SUNDARAM
India Secular Opportunities Portfolio

• Monthly Update •

Objective: To generate capital appreciation across market cycles by investing in a concentrated set of high conviction stocks

Target Investors: Designed for investors seeking returns through investments in a concentrated portfolio of companies with sustainable competitive advantages and reasonable valuations.

Investment Horizon
Above 3 years

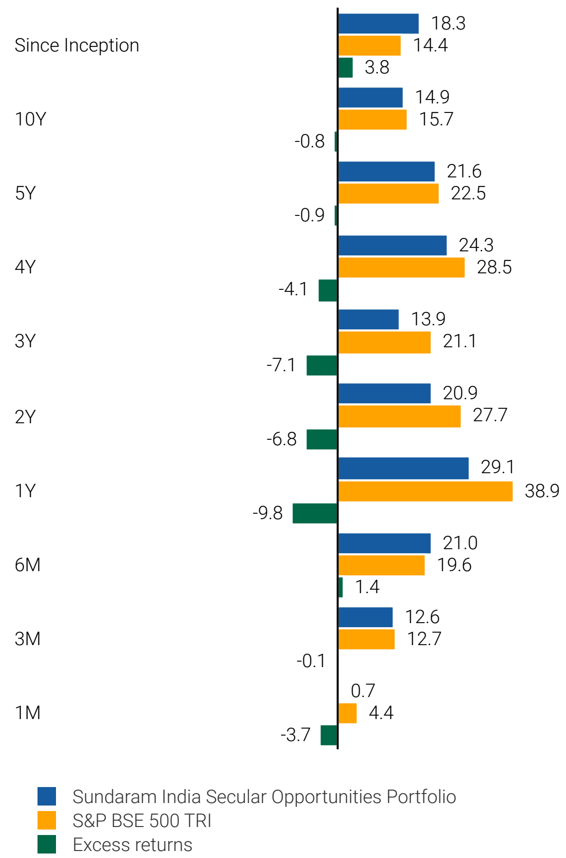
Benchmark
S&P BSE 500 TRI

Inception
February 2010

Primary Fund Manager
Mr. Madanagopal Ramu

Co-fund Manager
Mr. Prashant N Kutty

SISOP vs S&P BSE 500 TRI (%)

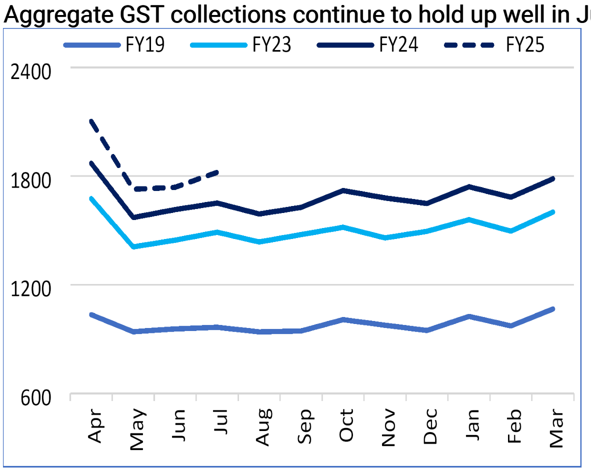


Equity markets, in dollar terms continued to deliver good returns in July. Japan topped equity market returns, while commodities (including crude) continued to remain weak.

US macro data witnessed incremental strength, but markets chose to focus more on dovish comments from Fed Chair Powell and other Fed members. These supportive comments hinted at Fed rate cuts as early as the Sep'24 policy. This was clubbed with disappointing commentary from top AI related companies and a failed assassination attempt of the former President Trump. All of these led to a sharp rotation out of Tech and into US cyclicals, leading to a significant Small cap outperformance in July.

The month also witnessed EU tariffs on China, indirect US tariffs on China through Mexico, soft China macro data and uneventful China 3rd Plenum meetings for the markets.

