

SELECT SECTOR PORTFOLIO



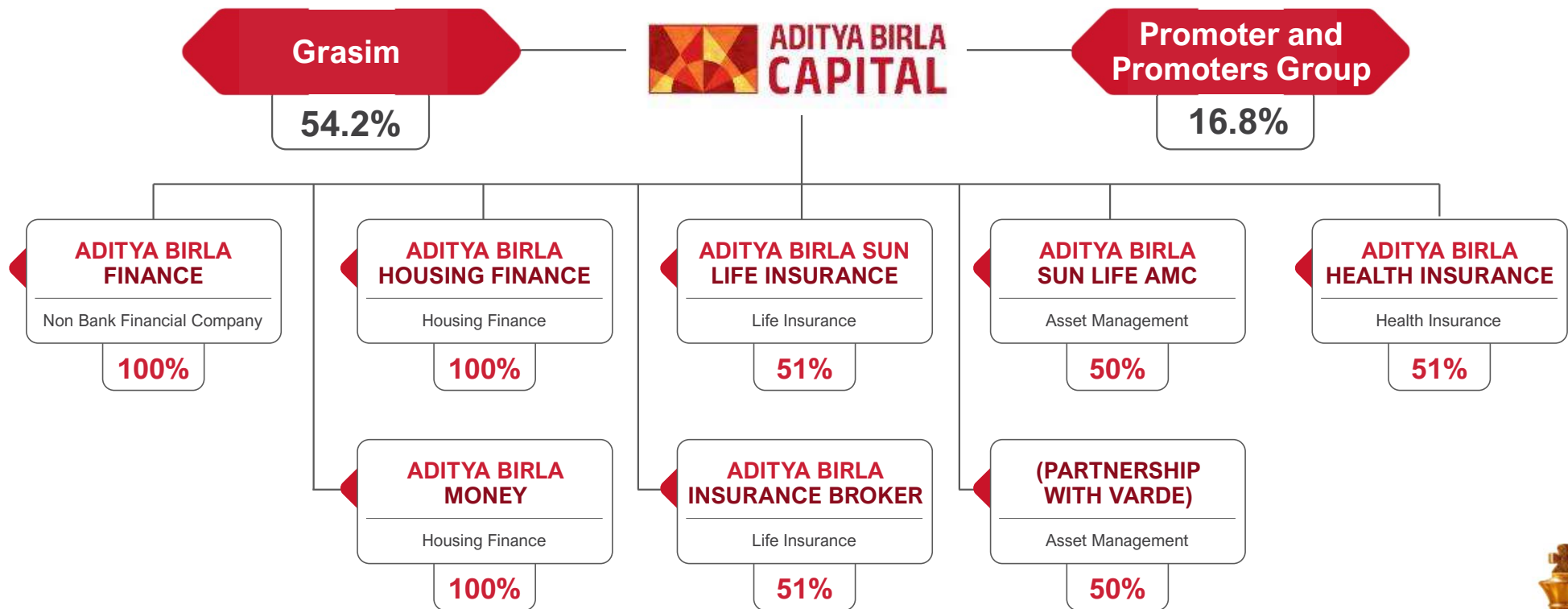
March 2025

Aditya Birla Sun Life AMC Limited



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 a diversified range of risk and financial management products for individuals and corporate
- Large international footprint across continents – major presence in North America & Asia



Overview: Aditya Birla Sun Life Asset Management Company



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 Cr of assets as on February 2025
- 16-member dedicated investment team for Equity, Fixed Income and Real Estate, with a cumulative experience of 100+ 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**

Our Investment Philosophy



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

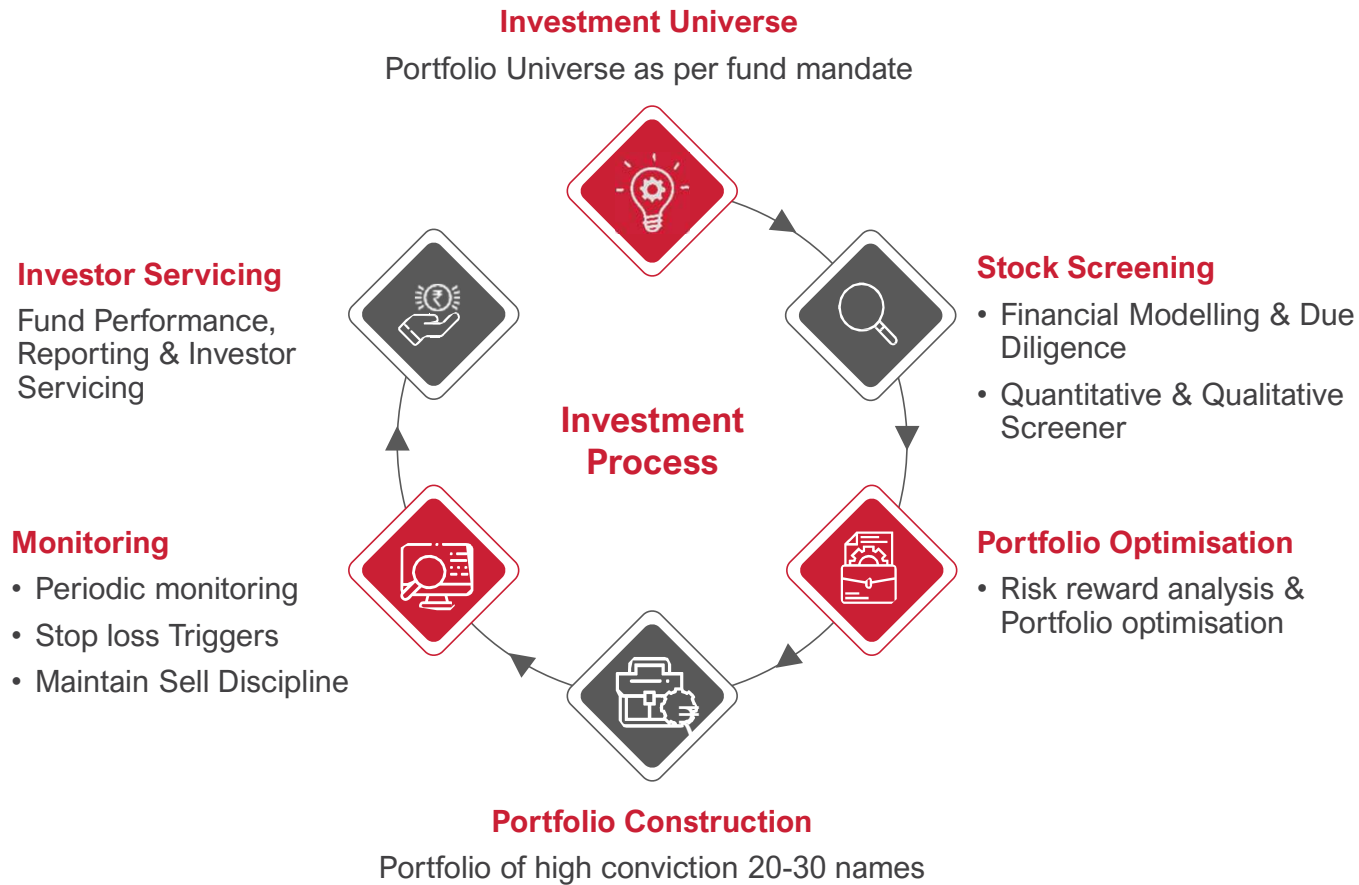
Entry Level valuations which accord "Margin of safety"



