

# INVEST IN TODAY'S AND TOMORROW'S LEADERS

Motilal Oswal  
Large and Midcap Fund

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



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

# India: \$5 Trillion Economy by 2025

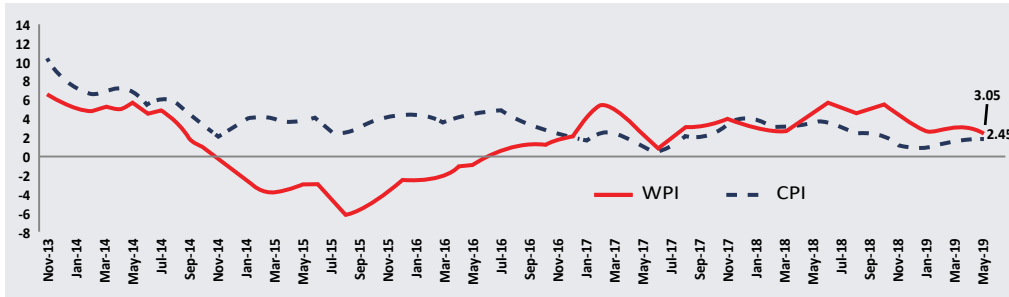


- According to World Bank data, India has now become the world's sixth-largest economy
- India is one of the fastest growing among major economies

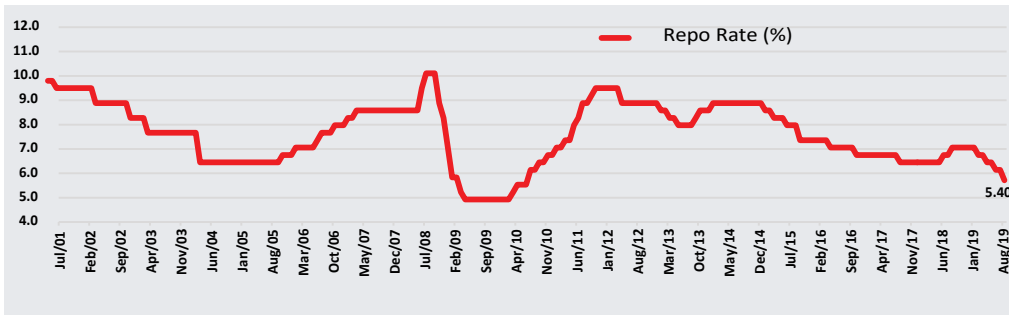
Source: [statisticstimes.com](https://www.statisticstimes.com)

Past performance may or may not sustain and does not guarantee future performance

Note - Above forward looking statements are based on external current views and assumptions and involve known and unknown risks and uncertainties that could affect actual results. Investments are subject to market risk.



- Past monetary easing cycles indicate that transmission takes 3-12 months to start reducing the cost of borrowing
- Recently, deposits rate has started coming down (total down by 30bps), average lending rate has also come down by 35bps.



WPI - Wholesale Price Index; CPI - Consumer Price Index

Source: Bloomberg, Spark Capital

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

## Understanding what led to the fall in demand

- Crude price rise to \$ 85
- CAD widened (>2.7% of GDP) and fiscal deficit deteriorated
- Currency depreciated to INR 72 per USD, to support currency, RBI sold USD
- Liquidity concerns alongwith IL&FS and other corporate defaults
- GST impact
- Pressure on fiscal
- Consumption demand slowdown

