Centricity

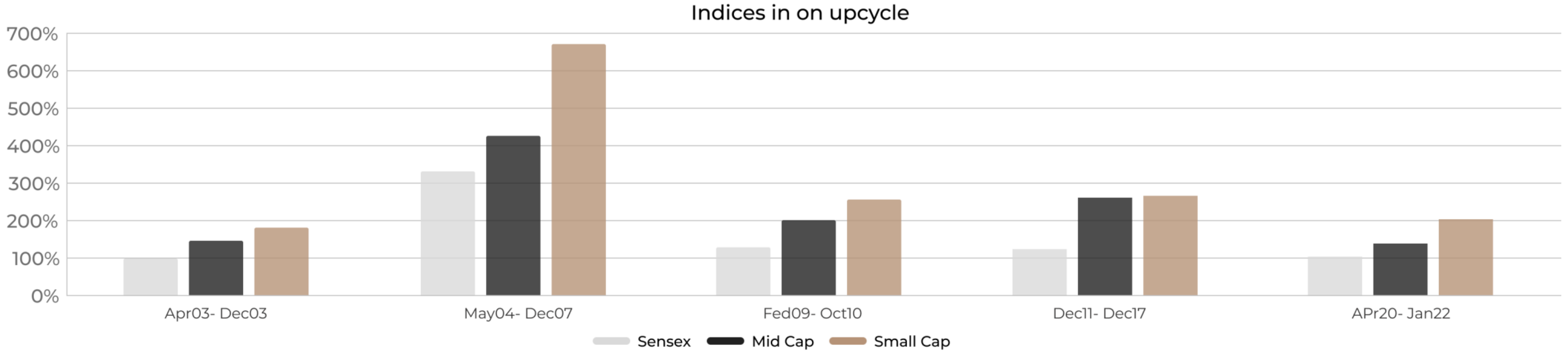
Core & Satellite Investing

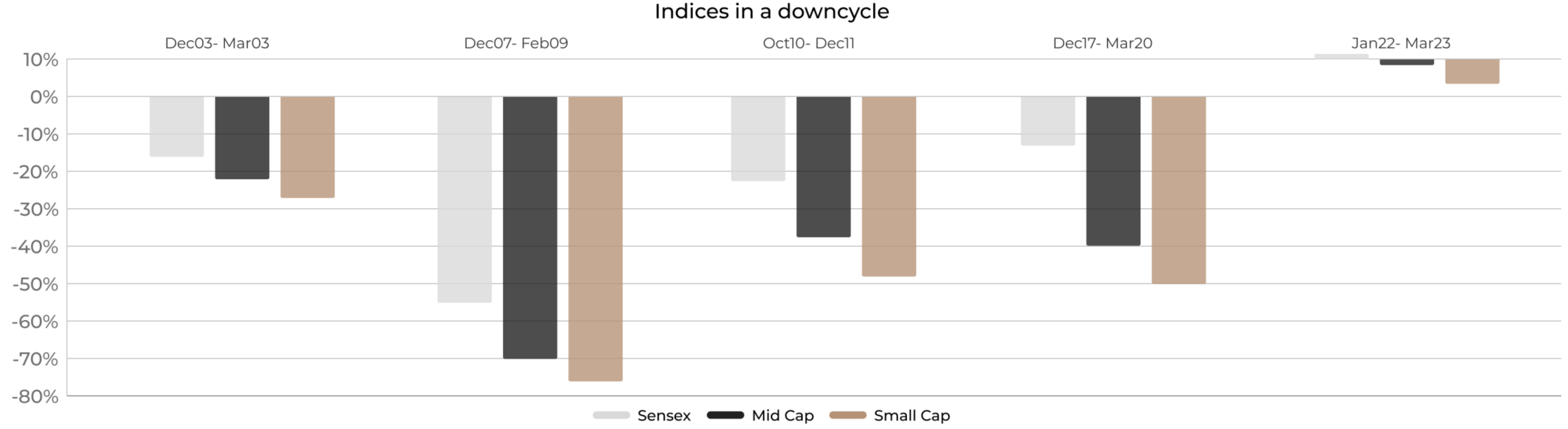
What are Market Cycles?

