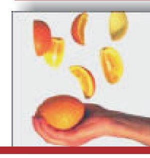
March 21, 2017

Mutual Fund Review

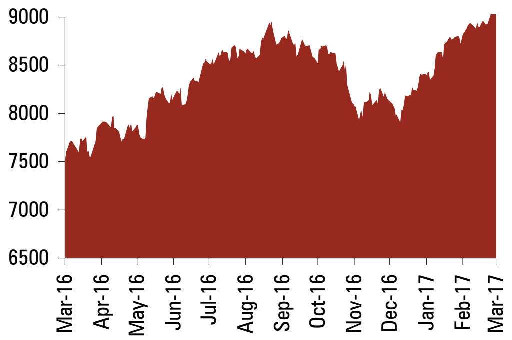


March 21, 2017

Note: Whenever, returns for the scheme are shown in the report, they are for the growth option of the scheme.

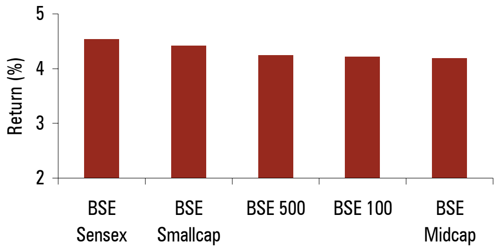
Equity Markets

Nifty 50: Markets at new highs



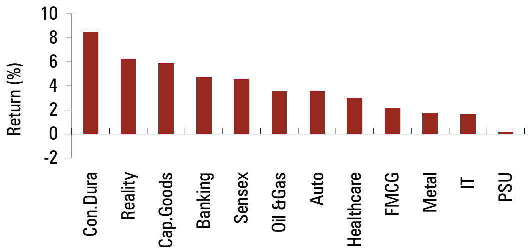
Source: Bloomberg, ICICIdirect.com Research

Similar performance across market segment



Source: Bloomberg, ICICIdirect.com Research
One month returns till February 15, 2017

Reality & Capital goods stock saw value buying while FMCG rebounded post correction after demonitisation



Source: Bloomberg, ICICIdirect.com Research
One month returns till February 15, 2017

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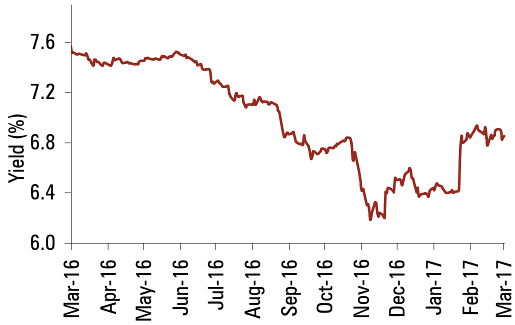
Update

- Indian equity markets continued to post strong gains since the start of calendar year 2017 and crossed all-time high levels in March 2017 led by a broad based rally. Strength in global equity markets, the NDA's victory in recent state elections and continued domestic inflows into mutual funds kept markets in a rising trajectory despite RBI's decision to keep policy rates unchanged and shift to a neutral policy stance
- Global equity markets remain buoyant despite a rate hike by the US Federal Reserve. In contrast to earlier reaction, a US Fed hike is now being perceived as a testimony that growth is improving and dovish stance by Fed indicates rate hikes will be only gradual, going forward
- Equity markets around the world have seen more in the global equity rally than mere optimism about the President's ambitions to cut corporate taxes and create jobs by investing in US infrastructure projects
- The favourable progress towards passage of GST bill and expectation of further reform post outcome of state elections kept market sentiments upbeat
- The recent quarterly results demonstrated a steady performance amid fears of a drop in revenues & profitability on account of demonetisation. Across the coverage, impact of demonetisation was not as severe as anticipated with the management commentary highlighting the situation normalising with each passing day
- Inflows into domestic mutual funds remain strong. Even more importantly, a significant part of fresh flow appears to be committed for longer term. A steady rise in systematic investment plans (SIP) and pension fund contributions indicate towards this trend. Given the longer term nature of inflows, fund managers are in a better position to take investment calls on relatively smaller and midsized companies where the business cycle is more volatile & comparatively untested. However, the growth potential is significantly higher compared to larger stable businesses. The market breadth, therefore, continues to remain positive. Unattractiveness of other asset classes has also let to higher allocation

Outlook

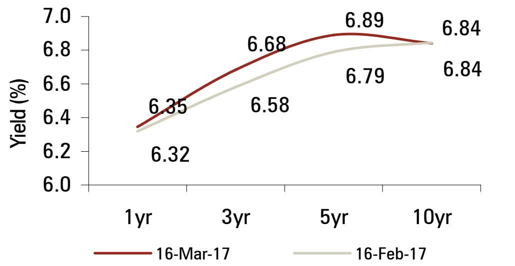
- The outlook for equity market remains positive on the back of expectation of continued economic reforms by the government, particularly after recent state election outcome
- Earnings growth is likely to pick up significantly over the next two or three years given the low base, stable commodity prices and revival of consumption led demand
- The TINA (There Is No Alternative) factor is playing a role in the rise in inflows into Indian equities. Lower yield in the debt market, negative outlook for real estate and lacklustre outlook for gold seem to be the main factors driving the Indian equity markets
- Strong inflows into the domestic mutual fund industry are likely to continue. In the past, Indian households have channelised a large portion of their savings into physical assets such as gold and real estate. There are initial signs that the trend is gradually changing and households are navigating towards financial savings. Higher equity market allocation from EPF and increasing popularity of NPS will further enhance domestic inflows over a period of time

G-sec yields stable after rising sharply post RBI policy in February 2017



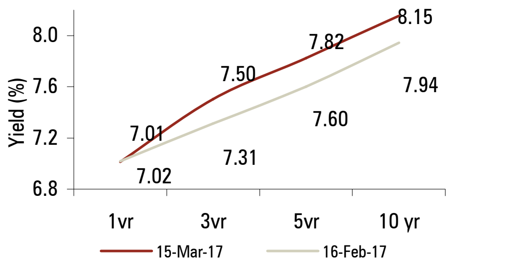
Source: Bloomberg

Shorter maturity G-sec yields moved up following 10 year which moved moved up immediately post RBI policy



