voyage speaks

MUMBAI I WEDNESDAY, APRIL 24, 2019

mutualfund.adityabirlacapital.com

fb.com/abcabslmf @adcabslmf

ADITYA BIRLA CAPITAL

Mutual Funds

Aditya Birla Sun Life Mutual Fund

India, a $5 Trillion Economy How Soon? How Far?

India would need $1.5 Tr p.a. investment to become $5 Tr Economy

Mr. Ajay Srinivasan
Chief Executive - Aditya Birla Capital Ltd.

India became a $1 trillion economy in 2007. The second trillion came within seven years. Despite global slowdown, India should grow faster than other large economies. Given real growth rate at about 7% and inflation at 4%, we should become a $5 trillion economy by 2025. But our extremely low per capita is a major challenge.

Key positives that enable strong growth are demographic dividend that needs right education, skills and job opportunities. India's large domestic market is getting prosperous. With rising income, consumption power and consumption basket will drive growth. As China struggles, India can become the new engine for global consumption.

Our investment rate - measured by gross fixed capital formation as a ratio to GDP - has fallen considerably since the peak in 2007-2009. We need to increase it from 29% to 36% of GDP for sustainable growth. This gap can be bridged through domestic savings that is in decline. The government must keep borrowing in check and further liberalize insurance and pension sectors.

Our focus in agriculture should be on boosting farmer's income and making agriculture a sustainable and remunerative business enterprise. We need modern rural infrastructure with integrated value chain system to boost India's food exports.

Manufacturing will also need a significant boost to create jobs. With China shifting away from low-end labour - intensive manufacturing, India has an opportunity. We also have significant room to boost global exports by improving manufacturing productivity, infrastructure, logistics and ports, and reduce cost of doing business in India.

To increase high technology exports, we need to upgrade our capabilities in science and technology by increasing the meagre 0.6% of GDP spend on R&D.

Education – India spends a meagre 3.8% of GDP compared to global average of 4.8% - with focus on developing human capital, needs a boost.

Continued on P 2

Mr. A. Balasubramanian
CEO - Aditya Birla Sun Life AMC Ltd.

Despite consolidation, potential for Mutual Funds largely intact

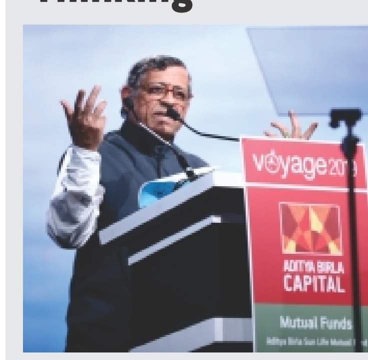
Like our first edition - also held just before general election in 2014 - we again find ourselves in the middle of another election. Then as now, there were concerns around election outcome, political stability and micro and macro-economic drivers impacting economic growth, volatility etc.

It has been a great journey since our first Voyage with 500 participants to 2100 participants from 147 locations this year. This is also our 25 years in the Mutual Fund industry. My sincere thanks to our partners and customers.

Mutual Fund assets have crossed a whopping 25 lakh crore and 2018-19 has been a year of consolidation with marginal drop in growth momentum.

Continued on P 2

India's growth will come from India Centric Economic Thinking



Mr. S. Gurumurthy
Noted Journalist and Corporate Advisor

Despite one sixth humanity and high intellectual talent, we don't have India centric thinking. While the world has changed dramatically, the Indian discourse remains where it was 25 years ago.

Four great tectonic shifts have shaken the world. First is short shelf life of ideas. Colonialism lasted 200 years, capitalism 100, Communism 50. Globalization is running out of steam in 25.

Continued on P 2

3 D's are my success mantras: Sunil Gavaskar

Mr. Sunil Gavaskar
Ex - International Cricketer

I was fortunate to be born in a family and a city - Mumbai - which loves cricket. My uncle – a wicketkeeper batsman - played 4 test matches for India and captained Mumbai's Ranji trophy team. But my first lesson in cricket came from my mother when I was 3. I was using a plastic bat to swing a tennis ball when one hit my mother's nose and she bled. I was scared but she wiped it and asked me to continue. That day I learnt that to play cricket, you must be prepared for pain.

My second lesson came from my uncle. His cupboard was full of caps. I wanted one. He said he had earned those caps and that I had to as well through hard work. These lessons kept me grounded.

I struggled to get into the Mumbai team, had to wait years and began doubting myself. Despite scoring runs in university, I was not picked. After one failure I was shunted for 3 years. When I finally got picked for Mumbai, I got out on a duck. I thought my career was over. But luck helped because I had grabbed 3 catches and in the semi-final I was dropped for 11 and went on to make a 100.

