

MONTHLY Communique

MOTILAL OSWAL
Asset Management

BUY RIGHT
SIT TIGHT

October, 2016



Dear Investors and my dear Advisor friends,

In this edition of our monthly communication, I would like to highlight the safe guarding of your investments amidst geo-political uncertainties.

Escalation of tensions in Indo-Pak relations has brought investment concerns amidst geographic uncertainties to the center stage.

Any investment in capital market instruments is susceptible to be impacted by innumerable factors. As an investor it is not always possible to understand all factors and correctly estimate their impact on ones investments. Just like the famous Eisenhower matrix enables time management through an urgent vs important matrix; in the investing world one must follow an important vs knowable matrix.

Accordingly there are some factors which are important and they do impact our investments but either their occurrence or their impact is unknowable. Similarly there are factors that are knowable but are unimportant and hence having limited or no impact on our investments. While investing, it's key to focus on important and knowable factors. Coming to the current context, yes there is an escalation of tensions in Indo-Pak relations and if there is a war, it will be an important factor with consequences for investments but will there be further escalation in the current situation – now that's an unknowable. Focusing on the unknowable and worse still taking portfolio actions based on unknowables falls in the realm of speculation and would eventually lead to derailment from long term financial goals. Since there is no way to know exactly about such events, there is no way to assign probabilities of occurrence and consequently shield portfolios.

There is no better defense than to have a portfolio of companies whose earnings are resilient to as many macro parameters as possible. While I have no reason to believe this is going to happen but just for instance, a full blown war situation could result in fiscal slippages, capital outflows, turbulence in exchange rates and eventual impact on inflation and interest rates. Invest in businesses whose locus of control is as close to the business as possible and not somewhere dependent on the very same macros that come under threat. No business is totally disjointed from the macros, but it is also equally true that some businesses are less impacted by these macros and some businesses more so. The kinds of businesses that are relatively secular in growth and resilient in the face of macro adversities are likely to suffer less in a market downdraft and also most likely to bounce forward when normalcy is restored to markets. In such time there is a lot of discussion on defensive strategies, but the best defense in uncertain times is to ensure that portfolios are grounded in individual corporate fundamentals.

The other important learning to bear in mind is to ensure asset allocation discipline. Such geo-political turbulences by nature do not come with sufficient warnings and it is best not to get caught exposed to any one type of investment. It is important to have a mix of assets and instruments in line with investment goals, risk tolerance and return expectations. Just like one is prescribed to stay hydrated especially in times of ill health, it is equally important to maintain liquidity to tide over few months of cash flow requirements and at the same time to take benefit of any lucrative opportunities that may get thrown up amidst turbulence.

Lastly, do not react after the event has occurred. What has happened up until now has limited bearing on what may happen from here on. Lets not get stuck on prices and values, every day in the markets is a new day and all prices and values have to be understood to reflect today's reality. Most critical is to focus on the medium to long term future and avoid being influence by the near term past.

Happy Investing,

Yours Sincerely,
Aashish P Somaiyaa
Managing Director and CEO

Value Strategy

Strategy Objective

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation.

Investment Strategy

- Value based stock selection
- Investment Approach: Buy & Hold
- Investments with Long term perspective
- Maximize post tax return due to Low Churn

Details

Fund Manager : Manish Sonthalia
 Strategy Type : Open ended
 Date of Inception : 24th March 2003
 Benchmark : Nifty 50 Index
 Investment Horizon : 3 Years +
 Subscription : Daily
 Redemption : Daily
 Valuation Point : Daily

Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	26.86
Auto & Auto Ancillaries	26.80
Oil and Gas	8.53
Pharmaceuticals	8.44
FMCG	7.92
Alcoholic Beverages and Distilleries	5.81
Infotech	5.64
Cash	0.51

Data as on 30th September 2016

*Above 5% & Cash

Top Holdings

Particulars	% Allocation*
Bosch	8.96
Bharat Petroleum Corpn	8.53
Sun Pharmaceuticals	8.44
HDFC Bank	8.32
Eicher Motors	7.98
Asian Paints	7.92
Kotak Mahindra Bank	7.63
United Spirits	5.81
State Bank Of India	5.79
Tata Consultancy Services	5.64
Hero Motocorp	5.24
Housing Development Finance Corporation	5.13

