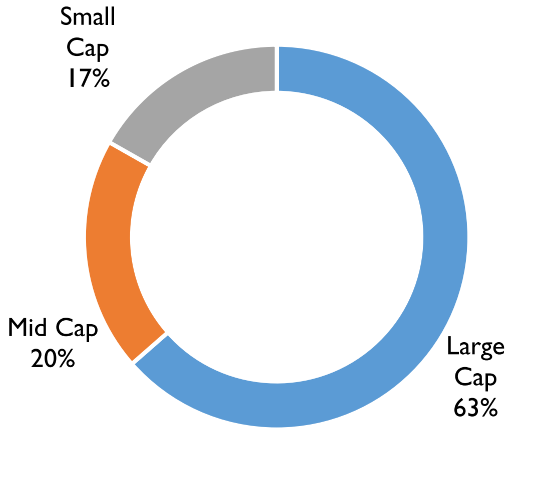
Business Opportunities Fund

December 2022

High Concentration – High Conviction – 23 stock portfolio

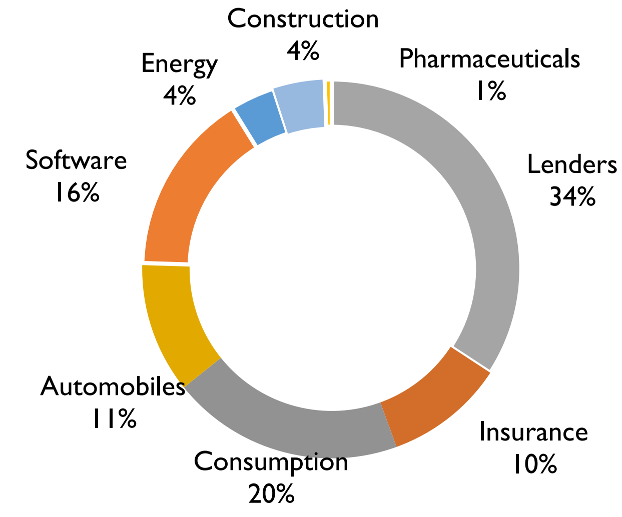
Market Cap Mix



QGLP exemplified

Quality	**RoE: 18% FY24E**
Growth	**~22% EPS CAGR over FY22–24E**
Longevity	**High**
Price	**PE: 17x FY24E; PEG: 1.2x**

Sector Mix



Data as on 31st December 2022

Highly concentrated portfolio plays across five themes

1

Insurance – an underpenetrated market

- Max Financial
- HDFC Life

2

Consolidation in the lending business

- HDFC Bank
- Axis Bank
- ICICI Bank
- DCB
- State Bank of India

3

High quality consumer discretionary

- Maruti Suzuki
- Gokaldas Exports
- Eicher Motors
- Blue Star
- Safari
- Phoenix Mills
- Minda Corporation

4

Tech/Pharma

- L&T Infotech
- TCS
- Gland Pharma
- Infosys

5

Domestic Real Economy

- NTPC
- L&T
- Gujarat Gas
- Ultra Tech Cement
- GR Infra

Data as on 31st December 2022
Disclaimer: The Sectors/Stocks mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of any investment strategy. It should not be construed as investment advice to any party. The stocks/sectprs may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future.

I

Insurance – an underpenetrated market

A structural growth story that comprises 11% of the portfolio

Little to no risk on the asset side

- Within BFSI; we believe non-lenders; especially life insurance players are unique plays on structural growth; with little to no risks on the asset side of the business.
- This is unlike the lenders; where growth is fraught with NPA risks.

Deeply moated brands

- Barriers to entry: Brand and distribution play a crucial role
- Top 5 players account for ~90% of total industry market share.
- We expect most of the growth to accrue to Top 5 players as they continue to build on their existing strengths.

Capital efficient businesses

- A capital efficient business with ~25% RoE for the successful players
- Growth funded internally without shareholder dilution.
- This ensures that all growth flows in to existing shareholders; a classic recipe for long term compounding.

Multi-decadal growth opportunity

- Long growth runway: With 83% protection gap (as per Swiss Re)
- We see life insurance as a structural play
- 16% allocation in life insurance companies is a testimony of our very high conviction on this sector.

