

# Motilal Oswal Focused 25 Fund

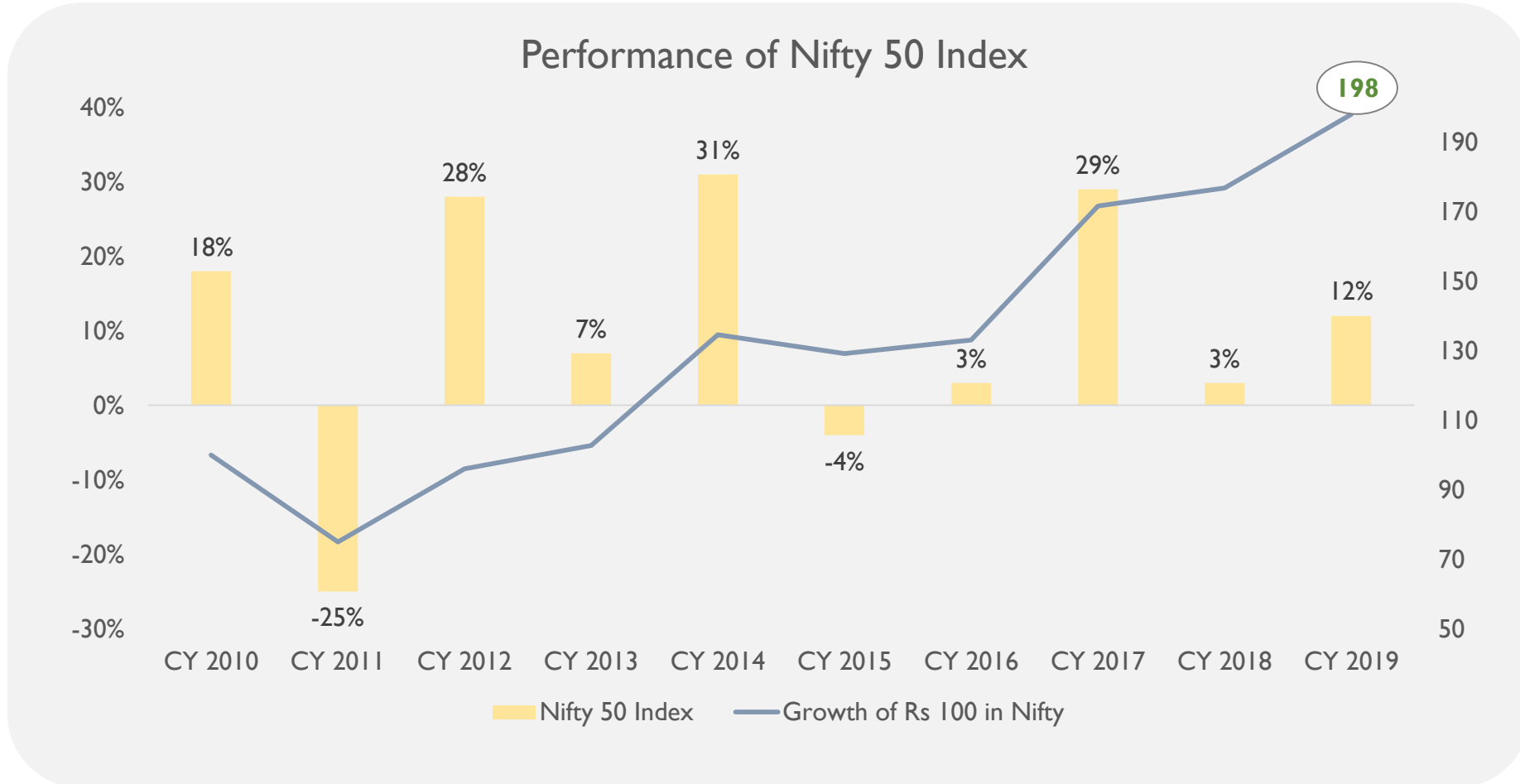
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**Focused Large cap Fund**

THINK EQUITY  
THINK MOTILAL OSWAL



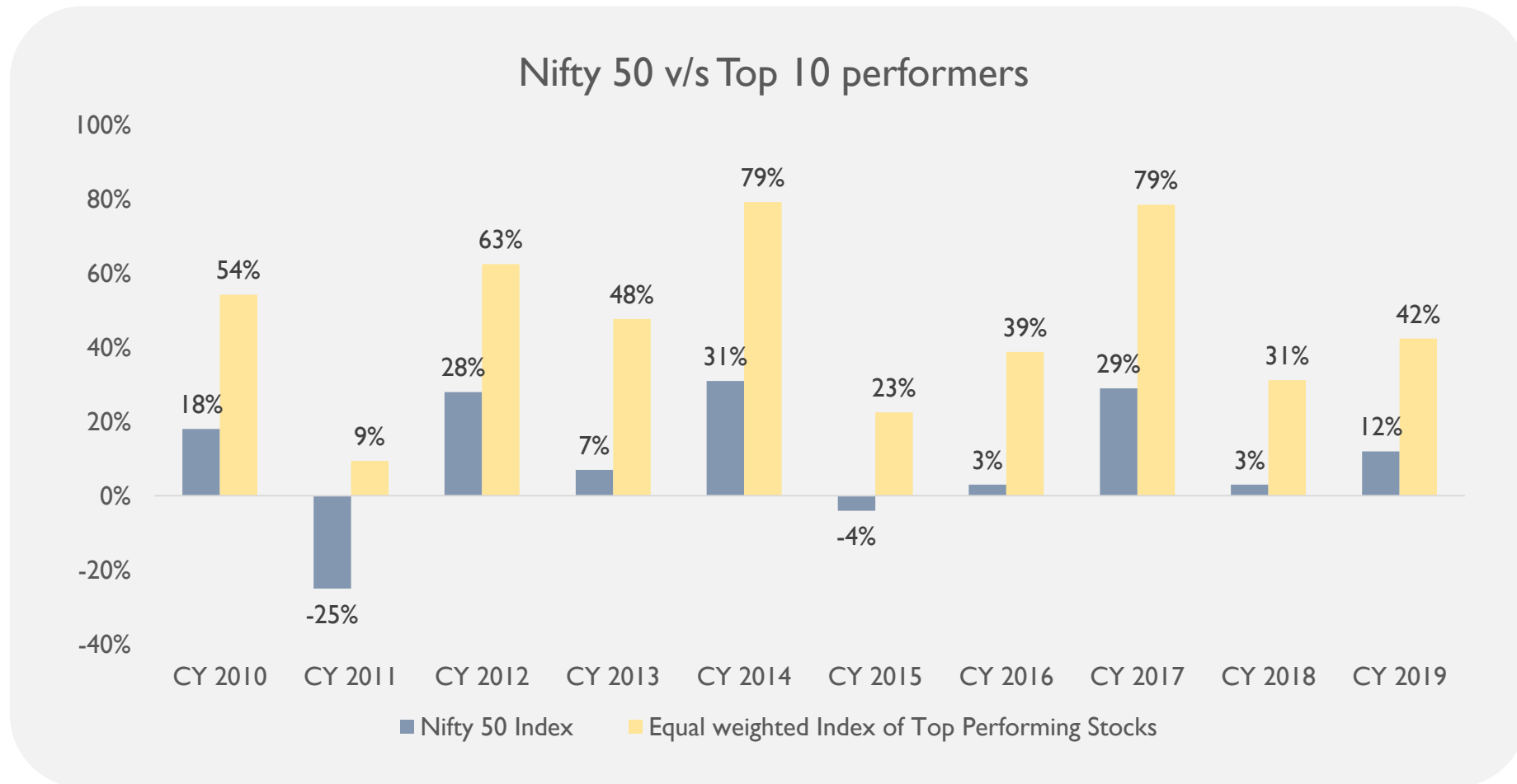
# Equity investing leads to Compounding of wealth



