

**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. 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. Rest of the portfolio is invested across quality Cyclical and Defensives while avoiding Value traps. Portfolio construction across these three quadrants enables us to enhance diversification even with limited number of stocks. The Strategy also uses Put options to hedge portfolio of the investors against market downfalls.

**Description of types of securities:** Listed equity and liquid schemes of mutual funds

**Basis of selection of such types of securities as part of the investment approach:** SCDV Framework along with internal (financial analysis, corporate governance checks, risk reward valuation) and external analysis (conferences, investor presentations, management interaction, primary visits across supply chain)

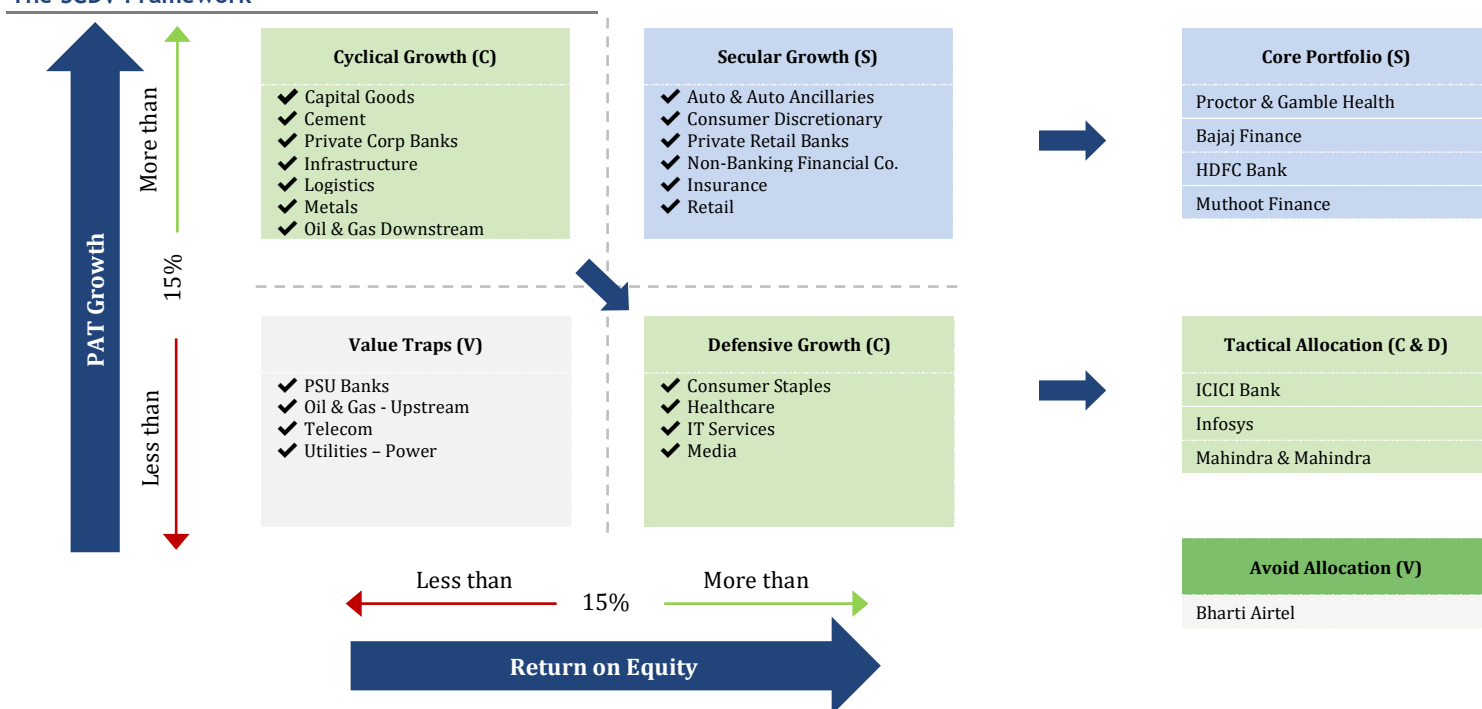
**Allocation of portfolio across types of securities:**

- Equity Investment – up to 100% of corpus
- Put Options (For Hedging)- up to 10% of Corpus
- Liquid schemes of Mutual funds and other securities as per discretion of Portfolio Manager

**Benchmark:** S&P BSE 200 TR Index is the benchmark of the strategy as it is a broad-based index and its composition broadly represents the strategy's investment universe

