

The Zen of Investing



March 2015



Why India ?

- ▲ India's Next trillion Dollar Era
- ▲ New Cycle of Earnings Growth
- ▲ Current Valuations below Decadal Average

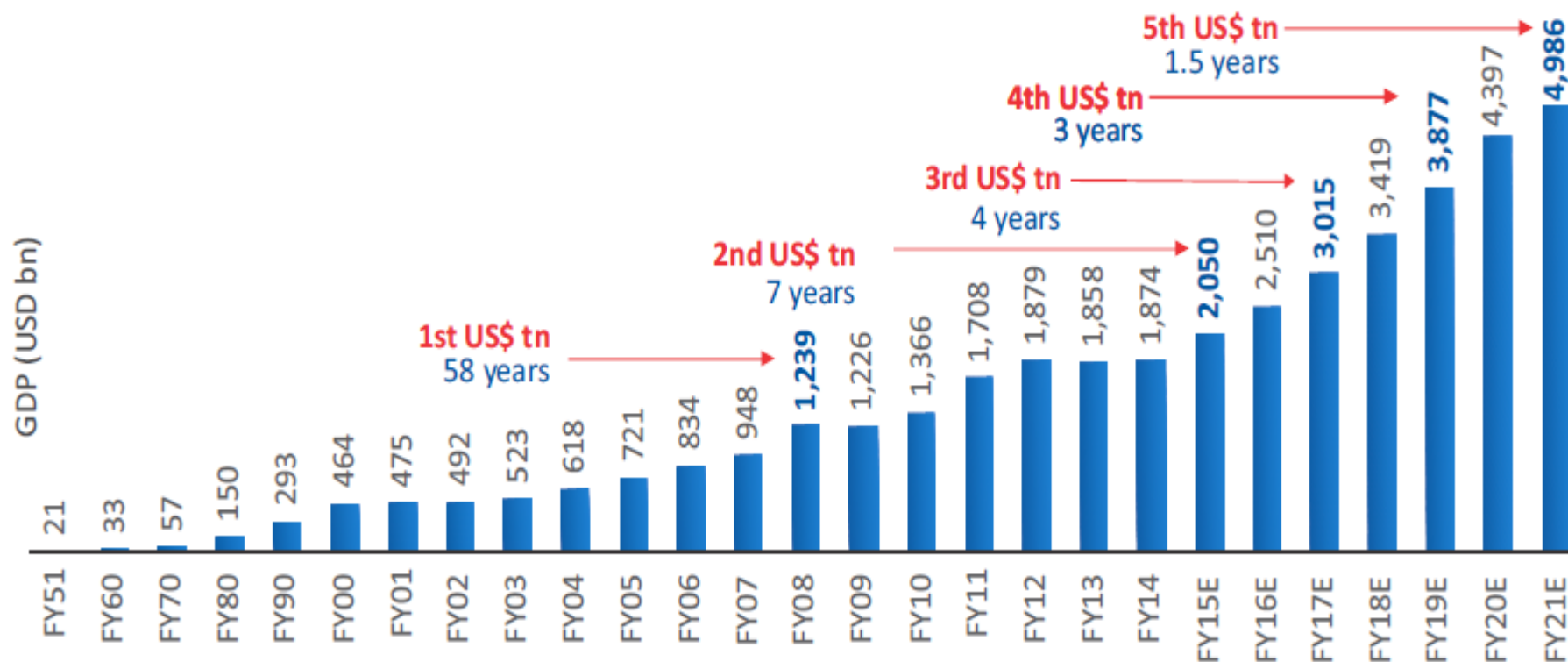
Why MOAMC- PMS?

Why Value ?

India's Next Trillion Dollar Era

It took almost 60 years for the first US\$ 1 trillion of GDP, today India is 10th largest economy in the world

