

METHODOLOGY

# MODEL PORTFOLIO

GROWTH FOCUS - AGGRESSIVE RISK PROFILE

## Introduction to Model Portfolios

With Yadnya's Model portfolios, what we are offering is making complicated investing simple. These Model Portfolios use same asset allocation philosophy that we use for some of the big investors and its pillars are our research-based products – Stock Subscription ([InvestYadnya.in](https://investyadnya.in)), Mutual Fund Subscription ([MFYadnya.in](https://mfyadnya.in)) and Financial planning product ([FinPlanYadnya.in](https://finplan.yadnya.in)). The idea is to utilize quantitative and qualitative factors observed based on our extensive research for suggesting model portfolios that make sense for individual investors like you.

## Stock Selection Approach

We are a firm believer of Warren Buffett's principle where he says that an individual should invest only in the companies whose business they understand. And therefore, we have chosen "Consumption" as the core theme for constructing these portfolios along with some peripheral stocks i.e. investing in companies that are into consumer centric businesses that grow with consumption and businesses that are into financing this retail consumption. We are a big believer in India's consumption story, which include sectors such as – Banking & Finance, FMCG, Consumer Durables, Automobile, Paints, Healthcare, Retail, Telecom, Tourism, Real Estate etc. [This](#) report by World Economic Forum gives a glimpse about India's consumption story and expected growth in next 10 years. There are a few peripherals stocks too that do not fit completely into the consumption theme, but their inclusion is driven by very strong fundamentals of the company and the company's effort in making their brand and product visible to retail investors. We have purposely stayed away from sectors like pharmaceutical, telecom and airline.

## Fund Selection Approach

Mutual Funds help in easy diversification and tapping on professional fund management and research expertise via an easily accessible channel. It is truly an invest and forget type of product unless and until there is a significant change in management or a market event-based trigger.

Debt funds being less volatile in nature, help as a cushion from asset allocation perspective and by investing in a different asset class, we are diversifying our portfolio risk. However, given the growth objective, the allocation to this asset class is low.

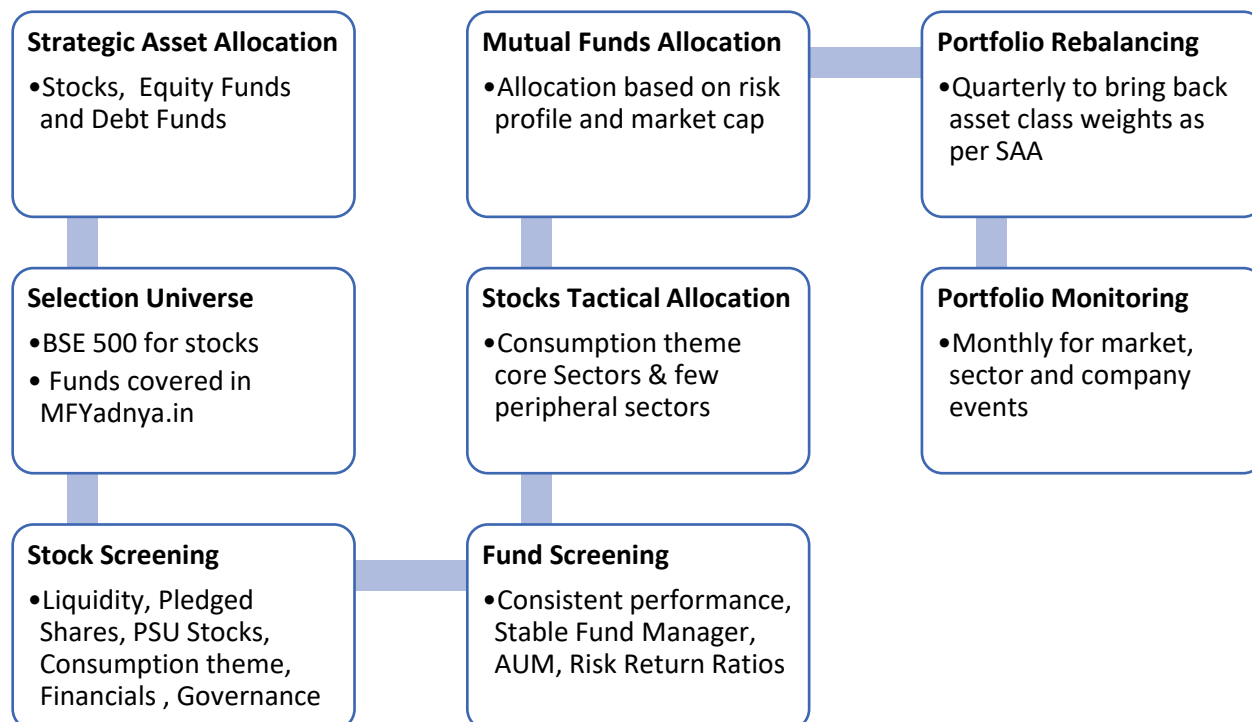
ETFs and Index funds are passive investing funds that are linked to an underlying benchmark index and provide a low-cost alternative for taking exposures in the financial market.

