

Gallop ahead with India Opportunity Portfolio V2



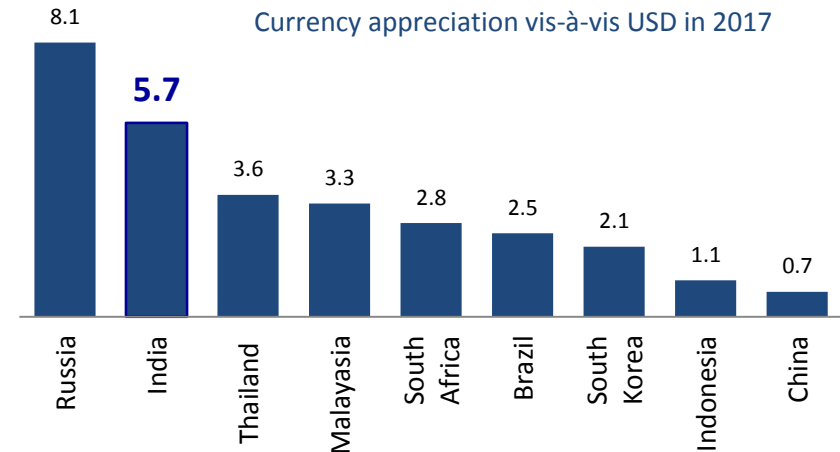
Feb 2019

- Why India and India's scope for long term growth
- Why Small and Midcap portfolio
- Opportunity in Mid and Smallcap segment
- Outperformance in Upcycles
- Themes of IOPV2
- Why Motilal Oswal Asset Management
- Wealth Creation Journey
- Success Stories

Why India

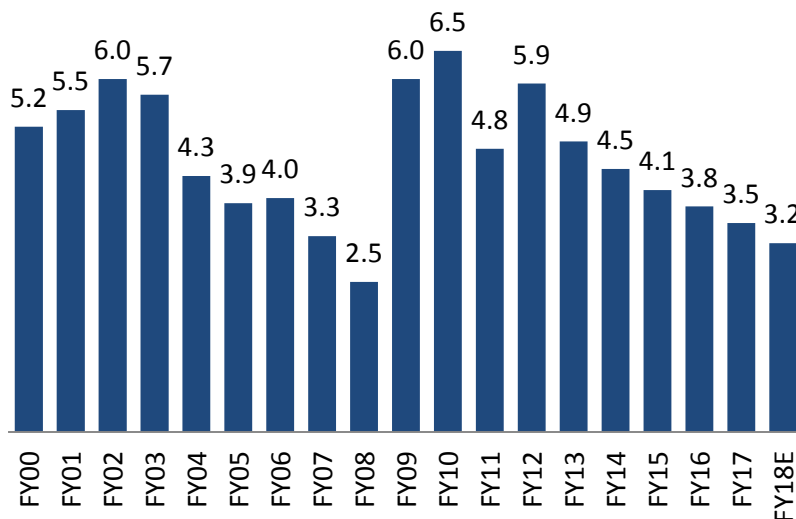
- The Government of India has taken significant initiatives to strengthen the economic credentials of the country, to make it one of the strongest economies in the world.
- Indian companies are gaining a stronger foothold internationally and expanding their international presence by investing overseas.
- The country continues to urbanise at a strong pace driven by a combination of up trending consumption, robust job creation and growing financial penetration.

India is one of best performing EM (Emerging Markets) currency in 2017



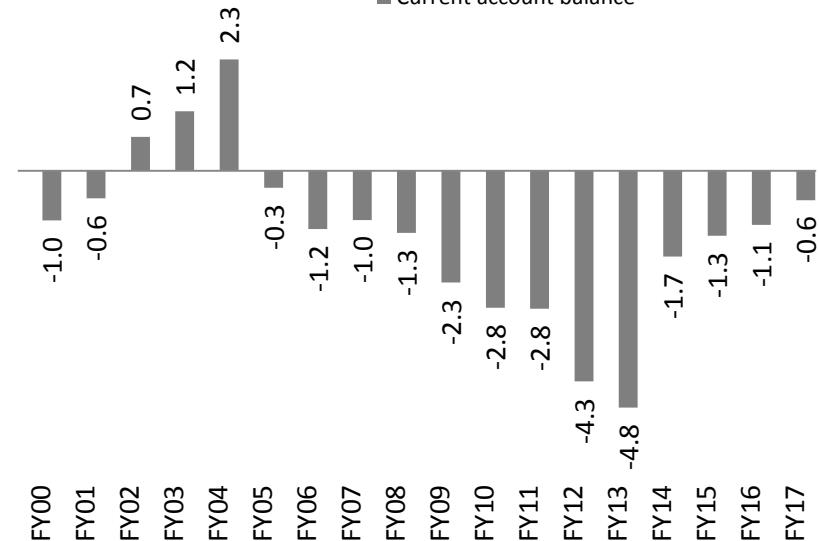
Improving Fiscal Deficit (% of GDP)

