination of Liquid and Floater strategies waiting for rate changes. The satellite can be allocated to 5-6 Year Roll-Down strategies, thus spreading the fixed income assets across the yield curve.

New INVESTMENT IDEAS

UTI Nifty 200 Momentum 30 Fund – An interesting way to play the Momentum strategy, which has outperformed its parent index as well as Nifty in most of the years based on the back-tested data:

This smart beta strategy is aptly capturing the momentum of the market by employing the normalized momentum factor. This opportunity could be a fascinating strategy for investors looking at simplified options yet wanting to make 'trend their friend'. This strategy is employed via the mutual fund vehicle rather than other routes, making it tax-efficient. These strategies typically have an aggressive churn and thus could lead to some very regular tax bills for the investors. Hence, investing via an MF route is the most efficient way.
Investors can consider this an alternative to Large and Midcap Category investments and accordingly shore up their allocations in that space. Based on the back-tested data compared to the parent index, i.e., NIFTY Momentum 200 and Nifty 50, it has demonstrated a sizeable and consistent alpha majority of the time with almost in line or slightly higher volatility. Smart BETA strategies must be employed only if they have a clear, visible, and consistent outperformance as compared to its parent index at a competitive expense ratio. Hence, Investors based on their respective asset allocation and risk appetite could look at employing this strategy.

Valuation and EVI Model Based Strategy

We always talk in terms of buying low and selling high. But when there is a deep bear market, will our fears, our skepticism, let us buy aggressively during such times? During a raging bull market, when our advisor or some valuation metric gives a call in terms of selling, will we have the discipline to sell and book profits when there is talk all around that the markets are only going up? At best, we do equal SIPs throughout this tenure. But what if there was a model which based on some fundamental parameters locks our SIPs/STPs in an opportunistic way where without too much fuss or giving into emotional biases, it aggressively invests based on its multiple during bear markets and invests only a portion of its intended invested during the deep bull market? If the markets are high, it will increase the investment tenure and reduce the investment amount. In bear markets, the investment tenure will be reduced from our intended time period to capture the best valuations, as well as the investment amount, will also be proportionately increased.

This quarter we explored a similar strategy and started deploying fresh funds for many of our investors, which quantifies the deployment strategy and the pace of deployment based on sound parameters and thus takes the emotion away. However, the proof of the pudding lies in eating it. When this model was back tested for the last 10 years on the benchmark indices, it demonstrated at least 1-2 percent alpha over normal STPs and SIPs. But the more fundamental objective behind doing this exercise is to be cognizant of valuations and respect not just what the market is hinting at, but more importantly, to respect what the market is not telling us.

PUTTING ALL EGGS IN ONE BASKET COULD BE YOUR BIGGEST FINANCIAL MISTAKE

mint

Your financial independence could be affected by poor diversification

Rahul Hingmire and wife Supriya had not realized the hazards involved in taking a single-asset investment route

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Supriya and Rahul Hingmire approached a financial adviser when they found their personal finances floundering.

Rahul Hingmire's case was a classic example of all eggs in one basket. It ticked every checkbox in the list of don'ts for investors—100% investments in a single asset class, a non-existent emergency fund, inadequate insurance and zero diversification. What Hingmire had was an extremely high-risk investment strategy with a non-existent plan B. In financial terms, a "recipe for disaster".

Investing all your hard-earned money in a single asset class that is highly illiquid is one giant risk, but investing in it without a financial goal or plan is irredeemable.

Hingmire is a lawyer and a founder member of a leading law firm in India, and his wife Supriya is founder and managing director of a recruitment services firm assisting corporates pan India. Their hectic schedule and undeterred focus on growing their businesses had side-tracked their investment journey.

Investments: Although Rahul and Supriya were excelling professionally, their personal finances suffered due to lack of attention. Rahul and Supriya did park aside their investible surplus as often as they could. Still, the paucity of time and the lack of knowledge or awareness about financial assets led them to invest in the only asset they truly understood, real estate.

Nevertheless, Rahul and Supriya soon realized their failings in managing their investments prudently and decided to reach out to a financial expert for help. They began their search for a fiduciary who could be trusted to handle their assets while keeping their best interests in mind. They met financial expert Tarun Birani, founder and director of TBNG Capital Advisors Pvt. Ltd.

