# IIFL MULTICAP PMS

(Portfolio Management Service)

All data are as on January 31, 2022 and denominated in INR

IIFL ASSET MANAGEMENT

**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 ompanies which are long term compounding stories. Rest of the portfolio is invested across quality Cyclicals and Defensives while avoiding Value traps. Portfolio construction across these three quadrants enables us to enhance diversification even with limited number of stocks.

**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)

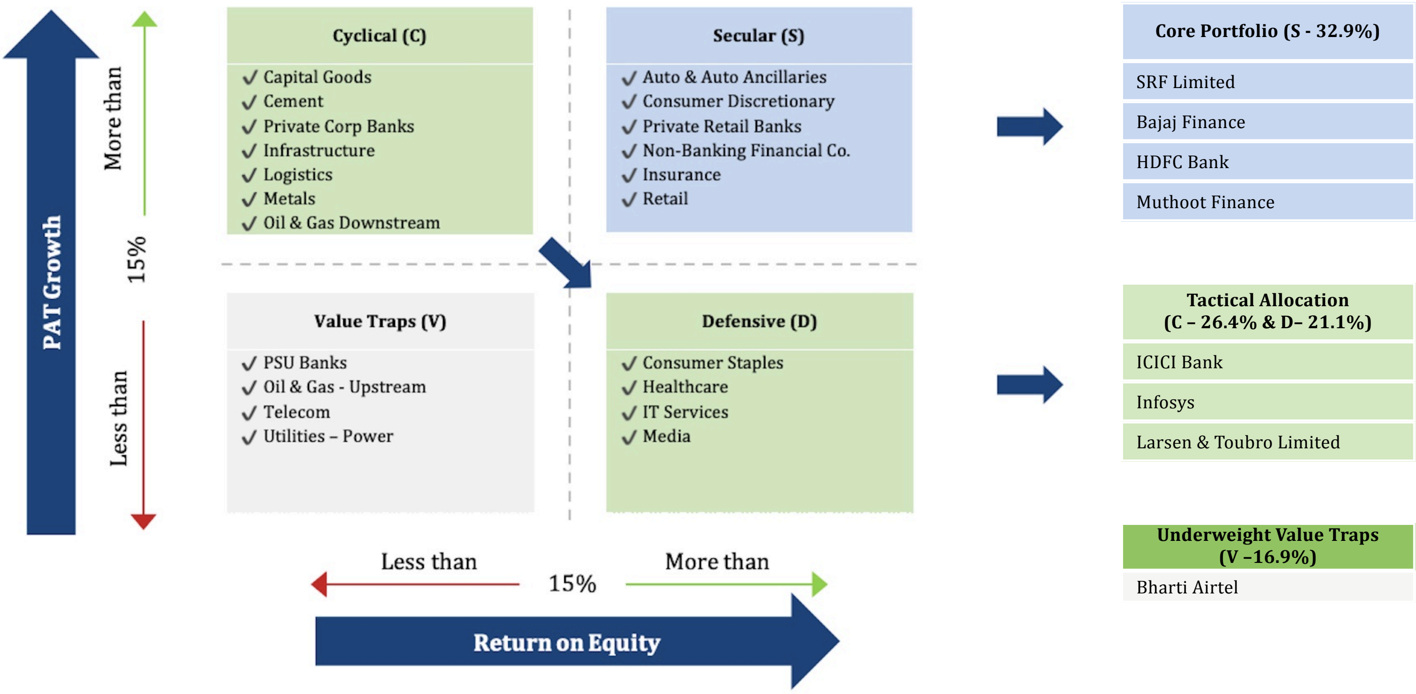
**Allocation of portfolio across types of securities:**

- Equity Investment – up to 100% of corpus
- 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

- Secular (PAT>15%, ROE >15%) – High growth companies/sectors which show consistent growth across market cycles
- 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
- 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 |
|---|---|---|
| Tata Motors | Buy | 1. India CV business is likely to benefit from multi-year upcycle with solid market share gains across segments, thereby likely to aid earnings recovery.<br>2. India PV business continues to gain market share (>12%) with new products and grabbing consumer mindshare on ICE side. It is also strengthening its EV position (>80% market share) via new product launches and expansion of capacity. Top ESG play amongst listed OEMs.<br>3. Potential value unlocking in JLR (via pure electric portfolio of Jaguar) coupled with the global auto volume recovery as chip supplies improve. New product launches on Land rover also to support growth. |


IIFL Asset Management Limited (Portfolio Manager)
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## Key Terms

| | |
|---|---|
| Inception Date | December 31, 2014 |
| Bloomberg Ticker | NA |
| Benchmark | S&P BSE 200 TRI |

## Performance (%)*

| Strategy / Benchmark | 1 Month | 3 Months | 6 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | Since Inception |
|---|---|---|---|---|---|---|---|---|---|
| IIFL Multicap PMS Fund | 0.21 | 0.86 | 8.35 | 0.21 | 32.82 | 24.72 | 26.02 | 19.71 | 20.86 |
| S&P BSE 200 TRI | (0.29) | (1.49) | 9.67 | (0.29) | 31.29 | 23.65 | 19.34 | 16.68 | 13.14 |

