

# Thematic Opportunities Portfolio

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Putting Money Where The Growth Is

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# Our Team

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



**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*



**Priyank Chandra**

**Vice President & Portfolio Manager - Public Markets**

*18+ years of experience in equity research*

**Experience Across Leading Financial Institutions Including:**

**100+**

*Cumulative Years of Experience*



**51 Years**

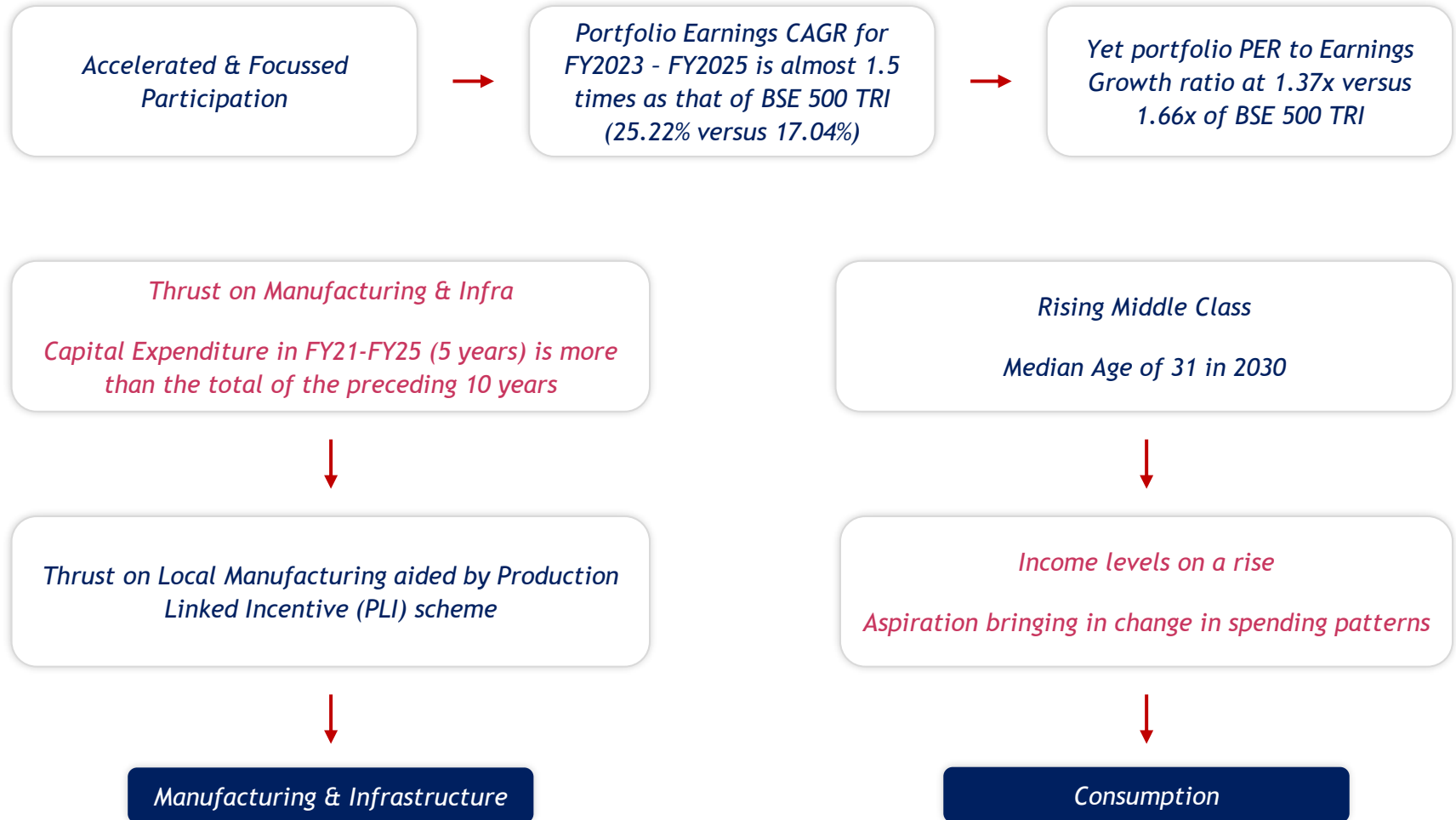
*Average Age of the Management Team*

# The Opportunity

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Strong Visibility in Specific Sectors

# Why to invest in TOP



# From Theme to Portfolio

## Theme-based Investing

The portfolio is constructed on the foundation of two Investment Themes

- a) Medium Term Investment Theme, which we expect will play out over the next 3-5 years and
- b) Long Term Investment Theme, which we expect will last for at least a decade, if not longer.

## The Portfolio Concept

The Investments are made based on

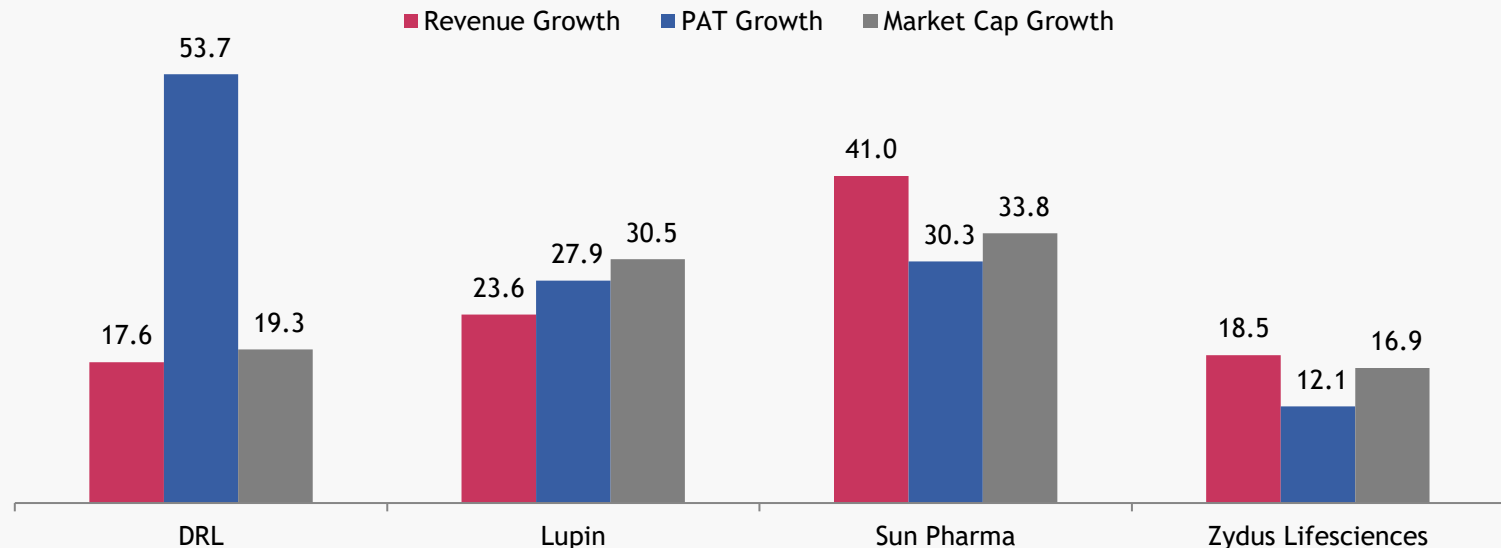
- a) Identifying the industry sectors that would benefit from the fructification of the Medium-Term and Long-Term Investment Themes
- b) Based on the above, choose the company that occupies the position of:



