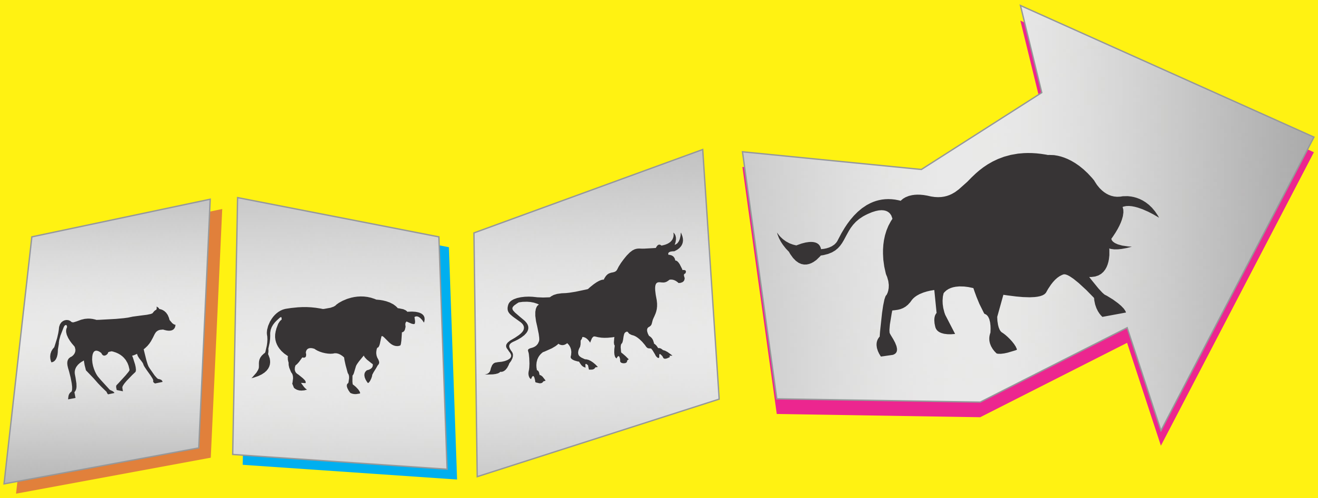
MONTHLY Communique

As on 30th September 2021



BUY RIGHT : SIT TIGHT

Buying quality companies and riding their growth cycle

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Asset Management
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Should you be worried about the rise in markets?

Navin Agarwal
MD & CEO - Motilal Oswal AMC)

At every webinar, cocktail party or chat with someone, I encounter a familiar question – "Has the market run its course? Will it correct now?" While I do appreciate the fear of correction among investors, I do not subscribe to that line of thinking. Anyone who has seen a few market cycles would have reconciled by now that corrections are an integral part of wealth creation. While they unsettle investors in the short term, they have no bearing in the longer term process of wealth creation.

To make the best out of your investments, it is necessary to embrace the bull and bear markets, the ups and downs in the markets whole heartedly. Trying to participate in one and avoid the other will only break the magic of compounding and will result in a personal experience from equities that is very different from the true potential that this asset class offers. In the words of Warren Buffet, the Oracle of Omaha, "The most important quality for an investor is temperament, not intellect. Investing is 1% intelligence and 99% temperament."

Investors are obsessed with

$$A = P*(1 + r\%) \wedge (t)$$

What investors ignore

Let the money 'compound'

A lot of investors are obsessed about aligning to the best performing stock or the best performing fund to maximise returns. The most common question of investors is "How much return will I get from my investment?" Well, no one really knows the right answer as there are many variables, and a lot of factors that contribute to the end outcome called return. Instead the real question an investor should ask is, "How much time can I provide to my investment?" In the above formula, 't' is controllable, 'r' is not. The longer one stays invested, higher is the power of compounding.

While talking about Warren Buffet and his investment success, people always tend to overlook a very important aspect in his journey of wealth creation i.e. time. He has been investing in equities since the age of 11. The US stock market has had numerous bear phases and yet Buffet has been able to grow his wealth multi-fold with the help of his temperament, giving all the time to his investments and allowing the power of compounding do its magic.

We strongly believe that timing the market does not work and advice against it. In fact, less than 1% people have gained by timing it. The rest have made money by staying invested for the long term. "The idea that a bell rings to signal when to get into or out of the stock market is simply not credible. After nearly fifty years in this business, I don't know of anybody who has done it successfully and consistently. I don't even know anybody who knows anybody who has done it successfully and consistently," said John C. Bogle, the popular American investor and author.

In spite of all the evidence to the contrary, people still invest excessive time and energy trying to time the market. The reason is 'Overconfidence Bias' – a popular concept taught in behavioural finance. It is a person's tendency to overestimate one's abilities and skills as an investor, particularly in a bull market like the current one. This bias tricks the brain into thinking it is possible to consistently add value to portfolio returns, avoid the downturns and then smartly reinvest in the upcycle. Data for last two decades pertaining to the US markets is to the contrary as Mr Markets drives an average investor into buying high and selling low, effectively pushing investor returns to levels lower than investment returns (refer figure below).

Investment return vs investor return: temperament vs IQ

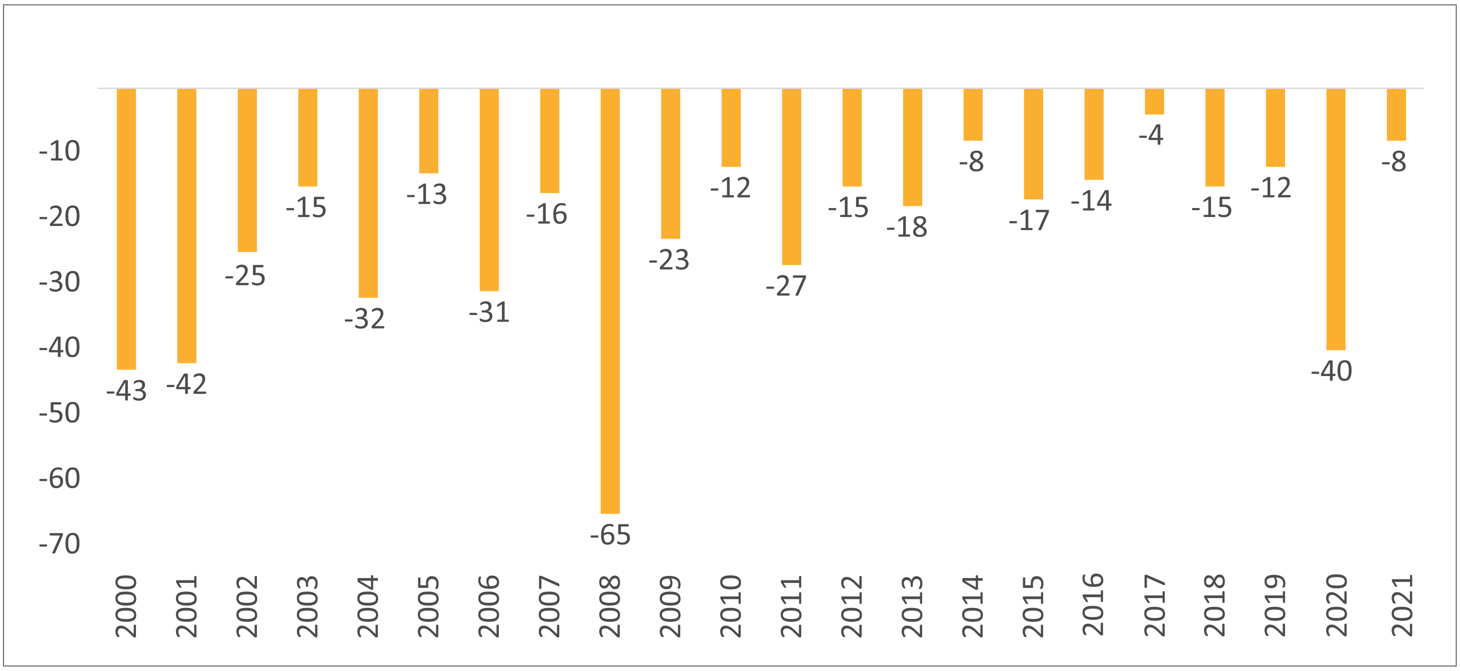
Wealth is not primarily determined by investment performance, but by investor behaviour

	The average equity investor earns less 5% less than the index over a 5 year period!		The average fixed income investor's returns are negative over a 5 year horizon!		Over a 10-year period, the average investor earns lower than inflation returns	
			Debt			
	Fund Investor	S&P 500	Average Fixed Income Fund Investor	Bloomberg - Barclays Aggregate Treasury Index	Average Asset Allocation Fund Investor	Inflation
	(%)	(%)	(%)	(%)	(%)	(%)
20 year	5.29	7.20	0.44	4.60	2.58	2.15
10 year	4.88	8.50	0.48	3.31	2.52	1.64
5 year	10.93	15.79	-0.40	1.27	5.41	1.48

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

Can temperament explain why investors earn lower than market returns?

