

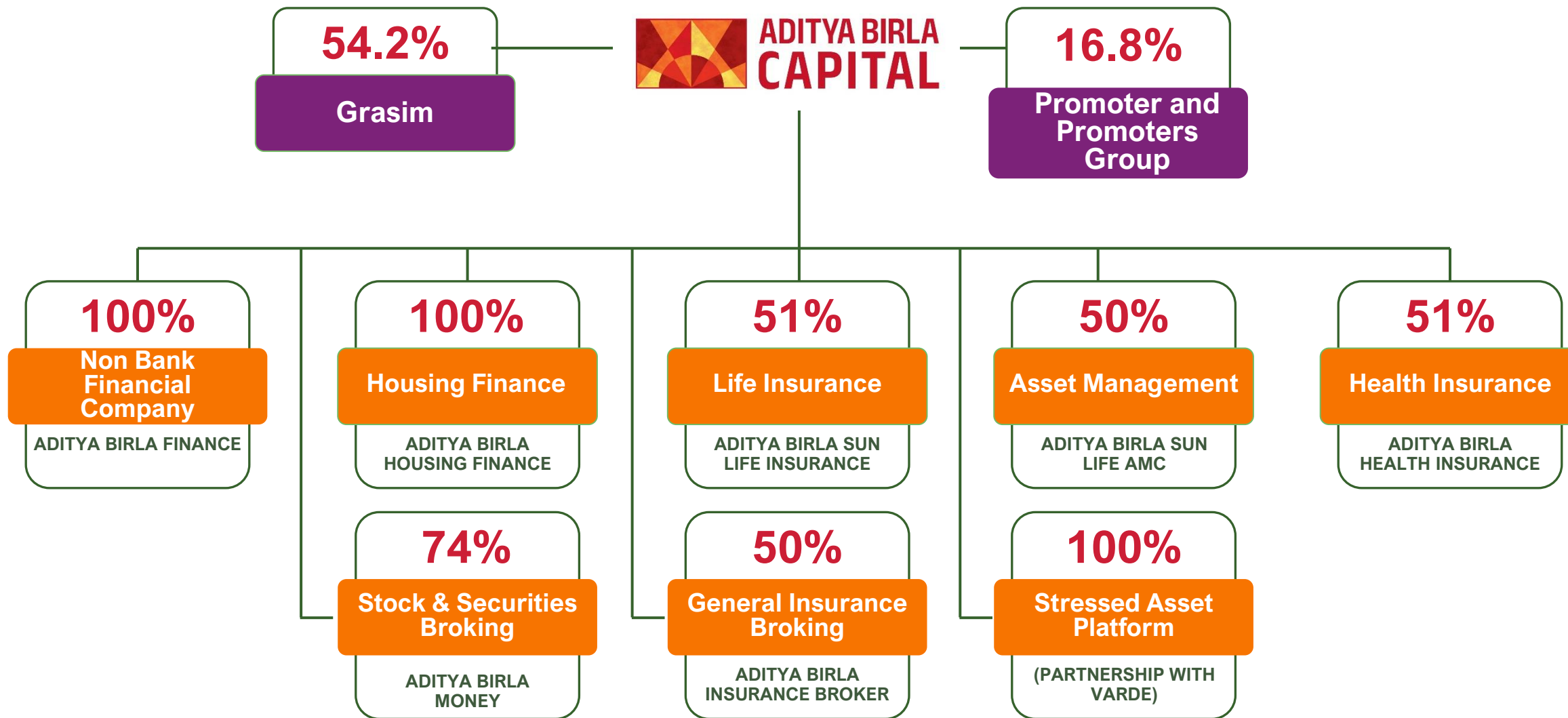
ABSL India Equity Services Portfolio

March 2025



ABSLAMC Overview

Aditya Birla Capital Limited – A Financial Powerhouse



Source : Internal. Above is not intended to show the complete organizational structure and all entities therein. It is intended to describe the key businesses of Aditya Birla Capital.

ABSLAMC: A Joint Venture between Two Pioneering Groups



- ◆ Part of Aditya Birla Group (ABG) - one of the largest Indian conglomerates with interest across various commodity, manufacturing & service businesses and operations in over 40 countries
- ◆ Managing AUM of ₹ 5 Lac Cr (as on December 31, 2024)
- ◆ Leading financial services organization providing – Asset Management, Life Insurance, Wealth Management, Corporate Lending, Project & Structured Finance, General Insurance Broking, Broking & Private Equity, Housing Finance etc.



- ◆ A leading Canadian financial services company
- ◆ AUM CAD \$ 1,542 billion (as on December 31, 2024)
- ◆ Offering diversified range of risk and financial management products for individuals and corporate
- ◆ Large international footprint across continents – major presence in North America & Asia

Asset Management



Heritage

- ◆ Founded in 1994, one of the oldest in India
- ◆ Promoted by Aditya Birla Capital Group & Sun Life Financial
- ◆ Have seen the market evolve across different asset classes over the years
- ◆ Driven by client centric product Innovation
- ◆ International presence in Dubai, Singapore and Mauritius.



Market Dominance

- ◆ One of the top AMCs in India with MF AUM of over 3,77,260 Cr (January 2025)
- ◆ Over 10.5 million investor accounts (January 2025)
- ◆ Strengths across different asset classes

Alternate Business



Best in Class Management

- ◆ Offer portfolio management services, alternate & offshore investment solutions to HNIs and Institutions
- ◆ Managing/advising Rs. 15,503 crores of assets as of February 2025
- ◆ 16-member dedicated investment team for Equity, Fixed Income, and Real Estate, with a cumulative experience of 200+ years
- ◆ Focus on delivering sustained investment performance and portfolio differentiation.
- ◆ Strong and robust risk management and governance framework

Aditya Birla Sun Life AMC Limited (*Investment Manager*)



Mutual Fund

Equity Funds

Debt Funds

Hybrid Funds

Index , ETFs &
Solution oriented
Funds



Portfolio Management Services (PMS)

Discretionary

Non-Discretionary

Advisory



Alternative Investment Funds (AIF)

ABSL India Special Opportunities
Fund
(Cat 3 – Close ended)

ABSL Global Emerging Market
Equity Fund (IFSC) (Cat 2- Global FoF)

India Equity Opportunities
Fund (Cat3 – Open ended)

India Equity Services Fund
(Cat 3 – Closed for Subscription)

Aditya Birla Real Estate Credit
Opportunities Fund Series II
(Cat 2– Open for Subscription)



Offshore Business

Singapore

Dubai

Mauritius

Gift City

Alternate Business - Equity Investment Process

To identify & capitalize upon the prevailing market inefficiencies in a
Simple, Timely & Efficient manner

Focus on Businesses

With ability & commitment to grow
earnings faster than Nominal GDP

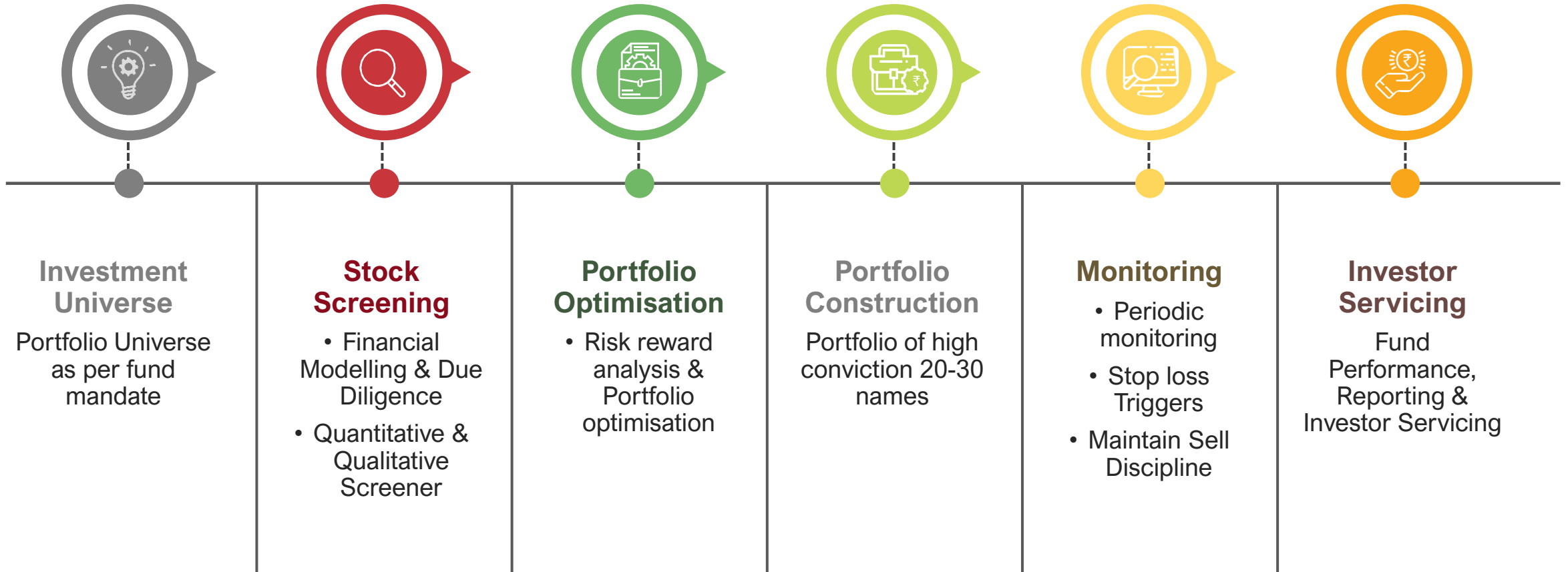
Purchase at Reasonable Price
Entry Level valuations which accord
“Margin of safety”



Buy Companies that have

- Large Opportunity Canvas
(scope for non-linear growth outcomes)
- Credible Management
- Emphasis on Capital Efficiency
- Superior return ratios

Investment Process



Screening

Fundamentals



Return on Equity >15%
Net Debt / EBITDA less than 2x
Improving margins & Turnover Ratios
Aggregate Portfolio liquidity

Valuation



Superior EPS Growth, RoCE & Net Debt to EBITDA vs benchmark
Large Opportunity Canvas

Governance



Promoter's conduct & Management Integrity
High Pledge & Accounting Red Flags
Limited Equity Dilution in recent past

Financial Modelling & Due Diligence



Visible Earnings CAGR > 15% in medium term
Sustained Competitive Advantage led by Unique Value Proposition
Interaction with investee companies & its ecosystem