- Market cycles refer to the recurring patterns or phases that the stock market goes through over time. These cycles are characterized by alternating periods of growth and decline in stock prices.
- Thus, it becomes very important that one is invested in the right asset classes at the right point of time.

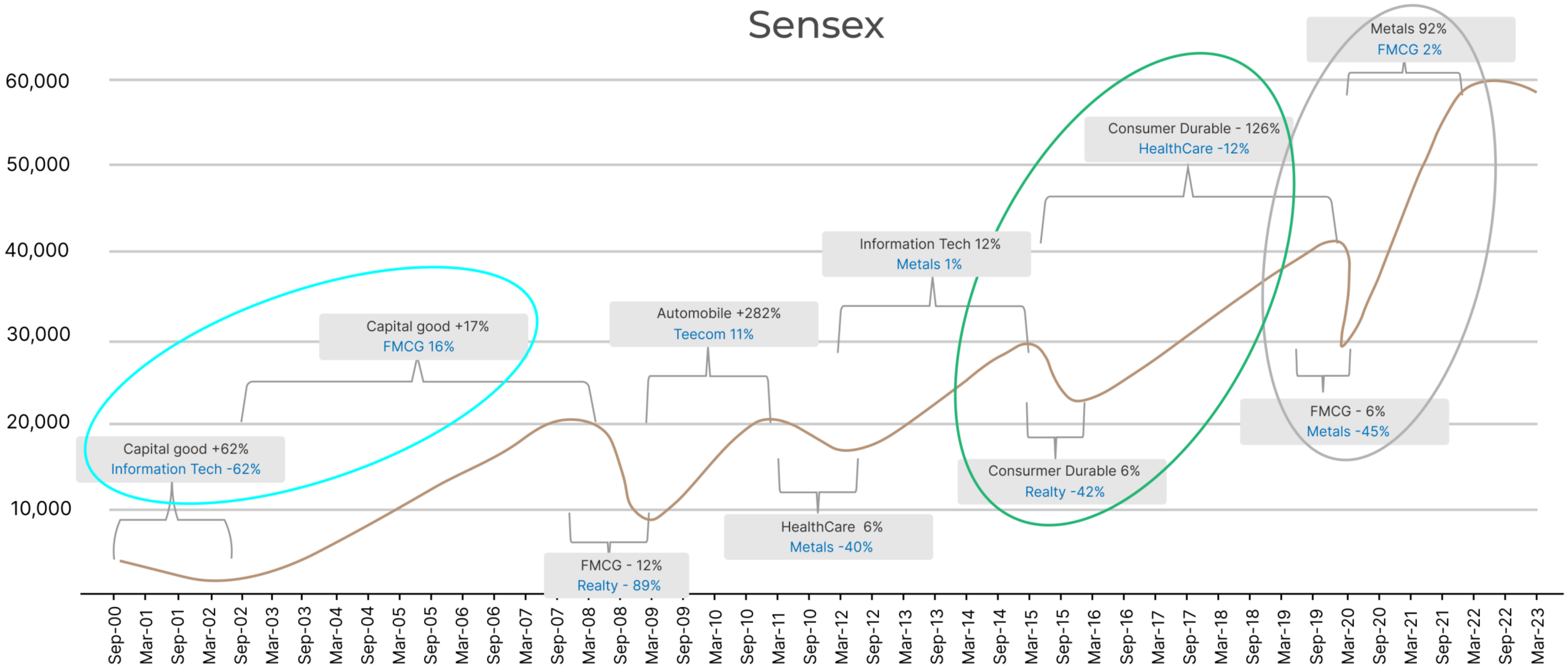
20-year CAGR: Sensex 17% Small Cap 19%

Market-caps operate in a cycle



