

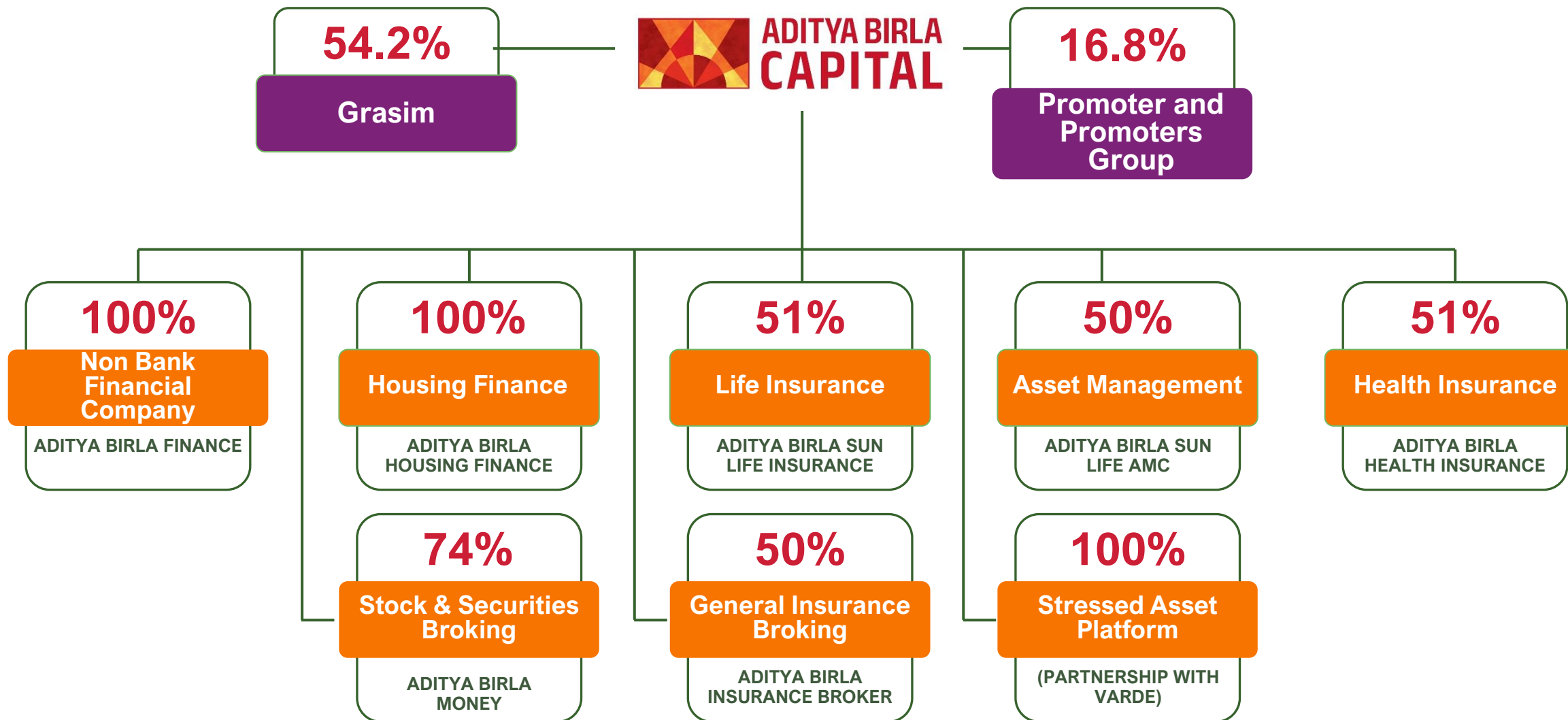
Innovation Portfolio

March 2024



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 36 countries
- ◆ Managing AUM of ₹ 3.9 Lac Crores. (as on Jun 30, 2023)
- ◆ 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 \$ 1,367 billion (as on Jun 30, 2023)
- ◆ 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
- ◆ A JV between Aditya Birla Group & Sun Life Financial Inc since 2001
- ◆ 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 3,24,987 Cr (January 2024)
- ◆ Over 8.2 million investor accounts (January 2024)
- ◆ 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. 14,311 Cr. of assets as on February 2024
- ◆ 13 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
(Cat 2– Closed 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

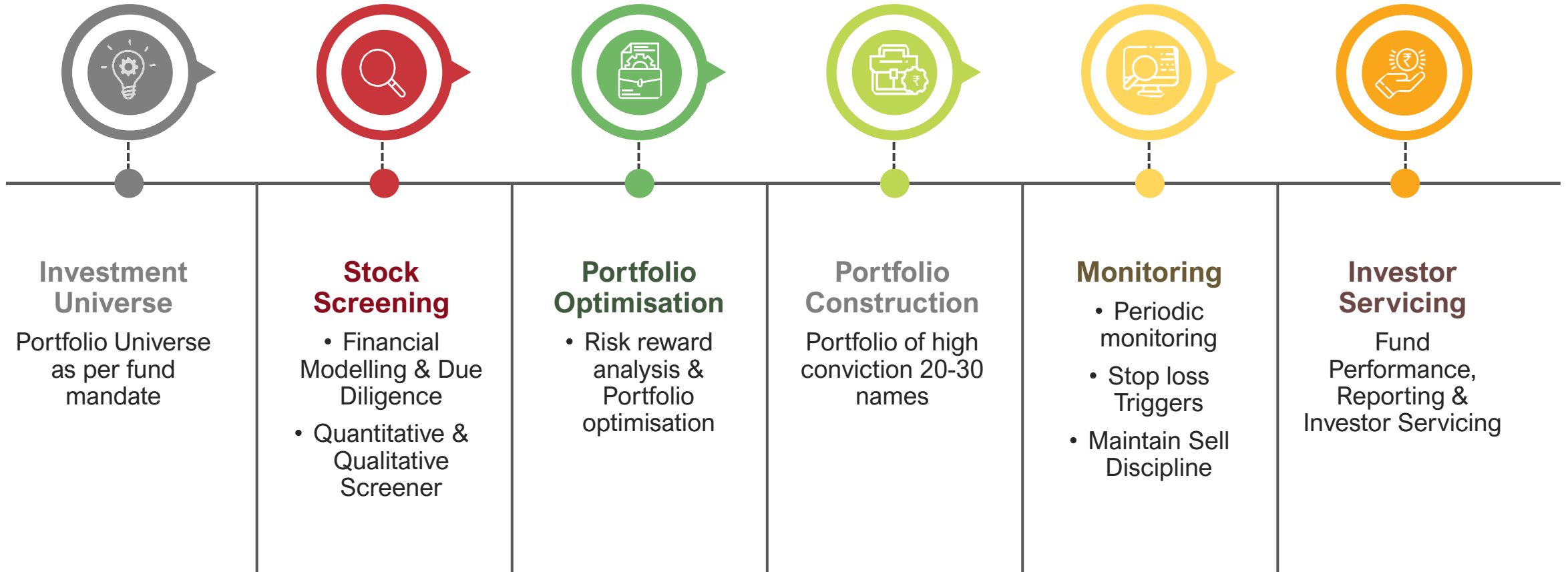
Purchase at Reasonable Price
Entry Level valuations which accord
“Margin of safety”



