

**P** Prabhudas<sup>®</sup>  
Lilladher

POWERING YOUR FINANCIAL GROWTH



# MF EQUITY & DEBT: THE WAY FORWARD

**DECEMBER 2018**

# PREFACE

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## Greetings from Prabhudas Lilladher!

The Indian equity markets bucked the declining trend in November 2018. This is after bearishness had engulfed the markets the months of September and October. The Bulls fought back in November and the Nifty gained 6.65% in the penultimate month of the calendar year. The Nifty Midcap 100 and Nifty Smallcap 100 indices gained 3.78% and 3.99% respectively.

With the NBFC issues settling down, and geopolitical tensions easing, the market found some support. Despite converse election results, moderate GDP growth and the surprise resignation of the RBI governor, markets remained resilient.

The major risks for India that stemmed from crude oil prices, the falling rupee, rising interest rates in the US and tighter global liquidity are showing signs of moderation. As a result, macroeconomic indicators have improved, which augurs well for stable growth.

Going ahead, risks could stem from excessive government spending before the 2019 elections, which could affect the fiscal situation. The surprise state elections increase the chances of a hung parliament in 2019, thus adding to the market volatility in the first half of the next calendar year.

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.

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

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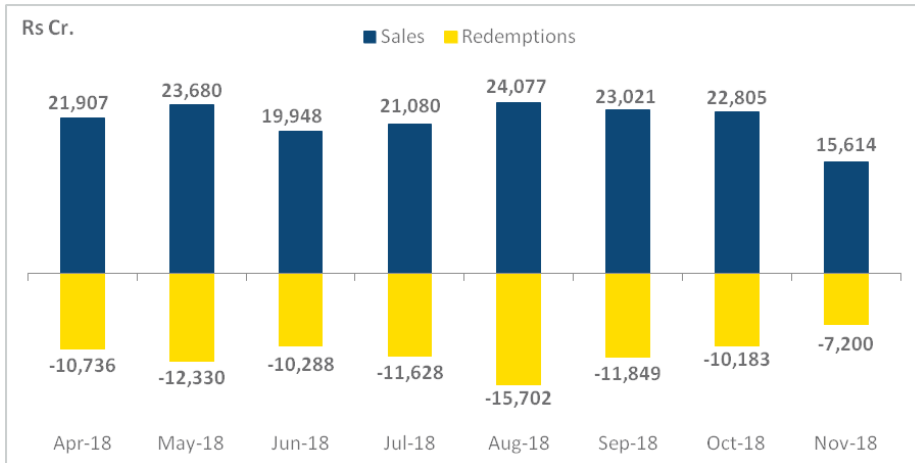
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# INDUSTRY TRENDS

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

Total AUM: Rs 7,71,224 cr

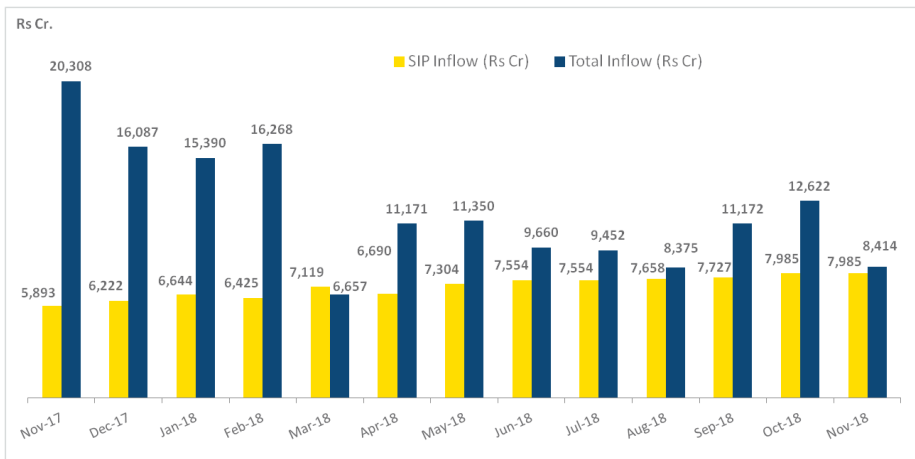


(Source: AMFI, PL Research)

Net Inflows into Equity Mutual Funds dropped 33% to Rs 8,414 cr. in Nov-18 as gross sales witnessed a sharp decline. Gross Sales fell 32% or Rs 7,191 cr. to Rs 15,614 cr. Weak market sentiment and SEBI's ban on upfront commission are some of the key causes for a decline in investor appetite.

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

Total AUM: Rs 7,71,224 crore



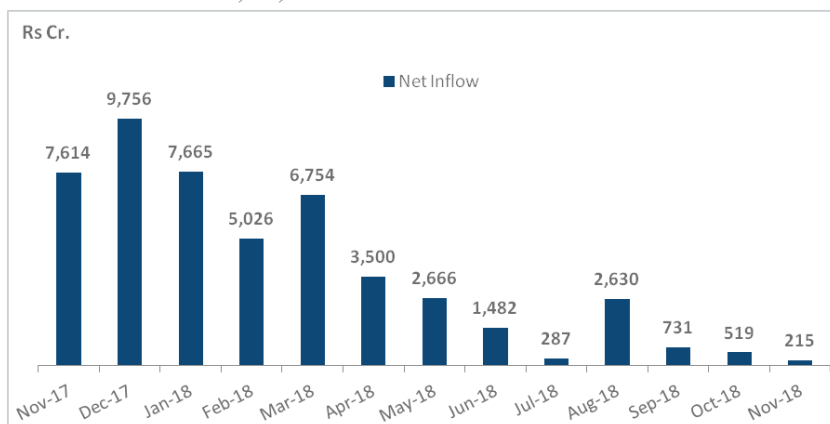
(Source: AMFI, PL Research)

Net inflows into equity mutual funds declined after a 8-month high net inflow of Rs 12,622 cr in October 2018. SIP inflows, which were growing strongly over past year, stagnated just short of the Rs 8,000 cr-mark.

