



**IIFL SECURITIES**

***Investment Strategy Report***

February 2021

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# Budget 2021-22 Highlights

# Key Highlights (1/2)

## ➤ **Fiscal Situation**

- FY21 Fiscal Deficit pegged at 9.5% of GDP and is needed to be funded through additional borrowings of Rs 80,000 crores in the next 2 months
- Fiscal Deficit for FY22 is pegged at 6.8% of the GDP
- The government has set divestment target of Rs 1.75 Lakh crores for FY22

## ➤ **Healthcare**

- The government announced New Health Scheme with an allocation of Rs 64,180 crores
- The Urban Swachh Bharat Mission 2.0 is to be launched with an outlay of Rs 1.41 Lakh crores to be spent over the next 5 years
- Allocated Rs 1.47 Lakh crores for wastewater treatment, reduction in plastic waste, reduction in pollution
- Launched The Jal Jeevan Mission (Urban) with a proposed outlay of Rs 2.87 Lakh crore

## ➤ **Manufacturing**

- Proposed to spend Rs 1.97 Lakh crores over 5 years to nurture global manufacturing champions and increase employments
- Raised customs duty on solar inverters from 5% to 20% and solar lanterns from 5% to 15%
- Proposed a mega-investment textile park with 7 more textile parks to be established over the next 3 years
- Announced Scrapage Policy to reduce vehicular pollution and rationalize oil import bills

# Key Highlights (2/2)

## ➤ **Infrastructure**

- National infrastructure pipeline proposed to expand which will cover 7400 projects
- Announced to spend Rs 1.1 Lakh crores for railways in FY22
- Proposed Rs 1.2 Lakh Crores for Ministry Of Road Transport And Highways

## ➤ **Banking, Financial Services & Insurance**

- Raised FDI limit in insurance companies from current 49% to 75%
- Announced Rs 20,000 crores for Bank Capitalization in FY22
- Proposed to set up a Development Financial Institution with an outlay of Rs 5 lakh crores
- Proposed to set up an asset reconstruction company that will take over the bad loans of banks

## ➤ **Commodities**

- The budget proposed to reduce duty on copper scrap from 5% to 2.5% to provide relief to copper recyclers
- Proposed rationalization of custom duty on Gold and Silver (to be brought down to 7.5%)
- Raised customs duty on cotton from 0% to 10%, on raw silk and silk yarn from 10% to 15%
- Reduced customs duty uniformly to 7.5% on semi, flat and long products of non-alloy, alloy and stainless steel products
- Exempted duty on steel scrap till March 2022

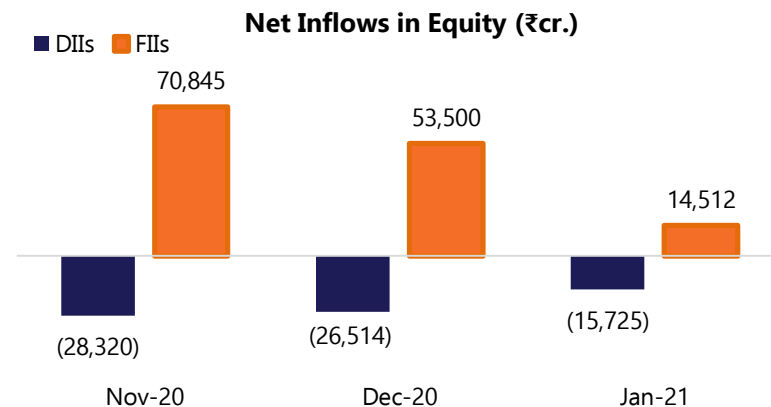
# Market Update & Outlook

# Market Update

- The upward momentum of global equity markets succumbed to GameStop episode in the US towards the end of January
- Global market sentiments have been sluggish due to stalled vaccine rollouts in the west and contagious new coronavirus strains
- Indian markets too lost their momentum as market participants turned cautious ahead of the Union Budget on February 1, 2021
- Nifty 50 declined 2.1%, while BSE Sensex lost 2.8% on MoM basis in January 2021
- Broader markets attempted to be resilient during the month as investors kept searching value in the mid and small cap space
- FIIs bought ₹14,512cr (vs. ₹53,500cr bought MoM) in Indian equities, while DIIs sold ₹15,725cr worth of equities (vs. ₹26,514cr sold MoM) during the month

**Combination of fears of surge in speculative trading, concerns around the pace of vaccination, and emergence of new coronavirus strains hurt the market sentiments across the globe. The risk-off sentiments dominated despite announcement of \$1.9tn Economic Relief package by the US govt and the Fed's assurance of maintaining accommodative stance. However, the ongoing volatility seems intermittent in nature and the global markets may soon find feet on talks of more stimulus packages by developed economies amid very high levels of global liquidity.**

Index	Jan 29, 2021	1 M (%)	1 Y (%)
NIFTY 50	13,635	(2.1)	12.4
S&P BSE SENSEX	46,286	(2.8)	12.3
S&P BSE Mid-Cap	18,082	1.5	14.8
S&P BSE Small-Cap	17,988	0.1	21.2
Dow Jones	30,603	0.7	6.5
Nasdaq-100	13,202	2.8	45.2
S&P 500	3,787	1.4	15.6
Hang Seng	28,551	8.5	2.2
Nikkei 225	28,197	5.0	21.5



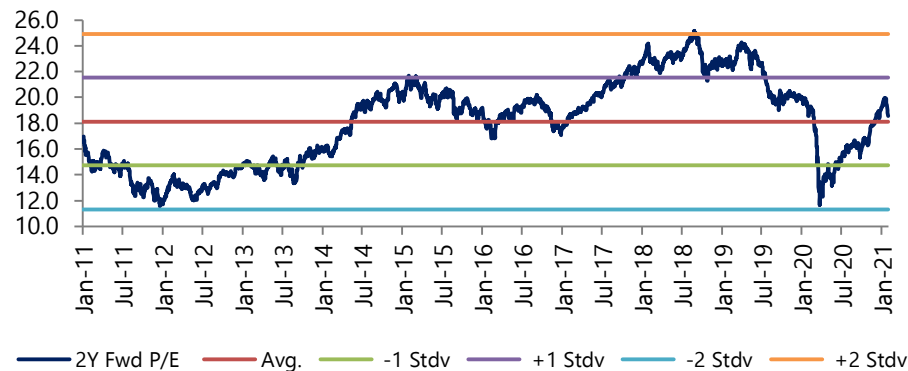


# Equity Outlook

- Nifty 50 2Y forward PE (18.5x), based on FY23 estimated earnings, was trading at a marginal premium of 2.3% to its 10yr rolling average PE multiple of 18.1x at the end of January 2021
- Thus the medium term forward multiples for the benchmark index seem to be available at a reasonable levels due to recent corrections amid better than expected earnings results and corporate commentaries
- Meanwhile, the World Bank estimated the Indian economy to contract 9.6% in FY21 due to sharp drop in household spending and private investments
- In January 2021, The Indian currency remained resilient despite surge in benchmark crude oil prices. Rupee was largely stable around 73 vs the USD at the end of the month

**India's frontline indices are currently trading at very steep valuations despite significant sell-offs in domestic equities towards the end of January. However, if viewed beyond 2022, Indian equities look reasonably priced on the back of brighter growth prospects in the medium term. Earnings growth driven by further opening up of the economy, low cost of capital, and increased momentum of structural reforms would help in justifying valuations over a period of time. Thus, investors are required to rationalize their equity exposure as per their risk profile and maintain adequate asset allocation on a continuous basis.**

### Nifty 2Y Forward P/E (FY23E)



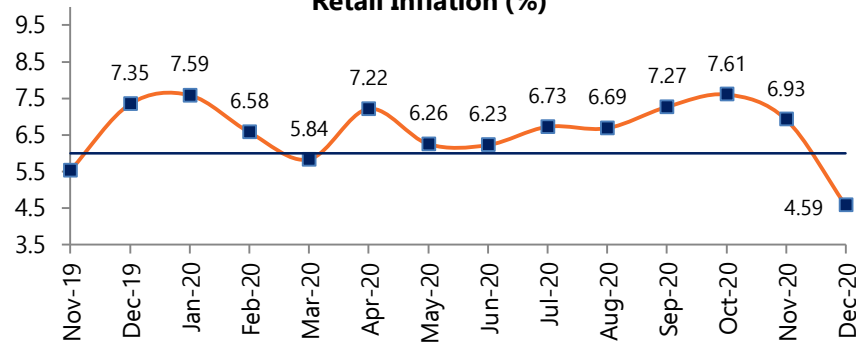
# Fixed Income Outlook

- In January 2021, India's 10-year bond yields remained flat at around 5.9% despite RBI's intent to normalize short term rates
- However, the central bank reiterated its commitment to remain accommodative and maintain excess liquidity to support economic growth
- Based on FY23 estimated earnings, earnings yields continue to command premium over the current bond yields
- Although December retail inflation cooled off to 4.6% and was within the RBI's target range (4%±2%), the possibility of rate reduction is negligible and there is upside risk due to inflation strengthening on the back of increasing commodity prices
- **As the RBI has hinted at normalization of liquidity position in the system, bond yields may have an upward bias over a period of time. Although inflation has significantly cooled off from its recent peak, broad-based reduction in the policy rates is out of sight in light of pick-up in the global commodity prices, especially crude oil. However, RBI's commitment to remain accommodative coupled with persistently high levels of global liquidity will keep a check on any rapid advancement in bond yields. Thus fixed income investors should continue to stick to lower duration debt instruments. Moreover, as the bond yields may remain volatile with an upward bias, debt investors may include a floater fund in their portfolio.**