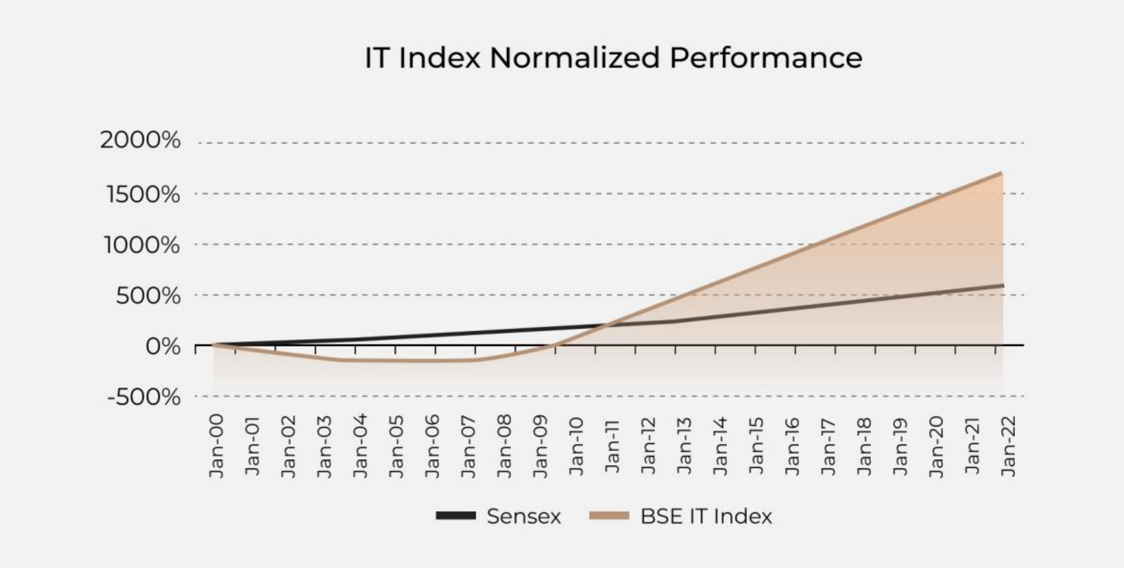


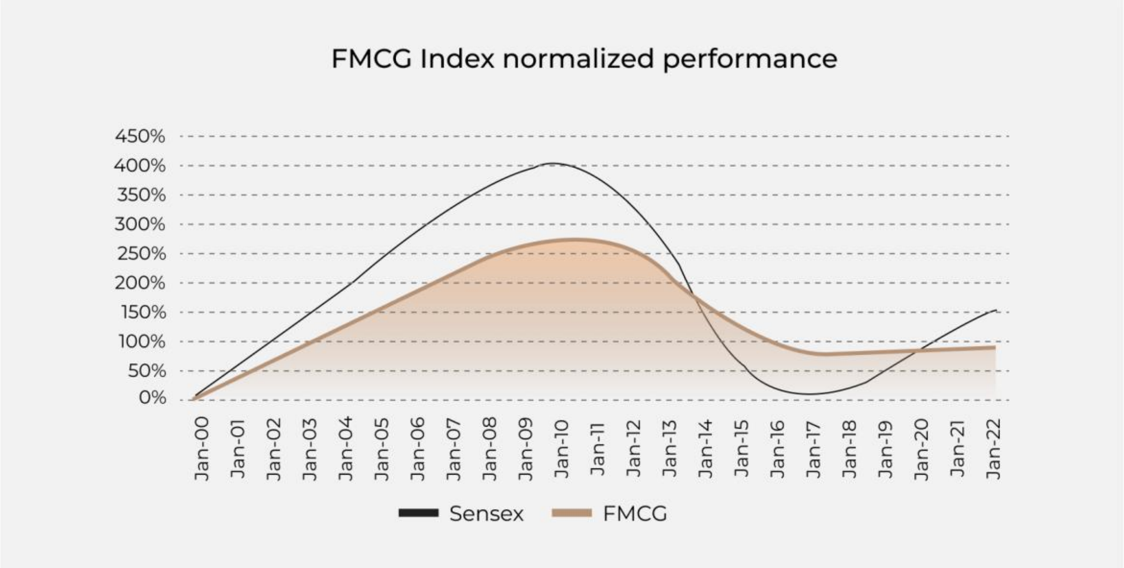
Sectors operate in a cycle

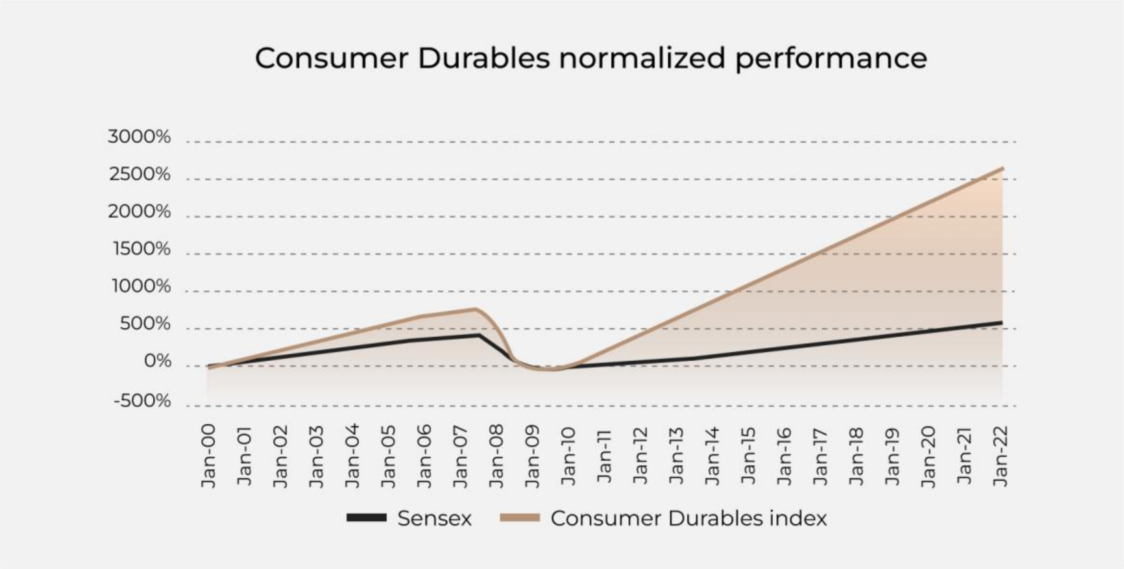


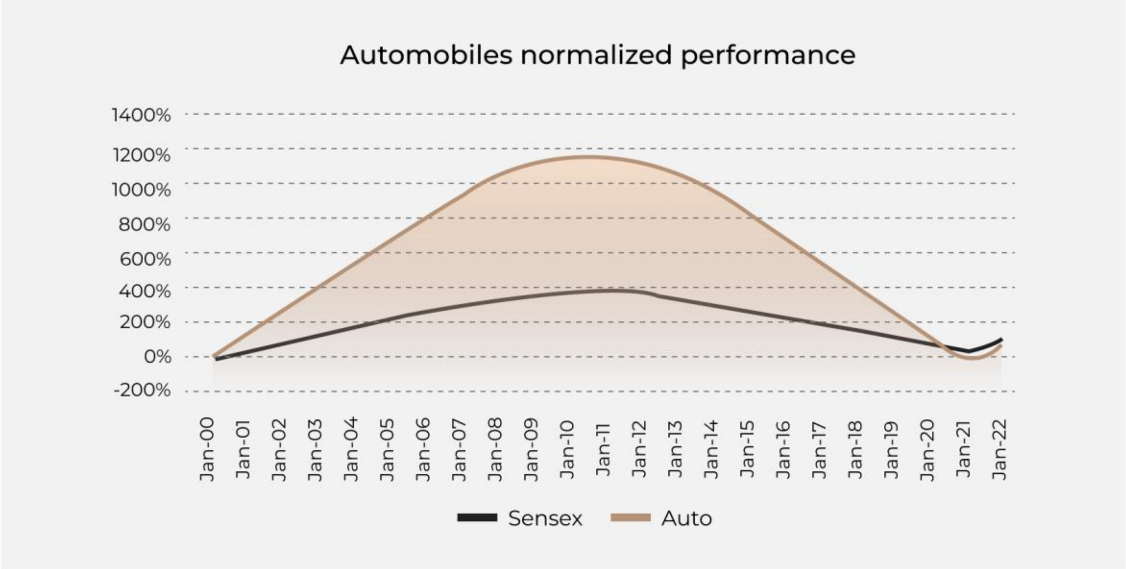
IT, FMCG and automobiles - all follow cycles

