

**Prabhudas<sup>®</sup>  
Lilladher**

POWERING YOUR FINANCIAL GROWTH



# MF EQUITY & DEBT: THE WAY FORWARD

**MAY 2019**

# PREFACE

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## Greetings from Prabhudas Lilladher!

The large cap indices remained range-bound in April. But, in the first few weeks of May, the US-China trade tensions created pressure on Asian markets. As a result, the indices nose-dived, closing in the red for as many as nine trading sessions. The downtrend was cut short as the exit poll results predicted a majority to the NDA government, bringing a cheer to the market, thus recovering the losses made in the previous weeks.

The Nifty 50 and S&P BSE Sensex were up by 0.64% and 0.54% each, for the month ended May 20, 2019. After reporting gains for two consecutive months, the Nifty MidCap 100 and Nifty SmallCap 100 fell by 2.85% and 3.90% respectively.

Asian markets remained mixed as US-China trade tensions once again escalated. Going ahead, there are fears of a spillover on the Indian markets. However, investor expectation of a stable government overcame the weakness coming from geo-political tensions.

Going ahead, long-term structural drivers like demographic advantage, low household debt, under-penetration across different consumer categories, high potential for financial savings and increased pace of urbanization, makes India a compelling equity story from medium to long-term perspective.

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 on how 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.

You may view the performance of our model portfolios on **page 20**.

We welcome your feedback and any queries regarding your investments in mutual funds on [WMS@plindia.com](mailto:WMS@plindia.com)

Warm Regards,

The Mutual Fund Desk

Prabhudas Lilladher Pvt Ltd

# CONTENTS

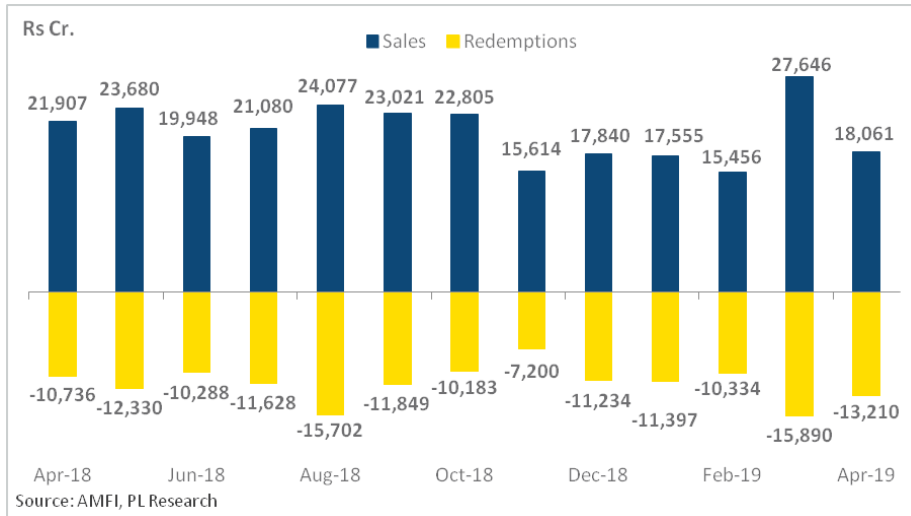
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<b>Industry Trends</b> .....	4
<b>Equity Market Outlook</b> .....	11
<b>Fund House Views on the Equity Market</b> .....	12
<b>Debt Market Outlook</b> .....	13
<b>Fund House Views on the Debt Market</b> .....	14
<b>Tactical Asset Allocation</b> .....	15
<b>Tactical View: The Ideal Strategy</b> .....	16
<b>Model Portfolios Based on Tactical View</b> .....	17
<b>Aggressive Risk portfolio</b> .....	18
<b>Moderate Risk Portfolio</b> .....	19
<b>Conservative Risk Portfolio</b> .....	20
<b>Recommended Mutual Funds As Per Tactical View</b> .....	23
<b>Contact Us</b> .....	27
<b>Disclaimer</b> .....	28

# INDUSTRY TRENDS

## SALES AND REDEMPTIONS OF EQUITY MUTUAL FUND (INCLUDING ELSS)

Total AUM: Rs 7,37,710 crore



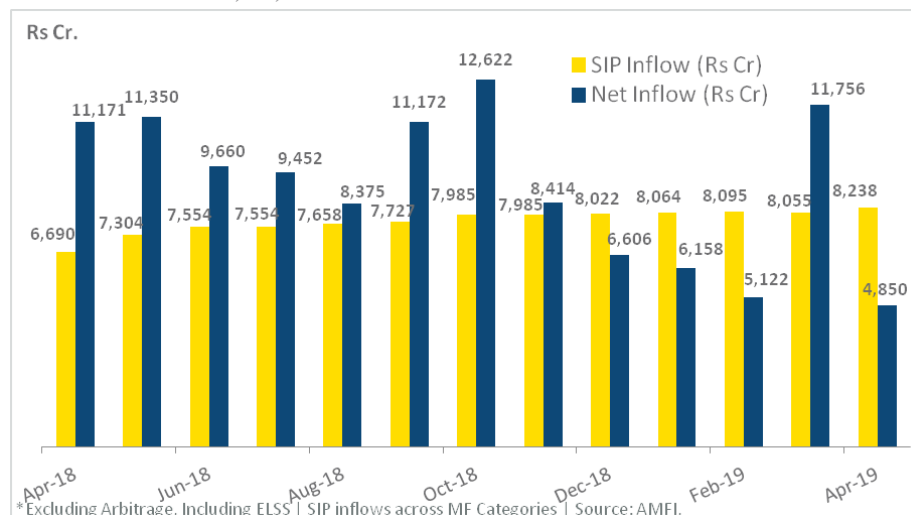
Sales of Equity MFs dropped to Rs 18,061 cr in April 2019, as compared to a high of Rs 27,646 cr in March 2019.

Sales picked up after dismal numbers reported in the past few months.