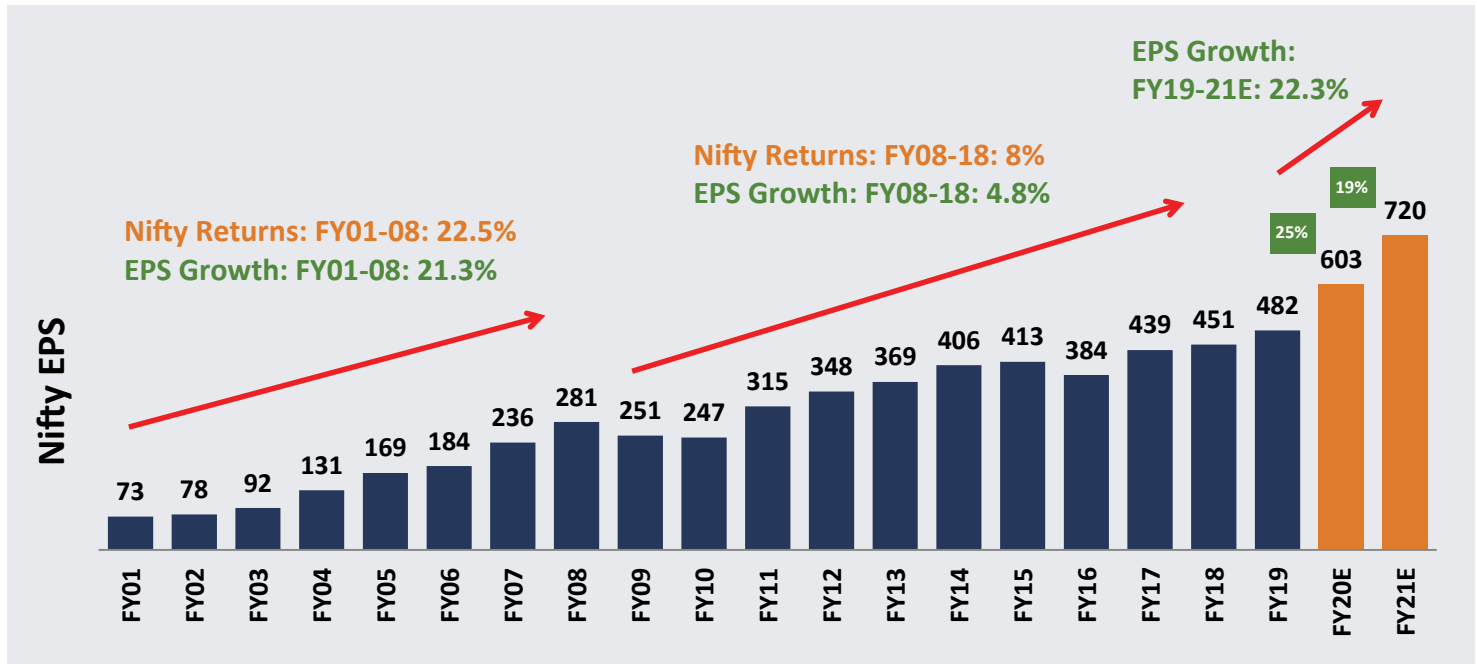
## What is improving incrementally now?

- Crude price corrected back to \$60-65 range
- RBI infused liquidity
- Repo rate cuts by RBI getting transmitted to deposit and lending rates
- Good Monsoon in 2019
- Central government has accelerated spending from Jul'19
- Recent steps taken by the government to boost growth

Source: MOAMC Internal Analysis and Spark Capital

- Corporate tax rates cut from 30% to 22% (plus surcharge)
- 15% tax rate for new domestic manufacturing companies incorporated after 1st October 2019
- Reversal of enhanced surcharge on equity capital gains
- Bank Recapitalisation : Upfront Rs 70,000 crs released to banks to improve lending
- Funds worth Rs. 20,000 crs for incomplete real estate projects to help completion of about 3.5 lakh units in affordable and middle income segments
- No tax will be levied on public buyback of shares announced prior to 5th July 2019
- For SMEs, GST refunds to be fastracked

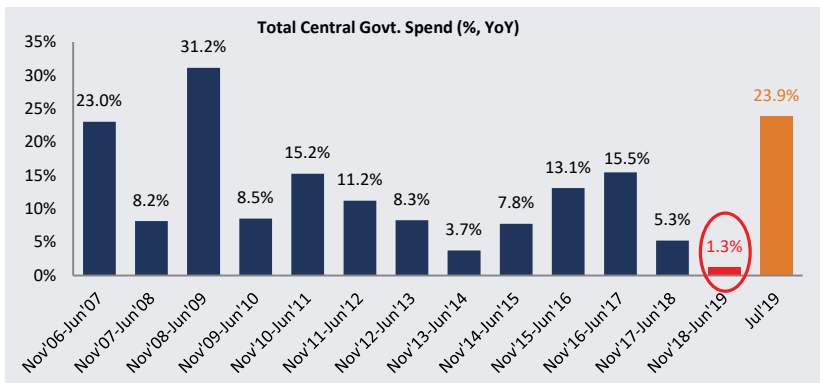
Note that the above statement is based on the announcement of the Finance Minister and would be subject to provisions of final Finance Act.