Data as on 30th November 2022

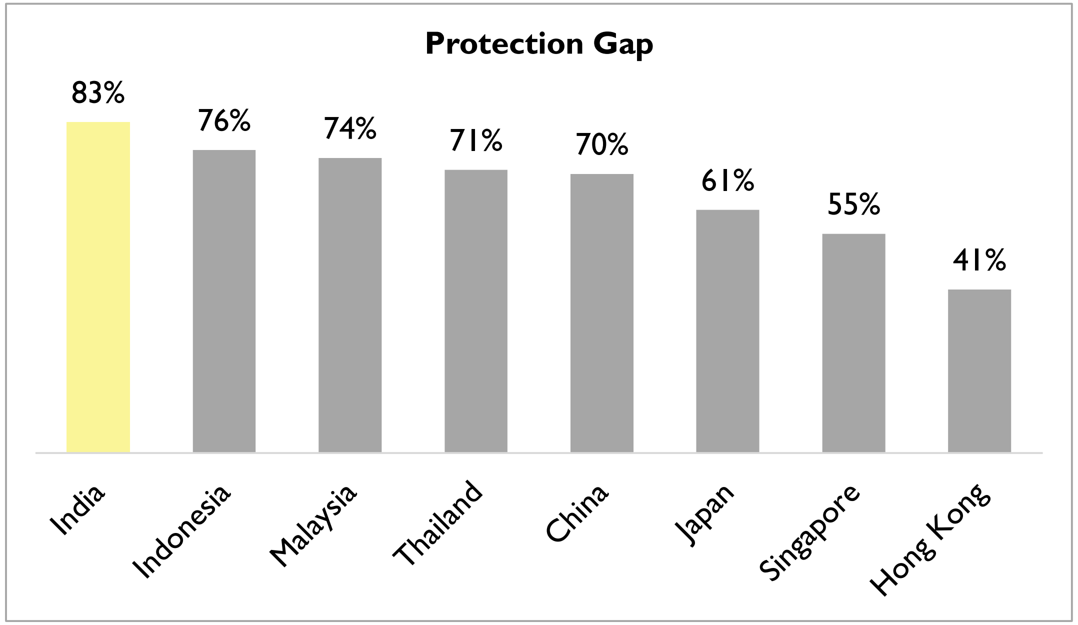
I

Insurance – an underpenetrated market

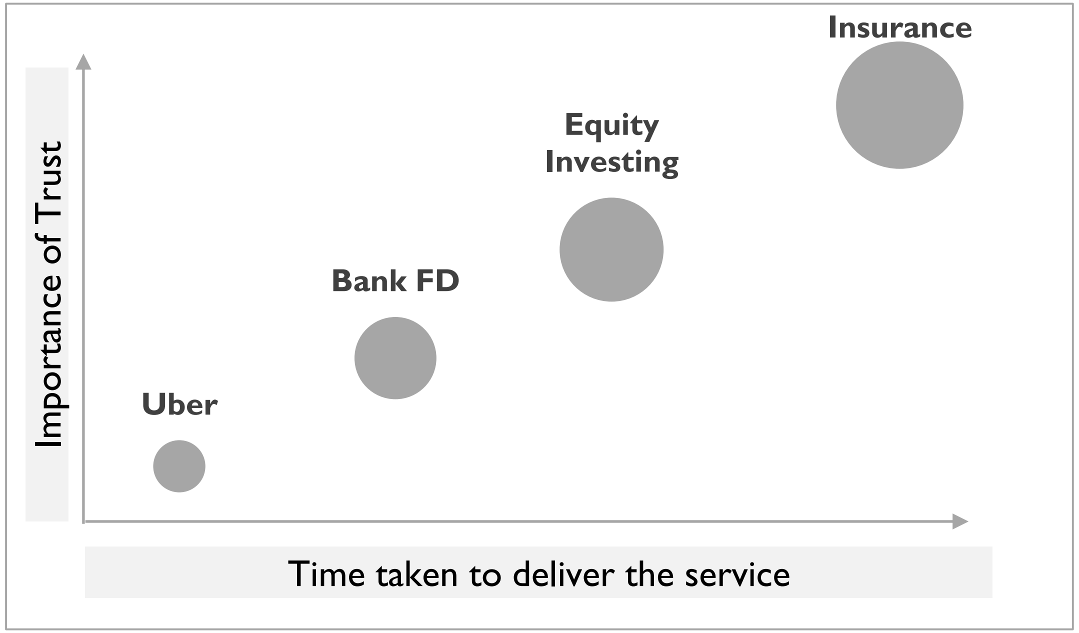
A structural growth story that comprises 11% of the portfolio

Demand	Economic Designation
A long runway for growth	Companies can charge for moats

Low coverage provides a large opportunity for life insurers



How much premium can you charge?



