



Invesco India DAWN Portfolio

DAWN: D - Demand recovery across cyclical & consumer discretionary sectors, A - Attractive valuation to provide margin of safety, W - Winning companies on the cusp of a new demand cycle leading to operating & financial leverage efficiencies, N - New credit & investment cycle to provide a boost to earnings recovery

December 2018



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Demand recovery across cyclical & consumer discretionary sectors



Attractive valuation to provide margin of safety



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

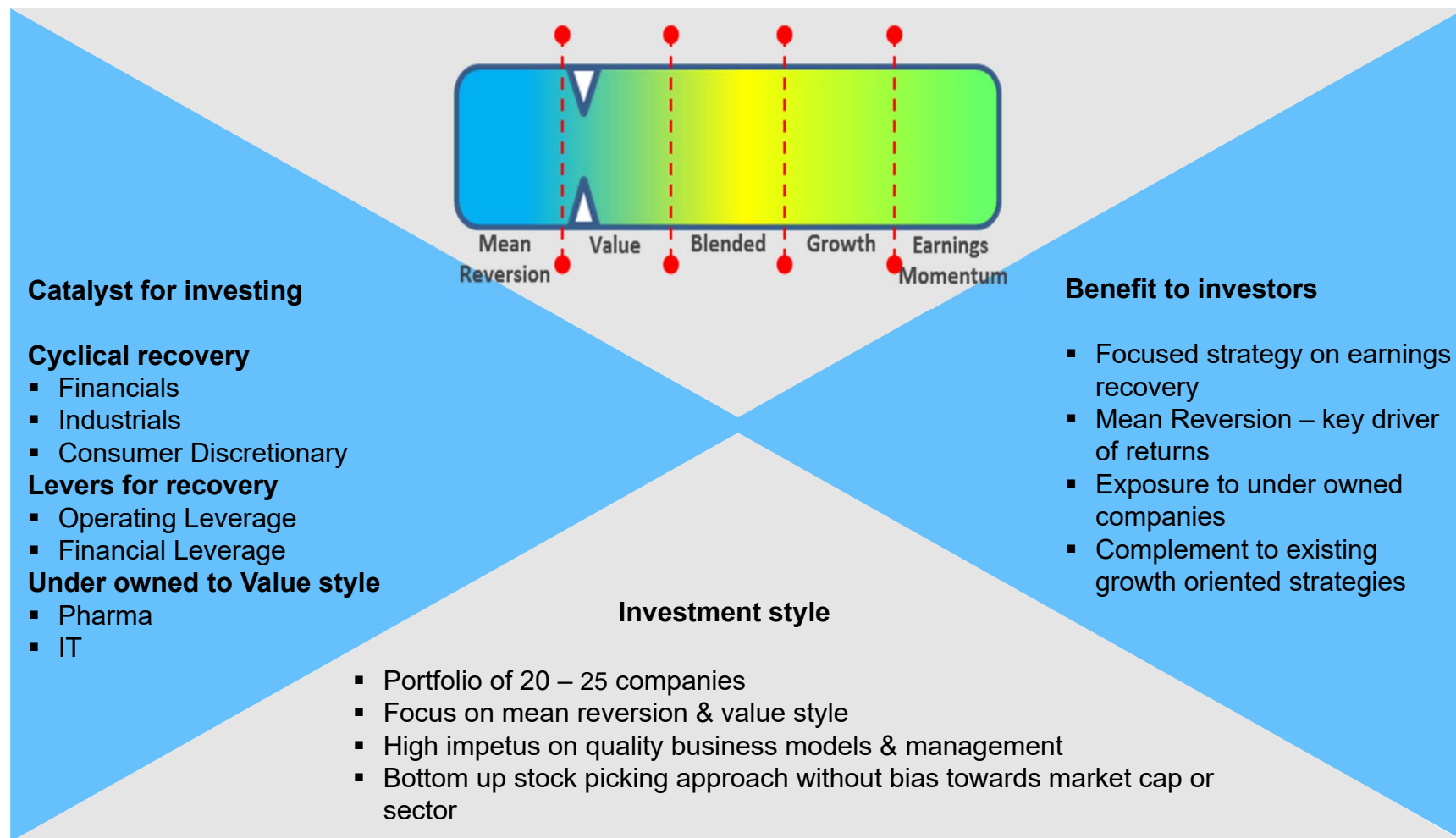


New credit & investment cycle to provide a boost to earnings recovery

Invesco India DAWN Portfolio (DAWN: D - Demand recovery across cyclical & consumer discretionary sectors, A - Attractive valuation to provide margin of safety, W - Winning companies on the cusp of a new demand cycle leading to operating & financial leverage efficiencies, N - New credit & investment cycle to provide a boost to earnings recovery) henceforth will be referred as "DAWN".

Investment philosophy

Value strategy investing at the cusp of recovery



Value style investing is an investment strategy where stocks are selected that trade for less than their intrinsic values. **Disclaimer:** The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in these sectors or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

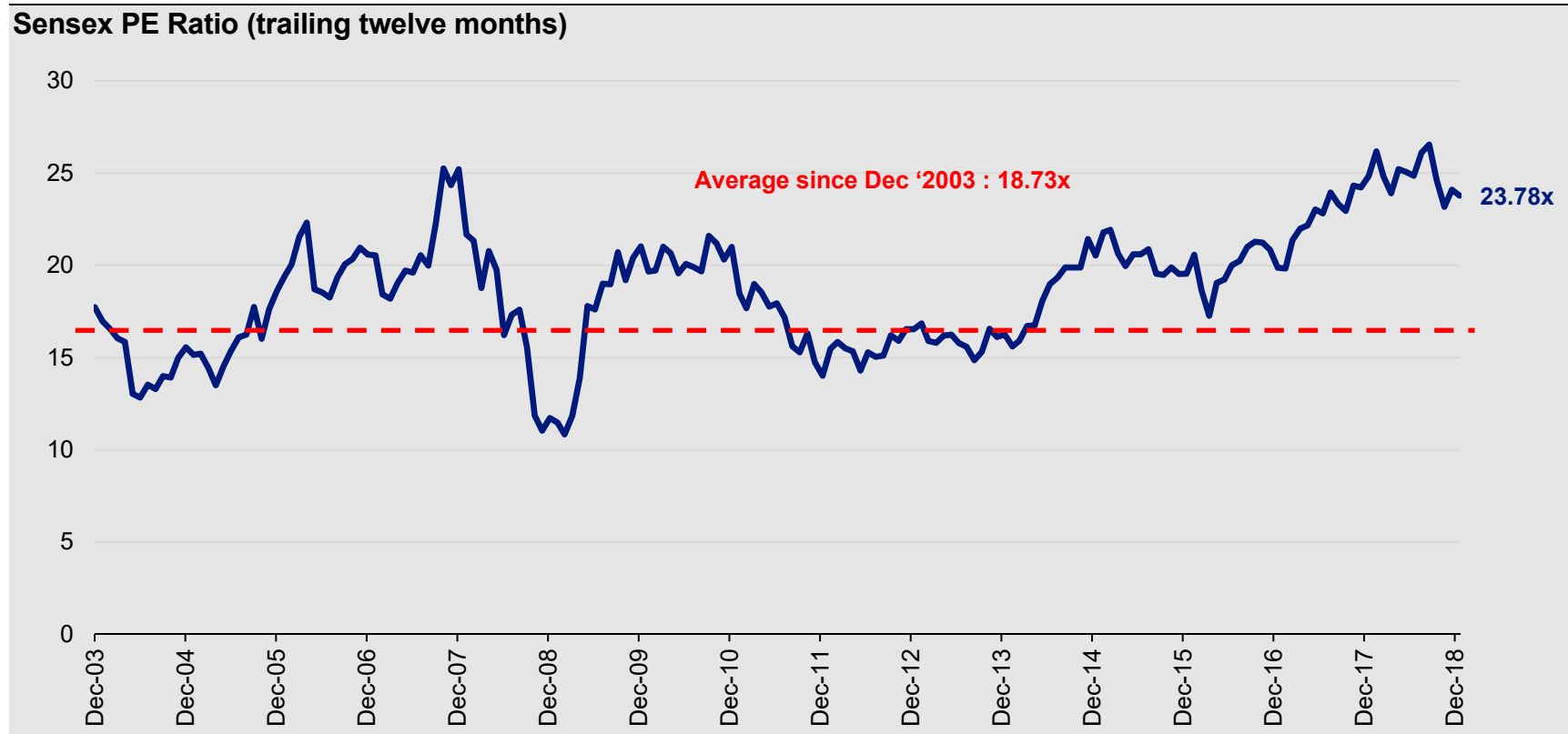
Invesco India DAWN Portfolio



Portfolio Name	Invesco India DAWN Portfolio (DAWN: D - Demand recovery across cyclical & consumer discretionary sectors, A - Attractive valuation to provide margin of safety, W - Winning companies on the cusp of a new demand cycle leading to operating & financial leverage efficiencies, N - New credit & investment cycle to provide a boost to earnings recovery)	
Portfolio Objective	To generate capital appreciation by investing in companies available at reasonable valuations.	
Portfolio Description	The focus of this portfolio would be on identifying sectors and stocks which are expected to benefit from revival in cyclical recovery. The portfolio will also favour companies that will benefit from operating /financial leverage and are available at a discount to their fair/intrinsic value.	
Indicative Asset Allocation Pattern	Under normal circumstances, the asset allocation of the portfolio shall be as follows:	
	Instrument	Indicative Allocations (% of portfolio value)
	Equity & Equity Related Instruments	65% to 100%
	Cash & Cash Equivalent	0% to 35%
	The portfolio will not have any capitalization bias. The asset allocation pattern indicated above may change from time to time, keeping in view market conditions. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of market conditions of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Client. Such changes in the asset allocation pattern will be for defensive considerations.	
Benchmark	S&P BSE 500	

Equity Market Outlook

Valuations – Premium to long-term average



Despite recent correction, Sensex trades at a 27% premium to its long-term trailing 12 months average P/E multiple.