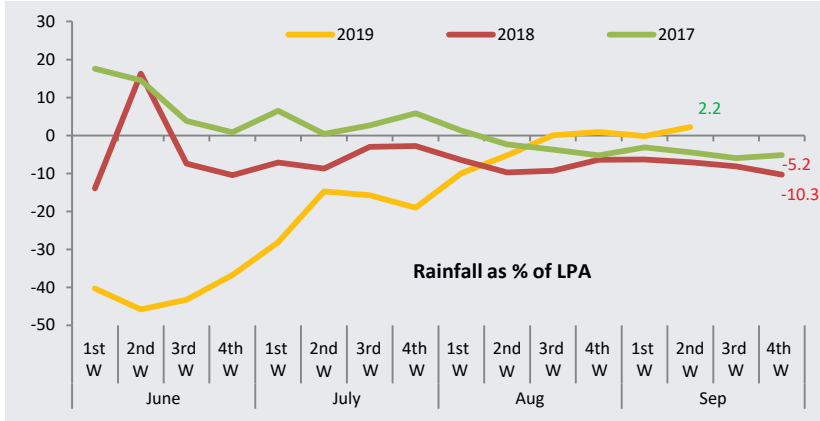
In the long run, the markets always follow the earnings pattern. For FY19-21, Nifty EPS is estimated to grow at 22.3% CAGR, which gives scope for markets to catch up.

Source: Motilal Oswal Research India Strategy September 2019

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



Central Govt. expenditure picked up from Jul'19



Good rainfall bodes well for the kharif and upcoming rabi crops

Source: RBI, Spark Capital Research; Data as on Sep 2019

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# Lower Commodity Prices - To Improve Corporate Margins

Non-Agri		Units	Current	3M	6M	12M
	Coal	Rs/tonne	5,197	-8.8%	-23.9%	-32.0%
	Petcoke	Rs/MT	6,730	-20.2%	-13.3%	-22.3%
	RLNG Oil Linked	(Rs./SCM)	20	-3.7%	5.6%	-21.2%
	Crude oil (Brent)	Rs/BBL	4,322	-3.7%	5.6%	-21.2%
	Steel	Rs/MT	39,864	-6.2%	-1.6%	-17.3%
	Aluminium	Rs/MT	1,23,315	-0.1%	-9.7%	-17.2%
	ZINC	Rs/MT	1,58,198	-14.8%	-14.6%	-9.3%
	VAM	Rs/MT	1,12,733	2.8%	-1.6%	-9.2%
	Petrol Retail Price	Rs./litre	72	0.4%	-1.2%	-8.3%
	Diesel Retail Price	Rs./litre	65	-1.9%	-3.6%	-7.1%
	Palm Oil	Rs/qtl	6,250	6.8%	4.2%	-6.4%
	Copper	Rs./MT	4,04,488	0.1%	-6.9%	-4.4%
	Lead	Rs/MT	1,43,966	15.3%	5.3%	-1.3%
	Titanium Dioxide NNS	Rs./kgs	265	-2.6%	-5.4%	0.8%
Gold	Rs./10gm	39,720	19.7%	26.2%	26.7%	
Iron Ore	Rs/MT	6,277	-8.6%	39.1%	42.9%	

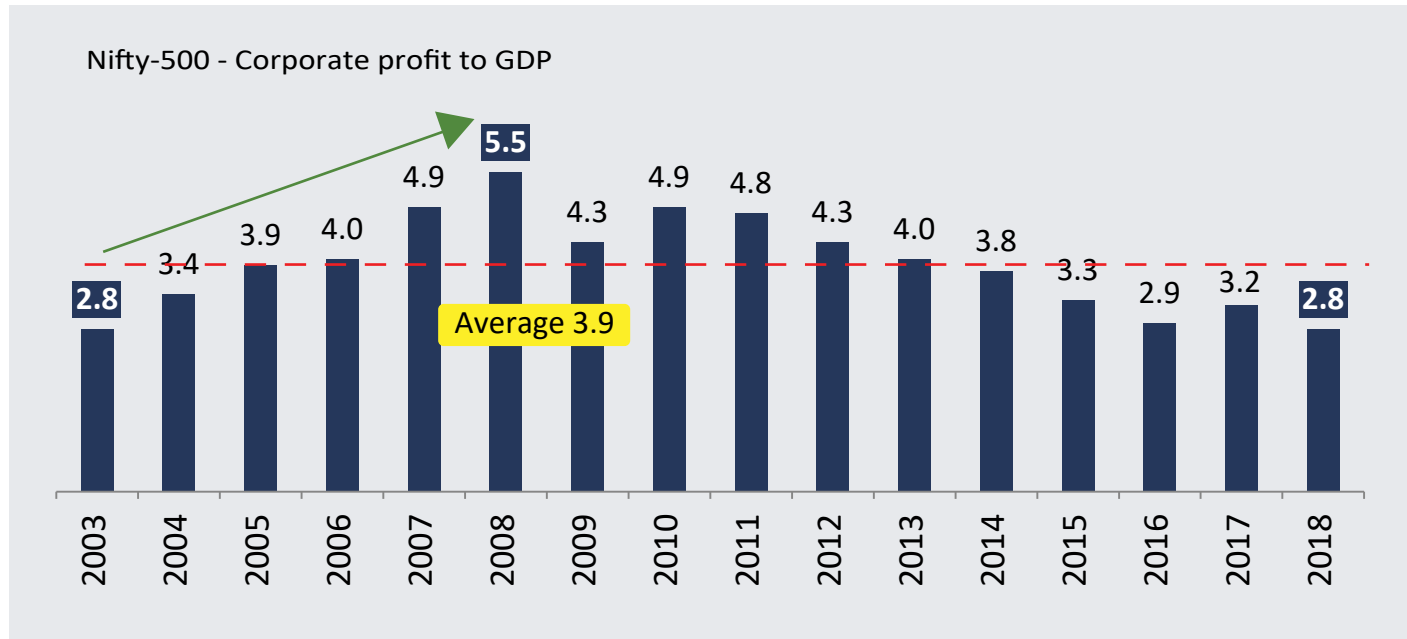
Around 5-30% decline in non-agri commodity prices in the last 12 months

