

**ALCHEMY HIGH GROWTH (AHG)\*** 

**June 2023** 

<sup>\*</sup> Alchemy High Growth is one of the Portfolio Management Services products managed by M/s Alchemy Capital Management Pvt Ltd, a SEBI registered Portfolio Manager.

#### **ALCHEMY HIGH GROWTH (AHG)**



#### Investment Objective\*



To generate long-term returns by investing in equities and equity related instruments, across all market capitalizations.

<sup>\*</sup>The investment objectives are indicative and there are no assurances that it will be achieved. Investors are advised to take independent tax, legal, risk, financial and other professional advice.



#### ALCHEMY HIGH GROWTH (AHG)\* - PRODUCT HIGHLIGHTS



- Philosophy & Strategy\*\*: Alchemy Investment Philosophy is "Growth at Reasonable Price". The philosophy behind growth investing is based on the assumption that India is a high growth economy with a strong entrepreneurial culture. Our endeavour is to identify and invest in growth companies through a combination of top-down and bottom up fundamental research to enable long term wealth creation.
- Fund Manager: Mr. Hiren Ved Co-Fund Manager: Mr. Alok Agarwal
- Description of types of securities: Equity | Investment horizon: 3 to 5 Years | Risk associated with Investment approach^^: High Risk
- Allocation of Portfolio across types of securities: Upto 100% in equity (cash portion may be deployed in liquid funds/ debt securities).
- Portfolio Construct: A typical portfolio may generally consist maximum of 25 stocks across sectors.

<sup>\*</sup>Inception Date: May 8, 2002 | \*\*The investment objectives, strategy and allocation are indicative and there are no assurances that it will be achieved. Investors are advised to take independent tax, legal, risk, financial and other professional advice.

<sup>^^</sup> All product/ investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement carefully before investing.

#### **ALCHEMY HIGH GROWTH (AHG) - PRODUCT HIGHLIGHTS**



- Basis of selection of types of securities as part of the Product/ Investment Approach:
- 1. Relevant Universe: We have identified a relevant universe of about 500 companies based on market capitalisation, qualitative governance filters, long term attractiveness and ROE profile of business amongst other parameters.
- 2. Investible Universe: From this relevant universe, an investible universe of companies is created based on assessment of past and future fundamental variables like revenue and EBIDTA growth, cash flow conversion efficiency and core ROE of the business amongst several other relevant variables which may be unique to a business. In addition to objective fundamental parameters and assessment of qualitative management capabilities, governance standards and competitive ability of the business is also carried out. A comprehensive valuation exercise is also carried out based on one and/or combination of valuation parameters like P/E, P/B, EV/EBIDTA, DCF etc to arrive at an acceptable valuation range for investing in the security.
- 3. Portfolio Construction: The Portfolio Manager managing the strategy is then free to construct the Clients Portfolio from within the investible universe at his discretion.
- Benchmark: S&P BSE 500 TRI (effective April 1,2023)
- Basis for choice of benchmark: S&P BSE 500 index serves as a comprehensive representation of the Indian economy. The index comprises of the top 500 companies listed on the Bombay Stock Exchange, with selection based on a combination of average float-adjusted market capitalization, average value traded, and average total market capitalization. Hence, we believe S&P BSE 500 is the appropriate benchmark which would reflect the realistic comparison with the Portfolio performance.



## CAPITAL MANAGEMEN

#### **ALCHEMY HIGH GROWTH - JUNE 2023**



Group AUM is over USD 864 million\*



INR 1 crore invested in May 2002 in Alchemy High Growth Benchmark (\*\*S&P BSE 500 TRI) could have grown to over INR 43.6 crores\*#



Outperformed its 13 out of 21 calendar years#



Generated a net annualized alpha of +292 bps# (INR returns)