It is expected to take only 7 years for US\$2 trillion

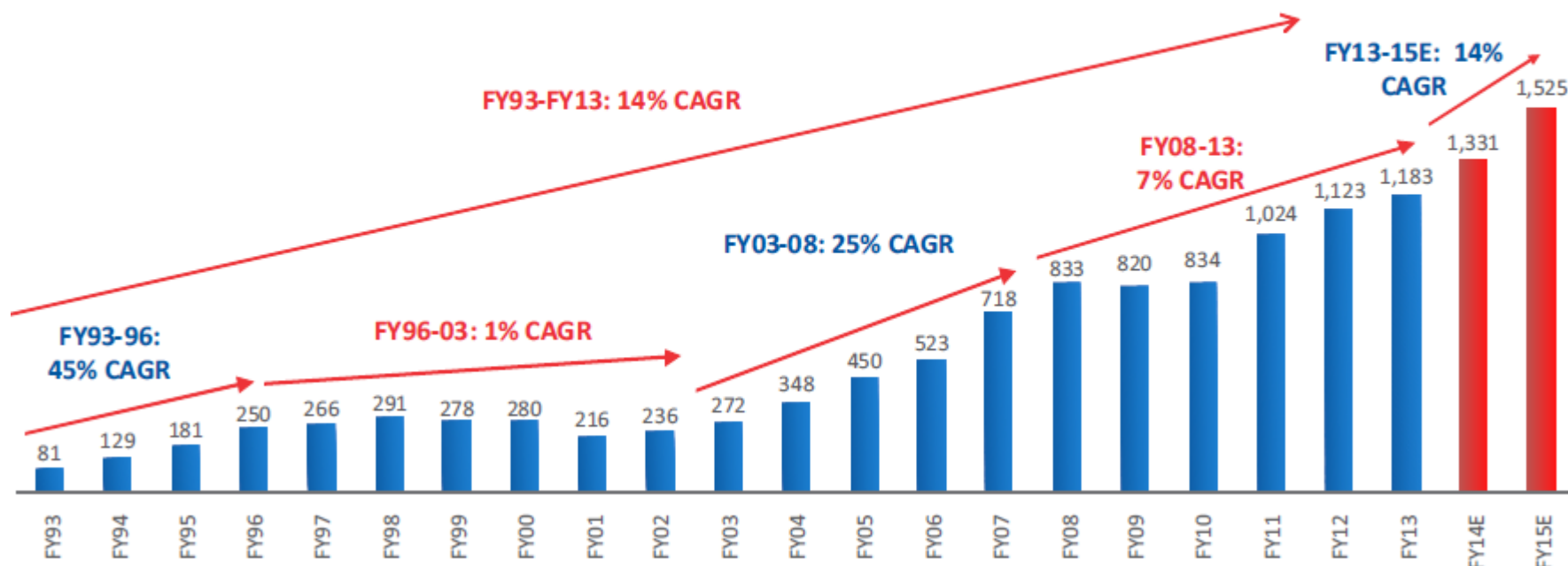


Source: Motilal Oswal Securities Ltd (Data as on 31/12/2014)

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.

New Cycle of Earnings Growth

The chart below indicates the S&P Sensex expected Earnings Per Share (EPS) growth from FY13 – FY15E.

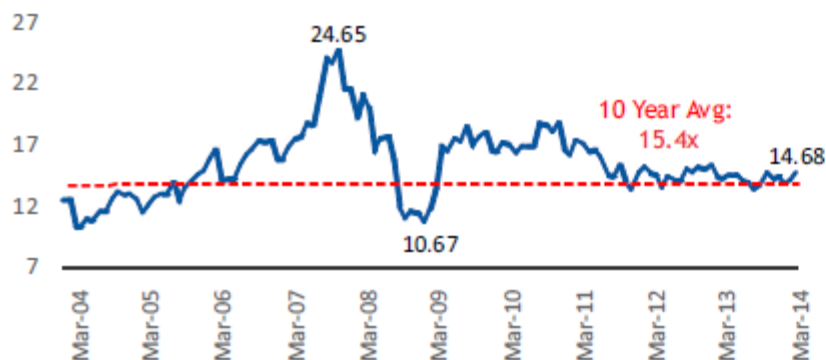


Source: Motilal Oswal Securities Ltd, as on 31st March, 2014

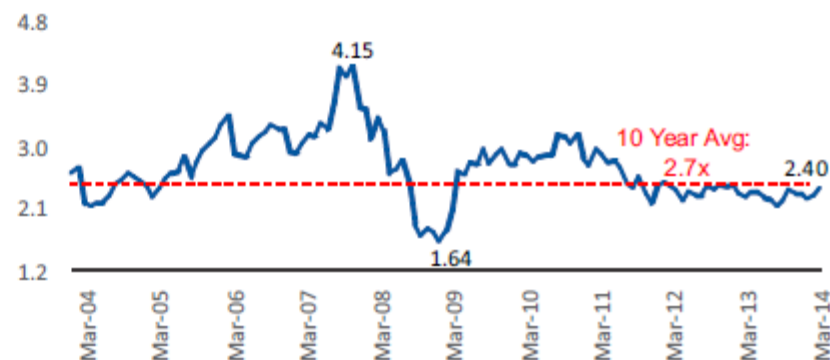
Above forward-looking graphs & statements are based on external current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results. Past performance may or may not be sustained in future.