Redemptions fell marginally to Rs 13,210 cr in April 2019, vs Rs 15,890 cr in March 2019.

## NET INFLOWS IN EQUITY MUTUAL FUNDS (INCLUDING ELSS)

Total AUM: Rs 7,37,710 crore



Net Inflows into Equity MFs (including ELSS) dropped to Rs 4,850 cr. in April 2019, the lowest in a few years.

Inflows through MF SIPs remained steady around the Rs 8,000-cr mark, with Rs 8,238 cr. coming in over the month.

(Source: AMFI, PL Research)

# INDUSTRY TRENDS (CONT.)

## NET INFLOWS IN EQUITY, HYBRID AND INDEX FUNDS/ETFS

Equity Oriented Schemes OPEN ENDED	Sales (Rs Cr)	Redemptions (Rs Cr)	Net Inflow (Rs Cr)	Net AUM (Rs Cr)
Multi Cap Fund	4,371.41	2,498.35	1,873.06	152,056
Small Cap Fund	1,772.60	816.77	955.83	43,872
Sectoral/Thematic Funds	1,829.12	1,261.95	567.17	62,082
Mid Cap Fund	2,060.46	1,569.42	491.04	75,058
ELSS	1,353.75	895.10	458.65	92,044
Focused Fund	1,086.21	858.64	227.57	37,393
Large Cap Fund	2,627.11	2,578.84	48.27	126,596
Value Fund/Contra Fund	1,131.60	1,091.91	39.69	58,196
Large & Mid Cap Fund	1,179.38	1,199.89	-20.50	51,427
Dividend Yield Fund	27.89	59.92	-32.03	4,826
<b>Sub Total</b>	<b>17,439.54</b>	<b>12,830.80</b>	<b>4,608.74</b>	<b>703,550</b>
<b>Close Ended Equity Schemes</b>				
ELSS		48.09	-48.09	4,506
Others		331.18	-331.18	29,654
<b>Sub Total</b>		<b>379.26</b>	<b>-379.26</b>	<b>34,160</b>
<b>New Equity Schemes Launched</b>				
Sectoral/ Thematic Funds	621.00	0.00	621.00	0
<b>Grand Total</b>	<b>18,060.54</b>	<b>13,210.06</b>	<b>4,850.48</b>	<b>737,710</b>

Hybrid Schemes OPEN ENDED	Sales (Rs Cr)	Redemptions (Rs Cr)	Net Inflow (Rs Cr)	Net AUM (Rs Cr)
Arbitrage Fund	5,327.38	3,798.34	1,529.04	50,495
Dynamic Asset Allocation/Balanced Advantage	2,036.36	1,881.71	154.65	92,833
Multi Asset Allocation	276.18	505.80	-229.62	12,610
Conservative Hybrid Fund	124.59	363.99	-239.40	15,228
Equity Savings	278.91	987.00	-708.09	18,749
Balanced Hybrid Fund/Aggressive Hybrid Fund	2,215.66	4,337.07	-2,121.41	146,292
<b>Total</b>	<b>10,259.08</b>	<b>11,873.91</b>	<b>-1,614.83</b>	<b>336,207</b>

Other Schemes	Sales (Rs Cr)	Redemptions (Rs Cr)	Net Inflow (Rs Cr)	Net AUM (Rs Cr)
Index Funds	53.93	33.31	20.62	5,286
GOLD ETF	261.66	243.72	17.93	4,594
Other ETFs	4.53	14.23	-9.70	131,189
Fund of funds investing overseas	3,007.12	7,266.42	-4,259.29	1,951
<b>Total</b>	<b>3,327.24</b>	<b>7,557.68</b>	<b>-4,230.44</b>	<b>143,020</b>

Data as on April 30, 2019 (Source AMFI, Prabhudas Lilladher Research)

