IIFL ASSET MANAGEMENT

MONTHLY FACTSHEET

JANUARY 2020

Macro Economy & Event Update

- Major markets around the world gained in the year's last month ended Dec 31, 2019. U.S.-China phase one trade deal was the main reason behind the gains as investors cheered the much-awaited agreement.
- U.S. markets gained as trade tensions receded with the phase one trade deal. The agreement could be signed by the first week of Jan 2020, officials indicated. Investors couldn't have asked for more getting into the new year. Now there is hope that things could get better and a permanent solution to the trade problem could be reached.
- European markets too gained as investors welcomed the phase one trade pact between U.S. and China. Better cooperation between the world's two largest economies is beneficial for all as it can solve some of the challenges being faced by the global economy. Some weakness was seen with the U.K. Prime Minister taking a tough stance on Brexit.
- Asian markets followed suit and gained in the period. U.S. and China agreeing to a phase one deal was behind the good show. The deal meant that the U.S. will postpone the levying of fresh tariffs on Chinese imports from Dec 15, 2019, and China would buy more U.S. agricultural products. China went ahead and released a new list of U.S. goods exempted from import tariff.
- Indian equity markets were no exception and gained as well in the month. The sentiment around a phase one U.S.-China trade deal was so strong that some of the weak domestic economic data such as inflation numbers was also ignored by the markets. Some cautiousness was witnessed, however, as holiday-thin trading across regions led to a dearth of triggers.
- Bond yields went up after the Monetary Policy Committee kept interest rates on hold in its monetary policy review after taking into account the increase in retail inflationary pressure. Worries of fiscal slippage further contributed to the downside.
- As the country enters the new year, all eyes are set on the economic growth indicators. The government is doing its bit to keep the thrust on, but how far those measures will aid the economy the new year will tell. Since the last budget in Jul 2019 after the government's return to power, there have been many so-called mini budgets in between to keep the faith of investors and businessmen. Now there's another budget knocking at the door. Investors are keen to know what the government has to offer this time. Expectations are high as stakes are higher.

Key Economic Indicators

Indicators	Current	Previous
WPI (Nov-19)	0.58%	0.16%
IIP (Oct-19)	-3.80%	-4.30%
CPI (Nov-19)	5.54%	4.62%

Source: Thomson Reuters Eikon

MPC keeps interest rates on hold in its fifth bi-monthly monetary policy review

- The Monetary Policy Committee (MPC) kept key policy repo rate unchanged in its fifth bi-monthly monetary policy review. The policy repo rate thus presently stands at 5.15%. The reverse repo rate remains unchanged at 4.90% while the marginal standing facility rate and the bank rate remains at 5.40%. However, the MPC decided to continue with its accommodative stance on the monetary policy as long as it is necessary to revive growth, while ensuring that inflation remains within its medium-term target.

Current Account Deficit narrowed in Q2FY20

- Data from the Reserve Bank of India showed that India's Current Account Deficit for the period from Jul to Sep of 2019 narrowed to $6.3 billion (0.9% of GDP) from $14.2 billion (2.0% of GDP) in the preceding quarter and $19.0 billion (2.9% of GDP) in the same period of the previous year. India's current account deficit contracted on a yearly basis primarily on account of a lower trade deficit at $38.1 billion as compared with $50.0 billion a year ago. Net services receipts grew 0.9% on a yearly basis on the back of a rise in net earnings from computer, travel and financial services.

IIP slumped 3.8% YoY in Oct 2019

- India's Index of Industrial Production (IIP) shrunk 3.8% in Oct 2019 compared with 4.3% in Sep 2019. Manufacturing and electricity declined 2.1% and 12.2% in Oct 2019, respectively, while the mining sector contracted 8.0%. From Apr to Oct 2019, IIP growth eased to 0.5% YoY from 5.7% recorded in the corresponding period last year.

Retail inflation surged 5.54% in Nov 2019

- Consumer price index-based inflation rate increased to 5.54% in Nov 2019 from 4.62% in Oct 2019 and 2.33% in Nov 2018. The increase came on account of rising food prices and the figure is well above the Reserve Bank of India's medium target of 4%. Consumer Food Price Index increased to 10.01% in Nov 2019 from 7.89% in Oct 2019 and a decline of 2.61% in the same period of the previous year.

Core sector growth contracted in Nov 2019

- Government data showed that the growth of the index of eight core industries contracted for the fourth consecutive month in Nov 2019. The index of eight core industries contracted 1.5% in Nov 2019 compared to a contraction of 5.8% in Oct 2019 and a growth of 3.3% in the same period of the previous year. The natural gas sector witnessed a maximum contraction of 6.4% followed by crude oil and the electricity sector which contracted 6.0% and 5.7% respectively. The only sectors to witness expansion over the month was refinery products and fertilizers which grew 3.1% and 13.6% respectively.

Equity Market

- Indian equity markets gained in the last month of 2019 on the back of strong global cues. U.S. and China finally agreeing on a phase one trade deal boosted investor sentiment as the constant back and forth by the two countries over the issue has taken a toll on markets world over. The deal comes as a ray of hope for markets that things could move towards a permanent solution in the new year.

- On the BSE sectoral front, S&P BSE Metal was the top gainer, up 6.64%. The metal sector gained on trade optimism after the U.S. and China agreed on a phase one deal, which could be signed right at the beginning of the new year. With the U.S. and China almost there with a phase one trade deal, the sector got a much-awaited boost.

- The U.S. markets gained in the last month of 2019. U.S. and China agreeing on a phase one trade deal in the period boosted sentiment. Initially, U.S.-China trade optimism helped the stocks move higher as both the sides gave encouraging signs. The talks eventually culminated in the in-principle signing of a phase one trade deal. The trade deal involves rolling back of some of the China tariffs and stopping extra levies, which were set to take effect on Dec 15, 2019. In turn, China agreed to significant purchases of U.S. agricultural products and lowered import tariffs on more than 850 products ranging from frozen pork to some types of semiconductors.

- European markets too witnessed gains in the month. The main trigger was U.S. and China brokering a phase one deal. This meant the fresh set of tariffs scheduled to start from Dec 15, 2019, were cancelled. The U.K. Prime Minister winning comfortably in the elections also boosted sentiment. The victory gives the Prime Minister the power to fructify his Brexit deal before the Jan 31, 2020, deadline. Some weakness was seen over U.K. Prime Minister's resolve to block an extension of European Union trade talks beyond 2020. This raised fears of a no-deal or hard Brexit.

- Asian markets were no exception to the gains witnessed by its global peers. Buying interest boosted by optimism over U.S. and China signing a phase one agreement in early Jan 2020 and release of key Chinese data that beat forecasts. Sentiment was supported by China unveiling a new list of import tariff exemptions on certain U.S. goods. Media reports showed the Chinese Vice Premier will lead a delegation to Washington on Jan 4, 2019, to sign the phase one trade deal with the U.S. Rising political tensions in North East Asia and violence in the Middle East were dampeners. Investors looked to book profits amid thin holiday trading.

