



THE POWER OF PEOPLE: WELCOME THE ELECTION

The World's largest democracy, India, goes to vote from April. The Election Commission announced the polling dates for the general elections in a seven phase voting process beginning April 19th, 2024, and the results to be announced on June 4th 2024. The election process marks the majesty of the Indian Democracy and forms a fundamental pillar of our Nation. The will of the people rules and so does the power of people: Welcome Elections!

Source: Election Commission of India

MOMENT OF THE MONTH

- **Regulator's concerns on valuations of small & mid-cap stocks:** SEBI had prescribed norms for disclosure of portfolio parameters for small cap & mid cap funds. This is expected to improve quality of information with investors, enabling them to take appropriate decisions on their investment choices.
- **Nifty small-cap index corrected intra month 11.5%** but ended down 4% post rally in the last week.
- **Fiscal deficit** for the April-February 2024 stood at 15.01 lakh crore rupees or 86.5% of annual estimates, shows the government data. Total receipts stood at 22.5 lakh crore rupees, while overall expenditure in April to February was at 37.47 lakh crore rupees. They were 81% and 83% of this fiscal year's budget target.
- **Monetary Policy Moves:** The Federal Reserve (Fed) had announced in its meeting held in March 2024 that it would maintain the overnight federal funds rate at the current range of 5.25% to 5.5%. Fed also refrained from giving any confirmation for the June 2024 rate cut that was widely expected.