Birani is a fee-based Sebi-registered investment adviser. He took the time to discuss and understand their financial journey, money habits and investment mantras. The priority was to do a thorough financial risk assessment and better calculate their capacity to absorb risks. Trusting Birani's guidance, the couple shared their complete financial information, allowing Birani to conduct a comprehensive financial assessment.

The findings astounded the couple. They hadn't grasped the risks involved in a single asset investment route. This awareness led them to the realization and need for a contingency fund and relevant insurances. The assessment highlighted the positives: they still had a good time horizon to make up for the time lost in letting their savings compound.

Birani said, "The Hingmires kept their lifestyle expenses low and were a family of no dependents with immense potential to save. All that they needed now was a strategic financial plan to set them on the right investing track."

"Rahul and Supriya were extremely open and transparent about their present financial journey and their life plans for the future, which was a silver lining. This openness gave me proper insight to better understand their precise goals and draft a blueprint to plan the way to every single financial milestone," Birani added.

Emergency fund: As a thumb rule, having a contingency fund is a top priority. The planner explained to the couple that they had to ensure they had adequate liquid savings to fall back on to get their contingency fund in place. A sum equivalent to six months of essential expenses was parked in funds that could easily be liquidated within a 24-hour period.

Insurance planning: Next up was to ensure they are adequately insured. Through the human life value calculator, the planner calculated an adequate term cover along with a complete health check-up to rule out any underlying illnesses. This way, the couple analysed the proper term and health plan that suited their unique requirements.

Asset allocation: Birani next helped them focus on investing for the foreseeable future. The planner assisted them in building a robust portfolio of financial assets aligned with their risk appetite. The corpus that accumulates through these investments is aligned with the short- and long-term goals and retirement needs.

Today, their asset allocation has moved from 100% in real estate assets to 60% in real estate and 40% in financial assets (30% in equity and 10% in debt specifically). They have also invested in some global assets that offer their portfolio the necessary diversification.

The Hingmires trusted Birani's financial advice and are now prudent investors. Based on their financial plan, they are well on their path to financial freedom in the next few years. The route to financial independence does not need to be one of immense struggles or sacrifices. It begins with simple awareness and understanding of what you own and how you can best put it to use.

THINKING MAN - *Financial Wellness Programme*

The Thinking Man workshop was created with a vision to educate investors and help them in making more informed related decisions. So far over 1500+ business owners and professionals and a dozen corporate houses have benefited from our highly interactive and informative sessions which are expertly designed and curated by industry professionals .

In this program we aim to educate the attendees on :

How to save money by controlling your behavior
The power of 7, Regret of 5,Magic of 20

Breaking the myth between real estate return and equity return
Understanding the Gap between investor return & market return

KNOW OUR TEAM MEMBER

Nishant Gondalia
Vice President
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Nishant heads the Research and Investment Strategy division at TBNG. He is a qualified CFA Charterholder having passed all 3 Levels of Chartered Financial Analyst course offered by CFA Institute, USA. In addition to that he has also completed Inter CA and One Group of CA Final. He has more than 5 years of experience in the finance industry having previously worked as an Equity Research Analyst along with having a brief stint at an Investor Relations Firm devising information communication and dissemination strategies along with data analytics. He has a strong inclination towards researching equities and finding value based on sound fundamentals.

In his free time, he loves to drive and enjoys watching football and devouring books

DIWALI CELEBRATION

MEDIA PRESENCE

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ABOUT TBNG

TBNG is a 15 yearold SEBI Registered InvestmentAdvisor& is considered one ofthe India's leading independent FinancialAdvisors.

We observed that successful Indian families are finding it counter-productive to individually deal with multiple experts including but not restricted to Investment Advisors, tax consultants, Accountants, Lawyers, etc. to manage their wealth and are recognizing the value of "Family CFO" - An experienced guide, a financial coordinator and an advocate who would offer unbiased advice keeping into account the unique context of the families' circumstances and goals. TBNG has emerged as the Family CFO of choice of successful families.

With our flagship online platform - **"Thinking Man,"** a digital financial planning platform, we intend to digitize our core Financial Planning services in a cost effective and transparent manner to reach the masses. On our Thinking man platform we offer options to select plans based on the clients' suitability. The primary aim of the Premium Plan is to assist naïve, young and retail investors .we also provide our users with half yearly, as well as yearly review, portfolio rebalancing services and also the facility to interact with the assigned financial planner to help align the portfolio to any changes in financial goals that require an immediate and corrective course of action.

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