

Investment Process - Equity

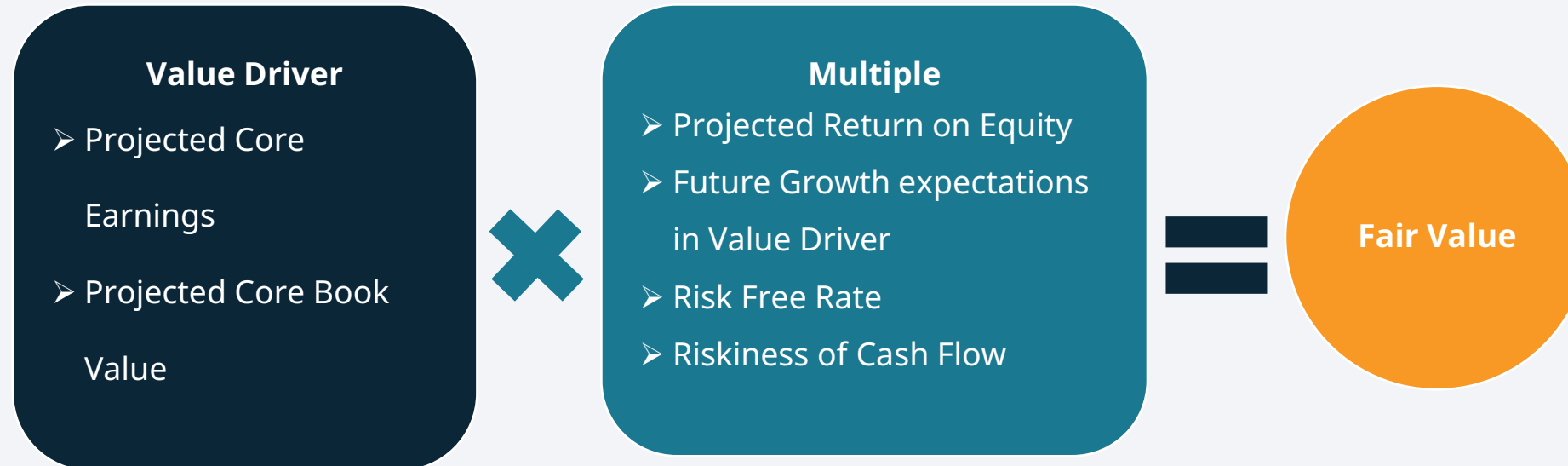
January 2024



Investment Philosophy

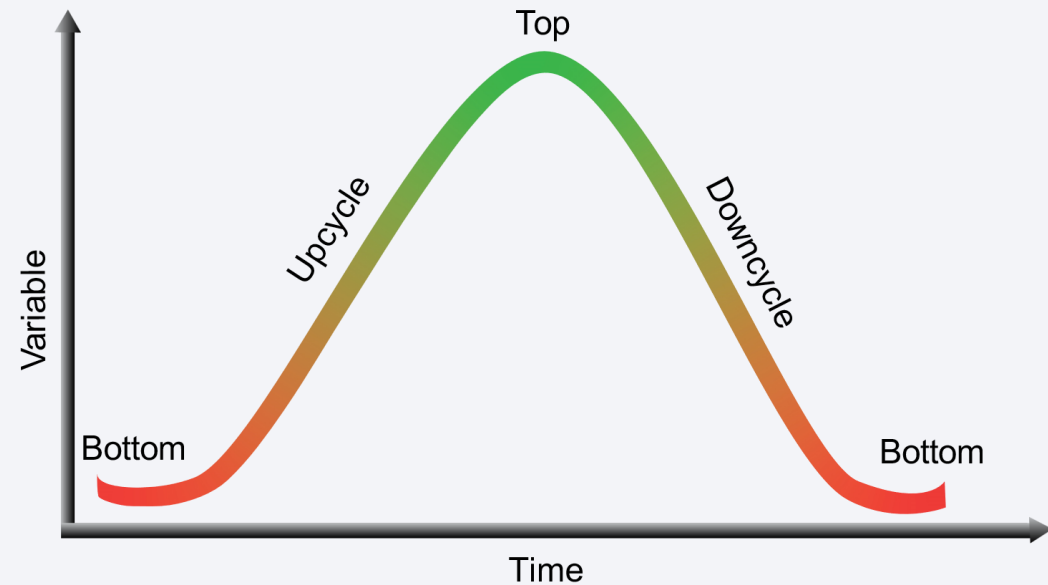
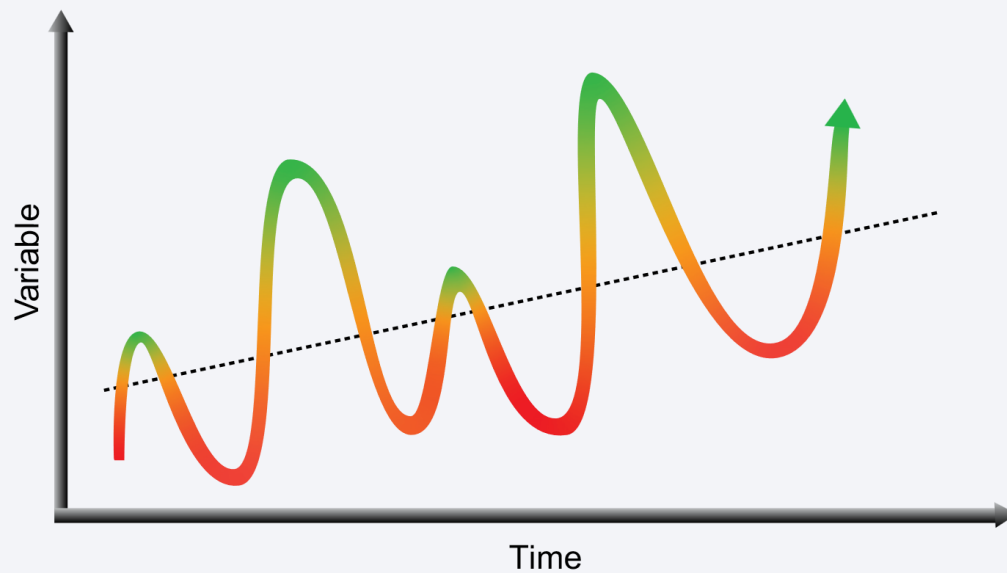
- We believe that stock price tends to track fair business value over the medium to long-term
- Long-term is a series of short terms
- More things might happen in the future than will
- Listening to market/street signals complements fundamental analysis
- While a top-down view is necessary, it's not a substitute for bottom-up stock picking
- Identification of superior growth, compounded over long periods of time, within an appropriate valuation framework, is the primary way in which we seek to add value to the client portfolios

