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From the

Editor's Desk

Universe of investing gives investors wide-ranging options. It is, however seen that the information on performance of various investment options available in public domain is fragmented. Further whatever information is available is coxswained towards some investment idea. In this issue of Punji Times, returns data of over last 20 years has been compiled and then analyzed to give our readers an idea how different options have fared over last 20 years.

The data has been compiled from various sources available in public domain and the list sources is listed at the end of this issue.

Best,
Team Meri Punji

Punji (*noun/Hindi*) **- Capital** *meaning, wealth in the form of money or other assets owned by a person or organization or available for a purpose such as starting a company or investing.*

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CONTENTS

Universe of Investing options is and some of the poplar options are In India, there are different Asset Classes to invest like Mutual Funds, Gold, Fixed Deposits (FDs) etc. Direct Equity

- Bank Fixed Deposits
- Direct Equity
- Gold
- Real Estate
- RBI Taxable Bonds
- Insurance
- Mutual Funds (Equity & Debt)
- Govt Sponsored small savings schemes
- Alternate Investment Funds (AIF)
- Portfolio Management Services (PMS)

Investment Options for which are considered are based on following criteria

- Simple product mix
- Easy to understand,
- Flexibility of investment amount
- Provides ample liquidity,
- Availability of data in public domain,
- No hidden costs.

There are some factors which affects the Market. Some of them are as mentioned below:

- Change in rate of interest of FDs, Gold prices, Sensex, USD, crude oil prices, Market capitalisation, insurance premium etc.
- Equity investment has outperformed every asset classes.
- Equity investment have always given the highest returns in comparison to both Rolling and trading returns.

OVERVIEW OF INVESTMENT OPTIONS

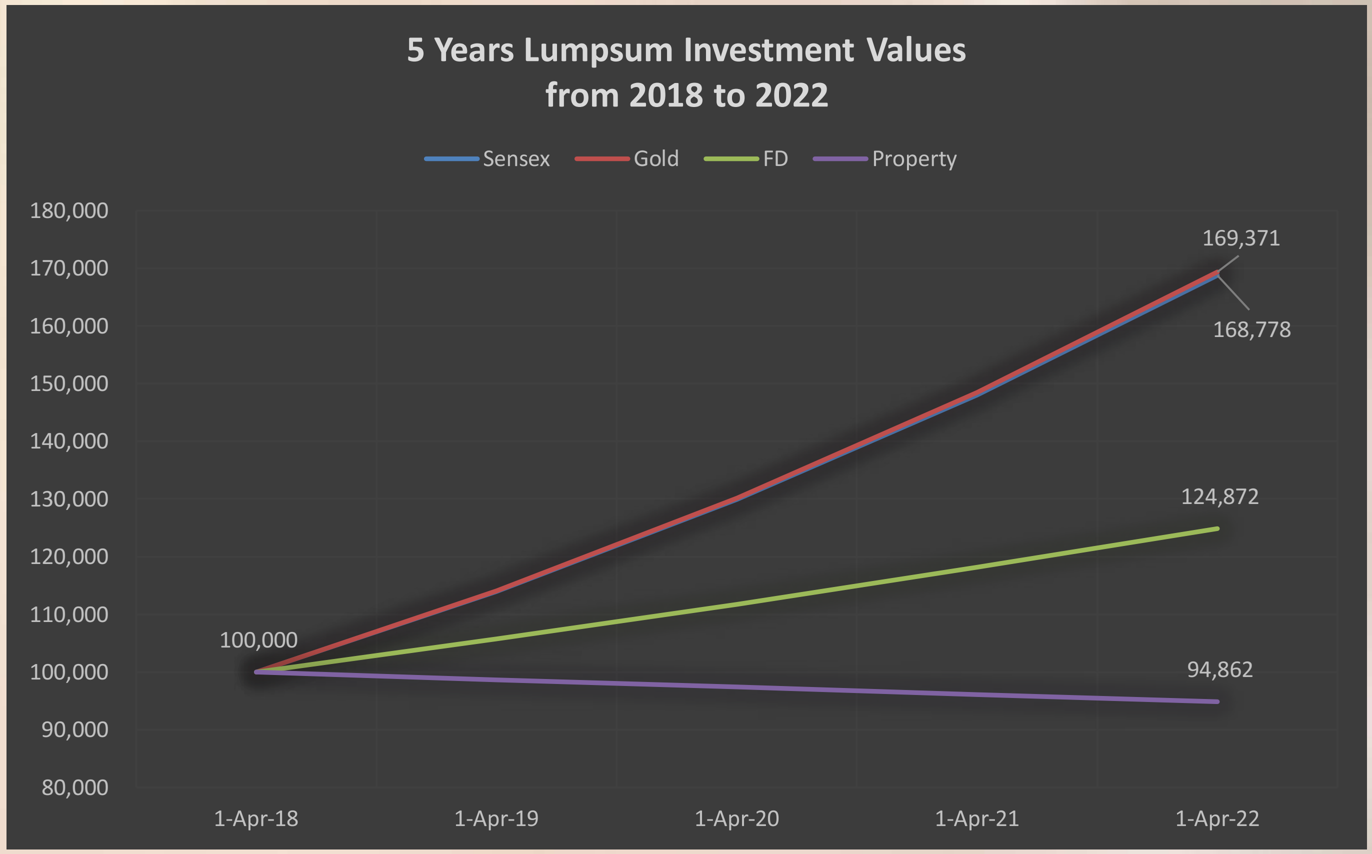
Annual rate / Index value of different Asset Classes from 2001 to 2022

Date	Bank FDs - Rate of Interest	Gold (24K) in INR	Sensex	Property Index
01-Apr-01	8.00%	4,300	3,519	-
01-Apr-02	5.50%	4,990	3,338	-
01-Apr-03	5.25%	5,600	2,960	-
01-Apr-04	5.75%	5,850	5,655	-
01-Apr-05	6.25%	7,000	6,154	-
01-Apr-06	7.75%	8,400	12,043	-
01-Apr-07	7.50%	10,800	13,872	-
01-Apr-08	7.75%	12,500	17,287	-
01-Apr-09	6.50%	14,500	11,403	92
01-Apr-10	7.00%	18,500	17,559	99
01-Apr-11	8.25%	26,400	19,136	111
01-Apr-12	9.00%	31,050	17,319	127
01-Apr-13	8.75%	29,600	19,504	138
01-Apr-14	8.50%	28,007	22,418	149
01-Apr-15	7.75%	26,344	27,011	162
01-Apr-16	7.00%	28,624	25,607	165
01-Apr-17	6.50%	29,668	29,918	170
01-Apr-18	6.75%	31,438	35,160	174
01-Apr-19	6.25%	32,760	39,032	176
01-Apr-20	6.00%	41,670	28,265	171
01-Apr-21	5.50%	44,620	50,029	170
01-Apr-22	5.10%	53,230	59,337	165

Trailing Returns of different Asset Classes as on 1st April 2022

	20 Years		15 Years	
	Lumpsum	SIP	Lumpsum	SIP
Sensex - Index Fund	17.09%	12.77%	9.21%	11.16%
Gold	12.59%	10.73%	10.90%	8.62%
FDs	7.04%	6.96%	7.05%	6.78%
Property Index	-	-	-	-

	10 Years		5 Years	
	Lumpsum	SIP	Lumpsum	SIP
Sensex - Index Fund	13.16%	12.34%	13.98%	15.07%
Gold	6.74%	8.78%	14.08%	11.24%
FDs	6.59%	6.23%	5.71%	5.58%
Property Index	1.98%	0.21%	-1.31%	-1.26%

