

# ABSL Next 100 Portfolio

September 2025

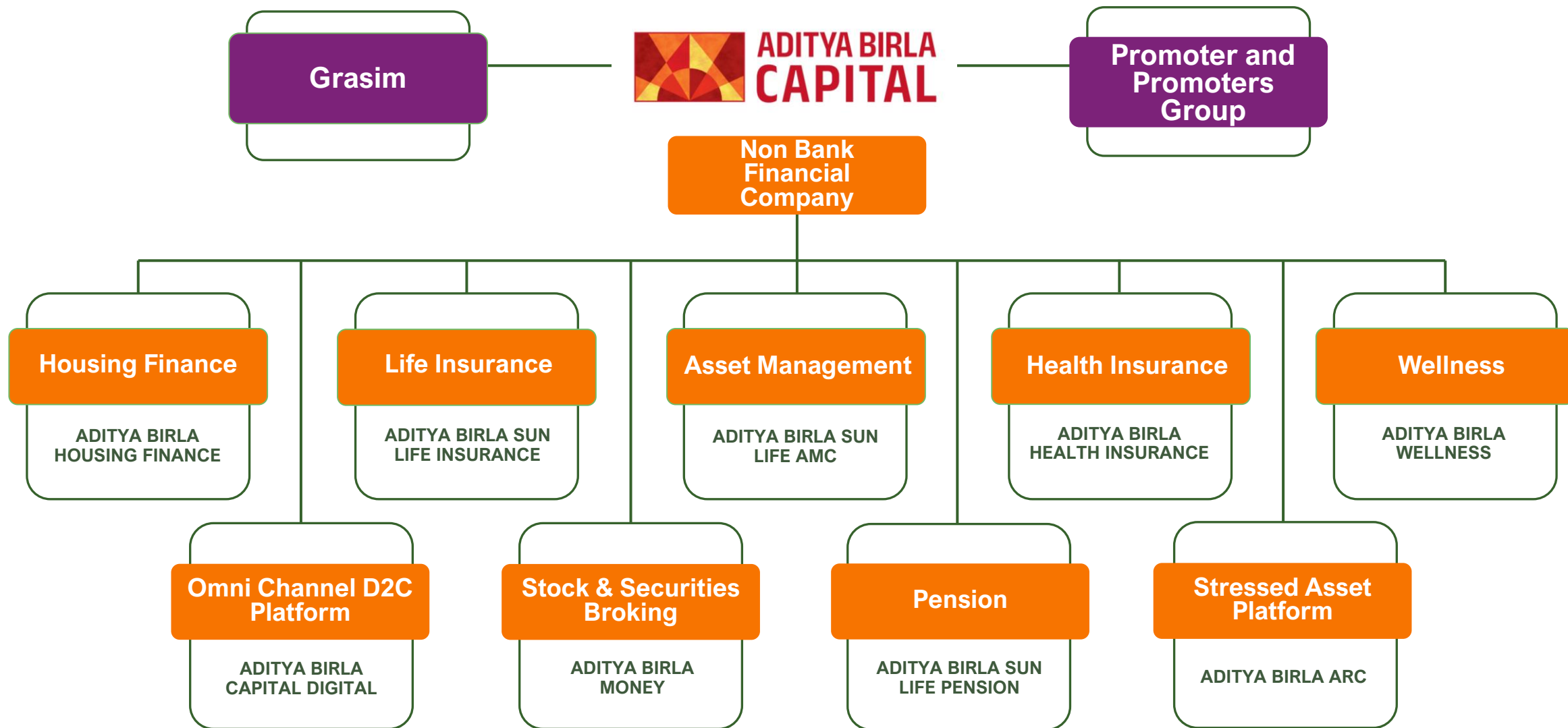


# ABSLAMC Overview

# Aditya Birla Capital Limited – A Financial Powerhouse

Aditya Birla Sun Life  
AMC Ltd.

**ADITYA BIRLA  
CAPITAL**  
ALTERNATE INVESTMENTS



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

Aditya Birla Sun Life  
AMC Ltd.

 **ADITYA BIRLA  
CAPITAL**  
ALTERNATE INVESTMENTS



- ◆ 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 ₹ 5.5 Lac Cr (as on June 30, 2025)
- ◆ 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 \$ 1,541 billion (as on June 30, 2025)
- ◆ Offering 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

Aditya Birla Sun Life  
AMC Ltd.

 **ADITYA BIRLA  
CAPITAL**  
ALTERNATE INVESTMENTS

## 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 4,13,385 Cr (July 2025)
- ◆ Over 10.7 million investor accounts (July 2025)
- ◆ Strengths across different asset classes

