



# Power & Protection

A fund that changes its action based on market conditions

## Motilal Oswal MOST Focused Dynamic Equity Fund

(An open ended equity scheme)

**NO LOAD FUND**

**MOTILAL OSWAL**  
Asset Management

**BUY RIGHT  
SIT TIGHT**

**NFO**

Opens: 6<sup>th</sup> Sep, 2016

Closes: 20<sup>th</sup> Sep, 2016

# MOST Focused Dynamic Equity

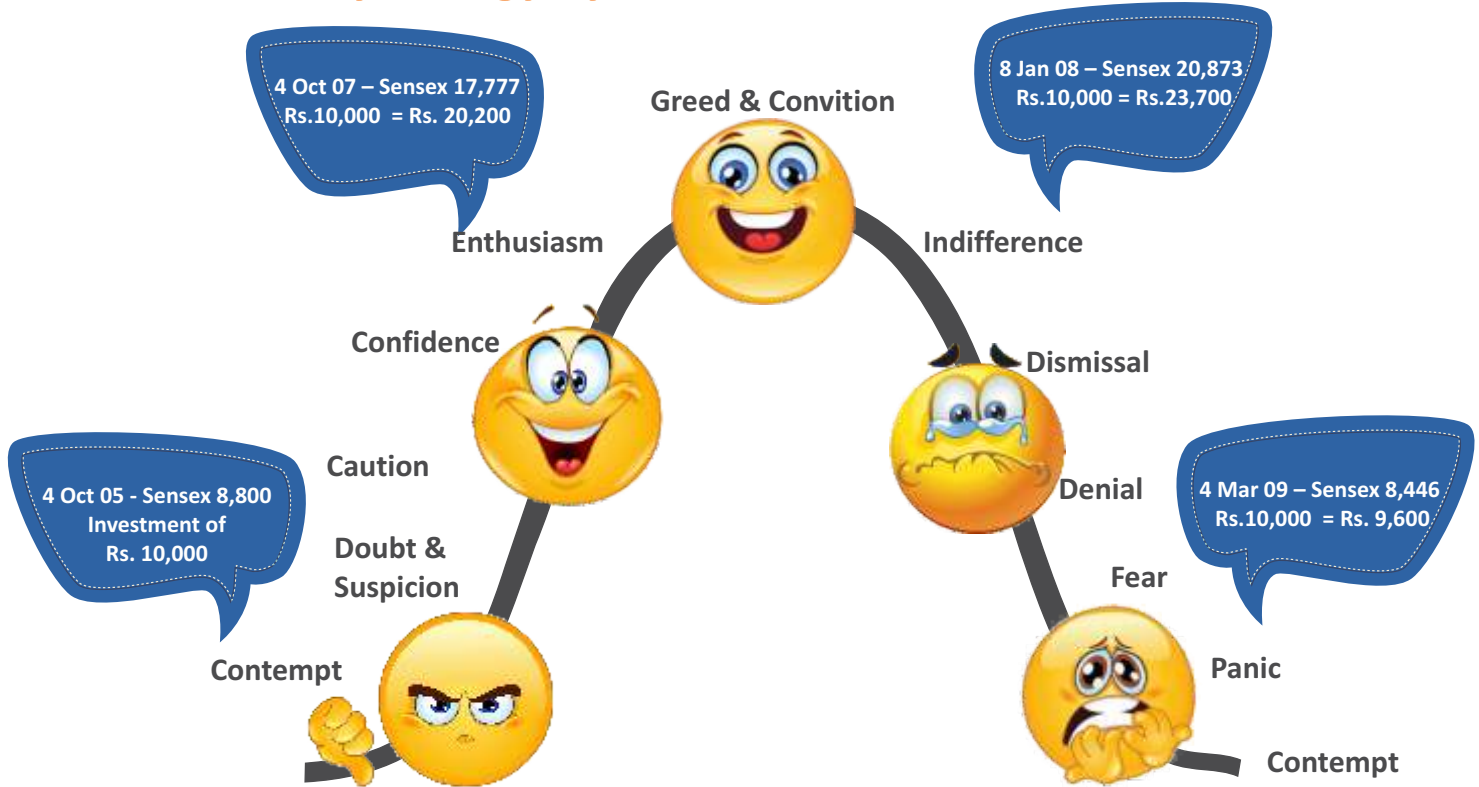
- An Equity fund that dynamically allocates between equity, equity derivatives and debt instruments
- A fund that allocates less in equities when market valuation appears expensive and more when market valuation appears cheap
- Allocation based on Motilal Oswal Value Index (MOVI) which is calculated taking into account Price/Earnings, Price/Book and Dividend yield of Nifty 50 Index
- Regular rebalancing of portfolio on fortnightly basis and a day prior to derivative expiry day on the Exchange (if the above days are a non-business day, the previous business day shall be considered for rebalancing)

