ASCENT FLASH

Newsletter Edition: July'23

ASCENT
FINANCIAL SOLUTIONS PVT. LTD.
SEBI REGISTERED INVESTMENT ADVISER

Financial Liberty That Embraces Peace of Mind and Freedom

This newsletter presents you with the latest insights and updates from the world of finance including latest news in the stock market, updates on regulatory changes and expert insights and analysis on emerging financial investment opportunities.

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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.

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From The Managing Director's Desk

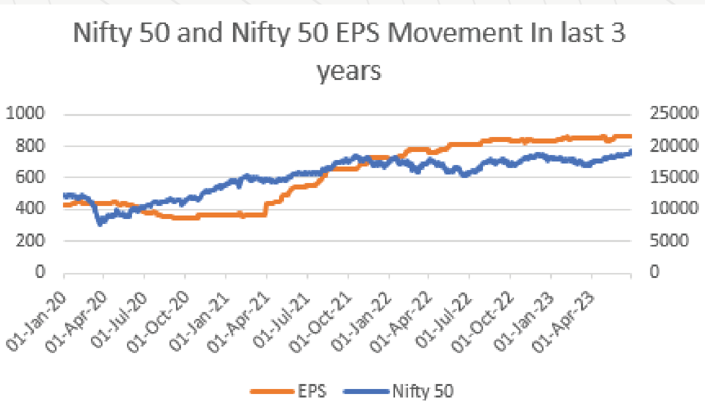
Mr. Prakash Lohana
Managing Director
Ascent Financial Solutions Pvt. Ltd.
- Certified Financial Planner, (CFP) from Financial Planning Standard Boards of India

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.

Markets At All-Time High, What Should Investors Do?

As the market is reaching to all time high, most of the investors feel that markets are overvalued and should start withdrawal or stop new investment in equity markets and equity mutual funds but let me tell you that markets had a good rally after 19 months (from Oct-21 to March-23) of sideways movement and in those 19 months profitability of Nifty 50 companies have gone up by 31.38% as indicated in below table, so markets are not overvalued.

Observation Date	Nifty 50	Nifty 50 EPS	Nifty 50 PE
01-Oct-21	17532.05	653.21	26.84
30-Jun-23	19189.05	858.19	22.36
% Change	9.45%	31.38%	-16.69%



From above chart it is clearly visible that EPS of Nifty 50 companies have grown significantly as compared to Nifty 50 index.

Let us further check the valuation of all the three major indices.

	01-10-2021		30-06-2023	
Index	PE	Index	PE	Index
Nifty 50	26.84	17532	22.36	19189
Nifty Midcap 150	33.04	11372	26.49	13401
Nifty SmallCap 250	28.94	9392	20.79	10544

From above Table it is clearly visible that from Oct-21 to June-23 all the three indices have gone up but their PE ratios have reduced so that clearly indicates that profitability of Indian companies have increased significantly so in spite of markets are at new highs their valuation are cheaper than Oct-21

What should investor's do now?

Investors should not reduce their exposer to equity but while investing new money they should give higher allocation to debt than they were giving 3 months back. For example, if someone is maintaining 60% equity & 40% debt then, now he should invest new money in 50% equity and 50% debt. Not investing in equity at all can be dangerous as markets have potential to rally further from here. Further, the new money should be allocated primarily more to large cap and less to mid & small cap.