## Alternate Business

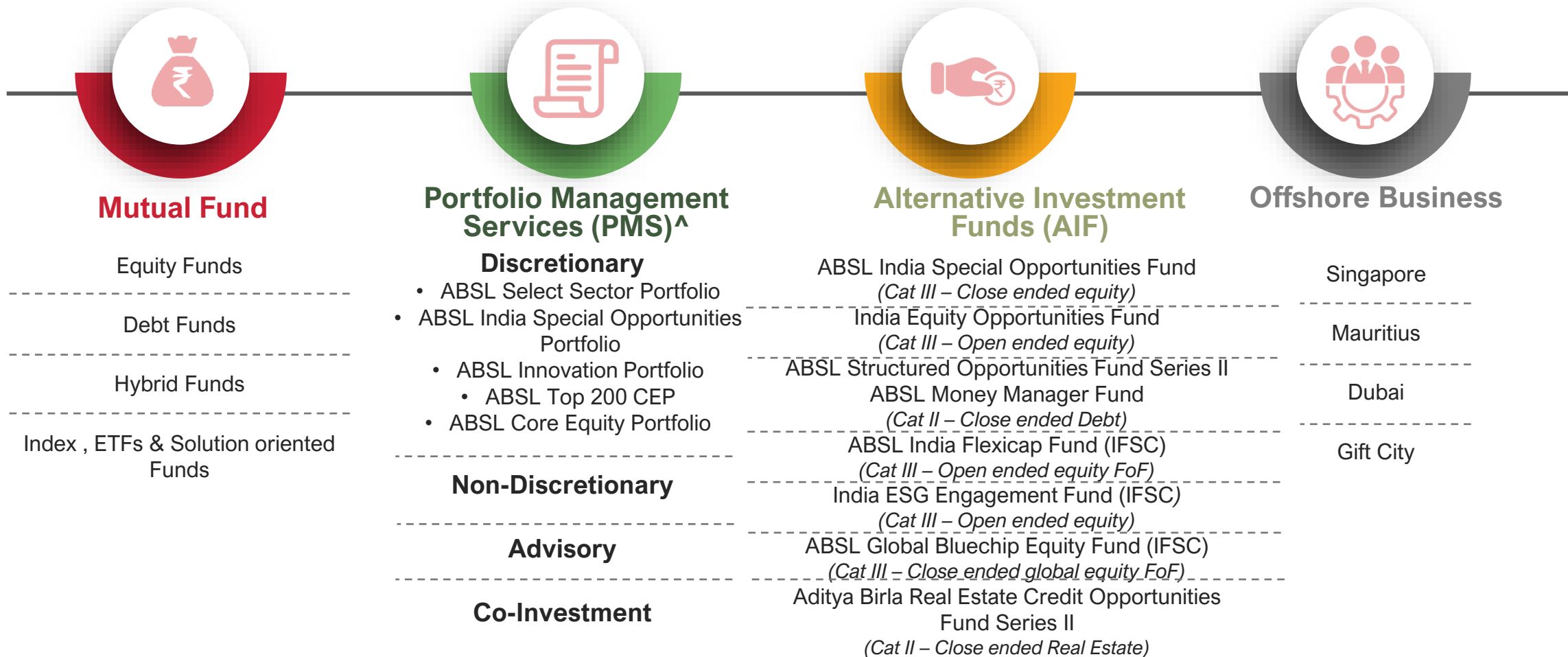


### Best in Class Management

- ◆ Offer portfolio management services, alternate & offshore investment solutions to HNIs and Institutions
- ◆ Managing/advising Rs. 35,570 Cr of assets as of August 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

Source : Internal.

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



<sup>^</sup> We also offer customized portfolio solutions for Equity, Debt and Real Estate for large tickets