We have utilized our proprietary fund selection methodology - [MFYadnya.In](https://mfyadnya.in) for shortlisting and adding equity mutual funds, debt funds and ETF/index funds in model portfolios.

## Guidelines

1. 10 - 15 stocks portfolio
2. Stock portfolio - Minimum exposure of 5% and maximum 10% to avoid concentration risk

## Methodology



## Growth Portfolio

### Investment objective

The aim is to generate long term returns by investing in an Aggressive Growth Oriented Portfolio.

### Strategy

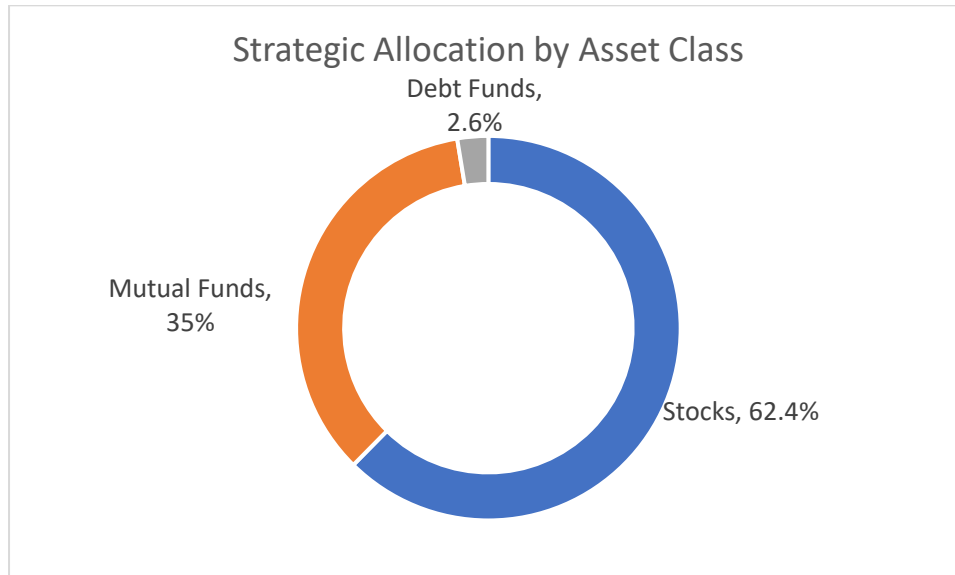
Buy and Hold investments with a time horizon of more than 8 years in high growth stocks and mutual funds having strong fundamental characteristics and sound management.

### Rationale for this Portfolio

We have included three modes of investment vehicles - Stocks, Mutual Funds and a small percentage of Fixed Income/Debt assets in this model portfolio. For meeting the investment objective of an **aggressive growth-oriented portfolio**, looking at the long-term expected returns and risk levels of each asset class based on our long-term view of Indian economy and financial market, we suggested strategic allocation of 60% in Direct Equities, 35% in Mutual Funds and 5% in Debt Funds when this model portfolio started in Dec 2019. During the March 2020 rebalancing, this was changed to 62.4% in Direct Equities, 35% in Mutual Funds and 2.6% in Debt Funds

Please note this model portfolio is suitable for investors with high risk tolerance and risk appetite. Typically, to begin investing, we recommend starting with the mutual fund route, wherein you rely

on the professional expertise of fund managers for making stock choices for you. After the initial learning curve, we suggest following it up with the approach of Mutual Fund driven portfolio with some percentage of direct stock exposure.



### Is this model portfolio for you?

This aggressive portfolio is appropriate for an investor with a high-risk tolerance and a time horizon of more than 8 years. Aggressive investors are willing to accept periods of extreme market volatility (ups and downs in account value) in exchange for the possibility of receiving high relative returns that outpace inflation by a wide margin.

The reason aggressive investors need to have a time horizon longer than 8 years is because a growth focussed portfolio will have a high allocation to stocks and if there is a severe downturn in the market, you'll need plenty of time to make up for the decline in value. Put simply, more the allocation to stocks, longer the time period to stay invested!