Continued on P 5

India can become $8-9 Tr Economy by 2030

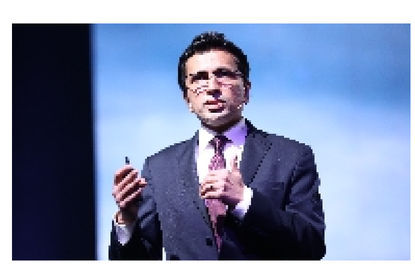
Mr. Maneesh Dangi
CIO-Fixed Income -
Aditya Birla Sun Life AMC Ltd.

All indicators we track, hint at a mild cyclical slowdown of economy, 60-61% of which is consumption that has sequentially slowed in the last 2-3 quarters. This was after a fairly strong consumption growth in the last couple of years. Why?

One thing could be that positive effects due to decadal pay commission hike for public servants rolled mid FY17, is beginning to fade. The hike was around 23% i.e. about one lakh crore worth and almost 50 basis point.

Continued on P 3

India is seeing acceleration of growth right now



Mr. Mahesh Patil
CIO-Equity - Aditya Birla Sun Life AMC Ltd.

Last decade was a Goldilocks scenario with stable growth, low inflation and low interest rate. Last year we saw volatility with active assets like equity and gold – except the US Dollar - giving negative returns. The reason was the Fed withdrawing liquidity and raising interest rates four times.

However, our view is India is seeing a slight acceleration of growth right now. In US the private consumption expenditure tracking around 2% has come down to 1.4%,

Continued on P 3

Mr. Timothy Moe
Co-Head Macro Research in Asia &
Chief Asia Pacific Regional Equity
Strategist - Goldman Sachs

India and China are Clear Investment Cases

We remain positive on Asian equities particularly China and India. There are three reasons why we think the environment is still conducive for further equity gains.

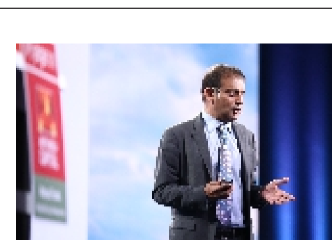
One: financial conditions and monetary policy have eased significantly. Two: recent data increasingly show growth picking up globally. Three: at micro level we're seeing improvement in global economy filter down to a stabilization of earnings growth.

Also, the US stock market hit a new all-time high yesterday reversing the nearly 20% drop of late last year. Fed easing financial condition, after tightening late last year, has led to a lift in equity markets worldwide. Our Goldman Sachs economists expect no Fed hikes this year.

Continued on P 4

India to become largest Consumption Economy in 10 years

Mr. Ashish Dikshit
Managing Director - Aditya Birla Fashion and Retail Ltd.



Depending on how we grow, Indian economy would reach $4 trillion by 2025, higher if the growth rates are better. Let's talk about the economy from the consumption side.

People try to estimate when consumption cycle will hit the S curve. A good way is to study consumption side of FMCG. In India, we are on our way to that S curve.

Continued on P 3

Gasoline demand to collapse by 2030

Dr. Sriram Vasudevan
Managing Director -
Graticule Asset Management Asia (GAMA)

In January we said Brent oil will hit $72 a barrel within a few months. It came true in April because in December Saudis pulled back selling making markets tighter, China bought at a significant premium, high yield rigs fell and the Commodity Trading Advisors where at max short levels.

Continued on P 4

India would need $1.5 Tr p.a. investment to become $5 Tr Economy

Continued from P1

We need to increase number of women in the workforce, reform and bolster institutions, regulatory framework, governance mechanisms and taxation.

GST and IBC have been positive reforms. We need to improve ease of doing business on ground as India is a largely self-employed nation. Poor infrastructure has led to weak productivity and poor export competitiveness. This needs policy attention.

As $5 trillion economy, India would annually need $1.5 trillion investment. Banking, NBFCs, Mutual Fund and Insurance Companies need to step up to provide credit.

We need a clearer fiscal roadmap including privatization to optimize use of natural resources. Equity capital needs to grow because our top private banks, infra assets, real estate and renewable power assets are foreign owned. We need to finance our growth with little foreign capital.

Indian productivity is half of world average and 20% of OECD average. Hence, development of human capital, boosting infrastructure, and deepening economic reforms will be critical.

80% of global GDP is expected to come from cities by 2030. India has lagged behind in urbanization being today where China was in 1992. We need significant infrastructure investment to make our cities much more liveable for larger number of people.

We also need to promote sunrise sectors like FinTech, healthcare and tourism. Indian society is highly inequitable with high concentration of wealth with a few. To grow we need to solve this. Widening tax base and redistribution of income is one option but we need to create productive employment for the marginalized.

