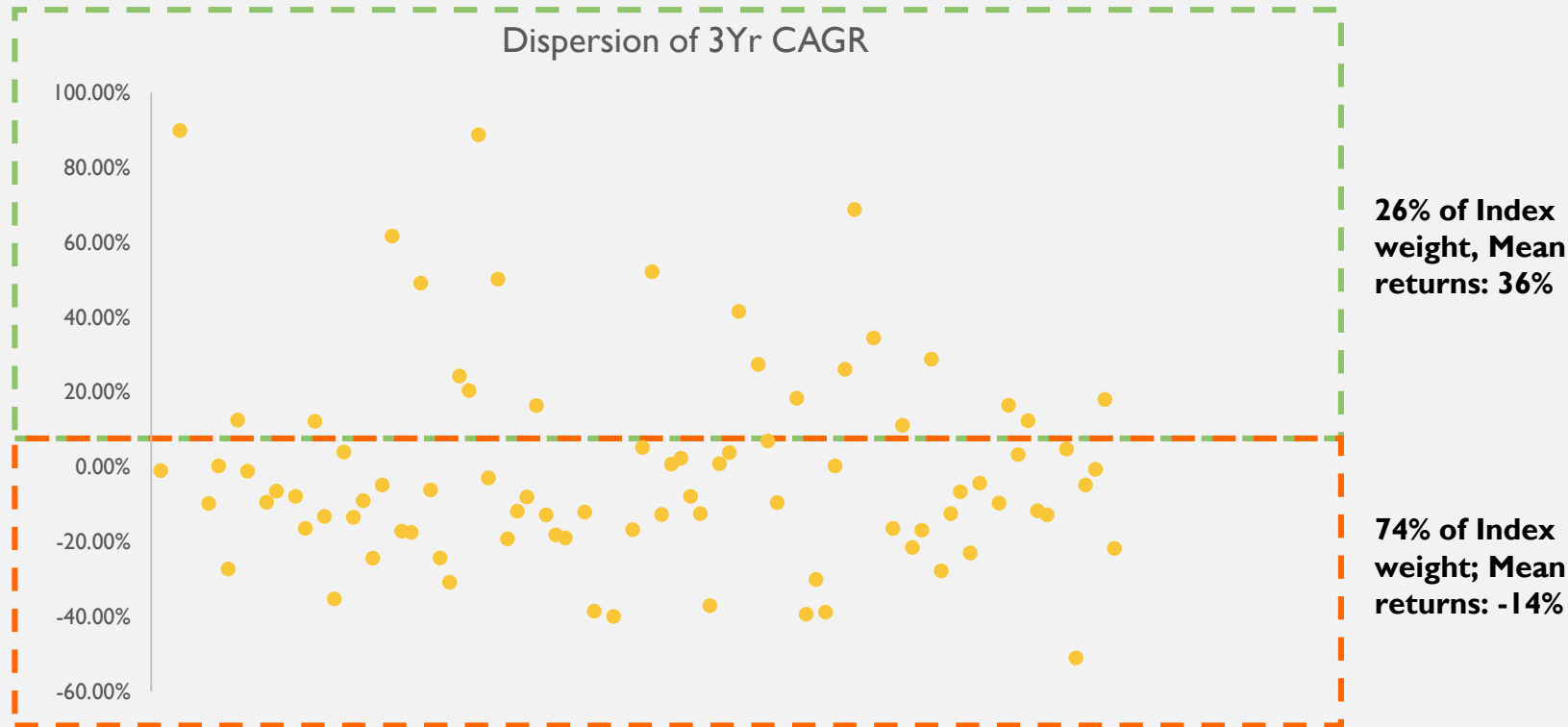


IOP V2

April 2021

Smallcaps offer a larger opportunity for Alpha generation



- **Top 20 stocks account for 31% of Index weight but contributes 230% of the total price returns**
- **Nifty Smallcap 100 Returns for 3 years: -8.4%**
- **Dispersion averages out the overall returns of the portfolio**
- **Wide dispersion of returns in small caps provides scope for bottom-up stock picking**

Source: MOAMC internal research. Disclaimer: Data from Sep 30, 2017 till Sep 30, 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.

