

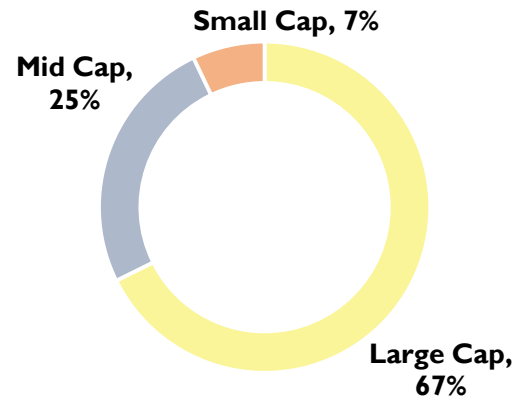
Value Strategy

Differentiated Large Cap Strategy

January 2022

PORTFOLIO SNAPSHOT

Market Cap Mix



QGLP in PRACTISE

Quality

RoE: 19% FY24E

Growth

27% PAT CAGR over FY21 – 24E

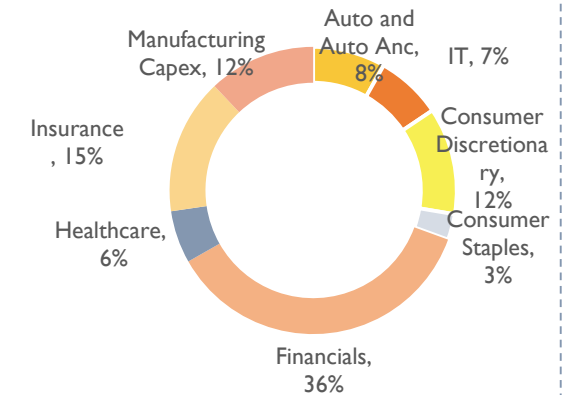
Longevity

Portfolio Tilt towards Long Term Themes of Value Migration, Reforms, Consumer Behavior Changes

Price

PE: 17x FY24; PEG: 1.3x

Portfolio Mix



Data as on 31st December 2021

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Quality

QUALITY OF BUSINESS

Profit Pool

Consumer Facing

Disruption Quotient

Competitive Intensity

RoE 18%

QUALITY OF COMPANY

RoE > Cost of Equity

Positive Operating Cash Flow

Sustainable Competitive Advantage

Positive Operating Cash Flow

QUALITY OF MANAGEMENT

Unquestionable Integrity

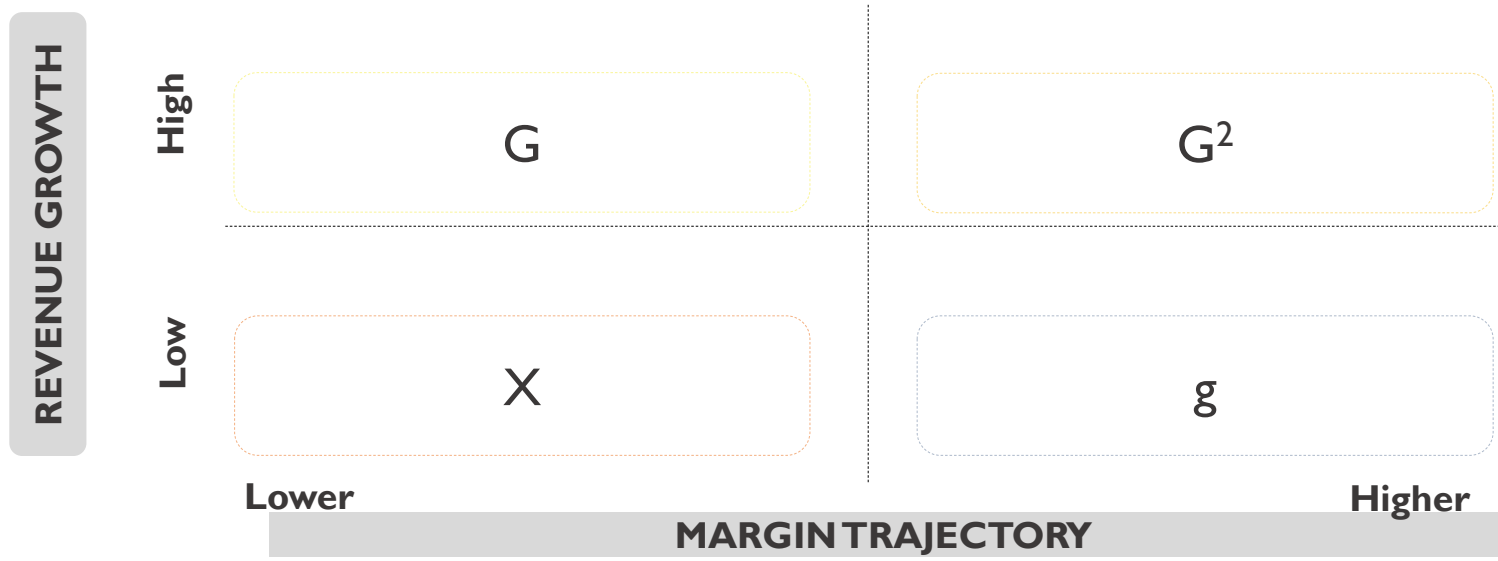
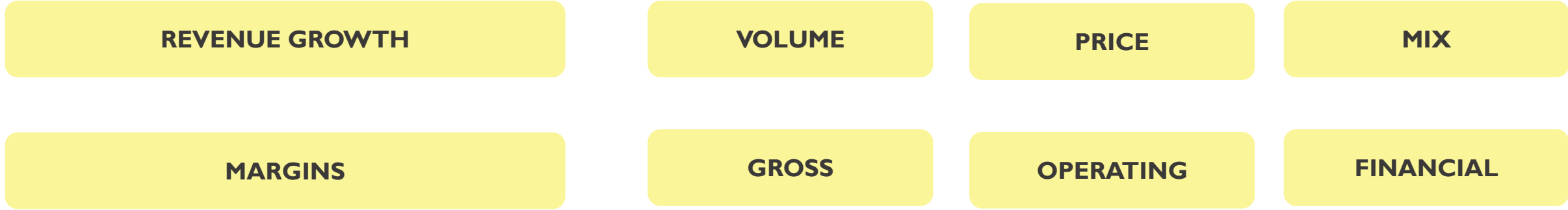
Demonstrable Competence

