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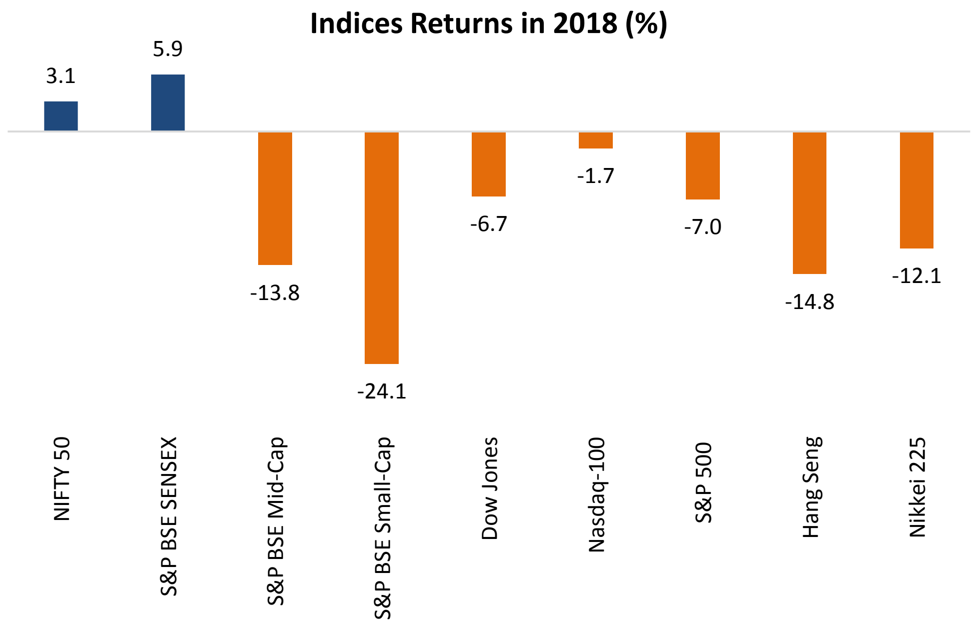
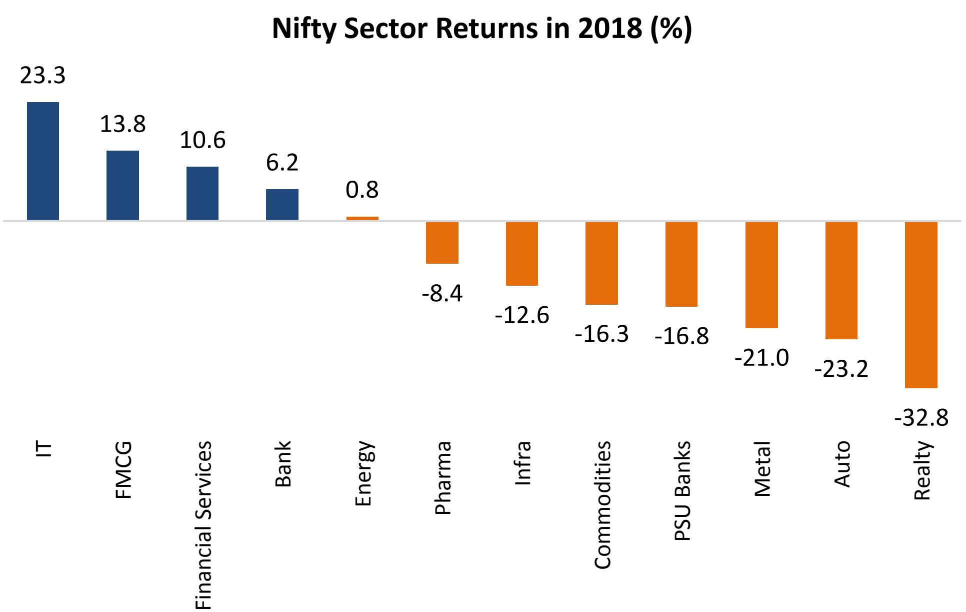
Monthly Investment Report - January 2019

December 31, 2018

How the Indian equity markets fared in 2018?

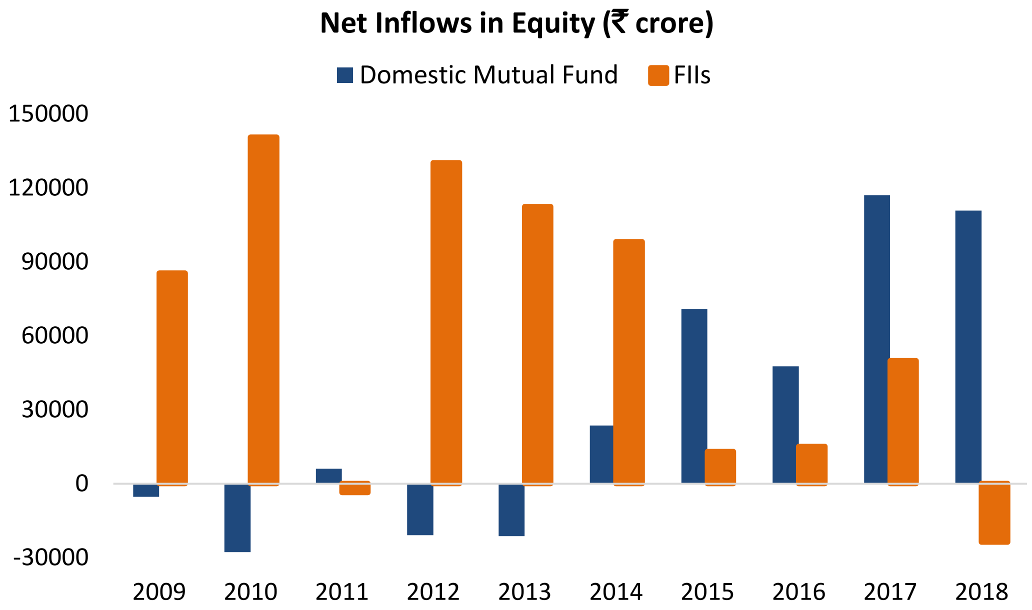


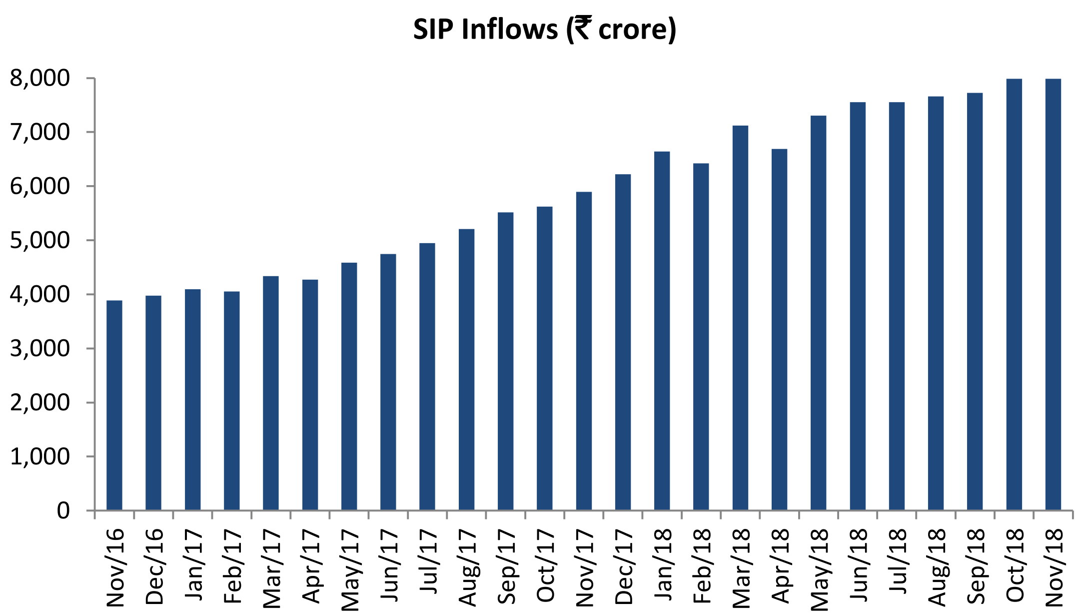


Returns as on December 28, 2018

- 2018 was a very volatile year for investors. On January 01, 2018, Nifty 50 opened at 10,532 and made a high of 11,760 on August 28, 2018, however is now trading at 10,860 (December 28, 2018 closing). Year 2018 was, particularly, difficult for mid-cap and small-cap investors. BSE Mid-cap and BSE Small-cap nosedived ~14% and ~24% YTD respectively.
- The carnage in mid and small-cap stocks was caused by MFs' selling owing to new categorization of MF schemes, GSM/ASM circular of SEBI, change in equity taxation, governance issues, recent IL&FS crisis, etc. The LTCG tax also impacted the sentiment of investors.
- The crude oil and USD/INR was volatile throughout the year. Investors were caught off the guard as Brent crude rose ~29% and INR depreciated ~15% against USD in first 10 months of the year. However, crude oil has plunged ~37% and INR has appreciated ~6% in last two months.

Domestic MF continued robust net inflows

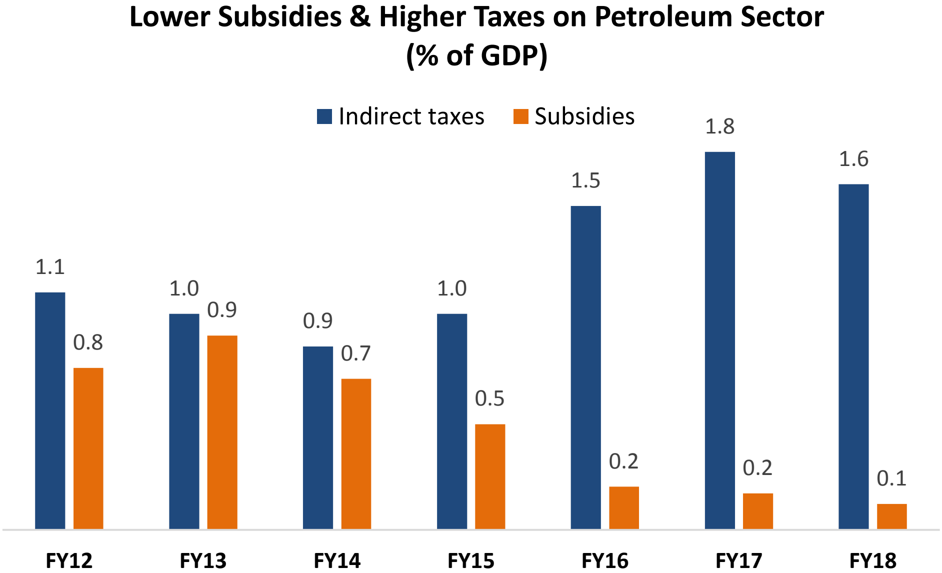


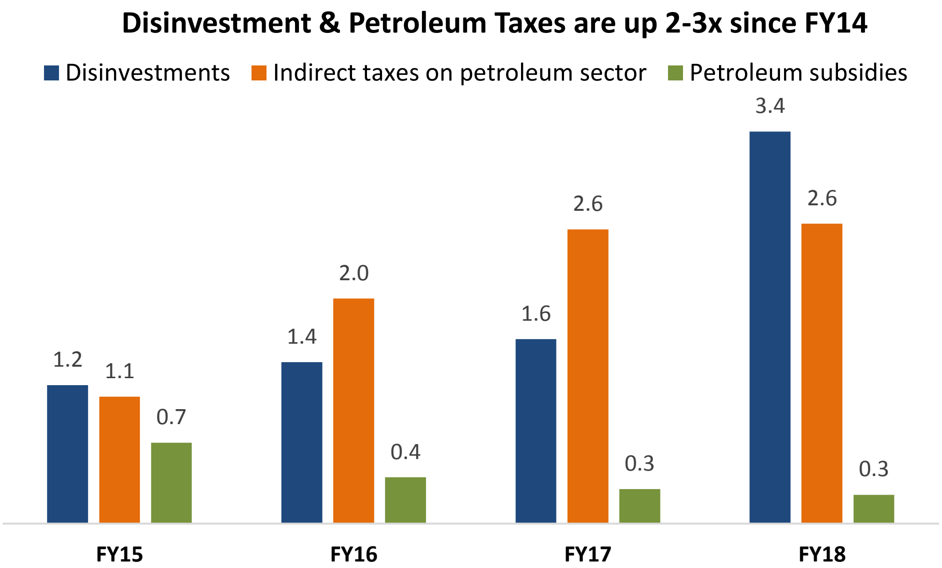


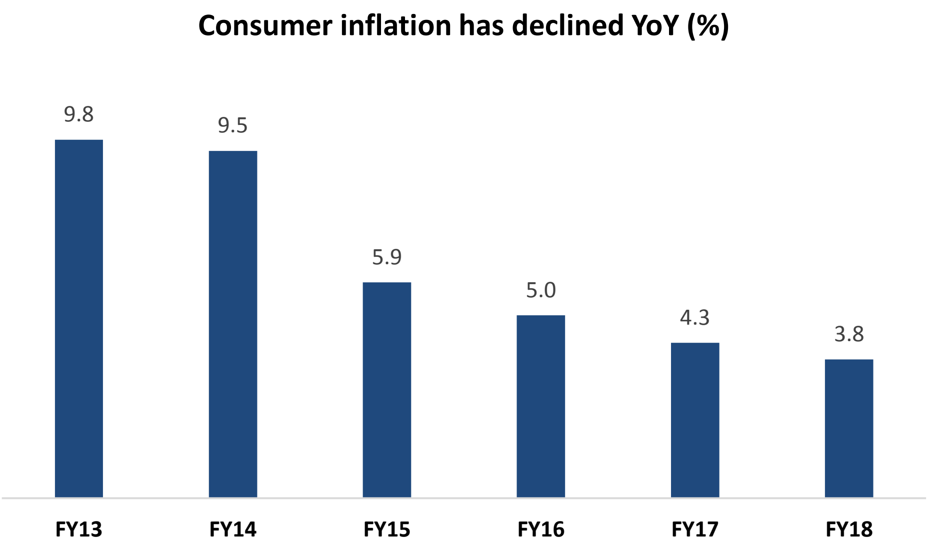
Domestic MF and FII's net inflows as on Dec 27, 2018
Source: Bloomberg, IIFL Research

- FIIs were net sellers in 2018 after a period of 6 years. FIIs had reduced their exposure to emerging markets as US 10-year Treasury yield rose to ~3% and emerging market currencies depreciated against US dollar due to rising interest rate in US.
- Domestic mutual funds continued to pour into Indian equity markets. In 2018, domestic MF's net inflow in equity stood at ~₹1.10 lakh cr. The inflows from domestic MF industry is expected to continue on the back of strong MF investments.
- Indian mutual funds continued to receive robust SIP inflow. In last 11 months, SIP inflows stood at ₹80,645cr despite volatility in Indian markets vs. ₹59,482cr in 2017. This reflects that, today retail investors are more financially educated and upbeat about investing in MFs, despite recent disturbances.

