TBNG

THINKING MAN *Presents*

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FINANCIAL **QUARTERLY**

Q2 - Jul-Sep 2022

DIRECTOR'S NOTE

"Wishing Happy Dussehra and Diwali to you and your family"

Dear Investor,

Our relationships with others, our experiences, and the knowledge we gain as we mature all help to shape our personal values over time. The life we create around can often be in conflict with the values we have within us. For instance, do our actions align with our values when it comes to money? Have you ever defined your values in this regard?

Money can buy leisure but not tranquility.

The wealthy investors who seek my counsel often struggle to find fulfillment in life despite their wealth. Their abundance typically becomes the root cause of unhappiness due to risks against claims and disputes or scuffles over assets and investment avenues. These result from a simple lack of clarity of the purpose of their wealth and a misalignment between their actions, goals, and values while dealing with money.

Since your values can guide your financial habits, 'money' and 'values' should go hand in hand. The focus should be on clarity of financial goals (read purpose) and achieving them while remaining mindful of your mindset.

For this reason, we emphasize the importance of establishing clear and purposeful financial goals in order to develop plans that are in line with their timeframe and your values. Conversations around money can be difficult when family wealth and many members are involved. However, rather than starting conversations about 'money' itself, it would be better to initiate a more open dialogue about how to maximize family wealth while keeping it in line with family values. Consensus-building can actually be a means of reducing conflict, which will ultimately lead to positive and empowering outcomes for all parties.

Which is what our three-block **Wealth Allocation Framework** precisely does.

It ensures as you advance along your investment journey, your needs of safety, stability, and aspirations well-defined as monetary goals are all well charted and met. Depending on where you are in your investment journey, each of these needs must be addressed within particular timeframes and asset classes. The friction in decision-making on these matters is reduced when your investments, assets, and wealth are purposefully defined for particular needs and causes.

Positive money values can significantly impact your financial decisions and planning, promoting wealth and financial security. Its importance cannot be overstated if you want to feel in control of your finances.

And remember this,

Don't just spend your life making money, have some time to enjoy it too.

REGARDS,
TARUN BIRANI

ECONOMIC OUTLOOK

Long-standing weaknesses in global financial markets have come to the fore in the recent months, as important Central Bank messaging continues being aggressive in driving inflation back to target.

Tax receipts, which have remained healthy, provide reason for hope. Despite customs and excise duty decreases, the center's gross tax receipts have grown steadily and will exceed the full-year budgeted objective.

Several analysts believe that India might be the next best area to invest while major economies such as the United States, China, and the Eurozone confront challenges ranging from recessionary pressures to cost-of-living difficulties and geopolitical conflicts. The Indian economy is viewed as the one capable of absorbing investments fleeing China and Europe.

Despite India's GDP growth rate of less than 7%, there is widespread agreement that India will continue to rank among the world's fastest expanding major economies.

While robust credit growth is welcome, any further gains are expected to be hampered by an aggressive rate-hiking cycle, slower deposit growth, and the passage of seasonal factors, as well as the durability of wider economic momentum to maintain this demand.

Economic Indicators:

YoY	Current	Qtr Ago	Year Ago
Monthly Inflation (CPI)	7.41% (Sep-22)	7.01% (Jun-22)	4.35% (Sep-21)
IIP	-0.83% (Aug-22)	19.72% (May-22)	12.97% (Aug-21)
GDP	13.5% (Apr-Jun FY22)	4.1% (Jan-Mar FY22)	20.1% (Apr-Jun FY 21)
Monthly Inflation (WPI)	10.7% (Sep-22)	16.23% (Jun-22)	11.8% (Sep-21)

Some Highlights of the Quarter:

- CRISIL reports that India's corporate credit quality remains solid.
- Direct tax receipts increase by 35% to Rs 6.48 lakh crore.
- The manufacturing PMI in India fell to 55.1 in September, although it is still in growth zone.
- Festival sales volumes increased by 35% year on year on ecommerce.
- In September, power consumption increased 13.3% to 127.39 billion units, up from 11.65% in the first half of FY23.
- The unemployment rate in India fell to 6.43% in September, according to the CMIE.

