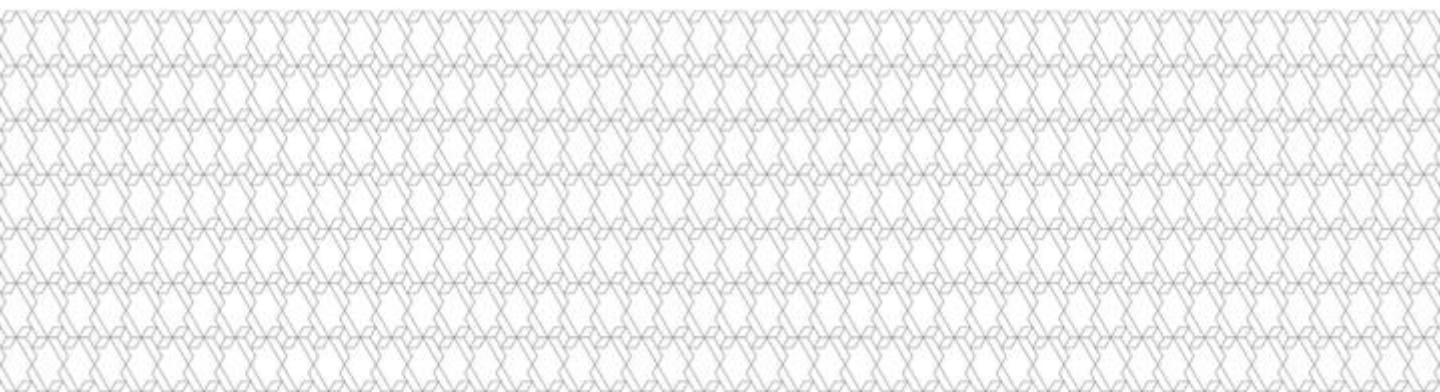


# Burgundy

Wealth Management | Axis Bank

## **INVESTMENT PERSPECTIVES**

**July – September 2020**



MARKET OVERVIEW



# MARKET OVERVIEW



Indian markets have rallied sharply in June after witnessing sell-off in the first half of May. Recent bounce was on the backdrop of easing lockdown (ex-containment zones) and prospects of a good monsoon along with rising foreign inflows.



The Indian equity markets (S&P BSE Sensex) remained volatile during the quarter. However, it is trading near to its quarterly high at 34,916, a gain of 18.5% in the quarter. Though it is still down by 17.4% from its all-time high in Jan 2020 (42,274).

Global equity markets also bounced from their lows of March 2020 which can be attributed to the massive infusion of cheap liquidity by central banks around the globe.



Around 90% of the companies have announced their Q4FY20 results. While a handful of sectors viz., IT, Pharma & Healthcare, Banks and Utilities have shown some growth, other sectors have been muted and have failed to report Y-o-Y growth either on top-line or bottom line. The underperformance can be attributed to the loss of sales in last few days of March 2020 due to announcement of complete lockdown.



Globally, governments and central banks are collectively taking requisite steps to ensure that the growth is not hampered due to the pandemic, including India.



**We maintain a positive bias towards India equity. Investors can consider investing in equities with a 3 to 5 year investment perspective**



- Indian sovereign yield has seen a steady fall during the quarter and ended at 5.89% from 6.14% (March 31), a fall of 25 bps. Also the volatility in the quarter subsided, compared to last couple of months which saw heightened volatility on the backdrop of Covid 19 shock.
- The bond markets have currently been supported by off-cycle rate cuts, expectation of further rate easing, surplus liquidity and anticipation of OMOs and other measures from RBI. However, one cannot rule out fiscal slippages which shall be data dependent on the revival of economic activities in the coming months.
- Global interest rates continue to remain at lower levels with less room for further cuts. Though, Central Banks are embarking on the bond buying program and have increased their balance sheet sizes.
- There is abundant liquidity in the system and MCLR rates have come down in response to RBI policy actions; still lenders are highly risk averse and reluctant to let flow of credit into the system. Moreover, it is difficult to envisage the effect of loan moratorium on lending institutions' asset quality as of now.
- Moody's has recently downgraded India's rating by a notch to Baa3 emphasizing the deteriorating growth and credit profile while S&P retained India's rating at BBB-.