Macro Overview



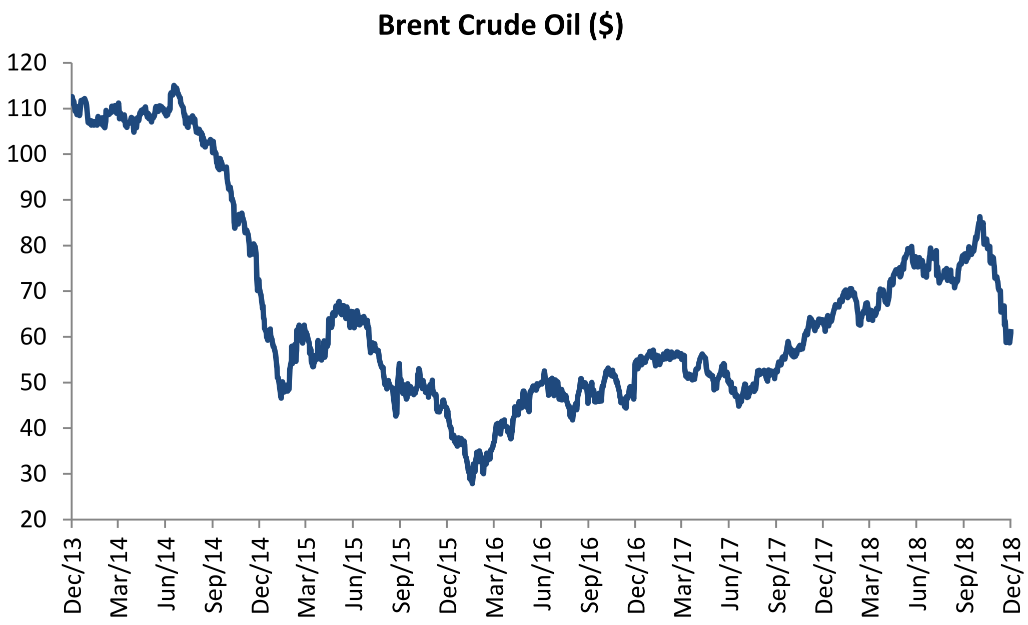


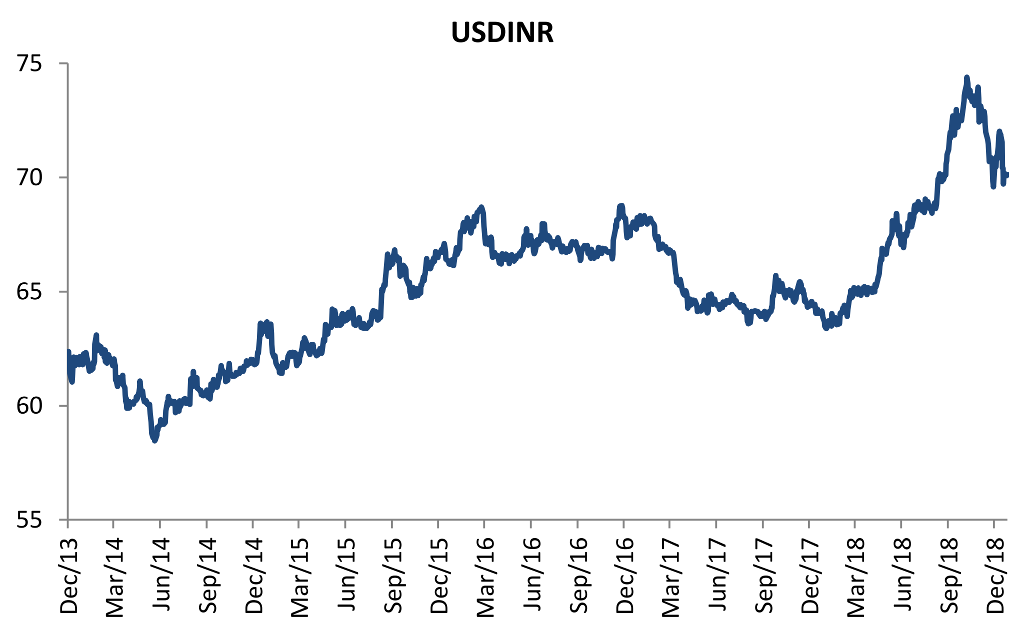


- Lower subsidies, higher taxes, disinvestment and higher petroleum taxes have helped the Central Government to reduce the fiscal deficit over the years.
- Benign food inflation and lower crude oil prices have led the decline in the consumer inflation.

Source: IIFL Research

Crude oil - A joker in the pack

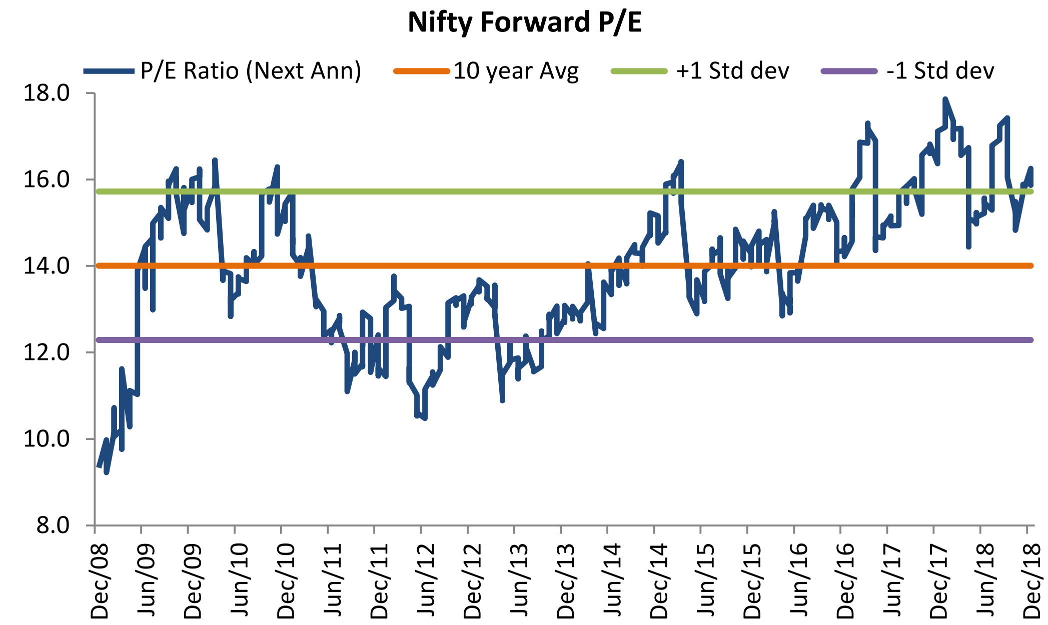


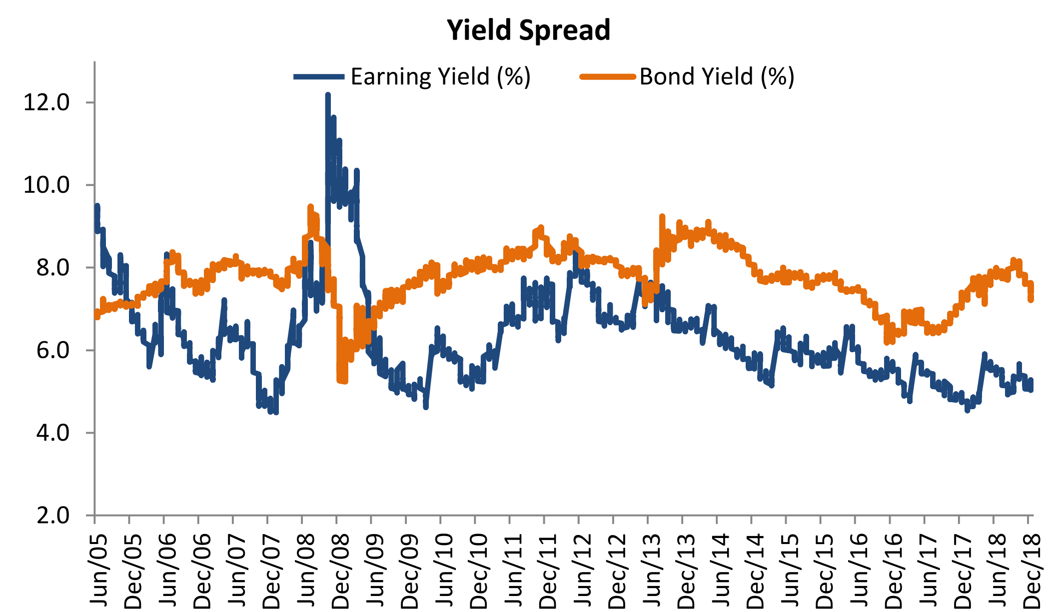


- Crude oil price has plunged ~37% in last 2 months as US waived off eight countries to import oil from Iran. Higher oil production by US and OPEC also reduced the dearth of oil. Meanwhile, INR also gained some ground and strengthened ~6% against USD in last 2 months.
- US has been pressurizing Saudi Arabia to compensate the undersupply created by the Iran sanctions and the latter has given positive indications. If this materializes we will see moderation in the prices of oil.
- In case if oil price rebounds again, the CAD will widen and weaken the INR against USD, and accelerate inflation forcing RBI to further hike interest rates. This may lead to a negative impact on interest sensitive sectors, however positive impact will be witnessed in export oriented and import substitution stories.

Source: Bloomberg, IIFL Research

Earnings downgrade increases equity valuations





Source: Bloomberg, IIFL Research

- Currently, the market is trading at ~14.5% premium to its 10-year average P/E ratio after earnings downgrade from ~20% to ~14% in FY19.
- The bond yields have cooled following receding oil prices, strengthening INR against USD and open market operations by RBI to infuse liquidity. However, the spread between earnings yield and bond yield continues to widen due to premium equity valuations.
- Moreover, general election in May 2019 has made investors extra cautious.
- Thus, in 2019, investors should focus on sustainability of earnings growth than percentage of growth while investing in current round of market uncertainty. As small-caps and mid-caps are down by more than 30%, one can start to bottom fish in good quality companies but avoid averaging stocks whose fundamentals have deteriorated significantly.

Model Portfolios – Direct Equity

Aggressive model portfolio – Equity

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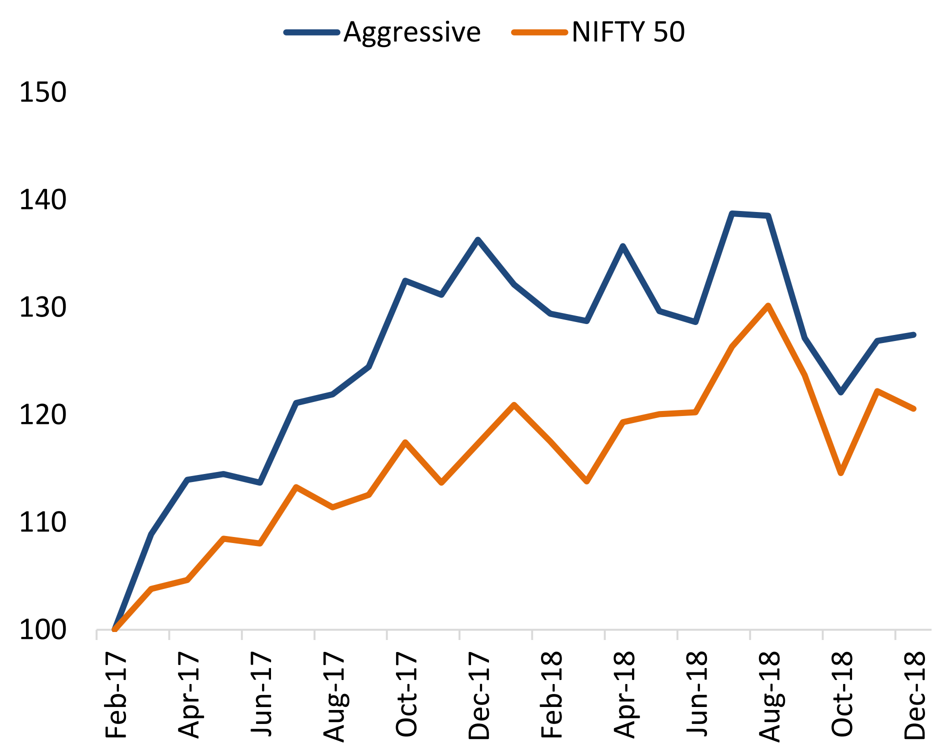
Investment Objective & Portfolio Strategy

- The objective of the strategy is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities.
- The investment strategy is to invest in companies that are available at significant discount to their intrinsic value and provide earnings visibility. The strategy takes a concentrated position in stocks and endeavours to strategically change allocation between sectors depending on change in the business cycles.