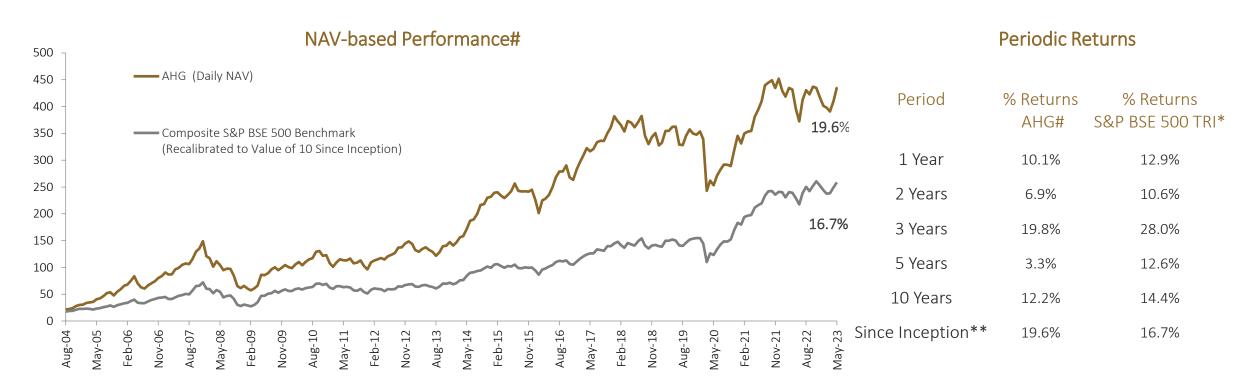
# Returns are net of fees, expenses & taxes (if applicable). Returns less than 365 days: Absolute, greater than 365 days: CAGR (Computed using TWRR method). The above performance figures are aggregate of all discretionary clients; the investor's actual portfolio may differ. Past performance is not indicative of future performance. Performance related information provided herein is not verified by SEBI

<sup>\*</sup> All Data as on 31 May 2023

<sup>\*\*</sup>The benchmark performance is calculated using composite CAGR of BSE 500 PRI values from 8 May 2002 to 1 Aug 2006 and TRI values since 1 Aug 2006, as the TRI data of BSE 500 is not available.



#### ALCHEMY HIGH GROWTH (AHG) - PERFORMANCE HIGHLIGHTS



Returns shown in above graph are CAGR.

<sup>\*</sup>The benchmark performance is calculated using composite CAGR of BSE 500 PRI values from 8 May 2002 to 1 Aug 2006 and TRI values since 1 Aug 2006, as the TRI data of BSE 500 is not available.

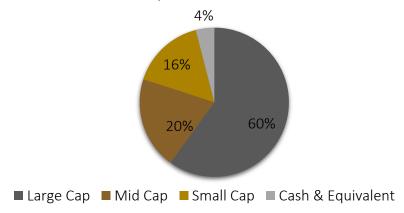
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#### PORTFOLIO COMPOSITION & ANALYSIS\*



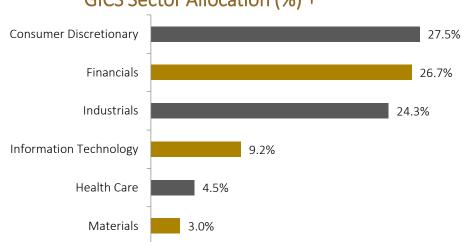
#### Market Cap Allocation^



#### **Portfolio Characteristics**

	Alchemy High	Benchmark
Parameter	Growth	(Since
	(Since Inception)**	Inception)**
Std. Dev.	18.2%	21.3%
Sharpe~	0.5	0.4
Beta	0.8	1.0

#### GICS Sector Allocation (%) †



#### **Top Holdings**

Top 10 Stocks by Weight	% Weight
ICICI BANK LTD	8.5%
HDFC BANK LTD	8.4%
PRAJ INDUSTRIES LTD	6.1%
LARSEN & TOUBRO LTD	5.8%
AXIS BANK LTD	5.6%
MAHINDRA CIE AUTOMOTIVE LTD	5.4%
HINDUSTAN AERONAUTICS LTD	5.2%
EICHER MOTORS LTD	4.9%
HAVELLS INDIA LTD	4.7%
APOLLO TYRES LTD	4.4%

<sup>\*</sup> All data as on May 31, 2023, | \*\* Inception Date: May 8, 2002

<sup>^</sup> Source - AMFI | † Source : Bloomberg

 $<sup>^{\</sup>sim}$  Sharpe Ratio is calculated as Daily average Excess Return  $\div$  Standard Deviation of Excess Returns. The 10-Year Gsec Yield is considered as risk free rate.