Equity Update :

On one hand, India continues to benefit from the shifting global order. While many once-powerful economies struggle to maintain their place in the global economic system, countries such as India are gradually and methodically gaining their positions.

However, global macroeconomic issues are going to have a near-term impact on India as well, and at a time when market valuations are high, the tug of war between bulls and bears is likely to persist. Indeed, during the last year, Indian stocks, as measured by the Nifty or the Sensex, have mostly remained unchanged.

Domestic Equity Bechmarks Indices

India	30-09-22	01-10-21	1 Year
Sensex	57426	58889	-2.48%
Nifty 50	17094	17531	-2.49%

Nifty Equity Benchmark Indices

Index	30-09-22	1 Year
Mid Cap	30668	1%
Small Cap	9442	-13%
Auto	12699	20%
Bank	38632	4%
Energy	25581	12%
FMCG	44406	10%
Infra	4958	-1%
IT	26981	-23%
Metal	5768	4%
Pharma	12972	-10%
Realty	424	-17%

The longer-term increase in corporate earnings cycle remains the major narrative for Indian equities. Profits to GDP have begun to return higher after dropping from FY08 to FY20, and the trend bodes well for earnings prospects beyond the near-term concerns.

Global Outlook:

Even as advanced economy central banks continue to ramp up the aggressive reaction dubbed the "third storm" (after the pandemic and geopolitical tensions) by the RBI Governor, the new UK Government's Mini Budget shook bond markets throughout the world. In recent years, institutional credibility, market liquidity, and depth have been presented as givens in developed markets, despite a lack of data to support the same. In the current environment, underfunded massive tax cuts were plainly going to shock bond markets.

As financial conditions continue to tighten driven by inflation concerns, it is quite likely that central banks could face mounting pressure to soften their stance as financial markets exhibit episodes of volatility or similar financial stability issues come to the forefront.

US: The US FED's 75 basis point policy hike was accompanied by more definite guidance on the end goal, acknowledging the likelihood of a potentially bumpy or not-so-soft landing. Even though the FED dot plots show policy rates being elevated into CY23, financial markets continue to expect a minor decrease by the end of the year. However, the peak FED Funds rate forecast has risen over the month, in keeping with the FED dot plots, reaching 4.50% by the end of March 23.

China: China's year-long crackdown on private industry and the property market along with Zero Covid Policy led to an extremely volatile year and drawdowns.

GDP growth was 3.9% in the third quarter of 2022, up from 0.4% in the second quarter.

Going forward, relaxation of Covid Norms, and Regulatory Support towards normalization of economy would be the key support triggers to watch out.

UK: Another unknown danger lurking in the markets was that the huge rise in bond yields could call into question the viability of pension funds pursuing Liability Driven Investment strategies with large derivative positions. The Bank of England intervened with a limited duration Gilt purchase programme of 65 billion GBP, halting the immediate rout. Ironically, the Bank of England was set to begin its pre-planned programme of selling Gilts from its holdings in the next month. Apart from the fact that interconnected markets transmit volatility, the preceding instance highlights the potential of various hidden vulnerabilities as well as an overreliance on central bank intervention.

Debt Outlook:

- Bond yields in India increased over the month after a brief time of being detached from emerging markets in the global setting. The reality of continuous unwinding of surplus liquidity, as well as emerging currency pressure, overshadowed the benefits of lower crude oil prices.

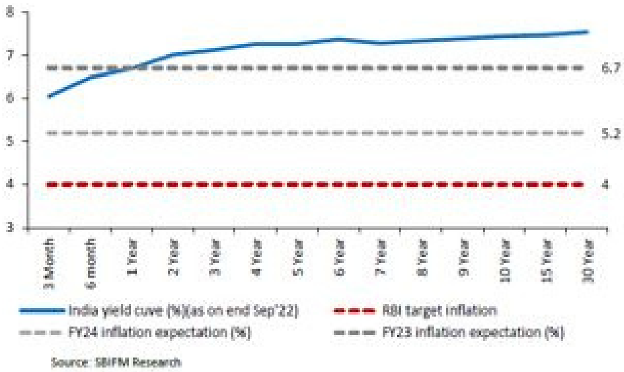
- Over the course of the month, markets began to reprice expectations for near-term index inclusion. In its planned assessment at the end of September, FTSE Russell kept India on Index watch. JP Morgan's long-anticipated Index inclusion also failed to materialise in the first week of October, owing to operational problems.