# INDUSTRY TRENDS (CONT.)

## NET INFLOWS IN BALANCED FUNDS

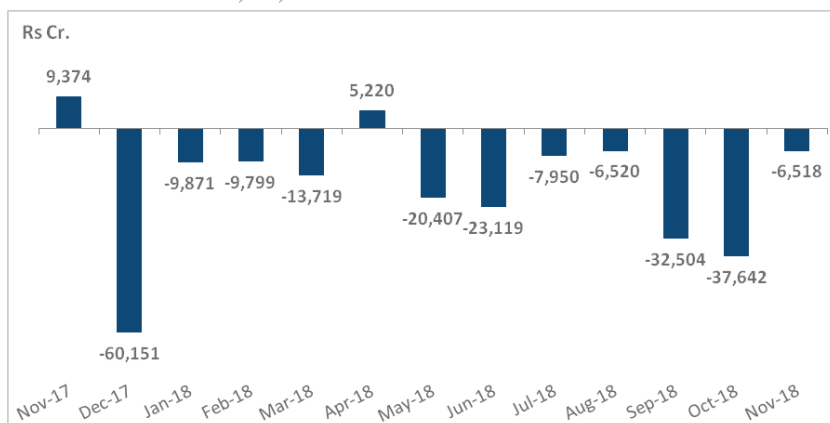
Total AUM: Rs 1,77,702 crore



The interest in Balanced Funds continues to be dismal. Net inflows dropped further to Rs 215 cr. in Nov-2018 from Rs 519 cr. in Oct-2018.

## NET INFLOWS IN INCOME FUNDS

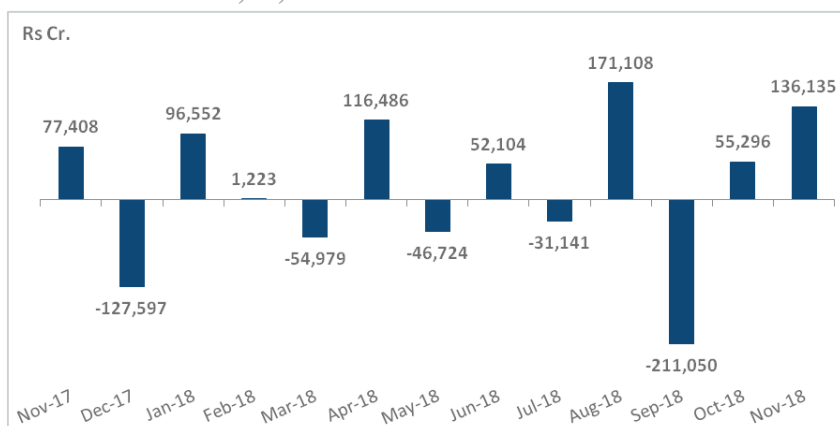
Total AUM: Rs 6,89,470 crore



Income funds continue to register outflows. The net outflow for Nov-2018 reduced to Rs 6,518 cr. from an outflow of Rs 37,642 cr. in Oct-2018.

## NET INFLOWS IN LIQUID FUNDS

Total AUM: Rs 5,93,546 crore

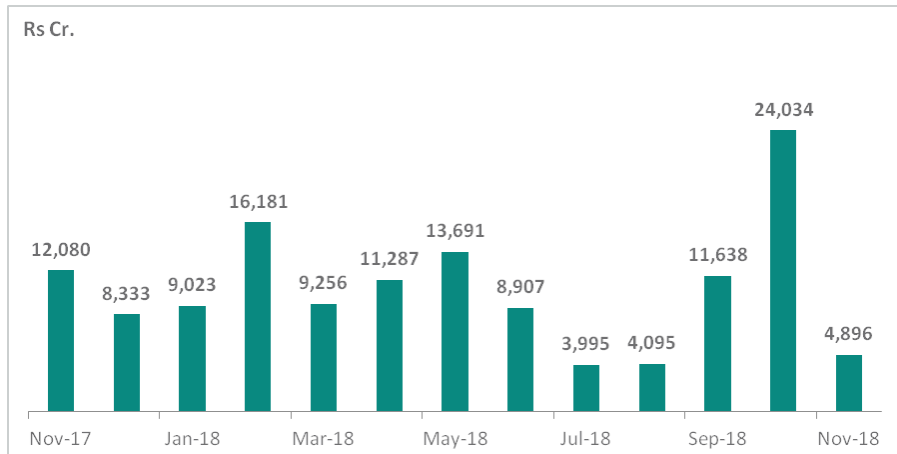


Liquid and Money Market Funds reported a net inflow of Rs 1.36 lakh cr. in Nov-2018 as compared to an inflow of Rs 0.55 lakh cr. in Oct-2018.

(Source: AMFI, PL Research)

# INDUSTRY TRENDS (CONT.)

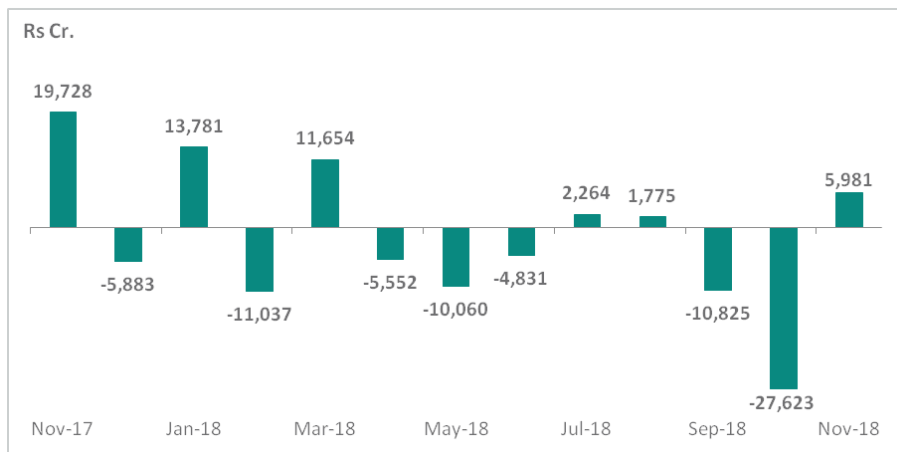
## MUTUAL FUND INVESTMENT IN EQUITY



After a record purchase of Rs 24,034 crore in October 2018, mutual fund investments in equity fell to Rs 4,896 crore in November 2018. Slower inflows from investors in mutual funds was a key factor.

