

BUY RIGHT SIT TIGHT

Introducing a fund that invests in
emerging wealth creators

Motilal Oswal MOST Focused Midcap 30 Fund

(An open ended Equity Scheme)



**BUY RIGHT
SIT TIGHT**

Call: 1800-200-6626 | SMS: FOCUS to 575753
Website: www.motilaloswal.com/Asset-Management




Motilal Oswal MOST Focused Midcap 30 Fund
(MOST Focused Midcap 30)
An open-ended equity scheme

Product Labelling

Name of the scheme	This product is suitable for investors who are seeking*
Motilal Oswal MOST Focused Midcap 30 Fund (MOST Focused Midcap 30) An Open Ended Equity Scheme	<ul style="list-style-type: none">• Long-term capital growth• Investment in equity and equity related instruments in a maximum of 30 quality mid-cap companies having long-term competitive advantages and potential for growth• High risk  (BROWN)

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk is represented as:

 (BLUE) investors understand that their principal will be at low risk	 (YELLOW) investors understand that their principal will be at medium risk	 (BROWN) investors understand that their principal will be at high risk
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Our investment philosophy – ‘Buy Right: Sit Tight’

A philosophy distilled from over 25 years of wealth creation expertise of Motilal Oswal Securities Ltd (Our Sponsor)

Buy Right Stock Characteristics

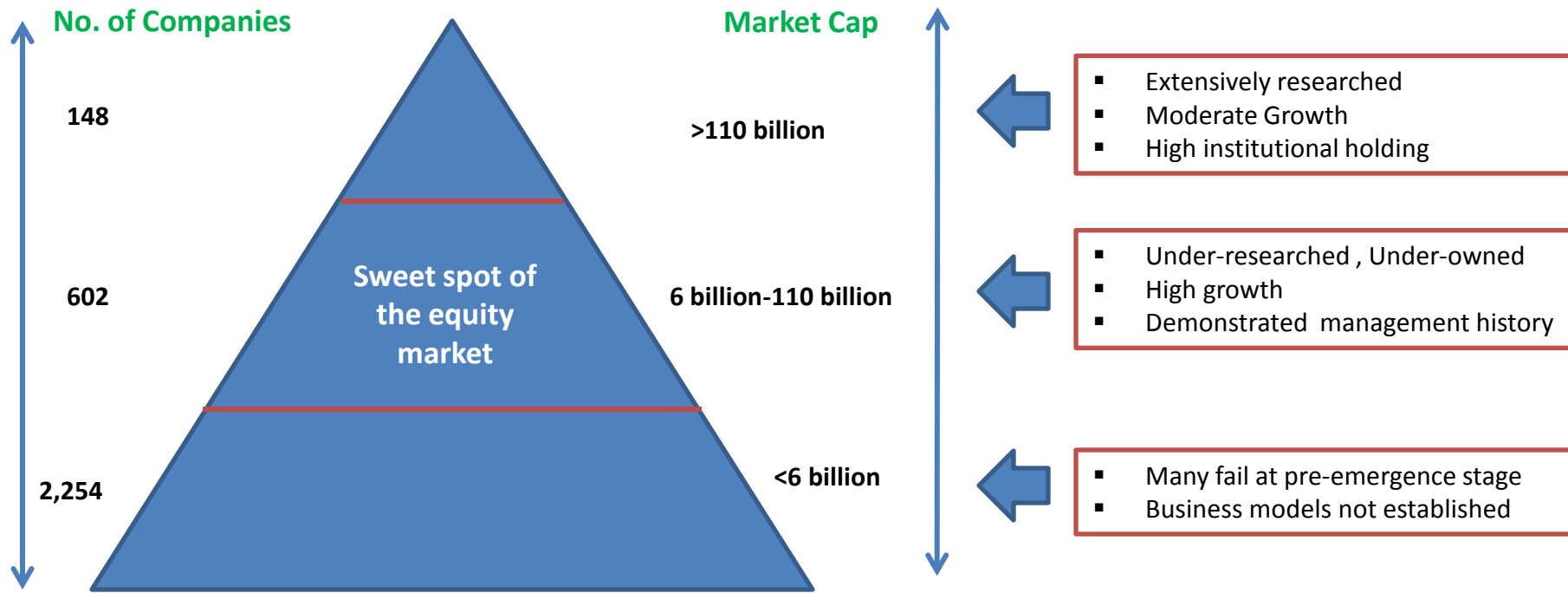
QGLP

- **‘Q’uality** : Quality of business and management
- **‘G’rowth** : Growth in earnings and sustained RoE
- **‘L’ongevity** : Longevity of the competitive advantage /economic moat of the business
- **‘P’rice** : Buying a good business for a fair price rather than buying a fair business for a good price.

Sit Tight Approach

- **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these business 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.