Monitorin

Stop loss Triggers



If loss on stock is higher than benchmark on trailing 9 months by more than 30%

Periodic Monitoring



Quarterly Monitoring
Event Based Triggers

Maintain Sell Discipline



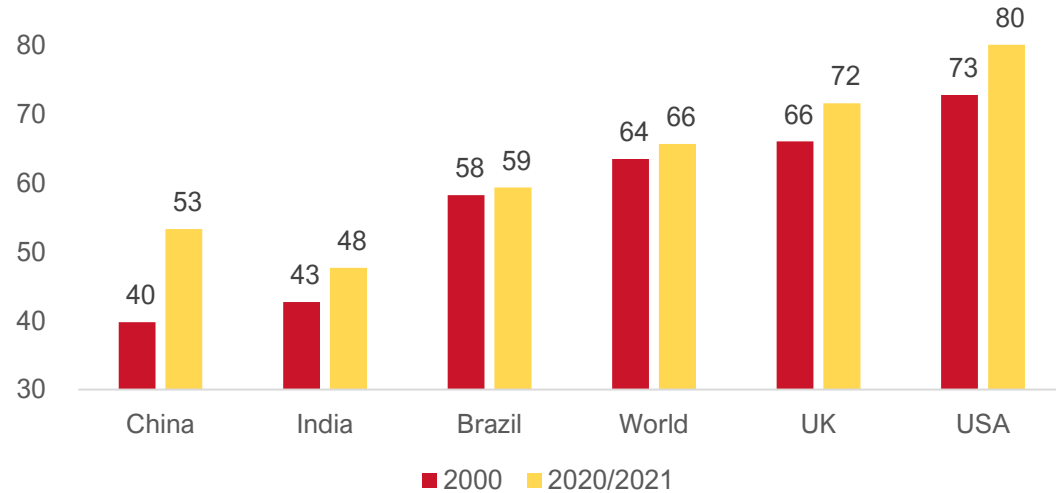
Poor Capital Allocation
Weakening Competitive Position
Any emerging governance issues



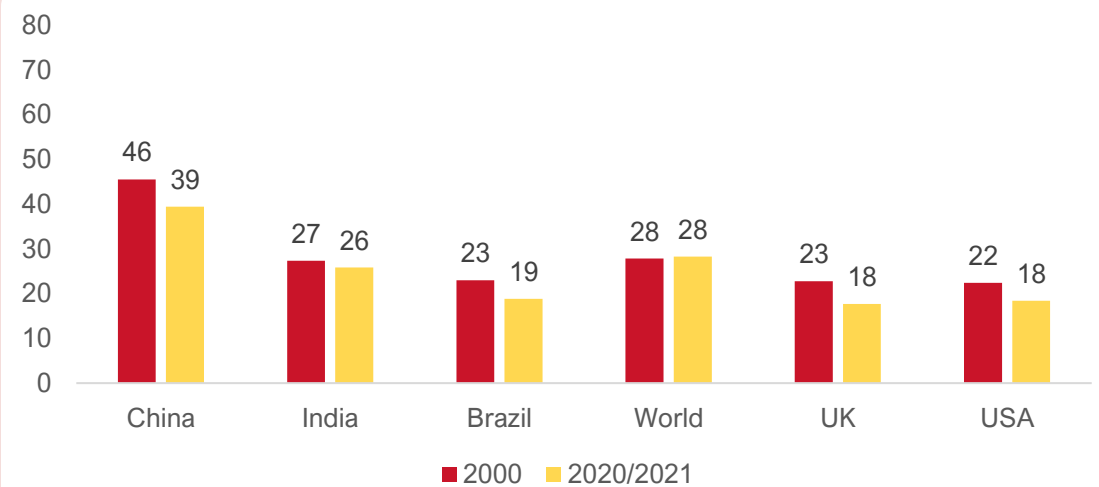
An ocean of opportunities

Contribution of Service Sector to GDP is on the rise, across the world.

Share of Service Sector (% of GDP)



Share of Manufacturing Industry (% of GDP)



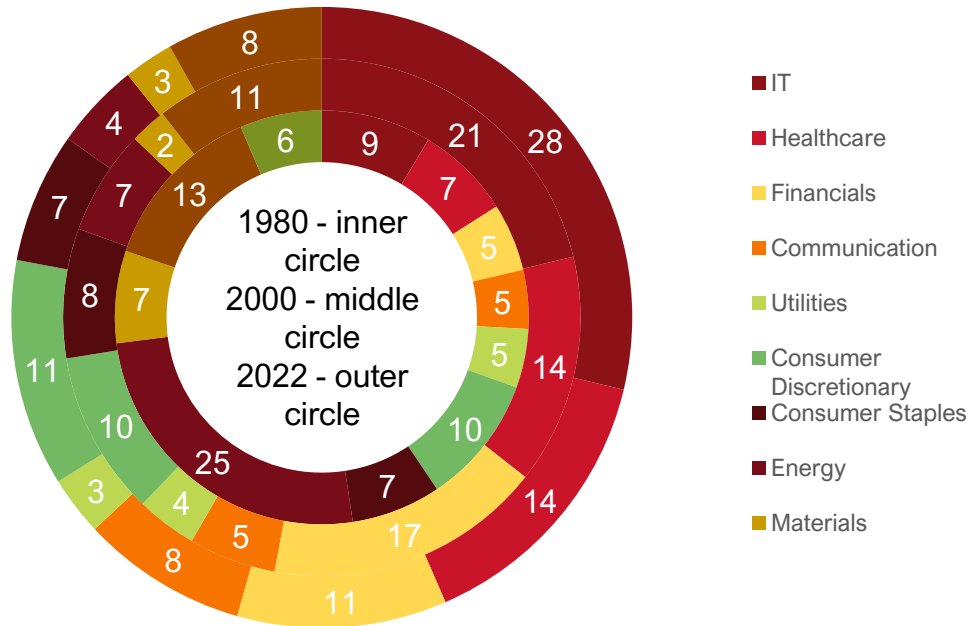
- ✓ From developed to developing countries, services sector share is rising across the board
- ✓ India service sector GDP share remains considerably below that of developed economies
- ✓ China referred to as 'The World's Factory', has seen services output surpass manufacturing sector
- ✓ Manufacturing industry share on the other hand has been declining

India Service Sector - ample room for further Growth

Service Sector taking over Global Indices

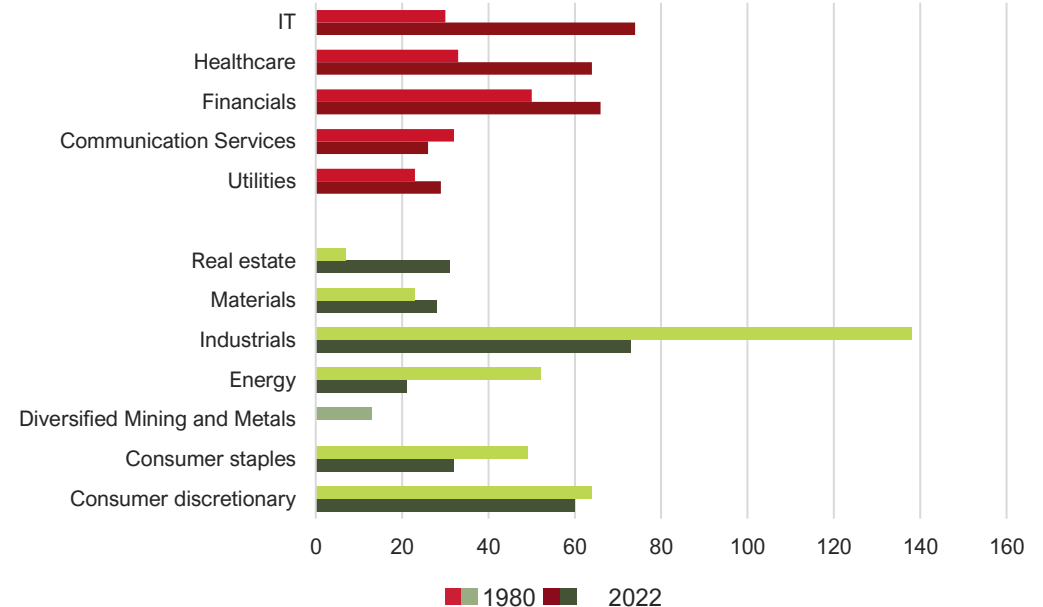
Frontline indices are getting Service heavy with traditional industries making way for Service companies

Sectoral Composition of S&P 500 by Market Cap



The service sector % has increased significantly over the years.
IT - 8.6% to 27.9%; Financials - 5.3% to 10.6%; Healthcare - 7.4% to 14.3%

Number of Companies in S&P 500

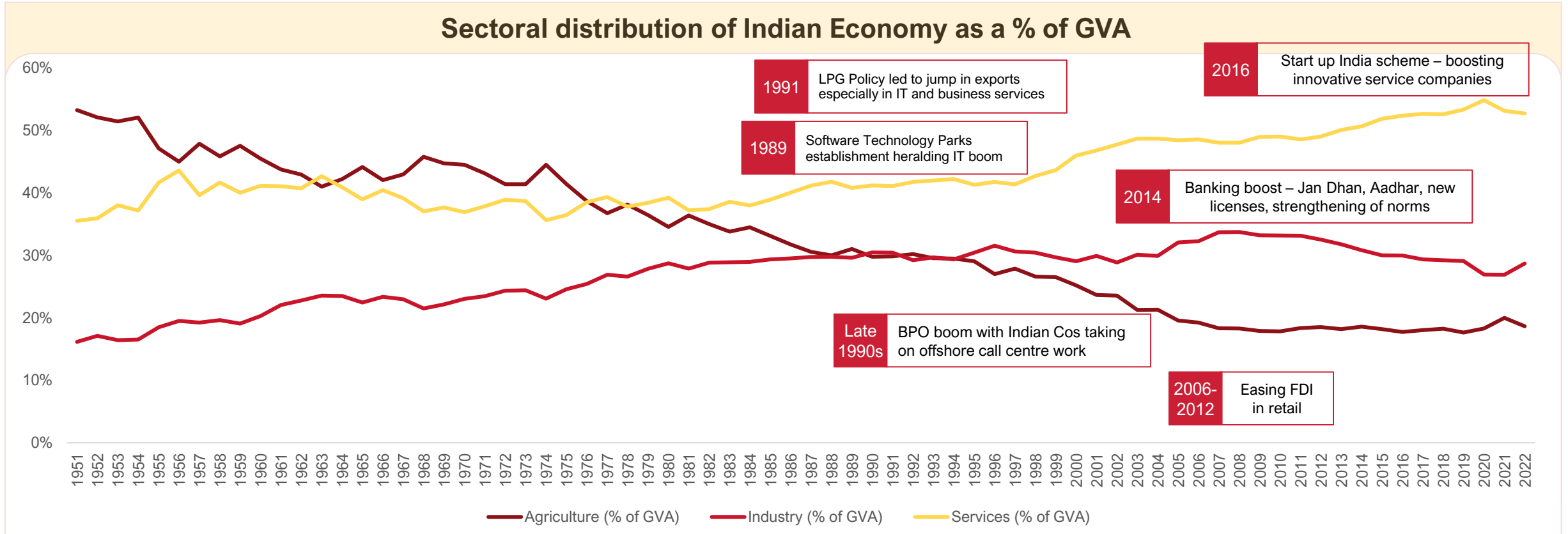


Number of service sector companies also increased over the period.
IT – 30 to 74; Financials – 50 to 66; Healthcare – 33 to 64

9 out of the Top 10 Companies of the S&P 500 index are Service Companies!

