

The Zen of Investing



October 2016



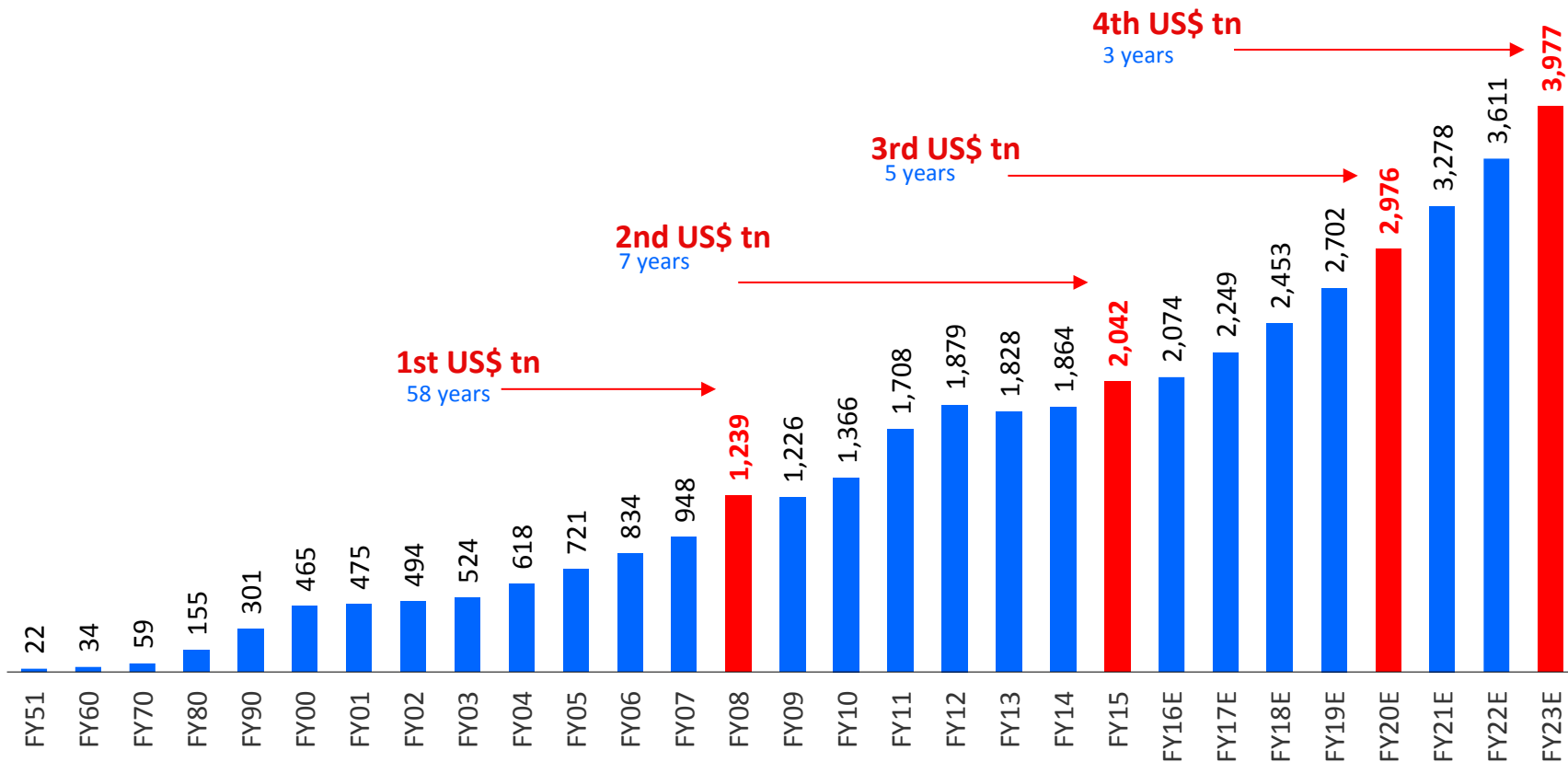
Why India ?

- ▲ India's Next trillion Dollar Era
- ▲ New Cycle of earnings growth
- ▲ Current Valuations below decadal average

Why Motilal Oswal PMS?

Why Value ?

