

ASPECTS

Investments, Markets, Finance and the Economy



Returns

Valuation

Indian equity markets

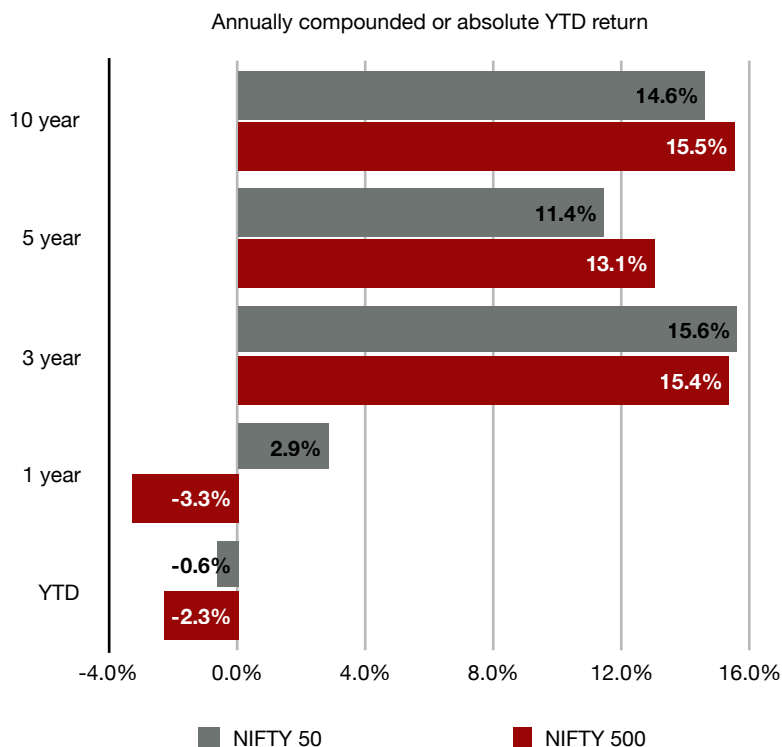
provided muted to slightly negative returns in 2018 and have stayed rangebound in 2019

The NSE 50 index, a collection of the largest 50 stocks by market capitalisation, provided a price only 1 year return of 2.9% as of February 2019¹. The NSE 500 index, a broader collection of the 500 largest stocks by market capitalisation, lost 3.3%

3, 5 and 10 year returns for both indices have been more encouraging and are graphed below

Market Returns

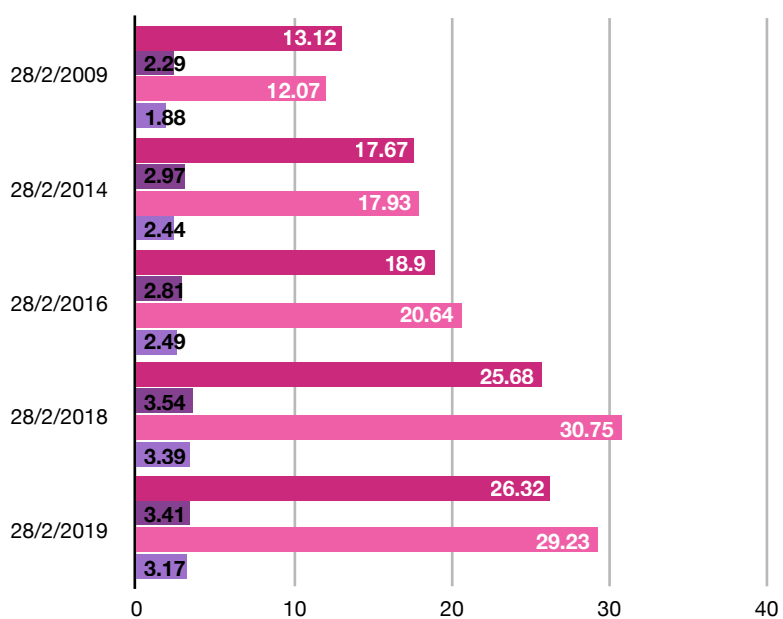
- NSE 50: 1 yr 2.9%
- NSE 500: 1 yr -3.3%



Equity market valuation

Two important valuation metrics, price relative to earnings (P/E) and price relative to book value of equity (P/B) have increased over the years but stayed rangebound in 2018