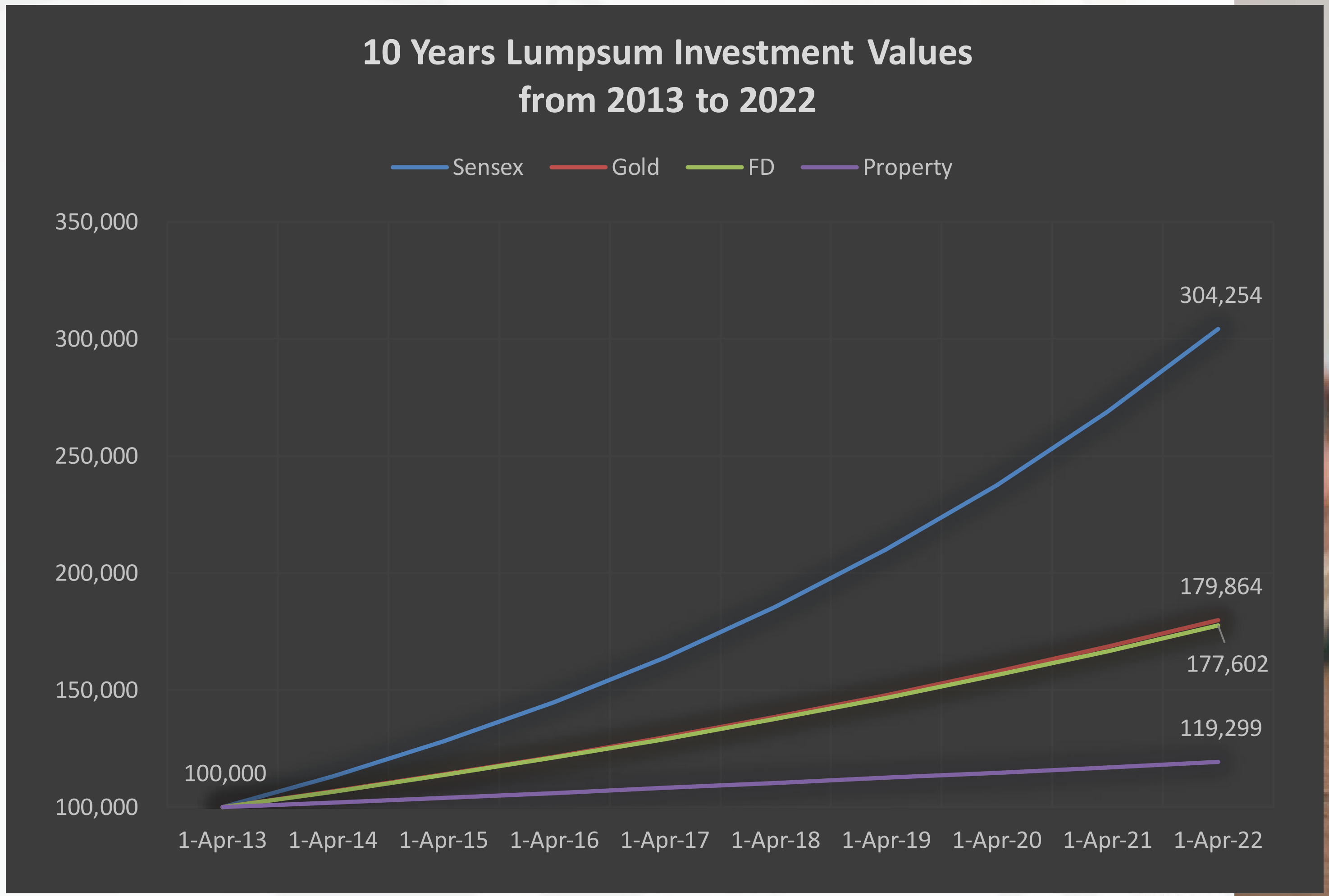


5 Years

Lumpsum Investment Value

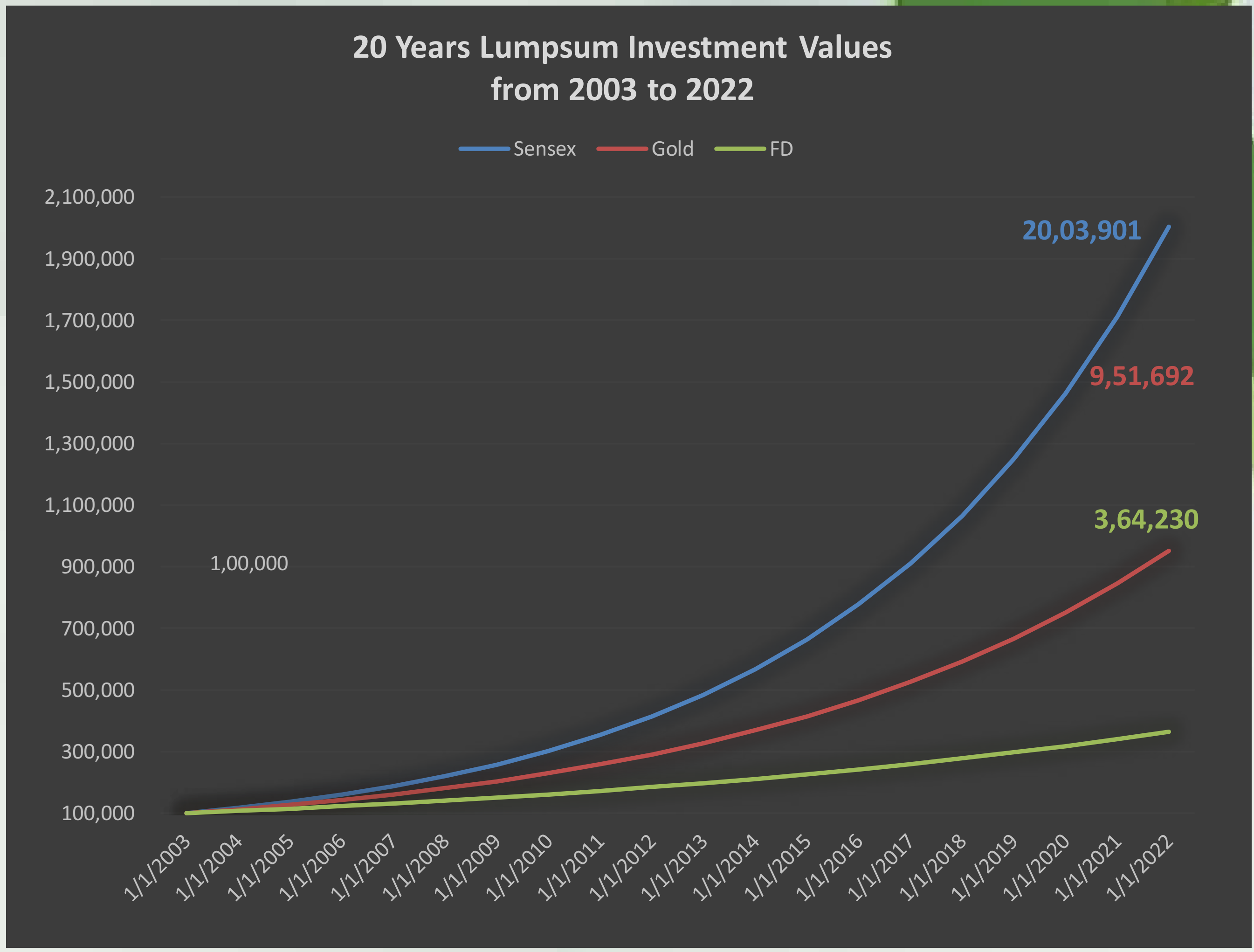
(From 01 Apr 2018 to 01 Apr 2022)

- Sensex and Gold have given almost the same returns in the last 5 years, despite of deep correction in the market due to Covid.
- In the last 5 Years, Compounded Annual Growth Rate (CAGR) has been:
- Sensex - 13.98%
- Gold - 14.08%
- Bank FDs - 5.71%
- Property - (-1.31%)



10 Years
Lumpsum Investment Value
(From 01 Apr 2013 to 01 Apr 2022)

- In the last 10 years, Sensex has given almost double return as compared to other asset classes.
- In the last 10 Years, Compounded Annual Growth Rate (CAGR) has been
- Sensex - 13.16%
- Gold - 6.74%
- Bank FDs - 6.59%
- Property - 1.98%



20 Years

Lumpsum Investment Value

(From 01 Apr 2003 to 01 Apr 2022)