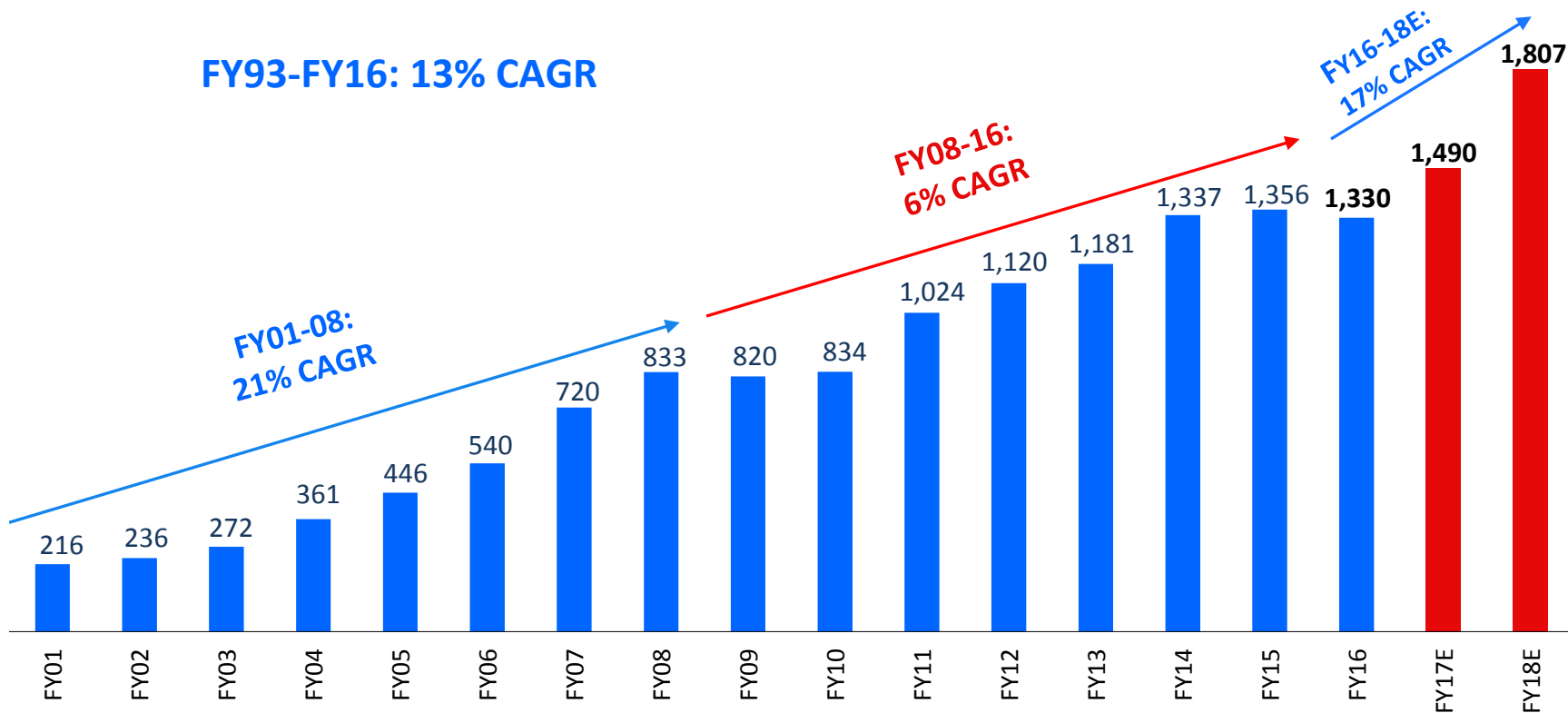
- It took our GDP almost 60 years to reach 1st US \$ trillion; but only 7 years to reach the 2nd US \$ trillion.



Source: Motilal Oswal Securities Ltd (Data as on 30/9/2016)

Above forward-looking graphs & statements are based on external current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results.

Sensex earnings growth muted in FY15 ; expect to rebound in FY16-18E, with 17% CAGR.



Source: Motilal Oswal Securities Ltd, as on September 2016

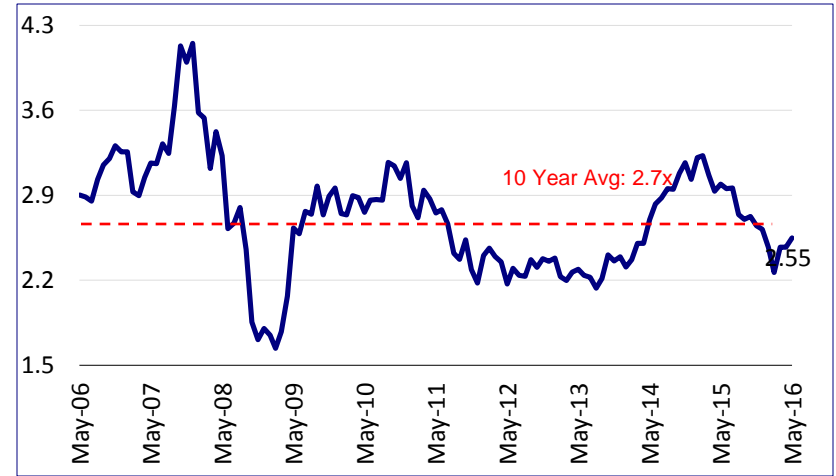
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Current Valuations: Below decadal average

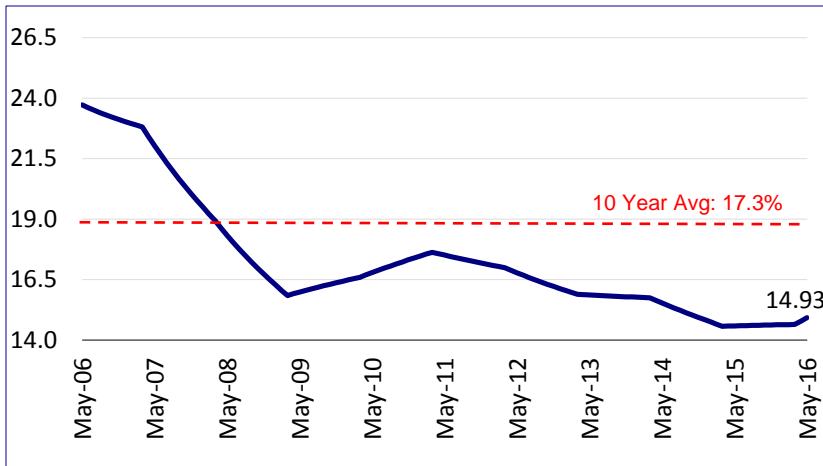
12-month forward Sensex P/E (x)



