



Monthly Mutual Funds Report

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Jan 2018



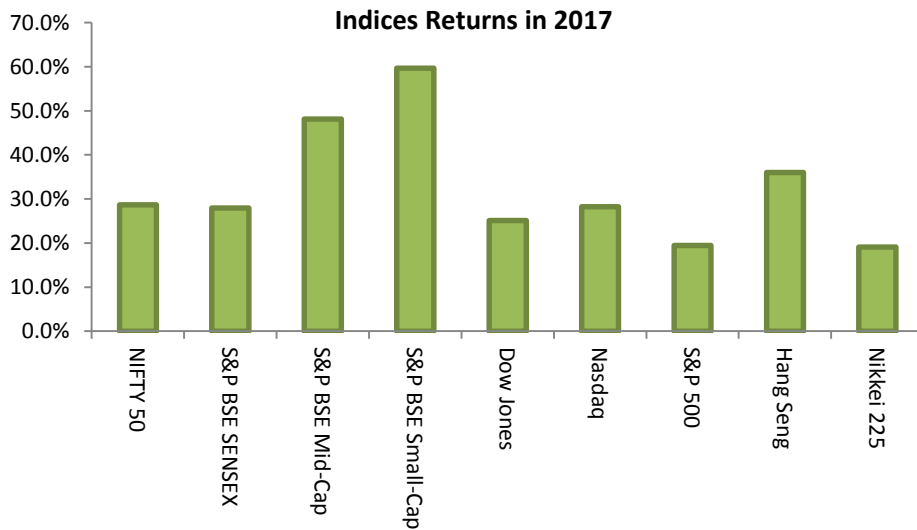
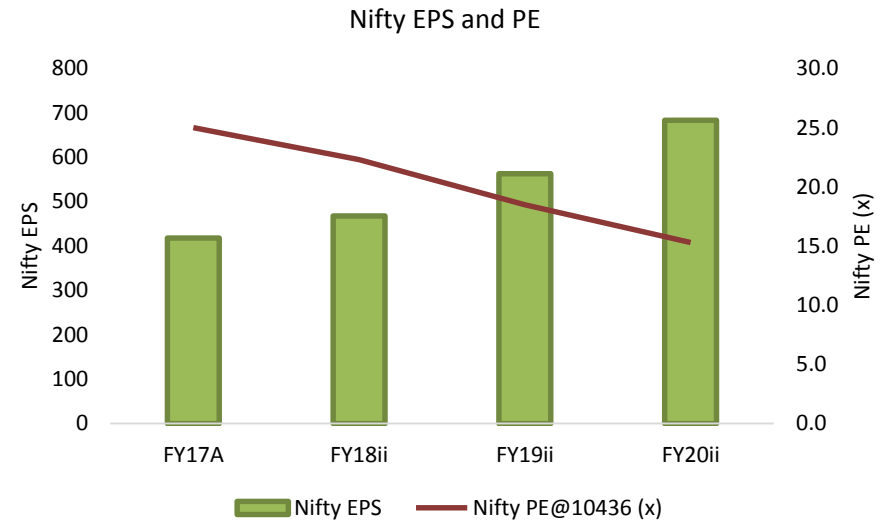
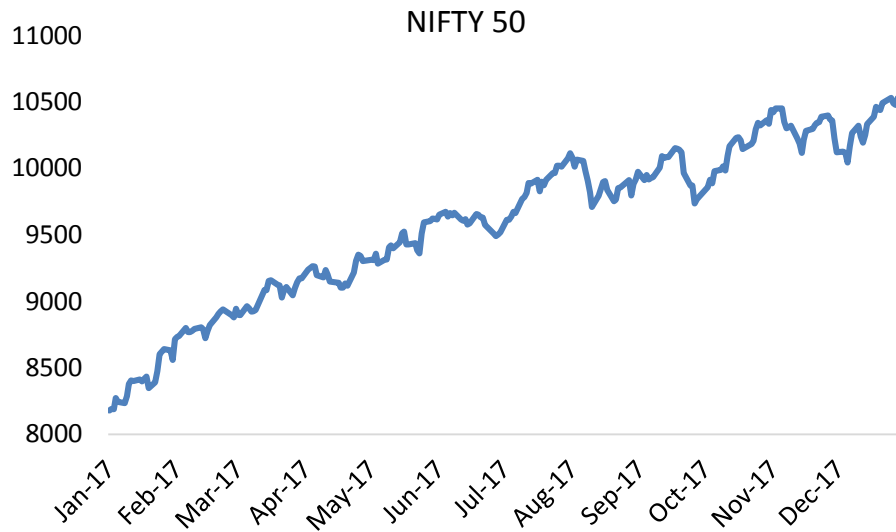
January 2018

Table of Contents	Page No.
Review of Indian Market - 2017	3
Market Outlook - 2018	4
Indian Market Performance Review - 2017	5-7
Top Recommended Mutual Funds	8-13
Why ELSS is a Better Tax Saving Investment	14-17
Category-wise Return of Mutual Funds	18
Recommended Mutual Funds – Category-wise	19-20
Annexure	
Model Portfolios - Mutual Funds	22