Indian Service Sector Landscape

Sectoral distribution of Indian Economy as a % of GVA



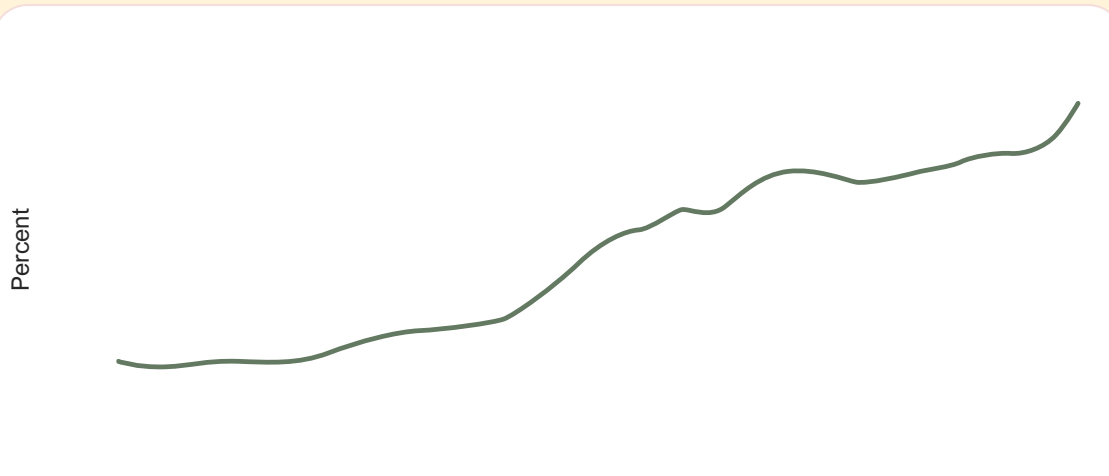
Share of service sector in GVA grown from ~36% to ~53% from 1951 till date

Sources: CEIC, ABSLAMC Research

Service Sector - An export winner!

Service sector exports has seen exponential growth – contributing significantly to the sector’s growth

India’s share in World Commercial Service Exports



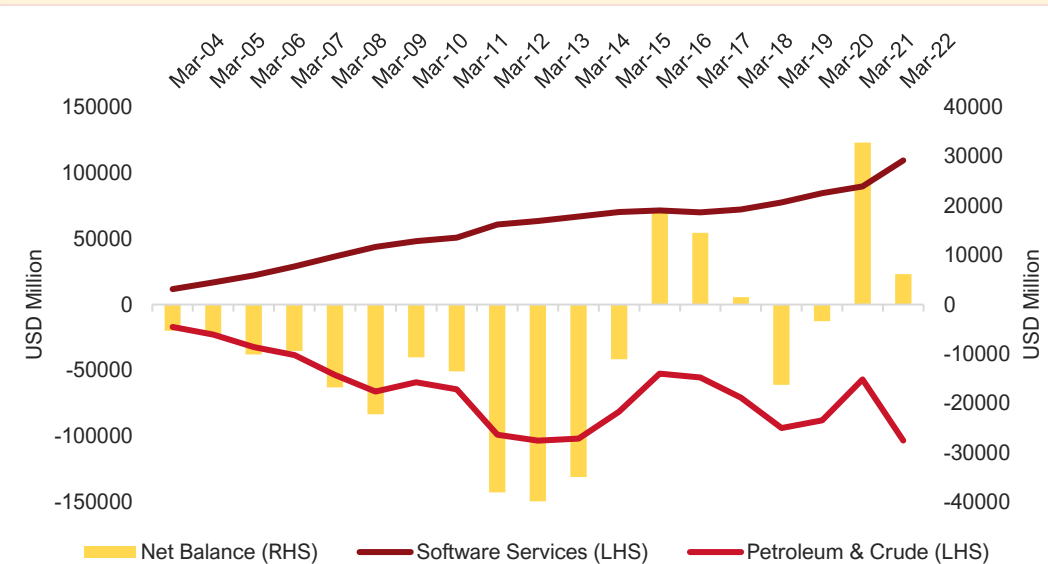
Source: World Bank

Note: Commercial service exports are total service exports minus exports of government services not included elsewhere. International transactions in services are defined by the IMF's Balance of Payments Manual (1913) as the economic output of intangible commodities that may be produced, transferred and consumed as the same time.

India’s share in world’s commercial services exports has only been on the rise

Sustainable growth in Software Service Exports have offset the impact of ever increasing crude import bill

India’s current account components

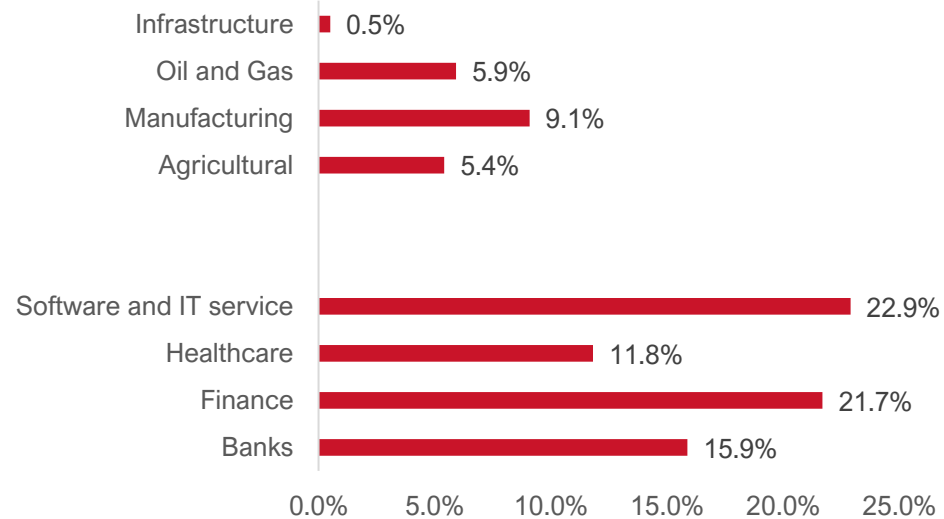


Software Service exports have shown resilience even during times of global economic downturns

Service Sector - An Expanding Sector Delivering Profits

Listed service sector companies outperform other sector in profitability

FY22 Net Profit Ratio



Average profitability of service sector exceeds non-service sector considerably!

Service Sector dominance seen in top listed profitable companies

Profitability growth of Top Indian listed companies

Company	FY10 profit (INR Mn)	FY22 profit (INR Mn)	Growth
Reliance Industries Limited	2,45,031	5,84,201	138%
TCS	69,643	3,84,490	452%
HDFC BANK	29,487	3,69,614	1153%
Infosys	62,660	2,21,110	253%
Hind. Unilever	21,027	88,520	321%
ICICI Bank	40,250	2,33,395	480%
SBI	1,17,338	3,53,739	201%
HDFC	27,429	1,28,388	368%
Bajaj Finance	894	70,282	7762%

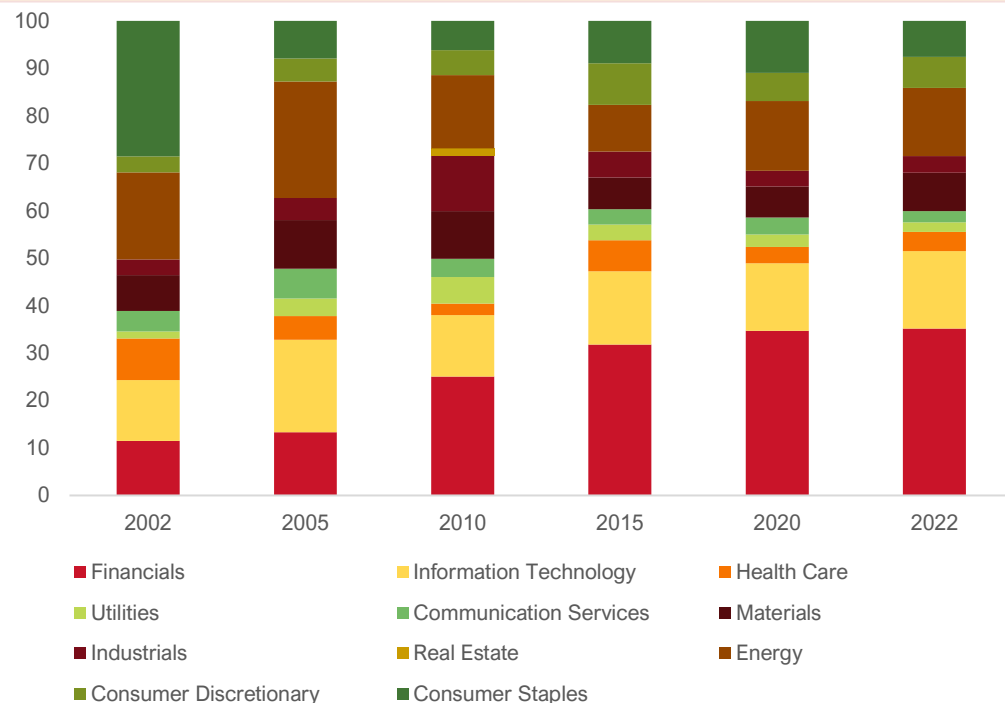
Profitability of top service sector companies has seen exponential growth over the last 12 years!

Sources: Moneycontrol, MOFSL

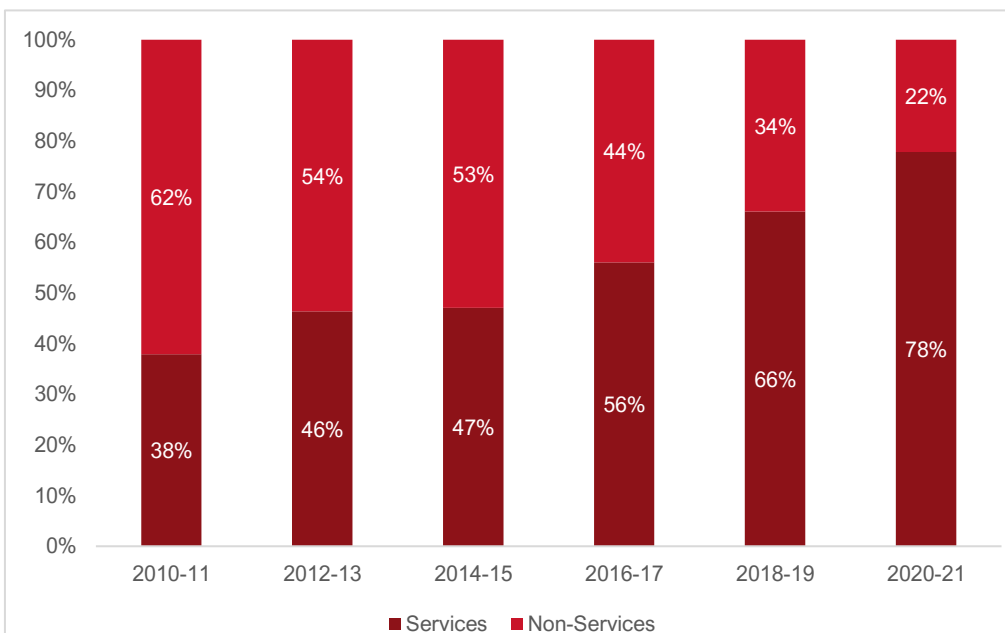
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Growing Investor Interest in Service Sector