MOST Focused Midcap 30 targets an unique and relatively untapped opportunity

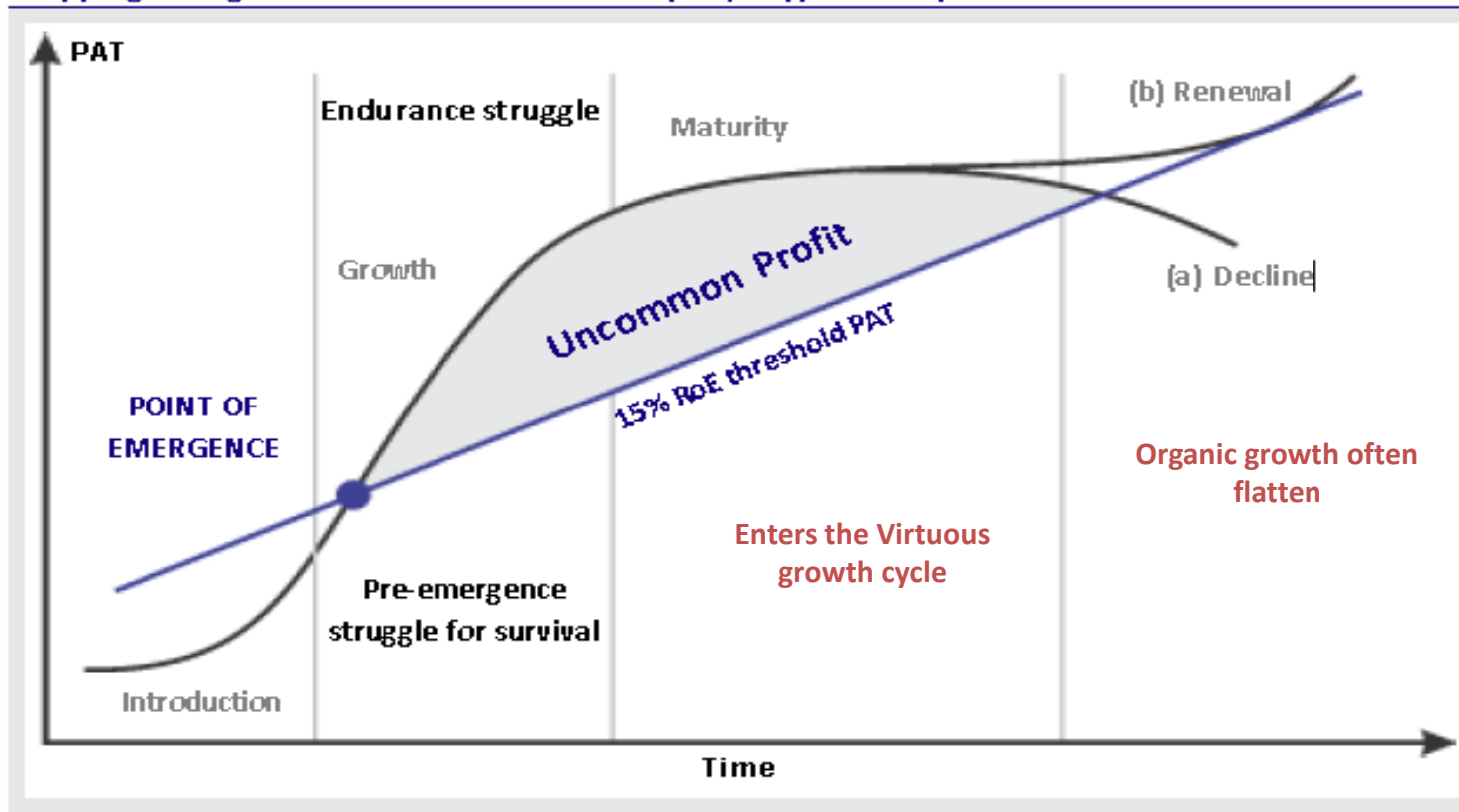


- **The sweet spot of the Indian markets is replete with investment ideas in the midcap space**
- **Midcaps offer excellent balance between strong growth and a demonstrable history of management success**

Source : Capitaline and Internal Analysis, Data as on 31st December 2014

MOST Focused Midcap 30 aims to capture 'Emergence to Endurance' winners

Mapping Emergence and Endurance to a company's typical lifecycle



Source: 18th Motilal Oswal Wealth Creation Study (WCS)

- **Motilal Oswal 18th Wealth Creation Study (WCS) maps the journey of Emergence* to Endurance**
- **The study highlights how large investment gains were made by identifying players entering their virtuous growth cycle, a majority of such companies being midcaps**

* Emergence: A company is said to have emerged when it crosses the threshold ROE of 15% for the first time in its history

Successful 'Emergence to Endurance' leads to disproportionate wealth creation

	Market Capitalization on inclusion in CNX Midcap Index		Current Market Capitalization as part of NIFTY	PAT CAGR (FY06-13)(%)
Axis Bank	July'05 6.0 bn	92x	552 bn	40
Kotak Bank	July'05 50 bn	11x	563 bn	26
Lupin	July'05 30 bn	14x	411 bn	33
Asian Paints	July'05 42 bn	11x	475 bn	26
IndusInd Bank	July'05 21 bn	11x	225 bn	60

- Companies which have successfully transitioned from Midcap to Large cap have created disproportionate wealth (average MCap. CAGR of 52%, over FY06-13 for above companies)
- Outstanding earnings growth tends to be a key feature in this journey of wealth creation (average PAT CAGR of 37%, over FY06-13 for above companies)

Source : Bloomberg & Internal Analysis, 17th January 2014.

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

'Emergence to Endurance' winners are products of large or expanding Industry Profit Pools

India Inc's Profit Pool breakdown by sector				
10 Highest profit generating sectors		% Share	10 Lowest profit generating sectors	
Sector	2014 PAT (INR billion)		Sector	2014 PAT (INR billion)
Financials	1,117	28	Airlines	-52
Oil & Gas	785	20	Alcoholic Beverages	-41
Technology - Software	454	11	Sugar	-27
Metals & Mining	435	11	Telecom Equipment	-14
Automobiles	263	7	Trading	-9
Utilities - Power	217	5	Ship-building	-7
Consumer - Non-durables	209	5	Computer Education	-5
Healthcare	155	4	Hotels & Restaurants	-5
Cement	45	1	Technology - Hardware	-3
Auto Ancillaries	45	1	Glass & Glass Products	-2
Total of Above	3,726	94	Total of Above	-166
Total Corporate PAT	3,947	100	Total Corporate PAT	3,947

- **If an industry has a high profit pool, a company with the right value proposition/strategy can claim a rising share of this pool and emerge a Value Creator over time.**

Source: 19th Motilal Oswal Wealth Creation Study (WCS) Data for FY2015.