Current Valuations Below Decadal Average

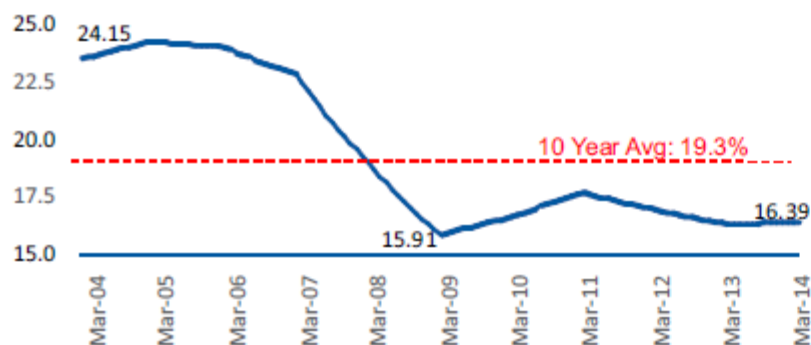
SENSEX P/E (x)



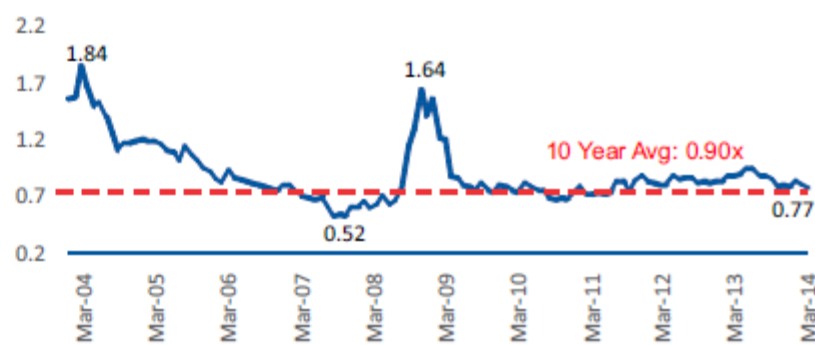
SENSEX P/B (x)



SENSEX ROE (%)



SENSEX EARNINGS YIELD Vs BOND YIELD (%)



Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Source: Motilal Oswal Securities Ltd, as on 31st March, 2014

Why MOAMC PMS ?

Amongst India's one of the leading PMS Service Providers, with Assets under Management of approx Rs. 3345 Crores.

Our Flagship "Value Strategy" has outperformed the benchmark across market cycles over a 11 year period.

MOAMC PMS has one of the largest active accounts (more than 5,108) on PMS Platform.

Value Strategy's risk parameters are analysed quarterly by an internationally reputed agency Morningstar.

MOAMC - 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 28th February 2015

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Value Investing

- ▀ Wealth Creator - Value Investing
- ▀ Buy & Hold Philosophy
- ▀ Value Philosophy
- ▀ Rigorous Investment Process

Value Strategy

Consistent Performance

Our investment philosophy – ‘Buy Right : Sit Tight’

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

Buy Right Stock Characteristics

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 Approach

- **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 inadequate 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.