Source: Spark Capital Research; Data as on Sep 2019

The sectors mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

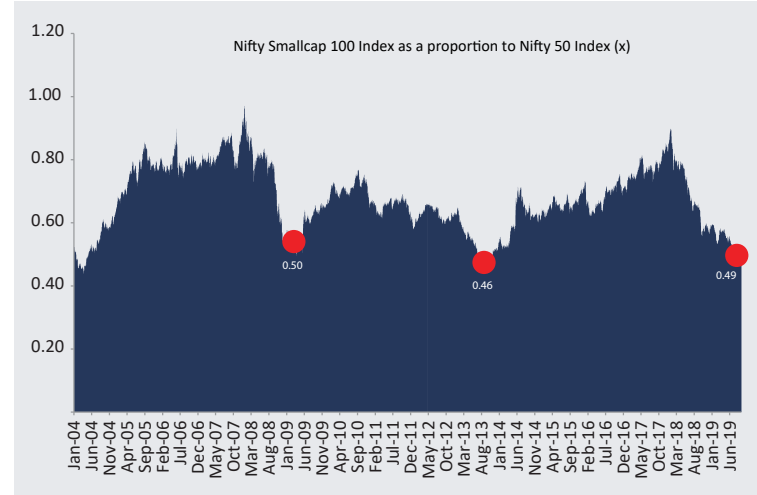
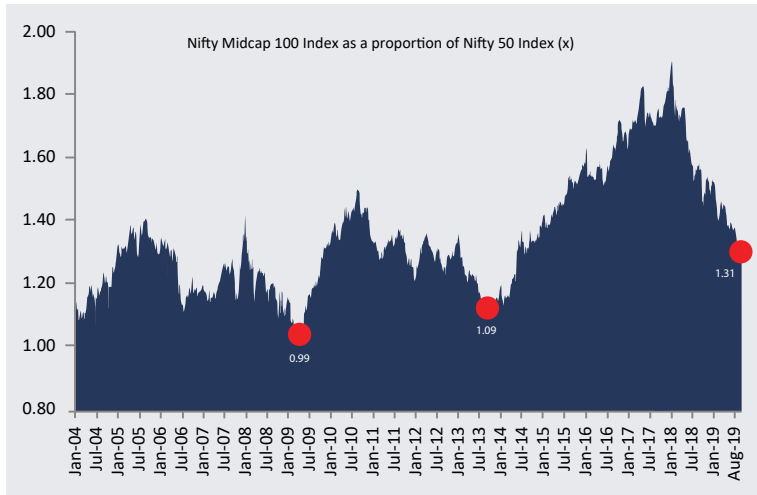


India's corporate profit to GDP ratio for the Nifty-500 has declined from 5.5% to 2.8% - a **15 year low**



Source: MOFSL Report

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- Ratio chart showing Nifty Midcap 100 divided by Nifty 50 and Nifty Smallcap 100 divided by Nifty 50
- For Midcap there has been sharp correction to 1.31x from the peak of 1.9x levels
- For Smallcap the ratio bottoms at ~0.5x and tops at 1x. Currently the ratio is at the bottom end of the range

