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Core Equity Portfolio (CEP)

Handpicked, to create wealth

Security investments are subject to market risks and there is no assurance or guarantee that the investment objective will be achieved.

Aditya Birla Financial Services Group – A financial powerhouse

- ***Over 160,000 agents/channel partners***
- ***Manage assets of over US$ 30 bn***
- ***Revenues of over US$ 1.3 bn***
- ***Over 7 million customers***
- ***Over 11,500 employees***

VISION | ***To be a leader and role model in a broad based and integrated financial service business***

AUM as of Nov 2015

AMC: A Joint Venture between two pioneering companies

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- A US$ 40 bn corporation - one of the largest Indian conglomerates with operations in over 36 countries
- A dominant player in many commodity & manufacturing businesses apart from service businesses
- Major presence in Financial Services - Mutual Funds, Life Insurance, Wealth Management & Distribution, Security based lending, Infrastructure Finance, General Insurance Advisory, Broking & Private Equity

- A leading Canadian financial services company
- AUM CAD 734 billion *(Dec 2014)*
- Offering diversified range of risk and financial management products for individuals and corporate
- Large international footprint across continents – major presence in North America & Asia

Overview: Birla Sun Life Asset Management

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Asset Management

Heritage

- Founded in 1994, one of the oldest in India
- A JV between Aditya Birla Group & Sun Life Financial Inc since 2001
- Have seen the market evolve across different asset classes over the years
- Driven by client centric product Innovation

Market Dominance

- One of the top 4 AMCs in India with avg AUM of over US$20.36 bn (Dec 2015)
- Over 2.7 million investor accounts (Dec 2015)
- Strengths across different asset classes

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Best in Class Management

- Offer managed account services and investment solutions to High Net Worth Individuals and Institutions
- Birla Sun Life PMS manages / advises ~Rs. 10,530 cr. of assets (Feb 29,2016)
- **Five member** dedicated team for Equity and Fixed Income, with a cumulative experience of 40 yrs - over 8 yrs average experience with BSLAMC
- Disciplined processes driving investment management process
- First quartile performance for Core Equity Portfolio since inception

Core Equity Portfolio: Investment Objective & Strategy

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Focus on Long Term Wealth Creation

Investment Philosophy

Recurring Winners – Industries

* With strong operating dynamics

* Core to the India growth story

* ***Which have consistently thrown up winning stocks over the past 10 yrs***

* Strong fundamental research

Value investing approach with high margin of safety

Wealth Creation Approach

Own High Quality businesses with consistent growth/returns profile

* Companies with Scalability and Resilience

* Benchmark-agnostic

* Multi Cap Universe

* Concentrated Portfolio ~ 25-30 stocks

Value drivers

* Industry operating dynamics

* Sustainable ROEs/ROCEs

* Sustainable earnings growth

* High quality franchise, product, service

* Superior management team

* Attractive valuations

4 Pillars of our Investment approach

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- ***Concentrated Portfolio***
- ***Benchmark agnostic***
- ***Multi-cap universe***

Recurring Winners: Focus on businesses that have consistently created VALUE

•Favorable industry operating dynamics key to wealth creation
•Important role of company strategy, management and execution
•Consistent growth/returns profile, reflected in high ROEs, ROCEs

GDP growth pattern tilted in favor of few industries

Sustainable growth over long term in select industries

Sustainable Wealth Creation

Unique strategy based on Superior IP/Screeners

•Extensive research studies to identify future winners
•Comprehensive alert system to track industry wise valuations Current Studies include Recurring Winners Study, Piotrosky Scores

Value investing approach to generate alpha

Medium and long term mispricing in equities persists - market gives us enough opportunities to buy quality businesses at a discount to their intrinsic value

Pillar 1: GDP growth patterns favor some sectors more

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India GDP ($1.873 trn)

Private Consumption ($ 1069 bn)

- Food, beverages, tobacco: $ 376 bn
- Gross rent, fuel, power, water: $ 140 bn
- Transport & Communication: $ 186 bn
- Misc goods & svcs: $ 183 bn
- Clothing & Footwear: $ 77 bn
- Furniture/Furnishing: $ 42 bn
- Healthcare: $ 38 bn
- Education & Recreation: $ 27 bn

Exports ($ 300 bn)

- Engg: $ 65 bn
- IT: $ 64 bn
- Petro Products: $ 60 bn
- Chemicals: $ 40 bn
- Textiles: $ 27 bn

Gross Capital Formation ($ 646 bn)

Public Sector: $ 151 bn
Pvt Sector: $ 170 bn
Household: $ 275 bn

Decoupled, stable and sustainable returns over long term

Cyclical, levered to domestic policy and global economic recovery

Source: Citigroup India, GDP data for FY2013

Pillar 2: Recurring Winners

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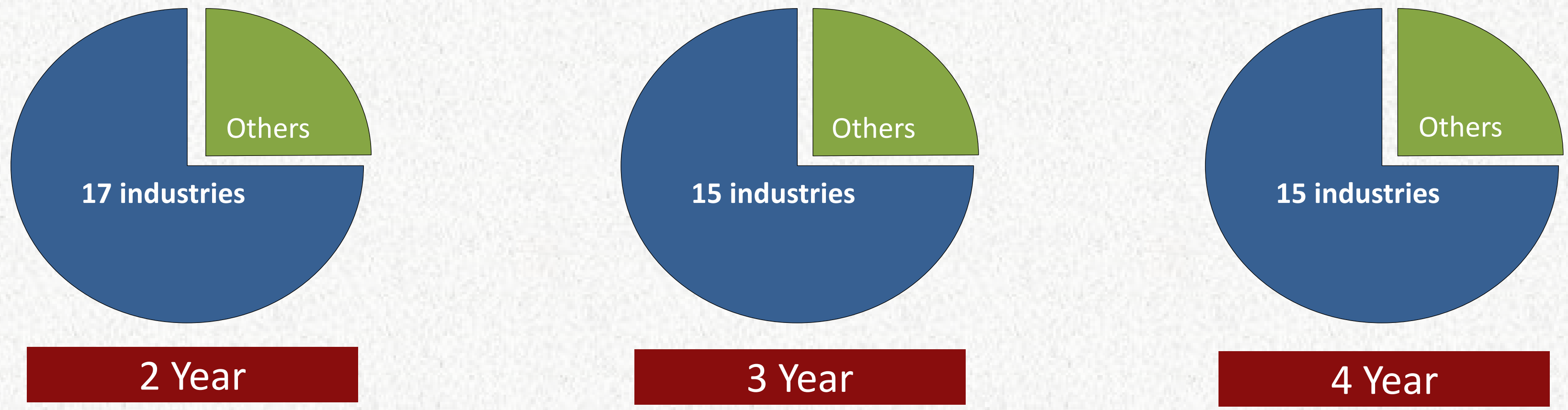
Consistent wealth creation in select industries



- Our "***Recurring Winners***" study across **61** industries suggest that in Indian context, **75%** of the consistently performing companies in the last decade belonged to **only 15** industries
  - The study evaluates the consistent winners in light of its Industry dynamics such as Competitive Intensity and Long term Growth Prospects
  - Companies with superior management and strong business models require support of favorable industry operating dynamics to consistently generate superior value and returns
  - In our investment strategy, focus is more on industries with lower competitive intensity that are more direct beneficiaries of consumer spending, who enjoy stable growth, and are less vulnerable
  - **Top 5 RWP Industries** include Commercial Banks, Pharmaceuticals, IT Services, Capital Goods, & FMCG

Pillar 2: Recurring Winners (contd.)