# 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”

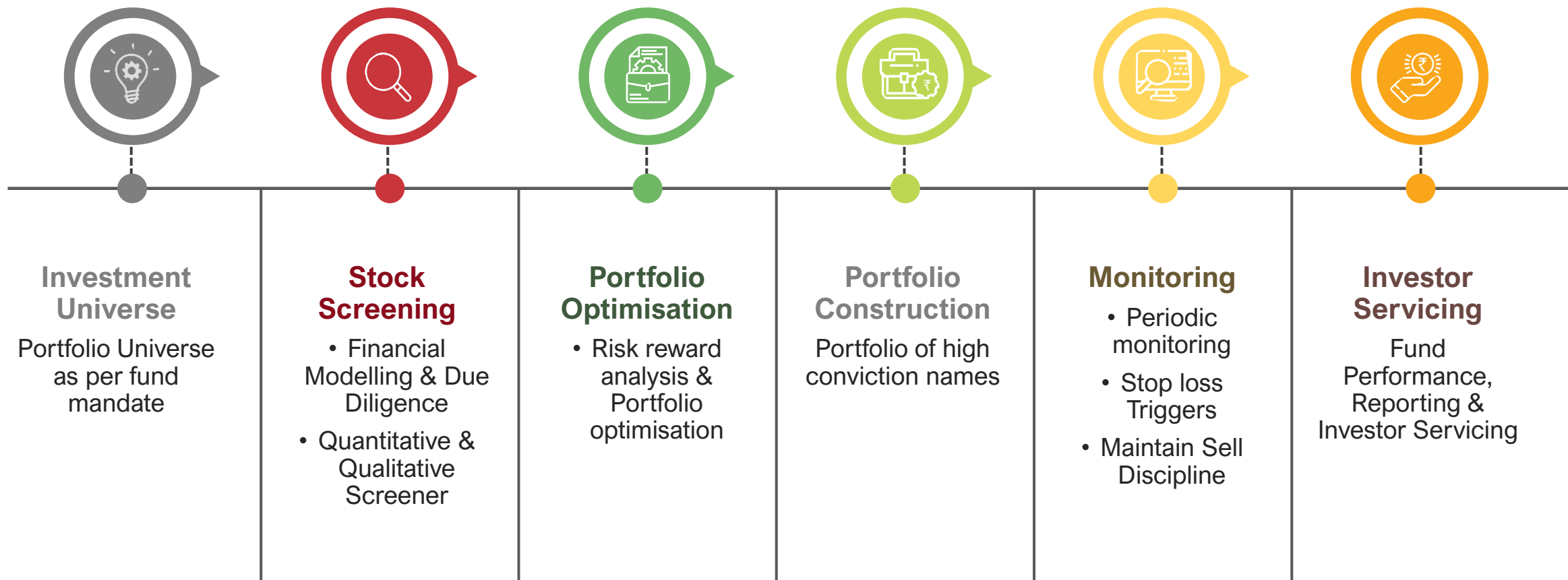


## Buy Companies that have

- 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

## Risk Management

### Stop loss Triggers

If loss on stock is higher than benchmark on trailing 6 months by more than 30%

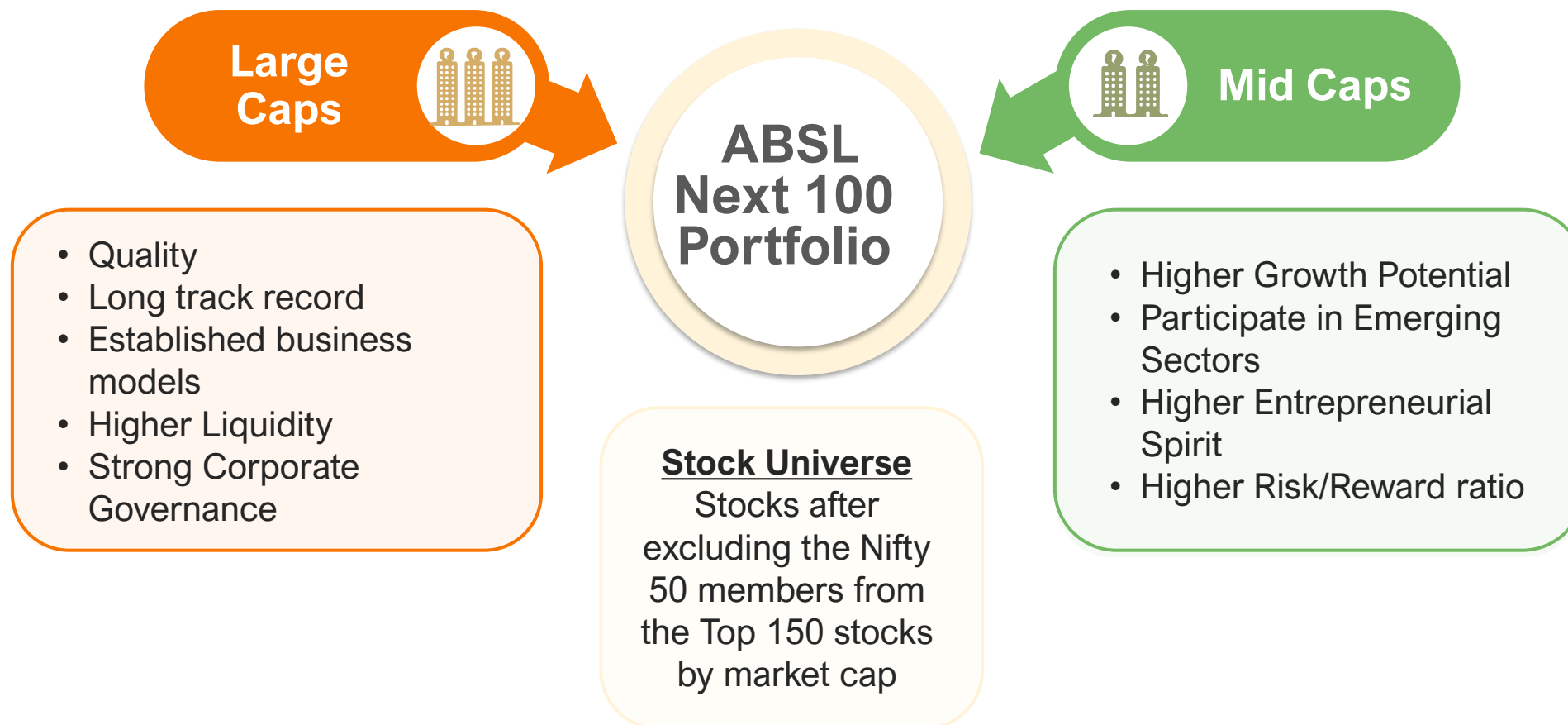
### Periodic Monitoring

Quarterly Monitoring  
Event Based Triggers

### Maintain Sell Discipline

Poor Capital Allocation  
Weakening Competitive Position  
Any emerging governance issues

# ABSL Next 100 Portfolio

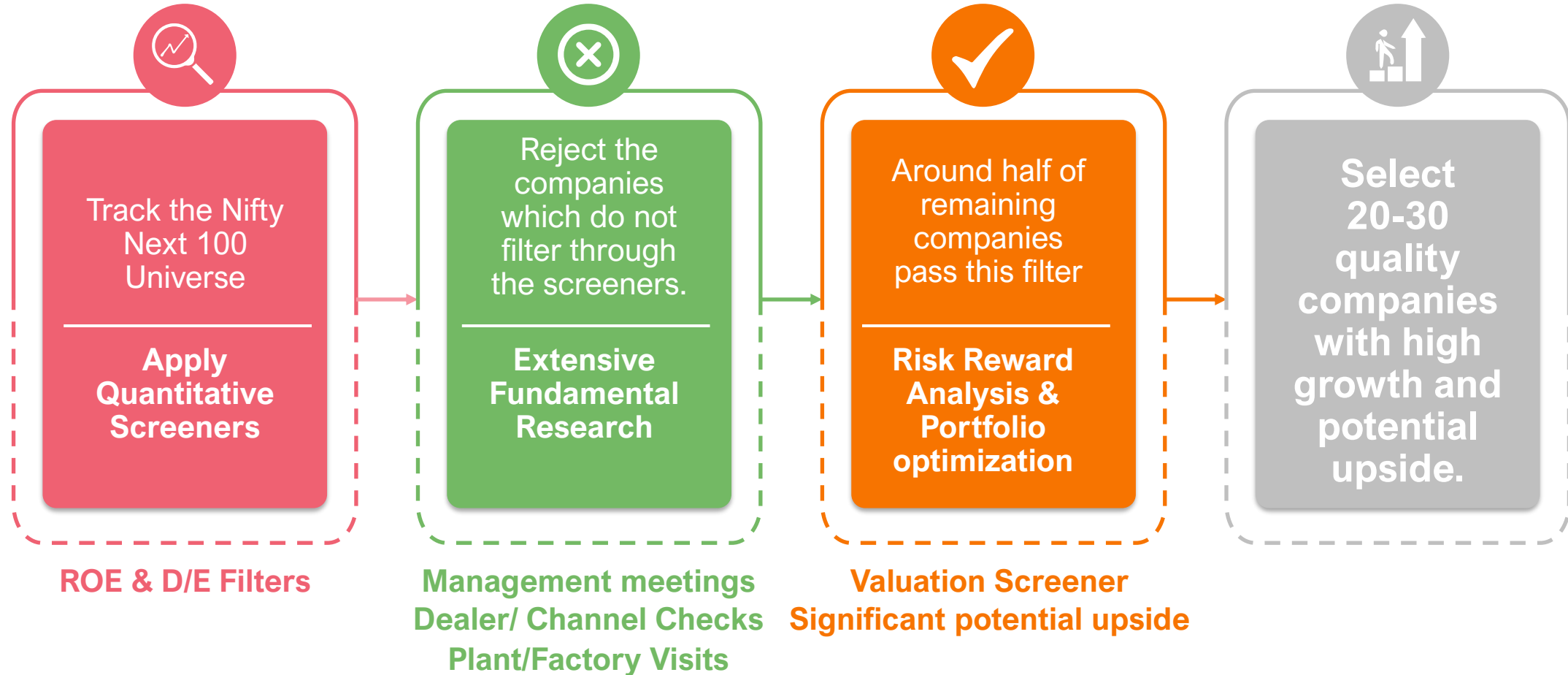


**ABSL Next 100 Portfolio is a diversified portfolio which would be primarily invested in Large and Mid Caps.**

- ◆ The weight of Nifty 50 Stocks would be less than 30%
- ◆ Focus would be on top 150 stocks (excluding NIFTY 50), constituting around 70% of the portfolio
- ◆ Objective is to deliver returns higher than Large Cap Fund, without taking undue risk/volatility of small mid caps
- ◆ Well diversified across secular sectors, with less exposure to commodity cyclicals. Can take high conviction sector calls, compared to benchmark, if required.
- ◆ Stock limit: 10% at cost

