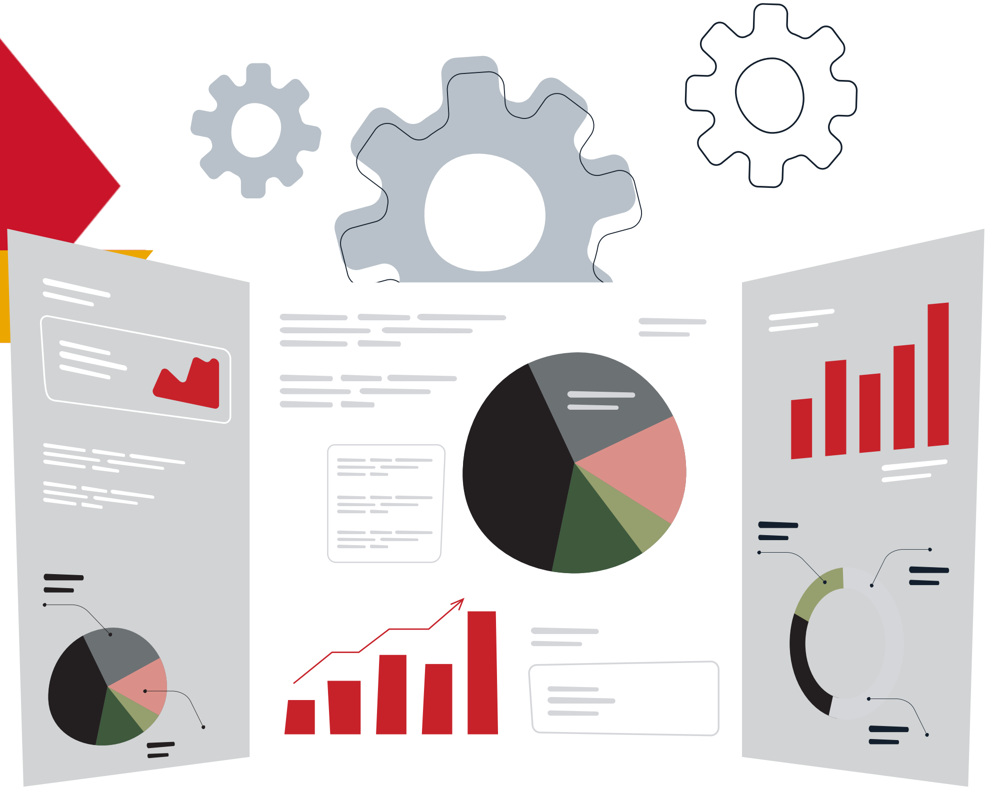
Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL
ASSET MANAGEMENT

