



# Motilal Oswal Multi-Asset Fund

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## An All-Weather Fund

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July 2021

# What makes an all Weather Fund? - **A Winning Team**

**TALENT** WINS GAMES...



...**BUT TEAMWORK** WINS CHAMPIONSHIP

# Different Asset Classes have different properties

## 1 Year Rolling Returns : Each Asset Class behaves differently

	Domestic Equity	Bond	International Equity	Gold
Minimum	-55.4%	-0.1%	-32.8%	-17.6%
Maximum	101.2%	15.8%	72.6%	76.0%
Average	15.7%	8.0%	14.2%	15.9%
% times negative returns	20.5%	0.1%	13.6%	20.9%
% times returns are in excess of 7%	66.1%	58.1%	77.5%	67.4%
% times returns are in excess of 15%	44.8%	1.2%	49.9%	50.8%

- The table shows that different asset classes have different features and properties
- We can see that bond has fallen the least in terms of 1 year rolling returns data while domestic equities have fallen the most
- Whereas, domestic equities have given maximum returns of 101.2% while bond has given the least returns of 15.8% returns

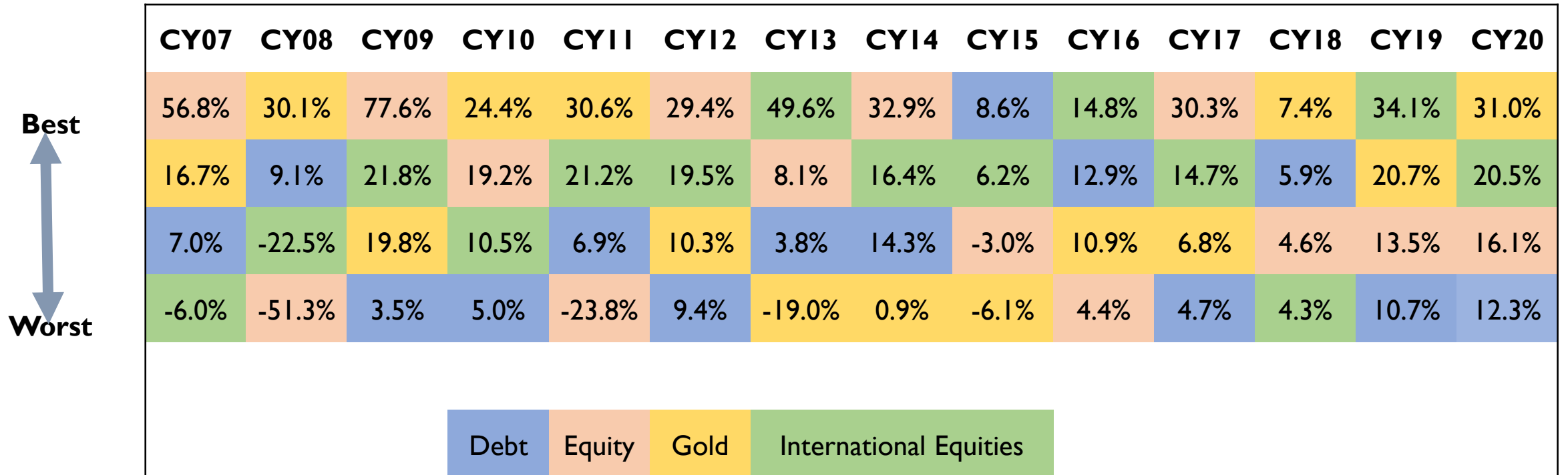
Total number of observations – 4472

Source: MOAMC Internal research. Equity is represented by Nifty 50 TRI Index, Debt by CRISIL Composite Bond Fund Index, Gold by MCX Spot and International equity by S&P 500 TR Index. Data from 1<sup>st</sup> Jan,2005 to 31<sup>st</sup> March,2021 Disclaimer: The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

## Also, Different Asset Classes perform differently

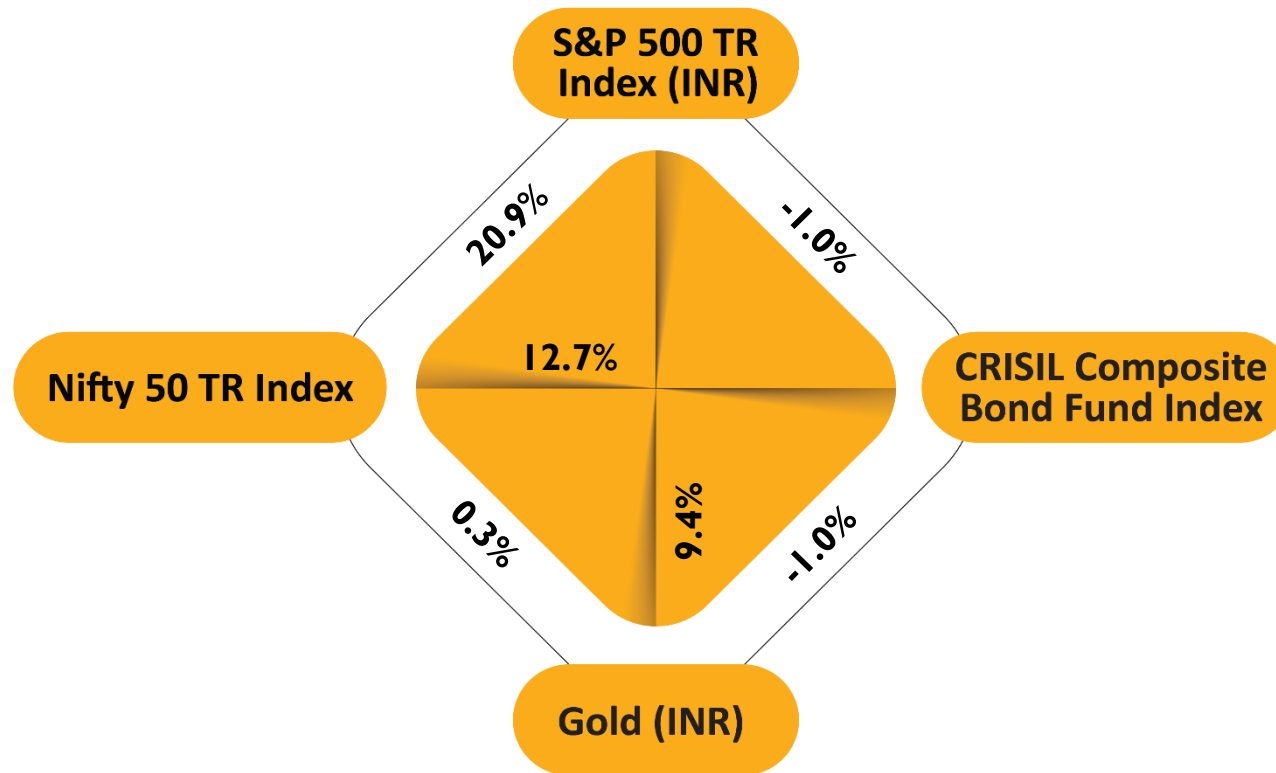
### ➤ Chasing the last year's top performing asset class can be detrimental