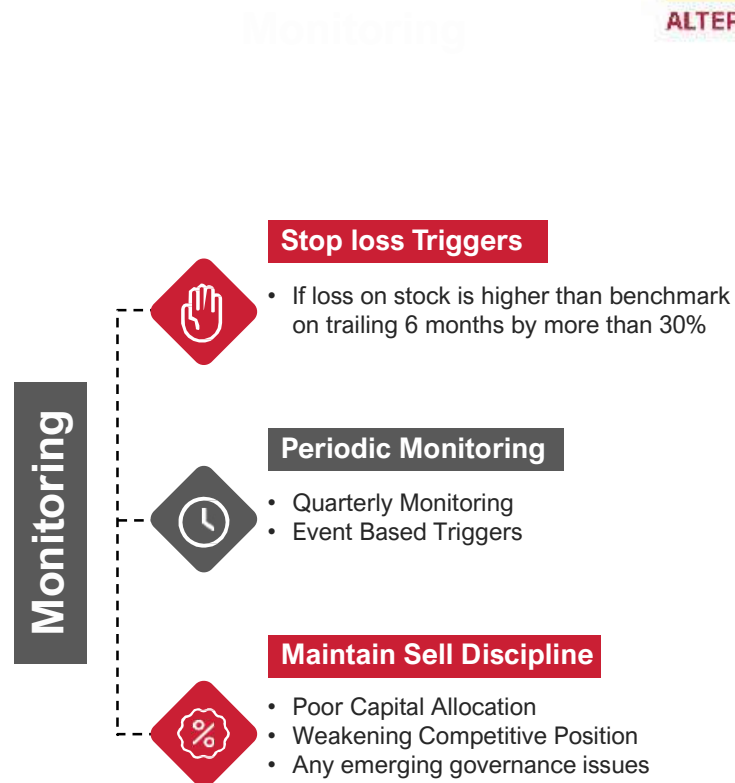
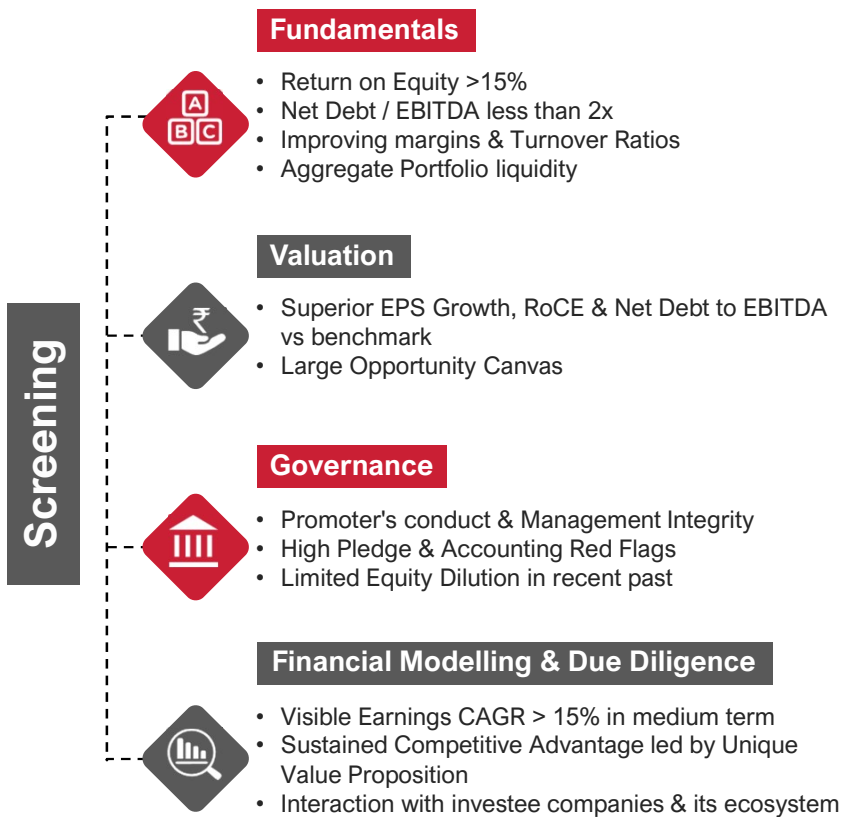
Buy Companies that have

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





Investment Process - Screening & Monitoring



SELECT SECTOR PORTFOLIO

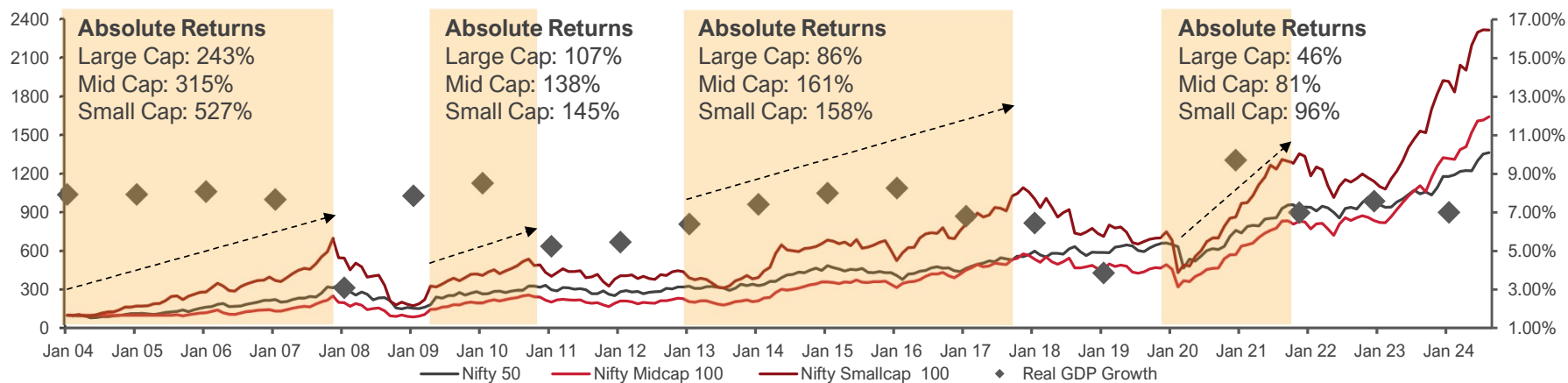




Mid & Small Caps Outperform in every Economic Recovery



Real GDP Growth (% YoY)



Post dotcom bust (2000), global financial crisis (2008), and Covid-19 Pandemic (2020), Mid-Caps & Small-Caps have given exponential returns and are likely to continue this growth momentum.

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





Mid & Small cap Companies can be Market Leaders in their Segment



Do You Know India's...

