Prabhudas® Lilladher

POWERING YOUR FINANCIAL GROWTH

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

MF EQUITY & DEBT: THE WAY FORWARD

OCTOBER 2018

PREFACE

Greetings from Prabhudas Lilladher!

Global and domestic tensions continue to roil Indian markets. Investors are in a tizzy seeing their mutual funds investments slide.

The equity and debt markets continue to be riddled with the sharp down grade of infrastructure behemoth IL&FS. This fear has spilled over to other NBFCs. These companies are finding it difficult to rollover their credit, and as a result, their stock prices continue to slide.

Apart from this, stock specific events (Yes Bank, DHFL etc.), crude oil hitting multi-year highs and the rupee making all-time lows has made matters worse.

In this edition of 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

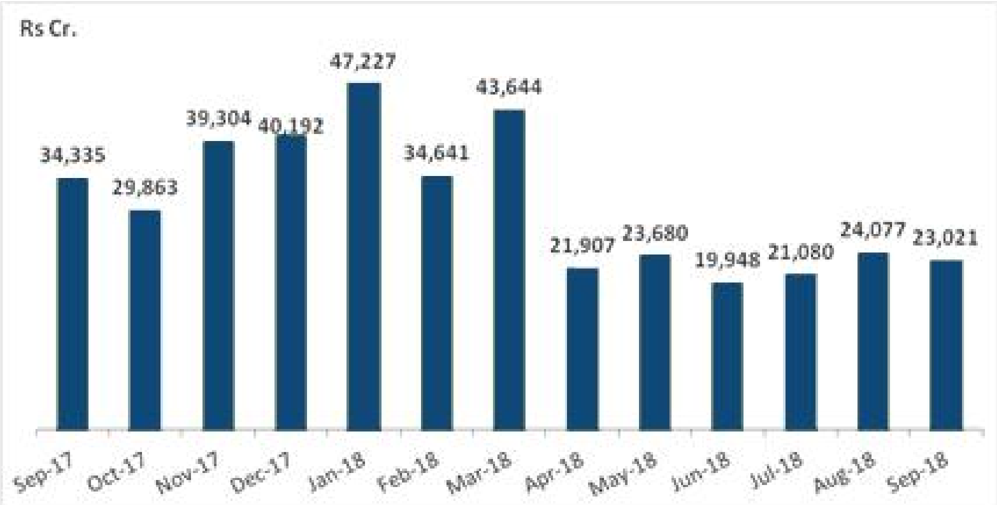
Prabhudas Lilladher Pvt Ltd

CONTENTS

INDUSTRY TRENDS

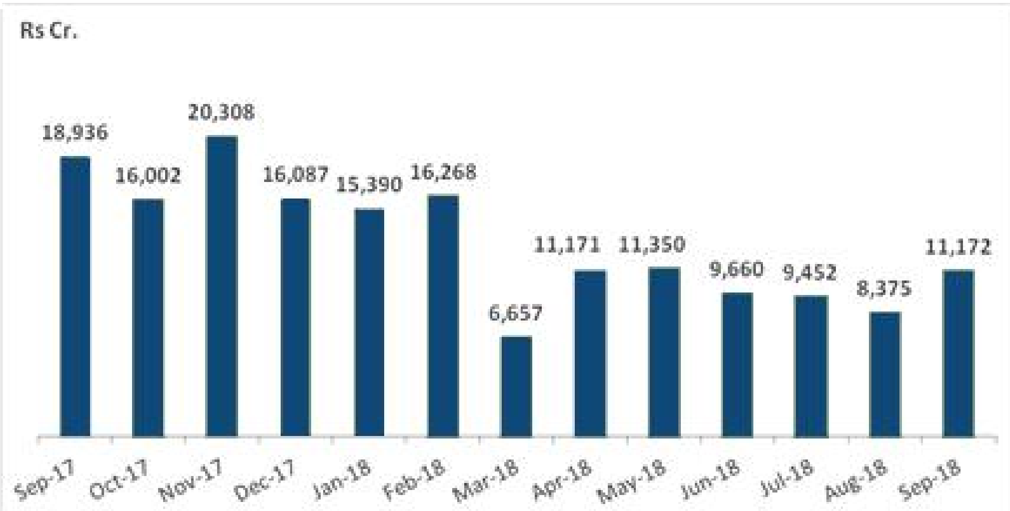
INDUSTRY TRENDS

GROSS SALES OF EQUITY MUTUAL FUND (INCLUDING ELSS) TOTAL AUM: RS 7,47,441 CRORE



Gross Sales of Equity Mutual Funds fell marginally to Rs 23,021 cr. in September 2018, from Rs 24,077 cr. in August. Gross Sales have steadied around Rs 20,000 cr in the past six month.

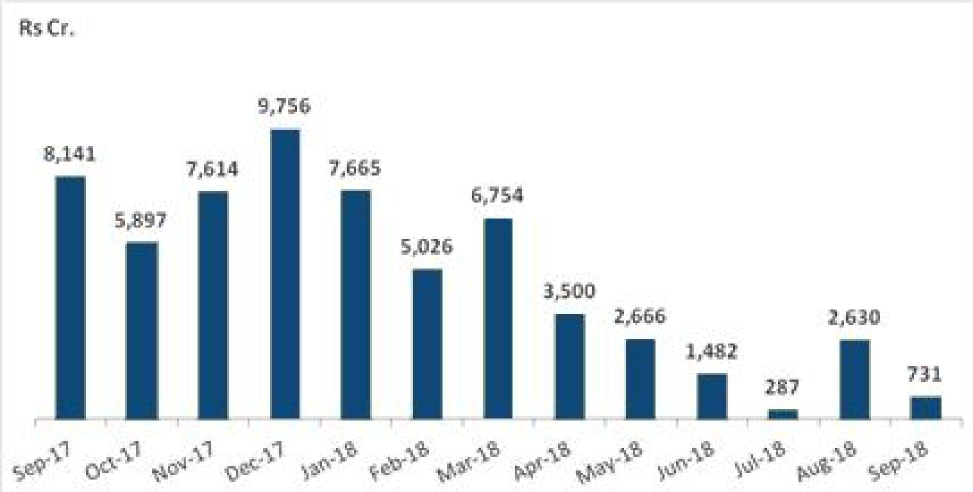
NET INFLOWS IN EQUITY MUTUAL FUNDS (INCLUDING ELSS) TOTAL AUM: RS 7,47,441 CRORE



Net Inflows into Equity Mutual Funds rose to Rs 11,172 cr as redemption pressure eased in September 2018. Redemptions moderated to Rs 11,849 cr. in Sep-2018 from nearly Rs 16,000 cr. in August.