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

Higher 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

Monitoring

Stop loss Triggers

If loss on stock is higher than benchmark on trailing 3 months by more than 30%

Periodic Monitoring

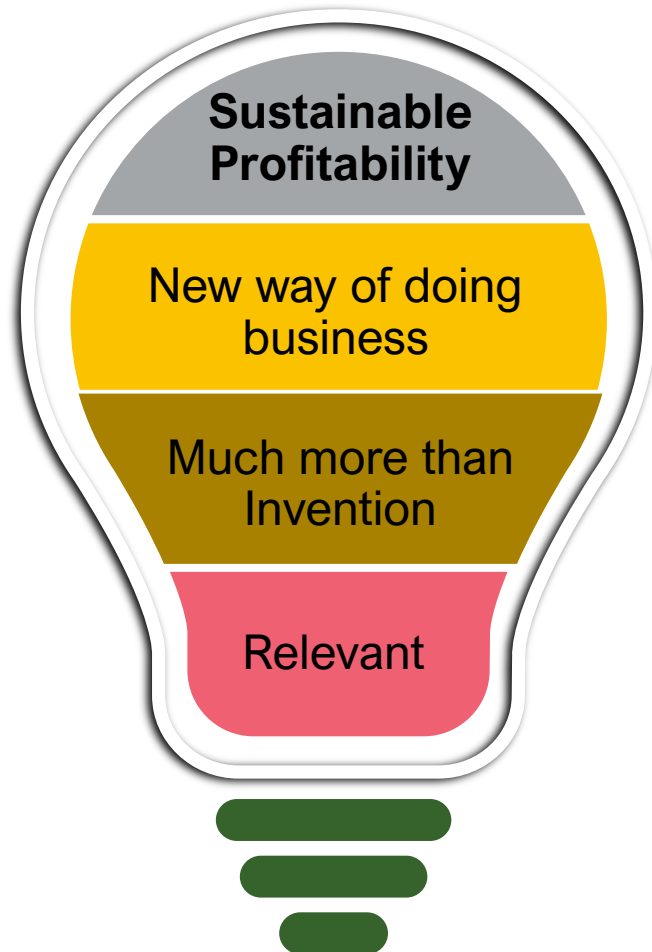
Quarterly Monitoring
Event Based Triggers

Maintain Sell Discipline

Poor Capital Allocation
Weakening Competitive Position
Any emerging governance issues

Innovation Portfolio

What is Innovation?



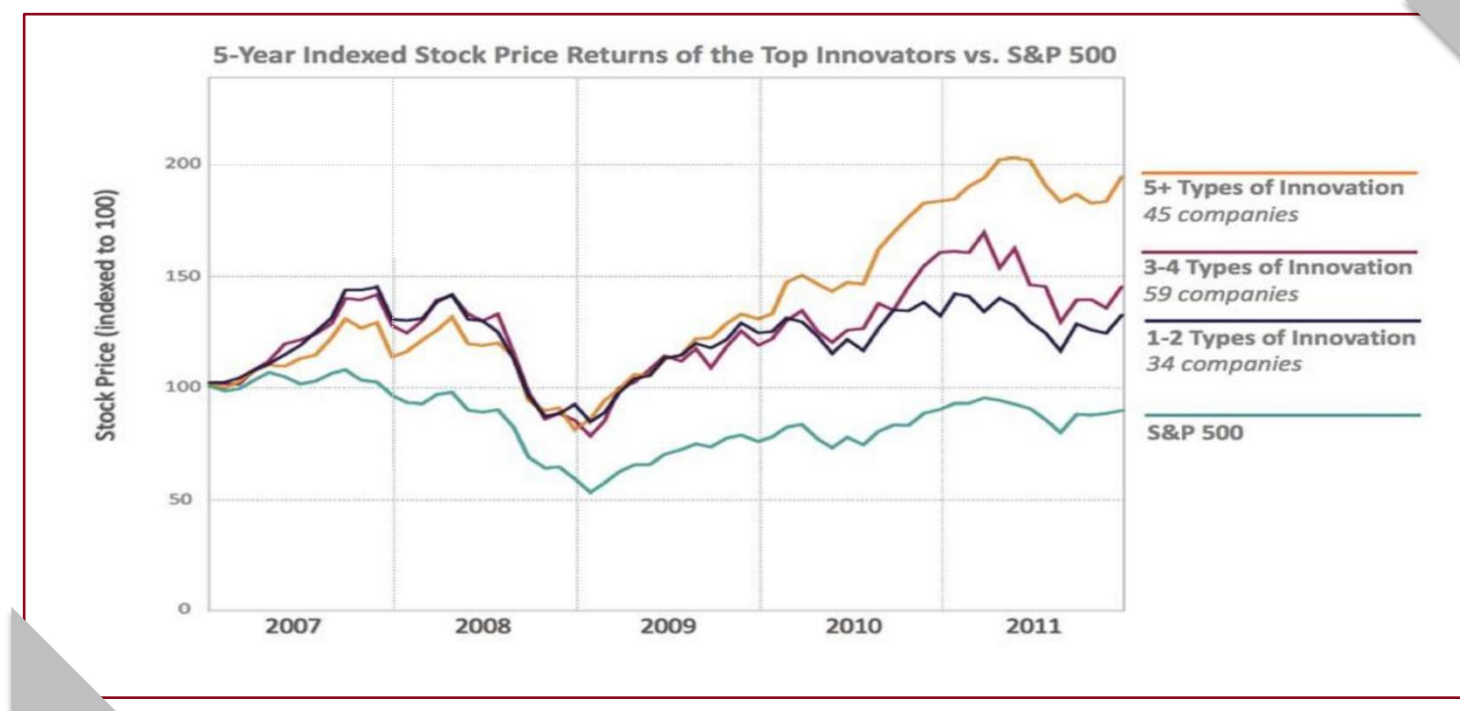
INNOVATION

Innovation is new, differentiated and profitable way of doing business.

- ◆ Innovation is much more than invention of new-age products.
- ◆ It is a new way of doing business, new systems of products & services or new interactions & forms of engagement between your organization & customers.
- ◆ Innovation must be able to sustain & return its weighted cost of capital
- ◆ It should be relevant and significant to the organization. Incremental innovations are important but they might not move the needle for large organizations.

