

# Portfolio Management Services

Aditya Birla Sun Life AMC Limited

(A subsidiary of Aditya Birla Capital Limited)



**ADITYA BIRLA  
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

## India Special Opportunities Portfolio

- Diversified, Multi cap portfolio of 15-25 stocks
- Core focus on companies that are primed to benefit from micro and macro catalysts
- Endeavours to exploit the inefficiencies in the market that leads to mispricing of stocks that are fundamentally strong
- Focus on strong Quantitative filters and Qualitative factors

### Portfolio Construct

Portfolio Weight	Catalysts that drive stock selection	Rationale
65% - 70%	<ul style="list-style-type: none"><li>• Micro turnaround</li><li>• Macro / Change in business cycle</li><li>• Management change</li><li>• Deleveraging</li><li>• Demerger</li></ul>	Higher upside potential with catalyst expected to play out over a period of 2-3 years
30%-35%	<ul style="list-style-type: none"><li>• Mid to large cap potential</li><li>• Secular growth names</li></ul>	Consistent performers

### Focus on Strong Filters

Fundamentally strong companies help to provide downside protection

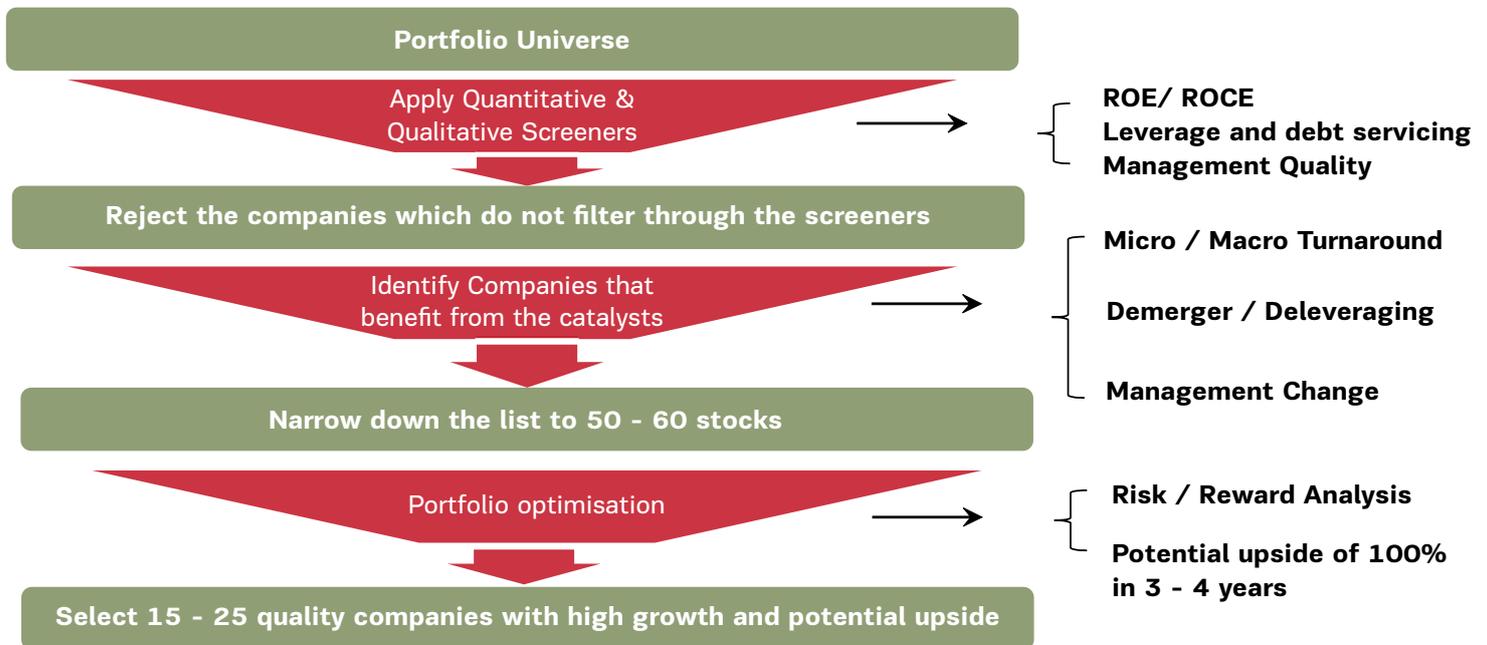
#### Quantitative factors:

