

Sundaram India Secular Opportunities Portfolio (SISOP)

• Monthly Update •

Objective: To generate capital appreciation across market cycles by investing in a concentrated set of high conviction stocks.

Target Investors: Designed for investors seeking returns through investments in a concentrated portfolio of companies with sustainable competitive advantages and reasonable valuations.

Investment Horizon
Above 3 years

Benchmark
NSE Nifty 500 Index

Inception
February 2010

Fund Manager
Mr. Madanagopal Ramu

Assistant Fund Manager
Mr. Prashant N Kutty

FROM OUR ECONOMIST'S DESK

February'23 saw the Sensex contract by (1) % over January to 58,962. Reduced recession risks in the US/Eurozone on stronger macro, expectations of a higher peak Fed rate, ECB hawkishness and gradual easing of exuberance of China opening post Covid were the key global events during the month. A capex heavy credible union budget, resilient GDP and an open-ended RBI rate hike were the key domestic events to take note of. Net FII flows were negative at \$(0.5) bn. The rupee depreciated by 0.9% and closed at Rs.82.7, even as the dollar index (DXY) strengthened by 2.7% during the month.

MACRO OUTLOOK

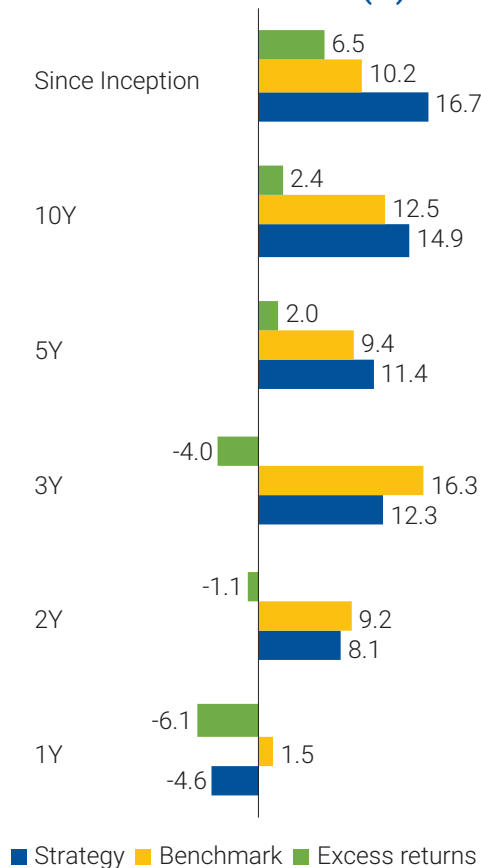
Macro factors in US continued to remain strong. The months of Jan'23 and Feb'23 have seen increasing strength in the US reflected in the PMI indicators for both manufacturing and services. We saw this reflect in the Jan'23 CPI numbers and is yet to see reflect in the Feb'23 numbers. The Fed would have completed 12 months of rate hikes and would have raised rates by 500bps (if one assumed 50bps hike for Mar'23). Despite such a steep pace of rate hikes in such a short time span (last seen in the 70'-80's), the US economy continues to remain strong and has not witnessed any visible signs of weakness. While our base case on the US had been that of no recession in 2023 based on this very US macro strength, this sudden strength in the US macro indicators over the last two months has been a surprise. Back home, Fed being hawkish would mean that RBI wouldn't be clear whether it should be a 25bps hike or a 50bps hike in upcoming monetary policy. However, if the US macro data on labour market and inflation could set the tone for Fed view on rate hike. If March'23 shows a 25bps from the Fed, then it could very well bring back a possibility of no hike from the RBI and replace it with a pause.

February focus was on Union budget which registered continued fiscal consolidation and a significant increase in capex that touched a decadal high in GDP terms. On the broader data front, there was higher-than-expected retail and wholesale inflation numbers. Credit growth remained elevated and India manufacturing was above the 50-level mark for a 20th consecutive month. The broad economy resilience was reflected in the Dec'22 GDP numbers released during the month, where private consumption was seen holding up and a strong pickup seen in construction and the finance/insurance/real estate segments. However, channel checks and corporate feelers gave markets a whiff of slowdown across product categories, with fears of El Nino spoiling the upcoming monsoon, delayed pick up in rural demand and hint of slowness in demand in the urban market post festive, which all led to consolidation in the market.