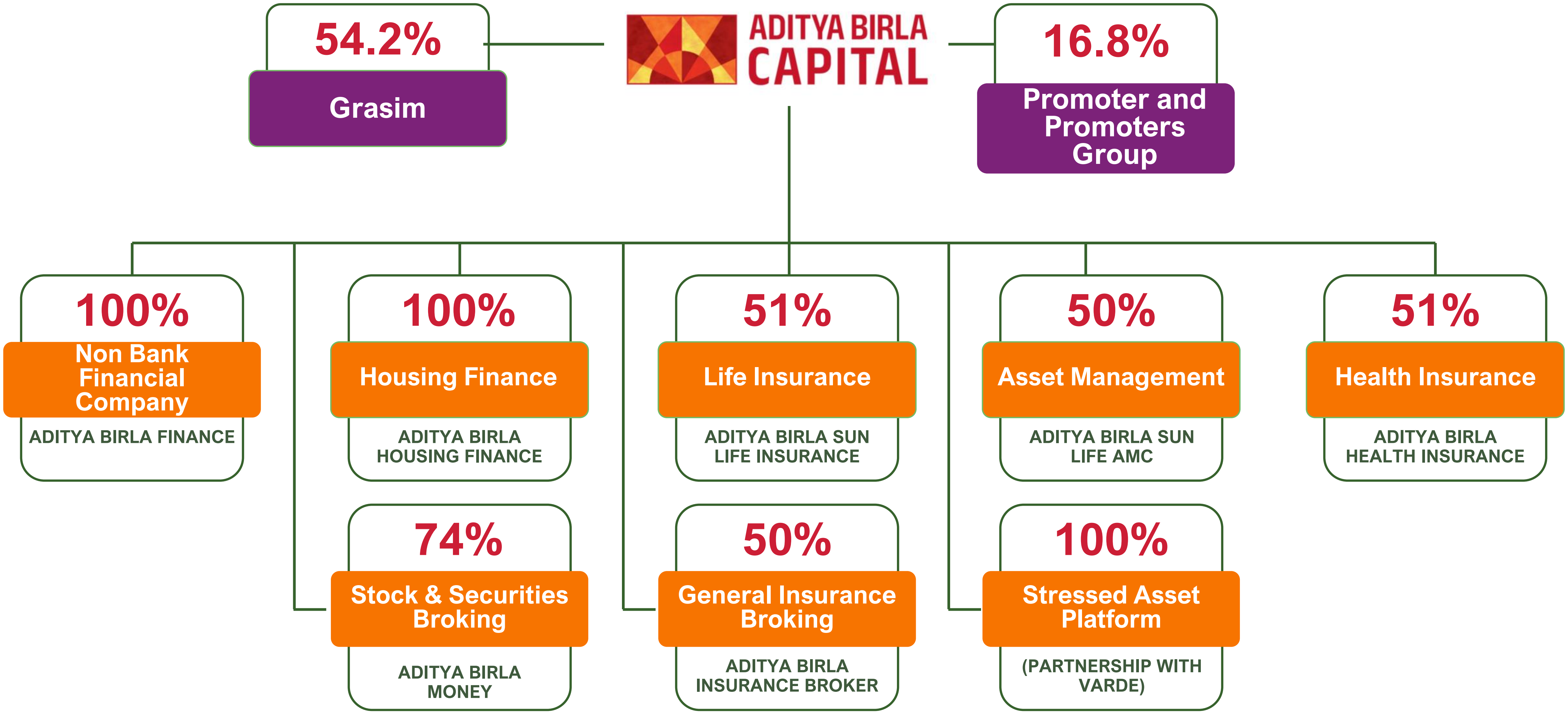
Select Sector Portfolio

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

ADITYA BIRLA CAPITAL

- 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.

Sun Life Financial

- 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

Overview: Aditya Birla Sun Life Asset Management Company

Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL ASSET MANAGEMENT

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

Source : Internal.