- Strong balance sheets
- Good capital allocation track record
- High return on capital over a longer time frame

#### Qualitative factors:

- High corporate governance
- Established business model
- Prominent market share
- Skilled management

## Investment Process:



## Current Portfolio Allocation

Basis the above investment framework the current portfolio is invested as below:

Industry allocation	% of Net
Financials	28.8
Industrials	18.3
Consumer Discretionary	14.9
Consumer Staples	14.6
Health Care	10.3
Information Technology	4.1
Communication Services	4.0
Utilities	3.9
Cash	1.2

Catalyst	Allocation %
Micro turnaround	28.5
Macro turnaround	22.0
Secular Growth	22.0
Management change	17.7
Mid to large cap potential	6.1
Small to mid cap potential	2.5
Cash	1.2

Market cap bias	Weight %
Largecap	50.3%
Midcap	32.4%
Smallcap	16.1%
Cash	1.2%

Portfolio Data as on Jan 31, 2021.

Market Cap Categorization as per Average Market Capitalization of listed companies during the six months ended 31<sup>st</sup> Dec, 2020. Source: AMFI

## Performance

Portfolio Performance	Absolute Returns				CAGR	
	1 Month	3 Month	6 Month	1 Year	2 Year	Since Inception
India Special Opportunities Portfolio	-1.26%	15.87%	21.49%	11.96%	14.86%	7.99%
Nifty 500	-1.87%	17.96%	25.09%	14.61%	12.03%	7.30%
Outperformance	0.61%	-2.09%	-3.60%	-2.65%	2.83%	0.69%

Performance as on Jan 31, 2021. Inception Date: June 14, 2018

### Disclaimer:

Past performance of any product does not indicate its future performance. The returns of investment approaches are calculated using TWRR method and considers all inflows and outflows and market value of entire portfolio for computation of performance. It is calculated net of all expenses and fees. Investment approach level performance reported above is not verified by SEBI.

## Portfolio vs Benchmark- Higher Growth/ROE's with lower leverage

PE (x)	FY209A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	41.5	38.0	25.5	
Nifty 500	22.1	28.1	21.5	18.9%
Nifty	19.5	24.8	20.0	

ROE (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	10.0%	10.5%	15.1%	
Nifty 500	9.1%	9.1%	10.8%	39.9%
Nifty	11.0%	10.0%	11.8%	

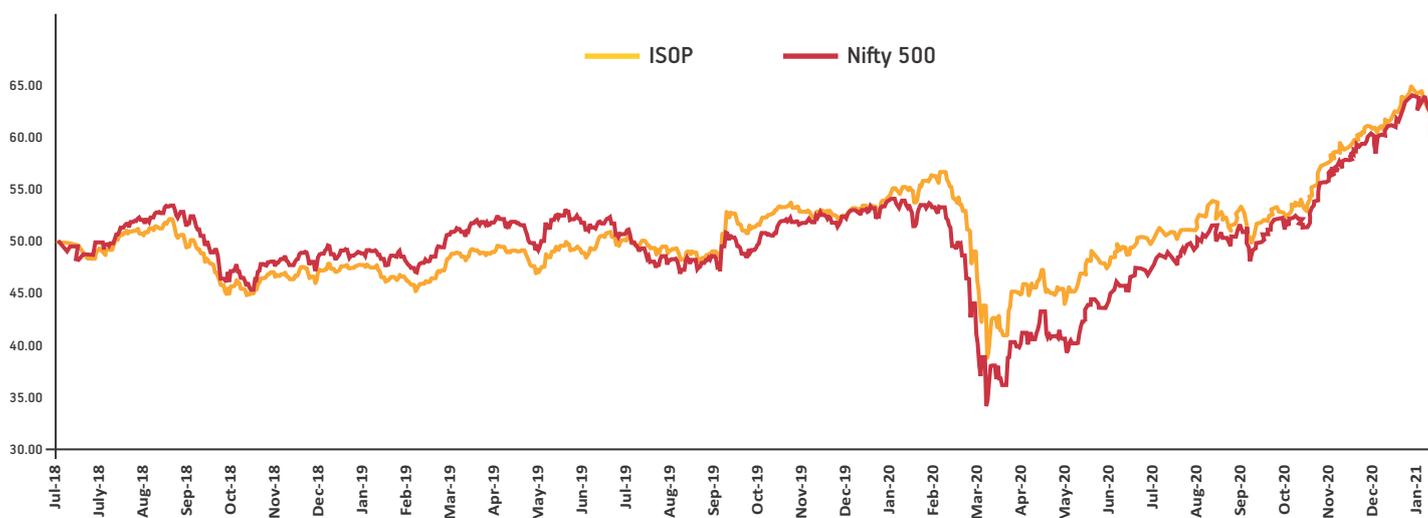
EPS growth (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	7.2%	9.3%	48.6%	
Nifty 500	-4.9%	-5.0%	31.0%	56.8%
Nifty	-1.7%	-4.0%	24.0%	