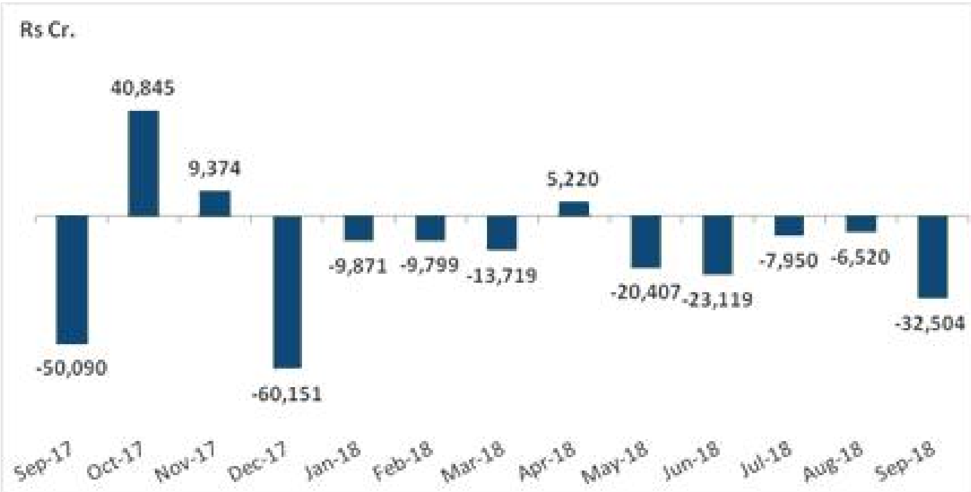
Source: AMFI, PL Research

NET INFLOWS IN BALANCED FUNDS TOTAL AUM: RS 1,77,065 CRORE



Investors seem to be losing interest in Balanced Funds. Net inflows dropped to Rs 731 cr. in Sep-2018 from Rs 2,630 cr. in Aug-2018.

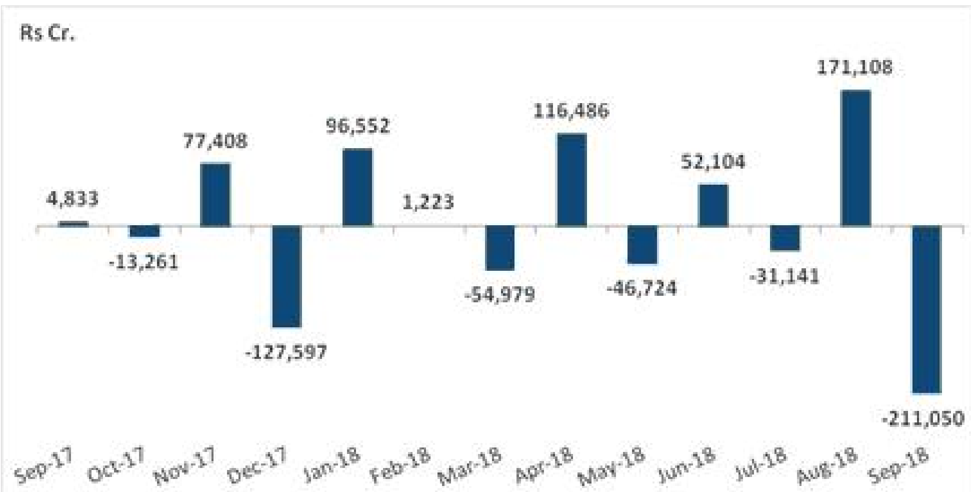
NET INFLOWS IN INCOME FUNDS TOTAL AUM: RS 7,22,971 CRORE



Income funds continue to register outflows. The net outflow for Sep-2018 jumped to Rs 32,504 cr. from an outflow of Rs 6,520 cr. in Aug-2018. This was the highest outflow from income funds in 9 months.

Experts are of the opinion that redemptions may have been triggered by the IL&FS crisis.

NET INFLOWS IN LIQUID FUNDS TOTAL AUM: RS 3,94,774 CRORE

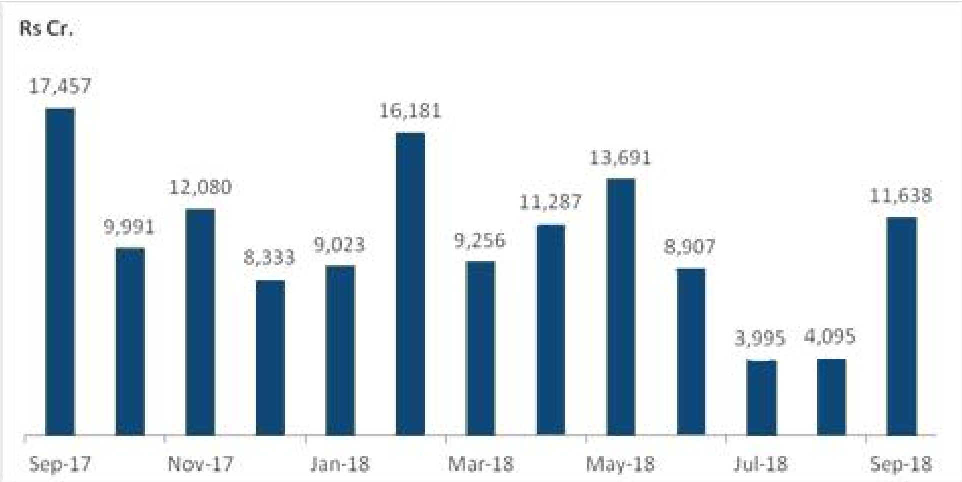


Liquid and Money Market Funds suffered an exodus of Rs 2.11 lakh cr. in Sep-2018 as compared to a net inflow of as much as Rs 1.71 lakh cr. in Aug-2018. It is not clear whether the high inflows in August had any relation to the September outflows or if the outflow was on fear post the IL&FS crisis.

