

# Core Value PMS

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We Complement, Don't Compete

April 2024

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# Our Team

*Public Equities platform driven by a best-in-class team with proven track record in the markets*



**Shyam Shenthar**  
Co-Founder (Singapore)

*27+ years of experience across investment banking, asset management & wealth management*



**Manoj Shenoy**  
CEO & Managing Director

*30+ years of experience in the industry, including CEO at IIFL Asset Management, L&T Financial Services, EFG Bank & Anand Rathi Financial Services Limited*



**EA Sundaram**  
Executive Director & CIO - Public Markets

*34+ years of experience in public equities & fund management, across close/open-ended funds & family offices*



**Rajesh Keswani**  
Director - Public Markets

*25+ years of experience across asset management and banking platforms*

## Experience Across Leading Financial Institutions Including:

110+

Cumulative Years of Experience



51 Years

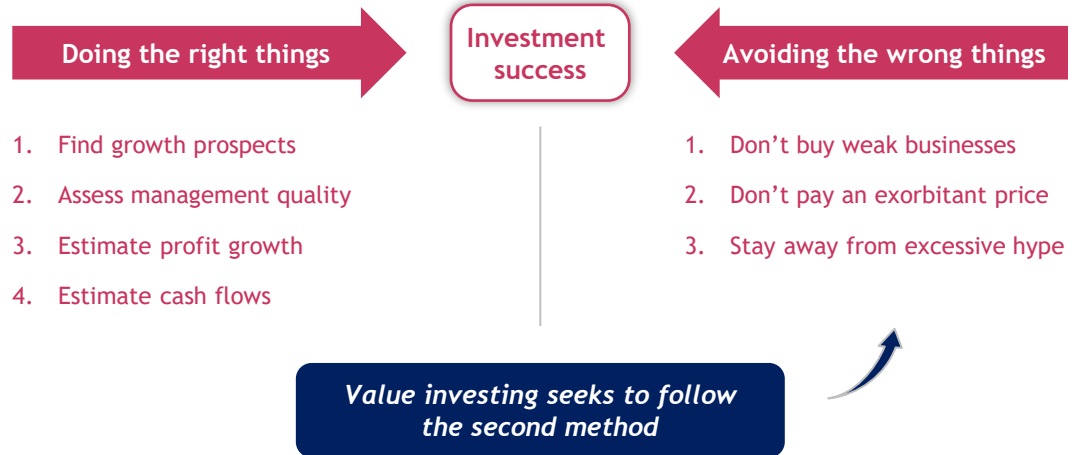
Average Age of the Management Team

# Value Investing - Our Framework

*The best foundation for above-average long term performance is the absence of disasters*

*- Howard Marks*

*There are essentially two broad ways to succeed*



- *We buy strong companies when they are temporarily unpopular*
- *The unpopularity gives us a good entry point. Good companies are usually available cheap only when there is uncertainty about its immediate future.*
- *As long as we are confident about the company's long-term ability to compete in the marketplace, we should utilize the short-term fear to buy the stock at attractive prices.*
- *When the rest of the world turns very bullish about the company, we should exit.*
- *In the whole process, both aspects are important. We should be careful not to buy any junk, and also careful not to buy any company at exorbitantly high prices.*
- *This process, we believe, is in sync with the basic principle of the capital market, and provides more than an even chance of success.*

# Portfolio Philosophy, Process & Risk Control



Non-Banking & Financial Company(NBFC), Return on asset(RoA), Return on equity(RoE), Nonperforming asset(NPA), Current account saving account ratio(CASA), Return on capital employed(ROCE), Standard deviation(SD)

# Positioning

## Organized Asset Management Business

*Growth in assets is a function of performance*

*Performance is monitored at frequent intervals*

*“Underperformance” is seen as a sign of faltering*

*The desire to outperform at all points of time leads to an aversion to buying any stock that does not show a promise of fairly quick upward movement*

*This situation leads to segments of the market being ignored or neglected*

*Leaves a fertile ground for discerning buyers who have a slightly longer time horizon*

### Available in a majority of mainstream equity products

- Growth in Earning ✓
- Quality of Management ✓
- Competitiveness/Moat ✓
- Entry Price ???