The sector mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

Midcaps: High on Growth and Speed of Wealth Creation

Over the years, majority of the fastest wealth creators, in 'Motilal Oswal Wealth Creation Study (WCS)' have been Midcaps

Motilal Oswal Wealth Creation Study (over 2011-2013) Fastest Wealth Creators

2014		2013		2012	
Company	5 year Price CAGR%	Company	5 year Price CAGR%	Company	5 year Price CAGR%
Eicher Motors	94	TTK Prestige	95	TTK Prestige	89
Bajaj Finance	93	Eicher Motors	59	LIC Housing Finance	57
Supreme Inds	88	Page Industries	51	Coromandel Intl.	54
Amara Raja Batteries	84	Wockhardt	50	Eicher Motors	52
Page Industries	78	Grasim Industries	50	Indusind bank	50
IndusInd Bank	73	GRUH Finance	47	MMTC	48
HCL Technologies	69	GSK Consumer	47	Jindal steel	47
Aurobindo Pharma	68	Supreme Industries	45	Bata India	41
Havells India	67	Lupin	45	Titan Ind	40
Ipca Labs	67	Godrej Consumer	44	GSK Consumer	39

Midcaps have typically grown higher than large caps over 5 and 7-year periods

	5-Yr CAGR(%)		7- Yr CAGR(%)	
	NIFTY INDEX	MIDCAP INDEX	NIFTY INDEX	MIDCAP INDEX
Revenue	15.0	19.0	15.8	20.9
EBITDA	11.4	20.4	14.1	20.0
EPS	6.4	8.6	10.1	16.1
Dividend	12.0	11.2	10.3	13.8

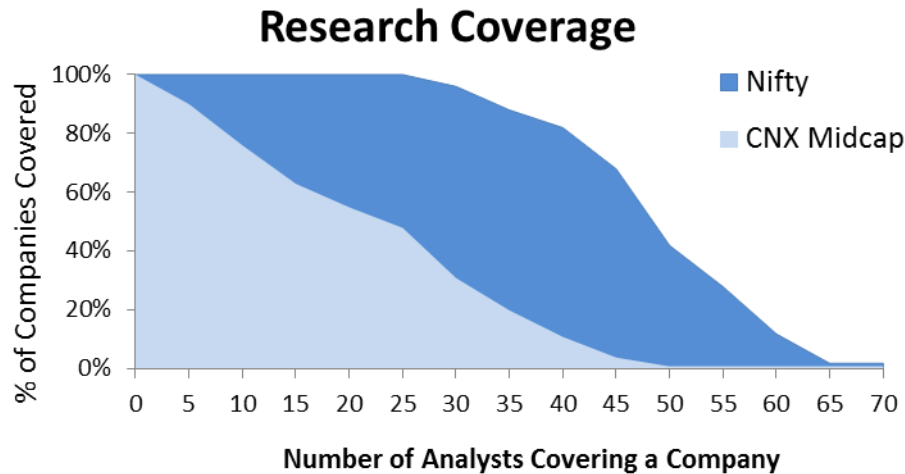
Source : Bloomberg & Internal Analysis, 19th Motilal Oswal Wealth Creation Study, Data as on 31st December 2014 Calendar Years

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Midcaps: Under-Researched & Under-Owned

Under Researched: Fewer analysts cover midcap companies

Under owned: FII and MF ownership levels in midcaps are significantly lower than those in large caps



Ownership	CNX Nifty	CNX Midcap
Promoters	46%	60%
FII & FDI	24%	16%
FI & Banks	1%	1%
Insurance & MF	11%	7%
Public	7%	8%
Others	11%	8%
Total	100%	100%

Source: Bloomberg & MOAMC Internal Analysis, Data as on 31th January 2015

Source: Capitaline and MOAMC internal analysis, Data as on 31st January 2015

Midcaps: Geared to the Indian Economy

Midcaps

Only 20% revenues of all companies and 30% revenues of non-financial sector companies are international or influenced by international factors

Large Caps

38% revenues of all companies and 50% revenues of non-financial sector companies are international or influenced by international factors

CNX Nifty		
Company Name	Weightage in Index (%)	International Exposure
Infosys	6.94	97%
TCS	4.26	93%
Tata Motors	3.53	85%
Sun Pharma.Inds.	2.32	72%
HCL Technologies	1.63	95%
Tech Mahindra	1.48	77%
Dr Reddy's Labs	1.38	86%
Wipro	1.34	89%
Lupin	1.27	75%
Hindalco Inds.	0.60	76%

CNX Midcap		
Company Name	Weightage in Index (%)	International Exposure
Motherson Sumi	2.18	84%
UPL	1.77	81%
Divi's Lab.	1.77	89%
Glenmark Pharma.	1.61	75%
Mindtree	1.25	95%
Oracle Fin.Serv.	1.17	83%
CRISIL	0.78	65%
KPIT Tech.	0.50	87%
Mphasis	0.48	92%
Tata Comm	0.47	77%