■ Fiscal deficit



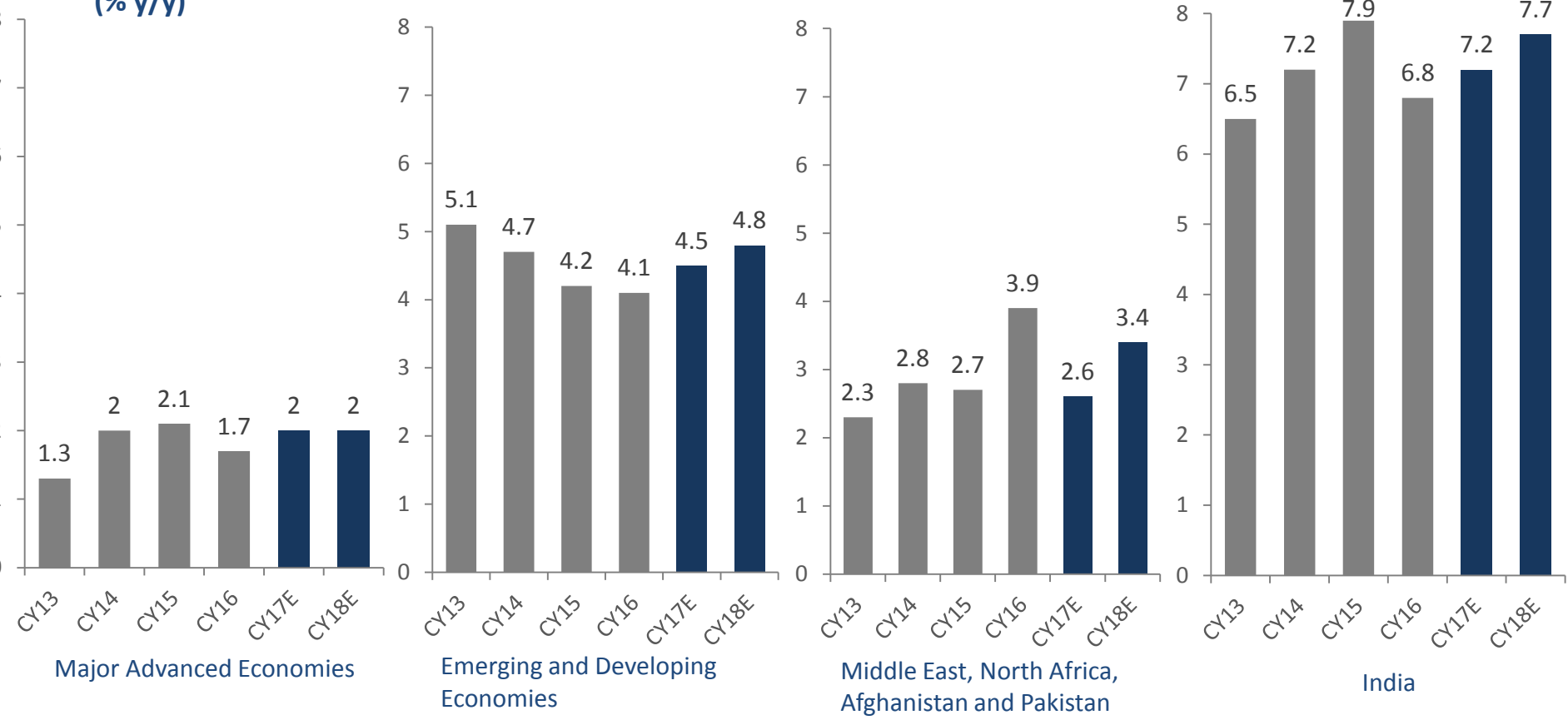
Lower CAD (Current Account Deficit) over the Years (% of GDP)

■ Current account balance



India stands out among Real GDP Growth

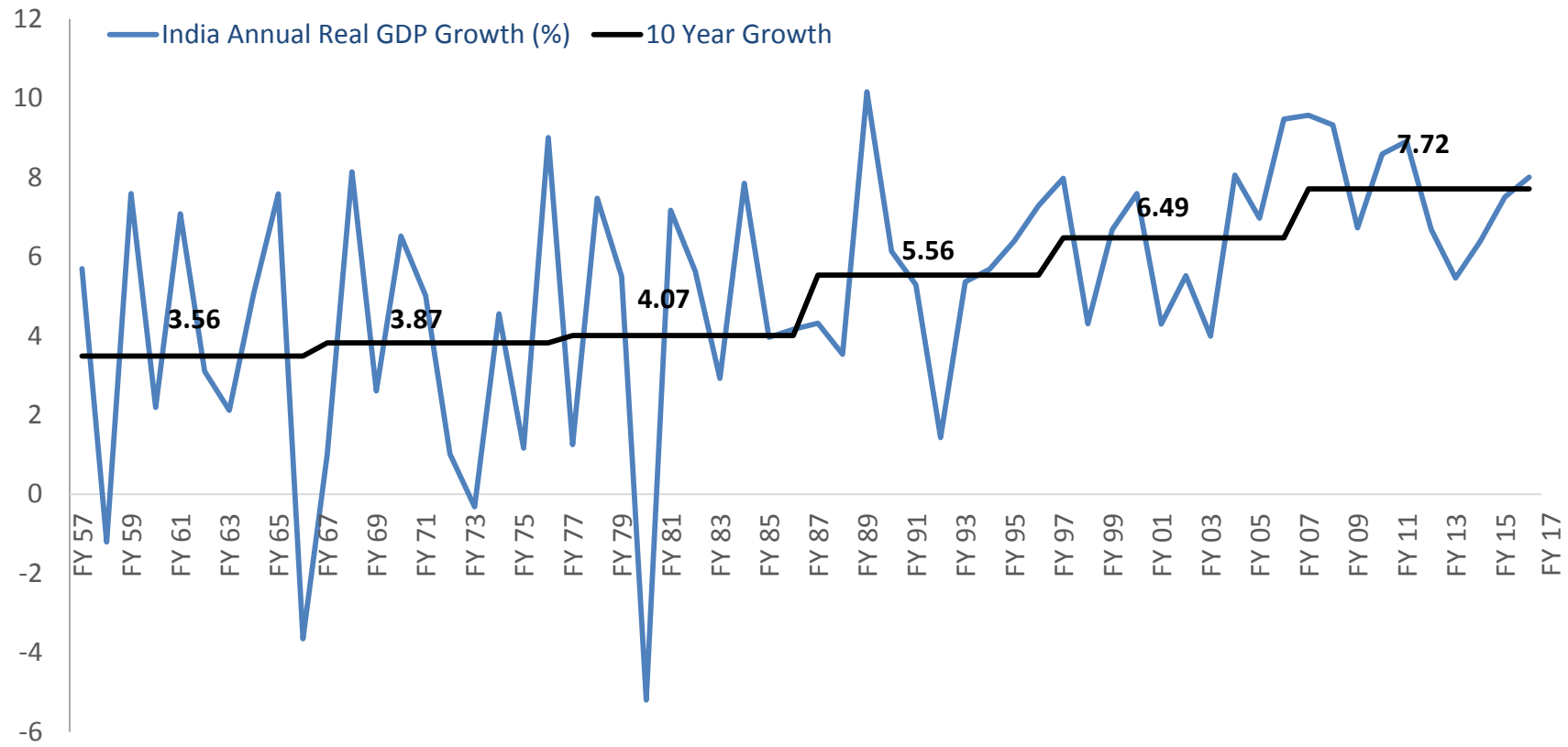
Real GDP Growth
(% y/y)



