SHRIRAM

Mutual Fund

Nurturing Trust, Shaping Dreams

FundFacts

As on 31 October 2014

Economic Commentary and Market Review - October 2014

Stability in the global markets and the announcement of a stimulus in Japan enabled the Nifty index attain the all time high level of 8,330 and exited the month with 4.5% growth (at 8,322). Furthermore the formation of governments by BJP in the key states of Haryana and Maharashtra also reinforced positive market sentiment on expected economic reforms and contributed to the sharp market rally . Barring Realty and FMCG, all sectors were in positive territory during the month with banks being the best-performing one.

In tune with the government's reform oriented approach, the Centre took two significant decisions - full decontrol of diesel prices and raised domestic gas prices to \$5.61 per million British thermal units (mmBtu) from \$4.2 per mmBtu at present. The gradual revival in the Indian economy and improvement in investment cycle can be gauged from the fact that during the September quarter companies received Rs 67,000 crores of fresh orders, up 45% q/q *(Source: Business Standard)*.

The market may witness some volatility in the near future as the US Federal Reserve ended the quantitative easing program in October. However, with India's macroeconomic indicators improving, falling crude prices, inflation stabilising, foreign funds are expected to maintain and increase allocation to the Indian equity markets. Foreign portfolio investments during 2014 till date have been at around \$36.225 billion in the debt and equity markets (\$13.69 billion in equities and \$22.53 billion in debt).

After reporting good domestic sales growth for the last few months, the month of October, despite being the festive season, turned out to be a disappointment for the Automobile industry. Nine of the country's leading automobile manufacturers reported a combined drop of 4% in volumes to 206,574 units in October.

Moreover, trade deficit widened in September to \$14.25 billion, way above \$6.12 billion in September 2013 and \$10.84 billion in August 2014. Rise in oil imports (up 9.7% to \$14.49 billion), and gold import (up 450% rise to \$ 3.75 billion) coupled with only 2.7% rise in exports led to the widening trade deficit. However, HSBC PMI data (manufacturing) inched up to 51.6 in October from September's nine-month low of 51.0, in line with a moderate improvement in business conditions during the month. The increase in bullion imports is a matter of concern but is seen as a one off given the demand for gold in the festive months. The Reserve Bank of India in consultation with the Ministry of Finance is therefore not expected to lift import curbs on gold or lower tariff as holding a low Current Account deficit is imperative for a stable currency and investor confidence.

IIP data for August continued to disappoint at 0.4% (0.5% in July) due to contraction in the manufacturing and capital goods sectors. This trend suggests that the sectors might need some more time to get back on the growth path. This worry is reflected in the meagre 1.9% core sector growth in September, the slowest since January 2014 and well below the 9% in the year-ago period. Declines in output of oil and gas and fertiliser industries and slow growth in coal, cement, steel and electricity sectors pulled down the industry growth.

The price rise indicators measured by CPI and WPI brought good cheer to market participants and has raised hopes of a rate cut and easy money policy by the Central Bank in the months to come. The Bond prices have staged a smart rally in the past 6 months with yields falling from 9.10% in April 2014 to 8.3% IN October 2014. WPI inflation fell to 2.38% in September, the lowest in the past few years led by correction in food prices and global commodity prices. The CPI, after remaining elevated for the past few months, came down to 6.46%. The drop in CPI is significant as the RBI follows this very closely to decide on its monetary policy action.

The fund has increased allocation to equity, which now represents almost 80% of the total portfolio. This increased equity exposure as a proportion to the total portfolio has been mostly in relatively undervalued or fairly valued quality mid cap stocks 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. On an overall basis though, the fund continues to invest in a larger share of large and mega cap stocks in comparison to its peer group in accordance with its philosophy of providing lower risk and greater stability to the fund in the long term keeping in mind an investment horizon of 3 to 5 years.

On the fund's performance, the Shriram Equity & Debt Opportunities Fund has delivered returns of 26% since inception accompanied by comparatively lower levels of volatility as measured by the beta and standard deviation. Our disciplined investment strategy enabled us to declare another dividend of Rs 1.05 per share. This is the second time the fund has declared a dividend; the first being of Rs 0.25 per share earlier this year, within one year of launch. Our prudent investment strategy supports the fund objective of longer term durable and 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 October 2014

