



Purnartha

RESEARCH - RESULTS - RELATIONSHIPS

PORTEFOLIO
MANAGEMENT
SERVICES

[DYNAMIC]
— MIDCAP STRATEGY —





“

WHAT IS GOOD FOR MY
FAMILY AND ME IS WHAT
WE RECOMMEND TO OUR
CLIENTS, TRUE TO THE
PHILOSOPHY OF
'VASUDHAIVA
KUTUMBAKAM.'

- RAHUL RATHI
Chairman,
Purnartha Investment Advisers Pvt. Ltd.

”



**Benchmark Index:
NIFTY Midcap 150**



**Medium to Long
Term Investment
Horizon**



**Dynamic Risk
Management**



INVESTMENT PHILOSOPHY

- The philosophy aims to construct a predominantly midcap portfolio that displays a balance of potential returns with the corresponding risk
- Create a well-diversified and sector agnostic portfolio that focuses on medium to long term wealth creation
- Develop an actively managed portfolio in the midcap segment
- Construct a portfolio that evaluates the securities and their future market prospects through a valuation matrix



RESEARCH PROCESS

Purnartha Dynamic Midcap Strategy selects companies that:

- Display sales growth, margin expansion and increasing net profit
- Are Net Cash or moderately leveraged (Debt-to-Equity Ratio < 0.5)
- Have shown strong fundamentals over a select time period
- Are expected to show a healthy trend of growth
- Will exclude stocks from the public sector



OUR FOCUS IS

- To create an actively managed portfolio of approx 70% midcap and balance the rest amongst the large and smallcap sector
- To develop a well-diversified midcap portfolio consisting of 18-25 securities, with weights to each stock aligned to the valuation and risk-reward

DYNAMIC MIDCAP STRATEGY

PORTFOLIO DEVELOPED BY COMBINING THE BEST OF DIFFERENT INVESTING STYLES

MARGIN EXPANSION STYLE

Investing in midcap companies that show increase in top line numbers aligned with GDP growth and bottom-line growth of approximately **15%+** fuelled by improvements in margins

Stocks will be held in the portfolio with a medium-term view

STRATEGIC VALUATION STYLE

Portfolio will consist of stocks with a specific trigger relating to buyback/acquisitions/demerger/similar events that could unlock value in the future

Alternatively, stocks that are currently at "low valuations" and are likely to rebound to mean reversion

These stocks will have a short term investment horizon and will be churned after achieving the targeted returns

GROWTH ORIENTED STYLE

High volume growth driving strong revenue

Investing in midcap companies that show strong top-line and bottom-line growth of **20%+**

