

o3 Thematic Opportunities Portfolio

Monthly Newsletter – June 2023

Dear Investor,

In continuation to last month's newsletter, where we highlighted that financial transactions were getting incrementally more digital and discussed growth drivers of the credit card industry. We have **SBI Cards and Payment Services** in the TOP portfolio. Extending our viewpoint, we wish to highlight some of the key indicators of **SBI Cards and Payment Services**.

- The customer proportion of Tier 1 cities in the SBI Cards portfolio is reducing implying that SBI Cards have been doing better in the smaller cities owing to the distribution leverage of SBI Bank.

City Tier (%)	Tier 1	Tier 2	Tier 3	Others
Q4FY2023	26	18	32	23
FY2023	38	21	21	20

- The client age profile indicates that SBI Cards has been able to successfully connect with the target audience of less than 30 years, a key growth segment for the credit card industry.

Age Profile (%)	Under 30 years	31-45 years	>45 years
Q4FY2023	36	48	16
FY2023	22	53	25

Monthly Updates:

GST collection for May 2023 is at a record level of INR 1.57 Tn. This is a growth of 12% on a YoY basis. The buoyancy in tax collection is expected to continue and the government expects the GST collection monthly base to be INR 1.5 Tn for the fiscal FY2023-24.


Portfolio Changes:

There are no changes in the portfolio as we believe that the portfolio is well placed to benefit from the current environment. However, we have changed few portfolio weights:

- SBI Cards: increased the weight by 0.5% to 5.5%
 - The traction in card issuance remains strong and with average spend per card on a rise along with stable NPA's, we believe that SBI Card would further consolidate its industry position.
 - The cost of the funds is expected to stabilize in a couple of quarters allowing profitability of SBI Cards to improve as compared to the last fiscal.
 - The traction witnessed in the smaller cities for credit cards would be a positive for SBI Cards as it can leverage the channel of SBI Bank to acquire credit card customers.
- CIE Automotive India: increased the weight by 0.5% to 4.5%
 - With operational efficiency and stronger visibility in the Auto sector, we believe that CIE Automotive India would be able to expand the margin profile in the coming years.
 - The expanded product portfolio would enable Mahindra CIE to increase the content per vehicle.
- We have reduced 0.5% weight in Titan and TD Power Systems.

Priyank Chandra

Portfolio Manager

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Thematic Opportunities Snapshot

Characteristic	Return on Capital	Expected Earnings Growth (FY23-FY25)	Avg. Market Cap (INR Bn)	Price Earnings Ratio (FY25)
TOP	18.48%	30.86%	1,224	30.79

Data Source: Bloomberg & Ace Equity; Data as of 31st May 2023.

Performance as on 31st May 2023

Period	TOP	BSE 500 TRI
1 Month	6.97%	3.78%
3 Months	10.72%	8.92%
3 Months	4.61%	(0.83%)
Since Inception (16/11/2022)	5.06%	0.75%

Benchmark is BSE 500 TRI. The portfolio is spread across different market capitalization; hence BSE 500 TRI is chosen as benchmark.

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