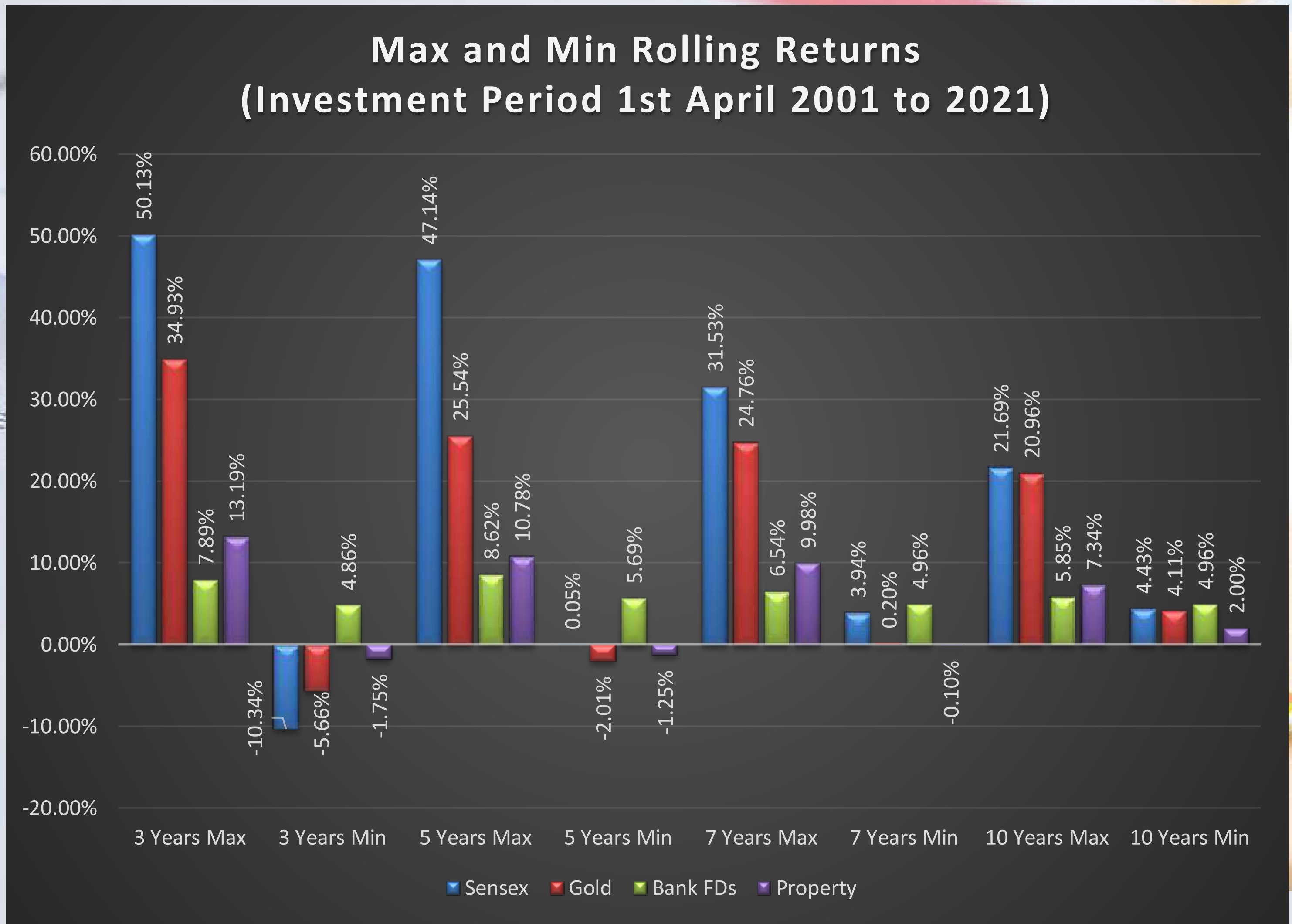
- In the last 20 years, Sensex has given the highest returns among all.
- In the last 20 Years, Compounded Annual Growth Rate (CAGR) has been
- Sensex - 17.09%
- Gold - 12.59%
- Bank FDs - 7.04%

Difference between Rolling Returns and Trailing Returns

- Rolling Returns are average returns over defined time during a selected long period. They are annualized returns of a scheme taken for a specified period on every day/week/month and taken till the last day of the duration. Rolling returns is the best measure of a fund's performance.
- Trailing Returns are point to point returns for a specific to the period in consideration. Therefore, they suffer from have a recency bias.

Max & Min Rolling Returns

(Investment Period 01/04/2001 to 01/04/2021)



Equity Categories Classifications and Returns Comparison

- **Flexi-cap/ Multi-cap Funds -** invest across market capitalizations and therefore they are less risky than mid- and small-cap funds, but a little riskier than large cap funds. They are suitable for investors with modest risk appetite. There are two more categories which have the same basic attributes but differ in some ways, these are:-
  - **Equity Linked Savings Schemes** or tax planning mutual funds are suitable for investors looking to save taxes under Section 80 C of the Income Tax Act. These funds follow the Multi-cap strategy but have lock-in period of three years. Due to this lock in period, the fund manager has the flexibility to take longer duration call and therefore generate higher returns.
  - **Focused Equity Funds –** This category also follows Multi-cap strategy but restricts to 20-30 stocks. They can be loosely classified as aggressive Multi-cap, and they have volatility.
- **Hybrid Funds –** invest in a mix of Equity and Fixed Income Products. The %age of mix between Equity and Debt varies and depending on the %age of mix they can be classified as:-
  - **Hybrid Conservative –** As per SEBI's mandate, small cap funds must invest at least 65% of their assets in small cap stocks. The balance can be invested in large cap, midcap and other assets. These funds invest across industry sectors to diversify risks.
  - **Hybrid Aggressive -** In this category the equity %age varies between 65-80%, so the debt %age can never exceed 35%.
  - **Balanced Advantage Funds –** These funds dynamically manage the ratio between Debt and Equity. The Equity %age can vary between 30-80%. So, when the markets are at high these funds substantially their equity exposure and visa versa. The advantage of these funds is that as an investor one not burdened with the decision making as to when to shift in or out of Equity. The trade of here is that of little lower returns as compared to pure Equity Funds.

Mutual Fund Categories Comparison

- For the comparison, the Large cap and Flexi Cap are taken together as they come under moderate risk exposures schemes whereas Mid cap and Small Cap are combined as High-Risk exposure schemes.

Lump Sum vs SIP: Which is the better mode of investment?

- **Investors can invest in a mutual fund scheme in 2 ways –**
  - Lump sum
  - Systematic Investment Plan (SIP) – A fixed amount is invested at fixed interval which can be daily, weekly or monthly
- **Investors don't have to monitor the market closely -** Since lump-sum investments are a bulk commitment, investors need to know when they are entering the market. Lump-sum investments are most beneficial when you invest during a market low. However, with SIPs, you have the chance to enter during different market cycles. Investors do not have to watch market movements as closely as they would for lump-sum investments.
- **Lower investment requirement -** As mentioned above, you can begin investing in SIPs with as little as Rs. 500 per month On the other hand, lump-sum investments need at least Rs.1,000, although most mutual funds in India set the lower limit at Rs.5,000. Investors can use SIP calculator to calculate and estimate the returns on their SIP investment.
- **Averaged costs -** As SIP leads to mutual fund purchases during different market cycles, the cost per unit is averaged out over the overall investment horizon. More number of units are purchased during a market low, compensating for purchases made during a market high. This can help tide over market fluctuations and even out the cost. Units can then be sold when the market is performing well.
- **Inculcates financial discipline -** SIPs can get you into the habit of saving frequently. Banks allow you to set up an automatic investment instruction at a frequency of your choice.

Trailing Returns in Different Categories of MF As on

1st April 2022

	20 Years		15 Years	
	Lumpsum	Monthly SIPs	Lumpsum	Monthly SIPs
Index Fund	15.55%	13.60%	10.75%	13.09%
Large Cap	20.58%	15.29%	14.03%	13.49%
Flexi Cap	20.70%	16.49%	13.78%	15.31%
Mid Cap	24.77%	18.00%	15.06%	16.57%
Small Cap	16.89%	16.83%	14.14%	18.83%

	10 Years		5 Years	
	Lumpsum	Monthly SIPs	Lumpsum	Monthly SIPs
Index Fund	13.88%	15.01%	15.38%	17.93%
Large Cap	13.48%	14.18%	12.09%	16.40%
Flexi Cap	17.20%	16.62%	13.11%	16.20%
Mid Cap	16.82%	18.76%	16.27%	23.09%
Small Cap	15.78%	24.15%	23.11%	41.80%

- Impact of SIPs is more pronounced for about 5-10 years because of the market volatility
- Over 10 Years all categories of Equity Fund give about the same returns

Rolling Returns of different catagories of MF

(From 01/04/2001 to 01/04/2022)

	Index Funds			Large Cap		
	Max	Min	Avg	Max	Min	Avg
1 Year	97.02%	-58.51%	15.99%	113.57%	-55.31%	17.66%
3 Years	-12.00%	53.09%	12.82%	68.55%	-12.27%	14.04%
5 Years	39.88%	-3.23%	12.12%	47.57%	-4.43%	12.54%
7 Years	26.30%	2.01%	11.03%	27.55%	-2.60%	11.29%
10 Years	16.98%	3.32%	10.23%	28.36%	1.83%	10.20%

	Multi/Flexi/Focused/ELSS			Mid / Small		
	Max	Min	Avg	Max	Min	Avg
1 Year	114.84%	-58.36%	18.44%	132.17%	-59.47%	22.54%
3 Years	62.13%	-19.34%	13.21%	54.56%	-19.92%	14.94%
5 Years	38.57%	-7.36%	11.93%	39.74%	-5.42%	13.90%
7 Years	27.60%	-1.27%	10.98%	29.52%	-1.93%	13.22%
10 Years	19.04%	2.31%	9.87%	21.77%	1.53%	12.14%

Indian Debt Market

The Indian debt market, primarily of the fixed-income variety, can be broadly classified into:

Money Market: Where the borrowing is for tenor of less than a year. Inter Bank Term Money, repo transactions, Certificate of Deposits, Commercial Papers, T-Bills, etc. are some of the money market instruments through which short term requirement of funds are met by banks, institutions and the state and central governments.

Bank and Corporate Deposits: Bank fixed deposits (FDs) have been popular and widely subscribed to, as the feeling of no-default-risk. Corporate deposits are FDs issued by a company (non-bank)

Government Securities: G-Secs are sovereign-rated debt papers, issued by the government with a face value of a fixed denomination

Corporate & PSU Bond Market: Corporate bonds are issued by public sector undertakings (PSUs) and private firms. These bonds are issued for a wide tenor between 1 year - 15 years. These bonds carry a different risk profile and hence will have associated rating.