Source: Bloomberg; Data as on Sep 2019

## Classification of Stocks according to Market Cap



**Large Cap**  
(Top 100)

**Mid Cap**  
(101-250)

**Small Cap**  
(Below 250)

**Fund Type**

<b>Large Cap</b>	>80%	0-20%	
<b>Large Cap &amp; Mid Cap</b>	35 - 65%	35 - 65%	0-30%
<b>Mid Cap</b>	0-35%	>65%	0-35%
<b>Small Cap</b>	0-35%		>65%
<b>Multi Cap</b>	>65%		

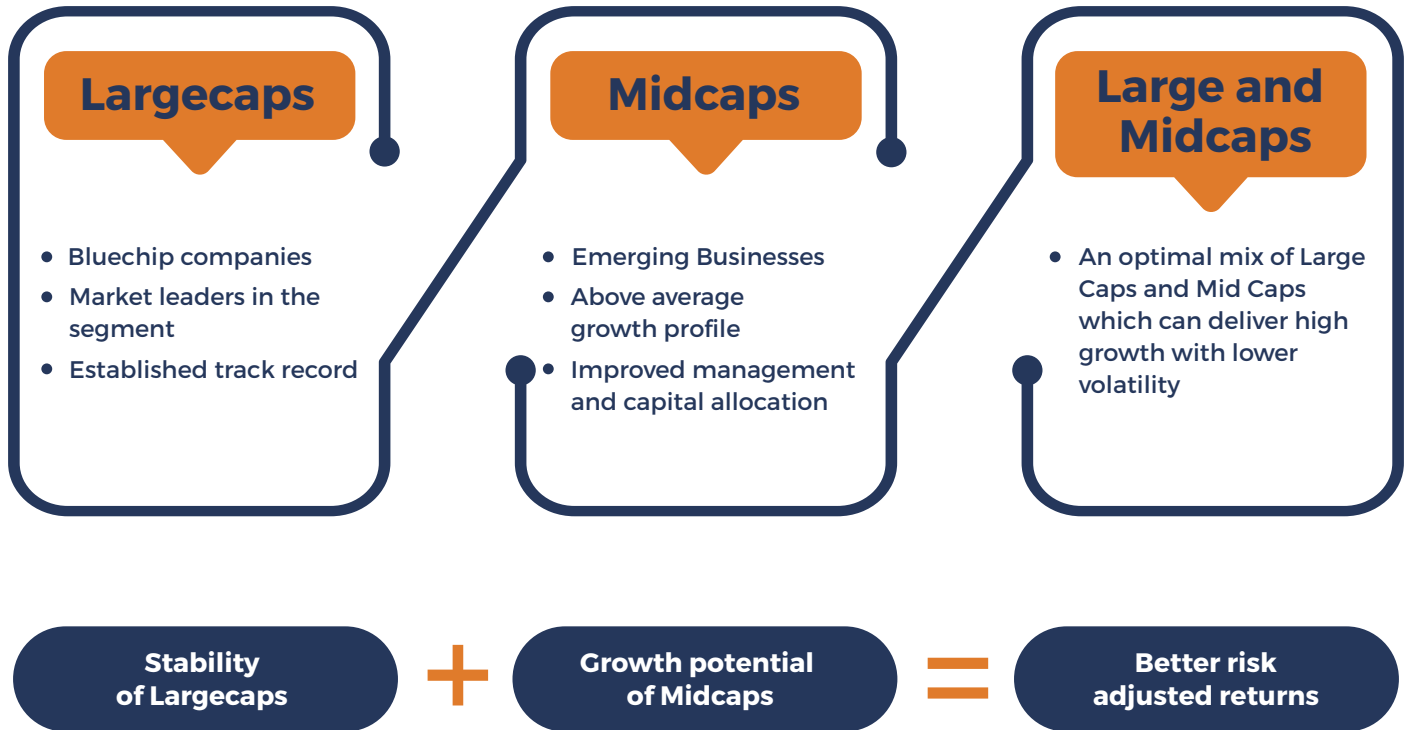
Category has 24 Funds with AuM of ~50,000 crs vs Multicap category has 33 funds with AuM of ~1.35 Lac Crs