- Investors will keep a keen eye on the country's economic data like inflation and fiscal deficit numbers as the weak second quarter GDP numbers have raised alarm over India's growth story. Corporate earnings will reflect India Inc's health and the third quarter numbers will remain in investor focus. Government has taken many initiatives to boost growth and the month may see more such measures even as the country braces itself for the next Union budget. There have been talks of cutting the goods and services tax (GST) and further simplifying it, among other demands by industries. Whether the government will entertain such requests may become clear in Jan 2020.

Domestic Indices Performance

Indicators	31-Dec-19	29-Nov-19	Chg %	YTD%
S&P BSE Sensex	41,254	40,794	1.13	14.38
Nifty 50	12,168	12,056	0.93	12.02
S&P BSE 200	5,078	5,046	0.63	9.13
Nifty Midcap 100	17,103	17,222	-0.69	-4.32
Nifty Dividend Opportunities 50	2,537	2,540	-0.11	-2.01
S&P BSE Smallcap	13,699	13,561	1.02	-6.85

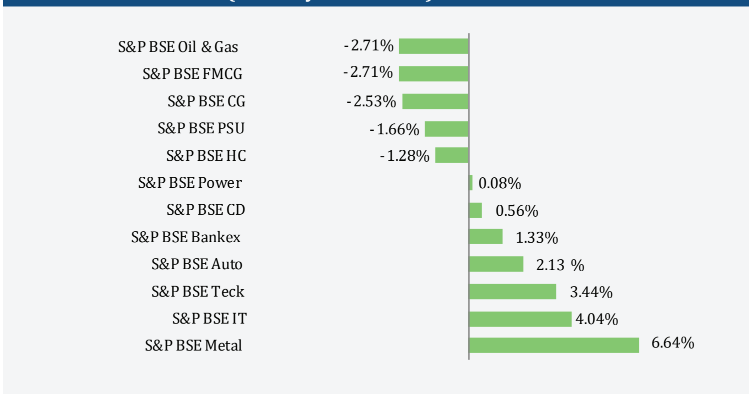
Source: Thomson Reuters Eikon

Global Indices Performance

Global Indices	31-Dec-19	29-Nov-19	Chg %	YTD%
Dow Jones	28,538	28,051	1.74	22.34
FTSE	7,542	7,347	2.67	12.10
CAC	5,978	5,905	1.23	26.37
Hang Seng	28,190	26,346	7.00	9.07
SSE Composite Index	3,050	2,872	6.20	22.30

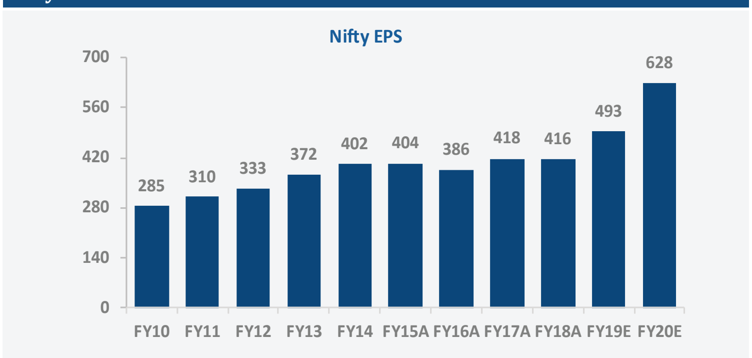
Source: Thomson Reuters Eikon

Sectoral Performance (Monthly Returns %)



Source: Thomson Reuters Eikon

Nifty EPS



Institutional Flows (Equity) As on December 31, 2019

(₹ Cr)	Purchases	Sales	Net	YTD
FII/FPI Flows	110,961	103,623	7,338	101,121
MF Flows	49,484	47,375	2,109	52,977
DII Flows	65,823	66,514	-691	51,109

Source:NSDL,NSE & SEBI

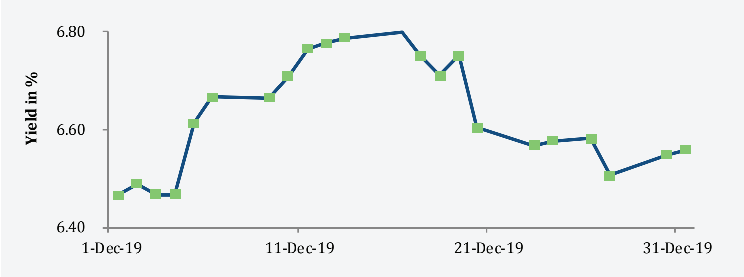
Debt Market

- Bond yields fell for the first time in three years after the Monetary Policy Committee lowered key policy repo rate by 135 bps in 2019. Open market operations by the Reserve Bank of India and political stability at the centre also aided market sentiment. However, over the month bond yields went up after the Monetary Policy Committee kept interest rates on hold in its monetary policy review after taking into account the increase in retail inflationary pressure. Retail inflation meanwhile surpassed the Reserve Bank of India's medium-term target as it increased for the fourth consecutive month in Dec 2019 which also dampened market sentiments. Worries of additional borrowing by the central government and concerns of fiscal slippage further contributed to the downside.
- Yield on gilt securities increased across the maturities in the range of 2 bps to 36 bps barring 11-year and 13 to 30-year maturities which fell in the range of 3 bps to 8 bps. Yield on corporate bonds increased across the maturities in the range of 2 bps to 34 bps. Difference in spread between corporate bond and gilt securities contracted across the maturities by up to 10 bps barring 4, 5 and 15-year maturities which expanded by up to 9 bps.
- Bond yields moving ahead will be dictated by the evolving fiscal trends for the remainder of the fiscal. Presently the government is facing a shortfall in revenue. This coupled with a limited space for expenditure cut has fuelled concerns of fiscal slippage. However, the domestic debt market sentiment may find some support if the government is able to raise some resources such as disinvestments or small saving schemes.

Currency and Commodity Market

- The rupee rose against the greenback following selling of the greenback by foreign banks, strong corporate dollar inflows. Market sentiments were also boosted on hopes of a trade deal between U.S. and China amid media reports that both the countries are moving closer to agreeing on the amount of tariffs that would be rolled back in a phase-one trade deal. The rupee rose further following gains in the domestic equity market. However, intervention by the Reserve Bank of India and greenback purchases by state-run banks on behalf of importers capped the gains.
- Brent crude prices grew after Russia said that it would continue collaborating with OPEC on its supply cut plan. Optimism that the U.S. and China could finalize a trade agreement and better-than-expected Nov 2019 growth in industrial output and retail sales for China supported the commodity's price. Gains were extended following reports from the American Petroleum Institute, as per which, U.S. crude stocks fell 7.9 million barrels for the week ended Dec 18, 2019. Reports from Energy Information Administration showing that U.S. crude plunged 1.1 million barrels in the week to Dec 13, also supported the commodity price.