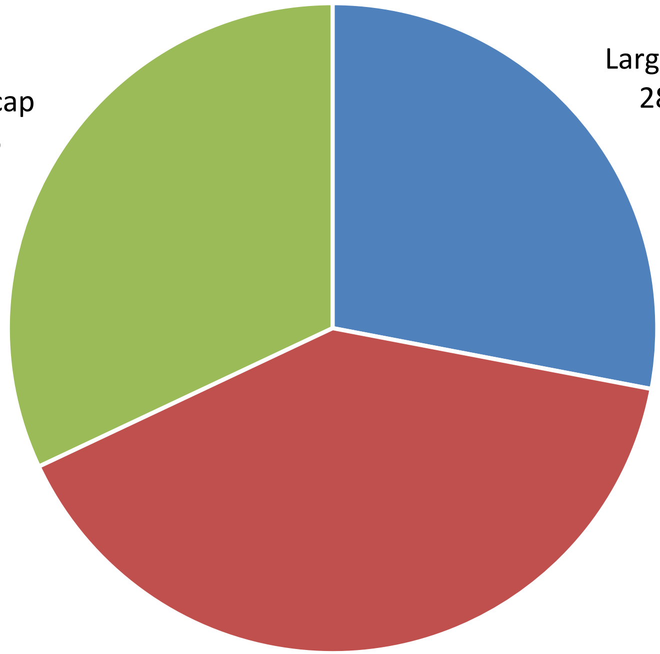
No.	Company	Allocation (%)
1	Apollo Tyres	8.0
2	Axis Bank	7.0
3	Bajaj Finance	7.0
4	Chola. Invest & Fin.	8.0
5	ICICI Bank	7.0
6	Indian Energy Exch	8.0
7	Jubilant LifeScience	8.0
8	KEC International	9.0
9	L&T Infotech	8.0
10	Mindtree Ltd	8.0
11	Navin Fluorine Intl	7.0
12	Petronet LNG	7.0
13	TeamLease Services	8.0
	Total	**100.0**

Model Portfolio vs. Benchmark

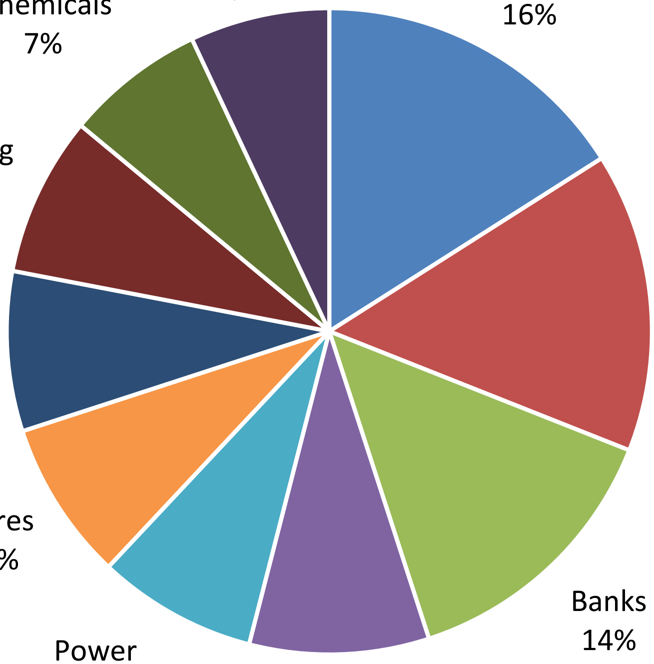


Aggressive model portfolio – Equity

Market Cap Allocation



Sector Allocation



Risk Reward Statistics	
Portfolio Beta	1.00
Sharpe Ratio	3.2
Portfolio Std. Deviation	34.8

Valuation Multiples (Forward)	
Large Cap P/E	18.9
Mid Cap P/E	14.1
Small Cap P/E	22.3
Portfolio P/E	18.1
Portfolio P/B	4.0
Nifty P/E	16.1
Nifty P/B	2.5

Aggressive model portfolio – Equity

No.	Company	Sector	Outlook
1	Axis Bank	Banks	Axis Bank is expected to benefit from new CEO to accelerate the transition process, robust NII growth, decline in loan loss provisioning and earnings recovery.
2	ICICI Bank		The standalone bank is undervalued, core revenue growth is gathering momentum, asset quality is improving and valuations appear attractive.
3	MindTree	IT	Strong deal wins and sustained growth in top clients aided by new growth channels and strong digital offerings. This would allay growth concerns and recent underperformance presents good investment opportunity.
4	LTI		The company is set to benefit from its focused micro-vertical led strategy, client mining, strong deal inflow and deal pipeline.
5	IEX	Power Exchange	Linking of DSM prices to exchange price and creation of a real time power market could further increase exchange volumes over the next 2-3 years. Strong volume growth likely to support EPS CAGR of 15% p.a. over FY19-21E. Superior return ratios (ROE ~50%) and dividend payout (>50%) justifies premium valuations for IEX (27x FY20E EPS).
6	KEC International	Capital Goods	Traction in power T&D segment due to increased focus on international T&D market. To benefit from healthy railway pipeline in FY19-20. Margins to expand, driven by increasing operating efficiencies and contribution from high margin railways and civil business. KEC's order book stood around ₹20,000cr by Q2FY19.
7	Apollo Tyres	Tyres	Apollo Tyres is best placed among peers given its lower exposure to the highly competitive 2W tyre space and ramping up of operations at its low-cost Hungary plant. Given that tyre companies derive 66% volumes from after-market, the recent slowdown in Auto OEM volumes will have limited impact. Company took price hikes between Sep-Nov'18 to offset input cost inflation. Recent cooling off in crude prices and stable natural rubber prices will steer 160bps EBITDA margin expansion to 12.7% in FY20E.

Aggressive model portfolio – Equity

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No.	Company	Sector	Outlook
8	Jubilant Life	Pharma	Jubilant's Specialty injectable business is expected to grow due to Rubyfill launch in the US market, Venom products business to likely benefit after ALK-Abello has exited the US market. Jubilant's diversified business is expected to deliver revenue and PAT CAGR of 9% and 12% over next three years, current valuation i.e. 7x FY21E EV/EBITDA looks attractive.
9	Bajaj Finance	NBFC	Adequately capitalized with better loan growth, strong asset quality and earnings growth.
10	TeamLease Services	Staffing	The company should perform well after recent disruption on higher penetration of flexi staffing across sectors, industry consolidation and favorable margin levers in place.
11	CIFC	NBFC	We expect growth in CIFC's loan book to be driven by an uptick in demand for vehicle finance and home loans. We further expect to see traction in VF loan book at ~15% CAGR over FY18-20E due to disbursements. Home loans are expected to pick up pace due to government's initiatives like Credit-Linked Subsidy Scheme (CLSS) under PMAY.
12	Navin Fluorine	Chemicals	We expect higher volumes on ramp-up of existing Dewas plant capacity under CRAMS business. It's specialty chemical segment is likely to gain traction on customer acquisition for new value-added products in pharma intermediates. Overall, we expect revenue CAGR of 19% with ~23% EBITDA margin over FY18-20E considering the lag in passing on input cost pressures. We expect the company to remain debt free at net-debt level.
13	Petronet LNG	Gas	Petronet LNG is expect to benefit from Dahej terminal expansion, improvement in Kochi terminal utilization and attractive valuations

Aggressive model portfolio – Equity

			Absolute % Returns		CAGR % Return		Quant's		
Sr. No	Scheme Name	Allocation (%)	6 M	1 Yr	2 Yr	3 Yr	1 Yr Fwd PE	1 Yr Fwd P/BV	Beta
1	Apollo Tyres	8.0	-11.1	-13.9	10.9	14.6	10.8	1.2	1.4
2	Axis Bank	7.0	21.7	11.4	18.8	11.0	16.5	2.2	1.2
3	Bajaj Finance	7.0	10.6	46.1	78.6	63.5	30.9	6.4	1.4
4	Chola. Invest & Fin.	8.0	-22.0	-4.6	14.2	23.1	15.9	2.5	1.5
5	ICICI Bank	7.0	27.4	13.7	24.2	14.8	15.3	2.0	1.3
6	Indian Energy Exch	8.0	3.4	4.1	--	--	26.0	11.9	0.3
7	Jubilant LifeScience	8.0	-1.8	-9.4	10.4	19.4	10.0	1.9	1.0
8	KEC International	9.0	-15.9	-21.1	46.3	22.8	12.2	2.5	0.8
9	L&T Infotech	8.0	1.3	54.8	58.4	--	17.9	5.3	1.0
10	Mindtree Ltd	8.0	-11.8	40.5	32.8	5.5	16.0	3.7	0.9
11	Navin Fluorine Intl	7.0	7.5	-15.7	20.2	22.5	16.9	2.7	0.8
12	Petronet LNG	7.0	7.3	-11.3	11.4	22.6	12.8	2.7	0.7
13	TeamLease Services	8.0	-5.1	15.7	79.8	--	34.8	7.2	0.4
	Total	**100.0**							

Returns and ratios as on December 28, 2018

Aggressive model portfolio – Equity

No.	What's in	Rationale
1	KEC	Increasing momentum in international T&D coupled with high margin railways and civil business to drive future growth.
2	CIFC	We estimate 25% earnings CAGR over FY18-21E led by strong loan growth and reduction in cost ratios. RoE is likely to improve to c21.3% by FY21E from 19.5% in FY18.
3	Mindtree	Prefer Mindtree as new growth channels and strong digital offerings would allay concerns.

No.	What's Out	Rationale
1	Motherson Sumi (MSSL)	Motherson Sumi faces certain headwinds in its India business (lower volumes, delay in cost pass-through) and pressure on SMP margins (high start-up costs), which may persist for a couple of quarters more. The ongoing trade tariff war and uncertainty surrounding Brexit poses biggest challenge to the company's earnings. Already, some of MSSL's clients have issued profit warnings for the year due to prevailing conditions. MSSL remains a solid franchise given its strong management pedigree, diversified global presence and acquisition-led growth strategy, which has helped hasten revenue growth. However, in the current scenario, we prefer to avoid the stock, since global factors are difficult to predict.
2	Sun Tv	Company saw viewership loss in its key channels in past 1 year. Further, it is evident through media reports that Superstar Rajinikant is launching 3 new channels ahead of his political party's launch, which may impact the viewership. Hence, these two factors may impact Sun's advertising revenues.
3	Mphasis	Switched to Mindtree on better measurable (ROE, EPS CAGR and Cheaper valuation).

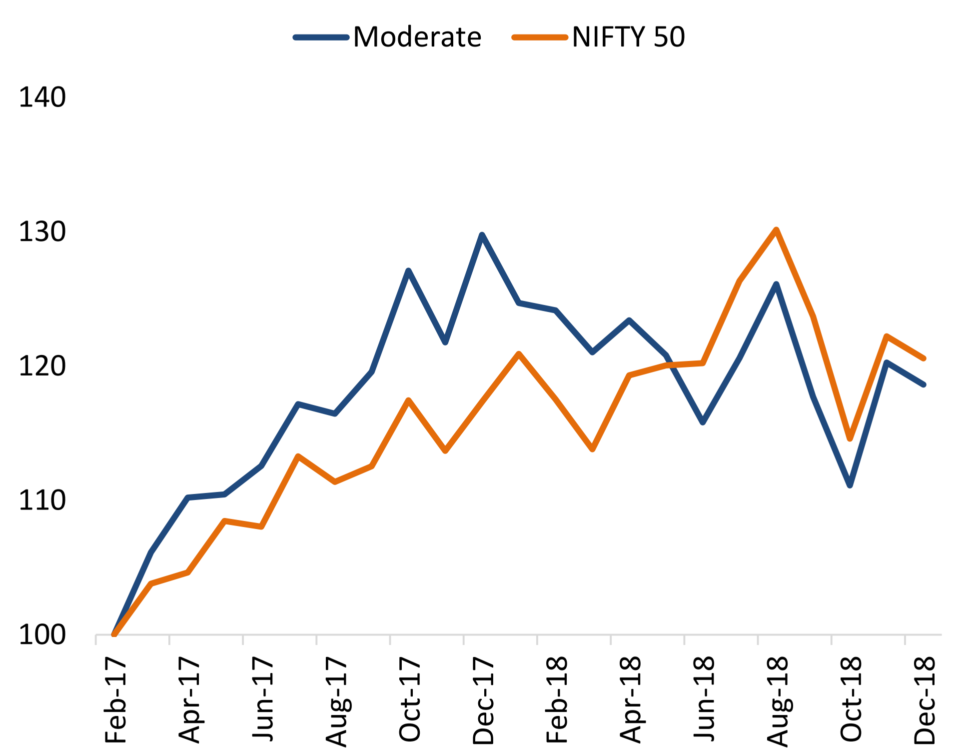
Moderate model portfolio – Equity

Investment Objective & Portfolio Strategy

- The objective of the strategy is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities.
- The investment strategy is to invest in companies that are available at significant discount to their intrinsic value and provide earnings visibility. The strategy takes a concentrated position in stocks and endeavours to strategically change allocation between sectors depending on change in the business cycles.

