

Portfolio Management Services

Aditya Birla Sun Life AMC Limited

(A subsidiary of Aditya Birla Capital Limited)



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

India Special Opportunities Portfolio

- Diversified, Multi cap portfolio of 15-25 stocks
- Core focus on companies that are primed to benefit from micro and macro catalysts
- Endeavours to exploit the inefficiencies in the market that leads to mispricing of stocks that are fundamentally strong
- Focus on strong Quantitative filters and Qualitative factors

Portfolio Construct

Portfolio Weight	Catalysts that drive stock selection	Rationale
65% - 70%	<ul style="list-style-type: none">• Micro turnaround• Macro / Change in business cycle• Management change• Deleveraging• Demerger	Higher upside potential with catalyst expected to play out over a period of 2-3 years
30%-35%	<ul style="list-style-type: none">• Mid to large cap potential• Secular growth names	Consistent performers

Focus on Strong Filters

Fundamentally strong companies help to provide downside protection

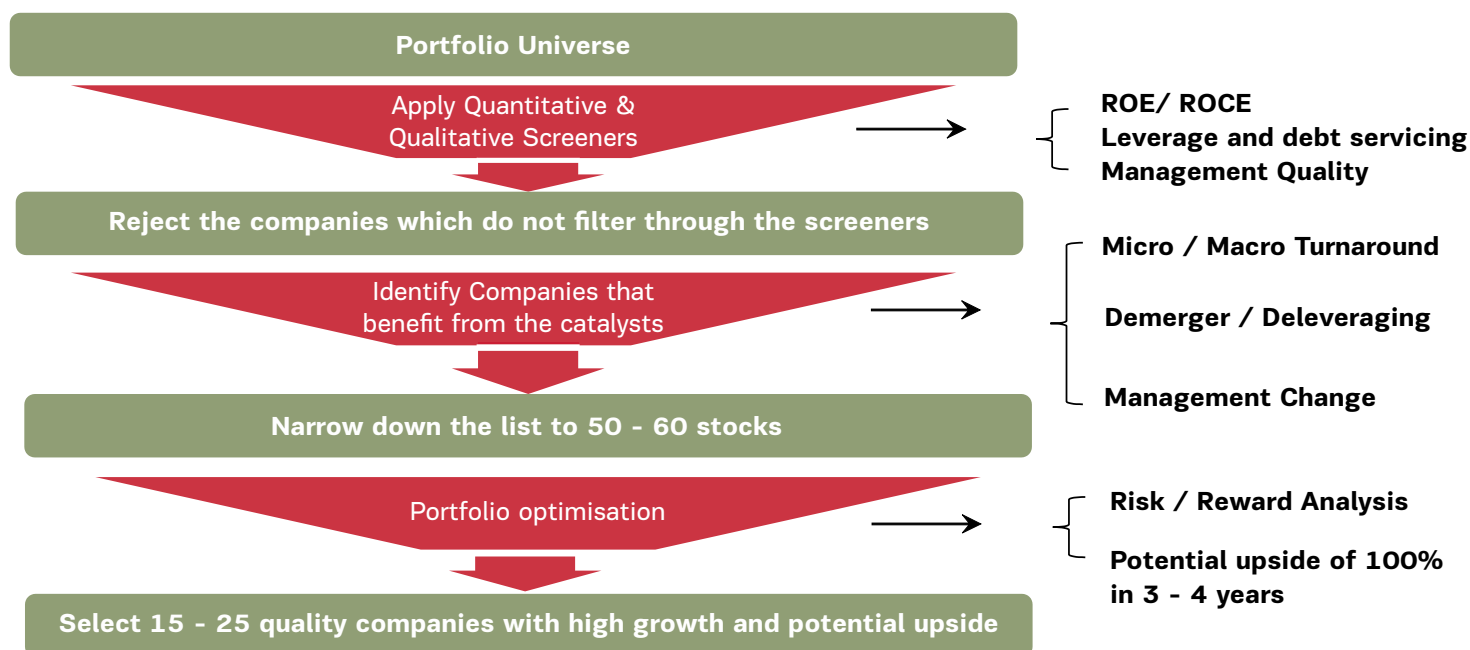
Quantitative factors:

- Strong balance sheets
- Good capital allocation track record
- High return on capital over a longer time frame

Qualitative factors:

- High corporate governance
- Established business model
- Prominent market share
- Skilled management

Investment Process:



Current Portfolio Allocation

Basis the above investment framework the current portfolio is invested as below:

Industry allocation	% of Net
Financials	29.4
Consumer Discretionary	15.8
Industrials	15.5
Consumer Staples	13.0
Health Care	11.0
Communication Services	4.3
Utilities	4.1
Information Technology	3.3
Cash	3.6

Catalyst	Allocation %
Micro turnaround	28.3
Secular Growth	24.3
Macro turnaround	21.2
Management change	15.8
Mid to Large Cap potential	6.9
Cash	3.6

Market cap bias	Weight %
Largecap	53.1%
Midcap	26.5%
Smallcap	16.8%
Cash	3.6%

Portfolio Data as on Nov 30, 2020.