10-Year Benchmark Bond (06.45% GS 2029) Movement



Source: Thomson Reuters Eikon

Spread Movement

Spreads		AAA	AA	A
31-Dec-19	1 Yr	110	170	190
	3 Yr	99	150	205
	5 Yr	109	164	224
29-Nov-19	1 Yr	110	170	190
	3 Yr	99	150	205
	5 Yr	109	164	224

Source: Thomson Reuters Eikon

Yield (%)	31-Dec-19	29-Nov-19
10 Year G-Sec	6.55	6.46
5 Year G-Sec	6.48	6.25
Certificate of Deposit		
3-Month	5.35	5.08
6-Month	5.55	5.39
9-Month	5.82	5.62
12-Month	6.02	5.79
Commercial Papers		
3-Month	5.42	5.30
6-Month	6.20	6.30
12-Month	6.70	6.65

Source: Thomson Reuters Eikon

Treasury Bill	31-Dec-19	29-Nov-19
91 Days	5.00	4.85
364 Days	5.18	5.11

Source: CCIL

Event Calendar

Release Date	Release Date	Country
10-Jan-20	Nonfarm Payrolls (Dec)	U.S.
21-Jan-20	Bank of Japan Monetary Policy Review	Japan
23-Jan-20	ECB Monetary Policy Review	Euro Zone
29-Jan-20	U.S. Federal Reserve Monetary Policy	U.S.
30-Jan-20	Bank of England Monetary Policy	U.K.

IIFL Focused Equity Fund (Formerly known as IIFL India Growth Fund)

(An open ended equity scheme investing in maximum 30 multicap stocks)

IIFL ASSET MANAGEMENT

Investment Objective

The investment objective of the scheme is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities. However there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

Fund Manager$ Mr. Mayur Patel

Mr. Mayur Patel has 14 years of work experience including investment management and research experience of more than 10 years. Prior to joining IIFL, he managed equity portfolios of DSP BlackRock Equity Savings Fund and MIP Fund at DSP BlackRock Investment Managers (a joint venture between BlackRock and the DSP Group in India). Mr. Patel joined DSP BlackRock in 2013 as an Equity Analyst responsible for origination and dissemination of ideas across energy, industrials and utilities sectors. Earlier he was associated with Spark Capital as Lead Analyst, Energy in their Institutional Equities division and has also worked with Tata Motors and CRISIL. He is a Chartered Accountant and a CFA charter holder.

Fund Details

Date of Allotment	: October 30, 2014
Bloomberg Code	: IIFGRRG IN
Benchmark Index	: S&P BSE 200 TRI^
Plans Offered	: Regular & Direct
Options Offered	: Growth & Dividend
Minimum Application:	
New Purchase	: ₹5,000 and in multiples of ₹100 thereafter
Additional Purchase	: ₹1,000 and in multiples of ₹100 thereafter
Monthly SIP Option	: ₹1,000 per month for a minimum period of 6 months
Quarterly SIP Option:	₹1,500 per quarter for a minimum period of 4 quarters
Entry Load	: NIL
Exit Load	: 1% - if redeemed/switched out, on or before 12 months from the date of allotment w.e.f April 02, 2019.
Dematerialization	: D-Mat Option Available
Portfolio Turnover Ratio (based on 1 year monthly data)	: 0.62 times

^Effective January 01, 2019 the benchmark of the scheme is changed from Nifty 50 TRI to BSE 200 TRI.

NAV as on December 31, 2019

Regular - Growth	: ₹18.1920
Regular - Dividend	: ₹16.0947
Direct - Growth	: ₹19.4254
Direct - Dividend	: ₹19.2270

AUM as on December 31, 2019

Net AUM	: ₹ 550.57 crore
Monthly Average AUM	: ₹ 510.58 crore

Total Expense Ratio

Regular Plan	: 2.39% p.a.
Direct Plan	: 0.90% p.a.

Total Expense Ratio is as on the last business day of the month.

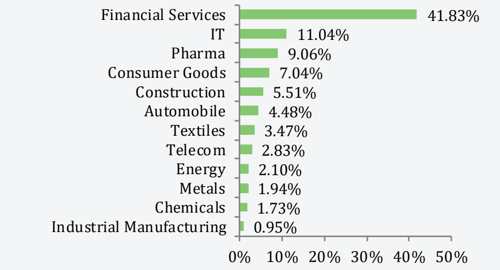
Volatility Measures

Volatility Measures	Fund	Benchmark
Std. Dev (Annualised)	15.48%	13.27%
Sharpe Ratio	0.48	0.38
Portfolio Beta	1.04	1.00
R Squared	0.79	NA
Treynor	0.02	0.01

Portfolio as on December 31, 2019

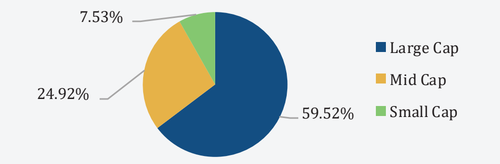
Company Name	Industry	% to Net Assets
Equity & Equity Related Total		
ICICI Bank Limited	Banks	9.42
HDFC Bank Limited	Banks	7.98
Axis Bank Limited	Banks	6.93
Larsen & Toubro Limited	Construction Project	5.51
Infosys Limited	Software	4.90
Crompton Greaves Consumer Electricals Limited	Consumer Durables	4.48
Bajaj Finance Limited	Finance	4.22
SRF Limited	Textile Products	3.47
Tata Consultancy Services Limited	Software	3.37
Procter & Gamble Health Limited	Pharmaceuticals	3.33
Bajaj Finserv Limited	Finance	2.97
IPCA Laboratories Limited	Pharmaceuticals	2.90
Bharti Airtel Limited	Telecom - Services	2.83
Larsen & Toubro Infotech Limited	Software	2.77
Aavas Financiers Limited	Finance	2.70
Balkrishna Industries Limited	Auto Ancillaries	2.67
Asian Paints Limited	Consumer Non Durables	2.56
CreditAccess Grameen Limited	Finance	2.26
Muthoot Finance Limited	Finance	2.20
Bharat Petroleum Corporation Limited	Petroleum Products	2.10
Apollo Tricoat Tubes Limited	Miscellaneous	1.94
RBL Bank Limited	Banks	1.79
Aarti Industries Limited	Chemicals	1.72
Abbott India Limited	Pharmaceuticals	1.63
Motilal Oswal Financial Services Limited	Finance	1.36
Dr. Reddy's Laboratories Limited	Pharmaceuticals	1.20
Motherson Sumi Systems Limited	Auto Ancillaries	1.05
Siemens Limited	Industrial Capital Goods	0.95
Tata Motors Ltd DVR Shares	Auto	0.76
Unlisted		
Arti Surfactants Limited	Chemicals	0.01
Sub Total		**91.98**
TREPS##		8.96
Net Receivables / (Payables)		-0.94
Portfolio Total		**100.00**

Sector Allocation^^



^^Sector allocation as per AMFI classification

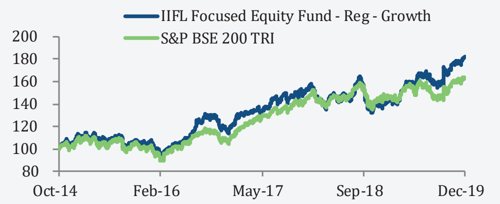
Market Capitalisation wise Exposure^



a. Large Cap Companies: 1st -100th company in terms of full market capitalization
b. Mid Cap Companies: 101st -250th company in terms of full market capitalization
c. Small Cap Companies : 251st company onwards in terms of full market capitalization
The consolidated list of stocks in terms of full market capitalization is as per the list uploaded by AMFI, in terms of SEBI circulars dated October 6, 2017 and December 4, 2017.