# Common mistakes by investors



# Paper profits don't get converted

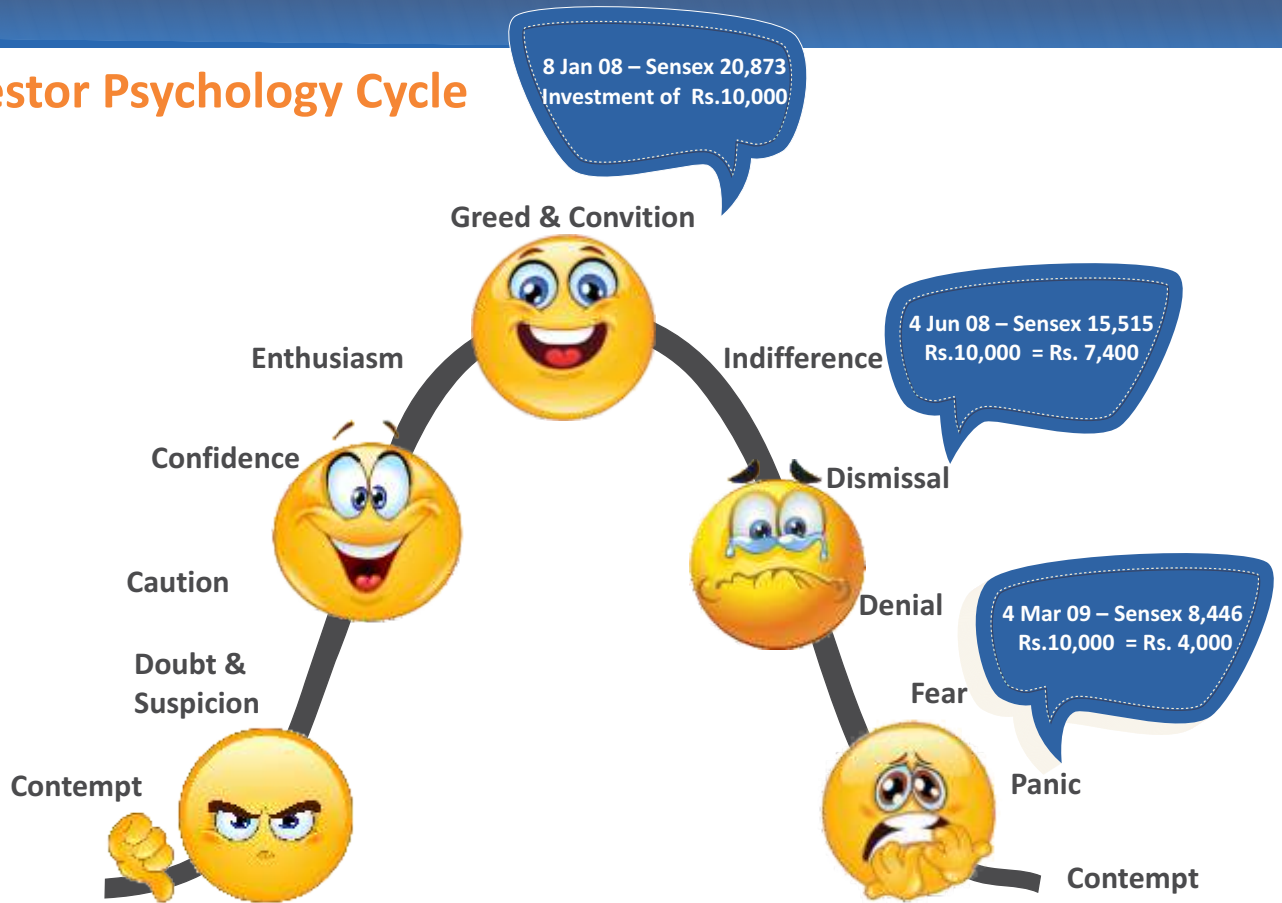
## The Investor Psychology Cycle



The above is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future. Source : BSE

# Disposition Effect

## The Investor Psychology Cycle



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# Dynamic Asset Allocation

- Dynamic Asset Allocation aims to generate reasonable returns even in volatile markets
- It overcomes the investor behaviour through disciplined approach and allocates in equities based on market valuation
- MOVI is calculated using Price/Earnings, Price/Book and Dividend Yield of Nifty 50 Index
