SHRIRAM Mutual Fund

Nurturing Trust, Shaping Dreams

Fund Facts

As on 30 September 2016

Economic Commentary and Market Review - September 2016

Amidst an eventful September, the benchmark Nifty index exited the month at 8,611, down ~2%. In the first week of September, Nifty scaled higher and hit the milestone 8,900 to reach 52w high of 8,968 which was followed by profit booking. The market has been on an uptrend for the last few months backed by ample liquidity, FII inflow, GST becoming a reality and status quo maintained by the Fed so far. Several sectors were in the negative zone with FMCG and Private Banks being the worst performers while Auto, Energy and Media were positive.

The month of September witnessed the change of guard at Mint Street with Urijit Patel becoming the Governor of RBI after the term of Raghuram Rajan ended in the first week of September. The Fed kept interest rates unchanged in the monetary policy though signalled a rate hike by the end of this year with improvement in US growth and labour market. In the domestic front, market experienced huge volatility as India conducted surgical strike in some parts of PoK to avenge the death of 19 security personnel in Uri a few days back. Though the situation is normal for the time being, any escalation between the two countries would result in sharp correction in the market. In the international market, Wall Street witnessed volatility as shares of Deutsche Bank recorded steep drop after reports of some alleged irregularities. Besides Wells Fargo was mired in controversy regarding opening of unauthorised account that led to federal investigation and demand for the CEO's resignation resulting the stock price to plummet to 31-month low.

FII inflows remained unabated as they pumped in $1.56 billion in India in September taking total inflows till date to $7.7 billion. Barring the first two months of CY2016, FII has been pumping in money in Indian equities with the highest inflow of more than $3 billion coming in the month of March. Foreign portfolio investors are upbeat on India betting on revival of economy resulting from good monsoon, fiscal and revenue deficits within limit, and moderate tax rates among others.

Good monsoon and pay commission bonanza created positive sentiment in the automobile sector. For the fifteenth straight month, passenger vehicle sales maintained positive momentum - it grew 19.9% y/y to 278,428 units in September backed by festive demand. This is the highest volume in the last four and half years on the back of 38% y/y growth in utility vehicles. Passenger car sales grew 15.14% y/y to 195,259 units in September. Car sales are likely to remain buoyant with the ongoing festive season, which is expected to be the best in the last 3-4 years. However, sales of overall commercial vehicles, a key indicator of economic activity, declined by 1.95%.

For the second month in a row, retail inflation fell and came in at 4.31% in September, a 13- month low (versus 6.07% in July, the highest so far this year and 5.05% in August) as food price inflation moderated. The sharp drop in CPI was due to de-growth in vegetables and moderate decline in pulses that led to 3.88% food inflation in September from 5.91% last month. Based on better monsoon so far this year, retail inflation is unlikely to rise sharply from here on. Controlled inflation for the last few months has raised hopes for another rate cut in December 2016 meeting. In early October, the RBI cut interest rate by 25 bps to 6.25% and maintained accommodative stand. However, two significant events need to be monitored - meeting of the GST council to decide on the GST rate (18% GST rate is expected to be non-inflationary), and decision on interest rate hike in December Fed meeting. Meanwhile the WPI based inflation came in at 3.57% in September, a three month low compared with 3.74% in August (two-year high) as food inflation contracted by 248 bps to 5.75% from the previous month.

Data for index of industrial production contracted 0.7% in August 2016 due to fall in mining (5.6% contraction) and manufacturing (0.3%). Manufacturing, with ~75% weight, has been in a dismal state since November last with minor improvement in the months of February, May and June. Electricity recorded 0.1% growth in August. Capital goods production, an indicator of investment activity in the economy, fell 22.2% in August, the tenth month in row to record contraction. With weak demand, high leverage, capacity utilisation remaining low, room for big-ticket capital expenditure remains low. Among the other industries, basic (3.18%), intermediate goods (3.59%) and consumer durables (2.3%) recorded robust growth.

With good monsoon, implementation of pay commission and festival season, consumer durable growth is likely to improve further. Consumer non-durables recorded marginal growth of 0.15% in August, the second month to record growth (growth of

0.85% in June) so far this year. Meanwhile, manufacturing PMI in August came in at 52.1 in September, recording ninth straight month of expansion in factory activity backed by new orders. However, the rate of expansion was a bit slower compared with August (52.6).

