



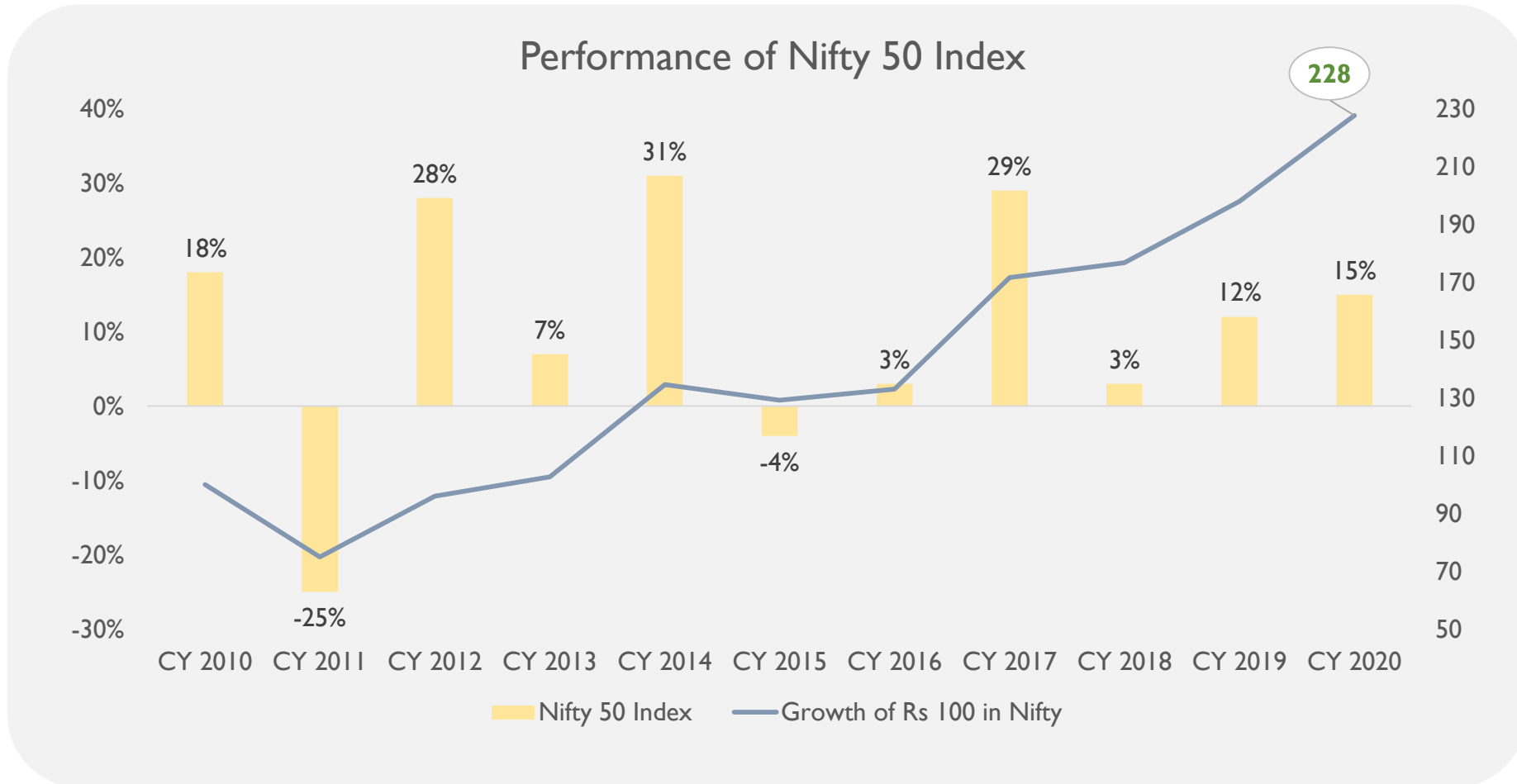
Motilal Oswal Focused 25 Fund

Focused Large cap fund

January 2021

THINK EQUITY. THINK MOTILAL OSWAL.

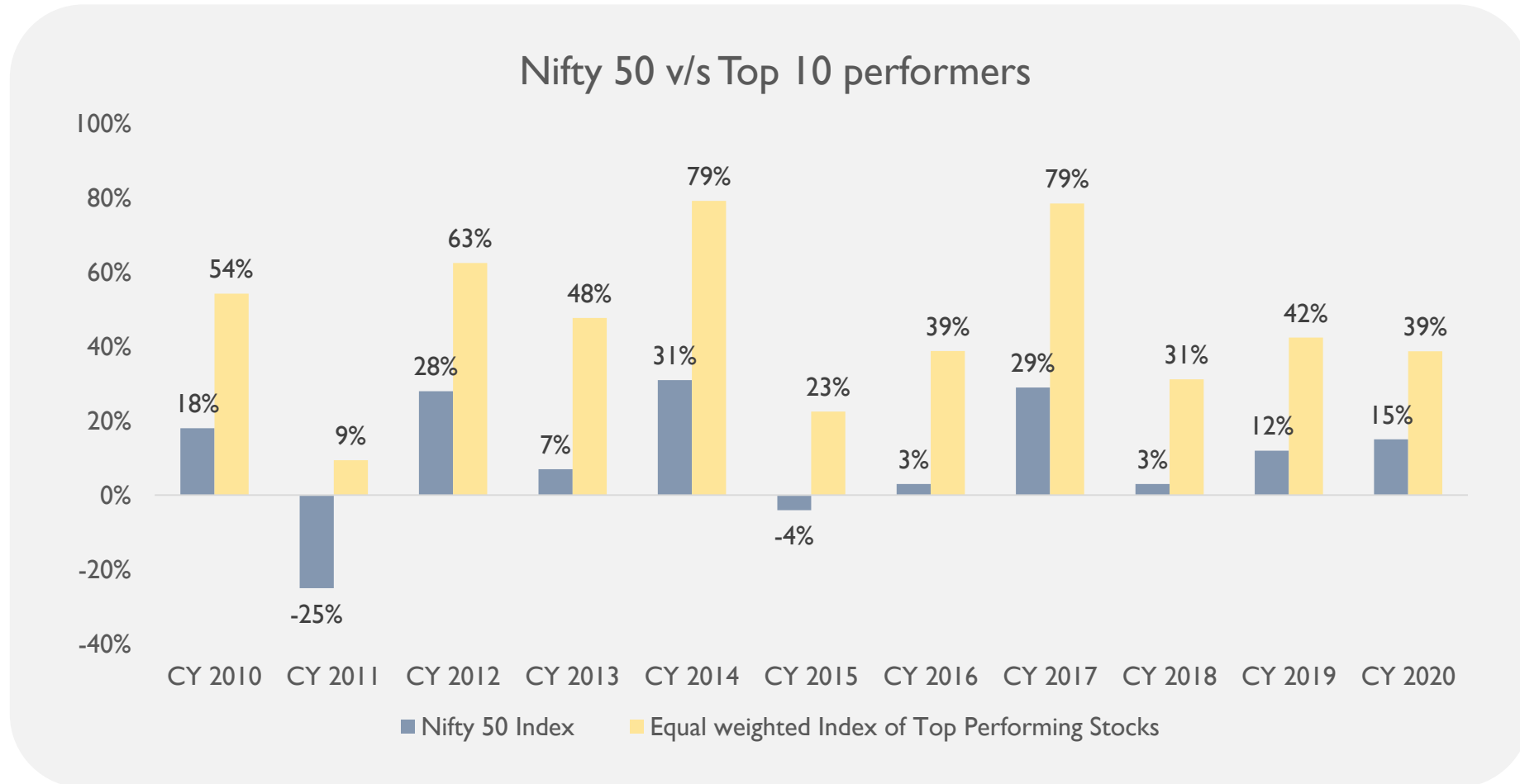
Equity investing leads to Compounding of wealth