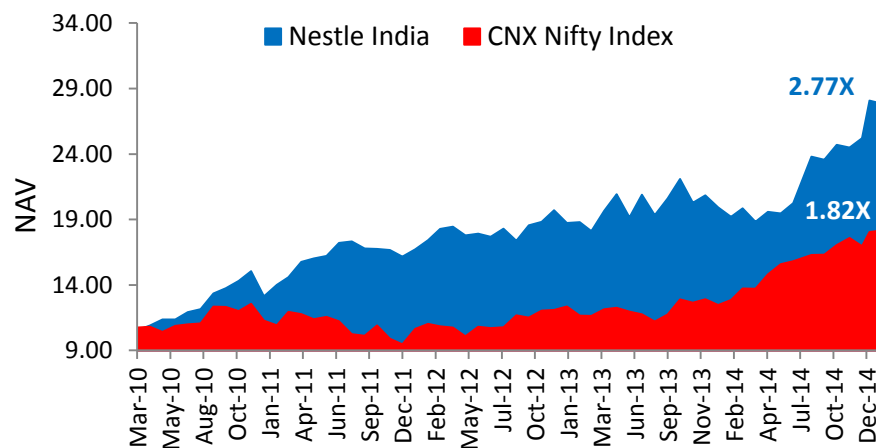
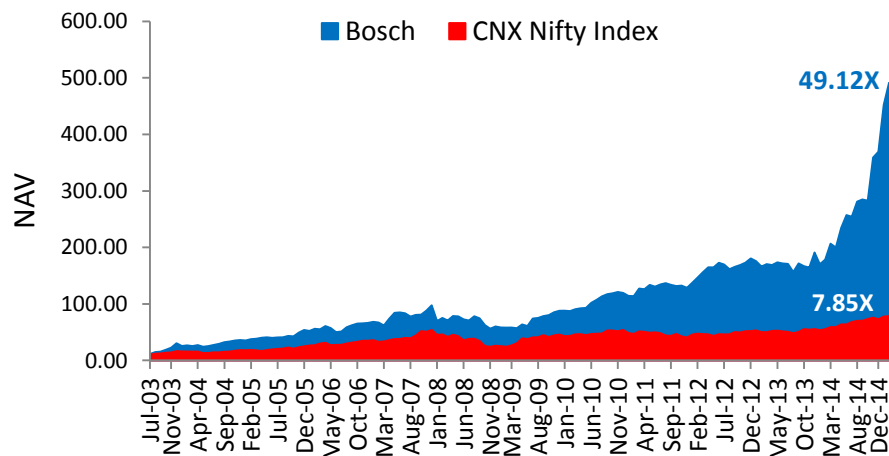
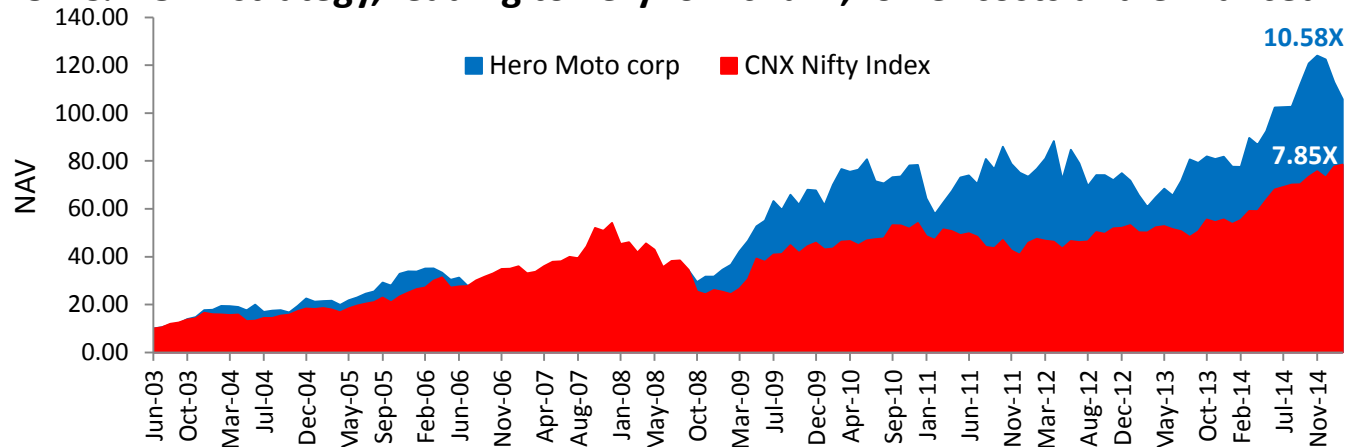
- A business is prudently picked for investment after a thorough study of its underlying hidden long-term potential.
- Value Investment involves determining the Intrinsic value of a stock, and investing in it if the difference between the value and the stock price provides a sufficient Margin of Safety.
 - “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 Price	Current Market Price	% Growth
			28-Feb-15	
Bosch Limited	Jun-03	497.00	25885.90	5108%
Hero MotoCorp Ltd	Jun-03	253.65	2684.65	958%
State Bank Of India	Jun-03	36.00	301.65	738%
HDFC Ltd	Jan-06	241.80	1335.15	452%
HDFC Bank	Jul-08	201.00	1071.20	433%

Source: MOAMC

Please Note: The given stocks are part of portfolio of a model client of Value Strategy as on 28th February 2015. 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 is only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC.

BUY & HOLD strategy, leading to very low churn, lower costs and enhanced returns



Source: MOAMC, NSE

For relative comparison, base has been taken as 10 for all the above charts. Based on the closing market prices of 28th February 2015

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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”