## Positioning

Index fund & ETFs

Active Mutual Funds

Popular PMS/AIFs

## Core Value Overlap

22.41% with BSE 500 TRI

Less than 15% on an average

Less than 5% on an average

### Core Value

Offering differentiation

Value addition

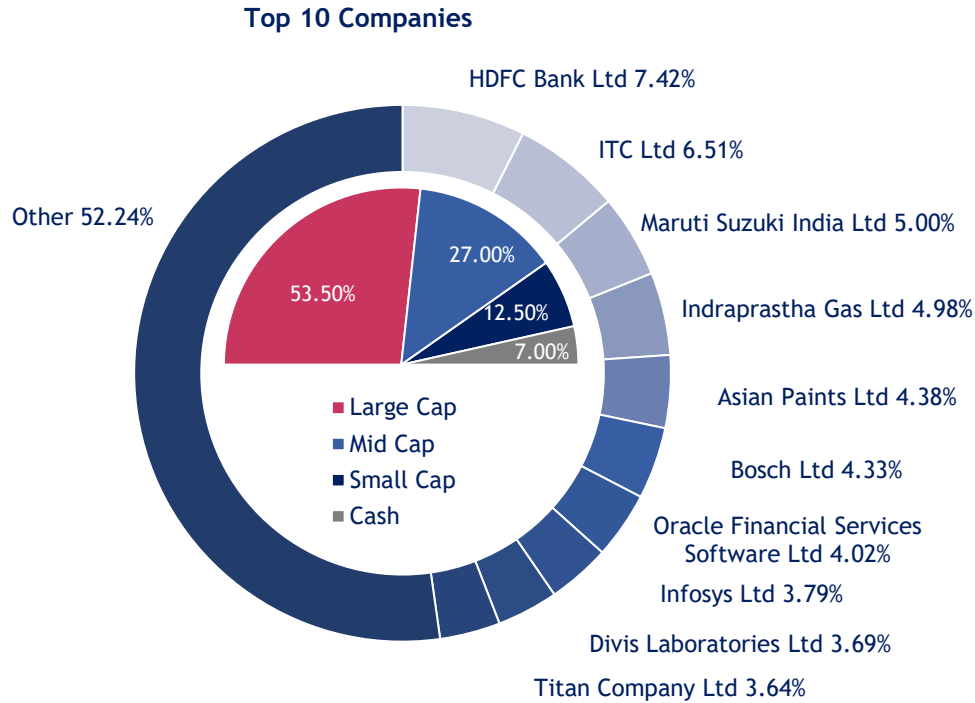
Unique position

*Typical equity allocation of an investor across different available options*

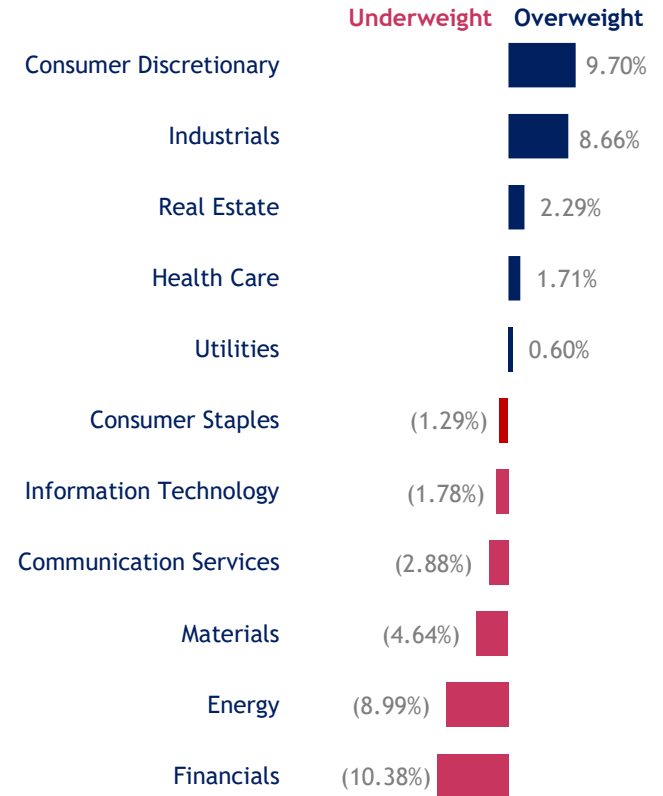
# Core Value Investment Approach - Snapshot (1/2)

## Investment Objective

*Long-only, multi-cap portfolio of 20-25 stocks, with a focus on high quality companies, purchased at reasonable valuations*



### Portfolio Sector Weight w.r.t. the BSE 500 TRI



### Portfolio Overlap

|         |        |
|---------|--------|
| BSE 500 | 22.41% |
|---------|--------|

*Low portfolio churn ratio at*  
**29.13%**

All data as of 31<sup>st</sup> March 2024; Data Source: Bloomberg & Ace Equity; Portfolio Turnover ratio for the period 01-03-2023 to 29-02-2024 of regular portfolio. BSE 500 TRI weights as on last working day i.e. 28<sup>th</sup> March 2024.