SmallCaps offer a larger Opportunity for Alpha generation

- Small Caps are covered by fewer analysts, this gives fund manager an edge in spotting good businesses early
- Ownership pattern is not broad based as information is limited –this category is best played through a focused portfolio

Under Researched : Limited Analyst Coverage

Average Analyst Coverage	
Top 100	16
101-400	17

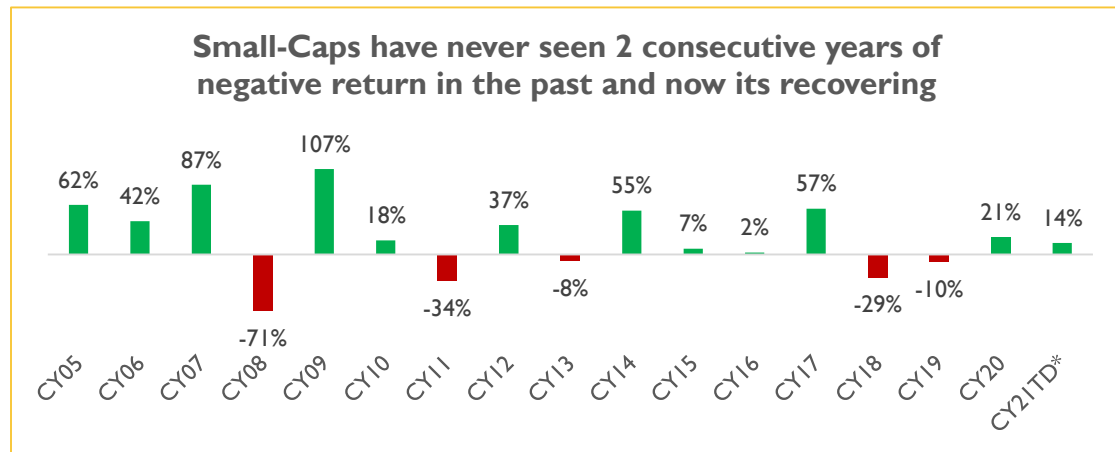
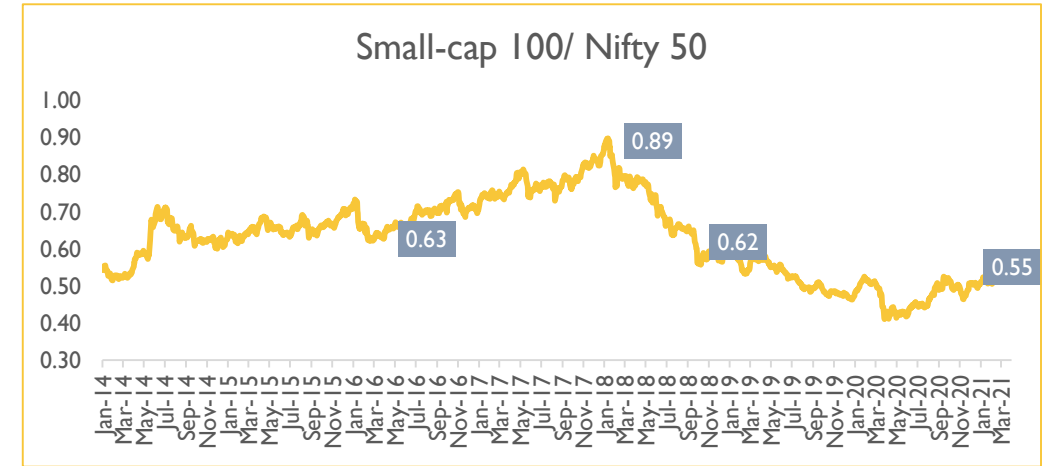
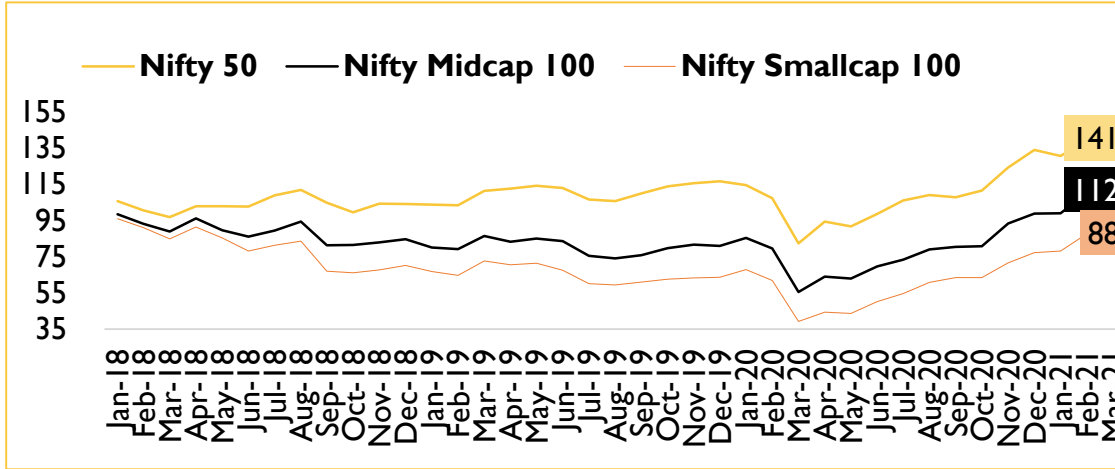
Under Owned : Lower Institutional Holding