Source: Bloomberg, ICICIdirect.com Research

Corporate bond yield curve moved up following G-Sec yiled



Source: Bloomberg, ICICIdirect.com Research

Debt Markets

Update

- Indian debt markets witnessed a sharp sell-off post the RBI's monetary policy, which indicated a change in stance on part of the RBI from "accommodative" to "neutral". It indicated an end to the rate easing cycle, which started in January 2015
- Markets reacted negatively more on account of a change in rate stance than the status quo on rates itself. RBI's change in stance suggests it is now more focused on its medium term target of 4% inflation, which has upside risk
- G-sec yields witnessed a sell-off of around 50 bps while corporate bonds contained their losses with yields moving around 20-30 bps across duration during February post RBI policy
- The sharp sell-off in G-Sec provided an opportunity for fresh buying and FPIs, which were net sellers in the previous four months turned net buyers during February 2017
- Liquidity in the banking system continued to remain abundant with average liquidity at around ₹ 4 lakh crore against ₹ 1.5 lakh crore in February). The current abundant liquidity with banks is expected to persist in the early months of 2017-18, declining with progressive remonetisation
- CPI inflation edged higher to a four-month high of 3.65% YoY in February from 3.17% YoY previously. In line with this trend, February WPI came in at 6.55% YoY, a 39 month high but both manufacturing and core manufacturing softened from the previous reading

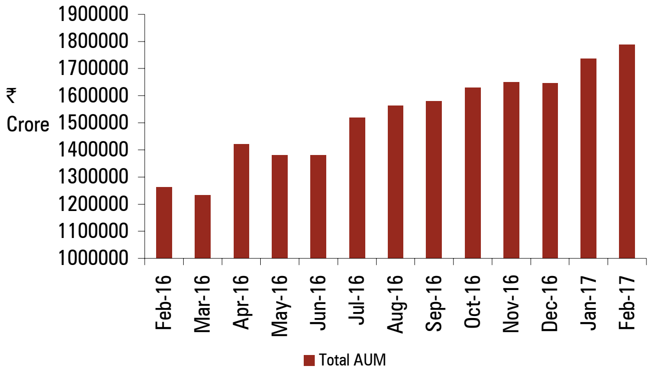
Outlook

- The recent rise in bond yields by about 50 bps from around 8.4% to 8.9% has sent yields to their pre-demonetisation level and indicates that the yield movement will now happen based on inflation, growth and movement in global bond yields in the wake of rising US interest rate hike expectations
- The downward movement in G-sec yields, particularly in 10 year looks limited from current levels of around 6.80%. Fresh investment in duration funds should therefore be avoided
- Short-term funds with accrual strategy are better placed in the current volatile environment. The pressure on corporate bonds yields may also remain in the near term. Fresh investment should be made in a staggered manner over the next two or three months

MF industry synopsis

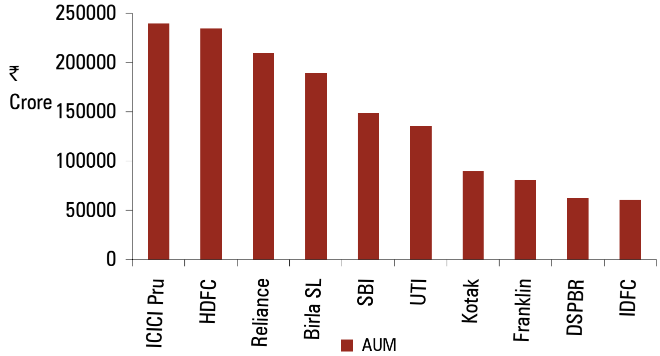
- Mutual funds witnessed strong inflows in the last three years leading to strong growth in overall assets managed by mutual funds. Total assets managed by mutual funds have touched a high of ₹ 17.89 lakh crore in February 2017, increasing ~42% YoY, of which ~44% was held by income funds and 29% by equity and ELSS funds
- In the 11 months of FY17, the mutual fund industry saw an inflow of ₹ 397932 crore into the Indian mutual fund industry. Out of the total inflow, ₹ 62151 crore came into equity and ELSS funds
- Despite volatility in equity markets, inflows in equity mutual funds have remained steady. This trend reflects the increasing participation of investors in mutual fund and using correction as an opportunity to deploy capital

Exhibit 1: MF industry continues to rise on inflows across categories



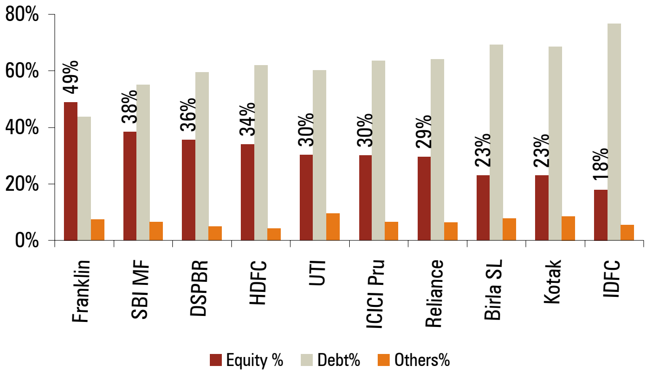
Source: AMFI

Exhibit 2: AUM of Top 10 AMCs



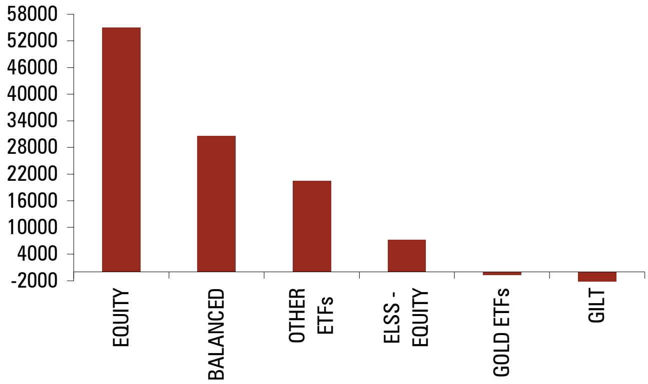
Source: ACE MF

Exhibit 3: Fraklin Templeton has highest proportion of equity AUM as percentage of its AUM



Source: ACE MF. Data as on January 2017

Exhibit 4: Within retail category, equity funds witness significant inflows in FY17 till date…