and not just sectors we know are cyclical

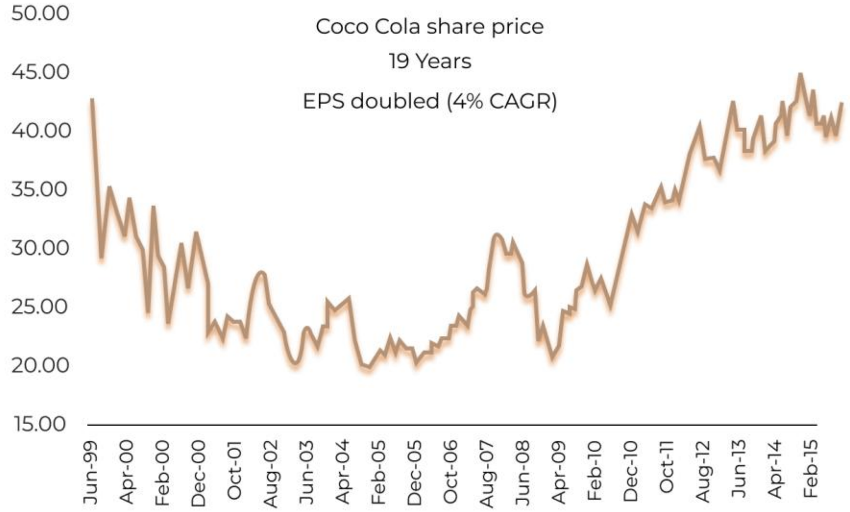


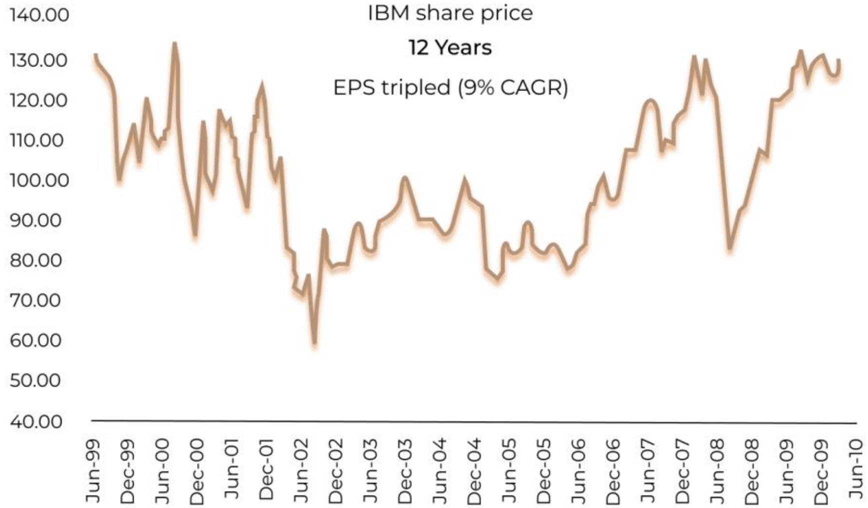


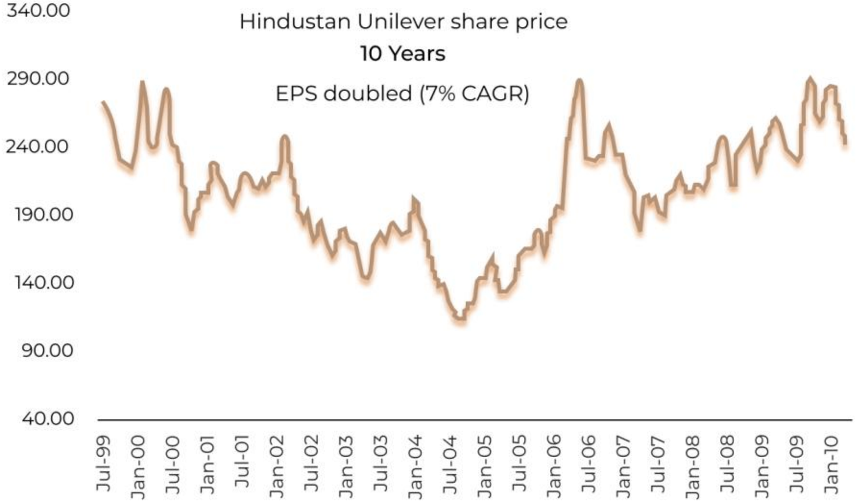


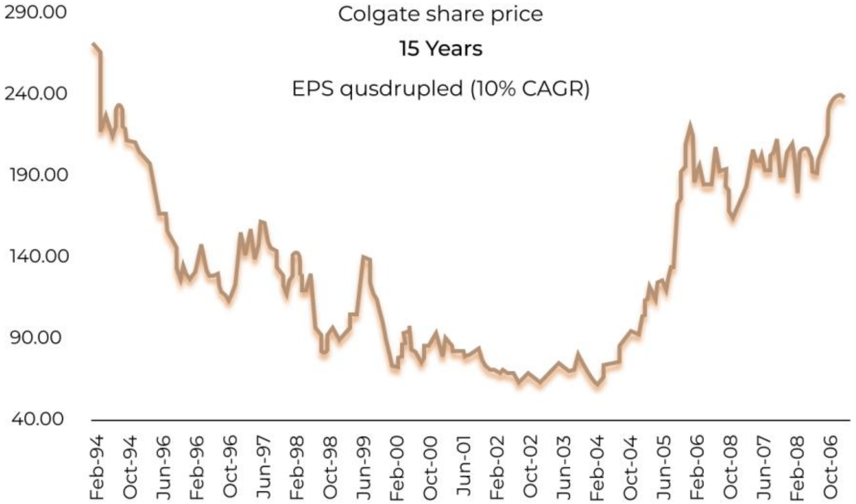


even stocks follow cycles









One Can Implement the Core & Satellite Strategy to bullet proof their portfolio returns from such market cycles!

What is a core and satellite portfolio?

1

Core, as the name suggests, is the mainstay of an investor's portfolio. For core investments, you would typically not take more risk than the overall risk inherent for that asset class and remain well-diversified.

2

Core portfolio provides stability and is geared to meet important long-term goals such as retirement or sponsoring a child's higher education.

3

Satellites in turn are tactical allocations whereby one takes a relatively higher risk in order to earn higher portfolio returns. However, total investment is smaller here lest it affect the overall portfolio growth keeping in mind key life goals.

4

The proportion of Core to Satellite is decided by the Fund Manager According to the Market Cycle. Generally, the proportion of the portfolio follows a 70:30 or a 80:20 split.

Core and satellite vertical

Core Vertical

Cash Flows

Prefer predictable versus optional

Reinvestment

Prefer divined yield versus growth

Leadership

Prefer industry leaders versus challengers

Satellite vertical

Cyclicals

Metals, Commercial Vehiciales, NBFC

Turnaround

Disruption ending: Bharti Airtel

Value

Leader hugely expensive: Max Financial

Why construct a core-satellite portfolio?

This strategy allows you access to the best of both worlds without compromising on your goals. Core portfolio is seldom churned; while money can flow from satellite towards the core, it is never the other way around. It ensures your goals are secured at all costs even if some risky investments don't perform as expected.

This Strategy also allows one to tailor the portfolio as per one's risk appetite:-

For a Conservative investor

A conservative investor would typically invest her core in debt instruments – Employee Provident Fund, ultra short-term funds and bank deposits. A satellite portfolio, meanwhile, could comprise a mix of passively and actively managed large-cap equity funds.

For a Medium Risk investor

If the financial situation allows one to invest more in risk assets – then the proportion of equity needs to be increased further.

For e.g. One of the ways is to have large-cap equity funds , midcap equity funds , ultra-short-term funds , EPF as part of the core, while the satellite portfolio (20%) could be any of the rest – REITs, gold, international equity funds, commodity funds, sector funds, dynamic bond funds, and so on.