- ❖ Indian equity market gave splendid returns in 2017 after two lackluster years. Nifty 50 gave 28.6% return in 2017 compared to mere ~3% in 2016 and negative return of ~4% in 2015.
- ❖ In 2017, Mid-cap and Small-cap stocks outshined the Large-cap stocks. BSE Mid-cap and BSE Small-cap gave magnificent ~48% and ~60% return in 2017 respectively.
- ❖ In sectors, Realty and Metal outperformed the other sectors. Nifty Realty and Nifty Metal gave magnificent return of ~110% and ~48% in 2017 respectively. Government's emphasis on 'Housing for All by 2022', RERA and infrastructure status to reality sector provided the required revival to the reality sector, whereas, recovery in the commodity prices supported the metal sector.
- ❖ IT and Pharma sectors underperformed in 2017. The pricing pressure and Visa norms in US put weight on IT companies, while, slow approvals by USFDA and pricing pressure kept the Indian pharma companies underneath.
- ❖ In 2017 bond investors faced disappointment, as 10 years government bond yields rose fearing rise in inflation and fiscal slippage. In 2017, G-Sec gave negative return of ~0.1% vis-à-vis 15% in 2016.
- ❖ In 2017, domestic MF's net inflow in equity was highest in a decade. They poured ~₹1.15 lakh cr in equity in 2017 against ~₹47,544cr in 2016. The inflows from domestic MF industry is expected to continue on the back of strong MF investments.
- ❖ FII's net inflows in equity market in 2017 also surpassed inflows in previous two years. FII's net inflows in equity market stood at ~₹49,000cr in 2017 compared to ~₹15,102cr in 2016 and ~₹13,056cr in 2015.
- ❖ Moody's upgraded India's Sovereign rating to Baa2 from Baa3 after a long haul of 13 years in 2017 on the back of significant reforms and structural changes.



- ❖ Economic growth was subdued in 2017 due to the shock of demonetization and GST transition. However, in 2018, the economic recovery is expected to recover, which has already been factored in the market. Besides, the inflation and CAD can rise in 2018, and government is all set to miss the fiscal deficit target for FY2018. Thus, 2018 will be a challenging year for investors.
- ❖ **Economic growth to accelerate:** GDP growth is expected to recover in FY19, as the dark clouds of demonetisation and hiccups of GST transition fade away.
- ❖ **Earnings growth to improve, but already factored in:** Recovery in economic growth and commodity prices are favourable tailwinds for corporate earnings growth. In FY19, the corporate earnings will grow in mid-teens after many years of single-digit growth. However, the markets have already factored in the recovery in the earnings in the valuations.
- ❖ **Inflation to rise, but within comfort zone:** In last couple of years, inflation had fallen significantly supported by the sharp decline in crude oil prices, fall in food inflation due to two good monsoons and efficient food management by the government. In 2017, the CPI inflation dropped to 1.2% in June 2017 from 11.5% in November 2013. However, in the second half of the year, inflation rose continuously owing to rising commodity prices.
- ❖ **Portfolio strategy:** Since equity mutual funds have given significant returns in 2017, particularly due to the lower base, investors should focus on longevity of investments as equity market may not give high return compared to 2017 as market was near all time high in Dec 2017. In debt mutual funds, we suggest investors to invest in low duration debt funds since the fear of inflation and fiscal slippage could drag the returns of gilt and long term funds in 2018.



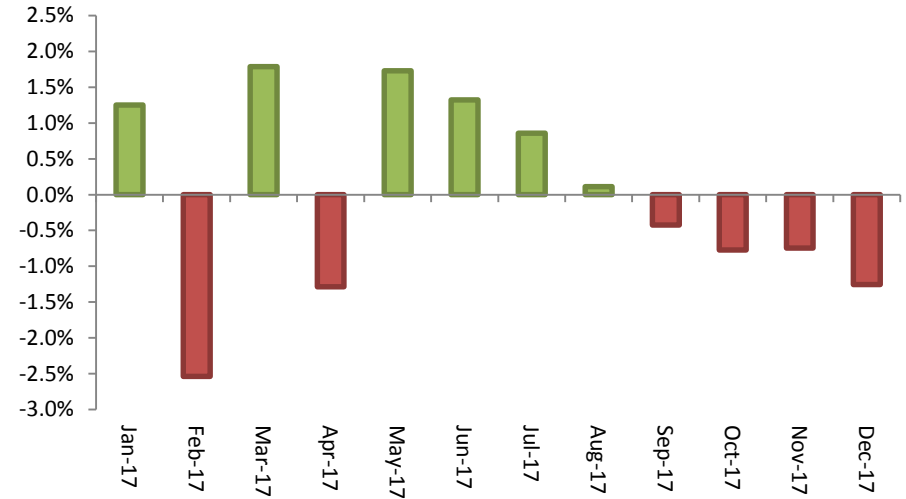
*Nifty figures as on December 29, 2017
Indices returns as on December 29, 2017



