



- A portfolio of 20-25 stocks
- Multi cap universe; companies with market cap >Rs 500 crores
- Benchmark and sector agnostic; top-down, bottom-up approach
- Investment horizon of 3-5 years
- 80% of the portfolio concentrated in 4-5 Sectors

## Investment Process based on 4 Pillars:

1. **Focus on those sectors of economy which are growing faster than overall GDP**
2. **Focus on Industries with Strong Operating Dynamics** – Invests in companies across proven “Recurring Winner Industries” that create superior and sustained value across market cycles. For eg. Financials, Pharmaceuticals, Consumer Discretionary etc.
3. **Strong screening process backed by fundamental research** – To segregate winners from losers:
  - a. **Piotroski Score (P-score)** – Companies with P-score >7; companies with superior financial parameters and strong growth visibility
  - b. **Return on Equity (ROE)** – Companies with minimum ROE > 15%; i.e. identifies high quality companies that can deliver consistent returns and avoids companies with lower returns on capital
  - c. **Debt to Equity (D/E)** – Eliminate companies with D/E > 1.5 to avoid highly levered companies as these companies don't have the capacity to withstand stress during adverse market/business cycles
  - d. **In-depth fundamental research process** including management meetings, plant visit, dealer checks, with focus on corporate governance and good management.
4. **Buy quality growth stocks at a significant discount to their intrinsic value:** Emphasis is on entry price, and we invest in a company only if we have a visibility of 75-100% minimum threshold return which gets reflected in portfolio valuations being lower than the market.

**Current Portfolio Allocation :** Basis the above screeners the current portfolio is invested as :

| Sector Allocation      | Weight (%) |
|------------------------|------------|
| Materials              | 24.3%      |
| Industrials            | 21.5%      |
| Consumer Discretionary | 19.3%      |
| Financials             | 16.9%      |
| Health Care            | 9.6%       |
| Energy                 | 5.0%       |
| Cash                   | 3.4%       |

| Market Cap Bias | Weight (%) |
|-----------------|------------|
| Large Cap       | 26.4%      |
| Mid Cap         | 44.1%      |
| Small Cap       | 26.4%      |
| Cash            | 3.0%       |

## Consistency of Performance across Market cycles

Over the last 3 years (31 Jan 2014 – 31 Jan 2017), the portfolio has delivered **~40% p.a. vs ~16% p.a. for the benchmark NSE 500.**

| Returns                      | 1 Month | 3 Months | 6 Months | 1 Year | 2 Years | 3 Years | 5 Years | Since Inception* |
|------------------------------|---------|----------|----------|--------|---------|---------|---------|------------------|
| <b>SSP (Model Portfolio)</b> | 6.7%    | -6.7%    | -0.8%    | 16.9%  | 10.4%   | 40.4%   | 29.8%   | 19.2%            |
| <b>NSE 500</b>               | 5.7%    | -1.6%    | 0.7%     | 16.4%  | 1.5%    | 16.1%   | 12.6%   | 8.5%             |
| <b>Outperformance</b>        | 1.0%    | -5.1%    | -1.5%    | 0.5%   | 9.0%    | 24.2%   | 17.2%   | 10.7%            |

\*Inception Date: 01 Aug 2009

| CY Returns            | 2014   | 2015  | 2016  | YTD 2017 |
|-----------------------|--------|-------|-------|----------|
| <b>SSP</b>            | 116.6% | 16.8% | 2.3%  | 6.7%     |
| <b>Nifty 500</b>      | 37.8%  | -0.7% | 3.8%  | 5.7%     |
| <b>Outperformance</b> | 78.8%  | 17.5% | -1.5% | 1.0%     |

Note: Less than 1 year Absolute; more than 1 year CAGR; Returns as on 31st Jan 2017

| 1 year Risk Return Ratios | SSP    | Nifty 500 |
|---------------------------|--------|-----------|
| Standard Deviation        | 21.47% | 14.64%    |
| Sharpe Ratio              | 0.50   | 0.69      |
| Beta                      | 1.21   | -         |

\* Risk-free rate assumed to be 6.25% (MIBOR as on Jan 31 2017)

(Source: Internal BSLAMC Research). All data as on Jan 31, 2017. Past performance may or may not be sustained in the future.