Company

Mayur Uniquoters

Leader in the synthetic leather industry supplying to footwear & PV companies

Lumax Industries

Market leader in automotive lighting industry with ~35% consol. market share

Metropolis

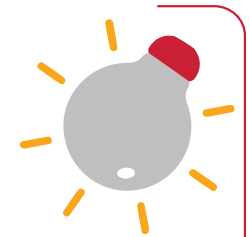
Leading diagnostics company in West & South India

Navin Flourine

One of the largest Indian manufacturers of specialty fluorochemicals

Bata

Leading footwear player in India with around 15% market share in a highly unorganised industry



Though many midcap companies are not huge in size, they have competitive advantage & market leadership in sub-sectors





Select Sector Portfolio: Investment Objective & Strategy



Focus on Long Term Wealth Creation



Investment Objective/ Philosophy

Follows both Top down & Bottom up approach
 Industries with strong operating dynamics
 Businesses core to the India growth story
Unconstrained by Sectors or Themes
Attractive Valuation with "Margin of safety"



Wealth Creation Approach

Recurring Winners - High Quality businesses with consistent growth
 Companies with Scalability and Resilience
 Benchmark-agnostic
Mid & Small Cap oriented Portfolio
 Concentrated Portfolio ~ 20-30 stocks



Value drivers

High ROEs/ROCEs
 Sustainable earnings growth
 Low leverage
 High quality franchise, product, service
 Superior management team



4 Pillars of our Investment Process



Concentrated Portfolio | Benchmark agnostic | Predominantly Mid & Small Cap Universe

Sustainable Wealth Creation



GDP growth pattern tilted in favor of few industries

Sustainable growth over medium to long term in select industries



Recurring Winners: Focus on businesses that have consistently created VALUE

- Favorable industry operating dynamics key to wealth creation
- Consistent growth/returns profile, reflected in high ROE/ROCE



Unique strategy based on Superior Screening process

- Extensive research to identify future winners
- Comprehensive alert system to track industry wise valuations



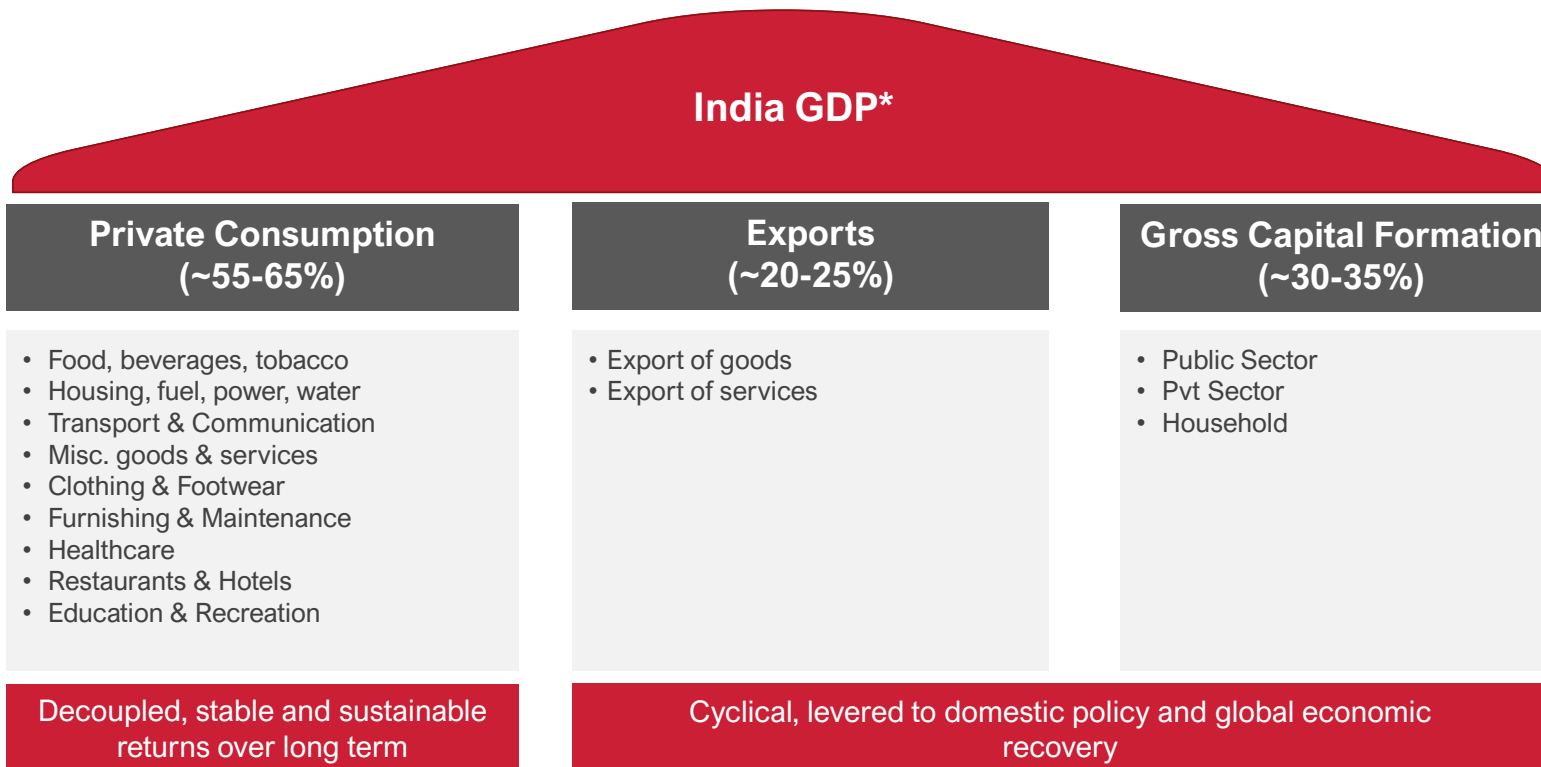
Value investing approach to generate alpha

- Buy quality businesses at a discount to their intrinsic value
- High margin of safety





Pillar 1: GDP growth patterns favor some sectors more



*Sum of components>100% as imports are not accounted for (negative entry). Source: MOSPI



Pillar 1: Sectors growing faster than GDP can generate significant Alpha



- Sectors that grow faster than GDP provide an opportunity in the stock markets
- Our analysis of the GDP growth and sectoral growth trends have shown that the sectors which outpace the GDP growth over cycles generate significant out performance versus the benchmark
- Our focus would be on sectors with strong growth visibility over the next 2-3 years