■ P/E NIFTY 50 ■ P/B NIFTY 50 ■ P/E NIFTY 500 ■ P/B NIFTY 500



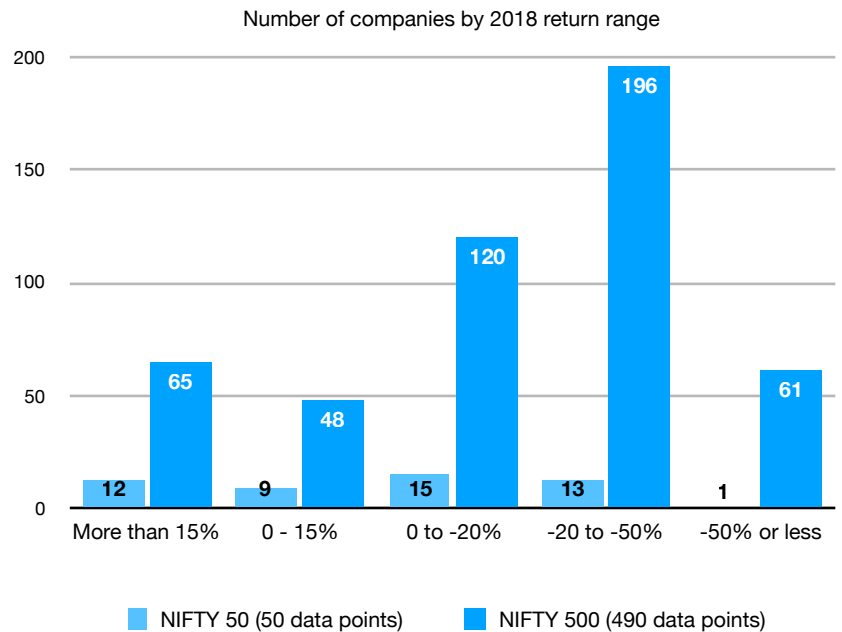
Valuation

- P/E & P/B edged up 2009-2018
- Rangebound in 2018

Additionally there were several underlying trends that likely point towards risks and opportunities. One such analyses shows the extent to which prices have corrected for NSE 50 and NSE 500 stocks even as P/E ratios have stayed relatively flat - 58% of NSE 50 stocks and 77% of NSE 500 stocks saw price corrections (decreases) in 2018²

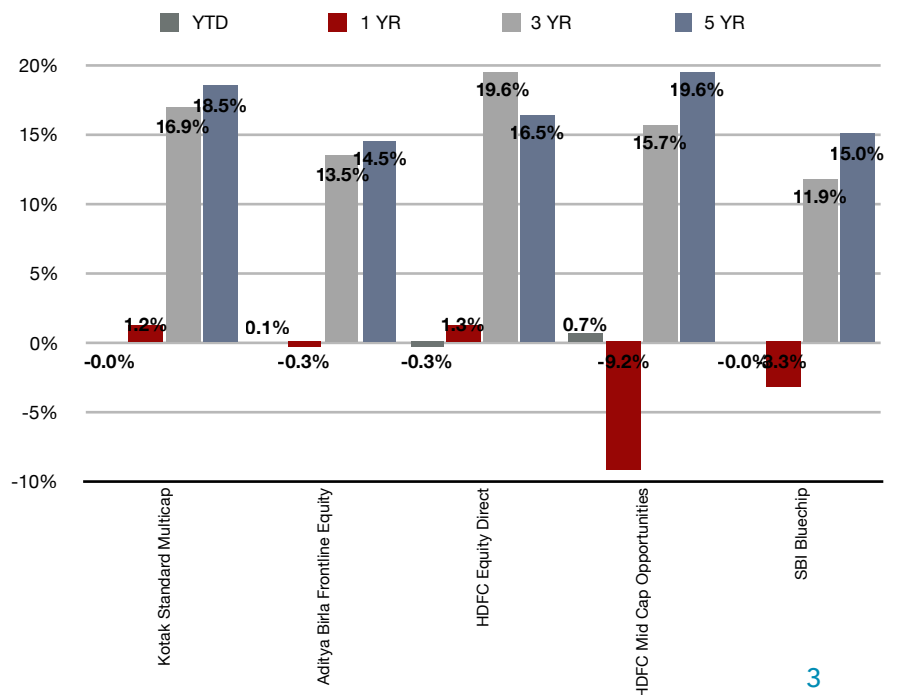
Price correction

- NSE 50: 58% companies saw a price drop in 2018
- NSE 500: 77% saw a price drop



Equity Mutual Fund returns

³Equity fund returns have varied significantly, though returns from 5 prominent funds are directionally similar to those from the broader benchmark indices