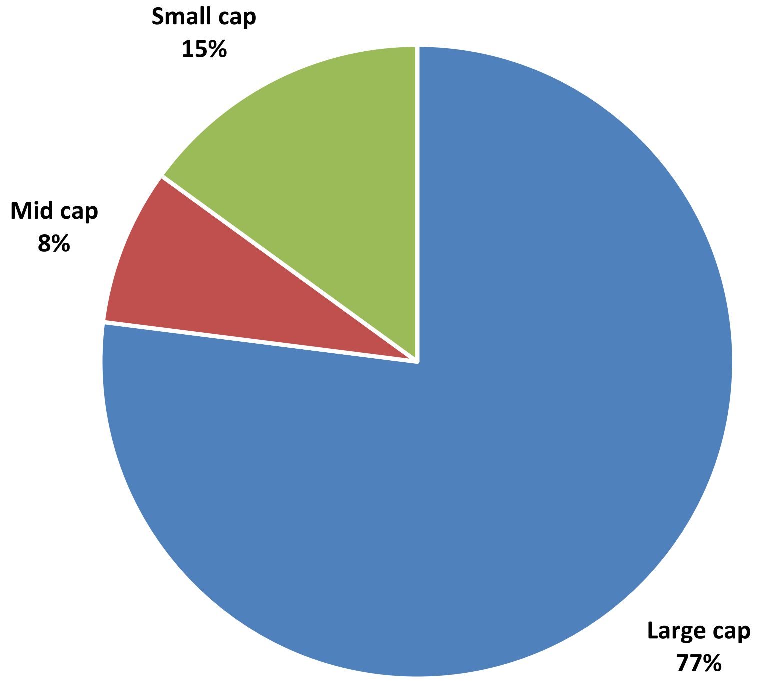
No.	Company	Allocation (%)
1	Aarti Inds	8.0
2	Atul	7.0
3	Aurobindo Pharma	7.0
4	Bajaj Finserv	8.0
5	Biocon	8.0
6	HCL Tech.	9.0
7	HDFC Bank	7.0
8	Hero MotoCorp	8.0
9	Tata Global	8.0
10	Larsen & Toubro	8.0
11	Reliance Industries	7.0
12	SBI	7.0
13	Tech Mahindra	8.0
	Total	**100.0**

Model Portfolio vs. Benchmark

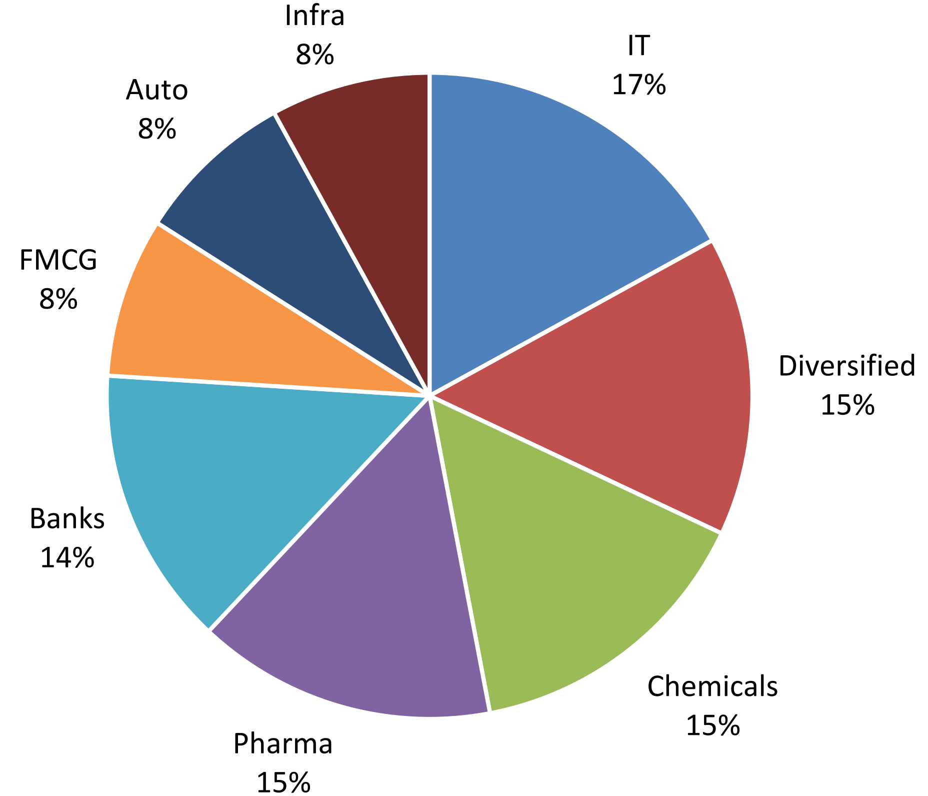


Moderate model portfolio – Equity

Market Cap Allocation



Sector Allocation



Risk Reward Statistics	
Portfolio Beta	0.95
Sharpe Ratio	3.2
Portfolio Std. Deviation	28.0

Valuation Multiples (Forward)	
Large Cap P/E	17.8
Mid Cap P/E	23.2
Small Cap P/E	20.2
Portfolio P/E	18.4
Portfolio P/B	3.2
Nifty P/E	16.1
Nifty P/B	2.5

Moderate model portfolio – Equity

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No.	Company	Sector	Outlook
1	HCL Tech	IT	Valuation is attractive and would benefit from consistent investments in IP partnerships. The company is expected to perform well on recovery in IMS and higher traction in ER&D segment.
2	Tech Mahindra		To benefit from 5G rollouts FY20 onwards. Its LCC and Altiostar network acquisitions would differentiate its offerings. Additionally, focus on IoT based platforms would drive telecom revenues.
3	HDFC Bank	Banks	Beneficiary of better loan growth, high operating efficiency, robust capital position and relatively superior asset quality.
4	SBI		Beneficiary of normalisation of credit cost, loan book improvement and focus on high margin retail book.
5	Tata Global	FMCG	Attractive valuations, restructuring of international business and improvement in operational performance of Starbucks
6	Bajaj Finserv	Diversified	We expect Bajaj Allianz General Insurance's earnings to witness CAGR of ~18% over FY18-20E on regulatory changes in motor TP (third-party) segment and health insurance. Its life insurance business is expected to stabilize over the next two years with focus towards a sustainable product mix leading to increase in value of new business (VNB) margin. The AUM of lending vertical i.e. Bajaj Finserv is expected to register CAGR of ~30% over FY18-20E, aided by lifestyle finance and personal-loan-cross-sell segments.

Moderate model portfolio – Equity

No.	Company	Sector	Outlook
7	Atul Ltd	Chemicals	We expect Atul to benefit from increase utilization levels of newly-commissioned capacities. The ramp-up of existing capacities have a potential to add revenue amounting to Rs740cr over next few years. Atul is a beneficiary of increasing competitive intensity of Indian chemical players globally with strong integrated product offering.
8	Aarti		We expect Aarti to be a key beneficiary of manufacturing outsourcing, underpinned by a low-cost and high-quality manufacturing edge. Rising costs in China due to shutdown of capacities (regulatory clampdown) is a major tailwind. Robust earnings growth is likely to be driven by improving utilization of new capacities, rupee depreciation vs. dollar, better realizations and recent multi-period project wins.
9	Reliance Industries	Diversified	Reliance Industries is expected to benefit from strong petrochemicals volume growth, improvement in GRMs and traction in Jio subscribers
10	Hero Moto Corp (HMCL)	Auto	We expect volumes for the 2W space to pick up as the wedding season commences and also due to upcoming elections in CY2019. The recent farm loan waivers may also stimulate 2W sales as it puts more money in the hands of farmers. HMCL's margin contraction has been limited to 180bps over past 8 quarters vs. Bajaj Auto's 380bps contraction. It is also trading cheaper compared to peers (12x FY20E EPS, vs. 28x for TVSM and 15x for BJAUT). Hence, we prefer HMCL to its 2W peers.
11	Larsen & Toubro (L&T)	Infrastructure	Larsen and Toubro is expected to benefit from strong order-book (Rs2.8 lakh cr), pick up in execution and improvement in working capital.

Moderate model portfolio – Equity

No.	Company	Sector	Outlook
12	Biocon	Pharma	Mylan/Biocon has launched Pegfilgrastim in the US while Trastuzumab is expected to be launched in H1FY20E, Insulin Glargine is expected to be launched in early 2019 in EU, while US launch is expected in 2020E. We expect Biocon to deliver PAT growth of ~5x over next five years due to the strong contribution from these three products in the US and EU.
13	Aurobindo Pharma		Due to diversified US product portfolio, Aurobindo's US business has grown from $792m in FY16 to $1156mn in FY18. Despite the challenging environment for generic companies, Aurobindo is expected to do well due to recent launch of Ertapenem injection as well as launch of 10-12 OTC products in US. We expect Revenue/PAT CAGR of 27%/29% over next three years, including Sandoz deal.

Moderate model portfolio – Equity

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			Absolute % Returns		CAGR % Return		Quant's		
Sr. No	Scheme Name	Allocation (%)	6 M	1 Yr	2 Yr	3 Yr	1 Yr Fwd PE	1 Yr Fwd P/BV	Beta
1	Aarti Inds	8.0	18.1	32.7	44.8	40.9	20.4	5.1	0.7
2	Atul	7.0	29.9	26.6	31.0	28.2	19.6	3.2	0.7
3	Aurobindo Pharma	7.0	16.0	3.2	5.1	-6.5	13.5	2.5	1.0
4	Bajaj Finserv	8.0	7.0	20.1	52.9	49.0	23.7	3.7	1.4
5	Biocon	8.0	-3.8	13.3	41.7	53.4	34.2	5.3	1.1
6	HCL Tech.	9.0	3.2	7.2	8.6	3.3	11.9	2.7	0.5
7	HDFC Bank	7.0	-0.3	13.4	33.3	25.1	21.8	3.4	0.7
8	Hero MotoCorp	8.0	-11.5	-17.1	1.6	5.2	16.5	4.8	0.9
9	Larsen & Toubro	8.0	15.2	13.1	25.6	18.1	19.9	2.9	1.1
10	Reliance Industries	7.0	16.0	21.4	45.1	30.7	13.2	1.8	1.4
11	SBI	7.0	11.5	-7.1	8.3	8.4	9.5	1.1	1.4
12	Tata Global Beverage	8.0	-16.6	-27.6	35.6	15.1	23.2	1.8	1.1
13	Tech Mahindra	8.0	-0.8	40.8	22.9	10.9	13.2	2.6	0.6
	Total	**100.0**							

Returns and ratios as on December 28, 2018

Moderate model portfolio – Equity

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No.	What's in	Rationale
1	SBI	Beneficiary of normalization of credit cost, loan book improvement and focus on high margin retail book.
2	Aarti	Improving utilization of new capacities, higher realizations and recent multi-period project wins augur well for the company.
3	Atul Ltd	The ramp-up of existing capacities have a potential to add revenue amounting to Rs740cr over next few years.

No.	What's Out	Rationale
1	Kotak Mahindra Bank	Lack of growth would keep margins low, operating leverage minimal and RoE expansion slow.
2	Zee Entertainment	Company has been aggressively investing into its OTT platform ZEE5. Further, increasing threat from the new entrants into the OTT space may affect the subscriber addition. This may ultimately impact the profitability of the company in near term. Further, uncertainty related to growth of advertisement revenues of broadcasters have also increased due to emerging new mediums of advertisement.
3	UPL	Limited upside is visible in the stock owing to risks associated with subdued crop prices in India, volatility in cross currencies and erratic weather conditions across the world.

