ASCENT FLASH

Newsletter Edition: August'23

ASCENT
FINANCIAL SOLUTIONS PVT. LTD.
SEBI REGISTERED INVESTMENT ADVISER

Financial Freedom Brings Along Peace Of Mind and Stability

Welcome to our newsletter! Stay updated with the latest financial updates, insightful articles, and valuable information delivered straight to your inbox. Explore a diverse range of topics curated to inform and inspire our readers in every edition.

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From The Editorial Team

Dear Valued Patrons,

We are delighted to present to you the latest edition of our newsletter - Ascent Flash!

We are thrilled to have you as part of the Ascent family and excited to share the latest news, updates, and valuable insights from the world of finance.

Our team has worked hard to mine informative and engaging knowledge base, and we hope you find it well.

As always, we welcome your feedback and suggestions for future content. We aim to make this newsletter a valuable resource for you and are committed to provide you with the information that will help in making smarter financial decisions.

Thank you for being associated with Ascent Financial Solutions Pvt. Ltd. We hope you enjoy this edition of our newsletter.

Best regards,

Ascent Financial Solutions Pvt. Ltd.

From The Managing Director's Desk

Mr. Prakash Lohana

Managing Director
Ascent Financial Solutions Pvt. Ltd.

- Certified Financial Planner, (CFP) from Financial Planning Standard Boards of India

Dear Readers, it's my pleasure to welcome you to yet another edition of our monthly newsletter. In this edition, we are excited to share updates on different aspects of financial planning & wealth creation. Which we feel will add great value to your financial life.

Understanding Risk Profiling: Finding the Optimal Investment Allocation

Risk Profiling is an important aspect of Financial Planning of every investor and this is grossly ignored or done very casually in our country. Risk profiling is a process that helps you to identify the optimal level of risk that is just right for you as an investor. It helps an individual to identify what is optimum level of risk for him in his investment portfolio which will best suit him.

Why risk profiling is required?

As an investor one needs to understand that risk and return both go in direct proportion but everyone has different risk appetite. The right risk profile helps investor to have right mix of asset classes like equity, bonds and commodities (gold, silver etc.) in their investments which will suit them.

Factors deciding one's risk profile:

Need to take risk: This is a very important factor deciding one's risk profile. This factor depends upon how much risk is needed in the portfolio that means how much return is required to achieve the financial goals. Here, equity is considered volatile asset class compared to bonds and commodities along with higher returns in it, so if an investor is required to achieve higher returns to fulfill his

Goals, then he needs higher allocation in equity and for that he has need to take higher risk. If goals can be achieved with lower returns, then accordingly the portfolio can be constructed with low equity allocation so it will be a low-risk portfolio.

Ability to take risk: Ability is how much risk one can tolerate based on different factors. There are different factors which contribute to one's risk-taking ability like his age, how many dependents are there? His own health conditions, how much time he has for his goals? etc. Based on these factors one's ability to take risk can be determined.

Willingness to take risk: This defines one's comfort level with volatility in portfolio. So, when an investor is comfortable with high fluctuations in the portfolio, he has better risk tolerance and he can take more equity allocation in the portfolio. There are different tools available to test your willingness to take risk which are based on different questions which helps you to quantify this.

In a broad manner investors can be classified in following five risk profiles to allocate their investments in different asset classes;

Possible Asset Allocations		
Risk Profiles	**Equity**	**Bonds, Cash & Commodities**
Very Conservative	0 - 20%	80 to 100%
Conservative	20 to 40%	60 to 80%
Moderate	40 to 60%	40 to 60%
Aggressive	60 to 80%	20 to 40%
Very Aggressive	80 to 100%	0 to 20%

Once the risk profiling of the investor is done then the detailed asset allocation needs to be done.

- Risk profile has to be kept constant in different market cycles most of the times investors make a mistake of becoming aggressive in bull markets and vice versa

- Risk profile of the investors needs to be reviewed every 3 to 4 years or on occurrence of any important life event.

What is Growth style of Investment and how it helps investors in their wealth creation journey.

