



CONSERVATIVE FIXED INCOME ADVISORY PORTFOLIO

OBJECTIVE

Reasonable Capital Appreciation while minimizing the risk - Target Return of 7.5% annualized while maintaining positive returns on quarterly basis.

STRATEGY

The portfolio recommends investing primarily into low volatility mutual funds. Tactical allocation is suggested towards mid volatility schemes to ensure capital appreciation

PROCESS - Fundamental Bottom Up Research

Rigorous research process on quantitative attributes for all the MF scheme on a regular basis. Fundamental attribute and macro thesis are assessed every month to ascertain scheme / weightage reshuffle



No. of Schemes

4-6



Time Horizon

1 Year



Expected CAGR

7%



Minimum Investment Amt.

1,00,000



Top-up /Withdrawal Amt.

50,000

MUTUAL FUND SCHEMES

Low volatility schemes

- Low Volatile Schemes include funds which have an annual standard deviation of less than 2%. These funds are rarely market linked and hence provide stable and consistent returns.
- The funds under this category consist of Liquid Funds, Overnight Funds, Ultra Short term funds, Floater Funds, Arbitrage funds.

Return-Risk	Current #1	Best #2	Worst #3
Sub-Period			
3months	0.8%	2.7%	0.8%
6 months	1.6%	5.0%	1.6%
1 year	4.2%	9.9%	4.2%
2 year	5.4%	9.5%	5.4%
3 year	6.0%	9.4%	6.0%
5 year	6.5%	9.1%	6.4%

MID VOLATILITY SCHEMES

- Mid Volatile Schemes include funds which have an annual standard deviation of greater than 2% but less than 10%
- The funds under this category consist of Dynamic Bond Funds, Banking & Corporate Funds, Equity Savings fund & debt with duration greater than 7 years.

Return-Risk	Current #1	Best #2	Worst #3
Sub-Period			
3 months	2.79%	7.11%	-5.85%
6 months	4.60%	10.12%	-1.82%
1 year	10.88%	15.14%	2.81%
2 year	10.48%	12.79%	4.82%
3 year	8.75%	11.67%	6.10%
5 year	8.72%	10.12%	7.50%

HIGH VOLATILITY SCHEMES

- High Volatile Schemes include funds which have an annual standard deviation of greater than 10%.
- These funds are always market linked and cannot guarantee consistent returns. Mostly equity funds falls in this category

Return-Risk	Current #1	Best #2	Worst #3
Sub-Period			
3 months	2.6%	9.5%	-12.1%
6 months	2.9%	15.1%	-9.6%
1 year	11.6%	21.3%	-11.1%
2 year	11.9%	14.9%	-3.7%
3 year	10.0%	14.9%	-0.1%
5 year	9.8%	12.4%	2.7%

Investment Overview

The advisory aims to achieve a positive total return for the investor over a period of time without taking any equity exposure by investing in debt oriented low volatility and mid volatility mutual funds. Portfolio advisory objective is to seek capital preservation and still generate return closer to 8%. Capital preservation here is seeking to limit the negative drawdown returns to a maximum of 3 months.

The fixed Income Portfolio will be diversified across four to six debt mutual funds with varying risk and return expectations.

Why Multiple Schemes?

Each mutual fund is managed with different risk-return expectations. Different macroeconomic environments favour different funds which makes case for an optimal and dynamic asset weight across sector/capitalization/theme for an investor's portfolio success story.

Narnolia India Conservative Fixed Income Advisory Portfolio makes a right mix of debt mutual fund schemes from the category of stable 'low volatility' schemes and adds few tactical 'mid volatility' schemes.

1 Quantitative Screening

- ▶ Volatility
- ▶ Upside-Downside Capture
- ▶ Jensen's Alpha
- ▶ Information Ratio

2

Continuous Multi-Frame Analysis

- ▶ Swing Return-Risk analysis
- ▶ Multiple time frame excess return over the benchmark over last 10 years.

3

Scheme's Portfolio Analysis

- ▶ Duration
- ▶ Credit profile
- ▶ Concentration
- ▶ Industry exposure
- ▶ Attributes of other funds managed by the same fund manager

4

Scheme's Security Analysis

- ▶ Issuers pedigree
- ▶ Issuers Solvency parameters

5

Macro Economics Trend

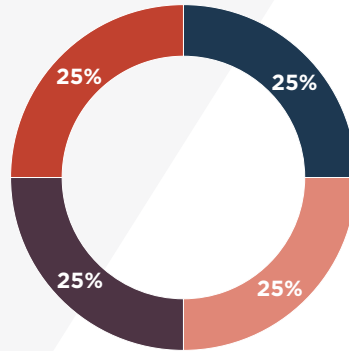
- ▶ Monetary policy
- ▶ Fiscal policy
- ▶ Money flow
- ▶ Yield curve
- ▶ Curvature
- ▶ Credit spread

6

Manager's Attribute

- ▶ Pro activeness towards-duration,
- ▶ Credit & concentration
- ▶ Risk Management framework

- Debt Funds with duration less than 1 year
- Floating Rate Fund
- Debt Funds with duration 3-7 years
- Credit Risk Fund



50 % Low Vol MF Schemes

25% Debt Fund with duration <1 year
(ICICI Prudential Savings Fund)

25% Debt Funds with 1 year<duration<3 year
(ICICI Prudential Floating Interest Fund)

50% Mid Vol MF Schemes

25% Debt Funds with duration 3-7 years
(HDFC Medium Term Debt Fund)

25% Credit Risk Funds
(ICICI Prudential Credit Risk Fund)

0% High Vol MF Schemes

Please Note: Data as on January 2021. The above portfolio allocation will be assessed every month. Kindly contact your RM for the latest allocation.