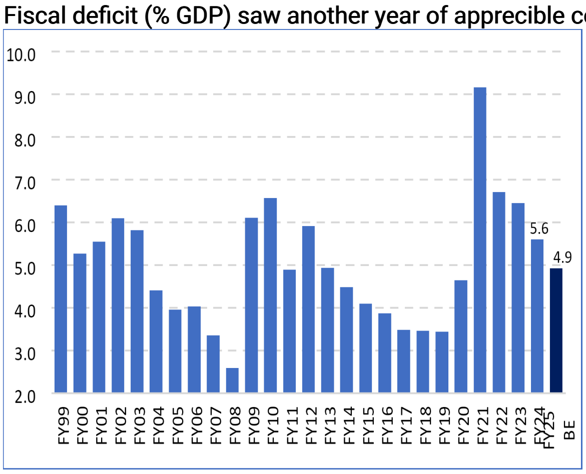
Aggregate GST collections continue to hold up well in July (Rs.Bn.)



Total GST collections for the centre and the state aggregated saw a growth of 10% y/y. GST collection growth remains broadly positive, with the 5Y CAGR from July FY20 just above 12%.

PMI numbers for the month of July inched down on the back of both manufacturing and services. However, note here that both the PMI numbers are at elevated levels, with services PMI (60.3) in a more expansionary phase than manufacturing (58.1). While services PMI recorded an appreciable increase in new orders on the back of new export orders, manufacturing saw strong demand. Broad macro indicators continue to remain resilient.

Fiscal deficit (% GDP) saw another year of apprecible consolidation



Peer performance is available under the following link of Association of Portfolio Managers in India (APMI): https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

The final budget was presented by the government in July. These numbers need to be compared with the interim budget. Most of the budget numbers remain unchanged from what that of the interim budget. The excess RBI dividend has led to an increase in non-tax revenue growth. Clubbed with some positive rub-off assumed in income tax growth, the budget sees a large transfer to states in three buckets: an increase in its mandated (finance commission) transfer to states, in revenue spends and in capex spends. In addition to this, allocations are made to the ministries of labour & employment, consumer affairs, renewable energy, urban housing and farmer welfare, in that order of priority. This is alongside an aggressive effort to cut back on the fiscal deficit as well.

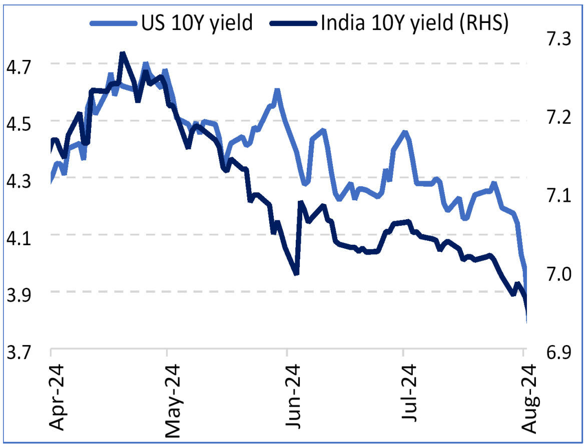
The key highlight of the budget in numbers are its continued trajectory of fiscal consolidation, its conservative assumptions and its strong capex focus. The budget saw a 20bps surprise in its fiscal deficit to 4.9% from its earlier estimate of 5.1%. This is 70bps lower than the FY24 fiscal deficit. And if one were to make a like-to-like comparison with the FY24 budgeted figure, it would be 100bps lower! The budget assumptions remain conservative and maintains a flat net tax/GDP ratio alongside a conservative nominal GDP growth. If one adds PSU capex, the total capex number from the budget sees an appreciable increase of 20bps from its interim projection to 4.3% GDP.

NIFTY delivered a 3.9% return in rupee terms for July. Small cap and Mid cap returns were seen well above large cap, and IT, Pharma and FMCG were the top three performing sectors during the month.

FII inflows continued to remain strong into both equities and debt. July saw $6bn of net FII inflows, with $3.4bn into equities and $2.6bn into debt.

The Union budget was presented with its focus largely on employment linked incentives. While the absence of significant personal income cuts and the removal of LTCG for real estate were not appreciated by the markets, on the whole, the government continued to maintain its momentum on both fiscal consolidation and government capex.