Jinesh Gopani

Head - Equities,
Axis AMC

Growth style of investing is an investment strategy that focuses on companies that are expected to grow at an above-average rate compared to the industry they belong to. These companies are typically younger, smaller, and more innovative than the larger, more established counterparts. Growth investors are willing to pay a premium for these stocks in the hopes of capturing significant gains in the future.

There are a number of factors that growth investors look for when evaluating stocks. These include:

(a) Earnings Growth: Growth investors look at companies that are consistently growing their earnings. This is a sign that the company is healthy and has a bright future.

(b) Profit Margins: Companies that are generating high profit margins - this means that the company is taking in more money than it is spending, and this will help to fuel future growth.

(c) Return on Equity: Growth investors also look at return on equity (ROE). ROE measures how much profit a company is generating for each dollar of shareholder equity. A high ROE is a sign that the company is efficient and is using its capital wisely.

(d) Share Price Performance: Growth investors also look at the historical performance of a stock's share price. This can give them an idea of how the stock has performed in the past and whether it is likely to continue to grow in the future.

Growth investing can be a risky strategy, but it can also be very rewarding. Growth stocks tend to be more volatile than value stocks, so they can experience larger price movements. However, if you can pick the right companies, growth investing can be a great way to build wealth over the long term. One should note that growth investing requires careful research, analysis and a long-term perspective and not all growth companies succeed.

Axis Philosophy of Quality Investing and our Process of Stock selection.

We believe quality is a confluence of consistency, longevity, patience, discipline and managing risks effectively. Quality focuses on the fundamental strengths and durability of companies rather than short-term market trends.

The foundation of our investment process is independent fundamental in-depth research on the companies we invest in. We believe that only 'quality' companies can sustain profitable growth and generate long term returns. We follow a fundamental and long-term approach, focused on identifying such businesses while controlling risks. Our quality centric investment approach is ideally suited to weed out weaker companies. Our investment approach is two-fold – qualitative & quantitative.

Quantitative Factors:

- Strong Return Metrics (E.g., Return on Equity (ROE), Return on Capital Employed (ROCE)
- Stable Cash Flow – A company should be able to fund its organic growth from internal accruals and use long term capital and working capital efficiently.
- High profitability, low debt-to-equity and earnings consistency

Qualitative Factors:

- Strong management pedigree
- Transparency of operations for investors and key stakeholders
- Credible oversight committees and strong internal controls
- Sustainable long term business model

In aggregate, this style offers two potential advantages. First, quality has historically delivered a return premium, i.e., the opportunity to outperform a broad benchmark over the long term. And second, it offers a high margin of safety. Quality typically outperforms other investment styles during periods of turbulence as these stocks are considered as less volatile in relative terms by market participants due to their inherent fundamental attributes.

Staying invested in quality entails exercising control over one's emotions, eliminating the noise around you and focusing on creating excellence. Our rigorous investment approach has helped us resist the temptations to respond to short-term attractive opportunities and stand by decisions that may not look right at a particular point in time.

This is what investors should concentrate on too. Focus on long-term quality in the portfolio than short-term biases and stay invested at all times. Missing a handful of best days in the market over long time periods can drastically reduce the wealth creating opportunity an investor could gain by holding onto their investments than by exiting in a decline.

Current Market Outlook

Currently, India is in a sweet spot, with the stage set right with positive macroeconomic data. Headline inflation is off its peak and so are the interest rates. This coupled with a GDP growth better than most advanced economies, strong industrial production numbers and manageable current account has created a Goldilocks scenario for India. Cyclically stronger balance sheets, improving macro stability –which reduces pressure on policymakers to tighten policy stance –and structural policy reforms are the keys to sustainable growth.

Accordingly, domestic consumption is a key theme. Furthermore, high-frequency indicators such as improved auto sales and GST numbers point to robust growth both in volumes as well as in net revenue. Within financials, we prefer select names that have seen an improvement in their balance sheets. The underlying fundamentals of the banking sector remain strong and hence we have added some names in this space. Our allocations in select IT companies are purely stock specific strategies and in stories where we believe are likely disproportionate beneficiaries over the medium term. To reiterate, our strategy remains stock specific and sector agnostic.