Optimizing the portfolio within Personal Risk bucket

Mr. Ramesh Mantri

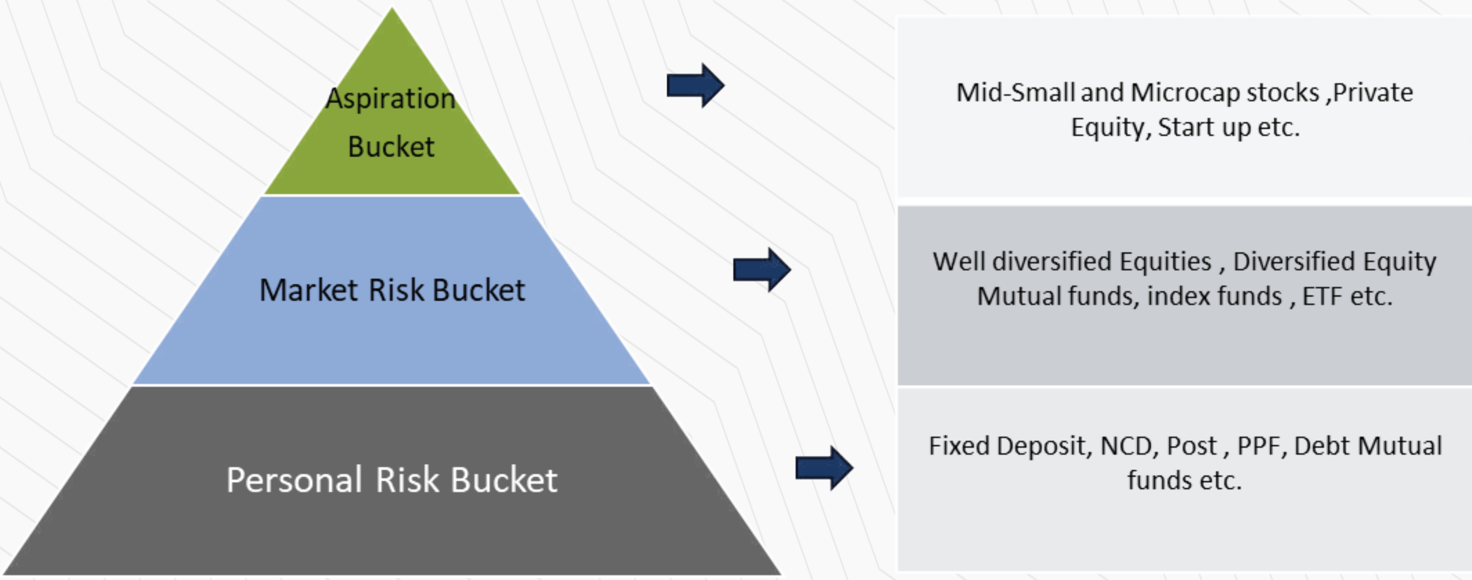
Chief Investment Officer - Equities
WhiteOak Capital AMC

Warren Buffett, widely regarded as one of the most successful investors of all time, famously said, "Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1." This simple yet powerful quote encapsulates one of Buffett's key principles when it comes to investing and wealth preservation.
Even though equity is one of the best performing asset class, the penetration has been low in India. Furthermore, whenever the penetration has increased significantly, it is mostly during high valuation periods.

The primary cause of such low penetration may be volatility and concerns over the safety of capital, which makes safety of capital an important parameter. Just like in ancient times, gladiators used to carry a shield along with a sword for protection. Similarly, in the modern world, the strongest army requires a great defense system to ensure their safety and security.
Why is ensuring safety the first step towards wealth creation?

If we consider a typical investor portfolio, there are three risk buckets that an investor consciously or subconsciously manages:

- Personal risk bucket
- Market risk bucket
- Aspirational risk bucket



Personal Risk Bucket is the allocation which ensure that investors do not have to compromise their current lifestyle. Hence, it forms a major part of the investor's portfolio. Traditionally, investors used to keep this money in post office savings, Public Provident Fund (PPF), bonds, fixed deposits (FDs), and debt mutual funds.

Next is the **Market Risk Bucket**, where investors allocate a lesser amount compared to the previous bucket. This allocation allows the investor to maintain or slightly improve their lifestyle if it outperforms significantly. Large-cap equities, diversified equity mutual funds, and index funds generally fall into this bucket. The overall allocation in this bucket is lower, so it cannot create a significant change in the overall portfolio returns.

The third bucket, which receives a minuscule capital investment, is referred to as the Aspirational bucket. It is not exactly like playing the lottery, but a positive outcome can bring a dramatic improvement in someone's wealth. It can move an individual's lifestyle up by two to three levels on the ladder. However, if things go wrong, the impact can be insignificant as it is a very small part of the portfolio. It can be considered a low probability and high impact investment outcome. Investments in micro-cap stocks, private equity, venture capital, or startups typically fall into this category.

