SHRIRAM
Mutual Fund

Nurturing Trust, Shaping Dreams

Fund Facts

As on 31 August 2016

Economic Commentary and Market Review - August 2016

The benchmark Nifty index maintained its positive momentum in August also and increased 1.71% to exit the month at 8,786. In the first week of September, Nifty scaled higher and hit the milestone 8,900 to reach 52w high of 8,968. The market has been on an uptrend for the last few months backed by ample liquidity, FII inflow, GST becoming a reality and status quo maintained by the Fed so far. Barring IT and Pharma, which were range bound over the last few months, all other sectors were in the positive zone, the best being PSU Banks (grew 8.6%). Realty remained more or less unchanged.

Supporting the market growth were FII inflows that pumped in $1.36 billion in India in August taking total inflows till date to $6.137 billion. Barring the first two months of CY2016, FII has been pumping in money in Indian equities with the highest inflow of more than $3 billion coming in the month of March. Foreign portfolio investors are upbeat on India betting on revival of economy resulting from good monsoon, fiscal and revenue deficits within limit, and moderate tax rates among others. Moreover, after witnessing outflows in the preceding two months MFs pumped in Rs 2,700 crores in equity markets in August.

It seems good monsoon and pay commission bonanza created positive sentiment in the automobile sector. For the fourteenth straight month, passenger vehicle sales maintained positive momentum it grew 16.6% y/y to 258,722 units in August. This made SIAM raise growth estimate for FY17 to 10-12% from the previous 6-8% guidance. Car sales grew 9.53% y/y to 177,829 units in August as brands like Brezza, Baleno, Kwid continue to be in good demand. Car sales are likely to remain buoyant with the ensuing festive season, which is expected to be the best in the last 3-4 years.

Retail inflation in August came in at 5-month low of 5.05% (versus 6.07% in July, the highest so far this year), as food price inflation moderated. The sharp drop in CPI was owing to lower vegetables and moderate decline in pulses that led to 5.8% food inflation in August from 7.96% last month. Based on better monsoon so far this year, retail inflation is unlikely to rise sharply from here on. This also indicates that the RBI's target of 5% CPI by March 17 should be achievable though pay commission outgo may influence it to some extent. However, WPI in August came in at 3.74% (two-year high) versus 3.55% in July, which might force the RBI to take a cautious stand despite lower retail inflation.

Data for index of industrial production slowed drastically to 2.4% in July 2016, the worst so far this year after recording 2% growth in the previous month. Manufacturing, with ~75% weight, recorded a dip of 3.4% that held back industrial growth while the other sectors Mining and Electricity recorded growth of 0.8% and 1.6%, respectively. For nine months in a row capital goods is on a declining trend, it was down ~30% in July signalling a bleak investment outlook. With weak demand, high leverage, capacity utilisation remaining low, room for big-ticket capital expenditure remains low. Among the other industries, basic (2.04%), intermediate goods (3.41%) and consumer durables (5.9%) recorded robust growth.

With good monsoon, implementation of pay commission and upcoming festival season, consumer durable growth is likely to improve further. However, consumer non-durables recorded de-growth of 1.72% after recording marginal recovery last month. Meanwhile, manufacturing PMI in August rose to 52.6, a thirteen-month high helped by rise in new orders compared with 51.8 in July signalling a gradual recovery in the domestic economy.

India's GDP growth during April-June quarter came in at 7.1% (versus 7.5% in the year-ago quarter), the slowest pace in six quarters. Government's expectation of achieving 8% growth during the current fiscal is challenging though good monsoon and boost in consumption owing to higher disposable income in the hands of central government employees might provide the required push.

Decelerating retail inflation in the backdrop of slower industrial activity and disappointing GDP numbers have increased the possibility of a rate cut this year (maybe during October policy meet) though the rise in wholesale inflation might lead the RBI to hold rates. Future course of inflationary trend is significant in deciding about any rate cut.

India's exports data declined in August though the rate of decline has narrowed probably signalling that worst may be over.

