

MONTHLY Communique

April 2018



Dear Investors and my dear Advisor Friends,

It's the end of an eventful FY18; I take this opportunity to thank you for your kind support and patronage and I wish you a very happy new financial year 2018, which promises to be equally eventful. While last financial year was marked by uncertainty on account of the fallout of demonetization and implementation of GST, this year will be about finally some semblance of recovery on corporate earnings and broader economic growth on the one hand and a rough political calendar and global volatility on the other.

Markets hit an all-time high earlier in January 2018 and from there on a series of events including the Union Budget, rate hike fears in the US, trade wars and President Trump's twitter account and an annual sell off in March have resulted in a significant correction especially in midcaps. At the worst we saw over 10% correction in the Nifty and 15% correction in the Nifty MidCap 100 index in a short span of 45 days from end Jan till mid March 2018. We have now recovered from the lows and market focus is squarely now on the earnings season for the year ended March 31, 2018.

This year is likely to witness a tug-of-war of sorts. With the election calendar – series of state elections culminating into the General Election in the first half of CY2019 and related news flow causing see-saw like swings in the market, the downside is likely to be protected considering that there is a strong momentum to economic growth and corporate results are likely to keep markets buoyant. If news flow on the political front causes any downside, the buoyancy in earnings would cause markets to look relatively cheaper hence offering a cushion to valuations. Demand for good investments in the form of domestic flows seem to be unflinching and there is no reason to believe there will be a serious let up as far as flows are concerned. This is because bank rates are still firmly in the 7% range and real estate, gold and competing asset classes don't seem to be gaining favour amongst investors. On the other hand, barring few hiccups in the last one year, equity has consistently delivered in line with expectations. We are entering yet another financial year and what I am most pleased about is that expectations are low and we are evidently leaving scope for a positive surprise. Corporate performance especially in some of the financial services, auto, consumer staples, building materials, white goods and sectors in general which have a rub-off from consumer buoyancy and rural demand are likely to surprise by their performance.

The last 6 months may not have been a great experience for many investors as they may be witnessing low or no returns and that causes a drag on the longer times frames too. But equity has always been about patience and discipline. A closer look at Motilal Oswal portfolios will show you that despite a correction in values over the last 6-9 months and a sideways NAV movement with practically no return in portfolios, we are holding on to the very same holdings with minor re-allocations but by and large no major changes. That goes to show that while we are seeing underlying economic growth of the companies we own, the market conditions have resulted in share prices correcting. The rest of the year should be used to consistently and systematically keep investing more and more into the very same portfolios

(Continued overleaf)

THINK EQUITY
THINK MOTILAL OSWAL

MOTILAL OSWAL
Asset Management
PORTFOLIO STRATEGY

BUY RIGHT
SIT TIGHT

that you already own. Prices not moving in the face of steady earnings accrual, only means that the ideas are getting more valuable and that much more potential for reward in the future. This is time to accumulate. There will be a time to reap also.

A word of caution on the elections; general commentary in the run up to elections through rest of the year could become quite cautious and ominous at times. Markets prefer stability and predictability and to that extent any hint towards a regime change cause reversals and upsets. While short term market gyrations can not be ruled out, any unexpected developments may well cause these, our practical observation over the years is that there is no correlation between market reaction to electoral news and its subsequent trajectory. In fact what we have observed is that for the markets and for economic performance, the previous Government is more important than the one in power currently. Between 1999 and 2004, we had an NDA government in power which saw the passage of the Electricity Bill and the SARAFAESI Act, the NHAI and Golden Quadrilateral initiatives and similar other reforms. When they lost the elections in May 2004 the market hit a down circuit fearing the impact of a regime change on the reforms process. The UPA1 came into power in May 2004 and despite the market welcoming the new Government with a down circuit, the fact is that we had the proverbial “mother of all bull runs” from 2004 till 2008. The reforms of the previous 5 years coupled with strong global economic conditions led to this bull run. In 2009, amidst the throes of the financial crisis we had another General election and this time the UPA government came back stronger with UPA2 formation. The markets hit an upcircuit for the continuity in May 2009 but from there on we saw what happened to economic performance and the reforms processes. While market welcomed this regime with an upper circuit in May 2009, the fact is that we learnt phrases like policy paralysis and witnessed India's own version of Arab spring with the India Against Corruption movement. May 2014 saw the return of the NDA government and markets welcomed this Government with a 10% intraday jump on the Nifty hoping for respite from the previous 5 years. While there have been many reforms and good part of the economy has been de-bottlenecked, all said and done the Nifty performance is more like 5% CAGR in this regime. Although markets will still prefer continuity and reactions through the election season may beg for continuity; let me assure you we are likely to see the benefits of what we have witnessed in the tenure of this Government, only through the tenure of the next Government, whoever ends up forming it. Keeping this in mind, we are better off keeping the faith and focus on economic and corporate numbers and buying into any kind of serious dip in the markets. Returns backed by strong fundamentals can only be delayed, they can never be denied.