### Yield Spread



### Retail Inflation (%)



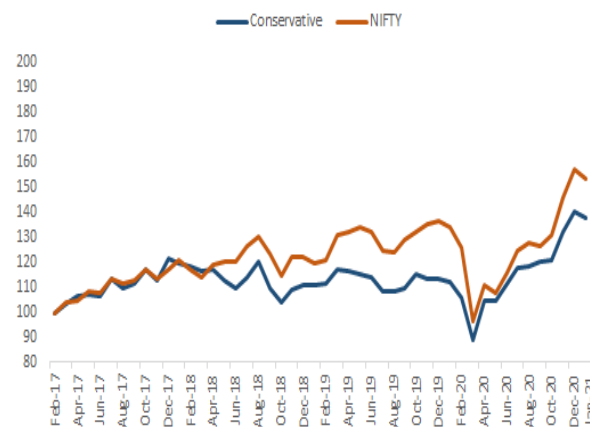
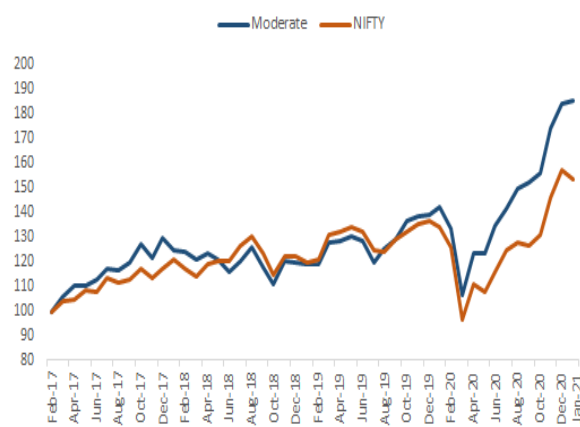
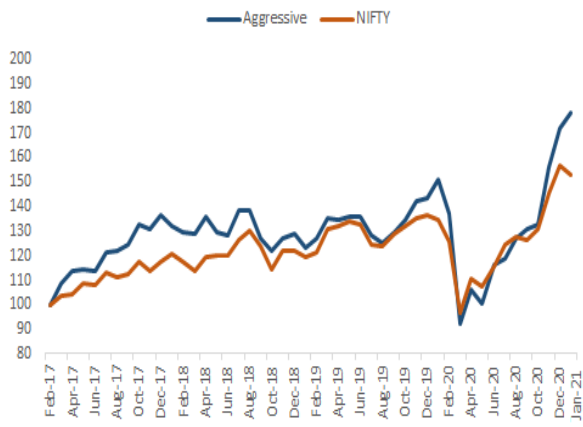
# Model Portfolios – Direct Equity

Investment Objective & Portfolio Strategy - Aggressive portfolio targets above market returns using high beta and midcap ideas. Moderate portfolio uses Multi-cap approach to reduce volatility. Conservative portfolio is built with objectives of less volatility and capital protection.

Aggressive	Allocation (%)	Moderate	Allocation (%)	Conservative	Allocation (%)
Axis Bank	8	HDFC Life Insurance Company	8	NHPC	8
Gujarat Gas	7	ICICI Bank	7	Bharti Airtel	7
Crompton Greaves Consumer Electricals	8	Infosys	7	TCS	9
ICICI Bank	8	HCL Technologies	8	Hindustan Unilever	8
Persistent Systems	9	Dr. Reddy's Labs	7	Hero Motocorp	8
Larsen & Toubro	8	ICICI Lombard General	8	HDFC Bank	9
SRF	9	Cadila Healthcare	8	ICICI Lombard General	9
Deepak Nitrite	8	Bharat Electronics	7	ITC	9
SBI Life Insurance Company	9	Bharti Airtel	8	Dr. Reddy's Labs	8
Infosys	9	Reliance Industries	7	Dabur India	9
Sudarshan Chemicals	8	Ashok Leyland	8	Reliance Industries	7
Qess Corp	9	ACC	9	Cipla	9
--	--	Emami	8	--	--
<b>Total</b>	<b>100</b>	<b>Total</b>	<b>100</b>	<b>Total</b>	<b>100</b>
<b>Risk Reward Statistics</b>		<b>Risk Reward Statistics</b>		<b>Risk Reward Statistics</b>	
Portfolio Beta	0.93	Portfolio Beta	0.87	Portfolio Beta	0.76
Sharpe Ratio	0.79	Sharpe Ratio	0.79	Sharpe Ratio	0.63
Portfolio Std. Deviation	47.46	Portfolio Std. Deviation	46.67	Portfolio Std. Deviation	39.85

# Model Portfolio - Returns

Portfolios/Index	Absolute % Returns		CAGR % Return		Valuation Multiples (1Yr Forward))	
	6 M	1 Yr	2 Yr	Since Inception	P/E	P/BV
Aggressive	49.6	18.0	20.1	15.9	23.7	4.4
Moderate	31.0	30.3	24.8	17.0	32.6	4.1
Conservative	17.0	23.2	11.6	8.6	31.9	5.5
NIFTY 50	23.1	14.0	13.1	11.5	20.2	2.9



Source: ACE Equity, IIFL Research, returns as on January 31st 2021



# **Mutual Fund Recommendations**

# Recommended Equity & Hybrid Mutual Funds

Scheme Name	Fund Manager	AUM (₹Cr)	Returns (%)				Risk	Recommended Horizon
			1 Y	3 Y	5 Y	10 Y		
Canara Rob Bluechip Equity Fund(G)	Shridatta Bhandwaladar	1,364	18.1	11.8	15.1	12.5	Very High	5 Years
IIFL Focused Equity Fund(G)	Mayur Patel	1,353	20.2	14.0	17.5	--	Very High	5 Years
UTI Equity Fund(G)	Ajay Tyagi	14,861	23.3	13.0	15.5	13.8	Very High	5 Years
Axis Midcap Fund(G)	Shreyash Devalkar	8,515	18.1	13.5	15.5	--	Very High	7-8 Years
Nippon India Small Cap Fund(G)	Samir Rachh	10,916	19.9	1.7	14.5	18.1	Very High	8-10 Years
ICICI Pru Asset Allocator Fund(FOF)(G)	Sankaran Naren	9,000	12.6	9.8	12.3	10.7	High	5 Years

*Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021*  
*Source: ACE*

# Canara Robeco Blue Chip Equity Fund

## Fund Basic Details

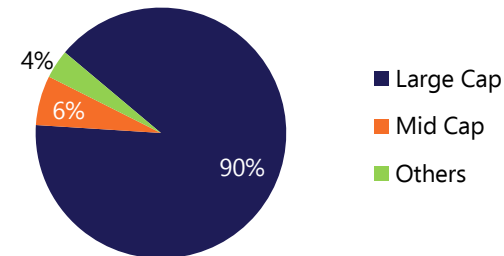
Benchmark	S&P BSE 100 – TRI	AUM (₹cr)	1,364
Inception Date	August 2010	Exit Load	1% on or before 1Y, Nil after 1Y
Fund Manager	Shridatta Bhandwalder	Expense Ratio	2.2%

- It is an equity fund that primarily invests (at least 80% of AUM) in top 100 companies by market capitalization
- The scheme also aims to invest up to 20% in debt and other equity and equity related instruments. Invests up to 10% in REITs / INVITs
- Thus the scheme focuses to identify large companies which are considered to be the “Leaders” in their respective businesses in terms of scale and size, which is one reason why their stocks are less volatile
- As of December 2020, the fund had invested 90% of AUM in large cap stocks while 6% was invested in mid cap stocks. The fund had highest allocation to Banks (23.9%) followed by Information Technology (15.3%)
- Its top stock holdings consist of HDFC Bank (8.6%) followed by Infosys (8.1%) and ICICI Bank (7.3%)
- Investors who prefer to invest in a diversified portfolio of blue chip stocks can invest in this fund to create wealth in the long term
- Suitable for investors with high risk appetite and at least 5 years of investment horizon

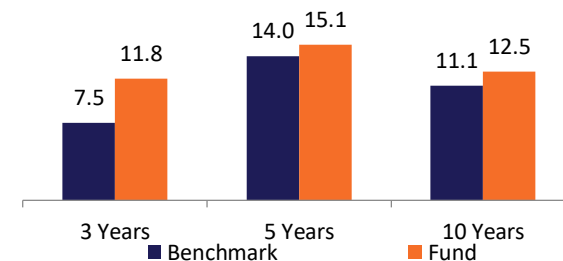
Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

## Asset Allocation



## Returns (%)



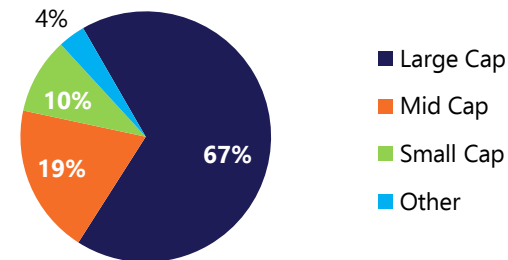
# IIFL Focused Equity Fund

## Fund Basic Details

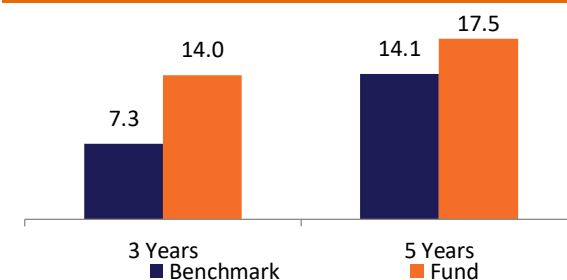
Benchmark	S&P BSE 200 – TRI	AUM (₹cr)	1,353
Inception Date	October 2014	Exit Load	1% on or before 12M
Fund Manager	Mayur Patel	Expense Ratio	2.1%

- Focused category mutual fund schemes aim to generate superior return through a concentrated portfolio of equity & equity related instruments
- IIFL Focused Equity Fund's key objective is to generate long term capital appreciation from a portfolio of equity & equity related securities by investing in maximum 30 stocks of various market capitalization
- The scheme follows multi cap approach with orientation towards large cap companies. Its stock selection criteria is based on three attributes viz. (1) companies which are prime beneficiaries of secular growth, (2) companies which are poised for strong uptick in performance due to cyclical upturn, (3) defensives which are poised for higher growth
- As of December 2020, the fund had invested 67% of AUM in large cap stocks while allocation to mid cap and small cap stocks was 19% and 10% respectively. The fund had highest allocation in Banks (20.3%) followed by IT (11.5%). Its top holdings consist of ICICI Bank (9.8%) followed by HDFC Bank (6.0%) and Infosys (5.7%)
- Investors with high risk appetite and an investment horizon of at least 5 years, can look to invest in this scheme to accumulate wealth in the long run

## Asset Allocation



## Returns (%)



Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE



# UTI Equity Fund

## Fund Basic Details

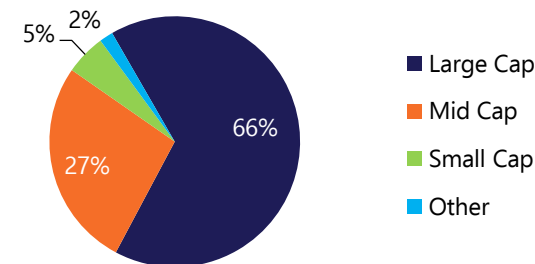
Benchmark	Nifty 500 – TRI	AUM (₹cr)	14,861
Inception Date	August 2005	Exit Load	Nil upto 10% of investment and 1% for remaining investment on or before 1Y, Nil after 1Y
Fund Manager	Ajay Tyagi	Expense Ratio	2.1%

