

**2022, Letter
MY FINANCIAL POWER**

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Mohali – 160055, Punjab (India)
MFP SEVENTH ANNUAL LETTER TO INVESTORS

9 August 2022

Dear Investor,

I hope you and your family are in the best of health, wealth and prosperity.

It gives me immense pleasure to share with you that with your constant support and confidence in MFP services, today, we have completed our 7 years of togetherness. I wish to thank you personally for each one of you putting your trust in MFP.

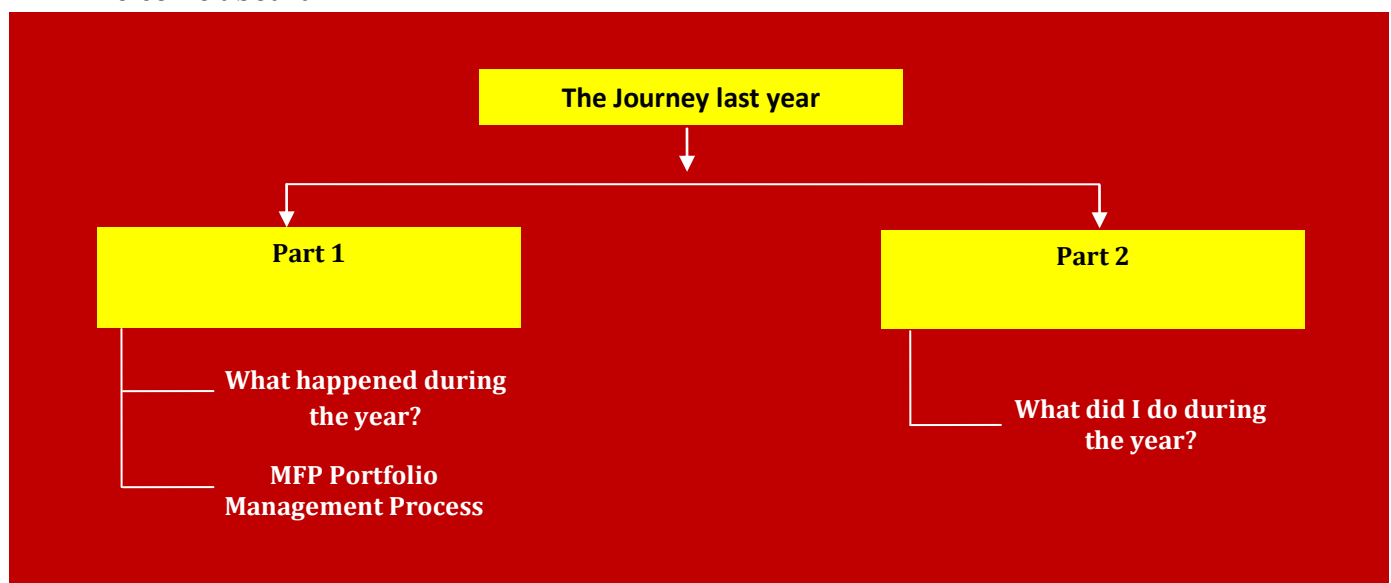
My aim is to help my investors in achieving their short, medium and long term financial goals. It makes me feel happy to witness different financial goals of my investors get fulfilled - like - someone paying off his loans early, someone buying his dream house with least hustle-bustle, someone attaining financial independence, someone accomplishing child education funds etc.

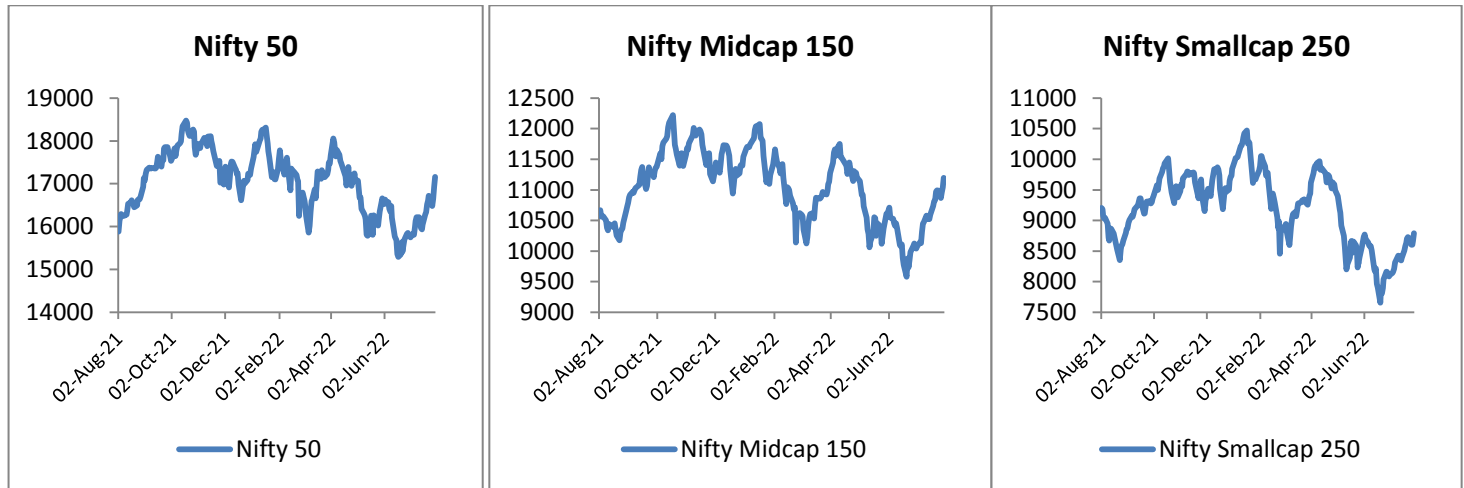
Within the last year, we've added 11 clients. Now our total customer tally stands at 129 and our asset under advisory stood at 12.17 crore after adjusting 2.83 crore mostly on account of scheduled redemption of funds by clients who achieved their short, medium or long term financial goals.