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Insurance – an underpenetrated market

PORTFOLIO WEIGHT: 10%

Max Financial

Strong underlying insurance business	• With best in class metrics (20%+ VNB Margins, 20% RoEVs) and growth track record (20%+ EV compounding). • 4th largest private life insurance player in India • The only non-bank promoted player which has reached this scale.
Axis Bank overhang on verge of resolution	• Axis Bank has emerged as the single largest shareholder with ~20% stake, (13% stake already acquired and the balance would be acquired over the next 12-18 months). • This has settled the long held overhang on the stock; and Axis Bank has now emerged as the co-promoter for Max Life; driving significant brand and distribution synergies.
Holdco structure to collapse	• Now that Axis Bank deal is sealed; we expect the current holding company structure to be collapsed with existing shareholders of Max Financial getting Max Life shares. • This should be another key trigger which should drive further re-rating of the stock.
Attractively valued	• Max is trading at 13x EVOP v/s 22x for HDFC Life, despite similar business metrics. • We believe, it is still significantly undervalued; and is **our highest conviction idea with a 15% allocation at the fund level.**

Data as on 31st December 2022

Insurance – an underpenetrated market

PORTFOLIO WEIGHT: 1%

HDFC Life Insurance

Best brand, distribution, innovation culture	• HDFC Life; enjoys the best brand equity with the 'HDFC' brand • Has the most entrenched distribution architecture with over 200 partners for distributing its life insurance products • Innovation leader
Margin expansion expected	• Strong top-line growth; given significant under-penetration of insurance in the country • Room for margin expansion (from ~25% currently to ~50%) • Share of pure protection in the overall business mix expected to improve
Significant optionality from non-life business	• In India, life insurance companies are prohibited from selling indemnity based health insurance plans. • We expect this to change; thus presenting a large option value, which is not discounted by any investor or analyst today.
Potential to become a USD100 bn market cap company	• HDFC Bank is India's most valued bank with market cap at ~USD100b. We see HDFC Life on a similar trajectory going forward; and it has all the tenets to be another USD100b market cap company as HDFC Bank.

Data as on 31st December 2022

Consolidation in the lending space

Top 5 banks command 47% market share in India, versus 80% as seen in countries globally

Top 5 banks in India to consolidate market share

- The five bank concentration ratio in India stands at ~47% level; vs ~80% being the median for 30 large economies globally.
- We believe the top banks in India; especially the top 4 private banks are very well positioned today to consolidate market share.

Strong liability franchises

- A very strong liability franchise; and good underwriting discipline are the key tenets of sustainable compounding in a lending business.
- The banks we own in the fund are the ones which clearly lead on these metrics.

PSU to PVT value migration to continue

- PSU banks have structural shortcomings of a promoter whose interests are not aligned with minority shareholders, weak underwriting capabilities, being capital starved, etc.
- Hence, expect value migration from PSU to PVT to continue.