For a High Risk investor

Young and financially affluent investors can typically take on more risk than others. So, they can contemplate exposing themselves to direct equity, sector funds etc. in their core portfolio and the satellite portfolio could be mutual funds, gold etc.

Implementation Example of the Core & Satellite Strategy

Time to Goal	Objective	Liquid Portfolio (10%)	Core Portfolio (70%)	Satellite Portfolio (20%)
0-3 Years	To manage market volatility	Liquid funds / Overnight funds	Balance Advantage funds	--
		Arbitrage funds	Equity Savings Funds	

Centricity’s Diverse Offerings for the given plan

Time to Goal	Objective	Liquid Portfolio (10%)	Core Portfolio (70%)	Satellite Portfolio (20%)
0-3 Years	To manage market volatility	SBI Liquid Fund / ICICI Pru Overnight Fund	ICICI Pru Balance Advantage Fund	--
		Nippon India Arbitrage Fund	Mirae Asset Equity Savings Fund	

Implementation Example of the Core & Satellite Strategy

Time to Goal	Objective	Liquid Portfolio (10%)	Core Portfolio (70%)	Satellite Portfolio (20%)
3-5 Years	To gain capital appreciation with some volatility	Liquid / Overnight/ Arbitrage funds	Large cap funds, broad indices based Index funds/ ETFs	Sector and Thematic active funds or Index funds / ETFs
		Money Market funds	Large and Midcap funds	
			Multicap funds/Equity PMS	
			Flexi cap funds	
			Short Term Bond funds	
			Corporate Bond funds	

Centricity’s Diverse Offerings for the given plan

Time to Goal	Objective	Liquid Portfolio (10%)	Core Portfolio (70%)	Satellite Portfolio (20%)
3-5 Years	To gain capital appreciation with some volatility	SBI Liquid Fund / ICICI Pru Overnight Fund/ Nippon India Arbitrage Fund	Nippon India Large Cap Fund, HDFC Nifty Index Fund	Nippon India Banking & Financial Services, Kotak Infra & Eco Reform Fund , ICICI Pru Nifty 50 Index Fund, Nippon India ETF Nifty 50 BEES
		HDFC Money Market Fund	Canara Robeco Emerging Equity Fund	
			Nippon India Multicap Fund/Buoyant PMS	
			PGIM India Flexi Cap Fund	
			ICICI Short Term Bond Fund	
			Bandhan Corporate Bond Fund	

Implementation Example of the Core & Satellite Strategy

Time to Goal	Objective	Liquid Portfolio (10%)	Core Portfolio (70%)	Satellite Portfolio (20%)
5-10 Years	To aggressively build wealth over the long term	Money Market funds	Focused funds	Sector and Thematic active funds or Index funds / ETFs
		Ultra Short Term funds	Multicap / Flexicap funds	
			Large and Midcap Funds/Equity AIF/Equity PMS	
			Multicap funds/Equity PMS	
			Midcap funds, Small cap funds	
			Corporate Bond funds	
			Long Duration funds/Debt AIF	

Centricity's Diverse Offerings for the given plan

Time to Goal	Objective	Liquid Portfolio (10%)	Core Portfolio (70%)	Satellite Portfolio (20%)
5-10 Years	To aggressively build wealth over the long term	HDFC Money Market Fund	Mirae Asset Focused Fund	Nippon India Banking & Financial Services, Kotak Infra & Eco Reform Fund ,ICICI Pru Nifty 50 Index Fund, Nippon India ETF Nifty 50 BEES
		Aditya Birla SL Savings Fund	Nippon India Multicap Fund/ Nippon India Multicap Fund	
			Canara Robeco Emerging Equity Fund/Motilal Oswal Anchors Fund - AIF / ICICI Pru Flexi Cap PMS	
			SBI Magnum Mid Cap Fund, Tata Small Cap	
			Bandhan Corporate Bond Fund	
			Nippon Nivesh Lakshay Fund/UTI Structured Debt Opportunities Fund (SDOF) III	

Disclaimer:- The above information should not be relied upon for personal or financial decisions and you should consult an appropriate financial professional for specific advice.

Thank You