SUNDARAM
India Secular Opportunities Portfolio

• Monthly Update •

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.

Investment Horizon
Above 3 years

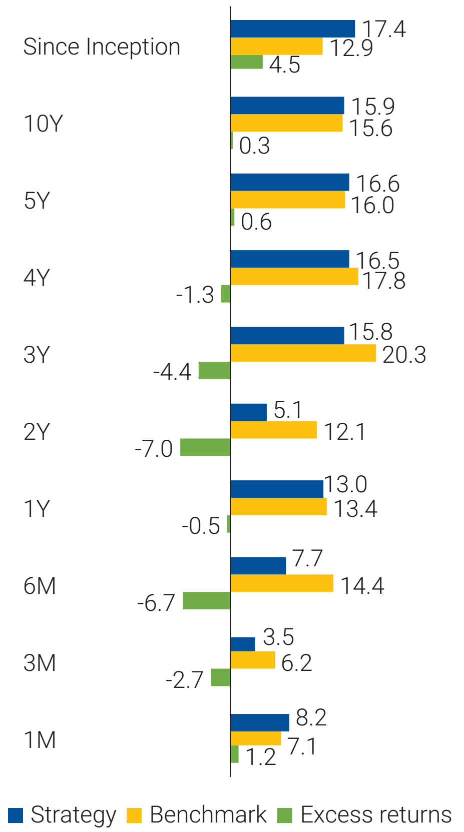
Benchmark
S&P BSE 500

Inception
February 2010

Primary Fund Manager
Mr. Madanagopal Ramu

Co-fund Manager
Mr. Prashant N Kutty

SISOP vs S&P BSE 500 (%)



Market Outlook — November 2023 update

Decisive mandate…..political stability… positive for India growth & India equities

With BJP sweeping Hindi heartland in India, the scenario for 2024 general assembly elections looks biased towards pro-incumbency. Decisive mandate for third term to Mr. Modi can lead to not just policy stability, but also acceleration. This can result in pro development spending against social spending over next 5 years, which can propel a strong domestic economic growth rate. India becoming a $7tn economy by 2030 may not remain a difficult target to achieve. India's dream of becoming third largest economy globally looks achievable much before 2030.

We expect FII flows to turn positive, they have been net sellers for some period. Interest rates seem to have peaked out, oil is back to $80, and inflation is manageable. So emerging markets can see higher inflows and India will be at the forefront.

We can expect upswing in investment to GDP ratio supported by both public and private capex. Corporate capex will continue, despite global recessionary fears, given domestic demand and government spending, leading to decent consumption growth. Make in India, import substitution, global supply chain de-risking, domestic demand growth trends and pollution control related capacity limits globally will favour a sustainable growth in manufacturing sector in India. Indian corporates will now commit more capex, given political and policy certainty. Low leverage of corporate balance sheet and healthy profit cycle will provide significant impetus to growth capex.

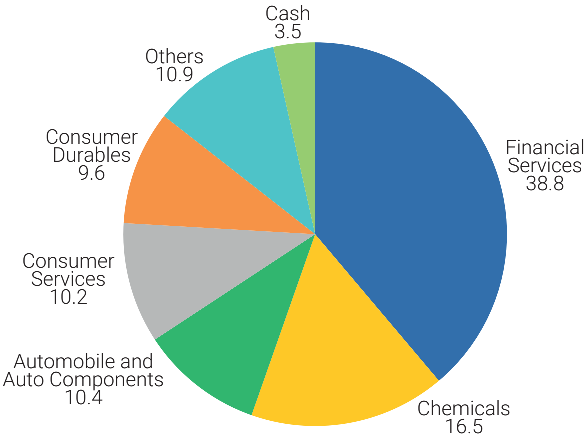
Domestic demand was weak, except in luxury and premium space over last 1 year, due to inflation. With inflation worries behind us and domestic growth continuing, we expect a broad-based domestic consumption recovery. We are structurally positive on urban consumption. The number of Upper middleclass income households will almost double by 2030, with growing per capita income. These households will spend disproportionate part of their income on healthcare, education, shelter, mobility, travel, dining, entertainment, etc. Online penetration in many of these segments will be meaningful.

With both investment and consumption growing together, the credit to GDP ratio will move from 50% to 75% over next decade. With rising per capita income more people become bankable, and formalisation of lending will happen at an accelerated pace over next 10 years. With low leverage and increasing capacity utilisation corporate borrowing will accelerate meaningfully. We see low to mid-teens credit growth to continue over next 10 years. Banking space looks attractive for investment structurally.