# INDUSTRY TRENDS (CONT.)

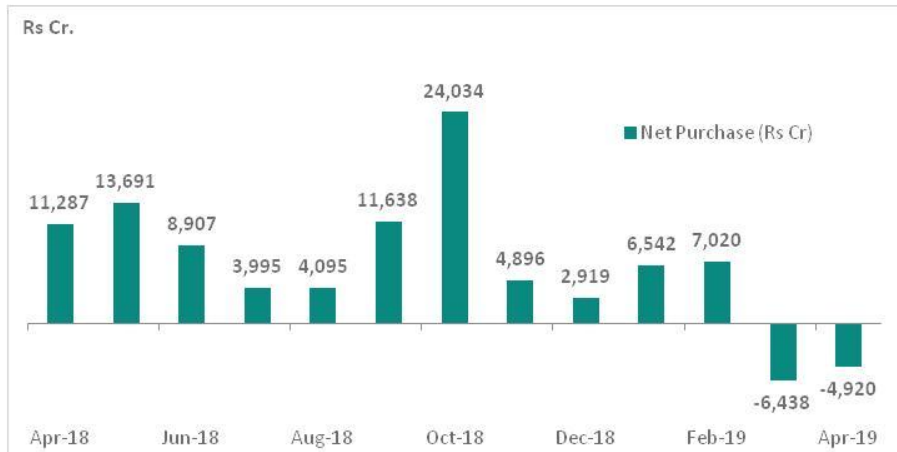
## NET INFLOWS IN DEBT FUNDS

Income / Debt Oriented Schemes OPEN ENDED	Sales (Rs Cr)	Redemptions (Rs Cr)	Net Inflow (Rs Cr)	Net AUM (Rs Cr)
Liquid Fund	1,741,122.88	1,651,344.44	89,778.43	477,842.96
Overnight Fund	31,583.00	31,487.26	95.74	11,309.75
<b>Sub Total</b>	<b>1,772,705.87</b>	<b>1,682,831.71</b>	<b>89,874.17</b>	<b>489,152.72</b>
Ultra Short Duration Fund	21,187.24	10,149.98	11,037.26	87,144.67
Money Market Fund	14,309.15	7,890.63	6,418.52	59,017.65
Low Duration Fund	13,428.89	8,515.54	4,913.35	89,821.94
Corporate Bond Fund	6,078.44	2,204.05	3,874.40	61,329.49
Banking and PSU Fund	3,421.42	629.27	2,792.15	35,682.17
Short Duration Fund	5,214.54	2,443.96	2,770.57	80,720.93
Dynamic Bond Fund	984.87	572.90	411.97	19,861.10
Floater Fund	2,068.57	1,720.84	347.73	30,058.01
Medium to Long Duration Fund	465.77	201.63	264.14	10,127.50
Long Duration Fund	21.65	13.58	8.06	1,130.41
Medium Duration Fund	698.44	1,229.34	-530.89	36,556.28
Credit Risk Fund	994.88	2,248.16	-1,253.28	79,643.89
<b>Sub Total</b>	<b>68,873.87</b>	<b>37,819.88</b>	<b>31,053.98</b>	<b>591,094.05</b>
Gilt Fund with 10 year constant duration	52.25	19.15	33.10	547.78
Gilt Fund	216.69	257.55	-40.86	7,545.52
<b>Sub Total</b>	<b>268.94</b>	<b>276.69</b>	<b>-7.76</b>	<b>8,093.31</b>
<b>Close Ended Schemes</b>				
Fixed Term Plan	384.45	18,028.87	-17,644.42	141,170.58
Capital Protection Oriented Schemes	0.00	607.67	-607.67	5,572.42
Infrastructure Debt Fund	0.00	314.72	-314.72	2,348.65
Other Debt	0.00	382.95	-382.95	5,509.75
<b>Sub Total</b>	<b>384.45</b>	<b>19,334.21</b>	<b>-18,949.76</b>	<b>154,601.40</b>
<b>New Schemes Launched</b>				
Overnight Fund	176.00	0.00	176.00	0.00
Liquid Fund	112.00	0.00	112.00	0.00
<b>Sub Total</b>	<b>288.00</b>	<b>0.00</b>	<b>288.00</b>	<b>0.00</b>
<b>Interval Schemes</b>				
Income/Debt Oriented Schemes	0.15	52.56	-52.41	1,919.17
<b>Grand Total</b>	<b>1,842,521.28</b>	<b>1,740,315.05</b>	<b>102,206.23</b>	<b>1,244,860.64</b>

Data as on April 30, 2019 (Source AMFI, Prabhudas Lilladher Research)

# INDUSTRY TRENDS (CONT.)

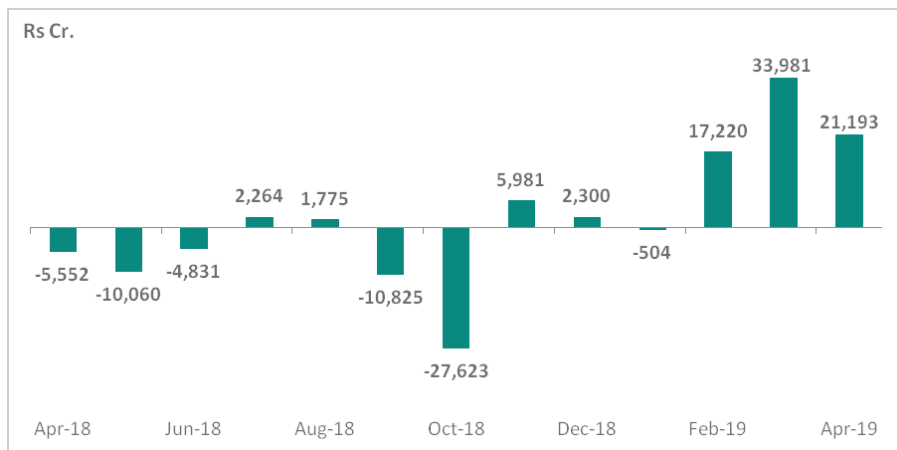
## MUTUAL FUND INVESTMENT IN EQUITY



As per SEBI data, Mutual Funds were net sellers for the second consecutive month in April 2019, selling Rs 4,920 cr of equities, as compared to an exodus of Rs 6,438 cr. reported in March 2019

(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 continued with robust inflows for the third consecutive month. FIIs made a net purchase of Rs 21,193 cr in April 2019, as compared to Rs 33,981 cr in the previous month

(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.)

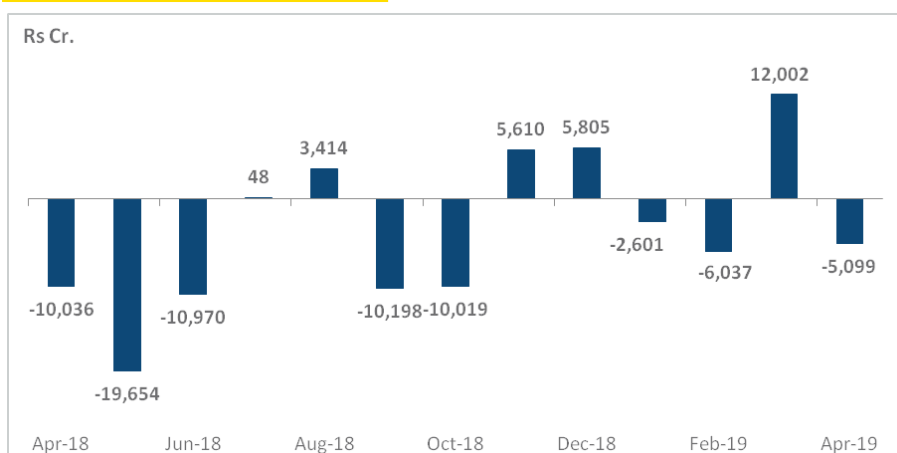
## MUTUAL FUND INVESTMENT IN DEBT



Mutual Fund investments in debt reduced to Rs 50,453 cr. in April 2019 against an inflow of Rs 77,195 cr. in March 2019. Inflows over the past 12 months totaled Rs 30,871 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

## FII INVESTMENT IN DEBT



FIIs turned into net sellers of Indian Debt, selling Rs 5,099 cr in April 2019. Net outflows over the past 12 months totaled Rs 37,701cr.