India so far has been a laggard on YTD performance vs both regional EMs and developed markets. While earnings growth of headline indices is expected in healthy double digits for FY24E, the key catalyst remains the call on rate cycle. India's premium valuations to EM have already started mean-reverting. A few near-term worries on the system exposure to specific industrial group appear to have tempered down. We expect the equity markets to broadly consolidate in the short term, as the market adjusts for higher-for-longer interest rates and weak global growth outlook. Focus would be on bottom-up ideas that could remain resilient on earnings and growth.

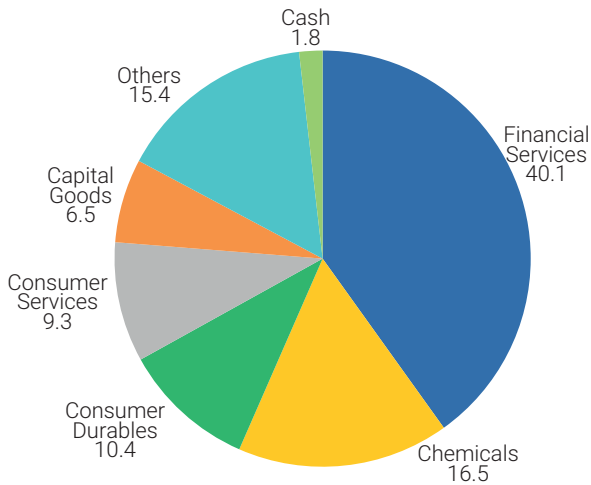
Our investment philosophy is to invest in high growth quality business models at right valuations. The theme suffered last year due to high inflation and interest rate scenario. Defensive portfolios outperformed after a long time due to high yield. With substantial fall in commodity prices across the categories, inflation is expected to come down substantially over next 3-6 months and bond yields will start moderating. During such a phase, growth stocks outperform and our investment style has potential to do well. Our 4x4 wealth multiplier theme -Financial inclusiveness, Phygital Bluechips, Consumption Czars, Export Voyagers and Domestic manufacturing is focused on investing into high growth segments of the economy and has potential to create meaningful alpha over next 5 years.

SISOP vs NSE 500 (%)



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SECTOR ALLOCATION (%)

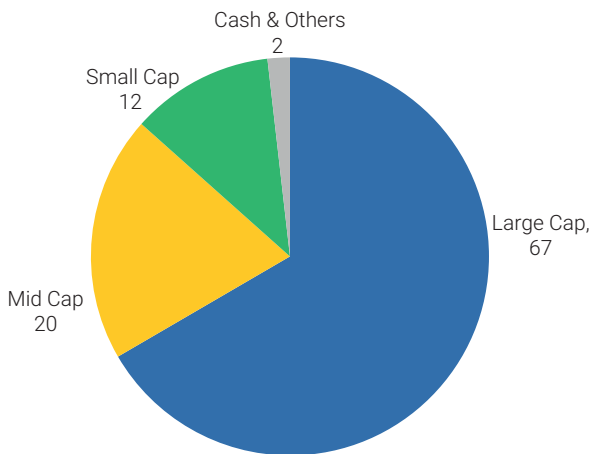


Note: Numbers may not add up due to rounding

WEIGHTED AVERAGE MARKET CAP

₹ 2,33,656 Cr

MARKET CAPITALIZATION (%)



Note: Numbers may not add up due to rounding

PERFORMANCE MEASURES – SINCE INCEPTION

Instruments	Strategy	Benchmark
Arithmetic Mean	16.8	11.1
Annualised Standard Deviation	16.2	16.6
Beta	0.8	-
Sharpe Ratio	0.6	0.2
Correlation	0.8	-
Alpha	6.4	-
Tracking Error	10.0	-
Up capture Ratio	102.6	-
Down capture Ratio	73.1	-