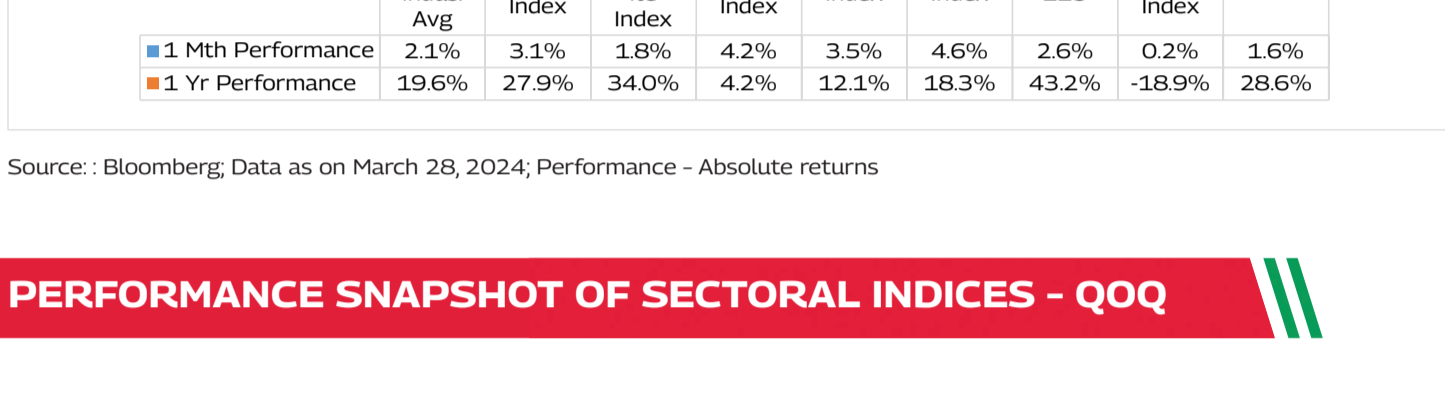
Source: Bloomberg/RBI

WHO MOVED MARKETS

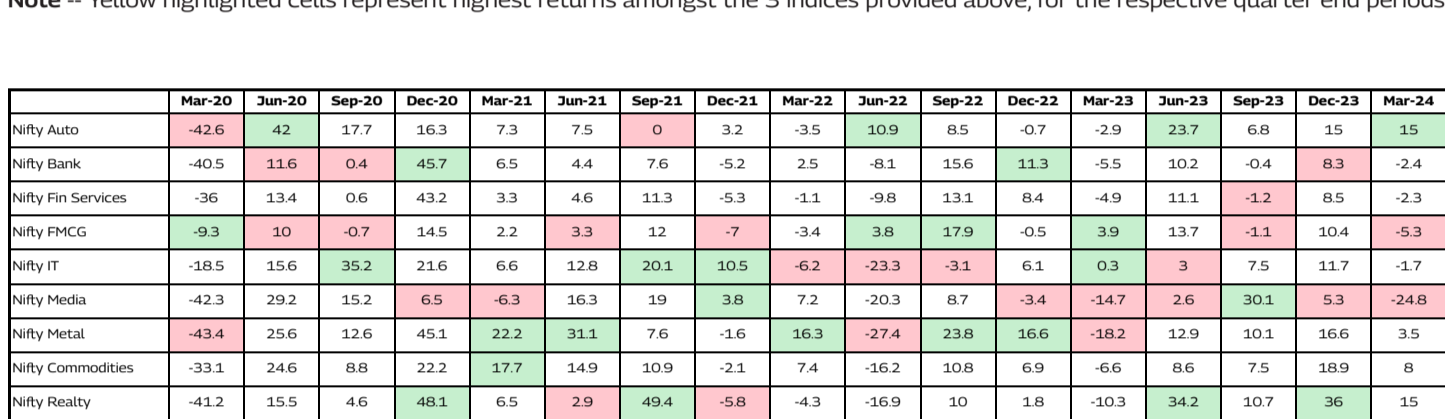
- Foreign Portfolio Investors, having been net buyers for the month. They have bought approx. 4bn\$ in cash market in March. DIs too were buyers for 6.5bn\$. The big sellers being corporate promoters and private equity funds.
- Small cap & Midcap index underperformed Nifty for the first time in many months.
- Nifty Auto and Metals were the best performing indices for the month with 4-5% rally.
- Big underperformer was IT sector as worries over poor pickup in IT spend dominated news flows.

Source: RBI, Date March 28, 2024

MOVERS & SHAKERS



Source: Bloomberg; Data as on March 28, 2024; Performance - Absolute returns



Source: Bloomberg; Data as on March 28, 2024; Performance - Absolute returns

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - QOQ

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Nifty 50	-29.3	19.8	9.2	24.3	5.1	7	12.1	-5.5	0.6	-9.6	6.3	5.9	-4.1	10.5	2.3	10.7	2.7
Nifty Midcap 100	-31.6	25.6	15.5	22.7	13.7	13.8	12.7	0.2	-2.5	-10.9	15.9	2.7	-4.7	1.9	13.4	13.9	4.1
Nifty Small Cap 100	-38.4	38.4	26.2	31.7	14.5	20	11.9	3.7	-7.6	-19.1	11.8	3.1	-7.6	20.5	17.6	18.8	0.8