India's growth will come from India Centric Economic Thinking

Continued from P1

Next is the shift from Euro-West to Asia in terms of economic, military, technological and demographic power. Population, regarded a burden, is today an asset.

Third is the rise of India despite great philosophic, economic, political and social pronouncements against India's rise. Till a decade ago, from thinkers like William Archer, Karl Marx and Max Weber to organization like UN and World Bank, everyone was promoting a one size fits all economic model for India, exerting great influence even on Indian academia and policy makers.

But India is a country with a very different approach to economy, savings and investment.

In May 2008 the World Bank said they've realised that no one model can fit all. In 2013 the UN said culture should be the foundation for economic growth.

Mr A. Balasubramanian(CEO) & Mr. Maneesh Dangi (CIO - Fixed Income), Aditya Birla Sun Life AMC Ltd felicitating Mr. S. Gurumurthy

Functioning of Indian economy cannot be divorced from how people behave. We are a family oriented society and relationships decide how we invest, save and which instruments we choose. If Indian economy is not choosing equity as a prime instrument contrary to Americans, the reason is they do not want to risk capital because of family.

A Brookings Institution economist Bobs Worth called Asian model of savings as dynastic savings and western model as individualistic savings. In Asia everybody saves for his grandson or granddaughter. Sadly this does not informs the economic model and discourse in India.

In 1750 China led the world with 34% of world GDP, India had 24.5% and England and America put together had 2%. In China, Deng Xiaoping captured the essence of how China can develop by funding 28 million town and village enterprises through the state and lifted 150 million people from poverty.

A small town called Morbi in Gujarat has the highest per capita income in India. Tirupur – without being connected by four-lane expressway or airways, is posting $6 billion knitwear export turnover. Both places are led by community driven entrepreneurship and family orientation with huge social capital at work in underground, unrecognized, unidentified, and unpromoted manner.

That is the real strength of India which is 92% self-employed. Trust, client relationship is very important. These are all based on local culture's value systems. India's non-banking financial company model is an extension of the Indian informal money lending model, unparalleled in the world.

Thus, in economics, we need to generate our own ideas suitable to our ecosystem. India's Niti Aayog resolution is a step in India centric economic thinking and an attempt to find our own strategy for growth. This has resulted in the Mudra finance model.

What we need today the most, is to empty our thoughts and begin thinking afresh.

Scan QR code to watch the session

Despite consolidation, potential for Mutual Funds largely intact

Continued from P1

IL&FS crisis brought fears into NBFC market, promoter financing and developer financing. In the equity market, an anomaly created by a few stocks caused issues at the Sensex and NIFTY. However, during the 2008 crisis we returned to normal within a year as government addressed issues. Even now RBI has taken necessary liquidity steps.

Despite these pitfalls, retail asset base of Mutual Fund industry crossed 10 lakh crore. Monthly SIP book crossed 8000 crore with 2.6 crore live SIPs and overall folio count of industry crossing 8 crores. Despite this, potential remains untapped with under 2% Indians invested in Mutual Funds and Mutual Fund asset base a meagre 20% of overall banking deposit base.

To drive growth, focus must be on increasing customer base and offering high relevance products through right asset mix from both equity and debt.

In the last 6 years AUM of Aditya Brila Sun Life Mutual Funds grew 3 times from 86,000 crores to 2,47,000 crores. Our average assets in debt grew 110% in absolute terms to reach 1,55,000 crores and our equity AUM has grown 7 times from 12,000 crores to about 92,000 crores. We have 11 funds that crossed a billion dollars in assets. Our offshore ventures have crossed 3 billion dollars.

We now exist in 320 locations, up from 96 in 2014 with active customer folios of 70 lakh. This year alone we have added over 10 lakh folios.

We had 4,350 investor education program to train over 2.8 lakh people in the last 6 years including Nivesh Mahakumbh, distributor development program with 2129 distributor training programs in the last few years reaching one lakh investors and a loyalty club for distributors with 18,000 IFA covered under Medi-Claim, and 1000 scholarships awarded.

We have categorised our funds into 4 solution buckets – Saving Solutions i.e. Liquid Funds; Income Solution i.e. Fixed Income Product; Wealth Solution i.e. Equity Products and Tax Solution i.e. alpha to investors through tax conservation. These further get support from value added solution like SIP, CSIP, STP, SWP etc.

Our strategy revolves around 3 Ps – People, Process and Performance and adding 2 more Philosophy and Product - supported by 3 Cs – Clarity, Consistency and Commitment to make it win-win-win i.e. win for investors, win for distributors and win for AMC.

Scan QR code to watch the session

Propellers to become a $5-Trillion Economy

India cannot become a $5-trillion economy without knowing its drivers and constraints. A panel chaired by ET Now's Consultant Anchor - Aabha Bakaya, attempted to find just that.