Ownership Pattern amongst Index Constituents (%)			
	Promoter	Institutional	Retail
Top 100	55	26	18
101-400	63	19	19

Source: Bloomberg Average analyst coverage is the average number of analysts covering each of the index constituents as on September 30th 2019. Ownership pattern as disclosed by index constituent companies to the NSE as on QE June 2019

Disclaimer: The statements made 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. The above information should not be used for development or implementation of an investment strategy. It should not be construed as investment advice to any party

Why now? - Expect smallcaps to bounce back with economic recovery



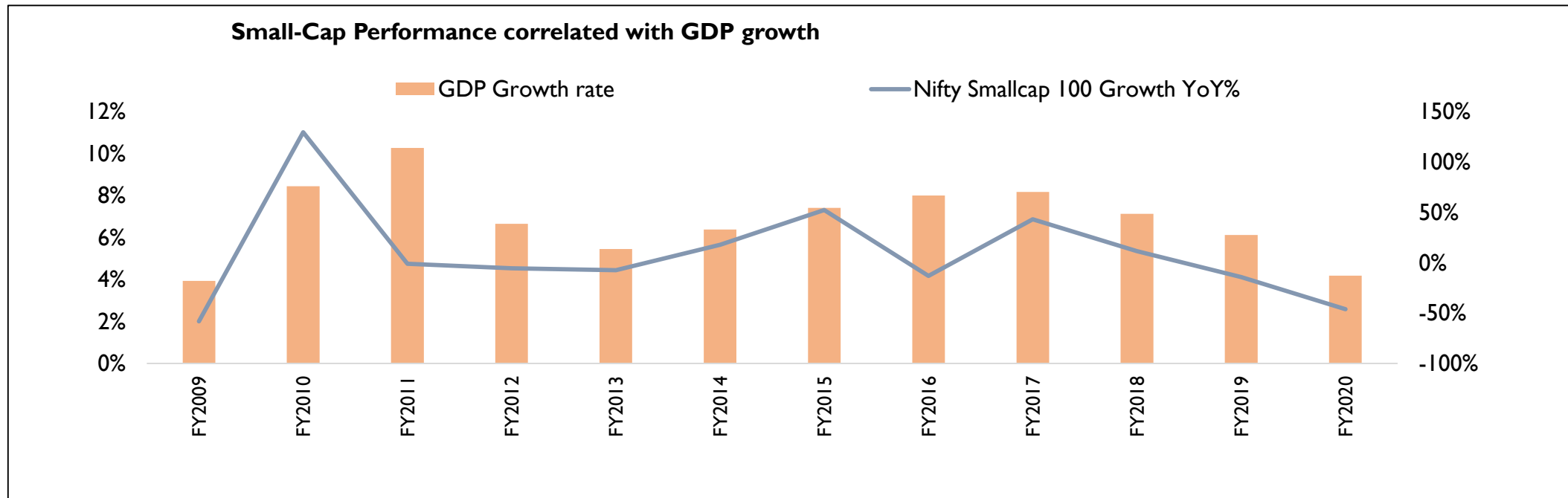
- Over the last 2-year period, small caps have underperformed both large caps and midcaps and this is unlikely to sustain and now is time to grab the opportunity
- The long term relationship between Small Cap 100 and Nifty 50 indicates that we are at or nearing a trough