- Different Asset classes move up in the pecking order and come down the order
- Changing lanes as per the last year's best performer can be harmful to your wealth creation journey



Source: Bloomberg and MOAMC Internal research. Equity is represented by Nifty 50 TRI Index, Debt by CRISIL Composite Bond Fund Index, Gold by International Gold Prices converted into INR and International equity by S&P 500 TR Index Disclaimer :The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. The sector mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

# Thus Low Correlated Asset Classes helps reduce Volatility



- Different levels of correlation among different asset classes provide the portfolio with an effective hedge.
- Different asset classes react differently to business cycles, changes in the economy and geopolitical realities – and hence have different levels of risk. Asset allocation tries to balance the risk by dividing assets among investment vehicles
- If done regularly via rebalancing or dynamically shifting across asset classes one can maximize the benefits of asset allocation

Source: S&P500 Index, Bloomberg and MOAMC internal research Data since April 30, 2002 till March 31, 2021

Disclaimer: The above data 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.

Past performance may or may not be sustained in future.

# Combining multiple asset classes gives you a Winning Team

Growth of ₹1,00,000 invested on 01-Jan-2007 (13+ years)

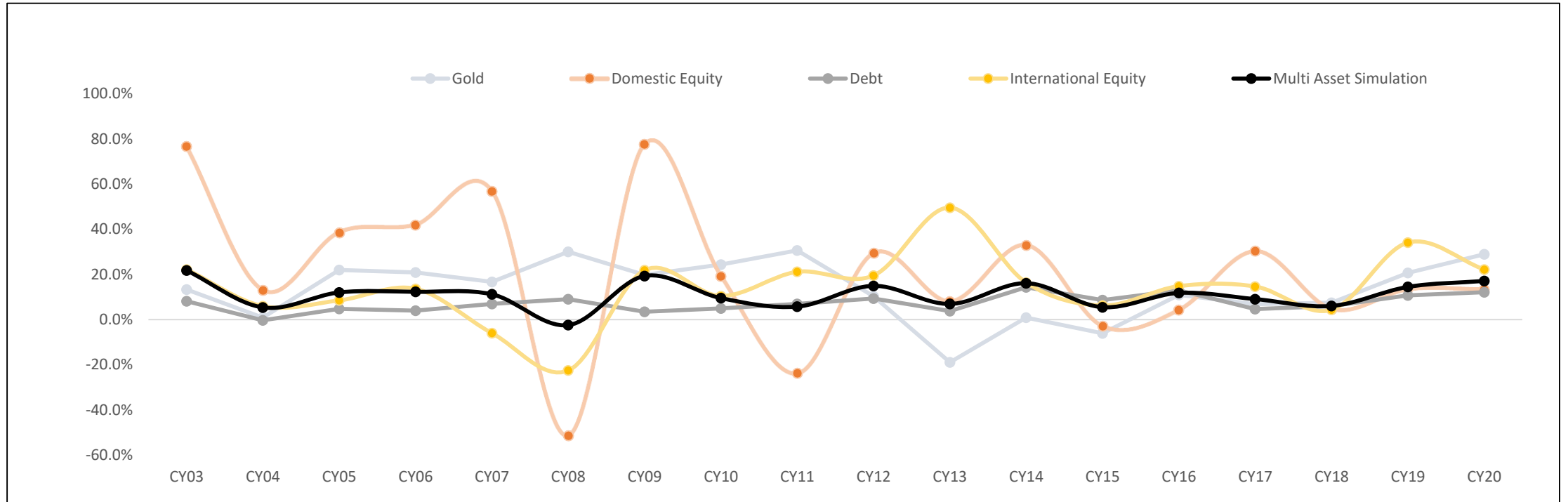
	Total Investment	Portfolio Value (30-Apr-2021)	Annualised Return (CAGR)
<b>Chasing the Winners:</b> (Investing in last year's best performing asset class)	₹1,00,000	₹3,04,172	8.1%
<b>Bottom Fishing:</b> (Investing in last year's worst performing asset class)	₹1,00,000	₹4,96,831	11.8%
<b>Equal Weighted:</b> (Investing consistently across the 4 asset classes in equal proportions)	₹1,00,000	₹5,66,633	12.9%

- The 4 Asset Classes chosen for this analysis were Indian Equity (Nifty 500 TRI), US Equity (S&P 500 TRI-INR), Debt (5-yr G-sec) and Gold (INR)
- Best/Worst performing asset class identified basis last calendar year performance

Source/Disclaimer: MOAMC Research, S&P Dow Jones and MOAMC for S&P 500 TRI, www.niftyindices.com for Nifty 500 TRI and 5-yr G-sec, Factset for Gold.