Growth Mindset

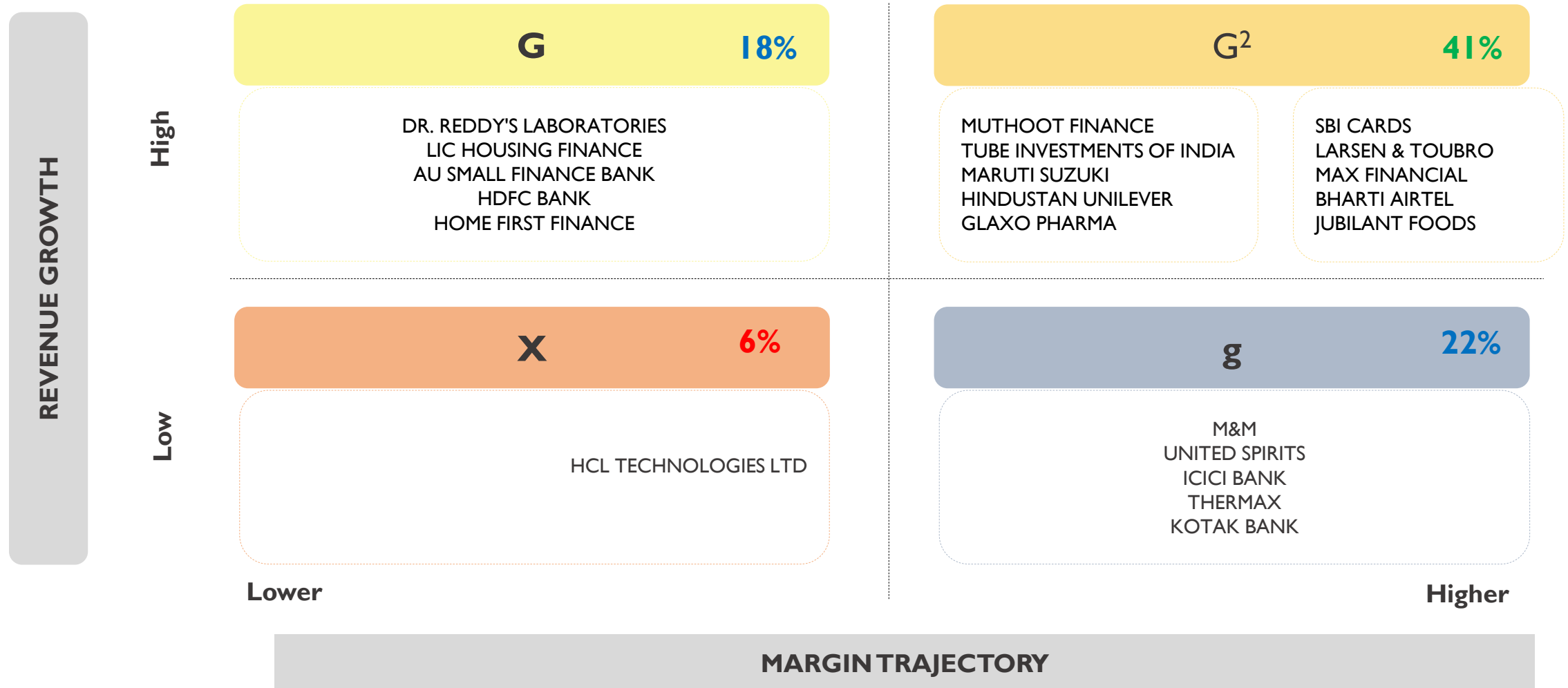
Skin In the Game

>90% of Portfolio is B2C

Growth

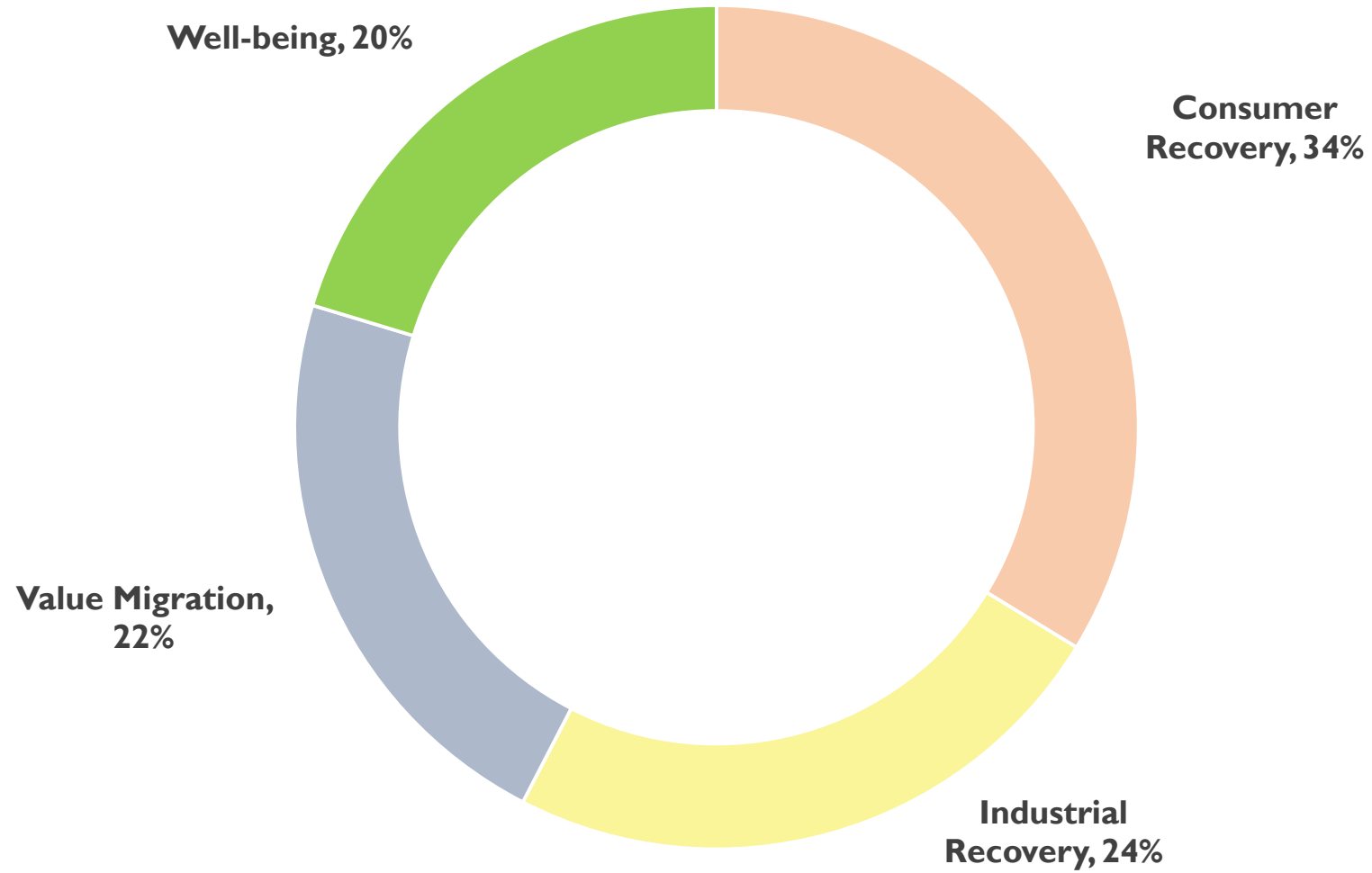


Growth in the Portfolio



Source: MOAMC Internal Analysis

Longevity Framework



Longevity

1

Consumer Recovery

SBI Cards

Tube Investments

Home First Finance

United Spirits

HUL

VIP Industries

3

Value Migration

Bharti Airtel

HDFC Bank

HCL Tech

Muthoot Finance

Kotak Bank

2

Industrial Recovery

ICICI Bank

L & T

Thermax

G R Infra

4

Well-being

Max Finance

SBI Life

Dr. Reddy's

Glaxosmith Pharma

Price

Price

“It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price”

“There is no Value without growth. There is no such thing as Value Stocks or Growth stocks. They are not two different categories!”

Warren Buffet

| | FY21 | FY22e | FY23e | FY24e |
|-----------------|------|-------|-------|-------|
| Earnings Growth | 21% | 35% | 25% | 22% |
| P/E | 36x | 26x | 21x | 17x |

Source: Bloomberg Consensus Estimate

Disclaimer: Past performance may or may not be sustained in future. The above table is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Portfolio Construct

Portfolio Mix at glance

Manufacturing Capex

Larsen & Toubro
Thernax Ltd.
GR Infraprojects Ltd.

