



# SHRIRAM

Mutual Fund

Nurturing Trust, Shaping Dreams

# Fund *F*acts

As on 31 December 2016



# *Economic Commentary and Market Review - December 2016*

The New Year has begun with a lot of hope amidst several uncertainties - the Union Budget 2017, outcome of five key state elections especially after the demonetization drive, implementation of GST and Donald Trump assuming power in the US. The year gone by saw several events - both domestic and international such as Brexit, demonetization and US Fed rate hike that caused extreme volatility in the market. However, the Indian market was resilient enough to withstand such events and the benchmark Nifty index exited the year with 3% gain. Metal was the best performing sector during the year with a whopping 45% gain followed by Energy and Auto while Pharma, IT and Realty were the laggards.

The support of domestic institutional players helped the market to withstand selling pressure by foreign institutional investors (FIIs) especially in the fourth calendar quarter. Although FIIs invested \$3.169 billion in Indian equities in CY2016, they were on a selling spree since October and took out \$4.53 billion in the last three months of the year. In the debt market also they were net sellers to the tune of \$6.35 billion during the year. Retail participation through SIPs in equity mutual funds provided support to the market. Consequently AUM of the mutual fund industry stood at Rs 16.5 lakh crores in November 2016, up 23% from Rs 13.41 lakh crores at the end of 2015 aided by growing interest from retail investors.

As expected the US Federal Reserve hiked interest rate by 25 bps and signaled a faster rate hike in 2017 with improvement in jobs data and falling unemployment rate. Expectation of aggressive interest rate hike in the US has led to fund outflows from emerging markets.

In the domestic economy, both retail (at 3.63%) and wholesale price (at 3.15%) inflation dropped in November as well. Consumer spending hit by the demonetization move led India's retail inflation to two-year low level thereby raising hope of interest rate cut by the RBI. However, the RBI in a surprise move kept interest rates on hold as the impact of demonetisation on the economy would be short-lived. The RBI was concerned about inflationary risk arising from the adverse impact of cash shortage on winter crop and uncertain outlook of global crude prices.

Disappointing data for index of industrial production (-1.9% in October) coupled with struggling GDP numbers raises expectation of interest rate cut by the RBI in short-to-medium term. Manufacturing, with ~75% weight, continues to remain in dismal state with 2.4% drop while capital goods production, an indicator of investment activity in the economy, fell 26% in October, the 12th month in row to record contraction. With weak demand, high leverage, capacity utilisation remaining low, room for big-ticket capital expenditure remains low.

## **Sector outlook**

### **Banks and NBFCs**

The banking sector is witnessing several headwinds such as low credit growth, pressure on margins and deteriorating asset quality. Post demonetization banks benefitted from large deposits and treasury gains arising out of falling yields. However, banks face the risk of being adversely impacted owing to exposure to small businesses and LAP which were the hardest hit because of cash crunch.

Indian banks cut lending rates after huge flow of deposits that reduced cost of funds. State Bank of India cut its marginal cost of funds-based lending rate (MCLR) across all tenors by 90 bps, the steepest cut in several years, followed by other banks. It is expected that the reduction in MCLR should positively impact loan growth in both retail and corporate sector.

### **Information Technology**

Amidst market volatility post demonetisation the IT index was positive in the last two months amidst several uncertainties impacting the sector. With Donald Trump as the new US President elect, the IT stocks are expected to remain range bound because of his stand against outsourcing by US companies. His policies in due course will have an impact on the sector which is already in the grasp of several challenges. Third quarter earnings of the sector are likely to remain muted as it is a seasonally

weak quarter. NASSCOM has already cut the annual growth target for the sector to 8-10% from 10-12%.

### Pharma

Regulatory hurdle is a major overhang for the pharma sector as a result of which the pace of new product approvals in US has slowed down. Divi's Laboratories was the latest to receive Form 483 from US FDA for its Vishakhapatnam plant that sent its share price down more than 30%. Sun Pharma also could not get its facilities at Mohali and Halol cleared. Clearance of Halol facility is crucial for the company's growth plans in the US market. The sector, worst performer in 2016, is witnessing several challenges in US, the largest market such as increased competition leading to price erosion, consolidation of supply chain resulting in pricing pressure and investigation by Department of Justice on some companies related to price fixing.