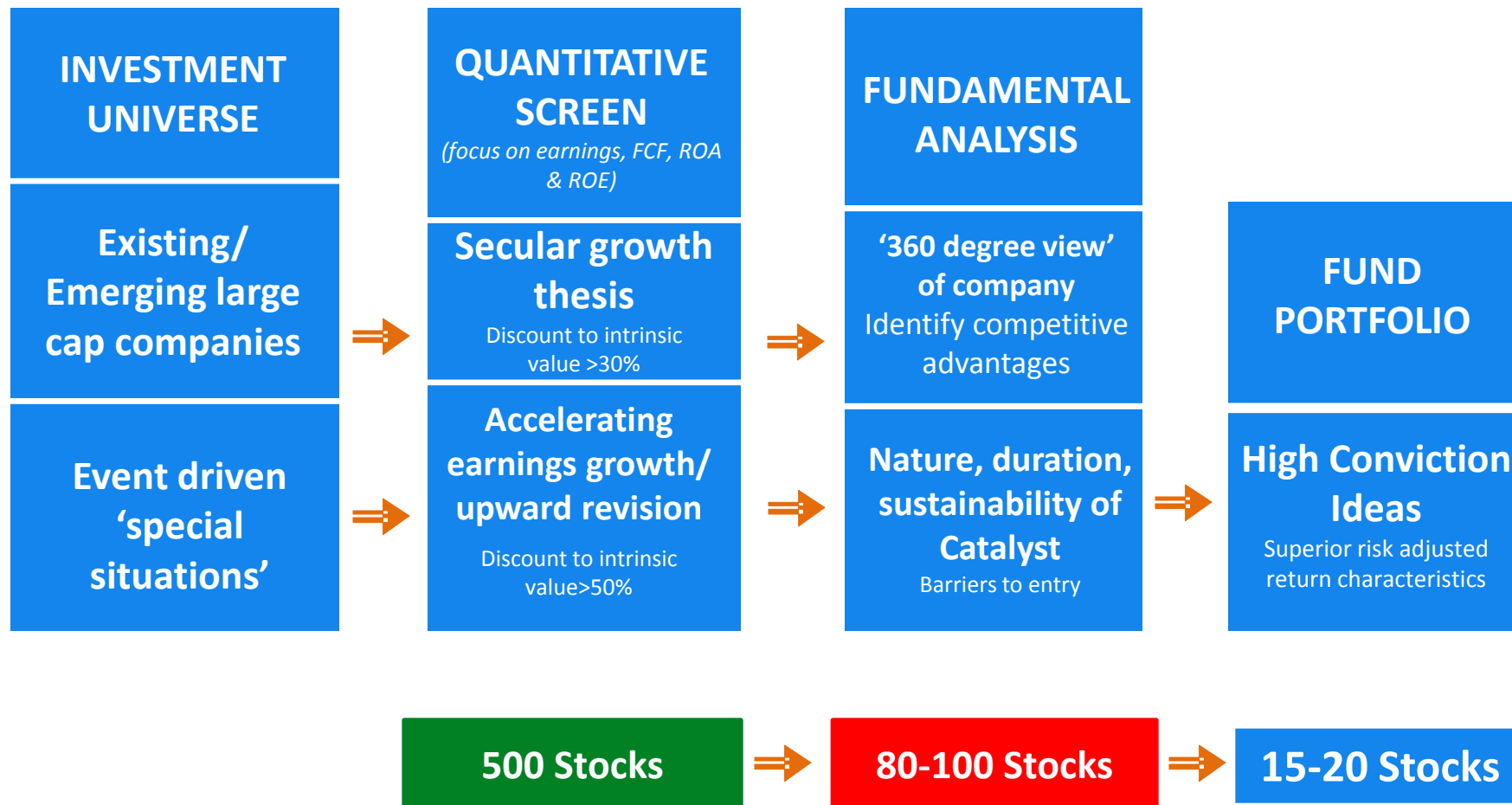
Bottom Up Approach

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

Focused Strategy Construct

- The strategy should not consist of more than 15-20 stocks

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



Strategy Objective

Investment Style & Timing

Risk-Return Matrix

Strategy Construct

Model Holding

Investment Committee

Fund 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

Buy undervalued stock and sell overvalued stock, irrespective of Index movements.

