Foreword

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Dear Reader,

This month, India is celebrating its 77th anniversary of Independence. Let us take a moment to salute every individual who serves the country with unwavering dedication. While we celebrate our achievements and progress, we should also be aware of the facts and financial opportunities that lie ahead because every right financial decision we make, leads to better and prosperous India. MF Industry has played a pivotal role in re-financialization of household savings, creating wealth for Individuals & corporates, development of secondary/ Bond markets, providing liquidity and becoming alternative source of capital to corporate houses.

The International Monetary Fund (IMF) raised India's growth forecast to 6.1% for FY24 from 5.9% estimated in April, citing strong domestic investment. Indian economy continues to steadily move forward, with robust momentum of GDP growth which is indicated in HFIs (High Frequency Indicators) numbers. India's CPI roses to 4.80% YoY in June vs 4.25% YoY in May 23. This number doesn't add a large concern for MPC to hike rates as core numbers are aligned with RBI tolerance band of 4% - 6. In current scenario, Growth has become bigger variable than inflation for policy setting ahead. We Think RBI will continue approach of "data dependence". RBI has not eased rate if growth in India >6% except 2018. That narrative will continue and there will be a long pause expected.

Assets managed by Indian MF Industry is 44.82 trillion in June 23 (21.20% increase in assets over June 2022). Equity including ETFs hold 64.1% of AUM in June-23 versus 61% in June-22 whereas overall Debt holds 35.9% in June-23 versus 39% in June-22.

Equity as an asset class is gaining more traction with a realisation of attaining higher growth rate and beating inflation vis-à-vis traditional savings. With rising awareness in MFs, Monthly SIP / STP contributions are also increasing and driving the AUM. June 23 was the second consecutive month of SIP flows coming in above Rs. 14,000 crore mark.

Post the Amendment to Finance Bill 2023, Fixed Income investments do not have advantage of Indexation anymore and tax treatment is at par with other Fixed income products and instruments primarily Bank Deposits. Despite this change, Fixed income schemes still have a large potential to serve clients across geographies and various differentiable income brackets. Debt MF schemes should be the first step to investing just like opening a bank account or starting an SIP.

- Fixed Income Investments is an integral part of Household Investments.
- It is an essential part of any investment chain.
- It offers better predictability of returns.
- Debt funds have the potential to give benefit of faster & better transmission of rates cycle.

The cash deployment options (Liquid Fund (YTM: 7%)/ Overnight Fund(6.40%) Data as on 31st July 2023 have the potential to offer better returns than money lying idle in Savings account/Current Account. History suggests, actively managed funds have outperformed traditional fixed income opportunities. Debt MFs provide ideal investment/savings solution for investor across various Income groups.

I firmly believe that we need to propagate and promote Debt MFs to all the investors to unlock the true potential of MF industry and for it to become a part of everyone's investment universe.

We expect rates to remain 'higher for longer'. In terms of relative preference, shorter end of yield curve allows investors to earn healthy accruals. Taking the above factors into consideration, we are advocating our clients to invest in the shorter end of the curve (less than a year or between 1-2 years) than on the longer end. The below categories are our recommendation for Treasuries / Individual Investors:

1. **Liquid Plus Category (Money Manager, Savings Fund, Low Duration Fund & Floating Rate Fund is Delivering superior tax adjusted returns:** On 3 Months, 6 Months & 1 year basis, this category had outperformed FD rate by ~207 bps, 173 bps & 169 bps. It is the average outperformance over 10 years. It is suitable for Investors looking to invest below 1 year.
2. **Short Term Funds have shown significant outperformance over Fixed Deposits:** On Average 3 Y Returns since 2013, Aditya Birla Sun Life Corporate Bond Fund, Aditya Birla Sun Life Banking PSU Debt Fund & Aditya Birla Sun Life Short-Term Fund* had outperformed FD rates by ~ 121 bps, 146 bps, 146 bps respectively. It is suitable for investors looking for investment 1 year-2 years.
3. **Arbitrage funds are offering better spreads:** Investing in these funds in current scenario provide investors the benefit with better post-tax returns.

On this Month of Independence, Let's join hands and achieve financial freedom for prosperous future ahead.

*For Product labelling of the scheme refer to this page 173-181
*For Performance of the scheme refer to this page 83, 85, 87, 90, 93, 95, 98, 111.

None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investor are requested to consult their financial advisors before investing.

Source- ABSLAMC Research, MFIE