- Investment in equities (Nifty 50 Index) has grown by 2 x times in 10 years

Source: MOAMC internal research. Disclaimer: The above is for representation purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

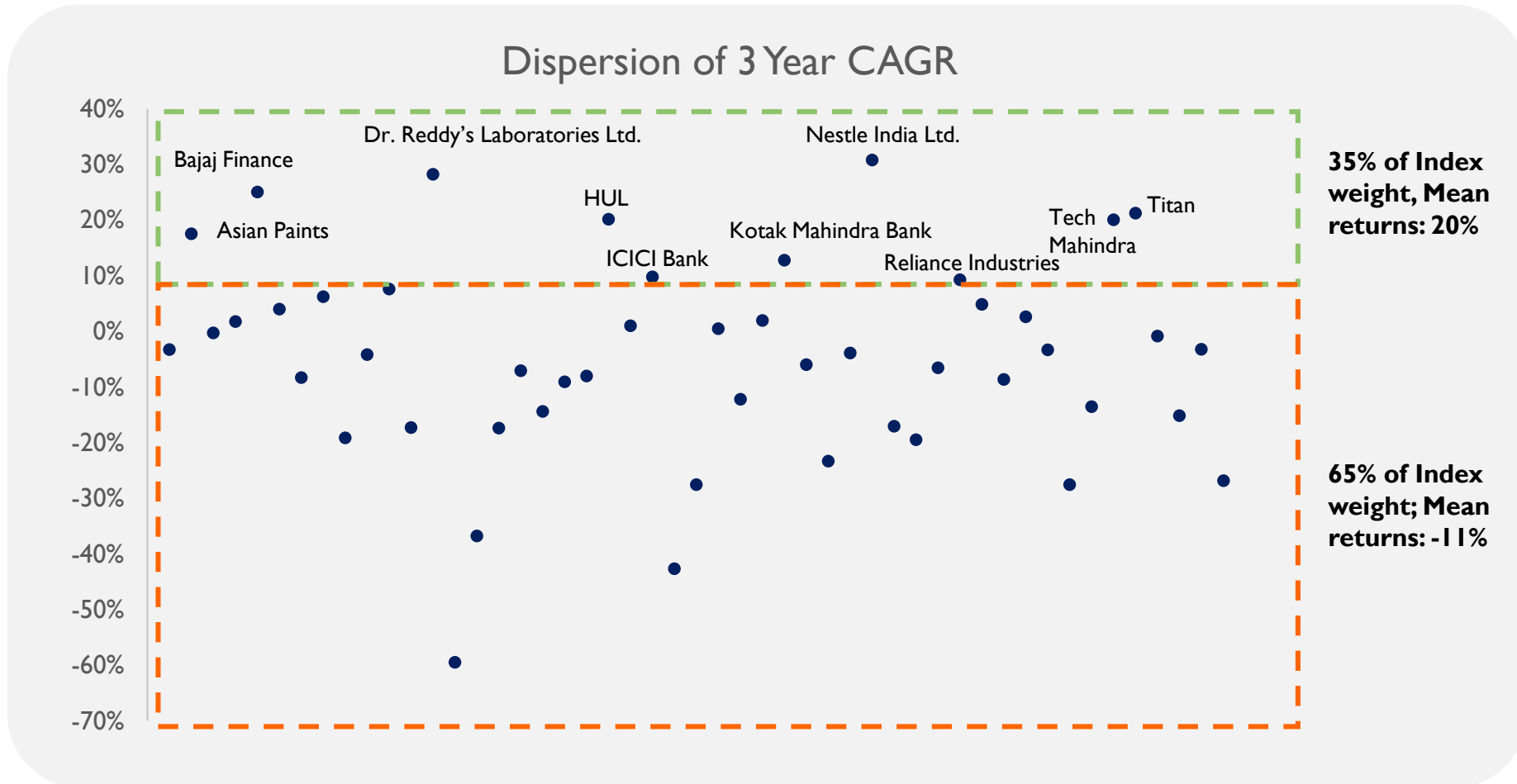
... However all stocks have not given same returns



- **Top 10 stocks have significantly outperformed the Nifty 50 Index**
- **Thus having fewer good stocks in the portfolio is beneficial for the investor**

Source: MOAMC internal research. Disclaimer: Returns for 10 stocks are mean returns assuming that top 10 performing stocks of each year were invested at equal weights. The above is for representation purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Why Focused Portfolios? Dispersion robs Portfolios of true multiplying potential



- **Top 10 stocks account for 35% of Index weight but contributes majority of returns**
- **Nifty 50 Returns for 3 years: 4.7%**
- **Dispersion averages out the overall returns of the portfolio**

Source: MOAMC internal research. Disclaimer: Data from Aug 31, 2017 till August 2020. The above is for representation purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Why focused portfolio? – Invests in few quality stocks

	Weights	3 Year Returns
Stock A	10%	25%
Stock B	10%	20%
Stock C	10%	15%
Stock D	10%	8%
Stock E	10%	7%
Stock F	10%	5%
Stock G	10%	5%
Stock H	10%	2%
Stock I	10%	-6%
Stock J	10%	-11%
<b>Portfolio Returns</b>		<b>7.0%</b>

20% Returns from top 3 stocks

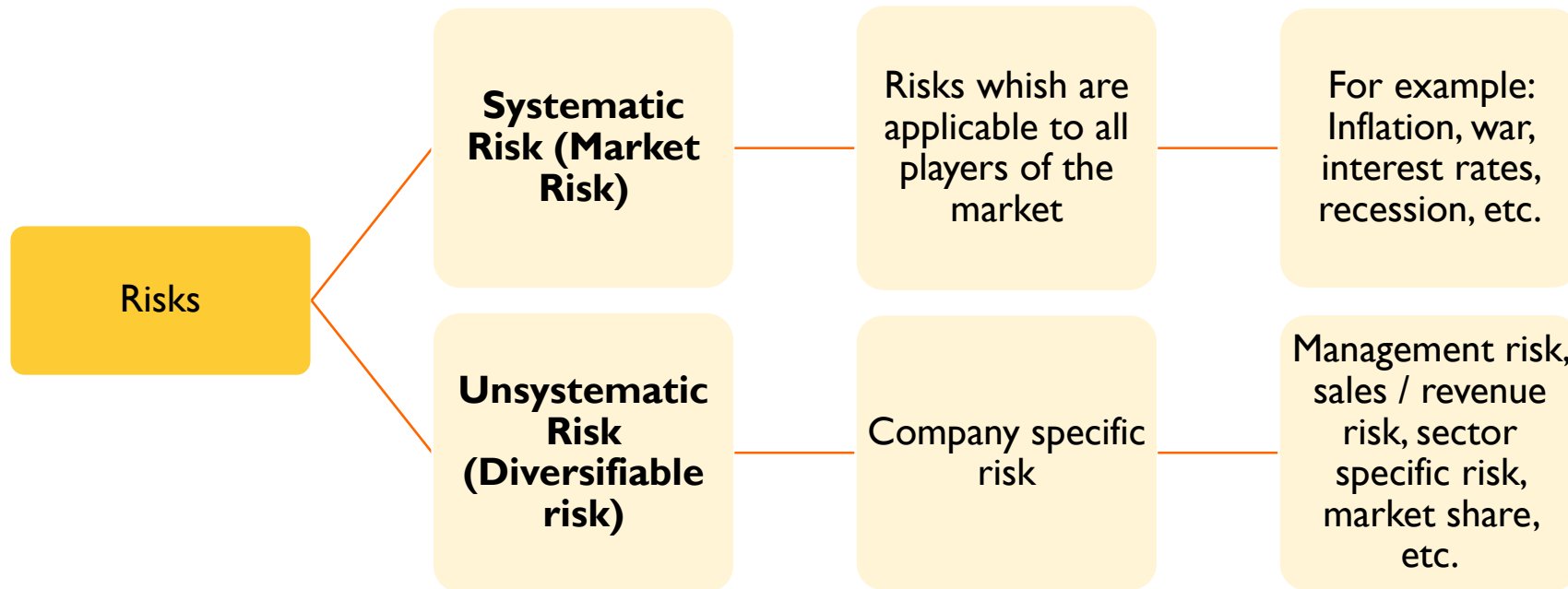
13% higher returns from Focused Portfolio