Given the above view, our approach of playing India growth story by investing in structural themes like 1. Manufacturing 2. Discretionary consumption and 3. Financial inclusiveness look compelling with the recent development on political side in India.

Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

SECTOR ALLOCATION (%)

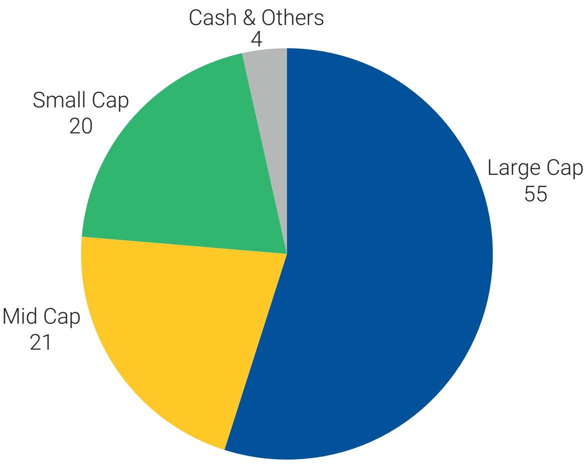


Note: Numbers may not add up due to rounding

WEIGHTED AVERAGE MARKET CAP

₹ 1,26,973 Cr

MARKET CAPITALIZATION (%)



Note: Numbers may not add up due to rounding

PERFORMANCE MEASURES – SINCE INCEPTION

Instruments	Strategy	Benchmark
Arithmetic Mean	17.3	13.4
Annualised Standard Deviation	15.9	16.2
Beta	0.8	-
Sharpe Ratio	0.6	0.4
Correlation	0.8	-
Alpha	5.1	-
Tracking Error	9.8	-
Up capture Ratio	98.8	-
Down capture Ratio	75.3	-

Performance Benchmarking

SEBI vide circular dated 16th December 2022 mentioned that Association of Portfolio Managers in India (APMI) shall prescribe a maximum of three benchmarks for each Strategy. Effective from 1st April 2023, the Portfolio Manager shall select one benchmark from those prescribed for that Strategy to enable the investor to evaluate relative performance of the Portfolio Managers. APMI vide communication dated 31st March 2023 prescribed the following benchmarks:

Strategy	Benchmark 1	Benchmark 2	Benchmark 3
Equity	Nifty 50	S&P BSE 500	MSEI SX 40

Among the options given, we had selected S&P BSE 500 which is a broad-based benchmark to our PMS strategies.

PORTFOLIO & STOCK PERFORMANCE

The portfolio saw a comeback with 1M beating the benchmark by 1.2%, while the 1Y almost narrowed to 0.5% vs the benchmark. Apart from MCX which saw a stellar 37% run up, Trent was the hero in the portfolio with over 30% run up in last month aided by sustained robust earnings upgrade cycle and being the isolated candidate in high growth zone where all other discretionary formats continue to struggle. Large caps like M&M, Titan and PI Industries all post 10-12% returns in last month, all aided by strong results and continued earnings upgrade cycle for them. We re-entered Bajaj Finance in the portfolio and exited ICICI bank, to reaffirm our stance of preferring NBFC over Banks, in a period of likely interest rate cuts, which can hurt margins for Banks and NBFC are in better phase of growth over Banks. Within that, Bajaj Finance, which is likely to grow at over 30% and the confidence on growth upon fund raising makes it a compelling story in the entire journey of financial inclusiveness.

BHEL was another inclusion in the portfolio. The rationale behind owning stocks like BHEL & REC Ltd is coming from a situation, where the power demand in the country is growing at 8-10%, which in turn is leading to power deficit and an urgent need of thermal capacity addition, lest there can be high scope of power shortage in next 2 years. Government may look at the possibility of adding at least 1000 MW p.a. BHEL, which has been an under-performer for last 10 years, can see change in fortunes, as it is among the few players and market leadership in setting up thermal power projects. With an order size of over Rs 1300bn and order inflow potential of Rs 350-700bn in next 2-3 years, BHEL has the potential to deliver over Rs 500bn revenues with 13-15% EBITDA margins and an EPS of Rs 13-15/share, it is trading at very cheap 11-13x on FY26 EPS.

KEY FEATURES

- Concentrated Portfolio - Around 15 stocks.
- Invests across market caps – "Multi Cap".
- Long term orientation towards portfolio building i.e. >3 years.
- Invest in business with secular growth opportunities.

