

# PERSPECTIVE

April 2021

Dear All,

The onset of a new financial year is about looking at the possibilities ahead, so let us not celebrate last year as the Covid-19 lockdown anniversary but rather mark it as a symbol of resilience. Against a backdrop of challenging times filled with uncertainty, we should be proud of what we have achieved to overcome these unprecedented times.

Last year we witnessed lockdowns worldwide, which impacted supply and thereby increased the output gap big time. This was a black swan event that had no precedence to draw upon and had forced the policymakers to think and act unconventionally. The policymaker's actions and measures created optimism and hope in the market, which resulted in touching an all-time high from the lows of last year. The Nifty indices have given a return of 72.54% (NSE India – Monthly Dashboard) compared to last year. Across the broad market, sectors have seen a revival. The Banking index currently looks at 73.97% and IT Index at 105.81% return. (NSE India – Monthly Dashboard)

Looking at historical returns, the question that generally arises is that the equity market has not given returns when you look at different cross-sections of time.

Time Period	SENSEX Return	NIFTY Return	Real GDP Growth
1 April 2016 – 31 March 2017	18.80%	20.55%	8.3%
1 April 2017 – 31 March 2018	12.70%	11.76%	7.0%
1 April 2018 – 31 March 2019	18.77%	16.45%	6.1%
1 April 2019 – 31 March 2020	-23.25%	-25.31%	4.2%
1 April 2020 – 31 March 2021	77.05%	79.73%	-8.0% *

\*Latest estimate as per MOSPI

Source: Bloomberg, RBI, NSE.com, MOSPI

From the above table, you can see that when the expectation of growth was high the market had given good returns. In this extraordinary time, real GDP had contracted by 24.4 % in Q1 FY21 but the economy showed resilience and quick recovery. The latest estimates of the Real GDP of FY21 only show a contraction of 8%. Given this backdrop, the market has given the best returns in the past 5 years.

Therefore, all investors should keep in mind to stay invested for the long term and not get carried away with the volatility in the short term. One must also keep in mind that the equity market runs on hope and optimism derived from the fundamentals/expected fundamentals.

As I always keep saying, Mutual Funds are a potential one-stop solution for all investment needs. At ABSLMF, we provide solutions to investors through our four bucketed approach of Savings, Income, Wealth and Tax solutions and we provide SIP as a mode of investment in all four buckets. We have also introduced a Service to Sales Model to provide better value and services to our customers.

Let me wish you all a Happy Gudi Padwa, Ugadi, Vishu and Baisakhi. May this new year bring you prosperity and happiness.

Regards

**A. Balasubramanian**

MD & CEO,

Aditya Birla Sun Life AMC Limited