**We remain constructive on the shorter end of the yield curve. Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Money Market funds, Low Duration funds and Ultra Short Duration funds can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes, due to their steady accrual profile and possible capital appreciation in case of a fall in yields. Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.**

## EQUITY MARKET UPDATE



## EQUITY MARKET RECAP

Wealth Management | Axis Bank



Indian equity markets ended the June 2020 quarter in positive terrain. Market have rallied sharply in June after witnessing a sell-off in the first half of May. Mid Cap and Small Cap stocks outperformed compared to their Large Cap counterparts. The S&P BSE Sensex was up by 18.49% during the quarter ended June 2020, while the S&P BSE Mid Cap and the S&P BSE Small Cap index were up by 23.51% and 28.85%, respectively.

For H1CY20, S&P BSE Sensex was down by 15.36%, whereas S&P BSE Midcap and S&P BSE Small Cap index was down by 12.78% and 9.63%, respectively.



On the sectoral front, all sectors ended in green for the quarter ended June 2020. Telecom (+34.40%), Healthcare (+33.87%) and Oil & Gas (26.42%) were the top performers. However, the bottom 3 sectors were Bankex (+10.18%), FMCG (9.78%) & Consumer Durables (+5.04%).

For H1CY20, Healthcare (+21.10%) and FMCG (+17.01%) were the only sectors that ended positive, while Bankex (-33.75%), Metal (-30.86%) and Realty (-30.66%) were laggards.



Among S&P BSE Sensex stocks for the quarter ended June 2020, Mahindra & Mahindra (+79.19%), Reliance Industries (+54.57%) and Bajaj Auto (+39.54%) were the top performer, while State Bank of India (-9.42%), Hindustan Unilever (-5.11%) & Tech Mahindra (-3.81%) were laggards.

For H1CY20, Bharti Airtel (+22.78%), Nestle (+16.15%) and Reliance Industries (+13.57%) were the top performers, while Indusind Bank (-68.58%), State Bank of India (-46.54%) and Axis Bank (-46.09%) were laggards.



During the quarter ended June 2020, FIIs were net buyers of equity to the tune of Rs 13,463 Cr while DIIs were net buyers to the tune of Rs 14,008 Cr & the domestic MFs sold Rs 5,133 Cr worth of equity.

For H1CY20, FIIs were net sellers of equity to the tune of Rs 70,450 Cr while DIIs were net buyers to the tune of Rs 88,786 Cr and the domestic MFs bought Rs 36,106 Cr worth of equity.

# EQUITY MARKET OUTLOOK

Wealth Management | Axis Bank



Indian markets have run up sharply in the last month on account of easing of the lockdown (ex-containment zones) and prospects of a good monsoon along with rising foreign inflows. Global equity market recovery over the last three months can be attributed to the massive infusion of cheap liquidity by central banks, that have cut interest rates and expanded their balance sheets to the tune of \$6 trillion with major share taken by the US Fed. Indian markets have seen an inflow of nearly \$3 bn USD in the last two months and an outflow of around \$9 bn from January'20 till date, majority of which were seen in March 2020. With backstop provided by the central bank in the form of liquidity, the sentiments in equity markets are expected to improve, supported by economic recovery.



The Indian Central Bank has also taken ample measures to ensure that the economy stays on course; incidentally, growth has taken precedence over inflation control for RBI. Indian government too has taken adequate measures to ensure Indian manufacturing industry, agriculture and services industry is able to withstand the shocks due to Covid pandemic related lockdown; more administrative reforms especially for the rural economy cannot be ruled out in near future.



Around 90% of the companies have announced their Q4FY20 results. While a handful of sectors viz., IT, Pharma & Healthcare, Banks and Utilities have shown some growth, other sectors have been muted and have failed to report Y-o-Y growth either on top-line or bottom line. The underperformance can be attributed to the loss of sales in last few days of March 2020 due to announcement of complete lockdown. Incidentally the above mentioned sectors were relatively less impacted as they could either manage work from home or were categorized as essential services and hence, could function even in the lockdown. The nationwide lockdown has now been restricted to only the containment zones and unlocking has been happening for the rest of the nation in a phased manner under the standard operating procedures given by the state. The industrial activities are picking up and capacity utilization is expected to improve in Q2FY21 with demand picking up around festive season and kharif harvest by Q3FY21. Due to the lockdown and slower pickup in industrial activities post opening up, the earnings growth for FY21 is expected to be subdued and negative while the earnings for FY22 are expected to jump sharply on back of low base and robust economic recovery in FY22.