The Indian debt market is largely a wholesale market with a majority of institutional investors comprising of mainly banks, financial institutions, mutual funds, EPFO, insurance companies and corporates.

RBI regulates money markets & G-secs; while SEBI regulates the Corporate debt market & bond markets.

Debt mutual funds saw a sharp dip in their AUM in February 2022. Except for liquid and overnight funds, all the other debt categories saw large outflows. Short Duration funds witnessed the maximum outflow, closely followed by corporate bond funds and Floater Funds. Market analysts and fund managers attribute this fall to the uncertainty in rate cycle and the future course of yields.

Debt mutual funds have been under pressure for the last couple of months. The rise in bond yields, uncertainty on the rate front and growing inflation have all contributed to the lower returns from debt funds.

The selling in the bond market can be attributed to - hawkish US FED policy projecting series of rate hikes and liquidity reduction, rising crude oil and other commodity prices and higher than expected fiscal deficit and market borrowings by the Central Government

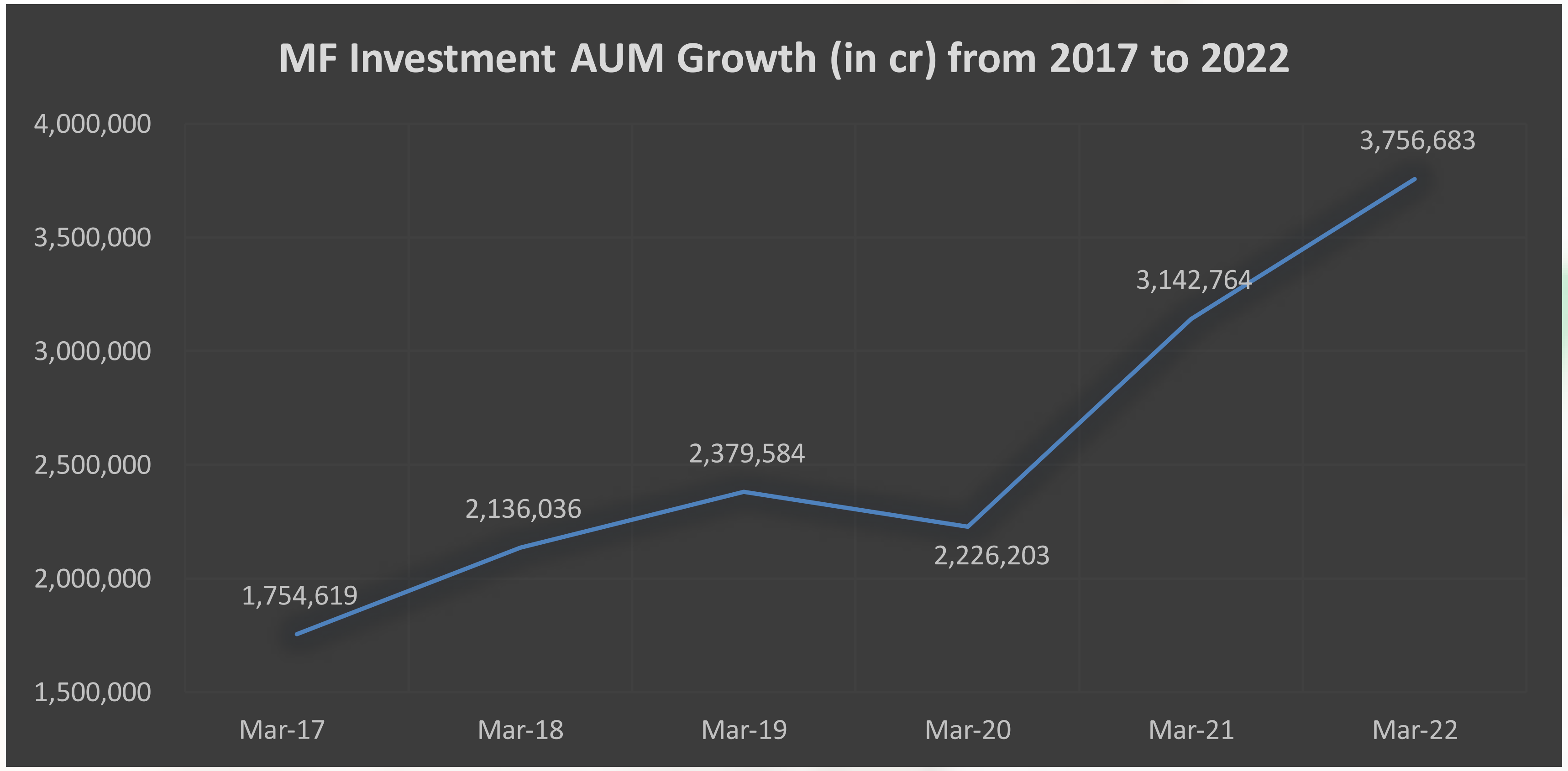
The war between Russia and Ukraine has added another layer of uncertainty in the debt market. Its direct impact is visible in the rapidly rising crude oil prices. India imports more than 85% of its total crude oil consumption. This makes the Indian economy and the Indian bond markets vulnerable to an oil price shock.

From the bond market's perspective, this is a bad macro setup. If crude oil price continues to rise, we should expect bond yields to move higher despite the continuation of easy monetary policy. Thus, crude oil price remains the biggest risk for the Indian bond markets

Going ahead the bond market will also respond to the domestic demand-supply situation which has worsened significantly due to elevated market borrowings by the government. From investors' perspective, we believe a combination of liquid to money market funds and short-term debt funds with low credit risks should remain as the core fixed income allocation.

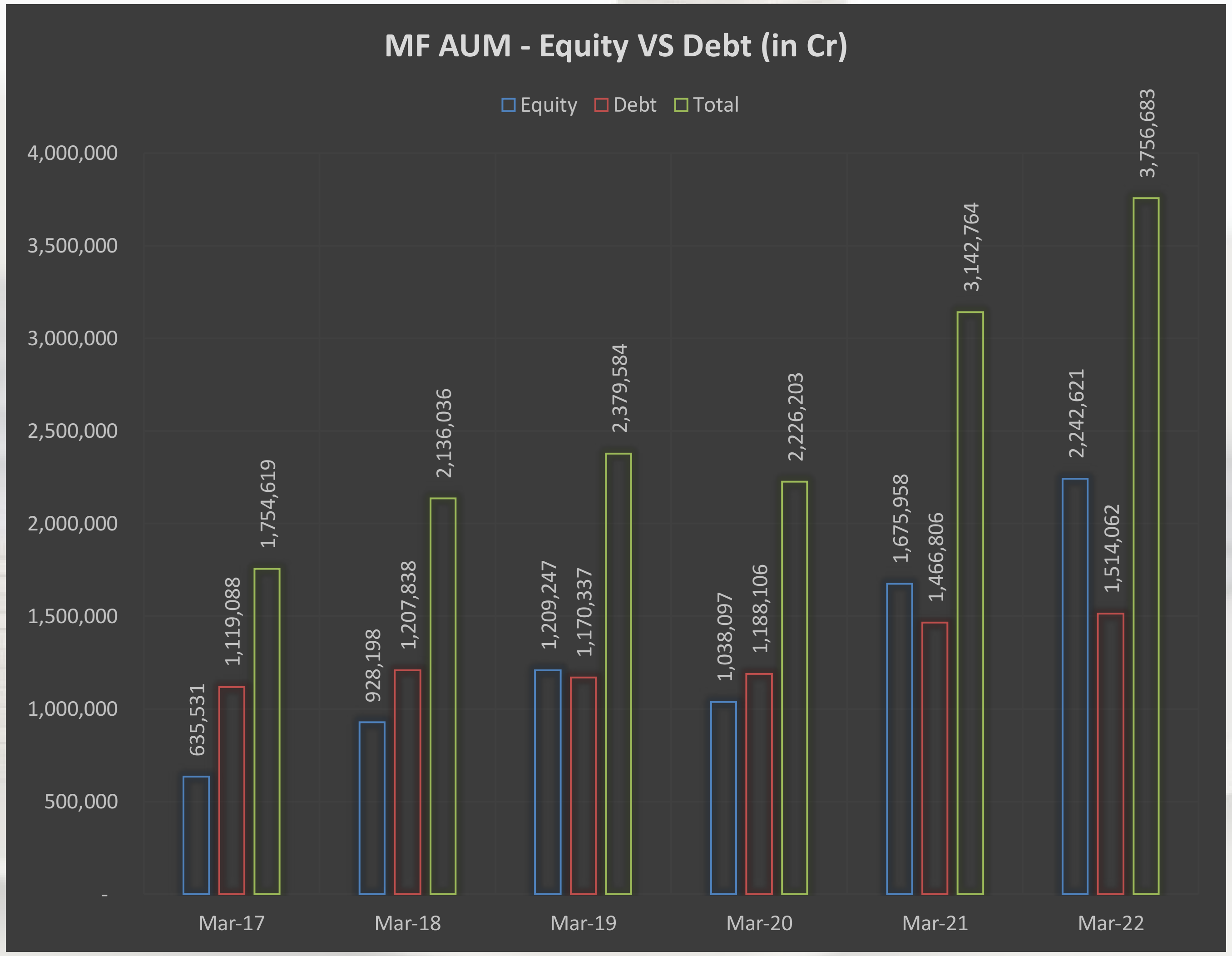
Investment AUM Growth (in Cr)