## Core Value Investment Approach - Snapshot (2/2)

| Characteristic | Avg. Age of Companies | Avg. ROCE | EPS(E) CAGR (2023 to 2025) | Avg. Market Cap (INR Bn) | FY25 PE |
|----------------|-----------------------|-----------|----------------------------|--------------------------|---------|
| ① Portfolio    | 45                    | 27.31%    | 12.74%                     | 2,355                    | 33.54   |
| ② BSE 500*     | 44                    | 18.35%    | 17.04%                     | 704                      | 28.21   |

Date Source: Bloomberg & Ace Equity; Data as of 31<sup>st</sup> March 2024. \*Benchmark is BSE 500 TRI, the portfolio is spread across different market capitalization, hence BSE 500 TRI is chosen as benchmark. BSE 500 TRI weights as on last working day i.e. 28<sup>th</sup> March 2024. ROCE/ROE are average of last 5 years.

### Consolidated Portfolio Performance of Core Value as of 31<sup>st</sup> March 2024

| Period                      | Regular | Concentrated | BSE 500 TRI |
|-----------------------------|---------|--------------|-------------|
| 1 Months                    | 2.06    | 3.62         | 0.86        |
| 3 Months                    | 8.29    | 8.10         | 4.49        |
| 6 Months                    | 18.33   | 15.73        | 17.4        |
| 1 Year                      | 41.05   | 35.55        | 40.16       |
| 2 Years                     | 26.13   | 21.36        | 17.84       |
| 3 Years                     | 22.27   | 18.41        | 19.3        |
| Since Inception             | 19.27   | 16.88        |             |
| BSE 500 TRI Since Inception | 19.16   | 17.51        |             |

- Since inception(SI) date stated is considered to be the date on which the first active client investment was made under the investment approach
- Regular SI date 14/05/2019 & Concentrated SI 15/04/2019

| Performance Description         | Regular | Concentrated | BSE 500 TRI |
|---------------------------------|---------|--------------|-------------|
| Largest Monthly Gain            | 12.51   | 11.41        | 14.63       |
| Largest Monthly Loss            | (20.53) | (19.19)      | (23.85)     |
| Beta of Portfolio               | 0.76    | 0.74         |             |
| Standard Deviation (Annualised) | 15.16   | 14.86        |             |
| Correlation                     | 0.92    | 0.91         |             |

- Beta, Standard Deviation & Correlation is calculated from Bloomberg since inception till 28<sup>th</sup> March 2024 with BSE 500 TRI

**Disclaimer:** Performance depicted is based on all the client portfolios existing as on such date, using Time Weighted Rate of Return (TWRR) of each client for the overall investment approach. Past performance is no guarantee of future returns. The above portfolio performance is after charging of expenses. The performance related information provided here is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. Return greater than or equal to 1 year is CAGR & less than 1 year are absolute return.



|                |    |
|----------------|----|
| ROCE           | 09 |
| Free Cash Flow | 06 |
| Total Score    | 15 |

# Example of Portfolio Purchase - Bharat Dynamic - PER Band Chart

## Company Background:

- BDL has been working in collaboration with DRDO & foreign OEMs for manufacture and supply of various missiles and allied equipment to Indian Armed Forces.
- BDL has graduated from being a missile manufacturer to a Weapon System Integrator and has emerged as a complete solution provider. BDL has four manufacturing units - 3 are in Telangana State (Hyderabad, Bhanur and Ibrahimpatnam) and 1 in Andhra Pradesh (Visakhapatnam). With close association with DRDO, BDL has been manufacturing various types of indigenously designed and developed missiles and underwater weapons.

## Triggers for Purchase:

- Bharat Dynamics (BDL) will be a key beneficiary of the rise in defense budget. Budget spending is likely to see a long-term upward term considering the geo-political situation of India with the neighboring countries.
- BDL has graduated over a period from being a missile manufacturer to a weapon system integrator.
- BDL is the sole manufacturer of surface-to-air missile (SAM), anti-tank guided missiles, underwater weapons (torpedo) and air-to-air missiles (AAM). These form nearly 55% of India's guided missiles and torpedo market.
- Focus on indigenization is yielding results. BDL has achieved indigenization level of 70% - 95% in various missiles at the end of FY2021.