## An example of tailwinds benefiting a Sector

- In US, there was a big opportunity in the generics space around 2009. Marketing exclusivity was expiring, paving the way for generics.
- The intensity of the competition was low. Indian pharma companies started to work in 2005 - 2006 onwards to capitalize on this opportunity.
- As the base of Indian companies was small in US, they witnessed strong growth from 2009 onwards.
- These sector tailwinds resulted in significant market cap expansion for these companies.

### CAGR Growth % 2010-2014



# Medium Term Investment Theme

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## Medium Term Investment Theme

We believe that the following two themes have strong visibility over the medium term:

1



*Development of physical infrastructure in India*

2



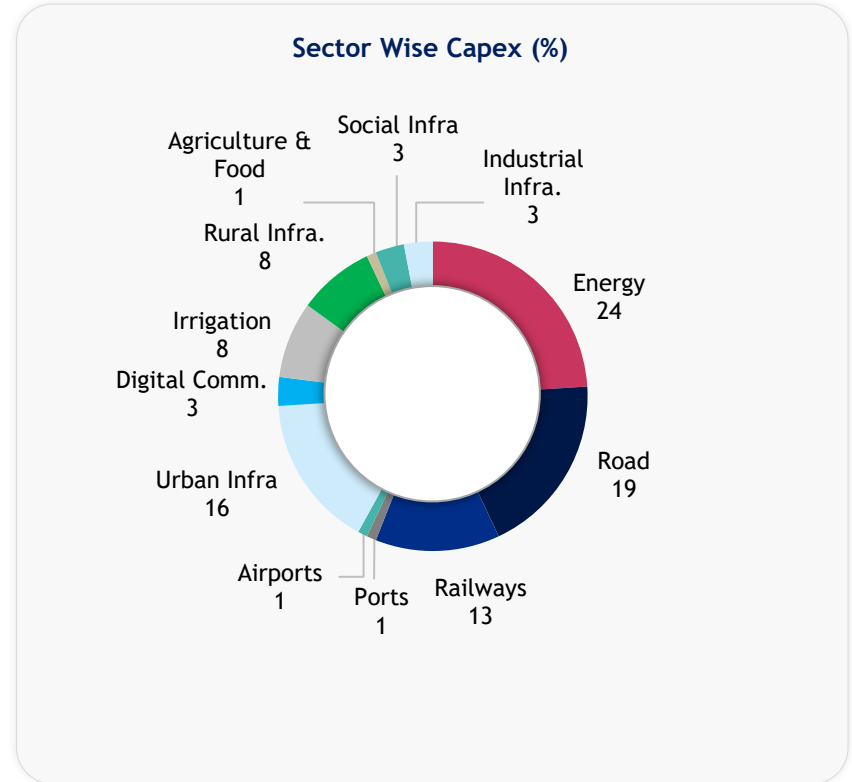
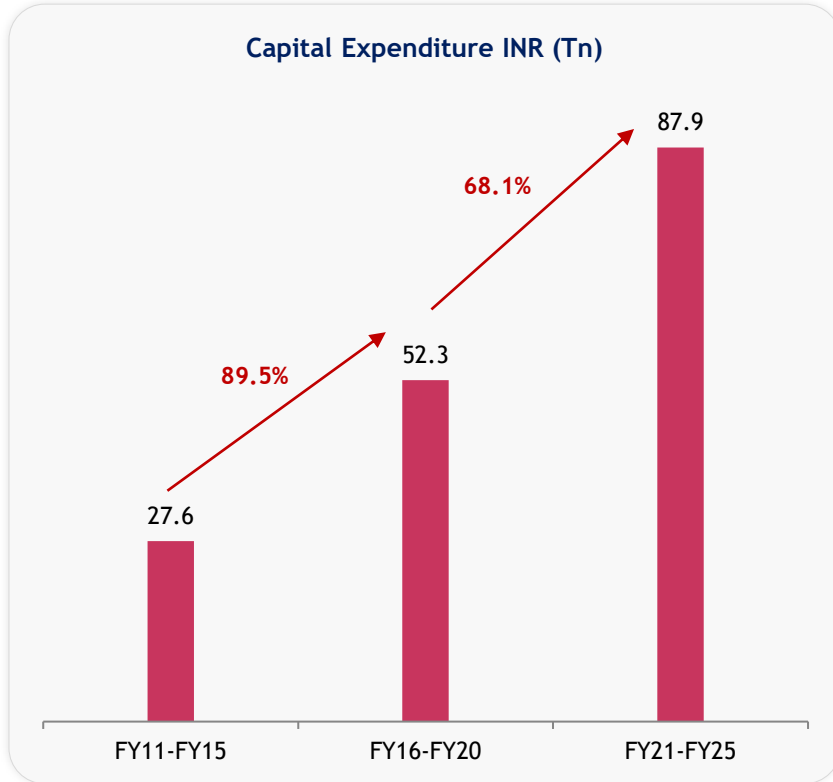
*Strong manufacturing companies, aided by the PLI schemes and the potential of sourcing manufactured products from India as an alternate source of supply for the world markets*

*Government of India has envisaged INR 100 Tn investment over FY21- FY25 on infrastructure through National Infrastructure Pipeline (NIP). Infrastructure development will play the pivotal role to achieve ambitious target of INR 375 Tn economy by 2025.*

*Gati Shakti - Another INR 100 Tn plan announced in August 2021. This will address the issues of multi modal and last mile connectivity to increase the manufacturing competitiveness. This will bring 16 ministries together including rail and roadways for integrated planning.*

# Infrastructure - Capital Expenditure Pipeline

The planned capex is increasing significantly (around 68%) during FY 21 to FY 25 as compared to FY 16 to FY 20



Energy, Road, Railways & Urban Infra accounts for 72% of the planned capex

Source: National Infrastructure Pipeline Document of GOI

# Manufacturing - Production Linked Incentive (PLI) Scheme

## PLI acts as a catalyst for manufacturing activities

1

PLI scheme aims to boost domestic manufacturing and reduce import bills

2

Will induce demand for power, manufacturing equipment, industrial products and accessories, etc.