- The fund aims to generate long term capital appreciation by investing predominantly in equity and equity related securities of companies across the market capitalization
- The scheme focuses on high quality businesses that have an ability to show strong growth for a long period of time and are run by seasoned managements
- The fund follows a bottom up stock selection with well defined metrics of free cash flows, capital efficiency and ability to compound earnings
- As of December 2020, the fund had invested 66% of AUM in large cap stocks while 27% was invested in mid cap stocks. The fund had highest allocation to Information Technology (14.4%) followed by Banks (14.3%)
- Its top stock holdings comprise of Bajaj Finance (6.6%), HDFC Bank (5.7%) and Larsen & Toubro (4.7%)
- Investors who prefer to invest in a diversified portfolio of stocks can invest in this fund to create wealth in the long term
- This scheme is suitable for investors with very high risk appetite and at least 5 years of investment horizon

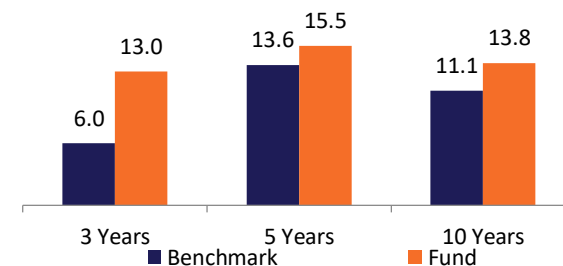
Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

## Asset Allocation



## Returns (%)



# Axis Midcap Fund

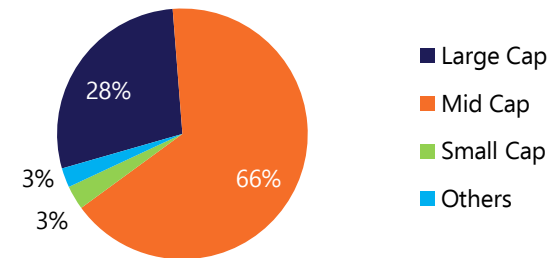
## Fund Basic Details

Benchmark	S&P BSE Midcap – TRI	AUM (₹cr)	8,515
Inception Date	February 2011	Exit Load	Nil up to 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y
Fund Manager	Shreyash Devalkar	Expense Ratio	1.9%

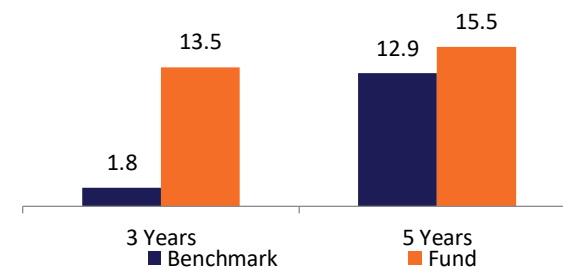
- It is an equity based fund that aims to generate capital appreciation by actively managing a diversified portfolio of a mid cap stocks (The companies ranked from 101<sup>st</sup> to 250<sup>th</sup> by market capitalization)
- The fund looks to identify and invest in midcap companies that have the potential to deliver superior returns due to potential of faster earnings growth
- As of December 2020, the fund had invested 66% of AUM in mid cap stocks, while 28% was invested in large cap stocks. The fund had highest allocation to Pharma (10.%) followed by Banks (9.8%)
- The scheme's top holdings comprise of Cholamandalam Investment & Finance (4.5%), PI Industries (4.0%) and Voltas (3.7%)
- Investors looking for inflation-beating superior returns in the long run can invest in this scheme
- Mid cap funds are suitable for those investors who very high appetite for market volatility and investment horizon of 7-8 years

Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021  
Source: ACE

## Asset Allocation



## Returns (%)



# Nippon India Small Cap Fund

## Fund Basic Details

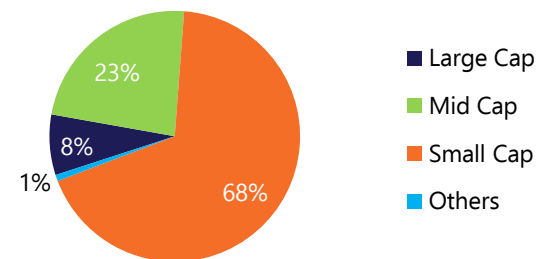
Benchmark	S&P BSE Small Cap – TRI	AUM (₹cr)	10,916
Inception Date	September 2010	Exit Load	Nil upto 10% of units and 1% for remaining units on or before 12M, Nil after 12M
Fund Manager	Samir Rachh	Expense Ratio	2.1%

- The scheme predominantly invests in equity and equity related instruments of small cap stocks (The companies ranked 251<sup>st</sup> and beyond by market cap)
- The scheme identifies small cap companies which are mid caps of tomorrow and offer dual advantage of high growth prospects and relatively low valuation
- Thus the fund focuses on good growth businesses with reasonable size, quality management and rational valuation
- As of December 2020, 68% of its AUM was invested in small cap stocks while 23% was invested in mid cap stocks. It has highest allocation to Chemicals (7.6%) followed by Auto Ancillaries (6.1%)
- The fund's top stock holdings comprise of Deepak Nitrite (4.5%), Navin Flourine (2.9%) and Tube Investments (2.9%)
- Investors who are seeking to invest in a diversified portfolio of small cap stocks and desire for risk adjusted returns in the long run can invest in this scheme
- This open ended scheme is relevant for investors who have very high risk appetite with investment horizon of 8-10 years

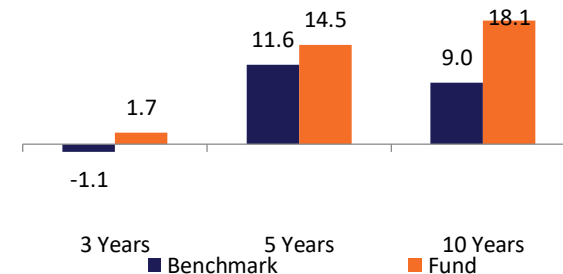
Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

## Asset Allocation



## Returns (%)



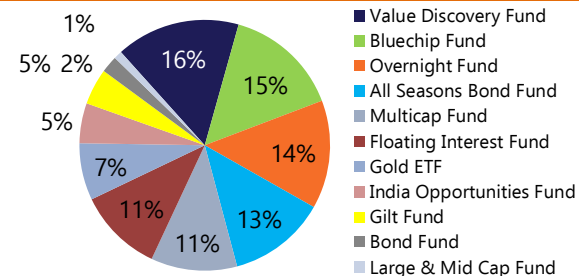
# ICICI Pru Asset Allocator Fund(FoF) – Balanced Hybrid

## Fund Basic Details

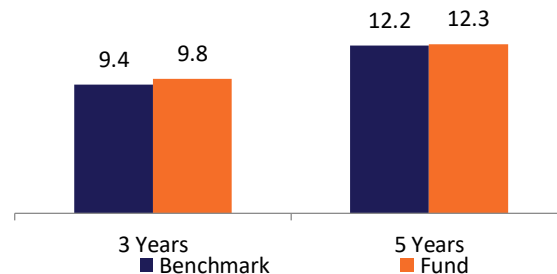
Benchmark	CRISIL Hybrid 50 + 50 - Moderate Index	AUM (₹cr)	9,000
Inception Date	December 2003	Exit Load	Nil up to 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y
Fund Manager	Sankaran Naren	Expense Ratio	1.4%

- ICICI Pru Asset Allocator Fund is an open ended fund-of-funds (FoF) scheme which invests in equity oriented schemes, debt oriented schemes and gold ETFs schemes
- It is an actively managed fund that aims to generate better risk-adjusted returns through optimum allocation of debt and equity based on their relative attractiveness and opportunities available in respective markets
- As of December 2020, the scheme's top holdings are ICICI Pru Discovery Fund (14.7%), ICICI Pru Blue chip Fund (13.7%), ICICI Pru Overnight Fund (12.9%), ICICI Pru All Seasons Bond Fund (11.6%), ICICI Pru Multicap Fund (10.2%)
- The scheme is ideal for those investors who struggle around the most critical aspects of investing that is asset allocation, instrument selection and timing the market
- Conservative investors with moderately high risk appetite can invest in this scheme to generate wealth in the long term

## Asset Allocation (All the schemes are of ICICI Pru.)



## Returns (%)



Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

# Recommended Debt Mutual Funds

Scheme Name	AUM (₹cr)	YTM (%)	Returns(%)				Rating Profile AAA & Equiv.	Modified Duration(Yrs )	Risk	Minimum Recommended Horizon
			6M	1Y	3Y	5Y				
ICICI Pru Ultra Short Term Fund(G)	8,558	4.6	2.5	6.1	7.4	7.8	54.5	0.4	Moderately High	6 months
Kotak Low Duration Fund(G)	11,678	4.6	2.5	7.3	7.7	7.8	54.6	1.0	Moderate	1 Year
HDFC Floating Rate Debt Fund(G)	15,274	4.8	3.5	8.7	8.2	8.1	66.9	1.3	Moderate	1 Year
Axis Banking & PSU Debt Fund(G)	16,896	4.3	2.4	8.5	9.0	8.5	88.3	1.5	Moderate	3 Years
IDFC Bond Fund - Short Term Plan(G)	14,042	4.4	2.3	8.6	8.4	7.9	83.6	1.9	Moderate	3 Years

Note: Returns less than 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

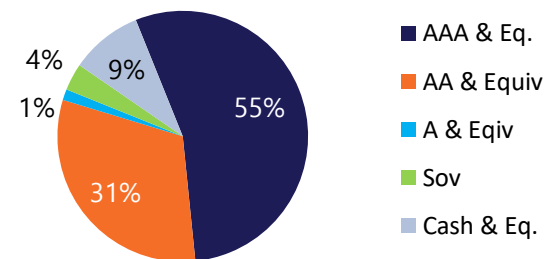
# ICICI Prudential Ultra Short Term Fund

## Fund Basic Details

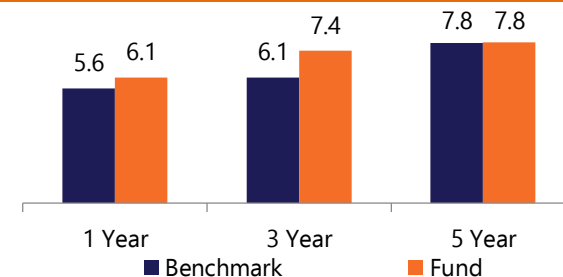
Benchmark	NIFTY Ultra Short Duration Debt	AUM (₹cr)	8,558
Inception Date	May 2011	Exit Load	Nil
Fund Manager	Manish Banthia	Expense Ratio (%)	1.0

