ASCENT FLASH

Newsletter Edition: December '23

ASCENT
FINANCIAL SOLUTIONS PVT. LTD.
SEBI REGISTERED INVESTMENT ADVISER

Right Finance Planning For The Perfect Flight

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.

Table of Content

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

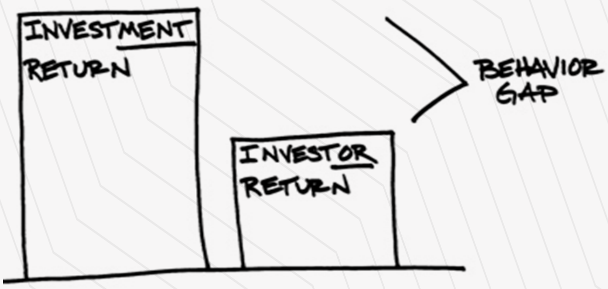
How Psychology plays an important Role in your Financial Decisions?

Till now I have written many articles on different topics of personal finance but this is my first article on "How Psychology plays an important role in your financial decisions?"

When I say Psychology plays important role in your financial decisions, it looks very odd at first instance. Apparently, it looks that finance has nothing to do with psychology but let me tell you that psychology plays a very important role in your success as an investor. Let us see this in detail.

How Investor Returns different from Investment Returns?

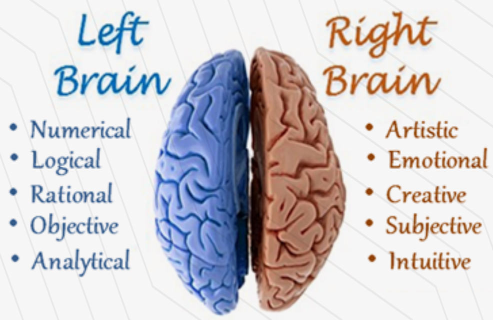
I have been in financial advisory practice since last twenty years now, and have observed that equity markets are giving good returns since long but investors are not able to earn that much returns. For example, Sensex which is index of 30 Large cap companies of India was started somewhere in April-1979 with a base of 100 and today it is more than 26000. So, it shows that if someone had invested one lakh in Sensex in 1979 than his one lakh has become more than two crores and sixty lakhs in a period of around 37 years. Here returns are more than 15% compounded annualized. But when I look at investors, I hardly find any investor who could earn 15% p.a. kind of compounded returns in their portfolio over such long periods. So why investors are not able earn this kind of returns. Simple reason for this is our mistakes.



Above picture shows this very clearly. Investment returns are much higher but investor returns are on lower side. So, investments have given returns but investors have failed to gain those returns and this is due to behavioural gap. Investors behave in a manner that affects their returns negatively. In this regard conventional finance theory says that investors are rational and they act in a rational manner while taking their investment decision.

Whereas Behavioural Finance theory which has been developed off late in last two to three decades says that investors are emotional and they act in an emotional way while taking decisions related to their investments.

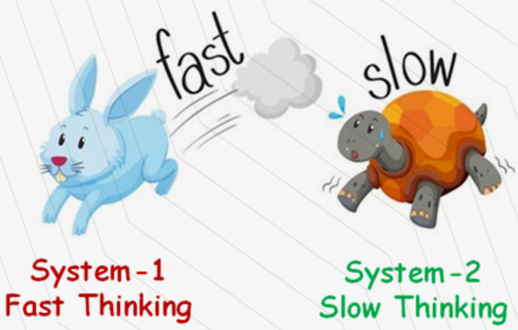
Left Brain v/s Right Brain Theory:



Now the question is why investors act emotionally and not rationally while making their investment decisions. There are different theories to this, one very famous and universally known theory is Right Brain: Left-Brain theory which says that there are two sides of our brain, left and right. Left brain is more logical, rational, analytical brain which processes numbers, logic, etc., Whereas, Right brain is more emotional, subjective, creative and acts in an intuitive manner.

