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# Motilal Oswal Nifty 500 Index Fund

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**Invest in India's Only Multicap Index Fund**

**THINK EQUITY. THINK MOTILAL OSWAL.**

# Product Suitability

<b>This product is suitable for investors who are seeking*</b>	 <p>The Riskometer is a semi-circular gauge with five segments: Low, Moderately Low, Moderate, Moderately High, and High. The needle points to the Moderately High segment. Below the gauge, a text box states: 'Investors understand that their principal will be at Moderately High risk'.</p>
<ul style="list-style-type: none"><li>• Return that corresponds to the performance of Nifty 500 Index subject to tracking error</li><li>• Investment in equity and equity securities covered by Nifty 500 Index</li><li>• Long Term Capital Growth</li></ul>	

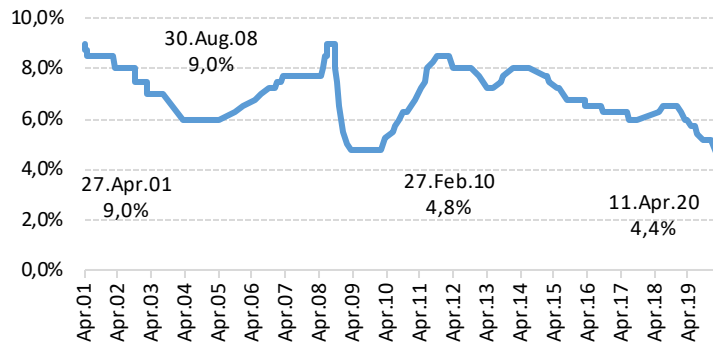
*\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.*

# INDIA'S GROWTH STORY INTACT OVER MEDIUM-LONGER TERM

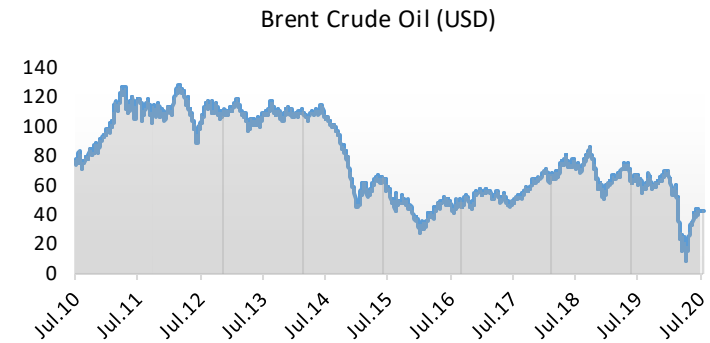
# India's key macro economic factor propelling growth



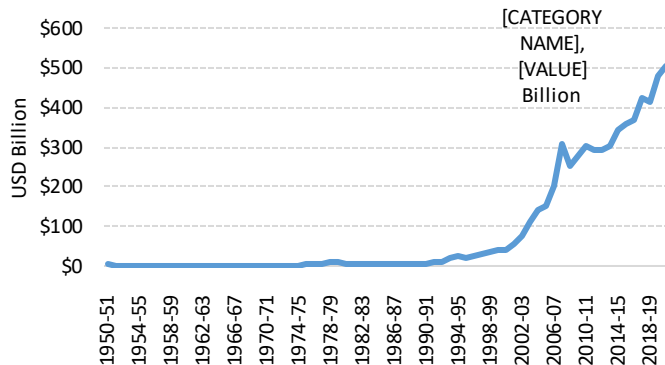
**Lowest Repo Rate**



**Brent Crude Oil Prices - 10 Year Daily Chart**



**All time high Forex Reserves; great cushion**

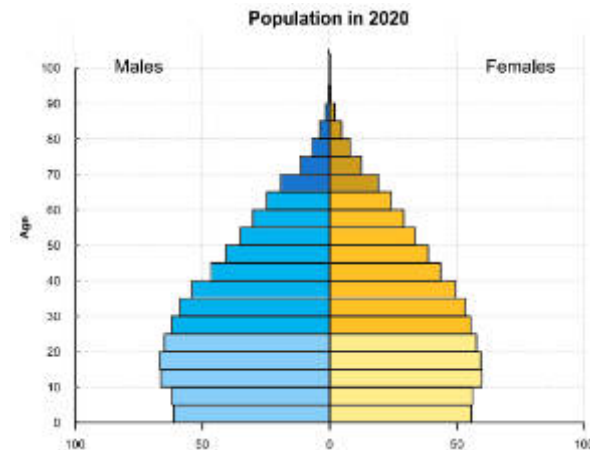
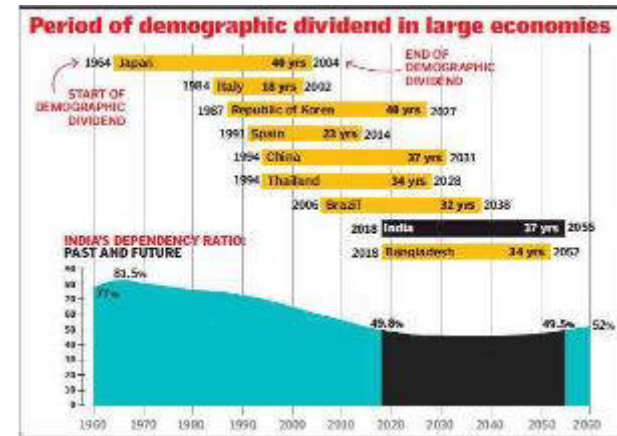


- India has **solid forex reserve** of over \$506 bn. A solid buffer in case of global volatility<sup>1</sup>
- **Low crude prices mean lower Current Account Deficit (CAD)** (CAD - drastically come down from 5% in 2012 to 0.93% in 2019, also crude expected to be around ~\$37 in 2020 and expected to be below \$50 in 2021)<sup>2</sup>
- **Repo rate is at lowest level over last 20 years.** This is expected to reduce cost of financing and thereby fueling production and consumption. There by helping GDP growth rate<sup>3</sup>
- **Strong growth rebound projected** by various quarters- due to pent up demand (with a conservative estimate of 6% by IMF)

Source- 1 (Forex Reserve) & 3 (Repo Rate) [rbi.org.in](http://rbi.org.in), 2 (Brent Crude Oil) [www.macrotrends.net](http://www.macrotrends.net); 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.

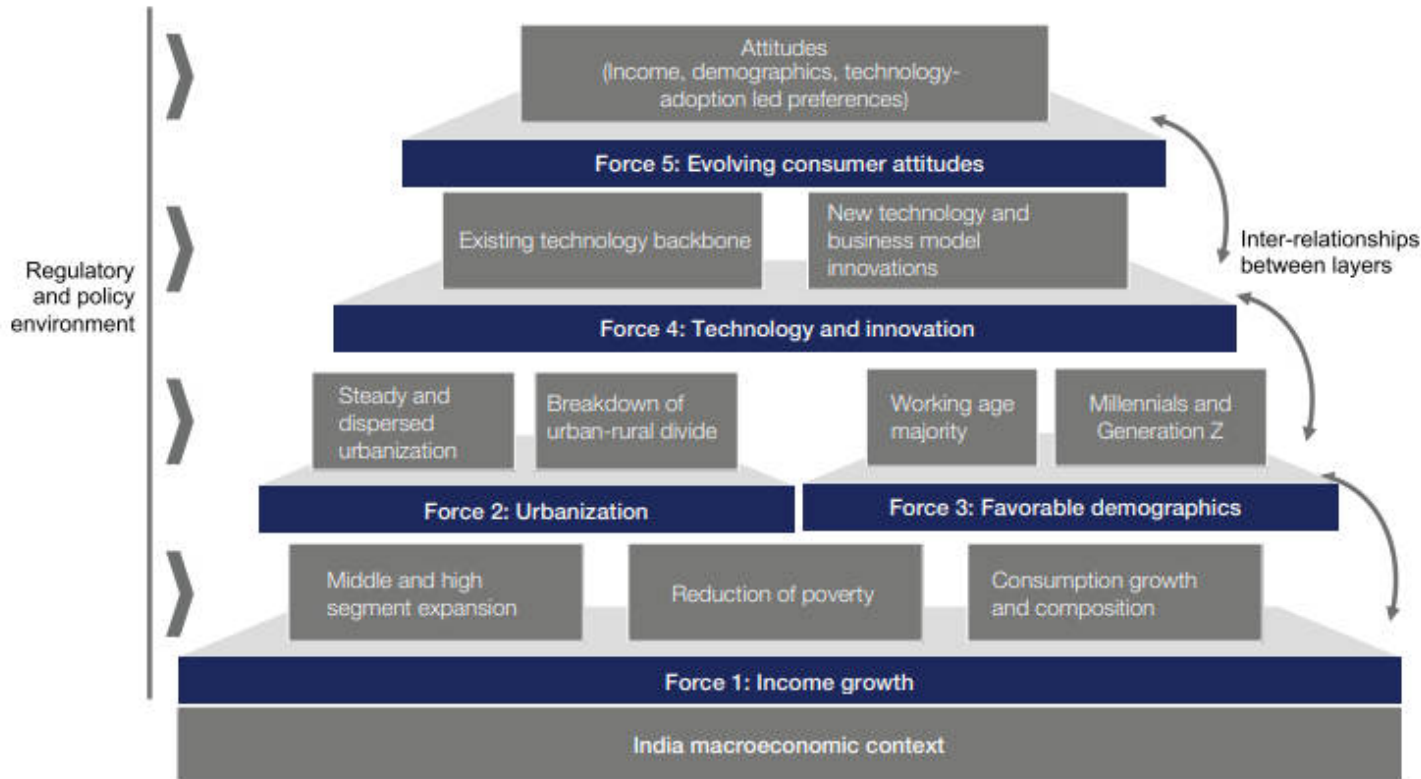
# India expected to benefit from young working age population

- Economic growth potential that results from shift in population's age structure
- **65% of the population under 35yrs<sup>4</sup>**
- Key determinants of economy's longer run growth rate- **Labour** (young population) & capital (higher saving) inputs
- Shape aggregate consumption, saving and investment decision
- Structural factors of Indian economy favourable to catapult growth
  - **Consumption driven economy** (Domestic consumption powers 60% of GDP)<sup>5</sup>
  - Relatively **high gross savings** as % of GDP (India ~31%, World Avg.~25%)<sup>6</sup>



Source- 4 - World Bank, 5 - World Economic Forum, 6 - World Bank, Both Info graphics - Economic times & UN; 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.