How to Optimize the Portfolio return

Now, without enhancing the performance of the personal risk bucket, it is nearly impossible to increase the performance of an investor's overall portfolio, as it is one of the biggest and core part of the investor's portfolio. Equity is one of the asset classes that can be considered for this purpose. However, the challenge with equity is that it also adds significant risk to the overall portfolio.

Investing can be likened to driving a car, where acceleration is similar to investing in equities. However, one cannot keep accelerating continuously as there are dangerous curves and traffic on the road. That's why cars have brakes to calibrate speed as needed. In this analogy, brakes can be compared to fixed income investments. Nonetheless, there is still a risk that someone else may collide with your car. To handle such situations, we need to have airbags in the car. At the portfolio level, allocation to gold is required to withstand such crises. In this context, equity acts as acceleration, fixed income acts as brakes, and gold acts as an airbag.

During volatile periods, fixed income investments act as volatility controllers, while during crises like the subprime and Covid, gold acts as a volatility absorber. Its prices appreciate dramatically during such times, thereby helping the portfolio absorb the shocks.

Combining Asset classes through Multi Asset Strategy to optimize return at given level of volatility.

Various asset classes have a varied degree of correlation with each other. Economic cycles and markets across the globe are highly dynamic, making it difficult to consistently time the winning asset class. However, a well-balanced mix of these asset classes can assist investors in achieving an optimum level of risk-adjusted return to reach their long-term financial goals.

Just for example, based on the data taken from Jan 2010 to Apr 2023, there is a correlation of -0.22 between Equity and Debt, -0.55 between Equity and Gold, and -0.05 between Debt and Gold. By combining these asset classes in a scientific manner, it is possible to achieve a desired level of volatility. In fact, the volatility of the portfolio would be lower than the aggregate volatility of the individual asset classes.

Financial Year wise performance (% return) of select indices

Financial Year	S&P BSE Sensex TRI	CRISIL Short Term Bond Index	MCX Gold (INR)	S&P 500 TRI (INR)
FY 2011	12.5	5.1%	27.4%	14.7%
FY 2012	-9.2%	8.3%	32.9%	24.0%
FY 2013	10.1%	9.1%	7.1%	21.9%
FY 2014	20.7%	8.9%	-3.2%	33.9%
FY 2015	26.8%	10.3%	-8.3%	17.3%
FY 2016	-7.9%	8.5%	10.9%	8.1%
FY 2017	18.5%	9.1%	-1.9%	14.9%
FY 2018	12.7%	6.1%	7.4%	12.9%
FY 2019	18.8%	7.6%	3.2%	18.1%
FY 2020	-22.9%	9.9%	29.7%	1.1%
FY 2021	69.8%	7.8%	7.3%	51.8%
FY 2022	19.5%	5.2%	16.6%	20.0%
FY 2023	2.0%	4.2%	16.0%	-1.5%
FY 2011 to FY 2023	**11.3% CAGR**	**7.7% CAGR**	**10.5% CAGR**	**17.5% CAGR**

For example, In FY 12 and FY 20, equity contributed negatively, but gold sparkled. However, regardless of these asset classes, fixed income provided stability to the portfolio.

In FY 15 and FY 17, equity performed well while gold corrected. Fixed income, on the other hand, remained isolated from the volatility of these assets.

Hence, a combination of these asset classes in a scientific way can be utilized to generate low volatility returns.

However , role of asset allocation is to manage and reduce risk, while alpha generation is dependent purely on bottom up security selection

What kind of shift is required to the overall portfolio?

To improve the overall portfolio return, it is evident that shifting some allocation from the traditional personal risk bucket to strategies like multi-asset allocation can be beneficial. Also with current tax lows debt mutual funds are now going to be taxed at marginal tax rate without indexation benefit, hence multi asset strategies with minimum 35% gross domestic equity makes lot of sense. However, this shift should be done without altering the overall portfolio's volatility too much.