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Industry dynamics is key to capturing value

- Research over the long term proves that shareholder wealth creation is mainly determined by strong operating dynamics such as competition levels, ease of entry by new players, bargaining power of buyers/suppliers etc.
- Value Creation & Retention happens in fewer industries over longer horizon
- The effect of these dynamics is visible in sustainable ROE and ROIC

Commercial Banks	• Entry barriers in the form of licenses • Very limited customer bargaining power
Pharmaceuticals	• Large and growing addressable market • Entry barriers in form of size, capital needs, regulations, research capabilities
IT Services	• Entry barriers in Fortune 500 space • Limited supplier power in terms of salary costs – arbitrage
Capital Goods	• Large & growing addressable market • Strong and large balance sheets acting as performance anchors
FMCG	• Brand franchise and distribution scale driven entry barriers • Ingrained sustainability, healthy margins & return ratios

Pillar 3: Quantitative Screeners backed by fundamental research

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Our unique Intellectual Property Models add immense value

- **Extensive fundamental research** undertaken to identify future winners that create superior and sustained value
- **Comprehensive alert systems** created and maintained to track industry wise valuations of each company
- Practice value investing by building quantitative models that enable identifying **growth** industries and businesses at **attractive valuations** – in line with our investment strategy

Fundamentals

- Piotroski Score (P-Score)
- ROE/ ROCE and Debt to Equity Filters
- Earnings revisions

Valuations

- Valuation Screener
- Residual Income Model
- Discount to Intrinsic value> 30%

Piotroski – Score

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Effective screener to identify future winners

P-Score is an effective screener as it measures:

1. The overall strength of the firm's financial position
   – Identifies Quality, Superior Leadership companies

2. The improvement (delta) in the financial position of the firm
   – Identifies Turnaround, Compounding Companies

It is one aggregate signal that captures three areas of the firm's financial condition:

- **Profitability :** +ve Net profit, +ve Operating Cash Flows, Cash flow>Net Profit, Change in ROA
- **Financial leverage/Liquidity:** Change in Leverage, Change in Liquidity, and Equity Financing
- **Operating efficiency :** Change in Operating Margins, Change in Turnover Ratio

It is a 9 point indicator: score of 7,8 or 9 is high P-score, and 0,1,2,3,4 is low P-score

Source: Paper by Piotroski, Joseph D. (January 2002)."Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Losers"

P-Score: Captures Fundamentals

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P_SCORE = F_ROA + F_DROA + F_CFO + F_ ACCRUAL + F_DTURN + F_DMARGIN + F_DLEVER + F_DLIQUID + EQ_OFFER

No.	Ratios	Definition	Positive signal if
QUALITY			
PROFITABILITY			
1	Return on Assets (ROA)	Net Income/Total Assets	ROA>0
2	Cash flow from Operations (CFO)	Cash flow from Operations/Total Assets	CFO>0
3	Accrual	CFO - Net Income (NI)	CFO-NI>0
FINANCIAL LEVERAGE			
4	Equity Offering (EQ_OFFER)	Issue of common equity by the company	EQ_OFFER=0
CHANGE IN QUALITY			
PROFITABILITY			
5	Change in ROA	ROA(Year t) - ROA (Year t-1)	ΔROA > 0
OPERATING EFFICIENCY			
6	Change in EBITDA Margins	EBITDA/Sales (Year t) - EBITDA Sales (Year t-1)	Δ EBITDA Margin > 0
7	Change in Asset Turnover Ratio	Sales/Assets (Year t) - Sales/Assets (Year t-1)	Δ Asset Turnover > 0
FINANCIAL LEVERAGE			
8	Change in Net Debt to Assets (Leverage)	Net Debt/Assets (Year t) - Net Debt/Assets (Year t-1)	Δ Leverage < 0
9	Change in Current Ratio	Current Assets/Current Liabilities (Year t) – Current Assets/Current Liabilities (Year (t-1)	Δ Current Ratio > 0

CAPITAL PRESERVATION

CAPITAL APPRECIATION

Source: Paper by Piotroski, Joseph D. (January 2002)."Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Losers”

P-score template

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Company name	Alembic Pharma

As of June - 2012

Data input in red

	FY12A	FY13E	FY14E	FY15E
QUALITY				
Net Income (Rs mn)	1,301	1,487	1,869	2,333
1. Return on Assets (ROA)	**15.4%**	**14.1%**	**15.3%**	**16.5%**
2. Cash flow from Operations (CFO)	**2,241**	**2,641**	**2,559**	**2,690**
3. Accrual (CFO-Net Income)	**940**	**1,154**	**690**	**357**
4. Equity Offering	**0**	**0**	**0**	**0**
CHANGE IN QUALITY				
5. Change in ROA	***5.3%***	***-1.3%***	***1.2%***	***1.2%***
EBITDA Margins	15.1%	15.3%	15.5%	15.8%
6. Change in EBITDA Margins	***1.7%***	***0.2%***	***0.2%***	***0.3%***
Asset turnover Ratio (x)	1.54	1.45	1.47	1.48
7. Change in Asset Turnover Ratio	***0.12***	***-0.09***	***0.02***	***0.01***
Net Debt	1,873	785	-374	-1,476
Net Debt to Assets (x)	0.20	0.07	-0.03	-0.10
8. Change in Net Debt to Assets	***-0.12***	***-0.13***	***-0.10***	***-0.07***
Current Ratio (x)	1.3	1.4	1.5	1.7
9. Change in Current Ratio	***-0.07***	***0.07***	***0.15***	***0.17***
Earnings growth (%)	**52%**	**14%**	**26%**	**25%**
Price to Earnings (June 2012)	7.5x	6.6x	5.2x	4.2x

PIOTROSKI SCORE	Score	ROA	D ROA	CFO	ACCRUAL	D TURN	D MARGIN	D LEVER	D LIQUID	EQ. OFFER
FY2012	**8**	1	1	1	1	1	1	1	0	1
FY2013E	**7**	1	0	1	1	0	1	1	1	1
FY2014E	**9**	1	1	1	1	1	1	1	1	1
FY2015E	**9**	1	1	1	1	1	1	1	1	1

Universe: All **Non-Financial** Common stocks listed in India which have crossed the INR 800cr market cap threshold at least once in the period of study.
Period of study – 30th June, 2002 to 31st December, 2013

P-Score : *High P-score portfolio outperforms*

- **Across cycles, equal weighted portfolio of High P-score stocks deliver average returns higher than that of Mid P-Score and Low P-score stocks**
- An investment strategy that buys High P-score stocks and shorts Low P-score stocks within the universe generates significantly high positive returns across most cycles

P-Score	Average Returns (%)		
	1-yr	2-yr	3-yr
0	xx	xx	xx
1	-32%	-52%	-39%
2	-13%	-25%	-31%
3	-2%	-14%	-15%
4	10%	9%	12%
5	22%	39%	55%
6	29%	49%	82%
7	44%	75%	115%
8	64%	120%	175%
9	53%	107%	172%
Low P-score	**5%**	**1%**	**3%**
Mid P-score	**25%**	**44%**	**68%**
High P-score	**50%**	**88%**	**133%**
Universe	**25%**	**42%**	**67%**
CNX500 Index	**27%**	**52%**	**86%**

Universe: All **Non-Financial** Common stocks listed in India which have crossed the INR 800cr market cap threshold at least once in the period of study.

