

# POWER & PROTECTION

Introducing  
Motilal Oswal Equity Hybrid Fund



MOTILAL OSWAL

**CASH**  
FLOW PLAN

For Planned Needs

**THINK EQUITY**  
**THINK MOTILAL OSWAL**

MOTILAL OSWAL  
Asset Management  
**MUTUAL FUND**

**BUY RIGHT**  
**SIT TIGHT**



It is an investment portfolio with an ideal mix of **Equities** and **Fixed Income** instruments, thus it aims to offer both, growth and stability.

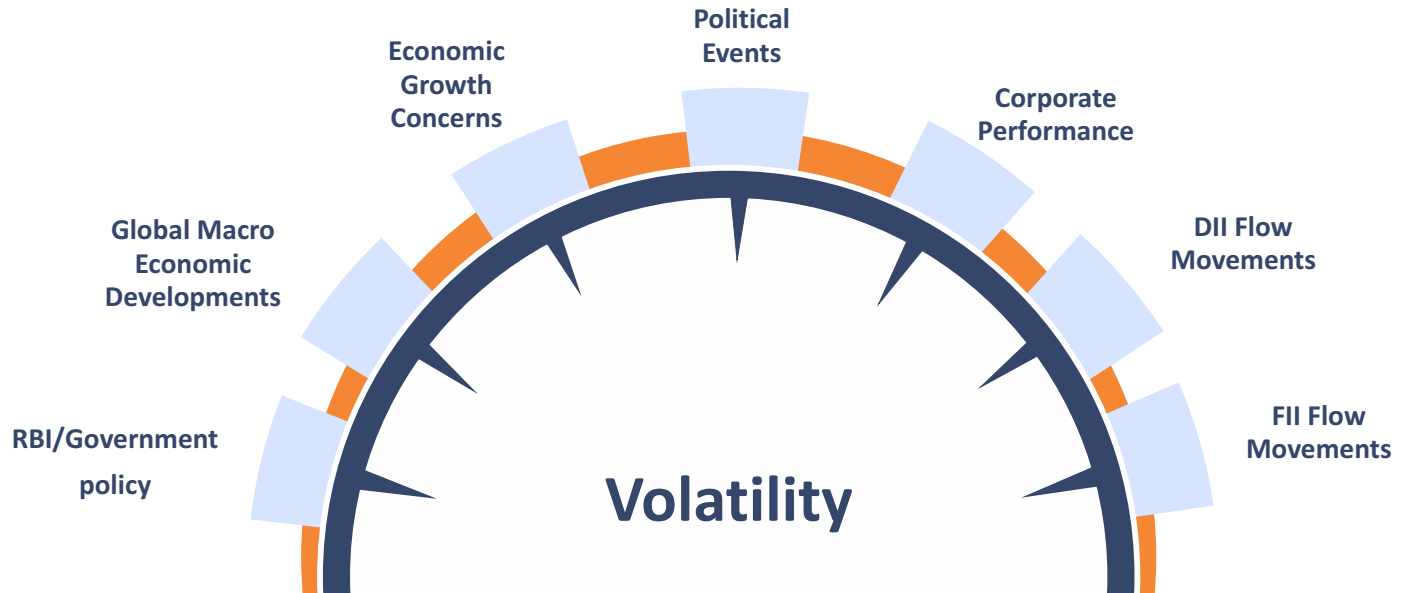