- 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.

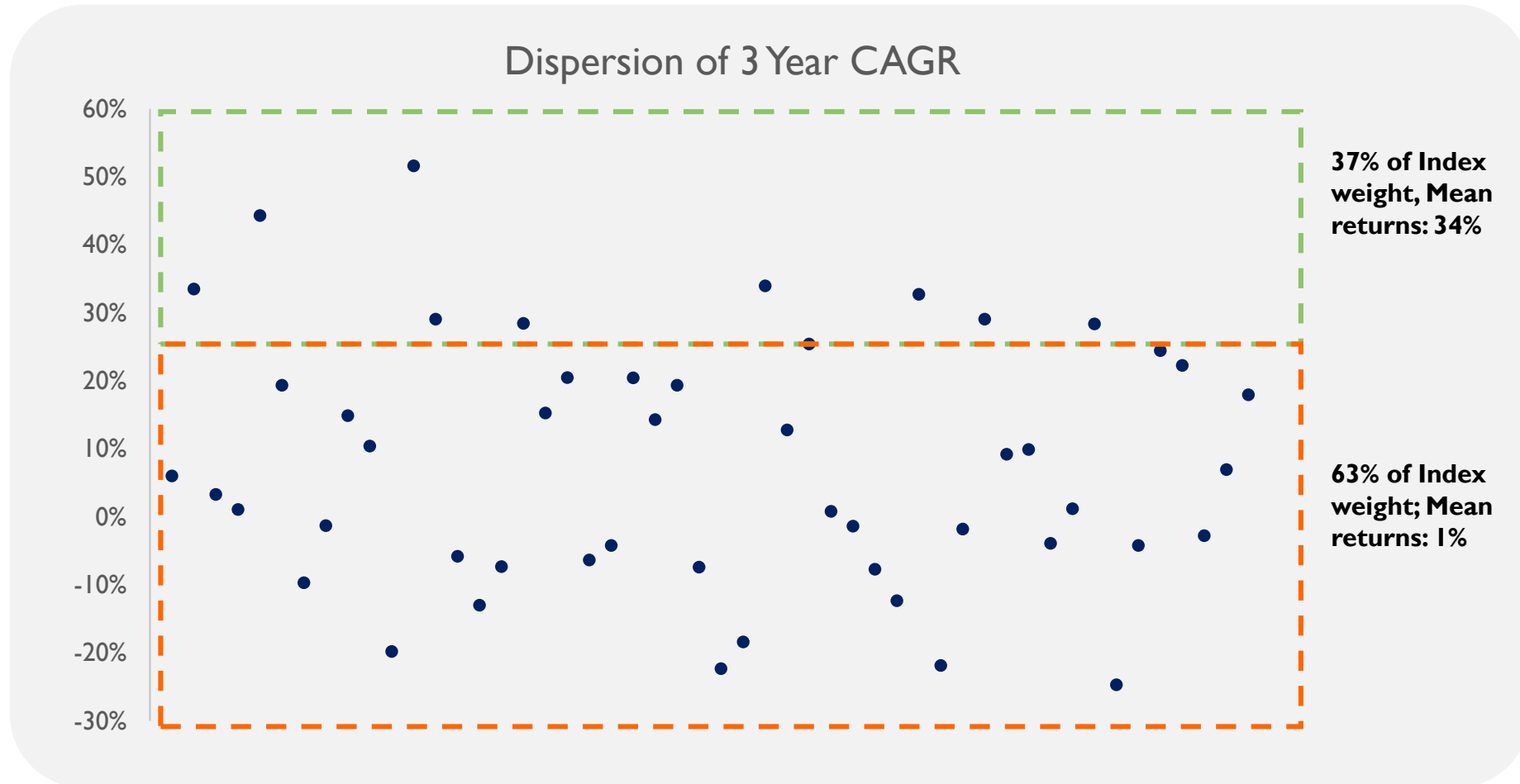
... However all stocks have not given same returns



- **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 37% of Index weight but contributes majority of returns**
- **Nifty 50 Returns for 3 years: 11.3%**
- **Dispersion averages out the overall returns of the portfolio**

Source: MOAMC internal research. Disclaimer: Data from Dec 31, 2017 till Dec 31, 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%
Portfolio Returns		7.0%