Returns from holding entire portfolio of 10 stocks

- Focusing on few quality stocks can greatly enhance the performance of a portfolio

Source: MOAMC internal research. Disclaimer: The above table is an illustration of a stated example and is the actual performance of any scheme. The above is for representation purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

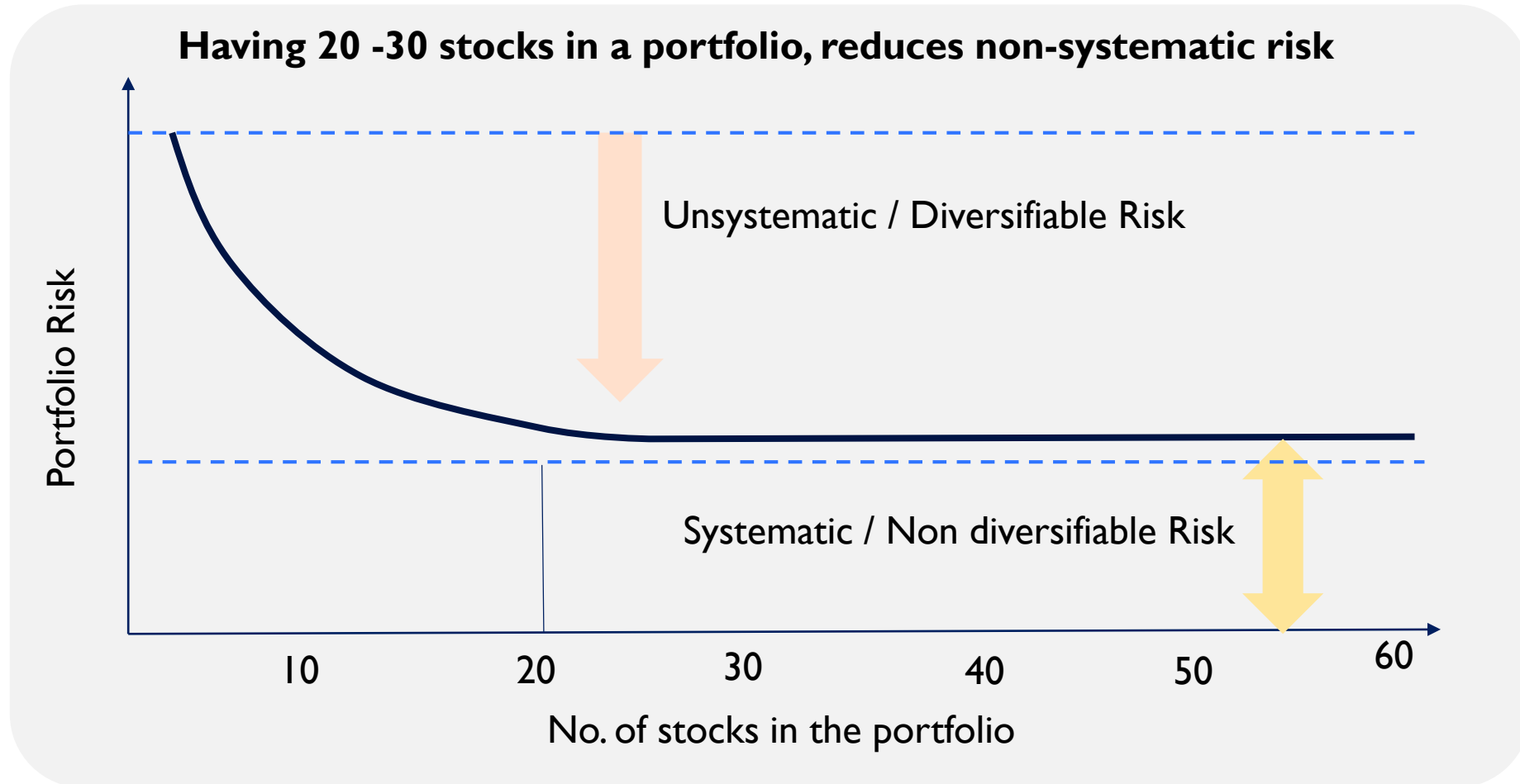
## Does “less (stocks)” mean “more risk”? – Analysing risks in building focused portfolio



- Nobel Memorial Prize winner Harry Markowitz suggests that there are two kinds of portfolio risk
  - a) Systematic and b) Unsystematic
- Non-systemic risk decreases with increasing number of stocks, but only up to a limit

**Key Question to ask :To what extent does having more stocks in a portfolio reduce Diversifiable risk?**

## Does “less (stocks)” mean “more risk”? – Analysing risks in building focused portfolio



- Based on **Modern Portfolio Theory**, **Unsystematic risk** reduces only till **20-30 stocks** in the portfolio
- Adding additional stocks does not reduce risk further

Source: Adapted from Modern Portfolio Theory

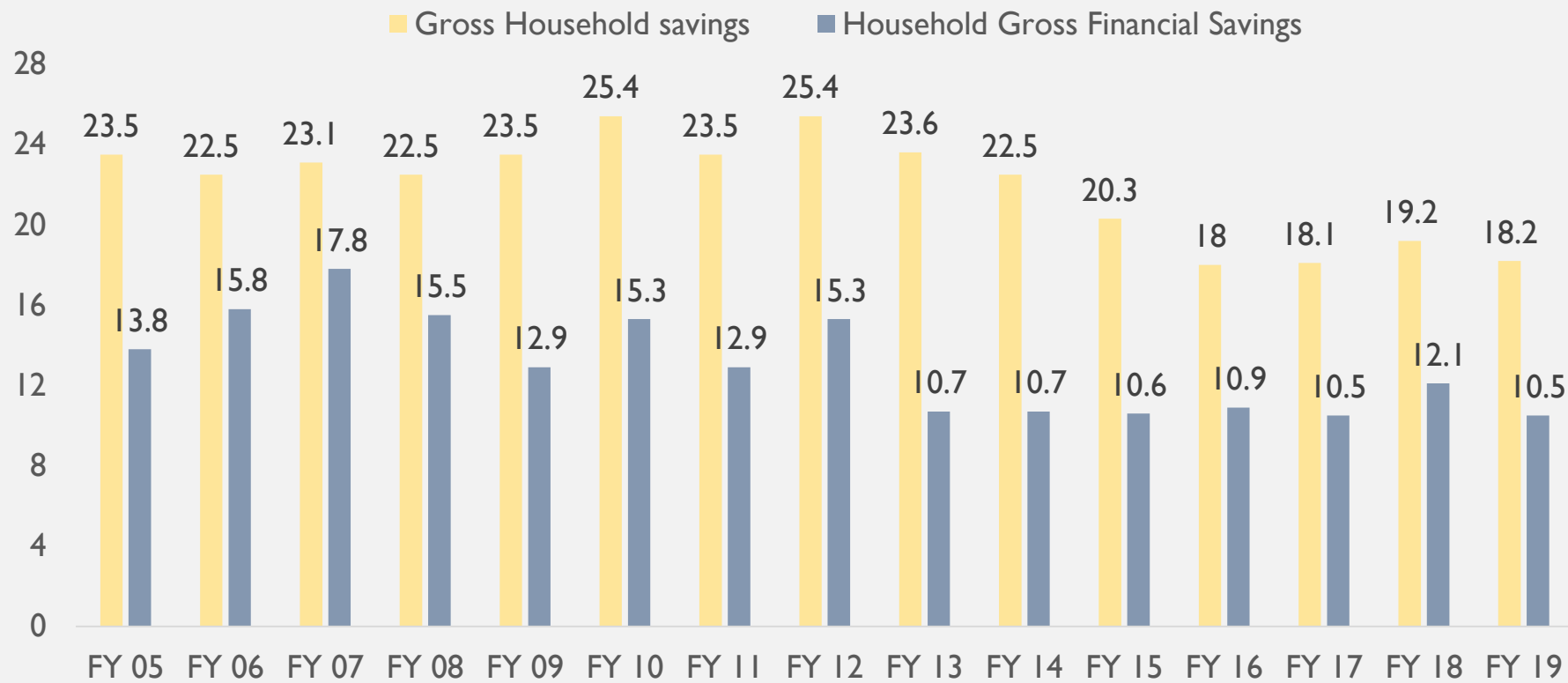
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# Introducing Motilal Oswal Focused 25 Fund