Source: ACE MF. Data as on January 2017

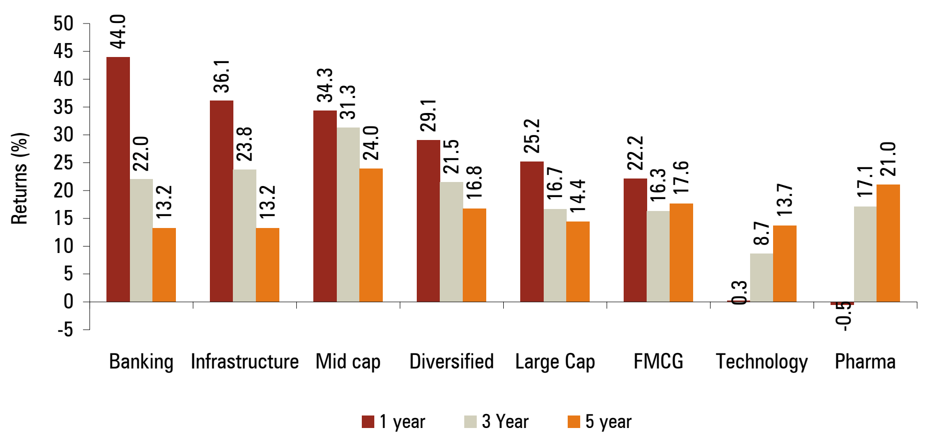
MF Category Analysis

Equity funds

- Banking & infrastructure funds were top performers in February 2017, having outperformed large cap and midcap funds and beating other categories pharmaceuticals, information technology (IT) & fast moving consumer goods (FMCG)
- The IT sector was plagued by fears of restrictions being imposed on the existing H-1B visa policy by the new US government while pharma funds were negative amid rising concerns over pricing, compliance issues and a fear of shrinking growth in the large US market

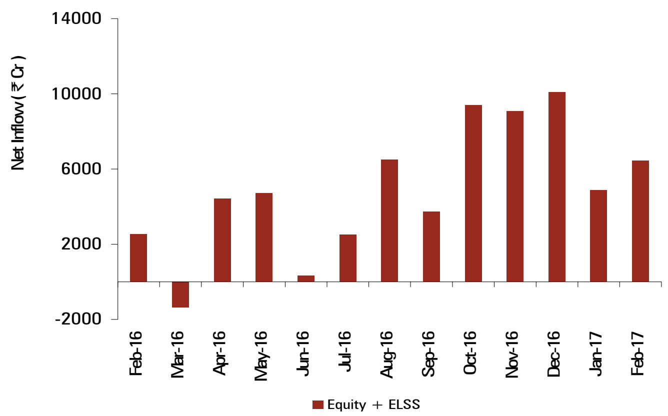
Reshuffling of portfolio was seen post Union Budget with beaten down sectors rallying sharply outperforming defensive sectors

Exhibit 5: Banking & infrastructure funds outperform other categories while pharma funds continue to be under pressure (returns as on March 17, 2017)



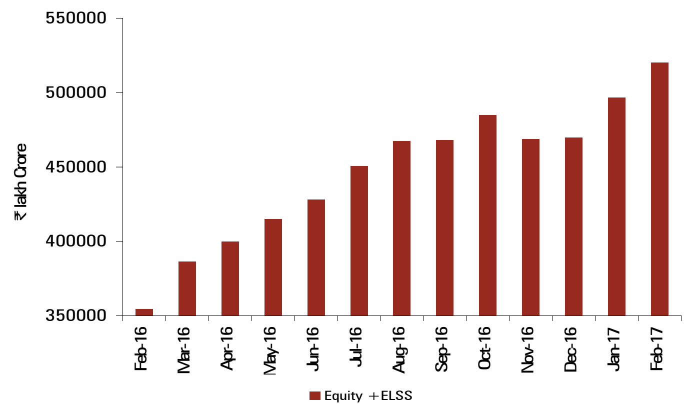
Source: Crisil, ICICIdirect.com Research ; Returns over one year are compounded annualised returns

Exhibit 6: Equity funds witness 10 straight months of inflows despite volatile markets



Source: AMFI, ICICIdirect.com Research

Exhibit 7: Robust inflow in equity funds pushes up AUM to record high of ₹ 4.9 lakh crore



Source: AMFI, ICICIdirect.com Research

View
Short term: Positive
Long-term: Positive

Equity diversified funds

- Indian equity markets continued to post strong gains since the start of calendar year 2017 and crossed all-time high levels in March 2017 led by a broad based rally. Strength in global equity markets, NDA's victory in recent state elections and continued domestic inflows into mutual funds kept markets in a rising trajectory despite the RBI's decision to keep policy rates unchanged and shift to a neutral policy stance
- Global equity markets remain buoyant despite a rate hike by US Federal Reserve. In contrast to the earlier reaction, a US Fed hike is now being perceived as a testimony that growth is improving and dovish stance by Fed indicates that rate hike will be only gradual, going forward
- Equity markets globally have seen more in the global equity rally than mere optimism about the President's ambitions to cut corporate taxes and create jobs by investing in US infrastructure projects
- The favourable progress towards passage of GST bill and expectation of further reform post outcome of state elections kept market sentiments upbeat
- The recent quarterly results demonstrated a steady performance amid fears of a drop in revenues & profitability on account of demonetisation. Across the coverage, the impact of demonetisation was not as severe as anticipated with the management commentary highlighting the situation normalising with each passing day
- Diversified funds, in general, are the a better category of funds for long term investors as they give fund managers flexibility to invest dynamically as per market movement

Recommended funds

Large cap

- Birla Sunlife Frontline Equity
- ICICI Prudential Focused Bluechip Equity
- SBI Bluechip Fund

Diversified

- Franklin India Prima Plus Fund
- ICICI Prudential Value Discovery Fund

Midcap

- HDFC Mid-Cap Opportunities Fund
- Franklin India Smaller Companies Fund

(Refer to www.icicidirect.com for details of the fund)

View
Short-term: Positive
Long-term: Positive

Equity Infrastructure fund

- We believe the infrastructure sector would not be much impacted due to demonetisation as organised players are not facing any issues in execution except few labour and subcontracting payment issues
- With the government's focus on infrastructure development, it could increase its infrastructure spending, which will lead to higher awarding opportunities for infrastructure players. Furthermore, it would also improve transparency in the system

Preferred Picks

- Franklin Build India Fund
- L&T Infrastructure Fund
- ICICI Prudential Infrastructure Fund

Refer www.icicidirect.com for details of the fund

Equity Banking Funds

View
Short-term: Positive
Long-term: Positive

- Demonetisation would create short-term headwinds for financials in the form of lower credit growth, rise in NPL in SME and real estate portfolio (LAP). However, banks would also benefit in the form of higher deposits and treasury gains with a downward trajectory in yields
- We remain optimistic on the banking sector keeping in mind the anticipated pick-up in credit offtake. Steady margins and continuance of treasury gains is expected to further aid profitability
- From a long term point of view, the demonetisation process is structurally positive for the financial industry with a reduction in black economy, enhanced awareness and benefits of usage of digital or electronic payments. This will be positive for the banking industry from an operating cost perspective

Preferred Picks

- ICICI Prudential Banking & Financial Services
- Reliance Banking Fund
- UTI Banking Sector Fund