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Data Bytes

Indian Equity Summary

Index	1W	1M	3M	6M	1Y	3Y	5Y
Mid Cap 150	2.7%	5.3%	17.2%	22.8%	24.4%	34.0%	16.2%
Small Cap 250	2.0%	6.7%	20.0%	23.5%	27.1%	37.5%	13.8%
Auto	0.6%	4.0%	18.3%	18.9%	21.3%	29.5%	7.9%
Bank	-0.6%	1.1%	5.4%	12.2%	20.4%	29.4%	10.8%
Energy	4.3%	7.3%	12.4%	17.4%	0.4%	21.3%	12.2%
FMCG	-0.3%	-0.2%	9.4%	14.5%	23.8%	19.6%	11.1%
Infra	3.0%	5.7%	14.0%	22.4%	22.8%	25.2%	14.3%
IT	0.3%	1.7%	7.9%	-2.1%	2.4%	18.5%	15.5%
Metal	5.7%	7.7%	16.0%	14.4%	21.2%	46.3%	15.2%

Source : https://ticker.finology.in/market | Data as of August 01st 2023

Domestic Equity Benchmark Indices (Returns %)

Index	1W	1M	3M	6M	1Y	3Y	5Y
Nifty 50	0.4%	2.2%	9.2%	12.2%	13.9%	22.0%	11.9%
Sensex	0.2%	2.0%	8.7%	11.0%	14.5%	21.7%	12.4%

* Data as of August 01st 2023
Source : https://ticker.finology.in/market

FII / Mutual Fund data

(Rs Cr)	28/07/23	MTD	YTD
FIIs	1252.35	34768.08	126584.38
Mutual Funds	63.10	1648.33	60657.05

*MF Data as of 13 July 2023

Nifty PE

Nifty P/E		
Latest P/E*	FY23E	FY24E
23.01X	22.27X	19.23X

* Data as of 31 July 2023

Commodities

	31-07-2023	Week Ago	Month Ago	Year Ago
London Brent Crude Oil ($/bbl)	85.56	82.74	74.90	110.01
Gold (Rs/10 gms)	59567	59434	58055	51466

Indian Debt Summary

Index	31 Jul	Debt Watch Week Ago	Month Ago	Year Ago
Call Rate	6.52%	6.60%	6.82%	5.00%
Repo	6.50%	6.50%	6.50%	4.90%
10 Yr Gilt^	7.17%	7.07%	7.11%	7.32%
91-D T Bill^	6.72%	6.71%	6.72%	5.56%
182-D T Bill^	6.84%	6.83%	6.85%	5.93%
364-D T Bill^	6.87%	6.87%	6.85%	6.25%
1-mth CP rate	7.06%	6.98%	7.10%	5.85%
3-mth CP rate	7.20%	7.15%	7.15%	6.03%
6-mth CP rate	7.35%	7.35%	7.40%	6.40%
1 yr CP rate	7.70%	7.61%	7.61%	6.90%
1-mth CD rate	6.80%	6.75%	6.85%	5.65%
3-mth CD rate	6.95%	6.93%	6.97%	5.77%
6-mth CD rate	7.14%	7.14%	7.16%	6.15%
1 yr CD rate	7.37%	7.40%	7.38%	6.63%

^Weighted Average Yield

Yields(%)	Gsec*	AAA	AA+	AA	AA-	A+
6 month	6.84	7.27	8.05	9.01	9.98	10.79
1 Year	6.87	7.51	8.29	9.25	10.22	11.03
3 Year	7.12	7.60	8.38	9.34	10.31	11.12
5 Year	7.16	7.53	8.99	9.95	10.92	11.73
10 Year	7.17	7.75	9.21	10.17	11.14	11.95

^Weighted Average Yield. G-sec and corporate bonds data as of Jul 31 *Weighted average yields for G-sec data 6 month G-sec: 182 day T-Bill rate; 1 year G-Sec: 6.69% GS 2024; 3 year G-Sec: 5.63% GS 2026; 5 year G-Sec: 07.06 GS 2028; 10 year G-Sec: 07.26 GS 2033

International News

- US Chicago PMI increased to 42.8 in July from 41.5 in June.
- Eurozone economy rose 0.6% on year in the second quarter, compared to 1.1% in the previous period.
- Eurozone annual inflation rate slowed to 5.3% in July from 5.5% in June, while core consumer prices came at 5.5%, unchanged from the previous month.

