



# Power & Protection

A fund that changes its action based on market conditions

## Motilal Oswal Dynamic Fund (MOFDYNAMIC)

(An open ended dynamic asset allocation fund)

Name of the Scheme	This product is suitable for investors who are seeking*	 <p>Riskometer</p> <p>Low    Moderately Low    Moderate    Moderately High    High</p> <p>Low    High</p> <p>Investors understand that their principal will be at Moderately High risk</p>
Motilal Oswal Dynamic Fund (MOFDYNAMIC)  (An open ended dynamic asset allocation fund)	<ul style="list-style-type: none"><li>• Long Term capital appreciation</li><li>• Investment in equity, derivatives and debt instruments</li></ul>	

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

**Asset allocation strategy represents decisions about how much of the portfolio to allocate to various investment categories, such as equity, bonds, cash and other alternatives**

## Disciplined approach to Diversification

- Good asset allocation is key to long term success of portfolio
- Owning different investment instruments, nullifies the effect of market factors and economic events
- History has shown not all asset classes move in the same direction at the same time

## Reducing Risk in Portfolio

- Investments with higher returns typically have higher risk and more volatility in year-to-year returns
- Asset allocation combines more aggressive investments with less aggressive ones reducing portfolio's overall risk

## Eliminates Timing the market

- Market timing is difficult to implement. It is even harder to be right consistently
- An asset allocation strategy based on your goals and risk tolerance is a much better approach for most investors

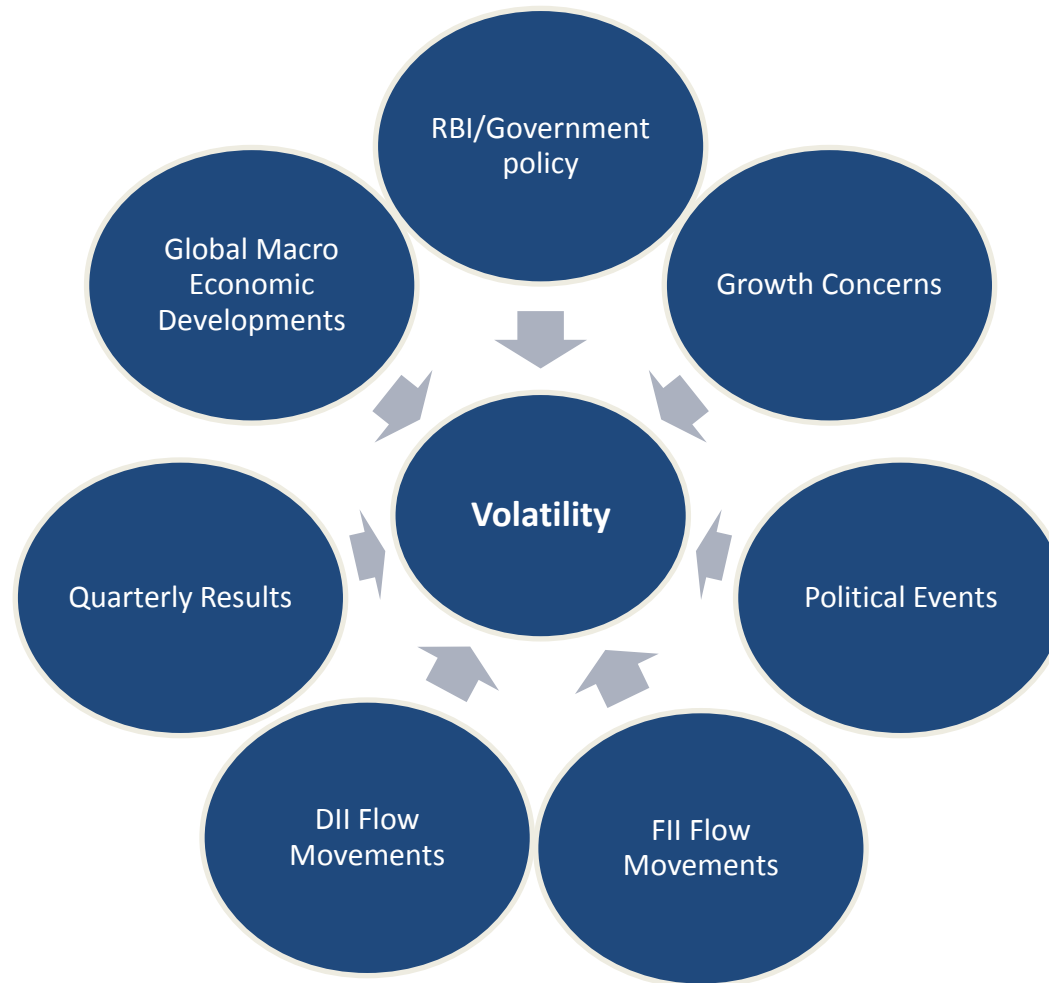
# Why is it important?