Refer to www.icicidirect.com for details of the fund

Equity FMCG

View
Short-term: Positive
Long-term: Positive

- The Q3FY17 results announced so far indicate the impact of demonetisation was less than market expectation. Companies in consumer oriented sectors like FMCG, paints and consumer durable weathered the demonetisation storm through judicious promotional spends and extended credit period to trade channel partners
- We maintain our positive outlook on the FMCG sector backed by the expected turnaround in rural demand in the backdrop of a) normal monsoon after two consecutive years of deficit rainfall and b) the government's thrust on increasing rural income levels by focusing on the agri economy. Additionally, we expect the implementation of GST, which is around the corner, to provide a big boost to FMCG companies, particularly those present in personal care and household

Preferred Picks

- ICICI Prudential FMCG Fund
- SBI FMCG Fund

Refer www.icicidirect.com for details of the fund

Equity pharma funds

View
Short-term: Neutral
Long-term: Positive

- Despite pricing pressure and client consolidation in the US, most players (barring a few) are well poised to register at least high teen growth on the back of accelerated new product approvals and market share gains in existing products. Similarly, concerns regarding compliance related issues are also waning. Indian players are better prepared than 12-18 months ago as reflected in the growing number of EIRs by the USFDA for Indian facilities
- Indian formulations are likely to do well despite NLEM/FDC issues. We do not expect any material impact of demonetisation on the Indian pharma industry. However, temporary disruptions in trade channels and inventory levels could impact short-term growth
- We maintain our long term positive stance on the sector. In the long run, we expect the earnings momentum to continue on the back of incremental product launches in the US besides normalising of Indian formulations growth

Preferred Picks

- Reliance Pharma Fund
- SBI Pharma Fund
- UTI-Pharma & Healthcare

Refer to www.icicidirect.com for details of the fund

Equity Technology Funds

View
Short-term: Neutral
Long-term: Neutral

- We do not expect any material impact of demonetisation on the IT sector as it is an export oriented B2B business
- We maintain our neutral stance on the sector as the industry could face challenges related to immigration rules post the election of US President Donald Trump, continued uncertainty around Brexit, growing protectionism around the world leading to marginal IT spending by companies. The industry would continue to witness pricing pressure in its traditional business, which is currently unable to offset newer revenue streams from digital areas that enjoys higher margins

Preferred Picks

- ICICI Prudential Technology Fund
- DSPBR Technology fund

Refer to www.icicidirect.com for details of the fund

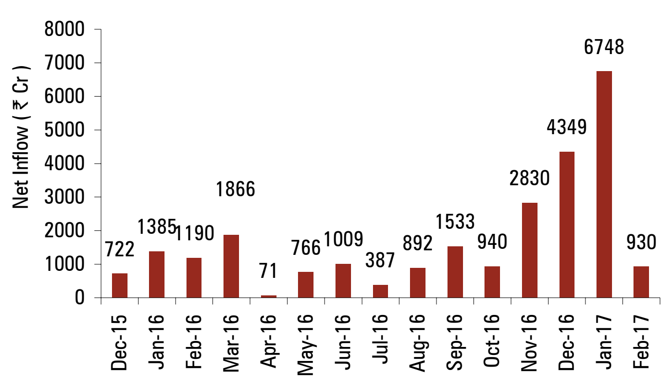
Exchange Traded Funds (ETF)

Traded volumes should be the major criterion that is used while deciding on investment in ETFs. Higher volumes ensure lower spread and better pricing to investors...

Tracking error, though it should be considered, is not the deciding factor as variation among funds is not huge...

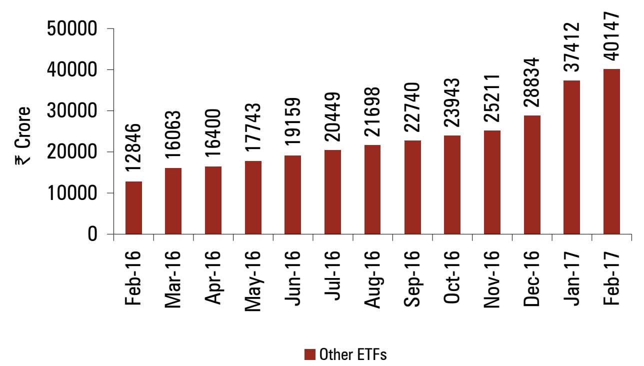
- In India, three kinds of ETFs are available: Equity index ETFs, liquid ETFs and gold ETFs
- An equity index ETF tracks a particular equity index such as the BSE Sensex, NSE Nifty, Nifty Junior, etc
- An equity index ETF scores higher than index funds on several grounds. The expense of investing in ETFs is relatively less by 0.50-1.00% in comparison to an index fund. The expense ratio for ETFs is in the range of 0.50-0.75%, excluding brokerage while for index funds the expense ratio varies in the range of 1.0-1.5%. However, brokerage (which varies) is applicable on ETFs while there are no entry loads now on index funds
- Tracking error, which explains extent of deviation of returns from the underlying index, is usually low in ETFs as it tracks the equity index on a real time basis whereas it is done only once in a day for index funds
- ETFs also provide liquidity as they are traded on stock exchanges and investors may subscribe or redeem them even on an intra-day basis. This is unavailable in index funds, which are subscribed/redeemed only on a closing NAV basis
- In August 2015, the labour ministry decided to invest 5% of Employees' Provident Fund Organisation's (EPFO) incremental corpus in ETFs. The investment in equities is split between the Nifty ETF (75%) and Sensex ETFs 25%. EPFO chose two ETF schemes of SBI Mutual Fund—SBI ETF Nifty and SBI Sensex ETF
- Recently, EPFO hiked the limit from 5% to 10% of its incremental corpus of investment in equities. This is a positive move since retirement savings, which are long term in nature, will be invested in equities that have the potential to generate higher returns. So far, EPFO has invested a total of ₹ 9,723 crore in exchange traded funds as on October 31, 2016
- Over 400 ETFs are traded globally. ETFs are transparent and cost efficient. The decision on which ETF to buy should be largely governed by the decision on getting exposure to that asset class

Exhibit 8: Snesex/Nifty ETFs receiving consistently higher inflows…



Source: AMFI, ICICIdirect.com Research

Exhibit 9: …leading to consistent increase in AUM



Source: AMFI, ICICIdirect.com Research

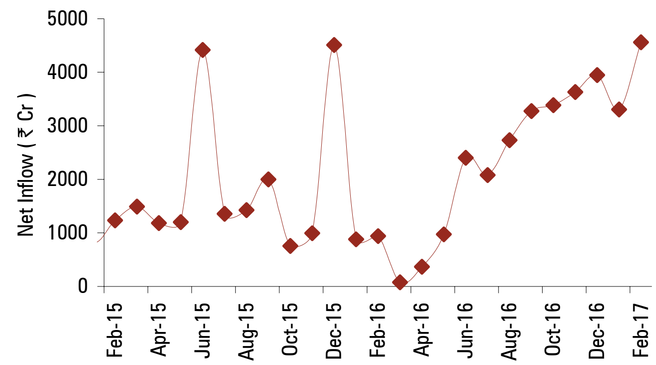
View
Short-term: Positive
Long-term: Positive