People who are left brain oriented are logical and take rational decision where as people who are right brain oriented are emotional and behave emotionally. But my experience says that people generally use left brain in their own profession or business and use right brain in rest of the areas in life, let me take an example of a doctor suppose a doctor gets a call from a patient says that his son his suffering from fever and has stomach pain and asks him to give some medicine then what would doctor do? Doctor will not prescribe a medicine on phone he will ask him to bring the patient to hospital and will recommend the medicine only after proper diagnosis. But suppose for the same doctor if one of his best friends, who is also a doctor but keeps reading magazines on finance suggest him to buy shares of a company very strongly what will he do. Mostly doctor will buy those shares. So, when he had to take decision in his own profession where his core competence lies, he prefers to do detailed analysis but in financial decisions he is ready to rely on a person who is not a professional and don't want to even see whether he has done proper research or not. He is using left brain in his own profession and right brain in other areas of life. Same happens with everyone we use left brain in our profession and right brain in other areas of life.

Fast Thinking V/s Slow Thinking System in Our Brain:



The second theory is given by Daniel Kahneman, a psychologist and Noble price winner in Economics who said that our brain has two systems, first is system -1 Fast Thinking System which thinks very fast, intuitive, emotional, subconscious and acts on a snap assessment of situation very quickly.

Second is system-2 Slow Thinking System which is slow, rational, logical and reacts to situation slowly after detailed analysis of the situation.

Let us see with illustration. If I ask you that 2+2 is how much you will immediately say 4. If I ask you 4+4 you will say 8. But if I ask you 6X9X7X18= then you will stop thinking and make calculations. So, when you answered first two questions you used system 1 which is a fast thinking and answered the questions immediately but when the third question came your system 1 could not answer that and the question was sent to system 2 that is slow thinking system for calculation and detailed analysis. Let me ask you one more question here. There is one combo offer in a shop where one chocolate is available with a small candy in total of Rs. 11. There is no discount and price of chocolate is 10 Rs. more than price of candy. Now question is what is the price of Candy? Most of you will say that it is Rs. 1 but think quietly. If price of candy is Rs. 1 then and price of chocolate is Rs. 10 more than price of candy then price of chocolate will become Rs. 11 and total will become Rs.12. But total price is Rs. 11 only. So, price of candy is Rs. 0.50. Now think why most of people at first instance give answer that candy's price as Rs. 1? Because they use System -1 which is fast thinking system because question looks very simple so they don't do detailed analysis and do snap assessment. This is what happens in real life while taking financial decisions because they look very simple but they are not so simple.

System 1 is the Fast-thinking system of the brain which works on emotions, intuitions and snap assessment of the situation and answers questions very fast. System 1 has its uses in the daily life. Suppose you are driving a car and suddenly a truck comes on your way what will you do? Simply you will trigger the break and stop the car. So here you actually did not do any analysis it happens on its own. Here system 1 which is fast thinking part of the brain works and stops the car. So, system 1 which is fast thinking is a survival system. It helps us to survive because if in above example you use system 2 and do detailed analysis then by that time you will meet an accident.

Both system 1- Fast thinking and system 2- Slow thinking are not opposite to each other, they are complementary to each other and both are important for us. But sometimes we use system 1 – Fast thinking system at places where we should use system 2, and that leads us to wrong conclusions.

While taking investment decisions we make the same mistake we do a basic, intuitive analysis and take decisions based on that analysis so questions which look very simple like above case of chocolate and candy are actually complexand need detailed analysis.

In my next article I will be discussing some psychological biases which affect our decision-making process in investments.

5 money thoughts I want my child to learn

Radhika Gupta

MD and CEO,
(Edelweiss Asset Management Limited (EAML)

Money lessons for children are essential. It makes them responsible in life and in relationships. But it's a sensitive matter. Parents needs to ensure children don't become a slave to it. Handling money responsibly and being money-minded or materialistic are two different things. Here are five money thoughts I want to instil in my child and you should do in yours:

1) The purpose of money:

Being independent in financial matters frees you. Every child must aspire to earn money and at the same time save some for future. Money may not be the most important thing but is important enough to live a comfortable life. It enables you to fulfil your dreams. It makes the little and big things in life easier. It allows you to experience moments of joy and avail comfort and ease for people you care for. It serves a real purpose. It lets you access necessities of life and more.