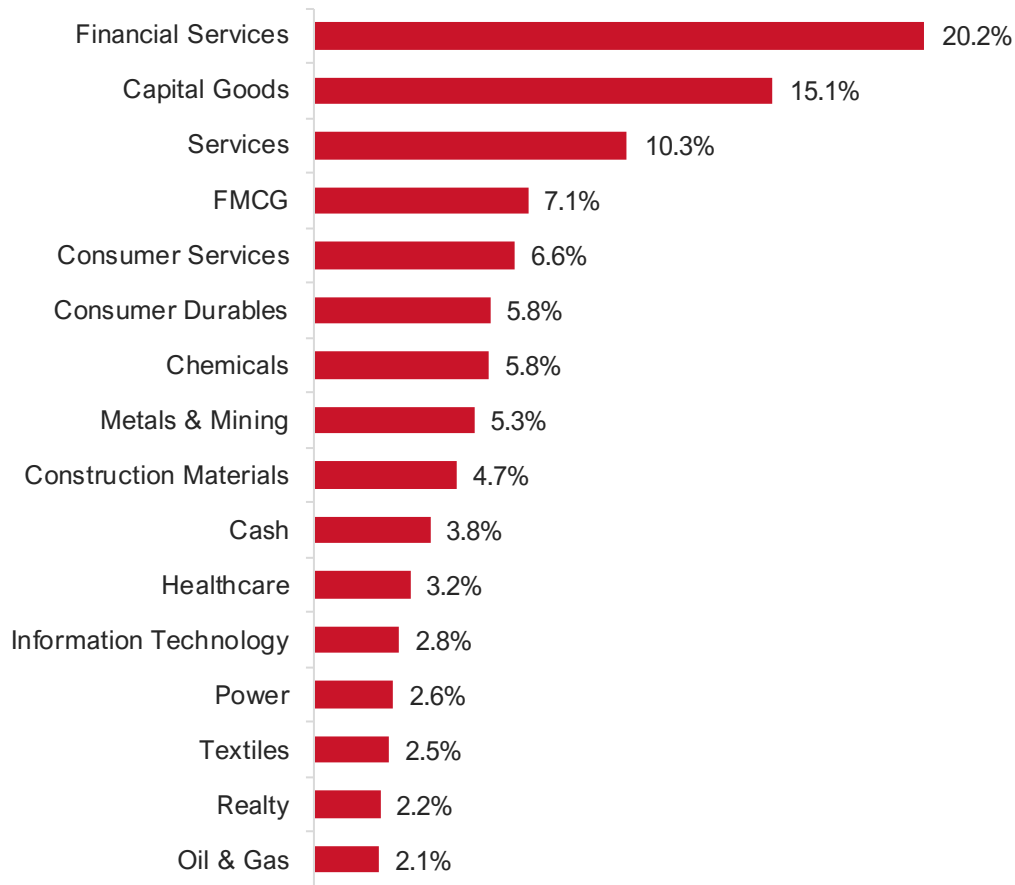
## Portfolio Construct

| Category                                                                                                                          | Weight   | Rationale                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------|
|  Next 100 stocks after top 50 by Market cap     | 65%-100% | Diversified set of stocks balancing Quality, Growth & Safety                    |
|  High conviction ideas outside Next 100 stocks | 0%-35%   | Leverage opportunities in select high growth stocks across Nifty 50 /Small caps |

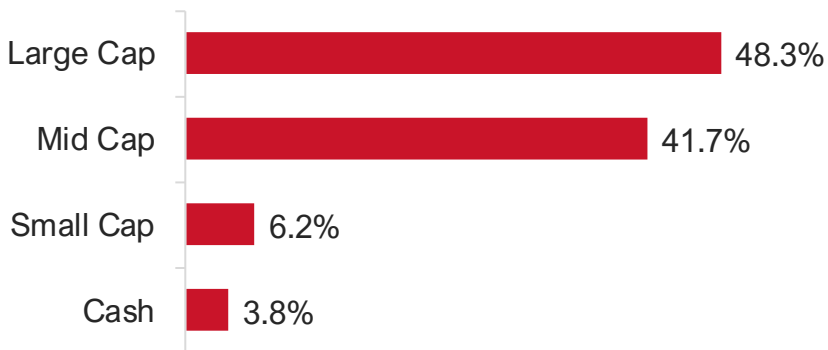


# Current Portfolio

## Sector 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 June 30, 2025.  
Source : AMFI

As on August 31, 2025

# Current Portfolio

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

| PE (x)                  | FY25A | FY26E | FY27E | Prem/Disc to Benchmark (FY26E) |
|-------------------------|-------|-------|-------|--------------------------------|
| ABSL NEXT 100 Portfolio | 53.2  | 41.4  | 32.4  | 117.5%                         |
| NIFTY NEXT 50           | 24.7  | 22.1  | 21.1  |                                |
| NIFTY 50                | 21.5  | 19.0  | 16.9  |                                |
| ROE (%)                 | FY25A | FY26E | FY27E | Prem/Disc to Benchmark (FY26E) |
| ABSL NEXT 100 Portfolio | 23.2% | 20.1% | 19.1% | 36.6%                          |
| NIFTY NEXT 50           | 14.5% | 16.8% | 15.1% |                                |
| NIFTY 50                | 14.4% | 14.7% | 14.6% |                                |
| EPS Growth (%)          | FY25A | FY26E | FY27E | Prem/Disc to Benchmark (FY26E) |
| ABSL NEXT 100 Portfolio | 49.4% | 28.9% | 21.7% | 775.7%                         |
| NIFTY NEXT 50           | 35.1% | -8.1% | 14.5% |                                |
| NIFTY 50                | 6.1%  | 3.3%  | 18.3% |                                |
| Net Debt to Equity* (%) |       | FY24  |       | Prem/Disc to Benchmark         |
| ABSL NEXT 100 Portfolio |       | 70.0% |       | 221.8%                         |
| NIFTY NEXT 50           |       | 38.7% |       |                                |
| NIFTY 50                |       | 21.7% |       |                                |