ABSLAMC - Diversified Investment Experience

Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL ASSET MANAGEMENT

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

Our Investment Philosophy

Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL
ASSET MANAGEMENT

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

Portfolio Construction Process

Investment Process

Investment Universe

Portfolio Universe as per fund mandate

Stock Screening

- Financial Modelling & Due Diligence
- Quantitative & Qualitative Screener

Portfolio Optimisation

- Risk reward analysis & Portfolio optimisation

Portfolio Construction

Portfolio of high conviction 20-30 names

Monitoring

- Periodic monitoring
- Stop loss Triggers
- Maintain Sell Discipline

Investor Servicing

Fund Performance, Reporting & Investor Servicing

Investment Process - Screening & Monitoring

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

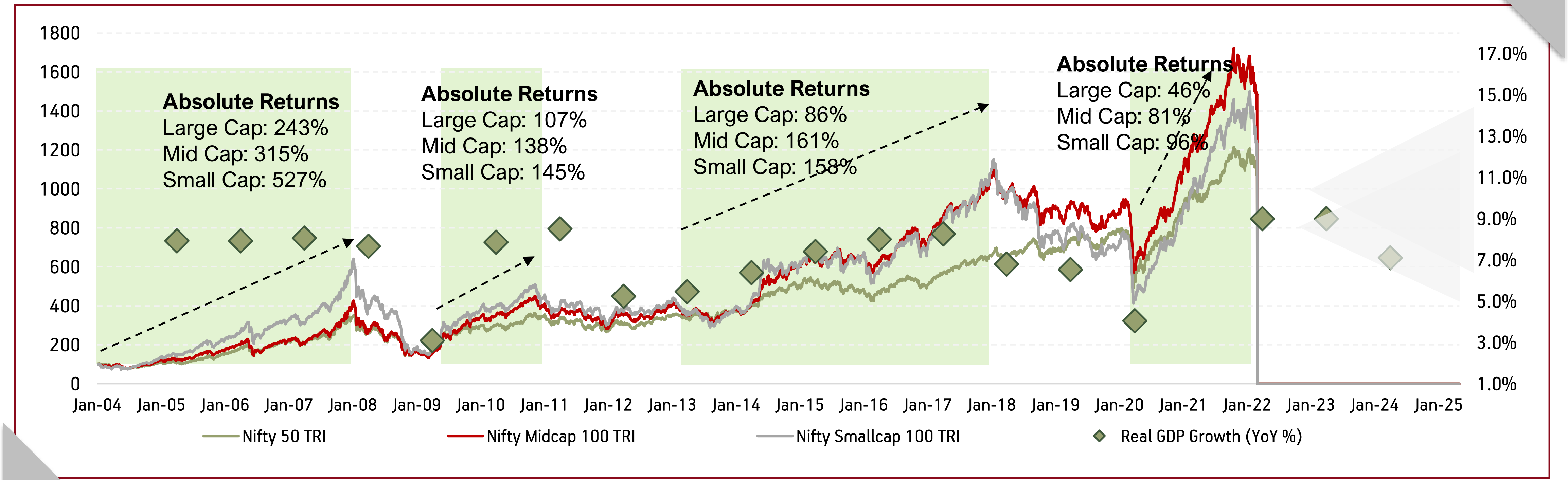
Maintain Sell Discipline

Poor Capital Allocation
Weakening Competitive Position
Any emerging governance issues

Select Sector Portfolio

Mid & Small Caps Outperform in every Economic Recovery

Real GDP Growth (% YoY)



- After contracting in FY21 - India's real GDP is expected to grow at 9.0% in FY23 & in the range of 6-7% FY23 onwards.
- Similar to post dotcom bust (2000) and financial crisis (2008), Mid Caps & Small Caps have given exponential returns in the year FY22 and are likely to continue this growth momentum.

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

Mid & Smallcap Companies can be Market Leaders in their Segment

DID YOU KNOW INDIA's…

	Company
Leader in the synthetic leather industry supplying to footwear & PV companies	Mayur Uniquoters
Market leader in automotive lighting industry with ~35% consol. market share	Lumax Industries
Leading diagnostics company in West & South India	Metropolis
One of the largest Indian manufacturers of specialty fluorochemicals	Navin Flourine
Leading footwear player in India with around 15% market share in a highly unorganised industry	Bata

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

Select Sector Portfolio: Investment Objective & Strategy

Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL ASSET MANAGEMENT

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/returns profile

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

India GDP*

Private Consumption (~55-65%)	Exports (~20-25%)	Gross Capital Formation (~30-35%)
• Food, beverages, tobacco • Housing, fuel, power, water • Transport & Communication • Misc. goods & services • Clothing & Footwear • Furnishing & Maintenance • Healthcare • Restaurants & Hotels • Education & Recreation	• Export of goods • Export of services	• Public Sector • Pvt Sector • Household
Decoupled, stable and sustainable returns over long term	Cyclical, levered to domestic policy and global economic recovery	

*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

Industrials
FY06 - FY08

Healthcare
FY09-FY11

Financial Services
FY10-FY11

Consumer Staples
FY12- FY13

Financials
FY17-19

Information Technology
FY20 -22

FY23-25

- Materials
- Industrial
- Consumer Discretionary

Source: Internal Research

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

Commercial Banks
- Entry barriers in the form of licenses
- Very limited customer bargaining power

Pharmaceuticals
- Large and growing addressable market
- Entry barriers in form of size, capital, regulations & research capabilities

IT Services
- Arbitrage- India's cost advantage vs global players
- Limited supplier power(employees) in terms of salary costs

Capital Goods
- Large & growing addressable market
- Strong and large balance sheets acting as performance anchors