**Investment Time Horizon:** Recommended minimum 36 months

## The SCDV Framework



The mentioned securities in the SCDV framework are part of the current portfolio

The above statements / analysis should not be construed as an investment advice or a research report or a recommendation to buy or sell any security covered under the respective sector/s

- Cyclical (PAT>15%, ROE <15%) –Companies/ Sectors that show high growth but are affected by market cycles hence need to be timed for entry and exit
- Secular (PAT>15%, ROE >15%) – High growth companies / sectors which show consistent growth across market cycles
- Defensive (PAT<15%, ROE >15%) – Companies / sectors that show consistent stable growth across market cycles
- Value Trap (PAT<15%, ROE <15%) – Companies/ sectors that are at attractive valuation but do not show commensurate growth.

## Portfolio Changes during the month

Stock	Action	Rationale
No changes	-	-

# IIFL MULTICAP ADVANTAGE PMS

(Portfolio Management Service)

All data are as on October 30, 2020 and denominated in INR



## Key Terms

Inception Date	December 1, 2017
Bloomberg Ticker	NA
Benchmark	S&P BSE 200 TRI

## Strategy Details

- Since Inception till October 30, 2020

SI returns - IIFL Multicap Advantage PMS	11.83%
SI returns - S&P BSE 200 TRI	4.54%
Outperformance / (Underperformance)	7.29%

## Schedule of Charges

Management Fee	As per executed term sheet
Exit Load	As per executed term sheet
Minimum Investment Amount	Rs 50 Lakhs

## Portfolio Manager

IIFL Asset Management Limited (IIFL AMC)

## Investment Manager

### - Mitul Patel

Mitul has an overall experience of 14 years across areas of Equity Research, Fund Management, Private Equity Advisory and Investment banking. Apart from managing the strategies of Portfolio Management Services offered by IIFL Asset Management Limited (IIFL AMC), he also heads research for listed equities and is responsible for generating investment ideas across sectors and market capitalizations. And also directly tracks companies in the Chemicals, Auto and Pharma sectors.

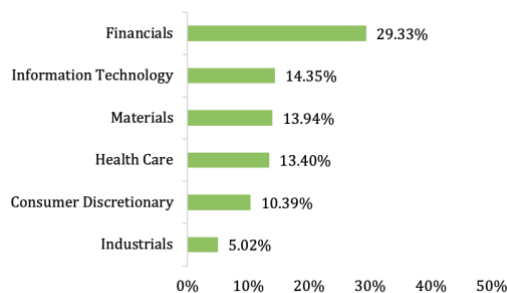
Prior to joining IIFL AMC, Mitul spent 7 years with Laburnum capital, a boutique investment management firm. He has also worked with Avendus Capital and JP Morgan Chase India.

## Performance (%)

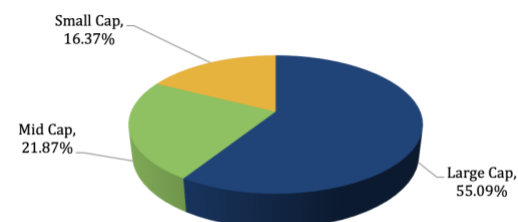
Strategy / Benchmark	1 Month	3 Months	6 Months	1 Year	2 Years	Since Inception
IIFL Multicap Advantage PMS	2.37	5.87	17.36	13.77	17.76	11.83
S&P BSE 200 TRI	2.85	5.85	19.53	(0.17)	6.52	4.54

Returns are calculated on TWRR basis. Past performance may or may not be sustained in future. The performance related information provided herein is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the same. Change in investment approach may impact the performance of client portfolio

## Sector - Top 6 Holdings



## Market Capitalization



## Portfolio - Top 10 Holdings (%)

Company	Weightage
ICICI BANK LIMITED	10.06
INFOSYS LIMITED	6.76
BHARTI AIRTEL LIMITED	4.76
HDFC BANK LIMITED	4.71
CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED	4.63
DR. REDDY'S LABORATORIES LIMITED	3.88
SRF LIMITED	3.63
BAJAJ FINANCE LIMITED	3.62
MUTHOOT FINANCE LIMITED	3.34
ASIAN PAINTS LIMITED	3.15
10300 DEC2020 PUT OPTION	1.91
10300 DEC2020 PUT OPTION	0.16
CASH AND CASH EQUIVALENTS	4.57

## Risk Ratios

Beta	0.69
Sharpe Ratio	0.55
Information Ratio	2.35
Treynor Ratio	0.15
Volatility	16.95%

All risk ratios are calculated since inception

\*Information Ratio is a ratio of portfolio returns above the returns of a benchmark index to the volatility of those returns.

