

# Gallop ahead with India Opportunity Portfolio



August 2020

# About the strategy

- India Opportunity Portfolio (IOP) 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
- Key sector allocation is to Banks, Capital Markets, Consumer-oriented businesses, Pharma and Healthcare Services
- High quality concentrated portfolio of 21 stocks
- Index agnostic: ~92% 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. 12,000 Crs of assets as on 31st July 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

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.

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

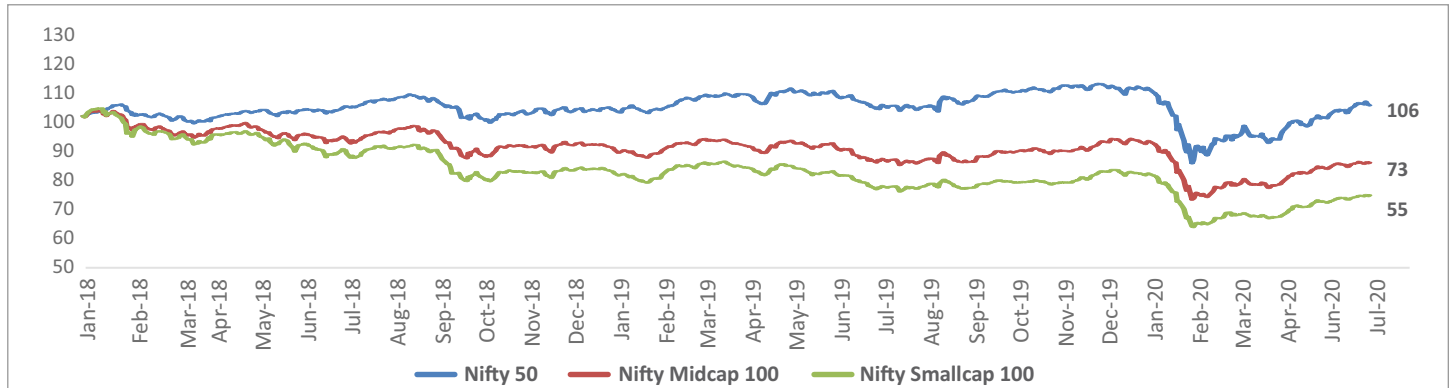
Average analyst coverage is the average number of analysts covering each of the index constituents as on September 30th 2019.

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

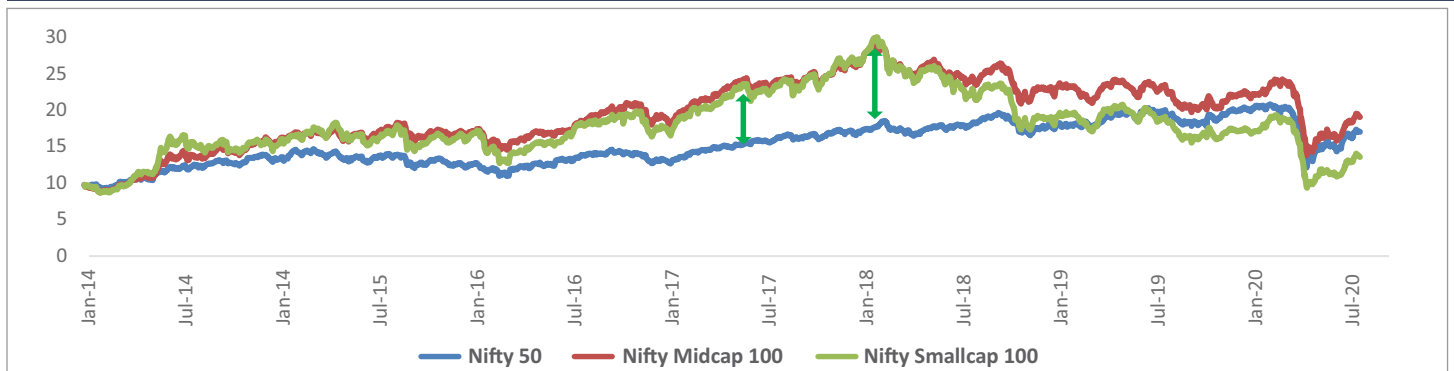
Disclaimer: The statements made herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially 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.