MFP Journey at a Glance

	2016	2017	2018	2019	2020	2021	2022
No. of Customers	40	65	90	100	105	118	129
Asset Under Advisory	0.5 Crore	2.5 Crore	4.5 Crore	7 Crore	12.12 Crore	12.40 Crore	12.17 Crore

Let me take you along through this wonderful journey which I have divided into two parts. Welcome aboard!



Part 1:**What happened during the year?***"Chance only favours the prepared mind." - Louis Pasteur*

- Post Covid, Indian equity markets were in strong upward momentum and it happened because of mouth-watering, improvement in the corporate balance sheets and ample liquidity created by the central banks across the world. October 2021 onwards, this strong upward momentum turned into downward momentum because of rising commodity prices, surging inflation, and supply chain disruptions. To control rising inflation, central banks across the world started increasing interest rates.
- Tightening of liquidity has made foreign institutional investors (FII's) to withdraw their money from Indian equity and it led to fall in all major indices. Nifty 50 fallen more than -17.23% from its peak whereas Nifty Next 50, Nifty Midcap 150, Nifty Small cap 250 and Nifty 200 Momentum 30 index fallen -21.8%, -21.6%, -26.9% and -28.4% respectively. From Oct 2021 to June 2022, FIIs sold \$28bn worth of equity. It is almost 2x of great financial crisis (GFC) selling of \$15bn. It is the one of the longest stretches of selling (almost 13 months v/s 15 months of GFC). It is close to being the highest in terms of percentage of India's market cap. Lot of this selling by FII's is absorbed by domestic institutional investors (Mutual Funds & Insurance put together).

Start Date	End date	Event Tag	FII Outflows (\$ bn)	India Market cap at start of outflows (\$ trillion)	FII Holdings at start of Outflows (\$ bn)	FII Outflows		NIFTY Returns	Midcap 100 returns
						As % of India Market cap	as % of FII Holdings		
Jan-08	Mar-09	Global Financial Crisis	-15	1.8	296	0.9%	5.2%	-57%	-67%
Jun-13	Sep-13	Taper-Tantrum	-4	1.1	204	0.4%	2.0%	-9%	-15%
Sep-14	Oct-14	Election correction	-1	1.6	302	0.1%	0.4%	-5%	-5%
Apr-15	Feb-16	Banks' Asset cleanup	-8	1.6	320	0.5%	2.5%	-17%	-10%
Oct-16	Jan-17	Fed Hikes/ Demonetization	-5	1.7	335	0.3%	1.6%	-3%	-5%
Aug-17	Oct-17	Cyclical Slowdown	-4	2.1	414	0.2%	1.1%	2%	3%
Feb-18	Nov-18	NBFC Crisis	-9	2.4	455	0.4%	1.9%	-2%	-11%
Jun-19	Sep-19	Slowdown	-5	2.2	427	0.2%	1.2%	-8%	-13%
Feb-20	May-20	Onset of Covid-19	-9	2.1	430	0.4%	2.0%	-23%	-28%
Oct-21	Jul-22	Current	-35	3.5	665	1.0%	5.2%	-11%	-14%

Source: Ravi Dharamshi, Founder, ValueQuest Investment Advisors

- On Fixed income/Debt market:** In last 4 months, RBI raised Repo rate (Rate at which banks borrow from the RBI) 1.4% cumulatively from 4.0% to 5.4%. It also raised the Cash Reserve Ratio (CRR - portion of deposits banks have to keep with the RBI as reserves) from 4.0% to 4.50%. Bond market has been on upward trend in the 2022 so far. The 10-year government bond yield which was 6.19% during August 2021 which peaked at 7.60% on June 13, 2022 and now currently trading around 7.35%.

From an investor's perspective, the return potential of liquid and debt funds has improved significantly after the sharp jump in bond yields over the last six months. The gap between the bank savings rates and liquid fund returns will widen and remain attractive for your surplus funds. Medium to Long term interest rates in the bond markets are already at long-term averages as compared to fixed deposits which remain low.

- Overall, Nifty 50 appreciated 8.9% during the year. In comparison, Nifty Next 50, Nifty Midcap 150, Nifty Small cap 250 and Nifty 200 Momentum 30 index delivered 3.9%, 6.6%, -3.7% and -4.4% return respectively.

Since inception of MFP in the year 2015, Nifty 50 has generated compounded return of 10.5% with maximum drawdown of -38% from its peak. In comparison, Nifty Next 50, Nifty Midcap 150, Nifty Small cap 250 and Nifty 200 Momentum 30 index have generated 9.6%, 13.5%, 9.5% and 14.3% return with maximum drawdown of -42%, -44%, -61% and -34% respectively.

In academics it is taught that the high risk means high returns but in investing low drawdown means high returns. Here the case is Nifty Small cap 250 which fallen -61% between Jan 2018 to Mar 2020 and delivered 9.5% CAGR since MFP inception whereas in the same period Nifty 200 Momentum 30 index which has fallen -34% and delivered 14.3% CAGR (compounded annual growth rate).