Constant Innovation important for wealth creation

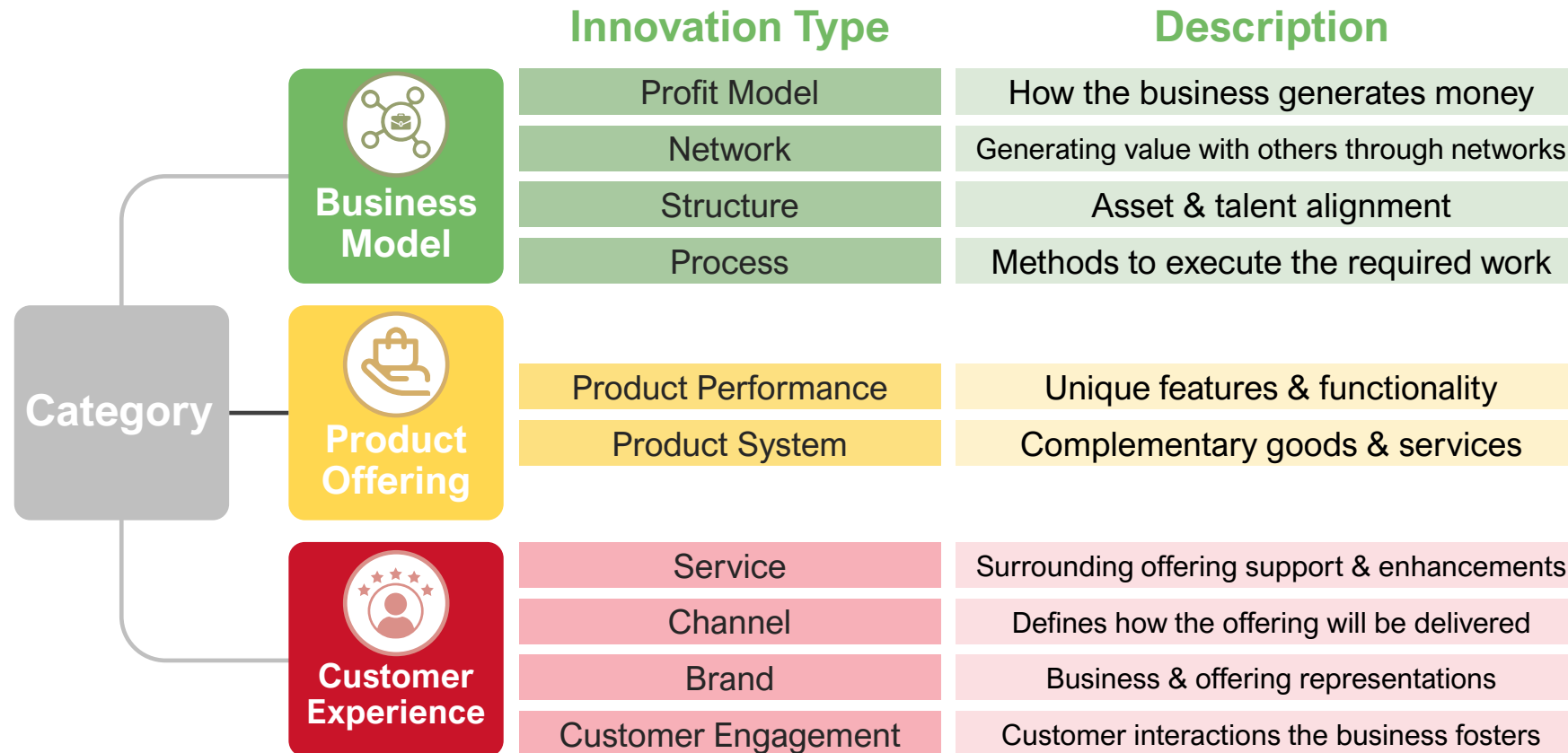
- ◆ When compared with average innovators, top innovators use on an average 3.6 types of innovations (as per the 10 types framework) which is double the average innovators.
- ◆ Companies must look beyond products to innovate repeatedly & reliably. Combining multiple types of innovation assures bigger & sustainable success.
- ◆ Companies need to innovate to offer better products to customers, survive in the market & fuel growth prospects & ultimately deliver value to shareholders.
- ◆ Top innovators outperform the S&P 500 index



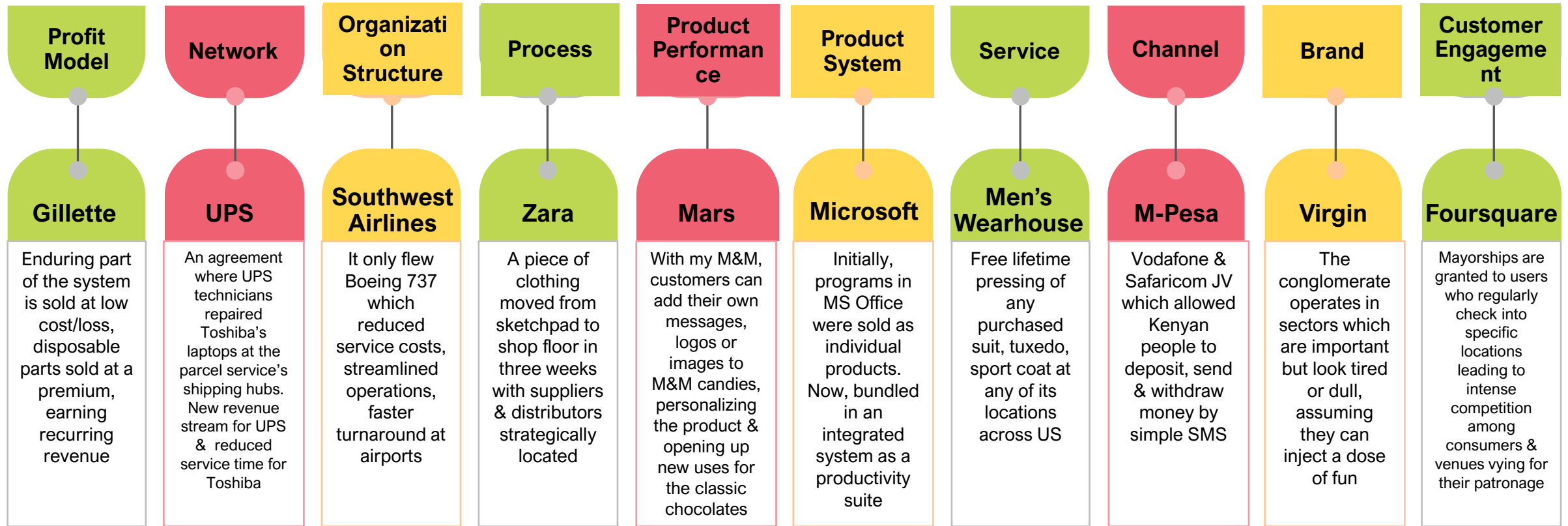
Source: Ten Types of Innovation, Larry Keeley d.- Portfolio Managers