Yours Sincerely,



Aashish P Somaiyaa
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 : Shrey Loonker
Co-fund Manager : Kunal Jadhvani
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 | 46.78 |
| Auto & Auto Ancillaries | 24.01 |
| Oil & Gas | 9.56 |
| Engineering & Electricals | 5.68 |
| Pharmaceuticals | 5.05 |
| Cash | 1.70 |

Data as on 31st March 2018

*Above 5% & Cash

Top 10 Holdings

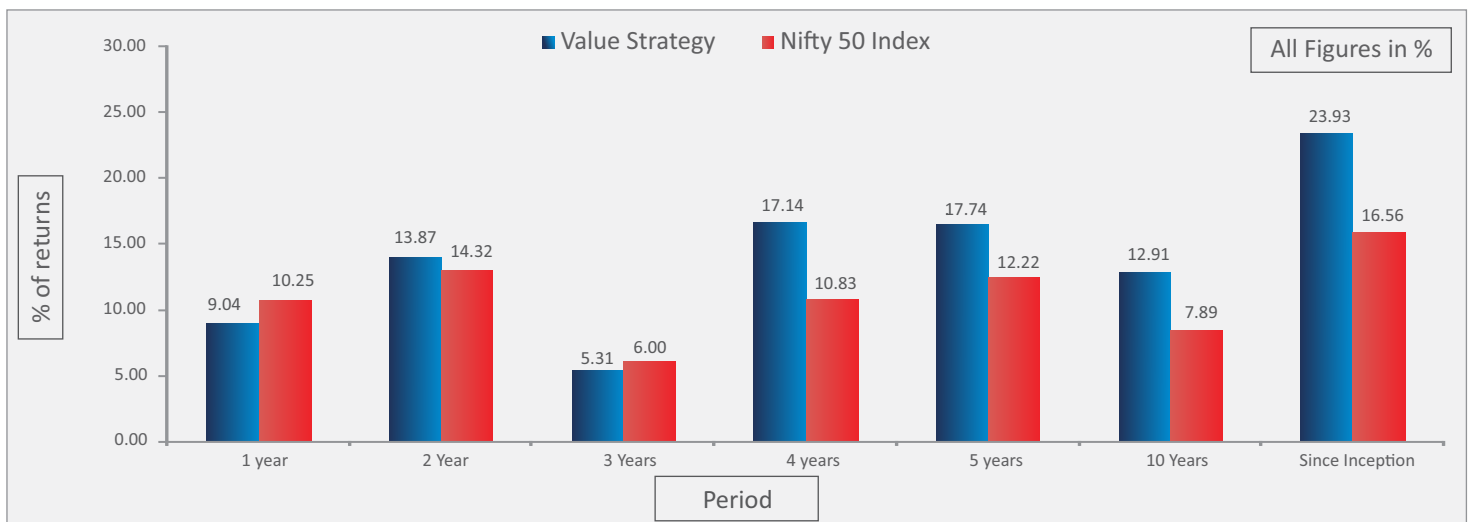
| Particulars | % Allocation |
|--|--------------|
| HDFC Bank Ltd. | 10.53 |
| Kotak Mahindra Bank Ltd. | 8.07 |
| Bharat Petroleum Corporation Ltd. | 7.50 |
| AU Small Finance Bank Ltd. | 6.38 |
| Bharat Forge Ltd. | 6.37 |
| Eicher Motors Ltd. | 6.37 |
| HDFC Ltd. | 5.68 |
| Larsen & Toubro Ltd. | 5.68 |
| Bajaj Finserv Ltd. | 5.64 |
| ICICI Lombard General Insurance Company Ltd. | 5.52 |

Data as on 31st March 2018

Key Portfolio Analysis

| Performance Data (5 Years) | Value Strategy | Nifty 50 |
|----------------------------|----------------|----------|
| Standard Deviation (%) | 14.93% | 13.73% |
| Beta | 0.95 | 1.00 |

Data as on 31st March 2018



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 31st March 2018. 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 Multi 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 : 11th December 2007
 Benchmark : Nifty 500
 Investment Horizon : 3 Years +
 Subscription : Daily
 Redemption : Daily
 Valuation Point : Daily