Conservative model portfolio – Equity

Investment Objective & Portfolio Strategy

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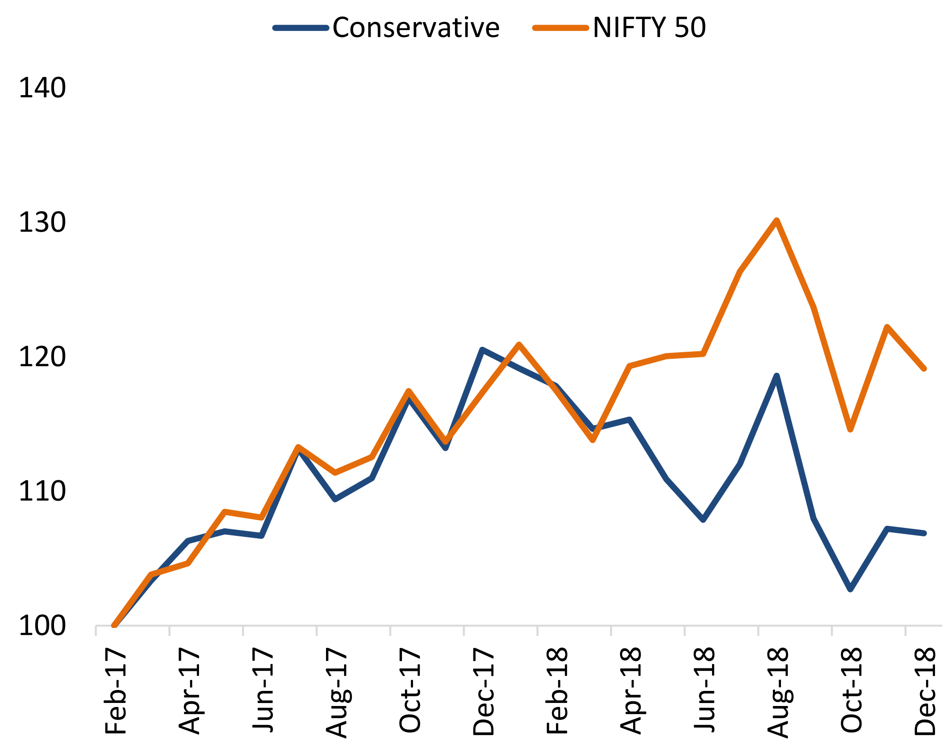
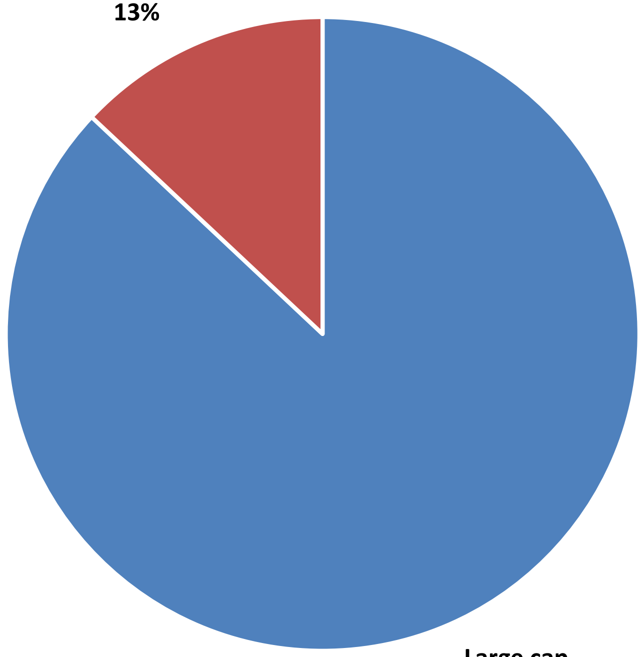
No.	Company	Allocation
1	Asian Paints	7.0
2	Biocon	8.0
3	Coromandel Interntl.	7.0
4	Dabur India	8.0
5	HCL Tech.	8.0
6	HDFC Bank	6.0
7	ICICI Lombard	9.0
8	Infosys	8.0
9	ITC	8.0
10	Maruti Suzuki	8.0
11	Power Grid Corpn.	9.0
12	Reliance Industries	8.0
13	Tata Chemicals	6.0
	Total	**100%**

Model Portfolio Vs Benchmark

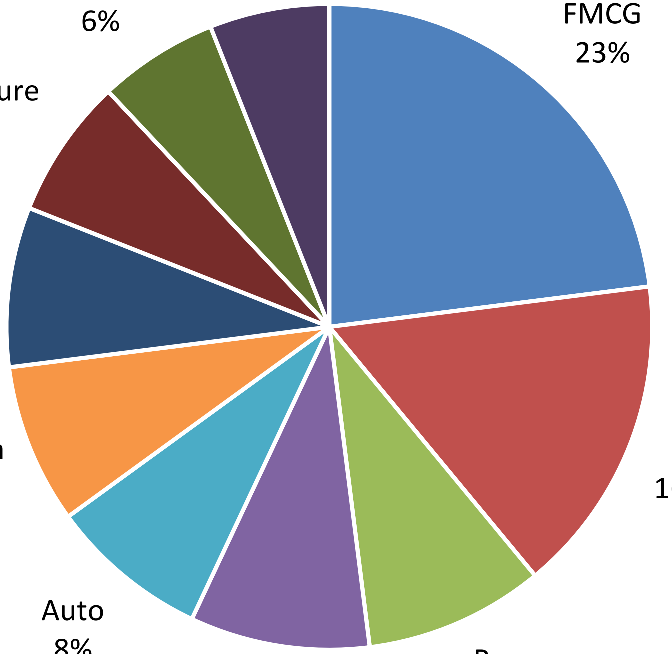


Conservative model portfolio – Equity

Market Cap Allocation



Sector Allocation



Risk Reward Statistics	
Portfolio Beta	0.84
Sharpe Ratio	4.7
Portfolio Std. Deviation	25.3

Valuation Multiples (Forward)	
Large Cap P/E	24.8
Mid Cap P/E	14.6
Portfolio P/E	23.4
Portfolio P/B	4.8
Nifty P/E	16.1
Nifty P/B	2.5

Conservative model portfolio – Equity

No.	Company	Sector	Outlook
1	ITC	FMCG	Market share gain in FMCG, recovery in cigarette segment (acceptance of high cigarette price among consumers and volume growth) and attractive valuation
2	Dabur		Beneficiary of increasing rural reach, market share gain and new product launches
3	Asian Paints		Leadership position (~54% market share), capacity expansion (1.1mn MT currently to 2.2mn MT over next 1-1.5 years) and price hikes to aid growth
4	Maruti Suzuki (MSIL)	Auto	The PV sector currently faces headwinds by way of weak demand, higher cost of ownership and discounting in the system. The management recently indicated single-digit volume growth in FY19E. However, MSIL continues to command ~50% PV market share in India with strong recall for its models. Despite the sectoral headwinds, MSIL remains best placed to benefit from BS-VI implementation. MSIL's petrol-heavy portfolio will see lower price increase compared to diesel vehicles, hence impact on demand will be minimal.
5	HDFC Bank	Banks	Beneficiary of better loan growth, high operating efficiency, robust capital position relatively superior asset quality.
6	Power Grid Corp	Power	Healthy capitalization of Rs27,000cr per annum to support PAT CAGR of 19% over FY18-20E. Capitalization likely to pick up in 2HFY19 given the lumpy nature of project execution. Valuations inexpensive at 8.8x FY20E EPS.
7	ICICI Lombard General (ILom)	Insurance	ILom is well positioned to capture the growth potential in the sector driven by significant lower penetration and market share gains from PSUs. Changes in regulations, especially under motor segment, improving competitive dynamics and ILOM's conservative strategy of focusing on profitability will likely accelerate premium growth and improvement in loss ratios.

Conservative model portfolio – Equity

No.	Company	Sector	Outlook
8	HCL Tech	IT	Valuation is attractive and would benefit from consistent investments in IP partnerships. The company is expected to perform well on recovery in IMS and higher traction in ER&D segment.
9	Infosys		Focus on execution and investments behind digital to drive revenues. Infosys announced large deal wins worth TCV of $2bn+, its highest ever. This would provide strong revenue visibility.
10	Biocon	Pharma	Mylan/Biocon has launched Pegfilgrastim in the US while Trastuzumab is expected to be launched in H1FY20E, Insulin Glargine is expected to be launched in early 2019 in EU, while US launch is expected in 2020E. We expect Biocon to deliver PAT growth of ~5x over next five years due to the strong contribution from these three products in the US and EU.
11	Coromandel Intl	Agriculture	Coromandel is likely to benefit from capacity augmentation in phosphoric acid, providing strong backward integration. Enhanced capacity of mancozeb (crop-protection segment) from Sarigam plant and Dahej plant will help the company gain market access in new geographies. We expect moderation in input costs coupled with likely price hikes, leading to improvement in operating margin.
12	Tata Chemical (TCL)	Chemical	TCL's international business is likely to recover during H2FY19 with full utilization level in North America and recovery in UK business. The global market for soda ash is expected to stabilize leading to firmness in soda ash realizations with full absorption of additional capacities in Turkey. We expect TCL's consumer products and nutritional solutions business to gain traction with new product offerings and commissioning of additional capacities.
13	Reliance Industries	Diversified	Reliance Industries is expected to benefit from strong petrochemicals volume growth, improvement in GRMs and traction in Jio subscribers.

Conservative model portfolio – Equity

			Absolute % Returns		CAGR % Return		Quant's		
Sr. No	Scheme Name	Allocation (%)	6 M	1 Yr	2 Yr	3 Yr	1 Yr Fwd PE	1 Yr Fwd P/BV	Beta
1	Asian Paints	7.0	8.1	19.0	24.9	15.7	48.5	12.2	1.0
2	Biocon	8.0	-3.8	13.3	41.7	53.4	34.2	5.3	1.1
3	Coromandel Interntl.	7.0	11.4	-20.0	28.2	33.0	15.2	3.1	0.6
4	Dabur India	8.0	9.6	22.2	26.1	15.7	42.5	10.9	1.0
5	HCL Tech.	8.0	3.2	7.2	8.6	3.3	11.9	2.7	0.5
6	HDFC Bank	6.0	-0.3	13.4	33.3	25.1	21.8	3.4	0.7
7	ICICI Lombard General Ins	9.0	22.1	11.0	--	--	31.9	6.2	0.4
8	Infosys	8.0	3.6	27.1	14.7	6.2	15.6	3.9	0.6
9	ITC	8.0	6.6	6.6	9.3	9.1	24.7	5.7	0.8
10	Maruti Suzuki	8.0	-15.7	-22.2	19.8	17.7	21.2	4.1	1.1
11	Power Grid Corpn.	9.0	4.4	-2.4	4.1	11.8	10.1	1.5	0.5
12	Reliance Industries	8.0	16.0	21.4	45.1	30.7	13.2	1.8	1.4
13	Tata Chemicals	6.0	-0.5	-4.5	20.3	19.9	14.0	1.4	0.9
	Total	**100.0**							

Returns and ratios as on December 28, 2018

Conservative model portfolio – Equity

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No.	What's in	Rationale
1	Asian Paints	Limited downside in the stock; raw material deflation a key positive.
2	ITC	Prefer ITC in FMCG space given the comfort on valuations; replaced GSK Consumer.

No.	What's Out	Rationale
1	GSK Consumer	Upside owing to Horlicks deal played out. Now the price will be linked to the price of HUL.

Mutual Funds

Top 5 recommended mutual funds

Equity is the best way to create wealth in long term vs. other asset classes like debt, gold, real estate, etc., since historically it has been seen that equity based investments have given inflation beating returns over long term despite short term volatilities. Equity mutual fund is a right way for investors to invest in equity market who do not have time and/or knowledge to understand the equity market.

The Indian mutual fund industry is well regulated, transparent and mature. Instead of timing the market, investors can regularly invest in the market and can reap the benefit of **'Rupee Cost Averaging'** via SIP.

Thus, we present some mutual fund recommendations to create wealth in the long term.

Scheme Name	Fund Manager	AUM (₹ cr)	1M (%)	6 M (%)	1 Y (%)	3 Y (%)	5 Y (%)
ICICI Pru Equity & Debt Fund(G)	Sankaran Naren	26,566	1.7	4.2	-1.7	11.6	15.6
Axis Bluechip Fund(G)	Shreyash Devalkar	3,295	2.4	0.5	7.0	12.7	14.5
Tata Equity P/E Fund(G)	Sonam Udasi	5,021	2.4	-1.6	-6.6	14.7	20.7
Franklin India Prima Fund(G)	R. Janakiraman	6,374	3.1	0.2	-8.8	11.2	21.1
IDFC Tax Advt(ELSS) Fund(G)	Daylynn Pinto	1,689	1.2	-2.4	-9.2	11.9	16.2

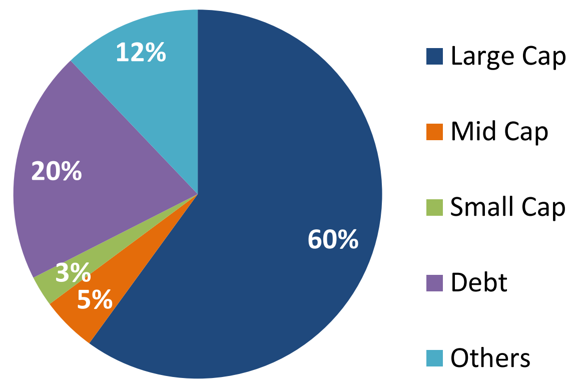
Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
AUM as on: November 2018; Returns as on December 28, 2018
Source: ACE MF

ICICI Pru Equity & Debt Fund

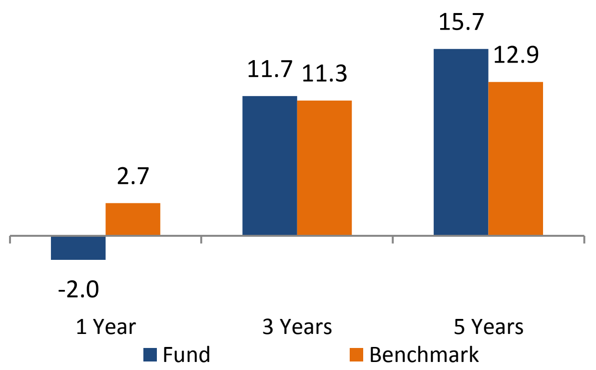
Fund Basic Details			
Fund Benchmark	CRISIL Hybrid 35+65 - Aggressive Index	AUM (₹cr)	26,566
Inception Date	Nov 1999	Exit Load	Nil on 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y
Fund Manager	Sankaran Naren, Atul Patel	Expense Ratio	1.95%

- It is an equity-oriented balanced fund, which **does tactical allocation between debt and equity based on the market outlook to ensure optimal risk reward.**
- The fund increases its exposure in debt when the equity market is overvalued and increases its allocation to equity when it is undervalued.
- As of November 2018, the fund had invested ~68% of AUM in equity, ~20% was allocated to debt and ~10% (~₹2,733cr) was in cash. The fund had invested ~60% of the AUM in large-cap stocks, while ~8% was invested in mid-cap and small-cap stocks.
- Investors who want to follow balanced approach i.e. 65% equity and ~35% debt, can invest in the scheme to create wealth in the long term.