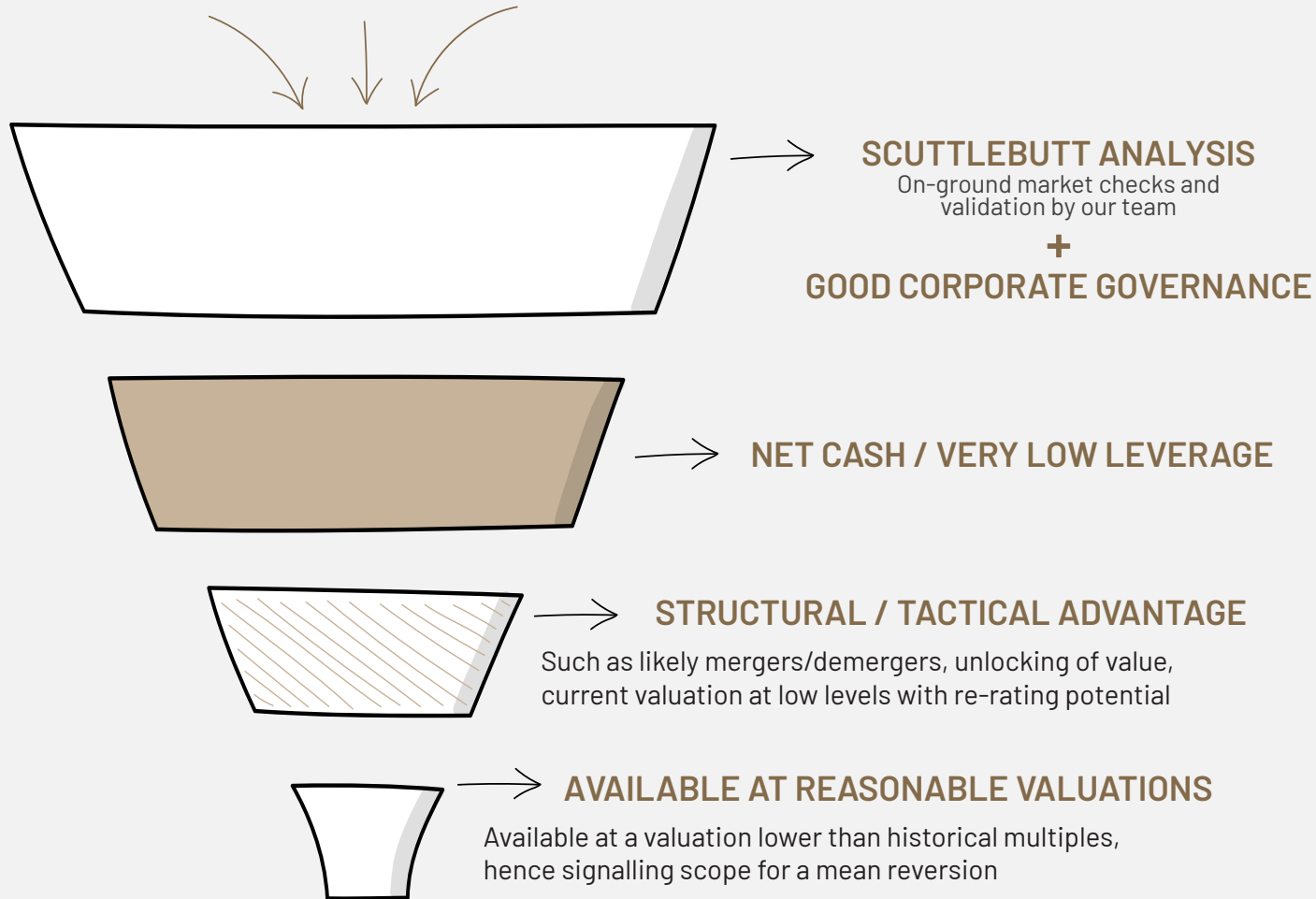
"Buy and Hold" approach for long term appreciation

DYNAMIC MIDCAP PORTFOLIO

INVESTMENT FRAMEWORK - I

(DEVELOPED BY INCORPORATING MULTIPLE VARIABLES)