- A low MOVI level indicates that the market valuation appears to be cheap and a high MOVI level indicates that the market valuation appears to be expensive

| MOVI Levels   |      | Equity Exposure |
|---------------|------|-----------------|
| 0             | <70  | 100%            |
| 70            | <80  | 90%             |
| 80            | <90  | 80%             |
| 90            | <100 | 70%             |
| 100           | <110 | 55%             |
| 110           | <120 | 40%             |
| 120           | <130 | 25%             |
| 130 and above |      | 0%              |

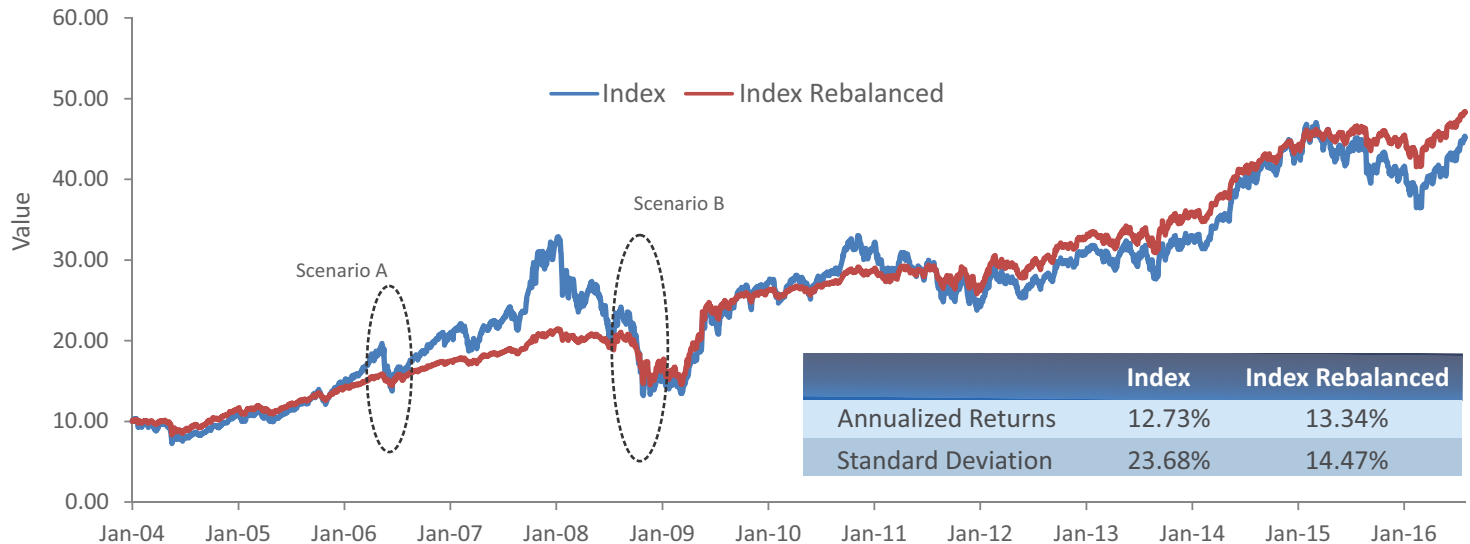
Higher equity allocation when valuations are low

Lower equity allocation when valuations are high

Source: IISL, MOAMC Internal Analysis.