^As on December 31, 2019

NAV Movement (Since Inception) Rebased to 100



Scheme Performance

	31-Dec-18 to 31-Dec-19	PTP (₹)	31-Dec-16 to 31-Dec-19	PTP (₹)	31-Dec-14 to 31-Dec-19	PTP (₹)	Since Inception$	PTP (₹)
IIFL Focused Equity Fund - Reg - Growth	27.31%	12,731	15.51%	15,418	11.51%	17,246	12.26%	18,188
IIFL Focused Equity Fund - Dir - Growth	29.23%	12,923	17.21%	16,110	12.94%	18,382	13.70%	19,428
Benchmark*	10.38%	11,038	14.51%	15,021	9.57%	15,797	9.85%	16,257
Additional Benchmark**	15.66%	11,566	17.11%	16,068	9.87%	16,014	9.66%	16,112

Past performance may or may not be sustained in future.
Different plans shall have different expense structure.
As on December 31, 2019 ; Point to Point (PTP) returns in ₹ is based on standard investment of ₹10,000; $Since Inception date is 30-Oct-2014; *S&P BSE 200 TRI; **S&P BSE Sensex TRI; Managed by the fund manager since November 11, 2019.
The performance of the scheme is benchmarked to the Total Return variant of the Index.

SIP - If you had invested ₹10,000 every month

	31-Dec-18 to 31-Dec-19	31-Dec-16 to 31-Dec-19	31-Dec-14 to 31-Dec-19	Since Inception
Total Amount Invested (₹)	1,20,000	3,60,000	6,00,000	6,10,000
Total Value as on Dec 31,2019(₹)	1,37,035	4,44,969	8,40,810	8,57,722
Returns	27.31%	14.26%	13.46%	13.37%
Total Value of Benchmark: S&P BSE 200 TRI (₹)	1,27,939	4,13,425	7,82,677	7,98,148
Benchmark: S&P BSE 200 TRI	12.48%	9.20%	10.57%	10.51%
Total Value of Benchmark: S&P BSE Sensex TRI (₹)	1,30,310	4,39,646	8,26,064	8,41,490
Additional Benchmark: S&P BSE Sensex TRI	16.30%	13.42%	12.75%	12.61%
(Inception date :30-Oct-2014) (First Installment date : 01-Dec-2014)				

Source: MFI Explorer; Above returns are calculated assuming investment of ₹10,000/- on the 1st working day of every month. CAGR return are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Regular Plan -Growth option. The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. Managed by the fund manager since November 11, 2019.
The performance of the scheme is benchmarked to the Total Return variant of the Index.

Dividend Details

	Record Date	Face Value (₹)	Cum Dividend NAV (₹) As on Feb 15, 2017	Dividend Per Unit
Regular Plan	15-Feb-17	10	12.7777	1.50
Direct Plan	15-Feb-17	10	13.0738	0.17

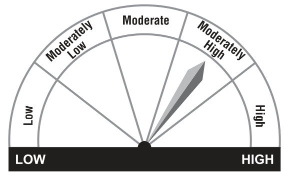
THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING*

- Capital appreciation over long term;
- Investment predominantly in equity and equity related instruments.

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

##With effect from November 05, 2018, Triparty Repo has replaced CBLOs for all schemes with provisions to invest in CBLO.

Risk-O-Meter



Investors understand that their principal will be at Moderately High risk

Fund Commentary

Equity Market 2020 – A Year of Consolidation and Recovery

The year gone by witnessed a marked divergence between equity market performance and the state of economy. Renewed thrust on global Quantitative Easing, strong inflows, and corporate tax cut offset weak fundamentals of the Indian economy and drove valuation of Indian equities to historical highs in 2019 albeit underperforming overall Emerging Markets and Developed Markets. Indian market witnessed net foreign equity inflows of more than $14bn in the year ended 2019 – strongest since 2014.

Near term headwinds delay recovery; Government initiatives to play a critical role

Rising food price inflation followed by sharp surge in crude price would restrict RBI from taking further rate cuts. While food inflation should taper down a bit going forward, rising tension between US and Iran has increased uncertainties over crude price outlook. A $10/bbl rise in crude price could impact inflation by 30-40bps and Current Account Deficit (CAD) by 45-55bps without any major impact on fiscal deficit. There is enough headroom in CAD to absorb such bumps and therefore currency is unlikely to witness sharp depreciation unless crude price escalates beyond $80/bbl.

Government is unlikely to achieve even half of its divestment targets this year as privatisation of few large PSUs slips to next year. In this scenario, it should opt to bear with a higher fiscal deficit of around 3.8-4% (vs a 3.3% target) without cutting expenditure to avoid any further dent to the growth trajectory. RBI and Government's renewed pro-growth approach is quite encouraging. Corporate tax rate cut, National Infrastructure Pipeline, consistent rate cuts, the Indian variant of Operation Twist, and privatisation of PSUs should aid recovery in economic growth with a lag.

2020 – Consolidation in 1H and Recovery in 2H

Over the next six months, we are set to see higher inflation, pause on rate cuts, and continued slowdown in investments and consumption demand. The factors primarily contributing to this are higher food price, higher telecom charges, fuel price increase, BS VI related price hikes and constrained government spending.

However, we do expect economic growth recovery in the second half of the year. We see both consumption and government spending to pick up in the second half of the year, though recovery in private capex may take longer. While headline liquidity has improved significantly, credit growth continues to remain muted in single digits due to economic slowdown and reduced risk appetite of banks. However, potential large ticket resolutions and improvement in balance sheets of banks would drive a rebound in their risk appetite and kick start the cycle. RBI's efforts to flatten the yield curve and enhance transmission of rate cuts via Open Market Operation (buying long term bonds and selling short term securities – the Indian variant of Operation Twist) is likely to further enhance credit offtake during the year. Consumption demand over a low base should witness pick up by the second half of the year as destocking and BSVI related disruptions would be behind us and credit availability for distributors, dealers and channel partners would improve. Rising GST collections and completion of privatisation of large PSUs such as BPCL would reduce pressure on fiscal deficit, enabling the government to resume thrust on spending. While National Infrastructure Pipeline of $1.5tn over 2020-2025 (almost double of government's investment in infrastructure over last five years) seems ambitious, it is a step in the right direction.