Asset Allocation



Returns (%)



Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
Portfolio as on: November 2018; Returns as on December 28, 2018
Source: ACE MF

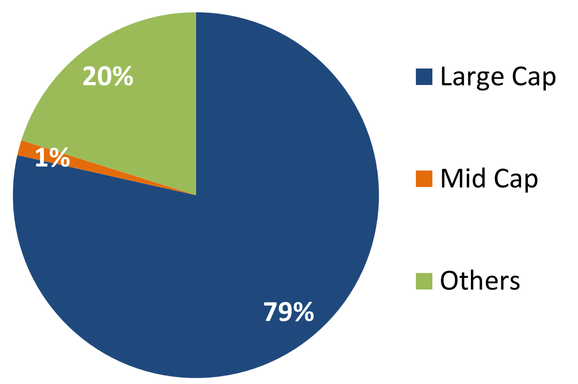
Axis BlueChip Fund

Fund Basic Details

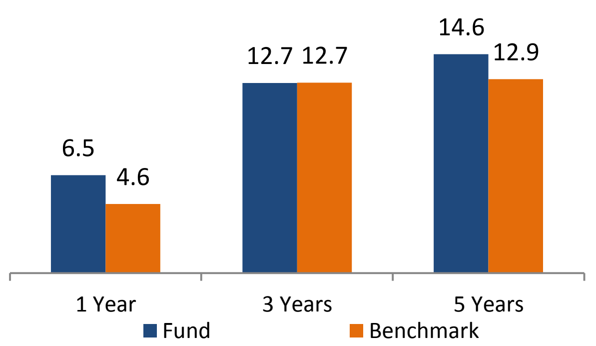
Fund Benchmark	NIFTY 50 - TRI	AUM (₹ cr)	3,295
Inception Date	Jan 2010	Exit Load	Nil on 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y
Fund Manager	Shreyash Devalkar	Expense Ratio	2.30%

- It is an equity fund which **primarily invests in top 100 stocks by market capitalization**. The fund invests in companies which have **significant market share** and are **leaders in their respective industries**.
- The fund's strategy is to invest in quality companies with credible management, sustainable profit growth & cash flow, and having a clean balance sheet.
- As of November 2018, the fund had invested ~80% of AUM in large-cap stocks and ~15% (~₹511cr) in cash. The fund had highest allocation to Private Banks (~25%), followed by IT (~8.5%), and NBFC (~6.8%).
- Investors who want to primarily invest in diversified portfolio of large-cap stocks can invest in this fund to create wealth in the long term.

Asset Allocation



Returns (%)



Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
Portfolio as on: November 2018; Returns as on December 28, 2018
Source: ACE MF

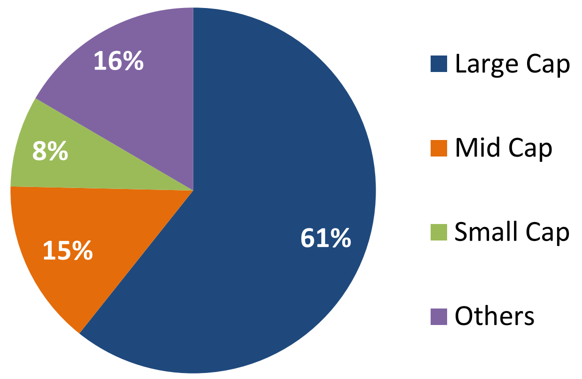
Tata Equity P/E Fund

Fund Basic Details

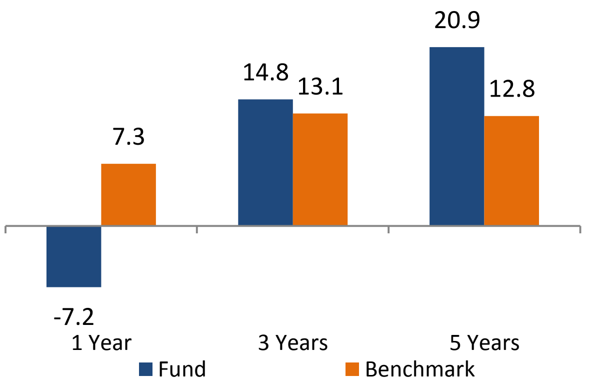
Fund Benchmark	S&P BSE Sensex - TRI	AUM (₹cr)	5,021
Inception Date	June 2004	Exit Load	Nil upto 12% of investments and 1% for remaining investments on or before 18M, Nil after 18M
Fund Manager	Sonam Udasi, Amey Sathe	Expense Ratio	2.08%

- It is a value-conscious equity fund that aims to **invest 70-100% of its AUM in stocks whose 12-month rolling PE ratio is lower than the 12-month rolling PE ratio of the BSE Sensex**. The remaining AUM is allocated to other equity and debt instruments.
- As of November 2018, the fund had invested ~61% of AUM in large-cap stocks, ~23% was allocated to mid-cap and small-cap stocks, and ~16% (~₹832cr) in cash. The fund had the highest allocation to HFC (~9.8%), followed by Private Banks (~7.0%) and IT (~6.2%).
- Investors who are value conscious and want to invest in large cap and mid cap stocks can invest in the fund to create wealth in the long term.

Asset Allocation



Returns (%)



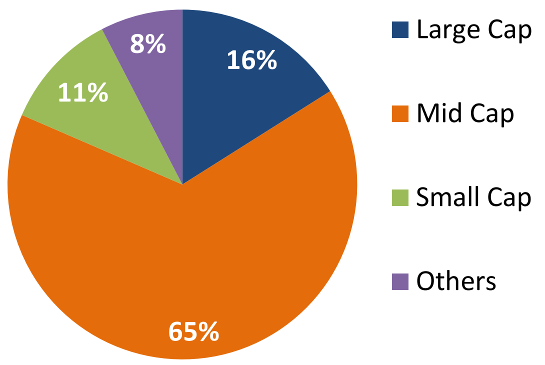
Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
Portfolio as on: November 2018; Returns as on December 28, 2018
Source: ACE MF

Franklin India Prima Fund

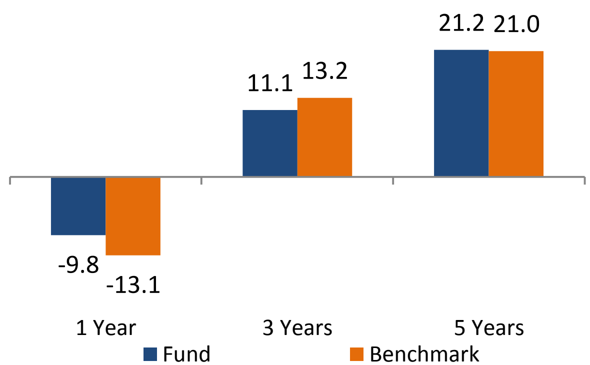
Fund Basic Details			
Fund Benchmark	Nifty Midcap 150 - TRI	AUM (₹ cr)	6,374
Inception Date	Dec 1993	Exit Load	1% on or before 1Y, Nil after 1Y
Fund Manager	R. Srinivasan, Hari Shyamsunder	Expense Ratio	2.05%

- It predominantly invests in small-cap and midcap stocks, which tend to exhibit higher growth than large-cap stocks.
- It aims to identify and **invest in companies which are at an early stage of the business life cycle**, as they have an enormous potential to grow.
- As of November 2018, the fund had invested ~65% of AUM in mid-cap stocks, ~16% was in large-cap stocks and ~11% was allocated to small-cap stocks. The fund had the highest allocation to Private Banks (~12.7%), followed by Bearings (~4.7%) and Engineering - Industrial Equipments (~4.4%).
- Investors who want to primarily invest in midcap stocks can invest in this fund to create wealth in long term.

Asset Allocation



Returns (%)



Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
Portfolio as on: November 2018; Returns as on December 28, 2018
Source: ACE MF

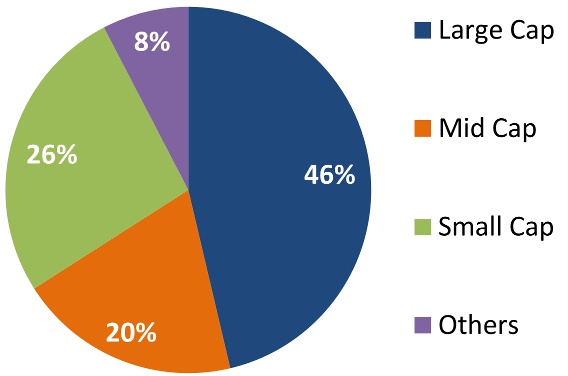
IDFC Tax Advt (ELSS) Fund

Fund Basic Details

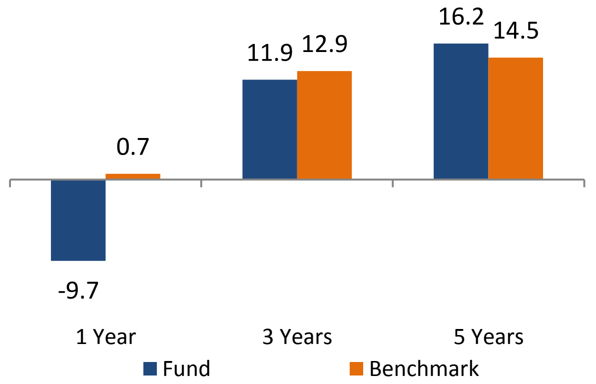
Fund Benchmark	S&P BSE 200 - TRI	AUM (₹cr)	1,689
Inception Date	Dec 2008	Exit Load	NIL
Fund Manager	Daylynn Pinto	Expense Ratio	2.22%

- This fund is a tax saving fund i.e. ELSS which invests across market cap. The fund manager **follows a blend of growth and value style of investing and uses bottom-up approach to select its stocks.**
- As of November 2018, ~46% of its AUM was invested in large-cap stocks, ~26% was allocated to small-cap stocks and ~20% was in mid-cap stocks. The fund had highest allocation to Private Banks (~15.2%), followed by IT (~8.6%) and Retailing (~5.9%).
- Investors who want to save tax and invest in diversified portfolio across different market caps can invest in this fund to create wealth in the long term.

Asset Allocation



Returns (%)



Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
Portfolio as on: November 2018; Returns as on December 28, 2018
Source: ACE MF

Aggressive model portfolio – Mutual Funds

Sr. No.	Scheme Name	Allocation
1	Axis Focused 25 Fund(G)	20%
2	Franklin India Prima Fund(G)	15%
3	HDFC Mid-Cap Opportunities Fund(G)	15%
4	HDFC Small Cap Fund(G)	30%
5	Tata Equity P/E Fund(G)	20%
	Total	**100%**

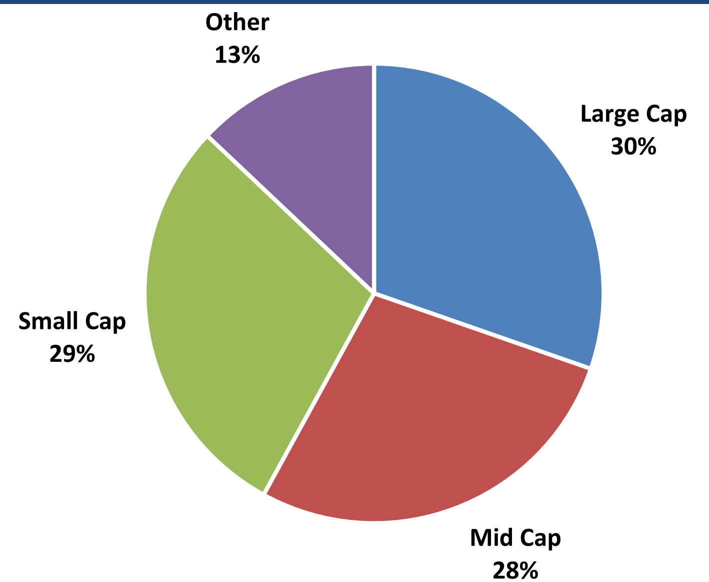
Investment Theme & Strategy

- The objective of the strategy is to generate long term capital appreciation for investors from a portfolio of equity oriented mutual funds.
- The strategy takes a concentrated position in mutual funds across different market-cap and sectors and endeavours to strategically change allocation between different market-cap and sectors depending on change in the business cycles.

