Prabhudas Lilladher®

POWERING YOUR FINANCIAL GROWTH

2017 - 18 ASIA's MOST ADMIRED BRAND ASIA's CHOICE

MF EQUITY & DEBT – THE WAY FORWARD

NOVEMBER 2018

PREFACE

Greetings from Prabhudas Lilladher!

Indian markets remained under pressure in October 2018, with the S&P BSE Sensex and the Nifty 50 sliding by nearly 5% each. Over the month, inflows into mutual funds remained strong, and mutual funds in-turn invested heavily in the stock market. However, heavy outflows by foreign investors bogged down the market.

About 44 out of the Nifty 50 constituents have declared their results. According to Bloomberg, more than two-thirds of the companies have either met or beaten the average earnings per share estimate. Margin pressures were evident for Nifty 50 companies.

Geopolitical issues continue to embroil the market, amid the U.K.'s struggle to secure an exit deal before it departs the European Union.

In our report, MF Equity & Debt – The Way Forward we summarize how fund managers are reacting to the market. We consolidate and share their views and investment strategies to deal with the current market.

Based the fund manager's outlook and suggestions, we have designed three model portfolios with a tactical allocation strategy for Aggressive, Moderate and Conservative investors respectively. The portfolios are expected to ride out the market volatility over the medium to long term.

We welcome your feedback and any queries regarding your investments in mutual funds on WMS@plindia.com

Warm Regards,

The Mutual Fund Desk

Prabhudas Lilladher Pvt Ltd

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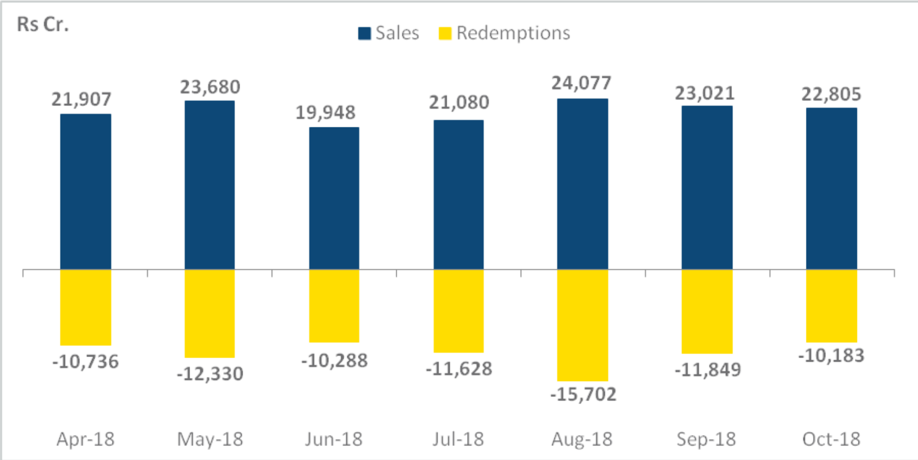
INDUSTRY TRENDS

SALES AND REDEMPTIONS OF EQUITY MUTUAL FUND (INCLUDING ELSS)

Total AUM: Rs 7,42,109 cr

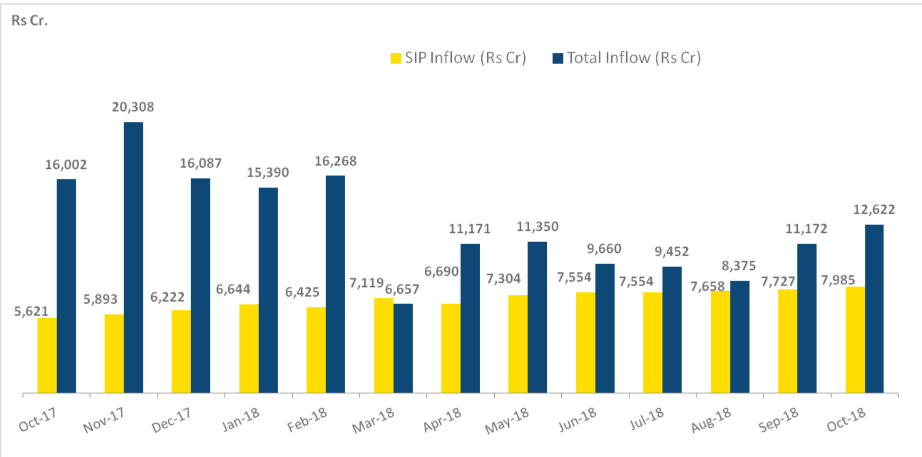


(Source: AMFI, PL Research)

Gross Sales of Equity Mutual Funds reduced marginally to Rs 22,805 cr from Rs 23,021 cr in September 2018. At the same time, redemptions too reduced from as much as Rs 15,702 cr to Rs 10,183 cr

NET INFLOWS IN EQUITY MUTUAL FUNDS (INCLUDING ELSS)

Total AUM: Rs 7,42,109 crore



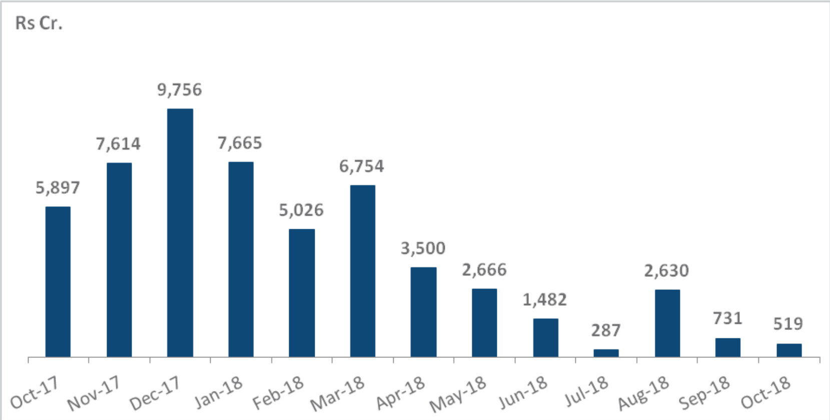
(Source: AMFI, PL Research)

Inflows through SIPs continue to remain strong, rising to as much as Rs 7,985 cr in October 2018. Total inflows in to equity funds jumped to Rs 12,622 cr in the month, and the highest in the past eight months

INDUSTRY TRENDS (CONT.)