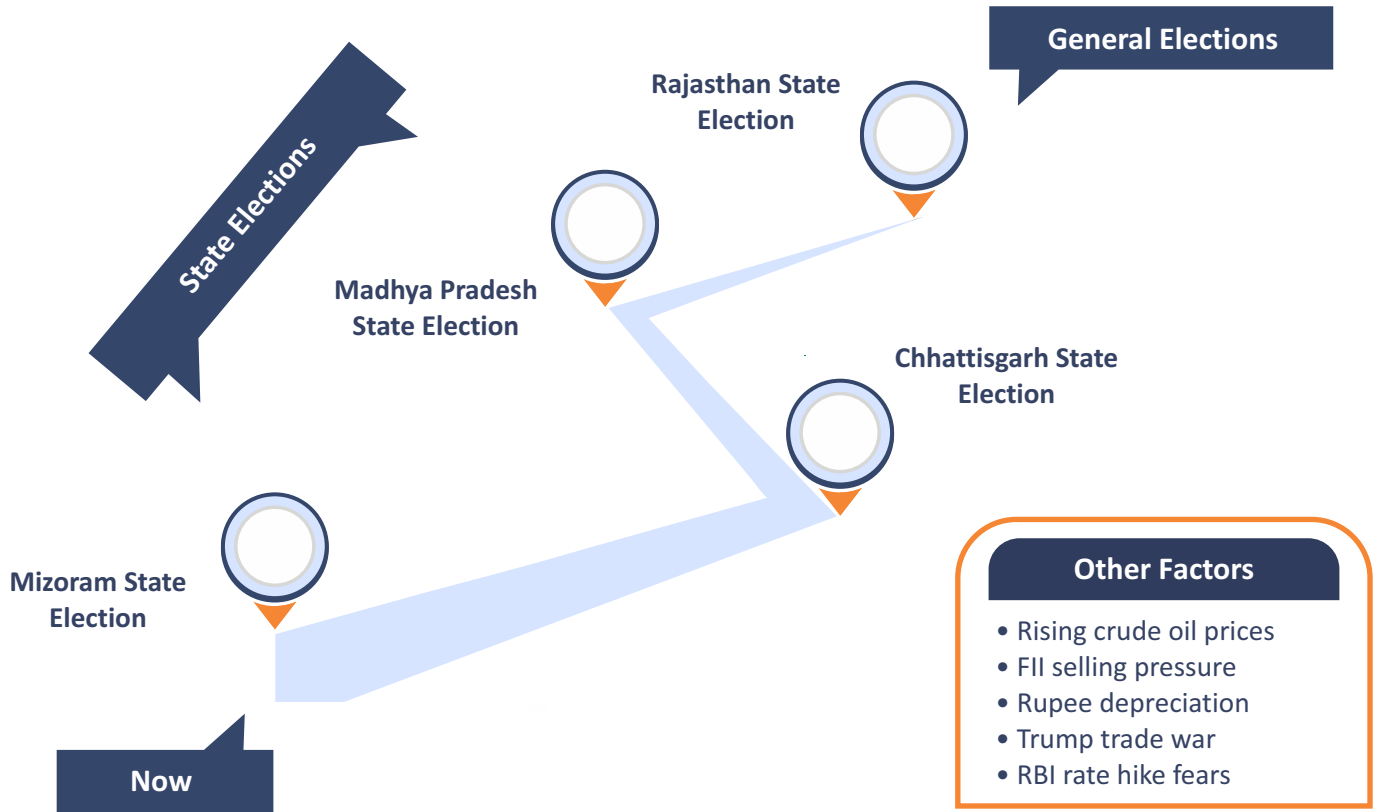
- **Equity**  
powers wealth creation

- **Fixed Income**  
protects form volatility and adds stability



It aims to benefit from both, equities and fixed income across market cycles.





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

## Disciplined Approach to Diversification

- A good asset allocation is key to the long-term success of a 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