20% Returns from top 3 stocks

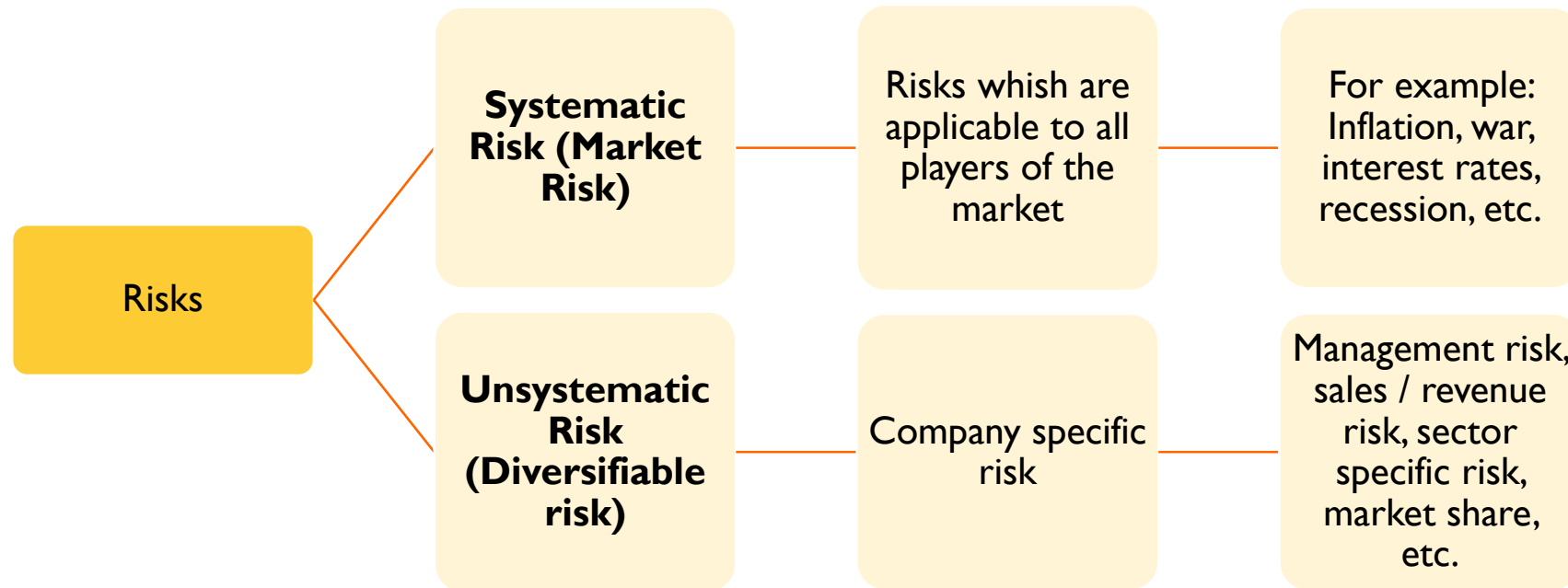
13% higher returns from Focused Portfolio

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.

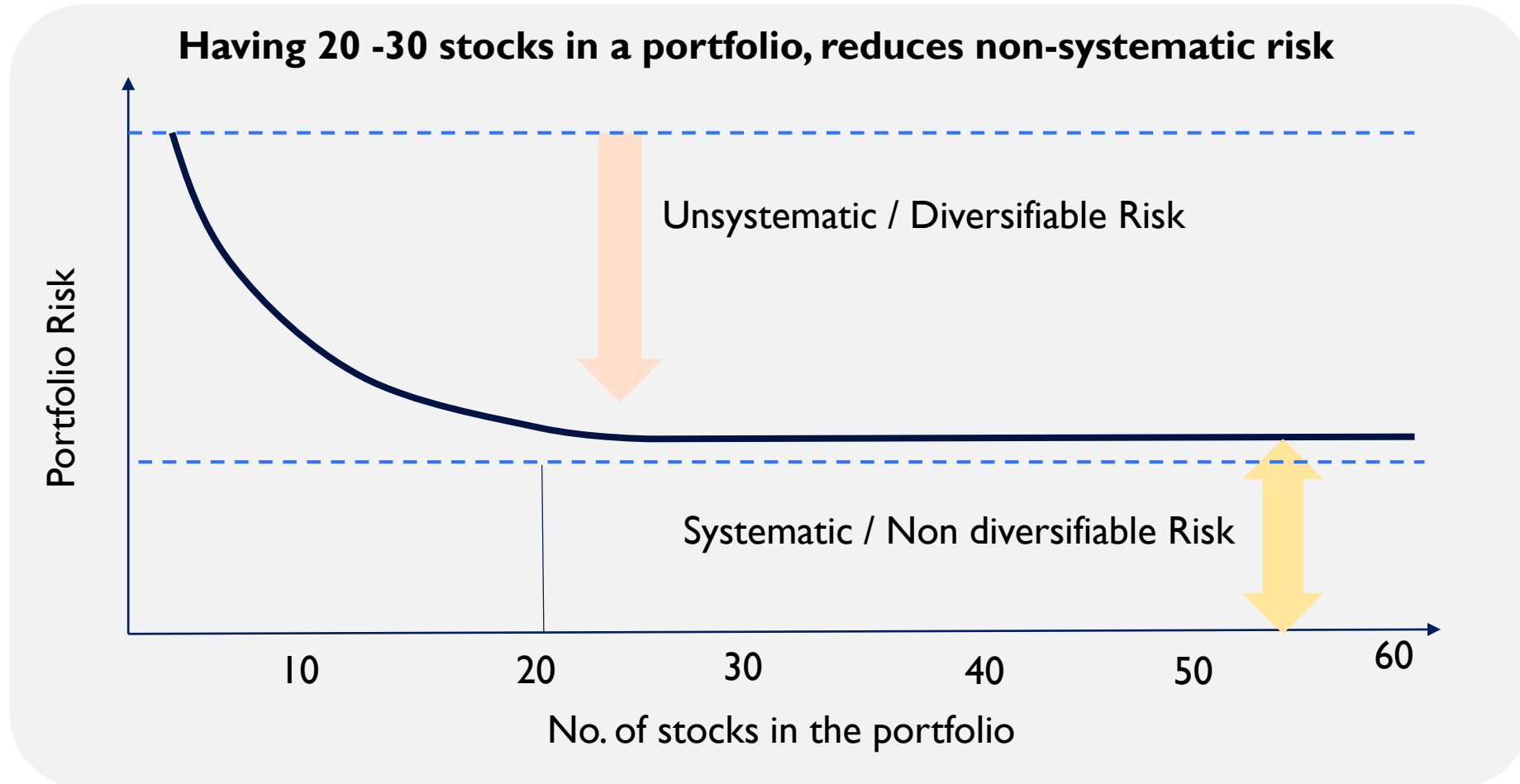
Does “less (stocks)” mean “more risk”? – Analysing risks in building focused portfolio



