SHRIRAM
Mutual Fund
Nurturing Trust, Shaping Dreams

Fund Facts

As on 31 May 2015

Economic Commentary and Market Review - May 2015

The benchmark Nifty index exited the month of May at 8,433 up 3.1% over the previous month thereby ending the two-month losing streak. The market was volatile throughout the month and even breached the psychological level of 8,000 before bouncing back. Barring Realty and Metals, all the other sector indices were in the positive zone, the best being IT (5.2%) followed by Auto (4.3%) and Pharma (3.8%).

May also witnessed completion of one year of Narendra Modi led government at the Centre. Concerns regarding corporate earnings, disappointment from sky-high expectations from the new government and slow pace of recovery of the economy led the benchmark indices (Sensex and Nifty touched 30,000 and 9,000, respectively) retreat from the highest levels touched in March. However, among emerging economies, Indian markets were the third best in dollar terms (6.8% returns) within this one-year, behind China and Taiwan.

Foreign investors sold USD 903 million in equities in May 2015 and USD 1.33 bln in debt resulting in a net outflow of USD 2.236 billion across the two principal asset classes for the first time in Calendar Year 2015. Resolution of the MAT issue is significant to keep the FIIs invested in the Indian market. Moreover, they would be looking for certain triggers such as the land acquisition bill, progress towards implementation of goods and service tax and proactive steps taken by the government to drive growth. Given the exodus of foreign investment, the Rupee had breached the 64 level in May before settling at ~63.82 against the US dollar.

Despite the government's push towards 'Make in India' campaign to improve manufacturing in India, the continuous dip in exports is worrisome. April marks the fifth consecutive month of lower exports at $22.05 billion, down 14% y/y. Exports of gems and jewellery, and petroleum products, accounting for 13% and 12.5%, respectively of total exports have been on a declining trend over the recent past. Imports also fell 7.5% to $33.04 billion due to 43% dip in oil imports though non-oil imports continue to rise. Consequently trade deficit during the month stood at $10.99 billion, wider compared to deficit of $10.08 billion in the year-ago period. Moreover, the continuous increase in gold import (78% to $3.13 billion) in April is worrisome and does not augur well for controlled current account balance given the current backdrop of falling exports.

Inflation has been in the comfort zone of the RBI over the past few months. WPI and CPI came in at -2.65% (the fourth consecutive month of negative inflation) and 4.87%, respectively, during April 2015. Food articles, however, went against the general deflationary trend with 5.73% inflation in April compared to 6.31% in March. Possibility of El Nino risks in India this year remains, which might lead to lower-than-average rainfall thereby adversely affecting food inflation. RBI cut the repo rate by 25 basis points to 7.25 % in its second bi-monthly monetary policy and kept CRR unchanged at 4%. Future rate cuts would largely depend upon how monsoon fares in the coming months and its impact on food inflation along with changes in crude prices.

The yield on 10 year Government paper had fallen by 4 basis points to 7.82% in the end of May but has since climbed back to 8% as RBI indicated to take a longer pause in rate cuts for the rest of the year in its latest monetary policy announcements on 2 June.

The Indian Rupee depreciated by 0.6% during the month of May on the back of a volatile crude price (Brent) which softened by 2.8% in the month of May after rising by over 19% in April 2015. The crude prices are expected to remain soft in the coming weeks as OPEC decided against a production cut of 30 million barrels per day of which the Kingdom of Saudi Arabia (the largest producer) would maintain its output of 10 million barrels. It is expected that further production increases would come from Libya as well as Iran once the US nuclear agreement is signed later this year.

GDP numbers for FY15 were announced recently which came in at 7.3%, well above 6.9% recorded in FY14 pointing towards a gradual economic recovery with the manufacturing sector recording 7.1% growth (5.3% in FY14) while agriculture disappointed with lower growth (0.2% versus 3.7% in FY14) due to poor monsoon during last year. However, the high GDP is in disconnect with the latest IIP data as debate continues with the new method adopted for computing GDP numbers. The index of industrial production remains volatile and recorded 2.1% growth in March 2015 versus 4.9% in February backed by growth in all the three sectors - mining, manufacturing and electricity though the rate of growth dropped from the previous month.

The Eight Core Industries forming 38% weightage of the IIP fell by 0.4% YOY in April 2015 the worst since July 2005, with only coal (7.9%) and steel production (0.6%) showing positive growth. The core sectors cumulative growth for FY15 was 3.6 %. On the other hand the HSBC PMI for the month of May was 52.6 as against 51.3 in April. As per PMI data there was significant increase in capital and intermediate goods production in May.

However the services PMI contracted to 49.6 from a level of 52.4 in April 2015 indicating a slowdown and degrowth in output in the services sector.

Domestic passenger vehicle sales in May showed muted growth of 7% against double digit growth of 16% in the month of April. Tata motors sold 11,138 vehicles registering a 21% growth during the month mainly driven by new models such as the Zest, Bolt, and the new GenX Nano. Maruti having 46% of market share in the passenger vehicles segment grew at 13% and sold 102,359 vehicles during May as against 90,560 in April. Hyundai (3.4%) and Honda (0.51%) showed slowdown in sales growth whereas Mahindra & Mahindra, Toyota and Ford reported declining sales growth.

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 32% on a cumulative basis (with a CAGR of 21.66%) since inception accompanied by relatively lower levels of volatility as measured by the beta and standard deviation.

The Indian markets are witnessing a steep correction over the course of the year and has delivered a negative return of 4% in the first five months of the calendar year. This is primarily on the back of tepid investor inflows in the first few months with a negative outflow in May 2015 and continuing in the current month. The nervousness on emerging markets driven by the possibility of a Fed rate hike sooner than later and the lacklustre performance of the Indian corporate seem to be fueling this exodus.

