



EQUITY FUNDS TO BE RECOMMENDED IN JUNE

Lok Sabha elections eclipsed other market news in May 2019. India's bell weather index Sensex, had an eventful month, closing at low of 36956.1 on May 14 on account of US China trade war and resultant FII outflows. It bounced back again post exit polls, breaching 40,000 level (intraday) on the election result day.

How did funds react?

Infrastructure sector, which rallied post last election, ran up this time too followed by banking sector funds. Small caps, which had a tough last couple of months, zoomed ahead of large and mid-cap category.

We talked with a few fund managers to understand their expectation on near term market triggers and outlook expectation.

Triggers



Ankit Jain
Fund Manager, Mirae
Asset MF

- ◆ RBI monetary policy
- ◆ Cabinet formation



Chandraprakash Padiyar
Senior Fund Manager,
Tata MF

- ◆ RBI monetary policy
- ◆ Cabinet formation



Lalit Nambiar
Executive VP and Fund
Manager (Equity), UTI MF

- ◆ Corporate earnings
- ◆ Cabinet formation and likely initiatives of the new government

We will soon find out if the Modi 2.0 cabinet lives up to his earlier promise of maximum governance and minimum government. According to fund managers, market participants will eagerly track cabinet formation to see who receives key portfolios. Another key trigger for the market will be RBI's stance on liquidity.

What to expect post-election



Ankit

In line with their manifesto, the policy action is likely to focus on increasing domestic manufacturing, exports and housing. While the earlier term was about structural reforms like GST, IBC and NPC this time we may see incremental changes.



Chandraprakash

Markets are hoping for quick decision-making, contributing to long-term sustainable growth of the economy.



Lalit

While the previous five years were about macro level reforms, the next five years may be about making life easier for businesses. Exports, increasing private capex may be on government's radar.

Sectoral Preference



Ankit Jain

- ◆ Retail oriented financial companies
- ◆ Consumer discretionary
- ◆ Healthcare



Chandraprakash Padiyar

- ◆ Banking sector



Lalit Nambiar

- ◆ Movement from consumption to investment themes

What to expect?



Ankit

- ◆ Markets will be less volatile
- ◆ Corporate earnings recovery in select pockets



Chandraprakash

- ◆ Economy growth to remain subdued due to tight liquidity
- ◆ Shorter term market outlook is range bound at best



Lalit

- ◆ Market to remain stable in the near term
- ◆ Benign commodity prices
- ◆ Slowdown in global growth

What should you recommend to your clients?



Ankit Jain

Increase allocation to mid and small cap funds



Chandraprakash Padiyar

Asset allocation is the key, there is a role play for each category of funds



Lalit Nambiar

Invest incremental flows in thematic funds