- Emerging Markets continue to remain attractive on Real GDP growth differentials
- India stands out on the Emerging Markets pack on the back of strong fundamentals

Source : IMF, World Economic outlook (April 2017)

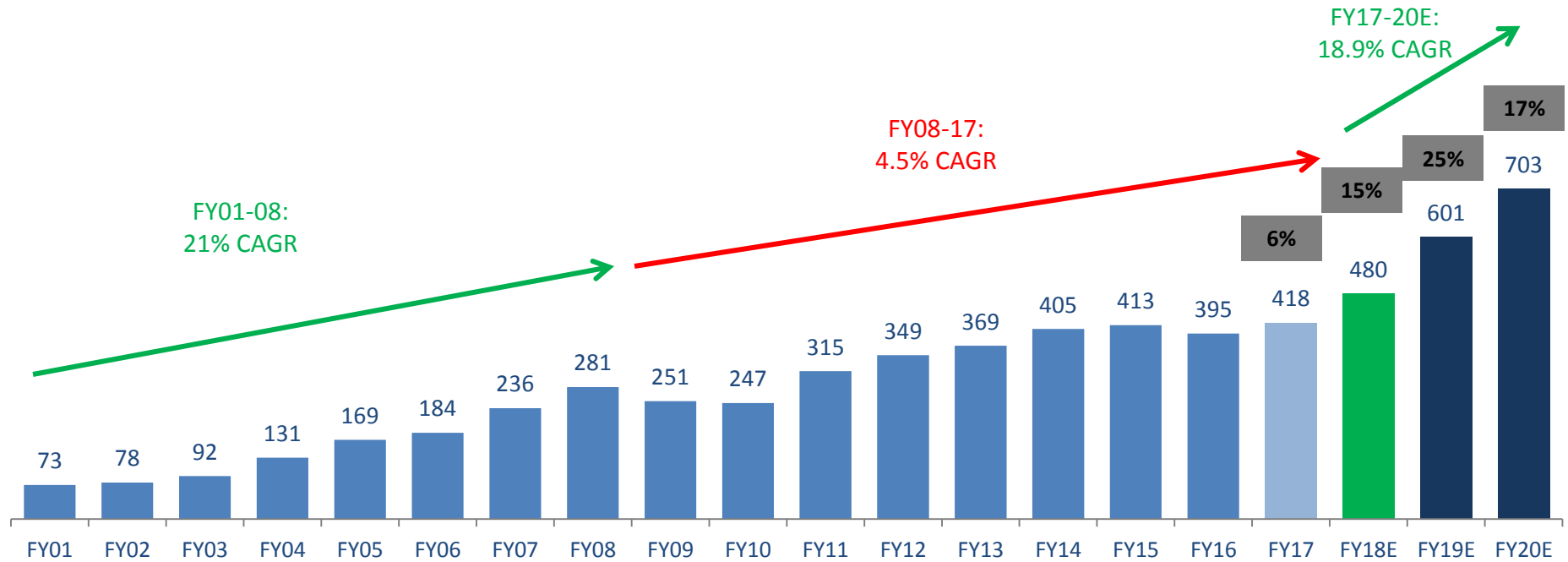
India Long Term Growth Trend



- Every 10 years, from FY1957 to FY2016, we see an upward shift in India's CAGR
- 10 Year average GDP growth has gone from 3.56 to 7.72
- We are now set to enter the next decade of a lift in growth

Source: Central Statistics Office (CSO) and Motilal Oswal internal research; Data as on April 2017

Why India – Markets may deliver double digit Earnings Growth



In the long run, the markets always follow the earning pattern. For Nifty, FY17-20E the EPS growth stands at 17% CAGR, which shows the potential upside for the markets growth for 3 year period.

Source: Motilal Oswal Research India Strategy February 2018

The statements made herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Past performance may or may not be sustained in future.

Markets return as much as growth in earnings

22-years CAGR of Sensex at 11% is in line as 22-years Sensex EPS CAGR!

	Sensex	YoY	Sensex EPS	YoY		Sensex	YoY	Sensex EPS	YoY
Mar-95	3261		181		Mar-08	15644	20%	833	16%
Mar-96	3367	3%	250	38%	Mar-09	9709	-38%	820	-2%
Mar-97	3361	0%	266	6%	Mar-10	17528	81%	834	2%
Mar-98	3893	16%	291	9%	Mar-11	19445	11%	1024	23%
Mar-99	3740	-4%	278	-4%	Mar-12	17404	-10%	1120	9%
Mar-00	5001	34%	280	1%	Mar-13	18836	8%	1180	5%
Mar-01	3604	-28%	216	-23%	Mar-14	22386	19%	1329	13%
Mar-02	3469	-4%	236	9%	Mar-15	27957	25%	1354	2%
Mar-03	3049	-12%	272	15%	Mar-16	25341	-9%	1330	-2%
Mar-04	5591	83%	361	33%	Mar-17	29621	17%	1347	1%
Mar-05	6493	16%	446	24%					
Mar-06	11280	74%	540	21%	StdDev		31%		14%
Mar-07	13072	16%	720	33%	CAGR	11%		10%	

Source: Motilal Oswal Securities, MOAMC Internal Analysis | Data as on 31st March 2017

CAGR - is an investing specific term for the geometric progression ratio that provides a constant rate of return over the time period; Std Dev - a quantity expressing by how much the members of a group differ from the mean value for the group.

