SHRIRAM
Mutual Fund
Nurturing Trust, Shaping Dreams

Fund Facts

As on 31 December 2014

Economic Commentary and Market Review - December 2014

Shriram Mutual Fund wishes all its investors a happy and prosperous 2015. The year 2014 was significant for theShriram Mutual Fund wishes all its investors a happy and prosperous 2015. The year 2014 was significant for the Indian equity market with the benchmark NSE Nifty gaining 31% during the year and recording new life-time closing highs in several trading sessions. The market was on an uptrend well before elections were held and gained momentum with exit polls predicting a BJP government led by Narendra Modi at the centre. Both Nifty and Sensex sailed past the key marks of 7,500 and 25,000, respectively on May 16, the day BJP received a clear mandate to form the Government at the centre, an absolute majority of a single party after almost 30 years.

All the sectors were in the positive terrain during the year with PSU Banks (67%), Banks (65%), Finance and Auto (both 57%), Pharma (43%) while the growth of FMCG, IT (both 18%), Energy (9%) and Metal (7%) were somewhat muted. The Supreme Court's decision to cancel allocation of all but four coal blocks since 1993 came as a big blow to the metals and power sector.

Betting on a revival of the Indian economy led by reforms undertaken by the new Government at the centre such as de-regulation of diesel prices, hike in gas prices (though less than expected), focus towards infrastructure development and target to improve ease of doing business in India, foreign institutional investors deployed over $42.4 billion in the debt and equity markets in 2014 ($16.12 billion in equities and $26.24 billion in debt). The positive sentiment regarding a sharp economic turnaround in India was further reinforced by S&P revising India's sovereign credit outlook up to 'stable' from 'negative', after almost two years. The domestic currency remained more or less stable during the year, depreciating by only 2% at Rs 63.33.

Foreign inflows, however, witnessed some repatriation in December amidst sharp drop in oil prices and turmoil in the Russian economy. For crude oil also, the year 2014 was a historic one as prices slipped more than 50% from the highs of over $100 a barrel. Lower demand from key markets such as China and Japan coupled with OPEC's decision not to reduce production (from the current level of 30 million barrels per day) further led to the fall. In order to check the incessant fall in Rouble (against the US dollar) due to falling oil prices and sanctions imposed by the Western countries, Russia's central bank increased key interest rate from 10.5% to 17% in December.

The steep fall in prices of crude is good news for large commodity consuming countries like India, which will now result in a lower outgo of foreign exchange given its large dependence on imported crude for its energy requirements. Benefiting from falling crude prices, import of petroleum, petroleum products and crude dropped substantially in November (to $11.7 billion). However, only 7% growth in exports led to widening trade deficit to $16.9 billion in November 2014 versus $9.57 billion in the year-ago period.

Inflation both CPI and WPI, which were ruling at higher levels in the beginning of 2014 moderated over the year and came down to 4.38% and 0.00% (over 5-year low), respectively in November 2014. With lower inflation, expectation is high that RBI might cut interest rates in 2015 provided there is a check in the fiscal overrun and the crude price fall is seen as sustainable over the medium term. The HSBC PMI data (manufacturing) rose to a two-year high of 54.5 in December (up from 53.3 in November) led by a healthy increase in new orders.

Contraction in the index of industrial production (IIP) in October (at 4.2%), however, came as a major disappointment. This was due to sharp decline in manufacturing (constituting 75% of the index), consumer and capital goods sectors. However, the core infrastructure segment comprising of eight key industries displayed a growth of 6.7% (a five month high) in November driven by higher production of cement and refinery products reassuring that the heavy industries continue to exhibit an uptrend in buoyancy and growth.

Anticipating that the excise duty sops might not be extended in 2015, most of the automobile companies reported robust growth in sales in December 2015 with the market leader, Maruti Suzuki reporting 21% growth (109,791 units).