2) Money doesn't define you:

They say with money comes power. It could be true. But, with money should come humility. Children must learn early in life that they shouldn't judge people by money but by character. Never let it affect how you are and behave with others because people are more than their bank balance. It shouldn't affect your sense of self-worth or your confidence either because it has the power to do that. Character matters much more than money. Character defines people, not money.

3) Gratitude for today and vision for tomorrow:

Gratitude is the most important money attitude. You have more than I did, and I have more than my parents did. Each generation works harder to provide a better life to the next one. Appreciate and use what you have to take another leap. Take risks and create opportunities that we never had. You be a better version of your parents and ensure your children to be a better version of yourself.

4) No end to greed:

Greed takes you down. Finance is one of the best paid industries in the world, yet fraught with examples of biggest and best fall-hard stories because of greed. There is no end to greed. Know the value of "enough" and never take a shortcut to earn money. It can never be worth it. Aspire to make good money but not by wrong means.

5) Manage your talent:

Your parents have earned a living managing money. You don't have to do the same. Focus on managing your biggest asset - your talent. Rest will fall in place. You are playing in one of the best markets in the world - India. Learn to read, write, think, fall, rise, dream, create and build. It will take you places. So, manage your talent. You can learn to manage money much later. It isn't that hard. And when you do, mutual funds will help you. I hope you will believe they are Sahi! Money values are equally important as moral values. I want you to pay heed to both.

Earnings, Back To Normal From Hereon

Harini Dedhia

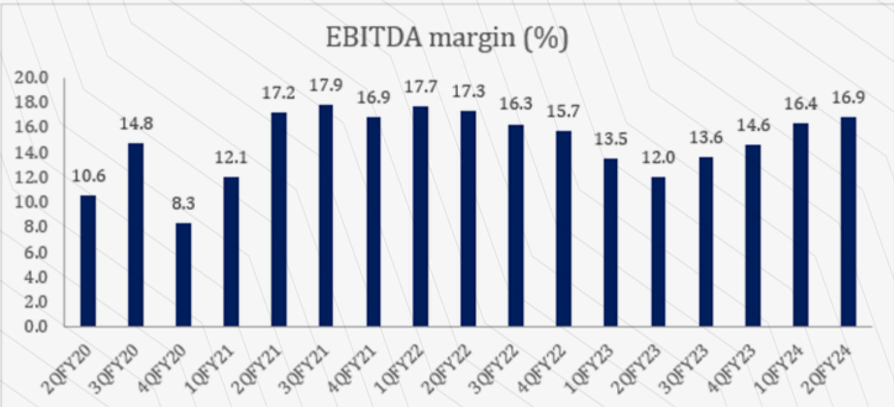
Head of Research & Portfolio Manager
(Tamohara Investment Managers Pvt. Ltd.)

This financial year, YTD, has seen an exceptionally strong run for a lot of the companies at the stock market. It is easy to chalk up the performance to exuberance, not rooted in fundamentals, etc. However, at the broader market level that is not the case.

Index	Q2 Performance	Sales Growth	EBITDA Growth	PAT Growth	ROE
NIFTY	2%	5%	21%	28%	15%
NSE500	5%	0%	29%	40%	14%

The FY YTD run up of 20% in NSE500 and 15% in NIFTY mirror the earnings growth for two quarters straight delivered by India Co. This move has been justified by earnings delivered by the companies.

The strength in earnings growth was however a factor of a favorable base in margins, and normalization of supply chain issues across the board leading to a normalization of those margins.



While margins are not at historical highs of 18% as yet for NSE 500, they are merely 100 basis points below the peak. From here on, one should expect earnings to move in line with sales growth which should in turn move in line with the nominal GDP of the country - 11-12%.

When we drill down into the sectoral performance, we find earnings moving in tandem with how the sectors have performed with one notable exception.