Nifty 50 – Service Sector Growth



FDI Inflow Pattern



The proportion of service stocks in the NIFTY 50 index has increased considerably in the last 20 years

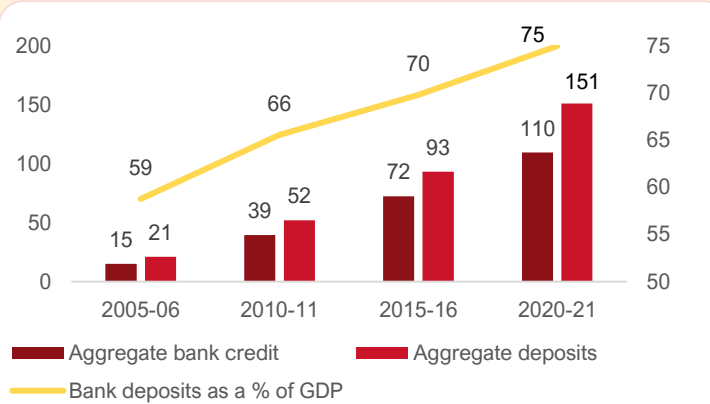
Foreign Direct Investments have also shown a shift towards service sector over the years

Service Sector - Considerable Scope across Sub-Sectors

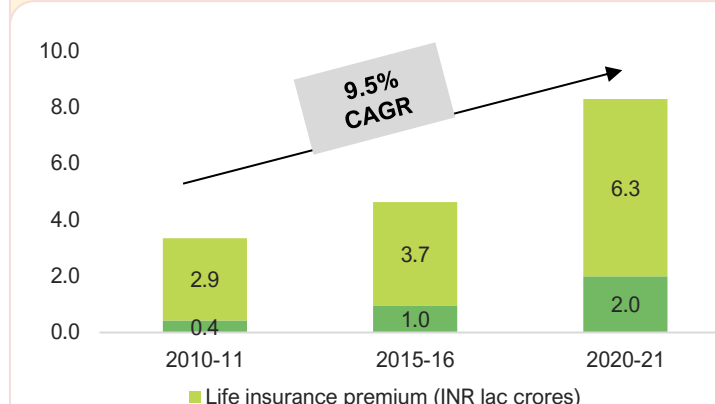


A large universe comprising of Banks, NBFCs, Insurers, Asset Management Companies and Fintech companies

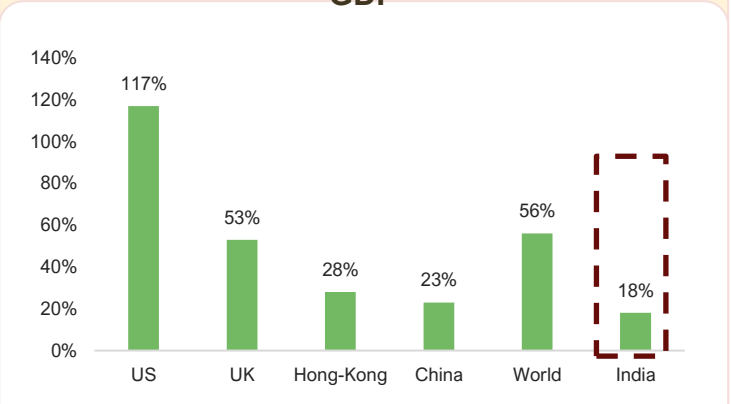
**Deposits & credit growing multifold
(₹ lakh crores)**



**Insurance premiums have witnessed a
CAGR of 9.5% for past decade**



**Scope for exponential growth in MF Industry
as India has one of the lowest AUM as a % of
GDP**



Valued at INR 81 Trn, the India BFSI sector is well on its way to become 3rd largest in the world by 2050

Demographic Push

Increasing working age population and rising income driving up demand for financial services

Still Under-penetrated

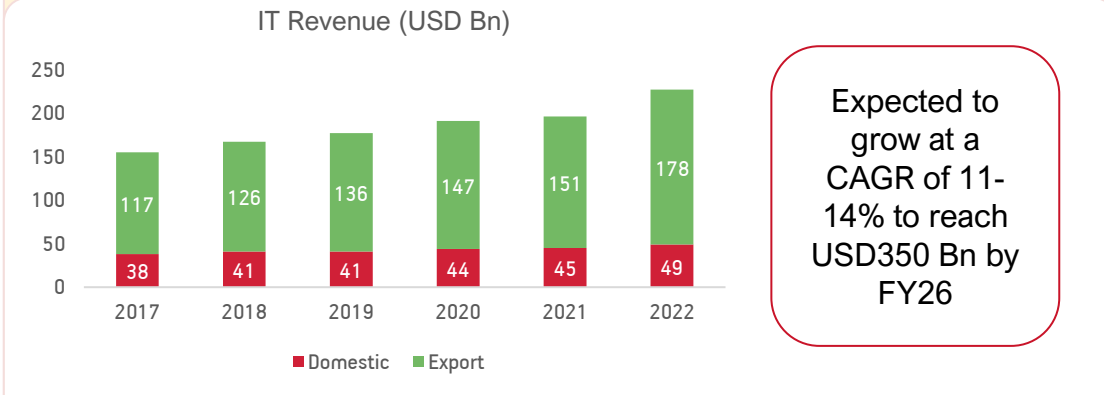
- 50th amongst 142 countries for Bank assets to GDP ratio
- Insurance penetration @ 3.8% vs ~9% in most developed countries

Government Push

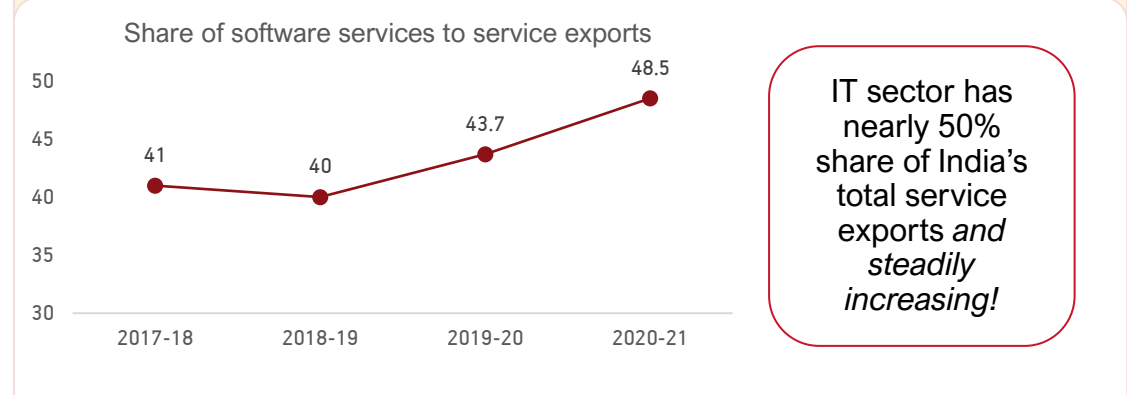
- Increased FDI limits for insurance
- Initiatives such as PMAY, PMJDY, Digital Rupee

Sources: NITI Aayog publication, 2021; Macrotrends.net; World Bank and Economic Surveys; NSO Elderly in India 2021 Report; IBEF; INC42

IT revenue recorded a remarkable 15.5% growth in FY 2022 - the highest ever



IT sector has a considerable global footprint as well!



India's IT sector attracted cumulative FDI inflows worth US\$ 81.31 billion between April 2000 and December 2021

Government Support

- Start-up tax incentives
- STP schemes to promote IT exports

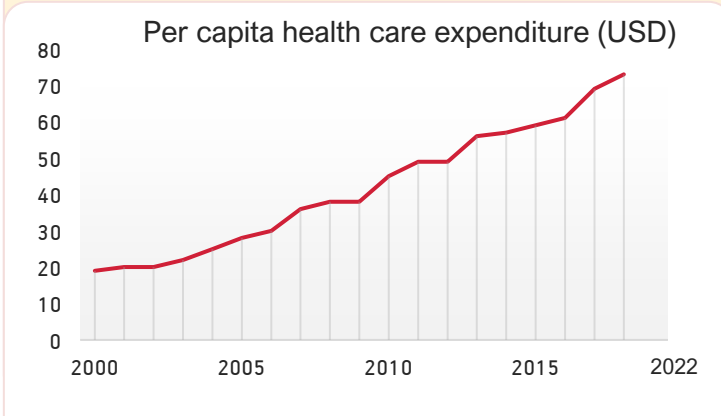
Overseas Demand

- India's cost advantage, making it a global technology hub
- 59% share in global IT sourcing market

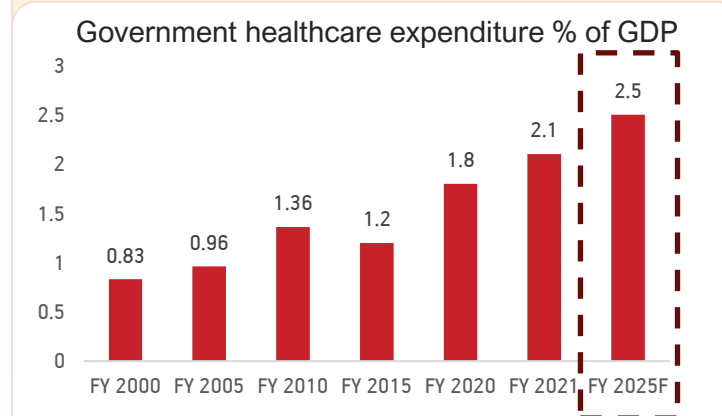
Matched by Indian Talent Advantage

- Digital talent pool growing at double digit rate YoY
- 1 in 3 Indian employees are digitally skilled

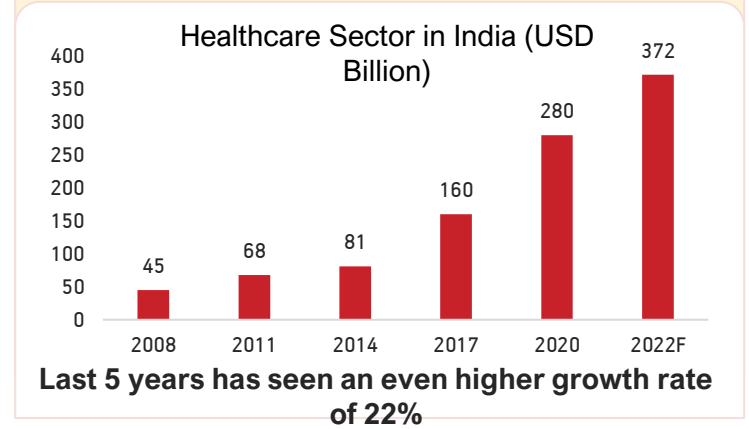
Y-o-Y Significantly higher amounts are being spent on healthcare services



The government too is stepping up its healthcare spend considerably



Growth in size of the healthcare sector – 16.28% CAGR



Increasing private and public spending on healthcare = YoY double digit growth for the sector!

