

Perspective

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Dear Investors,

Season's Greetings!

The second quarter of the financial year has continued to witness high inflation which has forced policymakers to turn hawkish and raise interest rates across the Board. Policymakers in major economies with the exception of China have hiked policy rates in the range of 50 - 75 bps. As it is known, energy prices have gone up quite substantially due to the geopolitical crisis between Russia and Ukraine. This has greatly impacted energy prices and has resulted in higher inflation.

Interest rates globally are at their previous peak levels which was witnessed almost a decade ago. In fact, developed economies have had a prolonged period of low inflation and interest rates. The recent rise in inflation levels has led to interest rates rising up from their low/negative levels. The rate hikes have created headwinds for high-growth sectors such as Information Technology, New Age Technologies and Fintech mainly on account of the reduction in IT expenditure by other companies. NASDAQ Index which is mainly tech-heavy has witnessed a sharp reduction in value.

India too had its share of positive and negative developments. The overall economic growth continues to remain resilient on the back of a good monsoon, solid policy framework, infrastructure spending by the Government, and the presence of sufficient capacity in sectors like power, auto and food grains. Oil imports from Russia at a lesser price have helped us gain a windfall on the import bill. Interest rates and markets have been relatively stable in comparison to developed economies. While the INR remains stable to other global currencies, it has depreciated against the dollar but has performed relatively better than major currencies. The depreciation against the dollar has widened the current account deficit which in turn has impacted our forex reserves.

When compared to its global peers on a relative basis, India is well positioned and has the conviction of money managers who have been taking a bet on India. The mutual fund industry continues to receive equity inflows through SIP and STP in equity schemes. The fixed income schemes of up to 3 years duration have been receiving investors' attention because of the higher interest rates.

As guidance to investors and distributors, I see greater merit to stay invested in equity through SIP and STP for long-term wealth creation. While constructing a long-term portfolio, I see immense value in considering balanced advantage and other hybrid funds as part of the portfolio to withstand market volatility and have a better investment experience.

To educate Investors, we at ABSLAMC have launched the Pro Portfolio Campaign emphasising the importance of creating a core portfolio comprising of large-cap, flexi-cap and balanced advantage funds. This initiative has been undertaken to provide a clear understanding of how one should go about building a long-term equity portfolio.

Wishing you all and your loved ones a Happy Dussehra and Diwali. May this festive season bring joy and prosperity to your lives.

STAY CONFIDENT, STAY BULLISH and STAY INVESTED.

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