Since different asset classes react differently to changing market and economic conditions, having an appropriate asset allocation can help you manage the ups and downs of financial markets

“Timing the market is a fools game, whereas time in the market is your greatest natural advantage” – Nick Murray

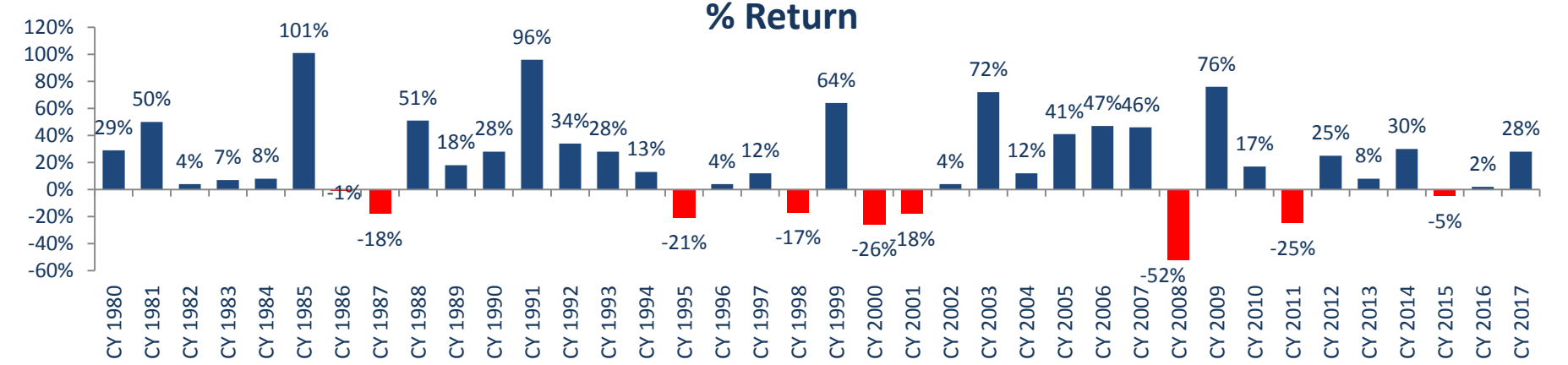
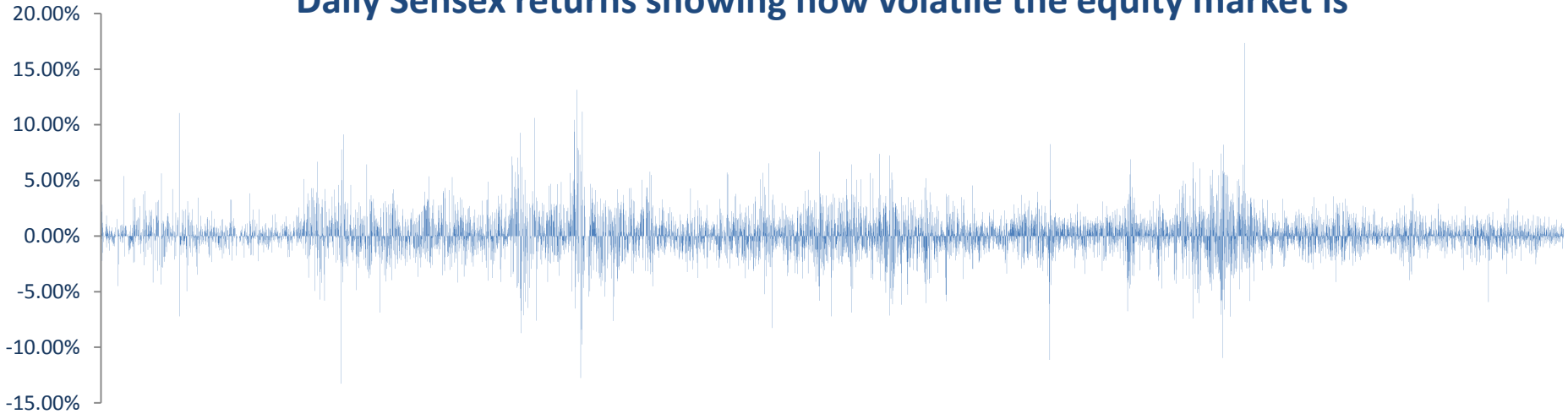
“Mutual Funds were created to make investing easy, so consumers wouldn't have to be burdened with picking individual stocks” – Scott Cook