The information provided herein is for illustrative purpose only and should not be construed as an investment advice.; Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments; Mar-95 is taken as base year

- ▶ Over long periods of time equities do deliver in line with corporate earnings; but it's a known fact that the volatility in share prices is way higher than volatility of earnings themselves.
- ▶ This volatility in share prices results in emotional response of greed in rising markets and fear in falling markets. Mostly these responses are way more exaggerated on upside as well as downside.
- ▶ When evaluated in hindsight after the data plays out; one usually rues that responses were disproportionate to changes in corporate earnings.

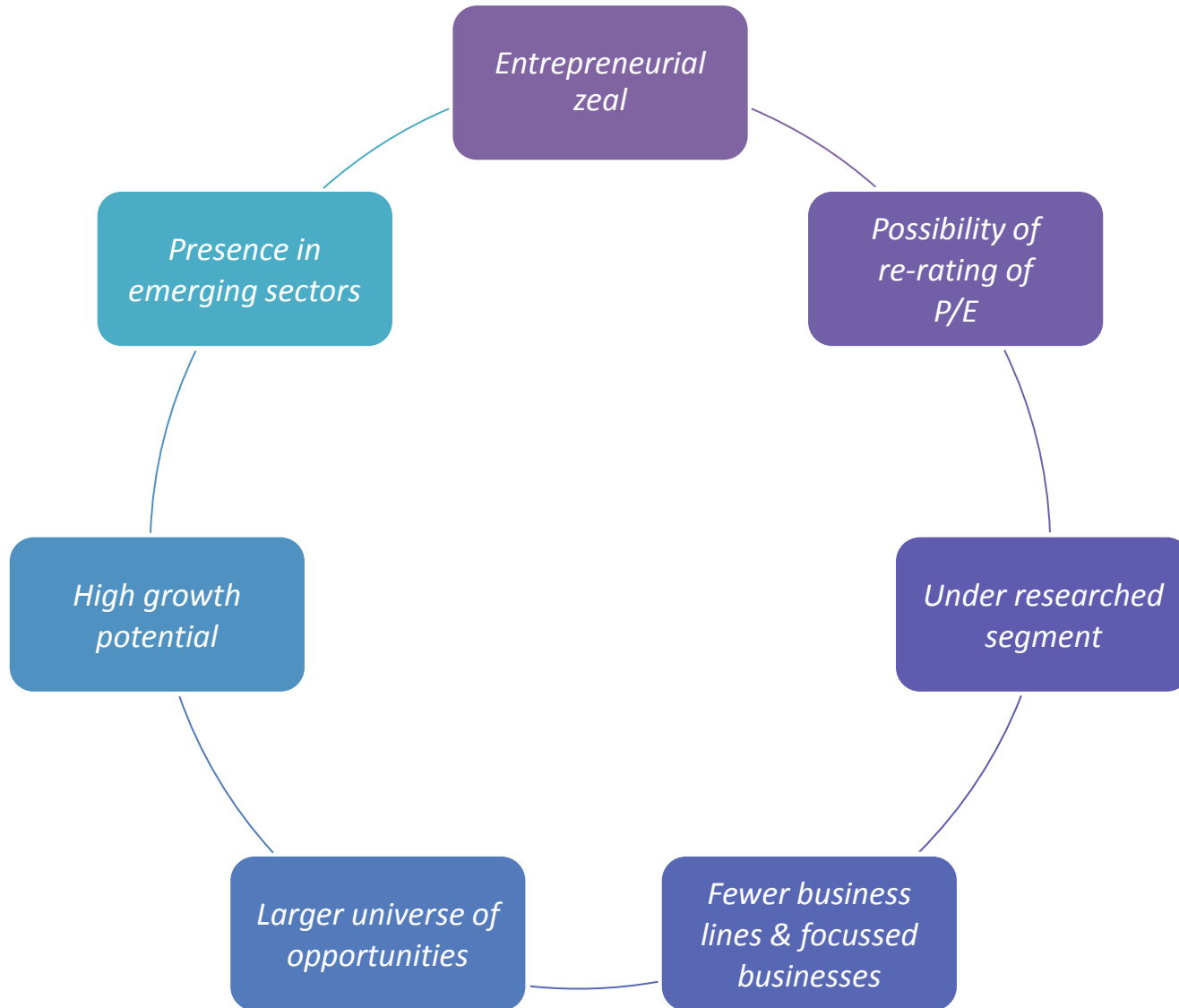
Wealth creation happens when Small caps and Mid cap become Large cap

Exhibit 16 2011-16: Market cap crossovers: No. of companies and average returns

		FROM (in 2011)					
		Mini	Mid	Mega	New	Demerger	TOTAL
TO (in 2016)	Mega	0	26	71	3	0	100
	<i>Avg Return</i>		31%	8%			
Mid	Mid	67	88	25	19	1	200
	<i>Avg Return</i>	39%	9%	-16%			
Mini	Mini	2,479	84	2	711	2	3,278
	<i>Avg Return</i>	1%	-20%	-32%			
Delisted, Demerger, etc	Delisted, Demerger, etc	397	2	2	2	-3	400
	TOTAL	2,943	200	100	735	0	3,978
	<i>Avg Return</i>	2%	0%	1%			

- While Large Caps give stability to the portfolio, only 71% of large cap companies remained in large cap category & delivered stable growth of 8%.
- Selective Opportunities lie in the Mid and Small Cap Space to deliver high growth rates. Hence Fund Manager needs to be choosy in stock selection. ~2.3% of small cap companies become mid cap companies & delivered 39% returns while 13% of mid cap companies become large cap companies & delivered 31% returns

Source: Focused Investing – 21st Wealth Creation Study by Raamdeo Agrawal



Success rate in Small and Midcap Portfolio

Mid and Small cap... balancing the odds...