(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

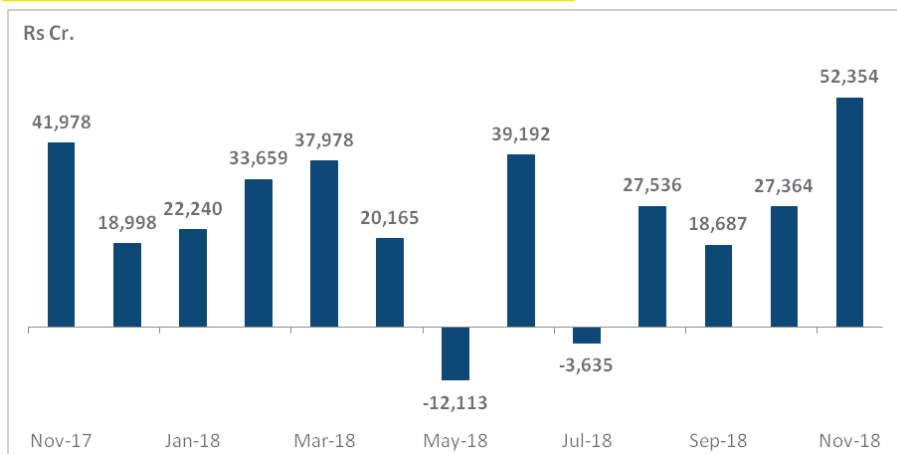


Foreign portfolio investors turned net buyers in Nov-2018. After a massive outflow of Rs 27,623 crore in Oct-2018, FIIs were net buyers of Rs 5,981 crore in Nov-2018. Over the past 12 months, FIIs have sold Rs 40,355 crore of Indian equities.

(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

# INDUSTRY TRENDS (CONT.)

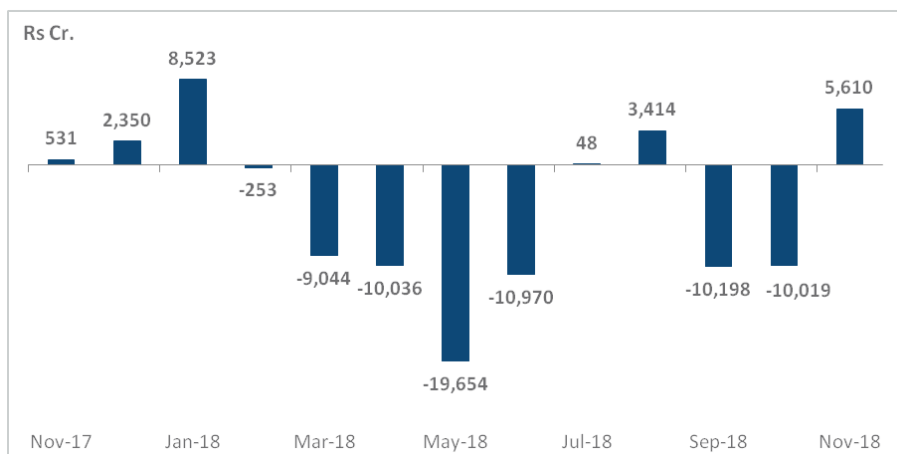
## MUTUAL FUND INVESTMENT IN DEBT



Mutual Fund investments in debt remained strong, registering a net inflow of Rs 52,354 cr. in Nov-2018 against an 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



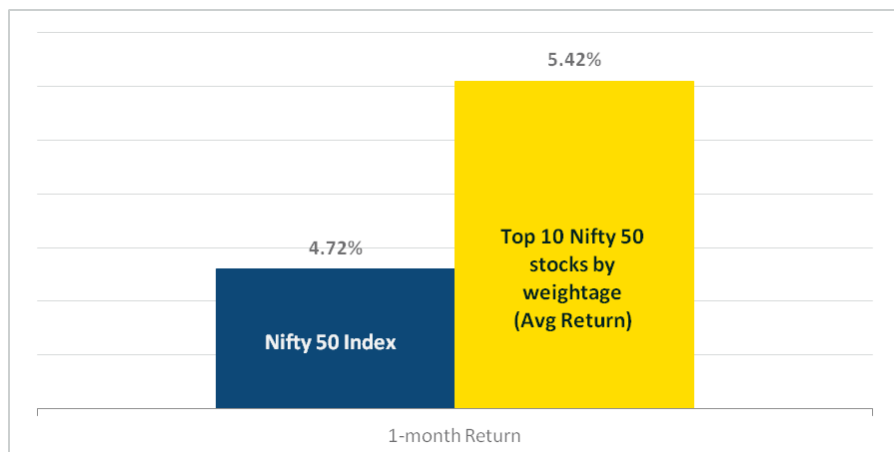
FIIs turned net buyers of Indian debt in Nov-2018. After two consecutive months of outflows in Sep-18 and Oct-18, FIIs reported a net inflow of Rs 5,610 crore in Nov-18. Net outflows over the past 12 months totaled Rs 50,230 cr.

(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 NOVEMBER 30, 2018



In Nov-2018, the Nifty 50 index closed with a gain. The index gained nearly 5% over the month, compared to a 6% decline in Oct-18. The top 5 stocks by weightage contributed as much as 78% to the total index gains.

Data as on November 30, 2018 (Source: ACE Equity, PL Research)

### GAINERS AND LOSERS ON THE NIFTY 50 IN NOVEMBER 2018

| Parameter | No. of Nifty 50 stocks | Average Return |
|-----------|------------------------|----------------|
| Gainers   | 31                     | 8.41%          |
| Losers    | 19                     | -7.23%         |

As many as 31 stocks of the 50 index constituents closed with a gain, while as many as 19 stocks closed in the red

### TOP 5 GAINERS

| Company Name         | 1-Month Return |
|----------------------|----------------|
| BPCL                 | 17.92%         |
| Maruti Suzuki India  | 15.80%         |
| Adani Ports and SEZ. | 14.68%         |
| IndusInd Bank        | 14.50%         |
| Ultratech Cement     | 14.30%         |

### TOP 5 LOSERS

| Company Name               | 1-Month Return |
|----------------------------|----------------|
| Sun Pharmaceutical         | -15.11%        |
| Indiabulls Housing Finance | -14.26%        |
| Cipla                      | -14.05%        |
| NTPC                       | -12.12%        |
| Yes Bank                   | -9.73%         |