#### THE ALCHEMY EDGE



Alchemy Credentials

Founders and Investment Team

Investment Policy & Process



#### **ALCHEMY CREDENTIALS**



#### Founders and Investment Team

- Have excellent market standing built on integrity
- Brings investment philosophy consistency
- The group has a very stable and experienced team of investment professionals who have stayed and imbibed the firm's investment philosophy and has experience of managing bull and bear cycles.
- The investment team is well supported by an experienced Risk management, Compliance and Operations team.

#### Disciplined Investment Process

- Pioneers in Bottom-Up stock picking
- Ability to pick trends early
- Focus on Primary Research
- Long term approach to investing
- Long term performance track record since inception in 2002
- Bespoke approach to individual client's portfolio



#### **ALCHEMY CREDENTIALS**



#### Vintage Size

- One of the few Portfolio Managers in India to have been in existence since 2002.
- 20 years of investment management track record.

#### Strong Emphasis on Compliance and Risk Management

- With an ethical Code of Conduct in place.
- With transparency in business, client service and reporting.

#### Quality of Clients

- Sophisticated Institutional investors, Sovereign Funds
- Ultra HNIs (Limited universe of over ~2100 exclusive families and includes eminent individuals across businesses families and professionals).



#### **CORE INVESTMENT TEAM**







Hiren Ved CEO & CIO

**Quantitative Team** 

Deven Ved
VP – Quant Research Analyst
Experience: 16+ years



Thomas Priju Research Analyst Experience: 23+ years



Mythili Balakrishnan Co-Fund Manager Experience: 18 years



Haresh Kapoor Research Analyst Experience: 12+ years



Sarika Thorat Research Analyst Experience: 12+ years



Vimal Gohil Research Analyst Experience: 12 years



Aditya Joshi Research Analyst Experience: 8 years



Jagpreet Chhabra
VP – Quant Research Analyst
Experience: 21+ years



Rishabha Doshi Quant Analyst Experience: 2+ years



Vaibhav Pai Quant Research Analyst Experience: 2 years

#### **OUR INVESTMENT POLICY**

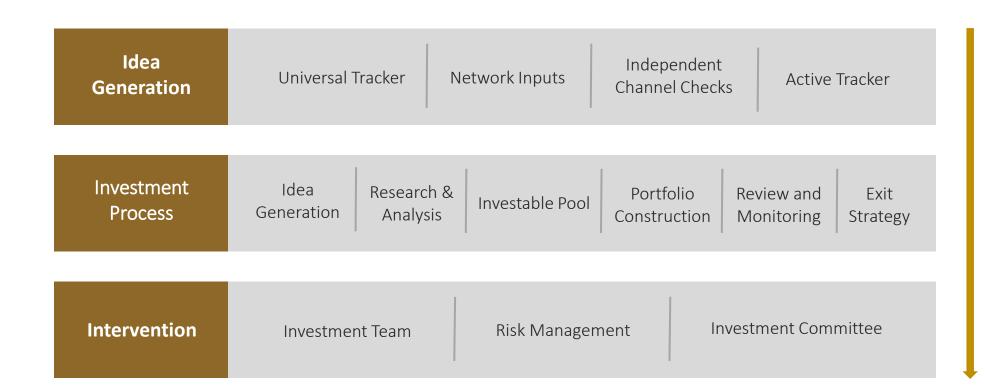


- We believe that consistent and superior long term absolute returns can be made across market cycles by investing in growth companies with good management teams
- We like businesses which address large and growing external opportunities, have a competitive advantage in effectively exploiting those opportunities and have a scalable business model with higher-than-average Return on Capital Employed (ROCE) over the investment horizon
- We believe that management teams are key to business success. We look for managements which have aggression, are aligned to business outcomes while simultaneously having respect for governance and capital allocation
- While growth companies form the core of our portfolio, we also tactically invest in deep value opportunities and special situations that may appear due to and during market cycles

# Top-Down Sustainable Themes

#### 3 I MATRIX: IDEA, INVESTMENT, INTERVENTION





#### **IDEA GENERATION**



#### **Universal Tracker**

Universe of top 500 companies by market cap

Extensive company visits; we aim to meet over 100 -150 companies annually

Best performers basis financial metrics

Best performers basis price

Change in external/ macro environment

#### **Network Inputs**

Interdependent company/ sector

Attending sector theme specific conferences

Broker conferences and visits

Interacting with peer group

## Independent Channel Checks

Interaction with our client base

Interaction with business ecosystem i.e. outlets/ dealers etc.