Period of study – 30th June, 2002 to 31st December, 2013

P-Score: *It works across market caps*

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- **Across different market capitalization stocks, equal weighted portfolio of High P-score stocks deliver average returns higher than that of Mid P-Score and Low P-score stocks**

Market Cap (crore)	Average 2 year returns (%)				
	Low P-score (L)	Mid P-score (M)	High P-score (H)	Average (A)	(H) – (A)
>20K	-10%	20%	58%	22%	36%
10K - 20K	-2%	26%	62%	28%	34%
6.75K - 10K	-1%	30%	62%	30%	32%
4.5K - 6.75K	-1%	30%	70%	31%	39%
3K - 4.5K	-6%	32%	74%	31%	43%
2K - 3K	-8%	37%	76%	33%	43%
1.3K - 2K	-7%	37%	76%	33%	43%
900 - 1300	-6%	39%	77%	35%	42%
600 - 900	-4%	40%	78%	36%	42%
400 - 600	-3%	41%	81%	38%	43%
<400					
Total	**1%**	**44%**	**88%**	**42%**	**46%**

Universe: All **Non-Financial** Common stocks listed in India which have crossed the INR 800cr market cap threshold at least once in the period of study.
Period of study – 30th June, 2002 to 31st December, 2013

Extensive Fundamental research

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Bottom-up Fundamental Research adds conviction

- **Extensive fundamental research** undertaken on the Filtered candidates to identify potential portfolio companies
- Ensure that the team meets the management before forming a view on the company
- Track sector developments, meet industry participants across value chains to discern changing trends
- Focus on understanding company strategy, management and execution

Fundamentals

- Industry analysis
- Financial analysis
- Company meetings
- Plant/Factory Visits
- Dealer/ Channel checks
- Management evaluation

Pillar 4: Value investing approach to generate alpha

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- Medium and long term **mispricing** in equities persists - market gives us enough opportunities to buy quality growth stocks at a **discount to their intrinsic value**
- Proprietary screeners enable discovery of these stocks and companies that will create value – which are still significantly under-valued
- Emphasis is on entry price and we invest in a company only if we have a visibility of a **minimum threshold return** and thorough assessment of **limited down-side**
- Long term mispricing is discovered through analysis of fundamental parameters and ratios

Investment Process

Track the Investment Universe on a monthly basis

Apply Quantitative Screeners & IP →

- Recurring Winner
- Piotroski Score
- ROE & D/E Filters

Reject 80% of the companies which do not filter through the screeners.

Extensive Fundamental Research →

- Management meetings
- Dealer/ Channel Checks
- Plant/Factory Visits

Around half of remaining companies pass this filter

Value investing & Portfolio optimisation →

- Valuation Screener
- Potential upside of 100% in 3-4 years

Select 25-30 quality companies with high growth and potential upside.

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Why are we Benchmark agnostic ? – Big need not be the best

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- Strong and persistent divergence in performance of large stocks in the Benchmark and the tail-end stocks
- A number of sound businesses / stocks with low benchmark weight outperform consistently

3 Year

110 stocks with a weight of 18.6% give returns in excess of 250%

Returns (%)	CNX 500 Index pts contribution	No of stocks	Weightage (%)
>500	117.9	29	4.7
250-500	438.1	81	13.9
100-250	688.8	149	45.1
0-100	511.8	140	31.0
<0	-97	73	3.2
Total	**1659.6**	**472**	**97.9**

5 Year

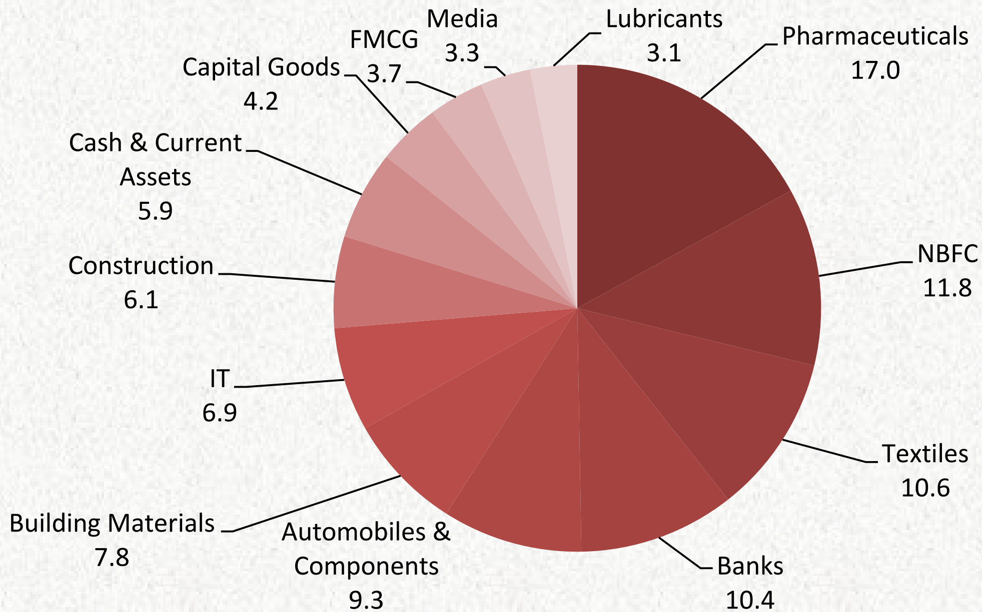
106 stocks with a weight of 33.2% give returns in excess of 100%

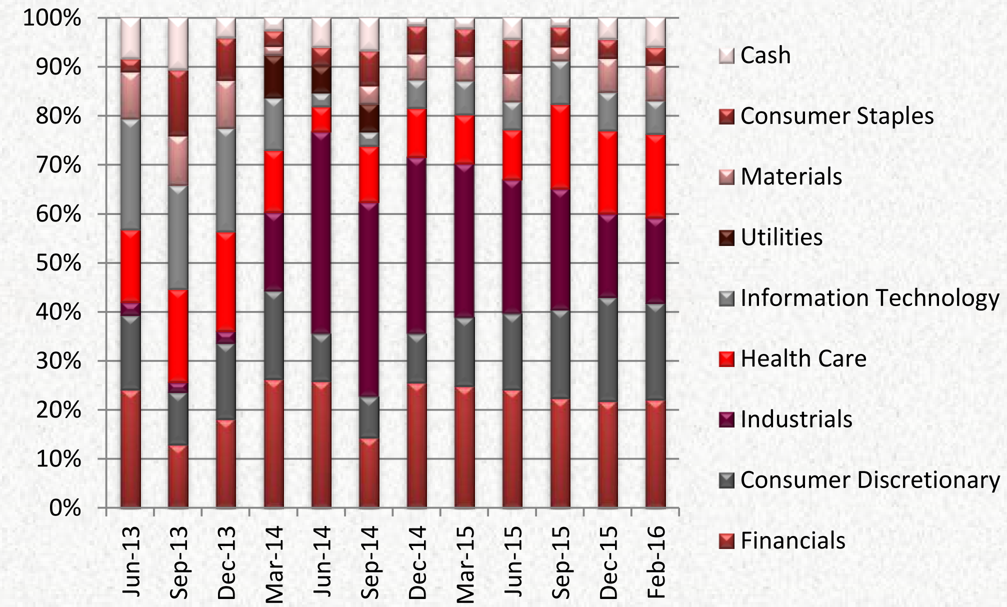
Returns (%)	CNX 500 Index pts contribution	No of stocks	Weightage (%)
>500	53.9	5	1.5
250-500	94.2	22	3.5
100-250	470.1	79	28.2
0-100	462.8	155	46.4
<0	(446.0)	153	11.7
Total	**635.0**	**414**	**91.3**