Source : IISL, Bloomberg & MOAMC Internal Analysis, Data as on 31st January 2015

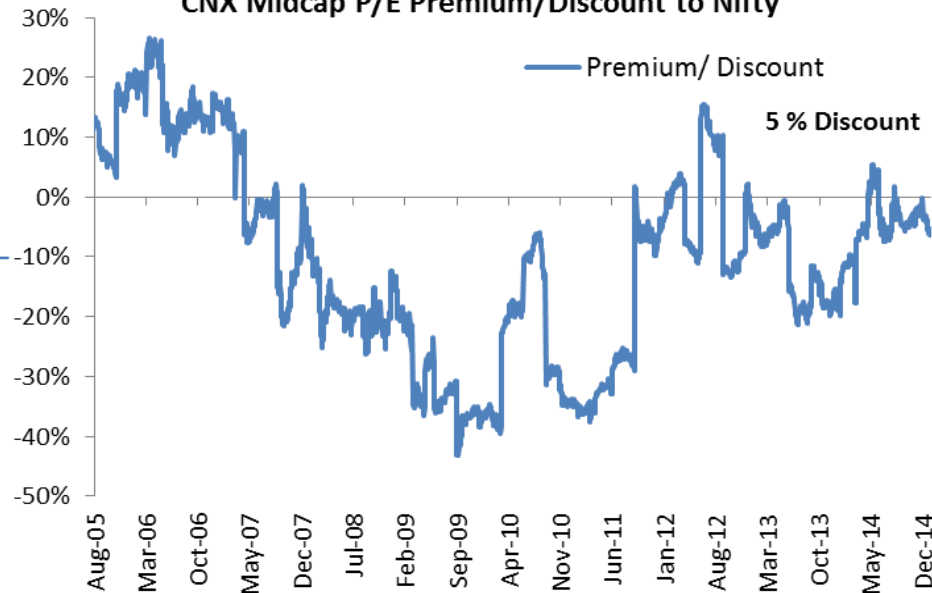
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Midcaps trade at attractive valuations on a risk-adjusted basis

CNX Midcap - Price to Earnings Ratio



CNX Midcap P/E Premium/Discount to Nifty



Particulars	CNX Nifty	CNX MIDCAP
Value (31 Dec 2008)	2,959	3,736
Value (31 Jan 2015)	8,809	13,124
Annualized Returns	19.63%	22.94%
Annualized Standard Deviation	20.71%	19.76%
Sharpe Ratio	0.56	0.75
Beta with market		0.80

In reality, midcaps have delivered better risk-adjusted returns v/s large caps

Source : IISL, MOAMC, Risk Free Rate 8.04 %

Source : Bloomberg & Internal Analysis, Data as on 31st January 2015, Note: Past performance may or may not be sustained in future

Motilal Oswal MOSt Focused Midcap 30 Fund (MOSt Focused Midcap 30)

MOST Focused Midcap 30 – Key Features

Quality, Growth, Longevity and Price (QGLP)

- Will invest in companies with:
- Enduring economic moats that ensure quality and longevity
- High growth potential
- Buying a good business at a fair price.

'Buy and Hold' Strategy

- Long term growth over economic cycles
- Enables compounding of growth
- Low Churn: Cost Efficient
- Portfolio churn driven by fundamentals over valuations

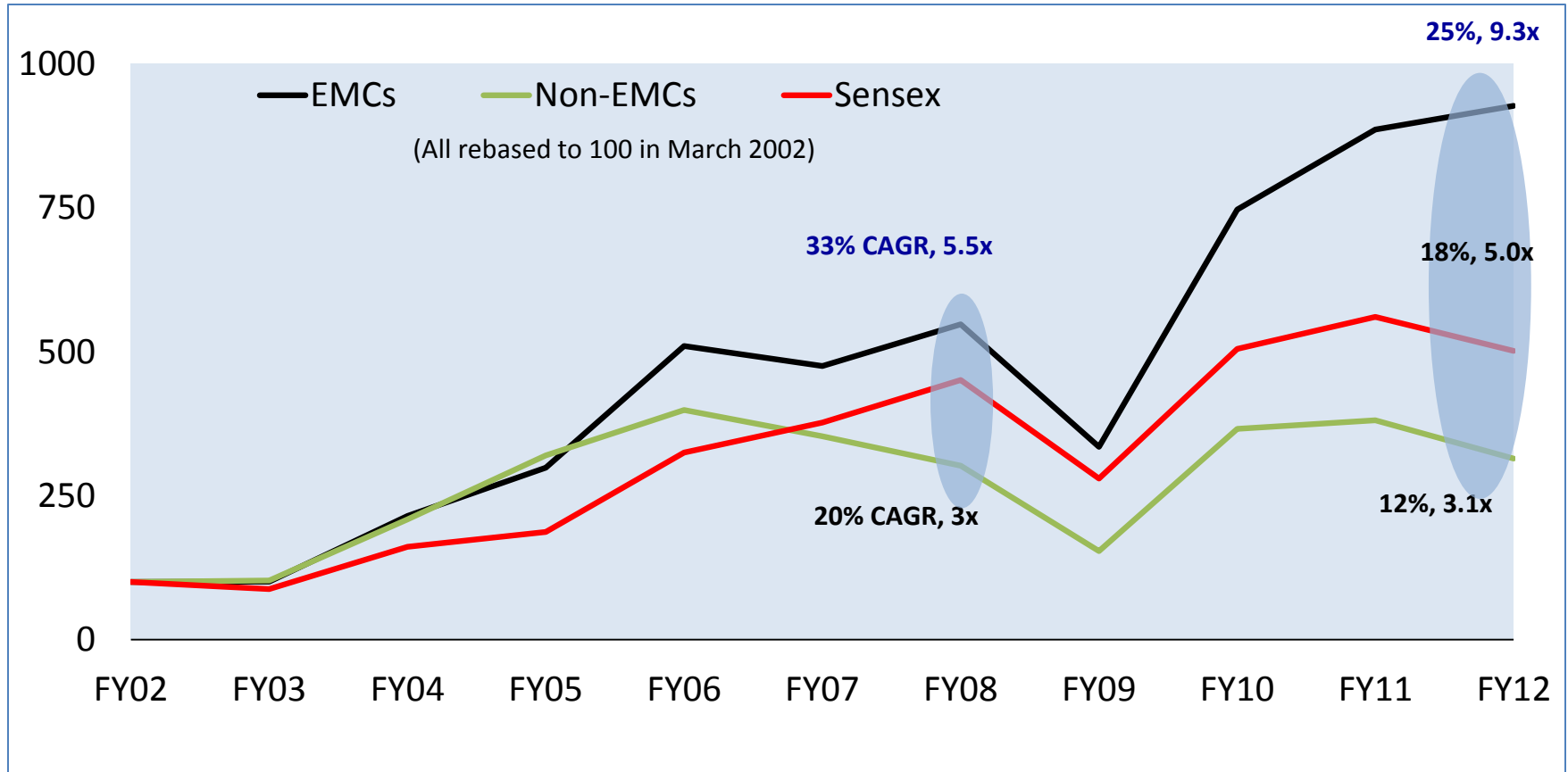
Focused, High Conviction Portfolio Construct

- Maximum 30 stocks
- Bottom-up stock picking
- Optimal Diversification

Why Quality?

Quality companies are those which have enduring economic moats (EMC's)

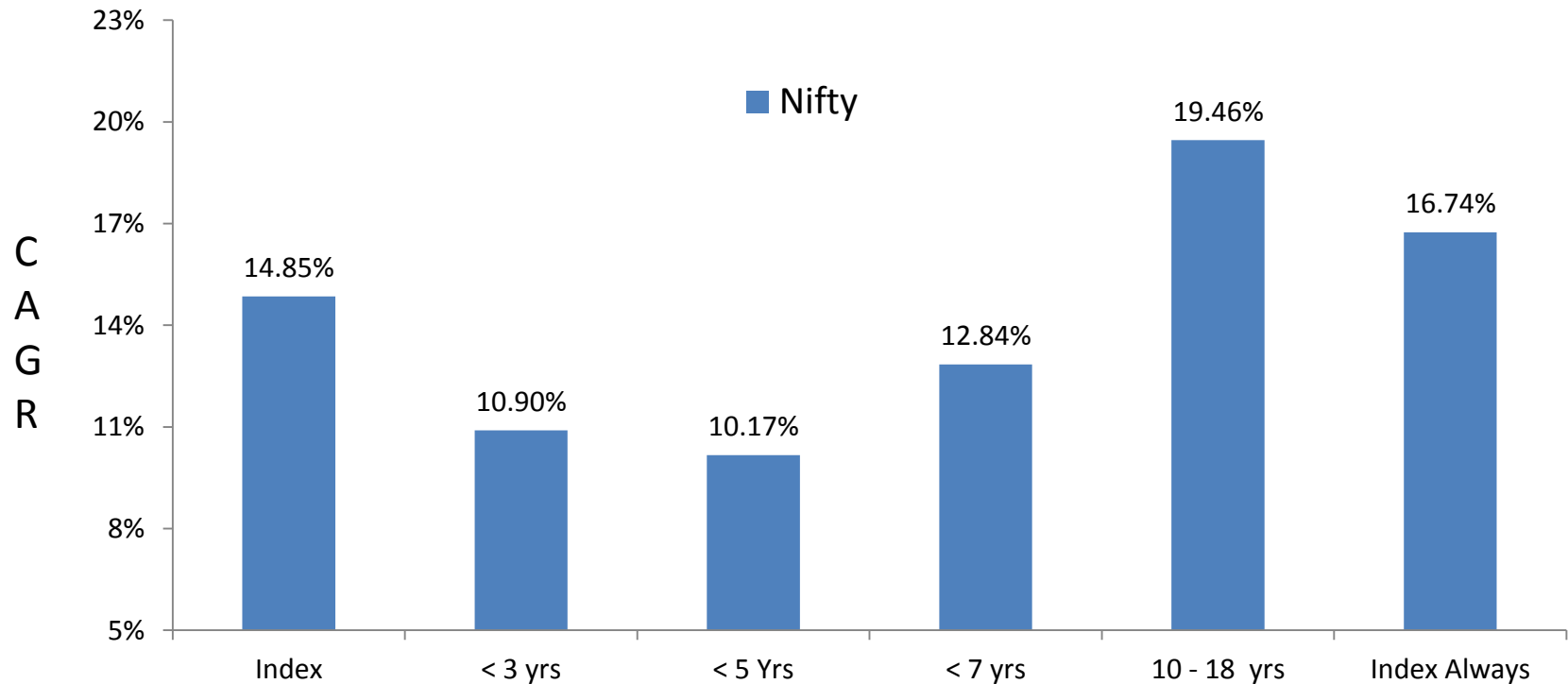
Payoff profile of EMCs, Non-EMCs and Sensex



Source: 17th Motilal Oswal Wealth Creation Study (WCS) Data upto FY2012

Why “Buy and Hold”?