Over the last 20 years, Nifty has seen double digit corrections in 18 years and 9 of these corrections were 20% or more. It sounds like a risky place to be. But, there is another side to the coin. During the same period, Nifty has moved from 1,000 in January 2001 to 17,000 in August 2021. That is a 17x journey or a compounded return of ~ 15% over the last 20 years, beating all other asset classes hands down, particularly on a post-tax basis!



Source: MOAMC Internal Research Data as on Aug,2021 Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

Good days versus the bad

Would the outcome be much better or worse if someone timed the market through these 20 years? I would leave this question open for those who are looking to make decisions for the next 20 years.

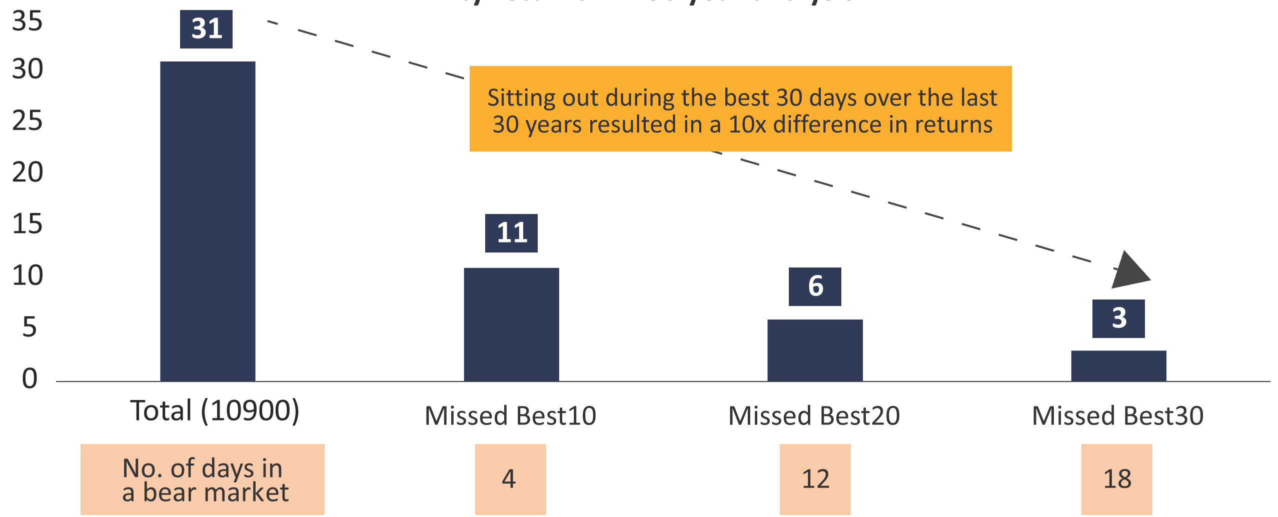
At Motilal Oswal , we have time travelled this journey of 20 years by backing quality businesses run by quality managements that offer a runway for strong cash flow growth and buy them at a reasonable price. Our repertoire of 25 frameworks published in the recent book by Mr Raamdeo Agarwal titled The Secret of Wealth Creation, provides us with behavioural advantages in a market place where information and analytical advantages are increasingly blunting.

A clear investment philosophy and an armoury of investment frameworks can add value to the portfolio returns while market timing can detract a lot of value. In the words of Buffett, "A market downturn doesn't bother us. It is an opportunity to increase our ownership of great companies with great management at good prices". Then why not just buy right and sit tight?

One other 'bias' which tends to cloud investor behaviour is a feeling that 'high return days' come only during a bull market phase. A thirty year study of "Best Days" in terms of returns shows that more than 50% of the best 30 days were during a bear market phase.

More than 50% of the best 30 days in the last thirty years were during bear markets – there's an opportunity cost to sitting out

Nifty returns – A 30 year analysis



Source: NSE India, MOAMC Research, Data as on 31-Mar-2020

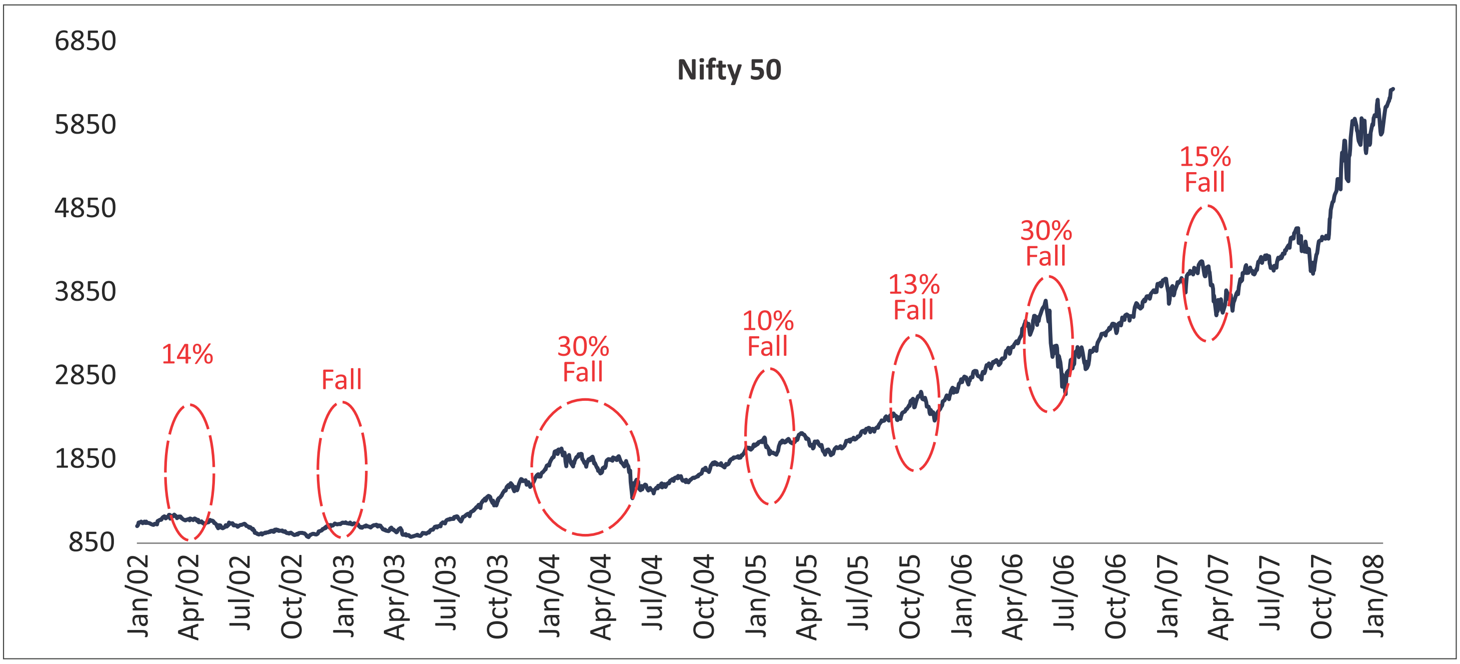
Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future

Do not quit during a correction

Shunning the equity markets during a correction phase may well be counter-productive. As highlighted in the above exhibit – the difference in total return reduces from 30x to a mere 3x if you just miss the 30 best days in the markets. And, yes it may seem counter-intuitive but 18 of those 30 best days happened in the midst of a bear market. Once again, market timers ignore the harsh reality that 60% of the best return days occur in a bear market that they are working so hard to avoid.

Investors would do well to focus on staying invested instead of using market timing to avoid bear markets. Bull markets too are characterised by many intermittent falls which could be a trigger for an investor trying to time the market to stay out. Let us see some data points on frequency and quantum of these intermittent falls in the last two decades.