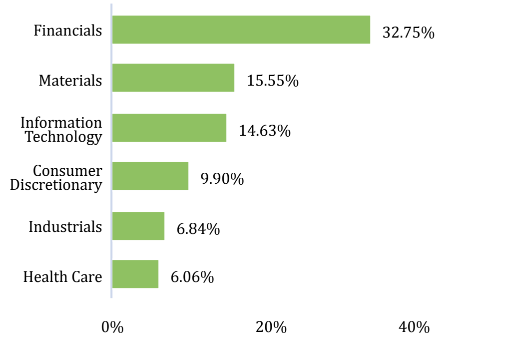
Returns are calculated on TWRR basis. Past performance may or may not be sustained in future. The performance related information provided herein is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the same. Change in investment approach may impact the performance of client portfolio

## Strategy Details

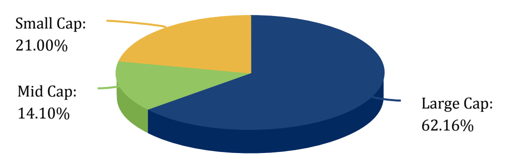
- Since Inception till January 31, 2022

| | |
|---|---|
| SI returns-IIFL Multicap PMS Fund | 20.86% |
| SI returns-S&P BSE 200 TRI | 13.14% |
| Outperformance/ (Underperformance) | 7.72% |

## Sector - Top 6 Holdings




## Market Capitalization




## Schedule of Charges

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

## Portfolio - Top 10 Holdings (%)

| Company | Weightage |
|---|---|
| ICICI BANK LIMITED | 10.22 |
| INFOSYS LIMITED | 6.86 |
| LARSEN & TOUBRO LIMITED | 4.86 |
| HDFC BANK LIMITED | 4.75 |
| STATE BANK OF INDIA | 4.63 |
| SRF LIMITED | 4.42 |
| LARSEN & TOUBRO INFOTECH LIMITED | 4.23 |
| CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED | 4.10 |
| BAJAJ FINANCE LIMITED | 4.04 |
| BHARTI AIRTEL LIMITED | 3.80 |
| CASH AND CASH EQUIVALENTS | 2.76 |

## Risk Ratios

| | |
|---|---|
| Beta | 0.85 |
| Sharpe Ratio | 0.78 |
| Information Ratio* | 0.66 |
| Treynor Ratio | 0.14 |
| Volatility** | 13.72% |

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.

## Investment Manager

IIFL Asset Management Limited (IIFL AMC)

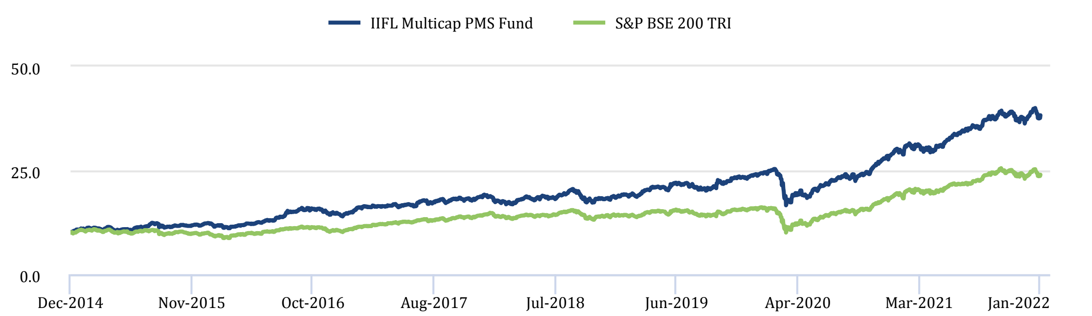
## Fund Manager Profile - Anup Maheshwari (CIO)

Anup brings with him 26 years of investment experience. He joined IIFL from DSP BlackRock Investment Managers (a joint venture between BlackRock and the DSP Group in India) in August 2018. He was associated with DSP BlackRock since July 1997 and was last designated as the Chief Investment Officer, Equities. Anup managed DSP BlackRock's India funds from May 2001 to June 2018. For a brief period between December 2005 and May 2006, he was the CIO at HSBC Asset Management before returning to DSP BlackRock. Previously he was also associated with Chescor, a British fund management firm managing three offshore India equity funds. Anup is an alumnus of IIM Lucknow

| Top Gainers for last Month | Performance |
|---|---|
| GREAVES COTTON LIMITED | 50.51% |
| GREENPANEL INDUSTRIES LIMITED | 24.18% |
| FAIRCHEM ORGANICS LIMITED | 17.61% |

| Top Losers for last Month | Performance |
|---|---|
| PI INDUSTRIES LIMITED | -19.80% |
| COFORGE LIMITED | -18.28% |
| LARSEN & TOUBRO INFOTECH LIMITED | -14.48% |

## NAV Movement




NAV shown is for the model portfolio. NAV of 10 assumed on the inception date (December 31, 2014)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## Fund Commentary