Mini, Mid, Mega crossovers – 2000-05, 2005-10, 2010-15

Note: Figures in brackets indicate number of companies

2000-05: Median return CAGR
Market return : 5%

	Mega	158% (1)	55% (17)	21% (59)
TO	Mid	57% (58)	21% (90)	-4% (28)
	Mini	19% (1,039)	-3% (93)	-40% (13)
		Mini	Mid	Mega
			FROM	
Total stocks		1,098	200	100

2005-10: Median return CAGR
Market return : 22%

	Mega	76% (2)	46% (9)	27% (66)
TO	Mid	61% (25)	24% (89)	9% (32)
	Mini	11% (1,465)	4% (102)	-32% (3)
		Mini	Mid	Mega
			FROM	
Total stocks		1,492	200	100

2010-15: Median return CAGR
Market return : 10%

	Mega	68% (3)	33% (24)	11% (71)
TO	Mid	38% (64)	9% (88)	-13% (26)
	Mini	0% (1,841)	-19% (88)	-32% (3)
		Mini	Mid	Mega
			FROM	
Total stocks		1,908	200	100

Over a 5 year period maximum return is generated from companies crossing from (i) Mini to Mid /Mega and (ii) Mid to Mega

Where lies the opportunity

Return & Probability Matrix

Mega	Highest returns Very low probability	Strong returns Low – medium probability	Market returns High probability
Mid	Strong returns Low probability	Market returns High probability	Underperformance Medium probability
Mini	Underperformance Very high probability	Underperformance Medium probability	Massive capital loss Low probability
	Mini	Mid	Mega

From

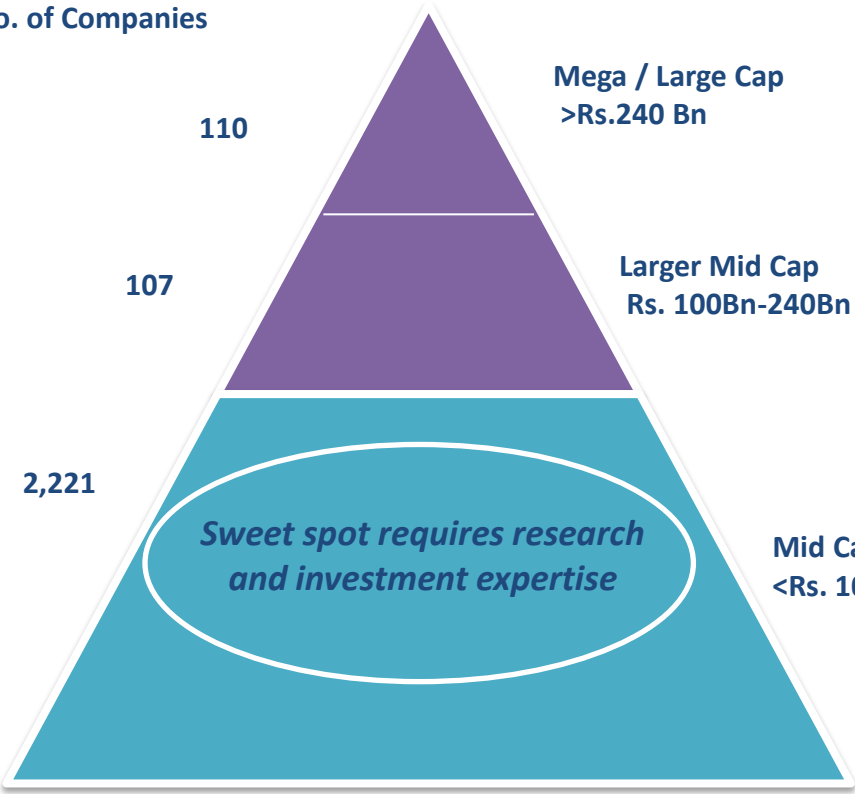
What it takes to achieve Mid – to – Mega ?

- Identifying quality businesses with quality management
- Distinct value proposition that gives company an edge over its competition
- Avoid value traps

Expertise in bottom up stock picking is the key to identify multibaggers

Targets a unique and relatively untapped opportunity

No. of Companies



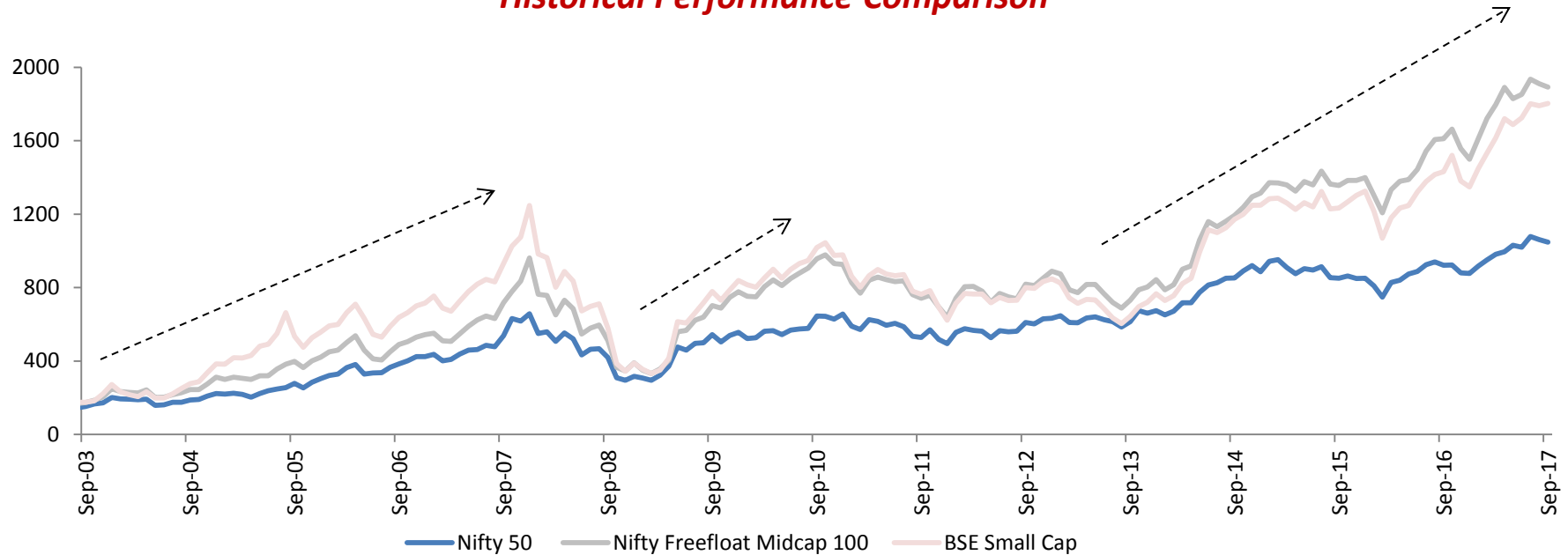
- Extensively researched
 - Moderate Growth
 - High Institutional Holding
- Under-Researched, Under-owned
 - High Growth
 - Demonstrated management history
- Most Difficult Category as many fail at pre-emergence stage
 - Business models not established
 - Massive Growth for survivors

