

Gallop ahead with India Opportunity Portfolio V2



February 2020

About the Strategy

- India Opportunity Portfolio (IOP) V2 is a Small and Mid cap oriented strategy
- Invest in emerging businesses having growth potential with economic moat
- Aims to identify the next leaders in respective segments to create long term wealth
- The portfolio is a play on the Agriculture, Capital Markets, Electricals & Electronics, IT and Pharmaceuticals sectors
- High quality concentrated portfolio of 21 stocks
- Index agnostic: ~94% away from benchmark Nifty Smallcap 100

Investment Manager

- Motilal Oswal AMC is the pioneer of PMS business in India with over 16 years of track record
- One of the co-founders, Mr. Raamdeo Agrawal is one of the most honored and trusted names in the investing world
- It has a unique positioning of being “Equity only AMC” with defined “Investment Philosophy”
- Trusted by over 42,000 HNI investors and with around Rs. 17,000 Crs of assets as on 31st January 2020

Mid and Small Caps – Large Wealth Creators

Mini, Mid, Mega crossovers - 2000-05, 2005-10, 2010-15 Note: Figures In brackets indicate number of companies

2000-05: Median return CAGR

Market return: 5%

Mega	158% (1)	55% (17)	21% (59)
To Mid	57% (58)	21% (90)	-4% (28)
Mini	19% (1,039)	-3% (93)	-40% (13)
	Mini	Mid From	Mega
Total stocks	1,098	200	100

2005-10: Median return CAGR

Market return: 22%

Mega	76% (2)	46% (9)	27% (66)
To Mid	61% (25)	24% (89)	9% (32)
Mini	11% (1,465)	4% (102)	-32% (3)
	Mini	Mid From	Mega
Total stocks	1,492	200	100

2010-15: Median return CAGR

Market return: 10%

Mega	68% (3)	33% (24)	11% (71)
To Mid	38% (64)	9% (88)	-13% (26)
Mini	0% (1,841)	-19% (88)	-32% (3)
	Mini	Mid From	Mega
Total stocks	1,908	200	100

- For any given 5 year period, maximum wealth is created when a small cap company becomes mid/ large cap and a mid cap company becomes a large cap
- If one invests in midcaps, the probability that a midcap will remain or become large cap in 5 years and reward investors, is as high as ~50%
- In any 5 year cycle when this plays out, there are 2-3 terrible years and 2-3 great years. 2000-2003 were very bad followed by 2004-05, 2005-07 were great followed by 2008-09, 2010-13 were terrible followed by 2014-15
- Investing is probabilistic, there will always be one or two calls that go wrong: one must look at the overall portfolio or bouquet held
- One must look to understand and improve probabilities of success as a stock picker by applying appropriate quality (Q), growth (G) and longevity (L) filters.
- It is estimated that if investors invest for 5 years in midcaps and the higher market cap ranges of small caps, they can make outsized returns

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Source: Motilal Oswal Wealth Creation Studies. Past performance may or may not be sustained in future.

Mid and Small Caps – Bigger Opportunity for Alpha

Mid & Small Caps are hardly covered by analysts, this gives fund manager an edge in spotting good businesses early and generating higher alpha.