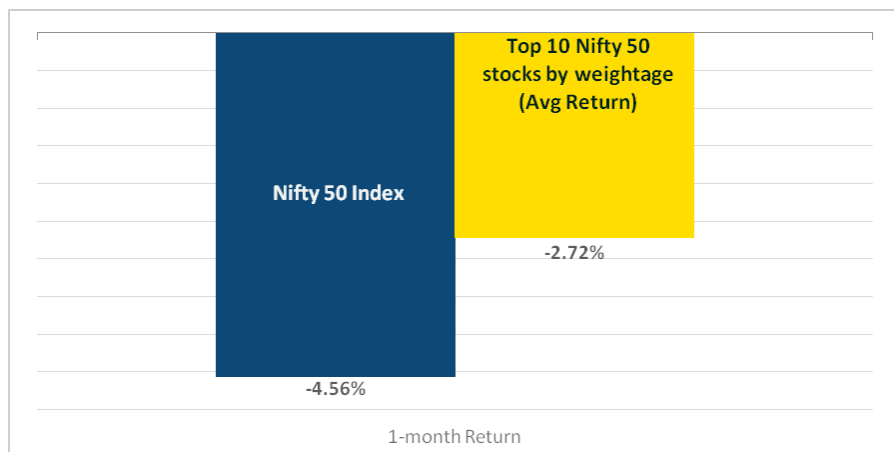
(Source: SEBI, PL Research) The data is compiled on the basis of reports submitted to SEBI by custodians (NSDL & CDSL) and it constitutes trades conducted by FIIs & Mutual Funds



# INDUSTRY TRENDS (CONT.)

## NIFTY 50 INDEX PERFORMANCE AND CONTRIBUTORS

### 1-MONTH PERFORMANCE OF THE INDEX AS ON MAY 15, 2019



For the month ended May 15, 2019, the Nifty 50 index fell 4.56%.

The top 10 stocks by weightage delivered an average return of -2.72%

Data as on May 15, 2019 (Source: ACE Equity, PL Research)

### GAINERS AND LOSERS ON THE NIFTY 50

Parameter	No. of Nifty 50 stocks	Average Return
Gainers	8	3.02%
Losers	42	-8.43%

As many as 8 stocks in the Nifty index constituents closed with a gain, averaging 3.02%. About 42 stocks closed in the red

### TOP 5 GAINERS

Company Name	1-Month Return
Titan Company Ltd.	6.68%
UPL Ltd.	4.28%
Oil & Natural Gas Corporation	4.03%
Bharti Airtel Ltd.	3.76%
Ultratech Cement Ltd.	2.77%

### TOP 5 LOSERS

Company Name	1-Month Return
Yes Bank Ltd.	-46.16%
Tata Motors Ltd.	-26.88%
Zee Entertainment Enterprises	-22.62%
IndusInd Bank Ltd.	-21.15%
Tata Steel Ltd.	-16.31%

### TOP 5 INDEX CONTRIBUTORS

Company Name	Aprx. Wtg. on Index (Apr 30, 2019)	1-Month Return	Contribution to Index
Titan Company Ltd.	1.81%	6.68%	14.14
Kotak Mahindra Bank Ltd.	2.45%	1.60%	4.58
UPL Ltd.	0.89%	4.28%	4.43
Oil & Natural Gas Corporation	0.92%	4.03%	4.33
Bharti Airtel Ltd.	0.72%	3.76%	3.15
<b>Total</b>	<b>6.78%</b>		<b>30.62</b>

Data as on May 15, 2019 (Source: ACE Equity, PL Research)

# INDUSTRY TRENDS (CONT.)

## EXTENT OF FALL – PAST 1 YEAR

Percentage fall in stock prices as on May 15, 2019, from their 52-week high

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

EXTENT OF FALL FOR STOCKS IN S&P BSE 500				
Percentage of Fall From 52w High	Large Cap	Mid Cap	Small Cap	Total
0%-10%	44	42	34	120
10%-20%	24	36	43	103
20%-30%	11	34	60	105
30%-40%	13	17	64	94
40%-50%	3	6	31	40
>50%	3	9	26	38
Total	98	144	258	500
EXTENT OF FALL FOR STOCKS IN MUTUAL FUNDS				
Percentage of Fall From 52w High	Large Cap	Mid Cap	Small Cap	Total
0%-10%	28	15	28	71
10%-20%	28	45	79	152
20%-30%	18	37	102	157
30%-40%	13	24	132	169
40%-50%	9	14	89	112
>50%	4	13	117	134
Total	100	148	547	795

Note:

Market capitalisation as per AMFI, where:

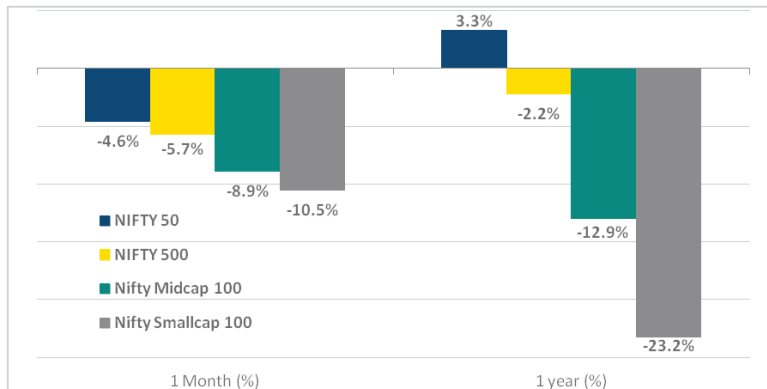
**Large-cap:** 1st-100th company in terms of full market capitalisation

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

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

# EQUITY MARKET OUTLOOK

The market came under pressure over the past 1-month period ending May 15, 2019. The Nifty 50 and the broader Nifty 500 index fell by nearly 5%. The Nifty Midcap 100 and Nifty Smallcap 100 fell further by 8.9% and 10.5% respectively.