Equity Market 2020 – BFSI lead to continue; Small and Midcap to make a comeback

We expect Private Sector BFSI companies to outperform the market. Despite a challenging environment around credit quality and credit growth, leading private sector banks and stronger private sector NBFCs would continue to garner market share from the public-sector players, in addition to benefitting from a secular growth in the retail credit segment. BFSI would continue to be the dominant growth driver of Nifty's earnings in FY21. Quality cyclicals such as Industrials should also gather steam during the course of the year. Unlike the equity market performance in 2019, which was dominated by a few Large cap companies, 2020 should mark the comeback of small and midcaps. The one year forward PE valuation of Nifty midcap 100 index has corrected from a 40% premium to Nifty in Dec 2017 to approximately a 10% discount to Nifty in December 2019. Risk-reward is definitely attractive in the small and mid-cap segment now. As the cycle recovers during the second half of the year, good quality small and midcap stocks should start attracting more interest from investors.

Note

$Mr. Mayur Patel, has been designated as Fund Manager for IIFL Focused Equity Fund and Mr. Prashasta Seth ceases to be Fund Manager for IIFL Focused Equity Fund w.e.f Nov 11, 2019

Disclaimer

IIFL Dynamic Bond Fund

(An open ended dynamic debt scheme investing across duration)

IIFL ASSET MANAGEMENT

Investment Objective

The investment objective of the scheme is to generate income and long term gains by investing in a range of debt and money market instruments of various maturities. The scheme will seek to flexibly manage its investment across the maturity spectrum with a view to optimize the risk return proposition for the investors.

Fund Manager Mr. Ankur Parekh

Mr. Ankur Parekh has over 17 years of work experience in the Fixed income securities market. His previous experience include working with SBI DFHI primary Dealership firm and DBS Cholamandalam AMC. Prior to joining IIFL AMC he was associated with Reliance Capital AMC as Fund Manager – EPFO for seven years. He is commerce graduate and has done his Masters in Business Administration from Bharthihar University, Tamilnadu. Mr Parekh has been managing the scheme since March 08, 2017.

Fund Details

Date of Allotment	: June 24, 2013
Bloomberg Code	: IIFDBDBIN
Benchmark Index	: CRISIL Composite Bond Fund Index
Plans Offered	: Regular & Direct
Options Offered	: Growth & Dividend
Minimum Application Amount	:
New Purchase	: ₹10,000 and in multiples of ₹100 thereafter
Additional Purchase	: ₹1,000 and in multiples of ₹100 thereafter
Monthly SIP Option	: ₹1,000 per month for a minimum period of 6 months
Quarterly SIP Option	: ₹1,500 per quarter for a minimum period of 4 quarters
Entry Load	: Nil
Exit Load	: 1% - if redeemed/ switched out, on or before 18 months from the date of allotment and Nil – if redeemed/ switched out after 18 months from the date of allotment. w.e.f October 10, 2017
Dematerialization	: D-Mat Option Available
Asset Allocation	:
Debt Market Instruments	: 0% to 100%
Money Market Instruments	: 0% to 100%
Units issued by REITs & InvITs	: 0% to 10%

NAV as on December 31, 2019

Regular Plan Growth	: ₹15.5342
#Regular Plan Bonus	: ₹15.5342
Regular Quarterly Dividend	: ₹14.9904
#Regular Half Yearly Dividend	: ₹14.9904
#Regular Monthly Dividend	: ₹11.6481
Direct Plan Growth	: ₹16.1019
Direct Monthly Dividend	: ₹12.1484
Direct Quarterly Dividend	: ₹15.2195

#Note: Bonus plan and Monthly & Half yearly Dividend payout options are discontinued no new investors can invest in the said option, existing investors remain invested in the said options.

AUM as on December 31, 2019

Net AUM	: ₹ 294.20 crore
Monthly Average AUM	: ₹ 295.13 crore

Total Expense Ratio

Regular Plan	: 1.34% p.a.
Direct Plan	: 0.69% p.a.

Total Expense Ratio is as on the last business day of the month.

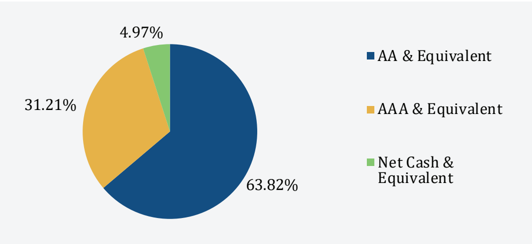
Statistical Debt Indicators

Modified Duration	: 0.96 years
Average Maturity	: 1.13 years
Yield to Maturity	: 9.10%

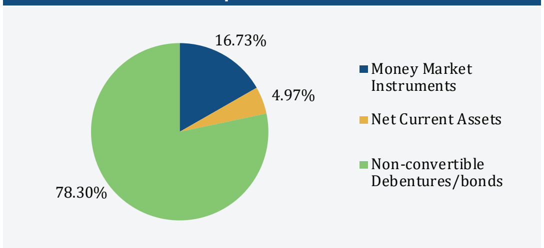
Portfolio as on December 31, 2019

Name of the Instrument	Rating	% to Net Assets
Debt Instruments		
Non-Convertible Debentures/Bonds		**78.30**
9.55% Hindalco Industries Limited	CRISIL AA	8.74
8.50% Vedanta Limited	CRISIL AA	8.45
8.75% Muthoot Finance Limited	CRISIL AA	8.38
8.25% EID Parry India Limited	CRISIL AA-	8.06
7.70% L & T Housing Finance	ICRA AAA	6.8
Aditya Birla Fashion and Retail Limited	CRISIL AA	6.58
10.25% Hansdeep Industries & Trading Company Limited	CARE AA-(CE)	5.06
9.75% Edelweiss Housing Finance Limited	ICRA AA-	4.34
EMBASSY OFFICE PARK REIT	CRISIL AAA	3.63
8.15% Energy Efficiency Services Limited	ICRA AA-	3.37
7.90% Piramal Enterprises Limited	ICRA AA	3.32
9.80% ECL Finance Limited	ICRA AA-	3.19
ECL Finance Limited	CARE AA-	2.25
8.20% Housing Development Finance Corporation Limited	CRISIL AAA	1.73
8.85% India Grid Trust InvIT Fund	CRISIL AAA	1.71
8.75% Axis Bank Limited	CRISIL AA+	1.71
9.15% SP Jammu Udhampur Highway Limited	ICRA AAA	0.61
9.90% Tata Motors Limited	ICRA AA-	0.34
9.35% IDFC First Bank Limited	ICRA AA	0.03
Money Market Instruments		
Certificate of Deposit		
HDFC Bank Limited	CARE A1+	8.42
Bank of Baroda	FITCH A1+	8.31
TREPS## / Reverse Repo		
TREPS##		1.51
Sub Total		**96.54**
Net Current Assets		3.46
Portfolio Total		**100.00**

