SHRIRAM
Mutual Fund
Nurturing Trust, Shaping Dreams

Fund Facts

As on 31 May 2014

Economic Commentary and Market Review - May 2014

Indian shares scaled new record highs in May with the benchmark Nifty index sailing past 7,500 on May 16, the day BJP received a clear mandate to form the Government at the centre. Absolute majority of a single party, after almost 30 years, is expected to hasten the decision making process which is the need of the hour to bring the Indian economy back on the growth path.

The Nifty index exited the month of May at 7,230, up 8% and becoming one of the best performing equity markets in Asia-Pacific for 2014. Realty (36%), metals (24%), PSU banks (23%) were the best performing sectors whereas the defensives such as IT (-3%) and pharmaceuticals (-5%) were the laggards.

In anticipation of unveiling of reform measures by the new Government, foreign institutional investors (FIIs) have pumped in $5.7 billion ($2.35 billion in equities and $3.35 billion debt) in the Indian market during May taking total investment for the year to $15.2 billion. Increased capital inflows have helped the rupee appreciate 2% during May (5% during 2014) and reflecting an improving state of India's current account balance.

Current account deficit (CAD) for 4Q14 narrowed sharply to $1.2 billion (0.2% of GDP) from $18.1 billion (3.6%) in the year-ago quarter as well as $4.2 billion (0.9%) in 3Q14. For FY14, CAD came in at $32.4 billion (1.7% of GDP), a sharp improvement from $88.2 billion (4.7%). This improvement was primarily on account of a decline in trade deficit with steep drop in gold imports due to the restrictions imposed by the RBI. However, with CAD under control, the RBI has eased some restrictions on gold imports in a calibrated manner. Moreover, rates were kept unchanged at RBI's policy in June though SLR was lowered by 50 bps to improve liquidity in the system and help banks to cater to demand for industrial credit growth.

While containment of current account balance came as a positive development, other economic data presented a mixed bag. Inflation still remains a concern for the policymakers with both CPI (8.59% in April) and WPI (5.2%) hovering above the comfortable range. The core sector growth rate improved to 4.2% in April compared to 2.5% in March. Furthermore, the HSBC manufacturing PMI index edged up marginally in May at 51.4 (PMI stood at 51.3 in April) recording seventh consecutive month of expansion.

Expectations are very high from the new Government which has a daunting task ahead of them to unshackle the economy from the grasp of a prolonged slowdown. India's FY14 GDP came in at 4.7%, well below street expectation. De-growth in manufacturing and mining and quarrying, led to sub-5% growth for the second year in row.

Initial signals from the Government signify the urge to implement faster decision making and putting on track projects that are delayed for a long time for one reason or the other. Consequently, we have re-aligned sector allocation of the fund maintaining a conservative approach. We have increased exposure to sectors of banking & finance, cement and construction, capital goods and petroleum products and reduced portfolio weights in healthcare, information technology and consumer goods.

On the debt piece we continue to maintain an overweight position at the short end of yield curve in anticipation of clear signals to emerge on the interest rate outlook for the coming year. In the recent monetary policy announcement, the RBI maintained a neutral stance cutting the Statutory Liquidity Ratio of commercial banks thereby enhancing liquidity and creating room for credit growth to support the expected economic recovery. A call on interest rates is more likely to be taken with the actual progress of monsoons that would impact food prices and influence consumer prices inflation. The interest rate outlook would also be predicated on the Government borrowing programme and the level of fiscal consolidation that would be announced in the annual budget exercise. We expect a gradual easing of interest rates and therefore would build on duration at every opportunity. Given the expectation of a structural and secular bull run in the equity markets fuelled by sentiment on the favourable elections outcome trigger and global liquidity driving up valuations in under owned stocks and sectors in the first phase of the rally, the strategy would also be to allocate a higher share to equities particularly in the lower valuation space.

The budget proposal of the new Government, to be tabled in the Parliament in July, would be the first major policy document to indicate the direction and pace of reforms in key sectors of the economy and would act as a basic trigger and cue for the equity market. This is therefore being watched very closely by all stakeholders and institutional investors from an investment strategy viewpoint. A sustained positive outcome from any progressive economic policy would take some time to manifest itself in the real economy and hence markets are rerating, moving ahead of the fundamentals in anticipation of a broad based recovery by FY2016. In these circumstances, the market would be driven by expectations and optimism of varying degrees which are likely to give rise to volatility and uncertainty. With exposure to good quality, front line stocks, our fund is well placed to tackle these uncertainties. Our fund has delivered a reasonable return of 8.59% since inception accompanied by lower levels of volatility as measured by the beta and standard deviation. Our prudent investment strategy supports the fund objective of longer term durable superior risk adjusted returns.