## Top 10 Holdings & Weights (% to Net Assets)

| Top 10 Portfolio Holdings                 | % of Net Assets |
|-------------------------------------------|-----------------|
| Interglobe Aviation Ltd                   | 7.3%            |
| PB FINTECH LIMITED                        | 6.2%            |
| CG Power and Industrial Solutions Limited | 5.5%            |
| Jindal Steel and Power Ltd                | 5.3%            |
| Bajaj Finserv Ltd                         | 4.8%            |
| Ambuja Cements Ltd                        | 4.7%            |
| Federal Bank Ltd                          | 4.6%            |
| Ashok Leyland Ltd                         | 4.6%            |
| Muthoot Finance Ltd                       | 4.6%            |
| Info Edge India Ltd                       | 4.1%            |

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

As on August 31, 2025



# ABSL Next 100 Portfolio Characteristics

## Portfolio Characteristics

| Key Ratios (3 Years)  | ABSL Next 100 Portfolio | Nifty 50 TRI |
|-----------------------|-------------------------|--------------|
| Standard Deviation    | 14.26%                  | 12.13%       |
| Sharpe Ratio          | 0.44                    | 0.57         |
| Beta                  | 0.97                    |              |
| Portfolio Turnover    | 0.25                    |              |
| Avg MCap (Rs. Cr.)    | ₹ 1,18,904              |              |
| Median MCap (Rs. Cr.) | ₹ 87,994                |              |

As on August 31, 2025

# ABSL Next 100 Portfolio Performance

Aditya Birla Sun Life  
AMC Ltd.

**ADITYA BIRLA  
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ALTERNATE INVESTMENTS

| Returns (%)             | Absolute |          |          |        | CAGR    |         |         |          |                              |
|-------------------------|----------|----------|----------|--------|---------|---------|---------|----------|------------------------------|
|                         | 1 Month  | 3 Months | 6 Months | 1 Year | 2 Years | 3 Years | 5 Years | 10 Years | Since Inception (27/09/2019) |
| ABSL Next 100 Portfolio | -2.4%    | -0.6%    | 12.2%    | -6.1%  | 15.1%   | 12.0%   | 17.4%   | -        | 12.7%                        |
| Nifty 50 TRI            | -1.2%    | -0.7%    | 11.3%    | -2.0%  | 14.0%   | 12.5%   | 17.9%   | -        | 14.9%                        |
| <i>Outperformance</i>   | -1.2%    | 0.1%     | 0.9%     | -4.1%  | 1.1%    | -0.5%   | -0.5%   | --       | -2.2%                        |
| Nifty Next 50           | -2.0%    | -1.5%    | 15.2%    | -12.7% | 21.6%   | 14.6%   | 19.6%   | -        | 15.6%                        |
| <i>Outperformance</i>   | -0.4%    | 0.9%     | -3.0%    | 6.6%   | -6.5%   | -2.6%   | -2.3%   | --       | -2.9%                        |

**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 August 31, 2025

# Case Studies

## Sector- Financial Services

- ◆ PB Fintech is India's leading online platform for insurance and lending products. The company operates from two main platforms:
  - Policy Bazaar: An online platform for consumers to compare, buy and manage insurance policy from various insurers
  - Paisa Bazaar: A digital lending platform for consumers to compare, choose and apply for personal credit products



## Key Facts

- ◆ PB Fintech has built India's largest online platform for Insurance & Lending products. It focuses on raising financial awareness and delivering a tech-driven user-friendly experience for consumers and insurer partners.
- ◆ Policybazaar hosts over 6.8 Cr registered consumers. Among them, 1.4 Cr unique buyers purchased a total of 3.4 Cr policies, averaging 2.4 policies per customer.
- ◆ Paisabazaar, has about 3.5 Cr consumers of free credit score, representing 14% of India's active credit score consumers.
- ◆ The Company's focus on unassisted sales has lowered costs and boosted profitability. Notably, over 75% of credit cards and 50% of unsecured lending are now fully digitalized. Similarly, 80% of motor and travel insurance transactions are now unassisted.