- Mutual Fund AUM has increased from Rs 17.54 lakh crore to Rs 37.56 lakhs crores
- In the initial years, there was very slow annual growth rate but in the FY 20-21, it grew over by 40%
- In the last year, i.e. FY 2021 - 2022, it increased by 19.53%



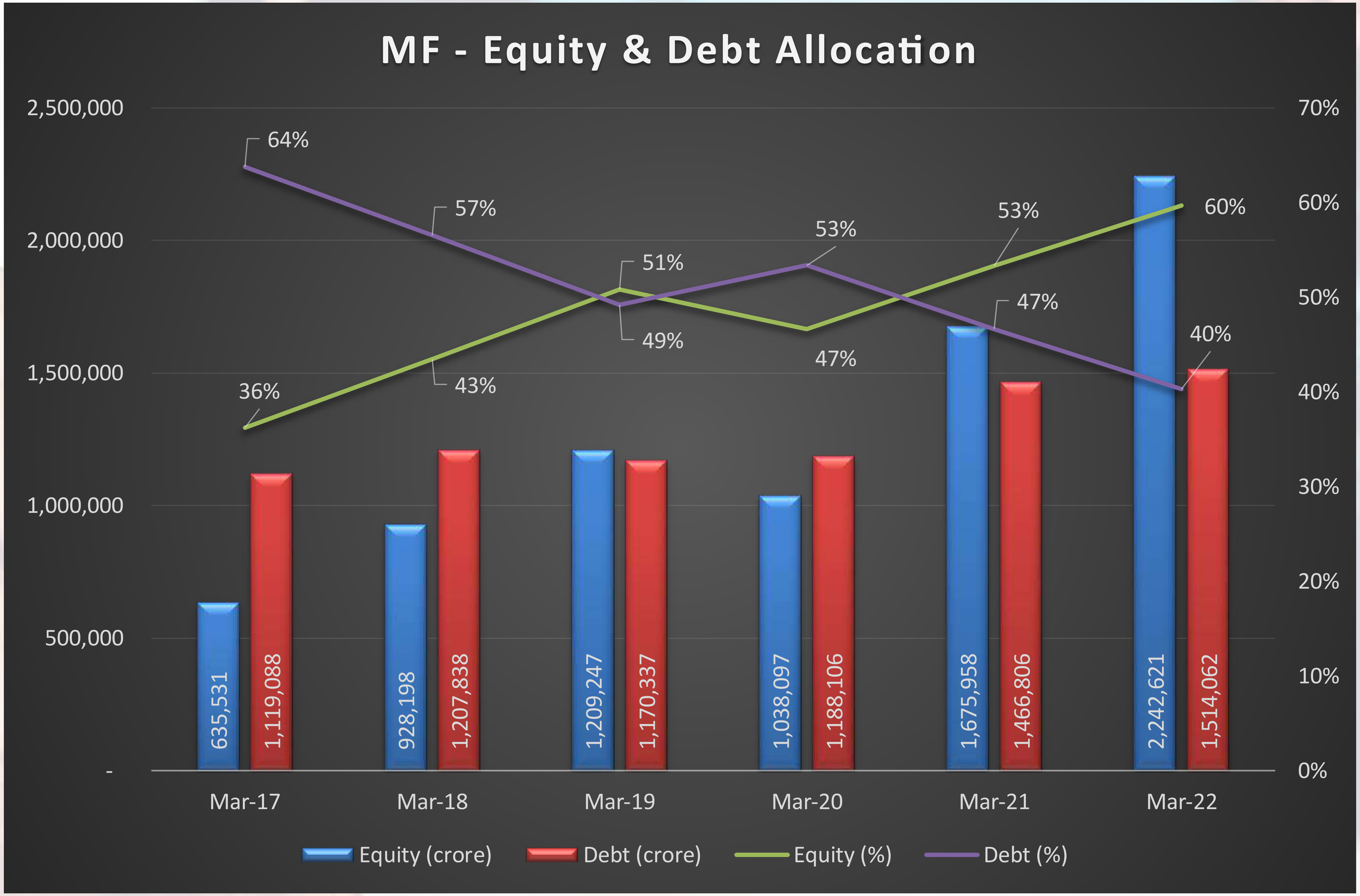
MF AUM Equity vs Debt (in Cr)

- In MF Corpus of Debt funds has always been more then Equity funds but in the last 2 years it has surpassed Debt AUM
- However, in last 5 years Debt AUM has almost remained constant
- Whereas, Equity AUM has constantly been on the rise
- In Last year, i.e. FY 2021-2022, the Equity AUM grew by 33.81%

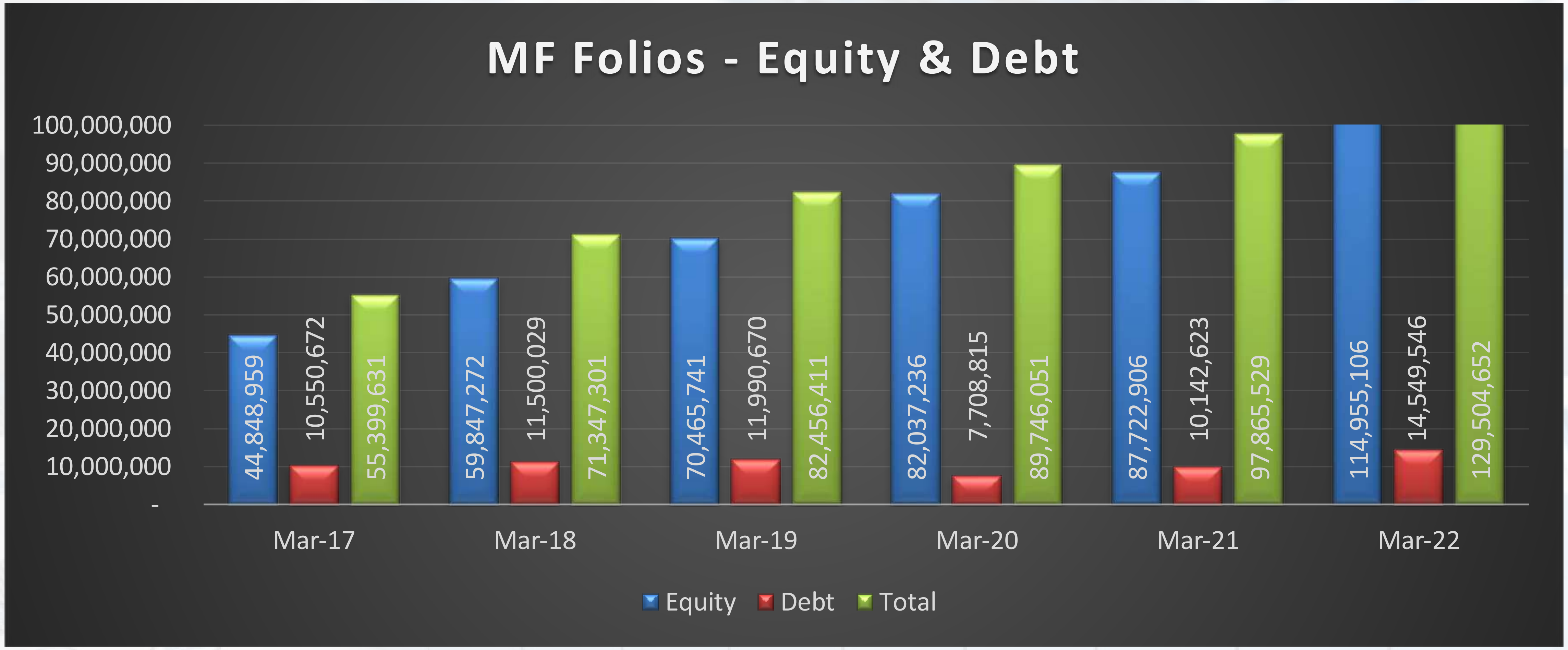


MF AUM

Equity & Debt Allocation



- Equity AUM has increased by 3.5 times from Rs 6.35 lakh crore to Rs 22.42 lakh crores
- Whereas, Debt AUM has increased by 1.35 times from Rs 11.19 lakh crore to Rs 15.14 lakh crore
- There is a tremendous increase in the Equity AUM, in the last FY 2021-2022, it grew up by % 33.81
- Debt to Equity Ratio
  - In March 2017, it was 64% Debt & 36% Equity
  - In March 2022, it is 60% Equity & 40% Debt

