



# Core Equity Portfolio

Write your own chapter in India's growth story with the Core Equity Portfolio (CEP). An exclusive offering from Aditya Birla Sun Life AMC Ltd - Portfolio Manager, CEP gives you the opportunity to invest in businesses that are central to the country's growth drive.

This portfolio helps you identify these businesses and participate in their growth journey in the medium to long-term. By investing in CEP, you also get to practise value investing.

### Investor profile

Core Equity Portfolio is an ideal investment option for investors seeking a long-term participation in India's growth journey through investment in Indian equities.

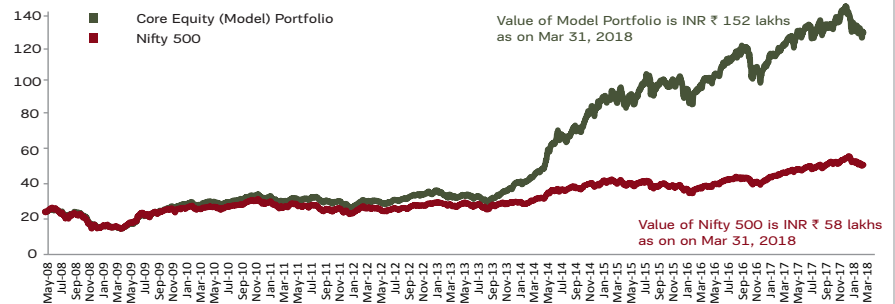
# Consistency of performance across market cycles

## What creates this sustainable wealth-creation portfolio?

The Core Equity Portfolio consists of 25-30 stocks selected from a multi-cap universe. The investment approach is founded on four pillars:

- Sustainable growth over long-term in select industries, which endeavors to make up for most of the GDP growth patterns.
- Focus on businesses that consistently create value through favourable industry operating conditions.
- Quantitative Screeners backed by fundamental research:  
Comprehensive alert system to track industry-wise valuations.  
Current studies include:  
Recurring Winners Study,  
Piotroski Scores.
- Value investing approach to generate alpha.

## Growth of ₹ 25 lakhs since inception of Core Equity Portfolio



	Core Equity Portfolio (CEP)	Nifty 500	Outperformance
Absolute Return	509.6%	133.5%	376.2%
CAGR Return	19.8%	8.8%	11.0%

Returns depicted above are since the inception of the fund April 1, 2008 to Mar 28, 2018.  
Past performance may or may not be sustained in the future.  
Benchmark: Nifty 500

## Point to point returns

	3 months	6 months	1 year	2 years	3 years	4 years	5 years	Since Inception
Core Equity Portfolio	-9.2%	-0.4%	7.0%	15.4%	13.0%	30.7%	33.9%	19.8%
Nifty 500	-6.1%	3.6%	11.5%	17.5%	8.5%	14.3%	15.0%	8.8%
Outperformance	-3.1%	-4.1%	-4.5%	-2.1%	4.5%	16.4%	18.9%	11.0%

Returns (%) As on Mar 28, 2018.  
Returns up to 1 year period are absolute figures while those greater than 1 year period are CAGR.  
Past performance may or may not be sustained in the future.

(Source : Internal ABSLAMC Research)

## Portfolio Managers



Vishal Gajwani

With over 10 years of experience in equity research and portfolio management, Vishal has extensive expertise in researching companies across sectors and market capitalisations. Prior to this assignment he was a part of Reliance Portfolio Management Services (a part of Reliance Capital Asset Management Ltd), where he was designated as an Assistant Fund Manager and was responsible for managing equity portfolios.

He is a Gold Medal winning Chartered Accountant (ICAI, India) and holds a Masters degree in Commerce from M. S. University of Baroda. Vishal received 4 Gold Medals, including the Chancellor's Gold Medal, for topping the Master of Commerce Exams. Vishal is also a CFA charter holder from the CFA Institute (The Global Association of Investment Professionals), USA.