Source: Bloomberg, Internal Research



**Date of Investment**  
16 February 2023



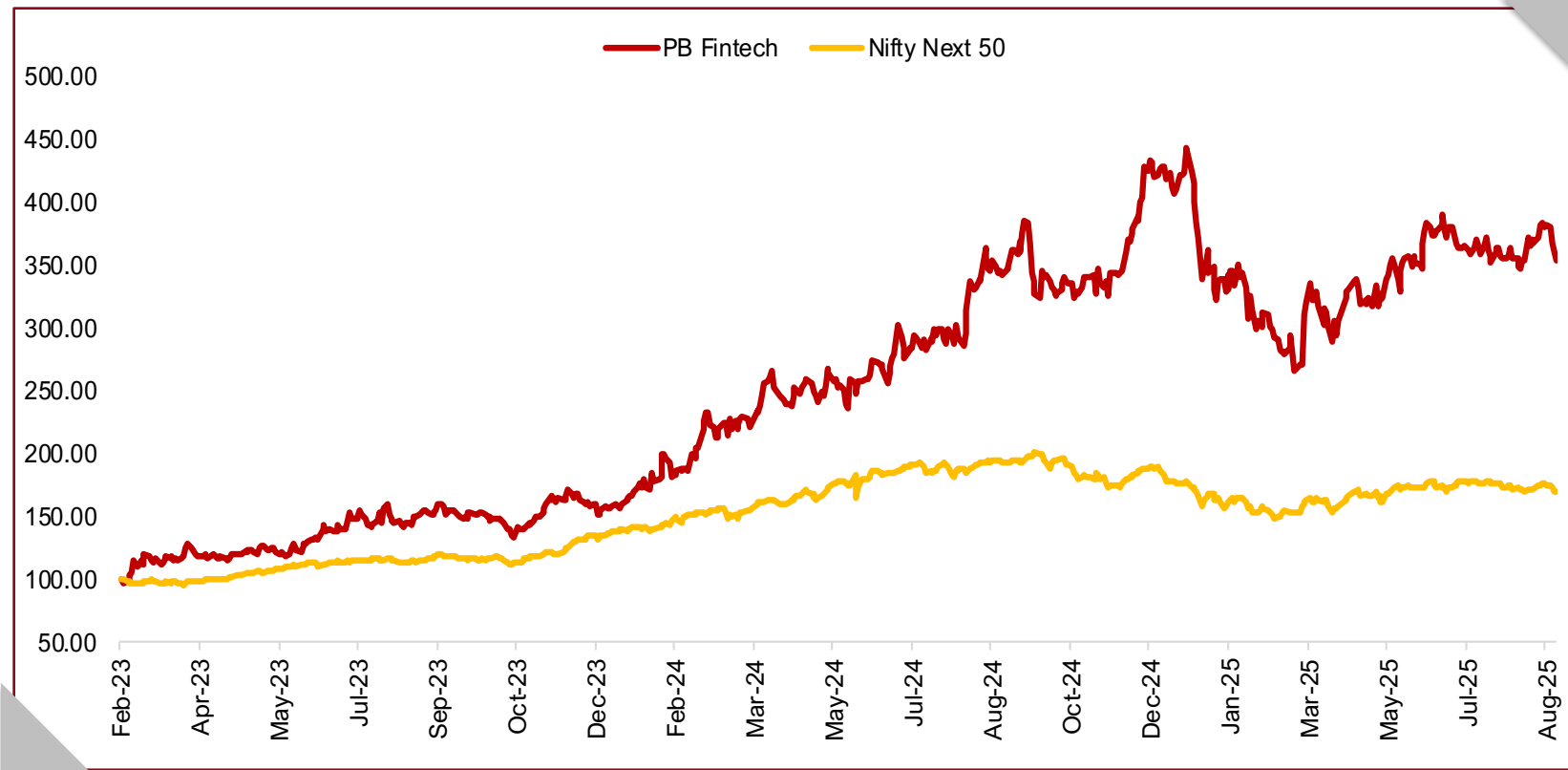
**Investment Price**  
₹500



**Current Price**  
₹1,771



**Total Returns**  
254% (2.5 Years)



Note: Stock and Index rebased to the date of first purchase / As on August 29, 2025 / Source: Bloomberg

## Sector- Financial Services

- ◆ Muthoot Finance Limited is a non-banking finance company. The Company provides personal and business loans secured by gold jeweler, or gold loans, primarily to individuals who possess gold jeweler but could not access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements.



## Key Facts

- ◆ The Company operates under the brand name of The Muthoot Group, which has a range of interests in the fields of financial services, healthcare, education, real estate, foreign exchange, insurance distribution and hospitality.
- ◆ Having served over 70 crore customers till date (including repeat customers), and serving over 2.5 Lakh customers daily, The Muthoot Group has not only grown exponentially but has also facilitated growth for a sizeable population of the country that falls in the underprivileged category.
- ◆ The Muthoot Group has a presence in USA, UK, UAE, Sri Lanka, and Central America
- ◆ The company has over 53,000 employees across 7,300+ branches with 800 years of family business legacy.
- ◆ Muthoot Finance has been accoladed as India's No. 1 Most Trusted Financial Services Brand for 6 years since 2016 by TRA's Brand Trust Report consecutively. It is also India's largest gold financing company in terms of loan portfolio.

Source: Bloomberg, Internal Research

# Muthoot Finance Ltd

Aditya Birla Sun Life  
AMC Ltd.