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

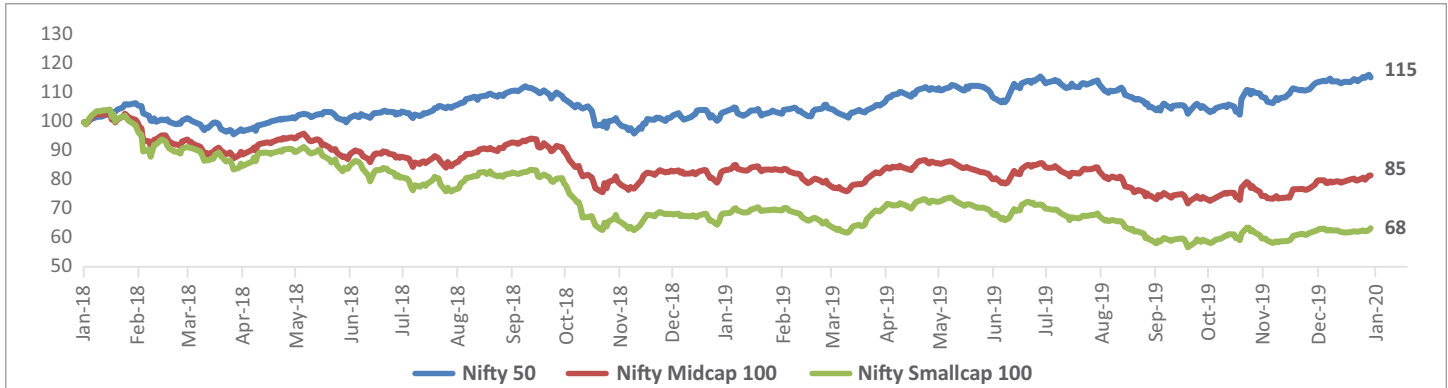
Average analyst coverage is the average number of analysts covering each of the index constituents as on September 30th 2019.

Ownership pattern as disclosed by index constituent companies to the NSE as on QE June 2019

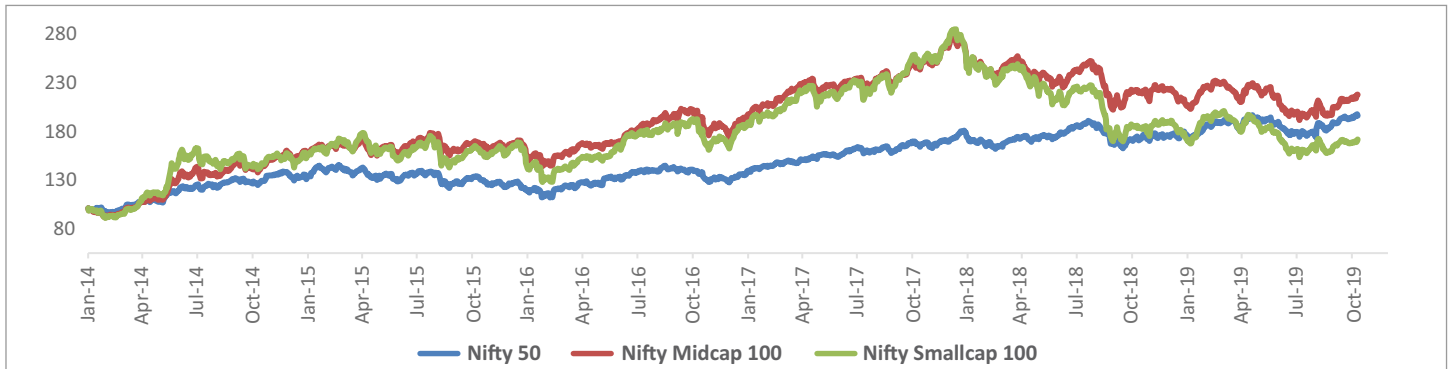
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Mid and Small Caps – Favorable Valuations

Nifty has outperformed Mid cap/ Small cap indices by 30%/47% since Dec'17



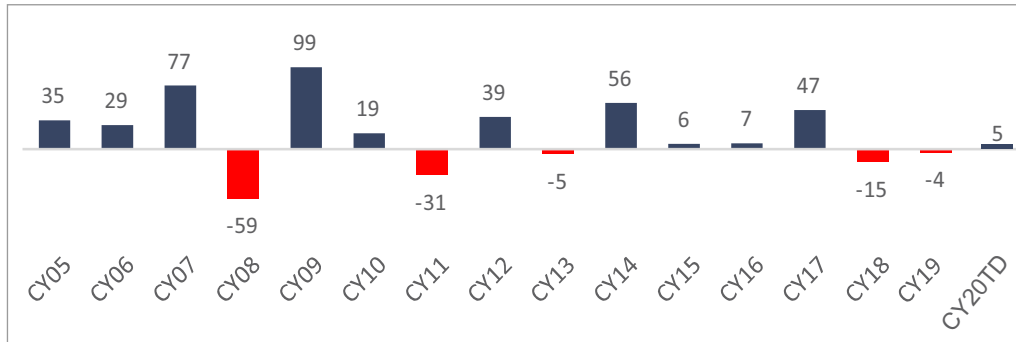
But historically, Mid cap and Small cap Indices have massively outperformed the Nifty 50