3

PLI scheme is expected to result in an incremental production of around INR 37.5 Tn during FY21 - FY25

4

Total outlay on this scheme is expected to be around INR 2 Tn

## Focused Sectors for PLI

Advance Cell Battery

Solar PV Modules

Electronics

White Goods

Automobile & Components

Speciality Steel

Telecom Products Manufacturing

Pharmaceutical Drugs

Mobile Manufacturing

Textile

APIs

Food Products

Medical Device

## Example of how PLI helped in Telecom Manufacturing

1

It is estimated that exports of mobile phones and after sales products will rise from INR 112 Bn in FY2019 to INR 8.25 Tn in FY2026

2

There was no manufacturing of mobile phones before 2005 in India

3

Scheme of INR 122 Bn for telecom sector to incentivize local production

4

31 companies shortlisted to get this benefit

# PLI Scheme - Generating Strong Interest across Sectors



Sector	Target (INR Bn)	Interest Received (INR Bn)
Auto	425	748.5
Semiconductor	760	1,530
ACC Battery	180	450

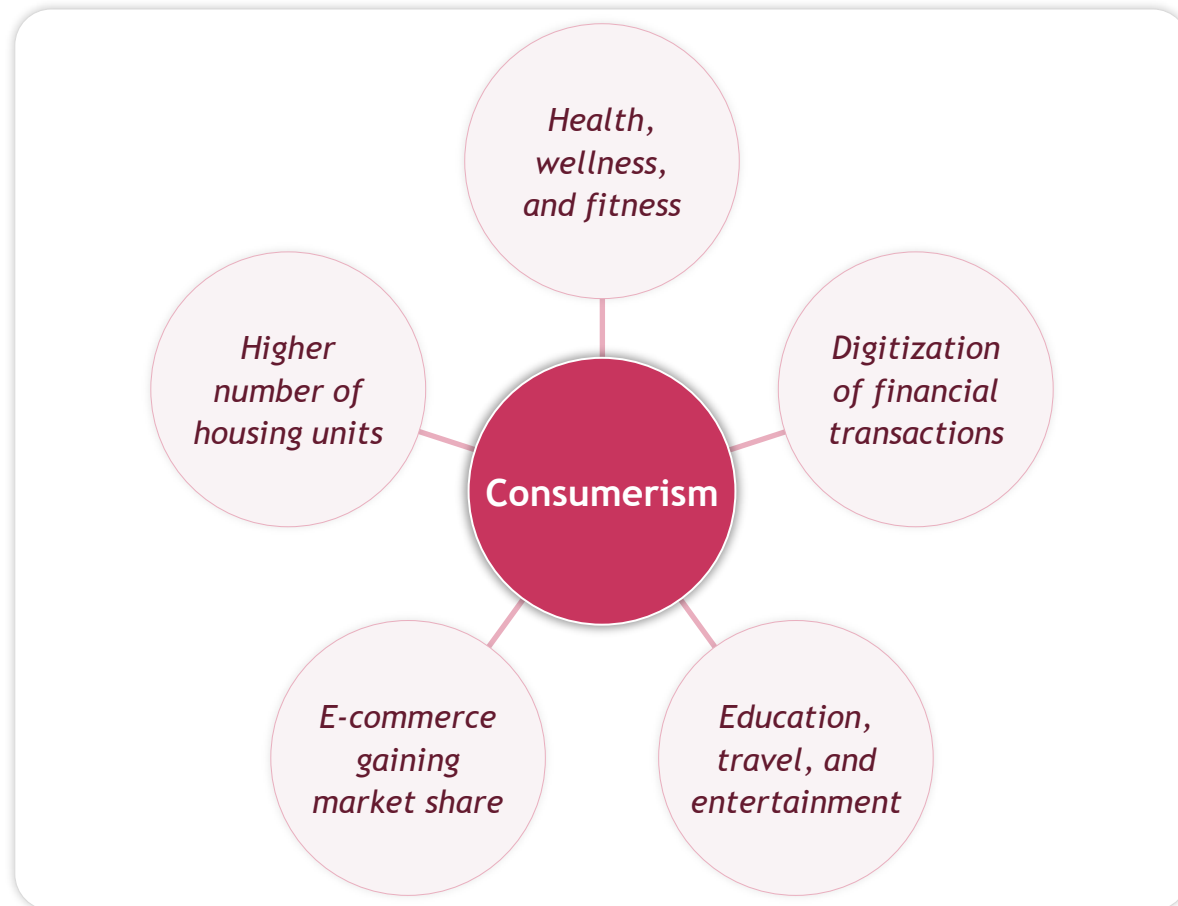


# Long Term Investment Theme

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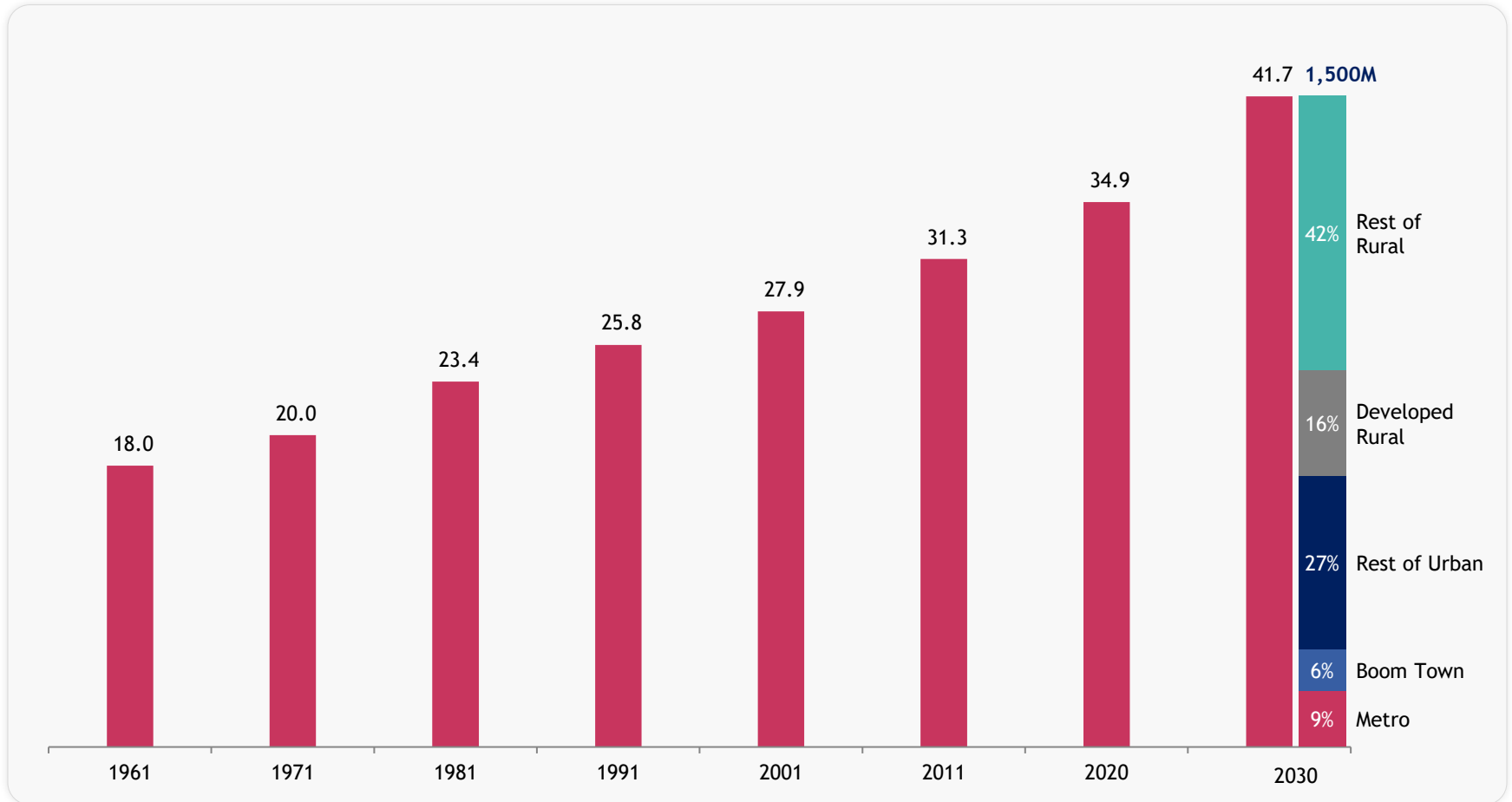
## Long Term Investment Theme

*Long Term Investment Theme is consumption driven aided by increase in spending power, higher working age population and urbanization*



# Increasing Urbanization in India (%)

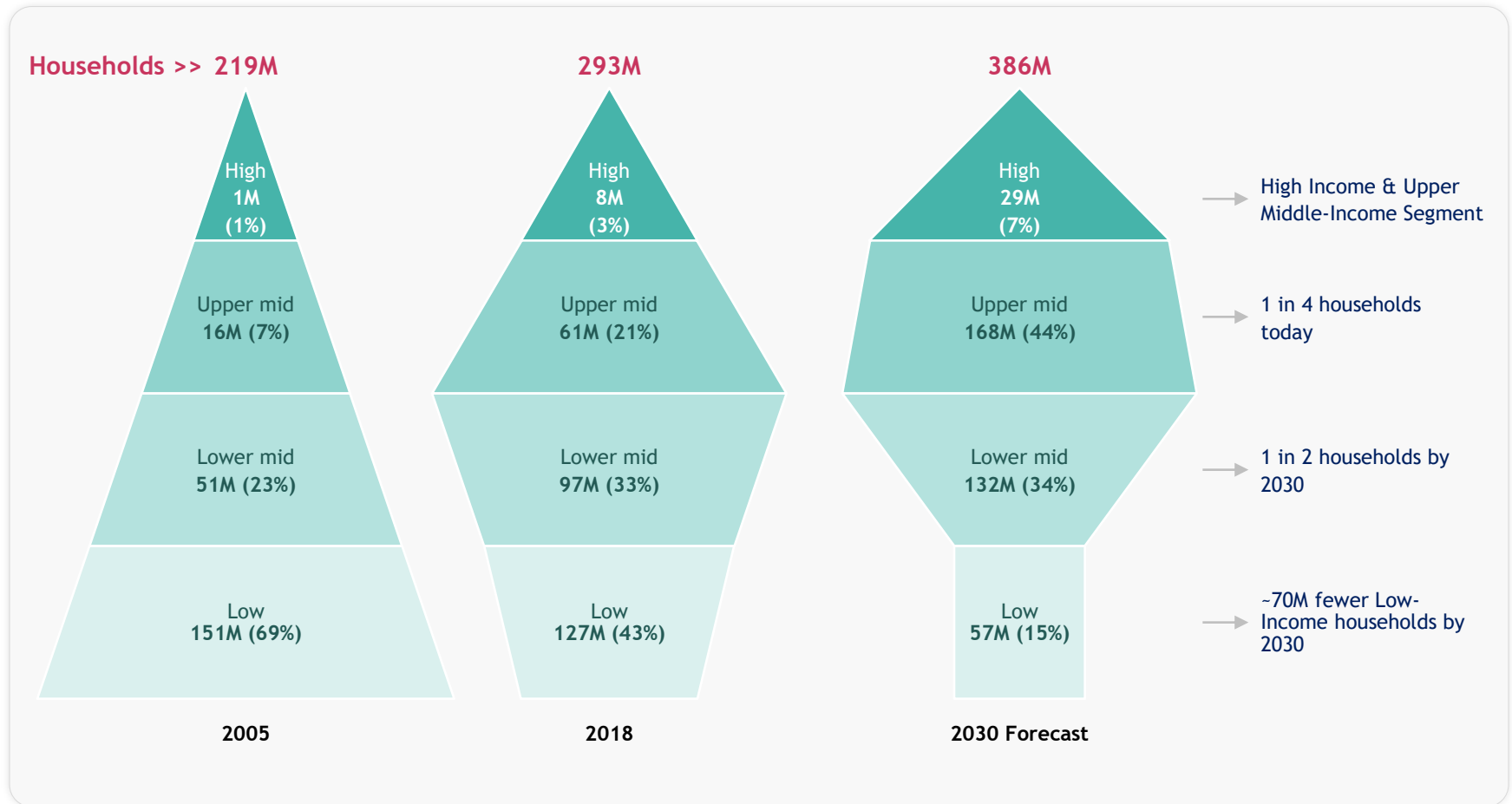
*Urban infra and household consumption goods will be required to support rise in urbanization - expected to reach 42% in 2030*



