

MONTHLY Communique

March 2020



Aashish P Somaiyaa
(MD & CEO)

Dear Investors and my dear advisor friends,

Recently I wrote on micro-blogging platform Twitter:

I have been writing to you practically every once in 2 to 3 months since many years now. Whatever I write is presented as the CEO speak in our PMS and Mutual Fund newsletters. All my articles or letters to you and even some of my well-received newspaper and media articles are reproduced on our website under my blog:

<https://www.motilaloswalmf.com/blogs/ceo>

Usually whatever I write emerges from my meetings with clients and intermediaries. And this is mostly related to my observations about trends, economy, markets and most importantly investor's feelings and behaviours at a point in time.

There are some months in between when I don't write and our product and communications team, visibly agitated with me reproduces previous months article on the front page of our PMS and Mutual Fund newsletters. That's because in some of these months I tell them I haven't come across much new, please just reproduce the previous one. There are two advantages to this:

- 1) I write from my heart what I gather after my interactions and what I think needs perspective or discussions. No one suggests a topic to me, no one shadow writes for me and I am not forced to cook up something. We only present views and I am not forced to give you news.
- 2) I know for a fact that many people don't read at all. Which means if I write new content every month, in any case a lot of people anyway read it once in a while so if I sincerely wish that people read what I write, there is benefit in repeating it two-three times.

The flip-side is that some people who follow what I write, get irritated to see content being rehashed. I apologise to them, but I invite them to follow my blog on the website, because that has few more content pieces than just the PMS Communique or MF FactSheet.

Coming to my thoughts right now.

You must be hearing a lot of perspectives from various quarters and you must be getting a lot of information so I don't want to labour you with more. I will keep this down to a few brief points.

- 1) First things first, if you do not want to or do not feel like investing at this juncture, it's perfect. Do what you are comfortable with. Keep liquidity, let the situations evolve.
 - a) But, DO NOT REDEEM.
 - b) You will regret it, and that day will not be in a few years, it will be few months or few quarters down the line.
- 2) Your willingness to believe investment professionals like me will be low right now. That's because 2018 and 2019 was not a great scenario if you were a small and / or midcap investor and no returns were made. Lack of belief is natural but your current level of belief unfortunately has no correlation with your future returns – if at all, it is likely to be inversely correlated.

(Continued overleaf)

THINK EQUITY
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Asset Management
PORTFOLIO STRATEGY