Merchandise exports in August declined by 0.8% to $21.52 billion (compared with July). Imports also dropped 0.9% to $29.2 billion owing to drop in both oil and non-oil imports (1.12% and 0.8%, respectively versus July). Trade deficit narrowed by 1% to $7.674 billion compared with $7.761 billion in July. Notably Chinese imports rose in August for the first time in nearly 2 years suggesting gradual revival in the domestic economy a positive for the global economy.

Within imports non-oil non-gold imports dropped 1.5% in August, an improvement from 10% drop in July possibly reflecting gradual recovery in domestic economy. Gold import has been in check which augurs well for narrowing trade deficit. India's trade deficit over the last three months has been moving in a narrow range $7.7-$8.1 billion, well below the average monthly trade deficit of $9.9 billion in FY16. In the January-March 2016 period, current account deficit came in at a moderate $0.34 billion. Trade data trends for the current fiscal so far point towards balanced or may be a marginally surplus current account balance in the first two quarters lending greater support to the external value of the currency (Indian Rupee).

Sector outlook

Banks and NBFCs

The index for PSU banks gained as much as 8% during August probably with the expectation that majority of the recognition of bad loans is already done. Moreover, the yield on the 10-year G-sec has fallen off a recent peak of 7.5% to about 7.05%, which would result in treasury gains for banks that hold a lot of such bonds on their books in the available-for-sale category. Despite wholesale inflation inching up, expectation of a rate cut from the new RBI Governor remains. Consumer finance companies such as Bajaj Finance, Cholamandalam Finance reported strong quarter on the back of healthy loan disbursement amidst good monsoon and pick-up in auto sales and, improved operating leverage.

Information Technology

The IT index has underperformed the broader markets over the last few months with "Brexit" being a key reason for recent underperformance. The sector took significant beating as the two stalwarts Infosys and TCS provided a cautious outlook with the former reducing FY17 guidance citing Brexit challenger and issues at the customer level. The IT sector is likely to remain range bound given the upcoming US election, stringency related to visa norms and low demand growth.

Pharma

Regulatory hurdle has been a major overhang for the pharma sector over the last few quarters though the risk seems to be reducing now. Lupin and Cadila Healthcare recently received Establishment Information Reports for Goa (for April 2015 inspection) and Moraiya (inspection done in August & September 2014) manufacturing facilities, respectively. Performance in the domestic market remained muted with ban on certain FDCs and NLEM price cuts. Moreover, business in the US market is witnessing several headwinds such as increased scrutiny by the FDA, stiff competition and pricing pressure owing to consolidation of supply chain.

Automobiles

The quantum of rainfall during the season so far has been above normal bringing cheers to people since the last two years had witnessed deficient rains. In addition, continued MGNREGA allocation, government's focus on infrastructure and higher disposable income in the hands of government employees should act as catalyst for the auto sector. Automobile sales over the past few months were strong which led to surge in stock prices of players in this sector. Automobile stocks are expected to remain buoyant in the near future with ensuing festive season.

Oil and Gas

After five years the government decided to raise price of PDS kerosene by 25 paisa a month for 10 months to lower losses incurred by the OMCs. The government's intent to initiate direct cash transfer for kerosene would also be positive for OMCs like BPCL, HPCL and IOC. Crude oil price will take cue from the OPEC September meeting with the expectation for freezing output. Saudi Arabia and other big Middle East crude exporters are scheduled to meet non-OPEC producers led by Russia in Algeria between September 26 and 28.

Infrastructure

Increasing spending on infrastructure through reviving targeted public spends has been a focus area of the government. To revive the construction sector which has been undergoing stress, the government has decided to release 75% payment to construction companies in cases where contractors have won an arbitration award against the government organisation. The decision will significantly benefit contractors facing liquidity issues such as HCC, Simplex Infra, Gammon India, among others. The government announced other reforms also that are expected to save cost, reduce pressure on cash flows and boost revenue growth of roads and construction companies.