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ALTERNATE INVESTMENTS



**Date of Investment**  
28 March 2024



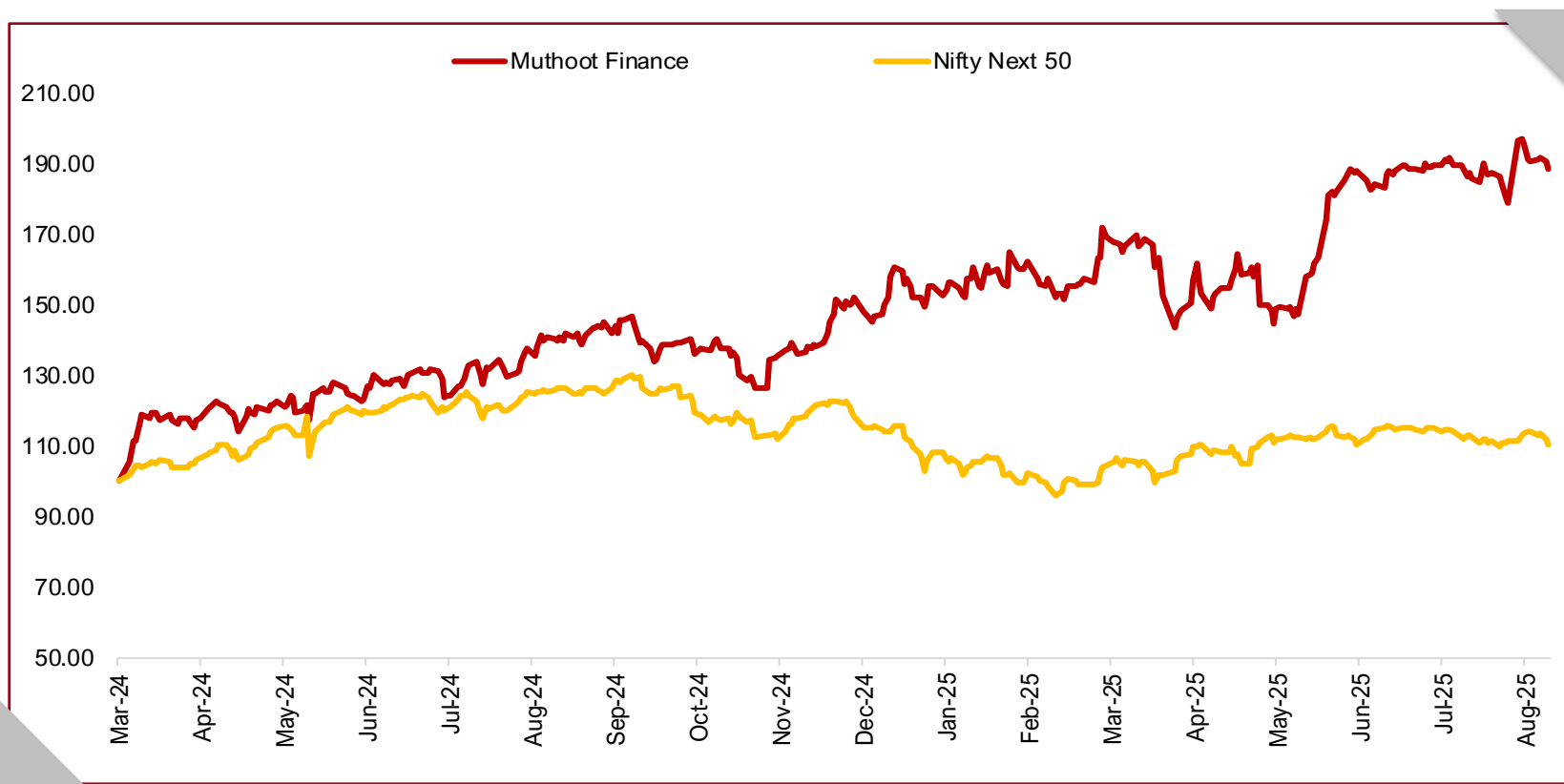
**Investment Price**  
₹1,480



**Current Price**  
₹2,638



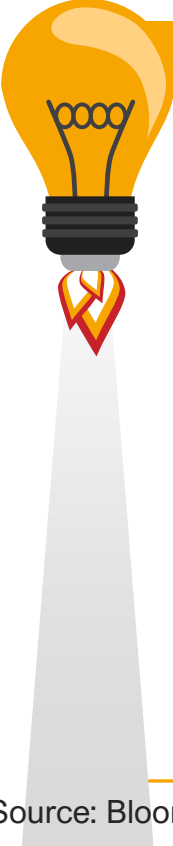
**Total Returns**  
78% (1.4 Years)



Note: Stock and Index rebased to the date of first purchase / As on August 29, 2025 / Source: Bloomberg

## Sector- Information Technology

- ◆ Coforge is a digital services and solutions provider that leverages emerging technologies and deep domain expertise to deliver real-world business impact for our clients.



### Key Facts

- ◆ It is engaged in application development and maintenance, managed services, cloud computing and business process outsourcing to organizations in the financial services, insurance, travel, transportation and logistics, manufacturing and distribution and government sectors.
- ◆ The Company delivers services across continents directly and through its network of subsidiaries. It is servicing customers in North & South America, Europe, the Middle East, Asia and Australia.
- ◆ With 40+ years in the industry, the company's service offerings include application development and management, package implementation, managed services, platform-based services, business process outsourcing and cloud computing.
- ◆ With over 260 global clients, and a global workforce of 32,000+ employees