- The scheme aims to generate income through investments in a range of debt and money market instruments
- The scheme invests in debt instruments such that the Macaulay Duration of the portfolio is between 3 months to 6 months
- The investments in fixed income securities are done in such a manner that the modified duration of the constructed portfolio is 0.39 years
- The average yield to maturity (YTM) of the fund is 4.6%
- As of December 2020, the fund had invested 55% of the total AUM in AAA rated debt instruments and 31% was invested in AA rated debt securities
- The fund is suitable for the conservative investors looking for:
  - Short term regular income
  - Debt portfolio comprising debt and money market instruments
- Debt investors with a horizon of at least 6 months can invest in this scheme

## Rating Profile



## Returns (%)



Note: Returns less than 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

# Kotak Low Duration Fund

## Fund Basic Details

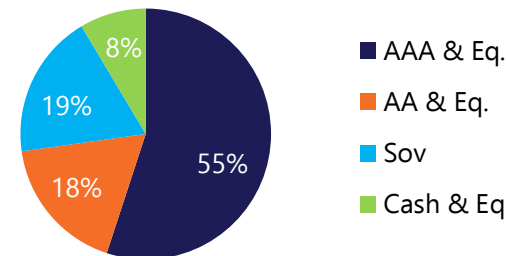
Benchmark	NIFTY Low Duration Debt Index	AUM (₹cr)	11,678
Inception Date	March 2008	Exit Load	Nil
Fund Manager	Deepak Agrawal	Expense Ratio (%)	1.2

- The fund's objective is to generate income through investment primarily in low duration debt & money market securities
- The scheme invests in debt instruments such that the Macaulay Duration of the portfolio is between 6 months to 12 months
- The investments in fixed income securities are done in such a manner that the modified duration of the constructed portfolio is 1.0 years
- The average yield to maturity (YTM) of the fund is 4.6%
- As of December 2020, the fund had invested 55% of the total AUM in AAA rated debt instruments, 19% in Sovereign debt securities and 18% in AA rated papers
- The fund is suitable for the investors who are looking for:
  - Regular income over the short period of time
  - Attractive risk-adjusted returns through active management of credit risk and interest rate risk in the portfolio
- Suitable for investors with a horizon of at least 1 year

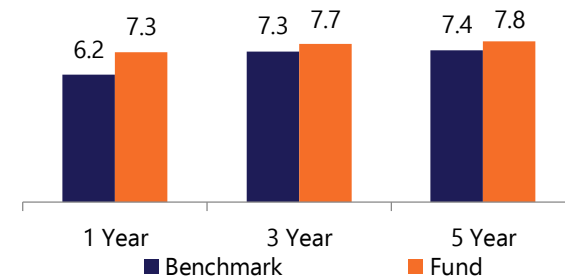
Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

## Rating Profile



## Returns (%)



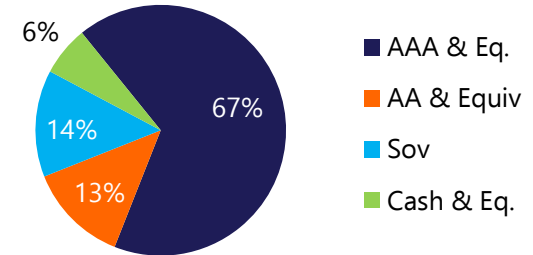
# HDFC Floating Rate Debt Fund

## Fund Basic Details

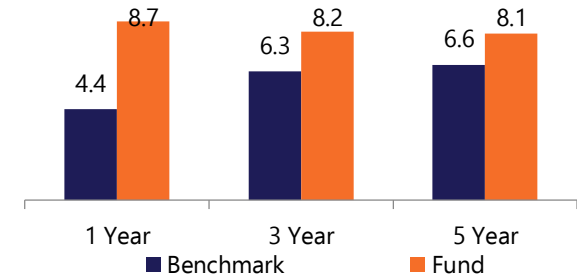
Fund Benchmark	CRISIL Liquid Fund Index	AUM (₹cr)	15,274
Inception Date	October 2007	Exit Load	Nil
Fund Manager	Shobhit Mehrotra	Expense Ratio (%)	0.5

- The scheme aims to generate income through investing predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)
- It endeavors to develop a well-diversified portfolio of debt (including securitized debt) and other instruments and invests in debt securities according their credit quality, liquidity, interest rates and outlook
- The investments in fixed income securities are done in such a manner that the modified duration of the constructed portfolio is 1.3 years
- The average yield to maturity (YTM) of the fund is 4.8%
- As of December 2020, the fund had invested 67% of the total AUM in AAA rated debt instruments while 14% was parked in Sovereign debts
- The scheme is ideal for those investors who are looking for short term income through a portfolio of floating rate instruments
- Investors with a horizon of at least 1 year can invest in this scheme

## Rating Profile



## Returns (%)



Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE



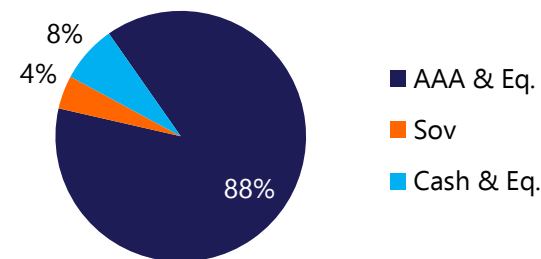
# Axis Banking & PSU Debt Fund

## Fund Basic Details

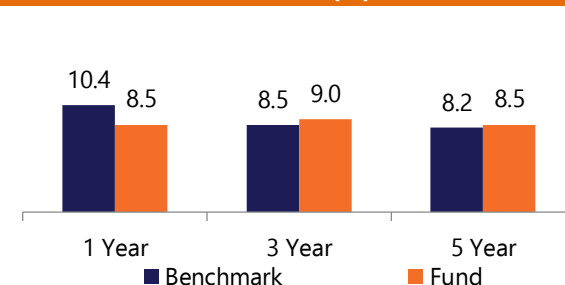
Benchmark	NIFTY Banking & PSU Debt Index	AUM (₹cr)	16,896
Inception Date	June 2012	Exit Load	Nil
Fund Manager	Aditya Pagaria	Expense Ratio	0.6%

- Axis Banking & PSU Debt Fund aims to generate income through investing in debt instruments of Banks, Public Sector Undertakings (PSUs) & Public Financial Institutions (PFIs)
- The investments in fixed income securities are done in such a manner that the modified duration of the constructed portfolio is 1.5 years
- The average yield to maturity (YTM) of the fund is 4.3%
- As of December 2020, the fund had invested 88% of the total AUM in AAA rated debt instruments while 8% was parked in cash and cash equivalent
- The scheme is ideal for those investors who are looking for:
  - Alternatives to traditional fixed savings instruments
  - Medium term savings
- Investors with a horizon of at least 3 years can invest in this fund

## Rating Profile



## Returns (%)



Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

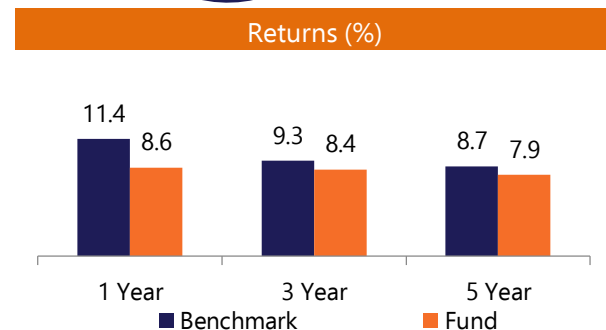
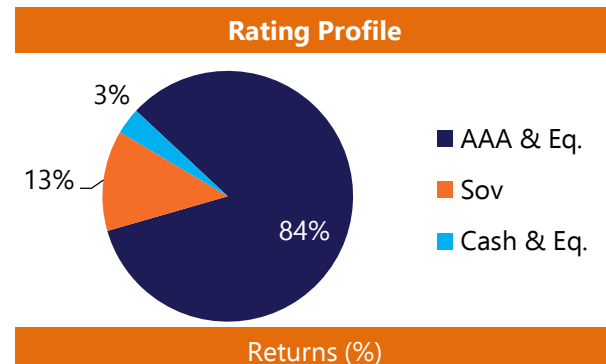
Source: ACE

# IDFC Bond Fund - Short Term Plan

## Fund Basic Details

Benchmark	NIFTY AAA Short Duration Bond Index	AUM (₹cr)	14,042
Inception Date	December 2000	Exit Load	Nil
Fund Manager	Suyash Choudhary	Expense Ratio	0.8%

- The objective of this fund is to generate regular income from a portfolio which is a mix of short duration debt and money market instruments
- The scheme invests in debt instruments such that the Macaulay Duration of the portfolio is between 1 years and 3 years
- The investments in fixed income securities are done in such a manner that the modified duration of the constructed portfolio is 1.9 years
- The average yield to maturity (YTM) of the fund is 4.4%
- As of December 2020, the fund had invested 84% of the total AUM in AAA rated debt instruments and 13% in sovereign debts
- The fund is suitable for the investors who are looking for:
  - Regular income over the short to medium term
  - Attractive risk-adjusted returns through active management of credit risk and interest rate risk in the portfolio
- Suitable for investors with a horizon of at least 3 years



Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

# **Specific Themes & Funds**

# Pharma – Staging a Comeback

## Why Indian Pharma

- Globally, there is a need to diversify the supply chain away from China, which controls about 70% of global supply of bulk drugs and key materials. India is one of the few countries that scores well on catering to this demand, which will play out well in the long term.
- The Indian pharma industry is starting to benefit from low but growing health insurance penetration and increasing access to healthcare in rural areas.
- One sector where Indian players are dominant globally is generic pharma. The manufacturing and R&D ecosystem is now well developed which adds to the industry's competitiveness.

## How to Invest

- Companies in the pharma sector vary significantly in their R&D capabilities, product categories/pipelines, target markets etc. It takes a great deal of experience and continuous research to build a healthy portfolio.
- It is therefore preferred to **invest via professionally managed schemes** with a good track record in this space. Mirae Asset Healthcare Fund, DSP Healthcare Fund, and ICICI Pru Pharma Healthcare & Diagnostics (P.H.D) Fund are our top picks in this category.