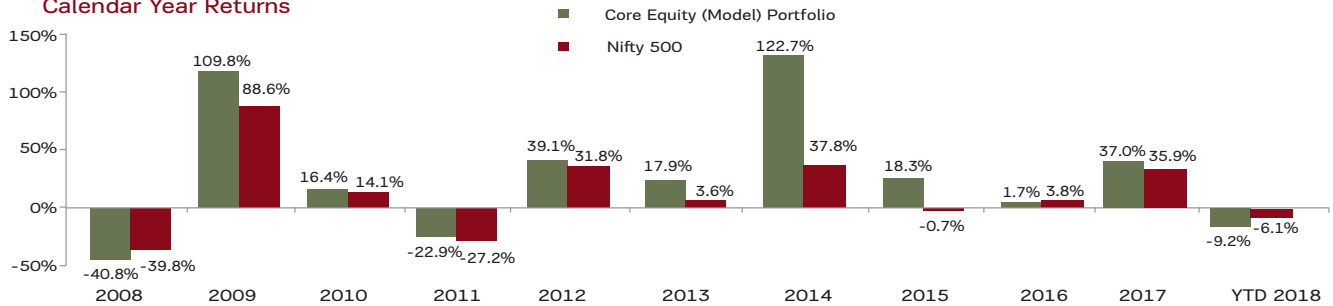
Natasha Lulla

Over 9 years of experience in equity research and fund management. Prior to joining Birla Sun Life Portfolio Management Services, Natasha was working with Goldman Sachs as an equity analyst covering India Materials sector. In her earlier stint at Goldman Sachs, she was responsible for Portfolio Strategy for ASEAN regions and also covered Singapore Real Estate.

Natasha holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was a Gold Medal winner in each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. Natasha has done her graduation in Economics from Lady Shri Ram College, New Delhi and graduated amongst the top 1% in Delhi University.

# Portfolio Analytics

## Calendar Year Returns

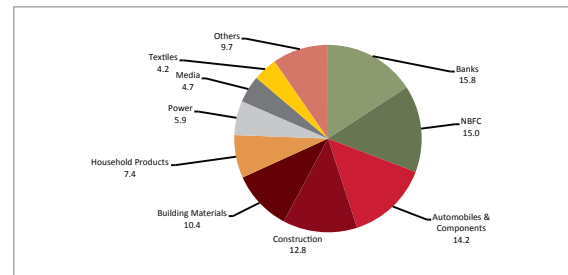


## Top 10 Portfolio Holdings

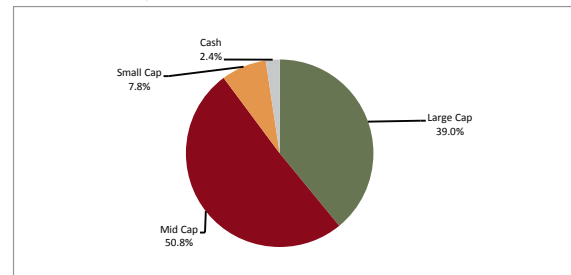
Sr. No.	Company Name	% to Net Assets
1	Yes Bank	6.9
2	Maruti Suzuki India	6.5
3	Century Plyboard India	6.0
4	RBL Bank	5.7
5	Cholamandalam Investment	4.7
6	Zee Entertainment Enterprises	4.7
7	Cera Sanitaryware	4.4
8	K.P.R. Mill	4.2
9	Ashok Leyland	4.1
10	Gulf Oil Lubricants India	4.1

(Source: Internal ABSLAMC Research). All data as on Mar 28, 2018. Past performance may or may not be sustained in the future.

## Sector Allocation (As per GICS Sector Classification)



## Market Cap Bias



# Portfolio Manager's Commentary

## Equity Outlook

The last few months have seen heightened volatility in equity markets globally on the back of import tariff announcements by the US and China. Indian markets too have seen increased volatility due to this. Also concerns on political alliance by opposition parties for the upcoming general elections, regulatory overkill in the wake of PNB fraud, governance issues with ICICI Bank and Axis Bank have further dampened the sentiment.