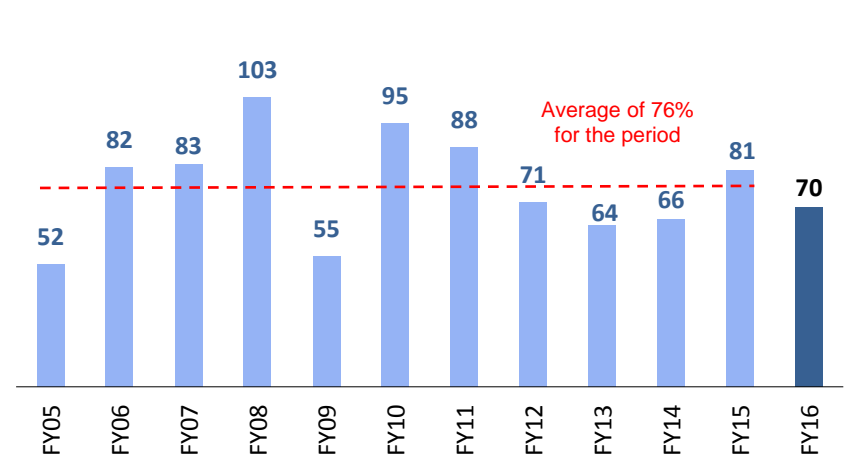
12-month forward Sensex P/B (x)



12-month forward Sensex RoE (%)



Trend in India's market cap-to-GDP (%)



Amongst India's leading PMS Providers, with assets under management of approx Rs. 7,636 Crores.

Our Flagship "Value Strategy" has outperformed the benchmark across market cycles for a 13 year period.

Motilal Oswal PMS has one of the largest active accounts (more than 15,253) on PMS platform.

Motilal Oswal PMS has active clients in 138 different cities right from Agra to Vijaywada ; a testimony of strong acceptance of our PMS across the length & breadth of the country.

Data as on 30th September 2016

The data and analysis provided herein do not constitute investment advice and are provided only for informational purposes. It should not be construed as an offer or the solicitation of an offer, to buy or sell securities. Investments in Securities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services (PMS) will be achieved. Investors in the PMS Product are not being offered any guaranteed/assured returns. Past performance of the portfolio manager does not indicate the future performance for any of the strategies.

At Motilal Oswal Asset Management Company (MOAMC), our investment philosophy is centered on 'Buy Right: Sit Tight' principle.

Buy Right

QGLP

- **‘Q’uality** denotes quality of the business and management
- **‘G’rowth** denotes growth in earnings and sustained RoE
- **‘L’ongevity** denotes longevity of the competitive advantage or economic moat of the business
- **‘P’rice** denotes our approach of buying a good business for a fair price rather than buying a fair business for a good price

Sit Tight

- **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these businesses to enable our investors to benefit from the entire growth cycle needs even more skill.
- **Focus:** Our portfolios are high conviction portfolios with 20 to 25 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk

Why 'Buy Right : Sit Tight' is significant?

Real wealth is created by riding out bulk of the growth curve of quality companies and not by trading in and out in response to buy, sell and hold recommendations.

This philosophy enables investor and manager alike to keep focus on the businesses they are holding rather than get distracted by movements in share prices.

An approach of buying high quality stocks and holding them for a long term wealth creation motive, results in drastic reduction of costs for the end investor.

While **BUY RIGHT** is largely the role of the portfolio manager, **SIT TIGHT** calls for involvement from the portfolio manager as well as investor. This brings in greater accountability from the manager and at the same time calls for better involvement and understanding from investor resulting in better education for the latter.

Long term multiplication of wealth is obtained only by holding on to the winners and deserting the losers.