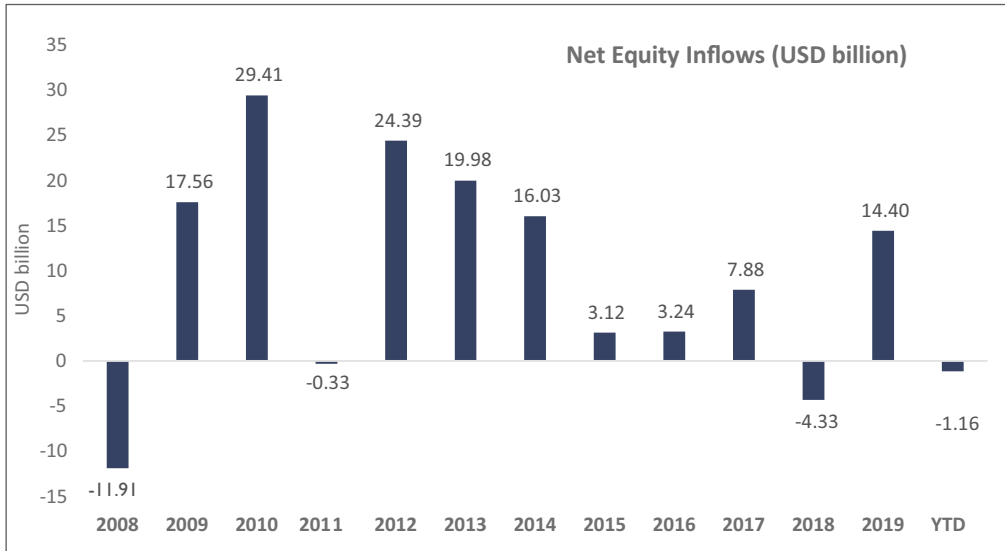
BUY RIGHT
SIT TIGHT

- a) We have been telling you all along what is written in point no. 1 above.
- b) We had just about begun to see a sharp recovery and run up from Sep 2019 till mid Feb 2020. Basis strong efforts from the Government and the RBI (tax cuts, rate cuts, huge liquidity - expansionary fiscal policy, monetary and credit policy) and early economic indicators there was a belief that our economy was in process of bottoming out
- c) That's when Covid-19 awareness hit world markets real hard and in the last 1 month we have been aping western markets.
- d) There is uncertainty about the fallout on India at the time of writing this but we need to be mindful of damage done to markets already in anticipation. We are already at 58% market cap to GDP as I write this.
- e) South Korea which has supposedly overcome the coronavirus is also 33% down YTD in USD terms, that's equal to Nifty 50. This is not about India.
- 3) High quality stocks across small cap, mid cap and large cap; everything is available on a fire sale.
- a) Somewhere some monkeys have decided to throw their caps (not without a reason), so all monkeys are throwing their caps (without understanding all the reasons). Please take your notes on which caps you like, don't participate in the circus.
- b) We all have seen this act in 2003, 2008, 2013, we are seeing it again. I don't mean to belittle the situation, it is concerning but I am only saying it has happened in past. May 2006 which is not even counted as a landmark, was a month where midcap index fell 40%.
- c) This is not the time to compare a good investment, a bad investment, what is right and what is wrong and whose cap was nice enough to keep and whose cap deserved to be thrown anyway. Pretty much everything is painted in the same brush; equity is bad right now - period.
- d) Market has lost the ability to distinguish what is good and what is not good. Everything is falling, some a little more some a little less. But when market hits a point of deep panic, everything will fall as much.
- 4) There is the coronavirus which is clearly the unknown variable which is causing the fear and the panic. So there is the human angle and related stress. But there is the economy – since we need social distancing to defeat the virus, we need to ensure economic activity comes to a stop for few days.
- a) The way central banks and Governments are behaving is two steps ahead.
- b) It is now a well-known fact that for one or two quarters – different durations, different timelines in different geographies – the world will have very low growth.
- c) It is also a well-known fact that the coronavirus infects fraction of population and it causes severe harm to an even smaller fraction; it is important to keep the fraction as minimal as possible which is why the world has to slow down. The percentages and the types of impact of the virus are in public media; I am not an expert so I will not venture in that area.
- d) Suffice is to say, the world is right now grappling to assess the total impact of a stoppage of economic activity for some months.
- e) Does this deserve a 30-40% decline in the total market capitalization of the world or 50-60% decline in market value of some of India's best performing companies? We are basically saying that this stoppage of a quarter or two should mean that the current value of entire future earnings power of all companies globally will reduce by 30-40-50%. Think about that.
- f) Usually, we have a bear case, a base call and a bull case. Here we seem to have only "world will come to an end" case and "world will not come to an end" case. Our judgement as investors is badly impacted right now; but I don't think the choices on the table were as lucid or as clear ever.
- g) The central bankers and Governments, know economies are going to be impacted, we will eventually come out of the panic of the virus, tacking that is a separate agenda but as and when that subsides, they do not want the economy to go into slumber for a long period of time. Which is why there are aggressive announcements on liquidity infusion, rate cuts and incentives for consumers. Even before this started our own Government and RBI in some form has been on an expansionary path.
- h) The communication seems to be, when we get onto the other side of this medical hazard which we eventually will, we want to ensure things come back to normalcy and businesses and consumers face as low stress as possible.

3) Never sell when / because foreigners are selling. They are selling for their own set of reasons. They are selling all over the world, they are not selling because India is a bad market.

a) I have seen this in 2008. They sold in 2008 and we panicked. In 2009 and 2010 after our markets fell and currency depreciated, they bought back everything and more. Till date we have not seen the kind of inflows that we saw in 2009 and 2010.

b) The data is below:



S No.	Year	Net Equity Inflows (USD bn)	Year Start Exchange Rate	Year-end Exchange Rate	Depreciation (+ve)
1	2008	-11.91	39.42	48.68	23%
2	2009	17.56	48.68	46.53	-4%
3	2010	29.41	46.53	44.71	-4%
4	2011	-0.33	44.71	53.11	19%
5	2012	24.39	53.11	54.79	3%
6	2013	19.98	54.79	61.89	13%
7	2014	16.03	61.89	63.18	2%
8	2015	3.12	63.18	66.22	5%
9	2016	3.24	66.22	67.97	3%
10	2017	7.88	67.97	63.84	-6%
11	2018	-4.33	63.84	69.57	9%
12	2019	14.40	69.57	71.23	2%
13	YTD*	-1.16	71.23	73.88	4%

*YTD numbers up to 13-Mar-2020

Source: NSDL (for FPI Flows) and Bloomberg (for Exchange Rates)

Disclaimer: The above graph and table are used to explain the concept and are for illustration and information purposes only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

If you choose to invest and take benefit of this fire sale, stagger your investments over the next 3 months. Do not look for new products, keep adding to whatever you are already invested in.

Thank you for your kind patronage and patience.

And finally everything is not about markets and investing. Stay safe. I wish you and your families the best of health and happiness at all times.

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	67.4
Mid cap	26.5
Small cap	4.1

Top 10 Holdings

Particulars	% Allocation
HDFC Bank Ltd.	10.8
HDFC Life Insurance Company Ltd.	9.2
ICICI Bank Ltd.	9.0
Max Financial Services Ltd.	7.6
Kotak Mahindra Bank Ltd.	7.0
AU Small Finance Bank Ltd.	4.9
Bajaj Finserv Ltd.	4.7
Ipca Laboratories Ltd.	4.7
Larsen & Toubro Ltd.	4.6
Dr Reddy's Laboratories Ltd.	4.3

Data as on 29th February 2020

Top Sectors

Sector Allocation	% Allocation*
Banking	34.5
Insurance	21.5
Auto & Auto Ancillaries	11.6
Pharmaceuticals	10.9
Oil & Gas	7.2
Engineering & Electricals	6.9
Cash	2.0

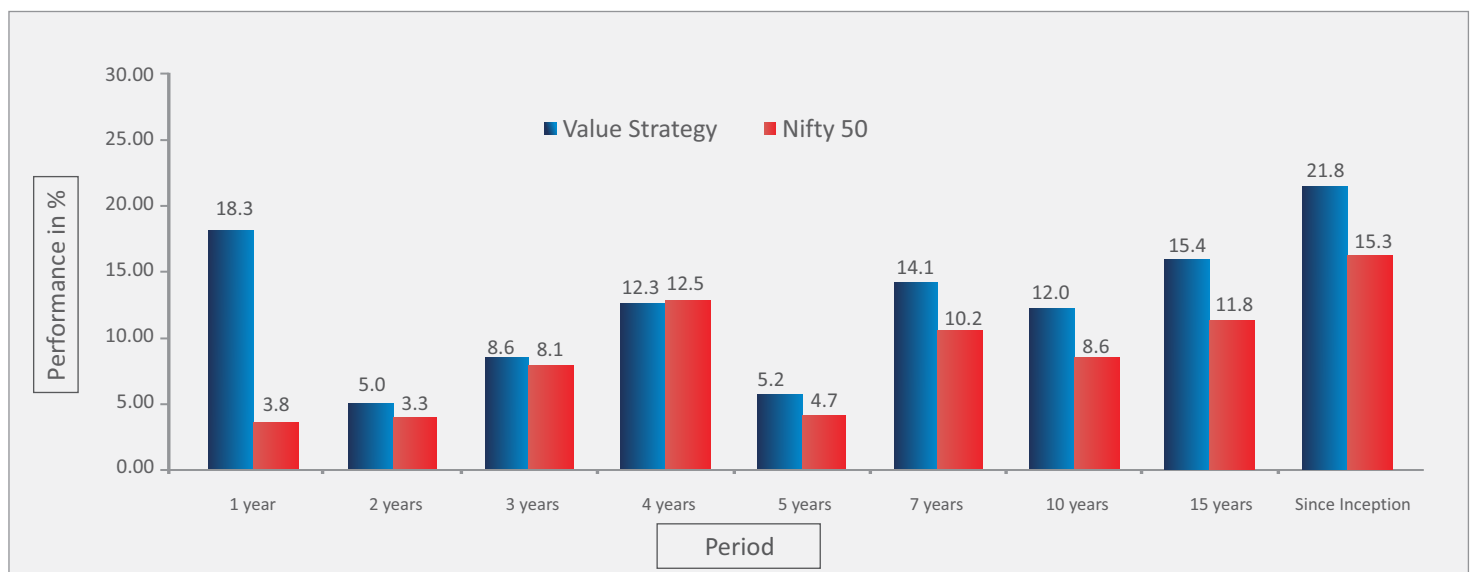
Data as on 29th February 2020

*Above 5% & Cash

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	20.1%	22.0%
Beta	0.8	1.0

Data as on 29th February 2020



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 29th February 2020. 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	43.8
Mid cap	53.3
Small cap	2.8