# EQUITY MARKET OUTLOOK

Wealth Management | Axis Bank



Monsoon has arrived on time and currently has covered the central parts of the nation and is advancing satisfactorily towards north. On back of normal rains along with proper temporal and spatial distribution, the kharif harvest is expected to be good thus fueling demand recovery expectations by Q3FY21. Given the good rabi crop and expected normal monsoon, the rural economy is expected to flourish earlier than the urban economy. However, continued lockdown in major cities could also delay the demand revival from urban centres.



Sufficient liquidity support along with economic recovery augurs well for both the large caps and midcaps. Further, it might be prudent to invest in quality companies and sound management across large and midcaps, with no or low leverage, secular growth stories with robust earnings prospects and high return ratios. However, concerns in form of cross border tensions, occurrence of second wave of Covid cases in US and European nations does exist. Given that, any weakness in markets due to such events can be used as an opportunity to invest in a staggered manner over 3 to 6 months with an investment horizon of not less than 3 years.



**Investors can look at accumulating equities with a 3 to 5 year investment perspective**



## EQUITY ORIENTED SCHEMES





## LARGE CAP EQUITY FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Bluechip Fund	-4.24	2.83	8.82
HDFC Top 100 Fund	-21.7	-3.87	-1.05
ICICI Prudential Bluechip Fund	-11.78	-1.97	2.14
Mirae Asset Large Cap Fund	-11.14	-0.23	3.05
Nippon India Large Cap Fund	-22.28	-5.97	-1.74
UTI Mastershare Unit Scheme	-8.23	-1.49	2.64
<b>Category Average</b>	<b>-12.27</b>	<b>-2.35</b>	<b>1.33</b>
<b>Nifty 50 TRI</b>	<b>-11.51</b>	<b>-0.77</b>	<b>3.95</b>

Data Source: ICRA MFI Explorer

## MULTI CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Equity Fund	-11.75	-4.04	-0.68
Axis Multicap Fund	-3.92	2.68	--
HDFC Equity Fund	-23.50	-4.95	-2.18
ICICI Prudential Multicap Fund	-17.96	-5.13	-1.19
Kotak Standard Multicap Fund	-10.94	-0.72	2.22
SBI Magnum Multi Cap Fund	-13.85	-3.15	0.73
Tata Multicap Fund	-5.96	--	--
UTI Equity Fund	-3.81	-0.70	4.92
<b>Category Average</b>	<b>-12.26</b>	<b>-3.57</b>	<b>-0.16</b>
<b>Nifty 500 TRI</b>	<b>-11.13</b>	<b>-2.69</b>	<b>1.76</b>

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

## LARGE & MID CAP EQUITY FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Equity Advantage Fund	-12.23	-5.78	-2.63
Axis Growth Opportunities Fund	0.99	--	--
DSP Equity Opportunities Fund	-7.27	-0.53	1.45
IDFC Core Equity Fund	-15.75	-6.89	-2.47
Invesco India Growth Opportunities Fund	-8.69	-1.72	3.72
Kotak Equity Opportunities Fund	-5.22	1.26	2.36
L&T Large and Midcap Fund	-10.75	-5.60	-2.55
Mirae Asset Emerging Bluechip Fund	-4.65	4.00	4.33
<b>Category Average</b>	<b>-11.41</b>	<b>-3.56</b>	<b>-0.78</b>
<b>NIFTY Large Midcap 250 TRI</b>	<b>-10.37</b>	<b>-3.30</b>	<b>1.26</b>

Data Source: ICRA MFI Explorer

## FOCUSED EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Focused Equity Fund	-10.49	-1.55	0.89
Axis Focused 25 Fund	-5.48	-0.71	5.64
DSP Focus Fund	-9.7	-1.52	1.19
Franklin India Focused Equity Fund	-16.43	-2.28	-0.33
Kotak Focused Equity Fund	--	--	--
L&T Focused Equity Fund	-5.99	--	--
SBI Focused Equity Fund	-5.65	2.29	6.54
Tata Focused Equity Fund	--	--	--
<b>Category Average</b>	<b>-9.85</b>	<b>-2.98</b>	<b>0.82</b>
<b>Nifty 50 TRI</b>	<b>-11.51</b>	<b>-0.77</b>	<b>3.95</b>