### TOP 5 INDEX CONTRIBUTORS

| Company Name        | Apprx. Wtg. on Index (Oct 31, 2018) | 1-Month Return | Contribution to Index |
|---------------------|-------------------------------------|----------------|-----------------------|
| Reliance Industries | 8.85%                               | 10.02%         | 23.58%                |
| HDFC Bank           | 6.84%                               | 11.34%         | 20.61%                |
| HDFC                | 4.00%                               | 12.42%         | 13.21%                |
| Maruti Suzuki India | 2.63%                               | 15.80%         | 11.05%                |
| Hindustan Unilever  | 4.62%                               | 8.16%          | 10.02%                |
| <b>Total</b>        | <b>26.94%</b>                       |                | <b>78.47%</b>         |

Data as on November 30, 2018 (Source: ACE Equity, PL Research)



# INDUSTRY TRENDS (CONT.)

## EXTENT OF FALL – JANUARY 2018 TO NOVEMBER 2018

Percentage fall in stock prices as on November 30, 2018, from their high price between January 1, 2018 and November 30, 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 Nov'18<br>Percentage of Fall From High | Large Cap | Mid Cap | Small Cap | Total |
| 0%-10%   | 25        | 17      | 2         | 44    |
| 10%-20%  | 28        | 34      | 17        | 79    |
| 20%-30%  | 26        | 43      | 33        | 102   |
| 30%-40%  | 10        | 30      | 65        | 105   |
| 40%-50%  | 7         | 15      | 54        | 76    |
| >50%   | 4         | 11      | 79        | 94    |
| Total  | 100       | 150     | 250       | 500   |
| EXTENT OF FALL FOR STOCKS IN MUTUAL FUNDS        |           |         |           |       |
| Jan'18 to Nov'18<br>Percentage of Fall From High | Large Cap | Mid Cap | Small Cap | Total |
| 0%-10%   | 25        | 17      | 17        | 59    |
| 10%-20%  | 28        | 34      | 43        | 105   |
| 20%-30%  | 26        | 43      | 79        | 148   |
| 30%-40%  | 10        | 30      | 135       | 175   |
| 40%-50%  | 7         | 15      | 110       | 132   |
| >50%   | 4         | 11      | 171       | 186   |
| Total  | 100       | 150     | 555       | 805   |

About 40% of the BSE 500 stocks have corrected between 20%-40%. Nearly 80% of the Smallcap stocks have corrected by over 30% from their peaks

Mutual funds have been troubled by the Smallcaps in their portfolio. As many as 61% of the stocks held have corrected by over 30% from their peaks

### Note:

Market capitalisation as per AMFI, where:

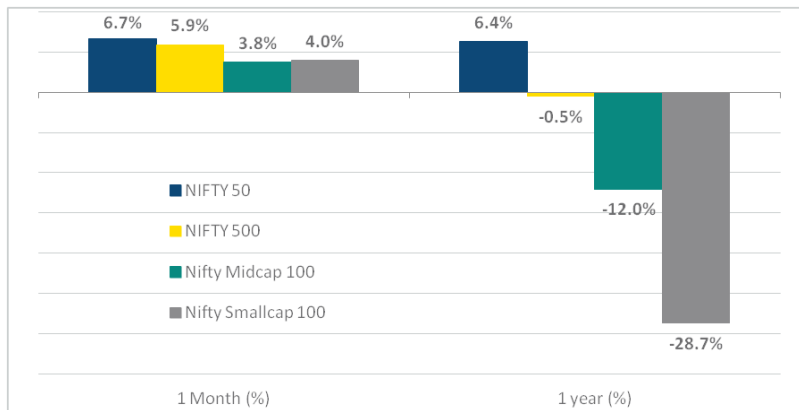
**Large-cap:** 1st-100th company in terms of full market capitalisation

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

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

# EQUITY MARKET OUTLOOK

The market moved out of a correction mode in November 2018. The Nifty 50 gained over 5% in the month. The broader Nifty 500 index moved higher by about 6%. The Nifty Midcap 100, gained 3.8%, while the Nifty Smallcap 100 moved up by 4%



(Source: ACE MF, PL research)\*Data as on November 30, 2018

**Market sentiments turned optimistic in November, as crude oil prices cooled off, the rupee strengthened and tensions emanating from the trade war eased. FIIs, which were selling Indian equities over the past few months, turned into net buyers. State elections, which were expected to enhance volatility, remained a benign event in the eyes of the market.**

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

## **GOVERNMENT LIKELY TO MISS FISCAL DEFICIT TARGET**

Several experts, including rating agencies like Moody's and India Ratings, highlight the concern that India may not meet its fiscal deficit target due to a shortfall in revenues. The government is falling behind on indirect taxes and non-tax revenues, and may fail to meet the disinvestment target. In response, the government remains confident of meeting its fiscal deficit target of 3.3% of GDP.

## **EARNINGS DOWNGRADE A KEY RISK**

Analysts have downgraded FY19 & FY20 earnings for many top stocks. Out of the S&P BSE 200 constituents as many as 68% faced an earnings downgrade, while just 29% enjoyed an upgrade in EPS for FY19. Q2 earnings led to more disappointments than positive surprises. Going ahead, the growth drivers are likely to change, which could create a disruption in earnings. A change in the direction of crude oil and depreciation of the rupee has changed the narrative for earnings growth going ahead.

## **GEOPOLITICAL EVENTS**

Trade tensions eased as US and China have called for a truce in early December at the G20 summit. Yet, markets could continue to remain nervous on possibilities of further escalation of trade wars. Along with this, if the US Federal Reserve decides to change its stance on rate hikes, it could have a positive effect on Indian equities. For now, the US Fed has indicated a slowdown in rate hikes.

## **UPCOMING GENERAL ELECTIONS**

With the State Elections out of the way, all eyes are now on the General Elections and the steps to current government is likely to take in order to win back voters. The outcome of the State Assembly Elections did not spook the markets early in December. The Modi-led BJP government remains the favorite for the general elections.

# 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:

## **SHORT-TO-MEDIUM TERM RISKS EASING**

Crude oil prices and the rupee continue to remain in a favourable zone, providing a relief to the market. Benchmark interest rates, which were projected to be hiked in the coming months, is likely to remain unchanged till the end of the fiscal year. This has given the market a much needed boost, much of which has been realized in the past month or so. Though crude oil prices and the rupee are expected to remain subdued, any global upset could create volatility.