### Automobiles

Passenger vehicle sales took a hit in December 2016 due to the government's demonetisation move and cash crunch. Maruti Suzuki recorded a mere 1% dip in sales, better than its peers as two of its models Baleno and Brezza have long waiting periods. Sales of two wheeler firms were also adversely impacted, especially those with higher rural sales witnessed steeper decline. Despite cash shortage Royal Enfield volume grew 42% y/y in December indicating its strong brand.

Given weak demand, most players in the sector cut production and went for extended maintenance shutdown at their plants. However, tractor sales as reported by M&M, Escorts recorded strong growth during the month with good progress in rabi sowing. Momentum in car and two-wheeler sales is expected to improve gradually going ahead while commercial vehicle sales could witness strong growth due to pre-buy owing to changes in vehicle emission norms to BS IV with effect from 1 April 2017.

### Oil and Gas

In the meeting held at Vienna in November end, the OPEC agreed to cut production for the first time in eight years to stabilize prices. Crude oil soared more than 10% since then. On 1<sup>st</sup> January petrol price was hiked by Rs 1.29 a litre, the third increase in a month while diesel price was increased by 97 paise a litre, the second in a fortnight. This move benefitted the OMCs by passing on the increase in international crude price to customers.

### 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 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. The sector has witnessed several challenges in execution, slower order inflows leading to weak growth.

### Cement

The demonetization move has adversely impacted the cement sector in the short-to-medium term. Concerns of slowdown remain in construction activities due to deferment of fresh investments. The impact in southern region should be limited because of better penetration of banking system. Increased Government spending on infrastructure such as roads and affordable housing for all would support cement demand in the long term. Third quarter earnings will be affected from lower demand and higher coking coal prices thereby impacting margin.

### Commodities

Base metal prices in the international market continued to rally sending stocks of Hindalco, Vedanta and Hindustan Zinc to

touch their 52w highs resulting in metal to be the best performing sector in 2016. Supply constraints due to mine closures kept metal prices firm. Moreover metals rallied on hope that Trump being the new US President elect would spend heavily on rebuilding infrastructure.

## Conclusion

The last two months of 2016 have been quite difficult for India's economy that had to deal with the surprise impact of government's demonetization move. Stocks plunged sharply during November after which the Nifty index turned range bound within 7,900-8,200 levels. Market is now staring at several uncertainties and volatility in the short-to-medium term such as impending third quarter earnings, the first earnings after demonetization, Union Budget slated in the first week of February, fate of GST implementation and Trump assuming power in the US.

Post demonetisation, large deposits in bank accounts (mainly savings and current) boosted their CASA deposit. The demonetization measure should also succeed in curbing the underground economy that is likely to lead to lower inflation thereby raising hope of a rate cut by RBI. Despite uncertainties in the near term long term prospects arising out of this measure should benefit the domestic economy.

Market weakness during November and December adversely impacted return of Shriram Equity & Debt Opportunities Fund, which stood at 8.97% 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. Upturn in commodity prices and curbing black money augur well for long term prospects of the economy. In this backdrop 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.

Wish you all a very happy new year.

Gargi Bhattacharyya Banerjee

## Fund Manager

### 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: Ms. Gargi Bhattacharyya Banerjee

**Experience:** Ms. Gargi Bhattacharyya Banerjee serves as the Fund Manager of Shriram Mutual Fund having an experience of over 16 years in her professional career. She joined as Research Manager in Shriram Asset Management Company Limited in November 2012. Prior to joining Shriram Asset Management Company Limited, she has held the key positions (Research Head) with Zacks Research Private Limited and Shriram Insight Share Brokers Limited. Ms. Gargi Bhattacharyya Banerjee received her Master of Business Management with specialization in Finance and Bachelor of Science with Economics (H) from University of Calcutta.