Source: MOAMC Internal Research, Data as on 31.03.2021

Disclaimer: The above graph/data is used to explain the concept and is for illustration purpose only. The sector mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact, and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

G : Small caps growth is strongly correlated with GDP growth

- Pre-Covid economic recovery saw IOPV2 beginning to outperform.
- However, Covid has significantly set back both the economy and IOP
- Post-Covid green shoots of economic recovery visible and FY22 should see full impact

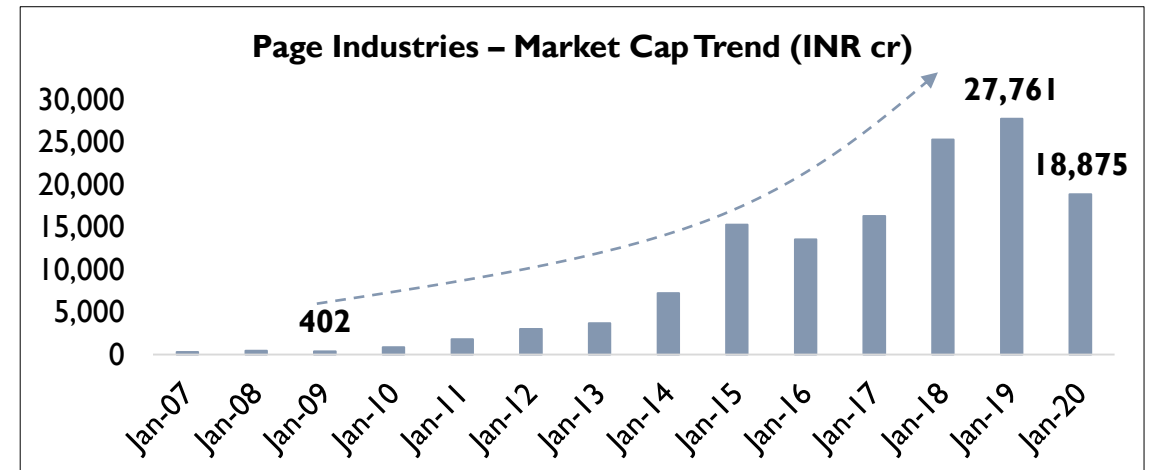
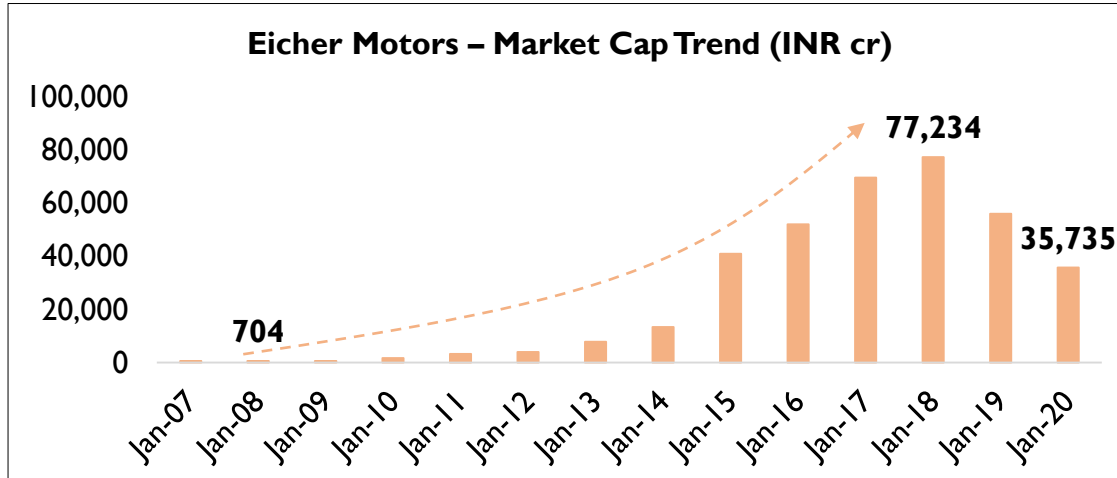
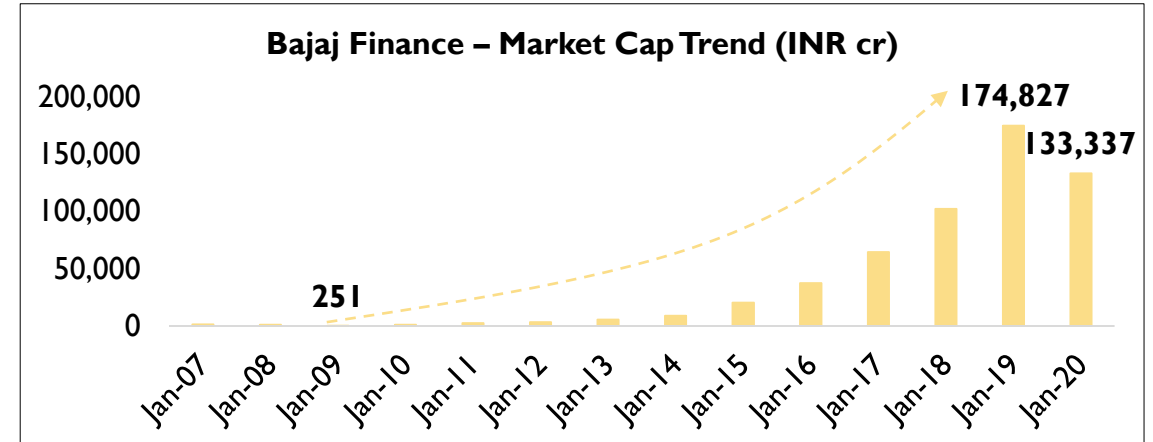