Wealth Creators - Buy and Hold Strategy

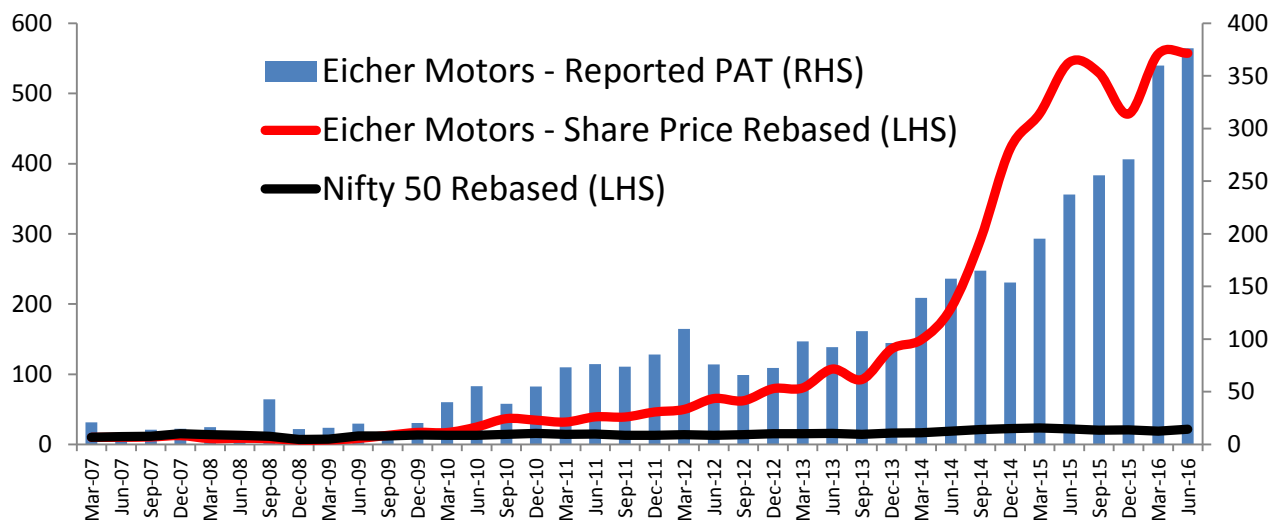
- BUY & HOLD strategy, leading low churn, lower costs and enhanced returns
- A business is prudently picked for investment after a thorough study of its underlying hidden long-term potential.
 - “We don't get paid for activity, just for being right. As to how long we'll wait, we'll wait indefinitely.” -Warren Buffett

Stock	Purchase Date	Adjusted Purchase	Market Rate as on	% Growth
			30-Sep-16	
Bosch Limited	Jun-03	497.00	22,797.85	4487.0%
Hero MotoCorp Limited	Jun-03	253.65	3,413.70	1246.0%
Eicher Motors Limited	Apr-12	2054.80	24,827.80	1108.0%
State Bank Of India	Jun-03	36.00	251.25	598.0%
HDFC Bank Limited	Jul-08	201.00	1,272.85	533.0%
HDFC Limited	Jan-06	241.80	1,393.45	476.0%

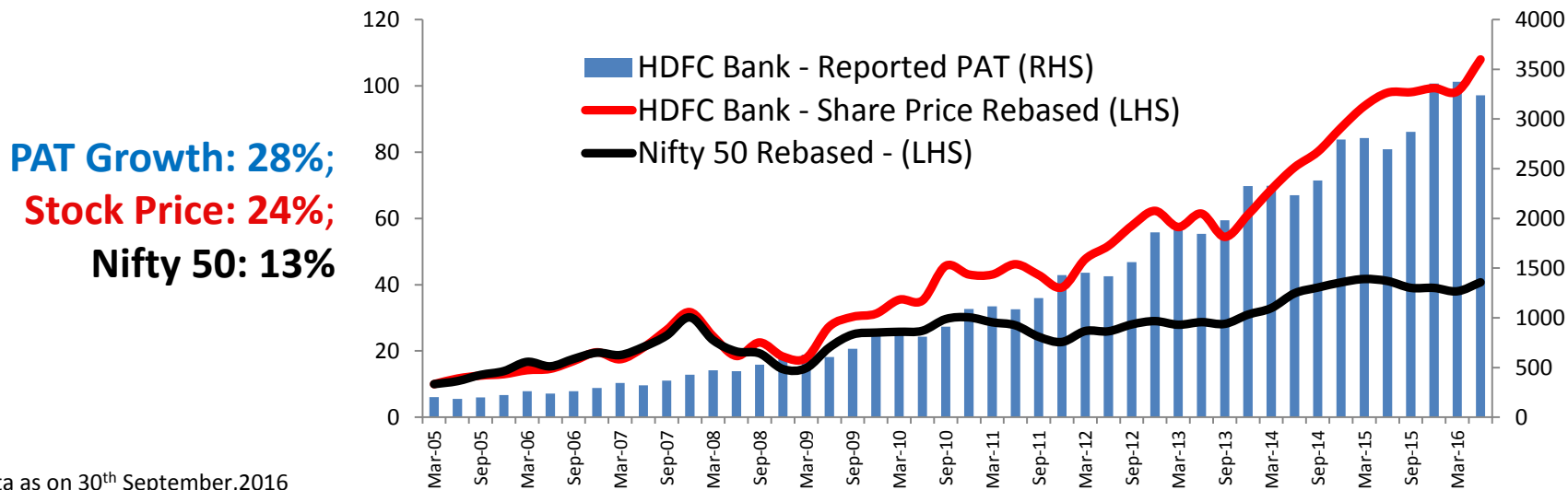
Source: MOAMC

Please Note: The given stocks are part of portfolio of a model client of Value Strategy as on 30th September 2016. The stocks forming part of the existing portfolio under Value Strategy may or may not be bought for new client. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Name of the PMS Strategy does not in any manner indicate its future prospects and returns. The Companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC.

Earnings growth drives stock prices



PAT Growth: 36%;
Stock Price: 54%;
Nifty 50: 9%



PAT Growth: 28%;
Stock Price: 24%;
Nifty 50: 13%

Data as on 30th September, 2016

The stocks mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. It should not be construed as an investment advice to any party. Past performance may or may not be sustained in future.

Focus on return on net worth

- Companies which are likely to earn 20-25 % on its net worth going forward.