Fair Value Drivers



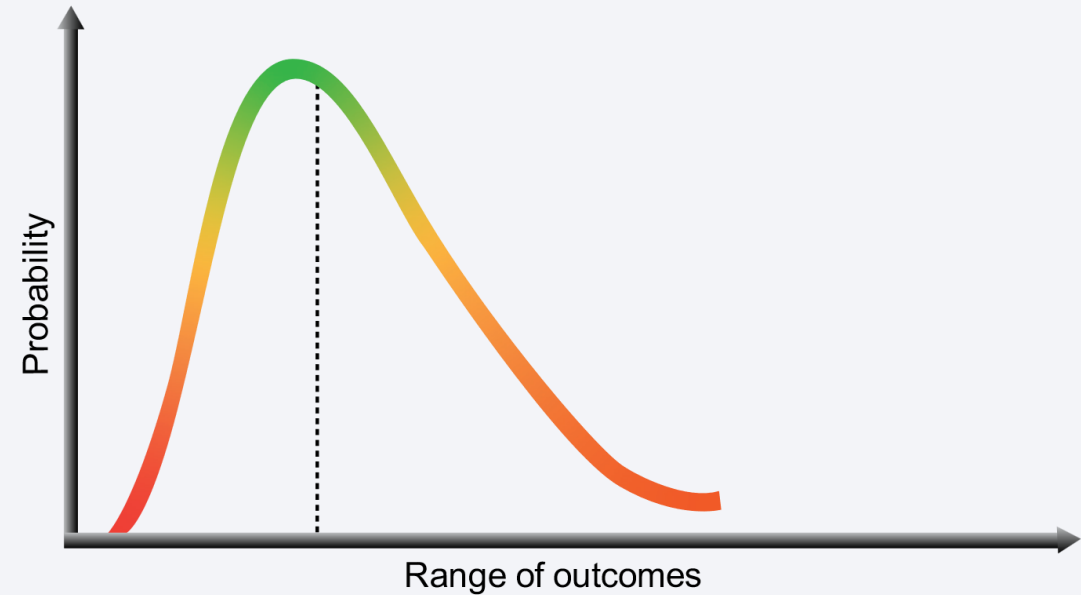
Long Term Is A Series Of Short Terms

- Everything is cyclical or has phases
- Where are we in the cycle...
 - Dictates Research Approach &
 - Portfolio positioning



More Things Might Happen In The Future Than Will

- Probabilistic thinking
- Bull case, bear case, and probability-weighted expected value framework
- Position sizing of bets
- Risk reward analysis



Investment Process

The Investment Process is divided into two parts.