Source: Data as on March 28, 2024

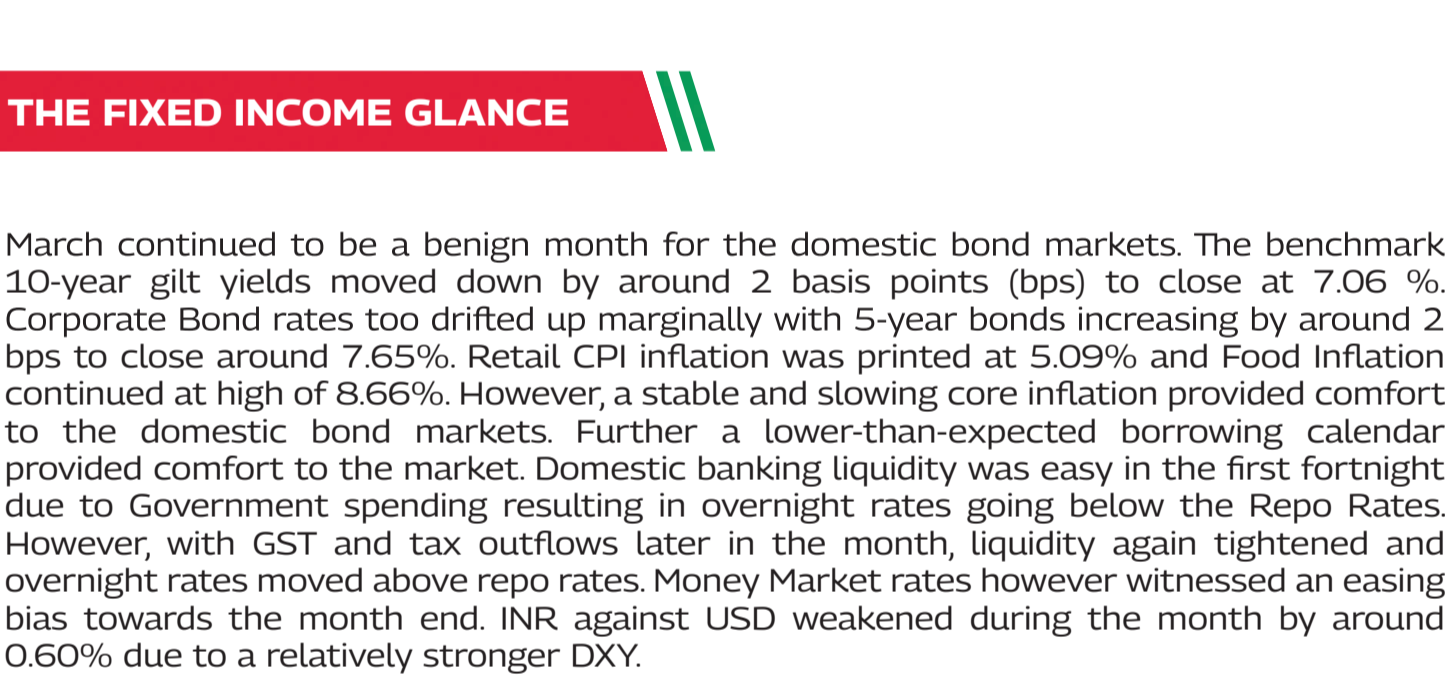
Note - Yellow highlighted cells represent highest returns amongst the 3 indices provided above, for the respective quarter end periods.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Nifty Auto	-42.6	42	17.7	16.3	7.3	7.5	0	3.2	-3.5	10.9	8.5	-0.7	-2.9	23.7	6.8	15	15
Nifty Bank	-40.5	11.6	0.4	-45.7	6.5	4.4	7.6	-5.2	2.5	-8.1	15.6	11.3	-5.5	10.2	-0.4	8.3	-2.4
Nifty Fin Services	-36	13.4	0.6	-43.2	3.3	4.6	11.3	-5.3	-1.1	-9.8	13.1	8.4	-4.9	11.1	-1.2	8.5	-2.3
Nifty F&MCG	-9.3	10	-0.7	14.5	2.2	3.3	12	-7	-3.4	3.8	17.9	-0.5	3.9	13.7	-1.1	10.4	-5.3
Nifty IT	-18.5	15.6	35.2	21.6	6.6	12.8	20.1	10.5	-6.2	-23.3	-3.1	6.1	0.3	3	7.5	11.7	-1.7
Nifty Media	-42.3	29.2	15.2	6.5	-6.3	16.3	19	3.8	7.2	-20.3	8.7	-3.4	-14.7	2.6	30.1	5.3	-24.8
Nifty Metal	-43.4	25.6	12.6	45.1	22.2	31.1	7.6	-1.6	16.3	-27.4	23.8	16.6	-18.2	12.9	10.1	16.6	3.5
Nifty Commodities	-33.1	24.6	8.8	22.2	17.7	14.9	10.9	-2.1	7.4	-16.2	10.8	6.9	-6.6	8.6	7.5	18.9	8
Nifty Realty	-41.2	15.5	4.6	-48.1	6.5	2.9	49.4	-5.8	-4.3	-16.9	10	1.8	-10.3	34.2	10.7	36	15
Nifty Pharma	-50.7	39.1	17.9	9.7	-5	16.6	1.1	-1.7	-4.5	-10.5	6.7	-2.9	-4.6	14.6	12	9.1	12.9
Nifty Energy	-30.1	29.4	4.4	12.6	7.5	9	15.3	-1	14.1	-2.8	1.9	1.1	-11.8	8.2	10.6	22.5	16.6

Note - Cells highlighted in green colour represents top 2 performers and the pink highlighted cells represent bottom 2 performers amongst the indices covered above for the respective quarter end periods.

Source: Bloomberg Returns have been calculated on Absolute basis for respective quarter end periods beginning Mar 2020 until March 2024. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. **Past performance may or may not be sustained in future.**

MARKET CAPITALIZATION - PERFORMANCE SNAPSHOT



Source: ICRRA. Data period 1st January 2006 till 28th March 2024. Returns are absolute returns (1 year) calculated as of the last business day of every calendar year end. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. **Past performance may or may not be sustained in future.**

FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

We present a matrix detailing some movement in some key market (Domestic and global) and key event:

Parameters	28-Mar-2024	29-Feb-2024	31-Mar-2023
RBI Repo Rate %	6.5	6.5	6.5
5Y AAA PSU %	7.65	7.63	7.6
1 year CD %	7.62	7.79	7.61
10Y Gsec %	7.06	7.08	7.31
CPI (YoY) %	5.09	5.1	6.44
IIP (YoY) %	3.8	3.84	5.17
US 10Y %	4.2	4.25	3.47
Dollar Rupee	83.4	82.91	82.18

Source: Bloomberg; Data as on March 28, 2024

THE FIXED INCOME GLANCE

March continued to be a benign month for the domestic bond markets. The benchmark 10-year gilt yields moved down by around 2 basis points (bps) to close at 7.06 %. Corporate Bond rates too drifted up marginally with 5-year bonds increasing by around 2 bps to close around 7.65%. Retail CPI inflation was priced at 5.09% and Food Inflation continued at high of 8.66%. However, a stable and slowing core inflation provided comfort to the domestic bond markets. Further a lower-than-expected borrowing calendar provided comfort to the market. Domestic banking liquidity was easy in the first fortnight due to Government spending resulting in overnight rates going below the Repo Rates. However, with GST and tax outflows later in the month, liquidity again tightened and overnight rates moved above repo rates. Money Market rates witnessed an easing bias towards the month end. INR against USD weakened during the month by around 0.60% due to a relatively stronger DXY.