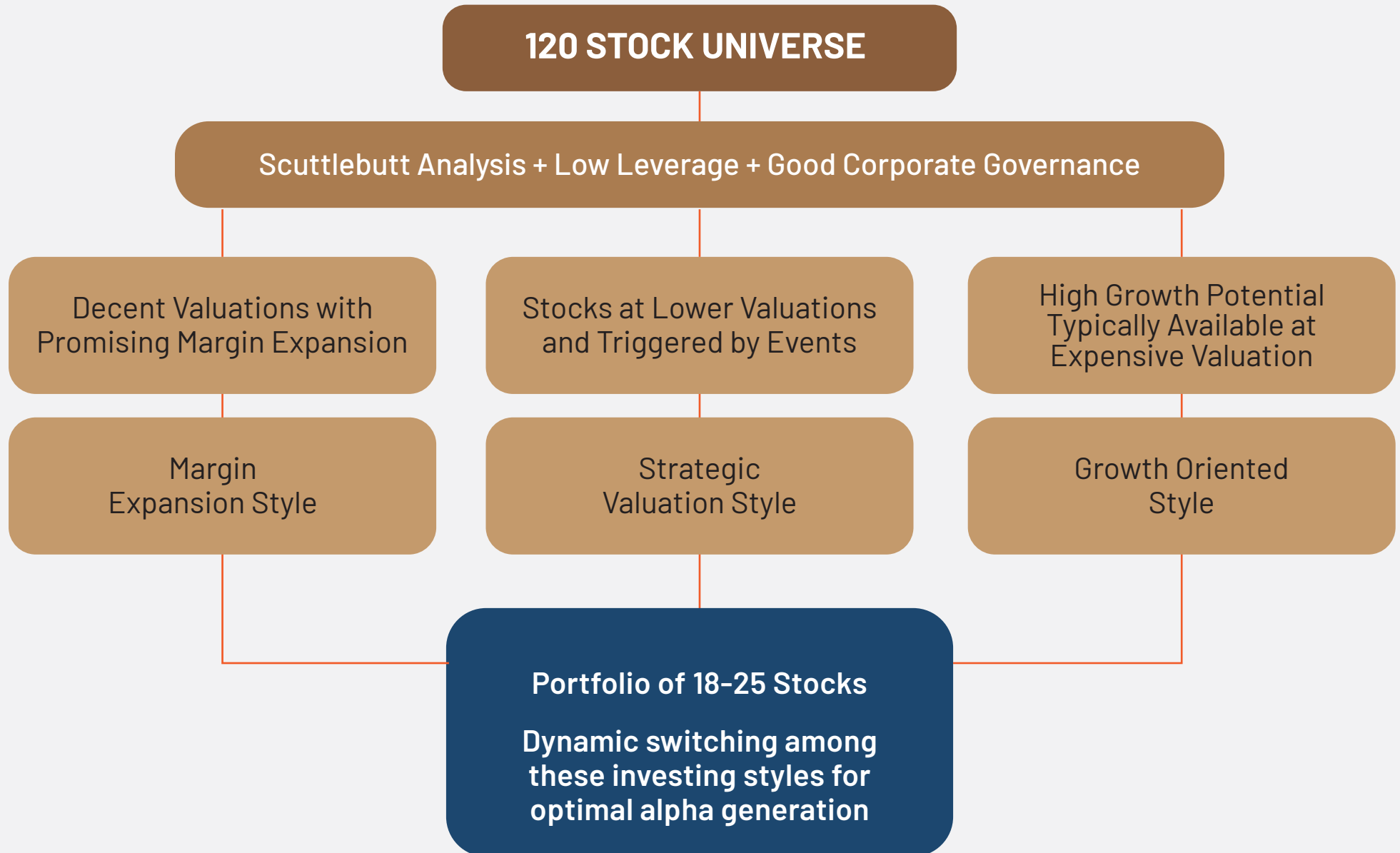
150 STOCK UNIVERSE
(Mid-cap sector agnostic portfolio)



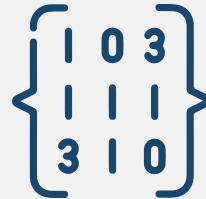
120 stocks

INVESTMENT FRAMEWORK - II

(COMBINING THE BEST OF DIFFERENT INVESTING STYLES)



"DYNAMIC" RESEARCH PROCESS



RISK & REWARD BALANCE

We look for acute correlation between securities, sectors, and relevant micro as well as macroeconomic factors to dynamically mitigate risk.

We consider risk-reward balance while selecting stocks for our clients' portfolios.

We aim to identify securities that offer the potential for good returns, while also managing risk.

VALUATION

We carefully assess the valuations of different stocks. Valuations refer to the price of a stock relative to its underlying financial performance. This offers us a perspective on the security whether it is overvalued, undervalued, or fairly valued.

By considering risk and reward equation, we aim to build portfolios that offer the potential for good returns while also being diversified and managed for risk.



Focus on Adequate Margin of Safety



Unbiased and Research Driven Approach Towards Stock Selection



Choosing Well-Run Businesses at Attractive Valuations



PORTFOLIO CONSTRUCT



Investment Universe

- Investment into listed Indian stocks only
- Investment into companies part of Nifty Midcap 150 index

Asset Allocation & Stock Selection

- Allocation across diversified sectors with under-weights and over-weights based on sector / company attractiveness in terms of growth and valuation
- Portfolio size of 18 to 25 stocks
- Allocation in a single stock up to ~8% at invested value

Risk Mitigation & Diversification

- Diversified across sectors with the addressable market covering India and overseas.
- Filtering out companies with high debt-to-equity ratios and pledge of promoters' shares

Rebalancing & exit discipline

- Periodic rebalancing will be done at the discretion of the portfolio manager in line with the investment guidelines
- Mandatory trimming of the portfolio at a point where a stock breaches ~12% of the current portfolio value
- Exit from businesses on achieving investment objective

Liquidity

- Liquidity of all the invested stocks are tracked closely. Securities are identified in such a way that they can be liquidated over specific duration with minimal impact