- With index inclusion expectations out of the way, macroeconomic factors shaping the RBI's monetary stance and demand-supply dynamics should dictate market moves in the coming months.

- ·The RBI's pivot on liquidity and policy rates was timely and firm. Recent comments on anchoring inflation expectations and ensuring positive real rates provide support for a stronger medium-term duration posture at this stage of the cycle. This must be viewed in conjunction with the previously delivered policy tightening actions.

- ·The RBI stated in its monthly bulletin for October that liquidity remains surplus, with an average daily net absorption of Rs 1.1 lakh crore under the Liquidity Adjustment Facility last month up to September 28. As government spending increases as a result of high GST and direct tax collections, system liquidity will increase further.

“Tightening monetary policy amid loose liquidity is the equivalent of hitting the brake pedal but also lightly tapping the accelerator at the same go—they are not in sync, and it sends conflicting signals to the car.” Aurodeep Nandi, India Economist, Nomura



OUR VIEW

Equity:

This volatility is likely to persist in the short term. For one thing, volatility in global financial markets, including Indian equities, is directly linked to the cost of global money. The volatility of the Nifty has moved in lockstep with US 3-month treasury rates. With global rates likely to remain high as central banks fight inflation, volatility should be high.

In these unpredictable times, preserving emotional energy and adhering to investment discipline will be critical.

Investors must focus on building slow positions over next 6 months in Good Quality Large and Midcap Oriented Funds/Companies to benefit from the volatility. For Small caps, we reiterate the call to stick to strategies which are valuation focused and are dynamic in their deployment focus.

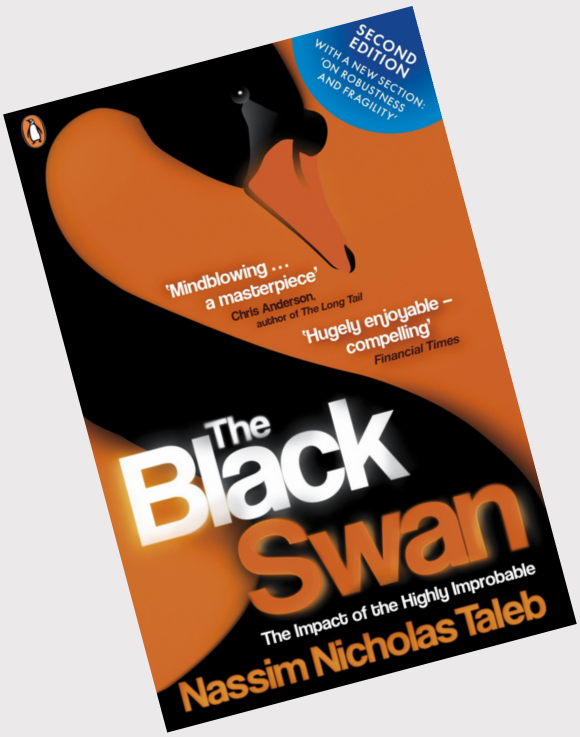
Debt:

RBI/ MPC may further hike interest rates but with a focus towards reaching the terminal rate by the end of FY23 and thus further actions will be gradual and situational. The recent rise in the yields across all durations has continued to keep medium to longer duration debt attractiveHence, an investor must explore investment opportunities in debt funds with average maturity of 5 Yr+ having Gilts (central government) and State Development Loans (SDL) as their underlying investments. These investments can be staggered over 2-3 tranches to benefit from the opportunity.

FD Alternative: - On a Post-Tax Basis these Target Maturity Funds present a very interesting opportunity for investors to look at re-directing some of their investments towards these Long-Term Debt Funds. For a Long-Term Debt or an FD Investor, next few months present a great opportunity to lock in higher interest rates in Sovereign Rated Papers through these Target Dated Maturity funds. Add to that the Indexation Benefits provided after 3 Years, this becomes a compelling option to mitigate both credit and reinvestment risks as well as yield attractive returns.