Interestingly, despite the worsening macro situation, there are visible green shoots of cyclical recovery in earnings growth which augurs well from bottom-up stock selection stand-point. The auto sales numbers released for the March month indicated robust growth for many auto companies. Maruti Suzuki sales for March was quite encouraging as it recorded a growth of 15% yoy. Compact segment with models like Baleno, Swift & Dzire & Utility vehicles consisting mainly of Brezza, have boosted the sales numbers for Maruti.

Our other portfolio holding Eicher motors recorded sales growth of 27% for Royal Enfield motorcycles. VECV (Volvo Eicher Commercial Vehicles) reported 30% yoy volume growth led by strong sales in both the light & medium & the heavy categories. Also, VECV is expected to be a beneficiary of the vehicle scrappage policy where vehicles older than 15 years will be phased out & restrictions on overloading of vehicles will be enforced.

Ashok Leyland reported a growth of 20% yoy in sales in March 2018 with higher contribution from light CVs segment. The company is opening a state of the art manufacturing facility in Andhra Pradesh which is expected to produce 4800 buses annually.

Also, segments like Private Banks, NBFCs and Building Materials are expected to benefit from the pickup in credit growth, push for affordable housing and GST implementation. Our portfolios are appropriately positioned in all these segments.

## Portfolio Action

Reflecting on the performance of CEP for FY18, while the portfolio has underperformed the benchmark as we stayed away from certain high beta sectors, we believe that the underlying financial performance of portfolio companies is showing strong improvement which could translate into decent outperformance going forward. We have seen this trend of short term underperformance even in otherwise very robust businesses. For example, companies like Maruti Suzuki, Zee Entertainment and Yes Bank have each underperformed the markets by 3 to 4 times

over the last 10 years on annual basis, however cumulatively they have generated 34% annualised returns over the last 10 years vs 14% for Nifty.

In the quarter gone by, Auto and Media stocks (Ashok Leyland, Zee Entertainment) in the portfolio contributed positively while performance was pulled down by Construction and Consumer goods stocks (NBCC, Dixon Technologies). The average cash position of the portfolio for the quarter was about 1.78%.

Last month the portfolio exited from Capital First and Jyothy Laboratories. Capital First has announced its decision to merge with IDFC Bank. Post-merger, management expects to predominantly focus on retail to strengthen its liability franchise. The merged entity's RoE is expected to be lower given the transition challenges - statutory compliance drag, integration issues & incremental investments. Hence, we exited the stock to invest in better opportunities. Jyothy Labs' sales has been badly impacted after demonetization and GST implementation owing to its higher dependence on wholesale channel. Also Henkel decided not to exercise its option to buy a 26% stake in the company. The current price factors in most of the positives & leaves limited share price uptick in the near term.

We added L&T Finance holdings in the portfolio. The company has seen strong operating trends, driven by faster AUM growth (26% YoY for the focused book) and higher profitability. LTFH aims to focus on high quality wholesale infrastructure lending and becoming a market leader in the same. Going forward we expect the proportion of Rural book to increase which should also aid RoA improvement. The loan book is expected to witness a 29% CAGR over FY17-20E, on the back of government's increased focus on infrastructure, housing and rural sectors.

Most experts believe that 2018 will be a year of consolidation where the markets may not deliver strong returns considering the macro uncertainties. However, the good news is that many companies and select industries are showing strong signs of improvement and judiciously investing in such opportunities could lead to decent outperformance even in an otherwise dull market. We're continuing to focus on these pockets of opportunity in the form of high quality businesses with decent growth prospects that could be the primary beneficiaries of the expected economic growth over the next 2-3 years.

(Source: Bloomberg, ABSLAMC Internal Research)

Disclaimer: The views expressed above are the views of the Fund Managers of Core Equity Portfolio and should not be construed as an investment advice.

Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the Product will be achieved. Past performance may or may not be sustained in future.

