

• Monthly Update •

Objective: To seek long-term capital appreciation with investments predominantly in mid and small cap companies.

Target Investors: Ideal for long-term investors seeking returns through investments predominantly in small and midcap stocks and are comfortable with short-term volatility.

Investment Horizon
Above 3 years

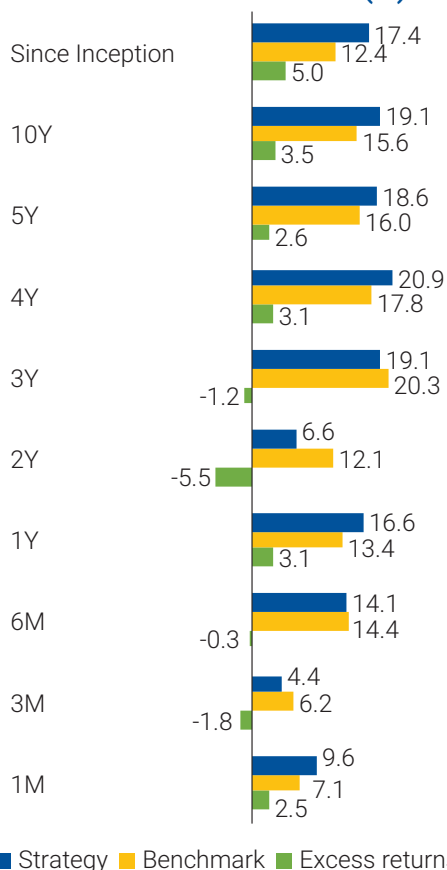
Benchmark
S&P BSE 500

Inception
June 2010

Primary Fund Manager
Mr. Madanagopal Ramu

Co-fund Manager
Mr. Prashant N Kutty

SELF vs S&P BSE 500 (%)



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>

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Decisive mandate.....political stability... positive for India growth & India equities

With BJP sweeping Hindi heartland in India, the scenario for 2024 general assembly elections looks biased towards pro-incumbency. Decisive mandate for third term to Mr. Modi can lead to not just policy stability, but also acceleration. This can result in pro development spending against social spending over next 5 years, which can propel a strong domestic economic growth rate. India becoming a \$7tn economy by 2030 may not remain a difficult target to achieve. India's dream of becoming third largest economy globally looks achievable much before 2030.

We expect FII flows to turn positive, they have been net sellers for some period. Interest rates seem to have peaked out, oil is back to \$80, and inflation is manageable. So emerging markets can see higher inflows and India will be at the forefront.

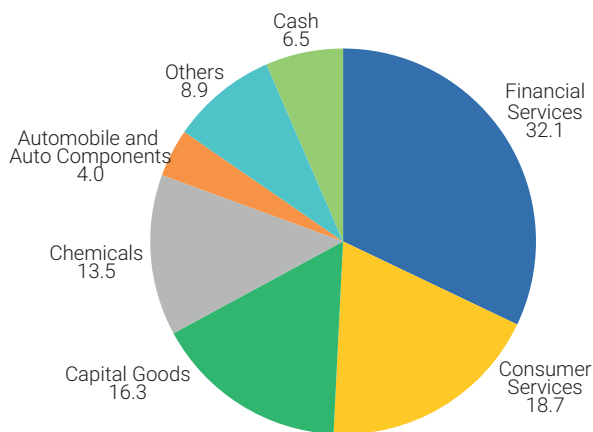
We can expect upswing in investment to GDP ratio supported by both public and private capex. Corporate capex will continue, despite global recessionary fears, given domestic demand and government spending, leading to decent consumption growth. Make in India, import substitution, global supply chain de-risking, domestic demand growth trends and pollution control related capacity limits globally will favour a sustainable growth in manufacturing sector in India. Indian corporates will now commit more capex, given political and policy certainty. Low leverage of corporate balance sheet and healthy profit cycle will provide significant impetus to growth capex.

Domestic demand was weak, except in luxury and premium space over last 1 year, due to inflation. With inflation worries behind us and domestic growth continuing, we expect a broad-based domestic consumption recovery. We are structurally positive on urban consumption. The number of Upper middleclass income households will almost double by 2030, with growing per capita income. These households will spend disproportionate part of their income on healthcare, education, shelter, mobility, travel, dining, entertainment, etc. Online penetration in many of these segments will be meaningful.