(Source: ACE MF, PL research)\*Data as on May 15, 2019

**Indian markets were weighed down by global factors and gave up gains along with its Asian peers. Once the elections are out of the way, the market will focus on key macro data and earnings results.**

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

## **MARKET EXUBERANT ON LIKELY NDA VICTORY**

Exits polls put the NDA government back in power, creating euphoria in the market. The results on May 23<sup>rd</sup> is likely to seal their fate. Changing political equations have been a key factor contributing to increase in investor confidence and improvement in sentiments. NDA has gained quite a bit of psychological advantage post Pulwama attacks and the Government's response to the same. The impact of such incidents is usually prominent in the Hindi heartland and central Indian states, which are key to BJP coming to power at the center

## **MONSOON LIKELY TO BE DELAYED**

The onset of the South-West Monsoon is likely to be delayed by a week, according to the India Meteorological Department. The long period average date of monsoon onset over Kerala is June 1. The delay is likely due to the occurrence of cyclone Fani and El Nino effects, which may have affected the weather system. Skymet weather expects 2019 monsoon at 93% of Long Period Average (below normal) impacted by devolving El Nino. The timing and spatial distribution of rainfall spread across all four months is key to agriculture production. The IMD has predicted a "near-normal" monsoon at 96% of LPA..

## **NIFTY EARNINGS EXPECTED TO GROW AT 16.8% CAGR OVER FY19-21**

Against earnings contraction of 3.8% in FY18, FY19 NIFTY EPS is expected to increase by 8.4%. FY20 and FY21 NIFTY EPS is expected to grow by 16.9% and 16.8% to Rs553.6 and Rs646.7 which is 11.4% and 11.6% lower than consensus. NIFTY is currently trading at 21x 1 year forward earnings, which shows 16.6% premium to long-term average of 18. Rally post a stable NDA Govt can make markets test 24-25x earnings which gives a target of 13272-13825. Any adverse political outcome in elections and global volatility can take P/E multiples to pre rally levels of 19x.

# 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:

## **CORPORATE EARNINGS REMAIN STUNTED**

While the trend in top-line growth continued to remain strong for Q3FY19, operating margins did not show a commensurate growth trend. The financial sector delivered good performance on sequential improvement in asset quality trends of corporate banks. However, the growth estimate for NBFC moderated on liquidity stress. Telecom, Auto, Metals and Oil & Gas reported muted earnings. The Consumer segment and Healthcare reported reasonable earnings growth. Overall, the trend points to

## **EL NINO, A CONCERN FOR MONSOON 2019**

Chances of formation of an El Niño have gone up to 60% from a previously stated 50%. El Niño is a very complex weather phenomenon that has the potential to suppress the monsoon rains, leading to below normal rainfall. Earlier, based on January projections of declining El Niño probabilities, Skymet Weather had announced highest probability of normal monsoons.

## **ELECTION YEARS ARE OFTEN VERY VOLATILE, BUT NO SUSTAINED IMPACT**

Election years often tend to be extremely volatile for the market. In each of the last six elections, despite the verdict being a surprise, the market did not show any significant divergence from the trend seen pre-elections. There was some occasional volatility, but no sustained impact on the indices due to elections. Volatility spiked considerably around the result of the general elections

## **MIDCAP VALUATIONS AT A DISCOUNT TO LARGE CAPS**

While the Sensex valuation (12m forward P/E) remains above the Fair Value range of 13-17x, Mid Cap valuations have eased considerably. The Nifty Mid Cap 100 is now trading at a discount to the Nifty 50 index. The relative valuation of the Small Cap index is back to the 2014 & 2016 zone, which is a strong support zone. While valuations are not exactly cheap,

## **PRESSURE ON GOVT'S FISCAL SITUATION GOING FORWARD**

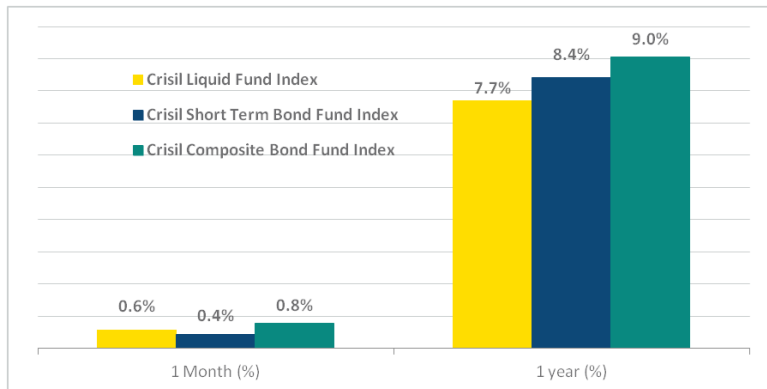
India's April-January fiscal deficit touched Rs7.7 trillion (\$108.36 billion), or 121.5% of the budgeted target, for the current fiscal year. In the Interim Budget, the government had revised upward its fiscal deficit target to 3.4% of GDP for the current fiscal year from the previously estimated 3.3% budgeted target. On the positive side, India's trade deficit shrank to a 17-month low in February on a sharp fall in import of oil, gold and electronics,

## **DOMESTIC CONSUMPTION REMAINS THE CORE THEME**

The Interim budget is expected to boost disposable income and hence demand for consumer staples, small electrical appliances, apparel, and entry level two-wheelers. Capex is driven by Government spending and this might see some setback for some time post elections. Rural sales continues to outpace urban sales growth, however the gap is reducing. Companies expect a boost in rural sales post consumption friendly budget. Thus, domestic consumption remains a core theme to play for in 2019.