#### **Active Tracker**

Company filings

Quarterly Results

Analysts calls

Site/ management visits

Updating and revisiting investment hypothesis

#### **INVESTMENT PROCESS**



#### Idea Generation

Universal Tracker

**Active Tracker** 

**Network Inputs** 

Independent Channel Checks

## Research & Analysis

Quick research, if we like the company

**Detailed Model** 

Meeting the management

Final Model

## Investable Pool

Pool of 80 to 100 companies

New ideas and old ideas

Active-proactive model updates and company meetings

Passive-Quarterly model updates and meeting

### Portfolio Construction

Fund manager selects stocks basis fund/ strategy mandates

Fund manager does final selection

CIO manages the process and has an overriding power over fund manager

## Review and Monitoring

Quarterly and annual update of investment thesis

Investee company meetings - at least bi-annual

External broker and analyst networking

Model updates every quarter

#### Exit

Revolving review

Trim over weights

Risk return not in favor

Better opportunities

Hypothesis not playing out as initially planned

#### **INTERVENTION: INVESTMENT TEAM**



#### Idea Generation

Primary- CIO, FM and Analysts



#### **Research and Analysis**

- Primary- FM and Analyst
- Secondary-CIO



#### **Investable Pool**

- Primary- CIO and FM
- Secondary- Analyst
- VETO Power- CIO



- Primary- FM and CIO
- Secondary- Analyst
- VETO Power- CIO



#### **Portfolio Review**

- Primary- Analyst and FM
- Secondary-CIO



#### Portfolio Construction

- Primary- FM and CIO
- Secondary- Analyst
- VETO Power- CIO

#### **INTERVENTION: RISK MANAGEMENT**



#### Firm Level

- Performance patterns analysis
- Dedicated pre and post trade checks, ongoing internal reviews
- Statutory and legal risk managed by the compliance and legal function which is monitored by the Group Compliance Head.
- Business Risk managed by the CEO.

#### **Portfolio Level**

- Daily monitoring by in-house operations team basis the fund/strategy mandate.
- Fund Manager evaluates performance of each strategy vis a vis the benchmark on a monthly basis
- CIO reviews the performance of each strategy with the respective fund manager every month.
- Contribution analysis conducted each month by investment team. Portfolio action on absolute and relative performance analysis and portfolio positioning are discussed every month and actions where needed, decided upon.

#### **Security Level**

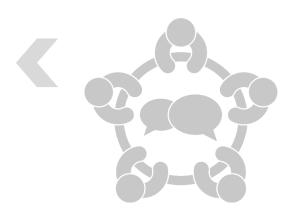
- Sectoral limit based on mandate
- Individual stock limit based on mandate
- We also monitor the ownership in companies at Fund/Strategy level
- Investment positions flags raised by operations team if a position is close to the maximum permissible limit weight-ages

#### INTERVENTION: INVESTMENT COMMITTEE



#### INVESTMENT COMMITTEE INTERVENTION

CEO, CIO, COO, Fund Managers, Business Heads and Head of Research



## MONTHLY REVIEWS

Forming and reviewing macro view,
Performance Tracking,
Contribution Analysis,
Outlier Management and decisions
Exception Reporting and Priority Actions

#### Major topics discussed in the Investment Committee meet

Macro view

The investment team presents their view on the changes in macro & micro variables and what can be expected in future.

Fund performance

Performance of all funds/products is analyzed. Each fund manager has to present his portfolio positioning and the impact of change in macro and micro variables that have affected or may affect the portfolio in the future. In case of consistently underperforming positions, triggers of events are defined. If these triggers are not achieved, then relevant actions to be taken/already taken and discussed.

**Risk monitoring** 

An in-depth contribution analysis is presented to understand under-performers, outperformance and plan of action for the same.

#### **GENERAL DISCLAIMER**



#### **General Risk Factors**

• All products / investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement/ Offer Documents (includes Private Placement Memorandum and Contribution Agreement) carefully before investing.

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#### **Regulatory Disclosures**

- All clients have an option to invest in the above products / investment approach directly, without intermediation of persons engaged in distribution services.
- This document, its contents, especially the Performance related information, is not verified by SEBI or any regulator.

#### Alchemy Capital Management Pvt. Ltd.

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