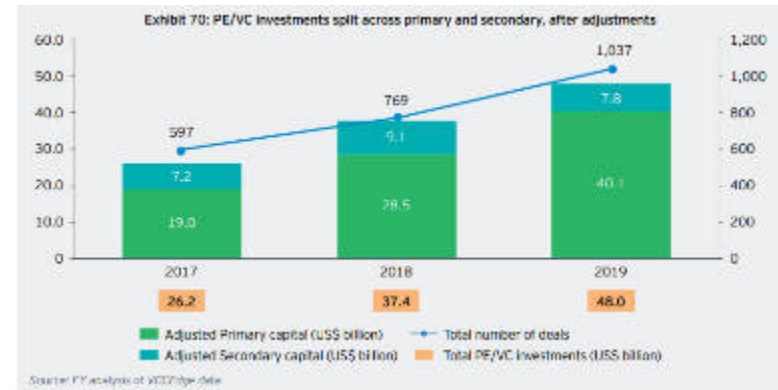
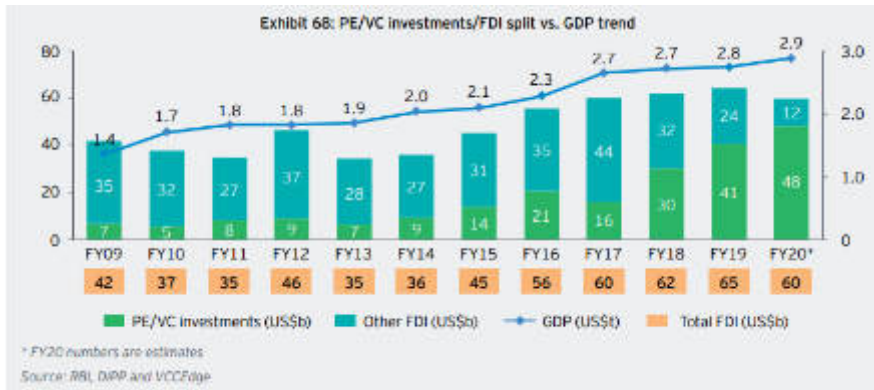
# Drivers of future consumption



Source: Bain & Company/World Economic Forum analysis

Source- World Economic Forum; 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.

# Global PE/VC Increasing Investment in India

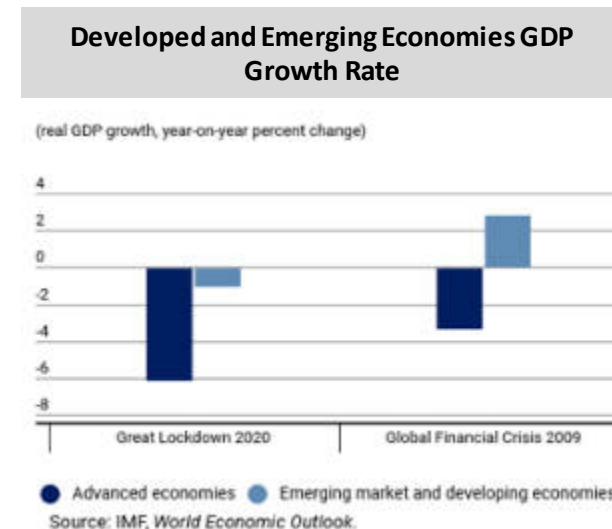
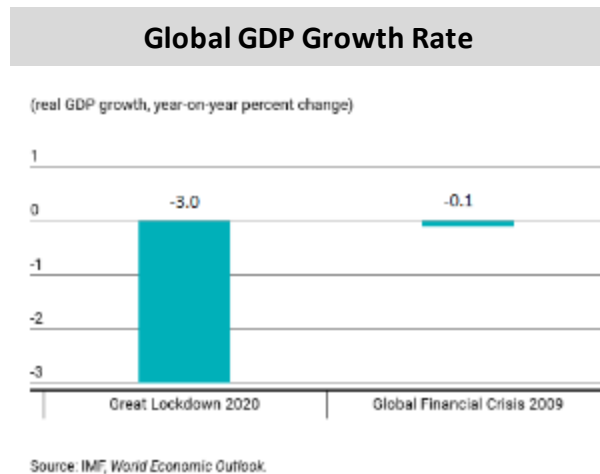


- **India is emerging as one of the leading destinations for global PE/VC** (\$48bn inflows in 2019, a 28% increase over 2018 / Following global trend at 1.7% of GDP)<sup>7</sup>
- **Translates to \$ 87.5bn of funding between 2017-2019 towards job creation**, incremental capacities, technology, infrastructure etc. - 26 lakh job generated in 2019 by PE/VC backed startup<sup>8</sup>
- Investment in core sector - financial (especially Fintech and NBFC) service accounting to \$23.7bn between 2017-2019

Source- 7 & 8 - <https://ivca.in/>; 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.

# Short term headwinds

- Global economic impact due to the Covid-19 pandemic expected to be broader than the Great Depression of 1928<sup>9</sup>
- **De-Growth projected by IMF** for FY 21 (Global ~-4.9%, India ~-4.5%)<sup>10</sup>
- Balancing act between containing outbreak and reducing economic toll
- **Weak credit growth** (slowed to 6.1% from 14.4% last year, lowest in 5 decades)<sup>11</sup>



Source- Source- 8 & 9 - <https://www.imf.org/external/index.htm>, 11 - <https://www.rbi.org.in/> 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.



# De-stablizing world's factory



- **Global anti China sentiment** primarily driven by:
  - Unfair trade and technology practices
  - Territorial Disputes with neighbouring countries
  - Accusation by US for supressing early information on the virus
- **Great opportunity for India to become a manufacturing hub** - India putting together land bank up to the size of Luxemburg, a special task force to promote make in India
- Factors in favour of India-
  - **Considerable improvement in Rank of Ease of Doing Business** from 142 in 2014 to 63 in 2020 among 190 countries<sup>12</sup>
  - **Young India** - Prime age labor being added, will help increase consumption and savings
  - **Radical reforms** - Implementation of GST, Digitisation Drive, Insolvency Code, Easing FDI Policy Regime, Infrastructure push, Corporate Tax Rate cut to 15%)

Source- 12 - <https://www.doingbusiness.org/>

# De-stablizing world's factory



- **Challenges for India -**

- Need to fully realize comparative manufacturing advantage
- According to Nomura Securities 56 firms left China between August 2018-August 2019 (2- Indonesia, 8- Thailand, 11- Taiwan, 26- Vietnam, only 3 came to India)
- Twin balance sheet problems (Over leveraged companies & banks with bad loans)
- Weak linkage to global value chain
- Although there have been big ticket reforms, policy implementation will be key

Gateway to invest in India's growth story

# MOTILAL OSWAL NIFTY 500 INDEX FUND

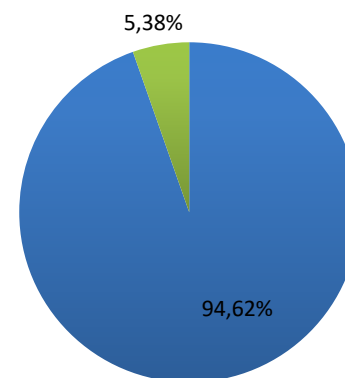
# Why Nifty 500 Index is good proxy for India's Listed Universe



Description	Total Mcap Coverage (INR Crores)	
Nifty 500 Index Companies	1,31,67,421.56	94.62%
India's Listed Universe Ex Nifty 500 Companies <sup>13</sup>	7,48,268.27	5.38%
<b>Total India's Listed Universe</b>	<b>1,39,15,689.83</b>	<b>100.00%</b>