Margin of safety

- To purchase a piece of great business at a fraction of its true value.

Balance between growth and value

- The focus is on buying undervalued companies
- Buying stable earnings / cash flows in reasonably priced assets

Long-term investment view

- Strongly believe that “Money is made by investing for the long term”

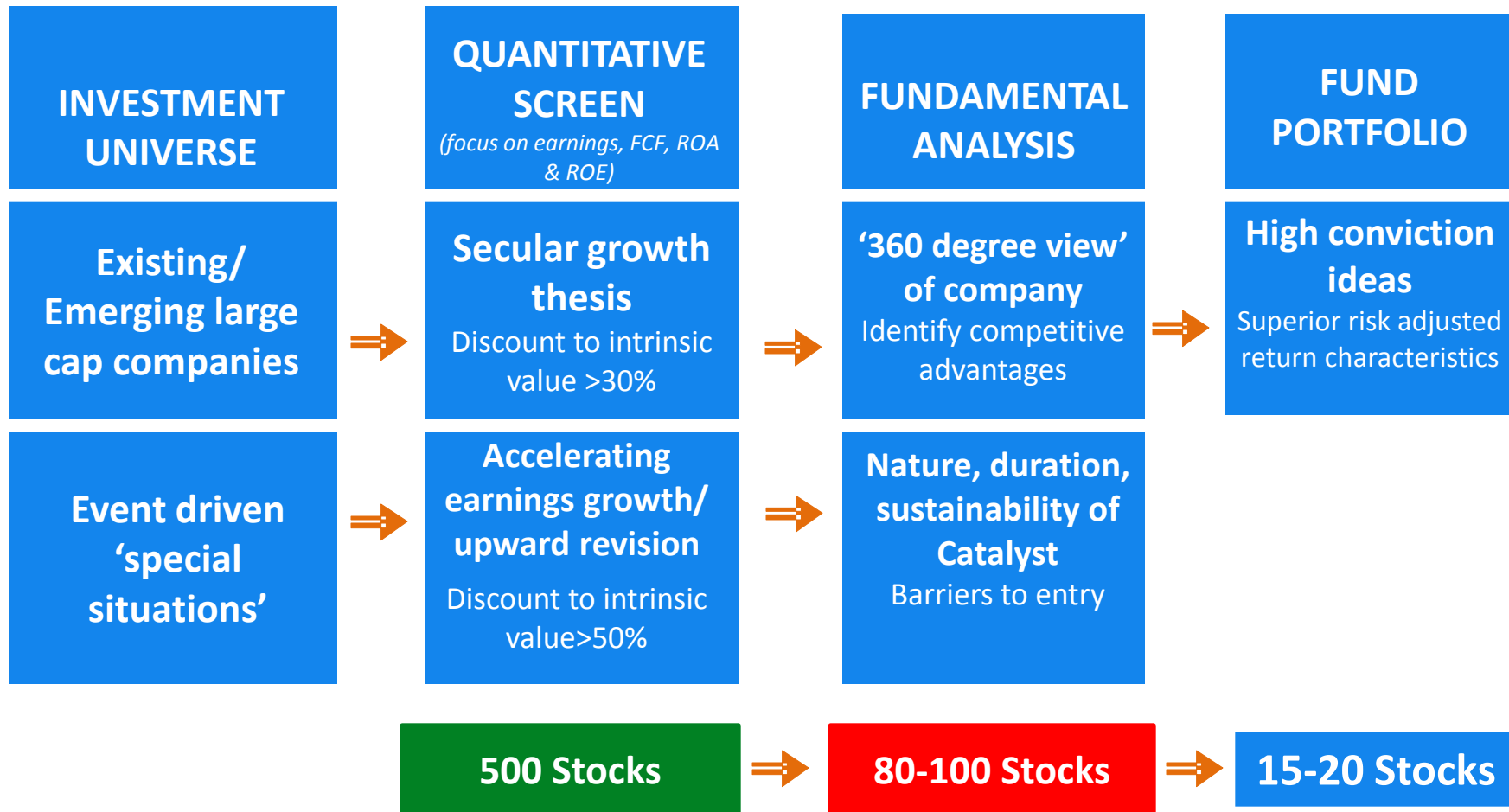
Bottom up approach


- To identify potential long-term wealth creators by focusing on individual companies and their management bandwidth.

Focused strategy construct

- The portfolio consists of 15-20 stocks

Top Down analysis: market views, thematic drivers, winner categories, category winners