The Changing Dynamics

Mr. Apoorva Vora

Founder and CEO
Finolutions LLP

Decadal Changes

There is a very famous quote describing the change. "Day by Day nothing changes, but when you look back everything is different". The same is also happening in the listed / unlisted space that is currently today. While certain things look really similar, a lot has changed over the last decade. Let me highlight this with the below-mentioned example.

The table below contains the Market Cap of prominent companies ten years back and their market cap now.

Company Name	Market Cap as on Jan 31, 2022	Market Cap as on Jan 31, 2012	CAGR over 10 years period
Astral	43,618	302	64%
Minda Industries	31,774	312	59%
Aarti Industries	36,305	366	58%
Relaxo Footwear	31,414	335	57%
APL Apollo	21,744	262	56%
Tata Elxsi	46,200	791	50%
Vinati Organics	19,681	350	50%
PI Industries	36,293	654	49%
Atul Ltd	28,012	517	49%
Kajaria Ceramics	21,340	554	44%
	Average	**444.3**	

Source: Nine River Capital

The above-mentioned table is not to highlight the stellar returns or take the benefit of hindsight. It is to highlight one crucial factor: the Market Cap of these companies a decade back.

Things to note

- These good quality companies were available in the listed space at these valuations earlier.
- The average market cap of these listed small-cap companies was IN 444 crores.

Today,

- Companies at these valuations are typically raising series B to series C from VCs and PEs today.
- Companies remaining private for longer and returns being earned by private market participants
- We have more than 100 unicorns I.e. valuations upwards of 8000 crores in the private market. Meaning a great deal of good quality companies are not available to listed market investors which were available much earlier as per the above table

We can always debate the fact that when the VC / PE-backed companies, list on the exchanges, the valuations are justified or not. But one thing is quite clear, the average market cap of companies being listed on the exchanges has gone up and will result in comparatively lower returns for listed participants

Even some of the latest examples in the Pre IPO Space Include.

Name of the Companies	Approximate Market Cap
Chennai Super Kings	INR 5000 Crores
Reliance Retail	INR 10 lakh plus crores
Tata Technologies	INR 30,000 plus crores
Ola	INR 30,000 plus crores
National Stock Exchange	INR 10 lakh+ crores

To prove further, let us look into the market caps of the companies being listed in recent times

Name of the Company	Approximate Market Cap during IPO
KFIN Technologies	Rs 6000 crores
Rustomjee	Rs 6000 crores
Inox Green	Rs 1800 crores
Bikaji Foods	Rs 7000 crores

The above list is just to give a few examples of how large companies have become when they come to IPO.

Key Takeaways

- A clear structural change is visible because of private market participants (VC / PE Funds)
- To invest in companies at an early stage just like what was happening in the past decade (listed small-cap investing), investors will have to look at investing through Angel / VC funds now

- Look at such investments as a part of overall equity allocations along with Large, Mid and Small-cap equity investments, the key difference, in this case, will be liquidity

- Opportunities will remain time sensitive as such investments do not remain open year-round

Data Bytes

Indian Equity Summary

Index	1W	1M	3M	6M	1Y	3Y	5Y
Mid Cap 150	2.5%	6.0%	17.5%	12.0%	33.0%	33.4%	16.0%
Small Cap 250	1.9%	5.5%	19.0%	10.4%	30.1%	37.1%	13.0%
Auto	4.1%	6.2%	21.9%	19.6%	29.3%	31.1%	7.3%
Bank	2.6%	2.2%	9.6%	3.6%	33.4%	26.7%	11.3%
Energy	1.5%	3.7%	8.3%	-5.1%	2.4%	19.5%	13.4%
FMCG	1.8%	2.3%	14.1%	18.1%	34.8%	20.0%	12.6%
Infra	2.1%	5.4%	12.4%	8.4%	26.4%	23.7%	13.4%
IT	3.5%	0.4%	3.2%	2.9%	5.3%	26.1%	16.0%
Metal	2.8%	5.5%	13.3%	-9.8%	32.2%	45.9%	12.9%