Market Performance at a Glance					
Time Period	Nifty 50	Nifty Next 50	Nifty Mid Cap 150	Nifty Small Cap 250	Nifty 200 Momentum 30
01-08-2021 to 31-07-2022	8.9%	3.9%	6.6%	-3.7%	-4.4%
01-08-2020 to 31-07-2021	42.5%	46.7%	79.4%	111.8%	61.9%
01-08-2019 to 31-07-2020	0.9%	4.4%	2.5%	-4.5%	13.2%
01-08-2018 to 31-07-2019	-2%	-12.5%	-13.6%	-23%	6.1%
01-08-2017 to 31-07-2018	12.3%	6.5%	7.4%	-4.6%	17.2%
01-08-2016 to 31-07-2017	16.7%	24.1%	27.3%	30.8%	29%
09-08-2015 to 31-07-2016	0.9%	4.5%	4.9%	2.4%	1.9%
Since MFP Inception 09-08-2015 to 31-07-2022	10.5%	9.6%	13.5%	9.5%	14.3%
Maximum Drawdown during 09-08-2015 to 31-07-2022	-38%	-42%	-44%	-61%	-34%

MFP Portfolio Management Process

“It’s not supposed to be easy. Anyone who finds it easy is stupid.” - Charlie Munger

In the last year annual letter I discussed MFP criteria for finding market direction: highly overvalued, overvalued, neutral, undervalued and deep undervalued. On the basis of that direction I took action on your portfolio. During the year I spent more time on refining the last year mentioned framework. Below I am discussing the MFP refined framework.

What to buy?

- I applied my strategy on equity portfolio, debt portfolio and gold.
- Under Equity I selected, Nifty 50, Nifty Next 50, Nifty 500, Nifty Midcap 150, Nifty Small Cap 250 and Nifty 200 Momentum 30 Indices.
- Under debt I selected, HDFC liquid fund, SBI ultra short term fund and SBI constant maturity fund.
- For gold, I used Nippon India ETF Gold Bees for my research.

How much to buy?

- 100 % in one go.

When to buy?

- Lumpsum buying is only done when either market is in deep value zone or in momentum zone as per MFP criteria.
- Systematic buying can be done any time except when market is on sell zone as per MFP criteria. .

When to sell?

- When momentum is weak.

Why to sell based on momentum?

- In last year shared framework I used fundamental based selling method. Problem with that method was that most of the time I sold very early but over the period I experienced that most of the money is made on last lag of the bull market. So to take the benefit of the full scale I used momentum based selling process.
- Last year I read old [interview](#) of Manish Chokhani with Nemish Shah and Late Manek Bhansali, founders of Enam Holdings Pvt. Ltd. While reading the interview I found that Late Manek Bhansali also used similar type of process for selling shares. Below is the image of his selling style.

Define your selling style

Nemish is absolutely value oriented in selling. Manekbhai on the other hand, had a wonderful ability and style of selling because he would never sell at a particular price. He would make a mental switch in his portfolio and shift his “sell” value stock to his momentum side and as long as the stock was trending up, he would not sell it. Mentally he had sold it from portfolio A to portfolio B and he would only sell it completely when the price turned and the turn was confirmed. This almost always would give him a better average and allowed him to digest huge profits without getting unnerved like a classic value investor.

- Difference between his strategy and my strategy is that he used that strategy on stocks and I used on Indices.

How much to sell?

- 100% in one go

How to reallocate money received from selling the position?

- Selling proceeds from equity indices will be switched to liquid fund and vice versa. For back testing my strategy I switched to HDFC Liquid Fund.

How frequent portfolio is churn?

- Below are the total number of decisions made since inception of the Indices:

Decision	Nifty 50	Nifty Next 50	Nifty 500	Nifty Mid Cap 150	Nifty Small Cap 250	Nifty 200 Momentum 30 Index
Index start date	03-11-1995	04-11-1996	07-06-1999	01-04-2005	01-04-2005	01-04-2005
Buy	8	9	9	8	9	6
Sell	8	9	9	8	9	6

When MFP Strategy will not work?

- As Howard Marks said “No strategy – and no level of brilliance – will make every quarter or every year a successful one” and my strategy is no exception. As I mentioned above in MFP selling strategy that we sell when momentum is weak. After selling we will buy only when either market is on deep value zone or in momentum zone. If market not touched deep value zone than I will buy when it enters in momentum zone. In momentum zone most of the time I pay high price for buying than my selling price. In Nifty 50 index it happened in 2004, 2006, 2012 and 2016 after my selling market moved upward and entered into momentum zone so I paid high price to re-enter into the market due to that my strategy underperformed against the benchmark.

What is MFP Core philosophy?

This whole framework has been designed on the basis of my core philosophy of “Win by not losing”. My strategy is to do as well - as the market - when it does well and, better than the market when it does poorly. At first place it may sound like a modest goal, but it’s really quite ambitious.

"Win.. by not Losing"

Rule No.1: Never lose money

Year	Return Generated By Fund Manager A	Value of Rs.100 At The End of The Year	Return Generated By Fund manager B	Value of Rs.100 At The End of The Year
1	35%	135	15%	115
2	75%	236	20%	138
3	-55%	106	9%	150
4	25%	133	20%	181
5	20%	159	14%	206

Source :- Rajeev Thakkar Presentation

Rule No.2: Never forget rule No.1

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As an advisor I am happy to give my money to Fund Manager B because in the long run **He Delivered Returns Not Just Excitements.**

Result of the equity index strategy & comparative analysis with mutual funds:

I applied the above said framework to back test my results and compared the results with other mutual funds which lie under same category as per SEBI categorisation norm. I used Nifty Total Return Index data for my study instead of index fund. In MFP strategies performance expense ratio, tracking error and taxes are not included. Let's discuss it one by one.