(Source: AMFI, PL Research)

INDUSTRY TRENDS (CONT.)

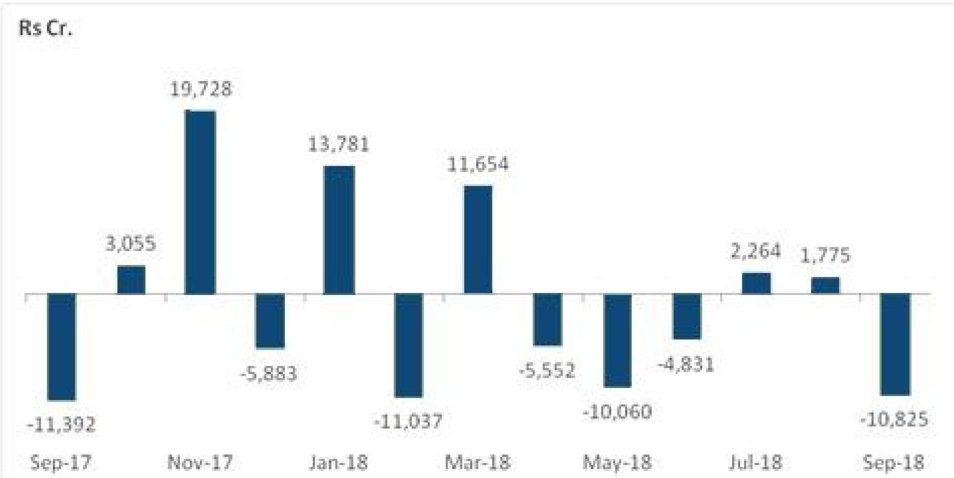
MUTUAL FUND INVESTMENT IN EQUITY



Investments by Mutual funds in Indian stocks shot up to the highest in four months, at Rs 11,618 cr. The inflows picked up strongly after moderating to around Rs 4,000 cr. in the past two months

(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

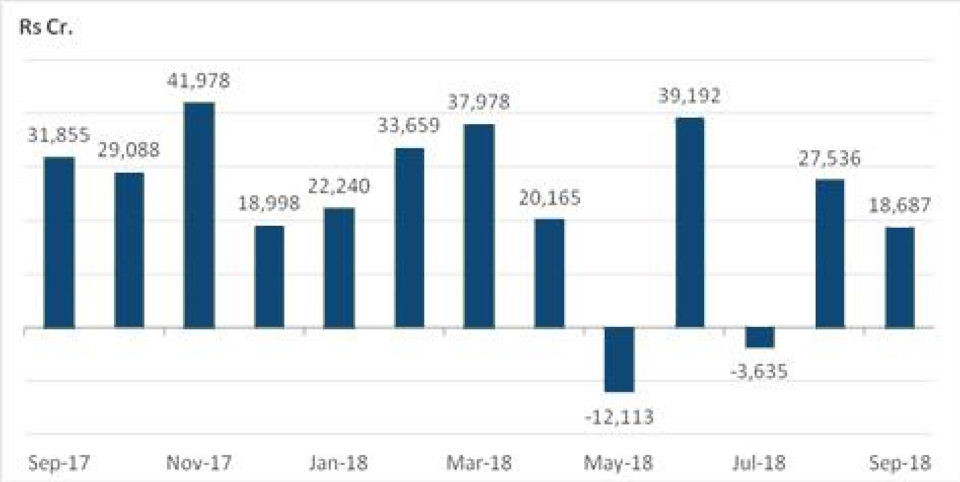


Foreign portfolio investors turned into net sellers in September 2018. FIIs sold Rs 10,825 worth of stocks, the highest in seven months.

Over the past 12 months, FIIs have sold Rs 27,229 crore of India 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

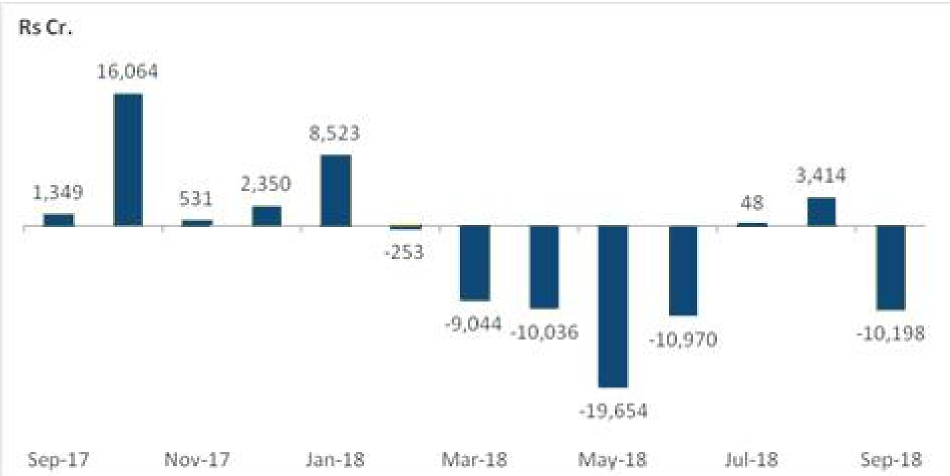
MUTUAL FUND INVESTMENT IN DEBT



Despite the turbulence in the debt market, Mutual Fund investment in debt remained strong, registering a net inflow of Rs 18,687 cr. in September 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



