investyadnya.in

Sept 2020

METHODOLOGY

MODEL PORTFOLIO

CONSERVATIVE RISK PROFILE

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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), Mutual Fund Subscription (MFYadnya.in) and Financial planning product (FinPlanYadnya.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 low risk profile, the allocation to this asset class when the model portfolio was initiated in Dec 2019 was 20% for this portfolio; this was later changed to 15% in March 2020 rebalancing. We have primarily considered Liquid and money-market funds in this asset class.

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 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

Strategic Asset Allocation
- Stocks, Equity Funds and Debt Funds

Selection Universe
- BSE 500 for stocks
- Funds covered in MFYadnya.in

Stock Screening
- Liquidity, Pledged Shares, PSU Stocks, Consumption theme, Financials , Governance

Fund Screening
- Consistent performance, Stable Fund Manager, AUM, Risk Return Ratios

Stocks Tactical Allocation
- Consumption theme core Sectors & few peripheral sectors

Mutual Funds Allocation
- Allocation based on risk profile and market cap

Portfolio Rebalancing
- Quarterly to bring back asset class weights as per SAA

Portfolio Monitoring
- Monthly for market, sector and company events

Conservative Portfolio

Investment objective

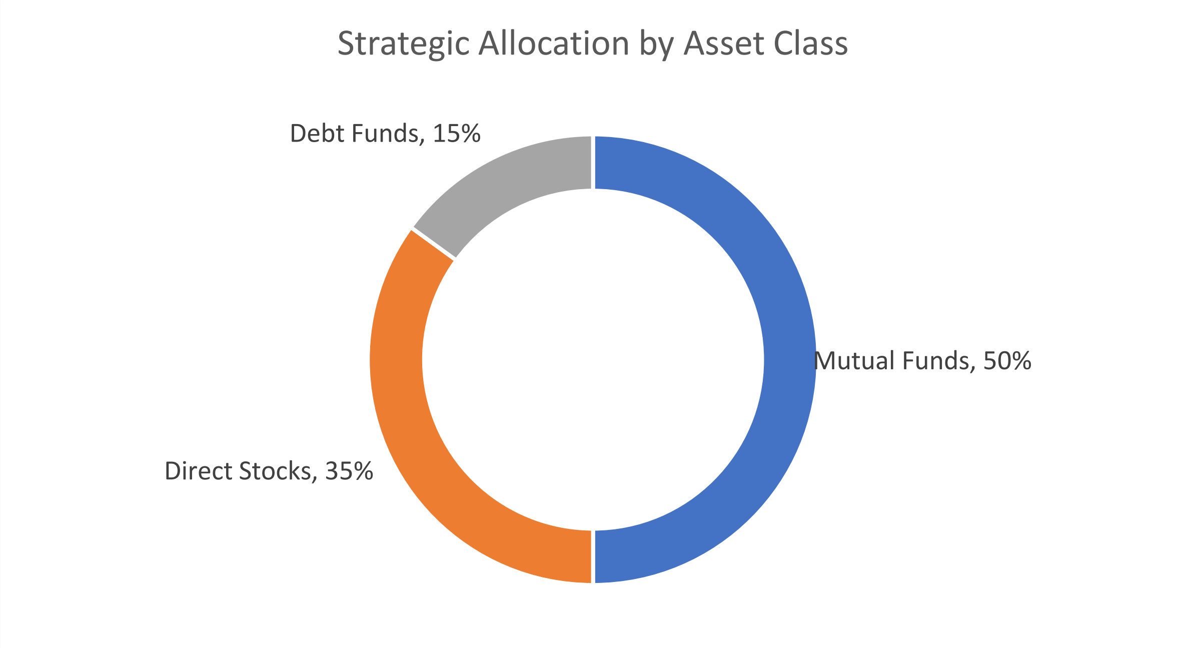
The aim is to generate returns by creating a large cap and debt-oriented portfolio with very low risk

Strategy

Buy and Hold investments with a time horizon of 3 years in stocks and mutual funds with low risk and consistent performance.

Rationale for this Portfolio

We have included three modes of investment vehicles in this model portfolio - Stocks, Mutual Funds and Fixed Income/Debt assets. For meeting the investment objective of **a low risk large cap and debt-oriented portfolio,** we suggested this strategic allocation of 50% in Mutual Funds, 30% in Direct Equities and 20% in Debt Funds initially in Dec 2019, this was later changed to 50% in Mutual Funds, 35% in Direct Equities and 15% in Debt Funds in March 2020 rebalancing.



Is this model portfolio for you?