Source: MOAMC Internal Research, Data as on 31.01.2021

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Small caps can grow 100x in 10 years

- Many businesses in India offer huge growth potential
- Small caps, given their size, have a long runway for growth
- The full benefit of this is reaped by those investors who hold for the long term
- The key – high quality of management



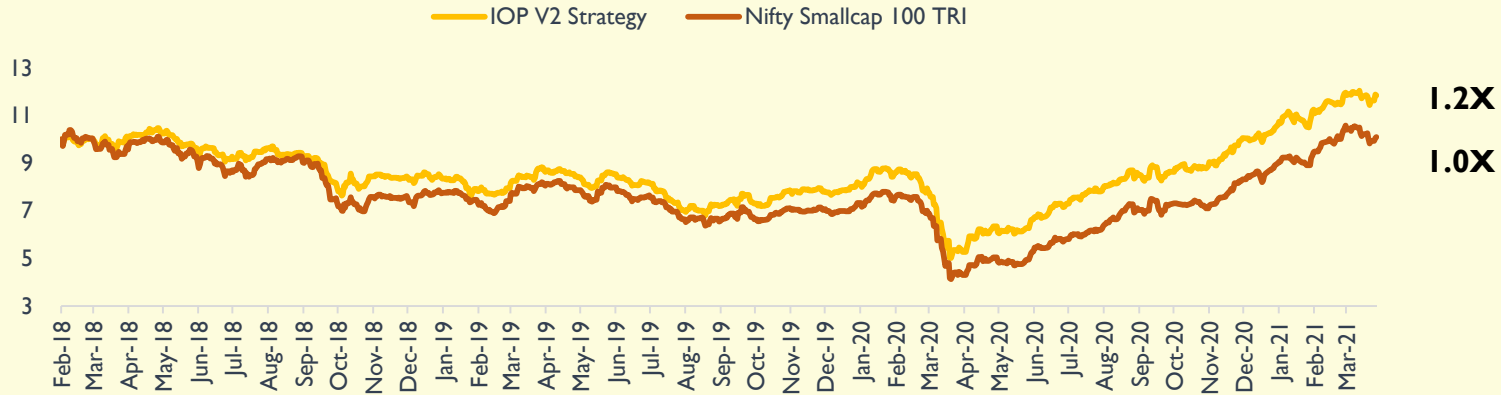
Source: MOAMC Internal Research, Data as on 31.1.2020

Stocks mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. It should not be construed as investment advice to any party. For detailed Company-specific Risk Factors, please refer to the end of this document.