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

The mid-cap and small-cap indices have corrected significantly over the past year and seem to have stabilized at the current levels. Though the Nifty 50 has generated a positive return of 6% over 1-year, the Nifty Midcap and Nifty Smallcap are down 12% and 28% each. On looking at past data, a divergent performance has often led to a sharp recovery in Midcap and Smallcap stocks in the following months. At the current levels, the mid and small-cap indices seem well-poised for another such recovery.

## **ELECTION YEARS ARE OFTEN VERY VOLATILE**

Election years often tend to be extremely volatile for the market. This has especially been the case for the market in the last three general elections. Given the surprise election results in the State Assembly Elections, the general elections will be a close fight. A hung parliament may send the market in a tizzy, while a majority government with either party should be a positive for the market.

## **SENSEX VALUATIONS ABOVE FAIR VALUE**

The Indian markets are higher than most peers in terms of valuations. The forward price-to-earnings (P/E) of the S&P BSE Sensex is just short of Japan's Nikkei 225, but higher than the benchmark indices of Hong Kong, China, Brazil and other developed market indices. Valuations had cooled-off in the month earlier, but are on the rise once again. In such markets, when there are several risks at play, it is best to approach the market with caution and shift from a large-cap bias to a multi-cap bias

## **THREAT TO NEAR-TERM GROWTH**

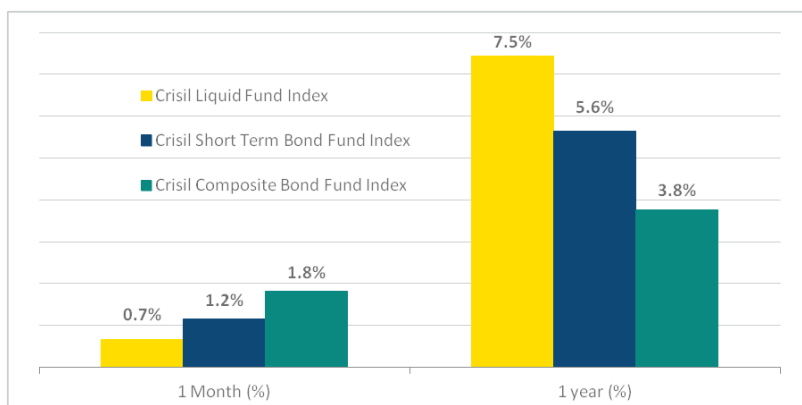
Over the past few months, private vehicle sales have slowed. This has added on to the already weak rural wage growth. Auto volumes have moderated, with the near-term demand trajectory also appearing slightly uncertain due to the rising cost of ownership. However, steel consumption growth has held up well. Domestic demand indicators remain under pressure because 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

## **PEAKED OUT NPA CYCLE**

The worst of the NPA crisis that has troubled banks seems to be over, and credit growth is seeping back, as per RBI reports. The share of gross NPAs in total advances of banks, both in the public and private sector, peaked in March 2018, and has since declined — in both the June and September quarter of the current fiscal year. The NPA crisis is more widespread in the public sector banks. The 'twin balance sheet' problem, where banks were unable to lend due their bad loans and companies were unable to borrow under the burden existing loans, seems to be easing.

# DEBT MARKET OUTLOOK

The 10-year benchmark G-Sec yield eased further from around 7.8% at the beginning of the month, to under 7.5% at present. This is the lowest yield since April this year.



(Source: ACE MF, PL research)\*Data as on November 30, 2018

**Once again, funds investing at the longer end of the yield curve benefited over the past month and have recovered some of the losses of the previous months. Thus, over the past year, the Liquid Fund index continues to lead with a return of 7.5%, while the Short-term and Composite Bond Fund Index trail with returns of 5.6% and 3.8% each.**

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

## UPSIDE RISKS TO INFLATION EASE

The RBI Monetary Policy Committee (MPC) kept the benchmark repo rate unchanged at 6.5% and retained the stance of a calibrated tightening. However, a Reuter consensus survey of economists indicates that a rate hike may be off the cards till the end of the fiscal year. Inflation cooled off to its lowest since June 2017 and has remained below the RBI's estimates in recent months. The RBI now expects inflation to remain between 2.7%-3.2% for the second half of the year. This is within the flexible inflation target of 4 (+/-2) percent set by the MPC.

## LIQUIDITY IMPROVING

To alleviate liquidity conditions, the RBI conducted OMOs aggregating to Rs 40,000 crore in November 2018. Systemic liquidity during November 2018 remained negative and closed at negative Rs 44,600 crores versus negative Rs 87,300 crores at the beginning of the month. The Central Bank further announced another round of OMOs in December 2018, while indicating that the OMOs may continue till the end of the financial year. As a result, banking liquidity has improved and G-Sec yields too, have declined considerably.

## CONCERNS REGARDING NBFC REFINANCE MAY BE ABATING

Post the IL&FS crisis, investors were concerned that NBFCs may find it difficult to refinance and they would likely default. However, over the past couple of months, NBFCs have been able to refinance their maturities. Many NBFCs have now started to reduce their short-term borrowings as a percentage of their total borrowings. Most NBFCs have been correcting their Asset-Liability-Mismatch by issuing lesser amount of commercial papers and higher amount of NCDs. Credit spreads have widened leading to good investment opportunities.

# 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:

## **RATE HIKES PUSHED BACK**

The market was in expectation of two rate hikes in FY2019 just over a month back. However, with crude oil prices correcting, the rupee stabilizing, and inflation staying low, expectations of a rate hike have been pushed back to the next financial year. As expected, the RBI held the benchmark repo rate at 6.5%, but maintained its stance of calibrated tightening. The RBI will be closely watching inflation, and given the current trend, it is likely to hold interest rates in its 6<sup>th</sup> Bi-monthly Policy, to be announced on February 7, 2019. This is a positive for long-term yields.

## **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 Rs36,000 crore in October 2018 and Rs 40,000 crore in November. The RBI further announced another round OMOs amounting to Rs 40,000 crore for December. Hence, yields could move lower as liquidity in the system increases.

