IIFL MULTICAP PMS

(Portfolio Management Service)

All data are as on October 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 maintaining underweight allocation in 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)

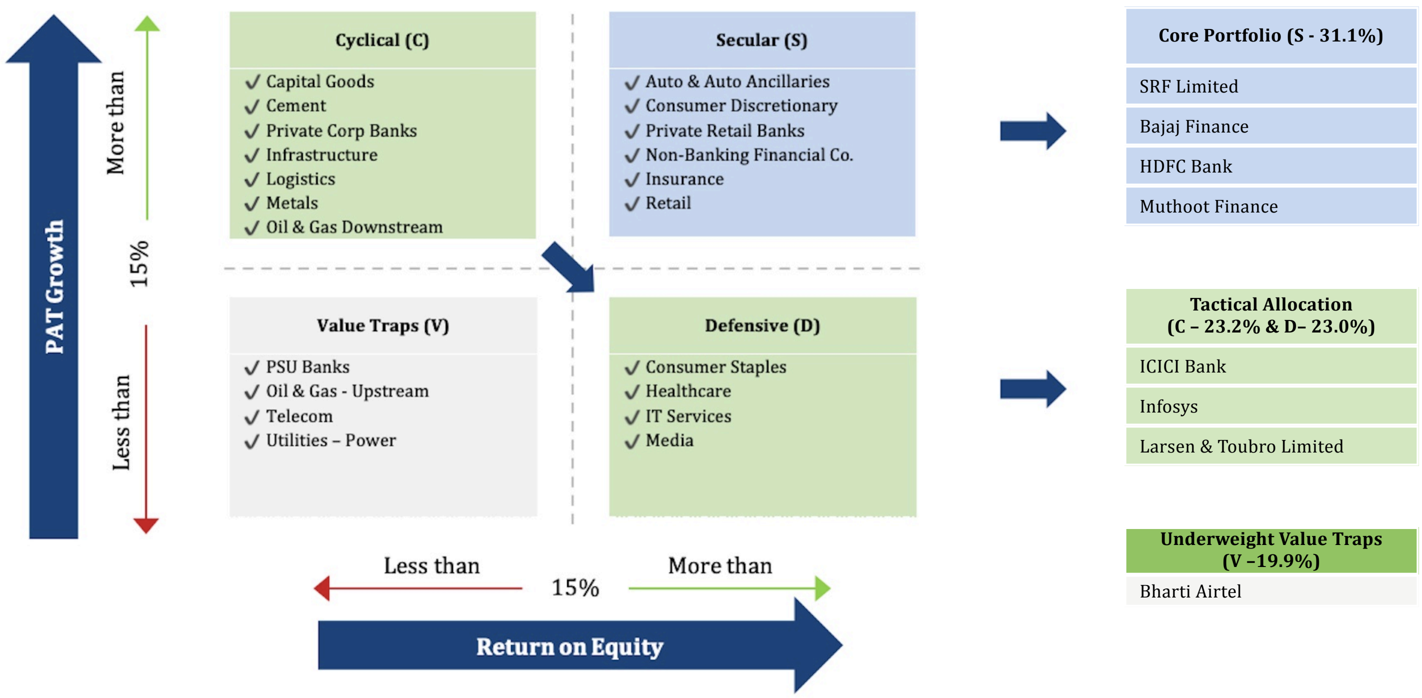
Allocation of portfolio across types of securities:

- 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
United Spirits Limited	Buy	1. United Spirits (UNSP) is the largest spirits company in the branded spirits market in India with ~30% market share through a wide portfolio of brands across all categories and price segments. Diageo has ~57% stake in the company. 2. New management is clearly focused on growth vs previous management's focus on improving the balance sheet quality. 3. The divestment of select Popular brands sets the stage for UNSP to accelerate its premiumization journey. Further, introduction of other Diageo brands not only within whisky but also in gin, rum, beer, etc (largely in mid to premium segment) could drive strong growth.
NMDC Limited	Buy	1. We expect NMDC's steel plant demerger to unlock value and lead to ROE expansion. 2. Furthermore, NMDC has cut iron ore prices in the past three months. With limited downside to seaborne prices as well, we believe that the risk reward is favorable.
Mahanagar Gas Limited	Sell	1. Mahanagar Gas is witnessing continuous headwinds on both the near to long term front. Higher international gas prices continue to impact the company's margin as it is not able to completely pass-on the higher gas cost. Increasingly complex geopolitical scenario does not give us any indication of lower gas prices in the near term. 2. Further, on the medium to long term, increasing adoption of Electric vehicles and lower growth of new CNG station addition impact the medium term growth outlook. We are also turning cautious due to adverse order by PNGRB regarding the tariff dispute of MGL with GAIL-ONGC."