Source: National Infrastructure Pipeline Document of GOI & World Economic Forum / Bain & Co - "Future of consumption in fast growth consumer markets - India"

# A Ballooning Middle- & High-Income Class with a Greater Ability to Spend

*Upper middle & high-income proportion increasing from 24% in 2018 to 51% in 2030*



Source: World Economic Forum / Bain & Co - "Future of consumption in fast growth consumer markets - India"



# Greater Disposable Income Increases Value Added Spending

*With rise in income levels, spending on household products, health, travel and leisure increases*



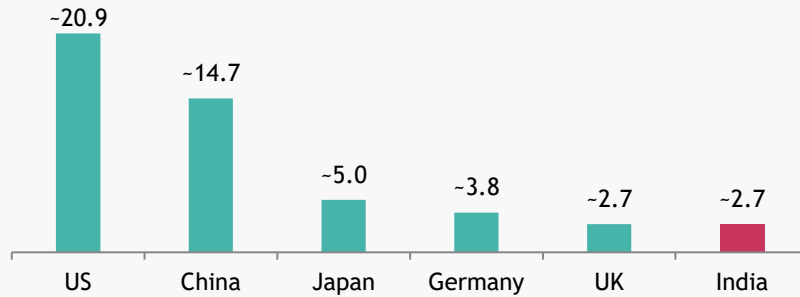
Source: Internal Research

# E-commerce is Here to Stay and Grow

India has the Third-highest number of e-retail shoppers (only behind China and US)

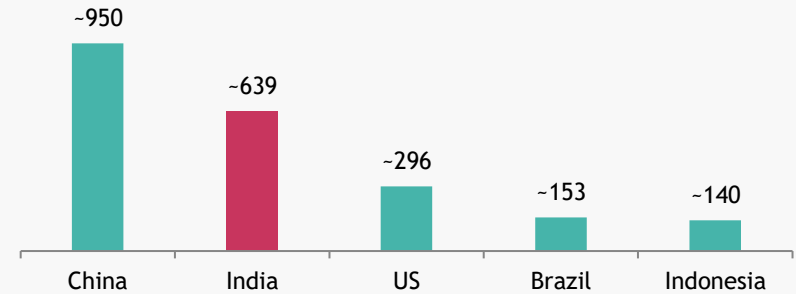
## 6<sup>th</sup> Largest Economy

Nominal GDP (\$trillion) (2020)



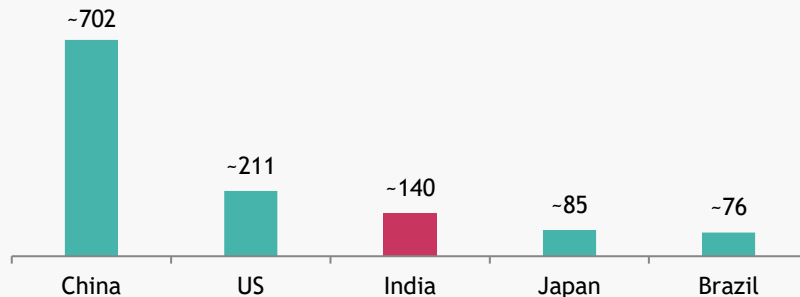
## 2<sup>nd</sup> Most Internet users

No. of Internet users (million) (2020)

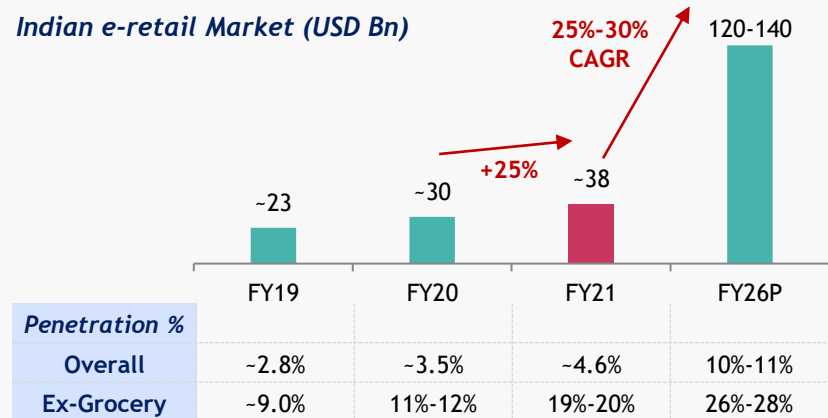


## 3<sup>rd</sup> Most e-retail shoppers

No. of e-retail Shoppers (million) (2020)