Capital Goods

The scenario of the capital goods sector is grim which is evident from the continued dip in capital goods output data (down ~30% in July, a ninth straight month of decline). The sector has witnessed several challenges in execution, slower order inflows leading to weak growth. The situation might be changing though gradually. This is evident from a strong June quarter from Bhel that posted a strong 29% y/y growth in revenues. Order inflow of L&T is also expected to show improvement.

Cement

Volume uptick along with lower operating costs owing to fall in energy and freight costs helped cement companies report a strong 1Q17. Demand should remain strong in 2HFY17 as good monsoon is expected to boost rural demand and construction activity.

Chemicals and Agrochemicals

The global crash of crude prices over the last year has benefitted industries that use oil and its derivatives. Stock prices of chemical companies have gained significantly over the past one year. Input cost of adhesives maker Pidilite and paint companies (Asian Paints, Berger and Kansai Nerolac) that use titanium dioxide, a crude oil derivative has come down benefitting their margins. A possible revival in urban housing construction and home improvement along with robust margin keeps the outlook strong.

After two consecutive years of drought the current spread and amount of rainfall so far this season has been satisfactory, which is positive news for agrochemical firms such as Rallis India, Excel Crop Care, PI Industries.

Commodities

Domestic steel consumption continued to remain weak though good monsoon may aid demand recovery in the second half. Regulatory measures adopted so far kept imports under check but improvement in domestic demand is important to hold prices. Supply is likely to remain strong due to capacity addition by bigger players. Without strong demand, prices are likely to remain under pressure.

Conclusion

Indian market touched its highest level backed by strong FII inflow and MFs turning buyers. Stocks in sectors such as logistics, auto and auto-ancillaries and multiplexes have surged in the recent months on expectation of passage of GST bill. The market is on a high banking on ample liquidity, positive sentiment following GST passage, above normal monsoon and expectation of earnings revival. Proper distribution of monsoon, government's focus on infrastructure (roads and railways), and crackdown on NPAs to rejuvenate the banking sector could go a long way to improve the domestic economy scenario.

However, data on US jobs signalled that the economy is on a recovery path signalling a prospective rate hike. The forthcoming meeting in September will decide the course of action though concerns about global growth especially after Brexit might delay a rate hike decision. In the domestic front, all attention is towards the first RBI policy meeting in early October of the new Governor Urijit Patel where he has to take a view amidst disappointing GDP and IIP numbers and rising wholesale inflation. The cooling of retail inflation in August, which is unlikely to diverge further, is a positive development.

Shriram Equity & Debt Opportunities Fund recorded return of 13.49% CAGR since inception accompanied by lower levels of volatility. Amidst volatility and short term uncertainties, we try to achieve stable risk adjusted return based on fundamentally sound good quality stocks.

It may be worth mentioning that long term equity investors with a five to seven year horizon should not be perturbed as stable and improving macros (moderate inflation, lower current account deficit, a controlled fiscal deficit and India being one of the largest growing big economies), a very low market cap to GDP ratio that has been constantly falling over the last 7 years, almost reasonable to fair valuations and creating the right conditions to growth is likely to result in a handsome return on equities in the long term. Thus, retail investors would do well to maintain their exposure to equity and equity oriented hybrid funds such as Shriram Equity and Debt Opportunities Fund through regular systematic investments as this asset class has a consistent track record that will outpaces price inflation.

Partha Ray

Chief Investment Officer

Risk Factors:

All Investments in mutual funds and securities are subject to market risks and the NAV of the Scheme may go up or down depending upon the factors and forces affecting the securities market. There can be no assurance that Scheme's investment objective will be achieved. The past performance of the Mutual Fund is not indicative of the future performance of the Scheme. Sponsor is/are not liable or responsible for any loss or shortfall resulting from the operations of the scheme. Shriram Equity and Debt Opportunities Fund is only the name of the Scheme and does not in any manner indicate the quality of the Scheme or it's future prospects or returns. There is no guarantee or assurance as to any return on investment of the unitholders. The investments made by the Scheme are subject to external risks on transfer, pricing, trading volumes, settlement risks, etc. of securities. Please refer to the Offer Document/Statement of Additional Information/Key Information Memorandum of the scheme before investing.

