

**DHFL****Pramerica**

MUTUAL FUND



# DHFL Pramerica Equity Income Fund

(An Open Ended Equity Scheme)

## Why invest in DHFL Pramerica Equity Income Fund?

DHFL Pramerica Equity Income Fund seeks to provide capital appreciation and income distribution to the investors by using equity, equity derivatives, arbitrage opportunities and investments in debt.

### Investment Strategy

- The scheme seeks to achieve its investment objective primarily by employing various strategies which seek to exploit available arbitrage opportunities in equity markets combined with investments in unhedged equity positions as well as debt and money market instruments.
- A top down and bottom up approach will be used to invest in equity and equity related instruments. Investments will be pursued in selected sectors based on the Investment team's analysis of business cycles, regulatory reforms, competitive advantage etc. Selective stock picking will be done from these sectors.
- The debt allocation is actively managed and the Fund Management team may endeavor to generate returns whilst moderating credit and interest rate risk.

### Portfolio Highlights

- The Portfolio allocation enables the investor
  - To benefit from the a likely fall in interest rates
  - To benefit from the anticipated growth in equity markets
- Tax efficient investments of an equity scheme
- The portfolio provides investors potential upside from both, Debt and Equity markets

## Portfolio Positioning\*

- 15% to 30% of the portfolio is invested in equity to benefit from the upside in the equity markets
- Interest rates are expected to ease as Inflation is expected to remain at moderate levels
  - Up to 30% of the portfolio is invested in medium to long term bonds, including G-secs, to benefit from a rally in bond prices brought about by a decline in interest rates
- Both equity and bond markets experience volatility
  - About 35% to 50% of the portfolio would be invested in equity arbitrage positions to cushion the volatility in returns

## Who should invest?

DHFL Pramerica Equity Income Fund is ideal for investors seeking to generate income from a tax efficient portfolio of equity and debt securities.

### The Market that was

Indian equities were relatively range bound in October post the volatility in September, with frontline indices ending the month flattish. The midcap index outperformance continued with 3% gains during the month. In the first monetary policy review after the new Governor took over, the repo rate was cut by 25 bps while the real policy rate guidance was also lowered to 125bps from 150-200 bps earlier. This was aided by moderate inflation and weak IIP data with IIP contracting 0.7% in August led by a decline in manufacturing and mining. FIIs turned net sellers after months of buying with net cash outflows of over \$600million in October.

\*These are based on the fund manager's current outlook and are subject to change.

## Fund Manager's View

Given the start of the result season, though the markets moved in a range, there were strong stock specific moves. The IT sector disappointed the already muted expectations with very few exceptions, resulting in the sector being the biggest underperformer for the month, losing almost 2.5%. The real dampener was the weak outlook by the managements of these companies. Though some of large corporate oriented banks reported poor numbers on the asset quality front, the bank index ended the month with gains of 1.4% on hopes of improved asset recoveries going forward and stable results by the retail oriented banks. The auto companies reported strong margins along expected lines which were reflected in the strong run up they have had in the recent past due to which, the auto index ended the month tepidly, performing in line with Nifty. Consumer companies reported mixed results, with strong numbers in segments such as paints while weakness in volumes persisted in staples. Commodity and other interest rate sensitive sectors such as real estate were the other major outperformers in the month, though building material companies reported mixed volumes indicating not a decisive pick up in construction activity.

On the immediate horizon, the big event is the US election. Though an outcome either way is unlikely to have a material medium to long term impact on India. Indian equities may behave in tandem with global markets in the near term. Domestic cues continue to be in the form of the remainder of the earnings season and progress on rate structure of GST. We remain positive on Indian equity markets on a medium to long term view, based on improvement in domestic macro, acceleration in earnings growth over the next two years and reasonable valuations in pockets.

## Portfolio Details (as on October 28, 2016)

### Portfolio (✓ Top Ten Holdings)

Issuer	% to Net Assets
<b>Auto Ancillaries</b>	<b>1.63</b>
Amara Raja Batteries Limited	1.63
<b>Banks</b>	<b>23.24</b>
✓ HDFC Bank Limited	9.38
✓ ICICI Bank Limited	9.36
✓ Kotak Mahindra Bank Limited	2.51
✓ Indusind Bank Limited	1.99
<b>Cement</b>	<b>1.27</b>
Shree Cements Limited	1.27
<b>Construction</b>	<b>0.97</b>
Cera Sanitaryware Limited	0.97
<b>Consumer Non Durables</b>	<b>4.40</b>
✓ Britannia Industries Limited	2.29
ITC Limited	1.11
Asian Paints Limited	1.00
<b>Ferrous Metals</b>	<b>3.30</b>
✓ JSW Steel Limited	3.30
<b>Finance</b>	<b>9.22</b>
✓ Housing Development Finance Corporation Limited	9.22
<b>Industrial Products</b>	<b>1.31</b>
Cummins India Limited	1.31
<b>Media &amp; Entertainment</b>	<b>1.69</b>
✓ Jagran Prakashan Limited	1.69
<b>Pharmaceuticals</b>	<b>14.53</b>
✓ Sun Pharmaceuticals Industries Limited	8.33
✓ Aurobindo Pharma Limited	3.92
Abbott India Limited	1.38
Sanofi India Limited	0.90
<b>Power</b>	<b>0.87</b>
Power Grid Corporation Of India Limited	0.87
<b>Software</b>	<b>4.03</b>
Infosys Limited	1.65
Oracle Financial Services Software Limited	1.32
Tata Consultancy Services Limited	1.06
<b>Equity Holdings (Hedged)</b>	<b>38.68</b>
<b>Equity Holdings (Unhedged)</b>	<b>27.78</b>
<b>Corporate Debt</b>	<b>21.78</b>
<b>Fixed Deposits</b>	<b>8.25</b>
<b>Cash &amp; Current Assets</b>	<b>3.51</b>
<b>Total</b>	<b>100.00</b>

## Asset Allocation

Instruments	Indicative allocations (% of total Assets)		Risk Profile High/Medium/Low
	Min	Max	
A. Equity and Equity related instruments	65%	90%	High
A1. Of which Net Long Equity	15%	30%	High
A2. Of which Equity and Equity derivatives (Only Arbitrage opportunities)	35%	75%	High
B. Debt Securities and Money Market Instruments (including investments in securitized debt)	10%	35%	Low to Medium

Please refer to the Scheme Information Document for more details on asset allocation.

## Key Features

- Benchmark index:**  
75% of CRISIL Liquid Fund Index and 25% in Nifty 50
- Minimum application amount:**  
Minimum of Rs. 5000/- and in multiples of Re. 1/- thereafter.
- Minimum additional investment amount:**  
Minimum of Rs. 1000/- and in multiples of Re. 1/- thereafter or 100 units.
- Minimum repurchase / redemption amount:**  
Minimum of Rs. 100/- and in multiples of Re. 1/- thereafter or 0.1 units or account balance, whichever is lower.
- Exit load:**  
1% if the investor redeems / switch outs within 1 year from the date of allotment of units.
- Fund Manager:**  
Mr. Alok Agarwal (Equity Portion) and  
Mr. Kumaresh Ramakrishnan (Debt Portion)

## Riskometer

This product is suitable for investors who are seeking\*:

- Capital appreciation and Income distribution over the medium term
- Investment primarily in equity and equity related securities and a small allocation to debt securities
- Degree of risk – **MODERATELY HIGH**

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



Investors understand that their principal will be at moderately high risk

The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding suitability of the funds based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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