# Creates wealth with low volatility

Dynamic Asset Allocation **POWERS** creation of wealth, and aims to **PROTECT** from downside during market corrections



- Index – Nifty 50; Index Rebalanced - Nifty 50 rebalanced based on MOVI levels
- Scenario A - MOVI level was high (market appears expensive), equity allocation has been reduced to 30%
- Scenario B - MOVI level was low (Market appears cheap), equity allocation has been increased to 100%

Index and Index rebalanced are rebased to 10 as on 1st January 2004. The above illustration is meant to help the investors have an understanding of the MOVI. The above illustration is based on certain calculations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or event to differ materially from those expressed or implied in such table. Past performance may or may not be sustained in future Source: NSE, IISL, MOAMC Internal Analysis. Data as on 31st July 2016

# Buy Low and Sell High

If one invests as per MOVI levels the returns on the basis of historical Nifty 50 are depicted below

| MOVI Range |     | Annualized Return on basis of historical NIFTY 50 value |        |        |  |
|------------|-----|---|--------|--------|--|
|            |     | 12 M  | 24 M   | 36 M   |  |
| 0          | 70  | 50.82%  | 34.39% | 29.18% | } Low MOVI =<br>Cheap<br>valuations      |
| 70         | 80  | 27.32%  | 28.39% | 25.78% |  |
| 80         | 90  | 15.39%  | 20.00% | 19.56% |  |
| 90         | 100 | 17.39%  | 15.66% | 14.27% | } High MOVI =<br>Expensive<br>valuations |
| 100        | 110 | 9.93%   | 9.15%  | 8.59%  |  |
| 110        | 120 | 8.63%   | 7.92%  | 9.11%  |  |
| 120        | 130 | 9.51%   | 8.72%  | 12.80% |  |
| 130        | 160 | -22.70%   | 11.40% | 10.88% |  |

The above illustration is meant to help the investors have an understanding of the MOVI. The above illustration is based on certain calculations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or event to differ materially from those expressed or implied in such table. Past performance may or may not be sustained in future.

Source: IISL, MOAMC Internal Analysis. Data as on 31st July 2016 Inception date of MOVI is 1st January, 1999



# Motilal Oswal MOST Focused Dynamic Equity Fund



# About the Scheme

- The investment objective is to generate long term capital appreciation by investing in equity and equity related instruments including equity derivatives as well as debt instruments. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved
- MOST Focused Dynamic Equity would endeavour to construct such a portfolio that the product is best suited for medium and long term investment
- Dynamic asset allocation based on Motilal Oswal Value Index (MOVI) which is calculated taking into account Price/Earnings, Price/Book and Dividend yield of Nifty 50 Index

# Fund - Asset Allocation

## Asset Allocation

- Asset Allocation based on MOVI<sup>#</sup>
- Net long only equity exposure shall be minimum of 30% of the portfolio value

## Equity

- High conviction focused portfolio based on the **'Buy Right : Sit Tight'** investment philosophy
- Investments across market - capitalization and sectors
- Maximum upto 100% of the portfolio

## Equity Derivatives

- Arbitrage strategy – Cash vs Futures
- Hedged position
- Maximum upto 35% of the portfolio

## Debt

- Instruments including Government Securities, Corporate Debt, Other debt instruments and Money Market Instruments
- Maximum upto 35% of the portfolio

<sup>#</sup>Asset allocation shall be reviewed twice a month i.e. 15th of every month and a day prior to derivative expiry day on the Exchange, additional rebalances may be at the discretion of the Fund manager