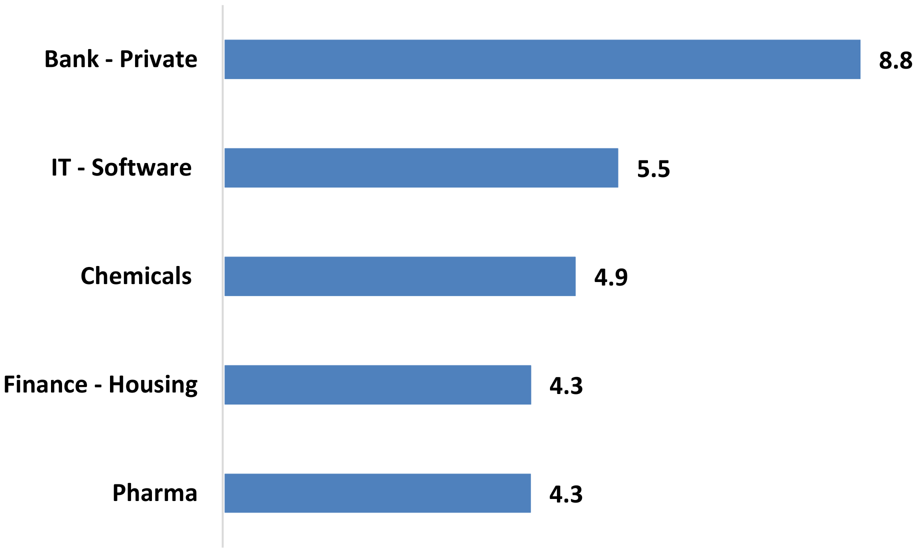
What's In	What's Out
HDFC Small Cap Fund(G)	Reliance Pharma Fund(G)

Aggressive model portfolio – Mutual Funds

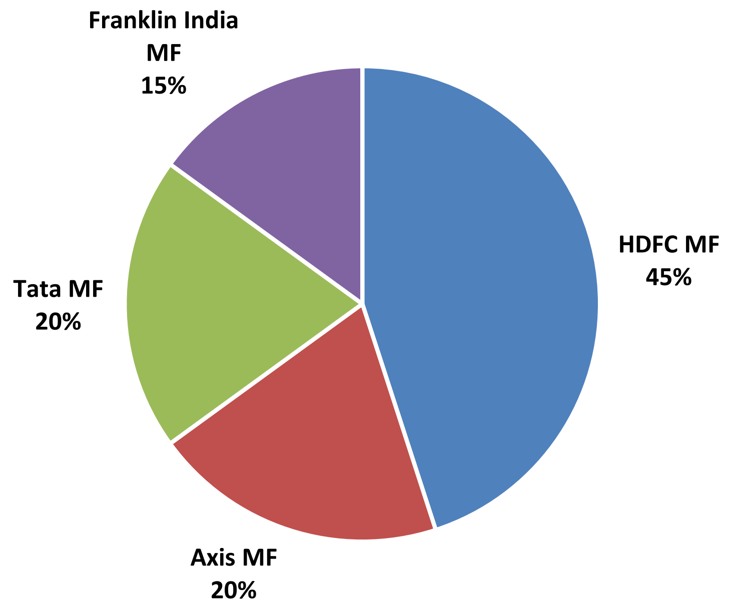
Market Cap Allocation



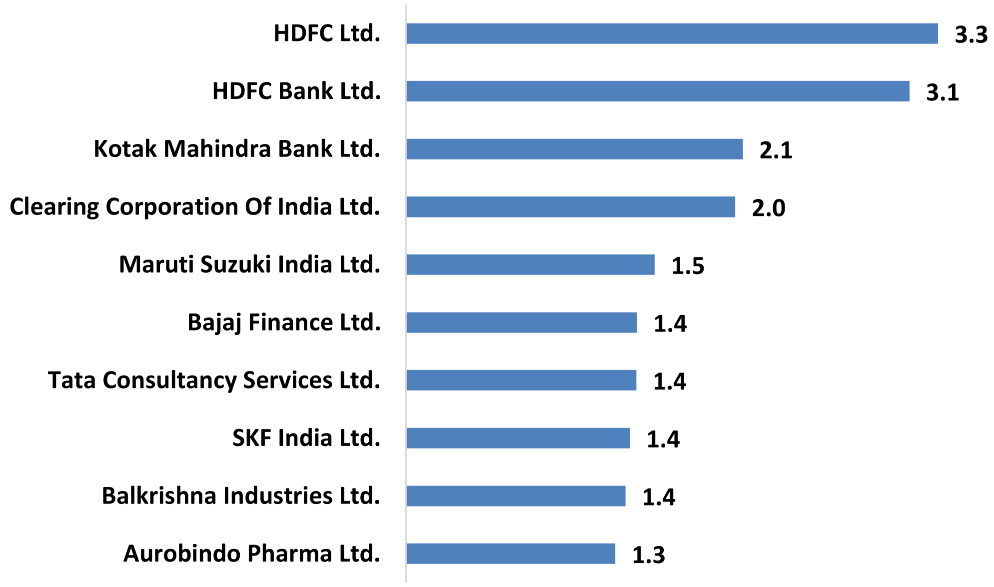
Top 5 Sectors (%)



Top 5 AMC Wise Holdings



Top 10 Stocks (%)



Aggressive model portfolio – Mutual Funds

No.	Scheme Name	Rationale
1	Axis Focused 25 Fund(G)	It is a focused fund that invests in high conviction stocks, maximum 25 stocks, from top 200 stocks by market capitalization. The fund's strategy is to invest in quality companies with credible management, sustainable profit growth and cash flow, and having clean balance sheet.
2	Franklin India Prima Fund(G)	It predominantly invests in small-cap and mid-cap stocks, which tend to exhibit higher growth than large-cap stocks. It aims to identify and invest in companies which are at an early stage of the business life cycle, as they have an enormous potential to grow.
3	HDFC Mid-Cap Opportunities Fund(G)	This fund predominantly invests in a diversified portfolio of mid-cap companies which have reasonable growth prospects, sound financial strength, sustainable business models and acceptable valuation.
4	HDFC Small Cap Fund(G)	It is a small cap fund that invests at least 65% in small cap companies. The fund's strategy is to invest in companies operating in niche environment with strong financials and sustainable growth prospects.
5	Tata Equity P/E Fund(G)	It is a value-conscious equity fund that aims to invest 70-100% of its AUM in stocks whose 12-month rolling PE ratio is lower than the 12-month rolling PE ratio of the BSE Sensex. The remaining AUM is allocated to other equity and debt instruments.

Aggressive model portfolio – Mutual Funds

Mutual Funds Performance

			Absolute % Returns		CAGR % Return		Quant's		
Sr. No	Scheme Name	Allocation (%)	6 M	1 Yr	2 Yr	3 Yr	PE	Beta	NAV
1	Axis Focused 25 Fund(G)	20.0	-1.5	1.7	22.1	15.5	41.6	0.9	26.8
2	Franklin India Prima Fund(G)	15.0	0.2	-8.9	13.3	11.2	35.1	0.7	923.6
3	HDFC Mid-Cap Opportunities Fund(G)	15.0	-1.5	-11.3	12.8	11.7	29.7	0.8	53.2
4	HDFC Small Cap Fund(G)	30.0	-1.0	-8.2	22.3	15.5	21.2	0.6	42.3
5	Tata Equity P/E Fund(G)	20.0	-1.6	-6.7	14.9	14.7	22.8	0.9	130.9
	Total	**100.0**							

Returns and quants as on December 28, 2018

Moderate model portfolio – Mutual Funds

Sr. No.	Scheme Name	Allocation
1	Axis Bluechip Fund(G)	30%
2	Axis Focused 25 Fund(G)	20%
3	Franklin India Prima Fund(G)	15%
4	HDFC Mid-Cap Opportunities Fund(G)	15%
5	Tata Equity P/E Fund(G)	20%
	Total	**100%**

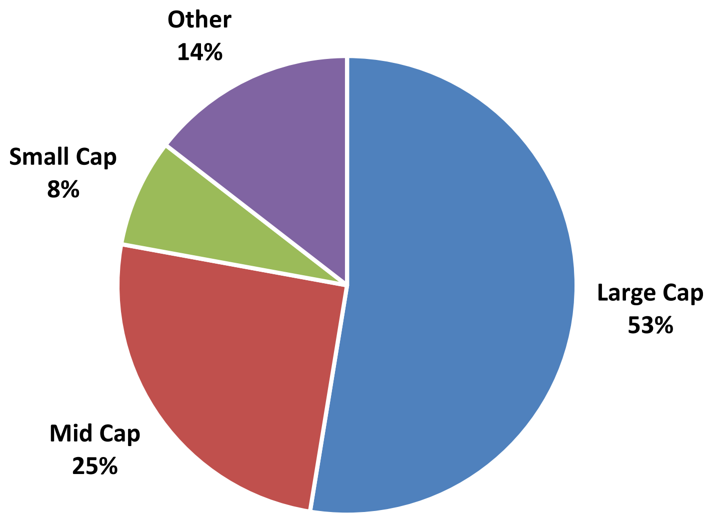
Investment Theme & Strategy

- The objective of the strategy is to generate long term capital appreciation for investors from a portfolio of equity oriented mutual funds.
- The strategy takes a concentrated position in mutual funds across different market-cap and sectors and endeavours to strategically change allocation between different market-cap and sectors depending on change in the business cycles.

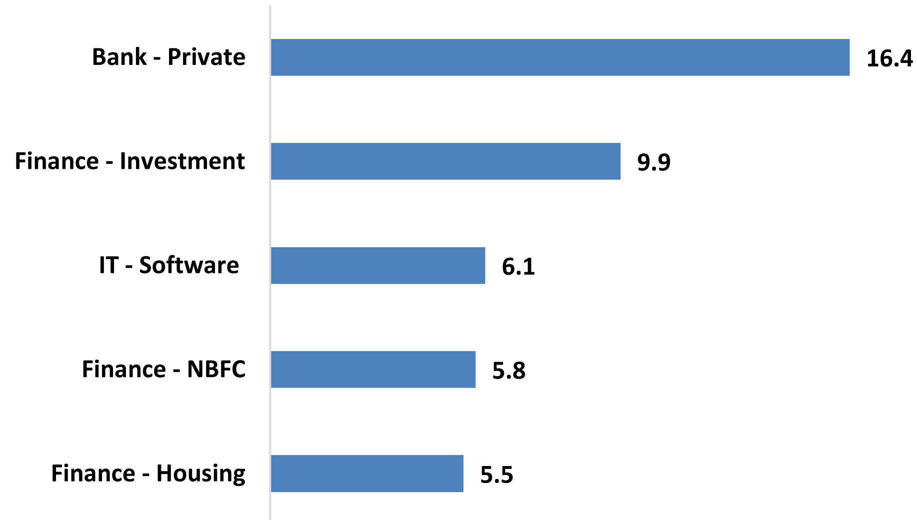
What's In	What's Out
Axis Bluechip Fund(G)	DSP Equity & Bond Fund(G)
Franklin India Prima Fund(G)	ICICI Pru Equity & Debt Fund(G)

Moderate model portfolio – Mutual Funds

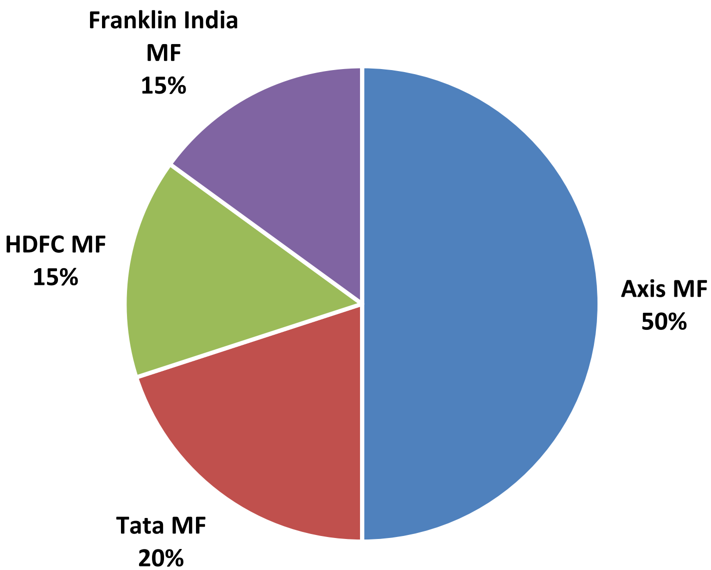
Market Cap Allocation



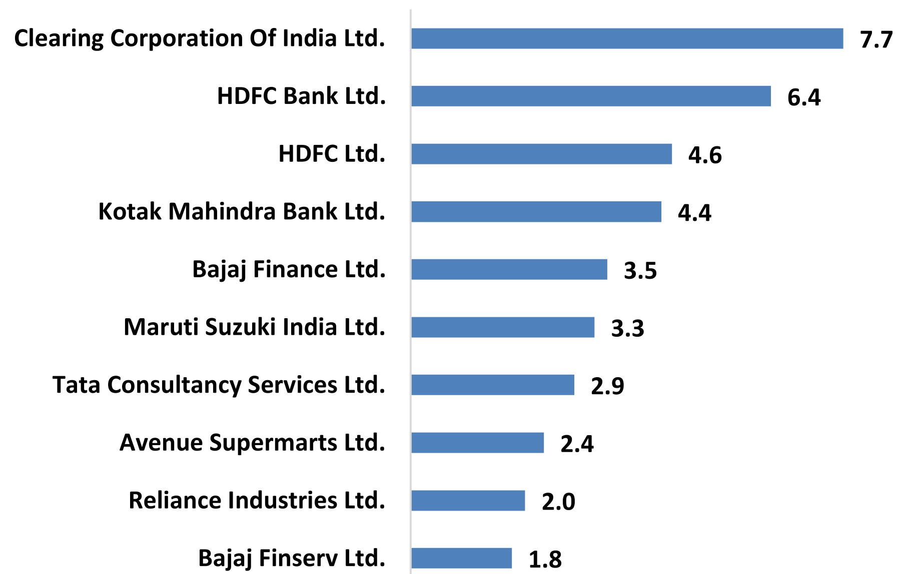
Top 5 Sectors (%)



