

# Portfolio Management Services

Aditya Birla Sun Life AMC Limited

(A subsidiary of Aditya Birla Capital Limited)



**ADITYA BIRLA  
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PROTECTING INVESTING FINANCING ADVISING

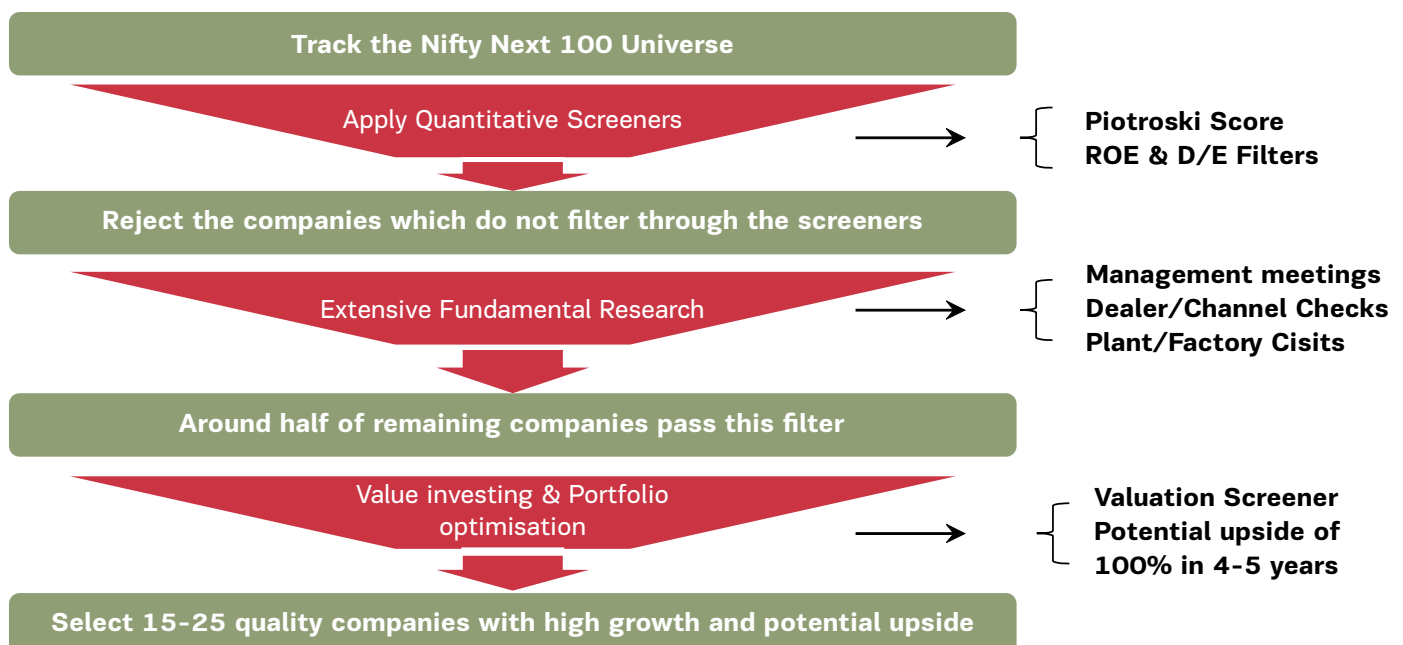
## Nifty Next 100 Portfolio

- Nifty Next 100 Portfolio is a diversified portfolio which would primarily invest in Large and Mid Caps.
- Focus would be on top 150 stocks (excluding NIFTY 50).
- It captures a sweet spot between Large Caps and Mid Caps with a perfect balance of growth and quality.
- Endeavors to deliver returns higher than Large Cap Fund, without taking undue risk/volatility of small caps.
- Well diversified across secular sectors, with less exposure to commodity cyclicals
- Core focus is to buy companies with strong balance sheets, good capital allocation track record and high return on capital over a long time frame.

### Portfolio Construct

Category	Weight	Rationale	Stocks
Next 100 stocks by Market cap	65%-100%	Diversified set of stocks balancing Quality, Growth & Safety	HDFC Life, Kansai Nerolac, Apollo Hospitals
High conviction ideas outside Next 100 stocks	0%-35%	Leverage opportunities in select high growth stocks across Nifty 50 /Small caps	Axis Bank, ABFRL

### Investment Process:



## Current Portfolio Allocation

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

Industry allocation	Allocation %
Financials	21.8
Materials	20.3
Health Care	20.1
Consumer Discretionary	11.9
Consumer Staples	11.0
Industrials	6.5
Information Technology	6.3
Cash	2.2

Portfolio Data as on Nov 30, 2020

Market cap bias	Weight %
Large cap	62.9%
Mid cap	25.0%
Small cap	9.9%
Cash	2.2%

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)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
Nifty Next 100	40.5	40.6	27.7	
Nifty Junior	78.9	33.7	26.7	3.8%
Nifty	19.5	25.2	19.4	

ROE (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
Nifty Next 100	11.8%	11.0%	14.6%	
Nifty Junior	9.5%	11.1%	12.9%	13.4%
Nifty	11.0%	10.0%	11.8%	

EPS growth (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
Nifty Next 100	-10.7%	-0.3%	46.7%	
Nifty Junior	-11.0%	-10.1%	26.3%	77.3%
Nifty	-1.7%	-5.0%	29.9%	

Net debt to Equity (%)	Fy20	Prem/Disc to benchmark
Nifty Next 100	21.5%	
Nifty Junior	36.9%	-
Nifty	57.7%	

## Top 10 Portfolio Holdings

Sr. No.	Company Name	% to Net Assets
1	ICICI Lombard General Insurance	6.6
2	Bajaj Finserv	5.7
3	JK Lakshmi Cement	4.7
4	Kansai Nerolac Paints	4.6
5	Divis Laboratories	4.6
6	Cadila Healthcare	4.1
7	Alkem Laboratories	3.9
8	Biocon	3.9
9	Ambuja Cements	3.8
10	HDFC Life Insurance	3.8

## 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, Bajaj Finserv, Federal Bank, Bata India, Avenue Supermarts and Divi's Laboratories have contributed positively to the portfolio. Our portfolio has exposure to Covid resistant sectors like Healthcare, Insurance, FMCG and own sector leaders in Retail and Materials & also sectors which are likely to emerge stronger from the crisis.

(Source: Bloomberg, ABSLAMC Internal Research)

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## Portfolio Key facts


<b>Portfolio Name</b>	Nifty Next 100 Portfolio
<b>Structure</b>	Discretionary PMS
<b>Nature</b>	Open ended
<b>Market cap</b>	Multi cap
<b>Investment Objective</b>	The Portfolio will primarily invest in top 150 stocks (excluding NIFTY 50), with an aim to deliver returns higher than benchmark, by taking lower risk/volatility versus pure Small Cap & Midcap strategies.
<b>Investment Approach</b>	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. Features of the companies can include – High quality with consistency in growth, high ROE, low leverage & high potential for growth. Investment will be done in top 150 companies by market cap (excluding Nifty 50 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
<b>Benchmark</b>	Nifty Next 50
<b>No of stocks</b>	15-25
<b>Investment Manager</b>	Aditya Birla Sun Life AMC Limited (ABSLAMC)
<b>Portfolio Manager</b>	Vishal Gajwani, Natasha Lulla
<b>Recommended Investment Horizon</b>	Minimum 3 years
<b>Minimum Investment</b>	Rs 50 lakhs
<b>Taxation</b>	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.

For any service related queries, please contact us:

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