MONTHLY NEWSLETTER - AUGUST 2023

NEWS HIGHLIGHTS

SEBI implemented a regulatory framework for mutual fund sponsors
ITo become self-sponsored, an AMC must have been in the financial services business for 5 years, have a positive net worth, and have a net profit of 10 crores in each of the preceding 5 years.

SEBI has implemented a distinct sub-category dedicated to ESG investments
ISebi creates ESG(Environmental, Social, and Governance) subcategory for equity schemes. Strategies include exclusion, integration, best-in-class, impact investing, sustainable objectives, and transition.

India's trade deficit narrowed to $20.13 billion in June 2023 from $22.12 billion in the previous month.
India's merchandise trade shrinks to $20.13 billion in June'23 from $22.12 billion in May'23, according to a Reuters calculation based on export and import data.

HDFC Bank and HDFC have completed their merger, following the final approval of their boards.
The merger between Housing Development Finance Corporation (HDFC) and HDFC Bank received final board approval after the bank's board met after hours on Friday..

TCS's net profit for the first quarter of 2023 increased by 16.8% to Rs 11,074 crore, while its revenue reached Rs 59,381 crore
The figures are in line with the subdued expectations in a weak demand environment. The country's largest software services exporter grew by a modest 0.4 percent quarter-on-quarter, which is its slowest growth in the last 12 quarters.

Source: Multiple News Portals

MONTHLY MARKET DATA

Particulars	Open	High	Low	Close	Change %
Sensex	64,836.16	67,619.17	64,836.16	66,527.67	2.61%
Nifty	19,246.50	19,991.85	19,234.40	19,753.80	2.64%
Nasdaq	13,798.70	14,446.55	13,567.25	14,346.02	3.97%
Gold	$1,919.40	$1,987.59	$1,902.68	$1,964.19	2.33%
Crude	$70.33	$82.05	$69.64	$81.70	16.17%

*Source : Investing.com | Market Data Period 01/07/2023 to 31/07/2023

Jyotiraja Sodha
Shubhchintak
AMFI-Registered Mutual Fund Distributor | ARN-18594
jyotiraja_sodha@hotmail.com 9898398189 https://shubhchintak.investwell.app/app/#/login

FINANCIAL QUOTE OF THE MONTH

> Wealthy people invest first and spend what's left and broke people spend first and invest what's left".

TAX SAVING TIP OF THE MONTH

Avail tax savings on your contributions to designated pension plans offered by life insurance companies, subject to the limits specified in Section 80C.

The Section 80CCC exemption confines expenses related to purchasing a new policy or renewing an existing one offered by a life insurance company provided the policy offers a pension or periodical annuity. This exemption falls under the overall umbrella of Section 80C and Section 80CCD(1), capping the combined annual exemption at ₹ 1,50,000.

QUIZ

What is the current SIP AUM in the month of June'23?
To be published in the next edition.

ASK YOUR MFD

I am right now 45 years old and looking to invest ₹5 lakhs from my savings bank account into an equity fund. Additionally, I plan to begin a monthly Systematic Investment Plan (SIP) of ₹10,000 in the same fund. Could you please estimate the expected return and portfolio value when I reach 60 years of age?"

Assuming a 12% return, your portfolio is likely to reach a value of approximately ₹75 lacks by the time you get 60 years of age.