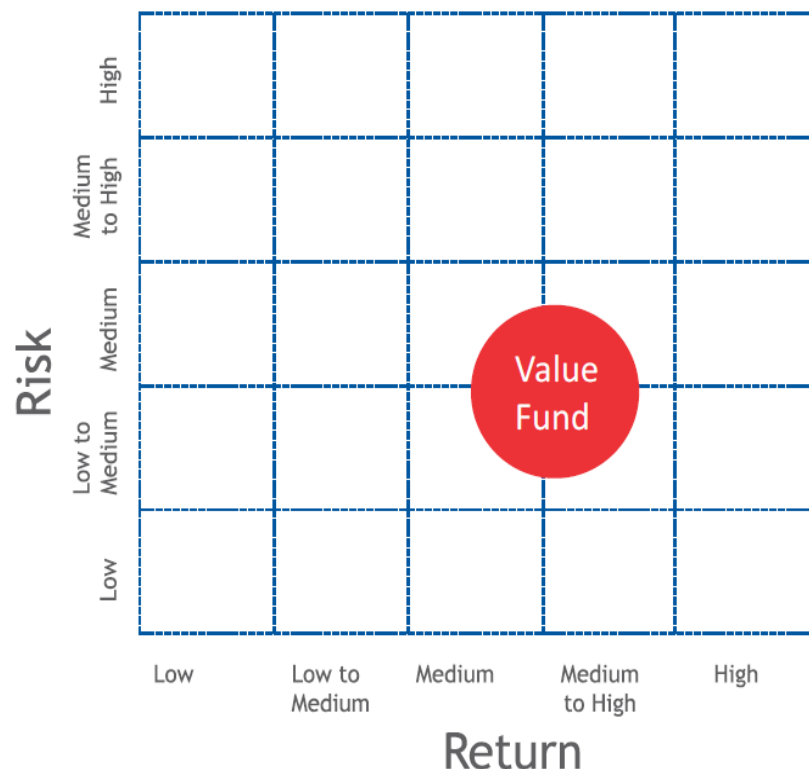
- The below mentioned table gives the performance of the Stocks after exiting from the Strategy.

Scrip Name	Buy Date	Adjusted Buy Price	Sell Date	Adjusted Sell Price	CMP *	Scrip Returns post selling	Value Returns post selling	Nifty Returns post selling
Balkrishna Industries	14-Jan-04	24.20	31-Aug-05	169.32	599.4	14%	18%	15%
BHEL	23-Jun-03	27.38	26-Mar-07	224.31	262.15	2%	18%	11%
Ranbaxy	06-Nov-07	442.02	11-Jun-08	570.65	712.05	3%	18%	11%
Tata Steel Ltd	06-Nov-07	857.40	29-Mar-10	648.20	355.25	-11%	17%	11%
DLF	06-Jul-07	576.18	10-Jul-08	458.55	155.4	-15%	19%	12%
Bharti Airtel Ltd	25-Apr-03	17.24	07-Mar-12	329.20	356.25	3%	27%	20%

* Data as on 28th February 2015

Source: MOAMC

The Stocks 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.



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 - 20 stocks for a portfolio

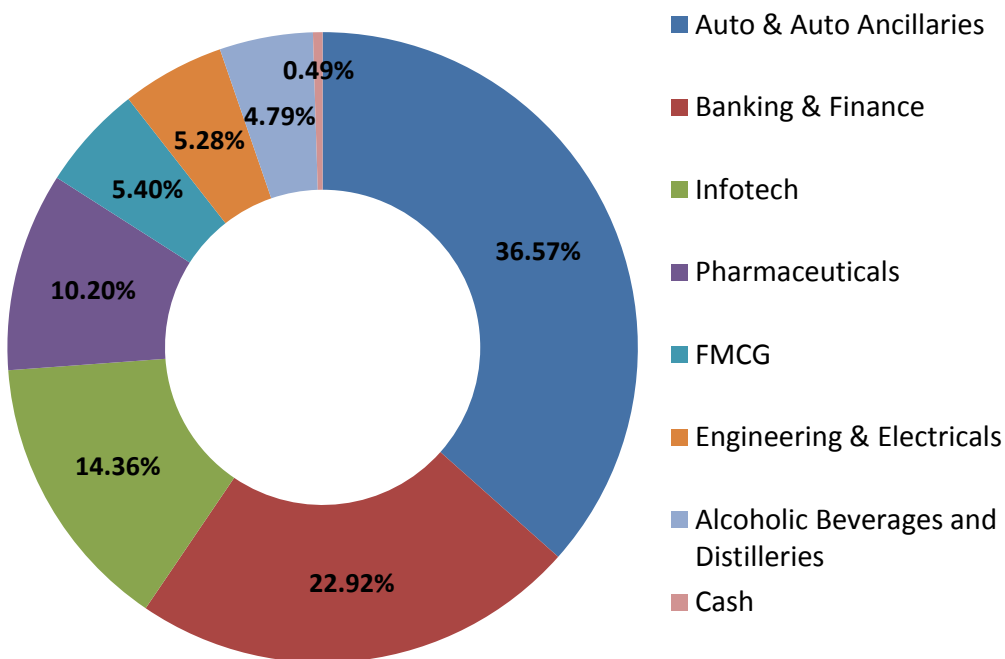
Scrip Allocation

- Not more than 10% - 12% in a single stock

Sector Allocation Limit

- 35% in a sector

Sector Allocation



Top Holdings

Scrip Name	%Holdings [^]
Eicher Motors Ltd.	17.93
Sun Pharmaceuticals Ltd.	10.20
Bosch Ltd.	9.64
HDFC Bank Ltd.	8.80
Tech Mahindra Limited	8.40
H D F C Ltd.	7.41
State Bank Of India	6.70
Tata Consultancy Services Ltd.	5.96
Asian Paints Ltd.	5.40
Larsen & Toubro Ltd.	5.28
Bharat Forge Ltd.	5.06

[^]Above 5%

Please Note: These stocks are a part of the existing Value PMS strategy as on 28th February 2015. 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 28th February 2015.