Source: Bloomberg, Internal Research





**Date of Investment**  
16 April 2024



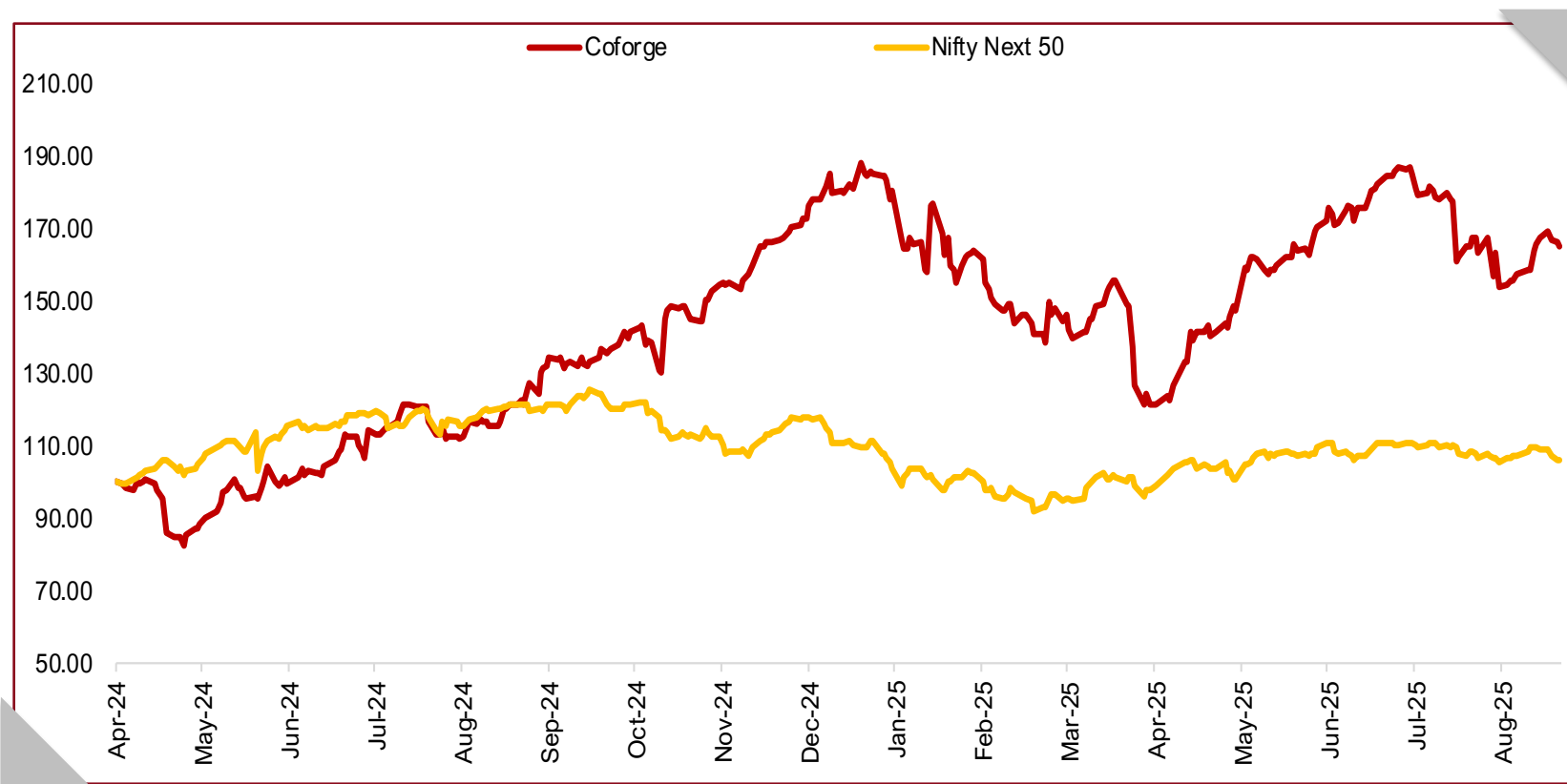
**Investment Price**  
₹1,042



**Current Price**  
₹1,724



**Total Returns**  
65% (1.4 Years)



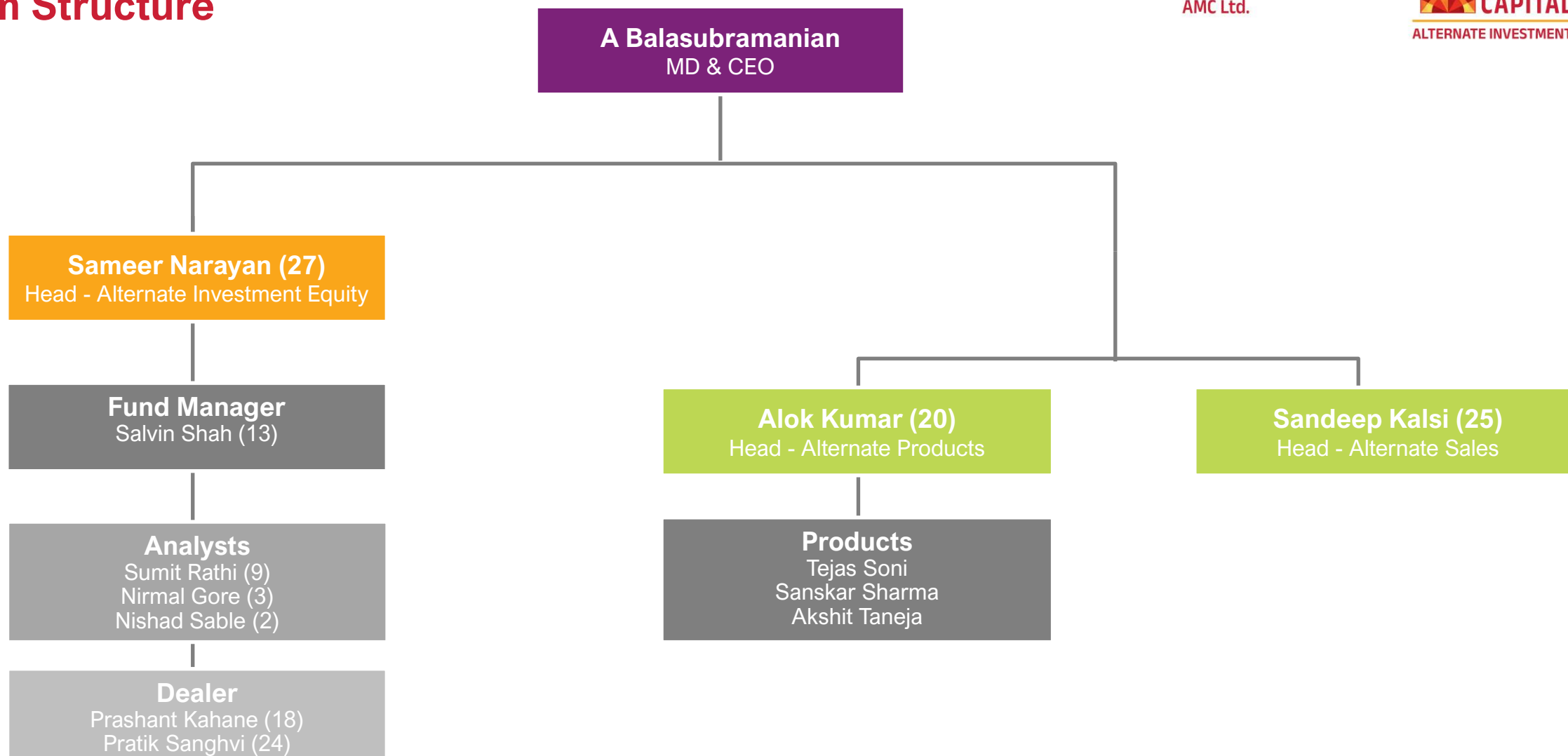
Note: Stock and Index rebased to the date of first purchase / As on August 29, 2025 / Source: Bloomberg

# ABSL Next 100 - Portfolio Construct

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Portfolio Name</b>                 | ABSL Next 100 Portfolio                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Structure</b>                      | Discretionary PMS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Strategy</b>                       | Equity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Nature</b>                         | Open ended                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Market cap</b>                     | Multi cap                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <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. Investee companies will have the features like High quality with consistency in growth, high ROE, low leverage & high potential for growth. Investment will be done predominantly in top 150 companies by market cap as per AMFI (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>Investment Manager</b>             | Aditya Birla Sun Life AMC Limited (ABSLAMC)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Benchmark</b>                      | Nifty 50 TRI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Portfolio Manager(s)</b>           | Salvin Shah                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Time Horizon</b>                   | Minimum 3 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Minimum Investment</b>             | Rs. 50 lakhs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Management and Performance fee</b> | Please refer to Client Fee Schedule                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Operating expenses</b>             | Please refer to Client Fee Schedule                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

# Alternate Business - Team Structure

# Team Structure



Figures in bracket is No of years of relevant work experience



## 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 (Equities)

- Has 13+ years in Portfolio Management and Equity Research.
- 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.



**A Balasubramanian**  
MD & CEO

- Has over 30 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 19+ 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



**Sandeep Kalsi**  
Head – Alternate Sales

- INSEAD Singapore alumnus with 25+ years of diverse experience in the financial services industry, spanning asset management, alternatives, and banking
- Has led large, multi-functional teams with a focus on delivering strategic outcomes and driving organizational growth
- Successfully built and scaled new business ventures from concept to execution across multiple domains
- Adept at forging strong relationships with clients, regulators, business partners, and key stakeholders to enable long-term business success
- Expertise includes strategic planning, market development, alliance management, manpower leadership, and channel partner engagement

## 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](mailto:abslamc.alternate@adityabirlacapital.com)

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One World Center, Tower 1, 17th Floor, Jupiter Mills, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013.

Tel: 4356 8000. Fax: 4356 8110 / 8111