Top 10 Holdings

Particulars	% Allocation
Kotak Mahindra Bank Ltd.	13.4
Voltas Ltd.	10.7
Page Industries Ltd.	8.2
ICICI Bank Ltd.	6.7
Max Financial Services Ltd.	5.0
City Union Bank Ltd.	4.8
Ipca Laboratories Ltd.	4.5
L&T Technology Services Ltd.	4.5
Eicher Motors Ltd.	3.7
Tech Mahindra Ltd.	3.6

Data as on 29th February 2020

Top Sectors

Sector Allocation	% Allocation*
Banking	27.1
FMCG	15.7
Consumer Discretionary	10.7
Auto & Auto Ancillaries	9.1
Infotech	8.1
Pharmaceuticals	7.6
Insurance	5.0
Cash	0.0

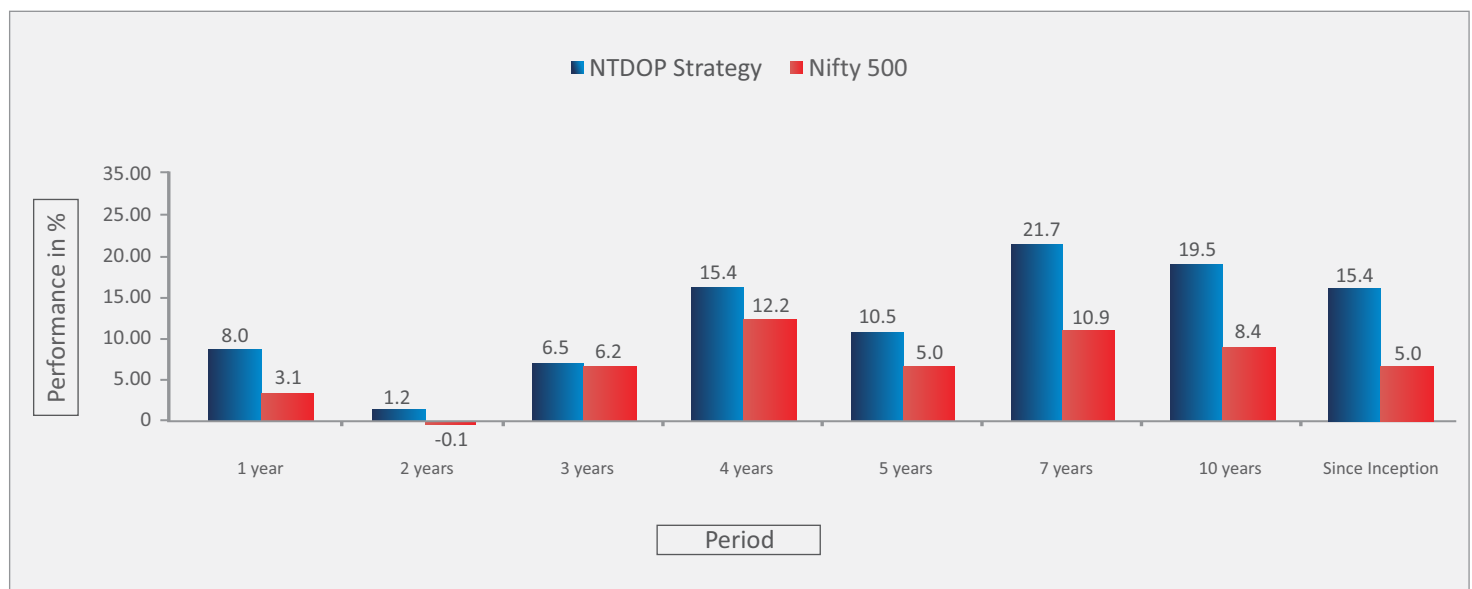
Data as on 29th February 2020

*Above 5% & Cash

Key Portfolio Analysis

Performance Data (Since Inception)	NTDOP	Nifty 500
Standard Deviation (%)	17.5%	20.7%
Beta	0.7	1.0

