SHRIRAM
Mutual Fund
Nurturing Trust, Shaping Dreams

Fund Facts

As on 31 July 2016

Economic Commentary and Market Review - June 2016

The benchmark Nifty index maintained its positive momentum in July also and increased 4.23% to exit the month at 8,638. The market has been on an uptrend for the last five months continuously after recording a steep decline in January and February. Ample liquidity, hopes of GST getting passed in the monsoon session of the Parliament (which became a reality eventually) and status quo maintained by the Fed enabled Nifty scale higher during the month. Barring IT, which has been range bound over the last few months, all other sectors were in the positive zone, the best being metal (grew 11%).

Supporting the market growth were FII inflows that pumped in $1.87 billion in India in July taking total inflows till date to $4.78 billion. After much delay, prolonged discussion with states and all major political parties, GST became a reality at last with both houses of the Parliament passing it. This paves the way for implementation of the concept of "one nation, one tax". This is a very significant structural reform and will have far reaching impact in the form of savings on logistics cost and transport time, and level-playing field for organised and unorganised firms.

Meanwhile, as per data by SIAM, passenger car sales grew 9.62% y/y to 177,604 units in July driven by robust demand for Brezza, Baleno, Kwid. However, sales of medium and heavy commercial vehicles dropped 7.6% y/y to 21,307 units while light commercial vehicles recorded 6.31% growth to 30,546 units. Outlook for the year holds promise with current spread of monsoon so far, increased disposable income in the hands of government employees as a result of seventh pay commission and government's focus on rural economy and infrastructure spending.

In his last monetary policy, Raghuram Rajan kept interest rates unchanged citing the risk of high retail inflation. Rajan's assessment proved to be correct as CPI in July came in at 23-month high of 6.07% (versus 5.76% in May and 5.77% in June), as food price inflation widened further. Latest retail inflation figure is well above the 2-6% target of the range agreed between the RBI and the government last year. It is also higher than RBI's March 2017 target of 5%. Rise in vegetables, pulses and sugar have been in double-digits and responsible for the inflationary pressure. A sharp drop in pulses production in 2015-16 led to higher imports to bridge the gap; imports were also at higher rates due to poor international crop. To make the situation worse rise in vegetables and pulses prices led to doubling of WPI in July at 3.55% (1.62% in June), a two-year high level.

Data for index of industrial production has been quite volatile since the beginning of the year. The Index of Industrial Production for June came in at 2.1% (IIP) versus 1.2% growth in May. The growth in IIP was backed by growth in electricity (8.3%) and mining (4.7%) while manufacturing continues to grow at a tepid rate (0.9%). For eight months in a row capital goods is on a declining trend, it was down 16% in June signalling a bleak investment outlook. With weak demand, capacity utilisation remaining low, room for big-ticket capital expenditure remains low. Among the other industries, basic (5.88%), intermediate goods (6.1%) and consumer durables (5.61%) recorded robust growth. With good monsoon, implementation of pay commission and upcoming festival season, consumer durable growth is likely to improve further. Moreover, consumer non-durables recorded growth of 1% during June after declining for seven months at a stretch. Meanwhile, manufacturing PMI in July rose to 51.8, a four-month high, compared with 51.7 in July signalling a gradual recovery in the domestic economy.

After recording growth in June 2016, merchandise exports in July is again on de-growth path recording a drop of

3.91% sequentially to $21.69 billion because of global slowdown particularly in the Chinese economy. Imports also dropped 4.0% to $29.45 billion owing to drop in both oil and non-oil imports (5.95% and 3.44%, respectively versus May). A steeper decline in imports led to narrowing of trade deficit to $7.761 billion compared with $8.116 billion in June.

Growth in non - oil and non-gold imports, an indicator of industrial demand, remains restrained, perhaps reflecting weak domestic demand conditions. With respect to services, trade surplus in June 2016 came in at $4.93 billion, lowest surplus over the recent past. Trade deficit situation may worsen if export is unable to recover especially amidst Brexit uncertainty. If trade deficit widens, current account balance will be under strain impacting CAD to GDP ratio as well as the domestic currency.

Sector outlook

Banks and NBFCs

With 1Q17 earnings season almost over asset quality of banks remained the dominant theme. Performance of the banking sector has been affected by lower credit growth, flat net interest margin and low fee income. 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 is likely to remain range bound given the upcoming US election, stringency related to visa norms and low demand growth. Majority of the IT companies' 1Q17 earnings were not too encouraging. Management commentary reveal that short term outlook is challenging due to delay in project ramp ups and slack demand in certain sectors though long term story remains intact. Besides the impact of Brexit on IT exporters still not known.