## Total Market Cap Coverage

- Nifty 500 Index Companies
- India's Listed Universe Ex Nifty 500 Companies

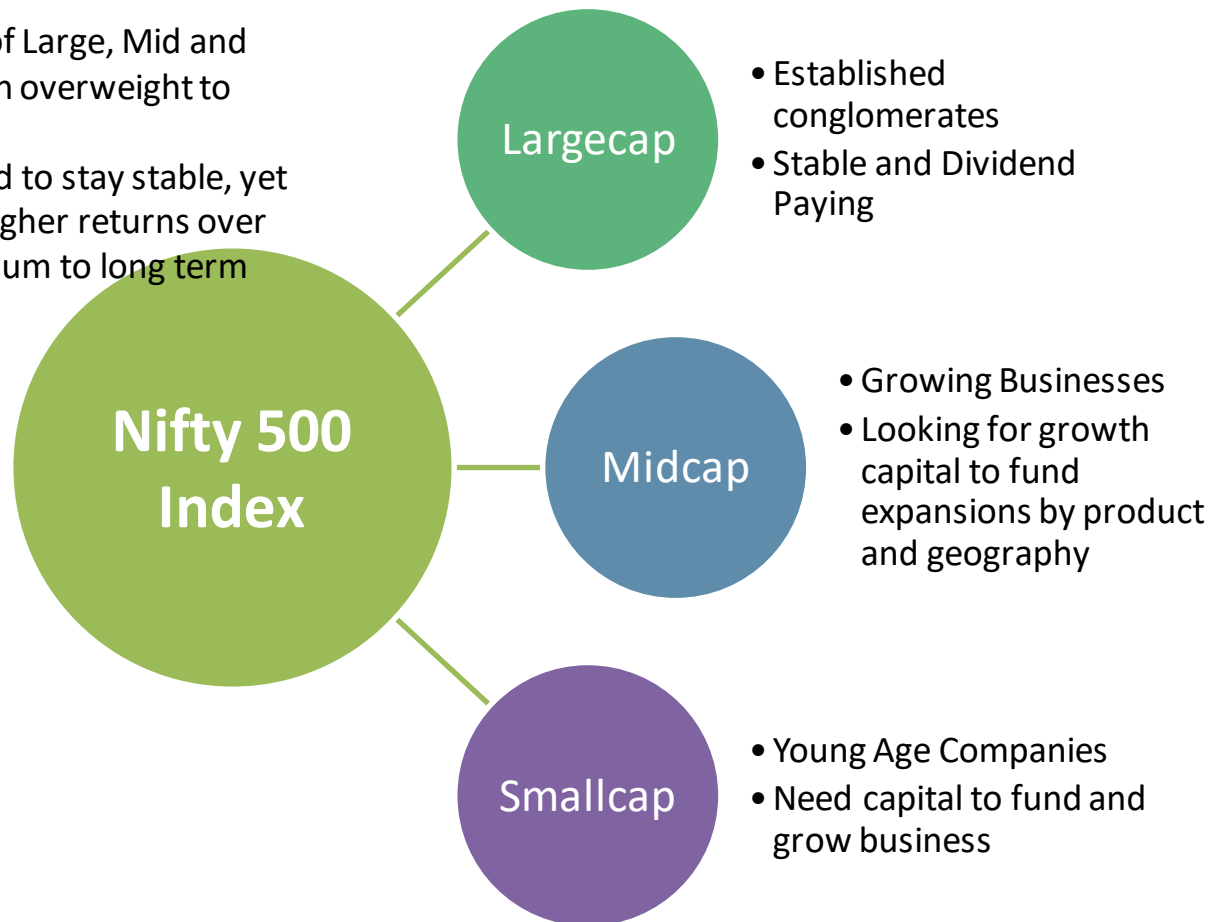
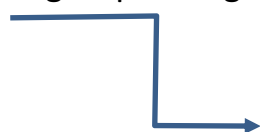


**Nifty 500 Index broadest benchmark index covering ~95% of India's listed universe**

Source: Data as of June 30, 2020. 13 - India's Listed Universe Total Mcap [www.bseindia.com](http://www.bseindia.com); Nifty 500 Index Companies – NSE. The information / data herein alone is not sufficient and shouldn't be used for implementation of an investment strategy. It should not be construed as investment advice to any party. All opinions, figures, estimates and data included in this article are as on date. The article does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The statements contained herein may include statements of Readers shall be fully responsible/liable for any decision taken on the basis of this article.

# What you get in Nifty 500

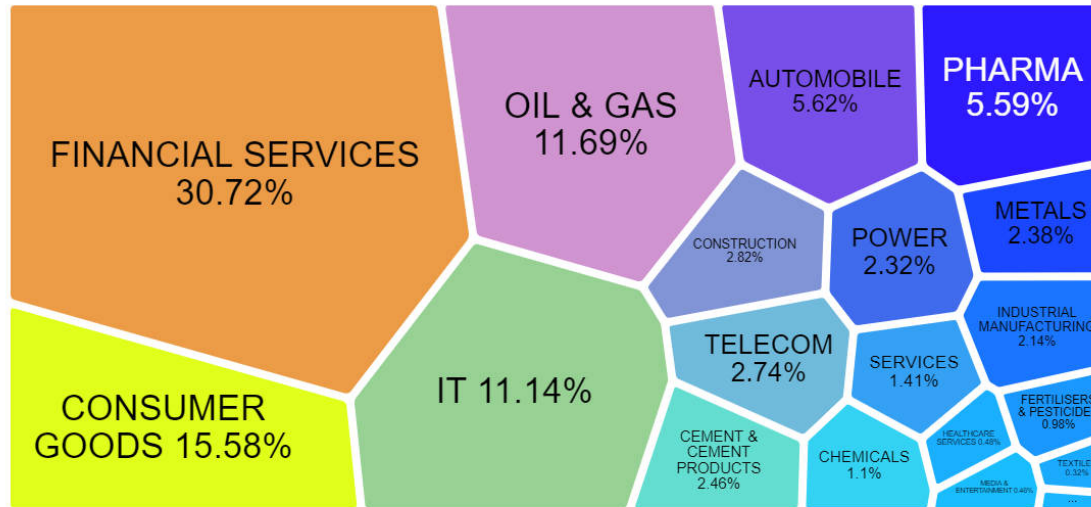
- Offers combination of Large, Mid and small cap stocks, with overweight to large cap.
- A multicap index tend to stay stable, yet provide marginally higher returns over largecap during medium to long term



Source: MOAMC; 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.

# Nifty 500 Index: All Sector and All Cap-size

**NSE Sector Distribution**

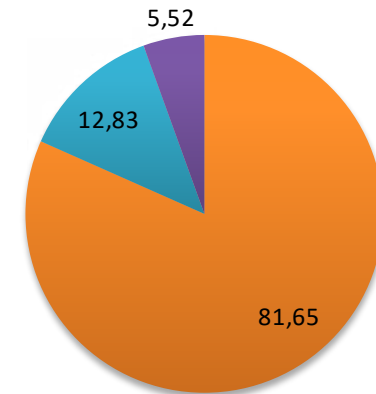


Double Click on sectors to see the stocks and Press Esc Key for Back

Data as on the last trading day of previous month

**SEBI Size Coverage**

Large Cap Mid Cap Small Cap



The Motilal Oswal Nifty 500 Index Fund - seeks to offer investors an exposure to a **all sector and all size (large, mid and small)** index, which is in line with India's listed universe, there are by offering **pure beta exposure to Indian listed equity market**

Source: [www.niftyindices.com](http://www.niftyindices.com) and AMFI for Size Classification; Data as of 30-Jun-2020; The sector mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. The charts mentioned above are 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. The stocks may or may not be part of our portfolio/strategy/schemes. Past performance may or may not be sustained in future.

# Diversification

Summary	Motilal Oswal Nifty 500 Index Fund	Motilal Oswal Nifty 50 Index Fund	Motilal Oswal Nifty Next 50 Index Fund	Motilal Oswal Nifty Midcap 150 Index Fund	Motilal Oswal Nifty Smallcap 250 Index Fund
No of Companies	500	50	50	150	250
Segment	Large, Mid and Small Cap	Large Cap	Large Cap	Mid Cap	Small Cap
Sectors coverage	All 19 Sectors	14 Sectors out of 19	14 Sectors out of 19	17 Sectors out of 19	All 19 Sectors
Top 5 Macro economic Sector allocation	83.0%	90.2%	86.3%	83.2%	81.9%
Largest Macro economic Sector	FINANCIAL SERVICES 30.5%	FINANCIAL SERVICES 34.5%	CONSUMER 26.8%	FINANCIAL SERVICES 20.0%	CONSUMER 19.3%
Largest Stock	RELIANCE INDUSTRIES LTD. 9.5%	RELIANCE INDUSTRIES LTD. 13.7%	DIVIS LABORATORIES 5.4%	TATA CONSUMER PRODUCTS LTD. 3.5%	MULTI COMMODITY EXCHANGE OF INDIA LTD. 2.0%

- Sector composition of Nifty Next 50, Nifty Midcap 150 and Nifty Smallcap 250, help diversify Nifty 50 sector exposure.
- The index automatically rebalances sector and size exposure in line with Indian equity market.

Source: MOAMC, Data as of Aug 31, 2020. Sectors as identified by AMFI Sector Model. 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 an investment strategy. The stocks/sectors may or may not be part of our portfolio/strategy/schemes. 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.

# Comparison between Nifty 500 and Nifty 50 Indices



Criteria	Nifty 500 Index	Nifty 50 Index
<b>Theme</b>	Broad Market (Beta)	Large Cap
<b>Number of Companies in index</b>	500	50
<b>Total Mcap Coverage of index</b>	Covers ~95% of the listed universe	Covers ~60% of the listed universe
<b>Sectors covered in the index</b>	All 19 Sectors Covered	14 Sectors out of 19
<b>Top 10 companies weight in the fund</b>	43.2%	61.6%
<b>Largest Sector (weight) in the fund</b>	Financial Services (30.5%)	Financial Services (34.5%)

Source: MOAMC, Data as Aug 31,2020. India's Listed Universe Total Mcap [www.bseindia.com](http://www.bseindia.com) as of June 30, 2020. Sectors as identified by AMFI Sector Model. The table/charts mentioned above are 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. The stocks may or may not be part of our portfolio/strategy/schemes. Past performance may or may not be sustained in future.



# Nifty 500 One of Most Benchmarked Index



- Nifty 500 Index is one of the most popular benchmark in the industry.
- It ranks in top 3 benchmarks across all equity benchmarks, whereas it ranks first in multicap category

Modified Benchmarks	Number of Schemes	Total AUM
NIFTY 50 - TRI	290	6,50,571.51
S&P BSE SENSEX - TRI	117	3,22,367.97
NIFTY 500 - TRI	59	1,60,727.93

Source: ACE MF Next, Data as of June 30, 2020. Only Active Mutual Fund Schemes are considered. The table/charts mentioned above are 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. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future.

# Motilal Oswal Nifty 500 Index Fund



## Investment Objective:

The Scheme seeks **investment return that corresponds to the performance of Nifty 500 Index** subject to tracking error. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.