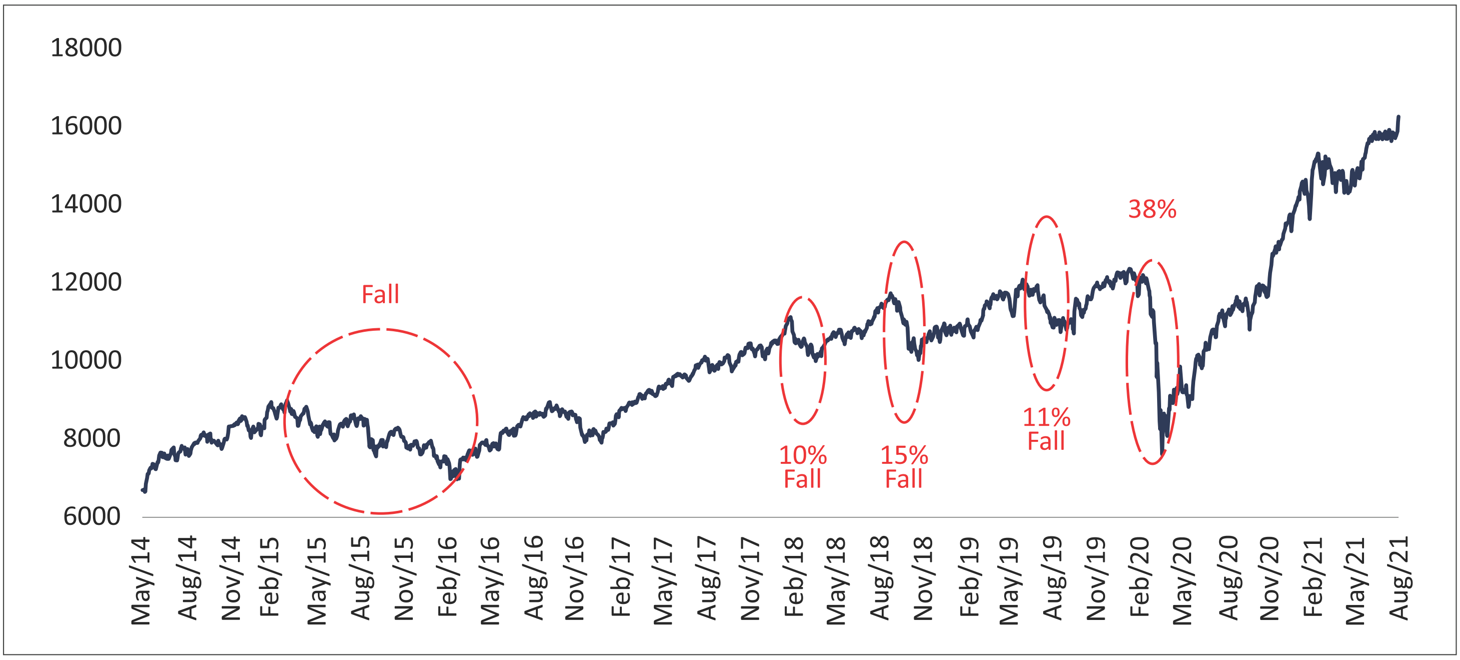
Example #1 – 2002-2008



Source: MOAMC Internal Research Data as on Aug,2021 Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

In the bull market from January 2002 to January 2008, Nifty 50 moved up by nearly six times from 1100 in Jan-02 to 6300 in Jan-08. This implies a compounded return of 33% per annum. However, during this short period of six years, Nifty went through seven double digit falls. Two of those falls were as deep as 30%. A condition where a security or market falls 20% or more from the recent high is classified as a bear market. This is what market timing seeks to avoid, right? We believe that the journey of 6x in 6 years is subjected to a higher risk by any such endeavour than an intermittent correction itself.

Example #2 – 2014-2021



Source: MOAMC Internal Research Data as on Aug,2021 Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

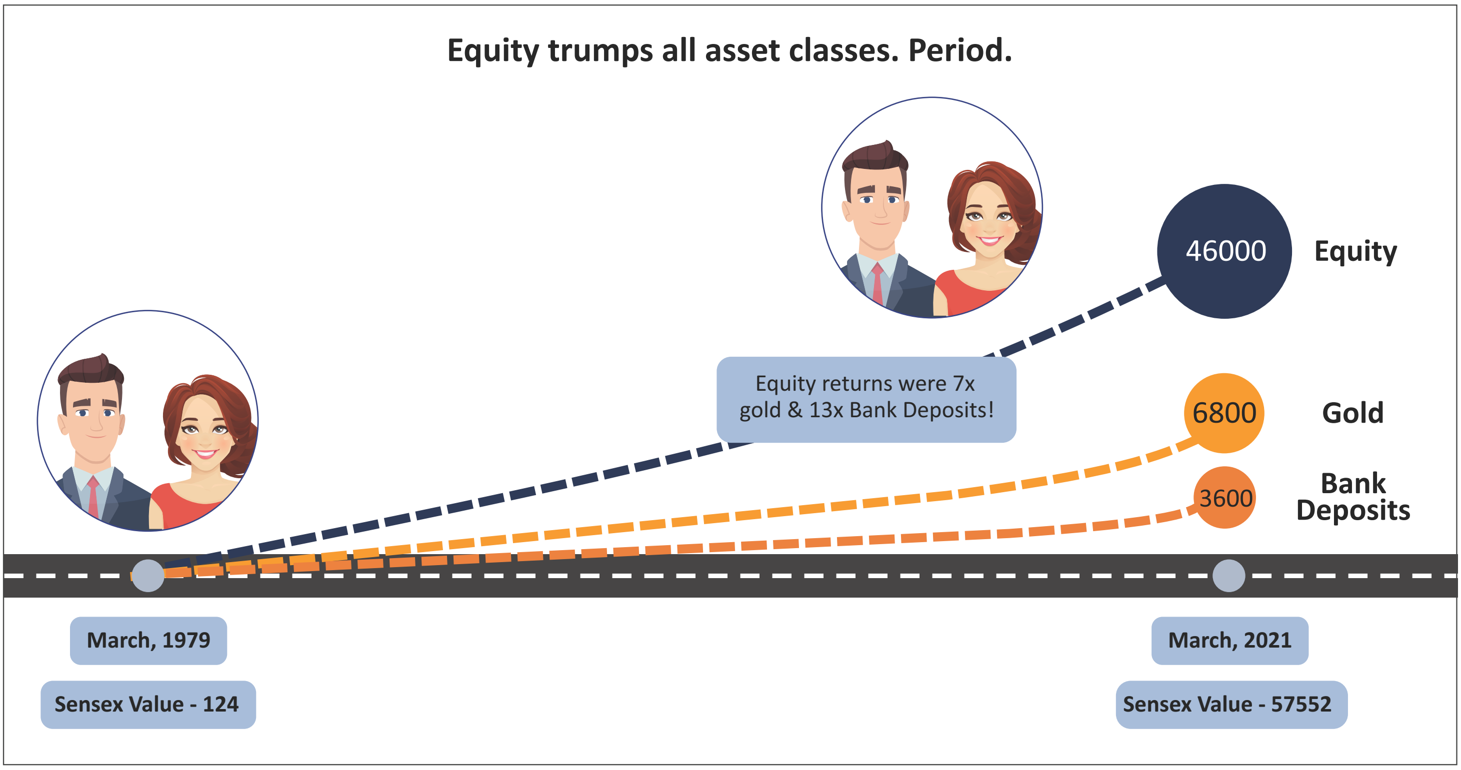
In the period beginning May 2014 till August 2021, Nifty 50 has grown nearly 2.5x, from 6,695 to 16,500, offering a compounded return of 13% per annum. This journey has witnessed five falls of over 10%, two of which were more than 20% drawdowns including the 40% drawdown in March 2020.

It is also important to remember that this has been one of the most challenging phases for the Indian economy with road bumps like ILFS crisis, de-monetisation, GST implementation, RERA, IBC, Covid and many more. It has also been an era of very poor corporate profit growth. And stocks are slaves of earnings!