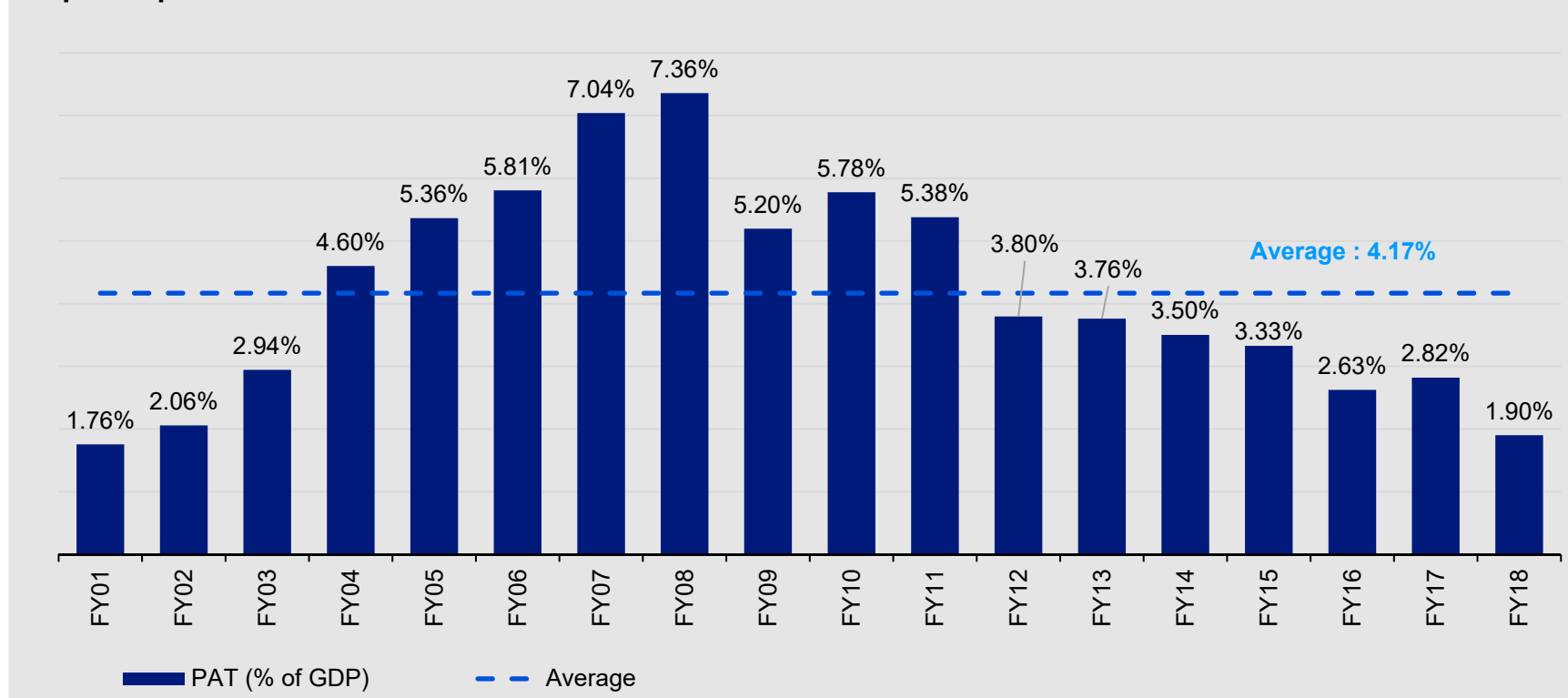
Source: MOSL, Invesco Asset Management (India) Research, Bloomberg, Data as on December 31, 2018. Past performance may or may not be sustained in future.

Equity Market Outlook

Profitability - Below long term average



Corporate profit as a share of GDP is lowest in more than a decade



- Cyclically low corporate profits have significant room to recover

Source: CMIE, IIFL Research. Based on a standalone financials of more than 15,000 companies. PAT: Profit After Tax. **Disclaimer: Past performance may or may not be sustained in future.**

Where do we see opportunity

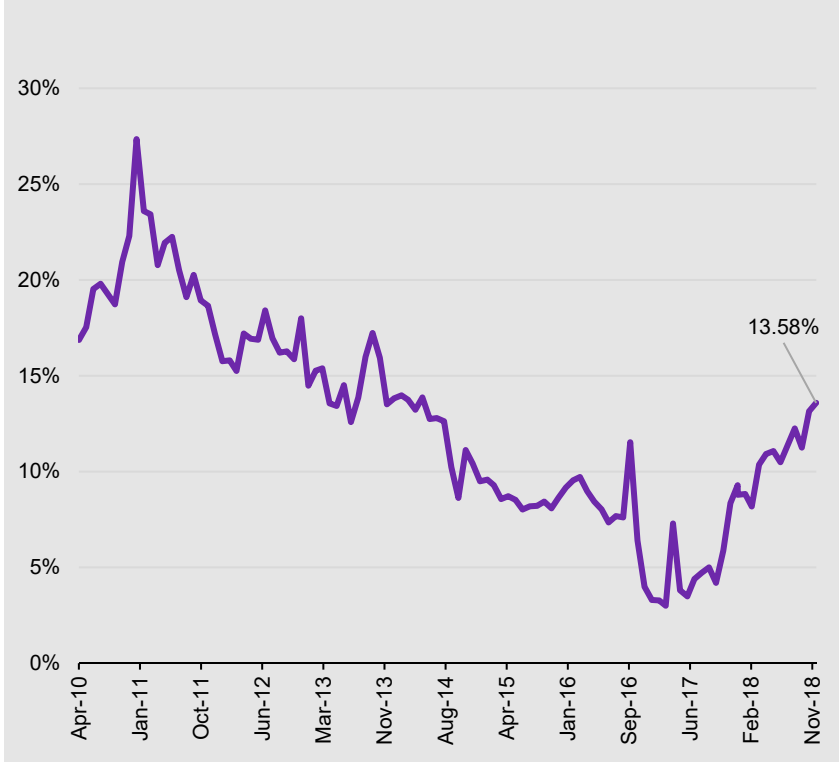


Cyclical Recovery: Financials

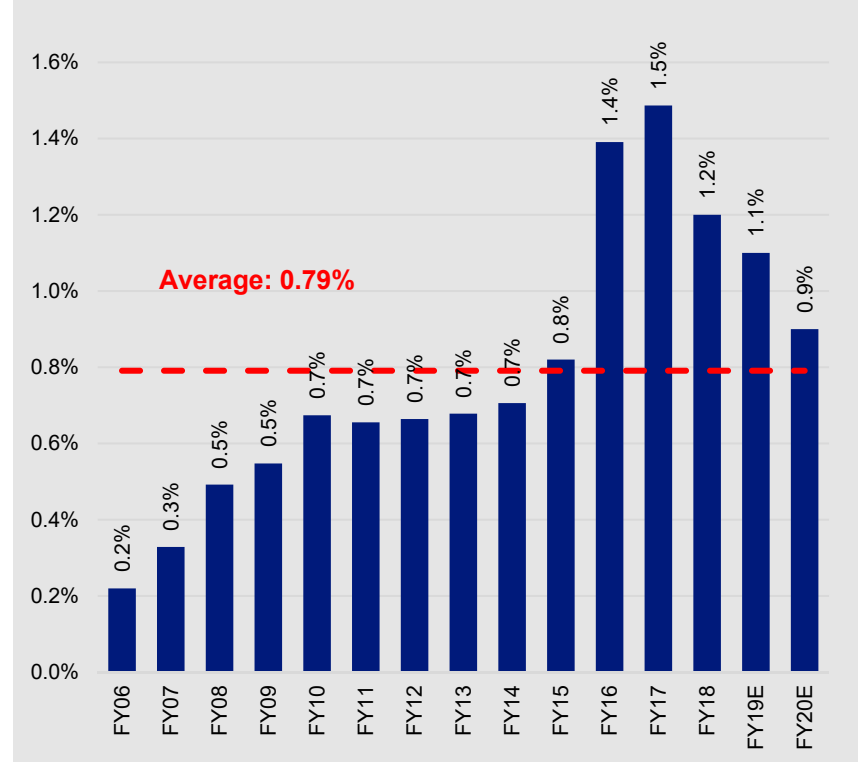
Credit growth recovering; credit cost expected to normalise



Credit growth – on path of recovery



Credit cost at cyclical high, expected to come down



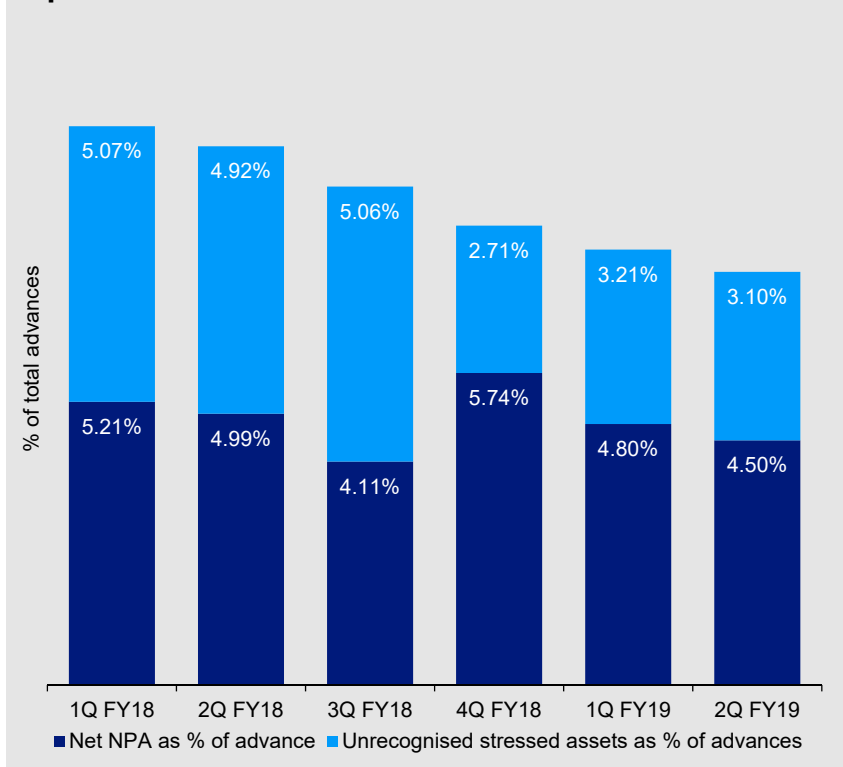
Source: IAMI. Credit Cost = Provisions for NPA's/Average total assets. The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