Since the launch of Shriram Equity & Debt Opportunities Fund in November 2013, the fund's performance has been in tune with the markets returning around 30% since inception accompanied by relatively lower levels of volatility as measured by the beta and standard deviation. The fund had increased its allocation to equity, which now represents almost 80% of total portfolio. This increased equity exposure as a proportion to the total portfolio has been mostly invested in relatively undervalued large and the bigger mid cap stocks in chosen sectors (Auto, Private Banks) that offer good opportunities for appreciation with strong earnings prospects driven by the expected economic revival that is widely believed to manifest itself in the coming 2 years.

We expect the current year 2015 to be a period of market consolidation as several stocks and their valuations have run up significantly ahead of their fundamentals. Our investment style continues to focus on quality stocks based on a bottom up approach in the preferred sectors. In 2015, we expect select Banks and Financial institutions, the Auto and automobile accessories industry, building materials, infrastructure and a few energy companies to drive growth in the equity markets. The markets will continue to be affected by volatility as Global investors switch between the "Risk on" and "Risk Off" mode in the Emerging Markets equities as a result of international economic and political events (the recent sell off triggered by a possible exit of Greece from the EU, the deep cut in crude prices and the Russian economic crisis are pointers to the same).

The forthcoming events that are expected to bear a significant impact on the Indian equities are the ensuing decisions of the ECB Governing Council on its own version of QE through the year and the Union Budget that is expected to be tabled in the Parliament in February.

In this scenario it will remain our endeavour to stay invested in quality stocks with an all weather business model which are steered by capable and professional management. Our prudent and moderately conservative investment strategy have yielded a healthy market defined returns outcome as well as a cumulative dividend payout of Rs.1.3 per unit with a face value of Rs 10 in 2014 and supports the fund objective of longer term durable superior risk adjusted returns in time to come.

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.

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.

Date of Inception:
29 November 2013

Fund Manager: Partha Ray

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

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. 2000/- minimum 12 instalments, Quarterly: Rs. 6000/- minimum 4 instalments

Shriram Equity and Debt Opportunities Fund

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)
☑ High risk (Brown)

* Investors should consult their financial advisor if in doubt whether the product is suitable for them.
Note : Risk is represented as :
(Blue) investors understand that their principal will be at low risk
(Yellow) investors understand that their principal will be at medium risk
(Brown) investors understand that their principal will be at high risk

Portfolio and other facts as on 31 December 2014

Equity portfolio

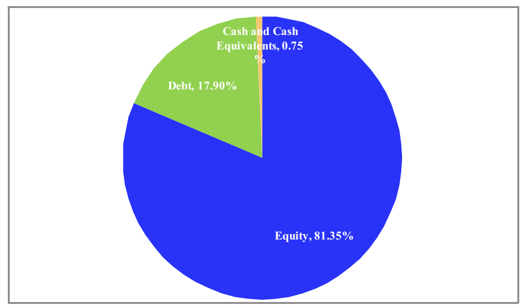
Dr. Reddy's Laboratories Ltd.	4.16%
ICICI Bank Ltd.	3.74%
Tata Consultancy Services Ltd.	3.51%
Axis Bank Ltd.	3.28%
Housing Development Finance Corporation Ltd.	3.27%
HDFC Bank Ltd.	3.12%
HCL Technologies Ltd.	2.98%
Infosys Ltd.	2.78%
State Bank of India	2.44%
Bank of Baroda	2.26%
The Federal Bank Ltd.	2.23%
LIC Housing Finance Ltd.	2.23%
Idea Cellular Ltd.	2.21%
Reliance Industries Ltd.	2.06%
IDFC Ltd.	1.79%
Tata Steel Ltd.	1.64%
ITC Ltd.	1.64%
IndusInd Bank Ltd.	1.61%
Larsen & Toubro Ltd.	1.56%
Tata Global Beverages Ltd.	1.53%
Tech Mahindra Ltd.	1.49%
ING Vysya Bank Ltd.	1.46%
Maruti Suzuki India Ltd.	1.36%
Apollo Hospitals Enterprise Ltd.	1.30%
Britannia Industries Ltd.	1.17%
Oil India Ltd.	1.17%
Bharat Petroleum Corporation Ltd.	1.11%
Apollo Tyres Ltd.	1.08%
Aurobindo Pharma Ltd.	1.08%
Amara Raja Batteries Ltd.	0.97%
Bank of India	0.93%
Tata Motors Limited	0.91%
Bharat Electronics Ltd.	0.90%
Asian Paints Ltd.	0.89%
IPCA Laboratories Ltd.	0.89%
Ultratech Cement Ltd.	0.86%
Eicher Motors Ltd.	0.85%
Sun Pharmaceuticals Industries Ltd.	0.82%
Oriental Bank of Commerce	0.80%
Bata India Ltd.	0.79%
Mahindra & Mahindra Ltd.	0.77%
Shree Cements Ltd.	0.74%
Power Grid Corporation of India Ltd.	0.73%
Oil & Natural Gas Corporation Ltd.	0.73%
Lupin Ltd.	0.72%
Corporation Bank	0.69%
Bharat Forge Ltd.	0.65%
Kotak Mahindra Bank Ltd.	0.64%
GAIL (India) Ltd.	0.62%
Hero MotoCorp Ltd.	0.55%
Natco Pharma Ltd.	0.53%
Bajaj Auto Ltd.	0.52%
AIA Engineering Ltd.	0.51%
NTPC Ltd.	0.46%
UPL Ltd.	0.41%
TVS Motor Company Ltd.	0.31%
MRF Ltd.	0.29%
MindTree Ltd.	0.19%
Persistent Systems Ltd.	0.18%
Tamil Nadu Newsprint & Papers Ltd.	0.12%
Balkrishna Industries Ltd.	0.11%
Jammu & Kashmir Bank Ltd.	0.01%
Equity Total	**81.35%**