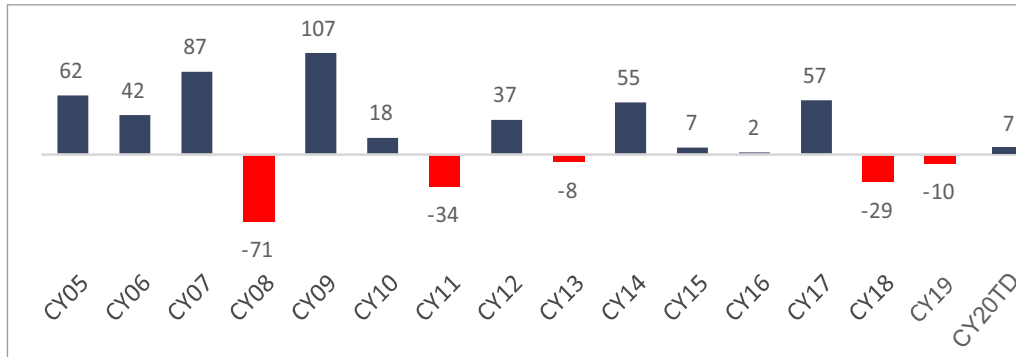
The above graph is used for illustration purpose only and should not be used for development or implementation of an investment strategy
Source: Nseindices.com. Data as on 31st January 2020. Past performance may or may not be sustained in future.

Mid and Small Caps – Declines Followed by Sharp Revival

Nifty Midcap 100 Index



Nifty Smallcap 100 Index

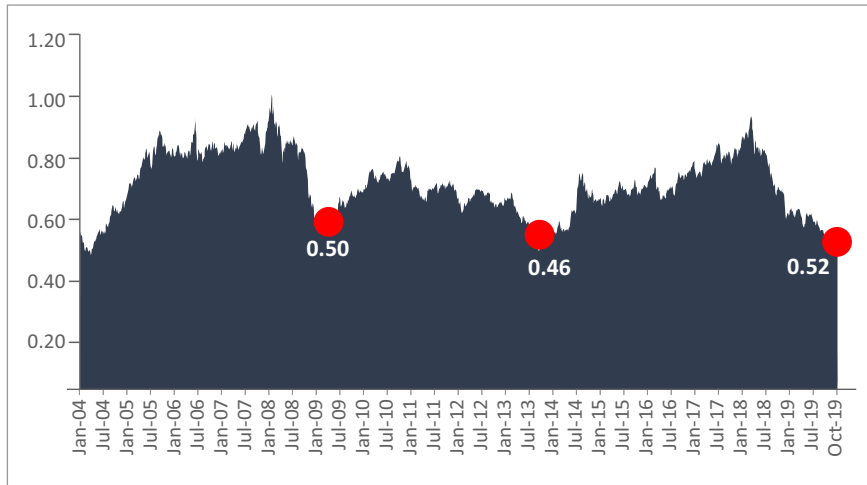


- Mid and Small caps tend to perform in extremes and revive sharply after bouts of negative returns
- CY18 and CY19 are the only 2 consecutive years in 15 years history to have negative returns in mid and small caps.
- Generally a large negative year is followed by equally large positive year.

Source: Nseindices.com. Data as on 31.01.2020

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Small Caps – Favorable Valuations



- Ratio chart shows Nifty Smallcap 100 divided by Nifty 50
- The ratio bottoms at ~0.5x and tops at 1x. Currently the ratio is at the bottom end of the range

Investment Philosophy

At Motilal Oswal Asset Management Company (MOAMC), our investment philosophy is centered on 'Buy Right: Sit Tight' principle.