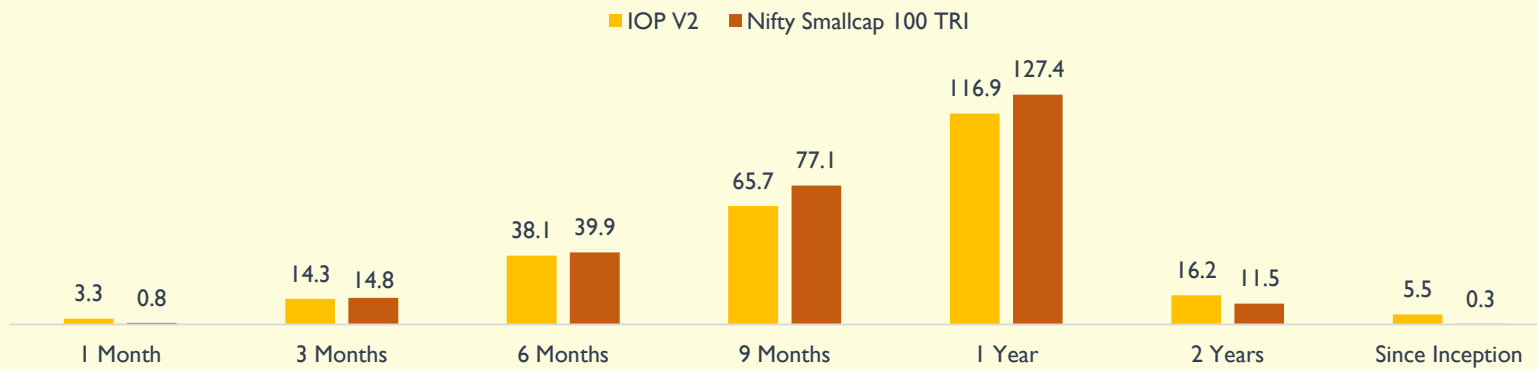
Portfolio Performance

Alpha of 5.2% CAGR since inception

Portfolio Performance



One lac invested in the strategy on 5th Feb 2018 would have grown to Rs. ~1.2 lacs today against ~1 lacs invested in Benchmark

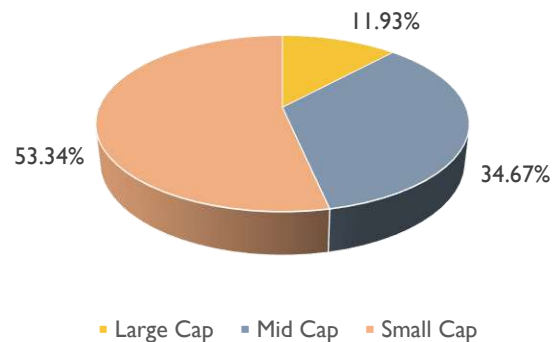


IOP V2 Strategy Inception Date: 5th Feb 2018; Data as on 31st March 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; *Earnings as of Dec 2020 quarter and market price as on 31st March 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are 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.