With both investment and consumption growing together, the credit to GDP ratio will move from 50% to 75% over next decade. With rising per capita income more people become bankable, and formalisation of lending will happen at an accelerated pace over next 10 years. With low leverage and increasing capacity utilisation corporate borrowing will accelerate meaningfully. We see low to mid-teens credit growth to continue over next 10 years. Banking space looks attractive for investment structurally.

Given the above view, our approach of playing India growth story by investing in structural themes like 1. Manufacturing 2. Discretionary consumption and 3. Financial inclusiveness look compelling with the recent development on political side in India.

SECTOR ALLOCATION (%)

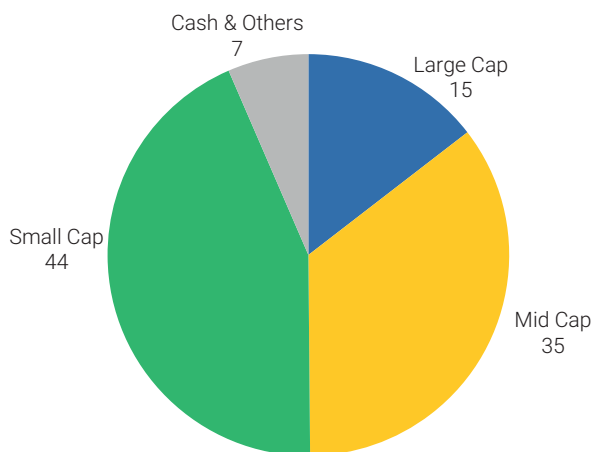


Note: Numbers may not add up due to rounding

WEIGHTED AVERAGE MARKET CAP

₹ 39,577 Cr

MARKET CAPITALIZATION (%)



Note: Numbers may not add up due to rounding

PERFORMANCE MEASURES – SINCE INCEPTION

Instruments	Strategy	Benchmark
Arithmetic Mean	17.1	13.0
Annualised Standard Deviation	14.9	16.2
Beta	0.8	-
Sharpe Ratio	0.7	0.4
Correlation	0.8	-
Alpha	5.6	-
Tracking Error	9.4	-
Up capture Ratio	102.6	-
Down capture Ratio	79.4	-

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 staged a strong recovery with 1M posting 2.5% alpha over the benchmark and 1Y also posting an alpha of 3.1%. Strong contribution was led by MCX which rose 37% followed by Nykaa which was up 25% and Rec Ltd, which was up 21% and Cummins which was up 14%. MCX was in limelight on the back of continued surge in commodity options volumes and with the old arrangement with 63 Moons over and beaconing of a new software solution in tie up with TCS, led to added surge in the stock. Nykaa has been the laggard among the digital/internet commerce themes. Led by strong festive demand and pink day sales, Nykaa is likely to post a strong festive season and with losses coming off in the new entities of fashion and EB2B and inexpensive valuations compared to the internet pack, made it a favoured name in the last few months. Cummins was also in fray as the power shortage situation in the country gives way to increased demand for power back-up solutions, especially in the higher voltage segment, where Cummins has leadership presence.

BHEL was the latest inclusion in the portfolio. The rationale behind owning stocks like BHEL & REC Ltd is coming from a situation, where the power demand in the country is growing at 8-10%, which in turn is leading to power deficit and an urgent need of thermal capacity addition, lest there can be high scope of power shortage in next 2 years. Government may look at the possibility of adding at least 1000 MW p.a. BHEL, which has been an under-performer for last 10 years, can see change in fortunes, as it is among the few players and market leadership in setting up thermal power projects. With an order size of over Rs 1300bn and order inflow potential of Rs 350-700bn in next 2-3 years, BHEL has the potential to deliver over Rs 500bn revenues with 13-15% EBITDA margins and an EPS of Rs 13-15/share, it is trading at very cheap 11-13x on FY26 EPS. Similarly, REC is also a beneficiary of the growing power demand in the country. It continues to deliver strong disbursement growth and is likely to be the biggest beneficiary of a power deficit scenario, which will fuel up thermal power addition and robust power generation in renewables space. In addition, the recent listing of IREDA also gave fillip, as IREDA listed at 2x P/BV, while REC which is a much bigger franchisee, is still available at 1x P/BV for a book growing at over 20%.

