



**PE SHIELD**

THE PERFECT BALANCE



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# Introduction

SRE P/E Shield - A Methodical Approach to Wealth Creation is a product brought to you by a team of experts at SRE, designed with a philosophy to provide the investor with an uncomplicated investment solution.

Our equity investment philosophy is centered on generating capital appreciation/wealth creation for the investor. The primary emphasis is on providing the investor with a degree of capital appreciation, superior to that of the returns from the equity class as represented by a market index over the longer term. Our core investment premise is that the equity markets are not completely efficient. A well-organized and thorough research effort combined with a disciplined investment advisory approach will enable out performance of the market index over time.

A key pillar of our disciplined approach is to stay true to the mandate of the portfolio under all circumstances. This is the key to generating superior performance over time even though there could be times when staying true to the mandate may result in short-term underperformance.

A disciplined approach of investment circumvents the emotions of Greed and Fear, thus, giving maximum returns over time.

## Higher Sharpe ratio relative to Nifty 50 Index *(Higher return for a unit of risk)*

### Principle

**SRE P/E Shield** is a dynamic portfolio which seeks to maximize investment opportunities arising from market ups and downs. Uniquely, the portfolio rebalances the portfolio between underlying equity and debt funds based on market conditions indicated by the Price to Earnings (P/E) ratio. This way, you take advantage of the upside and stay relatively protected on the downside.

### Objective

**SRE P/E Shield** seeks to provide long-term capital appreciation by outperforming the benchmark index with relatively lower volatility through a dynamically balanced portfolio of equity and debt funds.

### Investment Style

**SRE P/E Shield** follows a dynamic asset allocation strategy, determining the allocation to the underlying schemes based on the PE ratio of the Nifty 50 Index. Any change in asset allocation, due to change in the market PE ratio, is done accordingly.

### Attributes

- Proprietary quantitative model based on PE ratio of the Nifty 50 Index.
- Tested across various market cycles and time horizons for reliability.
- Long-term capital appreciation with relatively lower volatility.
- Disciplined Execution and Professional Management.
- Integrated and effective risk management process.

## Portfolio Performance Chart (Back tested) (1999- 2016)

Historically, varying the allocation of equity and debt/money market instruments based on the PE ratio, **SRE PE Shield** has delivered superior risk-adjusted returns.



- Jan 2008: NIFTY at Historical High; Portfolio performance at par with NIFTY
- Jan 2009: Market crashes after sub-prime bubble burst; Portfolio out performing NIFTY
- Jan 2016: NIFTY @ 7565; Portfolio out performing NIFTY significantly

(Performance depicted above is based on the back tested model portfolio constructed using the proprietary quantitative strategy and historical market data. Back tested model performance is no guarantee of future returns of the client portfolios and actual returns of the client's portfolio may differ significantly from that depicted above as the back tested model portfolio performance is based on certain market factors/assumptions and there is no certainty that these could be duplicated with actual trades. The back tested model portfolio performance results depicted above is from 1st Jan 1999 to 29th February 2016 and are derived considering transaction charges of 0.5% and that the securities in the model portfolio are bought at their closing prices as on the day of initial investment/each rebalancing. Hence, unlike an actual performance record, the results depicted above may have under or over compensated the impact, if any, of certain market factors such as lack of liquidity, money flow etc. Performance of actual portfolio of clients may also vary due to factors such as expense charged, timing entry and exit, timing of additional flows and redemptions, individual client mandated, specific portfolio construction characteristics or structural parameters. These factors may have bearing on individual portfolio performance and hence individual returns of clients may vary from the data on the model portfolio depicted above. Neither the portfolio manager, nor its directors or employees shall in any way be liable for any variation noticed in the returns of individual portfolios. The portfolio manager does not make any representation that any investor will or is likely to achieve profits or losses precisely as shown above.

Note: Back testing is the process of evaluating model by applying it to historical market data. Back testing calculates how a strategy would have performed if it had actually been applied in the past.)

## Statistical parameters of the portfolio

Parameters	SRE PE Shield	NIFTY
Annualized average return (ex - dividend)	16.67%	12.88%
Annualized standard deviation	14.49%	17.76%
Sharpe ratio	0.6	0.27
Beta	Max 1	1

### Product Approach

The Portfolio management team changes its asset allocation based on the PE ratio of NIFTY 50 Index. At higher PE levels, it reduces allocation to equities in order to minimise downside risk. Similarly at lower PE levels, it increases allocation to equities to capitalise on their upside potential.