## Indian e-retail Market (USD Bn)

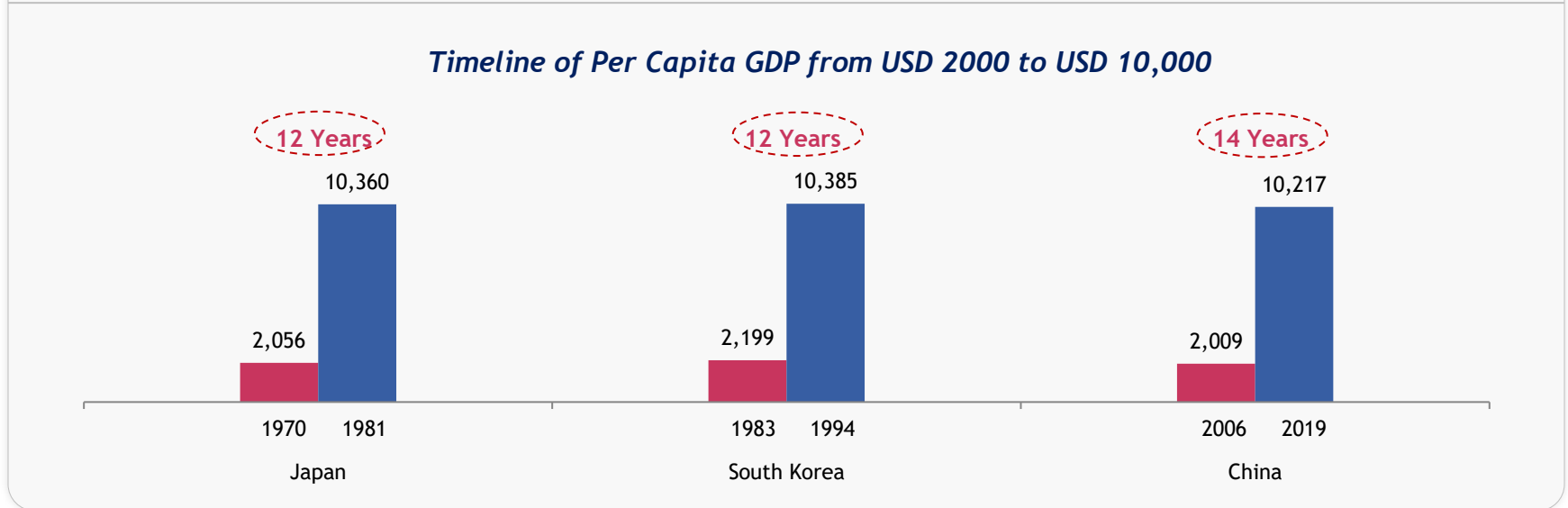
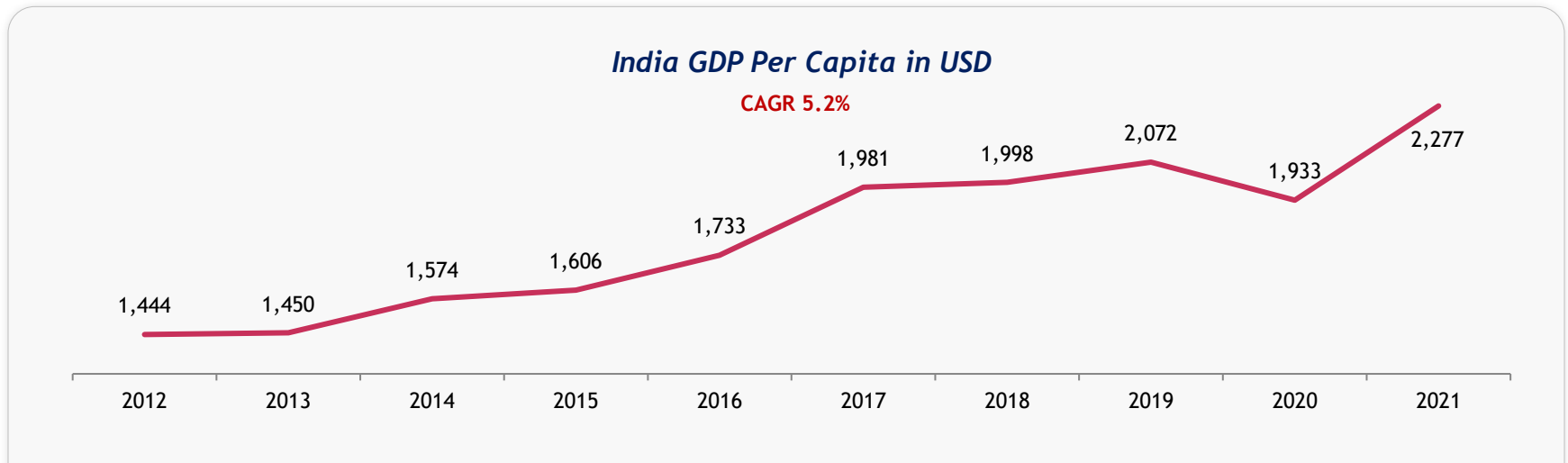


### Penetration %

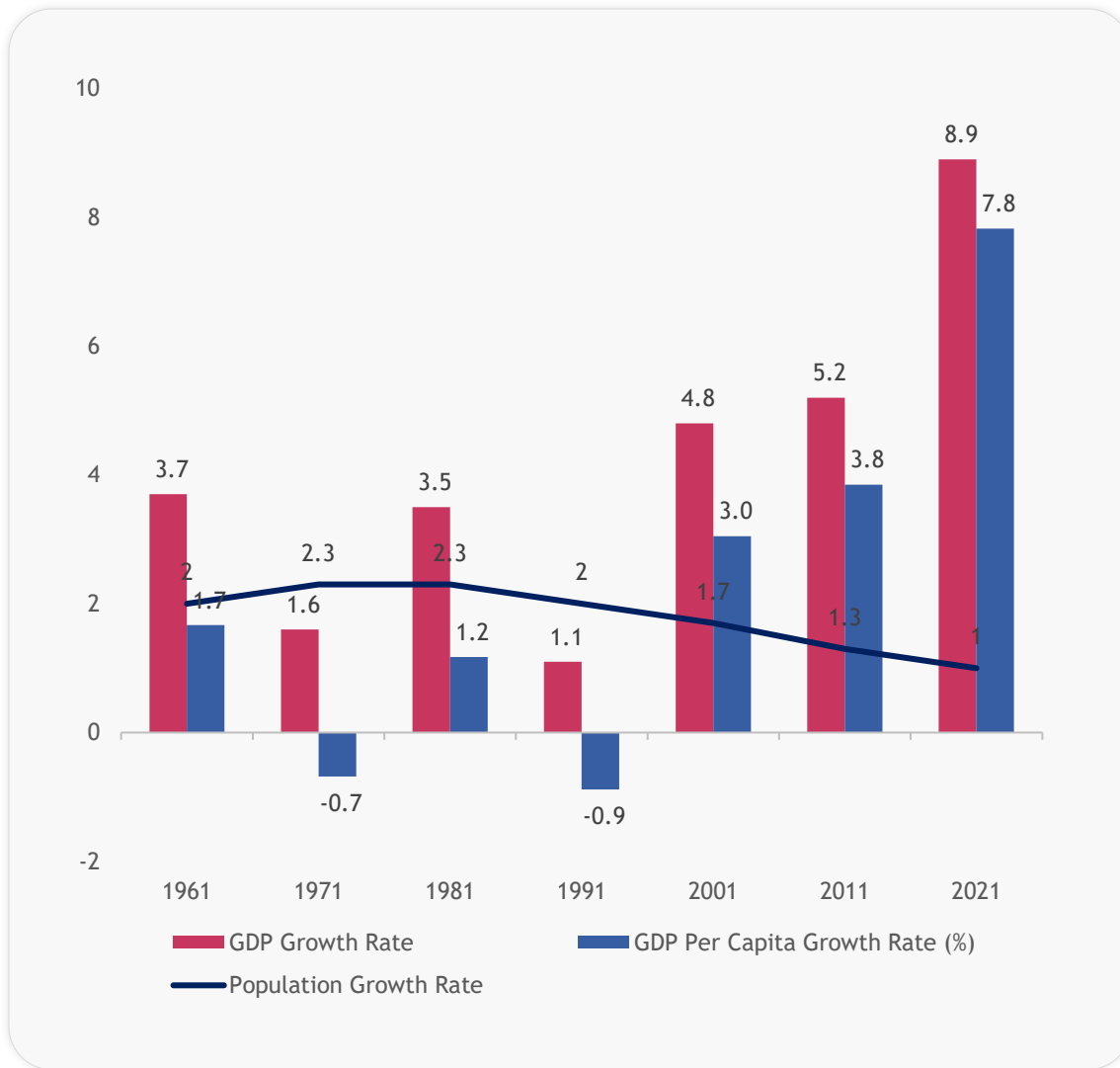
	FY19	FY20	FY21	FY26P
Overall	~2.8%	~3.5%	~4.6%	10%-11%
Ex-Grocery	~9.0%	11%-12%	19%-20%	26%-28%