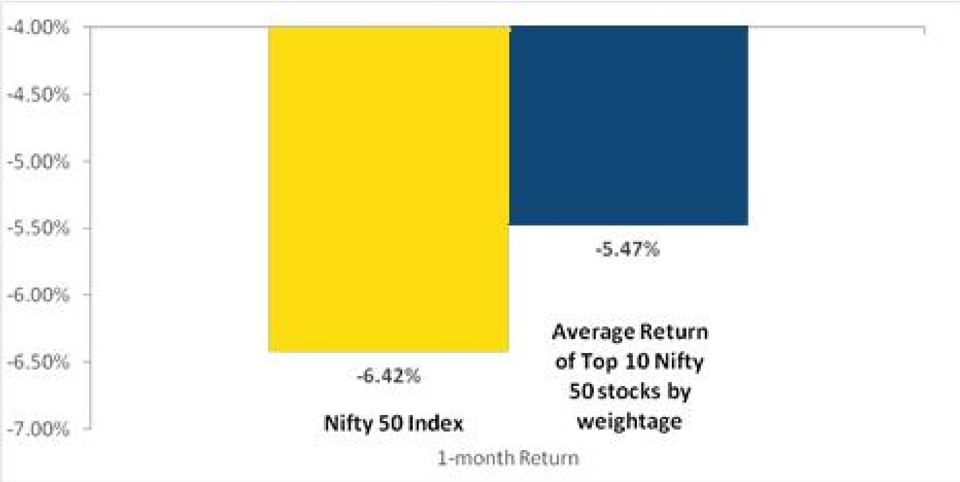
FIIs have been broadly net sellers of Indian debt over the past 6-7 months. Outflows shot up to Rs 10,198 crore in September 2018, taking the total outflows to Rs 47,397 crore over the past 6 months.

(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 SEPTEMBER 28, 2018



In September 2018, the Nifty 50 index tanked by over 6%. The top 10 heavyweights generated an average return of -5.47% and pulled down the Nifty 50 index by 2.23%. Index heavyweights such as Bajaj Finance, ICICI Bank, HDFC, L&T and ITC fell by over 5% each

Data as on September 28, 2018 (Source: ACE Equity, PL Research)

GAINERS AND LOSERS ON THE NIFTY 50 IN SEPTEMBER 2018

PARAMETER	NO. OF NIFTY 50 STOCKS	AVERAGE RETURN
Gainers	9	3.10%
Losers	41	-9.67%

Data as on September 28, 2018 (Source: ACE Equity, PL Research)

The sentiments were negative across the board, with as many as 41 Nifty 50 stocks in the red. Just nine stocks managed to generate gains.

TOP 5 GAINERS IN SEPT'18

COMPANY NAME	1-MONTH RETURN
Wipro	7.55%
TCS	5.07%
HCL Tech	3.95%
BPCL	3.33%
Vedanta	2.02%

Data as on September 28, 2018 (Source: ACE Equity, PL Research)

TOP 5 LOSERS IN SEPT'18

COMPANY NAME	1-MONTH RETURN
Yes Bank	-46.54%
Indiabulls Housing Finance	-31.96%
Bajaj Finance	-24.11%
Maruti Suzuki	-19.22%
Tata Motors	-16.37%

Data as on September 28, 2018 (Source: ACE Equity, PL Research)

TOP 5 INDEX CONTRIBUTORS IN SEPT'18

COMPANY NAME	APPRX. WTG. ON INDEX (AUG 31, 2018)	1-MONTH RETURN	CONTRIBUTION TO INDEX
Bajaj Finance Ltd.	3.11%	-24.11%	-0.75%
Yes Bank Ltd.	1.49%	-46.54%	-0.69%
HDFC	6.16%	-9.37%	-0.58%
ICICI Bank Ltd.	4.15%	-10.81%	-0.45%
Maruti Suzuki India Ltd.	2.33%	-19.22%	-0.45%
Total	17.23%		-2.92%

INDUSTRY TRENDS (CONT.)

EXTENT OF FALL – JANUARY 2018 TO SEPTEMBER 2018

Percentage fall in stock prices as on September 28, 2018, from their high price between January 1, 2018 and September 28, 2018

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

EXTENT OF FALL FOR STOCKS IN OUR SAMPLE JAN'18 TO SEP'18

PERCENTAGE OF FALL FROM HIGH	LARGE CAP	MID CAP	SMALL CAP
0%-10%	17	10	124
10%-20%	37	32	163
20%-30%	21	31	300
30%-40%	14	39	424
40%-50%	8	20	476
>50%	3	18	1046
Total (2,783)	**100**	**150**	**2533**

2,048 stocks or 74% of the sample (2,783 stocks) have fallen by over 30% from their highs since January 2018

Small Cap stocks with irregular trading volumes were excluded from the list in our sample

EXTENT OF FALL FOR STOCKS IN MUTUAL FUND PORTFOLIOS JAN'18 TO SEP'18

PERCENTAGE OF FALL FROM HIGH	LARGE CAP	MID CAP	SMALL CAP
0%-10%	17	10	9
10%-20%	37	32	40
20%-30%	21	31	106
30%-40%	14	39	135
40%-50%	8	20	116
>50%	3	18	157
Total (813)	**100**	**150**	**563**