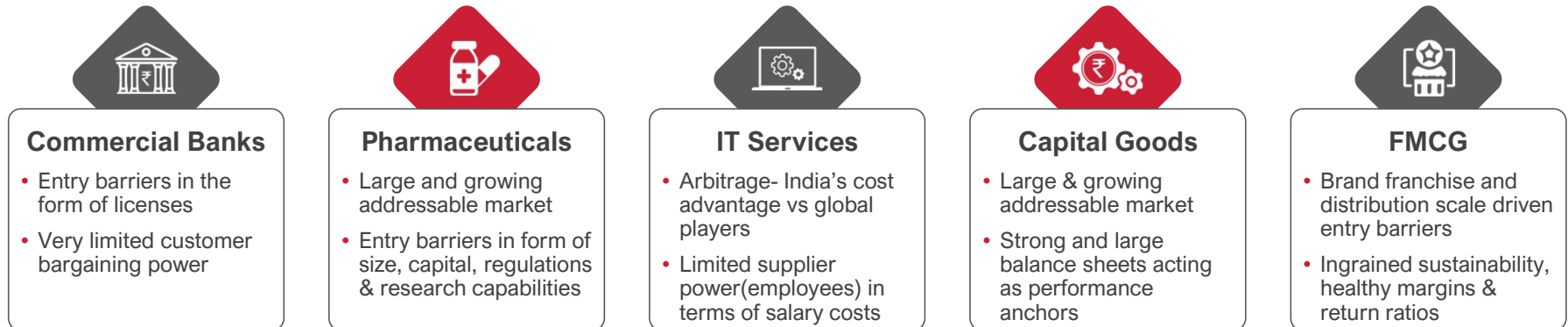


Pillar 2: Recurring Winners



- Research over the long term proves that shareholder wealth creation is mainly determined by strong operating dynamics such as competition levels, ease of entry by new players, bargaining power of buyers/suppliers etc.
- Focus on industries with lower competitive intensity that are more direct beneficiaries of consumer spending, enjoying stable growth, and are less vulnerable
- Companies with superior management and strong business models coupled with favorable industry operating dynamics generate superior value and returns consistently

Industry dynamics - Key to capture value





Pillar 3: Effective Screeners backed by Fundamental Research



Superior screening process

- **Extensive fundamental research** to identify future winners that create superior and sustained value
- **Comprehensive alert systems** to track industry wise valuation of each company
- Identify **growth** industries and businesses at **attractive valuations**

Bottom-up Fundamental Research adds conviction

- Focus on understanding company strategy, management and execution
- Track sector developments, meet industry participants across value chains and company management to discern changing trends

Bottom-up Fundamental Research



Industry Analysis



Company Meetings



Dealer/Channel Checks



Financial Analysis



Plant/Factory Visits



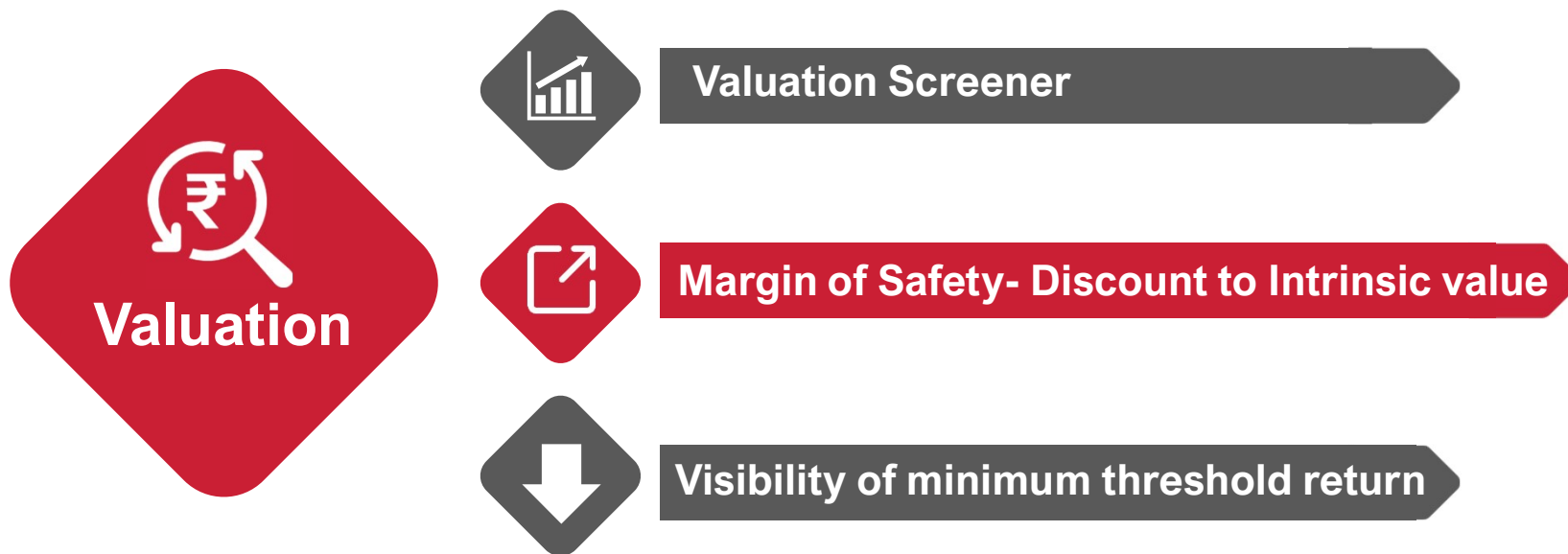
Management Evaluation





Pillar 4: Attractive Valuation with “Margin of Safety”

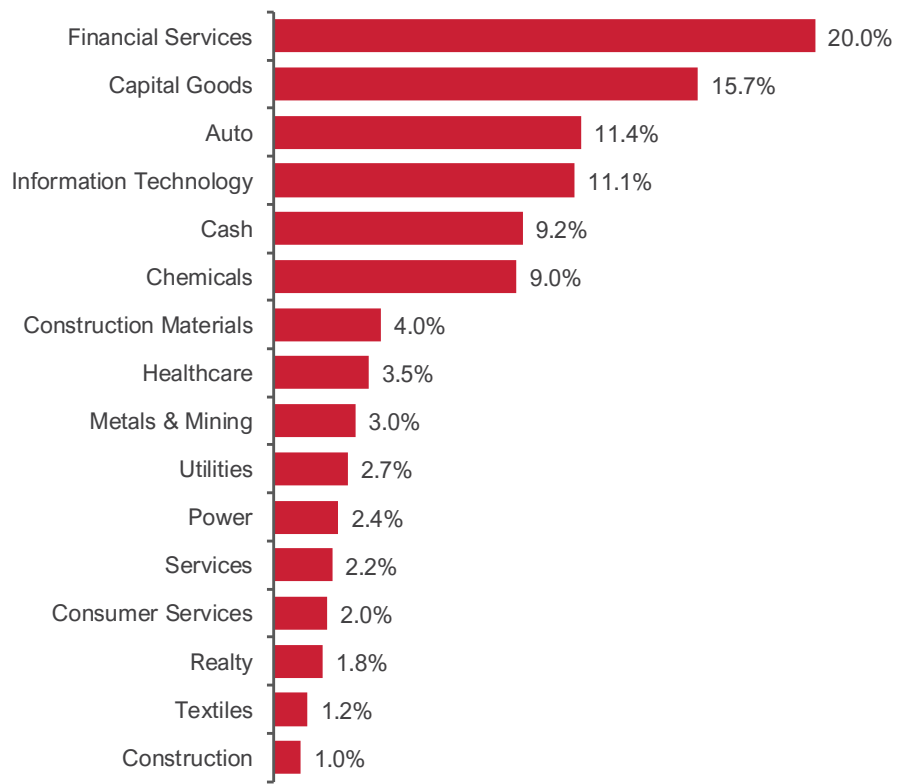
- Buy quality growth stocks at a **discount to their intrinsic value**
- Proprietary screeners enable discovery of the undervalued stocks that will create significant value over medium to long term
- Invest in a company only if there is a visibility of a **minimum threshold return and limited down-side**



