



Portfolio Observer - August 2019

Select Sector Portfolio

Write your own chapter in India's growth story with the Select Sector Portfolio (SSP). An exclusive offering from Aditya Birla Sun Life AMC Ltd - Portfolio Manager, SSP 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 SSP, you also get to practise value investing.

Investor profile

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

2 • Portfolio performance and process
• Portfolio Managers

3 • Portfolio Analytics
• Portfolio Manager's Commentary

4 • Portfolio Key Facts & Features

Consistency of performance across market cycles

What creates this sustainable wealth-creation portfolio?

The Select Sector Portfolio consists of 20-25 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.



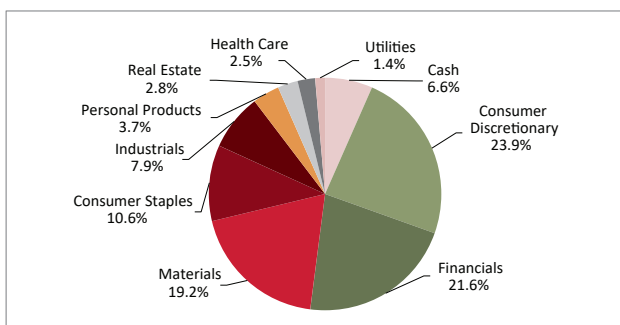
Natasha Lulla

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.

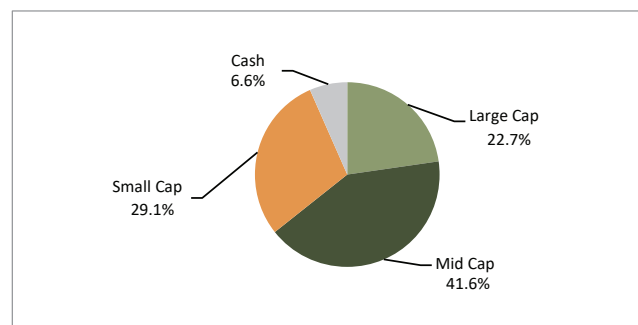
Natasha holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was a Gold Medal winner in each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. Natasha has done her graduation in Economics from Lady 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	7.4
2	Bata India	6.0
3	Indusind Bank	5.3
4	APL Apollo Tubes	5.1
5	Asian Paints	5.1

Sr. No.	Company Name	% to Net Assets
6	Nestle India	5.0
7	Jubilant Foodworks	4.7
8	MRF	4.6
9	Federal Bank	4.4
10	Cummins India	3.9

(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, Cummins 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

Consumer Goods and Metals have contributed positively to the portfolio. Asian Paints, Emami, ICICI Bank, Zydus Wellness and Indusind Bank are the top 5 performers.

From a valuation perspective, the Nifty 500 & Nifty Midcap index have corrected by 6% & 15% respectively in the last 1 year. While there might be some pain in the near term, from a 3 year perspective there are ample growth opportunities for the Indian equity investor as the structural growth story of India remains intact.

(Source: Bloomberg, ABSLAMC Internal Research)

Disclaimer: The views expressed above are the views of the Fund Managers of Select Sector 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	P90
Select Sector (Model) Portfolio	Nifty 500	17.99%	-0.36	0.88	67.0%

*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 Midcap
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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