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

Strategy Details

- Since Inception till October 31, 2022

SI returns-IIFL Multicap PMS Fund	18.45%
SI returns-S&P BSE 200 TRI	12.62%
Outperformance/ (Underperformance)	5.83%

Schedule of Charges

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

Investment Manager

IIFL Asset Management Limited (IIFL AMC)

Fund Manager Profile

- Anup Maheshwari (CIO)

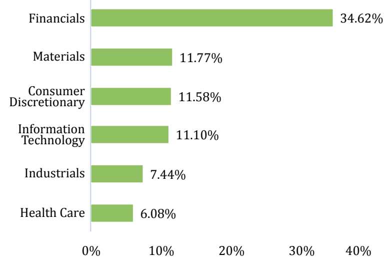
Anup brings with him 27 years of investment experience. He joined IIFL from DSP BlackRock Investment Managers (a joint venture between BlackRock and the DSP Group in India) in August 2018. He was associated with DSP BlackRock since July 1997 and was last designated as the Chief Investment Officer, Equities. 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

Performance (%)*

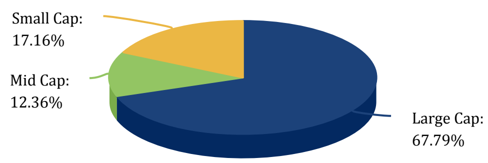
Strategy / Benchmark	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	Since Inception
IIFL Multicap PMS Fund	3.09	5.14	4.34	(1.39)	(0.70)	25.02	17.76	15.72	18.45
S&P BSE 200 TRI	4.45	5.47	5.94	5.51	4.24	28.07	17.86	13.01	12.62

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

Sector - Top 6 Holdings



Market Capitalization



Portfolio - Top 10 Holdings (%)

Company	Weightage
ICICI BANK LIMITED	11.12
INFOSYS LIMITED	6.50
HDFC BANK LIMITED	6.34
STATE BANK OF INDIA	4.53
AXIS BANK LIMITED	4.47
BHARTI AIRTEL LIMITED	4.32
LARSEN & TOUBRO LIMITED	3.96
APOLLO TRICOAT TUBES LTD.	3.58
BAJAJ FINANCE LIMITED	3.41
DR. REDDY'S LABORATORIES LIMITED	3.24
CASH AND CASH EQUIVALENTS	2.67

Risk Ratios

Beta	0.79
Sharpe Ratio	0.48
Information Ratio*	0.42
Treynor Ratio	0.09
Volatility**	13.76%

All risk ratios are calculated since inception

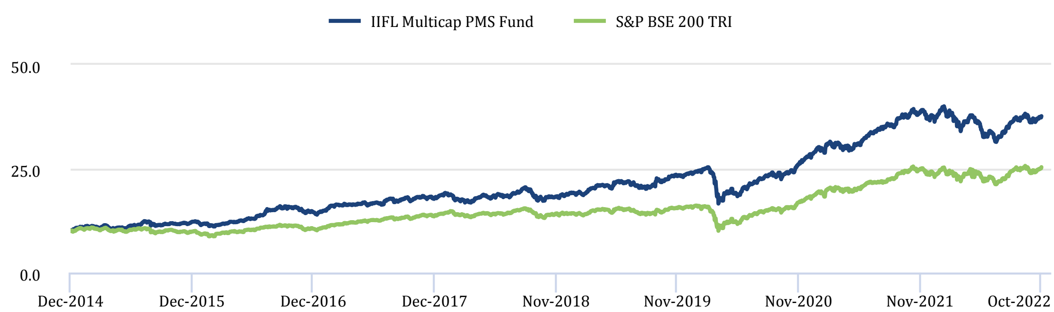
*Information Ratio is a ratio of portfolio returns above the returns of a benchmark index to the volatility of those returns.

**Volatility measures the risk of a security by using the standard deviation of the asset returns.

Top Gainers for last Month	Performance
AXIS BANK LIMITED	23.57%
COAL INDIA LIMITED	15.88%
CUMMINS INDIA LIMITED	12.71%

Top Losers for last Month	Performance
EPL LIMITED	-12.77%
GREENPANEL INDUSTRIES LIMITED	-12.62%
CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED	-12.04%

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: Month Gone by
Indian equity markets closed the month of October'22 in green, with S&P BSE Sensex and Nifty-50 registering monthly gains of 5.8% and 5.4% respectively. Globally equity markets especially US and Europe saw a rally on the back of hope that the Fed Reserve may slow down on rate hikes after its November'22 meeting. FPIs had turned net sellers due to rate hikes and a weak rupee, were seen turning buyers in October'22, however for the month their net flows were flat. DIIs continued to remain net buyers to the tune of $1.1 bn following the previous month's trend. The indices down the capitalization curve underperformed the key benchmark indices. S&P BSE Mid-cap index and S&P BSE Small cap index registered monthly gains of 2.0% & 1.3% respectively. Amongst the sectoral indices, barring S&P BSE FMCG, all the other indices closed the month in green. S&P BSE Bankex, Capital Goods and S&P BSE TECk were among the top three performers registering monthly gains of 7.3%, 6.6% and 5.9% respectively.

In terms of the key developments during the month, - (1) central banks across the globe continued to hike interest rates(2) IMF and World Bank cut India's GDP growth forecast; (3) China continued to impose further lockdowns and restrictions to contain Covid-19 outbreak, (4) the Indian government announced the minimum support prices (MSPs) for rabi (winter) crops, and (5) 2QFY23 results of the Nifty-50 Index declared so far showed mixed trends.

The manufacturing recovered a bit in October'22 and came in at 55.3 as against 55.1 in September'22. Despite losing growth momentum, the Indian manufacturing industry showed signs of resilience, with factory orders and production rising strongly. Manufacturers expected demand buoyancy to be sustained in coming months and hence continued to loosen the purse strings. There was a marked rise in input purchasing, with firms adding to their inventories to better align with client purchasing. Meanwhile, the gross GST revenue collected in October'22 was up 16.6%YoY and stood at INR 1.52 trillion, second highest monthly collection next to collection in April'22. This is the eighth month in a row that the total GST collections have crossed INR 1.4 trillion mark and hence are likely to provide more headroom on the fiscal front. Despite the slowdown in rate of growth, GST collections are expected to exceed the budgetary targets set for this fiscal. Given that government has additional spending on fertiliser, food and fuel subsidies, revenue growth is crucial for the fiscal arithmetic this year.

Credit Growth picking up
The data released by Reserve Bank of India (RBI) on sector-wise bank credit growth, showed that despite the increase in lending rates the credit offtake continued to remain robust across all sectors - farming, industry, services, and retail. The data reflected that the total bank credit growth was higher in September'22 as compared to pre-pandemic times (September'19) on a year-on-year (YoY) basis, supported by higher non-food credit demand. Total bank credit grew by 16.4% on YoY basis as of September'22, compared with 6.7% growth as of September'21 and 8.2% as of September'19 (pre-pandemic). On a YoY basis, non-food bank credit registered a growth of 16.9% in September'22 as compared with 6.8% a year ago, as per the RBI data. Within this, the credit to services sector surged to 20% from 1.2% in September'21, while the personal loans segment grew by 19.6% as against 13.2% in the same period last year.
As per the monthly report, credit growth to the services segment was led by improved credit offtake to NBFCs and trade sectors, whereas increase in retail loans was largely aided by housing and vehicle loan segments.

Trend in Consumer Demand
There were lot of expectations regarding the pick-up in demand during the festive season. Based on the available trends, the following has been inferred
1.Overall, the festive season demand trends appear varied, especially on a 3-year CAGR basis. The last couple of years have been impacted by Covid-19 (impact differs across segments); hence, only looking at data on a YoY basis may not give an accurate picture
2.Consumer demand segments that appear to have done relatively well, on both YoY as well as pre-Covid-19 basis, are urban and mid/premium segments centric (PVs, e-commerce, jewellery, mid and premium product segments across consumer electricals/apparels). This is in line with the urban doing better than rural and premium scoring over mass trends as seen in the recent past

Outlook
Given Fed's hawkish stance leading to rise in interest rates and slowdown in major economies, the stagflation/recession scenario is not inconceivable. As a result, this could impact the global market performance and the ripple effect is likely to be felt in Indian equities as well. Global risk aversion could also lead to flight of capital from risk assets including emerging markets such as India. At home, CPI remains elevated owing to large supply shocks, spillovers from the global economy and improving demand. While there are concerns on the rising trade deficit, we believe that Indian economy seems to be better placed driven by supply side reforms and prudent monetary & fiscal policy.

Even though the markets are currently trading slightly above the long-term valuations, India's position as a growing economy in a year of economic distress is attracting FPI flows (higher than what other emerging markets are seeing), though the trend in the flows has not been secular. Even with a weak rupee and the current account deficit situation, our inflation has remained relatively benign in comparison to global economies. An interesting thing to note is that in the MSCI Asia-Pacific ex-Japan index, India stands at the third position in terms of weightage after China and Australia. Since most global funds are underweight these nations, India may benefit in case of an improved risk appetite amongst overseas investors.

In the current scenario, the most important unknown which is constantly fuelling the uncertainty (with respect to a clear directional trend in the equity market) is the impact of a potential global stagflation/recession on the Indian economy and subsequently the corporate earnings. We believe that rising credit growth, shift from unorganised to organised, rise in demand and good traction in discretionary spends will help in providing some cushion to the downside. Further, Indian exports is also witnessing a rise in market share with rising global customer preference aided by China+1 and other factors.

Our long-term view on economic cycle remains positive led by pick up in private sector capex, government's resolve on infrastructure spending, opportunities arising from shift of global supply chains, and a rebound in housing cycle. Also, low corporate and housing leverage coupled with strong banking sector are likely to augur well for economic growth in the medium to long term. From a long-term performance standpoint, we believe that identifying companies having sound managements and potential for sustainable long-term earnings growth would be the key.

Note: Mr. Anup Maheshwari is the fund manager for IIFL Multicap PMS with effect from 26-Nov-2021. Also, with effect from 19-May-2022, Mr. Nishant Vass will be co-strategy manager for IIFL Multicap PMS.

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