However, we are of the view that this presents an ideal opportunity for the common domestic investor to enter the markets with a 3 to 5 year horizon as valuations look attractive and there is visibility in earnings improvement over the medium term

The focus is now on sectors that are largely expected to benefit from the Government's thrust on infrastructure and manufacturing in the medium to long term. The challenge however remains that in these sectors, quality investments are few and far between and those that exist have very high valuations which have now corrected to a certain extent. The fund is also going to remain favourably disposed towards rate sensitive sectors such as banking (private sector banks in particular), automobiles and in particular housing finance companies as these are likely to benefit the most with moderate rate cuts and a lower interest rate regime that is widely expected to prevail in the current financial year.

It has been 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.

Indicative Investment Horizon: 3 years & more

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 May 2015

Equity Portfolio

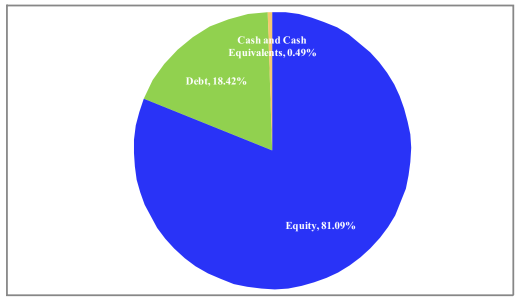
Axis Bank Ltd.	4.28%
Dr. Reddy's Laboratories Ltd.	3.96%
Housing Development Finance Corporation Ltd.	3.90%
HDFC Bank Ltd.	3.81%
ICICI Bank Ltd.	3.64%
HCL Technologies Ltd.	3.62%
Tata Consultancy Services Ltd.	3.42%
Maruti Suzuki India Ltd.	2.75%
Infosys Ltd.	2.72%
LIC Housing Finance Ltd.	2.51%
Larsen & Toubro Ltd.	2.34%
Kotak Mahindra Bank Ltd.	2.27%
State Bank of India	2.06%
The Federal Bank Ltd.	1.99%
Aurobindo Pharma Ltd.	1.98%
Reliance Industries Ltd.	1.93%
IDFC Ltd.	1.76%
IndusInd Bank Ltd.	1.70%
Bharat Electronics Ltd.	1.69%
Eicher Motors Ltd.	1.69%
Bharat Petroleum Corporation Ltd.	1.67%
Bank of Baroda	1.61%
Britannia Industries Ltd.	1.54%
ITC Ltd.	1.40%
Tata Motors Limited	1.36%
Apollo Hospitals Enterprise Ltd.	1.33%
Tata Steel Ltd.	1.28%
Tech Mahindra Ltd.	1.22%
Ultratech Cement Ltd.	1.10%
Amara Raja Batteries Ltd.	1.02%
Sun Pharmaceuticals Industries Ltd.	0.94%
Asian Paints Ltd.	0.90%
Lupin Ltd.	0.89%
Apollo Tyres Ltd.	0.87%
Shree Cements Ltd.	0.86%
Bharat Forge Ltd.	0.86%
Mahindra & Mahindra Ltd.	0.75%
UPL Ltd.	0.74%
Power Grid Corporation of India Ltd.	0.73%
Natco Pharma Ltd.	0.73%
Oil India Ltd.	0.68%
Oil & Natural Gas Corporation Ltd.	0.67%
Bata India Ltd.	0.61%
AIA Engineering Ltd.	0.60%
GAIL (India) Ltd.	0.51%
Bajaj Auto Ltd.	0.47%
Hero MotoCorp Ltd.	0.45%
MRF Ltd.	0.26%
TVS Motor Company Ltd.	0.26%
Page Industries Ltd.	0.24%
MindTree Ltd.	0.21%
Persistent Systems Ltd.	0.17%
Tamil Nadu Newsprint & Papers Ltd.	0.13%
Jammu & Kashmir Bank Ltd.	0.01%
Equity Total	**81.09%**

Debt Portfolio

Debt Portfolio	Rating	
HDFC LTD COMMERCIAL PAPER	ICRA-A1+	14.21%
TATASONS LTD	CRISIL-AAA	0.63%
LIC HOUSING FINANCE LTD.	CRISIL-AAA	2.06%
HDFC LTD	CRISIL-AAA	1.52%
Debt total		**18.42%**

Cash & Cash Equivalent 0.49%

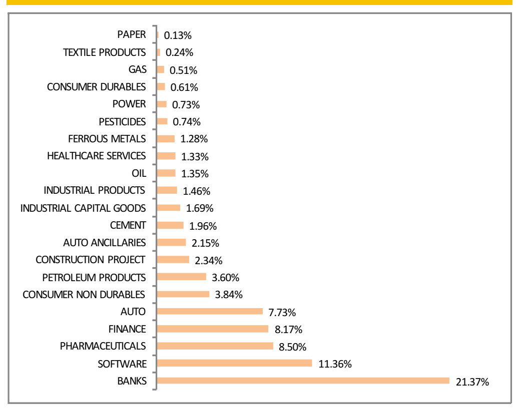
Portfolio composition



NAV details (Rs)

Direct Plan	
Growth Option	13.3778
Dividend Option	11.8864
Regular Plan	
Growth Option	13.2717
Dividend Option	11.8092

Sectoral Allocation of Equity Holding (% of Net Assets)



Quantitative Risk Indicators

Portfolio Beta : 0.9145	Standard deviation of Daily Mean Return: 0.5352%

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 .The portfolio beta has been calculated using the scheme benchmark as a basis.

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.

SHRIRAM Mutual Fund

Nurturing Trust, Shaping Dreams

Registered Office : Wockhardt Towers, 2nd Floor, East Wing, C-2, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

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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.