Data as on 29th February 2020



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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
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	1.9
Mid cap	40.2
Small cap	57.8

Top 10 Holdings

Particulars	% Allocation
AU Small Finance Bank Ltd.	12.1
DCB Bank Ltd.	8.6
Birla Corporation Ltd.	7.9
Aegis Logistics Ltd.	7.3
Alkem Laboratories Ltd.	7.2
Can Fin Homes Ltd.	6.6
TTK Prestige Ltd.	6.2
Mahanagar Gas Ltd.	6.1
Dr. Lal Pathlabs Ltd.	6.0
Blue Star Ltd.	5.2

Data as on 29th February 2020

Top Sectors

Sector Allocation	% Allocation*
NBFC	19.5
Oil and Gas	13.5
Consumer Durable	11.1
Cement & Infrastructure	9.2
Banks	8.6
Pharmaceuticals	7.2
Engineering & Electricals	7.0
Healthcare Services	6.0
Cash	0.1

Data as on 29th February 2020

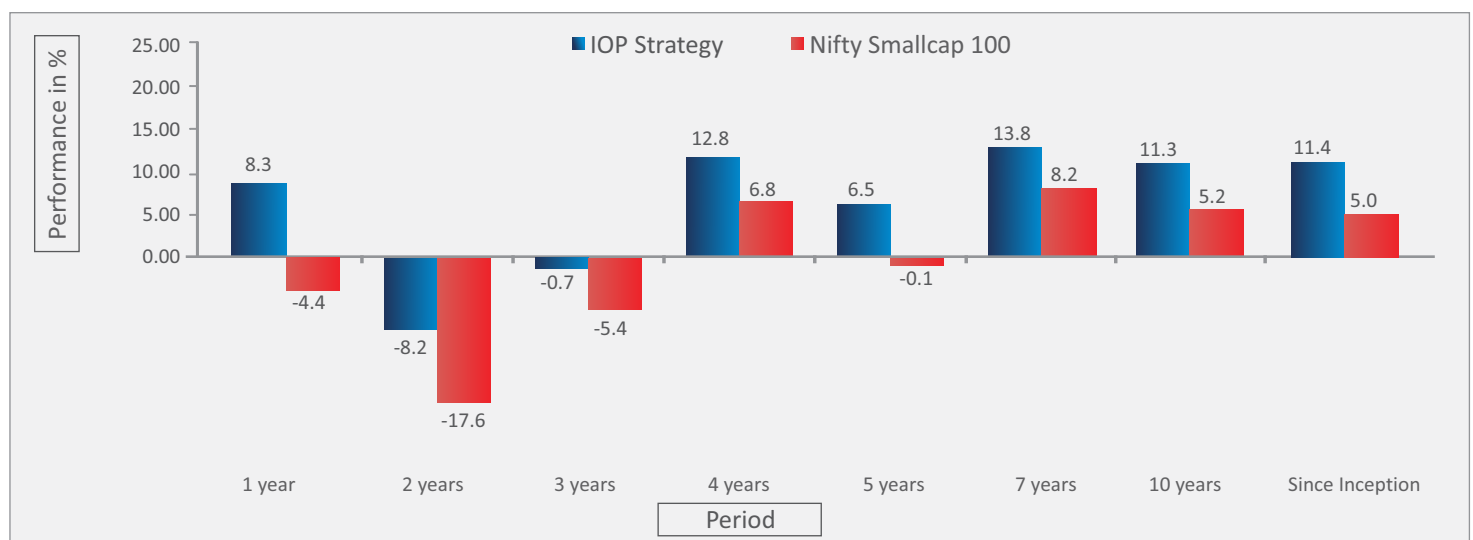
*Above 5% & Cash

For Investors invested post 18th March 2019, portfolio holdings may differ from the one stated above. For any queries, you can call us at +91 22 40548002 (press 2) or write to us at pmsquery@motilalosalwal.com