Large cap oriented focused funds with buy right sit tight philosophy



# Why Large caps? – Increase in Equity ownership with financialisation of savings



- It is moving assets from real assets to financial assets
- Household savings seeing increase in share of financial assets (currently ~60%)

Source: ICICI Securities and MOFSL Research

Disclaimer: The above Graph is used for illustration purpose only and should not be used for development or implementation of an investment strategy

# Why Large caps? – Increase in Equity ownership with financialisation of savings

Indian Mutual Fund Industry AUM (Rs Lakh Cr.)



- Increase in financial assets is evident from consistent increase in mutual fund AUM

Source: AMFI, MOAMC internal Research and MOFSL Research. AUM stands for Asset Under Management

Disclaimer: The above graph is used for illustration purpose only and should not be used for development or implementation of an investment strategy

## Why Large caps? – Quality with stability and resilience

### Relative stability

- Relatively stable due to large size and longer history compared to the broader markets
- Broad based ownership also ensures lesser volatility

### Resilience

- Larger Balance sheet &
- Survival through different market cycles make large caps resilient

### Quality of Management

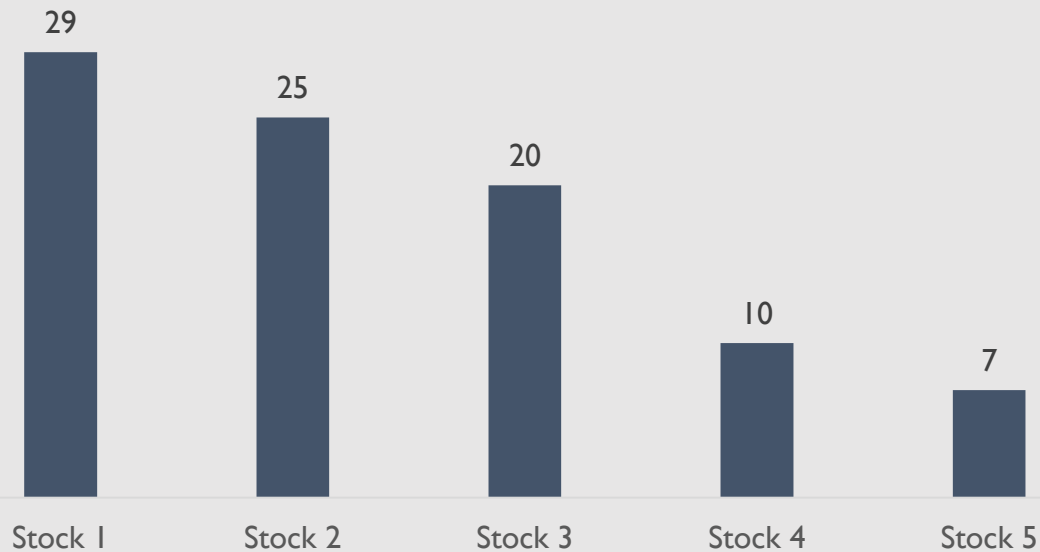
- Experienced management teams
- Quality of board
- Better standards of governance/disclosures

# Why Large caps? – Room for Growth

## Indian Large caps have a lot of room for growth

### Market cap of Top 5 International companies

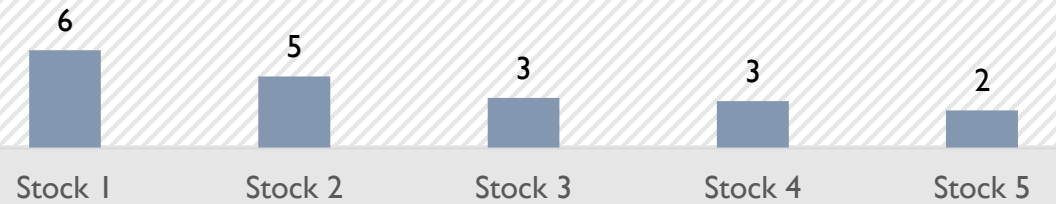
Market cap in Lakh Crs (INR)



### Market cap of Top 5 Indian companies

Market cap in Lakh Crs (INR)

Indian Large caps: Area for growth



Source: Internal MOAMC Research. Data as of August 31, 2020

Disclaimer: The above graph is actual market cap of the stated companies in INR lakh crores. This data should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future