KEY FEATURES

- Bet on Sundaram's strength in the mid & small cap space; a **differentiated** yet **concentrated portfolio** positioned attractively along the cap curve.
- Multi-sector portfolio.
- Stocks with market cap less than Rs. 500 billion.
- "EASE" portfolio
 - Emerging leaders – clean and high quality promoters / management.
 - Asset light & High ROCE businesses are preferred.
 - Scalable companies: mid cap to large cap, small cap to mid cap transitioning companies.
 - Excellent cash conversion from operations.
- Identify stocks that are in early stages of their business cycle and could emerge as tomorrow's large caps.
- India 2025 - Themes
 - Financial inclusiveness
 - Phygital Bluechips
 - Consumption Czars
 - Export Voyagers

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TOP HOLDINGS

REC Ltd.
AU Small Finance Bank Ltd
Zomato Limited
Navin Fluorine International Ltd
Multi Commodity Exchange Of India Ltd.

KEY CONTRIBUTORS

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
Zomato Limited	54	119	120
AU Small Finance Bank Ltd	342	741	117
Trent Ltd	1,327	2,787	110

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



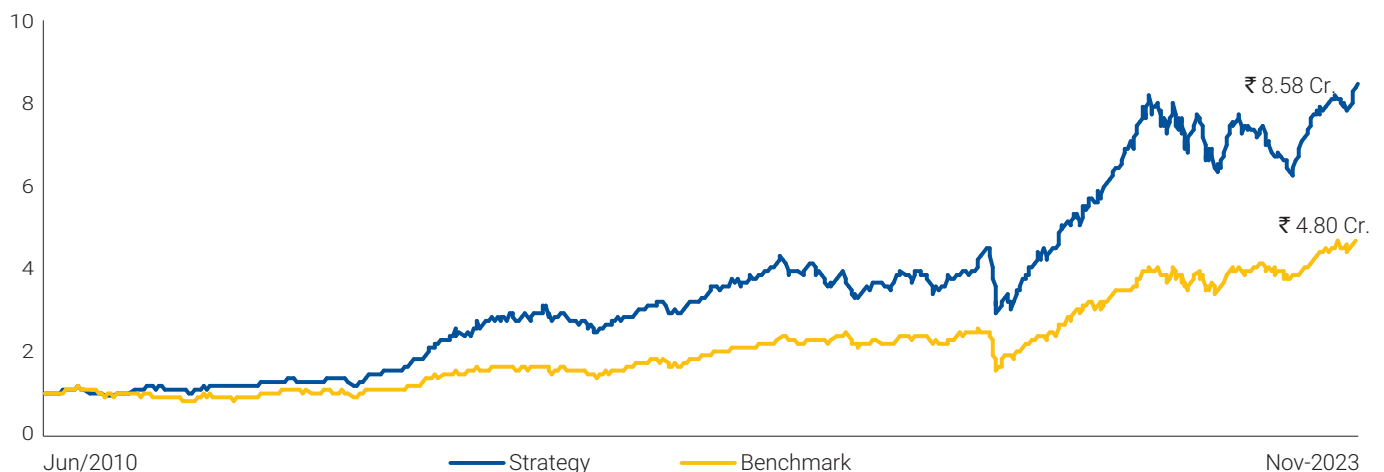
CALENDAR YEAR PERFORMANCE (%)

	Strategy	Benchmark	Excess return
2010	9.2	13.9	-4.7
2011	-2.9	-26.4	23.6
2012	28.7	33.4	-4.7
2013	18.3	4.9	13.4
2014	69.9	38.9	31.0
2015	3.4	0.4	3.0
2016	6.1	5.2	1.0
2017	41.8	37.6	4.2
2018	-11.6	-1.8	-9.8
2019	6.5	9.0	-2.4
2020	31.4	18.4	13.0
2021	46.3	31.6	14.7
2022	-6.8	4.8	-11.6
2023 YTD	19.0	17.1	1.9

Source: Inhouse computation

Calendar Year Performance Since Inception June 2010

VALUE OF ₹ 1 CRORE INVESTED AT LAUNCH



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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

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

General Disclaimer: Performance and data is as November 30, 2023. Returns are on time weighted rate of return basis. Returns for a time period less than 1 year are absolute. All returns are in percentage. Performance disclosure is at aggregate portfolio level and the portfolio information (i.e. market cap, sector allocations, etc.) is at model client's level. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved. Past performance of the portfolio manager does not indicate its future performance. Performance related information provided herein is not verified by SEBI.

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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

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