Moderate Equity Portfolio – October 2018

Portfolio Commentary

The portfolio underperformed the benchmark with 308 bps as market turned highly volatile and declined sharply with NIFTY & Sensex down by more than 6% during September on the back of liquidity and debt default concerns from NBFC like IL&FS group and sector as a whole. The market sentiment turned negative due to debt default concerns, declining rupee, higher crude prices, rising interest rates and global trade war. The midcap and small cap indices weakened further and down by more than 15% & 20% since January 2018. The US FED raised the interest rates by another 25 bps on back of stronger GDP growth and inflation nearing its target of 2% this year. There is a risk to global growth due to trade tariffs and protection issues between US and China escalated further as US imposed additional 10% tariff on another USD 200bn value of imports from China and tariff may be hiked further to 25% from January onwards. The China in retaliation imposed tariff on USD 60bn imports from US. The trade war with volatile currency markets and higher crude prices may force FED to move towards more accommodative monetary policy in case these risks play out in real time. The US dollar is strengthening on the back of hardening interest rates and contracting FED balance sheet resulting in jittery markets amid depreciating currencies for rest of the world with emerging economies including India witnessing increased outflows. The global risks like Br-exit, China and Japan slowdown, Iran sanctions along with geopolitical concerns in North Korea and Gulf region may also weigh on the global markets.

The Indian equity market continued to be supported by domestic retail investors as investments continued through SIP with equity mutual funds net inflows exceeded INR 10,000 during September. However FPI net outflows for the year crossed USD 2bn in September on the back of rising interest rates and hardening US currency. The monsoon till date is reasonably good and fairly spread as rural and agriculture economy is expected to do well being in election year. We also expect GST regime to perform better as systems and processes are settling in with higher compliance resulting into higher tax collection and lower rates stimulating the further demand in the economy going forward. However concerns continue on fiscal and current account deficit due to higher crude prices.

We expect markets during current year to remain volatile with rising concerns on global uncertainty, fiscal and current account deficit, higher crude prices, depreciating rupee, rising inflation and hardening interest rates amid tightening global liquidity providing overhang on global equity markets and capping the gains in short term. The market will also be waiting anxiously the corporate results for Q2 September amid rising interest yields, depreciating rupee and rising inflation with margin expected to be under pressure and impacting earnings adversely. The market after unabated rise in July and August saw steep correction amid high volatility with fair value returning however one should need to wait for volatility to subside as number of opportunities will be available for long term investors with attractive valuations in quality stocks. The stocks in IT, Agri, FMCG and Pharma may perform better and corporate banking stocks may surprise the markets on positive side going forward as the regulatory concerns ebbing and NPA cycle seems to be its near end. Portfolio stocks during the month largely ended lower with Yes Bank down by 46% on the back of perceived governance issues while L&T Finance, IDFC Bank, Jain Irrigation and ITNL down by more than 20% in line with broader market while Reliance Inds ended in positive. Although the earnings may be under some pressure due to depreciating rupee and higher crude oil prices still expected to be better compared to previous year and should drive the markets going forward. We expect equity market to be positive in medium to long term and outperform various other asset classes however return expectations has to be muted. We are holding around 7% cash in the portfolio.

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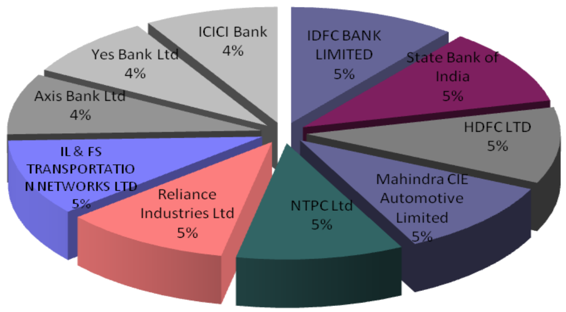
Portfolio Snapshot

Portfolio	Moderate
Objective	Capital Appreciation
Relative Risk Profile	Medium
Time Horizon	Long
Focus	Growth Stocks
Benchmark	BSE 200

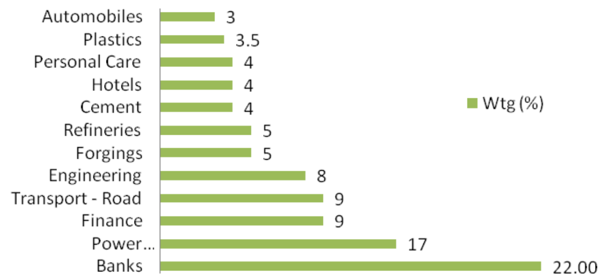
Portfolio Strategy

This portfolio will invest predominantly in large and midcap companies. The focus will be on stock selection upcoming businesses and in high growth sectors. The portfolio will be managed with lower portfolio turnover and it may also take small exposure to cash or short term debt, whenever felt necessary.

Top 10 Equity Holdings



Sector Holdings (%)



Portfolio Performance (%)

Portfolio	1 Month	3 Months	6 Months	1 Yr (XIRR)	3 Yrs (Annualized)	S.I (Absolute)
Moderate	-11.18	-2.29	-2.3	-0.86	8.62	95.57
S&P BSE 200	-8.10	0.29	3.95	6.49	9.65	103.81

Concentration Analysis

Portfolio	Top 10 Holdings	Top 15 Holdings	Scrip with Highest Exposure	Total No. of Scrips
Moderate	47.00%	67.00%	5.00%	22

Portfolio returns are absolute (point to point) and net of all fees and charges calculated on weighted average method. The above returns are calculated on NAV basis and are based on the closing market prices as on 30th September 2018. Individual returns and holdings of Clients under the Portfolio may vary significantly from the performance and holdings of the Model Portfolio given above. Past performance may or may not be sustained in future. Please refer to the disclosure document for further information. ** Inception Date: 29/12/2009*