Cyclical Recovery: Financials

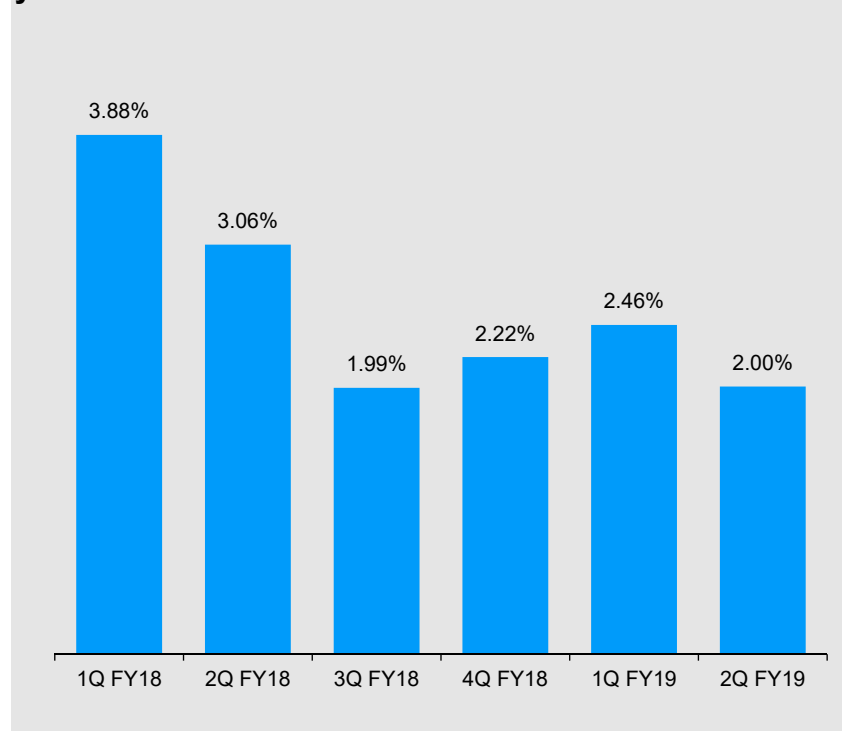
Asset Quality – Improvement ahead



Impaired asset as % of total advances



Gross slippages outside stress pool as % of previous year advances

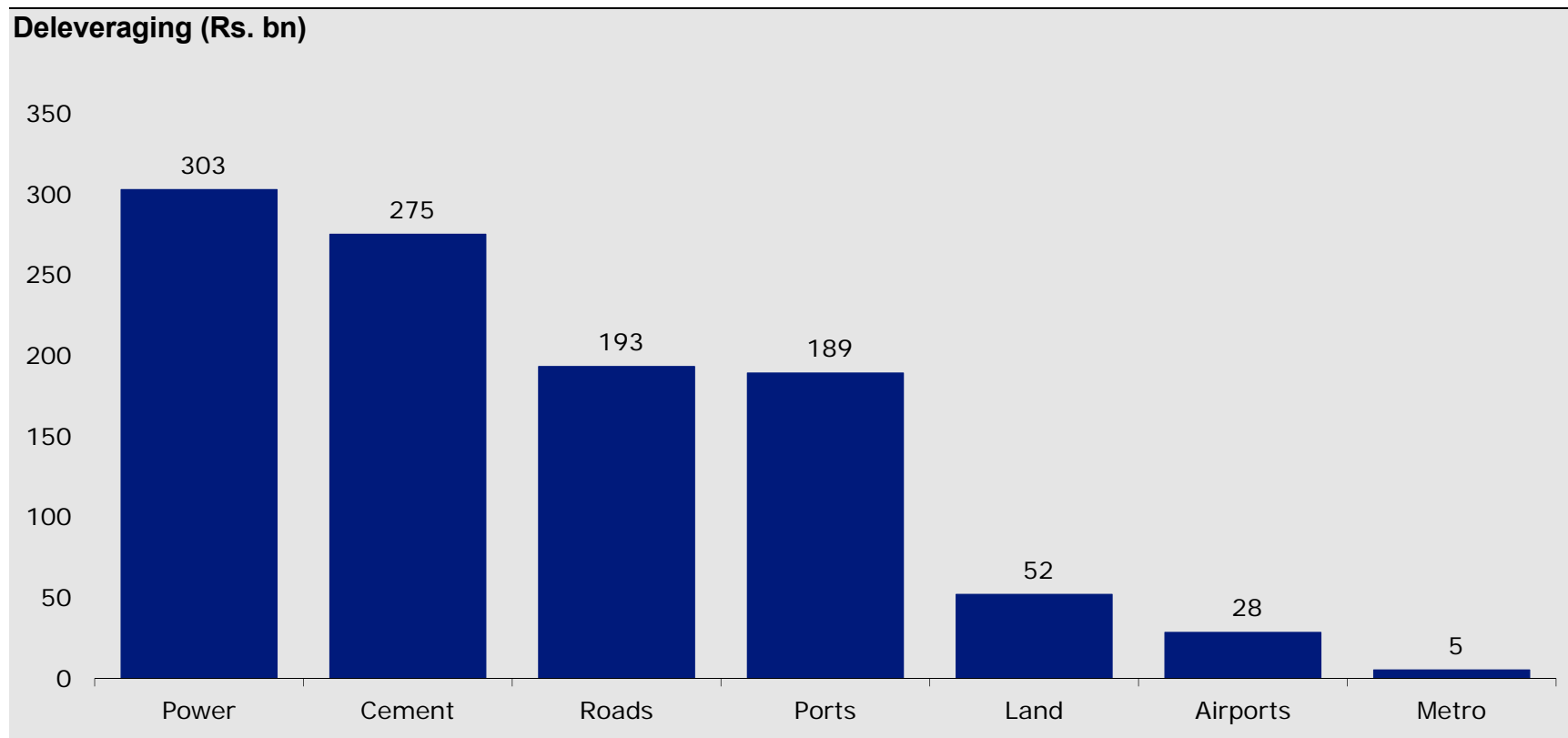


- Impaired assets for corporate lenders have consistently come down over last few quarters
- Incremental gross slippages outside known stress pool has come down indicating recovery ahead

Source: Invesco Internal Research, companies covered : SBI, Bank of Baroda, Indian Bank, ICICI Bank and Axis Bank. NPA: Non Performing Assets. The list is not exhaustive. It represents the companies which are the largest corporate lenders within Indian banking system. Impaired asset: Includes unrecognized stress assets and net non performing assets. Gross slippages: Include accounts that have become NPA during the quarter. The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

Cyclical Recovery: Financials

Catalyst: Significant De-leveraging underway across corporate India

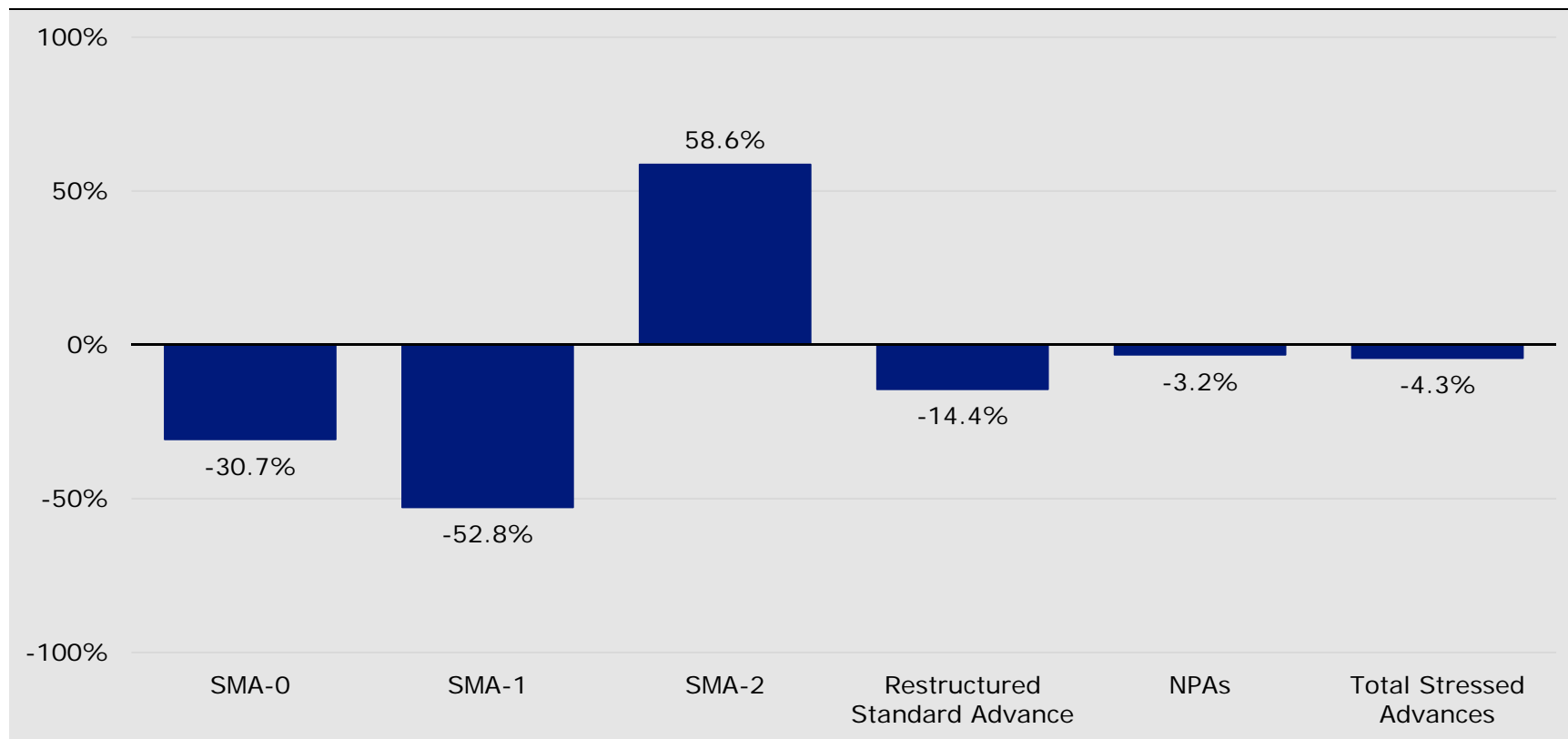


Stressed assets belonging to Steel sector being addressed through resolutions under the bankruptcy code

Source: IDFC, De-leveraging data as on December 31, 2017. The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

Cyclical Recovery: Financials

Catalyst: Stressed assets coming down across various stress buckets, early recognition of net performing assets



