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THINKING MAN

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DIRECTOR'S NOTE

"Wish you a Happy & Prosperous New Year."

Tarun birani

Dear Investor,

The year gone by gave us a strong reminder of the importance of a financial plan and to summarize money success in a single word it would be "survival". I feel Capitalism is hard, but part of its reason is because making money and keeping money requires two different skills.

I wonder how making money requires taking risks, being optimistic, but wealth planning or saving requires the opposite, it requires one to be humble and realistic. I liked Morgan Housel's observation in his recent book, where he iterates that to be a successful wealth creator one needs to have a barbell personality—optimistic about the future, but paranoid about what will prevent you from getting to the future — that is vital.

When I look back and wonder about what I learned as an investor in 2020? My personal view, and I am sure most investors would agree, is that the markets in 2020 reiterated a lot of old important investing lessons rather than teach new ones.

Here are the few lessons that stood out for me:

1. Emotional decisions derail your finances

When the market went into a free fall in March, panic set in and investors were in dilemma whether they should move to cash, modify around their asset allocation, or exit from equities altogether. Many nervous investors would have gotten trapped in their own emotions and made a rash decision. But investors should understand that crisis creates fear, and widespread fear creates opportunities for investors. When people are fearful, their actions are primarily driven by emotions rather than logic or data. Such market conditions should be seen as hunting grounds for smart long-term investors. Only those investors who could overcome this myopic loss aversion and are prepared to be patient can capitalize on such opportunities.

2. The value of Discipline

In investing, one has to deal with complexity and uncertainty. But that doesn't mean one has to try to be extra clever and every day think out of the box. Once you have evaluated your goals and developed a strategy to reach them, it is vitally important that you exercise the discipline to adhere to the strategy that you've put in place. Investing can be an emotional business, and the temptation to deviate from your plan can be strong. When emotion creeps into your investment decision-making, remember that you have arrived at your plan through sound reasoning and that sticking to it is the best way to ensure that you meet your investment goals.

3. Diversify across different asset class

You got 14.5% on the Sensex in 2020 with a lot of tumult and heartburn. But gold gave you 30% for the last 2 years in succession with a very passive approach. Even government bond funds have yielded 10-11% due to a sharp fall in yields. The moral of the story is that there is a place for all these assets in your portfolio. Diversification is not a choice; it is mandatory.

4. Be greedy when others are fearful

Warren Buffett has always maintained that you must look at stocks exactly the same way as you look at a bargain sale. The year 2020 showed that if you wait patiently and buy stocks when everyone else is paranoid, you will get hold of very good stocks at atrociously low prices.

5. Cut the Noise

Attention is scarce and there is enough noise in the financial markets to keep investors distracted from their core investment process. Data is important, but handling data correctly is critical. Noise creates excitement, anxiety, and induces participants to trade more. 2020 has been a very 'noisy' year too. Investors who focused on their investment process and ignored the clutter ended up doing better.

Investors must review their portfolios, not only because it's the beginning of the year 2021, but also because equity has delivered unexpectedly high returns in the last nine months. Since the fall in March 2020, the S&P BSE Sensex has returned 84% by end-December 2020. As a result, asset allocation among equity and other assets might not be the same as their original plans. Investors should rebalance their portfolio based on their risk appetite and the objective of investment. Asset allocation is the key to making your financial planning strategy successful.

Finally, enjoy a healthy 2021, hope the anxiety of tracking sites on the pandemic on a daily basis fades from our memory, and hope, the vaccines bring a long-term solution against the virus.

Stay safe and wishing you and your loved ones a healthy and prosperous 2021.

EQUITY OUTLOOK :

As investors searched for stable earnings, rotation from one sector to another, as exhibited from Apr-Dec'20 phase was evident – Staples after outperforming in Mar-Apr, have underperformed since then. Pharma and IT services outperformed during May-Sept; Banks/NBFC, after underperforming from Mar-Sept, outperformed during Oct-Dec. With earnings growth compressed across few sectors, investors rushed from one segment to another, sector rotation has been fast and furious.

After the debacle of Mar'20, Small caps outshined the rest of the market – for the first time since CY17. If economic recovery is robust and RBI does not move aggressively into high real interest zone, Small caps could benefit the most. This is also reflected in market recovery post a sharp fall in 2009 (GFC), 2014 (General elections) and 2017 (post Demonetization) as well.