Source: "How India shops online - 2021" - report by Bain & Co

# India per Capita GDP - Crossing USD 2000 can be an inflection point



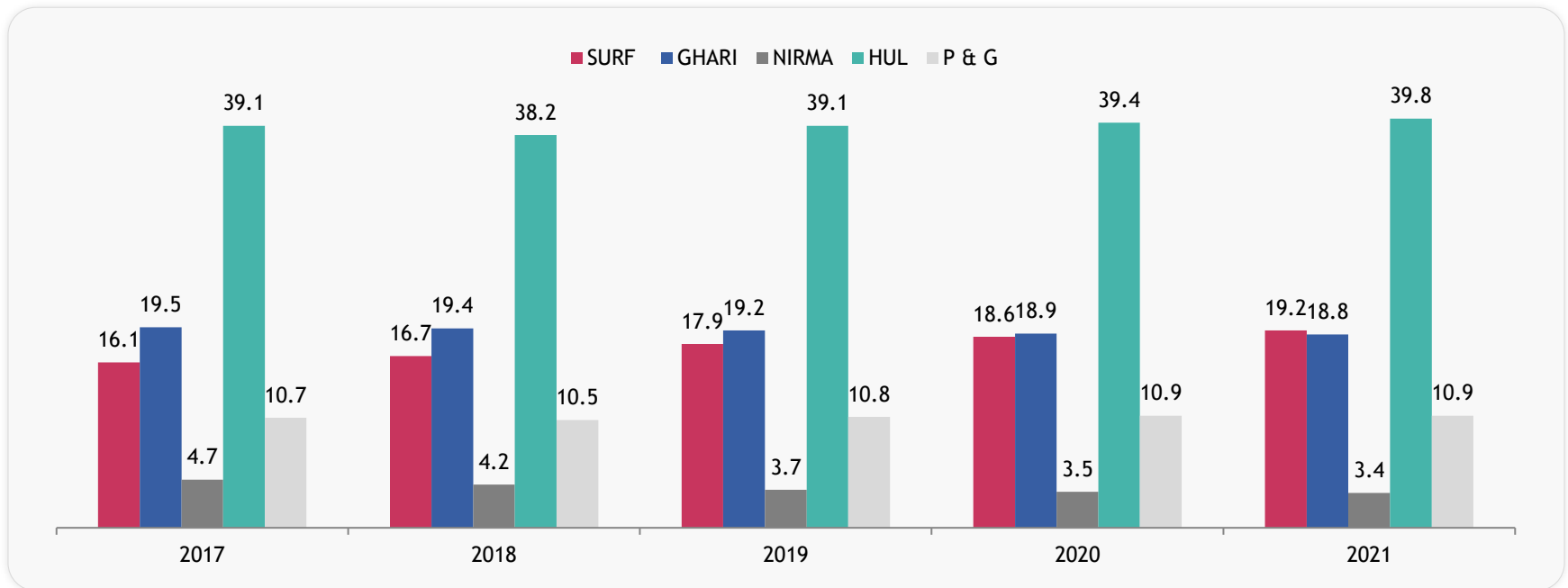
# GDP per capita Growth Rate - catalyst for Consumption



*The GDP per capita growth rate has been improving over the last 3 decades due to higher GDP and reducing growth rate of population.*

*Assuming GDP growth rate at 6.5% till FY20230 and population growth rate of 1%, GDP per capital would nearly double to USD 4000 by 2030.*