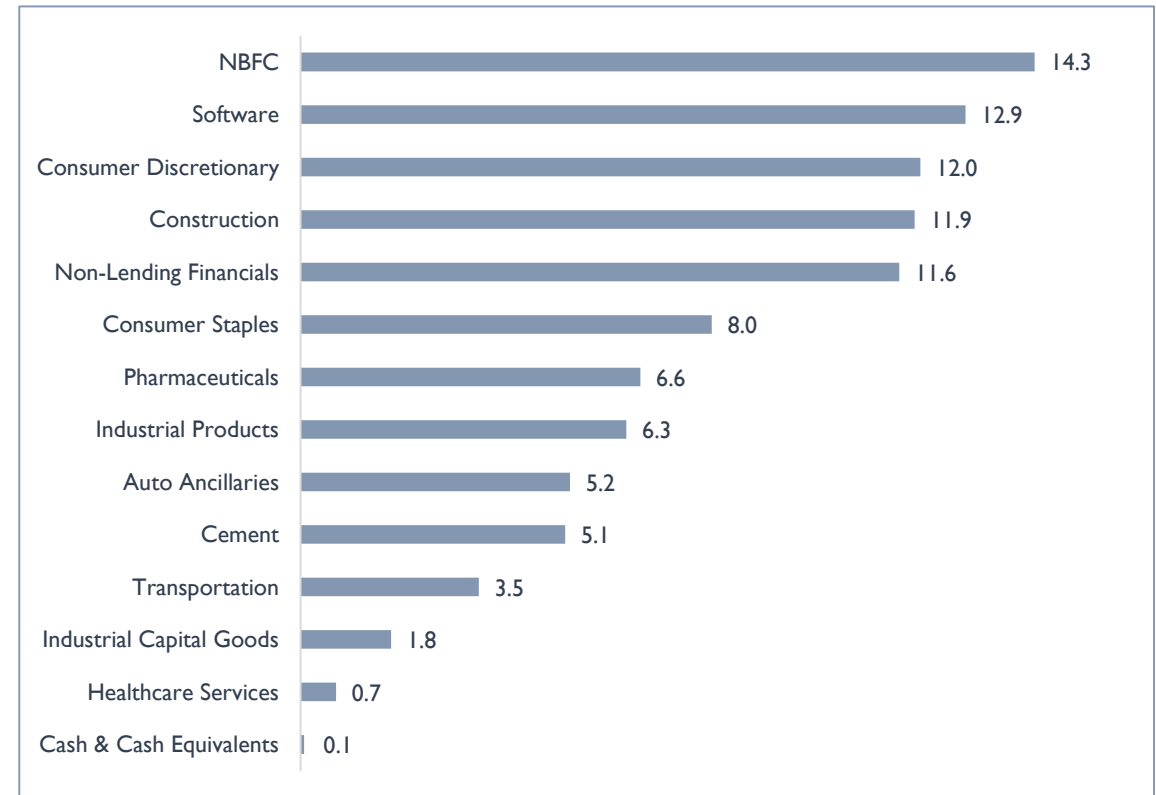
Portfolio Allocation

Top 10 Holdings & Market Capitalization

Scrip Name	% Holding
Larsen & Toubro Infotech Ltd.	11.9
Cholamandalam Investment and Finance Company Ltd.	11.7
Central Depository Services (India) Ltd.	8.3
Kajaria Ceramics Ltd.	7.1
Ipca Laboratories Ltd.	6.6
Sundram Fasteners Ltd.	5.2
JK Lakshmi Cement Ltd.	5.1
Godrej Agrovvet Ltd.	5.0
Century Plyboards (India) Ltd.	4.9
Sobha Ltd.	4.8



Sectoral Allocation



IOP V2 Strategy Inception Date: 5th Feb 2018; Data as on 31st March 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; *Earnings as of Dec 2020 quarter and market price as on 31st March 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.

Key Portfolio Stocks

I

LTI

<p>Challenger model relevant as Tier-I matures into incumbent role</p>	<p>Fortune-500 firms want an incumbent-challenger vendor model. LTI is in the sweet spot in terms of size to play this role as Tier-I Indian IT Services firms have matured into the incumbent role</p>
<p>Benefits from L&T group's parentage; deep domain expertise</p>	<p>L&T group's partnership (for Smart Cities as an e.g.) with several Fortune 500 clients including Cisco and Microsoft provides CXO level access to LTI. Deep domain expertise in Manufacturing, Construction and Financial Services helps bring credibility that is on par with India Tier-I</p>
<p>Diversified business model</p>	<p>Breadth of clients (lowest top-20 concentration among peers) and vertical expertise (ranging across BFS, Insurance, Manufacturing, Hi-Tech, Energy & Utilities) unlike most peers which have concentrated exposures to a couple of verticals or very high concentration to a single client or a few clients (e.g. Mindtree - Microsoft, Mphasis – BFSI, DXC).</p>
<p>Fair valuations considering growth</p>	<p>Stock trades at P/E Multiple of 26x TTM, which is reasonable and fair considering growth runway of ~20% (highest in peer set) for next 3 years at least.</p>





CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

Strong Macro variables to support the Growth

Improving macro variables (demographics, per capita income), push towards financial inclusion, and shift in savings towards financial assets bodes well for capital market intermediaries

Duopoly market with significant market share

The asset-light model, duopoly play on the secular increase in stockholder accounts coupled with potential market share gains is a major positive for this thinly covered stock

Well poised for growth as a proxy play

As a proxy play on Indian capital markets, CDSL has several new revenue opportunities like (a) dematerialisation of unlisted public companies (d) transaction charges from new pledge/unpledged rules (c) commodity repository (d) Insurance repository business aids CDSL's topline growth

Company to demand higher multiples

Empirical studies suggest that limited-entry sectors tend to trade at higher multiples as investors gauge greater confidence in revenue/earnings, and more importantly, multiples tend to expand when new entities are listed





CHOLAMANDALAM INVESTMENT AND FINANCE

Top NBFC Pick

The company remains top NBFC pick, its ability to access funds, strong capital position, and diversified portfolio will enable the company to capture resurgent growth.