Insurance

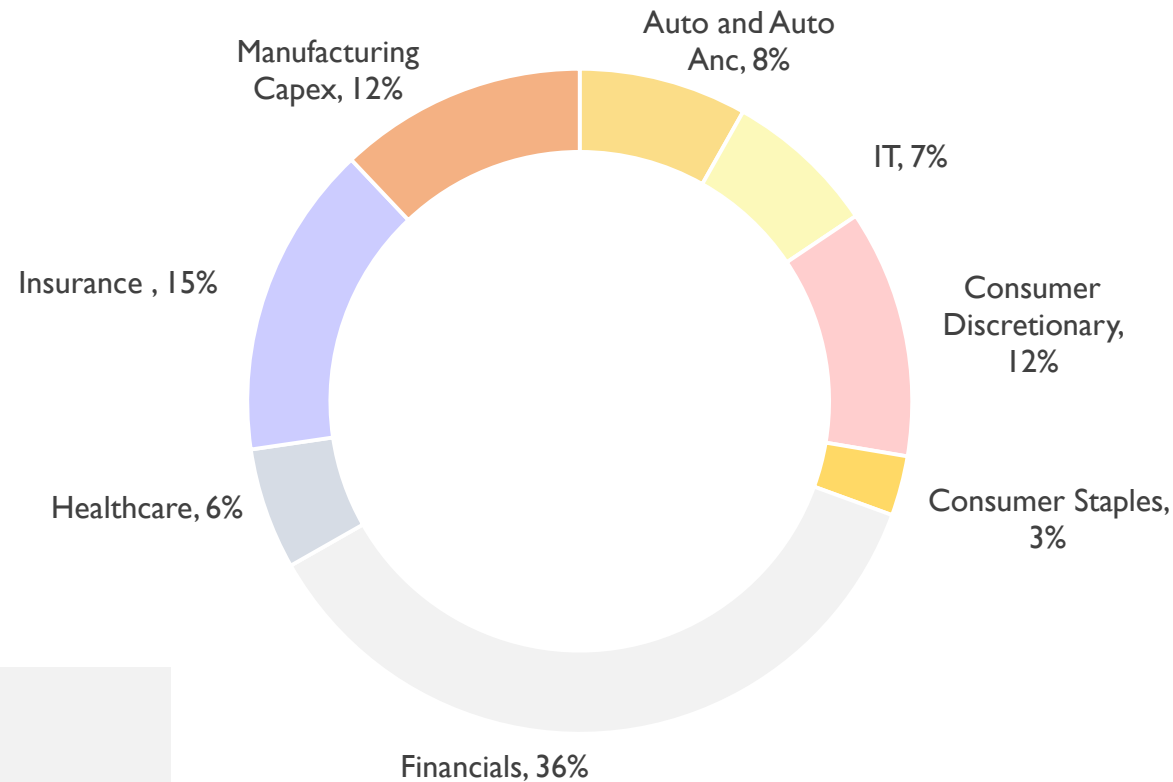
Max Financial Services
SBI Life Insurance

Healthcare

Dr. Reddy's Lab
Glaxosmith Pharma

Financials

ICICI Bank
SBI Cards
HDFC Bank
Home First Finance
Muthoot Finance
LIC Housing Finance
Kotak Mahindra Bank
AU Small Finance Bank



Auto & Auto Anc.

Tube Investments
Maruti Suzuki
Mahindra & Mahindra

IT

HCL Tech.
Infosys Ltd.