Buy Right

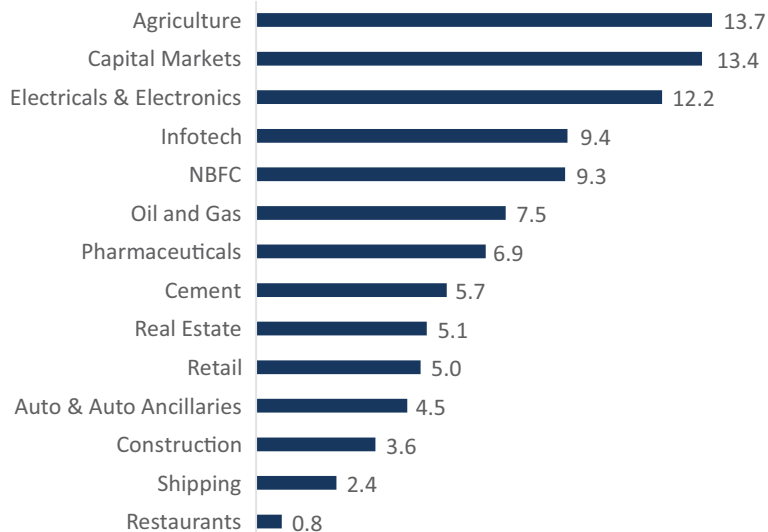
- **'Q'uality** denotes quality of the business and management
- **'G'rowth** denotes growth in earnings and sustained RoE
- **'L'ongevity** denotes longevity of the competitive advantage or economic moat of the business
- **'P'rice** denotes our approach of buying a good business for a fair price rather than buying a fair business for a good price

Sit Tight

- **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these businesses to enable our investors to benefit from the entire growth cycle needs even more skill.
- **Focus:** Our portfolios are high conviction portfolios with 25 to 30 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk

Portfolio Allocation

Sectoral Allocation

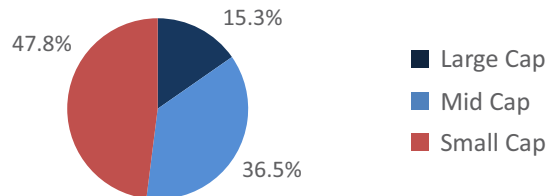


Please Note: Data as on 31st January 2020. The stocks mentioned are a part of existing IOP V2 Strategy clients and may or may not be bought for new clients. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The strategy may or may not have any future holdings in these stocks and should not be construed as recommendations from MOAMC.

Top 10 Holdings

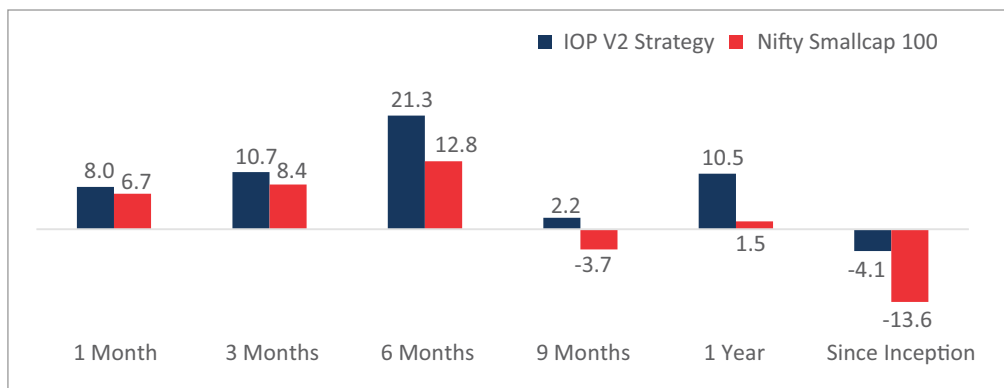
Scrip Name	% Holding
Cholamandalam Investment & Finance Company	9.3
Larsen & Toubro Infotech	7.7
Reliance Industries	7.5
Godrej Agrovet	7.3
Avanti Feeds	6.4
Ipca Laboratories	5.9
JK Lakshmi Cement	5.7
Sobha	5.1
Bata India	5.0
KEl Industries	4.8