510 stocks or 63% 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

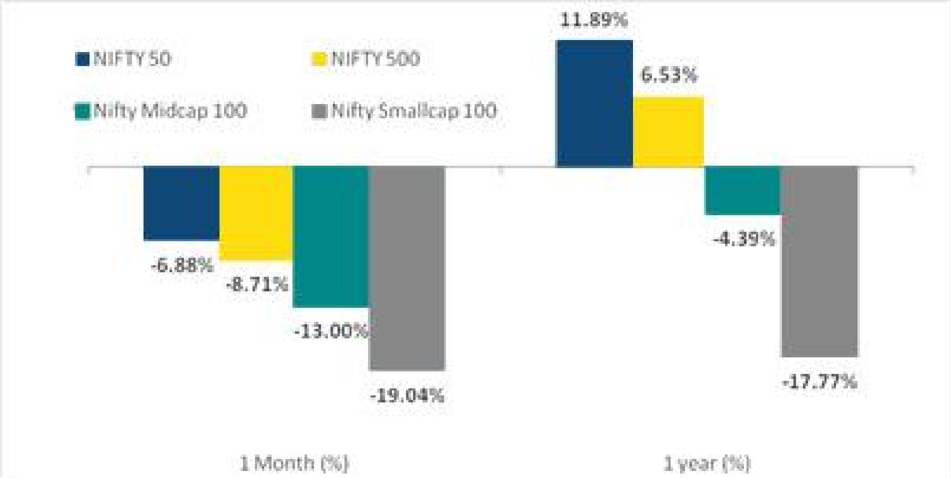
- **Mid-cap:** 101st-250th company

- **Small-cap:** 250th company and below

EQUITY MARKET OUTLOOK

EQUITY MARKET OUTLOOK

The equity market plunged into a correction mode in September 2018. The Nifty 50 slumped by nearly 7% over the month. The Nifty Mid Cap 100 wiped out the gains made in August 2018, diving by as much as 13%. Small caps bore the maximum brunt, with Nifty Small Cap 100 crashing by 19%.



(Source: ACE MF, PL research)*Data as on September 28, 2018

The optimism of the market was thwarted in September 2018 as bearish sentiments engulfed the market. The negativity was fuelled by rising crude oil, falling rupee, and a sharp downgrade of IL&FS—which sent ripples across the NBFC sector.

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

VOLATILE AND RISING CRUDE OIL PRICES

Crude oil is threatening to breach the triple figure mark. The prices for Brent Crude peaked to over $85/bbl, a 4-year high on October 3rd. Prices rose steadily over September and experts forecast that the prices may move further north and may spike above $100/bbl in the coming months. This will have an adverse affect on the economy going ahead.

WEAKENING RUPEE

The rupee continues to weaken, and is expected to touch the Rs 75-mark to the US dollar in a few weeks. Given the heavy outflows from foreign investors, the global market volatility and rising crude oil prices, the rupee may not get a respite anytime soon. Any further depreciation in the rupee may add pressure on the market.

FII OUTFLOWS TURNING INTO A THREAT

Global markets continue to remain nervous with the US Federal Reserve tightening interest rates for the third time in 2018, with another hike due in December. The Fed cautioned that rising trade tensions and the consequent potential of rising prices continued to pose risks. This has turned the sentiment negative on emerging markets, leading to heavy outflows.

UPCOMING STATE AND GENERAL ELECTIONS

The 2018 state elections will be an acid test for the BJP and an upset can send the market into a tailspin. Elections to the legislative assemblies of Rajasthan, Madhya Pradesh, Mizoram, Chhattisgarh and Telangana will be held between November 12 and December 7, counting of votes for all the five states will take place on December 11th.

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

The volatility in crude oil prices and the unstable rupee will continue to overshadow the equity market over the short-to-medium term. Both these factors will have ramifications on the fiscal deficit of the country, and the speed & direction of interest rates. Thus, if crude oil heads higher, markets will face the heat. If rupee depreciates further (beyond Rs 75/$), markets may correct further.

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

The mid-cap and small-cap indices have corrected significantly. From the beginning of January 2018, the Nifty Midcap 100 index is down 19% while the Nifty Smallcap 100 corrected by 33%. While the Midcap index still trades at a premium compared to the large-cap index, the valuations have cooled off significantly.

NBFC LIQUIDITY CRISIS

The IL&FS fiasco roiled the financial markets with a series of defaults. Shares of NBFCs took a big hit because of this. The government and the RBI stepped in to restore some calm, however, the turbulence may continue over the short-to medium term. The lack of liquidity and higher yields may strain margins, hence, there are concerns that the growth prospects of NBFCs are likely to remain under pressure.

STRONG DEPOSIT-TAKING BANKS TO BENEFIT

As compared to NFBCs, banks are currently more attractive, offering a boutique of products. When interest rates go up and liquidity tightens, large banks with a solid deposit-base tend to gain the most. By getting money in CASA (low cost deposits such as current and savings accounts) the margins generated are much higher. Private banks may witness sequential improvement in earnings driven by lower provisioning cost.

PHARMACEUTICALS GOOD AS A DEFENSIVE BET

Fund houses remain positive on pharma, though most companies have not fully recovered. However, there are pockets where growth can be extracted. The companies may have not yet benefitted from the drop in the rupee. This will start reflecting in their bottom-lines in the March 2019 quarter onwards.

CONSUMPTION SECTOR TO BENEFIT

Though seemingly overvalued, the FY19 demand outlook for consumer-oriented companies such as FMCG, autos, paints remain strong. The sector growth is buoyed by the pick-up in rural demand and urbanisation trends. Urban consumption indicators are showing a positive momentum. A growth in financial savings, increasing household debt and rising income level will be a boon for the sector.