Consumer Discretionary

Bharti Airtel
United Spirits
V I P Industries
Jubilant Foodworks

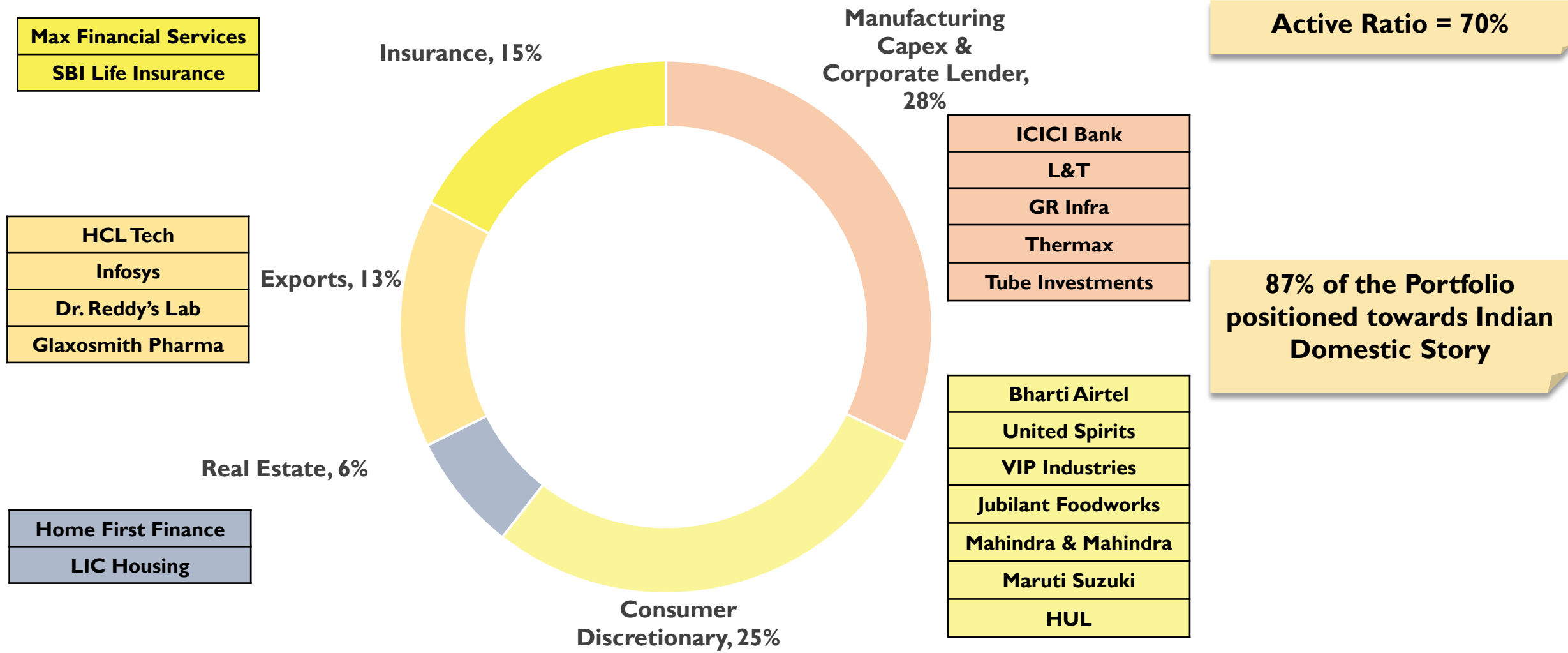
Consumer Staples

Hindustan Unilever

Data as on December 31 2021

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Portfolio Mix at glance



Portfolio Outlook

Future Outlook : Expect 27% Portfolio earnings growth in FY21-FY24

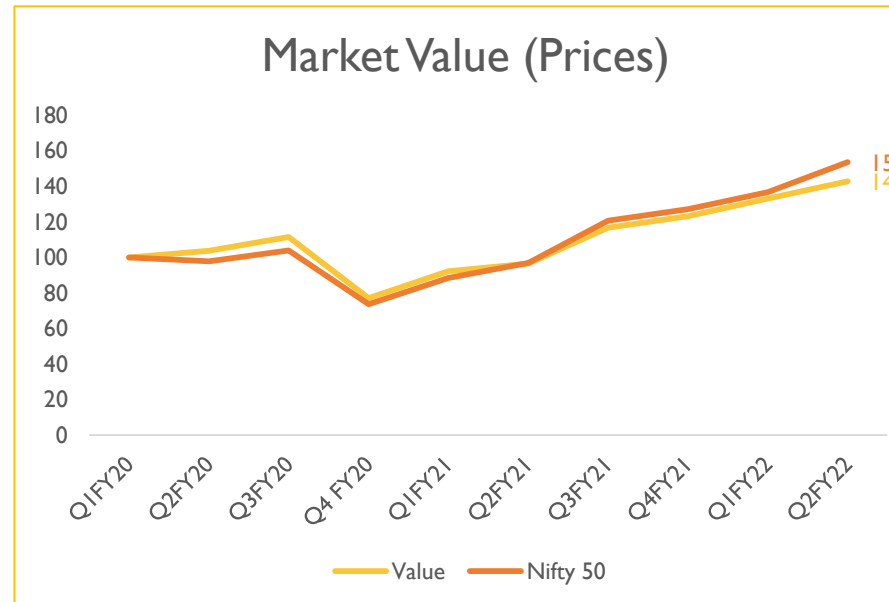
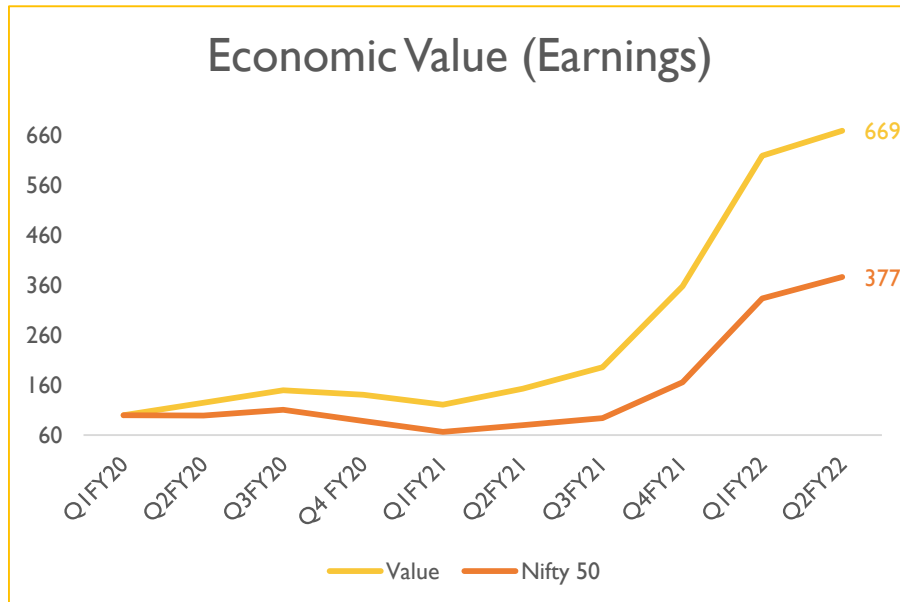
| | | Q | G | P | | | | |
|------|---------------------------------------|------------|------------|------------|-----------|-----------|-----------|-----------|
| | | ROE | EPS CAGR | PEG | P/E | | | |
| S.No | Script Names | FY24 | FY21-24E | 3-year | FY21 | FY22 | FY23 | FY24 |
| 1 | ICICI Bank Limited | 18% | 26% | 1.2 | 30 | 24 | 19 | 15 |
| 2 | Max Financial Services Limited | 20% | 22% | 1.0 | 22 | 17 | 14 | 12 |
| 3 | SBI Cards & Payment Services Ltd | 34% | 65% | 1.3 | 87 | 39 | 25 | 19 |
| 4 | HCL Technologies Limited | 28% | 21% | 1.4 | 29 | 26 | 21 | 16 |
| 5 | HDFC Bank Limited | 20% | 18% | 1.4 | 25 | 22 | 18 | 16 |
| 6 | Larsen & Toubro Ltd. | 8% | 40% | 2.1 | 85 | 41 | 35 | 31 |
| 7 | Tube Investments of India Limited | 24% | 40% | 3.0 | 121 | 65 | 52 | 44 |
| 8 | SBI Life Insurance Co. Ltd. | 24% | 30% | 0.8 | 23 | 17 | 14 | 10 |
| 9 | Bharti Airtel Limited | 15% | 164% | 2.5 | 414 | 102 | 55 | 23 |
| 10 | Home First Finance Company India Ltd. | 14% | 34% | 2.2 | 74 | 54 | 39 | 31 |
| | | | | | | | | |
| | PORTFOLIO | 19% | 27% | 1.3 | 36 | 26 | 21 | 17 |