Source: Bloomberg

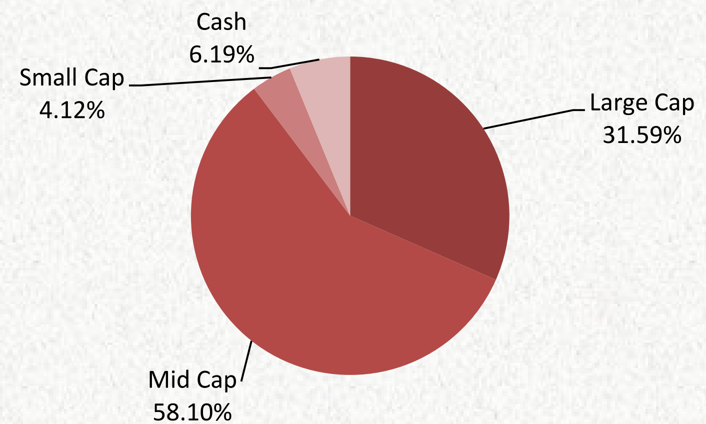
Current Model Portfolio

Sector Allocation





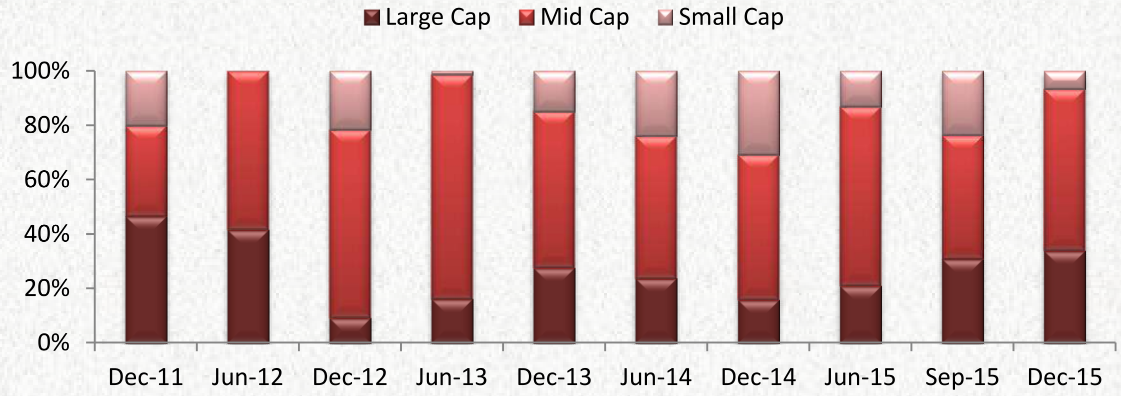
Market Cap



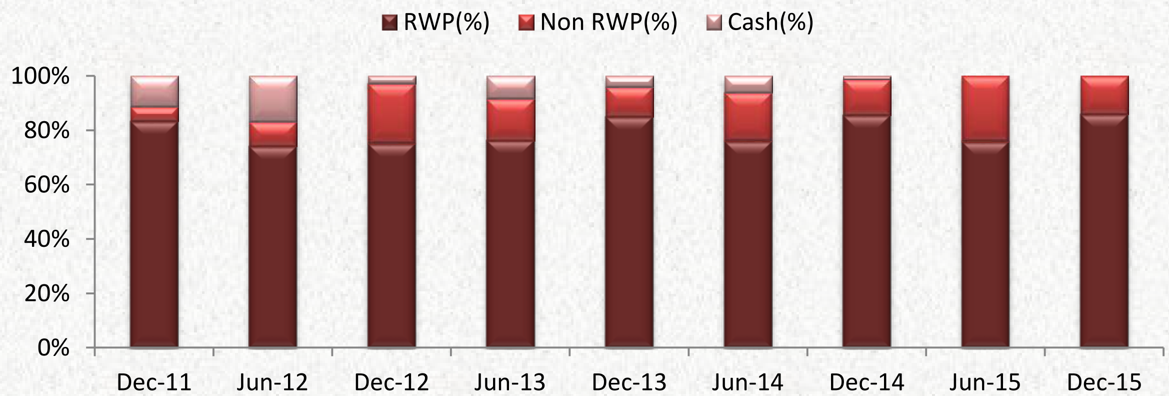
As on Feb 29, 2016

Portfolio Construct

Diversification across market caps



Recurring Winners vs Non-Recurring Winners Industries



Note: Comparison on Recurring Winners Project (RWP) represents the top 20 industries based on internal RWP analysis.

P-score table

Security	P-score
Aurobindo Pharma Ltd	High
Indo Count Industries Ltd	High
HCL Technologies Ltd	Mid
Granules India Ltd.	High
Century Plyboard India Ltd	High
Alembic Pharmaceuticals Ltd	High
Jyothy Laboratories Ltd	High
Cera Sanitary Ltd	High
Divis Laboratories Ltd	High
Eicher Motors Ltd	High

P-Score of top 10 holdings (excluding Financials) as on Feb 29, 2016

Current Model Portfolio

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Portfolio vs. Benchmark –
Higher Growth/ROEs with lower valuations

PE (x)	FY15	FY16E	FY17E	Prem/Disc to benchmark
CEP	20.2	16.7	12.9	-20.0%
NSE 500	19.0	19.3	16.1	
NIFTY	18.2	19.0	16.0	

ROE (%)	FY15	FY16E	FY17E	Prem/Disc to benchmark
CEP	22.1%	25.2%	25.1%	94.5%
NSE 500	11.1%	11.1%	12.9%	
NIFTY	15.9%	13.1%	13.5%	

EPS growth (%)	FY15	FY16E	FY17E	Prem/Disc to benchmark
CEP	25.3%	20.9%	29.6%	48.1%
NSE 500	8.5%	-1.8%	20.0%	
NIFTY	7.2%	-3.9%	18.3%	

Source: All ratios are based on Bloomberg consensus estimates.
Note: Premium/Discount to benchmark is listed for the period FY17E.

Top 10 holdings & weights

Security	% to Net Assets
Aurobindo Pharma Ltd	5.4%
Indo Count Industries Ltd	5.3%
SKS Microfinance Ltd	5.1%
HCL Technologies Ltd	4.3%
Granules India Ltd.	4.2%
Century Plyboard India Ltd	4.1%
Axis Bank Ltd	4.1%
Canfin Homes Ltd	3.9%
Yes Bank Ltd	3.9%
Alembic Pharmaceuticals Ltd	3.8%