Aggressive portfolios are best suited for investors in their 20s, 30s or 40s. The expected average rate of return from an aggressive portfolio is 12-15% over time. In its best year, it might gain 25-30% and in its worst year, it could decline by 20-30%.

These are typical investor profiles who can refer to this portfolio –

1. A moderate to high-risk taker 20 – 30 Years old investor with low liabilities and high savings rate
2. A high-risk taker 35 – 50 years old investor with dependents, above average savings rate with a stable & well growing job
3. A very high-risk taker above 50 years old investor who has no liabilities and all financial goals are taken care of.

**Time Horizon** – Min. 8 years

**Rebalancing** – Quarterly

**Important Dates**

Inception Date – December 1st, 2019

Launch Date – December 6th, 2019

Last reviewed – June 8<sup>th</sup>, 2020

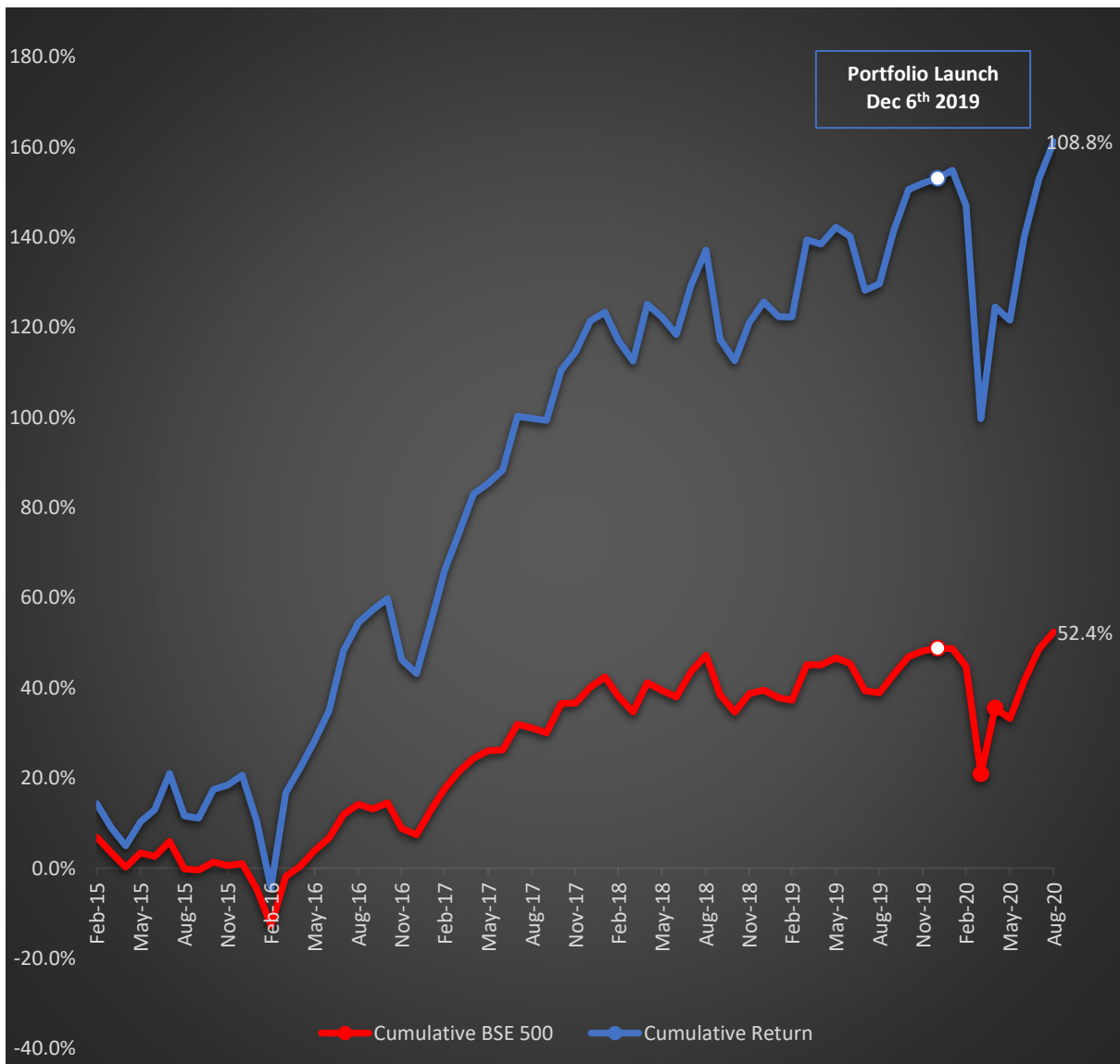
Next Rebalancing on – Sept 8<sup>th</sup>, 2020