Net debt to Equity (%)	Fy20	Prem/Disc to benchmark
ISOP	-2.6%	
Nifty 500	58.7%	-
Nifty	57.7%	

## Top 10 Portfolio Holdings

Sr. No.	Company Name	% to Net Assets
1	HDFC Bank	9.3
2	ICICI Bank	6.5
3	Trent	6.1
4	Kotak Mahindra Bank	4.5
5	Dr. Lal Pathlabs	4.3
6	ITC	4.3
7	Axis Bank	4.3
8	AIA Engineering	4.3
9	Multi Commodity Exchange of India	4.3
10	Persistent Systems	4.1

## Growth of 50 lakhs since inception of India Special Opportunities Portfolio



## Equity Outlook

Given the backdrop of the economy coming out of a COVID-induced recession, there were a lot of expectations from the budget in terms of providing stimulus for growth. The government has delivered a budget that meets the heightened expectations.

There has been a clear focus towards growth revival with fiscal deficit being sharply revised upwards to 9.5% of GDP in FY21 and 6.8% in FY22, thus undertaking strong counter-cyclical measure to revive growth. Medium term fiscal glide path has also been significantly revised upwards to 4.5% of GDP by FY26 (as compared to earlier guidance of reaching to 3.1% deficit by FY23), indicating elevated spending over next 5 years, especially on capital expenditure.

Capex has been budgeted to grow at a faster pace of 26.2% in FY22 to Rs. 5.5tn or 2.5% of GDP. Infrastructure spend has gained momentum with Drinking water, Road, Metro projects, Power and Swachh

Bharat Mission have seen the maximum increase in allocation over FY21. Setting up of a Development Finance Institution capitalized with Rs 20,000 crore and with a target to build a Rs 5 lakh crore lending portfolio in 3 years is positive. This should drive foreign investment and augment funds to drive growth in infrastructure sector.

Moreover, there was no negative news for taxpayers in terms of a change in tax rates, COVID cess etc. A stable tax regime has removed a major overhang which is contributing to the positive sentiment. FY22 Union budget also unveiled a series of reforms to help achieve India's potential GDP growth rate through supply side measures, namely (a) Establishment of Development Financial Institution and Bad bank (b) Strategic divestment along with IPO of LIC (c) Asset monetization pipeline (d) Increase in FDI limit in insurance from 49% to 74%.

In summary, the budget is pro-growth, conservative in assumptions and transparent.

## Portfolio Update

In the month of January, we added Ion Exchange India Ltd to the portfolio and exited Entertainment Network India Ltd from the portfolio.

**Ion Exchange (India)** is engaged in a wide range of solutions across the water cycle from pre-treatment to process water treatment, waste-water treatment, recycle, zero liquid discharge, sewage treatment, packaged drinking water, sea water desalination etc. The Ion Exchange group has strong expertise in providing the full range of products in the water treatment segment. Long-standing presence in the business and strong nation-wide aftersales service, have helped the group establish its brand. While the company has historically been known and associated with water equipment/ EPC business, in the last few years company has scaled up its chemical business (water treatment chemicals and resins) to a meaningful size. Chemical business revenues and EBIT stood at 426 Cr. and 76 Cr. respectively, contributing 66% of FY20 EBIT.