# Scheme - Allocation Matrix

| MOVI Levels  |      | Equity Exposure as per MOVI | Scheme Allocation |                    |      |
|--------------|------|-----------------------------|-------------------|--------------------|------|
|              |      |                             | Equity            | Equity Derivatives | Debt |
| 0            | <70  | 100%                        | 100 %             | 0%                 | 0%   |
| 70           | <80  | 90%                         | 90 %              | 0%                 | 10%  |
| 80           | <90  | 80%                         | 80 %              | 0%                 | 20%  |
| 90           | <100 | 70%                         | 70 %              | 0%                 | 30%  |
| 100          | <110 | 55%                         | 55 %              | 10%                | 35%  |
| 110          | <120 | 40%                         | 40 %              | 25%                | 35%  |
| 120          | <130 | 25%                         | 30 %              | 35%                | 35%  |
| 130 or above |      | 0%                          | 30 %              | 35%                | 35%  |

- Equity allocations based on 30 Day Moving Average of NIFTY MOVI to eliminate anomalies and arrived at by using historical data

# Our Investment Philosophy – ‘Buy Right : Sit Tight’

At Motilal Oswal Asset Management Company (MOAMC), our investment philosophy is centered on 'Buy Right : Sit Tight' principle.

## Buy Right

### QGLP

- **‘Q’uality** denotes quality of the business and management
- **‘G’rowth** denotes growth in earnings and sustained RoE
- **‘L’ongevity** denotes longevity of the competitive advantage or economic moat of the business
- **‘P’rice** denotes our approach of buying a good business for a fair price rather than buying a fair business for a good price

## Sit Tight

- **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these businesses to enable our investors to benefit from the entire growth cycle needs even more skill.
- **Focus:** Our portfolios are high conviction portfolios with 20 to 25 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk

# 5 year return on Index – Dynamic allocation

Dynamic Asset Allocation Strategy aims to generate reasonable returns even in volatile markets.

|                    | Index                  | Index Rebalanced |
|--------------------|------------------------|------------------|
| Period             | 01-Jan-01 to 30-Jun-16 |                  |
| Rolling Frequency  | 60M                    | 60M              |
| Observations       | 2578                   | 2578             |
| Minimum Return*    | - 1.16%                | 6.47%            |
| Maximum Return*    | 44.90%                 | 34.80%           |
| Average Return*    | 16.25%                 | 16.47%           |
| Standard Deviation | 10.76                  | 7.56             |

Average return is similar but with less volatility

| Annualised Return (%) | Number of observation | Number of observation |
|-----------------------|-----------------------|-----------------------|
| Less than 0           | 40                    | 0                     |
| 0 - 5                 | 315 <b>35.5%</b>      | 0 <b>25.1%</b>        |
| 5 – 10                | 561                   | 648                   |
| 10 - 15               | 431                   | 679                   |
| 15 +                  | 1231 <b>64.5%</b>     | 1251 <b>74.9%</b>     |

With a monthly rolling basis and frequency of 60 months, a total of 2578 observation were made during the period. Out of that 74.9% of the times Index Rebalanced has generated annualised returns greater than 10% return as compared to 64.5% times by the Index.

\* Returns are annualised. Index – Nifty 50 ; Index Rebalanced - Nifty 50 rebalanced based on MOVI levels

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# During stagnant Market periods

| Scenario | Date       | Nifty 50 | Index    |         | Index Rebalanced |         |
|----------|------------|----------|----------|---------|------------------|---------|
|          |            |          | Returns* | Std Dev | Returns*         | Std Dev |
| A        | 21/12/2010 | 6,001    | 0.51%    | 17.62%  | 5.53%            | 11.75%  |
|          | 18/01/2013 | 6,064    |          |         |                  |         |
| B        | 25/05/2010 | 4,807    | 0.56%    | 18.55%  | 3.18%            | 11.18%  |
|          | 22/05/2012 | 4,861    |          |         |                  |         |
| C        | 08/06/2010 | 4,987    | 0.52%    | 18.08%  | 3.54%            | 11.27%  |
|          | 26/07/2012 | 5,043    |          |         |                  |         |
| D        | 01/11/2010 | 6,118    | -0.27%   | 17.58%  | 4.29%            | 11.93%  |
|          | 11/02/2014 | 6,063    |          |         |                  |         |

Scenarios above shows that during stagnant market, Index Rebalanced has provided better returns with lesser volatility.