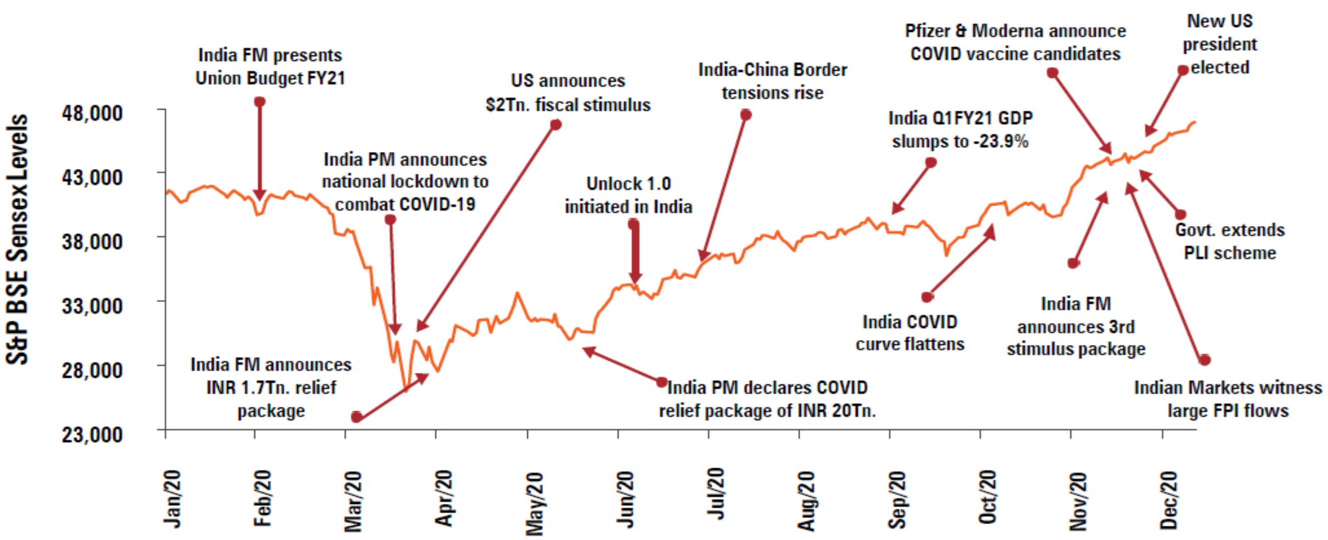
The previous decade could easily be tagged as America's decade, not only was USD a strong currency, US markets annihilated Rest of World (RoW). A weak USD, has in the past, led to strong Emerging market flows, with Rest of World outperforming US markets. Already metal and crude oil prices have started to inch up, as a corollary to the weakening dollar. A "global" consensus view on USD weakening in 2021 has been built in the past few months. If USD weakens, as being forecasted, how long will INR remain weak – it is among the worst performing Emerging currencies in CY20.

Domestic Equity Benchmark Indices (Returns %)		
Index	**01-Jan**	**1 Year**
Sensex	47,869	15.9
Nifty 50	14,019	15.1

Nifty Equity Benchmark Indices (Returns %)		
Index	**01-Jan**	**1 Year**
Mid Cap	21,091	23.0
Small Cap	7,170	22.0
Auto	9,273	12.9
Bank	31,226	-2.7
Energy	16,976	6.2
FMCG	34,392	13.8
Infra	3,674	12.6
IT	24,456	55.6
Metal	3,259	16.6
Pharma	13,002	61.6
Realty	316	6.2

Nifty P/E		
Latest P/E*	**FY21E**	**FY22E**
38.55X	29.02X	21.34X

Glancing Through 2020 (Equity)