Index	Q2 Performance	Sales Growth	EBITDA Growth	PAT Growth	ROE	D/E
Auto	7%	21%	61%	89%	14%	0.17
Capital Goods	17%	1%	16%	-1%	15%	0.16
Pharma	12%	13%	19%	28%	10%	0.57
Real Estate	8%	35%	36%	84%	9%	0.62

Auto and Pharmaceuticals have been the two big winning sectors in stock price performance in Q2. This is not surprising when you note their earnings performance. Automobile numbers have surpassed their pre-covid peak (barring mass 2W volumes) and this reflects in how the market has rewarded companies even within the sector. Those levered to mass 2W volumes have been rewarded the least

A smaller sector in the listed space that has done exceedingly well is the real estate sector. Not just the P&L performance this quarter, but also the pre-sales and sales activity registered by listed real estate companies has been exemplary with the top 8 cities in India recording a sale of 82612 residential units, a 12% volume growth y-o-y.

Capital Goods have seen a dream run for the last year and this run in smaller names has continued in the sector. While individual companies could have executed better, this sector has disappointed on earnings growth largely especially seeing flat sales and PAT growth this past earnings season, vs. a 40% PAT growth seen in the broader markets otherwise.

The silver lining still remains that at 19% RoE and 0.06 D/E, the industry has never had a healthier balance sheet to facilitate growth should it come along. Regardless, this segment evidently remains over heated and not backed by real earnings, contrary to what the narratives would have you believe.

A worrying trend we noted in this sector this time around was that the flow companies, i.e. the companies that get consistent consumption led demand in this sector such as abrasives, explosives, etc. have seen a degrowth in sales or order book or both. This drop in order book for flow/ short cycle companies will eventually manifest as a slowdown in some of the long-cycle cap goods products as well. Given the high valuations in this sector, we would wait for a correction here before allocating more money to this sector as a whole.

On the whole though, earnings performance has more than justified the recent stock market performance seen. From here on, given that operating margins of companies are near all time high, a growth beyond 11-12% for the market earnings as a whole seems unlikely. There will however continue to be pockets that will sustain at much higher rates of growth.

Data Bytes

INDIAN EQUITY SUMMARY

Index	1W	1M	3M	6M	1Y	3Y	5Y
Mid Cap 150	1.4%	8.7%	6.9%	24.3%	31.0%	28.2%	20.5%
Small Cap 250	1.7%	9.1%	9.1%	30.2%	35.9%	32.2%	20.5%
Auto	3.0%	9.8%	9.8%	20.0%	32.1%	24.8%	13.6%
Bank	2.6%	4.0%	0.3%	1.1%	3.1%	14.3%	10.7%
Energy	2.8%	9.4%	11.3%	22.6%	7.2%	21.2%	15.4%
FMCG	0.1%	2.9%	2.9%	3.3%	15.8%	18.5%	11.7%
Infra	1.4%	7.3%	8.8%	19.1%	20.1%	23.5%	16.0%
IT	0.1%	6.6%	3.5%	11.5%	7.3%	13.7%	17.2%
Metal	3.3%	8.7%	2.4%	17.4%	6.9%	33.1%	16.8%

Source : https://ticker.finology.in/market - data as on 29th Nov 2023

Domestic Equity Benchmark Indices (Returns %)

Index	1W	1M	3M	6M	1Y	3Y	5Y
Nifty 50	1.4%	5.3%	3.4%	8.1%	7.1%	15.3%	13.0%
Sensex	1.3%	4.7%	2.3%	6.6%	6.0%	14.4%	13.0%

Source : https://ticker.finology.in/market, * Data as of November 29th 2023

FII / Mutual Fund Data

(Rs Cr)	29 Nov.	MTD	YTD
FIIs	1786.47	5120.53	104218.98
Mutual Funds	485.95	11898.79	144534.42

-MF Data as of Nov 24

NIFTY P/E

Latest P/E*	Nifty P/E FY24E	FY25E
21.48X	21.84X	18.91X

*Data as of 29 Nov.