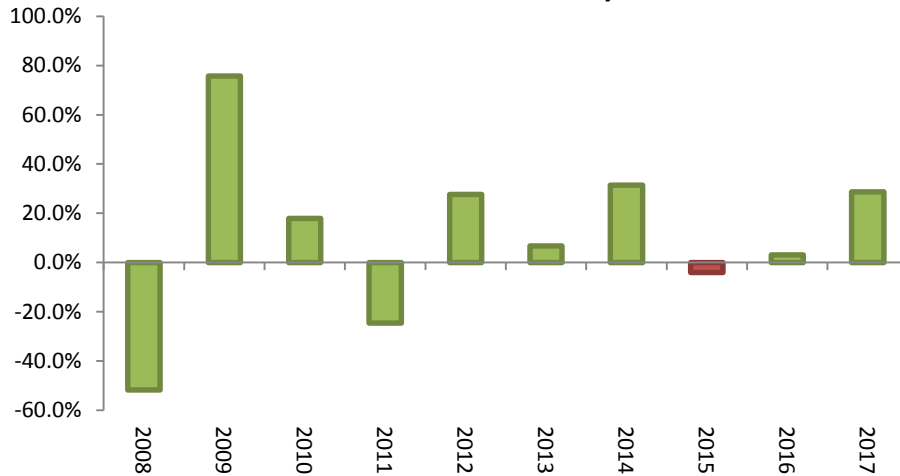
Nifty 50 Returns in 2017



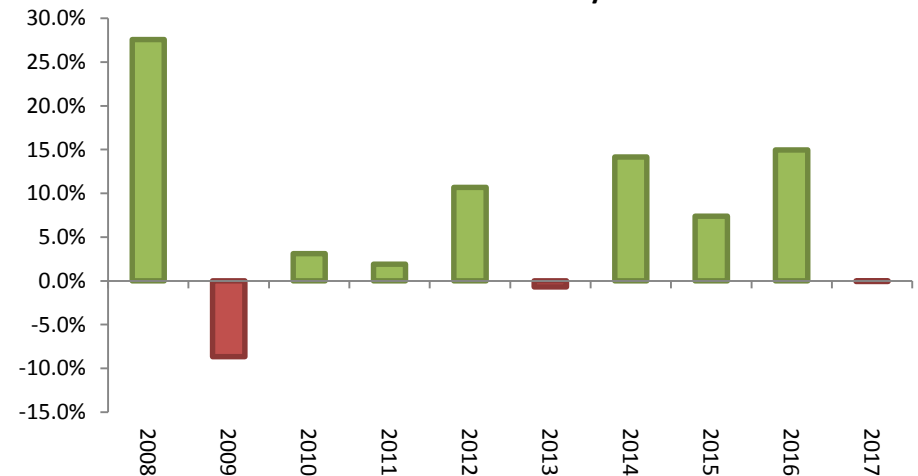
Bond Returns in 2017



NIFTY 50 Returns in last 10 years



Bond Returns in last 10 years

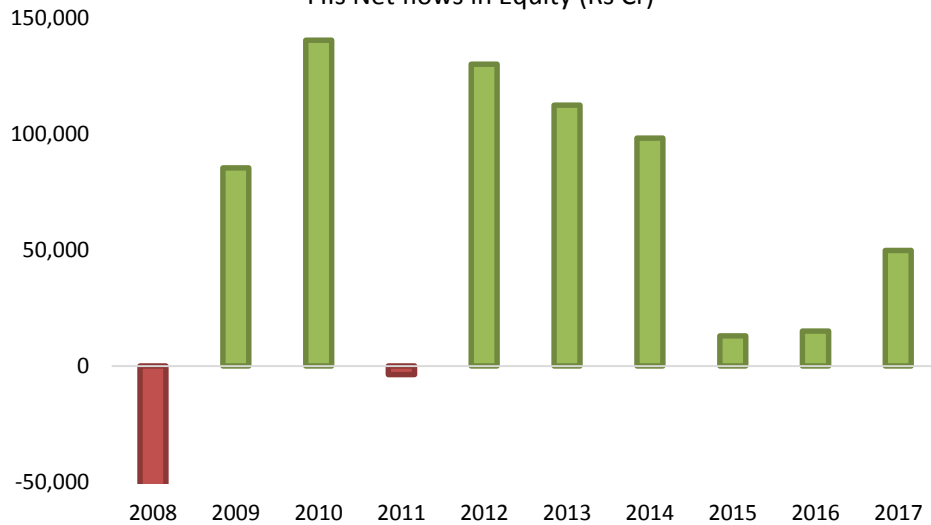


*Nifty figure as on December 29, 2017
Indices returns as on December 29, 2017

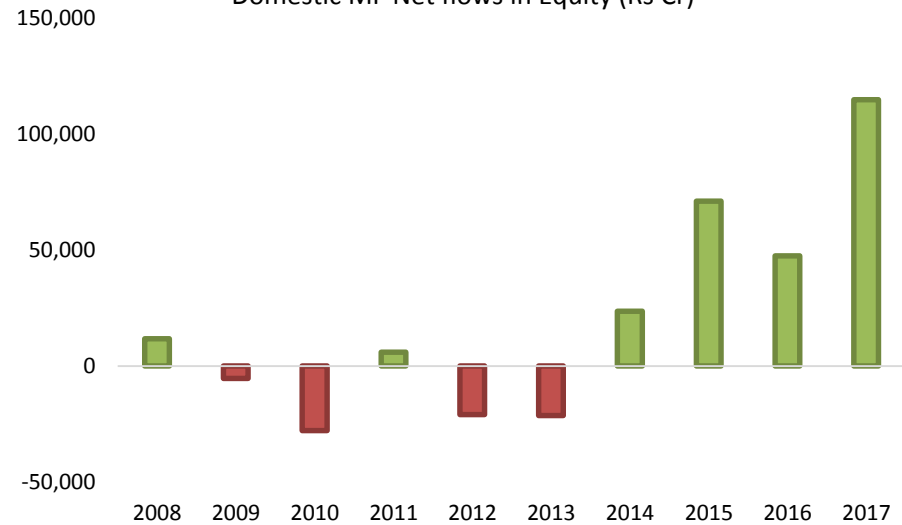
Indian Market Performance Review - 2017



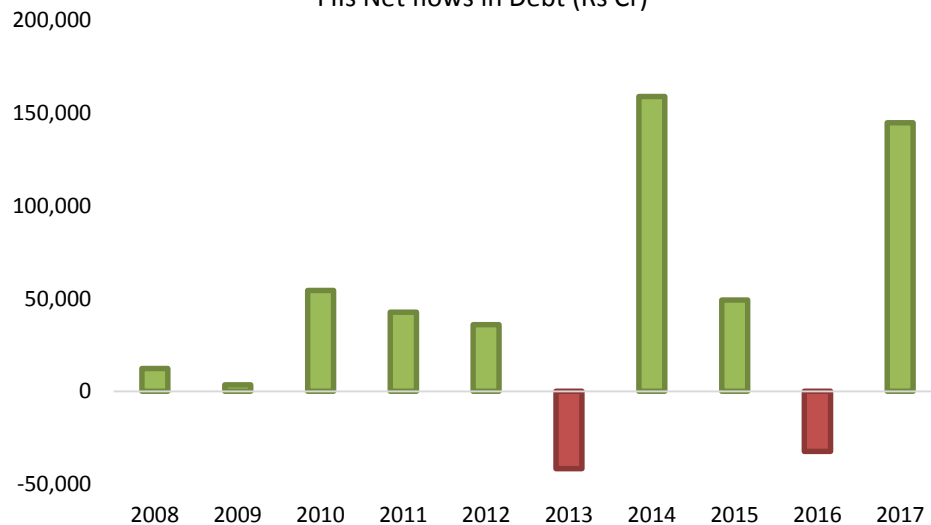
FII Net flows in Equity (Rs Cr)



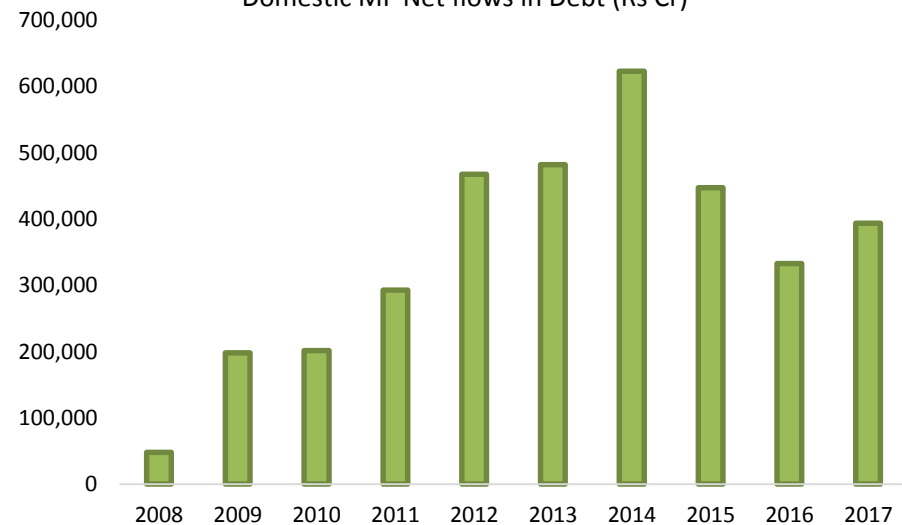
Domestic MF Net flows in Equity (Rs Cr)



FII Net flows in Debt (Rs Cr)



Domestic MF Net flows in Debt (Rs Cr)



*FII figures as on December 28, 2017 and Domestic MF as on December 21, 2017



- ❖ The Average Assets Under Management (AAUM) were at an all time high of ~₹22.73 lakh cr in Nov 2017. Investors are positive about investing in both mutual funds as well as equities.
- ❖ Record breaking inflows into the mutual fund industry has doubled the AUM in the last 3 years. Over April 2017–Nov 2017, the mutual fund industry received ₹40,780cr via SIPs.
- ❖ Equity mutual funds have given enormous returns in 2017. On an average, equity mutual funds and balance funds have given returns of ~44% and ~25% respectively in the last 1 year.
- ❖ However, the returns of Gilt fund and long-term income funds have declined to ~3%, as RBI raised inflation projection to 4.6% from 4.2%, making the prospects of reduction in rate cut looks thin.
- ❖ The aforementioned data indicates that there is a significant shift in saving and investing habits of Indian investors. Investor sentiment will continue to shift to mutual funds, particularly in equity funds, since the equity market is outperforming the other asset classes.
- ❖ Thus, to create wealth for investors, we have short-listed five mutual funds as follows
 - ICICI Pru Balanced Fund
 - IIFL India Growth Fund
 - Aditya Birla SL Top 100 Fund
 - Axis Focused 25 Fund
 - Tata Equity P/E Fund