Good Read

THE BLACK SWAN - BY NASSIM NICHOLAS TALEB



The Black Swan is written by Nassim Nicholas Taleb - Distinguished professor of Risk Engineering in New York University Tandon School of Engineering. The book focuses on how rare and unpredictable events have a deep and lasting impact on a person's life. Human beings tend to try and rationalize such happenings almost immediately after they happen. This book is all about black swans, which are the random incidents in our lives, irrespective of how big or small they might be.This book has been written with the intent of showing you the kind of impression events like these can have on a life. It also stresses on the fact that instead of trying to predict everything that happens in our life, we should embrace uncertainty and make the most of it.

The book gives its readers new insight into handling life's uncertain nature. It includes a number of real-life happenings that help prove the author's point.

mint MyPlan

HOW THIS MUMBAI COUPLE GOT INTO GOAL-LINKED INVESTMENTS

Most Indian families have illiquid investments, particularly in real estate and traditional insurance policies. Kiran Jawle (41) and Deepti Joshi (39), a Mumbai-based working couple, were no different. They had allocated a sizeable portion of their net worth to real estate and invested in several Unit Linked Insurance Plan (Ulips) that later underperformed.

“My wife and I have been disciplined investors. We had investments in real estate, as also a sizable mutual fund portfolio. Our investments were just not based on any financial goals. And, we didn’t know how to build an investment portfolio based on our risk tolerance ability8," said Kiran. “During the pandemic, we realized that we didn’t have enough insurance coverage to safeguard us against such unforeseen events. What we had were underperforming Ulips."

The couple then searched for an investment adviser to solve their investment issues, and came across Tarun Birani, founder and director of TBNG Capital Advisors. Birani had a holistic discussion with the family to understand their money behaviour, financial goals, and risk tolerance.

He then examined the portfolios of Kiran and Deepti and found that the couple had not aligned investments with their financial goals.

He then examined the portfolios of Kiran and Deepti and found that the couple had not aligned investments with their financial goals. They had almost 80% of their net worth in debt and real-estate and just 20% in equity. Besides, they didn’t have enough contingency funds and insurance coverage.

“Though they had some financial planning hiccups, the couple came to us with an open mind. This helped us educate them on how to make wise decisions and plan their finances to achieve their financial goals at an optimum time," said Birani.

Birani explained that people usually consult a financial adviser either after suffering some investment losses, or on finding that there is a requirement to save for retirement and children’s education planning, or after receiving a windfall. “However, in this case, it was a wake-up call for Kiran and Deepti when they realized that their investments weren’t in line with their financial goals," he said.

Investment journey: After analysing their financial status, Birani decided that “it was time to rebalance the couple’s portfolio by swapping their illiquid assets for liquid ones and ensure that their portfolio remained well-balanced." He advised the couple to sell one real estate holding and build financial assets to make payments for a house they want to purchase in the next five years. He recommended they surrender their underperforming Ulips and reinvest the same in better risk-adjusted assets. Birani found that the couple bought policies on an insurance agent’s advice every year.

“Today, in 2022, their asset allocation conforms with their risk profile, and their portfolio consists of 43% equity, 45% debt, 8% real estate, 3% liquid assets, and 1% gold. Kiran and Deepti have been disciplined investors and are now debt-free and navigating in the right direction to achieve financial freedom. They have a good amount of financial cushion through the right contingency fund and insurance. They are now on track to take care of their children’s financial future through their systematic monthly investments," said Birani.

Funds for contingency: Birani advised the couple to build optimum financial protection by having a sum equivalent to at least three months‘ expenses parked in cash or cash-equivalent instruments. He said that the need for an emergency fund could not be undermined, especially after the pandemic, a complete lockdown and the turmoil it caused to businesses and incomes. Similarly, the need for proper insurance coverage is equally necessary for medical emergencies.

Insurance coverage: For any family, having a good financial foundation is paramount so they can remain invested in long-term goals without hassles. The couple currently have a family floater health insurance of ₹10 lakh. Moreover, Kiran has a ₹5 lakh individual medical group policy through his company and a ₹1 core term insurance. “Kiran and Deepti understand the importance of protection planning and have a contingency fund, besides adequate insurance coverage," said Birani.

