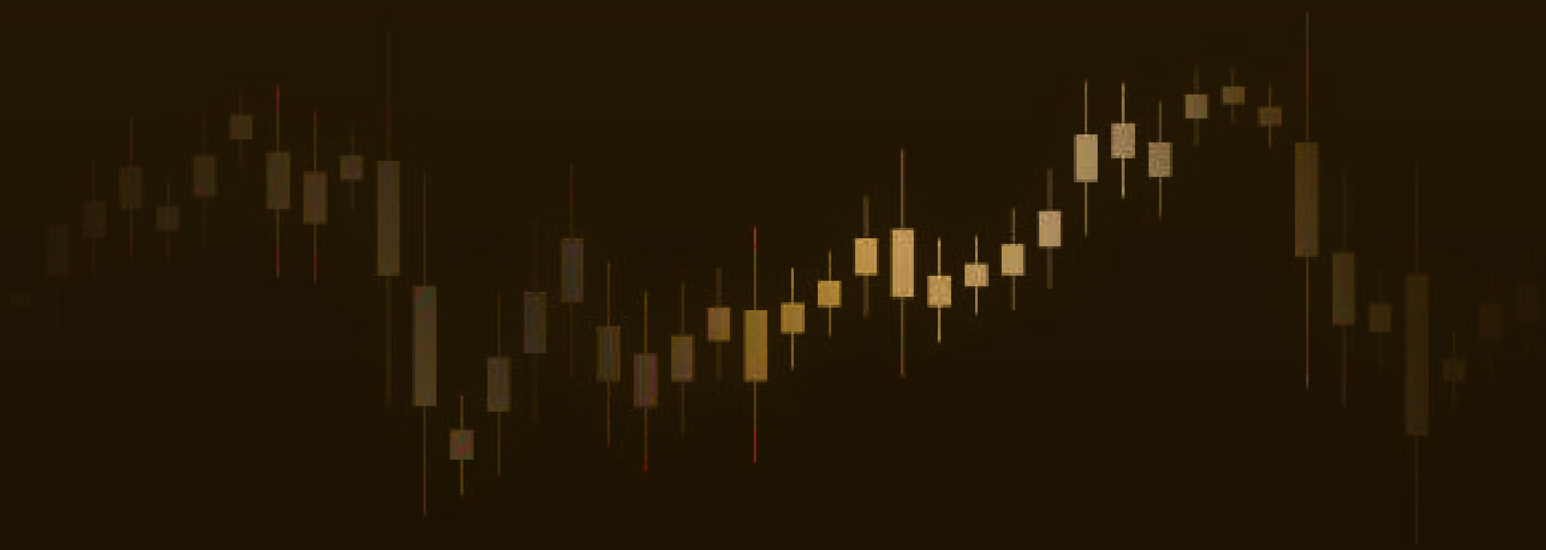
INVESTONOMICS

Rise of Alternates in the New Age of Investing



EDITION 22 | JULY 23

PMS AIF WORLD

Leading the Growing Space of Alternates

PMS AIF WORLD is an alternates focused, new age investment services company, providing analytics-backed quality investing service with an endeavour and aim of assisting investors' journey of long term wealth creation and prosperity. The Investment Service Industry isn't designed to be fair; there are hundreds of products and strategies that waste time and money. So, one must practice caution while investing. We offer responsible, long term investment service. We distribute well analysed PMS and AIF products and offer investment service along with in - depth information for investors to make informed decisions not just before investing, but throughout the wealth creation journey. We are very selective in our approach, we analyze PMS AIF products across 5 Ps – People, Philosophy, Performance, Portfolio, Price, with an endeavour to ascertain the Quality, Risk, and Consistency(QRC) attributes before offering the same to investors.

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CEO's Note

Mr. Kamal Manocha

FAITH, one of the most important traits to create **wealth from** equities

Faith is a state of mind that one must learn to cultivate to be a good investor. This is created in the subconscious mind through repeating affirmations and instructions. This is because, any impulse of thought that is continuously repeated and entered into the subconscious mind eventually becomes a continuous loop of thought.

Thus, if one wants to really create wealth from investing, foremost is to believe future is going to be bright. Then, faith needs to be persistent and strong, especially during times of darkness.

While all equity investors start their investment journey with a thought of long term horizon but most find it difficult to sail through dark periods with faith, and succumb to limitation of human mind that wavers too much and lose conviction. This also happens because, wealth management industry is not designed to be fair; its comprised of mostly sales people who are skilled at encashing this human mind limitation. Rather than helping investors keep the conviction and focus on the bigger picture, industry operates in a system built to confuse with jargons like large caps are less risky, mid & small caps are more risky, risk profiling, asset allocation are highly important before investing in equities etc.

All these are important to understand, but, more important is the big picture but investor mind is always made to focus on risk, risk and risk while investing in equities and that is why investors worry too much about the immediate loss of value and waste time in trying to time the market. This way investors seldom create real wealth.

Year 2021 and 2022 have been two such recent classic example of years for the equity stock market in this regards. This is because these years did not just test the patience, but also left investors disappointed and confused. During such difficult but opportune times, many investors opted to divert equity investments to fixed deposits and bond funds for the comfort of ~8% annualised returns. It was nothing but, loss of faith.

Today, in the mid of year 2023, when equity markets & many equity portfolios have shown strength and beaten all asset classes across short, mid & long term, in a matter of just 6 months, it is pertinent to learn the power of good equity investing and conviction. This is easier said than done, and knowledge about investment plays a significant role.

This is the difference that we at PMS AIF WORLD offer. We objectively select & offer good investments and are successfully working towards our vision of creating thousands of real wealth creation stories in this direction.

All this is being achieved by focusing on 2 things, one, offering good investment **portfolios** and two, imparting **conviction** during dark phase. Both, through the power of knowledge backed by **content & analysis**.

> **"A positive mind is more fertile to faith, and faith is the starting point for all success..**

CEO’s Note

Mr. Kamal Manocha

We diligently follow the rhythm of Friday fund manager webinars, monthly performance newsletters, quarterly investment journal and semi-annual investment summit. This process helps us and our client sail through emotions of fear & greed through constant flow of knowledge.

In this edition we have compiled various articles on markets & economy authored by top money managers, details of top PMS & AIF products, recent top 10 investment indicators and much more.

We welcome you to this 22nd quarterly edition of INVESTONOMICS

Keep the Faith. Stay Informed, Stay Invested!

> It's not whether fund manager goes right or wrong that's important, because fund manager can surely go wrong. What matters is how much money is lost, when fund manager goes wrong and how much money is made, when fund manager goes right.
>
> Creating wealth is a process of gaining this full experience with faith, patience, and insight.
>
> \- Kamal Manocha

PMS AIF WORLD

4th Mid Year Summit 2023

A BIG HIT

We thank you
for making the event

A Grand Success

In case you missed any session, we regret as attending the event live is a totally different experience. But worry not, we will be soon uploading the recordings of all the sessions on our YouTube Channel.

Summer of '23

Rise of Alternates in the New Age of Investing

Few Glimpses

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Rise of Alternates in the New Age of Investing

Few Glimpses

The Alternative Investment space in India has evolved and come a long way in the last decade with AUM and number of clients growing at a CAGR of 16% and 8% respectively in the period FY13-FY23. The growth in the space has been driven by a need for customised investment options and a conducive regulatory environment. Alternative Investments space in India essentially includes Alternative Investment Funds and Portfolio Management Services. The Alternative Investment Funds are regulated by SEBI through the SEBI (Alternative Investment Funds) Regulations, 2012 while the Portfolio Management Services is regulated through the SEBI (Portfolio Managers) Regulations, 2020.

Besides customized investment options, Alternative investments provide clients with higher degree of concentration and access to alternative asset classes along with strong regulatory oversight. The key difference between AIF and PMS is the minimum investment threshold which for PMS stands at Rs 5mn and for AIF stands at Rs 10mn.

AIF industry has rapidly evolved in the last decade with number of AIFs increasing from 42 in FY13 to 1,088 at the end of FY23 growing at a CAGR of 38%. Funds raised under all the 3 sub-categories at the end of FY23 stood at Rs 3.65trn while total commitments raised at the end of FY23 stood at Rs 8.3trn.

The Alternative Investment Funds (AIFs) are categorized into 3 sub-categories:

1. Category I

   These are AIFs which invest in start-ups, early stage ventures, social ventures, SMEs, infrastructure and other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social venture funds, infrastructure funds and such other Alternative Investment Funds as may be specified

2. Category II

   AIFs which do not fall in Category I and III are classified under Category II. These funds are not permitted to undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI (Alternative Investment Funds) Regulations, 2012. Various types of funds such as real estate funds, private equity funds (PE funds), funds for distressed assets, etc. are registered as Category II AIFs.

3. Category III

   AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. Various types of funds such as hedge funds, PIPE Funds, etc. are registered as Category III AIFs.

The **Portfolio Management Services** on the other hand can be classified into discretionary and non-discretionary.

- Discretionary Portfolio Managers

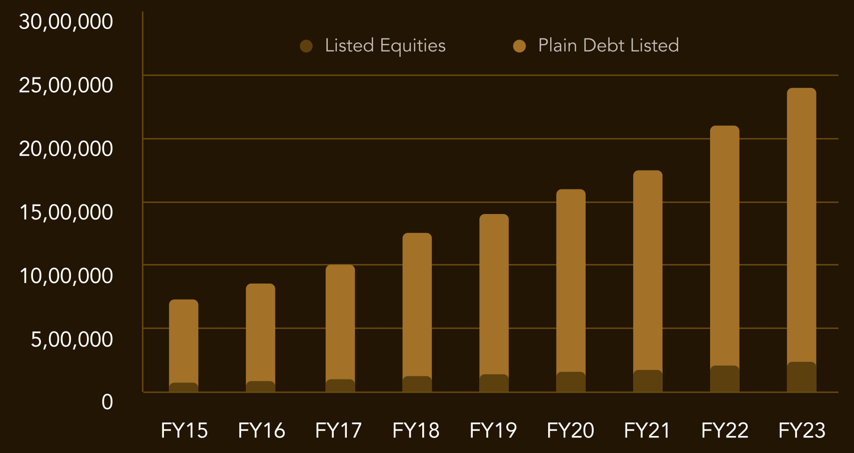
  Refers to a portfolio manager who under contract can invest the funds of the clients as per their discretion while adhering to the overall guardrails of the contract.

- Non-Discretionary Portfolio Managers

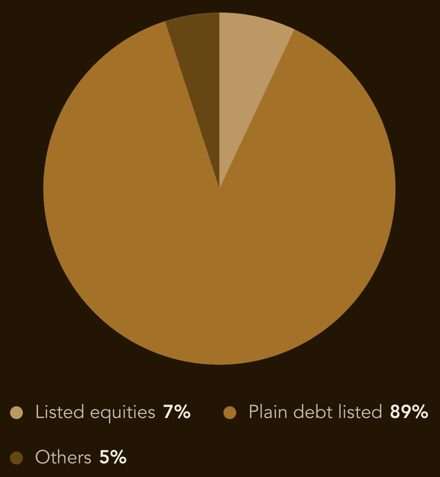
  Shall manage the funds in accordance with the directions of clients.

The AUM for the PMS industry has grown at a CAGR of 18% in the period FY15 to FY23 and stood at Rs 27.8trn. Debt schemes accounted for ~80% of the AUM while listed equities accounted for 9% of the AUM. Listed equities have grown at a CAGR of 22% in the same period.

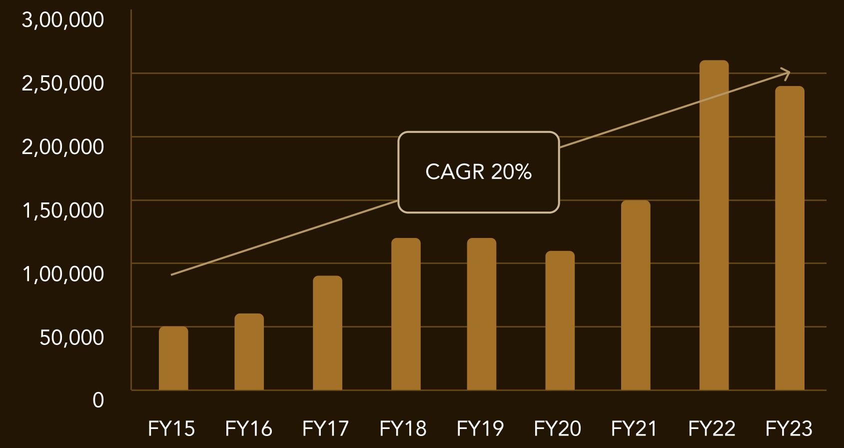
PMS AUM by segment (INR Cr)



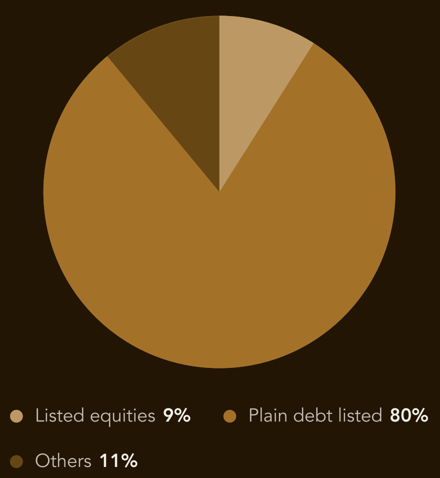
Split of AUM for PMS FY15



PMS AUM of Listed Equities (INR Cr)



Split of AUM for PMS FY23



Source: SEBI, ASK IM Research

The listed equity AUM under PMS has grown at a CAGR of 22% and stood at Rs 2.5trn at the end of FY23 as compared to Rs 0.49trn at the end of FY15. The growth in AUM has been driven by increase in number of providers, increasing penetration and strong regulatory oversight. Despite this rapid growth in listed equity AUM for the PMS industry, PMS industries share of total equity AUM stood at 11.2%. The share of number of clients investing through the PMS industry stood at 0.7% (of mutual fund + alternates total investor base) at the end of FY23. The opportunity for Alternative Funds as an asset class hence remains immense given the expected acceleration in economic growth and penetration led opportunities.

About ASK Investment Managers Limited:

ASK Investment Managers Limited (ASKIM), a SEBI registered intermediary, is a leading asset and wealth management company, primarily catering to the HNI and UHNI market in India. Our firm was one of the first companies to obtain Portfolio Management Services license in India and are currently one of the largest companies offering Discretionary Equity Portfolio Management Services and AIFs.

We invest exclusively in listed Indian equities for our clientele who are India domiciled, as well as offshore, through segregated accounts and commingled funds.

Our Philosophy

We seek to invest in Indian equities that run high quality businesses, operated by a high-quality management, enjoying sustained long-term growth prospects. The key tenets of our investment approach are as follows:

- Large and expanding opportunity size

  Identifying investment opportunities in areas where the size of opportunity is large and expanding, which ensures long term compounding of earnings

- High quality management

  Quality of management is an important attribute which we evaluate very closely for all our investments as we believe that high quality managers will be able to not only thrive in the ever-changing world but will also be able to capture available growth opportunities

- High quality business

  High quality businesses are businesses which have strong internally generated moats which ensure not only high capital efficiency but also high degree of longevity of earnings growth. The longevity and high capital efficiency together is a potent combination of wealth generation

- Earnings growth

  We seek to investment in businesses which have a relatively higher quantum, durable, consistent and predictable earnings growth profile

PMS AIF WORLD

We Help You Invest in the

Best Portfolios

Post Covid Performance of Top 10 PMSs and Top 10 Mutual Funds

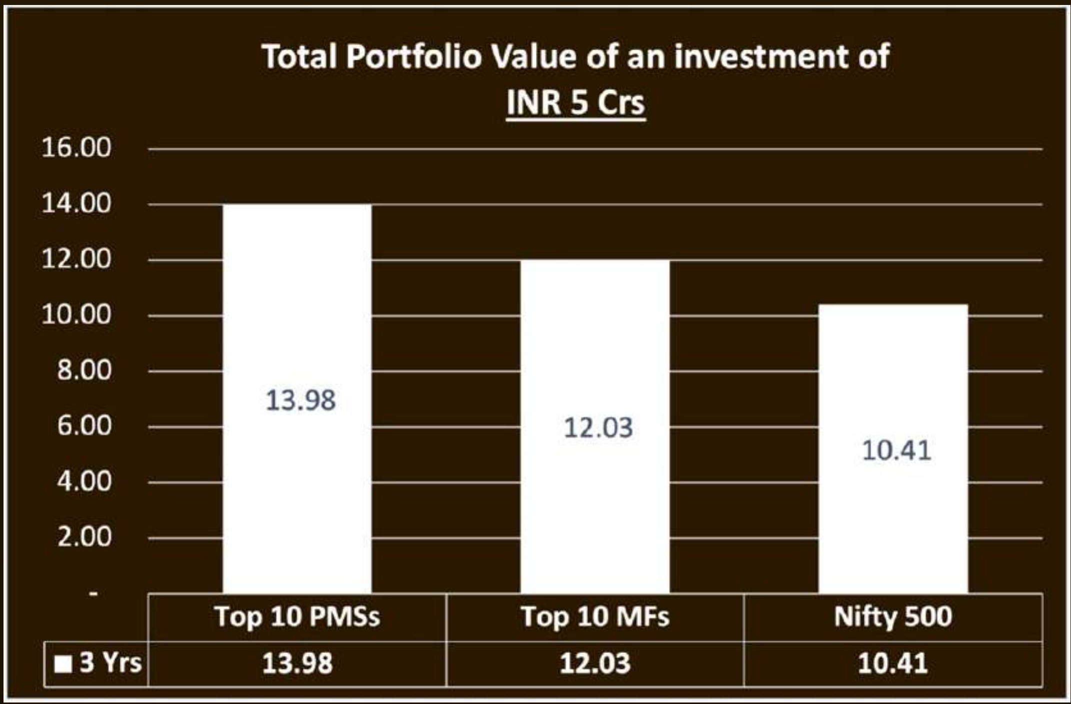
By PMS AIF WORLD

PMS AIF WORLD

Equity investments are known for their potential to create wealth in a non-linear manner. Investments made early on can snowball into large sums over time and this is where we help investors make informed investment decisions.

Having said that, some investors, having studied the markets only recently, come to us with an argument that Nifty 500 has made ~27% returns in 3Y, in the post-Covid time – and so one could invest in index funds as index itself has garnered good returns.

So, we carried out an exercise to evaluate the top 10 Multicap PMSs and top 10 Multicap Mutual Funds for the past 3 years. And here's what we found out – if you had invested 50 lakhs each in the top 10 PMSs and 50 lakhs each in the top 10 MFs, and 5 Crs in Nifty 500, this would have been the results!



PMSs have successfully beaten the other 2 and have clearly generated more Wealth for investors.

