

# MONTHLY Communique

October 2019



**Aashish P Somaiyaa**  
(MD & CEO)

Dear Investors and my dear advisor friends,

Recently I wrote on micro-blogging platform Twitter:



There are phases when politics and socio-political considerations determine economics. Government involvement in the flow and allocation of resources seems ever-increasing with rising taxes, resource mobilization and routing them to weaker sections of society or the sections that need attention. And this is rightly so. But this imbalance of focus eventually results in risks to the economic position and perception of the country, deficits start to go out of control, skewed intermediation in resource allocation results in economic growth suffering, macros turn towards imbalance, investments suffer, foreigner investors lose interest and economic confidence dwindles. Over and above that, specific to the recent past, we have had massive economic upheavals via demonetisation, RERA, GST etc. Eventually we can travel only that much with politics driving economics before the economy starts to backfire and starts dictating the politics. We have seen examples like August 2012 where the Government of the day had to make the highly unpopular decision of hiking diesel prices overnight to prevent the deficits from bloating. We have seen the Government in 2007 sacrificing political support of one party and securing support of another in order to have better relations and strike a nuclear deal with the US. The biggest example of economics backfiring to dictate politics was the reforms of 1991 where many politically tough decisions were made.

On Friday September 20, 2019 the Government announced quite unexpectedly that corporate tax rates would be brought down to effective rates close to 25% instead of the current highest rate of 35%. And further, in case of new manufacturing units there would be a concessional tax of 15% plus surcharge. Which this was proposed by the Government way back in 2014, consistently a weak fiscal position and different set of priorities were cited to avoid cutting the taxes although promised long back. The consistently dwindling corporate performance and investment demand coupled with the opportunities opened up by the US-China trade war has finally encouraged the Government to bite the bullet on corporate taxes.

The markets have reacted positively. The initial reaction is obviously just related to a kind of reset. Part of the tax cut could potentially translate into higher bottom lines and hence companies which benefit do deserve higher valuations. But that's just the

(Continued overleaf)

**THINK EQUITY**  
**THINK MOTILAL OSWAL**

**MOTILAL OSWAL**  
Asset Management  
**PORTFOLIO STRATEGY**

**BUY RIGHT**  
**SIT TIGHT**




first order effect of the move. We have yet to see how the benefit of lower taxes are utilised by companies – by giving discounts to consumers, or compensation employees better or hiring more people, announcing new investments, spending on marketing, distribution and advertising etc. It is the latter set of developments which will determine what kind of second order effects we witness in the economy. Fortunately for us this comes amidst the busy festive season and the last two quarters of the financial year which are busier than the first two. Good monsoons may aid too.

There are many who have expressed concerns over fiscal deficits rising and eventually impacting inflation. Well yes, if you are a bond market investor then fiscal deficit and rising inflation comes back to bite immediately. But if you are an equity investor then 5% growth with 2% inflation is way worse than 7-8% growth with 4-5% inflation. Yes, eventually high deficits do come back to bite even equity investors but low growth low inflation with deficit is much worse than a deficit which engenders better growth and slightly higher inflation. We are on the right track and our belief is that the markets will cheer and may show significant upside over the next 3-6 months. Just around the corner we will see September end quarter results and GDP print for the September quarter which one must not react if they are not good because it is baked in the market knowledge. Any declines will be opportunities to invest for better results in the next 1-2 years. You may consistently top up your investments over the next 2-3 months at every dip so as to not only get better results in the next 1-2 years but also to hasten the recovery in any investments that have shown poor value in the last 1-2 years.

Lastly, the recent upside and further impending upside should not be used as a relief to exit positions as is the reaction sometimes after a period of poor investing experience. I recently ran a poll on this.



While overwhelming majority says they would stay on course, it's the action that will count.

Yours Sincerely,  
  
Aashish P. Somaiyaa  
(MD & CEO – Motilal Oswal AMC)

# Value Strategy

## Investment Objective

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation. Value is a large cap\* oriented strategy where investments are made with long term perspective with industry leaders.