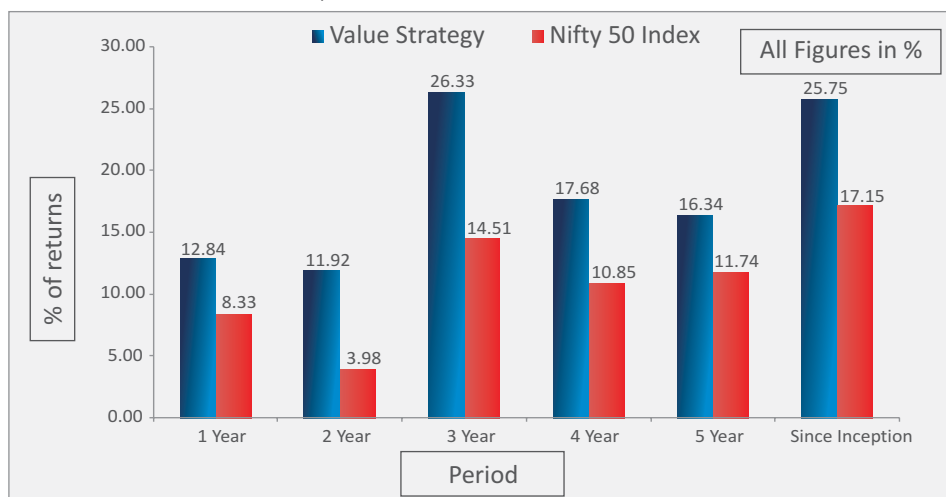
Data as on 30th September 2016

*Above 5%

Key Portfolio Analysis

Performance Data	Value Strategy	Nifty 50
Standard Deviation (%)	15.24%	16.05%
Beta	0.85	1.00

Data as on 30th September 2016



Data as on 30th September 2016

The Above strategy returns are of a Model Client. Returns of individual clients may differ depending on factors such as time of entry/exit/ additional inflows in the strategy. The Above returns are calculated on NAV basis and are based on the closing market prices as on 30th September 2016. Past performance may or may not be sustained in future. Returns above 1 year are annualized. Please refer to the disclosure document for further information.

Next Trillion Dollar Opportunity Strategy

Strategy Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth.

It aims to predominantly invest in Small and Mid Cap stocks with a focus on identifying potential winners that would participate in successive phases of GDP growth.

Investment Strategy

- Stocks with Reasonable Valuation
- Concentration on Emerging Themes
- Buy & Hold Strategy

Details

Fund Manager : Manish Sonthalia
 Strategy Type : Open ended
 Date of Inception : 5th Dec. 2007
 Benchmark : Nifty Free Float Midcap 100 Index
 Investment Horizon : 3 Years +
 Subscription : Daily
 Redemption : Daily
 Valuation Point : Daily

Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	32.70
Oil and Gas	15.76
Auto & Auto Ancillaries	15.57
FMCG	15.04
Diversified	6.28
Cash	0.43

Data as on 30th September 2016

*Above 5% & Cash

Top Holdings

Particulars	% Allocation*
Bajaj Finance	16.08
Hindustan Petroleum Corporation	13.70
Page Industries	7.46
Eicher Motors	6.87
Bosch	6.48
Voltas	6.28
Max Financial Services	6.07
Kotak Mahindra Bank	5.28