All performance data in INR. Data from 01-Jan-2006 to 30-Apr-2021. Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table 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. Past performance may or may not be sustained in future.

# Result – A Smoother journey



- A combination of debt oriented multi-asset fund tries to smoothen this journey
- Multiple asset classes with lower co-relation come together to smoothen the investor experience.

Source: Bloomberg and MOAMC Internal research. Equity is represented by Nifty 50 TRI Index, Debt by CRISIL Composite Bond Fund Index, Gold by International Gold Prices converted into INR and International equity by S&P 500 TR Index. Disclaimer: The above graph 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. Past performance may or may not be sustained in future.

## Back tested – zero negative returns

Category	Multi Asset Simulation	CRISIL Composite Bond Fund Index	Nifty 50 TR Index
Minimum Returns	4.03%	2.25%	-5.01%
Maximum Returns	16.42%	13.02%	60.28%
<b>Average Returns</b>	<b>10.31%</b>	<b>6.97%</b>	<b>16.85%</b>
<b>Negative Observations</b>	<b>0</b>	<b>0</b>	<b>130</b>
<b>0% to 4%</b>	<b>0</b>	<b>348</b>	<b>349</b>
4% to 6%	72	726	258
6% to 8%	128	1694	305
8% to 10%	1630	704	342
10% to 12%	1376	249	419
12% to 14%	463	67	376
14% to 16%	101	0	285
Above 16%	18	0	1375
	<b>94.7% observations</b>	<b>26.9% observations</b>	<b>73.8% observations</b>
	<b>0% observations</b>	<b>9.2% observations</b>	<b>11.3% observations</b>

The interplay of multiple asset classes help reduce volatility and drawdowns. If we add dynamic rebalancing between debt and equity – it optimizes returns further. ‘Zero’ negative in 3 years rolling period and ~ 95% observations above 8% returns.



# Introducing Motilal Oswal Multi-Asset Fund

An All Weather Fund

# Motilal Oswal Multi Asset Fund

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## ➤ Why Multi Asset Fund?

A single asset class has periods of outperformance and periods of drawdowns

## ➤ How does a Multi Asset Fund work?

Using a mix of non-correlated asset classes yields a combination which has far lesser volatility and comparatively better risk adjusted returns

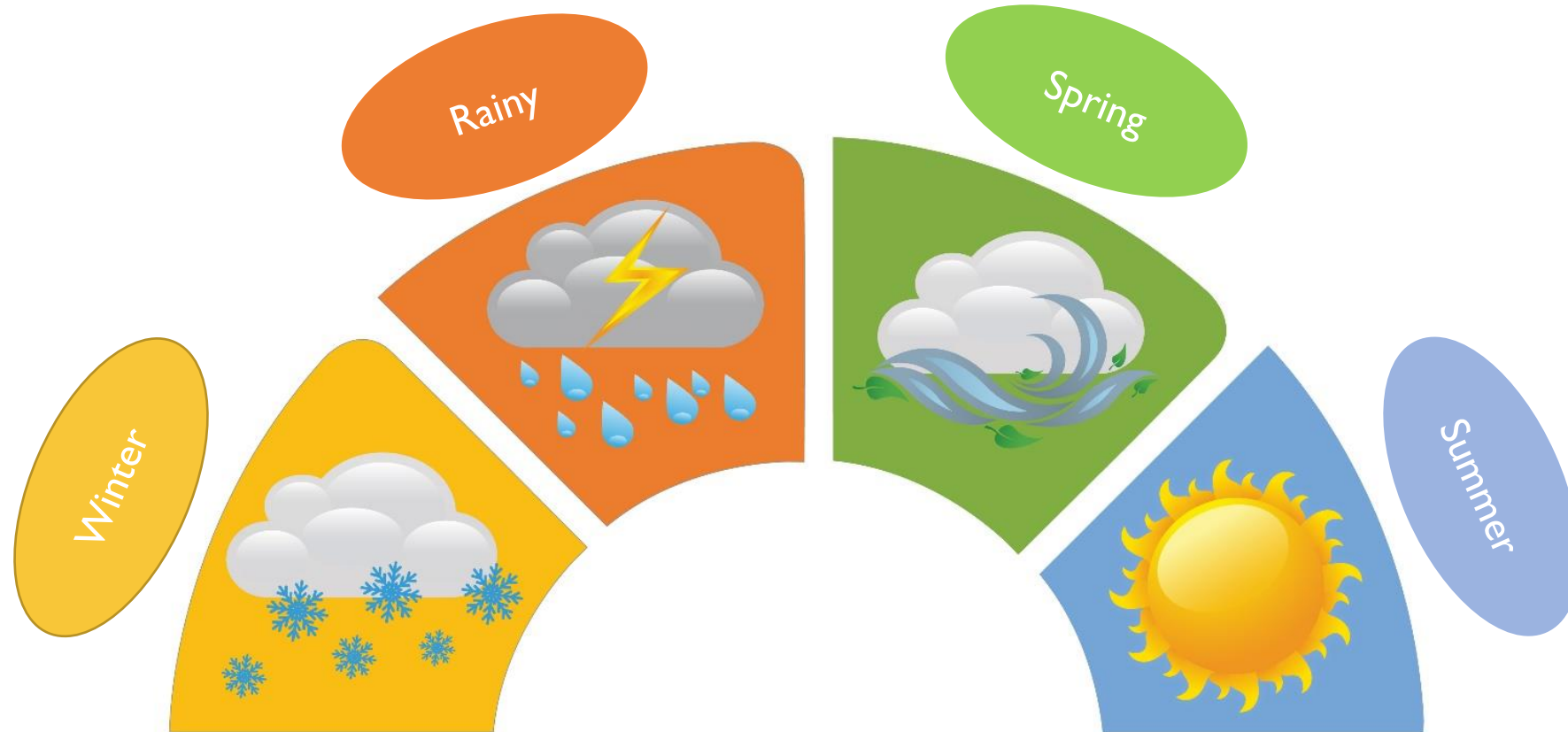
## ➤ What is on offer?