Jayesh Gandhi, Senior Portfolio Manager – Equity, said, "The well-known drivers are demographics, low per capita income, fast emerging middle class and intellectual capital. These would drive India's GDP to 6-7% in real term and 10-15% in nominal terms, taking India to the range of $5 trillion by 2025."

Ajay Garg, Senior Portfolio Manager – Equity, didn't think the elections would have much impact. "The enablers are in place. GST has been a big reform and now that people are well versed with it, the rewards will begin to flow," he said.

Aabha Bakaya (Consultant Anchor - ET Now) in conversation with Mr. Ajay Garg (Senior Portfolio Manager - Equity), Mr. Jayesh Gandhi (Senior Portfolio Manager - Equity), Mr. Pranay Sinha (Portfolio Manager - Fixed Income) & Mr. Bhupesh Bameta (Economist - Fixed Income)

Bhupesh Bameta, Economist - Fixed Income, said four Ds give confidence about India's growth story, "First is debt - an underleveraged economy in a world full of debt is a big positive. Second is demographic i.e. the world's youngest, working age population. Third is Democracy that creates institutional stability along with checks and balances in decision making and fourth is Distance from the frontier as productivity and urbanisation rises."

Pranay Sinha, Portfolio Manager - Fixed Income, thinks the important thing is how much India is outpacing the world economy. "The world grows at 3.5-4.5% but India is growing at 7%. India is a $2000 per capita country while China is $8000 and US $40,000.

Covering this gap will usher in prosperity for citizens which would lead to growth," he said.

Jayesh Gandhi said, "If growth accelerates, the equity market growth could be much faster. The key drivers for that is corporate profits which have been missing in the last five years. Secondly, for Indian investors to put money behind companies, we not only need better profit growth, but better corporate governance. And the third is political leadership."

Ajay Garg outlined the sectors that are poised to grow exponentially: travel, medical tourism with Indian healthcare being the cheapest in the world and education as we have some of the best institutes in the world. He also talked about the pain points: import and job creation, both of which can benefit the other.

Bhupesh thinks two Indian sectors have given India a competitive advantage: low cost manufacturing where China vacating the space has let others to come in and tourism which considering our diversity and cultural heritage, has a lot of potential.

Pranay believes the main challenge is funding: "Once we grow to a $5 trillion economy, we would need a market of around $4.5 trillion. That would require funding. This needs vision from the government as there is an asset liability mismatch currently with most savers in India having a 1-3-year horizon and fixated on fixed income." With India offering high quality investment opportunity in both equity and fixed income, foreign inflows would also be key.

Scan QR code to watch the session

India is seeing acceleration of growth right now

Continued from P1

Fed hasn't increased interest rates, 10-year bond yields have corrected and dollar index has plateaued out. FII flows into India this quarter recorded $7.1 billion of influence.

Crude oil prices going up due to geopolitical instability has caused volatility but rupee has depreciated 10-12%. Aggregate bank credits is picking up.

This government has made some big reforms that will set the foundation for India's sustainable economic growth. GST will lead to better productivity, reduced working capital and logistics cost; IBC secures lenders and creditors with quick resolution; RERA will lead to affordable housing and capital infusion.

Last decade consumption grew 13% CAGR and likely to continue. India's per capita GDP is at inflection point of around $2,000 leading to consumer discretionary spending in areas like food, household goods, consumer durables, retailing, footwear, apparel, healthcare etc.

100% electrification across inhabited places means rural aspiration will increase. And with data prices crashing thanks to Reliance Jio, many goods and services are available to a large population. Sadly rural Indian incomes haven't really grown much. Government must ensure improved farm incomes.

Consumer credit is also available. We think the tight liquidity in NBFC is temporary.

We need a big push in infrastructure because infrastructure is a productive investment with multiplier effect.

In the banking system gross NPA peaked out last year and bank's balance sheets are getting repaired with capital infusion by government in public sector banks.

By May end, election uncertainty will end and investments will return.

Corporate profitability as a percentage of GDP is at a decadal low due to disruptions like demonetization, GST, high interest rates, banking systems problem etc. We think corporate profitability has bottomed out and you'll see a mean reversion helping drive earnings growth.

In NIFTY, the stronger sectors would be cement, financials, media and pharmaceuticals. Except metals and telecom, it should be a broad base participation.

Few sectors look expensive like consumer durables, consumer staples, IT and financials. The other cyclical sectors are infrastructure, capital goods and telecom.

If current equity savings at roughly 4% goes to around 7% - we could see around $550 billion inflows over 10 years. This will be a key driver.