Shriram Equity and Debt Opportunities Fund

Ideal for whom: Investors who are hesitant of giving full exposure to equities but simultaneously don't want to miss the upside potential offered by equities.

Indicative Investment Horizon:

3 years & more

Date of Inception (Allotment Date):

29 November 2013

Fund Manager: Partha Ray

Experience: Mr. Ray has been in the Banking & Finance sector for over 24 years and joins us from The Royal Bank of Scotland N.V where he held several key positions in the Corporate Banking Department since 1998 including that of a Regional Head in the Bank's wholesale banking division. He has extensive and wide ranging functional experience in managing portfolios of corporate relationships.

Investment Objective: The investment objective of the scheme would be to generate long term Capital appreciation and current income with reduced volatility by investing in a judicious mix of a diversified portfolio of equity and Equity related investments, debt and money market instruments

Type: Open-ended Equity Oriented Asset Allocation Scheme

Plans / Options Available

Regular Plan

Direct Plan

Under Each Plan

Growth and Dividend Options

The Dividend Option offers Dividend Payout and Reinvestment facility

Average AUM: 42.98 cr.
Latest AUM: 43.53 cr.

Expenses Ratio:(Excluding service tax)
Regular : 2.26%
Direct : 1.72%

Portfolio Turnover Ratio: 39.85%

Benchmark:

Equity - CNX Nifty (70%)

Debt - Crisil Composite Bond Fund Index (30%)

Loads: No Entry load

Exit load 1.00% is payable if units are redeemed / switched – out within 365 days from the date of allotment

Minimum Investment:

Rs 5,000/- w.e.f. 1st April 2014

SIP

For SIP investment Monthly: Rs. 1000/- minimum 12 instalments, Quarterly: Rs. 3000/- minimum 4 instalments

This Product is suitable for investors who are seeking*:-

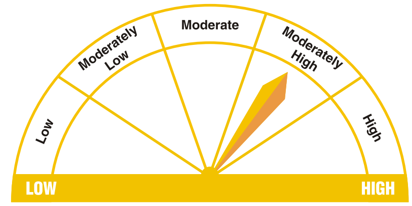
☑ Long term capital appreciation and current income
☑ Investment in equity and equity related securities as well as fixed income securities (debt and money market securities)
☑ Moderately High Risk

*** Investors should consult their financial advisor if in doubt whether the product is suitable for them.**

Note : Risk is represented as :

i. Low - Principal at low risk
ii. Moderately Low - Principal at moderately low risk
iii. Moderate - Principal at moderate risk
iv. Moderately High - Principal at moderately high risk
v. High - Principal at high risk