All this brings us back to the most popular question of these times - Has the market run ahead of itself and so can it correct now? Just contextualising the above two examples with the current cycle, the journey of Nifty this time has started at 12,000 levels which was achieved pre-Covid in January 2020. And we are at 17000 levels now or about 1.4x. The 'earnings beat and upgrade' cycle has just begun (https://www.motilaloswalmf.com/blogs/ceo/miss-and-cut-making-way-for-beat-and-upgrade-disappointments-making-way-for-surprises/199) and while "history does not repeat itself but it does rhyme" (https://www.motilaloswalmf.com/blogs/ceo/d%C3%A9j%C3%A0-vu-is-fy22-a-new-avatar-of-fy04/214).

Just to reiterate our thoughts in the words of another great investor, Peter Lynch - "Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves".

Finally there is a real good reason why magic of compounding is called the eighth wonder of the world. Since the Sensex was born in March 1979, it has multiplied 460 times in last 42 years or a compounded return of 16%. Exciting isn't it, and without the stress of market timing. Gold has multiplied 68 times during this period (compounded return of 10%) and bank deposits by 36 times (compounded return of 9%). And the future looks as exciting for equities. If only, we could wait for the future to unfold.



Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only.

Navin Agarwal
MD & CEO, Motlal Oswal Asset Management Company Ltd.

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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	:	18th February 2003
Benchmark	:	Nifty 50 TRI
Investment Horizon	:	3 Years +

Portfolio Holdings

Particulars	% Allocation
ICICI Bank Ltd.	11.45
Max Financial Services Ltd.	10.05
SBI CARDS AND PAYMENT SERVICES Ltd.	7.00
HCL Technologies Ltd.	6.23
HDFC Bank Ltd.	6.03
Bharti Airtel Ltd.	5.31
Larsen & Toubro Ltd.	5.29
Tube Investment of India Ltd.	5.16
Dr. Reddy's Laboratories Ltd.	4.35
HDFC Life Insurance Company Ltd.	3.63
Home First Finance Company India Ltd.	3.39
Hindustan Unilever Ltd.	3.35
LIC Housing Finance Ltd.	3.18
United Spirits Ltd.	2.97
MUTHOOT FINANCE Ltd.	2.71
Thermax Ltd.	2.54
G R Infraprojects Ltd.	2.31
SBI Life Insurance Company Ltd.	1.95
Kotak Mahindra Bank Ltd.	1.92
Maruti Suzuki India Ltd.	1.91
Mahindra & Mahindra Ltd.	1.85
Au Small Finance Bank Ltd.	1.70
Jubilant Foodworks Ltd.	1.49
Bharat Petroleum Corpn. Ltd.	1.40
GlaxoSmithkline Pharmaceuticals Ltd.	1.32
VIP Industries Ltd	1.24

Data as on 30th September 2021

Sectors

Particulars	% Allocation
Banking	21.10
NBFC	16.28
Non-Lending Financials	15.63
Auto & Auto Ancillaries	8.92
Consumer Staples	7.81
Construction Project	7.60
Software	6.23
Pharmaceuticals	5.67
Telecom - Services	5.31
Industrial Capital Goods	2.54
Oil & Gas	1.40
Consumer Discretionary	1.24
Cash & Cash Equivalents	0.26

Data as on 30th September 2021

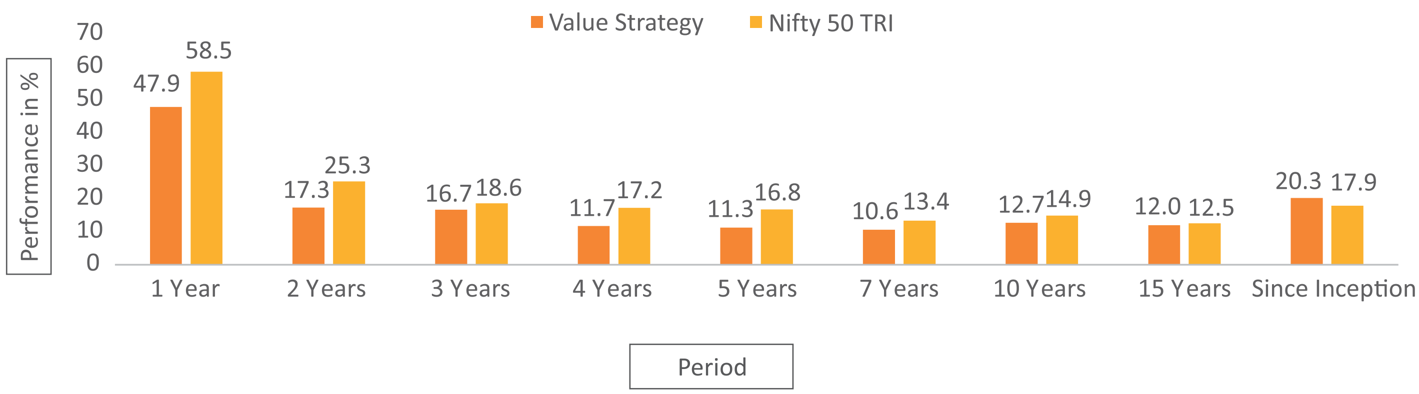
Market Capitalization

Market Capitalization	% Equity
Large cap	69
Mid cap	26
Small cap	5

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	18.5%	18.8%
Beta	0.9	1.0

Data as on 30th September 2021



Value Strategy Inception Date: 18th Feb 2003; Data as on 30th September 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; 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.

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	: 03 rd August 2007
Benchmark	: Nifty 500 TRI
Investment Horizon	: 3 Years +

Portfolio Holdings

Particulars	% Allocation
ICICI Bank Ltd.	9.09
L&T Technology Services Ltd.	8.86
Kotak Mahindra Bank Ltd.	8.70
Voltas Ltd.	6.26
Max Financial Services Ltd.	6.01
Gland Pharma Ltd.	5.28
Tech Mahindra Ltd.	4.58
Page Industries Ltd.	4.23
Ipca Laboratories Ltd.	4.22
Eicher Motors Ltd.	4.19
ITC Ltd.	2.85
Emami Ltd.	2.81
Godrej Industries Ltd.	2.73
State Bank of India	2.60
Container Corporation of India Ltd.	2.59
Clean Science and Technology Ltd.	2.43
Larsen & Toubro Infotech Ltd.	2.40
Bosch Ltd.	2.32
Colgate-Palmolive (India) Ltd.	2.26
Cummins India Ltd.	2.12
Bharat Forge Ltd.	2.12
Hindustan Petroleum Corporation Ltd.	2.10
Tata Consultancy Services Ltd.	1.76
Birla Corporation Ltd.	1.75
Aegis Logistics Ltd.	1.65
Alkem Laboratories Ltd.	1.53
Bayer CropScience Ltd.	1.41
Larsen & Toubro Ltd.	1.36

Data as on 30th September 2021

Sectors

Particulars	% Allocation
Banking	20.39
Software	17.61
Pharmaceuticals	11.03
Consumer Discretionary	10.49
Auto & Auto Ancillaries	8.63
Consumer Staples	7.91
Non-Lending Financials	6.01
Chemicals	3.84
Oil & Gas	3.75
Others	2.73
Transportation	2.59
Industrial Products	2.12
Cement	1.75
Construction Project	1.36
Cash & Cash Equivalents	-0.20

Data as on 30th September 2021

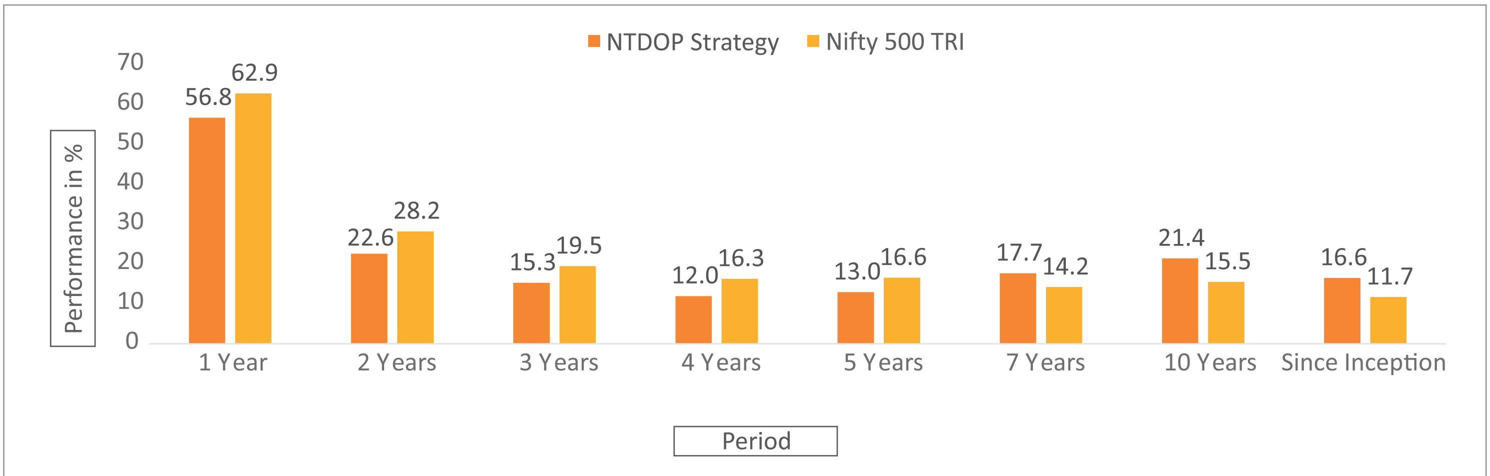
Market Capitalization

Market Capitalization	% Equity
Large cap	47
Mid cap	47
Small cap	6

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	17.3%	17.8%
Beta	0.9	1.0

Data as on 30th September 2021



NTDOP Strategy Inception Date: 3rd Aug 2007; Data as on 30th September 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; 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.