Category 1: Large cap

- In large cap category total 30 funds are available.
- From 01-01-2003 to 05-08-2022, value of Rs100 has become Rs3880 with MFP Nifty 100 strategy against Rs2343 with benchmark Nifty 100 Total Return Index. In similar time period value of Rs100 became Rs4079 with HDFC top 100 Fund, Rs3379 with TATA Large Cap Fund, Rs3378 with Aditya Birla Sun Life Frontline Equity Fund, Rs3054 with Kotak Bluechip Fund, Rs2914 with Franklin Bluechip Fund and Rs 2855 with DSP Top 100 Equity Fund.
- During 2008 market crash Nifty 100 Total Return Index benchmark has fall -61% from its peak whereas as MFP Nifty 100 Strategy fallen -31%. Only JM Large Cap Fund (down 72%) and Taurus Largecap Equity Fund (down 68%) has fallen more than the index. Most of the funds has fall more than 50% during the 2008 crash.
- On 10 years rolling period basis MFP Nifty 100 strategy Aditya Birla Sun Life Frontline Equity Fund, Mirae Asset Large Cap Fund, ICICI Prudential Bluechip Fund and Axis Bluechip Fund have always beaten the index.

Category		Large cap						% of the time fund beat the benchmark on rolling period basis					
Benchmark		Nifty 100 Total Return Index						1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Scheme Name	Asset Under Management (Cr.)	Fund Start Date	Current Value of Rs100 with fund from fund start	Current Value of Rs100 with benchmark from fund start	Maximum Drawdown in Fund Value	Maximum Drawdown in Index Value	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	
HDFC Top 100 Fund	21,679	01-01-2003	4079	2343	-55%	-61%	59%	31%	64%	70%	67%	73%	
MFP NIFTY 100 Strategy		01-01-2003	3880	2343	-31%	-61%	32%	22%	55%	70%	87%	100%	
Tata Large Cap Fund	1,269	01-01-2003	3378	2343	-58%	-61%	52%	28%	56%	58%	57%	59%	
Aditya Birla Sun Life Frontline Equity Fund	21,729	01-01-2003	3255	2343	-56%	-61%	68%	36%	73%	78%	86%	100%	
Kotak Bluechip Fund	4,782	06-02-2003	3054	2343	-58%	-61%	53%	29%	53%	52%	55%	56%	
Franklin India Bluechip Fund	6,469	01-01-2003	2914	2343	-55%	-61%	51%	30%	55%	62%	64%	60%	
DSP Top 100 Equity Fund	2,679	10-03-2003	2855	2519	-52%	-61%	53%	26%	47%	43%	49%	57%	
Mirae Asset Large Cap Fund	33,188	04-04-2008	774	477	-51%	-52%	74%	40%	84%	93%	100%	100%	
ICICI Prudential Bluechip Fund	32,790	23-05-2008	658	446	-40%	-49%	66%	35%	67%	69%	84%	100%	
SBI Bluechip Fund	33,085	14-02-2006	610	735	-61%	-61%	42%	21%	41%	54%	76%	89%	
UTI Mastershare Fund	10,284	09-05-2009	583	611	-35%	-38%	45%	26%	45%	37%	48%	21%	
Edelweiss Large Cap Fund	346	21-05-2009	543	518	-35%	-38%	51%	30%	60%	63%	81%	84%	
Nippon India Large Cap Fund	11,831	09-08-2007	534	494	-57%	-61%	54%	26%	52%	62%	85%	96%	
HSBC Large Cap Equity Fund	774	03-04-2006	504	644	-55%	-61%	32%	14%	11%	0%	0%	0%	
Axis Bluechip Fund	36,305	05-01-2010	437	398	-30%	-38%	64%	35%	73%	100%	92%	100%	
Invesco India Largecap Fund	696	21-08-2009	434	473	-37%	-38%	38%	17%	34%	61%	52%	11%	
Canara Robeco Bluechip Equity Fund	7,700	23-08-2010	404	371	-33%	-38%	43%	25%	46%	58%	70%	84%	
L&T India Large Cap Fund	725	23-10-2007	401	402	-57%	-61%	48%	22%	44%	46%	39%	51%	
IDBI India Top 100 Equity	607	22-05-2012	392	424	-35%	-38%	49%	28%	50%	16%	6%	0%	
IDFC Large Cap Fund	1,080	04-06-2008	369	483	-44%	-44%	30%	12%	7%	0%	0%	0%	
PGIM India Large Cap Fund	390	01-01-2013	303	339	-38%	-38%	37%	15%	27%	9%	10%		
LIC MF Large Cap Fund	684	31-10-2007	298	372	-65%	-61%	23%	15%	24%	1%	6%	0%	
JM Large Cap Fund	50	03-04-2006	287	644	-72%	-61%	18%	8%	17%	0%	1%	0%	
Taurus Largecap Equity Fund	34	03-04-2006	287	644	-68%	-61%	17%	6%	5%	0%	0%	0%	
Indiabulls Bluechip	97	01-01-2013	267	339	-37%	-38%	30%	11%	21%	13%	0%		
Union Largecap Fund	238	18-05-2017	162	193	-36%	-38%	19%	4%	7%	0%			
Mahindra Manulife Large Cap Pragati Yojana	183	19-03-2019	154	157	-35%	-38%	40%	16%	0%				
Sundaram Large Cap Fund	3,089	12-10-2020	146	151	-17%	-17%	25%						
ITI Large Cap Fund	199	29-12-2020	115	128	-22%	-17%	0%						
Bank of India Bluechip Fund	134	29-06-2021	104	112	-23%	-17%	0%						
Baroda BNP Paribas Large Cap Fund	1,339	14-03-2022	104	104	-14%	-15%							