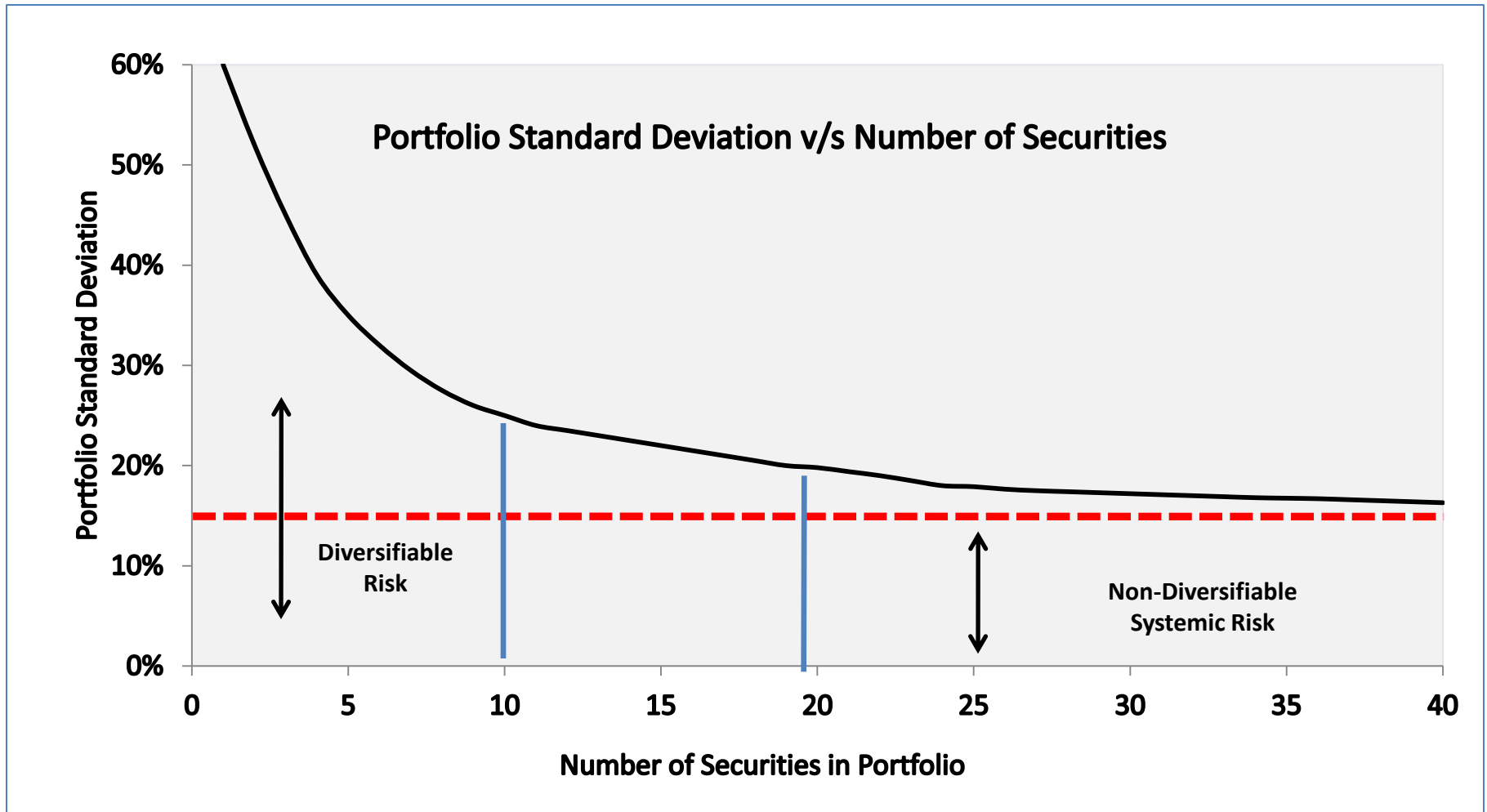
Improved Quality companies held for longer duration



Source : MOAMC internal analysis, Data as on January 31, 2015; Period - January 1, 2001 to January 31, 2015

Note: Past performance may or may not be sustained in future . The above graph is only for illustration purpose and should not be construed as recommendation.