# Why invest in Motilal Oswal Focused 25 Fund?

## High Conviction Concentrated Portfolio

- Concentrated Portfolio of not more than 25 stocks

## Large Cap Oriented

- Large cap oriented focused portfolio

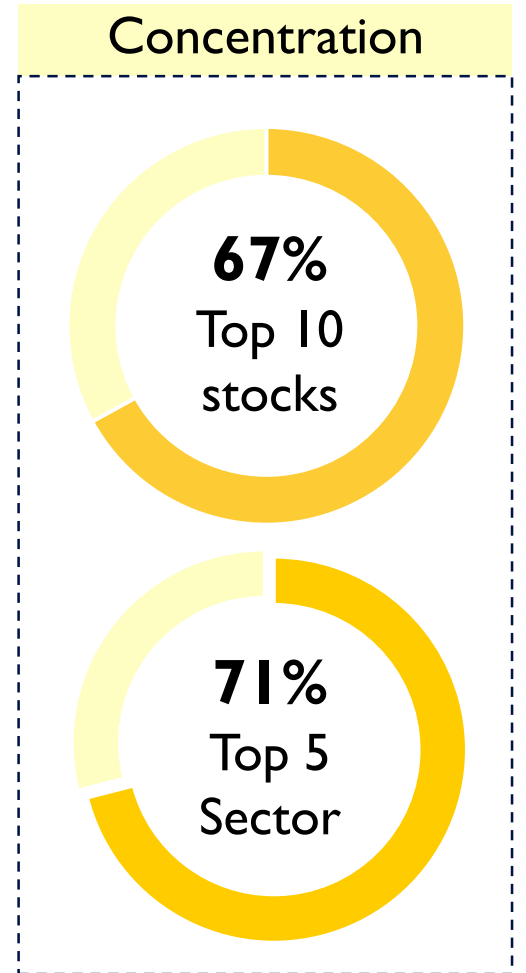
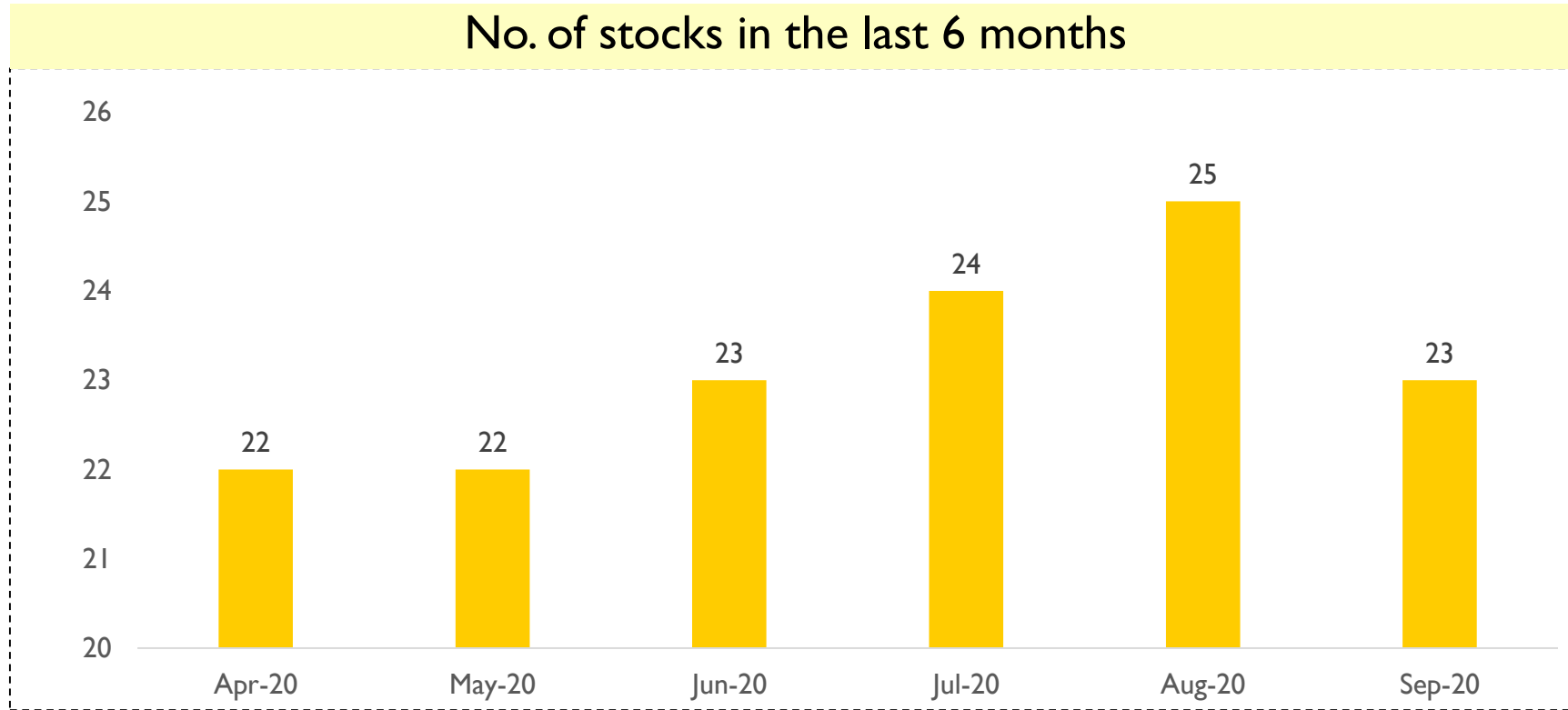
## Benchmark Agnostic

- Least overlap with the benchmark

## Strong Stock Picking Process

- QGLP framework for bottom up stock picking

# #1 Concentrated portfolio of 25 stocks - True to mandate Focused Fund



Data as on September 30, 2020

The Stocks/Sectors mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of any investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future

## #2 Large cap oriented focused fund – Greater flexibility in portfolio structure

	Large Cap (Top 100)	Mid Cap (101- 250)	Small Cap (Below 250)
Large Cap	> 80%	0 – 20 %	
Focused Fund	> 65%	0 – 35 %	

- Minimum allocation to Large cap should be 65%
- Higher flexibility in portfolio construction; thus the fund may tap right opportunities as they arise

Source: Internal MOAMC Research

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## #2 Large cap oriented focused fund – Ideal large & mid cap mix

### Covariance Matrix

	Nifty 50	Midcap 100
Nifty 50	4.8%	5.8%
Midcap 100	5.1%	6.9%

### Optimally weighted portfolio 15 years

Nifty 50	74%
Midcap 100	26%
Total	100%
Expected return	16.7%
Std Dev	22.4%
Sharpe Ratio	0.45

Nifty 50 Weight	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	0%
Midcap 100 Weight	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%	100%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Std Dev	25.5%	24.9%	24.3%	23.8%	23.3%	22.9%	22.5%	22.2%	22.0%	21.8%	26.2%
Simulated returns	17.6%	17.4%	17.3%	17.1%	17.0%	16.9%	16.7%	16.6%	16.4%	16.3%	17.7%
Sharpe ratio	0.43	0.44	0.44	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43

- **F25 has the ability to reach the Ideal Large – Mid cap Mix**

Source: Bloomberg and Internal MOAMC Research

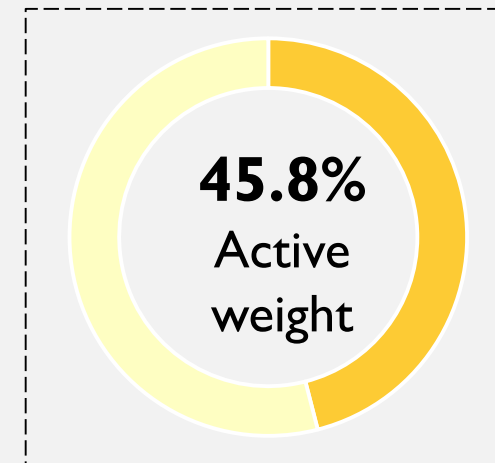
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### #3 Benchmark agnostic

#### F25 benchmark agnostic portfolio is testament to bottoms up stock picking of high conviction companies

Top 5 Stocks with least overlap with Benchmark		
Script	Weightage (%) in portfolio	Weightage (%) in Index
Portfolio Stock 1	5.5%	0.0%
Portfolio Stock 2	6.1%	0.9%
Portfolio Stock 3	4.3%	0.0%
Portfolio stock 4	4.1%	0.0%
Portfolio Stock 5	4.0%	0.0%



- **Active weights means having portion of the portfolio which does not have an overlay with the benchmark.**

Data as on September 30, 2020

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# #4 QGLP Framework

## Quality of business x Quality of management

- Stable business, preferably consumer facing
- Huge business opportunity
- Sustainable competitive advantage
- Competent management team
- Healthy financials & ratios

## Price

- Reasonable valuation, relative to quality and growth prospects
- High margin of safety