The rate of decline in India's exports had been narrowing gradually over the last few months probably signalling that the worst might be over. To reinforce this observation merchandise exports in September climbed 4.6% y/y to $22.88 billion, a 22-month high level backed by robust growth in engineering goods (up 6.5% y/y) and gems & jewellery (up 22% y/y). It is to be noted that among trading partners apart from Japan, where export rose 1.9%, many major economies recorded de-growth (-6.42% in USA, -8.39% in EU and -436% in China) in July (as per WTO statistics).

The contraction in imports, however, was slower at 2.5% y/y to $31.22 billion as a result of which trade deficit widened to nine-month high of $8.34 billion. While non-oil imports dropped 4% y/y to $24.33 billion, oil imports rose 3% to $6.89 billion (oil-imports recorded increase for the first time since September 2014) that resulted in slower contraction of imports. Non-oil and non-gold import, a proxy for industrial demand, continued to decline and the pace of decline accelerated to 3.5% y/y to $22.5 billion in September. It had declined by 1.5% in August.

Sector outlook

Banks and NBFCs

Private sector banks such as Axis Bank and Yes Bank witnessed heavy selling during the month that resulted in more than 3% drop in the respective sector index. News of SUUTI stake sale in Axis Bank along with profit booking after a sharp rally led to the fall while cancellation of billion-dollar QIP brought down stock price of Yes Bank. Meanwhile the RBI has proposed draft guidelines to curb/restrict exposure of individual banks to single borrower so that concentration of exposure to a single counterparty remains limited. During second quarter earnings slippages will be looked into to see if the worst of NPA mess is behind us. Credit growth is likely to remain subdued as capex scenario in the private sector remains dull.

Consumer finance companies such as Bajaj Finance, Cholamandalam Finance are expected to report a strong quarter on the back of healthy loan disbursement amidst good monsoon and pick-up in auto sales and, increased disposable income with implementation of pay commission recommendations.

Information Technology

The IT index has underperformed the broader markets over the last few months with several uncertainties plaguing the sector. While TCS reported disappointing revenues, margins improved though management outlook remained cautious. Infosys' earnings, on the other hand, beat street expectations though the company lowered FY17 revenue guidance for the second time in two quarters. The IT sector is likely to remain range bound given the upcoming US election, stringency related to visa norms, impact of Brexit and low demand growth.

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. Moreover, business in the US market is witnessing headwinds such as stiff competition and pricing pressure owing to consolidation of supply chain. Performance in the domestic market is expected to be strong.

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. Automobile sales over the past few months were strong which led to surge in stock prices of players in this sector. Automobile stocks are expected to remain buoyant in the near future with ensuing festive season.

Oil and Gas

In the meeting held at Algeria in September end, the OPEC agreed to cut production for the first time in eight years (to 32.5/33 million barrels a day) though individual member production target would be decided at the next meeting scheduled at the end of November. If production cut actually is carried out crude prices are likely to stay firm in the near term.

Domestic gas prices, for October-March 2017, were cut again (18% to $2.5 per mmBtu on gross calorific value basis). This will adversely impact earnings of gas producers such as ONGC and OIL, which are already challenged by lower crude oil price environment. GAIL, using domestic gas for LPG business, should benefit from this move along with city gas distributors such as Indraprastha Gas, Mahanagar Gas and Gujarat Gas.

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 decision will significantly benefit contractors facing liquidity issues such as HCC, Simplex Infra, Gammon India, among others. 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 (down ~22% in August, a tenth straight month of decline). The sector has witnessed several challenges in execution, slower order inflows leading to weak growth. The situation might be changing gradually. Players in the capital goods space are expected to report a decent quarter owing to execution pick-up in projects and lower base effect.

Cement

All India average cement prices recovered by ~1.5% (m-o-m) in September 16 mainly owing to sharp recovery in price in Western region with the expectation of healthy demand recovery from October-November. However, demand remained dull in the last month owing to excess rainfall in some areas, sand mining issues (UP markets) and Pitru Paksha (considered to be inauspicious for new constructions) and festivities across all regions. Favourable monsoon, infrastructure boost are expected to have a positive impact on demand and pricing in the forthcoming period.