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 in if 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 May 2014

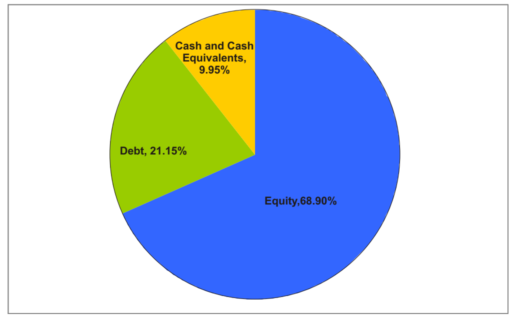
Equity portfolio

Tata Consultancy Services Ltd.	5.43%
HDFC Bank Ltd.	4.13%
Housing Development Finance Corporation Ltd.	3.76%
ICICI Bank Ltd.	3.60%
Larsen & Toubro Ltd.	3.29%
Dr. Reddy's Laboratories Ltd.	3.07%
Sun Pharmaceuticals Industries Ltd.	3.02%
HCL Technologies Ltd.	2.96%
Tech Mahindra Ltd.	2.89%
Axis Bank Ltd.	2.84%
Maruti Suzuki India Ltd.	2.59%
Reliance Industries Ltd.	2.19%
ITC Ltd.	2.15%
Mahindra & Mahindra Ltd.	1.80%
Ultratech Cement Ltd.	1.75%
Oil & Natural Gas Corporation Ltd.	1.69%
Idea Cellular Ltd.	1.62%
Tata Global Beverages Ltd.	1.55%
Bharat Petroleum Corporation Ltd.	1.48%
Tata Steel Ltd	1.37%
Lupin Ltd.	1.31%
Bajaj Auto Ltd.	1.15%
Infosys Ltd.	1.10%
State Bank of India	1.08%
Asian Paints Ltd.	1.03%
Shree Cements Ltd.	0.84%
Eicher Motors Ltd.	0.78%
Apollo Hospitals Enterprise Ltd.	0.77%
Berger Paints (I) Ltd.	0.71%
Amara Raja Batteries Ltd.	0.69%
Britannia Industries Ltd.	0.64%
NTPC Limited	0.60%
Power Grid Corporation of India Limited	0.56%
Oil India Ltd.	0.54%
Bata India Ltd.	0.51%
IPCA Laboratories Ltd.	0.47%
GAIL (India) Ltd.	0.46%
ING Vysya Bank Ltd.	0.40%
INDUSIND Bank Ltd	0.38%
Natco Pharma Ltd.	0.37%
Kotak Mahindra Bank Ltd.	0.29%
IDFC Limited	0.26%
Balkrishna Industries Ltd.	0.24%
LIC Housing Finance Limited	0.23%
Pidilite Industries Ltd.	0.19%
Bank of Baroda	0.11%
The Jammu & Kashmir Bank Ltd.	0.01%
Equity Total	**68.90%**

Debt Portfolio

STATE BANK OF TRAVANCORE CD	7.71%
TATASONS LTD	0.80%
HDFC LTD.	9.86%
LIC HOUSING FINANCE LTD.	2.78%
Debt total	**21.15%**

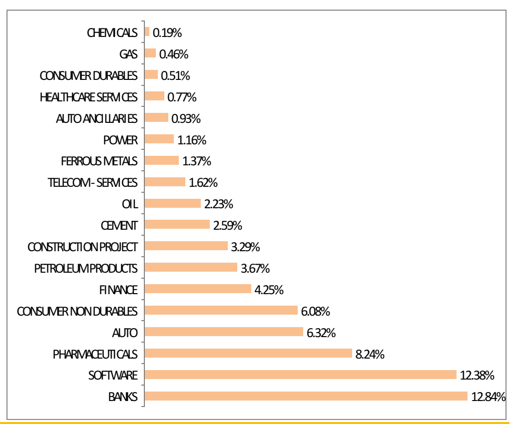
Portfolio composition



NAV details (Rs)

Direct Plan	
Growth Option	10.8880
Dividend Option	10.6215
Regular Plan	
Growth Option	10.8594
Dividend Option	10.5997

Sectoral Allocation



Quantitative Indicators

Portfolio Beta : 0.4630	Standard deviation of Daily Mean Return: 0.3351%

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.

SHRIRAM
Mutual Fund
Nurturing Trust, Shaping Dreams

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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; **Trustee:** Board of Trustees; **Investment Manager :** Shriram Asset Management Co. Ltd. (AMC). **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.