## Growth in earnings

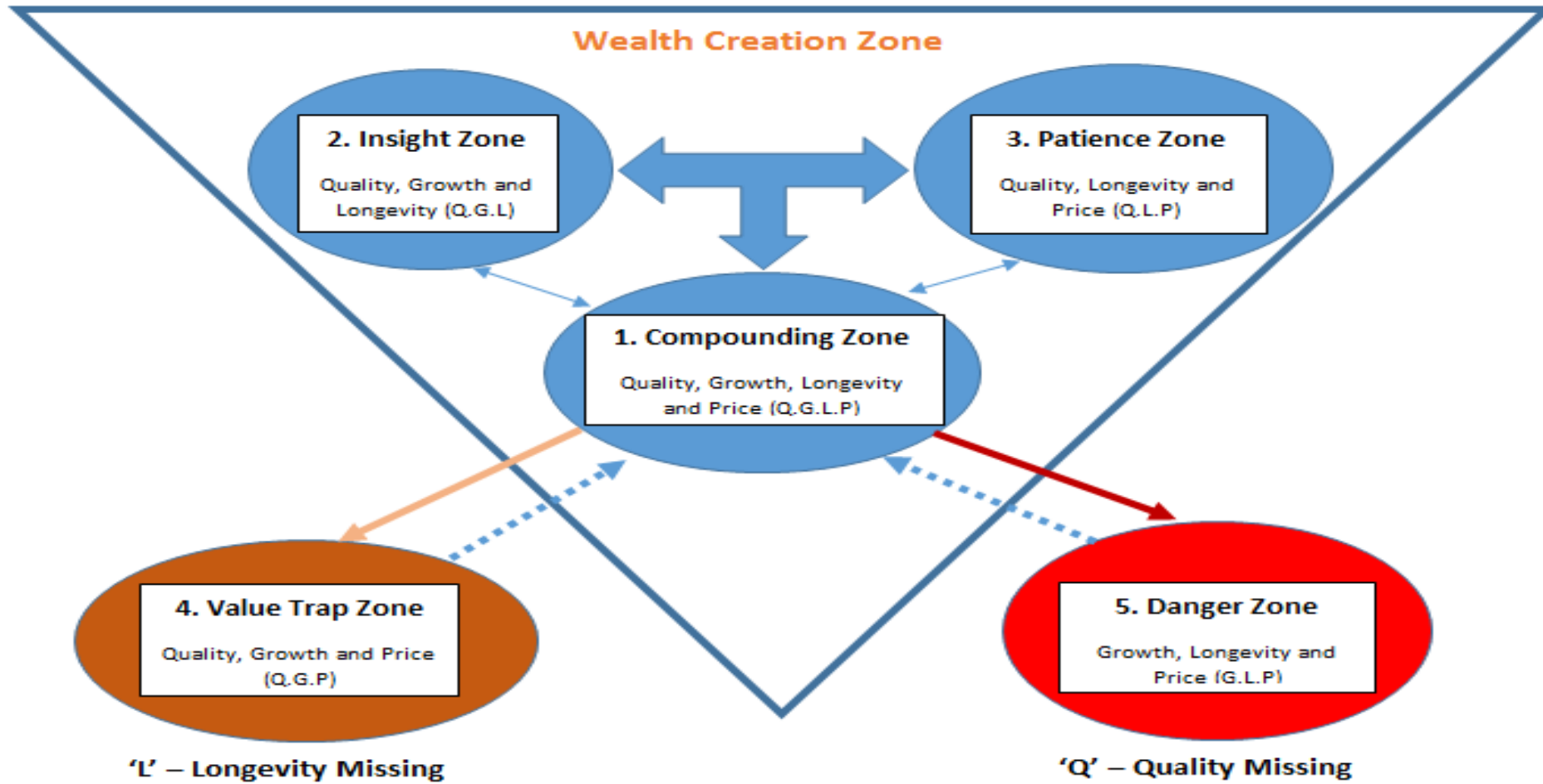
- Volume growth
- Price growth
- Mix change
- Operating & Financial leverage

## Longevity – of both Q & G

- Long-term relevance of business
- Extending competitive advantage period
- Initiatives to sustain growth for 10-15 years