## Fund Info:

- **Category-** Index Fund
- **Date of Allotment** (inception) – 06-Sep-2019
- **Benchmark** – Nifty 500 TR Index
- **Minimum Investment** –
  - **Lumpsum** - Minimum & additional application amount of Rs 500/- and in multiples of Rs 1/- thereafter.
  - **Systematic Investment Plan (SIP)** - Minimum Rs 500 & in multiples of Re. 1/- thereafter
- **Fund Manager** – Mr. Swapnil Mayekar-11 years of experience in fund management and product development
- **Scheme Statistics-** Monthly AAUM: ₹ 55.85 cr , Latest AUM: ₹ 55.23
- **Portfolio Turnover Ratio-** 0.20
- **NAV-** Direct Growth Plan Option: ₹ 10.5557 , Regular Growth Plan Option: ₹ 10.4883
- **Total Expense Ratio** – Regular – 1.03%; Direct – 0.38%;
- **Entry Load** – Nil
- **Exit Load** –For subscription after 7th August, 2020: 1%- If redeemed on or before 15 days from the date of allotment. Nil- If redeemed after 15 days from the date of allotment.
  - For subscription before 7th August, 2020:1%- If redeemed on or before 3 months from the date of allotment. Nil- If redeemed after 3 months from the date of allotment

Source: <https://www.motilaloswalmf.com/downloads/mutual-fund/Factsheet>, as of 31-Aug-2020;

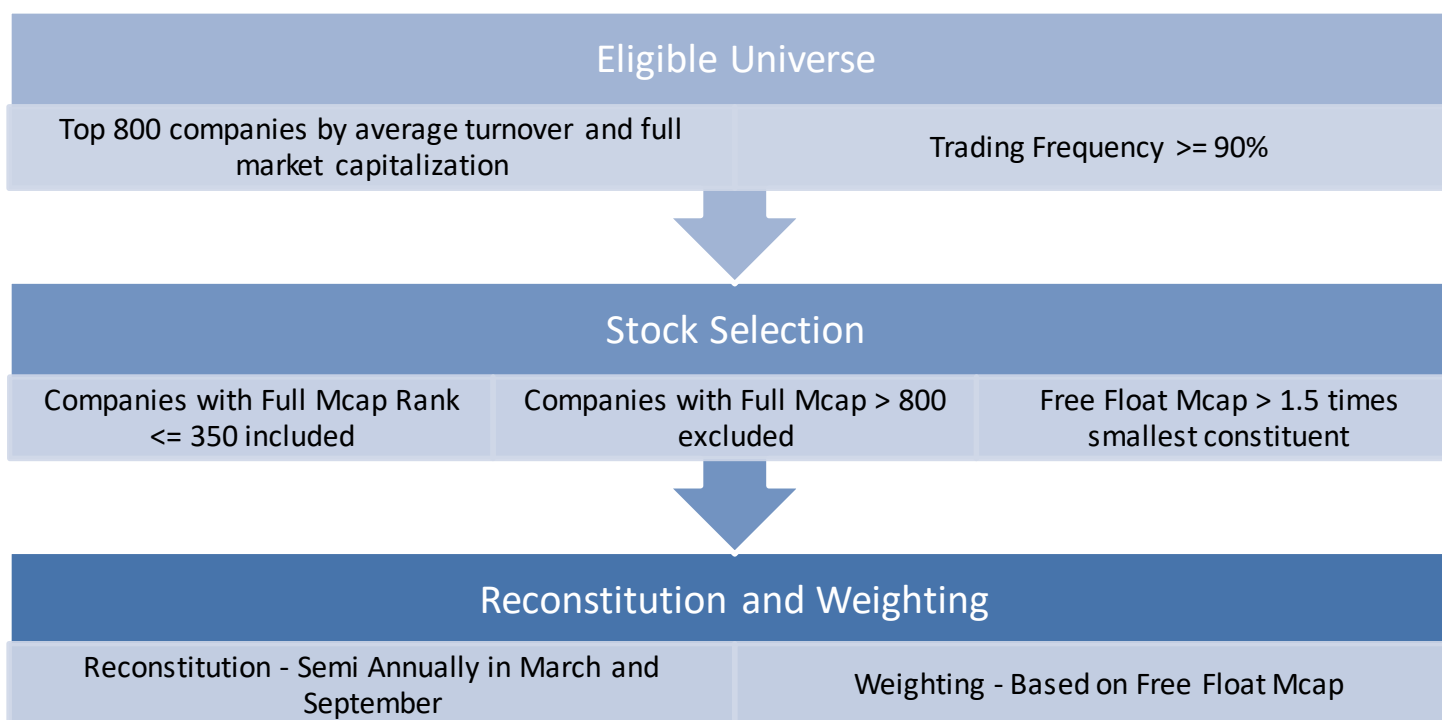
Total Expense Ratio: <https://www.motilaloswalmf.com/downloads/mutual-fund/total-expensera-tio>



# About: Nifty 500 Index

**Index Objective:** NIFTY 500 represents the top 500 companies based on full market capitalization from the eligible universe. The index covers more than 95% of listed universe at NSE in terms of total/full market capitalization.

## Index Methodology Snapshot:

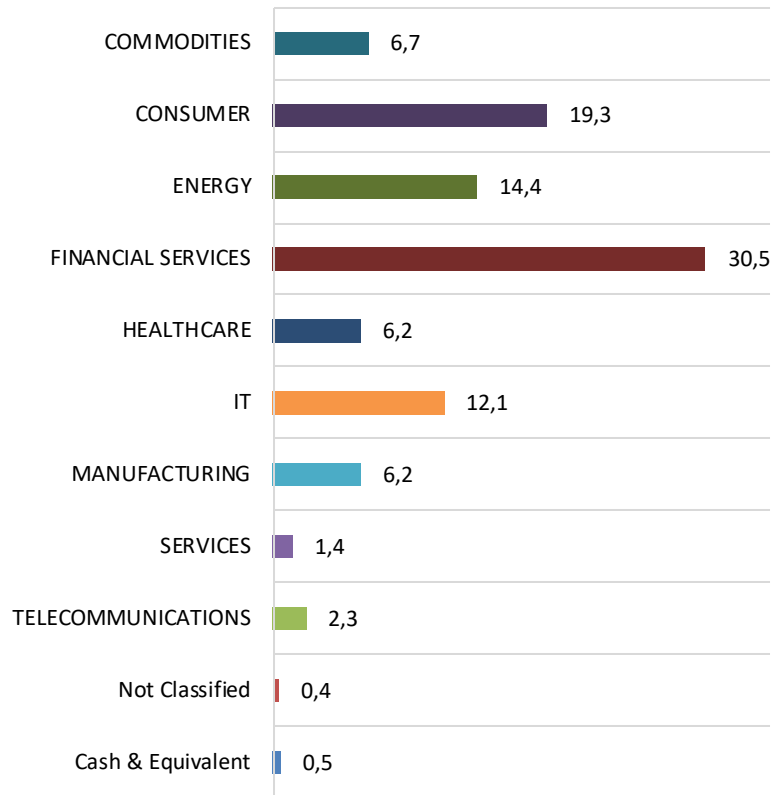


Source: [www.niftyindices.com/](http://www.niftyindices.com/), data as of 30-Jun-2020; for detailed index methodology kindly visit [www.niftyindices.com/](http://www.niftyindices.com/). The above chart is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

# Portfolio Composition: Motilal Oswal Nifty 500 Index Fund

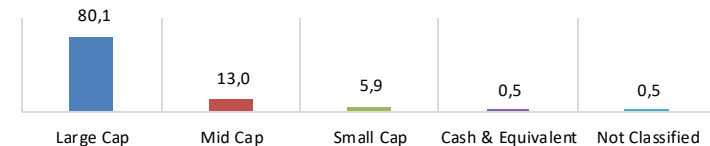


## Sector Coverage:



Company Name	Weight
Reliance Industries Ltd	9.5
HDFC Bank Ltd	7.0
Infosys Ltd	4.9
Housing Development Finance Corporation Ltd	4.6
ICICI Bank Ltd	3.9
Tata Consultancy Services Ltd	3.4
Kotak Mahindra Bank Ltd	3.0
Hindustan Unilever Ltd	2.7
ITC Ltd	2.4
Bharti Airtel Ltd	1.8
<b>Total</b>	<b>43.2</b>