FMCG
- Brand franchise and distribution scale driven entry barriers
- Ingrained sustainability, healthy margins & return ratios

Pillar 3: Effective Screeners backed by Fundamental Research

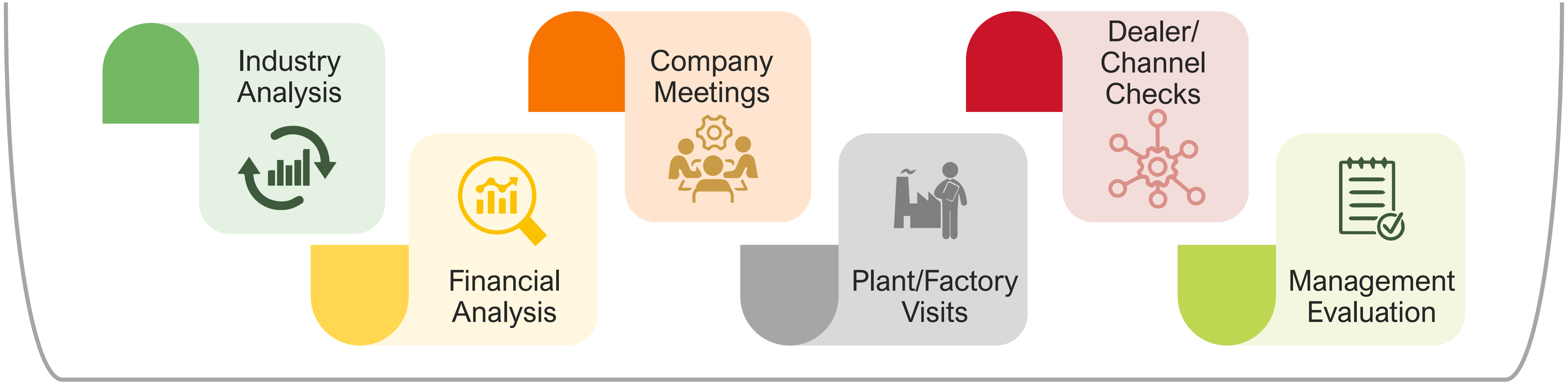
Superior screening process