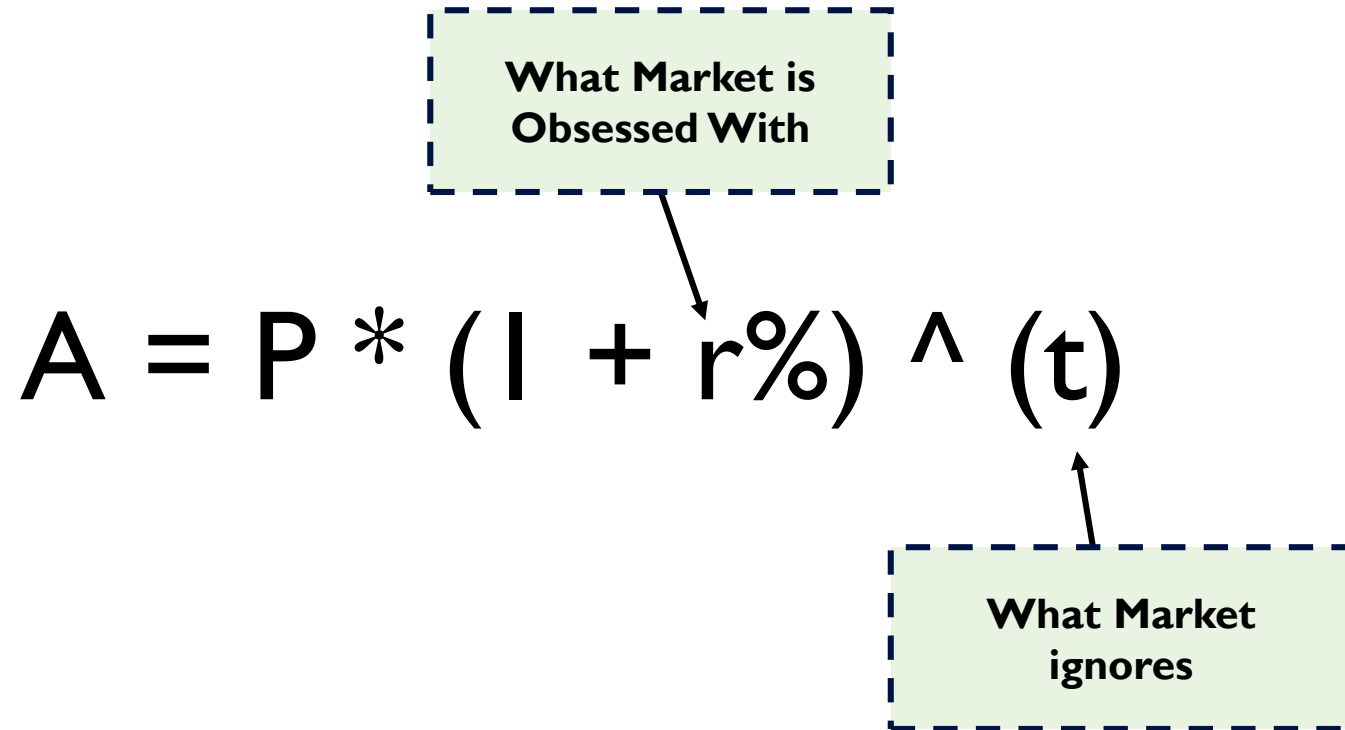
Source: MOAMC internal analysis

# Understanding the Sub QGLP Buckets



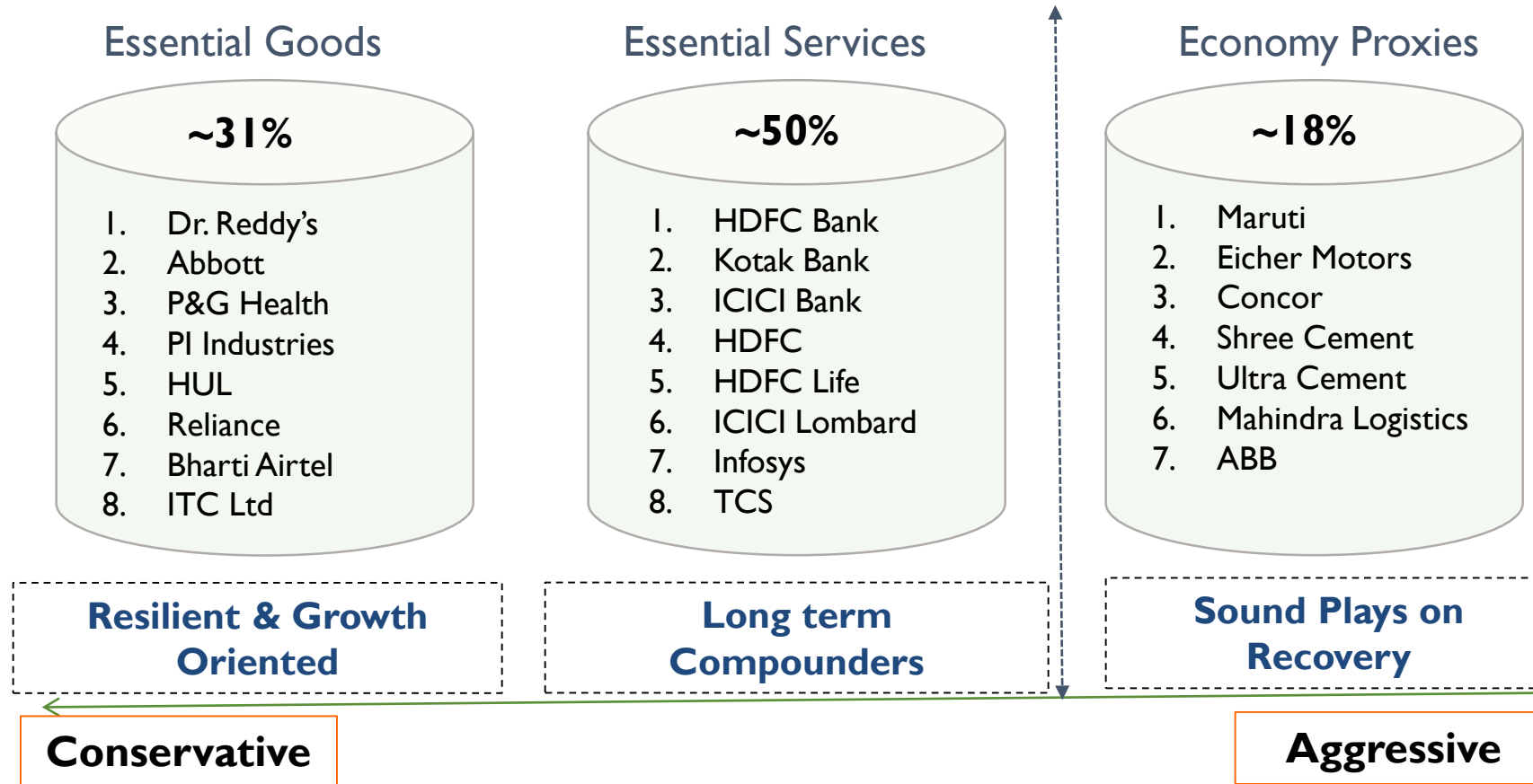
Source: MOAMC internal analysis

# Longevity of Growth is the Key Value Driver



Source: Flame University

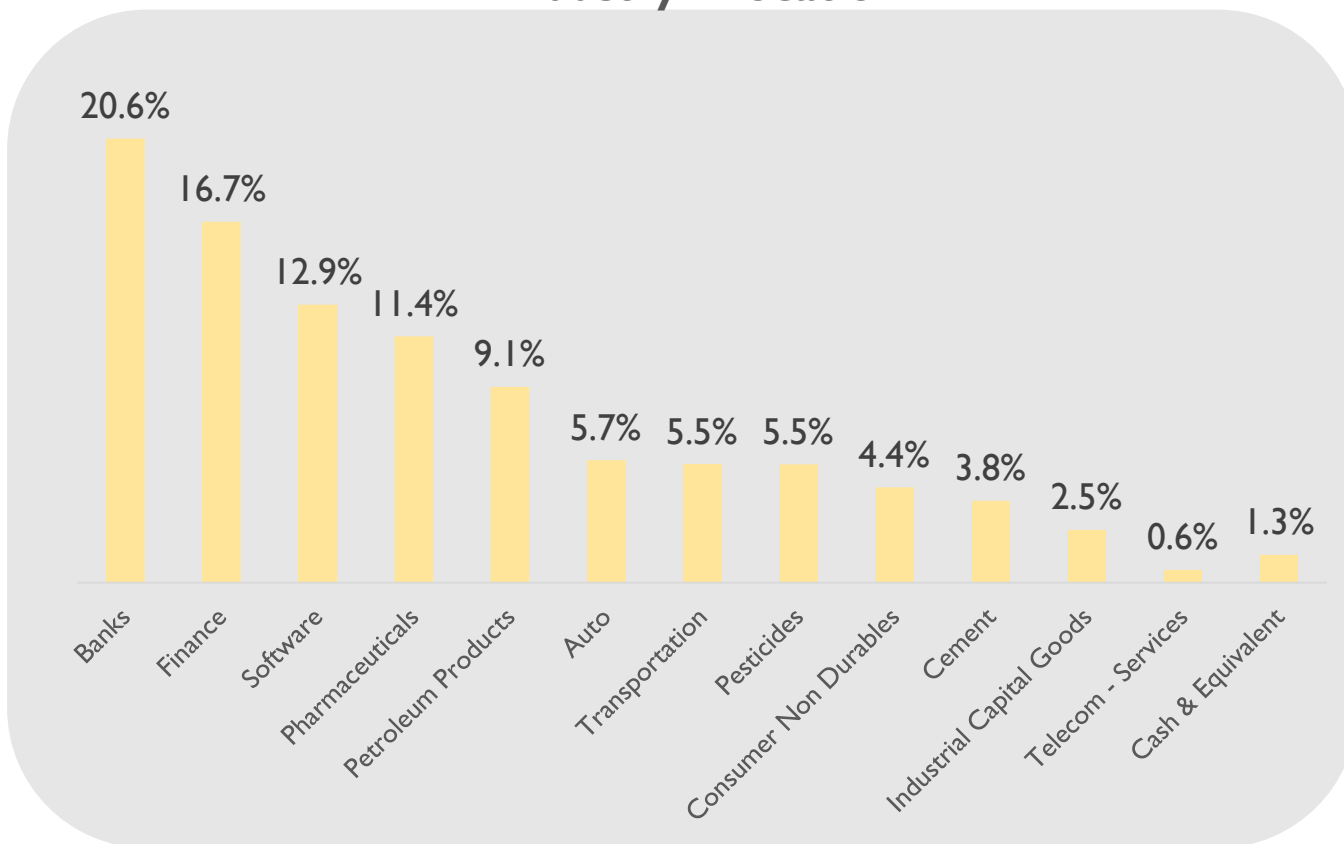
# Portfolio Positioning – Three Buckets



The above buckets of essentials is shown only to explain the concept. The Stocks/Sectors mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of any investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future

# Portfolio Holdings

## Industry Allocation



## Top 10 Equity Holdings

Script	Weightage (%)
HDFC Bank Limited	9.1%
Reliance Industries Limited	9.1%
Housing Development Finance Corporation Limited	8.3%
Tata Consultancy Services Limited	7.5%
Kotak Mahindra Bank Limited	7.1%
HDFC Life Insurance Company Limited	6.1%
PI Industries Limited	5.5%
Infosys Limited	5.4%
Abbott India Limited	4.3%
ICICI Bank Limited	4.3%