- The sweet spot of the Indian markets is replete with investment ideas in the midcap & small cap space
- Midcaps & smallcap offer excellent balance between strong growth and a demonstrable history of management success

Source : Capitaline & Internal Analysis, Data as on Sep 30, 2017

Outperformance of Midcaps & Smallcaps in Upcycles

Historical Performance Comparison



Index	Phase 1			Phase 2			Phase 3		
	Apr 2003	Dec 2007	CAGR (%)	Sep 2008	Dec 2010	CAGR (%)	Sep 2013	Sep 2017	CAGR (%)
Nifty 50	934	6,139	50	3,921	6,135	43	5,735	9,789	14
Nifty Midcap 100	956	9,199	62	3,176	9,361	61	6,998	18,108	27
BSE Smallcap	893	11,135	72	2,959	9,331	67	5,749	16,114	29

Source: Bloomberg; Data as on September 30, 2017 ;

Note: Above numbers are price adjusted for inflation. The information herein is used for comparison purpose and is illustrative and is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to/by any party. Past performance may or may not be sustained in future

Affordable housing

Focus of government
on Housing for all by
2020

Unorganized to Organized

Implementation of
GST and e-way bill

Rural Economy

Focus of government
on doubling of farm
income

Value Migration

Market share gains
by NBFCs and private
sector banks from
PSU banks

- ☞ Motilal Oswal Group possesses legacy in equities for over 3 decades
- ☞ Motilal Oswal AMC is chaired by Mr. Raamdeo Agrawal, one of the most honored and trusted names in the investing world
- ☞ One of the pioneers of PMS business with over 15 years of PMS track record
- ☞ Trusted by over 41,360 HNI investors and with over Rs. 14,754 Crs of AUM as on 31st January 2019.
- ☞ Presence across the length and breadth of India

Basic Traits of our Investing Style

- ☞ We invest in companies with operating leverage than financial leverage
- ☞ We do not believe in “timing the market”, rather we believe in “spending time in market”
- ☞ We do not over diversify
- ☞ The businesses we invest, must have growth potential with economic moat
- ☞ We practise long term Buy and Hold investing style

At Motilal Oswal Asset Management Company (MOAMC), our investment philosophy is centered on 'Buy Right: Sit Tight' principle.

Buy Right

- **‘Q’uality** denotes quality of the business and management
- **‘G’rowth** denotes growth in earnings and sustained RoE
- **‘L’ongevity** denotes longevity of the competitive advantage or economic moat of the business
- **‘P’rice** denotes our approach of buying a good business for a fair price rather than buying a fair business for a good price

Sit Tight

- **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these businesses to enable our investors to benefit from the entire growth cycle needs even more skill.
- **Focus:** Our portfolios are high conviction portfolios with 25 to 30 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk

Why 'Buy Right : Sit Tight' is significant?

Real wealth is created by riding out bulk of the growth curve of quality companies and not by trading in and out in response to buy, sell and hold recommendations.

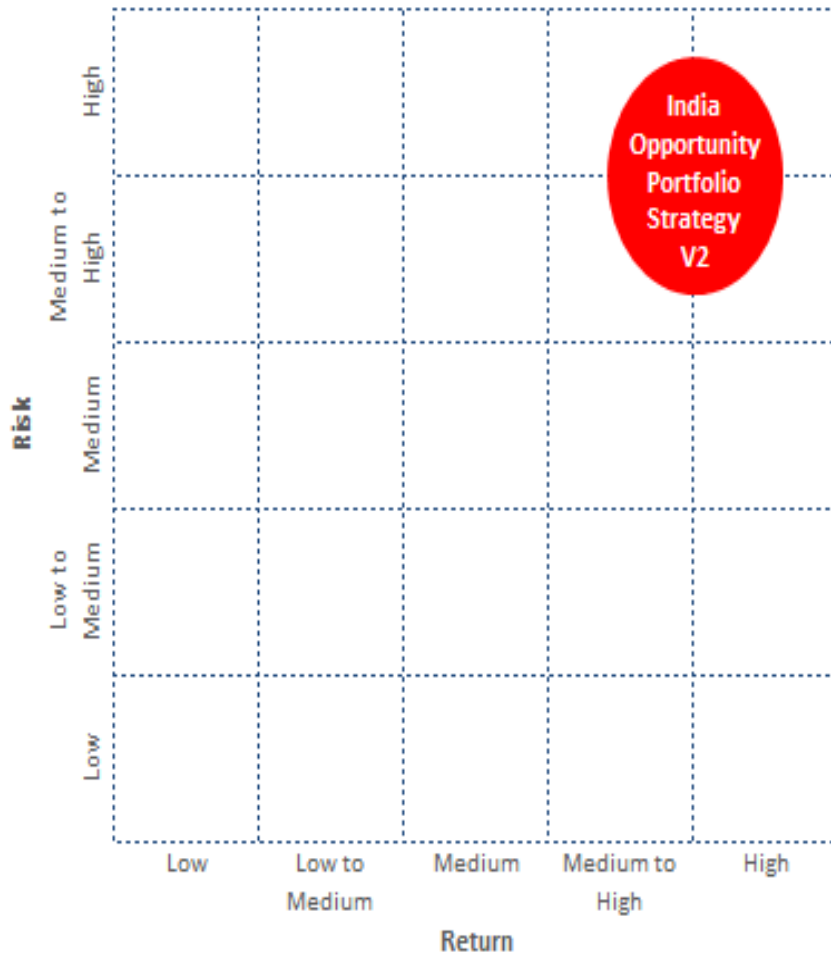
This philosophy enables investor and manager alike to keep focus on the businesses they are holding rather than get distracted by movements in share prices.

