

ESCORTS MUTUAL FUND

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TRUSTEE REPORT FOR F.Y. 2016-17

Dear Unit holder(s),

The Directors of Escorts Investment Trust Ltd. (Trustee Company) have pleasure in presenting the Sixteenth Annual Report and audited financial statement of the schemes of Escorts Mutual Fund for the year April 1, 2016 to March 31, 2017.

As on March 31, 2017 the Asset under Management (AUM) of Escorts Mutual Fund was Rs. 242.56 Crores. The fund house managed 13 schemes and has 14 Branches across the country.

EQUITY MARKET REVIEW & OUTLOOK

The market entered FY 2017, riding the gradual recovery path from the dramatic commodity price collapse of Q4 FY2016. Subsequently, even as global markets continued to be tested by seemingly outlier events of a 'Yes' outcome in the Brexit referendum in June 2016, and the election of the 'unelectable' Donald Trump as the 45th US president in November, overall global equity markets largely brushed aside the events and continued their upward trend. On the domestic front, the key test was the 'black swan' event of sudden demonetization of ~85% of currency notes outstanding, leading to significant short term hiccups and a transitory plunge in sentiments.

However, more than anything else, FY 2017 will be remembered as the year of liquidity, as a remarkable transition towards financial assets – with equity being a disproportionate beneficiary – and away from 'real' assets such as gold and real estate, became evident towards the end of the financial year. The resultant flood of liquidity, not only helped the markets stage a quick recovery from the post demonetization lows, but also in a remarkable development helped insure it from the vagaries of global flows.

On the earnings front however, the long awaited recovery in private capex continued to remain elusive, even as past star performers such as IT and pharma faced headwinds from an appreciating currency and fear over rise in protectionism in key markets. Domestic focused stories, such as autos and private sector financials largely continued to perform well, even as the public sector banking sector consolidation was finally initiated towards the end of the financial year.

DEBT MARKET REVIEW & OUTLOOK

After a range-bound FY2016, FY2017 witnessed a significant bond rally with the benchmark 10-year sovereign yield rallying by 79bps to ~6.67%. The bond rally was enabled initially by the infusion of liquidity via the RBI's INR 1.1tn OMO purchases, as it transitioned to an ex-ante liquidity-neutral regime. An additional boost was received via continued FPI buying support, particularly in Q3 (July-September 2016) which saw INR 159.5bn of inflows. The bond rally received a final fillip after the November 8th demonetization move, which saw a surge of liquidity into the banking system. Initially, in the absence of any credit off-take, excess liquidity was deployed towards GoI purchases and parked with the RBI through the reverse repo window as well as CMBs issued under the market stabilisation scheme. Though the almost euphoric post demonetization purchase of GoI securities by domestic investors – particularly private sector banks – was enabled by a surge in systemic liquidity, the driving call behind the move was heightened expectations of aggressive RBI easing measures to address the disruption in economic activity.

However in the aftermath of the RBI disappointing the market in December 2016 and subsequent change in policy stance in February 2017, banks significantly pared back their elevated GoI exposure.

Fortuitously, in a reversal of the trend seen in November-December 2016, February-March 2017 saw significant FPI inflows into the debt market, thus providing a ready buyer for bonds at higher yields. Therefore, despite the continuing volatility in the global rates, Indian yields remained largely capped below the crucial 7% psychological levels and even rallied towards the end of the year.

We believe that by shifting its monetary policy stance to 'neutral', the MPC has reemphasized its commitment towards its primary objective of inflation targeting, the necessity of which may have been further reinforced and necessitated by need to insure against the risk of portfolio outflows as DM central banks' pursue policy normalisation. Coincidentally, the change in MPC stance in February was followed by renewal of FPI inflows into the Indian debt market, after significant outflows were seen in the post- remonetisation phase in November-December 2016.

Performance of the Schemes

For the year ended 31st March, 2017 Escorts Mutual Fund has 13 schemes. These schemes are under the category of Debt, Equity and Hybrid Funds. The fund is committed to provide stable return to its investors in medium to long term that is consistent with scheme objectives and meet investor's expectations. A brief note on various schemes/ plans and their performance is as under:

Escorts Liquid Plan, an open ended liquid scheme has the investment objective to provide income and liquidity consistent with the prudent risk from a portfolio comprising of money market and debt instruments. This income may be complemented by possible capital appreciation. The aim is to optimise returns while providing liquidity.

Period	Escorts Liquid Plan	CRISIL Liquid Fund Index
1 year	7.64%	7.11%
3 years	8.58%	8.05%
5 years	9.11%	8.37%
Since inception	8.44%	7.41%

Past performance may or may not be sustained in the future.

Escorts Short Term Debt Fund (erstwhile Escorts Floating Rate Fund), an open ended income scheme has the investment objective to generate regular income through investment in a portfolio comprising substantially of Floating Rate Debt Securities (including floating rate securitised debt, Money Market Instruments and Fixed Rate Debt Instruments swapped for floating rate returns). The scheme shall also invest in Fixed Rate Debt Securities (including fixed rate securitised debt, Money Market Instruments and Floating Rate Debt Instruments swapped for fixed returns).