TOP 10 PMSs- 3Y Returns (Multi Cap Fund)

Scheme Name	AuM (Cr)	Annualized Returns
Negen Capital Special Situations & Technology Fund	432.69	57.20%
Buoyant Capital Opportunities Multi-cap	694.00	47.80%
ValueQuest Platinum Scheme	341.61	44.80%
ValueQuest Growth Scheme	768.80	40.40%
Sameeksha Capital Equity Fund	604.10	38.60%
SBI ESG Portfolio	395.00	37.20%
ICICI Prudential PMS Contra Strategy	1355.90	36.70%
Green Portfolio Special	168.70	36.00%
Kotak AMC India Focus- Series 2	409.00	33.50%
Kotak AMC India Focus- Series 1	326.00	33.00%

TOP 10 MFs- 3Y Returns (Multi Cap Fund)

Scheme Name	AuM (Cr)	Annualized Returns
Quant Active Fund	3687.61	45.12%
Nippon India Multicap Fund	14341.99	37.69%
HDFC Flexi Cap Fund	31892.77	36.47%
Franklin India Flexi Cap Fund	10028.10	34.19%
PGIM India Flexi Cap Fund	5310.35	34.14%
Parag Parikh Flexi Cap Fund	31290.25	33.80%
ICICI Prudential Multicap Fund	6963.42	31.67%
Invesco India Multicap Fund	2367.21	29.19%
Aditya Birla Sun Life Flexi Cap Fund	15434.24	27.92%
HSBC Flexi Cap Fund	3116.05	27.79%

Note: AUM criteria taken is > Rs 150 Crs for PMSs and > Rs 2000 Crs for MFs
Risk Disclaimer: Investments are subject to market-related risks. The content mentioned here is meant for general information purposes and not to be construed as any recommendation or advice. The investor must make their own analysis or consult their advisor and take investment decisions accordingly. Past Performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. Please read the disclosure documents carefully before investing.

We have carried this analysis [PMSs v/s MFs] across time frames, multiple times and results have always been in favor of PMSs, which is why we confidently state that well-informed and appropriate investments are being made, PMS is one of the best wealth creating structures. You can check it out by clicking here.

At PMS AIF WORLD, we understand that making informed investment decisions is crucial, especially during these uncertain times. Our team of experts are always ready to help you make the right investment choices that align with your financial goals.

As the markets continue to exhibit resilience in the face of uncertain economic conditions, we remain steadfast in our belief that equities hold tremendous potential for growth and wealth creation.

After the promoters and the key employees of the company (holding ESOPs), the next set of people who make wealth are the investors in the company who hold their investments with the greatest conviction.

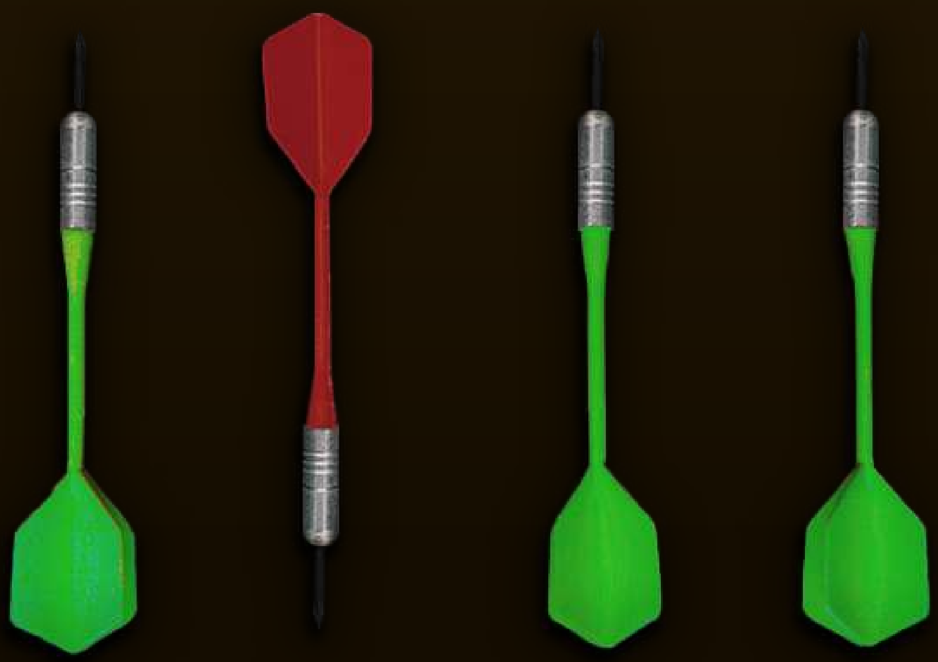
This is where the role of Portfolio Management Services (PMS) comes in. PMSs take high-conviction bets in some high-growth businesses, which is not possible in the case of mutual funds because they own stocks in the common pool and allocate units to the investor. MFs are a great way to learn investing in equities and are also great for income generation, but not for wealth creation.

Wealth creation can only happen by being a shareholder in great businesses.

With our expertise and the markets' momentum, we are confident in our ability to generate positive results and unlock the full potential of your investments. So, if you are an HNI investor, click here to book a call with us today and let us help you make informed investment decisions.

PMS AIF WORLD

In PMS, one investor's behavioural reactions to market movements



Does not impact other Investors' portfolios

As one of India's largest venture capital and private equity platforms—investing from Series B through pre-IPO across a range of industries—360 ONE Asset has a unique vantage point into India's private market. The media has been talking animatedly about India's "funding winter" in recent quarters. While there is certainly some truth to the slowdown in private market funding, the details are more nuanced. This opinion piece provides perspectives on the current market environment along with some historical context and long-term outlook.

First, the facts. According to Bain & Co., VC and PE investment volumes in India grew from $11.8 billion in 2013 to $69.8 billion in 2021 (highest ever), a robust CAGR of 24.9%. Investment volumes in 2022 tapered off to $61.6 billion, slightly below the $62.2 billion in 2020. There has been widespread criticism about the lack of exits in India. VC and PE exit volumes in India per Bain & Co. grew from $6.8 billion in 2013 to $36.1 billion in 2021 (highest ever), a healthy CAGR of 23.2%. Exit volumes in 2022 declined to $24 billion, again, the third highest level ever. Yes, 2023 YTD has seen a further decrease in investment and exit activity but we have to acknowledge that 2021 was an aberration; an all-time peak that may not be breached for some time.

Next, let us analyze investor sentiment. If 2021 was overly bullish, 2023 may have turned overly bearish. Investor sentiment has changed. But is this change universal? For example, 360 ONE Asset has invested actively throughout the so-called winter. In 2022, we deployed more than INR 2,400 crores and, in the first five months of 2023, we have already deployed more than INR 1,100 crores of capital. The biggest change might be witnessed at certain international funds, say Tiger Global, SoftBank and hedge funds, who have decreased their capital deployment in India; this drop may be driven by global macroeconomic risks and portfolio performance as much as Indian factors.

The dependence on foreign capital is an important aspect of the Indian private market. The Standing Committee on Finance made a revealing observation in their report to the Parliament in 2020: "Data indicate that more than 80% of startup financing is coming through foreign capital, largely channeled through the venture capital and private equity industry. India's financial system must be strengthened to ensure that much more domestic equity capital is available to scale up our startups." Capital requirements for startups evolve as they grow from nascent ventures to full-fledged enterprises. While early-stage funding has come a long way, downstream venture growth and late-stage funding has remained relatively underdeveloped. Like China, the Indian private market will benefit from more stable, homegrown pools of capital. I believe that the pull back of international capital provides a compelling opportunity for Indian managers like 360 ONE Asset to fill vital gaps in the private market.

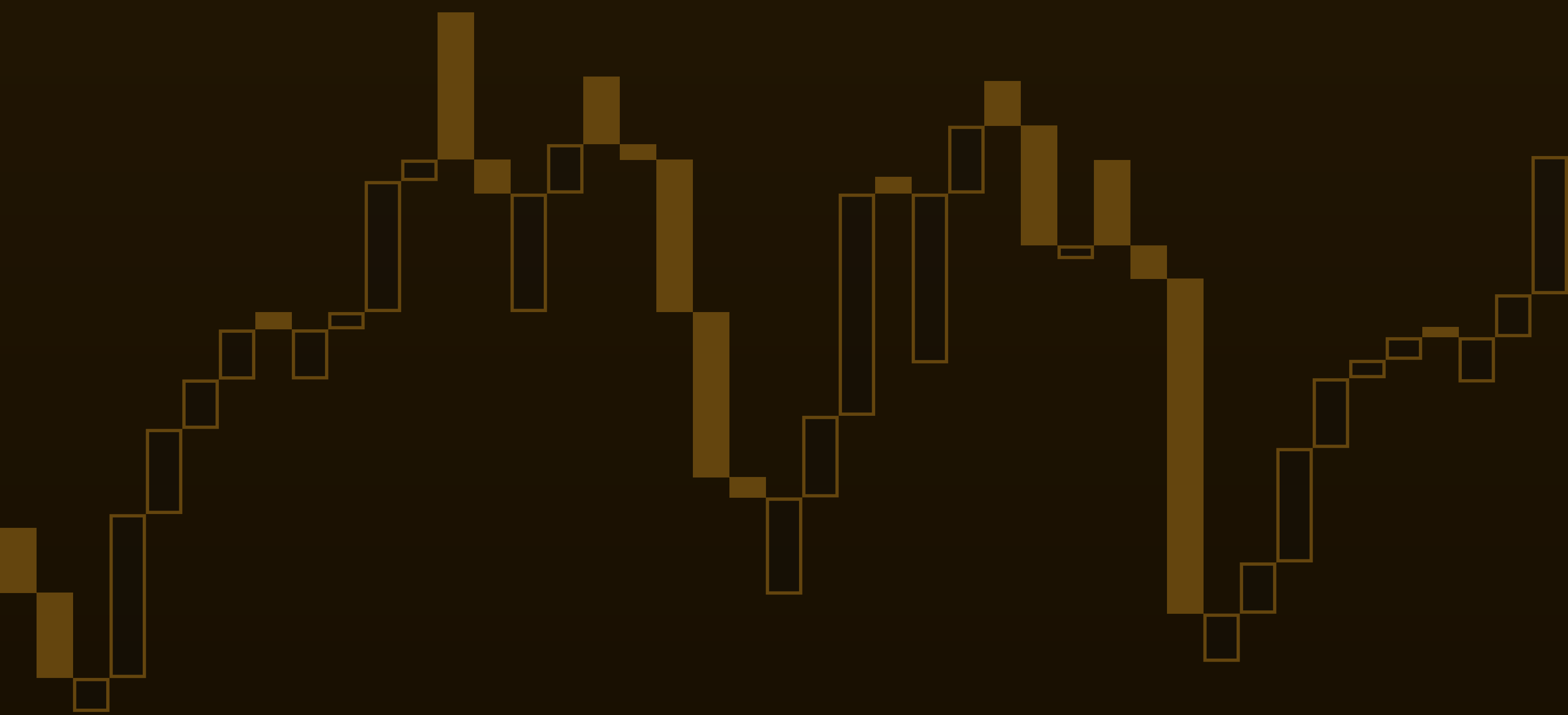
Third, what does the funding winter really demonstrate? The public market has taught some valuable lessons to the private market since 2022. Private market investors have dramatically altered their expectations on profitability, unit economics and capital efficiency. Profitable growth is the current mantra; the exuberance about growth-at-all-costs has disappeared. Valuations have been reset. The carnage in public technology indices has spilled over into the private market globally. SaaS multiples, which touched 19x EV / Revenue in mid 2021, have corrected to 6-7x.

Several Indian companies will need time to grow into their peak-era valuations; some may never get there. There may be more short-term pain; flat rounds may be followed by down rounds and even recapitalizations. However, much of this reset could be warranted and could create new investment opportunities. Despite the pull back of some international capital, there is substantial dry powder on the sidelines. India-focused VC and PE funds raised more than $18 billion in 2022 alone. This dry powder will find its way into the market in the coming quarters. Top quartile companies will continue to raise venture capital and private equity through the cycle. At 360 ONE Asset, we are observing high quality deal flow at reasonable entry valuations, and I forecast an attractive investment vintage in 2023-24.

Finally, let us examine India's fundamentals and look ahead. India has the second largest internet user base (with 851 million subscribers per NASSCOM) and the third largest startup ecosystem (with more than 112,000 startups and 520 active VC funds per Bain & Co.) in the world. The caliber of Indian founders continues to improve with recent cohorts including more seasoned and serial entrepreneurs.

Significant value is being created in India's private market. For instance, in the digital universe, the five largest private companies have an aggregate equity value of $92 billion compared to $30 billion for the five largest public companies. Only 8 of India's 108 unicorns are publicly listed. In addition to being the fastest growing large economy globally for the last two years, India is the fifth largest economy and projected to be the third largest in the world by 2030. According to IMF data, if India were to follow China's growth trajectory, nominal GDP might increase by 5x over the next 15 years.

Favorable demographics, improving standard of living, rising consumption, rapid urbanization, increasing financialization and government initiatives like the "India stack" are creating exciting private equity and buyout opportunities across consumer, financial services, healthcare and manufacturing industries. Sectors like defense and supply chain-linked industrials did not even exist a few years ago. For these reasons, regardless of when the prevailing funding winter thaws, I remain very optimistic about the long-term outlook for India's private market.



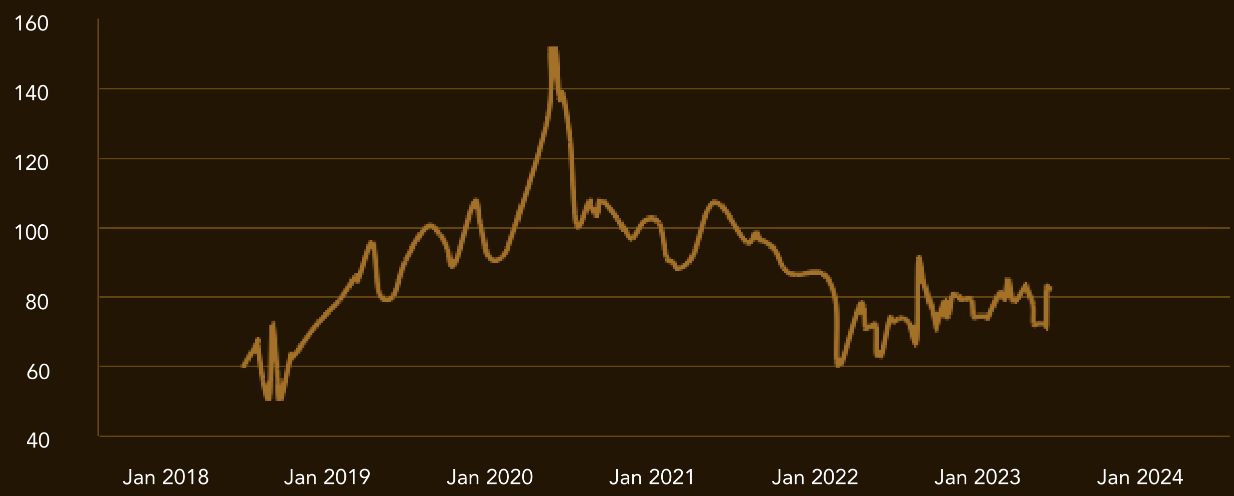
Performing credits gain traction on back of solutions specific capital demand

By Dhaval Patel, Fund Manager, Alternates

In the first half of 2023, global markets grappled with the weight of macroeconomic transformation, characterized by ongoing monetary tightening that dampened the willingness of traditional sources of credit. However, amidst this challenging backdrop, the private debt as an asset class has been relatively well-insulated.

Globally, there is demand for credit-oriented strategies. Investors that would otherwise be allocating a bigger proportion of their money to private equity, venture capital, or equities, see that they can get better risk-adjusted returns in credit. The market share shifting from riskier asset classes to credit.

At home, we see the similar trend. With interest rate reaching their highest point and the RBI adopting a rate pause, the market is witnessing attractive interest rates. CAT-II has its highest share among the AIF category (as per SEBI data dated 31st March 2023), and within this category we believe the structure credit space is gaining prominence. This is due to improved credit spreads and a relatively Flattish G-sec curve.



Source: Bloomberg, as on 16th June 2023. Spread between 3 years AA and A rated Corporate Bonds

Notwithstanding the challenges from global spillovers, India has been acknowledged as the global growth leader among major economies in the world. The IMF has forecasted India's FY23 growth at 6.8% which is highest among major advanced economies and emerging markets. Both corporates and financiers have witnessed marked improvements in their credit profile in past few years as entities have focused on improving cashflows and deleveraging balance sheet.

Central government continues to lead with capex investments in road, airport, digital, affordable housing, access to potable water, power, and railway infrastructure development as they realized the need for high quality sustainable infrastructure to improve the efficiency of operations in India and become globally competitive. In last 10 years, central & state governments have been systematically increasing spend on infrastructure. While the Centre focuses on multi-state developmental projects, the states target granular city/district level projects piggy backing off central projects to provide last mile capabilities.

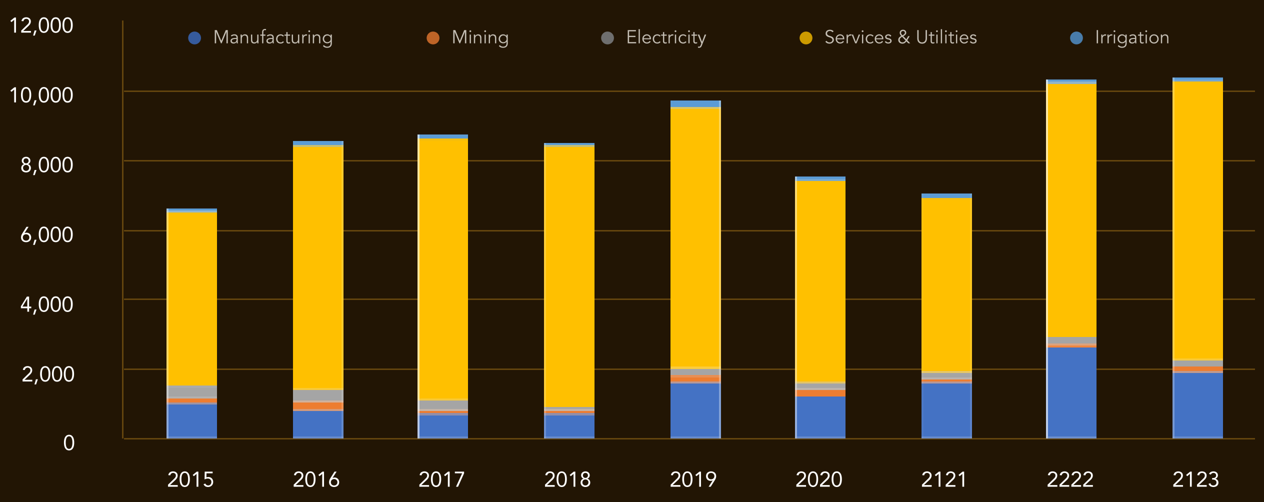
Private sector capital expenditure also witnessing sign of revival which augurs well for various mid- market companies (revenue ranging from Rs. 500 crore to Rs. 6000 crore). As per global rating agency Fitch the utilisation rates of India's manufacturing sectors, after being below 70% for nine quarters have managed to remain above 70% for four straight quarters ending Q2FY23. New manufacturing orders have shown robust growth for nine consecutive quarters ending 2QFY23, following negligible growth or large falls in the preceding seven quarters.