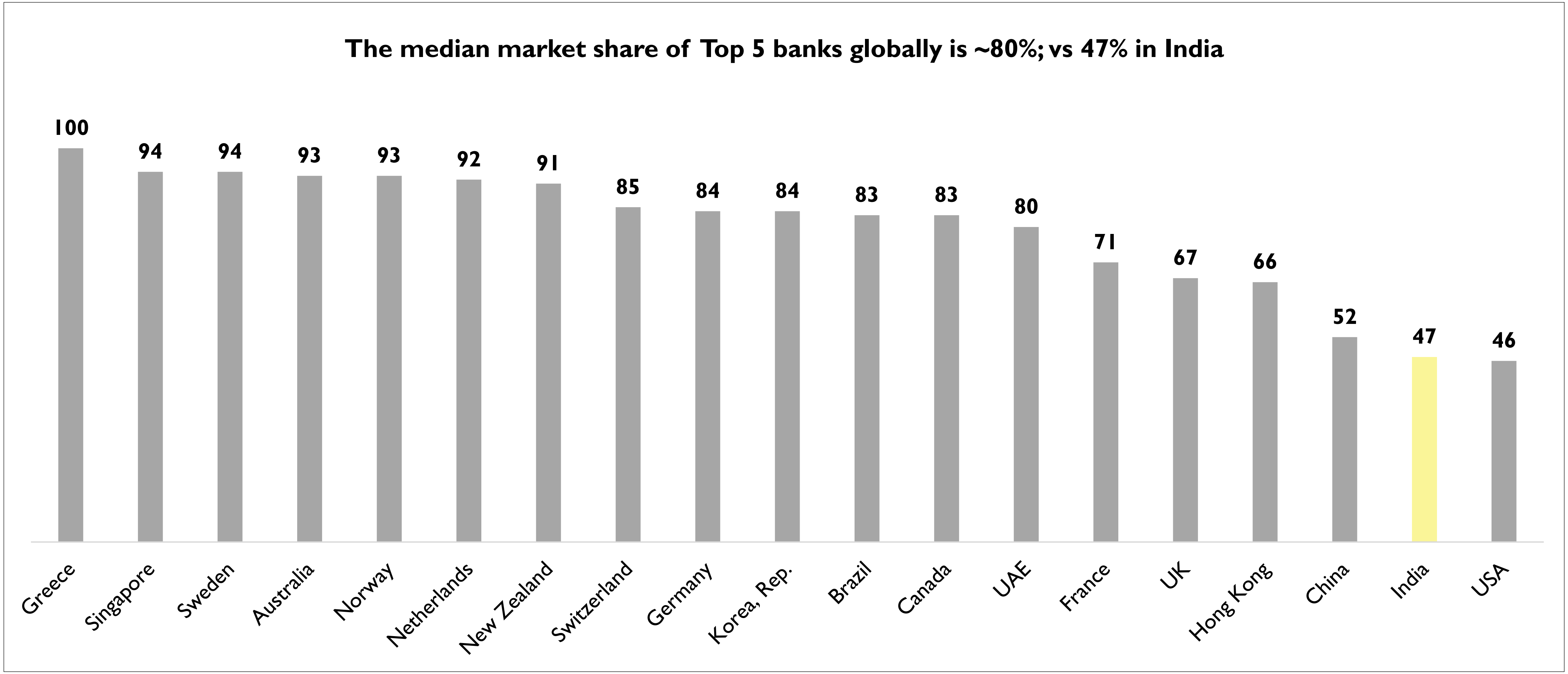
Attractive valuations

- Financial stocks were badly hit during the sell-off caused by COVID
- Unlike other sectors, stock prices for banks are yet to reflect their full potential
- Believe this is a temporary mispricing for larger, well run private banks with good liability franchises and underwriting capabilities.

Data as on 30th November 2022

Consolidation in the lending space

Top 5 banks command 47% market share in India, versus 80% as seen in countries globally



Data as on 30th November 2022

Consolidation in the lending space

PORTFOLIO WEIGHT: 10%

HDFC Bank

Multi-decade track record	• Stellar track record of minimum 16% RoE and minimum 19% growth in any given year over the last 20 years; despite multiple corporate and retail cycles over these years
Strong liability franchise	• 46% CASA, 3.7% cost of funds; on the asset side equal mix between corporate and retail assets which provides the right flexibility to maneuverer growth / risk
Beneficiary of transition to digital	• Virtual RM platform; automated digital lending, through which cost to income has declined from 45% to 36% over last 5 years
Smooth CEO transition; Attractively valued	• Smooth transition in CEO from Mr Aditya Puri to Mr Sashidhar Jagdishan; internal leader taking charge bodes well to maintain culture and franchise continuity. • The bank is trading at 18x FY24E EPS. Prospects of 15%+ growth / 19% RoE.

Data as on 31st December 2022

Consolidation in the lending space

PORTFOLIO WEIGHT: 10%

ICICI Bank

Best man at the helm in what's a good liability franchise	• Management change and organizational directions suggests a clear focus on 'risk'; in what's already a good liability franchise (45%+ CASA); 3.8% cost of funds.
Significant value creation in subsidiaries	• ICICI Prudential Life Insurance Company, ICICI Securities, ICICI Lombard General Insurance Company; have already been listed on the bourses; • Expect ICICI Prudential Asset Management to list in the next 12-24 months
Strong growth outlook	• We expect ICICI Bank to report 22% PAT CAGR over next 3 years time; taking its RoE from mid-single digit to ~16%-18% levels. • Portfolio now more retail than wholesale with mix at 53:47.
Re-rating to be gradual	• Ex-subsidiary valuation which contributes about 1/3rd to total valuation; ICICI Bank trades at a FY24E P/B of 1.3x; which is at a substantial discount to intrinsic value; • Expect steady-state ~16% RoEs. As the bank delivers; it should re-rate gradually.