Strategy objective



Risk-return matrix



Strategy construct



Model holding



Performance



Risk analysis



Fund management

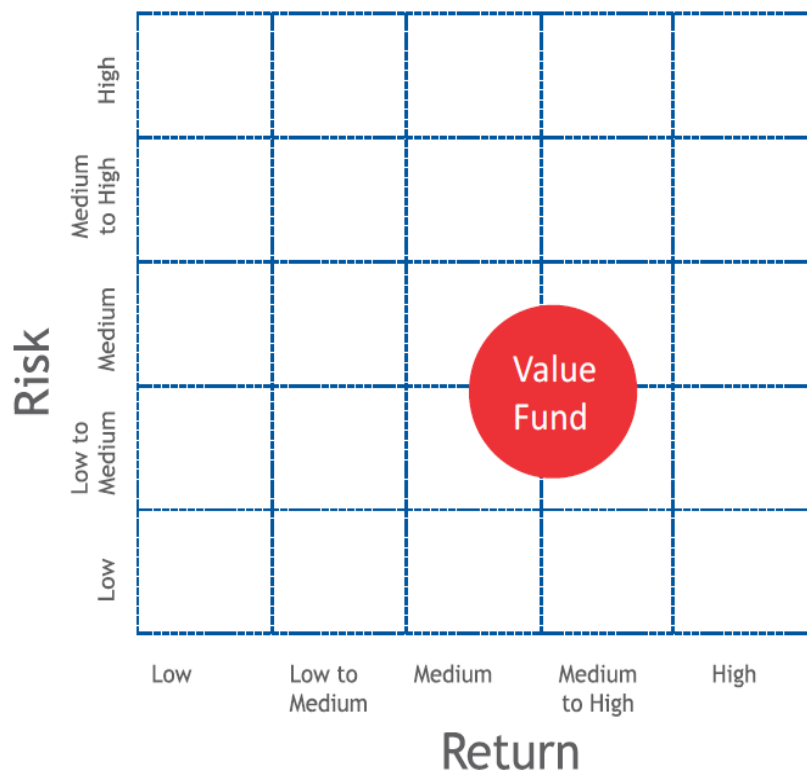


Strategy structure

Strategy Objective



The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation



Investment horizon:

- Medium to long term (3 Years +)

For Whom:

- Investors who like to invest with a long-term wealth creation view.