Period	Escorts Short Term Debt Fund	CRISIL Liquid Fund Index
1 Year	7.75%	7.11%
3 Years	9.35%	8.05%
5 Years	9.60%	8.37%
Since inception	8.59%	7.48%

Past performance may or may not be sustained in the future.

Escorts Income Plan, an open ended scheme, has the investment objective to generate current income by investing predominantly in a well-diversified portfolio of Fixed Income securities with moderate risk levels.

Period	Escorts Income Plan	CRISIL Composite Bond Fund Index
1 Year	7.73%	11.09%
3 Years	9.23%	11.27%
5 years	9.13%	9.46%
Since inception	9.31%	N.A

Past performance may or may not be sustained in the future.

Escorts High Yield Equity Plan, an open ended growth scheme has the investment objective to generate income by investing predominantly in well diversified portfolio of equity stocks providing high dividend yield but at the same time capture long term capital appreciation as and when the opportunity arises. This long term style of investment tries to locate, in a disciplined manner, shares, which for a variety of reasons are selling at prices which are substantially lower than the company's actual business value or future earnings potential, and are also yielding a higher than normal dividend yield.

Period	Escorts High Yield Equity Plan	CNX 100
1 Year	36.57%	20.87%
3 Years	33.19%	12.79%
5 Years	20.93%	12.73%
Since inception	12.68%	9.40%

Past performance may or may not be sustained in the future.

Escorts Tax Plan, an open-ended Equity Linked Savings Scheme, has the investment objective to generate capital appreciation by investing predominantly in a well-diversified portfolio of Equity Shares with growth potential.

Period	Escorts Tax Plan	Nifty 50
1 Year	31.19%	18.55%
3 Years	28.01%	11.02%
5 Years	15.74%	11.62%
Since inception	12.84%	10.51%

Past performance may or may not be sustained in the future.

Escorts Infrastructure Fund, close ended equity scheme with an automatic conversion into an open ended scheme on expiry of 5 years from the date of allotment was converted into open-ended w.e.f. 21.09.2012. The investment objective of the Scheme is to provide income distribution and/ or medium to long term capital gains by investing predominantly in equity/equity related instrument of the companies in the infrastructure sector.

Period	Escorts Infrastructure Fund	Nifty 50
1 year	20.71%	18.55%
3 Years	17.01%	11.02%
5 years	5.90%	11.62%
Since inception	-2.87%	7.34%

Past performance may or may not be sustained in the future.

Escorts Income Bond, an open ended income scheme has the investment objective to generate current income by investing predominantly in a well - diversified portfolio of Fixed Income securities with moderate risk levels.

Period	Escorts Income Bond	CRISIL Composite Bond Fund Index
1 Year	8.85%	11.09%
3 Years	9.55%	11.27%
5 years	8.92%	9.46%
Since inception	8.05%	N.A

Past performance may or may not be sustained in the future.

Escorts Growth Plan, an open-ended growth scheme, has the investment objective to generate capital appreciation by investing predominantly in a well-diversified portfolio of Equity Shares with growth potential.

Period	Escorts Growth Plan	Nifty 50
1 Year	20.58%	18.55%
3 Years	23.32%	11.02%
5 Years	18.03%	11.62%
Since inception	18.13%	12.44%

Past performance may or may not be sustained in the future.

Escorts Gilt Plan, an open-ended income scheme, has the investment objective of generation of income and capital appreciation through investments in government securities market. The aim is to generate returns commensurate with minimal credit risk by investing in securities created and issued by the Central Government and/ or a State Government and/ or repos/ reverse repos in such government securities as may be permitted by RBI.

Period	Escorts Gilt Plan	CRISIL I-Sec Mi-BEX
1 Year	10.20%	10.65%
3 Years	8.63%	11.32%
5 Years	7.98%	9.98%
Since inception	7.86%	NA

Past performance may or may not be sustained in the future.

Escorts Opportunities Fund, an open ended Scheme has the investment objective to generate long term capital appreciation by predominantly moving investments in a portfolio of equity and equity related securities amongst different sectors, present or future, expected to show high earnings such as Technology Sector, Media Sector, Entertainment Sector, Communications Sector, FMCG Sector, Pharmaceuticals Sector, Cyclical Sector, Real Estate Sector, Space Sector, Cybercity Sector etc.

Period	Escorts Opportunities Fund	CRISIL Balanced Fund Index
1 Year	7.85%	16.10%
3 Years	12.14%	11.37%
5 years	10.96%	11.12%
Since inception	10.24%	N.A.

Past performance may or may not be sustained in the future.

Escorts Balanced Fund, an open-ended scheme, has the investment objective to generate long term capital appreciation and current income from a portfolio of equity & fixed-income securities.

Period	Escorts Balanced Fund	CRISIL Balanced Fund Index
1 Year	12.94%	16.10%
3 Years	17.42%	11.37%
5 Years	13.41%	11.12%
Since inception	16.24%	N.A.