Performing credits gain traction on back of solutions specific capital demand

By Dhaval Patel, Fund Manager, Alternates

PLI schemes have boosted private capex. Activity in PLI-linked sectors have picked up, with increasing investments in Textiles, White Goods and Large-scale electronics sectors. The data on new project intention has seen very strong growth for FY23 driven by PLI and new energy (Green Hydrogen) related announcements - adjusted for which growth is muted. Infrastructure capex continues its strong momentum. Tendering and ordering activity has also been strong primarily driven by Infrastructure (roads, railways and water) and mining.

Number of new capex announcements



Source: GS Report and Projectstoday, as on 30th April, 2023

While there is steady demand for credit from mid-market entities the enhanced regulatory requirements have resulted in limited participation from traditional players such as wholesale oriented NBFCs and credit risk oriented Mutual fund schemes.

Combined effect of these factors has resulted in steady requirement of situational capital especially in mid-market companies translating into strong deals flow in private credit market especially with gross yield ranging 12-15%. As per E&Y report; in CY2022 private credit transactions worth more than US$5.3b were executed in India. This does not include venture debt, debt funding in financial services players and offshore bond raises. Half of these deals were under the average ticket size of US$40m, with a fair mix of domestic and global funds participating in deal making during the year.

In addition, the amendments to the Finance Bill 2023 have created a level playing field in terms of taxation for Alternative funds. AIF offers the advantage of flexibility to invest in various dynamic strategies in a wider range of assets i.e., both listed and unlisted markets. Hence, the broader investment scope and potential for higher yields along with better structuring flexibility in AIFs create more opportunities for investors wealth creation. Along with this the improving macro fundamentals and relative attractive spreads the performing credits remain attractive from a risk reward perspective.

The past two years have brought notable transformations to the Indian equity markets, raising questions about the future prospects for both value and growth stocks. Traditionally, value investing focused on acquiring stocks at low valuations, while growth investing sought out companies with promising potential for sustained financial performance. However, recent trends have challenged these traditional notions, prompting a closer examination of what lies ahead.

Following the global financial crisis, value stocks experienced a prolonged period of underperformance compared to growth stocks. From April 2009 to March 2020, growth stocks, as represented by the MSCI India Growth Index, outperformed value stocks, represented by the MSCI India Value Index, by an average of 2.4% annually. This prolonged underperformance led to substantial valuation disparities, as value stocks appeared significantly undervalued relative to growth stocks based on various metrics.

However, the last three years have witnessed a remarkable turnaround. Value stocks have outperformed growth stocks, delivering annualized returns of approximately 33.5% compared to growth stocks' 21.7% over the same period. This impressive performance has helped close the valuation gap, bringing relative valuations closer to fair value.

The question now arises: will this current outperformance of value stocks be sustained in the next 2-3 years or we will soon see come back of growth biased investor fund flows?

While moderation is expected, both macroeconomic and fundamental drivers continue to support the case for value outperformance in the medium term.

The macro environment remains favourable to value stocks. India's growth-inflation dynamics continue to outshine those of its peers. Economic growth is projected to remain above the long-term trend, while CPI inflation is anticipated to trend lower in 2023.

Moreover, the Indian equity markets are home to a wide range of companies across various sectors and industries. This diversity provides ample opportunities for value investors to discover undervalued stocks in sectors that may be temporarily out of favour but have strong growth potential in the long run. India's strong economic growth and demographic advantages make it an attractive investment destination. Value investing aligns well with the long-term growth prospects of the Indian economy, as investors can identify companies that are fundamentally strong but may be temporarily undervalued due to market sentiments.

At the current juncture, with Nifty 50 PE being around 21, valuation and earnings provide a solid foundation for value stocks. Relative to growth stocks, value stocks continue to trade at lower valuations across various metrics. Furthermore, value stocks have demonstrated stronger earnings resilience, with superior earnings growth over the past three years. Future earnings growth expectations and upward revisions for value stocks consistently outpace those of growth stocks.

And this is what is giving leeway to Value Style of Investing.

Some of the good PMS firms that follow value style of investing are Abakkus, Sameeksha Negen, UNIFI, and a few more, and their stellar performance speaks for itself, and the way ahead.

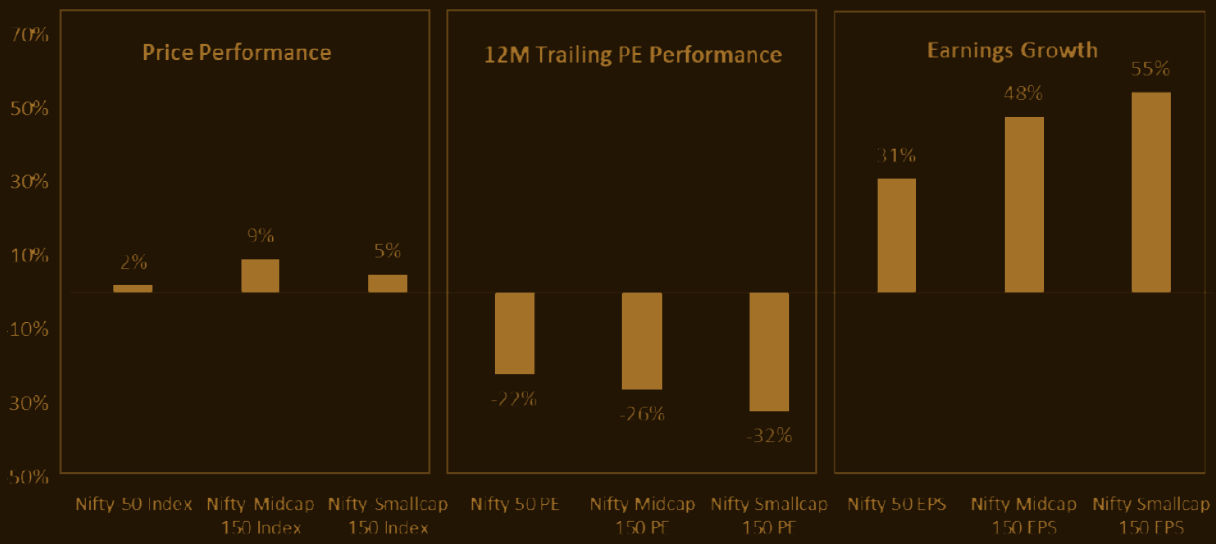
While the conditions remain supportive for value stocks, it is important to acknowledge that a portion of the expected performance may already be priced into these stocks, resulting in premium valuations compared to historical levels. Furthermore, growth stocks have undergone a period of correction, alleviating their previously stretched valuations. And, some of the good PMS which follow growth style are ASK, Marcellus, White Oak, Enam and a few more. These PMSs have clearly underperformed in last 2 years, but, soon this underperformance could turn into an opportunity. And, for moderate risk investors, growth investing is the right choice. But, for investor seeking Alpha, Value investing which comes with higher risk, and longer term horizon is a right choice.

Investors are encouraged to consider a balanced approach, with a tilt toward value strategies within a diversified equity portfolio.

Whatever be the investment style, for investors, most important aspect is to understand it and make a well informed decisions so that one is able to sail through the period of underperformance with patience.

The new highs in the Indian equity markets has brought up the debate again: Are these levels sustainable? Is this beginning of a new bull run? And a more pertinent question, is this time to sell? Being a student of market, let's go back to October 2021, when Mr. Market hit a new high. Earnings have recovered steadily since then and the market has rewarded mid and small cap companies more than large cap companies. Companies which showed significant improvement in their ROEs, where earnings growth was delivered, valuations were reasonable and lastly where earnings upgrade materialized were rewarded by the market.

Exhibit: Peak to Peak Market Performance



Source: Bloomberg, as on 16th June 2023. Spread between 3 years AA and A rated Corporate Bonds

Strong performance of mid- and small-caps

Over the past couple of months, mid- and small-cap stocks have enjoyed a strong rally, outperforming large-cap indices. We attribute the broad market rally to (a) better domestic macroeconomic outlook (lower inflation and Current Account Deficit) and (2) improved profitability led by lower commodity prices.The multiples of mid- and small-cap stocks have increased significantly. The indices have rallied strongly since mid-March'2023 as a result of the recent rally, following a decline in valuation in 2021-22. The valuation premium of the mid-cap index over the large-cap index has increased in recent months, although it has not yet reached the high differentials of the past 12 months. More importantly, most mid-cap stocks are trading well above their pre-Covid multiples, reflecting (1) high market expectations for mid-cap companies and (2) low concerns about potential business model disruption.

Given the positive change in market expectations regarding interest rates, interest rate sensitive stocks such as financials and real estate have understandably been among the top performers. Other stocks have rallied on the back of (1) strong gains in 4QFY23 due to improved profitability (auto suppliers); (some of the profitability gains are likely to fade over time), (2) a strong outlook (capital goods, defence, industrials), and (3) sector- and company-specific narratives.

By ICICI Prudential PMS

India on a stronger wicket

The macroeconomic outlook for India has turned favourable. The Indian equity market is also experiencing tailwinds from lower inflation domestically and globally. India's macroeconomic outlook has brightened considerably in recent months: (a) inflation is starting to decline rapidly due to high base effects and moderate food prices (b) the declining current account deficit due to lower crude oil prices and strong growth in services sector exports (except IT). Moreover, there does not seem to be any major negative surprises in the fiscal situation, even though India's fiscal deficit remains at a high level.

We expect the investment cycle in India to rest on two pillars - 1) private and 2) government/public investment. On the private side, average industrial capacity utilisation has now reached ~73%, which could lead to new capacity additions in many sectors. On the government side, the 2023 annual budget will guide investments, especially in the infrastructure sector. Production-linked Incentive (PLI) Investment and opportunities could also drive the next phase of growth, benefiting manufacturing and related sectors.

On the other hand, we do not see a quick reversal in discretionary consumption. The decline in affordability results from the steep rise in prices for goods and services related to high commodity inflation. Companies are still raising prices to pass on the full increase in commodity prices in FY 2022-23. We are aware of the global economic slowdown, which could affect exports and general sentiment. The global slowdown and job losses in the traditional sector IT are affecting consumer demand and will depend on economic conditions in the US.

The Opportunity Set

Post-March 2020, Mr. Market's response to B2C (Business to Consumer) and non-B2C companies has changed significantly. Prior to 2020, we saw the market reward B2C companies. Non-B2C companies were under pressure from high interest rates, supply side bottlenecks and struggled with challenges arising from their respective sectors.

The non- B2C companies did well as the economy opened up, the reforms implemented by the government over the past decade acted as a catalyst and the low interest rates and improved demand environment played a role. We expect growth in non-B2C companies to shift more towards manufacturing and manufacturing-related sectors. Banking and finance remains one of the biggest pillars of any growing economy, so we expect this to perform well as well. In addition, we see opportunities in certain companies in telecommunications and real estate where earnings are healthy and valuations are not too high.

Post pandemic recovery, GDP is being driven by growth in 'gross fixed capital formation' (GFCF) and higher-end discretionary consumption. GFCF growth is largely driven by the central government capex while corporates have started showing robust growth FY23 onwards. Empirical evidence suggests industries related to manufacturing activity benefit in the aforementioned environment, which is getting further support by the government in terms of policymaking (PLI schemes and overall boost towards manufacturing in India).

Given the current trend of economic growth, companies down the market cap curve are favorably placed in the economic upcycle. Companies which are related to manufacturing and manufacturing allied sectors has a significantly high weight in mid and small cap segment and could benefit from the current demand environment, which is emanating from 'capex cycle'.

As you enter the Bombay Stock Exchange building, resplendent at the entrance is a beautiful photo of Goddess Lakshmi. In India and other Asian countries, Goddess Lakshmi is revered as the provider of abundance and the divine power that transforms dreams into reality. However, the stock exchange is a place of speculation where many a fortune has been built or wrecked. So is the placement of this picture invoking the right imagery? Let's dwell on that question in some detail.

The stock markets are a mechanism of distilling future economic conditions into today's prices. However, the future is inherently uncertain hence there are contrasting beliefs regarding efficiency of the markets:

> Proponents of the Efficient Market Hypothesis believe stock prices reflect all available information about companies and investors can't beat the market indices by stock picking. They say investors trying to find a secret formula are wasting their time because stock prices follow a random walk.

On the other hand, The Sage of Omaha, Warren Buffett, has this to say about the markets:

> I'm convinced that there is much inefficiency in the market. These Graham-and-Doddsville investors (Buffett gives the eg. of 9 Value Investors who have long term record of outperformance) have successfully exploited gaps between price and value. When the price of a stock can be influenced by a "herd" on Wall Street with prices set at the margin by the most emotional person, or the greediest person, or the most depressed person, it is hard to argue that the market always prices rationally. In fact, market prices are frequently nonsensical.

Where does the truth lie? Is investing in equities akin to being on a roulette table ~ where (mis) fortune is determined by chance or is there skill involved?

In Roulette there are 38 spaces on the wheel and if a player picks the right space, he gets paid off 35:1 i.e. for each Rupee invested the Casino will pay the winner Rs 35. Since the probability of victory is 1:38, the balance sum is retained by the Casino. Since the price for victory is stacked against the player, the longer he plays, greater will be his losses and greater will be the Casino's revenues. The prices are pre-determined, hence probabilistically the player would win only by chance, and on concerted play, he will lose for sure.

On the other hand, if the game involves betting against other players (and not the house), then occasionally the public makes incorrect prices. Poker and Horse Racing are examples of such "Games of SKILL". For example, given past data of various Horses in a race, one could identify which horse is the most likely winner. However, the analysis that would be of value is, which most likely winner is not priced right by the other bettors. Hence to bet on that Horse would yield the right value. The equation for such a play is:

> Price x Probability = Value

Capital Markets – Efficient or Inefficient?

By Kotak AMC

Steven Crist, a successful Horse bettor, says this:

> If a horse has a 33 percent chance of winning a race, and if you can get odds of 2-to-1 on him (which means tripling your money), there is no value - the horse is priced correctly. Only if you're going to get a 4-to-1 (quintupling your money or more) on a 33 percent chance winner, then the bet is great.

In equity markets, the counterparties are the buyer and the seller. Price of the security is determined by the eagerness of the seller to sell and the buyer to buy, under the set regulatory guidelines. The stock exchange is a facilitator of these transactions, wherein they bring the counterparties together. Hence there is no house which is setting prices, unlike a casino. Macro factors like rising or falling interest rates, urgent need of capital, mis-assessment of fundamentals, entry-to or exit-from an index, illiquidity of securities, etc. are some reasons why market participants trade. For this reason, many times the pricing of securities is inefficient. This inefficiency offers opportunity, in the form of bargains, to the discerning investor.

Research analysts would agree that nearly 60% to 70% of a stock's value in a Discounted Cash Flow model is a function of its Terminal growth estimate. Many times, the street extrapolates low growth scenarios into the future, due to temporarily adverse conditions i.e. quarterly earnings miss, temporary rise in raw material costs, etc. This may have an adverse impact on stock prices. However, correct estimation of future growth can offer an opportunity at such times. As growth comes in stronger than expected, stock prices tend to reverse.

The Art of Investing is to identify this differential in expectations and take advantage of it. At Kotak PMS, that is our constant endeavor. Goddess Lakshmi blesses those who toil to identify these inefficiencies ~ after all she also emerged from Samudra Manthan!

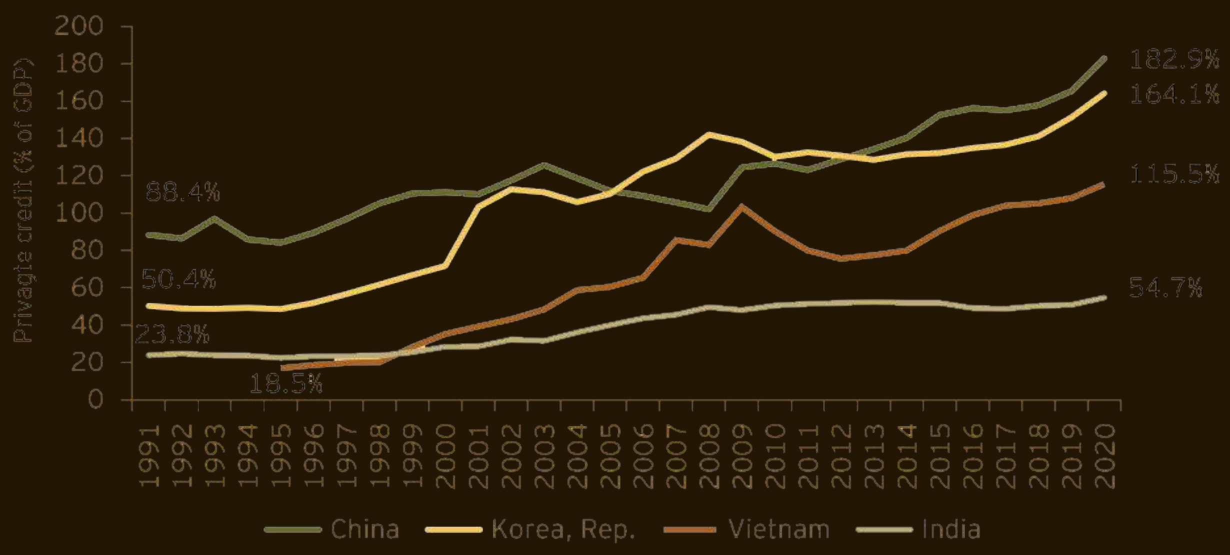
By Neo Asset Management Pvt Ltd

The India of today has burgeoned into quantum growth which is metamorphosing the nation into New India. By the end of this decade, New India will drive fifth of global growth. As we tread fast towards the $5Trillion economy mark, each piece of the puzzle is playing its part to fuel this growth. The accelerated pace of economic reforms in the past few years across fiscal, digital and physical infrastructure along with social inclusion has positioned India for higher and sustainable growth. On the other hand, the well-oiled machine of India's industrial stalwarts along with the spurt of new age companies across industries back by rapid digitization have been instrumental in delivering differential growth to the Indian economy.

As the country gears up for this unprecedented growth even through geopolitical unrest through years of the pandemic, Russia – Ukraine war and global supply chain vulnerabilities, India is witnessing increased manufacturing competitiveness. Along with being the office of the world, we are now also going to the factory of the world. The country's focus on manufacturing is enhanced through Government push for production linked incentives aims to build capabilities, create jobs and boost exports.

The supply of credit remains an undeniable catalyst for India's journey to the $5Trillion economy mark. A quick look at World Bank's data shows the world's average private credit to GDP stands at about 148%. China is at 182% and even Vietnam is at 148%. India on the other hand has a private debt to GDP of 55%. This significant headroom that we have to raise private debt is essential to meet unmet demands of India Inc. as we gallop our way to a $5Trillion economy size.

Domestic credit to private sector as % to GDP



Source: World Bank

By Neo Asset Management Pvt Ltd

Private debt to GDP in India is significantly low when compared to global benchmark.

The upside in the capex cycle in the country is leading to increased demand for credit in the market. If we review the existing suppliers of debt, traditionally, banks, NBFCs and mutual funds have been the major debt provers in the market. Post the global financial crisis, the banking sector in India saw an uprise in NPAs leading to NPAs of scheduled commercial banks being at a 17 year high in 2018 at 11.2%. Through strategic regulatory changes and implementation of the Insolvency & Bankruptcy Code there has been a sharp U-turn change in trend leading to NPAs in India being at a seven year low at 5% in September 2022. This scenario however led to Indian banks becoming risk averse who are now largely focused on AAA/AA+ borrowers or retail borrowers. NBFCs on the other hand are re-aligning away from wholesale lending towards tech-enabled retail lending as they are recovering from a liquidity crisis. Mutual funds are bound by restrictions and can cater to only part of the market.

The asymmetry in the credit market along with mispricing of risks for companies with credit rating of A or below has left a massive void between the rising demand for credit and the restricted supply. This void is currently being catered to by private debt providers across the nation. Private debt funds are providing companies with long term growth financing, acquisition financing or stake enhancements along with last mile completion financing for projects. Another significant contribution of private debt is supporting stagnant assets which need financing for one-time settlements with banks. Promoters are reaching out to turnaround special situations funds for restructurings and operational improvements to prevent losing control over their companies as laid out in the Insolvency and Bankruptcy Code of India. 68% of cases eligible for being taken to IBC have been settled outside by Special Situations funds resulting to turnaround of plants with over 10MT capacity.

India has shown extreme resilience through various turmoil in the recent past. With the backdrop of this resilience, as the country gears up for this to be India's decade, all eyes are on us. Countries from all over the world and industries from each segment have realized India's importance. India's growth is crucial for the world's growth and private debt is crucial for India's growth. Through this transformation, private debt will act as a catalyst for long term sustainable growth. Private credit will continue to provide a flexible source of capital to the underserved market for long term tenure which, once matched with cash flows of the business will lead to establishing critical mass.

Once this alternative asset class is developed in India, it will accelerate credit delivery to the country which is the need of the hour to bolster economic growth to reach the $5Trillion economy mark.

By Sundaram Alternates

India is poised to become the world's 3rd largest economy by the end of this decade. India is currently the 5th largest stock market in terms of market cap in the world vs 10th from a decade ago, behind the USA, China, Japan, and Hong Kong. India has bolstered its growth on a global front – and has a lot of opportunities visible with the economy pivoting to the next level, per capita income at USD 2280 in 2022 and expected to move to USD 5000 by 2030.

The Nifty 50 which is currently rangebound at 18,500 – 19,000 levels, has seen a rally compared to its March lows. The market has seen a consolidation over the past 20 months, while earnings have grown >25% on an absolute basis in the last 2 years. Markets today, have traded at similar multiples even in 2018 and 2019, but today's markets have a comparatively higher earnings visibility. With crude at ~USD 75, inflation heading to lower levels and macro growth looking strong, being supported by manufacturing & services, we see a limited downside and expect markets to deliver a decent return over the next 2 years. We expect the positive momentum to continue – the positive news flow around a rate cut from the Fed can be a trigger point. Earnings visibility for the Indian market is currently better than what it was during the pre-covid period, due to the support from the manufacturing sector and a consistent growth in the services sector.

We believe India will become a USD 7 trillion economy by 2030. The building blocks for transforming India from a USD 3.5 trillion economy are 1. Urbanization 2. Import Substitution 3. Resurgence in Manufacturing and 4. Digitization. We believe India will chart its own growth path and the key pillars would be Financials, Discretionary Consumption, Digitization and Manufacturing.

- Financials

  Credit to GDP could rise from 57% to 100%, implying compound annual growth in credit of 17% over 10 years. This implies the share of retail/MSME loans will increase to 55% as of F2032 vs. 49% as of F2022 – this compares to 38% five years back. Private Banks and NBFCs that lend to the large-underserved population, with presence in tier 2 and 3 cities, strong ROAs and secured lending books would be major beneficiaries of this development.

- Discretionary Consumption

  Rapid urbanization and higher domestic spending would be supported by the growth in India's GDP. We could see a discretionary boom with households with more than INR 800,000 income growing 3.0x to ~200 million by 2031, which would add USD 2.5 trillion in consumption. Discretionary spending would as a result grow by >12% on a structural basis, across consumer durables, autos, leisure, health, and education. Looking at data in China since 2006, suggests that India is still less penetrated in many of these segments and these segments have the potential to become 5-10x the current size over next 10 years.

- Digitization

  India's unique, open, and safe digital architecture, coupled with favourable demographics and rising smartphone penetration, has driven a significant improvement in the penetration of financial services and rural consumption. Rapid developments in technology are helping businesses scale up at a faster pace with 50% to 55% of e-commerce business coming from Tier II and Tier III cities, resulting in organized businesses seeing higher levels of penetration and growth.

- Manufacturing

  India is well on its way to becoming self-dependent in terms of manufacturing as to cost and skill competitiveness. With our working age population closing in around 1 billion people and manufacturing wages being one of the lowest amongst the EMs at USD 0.8 per hour compared to USD 7.1 per hour of China, makes us a very competitive player in terms of economical manufacturing at scale. Share of manufacturing would rise to 21% of GDP from current levels of 15.6% in FY 2022. Capacity utilization remains well-above the long-term average at 77.6% compared to the 73.3% average. The China +1 and government initiatives like the PLI scheme would aid growth in India. After IT and Pharma, India can be a hub for specialty chemicals. Companies in the Auto and Capital Goods space being big exporters in niche products are expected to see market share gains.

Although the growth path is promising, we could see certain troubles like a global recession or weak growth – with nearly 20% of India's output exported, could be a hurdle. Geopolitics events, a shortage of skilled labour supply, and commodity price increases could be serious challenges along the way. India in the past has shown its resilience in handling geopolitical situations through the MEA, efficiently managing its internal finances via the RBI and being one of the early adopters of the digital transformation of the pre-existing payment infrastructure. India is now Free Trade Agreements (FTAs) with different countries, smoothening out geopolitical tensions. India is one of the largest ecosystems currently doing a pivot from fossil fuels to renewable energy which should further strengthen its position.

As credit growth, capacity utilization and private investments pick up, this will spur consumption and demand, and higher GDP growth in the coming years, leading to a revival in the capex cycle. We see immense opportunities to leverage these themes, which have the potential to generate investment returns of 2-3x in 4-5 years. We are positive on the markets both with medium term perspective and long-term perspective. India 's growth indicators are still holding strong despite high inflation which is a contrast compared to the global growth scenario. With these positive outcomes it's difficult not to be positive on Indian equities.

Source: Morgan Stanley Report 2022

While we all understand that no other asset class, apart from equities, has the potential to unlock superior Alpha, it is equally important to deploy capital in less-riskier asset classes, like Debt, Gold, and so on, as well as part of asset allocation strategy.

One of such moderate-risk and highly popular product structures has been debt mutual funds.

One thing that promoted and lead to the popularity of debt mutual funds was the benefit of indexation.

Broadly, MFs where <35% exposure was into Indian equities (Debt MFs, Gold MFs, International Funds, etc) have been enjoying the indexation benefit attached to them. But, according to the amendments announced by Finance Minister Nirmala Sitharaman in the Lok Sabha session on 24th March, 2023, that such MFs, as mentioned above, would be taxed at the income tax slab level (wef 1st April 2023), in much the same way as Bank FDs.

Without indexation benefits, on such MFs, investors will have to pay taxes on their entire capital gains. This will increase investors' tax liability and lower their post-tax returns, making debt mutual funds less attractive to investors, especially those in higher tax brackets, having a huge debt mutual fund investment portfolios. This is a major impact.

So, what should investors do with regards to their debt mutual fund allocations?

- Existing investments made before the removal of indexation benefits will not be affected, and investors can continue to hold them for as long as they wish.
- With interest rates being high, it may be an opportune time for investors to allocate the debt component of their portfolio to debt mutual funds before 31st march 2022. Target maturity funds, medium-term debt funds, and gilt funds are some options that investors may consider. SBI AMC, ICICI Pru AMC and Kotak AMC are three AMCs that offer good options in this regards.
- However, investors need to be more thoughtful while making new investments in debt mutual funds from April 1, 2023 onwards, as the new taxation will be applicable on them. Removal of indexation benefits from debt mutual funds would raise concerns about the attractiveness of debt mutual funds amongst HNI & UHNIs. As a result, for large value investments, Alternative Investment Funds (AIFs) like the credit opportunities funds (Category 2 AIFs) and hedged style of long-short funds (Category 3 AIFs) may become more appealing. Several companies offer funds in this space, such as Tata Asset Management, Avendus Capital, Axis Alternates, ICICI Pru AMC, IIFL Asset Management, ITI, Sundaram Alternates, InCred, Neo, Alta Cura AI, and True Beacon, among others. We have deep insights on all of these and few products are good alternatives to debt mutual funds for those investors like to make informed investments and aim high risk adjusted performance.

How do we add value?

We at PMS AIF WORLD have a deep understanding of all the funds offered by these AMCs and maintain direct contact with the founders & fund managers.

Our process involves conducting in-depth interviews with the fund management team and analysing the selected funds across five key areas, the 5 Ps: People, Performance, Philosophy, Portfolio, and Price. We also analyse the performance across our proprietary 9 factor model, called the Quality, Risk, and Consistency Analysis (QRC).

All this is aimed at helping investors make well informed investments and achieve high performance.

In case you would like to know more, we welcome you to the insightful experience. To book your appointment with us, click the button below.

PMS AIF WORLD

Book an appointment with our experts

We evaluate **5 P factors** across
People, Philosophy, Performance, Portfolio, and Price
and select best ones based on
Quality, Risk and Consistency scores

1. **Considering the underperformance of the growth style of investing over the past two years, what is ASK's strategy moving forward to address this challenge and capitalize on future opportunities?**

Investing is not done in isolation but rather within the broader context of various factors like the economy, markets, and geopolitical influences. However, the core of value creation lies in the micro-level analysis of individual businesses, their growth potential, durability, predictability, and quality of growth. Growth investing and value investing are not mutually exclusive, as is usually implied. For a business to create value, it would not only need to grow but also have quality growth. Equally, this package of growth and superior quality growth needs to be bought at a price which is sensible compared to its intrinsic worth. All investing ultimately revolves around businesses that are expected to grow at a meaningful pace, for a durable period with superior quality of growth and to be purchased at a margin of safety. Denying the importance of any element or subjugating the contribution of any element would make investing results suboptimal.

Ultimately you want all the elements to play together as a symphony as together they enhance the value.

2. **But considering today's scenario where valuations are attractive but still certain stocks are expensive given such a situation, where is the stance on margin of safety?**

In every market and in every phase of market cycle, invariably there are over-valued and under-valued businesses. This is recurrent and hardly surprising. Of course, in positive markets, there are less likely undervalued businesses and in negative markets it is less likely to find over-valued businesses. It is the task of diligent and conscientious investors to identify stocks that provide reasonable value. Factors such as the quality of the business, quality of management, size of opportunity, potential for compounding growth and buying businesses at margin of safety are critical for compounding value creation. Market fluctuations create a dynamic landscape where some stocks may get overpriced and others get undervalued, and this is a constant flux of markets. Not all stocks are consistently cheap or expensive, as their pricing varies based on market conditions. Pricing reflects an interplay of both rationality and emotionality, while value is solely determined by rationality. In the short term, both the factors produce their magic, but in long term it is rationality which prevails.

It is essential for investors to carefully analyze and identify opportunities where stocks may be undervalued or overpriced relative to their intrinsic worth. By navigating this ever-changing landscape, investors can optimize returns and mitigate risks. Being vigilant and discerning allows investors to capitalize on pockets of opportunity while avoiding overvalued assets.

3. **With other asset management companies like Whiteoak and Alchemy focusing more on mutual funds, is ASK also considering a similar approach? If yes, what are the reasons behind this decision, and if not, what factors influence the company's divergence from this trend?**

We carefully evaluate various investment formats to effectively manage investments. Whether it is mutual funds, Portfolio Management Services (PMS), or Alternative Investment Funds (AIF), each format has its own merits. Our interest lies in exploring and utilizing diverse structures that efficiently manage investments for our clients, aligning with their needs and prioritizing their satisfaction. We also consider the organizational business case in our decision-making process.

We focus on our own investment strategy rather than commenting on what others pursue. All investment formats and structures play an important role in our approach. As the investment landscape evolves, we continuously analyze and adapt, incorporating new thoughts and technologies to explore appropriate choices. Ultimately, the importance of each format lies in meeting the trinity of objectives: serving client needs, ensuring business viability, and enabling improved investment management structure. We prioritize these objectives and remain open to all formats that fulfill them.

4. **Has the investment approach of ASK changed in identifying investment opportunities post the COVID-19 pandemic, considering the analogy that the size of the pond matters and the capability of the fish? How has the flow been addressed considering the market events experienced during the pandemic?**

Investment philosophy and approach, if well formulated and time-tested, have no real reasons to change, just only to align with the shifting sands and flux of the markets. Investment philosophy is not just a decorative article of display; it is the real living and breathing organism that guides investment actions, processes and eventually, investment destiny.

5. **Given the current favorable conditions in the debt space, is ASK contemplating entry into this market? What factors influence the company's decision-making process in evaluating potential opportunities in this area?**

We do not currently have any plans to launch fixed income AIF or fixed income solutions- not as a part of ASK Investment Managers. But our sister firm does offer solutions on the fixed income side, either sourced from others or self-manufactured.

360 ONE AMC

Interview with Anup Maheshwari

CO-Founder & CIO, 360 ONE AMC

1. What factors led to the decision of rebranding IIFL to 360 ONE, despite the established reputation of "IIFL" in the industry?

We are proud of our origins and have grown with the IIFL brand. For over a year, we have engaged with various stakeholders to review our brand and ensure that it accurately captures our ethos. These interactions revealed that our clients immensely value the long-term performance that we have been able to generate. They tend to place a premium on our ability and commitment to take extraordinary care of them. It was heartening to receive affirmation from all stake holders on our long-term effectiveness.

What distinguishes us is the personalized attention we provide to every client, and this is encompassed by 360 ONE. 360 denotes our approach to managing our client's wealth and meeting all their investment and financial management requirements. It underscores the fact that instead of adopting a siloed approach, we are committed to providing our clients a holistic view that they require. 'ONE' demonstrates our unblinkered focus on our clients. Our new name holistically encompasses the strong pillars on which our firm has been built.

2. How has the SCDV framework evolved over time, and who are the notable pioneers in its development

The genesis of the SCDV framework is that the two financial parameters (ROE – Return on Equity and PAT – Profit after Tax) have a very strong correlation with shareholder value generation. Using 15% as a reference point, we segregate companies into 4 quadrants – Seculars, Cyclicals, Defensives, and Value Traps. Every year there are changes in all 4 quadrants and thus, rebalancing is done every year.

The SCDV framework has evolved through a combination of past experiences as well as quantitative testing. The back-testing data across last two decades suggest that seculars show more consistent returns. However, we do also see companies move across segments.

The distinctive aspect of the SCDV framework lies in its ability to maintain a consistent approach, avoiding bias towards one side over the other. The framework's unique strength lies in the flexibility to transition between quadrants, especially in balancing defensives and cyclicals. This flexibility enhances the capacity to navigate through economic cycles with greater ease.

3. What is your perspective on the recent benchmark changes implemented by SEBI? How do these impact the PMS industry?

SEBI has taken proactive measures in recent times to safeguard the interests of investors and ensure they can make well-informed decisions. The introduction of performance benchmarking is a significant step towards enhancing transparency in the disclosure of portfolio management services (PMS) firms. This move will enable investors to assess the performance of portfolio managers more effectively, empowering them to make informed investment choices. SEBI's actions clearly demonstrate their commitment to making PMS more transparent and structured, simplifying the process for investors to select the right investment strategy.

Additionally, SEBI has implemented standardized valuation norms for portfolio managers, aligning them with the norms applicable to mutual funds for the valuation of debt and money market securities. These guidelines primarily aim to reduce risks for investors and bring greater transparency and standardization to the PMS industry. Overall, these regulatory efforts by SEBI contribute to a safer and more reliable investment environment for investors.

4. In the coming decade, which space, Listed or Unlisted, is projected to generate more wealth for Ultra High Net Worth Individuals (UHNIs) and Why?

The listed and unlisted investment spaces are different and should not be compared. Listed investments are more liquid and less concentrated than unlisted investments, making them more attractive to investors who are looking for lower risk and more predictable returns. Unlisted investments, on the other hand, offer the potential for higher returns and greater diversification, but they also carry more risk.

Ultra-high net worth individuals (UHNIs) with a long-term investment horizon and a high tolerance for risk may be more likely to invest in unlisted space, while UHNIs with a shorter investment horizon or a lower tolerance for risk may be more likely to invest in listed securities. UHNIs should carefully consider their risk tolerance and investment goals before making any investment decisions.

Unlisted companies are often younger and more entrepreneurial compared to listed companies, which implies that they possess the potential for faster growth. Nevertheless, it is important to bear in mind the adage, "No risk, no reward."

5. Considering the historical data suggesting expected returns of only 10% for the broader index, what are the reasons to consider investing in Indian equities for the future?

There are several compelling reasons to consider investing in Indian equities. To begin with, India maintains its position as the world's fastest-growing major economy, presenting an opportune environment for investors to achieve higher potential returns. Structural factors like favourable demographics, a burgeoning middle class and urbanization have further amplified India's potential as an investment destination.

Secondly, India has made significant strides in formalization and digitization. The implementation of reforms such as the Goods and Services Tax (GST) and push for a digital economy have improved transparency, efficiency, and ease of doing business.

Moreover, the equity share of Indian households in their overall investment portfolio remains comparatively low. However, as investor awareness continues to rise, there is potential for a greater proportion of investments to flow into equities. This trend is already evident in the strong increase in Systematic Investment Plan (SIP) flows into mutual funds.

Considering these factors, investing in Indian equities offers the potential for long-term growth and diversification, as well as opportunities to capitalize on the country's dynamic and evolving economy.

1. **Post rebranding, what strategic approach does Alternates by Axis plan to implement in order to establish a prominent presence in the industry?**

   Creating a brand identity marked an important step in alternatives journey. We have been in this space since 2017 and have consciously tried to create a broad multi-capability platform that also stays true to our core investment philosophy as an investment manager. As we have seen the markets evolve and our platform taking shape, there was a need to clearly communicate the offerings to potential partners and hence the need for a clear brand identity. The identity helps tie-in all the diverse capabilities that we have put in place while also bringing out the distinctiveness of the alternatives platform compared to the traditional Mutual Fund business that has been our core offering.