# What leads to Volatility?



# Equity has always been volatile in the short term

Daily Sensex returns showing how volatile the equity market is



S&P BSE SENSEX			
1-Apr-1979	30-Nov-2018	CAGR	Std Deviation
100	36094.30	15.84 + Div Yield	25.44%

Source: Internal research, Daily return from 2<sup>nd</sup> Jan 1980 to 30<sup>th</sup> November 2018

# Why is Dynamic Asset Allocation better than others?

## Dynamic asset allocation

Allocations are made between equity, debt/cash based on market valuation parameters

## Model Driven

Rebalancing decisions are based on a well defined and time tested model that removes biases of any kind

## Tax Efficiency

Allocation across different asset classes does not lead to any tax liability in the hands of the investor. Tax treatment is the same as in equity

## Fund for all markets

Risk adjusted returns are similar to investments in Equity and with low volatility across market conditions

- An Equity fund that dynamically allocates between equity (including equity derivatives) and fixed income instruments.
- A fund that allocates less in equities when market valuation appears expensive and more when markets valuation appears cheap.
- Allocation based on Motilal Oswal Value Index (MOVI)
  - MOVI is calculated taking into account Price/Earnings, Price/Book and Dividend yield of Nifty 50 Index
  - MOVI helps gauge equity market valuations



## Price-Earnings Ratio (P/E)

A valuation ratio of a company's current share price compared to its per-share earnings

- P/E ratios are more useful to compare companies in the same industry
- E.g. Two different sectors growing at different growth rates cannot be compared alone by P/E as IT companies will have a high P/E and a utility company will have a lower P/E

## Dividend Yield

A financial ratio that shows how much a company pays out in dividends each year relative to its share price

- Dividend yield matters more to an income investor than it does to someone into growth stocks
- E.g. Cyclical stocks maybe valued fairly by dividend yields of steady, mature businesses, such as utilities and banks, are generally good dividend payers

## Price-To-Book Ratio (P/B)

A ratio used to compare a stocks market value to its book value

- P/B is useful when you are looking at financial businesses
- E.g. Banks are best valued by using P/B and service industry are not as it has more intangible assets

- The investment objective is to generate long term capital appreciation by investing in equity and equity related instruments including equity derivatives, debt, money market instruments and units issued by REITs and InvITs.
- The fund endeavours 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)
  - Most Market indices are price indices that provide market levels. As time elapses, fundamentals of the market change
  - MOVI helps investors gauge the investment attractiveness of the markets it helps investors in understanding if the markets are cheap or expensive
- 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)

# Motilal Oswal Dynamic Fund Allocation

<p>Asset Allocation</p>	<ul style="list-style-type: none"> <li>• Asset Allocation based on <b>MOVI</b> #</li> <li>• Net long only equity exposure shall be minimum of 30% of the portfolio value</li> </ul>
<p>Equity</p>	<ul style="list-style-type: none"> <li>• High conviction focused portfolio based on the ‘<b>Buy Right : Sit Tight</b>’ investment philosophy</li> <li>• Investments across market-capitalization and sectors</li> <li>• From 65-100% of the portfolio</li> </ul>
<p>Equity Derivatives</p>	<ul style="list-style-type: none"> <li>• Arbitrage strategy – Cash vs Futures</li> <li>• Hedged position</li> <li>• Maximum upto 35% of the portfolio</li> </ul>
<p>Debt</p>	<ul style="list-style-type: none"> <li>• Instruments including Government Securities, Corporate Debt, Other debt instruments and Money Market Instruments</li> <li>• Maximum upto 35% of the portfolio</li> </ul>
<p>REITs and InvITs</p>	<ul style="list-style-type: none"> <li>• Units issued by REITs (Real Estate Investment Trusts) and InvITs (Infrastructure Investment Trusts)</li> <li>• Maximum upto 10% of the portfolio</li> </ul>

# Asset allocation shall be reviewed twice a month i.e. 15<sup>th</sup> 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

# In-house Allocation through MOVI

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

30 DMA MOVI Range		Estimate Return (%) on basis of historical NIFTY 50 value			
		6 M	12 M	24 M	36 M
0	70	38.14%	59.72%	38.37%	34.21%
70	80	18.94%	30.66%	33.16%	31.14%
80	90	9.05%	17.38%	23.03%	23.28%
90	100	7.64%	19.63%	17.99%	17.12%
100	110	3.11%	11.56%	10.74%	9.05%
110	120	4.28%	6.57%	3.07%	3.39%
120	130	5.67%	5.04%	-3.89%	1.68%
130	160	-19.19%	-49.84%	-6.05%	0.87%