\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager : Shrey Loonker  
 Co-Fund Manager : Susmit Patodia  
 Strategy Type : Open ended  
 Date of Inception : 24th March 2003  
 Benchmark : Nifty 50 Index  
 Investment Horizon : 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	77.5
Mid cap	17.1
Small cap	2.1

## Top 10 Holdings

Particulars	% Allocation
HDFC Bank Ltd.	12.50
HDFC Standard Life Insurance Company Ltd.	11.37
ICICI Bank Ltd.	7.90
Kotak Mahindra Bank Ltd.	7.22
Bajaj Finserv Ltd.	6.48
Larsen & Toubro Ltd.	5.83
Maruti Suzuki India Ltd.	4.72
Bharat Petroleum Corporation Ltd.	4.60
Dr Reddy's Laboratories Ltd.	4.03
Bharat Forge Ltd.	3.71

Data as on 30<sup>th</sup> September 2019

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	55.05
Auto & Auto Ancillaries	12.08
Engineering & Electricals	8.67
Oil and Gas	7.90
Pharmaceuticals	7.71
Cash	3.31

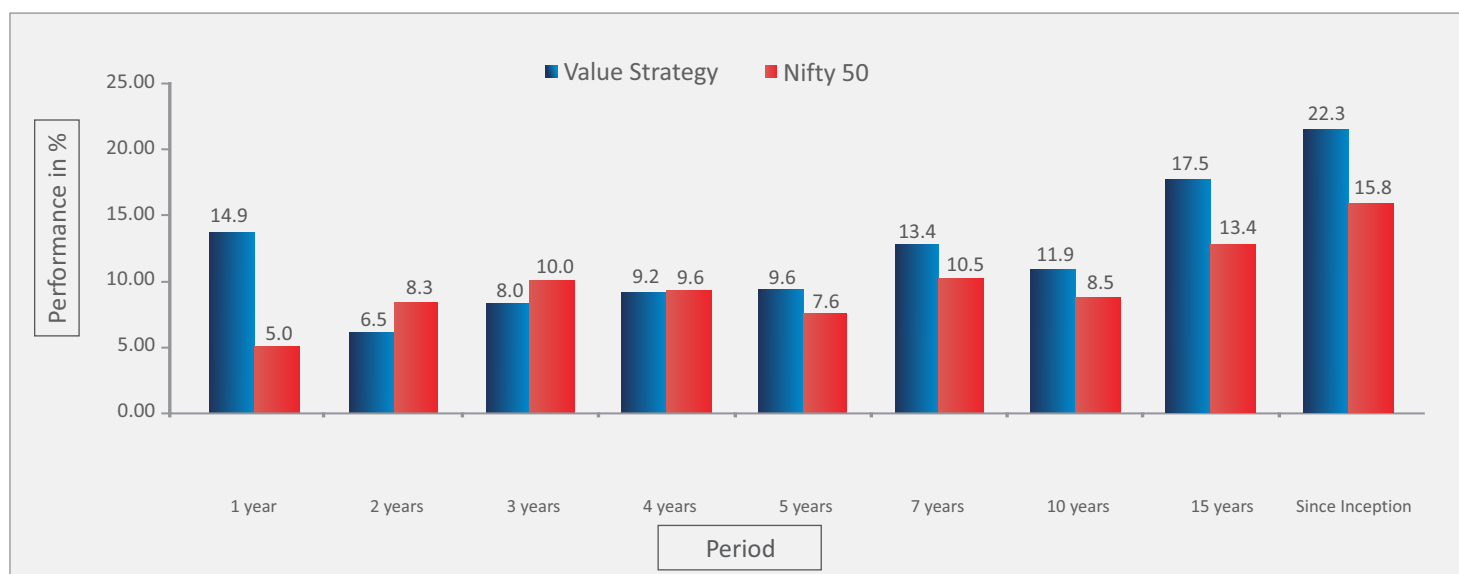
Data as on 30<sup>th</sup> September 2019

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	Value Strategy	Nifty 50
Standard Deviation (%)	20.27%	22.23%
Beta	0.82	1.00

Data as on 30<sup>th</sup> September 2019



The Above strategy returns are of a Model Client. Returns of individual clients may differ depending on factors such as time of entry/exit/ additional inflows in the strategy. The Above returns are calculated on NAV basis and are based on the closing market prices as on 30<sup>th</sup> September 2019. Past performance may or may not be sustained in future. Returns above 1 year are annualized. Please refer to the disclosure document for further information.