Riskometer



Portfolio and other facts as on 31 August 2016

Equity Portfolio

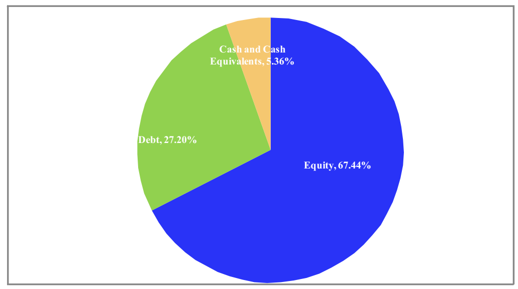
HDFC Bank Ltd.	4.90%
Yes Bank Ltd.	4.73%
Bajaj Finance Ltd.	3.94%
Shree Cements Ltd.	3.70%
Ultratech Cement Ltd.	3.23%
Housing Development Finance Corporation Ltd.	2.98%
IndusInd Bank Ltd.	2.94%
Kotak Mahindra Bank Ltd.	2.69%
Britannia Industries Ltd.	2.57%
Maruti Suzuki India Ltd.	2.32%
Axis Bank Ltd.	2.09%
Infosys Ltd.	2.06%
Bharat Petroleum Corporation Ltd.	1.84%
Bajaj Finserv Ltd.	1.79%
Aurobindo Pharma Ltd.	1.75%
Natco Pharma Ltd.	1.66%
Marico Ltd.	1.57%
Larsen & Toubro Ltd.	1.42%
Divi's Laboratories Ltd.	1.42%
Amara Raja Batteries Ltd.	1.30%
UPL Ltd.	1.23%
Bharat Electronics Ltd.	1.15%
Sun Pharmaceuticals Industries Ltd.	1.10%
Mahindra & Mahindra Ltd.	1.07%
Eicher Motors Ltd.	1.03%
PIDILITE INDUSTRIES LTD.	1.00%
LIC Housing Finance Ltd.	0.96%
Tata Consultancy Services Ltd.	0.79%
Mahindra & Mahindra Financial Services Ltd.	0.74%
ZEE ENTERTAINMENT ENTERPRISES LTD	0.73%
Shriram Transport Finance Company Ltd.	0.67%
ICICI Bank Ltd.	0.66%
Page Industries Ltd.	0.65%
Asian Paints Ltd.	0.65%
Piramal Enterprises Ltd.	0.64%
Ashok Leyland Ltd.	0.63%
TVS Motor Company Ltd.	0.53%
HCL Technologies Ltd.	0.51%
Cholamandalam Investment and Finance Company Ltd.	0.48%
Bharat Forge Ltd.	0.43%
Lupin Ltd.	0.26%
Cummins India Ltd.	0.23%
MindTree Ltd.	0.21%
Sundram Fasteners Ltd.	0.19%
Equity Total	**67.44%**

Debt Portfolio / Rating

HDFC LTD	CRISIL-AAA	11.17%
LIC HOUSING FINANCE LTD.	CRISIL-AAA/CARE- AAA	10.86%
PFC LTD.	CRISIL-AAA	3.41%
REC LTD	CRISIL-AAA	1.26%
TATASONS LTD	CRISIL-AAA	0.50%
Debt total		**27.20%**

Cash & Cash Equivalent 5.36%

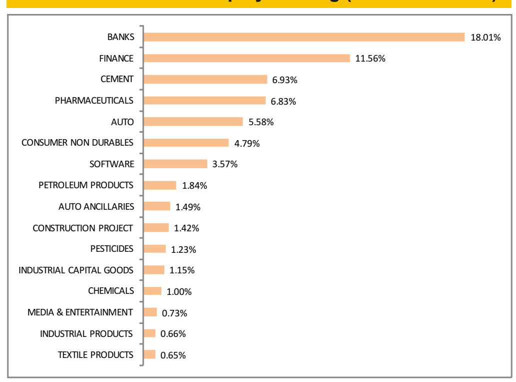
Portfolio composition



NAV details (Rs)

Direct Plan	
Growth Option	14.398
Dividend Option	11.4775
Regular Plan	
Growth Option	14.1721
Dividend Option	11.3297

Sectoral Allocation of Equity Holding (% of Net Assets)