Low MOVI = Cheap valuations  
Higher equity allocation when valuations are low

High MOVI = Expensive valuations  
Lower equity allocation when valuations are high

# In-house Allocation through MOVI

Month	Net Equity Levels	30 DMA MOVI Value - Avg
Oct-16	54.04	109.24
Nov-16	60.82	106.57
Dec-16	56.37	102.51
Jan-17	57.08	102.42
Feb-17	55.70	105.86
Mar-17	55.65	108.72
Apr-17	42.27	109.90
May-17	41.29	110.69
Jun-17	44.38	112.91
Jul-17	44.95	114.94
Aug-17	44.54	118.52
Sept-17	44.77	120.42
Oct-17	40.55	118.68
Nov-17	40.17	116.62
Dec-17	40.41	116.68
Jan-18	39.88	117.73
Feb-18	40.17	118.93
Mar-18	44.17	114.83
April-18	44.37	111.47
May-18	44.43	113.92
June-18	43.93	114.92
July-18	43.60	115.12
Aug-18	43.49	116.41
Sept-18	43.80	117.58
Oct-18	47.97	113.18
Nov-18	57.72	108.45
Dec-18	44.48	110.08

Net Equity exposure in Motilal Oswal  
Dynamic Fund through MOVI

Data as on 31<sup>st</sup> December 2018

The returns may or may not be sustained in the future

# Returns during stagnant market periods

Scenario	Date	Nifty	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 A,B,C and D shows during stagnant market NIFTY 50 Dynamic has provided better returns with lesser volatility.

Dynamic Equity Funds does bridge the gap between valuations and asset allocation for such investors, these funds combines equity, debt and equity arbitrage in to suitable combination based on some pre-defined parameters which can reduce the volatility in the fund

Returns are annualized. Index = Nifty 50; Index Rebalanced = Nifty 50 rebalanced on MOVI levels; Std Dev = Standard Deviation

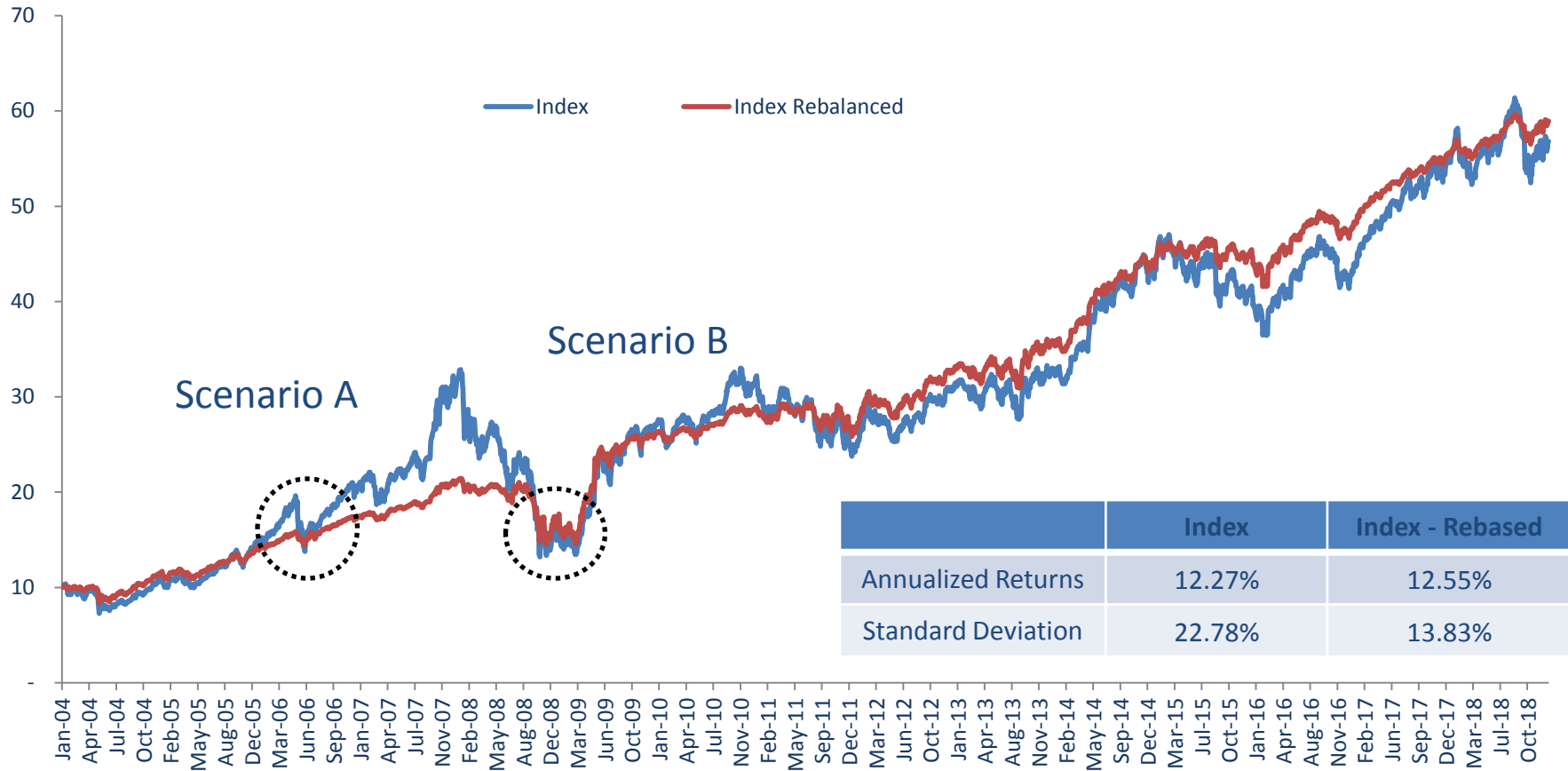
The above stagnant market periods are chosen to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. It should not be constructed as investment advice to any party. The above illustration is based on certain calculations 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, MOAMC Internal Analysis