The 10 types of innovation

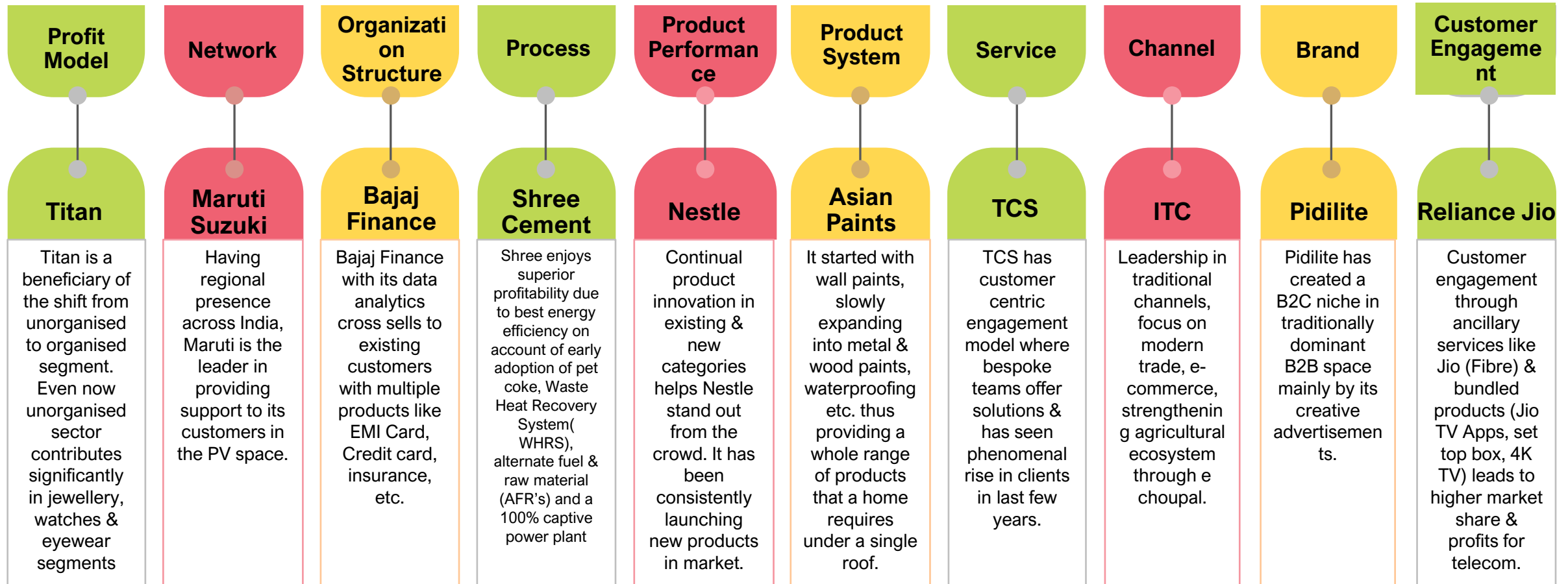
- ◆ Nearly 2000 examples of innovations were analyzed & from this emerged the framework of ten types of innovation by Larry Keeley in the his work 'Ten types of innovation'.
- ◆ All great innovations comprise some combinations of the ten basic types which are organized into three categories.



Examples for each of the 10 innovation types

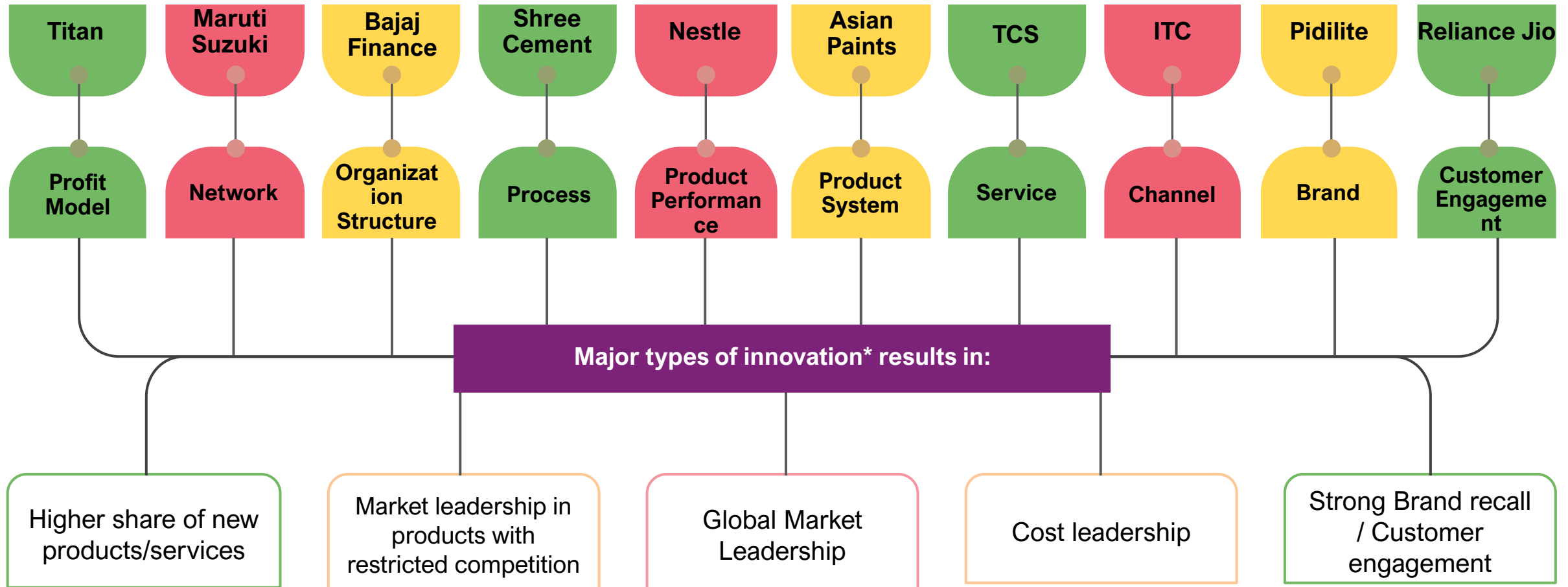


Innovation in Indian companies



*Ten types of Innovation, Larry Keeley et al., 2013

Innovation leads to healthy outcomes...



