investyadnya.in

Sept 2020

METHODOLOGY

MODEL PORTFOLIO

MODERATE 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 growth and medium risk objective, the allocation to this asset class is at 10%. We have considered corporate, liquid and money-market funds in this asset class.

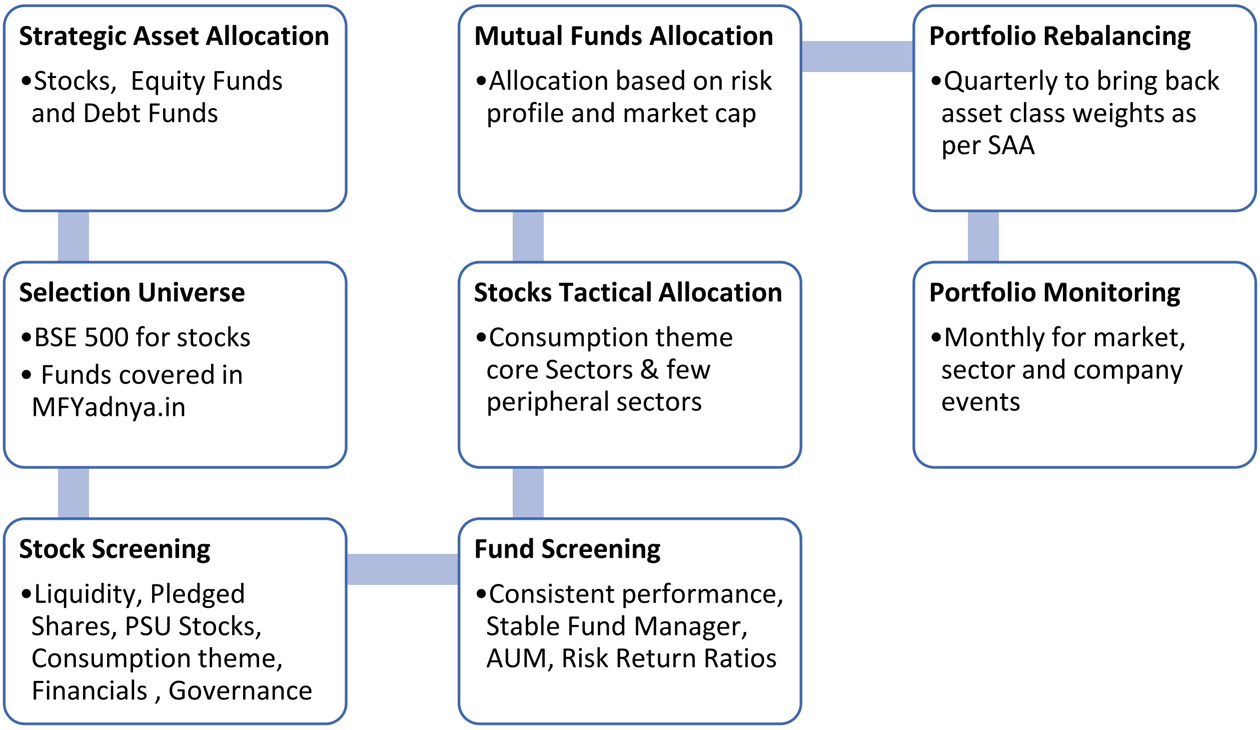
ETFs and Index funds are passive investing funds that are linked to an underlying benchmark index and provide a low-cost alternative for taking exposures in the financial market.

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



Moderate Portfolio

Investment objective

The aim is to generate reasonable growth without taking too much risk by creating a **multi-cap, growth-oriented portfolio**.