Top Sectors

| Sector Allocation | % Allocation* |
|-------------------------|---------------|
| Banking & Finance | 32.00 |
| FMCG | 16.38 |
| Auto & Auto Ancillaries | 14.56 |
| Diversified | 14.04 |
| Oil & Gas | 6.52 |
| Cash | 0.45 |

Data as on 31st March 2018

*Above 5% & Cash

Top 10 Holdings

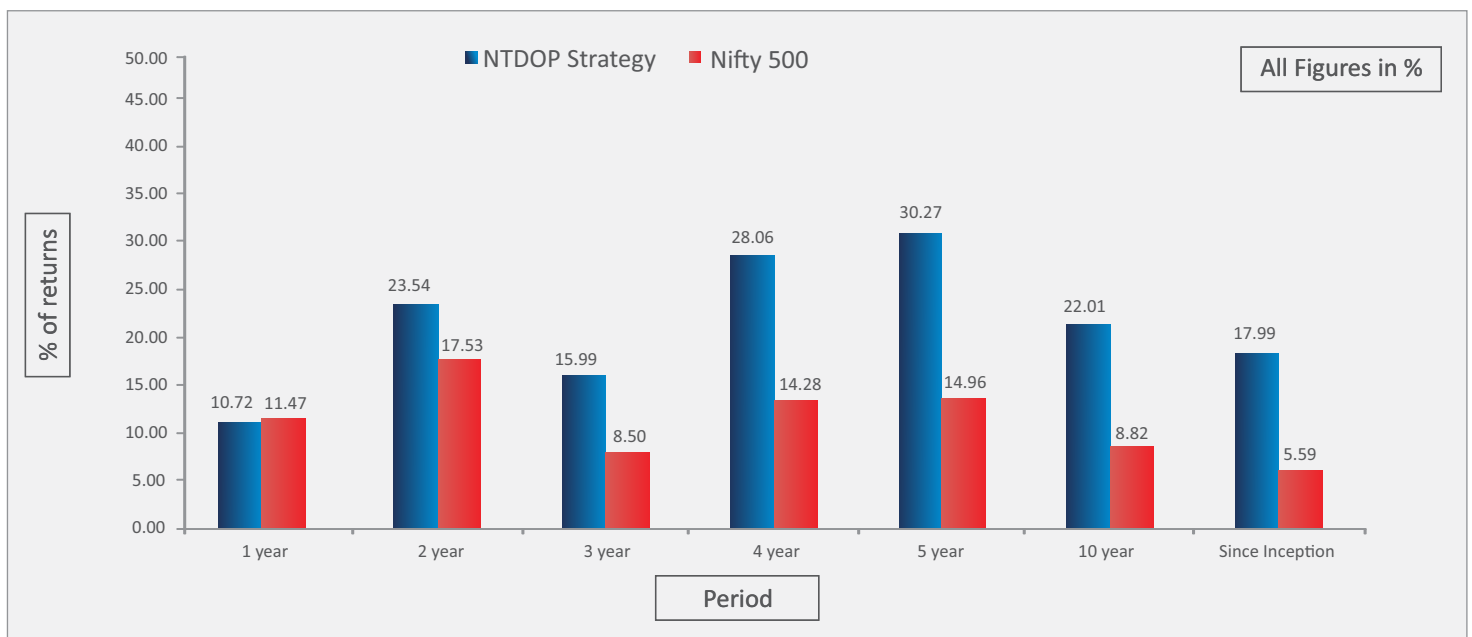
| Particulars | % Allocation |
|-----------------------------|--------------|
| Kotak Mahindra Bank Ltd. | 11.40 |
| Voltas Ltd. | 10.09 |
| Page Industries Ltd. | 8.63 |
| Bajaj Finance Ltd. | 8.61 |
| Eicher Motors Ltd. | 6.48 |
| City Union Bank Ltd. | 4.56 |
| Bosch Ltd. | 4.11 |
| Max Financial Services Ltd. | 4.08 |
| Bharat Forge Ltd. | 3.98 |
| Godrej Industries Ltd. | 3.95 |

Data as on 31st March 2018

Key Portfolio Analysis

| Performance Data (5 Years) | NTDOP | Nifty 500 |
|----------------------------|--------|-----------|
| Standard Deviation (%) | 18.07% | 14.27% |
| Beta | 1.00 | 1.00 |

Data as on 31st March 2018



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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 : Mr. Manish Sonthalia
 Co-Fund Manager : Ms. Mythili Balakrishnan
 Strategy Type : Open ended
 Date of Inception : 11th Feb. 2010
 Benchmark : Nifty Free Float Midcap 100
 Investment Horizon : 3 Years +
 Subscription : Closed
 Redemption : Daily
 Valuation Point : Daily