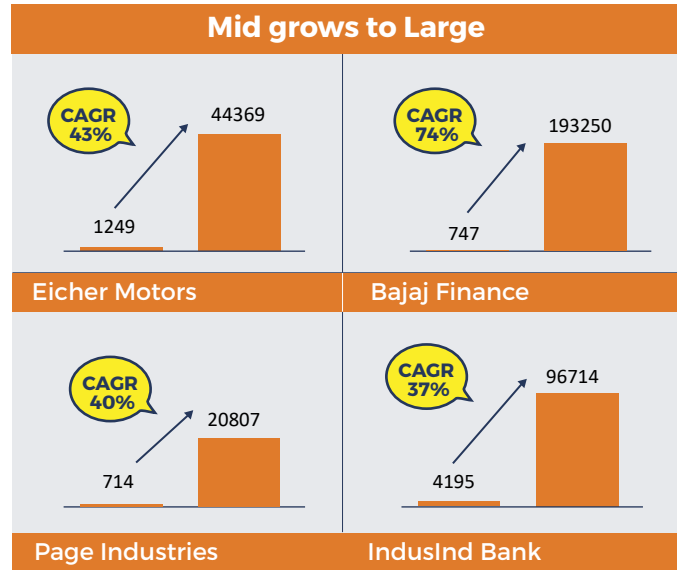
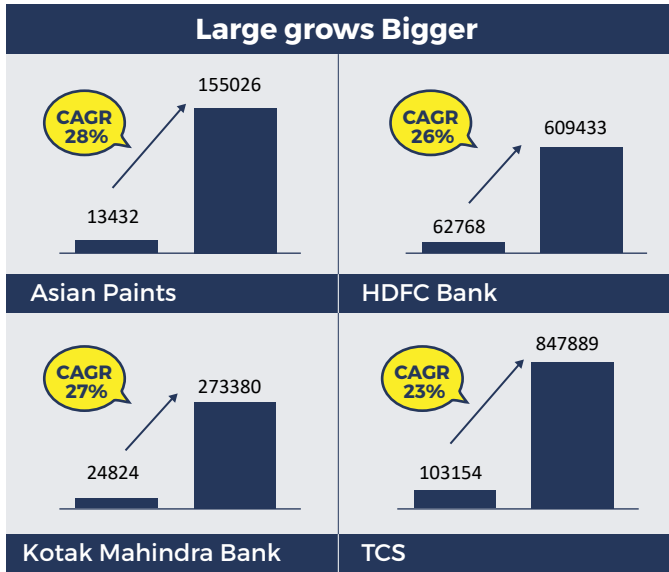
Source: AMFI

- The Large & Midcap category was created in 2018 due to SEBI recategorization where the category invests minimum 35% in each large and midcaps
- Current inhouse asset allocation will be 50% weightage in largecap (top 100 stocks) and 50% weightage in midcap (next 150 stocks)



The above is the current in-house asset allocation and subject to change as per product construct and Fund managers discretion subject to the limits as specified in the Scheme Information Document.

