

# HIGH CONVICTION FUND SERIES 1

(A Scheme of IIFL Opportunities Fund - Category III Alternative Investment Fund)  
All data are as on September 30, 2020 and denominated in INR



## Investment Theme

The Scheme endeavours to generate long-term capital appreciation for contributors by investing in equity and equity related securities. High Conviction Fund Series 1 would be following a mix of top-down (macro analysis to identify sectors) and bottom-up approach (micro analysis to pick stocks within these sectors) based on the investment philosophy centred around (1) Industry/sector potential, (2) Businesses with competitive advantage, (3) Good governance and (4) Favourable valuation (based on risk-reward ratio)

## Key Terms

Launch Date	November 26, 2019
Bloomberg Ticker	NA
Scheme	Close Ended Scheme
Category	Category III Alternative Investment Fund
Benchmark Index	S&P BSE 200 TRI

## Fund Details

- Since Inception till 30th September, 2020

AUM (INR in Cr.)	255.83
NAV (INR)**	9.2261
<b>CAGR Returns</b>	
High Conviction Fund Series 1	(7.38%)
- S&P BSE 200 TRI	(3.76%)
Outperformance/ (Underperformance)	(3.62%)

\*\*Post-tax NAV

## Schedule of Charges

Management Expense (as % of daily net assets p.a)	Class	Fees
	A1, C1	2.50%
	A2, C2	2.10%
	A3, C3	1.75%
	B1	1.75%
	B2	1.40%
	B3	1.10%
	C4	0.90%
	S	0.10%
	D*	NIL
Administrative Expense	The Administration Expenses of the Fund shall not exceed 0.15% per annum on daily net assets	
Minimum Investment	INR 1 Crore	

\* Investment Manager and any of its Affiliates or such other Employees, trusts or other Persons as designated by the Investment Manager

Class C (including its sub classes) shall be offered only to investors of preferred channel partners and the following conditions shall be met:

i) The share class C1, C2 and C3 shall not pay any upfront distribution fee. Trail fee shall be paid to distributors out of the management expense charged to the Scheme;

ii) The share Class C4 will not be charged any distribution fees; The management expense shall be uniformly charged to all share classes as per the investment amount of the respective share class and parity in charging expense shall be ensured in same share class

The Management Expenses will be accrued on daily Net Asset Value. The Investment Manager will charge its Management Expense, on quarterly basis or such other periodicity at the discretion of the Investment Manager

## Investment Manager

IIFL Asset Management Limited (IIFL AMC)

## Fund Manager Profile

- Mehul Jani

Mehul has over 15 years of experience in covering and managing financial services and consumer stocks. Prior to working with IIFL, he worked with DSP BlackRock (a joint venture between BlackRock and the DSP Group in India) for 10 years as an analyst and fund manager. His previous experience includes Morgan Stanley Plc, London, for 4 years, as an associate, dealing with structured product valuation and fund derivatives. Mehul is an alumnus of Cass Business School, London and holds a Masters in Banking and International Finance. He is also a CFA charter holder

## Performance (%)\*

Scheme/ Benchmark	1 Month	2 Months	3 Months	6 Months	YTD	1 Year	Since Inception
High Conviction Fund Series 1	0.52	3.47	12.26	29.87	(7.29)	NA	(7.38)
S&P BSE 200 TRI	(0.46)	2.92	10.29	33.31	(4.78)	NA	(3.76)

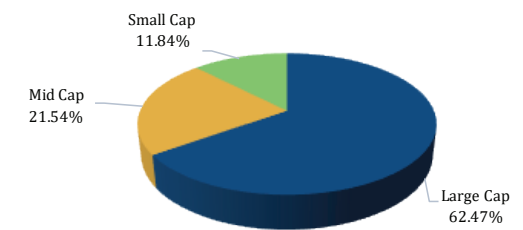
\*Based on Pre-tax NAV;

Returns less than 1 year are on absolute basis and more than one year are on compounded annualised basis. Past performance may or may not be sustained in future.