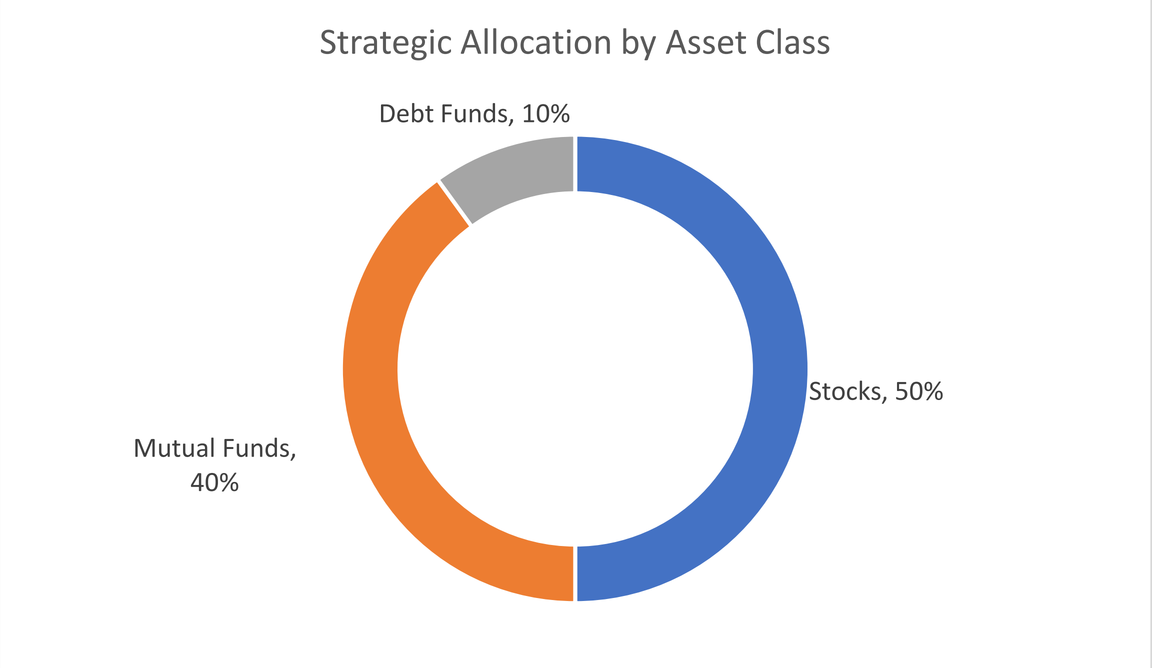
Strategy

Buy and Hold investments with a time horizon of 5 years in stocks and mutual funds with strong fundamental characteristics and sound management.

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 growth oriented multi-cap low risk 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 suggest this strategic allocation of 50% in Direct Equities, 40% in Mutual Funds and 10% in Debt Funds.

Please note this model portfolio is suitable for investors with moderate 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 moderate portfolio is appropriate for an investor with a medium risk tolerance and a time horizon longer than five years. Moderate investors are willing to accept periods of moderate market volatility in exchange for the possibility of receiving returns that outpace inflation by a significant margin.

Most investors tend to fall into the moderate category, which means they want to achieve good returns but are not comfortable taking high levels of market risk. This moderate portfolio might get an average annualized return of 11-12%. Its best yearly gain might be 15-20% and its biggest decline in a year may range from 20-25%.

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

1. A low risk taker 20 – 30 Year old investor with limited liabilities and above average savings rate
2. A medium risk taker 35 – 50 year old investor with dependents and average or above average savings rate
3. A high risk taker above 50 year old investor with limited liabilities and good retirement corpus