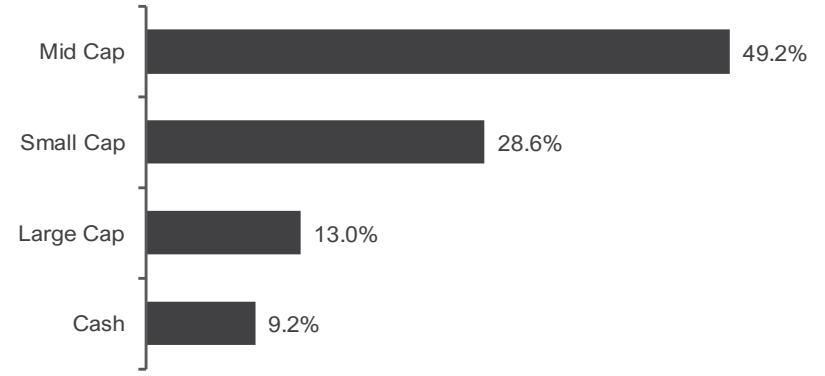
Model Portfolio Structuring



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

Current Model Portfolio



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

PE (x)	FY24A	FY25E	FY26E	Prem/Disc to Benchmark (FY25E)
SSP	41.5	30.6	23.6	39.2%
NIFTY MIDCAP 100	42.4	27.7	22.5	
BSE 500 TRI	25.9	19.5	17.0	

ROE (%)	FY24A	FY25E	FY26E	Prem/Disc to Benchmark (FY25E)
SSP	16.4%	15.7%	16.5%	10.9%
NIFTY MIDCAP 100	12.5%	14.2%	15.7%	
BSE 500 TRI	14.6%	14.5%	14.9%	

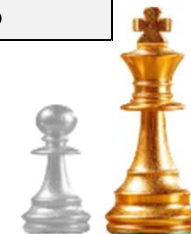
EPS Growth (%)	FY24A	FY25E	FY26E	Prem/Disc to Benchmark (FY25E)
SSP	54.8%	35.6%	25.6%	204.8%
NIFTY MIDCAP 100	36.1%	-13.2%	14.6%	
BSE 500 TRI	19.9%	16.8%	8.4%	

Net Debt to Equity* (%)	FY24	Prem/Disc to Benchmark
SSP	-3.0%	-111.6%
NIFTY MIDCAP 100	21.2%	
BSE 500 TRI	25.7%	

Top 10 Holdings & Weights

Top 10 Portfolio Holdings	% of Net Assets
BSE Limited	9.2%
Persistent Systems Ltd	7.0%
ICICI Bank Ltd	4.3%
Hitachi Energy India Ltd	4.1%
Deepak Fertilizers & Petro Corp Ltd	3.9%
Federal Bank Ltd	3.5%
Lumax Industries Ltd	3.4%
National Aluminium Company Ltd	3.0%
360 One Wam Limited	3.0%
Triveni Turbine Ltd	2.8%

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



SSP Portfolio Characteristics



Portfolio Characteristics

Key Ratios (3 Years)	SSP	BSE 500 TRI
Standard Deviation	15.35%	14.48%
Sharpe Ratio	1.01	0.43
Beta	0.90	
Portfolio Turnover	0.26	
Avg MCap (Rs. Cr.)	₹81,991	
Median MCap (Rs. Cr.)	₹38,355	

As on February 28, 2025





SSP Performance



Returns (%)	Absolute				CAGR				
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Inception (06/10/2009)
Select Sector Portfolio	-10.9%	-14.5%	-10.6%	13.4%	27.8%	22.0%	24.5%	14.1%	16.5%
BSE 500 TRI	-7.7%	-12.2%	-16.1%	-0.4%	17.8%	12.6%	17.9%	12.0%	12.2%
Outperformance	-3.1%	-2.2%	5.6%	13.8%	9.9%	9.3%	6.6%	2.2%	4.2%
Nifty Midcap 100	-10.79%	-15.0%	-19.2%	-0.9%	26.1%	19.3%	23.3%	13.8%	13.7%
Outperformance	-0.1%	0.56%	8.6%	14.3%	1.7%	2.7%	1.2%	0.3%	2.7%

Disclaimer: Past performance of any product does not indicate its future performance.

- Performance data is based on Time-Weighted Rate of Return (TWRR) for aggregated performance statistics of all investors.
- Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of the timing of inflows and outflows of funds; and differences in the portfolio composition because of restrictions and other constraints
- Investment approach level performance reported is not verified by SEBI

As on February 28, 2025





CASE STUDIES



BSE Ltd



Sector - Financial

- BSE, or Bombay Stock Exchange, is India's leading stock exchange. It facilitates the trading of stocks and other financial instruments, regulates market activities, and lists companies
- BSE also maintains market indices like Sensex, educates investors, and provides vital financial data.

Key Facts

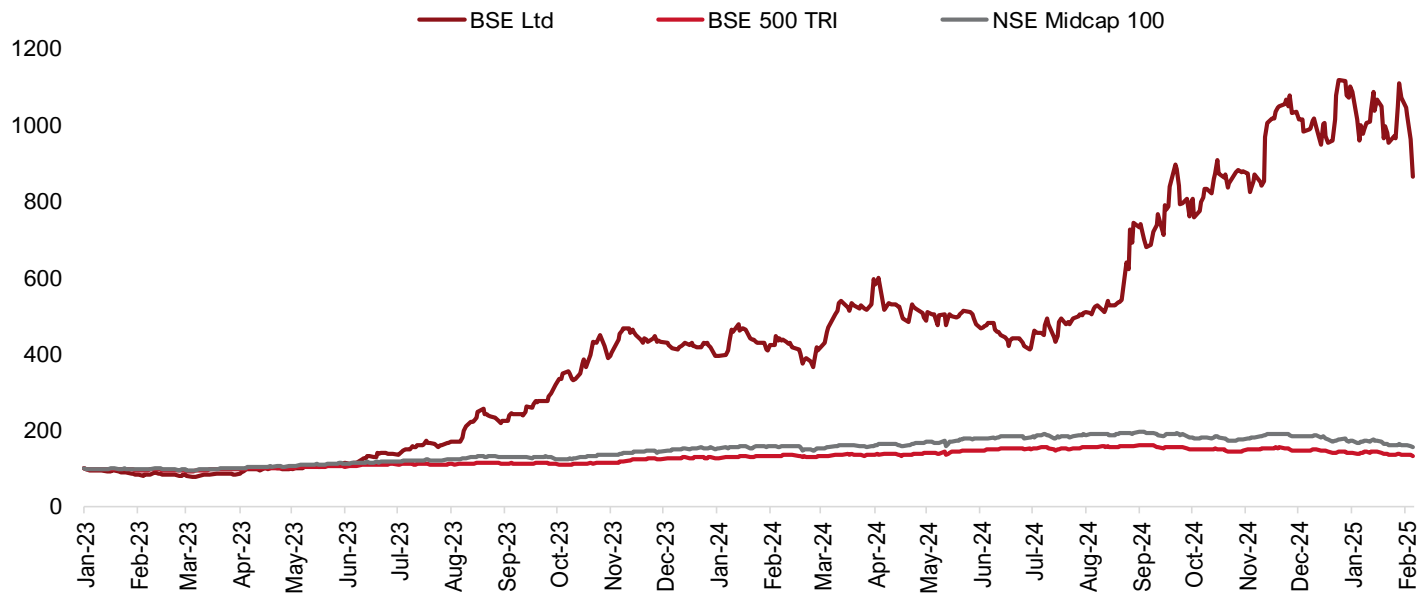
- Indian stock market is expected to continue growing fast potentially leading to increased trading volume and higher income for BSE. Data show the number of registered investors with BSE has jumped over 27% year-on-year (YoY) to 3.3 crore as on December 30, 2023.
- The launch of derivative segment by BSE has potential to become another major source of revenue as any incremental market share will add to the bottomline.
- BSE has also introduced a platform called BSE Star MF which acts as an aggregator in collecting MF orders from distributors (IFAs, MFDs, RIA etc.), collecting funds and providing both orders and funds seamlessly to the AMCs, which has proved to be major source of revenue.