Investors with a limited investible surplus and a lower risk appetite but with a willingness to invest in equities can look to invest in these funds

Balanced funds

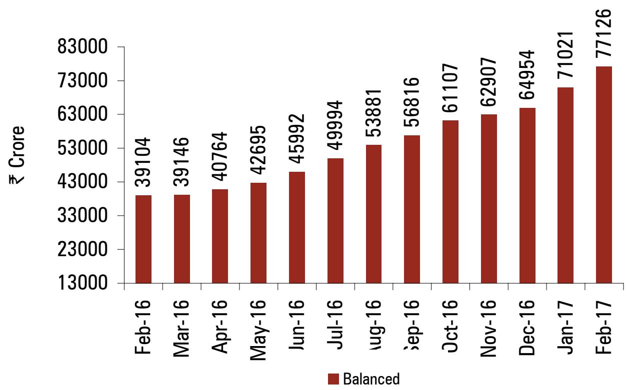
- Balanced funds have witnessed significant inflows in the last two years with average monthly inflows at more than ₹ 2100 crore
- The AUM of balanced funds has witnessed a significant increase of around 100% in the last year. The AUM as on February 2017 was at around ₹ 77126 crore
- Over the last two or three years, the balanced space has emerged as one of the fastest growing equity categories and offers an ideal investment option for first-time equity investors
- Balanced funds are hybrid funds. More than 65% of the overall portfolio is invested in equities. Hence, as per provisions of the Income Tax Act, 1961, any capital gains over a year become tax free. Also, dividends declared by funds are tax free
- In case one separately invests 35% of one's investible corpus in a debt fund, the same will be subject to higher taxation. However, if the whole corpus is invested in balanced funds, 100% shall have lower taxation applicable as mentioned above
- After a sharp rally in equity markets, the funds can be a preferred investment avenue as the debt proportion serves to protect on intermediate relief rallies or the downturn while providing 65% participation on further upsides

Exhibit 10: Consistent inflow into balanced funds



Source: AMFI, ICICIdirect.com Research

Exhibit 11: YoY 73% growth in AUM of balanced funds



Source: AMFI, ICICIdirect.com Research

Preferred Picks

- ICICI Prudential Balanced Fund
- HDFC Balanced Fund
- Tata Balanced Fund

(Refer to www.icicidirect.com for details of the fund)

Monthly Income Plans (MIP)

View
Short-term: Neutral
Long-term: Positive

MIP should be a preferred debt investment for funds that need to be parked for over two years

- An MIP offers investors an option to invest in debt with some participation in equity, ~10-25% of the portfolio. They are suitable for investors who seek higher return from a debt portfolio and are comfortable taking nominal risk. The debt corpus of the portfolio provides regular income while the equity portion of the fund provides alpha. However, returns can also get eroded by a fall in equities
- MIPs can be classified into aggressive MIP and conservative MIP based on its equity allocation. Risk averse investors should invest in MIPs with lower equity allocation to avoid capital erosion
- The change in taxation announced in the Union Budget 2014, shall be applicable to MIP funds (refer to debt funds section for details)

Preferred Picks

- Birla Sun Life MIP II - Savings 5 Plan
- ICICI Prudential MIP 25
- DSPBR MIP Fund

(Refer www.icicidirect.com for details of the fund)

Arbitrage Funds

View
Short-term: Neutral
Long-term: Neutral

- Arbitrage funds seek to exploit market inefficiencies that get manifested as mispricing in the cash (stock) and derivative markets
- Availability of arbitrage positions depends very much on the market scenario. A directional movement in the broader index attracts speculators in the market while cost of funding makes futures positions biased
- Arbitrage funds are classified as equity funds as they invest into equity share and equity derivative instruments. Since these are classified as equity funds for taxation, dividends declared by the funds are tax free. No capital gains tax will be applicable if they are sold after a year
- These funds can be looked upon as an alternative to liquid funds. However, for these funds, returns totally depend on arbitrage opportunities available at a particular point of time and investors should consider reviewing the same before investing. Returns of arbitrage funds are non-linear and, therefore, unsuitable for investors who want consistent return across time period
- Arbitrage funds should be used as a liquid investment and should not be a major part of the investor's portfolio. A range bound market does not give ample room to create arbitrage positions

Preferred Picks

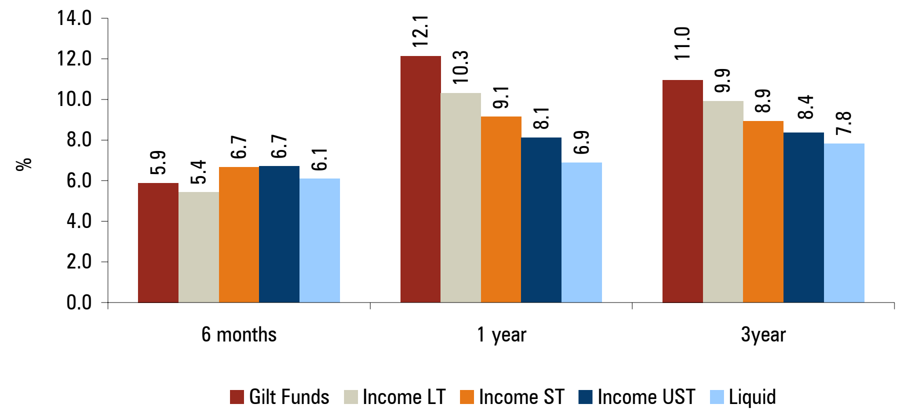
- ICICI Prudential Equity - Arbitrage Fund – Regular
- IDFC Arbitrage Fund - (Regular)
- Kotak Equity Arbitrage Fund
- SBI Arbitrage Opportunities Fund

(Refer to www.icicidirect.com for details of the fund)

Debt funds

G-sec yields have fallen 35 bps post demonetisation and 115 bps post 2016 Budget resulting in outperformance of gilt and income funds

Exhibit 12: Category average returns

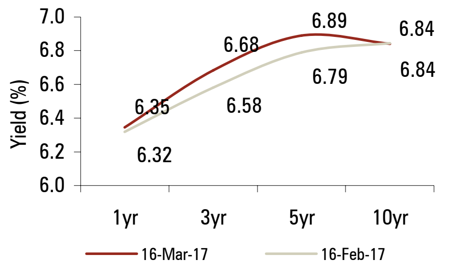


Source: ACE MF, ICICIdirect.com Research

Note : Returns as on March 17, 2017; All returns are compounded annualised

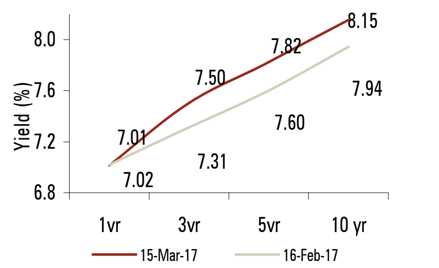
Interest rates moved up across G-Sec and corporate bond category