# Next Trillion Dollar Opportunity Strategy

## Investment Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth. It aims to predominantly invest in Small and Mid Cap stocks\* with a focus on identifying potential winners that would participate in successive phases of GDP growth. Focus is on businesses benefitting from growth in GDP.

\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager : Manish Sonthalia  
 Strategy Type : Open ended  
 Date of Inception : 05th December 2007  
 Benchmark : Nifty 500  
 Investment Horizon : 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	46.0
Mid cap	50.6
Small cap	3.2

## Top 10 Holdings

Particulars	% Allocation
Kotak Mahindra Bank Ltd.	14.55
Voltas Ltd.	10.75
Page Industries Ltd.	8.34
City Union Bank Ltd.	5.25
ICICI Bank Ltd.	4.93
L&T Technology Services Ltd.	4.25
Eicher Motors Ltd.	3.95
Bajaj Finance Ltd.	3.89
Max Financial Services Ltd.	3.74
Tech Mahindra Ltd.	3.51

Data as on 30<sup>th</sup> September 2019

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	34.75
FMCG	16.39
Diversified	13.60
Auto & Auto Ancillaries	9.87
Infotech	7.76
Pharmaceuticals	5.27
Oil and Gas	5.06
Cash	0.13

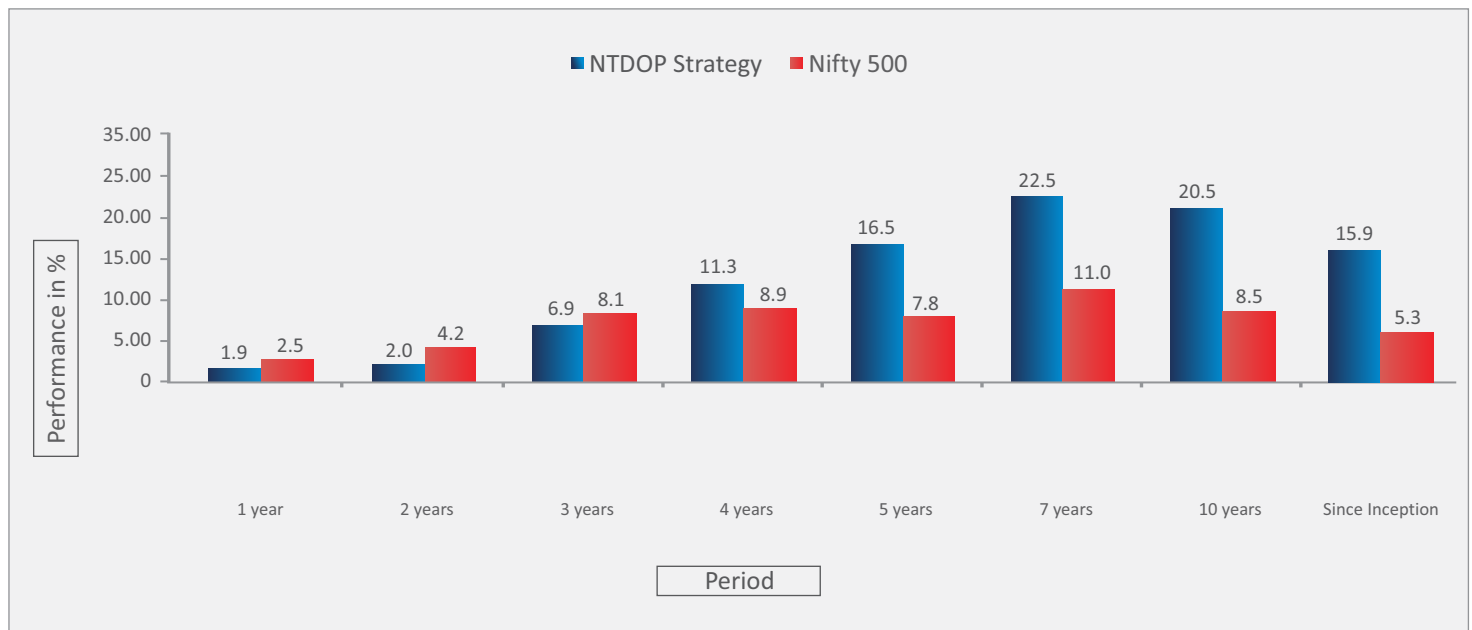
Data as on 30<sup>th</sup> September 2019