Market Capitalization

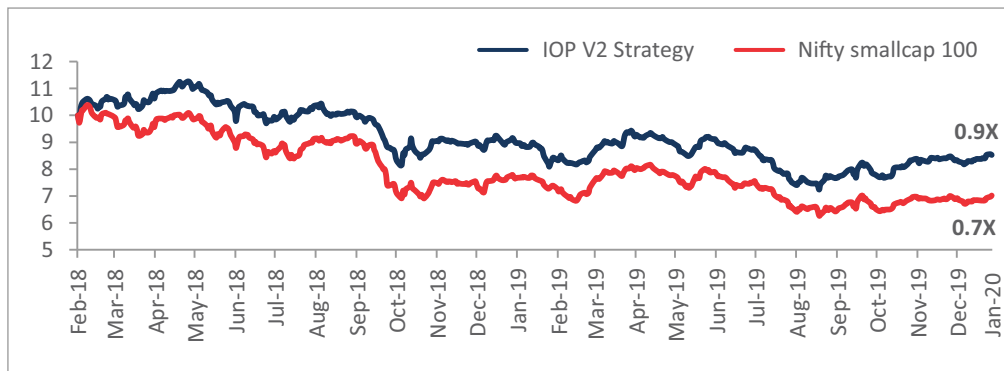


Weighted Average Market Cap : Rs. 78,660 Crs

Performance Snapshot



IOP V2 Strategy has delivered a CAGR of -4.1% vs. Nifty Smallcap 100 returns of -13.6%, an outperformance of 9.5% (CAGR) since inception (5th February 2018)



Rs. 1 cr invested in IOP V2 Strategy at inception (5th Feb 2018) is worth Rs. 92 lakhs as on 31st January 2020. For the same period Rs. 1 cr invested in Nifty Smallcap 100 Index is now worth Rs. 75 lakhs.

*Strategy Inception Date: 5th February 2018.

Please Note: The Above strategy returns are of a Model Client as on 31st January 2020. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized. Strategy returns shown above are post fees & expenses.

MOAMC – Some Success Stories

Multibaggers across PMS strategies...

Stocks	Initial Purchase Date	Market Cap Rs. Crores (Purchase Date)	Market Cap Rs. Crores (31st Jan 20)	Absolute Growth	CAGR (%)
Indian Opportunity Portfolio Strategy					
DCB Bank	August-16	3,038	5,533	1.8X	19%
Mahanagar Gas	August-16	5,061	11,592	2.3X	27%
Dr. Lal Pathlabs	August-16	8,326	14,761	1.8X	18%
Next Trillion Dollar Opportunity Portfolio Strategy					
Page Industries	December 2007	456	27,248	59.8X	40%
Bajaj Finance	November 2010	2,923	2,62,691	89.9X	63%
Eicher Motors	December 2010	3,207	55,399	17.3X	36%
ICICI Bank	November 2018	2,27,657	3,40,094	1.5X	38%
City Union Bank	March 2013	3,026	17,016	5.6X	28%
L&T Technology Services	October 2016	8,610	17,547	2.0X	24%
Value Strategy					
HDFC Bank	June-2008	40,986	6,71,845	16.4X	27%
Eicher Motors	April-2012	5,682	55,399	9.8X	34%
ICICI Bank	Oct-2017	1,78,647	3,40,094	1.9X	32%
HDFC Life Insurance	Nov-2017	69,229	1,20,958	1.7X	29%
IpcaLaboratories	May-2018	9,239	15,876	1.7X	36%

Fund Management Team



Manish Sonthalia - Fund Manager, PMS and AIF

- 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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