Market Cap Categorization as per Average Market Capitalization of listed companies during the six months ended 30 June 2020. Source: AMFI

Portfolio vs Benchmark- Higher Growth/ROE's with lower leverage

PE (x)	FY209A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	42.0	40.4	26.8	
Nifty 500	22.1	27.7	22.0	21.7%
Nifty	19.5	25.2	19.4	

ROE (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	9.2%	9.0%	13.4%	
Nifty 500	9.1%	9.1%	10.8%	24.1%
Nifty	11.0%	10.0%	11.8%	

EPS growth (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	1.4%	3.9%	50.8%	
Nifty 500	-4.9%	-5.7%	26.0%	95.6%
Nifty	-1.7%	-5.0%	29.9%	

Net debt to Equity (%)	Fy20	Prem/Disc to benchmark
ISOP	-2.6%	
Nifty 500	58.7%	-
Nifty	57.7%	

Top 10 Portfolio Holdings

Sr. No.	Company Name	% to Net Assets
1	HDFC Bank	10.1
2	Trent	6.9
3	ICICI Bank	6.0
4	Dr. Lal Pathlabs	5.4
5	Kotak Mahindra Bank	5.3
6	Multi Commodity Exchange of India	4.4
7	Siemens	4.4
8	ITC	4.3
9	AIA Engineering	4.3
10	Torrent Power	4.1

Equity Outlook

Indian Stock Markets have been amongst the best performing global markets in past 3 months, with a broad - based rally across large, mid and small caps. India stands tall among the Emerging Markets, attracting USD 6.5bn of foreign flows during these difficult and unprecedented times. While Covid 19 threat does loom large, sentiments have turned positive, marked by a few events (1) US elections resulting in a Democrat President but a Republican Senate, (2) falling number of active Covid-19 cases in India, (3) improving high frequency indicators (4) positive surprise in 2QFY21 earnings, and (5) Success of Covid vaccine trials. Sectors such as Banking, Metals, Pharma, and IT continued to lead the market higher. Market breadth improved and mid and-small caps performed better than large caps.

On the domestic front, data on Covid has shown improvement as the number is falling by more than 50% from the peak. High frequency indicators are suggesting a strong recovery, aided by festival season and pent-up demand. Most activity indices are inching towards pre-Covid levels as the economy opens up. The Government too has announced a series of measures to boost growth and monetary policy has been accommodative with policy rates unchanged. Recently, MPC revised its FY21 real GDP growth forecast by a sharp 200bps to -7.5% y-y from -9.5% y-y in October. RBI expects real GDP to turn positive + 0.1% in Dec-20 quarter and +0.7% in Mar-21, with risks broadly balanced. Further in FY22 they see growth at 21.9% in 1Q and 6.5% overall in H1.

The key message here is to remain invested in good businesses. Even after this rally, we find value in lot of companies including small and mid cap names, which could deliver strong returns over the next 2 -3 years. Also, few other indicators like the Yield Gap ratio, Market Cap to GDP continue to point towards healthy returns in equities in the medium term.

We continue to stick to our strategy of identifying companies which have good managements, strong balance sheets, and are seeing a turnaround in earnings trajectory due to macro/ micro factors, along with ownership of structural high growth names. While the near term business environment is reliant on the vaccine for Corona & how fast the economy bounces back, the long term growth story of India remains intact.

Portfolio Update

In the month of November, we added Procter & Gamble Hygiene and Health Care to the portfolio and exited The Indian Hotels Co Ltd from the portfolio.

Procter & Gamble Hygiene and Health Care Limited is an India-based company, which is engaged in the manufacturing and selling of branded packaged fast moving consumer goods in the femcare and healthcare businesses. The Company offers ayurvedic products and sanitary napkins. The Company is involved in manufacturing, trading and marketing of health and hygiene products. It has a potential to grow faster than other FMCG companies due to (a) Increasing pace of distribution expansion (b) continuing strong pace of category development efforts in schools to boost awareness and growth (c) rising ad spends after a lull in preceding years (d) healthy pipeline of new products (e) hastening consumer entry into the category through launches at low price points and (f) willingness to take price cuts whenever required to boost growth, are all encouraging developments that should aid rapid growth for the company over the medium term.

We exited The Indian Hotels Co Ltd from the portfolio for better opportunities.

Risk Ratios

Analytics for period ending Nov 30, 2020	Benchmark	Standard Deviation	Sharpe Ratio*	Beta	PTO
India Special Opportunities (Model) Portfolio	Nifty 500	21.54%	0.35	0.81	65%

*Risk free rate assumed to be 3.40% (MIBOR as on Nov 30, 2020)

Above ratios are calculated on Annualised basis using 2 year history of monthly data points

Portfolio Key facts


Portfolio Name	India Special Opportunities Portfolio
Structure	Discretionary PMS
Nature	Open ended
Market cap	Multi cap
Investment Objective	The investment objective of the portfolio is to invest in stocks that are primed to benefit from the catalysts and secular growth names
Investment Approach	The portfolio invests or proposes to invest in listed equity & equity related instruments with the aim of generating long term capital appreciation & income in the form of dividends. It can also invest in money market instruments & units of mutual fund. ISOP portfolio aims to invest in stocks that are primed to benefit from the following catalysts – Micro turnaround, Macro turnaround, Management Change, Deleveraging, Demerger, Mid to Largecap potential, Secular growth companies. Stock selection is done through a combination of ‘Bottom up’ approach i.e. analyzing the fundamental attributes of the company & competition & ‘Top down’ approach i.e. analyzing the macro economic factors & industry growth characteristics.
No of stocks	15-25
Investment Manager	Aditya Birla Sun Life AMC Limited (ABSLAMC)
Portfolio Manager	Vishal Gajwani
Recommended Investment Horizon	Minimum 3 years
Minimum Investment	Rs 50 lakhs
Taxation	Investors are advised to seek consultation from their Independent Financial Advisor / Tax Advisor before making any investment decision.

Risk Factors and Disclaimers:

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Regulatory Disclosure: All investors have the option to invest directly with ABSLAMC-Portfolio Manager.

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