   We have an ambitious growth agenda in the alternatives space. We will be looking to further strengthen our product offerings and make sure that we execute and deliver on the mandate that we have running currently. We are also working on broad basing our investor connects across family offices, wealth platforms, domestic institutional investors as well as offshore investors.

2. **In the coming decade, which space, Listed or Unlisted, is projected to generate more wealth for Ultra High Net Worth Individuals (UHNIs)?**

   India is poised on an unprecedented growth journey in the next decade as we shape up to become the 3rd largest economy in the world and add more than $ 4 tn to our GDP (as per Morgan Stanley estimates). The growth will provide a large and diverse array of opportunities across established and new sectors and themes. Additionally, the unlisted space in India is also benefiting from the tech-led innovation that is disrupting traditional businesses and creating new champions. We believe the above two trends – India's broad growth and tech led innovation – will mean that there will be substantial wealth that can be made by disciplined long term investors by participating in this growth whether through the listed or unlisted equity space. Having said that we would not like investors to look at these opportunities purely from a return prism but also look at how they tie in with their portfolio objectives, investment horizons etc. We believe that for most sophisticate large investors it is not a matter of either/ or but they will have to allocate to both listed and unlisted spaces over the long term.

3. **Despite the presence of high interest rates, what factors have contributed to the current rally in the Real Estate market?**

   The demand for homes which was largely stable pre-covid, and came down to lowest during the 1st & 2nd Covid wave saw a meteoric rise with the constraints faced during work from home. This was further supported by reduction in overall cost of living, decadal low mortgage rates, relaxations in stamp duty/registration fees thereby substantially improving the home affordability.

   Post Covid, considering the inflation in the economy RBI has kept raising the interest rates. However, we have been seen 3 major structural changes that has led to increasing momentum in sales over last 6-8 quarters:

   1. Completed inventory got fully exhausted, thereby providing the much-needed liquidity.
   2. Change in the design of house (an extra corner for office).
   3. Consolidation in the RE industry & flight-to-quality by customers is clearly visible in the sales numbers of all large listed players and their increasing market share.

   Considering that the mortgage rates which are currently hovering around 8.5% - 9.0%, in our view the current momentum in sales will continue unless we see mortgage rates breaching 10.0% and we seldom feel the likely hood of that happening over short to medium term.

4. What does the future hold for this sector, and how can investors capitalise on the opportunities presented in this particular alternative space?

For any sector to hold up to short term market volatility requires patient and long-term capital. Considering that the Indian real estate sector has come a long way from 2005 and since than it has evolved in newer versions thereby becoming more transparent, disciplined, regulated, time sensitive and customer focussed.

Investors have allocation of their financial portfolios across traditional asset classes of equity, debt and physical real estate (at least one house). Further one must note that, Mutual Funds are largely built on the principle of diversification, AIF's are self-contained ecosystems, built on the principle of concentration with unique and defined investment strategy. Hence investors with a goal of generating higher returns could think of investing ~15-20% of their financial portfolio in AIFs.

AIFs as a structure of investing, has helped in financialization of real estate sector thereby making it one of the largest category of funds in AIF Cat II. This has also led to attracting capital from some of the largest sovereign wealth funds, institutional investors, and top global real estate private equity firms. AIFs provide an alternative to investors to invest in real estate but in non-physical way. This helps in linking the returns to projects profitability rather than only price appreciation, professional team focussed on generating risk adjusted return, better due diligence of project and developer, etc. Finally, with the with amendment in tax laws from April 2023, the tax parity across the different debt products (MFs, FDs, Credit AIFs) the Credit AIFs relative returns have been pushed up by ~200-300 bps.

5. What is your perspective on the removal of indexation benefits from **Debt Mutual Funds**, and do you anticipate any potential long-term repercussions on the financial systems as a result?

The amendments to the Finance Bill 2023 have removed long term capital gain tax (LTCG) benefit and indexation provisions for mutual funds which invest 35% or less in domestic equity. Following the removal of the indexation benefits, returns on debt mutual funds are now subject to taxation based on an individual's tax slab. Equal taxation treatment across various debt categories has significant implications for the financial system. Investors now need to make investment decisions based solely on their risk tolerance and desired returns.

The change has created a level playing field in terms of taxation for Alternative funds. AIF offers the advantage of flexibility to invest in various dynamic strategies in a wider range of assets i.e both listed and unlisted markets. Hence, the broader investment scope and potential for higher yields along with better structuring flexibility in AIFs create more opportunities for investors wealth creation.

*Source: Bloomberg, Factset, IMF

1. What strategic initiatives is Nuvama planning to implement in order to establish a notable presence in the industry?

Nuvama Asset Management is an asset management business within the Nuvama group with a strong focus on alternatives. We have the unique advantage of being close to the voice of the customer enabling us to design innovative solutions for meeting all our client's asset management needs and help match homegrown capital for homegrown companies. Our focus for the current year is to build out our equity franchise. Our flagship offering under this – EDGE - a long-short equity fund has been topping the charts and delivering significant alpha across market cycles. We're planning to launch offerings across the risk spectrum while maintaining focusing on performance. These range from long-only products biased towards mid and small caps as well absolute return strategies to offer consistent returns with lower volatility amongst others. We also have a meaningful private equity franchise covering the late-stage growth equity-focused Crossover series of Funds in 2017 and more recently our venture debt strategy – Crossover Yield that offers private equity-like returns through secured debt with regular cashflows. We will continue to scale our private market offerings with solutions geared towards growth/ buyout. We are also exploring real estate as an asset class given the industry tailwinds in the commercial space along with yield solutions for our customers in light of recent changes to the tax regime affecting fixed-income offerings.

2. Is it truly possible for alternative investments to generate higher returns than mutual funds in the next five years? If yes, what factors contribute to this potential outperformance?

In India, regulations restrict the mutual fund industry to the launch of one scheme per category and have more stringent sector/ market cap allocation limits in place. These restrictions limit the ability for mutual fund managers to deviate from the larger market resulting in performance that largely mirrors the benchmark. Whereas AIF managers can launch multiple schemes within each category, have the ability to build customized/ thematic portfolios that are independent of benchmarks, can use leverage, offer access to private markets in companies before they are listed to ride the growth wave to listing and value unlocking. These factors largely influence the potential for outperformance over mutual funds. Globally as well, alternatives form a meaningful chunk of one's portfolio allocation (~10-15%). The search for higher yields/ returns has driven this increased allocation and alternatives have delivered better returns over mutual funds over the long term.

3. What is your perspective on the recent benchmark changes introduced by SEBI, and how do these changes impact the PMS industry?

This is a welcome change especially given the level of customization that's possible within PMS. It will help the industry move to a standardized measure of performance monitoring and benchmarking thereby equipping investors to choose more capably.

4. How do you anticipate the levels of Nifty 50 and sector weights evolving over the next five years? Could you provide your view or forecast on this matter?

We expect Nifty to keep up with the average decadal growth rates it has delivered over the last 5-7 years as shown in the table below:

10 years ending	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Nifty 50 CAGR	**9.2%**	**7.9%**	**14.4%**	**5.1%**	**9.7%**	**12.6%**	**11.8%**

With an annual 10-12% increase, in line with our nominal GDP growth estimates, we're looking at a range of 33-34k over the next five years. In terms of sectors weights within the index - we expect the weightage of traditional energy i.e. oil and gas to come down as the electrification theme gains traction and renewables come to the fore. The other key change we foresee is sector weightage increasing in favour of telecom as tariff rationalization across the board will drive up the sector's market cap.

5. In the coming decade, which space, Listed or Unlisted, is projected to generate more wealth for Ultra High Net Worth Individuals (UHNIs)?

Unlisted investments offer the potential to buy private and sell public and hence the opportunity to benefit from multiple expansions and conversion of illiquidity discount to liquidity premium. However, these investments usually have longer gestation periods, carry exit risk and aren't accessible by most investors. Listed investments on the other hand are more easily accessible, fairly liquid with relatively faster realization of investment potential. Again, the upside potential is limited by the information symmetry in listed markets. Both are cyclical. The key is efficient asset allocation within one's portfolio to ensure the right mix of listed and unlisted investments to benefit from both asset classes.

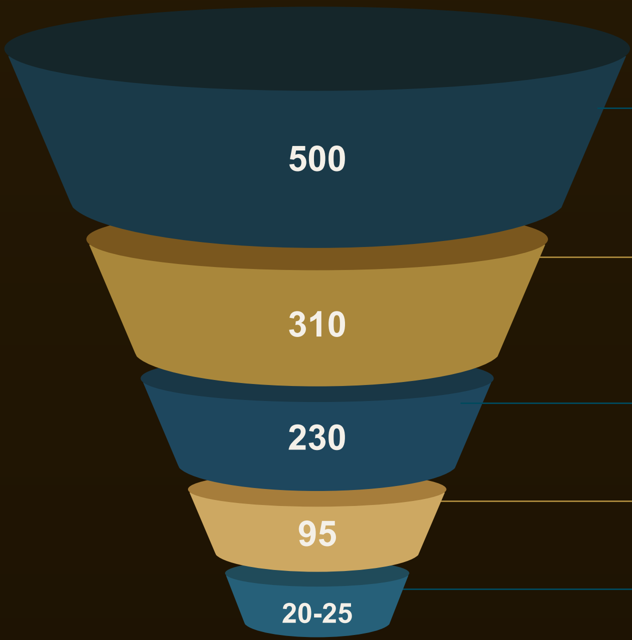
Investment Approach Objective

To build a concentrated portfolio of businesses across range of market capitalization (predominantly into mid and small cap stocks), representing quality and superior long-term compounding potential.

Investment Strategy

Buying businesses with a large competitive advantage & capital efficiency in industries with a large size of opportunity, that offer superior growth over a long period of time, focused portfolio of mid-sized businesses with a proven track record which could go on to become much larger thereby creating significant investment returns.

Investment Approach Research Methodology and Filtration



- Top **500** as per market capitalization
- Subjective evaluation of management quality (integrity, vision, execution, capital allocation skills and capital distribution)
- Rigorous filter of minimum of 15%* Return on Capital Employed (capital efficiency)
- Rigorous filter of minimum of 20%* annual Earnings Growth over the next 3 to 5 years*
- Finally a portfolio emerges of 20-25 businesses, representing an optimal blend of the overall characteristics, and adequate diversity, with reasonable Margin of Safety

Note: Maximum of 20% of the portfolio may be a deviation to the above conditions

*at the time of 1st portfolio construct

ASK Investment Managers

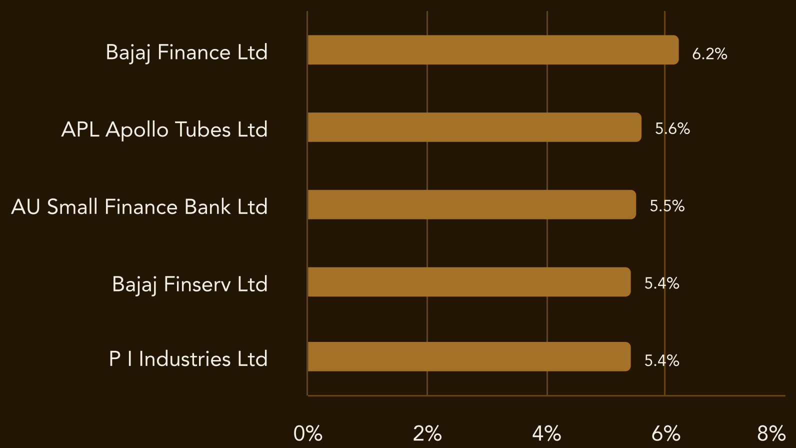
Emerging Opportunities Portfolio (EOP)

Performance

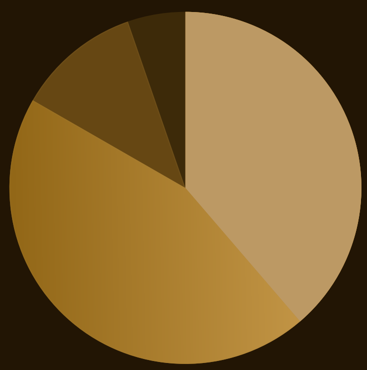
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
ASK EOP	5.8%	9.2%	0.1%	9.7%	4.8%	22.8%	9.2%	-	10.6%
BSE 500 TRI	3.8%	8.9%	-0.8%	12.9%	10.6%	27.9%	12.6%	-	12.5%

Portfolios: Stocks/Sectors/Market Cap Allocation

Top 5 Equity Holdings

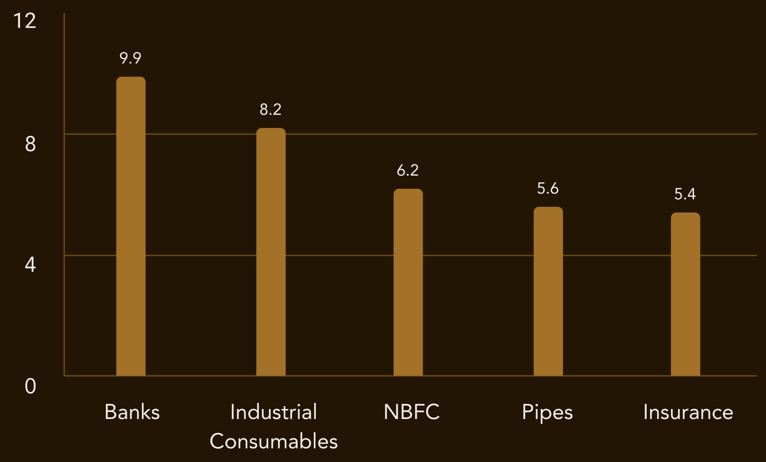


Market Cap Allocation



- Large Cap **38.7%**
- Mid Cap **44.6%**
- Small Cap **11.4%**
- Cash **5.3%**

Top 5 Sectors



No. of Stocks

24

Benchmark

BSE 500 TRI

AUM

728 Cr

Date as of

31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

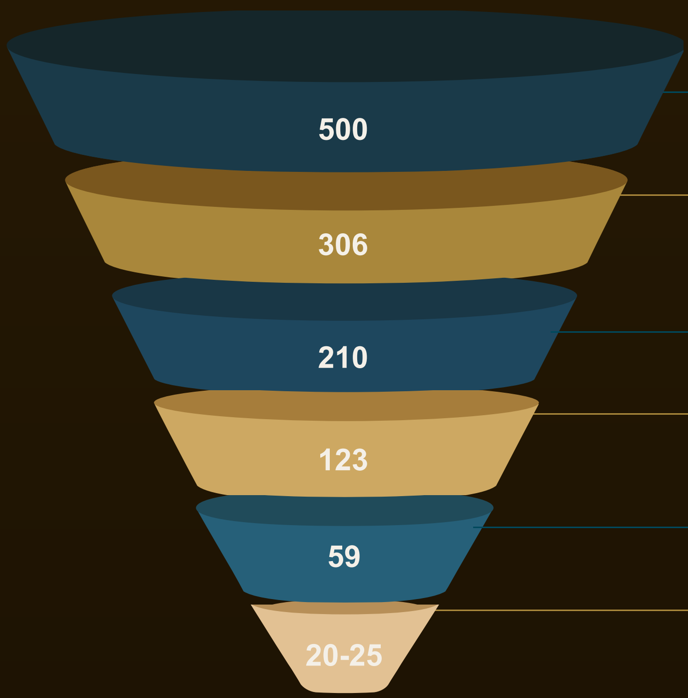
Investment Approach Objective:

ASK Indian Entrepreneur Portfolio (ASK IEP) invests in entrepreneurially driven and/or family-owned businesses; listed on the Indian stock markets, for compounding gains over the medium to long term.

Investment Strategy:

Invests in Indian entrepreneurial businesses of size, superior quality, and high growth at fair valuations. Invests into quality entrepreneurs with vision and dynamism, high standards of governance, wisdom, and demonstrated capital allocation and capital distribution skills.

Investment Approach Research Methodology and Filtration:



- Top 500 as per market capitalization
- Only companies > 25% promoter / family holding (except in very rare and fit cases)
- Universe of entrepreneur and/or family-owned business = 306 cos
- Condition of minimum PBT of INR 100 Cr* (USD 14 mn)
- Subjective evaluation on management quality, their integrity, vision, past track record,execution, capital allocations and distribution skills, corporate governance standards etc
- Quality of business (capital efficiency) – minimum ROCE of 25%*
- Two more filters for selection of stocks **a)** Minimum 20 to 25%* earnings growth over the next 3 to 5 years without capital dilution and **b)** Price-Value gap (margin of safety) of 20%*
- ASK Indian Entrepreneur Portfolio

Note: Maximum of 20% of the portfolio may be an exception to the above.

*at the time of 1st purchase of the stock

ASK Investment Managers

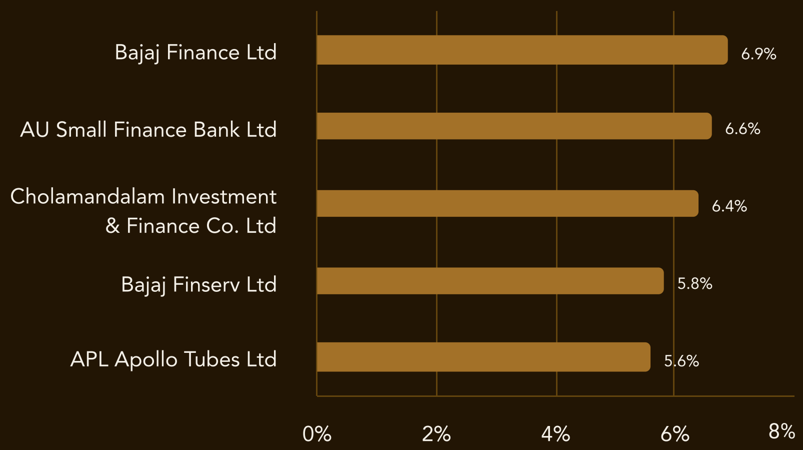
Indian Entrepreneur Portfolio (IEP)

Performance

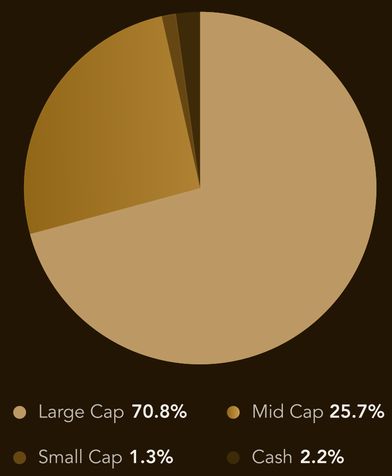
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
ASK IEP	**7.4%**	**12.8%**	**1.3%**	**8.3%**	**7.0%**	**24.6%**	**11.0%**	**18.4%**	**17.3%**
BSE 500 TRI	**3.8%**	**8.9%**	**-0.8%**	**12.9%**	**10.6%**	**27.9%**	**12.6%**	**14.4%**	**11.9%**

Portfolios: Stocks/Sectors/Market Cap Allocation

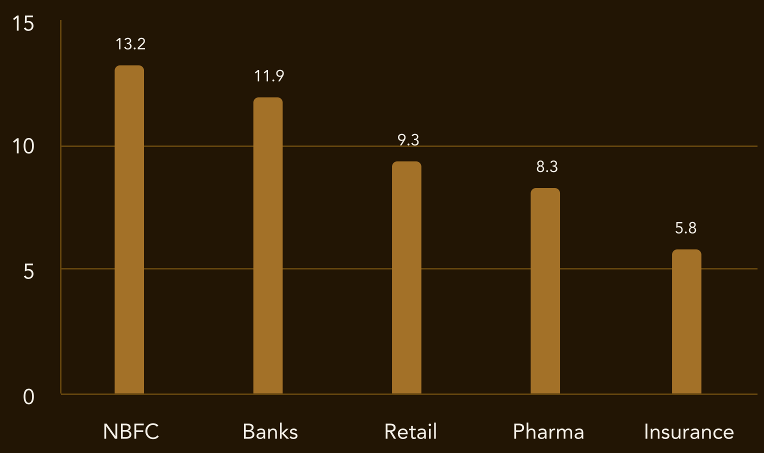
Top 5 Equity Holdings



Market Cap Allocation



Top 5 Sectors



No. of Stocks
25

Benchmark
BSE 500 TRI

AUM
19,621 Cr

Date as of
31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

ASK Investment Managers

Life

Investment Approach Objective:

The portfolio will comprise of businesses in the range of 15-25 high quality names primarily with a large cap bias with 70% of the portfolio invested in large cap businesses.