## Size Coverage:

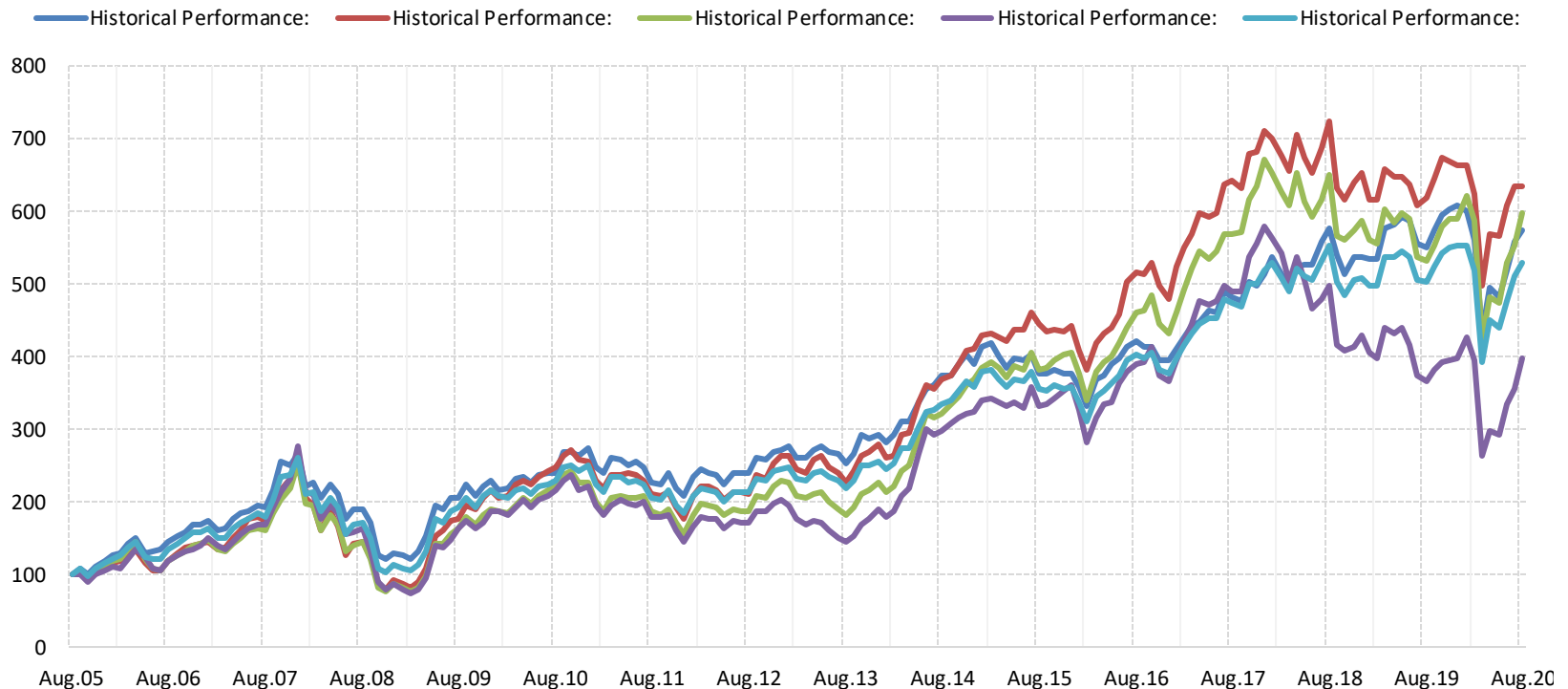


Source: MOAMC; Data as of Aug 31, 2020; Sectors - Macro Economic Sectors as per AMFI Industry Classification; the stocks/sectors mentioned above are used to explain the concept and is for illustration purpose only and it should not be used for development or implementation of an investment strategy. 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.

# Historical Performance (15 years)



- Performance of Nifty 500 Index is combination of its component indices.
- Nifty 500 Index noted least volatility over other indices over long term



Data Source: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Aug-2005 – 31-Aug-2020; 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 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.

# Performance

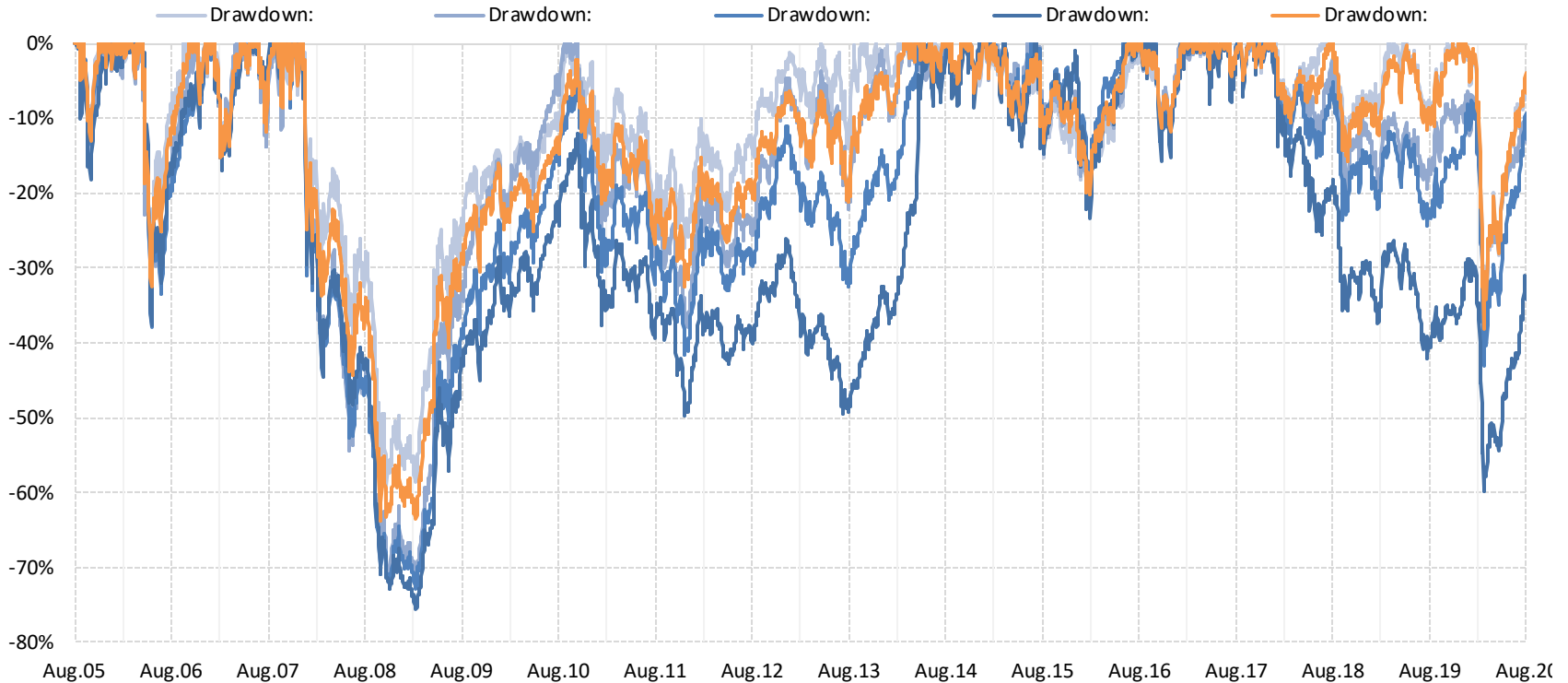


	Period	Nifty 50 TR Index	Nifty Next 50 TR Index	Nifty Midcap 150 TR Index	Nifty Smallcap 250 TR Index	Nifty 500 TR Index
Annualised Returns	1 year	4.3%	2.6%	12.4%	9.2%	5.4%
	3 year	6.0%	-0.4%	1.7%	-6.7%	3.7%
	5 year	8.8%	7.4%	9.3%	3.7%	8.3%
	7 year	12.4%	15.8%	18.5%	15.4%	13.5%
	10 year	9.1%	9.9%	10.4%	6.4%	8.8%
	15 year	12.4%	13.1%	12.7%	9.7%	11.8%
Annualised Volatility	1 year	31.1%	27.1%	27.0%	26.9%	29.3%
	3 year	20.6%	19.9%	19.8%	20.9%	19.8%
	5 year	18.0%	18.4%	18.0%	19.6%	17.5%
	7 year	17.3%	18.4%	17.7%	19.6%	17.0%
	10 year	17.5%	18.3%	17.6%	19.0%	17.0%
	15 year	22.8%	24.6%	22.2%	22.5%	22.0%
Risk Adjusted Returns	1 year	0.139	0.094	0.457	0.340	0.185
	3 year	0.292	-0.019	0.086	-0.320	0.188
	5 year	0.487	0.401	0.519	0.190	0.475
	7 year	0.716	0.859	1.043	0.786	0.797
	10 year	0.519	0.541	0.590	0.335	0.517
	15 year	0.542	0.532	0.571	0.429	0.533

- Typically Nifty 500 Index **outperforms large cap stocks during overall bull market**; whereas it potentially **help reduce the drawdown/losses as compared to midcap and smallcap stocks during bear market**
- The fund is **suitable for investors with moderately-high risk appetite** and are looking for **low cost, pure beta exposure to Indian Equities.**

Data Source: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Aug-2005 – 31-Aug-2020; 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 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.

# Drawdown (15 Years)



**Nifty 500 has experienced lower drawdowns compared to midcap and smallcap**

Data Source: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Aug-2005 – 31-Aug-2020; 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 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.

# SIP Returns: Nifty 500 Index



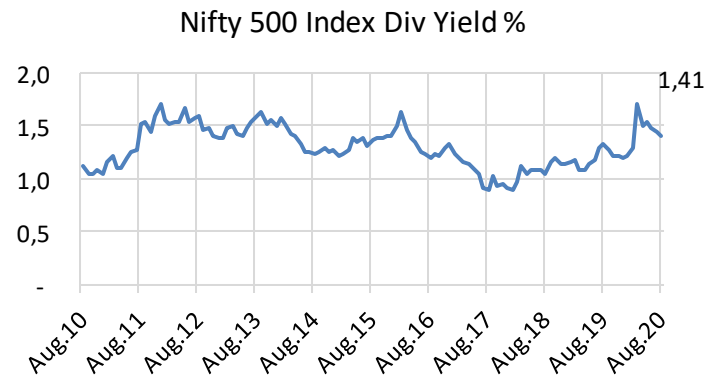
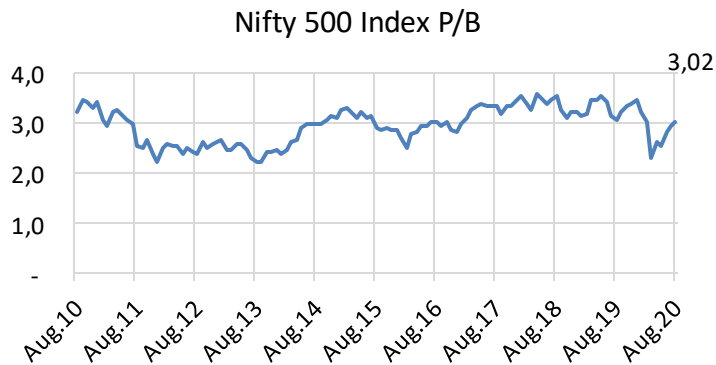
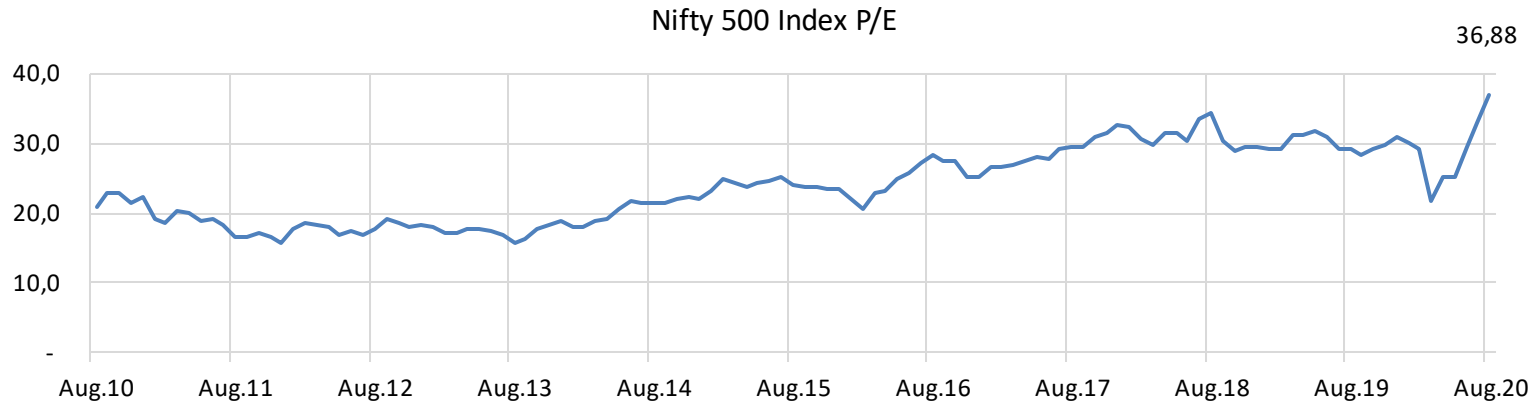
	1 Year	3 Year	5 Year	7 Year	10 Year
<b>Nifty 500 TR Index SIP Returns</b>	12.65%	3.03%	6.57%	8.20%	9.63%
<b>Amount Invested</b>	1,20,000	3,60,000	6,00,000	8,40,000	12,00,000
<b>Market Value</b>	1,28,113	3,77,145	7,08,401	11,25,217	19,76,341