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	NTDOP	Nifty 500
Standard Deviation (%)	17.68%	20.91%
Beta	0.70	1.00

Data as on 30<sup>th</sup> September 2019



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# India Opportunity Portfolio Strategy

## Investment Objective

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices. The strategy is for investors who are keen to generate wealth by participating in India's growth story over a period of time.

The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager	: Mr. Manish Sonthalia
Associate Fund Manager	: Mr. Atul Mehra
Strategy Type	: Open ended
Date of Inception	: 11th Feb. 2010
Benchmark	: Nifty Smallcap 100
Investment Horizon	: 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	7.0
Mid cap	30.3
Small cap	62.3

## Top 10 Holdings

Particulars	% Allocation
Development Credit Bank Ltd.	11.31
ICICI Securities Ltd.	7.65
TTK Prestige Ltd.	7.41
Birla Corporation Ltd.	7.03
Aegis Logistics Ltd.	6.51
Blue Star Ltd.	6.18
Mahanagar Gas Ltd.	6.06
Alkem Laboratories Ltd.	5.73
Can Fin Homes Ltd.	5.66
Kajaria Ceramics Ltd.	5.61

Data as on 30<sup>th</sup> September 2019

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	30.59
Pharmaceuticals	14.43
Consumer Durable	13.02
Oil and Gas	12.57
Engineering & Electricals	9.47
Cement & Infrastructure	8.30
Cash	0.35

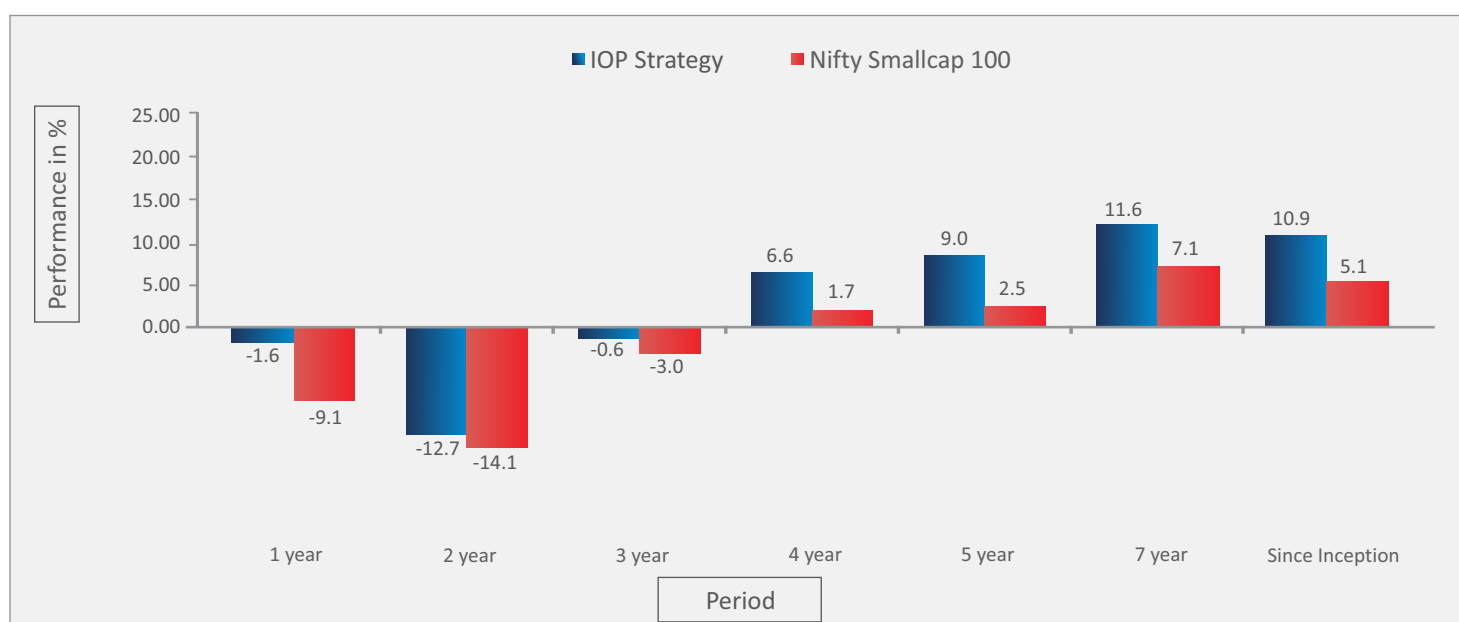
Data as on 30<sup>th</sup> September 2019