*Ten types of Innovation, Larry Keeley et al., 2013

Outcome	Past Examples	Description
Higher share of New Products/Services	Nestle, HUL	Companies focusing on launching new products thereby creating a new category or leading to market share gains resulting in improved revenues & profitability
Market leadership in products with restricted competition	Biocon, Siemens	Companies having a high market share for existing products which is expected to sustain in the near to medium term due to expertise/high R&D capability backed by vision of the promoter/top management
Global Market leadership	Sanofi, Pfizer, Bayer Cropscience	Indian subsidiaries stand to benefit in terms of expertise, strong parentage & opportunities to scale up
Cost Leadership	Shree Cement, Reliance Industries, Avenue Supermarts	Cost leadership enables certain companies to deliver quality products at a lower price than the competition due to their superior execution capabilities, vertical integration or economies of scale
Strong brand recall/ Customer Engagement	HDFC Bank , Maruti Suzuki	Brand visibility in a commoditized market plays a very important role in gaining the mind share of the customers, thus improving sales

Focus on Strong Filters

Innovation type	Example	Company characteristics (Inclusion Criteria)
Profit Model	Trent	Top quintile ROCE/ROE vs. Sector
Network	Maruti Suzuki	Highest number of service centres vs. peers leading to higher resales and customer retention
Organisation Structure	Bajaj Finance	Strong cross sell franchise leading to lower customer acquisition cost for new products
Process	Shree Cement	Cost leadership in production and capex vs. peers
Product Performance	Bayer CropScience	Improving share of new products, Market leadership in existing categories
Product System	Asian Paints	Number of complimentary products launched vs. peers
Service	HDFC Bank	Client retention, Customer Persistency
Channel	Hindustan Unilever	Sector leading distributor network, lower working capital intensity vs. peers
Brand	Pidilite	Strong brand recall reflected in market leadership in both B2B and B2C segment
Customer Engagement	Reliance Jio	Market share gains through customer engagement

Innovation Portfolio - Broad Concept

The Portfolio would be invested in:

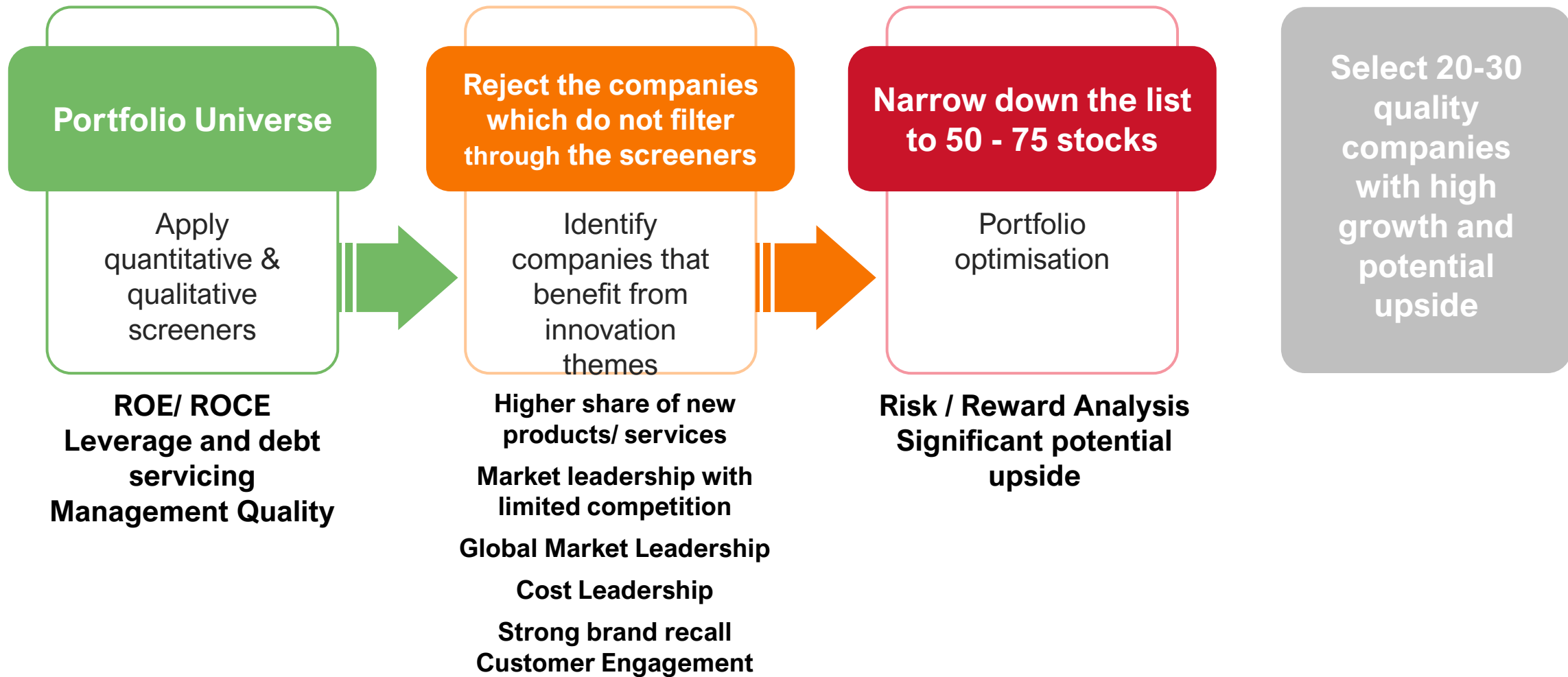
- ◆ Companies which are beneficiaries of the fast changing landscape across industries (innovation led)
- ◆ Companies that have a scalability in the form of market size over the next decade (secular growers)

Portfolio Characteristics:

- ◆ Objective - Wealth creation with lower volatility
- ◆ Well diversified multicap portfolio across secular sectors
- ◆ Stock limit: 10% at cost
- ◆ Recommended investment horizon of at least 3-5 years