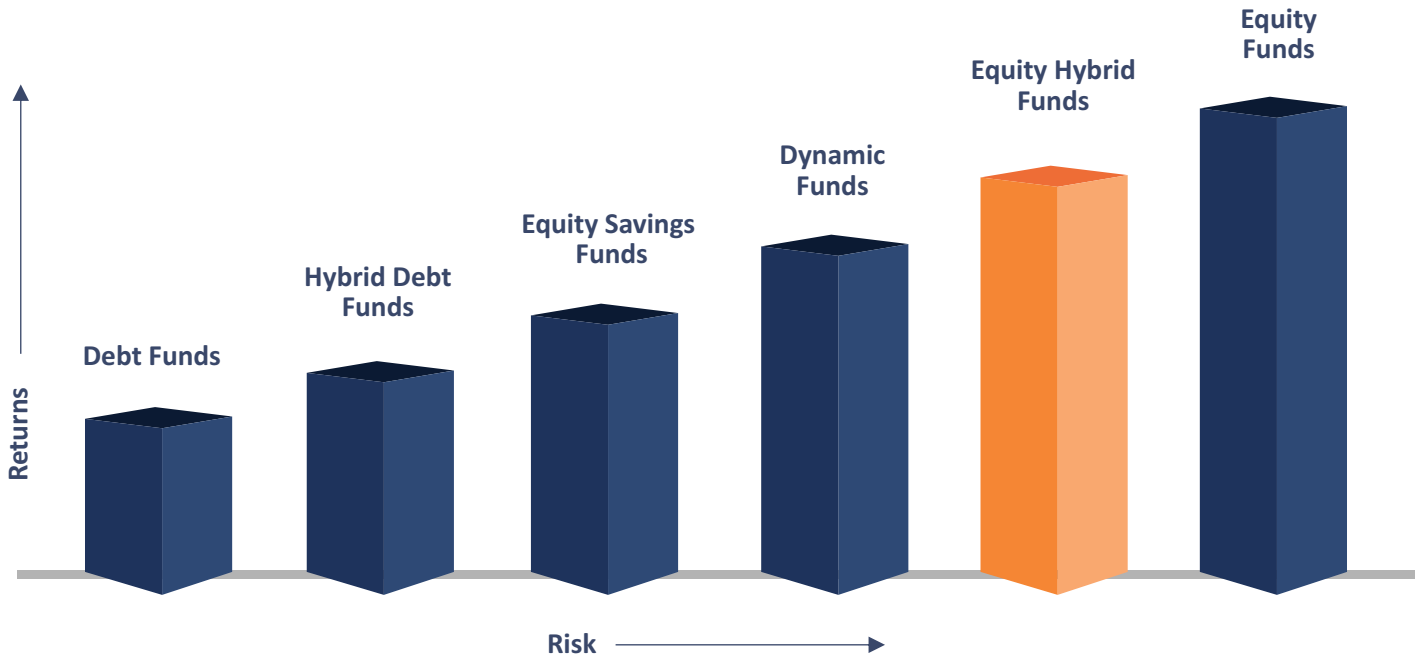
## Reducing Risk in Portfolio

- 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

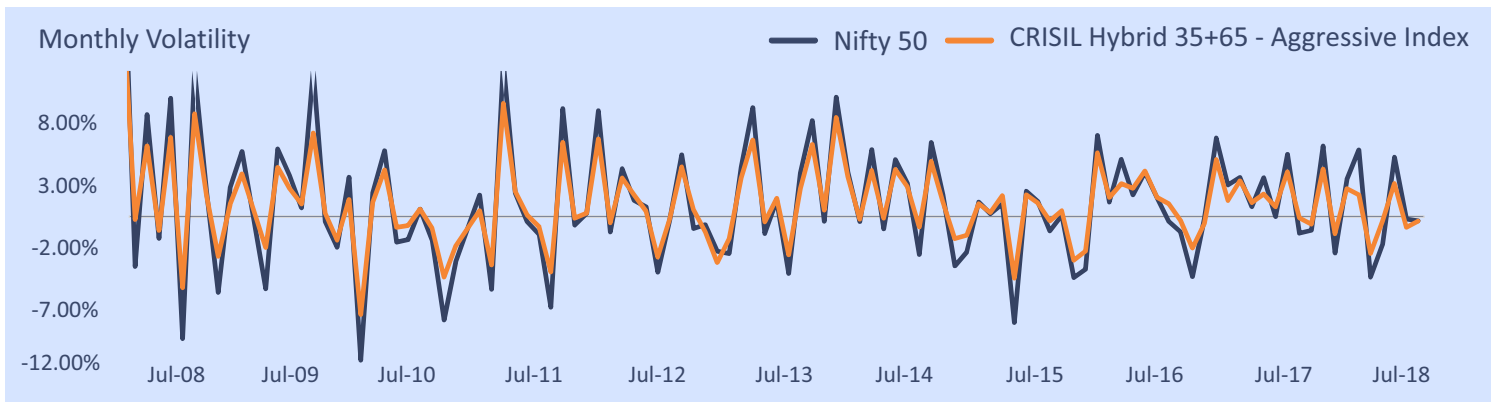
- Market timing is difficult to implement. It is even harder to be right consistently
- An asset allocation strategy based on your risk tolerance is a much better approach

Equity Hybrid funds target returns greater than Debt Funds with lower volatility than Equity Funds. MOAMC will endeavor to keep the exposure restricted to a narrow band of 65%-70% and the balance in debt.



# EQUITY HYBRID FUND - BETTER RISK ADJUSTED RETURN

Aims to generate reasonable returns with lesser volatility as compared to equity funds