- 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

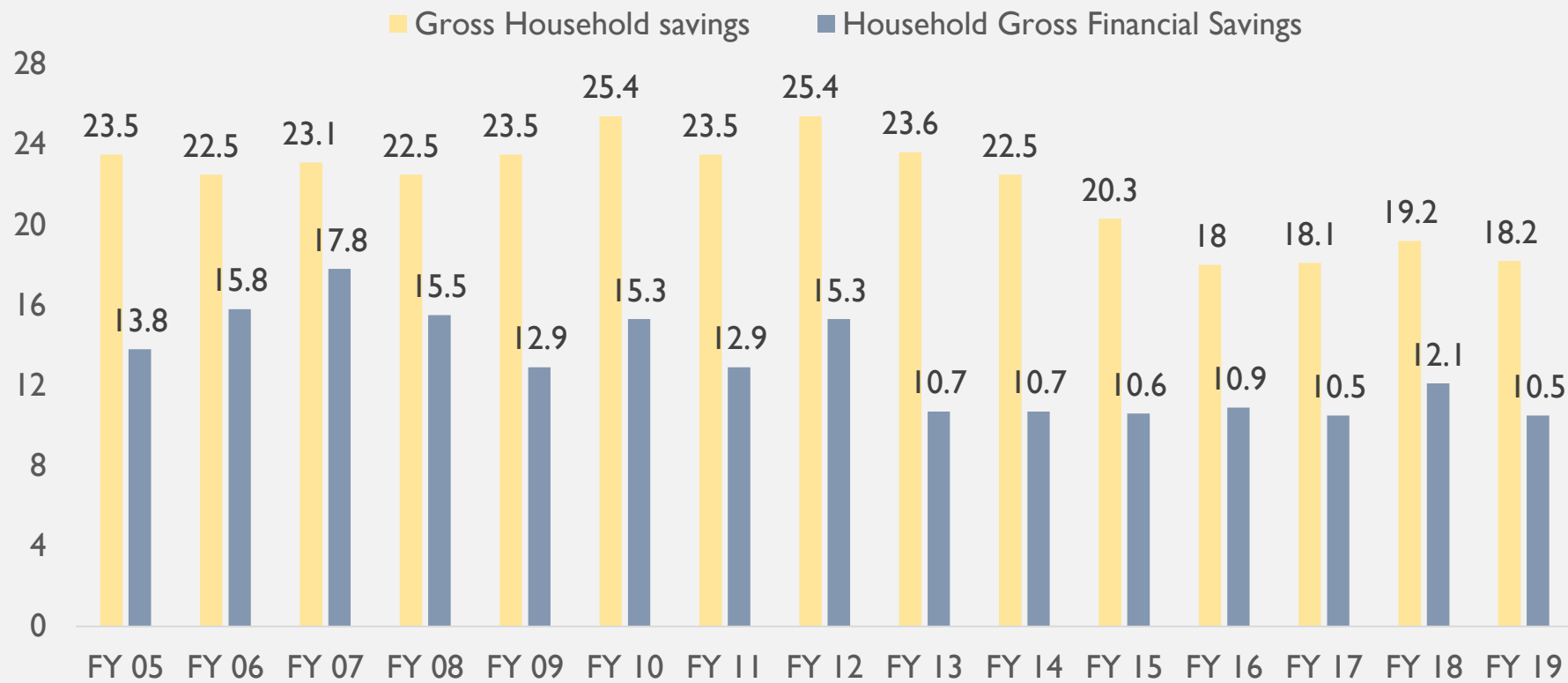
Source: Adapted from Modern Portfolio Theory

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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

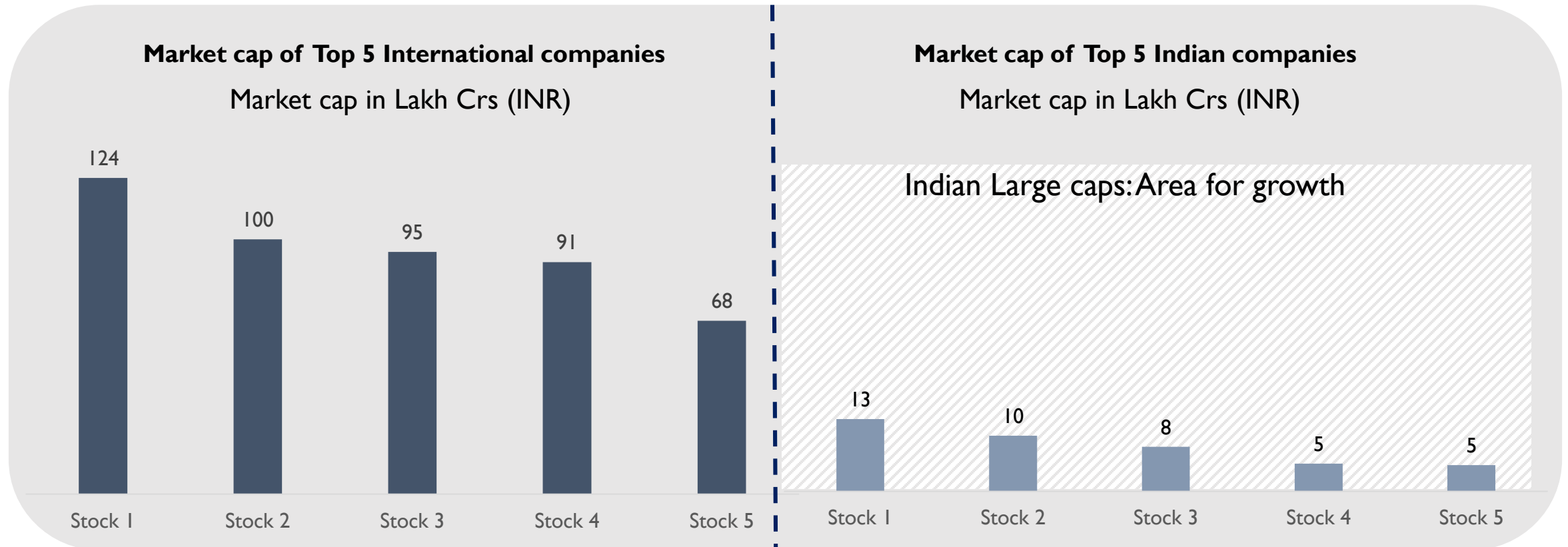
- Larger Balance sheet &
- Survival through different market cycles make large caps resilient