STOCK STORIES - GROWTH ORIENTED STYLE

Illustrative Example - UNO Minda Ltd

	FY2019	FY2020	FY2021	FY2022	FY2023	YoY-2023	5 year CAGR
Revenue	5,908	6,222	6,374	8,313	11,236	35.2%	20.2%
EBITDA	725	672	725	885	1,242	40.3%	18.4%
Margin	12.3%	10.8%	11.4%	10.7%	11.1%	-	-
Net Profit	286	155	207	356	654	83.8%	16.1%
Margin	4.8%	2.5%	3.2%	4.3%	5.8%	-	-

(Amounts in Rs Cr)

Notes:

- Diversified Auto Ancillary with 72 plants across world focusing on 5 segments targeting 2Wheeler & Passenger Vehicles
- Growing business by entering newer areas like EV OEM
- Acquisition of newer clients like 2W American auto major for some of its Products
- Consistently increasing kit value per vehicle
- The above-mentioned stock is used for illustrative purposes only and may or may not be part of the actual portfolio
- The performance related information provided herein is not verified by SEBI
- Past performance is not indicative of future returns

STOCK STORIES – STRATEGIC VALUATION STYLE

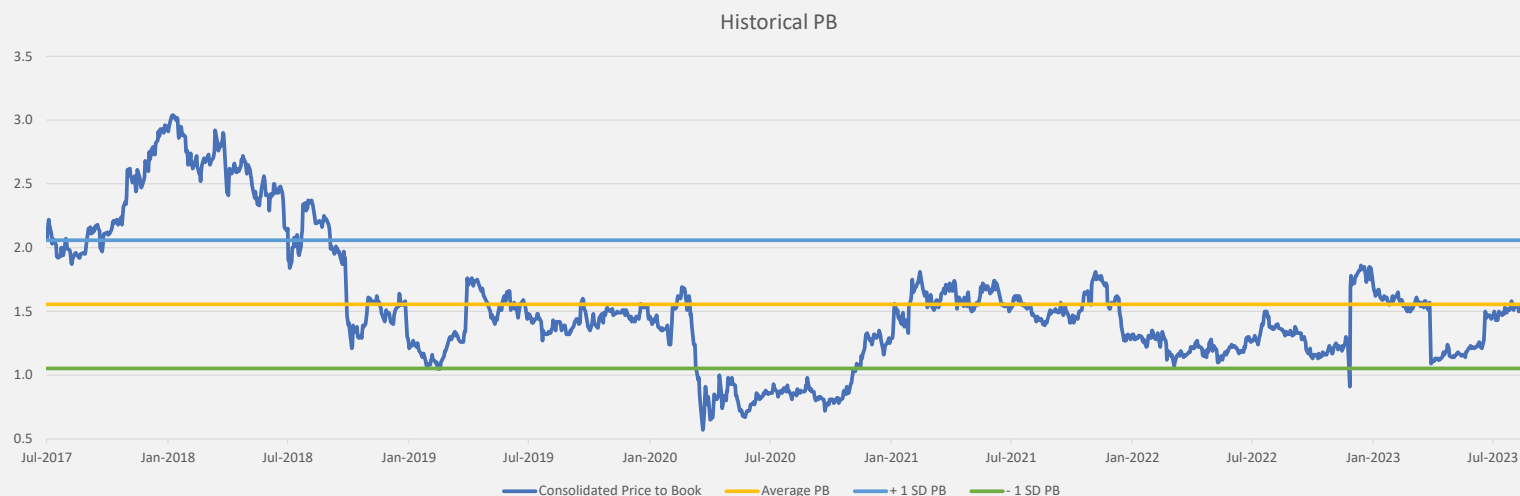
Illustrative Example – Shriram Finance Ltd

	FY2019	FY2020	FY2021	FY2022	FY2023	YoY-2023	5 year CAGR
AUM (Including SHFL)	135,912	141,139	150,743	165,582	193,729	17.0%	9.0%
YoY growth (%)	8.2%	3.8%	6.8%	9.8%	17.0%	-	-
NIM (%)	8.9%	8.3%	7.5%	7.3%	8.4%	15.6%	-1.7%
Cost to Income (%)	28.7%	29.8%	28.0%	28.2%	29.6%	4.8%	0.6%
NNPA (%)	5.4%	5.2%	3.8%	3.4%	3.1%	-9.1%	-11.8%
ROA (%)	2.6%	2.4%	2.2%	2.1%	3.0%	42.0%	2.6%
ROE (%)	17.0%	14.7%	12.8%	11.8%	15.2%	28.8%	-2.8%