Composition by Rating^



Instrument Wise Composition^



Dividend Declared - Monthly Dividend Plan

Date	Gross Dividend (₹) (Per Unit)	Regular Plan NAV (₹) (Ex-Dividend)	Direct Plan NAV (₹) (Ex-Dividend)
31-Dec-19	0.05	11.6950	12.1950
26-Nov-19	0.05	11.6872	12.1772
29-Oct-19	0.05	11.6674	12.1477
Quarterly Dividend Plan			
04-Jun-15	0.4	11.4678	11.5708
Half Yearly Dividend Plan			
04-Jun-15	0.4	11.4678	

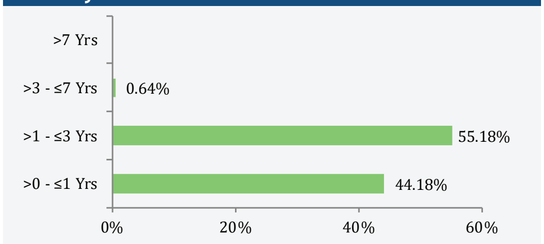
Dividend is gross dividend.To arrive at the net dividend payable for corporate and non-corporate investors applicable dividend distribution tax, if any, needs to be adjusted respectively. Past performance may or may not be sustained in future. After payment of dividend the NAV has fallen to the extent of payout and distribution taxes if applicable. Monthly Dividend is not assured and is subject to availability of distributable surplus.

Scheme Performance

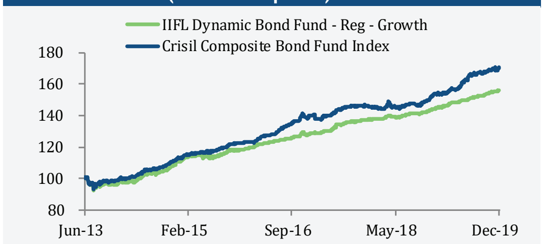
	31-Dec-18 to 31-Dec-19	PTP (₹)	31-Dec-16 to 31-Dec-19	PTP (₹)	31-Dec-14 to 31-Dec-19	PTP (₹)	Since Inception$	PTP (₹)
IIFL Dynamic Bond Fund - Reg - Growth	7.76%	10,776	6.78%	12,177	6.90%	13,963	6.99%	15,539
IIFL Dynamic Bond Fund - Dir - Growth	8.46%	10,846	7.43%	12,401	7.51%	14,366	7.58%	16,106
Benchmark*	10.72%	11,072	7.08%	12,280	8.54%	15,068	8.43%	16,955
Additional Benchmark**	10.46%	11,046	5.39%	11,707	7.64%	14,453	6.89%	15,444

Past performance may or may not be sustained in future
Different plans shall have different expense structure
As on December 31, 2019* Crisil Composite Bond Fund Index,** Crisil 10yr Gilt Index; Point to Point (PTP) returns in ₹ is based on standard investment of ₹ 10,000 made on the inception date; $Inception date 24-June-2013; Effective March 08 2017, Mr. Ankur Parekh has been appointed as Fund Manager of the scheme. The Scheme was managed till March 07, 2017 by Mr Ritesh Jain.

Maturity Profile^



NAV Movement (Since Inception) Rebased to 100



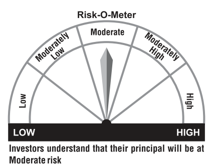
^As on December 31, 2019

THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING*

- Income and long term gains
- Investment in a range of debt and money market instruments of various maturities

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

##With effect from November 05, 2018, Triparty Repo has replaced CBLOs for all schemes with provisions to invest in CBLO.



Fund Commentary

- The system liquidity improved considerably nearing the month end owing to front loading of governmental spending and G-Sec redemption. With excess liquidity, weighted average overnight rates drifted downwards for a temporary period. RBI announced issuance of Cash Management Bills (CMBs) and 'Operation Twist' to flatten the yield curve and to boost lending and credit growth. Operation twist is to help RBI multi-fold, in managing the excess liquidity and in softening the long tenor yields so that the government issuances remains at lower interest rates. With the continuation of CMB issuances, excess supply of short tenor securities, it will not let the short-term yields fall sharply below the RBI indicative Repo rates and by buying longer dated securities to support softening of yield curve. This in turn will encourage rate transmission of past rate cuts across government securities and corporate bond markets. It is expected that transmission of benchmark rate cuts will improve gradually, over the various base rate loans and MCLR-based floating rate loans, which typically have annual resets.
- Contrary to the market expectations, the Monetary Policy Committee (MPC) voted unanimously to keep the Repo rate unchanged at 5.15%, in the Fifth Bimonthly monetary policy statement for FY2020, and maintained the 'accommodative' stance. MPC revised its CPI inflation forecast for H2 FY2020 to 5.1-4.7% upward, with the risks broadly balanced and revised its GDP growth outlook downwards to 5.0% for FY2020 from the earlier forecast of 6.1%. The current pause in rate cutting cycle with an 'accommodative' stance could just be an attempt to allow the impact of surplus liquidity and transmission to permeate through the system. With a negative output gap, the MPC acknowledged that there is 'monetary space for further action', signaling the possibility of further easing in future. But market experts' view that, inflation will stay elevated for next couple of months above 5%, which will make February cut difficult and thus, it might be a longer pause. RBI explicitly mentioned in the policy about the need for lower interest rates on small savings schemes to improve monetary transmission of 135bps repo rate cuts. While it expects improvement in transmission and quicker resolution of the trade disputes to provide an upside to growth, it remains concerned about the global and domestic slowdown.
- November CPI inflation surprised on the upside due to higher food and core inflation. Additional easing is dependent on the evolution of the growth-inflation mix and on the fiscal situation of the government. rural and urban inflation have started converging as the gap between rural and urban food inflation has narrowed significantly, despite sluggish economic activity, core inflation rose to 3.7% (3.3% in September), owing to strong increase of 6.3% across the personal care segment. In a bid to revive sector, major telecom companies raised their mobile tariffs in a coordinated effort starting in December by ~30-40%. This will impact the headline CPI inflation by another 35-40bps. Even if vegetable price inflation starts abating on a m-o-m basis in January, the escalation of the index from supply-side shocks in Q4 2019 increases the risk of headline inflation picking up even further in January, with Q1 2020 growth averaging ~6.0% y-o-y (vs ~5.7% in Q4). India's industrial production contracted for a third consecutive month with the annualized growth print for Oct-19 coming in at -3.8% India's retail inflation for the month of November accelerated to a ~3.5 year high of 5.54% YoY from 4.62% in October, remaining above the 4% inflation target for the 2nd consecutive month. The overall trend in industrial activity remained lackluster with both investment and consumption goods suffering from weak demand, low income growth, and an environment of economic uncertainty. While there are some green shoots in the offing, the substantial deterioration in business and consumer sentiment does not bode well for order books overall capacity utilization in the near term. This could weigh on the pace of anticipated economic recovery in H2 FY20. Current accommodative policy stance from the central bank would be supplemented by a growth supportive budget (to be unveiled in Feb-20) by the government to help turn the tide on industrial activity.
- Global growth appears set to bottom out. World GDP growth is estimated to 3.1% in 2020 but, beneath the surface, the expansion is a fragile one, with growth weakening in the US (2.3% to 1.8%), China (6.1% to 5.7%), the euro area (1.2% to 0.9%) and Japan (1.0% to 0.2%), offset by a handful of smaller EMs – Brazil, Mexico, India, Turkey and South Africa – rebounding from tepid growth in 2019. It is expected that CY 2020 to be more as a year of global growth consolidation than a full-fledged recovery, built on a treaty rather than an escalation of US-China trade tensions, a turn in the global tech cycle, looser macro policies, a depreciating USD and easing global liquidity.
- The bond markets will take cues from budget declarations and future RBI rate actions to protect growth, its conduct of borrowing program and durable liquidity management. The recent steps taken by the government for private sector revival and setting infrastructure projections will be the catalyst in the GDP growth pickup. Looking forward, by the time of the next RBI policy meeting on 6 February, the inflation reading for December (due mid-January) might rise closer to the upper-end of the target band limiting the expectations of any ease in signaling rates by RBI. The food supply-side shocks come at an inopportune time as these will further jeopardise frail consumption growth, which should lead to lower demand-side pressures in coming quarters. The inflation flare ups to eventually calm after Q1 2020, enabling the focus to return to the growth slowdown. This should offer the Reserve Bank of India (RBI), the space as well as the need to engage in further policy easing. Market continues to experience a tighter credit lending because of risk aversion and fiscal deficit worries but the pressure on credit markets is gradually relaxing and funding to the NBFCs is getting normalized at least from the banking channels. The Union Budget is likely to confirm slippage in the fiscal deficit of ~0.4% of GDP. In this scenario of changing market conditions, we continue our view of positioning at the front-end of the curve with a defensive outlook as rate trajectory is likely to be volatile. The incremental positioning may be executed in certain pockets of yield curve if it offers value in terms of attractive spreads between low duration high carry bonds and overnight funding rates. The scheme aims to maintain relatively high running yields and moderate to low duration, to benefit out of the steep yield curve. However, any changes in the macro-economic environment is being continuously tracked for change of stance if the situation requires so.