INDIAN DEBT MARKET SUMMARY

Index	29 Nov	Debt Watch Week Ago	Month Ago	Year Ago
Call Rate	6.79%	6.81%	6.76%	5.98%
Repo	6.50%	6.50%	6.50%	5.90%
10 Yr Gilt^	7.25%	7.25%	7.35%	7.28%
30 Yr Gilt^	7.62%	7.58%	7.67%	7.51%
91-D T Bill^	6.99%	6.92%	6.92%	6.37%
182-D T Bill^	7.11%	7.08%	7.12%	6.73%
364-D T Bill^	7.14%	7.11%	7.14%	6.85%
1-mth CP rate	7.58%	7.58%	7.57%	6.75%
3-mth CP rate	7.85%	7.80%	7.70%	7.20%
6-mth CP rate	7.95%	7.93%	7.88%	7.65%
1 yr CP rate	8.05%	8.00%	7.95%	7.90%
1-mth CD rate	7.10%	7.11%	7.10%	6.42%
3-mth CD rate	7.30%	7.26%	7.22%	6.78%
6-mth CD rate	7.58%	7.58%	7.47%	7.25%
1 yr CD rate	7.75%	7.75%	7.70%	7.58%

Yields (%)

Yields (%)	Gsec*	AAA	AA+	AA	AA-	A+
6 month	7.11	7.62	8.32	8.35	9.70	10.09
1 Year	7.16	7.65	8.35	8.38	9.73	10.12
3 Year	7.23	7.73	8.43	8.46	9.81	10.20
5 Year	7.27	7.70	8.57	8.60	9.95	10.34
10 Year	7.25	7.71	8.58	8.61	9.96	10.35

^Weighted Average Yield. G-sec and corporate bonds data as of 28 Nov

*Weighted average yields for G-sec data 6 month G-sec: 182 day T-Bill rate; 1 year G-Sec: 8.40% GS 2024; 3 year G-Sec: 5.74% GS 2026; 5 year G-Sec: 07.10 GS 2029; 10 year G-Sec: 07.26 GS 2033

Economic Indicators

YoY (%)	*Economic Indicators Current*	*Quarter Ago*	*Year Ago*
Monthly Inflation (CPI)	4.87% (Oct-23)	"7.44% (July-23)"	6.77% (Sep-22)
IIP	5.8% (Sep-2023)	3.7% (Jun-23)	3.3% (Sep-2023)
GDP	"7.8% (Apr-June FY24)"	"6.1% (Jan-Mar FY23)"	"13.1% (Apr-June FY23)"
Monthly Inflation (WPI)	-0.52% (Oct-23)	-1.36% (July-23)	8.39% (Oct-22)

International News

OECD trimmed its forecast for global growth this year to 2.9%, down from the 3.0% it forecast in September on near term risk due to Israel-Hamas war.

US GDP Growth Rate expanded an annualized 5.2% in Q3, compared to 2.1% growth in Q2.

Eurozone consumer inflation expectations decreased to 9.30 points in November from 11.30 points in October.

Currencies Vs INR

	29 Nov.	28 Nov.	Change
USD	83.32	83.34	0.02
GBP	105.74	105.25	-0.49
Euro	91.52	91.28	-0.24
100 Yen	56.55	56.10	-0.45

Reserve Ratios

CRR 4.50%

SLR 18.00%

Source : RBI

Commodities

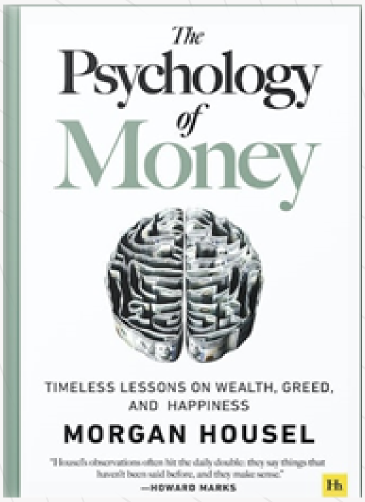
	29 Nov.	Week Ago	Month Ago	Year Ago
London Brent Crude Oil ($/bbl)	82.88	81.96	90.48	83.03
Gold (Rs/10 gms)	62629	61616	60825	52775

	29 Nov.	1 Day	1 Month	1 Year
DJIA	35430	0.04%	9.29%	4.66%
Nasdaq	14258	-0.16%	12.78%	29.81%
FTSE	7423	-0.43%	1.81%	-1.18%
Nikkei	33321	-0.26%	7.52%	18.89%
Hang Seng	16993	-2.08%	-2.33%	-6.65%
Strait Times	3085	0.61%	0.75%	-5.85%

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

Mastering the Money Mindset: Wisdom from “The Psychology of Money”

In our journey toward financial well-being, understanding the psychology behind our money decisions is as crucial as mastering the numbers. This month, we delve into the captivating world of financial psychology through the lens of Morgan Housel's insightful book, "The Psychology of Money.