**Data as of close of Aug 31, 2020. For SIP returns, monthly investment of INR 10,000/- invested on the last trading day of every month has been considered. Performance is calculated using Total Return Index, with zero cost/expenses. Past performance may or may not be sustained in the future.**

*Data Source: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Aug-2010 – 31-Aug-2020; 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 is for illustration purpose only. The SIP amount, tenure of SIP, expected rate of return are assumed figures for the purpose of explaining the concept of advantages of SIP investments. 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.*



# Valuation Multiples



Data Source: [www.niftyindices.com](http://www.niftyindices.com); Data from 31-Jul-2010 – 31-Jul-2020; 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 in future. 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.

# BLENDING NIFTY 500 INDEX WITH INTERNATIONAL INDICES

# Nifty 500 is Less Correlated with International Equity



Indian equities had very low correlation to international equities historically – providing great opportunity for diversification

	Nifty 500 Index (INR)	^Dow Jones Index (INR)	^S&P 500Index (INR)	^NASDAQ 100Index (INR)	^DAX Index (INR)	^FTSE 100Index (INR)	^Nikkei 225 Index (INR)	^Hang Seng Index (INR)
Nifty 500 Index (INR)	1	0.22	0.22	0.18	0.35	-0.09	-0.04	0.00
^Dow Jones Index (INR)		1	0.98	0.90	0.63	0.11	0.10	0.11
^S&P 500Index (INR)			1	0.94	0.63	0.09	0.09	0.10
^NASDAQ 100 Index (INR)				1.00	0.56	0.09	0.07	0.09
^DAX Index (INR)					1.00	0.08	0.05	0.09
^FTSE 100 Index (INR)						1.00	0.14	0.11
^Nikkei 225 Index (INR)							1.00	0.11
^Hang Seng Index (INR)								1.00

Data Source: Index Values – [www.niftyindices.com](http://www.niftyindices.com)/Bloomberg, Forex Rate - RBI/Thomson Reuters. Correlation of daily total returns as of Close of 31-May-2005 to 31-May-2020. ^ denotes the index currency conversion. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. 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.

# Blend Nifty 500 with US Equities - Risk-Return Profile

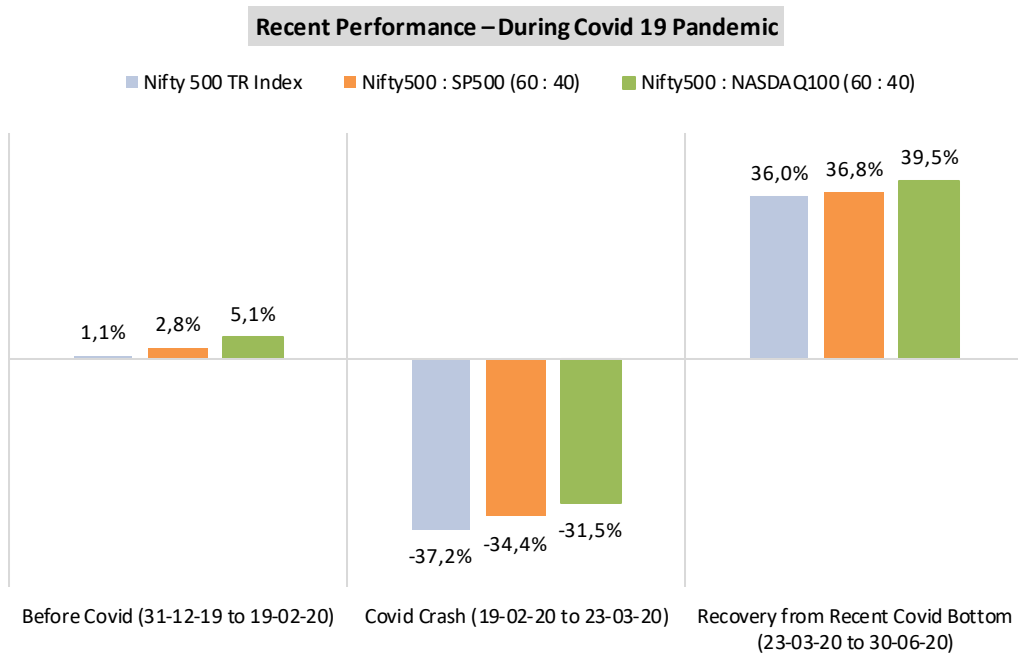


Data Label	1 year	3 year	5 year	7 year	10 year	15 year	20 year
<b>Annualised Returns</b>							
Nifty 500 TR Index	-11.20%	1.80%	5.50%	10.70%	8.00%	11.80%	12.60%
Nifty500 : SP500 (60 : 40)	-0.60%	7.60%	9.20%	13.00%	13.10%	13.50%	12.30%
Nifty500 : NASDAQ100 (60 : 40)	9.90%	12.70%	12.90%	16.80%	16.00%	15.80%	12.20%
<b>Annualised Volatility</b>							
Nifty 500 TR Index	29.40%	19.70%	17.80%	17.20%	16.90%	22.00%	22.50%
Nifty500 : SP500 (60 : 40)	26.70%	17.50%	15.40%	14.40%	14.10%	17.30%	17.10%
Nifty500 : NASDAQ100 (60 : 40)	24.40%	17.10%	15.30%	14.40%	14.10%	17.30%	18.40%
<b>Risk Adjusted Returns</b>							
Nifty 500 TR Index	-0.382	0.089	0.307	0.623	0.47	0.537	0.56
Nifty500 : SP500 (60 : 40)	-0.021	0.436	0.594	0.904	0.931	0.781	0.72
Nifty500 : NASDAQ100 (60 : 40)	0.408	0.74	0.84	1.163	1.132	0.914	0.665

Data Source: Index Values - [www.niftyindices.com/Bloomberg](http://www.niftyindices.com/Bloomberg), Forex Rate - RBI/Thomson Reuter and MOFSL; S&P 500 and NASDAQ 100 TR Index Values adjusted in INR. Performance as of Close of 30-Jun-2000 to 30-Jun-2020. ^ denotes the index currency conversion. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above table/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.

# Blending Nifty 500 with US Equities - During Covid 19 Pandemic

The blended portfolio's took relatively less hit and recovered faster during recent market volatility caused due to Covid-19 pandemic

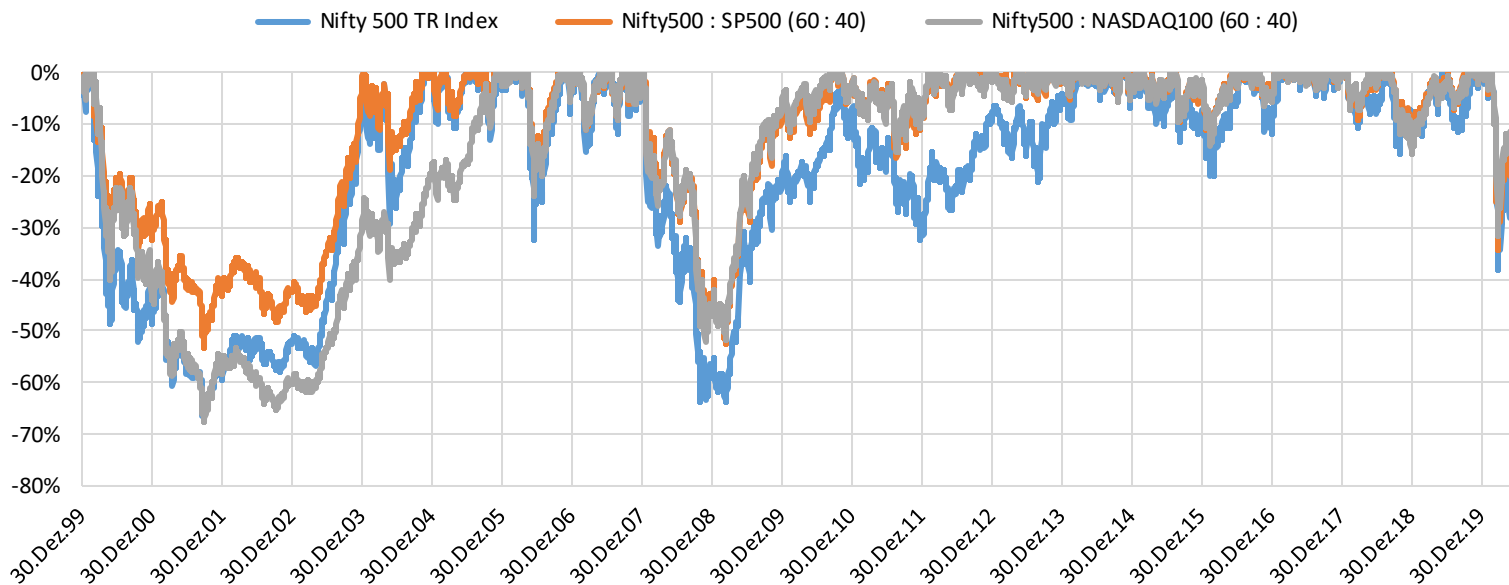


Data Source: Index Values - [www.niftyindices.com/Bloomberg](http://www.niftyindices.com/Bloomberg), Forex Rate - RBI/Thomson Reuter and MOFSL; S&P 500 and NASDAQ 100 TR Index Values adjusted in INR. Performance as of Close of 31-Dec-2019 to 30-Jun-2020. ^ denotes the index currency conversion. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above table/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.

