

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

“The best stock to buy is the one you already own”

– Peter Lynch

The market is upbeat and ready to discount good news and bad news as well. The US Fed Chairman’s post Jackson Hole press release was nothing short of a warning signal to the global growth rate. As the Chairman clearly stated their primary target is to control inflation. Given the stickiness of the inflation and its second order impact on wages, we expect the US inflation to remain above 2% for much longer than expected. Therefore, the Fed’s decision to fight inflation in all likelihood is going to be a prolonged battle. We expect US bond yields to rise, challenging market returns in the near-term. For emerging market like India, the challenge on inflation will be no less than US and policy actions of RBI may not be significantly different from Fed given the dollar. So, one can expect yields to inch up in India, limiting further market upside in the short term.

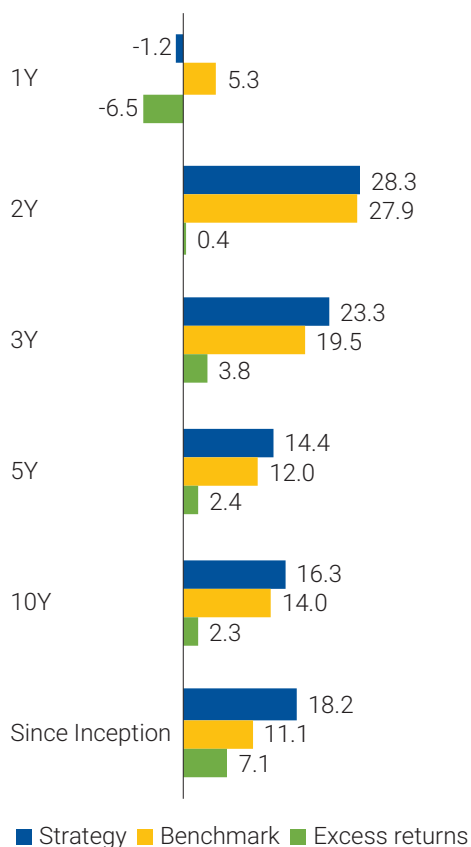
India Q1 GDP numbers were weak primarily due to weak services (trade, hotels, transport, communication & broadcasting) sector. Going forward, we fear GDP numbers to remain subdued and may call for further downward revision in forecasts. However, India will be among the few fastest growing economies globally. We expect developed economies to go through a slow or no growth phase in the foreseeable future given the energy inflation and policy actions. Europe manufacturing PMI continues to be below 50 levels for 2 consecutive months, which is a sign of weak flow of manufacturing orders. US manufacturing PMI is above 50 but has come off significantly from the peak 59 levels. China is struggling to grow with the sluggish property market hurting the domestic economy substantially. The Chinese government has taken policy initiatives to bring back growth. Success of these measures remain uncertain, as it has not yielded any long-term benefits to revive the economy in the past.

Given the above scenario, the best way to sail during such a volatile period is to focus on stocks we own and their earnings. Our investment strategy to invest in handpicked business models with the potential to grow substantially better than the overall economy and Nifty 50 stocks, helping us create a multiplier effect on the money invested by our investors. A deeper dive in the search for more ideas that fits our investment philosophy, shows that the universe has shrunk due to the current market and economic conditions. At the same time performance and growth opportunity for some of our existing holdings have given us a higher conviction to add more weight to the existing holdings.

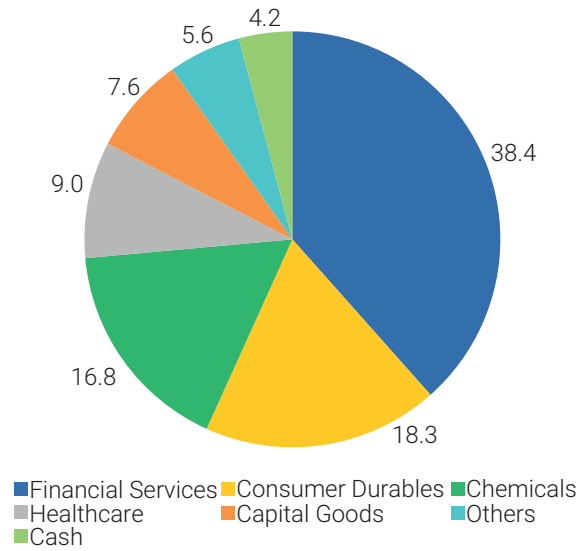
We have increased our holdings substantially even at the current price levels given the growth potential of these companies despite inflation and growth slowdown globally. For instance, globally particularly in Europe, the high energy cost is improving new business prospects for Indian chemical companies. Likewise, growth of some of our companies in the lending space and consumer discretionary space is not related to the global happenings. Q1 earnings of these companies show that the demand for their products/ services and margins have not been impacted by the current inflationary situation, indicating the pricing power of these companies and their business prospects.

Some of our existing holdings have disappointed on the earnings front over the last few quarters. We have taken certain corrective actions by replacing these stocks with other potential ones or by reallocating the weights to other holding in the portfolios. With some of these changes, we believe the portfolio is reasonably set to play the next 2 years of India’s growth story and benefit from the demographic benefits.

PERFORMANCE (%)



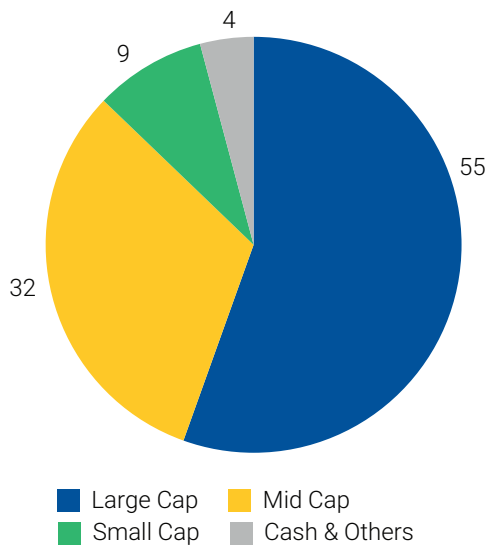
SECTOR ALLOCATION (%)



Note: Numbers may not add up due to rounding

WEIGHTED AVERAGE MARKET CAP ₹ 2,15,717 Cr

MARKET CAPITALIZATION (%)



Note: Numbers may not add up due to rounding

PERFORMANCE MEASURES – SINCE INCEPTION

Instruments	Strategy	Benchmark
Arithmetic Mean	18.0	11.9
Annualised Standard Deviation	16.4	16.7
Beta	0.8	-
Sharpe Ratio	0.7	0.3
Correlation	0.8	-
Alpha	7.1	-
Tracking Error	10.1	-
Up capture Ratio	104.4	-
Down capture Ratio	73.1	-

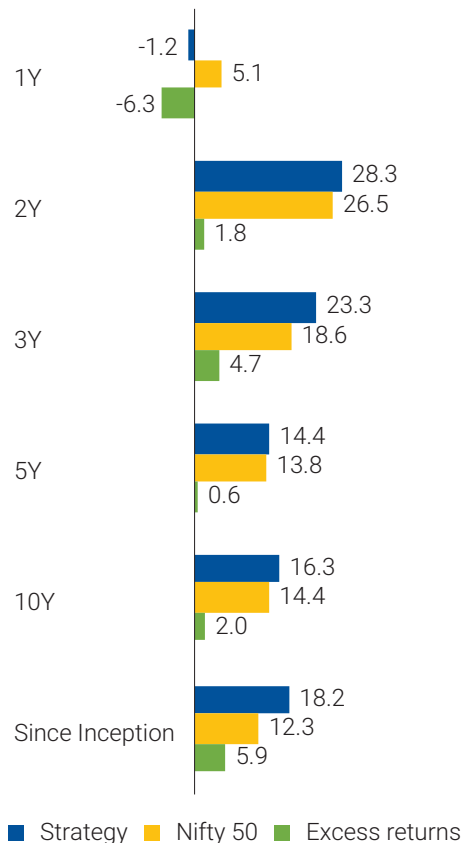
KEY FEATURES

- Concentrated Portfolio - Around 15 stocks.
- Invests across market caps – “Multi Cap” (skewed towards large 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 (%)



TOP HOLDINGS

ICICI Bank Ltd
Asian Paints Ltd
AU Small Finance Bank Ltd
Titan Industries Limited
Astral Limited

KEY CONTRIBUTORS

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
Astral Limited	883	2,092	137
Titan Industries Limited	1,333	2,605	95
PI Industries Ltd.	1,856	3,136	85

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



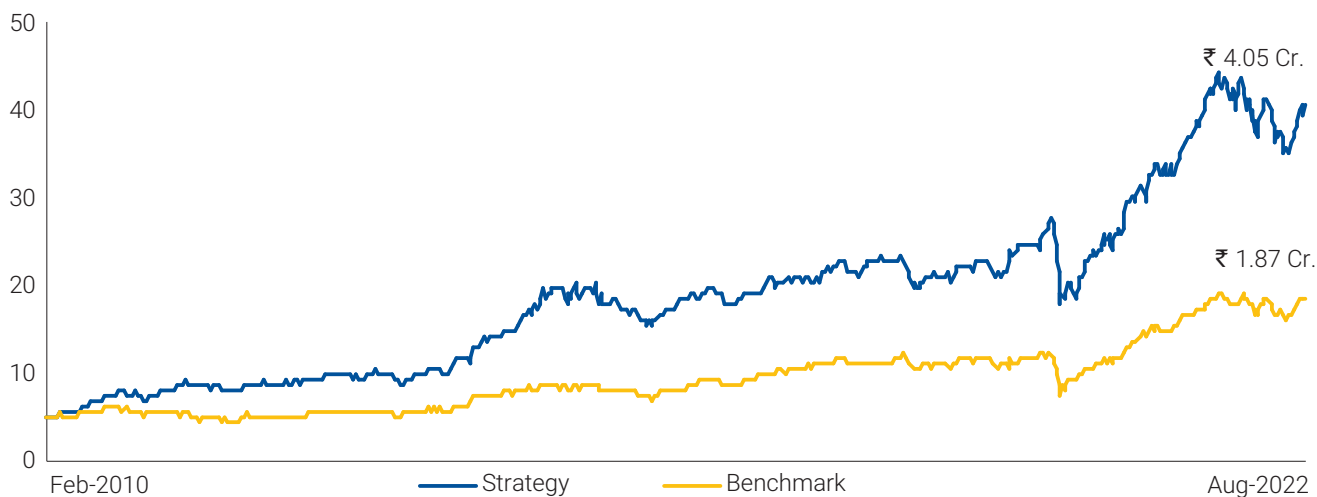
CALENDAR YEAR PERFORMANCE (%)

	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 YTD	-4.5	2.2	-6.7

CY2010 returns is from inception date (February 2010) to December 2010

Source: Inhouse computation

VALUE OF RS. 50 LAKHS INVESTED AT LAUNCH



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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DISCLAIMER

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3Q QUALITY APPROACH TO STOCK SELECTION

- **Quality Business**
Scalable, Growing, Reinvestment opportunities, Strong Moat
- **Quality Financials**
High ROIC, Excellent Cash Flows, Low DE
- **Quality Management**
Visionary, Problem solving