A diversified multi asset fund which aims to generate long term capital appreciation by investing in multiple asset classes with lower volatility, yet aiming for reasonable returns

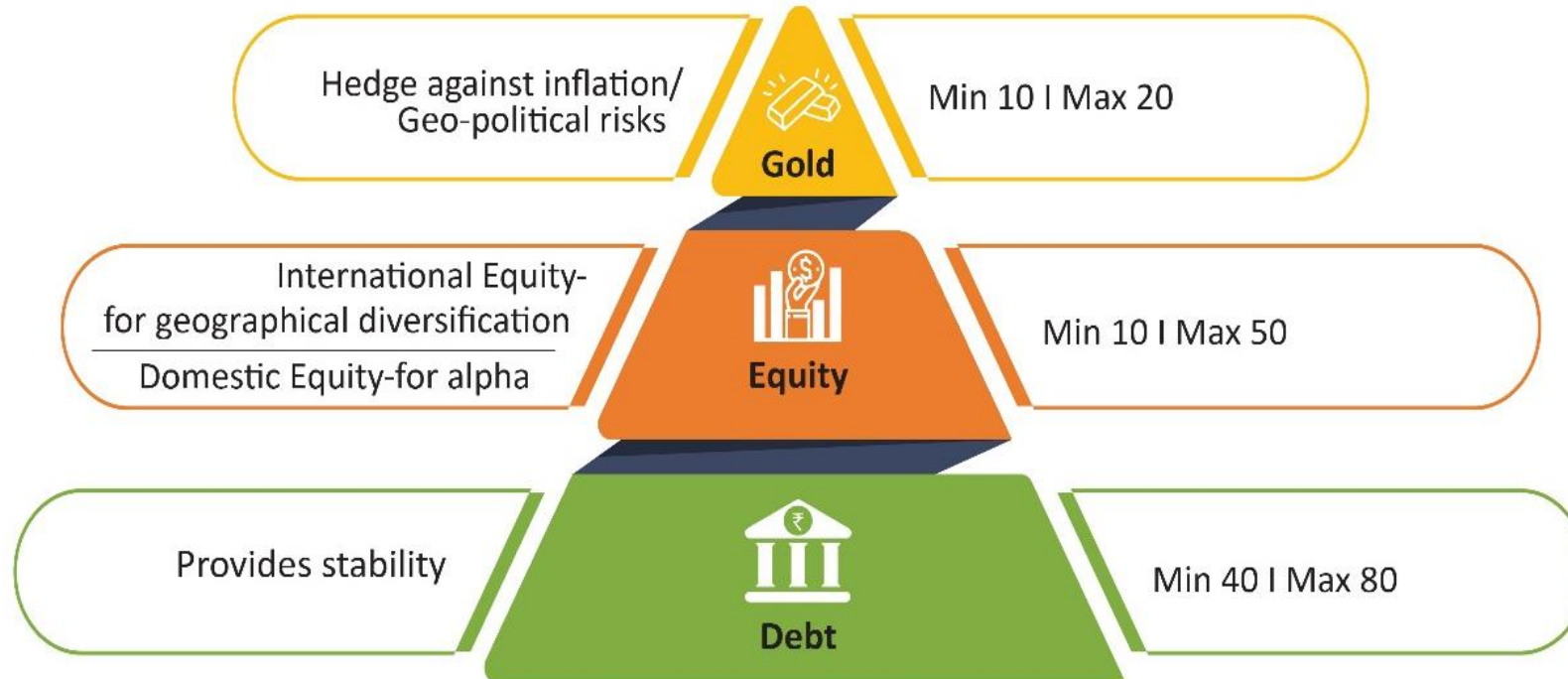
## ➤ Debt taxation

20% taxation with indexation, while 10% LTCG is applicable on equity thus further reducing the gap

# The result of a balanced mix of all 4 asset classes – **An All Weather Fund**

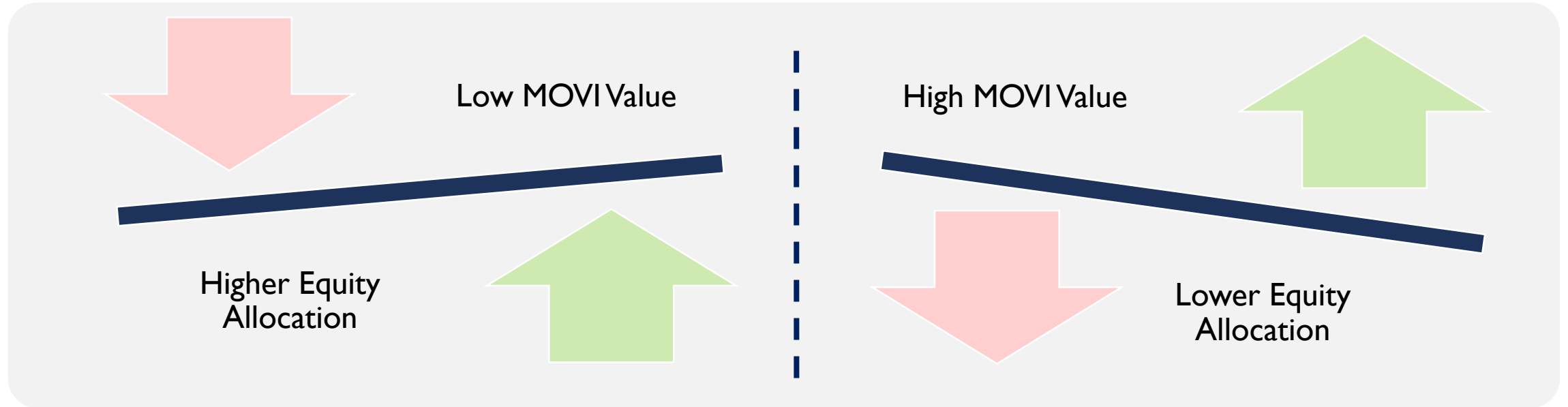


# The Power of 4 – A Debt-Oriented Multi Asset Fund



^As per SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017, Foreign Securities will not be treated as a separate asset class and accordingly International Equity Index Funds/Equity ETFs have been included in Equity and Equity related instruments. The scheme intends to invest in International Equity Index Funds/Equity ETFs upto 20% of net assets.