Investment Strategy:

Buying businesses with a large competitive advantage & capital efficiency in industries with a large size of opportunity, that offer superior growth over long period of time, focused portfolio of mid-sized businesses with a proven track record which could go on to become much larger thereby creating significant investment returns.

Construct of ASK Life Portfolio:

- A minimum of 70% of the fund will represent businesses which are Large Cap by market capitalization.
- Fund will seek to invest in businesses with Return on Capital Employed (ROCE) of 15% or more.
- Investments will be made in companies which are expected to grow their Earnings at a minimum rate of 12%.
- The fund will comprise of 15-25 businesses.

ASK Investment Managers

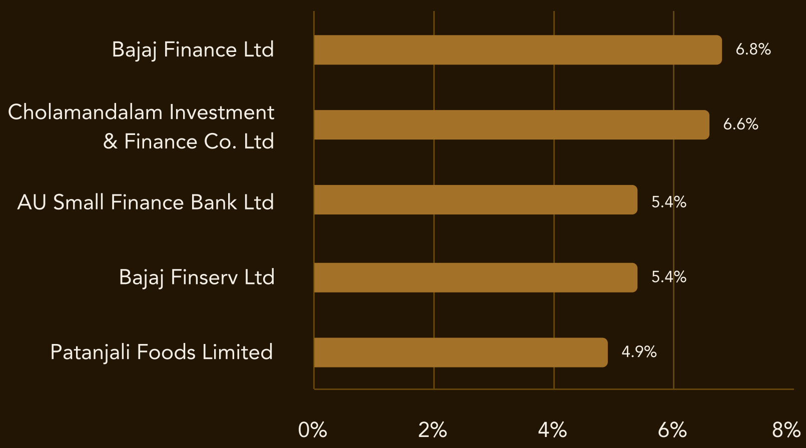
Life

Performance

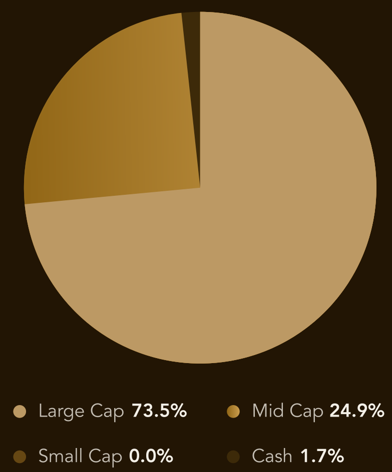
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
ASK Life	**7.1%**	**11.9%**	**-1.9%**	**4.5%**	**4.5%**	**21.1%**	**8.8%**	**13.4%**	**15.3%**
Nifty50-TRI	**2.9%**	**7.4%**	**-0.8%**	**12.9%**	**10.4%**	**26.0%**	**12.9%**	**13.3%**	**11.6%**

Portfolios: Stocks/Sectors/Market Cap Allocation

Top 5 Equity Holdings



Market Cap Allocation



Top 5 Sectors

No. of Stocks

22

Benchmark

Nifty50-TRI

AUM

123 Cr

Date as of

31st May 2023

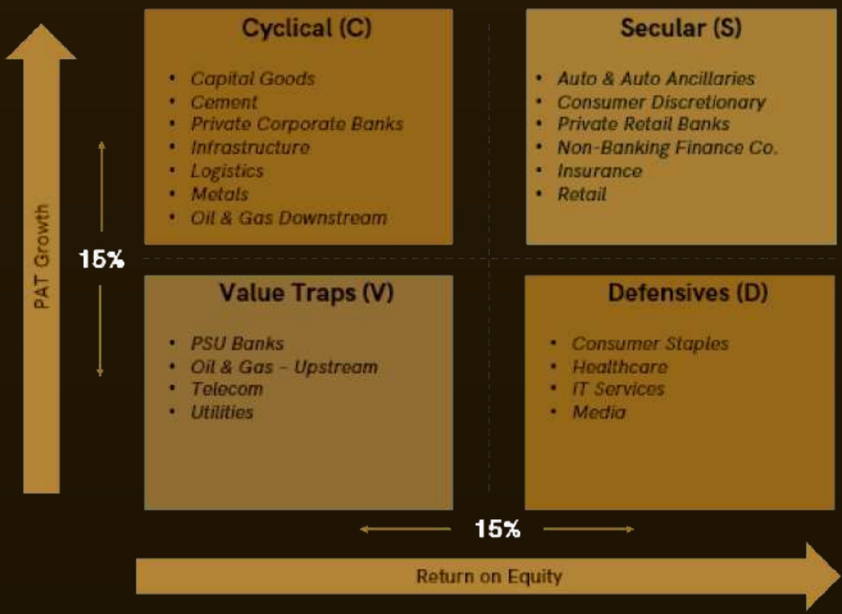
- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Investment Objective:
The objective of the investment approach is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities.

Investment Strategy:
The investment strategy is to invest in a portfolio following the SCDV framework (Secular, Cyclical, Defensives, Value Trap) wherein it invests a large proportion of the portfolio in high quality Secular growth companies which are long term compounding stories.

Investment Philosophy:

SCDV Framework:



	Portfolio	BSE 500
C + V	54%	48%
S + D	43%	52%

Portfolio companies moving towards higher ROE and higher PAT growth trajectory

Conservative Approach:

Portfolio construction across these three quadrants enables us to enhance diversification even with limited number of stocks.

360 ONE AMC

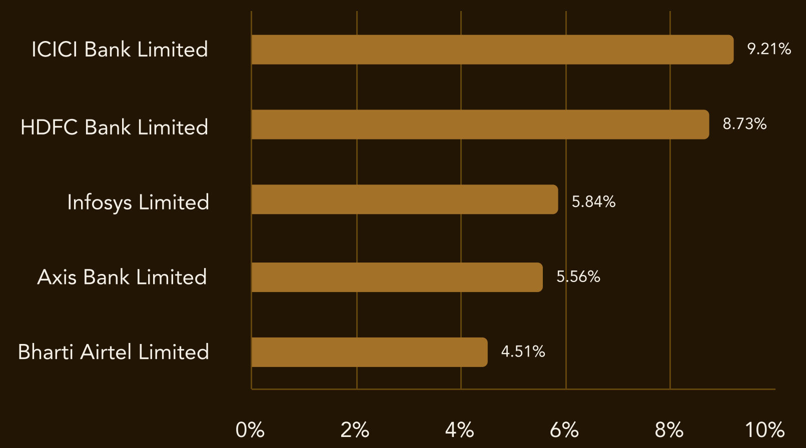
Multicap PMS (Formerly known as IIFL Multicap PMS)

Performance

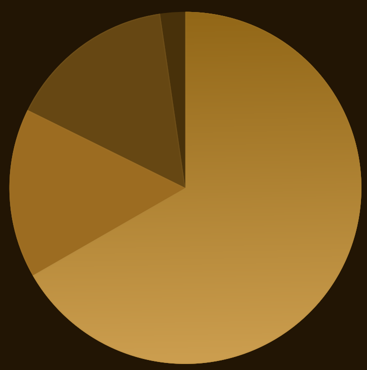
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
Multicap PMS	**3.7%**	**2.8%**	**0.5%**	**4.9%**	**11.1%**	**23.3%**	**12.3%**	**-**	**21.9%**
BSE 500 TRI	**3.8%**	**8.9%**	**-0.8%**	**12.9%**	**10.6%**	**28%**	**12.6%**	**-**	**14.8%**

Portfolios: Stocks/Sectors/Market Cap Allocation

Top 5 Equity Holdings

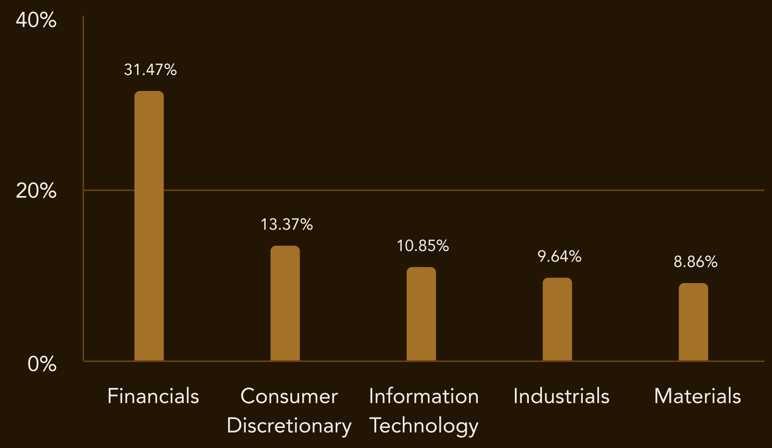


Market Cap Allocation



Large Cap **66.7%** Mid Cap **15.7%**
Small Cap **15.3%** Cash **1.3%**

Top 5 Sectors



No. of Stocks
37

Benchmark
BSE 500 TRI

AUM
3,600 Cr

Date as of
31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Investment Objective:

360 ONE Phoenix Portfolio intends to create a portfolio of such businesses with an established track record, which have the potential to see a sharp improvement in fundamentals in the future

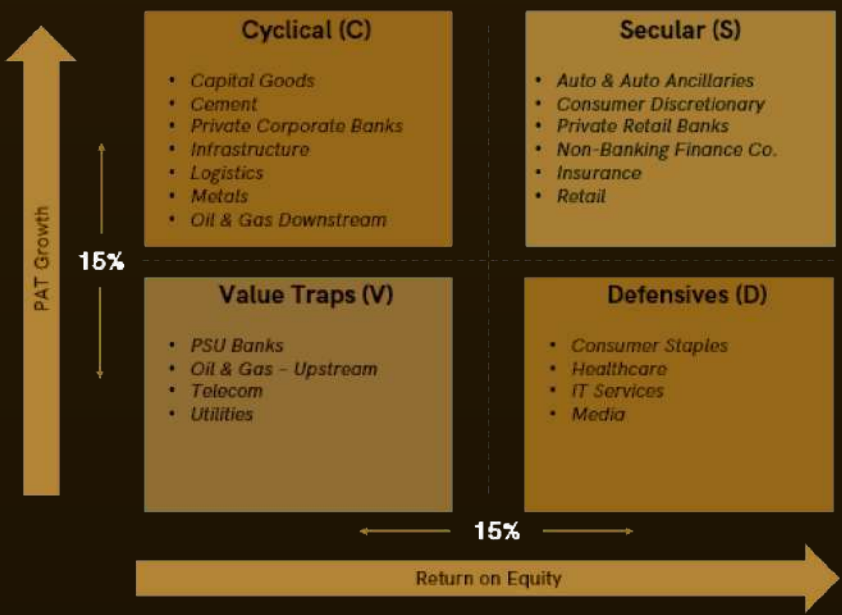
Investment Strategy:

The objective of the investment approach is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities.

The investment strategy is to invest in a portfolio following the SCDV framework (Secular, Cyclical, Defensives, Value Trap) wherein it invests in businesses having long-term track record where profitability and growth have been impacted by short term cycles.

Investment Philosophy:

SCDV Framework:



	Portfolio	BSE 500
C + V	54%	48%
S + D	43%	52%

Portfolio companies moving towards higher ROE and higher PAT growth trajectory

Conservative Approach:

The investment manager would target such opportunities having long-term mean reversion capability, having potential for sharp improvement in fundamentals.

360 ONE AMC

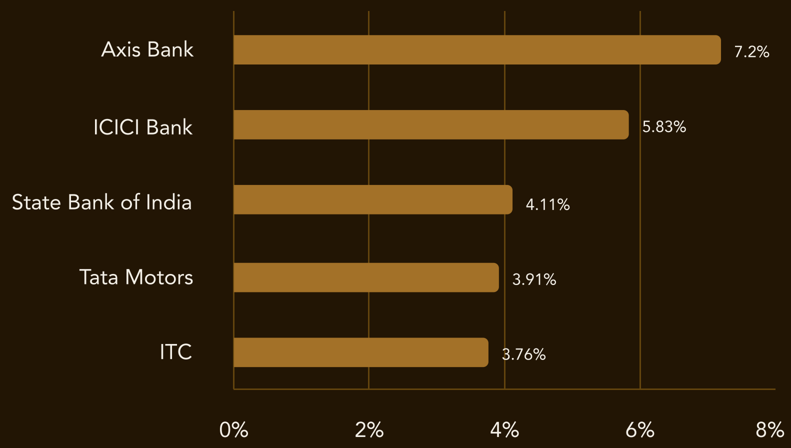
Phoenix PMS (Formerly known as IIFL Phoenix PMS)

Performance

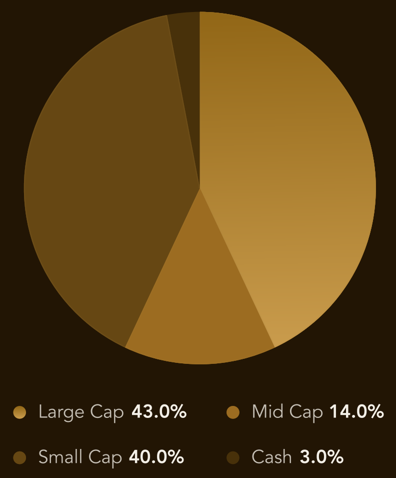
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
Phoenix PMS	**5.0%**	**10.7%**	**4.7%**	**22.9%**	**15.9%**	-	-	-	**18.1%**
BSE 500 TRI	**3.8%**	**8.9%**	**-0.8%**	**12.9%**	**10.7%**	-	-	-	**13.5%**

Portfolios: Stocks/Sectors/Market Cap Allocation

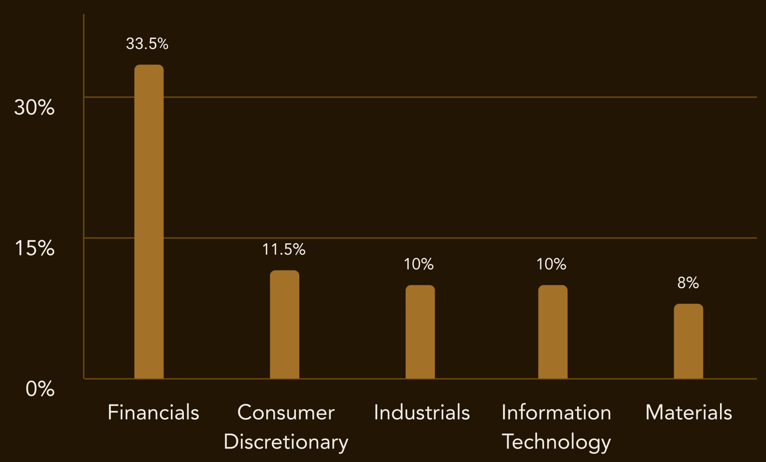
Top 5 Equity Holdings



Market Cap Allocation



Top 5 Sectors



No. of Stocks
49

Benchmark
BSE 500 TRI

AUM
610 Cr

Date as of
31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Alternates by Axis

Brand Equity Portfolio

Investment Objective:

The fund aims to generate long term capital appreciation by investing in a diversified portfolio of equity instruments of companies with brands.

Investment Strategy:

Axis 'Brand Equity' Portfolio is a compact portfolio investing in equity that endeavors to achieve long term capital appreciation through investment in companies with 'established and emerging brands.' The allocation will consist of best ideas within this space. While the portfolio will consist of bottom-up best ideas, portfolio construction will target reasonable diversification across sectors. Investments will be across market capitalizations.

The portfolio seeks to buy businesses with strong brands that provide:

- Sustainable competitive advantage
- Capable Management Team
- Good corporate governance

Why Invest in Brands?

A brand is an identification of a unique mnemonic that identifies or distinguishes a product or service from its competitors. A good brand often goes beyond the letters or image. It tends to help all stakeholders, customers, suppliers, employees and management associated with the company's business and its products.