# Mid and Small Caps – Favorable Valuations

Nifty has outperformed Mid cap/ Small cap indices by 31%/48% since Dec'17



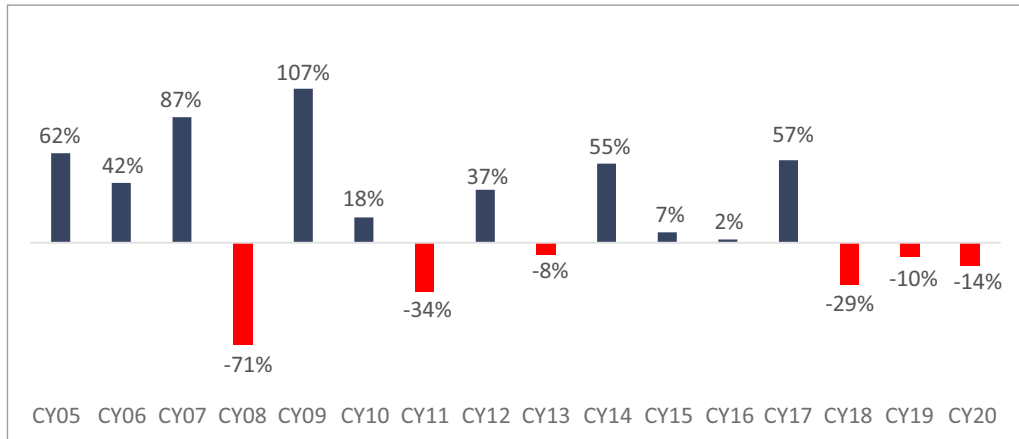
But historically, Mid cap and Small cap Indices have massively outperformed the Nifty 50



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 July 2020. Past performance may or may not be sustained in future.

# Mid and Small Caps – Declines Followed by Sharp Revival

## Nifty Smallcap 100 Index

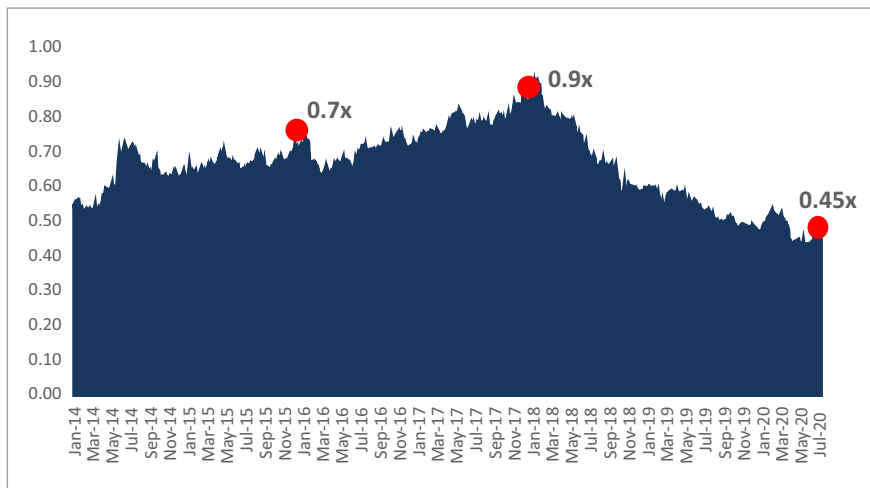


- Small caps tend to perform in extremes and revive sharply after bouts of negative returns
- After the correction in small caps in the last 2 years, we can expect a significant revival in performance

Source: Nseindices.com. Data as on 31st July 2020

Disclaimer: The statements made herein may include statements of future expectations and other forward-looking statements that are based on the current views and assumptions of the Author and may 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 graphs should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Small Caps – Favorable Valuations



- The ratio bottoms at  $\sim 0.4x$  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 20 to 25 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk



# Wealth Creators - Buy and Hold Strategy

Stock	Initial Purchase Date	Market Cap Rs. Crores (Purchase Date)	Market Cap Rs. Crores 31-July-20	Absolute Growth	CAGR (%)
Mahanagar Gas	Aug-16	5,059	9,631	1.9X	17%
Alkem Laboratories	Aug-16	19,845	31,833	1.6X	14%

No. of Scrips	Holding Period
14	>3 Years
4	> 2 Years but <3 Years
3	<2 Years

- Buy and Hold strategy with > 50% stocks held for more than 3 years
- Portfolio changes made to increase the earnings profile and quality of the portfolio
- The average holding period for stocks held under IOP Strategy is about 3 years and 2 month

\*IOP was repositioned as a Small Cap Strategy in July 2016

Please Note: These stocks are a part of the existing India Opportunity Portfolio Strategy as on 31st July 2020. These stocks 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. The companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC.

