



# Core Equity Portfolio

Write your own chapter in India's growth story with the Core Equity Portfolio (CEP). An exclusive offering from Aditya Birla Sun Life AMC Ltd - Portfolio Manager, CEP gives you the opportunity to invest in businesses that are central to the country's growth drive.

This portfolio helps you identify these businesses and participate in their growth journey in the medium to long-term. By investing in CEP, you also get to practise value investing.

### Investor profile

Core Equity Portfolio is an ideal investment option for investors seeking a long-term participation in India's growth journey through investment in Indian equities.

# Consistency of performance across market cycles

## What creates this sustainable wealth-creation portfolio?

The Core Equity Portfolio consists of 25-30 stocks selected from a multi-cap universe. The investment approach is founded on four pillars:

- Sustainable growth over long-term in select industries, which endeavors to make up for most of the GDP growth patterns.
- Focus on businesses that consistently create value through favourable industry operating conditions.
- Quantitative Screeners backed by fundamental research: Comprehensive alert system to track industry-wise valuations. Current studies include: Recurring Winners Study, Piotroski Scores.
- Value investing approach to generate alpha.

## Portfolio Managers



Vishal Gajwani

With over 11 years of experience in equity research and portfolio management, Vishal has extensive expertise in researching companies across sectors and market capitalisations. Prior to this assignment he was a part of Reliance Portfolio Management Services (a part of Reliance Capital Asset Management Ltd), where he was designated as an Assistant Fund Manager and was responsible for managing equity portfolios.

He is a Gold Medal winning Chartered Accountant (ICAI, India) and holds a Masters degree in Commerce from M. S. University of Baroda. Vishal received 4 Gold Medals, including the Chancellor's Gold Medal, for topping the Master of Commerce Exams. Vishal is also a CFA charter holder from the CFA Institute (The Global Association of Investment Professionals), USA.



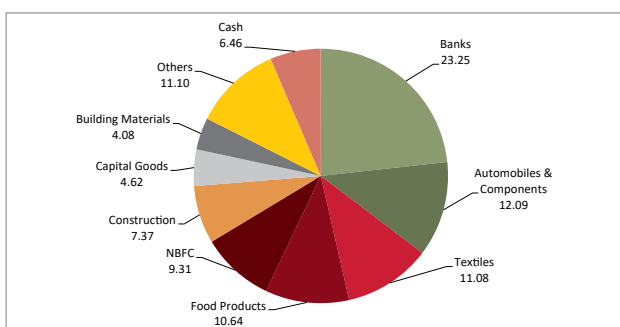
Natasha Lulla

Over 10 years of experience in equity research and fund management. Prior to joining Birla Sun Life Portfolio Management Services, Natasha was working with Goldman Sachs as an equity analyst covering India Materials sector. In her earlier stint at Goldman Sachs, she was responsible for Portfolio Strategy for ASEAN regions and also covered Singapore Real Estate.

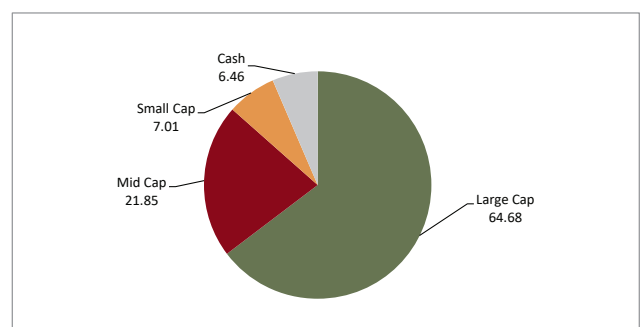
Natasha holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was a Gold Medal winner in each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. Natasha has done her graduation in Economics from Lady Shri Ram College, New Delhi and graduated amongst the top 1% in Delhi University.

## Portfolio Analytics

### Sector Allocation (As per GICS Sector Classification)



### Market Cap Bias



# Portfolio Analytics

## Top 10 Portfolio Holdings

Sr. No.	Company Name	% to Net Assets
1	ICICI Bank	8.07
2	Bajaj Finserv	6.52
3	Bata India	5.92
4	Aditya Birla Fashion and Retail	5.16
5	Indusind Bank	5.15

Sr. No.	Company Name	% to Net Assets
6	HDFC Bank	5.11
7	Nestle India	4.89
8	Siemens	4.62
9	Bosch	3.51
10	Sun Pharmaceutical Industries	3.50

(Source: Internal ABSLAMC Research). All data as on July 31, 2019 . Past performance may or may not be sustained in the future.

## Portfolio Manager's Commentary

### Equity Outlook

It is a well known fact that equity markets are driven by sentiment in the short run. In the words of Benjamin Graham, "Markets are voting machine in the short term & weighing machines in the long term." The short run factors in the public's popular opinions, which may be also loosely termed as momentum investing whereas what matters in the long term is actual underlying business performance driven by fundamentals of a company.

Currently in India, companies with high promoter pledge, high debt & corporate governance concerns are being exited by investors & we are witnessing a flight of capital to "safer" companies. Most of the MNCs also fall in this bracket. MNCs have more independent management, global economies of scale, higher standards of product quality, brand equity & strong distribution capabilities.