Exhibit 13: G-sec yield curve



Source: Bloomberg, ICICIdirect.com Research

Exhibit 14: Corporate bond curve



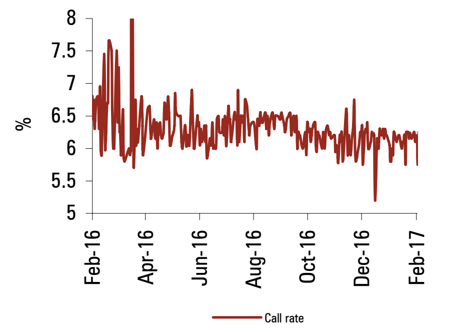
Source: Bloomberg, ICICIdirect.com Research

View
Neutral

Liquid Funds

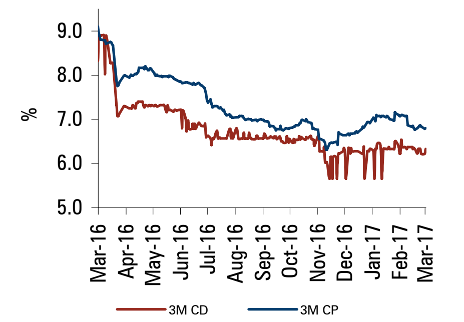
- Yields on money market instruments viz. less than one year CDs and CPs in which liquid fund predominantly invest, remain stable at lower levels due to ample liquidity
- In an uncertain environment, liquid funds remain well placed to park money with low volatility
- For less than a year, individuals in the higher tax bracket should opt for dividend option as the dividend distribution tax @ 28.325% is marginally lower. Also, though the tax arbitrage has reduced, they still earn better pre-tax returns over bank savings (3-4%) and current accounts (0-3%)
- Changes in taxation rules announced in Union Budget 2014 are also applicable to liquid funds, as post tax returns in less than a three-year period get reduced for individuals in the higher tax bracket (30% tax slab) and for corporate

Exhibit 15: Call rates below repo rate



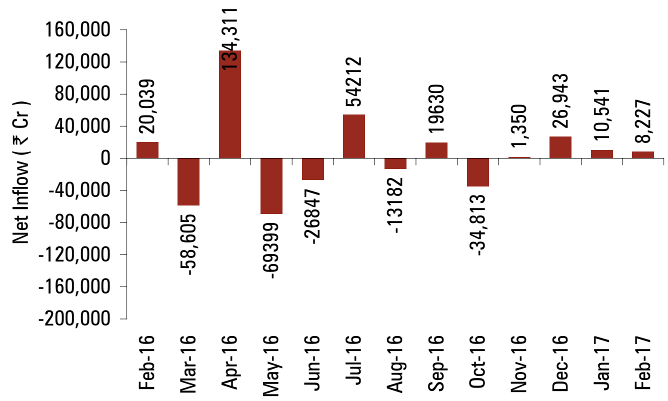
Source: Bloomberg, ICICIdirect.com Research

Exhibit 16: …CP/CD yields



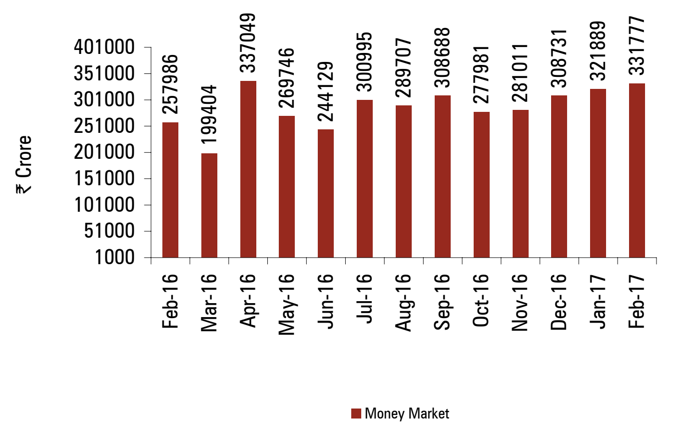
Source: Bloomberg, ICICIdirect.com Research

Exhibit 17: Flows into liquid funds remain volatile on institutional activity



Source: AMFI, ICICIdirect.com Research

Exhibit 18: AUM remains healthy



Source: AMFI, ICICIdirect.com Research

Preferred Picks

- HDFC Cash Management Fund - Savings Plan
- SBI Magnum InstaCash
- Reliance Liquid Fund - Treasury Plan

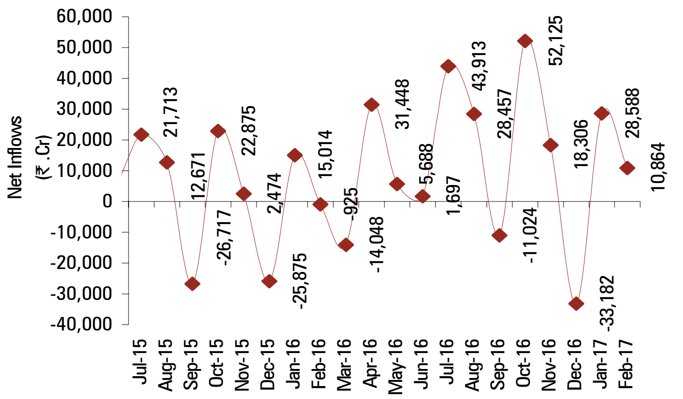
(Refer to www.icicidirect.com for details of the fund)

View
Ultra-short term: Neutral
Short-term: Positive
Long-term: Neutral

Income funds

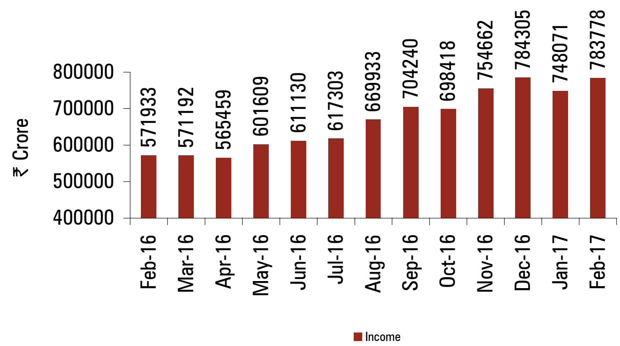
- RBI maintained status quo on policy rates in its February 8, 2017 policy meet. However, it changed the policy stance from accommodative to neutral to assess how the transitory effects of demonetisation on inflation and the output gap play out. The change in rate stance came as a surprise to the market, particularly in the wake of weak growth outlook post demonetisation. MPC is of the view that the persistence of inflation (excluding food & fuel) could set a floor on further downward movements in headline inflation and trigger second order effects. The same lend cautious outlook on G-sec yield in the near term
- Allocation to pure G-Sec or duration funds should be avoided given their historical outperformance and G-Sec yield trading at the lower end of its historical range. Crisil 10 Year Gilt index has delivered 38% return in the last three years and is likely the return will be significantly lower, going forward
- Short-term debt funds remain a stable performing category, especially in the current volatile environment. Credit funds with reasonable credit quality should be preferred over an aggressive credit fund