As of Feb 29, 2016

CEP Performance

- Consistently superior returns as compared to the Benchmark Index

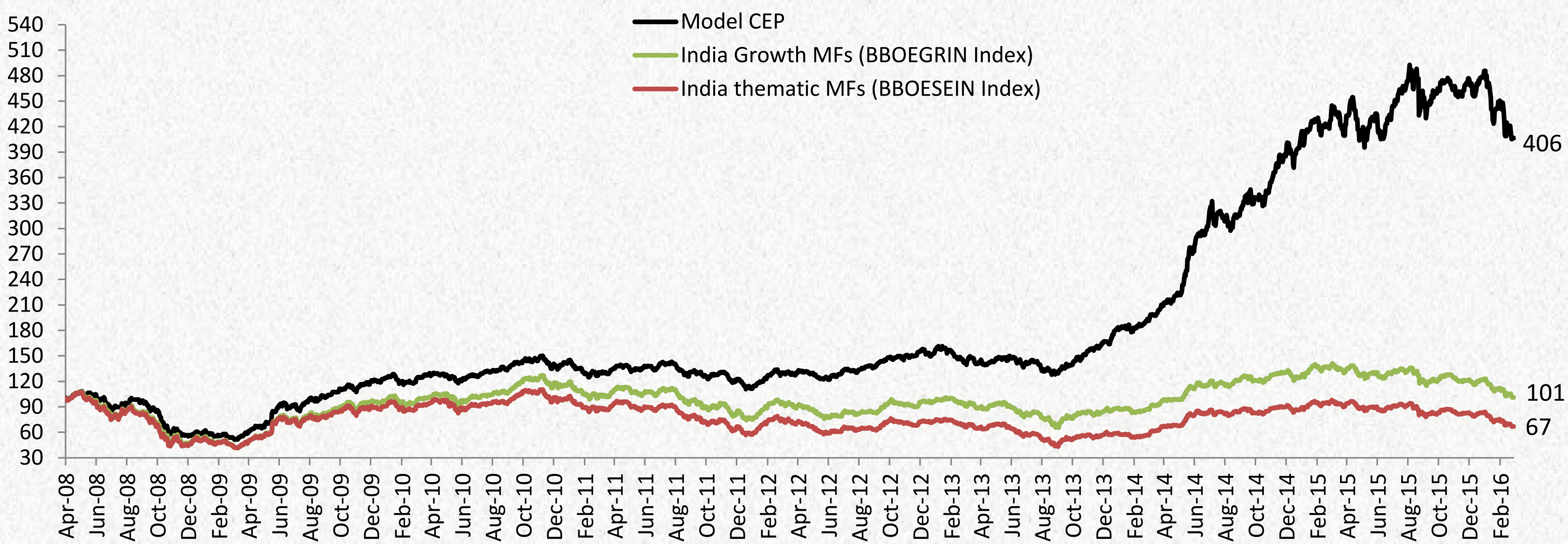
Returns (%) as on Feb 29, 2016	Absolute				CAGR				
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception (01/04/08)
Core Equity Model Portfolio	-9.6%	-14.8%	-12.1%	-5.1%	44.9%	42.1%	32.9%	26.2%	19.4%
CNX 500	-8.0%	-12.8%	-12.6%	-19.5%	9.6%	9.2%	8.1%	6.5%	5.5%
Outperformance	**-1.6%**	**-2.0%**	**0.5%**	**14.4%**	**35.3%**	**32.9%**	**24.8%**	**19.7%**	**13.9%**

Calendar Year Returns	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Core Equity Model Portfolio	-40.8%	109.8%	16.4%	-22.9%	39.1%	17.9%	122.7%	18.3%	-15.7%
CNX 500	-39.9%	88.6%	14.1%	-27.2%	31.8%	3.6%	37.8%	-0.7%	-13.3%
Outperformance	**-0.9%**	**21.2%**	**2.3%**	**4.3%**	**7.3%**	**14.3%**	**84.9%**	**19.1%**	**-2.4%**

Disclaimer :
Past performance of any product does not indicate its future performance. The returns of the products are calculated on the Model Portfolio and are net of expenses. Loads not considered in the calculation of the above returns. Individual Portfolio may vary from the Model Portfolio and accordingly the returns/performance may vary. Model Portfolio refers to specific investments that the investor will have in his portfolio when it is completely built-up over a period of time. Model Portfolio refers to portfolio of earliest investor in the product and in case of redemption of the model client, portfolio of earliest client in the said product rebased for computation of returns.
For CY 2008 returns have been considered since date of inception (01/04/2008).
YTD returns as of Feb 29, 2016.

CEP Performance v/s Mutual Funds

- Since inception, **CEP outperformed average MF schemes returns by more than 300%**
- Outperformance across all time frames



Note: BBOEGRIN Index represents open-ended growth funds while BBOESEIN Index represents thematic open ended equity funds, both domiciled in India and are defined by Bloomberg. Also, the above is only a historical representation of past performance and does not necessarily assure similar returns in future.

Source: Bloomberg

As of Feb 29, 2016

Few Success Stories

Company	First Purchase Date	Buy price	Sell Price or Current price	Holding period return (%)
Alembic Pharmaceuticals	04-Jul-12	57	633	1010%
Aurobindo Pharma	18-Sep-13	89	679	666%
NBCC	12-Mar-14	155	907	484%
Indo Count Industries Ltd	23-Sep-14	188	914	386%
HCL Technologies	28-Nov-11	195	847	334%
TVS Motors	04-Oct-13	42	151	258%
Finolex Cables	05-Mar-14	90	237	164%
VA Tech WABAG	20-Feb-14	616	1519	147%
CCL Products	19-Aug-14	88	211	141%
Balkrishna Industries	20-Dec-13	312	737	136%
Simplex Infra	27-Mar-14	113	245	116%
Tech Mahindra	04-Jul-13	893	1835	105%
IPCA	23-Feb-12	336	643	92%
Axis Bank	14-Nov-13	214	408	91%
ICICI Bank	27-Apr-12	865	1578	82%
Granules India	01-Aug-14	65	116	80%
Britannia Industries	07-Mar-13	519	914	76%
Dewan Housing	18-Oct-12	98	164	68%

Company	First Purchase Date	Buy price	Sell Price or Current price	Holding period return (%)
Bharat Electronics	09-Jun-14	634	1056	67%
Ratnamani Metals	10-Jul-14	438	712	63%
ING Vysya Bank	21-Mar-12	355	574	61%
DB Corp	03-Sep-12	190	305	61%
Can Fin Homes Ltd	7-Apr-15	649	1013	56%
Federal Bank	23-Jan-14	42	64	53%
KEC International	07-Mar-14	58	88	52%
UPL	06-Feb-13	129	189	47%
MBL Infra	16-May-14	93	135	45%
IndusInd Bank	18-Sep-13	401	561	40%
Century Plyboards	02-Jul-14	120	165	38%
Mind Tree	06-Sep-13	1037	1402	35%
FSOL	14-Oct-13	20	26	34%
MRF	03-Oct-13	14272	18879	32%
SKS Microfinance Ltd	6-Jun-15	435	536	23%

Disclaimer: Past performance depicted above does not indicate its future performance.

As on Mar 02, 2016

Disciplined Sell Process - Adding value to the portfolio

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A disciplined sell process ensures that weaker stocks with deteriorating fundamentals or diminished margins of safety are replaced by the stronger ones.

- A portfolio stock will be reviewed for potential sale under 3 scenarios:
  1. Deterioration in business fundamentals
  2. Stock appreciation to the point where the incremental risk/ reward is unfavorable
  3. Availability of an alternate investment with stronger fundamentals and valuations

Scrip Name	Buy Date	Adjusted Buy Price	Sell Date	Adjusted Sell Price	Market Price*	Scrip Returns (post selling)*	CEP Returns (Post Selling)*	CNX 500 Returns (post selling)*	Reason for Sale
Sharda Cropchem	13-Nov-14	296.8	06-Aug-15	320.5	205.8	-35.8%	-16.8%	-19.1%	1
Bakrishna Industries	20-Dec-13	311.8	14-Nov-14	737.0	570.0	-22.7%	9.1%	-14.1%	2
VA Tech Wabag	05-Feb-14	560.6	10-Nov-14	658.2	449.3	-31.7%	10.9%	-13.3%	2
CCL Products	19-Aug-14	87.5	21-Sep-15	210.0	169.6	-19.3%	-12.2%	-12.3%	3
DB Corp	03-Sep-12	190.0	10-Jun-14	305.3	307.3	0.7%	38.4%	-5.9%	1
Ratnamani	10-Jul-14	438.0	23-Jan-15	712.0	425.0	-40.3%	-4.4%	-18.7%	1

Disclaimer: Past performance depicted above does not indicate its future performance. The stocks mentioned above are only for representation purpose and not a complete disclosure of our total portfolio. Returns shown above are absolute returns from current to sell date.