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PORTFOLIO & STOCK PERFORMANCE

The strategy has created a positive alpha of 1.5% in the month. Stock that contributed to the alpha are Trent & Britannia which were up by 6.8% & 3.3% on account of strong Q3FY23 results. Navin fluorine was up by 4.6% on the back of resilience in earnings and Asian paints was up by 3.8% on hopes of falling crude aiding margins. Stock which dragged the performance are SBI Life insurance which was down by 8%. In the FY24 Budget, the government announced that income earned from all life insurance policies, excluding unit-linked insurance plans (ULIPs), with a premium of above Rs 5 lakh will be taxable. This created demand worries and all the life insurance company stocks saw a fall in prices. Mahindra & Mahindra was down by 8% despite strong results, as scares of El Nino could weigh on the tractor sales volumes data. Astral was also down by 8%, as there were no fresh signs of PVC prices falling, which could have supported the stock. There were no new stocks added to the portfolio in the month. We have exited completely from Gland Pharma. As mentioned in the previous month, as exports data continues to be weak and channel checks suggests that there will be continuous pressure on the export's growth in the foreseeable future, which can lead to earnings cut. Supply issues might be getting addressed, but whether the growth will come back to ROW markets is under question now.

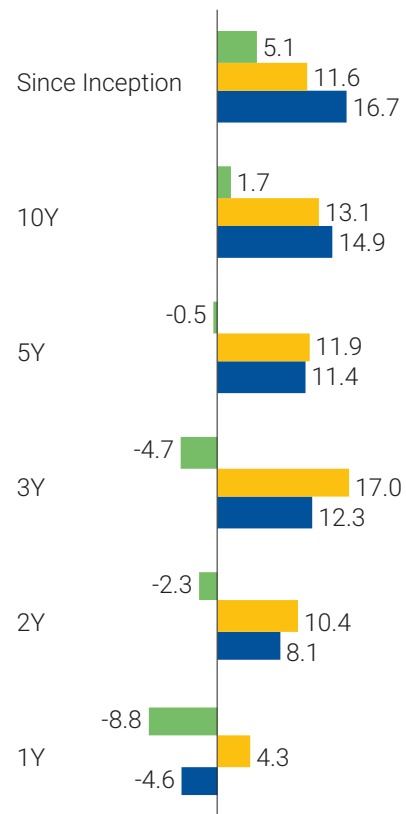
KEY FEATURES

- Concentrated Portfolio - Around 15 stocks.
- Invests across market caps – "Multi Cap".
- Long term orientation towards portfolio building i.e. >3 years.
- Invest in business with secular growth opportunities.

Compounding Stories

- Companies with growth opportunity > 15%
- Ability to generate > 15% ROIC
- Excellent cash flows from business
- Option to reinvest for growth
- Low D/E to sail through crisis situations and gain market share

SISOP vs Nifty 50 (%)