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

## MID CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Midcap Fund	2.05	5.05	8.52
DSP Midcap Fund	-1.82	0.85	1.78
Franklin India Prima Fund	-13.44	-5.93	-2.17
Invesco India Mid Cap Fund	-2.78	0.39	3.21
Kotak Emerging Equity Fund	-9.22	-3.3	-0.76
L&T Midcap Fund	-9.61	-6.22	-2.49
Mirae Asset Midcap Fund	--	--	--
<b>Category Average</b>	<b>-9.11</b>	<b>-3.77</b>	<b>-0.98</b>
<b>S&amp;P BSE Mid Cap TRI</b>	<b>-10.56</b>	<b>-6.95</b>	<b>-2.71</b>

Data Source: ICRA MFI Explorer

## SMALL CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Small Cap Fund	-4.88	3.01	3.39
HDFC Small Cap Fund	-24.36	-14.02	-4.47
ICICI Prudential Smallcap Fund	-17.18	-8.16	-6.39
SBI Small Cap Fund	-5.52	-2.38	3.22
<b>Category Average</b>	<b>-14.53</b>	<b>-9.59</b>	<b>-4.77</b>
<b>S&amp;P BSE Small Cap TRI</b>	<b>-11.69</b>	<b>-11.09</b>	<b>-6.11</b>

Data Source: ICRA MFI Explorer



EQUITY ORIENTED SCHEMES

## EQUITY LINKED SAVINGS SCHEME (ELSS)

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Tax Relief 96	-4.83	-2.73	2.58
Axis Long Term Equity Fund	-5.44	0.41	5.80
DSP Tax Saver Fund	-8.58	0.60	2.10
IDFC Tax Advantage (ELSS) Fund	-17.66	-8.59	-2.00
Kotak Tax Saver Fund	-10.09	0.90	1.95
L&T Tax Advantage Fund	-12.61	-6.70	-1.79
Mirae Asset Tax Saver Fund	-7.22	2.00	4.67
<b>Category Average</b>	<b>-12.31</b>	<b>-3.55</b>	<b>0.08</b>
<b>Nifty 500 TRI</b>	<b>-11.13</b>	<b>-2.69</b>	<b>1.76</b>

Data Source: ICRA MFI Explorer

## VALUE EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
HDFC Capital Builder Value Fund	-18.48	-9.17	-2.14
Invesco India Contra Fund	-6.93	-1.21	4.48
Tata Equity P/E Fund	-10.47	-5.66	-0.62
UTI Value Opportunities Fund	-7.20	-2.09	2.52
<b>Category Average</b>	<b>-14.85</b>	<b>-7.33</b>	<b>-2.00</b>
<b>Nifty 500 TRI</b>	<b>-11.13</b>	<b>-2.69</b>	<b>1.76</b>

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

## AGGRESSIVE HYBRID FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Equity Hybrid Fund	-3.05	--	--
HDFC Hybrid Equity Fund	-11.07	-1.59	-1.34
ICICI Prudential Equity & Debt Fund	-9.98	-0.42	1.51
L&T Hybrid Equity Fund	-7.43	-2.38	0.08
Mirae Asset Hybrid - Equity Fund	-5.52	2.75	4.53
SBI Equity Hybrid Fund	-3.83	3.00	5.24
<b>Category Average</b>	<b>-8.97</b>	<b>-2.06</b>	<b>0.20</b>
<b>NIFTY 50 Hybrid Composite Debt 65:35 Index</b>	<b>-2.06</b>	<b>4.56</b>	<b>6.23</b>

Data Source: ICRA MFI Explorer

## DYNAMIC ASSET ALLOCATION / BALANCED ADVANTAGE FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Dynamic Equity Fund	-1.17	1.26	--
ICICI Prudential Balanced Advantage Fund	-2.22	2.87	4.41
Kotak Balanced Advantage Fund	1.91	--	--
L&T Balanced Advantage Fund	3.05	5.21	4.53
Nippon India Balanced Advantage Fund	-5.52	1.32	2.68
Tata Balanced Advantage Fund	0.75	--	--
<b>Category Average</b>	<b>-2.00</b>	<b>1.33</b>	<b>3.31</b>
<b>NIFTY 50 Hybrid Composite Debt 65:35 Index</b>	<b>-2.06</b>	<b>4.56</b>	<b>6.23</b>