Debt Portfolio

Debt Portfolio	Rating	
HDFC LTD COMMERCIAL PAPER	ICRA-A1+	15.07%
TATASONS LTD	CRISIL-AAA	0.65%
LIC HOUSING FINANCE LTD.	CRISIL-AAA	2.18%
Debt total		**17.90%**

Cash & Cash Equivalent 0.75%

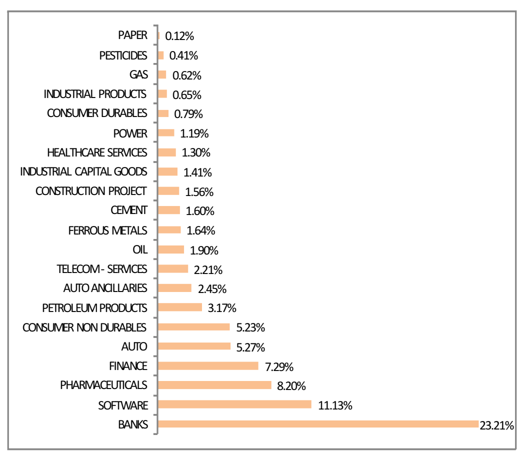
Portfolio composition



NAV details (Rs)

Direct Plan	
Growth Option	12.9772
Dividend Option	11.5372
Regular Plan	
Growth Option	12.9039
Dividend Option	11.4819

Sectoral Allocation of Equity Holding (% of Net Assets)



Quantitative Risk Indicators

Portfolio Beta : 0.8036	Standard deviation of Daily Mean Return: 0.4486%

Note : Standard Deviation as a measure of total risk and portfolio beta as a measure of relative risk have been computed since inception of the scheme which is yet to complete one full year. The portfolio beta has been calculated using the scheme benchmark as a basis.

Indicative Investment Horizon:
3 years & more

Dividend History^

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

Record Date	Face Value (Rs)	NAV (Rs)	Dividend (Rs.)/Unit
19-Mar-14	10.00	10.4657	0.25
27-Oct-14	10.00	11.9236	1.05

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

^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.

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Statutory Details : Shriram Mutual Fund has been constituted as a Trust under the Indian Trust Act, 1882. **Sponsor :** Shriram Credit Company Limited; **CIN:** U65993TN1980PLC008215 **Trustee:** Board of Trustees; **Investment Manager :** Shriram Asset Management Co. Ltd. (AMC)**: CIN:** L65991MH1994PLC079874. **Risk Factors :** Sponsor is / are not liable or responsible for any loss or shortfall resulting from the operations of the scheme.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.