Past performance may or may not be sustained in the future.

Escorts Leading Sectors Fund, an open-ended growth scheme, has the investment objective to provide capital appreciation or income distribution by investing in companies from Leading Sectors, depending upon their growth prospects and sustainability of future earnings growth.

Period	Escorts Leading Sectors Fund	Nifty 50
1 year	25.39%	18.55%
3 Years	28.71%	11.02%
5 years	23.04%	11.62%
Since inception	12.42%	10.19%

Past performance may or may not be sustained in the future.

Escorts Power & Energy Fund, an open-ended growth scheme, has the investment objective to provide income distribution and/ or medium to long-term capital gains by investing predominantly in equity/equity related instruments of the companies in the Power/ Energy Sector and/ or Debt/ Money Market Instruments.

Period	Escorts Power & Energy Fund	BSE Power Index
1 year	39.43%	28.08%
3 Years	26.93%	9.67%
5 years	14.86%	1.70%
Since inception	10.39%	-1.17%

Past performance may or may not be sustained in the future.

Board of Directors

The following are the directors of Escorts Investment Trust Ltd.:

- Mr. Rajan Nanda - Associate Director
- Dr. Rakesh Khurana - Independent Director
- Mr. Deba Prasad Roy - Independent Director
- Mr. Bhaskar Sharma - Independent Director

Statutory Details

Escorts Mutual Fund was registered with the Securities and Exchange Board of India ('SEBI') on 3rd July, 1996 vide registration no. MF/028/96/4.

The enclosed audited accounts of the Mutual Fund Schemes provide, in our view, an adequate disclosure of its affairs during the period under review. In addition, we state that:

- The liabilities and responsibilities of the Trustee (Escorts Investment Trust Ltd.) are in accordance with SEBI (Mutual Funds) Regulations, 1996, Trust Deed and the offer documents of the schemes. The liability of the Sponsor/ Settlor is limited to the initial contribution of Rs. 1,00,000/- towards the setting up of Escorts Mutual Fund.
- Since the schemes permit investments, partly or wholly in shares, bonds, debentures and other scrips or securities whose values can fluctuate, the price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the markets value of its underlying investments.
- On a written request, present and prospective unitholders / investors can obtain a copy of the trust deed, the annual report of the schemes, the annual report of the asset management company (Escorts Asset Management Limited) and the text of the relevant schemes.

Acknowledgement

The Trustees wish to place on record their grateful thanks to the Unitholders for their continued support and to the Securities and Exchange Board of India, the Bankers, Custodians and Unitholders of Escorts Mutual Fund for the support provided during the year.

Yours sincerely,

For **Escorts Investment Trust Limited**
(Trustee of Escorts Mutual Fund)

Sd/-
Director

Sd/-
Director

Place: New Delhi
Date: 26.07.2017

Disclosure pursuant to SEBI Circular No. Cir/ IMD/ DF/ 2/ 2010 dated May 13, 2010 regarding details of unclaimed redemption and dividend and number of such investors for each scheme as on March 31, 2017:

Scheme Name	Unclaimed Redemption Amount	Numbers of Investor	Unclaimed Dividend Amount	Numbers of Investor
Escorts Income Plan	170,998.48	27	247,519.60	841
Escorts Income Bond	148,003.17	5	63,716.62	161
Escorts Tax Plan	334,622.11	32	770,722.41	653
Escorts Opportunities Fund	841,001.66	32	1,018,970.16	2120
Escorts Growth Plan	150,423.19	7	413,157.89	279
Escorts Balanced Fund	143,836.35	13	225,774.22	198
Escorts Gilt Plan	85,000.00	2	100.00	1
Escorts Liquid Plan	102,874.35	3	1,660.33	14
Escorts Short Term Debt Fund	-	0	154,302.35	55
Escorts High Yield Equity Plan	120,846.45	13	200,505.68	273
Escorts Infrastructure Fund	335,838.85	31	-	0
Escorts Leading Sector Fund	56,657.33	3	18,924.45	4
Escorts Power & Energy Fund	63,496.61	3	22,339.32	6
Total	2553598.55	171	3137693.03	4605

On written request, present and prospective unit holders/ investors can obtain copy of the trust deed, the annual report at a price and the text of the relevant scheme.

Redressal of Complaints received against Mutual Funds during F.Y. 2016-17

Total Number of Folios : 10175

Complaint Code	Type of Complaint#	(a) No. of complaints pending at the beginning of the year	Action on (a) and (b)									
			(b) No. of Complaints received during the year	Resolved				Non Actionable	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days		0-3 months	3-6 months	6-9 months	9-12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	3	1	2	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/ Unit Certificate	0	1	1	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details	0	0	0	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	0	0	0	0	0	0	0	0	0	0
IV	Others*	0	0	0	0	0	0	0	0	0	0	0
	Non inclusion of investment in CAS*	0	8	4	0	4	0	0	0	0	0	0
Total		0	12	6	2	4	0	0	0	0	0	0

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY