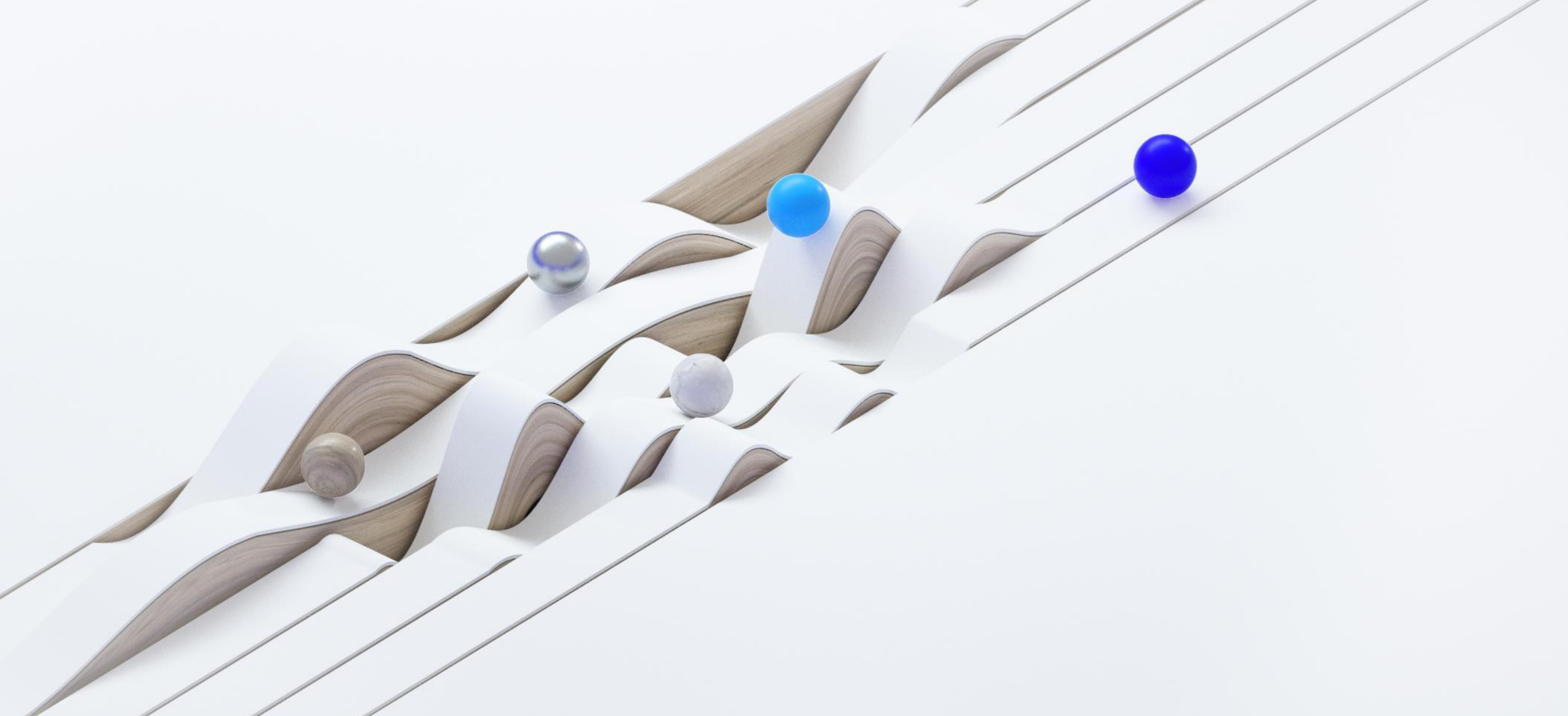
Invesco India DAWN Portfolio

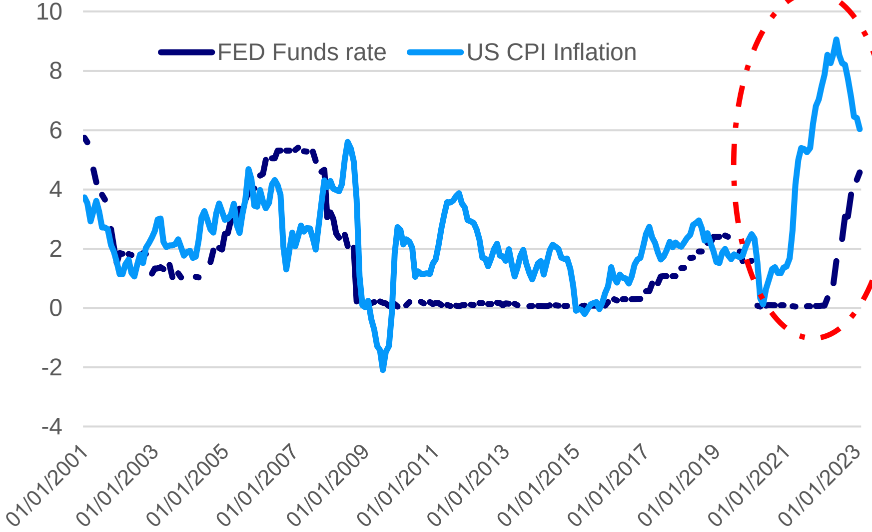
March 2023



Value stocks, after years of underperformance, have outperformed Growth and are expected to continue going forward.

Though the rate hike cycle is close to peaking, there is a likelihood of interest rates remaining elevated which will still be a conducive environment for Value to do well.

US Fed rate hikes to tame inflation



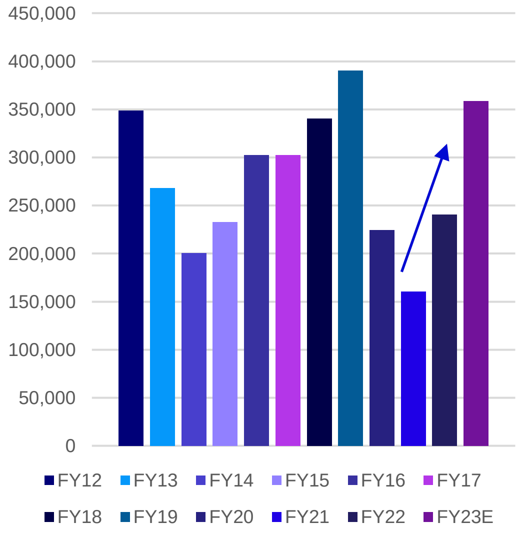
Value Stocks Mkt Cap as a % of Total India Mkt Cap

Source: Bloomberg, Elara Securities

The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.

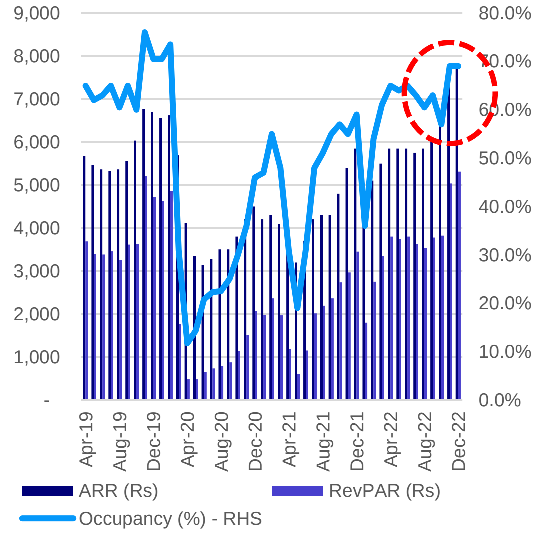
Regardless of moderating economic growth, some sectors continue to show recovery..

Medium & Heavy Commercial Vehicle Sales



Credit Growth

Hotel Avg. Room Revenue and Occupancy



Source: SIAM, RBI, Anarock/Isec Research.
'E' denotes estimates. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.

Presenting

Invesco India DAWN Portfolio

Value focused Large-cap biased strategy

D

Demand recovery across cyclical & consumer discretionary sectors

A

Attractive valuation to provide margin of safety

W

Winning companies on the cusp of a new demand cycle leading to operating & financial leverage efficiencies

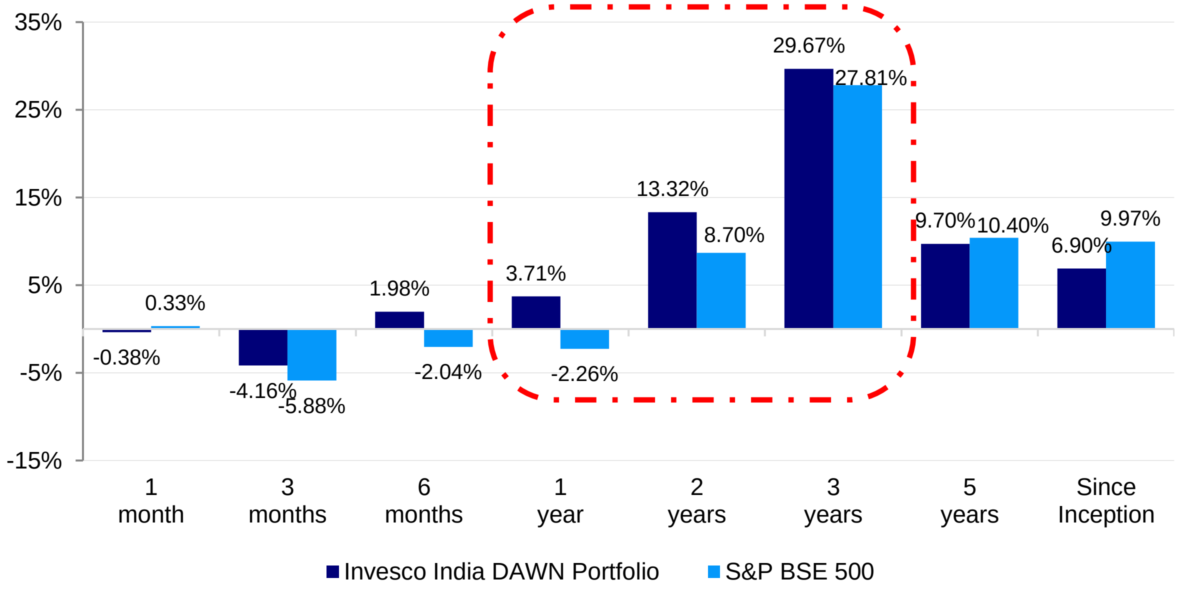
N

New credit & investment cycle to provide a boost to earnings recovery

A New Day;
A New DAWN

Delivering performance

Performance net of fees & expenses (in %) – **as on Mar 31, 2023.**



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Invesco India DAWN Portfolio

Underlying investment strategy

Focus on companies with Value bias & quality business models/ management

Emphasis on pockets of recovery & mean reversion

Bottom-up stock selection approach, investment across market sectors & capitalization with Largecap bias

Portfolio composition: 10 – 25 stocks

Please refer to full details on Investment Approach on Page 13 of the presentation. **Securities investments are subject to market risks, please read the Disclosure Document carefully before investing.**

How is the portfolio positioned today to benefit across investment themes?

Focused investment themes

Cyclical Recovery

Allocation: 36.6%

Beneficiaries of industries in business cycle transition, from recession to expansion due to cyclical nature

Business Segments
- Large Banks & Financials
- Construction & Engineering
- Commercial vehicles
- Select Consumption Areas

Top Holdings	% Allocation
ICICI Bank Ltd.	10.41
HDFC Bank Ltd.	6.41
Timken India Ltd.	4.90
Indusind Bank Ltd.	3.85
ITC Ltd.	3.81

Operating and/or Financial Leverage

Allocation: 27.3%

Exposure to companies which are gaining from operating & financial leverage

Business Segments
- Auto components
- Commodities
- Energy
- Telecom

Top Holdings	% Allocation
Tube Investments of India Ltd.	5.61
Reliance Industries Ltd.	5.24
UltraTech Cement Ltd.	5.15
Tata Motors Ltd.	3.53
United Spirits Ltd.	3.36

Value

Allocation: 31.3%

Exposure to companies trading below their intrinsic value

Business Segments
- Information technology
- Tier 2 banks & PSU Banks
- Defense

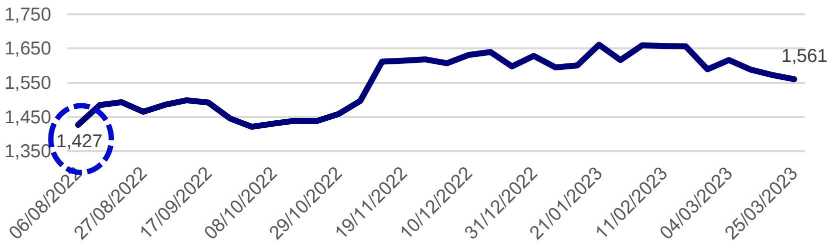
Top Holdings	% Allocation
Axis Bank Ltd.	5.38
Infosys Ltd.	5.13
Tech Mahindra Ltd.	4.73
Hindustan Aeronautics Ltd.	4.03
Bank Of Baroda	3.42

Model portfolio data as on Mar 31, 2023. The stocks referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The allocation of the above stocks is of the Model Portfolio of the concerned Investment Approach. The Investment Approach as well as Client portfolio's may or may not have future positions in this stock or in any other investment approach offered by IAMI. The portfolio composition of individual clients may vary vis-à-vis the composition of model portfolio due to various factors viz. timing of investment/additional investment in client's portfolio, timing of withdrawals in client's portfolio, mandates given by respective client, expenses charged to respective portfolio, dividend income in the respective portfolio etc. Cyclical Recovery refers to a period of transition from recession to expansion as part of business cycle which is affected by ups & downs in the overall economy. The Portfolio will also favour companies that will benefit from operating /financial leverage. Operating & Financial Leverage refers to Companies ability to make more operating profit & net operating profit from each additional sale as demand recovers. In addition, investments would be made in companies which are out of favour & are available at a discount to their fair/ intrinsic value. Securities investments are subject to market risks, please read the Disclosure Document carefully before investing."

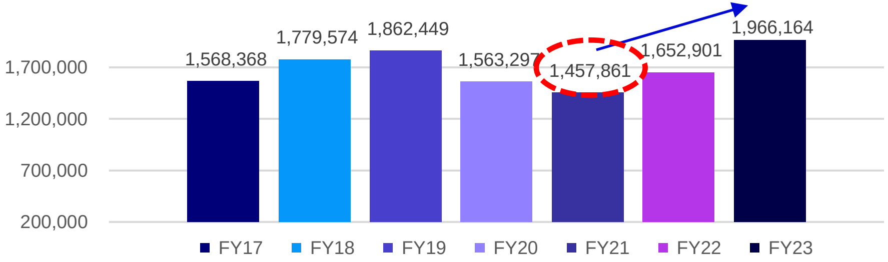
Investment theme: Cyclical Recovery

Portfolio stocks in point

HDFC Bank- Stock Price



Maruti Suzuki- Sales Volumes



HDFC Bank continues to participate in the domestic credit growth cycle and is present in the right segments of growth.

Merger with HDFC Ltd, might create near term challenges, but over the medium term is expected to enhance bank's portfolio & ability to cross-sell which will be value accretive.

The stock was bought in Aug-22, at an attractive entry valuation of 2.3x FY24E P/B with a view that valuation is likely to mean revert to its historic averages (3.1x) as superior growth/capital efficiency take precedence over near-term merger related issues.

Domestic PV Industry Sales volumes had dropped sharply in FY20, and FY21 due to covid led slowdown which had adversely affected Maruti Suzuki's sales volumes too

In Jan-21, Maruti was offering a margin improvement journey (led by lower raw material prices and operating leverage). Entry valuation at P/B of 3.7x F23E was reasonable.

Cyclical recovery has been gathering pace while Maruti has started gaining back some of its lost market share, which is also an important driver going forward.

Source: Internal, Factset, Company financials

Investment theme: Operating & Financial Leverage

Portfolio stocks in point

Tube Investments (TI) – a Murugappa group company, is a strong player in auto component industry (through engineering and metal formed division).

At the time of entry (in July-21), the company was on the cusp of benefiting from the recovery in auto cycle, constant export focus, and margin improvement through aggressive cost reduction and efficiency measures pursued by the management.

Massive turnaround of recently acquired CG Power, has been a major value driver. Optionality from potential value creation through successful scale-up of new businesses (TI2) and inorganic opportunities (TI3) over the medium to long term.

Ultratech is the largest player in India, with a diversified presence across India and thus not dependent on single market. It has operating leverage with ~76% utilization rate in FY22 and best positioned to capture demand uptick in India.

Ultratech's annual free cash flows are expected to be strong which would be sufficient to fund its future expansions and may also be used to reduce debt. Valuation are reasonable within large cement companies.

We remain positive on the prospects of the cement industry from a 3-year perspective owing to government's continued thrust on infrastructure capex, recovery in housing and potential spike in capital spending of both centre/states in the run-up to the elections.

Source: Internal, Company financials

Investment theme: Value

Portfolio stocks in point

Bank of Baroda (BOB) is the 2nd largest PSU Bank. The domestic credit growth remains healthy and BOB is participating in this growth along with an improving loan mix.

BOB is better placed with strong capital adequacy ratios and low risk of equity dilution. All these factors set the stage for RoAs gradually settling at 0.9-1.0% which would ultimately help the bank in commanding higher valuation multiples from the current levels of (<1.0x P/B on FY24E).

We expect healthy NIM's for BOB, given its strong liability franchise. Asset Quality is witnessing continuous improvement and the lower credit cost to result in strong profit growth over the next couple of years.

Hindustan Aeronautics (HAL) is India's largest Defense PSU catering to India's aerospace ecosystem. It has near monopoly amongst the domestic manufacturers, has eight decades of experience, strong technological know-how, and a healthy net cash position to support lengthy development times.

India's plans to upgrade and expand its aircraft fleet implies INR4.9tn order pipeline for HAL aircraft over the next 10-15 years. Growth will be further supported by engine upgrades, Repair & Overhaul orders and exports. Current order book of INR 820b (3.1x it's TTM revenue) with strong near-term order pipeline of INR500b.

India's indigenization thrust and progress in exports could drive further re-rating for HAL. Growth visibility is improving and company trades at an attractive valuation.

Source: Internal, Company financials

Portfolio details

Relatively Low P/E ratio: Value Bias with Margin of Safety
Relatively High RoE (%): Emphasis on Quality

Portfolio Attributes

	Invesco India DAWN Portfolio	S&P BSE 500
Revenue Growth		
Last 3 Year Sales Growth (FY19-FY22)[3]	9.0%	9.6%
Earnings Growth		
Last 3 Year EPS Growth (FY19-FY22)[3]	28.9%	22.6%
Valuation		
P/E – FY23E[1]	18.44	21.45
P/E – FY24E[1]	15.58	18.04
12 months trailing P/B[1]	2.7	3.0
12 months trailing Price/Cash flow[1]	12.8	14.0
ROE – FY23E[1]	14.7%	14.1%
ROE – FY24E[1]	15.8%	15.4%

Market Capitalization

Capitalization	Invesco India DAWN Portfolio	S&P BSE 500
Large Cap allocation	75.1%	78.3%
Mid Cap allocation	14.7%	14.4%
Small Cap allocation	5.3%	7.3%
Avg. Weighted Market Capitalization	₹3,28,154 crs.	-
Median Market Capitalization	₹99,331 crs.	-

Large Cap:1st 100 company in terms of full market capitalization. **Mid Cap**: 101st to 250th company in terms of full market capitalization. **Small Cap:** 251st company onwards in terms of full market capitalization.

Risk Attributes*

Ratio	Invesco India DAWN Portfolio	S&P BSE 500
Standard Deviation:	4.54%	4.86%
Beta:	0.88	1.00
Sharpe Ratio:	0.38	0.33

Model portfolio data as on Mar 31, 2023.

Notes on Characteristics: Source: Factset. [1] Weighted Harmonic Mean. [2] EPS growth is derived from P/E ratios. [3] Weighted Arithmetic Mean. "Weighted Harmonic Mean" is an average resulting from the multiplication of the reciprocal of the observation for each component by the weightage of that stock in the portfolio/index. It reduces the impact of outliers. ROE: Return on Equity. EPS: Earnings Per Share. P/E denotes Price to Earnings ratio. P/B denotes Price to Book ratio. 'E' denotes estimates.

Disclaimer: Return on Equity, expected earnings growth & forward earnings mentioned herein above are based on prevailing market conditions / various other factors / data points and is subject to change from time to time. It should not be construed as future returns of the investment approach. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.

Invesco Asset Management (India) Pvt. Ltd. is not guaranteeing or promising or forecasting any returns.

Notes on Performance Attributes: Source: Internal. *Risk ratios based on 3 years, monthly data history. **(Risk- free rate of 6.73% based on overnight MIBOR).**

Bottom-up stock selection approach..

Looks at company-specific fundamentals; exposure to a particular sector just an outcome

Sector	Invesco India DAWN Portfolio	S&P BSE 500	Over / Under Weight
Financials	32.6%	31.1%	1.50%
Consumer Discretionary	14.1%	11.4%	2.70%
Industrials	13.4%	7.3%	6.10%
Information Technology	9.9%	11.9%	-2.00%
Energy	5.2%	8.9%	-3.70%
Materials	7.5%	8.5%	-1.00%
Consumer Staples	7.2%	9.1%	-1.90%
Communication Services	2.2%	2.6%	-0.40%
Health Care	0.0%	5.0%	-5.00%
Real Estate	0.0%	0.8%	-0.80%
Utilities	3.1%	3.3%	-0.20%

Model portfolio data as on Mar 31, 2023

Key facts

Investment Objective	To generate capital appreciation by investing in companies available at reasonable valuations.
Basis of selection of such types of securities as part of the investment approach	The focus of this portfolio would be on identifying sectors and stocks which are expected to benefit from revival in cyclical recovery. Cyclical Recovery refers to a period of transition from recession to expansion as part of business cycle which is affected by ups and downs in the overall economy. The Portfolio will also favour companies that will benefit from operating /financial leverage. Operating & Financial Leverage refers to Companies ability to make more operating profit & net operating profit from each additional sale as demand recovers. In addition, investments would be made in companies which are out of favour and are available at a discount to their fair/intrinsic value. For selection of stocks, the portfolio would lay emphasis on mean reversion & value style investing with focus on companies with quality business models & management. The portfolio will follow bottom-up stock selection approach, without bias towards market capitalization or sector. The portfolio would generally comprise of 10 – 25 stocks.
Type of Securities	Equity & Equity Related Instruments, Money Market Instruments, Units of Liquid, Money Market and Overnight Mutual Fund Schemes and Cash & Cash Equivalents
Allocation of portfolio across types of securities	Under normal circumstances, the asset allocation of the portfolio shall be as follows:

Instruments	**Indicative Allocations (% of portfolio value)**
Equity & Equity Related Instruments	65% to 100%
Money Market Instruments, Units of Liquid, Money Market and Overnight Mutual Fund Schemes and Cash & Cash Equivalents	0% to 35%

The asset allocation pattern indicated above may change from time to time, keeping in view market conditions. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of market conditions of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Client. Such changes in the asset allocation pattern will be for defensive considerations.

Benchmark & Basis of Benchmark Section	**Benchmark:** S&P BSE 500. **Basis of Benchmark Section:** The S&P BSE 500 index consist of top 500 listed companies covering all major sectors in the Indian economy thus providing a broad representation of the listed companies.
Indicative tenure Or investment horizon	The portfolio is suitable for investors seeking long term wealth creation by investing in equities with an investment horizon of 4 years and above
Risks associated with the investment approach	The portfolio may underperform the broad market if the cyclical recovery in sectors and stocks takes a longer than anticipated. The benefits of operating and financial leverage may not materialize as expected. Also, value investing involves the risk that the market may not recognize a security's intrinsic value for a long time, or that a security thought to be undervalued may be appropriately priced when purchased. Also, adverse tactical asset allocation between equity & cash could affect the performance of the portfolio. This portfolio is recommended for investors with higher risk appetite seeking long term capital appreciation.
Subscription	**Minimum Investment:** ₹50 Lacs **Mode:** Funds and/or Stock Transfer
Direct Onboarding:	We do offer direct onboarding of clients, please write to us at pms@invesco.com for more details.

Portfolio manager

Mr. Neelesh Dhamnaskar
Principal Officer – Portfolio Management Services

Neelesh has over 17 years' experience in equity markets and financial services domain and has been managing the fund since July 9, 2022. Before joining the PMS division of Invesco, Neelesh was managing few equity funds, overseas fund of fund schemes of Invesco Mutual Fund as well as tracking few sectors as an analyst. He previously worked with Enam (now a part of Axis Bank) where he was tracking companies across sectors and assisting the PMS Fund Manager in his investment decisions. Prior to this, he was working with KRC, a domestic broking house in equity research and has also worked with Anand Rathi Securities Limited as a Commodities Research Analyst. Neelesh holds a Commerce degree and an MMS degree with specialization in Finance from Mumbai University.

About us

We are a leading independent global investment firm

Invesco Ltd.

- **$1.4 trillion** in assets under management around the globe
- Specialized investment teams managing investments across a wide range of asset classes and investment styles
- More than **8,400 employees** worldwide
- On-the-ground presence in more than **20 countries**, serving clients in more than **120 countries**

Invesco Asset Management (India) Private Ltd.

- Expertise across equity, fixed income and gold investments with assets under management & advisory mandates of **INR 54,841 crores (US$ 6.6 bn)**
- More than **37 investment strategies** across fixed income, equity and gold
- **Proprietary stock selection process** for Equity & **Proprietary Credit Appraisal process** for Debt.
- Experienced Investment Management Team of 23 members with combined experience of over **300+ years**.
- Believe in being **True to Mandate**
- Broad, deep and stable research platform.
- Defined and robust Risk Management Processes

Data of Invesco Ltd.: Invesco Ltd. Client-related data, investment professional, employee data and AUM data as on Dec 31, 2022 and include all assets under advisement, distributed and overseen by Invesco. Data of Invesco Asset Management (India) Private Ltd.: AUM represents Average AUM for the quarter ending as on Mar 31, 2023. Decimals have been rounded off.

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Get in touch

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