- **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

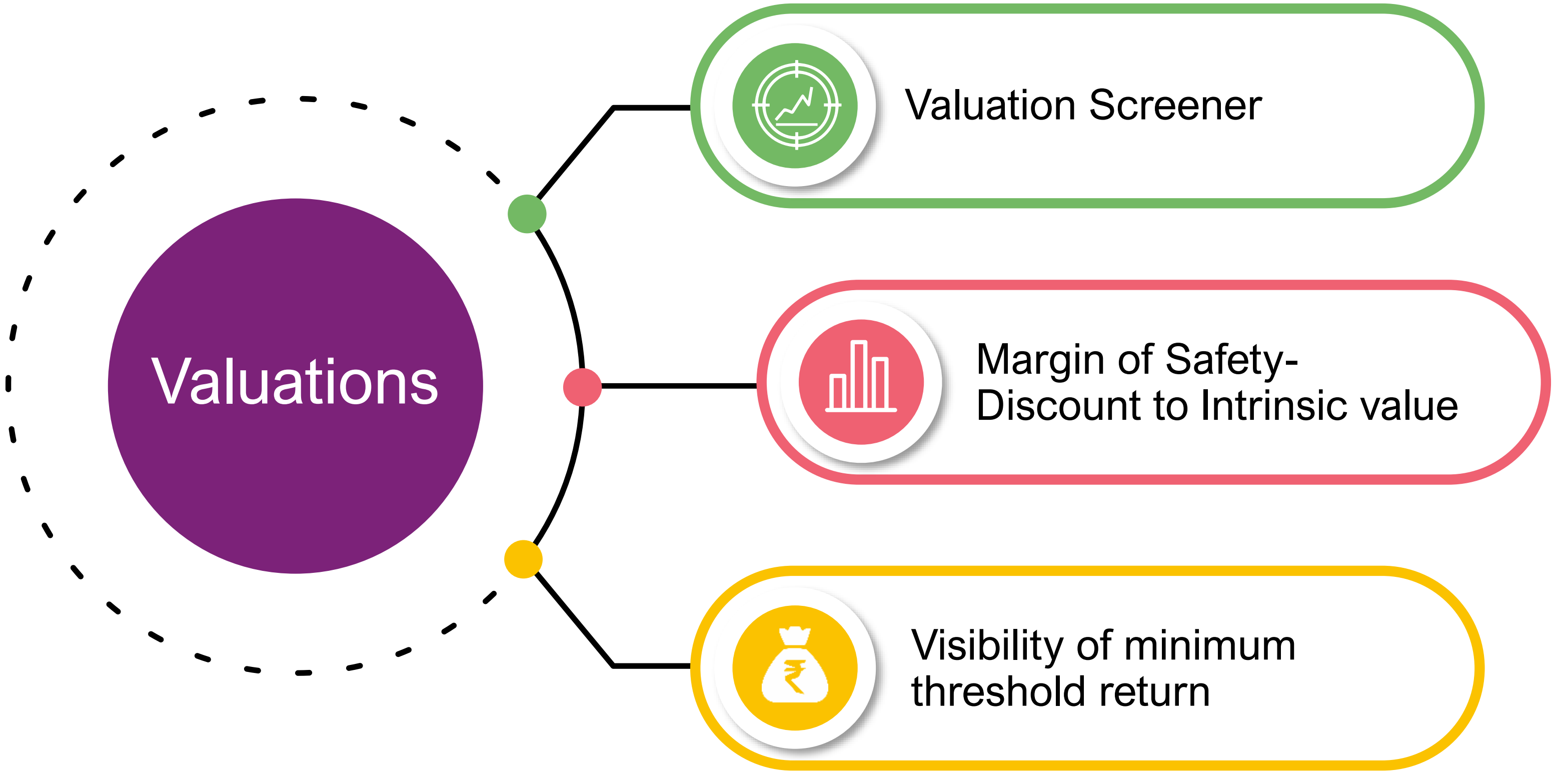
Bottom-up Fundamental Research



Pillar 4: Attractive Valuation with "Margin of Safety"

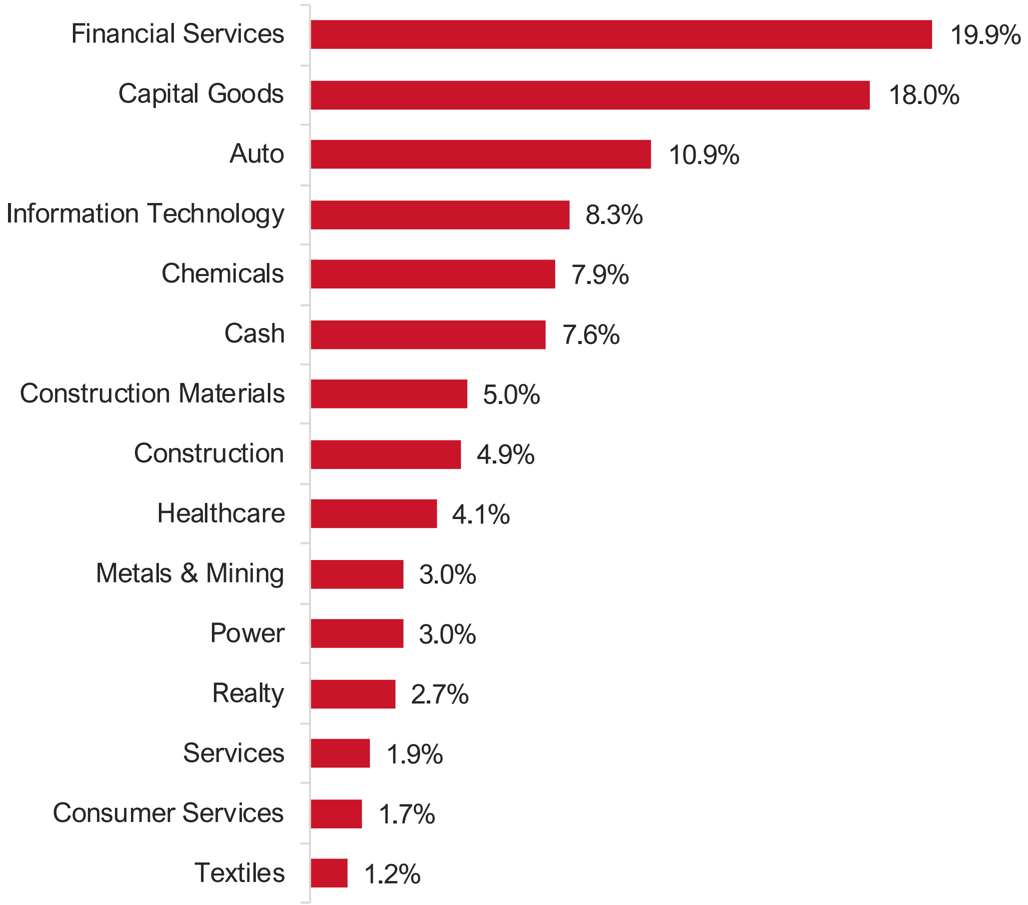
Aditya Birla Sun Life AMC Ltd.