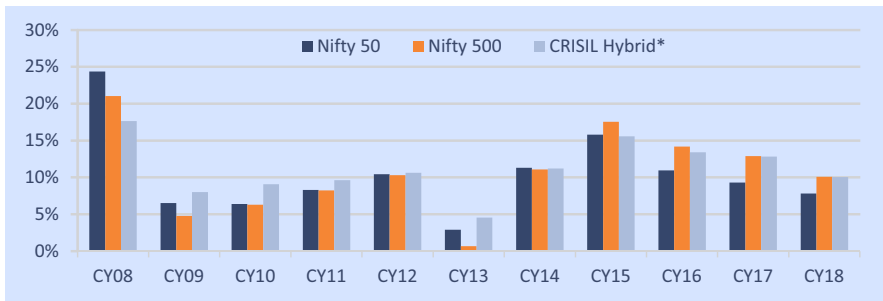


	Returns		Volatility		Returns/Volatility	
	Nifty 50 TRI	*Crisil Hybrid	Nifty 50 TRI	*Crisil Hybrid	Nifty 50 TRI	*Crisil Hybrid
1 Year	14.49%	8.80%	10.3%	7.1%	1.41	1.23
2 Year	16.32%	12.91%	10.6%	7.4%	1.54	1.75
3 Year	12.06%	11.19%	12.9%	8.7%	0.94	1.29
5 Year	15.40%	14.48%	14.1%	9.4%	1.09	1.54
10 Year	11.43%	11.23%	20.8%	13.4%	0.55	0.84

June-2008 is taken as base year. The information provided herein is for illustrative purpose only and should not be construed as an investment advice. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns.

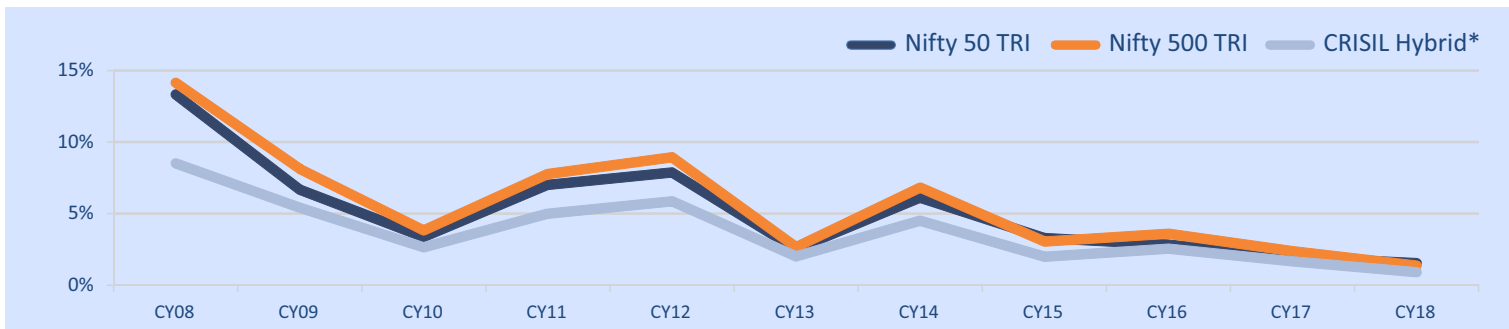
\*CRISIL Hybrid - CRISIL Hybrid 35+65 - Aggressive Index Source: MOAMC Internal Analysis, NSE, BSE: Data as on July 31st 2018

## 3 Year Rolling Returns



	CY2008-CY2018		
	Min	Max	Average
Nifty 50 TRI	4.13%	26.13%	11.71%
Nifty 500 TRI	1.80%	22.87%	11.98%
*CRISIL Hybrid	4.56%	17.66%	11.15%

## 3 Year Rolling Standard Deviation



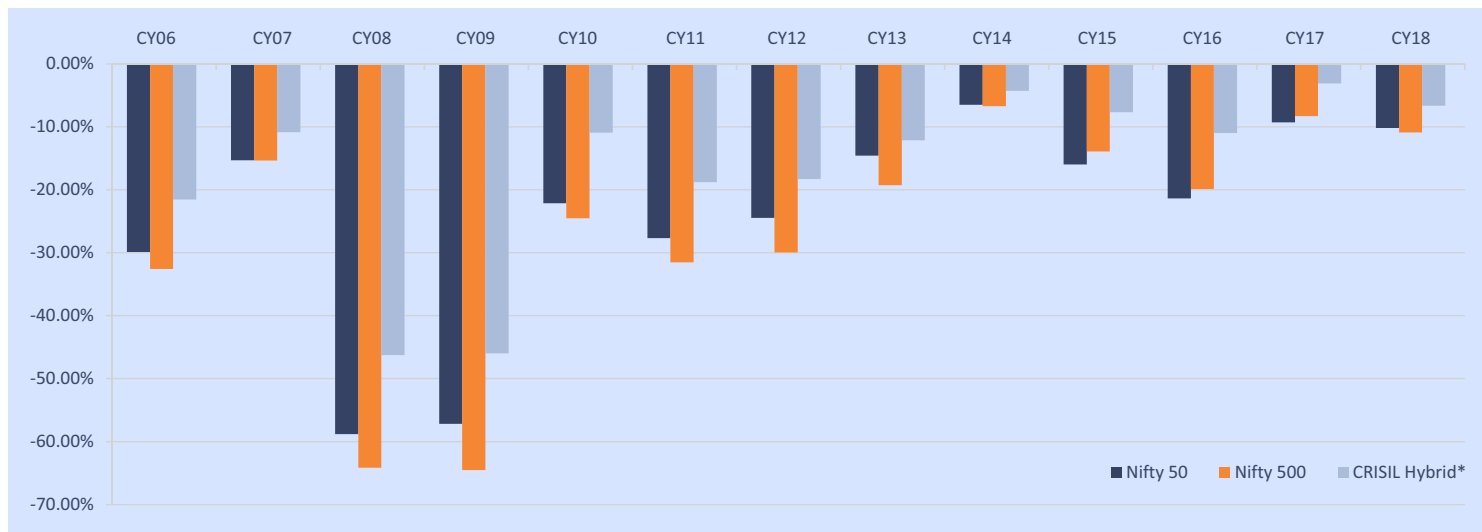
\*CRISIL Hybrid - CRISIL Hybrid 35+65 - Aggressive Index