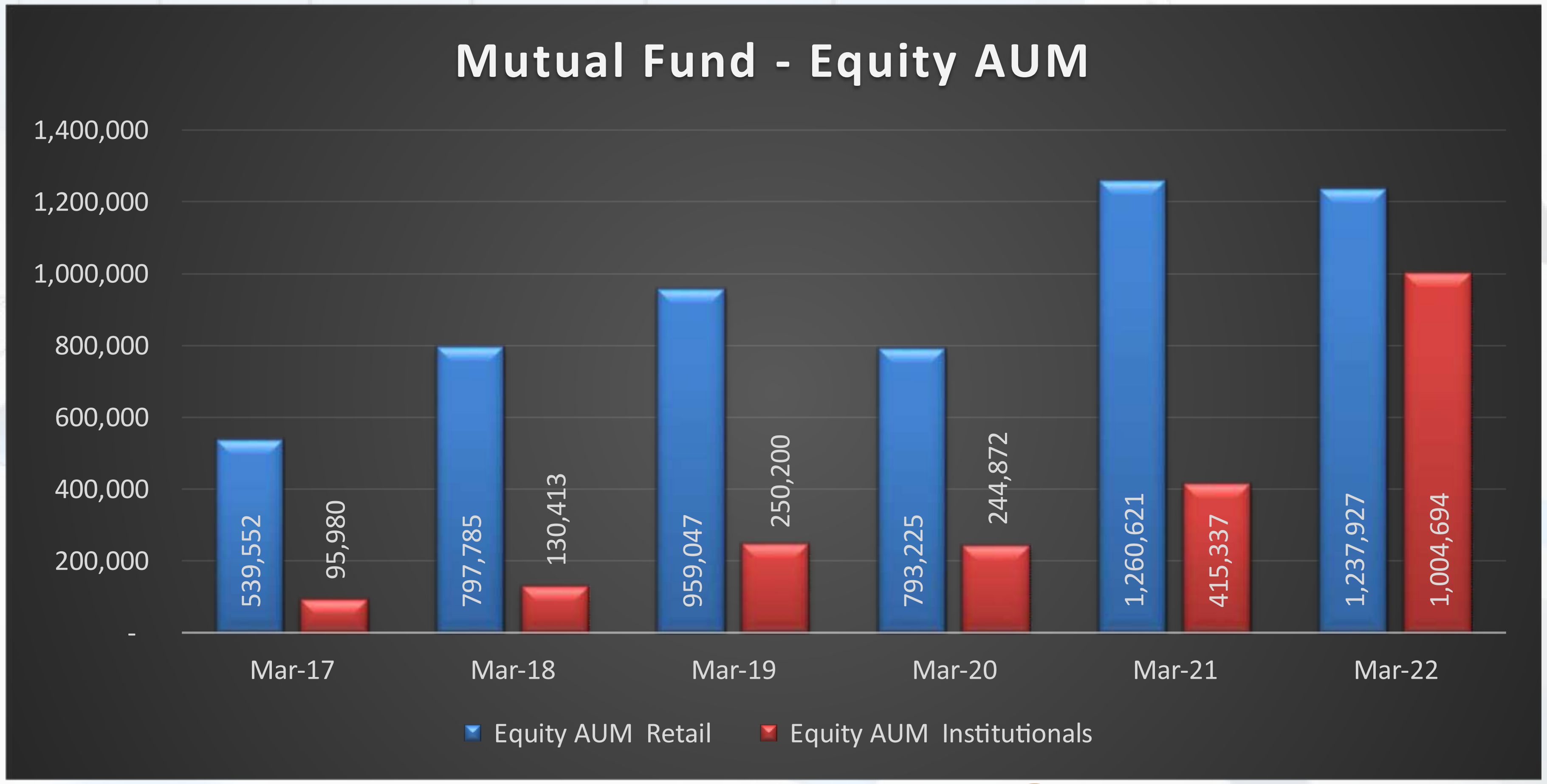


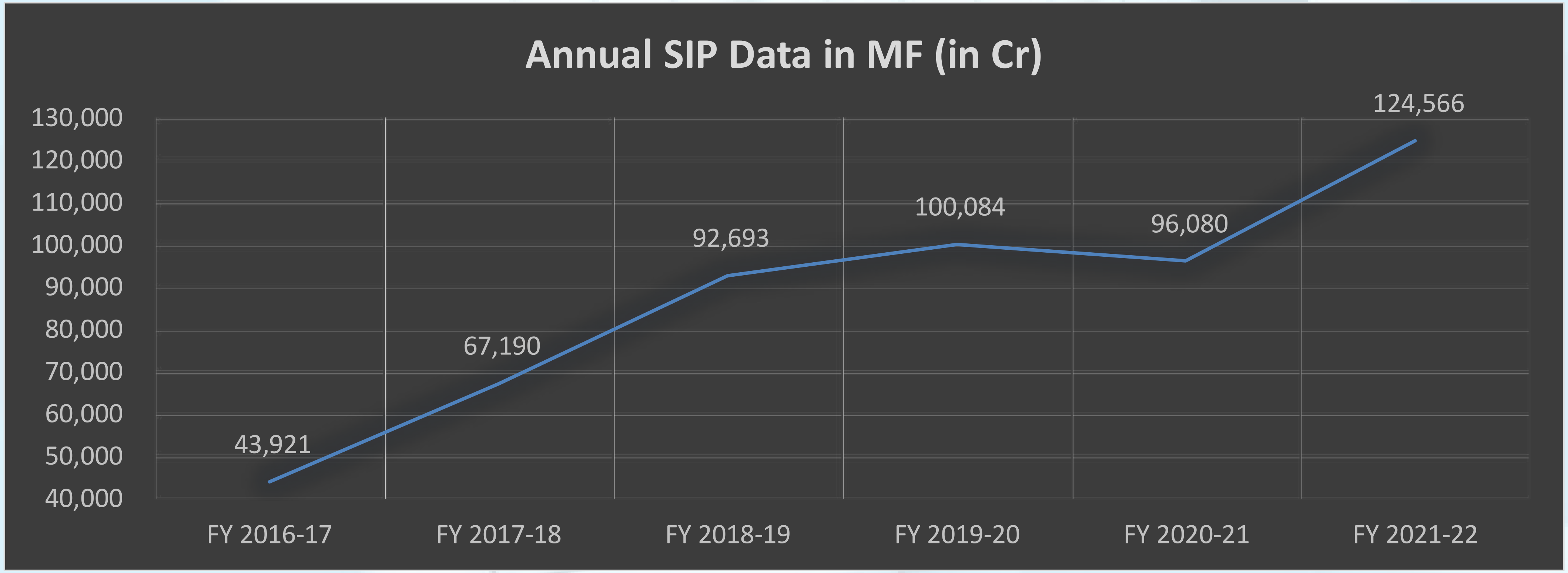
MF Folios (Equity & Debt)

- MF Folios have increased over the past 6 years in the line with MF AUM growth
- Equity Folios have increased rapidly however Debt folios have raised slowly
- There was dip in Debt folios in the FY 19-20 & 20-21, but it grew up by 43.45% in the FY 22-22
- Equity Folios increased from 4.5 Crore to 11.5 crores whereas Debt folios have increased by 1.05 crores to 1.45 crores

Mutual Fund- Equity AUM

- Retail participation in Equity Mutual Fund has shown a steady growth
- In the FY 20-21, in absolute term it has grown by about 40%
- Last FY year, it has reduced by -1.80%