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.

Commodities

Domestic steel consumption grew in August after three consecutive months of slowdown. Regulatory measures adopted so far kept imports under check. With coking coal prices rising substantially since June, steel producers might take price hikes in October to protect their margins. Supply is likely to remain strong due to capacity addition by bigger players. Without strong demand, prices are likely to remain under pressure.

Conclusion

Indian market touched its highest level in September backed by strong FII inflow. 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.

The next few months in 2016 are likely to remain volatile due to geopolitical tensions between India and Pakistan, uncertainty over US Fed rate hike and outcome of the US presidential elections. The ongoing earnings season will be the crucial factor for the market to take a direction.

Shriram Equity & Debt Opportunities Fund recorded return of 12.68% 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.

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: 43.15 cr.
Latest AUM: 42.33 cr.

Expenses Ratio:(Excluding service tax)
Regular : 2.27%
Direct : 1.73%

Portfolio Turnover Ratio: 38.93%

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

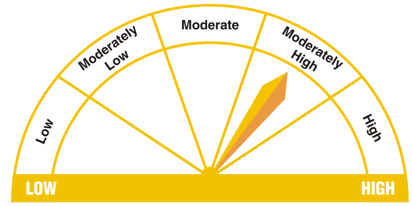
Shriram Equity and Debt Opportunities Fund

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)
☑ 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

Riskometer



Portfolio and other facts as on 30 Sept 2016

Equity Portfolio

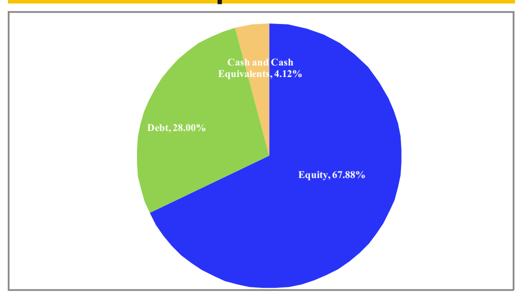
HDFC Bank Ltd.	4.97%
Yes Bank Ltd.	4.55%
Bajaj Finance Ltd.	3.96%
Shree Cements Ltd.	3.86%
Ultratech Cement Ltd.	3.18%
IndusInd Bank Ltd.	3.05%
Housing Development Finance Corporation Ltd.	3.04%
Kotak Mahindra Bank Ltd.	2.66%
Britannia Industries Ltd.	2.66%
Maruti Suzuki India Ltd.	2.59%
Infosys Ltd.	2.12%
Bajaj Finserv Ltd.	1.98%
Axis Bank Ltd.	1.95%
Aurobindo Pharma Ltd.	1.95%
Bharat Petroleum Corporation Ltd.	1.93%
Marico Ltd.	1.56%
Natco Pharma Ltd.	1.55%
Divi's Laboratories Ltd.	1.46%
UPL Ltd.	1.44%
Amara Raja Batteries Ltd.	1.42%
Larsen & Toubro Ltd.	1.27%
Eicher Motors Ltd.	1.15%
PIDILITE INDUSTRIES LTD.	1.10%
Sun Pharmaceuticals Industries Ltd.	1.08%
Mahindra & Mahindra Ltd.	1.08%
LIC Housing Finance Ltd.	1.00%
Mahindra & Mahindra Financial Services Ltd.	0.81%
Tata Consultancy Services Ltd.	0.79%
Bharat Electronics Ltd.	0.76%
ZEE ENTERTAINMENT ENTERPRISES LTD	0.76%
Piramal Enterprises Ltd.	0.75%
Page Industries Ltd.	0.68%
Shriram Transport Finance Company Ltd.	0.67%
Asian Paints Ltd.	0.67%
ICICI Bank Ltd.	0.66%
TVS Motor Company Ltd.	0.64%
Ashok Leyland Ltd.	0.59%
HCL Technologies Ltd.	0.54%
Cholamandalam Investment and Finance Company Ltd.	0.51%
Lupin Ltd.	0.26%
Sundram Fasteners Ltd.	0.23%
Equity Total	**67.88%**