Performance	AUM (₹ crore)	6 M (%)	1 Y (%)	Risk
DSP Healthcare Fund – Growth	1,043	26.7	58.2	Very High
Mirae Asset Healthcare Fund - Growth	1,210	19.4	54.3	Very High
ICICI Pru Pharma Healthcare & Diagnostics Fund – Growth	2,159	21.7	55.2	Very High
<b>S&amp;P BSE Healthcare Index (TRI)</b>	--	<b>19.2</b>	<b>45.4</b>	

*Note: Returns are absolute; AUM as on Dec 2020; Returns as on Jan 29, 2021*

*Source: ACE MF*

## Key Features & Benefits

- Gold is a special asset class and therefore provides additional diversification in the investment portfolio
- It is considered as a hedge against both inflation and rupee depreciation
- The presence of gold in the portfolio reduces volatility in one's net worth
- It offers portfolio a defense during times of uncertainty such as war, geopolitical issues or unprecedented scenario such as Covid-19
- Overhang of US-China trade war coupled with rising geopolitical tension in Asia is likely to push gold prices higher in the short term
- Moreover, unprecedented global liquidity pumped by large economies may help gold prices to stay afloat for a notable period of time

Thus gold is a must have asset class in the portfolio. However, it is not seen as an instrument for generating returns and meet long term financial goals. Instead, it is seen as an instrument for hedge against inflation, currency depreciation and global economic / political uncertainty. Therefore it is advised to allocate up to 15% of the total portfolio in gold for hedging and to add an additional asset class in the portfolio. Investors can invest in gold through ETFs, Mutual Funds, Sovereign Gold Bonds, Digital / Physical Gold. Below are some recommended gold ETFs and gold based mutual fund schemes:

Scheme Name	AUM (₹cr)	CAGR Returns (%)			Risk
		1 Y	3 Y	5 Y	
ICICI Pru Gold ETF(G)	1,651	18.3	16.2	11.3	Moderately High
SBI-ETF Gold(G)	1,886	19.0	16.4	11.5	Moderately High
Nippon India Gold Savings Fund(G)	1,346	19.4	15.7	11.3	Moderately High

*Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021  
Source: ACE*

# Other Themes and Funds

Scheme Name	AUM (₹cr)	Returns (%)			Asset Allocation (%)			Risk	Recommended Horizon
		3 Y	5 Y	10 Y	Large Cap	Mid Cap	Small Cap		
<b>Equity Linked Savings Schemes (ELSS)</b>									
Mirae Asset Tax Saver Fund(G)	5,489	9.5	19.0	--	69.5	18.5	7.0	Very High	5 Years
Canara Robeco Equity Tax Saver Fund(G)	1,476	12.3	15.1	13.2	71.4	21.0	4.8	Very High	5 Years
Axis Long Term Equity Fund(G)	27,181	9.4	13.6	16.8	85.1	9.7	4.2	Very High	5 Years
<b>Sectoral / Tactical Themes</b>									
UTI Transportation & Logistics Fund(G)	1,373	-4.5	6.4	15.7	68.8	17.7	12.0	Vey High	8-10 Years
ICICI Prudential Manufacture in India Fund(G)	580	--	--	--	63.9	16.1	14.1	Very High	8-10 Years
Invesco India Contra Fund(G)	6,010	6.5	14.8	14.2	68.8	17.8	11.6	Very High	8-10 Years
ICICI Pru Technology Fund(G)	1,185	23.8	19.2	17.9	46.4	19.3	27.6	Very High	8-10 Years
Invesco India PSU Equity Fund(G)	162	-0.5	8.3	6.3	46.1	26.4	23.2	Very High	8-10 Years
Nippon India Power & Infra Fund(G)	1,225	-5.5	8.5	3.9	52.0	18.9	27.1	Very High	8-10 Years
<b>Equity ETFs / Index Funds</b>									
ICICI Prudential Nifty Next 50 Index Fund(G)	931	0.9	11.7	11.2	91.1	8.8	--	Very High	5 Years
UTI Nifty Index Fund(G)	3,173	8.0	13.5	10.1	100.0	--	--	Very High	5 Years
Liquid Fund	AUM (₹cr)	Returns (%)			Rating Profile (%)		YTM (%)	Risk	Recommended Horizon
		1Y	3Y	5Y	AAA	Sovereign			
Nippon India Liquid Fund(G)	23,245	4.1	6.0	6.5	56.4	30.8	3.1	Low to Moderate	3+ Months

Note: Returns are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021  
Source: ACE

# Model Portfolios – Mutual Fund

# Very Aggressive Risk Profile

- The objective of the strategy is to generate substantial wealth in the long run for investors from a portfolio of very aggressive equity oriented mutual fund schemes
- The strategy takes a concentrated position in mid cap, small cap, sector and thematic schemes and endeavors to strategically change allocation within different themes depending on changes in the business cycles.

Sr. No	Scheme Name	Allocation (%)	CAGR % Return				Quant's	
			1 Yr	3 Yr	5 Yr	10 Yr	Beta	NAV
1	UTI Equity Fund(G)	25.0	23.3	13.0	15.5	13.8	0.8	194.9
2	IIFL Focused Equity Fund(G)	25.0	20.2	14.0	17.5	--	0.8	22.6
3	ICICI Pru Balanced Advantage Fund(G)	15.0	10.1	8.0	10.8	12.2	0.0	42.3
4	Axis Mid Cap Fund(G)	20.0	18.1	13.5	15.5	--	0.6	49.0
5	Nippon India Small Cap Fund(G)	15.0	19.9	1.7	14.5	18.1	0.7	50.0
Total		100.0						

Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE



# Aggressive Risk Profile

- The objective of the strategy is to generate substantial wealth in the long run for investors from a portfolio of aggressive equity oriented mutual fund schemes
- The strategy takes position in mutual funds across different market-cap and themes and endeavors to strategically change allocation within different categories depending on changes in the business cycles.

Sr. No	Scheme Name	Allocation (%)	CAGR % Return				Quant's	
			1 Yr	3 Yr	5 Yr	10 Yr	Beta	NAV
1	Axis Bluechip Fund(G)	15.0	12.8	12.1	15.0	13.1	0.8	36.5
2	IIFL Focused Equity Fund(G)	20.0	20.2	14.0	17.5	--	0.8	22.6
3	UTI Equity Fund(G)	25.0	23.3	13.0	15.5	13.8	0.8	194.9
4	ICICI Pru Balanced Advantage Fund(G)	20.0	10.1	8.0	10.8	12.2	0.0	42.3
5	Kotak Low Duration Fund(G)	20.0	7.3	7.7	7.8	8.5	0.0	2,615.8
Total		100.0						

*Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021  
Source: ACE*

# Moderate Risk Profile

- The objective of the strategy is to generate risk-adjusted capital appreciation for investors from a portfolio of equity oriented mutual fund schemes with a moderately high risk appetite. Primarily to beat inflation without having too much volatility.
- The strategy takes a balanced position in mutual funds across key asset classes and endeavors to strategically maintain balance between different categories depending on changes in the business cycles.

Sr. No	Scheme Name	Allocation (%)	CAGR % Return				Quant's	
			1 Yr	3 Yr	5 Yr	10 Yr	Beta	NAV
1	Canara Rob Bluechip Equity Fund(G)	15.0	18.1	11.8	15.1	12.5	0.8	32.7
2	UTI Equity Fund(G)	15.0	23.3	13.0	15.5	13.8	0.8	194.9
3	ICICI Pru Balanced Advantage Fund(G)	25.0	10.1	8.0	10.8	12.2	0.0	42.3
4	Kotak Low Duration Fund(G)	20.0	7.3	7.7	7.8	8.5	0.0	2,615.8
5	HDFC Floating Rate Debt Fund(G)	25.0	8.7	8.2	8.1	8.6	0.0	37.8
Total		100.0						

Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

# Conservative Risk Profile

- The objective of the strategy is to generate risk-adjusted capital appreciation for investors from a portfolio of debt oriented mutual fund schemes. Primarily to avoid any potential loss and preserve capital.
- The strategy takes a concentrated position in debt funds across different durations and endeavors to tactically manage allocation within debt schemes depending on changes in macroeconomic scenario.

Sr. No	Scheme Name	Allocation (%)	CAGR % Return				Quant's	
			1 Yr	3 Yr	5 Yr	10 Yr	Beta	NAV
1	Mirae Asset Large Cap Fund(G)	15.0	12.2	6.7	14.8	14.5	0.9	61.0
2	Axis Banking & PSU Debt Fund(G)	15.0	8.5	9.0	8.5	--	0.0	2047.4
3	HDFC Floating Rate Debt Fund(G)	25.0	8.7	8.2	8.1	8.6	0.0	37.8
4	Kotak Low Duration Fund(G)	25.0	7.3	7.7	7.8	8.5	0.0	2,615.8
5	ICICI Pru Balanced Advantage Fund(G)	20.0	10.1	8.0	10.8	12.2	0.0	42.3
Total		100.0						

Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE

# Very Conservative Risk Profile

- The objective of the strategy is to generate risk-adjusted capital appreciation for investors from a portfolio of debt mutual fund schemes. Primarily to avoid any potential loss and preserve capital.
- The strategy is to constitute a portfolio of debt funds across different durations and endeavors to tactically manage allocation within the debt schemes based on changes in macroeconomic scenario.

Sr. No	Scheme Name	Allocation (%)	CAGR % Return				Quant's	
			1 Yr	3 Yr	5 Yr	10 Yr	Beta	NAV
1	ICICI Pru Ultra Short Term Fund(G)	25.0	6.1	7.4	7.8	--	0.0	21.4
2	Kotak Low Duration Fund(G)	25.0	7.3	7.7	7.8	8.5	0.0	2,615.8
3	HDFC Floating Rate Debt Fund(G)	20.0	8.7	8.2	8.1	8.6	0.0	37.8
4	Axis Banking & PSU Debt Fund(G)	15.0	8.5	9.0	8.5	--	0.0	2047.4
5	IDFC Bond Fund - Short Term Plan(G)	15.0	8.6	8.4	7.9	8.4	0.0	44.5
Total		100.0						

Note: Returns for 1 year are absolute; Returns greater than 1 year are CAGR; AUM as on Dec 2020; Returns as on Jan 29, 2021

Source: ACE



# **Non-MF Product Recommendations**

# IIFL Multicap and Multicap Advantage PMS

## IIFL Multicap PMS

The objective is to generate long term capital appreciation for investors from a portfolio of equity & equity related securities.

The portfolio manager aims to achieve the investment objective by:-

- Investing in a concentrated basket of 20-25 stocks with a bias towards large cap stocks
- Actively use sector rotation to align with changes in business cycles to generate Alpha
- Portfolio Manager shall follow the SCDV framework for portfolio construction

### Investment Philosophy – SCDV Framework

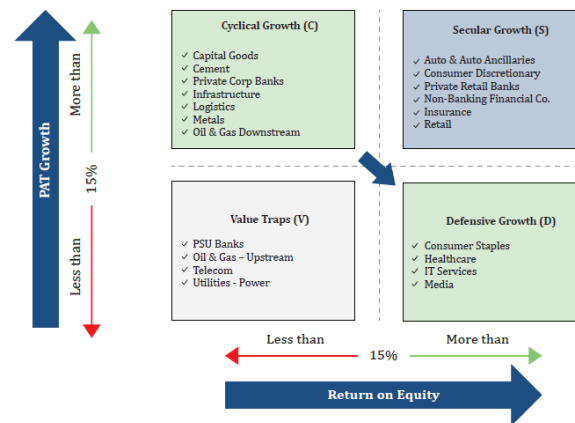
- Cyclical (PAT > 15%, ROE < 15%) – Companies/ Sectors that show high growth but are affected by market cycles, hence need to be timed for entry and exit
- Secular (PAT > 15%, ROE > 15%) – High growth companies / sectors which show consistent growth across market cycles
- Defensive (PAT < 15%, ROE > 15%) – Companies / sectors that show consistent stable growth across market cycles
- Value Trap (PAT < 15%, ROE < 15%) – Companies/ sectors that are at attractive valuation but do not show commensurate growth.