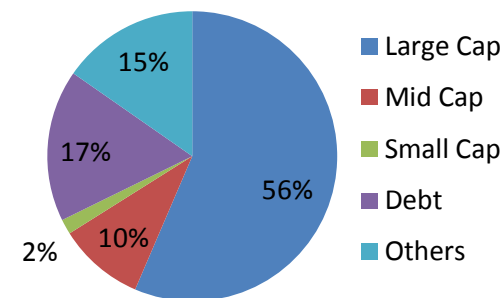


Fund Basic Details

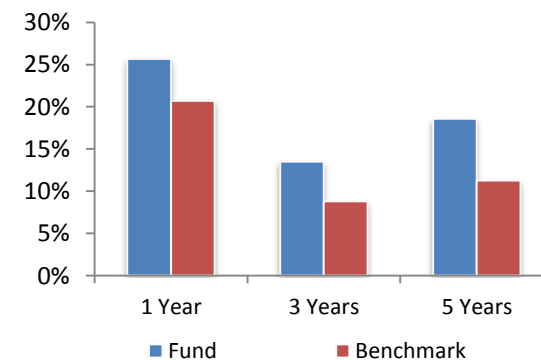
Fund Benchmark	CRISIL Balanced Fund - Aggressive Index	AUM (₹cr)	23,954
Inception Date	Nov 1999	Exit Load	Nil on 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y.
Fund Manager	Sankaran Naren, Atul Patel	Expense Ratio	2.20%

- ❖ It is an equity-oriented balanced fund which does tactical allocation between debt and equity based on the market outlook to ensure optimal risk reward.
- ❖ As of November 2017, the fund has invested ~68% of AUM in equity to give steady growth over long term, while ~17% is allocated to debt investments to cap the downside risk.
- ❖ In this fund, ~56% of the AUM is invested in large-cap stocks, while ~12% is invested in mid-cap and small-cap stocks.
- ❖ Investors who want to follow balanced approach i.e. 70% equity and ~30% debt can invest in the scheme to create wealth in long term.

Asset Allocation



Returns



Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
 Portfolio as on: November 2017; Returns and Ratios as on December 29, 2017
 Source: ACE MF

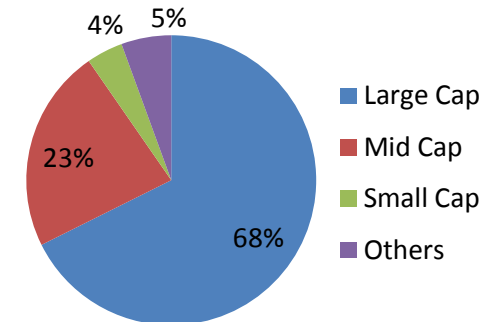


Fund Basic Details

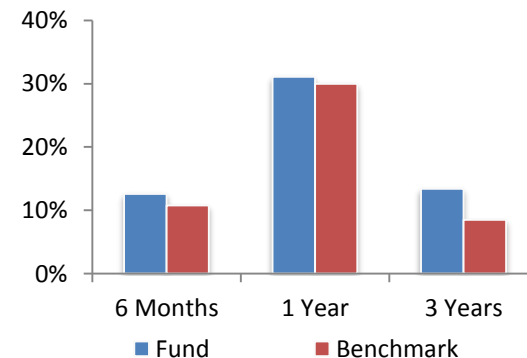
Fund Benchmark	NIFTY 50	AUM (₹cr)	415
Inception Date	Oct 2014	Exit Load	2% on or before 2M, Nil after 2M
Fund Manager	Prashasta Seth	Expense Ratio	2.78%

- ❖ It is an equity fund which aims to generate significant alpha by investing in 20-25 high conviction stocks rather than typical 50-70 stocks.
- ❖ As of November 2017, the fund has invested ~68% of AUM in large cap stocks and ~27% is allocated to mid cap and small cap stocks to give steady growth over long term.
- ❖ Investors who want their fund managers to invest in high conviction ideas rather than numerous stocks can invest in this fund to create wealth in long term.

Asset Allocation



Returns



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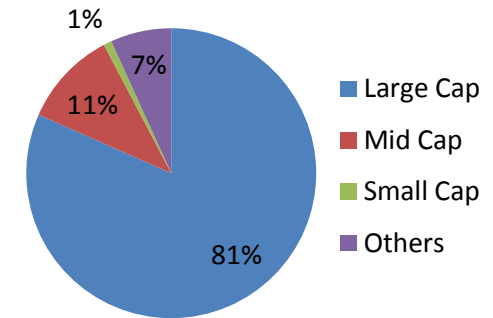


Fund Basic Details

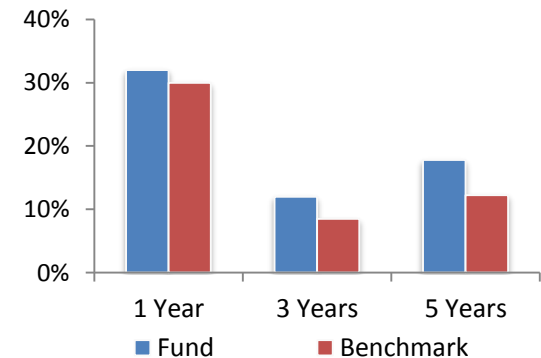
Fund Benchmark	Nifty 50	AUM (₹ cr)	3,703
Inception Date	Oct 2005	Exit Load	1% on or before 1Y, Nil after 1Y
Fund Manager	Mahesh Patil	Expense Ratio	2.28%

- ❖ It is an equity fund which primarily invests in top 100 stocks by market capitalization.
- ❖ The fund follows growth-cum-value investment style.
- ❖ As of November 2017, the fund has invested ~81% of AUM in large cap stocks and ~12% is allocated to mid cap and small cap stocks to give steady growth over long term.
- ❖ Investors who want to invest in large-cap stocks can invest in this fund to create wealth in long term.