Source: MFP Research

Category 2: Flexi cap

- In flexi cap category total 27 funds are available.
- From 07-06-1999 to 05-08-2022, value of Rs100 has become Rs11207 with MFP Nifty 500 strategy against Rs2691 with benchmark Nifty 500 Total Return Index. In similar time period value of Rs100 became Rs6867 with Franklin India Flexi Cap Fund 100 Fund, Rs6821 with HDFC Flexi Cap Fund and Rs6725 with Aditya Birla Sun Life Flexi Cap Fund.
- During 2008 market crash Nifty 500 Total Return Index benchmark has fall -67% from its peak whereas as MFP Nifty 500 Strategy fallen -25%. Only Aditya Birla Sun Life Flexi Cap Fund (down 74%) and Taurus Largecap Equity Fund (down 74%) has fallen more than the index. Most of the funds has fall more than 55% during the 2008 crash.
- On 5 years rolling period basis only Parag Parikh Flexi Cap Fund have always been beaten the index whereas MFP Nifty 500 strategy have beaten the index 69% of time. On 10 years rolling period basis Franklin India Flexi Cap Fund, Aditya Birla Sun Life Flexi Cap Fund, UTI Flexi Cap Fund have always beaten the index whereas MFP Nifty 500 strategy have beaten the index 98% of time.

Category		Flexi cap										
Benchmark		Nifty 500 Total Return Index										
Scheme Name	Asset Under Management (Cr.)	Fund Start Date	Current Value of Rs100 with fund from fund start	Current Value of Rs 100 with benchmark from fund start	Maximum Drawdown in Fund Value	Maximum Drawdown in Index Value	% of the time fund beat the benchmark on rolling period basis					
							1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MFP NIFTY 500 Strategy		07-06-1999	11207	2691	-25%	-67%	49%	26%	59%	72%	82%	98%
Franklin India Flexi Cap Fund	10,001	07-06-1999	6867	2691	-58%	-67%	68%	39%	79%	83%	92%	100%
HDFC Flexi Cap Fund	29,358	29-07-1999	6821	2307	-60%	-67%	65%	33%	73%	81%	81%	86%
Aditya Birla Sun Life Flexi Cap Fund	15,804	07-06-1999	6725	2691	-74%	-67%	57%	30%	63%	81%	96%	100%
UTI Flexi Cap Fund	25,938	09-05-2009	797	622	-34%	-38%	77%	40%	74%	93%	98%	100%
IDFC Flexi Cap Fund	5,782	02-06-2008	657	457	-46%	-48%	53%	28%	59%	69%	78%	95%
DSP Flexi Cap Fund	7,821	07-06-2007	634	511	-56%	-64%	59%	36%	74%	92%	83%	93%
Quant Flexi Cap Fund	488	20-10-2008	574	725	-60%	-38%	47%	26%	47%	53%	36%	34%
HSBC Flexi Cap Fund	412	03-04-2006	539	610	-62%	-64%	40%	21%	42%	44%	56%	60%
JM Flexicap Fund	211	25-09-2008	526	542	-42%	-39%	38%	26%	61%	57%	61%	28%
SBI Flexicap Fund	15,859	03-04-2006	522	610	-65%	-64%	38%	18%	36%	53%	77%	79%
Kotak Flexicap Fund	36,736	14-09-2009	521	441	-37%	-38%	71%	40%	81%	82%	91%	
Parag Parikh Flexi Cap Fund	25,163	21-05-2013	479	347	-31%	-38%	72%	43%	86%	100%	100%	
Taurus Flexi Cap Fund	249	03-04-2006	421	610	-74%	-64%	31%	14%	23%	26%	20%	3%
IDBI Flexi Cap Fund	393	04-04-2014	346	314	-34%	-38%	40%	14%	23%	14%	31%	
Union Flexi Cap Fund	1,236	17-06-2011	330	389	-35%	-38%	40%	21%	34%	1%	0%	0%
Motilal Oswal Flexi Cap Fund	9,289	28-04-2014	325	309	-37%	-38%	47%	20%	38%	38%	46%	
LIC MF Flexi Cap Fund	407	03-04-2006	319	610	-65%	-64%	23%	6%	1%	0%	0%	0%
L&T Flexicap Fund	2,801	01-01-2013	311	348	-38%	-38%	26%	14%	26%	19%	8%	
Edelweiss Flexi Cap Fund	992	03-02-2015	226	228	-36%	-38%	41%	22%	44%	37%	17%	
Bank of India Flexi Cap Fund	289	29-06-2020	188	180	-22%	-18%	83%	100%				
Axis Flexi Cap Fund	10,966	24-11-2017	179	170	-30%	-38%	50%	37%	79%			
Navi Flexi Cap Fund	211	10-07-2018	157	167	-38%	-38%	30%	3%	0%			
Shriram Flexi Cap Fund	64	08-10-2018	148	181	-32%	-38%	11%	0%	0%			
ICICI Prudential Flexicap Fund	12,273	19-07-2021	113	111	-13%	-18%	100%					
Tata Flexi Cap Fund	2,187	10-09-2018	101	104	-34%	-38%	42%	8%	6%			
PGIM India Flexi Cap Fund	4,811	05-01-2021	98	98	-70%	-66%	34%	10%	16%	19%	31%	
Canara Robeco Flexi Cap Fund	8,022											