We think the themes to invest into are both consumer discretionary and consumer staples consumption. Though NBFCs are struggling, those with strong parentage are succeeding and that is an opportunity. Selective infrastructure and Capital goods sector have seen growth.

There's a lot of disruption from tech, automation, artificial intelligence, fintech, electric vehicles and in the media sectors by the OTTs like Netflix and Hotstar. We have various funds to play into these sectors. Gold will give around 10% return.

The outlook on equity is positive. So it's important to do the right allocation and have a moderate allocation across asset classes. This is our advice right now.

Scan QR code to watch the session

India can become $8-9 Tr Economy by 2030

Continued from P1

The other reason is RBI taking up interest rates and term premium causing tightening interest rates across the curve beginning early 2018. The crisis across NBFCs like IL&FS is due to tight monetary policy.

Broadly speaking, the impact of stimulus from low oil prices began to fade as beginning 2018 oil prices began creeping up, hurting India. Also the trade skirmish between US and China has led to world trade almost collapsing in the last 6-8 months affecting our exports.

Government fiscal consolidation and policy impetus has been underway a few years and our public sector enterprises have been growing. Hence, the downturn is not expected to be deep.

There are early signs that capex is beginning to gain traction. One such indicator is that high capacity but low utilization is beginning to gain traction.

RBI released data of project finance sanctioned by banks also hints at traction from banks financing newer projects.

The real downturn in capex – almost 6% reduction – was in household balance sheets with new housing on a secular downturn for 5-6 years. Rising affordability due to increased

income and stagnant housing prices should help turnaround in household capex.

Also about 6-7 crore proprietary firms categorized as households had not been investing over 6-7 years. GST rationalization and return of cash might see them investing causing a strong capex recovery.

Global inflation has been on decline due to technological improvements, productivity gains, Amazon effect and non-unionization of labour. Also, cyclical downturn worldwide and low inflation has caused monetary policy all over to ease. Fed has turned dovish, and ECB is now talking of LTRO3. RBI has also eased liquidity to accommodate macro concerns.

It's a great time for fixed income investors experiencing the most substantial real rate in the past 40-50 years. Even REPO rate has become constructive. Same for one year fixed deposits now giving about 2% real return.

The IBC resolution has ensured dramatic improvement in recovery rate making it possible for fund managers to recover upto 50% dues within a year of a company failing.

Also, China slowing due to slow population growth and over building, is helping India rise.

Thus, India will not only become a $5 trillion economy, but due to reforms undertaken, it's likely that we accelerate and get to about $8-9 trillion in 2030.

Scan QR code to watch the session

India to become largest Consumption Economy in 10 years

Continued from P1

Mr. Satyabrata Mohanty (Senior Portfolio Manager – Equity, Aditya Birla Sun Life AMC Ltd.) felicitating Mr. Ashish Dikshit

For consumption we need to know four things: who will drive consumption, the segment, how will they grow, where will it be?

India is a young country with its largest population being under 35. Thus we'll create large number of consumers in the next 10-15 years. We're seeing the largest number of people in history moving first across the poverty line and then further up.

Our workforce is growing with the economy. Women population coming to work creates a different consumption habit creating its own consumption economy.

Urban people behave, consume and have access to products differently. Thus, urbanization drives consumption differently from rural or agro economy.

We have eight metros i.e. cities with over 4-5 million people, 49 tier one cities of 1-4 million people and 45 tier two cities with 0.5-1 million people. In 7-8 years we'll see shift across these tiers and metros will double to about 16. This would mean a large consumption growth.

Thus, 10 years from now, outside US and China, we'll have the largest consumption economy in the world.

Within consumption, premiumization has grown across sectors. In my industry, 7-8 years ago we found it difficult to sell apparel for 1500 rupees. Today a large part of our business is in the Rs. 2000 range. One key reason for this is consumers demanding better products.

Health and wellness market didn't exist once – just medication and doctors. Today people want to live a healthy lifestyle leading to new categories of health food, active clothing, alternate therapy, rejuvenation, spas, gyms etc.

Then there's convenience and recreation affecting the way commerce is done. Today you can shop from anywhere, anytime.

The final trend is the increasing excitement for natural, herbal, Indian things. It sold cheap once but is commanding a premium today.

Digital is driving consumption. India has close to 600-700 million internet users with access to e-commerce living in small towns and villages. They will be the base to build our economy.

Apparel is a $60 billion industry that will reach $100 billion in the next five years. Yet our per capita apparel consumption is still one of the lowest. However, expanding middle class, favorable demographics, penetration into new towns and rise of e-commerce will drive this market.