## Risk Ratios

Beta	1.09
Sharpe Ratio	NA
Information Ratio	NA
Treynor Measure	NA
Volatility	37.54%

## Market Capitalization

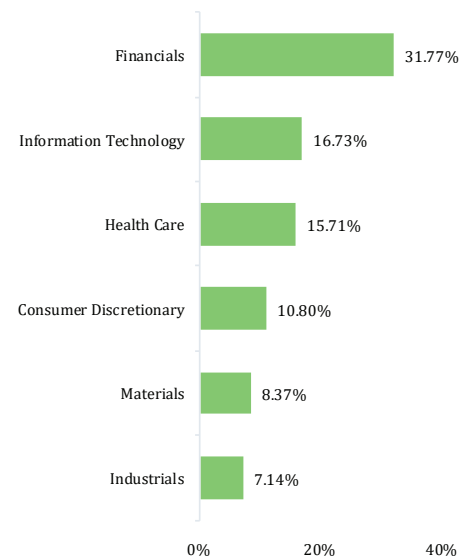


Small Cap < 8500 Cr; 8500 Cr < Mid Cap < 28,000 Cr; Large Cap > 28,000 Cr

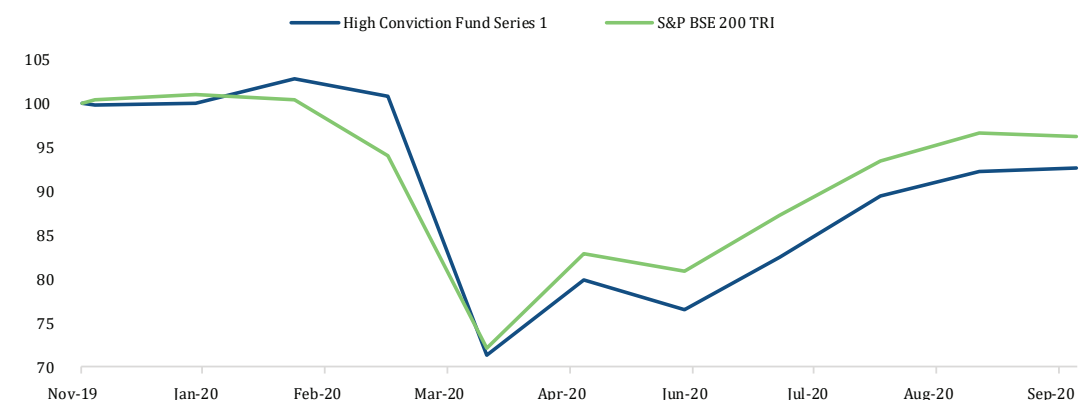
## Portfolio - Top 10 Holdings (%)

Company	Weightage
ICICI BANK LTD.	8.42
CROMPTON GREAVES CONSUMER ELECTRICAL LIMITED	7.44
DR REDDYS LABORATORIES LTD	7.39
INFOSYS LIMITED	6.93
LARSEN TOUBRO INFOTECH LIMITED	6.58
BHARTI AIRTEL LIMITED.	6.08
BAJAJ FINANCE LIMITED	5.89
ICICI LOMBARD GEN INSURANCE CO LTD	5.28
P I INDUSTRIES LTD	4.58
LARSEN TOUBRO LTD.	4.53
CASH AND CASH EQUIVALENTS	3.41

## Sector Holdings



## NAV Movement



PRIVATE AND CONFIDENTIAL. NOT MEANT FOR PUBLIC CIRCULATION

IIFL Asset Management Limited (Investment Manager)

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Tel: (91-22) 4876 5600 • Fax: (91-22) 4646 4706 • CIN: U74900MH2010PLC201113 • SEBI AIF Category III Registration No: IN/AIF3/12-13/0016

## Fund Commentary

We ended Q2FY21 on a mixed note as the Nifty was down 1.2% for the month and for the quarter was up 9.2%. The month gone by was a bit volatile as the market fell sharply between September 21 and September 24 with the Federal Reserve not unveiling any additional stimulus measures at its policy meet. However, we quickly saw a rebound as expectations of a stimulus package from the government and firm global cues helped Indian markets to recover from the sell-off.