## IIFL Multicap Advantage PMS

The portfolio manager aims to take a concentrated position in portfolio of 20-25 stocks with a bias towards Large cap stocks with an objective of generating wealth over long period; at the same time hedge the portfolio using At the Money Nifty 50 Put option to safeguard against downside risk

Investment Allocation :-

- Equity Investment – up to 100% of corpus
- Put Options (for Hedging) – up to 8% of corpus\*
- Liquid scheme of Mutual funds and other securities as per FM discretion



# IIFL Multicap and Multicap Advantage PMS

## Performance

Strategy/Benchmark	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	Since Inception
IIFL Multicap PMS	7.3	23.6	36.5	21.0	23.9	15.7	19.5
S&P BSE 200 TRI	7.8	23.8	36.6	17.9	14.1	9.5	10.9
IIFL Multicap Advantage	6.3	18.9	28.7	23.8	28.9	17.1	17.5
S&P BSE 200 TRI	7.8	23.8	36.6	17.9	14.1	9.5	10.8

*Inception: IIFL Multicap PMS: Dec 2014 & IIFL Multicap Advantage PMS: Dec 2017*

*Returns as on 31<sup>st</sup> Dec, 2020*

**Mitul Patel**, Strategy Manager for IIFL Multicap PMS, has an overall experience of 14 years across areas of Equity Research, Fund Management, Private Equity Advisory and Investment banking. Apart from managing the strategies of Portfolio Management Services offered by IIFL Asset Management Limited (IIFL AMC), he also heads research for listed equities and is responsible for generating investment ideas across sectors and market capitalizations. He has been instrumental in setting up the research desk at IIFL AMC and also directly tracks companies in the Chemicals, Auto and Pharma sectors. Prior to joining IIFL AMC, Mitul spent 7 years with Laburnum capital, a boutique investment management firm.

## Key Terms

Management fee	2.50% per annum
Brokerage	0.12% of the transaction value (plus applicable statutory levies)
Other charges	Statutory/Other charges as applicable(STT/Demat/Custodial Charges/Service Tax, etc.)
Exit fees	1 <sup>st</sup> year: 3%; 2 <sup>nd</sup> year: 2%; 3 <sup>rd</sup> year: 1%; Thereafter: Nil
Recommended Investment horizon	36 months and above
Taxation	As per equity taxation

# Marcellus Consistent Compounders PMS

- Invests in a concentrated portfolio of maximum 20 stocks of heavily moated companies, that can drive healthy earnings compounding over long periods with very little volatility
- Large Cap portfolio with a focus companies which have economic moats and are leaders in their respective industry known to compound wealth over long horizon while not taking too many risks – Key steps in identifying consistent compounders being:
  1. Identify Companies with clean accounts :using 10 accounting checks (ratios) of over six years consolidated financial
  2. Identify Companies with superior capital allocation: using a twin-filter criteria of double digit Y-o-Y Revenue Growth & Return on Capital > Cost of Capital, each year for 10 years in a row
  3. Amongst the companies which pass the above steps – identify those with barriers to entry: in-depth bottom-up research of 10-15 stocks which consistently compound earnings
- Being patient with a portfolio helps cut out 'noise' of trying to time entry / exit decisions. With no churn, their filter based approach also reduces transaction costs.

Timing entry / exit from CCP does not make sense, while trying to time Index might make a lot of sense

Type of Company	Downside	Long Term Earnings Growth	Does Timing make sense?
Mediocre Quality Company	High	Low	Yes
High Quality Company	Low	High	No

Investment	Entry Price	Exit Price (after 10 yrs)	Performance (CAGR)
Sensex (pre-2008 crash)	100	300	12%
Sensex (bottom of the crash)	30	300	26%
CCP (pre-2008 crash)	100	1000	26%
CCP (bottom of the crash)	70	1000	30%



# Marcellus Consistent Compounders PMS

## Performance

Strategy/Benchmark	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Since Inception (%)
Marcellus CCP	2.2	10.1	35.0	24.3	10.8
Nifty 50	7.7	23.2	36.2	16.8	12.8

*Inception – December 2018*

*Returns as on 31st Dec, 2020*

## About the Investment Manager

Marcellus Investment Managers was founded in 2018 and currently has US\$300m in assets under management and advisory. The founders have worked together for the past 15years:

- Saurabh Mukherjee, CFA – Chief Investment Officer; former CEO of Ambit Capital where assets under advisory were \$800mn. MSc in Economics from London School of Economics; Member of SEBI's Asset Management Advisory Committee.
- Rakshit Ranjan, CFA, Portfolio Manager at Marcellus formerly, Portfolio manager of Ambit Capital's Coffee Can PMS, which was one of India's Top Performing Equity products during 2018. He is a B.Tech from IIT (Delhi)

## KEY TERMS

Minimum Investment	50 Lakh
Management fee	2.0% per annum (Fixed)
Variable/Performance Fee	Nil
Exit fees	Nil
Recommended Investment horizon	36 months and above
Taxation	As per equity taxation

*\*Returns less than 1 year are absolute; Returns greater than 1 year are CAGR*

# Sundaram Emerging Leadership Fund (S.E.L.F.) PMS

The objective of the strategy is to seek long term capital appreciation with investments in mid-cap companies.

The portfolio manager aims to achieve the investment objective by:-

- Taking a bet on Sundaram's mid & small cap strength but differentiated with a concentrated portfolio and attractive cap curve positioning
- Creating a concentrated 20-30 stocks multi sector portfolio
- Picking Stocks with less than Rs. 500bn market cap
- Identifying stocks in the Mid & Small Cap space that are in early stages of their business cycle and could emerge as tomorrow's large caps.

## 3Qs - Quality approach to stock selection

### Quality of Business

Pricing power, profitability, growth, brand strength, capital intensity, complexity of business

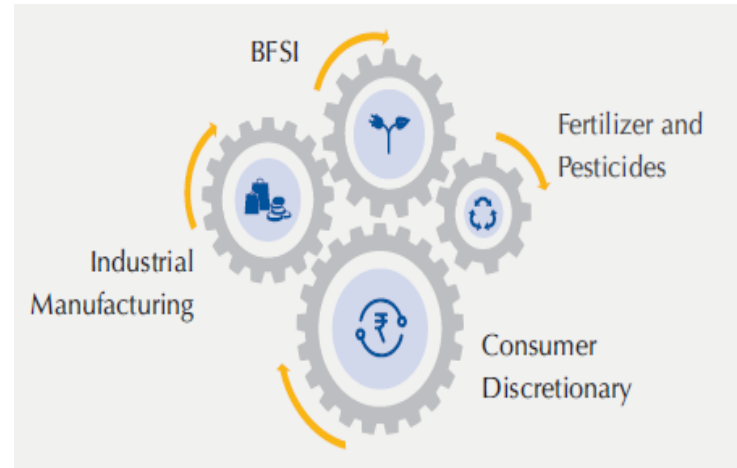
### Quality of Management

Track record, management bandwidth, corporate governance

### Quality of Financials

Capital allocation, leverage, cash flow generation, return on capital

## Portfolio to capture India story



# Sundaram Emerging Leadership Fund (S.E.L.F.) PMS

## Performance

Strategy/Benchmark	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	5 Year (%)	Since Inception
S.E.L.F. Strategy	4.0	20.2	41.9	31.4	18.3	7.4	13.2	17.2
NSE Midcap 100	5.7	22.7	41.7	21.9	8.0	-0.5	9.2	9.3

*Inception date – June 2010*

*Returns as on 31<sup>st</sup> Dec, 2020*

## Fund Manager

Madanagopal Ramu joined Sundaram Asset Management Company Limited (SAMC) in October 2010 as a research analyst, covering industrials, infrastructure, cement and logistics. At SAMC, prior to becoming the Fund Manager of PMS & AIF, he was the Head of Research for the Mutual Fund division. He has over 12 years of experience in research and over 5 years of experience in Fund Management. Prior to SAMC, he worked with Centrum Broking (P) Ltd. as a Research Analyst tracking power and capital goods. He is an MBA from BIM Trichy and a Cost Accountant.

## KEY TERMS

Minimum Investment	50 Lakh
Management fee	2.50% per annum
Exit fees	1 <sup>st</sup> year: 1%; Thereafter: Nil
Recommended Investment horizon	36 months and above
Taxation	As per equity taxation

# Sundaram India Secular Opportunities Portfolio (SISOP) PMS

The portfolio manager aims to achieve the investment objective of generating capital appreciation across market cycles by investing:-

- Across market Cap – “Multi Cap” approach (skewed towards Large Cap) - in a concentrated high conviction 15-stock portfolio
- With Compounding Stories that:
  - i. Grow > 1.5x of nominal GDP growth;
  - ii. Potential to generate 20% growth in Cash Flow / Earnings across market cycles;
  - iii. ROE >20%;
  - iv. Have a self-funded model i.e. with growth through internal accruals and
  - v. Companies that exhibit high corporate governance standards and have visionary leadership

## 3Qs - Quality approach to stock selection

### Quality of Business

Pricing power, profitability, growth, brand strength, capital intensity, complexity of business

### Quality of Management

Track record, management bandwidth, corporate governance

### Quality of Financials

Capital allocation, leverage, cash flow generation, return on capital

## Portfolio to capture India story



# Sundaram India Secular Opportunities Portfolio (SISOP) PMS

## Performance

Strategy/Benchmark	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	5 Year (%)	Since Inception
SISOP Strategy	6.0	23.5	40.0	25.2	20.2	11.4	12.3	18.3
Nifty 500	7.5	23.5	35.9	16.7	12.1	6.7	11.4	10.0

Inception date – February 2010

Returns as on 31<sup>ST</sup> Dec, 2020

## Fund Manager

Madanagopal Ramu joined Sundaram Asset Management Company Limited (SAMC) in October 2010 as a research analyst, covering industrials, infrastructure, cement and logistics. At SAMC, prior to becoming the Fund Manager of PMS & AIF, he was the Head of Research for the Mutual Fund division. He has over 12 years of experience in research and over 5 years of experience in Fund Management. Prior to SAMC, he worked with Centrum Broking (P) Ltd. as a Research Analyst tracking power and capital goods. He is an MBA from BIM Trichy and a Cost Accountant.