Scan QR code to watch the session

voyage speaks
fb.com/abcabslmf @adcabslmf
ADITYA BIRLA CAPITAL
Mutual Funds
Aditya Birla Sun Life Mutual Fund

Gasoline demand to collapse by 2030

Continued from P1

Mr. Kaustubh Gupta - Senior Portfolio Manager Fixed Income, Aditya Birla Sun Life AMC Ltd felicitating Dr. Sriram Vasudevan

Of the 1 million supply drop from Iran, 800,000 barrels can be backfilled in the next two months with Saudis ramping up between 300,000-500,000, fields like Ghawar and Manifa literally ready to backfill another 300,000-500,000, Abu Dhabi making 150,000-200,000 barrels per day, Kuwait and Iraq oil fields running below ability, Russia with the ability to bring back 200,000/day and the Permian Basin where debottlenecking can bring in 300,000-400,00 more from US Shale.

Hence our call is we do not go into a deep manic or a deep depressive phase for oil. However, our bets are off in case of a military conflict in the Gulf of Hormuz.

There are three factors that matter for 2020s and beyond. First is LNG which comes with a huge associated supply of LPG ethane condensate i.e. a shadow supply for oil and indirect demand destruction. Second is OPEC getting fragmented after regime change in Venezuela, and reformation of the Russian OPEC i.e. ROPEC in early 2016. Third is a lot of modelling work on Electric Vehicles (EV) causing secular decline in gasoline demand.

We believe as early as 2021, granted EV penetration is just taking off, you'll have a stall in gasoline rate and by 2030s we'll start to see collapse in gasoline demand.

Per unit GDP diesel intensity has been falling over several decades. We expect that to continue. Time to FID has come down by half. What is also stunning is the surge from US or North American LNG giving big windfall for energy consumers in Asia.

Now for something we call Monro-PEC. The reason the OPEC cartel could stay alive over the last decade, is because Saudi and GCC didn't need to make as much relative concession. But with Venezuela declining and the tremendous oil find in Guyana making it a new Oman by 2023 and a new Kuwait by 2025-26 making North America cover 33% of global supply, the OPECs hands will be tied.

In fact, we are projecting seven and a half million barrels per day growth in the next seven years in North America.

So if you put it all together, we think we're in a structural bear market. If you ask the 3-4 year oil price outlook for Brent, I think it'll actually be in the 50s.

Then there's Electric Vehicles manufactures going for modular manufacturing, leading to cost efficiency by battery makers in China and elsewhere causing improvement in performance and price. **With battery costs coming down sharply, even with subsidy removal, by 2020 EVs should be much cheaper causing significant EV penetration affecting the oil markets globally.**

Scan QR code to watch the session

India and China are Clear Investment Cases

Continued from P1

Mr. Mahesh Patil - CIO Equity, Aditya Birla Sun Life AMC Ltd felicitating Mr. Timothy Moe

Clearly this is a benign situation for the US and global economic condition.

Inflation in the US, we think will remain well below the 2% Fed target rate till mid-2020 leading to a global ripple effect. We've softened our expectations for monetary policy in eight of the 11 economies we follow.

Recent data shows growth beginning to pick up empirically with data point rising from 3% last year to 3.6% in April - a sign that global economy is picking up some momentum.

China had first quarter GDP of 7.1% in sequential annualized terms. We had expected this to be lower than 6%. This means government stimulus has had its impact.

Even high frequency macro and sectoral data are showing inflection upwards. So we're making a call that the earnings downward revision cycle is ending and that it will stabilize and pick up again.

The bad news is that scared investors indulged in overselling causing nearly $2 trillion worth of global mutual funds in Asia Pacific being 600 basis points below benchmark and 200 basis points below the 10-year average.

We continue to like equities. We also think having some cash in hand is a good idea as a hedge against volatility.

One of our key global bull-bear indicator mostly centred on US, is coming down giving us a constructive signal despite some concerns.

Regionally we summarize about 6-7% price returns from broad regional index on a 12-month view.

Oil and dollar are the wild cards. Oil we think will gradually subside to about $65 a barrel range. We expect moderate softening from the dollar ensuring it's not as destabilizing a factor as last year.

The third wildcard is China-US trade relations. We've seen moderation and improvement in trade news and people are optimistic that a deal is possible in May.