## **A SHIFT TO HIGHER DURATION**

As rate hikes are unlikely in the short-to-medium term, the yield curve has been flattening out and fund houses are increasing the duration in their portfolios. Yet, on the cautious side, one can stick to low duration schemes. Those willing to take on additional risk can invest in dynamic duration schemes, which are expected to outperform in the medium term.

# 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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- Preference should be towards large caps funds. 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    | 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                  | 20        | 3.97        | 8.71       | 13.61      | Shreyash Devalkar   |
|                    | UTI Mastershare                     | 20        | 0.50        | 1.31       | 10.59      | Swati Kulkarni      |
|                    | ICICI Pru Bluechip Fund             | 10        | 0.85        | 0.52       | 13.15      | Sankaran Naren      |
| Mid Cap            | Axis Midcap Fund                    | 10        | 2.80        | 4.62       | 12.73      | Shreyash Devalkar   |
|                    | HDFC Mid-Cap Opportunities Fund     | 10        | 1.80        | -9.13      | 12.62      | Chirag Setalvad     |
| Sector             | UTI India LifeStyle Fund            | 10        | 3.40        | 0.36       | 11.03      | Lalit Nambiar       |
|                    | Reliance Pharma Fund                | 10        | -2.02       | 7.69       | 0.77       | Sailesh Raj Bhan    |
| Dynamic Bond Funds | Franklin India Dynamic Accrual Fund | 5         | 1.79        | 7.73       | 8.91       | Sachin Padwal-Desai |
|                    | ICICI Pru All Seasons Bond Fund     | 5         | 1.17        | 5.17       | 9.07       | Manish Banthia      |
|                    | Total                               | 100       |             |            |            |                     |

\*Returns as on December 14, 2018

# MODERATE RISK PORTFOLIO

This portfolio is suitable for those investors 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

| <u>Scheme Category</u>   | <u>Allocation (%)</u> |
|--------------------------|-----------------------|
| 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

| <u>Category Name</u>   | <u>Scheme Name</u>                  | <u>Alloc (%)</u> | <u>1-Month (%)</u> | <u>1-Year (%)</u> | <u>3-Year (%)</u> | <u>Fund Manager</u> |
|------------------------|-------------------------------------|------------------|--------------------|-------------------|-------------------|---------------------|
| Aggressive Hybrid Fund | ICICI Pru Equity & Debt Fund        | 25               | -0.60              | -1.39             | 12.09             | Sankaran Naren      |
|                        | Reliance Equity Hybrid Fund         | 25               | 0.32               | -3.80             | 9.53              | Sanjay Parekh       |
| Large Cap Funds        | Axis Bluechip Fund                  | 5                | 3.97               | 8.71              | 13.61             | Shreyash Devalkar   |
|                        | UTI Mastershare                     | 5                | 0.50               | 1.31              | 10.59             | Swati Kulkarni      |
|                        | ICICI Pru Bluechip Fund             | 5                | 0.85               | 0.52              | 13.15             | Sankaran Naren      |
| Short Duration         | Franklin India ST Income Plan       | 10               | 1.55               | 7.86              | 8.40              | Santosh Kamath      |
|                        | UTI ST Income Fund                  | 10               | 0.75               | 5.42              | 7.36              | Sudhir Agarwal      |
| Dynamic Bond           | Franklin India Dynamic Accrual Fund | 5                | 1.79               | 7.73              | 8.91              | Sachin Padwal-Desai |
|                        | ICICI Pru All Seasons Bond Fund     | 5                | 1.17               | 5.17              | 9.07              | Manish Banthia      |
| Credit Risk Fund       | Franklin India Credit Risk Fund     | 2.5              | 1.53               | 7.58              | 8.35              | Santosh Kamath      |
|                        | Aditya Birla SL Credit Risk Fund    | 2.5              | 0.87               | 6.02              | 8.29              | Maneesh Dangi       |
|                        | <b>Total</b>                        | <b>100</b>       |                    |                   |                   |                     |

\*Returns as on December 14, 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

| <u>Scheme Category</u> | <u>Allocation (%)</u> |
|------------------------|-----------------------|
| 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

| <u>Category Name</u> | <u>Scheme Name</u>                  | <u>Alloc (%)</u> | <u>1-Month (%)</u> | <u>1-Year (%)</u> | <u>3-Year (%)</u> | <u>Fund Manager</u> |
|----------------------|-------------------------------------|------------------|--------------------|-------------------|-------------------|---------------------|
| Large Cap Funds      | Axis Bluechip Fund                  | 7.5              | 3.97               | 8.71              | 13.61             | Shreyash Devalkar   |
|                      | UTI Mastershare                     | 7.5              | 0.50               | 1.31              | 10.59             | Swati Kulkarni      |
|                      | ICICI Pru Bluechip Fund             | 5                | 0.85               | 0.52              | 13.15             | Sankaran Naren      |
| Low Duration Funds   | UTI Treasury Advantage Fund         | 10               | 0.76               | 6.99              | 7.73              | Sudhir Agarwal      |
|                      | Kotak Low Duration Fund             | 10               | 0.75               | 7.01              | 7.78              | Deepak Agrawal      |
| Short Duration       | Franklin India ST Income Plan       | 15               | 1.55               | 7.86              | 8.40              | Santosh Kamath      |
|                      | UTI ST Income Fund                  | 15               | 0.75               | 5.42              | 7.36              | Sudhir Agarwal      |
| Floater Funds        | Aditya Birla SL FRF-Long Term Plan  | 10               | 0.80               | 7.12              | 7.93              | Shobhit Mehrotra    |
|                      | HDFC Floating Rate Debt Fund        | 10               | 0.75               | 6.84              | 7.64              | Kaustubh Gupta      |
| Dynamic Bond Funds   | Franklin India Dynamic Accrual Fund | 5                | 1.79               | 7.73              | 8.91              | Sachin Padwal-Desai |
|                      | ICICI Pru All Seasons Bond Fund     | 5                | 1.17               | 5.17              | 9.07              | Manish Banthia      |
|                      | <b>Total</b>                        | <b>100</b>       |                    |                   |                   |                     |

\*Returns as on December 14, 2018

# MODEL PORTFOLIO PERFORMANCE

Performance of the three portfolios as on Dec 14, 2018 from their inception on Sep15, 2018.