Exhibit 19: Income funds witness sharp inflow in January



Source: AMFI, ICICIdirect.com Research

Exhibit 20: AUM remains stable on consistent inflows



Source: AMFI, ICICIdirect.com Research

Recommended funds

Ultra Short Term Funds
- Birla Sun Life Savings Fund
- ICICI Prudential Flexible income

Short Term Funds
- Birla Sunlife short term fund
- HDFC Short Term Fund
- ICICI Pru Short Term Plan

Short Term Funds – Credit opportunities
- Birla Sunlife Short Term opportunities term
- HDFC Corporate debt opportunities
- ICICI Prudential Regular Savings

Long term/Dynamic
- Birla Sunlife income plus
- ICICI Prudential Dynamic Bond Fund
- IDFC dynamic bond fund

(Refer www.icicidirect.com for details of the fund)

View
Short-term: Neutral
Long-term: Neutral

Gilt Funds

- RBI maintained status quo on policy rates on its February 8, 2017 policy meet. Still, it changed the policy stance from accommodative to neutral to assess how the transitory effects of demonetisation on inflation and the output gap play out. The change in rate stance came as a surprise to the market particularly in the wake of weak growth outlook post demonetisation. The MPC is of the view that the persistence of inflation (excluding food & fuel) could set a floor on further downward movements in headline inflation and trigger second order effects. The same lend cautious outlook on G-sec yield in the near term
- Allocation to pure G-Sec or duration funds should be avoided given their historical outperformance and G-Sec yield trading at the lower end of its historical range. Crisil 10 Year Gilt index has delivered 38% return in the last three years and is likely the return will be significantly lower, going forward

Recommended funds

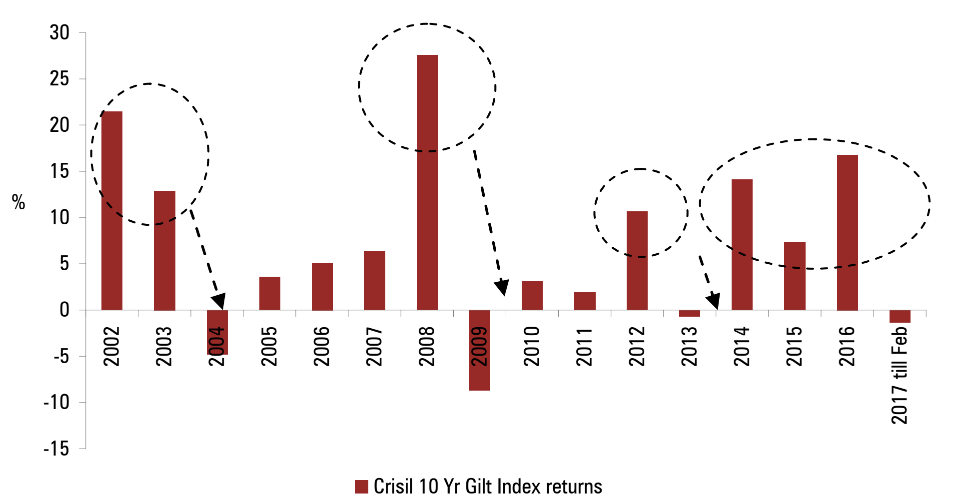
- Birla Sun Life Gilt Plus - PF Plan - Regular
- ICICI Prudential LT Gilt Fund - PF Option - Regular

(Refer to www.icicidirect.com for details of the fund)

- Historically, it has been observed that years of good returns in G-sec are followed by lower returns

Allocation to pure G-Sec or duration funds should be avoided given their historical outperformance and G-Sec yield trading at the lower end of its historical range. Crisil 10 Year Gilt index has delivered 38% return in the last three years. It is likely the return will be significantly lower, going forward

Exhibit 21: Historical trend in return from G-Sec indicates, going forward, returns likely to be lower

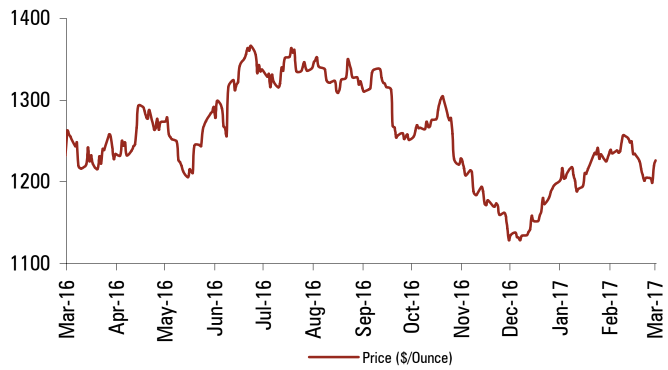


Source: ACE MF

Gold: Likely to remain range bound

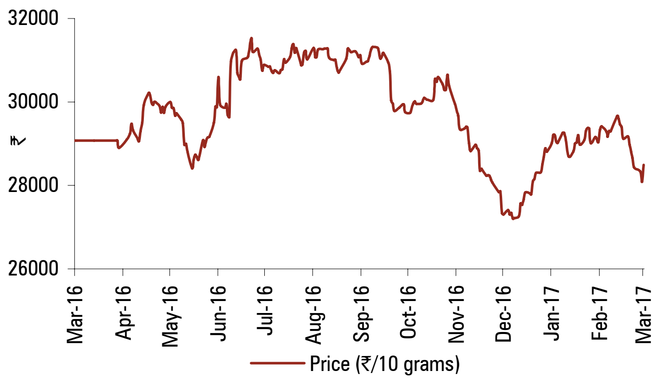
- Gold prices witnessed a correction in March in the run up to the US Federal Reserve's monetary policy meeting in anticipation of a rate hike
- Sentiment in the gold market, however, strengthened post the US Federal Reserve meeting. The Fed raised interest rates by 25 bps as widely expected but observers were optimistic on the US Fed Chair highlighting that further rates would be gradual. Thus, the Fed is expected to stick to two more hikes in 2017
- Over the medium term, apart from US Fed action the political scenario emerging in Europe will also need to be watched closely in conjunction with how US policy action shapes up under President Trump. The situation around France's possible exit from European Union would be the most immediate trigger on the geopolitical front. Observers will be on the lookout for the fallout from the UK as the Brexit process gathers steam. There could be related ramifications in terms of Scotland's bid for independence. Similarly, elections in Netherlands and Germany could lead to sustained interest in safe haven assets like gold
- Apart from that, the trend in US dollar, the fiscal policy adopted by the US President and development in eurozone will determine gold prices, going forward. On the domestic front, the key development guiding gold prices will be trend in consumption demand by Indian households
- Prices in the near term may be range bound as the interest rate trajectory in the US is up while volatility surrounding US and Europe may provide support