Time Horizon – Min. 5 years

Benchmark – BSE 200

Rebalancing - Quarterly

Important Dates

Inception Date – December 1st, 2019

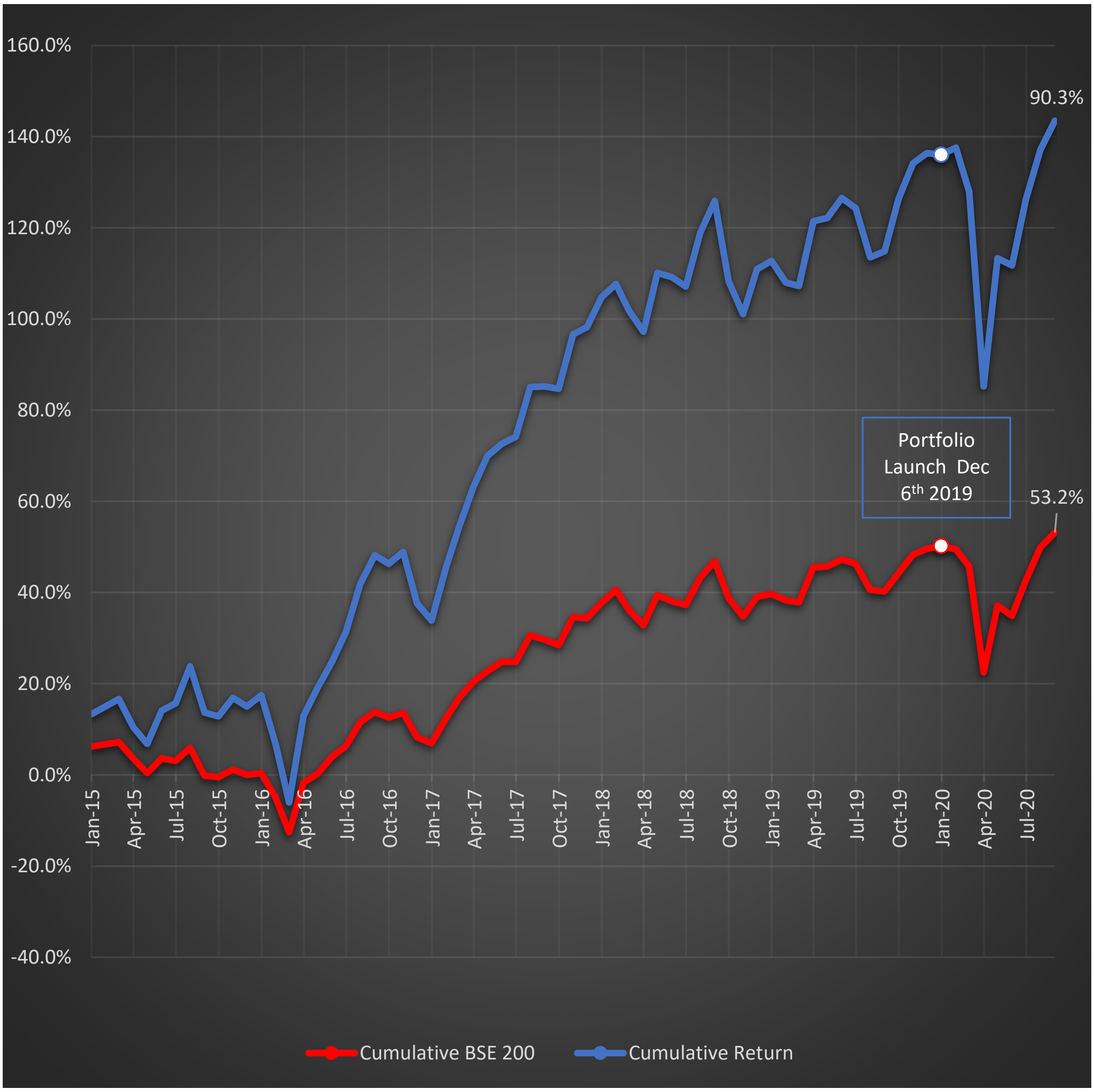
Launch Date – December 6th, 2019

Last reviewed – June 8th, 2020

Next Rebalancing on – Sept 8th, 2020

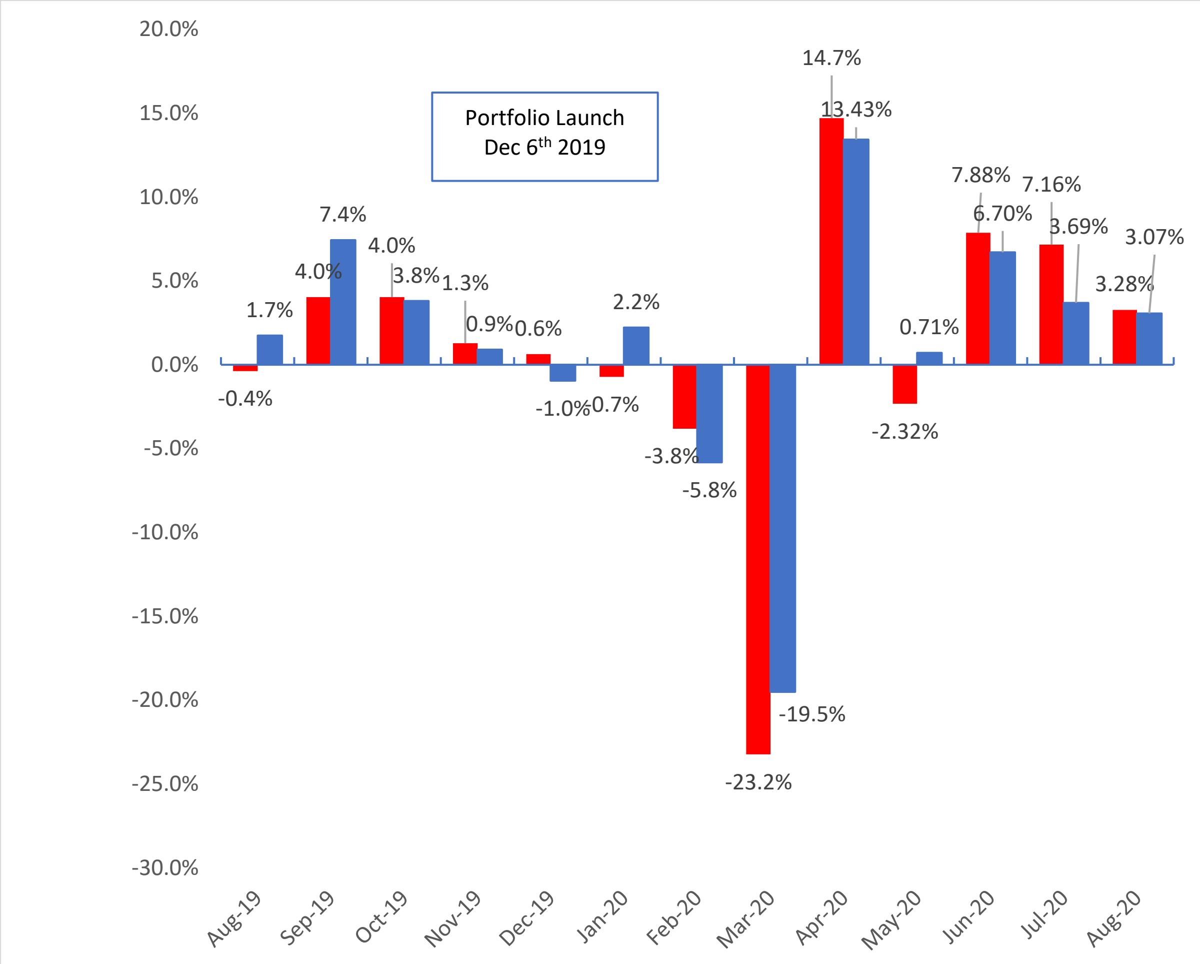
Performance

This chart shows the portfolio's cumulative performance starting from Jan 2015 until the latest month end. The Moderate Model Portfolio is compared against BSE200's cumulative returns.



Moderate Portfolio Last 1 Year Monthly Returns

The chart below shows last one year's monthly performance of the Moderate Model Portfolio against the monthly returns of benchmark BSE200.



	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
BSE200	-0.4%	4.0%	4.0%	1.3%	0.6%	-0.7%	-3.8%	-23.2%	14.7%	-2.32%	7.88%	7.16%	3.28%
Portfolio Return	1.7%	7.4%	3.8%	0.9%	-1.0%	2.2%	-5.8%	-19.5%	13.43%	0.71%	6.70%	3.69%	3.07%

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