**Entertainment Network (India)** is diversifying into non-core businesses and there has been a relative slowdown in ad spends in radio business. In Q2FY21, ENIL's EBIDTA loss stood at Rs. 62mn. Ad-volumes were down by 54% in top 8 markets and 11% in balance 27 markets in Q2FY21. Since the company is diversifying in non-core business with less focus on the core business of radio ads and relative slowdown in ad volumes we have chosen to sell this stock in favour of better opportunities.

## Risk Ratios

Analytics for period ending Jan 31, 2021	Benchmark	Standard Deviation	Sharpe Ratio*	Beta	PTO
India Special Opportunities (Model) Portfolio	Nifty 500	21.69%	0.52	0.80	58%

\*Risk free rate assumed to be 3.47% ( MIBOR as on Jan 31, 2021)

Above ratios are calculated on Annualised basis using 2 year history of monthly data points

## Portfolio Key facts

<b>Portfolio Name</b>	India Special Opportunities Portfolio
<b>Structure</b>	Discretionary PMS
<b>Nature</b>	Open ended
<b>Market cap</b>	Multi cap
<b>Investment Objective</b>	The investment objective of the portfolio is to invest in stocks that are primed to benefit from the catalysts and secular growth names
<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. ISOP portfolio aims to invest in stocks that are primed to benefit from the following catalysts – Micro turnaround, Macro turnaround, Management Change, Deleveraging, Demerger, Mid to Largecap potential, Secular growth 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>No of stocks</b>	15-25
<b>Investment Manager</b>	Aditya Birla Sun Life AMC Limited (ABSLAMC)
<b>Portfolio Manager</b>	Vishal Gajwani
<b>Recommended Investment Horizon</b>	Minimum 3 years
<b>Minimum Investment</b>	Rs 50 lakhs
<b>Taxation</b>	Investors are advised to seek consultation from their Independent Financial Advisor / Tax Advisor before making any investment decision.

## Risk Factors and Disclaimers:

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. Any information contained in this publication does not constitute and shall be deemed not to constitute an advice, an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Please note that this is not an advertisement. The document is solely for the information and understanding of intended recipients only. If you are not the intended recipient, you are hereby notified that any use, distribution, reproduction or any action taken or omitted to be taken in reliance upon the same is prohibited and may be unlawful. Aditya Birla Sun Life AMC Limited. (ABSLAMC) / its subsidiaries / affiliates or their officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time. Recipients of the information contained herein should exercise due care and caution and read the disclosure document (including if necessary, obtaining the advice of tax / legal / accounting / financial / other professionals) prior to taking of any decision, acting or omitting to act, on the basis of the information contained herein. Aditya Birla Sun Life AMC Limited- Portfolio Manager has used information that is publicly available, including information developed in-house. Some of the material used in the document may have been obtained from members/persons other than the PMS and / or its affiliates and which may have been made available to the PMS and / or to its affiliates. Information gathered and material used in this document is believed to be from reliable sources. The PMS however does not warrant the accuracy, reasonableness and / or completeness of any information. The actual investments / portfolio decisions are a result of complex technical & fundamental valuations at the disposal of the portfolio manager. Investors are advised against replication of strategies implemented. Information contained herein shall not be copied/circulated/reproduced/quoted in any form or manner (in part or whole) without the express written consent of Aditya Birla Sun Life AMC Limited. Any forward-looking word, phrase or expression is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the said forward-looking word, phrase or expression.

**Regulatory Disclosure:** All investors have the option to invest directly with ABSLAMC-Portfolio Manager.

For any service related queries, please contact us:

 1800 270 7000



care.pms@adityabirlacapital.com

Aditya Birla Sun Life AMC Limited  
CIN: U65991MH1994PLC080811.

One World Center, Tower 1, 17th Floor, Jupiter Mill Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013.

Tel: 4356 8000. Fax: 4356 8110 / 8111

Security investments are subject to market risks and there is no assurance or guarantee that the investment objective will be achieved.