Exhibit 22: After rallying since start of year 2017, gold prices witness some correction in run up to US Fed policy meeting



Source: Bloomberg, ICICIdirect.com Research

Exhibit 23: Indian prices relatively under more pressure due to demonetisation liquidity crunch



Source: Bloomberg, ICICIdirect.com Research

Model Portfolios

Equity funds model portfolio

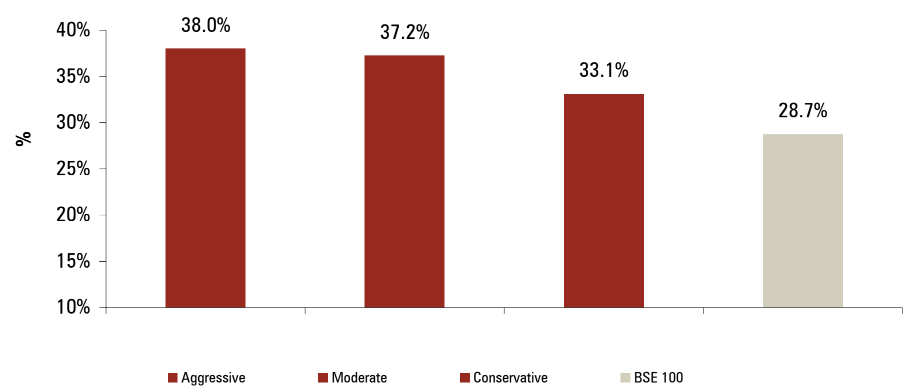
Investors who are wary of investing directly into equities can still get returns almost as good as equity markets through the mutual fund route.
We have designed three mutual fund model portfolios, namely, conservative, moderate and aggressive mutual fund portfolios. These portfolios have been designed keeping in mind various key parameters like investment horizon, investment objective, scheme ratings, and fund management.

Exhibit 24: Equity model portfolio

Particulars	Aggressive	Moderate	Conservative
Review Interval	Monthly	Monthly	Quarterly
Risk Return	High Risk- High Return	Medium Risk - Medium Return	Low Risk - Low Return
Funds Allocation	% Allocation		
Franklin India Prima Plus	20	20	20
Birla Sunlife Frontline Equity	-	20	20
ICICI Prudential Dynamic Plan	-	-	20
SBI Bluechip Fund	20	20	20
ICICI Prudential Value Discovery	20	20	-
HDFC Midcap Opportunities	20	10	-
Franklin India High Growth Companies Fund	20	-	-
Birla SL Dynamic Bond Fund	-	10	20
Total	100	100	100

Source: ICICIdirect.com Research

Exhibit 25: Model portfolio performance: One year performance (as on February 28, 2017)



Source: Crisil Fund Analyser, ICICIdirect.com Research

Debt funds model portfolio

We have designed three different mutual fund model portfolios for different investment duration viz. less than six months, six months to one year and above one year. These portfolios have been designed keeping in mind various key parameters like investment horizon, interest rate scenarios, credit quality of the portfolio and fund management, etc.

Exhibit 26: Debt funds model portfolio

Particulars		Time Horizon	
	0 – 6 months	6months - 1 Year	Above 1 Year
Objective	Liquidity	Liquidity with moderate return	Above FD
Review Interval	Monthly	Monthly	Quarterly
Risk Return	Very Low Risk - Nominal Return	Medium Risk - Medium Return	Low Risk - High Return
Funds Allocation		% Allocation	
Ultra Short term Funds			
Birla SL Savings Fund	20		
ICICI Pru Flexible Income Plan	20		
Short Term Debt Funds			
Birla Sunlife Short Term Fund	20	20	20
Birla Sunlife Short Term Opportunites Fund			20
Reliance Regular Savings Fund			20
HDFC Short Term Opportunities Fund	20	20	
ICICI Prudential Regular Savings			20
ICICI Prudential Short Term Fund		20	
IDFC SSI Short Term	20	20	
UTI Short Term Income Fund		20	
HDFC Corporate Debt opportunities fund			20
Total	**100**	**100**	**100**

Source: ICICIdirect.com Research

Exhibit 32: Model portfolio performance: One year performance (as on February 28, 2017)

Source: Crisil Fund Analyser, , ICICIdirect.com Research

**Index: 0-6 month's portfolio – Crisil Liquid Fund Index; 6 months-1 year – Crisil Short term Index Above 1 year: Crisil Composite Bond Index*

Top Picks

Exhibit 33: Category wise top picks

Equity	
Category	Top Picks
Largecaps	Birla Sun life Frontline Equity Fund ICICI Pru Focused Bluechip Fund SBI Bluechip Fund
Midcaps	HDFC Midcap Opportunities Fund Franklin India High Growth Companies Fund
Diversified	Franklin India Prima Plus Fund ICICI Pru Value Discovery Fund
ELSS	Axis Long Term Equity Fund ICICI Pru Tax Plan Franklin India Taxshield

Debt	
Category	Top Picks
Liquid	HDFC Cash Mgmnt Saving Plan ICICI Pru Liquid Plan Reliance Liquid Treasury Plan
Ultra Short term	Birla Sunlife Savings Fund Reliance Medium Term Plan ICICI Pru Flexible Income Plan
Short term	Birla SL Short term Fund HDFC Short Term opportunities Fund ICICI Pru Short term Plan
Credit Opportunities	Birla SL Short Term Opportunities Fund Reliance Regular Savings Fund ICICI Pru Regular Savings Fund
Income Funds	ICICI Pru Income Fund Birla SL Income Plus - Regular Plan UTI Bond Fund
Gilt	ICICI Pru Gilt Inv. PF Plan Birla SL Constant Maturity 10 year Gilt Plan
MIP Aggressive	Birla SL MIP II - Savings 5 plan ICICI Pru MIP 25 DSP Blackrock MIP

(Refer www.icicidirect.com for details of the fund)

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