NET INFLOWS IN BALANCED FUNDS

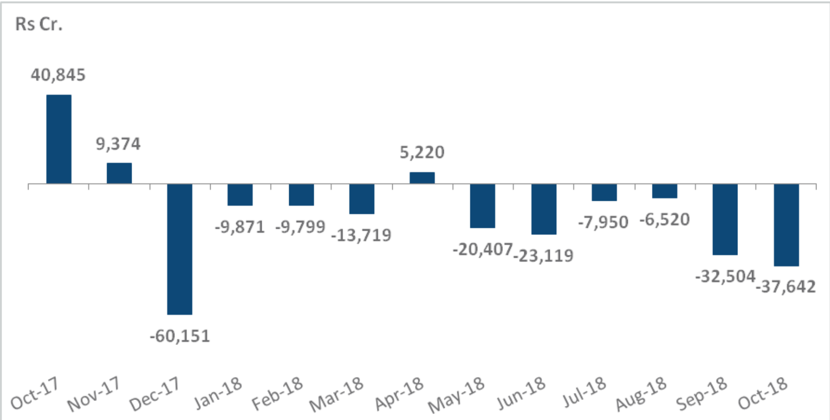
Total AUM: Rs 1,74,523 crore



The interest in Balanced Funds continues to be dismal. Net inflows dropped to Rs 519 cr. in Oct-2018 from Rs 731 cr. in Sep-2018.

NET INFLOWS IN INCOME FUNDS

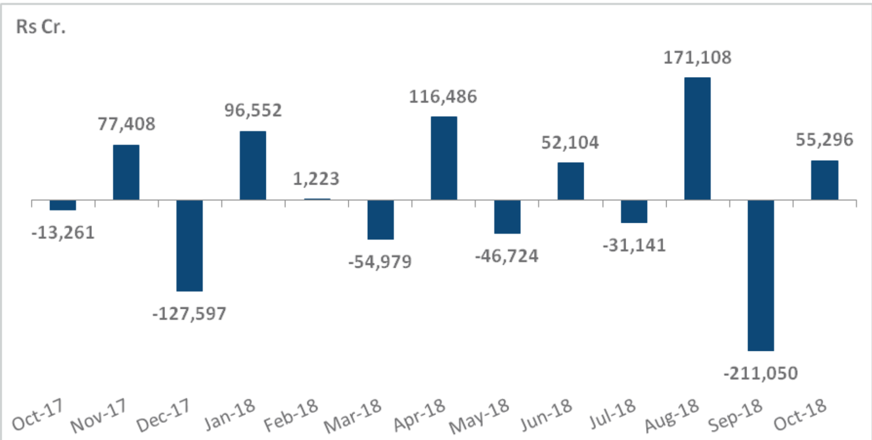
Total AUM: Rs 6,89,034 crore



Income funds continue to register outflows. The net outflow for Oct-2018 rose further to Rs 37,642 cr. from an outflow of Rs 32,504 cr. in Sep-2018. This was the highest outflow from income funds in10 months.

NET INFLOWS IN LIQUID FUNDS

Total AUM: Rs 4,54,432 crore

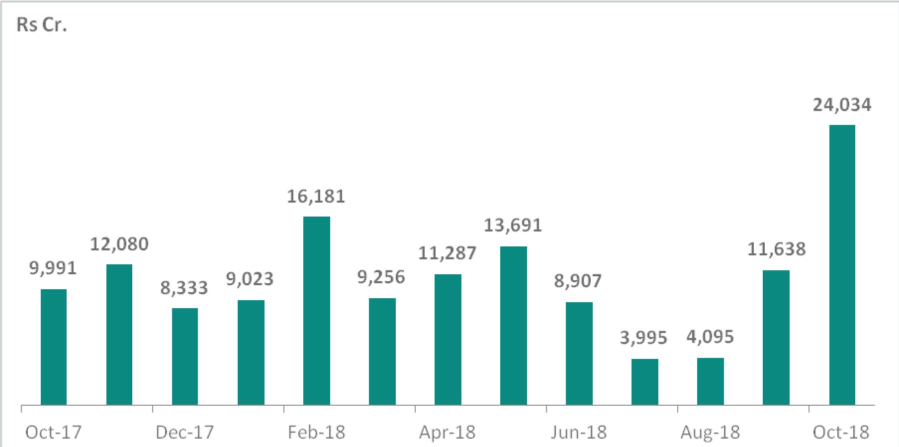


(Source: AMFI, PL Research)

Liquid and Money Market Funds reported a net inflow of Rs 55,296 cr. in Oct-2018 as compared to a outflow of over Rs 2 lakh cr. in Sep-2018.

INDUSTRY TRENDS (CONT.)

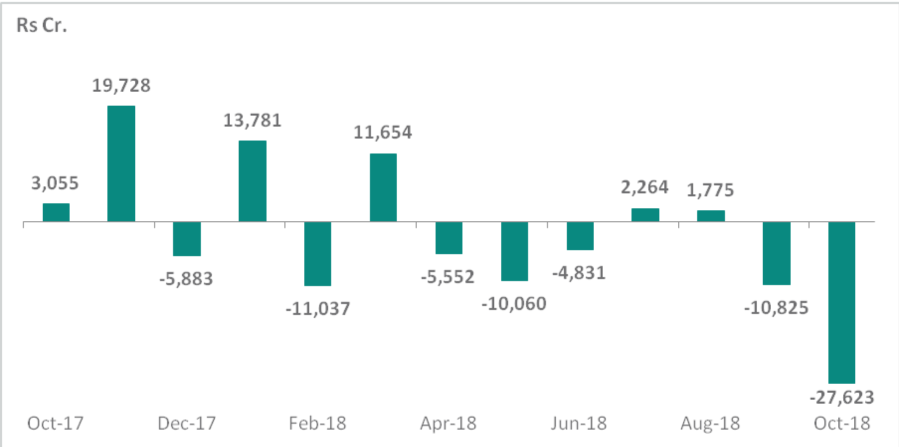
MUTUAL FUND INVESTMENT IN EQUITY



Mutual funds were seen heavily buying Indian stocks as net purchases shot up to a lifetime high of Rs 24,034 cr. The inflows picked up strongly after moderating to around Rs 4,000 cr. in Jul-Aug-2018