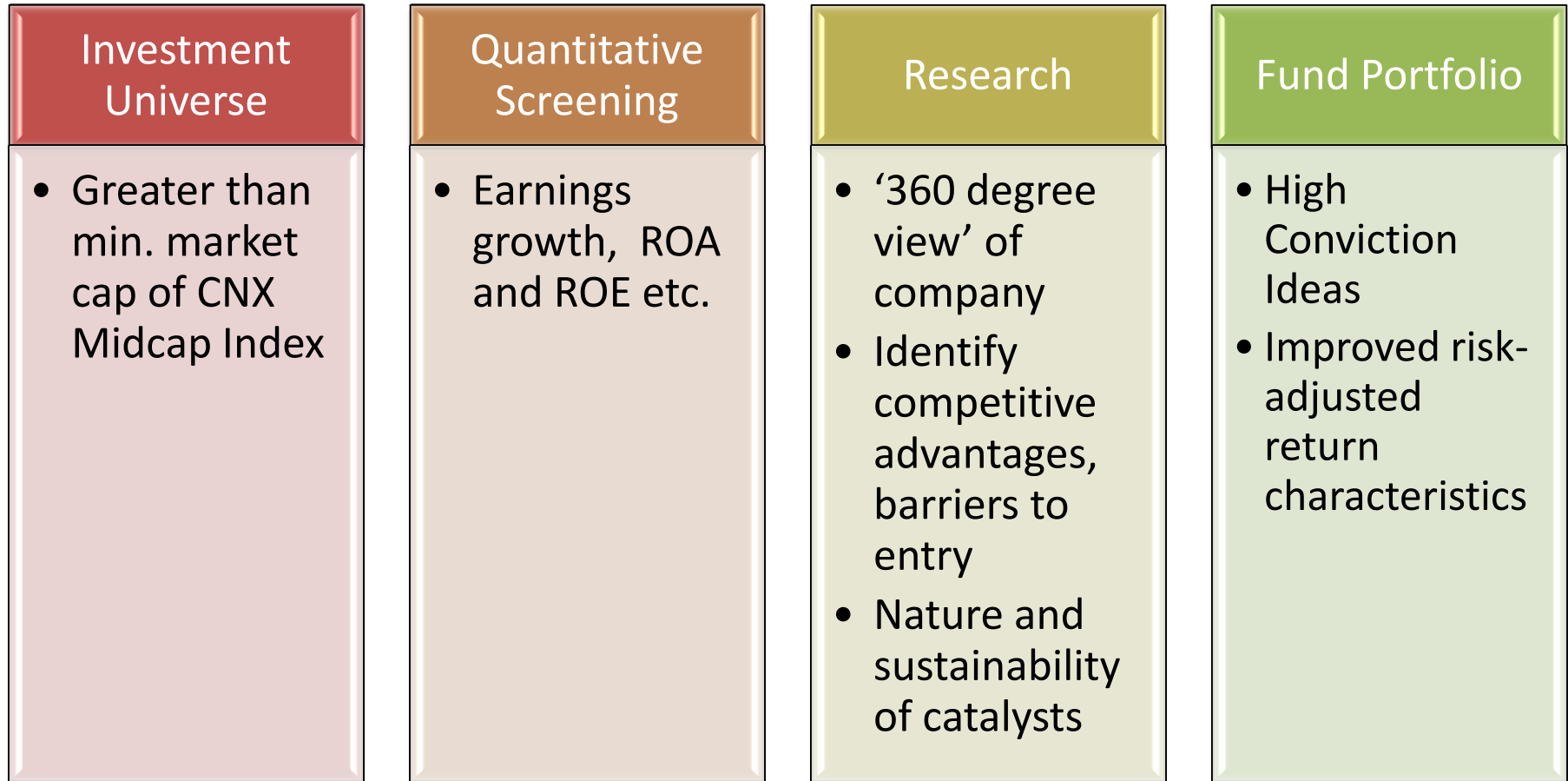
Focus: Seeking Optimal Diversification



Source: An Introduction to Risk and Return Concepts and Evidence by Franco Modigliani and Gerald A. Pogue

Investment Process – Stock Screening

Top down analysis market views, thematic drivers, winner categories and categories winners



Eg. ~500 Stocks ⇒ 100-150 Stocks ⇒ 75-100 Stocks ⇒ Max 30 Stocks

BUY RIGHT. SIT TIGHT

Investment Process (contd...) – Stock Evaluation

A business
we
understand

Favorable
long term
economics

Able and
trustworthy
management

Margin of
Safety

BUY RIGHT. SIT TIGHT

Portfolio Construct

For Whom

Investors who like to invest with a Long-term wealth creation view and believe that wealth is created by 'BUY RIGHT SIT TIGHT' i.e. buying quality companies and riding their growth cycle .

Investment Horizon

Medium to Long Term

Number of Stocks

Maximum 30 Stocks

Allocation

- Minimum 65%:between Top 101st and 200th listed companies by market capitalization
 - Maximum 25%: beyond the Top 200th listed company and with market capitalization not lower than INR 600 cr.
 - Maximum 10% : Debt, Money Market Instruments, G-Sec, Bonds, Cash and cash equivalents, etc.
- * subject to maximum of 30 companies