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	: 15th Feb. 2010
Benchmark	: Nifty Smallcap 100 TRI
Investment Horizon	: 3 Years +

Portfolio Holdings

Particulars	% Allocation
Kajaria Ceramics Ltd.	9.92
ICICI Securities Ltd.	7.63
Can Fin Homes Ltd.	6.34
VIP Industries Ltd.	6.30
Alkem Laboratories Ltd.	5.99
Birla Corporation Ltd.	5.75
Mahanagar Gas Ltd.	4.47
Central Depository Services (India) Ltd.	4.32
Max Financial Services Ltd.	4.23
Aegis Logistics Ltd.	4.15
Quess Corp Ltd.	4.08
Gabriel India Ltd.	3.88
Blue Star Ltd.	3.51
Ipca Laboratories Ltd.	3.32
Gland Pharma Ltd.	2.99
TTK Prestige Ltd.	2.82
Dhanuka Agritech Ltd.	2.51
Clean Science and Technology Ltd.	2.43
Century Plyboards (India) Ltd.	2.11
Suprajit Engineering Ltd.	2.09
KEI Industries Ltd.	1.67
Blue Dart Express Ltd.	1.65
Bayer CropScience Ltd.	1.57
HEG Ltd.	1.48
Sundram Fasteners Ltd.	1.47
ITD Cementation India Ltd.	1.31
Engineers India Ltd.	1.17
Emami Ltd.	1.07

Data as on 30th September 2021

Sectors

Particulars	% Allocation
Non-Lending Financials	16.18
Consumer Discretionary	14.75
Pharmaceuticals	12.30
Construction	11.22
Oil & Gas	8.62
Auto & Auto Ancillaries	7.45
NBFC	6.34
Cement	5.75
Commercial Services	4.08
Chemicals	4.00
Industrial Products	3.15
Pesticides	2.51
Transportation	1.65
Construction Project	1.17
Consumer Staples	1.07
Cash & Cash Equivalents	-0.24

Data as on 30th September 2021

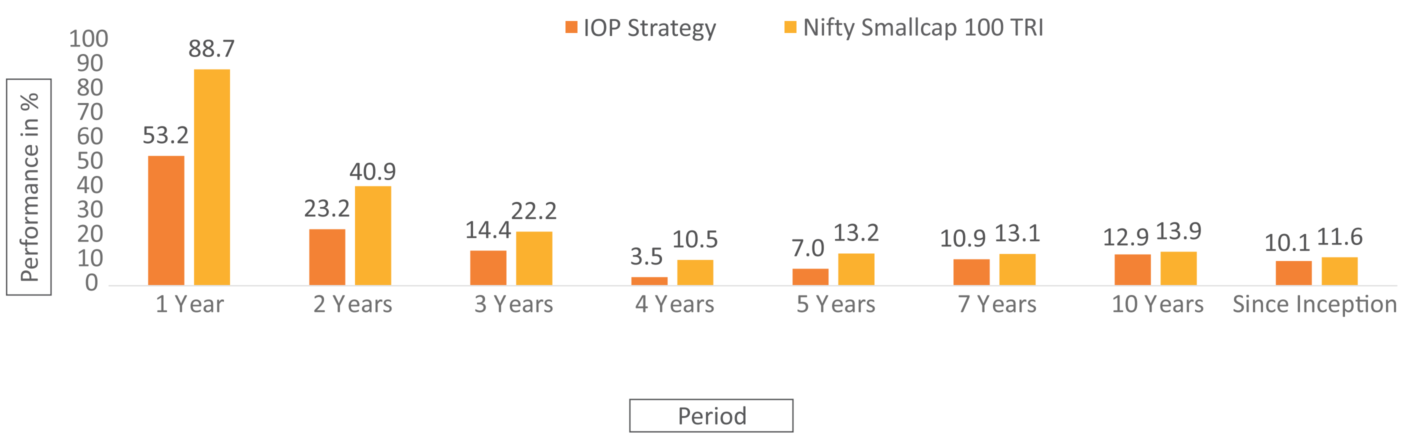
Market Capitalization

Market Capitalization	% Equity
Large cap	3
Mid cap	38
Small cap	59

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	17.5%	19.5%
Beta	0.8	1.0

Data as on 30th September 2021



IOP Strategy Inception Date: 15th Feb 2010; Data as on 30th September 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; 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.

India Opportunity Portfolio Strategy V2

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 TRI
Investment Horizon : 3 Years +

Portfolio Holdings

Particulars	% Allocation
Kajaria Ceramics Ltd.	7.41
ICICI Securities Ltd.	6.81
Can Fin Homes Ltd.	6.51
Birla Corporation Ltd.	6.46
VIP Industries Ltd.	6.22
Mahanagar Gas Ltd.	5.76
Alkem Laboratories Ltd.	4.61
Aegis Logistics Ltd.	4.49
Quess Corp Ltd.	4.34
Max Financial Services Ltd.	4.33
Central Depository Services (India) Ltd.	4.28
Gabriel India Ltd.	3.91
Gland Pharma Ltd.	3.53
Ipca Laboratories Ltd.	3.37
Blue Star Ltd.	3.28
Century Plyboards (India) Ltd.	3.10
KEI Industries Ltd.	2.71
Clean Science and Technology Ltd.	2.53
Dhanuka Agritech Ltd.	2.41
TTK Prestige Ltd.	2.34
Sundram Fasteners Ltd.	2.14
Suprajit Engineering Ltd.	2.02
Blue Dart Express Ltd.	1.71
ITD Cementation India Ltd.	1.26
Bayer CropScience Ltd.	1.26
Emami Ltd.	1.21
HEG Ltd.	1.12
Engineers India Ltd.	1.12

Data as on 30th September 2021

Sectors

Particulars	% Allocation
Non-Lending Financials	15.42
Consumer Discretionary	14.94
Pharmaceuticals	11.50
Oil & Gas	10.25
Construction	8.67
Auto & Auto Ancillaries	8.08
NBFC	6.51
Cement	6.46
Commercial Services	4.34
Industrial Products	3.83
Chemicals	3.79
Pesticides	2.41
Transportation	1.71
Consumer Staples	1.21
Construction Project	1.12
Cash & Cash Equivalents	-0.24

