

S&P 500 2,828.95 ▲ 79.20 (2.88%)

Axis Bank 844.65 ▼ -9.75 (-1.14%)

Bajaj Finance 6,110.00 ▼ -77.90 (-1.26%)

Bajaj Finserv 1,339.40 ▼ -18.85 (-1.39%)

Bharti Airtel 745.0

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Returns from debt funds are likely to be much better in 2023, says Avnish Jain of Canara Robeco AMC

mintgenie | Dhanya Nagasundaram

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TL;DR.

In an interview with MintGenie, Jain discussed fixed income strategies investors are interested in, as well as shared his opinion on whether or not the Reserve Bank of India (RBI), and other central banks will take a pause from raising interest rates anytime soon.



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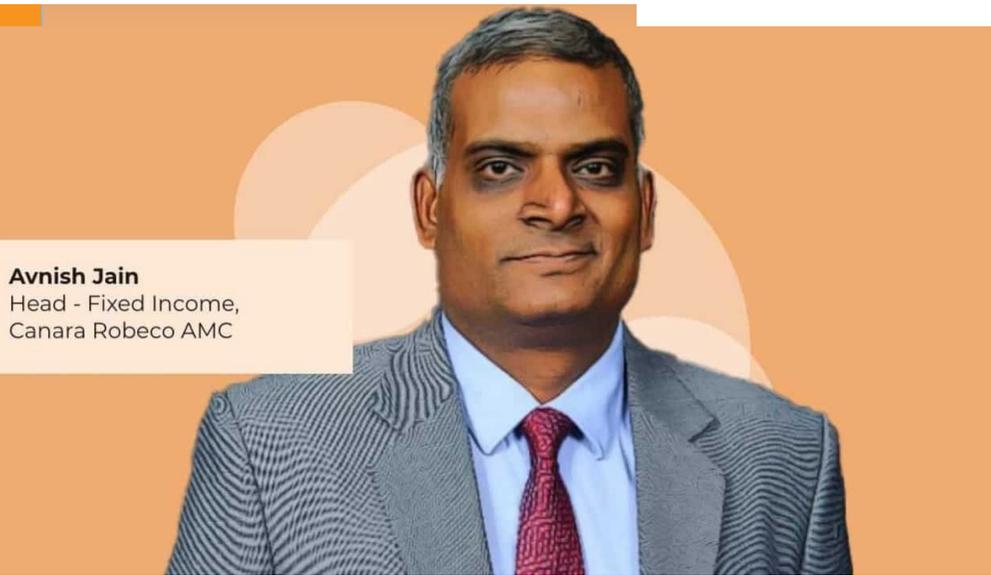
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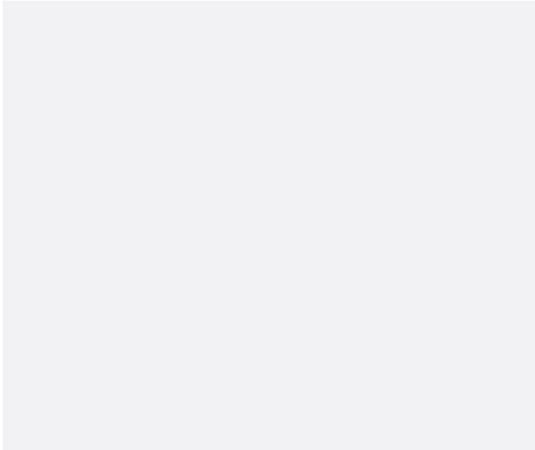
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Avnish Jain
Head - Fixed Income,
Canara Robeco AMC

Avnish Jain, Head - Fixed Income of Canara Robeco Asset Management Company

Avnish Jain, Head - Fixed Income, Canara Robeco Asset Management Company, advises new investors to put their money into high-quality short- to medium-term funds.



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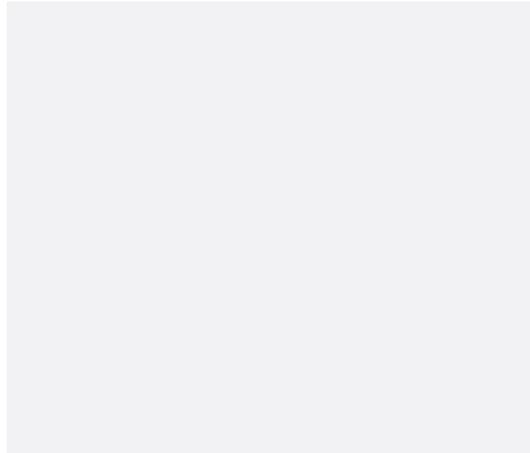
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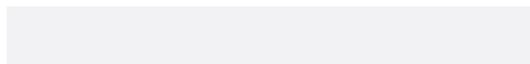
In an interview with MintGenie, Jain discussed fixed income strategies investors are interested in, as well as shared his opinion on whether or not the Reserve Bank of India (RBI), and other central banks will take a pause from raising interest rates anytime soon.

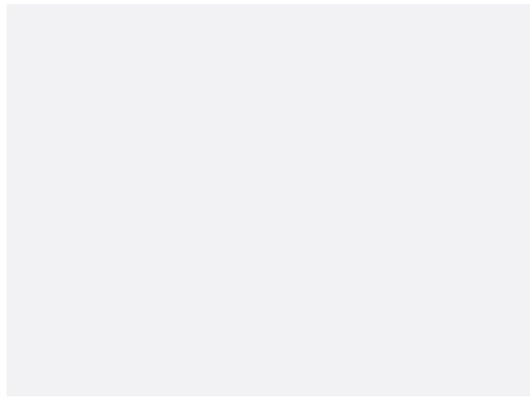
Edited Excerpts:



Which fixed income strategy do you think investors are most interested in at the moment?

Investors are likely to be interested in high quality accrual portfolios having moderate duration, especially when yield curve is flat and 1- 3 year rates are in a range of 7.40%-7.75%. This likely provides for good return opportunities to investors from 2-3 year perspective, as the current rate hike cycle is likely peaking and it would be quite likely that rate may ease in next 2-3 years.





What is the ideal strategy if a new investor wishes to have some fixed income exposure? How much money should they have in equity and fixed income?

A new investor should typically invest in high-quality short- to medium-duration funds like short duration fund, corporate bond fund or banking and PSU debt fund. The allocation between equity and debt will depend on an individual's risk profile as well as investment horizon. It is advisable for a new investor to consult a Securities and Exchange Board of India (SEBI) registered investment adviser to decide on the same.

The data published by Association of Mutual Funds in India (AMFI) for the month of December 2022, reveals that among the 16 open-ended debt schemes, 14 categories witnessed net outflows. What do the future returns expectations look like for these funds?

Due to sharp rate hike by global central banks as well as the Reserve Bank of India (RBI), rates increased sharply in year

2022, leading to lower returns and consequent outflows. However, it is now expected that rate hikes are likely going to stop and RBI may go for long pause on rates. In this scenario, with rates already at high level, return expectations from debt funds are likely to be much better in current year, in comparison to calendar year (CY) 2022.

Short term debt funds

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