	31 Jul	1 Day	1 month	1 Year
DJIA	35560	0.28	3.35	8.26
Nasdaq	14346	0.21	4.05	15.78
FTSE	7699	0.07	2.23	3.72
Nikkei	33172	1.26	-0.05	19.32
Hang Seng	20079	0.82	6.15	-0.38
Strait Times	3374	0.08	5.24	5.06

Source: Domestic Indices - NSE, BSE, FII / MF (Equity) – SEBI, Domestic Derivative Statistics – NSE, Currency Movement - RBI, Reuters, Domestic Economic Indicators - CRISIL Center for Economic Research, Domestic Fixed Income Numbers - CRISIL Fixed Income Database, RBI Commodity Prices - Reuters, IBJA, International Indices – Respective websites, Market summaries, global bond yields, domestic and international news – CRISIL Research, Financial websites

Abbreviations: FII (Foreign Institution Investors), CPI (Consumer Price Index), WPI (Wholesale Price Index), P/E (Price/Earnings ratio), CP
(Commercial Papers), CD (Certificate Of Deposits), G-sec (Government Securities), MTD – Month to Date, YTD – Year to Date

Source : ICICI Prudential MF Head start

Currencies Vs INR

	31 Jul	28 Jul	Change
USD	82.25	82.25	0.00
GBP	105.76	105.44	-0.32
Euro	90.58	90.26	-0.32
100 Yen	58.06	58.95	0.89

Economic Indicators

	Economic Indicators		
YoY (%)	Current	Quarter Ago	Year Ago
Monthly Inflation (CPI)	4.81% (June-23)	5.66% (Mar-23)	7.01% (June-22)
IIP	5.2% (May-23)	5.6% (Feb-23)	19.7% (May-22)
GDP	6.1% (Jan-Mar FY23)	4.5% (Oct-Dec FY23)	8.0% (Jan-Mar FY22)
Monthly Inflation (WPI)	-3.48% (May-23)	-2.76% (Feb-23)	15.88% (May-22)

Reserve Ratios

CRR	4.50%
SLR	18%

Source: RBI

The story of how a retiree started investing at 77 and built a fortune for his heirs in 12 years

Once upon a time, there was an old man with an open heart and he had big dreams and desires yet he believed to live a simple and a carefree life. He was 89 years old when he passed away, leaving behind a portfolio of wealth that is a classic case study on bequest to the next generation. He mentioned to write his story only after his time.

He worked for the central government and retired to his two-bedroom flat in the suburbs of a big city. He mostly read newspapers and magazines and watched some television, pursuing nothing new after retirement.

He did not trade in stocks or buy based on tips. He was a conservative investor who believed that the schemes of the post office were the best choice for a retired person. That was to change in 2006, when he began to invest in mutual funds. That was a tumultuous year, with the cracks in the US housing markets already beginning to show. The Sensex was around 10,000 (Nifty around 2,600).

He divided his money into three portions. One was for his use; one was for emergencies and unexpected events; and one was for passing on. He agreed that the amount he wanted to pass on could take on the long-term view and get invested in an equity fund. The one he kept for unexpected events was invested in a balanced fund, which he could draw upon if needed, and could grow if he did not touch it. The portion for his use remained in the post office and later in bank deposits.

He invested the last portion in small instalments, putting the money in with excitement when the markets fell. For a first time, he was courageous. His approach assured that he had clarity about end use significantly impacts how an investment decision is made.

He invested for his children and grandchildren, making sure all investments were in their names. For his grandchildren, he meticulously followed the process of third-party cheque issuance and opening a folio in their names as minors.

With his children, he made them joint second holders in the investments he managed. He would start with a small amount in the account, requiring their signatures, and then kept adding to it as desired. Every year, he transferred money from his own portion of the corpus to their accounts.