Data as of February 2023  
Data Source: Ace Equity

\* For illustrative purpose only and historical performance is no guarantee for future performance. Kindly refer to the discloser at the end of this document for more details

|                |    |
|----------------|----|
| ROCE           | 08 |
| Free Cash Flow | 10 |
| Total Score    | 18 |

# Example of Portfolio Purchase - Cummins India - PER Band Chart

## Company Background:

- Cummins India is a 51 % subsidiary of Cummins Inc. USA. It is India’s leading manufacturer of diesel and natural gas engines.
- It comprises of engine, power systems, Components and distribution business. CIL highlights technology leadership, scale advantage, distribution network, and partnerships with OEMs and customers as its strengths in maintaining core growth and market share.

## Triggers for Purchase:

- Industrial activity is expected to recover with stability in government and economic reforms. Capex cycle across industries is expected to recover in the coming 1 - 2 years and Cummins will be the logical beneficiary of this.
- CIL with its parentage has been at the forefront of latest technical products. Geared up for adaptation of new emission norms - CPCB IV
- Data Centre has emerged as big opportunity for DG segment as this requires round the clock power back up. With urbanization on a rise, India will witness more cities going for mall, hotels and hospital development, which all require continuous power backup



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|                |    |
|----------------|----|
| ROCE           | 10 |
| Free Cash Flow | 10 |
| Total Score    | 20 |

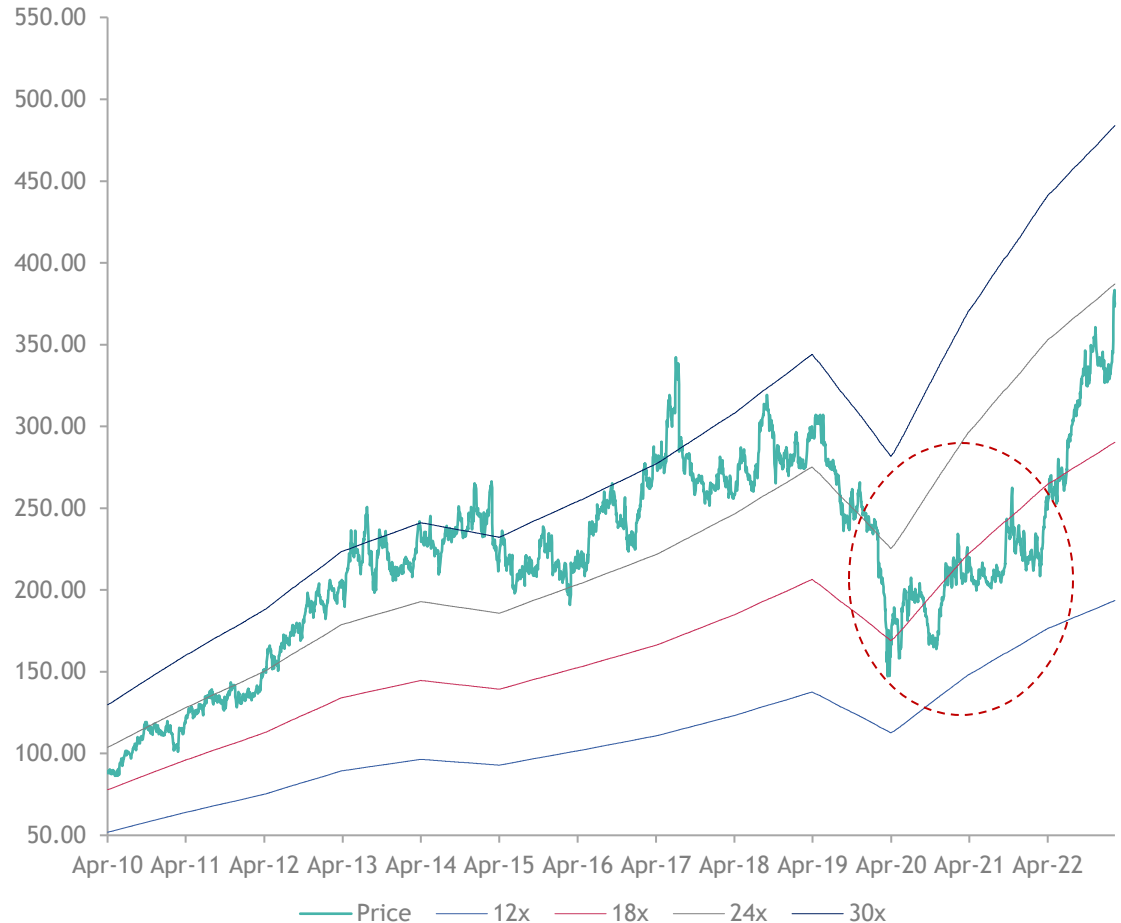
# Example of Portfolio Purchase - ITC - PER Band Chart

## Company Background:

- ITC is a consumer conglomerate engaging in the business of manufacturing and selling of cigarettes, personal care products, packaged food and beverage products, stationery, paperboards, packaging materials, & specialty papers, agri-business, along with an operation of over 106 hotels across India & operating an IT/ITES services company.
- ITC was established in 1910 and is one of India's biggest manufacturers of FMCG products, along with an estimated market share of over 70% in the cigarettes category.