IIFL Liquid Fund
(An Open Ended Liquid Scheme)

IIFL ASSET MANAGEMENT

Investment Objective

To provide liquidity with reasonable returns commensurate with low risk through a portfolio of money market and debt securities with residual maturity of up to 91 days. However, there can be no assurance that the investment objective of the scheme will be achieved.

Fund Manager   Mr. Ankur Parekh

Mr. Ankur Parekh has over 17 years of work experience in the Fixed income securities market. His previous experience include working with SBI DFHI primary Dealership firm and DBS Cholamandalam AMC. Prior to joining IIFL AMC he was associated with Reliance Capital AMC as Fund Manager – EPFO for seven years. He is commerce graduate and has done his Masters in Business Administration from Bharthihar University, Tamilnadu. Mr Parekh has been managing the scheme since March 08, 2017.

Fund Details

Date of Allotment	: November 13, 2013
Benchmark Index	: CRISIL Liquid Fund Index
Plans Offered	: Regular & Direct
Options Offered	: Growth & Dividend
Minimum Application:	
New Purchase	: ₹5,000 and in multiples of ₹100 thereafter
Additional Purchase	: ₹1,000 and in multiples of ₹100 thereafter
Monthly SIP Option	: ₹1,000 per month for a minimum period of 6 months
Quarterly SIP Option	: ₹1,500 per quarter for a minimum period of 4 quarters
Entry	: NIL
Exit Load$	:

Investor exit upon subscription	Exit load as a % of redemption proceeds
Day 1	0.0070%
Day 2	0.0065%
Day 3	0.0060%
Day 4	0.0055%
Day 5	0.0050%
Day 6	0.0045%
Day 7 onwards	0.0000%

$The revised exit load as mentioned above shall be applicable on a prospective basis to all fresh investments (purchase or switch-ins) made on or after October 20, 2019 (Effective Date). Redemption/Switch out of units would be done on First in First out basis. Please refer addendum notice dated Oct 18, 2019 for more details.

Dematerialization	: D-Mat Option Available
Asset Allocation	:
Money market and debt instruments with residual maturity up to 91 days	: 0% to 100%

NAV as on December 31, 2019

Regular Plan Growth	: ₹1521.2191
Regular Plan Weekly Dividend	: ₹1005.0000
Regular Plan Daily Dividend	: ₹1000.0701
Direct Plan Growth	: ₹1525.8996
Direct Plan Dividend	: ₹1000.0427
Direct Plan Weekly Dividend	: ₹1005.0000

AUM as on December 31, 2019

Net AUM	: ₹ 1006.32 crore
Monthly Average AUM	: ₹ 464.81 crore

Total Expense Ratio

Regular Plan	: 0.25% p.a.
Direct Plan	: 0.20% p.a.

Total Expense Ratio is as on the last business day of the month.

Statistical Debt Indicators

Modified Duration	: 32 days
Average Maturity	: 33 days
Yield to Maturity	: 4.98%

Portfolio as on December 31, 2019

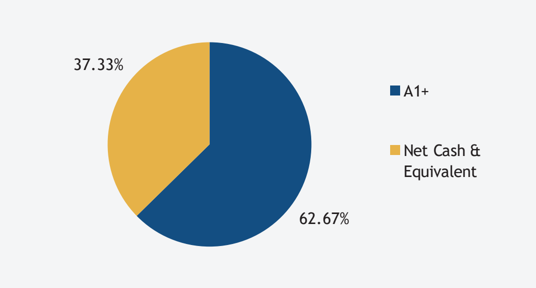
Name of the Instrument	Rating	% to Net Assets
Money Market Instruments		
Certificate of Deposit		
Small Industries Dev Bank of India	CARE A1+	7.43%
National Bank For Agriculture and Rural Development	CRISIL A1+	4.95%
Kotak Mahindra Bank Limited	CRISIL A1+	4.94%
Bank of Baroda	CRISIL A1+	4.94%
Export Import Bank of India	CRISIL A1+	4.91%
Axis Bank Limited	ICRA A1+	4.43%
HDFC Bank Limited	CARE A1+	3.97%
ICICI Bank Limited	ICRA A1+	2.48%
ICICI Bank Limited	CARE A1+	2.46%
ICICI Bank Limited	ICRA A1+	2.46%
Bank of Baroda	FITCH A1+	2.46%
Sub Total		**45.43%**
Commercial Paper		
Reliance Industries Limited	CRISIL A1+	4.93%
LIC Housing Finance Limited	CRISIL A1+	4.92%
NTPC Limited	CRISIL A1+	4.91%
NTPC Limited	ICRA A1+	2.48%
Sub Total		**17.24%**
TREPS## / Reverse Repo		
TREPS##		37.97%
Sub Total		**37.97%**
Net Receivables / (Payables)		-0.64%
Portfolio Total		**100.00%**