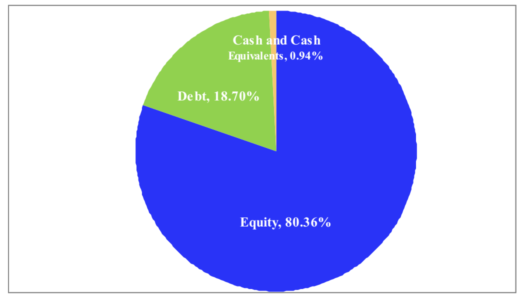
Equity portfolio

Dr. Reddy's Laboratories Ltd.	4.29%
Tata Consultancy Services Ltd.	3.78%
ICICI Bank Ltd.	3.64%
Housing Development Finance Corporation Ltd.	3.23%
HCL Technologies Ltd.	3.17%
HDFC Bank Ltd.	3.16%
Infosys Ltd.	3.01%
Axis Bank Ltd.	2.63%
Idea Cellular Ltd.	2.47%
Reliance Industries Ltd.	2.45%
State Bank of India	2.24%
The Federal Bank Ltd.	2.21%
Tata Steel Ltd.	2.13%
LIC Housing Finance Ltd.	1.83%
Larsen & Toubro Ltd.	1.83%
Bank of Baroda	1.79%
Tata Global Beverages Ltd.	1.71%
ITC Ltd.	1.67%
IDFC Ltd.	1.61%
IndusInd Bank Ltd.	1.53%
Tech Mahindra Ltd.	1.53%
Oil India Ltd.	1.36%
Apollo Hospitals Enterprise Ltd.	1.36%
Bharat Petroleum Corporation Ltd.	1.32%
ING Vysya Bank Ltd.	1.15%
Maruti Suzuki India Ltd.	1.14%
Bajaj Auto Ltd.	1.11%
Britannia Industries Ltd.	1.03%
Aurobindo Pharma Ltd.	0.97%
Apollo Tyres Ltd.	0.97%
IPCA Laboratories Ltd.	0.94%
Bank of India	0.92%
Oil & Natural Gas Corporation Ltd.	0.91%
Sun Pharmaceuticals Industries Ltd.	0.89%
Mahindra & Mahindra Ltd.	0.86%
Ultratech Cement Ltd.	0.86%
Power Grid Corporation of India Ltd.	0.82%
Amara Raja Batteries Ltd.	0.82%
Bata India Ltd.	0.81%
GAIL (India) Ltd.	0.78%
Eicher Motors Ltd.	0.76%
Shree Cements Ltd.	0.75%
Balkrishna Industries Ltd.	0.74%
Corporation Bank	0.74%
Lupin Ltd.	0.73%
Asian Paints Ltd.	0.72%
Oriental Bank of Commerce	0.71%
Bharat Electronics Ltd.	0.67%
Kotak Mahindra Bank Ltd.	0.60%
Bharat Forge Ltd.	0.59%
Natco Pharma Ltd.	0.53%
NTPC Ltd.	0.51%
AIA Engineering Ltd.	0.46%
UPL Ltd.	0.44%
MindTree Ltd.	0.17%
Persistent Systems Ltd.	0.15%
Tamil Nadu Newsprint & Papers Ltd.	0.14%
Jammu & Kashmir Bank Ltd.	0.01%
Hero MotoCorp Ltd.	0.01%
Equity Total	**80.36%**

Debt Portfolio

Debt Portfolio	Rating	
HDFC LTD COMMERCIAL PAPER	ICRA-A1+	15.71%
TATASONS LTD	CRISIL-AAA	0.68%
LIC HOUSING FINANCE LTD.	CRISIL-AAA	2.31%
Debt total		**18.70%**

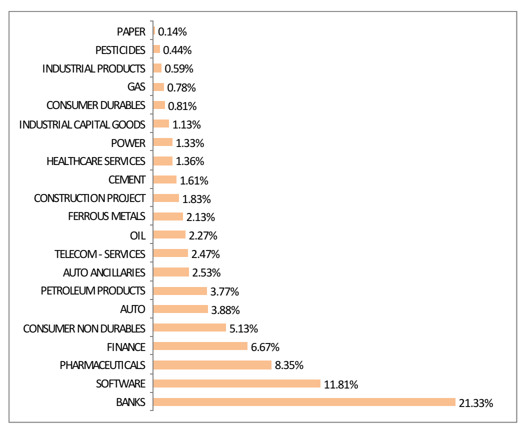
Portfolio composition



NAV details (Rs)

Direct Plan	
Growth Option	12.6605
Dividend Option	11.2578
Regular Plan	
Growth Option	12.5999
Dividend Option	11.2114

Sectoral Allocation of Equity Holding (% of Net Assets)



Quantitative Indicators

Portfolio Beta : 0.8037	Standard deviation of Daily Mean Return: 0.4308%

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.

Nurturing Trust, Shaping Dreams

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