# DEBT MARKET OUTLOOK

The 10-year benchmark G-Sec yield remained flat over the past 1-month, closing at 7.38% as on May 15, 2019. Yields had shot up to 7.47% on April 22<sup>nd</sup> from 7.39% on April 15<sup>th</sup>, but eased soon after to close the 30-day period at the same levels.



(Source: ACE MF, PL research)\*Data as on May 15, 2019

Given the higher yields a year ago, long duration bonds have generated a higher return can compared to liquid funds and short duration funds. The Composite Bond Fund Index generated a return of 9%, while the Liquid Fund index and the Short-term index returned 7.7% and 8.4% each.

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

## BOND PRICES SLUMP AS CRUDE RISES

Bond yields rose following surge in global crude oil prices with rising fights in Libya and OPEC-led supply cuts. Decline in the rupee against the green back amid volatility also weighed on the bond market sentiment. However, losses were restricted as hopes of a normal monsoon gave comfort on the future inflation front. In addition, the country's core inflation dropped to 5.1% for Mar 2019 compared with 5.4% in the prior month.

## LIQUIDITY REMAINS A CONCERN

Liquidity was in a deficit mode due to Government running a high surplus balance with RBI. The short term rates (3 Month CD) continue to remain at an elevated spread of 136 bps over the repo rate. Owing to this, the RBI has increased Open Market Operations (OMO) purchases since last few months and implemented a new monetary tool in the form of dollar swap. Liquidity conditions, however, are expected to improve. The central bank's open market bond purchase auction provided gilts with positive cues. In the auction, the banking regulator bought back five dated securities for an aggregate notified face value of Rs 12,500 crore.

## NEXT RATE CUT TO BE DATA DEPENDENT

The next rate cut, according to market participants, is expected to be data-dependent. The RBI may want to see certain risks play out such as the general elections, uncertainty in oil prices, probability of El Nino effects in 2019 and the post-election Budget. Going forward, an early rate cut looks challenging, given that the best of food deflation is in the past.

# FUND HOUSE VIEWS ON THE DEBT MARKET

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

## **RBI REVISES INFLATION AND GROWTH PROJECTIONS**

RBI revised the inflation and growth projections downwards. As inflation continues to remain benign and growth projection is revised downwards, we expect another rate cut of 25 bps. However, the timing of such a rate cut will be contingent on the incoming data. In line with the above, we expect the yield curve to steepen. Even though additional rate cuts will bring down short-end rates, fiscal pressures are likely to keep the long bond yields at higher levels.

## **RBI'S FOCUS ON LIQUIDITY TO CONTINUE**

Once again, the liquidity deficit spiked in April 2019—mainly due to muted government spending. RBI infused liquidity via bond purchases and dollar-rupee swap. There are expectations that the liquidity conditions will improve with a pick-up in government spending. To address the current liquidity situation, the RBI announced Open Market Operations (OMOs) operations worth INR 25,000 crore in May 2019, through two auctions of INR 12,500 crore each. The interbank call money rates hovered above the RBI's repo rate of 6.00% during the month.

## **CREDIT SPREADS WIDENED**

Credit spreads in general have been widening, primarily in the longer end of the curve, as liquidity remains tight. This presents a potential to earn an attractive risk-reward tradeoff particularly at the short-end of the yield curve. Markets have been very discerning and are pricing even slightly riskier credits much wider. This opens up attractive opportunity for significant alpha through appropriate credit selection. The NBFC sector will continue to be under pressure till a systemic liquidity / capital solution is found for the sector. However, financing is available for most names, albeit at higher rates.

# TACTICAL ASSET ALLOCATION

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## 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

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

## **EQUITY INVESTMENTS**

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- Large caps still a favourite to add stability to the portfolio in the current volatile market. Multi-cap funds with a large-cap bias can also be considered
- Mid Cap & Small Cap Funds have turned attractive, and invest 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**

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- 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

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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.

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# 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	30%
Mid Cap Funds	40%
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	10	-2.43	5.35	13.61	Shreyash Devalkar
	Mirae Asset Large Cap Fund	10	-5.10	3.42	15.16	Neelesh Surana
	ICICI Pru Bluechip Fund	10	-4.17	0.54	12.93	Sankaran Naren
Mid Cap	Axis Midcap Fund	20	-4.76	-0.46	12.20	Shreyash Devalkar
	HDFC Mid-Cap Opportunities	20	-7.07	-10.56	10.91	Chirag Setalvad
Sector	UTI India LifeStyle Fund	10	-6.27	-8.95	8.32	Lalit Nambiar
	Reliance Pharma Fund	10	-7.09	3.57	2.29	Sailesh Raj Bhan
Dynamic Bond Funds	Franklin India Dynamic Accrual	5	0.31	9.21	8.94	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund	5	0.61	7.76	8.44	Manish Banthia
	Total	100				

\*Returns as on May 15, 2019 | Returns less than 1 year are absolute, Greater than 1 year – Compounded Annualised

# MODERATE RISK PORTFOLIO

This portfolio is suitable for those 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 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	25	-3.49	2.34	12.40	Sankaran Naren
	Reliance Equity Hybrid Fund	25	-8.37	-8.23	7.81	Sanjay Parekh
Large Cap Funds	Axis Bluechip Fund	10	-2.43	5.35	13.61	Shreyash Devalkar
	Mirae Asset Large Cap Fund	10	-5.10	3.42	15.16	Neelesh Surana
	ICICI Pru Bluechip Fund	10	-4.17	0.54	12.93	Sankaran Naren
Short Duration	Franklin India ST Income Plan	10	0.04	8.94	8.93	Santosh Kamath
	UTI ST Income Fund	10	-0.18	6.42	6.99	Sudhir Agarwal
Dynamic Bond	Franklin India Dynamic Accrual	5	0.31	9.21	8.94	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund	5	0.61	7.76	8.44	Manish Banthia
Credit Risk Fund	Franklin India Credit Risk Fund	2.5	0.00	8.25	8.47	Santosh Kamath
	Aditya Birla SL Credit Risk Fund	2.5	0.15	6.01	7.66	Maneesh Dangi
	<b>Total</b>	<b>100</b>				