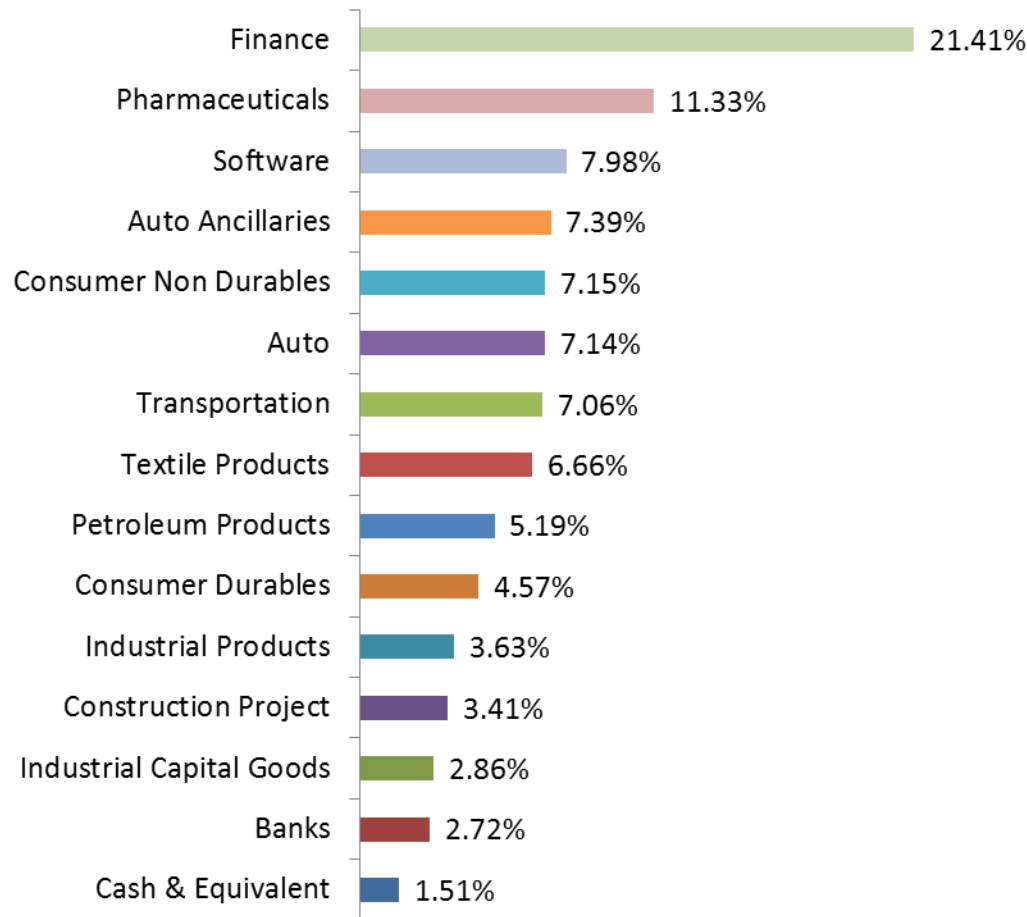
Fund Details

- **Type of Scheme:** An open ended equity scheme
- **Investment Objective:** The investment objective of the Scheme is to achieve long term capital appreciation by investing in a maximum of 30 quality mid-cap companies having long-term competitive advantages and potential for growth. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.
- **Benchmark:** CNX Midcap Index
- **Entry Load:** Nil
- **Exit Load:** Nil
- **Plans:** Regular Plan and Direct Plan

- **Options (Under each plan):** Dividend (Payout and Reinvestment) and Growth
- **Minimum Application Amount :** Rs. 5,000 /- and in multiples of Re. 1/- thereafter.
- **Additional Application Amount:** Rs. 1,000/- and in multiples of Re. 1/- thereafter.
- **Systematic Investment Plan (SIP):** Minimum installment amount - Rs. 1,000/- (weekly / fortnightly/monthly) and Rs. 2,000/- (quarterly) and in multiples of Re. 1/- thereafter with minimum of 6 installments for weekly /fortnightly/monthly frequency and minimum 3 installments for quarterly frequency. The dates for Auto Debit Facility shall be on the 1st, 7th,14th, 21st or 28th of every month.
- **Minimum Redemption Amount:** Rs. 1,000/- and in multiples of Re. 1/- thereafter.

Sector allocations

Industry Allocation



- Finance, Pharmaceuticals, and Software are the top 3 sector exposures

- Portfolio is well represented across a wide range of sectors

Industry classification as recommended by AMFI

Data as on 31st January 2015

Portfolio holdings

Top Holdings

Name of Instrument	% to Net Assets
Ajanta Pharma Limited	8.31%
Amara Raja Batteries Limited	7.39%
Bajaj Finance Limited	7.22%
TVS Motor Company Limited	7.14%
Gujarat Pipavav Port Limited	7.06%
Page Industries Limited	6.66%
CRISIL Limited	6.44%
H P C Limited	5.19%
Mindtree Limited	4.72%
Sundaram Finance Limited	4.46%

- TOP 5 Stocks % to NAV=37.11%
- TOP 10 Stocks % to NAV =64.58%
- Currently we Hold 21 Stocks

Data as on 31st January 2015

Fund Manager Details



Mr. Taher Badshah Senior Vice-President & Head of Equities

Taher Badshah is the Fund Manager of this Scheme and is responsible for managing investments in equity and equity related instruments of the Scheme. Mr. Badshah is a B.E. in Electronics from the University of Mumbai and has followed it up with a Masters in Management Studies (Finance) from the SP Jain Institute of Management, Mumbai.

Taher Badshah brings with him 19 years of rich experience in fund management and investment research. He started his career as an automobiles analyst with Motilal Oswal and has been well-regarded in the industry for his work in this sector. He has also worked in different capacities with organizations like Kotak Investment Advisors, Alliance Capital Asset Management Pvt. Ltd., Kotak Institutional Equities Ltd., and Prudential ICICI Asset Management Company Ltd. He has spent the first 10 years of his career doing sell-side equity research and the past 9 years in active fund management. He is also Fund Manager of Motilal Oswal MOST Focused Midcap 30 Fund.

Mr. Abhiroop Mukherjee (For Debt Component)

He is B.com (H), MBA with 4 years of experience in Trading Fixed Income Securities viz. G-sec, T-bills, Corporate Bonds CP, CD etc. He has earlier worked with PNB GILTS LTD. as a WDM Dealer for the period 2007-2011

Disclaimer

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Statutory Details: Constitution: Motilal Oswal Mutual Fund has been set up as a trust under the Indian Trust Act, 1882.
Trustee: Motilal Oswal Trustee Company Limited. **Investment Manager:** Motilal Oswal Asset Management Company Ltd.
Sponsor: Motilal Oswal Securities Ltd.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

Past performance of the Sponsor/ AMC/ Mutual Fund and its affiliates does not indicate the future performance of the scheme and may not provide a basis of comparison with other investments.