India 10Y moved well below the 7% level, on falling US yields



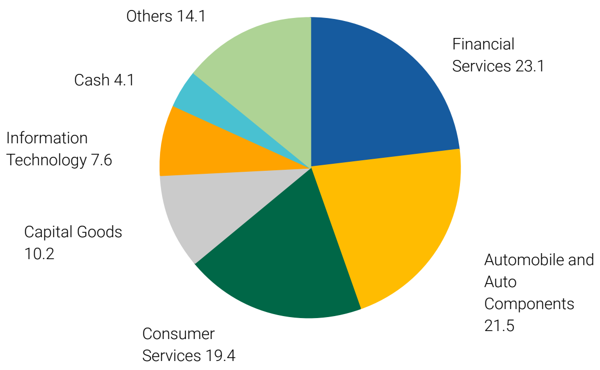
India 10Y yields have been secularly moving lower since end-Apr'24. This has largely been on the back a strong move lower in US yields as markets increasingly expect the Fed to start its rate cuts from the Sep'24 policy. Early August saw an increase in US unemployment which further led to markets repricing their Fed rate cut quantum to a 50bps from 25 earlier. Lower crude prices and favourable domestic liquidity have also greatly helped India 10Y yields move lower. With increasing Fed rate cut expectations, markets expect the RBI to follow suit. However, with strong underlying growth, the start to the RBI's rate cut cycle could take some time.

Equity Market Outlook

Budget 2024-25 focused on fiscal consolidation while maintaining momentum on capex, setting priorities for further simplification of taxes and laying foundation for medium-term job creation through targeted schemes. From an equity perspective, absence of populism and focus on macro-economic stability augurs well for overall sovereign ratings and currency stability, both being key elements for investor confidence and capital flows over the medium-term. With the Budget priorities laid out, we expect broad markets to consolidate and focus shift back to earnings and sustenance of medium-term earnings catalysts. The last few years have witnessed appreciable equity returns across cap-curves as the economy has experienced continued expansion in its macro variables.

Over the medium-term, the twin cylinders of investment and consumption are expected to fire up growth through manufacturing and services. Our medium-term approach is to pursue a well-diversified portfolio strategy with focus on growth-oriented companies with adequate margin of safety, within the above themes of manufacturing, industrials, consumer, services, and technology.

SECTOR ALLOCATION (%)

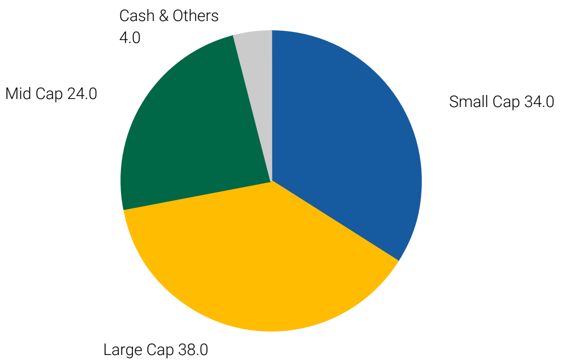


Note: Numbers may not add up due to rounding

WEIGHTED AVERAGE MARKET CAP

₹ 1,13,007 Cr

MARKET CAPITALIZATION (%)



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PERFORMANCE MEASURES – SINCE INCEPTION

Instruments	Strategy	Benchmark
Arithmetic Mean	18.0	14.8
Standard Deviation	15.8	16.1
Beta	0.8	
Sharpe Ratio	0.7	0.5
Correlation	0.8	
Alpha	4.8	
Tracking Error	9.8	
Up capture Ratio	97.4	
Down capture Ratio	75.3	

Performance Benchmarking

SEBI vide circular dated 16th December 2022 mentioned that Association of Portfolio Managers in India (APMI) shall prescribe a maximum of three benchmarks for each Strategy. Effective from 1st April 2023, the Portfolio Manager shall select one benchmark from those prescribed for that Strategy to enable the investor to evaluate relative performance of the Portfolio Managers. APMI vide communication dated 31st March 2023 prescribed the following benchmarks:

Strategy	Benchmark 1	Benchmark 2	Benchmark 3
Equity	Nifty 50	S&P BSE 500	MSEI SX 40

Among the options given, we had selected S&P BSE 500 which is a broad-based benchmark to our PMS strategies.

