



# 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.

## 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.



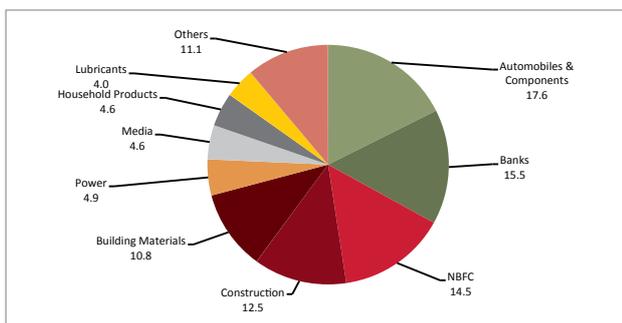
Natasha Lulla

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.

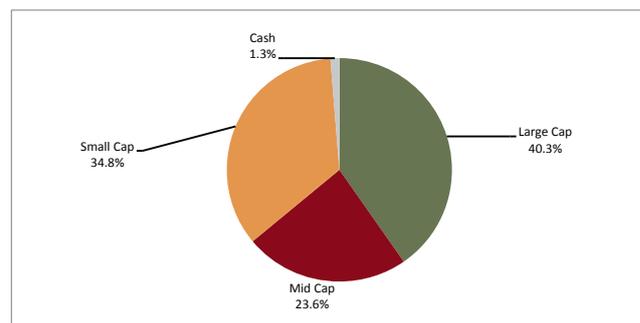
Natasha holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was a Gold Medal winner in each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. Natasha has done her graduation in Economics from Lady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

## Portfolio Analytics

### Sector Allocation (As per GICS Sector Classification)



### Market Cap Bias



# Portfolio Analytics

## Top 10 Portfolio Holdings

| Sr. No. | Company Name                  | % to Net Assets |
|---------|-------------------------------|-----------------|
| 1       | Yes Bank                      | 7.4             |
| 2       | Maruti Suzuki India           | 6.3             |
| 3       | Cholamandalam Investment      | 5.1             |
| 4       | Century Plyboard India        | 4.8             |
| 5       | Zee Entertainment Enterprises | 4.6             |

| Sr. No. | Company Name              | % to Net Assets |
|---------|---------------------------|-----------------|
| 6       | Bajaj Finserv             | 4.6             |
| 7       | RBL Bank                  | 4.4             |
| 8       | Ashok Leyland             | 4.3             |
| 9       | Gulf Oil Lubricants India | 4.0             |
| 10      | Eicher Motors             | 3.8             |

(Source: Internal ABSLAMC Research). All data as on May 31, 2018 . Past performance may or may not be sustained in the future.

## Portfolio Manager's Commentary

### Equity Outlook

As highlighted in the beginning of the year, calendar year 2018 has witnessed high market volatility led by multiple macro factors – rising crude oil prices, global trade war tensions, rising bond yields, rupee depreciation, and uncertainty surrounding 2019 national elections.

In this backdrop, Nifty remained resilient and delivered positive returns on the back of strong year to date performance by defensive sectors like IT and FMCG which are up 18% & 5% respectively. These sectors cushioned the underperformance of domestic cyclical sectors like Auto, Industrials and Consumer Discretionary. The midcap & small cap space where our portfolio is majorly concentrated was the most affected as more than 60% of the midcap stocks were down more than 20% with the Nifty Midcap Index correcting by around 11%. This trend was further accentuated by domestic mutual funds selling in the small & mid cap stocks to realign their portfolio within the new limits mandated by SEBI.

Amidst this macro uncertainty, there were some positive green shoots on the growth front - GDP growth has rebounded strongly from the lows of 5.7% in June 2017 to 7.7% during the March quarter, highest among the major global economies. High frequency data points also continued to display positive trend, including CVs, Auto, tractors, direct tax collections and credit growth. This positive outlook was reaffirmed in 4QFY18 earnings results, where good pick-up was witnessed in companies levered to domestic recovery including Autos, FMCG and Durables.

As per management commentary, corporates are seeing robust uptick in consumer demand, especially rural and an improvement in the investment climate. On the cost side, managements expressed concerns over rising input costs which should be offset by pricing levers and cost rationalization. Around 70% of our portfolios are levered to domestic recovery, especially consumption, which was reflected in healthy earnings growth for our portfolio companies.

### Portfolio Insights

In this backdrop, the Core Equity Portfolio (CEP) has delivered -10.56% returns in CY2018 to date. Considering that the CEP portfolio has 40% exposure to large cap stocks, the performance in line with Midcap index is disturbing. However, the same is exaggerated by stock specific events in CG Power and Eveready Industries which we believe could be transient. On the positive side, the portfolio avoided exposure to high beta sectors like Metals (down 8% YTD), Oil and Gas (down 11%) and PSU Banks (down 14% YTD). Also, Q4 FY18 results of portfolio companies showed encouraging trend with sales and profit growth of 18% versus 3% growth for the benchmark (ex-financials & telecom).

We believe that our portfolio is well positioned considering that portfolio valuation is at 11% discount to benchmark, while the ROE and Net Profit growth are at 59% and 35% premium to the benchmark respectively. We expect to capture the gains driven by turnaround in the earnings of the portfolio companies with an expected earnings CAGR of ~25-30% over FY18-20. We continue to remain positive on Financials (30% weight), Consumer Discretionary (24% weight), & Materials (18% weight) as they are expected to benefit from the growth in the economy going ahead.

While we do remain watchful of the macro environment, our philosophy of staying invested in fundamentally sound companies with high quality balance sheets, excellent management & high earnings potential should bode well in the medium to long term. In our view, broad based correction in mid-caps is irrational, and quality mid-caps are expected to rebound strongly from these levels, led by their healthy earnings growth over the next few quarters. We expect to capture the gains driven by strong earnings growth of the portfolio companies of ~25-30% CAGR over FY18-20.

(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 May 31, 2018 | Benchmark | Standard Deviation | Sharpe Ratio* | Beta | PTO (%) |
|--|-----------|--------------------|---------------|------|---------|
| Core Equity (Model) Portfolio            | Nifty 500 | 16.85%             | 0.31          | 1.03 | 40.2%   |

\*Risk-free rate assumed to be 6.00% (MIBOR as on May 31, 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.

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