(Source: SEBI, PL Research) The data is compiled on the basis of reports submitted to SEBI by custodians (NSDL & CDSL) and it constitutes trades conducted by FIIs & Mutual Funds

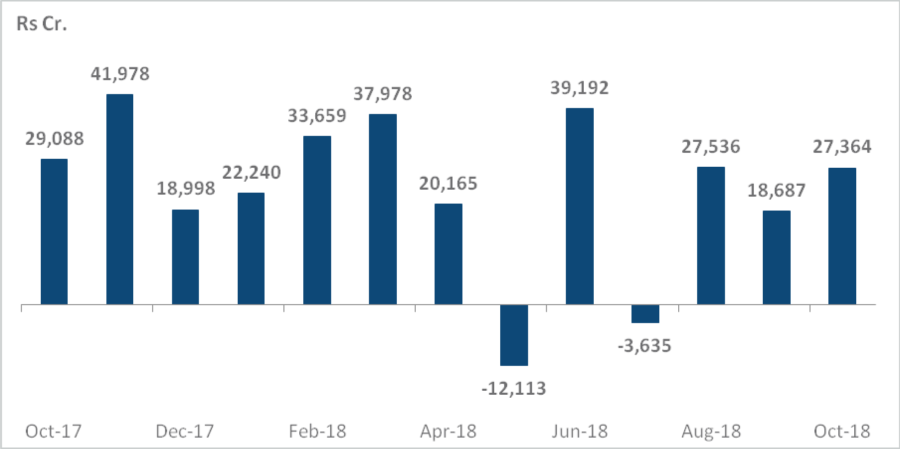
FII INVESTMENT IN EQUITY



Foreign portfolio investors remained net sellers in Oct-2018. FIIs sold Rs 27,623 cr worth of stocks, the highest monthly outflow in rupee terms. Over the past 12 months, FIIs have sold Rs 26,609 crore of Indian equities.

(Source: SEBI, PL Research) The data is compiled on the basis of reports submitted to SEBI by custodians (NSDL & CDSL) and it constitutes trades conducted by FIIs & Mutual Funds

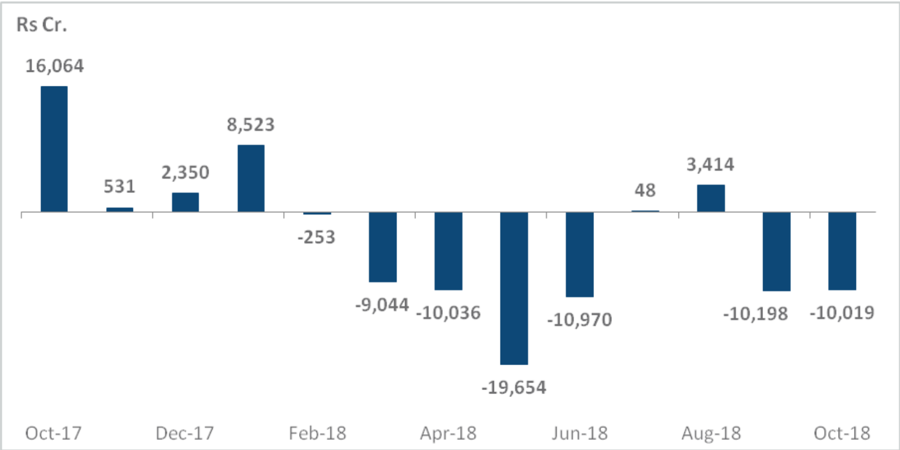
MUTUAL FUND INVESTMENT IN DEBT



Despite the turbulence in the debt market, and net outflows from income funds, Mutual Fund investment in debt remained strong, registering a net inflow of Rs 27,364 cr. in Oct-2018.

(Source: SEBI, PL Research) The data is compiled on the basis of reports submitted to SEBI by custodians (NSDL & CDSL) and it constitutes trades conducted by FIIs & Mutual Funds

FII INVESTMENT IN DEBT



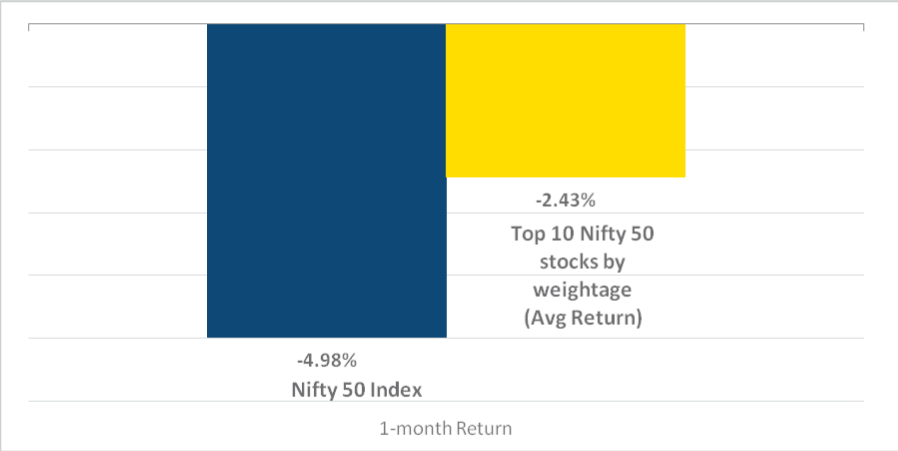
FIIs have been broadly net sellers of Indian debt over the past 8-9 months. Outflows in Oct-2018 remained in line with that in Sep-2018 of around Rs 10,000 crore. Net outflows over the past eight months totaled Rs 66,460 cr.

(Source: SEBI, PL Research) The data is compiled on the basis of reports submitted to SEBI by custodians (NSDL & CDSL) and it constitutes trades conducted by FIIs & Mutual Funds

INDUSTRY TRENDS (CONT.)

