

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

Focus on Strong Filters

Fundamentally strong companies help to provide downside protection

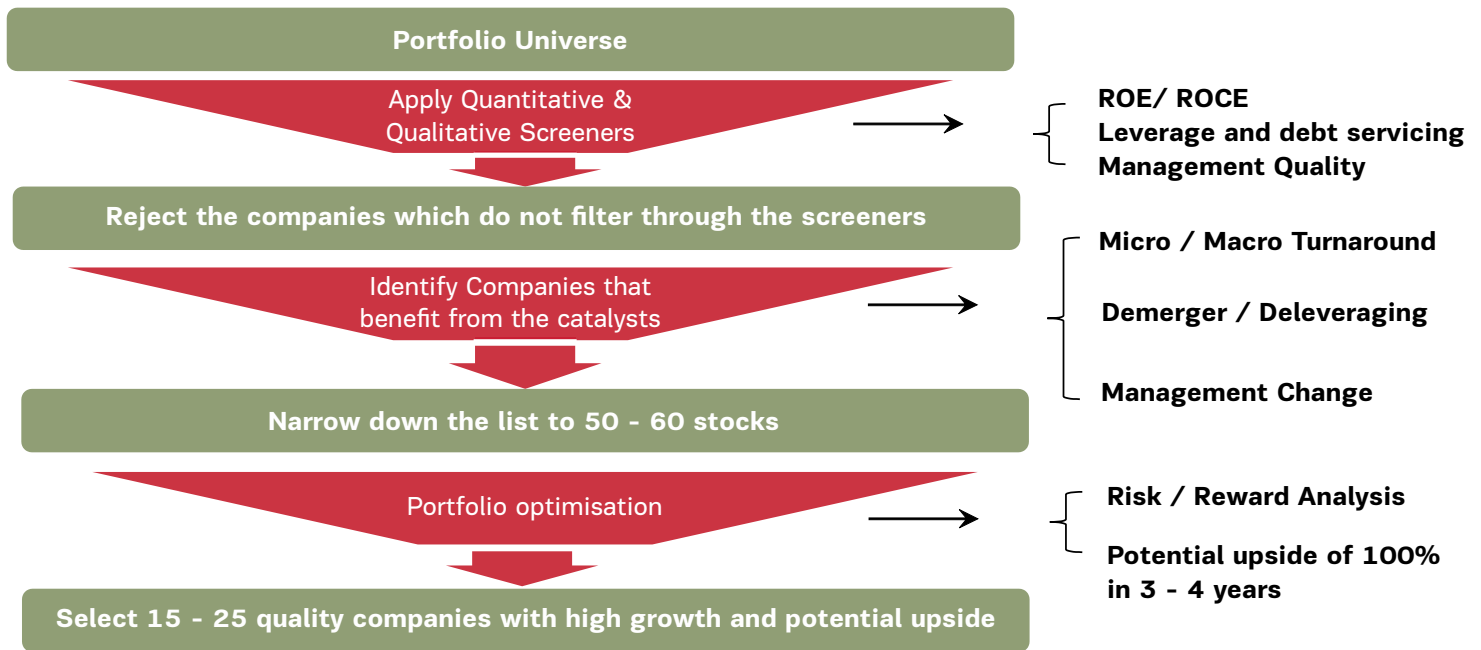
Quantitative factors:

- 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 31st 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%	

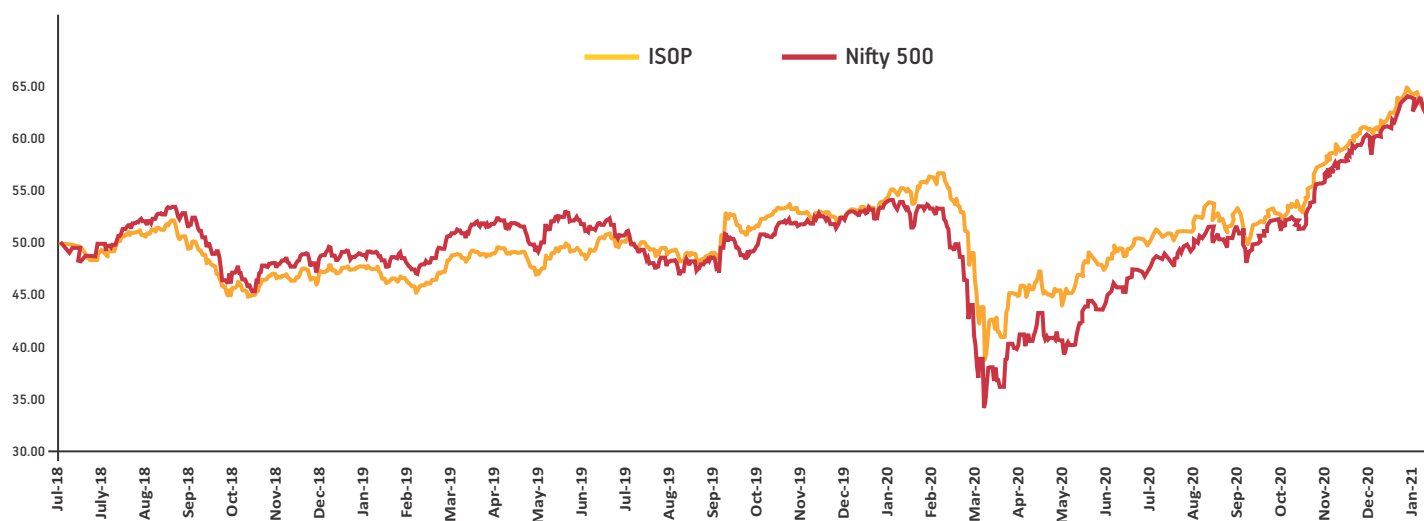
EPS growth (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
ISOP	7.2%	9.3%	48.6%	
Nifty 500	-4.9%	-5.0%	31.0%	56.8%
Nifty	-1.7%	-4.0%	24.0%	

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


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

Risk Factors and Disclaimers:

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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

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