Source: Bloomberg, Internal Research





BSE Ltd



Date of Investment
24 January 2023



Investment Price
₹537



Current Price
₹4,634



Total Returns
763% (2.1 Years)



Note: Stock and Index rebased to the date of first purchase / As on February 28, 2025 / Source: Bloomberg



Hitachi Energy



Sector - Capital Goods

- Hitachi Energy India's is a prominent player in the power technology industry, widely recognized for its comprehensive energy technology portfolio.
- The Company specializes in providing sustainable solutions that help meet the increasing demand for electricity with minimum environmental impact.

Key Facts

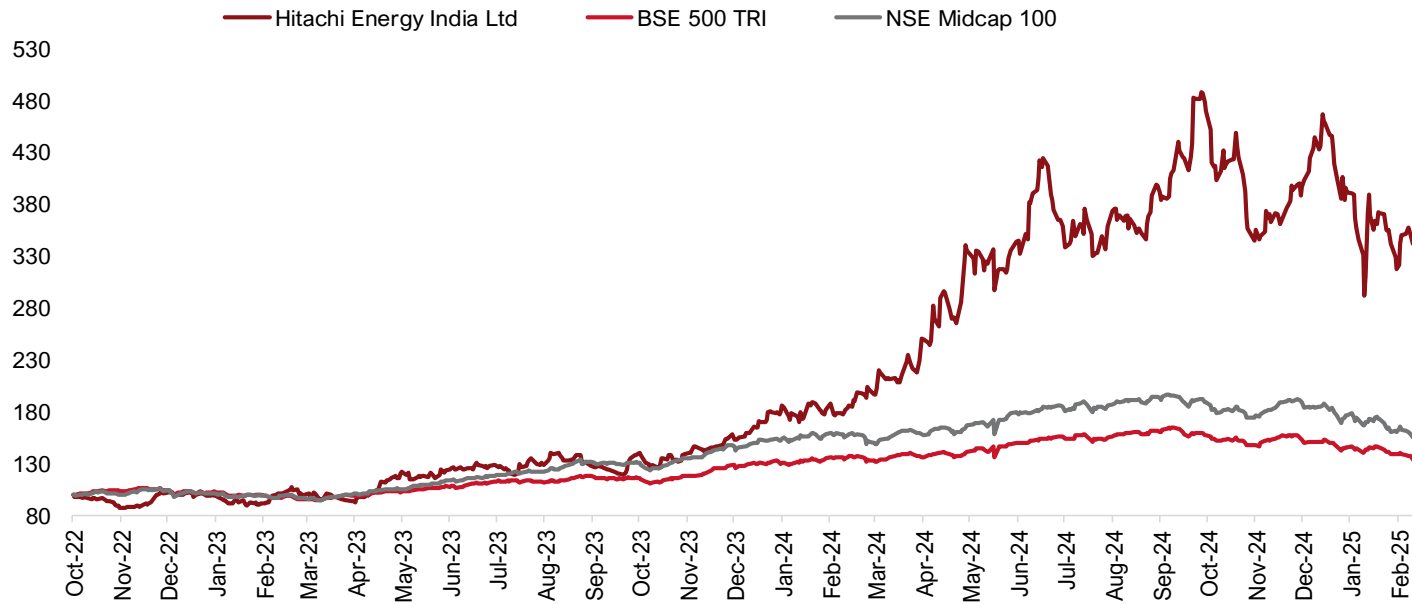
- Hitachi Energy India Limited is the Indian arm of Hitachi Energy - a global leader in power technologies, providing the most comprehensive grid portfolio across the entire value chain
- Hitachi Energy's Grid Automation business unit supports 50% of the top 250 global electric utilities.
- Hitachi Energy is a leader in high-voltage technology, offering a wide range of high-voltage products up to 1,200-kilovolt (kV) for AC and 1,100-kilovolt for DC.
- Hitachi's transformers have a global sales network of about 100 countries spanning applications for power generation, transmission and distribution, metals and mining, oil and gas, commercial and infrastructure projects, and mobility.
- In May 2022, it started its first manufacturing facility in India producing Resin Impregnated Paper bushings up to 400kV voltage level.

Source: Bloomberg, Internal Research





Hitachi Energy



Date of Investment
19 October 2022



Investment Price
₹3303



Current Price
₹11,284



Total Returns
242% (2.4 Years)



Note: Stock and Index rebased to the date of first purchase / As on February 28, 2025 / Source: Bloomberg



JK Cement Ltd



Sector-Cement

- JK Cement (JKC), one of the leading manufacturers of cement in India with over 4 decades of experience in cement manufacturing. It is an affiliate of the multi-disciplinary industrial conglomerate JK Organization(Raymond group).
- JK Cement has made contributions to some of the prestigious projects like 'Statue of Unity', 'Atal Tunnel', 'Bullet Train', 'Supreme Court of India' and many more such projects.