# Creates wealth in low volatility

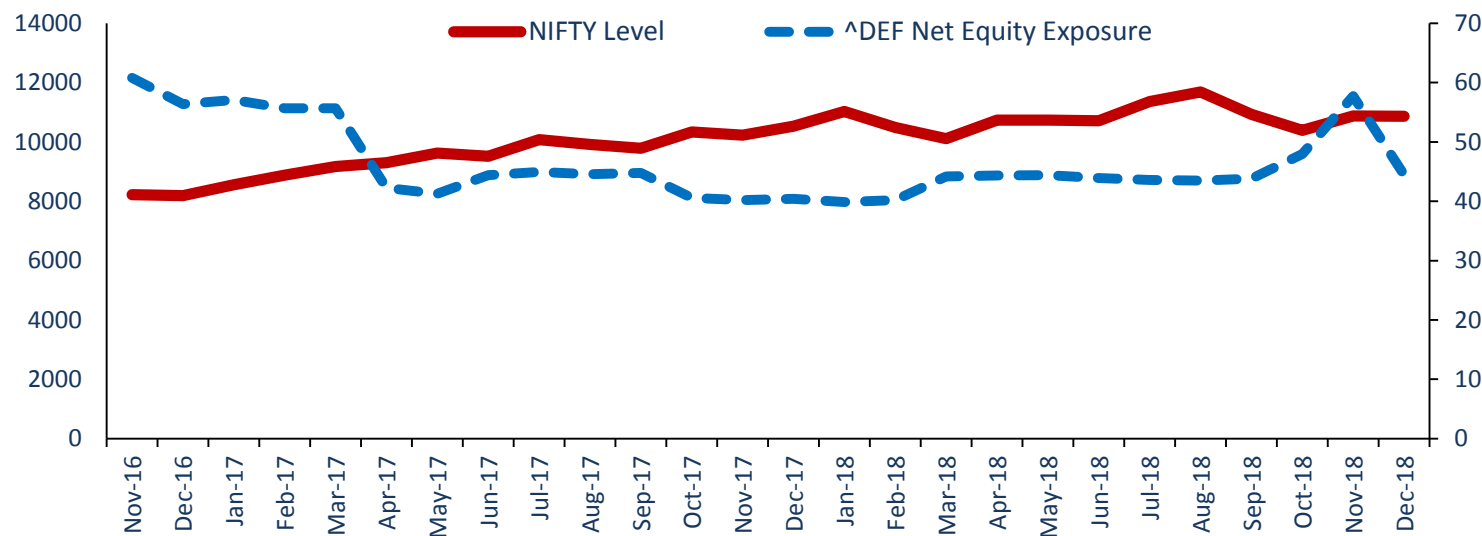
Dynamic Asset allocation POWERS creation of wealth, and aims to PROTECT from downside during market corrections



- 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%

# Nifty Returns vs MOFDYNAMIC Returns

Criteria	MOFDYNAMIC	Nifty 50	CRISIL Hybrid35+65 – Aggressive Index
Max one month rolling return	6.65%	7.08%	5.74%
Min one month rolling return	-6.95%	-10.68%	-7.77%
Avg one month rolling return	0.64%	0.98%	0.75%
Absolute Return*	19.16%	28.33%	21.91%