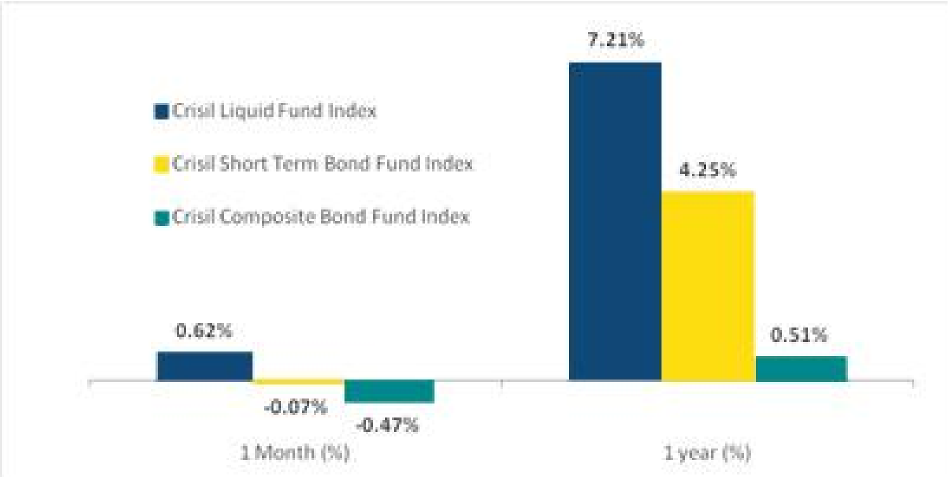
CAPEX RECOVERY CYCLE IS GRADUALLY PICKING UP

Capacity utilisations, a measure of how fully firms are using their resources, have now moved up. Thus, requiring fresh capex to enhance capacities. Several businesses witnessed an increase in their capacity utilization levels over the last three months. The sectors most likely benefit from this are capital goods, construction, financials, cement and automobiles.

DEBT MARKET OUTLOOK

DEBT MARKET OUTLOOK

The 10-year benchmark G-Sec yields began September by breaching the 8% mark. The yields peaked to 8.18% before easing back to 8% by the end of the month.



(Source: ACE MF, PL research)*Data as on September 28, 2018

Funds investing on the longer end of the yield curve delivered subdued returns. Over the past year, the Liquid Fund Index returned 7.21%, while the Short-term and Composite Bond Fund Index delivered disappointing returns of 4.25% and 0.51% respectively.

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

RBI OPENS THE DOORS TO FURTHER RATE HIKES

While the RBI did not hike interest rates, contrary to the market expectations, the Monetary Policy Committee changed its stance from neutral to calibrated tightening. This makes it clear that the RBI interest rate decision is driven by inflation numbers and not by the depreciating currency. Yet, the rate hike cycle is not over. With the extreme uncertainty on currency and oil, there is a high possibility that the upside risks will materialise. The market is expecting two rate hikes by the end of the financial year.

LIQUIDITY ISSUE MAY CAUSE SHORT-TERM PAIN

A lack of trust and confidence in the debt markets has created a temporary liquidity crunch. This turmoil was triggered by the IL&FS crisis and subsequent defaults which has led to roll-over risks for NBFCs. NBFCs garnered around 25%-30% their incremental funding from commercial papers (CPs). This creates an asset-liability mismatch especially for longer-term lenders and liquidity issues, as infrastructure projects take years to set up, while the borrowing instruments are for less than a year. Around 41% of the total funding to the NBFC industry is due for refinancing in FY2019. Thus, the liquidity crunch may continue over the short-term.

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

Higher oil prices, rising trade protectionism, and unwinding of quantitative easing by central banks remain the top concerns. The US Federal reserve continues to hike rates. US Fed raised interest rates by 25bps from 2% to 2.25%. This is the eighth time the Fed has hiked the rate since 2015. The 10-year US Gilt breached 3% in September 2018. Till September 2018, about USD 6.4bn has flown out of the Indian debt market in FY2019 compared to inflow of USD 18.5bn in FY2018.

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 IN 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. Markets were surprised as they expected a 25bps hike. 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.

SPIKE IN SHORT-TERM YIELDS

Short-term yields and the 1-year certificate of deposit and commercial paper ended the month at 8.65% and 9.10% compared to 8.05% and 8.5% respectively in August. Going forward, short term rates are expected to remain elevated due to tight liquidity conditions owing to the interbank surplus trending lower post the currency exchange, credit growth outpacing deposit growth, increase in currency circulation due to festival related demand and muted capital flows leading to RBI FX intervention. Hence, short-term funds look attractive at the current yields.

RBIS OMO PROGRAM

The RBI has announced an indicative (Open Market Operations) OMO calendar for Rs 36,000 cr for the month of October. This has been done "on an assessment of the durable liquidity needs going forward and the seasonal growth in currency in circulation observed in build-up to the festive season". The RBI needs to conduct a total of Rs 200,000 crore OMO, but the timing of these operations is critical. This along with a reduced borrowing program by the government helped ease yields to 7.95%. However, to sustain yields at this level is difficult, given the depreciating rupee and rising crude. Hence, the upside risks to long term yields remain.

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 to 9.3% and 10.89% respectively. Those investors with a three-year horizon, can expect decent return from credit risk funds. Yields would be higher for certain NBFC bonds.

TACTICAL ASSET ALLOCATION

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

TACTICAL VIEW: THE IDEAL STRATEGY

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

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, which have 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 NAME	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-YEAR (%)	2-YEARS (%)	3 YEARS (%)	FUND MANAGER
Large Cap	- Axis Bluechip Fund(G)	20	11.89	14.30	12.25	Shreyash Devalkar
	- UTI Mastershare-Reg(D)	20	8.95	10.04	9.73	Swati Kulkarni
	- ICICI Pru Bluechip Fund(G)	10	8.08	12.74	12.73	Sankaran Naren
Mid Cap	- Axis Midcap Fund(G)	10	12.06	13.20	10.13	Shreyash Devalkar
	- HDFC Mid-Cap Opportunities Fund(G)	10	-2.31	6.93	11.55	Chirag Setalvad
Sector	- UTI India LifeStyle Fund	10	6.58	9.92	9.49	Lalit Nambiar
	- Reliance Pharma Fund	10	22.87	4.66	0.98	Sailesh Raj Bhan
Dynamic Bond Funds	- Franklin India Dynamic Accrual Fund(G)	5	5.61	7.74	8.34	Sachin Padwal-Desai
	- ICICI Pru All Seasons Bond Fund(G)	5	2.76	6.03	8.04	Manish Banthia
	TOTAL	**100**				