Source: MFP Research

Category 3: Mid cap

- In large cap category total 25 funds are available.
- From 01-04-2005 to 05-08-2022, value of Rs100 has become Rs4042 with MFP Nifty Midcap 150 strategy against Rs1428 with benchmark Nifty Midcap 150 Total Return Index. In similar time period value of Rs100 became Rs1876 with Sundaram Mid Cap Fund, Rs1696 with Nippon India Growth Fund, Rs1446 with SBI Magnum Mid Cap Fund, Rs1393 with Aditya Birla Sun Life Mid Cap Fund, Rs1350 with L&T Mid Cap Fund, Rs1331 with ICICI Prudential Mid Cap Fund, Rs1277 with TATA Mid Cap Growth Fund and Rs 1265 with Franklin India Prima Fund.
- During 2008 market crash Nifty Midcap 150 Total Return Index benchmark has fall -73% from its peak whereas as MFP Nifty Midcap 150 Strategy fallen just -32%. Only SBI Magnum Mid Cap Fund Fund (down 79%) and Taurus Discovery (Midcap) Fund (down 81%) has fallen more than the index. Most of the funds has fall more than 65% during the 2008 crash.
- On 10 years rolling period basis Invesco India Mid Cap Fund, Kotak Emerging Equity Fund, UTI Mid Cap Fund and Axis Mid Cap Fund have always beaten the index whereas MFP Nifty Midcap 150 strategy have beaten the index 81% of time.

Category		Mid cap										
Benchmark		Nifty Midcap 150 Total Return Index										
Scheme Name	Asset Under Management (Cr.)	Fund Start Date	Current Value of Rs100 with fund from fund start	Current Value of Rs 100 with benchmark from fund start	Maximum Drawdown in Fund Value	Maximum Drawdown in Index Value	% of the time fund beat the benchmark on rolling period basis					
							1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MFP Midcap 150 Strategy		01-04-2005	4042	1428	-32%	-73%	49%	31%	61%	52%	60%	81%
Sundaram Mid Cap Fund	7,287	01-04-2005	1876	1428	-69%	-73%	52%	31%	66%	71%	75%	77%
Nippon India Growth Fund	12,715	01-04-2005	1696	1428	-63%	-73%	45%	23%	46%	33%	34%	29%
SBI Magnum Midcap Fund	7,608	15-04-2005	1446	1456	-79%	-73%	56%	27%	45%	37%	52%	66%
Aditya Birla Sun Life Mid Cap Fund	3,510	01-04-2005	1393	1428	-68%	-73%	49%	25%	55%	52%	51%	49%
L&T Midcap Fund	6,620	01-04-2005	1350	1428	-71%	-73%	49%	30%	69%	76%	82%	93%
ICICI Prudential Midcap Fund	3,458	01-04-2005	1331	1428	-75%	-73%	36%	15%	32%	41%	50%	18%
Tata Midcap Growth Fund	1,640	01-04-2005	1277	1428	-68%	-73%	46%	27%	56%	45%	75%	84%
Franklin India Prima Fund	7,385	01-04-2005	1265	1428	-70%	-73%	48%	25%	47%	54%	68%	92%
HDFC Mid-Cap Opportunities Fund	33,056	05-07-2007	939	677	-61%	-73%	55%	31%	59%	68%	80%	99%
DSP Midcap Fund	13,973	14-11-2006	864	801	-66%	-73%	60%	35%	75%	83%	81%	84%
Invesco India Mid Cap Fund	2,435	19-04-2007	852	791	-71%	-73%	57%	32%	67%	70%	84%	100%
Kotak Emerging Equity Fund	20,987	03-01-2012	780	683	-36%	-43%	53%	33%	74%	77%	97%	100%
UTI Mid Cap Fund	6,993	03-04-2006	752	797	-68%	-73%	46%	30%	61%	62%	79%	100%
Axis Midcap	18,892	18-02-2011	673	560	-29%	-43%	61%	33%	63%	65%	79%	100%
Edelweiss Mid Cap Fund	2,123	01-01-2013	551	471	-41%	-43%	55%	31%	58%	54%	72%	
Quant Mid Cap Fund	638	03-04-2006	485	797	-39%	-73%	48%	24%	29%	9%	2%	0%
Motilal Oswal Midcap 30 Fund	2,976	24-02-2014	479	503	-37%	-43%	41%	17%	19%	8%	0%	
Taurus Discovery (Midcap) Fund	75	03-04-2006	456	797	-81%	-73%	42%	20%	32%	29%	24%	18%
Union Midcap Fund	494	30-03-2020	269	267	-20%	-21%	70%	75%				
Mirae Asset Midcap Fund	8,173	30-07-2019	214	206	-37%	-38%	71%	81%	100%			
PGIM India Midcap Opportunities Fund	6,060	28-02-2017	206	194	-78%	-82%	58%	28%	37%	23%	68%	
Mahindra Manulife Mid Cap Unnati Yojana	976	06-02-2018	184	181	-33%	-40%	55%	29%	76%			
IDBI Midcap Fund	195	02-02-2017	167	232	-45%	-43%	6%	0%	0%			
ITI Mid Cap Fund	389	10-03-2021	112	127	-24%	-21%						
Baroda BNP Paribas Midcap Fund	1,178	14-03-2022	103	108	-16%	-18%						