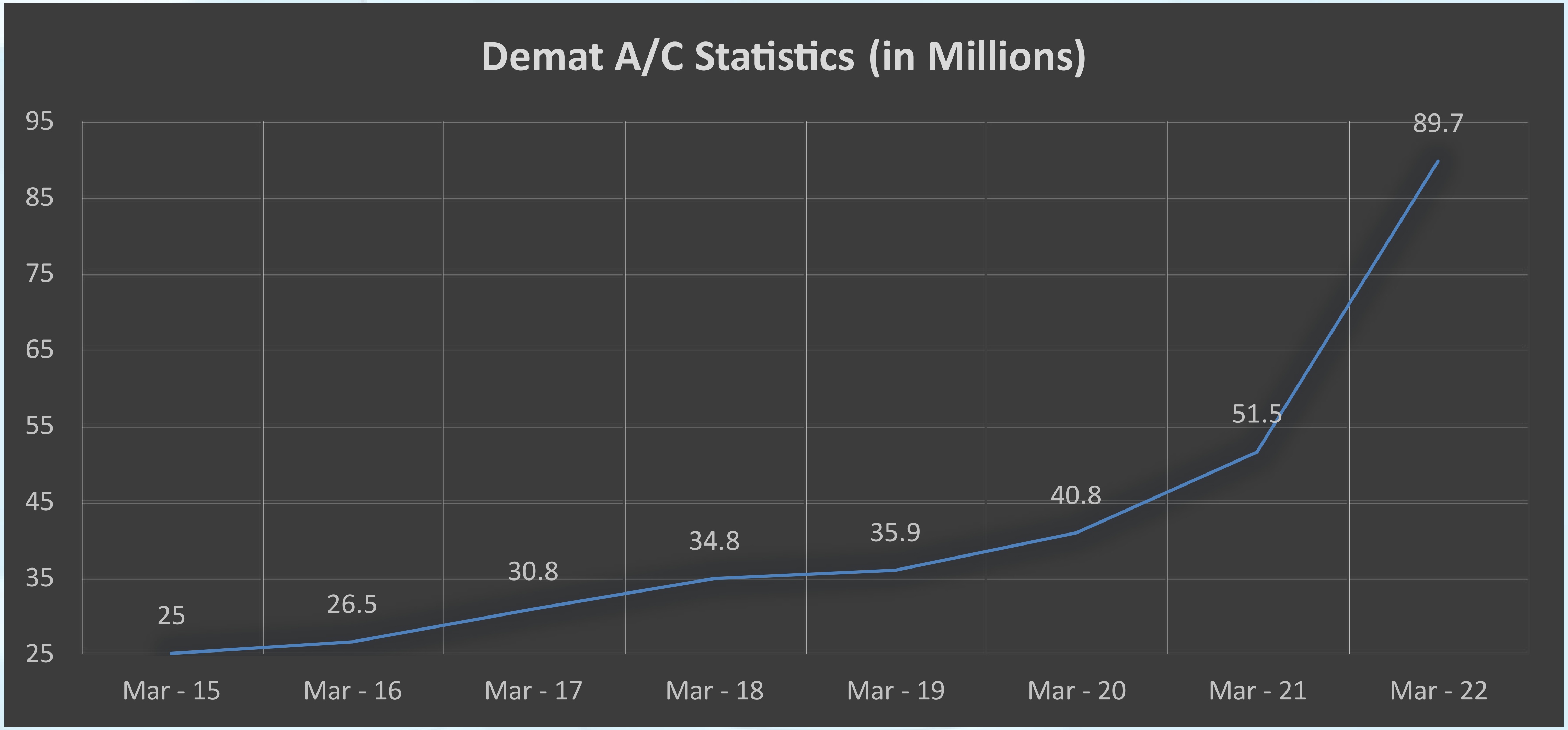


Annual SIP Inflows in MF (in Cr)

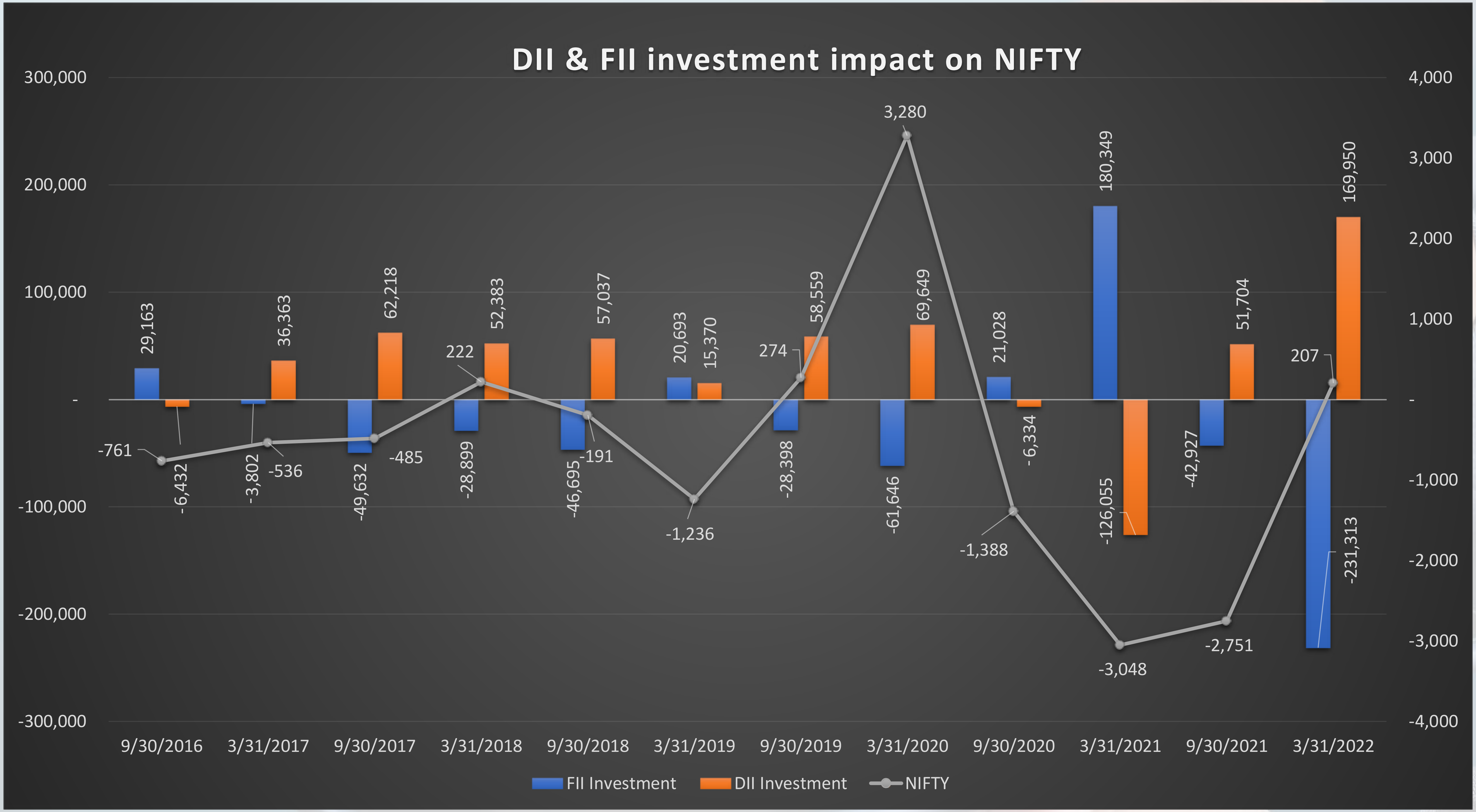
- In the last 6 years, the Annual SIP inflow has increased by almost 3 times
- In the last FY 21-22, it has increased by 29.65%

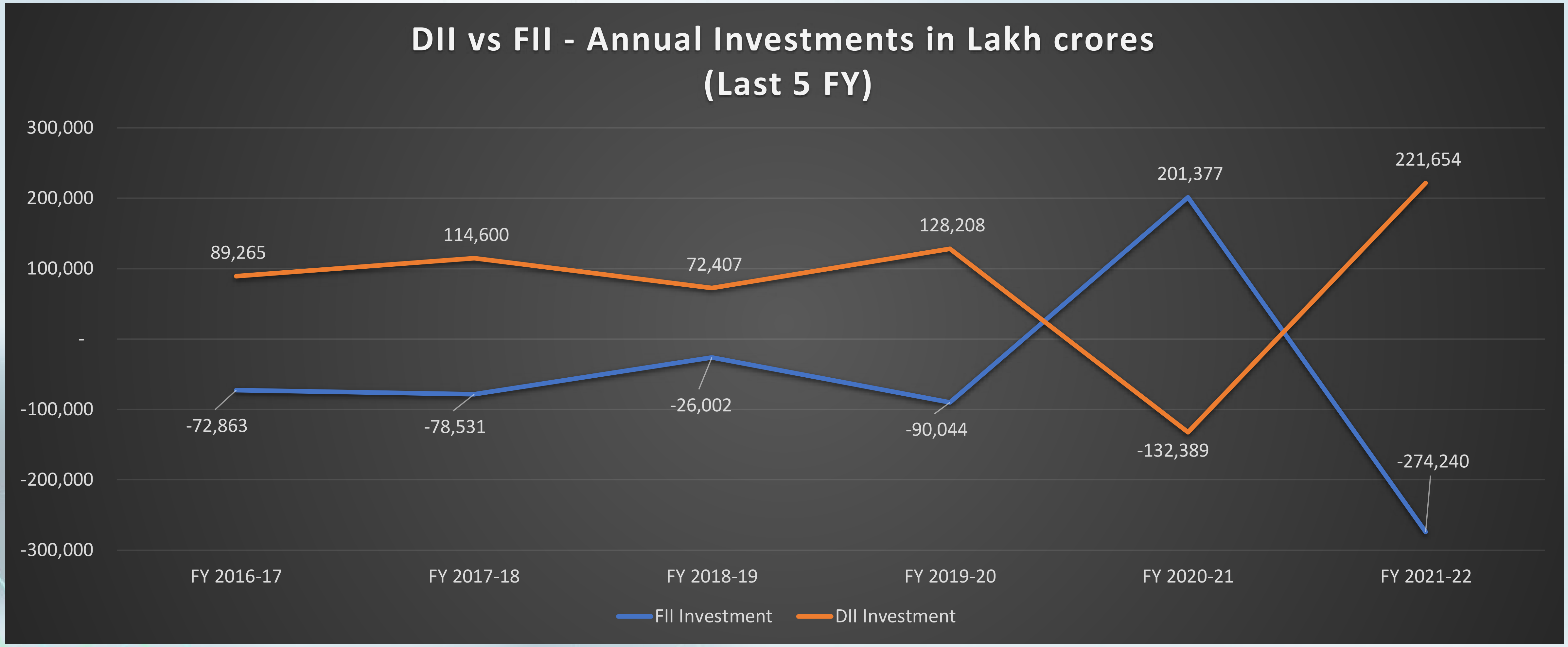
De-Mat Accounts Statistics (in Millions)