# MOVI Magic :A Rule Based Rebalancing Model



- MOVI, which stands for Motilal Oswal Value Index, is a proprietary index of Motilal Oswal Asset Management Company Limited (MOAMC)
- How is MOVI calculated?
  - Based on P/E, P/B and D/Y of Nifty 50 Index
  - All three parameters carry equal weights
  - 30 DMA of spot MOVI is used to decide allocations and rebalancing

# Benefits of Dynamic Rebalancing

Dynamic rebalancing (purely) based on the 30DMA of MOVI-MAF					
MOVI Levels		Equity	Debt	Minimum International Equity Index/ETFs	Minimum Gold ETFs
Less than 70		25.0%-27.5%	55.0%-52.5%	10%	10%
70	<80	22.5%-25.0%	57.5%-55.0%	10%	10%
80	<90	20.0%-22.5%	60.0%-57.5%	10%	10%
90	<100	17.5%-20.0%	62.5%-60.0%	10%	10%
100	<110	15.0%-17.50%	65.0%-62.5	10%	10%
110	<120	12.5%-15.0%	67.5%-65.0%	10%	10%
120	<130	10.0%-12.5%	70.0%-67.5%	10%	10%
130 or above		7.5%-10.0%	72.5%-70%	10%	10%

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

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

- The Fund will use Motilal Oswal Value Index (MOVI-MAF) as an indicator for the asset allocation between Equities and Debt
- The asset allocation shall be reviewed twice a month based on the MOVI Band mentioned above

Data points shown here are to explain and illustrate working of the MOVI model. Numbers presented here do not amount to investment advice. Consult your financial advisor before investing.

# Selection of Asset Classes

## Equity

- Large Cap Oriented bottom up stock picking
- QGLP Framework

## Fixed Income

- Medium Term maturity, Very high credit quality
- Desired Modified Duration of ~4-5 Years. Credit Profile : ~90% AAA

## International Equities

- Passive through international Index fund / ETF
- Fund : Motilal Oswal S&P 500 Index Fund

## Gold

- Passive through a Gold ETF
- Fund : ICICI Gold ETF

# Equity Strategy – QGLP Philosophy

Large Cap Oriented portfolio based on an underlying framework of QGLP

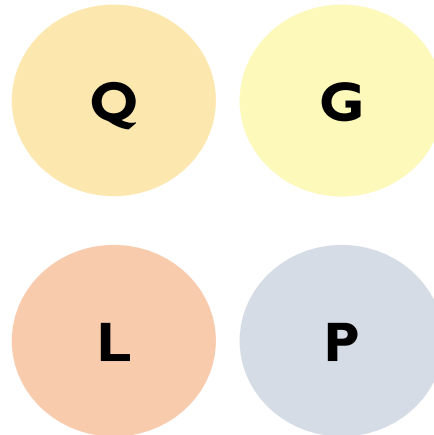
## Investment Philosophy

### Quality of business x Quality of management

- Stable business, preferably consumer facing
- Huge business opportunity
- Sustainable competitive advantage
- Competent management team
- Healthy financials & ratios

### Longevity – of both Q & G

- Long-term relevance of business
- Extending competitive advantage period
- Sustenance of growth momentum



### Growth in earnings

- Volume growth
- Price growth
- Mix change
- Operating leverage
- Financial leverage