NIFTY 50 INDEX PERFORMANCE AND CONTRIBUTORS

1-MONTH PERFORMANCE OF THE INDEX AS ON OCTOBER 31, 2018



The decline of the Nifty 50 continued over the month of Oct-2018. The index declined by nearly 5% over the month, compared to a 6% decline in Sep-18. The top 10 stocks by weightage pulled the index down by 2.43%

Data as on October 31, 2018 (Source: ACE Equity, PL Research)

GAINERS AND LOSERS ON THE NIFTY 50 IN OCTOBER 2018

Parameter	No. of Nifty 50 stocks	Average Return
Gainers	13	4.03%
Losers	37	-8.18%

Only 13 of the 50 index stocks closed with a gain, while as many as 37 stocks closed in the red

TOP 5 GAINERS IN OCT'18

Company Name	1-Month Return
ICICI Bank Ltd.	16.18%
Bajaj Finance Ltd.	9.90%
State Bank Of India	5.99%
Titan Company Ltd.	4.84%
Zee Entertainment Ent.	2.85%

TOP 5 LOSERS IN OCT'18

Company Name	1-Month Return
Bharat Petroleum Corp. Ltd	-26.47%
Tata Motors Ltd.	-19.94%
Grasim Industries Ltd.	-18.40%
IndusInd Bank Ltd.	-15.68%
Reliance Industries Ltd.	-15.64%

TOP 5 INDEX CONTRIBUTORS IN OCT'18

Company Name	Apprx. Wtg. on Index (Aug 31, 2018)	1-Month Return	Contribution to Index
ICICI Bank Ltd.	3.97%	16.18%	0.64%
Bajaj Finance Ltd.	2.53%	9.90%	0.25%
State Bank Of India	2.15%	5.99%	0.13%
Titan Company Ltd.	1.44%	4.84%	0.07%
Larsen & Toubro Ltd.	3.24%	2.00%	0.06%
Total	13.35%		1.16%

Data as on October 31, 2018 (Source: ACE Equity, PL Research)

INDUSTRY TRENDS (CONT.)

EXTENT OF FALL – JANUARY 2018 TO OCTOBER 2018

Percentage fall in stock prices as on October 31, 2018, from their high price between January 1, 2018 and October 31, 2018

Small-caps and Mid-caps stocks have corrected the most from their peaks

EXTENT OF FALL FOR STOCKS IN S&P BSE 500

Jan'18 to Oct'18 Percentage of Fall From High	Large Cap	Mid Cap	Small Cap	Total
0%-10%	12	9	5	**26**
10%-20%	28	26	15	**69**
20%-30%	29	46	44	**119**
30%-40%	18	35	65	**118**
40%-50%	11	15	59	**85**
>50%	2	19	62	**83**
Total	**100**	**150**	**250**	**500**

286 stocks or 57% of the index (500 stocks) have fallen by over 30% from their highs since January 2018

EXTENT OF FALL FOR STOCKS IN MUTUAL FUNDS

Jan'18 to Oct'18 Percentage of Fall From High	Large Cap	Mid Cap	Small Cap	Total
0%-10%	12	9	9	**30**
10%-20%	28	26	40	**94**
20%-30%	29	46	106	**181**
30%-40%	18	35	135	**188**
40%-50%	11	15	116	**142**
>50%	2	19	157	**178**
Total	**100**	**150**	**563**	**813**

508 stocks or 62% of the 813 stocks in MF portfolios have fallen by over 30% from their highs since January 2018

Note:
Market capitalisation as per AMFI, where:

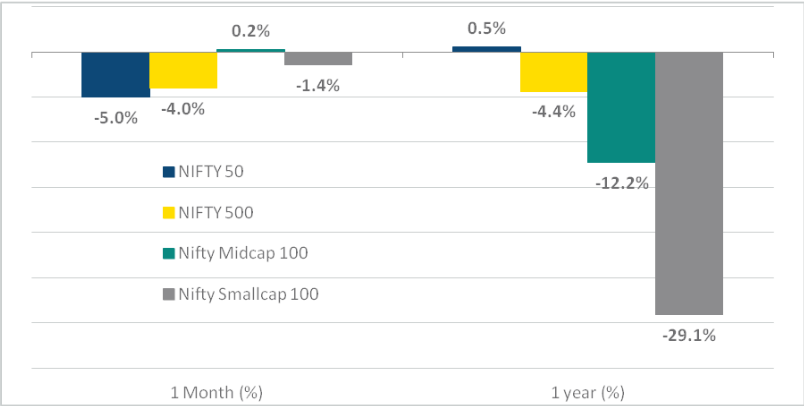
Large-cap: 1st-100th company in terms of full market capitalisation

Mid-cap: 101st-250th company

Small-cap: 250th company and below

EQUITY MARKET OUTLOOK

The market correction continued through October 2018. The Nifty 50 extended its fall by 5% over the month. The broader Nifty 500 index was pulled down by the correction in large caps. The Nifty Midcap 100, treaded water with a return of 0.2%, while the Nifty Smallcap 100 dropped -1.4%



(Source: ACE MF, PL research)*Data as on October 31, 2018

Market sentiments remained negative over October, as domestic equities mirrored a selloff in global stocks. FIIs aggressively sold Indian stocks over the month, as geopolitical uncertainty continued. The results season witnessed a healthy top line growth, but profitability declined.

While the long-term positives remain intact, the following factors will affect the market going ahead:

VOLATILITY IN CRUDE OIL PRICES

The steep correction in oil prices was seen as a positive for Indian stocks. Crude oil witnessed a sell-off soon after hitting multi-year highs in October. Nonetheless, experts opine a rebound from here. Prices fell on fears of a global slowdown that will negatively impact demand. Market participants will be closely tracking crude oil prices from here, which could add to the volatility in stocks.

DIRECTION OF THE RUPEE

After nearing the Rs 75-mark to the US Dollar, the Indian rupees has eased substantially to around Rs 71/ dollar. The sharp comeback was because of easing crude oil prices. However, the rupee continues to remain vulnerable. In 2018-19 most developing / developed currencies have depreciated vs the USD due to strong US economy, rising rates in the US.

GEOPOLITICAL EVENTS

The Saudi Arabia narratives, the increasing conflict between Italy and rest of the Eurozone and the growth concerns in China are also weighing negatively on sentiments. The trade-talks between US and China still remain in impasse. Further escalation in trade issues will affect all other nations linked to their supply chain.

UPCOMING STATE AND GENERAL ELECTIONS

Five states will go to polls in November-December. Market participants eagerly anticipate the outcome of the elections in, namely Madhya Pradesh, Rajasthan, Telangana, Chhattisgarh and Mizoram. The election results will provide the market more visibility about the BJP’s prospects in the general elections in April-May 2019.