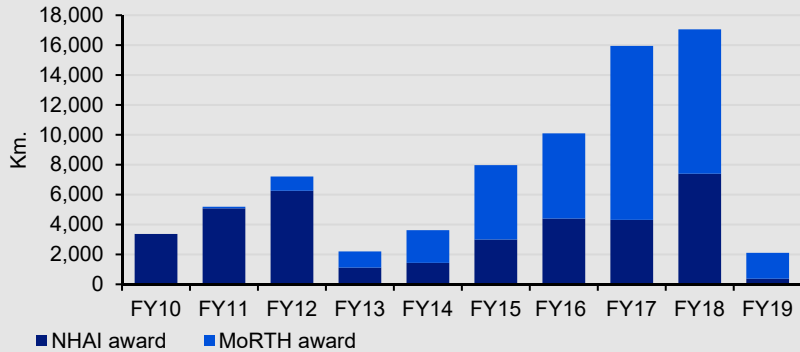
Source: Reserve Bank of India, Financial Stability Report Issue No. 18, December 2018. SMA-0: Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress, SMA-1: Principal or interest payment overdue between 31-60 days, SMA-2: Principal or interest payment overdue between 61-90 days, NPAs: Gross Non-Performing Advances. The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

Cyclical Recovery: Industrials

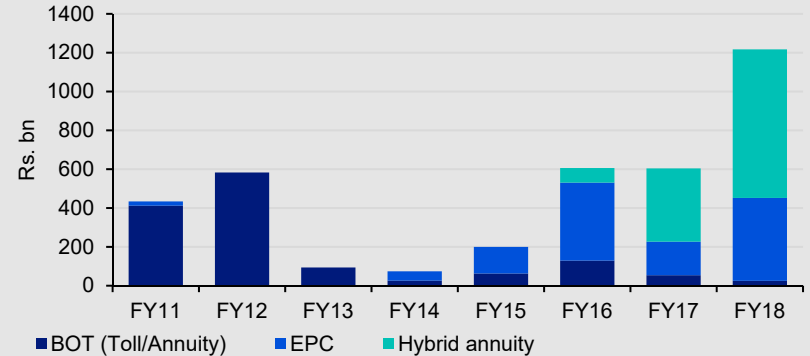
Current Trends: Capex led by Government spending



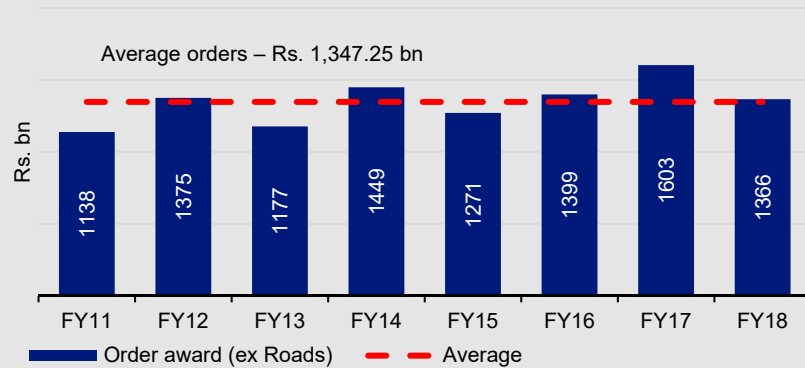
Road project award – NHAH delivers strong performance



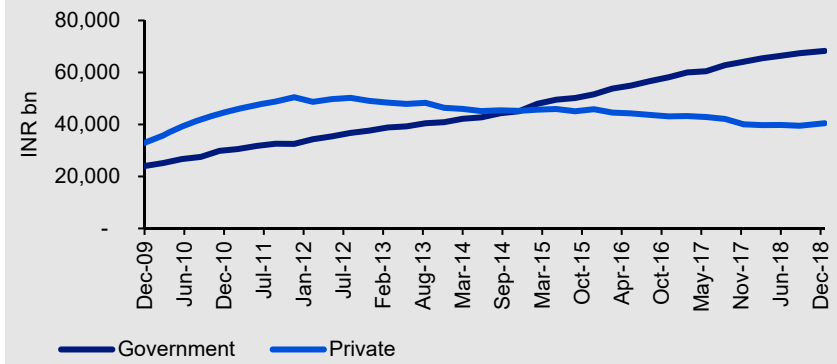
Project award cost ~2x during FY17-18



Order award (ex Roads)



Share of Government capex has increased

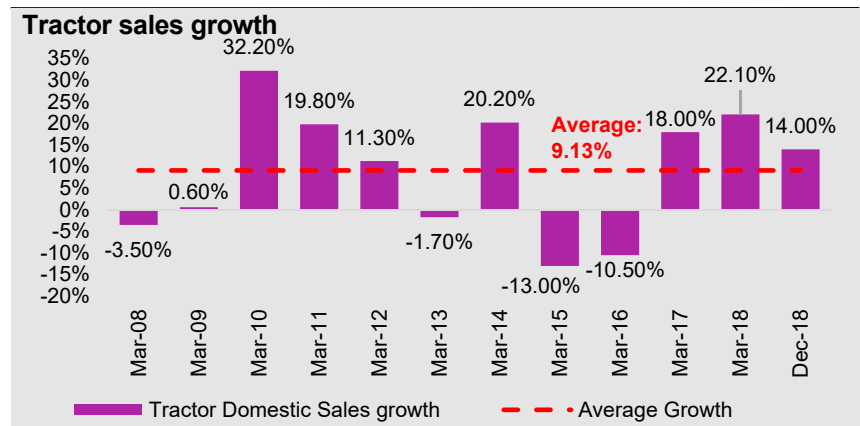
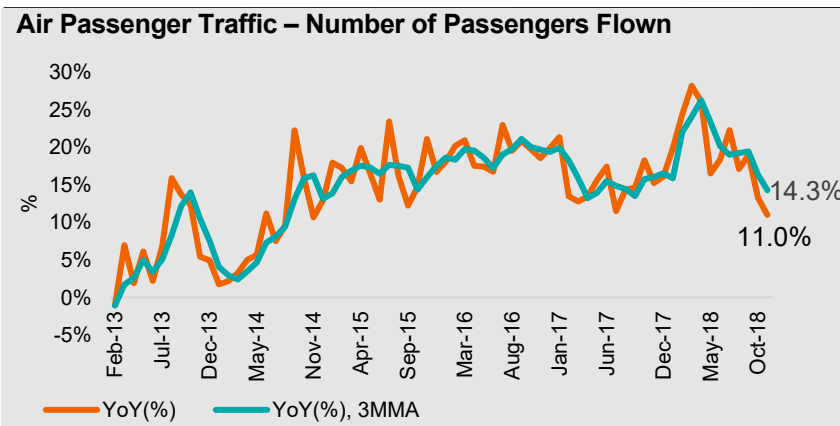
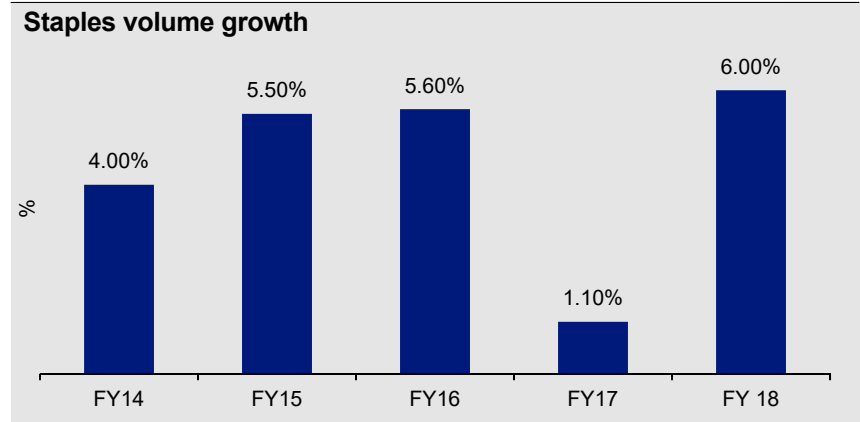
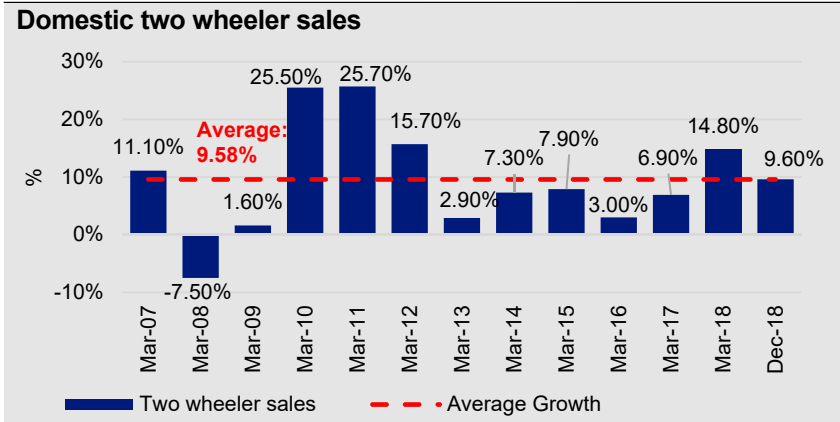


- NHAH Awarded projects worth Rs. 1220 bn in FY18 but current year data is weak. BoT model may no longer exist as funding norms gets stricter
- Overall Order awards, ex-Roads, still remain subdued
- Share of Government capex in gross projects has increased to almost 63% till December 2018

Source: Government Documents, SBICAP securities, Investec Research, Companies, MoRTH – Ministry of Road Transport and Highways, NHAH – National Highway Authority Of India, Powergrid, Media Reports, Motilal Oswal Research. FY19: April 18-November 18. The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd. BOT: Build-operate-transfer. EPC: Engineering, Procurement, and Construction