\*\*Volatility measures the risk of a security by using the standard deviation of the asset returns.

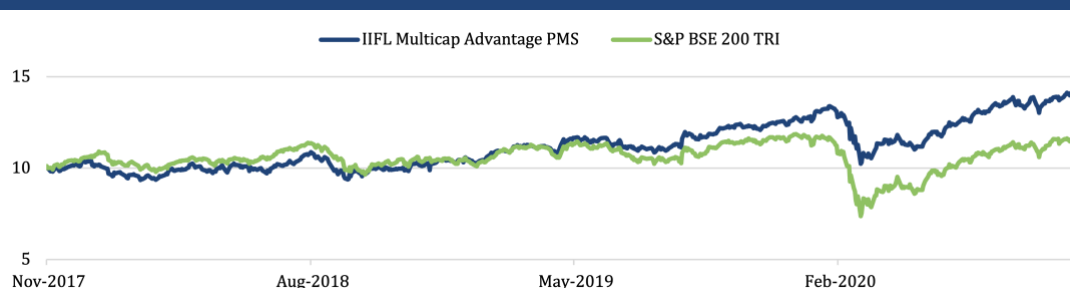
## Top Gainers Since Inception

Company	Performance
PROCTER & GAMBLE HEALTH LIMITED	273.27%
MUTHOOT FINANCE LIMITED	178.21%
IPCA LABORATORIES LIMITED	144.77%

## Top Losers Since Inception

Company	Performance
GREAVES COTTON LIMITED	(40.38%)
LARSEN & TOUBRO LIMITED	(30.63%)
CYIENT LIMITED	(13.34%)

## NAV Movement



NAV shown is for the model portfolio. NAV of 10 assumed on the inception date (December 01, 2017)

## IIFL Asset Management Limited (Portfolio Manager)

Regd Off: 6th Floor, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai -400 013

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# IIFL MULTICAP ADVANTAGE PMS

(Portfolio Management Service)