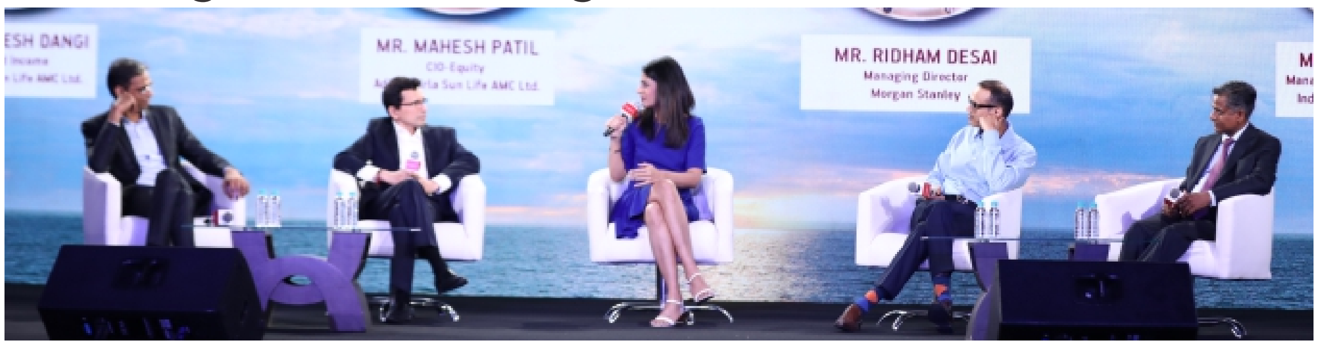
China is also a clear investment case. The inclusion of China 'A' shares into global indices will make it 15% of the global emerging market index, higher than Korea, Taiwan and India leading to reapportionment.

Investment case for India remains constructive as overall fundamentals will improve and cyclical slowdown showing signs of plateauing. Inflation being at the lower end of RBI's targeted range means they can continue to be accommodative and we can expect another 25 basis point cut in the third quarter.

Micro level shows clear signs of earnings picking up. And despite the 14-16% growth being below the 20% consensus, India would be the number one growing market in earning terms of the 11 markets we cover.

Scan QR code to watch the session

Earnings are turning and India with it



Aabha Bakaya (Consultant Anchor - ET Now) in conversation with Mr. Maneesh Dangi (CIO - Fixed Income, Aditya Birla Sun Life AMC Ltd.), Mr. Mahesh Patil (CIO - Equity, Aditya Birla Sun Life AMC Ltd.), Mr. Ridham Desai (Managing Director - Morgan Stanley) & Mr.Bharat Iyer (Managing Director and Head of India Research - JP Morgan)

At a power-packed panel, Aabha Bakaya, ET Now's Consultant Anchor, engaged four market moguls in a discussion about expectation from the market.

Ridham Desai - Managing Director - Morgan Stanley, began on an optimistic note. "Market is trading at 3.2 times book - middle of its historical two to four range. There's nothing in valuations either to celebrate or to be worried. The two big drivers for the market are its earnings and flows. Our view is that earnings are turning. **India's coming out of a long drawn down cycle in earnings and that corporate margins will enter a five-year upcycle leading to strong earnings that'll drive the market higher. Also Indian investors new love for equities will sustain for a long time."**

Bharat Iyer, Managing Director and Head of India Research - JP Morgan believes, "there will always be volatility but we have to look at structural drivers of growth. These are extremely well placed; be it demographic where 60% Indians are less than 30, urbanization where 60% living in rural India are migrating to cities, the ability of infrastructure to absorb capital etc. Along with meaningful recovery in corporate earnings, meaningful liquidity, fiscal policy being reasonably loose and policy being by and large pro-growth, irrespective of election results; these will drive us forward."

Mahesh Patil - CIO-Equity - Aditya Birla Sun Life AMC Ltd, said, **"It's important to look back at historical long term returns across asset classes. You'll see equities growing around 13% average. Funds have given outperformance of 3-4% to the benchmark in the last 10-15 years in the multi cap category.** Going forward we should expect alpha to come down. I agree with Ridham because market is neither very expensive nor cheap. It is fairly priced. So markets will see earnings growth in the medium to long term."

Ridham Desai believes that for the next 10-15 years, "investors will have to anchor themselves to slightly lower returns and valuations. But there will be bunching up of earning and I think in the next 3-4 years, we should get more than the average returns that we have got in the last couple of decades."

Maneesh Dangi - CIO-Fixed Income - Aditya Birla Sun Life AMC Ltd, said, "Inflation is underwhelming every Indian. One must, from a nominal standpoint, look at lower returns, because inflation is going to trend about 3-4% lower than in the past. India has typically been a capital starved economy. But people from all walks of life have invested and we now have a reasonable amount of capital stock ready to be deployed. This means your returns will be lower as there's more capital today."