US treasury yield ended marginally lower by 5 bps to close at 4.20%. While the market is still hopeful of at least 3 cuts in 2024, economic data in US continues to remain strong.

Source: RBI, Date March 28, 2024

WHAT NEXT?



The markets had a big shakeout in the month of March, with Mid & Small-cap indices falling intra month by 10-12%. Also, the PSE index which had a strong year was down 1.1-1.2% intramonth. However, the Finance Minister's comments in the last week of March, that the market fundamentals were strong minister's frayed nerves of the last weeks and we saw a significant pull back rally that led to a smart recovery in the mid-cap and PSE space. March month was weak for small & mid-caps as the leverage financing comes off, forcing liquidation. So, while worriers over valuation run up may be right, liquidity may be an additional factor to ponder.

The elections shall bring hectic political campaigning with less space for policy actions till June 1st week this year as model code of conduct is enforced. Indian markets have historically had a strong run-up pre-election as well as post-election outcome. We expect similar moves as post elections more policy initiatives for boost to manufacturing and economic reform journey continues.

Global expectations on easing monetary policy in USA & Europe are partly offset by tightening decision by Bank of Japan. Bank of Japan has maintained ultra-low (negative) rate policy for long and rate hikes in Japan may have its own impact on reversal of carry trades in financial markets.

Q4FY24 result season is poised to begin with the market expectations for strong numbers in Autos, Realty, PSU banks, Construction and capital goods and select consumer durable stocks.

Post the shakeup in Mid & Small cap & PSE indices, we expect stock selection to again dominate market actions. Focus on stock selection with respect for valuations and monitoring incremental earning upgrade/downgrade to be appropriate strategy post a stellar run up in markets.

We maintain that Indian economy and markets continue to remain good for long term investors with valuations at times interchanging between Green, Amber & Red for fresh investments. As we know, Asset allocation (equities vs debt vs other asset classes like gold, silver etc.) drives a significant portion of wealth creation and within the equity allocation, smart choice between Lumpsum (favourable valuation) & SIP (discipline) helps. Post the stupendous rally in Indian markets, we believe SIPs are better for now and its time to focus on asset allocation. Just a perspective, Indian equities have delivered as under:

Market mood swings with Fundamentals, Flows & Sentiments each taking their turn in leadership. Despite a positive fundamental for investing, the choice of investing (leverage or no leverage) will always matter in short term trading (high leverage using derivatives). The leveraged participation creates its own cascading effect as we saw the sharp decline in March month. The sentiments are very bullish (globally and India both), creating excess risk appetite where investors resort to use of leverage. This typically runs the risk of an accident despite fundamentals remaining intact. We need to be cautious about this trend "investing via leveraging".

Source: RBI, March 28, 2024

SUMMARISING OUR THOUGHTS

- The Monetary policy Committee (MPC) of RBI met in the first week of April. The MPC kept all the rates and the stance unchanged. In our opinion, the MPC may possibly shift the stance to neutral as we go through the year. It is unlikely that the MPC would move ahead of US Fed in cutting the policy rates.
- Globally interest rates have looked at askance at the US interest rates. The narrative continues to be in a flux with uncertainty surrounding the inflation trajectory. However, despite the low unemployment numbers and a stronger GDP, data on credit card and auto loan delinquencies present an interesting dichotomy. We also believe, with China and European economy may possibly show a sluggish growth, thereby creating a lower inflation trajectory globally.
- Our portfolio strategy across our duration-oriented funds run in a similar vein as) Relatively heavy on duration (b) Bias towards Gilts which is gradually shifting towards credits (c) A steepening of the Yield curve.
- While China announced a policy push for economy revival, they don't seem too large enough to push an inflationary pressure on commodity prices.
- We also believe that while AAA credit spreads have increased and now merit a gradual look into the portfolio.

Source: Bloomberg, Data as on March 28, 2024

Stability bhi miley aur growth bhi issey badhkar kya chahiye?

Mahindra Manulife Large & Mid Cap Fund - An open ended equity scheme investing in both large cap and mid cap stocks)

- Long term wealth creation and income.
- Investment predominantly in equity and equity related securities of large and mid cap companies.

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

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