- 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**

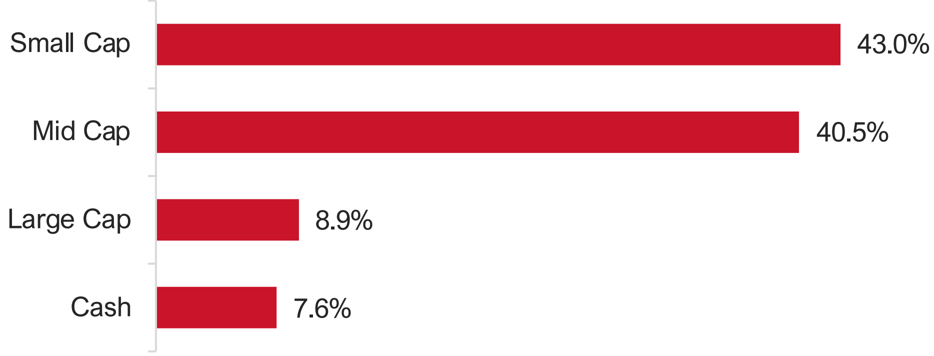


Model Portfolio structuring

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, 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)
SSP	39.5	41.4	28.6	**46.2%**
NIFTY MIDCAP 100	29.5	27.0	22.2	
BSE 500 TRI	25.5	22.5	19.5	

ROE (%)	FY23A	FY24E	FY25E	Prem/Disc to Benchmark (FY24E)
SSP	14.0%	15.1%	16.2%	**1.5%**
NIFTY MIDCAP 100	11.0%	13.9%	15.0%	
BSE 500 TRI	14.4%	15.3%	15.9%	

EPS Growth (%)	FY23A	FY24E	FY25E	Prem/Disc to Benchmark (FY24E)
SSP	18.3%	74.1%	28.4%	**97.0%**
NIFTY MIDCAP 100	20.3%	19.7%	18.8%	
BSE 500 TRI	13.2%	18.1%	14.4%	

Net Debt to Equity* (%)	FY23	Prem/Disc to Benchmark
SSP	3.0%	**-90.3%**
NIFTY MIDCAP 100	52.0%	
BSE 500 TRI	31.0%	

Top 10 Holdings & Weights

Top 10 Portfolio Holdings	% of Net Assets
BSE Limited	7.8%
Persistent Systems Ltd	6.5%
360 One Wam Limited	4.4%
ICICI Bank Ltd	4.3%
Lumax Industries Ltd	3.8%
Federal Bank Ltd	3.4%
Triveni Turbine Ltd	3.3%
Hitachi Energy India Ltd	3.2%
Ion Exchange India Ltd	3.0%
National Aluminium Company Ltd	3.0%

* Financials excluded in calculation of D/E
Source: All ratios are based on Bloomberg consensus estimates.
Note: Premium/Discount to benchmark Nifty Midcap 100 is listed for the period FY24E.