Bharat Iyer said, **"India is lucrative for global savings. The kind of meaningful growth potential that we offer should remain attractive for a long time. And I don't think we've even scratched the surface in terms of money coming into this country."**

Scan QR code to watch the session

Mr. Ajay Garg (Senior Portfolio Manager – Equity, Aditya Birla Sun Life AMC Ltd.) felicitating Mr. Bharat Iyer

Ms. Sunaina da Cunha (Senior Portfolio Manager – Fixed Income, Aditya Birla Sun Life AMC Ltd.) felicitating Mr. Ridham Desai

Advising in Volatile times

Mr. Nikunj Dalmia (Managing Editor - ET Now) in conversation with Mr. Mukesh D Dedhia (Ghalla Bhansali Stock Brokers Pvt. Ltd, Mumbai), Mr. Pradeep Kumar Sinha (Deep Management & Eco Consultants Pvt. Ltd, Kanpur), Mr. Shasank Jain (Jalan Financial Services, Kolkata), Mr. Ullhas Shah (Madhuvan Securities, Ahmedabad), Mr. Jai Prakash Pai (Wealth Managers United, Bengaluru), Mr. Sachin Jain (Moneygain Consultants, Delhi)

People invest in the markets to make good returns. Trouble starts when markets fluctuate, get volatile. How do you handle a client then? That was the key insight Nikunj Dalmia, Managing Editor – ET NOW, sought from a panel of distributors.

Sachin Jain from Delhi thinks social media aggravates market fears. "Besides managing funds, a part of our job is also to assuage fears of clients. Our advisory to them is that one can't do much with events around, but it's best to be closer to your asset allocation while keeping some sort of cash at hand."

Jai Prakash Pai from Bengaluru said, "We tell them investment is a marathon. You have to stay the course and ignore short term news. When IL&FS happened people wanted to exit. But we went into the nitty-gritties like the taxation they'd incur if they exited. They agreed to ride along." He says he has taken full advantage of re-categorization, "Today, even in debt funds, customer can actually take risk."

When Nikunj asked the 2100 strong audience how many felt they were living better lives than their father's and how many believed their kids will live better than them, everyone raised their hands. This, Nikunj said, was proof that the best was yet to come, something advisors and investors should keep in mind.

Ullhas Shah from Ahmedabad says he presents his own interpretation of the news. "These kind of events help because it tells you the rationale and reasons for any views taken."

Shashank Jalan from Kolkata said, "We simply tell them what we have been doing with their money for the last 10 years and how they have made money in debt. So crisis may come but you are making money in the long term. So let's stay the full course."

Pradeep Kumar Sinha from Kanpur said, "As soon as news of a crisis starts circulating we draft a message from our own side and send it through mailers, SMS and hardcopy. We thus upgrade and update our clients about current events."

Mumbai's **Mukesh Dedhia** believe one has to be clear on the term of investment. "During the IL&FS crisis we did not get panicky, we did not get calls from our clients. They know well that if there is an issue, I am there to do what needs to be done."

As for clients going direct, Shashank Jalan said, "The key is to add extra value to your advice so they won't leave."

Mukesh Dedhia thought it went beyond just financial advice. "I have 70 employees so a message goes out every year to my clients that in case of a medical emergency in their family, we are ready to donate blood. This kind of compassion and empathy with your clients will ensure they never leave."

Scan QR code to watch the session

Mr. Shivakumar Kannan - Head Customer Affinity & Offline Acquisition, Marketing, Aditya Birla Sun Life AMC Ltd in conversation with Mr. Sunil Gavaskar

3 D's - Discipline, Determination & Dedication are my success mantras: Sunil Gavaskar

Continued from P1

To succeed you need to persevere. And I kept three D's in mind – discipline, determination and dedication. Discipline keeps you determined and dedication comes with hours of practice and wanting to better yourselves by talking to peers, umpires trying to gleam information from them. With determination you don't get upset when things don't go your way. Discipline doesn't mean early to bed and early to rise. It also means disciplining your game according to the needs of the game, of your team, your nation.

For me first it was cricket and now commentary where the learning and changing with the times never stop. But as long as you are willing to learn every day, be better than the previous minute, previous hour – you won't stagnate.

OVERWHELMING RESPONSE

- Event Attendees - 2,000+ Attendees
- Logged in attendees on the App- Over 1,011 attendees
- App engagement – 30,242
- Live Streaming – 1,524 views
- Branches covered - 293
- Facebook Live Views 6,34,731
- Media bytes – 43

Event Contest Entries - Engagements on Social & App

Happy Twitterati (Twitter)

F3 Voyager Quiz (App)

Most Active Voyager


#Voyage2019
abslmfpartner.com
5 quick
and easy
ways for
ABSLMF Partner App
Partner Priority
voyage2019
SAILING TOWARDS EXCELLENCE
RESS QR CHECK-IN
GENERAL CHECK-IN
REGISTRATION
Expert Navigators @ voyage2019
Presents
EXPRESS QR CHECK-IN
GENERAL CHECK-IN
REGISTRATION