Source: MFP Research

Category 4: Small cap

- In large cap category total 24 funds are available.
- From 01-04-2005 to 05-08-2022, value of Rs100 has become Rs4533 with MFP Nifty Smallcap 250 strategy against Rs1109 with benchmark Nifty Smallcap 250 Total Return Index. In similar time period value of Rs100 became Rs1581 with Kotak Small Cap Fund, Rs1385 with Sundaram Small Cap Fund.
- During 2008 market crash Nifty Smallcap 250 Total Return Index benchmark has fall -76% from its peak whereas as MFP Nifty Smallcap 250 Strategy fallen -41%. Most of the funds has fall more than 70% during the 2008 crash.
- On 5/7/10 years rolling period basis Sundaram Small Cap Fund, DSP Small Cap Fund, SBI Small Cap Fund, Franklin India Smaller Companies Fund, Nippon India Small Cap Fund and MFP Nifty Smallcap 250 strategy have always beaten the index.

Category		Small cap										
Benchmark		Nifty Smallcap 250 Total Return Index										
Scheme Name	Asset Under Management (Cr.)	Fund Start Date	Current Value of Rs100 with fund from fund start	Current Value of Rs 100 with benchmark from fund start	Maximum Drawdown in Fund Value	Maximum Drawdown in Index Value	% of the time fund beat the benchmark on rolling period basis					
							1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MFP Smallcap 250 Strategy		01-04-2005	4533	1109	-41%	-76%	58%	35%	75%	71%	68%	100%
Kotak Small Cap Fund	7,981	04-04-2005	1581	1102	-70%	-76%	68%	32%	76%	78%	92%	99%
Sundaram Small Cap Fund	1,973	01-04-2005	1385	1109	-68%	-76%	45%	26%	62%	76%	93%	100%
DSP Small Cap Fund	8,843	14-06-2007	1103	483	-75%	-76%	79%	44%	96%	100%	100%	100%
SBI Small Cap Fund	13,261	09-09-2009	1075	446	-42%	-60%	76%	46%	100%	100%	100%	100%
Franklin India Smaller Companies Fund	6,842	13-01-2006	881	675	-71%	-76%	60%	33%	74%	80%	94%	100%
Nippon India Small Cap	20,611	21-09-2010	862	328	-50%	-60%	96%	53%	100%	100%	100%	100%
Quant Small Cap Fund	1,965	03-04-2006	690	602	-70%	-76%	57%	29%	43%	43%	32%	17%
Axis Small Cap Fund	9,933	29-11-2013	607	426	-35%	-60%	61%	33%	78%	100%	100%	
ICICI Prudential Smallcap Fund	4,008	19-10-2007	531	393	-59%	-76%	54%	26%	63%	69%	66%	89%
Aditya Birla Sun Life Small Cap Fund	2,865	31-05-2007	500	480	-70%	-76%	58%	35%	74%	84%	85%	97%
HDFC Small Cap Fund	13,154	01-01-2013	454	366	-49%	-60%	51%	28%	65%	97%	81%	
L&T Emerging Businesses Fund	8,082	12-05-2014	450	332	-54%	-60%	78%	41%	81%	100%	100%	
HSBC Small Cap Equity Fund	297	03-04-2006	415	603	-73%	-76%	46%	20%	42%	46%	50%	43%
Union Small Cap Fund	905	17-06-2014	291	257	-46%	-60%	51%	29%	57%	81%	72%	
Bank of India Small Cap Fund	339	19-12-2018	255	175	-33%	-45%	79%	64%	100%			
Edelweiss Small Cap Fund	1,231	14-02-2019	245	194	-37%	-45%	69%	65%	100%			
Canara Robeco Small Cap Fund	3,113	19-02-2019	238	196	-36%	-45%	81%	76%	100%			
Tata Small Cap Fund	2,266	13-11-2018	212	178	-37%	-45%	65%	54%	100%			
IDFC Emerging Businesses Fund	1,426	26-02-2020	208	180	-25%	-41%	13%	9%				
Invesco India Smallcap Fund	1,296	02-11-2018	202	179	-38%	-45%	48%	36%	100%			
IDBI Small Cap Fund	136	29-06-2017	178	158	-48%	-60%	66%	29%	66%	100%		
UTI Small Cap Fund	2,201	28-12-2020	150	150	-20%	-27%	73%					
ITI Small Cap Fund	399	19-02-2020	136	177	-40%	-43%	0%	0%				
PGIM India Small Cap Fund	1,936	29-07-2021	106	99	-25%	-27%	100%					

Source: MFP Research

MFP framework and asset allocation strategies:

- From 1992 to 2003 S&P BSE Sensex gave no returns but in next 4 years (2003 to 2007) S&P BSE Sensex moved by 6 times.
- From 2012 to 2019 Gold gave no returns but in next 1 years (2019 to 2020) Gold gave more than 66% return.
- Living both these times is difficult if there is no Asset Allocation.

After goal mapping, I make asset allocation decision for every client portfolio. Asset allocation means how much we need to invest in different asset classes. I construct 17 strategies (Refer below image for P1 to P17 strategies) with combination of equity, debt and gold.