Top 5 AMC Wise Holdings



Top 10 Stocks (%)



Moderate model portfolio – Mutual Funds

No.	Scheme Name	Rationale
1	Axis Bluechip Fund(G)	It is an equity fund which primarily invests in top 100 stocks by market capitalization. The fund invests in companies which have significant market share and are leaders in their respective industries. The fund’s strategy is to invest in quality companies with credible management, sustainable profit growth & cash flow, and having a clean balance sheet.
2	Axis Focused 25 Fund(G)	It is a focused fund that invests in high conviction stocks, maximum 25 stocks, from top 200 stocks by market capitalization. The fund’s strategy is to invest in quality companies with credible management, sustainable profit growth and cash flow, and having clean balance sheet.
3	Franklin India Prima Fund(G)	It predominantly invests in small-cap and mid-cap stocks, which tend to exhibit higher growth than large-cap stocks. It aims to identify and invest in companies which are at an early stage of the business life cycle, as they have an enormous potential to grow.
4	HDFC Mid-Cap Opportunities Fund(G)	This fund predominantly invests in a diversified portfolio of mid-cap companies which have reasonable growth prospects, sound financial strength, sustainable business models and acceptable valuation.
5	Tata Equity P/E Fund(G)	It is a value-conscious equity fund that aims to invest 70-100% of its AUM in stocks whose 12-month rolling PE ratio is lower than the 12-month rolling PE ratio of the BSE Sensex. The remaining AUM is allocated to other equity and debt instruments.

Moderate model portfolio – Mutual Funds

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Mutual Funds Performance

			Absolute % Returns		CAGR % Return		Quant's		
Sr. No	Scheme Name	Allocation (%)	6 M	1 Yr	2 Yr	3 Yr	PE	Beta	NAV
1	Axis Bluechip Fund(G)	30%	0.5	7.1	22.2	12.7	42.7	0.9	27.0
2	Axis Focused 25 Fund(G)	20%	-1.5	1.7	22.1	15.5	41.6	0.9	26.8
3	Franklin India Prima Fund(G)	15%	0.2	-8.9	13.3	11.2	35.1	0.7	923.6
4	HDFC Mid-Cap Opportunities Fund(G)	15%	-1.5	-11.3	12.8	11.7	29.7	0.8	53.2
5	Tata Equity P/E Fund(G)	20%	-1.6	-6.7	14.9	14.7	22.8	0.9	130.9
	Total	**100.0**							

Returns and quants as on December 28, 2018

Conservative model portfolio – Mutual Funds

Sr. No.	Scheme Name	Allocation
1	Axis Bluechip Fund(G)	30%
2	DSP Equity & Bond Fund(G)	15%
3	HDFC Equity Savings Fund(G)	20%
4	ICICI Pru Equity & Debt Fund(G)	15%
5	Kotak Equity Savings Fund(G)	20%
	Total	**100%**

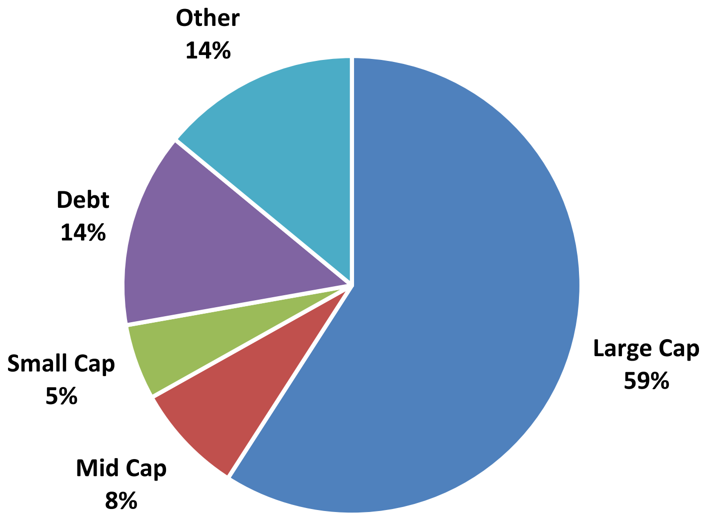
Investment Theme & Strategy

- The objective of the strategy is to generate long term capital appreciation for investors from a portfolio of equity oriented mutual funds.
- The strategy takes a concentrated position in mutual funds across different market-cap and sectors and endeavours to strategically change allocation between different market-cap and sectors depending on change in the business cycles.

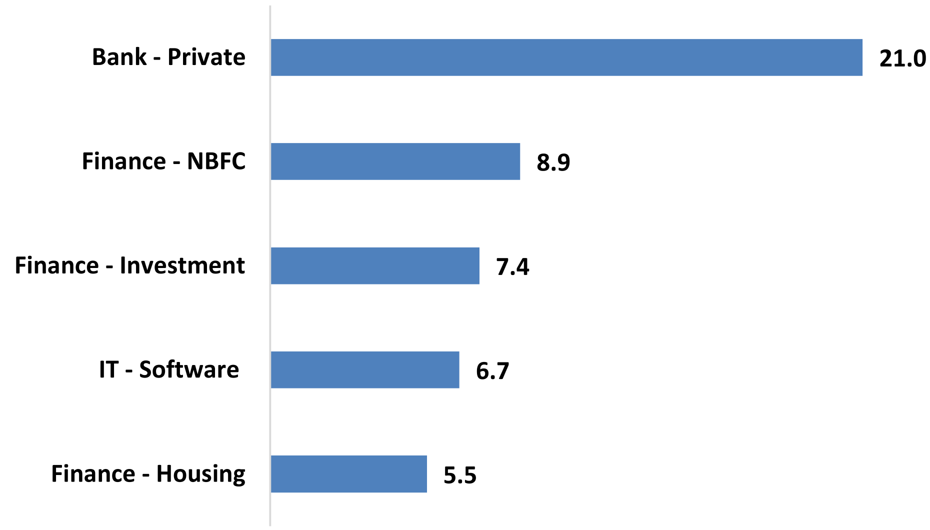
What's In	What's Out
HDFC Equity Savings Fund(G)	HDFC Short Term Debt Fund(G)
Kotak Equity Savings Fund(G)	Tata Equity P/E Fund(G)

Conservative model portfolio – Mutual Funds

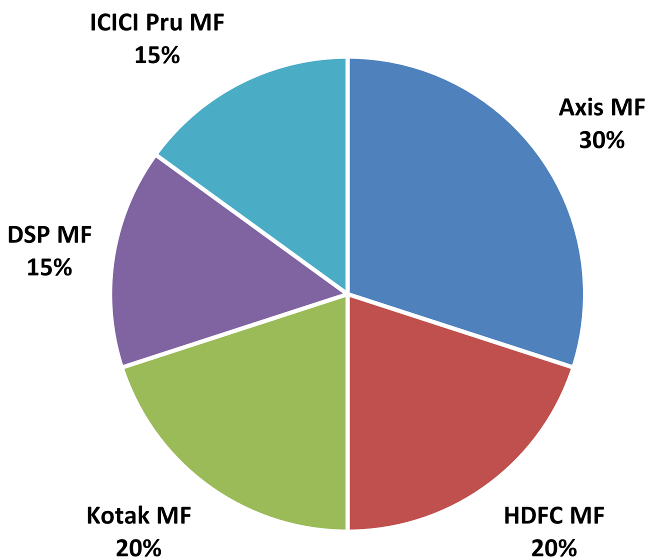
Market Cap Allocation



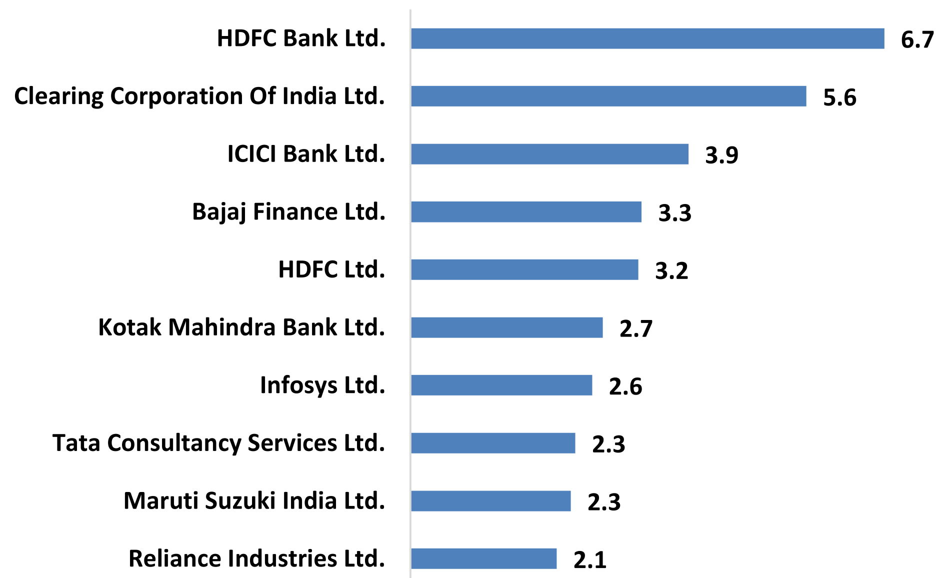
Top 5 Sectors (%)



Top 5 AMC Wise Holdings



Top 10 Stocks (%)



Conservative model portfolio – Mutual Funds

No.	Scheme Name	Rationale
1	Axis Bluechip Fund(G)	It is an equity fund which primarily invests in top 100 stocks by market capitalization. The fund invests in companies which have significant market share and are leaders in their respective industries. The fund's strategy is to invest in quality companies with credible management, sustainable profit growth & cash flow, and having a clean balance sheet.
2	DSP Equity & Bond Fund(G)	It invests in equity for potential high-return and to curtain the volatility it invests in fixed income instruments. Fund manages a well-diversified equity portfolio. It invests in Large-cap stocks, which are expected to benefit from economic recovery and applies bottom-up approach to invest in mid/small cap stocks to generate alpha. In debt portfolio, it maintains high quality fixed income portfolio and actively manages duration through long dated government bonds.
3	HDFC Equity Savings Fund(G)	It invests in equity and equity related instruments, arbitrage opportunities, and in debt and money market instruments to provide capital appreciation and income distribution. In equity investing, it follows a multi cap strategy. In fixed income portfolio, it invests in corporate bonds, bank perpetual bonds and GILTS. The maturity profile of debt portion depends on interest rate outlook. Modified duration as on November, 2018 was 1.46 years.
4	ICICI Pru Equity & Debt Fund(G)	It is an equity-oriented balanced fund, which does tactical allocation between debt and equity based on the market outlook to ensure optimal risk reward. The fund increases its exposure in debt when the equity market is overvalued and increases its allocation to equity when it is undervalued.
5	Kotak Equity Savings Fund(G)	It invests in equity, arbitrage opportunities, and in debt and money market instruments to provide capital appreciation and income distribution. Broadly, it invests 20-40% in equity bases on the market valuations and sentiments. It primarily invest in large cap stocks. In fixed income, it follows accrual portfolio strategy and invested in low maturity and high quality assets.

Conservative model portfolio – Mutual Funds

Mutual Funds Performance

			Absolute % Returns		CAGR % Return		Quant's		
Sr. No	Scheme Name	Allocation (%)	6 M	1 Yr	2 Yr	3 Yr	PE	Beta	NAV
1	Axis Bluechip Fund(G)	30%	0.5	7.1	22.2	12.7	42.7	0.9	27.0
2	DSP Equity & Bond Fund(G)	15%	1.1	-5.2	10.7	9.4	38.7	--	143.1
3	HDFC Equity Savings Fund(G)	20%	2.8	1.0	8.8	10.2	25.2	0.0	35.5
4	ICICI Pru Equity & Debt Fund(G)	15%	4.2	-1.7	11.3	11.6	32.6	--	127.9
5	Kotak Equity Savings Fund(G)	20%	2.6	4.3	9.4	8.1	24.1	0.0	13.8
	Total	**100.0**							

Returns and quants as on December 28, 2018