**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: 37.66 cr.**  
**Latest AUM: 37.64 cr.**

**Expenses Ratio:**(Excluding service tax)  
**Regular : 2.28%**  
**Direct : 1.74%**

**Portfolio Turnover Ratio: 46.13%**

## 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

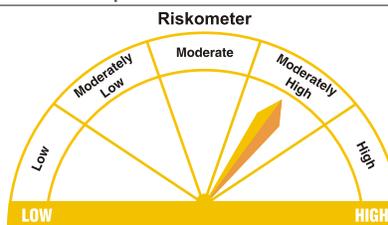
**This Product is suitable for investors who are seeking\*:-**

- 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



Portfolio and other facts as on 31 Dec 2016

## Equity Portfolio

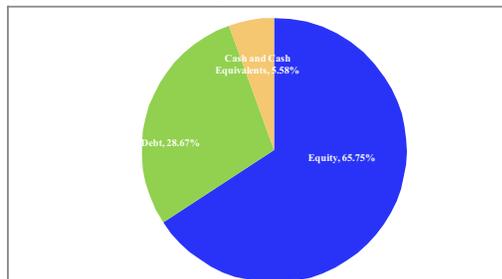
HDFC Bank Ltd.	5.20%
Shree Cements Ltd.	3.55%
Yes Bank Ltd.	3.40%
Bajaj Finserv Ltd.	2.92%
Housing Development Finance Corporation Ltd.	2.72%
Bharat Petroleum Corporation Ltd.	2.60%
IndusInd Bank Ltd.	2.50%
Ultratech Cement Ltd.	2.37%
Infosys Ltd.	2.36%
Maruti Suzuki India Ltd.	2.32%
Kotak Mahindra Bank Ltd.	2.11%
Aurobindo Pharma Ltd.	2.00%
Britannia Industries Ltd.	1.94%
Natco Pharma Ltd.	1.90%
UPL Ltd.	1.83%
Axis Bank Ltd.	1.80%
Marico Ltd.	1.80%
Amara Raja Batteries Ltd.	1.61%
Larsen & Toubro Ltd.	1.41%
PIDILITE INDUSTRIES LTD.	1.28%
Mahindra & Mahindra Ltd.	1.21%
Eicher Motors Ltd.	1.18%
Asian Paints Ltd.	1.16%
LIC Housing Finance Ltd.	1.07%
Sun Pharmaceuticals Industries Ltd.	1.07%
Page Industries Ltd.	1.06%
Mahindra & Mahindra Financial Services Ltd.	1.02%
ZEE ENTERTAINMENT ENTERPRISES LTD	1.02%
Bharat Electronics Ltd.	0.99%
Tata Consultancy Services Ltd.	0.93%
TVS Motor Company Ltd.	0.85%
Piramal Enterprises Ltd.	0.77%
ICICI Bank Ltd.	0.75%
Bajaj Finance Ltd.	0.71%
Ashok Leyland Ltd.	0.71%
HCL Technologies Ltd.	0.68%
Shriram Transport Finance Company Ltd.	0.65%
Lupin Ltd.	0.57%
Tech Mahindra Ltd.	0.32%
Reliance Industries Ltd.	0.31%
Oil & Natural Gas Corp Ltd.	0.30%
Sundram Fasteners Ltd.	0.29%
Tata Motors Ltd.	0.29%
Havells India Ltd.	0.22%
<b>Equity Total</b>	<b>65.75%</b>

## Debt Portfolio Rating

HDFC LTD	CRISIL-AAA	12.85%
LIC HOUSING FINANCE LTD.	CRISIL-AAA/CARE- AAA	9.83%
PFC LTD.	CRISIL-AAA	3.94%
REC LTD	CRISIL-AAA	1.47%
TATASONS LTD	CRISIL-AAA	0.58%
<b>Debt total</b>		<b>28.67%</b>

**Cash & Cash Equivalent 5.58%**

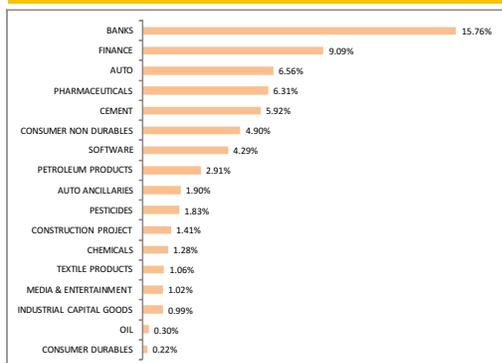
## Portfolio composition



## NAV details (Rs)

<b>Direct Plan</b>	
Growth Option	13.2737
Dividend Option	10.5750
<b>Regular Plan</b>	
Growth Option	13.0382
Dividend Option	10.4233