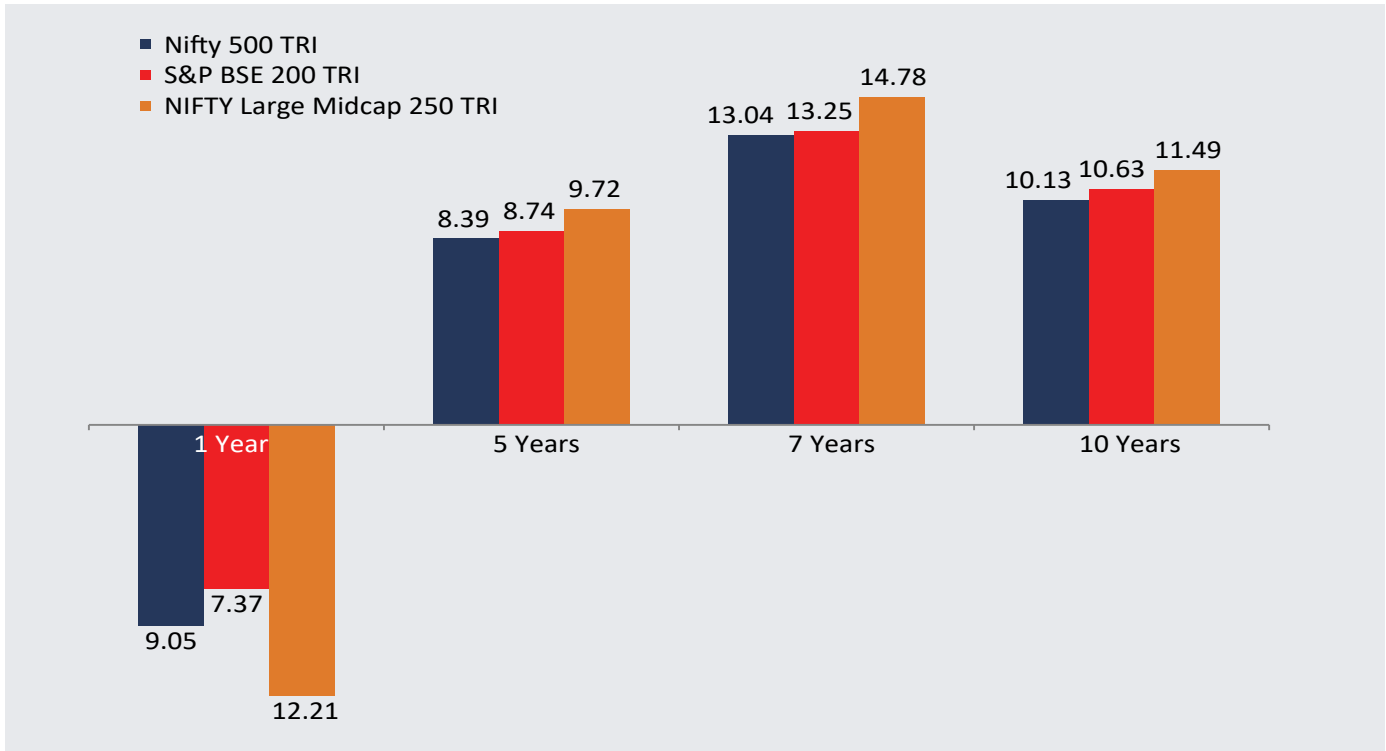




\*Market Cap change in the last 10 years (₹ in crores)

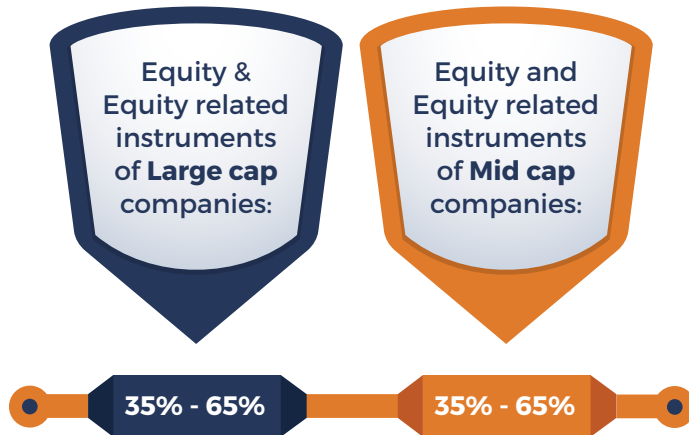
The ultimate objective of all investors is to profit from expansion in the value of their stocks, i.e. higher stock price and market capitalization. The growth can be both in Largecap and Midcap wherein the large companies get better and bigger and midcap companies appreciate into large cap stocks.

The scrip mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. Source: Capitaline and internal analysis; Data as on 31st Aug 2019; Market cap is in Crores The scrips may or may not be part of our portfolio/strategy/scheme. Past performance may or may not be sustained in the future



The above graph has used Nifty LargeMidcap 250 TRI to illustrate 50%-50% allocation to Largecap and Midcap  
Data as on 31st Aug 2019; Source: MFI explorer and internal analysis Past performance may or may not be sustained in the future.

- The investment objective is to provide medium to long-term capital appreciation by investing primarily in Large and Midcap stocks. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved
- High conviction ideas with improved risk-adjusted return characteristics
- Bottom-up stock selection
- Investment Horizon: Medium to Long Term



- Equity and Equity related instruments of other than above: 0% - 30%
- Units of liquid/ debt schemes, Debt, Money Market Instruments, G-Secs, Cash and Cash at call, etc: 0% - 30%
- Units issued by REITs and InvITs: 0% -10%



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 of around 25 stocks being our ideal number. We believe in adequate diversification as over-diversification results in diluting returns for our investors and adding market risk



#Can change as per fund managers discretion subject to the limits as specified in the Scheme Information Document.