- Strong Connect with the customer
- Differentiated Positioning
- Distinguishable Product/Service Quality
- Consistency in delivery of good performance
- Innovation

Alternates by Axis

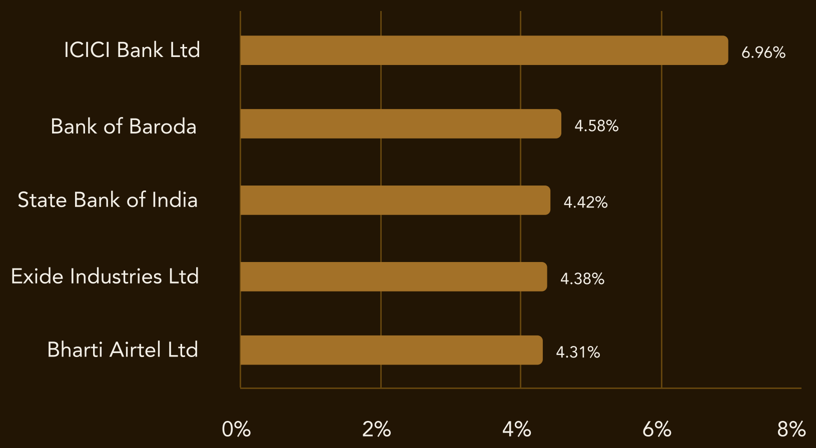
Brand Equity Portfolio

Performance

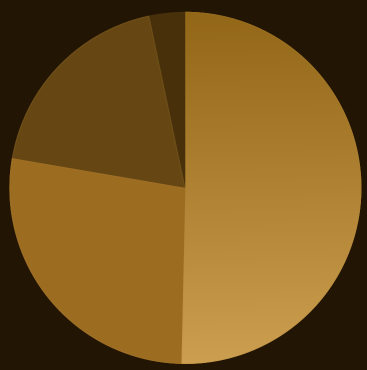
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
Brand Equity Portfolio	**3.8%**	**7.6%**	**0.5%**	**16.4%**	**8.2%**	**23.9%**	**9.8%**	**-**	**10.4%**
NIFTY 50 TRI	**2.9%**	**7.4%**	**-0.8%**	**12.9%**	**10.4%**	**26.1%**	**12.9%**	**-**	**14.2%**

Portfolios: Stocks/Sectors/Market Cap Allocation

Top 5 Equity Holdings



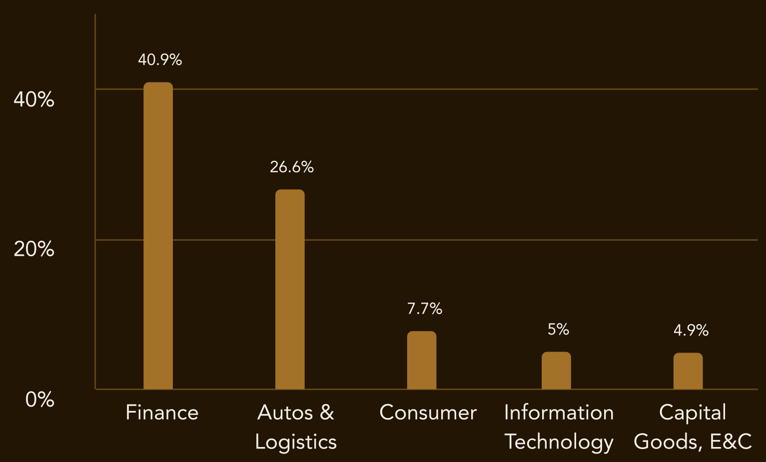
Market Cap Allocation



Large Cap **50.4%** Mid Cap **27.4%**

Small Cap **18.9%** Cash **3.3%**

Top 5 Sectors



No. of Stocks

33

Benchmark

NIFTY 50 TRI

AUM

1,126 Cr

Date as of

31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Investment Objective

Nuvama Enhanced Dynamic Growth Equity (EDGE) Fund is an equity-oriented, long-short CAT III AIF scheme offering a solution to manage market fluctuations by cushioning the downfall while providing an alpha over the long term. The objective of the fund is to take advantage of both upward and downward market movements with an aim to generate consistent long-term returns across market cycles. The long-short style of investing enables the fund to systematically hedge the portfolio and generate returns with reduced volatility. Given the fund's differentiated strategy, it's an ideal complementary allocation to an investor's long-only equity portfolio and a better way to participate in equity markets, where one can expect consistent returns over a 1-3 year period, lower drawdowns in times of volatility, and the potential to generate alpha over the index as against traditional equity offerings that typically mirror the benchmark.

Investment Strategy

Typically, a long-only investment approach exposes investors' portfolios to market cycles. EDGE mitigates such a scenario by running a relatively lower net exposure and systematically hedging the fund's portfolio through its proprietary method. The fund's consistent performance across the various market cycles seen in the past year results from the unique blend of three complementary investment strategies that have enabled the building of a robust core portfolio while being nimble to alpha generation opportunities over the short term. Moreover, the use of derivatives helps hedge the portfolio against adverse events and leverage opportunistic trades. This flexible investment approach gives the fund an 'edge' over its peers.

Fundamental core long

Up to 60% exposure and avg. holding period of over 12 months to stay aligned to equity markets via cash equity investments

Opportunistic trades

With a shorter holding period to capitalize on near-term long and short opportunities via cash equities and stock/ index derivatives

Hedging and derivative strategies

1. Positions with a 1-3 month holding period to hedge the portfolio during periods of heightened volatility / adverse conditions and/or generate alpha on the portfolio via stock and index derivatives.

Investment Philosophy

EDGE has the unique ability to combine derivatives with fundamentals – this is one of the key reasons for the fund's successful track record spanning periods of market exuberance as well as turmoil. The fund managers identify growth themes within the market and base their selection on proprietary investment models that help with the bottom-up selection of top performers. Coupled with a targeted investment approach and the discipline to lock in profits at regular intervals. The models seek to capture a vast array of fundamental and market indicators influencing equity markets and are based on both qualitative and quantitative factors. The fund is also able to limit drawdowns during adverse market conditions through systematic hedging while adhering to a robust risk management framework.

Nuvama Asset Management

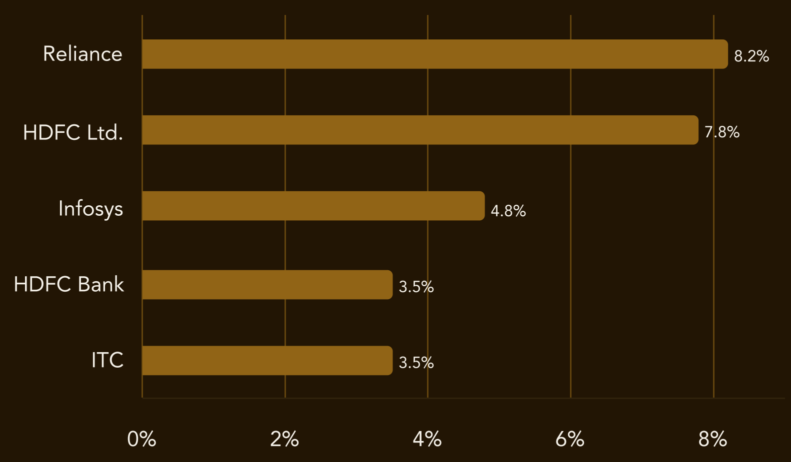
Enhanced Dynamic Growth Equity (EDGE) Fund

Performance

In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
(EDGE) Fund	**3.4%**	**8.1%**	**2.5%**	**19.1%**	**29.5%**	-	-	-	**16.4%**
Nifty 50 TRI	**2.9%**	**7.4%**	**-0.8%**	**12.9%**	**21.9%**	-	-	-	**13.0%**

Portfolios: Stocks/Sectors/Market Cap Allocation

Top 5 Equity Holdings



No. of Stocks

NA

Benchmark

Nifty 50 TRI

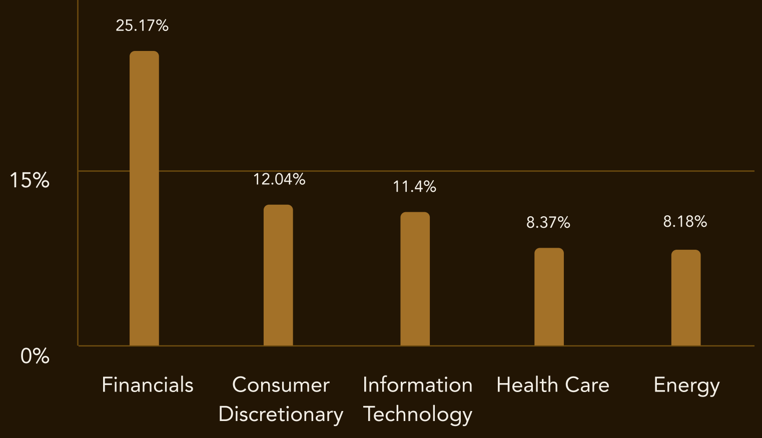
AUM

646 Cr

Date as of

31st May 2023

Top 5 Sectors



- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

ICICI Prudential PMS

Contra Strategy

Investment Objective

ICICI Prudential PMS Contra Strategy (the "Contra Strategy")seeks to generate capital appreciation by investing predominantly in equity and equity related instruments through contrarian investing

Investment Strategy

The Portfolio Manager follows 'Contra' style of investing which involves taking contrarian bets on equity stocks i.e. taking calls/exposure on stocks which are currently not in favour in the market but are expected to do well in the long run. The Portfolio Manager may also select stocks of companies in sectors where entry barriers are high, sectors in consolidation or of companies in special situation. A focused portfolio of investment ideas, agnostic to market capitalizations. The Strategy aims to invest across market capitalization.

Investment Philosophy

- Core belief is that companies create wealth and not markets for which we aim to identify prominent businesses with competent management at reasonable valuations.
- Identifying stocks which have potential growth opportunities provided by business cyclicality, special situations, and/or mispricing by the market.
- Portfolio comprises of companies with Sustainable Earnings Growth and Improving ROE and which have a sustainable "Moat". Moat allows a firm to have earnings growth due to a competitive advantage

ICICI Prudential PMS

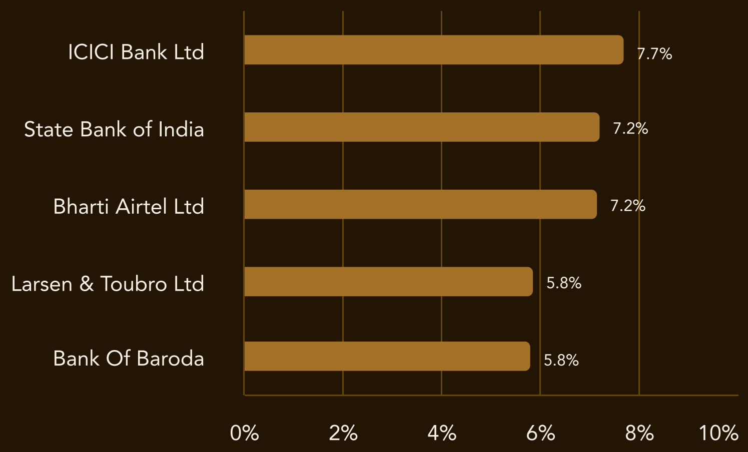
Contra Strategy

Performance

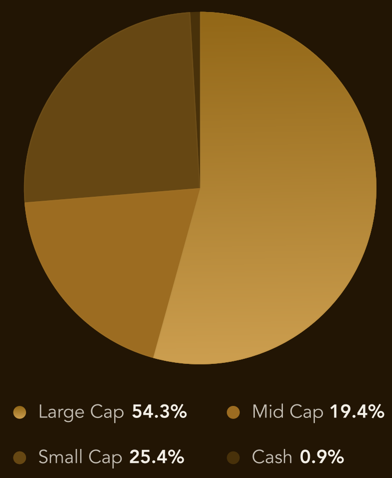
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
Contra Strategy	**2.0%**	**10.6%**	**2.0%**	**25.4%**	**16%**	**32.2%**	**-**	**-**	**17.5%**
BSE 500 TRI	**3.8%**	**8.9%**	**-0.8%**	**12.9%**	**10.6%**	**28.0%**	**-**	**-**	**12.4%**

Portfolios: Stocks/Sectors/Market Cap Allocation

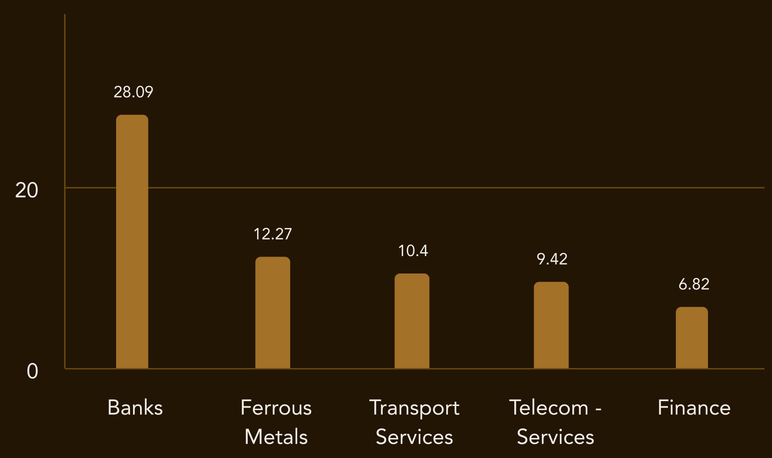
Top 5 Equity Holdings



Market Cap Allocation



Top 5 Sectors



No. of Stocks

23

Benchmark

BSE 500 TRI

AUM

1,656 Cr

Date as of

31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Kotak AMC

Small & Midcap

Investment Objective:

The main objective of our investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.

Investment Philosophy:

The portfolio shall follow a stock-specific approach with a medium to long term perspective. The portfolio shall invest across sectors with a bias to invest in companies backed by able managements with sound fundamentals and strong future potential. The portfolio may also include stocks which have exhibited market leadership in their respective product lines. The portfolio investments shall be based on in-depth understanding of the underlying business.

Investment Strategy

The Investment approach will invest in all listed equity and equity related instruments with emphasis on capturing absolute returns by investing in 10-25 stocks in the small and midcap category as defined by SEBI. The portfolio shall have the flexibility to also invest up to 25% of portfolio value in largecap stocks.

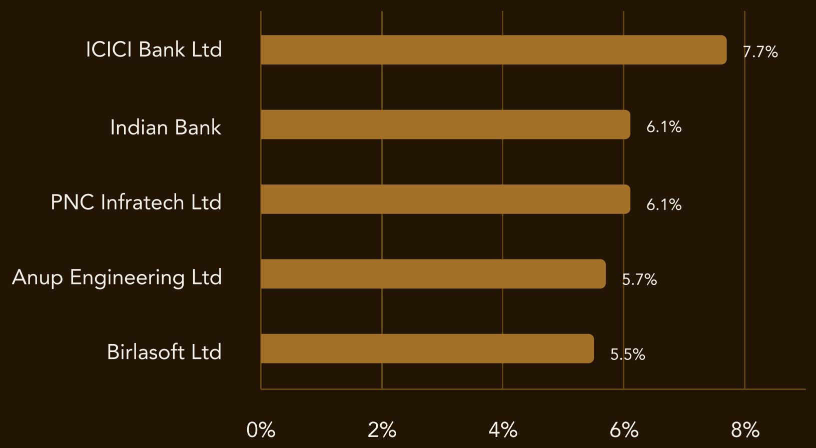
Kotak AMC
Small & Midcap

Performance

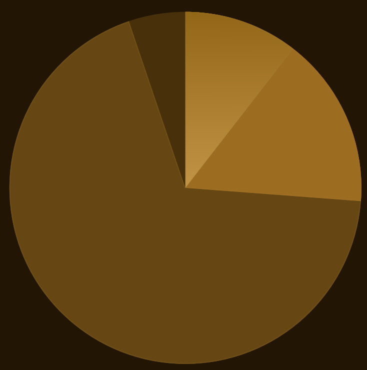
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
Small & Midcap	6.9%	8.3%	2.6%	11.1%	11.5%	39.0%	10.1%	17.9%	16.5%
Nifty 50 TRI	2.9%	7.4%	-0.8%	12.9%	10.4%	26.1%	12.9%	13.3%	13.5%

Portfolios: Stocks/Sectors/Market Cap Allocation

Top 5 Equity Holdings

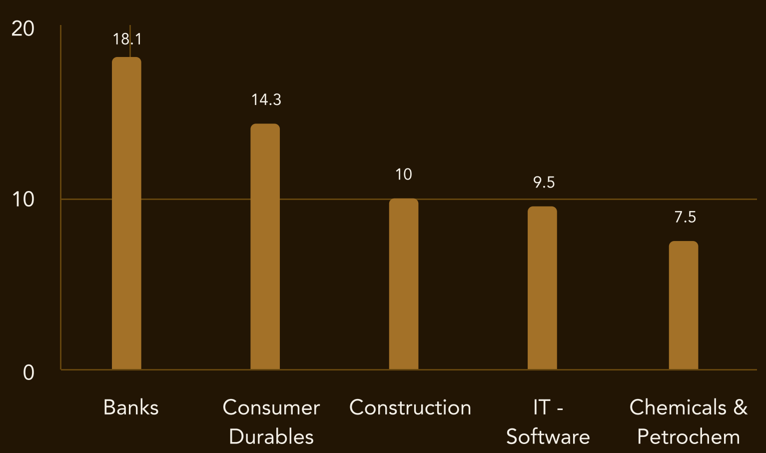


Market Cap Allocation



Large Cap **10.5%** Mid Cap **15.7%**
Small Cap **68.6%** Cash **5.2%**

Top 5 Sectors



No. of Stocks
24

Benchmark
Nifty 50 TRI

AUM
34 Cr

Date as of
31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Negen Capital

Special Situations Fund

Investment Objective

Negen Capital PMS is predominantly a small cap and midcap focused PMS with a keen interest in identifying value investing opportunities via special situations like demergers and Spin offs.

Our objective is to create consistent profits for our clients in all market conditions, through our values of professionalism, transparency, and safety.

Investment Strategy

The NEGEN Capital Special Situations & Technology Fund is an investment fund that adopts a dynamic approach to investing in companies with special situations such as demergers, corporate actions, promoter changes, and spin-offs. This investment strategy focuses on taking advantage of unique opportunities presented by these events to generate favorable returns for investors.

Investment Philosophy:

Idea Generation:

Most of our portfolio companies have a unique combination of Special Situation Investing. We look for ideas from Demerger and Promoter Change with Better Management. These situations have delivered superior returns on average.

MEGA Trends:

We identify Mega Trends and invest in the companies benefitting the most from them. We have been investing in Consumer Tech companies and being early in this, we generated Alpha returns.

Conservative Approach:

We stay away from PSU and Cyclical Investments. Currently we have 21.45% of our PMS in cash as on 31st May 2023.