Asset Allocation



Returns



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 Portfolio as on: November 2017; Returns and Ratios as on December 29, 2017
 Source: ACE MF

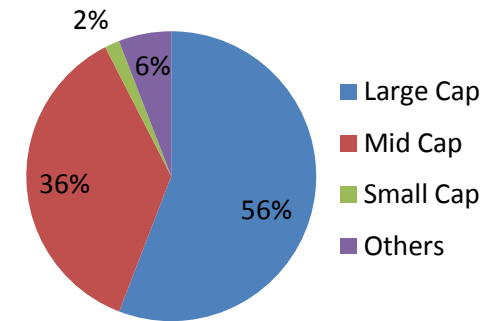


Fund Basic Details

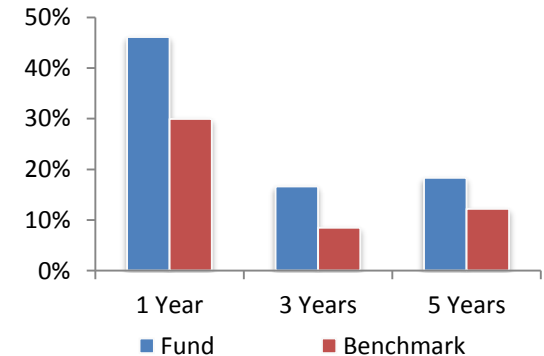
Fund Benchmark	Nifty 50	AUM (₹ cr)	2,324
Inception Date	June 2012	Exit Load	Nil for 10% of investments and 1% in excess of limit within 1Y, Nil after 1Y
Fund Manager	Jinesh Gopani	Expense Ratio	2.08%

- ❖ It is an equity fund that invests in high conviction stocks, maximum 25 stocks, from top 200 stocks by market capitalization.
- ❖ The fund's strategy is to invest in quality companies with credible management, sustainable profit growth and cash flow, and having clean balance sheet.
- ❖ As of November 2017, the fund has invested ~56% of AUM in large cap stocks and ~38% is allocated to mid cap and small cap stocks to give steady growth over long term.
- ❖ Investors who want to take exposure in high conviction large-cap and mid-cap stocks can invest in the fund to create wealth in long term.

Asset Allocation



Returns



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 Portfolio as on: November 2017; Returns and Ratios as on December 29, 2017
 Source: ACE MF

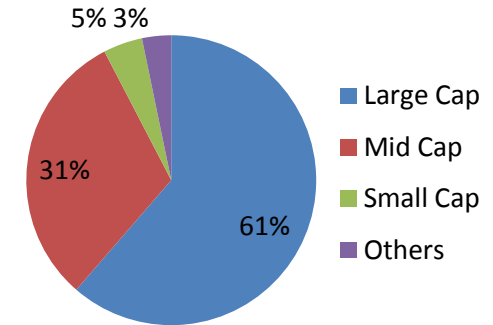


Fund Basic Details

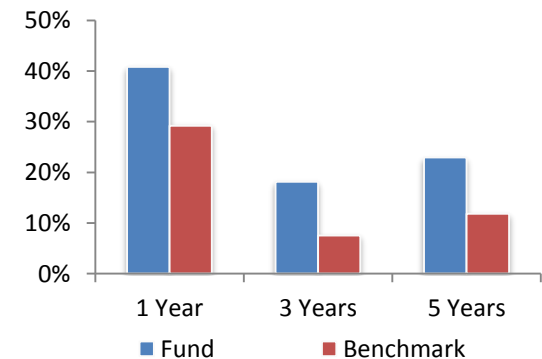
Fund Benchmark	S&P BSE Sensex	AUM (₹cr)	2,235
Inception Date	June 2004	Exit Load	1% on or before 1Y, Nil after 1Y
Fund Manager	Sonam Udasi	Expense Ratio	2.23%

- ❖ It is a value conscious equity fund which aims to invest 70-100% of its AUM in stocks whose 12 months rolling PE ratio is lower than 12 month rolling PE ratio of BSE Sensex.
- ❖ The remaining AUM is allocated in other equity and debt instruments.
- ❖ As of November 2017, the fund has invested ~61% of AUM in large cap stocks and ~36% is allocated to mid cap and small cap stocks to generate higher returns over long term.
- ❖ Value conscious investors can invest in the fund to create wealth in long term.

Asset Allocation



Returns



Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.
 Portfolio as on: November 2017; Returns and Ratios as on December 29, 2017
 Source: ACE MF