Top Sectors

| Sector Allocation | % Allocation* |
|-------------------------|---------------|
| Banking & Finance | 28.67 |
| Oil and Gas | 12.92 |
| Pharmaceuticals | 12.31 |
| Cement & Infrastructure | 10.45 |
| Consumer Durable | 9.75 |
| Services | 8.60 |
| Auto & Auto Ancillaries | 5.38 |
| Cash | 0.05 |

Data as on 31st March 2018

*Above 5% & Cash

Top 10 Holdings

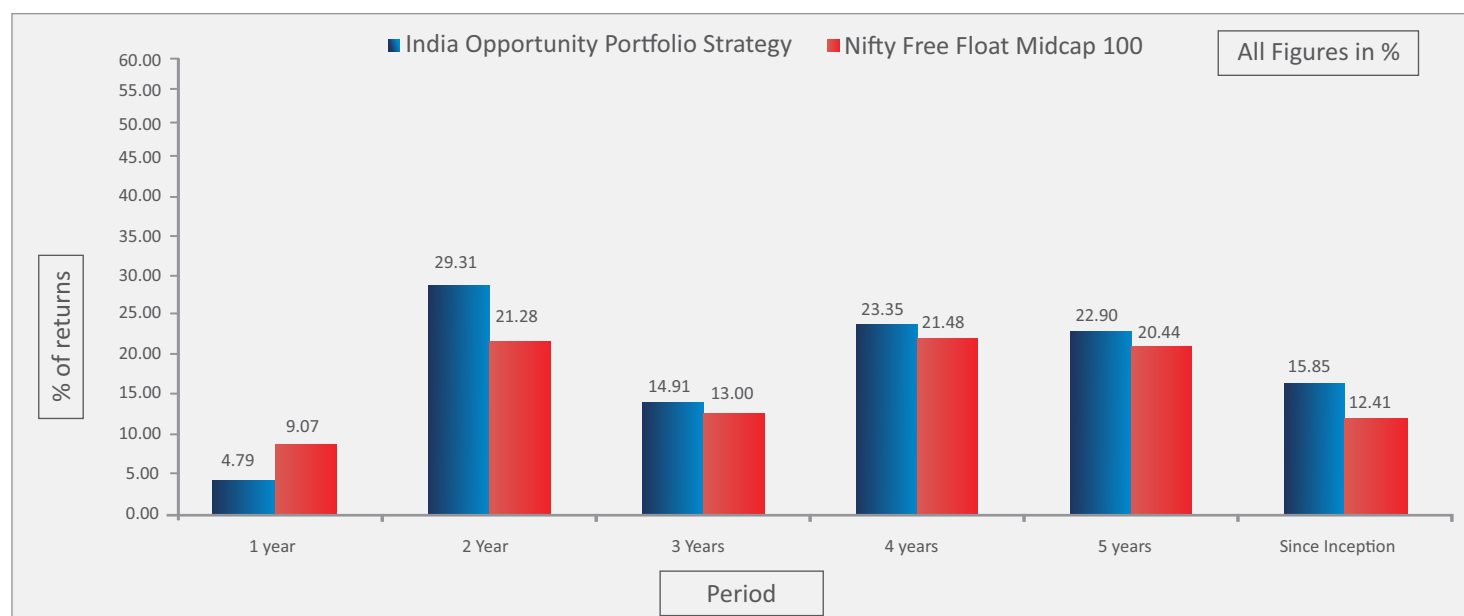
| Particulars | % Allocation |
|------------------------------|--------------|
| Development Credit Bank Ltd. | 8.98 |
| Qess Corp Ltd. | 8.60 |
| Aegis Logistics Ltd. | 7.55 |
| Birla Corporation Ltd. | 7.21 |
| AU Small Finance Bank Ltd. | 7.10 |
| Canfin Homes Ltd. | 5.92 |
| Gabriel India Ltd. | 5.38 |
| Mahanagar Gas Ltd. | 5.37 |
| TTK Prestige Ltd. | 5.02 |
| Alkem Laboratories Ltd. | 4.84 |

Data as on 31st March 2018

Key Portfolio Analysis

| Performance Data (5 Years) | IOPS | Nifty Free Float Midcap 100 |
|----------------------------|--------|-----------------------------|
| Standard Deviation (%) | 17.31% | 17.14% |
| Beta | 0.85 | 1.00 |

Data as on 31st March 2018



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For any PMS queries please call us on +91 22 39982602 or write to
pmsquery@motilaloswal.com or visit www.motilaloswalmf.com

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