Data as on 30th September 2021

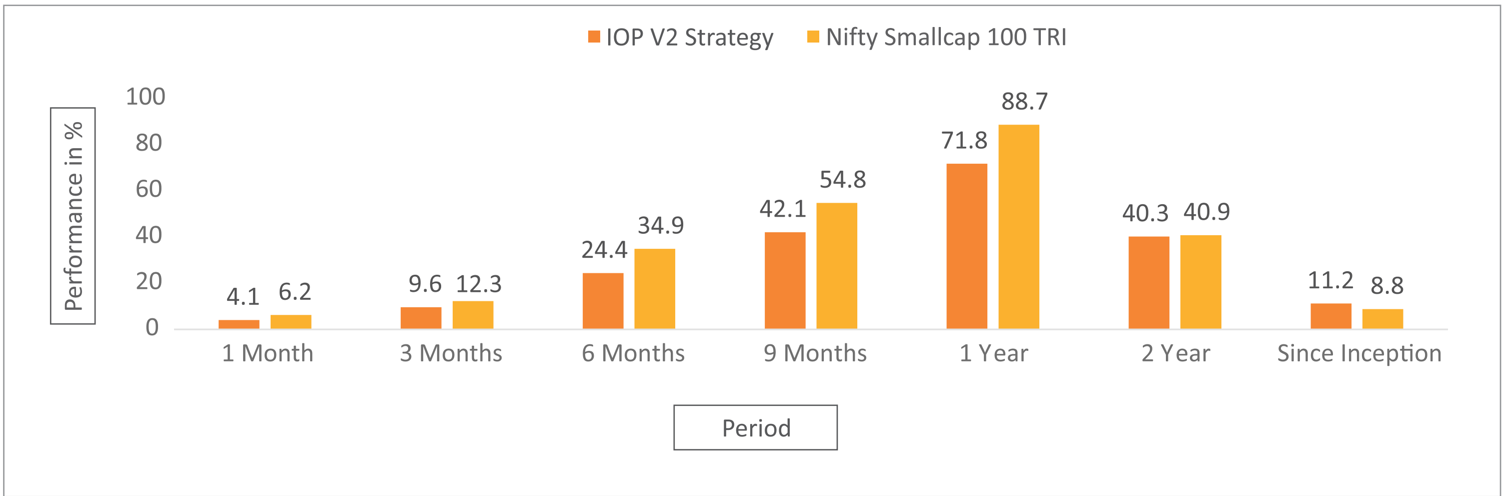
Market Capitalization

Market Capitalization	% Equity
Large cap	4
Mid cap	33
Small cap	64

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	18.6%	19.5%
Beta	0.8	1.0

Data as on 30th September 2021



IOP V2 Strategy Inception Date: 5th Feb 2018; Data as on 30th September 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; 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.

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	: 18th Dec. 2017
Benchmark	: Nifty 500 TRI
Investment Horizon	: 3 Years +

Portfolio Holdings

Particulars	% Allocation
Max Financial Services Ltd.	14.28
ICICI Bank Ltd.	12.09
Tata Consultancy Services Ltd.	11.01
HDFC Bank Ltd.	10.03
Kotak Mahindra Bank Ltd.	9.38
Larsen & Toubro Infotech Ltd.	8.56
HDFC Life Insurance Company Ltd.	6.20
Axis Bank Ltd.	5.56
The Phoenix Mills Ltd.	5.22
Eicher Motors Ltd.	5.09
Maruti Suzuki India Ltd.	4.11
Blue Star Ltd.	3.94
Safari Industries (India) Ltd.	3.89

Data as on 30th September 2021

Sectors

Particulars	% Allocation
Banking	37.06
Non-Lending Financials	20.48
Software	19.57
Auto & Auto Ancillaries	9.20
Consumer Discretionary	7.83
Construction	5.22
Cash & Cash Equivalents	0.65

Data as on 30th September 2021

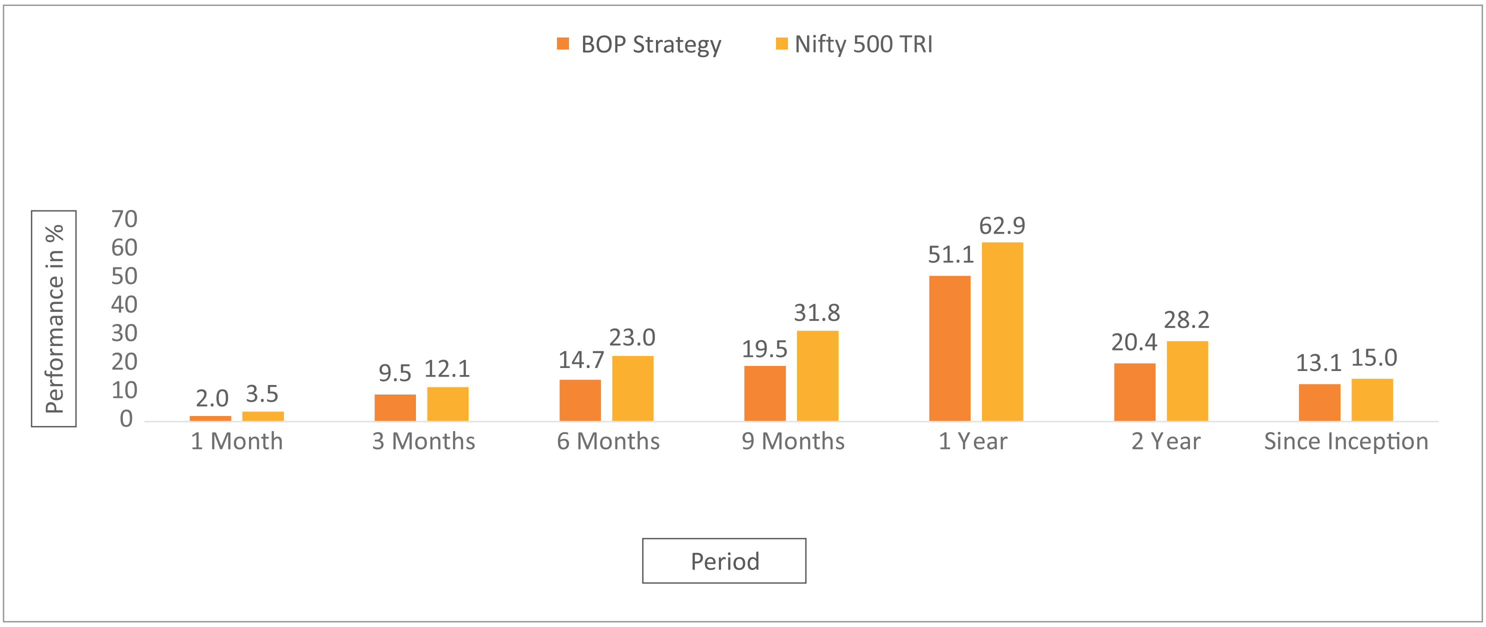
Market Capitalization

Market Capitalization	% Equity
Large cap	72
Mid cap	20
Small cap	8

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	17.8%	17.8%
Beta	0.9	1.0

Data as on 30th September 2021



BOP Strategy Inception Date: 16th Jan 2018; Data as on 30th September 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; 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.

Focused Midcap Strategy

Investment Objective

Majority of weights for investments to be drawn from stocks in 101st to 400th companies in terms of full market capitalization. Minority weights for investment might also be drawn from stocks beyond number 400 and from top 100 companies in terms of full market capitalization. As far as possible Companies should be drawn from a mix of sectors representing changing nature of society and economics in India.
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. Rakesh Tarway
Strategy Type	: Open ended
Date of Inception	: 24th Dec. 2019
Benchmark	: NIFTY MidSmall400 TRI
Investment Horizon	: 3 Years +

Portfolio Holdings

Particulars	% Allocation
Ajanta Pharma Ltd.	5.99
Gland Pharma Ltd.	5.98
APL Apollo Tubes Ltd.	5.75
Amber Enterprises India Ltd.	5.50
Persistent Systems Ltd.	5.06
Max Financial Services Ltd.	5.05
Polycab India Ltd.	4.97
L&T Technology Services Ltd.	4.89
Birlasoft Ltd.	4.68
Muthoot Finance Ltd.	4.56
Mastek Ltd.	4.54
Dixon Technologies (India) Ltd.	4.28
ICICI Securities Ltd.	3.95
Globus Spirits Ltd.	3.74
Angel Broking Ltd	3.65
Prince Pipes and Fittings Ltd.	3.29
MAS Financial Services Ltd.	3.14
Tata Consumer Products Ltd.	3.03
Astec LifeSciences Ltd.	2.73
LIC Housing Finance Ltd.	2.46
Emami Ltd.	2.45
Zomato Ltd.	1.96