An approach of buying high quality stocks and holding them for a long term wealth creation motive, results in drastic reduction of costs for the end investor.

While **BUY RIGHT** is largely the role of the portfolio manager, **SIT TIGHT** calls for involvement from the portfolio manager as well as investor. This brings in greater accountability from the manager and at the same time calls for better involvement and understanding from investor resulting in better education for the latter.

Long term multiplication of wealth is obtained only by holding on to the winners and deserting the losers.

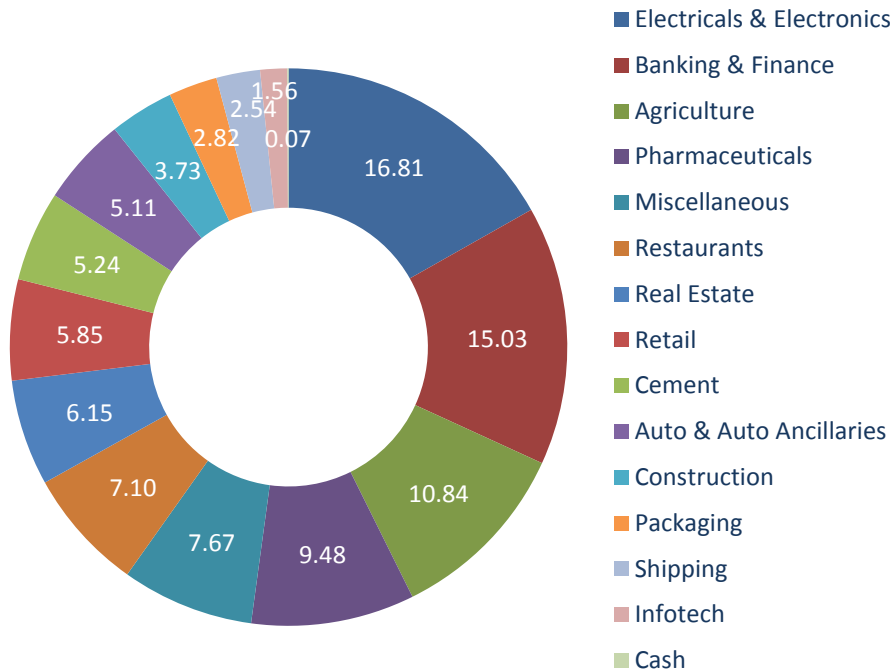
Strategy construct



- ▶ **No. of Stocks**
 - Around 25 stocks for a portfolio
- ▶ **Scrip Allocation**
 - Not more than 10% in a single stock when at the time of initiation
- ▶ **Sector Allocation Limit**
 - 35% in a sector
- ▶ **Strategy Objective**
 - It aims to deliver superior returns by participating in India Investment and consumption Growth Story
- ▶ **Strategy Focus**
 - Focus is on identifying well run companies that are existing/potential leaders in the field of operations
- ▶ **Investment Horizon**
 - Long Term (3 Years +)
- ▶ **For Whom**
 - Investors who like to invest with a Long-term wealth creation view

Model Holding

Sector Allocations



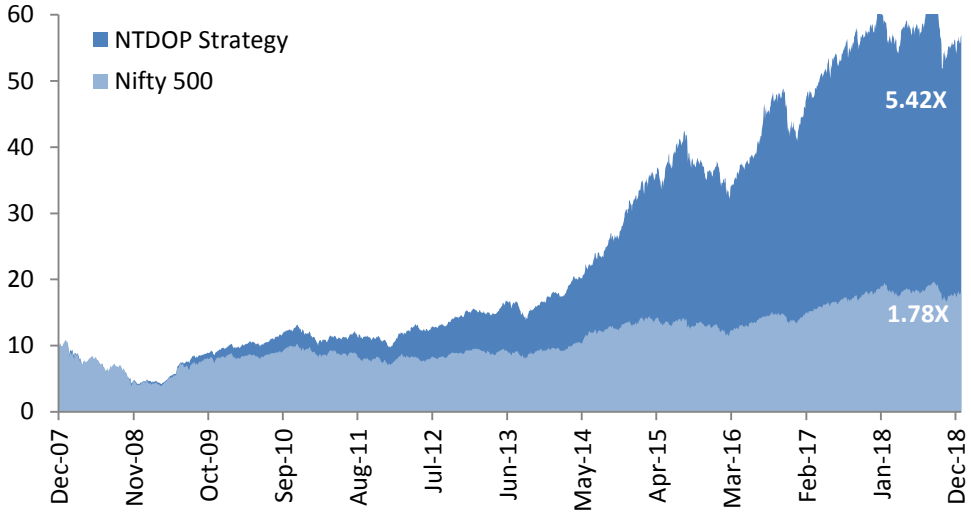
Top 10 Holdings

Scrip Name	(%) of Market Value
Ipca Laboratories Ltd.	8.12
Larsen & Toubro Infotech Ltd.	7.67
Cholamandalam Investment & Finance Company Ltd.	7.49
HEG Ltd.	7.30
Coffee Day Enterprises Ltd.	7.10
Godrej Agrovet Ltd.	7.05
Bajaj Electricals Ltd.	6.17
Sobha Ltd.	6.15
Bata India Ltd.	5.85
JK Lakshmi Cement Ltd.	5.24

Please Note: These stocks are a part of the existing India Opportunity Portfolio Strategy V2 as on 31st January 2019. These stocks may or may not be bought for new clients. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The strategy may or may not have any future holdings in these stocks. The companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC.