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

## EQUITY SAVINGS FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Equity Savings	-1.46	1.41	1.97
Axis Equity Saver Fund	-0.92	2.62	4.71
DSP Equity Savings Fund	-3.10	0.71	2.14
HDFC Equity Savings Fund	-4.86	1.22	2.17
ICICI Prudential Equity Savings Fund	-1.76	3.69	4.09
Kotak Equity Savings Fund	2.20	4.05	5.46
UTI Equity Savings Fund	-1.79	--	--
<b>Category Average</b>	<b>-3.11</b>	<b>0.23</b>	<b>1.62</b>
<b>1/3<sup>rd</sup> %age each of CRISIL Short Term Bond Fund Index + Nifty 50 TRI + Nifty Arbitrage Index</b>	<b>1.42</b>	<b>4.92</b>	<b>5.75</b>

Data Source: ICRA MFI Explorer

## MULTI ASSET ALLOCATION FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Triple Advantage Fund	-0.06	4.02	5.16
ICICI Prudential Multi-Asset Fund	-7.89	0.49	2.42
Tata Multi Asset Opportunities Fund	--	--	--
<b>Category Average</b>	<b>-0.38</b>	<b>2.81</b>	<b>3.71</b>

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES





## THEMATIC FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Tata Ethical Fund	-2.04	-0.59	3.03
<b>Nifty 500 Shariah TRI</b>	<b>0.24</b>	<b>0.74</b>	<b>4.34</b>

CAGR	1 Year	2 Years	3 Years
Axis ESG Equity Fund	--	--	--
ICICI Prudential India Opportunities Fund	-3.21	--	--
ICICI Prudential Bharat Consumption	-18.04	--	--
<b>Nifty 500 TRI</b>	<b>-11.13</b>	<b>-2.69</b>	<b>1.76</b>

Data Source: ICRA MFI Explorer

## ARBITRAGE FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Arbitrage Fund	5.69	5.96	5.95
Axis Arbitrage Fund	5.73	5.87	5.92
HDFC Arbitrage Fund	5.03	5.43	5.41
IDFC Arbitrage Fund	5.22	5.83	5.86
Kotak Equity Arbitrage Fund	5.68	6.03	6.08
Nippon India Arbitrage Fund	5.71	6.07	6.19
SBI Arbitrage Opportunities Fund	5.13	5.62	5.82
<b>Category Average</b>	<b>5.62</b>	<b>5.89</b>	<b>5.92</b>
<b>Nifty 50 Arbitrage Index</b>	<b>4.30</b>	<b>5.28</b>	<b>4.93</b>

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

# DEBT AND **MACRO ECONOMIC UPDATE**



**May CPI food inflation softens as panic buying subsides and supply chain recovers**

- Food inflation moderated on milk, vegetables, pulses and sugar with more comfortable supplies and reduced panic buying. (Headline inflation was not released for the 2nd consecutive month)
- Health inflation rose with the pandemic reducing availability in the overall healthcare system.
- WPI inflation fell by 3.21% YoY vs +0.42% in Mar on steeper deflation in fuel and softer food inflation than last month. (Apr headline WPI was not released)

**Apr IIP slumps to fresh record of 55.5% YoY with sharp contraction in manufacturing, mining & electricity**

- Numbers show impact of zero output across swathes of industry owing to the nationwide lockdown. Contraction was seen in capital goods, intermediate goods (though a steeper contraction was capped with anomalies in MS slabs), construction and consumer durables.

**May trade deficit narrows to USD 3.15 bn compared to 6.76 bn last month held back by slow recovery in petroleum and gold imports**

- Trade deficit was lowest since Mar 2006 as exports recovered more strongly than imports, after both plunged in Apr on lockdown. Numbers indicate boost to exports from pent up inventories.

**India Q4 current account shows surplus first time since 2009 on lower primary income deficit**

- Primary income deficit fell on lower interest and dividend payments while merchandise deficit was little changed (compared to Q3). However, financial account surplus narrowed as FPI outflows outweighed stronger FDI inflows.