PORTFOLIO & STOCK PERFORMANCE

The portfolio delivered a return of 0.7% vs the benchmark which was up 4.4%. Top Contributors to the portfolio were Zomato, Coforge & Persistent systems. Zomato was up by ~15% on the back of strong performance numbers in food delivery and robust growth in quick commerce. We believe Zomato's potential of quick commerce business is yet to be materialized and there is ample scope for upside from current levels. IT stocks were in flavor for the month of July, as the Demand environment seems to have bottomed out in the US. Further, one of the major verticals i.e. Banking & Financial saw a revival in growth trends after 4-6 quarters of moderation. Coforge was in a strong zone, up 15%, while Persistent systems performed well during the month, up 14%. Major detractors to the portfolio include Senco Gold -14% & Exide Industries -7%. Senco Gold had a muted Q1 update impacted by general elections & heat wave. It's a one-off quarter and story on store expansion and shift toward organized jewelry remains intact. Exide saw some sell-off after a sharp price performance in the last 3 months. We remain positive in Exide and Amara Raja from a 2–3-year perspective, betting on the energy transition theme.

Positions initiated:

- **BSE Ltd-** With new restrictions in place i.e. weekly expiry per exchange, BSE is well placed to gain premium market share in F&O volumes from current 11% to 20% and above in the medium term. With slab-based pricing going away and NSE's need to raise price to manage volume decline will provide room for BSE to increase prices while gaining volumes and market share.

Exits

- **Titan Industries -** The Q1 growth of the company was muted due to a sharp spike in the gold prices. Also, due to intense competitive landscape, the near-term margin guidance by the company has been lowered which may lead to earnings pressure for few quarters, hence we exit, though positive on the long-term story

KEY FEATURES

- Concentrated Portfolio - Around 15 stocks
- Invest across market caps - "Multi Cap".
- Long term orientation towards portfolio building i.e, >3years
- Invest in business with secular growth opportunities

Compounding Stories

- Companies with growth opportunities >15%
- Ability to generate > 15% ROIC
- Excellent cash flows from business
- Options to re-invest for growth
- Low D/E to sail through crisis situation and gain market share

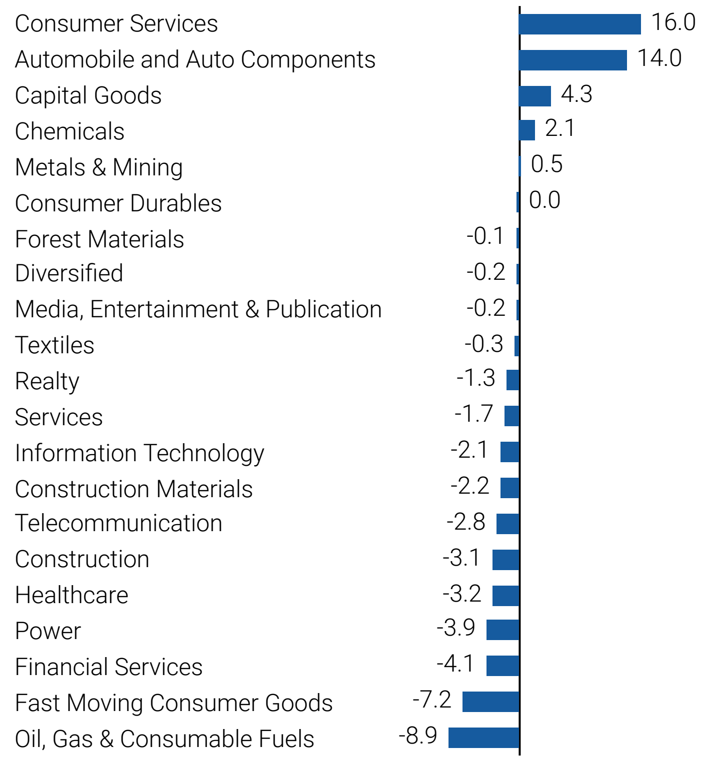
TOP HOLDINGS

TRENT LTD
ZOMATO LIMITED
BAJAJ FINANCE LTD
GE T&D INDIA LIMITED
SAPPHIRE FOODS INDIA LIMITED

KEY CONTRIBUTORS

Symbol Name	Unit Cost (INR)	Unit Price (INR)	Gain/Loss (%)
TRENT LTD	1,812	5,839	222
MAHINDRA & MAHINDRA LTD	1,368	2,908	113
GE T&D INDIA LIMITED	943	1,585	68