Demographic Push

- 60+ age group to see 41% rise over the next 10 years
- ~75% population effected by lifestyle diseases

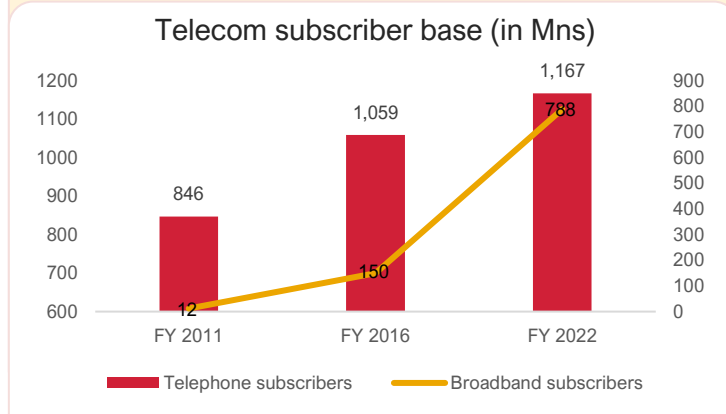
Government Support

Considerable support – National Health Mission, Ayushman Bharat, PMSSY

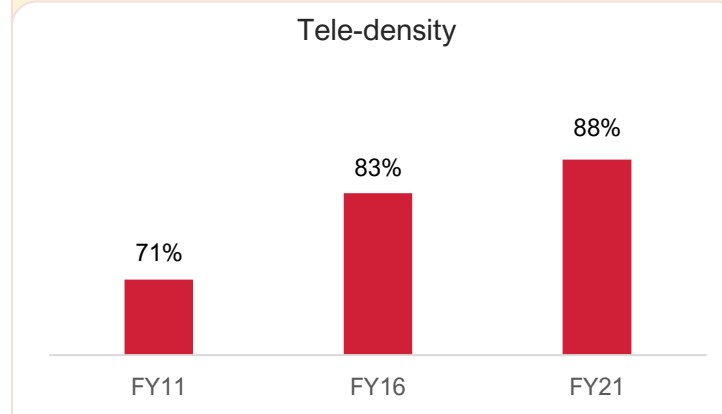
Global Cost Advantage

- Major surgery costs just ~20% of that in developed countries
- 7 out of every 100 foreigners visit India solely for medical treatment

Telecom sector is steadily increasing!



Its penetration and reach fast increasing!



Making Indian telecom market a Global leader!



5G subscriptions alone expected to be 350Mn by 2026; 27% of all mobile subscriptions

Large Subscriber Base

- Serves the Second most populous country
- Rural tele-density still at 60% compared to urban 141% - room for more!

Affordability and Accessibility

- Cost of mobile data in India amongst the lowest – at USD 0.68 per GB compared to world average of USD 4.21
- With increasing affordability - Rural subscriber base on the rise

Government Policy Support

- FDI relaxation for telecom sector – from 49% to 100% under automatic route
- Considerable investment in telecom infrastructure – INR 14,200 cr in Budget 2022.

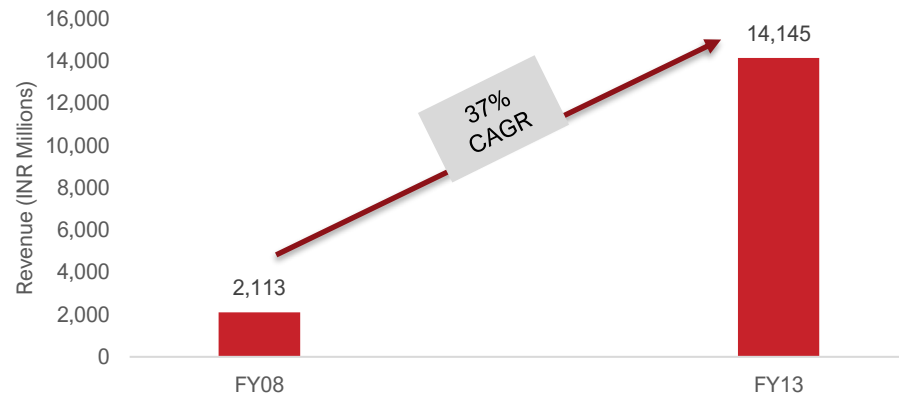
Sources: TRAI reports; Researchdive.com; Infoholic Research LLP estimates for MVAS market – forecast for 2023; Economic Times; Inc42.com; TRAI reports; IBEF



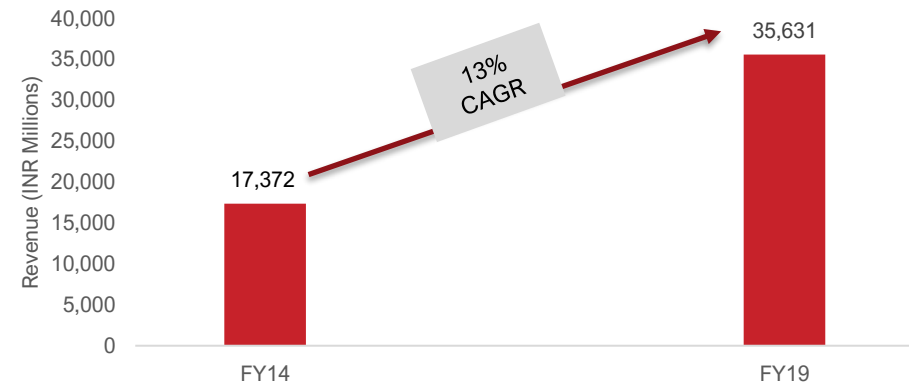
CASE STUDIES

Jubilant FoodWorks has shown strong pricing power during the inflationary time, resulting in sustainable revenue growth

During Inflationary time (Average annual inflation 10.1% YoY), Jubilant FoodWorks revenue grew @ CAGR of 37%...



...Subsequently moderating to 13%, when inflation cooled off (Average annual inflation 4.5% YoY)



Pillars of Growth

**Established
Position
in QSR**

Market leader in the Pizza segment through its exclusive right to operate Domino's Pizza

**Robust
Supply-Chain
Network**

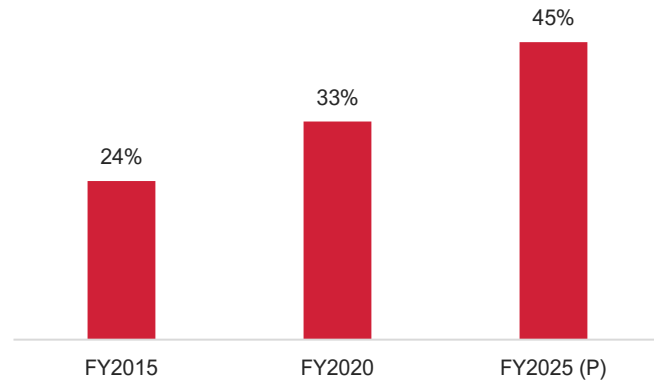
Operates regional supply chain centres, ensuring consistent quality & timely delivery to its stores

**Countrywide
Network**

More than 1500 stores spread across 337 cities in India

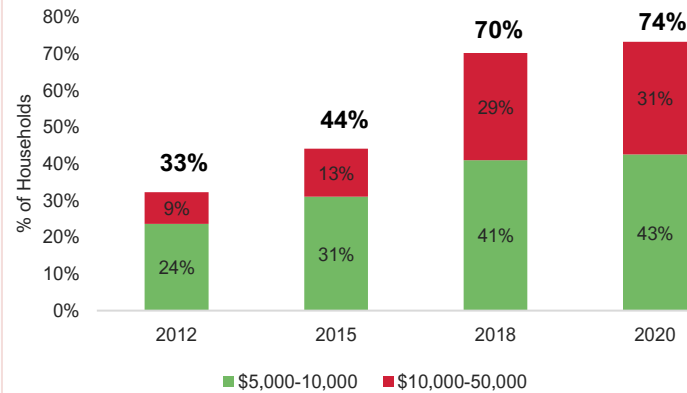
Increase in share of Organized Apparel Retail..

Share of Organized Retail



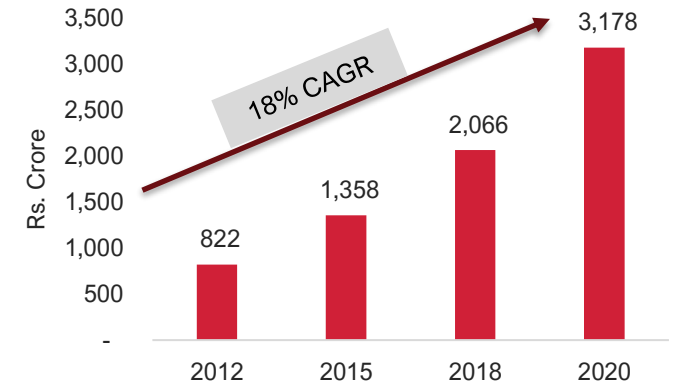
..coupled with Rising Household Earnings..