## ■ Type of Scheme

- Large and Midcap Fund - An open ended equity scheme investing in both large cap and mid cap stocks

## ■ Scheme Category

- Large and Midcap Fund

## ■ Investment Objective

- The investment objective is to provide medium to long-term capital appreciation by investing primarily in Large and Midcap stocks. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved

## ■ Benchmark

- NIFTY Large Midcap 250 TRI

## ■ Entry/Exit Load

- Entry : Nil  
Exit : 1% - If redeemed on or before 15 days from the date of allotment. Nil - If redeemed after 15 days from the date of allotment. A switch-out or a withdrawal shall also be subjected to the Exit Load like any Redemption. No Exit Load applies for switch between MOF25, MOF30, MOF35, MOFEH & MOFDYNAMIC. No Load for switch between Options within the Scheme. Further, it is clarified that there will be no exit load charged on a switch-out from Regular to Direct plan within the same scheme. No Load shall be imposed for switching between Options within the Scheme.

## ■ Plans

- Regular Plan and Direct Plan

## ■ Options (Under each plan)

- Dividend (Payout and Reinvestment) and Growth

## ■ Minimum Application Amount

- Rs. 500/- and in multiples of Re. 1/- thereafter

## ■ Additional Application Amount

- Rs. 500/- and in multiples of Re. 1/- thereafter

## ■ Systematic Investment Plan (SIP)

- Rs. 500/- and in multiples of Re. 1/- thereafter

### ■ Weekly SIP ■ Fortnightly SIP ■ Monthly SIP

- Rs. 500 and in multiples of Re.1/- thereafter (Minimum Installment - 12)

### ■ Quarterly SIP

- Rs. 1,500 and in multiples of Re.1/- thereafter (Minimum Installment - 4)

### ■ Annual SIP

- Rs. 6,000 and in multiples of Re. 1/- thereafter (Minimum Installment - 1)

The Dates of Auto Debit Facility shall be on the 1st, 7th, 14th ,21st or 28th of every month.

## ■ Minimum Redemption Amount

- Rs. 500/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower.

Name of the Scheme	This product is suitable for investors who are seeking*	
<p>Motilal Oswal Large and Midcap Fund (MOFLM)</p> <p>(Large and Midcap Fund - An open ended equity scheme investing in both large cap and mid cap stocks)</p>	<ul style="list-style-type: none"> <li>• Long term capital appreciation</li> <li>• Investment predominantly in equity and equity related instruments of large and midcap stocks</li> </ul>	 <p>Investors understand that their principal will be at Moderately High risk</p>

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



**Aditya Khemani**  
(Fund Manager)

## For Equity Component

- Mr. Aditya has overall 14 years of experience in the Indian equity markets as an investment professional, out of which the last 10 have been in the role of a portfolio manager. Prior to joining Motilal Oswal Asset Management Company Ltd., He was associated with HSBC AMC for over 10 years. Further, he has also worked in esteemed organizations like SBI Mutual Fund, ICICI Prudential AMC and Morgan Stanley Advantage Services.
- He completed his MBA (Finance) from Indian Institute of Management Lucknow and Bachelor of Commerce from St. Xaviers College, Kolkata.
- He also manages Motilal Oswal Long Term Equity Fund

## For Debt Component

- **Abhiroop Mukherjee:** He is a B.com (H), MBA with over 10 years of experience in trading Fixed Income Securities viz. G-secs, T-bills, Corporate Bonds CP, CD, etc. He has earlier worked with PNB GILTS LTD. as a WDM Dealer for the period 2007-2011
- **Funds Managed:** Motilal Oswal Ultra Short Term Fund and Motilal Oswal Liquid Fund. He is also the Fund manager for the debt component of Motilal Oswal Focused 25 Fund, Motilal Oswal Midcap 30 Fund, Motilal Oswal Multicap 35 Fund, Motilal Oswal Dynamic Fund, Motilal Oswal Hybrid Fund and Motilal Oswal Long Term Equity Fund.

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**Scheme Specific Risk Factors:** In line with its investment objective, the scheme will be required to maintain a minimum exposure of 35% each to both the large cap and the mid cap market segments at all times regardless of the prevailing market conditions/outlook for these market cap segments. The Scheme is subject to the principal risks described below. Some or all of these risks may adversely affect Scheme's NAV, yield, return and/or its ability to meet its objectives.

**Statutory Details: Constitution:** Motilal Oswal Mutual Fund has been set up as a trust under the Indian Trust Act, 1882.

**Trustee:** Motilal Oswal Trustee Company Ltd. **Investment Manager:** Motilal Oswal Asset Management Company Ltd. (CIN: U67120MH2008PLC188186) **Sponsor:** Motilal Oswal Financial Services Ltd.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

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**Website: [www.motilalosalmf.com](http://www.motilalosalmf.com)**

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