Next Trillion Dollar Opportunity (NTDOP)

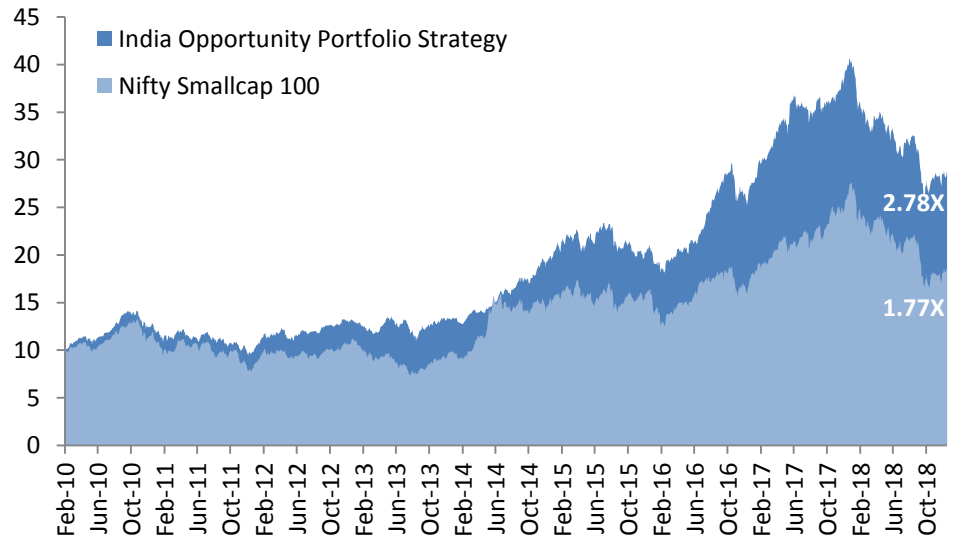
- 10 years track record
- Invests primarily in multi cap stocks with potential high growth
- Concentration on emerging themes which are part of the next trillion dollar GDP growth opportunity



Inception Date – 5th December, 2007

India Opportunity Portfolio (IOP)

- 7 year track record
- Small and Mid Cap Portfolio
- Invests in stocks with potential to grow more than the nominal GDP for next 5-7 years
- Focus is on identifying well run companies that are potential leaders



Inception Date – 15th February 2010

The performance shown above is of a model client, performance of an individual client may be different, depending on the time of investment in the strategy
Data as on January 31, 2019

Multibaggers across strategies...

Stocks	Purchase Date	Purchase Price (INR)	Current Market Price (INR)*	Performance (%)	CAGR (Growth %)
Next Trillion Dollar Opportunity Portfolio					
Page Industries	Dec-07	456	23370	5021%	42%
Bajaj Finance	Aug-10	63	2575	4017%	55%
Eicher Motors	Aug-10	1174	19006	1519%	39%
HPCL	Jun-14	98	234	138%	21%
Bosch	Dec-07	4864	18852	288%	13%
India Opportunity Portfolio					
Mahanagar Gas	Aug-16	511	920	80%	27%
Aegis Logistics	Aug-16	123	190	54%	19%
Gabriel India	Aug-16	106	145	36%	13%

* As on 31st Jan 2019

The stocks shown above are part of portfolios of model client. The Stocks mentioned above are used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future



Mr. Raamdeo Agrawal

Chairman

- Raamdeo Agrawal is the Co-Founder and Joint Managing Director of Motilal Oswal Financial Services Limited (MOFSL).
- As Chairman of Motilal Oswal Asset Management Company, he has been instrumental in evolving the investment management philosophy and framework.
- He has also authored the Art of Wealth Creation, that compiles insights from 22 years of his Annual 'Wealth Creation Studies'.
- He is on the National Committee on Capital Markets of the Confederation of Indian Industry (CII), and is the recipient of "Rashtriya Samman Patra" awarded by the Government of India.
- Raamdeo Agrawal is an Associate of Institute of Chartered Accountants of India.

Manish Sonthalia



- As one of the founding members of the MOAMC's business, Manish today heads the Managed Accounts business and is the Portfolio Manager for the firm's PMS Strategies and AIFs
- He has been with the Group for over 13 years.
- He has a cumulative 25 years of experience across equity fund management and research covering Indian equity markets.
- He holds a Bachelors Degree in Commerce (Hons) , Chartered Accountancy, Cost & Works Accountancy, Company Secretaries. He has also completed his Masters of Business Administration in Finance from IISWBM.

Atul Mehra – Associate Fund Manager

- ☞ Mr Atul Mehra has over 10 years of experience as an investment professional
- ☞ He has been with Motilal Oswal for more than 5 years and prior to that he was with Edelweiss Capital for 5 years
- ☞ He did his graduation in BAF (Bachelor of commerce in accounting and finance) from HR College, Mumbai and post-graduation in commerce through MCOM (Masters in Commerce, Accountancy) from Mumbai University
- ☞ He is a CFA Charterholder from CFA Institute, Charlottesville, Virginia, USA.



Mode of payment	By Fund Transfer/Cheque and/or Stock Transfer
Investment Horizon	Long Term (3 Years +)
Benchmark	Nifty Smallcap 100
Account Activation	Next business day of Clearance of funds
Portfolio Valuation	Closing NSE market prices of the previous day
Operations	<ul style="list-style-type: none">- Investments managed on individual basis- Third party Custodian for funds and securities
Reporting	<ul style="list-style-type: none">- Monthly Performance Statement- Transaction, Holding & Corporate Action Reports- Annual CA certified statement of the Account
Servicing	<ul style="list-style-type: none">- Dedicated Relationship Manager- Web access for portfolio tracking

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Portfolio Manager: Motilal Oswal Asset Management Company Ltd. (MOAMC) | **SEBI Registration No. :** INP 00000670