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

Domestic Equity Benchmark Indices (Returns %)

Index	1W	1M	3M	6M	1Y	3Y	5Y
Nifty 50	2.8%	3.8%	10.3%	5.4%	21.8%	22.5%	12.5%
Sensex	2.8%	3.7%	9.5%	5.8%	22.3%	22.3%	12.9%

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

FII / Mutual Fund data

(Rs Cr)	27 Jun	MTD	YTD
FIIs	1830.64	28506.98	65162.75
Mutual Funds*	542.09	9833.67	63178.36

*MF Data as of Jun 26

Nifty PE

Latest P/E*	FY23E	FY24E
22.08X	21.39X	18.47X

* Data as of Jun 28

Commodities

	29-06-2023	Week Ago	Month Ago	Year Ago
London Brent Crude Oil ($/bbl)	74.43	74.35	76.95	116.26
Gold (Rs/10 gms)	58151	58864	60142	51029

*Data as of Jun 28

Indian Debt Summary

	28 Jun	Week Ago	Month Ago	Year Ago
Call Rate	6.87%	6.47%	6.35%	4.68%
Repo	6.50%	6.50%	6.50%	4.90%
10 Yr Gilt^	7.06%	7.07%	7.00%	7.46%
91-D T Bill^	6.74%	6.72%	6.74%	5.12%
182-D T Bill^	6.83%	6.87%	6.88%	5.67%
364-D T Bill^	6.86%	6.88%	6.89%	6.23%
1-mth CP rate	7.10%	7.11%	6.90%	5.35%
3-mth CP rate	7.15%	7.11%	7.09%	5.55%
6-mth CP rate	7.40%	7.35%	7.49%	6.35%
1 yr CP rate	7.61%	7.60%	7.65%	6.80%
1-mth CD rate	6.85%	6.84%	6.66%	4.99%
3-mth CD rate	6.95%	6.87%	6.92%	5.25%
6-mth CD rate	7.16%	7.12%	7.20%	5.84%
1 yr CD rate	7.38%	7.35%	7.35%	6.52%

^Weighted Average Yield

	29 Jun	1 Day	1 Mth	1 Year
DJIA	34122	0.80	3.11	9.97
Nasdaq	13591	0.00	4.74	21.59
FTSE	7472	-0.38	-2.04	2.18
Nikkei	33234	0.12	6.41	23.99
Hang Seng	18934	-1.24	2.07	-13.92

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

Economic Indicators

YoY (%)	Current	Quarter Ago	Year Ago
Monthly Inflation (CPI)	4.25% (May-2023)	6.44% (Feb-23)	7.04% (May-22)
IIP	"4.2% (April-23)"	5.2% (Jan-23)	"6.7% (April-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)

Currencies Vs INR

	28 June	27 June	Change
USD	82.05	82.03	-0.02
GBP	104.19	104.33	0.15
Euro	89.86	89.75	-0.11
100 Yen	57.01	57.10	0.09

International News

The US economy grew by an annualized 2% on quarter in Q1 2023, compared to previous quarter growth of 2.6%.

- Eurozone consumer confidence improved to -16.1 in June compared to -17.4 in May.
- Japan consumer confidence index ticked up to 36.2 in June from 36 in May.

Yields (%)	Gsec*	AAA	AA+	AA	AA-	A+
6 month	6.83	7.36	8.14	9.12	10.05	10.85
1 Year	6.85	7.43	8.21	9.19	10.12	10.92
3 Year	6.99	7.52	8.30	9.28	10.21	11.01
5 Year	7.02	7.52	8.95	9.93	10.86	11.66
10 Year	7.06	7.69	9.12	10.10	11.03	11.83

G-sec and corporate bonds data as of Jun 28 * 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

Reserve Ratios

CRR	4.50%
SLR	18%

Source: RBI

From Financial Hardship to Success: The Inspiring Journey of Mr. David

A few years ago, Mr. David was stuck in a debt circle. He had a firm determination to come out of it. He lived in an apartment he could barely afford, had a high car payment and two student loans. To make matters worse, he was laid off from his job a few weeks ago before Christmas. This left David with just a few dollars each week in his saving account.