\*Returns as on May15, 2019 | Returns less than 1 year are absolute, Greater than 1 year – Compounded Annualised

# 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%

## 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	10	-2.43	5.35	13.61	Shreyash Devalkar
	Mirae Asset Large Cap Fund	10	-5.10	3.42	15.16	Neelesh Surana
	ICICI Pru Bluechip Fund	10	-4.17	0.54	12.93	Sankaran Naren
Low Duration Funds	UTI Treasury Advantage Fund	10	0.00	7.43	7.42	Sudhir Agarwal
	Kotak Low Duration Fund	10	0.44	8.07	7.79	Deepak Agrawal
Short Duration	Franklin India ST Income Plan	15	0.04	8.94	8.93	Santosh Kamath
	UTI ST Income Fund	15	-0.18	6.42	6.99	Sudhir Agarwal
Floater Funds	Aditya Birla SL Floating Rate	10	0.48	8.40	7.85	Shobhit Mehrotra
	HDFC Floating Rate Debt Fund	10	0.53	8.08	7.59	Kaustubh Gupta
Dynamic Bond Funds	Franklin India Dynamic Accrual	5	0.31	9.21	8.94	Sachin Padwal-Desai
	ICICI Pru All Seasons Bond Fund	5	0.61	7.76	8.44	Manish Banthia
	<b>Total</b>	<b>100</b>				

\*Returns as on May 15, 2019 | Returns less than 1 year are absolute, Greater than 1 year – Compounded Annualised

# MODEL PORTFOLIO PERFORMANCE

Performance of the three portfolios as on May 15, 2019 from their inception on Sep15, 2018.

AGGRESSIVE RISK PORTFOLIO	SCHEME NAME	ALLOC (%)	RETURN (%)
Large Cap	Axis Bluechip Fund	20	-0.96
	UTI Mastershare	20	-6.15
	ICICI Pru Bluechip Fund	10	-4.93
Mid Cap	Axis Midcap Fund	10	-6.05
	HDFC Mid-Cap Opportunities Fund	10	-9.48
Sector	UTI India LifeStyle Fund	10	-12.13
	Reliance Pharma Fund	10	-13.46
Dynamic Bond Funds	Franklin India Dynamic Accrual Fund	5	6.62
	ICICI Pru All Seasons Bond Fund	5	5.70
	<b>Portolio Performance</b>	<b>100</b>	<b>-5.41</b>
	<b>Benchmark Performance</b>	<b>100</b>	<b>-4.81</b>
	Nifty 500 - TRI	90	-6.04
	Crisil Short Term Bond Fund Index	10	6.29

MODERATE RISK PORTFOLIO	SCHEME NAME	ALLOC (%)	RETURN (%)
Aggressive Hybrid Fund	ICICI Pru Equity & Debt Fund	25	-1.60
	Reliance Equity Hybrid Fund	25	-10.58
Large Cap Funds	Axis Bluechip Fund	5	-0.96
	UTI Mastershare	5	-6.15
	ICICI Pru Bluechip Fund	5	-4.93
Short Duration	Franklin India ST Income Plan	10	6.30
	UTI ST Income Fund	10	4.27
Dynamic Bond	Franklin India Dynamic Accrual Fund	5	6.62
	ICICI Pru All Seasons Bond Fund	5	5.70
Credit Risk Fund	Franklin India Credit Risk Fund	2.5	5.72
	Aditya Birla SL Credit Risk Fund	2.5	3.72
	<b>Portolio Performance</b>	<b>100</b>	<b>-1.74</b>
	<b>Benchmark Performance</b>	<b>100</b>	<b>0.12</b>
	Nifty 500 - TRI	50	-6.04
	Crisil Short Term Bond Fund Index	50	6.29

CONSERVATIVE RISK PORTFOLIO	SCHEME NAME	ALLOC (%)	RETURN (%)
Large Cap Funds	Axis Bluechip Fund	7.5	-0.96
	UTI Mastershare	7.5	-6.15
	ICICI Pru Bluechip Fund	5	-4.93
Low Duration Funds	UTI Treasury Advantage Fund	10	4.80
	Kotak Low Duration Fund	10	5.52
Short Duration	Franklin India ST Income Plan	15	6.30
	UTI ST Income Fund	15	4.27
Floater Funds	Aditya Birla SL Floating Rate Fund	10	5.81
	HDFC Floating Rate Debt Fund	10	5.54
Dynamic Bond Funds	Franklin India Dynamic Accrual Fund	5	6.62
	ICICI Pru All Seasons Bond Fund	5	5.70
	<b>Portolio Performance</b>	<b>100</b>	<b>3.59</b>
	<b>Benchmark Performance</b>	<b>100</b>	<b>3.83</b>
	Nifty 500 - TRI	20	-6.04
	Crisil Short Term Bond Fund Index	80	6.29

Returns less than 1 year are absolute, Greater than 1 year – Compounded Annualised

# RECOMMENDED MUTUAL FUNDS AS PER TACTICAL VIEW

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

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# 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	Shreyash Devalkar	Nov-2016	5,144	-2.43	5.35	13.61	2.11
Mirae Asset Large Cap Fund	Neelesh Surana	May-2008	12,315	-5.10	3.42	15.16	1.78
ICICI Pru Bluechip Fund	Sankaran Naren	Jul-2017	21,846	-4.17	0.54	12.93	1.85
<b>Benchmark</b> Nifty 50 - TRI				-4.54	4.66	14.10	