As on February 29, 2024

SSP Portfolio Characteristics

Portfolio Characteristics

Key Ratios (3 Years)	SSP	BSE 500 TRI
Standard Deviation	14.53%	13.41%
Sharpe Ratio	1.30	0.94
Beta	0.89	
Portfolio Turnover	0.50	
Avg MCap (Rs. Cr.)	₹ 78,840	
Median MCap (Rs. Cr.)	₹ 32,062	

As on February 29, 2024

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	0.9%	5.9%	18.2%	44.0%	26.2%	25.7%	23.3%	21.9%	16.7%
BSE 500 TRI	1.7%	11.9%	18.9%	39.5%	19.8%	19.5%	19.0%	16.7%	13.2%
Outperformance	-0.7%	-6.0%	-0.7%	4.6%	6.4%	6.3%	4.3%	5.1%	3.5%
Nifty Midcap 100	-0.5%	12.6%	23.6%	60.5%	30.8%	27.6%	23.6%	20.0%	14.8%
Outperformance	1.42%	-6.7%	-5.4%	-16.5%	-4.6%	-1.8%	-0.4%	1.9%	1.9%

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

As on February 29, 2024

Case Studies

JK Cement Ltd

Company Background

- J.K. Cement Ltd is an affiliate of the multi-disciplinary industrial conglomerate J.K. Organization which is in the business of white cement and wall putty production.
- JK Cement has over 10 plants in India and market presence in 35+ countries with over 1 Lac dealers and retailers.
- The company is committed to science based targets to reduce greenhouse gas emissions and climate change impacts

Materials: An RWP Industry

- Materials industry is amongst the top 15 outperforming industries in India.
- Positive operating dynamics – Cement is an essential material for infrastructure building & with the government's initiatives on low cost housing, industry entry barriers in terms of capex requirements, pick up in demand due to good monsoon & improving rural economy bode well for Cement industry.

Use of Proprietary screeners

- Captured by Proprietary screener (ANR)

Fundamental Evaluation

- JK Cement is one among only two white cement companies in India & has a market share above 42% in India.
- It is also the second-largest producer of wall putty in the country with annual installed capacity of 700,000 tn.
- There is a steady deleveraging as the capex rate is slowing down & its UAE operations are being ramped up.
- Industry clinker utilization rates are expected to rise especially in North India.

Valuations

- Trading at 22x P/E FY25E.