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	IOPS	Nifty Smallcap 100
Standard Deviation (%)	15.54%	19.70%
Beta	0.59	1.00

Data as on 30<sup>th</sup> September 2019



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# India Opportunity Portfolio V2 Strategy

## Investment Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India's emerging businesses. It aims to predominantly invest in Small and Midcap stocks\* with a focus on identifying potential winners. Focus on Sectors and Companies which promise a higher than average growth.

\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager	: Mr. Manish Sonthalia
Associate Fund Manager	: Mr. Atul Mehra
Strategy Type	: Open ended
Date of Inception	: 5th Feb. 2018
Benchmark	: Nifty Smallcap 100
Investment Horizon	: 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	6.9
Mid cap	34.6
Small cap	51.5

## Top 10 Holdings

Particulars	% Allocation
Cholamandalam Investment & Finance Company Ltd.	10.06
Godrej Agrovet Ltd.	7.14
Ipca Laboratories Ltd.	7.06
Larsen & Toubro Infotech Ltd.	6.95
Sobha Ltd.	6.45
JK Lakshmi Cement Ltd.	5.62
Bajaj Electricals Ltd.	5.55
Bata India Ltd.	5.46
KEI Industries Ltd.	5.30
Sundram Fasteners Ltd.	4.85

Data as on 30<sup>th</sup> September 2019

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	20.94
Electricals & Electronics	13.73
Agriculture	11.25
Infotech	8.40
Pharmaceuticals	7.99
Real Estate	6.45
Cement	5.62
Retail	5.46
Cash	6.97