Historically, such a strategy of varying the allocation of equity and debt/money market instruments based on the PE ratio has delivered superior risk-adjusted returns over the long term. (Past performance doesn't guarantee future performance).

The equity component of the scheme is invested in the SRE Portfolio / an exchange traded fund tracking NIFTY index and the debt-money market component is invested in top rated Liquid-Income Mutual Fund / an open end income scheme investing in government securities / PSU bonds / corporate debt.

## Frequency Table

Proportion of allocation is decided on the basis of frequency table created, based on historical PE data of Nifty, for the last 17 years.

NIFTY PE	Equity Component (%)	Debt Component (%)
PE < 10	100%	0%
10 – 13	95%	5%
13 – 16	75%	25%
16 – 19	47%	53%
19 – 22	17%	83%
22 – 25	4%	96%
25 – 28	1%	99%
PE > 28	0%	100%

## Performance Snapshot

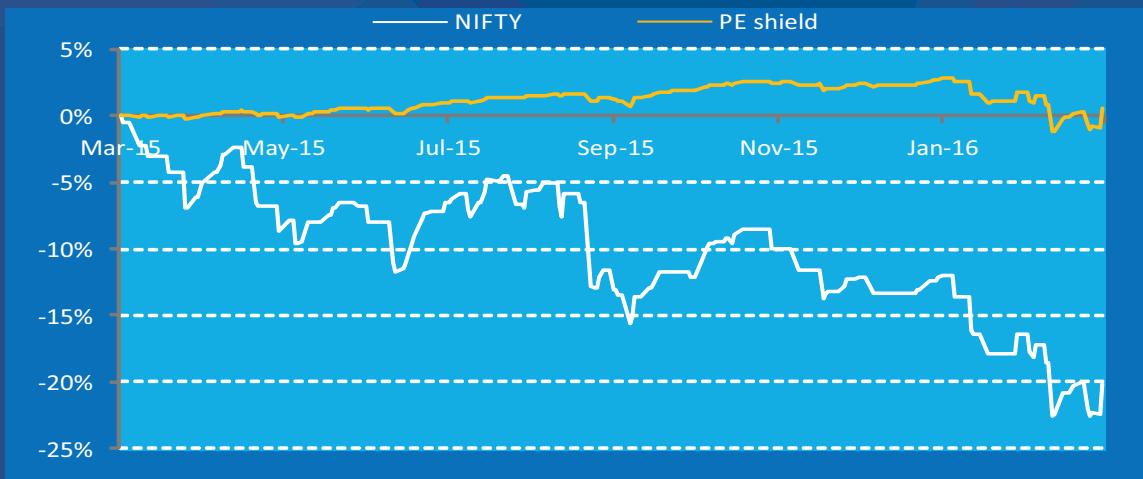
- Tested across various market cycles and time horizons for reliability.
- Long-term capital appreciation with relatively lower volatility.
- SRE PE Shield has consistently outperformed not only the broader index 'NIFTY' but also most of the mutual funds in large cap equity category.

## Relative Comparison

Category	1Y	3Y	5Y
SRE PE Shield	0.10%	13.10%	13.50%
NIFTY	-21.50%	7.10%	5.60%
Large Cap Mutual Funds (Top 5 AUM)	-12%	11.10%	9.60%

Note: Above calculation is done as of 29th February 2016. The returns exclude dividends received during the period. Returns over one year are annualized.

## Portfolio Performance Chart (LIVE) (2015- 2016)



## Risk Factors

Investments in equity linked portfolios and securities are subject to market risks and the value of the portfolio may go up or down depending upon the factors and forces affecting the securities market including the fluctuations in the interest rates. There can be no assurance that the portfolio's investment objectives will be achieved. The past performance of the portfolios managed by the **Sykes and Ray Equities** and its affiliates is not necessarily indicative of future performance of the portfolio. The above is only the name of the portfolio and does not in any manner indicate the quality of the scheme, its future prospects or returns. At the peak of a bull market, a portfolio balanced on PE ratios may not outperform a fully invested portfolio. The existence, accuracy and performance of the Nifty 50 Index will directly affect the portfolio's performance. The **SRE PE Shield** is not guaranteeing or assuring any dividend under the scheme and the same is subject to availability and adequacy of distributable surplus. The expenses of the portfolio will be over and above the expenses charged by the underlying schemes. The investments made by the scheme are subject to external risks.

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