Equity MF returns

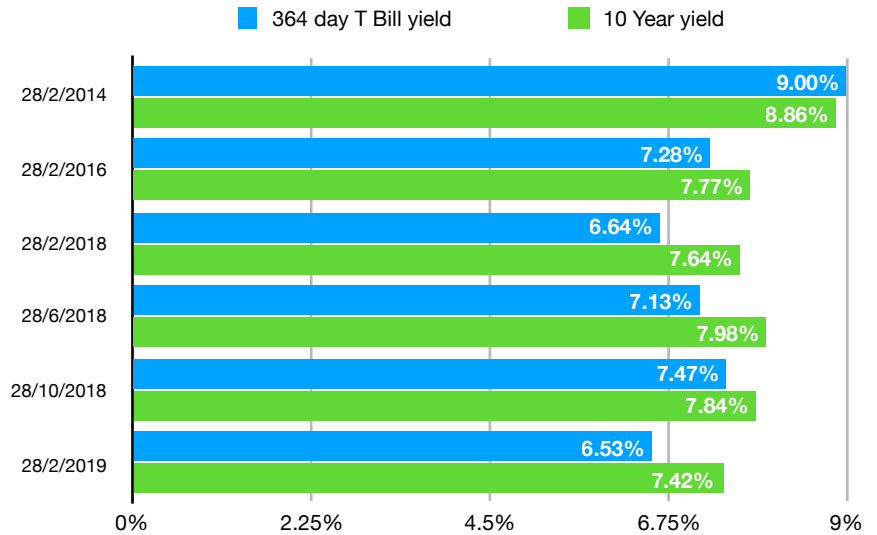
- 5 prominent funds: Low to negative 1 year return
- Directionally similar 3,5 year returns

Yields on GOI debt

- 364 day: 5 yr. downtrend with variation in 2018
- 10 yr. GOI bond: edged up in early 2018 before trending lower

Interest Rates

⁴Yields on 10 year Government of India Bonds, with return of face value of principal and interest guaranteed by the Government of India, moved up during 2018 before trending lower during Nov' 18 - Feb' 19. Likewise yields on 364 day T bills also moved up before trending lower during Nov'18 - Feb' 19

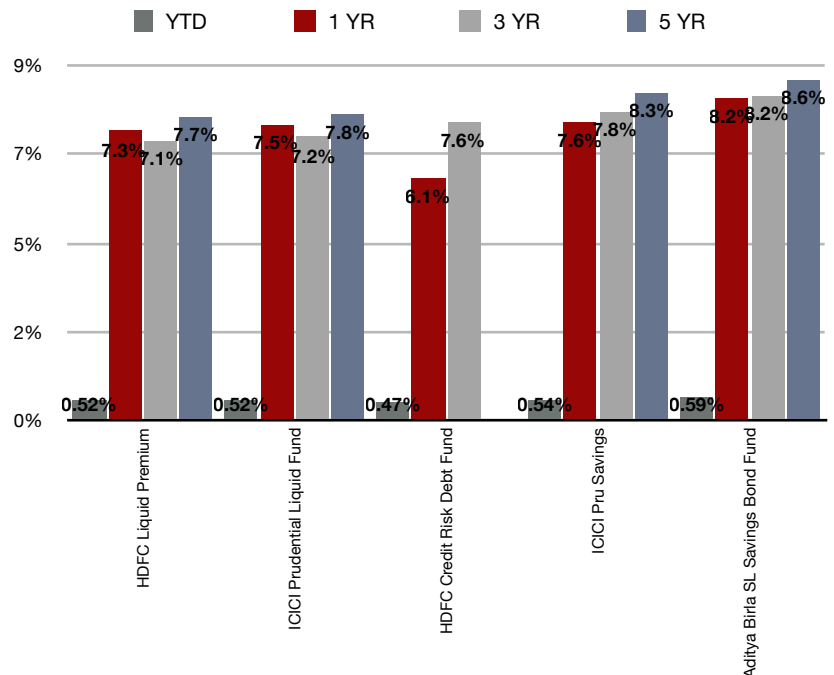


Debt Mutual Funds

⁵NAV returns for 5 prominent debt based mutual funds, including interest income and changes in market value, investing in company bonds and NCD's, GOI debt, other state government debt and other instruments of varying maturities are graphed below

Debt MF returns

- 5 prominent funds: ~ 7-9% 1 to 5 year annual return



Arguably, markets will continue to face challenges and could also benefit from growth catalysts in the near to medium term. We would highlight the importance of regular savings and prudent investments consistent with investors' return expectations and risk capacity

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Investment returns are subject to fluctuations and/or loss of principal. Historical returns are not necessarily indicative of future performance. Investors should carefully consider their risk objectives and return expectations before making any decision

Authors have investments in Indian equity markets via mutual funds, individuals stocks and in NCD's, bonds etc. They also provide advice on investments in these and other asset classes

Data obtained from Internet sources is not additionally verified

¹Returns as of 28/2/2019 closing prices from www.nseindia.com

²Data from 1/1/2018 to 1/1/2019 from www.moneycontrol.com

³Data as of 31/1/2019 from www.economictimes.com. "Prominent" per AUM as of, or close to, return date

⁴Yield data is from date closest to 28/2/YYYY from www.rbi.org

⁵Data as of 31/1/2019 from www.economictimes.com