Perspective

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Dear Investors,

With the onset of monsoon, we have been receiving heavy showers of rain which signifies the beginning of the Indian festive season. The first quarter of FY23 has been a challenging one with several global and domestic factors at play. Equity markets across the world have witnessed volatility arising from the geopolitical crisis, the rise in commodity prices and subsequently the rise in inflation. The fear of stagflation and recession has taken over the narrative of growth revival. The rise in inflation has led to an increase in input costs and lower profitability for companies. However, we do expect some stability going forward in the overall momentum of the market in the upcoming months.

India's equity market has been a relative outperformer mainly on account of the domestic, institutional and retail investor's confidence. The global sell-off arising from geopolitical tensions has led to a reduction in emerging market money flow. This in turn has impacted the foreign allocation towards India but the increased faith of domestic investors in India's economic growth has resulted in higher equity allocations which have supported and stabilized the market.

The Government of India and RBI have undertaken many initiatives to support the economy. The GOI has been actively bringing reforms in public sector enterprises while privatizing them to unlock their value and support government spending. With the shift from globalization to localization and the need to diversify supply chains, initiatives such as Production Linked Incentive Scheme - Make in India and Atmanirbhar Bharat will boost manufacturing and industrial capabilities in India. Sectors like automobiles have witnessed signs of revival, real estate demand has been robust and consumer demand is coming back. Bank credit growth has started inching up, with better bank balance sheets. Share of industry in incremental credit deployed has been slowly recovering.

I am confident about the growth prospect of the Indian economy and the ability of domestic financial markets to create value for investors in the long run. I am happy to see a great deal of maturity shown by retail investors during the volatile market conditions by staying invested and increasing their holdings of equity mutual funds to meet long-term wealth creation goals. While this is a good sign, investors must keep in mind that asset allocation is equally important and allocate a part of their holdings to fixed-income assets. Asset allocation helps diversify risk and benefit from the different market movements across different asset classes.

Stay Safe, Stay Invested.