Source:

VIEWS OF TARUN BIRANI IN BUSINESS STANDARD

Start locking into FDs, but keep some powder dry

Rates on specific tenors are attractive, but offerings will get better as we approach the peak of interest-rate cycle

BINDISHA SARANG & SANJAY KUMAR SINGH

The Reserve Bank of India has hiked the repo rate by 190 basis points since May this year. Banks, too, have raised their fixed deposit (FD) rates, albeit with a lag. There is a sense within the debt market that the peak of the current rate-hike cycle is near.

Rates may rise further

Interest rates are likely to go up further from current levels. "Retail inflation in India was at a five-month high of 7.4 per cent in September. This, along with the aggressive monetary policy action by the major central banks and pressure on the rupee, should lead the Monetary Policy Committee (MPC) to opt for further repo rate hikes," says Gaurav Aggarwal, senior director, Paisabazaar.

Other experts also concur. According to Tarun Birani, founder and chief executive officer (CEO), TBNG Capital Advisors, "We have some way to go before we reach the terminal rate after which there will be a pause."

FD rates are lagging behind the rates prevailing in the bond market. "Most major banks are currently offering around 5.7 per cent on their one-year FDs while a 364-day T-bill is trading at 7.02 per cent," says Praneet Battina from the investment team of Fi Money.

In the near future, however, rising credit demand could force banks to raise their FD rates at a faster pace to mobilise more deposits. According to Birani, the competitive landscape and banks' individual growth targets will also impact the pace at which they hike rates.

SMALL FINANCE BANKS OFFER BETTER RATES

Bank	Interest rates (p.a.) Highest slab (%)	1-year (%)	3-year (%)	5-year (%)	Additional rate for senior citizens (% p.a.)
Unity Small Finance Bank	7.90	7.35	7.65	7.65	0.50
Fincare Small Finance Bank	7.75	6.75	7.00	7.00	0.50
North East Small Finance Bank	7.75	5.25	7.00	6.50	0.75
Utkarsh Small Finance Bank	7.50	7.15	7.50	7.50	0.75
Ujjivan Small Finance Bank	7.50	7.00	6.50	7.20	0.75
Shivalik Small Finance Bank	7.50	6.50	5.50	5.50	0.50
AU Small Finance Bank	7.50	5.85	7.50	6.95	0.50

FD rates as on October 12 Source: PaisaBazaar

So far, real rates on FDs haven't turned positive. "If you look at the September Consumer Price Index (CPI) data (7.4 per cent), real rates on most FDs are still in the negative zone. Net of taxes, the returns are even lower," says Renu Maheshwari, board member, Association of Registered Investment Advisors (ARIA).

Monitor rates

Over the next few months, investors' goal should be to lock into the best rates they can find for the long term.

Banks may not hike interest rates uniformly across tenors. Instead, they may offer higher rates for specific tenors (depending on their asset-liability mismatch). Investors must act opportunistically and lock into good rates as they become available. Some banks, for instance, are offering rates of over 7 per cent on FDs around the 700-750-day tenor. "For investors looking at FDs only, this may be a suitable duration to lock into," says Battina.

Those with a significant amount should not lock in the entire sum right now. Instead, they should deploy the money gradually as rates rise further in the near future.

"Take a four-month auto-renewal bank FD. Stop the auto-renewal if suddenly rates go up substantially," says Sanjeev Govila, a SEBI-Registered Investment Advisor (RIA), and CEO, Hum Fauji Initiatives, a financial planning firm.

Govila says investors can also consider investing in high-quality corporate FDs, which are offering better rates. Small Finance Banks (SFBs) and medium-sized banks are also offering higher rates compared to the large ones. Cooperative banks could offer even higher rates. Arnav Pandya, founder, Moneyeduschool says, "Small finance banks are covered by deposit insurance. But limit your exposure to them to 15 per cent of your total FD investment. Avoid cooperative banks."

Raj Khosla, founder and managing director (MD), MyMoneyMantra.com, too, is of the view that investors should pay heed to a bank's reputation before committing funds. Bank deposits are secured by insurance up to ₹5 lakh. "Limit the deposit amount so that you are covered by the guarantee. While making a deposit, also consider ease of booking and maintaining the deposit," he says.

