



Embrace the new

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Dear investors

2021 has begun on a positive note. Approval for use of multiple vaccines, faster than anticipated recovery on the economic front, rising corporate profitability, rising stock markets and a pro growth budget are helping relegate the dark memories of the Covid 19 pandemic into the background and not to forget, a memorable victory for the Indian cricket team under most trying conditions in Australia. The series showcased the resilience, tenacity and confidence of youth of this country. What we saw on the field of cricket is a reflection of the attitude of the next generation. The spirit of playing to win is what will augur well for the country's economy for the next decade.

The pandemic prompted most economists, businesses and behavioural scientists to put significant amount of efforts trying to visualise the new normal and what it means for the prospects of various sectors. There are varied views on the subject. The fascinating part is that irrespective of the view, all experts agree that the one theme that will continue to be the pillar of future growth is the "on demand economy". This term refers to an economy that fulfils consumer demand on the basis of immediate access to goods and services in a manner desired by the consumer. When we refer to an on demand economy, the services that come to mind are food delivery apps, ride hailing services, video streaming services etc.

If I say that this term may have been coined over the last few years, but there has been an industry that has been serving its customers on the lines of an on demand economy for more than two decades, I am sure most of you may not agree. But in fact there is.... It is the Mutual Fund industry.

Let me explain. The fundamental premise of an 'on demand' economy is that the customer has to be offered, choice, flexibility, and convenience that they seek. Now let's look at MFs from the lens of choice, flexibility and convenience. MFs offer choice of schemes to suit the need of the investor. Right from equity for long term wealth creation to overnight funds for parking of temporary surpluses, there are options. Investors have a choice to participate in the domestic market or in overseas markets. Even within the domestic market there is a choice of offerings, Diversified equity, Large cap, Thematic, Sectoral and so on. Not only debt and equity but also traditional investment avenues like Gold and Real Estate can be accessed through MFs. In case investors don't want to start with a large sum, SIP is an option. SIPs also come with Top Up facility that allows investors to increase the instalment amount over a period of time. Investors have the convenience of getting, within 5 minutes, a sum of up to Rs.50,000 through a facility like Insta redemption at any time of the day. Advent of online platforms have made MF investment, redemptions, switches very convenient.

Let's look at the current situation. Like always, the opinion about equity markets widely differs. Some investors are of the opinion that the markets are overvalued and would like to wait for a correction. Some believe things are turning positive on the economic front hence want to participate where the earnings growth is likely to be the highest. For investors belonging to the first camp, MFs have Systematic Transfer Plan as an option. Investors convinced about earnings recovery and underlying bullishness, Diversified Funds or Midcap could be an answer.

In my experience there is always a large group who would not fit in either camp. Not interested in second guessing the direction of the markets, they seek a solution that is more like fill it, shut it and forget it.., The Balanced Advantage Fund category is the best alternative for investors looking at a balance of risk and reward. We recently launched a BAF and saw mobilisations of Rs.350+ cr thanks to your contributions and support from our partners. The biggest draw for the fund was the strength and uniqueness of the time tested model that decides allocation to equity and debt. We believe that BAF will help investors buy low and sell high, in a tax efficient manner. At a holistic level, buying equities is buying stake in business and investing in debt is being a lender to the business. Depending upon the market valuation, investors have to switch role from being owners to being lenders and vice versa. BAF helps to seamlessly assume and change roles without incidence of incremental taxation. Our understanding is that the journey will also be relatively less volatile compared to an equity fund.

Like our cricket team, more and more Indian consumers are breaking away from the traditional approach. This change in consumer behaviour is helping businesses that are more modern, efficient, transparent, low cost and with flexible offerings to scale up rapidly. The Indian Consumer is changing to embrace the new and we are confident that the Indian investor is doing the same by breaking away gradually from old established traditional forms of investments to more modern, efficient, transparent, low cost and flexible offerings through mutual funds.

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Riskometer

PGIM India Balanced Advantage Fund (An open ended dynamic asset allocation fund)

This product is suitable for investors who are seeking*:

- Capital appreciation over a long period of time.
- Investment in equity and equity related securities including the use of equity derivatives strategies and arbitrage opportunities with balance exposure in debt and money market instruments
- Degree of risk – MODERATELY HIGH

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Investors understand that their principal will be at moderately high risk