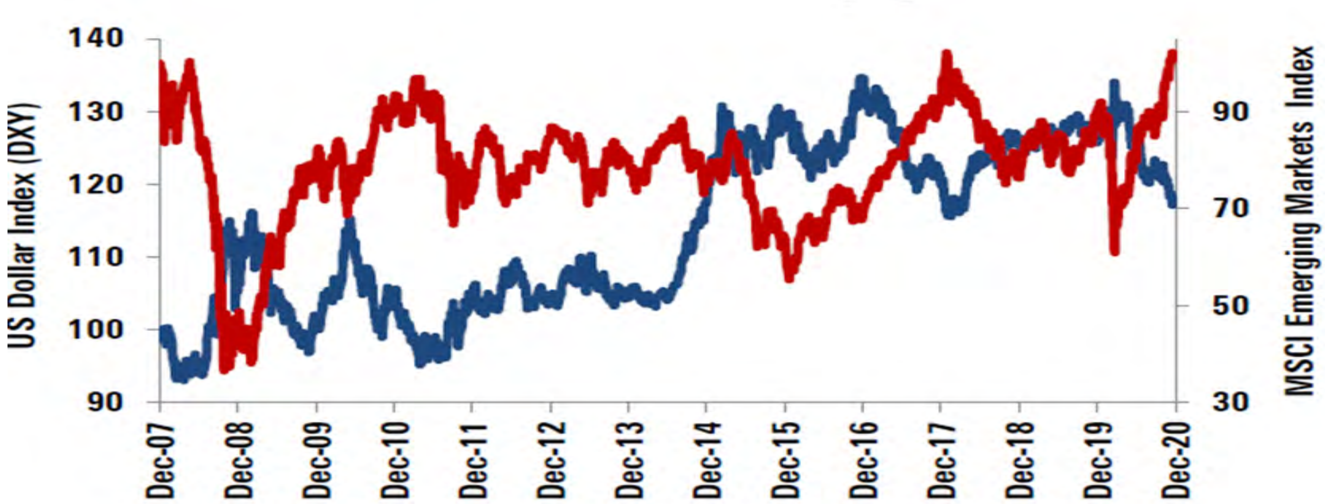
Source: KPMG, www.indiabudget.gov.in, Ministry of Finance, NSO, www.pmindia.gov.in, CNN, NSE, BSE NSDL. Data as of Dec 18, 2020. COVIDE-19 Coronavirus Disease 2019, US – United States, GDP – Gross Domestic Product, FM – Finance Minister, PM – Prime Minister, PLI – Production Linked Incentive, FPI – Foreign Portfolio Investors. Past performance may or may not sustain in future.

Major Global Equity Markets cheered the news of good efficiency of potential COVID-19 vaccines and outcome of the US Presidential Elections. Indian Equity Markets (Nifty 50 Index) delivered 11.4% returns driven by significant FPI flows of ~Rs. 60, 358 Crs (Source: NSDL). Despite rise in COVID-19 infections in some parts of US & Europe, equity markets witnessed remarkable rally. Availability of COVID-19 vaccine, policies of newly elected US Government and any action on fiscal stimulus by the US Government will be closely monitored by markets going forward.

Indian equities saw a sharp run-up as COVID-19 cases continued to decline, Q2FY21 earnings were better than anticipated and earnings outlook of many companies were upgraded. Markets also reacted positively to the outcome of the US elections as consensus is that the newly elected Gov. is expected to support fiscal stimulus and may be relatively predictable and stable with respect to economic policies. A third round of stimulus measures were announced by the Finance Minister aimed mainly to enhance production linked incentives, improve supply-side and enhance credit-guarantee schemes.

Dollar Index & Emerging Market

Dollar Index has begun depreciating on the back of significant Monetary stimulus by US Fed which may be a positive for Emerging Markets until the trend reverses



Source: Morgan Stanley Research. Data as of Dec 21, 2020. Prices have been re-based to 100. GFC – Global Financial Crisis. Past performance may or may not sustain in future.

MACRO UPDATE

On the macro front, India's Q2FY21 GDP growth came in at -7.5% better than expected. Composite PMI was at an impressive reading of 58.0 in October driven by increasing output and new orders. IIP expanded 0.2% in September. Forex Reserves stood at US $575.3 bn as of November 20.

US ECONOMY: The US Federal Reserve kept the federal funds target rate in the range of 0-0.25%, with no change in asset purchases in its policy meeting on November 5, 2020. , the second estimate of the US gross domestic product (GDP) was unrevised and skyrocketed by an annual rate of 33.1% in the third quarter, after plunging by 31.4% in the second quarter.