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



CALENDAR YEAR PERFORMANCE (%)

	Strategy	Benchmark	Excess return
2010	58.3	24.8	33.5
2011	1.5	-26.4	27.9
2012	25.4	33.4	-8.0
2013	6.0	4.9	1.1
2014	66.1	38.9	27.2
2015	-2.0	0.4	-2.4
2016	4.2	5.2	-1.0
2017	24.0	37.6	-13.6
2018	-4.3	-1.8	-2.5
2019	15.4	9.0	6.4
2020	25.2	18.4	6.8
2021	36.2	31.6	4.6
2022	-6.9	4.8	-11.7
2023	19.6	26.5	-6.9
2024 YTD	19.1	21.9	-2.8

Source: Inhouse computation Calendar Year Performance since February 2010

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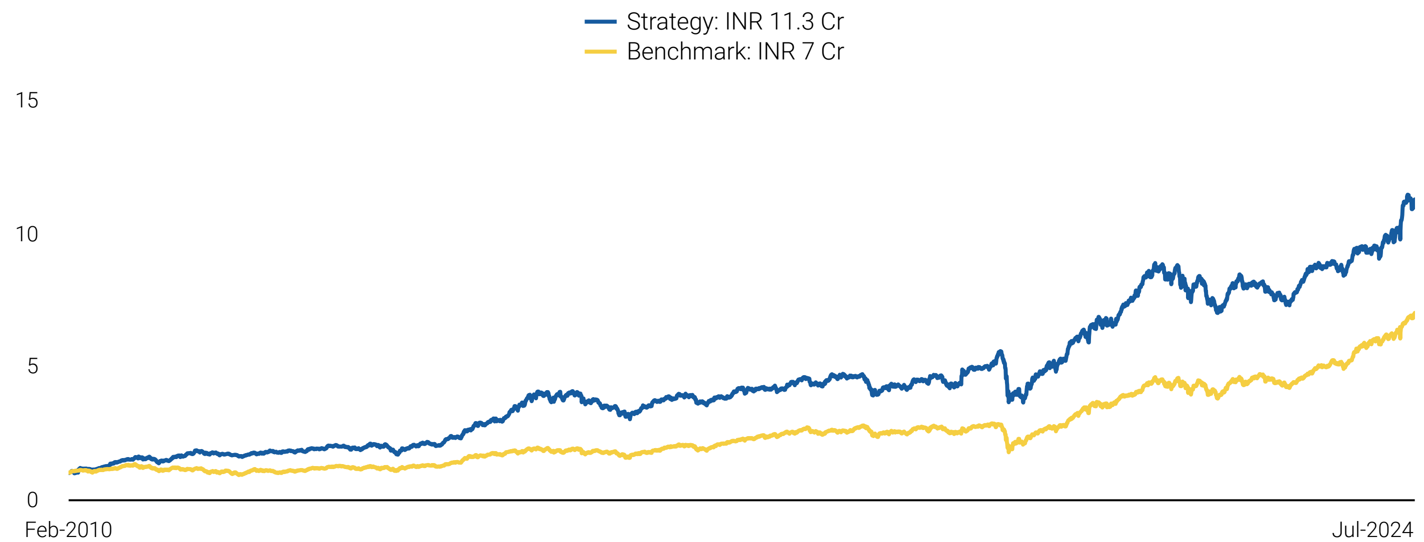

WHY SUNDARAM PMS

- Strong Track Record
- Low Churn
- Time Tested Stock Selection Process
- Reach Across Country
- Transparency
- Strict Adherence to Risk Guidelines
- Shared Research Capabilities

3Q QUALITY APPROACH TO STOCK SELECTION

- **Quality Business**

  Scalable, Growing, Reinvestment opportunities, Strong Moat
- **Quality Financials**

  High ROIC, Excellent Cash Flows, Low DE
- **Quality Management**

  Visionary, Problem solving

CUSTOMER SERVICES

Reporting Statements and Servicing: Monthly performance Statements Transactions, Holding & Corporate action reports, Annual CA certified Statement of the account & Online access

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DISCLAIMER

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