Key Portfolio Analysis

Performance Data (Since Inception)	IOP	Nifty Smallcap 100
Standard Deviation (%)	15.5%	19.5%
Beta	0.6	1.0

Data as on 29th February 2020



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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
 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	15.7
Mid cap	37.5
Small cap	46.0

Top 10 Holdings

Particulars	% Allocation
Cholamandalam Investment & Finance Company Ltd.	9.6
Larsen & Toubro Infotech Ltd.	8.4
Reliance Industries Ltd.	7.3
Ipca Laboratories Ltd.	7.1
Godrej Agrovet Ltd.	6.7
Bajaj Electricals Ltd.	5.5
JK Lakshmi Cement Ltd.	5.5
ICICI Securities Ltd.	5.1
Bata India Ltd.	5.0
Central Depository Services (India) Ltd.	5.0

Data as on 29th February 2020

Top Sectors

Sector Allocation	% Allocation*
Capital Markets	14.9
Electricals & Electronics	12.6
Agriculture	11.6
Infotech	10.2
NBFC	9.6
Pharmaceuticals	7.9
Oil and Gas	7.3
Cement	5.5
Retail	5.0
Cash	0.7

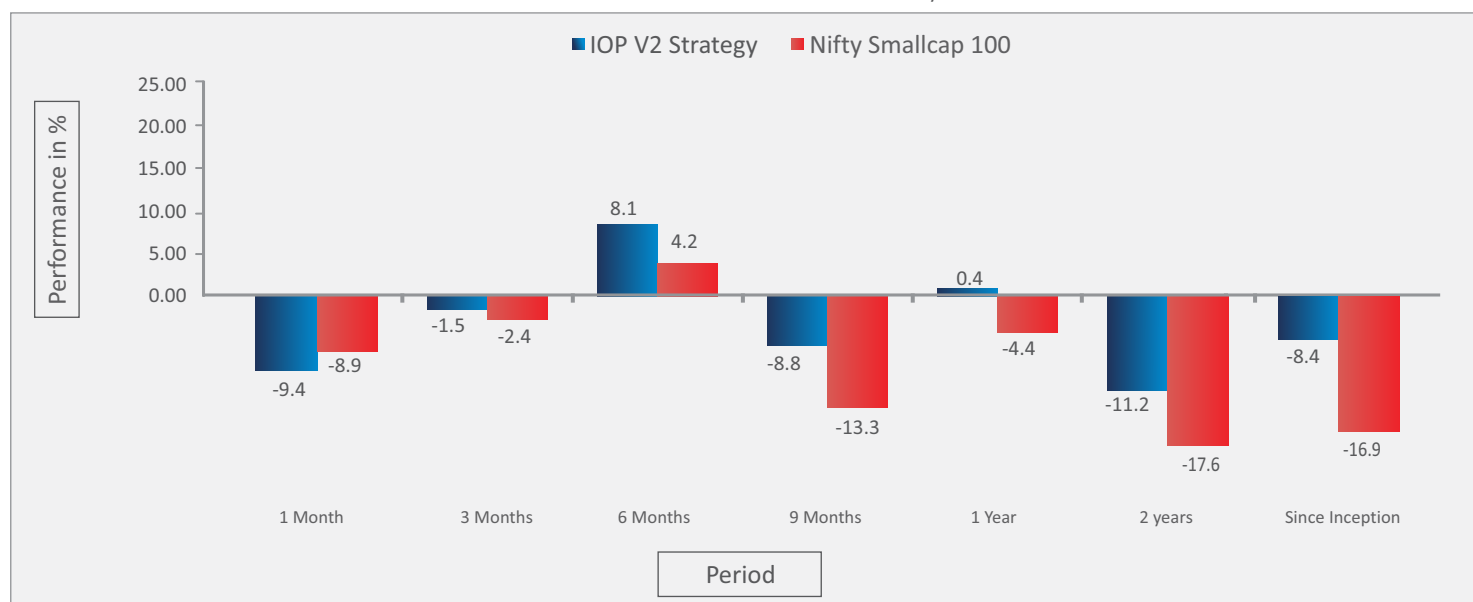
Data as on 29th February 2020

*Above 5% & Cash

Key Portfolio Analysis

Performance Data (Since Inception)	IOP V2	Nifty Smallcap 100
Standard Deviation (%)	17.5%	19.0%
Beta	0.8	1.0