■ Strategy ■ Nifty 50 ■ Excess returns

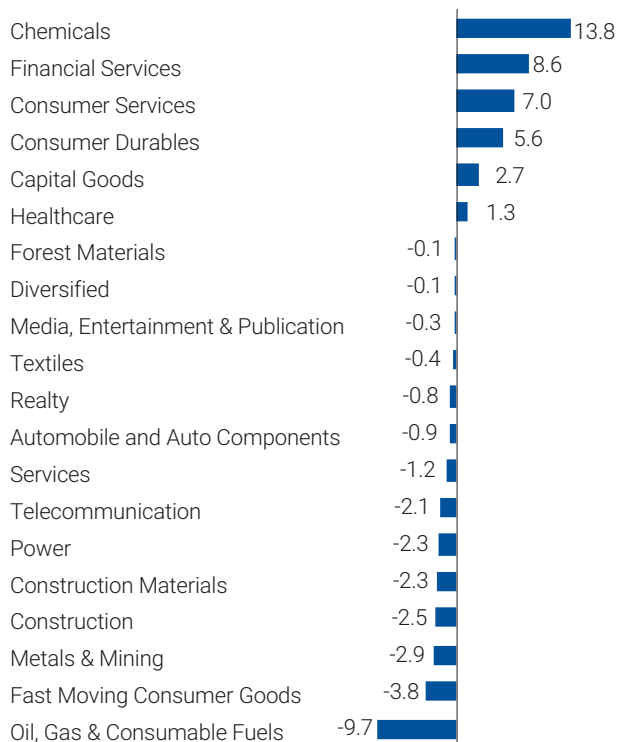
TOP HOLDINGS

HDFC Bank Ltd
Axis Bank Ltd.
ICICI Bank Ltd
Navin Fluorine International Ltd
Astral Limited

KEY CONTRIBUTORS

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
AU Small Finance Bank Ltd	314	593	89
Titan Industries Limited	1,490	2,373	59
Astral Limited	1,236	1,889	53

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



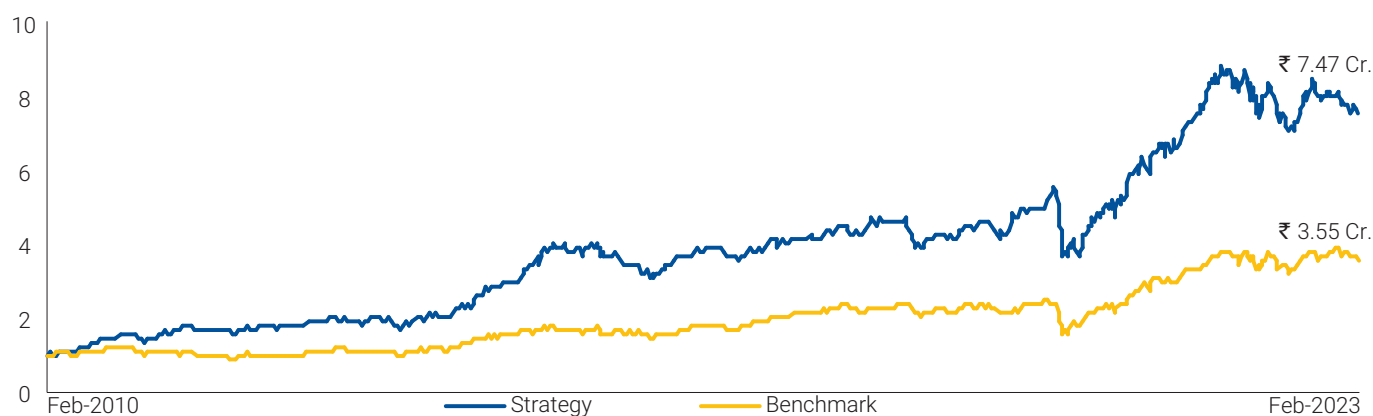
CALENDAR YEAR PERFORMANCE (%)

	Strategy	Benchmark	Excess return
2010	58.3	20.7	37.7
2011	1.5	-27.2	28.7
2012	25.4	31.8	-6.4
2013	6.0	3.6	2.4
2014	66.1	37.8	28.3
2015	-2.0	-0.7	-1.3
2016	4.2	3.8	0.3
2017	24.0	35.9	-11.9
2018	-4.3	-3.4	-0.9
2019	15.4	7.7	7.8
2020	25.2	16.7	8.6
2021	36.2	30.2	6.0
2022	-6.9	3.0	-9.9
2023 YTD	-5.4	-6.0	0.6

Source: Inhouse computation

Calendar Year Performance Since Inception February 2010

VALUE OF ₹ 1 CRORE INVESTED AT LAUNCH



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WHY SUNDARAM PMS

- Strong Track Record
- Low Churn
- Time Tested Stock Selection Process
- Reach Across Country
- Transparency
- Strict Adherence to Risk Guidelines
- Shared Research Capabilities

CUSTOMER SERVICES

Reporting Statements and Servicing: Monthly performance Statements Transactions, Holding & Corporate action reports, Annual CA certified Statement of the account & Online access



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