Key Facts

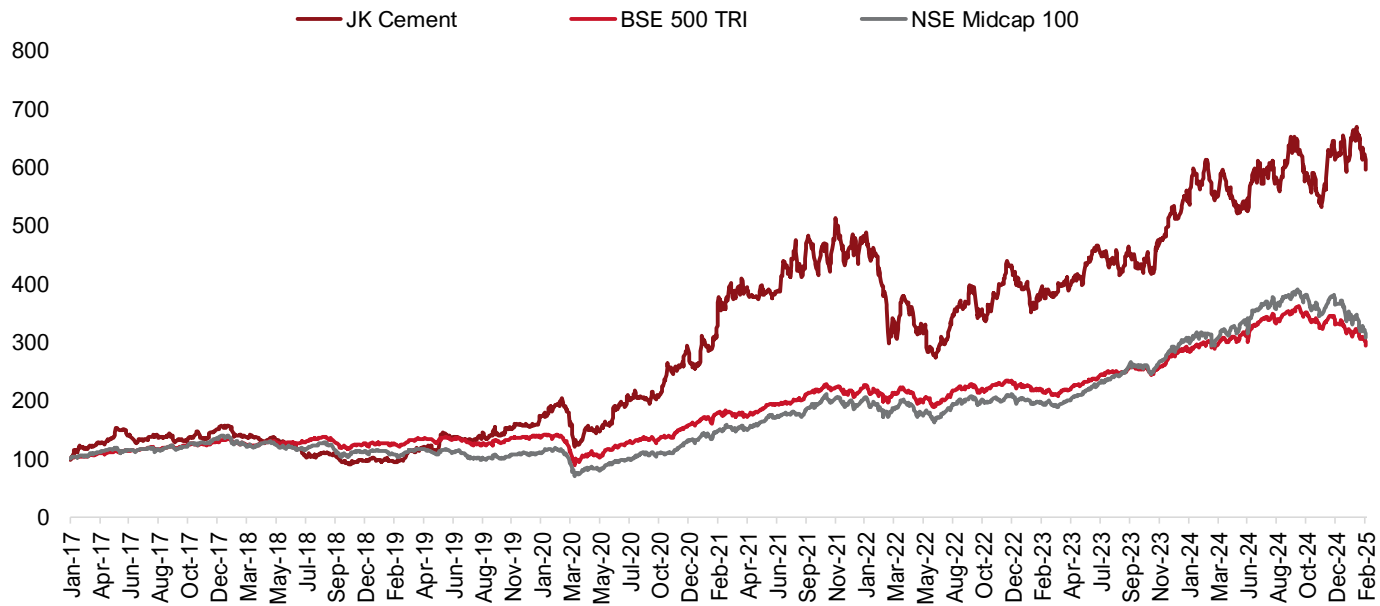
- The Company is the second-largest White Cement manufacturer in India with ~40% of market share in white cement industry. and a capacity of 2.42 MTPA in India. The white cement segment commands premium pricing which ensures consistently better operating performance compared to grey cement.
- The Company is already a leading Grey Cement manufacturer in India.
- With recent expansion of 0.3 MTPA, JKC is now the largest player of Wall Putty in the country with the capacity of 1.2 MTPA.
- JK White Cement Works at Gotan, Rajasthan is India's first white cement facility which was lime stone based and manufactured white cement through dry process.

Source: Bloomberg, Internal Research





JK Cement Ltd



Date of Investment
30 January 2017



Investment Price
₹738



Current Price
₹4,389



Total Returns
495% (8.1 Years)



Note: Stock and Index rebased to the date of first purchase / As on February 28, 2025 / Source: Bloomberg



JSW Energy



Sector-Power Generation

- One of India's leading independent power producers, JSW Energy is the energy arm of India's leading conglomerate JSW Group.
- The company's presence extends across several Indian states and includes stakes in natural resource companies in South Africa.

Key Facts

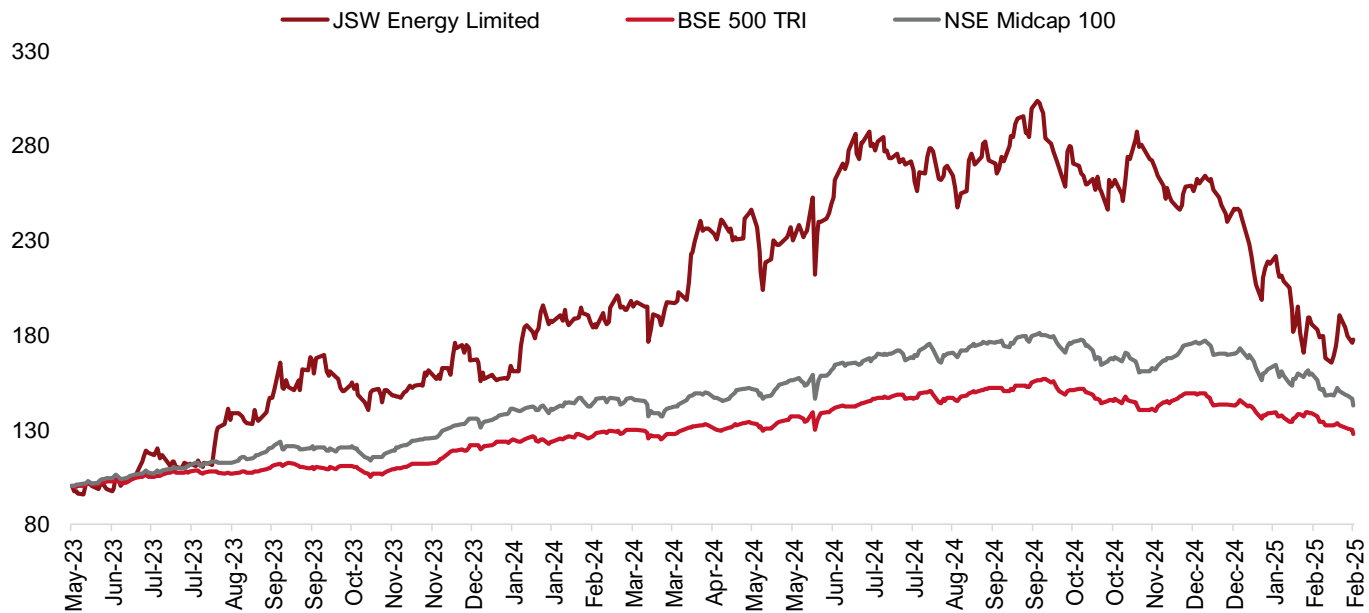
- Around 85% of JSW Energy's buyers are long term Power Purchase Agreement(PPA) with 21% tied up in group captive and 64% tied up with Government bodies for 25 years or more. This provides stability in cash flows for the long term.
- Aggressive capacity expansion plans from present installed capacity of 6.6 GW to 9.77 GW by end of FY'26 (Growth of ~50%). Major of this expansion (~80%) will be through renewables: wind, solar and hydro power projects. By FY'26, around 61% of its installed capacity will be of renewable sources of energy.
- The company enjoys a first-mover advantage in the new-age businesses of battery storage and green hydrogen.

Source: Bloomberg, Internal Research





JSW Energy



Date of Investment
30 May 2023



Investment Price
₹261



Current Price
₹464



Total Returns
78% (1.8 Years)



Note: Stock and Index rebased to the date of first purchase / As on February 28, 2025 / Source: Bloomberg