Data as on September 30, 2020

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# Scheme Performance

Point to Point Returns (%)	1 Year		3 years		5 Years		Since Inception	
	CAGR (%)	Rs. 10000	CAGR (%)	Rs. 10000	CAGR (%)	Rs. 10000	CAGR (%)	Rs. 10000
Motilal Oswal Focused 25 Fund (F25)	-0.1%	9,989	4.0%	11,235	7.6%	14,404	11.9%	22,941
Nifty 50 TRI (BM)	-1.0%	9,903	6.0%	11,921	8.5%	15,064	10.3%	20,662
S&P BSE SENSEX (Add. BM)	-0.4%	9,956	8.0%	12,597	9.2%	15,495	10.9%	21,438

SIP Performance (%)	1 Year			3 years			5 Years			Since Inception		
	F25	BM	Add. BM	F25	BM	Add. BM	F25	BM	Add. BM	F25	BM	Add. BM
Investment Amount	120,000			360,000			600,000			880,000		
Market Value	124,155	126,458	126,137	384,211	381,118	387,428	708,824	715,991	735,290	1,232,070	1,192,703	1,221,046
Returns (CAGR)%	6.5%	10.2%	9.6%	4.3%	3.7%	4.8%	6.6%	7.0%	8.1%	9.0%	8.1%	8.8%

Data as on September 30, 2020. BM = Benchmark i.e. Nifty 50 TRI Index; Add. BM = additional BM i.e. S&P BSE Sensex

Date of inception: 13-May-13. In case, the start/end date of the concerned period is non business date (NBD), the NAV of the previous date is considered for computation of returns. Past performance may or may not be sustained in the future. Performance is for Regular Plan Growth option. Different plans have different expense structure. Mr. Siddharth Bothra is the Fund Manager for equity component since 23-Nov-2016 and Mr. Abhiroop Mukherjee is the Fund Manager for debt component since inception.

For Performance of other schemes managed by the fund managers, kindly refer to factsheet: <https://www.motilaloswalmf.com/downloads/mutual-fund/Factsheet>

# Fund Managers

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## For Equity Component: Mr. Siddharth Bothra

- **Rich Experience:** Mr Siddharth Bothra has an experience of more than 13 years in the field of research and investments
- **Experience across sectors:** Prior to joining Motilal Oswal AMC he had an extensive stint with Motilal Oswal Securities Ltd. as a senior analyst in the institutional equities division covering various sectors
- **Awards won:** During his stint with Motilal Oswal Securities Ltd. Mr. Bothra won various recognitions such as the ZEE Business TV - India's Best Analyst Awards 2009 Infrastructure, ET Reuters Starmine Awards No.1 Earnings Estimator 2009 Real Estate & No. 2 Stock Picker 2010 Real Estate
- **Excellent academic background:** Honors degree of MBA (Post Graduate Program) from ISB (Indian School of Business, Hyderabad), MBA International Student Exchange NYU Stern School of Business (New York) and B.Com (Honors)
- **Funds managed:** Motilal Oswal Focused 25 Fund, Motilal Oswal Equity Hybrid Fund and Motilal Oswal Multi Asset Fund



# Fund Managers

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## For Debt Component: Mr. Abhiroop Mukherjee

- **Rich Experience:** Over 11 years of experience in the Debt and Money Market Instruments Securities trading and fund management
- **Prestigious past experience:** His past experience includes stint at PNG Gilts as AVP-WDM dealer
- **Excellent academic background:** B.Com (Honours) and PGDM (Finance)
- **Funds managed:**
  - Fund Manager - Motilal Oswal Ultra Short Term Fund and Motilal Oswal Liquid Fund
  - Fund Manager for Debt Component Motilal Oswal Focused 25 Fund, Motilal Oswal Midcap 30 Fund, Motilal Oswal Multicap 35 Fund, Motilal Oswal Long Term Equity Fund, Motilal Oswal Dynamic Fund, Motilal Oswal Nasdaq Fund of Fund, Motilal Oswal S&P 500 Fund, Motilal Oswal Large and Midcap Fund, Motilal Oswal Multi Asset Fund and Motilal Oswal Equity Hybrid Fund

# Fund Facts

Type of the Scheme	An open ended equity scheme investing in maximum 25 stocks intending to focus on Large Cap stocks	
Category of the Scheme	Focused Fund intending to invest in large cap stocks	
Investment Objective	The investment objective of the Scheme is to achieve long term capital appreciation by investing in up to 25 companies with long term sustainable competitive advantage and growth potential. However, there can be no guarantee that the investment objective of the scheme would be achieved.	
Benchmark	Nifty 50 TRI	
Entry / Exit Load	Entry : Nil Exit : 1% - If redeemed on or before 15 days from the date of allotment. Nil - If redeemed after 15 days from the date of allotment. A switch-out or a withdrawal shall also be subjected to the Exit Load like any Redemption. No Exit Load applies for switch between MOF25, MOF30, MOF35, MOFEH & MOFDYNAMIC. No Load for switch between Options within the Scheme.	
Plans	Regular Plan and Direct Plan	
Options (Under each plan)	Dividend (Payout and Reinvestment) and Growth	
Minimum Application Amount	Rs. 500/- and in multiples of Re. 1/- thereafter	
Additional Application Amount	Rs. 500/- and in multiples of Re. 1/- thereafter	
	Weekly SIP	Rs. 500 and in multiples of Re.1/- thereafter (Minimum Installment – 12)
	Fortnightly SIP	
	Monthly SIP	
	Quarterly SIP	Rs. 1,500 and in multiples of Re.1/- thereafter (Minimum Installment – 4)
	Annual SIP	Rs. 6,000 and in multiples of Re. 1/- thereafter (Minimum Installment – 1)
	The Dates of Auto Debit Facility shall be on the 1st, 7th, 14th ,21st or 28th of every month.	
Minimum Redemption Amount	Rs. 500/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower.	

# Product Labelling

## This product is suitable for investors who are seeking\*

- Return by investing in upto 25 companies with long term sustainable competitive advantage and growth potential
- Investment in Equity and equity related instruments subject to overall limit of 25 companies



# Disclaimer

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**DISCLAIMER:** This presentation has been prepared and issued on the basis of internal data, publicly available information and other sources believed to be reliable. The information contained in this document is for general purposes only and not a complete disclosure of every material fact and terms and conditions and features of Motilal Oswal Focused 25 Fund. The information / data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. All opinions, figures, charts/graphs, estimates and data included in this presentation are as on date and are subject to change without notice. While utmost care has been exercised while preparing this document, Motilal Oswal Asset Management Company Limited does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Readers shall be fully responsible/liable for any decision taken on the basis of this presentation. No part of this document may be duplicated in whole or in part in any form and/or redistributed without prior written consent of the Motilal Oswal Mutual Fund/Motilal Oswal Asset Management Company Limited. Readers should before investing in the Scheme make their own investigation and seek appropriate professional advice. Past performance of the Sponsor / AMC / Mutual Fund and its affiliates does not indicate the future performance of the scheme and may not provide a basis of comparison with other investments. Please Read Scheme Information Document (SID) and Statement of Additional Information (SAI) carefully before investing.

Statutory Details: Constitution: Motilal Oswal Mutual Fund has been set up as a trust under the Indian Trust Act, 1882. Trustee: Motilal Oswal Trustee Company Ltd. Investment Manager: Motilal Oswal Asset Management Company Ltd. (CIN: U67120MH2008PLC188186) Sponsor: Motilal Oswal Securities Ltd.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**