# MOAMC – Some Success Stories

## *Multibaggers across PMS strategies...*

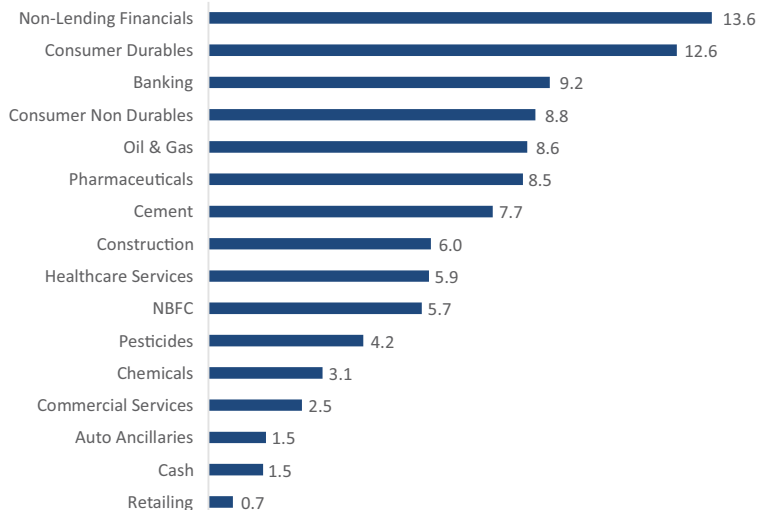
Stocks	Initial Purchase Date	Market Cap Rs. Crores (Purchase Date)	Market Cap Rs. Crores (31st July 2020)	Absolute Growth	CAGR (%)
<b>Next Trillion Dollar Opportunity Portfolio Strategy</b>					
Kotak Mahindra Bank	Sep-2010	30,327	2,70,601	8.9X	25%
Ipca Laboratories	Nov-2012	5,907	23,798	4.0X	20%
City Union Bank	Mar- 2013	2,607	8,940	3.4X	18%
HPCL	Aug-2014	13,633	32,762	2.4X	16%
<b>Value Strategy</b>					
HDFC Bank	Jul-2008	40,986	5,67,960	13.9X	24%
HDFC Life Insurance Company	Nov-17	69,159	126,653	1.8X	25%
Ipcalaboratories	May-2018	9,208	23,798	2.6X	53%

\* As on 31st July 2020

The given stocks are part of portfolio of a model client of respective PMS Strategies. The Stocks mentioned above are used to explain the concept and are for illustration purpose only and should not be used for development or implementation of an investment strategy. The stocks forming part of the existing portfolio of PMS Strategies may or may not be bought for new clients of PMS Strategies. It shall not be considered as an advice, an offer to sell/purchase or as an invitation or solicitation to do so for any securities. Past performance may or may not be sustained in future. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns

# Portfolio Allocation

## Sectoral Allocation

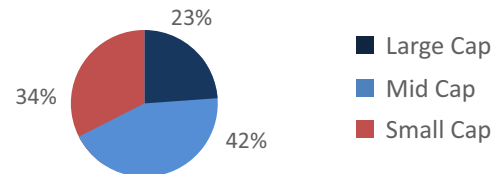


Please Note: Data as on 31st July 2020. The stocks mentioned are a part of existing IOP Strategy clients and may or may not be bought for new clients. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The strategy may or may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