Key Benefits

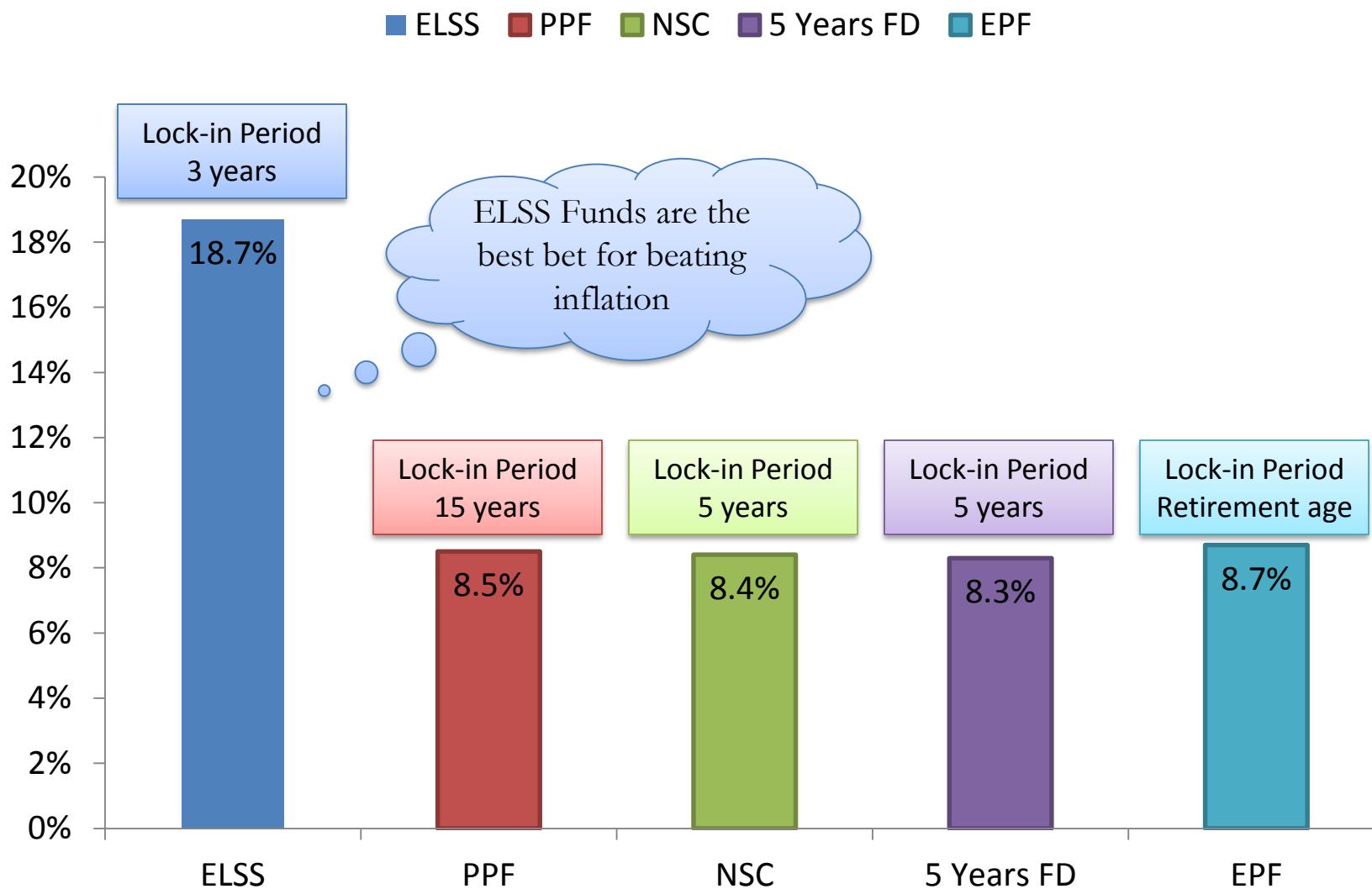
- An investor is eligible for tax deduction of up to ₹1.5 lakh p.a. u/s 80C of the income tax act 1961
- Save tax and create wealth in the long term
- Long-term capital gain and dividend received are tax-free
- No upfront charge
- Disciplined method of investing and inculcates a habit of saving
- Since it is difficult to invest a lump sum amount in one go, SIP helps a person to invest small amounts at regular intervals
- SIP payment is auto-debited from your linked bank account every month
- Lump sum – ₹500 | Monthly SIP – ₹500
- Below table exhibits the tax saving by investing ₹1.5 lakh in ELSS for different tax slabs.

Tax Bracket	5%	20%	30%
Tax Saving	₹7,725	₹30,900	₹46,350

*Includes 3% cess also

Benefits	Explanation
Shortest lock-in period	Shortest lock-in period of 3 years as compared to other tax saving instrument.
Creates wealth in long run	Historically, ELSS has given average return of 12-15% p.a., whereas, other fixed income instruments have given a return of 8-9% p.a.
Gives investment option	ELSS offers two investment options <ul style="list-style-type: none">• Growth option• Dividend option
Dividends are tax-free	Dividends received are tax-free in the hands of the customer right from the year of investment.
Tax free capital gains	The long-term capital gains from the investment are tax-free.

ELSS - Highest Return with Lowest lock-in period



Note: Return figures are as on December 29, 2017
Returns of all instruments are 5 years CAGR; ELSS return is average category return

Below mentioned are best ELSS schemes in the industry as they have given enormous returns in long-term

ELSS	Fund Manager	AUM (₹ Cr)	1 Y (%)	3 Y (%)	5 Y (%)
Aditya Birla SL Tax Relief '96(G)	Ajay Garg	4,349	45.2	17.9	22.3
Axis LT Equity Fund(G)	Jinesh Gopani	15,408	38.0	13.8	23.1
DSPBR Tax Saver Fund-Reg(G)	Rohit Singhania	3,571	37.6	16.9	20.8
IDFC Tax Advt(ELSS) Fund-Reg(G)	Daylynn Pinto	798	54.0	18.3	21.9
Reliance Tax Saver (ELSS) Fund(G)	Ashwani Kumar	10,157	47.9	14.2	23.0