Portfolio Quants: Value is far superior compared to Nifty 50

| | Value Strategy | Nifty 50 | |
|--------------------|----------------|----------|-----------------------|
| FY24 ROE | 19% | 13% | Value is far superior |
| FY21-24 EPS Growth | 27% | 20% | Value is far superior |
| PEG | 1.3x | 1.8x | Value is superior |

Portfolio Earnings Performance

| | Q1FY20 | Q2FY20 | Q3FY20 | Q4 FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|--------------------------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|
| Value Portfolio Earnings | 22% | 25% | 20% | -6% | -14% | 26% | 28% | 83% | 73% | 8% |
| Nifty Earnings | 11% | -1% | 12% | -20% | -25% | 20% | 18% | 76% | 101% | 13% |

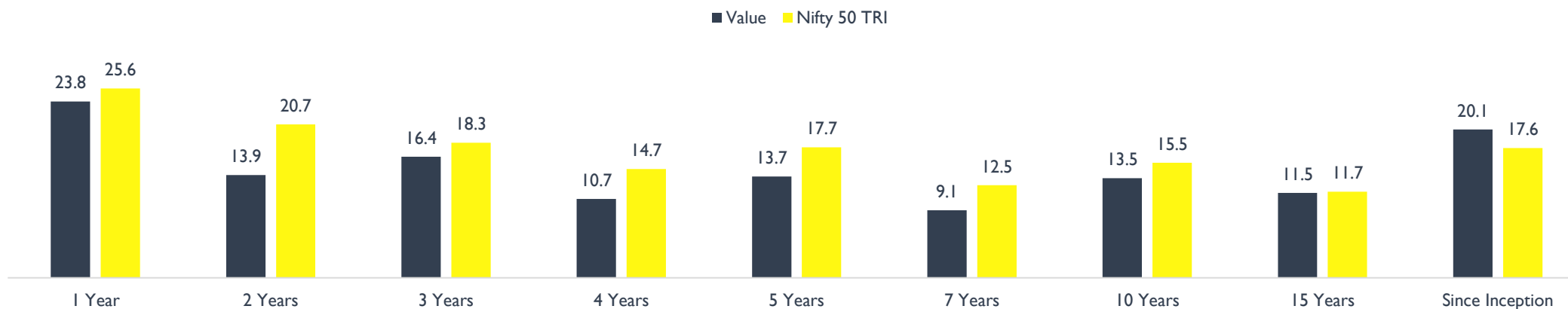


- On earnings basis , the strategy has outperformed the index in 8/10 quarters. Last 2 quarters under-performance was due to deep cyclicals which is expected to be transient
- On a cumulative basis of economic value of the portfolio we should have outperformed by ~2x. However, we have underperformed by 9%. This is an anomaly which will get corrected with time