Data as on 29th February 2020



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

Market Capitalization

Market Capitalization	% Equity
Large cap	62.9
Mid cap	31.8
Small cap	5.0

Top 10 Holdings

Particulars	% Allocation
HDFC Bank Ltd.	10.7
Hindustan Unilever Ltd.	9.8
Kotak Mahindra Bank Ltd.	8.9
ICICI Bank Ltd.	8.6
Bata India Ltd.	8.3
Max Financial Services Ltd.	6.4
Blue Star Ltd.	5.0
Britannia Industries Ltd.	4.4
Godrej Agrovet Ltd.	4.3
Container Corporation Of India Ltd.	4.1

Data as on 29th February 2020

Top Sectors

Sector Allocation	% Allocation*
Banks	28.2
FMCG	23.2
Retail	14.8
Insurance	9.4
Engineering & Electricals	5.0
Cash	0.2

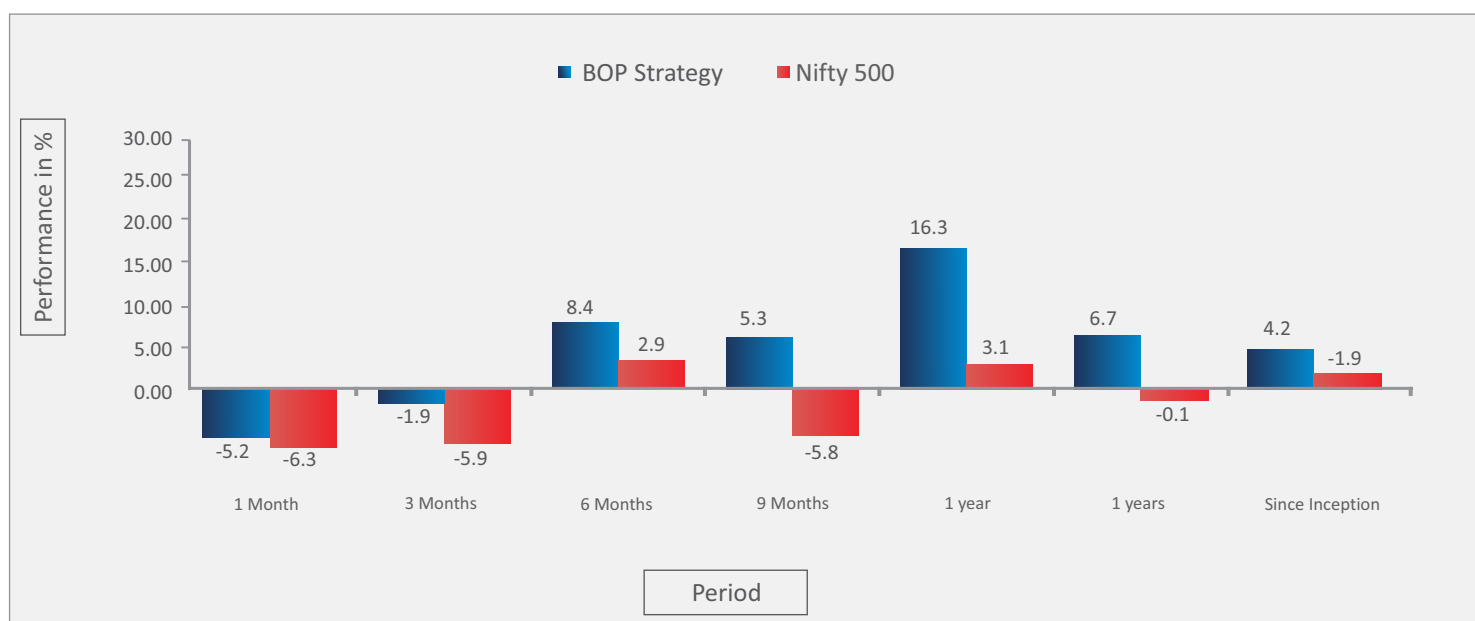
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*Above 5% & Cash

Key Portfolio Analysis

Performance Data (Since Inception)	BOP	Nifty 500
Standard Deviation (%)	14.0%	13.7%
Beta	0.9	1.0

Data as on 29th February 2020



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