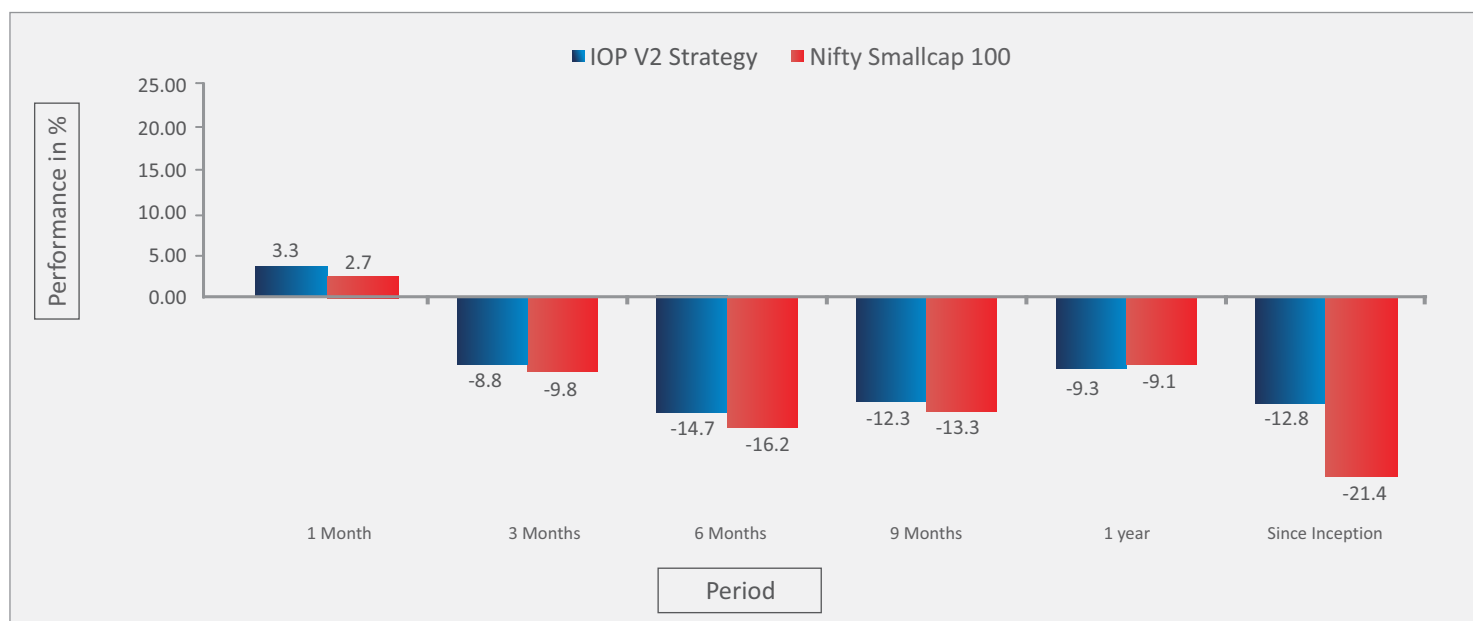
Data as on 30<sup>th</sup> September 2019

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	IOP V2	Nifty Smallcap 100
Standard Deviation (%)	18.17%	20.02%
Beta	0.76	1.00

Data as on 30<sup>th</sup> September 2019



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# Business Opportunities Strategy

## Investment Objective

The investment objective of the Strategy is to achieve long term capital appreciation by primarily investing in equity & equity related across market capitalization. It aims to predominantly invest in emerging themes with focus on themes like affordable housing, agricultural growth, GST and value migration from PSU banks to Private Sector Banks.

The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager	: Mr. Manish Sonthalia
Strategy Type	: Open ended
Date of Inception	: 16th Jan. 2018
Benchmark	: Nifty 500
Investment Horizon	: 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	60.9
Mid cap	27.2
Small cap	11.9

## Top 10 Holdings

Particulars	% Allocation
Hindustan Unilever Ltd.	9.08
Bajaj Finance Ltd.	8.76
Bata India Ltd.	8.64
ICICI Lombard General Insurance Company Ltd.	6.64
HDFC Bank Ltd.	6.60
Kotak Mahindra Bank Ltd.	5.63
Titan Company Ltd.	5.23
Blue Star Ltd.	5.03
Container Corporation Of India Ltd.	4.89
HDFC Life Insurance Company Ltd.	4.70

Data as on 30<sup>th</sup> September 2019

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	34.40
FMCG	18.64
Retail	14.94
Agriculture	6.48
Construction	5.76
Engineering & Electricals	5.49
Cash	0.05

Data as on 30<sup>th</sup> September 2019

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	BOP	Nifty 500
Standard Deviation (%)	14.68%	13.93%
Beta	0.91	1.00

Data as on 30<sup>th</sup> September 2019



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