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



Source: Internal MOAMC Research. Data as of December 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

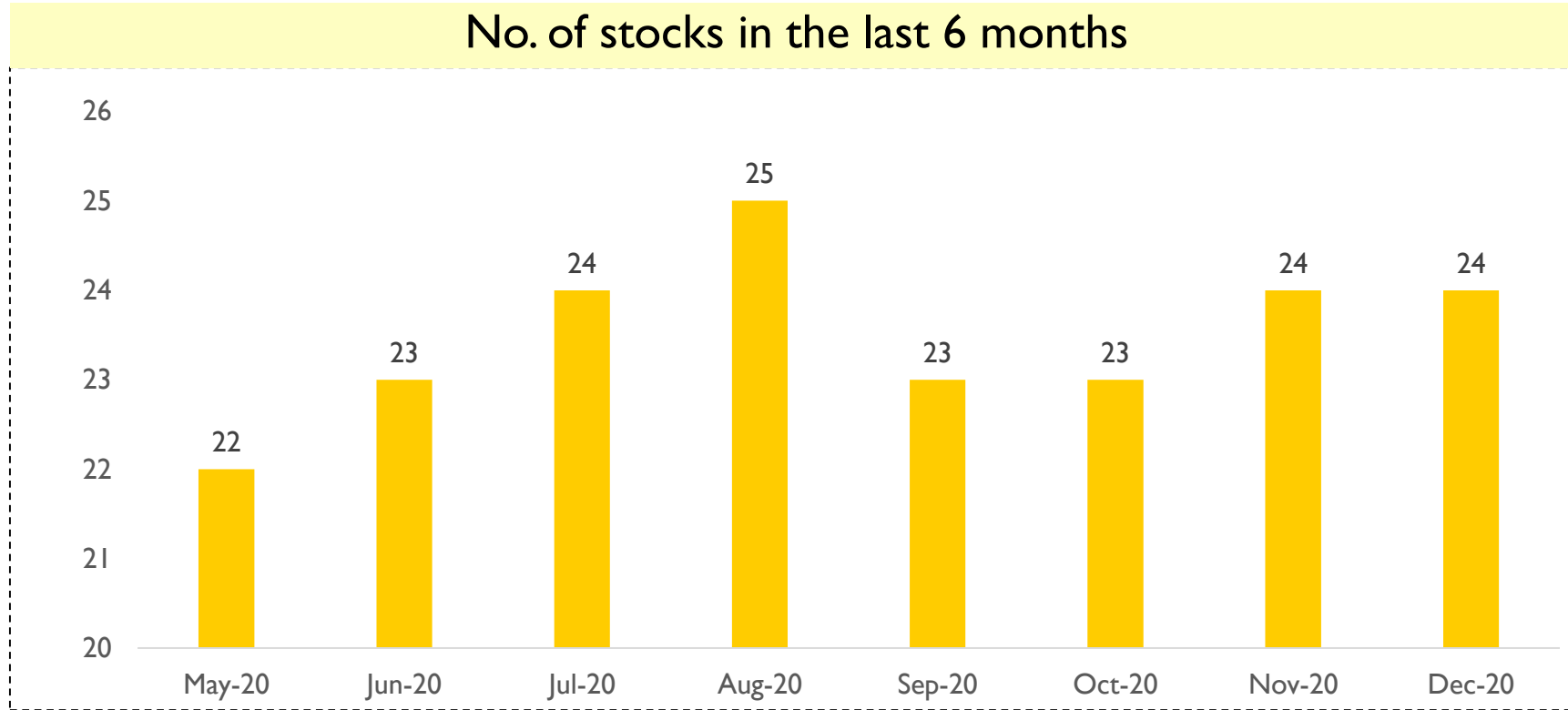
Benchmark Agnostic

- Least overlap with the benchmark

Strong Stock Picking Process

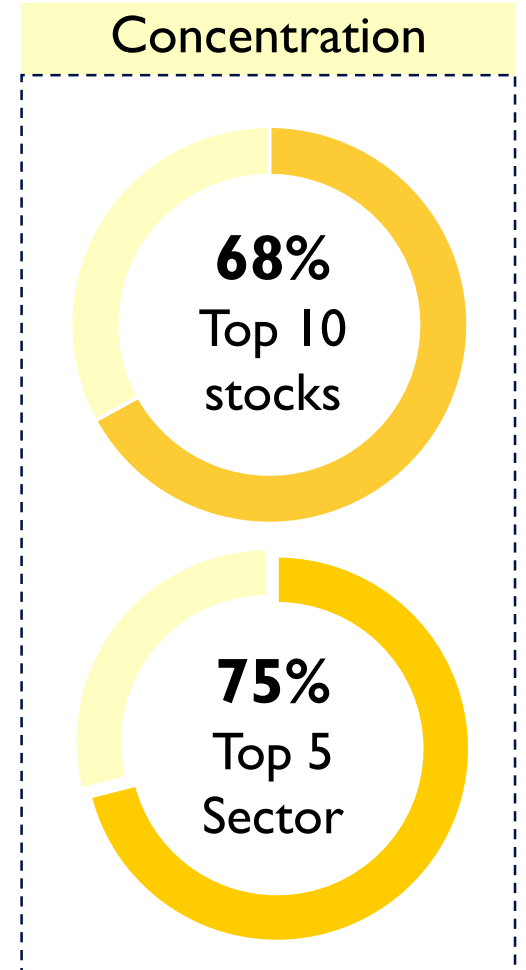
- QGLP framework for bottom up stock picking