*As on Feb 29, 2016

Pro Active management - Integral to the Core Equity Strategy

Birla Sun Life
Portfolio Management Services

Preference for active portfolio management vs. 5 to 10 year buy and hold strategy

- Timely review of stocks with respect to the business fundamentals like competitive advantage, growth prospects and capital allocation is integral in a VUCA (volatility, uncertainty, complexity and ambiguity) environment
- Difficult for best of companies to display strong and consistent growth and returns over a longer time frame

No: of companies which have reported PAT growth > 20% and ROE > 20%	No: of BSE 500 stocks	% of BSE 500 stocks
for last 10 consecutive years	0	0%
for last 5 consecutive years	5	1%
for last 2 consecutive years	35	7%

Sweet Spot for Investing is 2 to 3 years – Investment horizon for portfolio stocks

Case Studies

Alembic Pharmaceuticals

Birla Sun Life
Portfolio Management Services

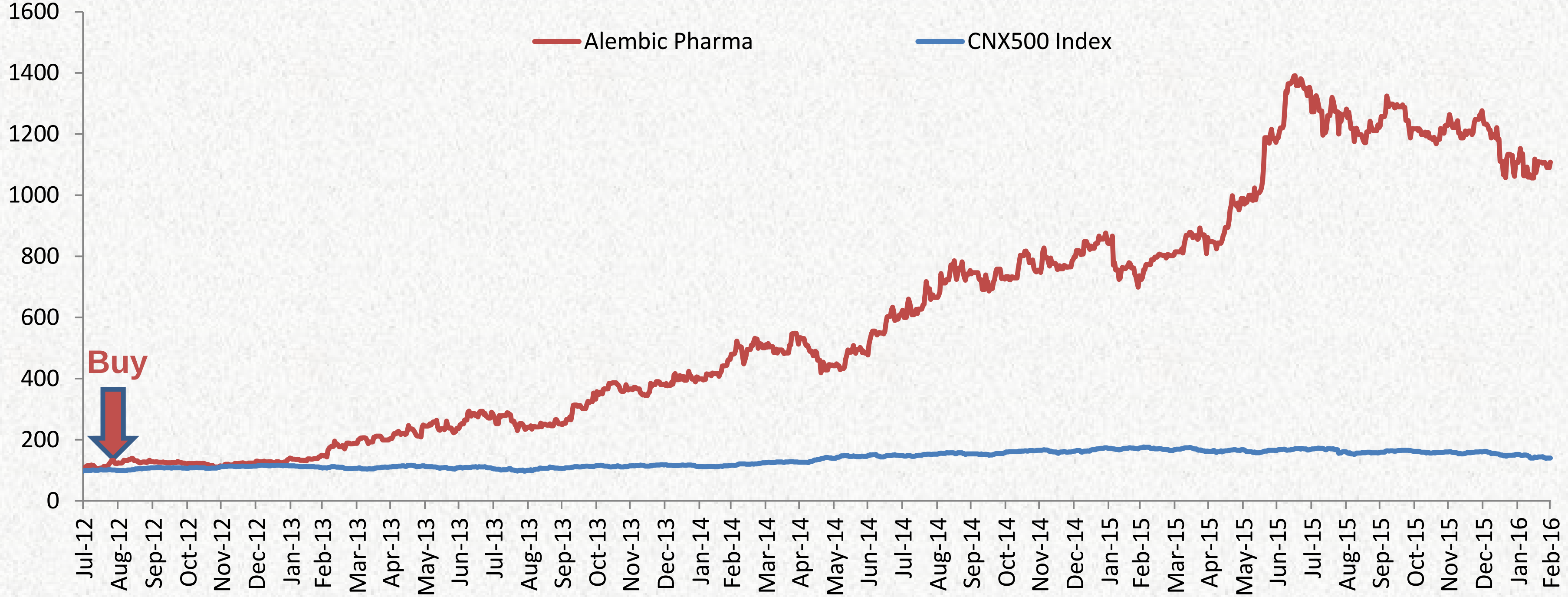
Industry: Pharmaceuticals

- ✓ Background - Mid-sized Indian Pharmaceuticals company with focus on domestic formulations and exports to regulated markets
- ✓ Current Market Cap : Rs. 12,071 crs (~US$ 1.8 bn) (as of 03rd Mar, 2016)
- ✓ Market Cap (at the time of purchase): Rs.1,100 crs

Pharmaceuticals: An RWP Industry	• Pharmaceuticals industry is amongst the **top 3 outperforming industries** in India. • **Positive operating dynamics** - Large and growing addressable market. Preference for "Generics" to reduce healthcare cost. Entry barriers in form of R&D capabilities, pipeline of ANDAs filed and legal/regulatory aptitude.
Use of Proprietary screeners	• **Captured by Proprietary screener (ANR)** • High Piotrosky-score: 8; High ROE of 32% in FY12, with 25% earnings growth per annum • Compelling valuations of 7 times P/E multiple versus 12 times for the peer group
Fundamental Evaluation	• **Strong growth led by US Generics:** 30% CAGR for next 3 yrs, led by doubling of FDA approved capacity. • **Improvement in product mix**: Higher proportion of high margin US Generics and Domestic Chronic Formulations in the overall sales mix leading to improvement in margins • **Improving free cash flows**: No capex required in the medium term, cash flows used to repay its debt, leading to reduction in leverage.
Valuations	• **Trading at a significant discount to peers** – despite higher growth outlook and margins – 7 times P/E multiple versus 12 times for the peer group. • Opportunity to benefit from earnings growth of 25% per annum and P/E multiple expansion .

Alembic Pharmaceuticals

Date of Investment	**: July 2012**	**Exit strategy**	**: Partial profit booking to optimize portfolio weight**
Investment Price	**: Rs. 57 per share**	**Current Price**	**: Rs. 618 per share**
		Total Return (%)	**: 1008% (3.7 years)**



Note: Stock and Index rebased to the date of first purchase
As on Feb 29, 2016
Source: Bloomberg