**India Apr-May fiscal deficit shows subdued revenue collections during lockdown period**

- Fiscal deficit in first two months of FY21 was at 59% BE compared to 52% same time last year, mainly on weak direct and indirect tax collections and fall in non debt capital receipts collection (lack of disinvestment avenues).

**India May core sector IIP shows contraction at a slower pace on resumption of few economic activities**

- Core sector output fell 23.1% YoY vs -37% previous with negative contribution seen from steel, cement, electricity and refinery products, though at a much slower pace than last month.

## DEBT AND MACRO ECONOMIC OUTLOOK

Wealth Management | Axis Bank



USD/INR was sold early in the month as market participants began to express cautious optimism given better data prints, as well as failure of the US to ratchet up trade sanctions against China. RBI was seen as a firm buyer in this period and provided a floor to the pair, which continued to see selling interest despite Moody's downgrade of India's sovereign rating. Border tensions between India and China took spot sharply higher to 76.20 around mid-month. However, spot reversed most of this up move in second half of the month as corporate inflows and better global risk sentiment took the pair lower. However, sharp appreciation in INR due to corporate inflows was capped on account of RBI intervention in spot.



G-sec yields traded higher early in the month driven by rising crude oil prices amid global risk on sentiment, as countries began to ease lockdown related restrictions. Yields began drifting lower after a downbeat FOMC projected no rate hikes until 2022, and S&P ratings re-affirmed 'BBB-' stable outlook for India. However, this down move did not sustain for long on casualties following border skirmishes in Ladakh. There was a reversal in part of this upside after monetary easing from EMs such as Brazil, Turkey and Indonesia triggered hopes of further easing by the RBI MPC. Besides this, the latter half of the month also saw good buying on anticipation that the RBI may announce an OMO twist auction. Going ahead, markets will be guided more by potential of another round of fiscal stimulus and borrowing, given limited let-up in COVID case growth and re-imposition of measures in certain economically important geographies.



**We remain constructive on the shorter end of the yield curve. Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Money Market funds, Low Duration funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes, due to their steady accrual profile and possible capital appreciation in case of a fall in yields. **Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.**

## SPECIAL ECONOMIC UPDATE



## SPECIAL ECONOMIC UPDATE

Wealth Management | Axis Bank



- Global rating agencies have recently sounded caution on India's BBB-investment grade rating. This saw Moody's downgrade the rating 1 notch to B- rating with a stable outlook, but also warned of risks.
- The deterioration is potentially linked to weakening in two metrics – India's long term growth rate and levels of India debt. The variables are well correlated, given the level of stickiness in expenditure growth, while revenue growth is driven more by GDP.
- The debt/GDP metric was weakening even before the COVID crisis, with debt increasing faster than GDP since FY18. The numbers place debt at 72% of GDP for FY20 and a potential 84% of GDP in FY21. These numbers are distant from the 60% FRBM target to be reached by FY25.
- The core of the issue rests around weak tax collections, especially on the GST front. If current trends continue, debt will rise further in FY22 and in normal course, rather than begin to come off.
- Levels of around 85% of GDP are higher than those seen before the FRBM act was passed in the early 2000s. All consolidation carried out in years until FY17 has been reversed in the span of a few years.
- Despite clear deterioration in the government's balance sheet, India's external metrics in terms of reserves and debt remain at the strongest in years – keeping CDS levels below those of peer EMs.



## FIXED INCOME ORIENTED SCHEMES



## LONG DURATION FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
ICICI Prudential Long Term Bond Fund	12.09	13.38	8.59
Nippon India Nivesh Lakshya Fund	12.93	--	--
<b>Category Average</b>	<b>12.51</b>	<b>13.38</b>	<b>8.59</b>
<b>ICRA Composite Bond Fund Index</b>	<b>14.07</b>	<b>13.77</b>	<b>9.44</b>

Data Source: ICRA MFI Explorer

## GILT FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
ICICI Prudential Gilt Fund	14.27	12.65	8.21
IDFC G Sec Fund	15.51	15.45	9.61
Nippon India Gilt Securities Fund	13.38	14.03	9.17
SBI Magnum Gilt Fund	13.64	13.50	8.45
UTI Gilt Fund	12.60	12.62	8.24
<b>Category Average</b>	<b>12.44</b>	<b>12.71</b>	<b>7.79</b>
<b>ICRA Composite Gilt Index</b>	<b>13.46</b>	<b>14.25</b>	<b>9.56</b>