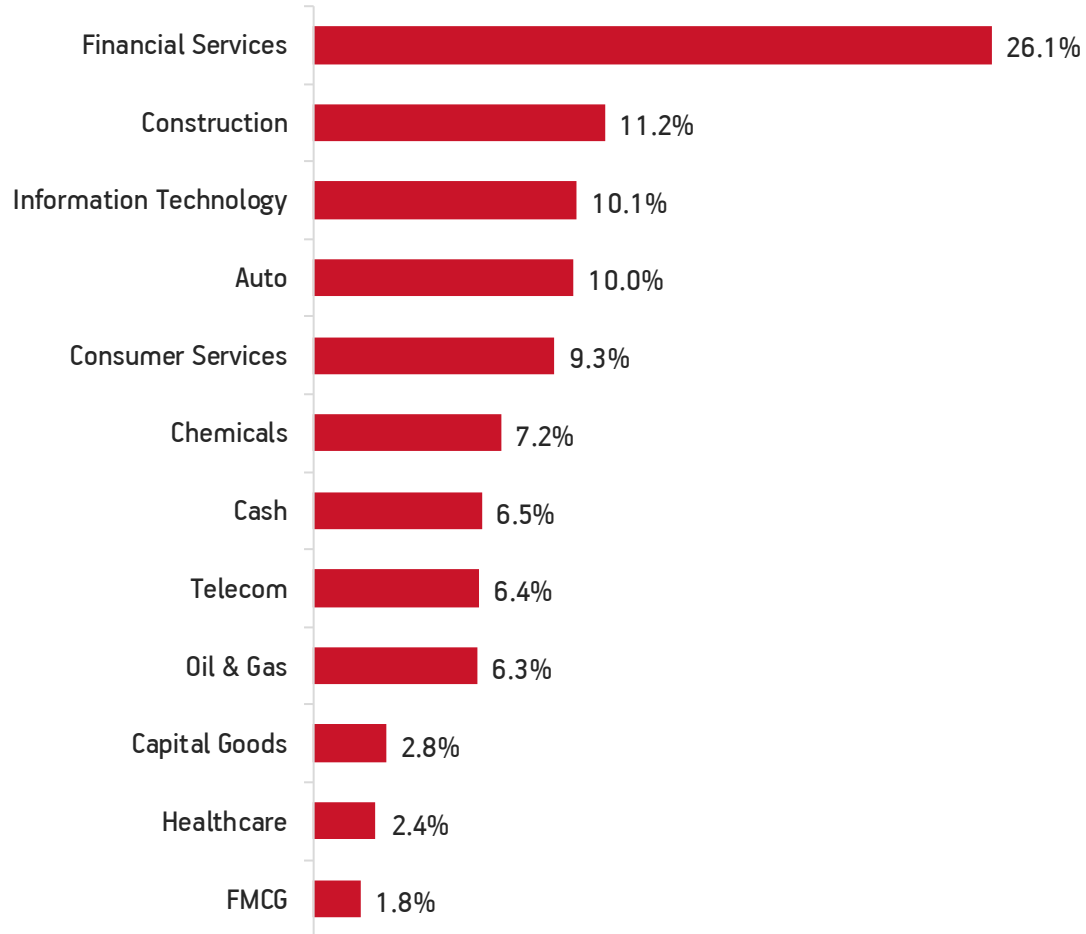
Portfolio Construction

Category	Weight	Rationale
Innovation	65%-100%	Capture maximum value in fast changing landscape across industries through product or process innovation.
Secular Growth	0%-35%	Scalability in the form of market size over the next decade.

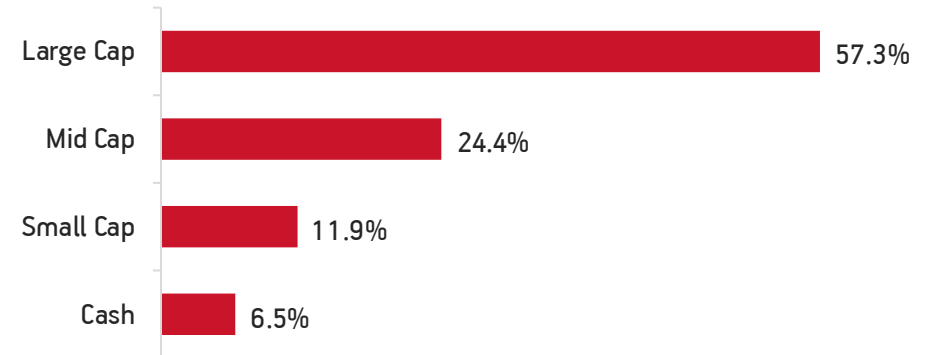


Current Model Portfolio

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, 2023.
Source : AMFI

As on February 29, 2024

Current Model Portfolio

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

PE (x)	FY23A	FY24E	FY25E	Prem/Disc to Benchmark (FY24E)
Innovation	65.4	42.9	33.2	70.0%
NIFTY 500	25.8	22.6	19.6	
BSE 500 TRI	25.5	22.5	19.5	

ROE (%)	FY23A	FY24E	FY25E	Prem/Disc to Benchmark (FY24E)
Innovation	16.9%	15.9%	16.7%	4.9%
NIFTY 500	13.2%	15.4%	16.0%	
BSE 500 TRI	14.4%	15.3%	15.9%	

EPS Growth (%)	FY23A	FY24E	FY25E	Prem/Disc to Benchmark (FY24E)
Innovation	70.4%	28.4%	22.7%	57.8%
NIFTY 500	12.8%	19.9%	14.1%	
BSE 500 TRI	13.2%	18.1%	14.4%	

Net Debt to Equity* (%)	FY23	Prem/Disc to Benchmark
Innovation	13.0%	-58.1%
NIFTY 500	31.0%	
BSE 500 TRI	31.0%	

Top 10 Holdings & Weights

Top 10 Portfolio Holdings	% of Net Assets
Trent Ltd	9.3%
Persistent Systems Ltd	8.3%
ICICI Bank Ltd	7.8%
Larsen & Toubro Ltd	7.3%
Reliance Industries Ltd	6.3%
Bharti Airtel Ltd	6.1%
HDFC Bank Ltd	4.7%
PI Industries Ltd	4.4%
Bajaj Finance Ltd	4.4%
ZF Commercial Vehicle Control Systems India Limited	4.2%

* Financials excluded in calculation of D/E
Source: All ratios are based on Bloomberg consensus estimates.
Note: Premium/Discount to benchmark Nifty 500 is listed for the period FY24E.

Innovation Portfolio Characteristics

Portfolio Characteristics

Key Ratios (3 Years)	Innovation	BSE 500 TRI
Standard Deviation	11.95%	13.50%
Sharpe Ratio	1.17	0.94
Beta	0.82	
Portfolio Turnover	0.09	
Avg MCap (Rs. Cr.)	₹ 4,10,525	
Median MCap (Rs. Cr.)	₹ 1,22,348	

As on February 29, 2024

Performance - Innovation Portfolio

Returns (%)	Absolute				CAGR				
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Inception (24/04/2018)
Innovation Portfolio	0.9%	6.6%	15.5%	39.6%	22.5%	20.8%	23.3%	--	19.7%
BSE 500 TRI	1.7%	11.9%	18.9%	39.5%	19.8%	19.5%	19.0%	--	15.4%
Outperformance	-0.7%	-5.4%	-3.4%	0.1%	2.7%	1.3%	4.3%	--	4.3%
Nifty 500	1.5%	11.7%	18.7%	38.4%	18.5%	18.1%	17.5%	--	13.9%
Outperformance	-0.5%	-5.1%	-3.2%	1.2%	4.0%	2.6%	5.8%	--	5.7%

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

As on February 29, 2024

Case Studies

Company Background

- ◆ Nestle is one of the largest food & beverages company in the world with products across segments like include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks.
- ◆ Premiumization is one of the growth engines that will lead to future acceleration of the business. Nestle acquired PURINA Petcare business, that delivers nutrition to pets and launched globally renowned GERBER cereals catering to the nutrition needs of toddler's segment.