\* Returns are annualised. Index – Nifty 50 ; Index Rebalanced - Nifty 50 rebalanced based on MOVI levels; Std Dev - Standard Deviation

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# Scheme Features

|                                  |   |
|----------------------------------|---|
| Type of Scheme                   | An open ended Equity Scheme   |
| Plans                            | Regular and Direct  |
| Options                          | Dividend (Payout and Reinvestment) and Growth   |
| Minimum Application Amt.         | Rs. 5,000/- and in multiples of Re. 1/- thereafter  |
| Minimum Additional Amt.          | Rs. 1,000/- and in multiples of Re. 1/- thereafter  |
| Minimum Redemption Amt.          | Rs. 1,000/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower   |
| Systematic Investment Plan (SIP) | Minimum installment amount - Rs. 1,000/-(weekly/fortnightly/monthly) and Rs. 2,000/- (quarterly) and in multiples of Re. 1/- thereafter with minimum of 6 installments for weekly/fortnightly/ monthly frequency and minimum 3 installments for quarterly frequency. The dates for Auto Debit Facility shall be on the 1st, 7th,14th, 21st or 28th of every month |
| Entry and Exit Load              | Nil   |
| Fund Manager                     | Taher Badshah (For equity component)<br>Abhiroop Mukherjee (For debt component)   |
| Benchmark Index                  | CRISIL Balanced Fund Index  |



# Fund Manager



## **Taher Badshah, Senior Vice President & Head of Equities - MF**

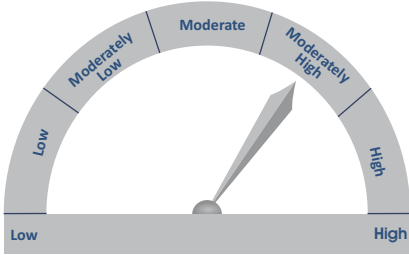
- He is B.E. in Electronics from the University of Mumbai , Masters in Management Studies (Finance) from the SP Jain Institute of Management
- He has spent the first 10 years of his career doing sell-side equity research and the past 11 years in active fund management
- Other Funds Managed by Mr. Taher Badshah : Motilal Oswal MOST Focused Midcap 30 Fund, Motilal Oswal MOST Focused 25 Fund, Motilal Oswal MOST Shares M50 ETF and Motilal Oswal MOST Shares Midcap 100 ETF. He is also the Co-Fund Manager for Motilal Oswal MOST Focused Multicap 35 Fund



## **Abhiroop Mukherjee, Associate Vice President**

- He is B. Com (Hons) and Masters of Business Administration
- He has 9 years of experience in fund management, dealing and trading of fixed income securities
- Other Funds Managed by Mr. Abhiroop Mukherjee : Motilal Oswal MOST Ultra Short Term Bond Fund. He is also the Fund manager for the debt component of Motilal Oswal MOST Focused Midcap 30 Fund, Motilal Oswal MOST Focused 25 Fund, Motilal Oswal MOST Focused Multicap 35 Fund and Motilal Oswal MOST Focused Long Term Fund

# Product Labeling

| Name of the scheme   | This product is suitable for investors who are seeking*   |   |
|--|---|---|
| <p><b>Motilal Oswal MOST Focused Dynamic Equity Fund (MOST Focused Dynamic Equity)</b><br/>(An open ended equity scheme)</p> | <ul style="list-style-type: none"><li>• Long term capital appreciation</li><li>• Investment in equity, derivatives and debt instruments</li></ul> | <p style="text-align: center;"><b>Riskometer</b></p>  <p style="text-align: center;">Investors understand that their principal will be at Moderately High risk</p> |

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

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



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