In P1 strategy, Out of Rs100, Rs 10 is invested in equity and Rs90 in debt. Further equity portion of Rs10 is divided equally into 2 indices: Rs5 in Nifty 50 and Rs 5 in Nifty Next 50 similarly out of Rs90 of debt portion: Rs60 invested in long term debt and Rs30 invested in short term debt. In beginning of every year this portfolio is rebalanced to actual allocation of 10:90. From 27-03-2007 to 05-08-2022, value of Rs100 has become Rs398 with MFP framework against Rs364 with benchmark. Maximum drawdown with index and benchmark is same.

Like In P12 strategy, whole Rs100 is invested in equity and further this Rs100 is divided equally into 4 indices: Rs25 in Nifty 50, Rs25 in Nifty Next 50, Rs25 in Nifty Small Cap 250 and remaining Rs25 is invested in Nifty 200momentum 30 index. In beginning of every year this portfolio is rebalanced to actual allocation of 25% in each indices. From 27-03-2007 to 05-08-2022, value of Rs100 has become Rs2241 with MFP framework against Rs646 with benchmark. During 2008 market crash, benchmark index value has fall -69% from its peak whereas as MFP framework fallen -28%. On 5 years rolling period basis portfolio with MFP framework always delivered positive returns.

Investor can make N no. of strategies with the combination of equity, debt and gold as per his/her risk appetite before making final investment.

Portfolio Strategy (Equity:Debt:Gold)	P1 (E2:10:D2:90:G:0)	P2 (E2:20:D2:80:G:0)	P3 (E2:30:D2:70:G:0)	P4 (E2:40:D2:60:G:0)	P5 (E2:50:D2:50:G:0)	P6 (E2:60:D2:40:G:0)	P7 (E2:70:D2:30:G:0)	P8 (E2:80:D2:20:G:0)	P9 (E2:90:D2:10:G:0)	P10 (E2:100:D:0:G:0)	P11 (E4:100:D:0:G:0)	P12 (E4:100:D:0:G:0)	P13 (E2:70:D:0:G:30)	P14 (E4:60:D2:30:G:10)	P15 (E2:60:D2:30:G:10)	P16 (E2:50:D2:30:G:20)	P17 (E4:50:D2:30:G:20)
Current Value of Rs 100 Invested with MFP Framework(Yearly rebalancing) since 27-03-2007	398	487	588	709	840	995	1169	1364	1582	1825	2040	2241	1448	1183	1122	971	1053
Current Value of Rs 100 Invested with Benchmark(Yearly rebalancing) since 27-03-2007	364	401	435	468	492	515	532	542	544	539	570	658	639	601	594	551	600
Since Inception return of MFP Framework	10%	11%	13%	14%	15%	17%	18%	19%	20%	21%	22%	23%	19%	18%	17%	16%	17%
Since Inception return of Benchmark	9%	10%	10%	11%	11%	12%	12%	12%	12%	12%	12%	13%	13%	13%	13%	12%	13%
Alpha	1%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	9%	6%	5%	5%	4%	4%
Maximum Drawdown with MFP Framework	-5%	-7%	-10%	-13%	-16%	-18%	-20%	-22%	-24%	-26%	-29%	-28%	-20%	-20%	-18%	-15%	-17%
Maximum Drawdown with Benchmark	-5%	-14%	-23%	-31%	-38%	-44%	-50%	-56%	-61%	-66%	-71%	-69%	-51%	-47%	-45%	-38%	-40%
1 Year minimum rolling return with MFP Framework	4%	3%	1%	-2%	-5%	-7%	-10%	-12%	-14%	-15%	-20%	-20%	-11%	-11%	-8%	-6%	-8%
1 Year minimum rolling return with Benchmark	-1%	-10%	-18%	-26%	-34%	-41%	-47%	-53%	-58%	-63%	-67%	-65%	-46%	-44%	-41%	-33%	-36%
3 Years minimum rolling return with MFP Framework	7%	6%	5%	4%	3%	1%	0%	-1%	-2%	-3%	-3%	-1%	3%	2%	3%	4%	4%
3 Years minimum rolling return with Benchmark	6%	5%	4%	3%	1%	0%	-2%	-4%	-6%	-7%	-10%	-8%	-1%	-2%	1%	2%	1%
5 Years minimum rolling return with MFP Framework	14%	14%	13%	13%	12%	11%	10%	10%	9%	8%	6%	9%	12%	10%	13%	13%	12%
5 Years minimum rolling return with Benchmark	12%	12%	11%	9%	7%	5%	3%	1%	-1%	-3%	-5%	-4%	4%	4%	7%	7%	6%

Source: MFP Research

Part 2:

What did I do during the year?

“You can’t take the same actions as everyone else and expect to outperform.” - Howard Marks

During the year, as per above mentioned MFP framework, we suggested following things during the year:

- Investing money through Systematic Investment Plans (SIPs) for their goals.
- Avoid lump sum buying in equity as market was neither in deep value zone nor momentum zone.
- On Fixed income/Debt market, I suggested short duration debt funds (liquid fund, ultra short bond fund, money market fund & floating rate bond funds) to investors for short term goals and for more medium term goals I suggested dynamic bond funds which have the flexibility to change the portfolio positioning as per the evolving market conditions.
- Stick to your asset allocation, which balances the risk profile of your investment portfolio.

I have tried to cover all the points which I felt might be of your interest by sharing my thoughts & experiences. If you have any doubt, query or any point to share, I will love to hear it.

Paramjeet Redu