All data are as on October 30, 2020 and denominated in INR



## Portfolio Holdings Valuation Matrix

S.No	Company	P/E			P/B			ROE			EPS CAGR (FY20-22E)
		FY20A	FY21E	FY22E	FY20A	FY21E	FY22E	FY20A	FY21E	FY22E	
1	ICICI BANK LTD.	27	22.3	14.5	2.1	2.2	1.9	8.10%	NA	NA	36.20%
2	INFOSYS LIMITED	27.3	24.1	21.6	6.3	6.2	5.6	27.20%	26.90%	27.50%	12.50%
3	BHARTI AIRTEL LIMITED.	-33.7	-33.3	36.2	3.1	3.8	3.4	-43.30%	9.90%	16.20%	NA
4	CROMPTON GREAVES CONSUMER ELECTRICAL LIMITED	42.2	40.9	34.7	12.8	10.8	9	38.70%	28.10%	28.20%	10.20%
5	DR REDDYS LABORATORIES LTD	26.5	29.6	24.8	5.2	4.6	4	13.20%	16.80%	17.80%	3.40%
6	HDFC BANK LTD	23.9	23.5	19	3.4	3.3	2.9	16.80%	16.60%	18.00%	12.20%
7	PROCTER & GAMBLE HEALTH LIMITED	53.8	NA	NA	6	NA	NA	73.80%	NA	NA	NA
8	BAJAJ FINANCE LIMITED	36.8	45.2	25.4	6.1	5.5	4.6	20.20%	19.10%	21.00%	20.50%
9	MUTHOOT FINANCE LIMITED	15.7	14.5	12.7	4.2	3.5	2.9	28.80%	23.40%	NA	11.10%
10	SRF LIMITED	27.6	24.3	20	5.1	4	3.5	22.50%	17.90%	18.60%	17.50%
11	BALKRISHNA INDUSTRIES LTD	28.5	26.2	22.2	5.2	4.6	4	19.90%	18.80%	19.40%	13.40%
12	CYIENT LIMITED	12.7	12.7	11	1.7	1.6	1.4	13.40%	13.60%	14.80%	7.10%
13	LARSEN TOUBRO INFOTECH LIMITED	33.7	28.5	24.6	8.1	7.8	6.6	29.30%	28.60%	27.90%	17.00%
14	P I INDUSTRIES LTD	66.9	47.3	37.9	11.6	6.7	5.9	18.60%	16.90%	17.40%	32.90%
15	LARSEN TOUBRO LTD.	15.5	13.4	11.3	2	1.6	1.5	14.80%	13.60%	NA	17.40%
16	MAHINDRA MAHINDRA LTD.	27	17.8	16	1.6	1.9	1.7	0.30%	10.40%	13.60%	29.90%
17	IPCA LABS LTD	47.2	26.1	25.8	8.1	6.3	5.2	18.00%	21.40%	20.00%	35.20%
18	ASIAN PAINTS	80.2	77	60.6	20.9	18.4	16.1	27.60%	28.20%	28.90%	15.00%
19	ESSEL PROPACK LTD	37.8	29.9	23.6	5.1	4.7	4.2	14.20%	18.40%	20.10%	26.60%
20	CCL PRODUCTS INDIA LTD	19.3	17.3	14.7	3.5	3.1	2.7	18.80%	19.70%	19.30%	14.80%
21	ABBOT INDIA	54.8	NA	NA	13.4	NA	NA	26.70%	NA	NA	NA
22	ICICI LOMBARD GEN INSURANCE CO LTD	47.2	38.5	32.5	9.2	7.7	6.4	20.80%	21.30%	21.40%	20.50%
23	STATE BANK OF INDIA	8.5	8.6	5.5	0.6	0.7	0.6	9.30%	10.10%	12.60%	24.50%
24	COROMANDEL INTERNATIONAL LTD	19.9	15.6	14.7	4.9	4.1	3.4	27.70%	24.30%	23.00%	16.30%
25	ICICI SECURITIES LIMITED	27.2	18.7	19.1	12.3	10.2	8.8	48.00%	47.30%	44.90%	19.20%
26	AAVAS FINANCIERS LIMITED	43.6	39.3	31.4	5.3	4.7	4.1	12.70%	NA	NA	17.80%
27	SUVEN PHARMACEUTICALS LIMITED	29.6	NA	NA	10.2	NA	NA	NA	NA	NA	NA
28	TATA ELXSI LTD	36.7	38.2	28	8.8	7.8	6.9	25.20%	NA	NA	14.50%
29	GREAVES COTTON LTD	13	NA	NA	2	1.8	1.8	14.60%	NA	NA	NA
30	APOLLO TRICOAT TUBES LTD	46.6	30.5	22.3	9.9	7.2	5.6	25.40%	NA	NA	44.60%
		<b>27.5</b>	<b>21.1</b>	<b>19.8</b>	<b>5.8</b>	<b>4.5</b>	<b>3.9</b>	<b>16.80%</b>	<b>14.50%</b>	<b>14.00%</b>	<b>15.80%</b>

Source : IIFL AMC Research; The estimates are subject to change depending on prevailing market conditions

\*For Bharti Airtel, FY20 EPS was negative hence, subsequent EPS CAGR would be significant for FY20-FY22. Hence, have not been considered as NA in the calculations.

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## Fund Commentary

Indian markets ended October on a strong note delivering a 3.5% gain. This month was supposed to be volatile as November was going to start off with the much-awaited US Elections outcome. Aggressive FII buying (worth ~\$2.5bn) was almost entirely absorbed by DII selling (worth ~\$2.4bn) as Domestic Mutual Funds saw third month of outflows in September. On the global front, focus shifted to the upcoming US Elections and lockdowns returning across Europe. On the domestic front, monthly indicators suggested a fast return to normalcy with >90% retracement of economic activity even as both Covid cases & positivity rate continued to decline.

Earnings so far for Q2FY21 were largely better than expectations as sequential growth and cost controls led to beat at all levels for Nifty companies. Among sectors, financials reported near-normal collection efficiency, Property players reported impressive pre-sales and cement cos surprised on volumes / costs.

We would like to highlight that markets in India are nicely poised for quality cyclical to do well. Indian banking system has witnessed a major acid test during the COVID-19 crisis. Most of the private banks as well as SBI have shown remarkable resilience on asset quality both on retail and corporate side. Of course, there will incrementally credit costs that will arise due to the pandemic. However, will strong underwriting capabilities and comfortable capital buffer, these banks should ideally come out of this problem largely unscathed. This coupled with reasonable valuations makes a strong case for Financials to do well.