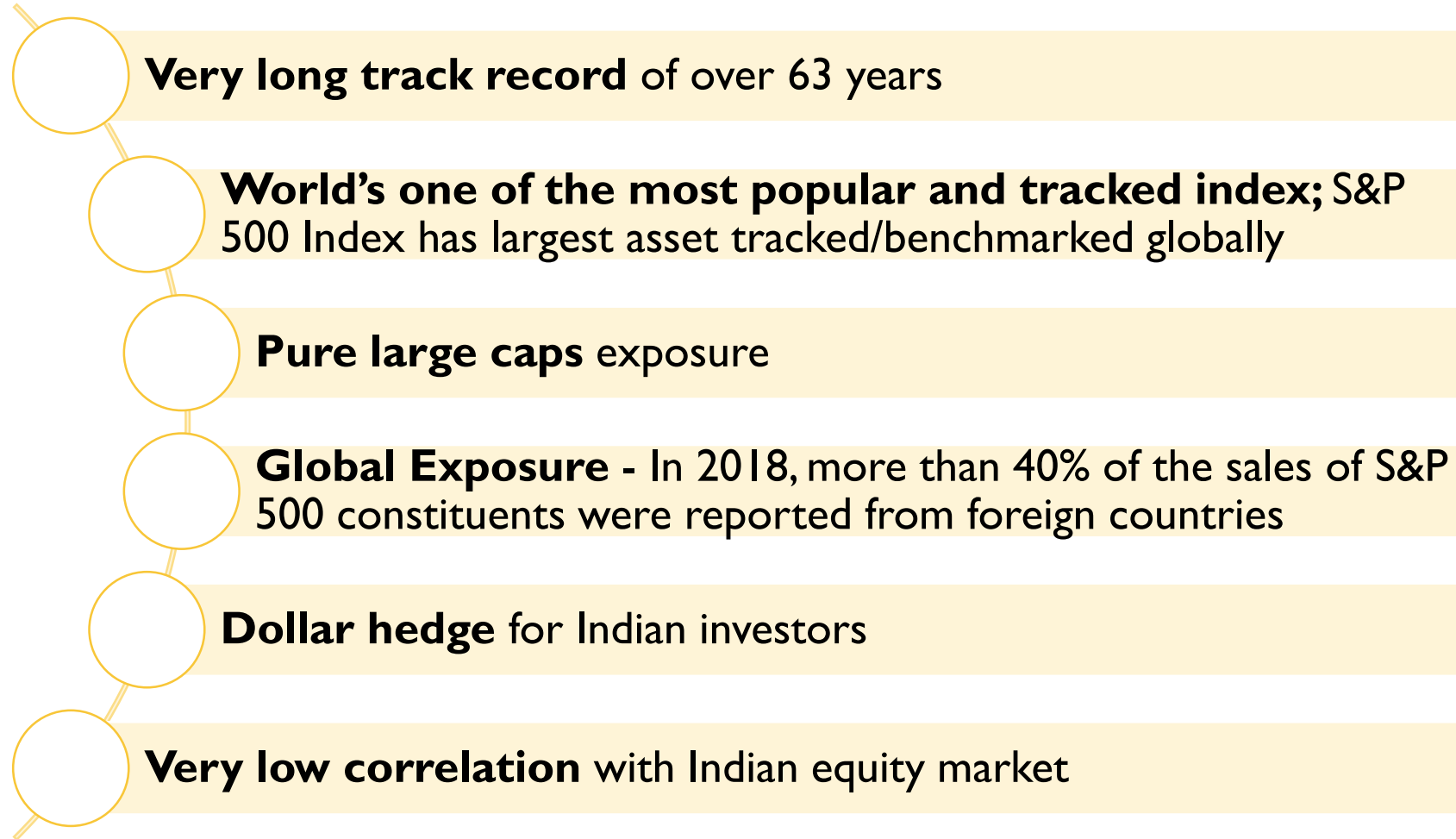
### Price

- Reasonable valuation, relative to quality & growth prospects
- High margin of safety



# International Equity

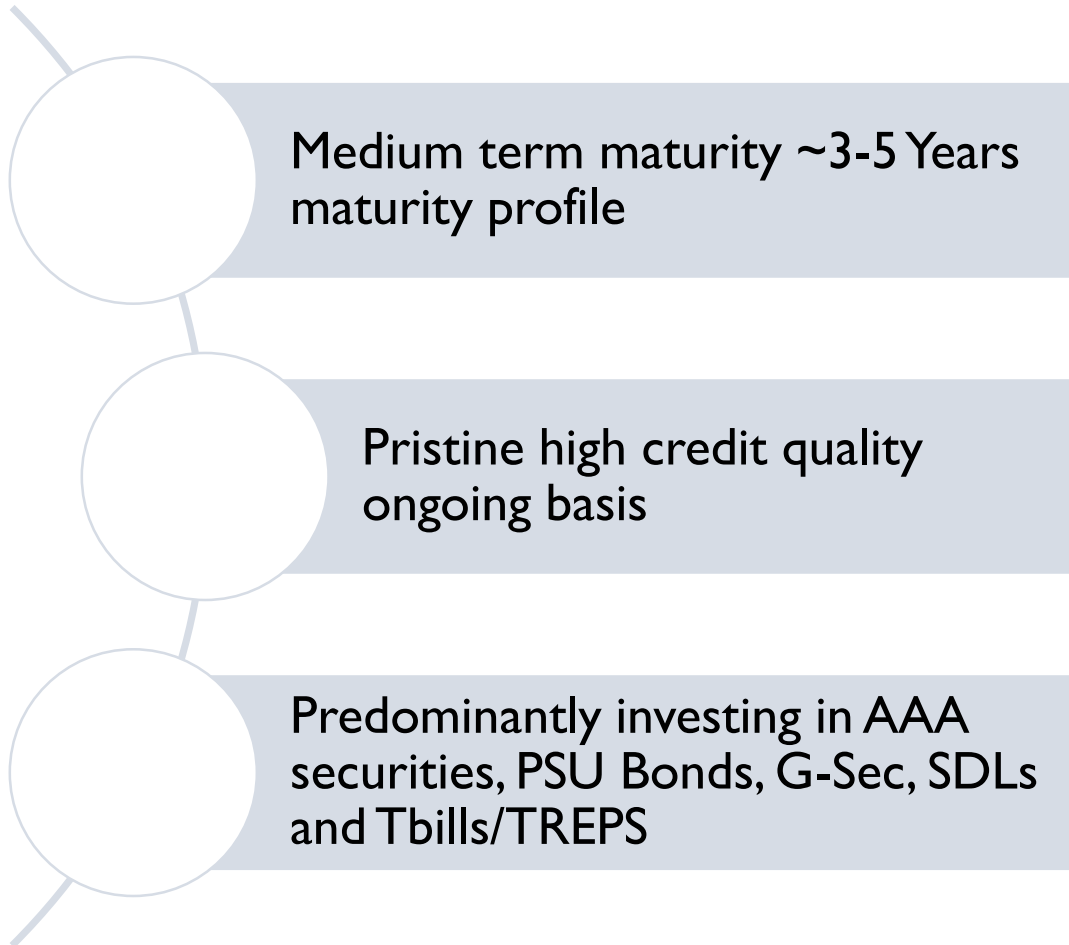
Passive investment through units of Motilal Oswal S&P 500 Index Fund