*Returns as on August 31, 2018

MODERATE RISK PORTFOLIO

This portfolio is suitable for those investors with a seeking 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 NAME	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-YEAR (%)	2-YEARS (%)	3 YEARS (%)	FUND MANAGER
Aggressive Hybrid Fund	- ICICI Pru Equity & Debt Fund(G)	25	5.68	10.21	12.09	Sankaran Naren
	- Reliance Equity Hybrid Fund(G)	25	2.27	9.73	10.42	Sanjay Parekh
Large Cap Funds	- Axis Bluechip Fund(G)	5	11.89	14.30	12.25	Shreyash Devalkar
	- UTI Mastershare-Reg(D)	5	8.95	10.04	9.73	Swati Kulkarni
	- ICICI Pru Bluechip Fund(G)	5	8.08	12.74	12.73	Sankaran Naren
Short Duration	- Franklin India ST Income Plan(G)	10	6.01	7.99	7.91	Santosh Kamath
	- UTI ST Income Fund(G)	10	4.42	6.14	7.19	Sudhir Agarwal
Dynamic Bond	- Franklin India Dynamic Accrual Fund(G)	5	5.61	7.74	8.34	Sachin Padwal-Desai
	- ICICI Pru All Seasons Bond Fund(G)	5	2.76	6.03	8.04	Manish Banthia
Credit Risk Fund	- Franklin India Credit Risk Fund(G)	2.5	5.90	7.67	7.89	Santosh Kamath
	- Aditya Birla SL Credit Risk Fund-Reg(G)	2.5	4.76	7.12	8.10	Maneesh Dangi
	TOTAL	100				

*Returns as on August 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 NAME	ALLOCATION (%)
Large Cap Funds	20%
Low Duration Funds	20%
Short Duration Funds	30%
Floater Funds	20%
Dynamic Bond Funds	10%

SUGGESTED PORTFOLIO WITH THE TOP RATED FUNDS

CATEGORY NAME	SCHEME NAME	ALLOC (%)	1-YEAR (%)	2-YEARS (%)	3 YEARS (%)	FUND MANAGER
Large Cap Funds	Axis Bluechip Fund(G)	7.5	11.89	14.30	12.25	Shreyash Devalkar
	UTI Mastershare-Reg(D)	7.5	8.95	10.04	9.73	Swati Kulkarni
	ICICI Pru Bluechip Fund(G)	5	8.08	12.74	12.73	Sankaran Naren
Low Duration Funds	Kotak Low Duration Fund(G)	10	6.49	7.06	7.77	Deepak Agrawal
	UTI Treasury Advantage Fund	10	6.42	7.04	7.63	Sudhir Agarwal
Short Duration	Franklin India ST Income Plan(G)	15	6.01	7.99	7.91	Santosh Kamath
	UTI ST Income Fund(G)	15	4.42	6.14	7.19	Sudhir Agarwal
Floater Funds	Aditya Birla SL FRF-Long Term Plan(G)	10	6.29	6.98	7.79	Shobhit Mehrotra
	HDFC Floating Rate Debt Fund(G)	10	6.22	6.85	7.54	Kaustubh Gupta
Dynamic Bond Funds	Franklin India Dynamic Accrual Fund(G)	5	5.61	7.74	8.34	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund(G)	5	2.76	6.03	8.04	Manish Banthia
	TOTAL	100				

*Returns as on August 31, 2018

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

Below is the list of the top 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

LARGECAP

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Axis Bluechip Fund(G)	Shreyash Devalkar	Nov-2016	2,839	11.89	14.30	12.25	2.53
UTI Mastershare-Reg(D)	Swati Kulkarni	Nov-2006	5,792	8.95	10.04	9.73	2.33
ICICI Pru Bluechip Fund(G)	Sankaran Naren	Jul-2017	19,836	8.08	12.74	12.73	2.08
Benchmark - NIFTY 50 - TRI				**13.20**	**14.20**	**12.69**	

MIDCAP

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Axis Midcap Fund(G)	Shreyash Devalkar	Nov-2016	1,731	12.06	13.20	10.13	2.5
Franklin India Prima Fund(G)	R. Janakiraman	Mar-2014	6,829	-1.56	6.83	11.02	2.33
HDFC Mid-Cap Opportunities Fund(G)	Chirag Setalvad	Mar-2008	19,532	-2.31	6.93	11.55	2.11
UTI Mid Cap Fund-Reg(D)	Lalit Nambiar	Jan-2016	4,028	-5.52	2.06	6.08	2.35
Sundaram Mid Cap Fund(G)	S. Krishnakumar	Nov-2012	6,336	-6.87	4.86	9.96	2.14
Benchmark - NIFTY 100 - TRI				**-4.32**	**6.75**	**11.00**	

HYBRID FUNDS

AGGRESSIVE HYBRID

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
ICICI Pru Equity & Debt Fund(G)	Sankaran Naren	Dec-2015	29,032	5.68	10.21	12.09	2.04
Franklin India Equity Hybrid Fund(G)	Lakshmikanth Reddy	May-2016	2,087	3.49	6.54	8.11	2.27
Reliance Equity Hybrid Fund(G)	Sanjay Parekh	Mar-2012	13,603	2.27	9.73	10.42	2.26
L&T Hybrid Equity Fund-Reg(G)	Soumendra Nath Lahiri	Dec-2012	10,219	1.13	8.54	8.86	2.22
UTI Hybrid Equity Fund-Reg(G)	V. Srivatsa	Jan-2015	6,586	1.11	7.50	9.12	2.33
CRISIL Hybrid 35+65 - Aggressive Index (Equity:65%, Debt:35%)				**6.56**	**10.06**	**10.82**	