## Sectoral Allocation of Equity Holding (% of Net Assets)

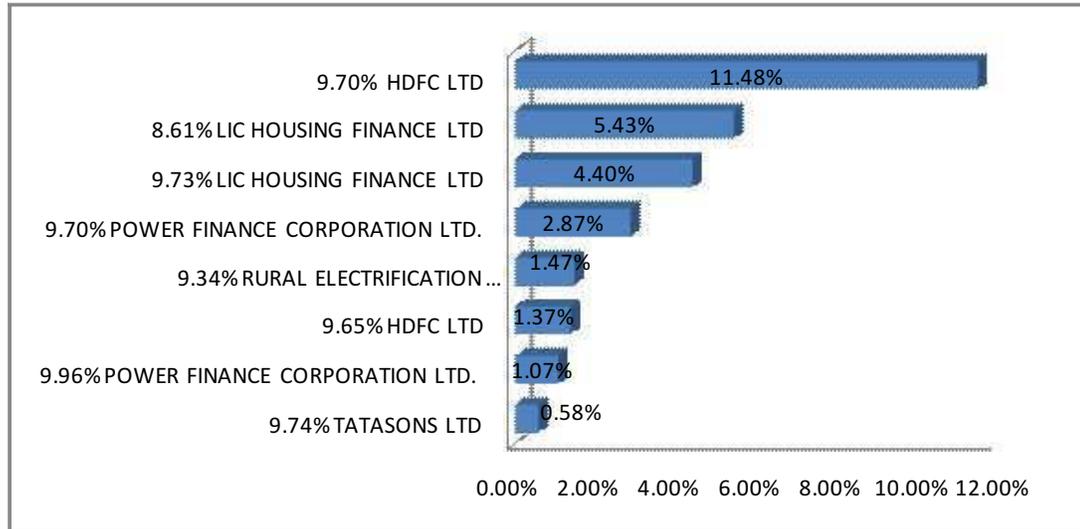


## QUANTITATIVE DATA

Average Maturity*	2.01 years
Modified Duration*	1.56 years
Yield to Maturity*	8.28%

\* Computed on the invested amount for debt portfolio

## Debt Portfolio



## Dividend History<sup>A</sup>

### 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

<sup>A</sup>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 December 31, 2016						
Date of inception: 29-Nov-13.						
NAV as on 31.12.16 Rs. 13.0382						
Date	Period	NAV (Rs.) Per Unit	Scheme Return % (Annualized)	Benchmark Return % (Annualized)	Value of Investment of Rs.10000	
					Scheme	Benchmark
Dec 31 2015	Last 1 Year	12.8999	1.07	5.99	10,107	10,599
Dec 31 2014	Last 2 Year	12.9039	0.52	2.82	10,104	10,599
Dec 31 2013	Last 3 Year	10.1737	8.61	9.96	12,816	13,304
November 29 2013	Since Inception	10.0000	8.96	10.21	13,038	13,506

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 Bond Fund Index.

SIP Performance				
	Since Inception	3 years	2 years	1 year
	SIP	SIP	SIP	SIP
Total Amount Invested (Rs.'000)	370.00	360.00	240.00	120.00
Mkt Value as on Dec 31, 16 (Rs.'000)	390.59	377.56	238.28	119.26
Returns (Annualised) (%)	3.45%	3.11%	-0.69%	-1.14%
Benchmark Returns (Annualised) (%) #	5.63%	5.35%	3.06%	5.08%

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.



**Registered Office** :Wockhardt Towers, 2nd Floor, East Wing, C-2, G Block,  
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**Administrative Head Office** : CK 6, 2nd Floor, Sector II, Salt Lake, Kolkata-700091

Website: [www.shriramamc.com](http://www.shriramamc.com), email ID: [info@shriramamc.com](mailto:info@shriramamc.com)

Phone: (033) 2337 3012; +91-9339787128 Fax: (033) 2337 3014

**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.**