## Portfolio vs Benchmark- Higher Growth/ROE's with lower valuations

### Top 10 Portfolio Holdings

| Sr. No. | Company Name                  | % to Net Assets |
|---------|-------------------------------|-----------------|
| 1       | Equitas Holdings              | 5.70            |
| 2       | Zee Entertainment Enterprises | 5.59            |
| 3       | Eicher Motors                 | 5.38            |
| 4       | Yes Bank                      | 5.15            |
| 5       | JK Cement                     | 5.24            |

| Sr. No. | Company Name                  | % to Net Assets |
|---------|-------------------------------|-----------------|
| 6       | Ahluwalia Contracts           | 4.13            |
| 7       | Maruti Suzuki India           | 5.10            |
| 8       | Chennai Petroleum Corp        | 5.10            |
| 9       | Aurobindo Pharma              | 5.05            |
| 10      | Techno Electric & Engineering | 5.04            |

(Source: Internal BSLAMC Research). All data as on Jan 31, 2017. Past performance may or may not be sustained in the future)

**Piotroski Model** is an effective screener as it measures the overall strength of the firm's financial position and the improvement in the financial position of the firm. It is a 9 point indicator, based on 9 financial parameters. The fund managers invest in companies with a score of 7 or greater than 7.

| Sr. No.                                       | Ratio  | Description   | Scoring Criteria                               |
|---|--|---|--|
| <b>Profitability</b>                          |  |   |  |
| 1.  | Return on Assets (ROA)                                   | ROA indicates how efficient the management is, at using its assets to generate earnings; calculated as Net Income/Total Assets  | Score of 1 if ROA > 0                          |
| 2.  | Cash Flow from Operations (CFO)                          | CFO refers to amount of cash a company generates from its operating activities, excluding costs associated with long term investment of capital items; calculated as Cash Flow from Operations/Total Assets                                       | Score of 1 if CFO > 0                          |
| 3.  | Change in ROA  | Current year ROA - Previous Year ROA  | Score of 1 if change in ROA > 0                |
| 4.  | Accruals (Cash Flow from Operations(CFO)-Net Income(NI)) | Net profit might not reflect the true picture due to taxation or depreciation policy, whereas cash flows are more credible in any financial statement   | Score of 1 if CFO-NI>0                         |
| <b>Financial Leverage / Liquidity Factors</b> |  |   |  |
| 5.  | Issuance of Common Equity in last year                   | Raising external capital indicates that internally generated cash flows are not sufficient to fund future growth  | Score of 1 if Equity is not raised last year   |
| 6.  | Change in Leverage                                       | Total Long Term Debt/Average Total Assets (Current Year) - Total Long Term Debt/Average Total Assets (Previous Year)  | Score of 1 if the Change in Leverage < 0       |
| 7.  | Change in Liquidity                                      | Change in Current Ratio between current and previous year   | Score of 1 if the Change in Liquidity > 0      |
| <b>Operating Efficiency</b>                   |  |   |  |
| 8.  | Change in Margin   | The factor signifies that the company has the bargaining power to raise prices, or is efficient to cut costs, resulting in margin expansion, Gross Margins(EBITDA)/Total Sales (Current Year)- Gross Margins(EBITDA)/Total Sales (Previous Year)- | Score of 1 if the Change in Margin > 0         |
| 9.  | Change in Asset Turnover                                 | The factor signifies that the productivity from the asset base is increasing. It is calculated as Total Sales/Total Assets (Current Year)- Total Sales/Total Assets (Previous Year)-  | Score of 1 if the Change in Asset Turnover > 0 |

### Risk Factors and Disclaimers

Model Portfolio refers to portfolio of earliest investor in the product and in case of redemption of the model client, portfolio of earliest client in the said product rebased for computation of returns. It refers to specific investments that the investor will have in his portfolio when it is completely built-up over a period of time. Past performance may not be sustained in the future. Investments in securities are subject to market risks. Please refer to disclosure document. The returns are absolute for the period mentioned less than 1 year and in CAGR for the period more than 1 year. Individual portfolios of investors may vary from the model portfolio due to factors such as timing of entry and exit, timing of additional flows and redemptions, individual investor mandates (if any), specific portfolio construction characteristics or structural parameters. These factors may have bearing on individual portfolio performance and hence individual returns of investors for the said portfolio type may vary from the data on performance of the portfolio depicted above. Neither the Portfolio Manager nor the Asset Management Company, its Directors, employees or sponsors shall in any way be liable for any variation in the actual returns of individual portfolios.

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