Data since the inception of scheme; Data as on 31<sup>st</sup> December 2018

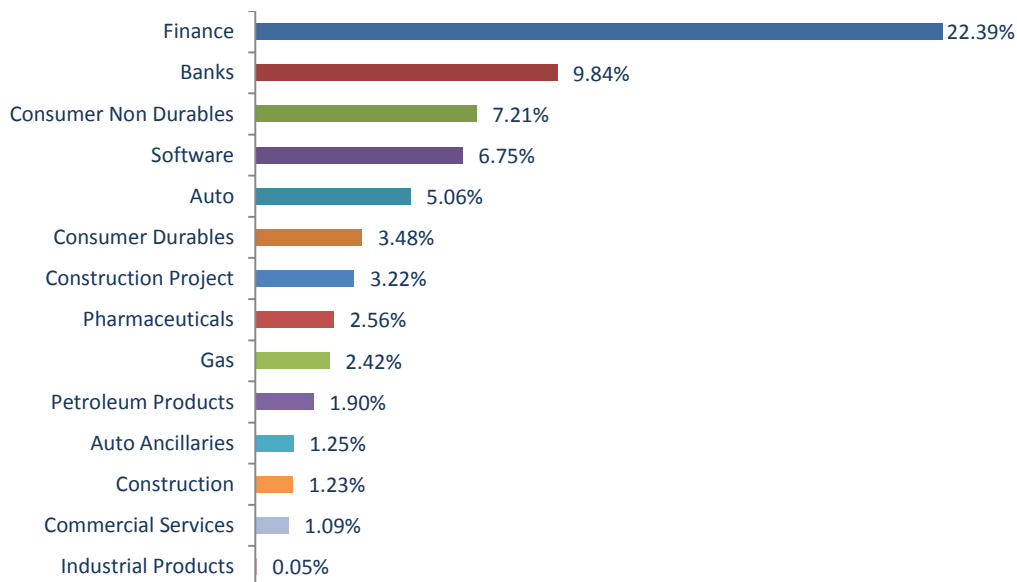
\*Since Inception of the scheme

^Net Equity Exposure is Equity – Equity Arbitrage



# Sector, Asset Allocation & Top 10 Holdings

## Sector Allocation



Industry classification as recommended by AMFI

## Asset Allocation

Instrument Name	Weightage %
Equity	68.44%
Bonds and NCDs	22.08%
Fixed Deposit	3.70%
CBLO	1.59%
Cash and Cash Equivalent (including book value of futures)	28.14%
Equity Derivatives	-23.96%
Total	100.00%

## Top 10 Holdings

Scrip	Weightage (%)
Housing Development Finance Corporation Limited	8.26%
Bajaj Finance Limited	7.70%
United Spirits Limited	7.08%
HDFC Bank Limited	4.08%
Infosys Limited	3.66%
Titan Company Limited	3.48%
Max Financial Services Limited	2.78%
IndusInd Bank Limited	2.58%
Petronet LNG Limited	2.42%
Larsen & Toubro Limited	2.20%

The most beneficial part of a Dynamic Equity Fund is not only do you get the best of Equity and Debt market, but the tax treatment is that of an Equity fund.