Data as on 30th September 2021

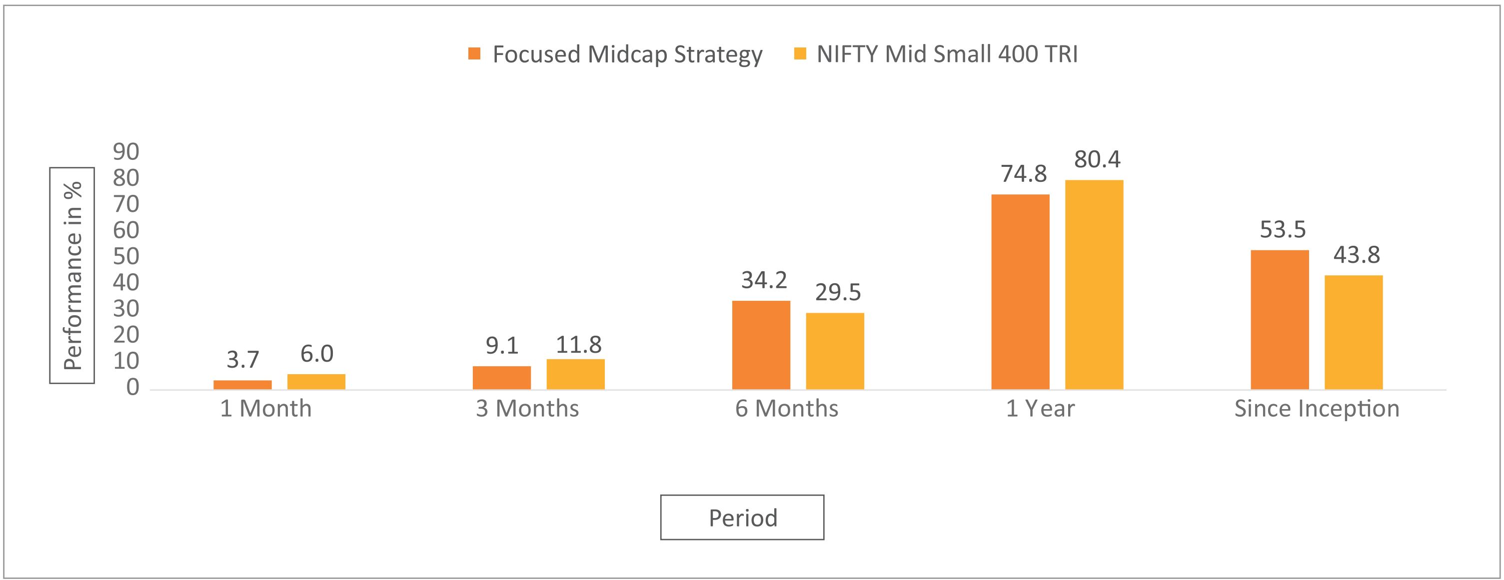
Sectors

Particulars	% Allocation
Software	19.18
Pharmaceuticals	11.97
NBFC	10.16
Consumer Discretionary	9.77
Consumer Staples	9.23
Non-Lending Financials	8.99
Metals and Mining	5.75
Industrial Products	4.97
Capital Markets	3.65
Industrial Capital Goods	3.29
Pesticides	2.73
Technology	1.96
Cash & Cash Equivalents	8.34

Data as on 30th September 2021

Market Capitalization

Market Capitalization	% Equity
Large cap	16
Mid cap	45
Small cap	31



FMS Strategy Inception Date: 24th Dec 2019; Data as on 30th September 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; 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.

Value Strategy

Entry Rationale:

GR Infra

- **Strong player in the cyclical space**

  It is the largest and the fastest growing player in the road construction space (considering road revenues of peers).

  1) Civil construction activities EPC
  2) Development of roads and highways BOT and HAM
  3) Manufacturing processes – processes bitumen, manufactures thermoplastic road

  marking paint, electric poles, road signage, and fabricates and galvanizes metal crash barriers.

  The Company has rich experience in design and construction of various road/highway projects across 15 States in India and has recently diversified into projects in the railway sector. It is largely a single segment company with over 90% of revenue coming in from road space. The promoters have an excellent track record with over 25 years' experience in the road space. The company currently has 15 road projects in its kitty of which 6 projects are completed, 1 is nearing completion and the rest 8 are under construction in various phases.

- **Strong order book**

  It has an order book of Rs.182,200 mn which is over 3x TTM sales providing revenue visibility (last few years OB/Sales ratio has been =>2.5x). Order book comprises of 18 EPC projects, 8 HAM projects and 3 other projects. Industry has been growing at 8-9%, allocation of NHAI investments spends is likely to be 1.7x its spend in FY16-2000.

- **Strong Financials**

  It's a FCF generating company with well managed working capital days ~70 days and RoE , Roce of 24% an 32% one of the best in the industry with OPM of 20%. Well-funded, company generates Cash profit of ~Rs.900 crs, capex requirement of ~300 crs (backward integrated model, own equipments) and equity investments of ~3-400 crs pa for the HAM projects. O/s Debt of ~1000 crs and C&CE of ~840 crs, including loan to subsidiaries its ~1500 crs.

- **Attractively valued**

  GRIL seems a good play in the road construction space, excellent track record, robust balance sheet, FCFF generation and strong return ratios. This is a typical cyclical industry having sharp entry and exits points. Based on NHAI awarding which peaks every 4-6 years and then falls to 1/3rd , multiples also behave the same ranging from 6-7x to 17-18x for the same player. Multiples tend to peak, with the peak of orders getting awarded and NOT executed.

  The last peak of NHAI was in FY18 of ~7300 kms, then 2200 kms in FY19, 3200 kms in FY20 and ~4800 kms in FY21. We are already in the midst of upcycle of road infra. Order awarding cycle generally peaks 2 years before the elections, considering the same the ordering is likely to peak in 2022. Good players could see another 50-60% run from here and smaller players may be higher.

VIP Industries

- **Demand to revive back to normalcy**

  Sales for VIP have been impacted due to the pandemic as offices,, schools, travelling continue to recover at a modest pace over the last few months. Wedding sales which were impacted during FY21 should start seeing strong recovery in the coming qtrs. We believe that as things start opening up gradually VIP is likely to see an improvement in sales in the upcoming qtrs. We are building in normalcy during FY23 with revenues recovering above pre-pandemic levels. Demand revival can surprise positively in our view given the strong demand for pent up travel as things start opening up.

- **Unorganized players impacted due to supply chain issues**

  Unorganized Luggage players have relied heavily on imports from China. With supply chain issues across the globe and freight costs moving up significantly smaller players would be impacted seriously. Besides that given the cost inflation in China would also impact the competitiveness of the smaller players leaving headroom for organized players like VIP, Safari, Samsonite to garner market share. Unorganized luggage players would be ~50% of market size (pre-pandemic) and hence it provides significant opportunity in the near term for players like VIP.

Stock Rationale (quarter ending 30th September 2021)

- **Bangladesh ramp-up a key positive**

  During FY20 Bangladesh would be accounting for ~20% of VIP sales volumes of 13-14mn pieces. VIP has increased capacity in Bangladesh from ~20% of volumes to 55-60% of pre-pandemic volumes. We believe that Bangladesh ramp up is a key positive as it gives VIP cost advantages as compared to other players besides having a complete control over its supply chain. It also reduces the currency volatility what has been observed in the past as dependence on CHINA comes down significantly. Bangladesh having a favourable tax rate would also result in lower tax rates at the company level aiding profitability. Working capital likely to come down by 30 days due to movement from China to Bangladesh.

- **Cost control measures taken during pandemic to aid margins going ahead**

  VIP had taken several cost saving initiatives during the last couple of years given the situation and has reduced the excesses in the system while not cutting corners on necessary costs. As per the management 50% of cost saving initiatives that they have undertaken is likely to sustain as sales return to normalcy (cost cutting of ~Rs. 150-160crs). We believe that margins for the company are likely to be better as things return to normalcy from a business perspective and thus aiding overall profitability.