Negen Capital

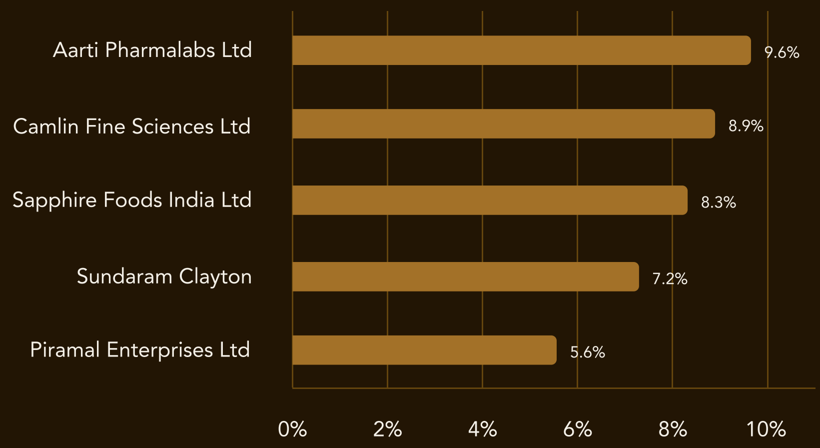
Special Situations Fund

Performance

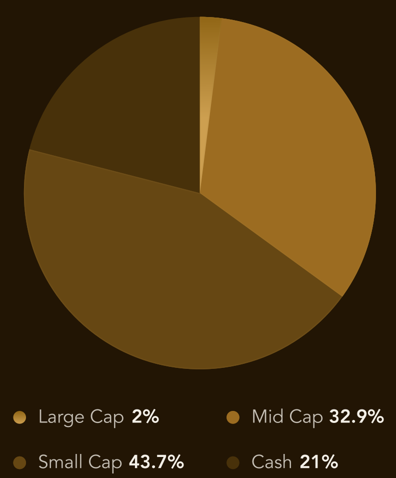
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
Special Situations Fund	**4.8%**	**14.4%**	**3.0%**	**10.5%**	**16.1%**	**61.3%**	**14.7%**	**-**	**13.4%**
Nifty 50 TRI	**3.8%**	**8.9%**	**-0.8%**	**12.9%**	**10.6%**	**28.3%**	**12.6%**	**-**	**12.4%**

Portfolios: Stocks/Sectors/Market Cap Allocation

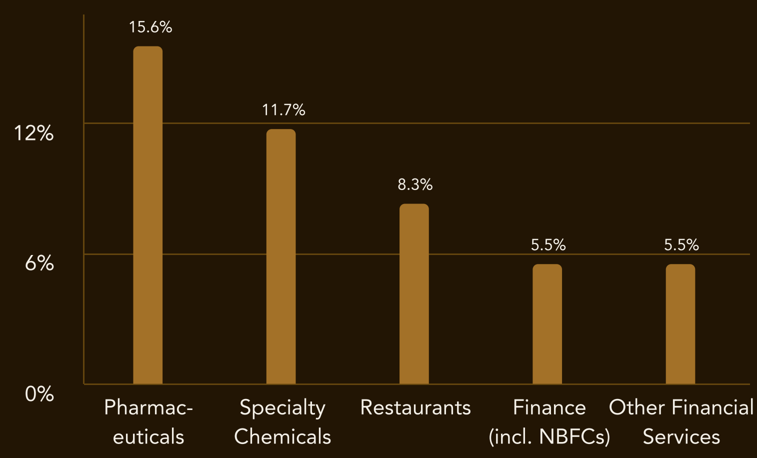
Top 5 Equity Holdings



Market Cap Allocation



Top 5 Sectors



No. of Stocks
25-30

Benchmark
Nifty 50 TRI

AUM
535 Cr

Date as of
31st May 2023

- All performance numbers are net of expenses, gross of taxes and is as per TWRR guidelines
- Returns above 1Y is CAGR and up to 1Y is Absolute Returns

Neo Asset Management Pvt Ltd

Neo AIF– Private Credit Strategy

The Team

The core investment team at Neo Asset Management possesses a cumulative experience of ~100 years in credit market analysis and investing. They have successfully managed credit assets totalling over INR 1 lakh Crs. Each of our Senior Leaders has managed large businesses, handled significant capital, and leading large teams.

Their expertise and track record span several decades, ensuring a wealth of knowledge and capabilities within the organization.

Investment Objective

Neo Wealth & Asset Management is a new-age financial services firm with a strong focus on delivering trustworthy, transparent, and unbiased investment solutions to its clients. The company's primary objective is to provide tailored solutions that enhance long-term fixed income returns for client portfolios. These solutions are designed to incorporate significant capital protection buffers, ensuring a balanced and secure investment approach.

Investment Strategy

Neo Wealth & Asset Management strategically positions itself to capitalize on long-term growth opportunities within the private credit market by providing flexible credit solutions to high-quality businesses in need of long-term capital. Leveraging their deep understanding of the Indian market, they aim to generate substantial long-term returns for the investors while connecting capital to yield.

Neo Asset Management places a strong emphasis on generating inflation-beating returns while ensuring regular cash flows. They aspire to explore investment opportunities across a wide range of asset classes, including but not limited to:

1. Private Credit

- It offers long term, bespoke credit solution to companies
- Risk adjusted returns with downside protection
- Typically, EBITDA positive companies with cashflows

2. Core Credit

- Large addressable market opportunity in India
- Focus on growth companies in the private space
- Cash flow backed lending

3. Real Assets

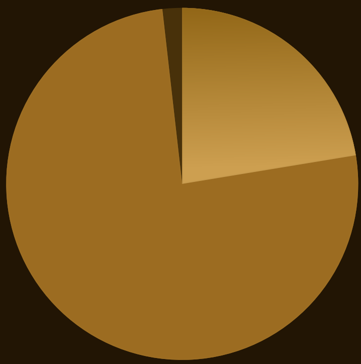
- Government of India looking to monetize assets
- Developers want to deleverage balance sheets
- Acquire operating assets with proven cash flows

By combining their deep understanding of the market and strong operational capabilities, Neo Asset Management is poised to deliver sustainable growth and returns for its investors.

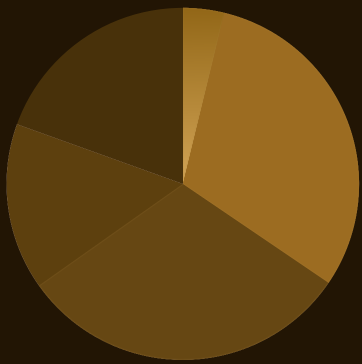
Neo Asset Management Pvt Ltd

Neo AIF– Private Credit Strategy

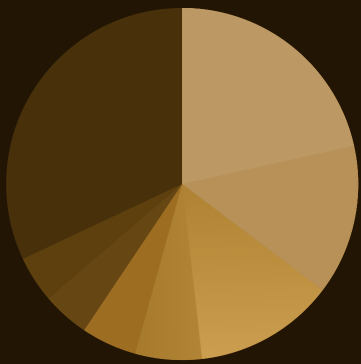
Deals Evaluated



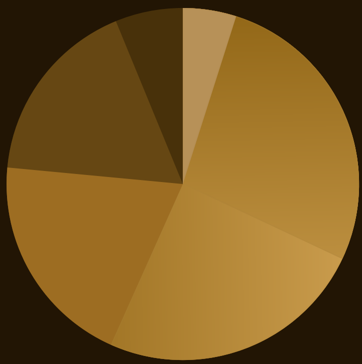
Deals in Progression



Industry



End Use Fund Utilization



Sundaram Alternates

Sundaram India Secular Opportunities Portfolio

Investment Objective

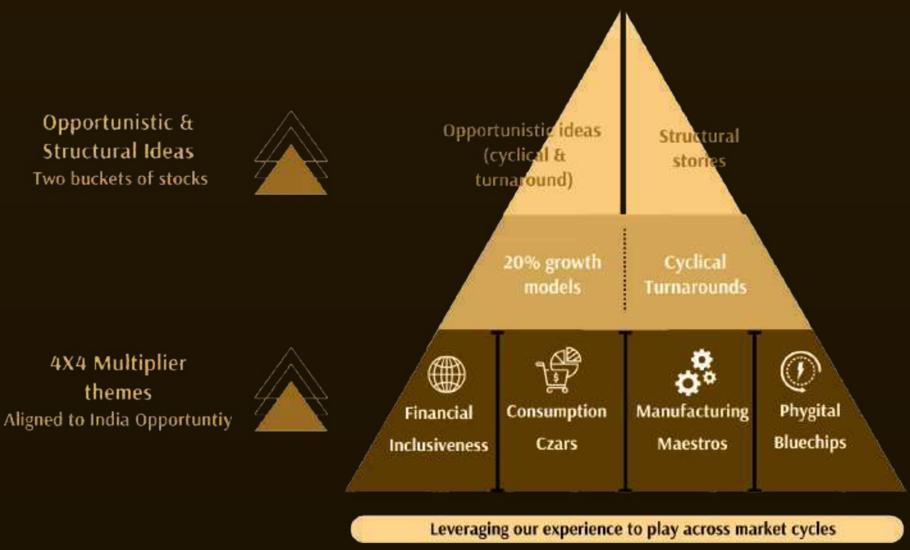
To generate capital appreciation across market cycles by investing in a concentrated set of high conviction stocks.

Target Investors

Designed for investors seeking returns through investments in a concentrated portfolio of companies with sustainable competitive advantages and reasonable valuations.

SISOP at a glance

- Concentrated portfolio of around 15 stocks
- Flexible cap curve allocation
- Invests in businesses with secular growth opportunities
- Focused on "growth" & avoiding defensive and deep cyclical ideas
- Long performance track record of ~13 years
- Leveraging our experience to play across market cycles



Two buckets of stocks

- **Structural stories** – Provide stability to the portfolio's returns from a long-term perspective
- **Cyclical & turnaround stocks** – Provide opportunities to create additional alpha for the investors depending on the market/ business cycles/ turnarounds

4x4 Wealth Multiplier Themes

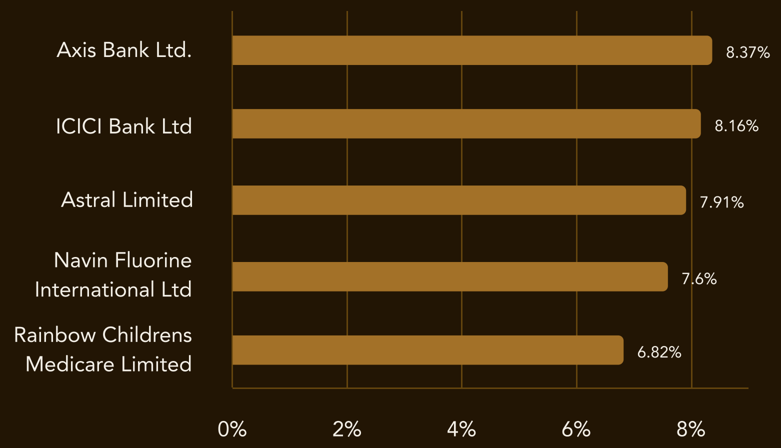
- **Financial Inclusiveness** – aided with the digitization, big data and large capital availability along with household debt to GDP improving – with a shift from unorganized to organized lending
- **Phygital Bluechips** – Traditional and startup – technology adapters with better unit economics
- **Consumption Czars** – Larger Gen-Z population, multiplying affluent households and rising PCI, all point to robust consumption growth ahead
- **Manufacturing Maestros** – Manufacturing sector to show robust growth with electronics, chemicals, auto and engineered goods seeing benefit from PLI, exports and infra spends

Performance

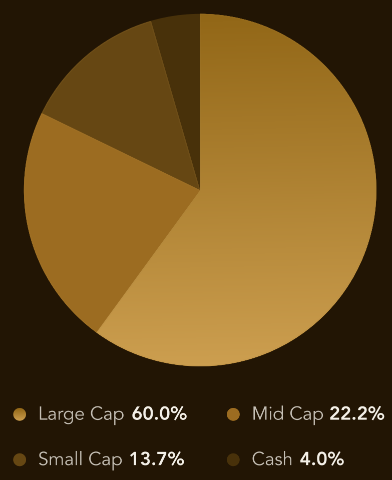
In %	1M	3M	6M	1Y	2Y	3Y	5Y	10Y	SI
SISOP	**7.6%**	**13.4%**	**4.9%**	**12.8%**	**10.3%**	**29.3%**	**12.6%**	**15.3%**	**17.5%**
BSE 500 TRI	**3.8%**	**8.9%**	**-0.8%**	**12.9%**	**10.6%**	**28.0%**	**12.6%**	**14.4%**	**12.3%**

Portfolios: Stocks/Sectors/Market Cap Allocation

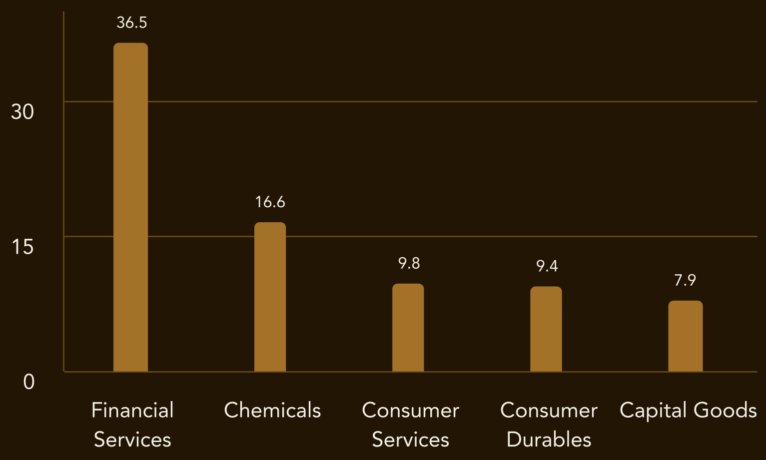
Top 5 Equity Holdings



Market Cap Allocation



Top 5 Sectors



No. of Stocks

17

Benchmark

BSE 500 TRI

AUM

1,139 Cr

Date as of

31st May 2023

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Select

PMSs & AIFs

Top 10

as per our 5P Analysis

People, Philosophy, Performance, Portfolio, and Price

Select 10 Portfolio Management Services

Company	Strategy	AUM (Cr)	1M (%)	3M (%)	6M (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	SI (%)	Market Cap	Fund Manager	Start Date
Abakkus	Emerging Opportunities Approach	1422	6.9	21.8	19.1	40.1	14.8	-	-	-	36.8	Mid & Small	Sunil Singhania	Aug 2020
Buoyant	Opportunities Multicap	968	4.9	20.1	17.8	41.1	23.2	46.6	18.6	-	21.8	Multi Cap	Jigar Mistry	Jun 2016
Carnelian	Shift Strategy	-	7.4	30.7	27.6	47.8	19.2	-	-	-	43.5	Multi Cap	Manoj Bahety	Oct 2020
ICICI	Contra	1904	7.4	16.6	9.7	43.9	18.8	32.4	-	-	18.9	Multi Cap	Anand Shah	Sep 2018
360 ONE	Multicap	3823	5.1	12.6	9.3	25.7	10.1	24.6	14.6	-	22.6	Multi Cap	Anup Maheshwari	Dec 2014
Negen Capital	Special Situations Fund	528	4.9	24.9	11.5	22.3	15.1	52.3	17.5	-	14.1	Mid & Small	Neil Bahal	Aug 2017
Sameeksha	Equity Fund	721	6.5	17.4	16.0	33.9	13.5	35.0	24.1	-	20.9	Multi Cap	Bhavin Shah	Apr 2016
Stallion	Core Fund	709	9.1	16.6	16.2	34.1	9.0	29.3	-	-	23.1	Multi Cap	Amit Jeswani	Oct 2018
UNIFI	Blended - Rangoli	8136	5.1	15.2	10.6	25.8	13.4	35.7	23.4	-	21.6	Multi Cap	Sarath Reddy	Jun 2017
Valentis	Rising Star Opportunity	600	6.1	19.5	14.6	38.0	20.0	50.8	18.5	-	19.4	Mid & Small	Jyotivardhan Jaipuria	Sep 2016

DISCLAIMER
- Data as of 30.06.2023
- Data is as per TWRR guidelines and is presented referring to data shared by AMC's
- Data above 1 year is CAGR and less than 1 year is Absolute
- This information is for a general understanding of past performance of PMS
- Past performance is not indicative of future returns
- For strategies marked ^, numbers have been taken since the formal inception post the SEBI RIA license and not SEBI PMS license
- These are popular strategies with fine past performance, not necessarily the best in respective categories

Select 10 Alternative Investment Funds

Strategy	Category	Type	Nature	Fund Manager	Start Date
Altacura AI Absolute Return Fund	CAT-3	Listed Equity	Open Ended	Team Altacura	Oct 2020
Carnelian StructuralShift Fund	CAT-3	Listed Equity	Close Ended	Manoj Bahety	Apr 2020
Buoyant Equity Opportunity Fund	CAT-3	Listed Equity	Open Ended	Sachin Khivasara	Nov 2022
IIFL Equity Opportunity Fund	CAT-3	Listed Equity	Close Ended	Mehul Jani	Nov 2022
Sundaram Alternative Opportunities Series- ACORN	CAT-3	Listed Equity	Close Ended	Sundaram Alternate Assets	Feb 2020
ICICI Prudential Corporate Credit Opportunities Fund	CAT-2	Private Credit	Close Ended	Anand Shah	Feb 2022
ICICI Prudential Equity Opportunities Fund	CAT-3	Listed Equity	Close Ended	Anand Shah	Mar 2023
Sameeksha Equity Fund	CAT-3	Listed Equity	Open Ended	Bhavin Shah	Feb 2022
Sundaram Emerging Corporate Credit Opportunities Fund-1	CAT-2	Private Credit	Close Ended	Sundaram Alternate Assets	Aug 2022
Tata Equity Plus Absolute Return Fund	CAT-3	Listed Equity	Open Ended	Harsh Agarwal	Mar 2020

DISCLAIMER
- AIFs are governed by private placement norms.
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- Past performance is not indicative of future returns
- These are popular strategies with fine past performance, not necessary the best in respective categories

Current 10 investment indicators and their historical maximum and minimum

1 NIFTY PRICE TO EARNING RATIO

Current	21.80
Min	9.83
Max	41.23

Ref. : June 2023

2 MARKET CAP TO GDP RATIO

Current	92.00%
Min	40%
Max	118.67%

Ref. : March 2023

3 GOVERNMENT DEBT TO GDP RATIO

Current	92%
Min	83.10%
Max	87%

Ref. : Q3FY23

4 INFLATION RATE

Current	4.50%
Min	1.54%
Max	12.17%

Ref. : Q1FY24

5 INTEREST RATE

Current	6.50%
Min	4%
Max	14.50%

Ref. : June 2023

6 GDP GROWTH RATE

Current	6.10%
Min	-23.90%
Max	11.40%

Ref. : Q4FY23

7 GST COLLECTIONS

Current	Rs 1. 61 Lakh Crore

Ref. : June 2023

8 BUSINESS CONFIDENCE

Current	126
Min	96.40
Max	139.30

Ref. : Q4FY23

9 INDIA'S INDUSTRIAL PRODUCTION

Current	4.20%

Ref. : April 2023

10 MANUFACTURINGPMI

Current	57.80
Min	27.40
Max	58.90

Ref. : June 2023

Data Sources:

https://www.mospi.nic.in/
https://www.tradingeconomics.com
https://www.ceicdata.com
https://nifty-pe-ratio.com/

Thank you for Making

Summer of ’23

A Grand Success!

24 Speakers | 9 Sessions

1600+
Total Event Registrations

1400+
Total Platform Log-ins

1200+
Total Audi Attendance

PMS AIF WORLD

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Past performance is not indicative of future results. Prices/invested sum/ investments are subject to market risks, which may result in appreciation or depreciation. Please read all Scheme related Information Documents (SID)/Key Information Memorandum (KIM), Disclosures, Risk disclaimers, PPM (Private Placement Memorandum in case of AIFs) and addendums issued from time to time and other related documents carefully before investing.

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It all seems very sophisticated, because it is...

and we make it seamless for you.

Book an appointment with our experts