Triveni Turbine Limited



Sector-Capital Good

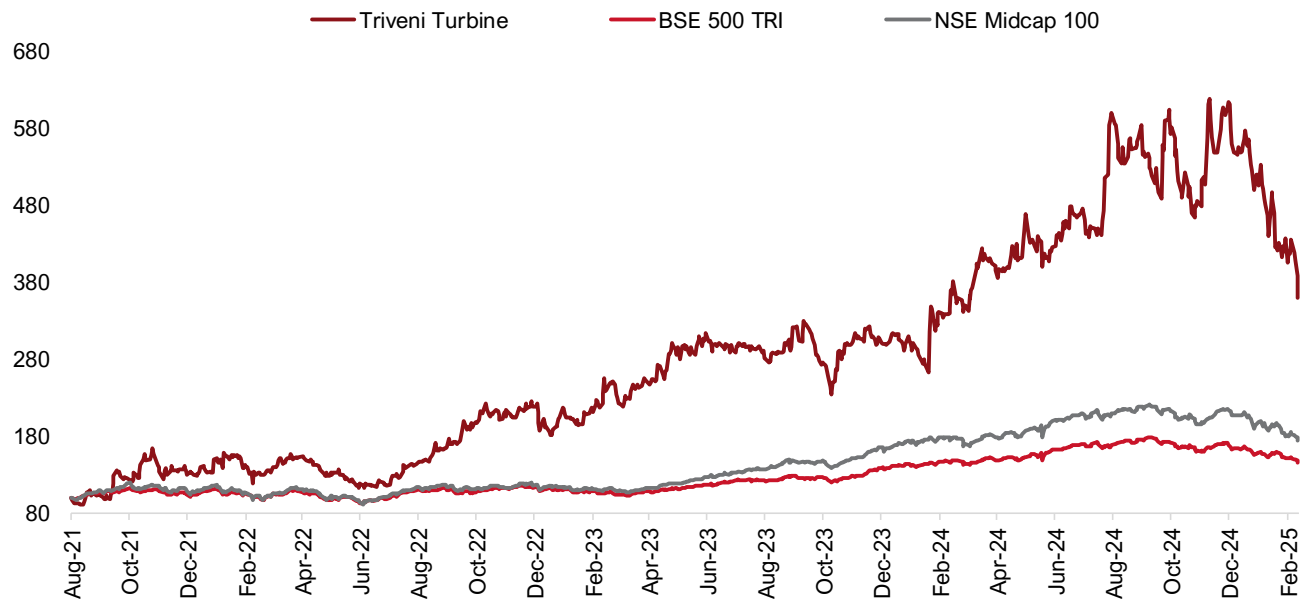
- Triveni Turbine Limited serves several industries by offering robust products, services and solutions. These industries include Sugar, Distillery, Steel, Cement, Pulp & Paper, Food Processing, Palm Oil, Chemicals, Petroleum Refineries etc.
- Its turbines are employed in a wide range of applications such as Combined Heat & Power Generation, Power Generation & Drives.

Key Facts

- Triveni turbine is the market leader in the Indian steam turbine market and globally number 2.
- In the last decade, Triveni Turbines, has outperformed broader market trends owing to the increasing demand for steam turbines in its addressable markets as well as expansion in the Company's market share.
- The Company has a dominant position in the renewable-fuel-based segments such as biomass-based power production, Waste to Energy (WtE), Waste Heat Recovery.
- The overall product order booking in FY23 reached ₹11.43 billion, which is the highest order booking ever in the history of the Company. Order booking for the product segment has grown at an impressive CAGR of 13% from FY 18 to FY 23.
- TTL is one of the few steam turbine manufacturers globally to a full-scale in-house manufacturing facilities

Source: Bloomberg, Internal Research





Date of Investment
17 August 2021



Investment Price
₹135



Current Price
₹486



Total Returns
260% (3.5 Years)



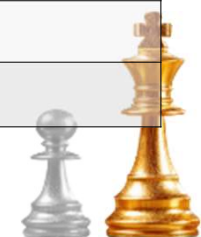
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SSP - Portfolio Construct



Portfolio Name	Select Sector Portfolio
Structure	Discretionary PMS
Nature	Open ended
Market cap	Mid & Small Cap
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. Investee companies will have the features like High quality with consistency in growth, high ROE, low leverage & high potential for growth. This would be predominantly a Small & Midcap oriented portfolio. 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	20-30
Investment Manager	Aditya Birla Sun Life AMC Limited (ABSLAMC)
Benchmark	BSE 500
Portfolio Manager(s)	Sameer Narayan, Salvin Shah
Time Horizon	Minimum 3 years
Minimum Investment	Rs. 50 lakhs
Management and Performance fee	Please refer to Client Fee Schedule
Operating expenses	Please refer to Client Fee Schedule

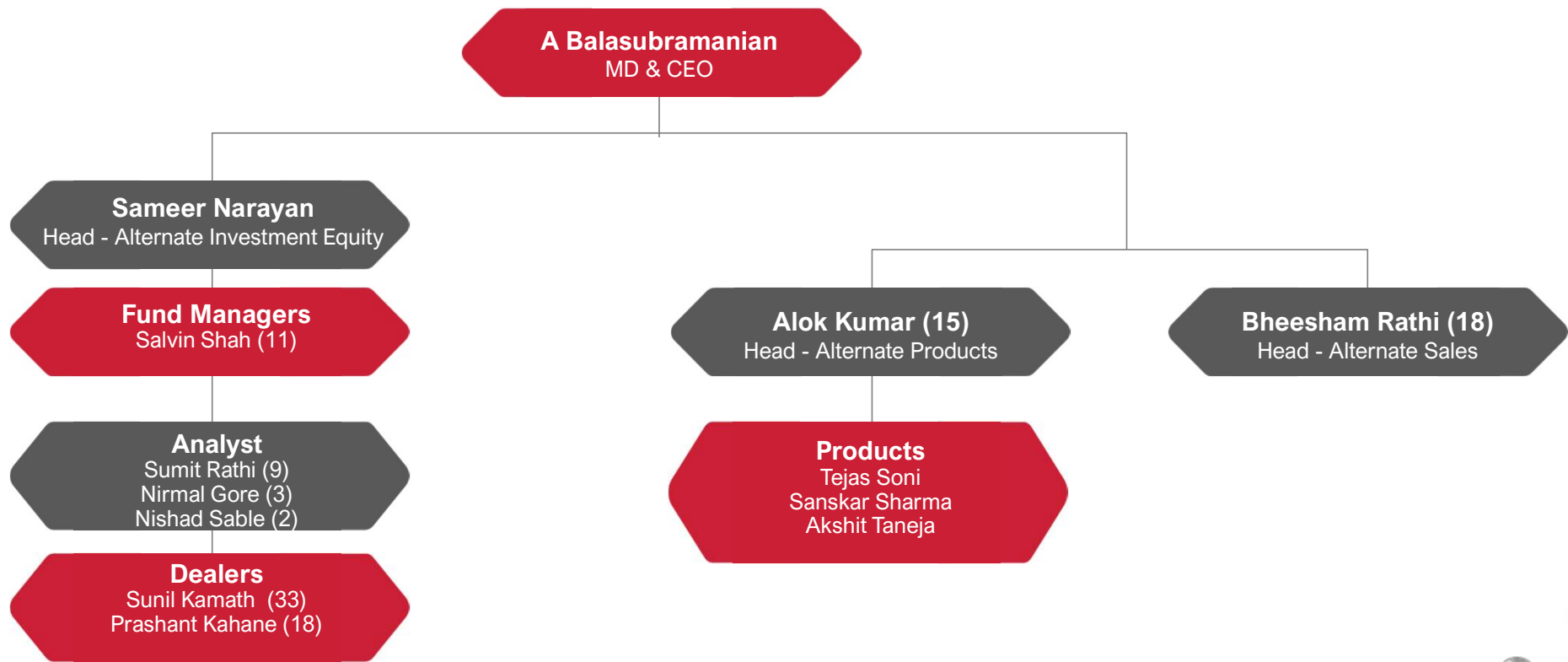




**ALTERNATE BUSINESS
TEAM STRUCTURE**



Team Structure



Figures in bracket is No of years of relevant work experience



Leadership Team



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



Investment Team



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 & Disclaimers



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.





Risk Factors & Disclaimers



- 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