| AGGRESSIVE RISK PORTFOLIO | SCHEME NAME                         | ALLOC (%)  | RETURN (%)   |
|---------------------------|-------------------------------------|------------|--------------|
| Large Cap                 | Axis Bluechip Fund                  | 20         | -3.75        |
|                           | UTI Mastershare                     | 20         | -6.90        |
|                           | ICICI Pru Bluechip Fund             | 10         | -6.10        |
| Mid Cap                   | Axis Midcap Fund                    | 10         | -5.42        |
|                           | HDFC Mid-Cap Opportunities Fund     | 10         | -8.13        |
| Sector                    | UTI India LifeStyle Fund            | 10         | -6.28        |
|                           | Reliance Pharma Fund                | 10         | -9.37        |
| Dynamic Bond Funds        | Franklin India Dynamic Accrual Fund | 5          | 3.25         |
|                           | ICICI Pru All Seasons Bond Fund     | 5          | 2.18         |
|                           | <b>Portfolio Performance</b>        | <b>100</b> | <b>-5.39</b> |
|                           | <b>Benchmark Performance</b>        | <b>100</b> | <b>-6.08</b> |
|                           | Nifty 500 - TRI                     | 90         | -7.03        |
|                           | Crisil Short Term Bond Fund Index   | 10         | 2.48         |

| MODERATE RISK PORTFOLIO | SCHEME NAME                         | ALLOC (%)  | RETURN (%)   |
|-------------------------|-------------------------------------|------------|--------------|
| Aggressive Hybrid Fund  | ICICI Pru Equity & Debt Fund        | 25         | -4.44        |
|                         | Reliance Equity Hybrid Fund         | 25         | -7.19        |
| Large Cap Funds         | Axis Bluechip Fund                  | 5          | -3.75        |
|                         | UTI Mastershare                     | 5          | -6.90        |
|                         | ICICI Pru Bluechip Fund             | 5          | -6.10        |
| Short Duration          | Franklin India ST Income Plan       | 10         | 2.99         |
|                         | UTI ST Income Fund-Inst             | 10         | 1.82         |
| Dynamic Bond            | Franklin India Dynamic Accrual Fund | 5          | 3.25         |
|                         | ICICI Pru All Seasons Bond Fund     | 5          | 2.18         |
| Credit Risk Fund        | Franklin India Credit Risk Fund     | 2.5        | 2.92         |
|                         | Aditya Birla SL Credit Risk Fund    | 2.5        | 1.65         |
|                         | <b>Portfolio Performance</b>        | <b>100</b> | <b>-2.88</b> |
|                         | <b>Benchmark Performance</b>        | <b>100</b> | <b>-2.28</b> |
|                         | Nifty 500 - TRI                     | 50         | -7.03        |
|                         | Crisil Short Term Bond Fund Index   | 50         | 2.48         |

| CONSERVATIVE RISK PORTFOLIO | SCHEME NAME                         | ALLOC (%)  | RETURN (%)  |
|-----------------------------|-------------------------------------|------------|-------------|
| Large Cap Funds             | Axis Bluechip Fund                  | 7.5        | -3.75       |
|                             | UTI Mastershare                     | 7.5        | -6.90       |
|                             | ICICI Pru Bluechip Fund             | 5          | -6.10       |
| Low Duration Funds          | UTI Treasury Advantage Fund-Inst    | 10         | 1.94        |
|                             | Kotak Low Duration Fund             | 10         | 1.94        |
| Short Duration              | Franklin India ST Income Plan       | 15         | 2.99        |
|                             | UTI ST Income Fund-Inst             | 15         | 1.82        |
| Floater Funds               | Aditya Birla SL FRF-Long Term Plan  | 10         | 2.17        |
|                             | HDFC Floating Rate Debt Fund        | 10         | 2.01        |
| Dynamic Bond Funds          | Franklin India Dynamic Accrual Fund | 5          | 3.25        |
|                             | ICICI Pru All Seasons Bond Fund     | 5          | 2.18        |
|                             | <b>Portfolio Performance</b>        | <b>100</b> | <b>0.70</b> |
|                             | <b>Benchmark Performance</b>        | <b>100</b> | <b>0.57</b> |
|                             | Nifty 500 - TRI                     | 20         | -7.03       |
|                             | Crisil Short Term Bond Fund Index   | 80         | 2.48        |

# 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       | 3,295       | 3.97      | 8.71       | 13.61       | 2.3           |
| ICICI Pru Bluechip Fund     | Sankaran Naren    | Jul-2017       | 19,458      | 0.85      | 0.52       | 13.15       | 1.96          |
| UTI Mastershare             | Swati Kulkarni    | Nov-2006       | 5,485       | 0.50      | 1.31       | 10.59       | 2.33          |
| Benchmark<br>NIFTY 50 - TRI |                   |                |             | 1.78      | 6.01       | 13.44       |               |

### 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                    | Shreyash Devalkar | Nov-2016       | 1,693       | 2.80      | 4.62       | 12.73       | 2.41          |
| Franklin India Prima Fund           | R. Janakiraman    | Mar-2014       | 6,374       | 2.13      | -6.48      | 11.90       | 2.05          |
| HDFC Mid-Cap Opportunities Fund     | Chirag Setalvad   | Mar-2008       | 20,321      | 1.80      | -9.13      | 12.62       | 1.98          |
| Sundaram Mid Cap Fund               | S. Krishnakumar   | Nov-2012       | 5,731       | 1.22      | -13.70     | 10.59       | 2.06          |
| UTI Mid Cap Fund                    | Lalit Nambiar     | Jan-2016       | 3,703       | -0.35     | -12.42     | 8.11        | 2.36          |
| Benchmark<br>Nifty Midcap 100 - TRI |                   |                |             | 1.81      | 4.16       | 13.66       |               |

## 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       | 1,941       | 0.81      | -1.31      | 8.89        | 2.16          |
| UTI Hybrid Equity Fund   | V. Srivatsa           | Jan-2015       | 6,065       | 0.52      | -3.84      | 9.83        | 2.14          |
| L&T Hybrid Equity Fund   | Soumendra Nath Lahiri | Dec-2012       | 10,203      | 0.44      | -2.68      | 9.26        | 2.03          |
| Reliance Equity Hybrid Fund  | Sanjay Parekh         | Mar-2012       | 13,326      | 0.32      | -3.80      | 9.53        | 1.97          |
| ICICI Pru Equity & Debt Fund   | Sankaran Naren        | Dec-2015       | 26,566      | -0.60     | -1.39      | 12.09       | 1.95          |
| Benchmark<br>CRISIL Hybrid 35+65 - Aggressive Index (Equity:65%, Debt:35%) |                       |                |             | 1.72      | 3.50       | 11.78       |               |