**Benchmark** – BSE 500

**Performance**

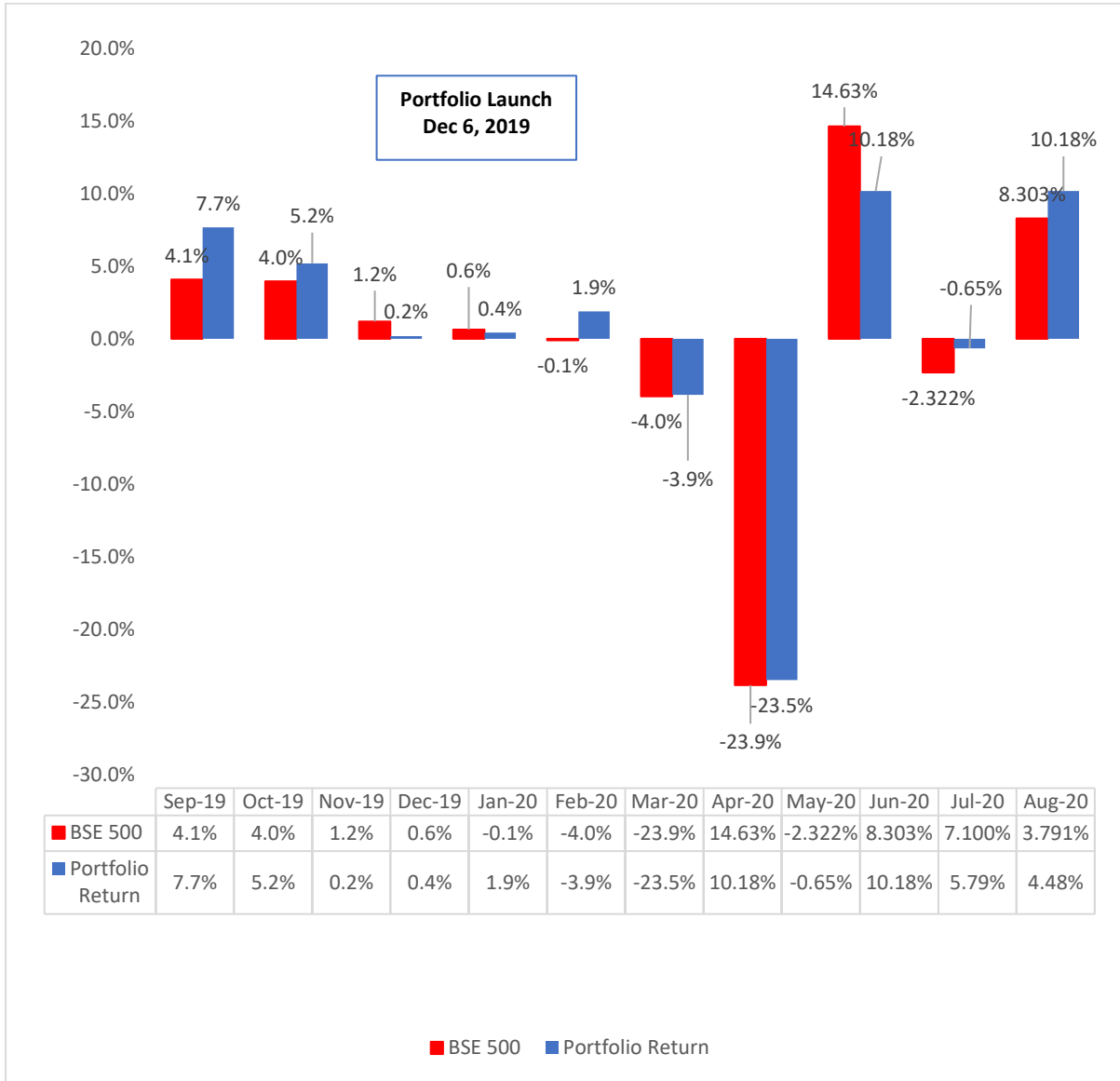
This chart shows the portfolio’s cumulative performance starting from Jan 2015 until the latest month end. The Growth Model Portfolio is compared against BSE 500 index’s cumulative returns as benchmark.

**Growth Model Portfolio Cumulative Performance**



### Growth Portfolio Last 1 Year Monthly Returns

The chart below shows last one year's monthly performance of the Growth Model Portfolio against the monthly returns of benchmark BSE 500.



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