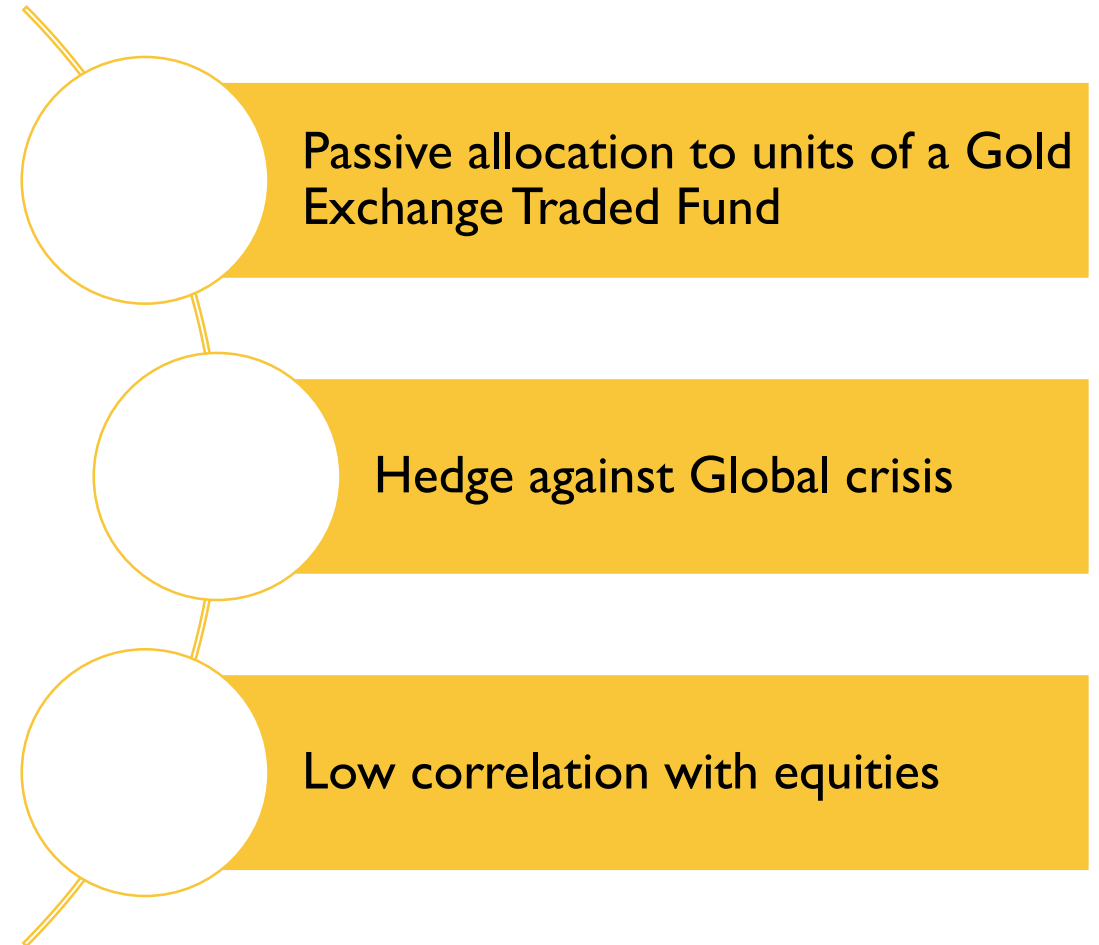
- The S&P 500 index is widely regarded as one of the best single gauge of large-cap U.S. equities
- The index is designed to measure the performance of leading 500 companies listed in United States and covers approximately 80% of available market capitalization.

# Debt & Gold

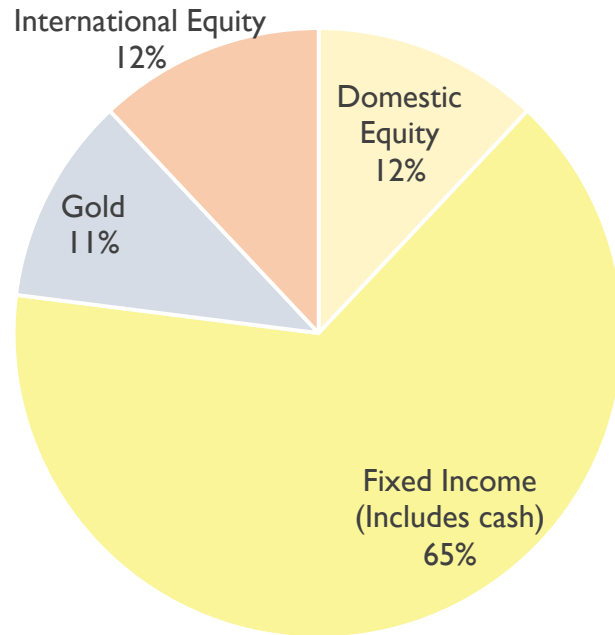
## Debt



## Gold



# Current Portfolio Allocation



Data as on June 30, 2021

The Stocks/Sectors mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of any investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future

## Top 5 Equity Holdings

Script	Weightage (%)
HDFC Bank Limited	1.2%
Housing Development Finance Corporation Limited	1.0%
Infosys Limited	0.9%
Tata Consultancy Services Limited	0.8%
ICICI Bank Limited	0.8%

## Top 5 Debt Holdings

Script	Weightage (%)
364 Days Tbill (MD 21/04/2022)	21.5%
Tata Capital Financial Services Limited	5.8%
Larsen & Toubro Limited	4.6%
NABARD	4.6%
Sundaram Home Finance Limited	4.6%

## Fund at a Glance

Allocation	Domestic Equity + Fixed Income Securities + Gold + International Equity
Taxation	Other than Equities - Long term CG Tax for investment over 36 months
Volatility in Returns	Low
Equity Market Cap	Large Cap
Equity Investment Approach	QGLP
Debt Investment Approach	Predominantly AAA Portfolio
International Equity	Passive investment through units of Motilal Oswal S&P 500 Index Fund
Gold	Passive investment through units of a Gold ETF
Ideal Investor	An investor who desires marginally better & consistent returns without taking higher risk