HCL Technologies

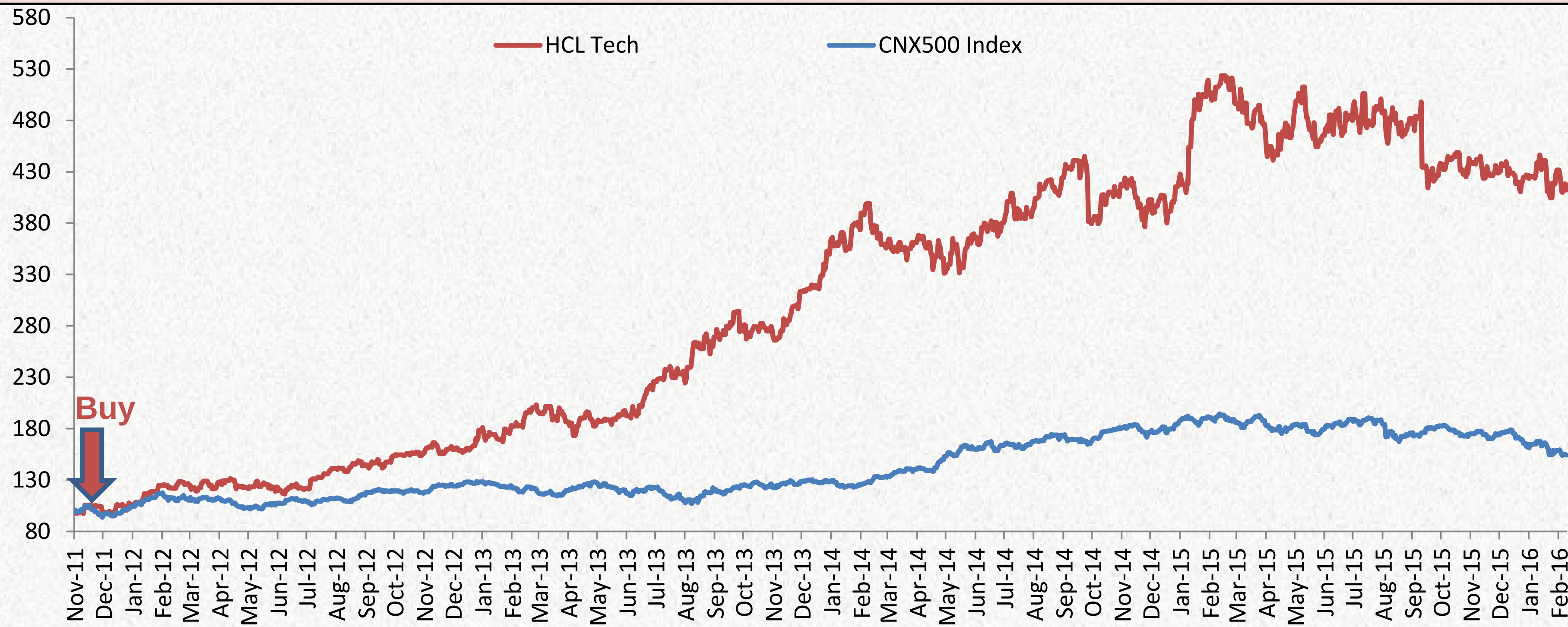
Industry: IT Services

- ✓ Background – Large cap Indian Information Technology company with focus on ADM, IMS and BPO segments.
- ✓ Current Market Cap : Rs. 1,21,122 crs (~US$ 18 bn) (as of 03rd Mar, 2016)
- ✓ Market Cap (at the time of purchase): Rs. 27,440 crs

IT Services: An RWP Industry	• IT industry is amongst the **top 6 outperforming industries** in India. • **Positive operating dynamics** – Multi-year outsourcing opportunity, large pool of skilled IT professionals at lower cost, MNCs' emphasis to reduce cost to remain competitive. Strong entry barriers in the form of existing client relationships, scale of operations and execution expertise
Use of Proprietary screeners	• **Captured by Proprietary screener (ANR)** • High Piotrosky-score: 8; Above industry earnings growth, positive earnings surprise, consistent margin expansion • Compelling valuations of 11 times P/E multiple versus 17 times for TCS and Infosys.
Fundamental Evaluation	• **Early mover advantage** in IMS segment to capture the huge opportunity of deal renewals over the upcoming 5 years. • **Lower Earnings Volatility:** The company changed its hedging policy by reducing its forex hedges from 100% of annual revenues to 40% levels, thereby reducing volatility in earnings. • **Improved free cash flows**: The company improved its Operating cash flow to Net income ratio by reducing the receivable days over last 2 years.
Valuations	• **Trading at a significant discount to peers** – despite higher growth outlook and margins – 11 times P/E multiple versus 17 times for the peer group. • Opportunity to benefit from higher earnings and P/E multiple expansion .

HCL Technologies

Date of Investment	**: Nov 2011**	**Exit strategy**	**: Partial profit booking to optimize portfolio weight**
Investment Price	**: Rs. 195 per share**	**Current Price**	**: Rs. 813 per share**
		Total return (%)	**: 312% (4.3 years)**



Note: Stock and Index rebased to the date of first purchase
As on Feb 29, 2016
Source: Bloomberg

Indo Count Industries

Birla Sun Life
Portfolio Management Services

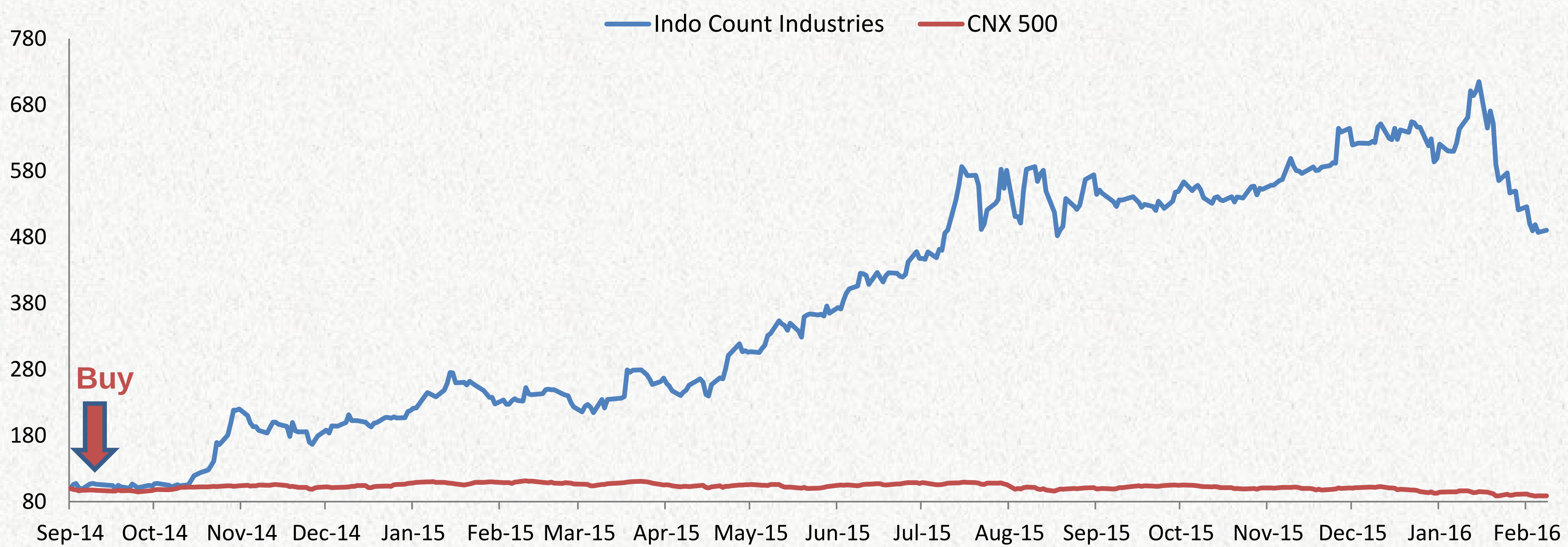
Industry: Textiles, Apparel & Luxury Goods