Cyclical Recovery: Consumer Discretionary

Current Trends: Consumption rebounds; Sustainability key

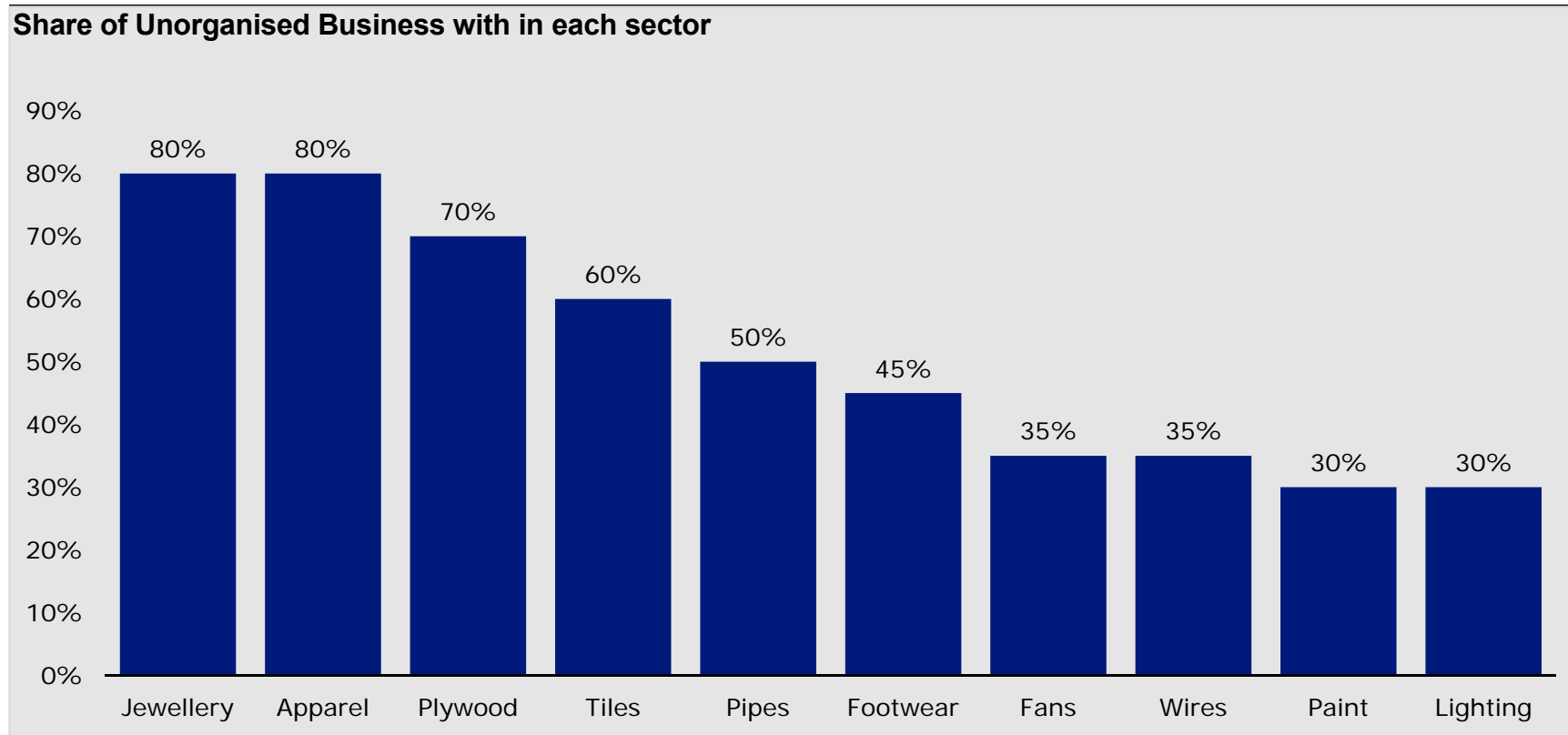


- Overall consumption demand momentum has slowed down in recent months;
- Growth outcomes are reasonably strong

Source: Bloomberg, Morgan Stanley, CEIC. 3 MMA: 3 months moving average. **Past performance may or may not be sustained in future.** The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

Cyclical Recovery: Consumer Discretionary

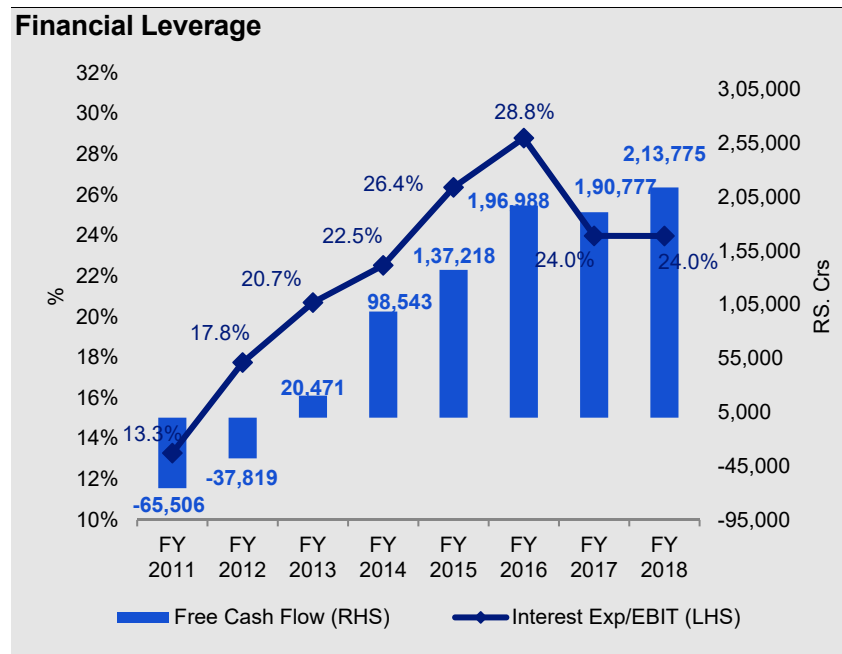
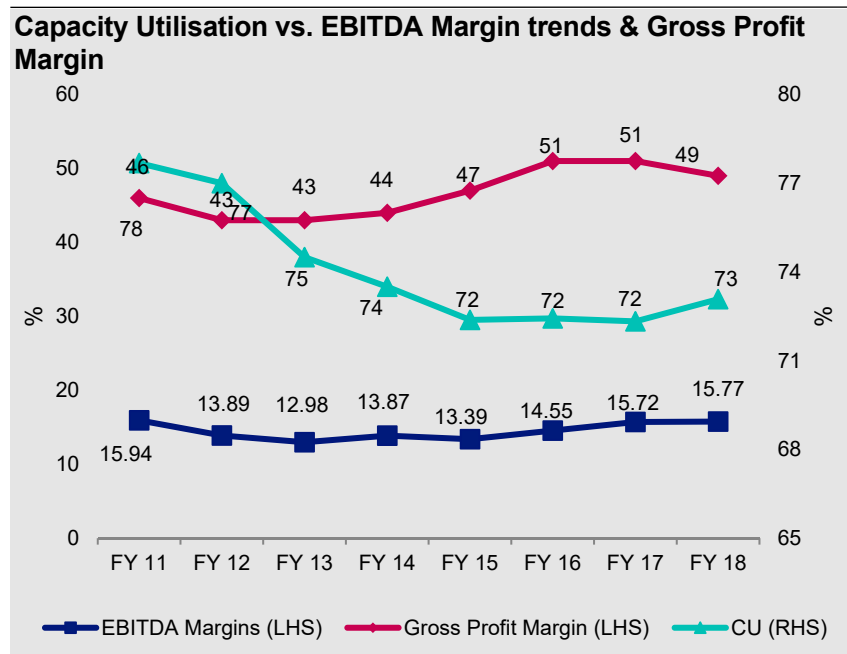
Catalyst: Unorganised to Organised



Source: Antique Stock Broking Limited. The Force Awakens: GST implementation to drive large scale benefits. The sector referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. The Portfolio may or may not have any present or future positions in the above sector or in any other portfolios offered by Invesco Asset Management (India) Private Ltd.

Operating & Financial Leverage

Levers for Recovery



- While current earning's cycle is weak, there are levers to earning's recovery
- India's incorporation's capacity utilization has improved from 72.3% in FY 17 to 73.1% in FY 18
- Interest expense in FY18 constitutes 24% of EBIT as compared to 13.3% in 2011 highlighting significant financial leverage; this should improve despite rise in interest rates as free cashflows are improving
- Any cyclical recovery in demand should result in more than proportionate uptick in earnings due to a higher degree of operating and financial leverage

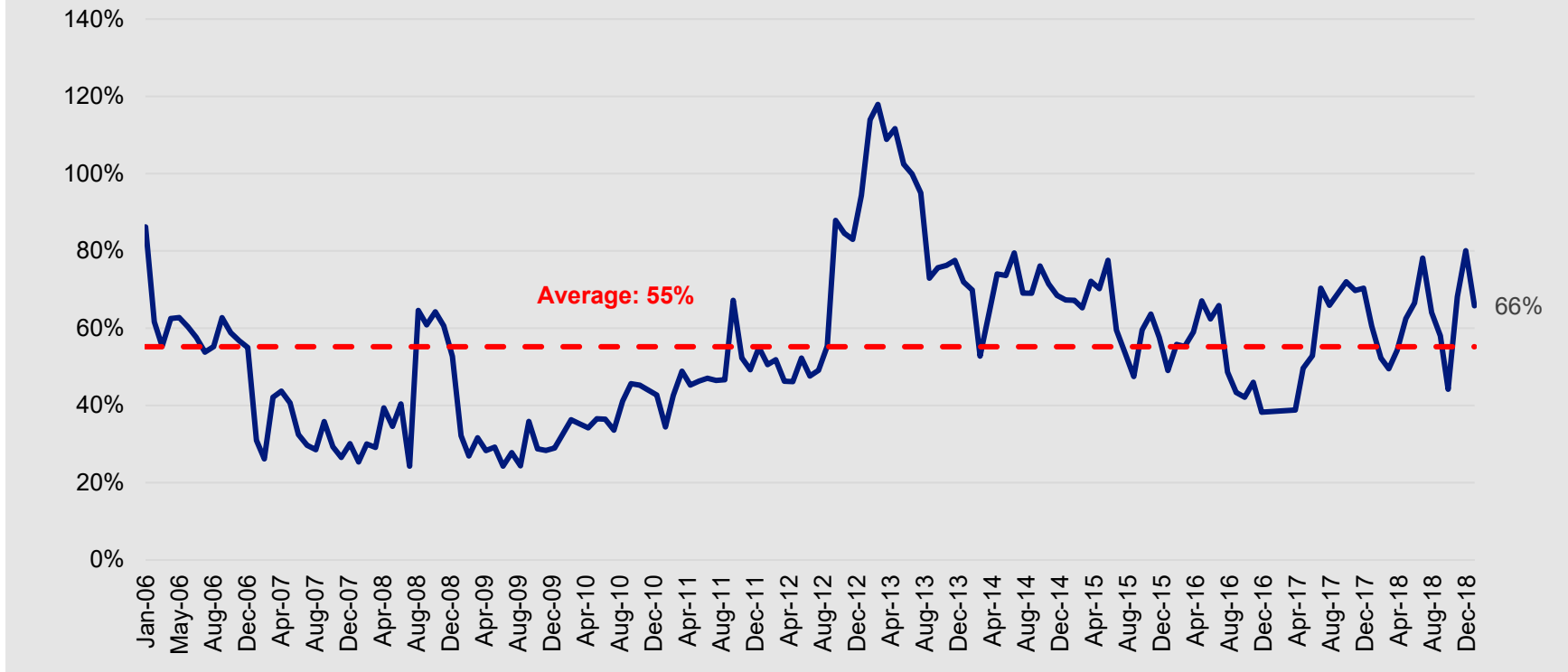
Source: RBI, IIFL, Capitaline, Invesco Asset Management (India) Research. EBITDA: Earnings before interest, taxes, depreciation, and amortization. EBIT: Earnings before interest and tax. Above graphs include company data, which are constituents of S&P BSE 200 Index (excluding financials and insurance). CU: Capacity utilization. Note: Free cash flow (FCF) is arrived at after reducing capital expenditure from companies cash flow from operations.