Strategy Construct

Allocations - Market capitalization

- Large Caps : 65% - 100%
- Mid Caps : 0% - 35%

No. of stocks

- 15 to 20 stocks for a portfolio

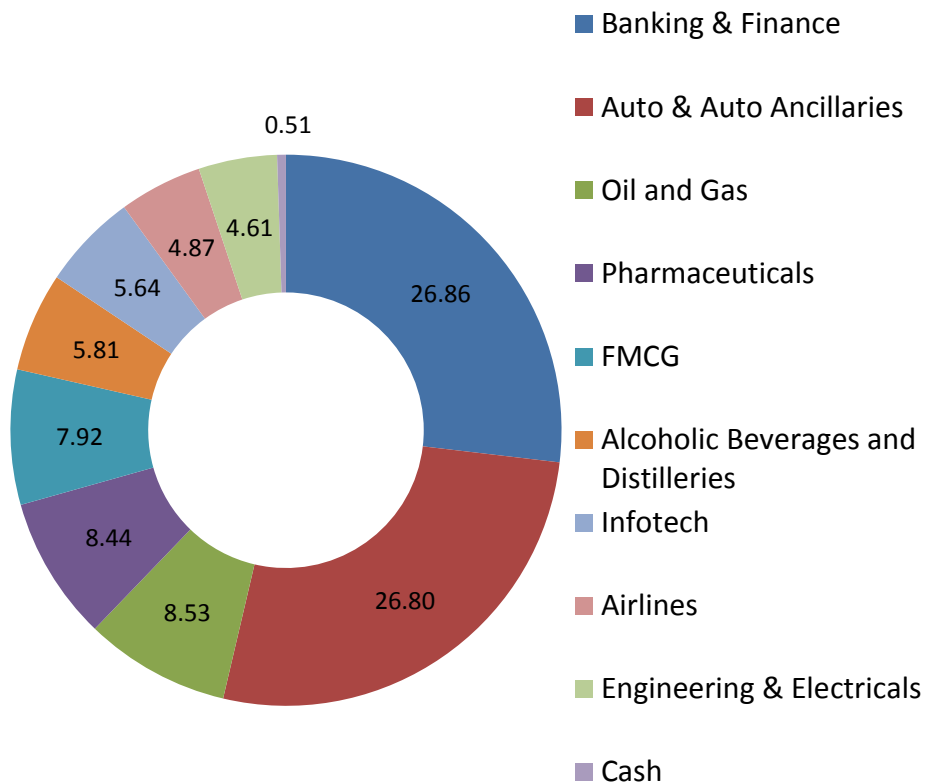
Scrip allocation

- Not more than 10% in a single stock at the time of initiation

Sector allocation limit

- 35% in a sector

Sector Allocations



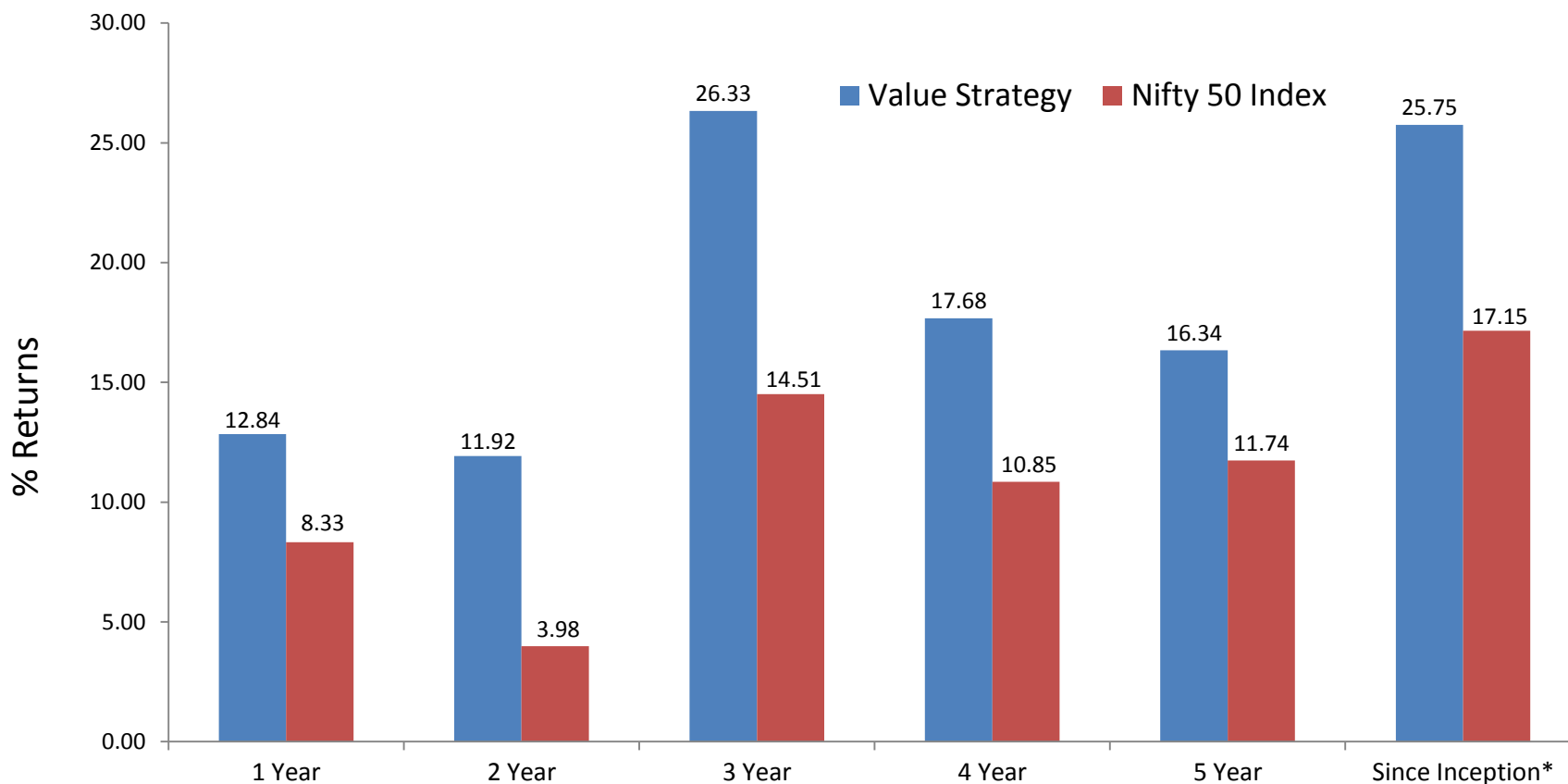
Top Holdings

Scrip Names	% Holdings [^]
Bosch Limited	8.96
Bharat Petroleum Corporation Limited	8.53
Sun Pharmaceuticals Limited	8.44
HDFC Bank Limited	8.32
Eicher Motors Limited	7.98
Asian Paints Limited	7.92
Kotak Mahindra Bank Limited	7.63
United Spirits Limited	5.81
State Bank Of India	5.79
Tata Consultancy Services Limited	5.64
Hero Motocorp Limited	5.24
Housing Development Finance Corporation Limited	5.13

[^]Above 5%

Please Note: These stocks are a part of the existing Value strategy as on 30th September 2016. These Stocks may or may not be bought for new clients. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The strategy may or may not have any present or future holdings in these stocks. The companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC.[^] Based as per the closing market prices on 30th September 2016.