This conservative portfolio is appropriate for an investor with a low risk tolerance and a time horizon longer than 3 years. Conservative investors are not willing to accept periods of extreme market volatility and are seeking returns that match or slightly outpace inflation. They mostly prefer high dividend yielding or less volatile Blue-chip stocks and steadier & predictable bonds or money market instruments.

The highest gain this portfolio might have in a calendar year might be 15% and the worst decline might range from 5 to 10%.

Here are typical profiles who can refer to this portfolio –

1. A low risk taker 20 – 30 Years old investor with high liabilities and low savings rate

2. A low risk taker 35 – 50 years old investor with dependents and average or below average savings rate

3. A medium or low risk taker above 50 years old investor

Time Horizon – Min. 3 years

Benchmark – NIFTY 50 TRI

Rebalancing - Quarterly

Important Dates

Inception Date – December 1st, 2019

Launch Date – December 6th, 2019

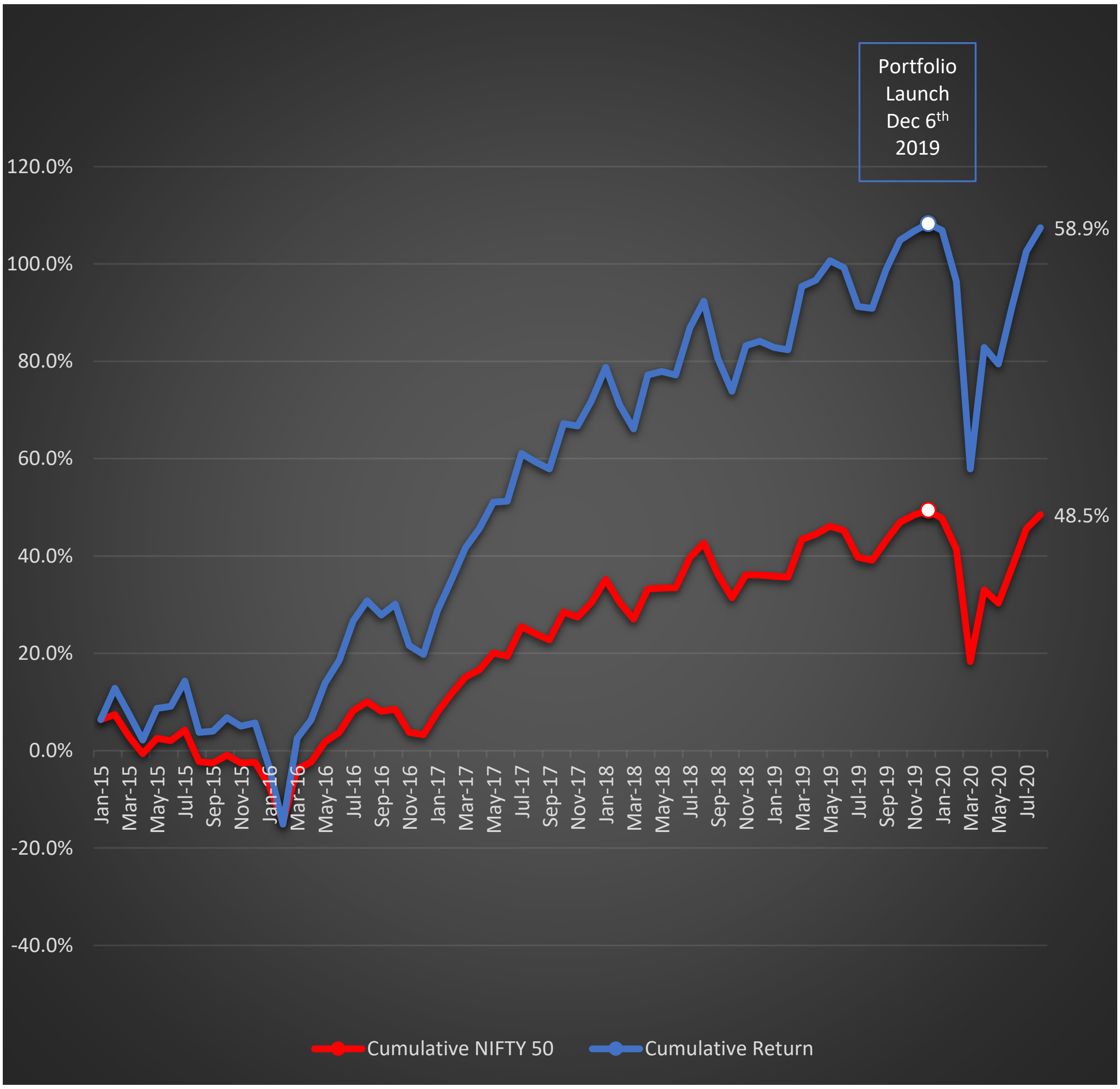
Last reviewed – June 8th, 2020

Next Rebalancing on – Sept 8th, 2020

Performance

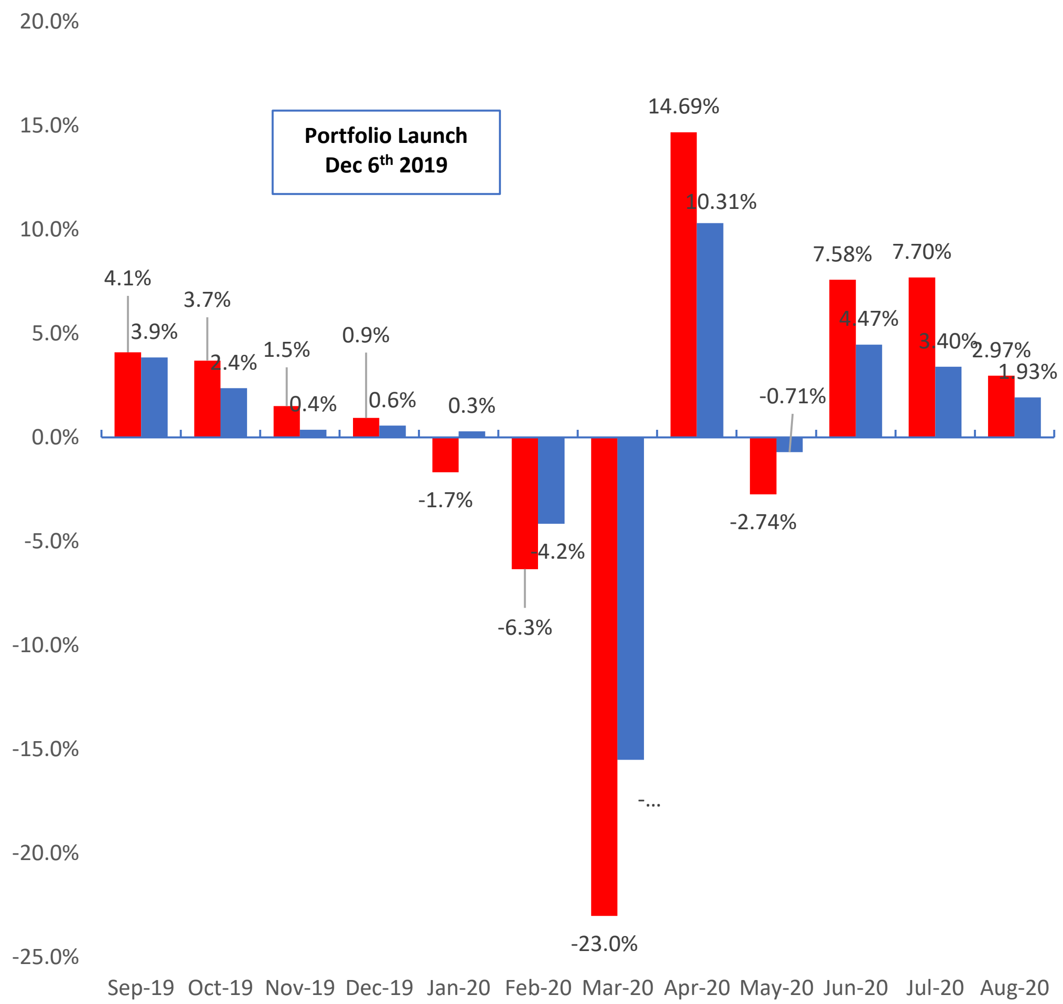
This chart shows the portfolio's cumulative performance starting from Jan 2015 until the latest month end. The Conservative Model Portfolio is compared against NIFTY 50's cumulative returns as benchmark.

Conservative Portfolio's performance against NIFTY50 TRI



Conservative Portfolio's Last 1 Year Monthly Returns

The chart below shows last one year's monthly performance of the Conservative Model Portfolio against the monthly returns of benchmark NIFTY50 TRI.



	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
NIFTY 50	4.1%	3.7%	1.5%	0.9%	-1.7%	-6.3%	-23.0%	14.69%	-2.74%	7.58%	7.70%	2.97%
Portfolio Return	3.9%	2.4%	0.4%	0.6%	0.3%	-4.2%	-15.5%	10.31%	-0.71%	4.47%	3.40%	1.93%

NIFTY 50   Portfolio Return

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