Annual Earnings of Household



..driving healthy Revenue Growth for Trent

Revenue*



Pillars of Growth

Aggressive Expansion Strategy

Over FY16-22 Westside store count more than doubled from 93 to 200

Diverse Product Offerings

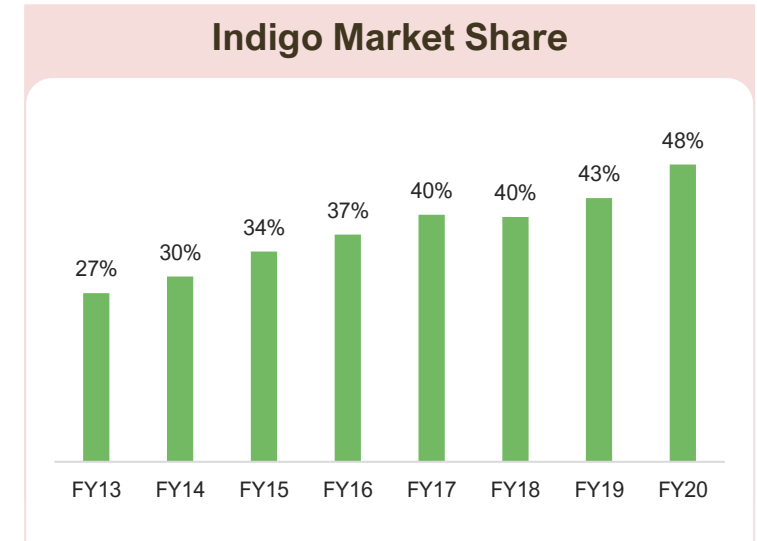
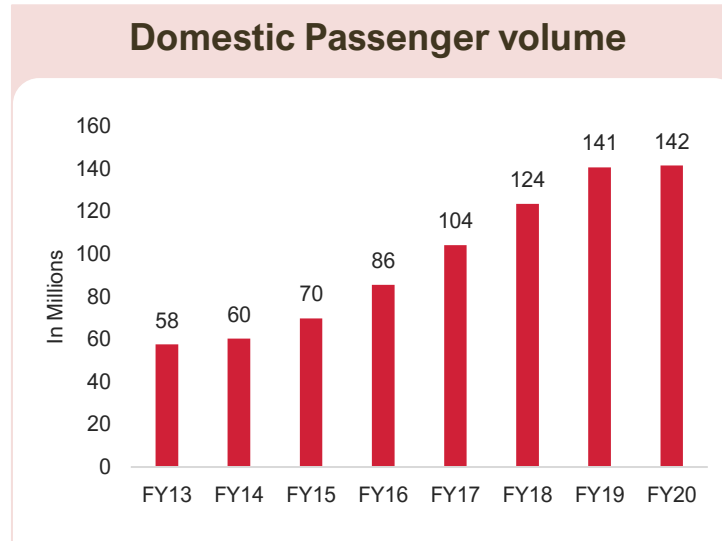
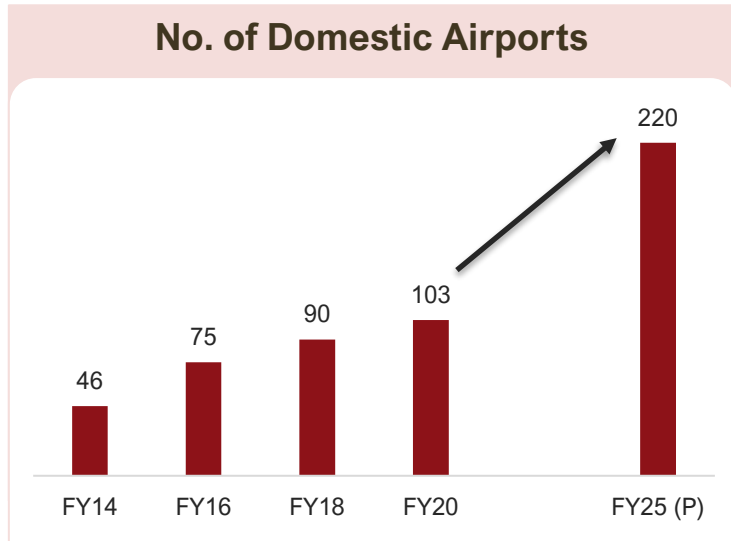
Varied segments including apparel, footwear, food/groceries, accessories, beauty products etc.

Footfall Growth

Footfall grew at 15% CAGR over FY 15-20 led by trendy fresh designs & lowering price

Sources: Bloomberg, Screener, Technopak, ICRA, ABSLAMC Research *Standalone Revenue of Trent Ltd.

Indigo capturing the Domestic passenger market share amid increasing Domestic airports & rising domestic passenger volume



Pillars of Growth

Leading Domestic Air Carrier

Indigo expanded its market share to nearly 55% to emerge as the leading domestic airline.

Increasing Demand due to Urbanization

Indian cities are home to ~11% of total global urban population.

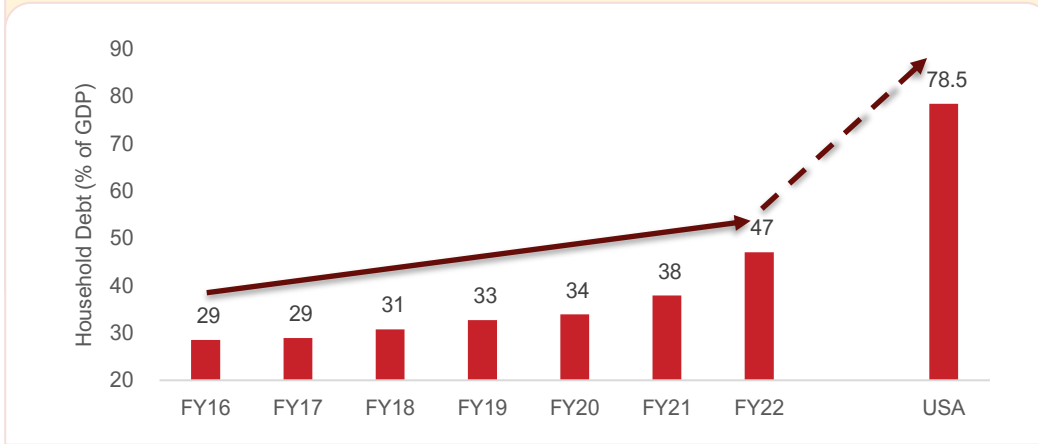
Fleet Expansion

Indigo grew its fleet steadily from 19 to 285 aircraft during FY 10 to FY 20 & expanded its capacity @ CAGR of ~30%

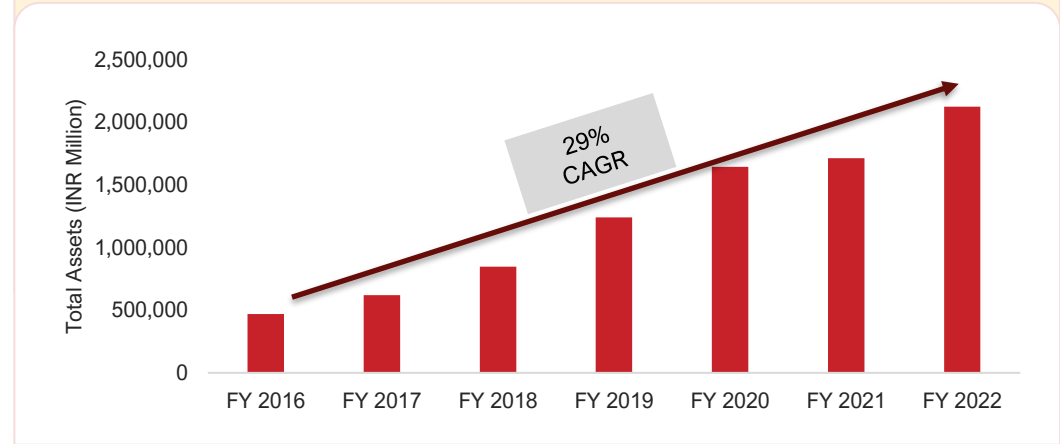
Sources: ICRA, MOFSL, Indigo Annual Report; ABSLAMC Research

Lower Indian household debt vis-à-vis developed economy like US market will likely benefit Bajaj Finance

Household Debt as a % of GDP has increased @ CAGR of 8% since FY16



During same period Assets of Bajaj Finance have grown at 29% CAGR



Pillars of Growth

Wide Geographical presence

Presence in 3,504 locations across the country, including 2,136 rural branches

Large Customer Franchisee

Serving a large customer base of 57.6 million

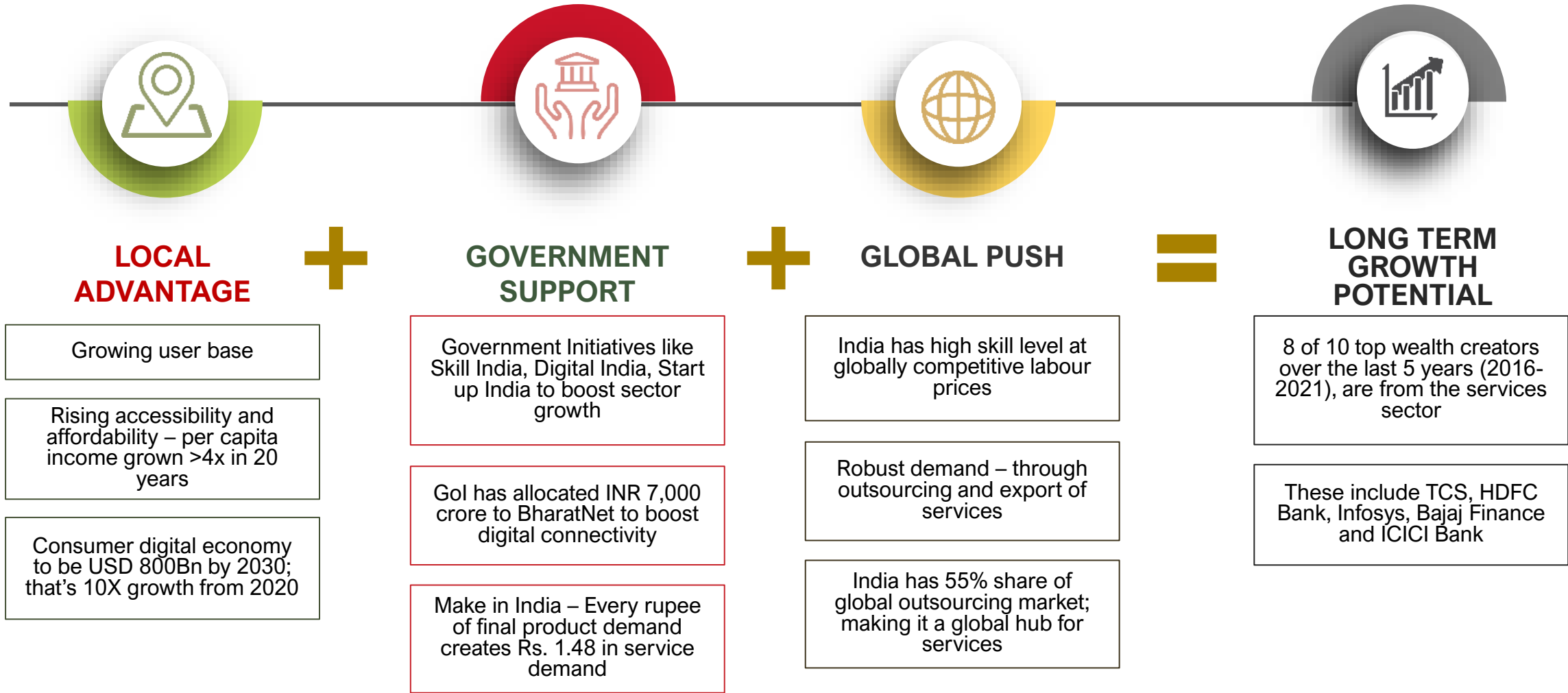
Omnichannel Strategy

Serves across all medium of customer presence covering physical, app, web and social

Sources: MOFSL, Tradingeconomics, Bloomberg, ABSLAMC Research

ABSL India Equity Services Portfolio

Why invest in the Indian Service Sector?