# Fund Facts

Type of the Scheme	An open ended scheme investing in Equity, International Equity Index Funds/ Equity ETFs, Debt and Money Market Instruments and Gold Exchange Traded Funds
Category of the Scheme	Multi Asset Allocation
Investment Objective	The investment objective is to generate long term capital appreciation by investing in a diversified portfolio comprises of Equity, International Equity Index Funds/ Equity ETFs, Debt and Money Market Instruments and Gold Exchange Traded Funds. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved
Benchmark	30% Nifty 50 TRI + 50 % Crisil Short Term Gilt Index + 10% Domestic Price of Gold + 10% S&P 500 Index (TRI)
MOVI	Motilal Oswal Value Index (MOVI) is a proprietary index of Motilal Oswal Asset Management Company Limited (MOAMC). It is calculated taking into account Price to Earnings (P/E), Price to Book (P/B) and Dividend Yield of the Nifty 50 Index. The MOVI is calculated on 30 Daily Moving Average of the above parameters. A low MOVI level indicates that the market valuation appears to be cheap and one may allocate a higher percentage of their investments to Equity as an asset class. A high MOVI level indicates that the market valuation appears to be expensive and that one may reduce their equity allocation. NSE Indices Ltd. (NSE) is the calculating agent of NIFTY MOVI. NSE shall calculate, compile, maintain and provide NIFTY MOVI values to Motilal Oswal Asset Management Company Ltd. NIFTY MOVI values will be published on the MOAMC website on a daily basis.
Entry / Exit Load	Entry Load: Nil Exit Load: 1%- If redeemed on or before 3 months from the date of allotment. Nil- If redeemed after 3 months from the date of allotment.
Plans	The Scheme has two Plans: (i) Regular Plan and (ii) Direct Plan Regular Plan is for Investors who purchase/subscribe units in a Scheme through any Distributor (AMFI Registered Distributor/ARN Holder). Direct Plan is for investors who purchase/subscribe units in a Scheme directly with the Fund and is not routed through a Distributor (AMFI Registered Distributor/ARN Holder).

# Fund Facts

Options	Each Plan offers Growth Option.			
Minimum Investment	Rs. 500/- and in multiples of Re. 1/- thereafter.			
Fund Manager	<b>Fund Manager - Equity Component</b>	<b>Fund Manager - Debt Component</b>	<b>Fund Manager - International Equity</b>	<b>Fund Manager - Gold</b>
	Mr. Siddharth Bothra	Mr. Abhiroop Mukherjee	Mr. Herin Visaria	Mr. Swapnil Mayekar
	Experience: 18 years	Experience: 11 years	Experience: 11 years	Experience: 11 years

# Disclaimer

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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 Financial Services Ltd

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

**For any Mutual Fund queries, please call us on +91 81086 22222 /+91 22 40548002 (Press 1) or write to [mfservice@molalosal.com](mailto:mfservice@molalosal.com)**

# Risk Factors

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## **Risks associated with investing in Equity and Equity related securities**

- Equity and Equity related instruments on account of its volatile nature are subject to price fluctuations on daily basis. The volatility in the value of the equity and equity related instruments is due to various micro and macro-economic factors affecting the securities markets. This may have adverse impact on individual securities/sector and consequently on the NAV of Scheme. The value of the Scheme's investments may be affected by interest rates, currency exchange rates, and change in laws/policies of the government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors.

## **Risk factors associated with investing in Debt and Money Market Instruments**

- Different types of fixed income securities in which the Scheme(s) would invest as given in the Scheme Information Document carry different levels and types of risk. Accordingly, the Scheme(s) risk may increase or decrease depending upon its investment pattern.



# Risk Factors

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## Risk associated with investments in Gold ETF's

- The scheme would invest in Gold ETFs and thus the NAV of the scheme will react to Gold price movements. Several factors that may affect the price of gold are as follows:
- Global gold supplies and demand, which is influenced by factors such as forward selling by gold producers, purchases made by gold producers to unwind gold hedge positions, central bank purchases and sales, productions and cost levels in major gold producing countries such as the South Africa, the United States and Australia.
- Investors' expectations with respect to the rate of inflation
- Currency exchange rates
- Interest rates
- Investment and trading activities of hedge funds and commodity funds
- Global or regional political, economic or financial events and situations
- Changes in indirect taxes or any other levies

# Risk Factors

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## Risks associated with overseas investment

- To the extent the assets of the scheme are invested in overseas financial assets, there may be risks associated with currency movements, restrictions on repatriation and transaction procedures in overseas market. Further, the repatriation of capital to India may also be hampered by changes in regulations or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration, and bi-lateral conflict leading to immobilisation of the overseas financial assets and the prevalent tax laws of the respective jurisdiction for execution of trades or otherwise.
- **Currency Risk:** The fund may invest in overseas mutual fund / foreign securities as permitted by the concerned regulatory authorities in India. Since the assets will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes/fluctuations in the value of the foreign currencies relative to the Indian Rupee.
- **Country Risk:** The Country risk arises from the inability of a country, to meet its financial obligations. It is the risk encompassing economic, social and political conditions in a foreign country, which might adversely affect foreign investors' financial interests.

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

# Product Labelling

Name of the scheme	This product is suitable for investors who are seeking*	 <p data-bbox="1574 635 1982 671">Investors understand that their principal will be at Moderate risk</p>
Motilal Oswal Multi Asset Fund (MOFMAF) (An open ended scheme investing in Equity, International Equity Index Funds/Equity ETFs, Debt and Money Market Instruments and Gold Exchange Traded Funds)	<ul style="list-style-type: none"><li>• Long term capital appreciation by investing in a diversified portfolio.</li><li>• Investing in Equity, International Equity Index Funds/Equity ETFs, Debt and Money Market Instruments and Gold Exchange Traded Funds</li></ul>	

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

**Thank You!**

Questions?