Category-wise Return of Mutual Funds



Category	1 M (%)	3 M (%)	6 M (%)	1 Y (%)	3 Y (%)	5 Y (%)
Balanced Funds	1.6	6.5	9.8	25.3	10.9	15.3
ELSS	3.0	10.6	15.1	39.9	14.5	18.8
Large-Cap Equity Funds	2.1	8.3	12.9	34.5	12.2	16.0
Mid-Cap Equity Funds	4.2	13.9	18.6	45.8	18.6	24.8
Multi-Cap Equity Funds	3.0	10.5	15.5	38.5	14.2	18.4
Small-Cap Equity Funds	5.9	18.9	23.5	59.9	23.7	31.2
S&P BSE SENSEX	2.7	8.9	10.1	27.9	7.4	11.9
S&P BSE Mid-Cap	5.3	15.5	21.7	48.1	19.8	20.2
S&P BSE Small-Cap	5.5	19.3	24.8	59.6	20.2	21.1
Liquid Funds	0.5	1.6	3.2	6.4	7.3	8.0
Ultra-Short Term Funds	0.3	1.3	3.1	6.5	7.7	8.3
Short-Term Funds	0.0	0.7	2.4	5.9	7.9	8.4
Medium-Term Funds	-0.2	0.4	2.0	6.0	8.2	8.6
Long-Term funds	-0.5	-0.4	0.7	3.9	7.4	8.0
Gilt Funds	-1.1	-1.5	-0.8	2.8	7.9	8.5
MIP	0.2	1.9	3.9	10.2	8.8	10.0
Crisil Liquid Fund Index	0.5	1.6	3.2	6.6	7.5	8.1
Crisil Composite Bond Fund Index	-0.5	-0.5	1.0	4.7	8.7	8.8

Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.

Returns as on December 29, 2017

Source: ACE MF

Recommended Mutual Funds – Category-wise



Scheme Name	Fund Manager	AUM (₹ Cr)	6 M (%)	1 Y (%)	3 Y (%)	5 Y (%)
Balanced Fund						
HDFC Prudence Fund(G)	Prashant Jain	36,395	10.8	28.9	12.2	16.8
ICICI Pru Balanced Fund(G)	Sankaran Naren	23,954	11.0	25.7	13.5	18.6
Large Cap						
Aditya Birla SL Top 100 Fund(G)	Mahesh Patil	3,703	11.7	32.0	12.0	17.8
IIFL India Growth Fund-Reg(G)	Prashasta Seth	415	12.6	31.1	13.4	--
Multi-Cap						
Aditya Birla SL Equity Fund(G)	Anil Shah	7,958	12.4	34.4	16.9	21.6
Reliance Growth Fund(G)	Manish Gunwani	7,170	18.3	45.8	17.3	19.3
Mid-Cap						
SBI Magnum MidCap Fund-Reg(G)	Sohini Andani	4,081	13.4	34.2	18.0	25.8
UTI Mid Cap Fund(G)	Lalit Nambiar	4,257	21.7	42.6	16.6	26.9
Small-Cap						
Franklin India Smaller Cos Fund(G)	R. Janakiraman	7,075	18.7	44.5	20.9	30.1
Reliance Small Cap Fund(G)	Samir Rachh	5,664	28.9	64.9	26.3	34.5

Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.

AUM as on: Nov 2017; Returns as on December 29, 2017

Source: ACE MF,

Recommended Mutual Funds – Category-wise



Scheme Name	Fund Manager	AUM (₹ Cr)	6 M (%)	1 Y (%)	3 Y (%)	5 Y (%)
ELSS						
Aditya Birla SL Tax Relief '96(G)	Ajay Garg	4,349	19.2	45.2	17.9	22.3
Reliance Tax Saver (ELSS) Fund(G)	Ashwani Kumar	10,157	20.3	47.9	14.2	23.0
Debt Mutual Funds						
HDFC Corporate Debt Opportunities Fund-(G)	Shobhit Mehrotra	13,674	2.4	6.8	8.9	--
ICICI Pru Income Opportunities Fund(G)	Manish Banthia	4,360	1.6	5.5	8.4	8.7
Franklin India ST Income Plan(G)	Santosh Kamath	9,218	3.5	8.7	8.7	9.4
UTI Income Opp Fund(G)	Ritesh Nambiar	4,078	2.9	7.0	8.7	9.0

Returns less than 1 year are absolute; Returns greater than 1 year are CAGR.

AUM as on: Nov 2017; Returns as on December 29, 2017

Source: ACE MF,

Annexure

- **Model Portfolios – Mutual Funds**

Model Portfolios – Mutual Funds



Aggressive

Sr No.	Scheme Name	Allocation (%)
1	Birla SL Equity Fund(G)	25%
2	HDFC Mid-Cap Opportunities Fund(G)	20%
3	ICICI Pru Midcap Fund(G)	20%
4	DSPBR Small and Mid Cap Fund(G)	20%
5	Franklin India Smaller Cos Fund(G)	15%
Total		100%

Moderate

Sr No.	Scheme Name	Allocation (%)
1	HDFC Prudence Fund(G)	25%
2	ICICI Pru Balanced Fund(G)	20%
3	SBI BlueChip Fund-Reg(G)	25%
4	Birla SL Equity Fund(G)	15%
5	HDFC Mid-Cap Opportunities Fund(G)	15%
Total		100%

Conservative

Sr No.	Scheme Name	Allocation (%)
1	HDFC Medium Term Opportunities Fund(G)	20%
2	HDFC Prudence Fund(G)	20%
3	ICICI Pru Balanced Fund(G)	20%
4	Reliance Growth Fund(G)	20%
5	SBI BlueChip Fund-Reg(G)	20%
Total		100%



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