Innovation - New Products / Services

- ◆ Continued strong innovation is one of the key drivers that is expected to maintain double-digit revenue growth. New launches in existing categories & entry into new categories viz. health science & breakfast cereals is expected to drive growth.
- ◆ Nestle is currently a leader in ~85% of its portfolio and in 7 out of 9 categories. In spaces like sauces and ketchups and non-wafer and white chocolates.
- ◆ Nestle has adopted cluster strategy (breaking up India into 15 clusters) from being more urban centric and not much SKU focused. This change is expected to have multiple benefits such as, capturing a larger consumer set, opening up opportunities in new categories, better management of advertising and promotional spends and improving market shares, which we believe could be sustainable growth drivers.
- ◆ A structurally higher growth portfolio, benefits from distribution expansion and exposure to categories which will be defensive in the current macro environment is expected to shield Nestle in the Covid world.

Source: Bloomberg, Internal Research

Company Background

- ◆ Shree cement is among the top three cement producers in the country with a capacity of ~35 million tons per annum
- ◆ Shree cement has a strong presence in North and Eastern states with operations spreads across 6 states
- ◆ Shree cement has a productive cement capacity of more than 40 MTPA and power generation capacity of more than 700 MW, which is on a rising trend.



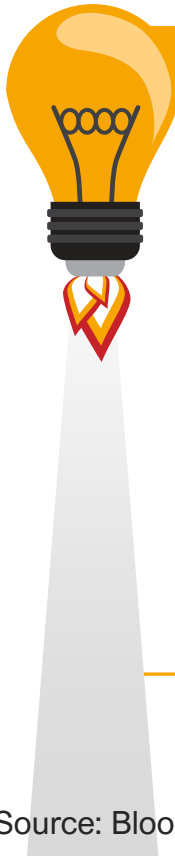
Innovation - Cost Leadership

- ◆ Shree is among lowest cost cement producer and enjoys superior profitability due to best energy efficiency on account of early adoption of pet coke, Waste Heat Recovery System(WHRS), alternate fuel & raw material (AFR's) and a 100% captive power plant.
- ◆ It has pioneer status in split grinding strategy, thereby saving logistics cost.
- ◆ SRCM stands out within the cement industry for the following reasons:
 - Consistent capacity addition funded through internal accruals
 - Higher than industry volume growth, leading to consistent market share gain
 - Capex cost continues to be around 20% lower than the industry average because of the Company's organic model of growth without additional debt, scope for higher brownfield expansions and ability to garner critical resources by overcoming regulatory hurdles.

Source: Bloomberg, Internal Research

Company Background

- ◆ Biocon is an integrated biotechnology company encompassing all the three critical stages of drug development - drug discovery, development and manufacturing, and commercialization of biopharmaceuticals.
- ◆ FY22 marks the beginning of a process, emergence of Biocon 5.0 – a technology-enabled, future ready biopharmaceuticals leader and a well-recognized, global brand.



Innovation - Market Leadership with restricted competition

- ◆ With over 25 years of expertise in fermentation technology, the company has built a strong presence in lucrative high-growth segments like statins, immuno-suppressants and anti-diabetes.
- ◆ Biocon is a fully-integrated biopharma player with API manufacturing facilities, strong capabilities in biologics, innovative drug development, and a branded generics business.
- ◆ Biocon's subsidiary, Syngene focusses on custom manufacturing and research services for other pharma companies.
- ◆ Biologics segment profitability is expected to improve going forward, driven by incremental manufacturing capacity which has been commissioned for Pegfilgrastim, and recognition of profit share from the recent Trastuzumab launch.
- ◆ Mylan (Biocon's partner) is also targeting additional market segments in the US, to accelerate market share gains for its biosimilar products.

Source: Bloomberg, Internal Research

Company Background

- ◆ HDFC Life is one of India's leading life insurance companies, offering a range of individual and group insurance solutions that meet various life stage needs of customers. Its products include Protection, Pension, Savings & Investments, Health, etc.
- ◆ The Company has 35+ Individual Products, and 10+ Group Products. The company has more than 370 branches and touchpoints and more than 300 partnerships with traditional partners like NBFCs, MFIs, SFBs.



Innovation - Higher Share of New Products/Services

- ◆ HDFC Standard Life is a premium play in the life insurance sector, as it has delivered on key metrics such as: (1) sector leading product margin expansion; (2) product portfolio diversification (lower ULIP concentration); (3) strong improvement in persistency ratios; and (4) a long history of actuarial disclosures.
- ◆ New product launches in protection, participating & non participating savings products is expected to drive the future growth & market share growth. (New products since FY18- Pension Guaranteed plan, Sanchay Plus, Classic one, Sanchay Par Advantage)
- ◆ HDFC Life hedging strategy and hence ability to sustain high margins gives it an edge over its peers. Interest rate risk is managed through a combination of duration and cash flow hedges.
- ◆ It has partnered with 300+ banks/Non bank financial companies/ Micro Finance Institutions/Small Finance Banks and developing business with 40+ of alternative distribution channels including Uber, Airtel, Paytm, etc. This as an additional catalyst on growth as this could allow larger/ cost-efficient customer acquisition potential outside one captive bank.

Source: Bloomberg, Internal Research

Company Background

- ◆ Bayer CropScience is among the market leaders in India's agrochemical industry, with an estimated double-digit market share.
- ◆ Bayer is the first agrochemical company to obtain approval to conduct drone-based spraying trials at 10 R&D locations across the country.



Innovation - Higher Share of New Products/Services

- ◆ Besides a strong product portfolio, which benefits from its parent's R&D, Bayer CropScience has one of the widest distribution networks in India. Its field sales force is a strong ~3,500.
- ◆ Bayer CropScience enjoys a unique position in the market because of its capability to offer new innovative products, technologies, processes, services and business models.
- ◆ Bayer has been moving towards an asset-light business model, consistent with the global strategy of its parent, and now has only one formulation unit at Himatnagar (Gujarat), with all other products sourced from contract manufacturers or sister companies. It has recently in end 2018 acquired Monsanto India.
- ◆ Potential synergy benefits of around Rs.120 cr. annually majorly through incremental revenues by providing a comprehensive product portfolio across crop protection, seeds and biologics through a larger distribution network and partly by front-ended savings on administration, commercial, procurement and supply chain cost items is expected.