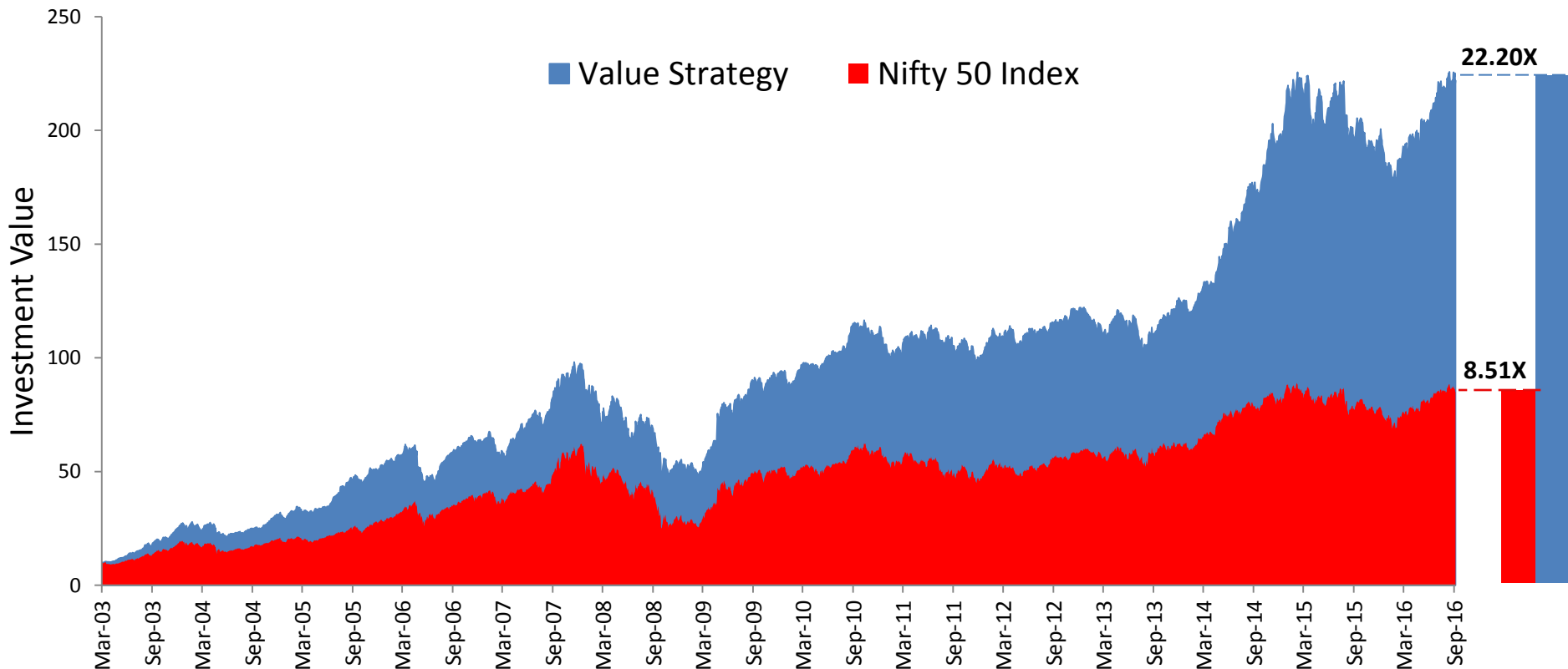
Since Inception Value Strategy has delivered a CAGR of 25.75% vs. Nifty 50 returns of 17.15%, an outperformance of 8.6% (CAGR).



*Strategy Inception Date: 24/03/2003.

Please Note: The Above strategy returns are of a Model Client as on 30th September 2016. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Strategy returns shown above are post fees & expenses. Returns above 1 year are annualized.

The chart below illustrates Rs.1 crore invested in Value PMS in March 2003 is worth Rs. 22.20 crores as on 30th September 2016. For the same period Rs. 1 crore invested in Nifty 50 is now worth Rs. 8.51 crores.



Strategy Inception Date: 24/03/2003.

Please Note: The Above strategy returns are of a Model Client as on 30th September 2016. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Strategy returns shown above are post fees & expenses.

The Value strategy has outperformed the benchmark with a lower level of volatility and has managed to deliver strong returns while offering defensive characteristics, reducing losses during periods of market downturn but participating in the upside.

5 Years Data	Portfolio	Benchmark*
Beta	0.85	1.00
R ²	86.82	100
Up Capture Ratio	104.50	100
Down Capture Ratio	83.15	100
Sharpe Ratio	0.44	0.24
Standard Deviation	15.24	16.05

Source : Motilal Oswal AMC, Data as on 30/9/2016 returns annualized using model strategy

*Nifty 50 Index

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Mr. Raamdeo Agrawal

- **Mr. Raamdeo Agrawal** is a Co-founder and Joint Managing Director of Motilal Oswal Financial Services Ltd.
- He is the Chairman on the Board of Motilal Oswal Asset Management Co. Ltd.
- He is the key driving force behind strong research capability as well as a renowned Value investor, and has also been instrumental in setting up the investment management philosophy of the firm.
- He has an extensive experience of more than 25 years in Financial Service Sector.
- He is an Associate of Institute of Chartered Accountant of India.
- One of India's foremost Value Investors and author of the 'Wealth creation Study since its inception in 1996.
- In 1986, he wrote the book Corporate Numbers Game, along with co-author Mr. Ram K Piparia.



Mr. Manish Sonthalia

- **Mr. Manish Sonthalia**, Senior Vice President and Head - Equity PMS and Fund Manager of Value Strategy.
- He has equity research, fund management and equity sales experience since 1992.
- Qualifications – FCA, ICWAI, CS, MBA
- Past Experience : He has been Vice President – Equity Research at Motilal Oswal Securities Ltd.
- Fund Manager with Motilal Oswal PMS since 2006

Mode of payment	By fund transfer/cheque and/or stock transfer
Investment Horizon	Medium to long term (3 Years +)
Benchmark	Nifty 50 Index
Account Activation	Next business day of clearance of funds
Portfolio Valuation	Closing NSE market prices of the previous day
Operations	<ul style="list-style-type: none"> - Investments managed on individual basis - Third party custodian for funds and securities
Reporting	<ul style="list-style-type: none"> - Monthly performance statement - Transaction, holding and corporate action reports - Annual CA certified statement of the account
Servicing	<ul style="list-style-type: none"> - Dedicated Relationship Manager - Web access for portfolio tracking

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Portfolio Manager: Motilal Oswal Asset Management Company Ltd. (MOAMC) | **SEBI Registration No. :** INP 00000670