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. Players such as Hero Moto Corp, M&M with rural focus should benefit from these initiatives. The market leader in the passenger car segment, Maruti, reported strong 1Q17 earnings based on successful new launches. Eicher also reported a strong quarter while M&M's earnings were mixed with good tractor sales though auto business disappointed.

Oil and Gas

After five years the government raised price of PDS kerosene by Rs 0.25 per litre, very little but a step in the right direction on reforms and ease fiscal burden. Price will be hiked 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 be positive for OMCs like BPCL, HPCL and IOC.

Infrastructure

Increasing spending on infrastructure through reviving targeted public spends has been one a focus area of the government. The prospects for India's roads sector have brightened with new project awards; positive news for IRB Infrastructure and Sadbhav Engineering.

Capital Goods

The scenario of the capital goods sector is grim which is evident from the continued dip in capital goods output data. Low capacity utilisation of existing facilities, leveraged balance sheet and demand slowdown are likely to deter companies from investing in capital expenditure in near future.

Cement

Volume uptick along with lower operating costs owing to fall in energy and freight costs helped cement companies report a strong 1Q17. Heavy monsoons across all regions in July acted as a dampener for cement demand. However, demand environment is expected to remain strong in 2HFY17 as good monsoon is expected to boost rural demand and construction activity. Despite the lacklustre demand, prices remained strong across most regions.

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. Deficient monsoon for the last two years and the El Nino effect acted as dampeners for agriculture. About 70% of cultivable land in India is sown for the kharif crop with the onset of seasonal rain.

Commodities

The government recently extended the minimum import price norms to 66 steel items for another 2 months shortening the existing list of 173 products. Steel counters such as Tata Steel and JSW Steel were stable. Meanwhile domestic steel consumption continued to remain weak in July 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.

Conclusion

Indian market touched high level of 2016 following cues from a strong US market and gained ~8% so far this year. Data on US jobs signalled that the economy is on a recovery path signalling a prospective rate hike in future. However, concerns about global growth especially after Brexit might delay the decision. Meanwhile, the Bank of England cut interest rates for the first time since 2009 and revitalized the bond buying program to achieve stability amidst Britain's decision to leave the European Union.

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, the rise in retail and wholesale inflation is a matter of concern. While the announcement of next RBI governor is yet to be made, the inflation scenario will make it difficult for him to announce any rate cut soon.

Shriram Equity & Debt Opportunities Fund recorded return of 12.71% 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: 41.82 cr.
Latest AUM: 42.85 cr.

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

Portfolio Turnover Ratio: 45.52%

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

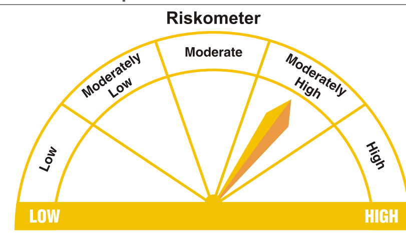
SIP

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 30 July 2016

Equity Portfolio

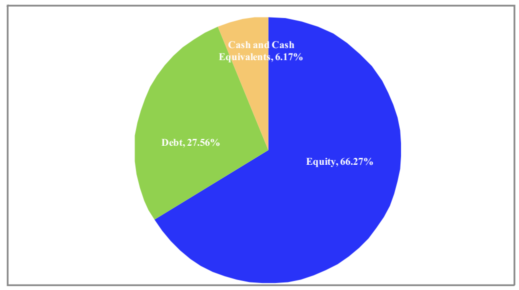
HDFC Bank Ltd.	4.81%
Infosys Ltd.	3.45%
Housing Development Finance Corporation Ltd.	3.17%
Bajaj Finance Ltd.	3.47%
Maruti Suzuki India Ltd.	2.22%
Axis Bank Ltd.	1.94%
Shree Cements Ltd.	2.73%
Yes Bank Ltd.	3.62%
Bharat Electronics Ltd.	1.42%
Larsen & Toubro Ltd.	2.05%
Kotak Mahindra Bank Ltd.	2.59%
Britannia Industries Ltd.	2.01%
Tata Consultancy Services Ltd.	1.51%
IndusInd Bank Ltd.	2.96%
Ultratech Cement Ltd.	2.78%
Bharat Petroleum Corporation Ltd.	1.84%
LIC Housing Finance Ltd.	0.88%
Eicher Motors Ltd.	1.03%
Marico Ltd.	1.46%
Bajaj Finserv Ltd.	1.40%
Aurobindo Pharma Ltd.	1.78%
Sun Pharmaceuticals Industries Ltd.	1.28%
ICICI Bank Ltd.	0.68%
Amara Raja Batteries Ltd.	1.30%
Divi's Laboratories Ltd.	1.23%
Mahindra & Mahindra Ltd.	1.11%
HCL Technologies Ltd.	1.02%
UPL Ltd.	1.00%
Bharat Forge Ltd.	0.49%
Ashok Leyland Ltd.	0.70%
Mahindra & Mahindra Financial Services Ltd.	0.64%
Natco Pharma Ltd.	1.37%
MindTree Ltd.	0.45%
Page Industries Ltd.	0.64%
ABB Ltd.	0.21%
Shriram Transport Finance Company Ltd.	0.64%
Asian Paints Ltd.	0.63%
TVS Motor Company Ltd.	0.44%
Cummins India Ltd.	0.42%
PIDILITE INDUSTRIES LTD.	0.74%
Cholamandalam Investment and Finance Company Ltd.	0.41%
Piramal Enterprises Ltd.	0.38%
ZEE ENTERTAINMENT ENTERPRISES LTD	0.52%
Lupin Ltd.	0.31%
Apollo Hospitals Enterprise Ltd.	0.01%
Whirlpool of India Ltd.	0.10%
FAG Bearings India Ltd.	0.11%
Bayer Cropscience Ltd	0.11%
Grindwell Norton Ltd.	0.08%
Voltas Ltd.	0.07%
Sundram Fasteners Ltd.	0.06%
Equity Total	**66.27%**