SBI Life Insurance Company Limited

- Strong distribution set-up which gives them the ability to consistently grow at a better rate than the industry average and gain market share. State Bank of India has ~6-7mn saving account customers with an average monthly balance of Rs 0.1mn. With only ~7-8% of penetration of SBI's high balance customers, SBILIFE has immense potential to grow by tapping SBI's customer base. Further, SBILIFE has deeply penetrated only 25-30% of SBI branches, so this provides a growth runway for SBILIFE.
- Cost efficiency and their potential it to improve further – which makes its VNB margin and EV more immune to growth vagaries. Further, with proper segmental cost allocation, regulatory risk is limited.
- Ability sell varied products (ULIPs, protection, annuity, par & non-par) due to their highly productive agency and distribution reach; less reliant on high guarantee non-par savings products to achieve growth
- Immense potential to expand its annuity business due to its strong group fund-based business & huge opportunity to cross-sell annuity business to NPS customers of SBIPF (which is the largest NPS fund manager).
- Clear focus on high margin individual protection business – which makes them now the largest individual protection life insurers. Unlike peers, SBILIFE predominantly sells return of premium (ROP) protection plans and hence their sum assured offered in individual protection business is lower than peers which are largely present in pure term plans. Due to higher ceding of sum assured in pure term plans, margin /pricing of pure term insurance are highly sensitive to reinsurance rate. With ROP focus, SBILIFE's VNB margin in protection business are immune to reinsurance rates given the cede lower vs. peers.
- Well diversified geographic mix (unlike peers) which bodes well for future growth.
- SBILIFE is conservative than peers while calculating its VNB and EV, as it is based on 1) statuary tax rate assumption of 14.56% against the lower effective tax rate followed by peers 2) past three years average persistency experience (hence has buffer to persistency risk) 3) higher capital charge for CRHNR (5% vs. 3.5% - HDFCLIFE and 4% - IPRU) and 4) higher solvency requirement of 180% (170% - HDFCLIFE and 150% - IPRU). Based on the effective tax rate, its FY21 VNB margin & EV are higher. However, we conservatively build our EV forecast and valuation based on the statutory tax rate till it officially adopts to effective tax rate EV.
- Impact of COVID: SBI Life is one of the least impacted by COVID because of their strong underwriting practices. SBILIFE paid COVID claims of Rs 5.7bn in 1QFY22, but they were covered from existing mortality assumptions. Despite no negative deviation, SBILFIE made additional COVID provision of Rs 2.62bn in 1QFY22 leading to the o/s provisions of Rs 4.5bn. These additional provisions shall have 0.6% impact on the opening EV of SBILIFE (Post tax). We expect SBILIFE's ability to report positive operating variance would be higher than peers.

Exit Rationale:

Petronet LNG Limited

- With Dahej's ramp up already behind, volume triggers are distant with further expansion of Dahej to 22.5mmtpa in 3-4 years and Kochi-Bangalore pipeline being completed in another 2-3 years
- Current volatility in LNG prices from <USD2/mmBtu in May 2020 to USD34/mmBtu for Jan'22 delivery have further forced industries to look for alternate arrangements for consumers. In particular, the LNG trucking segment appears a distant dream with this volatility.
- The company announced capex of INR80b for LNG retailing as well as INR40b for compressed biogas plants. There is a lack of clarity on each of these high ticket items and the projects appear margin and RoE dilutive.
- Rising competition from upcoming LNG terminals like H-Energy & Swan Energy's FSRUs, HPCL's LNG terminal and increased domestic gas production from KG basin are likely to further dent demand of high priced LNG. Current volatility would also force consumers to prefer domestic gas.

Stock Rationale (quarter ending 30th September 2021)

NTDOP, IOP and IOPv2

Entry Rationale:

Clean Science

- **Strong business moats**

  Clean Science & Technologies Ltd. (CST), is among the few specialty chemicals manufacturing companies globally focused entirely on developing newer technologies (clean chemistries), using the in-house "Catalyst's" that are very cost-competitive and eco-friendly (makes an absolute case for ESG). This moat has helped the company to be the largest manufacturer globally of certain specialty chemicals (MEHQ, BHA, Anisole and 4-MAP -> contributes 80% of revenues). Some technologies have been developed and commercialized for the first time globally, resulting in CST being one of the most profitable company (90%+ RoIC). This moat has clearly helped the company to tap into the highly regulated markets like the US, Canada, Europe, Japan, Korea, Taiwan and China. CST's specialty chemicals have a wide range of applications (through a concentrated product basket) and its key raw materials are abundantly available resulting in a significantly de-risked business model

- **Long runway for growth**

  - In order to meet the growing market demand for key products and to introduce newer products, CST is in the process of setting-up two new manufacturing facilities, at Kurkumbh
  - Rs150 Cr – facility is being constructed at Kurkumbh Industrial Area, Pune, and is proposed to be used to manufacture Anisole and certain Performance Chemicals, including MEHQ
  - Rs16 Cr - In discussions with relevant authorities for acquiring land located at Kurkumbh for its fourth facility, where CST intends to manufacture stabilizer and other intermediates for application in pharmaceutical, flavors, fragrance and agri industries
  - Also in the process of setting up an additional R&D unit at upcoming manufacturing facility, for synthesizing new products and catalysts
  - To expand its product portfolio, CST seeks to identify products with high demand that only limited manufacturers produce within India and globally. They also intend to continue to explore high margin downstream product lines, which have low competition and multiple applications. For instance, they are in the process of developing a portfolio of stabilizer products to be used as additives/ stabilizers by manufacturers.

BOP Strategy

Exit Rationale:

Hindustan Unilever Limited

- While HUL is a great business, valuations at 80x TTM PE appeared expensive in the context of expected long term growth, hence we shifted to a better idea from a QGLP perspective.

FMS Strategy

Entry Rationale:

Zomato Limited

- **Strong player in Food Services platforms**

  Zomato is the second largest Food Services platforms in India in terms of value of food sold in Dec 2020. It derives majority of its revenue from food delivery services ~80% followed by dine out and others. Zomato has grown at a 93% CAGR in topline in the last 3 years. Started as a restaurant listing app, and forayed into food delivery in 2015.

- **Network effect - a moat, entry barrier – data base and content**

  Active restaurant listing – 350,174

  Delivery partners - 161637 – 94.7% of the orders delivered by the delivery partners

  Active food delivery restaurants – 131, 233

  Cities – 526

  68% traffic organic without advertisement

  Active Customers 10.7 mn

  The network effect and learnings develop over a period of time and hence not easy for a new entrant.

  **69% of the new subscribers were acquired organically and not through any paid advertisement

  **99% of the orders via app

  ** 95% of delivery from own delivery partner network

Stock Rationale (quarter ending 30th September 2021)

- **Strong Industry Tailwinds along with consolidation**

  The online food market $4.2bn, 7% of the food services industry is likely to grow at ~40% CAGR to $22bn by 2025 (will now get pushed by a year or 2). The market saw many new entrants with the likes of global players like uber eats and food panda, but with little success. The market has fairly consolidated now with two players major players Meituan backed Swiggy with 42%+ MS and Zomato with a 40% MS. It's a $4bn industry having a strong tailwind – internet and smart phone penetration, eating out adoption, growing millennial population, dual earning households.

- **Within the food tech space to grow 30-40% -**

  With a strong industry tailwind and duopoly market, both the players are likely to grow at industry growth rates of 30-40% in near term and at 22% for the next 10 years

1. Order volumes to grow at 19-20% CAGR
   - Monthly transacting users of 10.7 mn to grow to 53 mn by FY33 which is 14% CAGR. (assuming 80% internet penetration in FY33 – it will be 4.5% of the internet population)
   - Increase in order frequency per user
2. Increase in AOV
   - AOV will see a drop and settle at ~341 per order in FY24 from Rs.403 in FY21, then grow at inflationary rate of 3% from there on.
3. New segments like hyper pure have huge potential to grow
4. Foray into new segments like grocery to leverage the network

Angel Broking

- It is only digital only broker in the listed space. Investing is a call on continuing addition of clients and increase in penetration of Demat/Trading accounts in country. Stock trades at 25x TTM earnings and expect an earnings growth higher than 25% for the next 3years.
- Globus Spirits is an integrated manufacturer of Ethanol/ENA from Grain. It also sells country liquor in states of Rajasthan,Haryana and West Bengal. Currently around 45% of revenues come from country liquor and rest of revenues come from selling ENA/Ethanol.
- The company will benefit from Ethanol Blending Program of GoI,which will payback all its manufacturing units within 3years. Thereafter, it will have advantage over competition to build a long term B2C liquor business due to own low cost manufacturing units.
- We expect profits of company to grow at the rate of 30% CAGR for next 2-3years. Company is trading at 17x Trailing Twelve Month earnings, which implies a reasonable valuation as compared to growth prospects in the company.

Exit Rationale:

Coforge Limited

- Coforge has delivered a return of more than 50% in less than 5months post our purchase. At the time of purchase, this kind of return expectation was there in a period of more than 12m. Also in absolute terms, stock is now quoting at more than 60x TTM earnings, which more than compensates for the possible future growth in earnings.

Risk Disclosure And Disclaimer

Portfolio Management Services | Regn No. PMS INP 000000670

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