(Amounts in Rs Cr)

Notes:

- Valuations look cheap on the relative to its history in June'23 and it was trading at 1.2x P/B as compare to its historical average of 1.6x P/B. The reason for lower P/B ratio was due to lack of growth in AUM (9% CAGR in last 5 years). With revival in growth, cross-selling opportunities post-merger and stable credit cost, we expect stock to revert to mean.
- Shriram Finance is likely to report AUM growth of 15-17% in FY24 after showing 17% growth in FY23. Reported Return on Equity of ~15% in FY23



STOCK STORIES - MARGIN EXPANSION STYLE

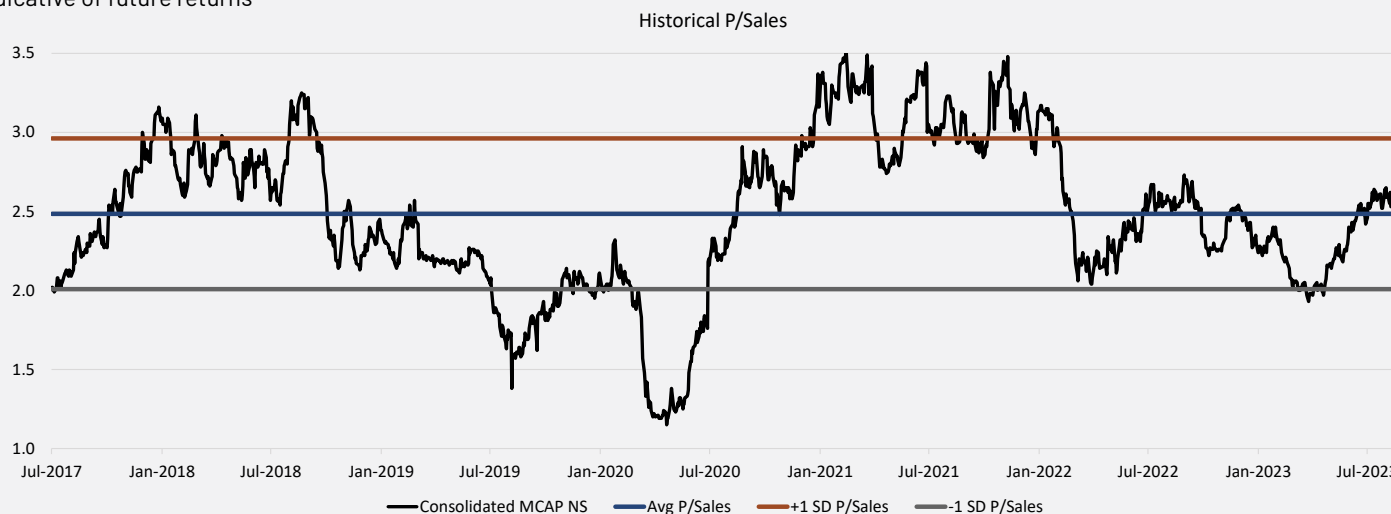
Illustrative Example - Endurance Technologies Ltd

	FY2019	FY2020	FY2021	FY2022	FY2023	YoY-2023	5 year CAGR
Revenue	7,510	6,918	6,547	7,549	8,804	16.6%	6.7%
EBITDA	1,129	1,131	1,024	965	1,036	7.4%	2.2%
Margin	15.0%	16.3%	15.6%	12.8%	11.8%	-	-
Net Profit	495	566	520	461	480	4.2%	4.2%
Margin	6.6%	8.2%	7.9%	6.1%	5.5%	-	-

(Amounts in Rs Cr)

Notes:

- Margins have corrected from 15% to 11% due to commodity pressure which have started to correct
- Topline growth has been historically soft but has been gaining market share
- Have made acquisition to enter newer businesses like EV for 2 Wheelers
- Has recently acquired new clients like Ather and Hero Electric and using them to cross sell old products as well
- Valuations look cheap on the relative to its trading history
- The above-mentioned stock is used for illustrative purposes only and may or may not be part of the actual portfolio
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WHY PURNARTHA?