## Top 10 Holdings

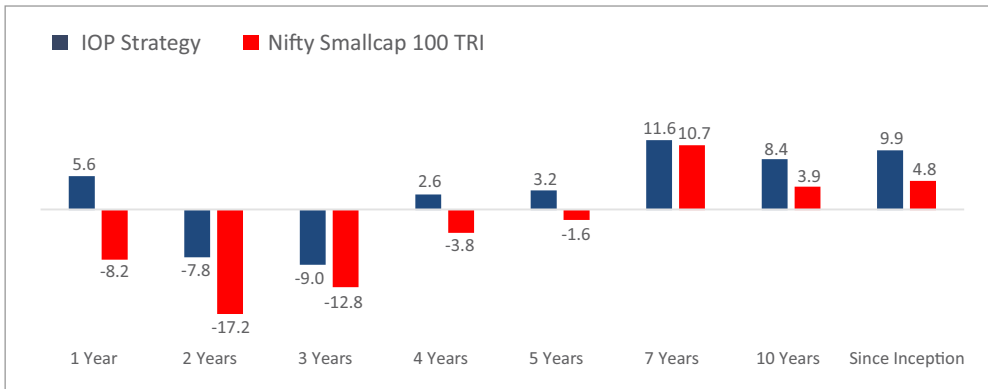
Scrip Name	% Holding
ICICI Securities Ltd.	13.6
Alkem Laboratories Ltd.	8.5
Birla Corporation Ltd.	7.7
TTK Prestige Ltd.	7.5
Mahanagar Gas Ltd.	7.0
ITC Ltd.	6.2
Dr. Lal PathLabs Ltd.	5.9
Can Fin Homes Ltd.	5.7
DCB Bank Ltd.	4.9
Kajaria Ceramics Ltd.	4.8

## Market Capitalization

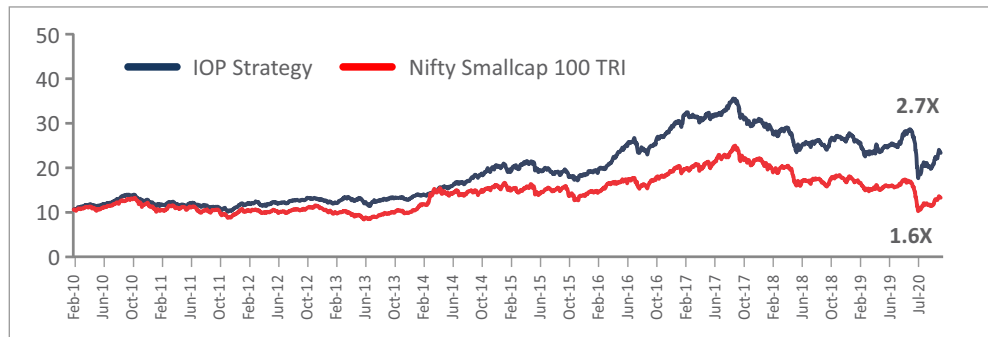


Weighted Average Market Cap : Rs. 68,833 Crs

# Performance Snapshot



IOP Strategy has delivered a CAGR of 9.9% vs. Nifty Smallcap 100 TRI returns of 4.8%, an outperformance of 5.1% (CAGR) since inception (15th February 2010)



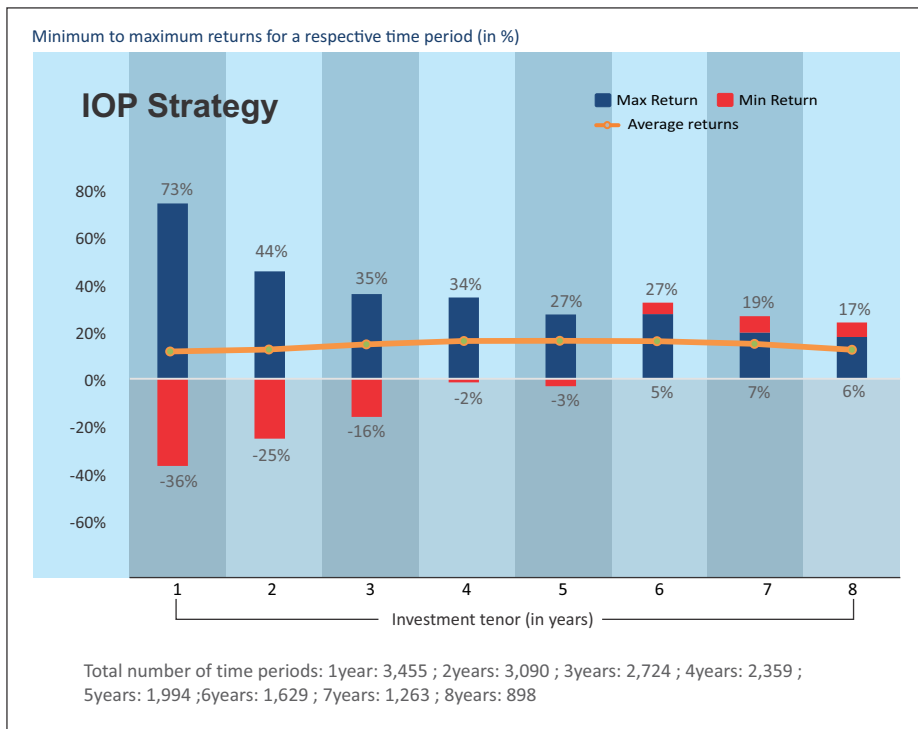
Rs. 1 crore invested in IOP Strategy at inception is worth Rs. 2.7 cr as on 31st July 2020. For the same period Rs. 1 cr invested in Nifty Smallcap 100 Index is now worth Rs. 1.6 cr.