**Indian Equity Markets: Treading through volatility!**
The Indian equity indices had a turbulent start to the year as the concerns regarding policy normalization led to spike in bond yields across the globe (including India). Further, potential stagflation in some of the key economies, supply chain constraints and Omicron variant affected the overall sentiment. The key benchmark indices S&P BSE-30 and Nifty-50 indices recorded monthly losses of 0.4% and 0.1% respectively. The indices down the capitalization curve underperformed the key benchmark indices. S&P BSE Mid-cap index recorded a monthly loss of 1.4% and S&P BSE Small cap index registered a monthly loss of 0.8%. Amongst the sectoral indices, S&P BSE Utilities, Power and PSU indices rose 13.7%, 13.1% and 10.8% respectively. On the other hand, S&P BSE IT, Healthcare and Consumer Durables corrected 8.2%, 8.0% and 6.4% respectively. FPIs continued to be net sellers for the fourth consecutive month, to the tune of $4.5 bn in January'22. However, DIIs were net buyers to the tune of $2.9 bn in January'22.

Amongst the key global developments during the month, the FOMC, in its first 2022 meeting, indicated that it would begin hiking rates, starting from March. Further, the FOMC also mentioned regarding the process of reducing its balance sheet soon after the rate hikes start. The committee released a statement titled "Principles for Reducing the Size of the Federal Reserve's Balance Sheet" demarcating that the benchmark funds rate is the primary tool to adjust stance of monetary policy. Meanwhile, Bank of Canada maintained status quo on rates even as inflation remained high. This was due to increased uncertainty as a result of rising Covid-19 infections. Back home, there were concerns regarding the rural slowdown as indicated by two-wheeler, motorcycle, tractor and fertilizer sales which showed a slowdown in the year on year terms. Even when compared to 2019, the numbers for two-wheeler and three- wheeler sales are negative indicating a rural slowdown.

The manufacturing PMI fell down and came in at 54.0 in January'22 as against the print of 55.5 in December'21, as the new Covid-19 wave acted as a dampener amidst the improving operating conditions. As a result, the data showed slowest increase in new orders and output. However, the rate of expansion remained historically elevated. The gross GST revenue collected in January'22 stood at INR 1.4 trillion, which was highest since the inception of GST. The record collections were on the back of economic recovery and anti-evasion activities especially action against fake billers and rate rationalisation measures undertaken to correct inverted duty structure.

**Budget - pragmatic and prudent**
Despite the challenges in the form of impending Omicron threat and early stage of the economic recovery, the budget has remained focused on steering the economy on the path of growth by emphasizing equally on physical as well as digital infrastructure. Although there are no measures announced for consumption sector, the budget has laid emphasis on developing rural India by way of digital transformation, education, basic amenities like water, housing, sanitation etc. This coupled with improved mobility and banking through 0.15mn post offices will promote financial inclusion.

**Conservative estimates**
The budget has made reasonable assumption of 9.6% growth in Gross tax revenue, with a) 13.4% Corporate tax rate growth; b) 13.8% growth in personal income tax; c) 15.6% growth in GST; d) 12.7% growth in Custom duty; and e) 15% de-growth in excise duty (due to recent roll-back in duties on petroleum products). Divestment targets have also been pared down to INR 0.78trn and INR 0.65trn in FY22 and FY23 respectively

**Improvement in quality of accounts**
The budget has kept revenue expenditure growth low and pushed capital expenditure (capex) for the second consecutive year. Although the revenue expenditure growth was revised to 2.7% in FY22RE, it is budgeted to grow only 0.9% YoY in FY23BE. Simultaneously, capex is budgeted to grow 24.5% YoY in FY23BE following 41% growth in FY22RE. The government's capital spending, thus, has more than doubled to INR7.5tn in FY23BE, from INR3.4tn in FY20. Since the total government expenditure is budgeted to grow just 4.6% in FY23BE, higher growth in capex indicates improved quality of spending

**No News is good news**
We believe that no unpleasant surprise has been taken positively by the markets. Meanwhile, given the conservative estimates, we believe that there is scope for further capex/spending push as the government is likely to exceed its revenue targets. Despite the disappointment on account of absence of measures to improve consumption, we believe the economic recovery in FY23 along with vaccination progress will be instrumental in driving demand recovery ahead. While crude prices could pose a challenge for inflation, but given the strength of IT exports, the impact will be limited if the crude prices are around USD90/bbl

**Cues to watch out for**
In the last few years, there have been a lot of announcement outside the budget. The budget announcements have been priced and the focus will shift towards a) liquidity normalizing, b) rising interest rate regime globally and subsequently higher bond yields and c) corporate earnings growth

**Portfolio Positioning**
Our focus is on maintaining a balanced portfolio with a mix of companies which are likely to – experience structural growth or benefit from the economic turnaround. In a world where low interest rates have driven up valuations, the risk/reward balance of the portfolio assumes more importance. In terms of sectors, we see interesting opportunities in Private Sector Financials, Consumer Discretionary, Industrials and Materials to participate in the domestic economic recovery. However, we believe that defensive sectors like Indian IT services would continue to perform irrespective of the domestic economy returning back to normalcy.

Note: IIFL Multicap PMS is managed by Mr. Anup Maheshwari with effect from 26-Nov-2021