Data Source: ICRA MFI Explorer



## DYNAMIC BOND FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Dynamic Bond Fund	13.61	12.41	8.55
ICICI Prudential All Seasons Bond Fund	12.04	10.67	7.85
IDFC Dynamic Bond Fund	14.47	13.46	8.66
Kotak Dynamic Bond Fund	11.70	11.97	9.08
Nippon Dynamic Bond Fund	10.80	10.60	6.80
* SBI Dynamic Bond Fund	13.12	12.44	8.21
<b>Category Average</b>	<b>10.07</b>	<b>9.38</b>	<b>6.56</b>
<b>ICRA Composite Bond Fund Index</b>	<b>14.07</b>	<b>13.77</b>	<b>9.44</b>

Data Source: ICRA MFI Explorer

## MEDIUM TO LONG DURATION FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
ICICI Prudential Bond Fund	12.80	11.17	8.01
IDFC Bond Fund - Income Plan	13.08	12.74	8.05
SBI Magnum Income Fund	13.60	11.41	8.12
<b>Category Average</b>	<b>10.88</b>	<b>9.84</b>	<b>6.42</b>
<b>ICRA Composite Bond Fund Index</b>	<b>14.07</b>	<b>13.77</b>	<b>9.44</b>

Data Source: ICRA MFI Explorer



## SHORT DURATION FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Short Term Fund	11.48	10.07	8.26
HDFC Short Term Debt Fund	11.48	10.12	8.59
IDFC Bond Fund - Short Term Plan	11.41	10.26	8.32
L&T Short Term Bond Fund	10.94	9.93	8.01
Nippon India Short Term Fund	11.25	10.00	8.28
SBI Short Term Debt Fund	10.43	9.31	7.48
<b>Category Average</b>	<b>9.80</b>	<b>8.48</b>	<b>7.11</b>
<b>CRISIL Short Term Bond Fund Index</b>	<b>11.46</b>	<b>10.26</b>	<b>8.36</b>

Data Source: ICRA MFI Explorer

## CORPORATE BOND FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Corporate Bond Fund	12.01	10.85	8.90
Axis Corporate Debt Fund	12.22	8.67	--
HDFC Corporate Bond Fund	12.22	11.12	8.90
IDFC Corporate Bond Fund	11.34	10.00	8.21
Kotak Corporate Bond Fund	10.44	9.63	8.53
L&T Triple Ace Bond Fund	14.37	13.04	9.62
UTI Corporate Bond Fund	12.82	--	--
<b>Category Average</b>	<b>10.26</b>	<b>10.14</b>	<b>8.29</b>
<b>CRISIL Short Term Bond Fund Index</b>	<b>11.46</b>	<b>10.26</b>	<b>8.36</b>

Data Source: ICRA MFI Explorer



## BANKING & PSU DEBT FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Banking & PSU Debt Fund	11.71	10.64	8.53
Axis Banking & PSU Debt Fund	11.72	10.88	9.20
HDFC Banking and PSU Debt Fund	11.36	10.38	8.26
IDFC Banking & PSU Debt Fund	12.97	11.79	9.43
LIC MF Banking & PSU Debt Fund	10.40	10.08	8.47
<b>Category Average</b>	<b>11.58</b>	<b>10.13</b>	<b>8.33</b>
<b>CRISIL Short Term Bond Fund Index</b>	<b>11.46</b>	<b>10.26</b>	<b>8.36</b>

Data Source: ICRA MFI Explorer

## CONSERVATIVE HYBRID FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30<sup>th</sup> JUNE, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Regular Saver Fund	6.48	3.18	4.27
Franklin India Debt Hybrid Fund	2.36	4.67	3.95
ICICI Prudential Regular Savings Fund	5.38	6.88	6.23
<b>Category Average</b>	<b>1.37</b>	<b>3.35</b>	<b>3.13</b>
<b>NIFTY 50 Hybrid Composite Debt 15:85 Index</b>	<b>9.81</b>	<b>10.74</b>	<b>8.17</b>

Data Source: ICRA MFI Explorer



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