1. The Power of Compounding Emotions: Housel argues that investing success is not just about numbers; it's about managing our emotions. Explore how emotions like fear and greed can impact financial decisions and learn strategies to harness these emotions positively.

2. The Art of Long-Term Thinking: Discover the art of thinking beyond the immediate gains and losses. "The Psychology of Money" emphasizes the importance of adopting a long-term perspective in our financial endeavors, offering a refreshing take on the age-old concept of patience.

3. Why We Make Money Mistakes (and How to Avoid Them): Mistakes are an inevitable part of the financial journey, but learning from them is where the true growth happens. Explore common money mistakes, understand why they occur, and equip yourself with practical tips on avoiding them.

4. The Unpredictability of Financial Markets: Gain insights into the unpredictable nature of financial markets and why its crucial to embrace uncertainty. Housels book encourages readers to build resilient financial strategies that can weather the storms of market fluctuations.

5. Building Wealth vs. Getting Rich: Housel draws a distinction between building wealth and getting rich, emphasizing the importance of financial stability over the pursuit of quick riches. Learn why sustainable financial habits contribute more to long-term prosperity.

Incorporate these lessons into your financial mindset, and embark on a journey of financial well-being that extends beyond the balance sheet. As we explore "The Psychology of Money," let's empower ourselves with the knowledge to make sound financial decisions that align with our values and goals.

Happy Reading!

Major Events

December 2023

SUN	MON	TUE	WED	THU	FRI	SAT
					1 Manufacturing PMI	2
3	4 Services PMI	5	6	7	8	9
10	11	12 IIP | CPI	13	14 WPI	15 Advance Tax Filing	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31 Late filing of income tax returns						

Our Client's Feedback

CA Nirav Shah

(Chartered Accountant) Nirav Shah & Associates

Country: India

I am a practicing Chartered Accountant. 21 years of my practice left with me no time to manage my own finances. I was very cautious in delegating my personal financial matters to anyone. But when I met with Certified Financial Planner of Ascent, I realized that he is the one who is competent and can manage my personal financial matters better than me. Today I am happy with my decision on choosing Ascent as my Financial Planner. They put the best for me.

Liquid Assets to Net Worth Ratio

The Liquid Assets to Net Worth Ratio is a crucial metric in personal finance that provides valuable insights of an individual's financial health and liquidity. This ratio measures the proportion of liquid assets—those readily convertible to cash—to the total net worth.

Your net worth is the summation of your total assets that is individually-owned properties, all your investments, cash-in-hand, minus all your liabilities

which includes all your loans, i.e., your Home Loans, Car Loan, Personal Loans and other such liabilities.

A financial professional uses this ratio to determine the appropriate amount of cash a client should have with respect to their entire net worth.

Liquid Assets to Net Worth Ratio = Liquid Assets / Net Worth * 100

It serves as a barometer for short-term financial preparedness. A higher ratio suggests a stronger ability to meet unexpected expenses or navigate economic uncertainties without resorting to borrowing.

To conclude, regular monitoring of this ratio allows individuals to adapt their financial strategy in response to changing circumstances. Whether saving for short-term goals like a down payment or long-term objectives such as retirement, the Liquid Assets to Net Worth Ratio provides a holistic view of financial liquidity, guiding informed decision-making.

As a general guideline, you should aim to have cash or assets that can be easily turned into cash equivalent to at least 30% of your net worth. This will help you in times of necessity or short-term debt repayment.

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 Radhika Gupta and Harini Dedhia 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

ASCENT
FINANCIAL SOLUTIONS PVT. LTD.
SEBI REGISTERED INVESTMENT ADVISER

Location

315-316,Notus IT Park Sarabhai Campus, Genda Cir, Vadodara, Gujarat 390007

Contact

+91 74900 56120
financialplanning@ascentsolutions.in
www.ascentsolutions.in