Mr. Raamdeo Agrawal

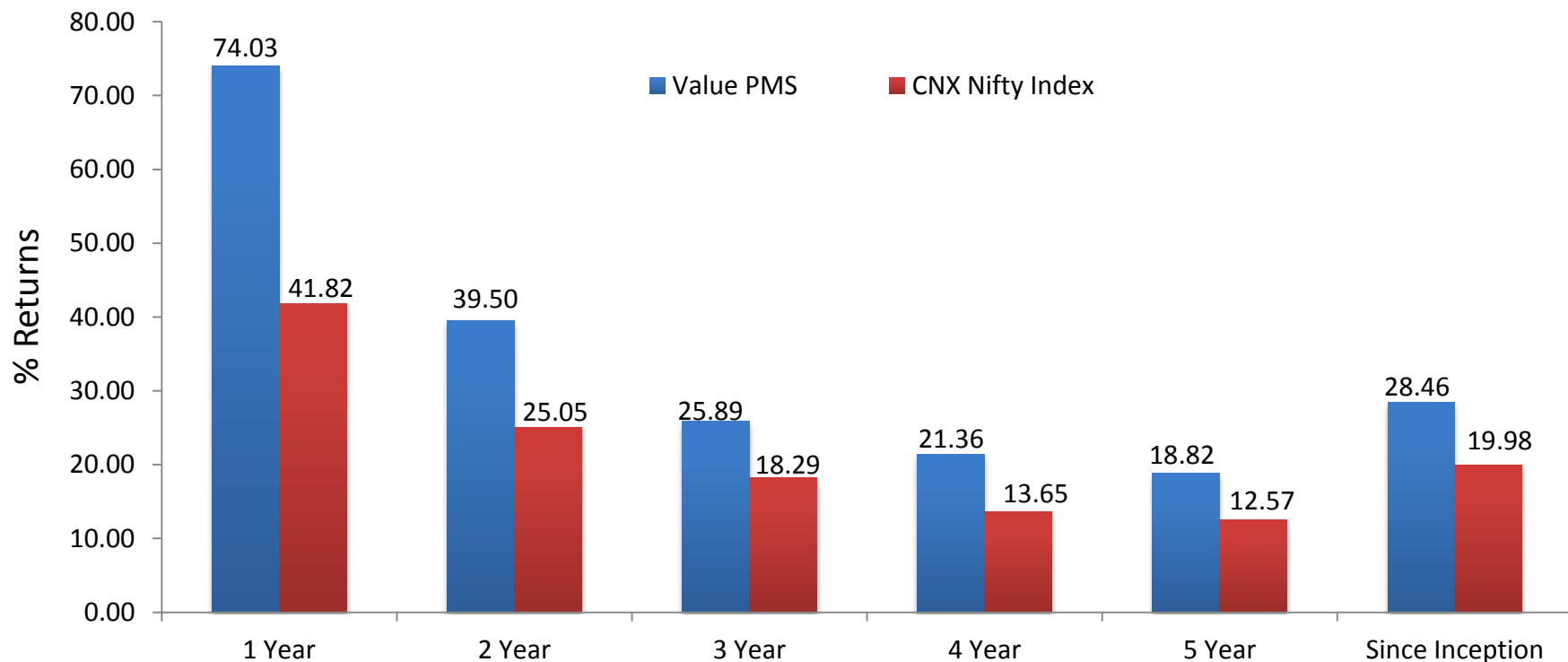
- **Mr. Raamdeo Agrawal** is a Co-founder and Joint Managing Director of Motilal Oswal Financial Services Ltd.
- He is also a Director on the Board of Motilal Oswal Asset Management Co. Ltd.
- He is the key driving force behind strong research capability as well as a renowned Value investor, and has 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**, is a Senior Vice President and Head - Equity PMS
- He has more than 17 Years Experience in Equity Research, Fund Management & Equity Sales.
- Qualifications – FCA, ICWAI, CS, MBA
- Past Experience : He has been Vice President – Equity Strategy at Motilal Oswal Securities Ltd.
- Fund Manager with PMS since 2006

Mode of payment	By Fund Transfer/Cheque and/or Stock Transfer
Investment Horizon	Medium to Long Term (3 Years +)
Benchmark	CNX Nifty 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 & 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