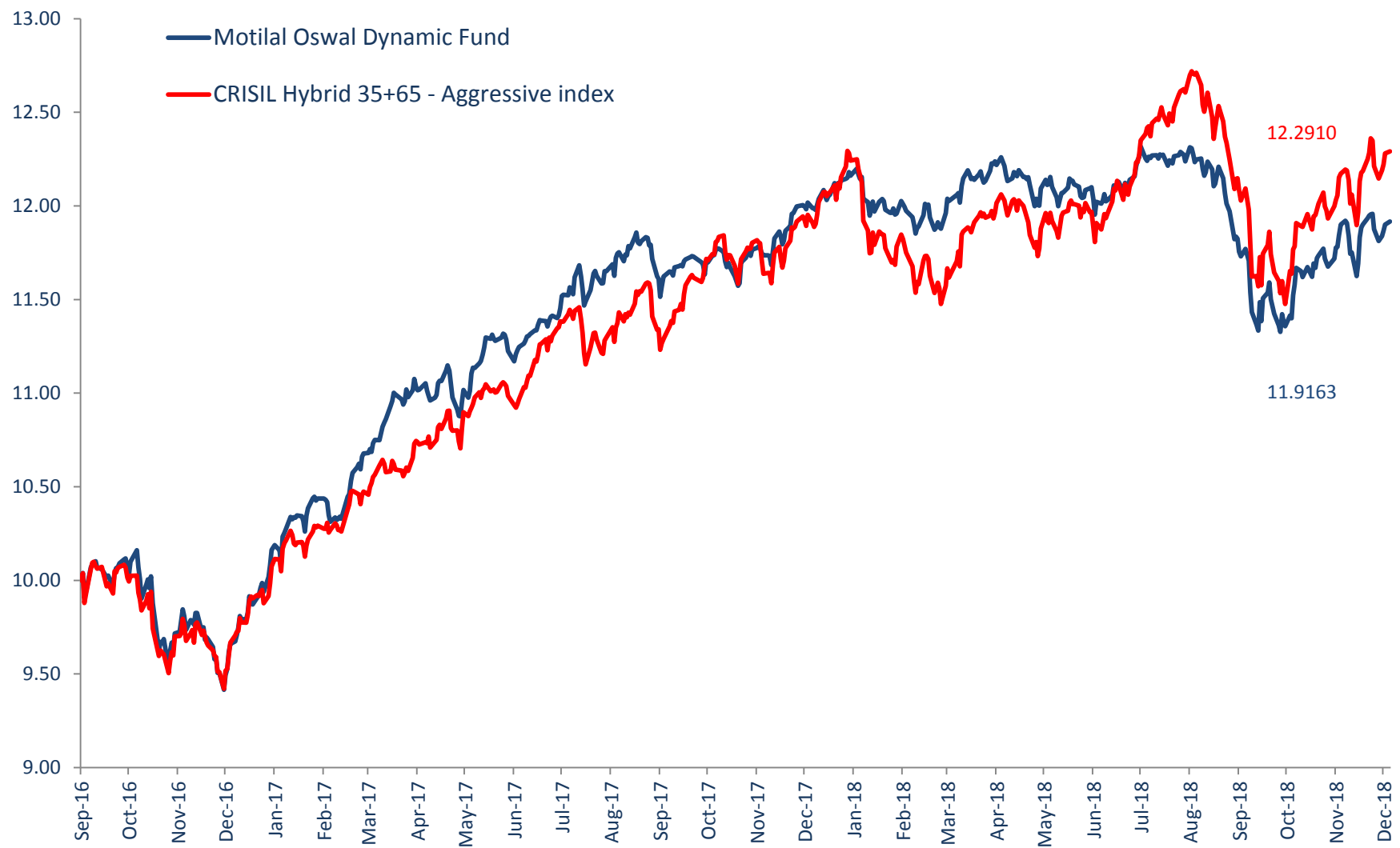
Since a 65% gross Equity exposure is maintained, the tax treatment is as follows:

- Short Term Capital Gain : **15%**
- Long Term Capital Gain: **10%** (For investments held for more than 12 months)\*

Hence we see we get the best of both worlds:

- Safety of a debt fund without the high tax implications and
  - Returns of an equity market with lower volatility

# Net Asset Value Movement



The Fund NAV and Index NAV are re-based to 10 as on 27<sup>th</sup> September 2016; Data as on 31<sup>st</sup> December 2018

## What is SWP?

- SWP enables investor to withdraw a regular sum from his investments at fixed percentage of the original investments at a predefined frequency irrespective of the movement in market value of the investments and that would be subject to the availability of account balance of the investor
- Motilal Oswal – Cashflow Plan (MO – CP) presently offers following options:
  - MO – CP @ 7.5% p.a. of original cost of investment
  - MO – CP @ 10% p.a. of original cost of investment
  - MO – CP @ 12% p.a. of original cost of investment
- MO – CP is offered at a predefined frequency i.e. monthly, quarterly and annually

## What are the benefits of SWP?

- The plan generates regular cash flow
- An investor can withdraw money as and when they need
- As regular withdrawal average out return value helps saving an investor from market fluctuations

- Motilal Oswal Group possess legacy in equities for over 3 decade
- Motilal Oswal AMC is chaired by Mr. Raamdeo Agrawal, one of the most honored and trusted names in the investing world
- Presence across the length and breadth of India and also overseas

## Basic Traits of our Investing Style

- We invest in companies with operating leverage rather than financial leverage
- We do not believe in “timing the market”, rather we believe in “spending time in market”
- We do not over diversify
- The businesses we invest, must have growth potential with economic moat
- We practise long-term Buy and Hold investing style

## 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 25 to 30 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk

# Why BUY RIGHT : SIT TIGHT is significant

- Real wealth is created by riding out bulk of the growth curve of quality companies and not by trading in and out in response to buy, sell and hold recommendations.
- This philosophy enables investor and manager alike to keep focus on the businesses they are holding rather than get distracted by movements in share prices.
- An approach of buying high quality stocks and holding them for a long term wealth creation motive, results in drastic reduction of costs for the end investor.
- While BUY RIGHT is largely the role of the portfolio manager, SIT TIGHT calls for involvement from the portfolio manager as well as investor. This brings in greater accountability from the manager and at the same time calls for better involvement and understanding from investor resulting in better education for the latter.
- Long term multiplication of wealth is obtained only by holding on to the winners and deserting the losers.