CLIENT

MR. MFD

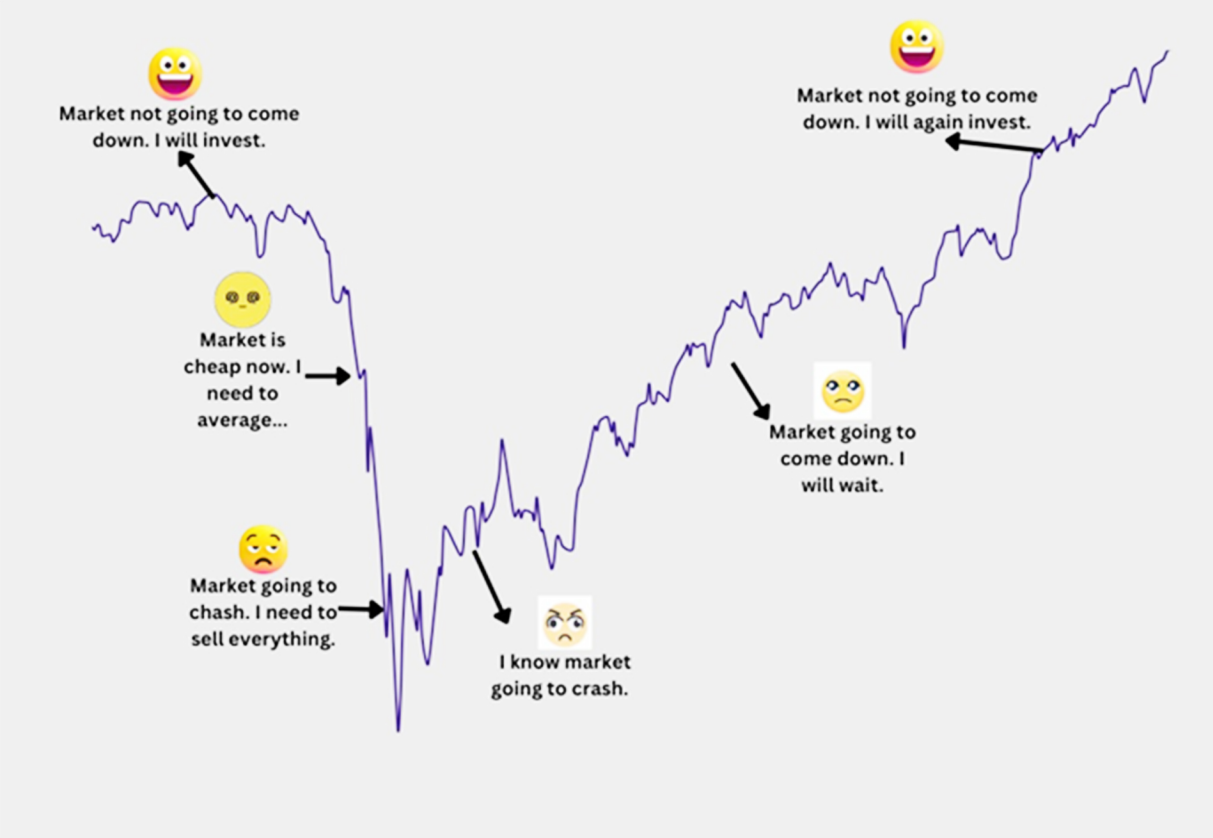
Jyotiraja Sodha
Shubhchintak
AMFI-Registered Mutual Fund Distributor | ARN-18594
jyotiraja_sodha@hotmail.com 9898398189 https://shubhchintak.investwell.app/app/#/login

EDITORIAL

Understanding the Discrepancy: Why Investor Returns Lower Compared to Scheme Returns?

Often investors experience a return in their invested scheme, less than the scheme's long-term return. Let's find the reason for the same

Investors have psychological tendencies or cognitive errors that influence decision-making processes when it comes to financial matters and investments. These psychological tendencies are also known as biases, which can lead individuals to deviate from rational decision-making and can have a negative impact on their financial choices and investment behaviors.



Here are some behavioral biases in detail and how to avoid them.

Confirmation bias: Many times we tend to like and believe information that agrees with what we already think, and we often ignore or reject evidence that goes against our beliefs.

Example: Your neighbor bought a luxury car after making a fortune from investing in a new digital asset called XYZ coin, which has gained a remarkable 1000% return this year. Tempted by this success, you jumped into it without heeding financial experts' warnings and other indications of a potential bubble that could burst later.

Jyotiraja Sodha
Shubhchintak
AMFI-Registered Mutual Fund Distributor | ARN-18594
jyotiraja_sodha@hotmail.com 9898398189 https://shubhchintak.investwell.app/app/#/login

How to avoid it?
Be mindful of biases, which can occur subconsciously. Gather data to support your decision, and also consider the opinions of critics. Avoid making hasty decisions, and use decision-making tools to help you.

Overconfidence Bias:



Overconfidence bias means thinking we know more and are better at something than we really are. Because we can have wrong ideas about ourselves, we often misjudge how likely we are to succeed or fail in a situation.

Example: People often believe they can make quick profits by investing in unknown companies or using complex financial instruments without fully understanding the risks involved. When they face losses, they may double down or average out to recover, but this often leads to even greater losses. Overconfidence without proper research or preparation can lead to disastrous financial outcomes.

How to avoid it?

Knowing the limitations, embracing humility, self-reflection, considering risk and downside, and staying updated and informed can help you to avoid overconfidence bias.

Anchoring bias:



Anchoring bias is when we rely too much on the first piece of information we receive, which can lead to biased opinions

Example:
You visit a store and come across your favorite pair of sports shoes, but the price is much higher than you can afford. Reluctantly, you decide not to buy. However, the following week, you see an ad in the newspaper offering a 30% discount on the exact same pair of shoes. Excited about the savings, you rush back to the store to finally fulfill your dream of owning those shoes. Despite the shoe still being more expensive than the average sports shoes in the market, anchoring bias leads us to count on the first piece of information we received about its price.

