

IIFL MULTICAP ADVANTAGE PMS (Portfolio Management Service)

All data are as on September 28, 2018 and denominated in INR



Investment Theme & Strategy

The objective of the strategy is to generate long term capital appreciation for investors from a portfolio of equity & equity related securities. The investment strategy is to invest in companies and in sectors that are available at significant discount to their intrinsic value and provide earnings visibility. The strategy takes a concentrated position in stocks and endeavours to strategically change allocation between sectors depending on changes in the business cycle.

Key Terms

Inception Date December 1, 2017

Bloomberg Ticker NA

Benchmark Index Nifty 50

Schedule of Charges

Management Fee 2.50% p.a. Management Fee will be computed on daily NAV(charged Monthly)

Minimum Investment Amount Rs. 25 lakhs

Exit Fees 4% of amount withdrawn if redeemed before 9 months / 3% of amount withdrawn if redeemed between 9 – 18 months / 2% of amount withdrawn if redeemed between 18 - 24 months / 1% of amount withdrawn if redeemed between 24 - 36 months (w.e.f. 1st April 2018)

Portfolio Manager

IIFL Asset Management Limited (IIFL AMC)

Strategy Manager Profile

- Aniruddha Sarkar

Aniruddha Sarkar, Strategy Manager for IIFL Multicap Advantage PMS, has over a decade of experience in the Financial Services sector. He is associated with IIFL Wealth Management Group for over 8 years and has been involved in identifying investment ideas across various sectors and market-caps that can generate alpha for the investors. He has been one of the key members involved in setting up the entire equity advisory desk at IIFL Wealth. Prior to working with IIFL Wealth, he was working with a UK based hedge fund. He holds an MBA in Finance from IMI, New Delhi and a Bachelor's degree in Commerce from St. Xavier's College, Calcutta.

Performance (%)

| Strategy/Benchmark | 1 Month | 3 Months | 6 Months | 1 Year | 2 Years | Since Inception |
|-----------------------------|---------|----------|----------|--------|---------|-----------------|
| IIFL Multicap Advantage PMS | (10.99) | (3.88) | 1.38 | NA | NA | (3.30) |
| Nifty 50 | (6.42) | 2.02 | 8.08 | NA | NA | 6.88 |

As IIFL Multicap Advantage PMS Strategy invest in long dated options which are not very liquid, the valuation of the said option is received from Independent Valuation Agencies (CRISIL) identified by the Portfolio Manager. The quotes received for purchase and sale of the said option provided by the Option provider varies due to multiple market factors, resulting in difference in pricing of the options, impacting the performance. As per the PUT Option price as on 28th September 2018, the returns mentioned above across period would vary by approximately ~1.12% on higher side.

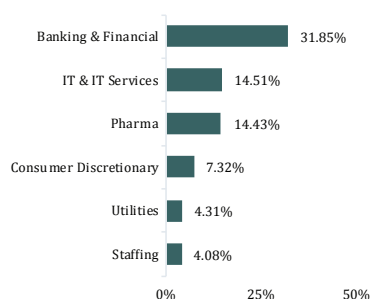
Returns less than one year are on absolute basis. Past performance may or may not be sustained in future.

Historical Performance of Other Equity Strategies managed by the Portfolio Manager (%)

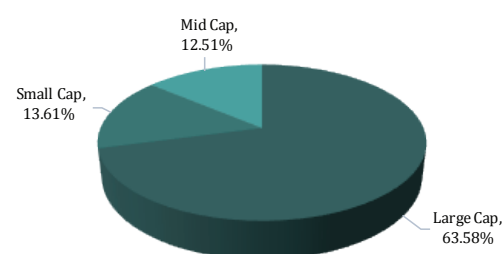
| Strategy/ Benchmark | 1 Year | 2 Years | 3 Years | Since Inception |
|---------------------|--------|---------|---------|-----------------|
| IIFL Multicap PMS | 4.06 | 8.00 | 15.91 | 17.13 |
| Nifty 50 | 11.67 | 12.70 | 11.21 | 7.69 |

Returns more than one year are on compounded annualised basis. Past performance may or may not be sustained in future.

Sector - Top 6 Holdings



Market Capitalization



Portfolio - Top 10 Holdings (%)

| Company | Weightage |
|-----------------------------------|-----------|
| BAJAJ FINANCE LTD | 8.34 |
| INFOSYS LIMITED | 7.84 |
| HDFC BANK LTD | 7.43 |
| MERCK | 6.30 |
| SUN PHARMACEUTICAL INDUSTRIES LTD | 5.25 |
| STATE BANK OF INDIA | 4.39 |
| ZENSAR TECHNOLOGIES | 4.37 |
| GSK CONSUMER | 4.37 |
| CESC LTD | 4.31 |
| QUESS CORP | 4.08 |
| 10300 Dec2020 Put option | 2.54 |
| CASH | 7.75 |

Risk Ratios

| | |
|--------------------|--------|
| Beta | 0.84 |
| Sharpe Ratio | NA |
| Information Ratio* | NA |
| Treynor Measure | NA |
| Volatility** | 18.38% |

All risk ratios are calculated since inception

*Information Ratio is a ratio of portfolio returns above the returns of a benchmark index to the volatility of those returns.