# Scheme Features

<b>Type of Scheme</b>	An open-ended dynamic asset allocation fund	
<b>Scheme Category</b>	Dynamic Asset Allocation	
<b>Investment Objective:</b>	The investment objective is to generate long term capital appreciation by investing in equity and equity related instruments including equity derivatives, debt, money market instruments and units issued by REITs and InvITs.	
<b>Benchmark:</b>	CRISIL Hybrid 35+65 – Aggressive TRI	
<b>Entry/Exit Load:</b>	Entry : Nil Exit : 1% - If redeemed on or before 15 days from the date of allotment. Nil - If redeemed after 15 days from the date of allotment. A switch-out or a withdrawal shall also be subjected to the Exit Load like any Redemption. No Exit Load applies for switch between MOF25, MOF30, MOF35, MOFEH & MOFDYNAMIC. No Load for switch between Options within the Scheme.	
<b>Plans:</b>	Regular Plan and Direct Plan	
<b>Options (Under each plan):</b>	Dividend (Payout and Reinvestment) and Growth	
<b>Minimum Application Amount:</b>	Rs. 5,000/- and in multiples of Re. 1/- thereafter	
<b>Additional Application Amount:</b>	Rs. 1,000/- and in multiples of Re. 1/- thereafter	
<b>Systematic Investment Plan (SIP):</b>	Weekly SIP	Rs. 1,000 and in multiples of Re.1/- thereafter (Minimum Installment – 6)
	Fortnightly SIP	
	Monthly SIP	
	Quarterly SIP	Rs. 2,000 and in multiples of Re.1/- thereafter (Minimum Installment – 3)
	Annual SIP	Rs. 5,000 and in multiples of Re. 1/- thereafter (Minimum Installment – 1)
	The Dates of Auto Debit Facility shall be on the 1 <sup>st</sup> , 7 <sup>th</sup> , 14 <sup>th</sup> , 21 <sup>st</sup> or 28 <sup>th</sup> of every month.	
<b>Minimum Redemption Amount:</b>	Rs. 1,000/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower.	





**Mr. Gautam Sinha Roy**  
Fund Manager

### For Equity Component:

**Mr Gautam Sinha Roy :** He has close to 15 years of rich and varied experience in fund management and research. He is the Fund Manager for the scheme Motilal Oswal Long Term Equity Fund, Motilal Oswal Dynamic Fund and Motilal Oswal Multicap 35 Fund.

He is also the Co- Fund manager for Motilal Oswal Focused 25 Fund. He has also worked with IIFL Capital (Singapore), Mirae Asset Global Investments, Edelweiss Capital and GE Capital Intl. Services prior to joining Motilal Oswal group, where he has worked for the last five years. He is an alumnus of IIM Calcutta (2003) and holds an honors degree in Chemical Engineering.



**Ms. Snigdha Sharma**  
Associate Fund Manager

### Associate Fund Manager For Equity Component:

**Ms Snigdha Sharma :** She has more than 10 years of rich and diverse work experience, on both buy and sell side of equity research across India and US markets. Prior to joining Motilal Oswal AMC, she has worked with Goldman Sachs, Fidelity International, Karma Capital and Axis Capital. She has an MBA in Finance from Indian Institute of Science, Bangalore and a B.Tech in Mechanical Engineering from NIT, Raipur.

Funds managed by Ms. Snigdha Sharma: She is Associate Fund Manager for Motilal Oswal Multicap 35 Fund, Motilal Oswal Dynamic Fund and Motilal Oswal Long Term Equity Fund.



**Mr. Abhiroop Mukherjee**  
Fund Manager

### For Debt Component:

**Mr. Abhiroop Mukherjee :** He is a B.com (H), MBA with 10 years of experience in trading Fixed Income Securities. He has also worked with PNB GILTS LTD. as a WDM Dealer.

Other Funds Managed by Mr. Abhiroop Mukherjee : Motilal Oswal Ultra Short Term Fund. He is also the Fund manager for the debt component of Motilal Oswal Midcap 30 Fund, Motilal Oswal Focused 25 Fund, Motilal Oswal Multicap 35 Fund and Motilal Oswal Long Term Equity Fund.

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**Statutory Details:** Constitution: Motilal Oswal Mutual Fund has been set up as a trust under the Indian Trust Act, 1882. **Trustee:** Motilal Oswal Trustee Company Limited. **Investment Manager:** Motilal Oswal Asset Management Company Ltd. (CIN: U67120MH2008PLC188186)  
Sponsor: Motilal Oswal Securities Ltd

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