## Risk Ratios

Analytics for period ending Mar 31, 2018	Benchmark	Standard Deviation	Sharpe Ratio*	Beta	PTO (%)
Core Equity (Model) Portfolio	Nifty 500	16.09%	0.23	1.01	45.5

\*Risk-free rate assumed to be 9.39% (MIBOR as on Mar 28, 2018)

Above ratios are calculated on Annualised basis using 3 year history of monthly data points

## Portfolio Key Facts


Inception Date	April 1, 2008
Benchmark	Nifty 500
Type of portfolio	Open-ended Discretionary Portfolio
Minimum Investment Amount for New Account Opening	₹ 25 lacs OR such other amount as decided by the Portfolio Manager at its sole discretion
Recommended Investment Horizon	At least 3 years
Taxation	Investors are advised to seek consultation from their Independent Financial Advisor / Tax Advisor before making any investment decision.
Key risks	Equity Market Risk

### Risk Factors and Disclaimers

Model Portfolio refers to portfolio of earliest investor in the product and in case of redemption of the model client, portfolio of earliest client in the said product rebased for computation of returns. It refers to specific investments that the investor will have in his portfolio when it is completely built-up over a period of time. Past performance may not be sustained in the future. Investments in securities are subject to market risks. Please refer to disclosure document. The returns are absolute for the period mentioned less than 1 year and in CAGR for the period more than 1 year. Individual portfolios of investors may vary from the model portfolio due to factors such as timing of entry and exit, timing of additional flows and redemptions, individual investor mandates (if any), specific portfolio construction characteristics or structural parameters. These factors may have bearing on individual portfolio performance and hence individual returns of investors for the said portfolio type may vary from the data on performance of the portfolio depicted above. Neither the Portfolio Manager nor the Asset Management Company, its Directors, employees or sponsors shall in any way be liable for any variation in the actual returns of individual portfolios.

Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the Product will be achieved. Any information contained in this publication does not constitute and shall be deemed not to constitute an advice, an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Please note that this is not an advertisement. The document is solely for the information and understanding of intended recipients only. If you are not the intended recipient, you are hereby notified that any use, distribution, reproduction or any action taken or omitted to be taken in reliance upon the same is prohibited and may be unlawful. Aditya Birla Sun Life Asset Management Company Ltd. (ABSLAMC) / its subsidiaries / affiliates or their officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time. Recipients of the information contained herein should exercise due care and caution and read the disclosure document (including if necessary, obtaining the advice of tax / legal / accounting / financial / other professionals) prior to taking of any decision, acting or omitting to act, on the basis of the information contained herein. Aditya Birla Sun Life AMC Limited- Portfolio Managers has used information that is publicly available, including information developed in-house. Some of the material used in the document may have been obtained from members/persons other than the PMS and / or its affiliates and which may have been made available to the PMS and / or to its affiliates. Information gathered and material used in this document is believed to be from reliable sources. The PMS however does not warrant the accuracy, reasonableness and / or completeness of any information. The actual investments / portfolio decisions are a result of complex technical & fundamental valuations at the disposal of the portfolio manager. Investors are advised against replication of strategies implemented. Information contained herein shall not be copied/circulated/reproduced/quoted in any form or manner (in part or whole) without the express written consent of Aditya Birla Sun Life Asset Management Co. Ltd. Any forward-looking word, phrase or expression is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the said forward-looking word, phrase or expression.

For any service related queries, please contact us:

 1800 270 7000

 care.pms@adityabirlacapital.com

Aditya Birla Sun Life AMC Limited (Formerly known as Birla Sun Life Asset Management Company Limited) (Investment Manager for Aditya Birla Sun Life Mutual Fund) CIN: U65991MH1994PLCO80811.

One India Bulls Centre, Tower 1, 17th Floor, Jupiter Mill Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013.

Tel: 4356 8000. Fax: 4356 8110 / 8111

Security investments are subject to market risks and there is no assurance or guarantee that the investment objective will be achieved.