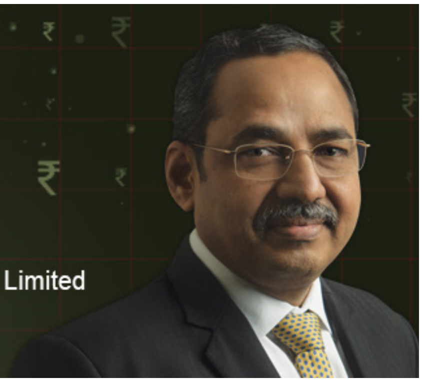
Perspective

JANUARY 2024



A. Balasubramanian
Managing Director & CEO
Aditya Birla Sun Life AMC Limited

Dear Investor,

At the outset, let me wish you and your family a very happy and prosperous new year.

India appears to be enjoying a Goldilocks moment with reasonable growth momentum, stable commodity prices especially crude oil, slowing inflation, and a weakening dollar bias. Its GDP is expected to grow by 6.2% in 2024 and is poised to retain the top spot as the fastest-growing major economy in the world. With a projection of crossing $7.3 trillion in GDP, India is likely to move into the third spot among world economies by 2030. India's resilient march has continued on the back of strong domestic demand despite global macro uncertainties. A steady focus on macro stability and sustainable fundamental growth has ensured that the Indian economy remains robust in an uncertain global environment that has been marked by geopolitical tensions, inflationary pressure and tight liquidity conditions.

We have seen an aggressive pace of rate hikes globally from central bankers in order to rein in inflation. It appears though that interest rates have peaked and there is a possibility of rate cuts in the second half of the year. As global growth remains muted, with commodity prices stabilising and demand-supply dynamics normalising, it further supports the rate view. This in turn can lead to flow of funds in emerging markets and India could be a likely beneficiary given its positive growth forecast. Equity markets will be driven by earnings growth and liquidity flows. Both these factors are likely to be supportive going forward, with corporate earnings growth expected in the low teens and FII flows also relatively better than last year due to the weakening dollar globally as the rate cut cycle begins.

Domestic mutual fund flows will continue to grow steadily, primarily driven by the SIP book. Considering the market valuation for NIFTY is above the long-term average, one can anticipate market returns to align with earnings growth. In the realm of equities, the outlook appears more favorable for large-cap stocks compared to mid and small caps, where valuations seem slightly stretched. The risk-reward across various asset classes is poised to be well balanced, highlighting the crucial role that asset allocation products will play in investor portfolios. A few other key risks include geopolitical tensions, a US economic hard landing, or rising oil prices.

As we move into 2024, strategic asset allocation will remain key to navigating market movements. For those seeking growth and stability, Large-cap funds and Flexi-cap funds offer excellent opportunities. Those prioritising diversification may find Multi-asset allocation funds to be an attractive choice as they invest across equities, fixed income and commodities. First-time investors can consider hybrid funds like Balanced advantage funds for a suitable equity and fixed-income allocation. Remember, tailoring your investment timeline to your risk appetite and experience is crucial for success.

At ABSLAMC, we remain committed to delivering value to our investors, distributors and shareholders. We are confident that the Indian economy presents endless opportunities for growth and wealth creation. By diversifying your portfolio, investing for the long term and choosing the right investment vehicles, you can capitalise on these avenues.

Thank you for your continued trust and support. We look forward to embarking on this journey of shared success in 2024 and beyond.

A . Balasubramanian

Source – ABSLAMC Research, IMF

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.