- ✓ Background - Third largest vertically integrated home textile manufacturing company in India; third largest exporter of bed sheets from India to USA, and 4th largest supplier of bed sheets into USA
- ✓ Current Market Cap Rs. 3,710 Crs (US $ 552 mn) (as of 03rd Mar, 2016)
- ✓ Market Cap (at the time of purchase): Rs.750crs

Textiles, Apparel & Luxury Goods: An RWP Industry	• Textile industry is amongst the **top 15 outperforming industries** in India. • **Positive operating dynamics** - Structural shift in operating dynamics as India gets more competitive vs. China led by INR depreciation, cheap labor and cotton availability. Higher bargaining power with Clients as they reduce their exposure to China
Use of Proprietary screeners	• **Captured by Proprietary screener (ANR)** • High Piotrosky-score: 8; High ROE of 60% in FY14, with strong earnings growth • Compelling valuations of 5 times trailing P/E multiple versus 12 times for the peer group
Fundamental Evaluation	• **Strong growth in high margin Home Textile Segment:** 20% CAGR growth for next 3 yrs, led by expansion of capacity to 68 mn tons and new relationships with clients like Walmart, JC Penny, Target, Macys, etc. • **Margin improvement**: Higher capacity utilization, improving product mix, softer cotton prices and entry into higher margin Non-USA markets, would lead to margin improvement to around 20% • **Asset light model leading to high ROEs, and low leverage:** Industry leading ROE of greater than 30%, with Debt to Equity at 0.5x due to its asset light model and low capital intensity.
Valuations	• **Trading at a significant discount to peers** – currently trades at 12x FY17 PE despite industry leading growth outlook, ROE and margins • Opportunity to benefit from earnings growth of 25% per annum and P/E multiple expansion .

Indo Count

Date of Investment	**: September 2014**	**Exit strategy**	**: Partial profit booking to optimize portfolio weight**
Investment Price	**: Rs. 188 per share**	**Current Price**	**: Rs. 835 per share**
		Total Return (%)	**: 391% (1.4 year)**



Note: Stock and Index rebased to the date of first purchase
As on Feb 29, 2016
Source: Bloomberg

PMS Investment Leadership Team

A Balasubramanian, Chief Executive Officer

- Bala has over 25 years experience in the Capital Markets and has been with BSLAMC since inception. He has played a key role in the business moving to the number four position in the industry. He began his tenure as a Chief Dealer / Trader and then was the Head of the Fixed Income group and Country Head for Sales and Distribution, before taking on the role of Chief Investment Officer and then CEO.
- He has done the DFM and AMP courses at IIM Bangalore in addition to a being a Bachelor of Science in Mathematics. He has been associated with the Association of Mutual Funds of India, as a member across committees like the Valuation Committee. He has also been part of the SEBI Committee (Indian Capital Market Regulator) on Review of Eligibility Norms.

Vishal Gajwani, Portfolio Manager

- With over 9 years of experience in equity research and portfolio management, Vishal has extensive experience of researching companies across sectors and market capitalizations. Prior to this assignment he was a part of Reliance Portfolio Management Services (a part of Reliance Capital Asset Management Ltd), where he was designated as an Assistant Fund Manager and was responsible for managing equity portfolios
- He is a Gold Medalist Chartered Accountant (ICAI, India) and holds a Masters degree in Commerce from M. S. University of Baroda. Vishal received 4 Gold Medals, including the Chancellor's Gold Medal, for topping the Master of Commerce Exams. Vishal is also a CFA charter holder from the CFA Institute (The Global Association of Investment Professionals), USA

Natasha Lulla, Portfolio Manager

- Over 8 years of experience in equity research and fund management. Prior to joining Birla Sun Life PMS, she was working with Goldman Sachs as an equity analyst covering India Materials sector. In her earlier stint at Goldman, she was doing Portfolio Strategy for ASEAN regions and also covered Singapore Real Estate.
- She holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was the Gold Medallist for each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. She has done her graduation in Economics from Lady Shri Ram College, New Delhi and graduated amongst the top 1% in Delhi University

Risk Factors and Disclaimers

Birla Sun Life
Portfolio Management Services

•Investments in securities are subject to market risks & there can be no assurance or guarantee that the objectives of the product will be achieved. The past performance of the Portfolio Manager in any product is not indicative of the future performance in the same product or in any other product either existing or that may be offered. There is no assurance that past performances in earlier product will be repeated. Actual results may differ materially from those suggested by the forward looking statements due to Key Risks (as mentioned earlier in the presentation) or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our services and / or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices etc. Risk arising from the investment objective, investment strategy, asset allocation and quant model risk: Market risk, political and geopolitical risk and risk arising from changing business dynamics, which may affect portfolio returns. At times, portfolios of individual clients may be concentrated in certain companies/industries. The performance of the portfolios would depend on the performance of such companies / industries / sectors of the economy.

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Risk Factors and Disclaimers

Risk Factors associated with investments in Equity & Equity related securities:

•The portfolio proposes to invest in equity and equity related securities. Equity and Equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.

•The value of the portfolio will fluctuate as the daily prices of the individual securities in which they invest fluctuate and may be worth more or less than its original cost, at a given point in time.

•In respect of investments in equity and equity-related instruments, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.

•The value of the portfolio may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.

•Within the regulatory limits applicable at any point in time, the Portfolio Manager may choose to invest in unlisted securities that offer attractive yields. Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. This may however increase the risk of the portfolio. The liquidity and valuation of the portfolio’s investments due to their holdings of unlisted securities may be affected if they have to be sold prior to their target date of disinvestments

•Investment made in unlisted equity or equity-related securities may only be realizable upon listing of these securities. Settlement problems could cause the portfolio to miss certain investment opportunities.

•Investors may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

•Though the constituent stocks of most indices are typically liquid, liquidity differs across stocks. Due to the heterogeneity in liquidity in the capital market segment, trades on this segment may not get implemented instantly.

•The portfolio may have higher concentration towards a particular stock or sector, at a given point in time. Any change in government policy or any other adverse development with respect to such a stock or the sector, may adversely affect the value of the portfolio.

Risk Factors and Disclaimers

Risk Factors associated with investments in Derivatives:

•The Portfolio manager intends to use exchange traded derivatives as a hedging tool & does not intend to take any naked positions. Nevertheless, trading in derivatives market has risks and issues concerning the use of derivatives that investor should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds.

•The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly.

•Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. Execution of such strategies depends upon the ability of the portfolio manager to identify such opportunities. Identification and execution of the strategies to be pursued by the portfolio manager involve uncertainty and decision of portfolio manager may not always be profitable. No assurance can be given that the portfolio manager will be able to identify or execute such strategies.

•Derivative trades involve execution risks, whereby the rates seen on the screen may not be the rate at which ultimate execution takes place.

•The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the portfolio manager does not intend to write options.

•Risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and potential high volatility of the futures markets.

Risk Factors associated with investments in Liquid Funds:

•The Portfolio Manager may, from time to time, invest any un-deployed funds in liquid schemes of Mutual Funds or in money market instruments. Though the portfolio of liquid funds comprises of short-term deposits, government securities and money market instruments, they cannot be considered as totally risk free. This is because liquidity patterns and short term interest rates of the government change, sometimes on a daily basis, thereby making the fund susceptible.

•Liquid fund returns are not guaranteed and it entirely depends on market movements.

Thank You

To get in touch with your nearest PMS Relationship Contact Cell, visit http://mutualfund.birlasunlife.com/Pages/Individual/Our-Solutions/PMS.aspx or mail us at bslamc.pms@birlasunlife.com

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