### 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	Shreyash Devalkar	Nov-2016	2,282	-4.76	-0.46	12.20	2.28
Franklin India Prima Fund	R. Janakiraman	Mar-2014	6,889	-7.52	-8.45	9.65	1.85
HDFC Mid-Cap Opportunities	Chirag Setalvad	Mar-2008	22,244	-7.07	-10.56	10.91	1.88
Sundaram Mid Cap Fund	S. Krishnakumar	Nov-2012	6,029	-5.75	-14.58	8.11	1.96
UTI Mid Cap Fund	Lalit Nambiar	Jan-2016	3,691	-7.55	-15.91	5.35	2.29
<b>Benchmark</b> Nifty Midcap 100 - TRI				-8.90	-12.22	9.29	

## 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
Franklin India Equity Hybrid Fund	Lakshmikanth Reddy	May-2016	1,978	-3.80	0.29	8.11	2.12
L&T Hybrid Equity Fund	SN Lahiri	Dec-2012	9,490	-3.07	-4.89	8.96	1.81
UTI Hybrid Equity Fund	V. Srivatsa	Jan-2015	5,760	-4.80	-3.78	8.80	2
Reliance Equity Hybrid Fund	Sanjay Parekh	Mar-2012	11,872	-8.37	-8.23	7.81	1.82
ICICI Pru Equity & Debt Fund	Sankaran Naren	Dec-2015	26,129	-3.49	2.34	12.40	1.76
<b>Benchmark</b> Crisil Hybrid 35+65 - Aggressive Index (Equity:65%, Debt:35%)				-3.32	3.92	11.49	

\*Returns as on May 15, 2019 | Returns less than 1 year are absolute, Greater than 1 year – Compounded Annualised

# 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
Aditya Birla SL India GenNext Fund	Anil Shah	Sep-2013	1,011	-4.56	-1.01	12.87	2.6
UTI India LifeStyle Fund	Lalit Nambiar	Jul-2011	257	-6.27	-8.95	8.32	2.64
Sundaram Rural and Consumption Fund	S.Krishnakumar	Jan-2016	2,375	-7.24	-8.44	10.73	2.17
<b>Benchmark</b> Nifty Consumption - TRI				-6.35	-6.58	10.55	

### 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	Sailesh Raj Bhan	Mar-2006	2,711	-7.09	3.57	2.29	2.21
UTI Healthcare Fund	V. Srivatsa	Feb-2017	437	-6.57	-1.81	-2.77	2.78
<b>Benchmark</b> Nifty Pharma - TRI				-8.73	2.89	-7.85	

## 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
Kotak Low Duration Fund	Deepak Agrawal	Oct-2016	4,881	0.44	8.07	7.79	1.06
SBI Magnum Low Duration Fund	R Radhakrishnan	Aug-2008	6,908	0.49	8.09	7.39	0.66
Reliance Low Duration Fund	Amit Tripathi	Mar-2007	6,106	0.48	8.37	7.50	0.6
ICICI Pru Savings Fund	Rahul Goswami	Sep-2012	20,236	0.52	8.15	7.72	0.45
UTI Treasury Advantage Fund	Sudhir Agarwal	Oct-2012	5,220	0.00	7.43	7.42	0.42
<b>Benchmark</b> Crisil Liquid Fund Index				0.59	7.70	7.19	

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# 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
L&T Short Term Bond Fund	S Ramanathan	May-2016	3,781	0.42	8.15	7.09	0.72
Axis Short Term Fund	Devang Shah	Nov-2012	2,947	0.31	7.98	7.18	0.9
HDFC Short Term Debt Fund	Anil Bamboli	Jul-2011	7,681	0.41	8.15	7.49	0.4
Franklin India ST Income Plan	Santosh Kamath	Apr-2014	13,260	0.04	8.94	8.93	1.5
UTI ST Income Fund	Sudhir Agarwal	Oct-2012	4,220	-0.18	6.42	6.99	0.88
<b>Benchmark</b>							
Crisil Short Term Bond Fund							

### 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
HDFC Floating Rate Debt Fund	Shobhit Mehrotra	Dec-2016	11,173	0.53	8.08	7.59	0.38
Aditya Birla SL Floating Rate Fund	Kaustubh Gupta	Apr-2017	5,815	0.48	8.40	7.85	0.38
ICICI Pru Floating Interest Fund	Nikhil Kabra	Dec-2016	6,510	0.46	7.43	7.29	1.32
<b>Benchmark</b>							
Crisil Short Term Bond Fund Index				0.44	8.41	7.42	

### DYNAMIC BOND FUNDS

Investment will be in Debt & Money Market instruments can be across durations depending on the fund manager's 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	Sachin Padwal-Desai	Feb-2006	3,892	0.31	9.21	8.94	1.67
ICICI Pru All Seasons Bond Fund	Manish Banthia	Dec-2016	2,647	0.61	7.76	8.44	1.3
UTI Dynamic Bond Fund	Amandeep Chopra	Feb-2012	750	-2.78	0.41	5.61	1.72
<b>Benchmark</b>							
Crisil Composite Bond Fund Index				0.78	9.05	7.34	

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# 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)

<u>Scheme Name</u>	<u>Fund Manager</u>	<u>Managing Since</u>	<u>AUM (Rs Cr)</u>	<u>1 Mth (%)</u>	<u>1 Year (%)</u>	<u>3 Years (%)</u>	<u>Expense Ratio</u>
Reliance Credit Risk Fund	Prashant Pimple	Aug-2010	9,292	-2.38	4.38	6.46	1.53
ICICI Pru Credit Risk Fund	Manish Banthia	Jan-2018	11,156	0.33	7.24	7.70	1.64
Franklin India Credit Risk Fund	Santosh Kamath	Apr-2014	7,229	0.00	8.25	8.47	1.58
L&T Credit Risk Fund	S Ramanathan	Nov-2012	3,387	-0.17	5.87	7.15	1.7
Aditya Birla SL Credit Risk Fund	Maneesh Dangi	Apr-2015	7,088	0.15	6.01	7.66	1.66
<b>Benchmark</b>							
Crisil Composite Bond Fund Index				0.78	9.05	7.34	

\*Returns as on May 15, 2019 | Returns less than 1 year are absolute, Greater than 1 year – Compounded Annualised

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