Strategy Inception Date: 11/2/2010

Please Note: The Above strategy returns are of a Model Client as on 31st July 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.

# Performance - Rolling Returns

- The data shows rolling returns of the IOP Strategy since inception on a rolling return basis.
- It is worth noting that on 1 year rolling basis, the returns are in a very wide range. The best return made by the Strategy is 73% and the worst return is -36%.
- As we increase the time horizon, the outcomes narrow significantly from the average.
- For instance, if we consider the 5 year time frame, historically the best return (CAGR) is 27%, least return is -3% and average return is 16%.
- It may also be noteworthy that the negative returns above 5 years rolling periods are zero.



Please Note: The Above strategy returns are of a Model Client as on 31st July 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. Strategy returns shown above are post fees & expenses. Returns above 1 year are annualized.

# 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).

# Disclaimer

Disclaimer: This presentation has been prepared and issued on the basis of internal data, publicly available information and other sources believed to be reliable. The information contained in this document is for general purposes only and not a complete disclosure of every material fact and terms and conditions. The information / data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. All opinions, figures, charts/graphs, estimates and data included in this presentation are as on date and are subject to change without notice. While utmost care has been exercised while preparing this document, Motilal Oswal Asset Management Company Limited does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The statements contained 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. Readers shall be fully responsible /liable for any decision taken on the basis of this presentation. No part of this document may be duplicated in whole or in part in any form and/or redistributed without prior written consent of the Motilal Oswal Asset Management Company Limited. Readers should before investing in the Scheme make their own investigation and seek appropriate professional advice. • Investments in Securities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services will be achieved. • Clients under Portfolio Management Services are not being offered any guaranteed/assured returns. • Past performance of the Portfolio Manager does not indicate the future performance of any of the strategies. • The name of the Strategies do not in any manner indicate their prospects or return. • The investments may not be suited to all categories of investors. • The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. • Neither Motilal Oswal Asset Management Company Ltd. (MOAMC), nor any person connected with it, accepts any liability arising from the use of this material. The recipient of this material should rely on their investigations and take their own professional advice. • Opinions, if any, expressed are our opinions as of the date of appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. • The Portfolio Manager is not responsible for any loss or shortfall resulting from the operation of the strategy. • Recipient shall understand that the aforementioned statements cannot disclose all the risks and characteristics. The recipient is requested to take into consideration all the risk factors including their financial condition, suitability to risk return, etc. and take professional advice before investing. As with any investment in securities, the Value of the portfolio under management may go up or down depending on the various factors and forces affecting the capital market. Disclosure Document shall be obtained and read carefully before executing the PMS agreement. • Prospective investors and others are cautioned that any forward - looking statements are not predictions and may be subject to change without notice. • For tax consequences, each investor is advised to consult his / her own professional tax advisor. • This document is not for public distribution and has been furnished solely for information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. No part of this material may be duplicated in any form and/or redistributed without MOAMCs prior written consent. • Distribution Restrictions – This material should not be circulated in countries where restrictions exist on soliciting business from potential clients residing in such countries. Recipients of this material should inform themselves about and observe any such restrictions. Recipients shall be solely liable for any liability incurred by them in this regard and will indemnify MOAMC for any liability it may incur in this respect.

**Custodian:** Deutsche Bank A.G. | **Auditor:** Aneel Lasod & Associates | **Depository:** Central Depository Services Ltd  
**Portfolio Manager:** Motilal Oswal Asset Management Company Ltd. (MOAMC) | **SEBI Registration No. :** INP 000000670  
For any PMS queries please call us on +91 81086 22222 / 022-4054 8002 (press 2 for PMS)  
or write to [pmsquery@motilaloswal.com](mailto:pmsquery@motilaloswal.com) or visit [www.motilaloswalmf.com](http://www.motilaloswalmf.com)

**THINK EQUITY**  
**THINK MOTILAL OSWAL**



**BUY RIGHT**  
**SIT TIGHT**