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



Data as on December 31, 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**

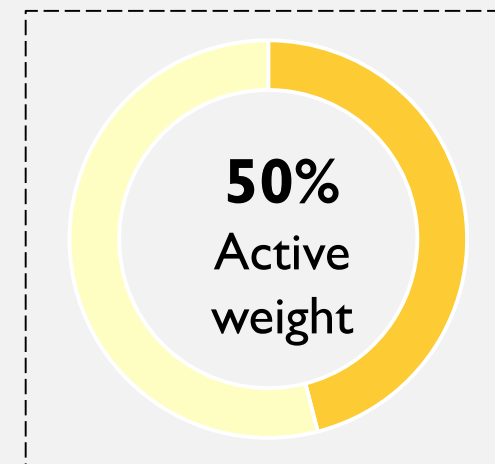
Source: Bloomberg and Internal MOAMC Research

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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	0.9
Portfolio Stock 2	4.6	0.0
Portfolio Stock 3	4.5	0.0
Portfolio stock 4	9.1	4.9
Portfolio Stock 5	3.7	0.0



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

Data as on December 31, 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

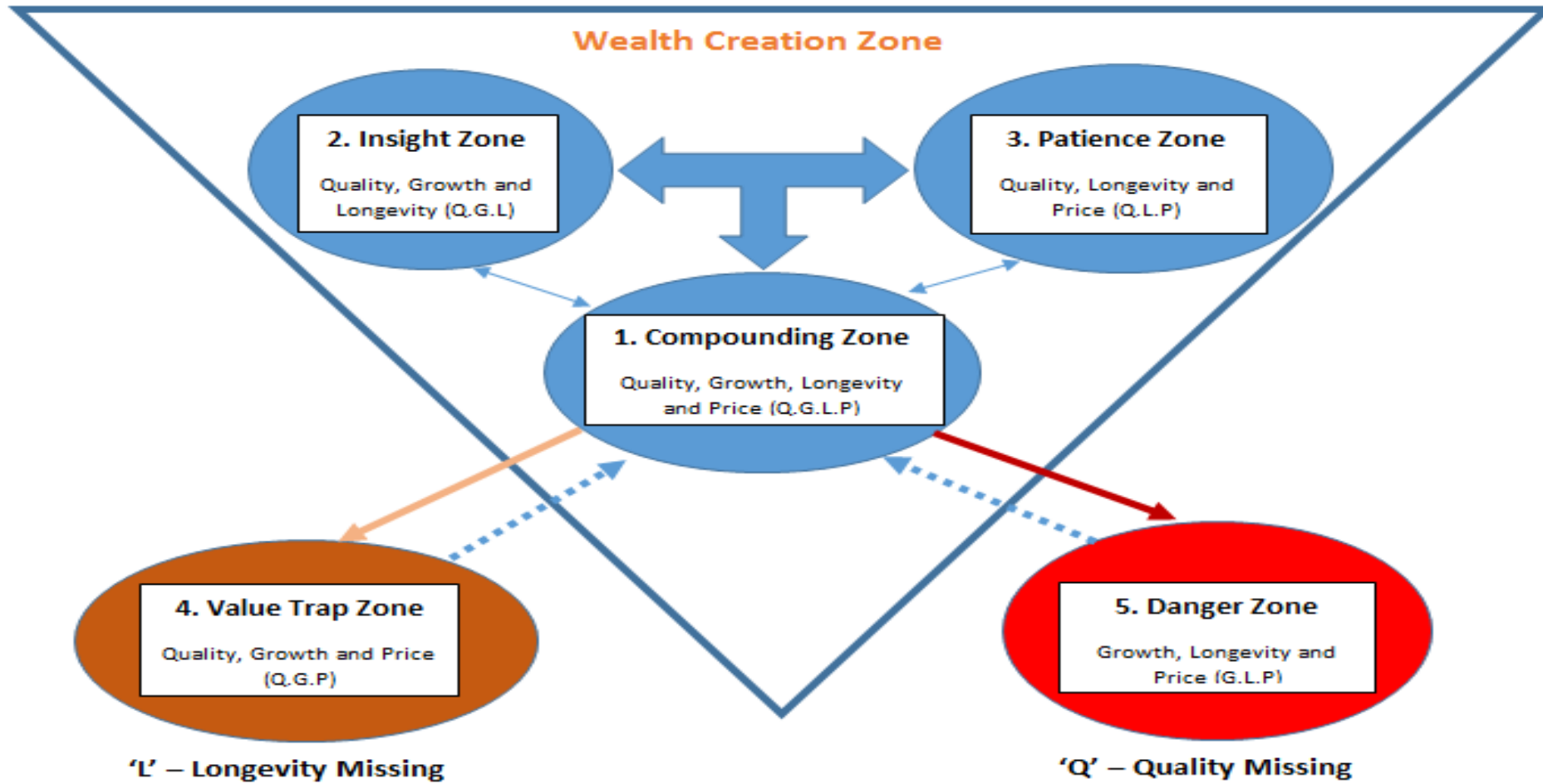
- Volume growth
- Price growth
- Mix change
- Operating & Financial leverage