RESEARCH

- The research team conducts an extensive due diligence process comprising macro indicators, industry growth trends, etc. to get a view on the economic outlook, valuations, and prospective financial growth trajectory of the selected stocks.
- The Fund manager analyses "softer" issues such as corporate governance and management outlook, in addition to conducting an in-depth study of diverse data points.
- This helps the Fund manager to construct a portfolio of high-quality businesses with strong growth potential.

RELATIONSHIPS

- Purnartha keeps investors informed through quarterly detailed results notes on the stocks held in the portfolio, interactive webinars, and newsletters on any important market developments. These provide an understanding of Purnartha's view on the market and outlook for the future.
- A Relationship Manager and team of Investment Counsellors are available to assist and answer any portfolio-related queries throughout your journey with Purnartha.

RESULTS

- The research methodology aims to create a portfolio of best businesses and investment themes to generate alpha for the investment.
- A review mechanism ensures stocks with potential to generate alpha over the benchmark index are retained.



Pan- India presence



Managed/ Advised
assets over ₹9,000 Cr



Ably supported by a
par-excellence
buy-side research
team of 20+ members



PURNARTHA'S GROWTH STORY



2011

Purnartha* takes flight as an equity investment adviser with a unique philosophy for long-term wealth generation



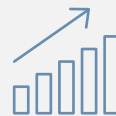
2013

Purnartha gets its SEBI investment adviser registration



2016

Purnartha sets up a vertical for rendering investment advisory services to institutional clients



2020

Purnartha makes its foray into Portfolio Management Services



2021

Purnartha launches an Alternative Investment Fund (Category III). Purnartha introduces a new Investment Advisory product - 'Sampurna'



2022

Purnartha Portfolio Management Services crosses Rs.1,000 cr in Assets Under Management



2023

Purnartha launches an all-new PMS approach - Dynamic Midcap Strategy.

*The Company was formally incorporated in March 2011 as Capmetrics Technology Solutions Pvt. Ltd. The name of the company was later changed to Capmetrics Investment Advisers Pvt. Ltd in July 2015 and to Purnartha Investment Advisers Pvt. Ltd in September 2017

KEY PEOPLE



ROHIT JAIN
Fund Manager

Rohit is a Chartered Accountant and PGDBM (Finance) and has over 13 years of experience in Equity Research for Institutional investors.

Rohit has built extensive knowledge in financial modelling and valuations with sector expertise across major industries. As a CA, he is also very well versed with taxation, auditing and compliance, which only adds to his existing wealth management and market know-how.



DEVENDRA PHADKE
Director

Devendra Phadke is a Chartered Accountant with over 18 years of experience in Equity Research and analysis spanning markets in India and abroad.

He has been instrumental in building the proprietary research methodology for stock selection and has used his experience to test data with a view to selecting the most suitable stocks for the Purnartha portfolio.



ASHISH CHUGH
Institutional Head

Ashish Chugh with over 20 years of experience in the financial services industry. An MBA in Finance from Pune University with experience in business development, product management and equity advisory, he has worked with some of the biggest names in the industry.

An industry veteran, with extensive interest in the field of Financial Economics, he has an eye for detail and looks at data with a slightly different lens.

DYNAMIC MIDCAP STRATEGY PLAN

	Plan 1	Plan 2
Fixed Management Fees	2%	1%
Hurdle Rate	NIL	10%
Performance Fees	NIL	20%

- Taxes as applicable.
- Other charges at actuals.
- The above fees represent yearly charges.
- The fees mentioned here for respective investment options is indicative. For complete disclosures on fees and expenses please refer to the Disclosure Document available on the Portfolio Manager's website.
- Minimum capital investment is Rs. 50 lakhs.
- We follow High Water Mark principle.
- Investors have the option to be on-boarded directly for our Portfolio Management Services, without intermediation of persons engaged in distribution services.
- Premature exit loads: 3%, 2%, 1% of NAV, if exited before 12, 24 & 36 months respectively.





Purnartha

RESEARCH - RESULTS - RELATIONSHIPS

PORTFOLIO MANAGEMENT SERVICES

[DYNAMIC]
— MIDCAP STRATEGY —

PURNARTHA INVESTMENT ADVISERS PVT. LTD.

GSTIN: 27AAECC3706G1ZX | CIN No: U72200PN2011PTC 138994 | Call us at: +9190110 55553

Portfolio Manager | PMS SEBI Regn. No: INP000007021 | Validity: Perpetual

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