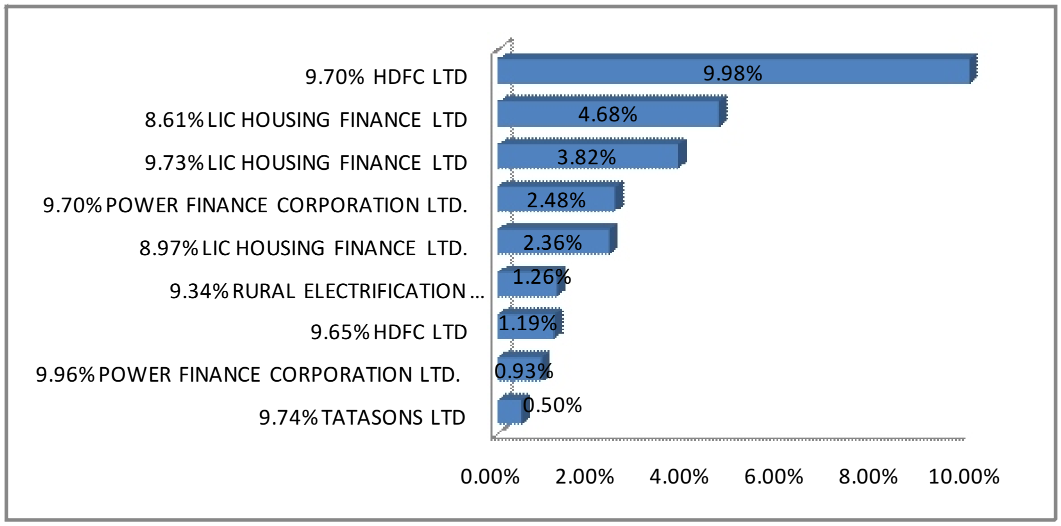


QUANTITATIVE DATA

Average Maturity*	2.41 years
Modified Duration*	1.89 years
Yeild to Maturity*	8.29%

*** Computed on the invested amount for debt portfolio**

Debt Portfolio



Dividend History^

Shriram Equity and Debt Opportunities Fund - Direct Plan- Dividend Option

Record Date	Face Value (Rs)	NAV (Rs)	Dividend (Rs.)/Unit
9-Mar-14	10.00	10.4657	0.25
27-Oct-14	10.00	11.9236	1.05
14-Nov-15	10.00	11.4100	1.15

Shriram Equity and Debt Opportunities Fund - Regular Plan- Dividend Option

Record Date	Face Value (Rs)	NAV (Rs)	Dividend (Rs.)/Unit
19-Mar-14	10.00	10.4529	0.25
27-Oct-14	10.00	11.8794	1.05
14-Nov-15	10.00	11.3130	1.15

^Past performance may or may not be sustained in future. There is no assurance or neither guarantees to Unit holders as to rate/quantum of dividend distribution nor that will the dividends be paid regularly. All dividends are on face value of Rs. 10 per Unit. After payment of the dividend, the per Unit NAV falls to the extent of the payout and statutory levy, if any.

Performance of Scheme:

Shriram Equity and Debt Opportunities Fund

Returns of Regular Plan - Growth Option as on June 30, 2016 Date of inception: 29-Nov-13. NAV as on 30.06.16 Rs. 13.1318						
Date	Period	NAV (Rs.) Per Unit	Scheme Return % (Annualized)	Benchmark Return % (Annualized)	Value of Investment of Rs.10000	
					Scheme	Benchmark
June 30 2015	Last 1 Year	13.2048	-0.55	2.38	9,945	10,238
November 29 2013	Since Inception	10	11.11	11.73	13,134	13,323

Past performance may or may not be sustained in future. The returns are Compounded Annual Growth Returns (CAGR) for periods since Inception and absolute for 1 year and simple annualized for less than 1 year. Performance of dividend option would be Net of Dividend distribution tax, if any. Benchmark is a blend of 70% CNX NIFTY for the Equity part of the Portfolio & 30% of CRISIL Composite Bond Fund Index for its investments in Debt and Money Market Instruments. For computation of since inception returns (%) the allotment NAV has been taken as Rs. 10.00. Load is not considered for computation of returns. In case, the start/end date of the concerned period is a non business date (NBD), the NAV of the previous date is considered for computation of returns. The NAV per unit shown in the table is as on the start date of the said period.