Scheme Performance

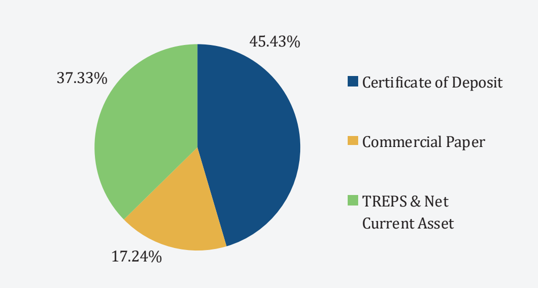
	31-Dec-18 to 31-Dec-19	PTP(₹)	31-Dec-16 to 31-Dec-19	PTP(₹)	31-Dec-14 to 31-Dec-19	PTP(₹)	Since Inception$	PTP (₹)
IIFL Liquid Fund - Reg - Growth	5.92%	10,592	6.31%	12,017	6.78%	13,884	7.08%	15,214
IIFL Liquid Fund - Dir - Growth	5.98%	10,598	6.36%	12,034	6.83%	13,917	7.13%	15,257
Benchmark*	6.86%	10,686	7.03%	12,263	7.36%	14,266	7.70%	15,762
Additional Benchmark**	6.53%	10,653	6.61%	12,117	7.37%	15,464	7.37%	15,464

Past performance may or may not be sustained in future. Different plans shall have different expense structure. As on December 31, 2019* Crisil Liquid Fund Index,** Crisil 91 Day T-Bill Index; Point to Point (PTP) returns in ₹ is based on standard investment of ₹10,000 made on the $inception date 13-Nov-2013; Effective March 08 2017, Mr. Ankur Parekh has been appointed as Fund Manager of the scheme. The Scheme was managed till March 07, 2017 by Mr Ritesh Jain.

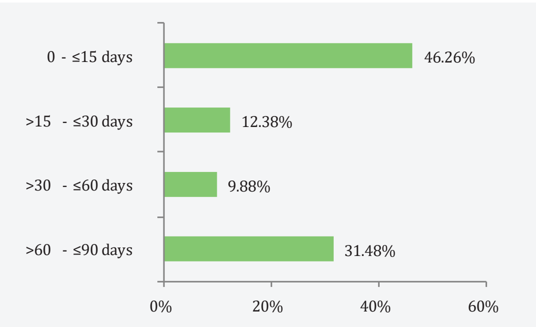
Composition by Rating^



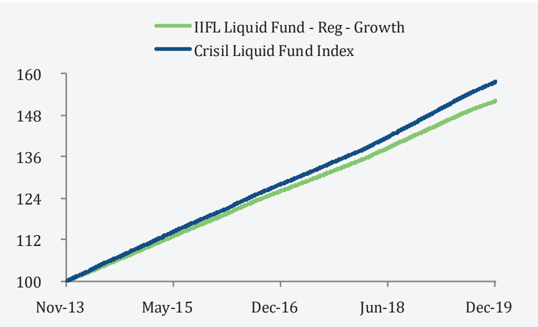
Instrument Wise Composition^



Maturity Profile^



NAV Movement (Since Inception) Rebased to 100



^As on December 31, 2019

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- Investments in money market and short term debt instruments, with maturity not exceeding 91 days

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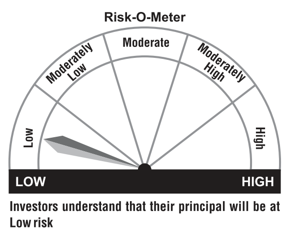

GLOSSARY OF TERMS

FUND MANAGER	An employee of the asset management company such as a mutual fund or life insurer, who manages investments of the scheme. He is usually part of a larger team of fund managers and research analysts.
APPLICATION AMOUNT FOR FRESH SUBSCRIPTION	This is the minimum investment amount for a new investor in a mutual fund scheme.
MINIMUM ADDITIONAL AMOUNT	This is the minimum investment amount for an existing investor in a mutual fund scheme.
YIELD TO MATURITY	The Yield to Maturity or the YTM is the rate of return anticipated on a bond if held until maturity. YTM is expressed as an annual rate. The YTM factors in the bond's current market price, par value, coupon interest rate and time to maturity.
SIP	SIP or systematic investment plan works on the principle of making periodic investments of a fixed sum. It works similar to a recurring bank deposit. For instance, an investor may opt for an SIP that invests ₹ 500 every 15th of the month in an equity fund for a period of three years.
NAV	The NAV or the net asset value is the total asset value per unit of the mutual fund after deducting all related and permissible expenses. The NAV is calculated at the end of every business day. It is the value at which the investor enters or exits the mutual fund.
BENCHMARK	A group of securities, usually a market index, whose performance is used as a standard or benchmark to measure investment performance of mutual funds, among other investments. Some typical benchmarks include the Nifty, Sensex, BSE200, BSE500, 10-Year Gsec.
ENTRY LOAD	A mutual fund may have a sales charge or load at the time of entry and/or exit to compensate the distributor/agent. Entry load is charged at the time an investor purchases the units of a mutual fund. The entry load is added to the prevailing NAV at the time of investment. For instance, if the NAV is ₹ 100 and the entry load is 1 %, the investor will enter the fund at ₹ 101.
EXIT LOAD	Exit load is charged at the time an investor redeems the units of a mutual fund. The exit load is deducted from the prevailing NAV at the time of redemption. For instance, if the NAV is ₹ 100 and the exit load is 1%, the redemption price would be ₹99 per unit.
MODIFIED DURATION	Modified duration is the price sensitivity and the percentage change in price for a unit change in yield.
STANDARD DEVIATION	Standard deviation is a statistical measure of the range of an investment's performance. When a mutual fund has a high standard deviation, its means its range of performance is wide, implying greater volatility.
SHARPE RATIO	The Sharpe Ratio, named after its founder, the Nobel Laureate William Sharpe, is a measure of risk-adjusted returns. It is calculated using standard deviation and excess return to determine reward per unit of risk.
BETA	Beta is a measure of an investment's volatility vis-a-vis the market. Beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 implies that the security's price will be more volatile than the market.
AUM	AUM or assets under management refers to the recent I updated cumulative market value of investments managed by a mutual fund or any investment firm.
HOLDINGS	The holdings or the portfolio is a mutual fund's latest or updated reported statement of investments/securities. These are usually displayed in terms of percentage to net assets or the rupee value or both. The objective is to give investors an idea of where their money is being invested by the fund manager.
NATURE OF SCHEME	The investment objective and underlying investments determine the nature of the mutual fund scheme. For instance, a mutual fund that aims at generating capital appreciation by investing in stock markets is an equity fund or growth fund. Likewise, a mutual fund that aims at capital preservation by investing in debt markets is a debt fund or income fund. Each of these categories may have sub-categories.
RATING PROFILE	Mutual funds invest in securities after evaluating their creditworthiness as disclosed by the ratings. A depiction of the mutual fund in various investments based on their ratings becomes the rating profile of the fund. Typically, this is a feature of debt funds.

Note: SEBI, vide circular dated June 30, 2009 has abolished entry load and mandated that the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.