Sources: Statisticstimes.com; EY Report; Deloitte Report; IBEF

Our Highest Conviction Stocks in One Portfolio

Portfolio Positioning

- A PMS scheme investing across **large cap, mid cap & small cap stocks** in a disciplined manner
- Portfolio in companies with service driven business model

Investment Approach



Focused Strategy

A combination of our high conviction large cap, mid cap and small cap in one portfolio



Identifying Opportunities

Intends to identify and invest in companies which can be potential beneficiaries of growing Indian Service Sector

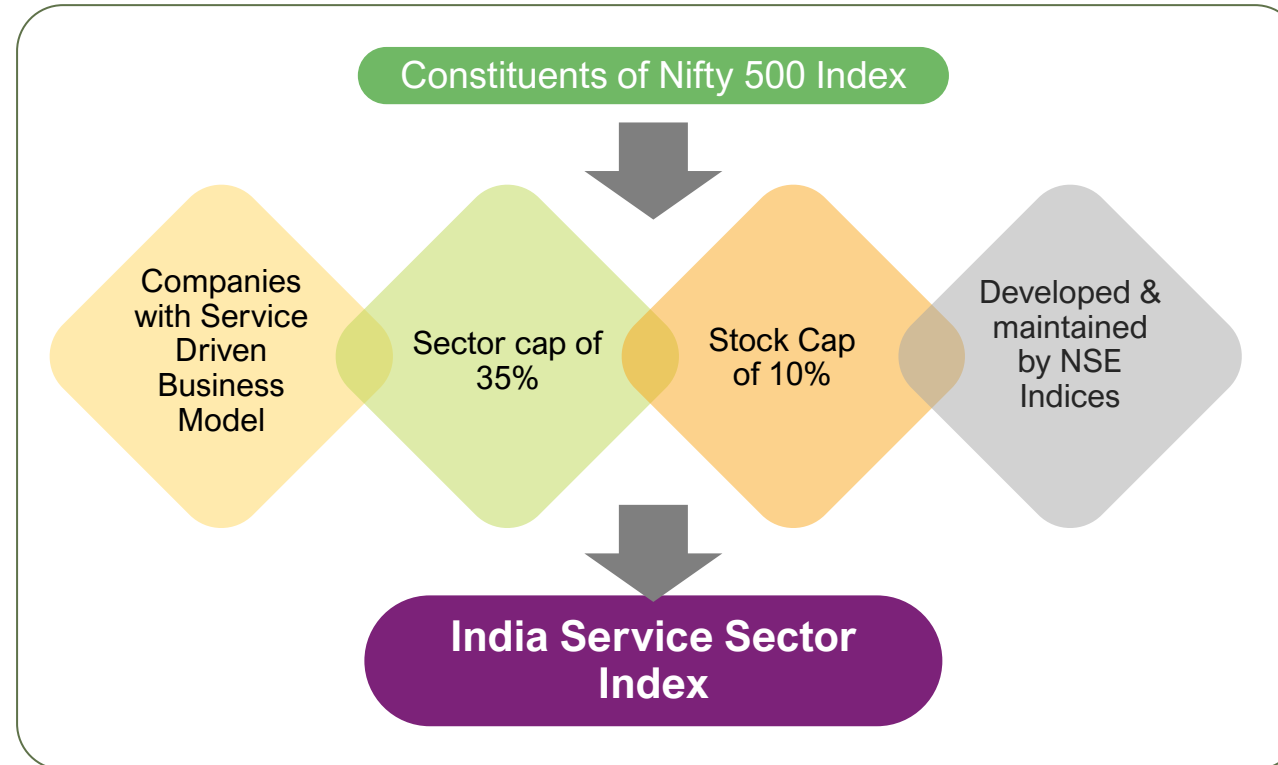


Stock picking

In line with our Investment Philosophy which focuses on Growth, Superior return ratio and Credible management

Suitability: The fund can be suitable for Long term Equity Investors with High-Risk appetite and an investment horizon of 3 years and above

Portfolio Construction Methodology Using Customized India Service Sector Index with NSE



Designed to capture the performance of companies with a service-driven business model from Nifty 500 Universe. Captures the service sector universe without a heavy reliance on Banking & IT Sector.

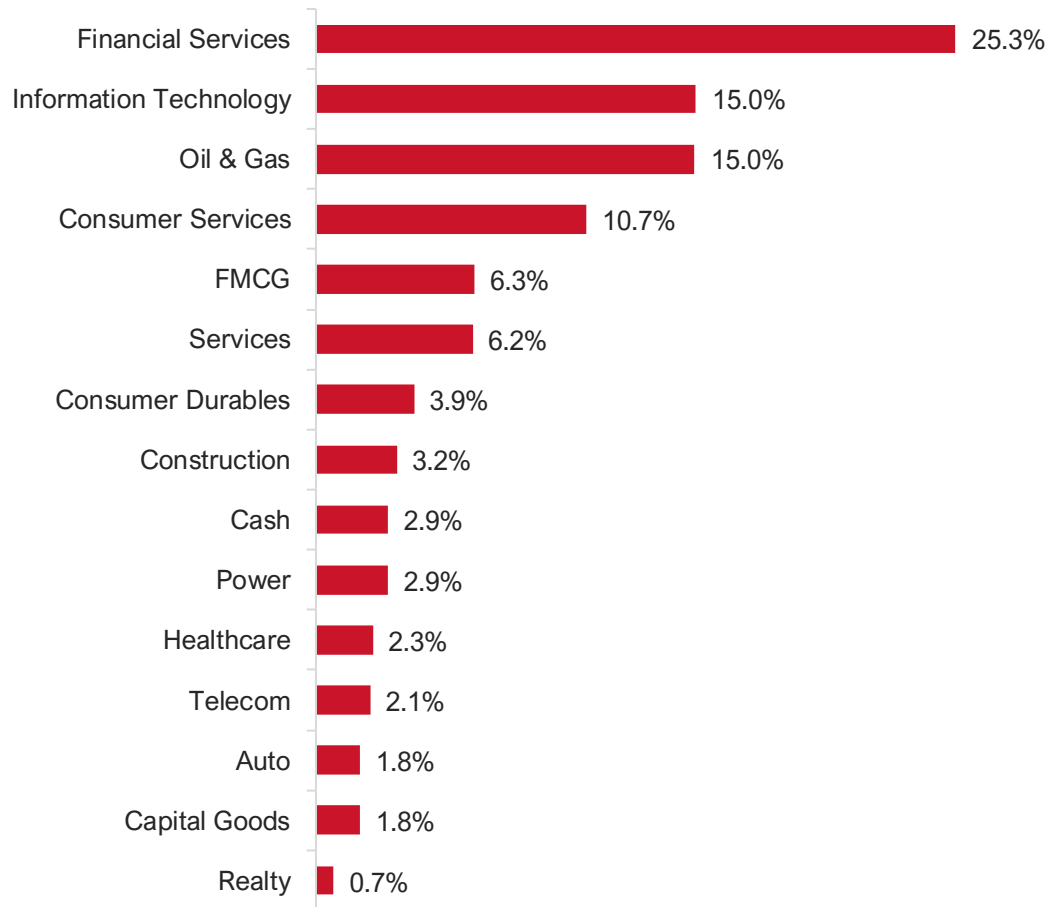
ABSL India Equity Services Portfolio - Portfolio Construct

Portfolio Name	ABSL India Equity Services Portfolio
Structure	Discretionary PMS
Strategy	Equity
Nature	Open ended
Market cap	Multi cap
Investment approach	To construct an optimally focused portfolio by investing in high quality business leaders with strong service driven business models across market caps & industries. The investments shall be arranged, made, managed and disposed-off with the view to providing long-term returns to the Contributors.
No of stocks	20-30
Investment Manager	Aditya Birla Sun Life AMC Limited (ABSLAMC)
Benchmark	BSE 500 TRI
Portfolio Manager	Sameer Narayan, Salvin Shah
Time Horizon	Minimum 3 years
Minimum Investment	Rs 50 lakhs
Management and Performance fee	Please refer Client Fee Schedule
Operating expenses	Please refer Client Fee Schedule

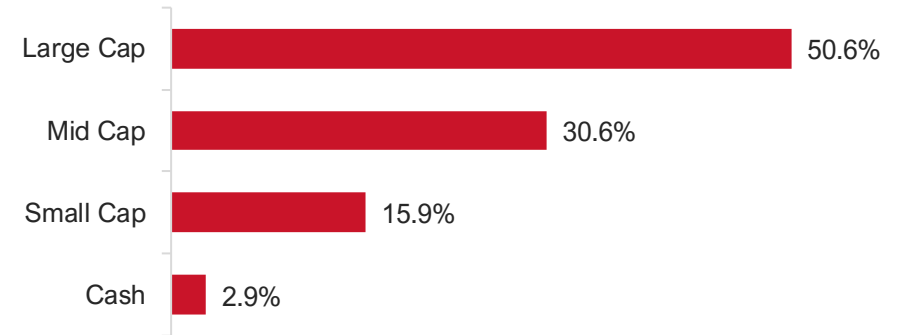
Portfolio Characteristics

India Equity Service Fund (AIF)- Current Portfolio

Industry Allocation



Market Cap



Investment Style

	Growth	Blend	Value
Large Cap			
Mid & Small			

Market Cap Categorization as per Average Market Capitalization of listed companies during the six months ended December 31, 2024.

Source : AMFI

As on February 28, 2025

IESF (AIF) Portfolio Characteristics

Portfolio vs. Benchmark (Higher Growth/ROEs with low leverage)

PE (x)	FY24E	FY25E	FY26E
IESF	67.2	42.8	28.5

ROE (%)	FY24E	FY25E	FY26E
IESF	12.5%	18.1%	18.2%

EPS Growth (%)	FY24E	FY25E	FY26E
IESF	128.2%	41.2%	32.9%

Net Debt to Equity* (%)	FY24
IESF	28.8%

Top 10 Holdings & Weights

Top 10 Portfolio Holdings	% of Net Assets
Reliance Industries Ltd	7.2%
HDFC Bank Ltd	6.8%
Tata Consultancy Services Ltd	5.4%
Hindustan Petroleum Corporation Ltd	5.3%
Indian Hotels Co Ltd	4.1%
ITC Ltd	3.9%
Cholamandalam Investment and Finance Company Ltd	3.2%
Interglobe Aviation Ltd	3.2%
Adani Ports and Special Economic Zone Ltd	3.0%
NHPC Ltd	2.9%

* Financials excluded in calculation of D/E
Source: All ratios are based on Internal estimates.