UK: The Bank of England (BoE) expanded its bond- buying programme by a larger-than-anticipated 150 billion pounds ($195 billion) to cushion the struggling economy. The central bank kept its benchmark bank rate at 0.1%. The BoE cut its forecasts for Britain's economy and expects economy to shrink 11% in 2020, more severe than the 9.5% contraction it forecast in August.

JAPAN: Japan's economy grew at the fastest pace on record in the third quarter at an annualised rate of 21.4%. Among other lopments, Japan's government cut its view on capital spending in November for the fifth time this year, as companies trimmed investment.

CHINA: The People's Bank of China (PBoC) kept its benchmark loan prime rates unchanged for the seventh consecutive month. The one-year loan prime rate was retained at 3.85% and the five-year loan prime rate was maintained at 4.65%.

Global Equity Benchmark Indices (Returns %)

Countries	Absolute Performance in 2020 (%)
South Korea	28%
Taiwan	19%
India	14%
Japan	13%
China	10%
US	6%
Germany	3%
Brazil	2%
Indonesia	-5%
Hong Kong	-6%
France	-8%
Russia	-12%
Singapore	-12%
UK	-14%

Germany - DAX Index; China - SSE Composite Index; France - CAC 40 Index; Japan - Nikkei; Hong Kong - HangSeng; US - Dow Jones; Singapore - Strait Times; Russia - RTS Index; Indonesia - Jakarta Composite Index; U.K. - FTSE; South Korea - Kospi; Brazil - Ibovespa Sao Paulo Index; Indonesia – Jakarta Composite Index; Taiwan – Taiwan Stock Exchange Corporation; India – S&P BSE Sensex; Returns in % terms. Data Source: MFI & ACEMF; Returns are absolute returns for the index calculated between December 31, 2019 – December 24, 2020. Past performance may or may not be sustained in future.

INFLATION: Retail inflation based on the Consumer Price Index (CPI) rose to 77-month high of 7.61% in October 2020 compared to 7.27% in September 2020.

Economic Indicators			
YoY (%)	**Current**	**Quarter Ago**	**Year Ago**
Monthly Inflation (CPI)	6.93% (Nov-20)	6.69% (Aug-20)	5.54% (Nov-19)
IIP^	3.6% (Oct-20)	-10.55% (Jul-20)	-6.6% (Oct-19)
GDP	-7.50% (Q2 FY21)	-23.90% (Q1 FY21)	4.40% (Q2 FY20)
Monthly Inflation (WPI)	1.55% (Nov-20)	0.41% (Aug-20)	0.58% (Nov-19)

^underlying index numbers should not be comparable to those of months preceding the pandemic

DEBT UPDATE

Average Liquidity Support by RBI	
Bank Credit Growth	**Bank Deposit Growth**
5.70%	11%

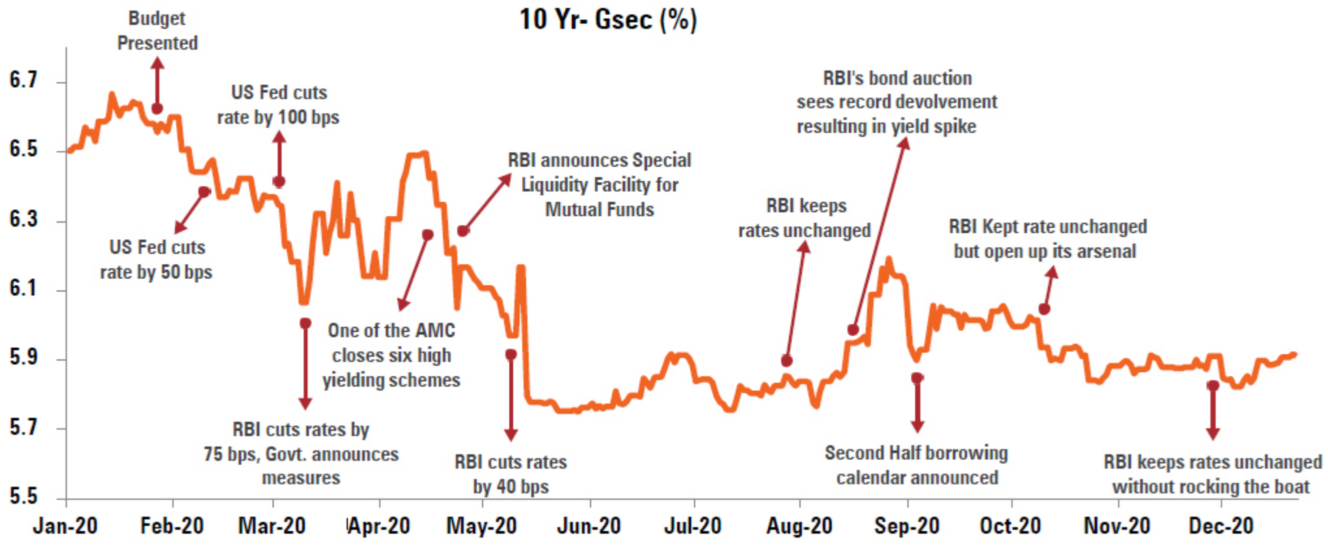
Source: CRISIL, ICICI AMC data as on September 30, 2020