Compounding Stories

- Companies with growth opportunity > 15%
- Ability to generate > 15% ROIC
- Excellent cash flows from business
- Option to reinvest for growth
- Low D/E to sail through crisis situations and gain market share

TOP HOLDINGS

Navin Fluorine International Ltd
Mahindra & Mahindra Ltd
AU Small Finance Bank Ltd
Trent Ltd
Bharat Heavy Electricals Ltd

KEY CONTRIBUTORS

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
Astral Limited	683	1,950	185
AU Small Finance Bank Ltd	314	741	136
Titan Industries Limited	1,490	3,491	134

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK

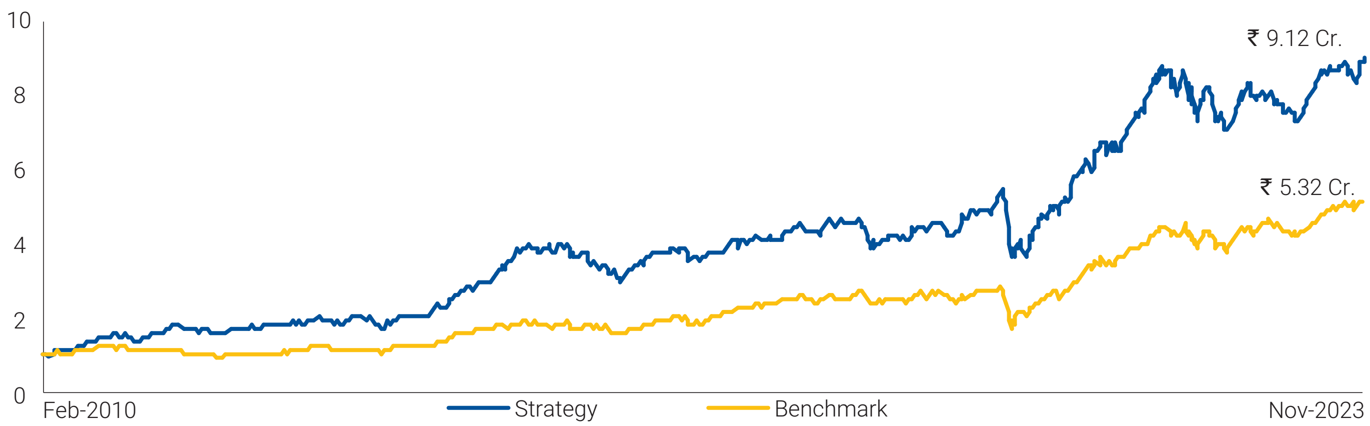
CALENDAR YEAR PERFORMANCE (%)

	Strategy	Benchmark	Excess return
2010	58.3	24.9	33.4
2011	1.5	-26.4	27.9
2012	25.4	33.4	-8.0
2013	6.0	4.9	1.1
2014	66.1	38.9	27.2
2015	-2.0	0.4	-2.4
2016	4.2	5.2	-1.0
2017	24.0	37.6	-13.6
2018	-4.3	-1.8	-2.4
2019	15.4	9.0	6.5
2020	25.2	18.4	6.8
2021	36.2	31.6	4.6
2022	-6.9	4.8	-11.6
2023 YTD	15.6	17.1	-1.6

Source: Inhouse computation

Calendar Year Performance Since Inception February 2010

VALUE OF ₹ 1 CRORE INVESTED AT LAUNCH



This material should not be construed as solicitation for investing in countries where restrictions exist on soliciting business from potential clients residing in such countries

WHY SUNDARAM PMS

- Strong Track Record
- Low Churn
- Time Tested Stock Selection Process
- Reach Across Country
- Transparency
- Strict Adherence to Risk Guidelines
- Shared Research Capabilities

3Q QUALITY APPROACH TO STOCK SELECTION

- **Quality Business**
  Scalable, Growing, Reinvestment opportunities, Strong Moat
- **Quality Financials**
  High ROIC, Excellent Cash Flows, Low DE
- **Quality Management**
  Visionary, Problem solving

CUSTOMER SERVICES

Reporting Statements and Servicing: Monthly performance Statements Transactions, Holding & Corporate action reports, Annual CA certified Statement of the account & Online access

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DISCLAIMER

General Disclaimer: Performance and data is as November 30, 2023. Returns are on time weighted rate of return basis. Returns for a time period less than 1 year are absolute. All returns are in percentage. Performance disclosure is at aggregate portfolio level and the portfolio information (i.e. market cap, sector allocations, etc.) is at model client's level. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved. Past performance of the portfolio manager does not indicate its future performance. Performance related information provided herein is not verified by SEBI.

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