Jyotiraja Sodha
Shubhchintak
AMFI-Registered Mutual Fund Distributor | ARN-18594
jyotiraja_sodha@hotmail.com **9898398189** **https://shubhchintak.investwell.app/app/#/login**

How to avoid it?

To avoid anchoring bias, you need to be conscious of it and use critical thinking skills. After receiving information, take a moment to assess whether it is relevant or biased. Gather information about alternatives and seek out multiple perspectives

Availability Heuristic:

The availability heuristic refers to our inclination to rely on information that readily comes to mind and not on the fact while making decisions about the future.



Example:

When the stock market corrects or enters a bear market due to a recession or economic slowdown, we tend to shy away from investing, even though it's actually an opportune time to enter the market. The fear of price corrections in bear markets often clouds our judgment, causing us to miss the chance to acquire investments at discounted prices. Instead, we may mistakenly believe that the bear market will persist indefinitely. Conversely, in a bull market, we may become overly optimistic and overlook potential risks.

How to avoid it?

When information comes to mind easily, assess its relevance. Before making decisions, challenge the validity of the information. Rely on data and statistics, not anecdotes. Explore alternative viewpoints to question assumptions. Focus on facts, evidence, and be mindful of emotions. Seek outside perspectives to gain fresh insights through discussions with experts.

Loss Aversion:

Loss aversion is a cognitive bias where the pain of losing is twice as powerful as the pleasure of gaining. People tend to prefer avoiding losses over acquiring equivalent gains.



Example:

Many people choose to stick with less risky assets like debt for extended periods to avoid the volatility of the equity market. However, this cautious approach often leads to limited wealth accumulation in the long term. Additionally, the returns from debt assets may not keep pace with inflation, resulting in a loss of purchasing power over time.

Jyotiraja Sodha
Shubhchintak
AMFI-Registered Mutual Fund Distributor | ARN-18594
jyotiraja_sodha@hotmail.com 9898398189 https://shubhchintak.investwell.app/app/#/login

How to avoid it?

To avoid loss aversion bias one should consider adopting an asset allocation strategy, rather than depending on any specific asset class, and can consider rebalancing the portfolio on the specific market situation or any particular time frame.

Herd mentality:

Herd mentality bias means that investors tend to copy what others are doing instead of thinking for themselves. Emotions and instincts play a big role in this behavior.



Example:

You learned that several of your friends purchased ABC stock while you visited a cafe with them over the weekend. Without understanding much about the company, you asked your broker to buy a sizeable amount of ABC shares for you the very following day

How to avoid it?

To avoid herd mentality, keep an open mind and consider different perspectives. Look for opinions that differ from the majority. By embracing diversity, you can make informed decisions based on your own judgment, rather than just following the crowd.

In conclusion, being aware of behavioral biases is essential for making sound financial decisions. It's crucial to gather diverse information, question our assumptions, stay informed, and consider alternative perspectives. By following these strategies, we can make more informed and rational choices in our financial endeavors.

Jyotiraja Sodha
Shubhchintak
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jyotiraja_sodha@hotmail.com 9898398189 https://shubhchintak.investwell.app/app/#/login

MF CATEGORY WISE PERFORMANCE (%) AT A GLANCE

Category	1 year	3 Years	5 Years	10 Years
Equity - Contra	23.22	28.79	15.37	17.59
Equity - Dividend Yield Fund	21.44	25.50	13.53	15.00
Equity - ELSS	17.89	23.08	12.24	15.92
Equity - Flexi Cap Fund	17.71	22.85	12.74	16.20
Equity - Focused Fund	17.46	22.30	12.25	16.02
Equity - Large & Mid Cap Fund	19.63	25.71	13.64	16.90
Equity - Large Cap Fund	16.76	20.39	11.56	14.02
Equity - Mid Cap Fund	21.85	30.65	15.55	20.25
Equity - Multi Cap Fund	22.41	28.47	15.61	18.05
Equity - Small Cap Fund	27.18	39.56	18.55	22.08
Equity - Value Fund	23.89	27.40	12.77	17.45

* All Sectoral, Thematic, Index & ETF Funds excluded in the above list.
* Disclaimer: This report has been prepared on the basis of data available to us and we have taken all precautions so that there are no errors and lapses. However, we do not assume any liability for actions taken, based on this report. Past performance may or may not be sustained in the future. Mutual fund investments are subject to market risks, read all scheme related documents carefully. Returns are not guaranteed.
* Report as on 01/08/2023

Question and Answer for the Quiz Last Edition:

Q) In which year UTI was established and what was the first scheme?

A) Unit Trust of India (UTI) was established in the year 1963. Unit Scheme 1964 (US '64)

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