## Triggers for Purchase:

- ITC Ltd is transforming from being a cigarette company to a diversified food and personal products company, using the cash flows from the tobacco business to grow its foods and personal products portfolio
- It fits in well with the long-term theme of the growth of India's middle class and its propensity to spend on packaged foods and personal products
- The foods and personal products business of ITC is growing steadily in revenues, and revenues from that business alone have made ITC the second largest consumer staples company in the country.



Data as of February 2023  
Data Source: Ace Equity

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|                |    |
|----------------|----|
| ROCE           | 10 |
| Free Cash Flow | 10 |
| Total Score    | 20 |

# Example of Portfolio Purchase – Divi’s Laboratories- PER Band Chart

## Company Background:

- Divi’s Laboratories is a leading API manufacturer globally, provides custom manufacturing solutions to several largest pharmaceutical companies and provided highly specialized nutraceutical ingredients.
- Divi’s manufacture around 30 APIs commercially and amongst these, Divi is one of the top 2 manufacturers globally for 18 out of the 30 molecules.
- Divi’s provide highly customized technical solutions to global pharma companies with customers across 100 countries.

## Triggers for Purchase:

- With changing global uncertainties, big pharma players are likely to increase the outsourcing / manufacturing base to India and Divi’s with an established track record would be the beneficiary.
- The ability to fast track manufacturing (demonstrated for Covid-19 drugs - Molnupiravir) would enable Divi’s to get phase 3 contracts apart from the regular Phase 1 and Phase 2 contracts.
- The high base effect of Covid-19 drugs is behind and the operating margins for Q3FY23 at 30.6% is the lowest in the last 12 quarters.
- Divi’s is trading at 36.7x FY24E and 30.7x FY25E earnings and the 10 year average 1-year forward PER for Divi’s is 32x.



Data as of February 2023  
Data Source: Ace Equity

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# Term Sheet

|                            |                           |
|----------------------------|---------------------------|
| <b>①</b>                   | <b>Portfolio Managers</b> |
| o3 Securities Private Ltd. |                           |

|  |                           |
|--|---------------------------|
| <b>②</b>   | <b>Investment Vehicle</b> |
| SEBI Registered Portfolio Management License (PMS) |                           |

|                   |                |
|-------------------|----------------|
| <b>③</b>          | <b>Auditor</b> |
| M P Chitale & Co. |                |

|                      |                  |
|----------------------|------------------|
| <b>④</b>             | <b>Custodian</b> |
| HDFC Bank/Kotak Bank |                  |

|             |                  |
|-------------|------------------|
| <b>⑤</b>    | <b>Benchmark</b> |
| BSE 500 TRI |                  |

|                    |                                     |
|--------------------|-------------------------------------|
| <b>⑥</b>           | <b>Suggested Investment Horizon</b> |
| Minimum of 3 years |                                     |

|                                   |                                |
|-----------------------------------|--------------------------------|
| <b>⑦</b>                          | <b>Stocks in the Portfolio</b> |
| 20-25 Stocks (No market cap bias) |                                |

|          |                      |
|----------|----------------------|
| <b>⑧</b> | <b>Cash Strategy</b> |
| Residual |                      |




|          |                       |                                |   |
|----------|-----------------------|--------------------------------|---|
| <b>⑨</b> | <b>Management Fee</b> | <b>Regular Plan</b>            | 2.50% p.a. fixed <b>OR</b> 2% p.a. fixed with 15% profit sharing on positive alpha over benchmark** |
|          |                       | <b>Direct Plan<sup>#</sup></b> | 1.5% p.a. fixed <b>OR</b> 1% p.a. fixed with 15% profit sharing on positive alpha over benchmark**  |

**# All clients have an option to invest in the above products / investment approaches directly, without intermediation of persons engaged in distribution services.**




\*\*The Fee is charged on the daily average AUM; debited on a quarterly basis, profit sharing fee is charged annually or on exit. Fees exclusive of GST & third-party charges like Audit fee & Custodian Fee.

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