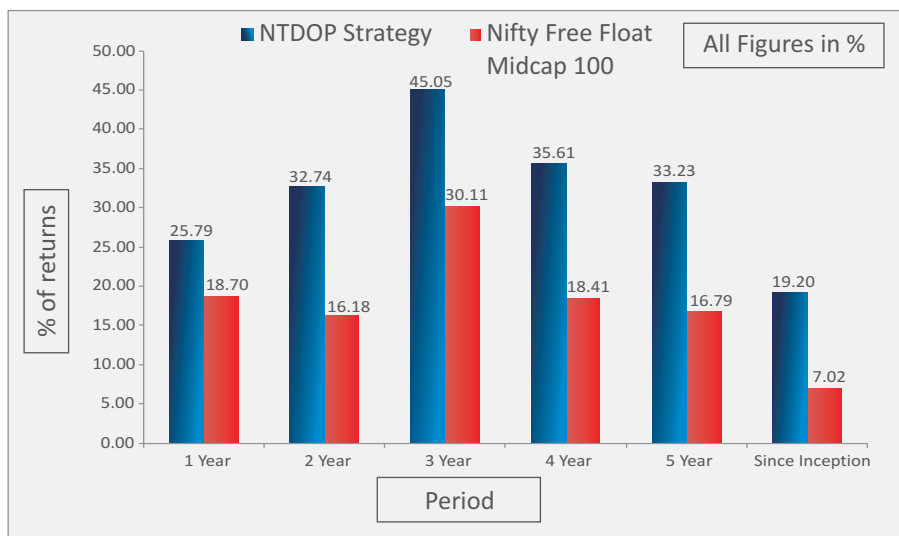
Data as on 30th September 2016

*Above 5%

Key Portfolio Analysis

Performance Data	NTDOP	Nifty Free Float Midcap 100
Standard Deviation (%)	19.06%	19.89%
Beta	0.85	1.00

Data as on 30th September 2016



Data as on 30th September 2016

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India Opportunity Portfolio Strategy

Strategy Objective

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices.

Investment Strategy

- Buy Growth Stocks across Market capitalization which have the potential to grow at 1.5 times the nominal GDP for next 5-7 years.
- BUY & HOLD strategy, leading to low to medium churn thereby enhancing post-tax returns

Details

Fund Manager : Varun Goel
 Co-Fund Manager : Kunal Jadhvani
 Strategy Type : Open ended
 Date of Inception : 11th Feb. 2010
 Benchmark : BSE 200 and BSE 500
 Investment Horizon : 3 Years +
 Subscription : Daily
 Redemption : Daily
 Valuation Point : Daily

Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	22.78
Consumer Durable	17.90
Oil and Gas	16.82
Pharmaceuticals	12.49
Cement & Infrastructure	10.31
Auto & Auto Ancillaries	9.84
Services	5.76
Cash	0.71

Data as on 30th September 2016

*Above 5% & Cash

Top Holdings

Particulars	% Allocation*
Canfin Home	9.40
Mahanagar Gas	9.25
Development Credit Bank	8.34
Aegis Logistics	7.56
TTK Prestige	7.15
Birla Corporation	6.87
Kajaria Ceramics	6.82
Ajanta Pharma	6.78
Gabriel India	6.36
Qess Corp	5.76
Lakshmi Vilas Bank	5.03

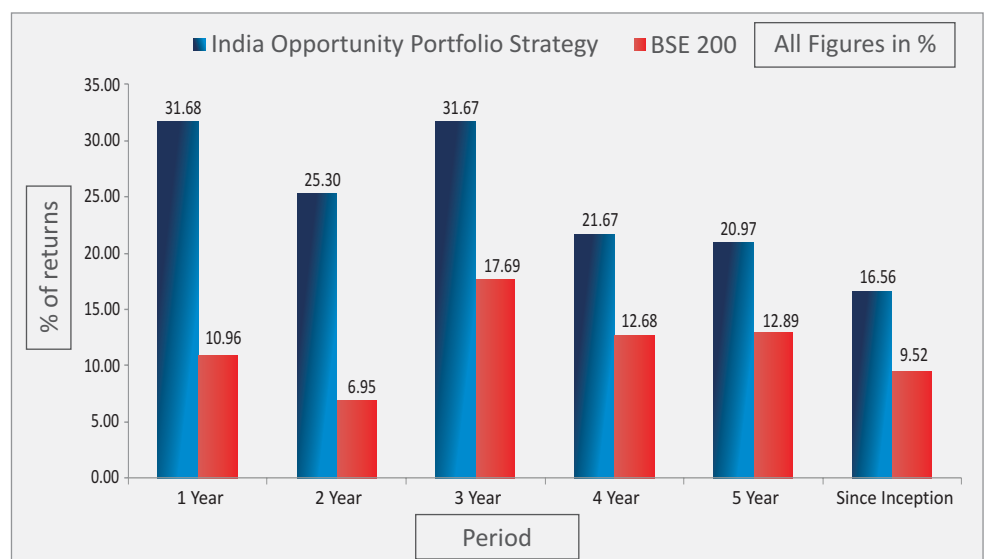
Data as on 30th September 2016

*Above 5%

Key Portfolio Analysis

Performance Data	IOPS	BSE 200
Standard Deviation (%)	17.56%	16.41%
Beta	0.91	1.00

Data as on 30th September 2016



Data as on 30th September 2016

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