Benchmark Index: 70% of Nifty Plus 30% CRISIL Composite Bond Fund Index. Since Inception returns are calculated 70% CAGR of Nifty plus 30% CAGR of CRISIL Composite

SIP Performance			
	Since Inception	2 years	1 year
	SIP	SIP	SIP
Total Amount Invested (Rs.'000)	310.00	240.00	120.00
Mkt Value as on Jun 30, 16 (Rs.'000)	336.14	247.67	122.98
Returns (Annualised) (%)	6.19%	3.06%	4.64%
Benchmark Returns (Annualised) (%) #	7.19%	4.36%	8.87%

Past performance may or may not be sustained in the future. # Benchmark index is constructed by investing Rs. 70 in Nifty and Rs. 30 in CRISIL Balanced Fund Index on the date of allotment. Assuming Rs. 10000 invested systematically on the first Business Day of every month over a period of time. CAGR returns are computed after accounting for the cash flow by using XIRR method (invest internal rate of return) for Regular Plan - Growth Option. Load is not taken into consideration for computation of performance. The above investment simulation is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. The AMC/Mutual Fund is not guaranteeing or promising or forecasting any returns.

HOW TO READ FACTSHEET

Fund Manager

An employee of the asset management company such as a mutual fund or life insurer, who manages investments of the scheme. He is usually part of a larger team of fund managers and research analysts.

Application Amount for Fresh Subscription

This is the minimum investment amount for a new investor in a mutual fund scheme.

Minimum Additional Amount

This is the minimum investment amount for an existing investor in a mutual fund scheme.

Yield to Maturity

The Yield to Maturity or the YTM is the rate of return anticipated on a bond if held until maturity. YTM is expressed as an annual rate. The YTM factors in the bond's current
market price, par value, coupon interest rate and time to maturity.

SIP

SIP or systematic investment plan works on the principle of making periodic investments of a fixed sum. It works similar to a recurring bank deposit. For instance, an investor may opt for an SIP that invests Rs 500 every 15th of the month in an equity fund for a period of three years.

NAV

The NAV or the net asset value is the total asset value per unit of the mutual fund after deducting all related and permissible expenses. The NAV is calculated at the end of every business day. It is the value at which the investor enters or exits the mutual fund.

Benchmark

A group of securities, usually a market index, whose performance is used as a standard or benchmark to measure investment performance of mutual funds, among other investments. Some typical benchmarks include the Nifty, Sensex, BSE200, BSE500, 10-Year Gsec.

Entry Load

A mutual fund may have a sales charge or load at the time of entry and/or exit to compensate the distributor/agent. Entry load is charged at the time an investor purchases the units of a mutual fund.

The entry load is added to the prevailing NAV at the time of investment. For instance, if the NAV is Rs. 100 and the entry load is 1 %, the investor will enter the fund at Rs. 101. (Note: SEBI, vide circular dated June 30, 2009 has abolished entry load and mandated that the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor).

Exit Load

Exit load is charged at the time an investor redeems the units of a mutual fund. The exit load is reduced from the prevailing NAV at the time of redemption. The investor will receive redemption proceed at net value of NAV less Exit Load. For instance if the NAV is Rs. 100 and the exit load is 1%, the investor will receive Rs. 99.

Modified Duration

Modified duration is the price sensitivity and the percentage change in price for a unit
change in yield.

AUM

AUM or assets under management refers to the recent / updated cumulative market value of investments managed by a mutual fund or any investment firm.

Holdings

The holdings or the portfolio is a mutual fund's latest or updated reported statement of
investments/securities. These are usually displayed in terms of percentage to net assets or the rupee value or both. The objective is to give investors an idea of where their money is being invested by the fund manager.

Nature of Scheme

The investment objective and underlying investments determine the nature of the mutual fund scheme. For instance, a mutual fund that aims at generating capital appreciation by investing in stock markets is an equity fund or growth fund. Likewise, a mutual fund that aims at capital preservation by investing in debt markets is a debt fund or income fund. Each of these categories may have sub-categories.

Rating Profile

Mutual funds invest in securities after evaluating their creditworthiness as disclosed by the ratings. A depiction of the mutual fund in various investments based on their ratings becomes the rating profile of the fund. Typically, this is a feature of debt funds.

SHRIRAM
Mutual Fund
Nurturing Trust, Shaping Dreams

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