Monetary policy will gradually move from the level of emergency level accommodation today to one of still high accommodation.

This will likely be a slow process and will involve more discretionary adjustments to the price of liquidity rather than the quantity of it.

Credit spreads, including on lower rated assets, have compressed meaningfully. These reflect the chase for 'carry' in an environment of abundant liquidity and funds flow, as well as the relatively muted supply of paper as companies have belt tightened and focused on cash generation. As activity resumes over the year ahead, issuances will likely increase thereby pressuring spreads to rise.

Glancing through 2020 (Fixed Income)



Data as on Dec 31, 2020, CRISIL Research, Morgan Stanley Research. Fed – Federal Reserve, RBI – Reserve Bank of India, WHO, World Health Organization, PM – Prime Minister, MPC – Monetary Policy Committee, AMC – Asset Management Company. Past performance may or may not sustain in future

OUR VIEW

EQUITY: We are currently in a Developed World Central Bank Bull Market. We believe that volatility is expected to prevail for some time. Macroeconomic environment is going to be critical and we may witness change in sectoral leaderships. We recommend accumulating equities on every fall for long term wealth creation.

DEBT: We believe that going forward, accrual income shall be a significant component of the return of bond investors and returns from capital appreciation may take a backseat. The best strategy may be to invest in an accrual strategy.

The ABCs of REITs in India

With 2020 in hindsight, the need to generate multiple mediums of passive income is being felt even more so today. Besides the traditional mediums of fixed deposits and debt instruments that offer fixed returns, real-estate has been the only other choice. Owning and gaining from leasing and renting out real-estate properties like commercial or residential real estate is a dream for most investors. But, properties that offer higher returns come at a steep cost that is either unaffordable or unattainable. REITs as an investment concept has been the solution to unattainable real estate properties for investors.

REIT an acronym for Real Estate Investment Trust, was an investment vehicle created in the 1960s in the US offering investors the opportunity to invest and gain from income-generating real estate. REITs allow investors to own or finance high-value real estate projects, similar to stock holding options where investors hold or own stocks of an organization thus financing its activity and partaking in its profits.

As an organization, REITs are modeled after mutual funds. Similar to Mutual Funds, where there is an asset manager who manages the investment, while investors pool in money to invest in the fund; in a similar way REITs either own, operate or finance real estate properties and mortgages while investors receive returns in the form of dividends and the opportunity to invest in appreciating real-estate assets which they otherwise would not have access too.

Investor benefits:

- Investments in Grade A assets in prime locations across cities
- Wider diversification with smaller investments
- Limited need for research needed by the investor
- Freely transferrable securities listed on stocks exchange
- Investments are managed by professionals/experts with no entry or exit load
- Reduced burden of the registration process as compared to investing in real estate outright
- Dividends are exempt from taxation

REITs account for nearly 50% of the real estate industry's capitalization in countries like Singapore and Japan and approximately 96% respectively in the US. The real estate ecosystem additionally benefits with a boost in finances which is much-needed liquidity to propel projects and sales.