Longevity – of both Q & G

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

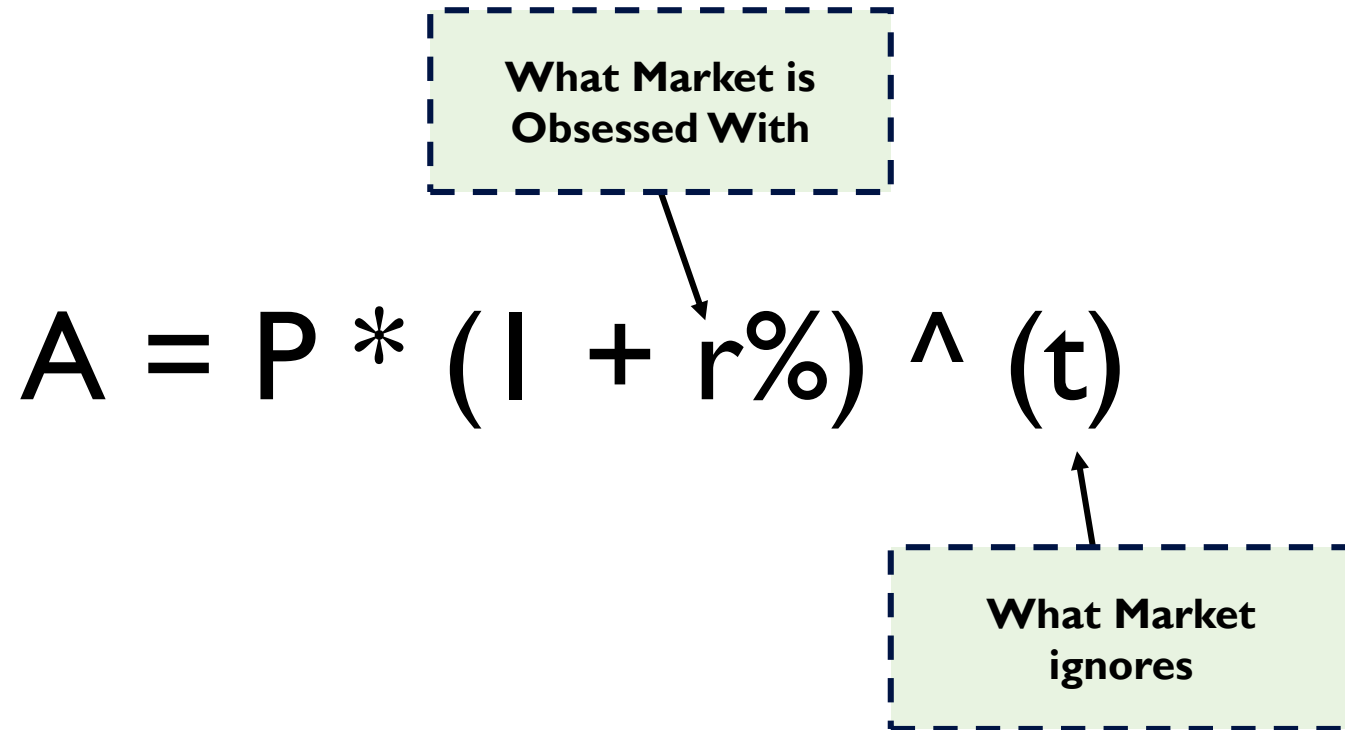
Source: MOAMC internal analysis

Understanding the Sub QGLP Buckets



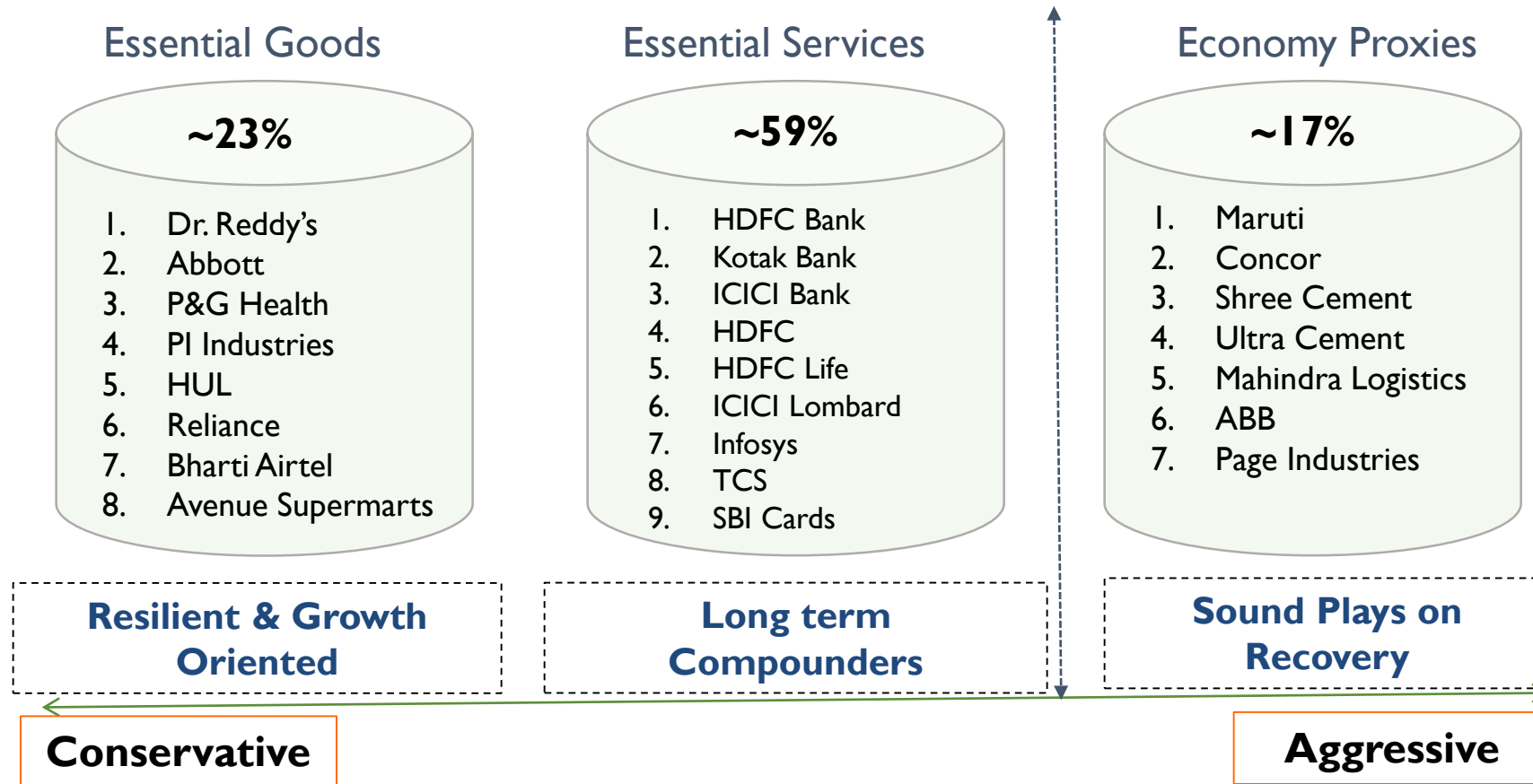
Source: MOAMC internal analysis

Longevity of Growth is the Key Value Driver



Source: Flame University

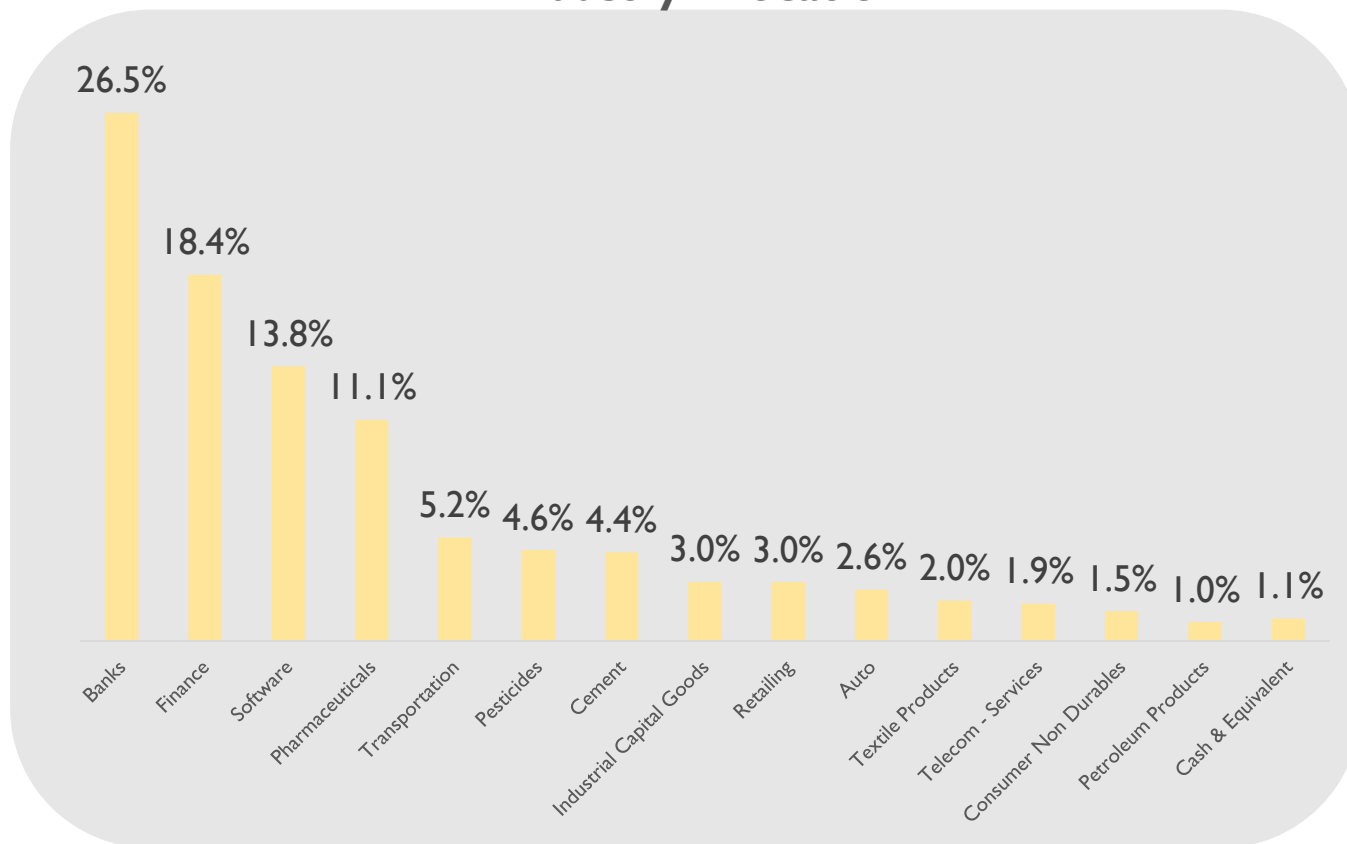
Portfolio Positioning – Three Buckets



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



Data as on December 31 2020

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Top 10 Equity Holdings

Script	Weightage (%)
HDFC Bank Limited	10.0%
Housing Development Finance Corporation Limited	9.6%
Kotak Mahindra Bank Limited	9.1%
ICICI Bank Limited	7.4%
Tata Consultancy Services Limited	7.2%
Infosys Limited	6.6%
HDFC Life Insurance Company Limited	5.5%
PI Industries Limited	4.6%
Procter & Gamble Health Limited	4.4%
Container Corporation of India Limited	3.7%

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)	17.3%	11,728	9.6%	13,154	12.3%	17,877	14.7%	28,447
Nifty 50 TRI (BM)	16.1%	11,614	11.3%	13,790	13.4%	18,754	13.2%	25,746
S&P BSE SENSEX (Add. BM)	17.2%	11,716	13.2%	14,515	14.2%	19,464	13.9%	26,946

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			890,000		
Market Value	151,916	156,426	157,500	469,650	466,822	477,696	859,485	871,087	903,489	1,562,188	1,521,113	1,573,752
Returns (CAGR)%	52.7%	60.7%	62.6%	18.0%	17.6%	19.2%	14.3%	14.9%	16.4%	13.9%	13.2%	14.1%

Data as on December 31, 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



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



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

Name of the scheme	This product is suitable for investors who are seeking*	
Motilal Oswal Focused 25 Fund (MOF25) An open ended equity scheme investing in maximum 25 stocks intending to focus on Large Cap stocks	<ul style="list-style-type: none">• 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	 <p data-bbox="1702 715 2145 758">Investors understand that their principal will be at Very High risk</p>

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Disclaimer

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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.