Value

Growth Index trading at Premium to long term average



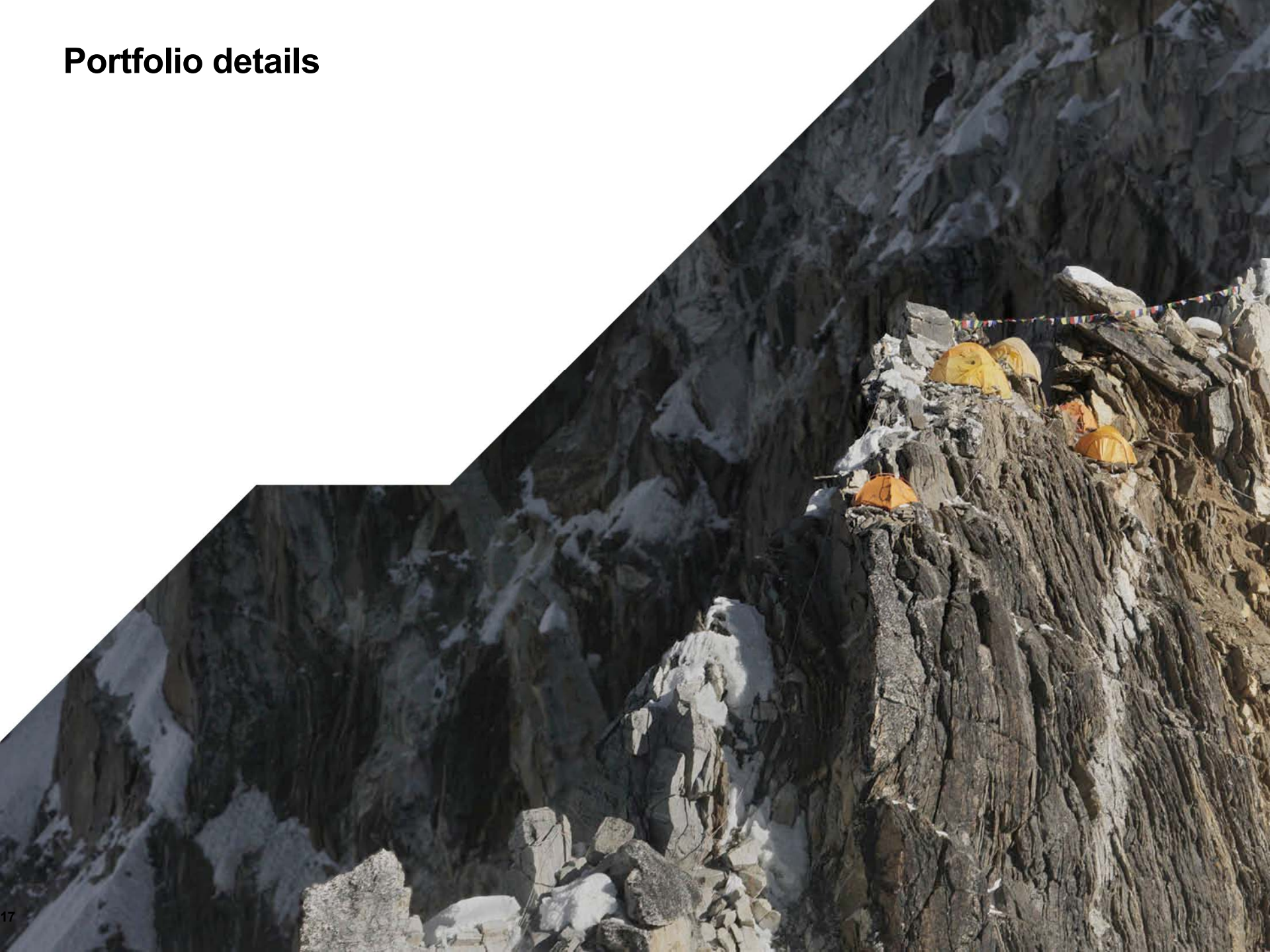
MSCI India Growth Index at premium to the MSCI Value Index



MSCI growth index presently trades at 66% premium to the MSCI Value index, which is higher than long period average of 55%

Source: Invesco Asset Management (India) Research, Bloomberg, Data as on December 31, 2018. Past performance may or may not be sustained in future.

Portfolio details



Model Portfolio Holdings

December 31, 2018



Portfolio Holdings

Top 15 Holdings	% of Net Assets
ICICI Bank Ltd.	9.99
Reliance Industries Ltd.	8.10
I T C Ltd.	5.91
Infosys Ltd.	5.56
Exide Industries Ltd.	5.23
Axis Bank Ltd.	5.05
Tech Mahindra Ltd.	4.50
Indusind Bank Ltd.	4.47
L & T Finance Holdings Ltd.	4.41
Apollo Hospitals Enterprises Ltd.	4.28
United Spirits Ltd.	4.23
Cipla Ltd.	4.17
Equitas Holdings Ltd.	3.81
Gujarat State Petronet Ltd.	3.66
Container Corporation Of India Ltd.	3.36

Sector

Sector	% of Net Assets
Financials	30.69
Industrials	11.79
HealthCare	11.17
Consumer Staples	10.14
Information Technology	10.06
Energy	8.10
Consumer Discretionary	6.93
Utilities	3.66
Materials	2.84
Cash & Cash Equivalent	4.63

Theme

Theme	% of Net Assets
Operating & Financial Leverage	39.59
Cyclical Recovery	35.35
Value	20.44

The stocks & sectors referred above should not be construed as recommendations from Invesco Asset Management (India) Private Ltd. ("the Portfolio Manager"). The Portfolio Manager may or may not hold position in these stocks in future. This should not be seen as an investment advice. **Cyclical Recovery:** Transition of a company from a period of recession to expansion as part of business cycle which is affected by ups and downs in the overall economy. **Operating Leverage:** Companies currently operating at low capacity utilization and have large portion of costs fixed in nature. These companies can make more money from each additional sale as demand recovers. **Financial Leverage:** Companies which can generate returns greater than the interest expense associated with the debt they use to fund growth. Further, could increase their profit margin from decline in interest rates and reduction in debt due to profit growth. **Value:** Stocks trading at discount to their intrinsic value. **Securities investments are subject to market risks, please read the Disclosure Document carefully before investing.**

Model Portfolio Characteristic

December 31, 2018



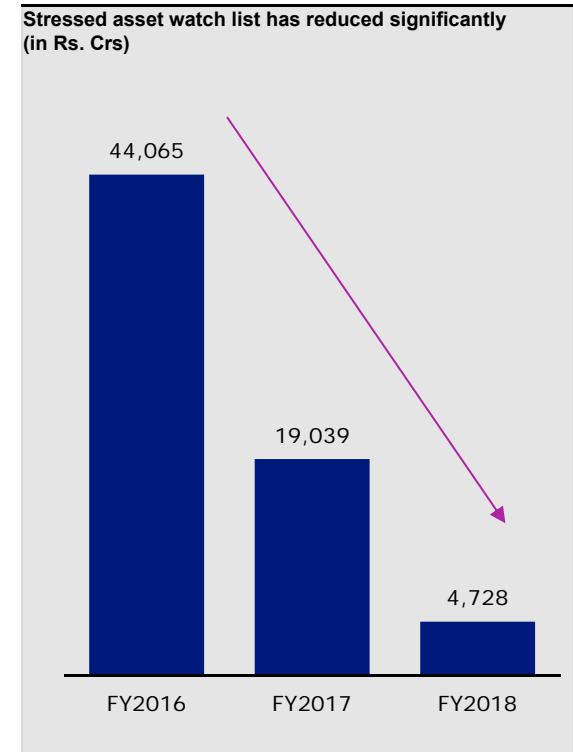
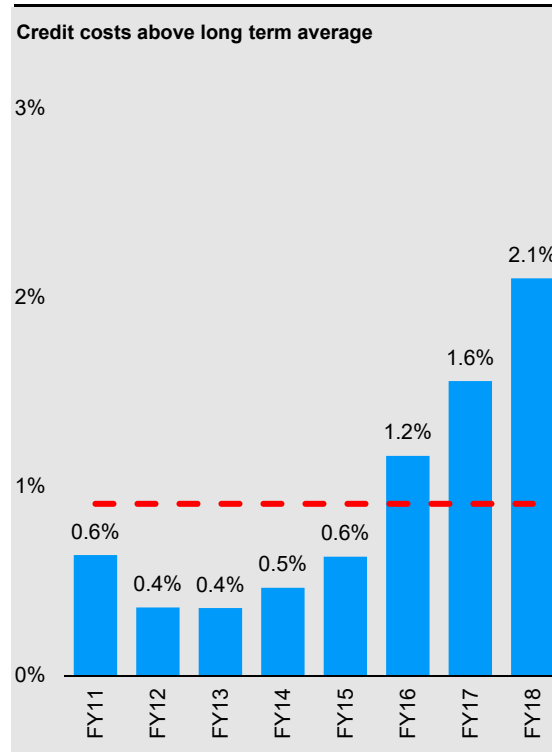
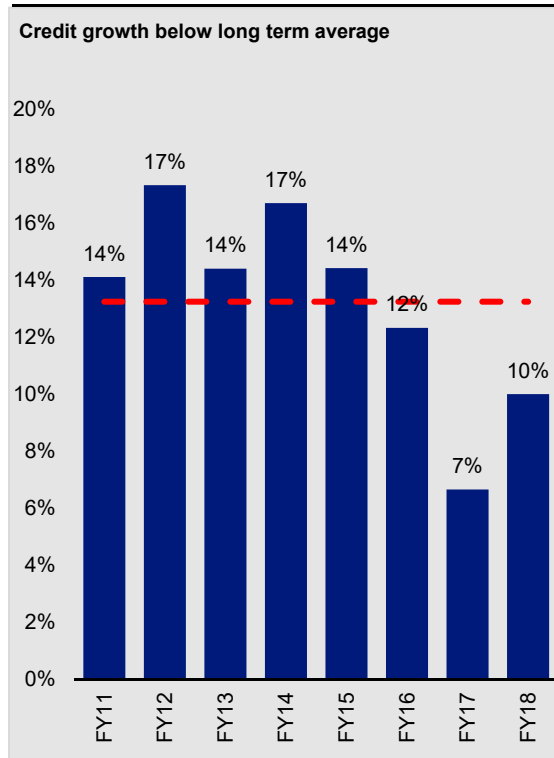
Parameters	Portfolio	S&P BSE 500
Value¹		
12 Month Trailing Price to Earnings ¹	26.0	20.9
Price to Earnings ¹ FY 19 Estimate	21.5	20.4
Price to Earnings ¹ FY 20 Estimate	16.7	16.9
Growth		
Earnings Per Share Growth - FY19e ²	21.2%	3.4%
Earnings Per Share Growth – FY20e ²	28.4%	20.8%
2 Year EPS Growth - Forecast (FY18-FY20)	22.3%	11.4%
Return on Equity - FY18	11.6%	14.9%
Weighted Market Cap (Rs. Crs)	1,52,312	2,20,707