In India, we currently have three REITs floating in the markets. The first, Embassy REIT was launched in March 2019. The issue was oversubscribed and logged returns to an approximate tune of 21% in a matter of 6 months. The second is Mindspace REIT which has projected distribution yields of 7%, 7.5% & 8% for FYs 2021, 2022 & 2023 respectively. Then we have Kotak International REIT FOF, recently closed its NFO on 21st December 2020, India's first international REIT fund.

REITs as an investment product are regulated by SEBI. Regulatory body SEBI's provisions help safeguard investor's interests. This is done through the imposed restrictions on these trusts:

- 80% of the investments must be invested in ready commercial real estate, only up to 20% can be towards under-construction assets
- 90% of the trusts' net distributable income must be disbursed to investors as a dividend
- To stimulate growth a trust can leverage debt up to 49% of the value of its REITs assets
- Leverage that exceeds 25% of the asset value requires credit ratings and majority stakeholder approval

Historically, developed countries like the US have been investing in REITs for over 5.5 decades giving us a strong track record to view. In India, REITs are still at a nascent stage where exposure is largely skewed towards investments in office spaces in the commercial real estate sector. This is unlike REIT investments across the globe.

LIFE @ TBNG

THINKING MAN - *Financial Wellness Programme*

The Thinking Man workshop was created with a vision to educate investors and help them in making more informed related decisions. So far over 1500+ business owners and professionals and a dozen corporate houses have benefited from our highly interactive and informative sessions which are expertly designed and curated by industry professionals .

In this program we aim to educate the attendees on :

- How to save money by controlling your behavior
- The power of 7, Regret of 5,Magic of 20
- Breaking the myth between real estate return and equity return
- Understanding the Gap between investor return & market return

TESTIMONIALS

"TBNG is extremely professional in their approach. And their strength according to me is their persistence, constant reminders and feedback with their clients. Especially for me because I need someone behind me to get my job done. Thanks guys!"

Dr. P. Anantnarayanan, Senior Dentist, Meenakshiammal Dental College, Chennai

"Thank you is really a small word for guiding, trusting and forcing me for systematic investment planning. I remember 3 years back when my net worth was close to zero and you and your team at TBNG Capital Advisors Pvt. Ltd., were consistence in making me think for financial security and long term planning. Today things look different as all aspects including my daughter's higher education have been secured financially. TBNG also helped me to inculcate the habit of keeping personal and professional finance differently, which has also resulted in Infiniti maintaining its accounts in proper manner and generating funds when necessary."Big thanks from my family."

Mr. Sachin Talathi, Director Infiniti Building Products Pvt. Ltd.

"I have been associated with TBNG for almost 4 years now and we did click up instantly. Tarun has a depth of knowledge which is backed by an efficient team. The team is very informative and responsive. Each interaction is taken as learning and they strive to improve each time. TBNG has helped me in achieving my goals with a proper product mix of investments in mutual funds, direct equity and insurance. Tarun also believes in sharing his knowledge which is seen through the various programs he attends in the capacity of a speaker and articles published in various news papers. It has been a great experience to work with such a humble and wonderful person and his every supporting and smiling team."

Paresh Joglekar Vice President Compliance,RBS Bank

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ABOUT TBNG

TBNG is a 15 yearold SEBI Registered InvestmentAdvisor& is considered one ofthe India's leading independent FinancialAdvisors.

We observed that successful Indian families are finding it counter-productive to individually deal with multiple experts including but not restricted to Investment Advisors, tax consultants, Accountants, Lawyers, etc. to manage their wealth and are recognizing the value of "Family CFO" - An experienced guide, a financial coordinator and an advocate who would offer unbiased advice keeping into account the unique context of the families' circumstances and goals. TBNG has emerged as the Family CFO of choice of successful families.

With our flagship online platform - **"Thinking Man,"** a digital financial planning platform, we intend to digitize our core Financial Planning services in a cost effective and transparent manner to reach the masses. On our Thinking man platform we offer options to select plans based on the clients' suitability. The primary aim of the Premium Plan is to assist naïve, young and retail investors .we also provide our users with half yearly, as well as yearly review, portfolio rebalancing services and also the facility to interact with the assigned financial planner to help align the portfolio to any changes in financial goals that require an immediate and corrective course of action.

TBNG

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