## KEY TERMS

Minimum Investment	50 Lakh
Management fee	2.50% per annum
Exit fees	1 <sup>st</sup> year: 1%; Thereafter: Nil
Recommended Investment horizon	36 months and above
Taxation	As per equity taxation

# Other PMS Offerings

PMS Name	Inception Date	Benchmark	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	Since Inception
Alchemy High Growth	May 2002	PMS	8.2	18.6	27.5	-0.5	-0.7	-3.3	20.9
		BSE 500	7.7	23.2	36.2	16.8	12.2	6.8	15.7
Alchemy High Growth Select Stock	December 2008	PMS	8.2	20.3	33.3	2.5	3.3	2.1	19.5
		BSE 500	7.7	23.2	36.2	16.8	12.2	6.8	14.2
Alchemy Leaders	December 2006	PMS	8.0	19.9	39.0	29.7	10.4		5.0
		Nifty 50	7.7	23.2	36.2	16.8	12.2		7.0
Invesco R.I.S.E	April 2016	PMS	2.17	10.1	35.0	24.3	8.3	-1.4	10.8
		S&P BSE 500	7.7	23.2	36.2	16.8	12.2	6.9	12.8
Invesco DAWN	August 2017	PMS	7.5	17.9	31.7	8.3	7.5	0.7	0.9
		S&P BSE 500	7.7	23.2	36.2	16.8	12.2	6.9	9.2
ASK IEP	Jan-10	PMS							
		BSE 500							
ASK ISP	Jan-10	PMS	5.9	21.7	31.1	14.5	14.5	6.6	16.5
		BSE 500	7.7	23.2	36.2	16.8	12.2	6.8	9.3

\*Returns less than 1 year are absolute; Returns greater than 1 year are CAGR. As on 31<sup>st</sup> December, 2020

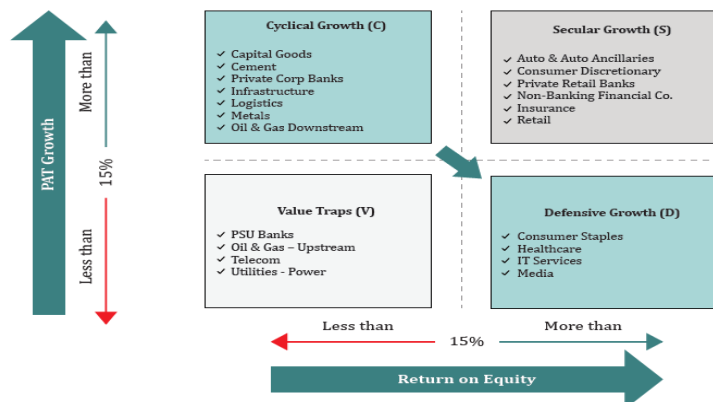
# IIFL High Conviction Fund – Cat III AIF

**IIFL High Conviction Fund** intends to create a concentrated portfolio of **15-20 high conviction stocks**, which are:

- Key beneficiaries of the secular growth drivers
- Poised for a strong uptick in earnings and cash flows
- Offer an attractive risk-reward

The fund would be following a mix of top-down (macro analysis to identify sectors) and bottom-up approach (micro analysis to pick stocks within these sectors) for portfolio construction using the SCDV framework

## SCDV Framework



## Investment Philosophy

**Industry or sector potential** – Look for growing sectors, at the same time avoid sectors which are vulnerable to regulation changes, high competitive intensity, technological changes and short growth cycles

**Business** – Look for companies with competitive advantages that have delivered consistently higher ROE than peers while avoiding companies with poor free cash flows and declining market share

**Governance** – Prudent capital allocation, in line with minority shareholder interest would be an important criteria while selecting investments

**Valuations** – Companies which offer a favorable risk reward ratio

**Core Portfolio** – Secular stocks will form a core portfolio of the fund. They provide consistency and stability to the overall portfolio with lower risk

**Tactical Allocation** – Cyclical and Defensive stocks will be used to take benefit of cyclical trends of the market and generate extra alpha

# IIFL High Conviction Fund – Cat III AIF

## Performance

Strategy/Benchmark	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	Since Inception#
IIFL High Conviction Fund Series 1	8.8	23.2	38.3	14.2	NA	NA	12.7
S&P BSE 200 TRI	7.8	23.8	36.6	17.9	NA	NA	17.3

Returns as on 31<sup>st</sup>Dec, 2020

## Fund Manager

**Mehul Jani** has over 15 years of experience in covering and managing financial services and consumer stocks. Prior to working with IIFL, he has worked with DSP Blackrock for 10 years. Prior to DSP Blackrock, he worked with Morgan Stanley Plc, London, for 4 years, as an associate, dealing with structured product valuation and fund derivatives. Mehul is an alumnus of Cass Business School, London and holds Masters in Banking and International Finance. He also holds a CFA charter

Key Terms			
	A1	A2	A3
Capital commitment	1 Cr to < 5 Cr	5 Cr to < 15 Cr	15 Cr and above
Fixed Management Fee	2.50%	2.10%	1.75%
Set up Fees (up to)	2.00%	2.00%	2.00%
Profit Share (without catch up)	Nil	Nil	Nil
Exit load (applicable post lock in period*)		0-12 months after lock in period* - 3% 12-24 months after lock in period* - 2%	
Initial Drawdown		25% of the commitment amount	

\*Lock in period: 12 month from final drawdown date

#Inception date is November 26, 2019

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



# Purnartha Equity Advisory

- Purnartha started out as a unique equity investment advisory firm. Their philosophy is based on choosing non-cyclical companies, ensuring that the investments are poised to reap long-term gains.
- Over the years, Purnartha has consistently outperformed benchmarks such as NIFTY and helped several families grow and prosper together with their research-backed, clear & unbiased advice.

## Performance

*Inception date April 01, 2009*

*Returns as on November 30th, 2020*

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	Since Inception (%)
Purnartha Portfolio	22.39%	15.71%	56.89%	22.20%	27.63%	14.64%	25.70%	40.95%
NIFTY 50	11.39%	13.89%	35.37%	7.57%	9.37%	8.41%	10.52%	13.54%
Midcap 50	19.11%	19.86%	49.67%	17.68%	7.98%	2.21%	10.48%	14.59%

## Investment Advisory Plans

Minimum Tenure: 1 Year  
Minimum Amount: 25 Lakh

Min Tenure 3 Year  
Min Amount 10 Lakh

### Plan A (%)

### IIFL Exclusive Plan (%)

Initial Advisory Fee

2.50

Initial Advisory Fee

7.50

Profit Sharing Above Hurdle Rate

20.00

Profit Sharing Above Hurdle Rate

20

Hurdle Rate

25.00

Hurdle Rate

75

# Unlisted Shares

Many young companies grow much faster than mature companies due to their lower base, and hence tend to significantly outperform the benchmark returns. However, a lot of this growth happens before the company goes public with an IPO. Hence, participating in such companies in the Growth / Pre-IPO stage can provide superior returns to the investor.

Stock	Absolute % Return			Current Offer Price#
	3M	6M	9M	
Chennai Super Kings	35.52	27.54	160.19	68.3
HDB Financials	17.92	20.22	12.89	971.94
HDFC Securities	10.23	12.31	21.86	9,404.21
Hero Fincorp	27.19	21.69	15.97	1,034.99
Mohan Meakin	13.90	14.84	16.75	735.53
Reliance Retail	3.82	19.43	92.03	1,542.50
TATA Technologies	41.16	39.15	29.87	1,534.10
Suryodaya Small Finance Bank	20.83	12.49	8.74	342.54

Price and Returns as on 1<sup>st</sup> Feb, 2021

# Bonds

## Taxable Bonds

Security	Coupon	Maturity	Interest Payment	Yield# (%)	Rating
L&T HOUSING FINANCE (Secured)	7.85%	10-Jul-25	10-Jul	6.55%	AAA BY CRISIL & IND
LIC HF 2027 (Secured)	7.56%	14-Jun-27	14-Jun	6.72%	AAA BY CARE & CRISIL ICRA
NHAI (Secured)	8.37%	21-Jan-29	21-Jan	6.86%	AAA BY CRISIL & ICRA
REC (GOI FULLY SERVICED)	8.30%	25-Mar-29	25-Mar & 25-Sep	6.38%	AAA BY CRISIL, CARE, ICRA
HDFC LTD (Secured)	7.25%	17-Jun-30	17-Jun	6.83%	AAA BY CRISIL & ICRA

## Perpetual Bonds

Security	Coupon (%)	Call / Put Option	Interest Payment	Yield# (%)	Rating
HDFC Bank Perpetual	8.85%	12-May-22	15-May	4.70%	AA+ CRISIL / CARE
BOB Perpetual	8.25%	17-Jul-25	17-Jul	7.70%	AA+ by CRISIL/IND
State Bank of India	7.74%	09-Sep-25	09-Sep	6.72%	AA+ CRISIL/ICRA

## Floating Rate Savings Bonds, 2020 (Taxable)

Issuer	Coupon (%)	Tenure	Lock-In	Option	Interest Payment	Tax Treatment	Eligible Investors	Limitations
Reserve Bank India	7.15% p.a. (reset half-yearly: NSC + 35 bps)	7 years	7 years but premature withdrawal is allowed for senior citizen	Non-Cumulative	1st Jan & 1st July	As per tax bracket of investor, TDS applicable	Individuals & HUF	Not tradeable in the secondary market, Not eligible as collateral for availing loans

#Yields as on February 1<sup>st</sup>, 2021

\*Bond yields are subject to availability and market movement. Please confirm yields as well as availability before finalizing any deal.

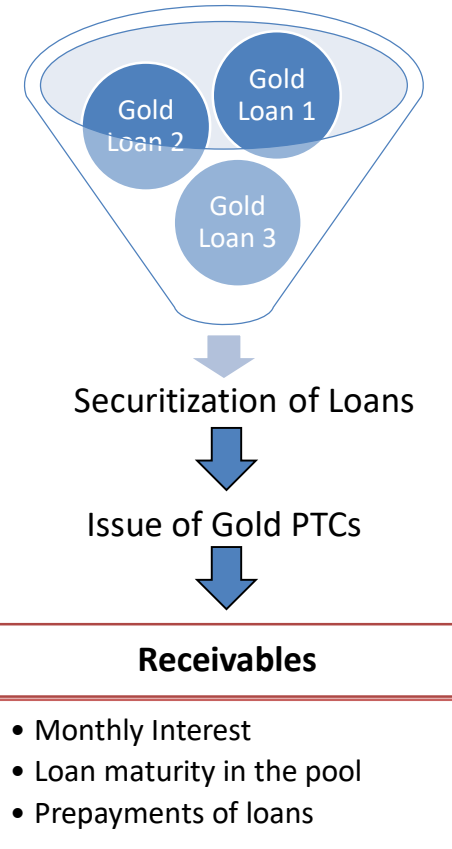
# Gold PTC – Liquid Gold Series 3 – Dec 2020

Introducing, **Liquid Gold Series 3 – Dec 2020 Pass Through Certificates Series A**, which is a securitized instrument originated by India Infoline Finance Ltd. backed by a pool of gold loan receivables. It has a very strong degree of safety regarding timely payment of financial obligations.