1. Weighted Harmonic Mean

2. Weighted Arithmetic Mean, EPS Growth is derived from P/E ratios

"Weighted Arithmetic Mean" is an average resulting from the multiplication of observation for each company by the weightage of that stock in the portfolio/index. "Weighted Harmonic Mean" is an average resulting from the multiplication of the reciprocal of the observation for each component by the weightage of that stock in the portfolio/index. It reduces the impact of outliers. Note: Excludes companies with net loss for appropriate results for various ratios

Source: Factset, Bloomberg, IAMI



Source: IAMI, Bloomberg.

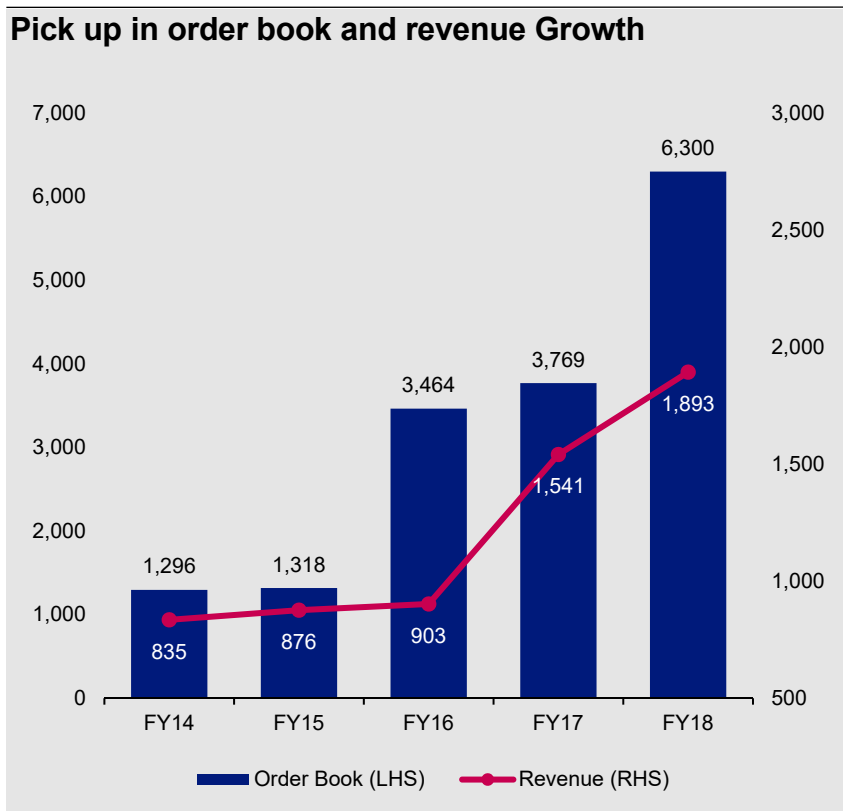
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Cyclical Recovery

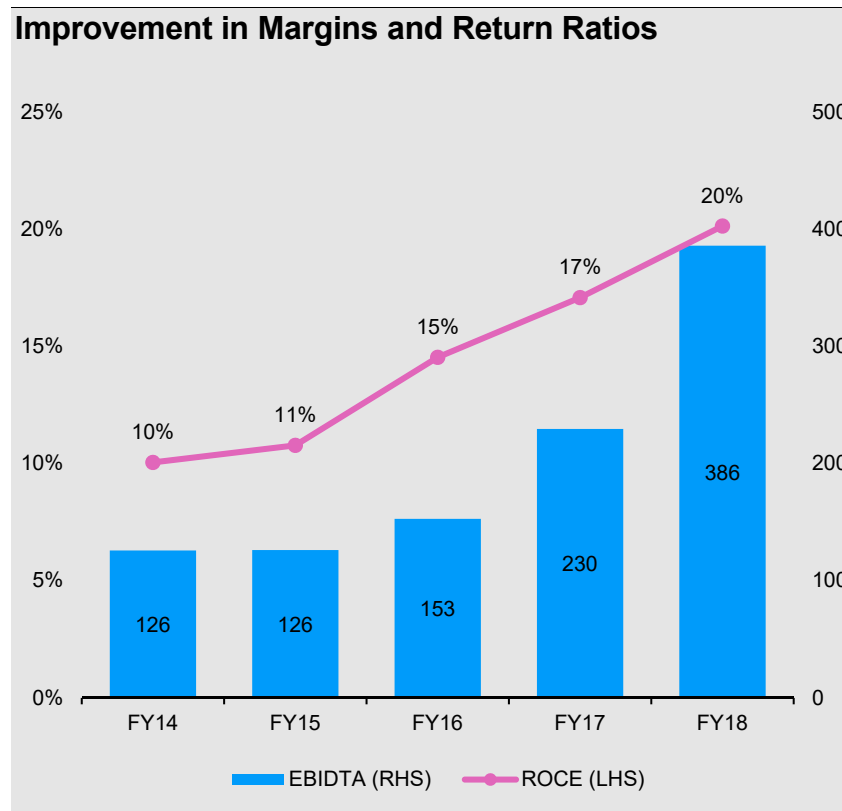
KNR Constructions Ltd.



Pick up in order book and revenue Growth



Improvement in Margins and Return Ratios



Source: IAMI, Bloomberg. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization. **ROCE:** Return on Capital Employed.

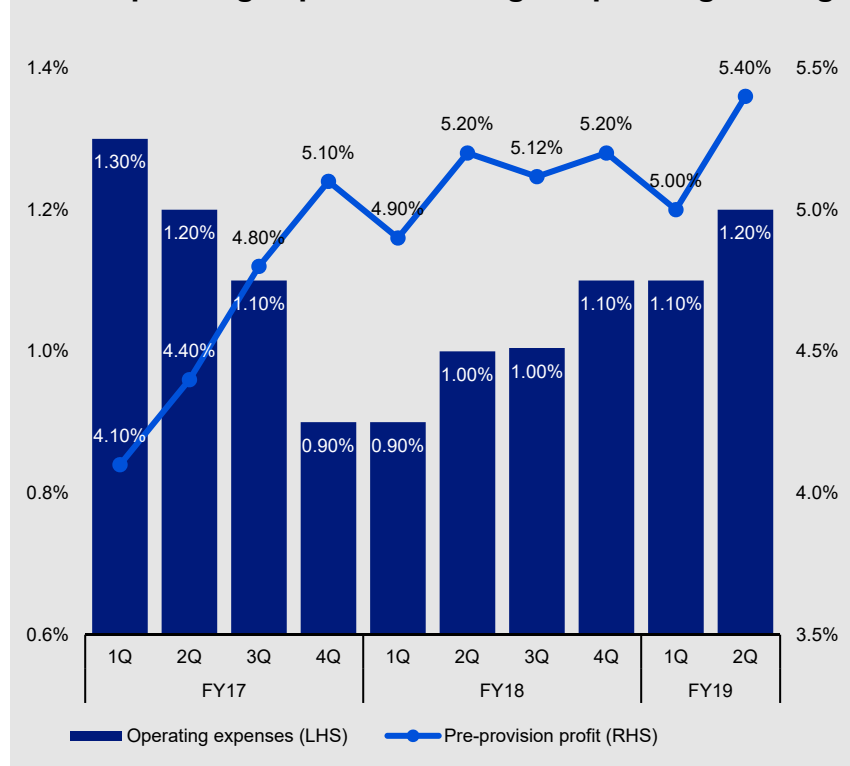
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Operating Leverage

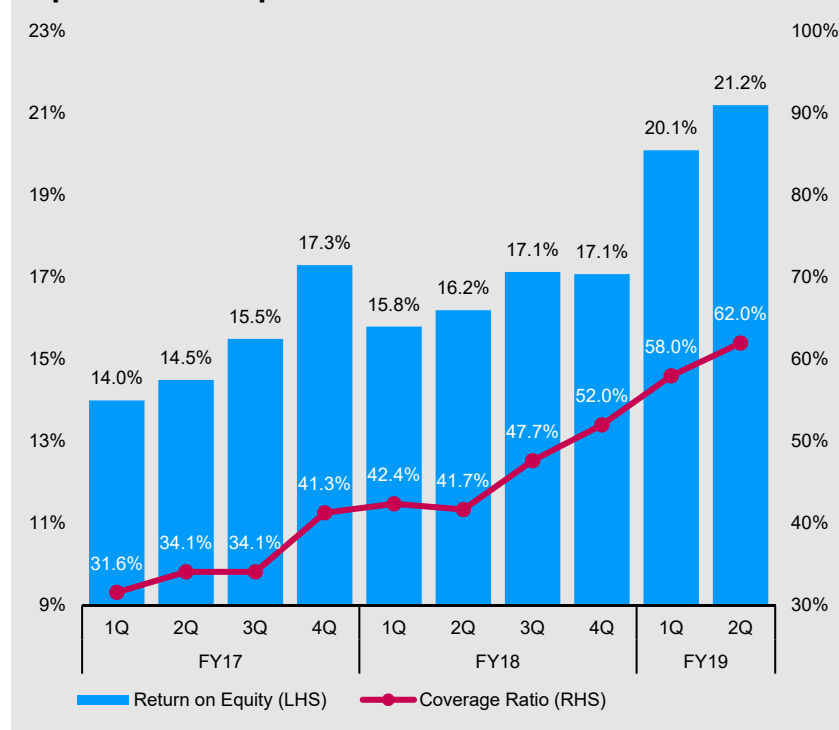
L & T Finance Holdings Ltd.