# Reduced risk in terms of drawdown

During last 20 year, the blended portfolio experienced less drawdowns except during IT Boom and Burst in 2001-02

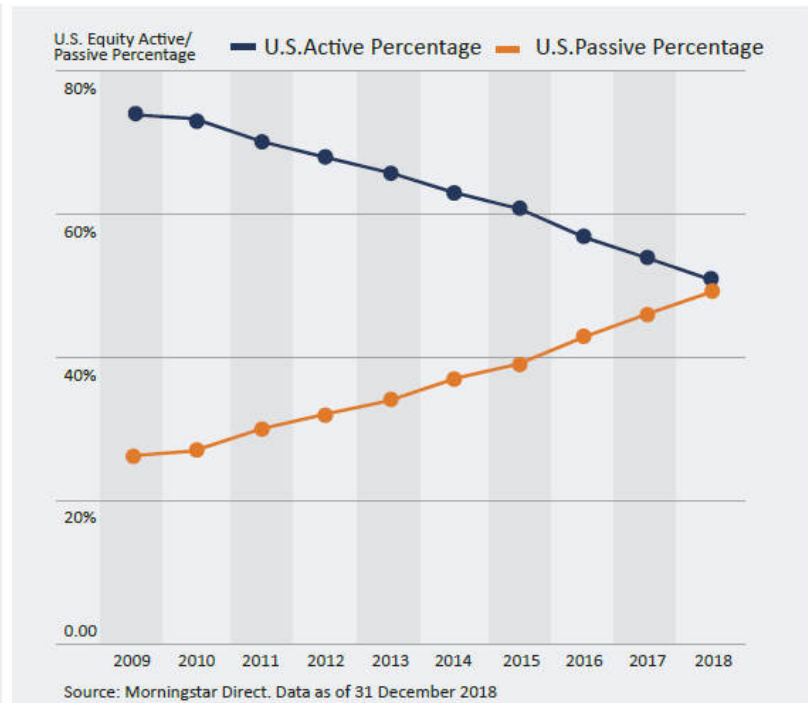
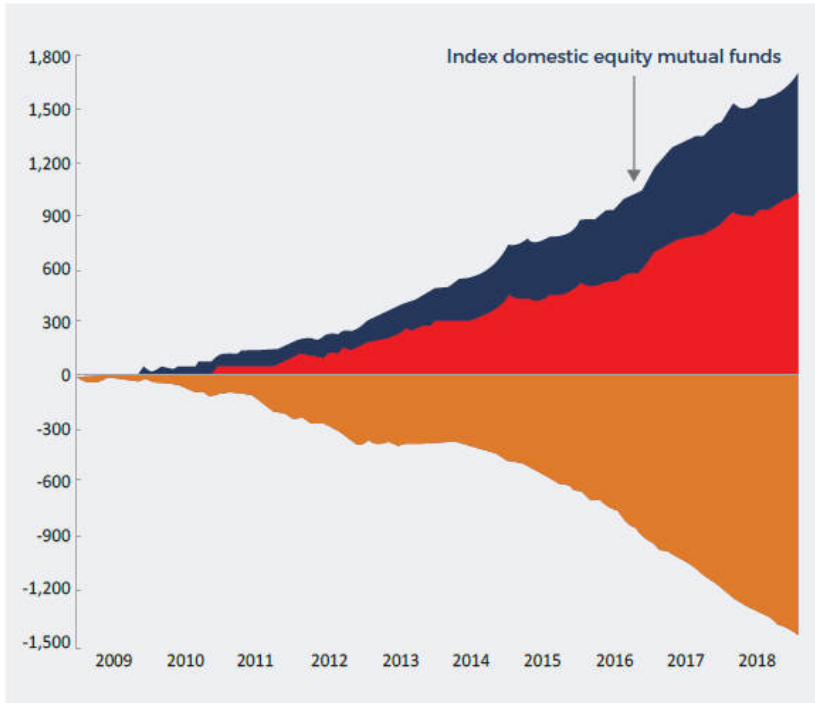
### Drawdown Chart



Data Source: Index Values - [www.niftyindices.com/Bloomberg](http://www.niftyindices.com/Bloomberg), Forex Rate - RBI/Thomson Reuter and MOFSL; S&P 500 and NASDAQ 100 TR Index Values adjusted in INR. Performance as of Close of 31-Dec-1999 to 30-Jun-2020. ^ denotes the index currency conversion. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above table/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.

# Active vs Passive

# US: Over Last 10 Year Passive Funds AUM gained market share (year 2018)



Data Source: Chart - Morningstar data as of Dec 2018; 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.



# US: Equity Passive Fund AUM Eclipsed Stocks Pickers



[Bloomberg News Link](#)

*September 11, 2019, 8:51 PM GMT+5:30 Updated on September 12, 2019, 1:01 AM GMT+5:30*

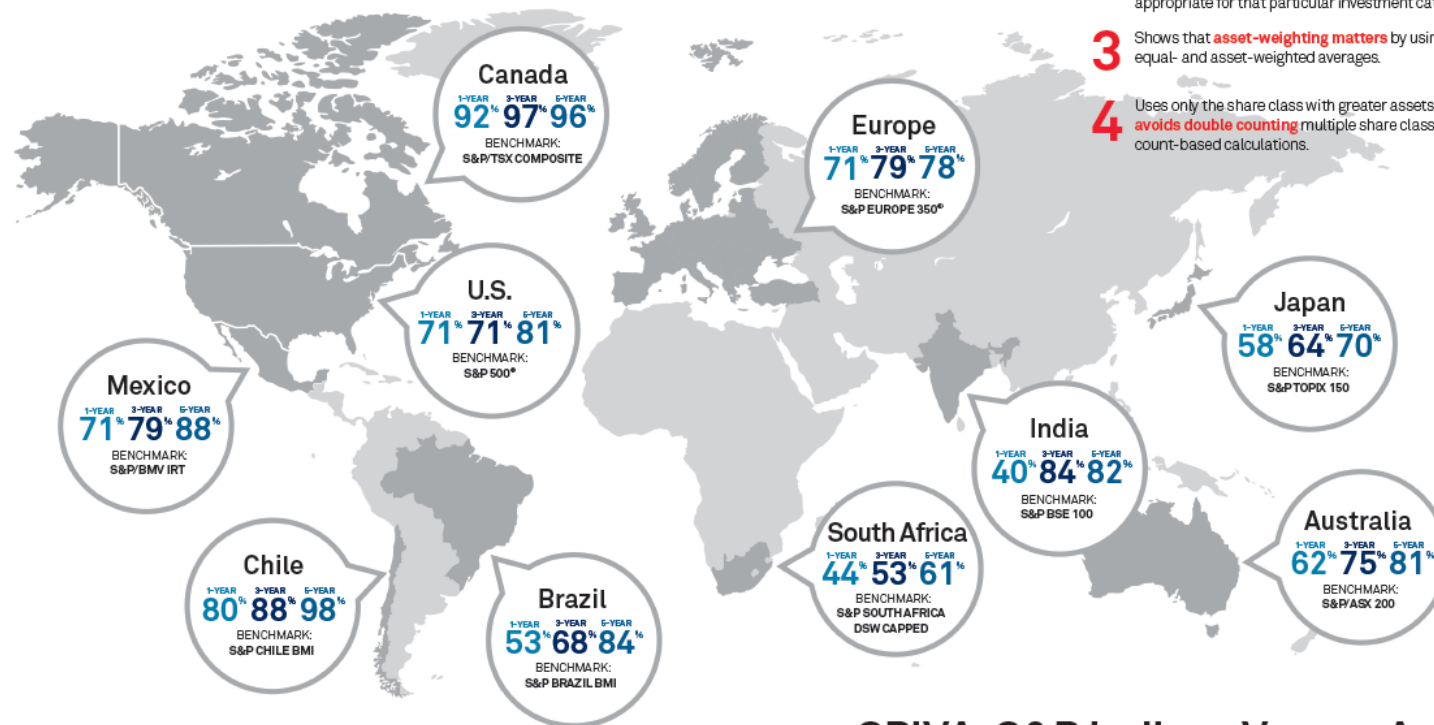
- *“It’s official: inexpensive index funds and ETFs have finally eclipsed old-fashioned stock pickers.”*
- *“August fund flows helped lift assets in index-tracking U.S. equity funds to \$4.271 trillion, compared with \$4.246 trillion run by stock-pickers, according to estimates from Morningstar Inc. Investors added \$88.9 billion to passive U.S. stock funds while pulling \$124.1 billion from active this year through August, the firm estimated.”*

Data Source: News Clipping - <https://www.bloomberg.com/news/articles/2019-09-11/passive-u-s-equity-funds-eclipse-active-in-epic-industry-shift>

# Global: Active Passive Score Card

## SPIVA® Around the World

Percentage of active funds outperformed by benchmarks\* over 1-, 3-, and 5-year periods



### The SPIVA Difference

- 1 Accounts for the entire opportunity set—not just the survivors—thereby **eliminating survivorship bias**.
- 2 Applies an **apples-to-apples comparison** by measuring a fund's returns against the returns of a benchmark appropriate for that particular investment category.
- 3 Shows that **asset-weighting matters** by using both equal- and asset-weighted averages.
- 4 Uses only the share class with greater assets, which **avoids double counting** multiple share classes in all count-based calculations.