Debt Portfolio / Rating

HDFC LTD	CRISIL-AAA	11.35%
LIC HOUSING FINANCE LTD.	CRISIL-AAA/CARE- AAA	10.98%
PFC LTD.	CRISIL-AAA	3.46%
REC LTD	CRISIL-AAA	1.27%
TATASONS LTD	CRISIL-AAA	0.50%
Debt total		**27.56%**

Cash & Cash Equivalent 6.17%

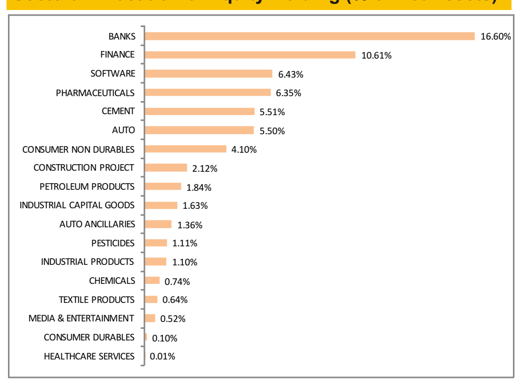
Portfolio composition



NAV details (Rs)

Direct Plan	
Growth Option	13.9684
Dividend Option	11.1368
Regular Plan	
Growth Option	13.7569
Dividend Option	10.9978

Sectoral Allocation of Equity Holding (% of Net Assets)

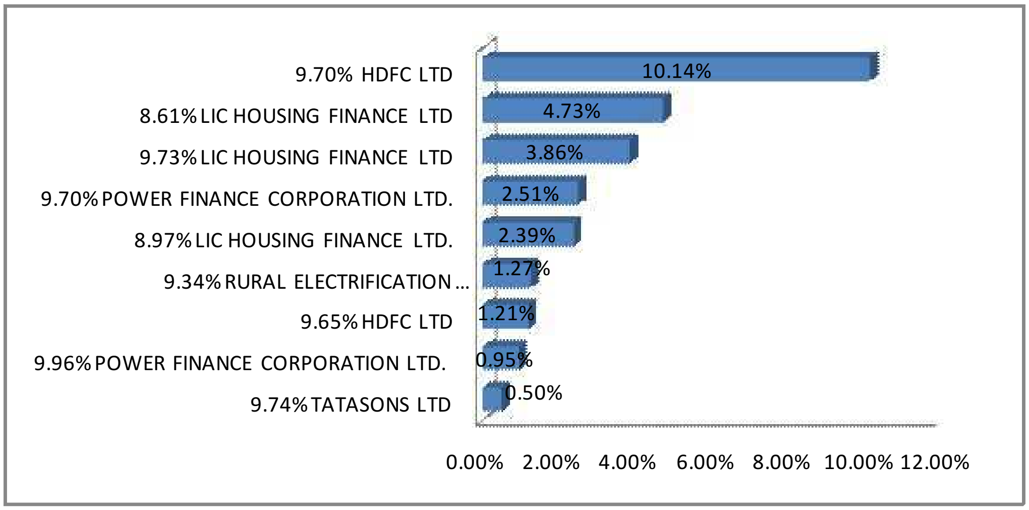


QUANTITATIVE DATA

Average Maturity*	2.48 years
Modified Duration*	1.93 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
					Value of Investment of Rs.10000	
Date	Period	NAV (Rs.) Per Unit	Scheme Return % (Annualized)	Benchmark Return % (Annualized)	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

Registered Office : Wockhardt Towers, 2nd Floor, East Wing, C-2, G Block,
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Website: **www.shriramamc.com**, email ID: **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.