Lower operating expenses leading to operating leverage



Improvement in Return on equity along with improvement in provision ratio



Source: IAMI, Bloomberg.

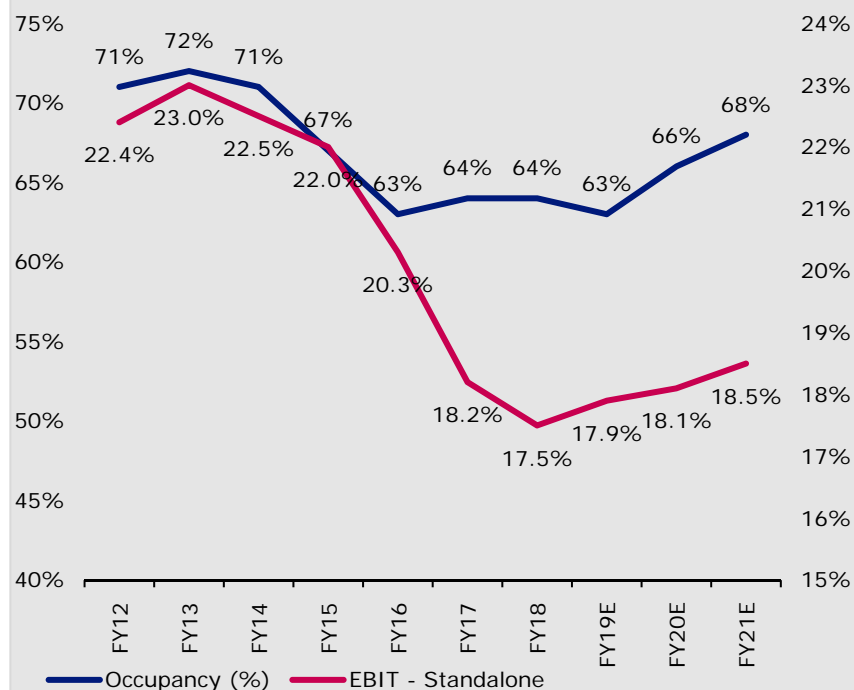
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Operating Leverage

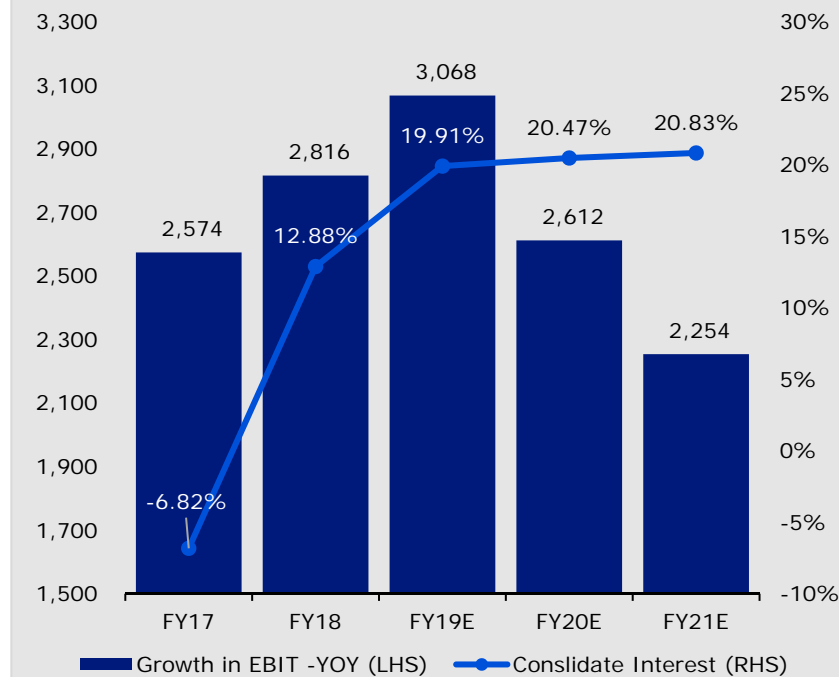
Apollo Hospitals Enterprise Ltd.



Operating Leverage: Improvement in occupancy to drive improvement in EBIT margin



Growth in EBIT, fall in interest leading to financial leverage



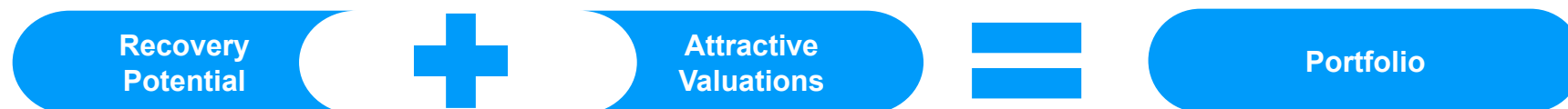
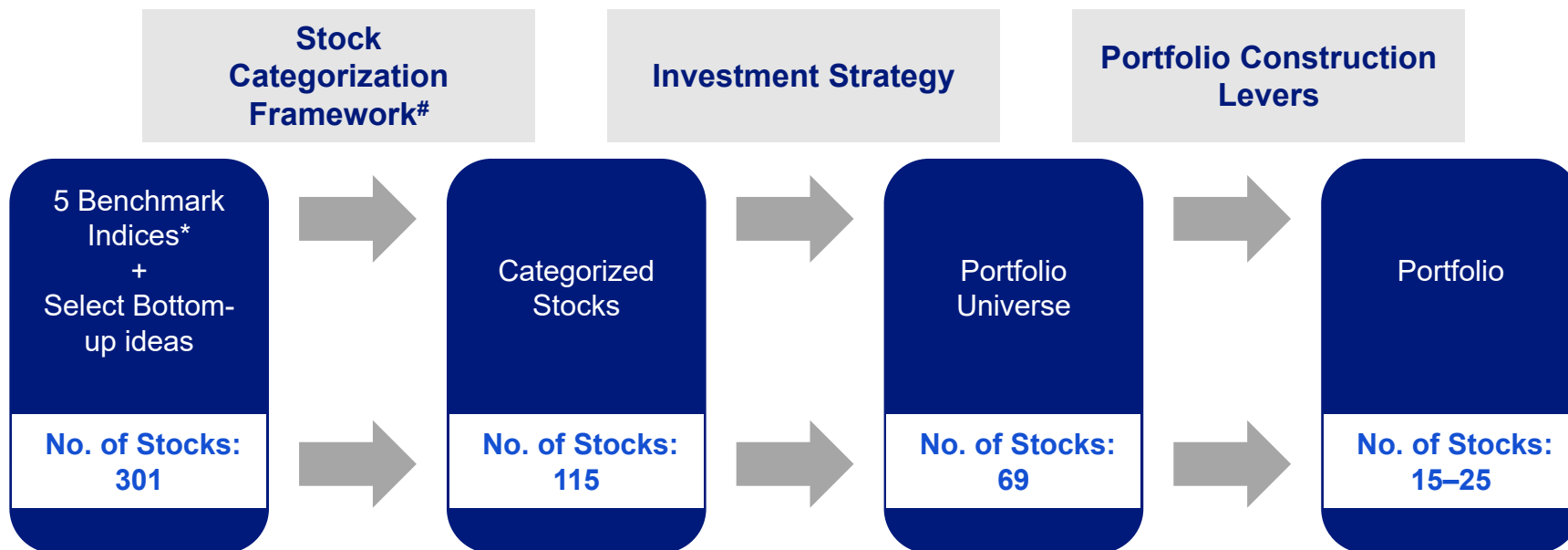
Source: IAMI, Bloomberg. EBIT: Earnings before interest and tax

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Why Us



Process Driven Stock Selection Approach



Data as on December 31, 2018

#For details on Stock Categorization Framework please refer next slide.

*5 Benchmark Indices: S&P BSE 200 Index, Nifty Midcap 100 Index, Nifty Infrastructure Index, Nifty Bank Index and S&P BSE PSU Index

Stock Categorization Framework



Stock Category	Descriptions (e.g.)	Growth Prospects (e.g.)	Company Attribute (e.g.)	Financial Parameter (e.g.)	
Leader	Established companies	In line or better than industry	Track record of leadership, globally competitive	Industry leading margin / ROE	Growth
Warrior	Young / established companies	Better than industry	Unique proposition and / or right place, right time	Margin & ROE expansion	
Star	Young companies	High growth	Entrepreneur vision, scalability	Operating Leverage	
Diamond	Company with valuable assets	Low growth	Management intent to unlock value	Value of asset / business	Value
Frog Prince	Company in a turnaround situation	Back to growth	Intrinsic strengths in core business	P2P, ROE expansion	
Shotgun	Opportunistic investment	Positive surprise	Corporate event, restructuring, earnings news	Event visibility	Event
Commodities	Call on the cycle is paramount	Positive	Integration, cost efficiency, globally competitive	Profit leverage	

P2P: Path to Profit; ROE: Return on Equity.

Based on internal stock classification and subject to change from time to time



Mr. Amit Nigam

Portfolio Manager – Portfolio Management Services

Amit has over 17 years' experience in the Indian equity market. In his last assignment, Amit was working with Essel Mutual Fund as Head of Equities where he was responsible for the equity management function at the firm. In the past, he has also worked with companies like BNP Paribas Investment Partners, BNP Paribas Mutual Fund, SBI Funds Management & Reliance Industries Ltd. Amit holds a Mechanical Engineering Degree from Indian Institute of Technology Roorkee and a PGDBM from Indian Institute of Management, Indore.

Invesco Limited

- US\$ 980.9 billion in assets under management around the globe.
- Specialized investment teams managing investments across a wide range of asset classes and investment styles.
- On-the-ground presence in more than 20 countries, serving clients in more than 120 countries with more than 7,000 employees worldwide.
- Publicly traded on NYSE; S&P 500 constituent.

Invesco Asset Management (India) Private Ltd.

- Expertise across equity, fixed income and gold investments with assets under management & advisory mandates of INR 36,088.99 crores.
- More than 29 investment strategies across fixed income, equity and gold
- Proprietary stock selection process for Equity & Credit Appraisal process for Debt.
- Experienced Investment Management Team of 21 members with combined experience of over 260 years.
- Broad, deep and stable research platform.
- Defined and robust Risk Management Processes

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