Debt Portfolio — Rating

HDFC LTD	CRISIL-AAA	11.48%
LIC HOUSING FINANCE LTD.	CRISIL-AAA/CARE- AAA	11.18%
PFC LTD.	CRISIL-AAA	3.51%
REC LTD	CRISIL-AAA	1.31%
TATASONS LTD	CRISIL-AAA	0.52%
Debt total		**28.00%**

Cash & Cash Equivalent 4.12%

Portfolio composition



NAV details (Rs)

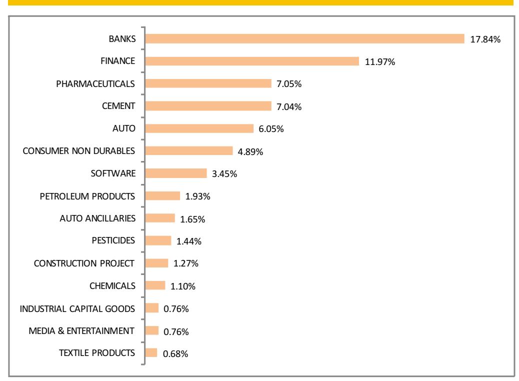
Direct Plan

Growth Option	14.2638
Dividend Option	11.3688

Regular Plan

Growth Option	14.0329
Dividend Option	11.2183

Sectoral Allocation of Equity Holding (% of Net Assets)

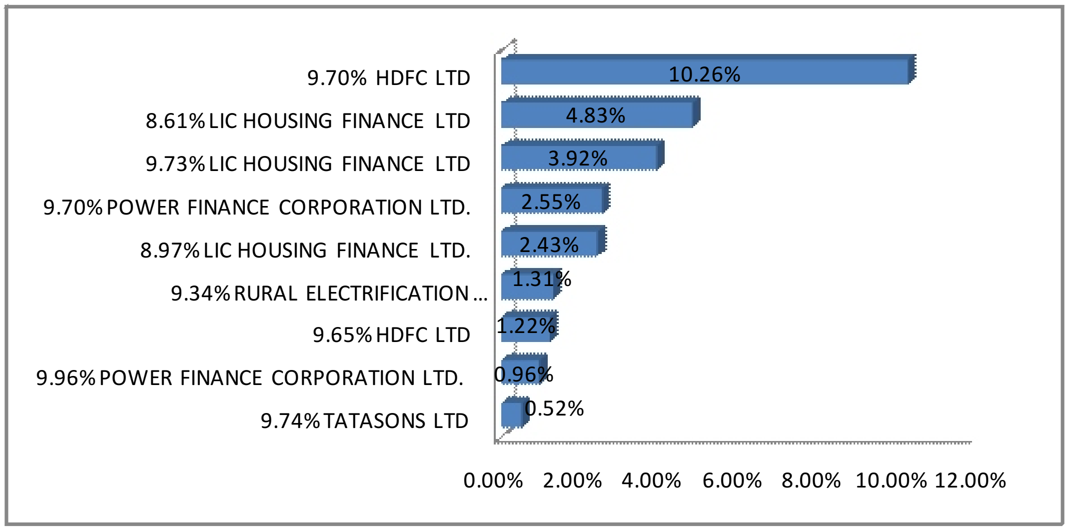


QUANTITATIVE DATA

Average Maturity*	2.33 years
Modified Duration*	1.81 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 September 30, 2016

Date of inception: 29-Nov-13.

NAV as on 30.09.16 Rs. 14.0329

Date	Period	NAV (Rs.) Per Unit	Scheme Return % (Annualized)	Benchmark Return % (Annualized)	Value of Investment of Rs.10000	
					Scheme	Benchmark
Sep 30 2015	Last 1 Year	13.1127	7.02	9.26	10,702	10,928
November 29 2013	Since Inception	10	12.68	12.25	14,033	13,883

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 SIP	2 years SIP	1 year SIP
Total Amount Invested (Rs.'000)	340.00	240.00	120.00
Mkt Value as on Sep 30, 16 (Rs.'000)	359.2	259.33	130.23
Returns (Annualised) (%)	3.81%	7.63%	16.15%
Benchmark Returns (Annualised) (%) #	2.95%	6.79%	14.39%

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

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