Stock Research Process: It includes New Stock Selection and Monitoring the existing stocks

Portfolio Management: Based on research, portfolio is constructed and rebalanced

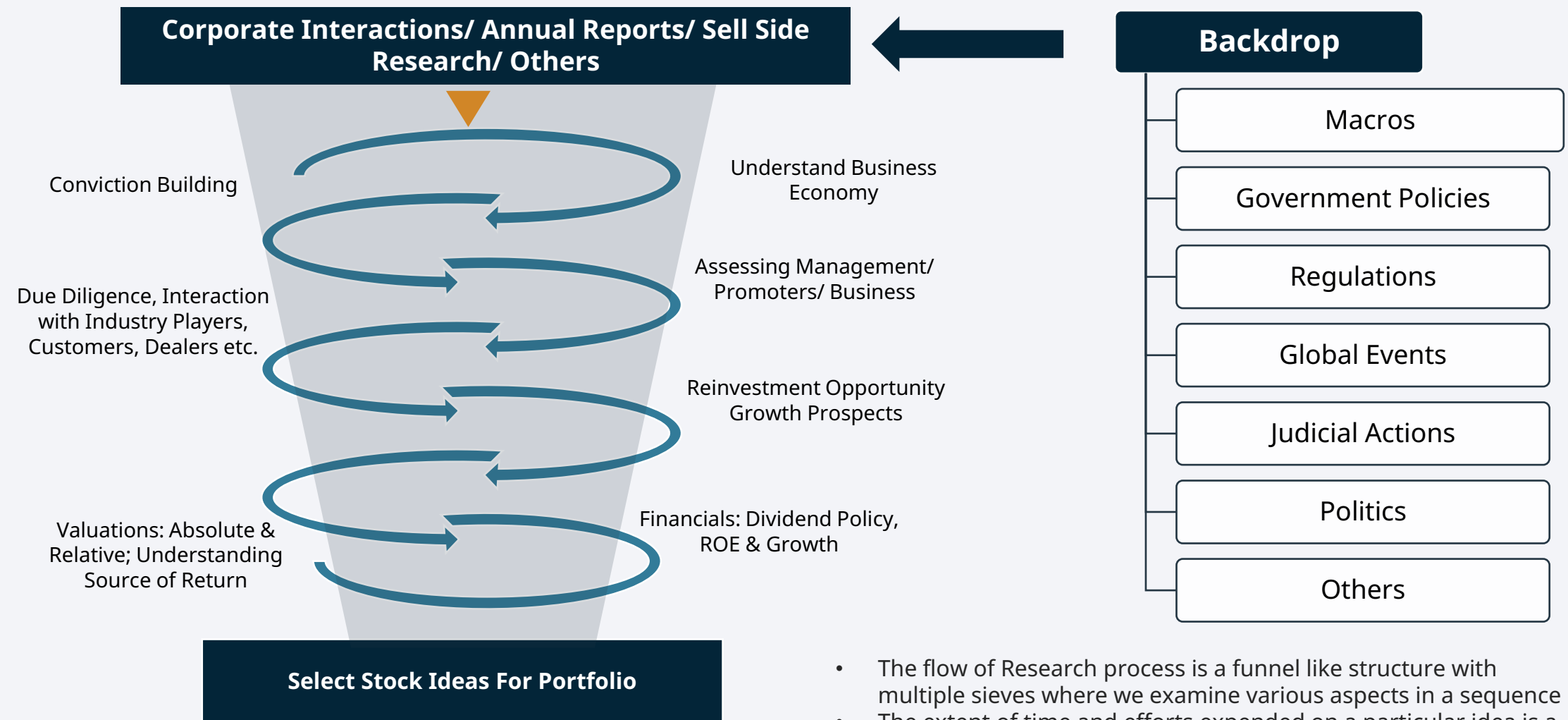
Research Process

- Monitoring Existing Stocks
- New Stock Ideas

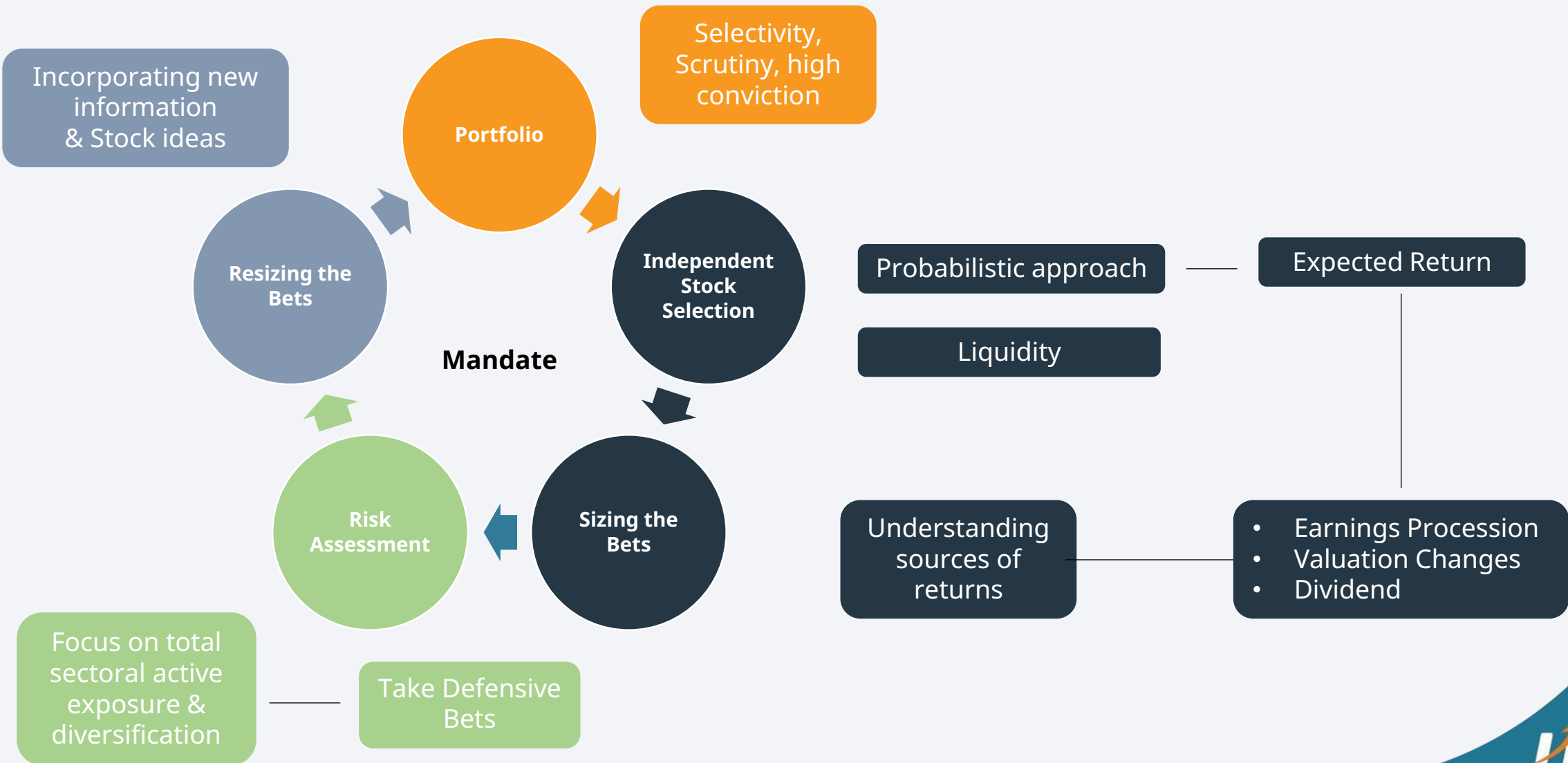
Portfolio Management

- Portfolio Construction
- Rebalancing Portfolio for New Information/ Development
- Considering & Incorporating New Stock Ideas

Investment Process: Research Process



Investment Process: Portfolio Management



Stock Classification Framework

The stocks in a portfolio can be classified into categories where each one has a specific role and may have the potential to meet certain expectations in terms of delivery:

Strategic

These are typically 'buy & hold' compounding stocks. They are generally characterized by good quality business and competent managements with a long track record. These businesses normally do not experience significant deterioration in their financials even during downcycles.

Tactical

These are not 'buy & hold' stocks. For these stocks, exiting at the right time is as important as getting in at the right time. They are generally from more cyclical industries and need to be part of the portfolio only during the upcycle.

Option

These stocks appear very promising from a top-down perspective. However, they generally do not have long-term business or management track record. They are inherently riskier in nature but can have the potential to offer higher returns. The potential payoff could be of the nature of 1 or 0.

Defensive

These stocks are generally big benchmark stocks where investment manager has low conviction about their outperformance. However, not owning them at all may be deemed too risky from relative performance standpoint. These are generally neutral or underweight relative positions.

Salient Features of our Investment Style

- ❖ Long term view
- ❖ Focus on business value accretion
- ❖ Growth & Quality Orientation
- ❖ Conscious of current market dynamics
- ❖ Not going down the quality curve even as we go down the market cap curve for small/mid-cap mandates
- ❖ Benefiting from compounding of earnings and valuation re-rating for small/mid-cap mandates
- ❖ Extent of active betsfunction of conviction level
- ❖ True to mandate
- ❖ Clarity through stock classification
- ❖ Conscious of liquidity

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THANK YOU