# 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             | Lalit Nambiar  | Jul-2011       | 267         | 3.40      | 0.36       | 11.03       | 2.69          |
| Sundaram Rural and Consumption Fund  | S.Krishnakumar | Jan-2016       | 2,431       | 3.38      | -5.89      | 16.23       | 2.14          |
| Aditya Birla SL India GenNext Fund   | Anil Shah      | Sep-2013       | 882         | 2.58      | -0.50      | 15.02       | 2.34          |
| Benchmark<br>NIFTY CONSUMPTION - TRI |                |                |             | 4.83      | 2.56       | 13.78       |               |

### 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 |
|---------------------------------|------------------|----------------|-------------|-----------|------------|-------------|---------------|
| UTI Healthcare Fund             | V. Srivatsa      | Feb-2017       | 439         | -1.21     | -3.91      | -3.29       | 2.84          |
| Reliance Pharma Fund            | Sailesh Raj Bhan | Mar-2006       | 2,732       | -2.02     | 7.69       | 0.77        | 2.35          |
| Benchmark<br>NIFTY PHARMA - TRI |                  |                |             | -5.32     | -3.57      | -8.44       |               |

## 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 |
|---------------------------------------|----------------------|----------------|-------------|-----------|------------|-------------|---------------|
| Reliance Low Duration Fund            | Amit Tripathi        | Mar-2007       | 10,523      | 0.78      | 7.03       | 7.47        | 0.63          |
| UTI Treasury Advantage Fund-Inst      | Sudhir Agarwal       | Oct-2012       | 7,088       | 0.76      | 6.99       | 7.73        | 0.31          |
| Kotak Low Duration Fund               | Deepak Agrawal       | Oct-2016       | 4,475       | 0.75      | 7.01       | 7.78        | 1.05          |
| SBI Magnum Low Duration Fund          | Rajeev Radhakrishnan | Aug-2008       | 6,421       | 0.70      | 7.17       | 7.44        | 0.47          |
| ICICI Pru Savings Fund                | Rahul Goswami        | Sep-2012       | 14,818      | 0.70      | 6.93       | 7.79        | 0.45          |
| Benchmark<br>Crisil Liquid Fund Index |                      |                |             | 0.64      | 7.53       | 7.25        |               |

\*Returns as on December 14, 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 | Santosh Kamath     | Apr-2014       | 11,644      | 1.55      | 7.86       | 8.40        | 1.57          |
| L&T Short Term Bond Fund      | Shriram Ramanathan | May-2016       | 2,615       | 0.89      | 5.91       | 6.94        | 0.73          |
| Axis Short Term Fund          | Devang Shah        | Nov-2012       | 4,079       | 0.84      | 5.77       | 7.24        | 0.91          |
| HDFC Short Term Debt Fund     | Anil Bamboli       | Jul-2011       | 8,704       | 0.80      | 6.42       | 7.55        | 0.4           |
| UTI ST Income Fund-Inst       | Sudhir Agarwal     | Oct-2012       | 8,591       | 0.75      | 5.42       | 7.36        | 0             |
| Benchmark                     |                    |                |             |           |            |             |               |
| Crisil Short Term Bond Fund   |                    |                |             | 0.93      | 5.95       | 7.42        |               |

### 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 | Kaustubh Gupta   | Apr-2017       | 4,401       | 0.80      | 7.12       | 7.93        | 0.39          |
| HDFC Floating Rate Debt Fund       | Shobhit Mehrotra | Dec-2016       | 8,975       | 0.75      | 6.84       | 7.64        | 0.38          |
| ICICI Pru Floating Interest Fund   | Nikhil Kabra     | Dec-2016       | 8,715       | 0.65      | 6.19       | 7.39        | 1.32          |
| Benchmark                          |                  |                |             |           |            |             |               |
| Crisil Short Term Bond Fund Index  |                  |                |             | 0.93      | 5.95       | 7.42        |               |

### 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 | Sachin Padwal-Desai   | Feb-2006       | 3,683       | 1.79      | 7.73       | 8.91        | 1.77          |
| ICICI Pru All Seasons Bond Fund     | Manish Banthia        | Dec-2016       | 1,984       | 1.17      | 5.17       | 9.07        | 1.3           |
| UTI Dynamic Bond Fund               | Amandeep Singh Chopra | Feb-2012       | 1,049       | 1.01      | 3.70       | 7.88        | 1.72          |
| Benchmark                           |                       |                |             |           |            |             |               |
| Crisil Composite Bond Fund Index    |                       |                |             | 1.69      | 4.65       | 7.63        |               |

\*Returns as on December 14, 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)

| <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> |
|----------------------------------|---------------------|-----------------------|--------------------|------------------|-------------------|--------------------|----------------------|
| Franklin India Credit Risk Fund  | Santosh Kamath      | Apr-2014              | 7,011              | 1.53             | 7.58              | 8.35               | 1.75                 |
| Aditya Birla SL Credit Risk Fund | Maneesh Dangi       | Apr-2015              | 7,940              | 0.87             | 6.02              | 8.29               | 1.78                 |
| ICICI Pru Credit Risk Fund       | Manish Banthia      | Jan-2018              | 11,441             | 0.83             | 6.29              | 7.66               | 1.7                  |
| L&T Credit Risk Fund             | Shriram Ramanathan  | Nov-2012              | 3,725              | 0.80             | 5.11              | 7.55               | 1.76                 |
| Reliance Credit Risk Fund        | Prashant Pimple     | Aug-2010              | 10,424             | 0.67             | 5.44              | 7.66               | 1.66                 |
| Benchmark                        |                     |                       |                    |                  |                   |                    |                      |
| Crisil Composite Bond Fund Index |                     |                       |                    | 1.69             | 4.65              | 7.63               |                      |

\*Returns as on December 14, 2018

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