As on February 28, 2025

Performance – IESF AIF

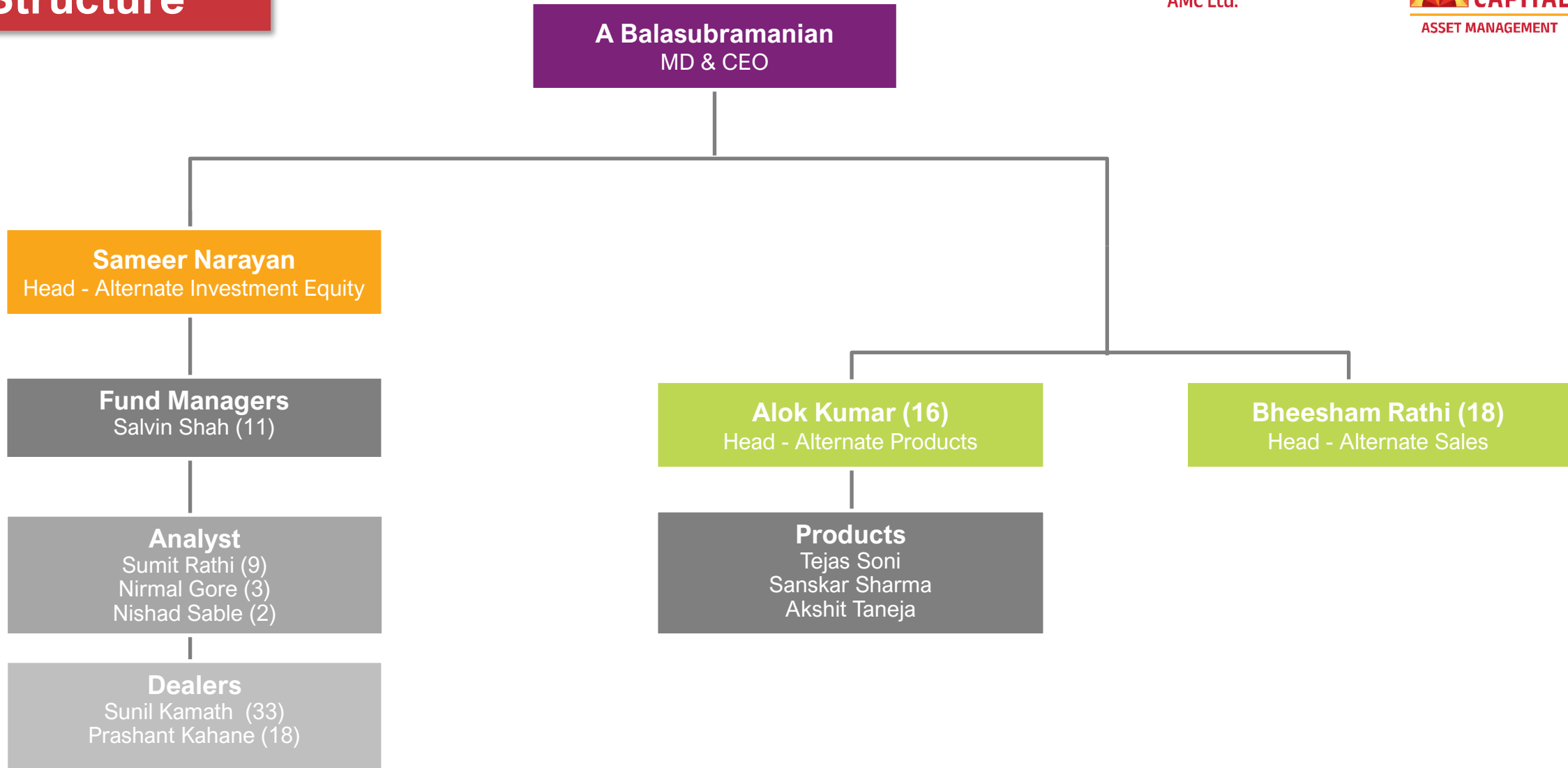
Returns (%)	Absolute				CAGR				
	1 month	3 month	6 month	1 year	2 year	3 year	5 year	10 year	Since Inception (31/10/2022)
India Equity Services Fund (Class-A1)	-8.9%	-15.2%	-22.1%	-9.7%	13.7%	-	-	-	7.4%
Nifty India Service Sector Index	-7.6%	-11.9%	-15.1%	-1.3%	16.4%	-	-	-	10.6%
Outperformance	-1.3%	-3.3%	-6.9%	-8.5%	-2.7%	--	--	--	-3.2%

As on February 28, 2025

Disclaimer: Past performance of any product does not indicate its future performance. The returns of investment approaches are calculated using TWRR method and considers all inflows and outflows and market value of entire portfolio for computation of performance. It is calculated net of all expenses and fee. Investment approach level performance reported above is not verified by SEBI.

Alternate Business - Team Structure

Team Structure



Figures in bracket is No of years of relevant work experience



A Balasubramanian
MD & CEO

- ★ Has over 29 years' experience in the Mutual Fund Industry and has been with ABSLAMC since inception.
- ★ Previously worked with GIC Mutual Fund. Currently, he is on the Board of Governors of SEBI established National Institute of Securities Markets (NISM).
- ★ Qualification: Diploma in Financial Management, AMP from IIM, Bangalore, MBA from GlobalNxt University, Malaysia, Advanced Management Programme from Harvard University.



Alok Kumar
Head – Alternate Products

- ★ A dynamic investment professional with 16+ years of rich experience in capital market, building investment product roadmaps & wealth proposition, Investment Advisory and championing New Initiatives in the Financial Sector
- ★ Prior to joining ABSLAMC, he was heading Alternate & Structured Products and Investment Processes at DBS Bank India Limited
- ★ Has also set up the India's first dedicated Retirement Solutions entity under Principal Financial Group
- ★ Developed India Venture Board as a marketplace to facilitate Venture Capital/Private Equity deals in India and SME Exchange as part of National Stock Exchange
- ★ Qualification: MBA from Narsee Monjee Institute of Management Studies, Mumbai and B.E. degree with specialization in Electrical Engineering



Bheesham Rathi
Head – Alternate Sales

- ★ An accomplished professional with 18+ years of extensive experience in sales and distribution of Mutual funds, advising corporates treasuries, Family offices, retiral funds, and trusts.
- ★ His career spans across various geographies, showcasing his versatility & adaptability in the financial services industry. Before joining ABSLAMC, Mr. Rathi played a pivotal role at Man Financial Securities in promoting their commodity and forex trading platform of international exchanges in the Southern part of India.
- ★ He holds a masters degree in International Business from KJ Somaiya Institute of Management Studies and Research



Sameer Narayan

Head-Alternate Investment (Equity)

- ★ Has 27+ years of experience in Indian Equity markets with significant alpha generation track record over longer time periods.
- ★ Prior to joining ABSLAMC, he was Head – PMS at Invesco Asset Management (India) Pvt Ltd. Managed segregated mandates across both growth (Caterpillar) & value (RISE & DAWN) strategies.
- ★ Has also set up the Adani Family Office in Sep 2011. Began his buy-side career with BNP Paribas Asset Mgmt in 2006 where he advised offshore mandates.
- ★ Has varied sell-side experience through his stints at SSKI, Enam Securities & Motilal Oswal.
- ★ Qualification: Master in Management Studies (MMS) from Narsee Monjee Institute of Management Studies, Mumbai and B.E. degree with specialization in Production Engineering.



Salvin Shah

Portfolio Manager (Equity)

- ★ Has 11+ years in Portfolio Management and Equity Research, Salvin has extensive experience in managing Indian Equities. His endeavor is to maximize returns for the investors while keeping an eye on portfolio risk. He has been successful at identifying themes and stocks at a very early stage which has resulted in multi-bagger returns for the investors.
- ★ Prior to joining ABSLAMC, he worked with Sanctum Wealth Management as Co-fund Manager in their PMS business. Before Sanctum, Salvin was a part of equity research team at Edelweiss Securities and Athena Investment Management.
- ★ Qualification: Member of Institute of Chartered Accountants of India (ICAI) and a commerce graduate from Mumbai University.

Risk Factors associated with investments in Equity & Equity related securities:

- Risk arising from the investment objective, investment strategy, asset allocation and quant model risk:
- Market risk, political and geopolitical risk and risk arising from changing business dynamics, which may affect portfolio returns. At times, portfolios of individual clients may be concentrated in certain companies/industries. The performance of the portfolios would depend on the performance of such companies / industries / sectors of the economy.
- The portfolio proposes to invest in equity and equity related securities. Equity and Equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- The value of the portfolio will fluctuate as the daily prices of the individual securities in which they invest fluctuate and may be worth more or less than its original cost, at a given point in time.
- In respect of investments in equity and equity-related instruments, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.
- The value of the portfolio may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.
- Within the regulatory limits applicable at any point in time, the Portfolio Manager may choose to invest in unlisted securities that offer attractive yields. Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. This may however increase the risk of the portfolio. The liquidity and valuation of the portfolio's investments due to their holdings of unlisted securities may be affected if they have to be sold prior to their target date of disinvestments
- Investment made in unlisted equity or equity-related securities may only be realizable upon listing of these securities. Settlement problems could cause the portfolio to miss certain investment opportunities.
- Investors may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.
- Though the constituent stocks of most indices are typically liquid, liquidity differs across stocks. Due to the heterogeneity in liquidity in the capital market segment, trades on this segment may not get implemented instantly.
- The portfolio may have higher concentration towards a particular stock or sector, at a given point in time. Any change in government policy or any other adverse development with respect to such a stock or the sector, may adversely affect the value of the portfolio.
- The Portfolio Manager does not intend to invest in foreign securities.
- The Portfolio Manager does not intend to engage in short selling or stock lending.
- The portfolio also proposes to invest in derivative instruments. However, the portfolio manager does not intend to write options. The Portfolio manager intends to use exchange traded derivatives as a hedging tool & does not intend to take any naked positions. Nevertheless, trading in derivatives market has risks and issues concerning the use of derivatives that investor should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds.

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Even a small price movement in the underlying security could have a large impact on their value. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments. As and when the product trades in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself.
- Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the “counter party”) to comply with the terms of the derivatives contract. Derivative trades involve execution risks, whereby the rates seen on the screen may not be the rate at which ultimate execution takes place. The options buyer’s risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned. The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price. Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks. Risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and potential high volatility of the futures markets.
- The derivatives market in India is nascent and does not have the volumes that may be seen in other developed markets, which may result in volatility in the values. The Portfolio Manager may, from time to time, invest any un-deployed funds in Liquid Portfolio of PMS or in money market instruments. Though the portfolio of liquid funds comprises of short-term deposits, government securities and money market instruments, they cannot be considered as totally risk free. This is because liquidity patterns and short term interest rates of the government change, sometimes on a daily basis, thereby making the fund susceptible. Liquid Portfolio returns are not guaranteed and it entirely depends on market movements.
- Disclaimer: The views expressed above are the views of the Portfolio Managers of the portfolio. They should not be construed as investment advice.
- Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the Product will be achieved. **Past performance may or may not be sustained in future.**
- **Regulatory Disclosure: All investors have the option to invest directly with ABSLAMC-Portfolio Manager**

For sales enquiry/investor onboarding queries, mail us at abslamc.alternate@adityabirlacapital.com
For Investor queries/complaints, please get in touch with your nearest PMS Relationship Contact Cell,
visit <https://portfoliomanagementservices.adityabirlacapital.com/#> or
mail us at care.pms@adityabirlacapital.com

Reach us at our dedicated PMS toll free No: **1800 270 7000**
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CIN no. L65991MH1994PLC080811; Website: <https://portfoliomanagementservices.adityabirlacapital.com/#>
One World Center, Tower 1, 17th Floor, Jupiter Mills, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013.
Tel: 4356 8000. Fax: 4356 8110 / 8111