With the Nifty at 11,000 now, his investments have grown at 13% compounded per year, over a 12-year period. His wealth increased to 4.3 times, which is a huge corpus for his grandchildren.
Upon his death, his children only need to submit a death certificate to the mutual fund to remove his name as the first holder. This simple process grants them full ownership of all the investments he made in their names. No notarization, NOC, or multiple trips to the bank or offices are required. He also simplified his bank deposits and other investments in a similar manner.

When his post office accounts matured, he transferred the money to mutual funds and bank deposits. He maintained a single paper list containing all investment details, including folio numbers and names. Updating it annually, he kept it in a file.

There is a lot that can be achieved with clarity of purpose and organization. He read, asked questions, took the time to argue, differ and finally understand how investments worked. He began when he was 77 years old, but in less than five years was completely in charge and left behind a fortune for his heirs.
Those who think it is too late to invest, too complex to manage money, too difficult to bequeath, or too taxing to handle paperwork, should be inspired by his story.

Source: The Economic Times

Major Events

August 2023

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 Manufacturing PMI	2	3 Service PMI BoE Interest Rate Decision	4 US Unemployment Rate, July US Non farm Payrolls, July	5
6	7	8	9	10	11 IIP	12
13	14 CPI/ WPI	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31 GDP		

PMI - Purchasing Managers' Index
IIP - Industrial Production Data
CPI - Consumer Pice Index
WPI - Wholesale Price Index

Our Client's Feedback

Sachin Khandokar
AVP - Indorama Ventures Ltd
Thailand

Recommendation:

I have been investing through Ascent since last 5 years. Every year my confidence has achieved a new height and feeling relief from financial matters and getting right investments for hard earned money. Ascent team lead by Prakash ji is full of energy, dynamism and highly professional. I liked the way they have been setting up the calls and updating the investment status. Looking forward for association of many more years together.

Liquidity Ratio

Liquidity ratio is a ratio that measures a person's capacity to fulfil regular expenses in the case of a contingency or unexpected incident. It is also known as emergency fund ratio. In other words, how long will your money remain if all of your sources of income are cut off due to unforeseen circumstances?

The liquidity ratio typically can be used to calculate how many months' the expenses are covered by liquid money, such as cash or near-cash assets.

Liquidity Ratio = Cash (Cash Equivalent) / Monthly Expenses

Liquid assets include cash, savings accounts, money market funds, and easily marketable securities, and liquid funds, that can be quickly sold at a fair market price. Monthly expenses include short-term debts, credit card balances, outstanding bills, and other obligations due within a year.

Let us understand with an example.

Example: Mr. Rakesh is a software engineer who has Rs 30,000 as cash at home & Rs 45,000 in Savings Account. His monthly expenses are around Rs 15,000. What would be his Liquidity Ratio?

Liquidity ratio = (30000 + 45000) / 15000 = 5.00

It is recommended that you have 3-6 months of spending in your emergency fund, which indicates that your liquidity ratio should be between 3 and 6. Having a solid emergency fund can provide peace of mind and protect against financial setbacks. It's important to regularly monitor and assess your liquidity ratio as part of your overall financial planning to ensure you have adequate liquidity and financial stability. However, the ideal liquidity ratio can vary depending on individual circumstances, risk tolerance, and financial goals. Therefore, it's essential to consider your unique situation and consult with a financial advisor to determine an appropriate target liquidity ratio that aligns with your financial goals and objectives.

Vote Of Thanks

Dear Reader,

We really appreciate everyone who took the time to read and interact with our material as we approach to the close of another edition of our newsletter. We anticipate your ongoing encouragement and support.

We would like to express our sincere gratitude to Mr. Jinesh Gopani for their invaluable contribution in this newsletter. Their insightful and thought-provoking contribution have truly enhanced the quality of this newsletter.

We also want to express our gratitude to the members of the editorial staff, authors, designers, and everyone else who helped with the production and dissemination of this newsletter.

We make an effort to deliver pertinent, educational, and interesting information that represents our beliefs and interests. As we work to enhance and expand as a newspaper, we are always open to your comments and recommendations.

Thank you for joining our community. We look forward to bringing you even more exciting content in the future.

Best Regards,
Ascent Financial Solutions Pvt Ltd.

Partners In Transforming Your Financial Lives

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