FUND HOUSE VIEWS ON THE EQUITY MARKET

AFTER INTERACTING WITH MULTIPLE FUND HOUSES, WE HAVE CONSOLIDATED AND SUMMARISED THEIR VIEW ON THE EQUITY MARKET AS BELOW:

UNCERTAINTY OVER THE SHORT-TO-MEDIUM TERM

Crude oil prices and the rupee have now moved into a favourable zone. However, the risks will continue to overshadow the equity markets over the short-to-medium term. Any hostile movements will adversely affect the markets. Ongoing elections will continue to impact market sentiments. Unfavourable results will add to the uncertainty of the market.

MID-CAP AND SMALL-CAP STOCKS BEGINNING TO LOOK ATTRACTIVE

The mid-cap and small-cap indices have corrected significantly. However, the deep correction has led to a plethora of companies to look attractive from a long-term perspective. A US-based Indian Small Cap ETF reported inflows for a first time since July 2018, signaling a turnaround in sentiments towards Small Cap stocks that have faced a massive selloff over the year.

NBFC LIQUIDITY CRISIS

Given the prevailing Asset-Liability mismatch and uncertainty around funding availability, NBFCs would divert their focus to address the liability side issues and go slow on expanding their asset book. This will lead to a rise in cost of funds and compression in profits. NBFCs are expected to tide over the issues, as the slower credit growth will result in concerns on their asset quality as well.

STRONG DEPOSIT-TAKING BANKS TO BENEFIT

In the current market environment, banks with stronger retail deposit base have a competitive advantage vis-à-vis wholesale funded banks\NBFCs. Further, these banks have opportunities on multiple fronts - absorbing the NBFE's portfolio at a decent yield, better pricing power in lending to NBFCs and capturing the market share vacated by these entities As compared to NFBCs, banks are currently more attractive, offering a boutique of products.

SLOWDOWN IN AUTO, HOUSING & CONSUMER DURABLES

Segments like housing, autos and consumer durables may witness slowdown where NBFC lending has been a key driver of growth. Apart from the possible near-term credit squeeze, the rising petrol and diesel prices would also reduce the ability to spend else-where.

CONSUMPTION DEMAND INDICATORS MIXED

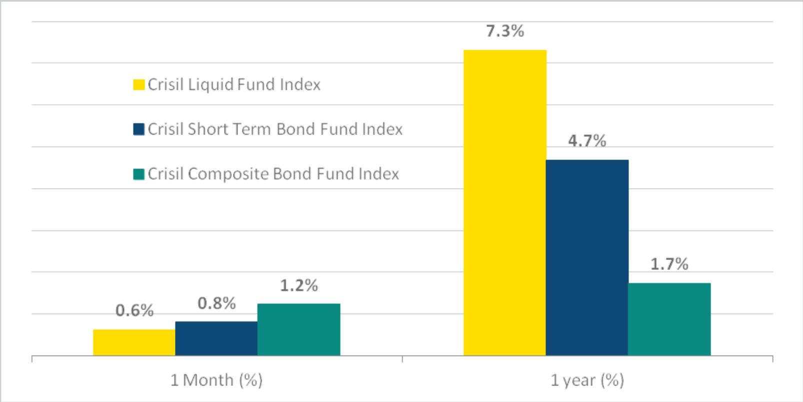
Weak sales in Auto (2W, PV and tractors) and falling rural wage growth highlighted slowdown in rural demand. Domestic demand indicators on account of an unfavorable base effect from GST and delayed festive season this year. Though demand indicators are mixed, investment indicators and nascent recovery in private CAPEX continue to bode well for the broader recovery in the economy

EARNINGS PROJECTIONS MAY FALL

The Q2FY19 earnings season is so far trending below expectations. ABSL MF expects a cut in full-year FY19 earnings estimates to 14% vs. 16% earlier. Mainly due to a subdued economic outlook because of the liquidity issues in the NBFC sector. 43 of the Nifty50 companies have reported earnings thus far, with around 2/3rds coming in line with or above estimates.

DEBT MARKET OUTLOOK

The 10-year benchmark G-Sec yields eased from a high of 8% at the beginning of the month. The benchmark G-Sec is currently trading at a yield of around 7.8%.



(Source: ACE MF, PL research)*Data as on October 31, 2018

Funds investing at the longer end of the yield curve benefited over the past month. However, in the past year, the Liquid Funds continue to lead with a return of 7.2%, while the Short-term and Composite Bond Fund Index delivered returns of 4.7% and 1.7% each.

Going ahead, the debt market will be affected by the following factors:

UPSIDE RISKS TO INFLATION POINTS TO A TIGHTER MONETARY POLICY

Following the US Federal Reserve, most global economies are either veering towards a less accommodative or a tighter monetary policy even as regional growth shows a mixed trend. MPC members acknowledged several upside pressures to the inflation outlook including: a) higher crude prices; b) weaker rupee; c) potential fiscal slippages at the central and state levels; d) inflationary impact of the increase in MSPs; e) higher household inflation expectations on a 3-month horizon; f) upward pressure on input and wage cost as suggested by RBI's industrial outlook survey

LIQUIDITY ISSUE PERSISTS

Systemic liquidity continued to be in the deficit zone in October on account of payment of indirect taxes (GST). Reversal of repo auctions conducted in earlier sessions also led to outflows and put liquidity under stress. To alleviate liquidity conditions, the RBI will conduct OMOs aggregating to INR 400bn in November 2018. Improving liquidity should also support bond prices. Other measures taken by the RBI should help ease near-term liquidity concerns for NBFC/HFCs by allowing banks to release funds to the tune of Rs 1.2tn which amounts to 6% of total NBFC borrowing and 60-65% of their commercial paper borrowings.

GLOBAL FACTORS TOO, WILL HAVE A SIGNIFICANT IMPACT ON THE BOND MARKET

Rising US bond yields and strengthening USD have made the EM bond segment relatively less attractive, resulting in bond outflows from EMs in the recent months. This along with persistent trade conflict, geopolitical tension, uncertainty around elections in many regions, input costs adding to inflationary pressures could weigh on Indian bonds.