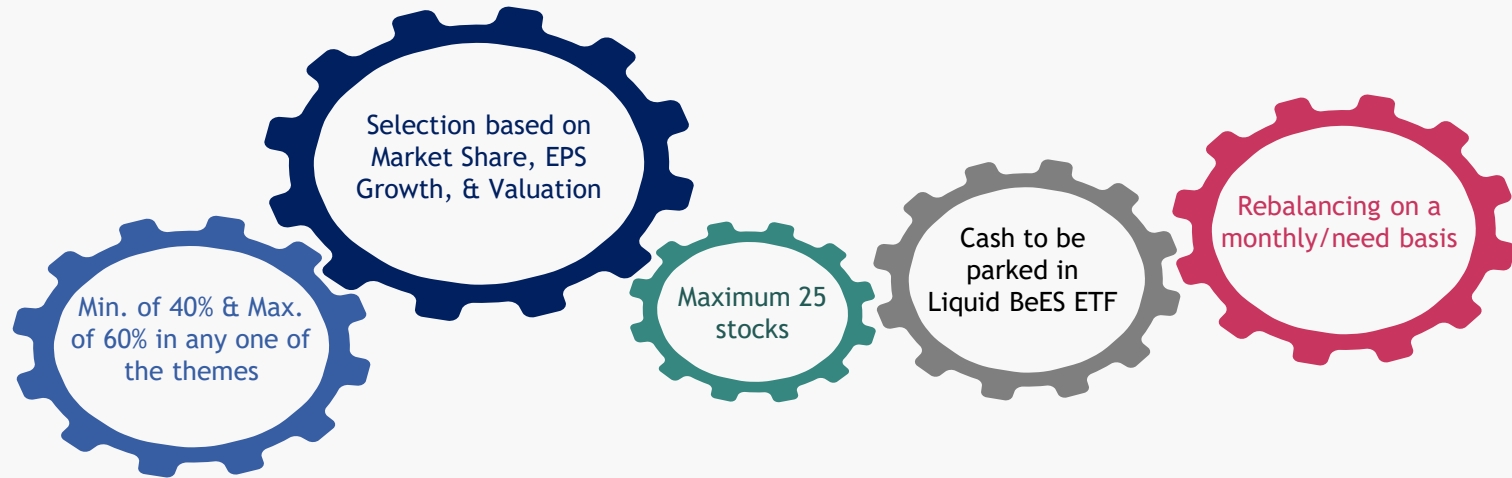
## Premiumization - Mirage or a Reality



**Surf Excel - largest brand in HUL portfolio at INR 60 bn approximately.**

- *Product quality and brand perception matters.*
- *Surf had to introduce Wheel to counter Nirma (launched in 1985). Pricing was the key differentiator then.*
- *Last decade Surf Excel overtook Wheel and other company brand - Ghari (largest brand in detergent category from 2012 till 2020).*
- *Despite pricing premium, Surf Excel is gaining market share.*
- *Increasing income levels with urbanization can lead to higher adoption of premium products.*

## Portfolio Construction



The portfolio has companies from any or all the following categories:

- *A clear market leader with a dominant market position and expected to remain competitive in the foreseeable future*
- *A strong contender is defined as the company apart from number one, that has grown faster and/or is expected to grow faster in earnings compared to peer set over the next 2 years*
- *A dark horse is a company, other than a market leader, which is capable of disproportionately benefitting from the way the industry is shaping up.*

# Entry and Exit Strategy

## Entry Strategy

- Display a ratio of PEG (PE Multiple to Estimated Growth) of not more than 1; or
- Have a relative PE\* that is not more than 1 standard deviation compared to its 5-year average; or
- Have a valuation ratio that is not more than 1 standard deviation compared to its 5-year average.

## Exit Strategy

- If the assumption with which the stock was bought becomes invalid for some reason, or
- If a stock has crossed a PEG ratio of 1, and
- If a stock has a relative PE that is more than 1 standard deviation compared to its 5 year average, and
- If a stock has a valuation ratio that is greater than 1 standard deviation of its 5-year average, or
- We find a superior investment opportunity.

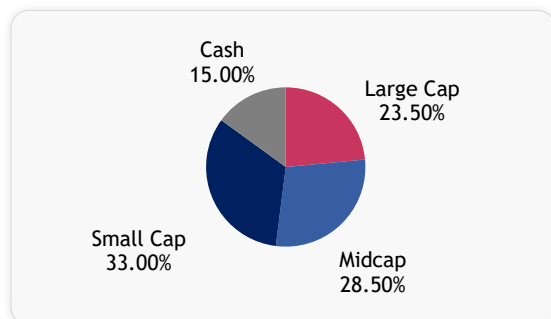
*\* Relative PE is the ratio of the individual company's PE multiple to the multiple of the market index. This method takes into account the average premium (or discount) the individual stock has enjoyed vis-à-vis the entire market.*

# Thematic Opportunities Portfolio (TOP) Snapshot

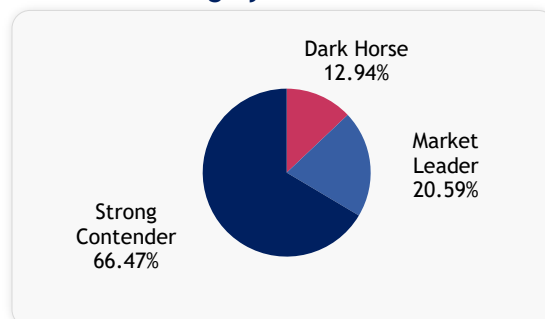
Characteristic	EPS(E) CAGR (2023 to 2025)	PER to Earnings Growth Ratio	Avg. Market Cap (INR Bn)	Sectors with highest weight
① Portfolio	25.22%	1.37	1,225	Automobile & Ancillaries Chemicals Hospitality Plastic Products Realty
② BSE 500 TRI*	17.04%	1.66	704	

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. Sectors as defined in Ace Equity.

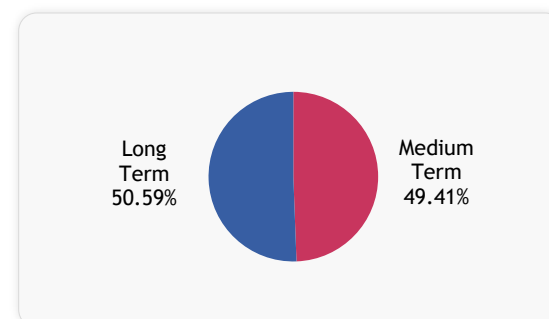
## Market Cap Allocation



## Category Allocation\*



## Theme Allocation\*



Market cap, Category & Theme allocation as on 31<sup>st</sup> March 2024. \*Category & Theme Allocation has been re-based to be considered as 100% equity.

## Performance as on 31<sup>st</sup> March 2024

Name	TOP	BSE 500 TRI
1Month	-0.80%	0.86%
3 Months	3.03%	4.49%
6 Months	11.91%	17.40%
1 Year	34.89%	40.16%
Since Inception(16/11/2022)	18.31%	21.11%

Since Inception date 16<sup>th</sup> November 2022. 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 above performance related information provided here is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. Source: Internal & BSE, Bloomberg & Ace Equity.



# Term Sheet

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

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

③	<b>Auditor</b>
M P Chitale & Co.	

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

⑤	<b>Benchmark</b>
BSE 500 TRI	

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

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

⑧	<b>Cash Strategy</b>
Residual	




⑨	<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.

# Contact Details

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