Performance

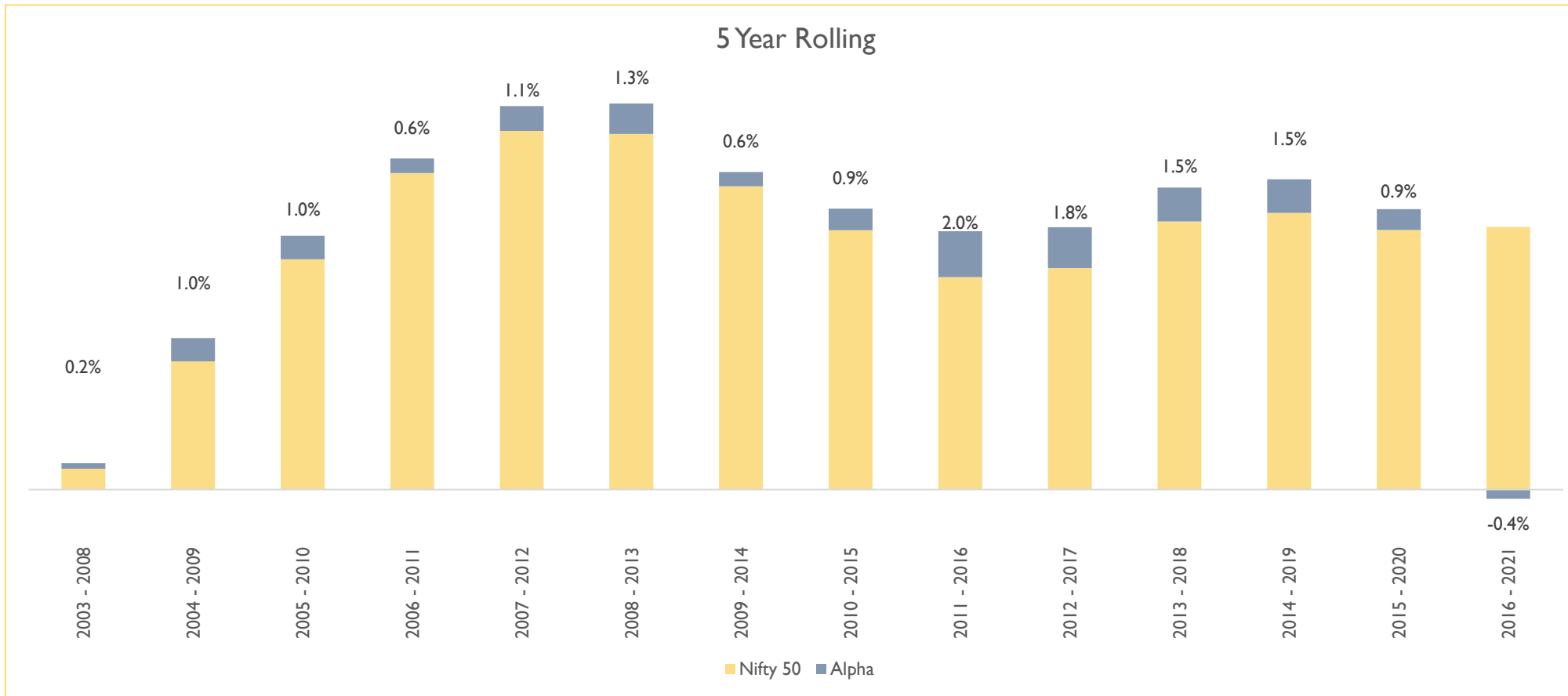
Fund Performance

| | CY18 | CY19 | CY20 | CY21 | Since Inception |
|-----------------------------|-------------|-------------|--------------|--------------|-----------------|
| Value (Including Dividends) | -4.8% | 21.6% | 4.8% | 23.8% | 20.1% |
| Nifty (Total Returns) | 4.6% | 13.5% | 16.1% | 25.6% | 17.6% |
| Alpha | -9.5 | 8.1% | -11.4 | -1.8% | 2.5% |



Value Strategy Inception Date: 18th Feb 2003; Data as on 31st Dec 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; *Earnings as of Dec 2020 quarter and market price as on 30th Apr 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Past Performance : Unbroken positive 5-yr rolling returns till Mar-20



- Single period of underperformance on 5 year rolling basis





ICICI BANK

Best man at the helm in what was always a good franchise

ICICI Bank under the leadership of Mr Sandeep Bakhshi; in our view should be a very different bank than in the past. All our checks suggest a clear focus on 'risk'; in what's already a good liability franchise (45%+ CASA).

Significant value creation in subsidiaries

ICICI Prudential Life Insurance Company, ICICI Securities, ICICI Lombard General Insurance Company; have already been listed on the bourses; while we expect ICICI Prudential Asset Management to list in the next 12-24 months

Strong growth outlook

We expect ICICI Bank to report 40% PAT CAGR over next 3 years time; taking its RoE from mid-single digit to ~14%-15% levels.