The above table depicts the daily rolling returns for Nifty 50, Nifty 500 and Crisil Hybrid 35+65 – Aggressive Index on compounded annualized basis from 3 year period. It provides the maximum, minimum and average returns and standard deviation derived for all these time periods. Total number of time periods: 3 years-3069. The above chart is provided for illustration purpose only. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns. Past performance may or may not be sustained in future.

Source: MOAMC Internal Analysis, NSE, BSE, AMFI: Data as on July 31st 2018



## Maximum Drawdown on 3 Year - Rolling Basis



	Nifty 50 TRI	Nifty 500 TRI	CRISIL Hybrid*
Average CY2008-CY2018	-24.52%	-26.55%	-16.87%





\*CRISIL Hybrid - CRISIL Hybrid 35+65 - Aggressive Index

The above table depicts maximum drawdown on investment on 3 year rolling basis for Nifty 50, Nifty 500 and Crisil Hybrid 35+65 – Aggressive Index on compounded annualized basis from 3 year period. It provides the maximum, minimum and average returns and standard deviation derived for all these time periods. Total number of time periods: 3 years-3069. The above chart is provided for illustration purpose only. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns. Past performance may or may not be sustained in future.

Source: MOAMC Internal Analysis, NSE, BSE, AMFI: Data as on July 31st 2018



## Why Equity Hybrid Fund Over Equity and Debt Funds?

Rebalancing	Starting Allocation	Effective Allocation	Effective Risk								
	<table border="0"> <tr> <td>Equity</td> <td>Debt</td> </tr> <tr> <td style="text-align: center;">65%</td> <td style="text-align: center;">35%</td> </tr> </table>	Equity	Debt	65%	35%	<table border="0"> <tr> <td>Equity</td> <td>Debt</td> </tr> <tr> <td style="text-align: center;">65%</td> <td style="text-align: center;">35%</td> </tr> </table>	Equity	Debt	65%	35%	14.6% 
Equity	Debt										
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	<table border="0"> <tr> <td>Equity</td> <td>Debt</td> </tr> <tr> <td style="text-align: center;">65%</td> <td style="text-align: center;">35%</td> </tr> </table>	Equity	Debt	65%	35%	<table border="0"> <tr> <td>Equity</td> <td>Debt</td> </tr> <tr> <td style="text-align: center;">89%</td> <td style="text-align: center;">11%</td> </tr> </table>	Equity	Debt	89%	11%	18.8% 
Equity	Debt										
65%	35%										
Equity	Debt										
89%	11%										

Observation Period: (Jan 03 - Jun 18)

Nifty 50 TRI is considered for Equity allocation and CRISIL short term bond index is considered in Debt allocation

- To maintain an effective allocation of around 65% the portfolio regularly rebalances between equity and debt allocation
- This inherently results in profit booking in rising equity market and adding equity allocation in falling markets
- Moreover, Rebalancing under Equity Hybrid Fund is more tax – efficient than rebalancing on debt and equity mutual fund

## Asset Allocation

Investment	1,00,000		Taxation
	Allocation	Value	
Equity Fund	65%	65,000	–
Debt Fund	35%	35,000	–

## Equity Hybrid Fund

Investment	1,00,000		Taxation
	Allocation	Value	
Equity Allocation	65%	65,000	–
Debt Allocation	35%	35,000	–

## Returns Post 1 Year

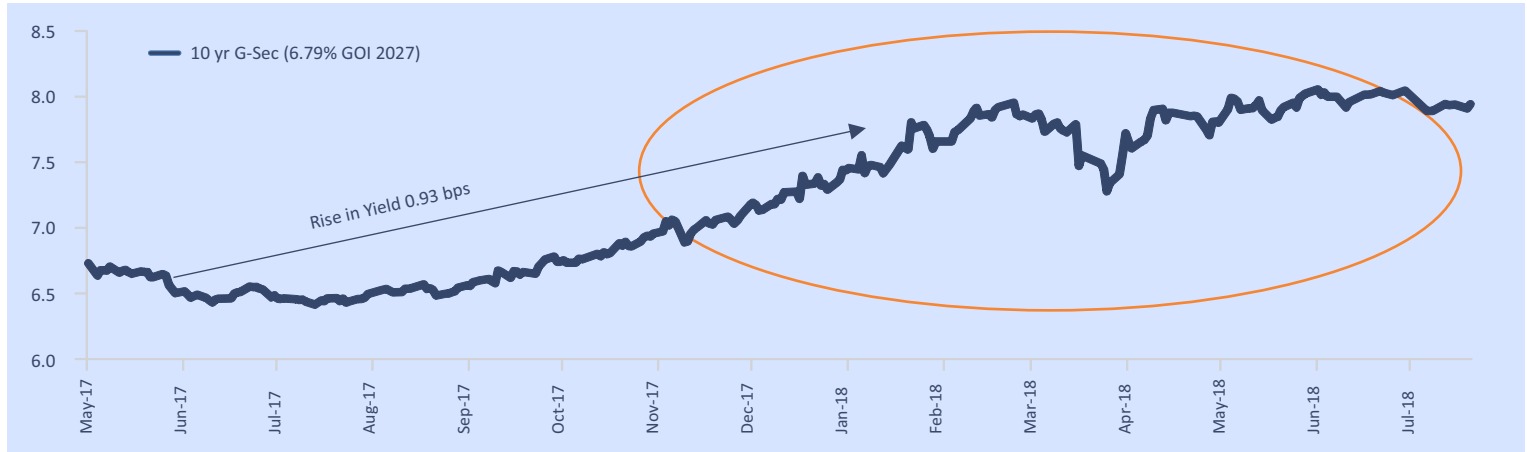
Equity Fund	65.93%	72,800	780
Debt Fund	34.07%	37,625	787.5
Portfolio Value		1,10,425	1567.5

## Returns Post 1 Year

Equity Allocation	66.93%	72,800	–
Debt Allocation	34.07%	37,625	–
Portfolio Value		1,10,425	1042.5

- In the above two cases, if the client redeems after a year of investment for Case 1 (Assets Allocation), Equity and Debt portion will be taxed on segregate basis whereas for Case 2 (Equity Hybrid Fund) the taxation will be at funds level
- Case 1: Long term capital gain on Equity Fund is taxed at 10% and Short term capital gain on Debt Fund is taxed at 30%.
- Case 2: Equity Hybrid Fund is subject to Equity Taxation, thus 10% long term capital gain tax on overall gain.
- Return Assumptions: Equity growth for 1 Year: 12% , Debt: growth for 1 Year: 7.5%

The above is for illustration purpose only. The expected rate of return is an assumed figure for the purpose of explaining the concept. The actual result may vary from depicted results depending on scheme selected. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future.



Hybrid Equity Funds	Debt Allocation Average Maturity		
	May 2017	Jan 2018	Jun 2018
Fund A	7.70	6.92	3.87
Fund B	6.59	3.28	2.94
Fund C	2.77	5.45	3.95
Fund D	8.73	4.56	4.65
Fund E	2.96	2.29	2.2
Fund F	7.99	6.89	3.95

Between May'17 and Jan'18 the yields moved up by 93 bps when few funds in the hybrid category were running high maturities resulting in negative returns on the Fixed Income allocation. Most of the funds have now reduced maturities towards the shorter end.

The above illustration has been provided to explain the impact of rising yields in hybrid equity fund running higher average maturity in their debt allocation. The above is for illustration purpose only. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future.

Source: MOAMC Internal Analysis, Data as on July 31st 2018



**How We Intend To Run Our Fund?**

## Motilal Oswal Equity Hybrid Fund

- An Equity fund that allocates between equity and fixed income instruments
- Equity allocation powers wealth creation over a long period of time and debt protects from volatility and adds stability

### Equity

65% - 80%

Multi cap portfolio with  
large cap bias\*

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Bottom up stock picking with  
“Buy Right – Sit Tight”  
Investment Philosophy

### Debt

20% - 35%

Optimum mix of corporate bond  
and money market instruments

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High quality short duration  
accrual instruments  
maintaining high liquidity

\*As per current investment strategy, we intend to be large cap biased, though scheme can be multicap as per the provisions of SID

## 3 year rolling return

May 13 – Jun 18	Nifty 500 TRI	Crisil Short Term Bond Fund Index	# Composite N500 TRI
Minimum	8.2%	7.4%	8.3%
Maximum	22.8%	10.2%	18.5%
Average	14.4%	8.9%	12.6%
Std Dev	3.20%	0.80	2.29%
Sharpe Ratio	2.14	1.72	2.24

- On a rolling 3 year basis, the composite index provides downside protection and upside participation in equities
- Sharpe Ratio of composite fund is far superior as compared to both Nifty 500 TRI and Crisil Short Term Bond Fund Index

#Composite N500 TRI – 65% Nifty 500 TRI + 35% CRISIL Short Term Bond Fund Index

The above table depicts the daily rolling returns on 3 year basis for above mentioned indices on compounded annualized basis for a 5 year period from May 13 to June 18. It provides the maximum, minimum and average returns and standard deviation derived for all these time periods. Total number of time periods: 3years-552. The above chart is provided for illustration purpose only. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future.

Source: MOAMC Internal Analysis, BSE,NSE, AMFI: Data as on July 31st 2018



- The plan enables investors to withdraw a regular sum from their investments at a fixed percentage of the original investments at a predefined frequency irrespective of the movement in market value of the investments. This is subject to availability of balance in the investors folio.
- It presently offers three 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 or annually

## Benefits

- If the return on the underlying fund on CAGR basis over the length of the holding period is higher than the rate of the withdrawal then:
  - Cash flow requirement would be met
  - Capital would eventually remain intact with same potential for growth
- Ideal Option for people who want an annuity kind of arrangement or for people looking to park a retirement corpus while preserving the growth potential and at the same time fulfilling the need for regular cash flow

Note: Motilal Oswal Cash Flow Plan provides a regular source of funds from returns generated and capital invested.



Below is an example of an investor investing ₹ 10 lac in year 1, and withdrawing 10% of investment corpus annually

	Year 1	Year 2	Year 3	Year 4	Year 5
Investment Value	10,00,000	10,28,444	12,33,919	10,69,498	12,68,803
Starting Unit	1,00,000	91,138	84,306	77,097	71,465
Withdrawal	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000
Units Sold	8,862	6,832	7,209	5,632	5,211
Ending Unit	91,138	84,306	77,097	71,465	66,253
Ending Value	10,28,444	12,33,919	10,69,498	12,68,803	12,71,355
				<b>XIRR Overall</b>	<b>14.07%</b>



Yearly withdrawal at 10% of Investment Amount

The above illustration is based on assumed composite NAV of an actively managed fund (65%) and Crisil Short Term Bond Fund Index (35%). It also assumes that an investor invested in May 2013 at starting NAV of 10 and yearly withdrawal at 10% of Investment Amount. The above chart is provided for illustration purpose only. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future

Many investors believe that dividends declared in Mutual Funds are an ideal option for steady cash flows and are paid from the profits of the fund, but that's not the case. Dividends are paid from the return as well as capital and are dependent on fund manager's discretion, whereas Cash Flow plan pays at a steady cash flow and is tax efficient.

	Regular Cashflow	Irregular Cashflow	
Returns ↑	Equity Funds (Cash Flow Plan)	Equity Funds (Dividend Option)	Volatility ↑
	Hybrid Fund (Cash Flow Plan)	Hybrid Fund (Dividend Option)	
	Fixed Deposit	Debt Funds/ bonds	

### Cash Flow Option\*

- The plan generates regular cash flow
- An investor can withdraw money as and when they need
- Capital Gain tax is only on the income portion of the amount withdrawn

### Dividend Option

- Amount and flexibility of dividends payment is at Fund Managers discretion
- Dividend Distribution Tax is taxed at 10% on entire dividend

\*Applicable on Lump sum Investment



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

## Buy Right

- **'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

## ■ Type of Scheme

- An open ended hybrid scheme investing predominantly in equity and equity related instruments

## ■ Investment Objective

- The investment objective is to generate equity linked returns by investing in a combined portfolio of equity and equity related instruments, debt, money market instruments and units issued by Real Estate Investment Trust (REITs) and Infrastructure Investment Trust (InvITs). However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.

## ■ Benchmark

- CRISIL Hybrid 35+65 – Aggressive TRI

## ■ Entry/Exit Load

- Entry Load: **Nil**

Exit Load: **1%**- If redeemed on or before 1 year from the date of allotment. **Nil**- If redeemed after 1 year from the date of allotment.

- No exit load applies for switch between Motilal Oswal Focused 25 Fund, Motilal Oswal Midcap 30 Fund, Motilal Oswal Multicap 35 Fund & Motilal Oswal Dynamic Fund. No load for switch between Options within the Scheme. Investors have option to withdraw (Only under Cashflow plan and SWP) up to 12% p.a. of original investment cost (OIC) within 1 year (from date of investment) with no exit load. If the withdrawal amount is beyond 12% p.a. of OIC, the normal exit load applies on the amount greater than 12% p.a.

## ■ Plans

- Regular Plan and Direct Plan

## ■ Options (Under each plan)

- Growth

## ■ Cash Flow Plan

- Available at 7.5%, 10% or 12% p.a.

## ■ Minimum Application Amount

- Rs. 5,000/- and in multiples of Re. 1/- thereafter

## ■ Additional Application Amount

- Rs. 1,000/- and in multiples of Re. 1/- thereafter

## ■ Systematic Investment Plan (SIP)

- ■ Weekly SIP ■ Fortnightly SIP ■ Monthly SIP
  - Rs. 1,000 and in multiples of Re.1/- thereafter (Minimum Installment – 6)
- 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)

## ■ Minimum Redemption Amount

- Rs. 1,000/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower.

Name of the Scheme	This product is suitable for investors who are seeking*	
<p>Motilal Oswal Equity Hybrid Fund (MOFEH)</p> <p>(An open ended hybrid scheme investing predominantly in equity and equity related instruments)</p>	<ul style="list-style-type: none"> <li>• Long term capital appreciation by generating equity linked returns</li> <li>• Investment predominantly in equity and equity related instruments</li> </ul>	 <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



**Mr. Siddharth Bothra**  
Fund Manager

## For Equity Component:

- **Mr. Siddharth Bothra:** He has a rich experience of more than 17 years in the field of research and investments. Prior to joining Motilal Oswal AMC, he had an extensive stint with Motilal Oswal Securities Ltd. as senior analyst in the institutional equities division covering various sectors. During his stint with Motilal Oswal Securities, Mr. Bothra won various recognition such as: ZEE Business TV - India's Best Analyst Awards 2009 Infrastructure, ET Reuters Starmine Awards No.1 Earnings Estimator 2009 Real Estate & No. 2 Stock Picker 2010 Real Estate.
- He has also worked with broking outfits like Alchemy Share & Stocks and VCK Share & Stocks in the past.
- He has done his Post Graduate Program (PGP) from Indian School of Business (ISB), Hyderabad, which included an international MBA exchange program with NYU Stern Leonard N. Stern School of Business, New York.
- **Funds managed:** Motilal Oswal Focused 25 Fund.





**Mr. Akash Singhania**  
Fund Manager

## Co-Fund Manager For Equity Component:

- **Mr. Akash Singhania:** He has overall 13 years of experience and more than 11 years of experience in Fund management.
- Prior to joining MOAMC, he was associated with DHFL Pramerica AMC as Deputy CIO Equities, Deutsche AMC - DWS Mutual Fund as Head of Equities & ICICI Prudential AMC as Senior Analyst - PMS. In addition, he also held important roles in organizations like Ernst & Young, KPMG and PWC in his formative years.
- Mr. Singhania has completed his PGDM (MBA) Finance & Marketing from IIM Lucknow, Chartered Accountancy in 2001 & he is a qualified Company Secretary from ICSI -2001.
- **Funds Managed:** Motilal Oswal Midcap 30 Fund.



**Mr. Abhiroop Mukherjee**  
Fund Manager

## For Debt Component:

- **Mr. Abhiroop Mukherjee:** He is a B.com (H), MBA with over 10 years of experience in trading Fixed Income Securities viz. G-secs, T-bills, Corporate Bonds CP, CD, etc. He has earlier worked with PNB GILTS LTD. as a WDM Dealer for the period 2007-2011.
- **Funds Managed:** 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, Motilal Oswal Dynamic 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.**

**Call:** 1800-200-6626 | **Email:** [mfservice@motilaloswal.com](mailto:mfservice@motilaloswal.com)  
**Website:** [www.motilaloswalmf.com](http://www.motilaloswalmf.com)

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