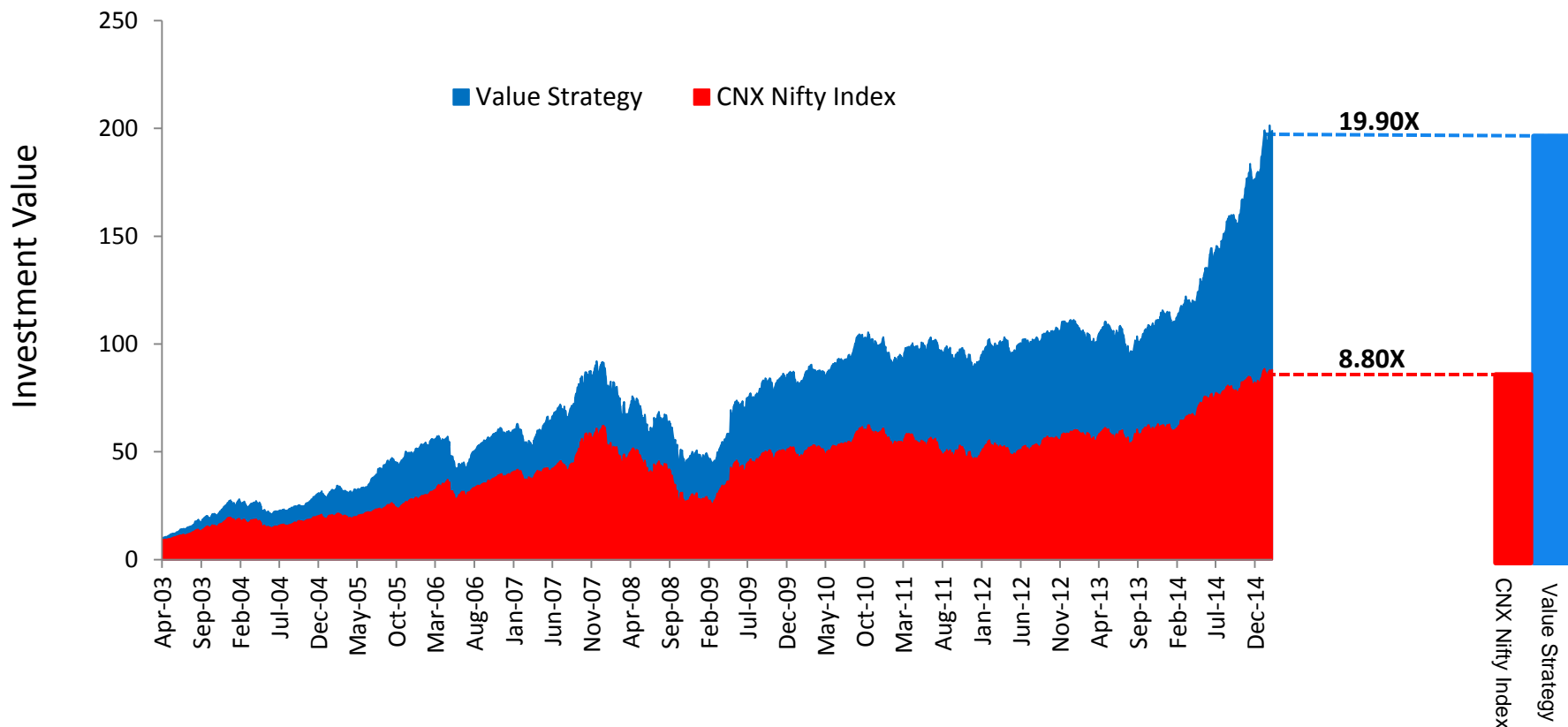
Since Inception Value Strategy has delivered a CAGR of 28.46% vs. Nifty returns of 19.98%, an outperformance of 8.48% (CAGR).



*Strategy Inception Date: 24/03/2003.

Please Note: The Above strategy returns are of a Model Client as on 28th February 2015. 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 are 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. 19.90 crores as on 28th February 2015. For the same period Rs. 1 crore invested in Nifty is now worth Rs. 8.80 crores.



Strategy Inception Date: 24/03/2003.

Please Note: The Above strategy returns are of a Model Client as on 28th February 2015. 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	0.73	1.00
R2	73.93	100
Up Capture Ratio	94.42	100
Down Capture Ratio	64.86	100
Sharpe Ratio	0.63	0.25
Standard Deviation	14.8	17.39

Source : Motilal Oswal AMC/Morningstar Direct, Data as on 31/12/2014, returns annualized using model strategy *CNX Nifty Index

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