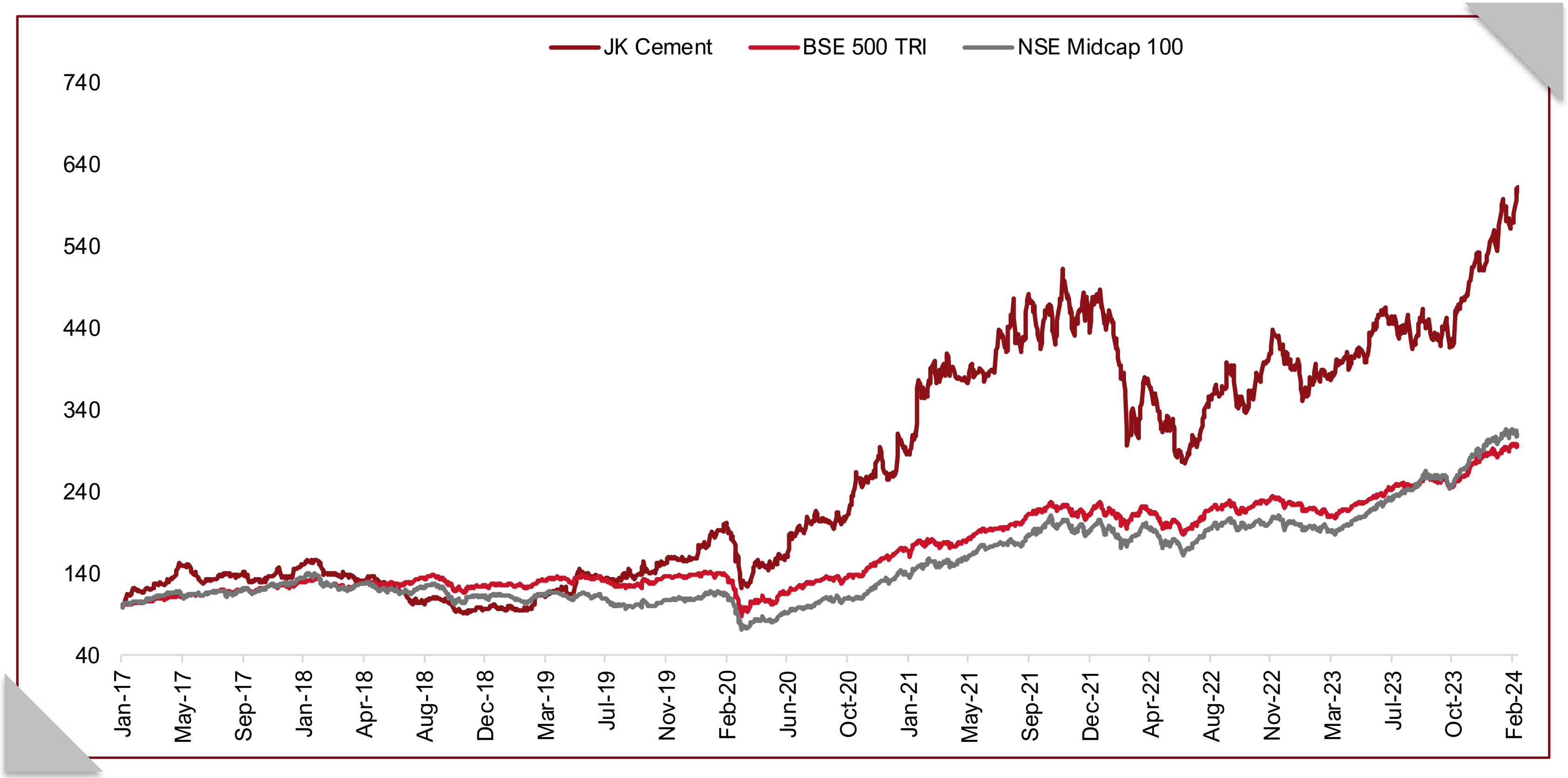
JK Cement Ltd

Date of Investment
30 January 2017

Investment Price
₹738

Current Price
₹4,515

Total Returns
₹512% (7.1 Years)



Note: Stock and Index rebased to the date of first purchase / As on February 29, 2024 / Source: Bloomberg

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, Dhaval Mehta
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

Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL
ASSET MANAGEMENT

A Balasubramanian
MD & CEO

- **Sameer Narayan**
  Head - Alternate Investment Equity
  - **Fund Managers**
    Dhaval Mehta (11)
    Salvin Shah (11)
  - **Analyst**
    Naushad Chaudhary (10)
    Devansh Kothari (2)
    Nishad Sable (2)
  - **Dealers**
    Sunil Kamath (33)
    Prashant Kahane (18)
- **Bhavdeep Bhatt**
  Head - Alternate & PMS Business
  - **Alok Kumar (15)**
    Head - Alternate Products
    - **Products**
      Nirmal Gore (3)
      Tejas Soni (2)
  - **Vikram Advani (25)**
    Head - Alternate Sales

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.

Bhavdeep Bhatt
Head- Alternate & PMS Business

- With over 28 years of experience, he has led teams across Products & Communications, business development, Institutional Sales and Retail Sales verticals.
- He has led several 'first-of-its-kind' innovative products across asset classes that have led to several accolades. He has been pivotal in the launch of 33 products within equity, structure and alternate product space.
- He has previously worked with Kotak Mahindra Asset Management Company Limited and at ICICI Prudential AMC Limited.
- Qualification: He holds a Bachelor's Degree in Commerce and Master's Degree in Business Administration from Bhavnagar University

Alok Kumar
Head Products - Alternatives

- A dynamic investment professional with 15+ 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 five 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

Investment Team

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 11+ 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 (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**

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