He then decided to consult a financial advisor, which would help him with all the financial matters. The advisor made a financial plan for him and made him understand the importance of financial planning.

“I realized that consulting a financial planner and creating a financial plan was on me,” says David. Fast forward to the present, David has invested over $70,000, knocked out 95 percent of his student loan debt, and his car is fully paid off. Plus, he’s maintaining a 65 percent savings rate.

David also adopted the pay yourself first mindset. Each time he gets paid, his financial advisor made him set aside a percentage for retirement and for his savings. To stay consistent, he suggests auto-saving for your financial goals. And of course, being patient.

“Even if you can only save a few bucks each week, by the end of the year you’ll be amazed at your progress. We all have to make our financial plan,” says David.

In conclusion, David’s transformative experience demonstrates that with financial literacy, determination, and disciplined actions, individuals can overcome financial hardships and achieve financial well-being. His story serves as an inspiration to others, illustrating the transformative power of knowledge and financial habits. By following David's example and committing to financial planning and prudent money management, anyone can embark on a path towards financial stability and success.

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Major Events

June 2023

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1 Manufacturing PMI
2	3 Service PMI	4	5	6	7	8
9	10	11	12 IIP/ CPI	13	14 WPI	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31 Last Date for Filing ITR					

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

Our Client's Feedback

Recommendation:

Our association with Ascent Financial Solutions began around 6 years back. He was highly recommended to us by one of our friends. The first couple of on line meetings were to understand what financial planning we did and what our goals were. For us, financial planning meant saving 1,20,000 per year for tax deductions. Our perspective about saving and financial planning was changed by the informative, fact based and numbers oriented financial plan made by the team at Ascent. The plan was tailor made for us taking into consideration our income, expenses and future goals. Mr. Prakash Lohana and his team are just a call away and are prompt in addressing any issues. Mr. Lohana's knowledge and deep expertise in financial products, financial planning has really helped us in taking long strides towards achieving our financial goals. We get updates on all our investments weekly and the quarterly review with Mr. Prakash helps us to understand that we are on the right track and make any changes if required. We highly recommend the efficient team at Ascent spearheaded by the erudite Mr. Prakash Lohana. We look forward to many more years of association with Ascent and fulfilling all our future needs and goals.

Vandana and Neeraj Verma
CEO of Nirmal Handloom House Pvt Ltd.

Gurgaon, India.

The Importance of Debt Servicing Ratio in Personal Financial Planning

A key element of personal financial planning is the debt servicing ratio, also referred to as the debt-to-income ratio. It is a measure that establishes how much of a person's income goes towards paying off debt. This ratio is important in determining a person's ability to effectively manage their debt obligations and overall financial health.

To calculate the debt serving ratio, you divide your total monthly debt payments by your gross monthly income and multiply the result by 100 to express it as a percentage. The formula is as follows:

Debt Serving Ratio = (Total Monthly Debt Payments / Gross Monthly Income) * 100
Gross Monthly Income = 100000
Total EMI = 30000
Debt Serving Ratio = (30000/100000) *100
Debt Serving Ratio = 30%

The resulting percentage indicates the portion of your income that is being utilized to service your debts. A lower ratio implies a healthier financial position.

A prudent approach to personal financial planning is to aim for a lower debt serving ratio, ideally below 30% or even lower if possible. By keeping this ratio at a manageable level, you can maintain a healthier cash flow, reduce financial stress, and have more flexibility to allocate your income towards savings, investments, and achieving your long-term financial goals.

In conclusion, a crucial component of personal financial planning is the debt serving ratio. You can achieve a healthier financial position, reduce financial stress, and have more financial flexibility to work towards your long-term goals by aiming for a lower ratio.

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. Ramesh Mantri and Mr. Apoorva Vora 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.

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