Ladder your FDs

Since timing the peak of the interest rate cycle is difficult, investors can adopt the laddering strategy. Khosla says, "Book FDs that mature at regular intervals. This will ensure that you receive liquidity regularly. This will also take care of reinvestment risk." By laddering, investors can ensure that all their deposits don't mature at the same time—when rates are low. By reinvesting at regular intervals, investors can average out the return over the entire cycle.

Investors can also park their money and then wait and watch. Govila says, "Right now, invest in a 12-month FD. When rates stabilise, go in for a longer-term FD."

Apart from the interest rate, consider the compounding frequency: a shorter frequency translates into a higher return. Also be aware of the penalty on premature withdrawal.

Alternatives to FDs

Currently, bonds are offering attractive returns. The ₹1,500 crore National Highway Investment Trust (NHIT) non-convertible debentures (NCD) issue (AAA-rated) is offering a coupon of 7.90 per cent semi-annually (which means investors will be paid 3.95 per cent at six-monthly intervals). This amounts to an annualised yield of 8.05 per cent. Another AAA bond available currently is the 10-year paper from IIDFC, which is offering a coupon of 8.07 per cent and a yield of 8.02 per cent.

AA and AA+ rated bonds are offering yields between 8.5 per cent and 10.5 per cent.

"If you invest with a three-to-five-year horizon, you could earn capital gains also," says Ankit Gupta, founder, BondsIndia.com.

Investors shouldn't rely on ratings alone to select bonds. Ratings may look good at the time of investing but could plunge by several notches suddenly. "Study the financial position of the entity—its size, the business it is in, its level of debt, and so on to get a better picture," says Pandya.

Among debt mutual funds, consider banking and PSU funds, which are offering yield to maturity (YTM) of 6.4-7.5 per cent. "You can also look at target maturity funds maturing in 2027-2032, whose YTMs range from 7.14 to 7.66 per cent," adds Pandya. The indexation benefit available on long-term gains from debt mutual funds ensures good post-tax returns.

THINKING MAN - FINANCIAL BREAKTHROUGH PROGRAM

The Thinking Man - Financial Breakthrough Program is created with the vision to educate investors and help them in making more informed decisions. So far over 1500+ business owners, 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:

- Importance of Financial Alignment
- Identify, define and prioritize financial goals
- 7 Step Wealth Allocation framework

KNOW YOUR TEAM MEMBER

Deepa Naik

Financial Advisor

Deepa Naik is a Financial Advisor at TBNG Capital Advisors. Her primary focus is on Financial Planning and building long term relationship with clients. Deepa is a MBA - Finance and CFPCM, registered with Financial Planning Standard Boards India and has more than 5 Years of experience in comprehensive Financial Planning and Wealth Management. She has worked with Hexagon Capital Advisors in the past.

Deepa loves to travel and read books and has passion for financial planning and wealth management.

ACTIVITIES & CELEBRATIONS


IAP at Meero Technologies


Dussehra Celebration


Diwali Celebration

MEDIA PRESENCE

Business Standard | Bloomberg Quint | The Economic Times | mint

The Economic Times wealth | NDTV | The Times of India | moneycontrol MASTER YOUR MONEY

ABOUT TBNG

TBNG is a 18 year old SEBI Registered Investment Advisor and is considered one of the India's leading Independent Financial Advisors.

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 the account the unique context of the families' circumstances and goals. TBNG has emerged as the family CFO of choice of successful families.

TBNG Capital has come a long way and we as a team have evolved. Our treasure chest overflows with varied experiences. Our set principles, the integrity in our dealings and code of conduct we follow, keeps our team accountable and bound to accomplish the best results for each client.

Our strong foundation, credit worthiness, transparent and robust processes have encouraged a myraid of busy professionals, entrepreneurs and business heads to place their trust in us as their financial trustees. And with our impressive results in wealth creation we have and continue to establish their respect. Our utmost competence and absolute honesty is our assurance to you while 'We' at TBNG continue to 'Evolve' and 'Excel.'

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