### Global recovery is on its way

We continue to see signs of a broad-based global recovery. Global PMIs for September show a further move into expansion territory in manufacturing, rising to 53.0 from 52.4 in August. Activity is increasing in both EM and DM economies, and emerging markets, which have lagged in previous months, are narrowing the gap.

In the US, high-frequency indicators maintained their positive trends of recent weeks. In Europe, Covid-19 infection dynamics continue to be top of mind, as rise in new cases has led policy makers to institute a range of locally targeted restrictions. In China, GDP continues to accelerate well above its pre-Covid level. Manufacturing PMIs for September came in above expectations, and services PMIs climbed close to a 7-year high. The services recovery remains in full swing, including travel. Within EM ex-China, Brazil and Russia have maintained steady growth, while India has seen significant acceleration in the last few weeks, despite elevated levels of Covid-19 case counts. In India, the manufacturing PMI rose to 56.8, from 52.0 in August, and has reached its highest level since January 2012. Separately, electricity production, goods and services taxes (GST) and exports all grew positive year-over-year in the month of September.

### Equity Markets during the month

Back at home, the market bourses settled with a mixed closing. Despite improving high frequency indicators, large cap index Nifty fell as 2nd wave risks in major cities in India and FII selling (~INR 6,000 Cr) on the account of global risk aversion due to US elections took the stage. On the other hand, Nifty Midcap 100 (+1.8%) and Nifty Smallcap 100 (+4.2%) indices saw a good uptick supported largely by SEBI's circular on Multicap schemes and mildly by improving earnings estimates vis-à-vis March 2020. Amongst the sectors, IT stocks continued their stellar performance with Nifty IT Index growing by 11.28% while PSU and bankex remained the draggers for the month. On the fund flows end, FIIs turned net sellers after 4 consecutive months of inflows while DIIs were marginal net buyers, as Insurance buying was offset by MF selling who continued to see equity fund outflows with August redemptions at Rs40bn being slightly higher than July redemptions.

### Indian economy: Road to gradual recovery

Most indicators displayed YoY growth in September. Railway freight traffic witnessed double digit growth, Manufacturing PMI jumped to a record high level for the last 8 years and electricity consumption also grew in September. The goods and services tax (GST) collection rose for the first time in the last six months on a YoY basis. The rebound in economic activities in the country in September is substantially driven by the inventory filling for the festival season. Headline CPI in August rose by 6.69% in August.

During the month, the Supreme Court allowed telecom companies 10 years' time to pay their adjusted gross revenue (AGR) dues to the government. FPIs sold US\$587 mn worth of equities in the month while DIIs sold US\$44 mn. On the macro front, August CPI inflation moderated to 6.69% as against a downward revised print of 6.73% for July; July IIP growth fell by 10.4% as against a fall of 15.8% in June. Trade deficit at US\$6.8 bn widened in August led by higher gold imports along with some momentum loss in exports.

The economic recovery is expected to be supported by the unlock 5.0 guidelines, in which state and union territory governments are allowed to take a call on the reopening of cinemas, swimming pools and schools. 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 upcoming guidelines. 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 are confident of the stock selection we have. Moreover, we have a few rural theme 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.

#### Notes:

1. IIFL Wealth Finance Limited (Co-Sponsor) has committed Rs. 10 Cr to the Fund.
2. Gross NAV has been calculated by dividing the total value (assuming no payouts and no tax impact) by the total number of units outstanding.
3. The data stated herein is as of September 30, 2020, unless specifically stated.

#### Disclaimer:

**Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Fund 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 Fund Manager or AMC may not be indicative of the performance in the future.

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IIFL Asset Management Limited and its group, associate and subsidiary companies are engaged in providing various financial services and for the said services (including the service for acquiring and sourcing the units of the fund) may earn fees or remuneration in form of arranger fees, referral fees, advisory fees, management fees, trustee fees, Commission, brokerage, transaction charges, underwriting charges, issue management fees and other fees. For the purpose of trading and investments in securities, the Fund transacts through and maintain demat account(s) with IIFL Securities Ltd (formerly known as India Infoline Ltd).