**Volatility measures the risk of a security by using the standard deviation of the asset returns.

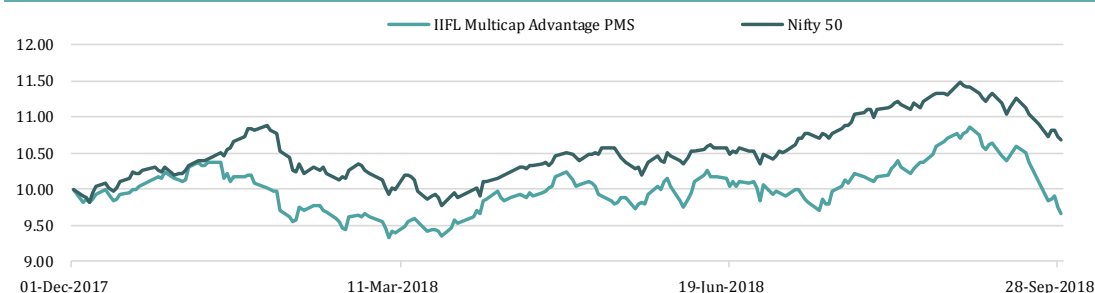
Top Gainers in Equity (Since Inception) Performance

| | |
|---------------------|--------|
| MERCK | 88.21% |
| BIOCON | 59.98% |
| ZENSAR TECHNOLOGIES | 52.42% |

Top losers in Equity (Since Inception) Performance

| | |
|-----------------------|----------|
| IDEA CELLULAR LTD | (59.18%) |
| THANGAMAYIL JEWELLERY | (48.22%) |
| TATA MOTOR DVR | (44.60%) |

NAV Movement



NAV shown is for the model portfolio. NAV of 10 assumed on the inception date (01-Dec-2017)

IIFL Asset Management Limited (Portfolio Manager)

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Commentary

2018 has been so far one of the most memorable years in recent times for Indian equity investors. There has been no dearth of news and events and September was not much different. We started the month on a worried note as increased noise of trade tariffs from US spread fear among investors. To add to it there were heightened fears of rising current account deficit in India due to the twin shocks of Rupee depreciation and Crude oil price appreciation.

The real damage to the market sentiments happened in the second half of the month when news of Infrastructure Leasing & Financial Services Limited (IL&FS) defaulting on its payments spooked the market. The fear spread fast and became contagion with two other news. First, RBI not allowing Mr Rana Kapoor to continue as MD and CEO of Yes Bank and second was when one of the leading Mutual Fund house sold the commercial papers of DHFL at a discount in a single day. These news and events triggered panic among the investors and we saw sharp sell-off in all Non-Banking Financial Companies (NBFC) and Financial stocks. High quality stocks were also not spared across most sectors.

During the month of Sep'18, the IIFL Multicap Advantage PMS portfolio was down by 10.9% as compared to a 6.4% fall in Nifty-50 Index. This is by taking the Nifty PUT option pricing of CRISIL. If we take the actual market prices of the NIFTY PUT Options, then the portfolio would be down 9.9%. The hedged PMS has outperformed the unhedged PMS by around 2% during the month on account of the Nifty PUT Option. The last 6 months performance of the portfolio is +2.6% as compared to Nifty gaining by +8.1%. As mentioned above, the sharp fall in financial services sector stocks and also across the board selling led to the sharp underperformance during the month. Nearly 70% of our portfolio companies have under-performed the Nifty benchmark index during the month. We see the sharp correction in the month as an over-reaction and more of a contagion fear factor playing out. In fact there has been no fundamental change in any parameter of any of our portfolio companies in the recent turmoil which has impacted the NBFC and Banking sector.

Major gainers in the portfolio during the month of Sep'18 were Biocon (+10.7%) and Infosys (+1.3%). The major drags in the portfolio during the month were Merck Ltd (-26.0%), Bajaj Finance (-24.1%), SBI Life (-23.8%), Equitas Holding (-23.0%) and Idea telecom (-20.9%).

We continue to maintain our strategy of focusing on companies where we believe earning may outperform broader market in an investment horizon of 3-5 years. These short term events have lead to a panic in the market and correction has taken place in all our portfolio companies. But we continue to remain extremely bullish on our portfolio stocks. We believe these short-term shocks will be an ideal time to increase investments in equity and such quality stocks.

Disclaimer:

Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Strategy will be achieved. As with any securities investment, the value of a portfolio can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Portfolio Manager may not be indicative of the performance in the future.

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