### COVID and the global recovery

While green shoots of a broad-based global recovery are gradually becoming more visible, barring some disruptions in Europe, economic activity is largely continuing its pace. While global lockdown was creating fears of a systemic meltdown, we believe that recovery in most of the economies has been better than expected. On one side of the globe, US reported over 33% QoQ growth in GDP in Q3CY20, largely due to rise in consumption, business fixed housing and exports, China, on the other side, witnessed ~4.3% YoY growth in GDP for the past quarter signifying that the impact of the virus is contained.

As economic recoveries beat expectations, we believe the structural damage, i.e. firm bankruptcies and weakening of financial system, within many economies have largely been contained by the fiscal and monetary policy responses. Except for vaccine dependent sectors, (travel, hospitality), nearly all of the other sectors are witnessing positive activity. From where we stand today, we believe that the obtrusion of COVID has been lesser than the structural damage and overhang caused by previous two recessions (2001 & financial crisis 2008). While we remain wary and watchful of any developments, "vaccine" is being considered as solution to the economic revival. Though, renewed lockdown and travel restrictions may hurt demand outlook for few sectors and commodities like Crude (settled below \$40 per barrel), these obstructions may not "crack" the system like the financial crisis stimulated recessions did.

### Indian Equity Markets during the month

With the improving economic activity and surprise from results, particularly in the banking sector, where asset quality is improving across different industry sectors, markets remained afloat during the month. While Nifty ended positive, top sectoral performances were witnessed in Nifty Private Bank index (+12.2%) and Nifty Realty (+7.7%). Pharma (-4.5%) and Oil & Gas (-2.2%) was the steepest detractor. Most companies, especially those in Nifty-50 Index, have reported strong Q2FY21 results; net profits are about 11% ahead of expectations. As clarity emerges for corporates after seeing a sharp downturn in Q1FY21, managements are sounding much more confident on growth or arresting the fall in growth. Many companies in our portfolios largely in banks, IT services. Also, materials and pharma sectors have seen material upgrade in earnings. This commentary by managements also was in sync with some indicators suggesting that economic activity levels in October were approaching pre-pandemic levels while the number of Covid-19 cases continued to decline from its peak in mid-September.

### Indian economy: Road to gradual recovery

Most high-frequency indicators are showing record YoY growth in October. Railway freight traffic (+14%, YoY), electricity consumption (+10%, YoY), and GST goods collection (+10% YoY) recorded double-digit growth in October. Manufacturing PMI (58.9 in October '20 vs 56.8 in September '20) climbed to the highest level in October in over a decade. Wholesale auto dispatch numbers are also showing a rebound in demand during the festival season. India's retail inflation rose to 8 months high of 7.3% in September vs 6.69% in August.

During the month, RBI announced a few measures to boost economic activity including liquidity infusion through purchase of government securities and OMOs for state government securities. The government also announced second round of fiscal stimulus which constituted mostly of already budgeted expenditures and advances focused on government employees and infra boost.

Though there are concerns of second/third waves in a few states, with the guidelines to unlock the economy, we believe many of the supply chain disruptions have now been eased in a graded manner and are further expected to fade away in the next few months. Going ahead, recovery in demand and consumption shall pave path for need of capital investments and the trajectory for the Indian economy.

### Our portfolio and thinking going forward

We reaffirm that time for revival in different sectors and businesses shall be different and that lower ticket discretionary might perform better than large ticket discretionary. With strong earnings momentum in the coming quarters in these sectors we confident of the stock selection we have. Moreover, we have a few rural themed stocks as well in the portfolio that will benefit from increased rural cash flows and faster recovery. With opening of economy, easing supply side constraints and an expected announcement of a stimulus by the government in the coming weeks, positive sentiment towards the Indian equities may draw interest from market participants.

As mentioned earlier, our goal is to own a collection of quality businesses in the country. Most of stocks in your portfolio meet this criterion. Majority of the businesses we own have durable business moats, experienced managements, low leverage and prudent capital allocation. We have always been skewed towards large caps and that mix has not changed materially. As a team, we are constantly trying to scout for businesses that meet the criterion mentioned above. Our proprietary SCDV framework helps us in minimizing mistakes that can be easily made in markets like these.

### Disclaimer:

**Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Strategy will be achieved.** As with any securities investment, the value of a portfolio can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Portfolio Manager may not be indicative of the performance in the future.

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