Diversified product mix navigates through tough times

Chola has strength of a diversified product mix within vehicle financing, as well as ability to raise funds even during extreme risk aversion among the lenders towards NBFCs

Stands out among the peers

Two aspects of Chola's vehicle finance business stand out compared to most peers: (i) diversification across product segments, and (ii) low state-level concentration – the largest state accounts for only 11% of the total portfolio.

Healthy financials bodes well for Chola

Healthy earnings growth, superior execution track record, sustained asset growth and ability to control bad loans bodes well for Chola



IV

GODREJ AGROVET**Dominant player across the business segments**

(i) the crop protection business, where it is a dominant player in plant growth regulators and triazole chemistry (via its subsidiary Astec Life Science), (ii) palm oil, where it enjoys leadership in India, (iii) animal feed- amongst the top player in cattle feed (iv) dairy and (v) processed foods.

Huge runway for growth

Lower penetration of compound feed in cattle and layer segment provides huge runway for growth. Scaling up of dairy and processed food segments to provide complementary sales of feed to farmers

Several initiative to drive the performance

Initiatives in Astec: (a) Herbicide plant investment (benefit visible in H2FY21E), (b) backward integration of raw materials – to reduce dependence on China and (c) R&D initiatives (entering new chemistries) to cater to high demand aided by customers looking to hedge China exposure

Healthy margins

Margin will remain healthy on benefits from (a) lower feed RM prices + R&D initiatives and (b) rising chicken prices (on industry consolidation) + higher demand for packed foods (Yummiez). CPB (incl. Astec) to grow at healthy pace on stable monsoon.



V

AVANTI FEEDS

Leading position in the industry

Avanti Feeds is the leader in the shrimp feed segment with a market share of 50% as of FY20 (~39% in FY17 ,43% in FY18 and 47% in FY19) followed by CP Aqua Feeds with a market share of ~40%.Tie-up with Thai Union, lowest FCR helps sustain market share

Strong balance sheet with Robust return ratios

Company has a strong balance sheet (Net debt/Equity ~0), strong return ratios (RoE: 24.2% FY20, 22.6% FY19) and leading position in the industry which allows it to position well to capitalize on the opportunities

External support aids performance in the medium to long term

Given the government thrust on fisheries and recovery in demand MoM basis, this will further increase capacity utilization, thereby improve financials post H2FY21E

High PAT and Revenue growth with huge cash

Company's revenue/EBITDA/PAT have grown at 18%/20%/27% CAGR over FY15-FY20 on account of higher volume growth, better capacity utilisation etc. Despite huge expansions, the company has been successful in being debt free and has huge cash pile of ~INR2000mn



VI

ICICI SECURITIES Ltd.**Industry tailwinds**

Strong post-Covid ADTO trend has extended in the 2QFY21 too. Over 3m demat accounts were opened in the past four months.

Impact of regulations

No impact on ISEC due to the new margin norms or share pledging norms that came into effect on 1st Sep'20

MTF and ESOP funding book to grow

Will grow the MTF and ESOP funding book from current levels of INR15b. Received shareholder approval for up to INR35b on the loan book currently, but this cap could be increased in the future.

Revenue diversification

Targeting to grow non-brokerage revenue from 40-42% to 50% of total revenue in a year or so



The portfolio manager invests with an eye on the future

Investors who invest in the good times and hold back in the bad times can never make above average returns.

**Small Cap stocks are a volatile and unpredictable lot...
but provide an opportunity for upside**

To earn super-normal returns with small cap stocks:

- **Be patient**
- **Never exit looking at rear-view performance**
- **Double up at extremes if possible**

Chairman – Investment Committee



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.

Portfolio Manager



Fund Manager

Manish Sonthalia

- Manish has been managing the Strategy since inception and also serves as the Director of the Motilal Oswal India Fund, Mauritius.
- He has over 25 years of experience in equity research and fund management, with over 14 years with Motilal Oswal PMS.
- He has been the guiding pillar in the PMS investment process and has been managing various PMS strategies and AIFs at MOAMC.
- Manish holds various post graduate degrees including an MBA in Finance, FCA, Company Secretaryship (CS) and Cost & Works Accountancy (CWA).

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