Re-rating to be gradual

Ex-subsidiary valuation; ICICI Bank trades at a P/B of 1x; which is at a substantial discount to intrinsic value; given our expectation of steady-state 16-18% RoEs. We believe as the bank delivers; it should re-rate gradually.

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MAX FINANCIALS

Strong underlying insurance business

With best in class metrics (20%+ VNB Margins, 20% RoEVs) and growth track record (20%+ EV compounding).

Axis Bank overhang on verge of resolution

Axis Bank emerging as the single largest shareholder with 18% stake, subject to regulatory approvals.

Holdco structure to collapse

Expect Max Life shares to be listed in the next 12-18 months.

Attractively valued

Max is at 15x EVOP v/s 35x for HDFC Life, despite business metrics and growth being quite similar.

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3

HDFC Bank

Multi-decade track record

Stellar track record of minimum 16% RoE and minimum 19% growth in any given year over the last 20 years; despite multiple corporate and retail cycles over these years

Strong liability franchise

42% CASA, 5.0% cost of funds; on the asset side equal mix between corporate and retail assets which provides the right flexibility to maneuverer growth / risk

Beneficiary of transition to digital

Virtual RM platform; automated digital lending, through which cost to income has declined from 45% to 39% over last 3 years

Smooth CEO transition; Attractively valued

- Smooth transition in CEO from Mr Aditya Puri to Mr Sashidhar Jagdishan; internal leader taking charge bodes well to maintain culture and franchise continuity.
- The bank is trading at 2.9x TTM P/B. Prospects of 20%+ growth / 18% RoE.

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4

Dr Reddy's Laboratories

Promoter owned – Professionally run

New CEO was well empowered and consequently had taken hard steps to re-shape the business to become fitter, profitable and more predictable. Margins have moved from 20% to 25% in 2 years and RoE from 11% to 16%.

Strong R&D capability

With a strong R&D lineage, higher productivity focus with lower product concentration have led to lower volatility in performance.

Leadership positioning strengthening across markets

With the existing dominant presence in US, two emerging geographies where they will be gaining dominance in future viz India and China. This would happen in conjunction with expanding therapy menus viz Injectibles

Growth Mindset

High quality growth and well governed business available at reasonable valuations of ~30x P/E with 17% RoCE for FY21. Their aspiration to be the most productive pharma company in India alongwith being the Top 5 player in Domestic market is setting up the company nicely for the next few years as well

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5

HINDUSTAN UNILEVER

Lowered competition intensity

Over the last 4-5 years, competition intensity has decreased in the FMCG space in India. This has increased margins for all players in the market. It is likely to continue over the next few years.

Increased exposure to Food and Beverages

With the acquisition of Glaxosmithkline Consumer Healthcare, F&B revenue contribution to the portfolio in the previous financial year is likely to have been ~35%. Additionally, the F&B market in India is larger than the home care market.

Larger players poised to benefit

In the current environment, along with themes such as the formalization of the economy continuing to play out, a large market player with a strong balance sheet, control on distribution and supply chain is likely to benefit.

Strong quarterly results

HUL has beaten earnings expectations over the last quarter and has been using this period to expand market share.

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Thought leader



Raamdeo Agrawal
Chairman, MOFSL

- Raamdeo Agrawal is the Co-Founder of Motilal Oswal Financial Services Limited (MOFSL).
- As Chairman of Motilal Oswal Asset Management Company, he has been instrumental in evolving the investment management philosophy and framework.
- He is on the National Committee on Capital Markets of the Confederation of Indian Industry (CII), and is the recipient of "Rashtriya Samman Patra" awarded by the Government of India.
- He has also featured on 'Wizards of Dalal Street' on CNBC. Research and stock-picking are his passions which are reflected in the book "Corporate Numbers Game" that he co-authored in 1986 along with Ram K Piparia.
- He has also authored the Art of Wealth Creation, that compiles insights from 21 years of his Annual 'Wealth Creation Studies'.
- Raamdeo Agrawal is an Associate of Institute of Chartered Accountants of India.

Fund management team



Shrey Loonker

- Shrey has been managing our PMS Strategy since August 2017.
- He has 14 years of overall experience in equity research and fund management.
- Before joining Motilal Oswal AMC, he was associated for 11 years with Nippon India MF and last as Fund Manager – Banking Fund. He has also worked with Ernst & Young.
- Shrey is a qualified Chartered Accountant (CA) and a Chartered Financial Analyst (CFA) from CFA Institute, USA.



Susmit Patodia

- Susmit has been co-managing our PMS Strategy since February 2019.
- He has an overall experience of 13 years in equity markets, with close to 10 years with Motilal Oswal Group.
- His previous stints were with Accenture where he worked as a Management Consultant across industries. He has also worked with Franklin Templeton AMC.
- Susmit has a Post Graduate Diploma in Management from IIM Bangalore (MBA).

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