FUND HOUSE VIEWS ON THE DEBT MARKET

AFTER MEETING MULTIPLE FUND HOUSES, WE HAVE CONSOLIDATED AND SUMMARISED THEIR VIEW ON THE DEBT MARKET AS BELOW:

RATE HIKE CYCLE IS NOT OVER

While the RBI took a pause in hiking rates, its stance on calibrated tightening indicates that there is further room for rate hikes. The MPC minutes released from the meet revealed that the recent softening in inflation and the transmission lags of the past rate hikes were the key motivations behind no change in policy rates. Most MPC members seemed cautious on the inflation outlook, leading to a change in the policy stance to 'Calibrated tightening' from 'neutral'. The MPC will hold its next meeting on December 3-5. The market continues to expect up to two rate hikes in FY2019. Thus, at the moment it would be best to avoid long duration bonds.

SHORT-TERM SECURITIES REMAIN ATTRACTIVE

Short term maturity instruments look attractive from a valuation perspective. Corporate bonds in the 1-3-year space currently trade at a premium of 200 bps over the operative rate which offers significant investment opportunities. Money market instruments at the shorter end of the curve were a mixed bag with 3-month CDs yield going up due to increased issuance. 3-month Treasury bill eased by 6 bps while 3-month CD yields hardened by 18 bps and 12-month CD yields eased by 35 bps.

RBI OMO PROGRAM TO SUPPORT LONGER TERM BONDS

Funds houses expect G-Sec’s to trade with a positive bias, as rate hikes have already been priced in, and RBI’s commitment to provide durable liquidity through OMOs. To ease liquidity conditions, RBI conducted OMO purchase of 36k crore in the month of October 2018. The RBI has conducted / announced OMOs to the tune of Rs. 860 million and has further announced 400 million of OMO taking the cumulative OMO number for FY19 to Rs. 1.26 trillion. Hence, the 10-year G-Sec and long term bonds are expected to trade in a narrow range.

HIGH CREDIT RISK SPREADS TO BENEFIT CREDIT RISK FUNDS

Post the IL&FS fiasco, lower-rated bonds have seen a sharp spike in yields. The spread between yield-to-maturity of AAA-rated and lower-rated bonds has significantly widened now. The average yield on AA- and A-rated three-year bonds has moved up significantly. Those investors with a three-year horizon, can allocate 5%-10% of their portfolios to credit risk funds to gain from the higher yields.

TACTICAL ASSET ALLOCATION

WHAT IS TACTICAL ASSET ALLOCATION?

- Tactical asset allocation, maintains a mix of equity and debt, but is focused on taking a more active approach of positioning a portfolio into asset classes or sub-categories of asset classes that have the most potential for gains

- A tactical approach involves making a judgment call on where the economy and the financial markets may be headed

- Tactical allocation also involves shifting allocations within an asset class. For example, an equity portion of a portfolio may be shifted to include more small-cap stocks, more large-cap stocks, or other areas where there is a short-term opportunity

- Take for example an investors willing to accept more risk in their asset allocation, the traditional aggressive or moderately aggressive investor would be very aggressively positioned at market bottoms, when stock valuations are low

- Such tactical shifts in allocation provides as investors with the opportunity to earn higher returns with a marginal increase in risk

TACTICAL VIEW: THE IDEAL STRATEGY

AS THERE HAS BEEN NO SIGNIFICANT CHANGE IN FUND MANAGER OUTLOOK, WE MAINTAIN THE SAME TACTICAL VIEW AS LAST MONTH

EQUITY INVESTMENTS

- Preference should be towards large caps funds
- Invest in Mid Cap & Small Cap Funds through Systematic Investment Plans (SIPs) for the long term
- Asset allocation funds or equity-oriented Hybrid Funds are best suited to ride out the market volatility
- Very aggressive investors can opt for Sector Funds in the Pharma and Consumption space.

DEBT INVESTMENTS

- Stick to Low Duration and Short Duration Funds to deal with the market volatility
- Debt schemes, such as Floater Funds, with an accrual strategy will help capture the current elevated yields
- Dynamic Bond Funds can help position the duration of the portfolio to benefit from the volatility in the debt market over the medium term
- Credit Risk funds offer investors with the opportunity to earn a higher return as compared to similar funds with the same duration

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MODEL PORTFOLIOS BASED ON TACTICAL VIEW

Based on the market outlook, we have put together three model portfolio's based on the investor's risk profile. You may invest in the suggested schemes in the recommended allocation.

AGGRESSIVE RISK PORTFOLIO

This portfolio is suitable for those investors who are seeking long-term capital growth. The portfolio is invested in equity mutual funds, with the potential to deliver superior long-term returns. The ideal investment horizon is 3-5 years or more.

TOTAL EQUITY EXPOSURE: **90%**

TOTAL DEBT EXPOSURE: **10%**

SUGGESTED ALLOCATION

Scheme Category	Allocation (%)
Large Cap Funds	**50%**
Mid Cap Funds	**20%**
Sector Funds	**20%**
Dynamic Bond Funds	**10%**

SUGGESTED PORTFOLIO WITH THE TOP RATED FUNDS

Category Name	Scheme Name	Alloc (%)	1-Month (%)	1-Year (%)	3-Year (%)	Fund Manager
Large Cap	Axis Bluechip Fund(G)	20	1.65	7.28	11.79	Shreyash Devalkar
	UTI Mastershare-Reg(D)	20	2.03	2.74	9.74	Swati Kulkarni
	ICICI Pru Bluechip Fund(G)	10	2.02	2.18	12.31	Sankaran Naren
Mid Cap	Axis Midcap Fund(G)	10	2.29	5.31	11.51	Shreyash Devalkar
	HDFC Mid-Cap Opportunities Fund(G)	10	1.73	-7.93	11.80	Chirag Setalvad
Sector	UTI India LifeStyle Fund	10	1.88	-0.19	9.28	Lalit Nambiar
	Reliance Pharma Fund	10	-1.67	14.49	1.69	Sailesh Raj Bhan
Dynamic Bond Funds	Franklin India Dynamic Accrual Fund(G)	5	0.80	6.05	8.34	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund(G)	5	0.66	4.23	8.31	Manish Banthia
	Total	100				

*Returns as on October 31, 2018

MODERATE RISK PORTFOLIO

This portfolio is suitable for those investors with a seeking a moderate risk-moderate returns. Investors can gain from the long-term gains of equity as well as the income generation and stability of debt investments. The ideal investment horizon should be at least 2 years

TOTAL EQUITY EXPOSURE: 50%

TOTAL DEBT EXPOSURE: 50%

SUGGESTED ALLOCATION

Scheme Category	Allocation (%)
Aggressive Hybrid Funds*	**50%**
Large Cap Funds	**15%**
Short Duration Funds	**20%**
Dynamic Bond Funds	**10%**
Credit Risk Funds	**5%**

***Aggressive Hybrid Funds maintain an approximate allocation of 70% to equity and 30% to debt. Hence, with an allocation of 50% in the portfolio, the net contribution to equity will be 35%, while the net exposure to debt in the portfolio will be 15%.**

SUGGESTED PORTFOLIO WITH THE TOP RATED FUNDS

Category Name	Scheme Name	Alloc (%)	1-Month (%)	1-Year (%)	3-Year (%)	Fund Manager
Aggressive Hybrid Fund	ICICI Pru Equity & Debt Fund(G)	25	2.33	0.87	12.04	Sankaran Naren
	Reliance Equity Hybrid Fund(G)	25	0.51	-2.38	9.39	Sanjay Parekh
Large Cap Funds	Axis Bluechip Fund(G)	5	1.65	7.28	11.79	Shreyash Devalkar
	UTI Mastershare-Reg(D)	5	2.03	2.74	9.74	Swati Kulkarni
	ICICI Pru Bluechip Fund(G)	5	2.02	2.18	12.31	Sankaran Naren
Short Duration	Franklin India ST Income Plan(G)	10	0.75	6.40	7.93	Santosh Kamath
	UTI ST Income Fund(G)	10	0.63	4.79	7.14	Sudhir Agarwal
Dynamic Bond	Franklin India Dynamic Accrual Fund(G)	5	0.80	6.05	8.34	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund(G)	5	0.66	4.23	8.31	Manish Banthia
Credit Risk Fund	Franklin India Credit Risk Fund(G)	2.5	0.77	6.24	7.88	Santosh Kamath
	Aditya Birla SL Credit Risk Fund-Reg(G)	2.5	0.82	5.22	8.06	Maneesh Dangi
	Total	**100**				

*Returns as on October 31, 2018

CONSERVATIVE RISK PORTFOLIO

This portfolio is suitable for those risk-averse investors who are seeking a moderate to low risk portfolio. The portfolio is predominantly invested in debt with a marginal exposure to equity. The ideal investment horizon is 1-2 years

TOTAL EQUITY EXPOSURE: 20%

TOTAL DEBT EXPOSURE: 80%

SUGGESTED ALLOCATION

Scheme Category	Allocation (%)
Large Cap Funds	**20%**
Low Duration Funds	**20%**
Short Duration Funds	**30%**
Floater Funds	**20%**
Dynamic Bond Funds	**10%**

***Aggressive Hybrid Funds maintain an approximate allocation of 70% to equity and 30% to debt. Hence, with an allocation of 50% in the portfolio, the net contribution to equity will be 35%, while the net exposure to debt in the portfolio will be 15%.**

SUGGESTED PORTFOLIO WITH THE TOP RATED FUNDS

Category Name	Scheme Name	Alloc (%)	1-Month (%)	1-Year (%)	3-Year (%)	Fund Manager
Large Cap Funds	Axis Bluechip Fund(G)	7.5	1.65	7.28	11.79	Shreyash Devalkar
	UTI Mastershare-Reg(D)	7.5	2.03	2.74	9.74	Swati Kulkarni
	ICICI Pru Bluechip Fund(G)	5	2.02	2.18	12.31	Sankaran Naren
Low Duration Funds	UTI Treasury Advantage Fund	10	0.66	6.67	7.62	Sudhir Agarwal
	Kotak Low Duration Fund(G)	10	0.62	6.58	7.74	Deepak Agrawal
Short Duration	Franklin India ST Income Plan(G)	15	0.75	6.40	7.93	Santosh Kamath
	UTI ST Income Fund(G)	15	0.63	4.79	7.14	Sudhir Agarwal
Floater Funds	Aditya Birla SL FRF-Long Term Plan(G)	10	0.68	6.64	7.82	Shobhit Mehrotra
	HDFC Floating Rate Debt Fund(G)	10	0.68	6.43	7.56	Kaustubh Gupta
Dynamic Bond Funds	Franklin India Dynamic Accrual Fund(G)	5	0.80	6.05	8.34	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund(G)	5	0.66	4.23	8.31	Manish Banthia
	Total	**100**				

*Returns as on October 31, 2018

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

Top mutual funds picked using PL's proprietary SPARK methodology for the categories recommended as per the Tactical view.

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

EQUITY FUNDS

LARGE CAP FUNDS

The scheme will invest predominantly in large cap stocks. The scheme can invest 80%-100% of the portfolio is invested in large cap stocks, as defined by SEBI

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Axis Bluechip Fund(G)	Shreyash Devalkar	Nov-2016	2,927	1.65	7.28	11.79	2.31
UTI Mastershare-Reg(D)	Swati Kulkarni	Nov-2006	5,404	2.03	2.74	9.74	2.32
ICICI Pru Bluechip Fund(G)	Sankaran Naren	Jul-2017	18,870	2.02	2.18	12.31	1.96
Benchmark							
NIFTY 50 - TRI				1.12	6.38	12.44	

MID CAP FUNDS

The scheme will invest predominantly in mid cap stocks. The fund needs to invest a minimum of 65% of the assets in midcap stocks as defined by SEBI

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Axis Midcap Fund(G)	Shreyash Devalkar	Nov-2016	1,600	2.29	5.31	11.51	2.37
Franklin India Prima Fund(G)	R. Janakiraman	Mar-2014	6,127	1.96	-5.04	11.09	2.08
HDFC Mid-Cap Opportunities Fund(G)	Chirag Setalvad	Mar-2008	19,702	1.73	-7.93	11.80	2.28
UTI Mid Cap Fund-Reg(D)	Lalit Nambiar	Jan-2016	3,560	4.05	-9.21	8.10	2.35
Sundaram Mid Cap Fund(G)	S. Krishnakumar	Nov-2012	5,542	2.22	-10.99	9.96	1.96
Benchmark							
Nifty Midcap 100 - TRI				4.04	-7.77	12.14	

HYBRID FUNDS

AGGRESSIVE HYBRID FUNDS

Aggressive hybrid will invest 65%- 80% of total assets in equities and 20%-35% in debt instruments

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
ICICI Pru Equity & Debt Fund(G)	Sankaran Naren	Dec-2015	26,729	2.33	0.87	12.04	1.94
Franklin India Equity Hybrid Fund(G)	Lakshmikanth Reddy	May-2016	1,901	1.48	-0.60	8.10	2.39
Reliance Equity Hybrid Fund(G)	Sanjay Parekh	Mar-2012	13,039	0.51	-2.38	9.39	2.08
L&T Hybrid Equity Fund-Reg(G)	Soumendra Nath Lahiri	Dec-2012	9,975	2.28	-1.18	9.27	2.08
UTI Hybrid Equity Fund-Reg(G)	V. Srivatsa	Jan-2015	6,032	1.11	-2.49	9.29	2.23
Benchmark							
CRISIL Hybrid 35+65 - Aggressive Index (Equity:65%, Debt:35%)				1.61	3.43	10.99	

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

SECTOR FUNDS

CONSUMPTION

The investment in equity of the Consumption sector will be minimum 80% of total assets

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
UTI India LifeStyle Fund-Reg(G)	Lalit Nambiar	Jul-2011	255	1.88	-0.19	9.28	2.68
Aditya Birla SL India GenNext Fund(G)	Anil Shah	Sep-2013	825	3.81	1.92	14.12	2.36
Sundaram Rural and Consumption Fund(G)	S.Krishnakumar	Jan-2016	2,325	3.15	-6.06	15.58	2.03
Benchmark							
NIFTY CONSUMPTION - TRI				4.32	2.35	12.68	

PHARMA

The investment in equity of the Pharma sector will be minimum 80% of total assets.

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Reliance Pharma Fund(G)	Sailesh Raj Bhan	Mar-2006	2,752	-1.67	14.49	1.69	2.3
UTI Healthcare Fund-Reg(D)	V. Srivatsa	Feb-2017	441	-3.07	1.04	-3.01	2.82
Benchmark							
NIFTY PHARMA - TRI				-5.68	2.72	-6.97	

DEBT FUNDS

LOW DURATION FUNDS

The investment in Debt & Money Market instruments will be such that the Macaulay duration of the portfolio is between 6 months to 12 months

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
SBI Magnum Low Duration Fund(G)	Rajeev Radhakrishnan	Aug-2008	6,615	0.69	6.86	7.36	0.47
Kotak Low Duration Fund(G)	Deepak Agrawal	Oct-2016	4,592	0.62	6.58	7.74	1.05
UTI Treasury Advantage Fund-Inst(G)	Sudhir Agarwal	Oct-2012	8,024	0.66	6.67	7.62	0.31
ICICI Pru Savings Fund(G)	Rahul Goswami	Sep-2012	15,817	0.69	6.60	7.71	0.45
Reliance Low Duration Fund(G)	Amit Tripathi	Mar-2007	11,347	0.68	6.57	7.36	0.63
Benchmark							
Crisil Liquid Fund Index				0.65	7.39	7.23	

*Returns as on November 15, 2018

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

DEBT FUNDS

SHORT DURATION FUNDS

The investment in Debt & Money Market instruments will be such that the Macaulay duration of the portfolio is between 1 year to 3 years

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Franklin India ST Income Plan(G)	Santosh Kamath	Apr-2014	11,494	0.75	6.40	7.93	1.57
HDFC Short Term Debt Fund(G)	Anil Bamboli	Jul-2011	8,627	0.78	5.79	7.36	0.4
L&T Short Term Bond Fund-Reg(G)	Shriram Ramanathan	May-2016	2,590	0.73	5.05	6.70	0.7
UTI ST Income Fund-Inst(G)	Sudhir Agarwal	Oct-2012	8,685	0.63	4.79	7.14	0.1
Axis Short Term Fund(G)	Devang Shah	Nov-2012	4,251	0.75	5.01	6.99	0.91
Benchmark							
Crisil Short Term Bond Fund				0.88	5.25	7.23	

FLOATER FUNDS

The scheme will invest minimum 65% of total assets in floating rate instruments

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Aditya Birla SL FRF-Long Term Plan(G)	Kaustubh Gupta	Apr-2017	4,696	0.68	6.64	7.82	0.39
HDFC Floating Rate Debt Fund(G)	Shobhit Mehrotra	Dec-2016	8,916	0.68	6.43	7.56	0.38
ICICI Pru Floating Interest Fund(G)	Nikhil Kabra	Dec-2016	9,016	0.57	5.79	7.27	1.32
Benchmark							
Crisil Short Term Bond Fund Index				0.88	5.25	7.23	

DYNAMIC BOND FUNDS

Investment will be in Debt & Money Market instruments can be across durations depending on the fund managers views on the debt market

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Franklin India Dynamic Accrual Fund(G)	Sachin Padwal-Desai	Feb-2006	3,638	0.80	6.05	8.34	1.77
ICICI Pru All Seasons Bond Fund(G)	Manish Banthia	Dec-2016	1,999	0.66	4.23	8.31	1.3
UTI Dynamic Bond Fund-Reg(G)	Amandeep Singh Chopra	Feb-2012	1,090	0.58	2.49	7.26	1.72
Benchmark							
Crisil Composite Bond Fund Index				1.39	2.92	7.04	

*Returns as on November 15, 2018

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

DEBT FUNDS

CREDIT RISK FUNDS

The scheme will invest minimum 65% of its total assets in corporate bonds (only AA and below rated instruments)

Scheme Name	Fund Manager	Managing Since	AUM (Rs Cr)	1 Mth (%)	1 Year (%)	3 Years (%)	Expense Ratio
Franklin India Credit Risk Fund(G)	Santosh Kamath	Apr-2014	7,007	0.77	6.24	7.88	1.75
ICICI Pru Credit Risk Fund(G)	Manish Banthia	Jan-2018	11,356	0.75	5.59	7.41	1.7
Reliance Credit Risk Fund(G)	Prashant Pimple	Aug-2010	10,580	0.67	4.88	7.52	1.85
Aditya Birla SL Credit Risk Fund-Reg(G)	Maneesh Dangi	Apr-2015	7,896	0.82	5.22	8.06	1.68
L&T Credit Risk Fund(G)	Shriram Ramanathan	Nov-2012	3,757	0.54	4.47	7.34	1.8
Benchmark							
Crisil Composite Bond Fund Index				1.39	2.92	7.04	

*Returns as on November 15, 2018

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