- **Medium term** investment tenure of 2-3 years
- **High medium term investment rating** of AA (SO) by ICRA

## ❑ Why you should invest in this product

- **Earn 8% p.a. pre-tax interest** compared to other fixed income options with average expected pre-tax returns of 4% to 5.5% p.a.
- **Highly secured** as it is collateralized against physical gold jewellery of value close to 1.5x (including overcollateralization) i.e. for Rs.1 Cr loan in the pool, collateral of gold taken of ~Rs.1.50 Cr
- **Can expect regular income** with interim payment of interest
- **Low credit risk** - Risk gets diversified across multiple borrowers:
  - **Highly diversified pool of borrowers** (81,883 borrowers) across India
  - Borrowers with average 4.21 months of payment history with no default
- **High credit support** to enhance credit quality of securitized pool:
  - In case of unlikely event of default and/or fall in gold prices by more than 30% in value at pool level, **servicer to take first 6.6% loss**
  - Servicer also provides **10% additional corporate guarantee** enhancing the security cover





# **Investment Buckets - Debt**

# Debt Investment Buckets

Sr. No	Investment Bucket	Debt Product Category
1	0 to 6 months	Overnight Funds, Liquid Funds, Ultra Short Term Funds
2	6 to 12 months	Arbitrage Funds, Low Duration Funds
3	1 to 3 years	Short Term Debt Funds, Banking & PSU Debt Funds, Gold PTC
4	3 to 5 years	NCDs, Corporate Bond Funds, Medium Term Funds
5	5 to 10 years	Tax Free Bonds, Long Term Funds (Roll Down)

# Debt Investment Bucket – 0 to 6 months

Scheme Name	Corpus (in cr)	YTM	Average Maturity (yrs)	Performance (in %)			Portfolio Composition (in %)				Exit Load
				3 months	6 months	1 year	AA & Below	AAA	Cash & Eq	Sovereign	
<b>Overnight Funds</b>											
HDFC Overnight Fund	₹ 13,501	3.0	0.003	0.7	1.5	3.2	-	-	100	-	Nil
Axis Overnight Fund	₹ 3,736	2.9	0.003	0.7	1.5	3.4	-	-	100	-	Nil
ICICI Pru Overnight Fund	₹ 7,708	2.9	--	0.7	1.5	3.3	-	-	100	-	Nil
<b>Liquid Funds</b>											
Nippon India Liquid Fund	₹ 23,106	2.9	0.08	0.8	1.6	4.3	-	46.9	9.1	44.0	Nil after 7 days
SBI Liquid Fund	₹ 54,433	2.9	0.08	0.8	1.6	4.2	-	42.0	13.4	44.6	Nil after 7 days
Kotak Liquid Fund	₹ 31,504	2.9	0.08	0.8	1.6	4.1	-	43.0	5.1	51.9	Nil after 7 days
<b>Ultra Short Term</b>											
ICICI Pru Ultra Short Term Fund Fund	₹ 9,030	3.	0.45	1.3	2.9	6.5	31.6	55	10.2	3.3	Nil
IDFC Ultra Short Term Fund	₹ 5,606	3.1	0.31	0.9	1.9	5.6	-	50.4	18.3	31.3	Nil
SBI Magnum Ultra Short Duration Fund	₹ 14,533	3.5	0.51	1.0	2.1	5.9	1.3	59.6	-1.1	40.2	Nil

Note: Returns less than 1 year are absolute; Returns greater than 1 year are CAGR; Data as on December 31st, 2020. Source: ACE MF

# Debt Investment Bucket – 6 to 12 months

Scheme Name	Corpus (in cr)	YTM	Average Maturity	Performance (in %)			Portfolio Composition (in %)				Exit Load
				6 months	1 year	3 years	AA & Below	AAA	Cash & Eq	Sovereign	
<b>Low Duration Funds</b>											
HDFC Low Duration Fund	₹ 24,753	4.5	1.58	3.8	8.1	7.5	16.0	52.2	9.7	22.1	Nil
Axis Treasury Advantage Fund	₹ 10,178	3.9	0.95	2.8	7.3	7.8	10.5	55.8	5.6	28.1	Nil
Kotak Low Duration Fund	₹ 14,064	4.2	0.86	3.1	7.9	7.8	14.5	36.4	20.3	28.8	Nil
<b>Arbitrage Funds</b>											
Kotak Equity Arbitrage Fund	₹ 15,302	-	-	1.4	4.3	5.6	-	-	-	-	0.25% for 1M
ICICI Pru Equity Arbitrage Fund	₹ 9,496	-	-	1.4	4.3	5.5	-	-	-	-	0.25% for 1M
Nippon India Arbitrage Fund	₹ 8,178	-	-	1.4	4.3	5.7	-	-	-	-	0.25% for 1M

Note: Returns less than 1 year are absolute; Returns greater than 1 year are CAGR; Returns as on December 31st, 2020. Source: ACE MF

Kindly note that Arbitrage Funds are subject to LTCG of 10% after 1 year and STCG of 15% within a year; while debt funds returns are taxable as per the investor's tax slab if redeemed within 3 years.



# Debt Investment Bucket – 1 to 3 years

Scheme Name	Corpus (in cr)	YTM	Average Maturity	Performance (in %)			Portfolio Composition (in %)				Exit Load
				1 year	3 years	5 years	AA & Below	AAA	Cash & Eq	Sovereign	
<b>Short Term Debt Funds</b>											
Axis Short Term Fund	₹ 14,362	4.7	3.1	10.1	8.7	8.3	1.6	55.3	6.7	36.4	Nil
IDFC Bond Fund - Short Term Plan	₹ 13,668	4.2	2.0	9.7	8.6	8.1	-	90.9	4.0	5.0	Nil
SBI Short Term Debt Fund	₹ 22,429	4.9	3.3	9.9	8.4	8.2	7.2	27.6	8.0	57.3	Nil
HDFC Short Term Debt Fund	₹ 16,907	5.4	3.6	11.0	9.2	8.7	14.7	53.4	9.8	22.1	Nil
<b>Banking &amp; PSU Debt Funds</b>											
Axis Banking & PSU Debt Fund	₹ 17,555	4.3	1.9	9.6	9.2	8.6	-	90.1	4.0	5.9	Nil
IDFC Banking & PSU Debt Fund	₹ 20,666	4.4	2.3	10.9	9.8	8.6	-	82.0	4.3	13.7	Nil
Nippon India Banking & PSU Debt Fund	₹ 7,101	5.1	4.6	10.9	9.2	8.8	-	80.4	1.7	17.9	Nil

**Structured Product Offering: IIFL Gold PTC offering 8% p.a. return over ~3 years (AA rated). Refer to page 52 for more details.**

*Note: Returns less than 1 year are absolute; Returns greater than 1 year are CAGR; Returns as on December 31st, 2020. Source: ACE MF*

# Debt Investment Bucket – 3 to 5 years

Scheme Name	Corpus (in cr)	YTM	Average Maturity	Performance (in %)			Portfolio Composition (in %)				Exit Load
				1 year	3 year	5 years	AA & Below	AAA	Cash & Eq	Sovereign	
<b>Corporate Bond Funds</b>											
Aditya Birla SL Corp Bond Fund	₹ 24,424	4.9	3.2	11.9	9.5	9.0	3.3	61.4	7.7	27.6	Nil
HDFC Corp Bond Fund	₹ 26,279	5.2	4.6	11.8	9.5	9.1	-	63.8	6.6	29.6	Nil
IDFC Corp Bond Fund	₹ 22,668	4.9	3.3	11.6	8.7	--	-	63.7	5.5	30.7	Nil
SBI Corp Bond Fund	₹ 27,761	5.0	3.6	10.5	--	--	-	67.5	4.1	28.4	1% for 6M
<b>Medium Term Debt Funds</b>											
IDFC Bond Fund - Medium Term Plan	₹ 4,128	5.0	4.6	10.9	8.7	8.2	-	24.4	3.9	71.8	Nil
<b>Corporate Bond ETF</b>											
BHARAT Bond ETF - April 2025	₹ 5,830	5.41	4.18	-	-	-	-	93.8	2.4	3.8	Nil

## Corporate Bonds / NCDs

Security	Coupon	Maturity	Interest Payment	Yield# (%)	Rating
L&T HOUSING FINANCE (Secured)	7.85%	10-Jul-25	10-Jul	6.55%	AAA BY CRISIL & IND
U.P Power Corporation Ltd 2026 (Secured)	8.97%	13-Feb-26	Quarterly	7.56%	AA(SO) by IND Rating & BWR

Note: Returns less than 1 year are absolute; Returns greater than 1 year are CAGR; Returns as on December 31st, 2020. Source: ACE MF

\*Yields are indicative and subject to bond availability. Please confirm before committing

# Debt Investment Bucket – 5 to 10 years

Scheme Name	Corpus (in ₹ cr)	YTM	Average Maturity	Performance (in %)			Portfolio Composition (in %)				Exit Load
				1 year	3 years	5 years	AA & Below	AAA	Cash & Eq	Sovereign	
<b>Long Term Funds (Roll Down)</b>											
Axis Dynamic Bond Fund	₹ 1,358	6.4	8.9	12.3	9.8	9.2	-	75.1	3.9	21.0	Nil
Nippon India Dynamic Bond	₹ 2,403	6.3	9.4	11.3	8.1	8.2	-	1.7	3.8	94.6	Nil
L&T Triple Ace Bond Fund	₹ 6,098	6.3	7.7	12.4	10.3	8.9	-	66.3	5.7	28.0	0.5% for 3M
<b>Corporate Bond ETF</b>											
BHARAT Bond ETF - April 2030	₹ 11,284	6.62	9.1	13.22	-	-	-	90.3	4.1	5.6	Nil
BHARAT Bond ETF - April 2031	₹ 7,495	6.64	10.21	-	-	-	-	96.2	2.27	1.6	Nil

## Tax Free Bonds

Security	Coupon rate	Date Of Maturity	Interest Date	YTM*	Rating
NHAI Tax Free 2030	7.28%	18-Sep-30	01-Apr	4.33%	AAA
NABARD Tax Free 2031	7.35%	23-Mar-31	23-Mar	4.30%	AAA

# Disclaimer

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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