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

SECTOR FUNDS

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
UTI India LifeStyle Fund-Reg(G)	Lalit Nambiar	Jul-2011	301	6.58	9.92	9.49	2.66
Aditya Birla SL India GenNext Fund(G)	Anil Shah	Sep-2013	906	1.37	8.23	12.16	2.56
Sundaram Rural and Consumption Fund(G)	S.Krishnakumar	Jan-2016	2,728	-2.36	7.55	15.53	2.21
Benchmark - NIFTY CONSUMPTION - TRI				**10.43**	**12.45**	**12.87**	

SECTOR – 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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Reliance Pharma Fund(G)	Sailesh Raj Bhan	Mar-2006	2,741	22.87	4.66	0.98	2.42
UTI Healthcare Fund-Reg(D)	V. Srivatsa	Feb-2017	475	8.24	-2.38	-3.81	2.81
Benchmark - NIFTY PHARMA - TRI				**9.33**	**-6.18**	**-7.75**	

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

DEBT FUNDS

LOW DURATION

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
SBI Magnum Low Duration Fund(G)	Rajeev Radhakrishnan	Aug-2008	8,043	6.52	6.83	7.31	0.46
Kotak Low Duration Fund(G)	Deepak Agrawal	Oct-2016	5,453	6.49	7.06	7.77	1.03
UTI Treasury Advantage Fund-Inst(G)	Sudhir Agarwal	Oct-2012	11,839	6.42	7.04	7.63	0.31
ICICI Pru Savings Fund(G)	Rahul Goswami	Sep-2012	17,573	6.29	7.07	7.70	0.45
Reliance Low Duration Fund(G)	Amit Tripathi	Mar-2007	12,884	6.24	6.73	7.32	0.58
Benchmark - Crisil Liquid Fund Index				**7.21**	**6.96**	**7.19**	

SHORT DURATION

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Franklin India ST Income Plan(G)	Santosh Kamath	Apr-2014	11,338	6.01	7.99	7.91	1.57
HDFC Short Term Debt Fund(G)	Anil Bamboli	Jul-2011	9,019	5.24	6.45	7.28	0.4
L&T Short Term Bond Fund-Reg(G)	Shriram Ramanathan	May-2016	2,589	4.51	5.83	6.62	0.81
UTI ST Income Fund-Inst(G)	Sudhir Agarwal	Oct-2012	9,573	4.42	6.14	7.19	0
Axis Short Term Fund(G)	Devang Shah	Nov-2012	4,798	4.41	5.95	6.91	0.99
Benchmark - Crisil Short Term Bond Fund Index				**4.27**	**5.92**	**7.03**	

FLOATER

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

SCHEME NAME	FUND MANAGER	MANAGING SINCE	AUM (RS CR)	1 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Aditya Birla SL FRF-Long Term Plan(G)	Kaustubh Gupta	Apr-2017	5,996	6.29	6.98	7.79	0.39
HDFC Floating Rate Debt Fund(G)	Shobhit Mehrotra	Dec-2016	11,482	6.22	6.85	7.54	0.38
ICICI Pru Floating Interest Fund(G)	Nikhil Kabra	Dec-2016	9,677	5.62	6.65	7.34	1.3
Benchmark - Crisil Short Term Bond Fund Index				**4.27**	**5.92**	**7.03**	

RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Franklin India Dynamic Accrual Fund(G)	Sachin Padwal-Desai	Feb-2006	3,566	5.61	7.74	8.34	1.77
ICICI Pru All Seasons Bond Fund(G)	Manish Banthia	Dec-2016	2,070	2.76	6.03	8.04	1.35
UTI Dynamic Bond Fund-Reg(G)	Amandeep Singh Chopra	Feb-2012	1,220	1.60	5.58	7.16	1.72
Benchmark - Crisil Composite Bond Fund Index				0.57	4.19	6.57	

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 YEAR (%)	2 YEARS (%)	3 YEARS (%)	EXPENSE RATIO
Franklin India Credit Risk Fund(G)	Santosh Kamath	Apr-2014	7,148	5.90	7.67	7.89	1.75
ICICI Pru Credit Risk Fund(G)	Manish Banthia	Jan-2018	11,412	5.06	6.58	7.39	1.84
Reliance Credit Risk Fund(G)	Prashant Pimple	Aug-2010	10,895	4.79	6.42	7.57	1.85
Aditya Birla SL Credit Risk Fund-Reg(G)	Maneesh Dangi	Apr-2015	8,327	4.76	7.12	8.10	1.68
L&T Credit Risk Fund(G)	Shriram Ramanathan	Nov-2012	3,914	4.23	6.22	7.50	1.88
Benchmark - Crisil Composite Bond Fund Index				**0.57**	**4.19**	**6.57**	

CONTACT US

PRABHUDAS LILLADHER PVT. LTD.

MFSS Desk, 3rd Floor, Sadhana House,
570, P.B. Marg, Worli, Mumbai 400018

Tel: 022 6632 2366 | 1860 210 2222

Email: wms@plindia.com

www.plindia.com
www.plindia.com/blog

TEAM

- SANDIP RAICHURA (Business Head – Retail)
- DEEPAK CHELLANI (Head – Third Party Products)
- JASON MONTEIRO (AVP - Mutual Fund Research & Content)

THIS REPORT HAS BEEN PREPARED BY

JASON MONTEIRO (AVP – Mutual Fund Research & Content)

DISCLAIMER

This document has been prepared by PL and is meant for sole use by the recipient and not for circulation. The returns mentioned in this document are compiled based on simulation carried out on historical price data and not based on actual data. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. The document should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. Recipients of this document should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.