- Number of De-mat accounts steadily increasing
- Over the last 5 years, it has increased by 158% from 34.8 Million to 89.7 Million
- Dramatic increase last FY i.e. 2021-2022 from 51.5 Million to 89.7 Million



DII & FII Investment impact on NIFTY



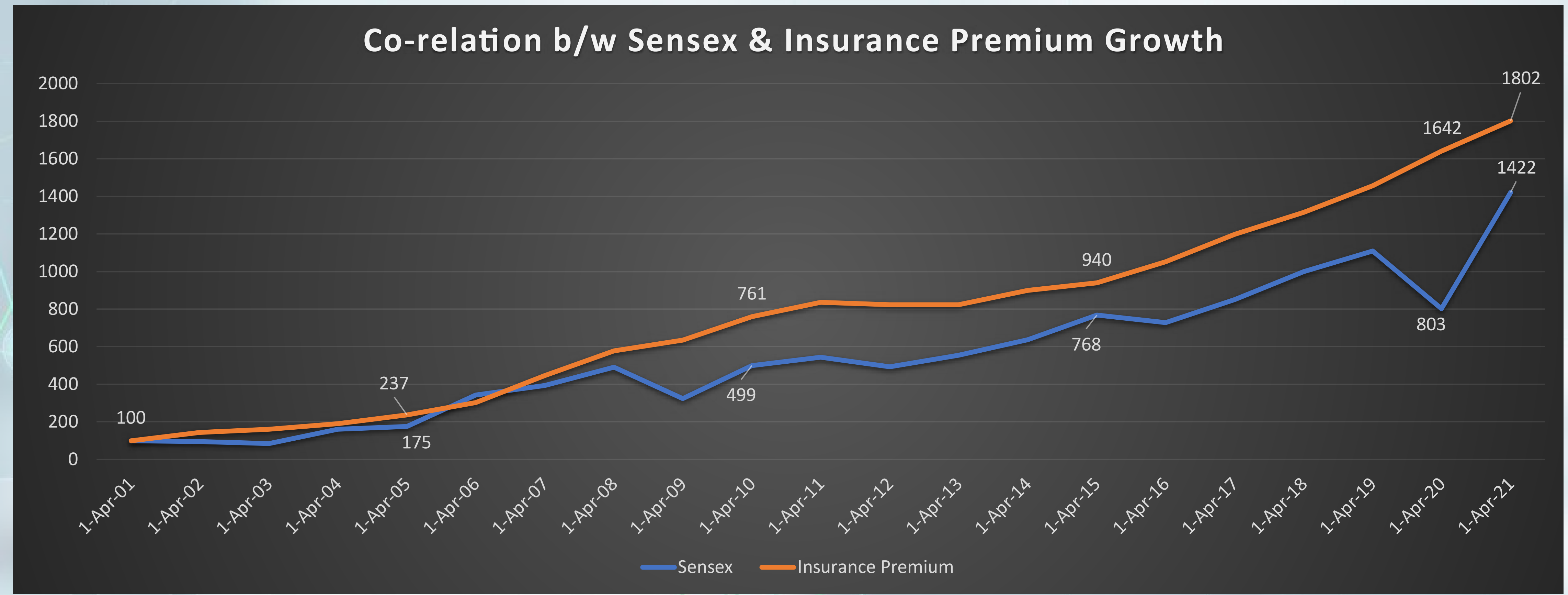


DII vs FII Annual Investments in Lakh Crores

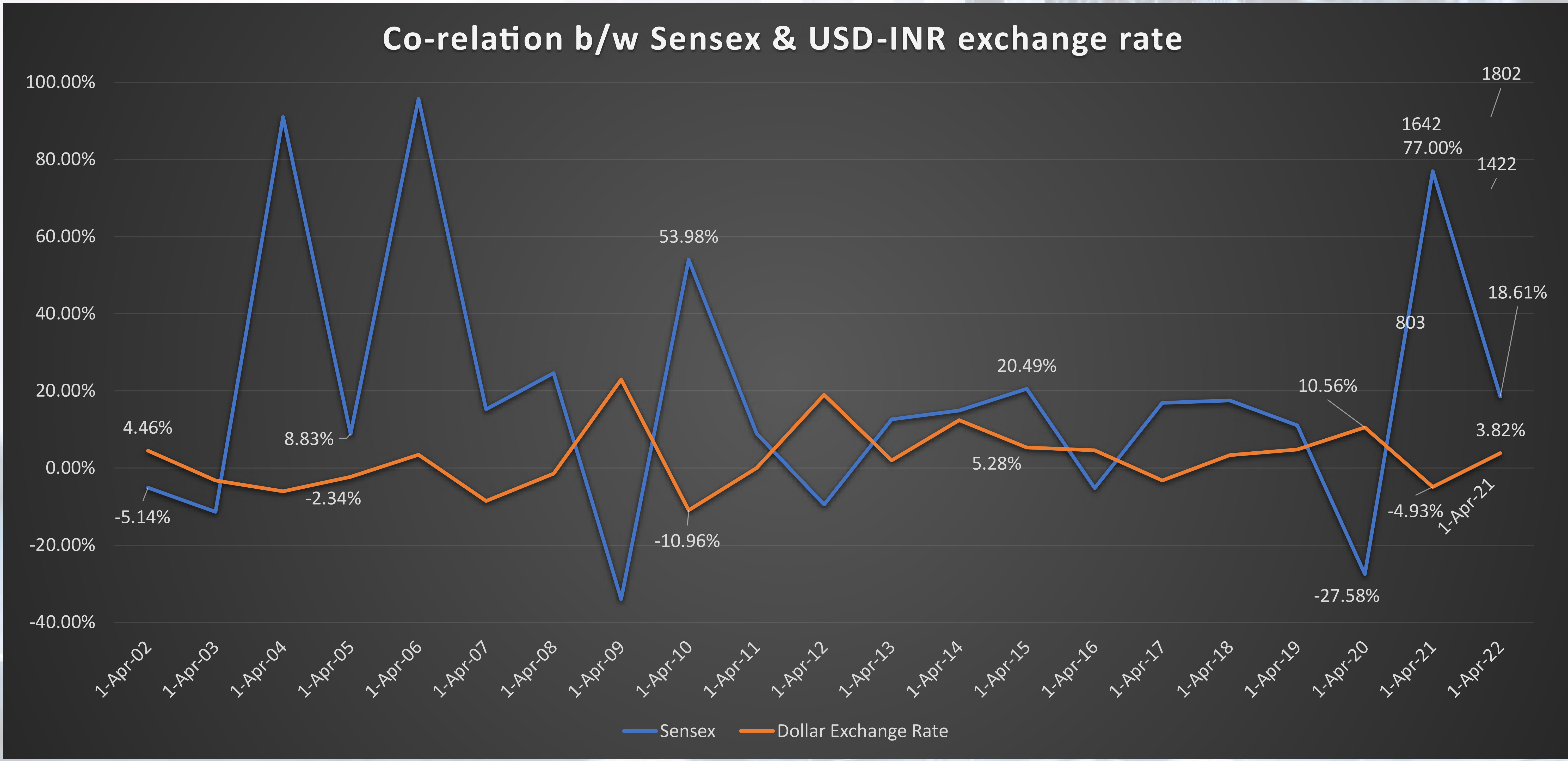
- FII and DII have generally followed opposite investment strategy
- In FY 2021-2022, Investment of DII is 2.21 lakh crore whereas FII sold -2.74 lakh crore

Co-relation Between Sensex & Insurance Premium Growth

- India on account of Insurance is an underpenetrated county
- Insurance companies invest in Equity market on long term basis
- Growth in Insurance Premium Collection has a positive impact on the Sensex



Co-relation between Sensex & USD-INR exchange rate



BSE Sensex and USD - INR exchange rate have an inverse relationship

Particulars	Source links
Sensex	https://www.bseindia.com/indices/IndexArchiveData.html
Gold	https://www.gold.org/goldhub/data/gold-prices?gclid=EAIaIQobChMI27m67dyr8QIV6Z1LBR2i2AEyEAAYASAAEgKSg_D_BwE
Bank FDs	https://www.rbi.org.in/scripts/PublicationsView.aspx?id=12765
Bank FDs	https://www.sbi.co.in/portal/web/interest-rates/old-interest-rates-last-10-years
Property	https://www.ceicdata.com/en/indicator/india/real-residential-property-price-index

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