In times of economic stress, they are relatively better placed than others. Their parentage also gives them access to technology expertise, strategy & execution capability. MNCs generally have a higher return on invested capital, cash flows & asset turnover with lower leverage. While they tend to trade at higher valuations, they also reward the shareholders, higher dividend yield being one of it.

While all MNCs cannot be painted with the same brush, select companies in the MNC space appear attractive & we have some of the names like Bata, Nestle, Siemens across our various offerings.

Nestle with its cluster based approach of driving sales, continual innovation by launching new products is the market leader in most of its portfolio categories. It's a cash rich company with RoE in excess of 50%.

Bata too has a debt free balance sheet & is focused on expanding in tier 2 & 3 cities with its product offerings across women, youth & sports categories. It has maintained its leadership position in a largely fragmented Indian footwear market where there is a lot more scope to improve market share.

### Portfolio Action

In the month of July, we added ITC Limited and Larsen & Toubro to the portfolio. We exited Gulf Oil Lubricants India Ltd L&T Finance Holdings Ltd from the portfolio.

ITC Ltd is a diversified conglomerate & India's biggest cigarette manufacturer. The other businesses of ITC include FMCG, Consumer goods, Hotels, Paperboards & Packaging, Agri Business & IT. The FMCG portfolio includes Packaged Foods, Branded Apparel, Personal Care, Education, Stationery and other FMCG products. FMCG

business continues to grow ahead of market, as many of their brands have achieved a significant scale, with an overall CAGR of ~15% over FY10-19. We expect a slower pace of increase in excise duties going forward, primarily because govt. recognizes the increasing share of contraband cigarettes in the market and loss of taxes thereof. We expect around 3-4% volume growth in the next 2 years.

Larsen & Toubro Ltd (L&T) manufactures engineering equipment, undertakes large scale engineering projects, and acts as the Indian representative for a number of overseas manufacturers of heavy machinery. The Company's products include bulldozers, road rollers, dairy machinery, chemical and pharmaceutical plants, switchgears, food processing machinery and feed milling plants. Of the near-term bid pipeline of Rs. 8.4tn, central projects and projects funded by multilateral agencies account for the majority (ADB, JICA, World Bank etc). We think that given the likely low interest-rate regime across the world, funding from these multi-lateral agencies is likely to continue to chase higher yields in countries like India and hence, we see merit in L&T's guidance on a 10% yoy growth in order-inflow going forward.

Gulf Oil Lubricants India Ltd: Sustained slowdown in the auto space over the last couple of months may affect the volume growth for Gulf oil in the near to medium term. In such times, companies tend to increase the ad spends & resort to aggressive marketing tactics. While this might increase the market share, it will come at the cost of reduced profitability. With the government of India focusing on increasing the usage of electric vehicles, EV adaptation may be faster than anticipated. This is expected to reduce the volume growth of Gulf oil lubricants.

L&T Finance Holdings (LTFH) is moderating its business momentum by slowing disbursements in key segments of rural finance, moderating a bit in developer finance and defocusing on structured finance and DCM businesses. This is likely an outcome of a combination of factors, viz. slowdown in select markets, management's cautious outlook, shifting out of businesses with limited competencies and focus on liquidity. The company has not provided any growth guidance and will likely focus on maintaining margins and asset quality in the near term.

(Source: Bloomberg, ABSLAMC Internal Research)

Disclaimer: The views expressed above are the views of the Fund Managers of Core Equity Portfolio and should not be construed as an 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.

## Risk Ratios

Analytics for period ending July 31, 2019	Benchmark	Standard Deviation	Sharpe Ratio*	Beta	PTO (%)
Core Equity (Model) Portfolio	Nifty 500	16.71%	-0.39	1.09	67%

\*Risk-free rate assumed to be 5.75% (MIBOR as on July 31, 2019)

Above ratios are calculated on Annualised basis using 3 year history of monthly data points

## Portfolio Key Facts


Inception Date	April 1, 2008
Benchmark	Nifty 500
Type of portfolio	Open-ended Discretionary Portfolio
Minimum Investment Amount for New Account Opening	Rs. 25 lacs OR such other amount as decided by the Portfolio Manager at its sole discretion
Recommended Investment Horizon	At least 3 years
Taxation	Investors are advised to seek consultation from their Independent Financial Advisor / Tax Advisor before making any investment decision.
Key risks	Equity Market Risk

### Risk Factors and Disclaimers

Model Portfolio refers to portfolio of earliest investor in the product and in case of redemption of the model client, portfolio of earliest client in the said product rebased for computation of returns. It refers to specific investments that the investor will have in his portfolio when it is completely built-up over a period of time. Past performance may not be sustained in the future. Investments in securities are subject to market risks. Please refer to disclosure document. The returns are absolute for the period mentioned less than 1 year and in CAGR for the period more than 1 year. Individual portfolios of investors may vary from the model portfolio due to factors such as timing of entry and exit, timing of additional flows and redemptions, individual investor mandates (if any), specific portfolio construction characteristics or structural parameters. These factors may have bearing on individual portfolio performance and hence individual returns of investors for the said portfolio type may vary from the data on performance of the portfolio depicted above. Neither the Portfolio Manager nor the Asset Management Company, its Directors, employees or sponsors shall in any way be liable for any variation in the actual returns of individual portfolios.

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