\* Regional benchmarks included here are large-cap, with the exception of Brazil and Chile where SPIVA results displayed reflect regional broad market indices. Multiple benchmarks exist in all regions tracked by SPIVA. For more information on SPIVA methodology, including a full list of regional benchmarks and results, visit [www.spdji.com/spiva](http://www.spdji.com/spiva)

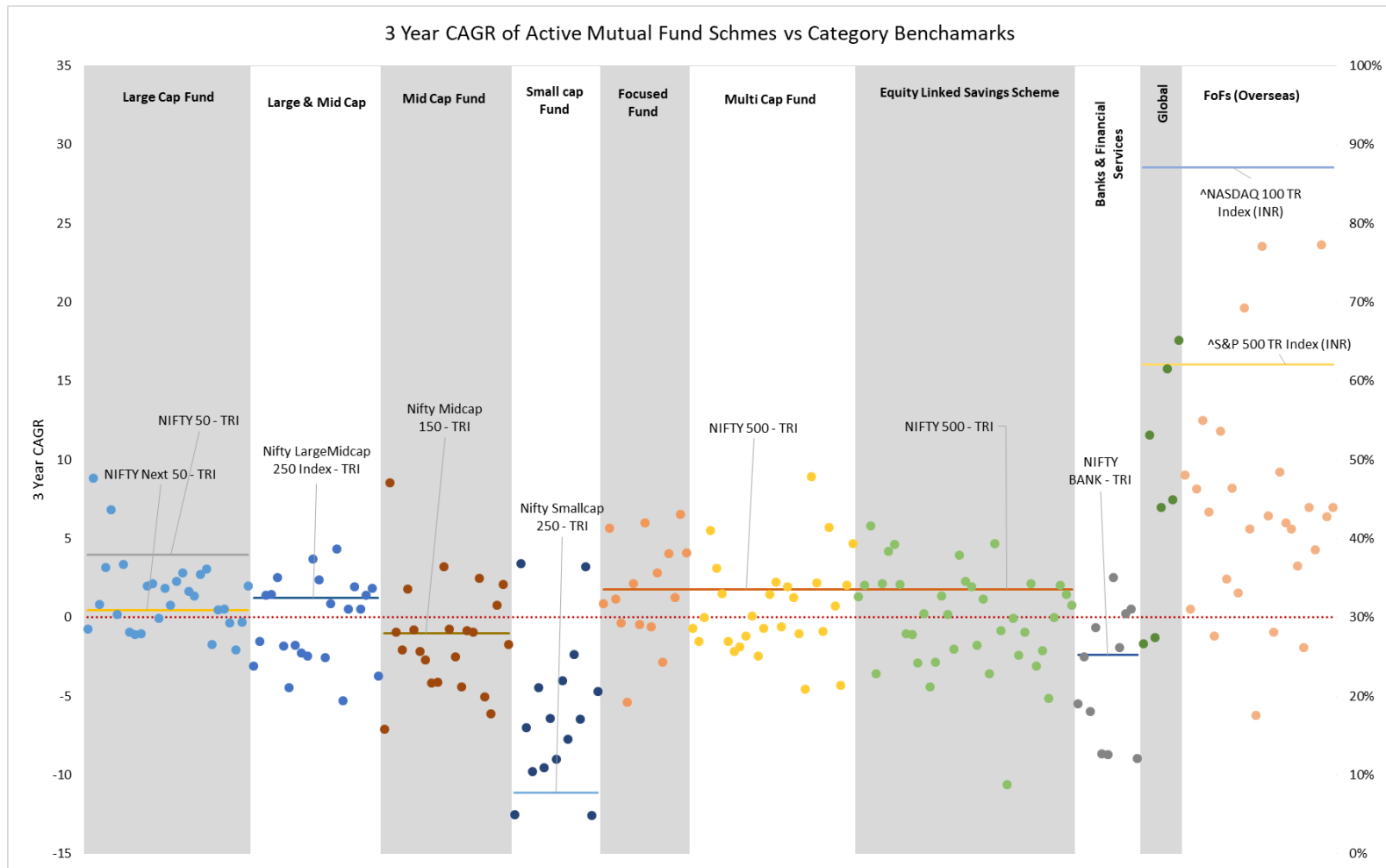
Source: S&P Dow Jones Indices LLC, Morningstar Funddata, CRSP. Data as of December 31, 2019. Charts and tables are provided for illustrative purposes. Past performance is no guarantee of future results.

### SPIVA: S&P Indices Versus Active

[www.spdji.com/spiva](http://www.spdji.com/spiva)

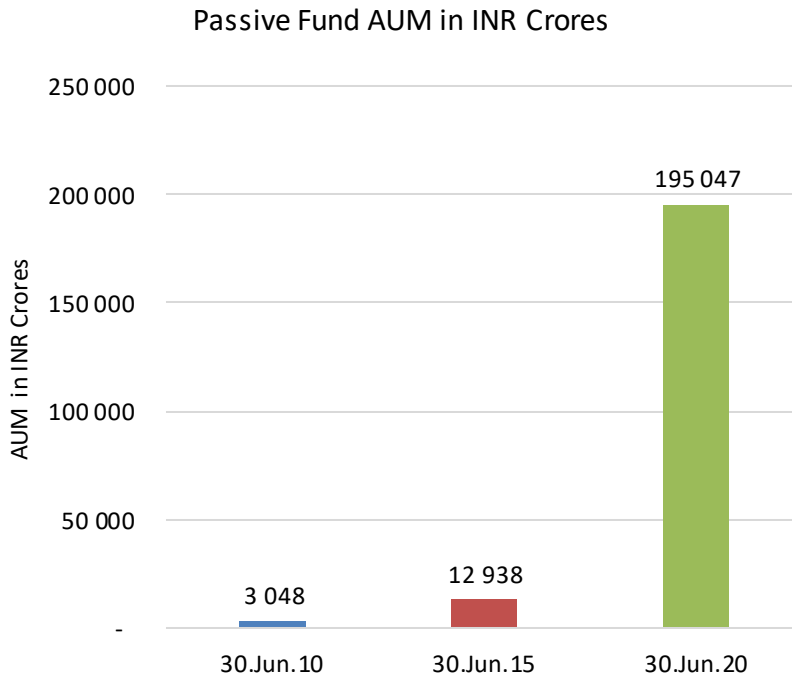
Data Source: SPDJI.com/spiva; Dec 2019. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Performance of Active Mutual Fund Scheme vs Category Benchmark (3 yr. CAGR)

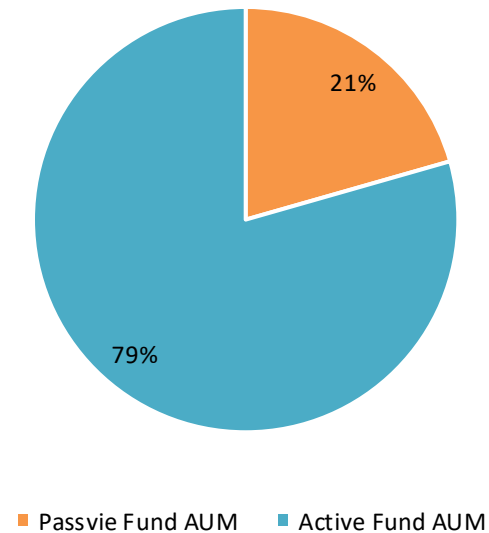


Data Source: ACE MF Next, MOAMC; 30-Jun-2020. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# India: Growth of Passive Fund AUM



Share of Passive AUM – June 2020



- *Passive Funds AUM grew with CAGR of 52% last 10 year and it noted CAGR of 72% over last 5 year*
- *Current share of Equity Passive Fund AUM is 21% as compared to less than couple of percent 5 years before*

Data Source: Data as of June 2020; AMFI Indian and ACE MF. 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.

# Key Take Away



1. **Over medium to long term, India's structural factors look solid**, despite short term headwind especially due to Covid-19 Pandemic
2. **Nifty 500 Index covers 95%** of India's listed universe in terms of total market capitalization making it **ideal proxy for Indian equities**.
3. **Nifty 500 Index one of most benchmarked Index**. It offers pure beta exposure to Large, Mid and Small caps and all 19 Sectors defined by NSE.
4. **Performance of Nifty 500 Index is combination of Large, Mid and Smallcap**
5. **Blending Nifty 500 Index with US Equity is expected to improve risk adjusted returns** over medium to long term

# Thank you



*“An investor might be Better off buying the market”*

*-Burton Malkiel*

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## Thank You

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**Passive Investments** - The Scheme is not actively managed. Since the Scheme is linked to index, it may be affected by a general decline in the Indian markets relating to its underlying index. The Scheme as per its investment objective invests in Securities which are constituents of its underlying index regardless of their investment merit. The AMC does not attempt to individually select stocks or to take defensive positions in declining markets.

**Index Fund** - The Scheme being an index scheme follows a passive investment technique and shall only invest in Securities comprising one selected index as per investment objective of the Scheme. The Fund Manager would invest in the Securities comprising the underlying index irrespective of the market conditions. If the Securities market declines, the value of the investment held by the Scheme shall decrease.

## **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**

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