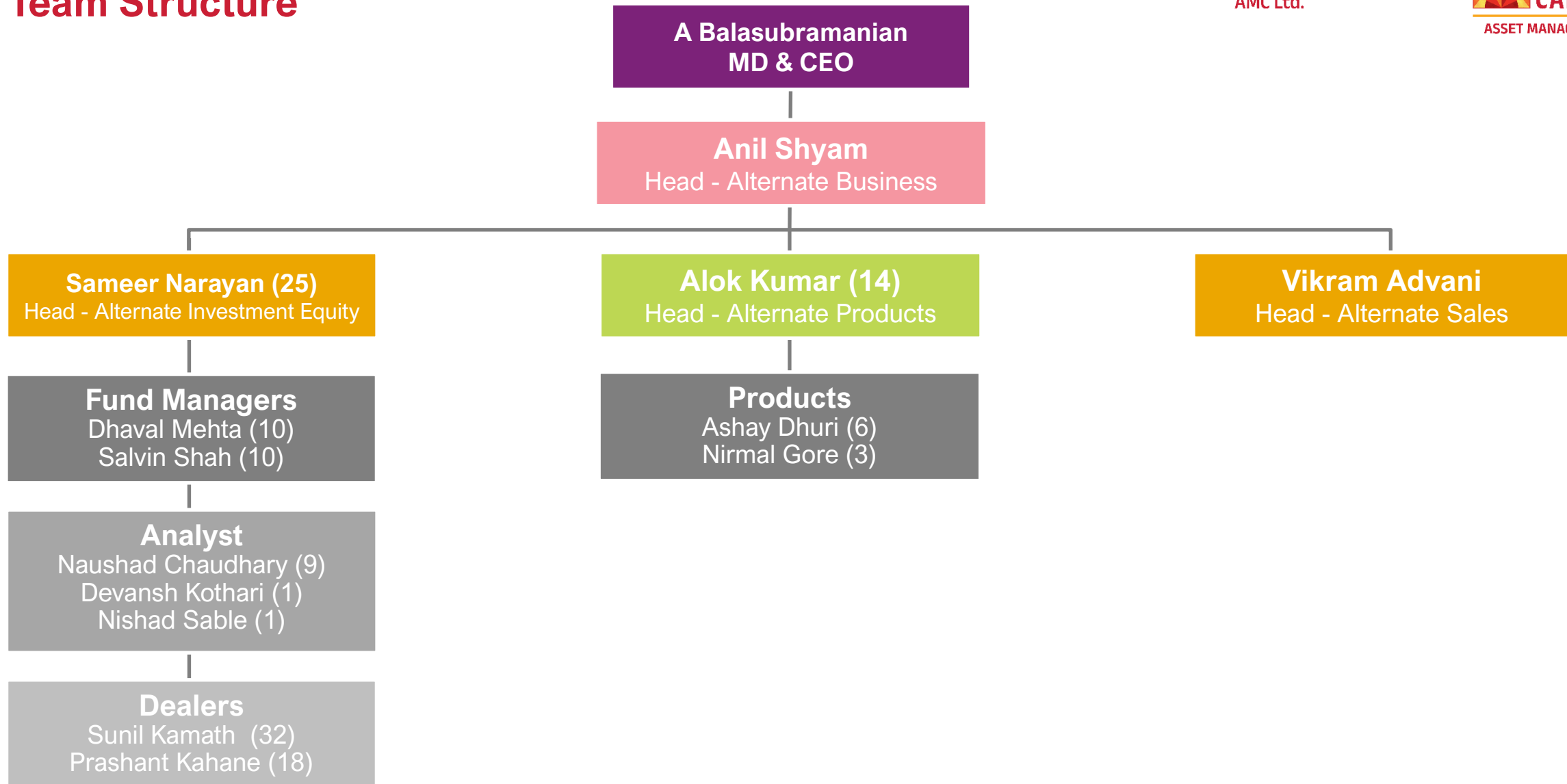
Source: Bloomberg, Internal Research

Innovation Portfolio - Portfolio Construct

Portfolio Name	Innovation Portfolio
Structure	Discretionary PMS
Strategy	Equity
Nature	Open ended
Market cap	Multi 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 &/or income in the form of dividends &/or bias towards any market cap segment etc. as mutually agreed by the client & fund manager. It can also invest in money market instruments & units of mutual fund. Features of the companies can include – High quality with consistency in growth, high ROE, low leverage & high potential for growth. It is a portfolio which can be tailored as per the specific investment preference of the client. 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	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



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.



Anil Shyam
Head- Alternate Business & ETF

- * Has over two decades of experience and has been associated with the organisation since October 2007.
- * He has previously worked at AK Capital Services Limited, Cholamandalam AMC Limited, JM Financial Asset Management Private Limited and at ICICI Prudential AMC Limited.
- * Qualification: Bachelor's Degree in commerce and Master's Degree in Finance & Control from Himachal Pradesh University, Shimla.



Alok Kumar
Head Products - Alternatives

- * A dynamic investment professional with 14+ 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



Vikram Advani
Head of Sales – Alternate Assets

- * As Head of Sales (Alternate Assets), Vikram Advani spearheads the sales practice for the Portfolio Management Services and AIF businesses at Aditya Birla Sun Life AMC Limited.
- * With over twenty four years of rich experience in business, sales, and channel development, Vikram works closely with the sales team to drive business growth across the Banking, Retail, and Institutional segment.
- * Prior to this, under his leadership as Head – Sales & Distribution, ING Investment Management (India), Private Ltd., assets under management grew phenomenally He also established ING as a leading brand in the business segment of Portfolio Management Services from the year 2009 to 2012.
- * A graduate in Commerce from the University of Pune, Vikram has a Masters Degree in Business Administration from Edith Cowan University, Perth, Western Australia



Sameer Narayan
Head-Alternate Investment Equity

- * Has 25+ 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.



Dhaval Mehta
Portfolio Manager (Equity)

- * Has 9+ years of experience in equity research and portfolio management. Dhaval's main domain expertise is in Consumer Staples & Discretionary, Retail, Building Material, Cement and Media sector.
- * Prior to joining ABSLAMC, he has worked with ASK Investment Managers as Portfolio Manager and managed assets over \$200mn with stellar performance across investment cycles.
- * Prior to ASK, he has worked with Emkay Global Financial Services, Ventura Securities and Infosys.
- * Qualification: MBA from Narsee Monjee Institute of Management Studies Mumbai and have done its Bachelor of Engineering from D.J Sanghvi College of Engineering Mumbai.



Salvin Shah
Portfolio Manager (Equities)

- * Has 9+ 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 Investor queries/complaints, please get in touch with your nearest PMS Relationship Contact Cell,
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