Data as on 31st December 2022

Consolidation in the lending space

Axis Bank

Key leadership change with Amitabh Chaudhry; ex-HDFC Life as the new CEO	• Management change with Mr Amitabh Chaudhry taking over as CEO. He comes with a stellar track record at building HDFC Life as the most successful life insurer. • We're confident in the capabilities of Amitabh to drive key changes at Axis Bank.
Strong liability franchise; well capitalized balance sheet	• Amitabh's focus is on executing a new business architecture at Axis Bank with a clear focus on 'risk'; driving cross-sell and enhancing subsidiary value creation. • Axis Bank has a strong liability franchise with ~45% CASA and 4.0% cost of funds. • The bank is well capitalized with 15% CET-1 capital adequacy
Strong growth outlook	• We expect Axis Bank to report 54% PAT CAGR over next 3 years time; taking its RoE from low-single digit to ~16% levels. • Portfolio now more retail than wholesale with mix at 60:40.
Re-rating over a period of time	• Ex-subsidiary valuation and value expected from Max Life stake; Axis Bank trades at a FY24E P/B of ~1.3x; which is at a substantial discount to intrinsic value; • Expect steady-state ~15% RoEs. As the bank delivers; it should re-rate over a period of time.

Data as on 31st December 2022

Consolidation in the lending space

PORTFOLIO WEIGHT: 4%

State Bank of India

In a virtuous earnings upgrade cycle	• Credit growth will lead to NIM expansion • Focus on cross sell leading to higher other income • Past stress already accounted for leading to higher PAT conversion • Higher recovery would lead to high PAT growth.
Superior reach with group companies synergies	• All the subsidiaries barring GI are top three by size as well as quality • Superior reach leading to product synergies • Possibility of further value realization from subsidiaries
Variant perception on technology capability	• YONO platform has the potential to be one of the largest banking technology platform • Creating multiple successful subsidiaries points towards superior management quality
Lucrative Valuation	• Valuation is still lucrative the bank is trading sub 10x earnings. • Subsidiaries growing in excess of 20% further adds to the attractiveness

Data as on 31st December 2022

High quality consumer discretionary

Distinctive and durable market leaders likely to benefit despite short term headwinds

India's growth potential remains intact

- India despite facing multiple challenges over the years; has a track record of ~14% nominal GDP growth over the last 4 decades.
- We believe the basic building blocks to this long term growth remain intact; the pandemic should be a passing event.

Economic environment to accelerate consolidation

- Every downturn tests the survival of the fittest.
- Weak players in an industry suffer the most (especially the unorganized; and players with weak balance sheets).
- Consequently, in the recovery that ensues; the strong get stronger.

Focus on market leaders

- Accelerated formalization of the economy to benefit market leaders
- High stress economic environments necessitate that the strongest will be able to not just survive, but thrive.

Look beyond the short term

- Template for multi-baggers; vision to see, courage to buy and patience to hold
- Patience is the rarest of the three attributes. We believe; today as we're still in the middle of the pandemic; our patience is being tested.
- However, as the dust settles; we believe we will be well rewarded for our patience.

Data as on 30th November 2022

3

High quality consumer discretionary

Distinctive and durable market leaders likely to benefit despite short term headwinds

PORTFOLIO WEIGHT:

5%

Passenger Cars

- Market leadership (~50% market share) in a highly under-penetrated market
- India has ~30 cars per 1000 individuals, vs 980 for US; 200 for China
- Strong understanding of the market, most trusted brand, value for money

6%

Premium Motorcycles

- A passionate entrepreneur at the helm of a large and distinctive opportunity
- Strong new hire - Mr Vinod Dasari as CEO
- Robust pipeline; < 2% penetration in India and a large export opportunity

Data as on 31st December 2022

3

High quality consumer discretionary

Distinctive and durable market leaders likely to benefit despite short term headwinds

PORTFOLIO WEIGHT:

5% — **Air Conditioners**

- 12% market share in RACs and leadership in commercial refrigeration
- Solid fundamentals (~25% RoEs) at reasonable valuations (26x FY24E PE)

4% — **Luggage**

- Strong owner-operator, significant market share gains (2% to 16% over 8 years)
- Structural demand tailwinds; unorganized to organized, offline to online
- Improving RoE profile with shift in sourcing from China to India, Bangladesh

8% — **Organized retail**

- Best positioned in an industry facing difficult times
- Recent fund raising and a host of upcoming de-leveraging plans through REIT / platform deals with CPPIPB / Brookfield / GIC
- Malls as a retailing avenue to gain share from high street

Data as on 31st December 2022

IT and Pharma

Pharmaceuticals	IT
• Share of chronic diseases in India has risen significantly. • High demand for over the counter VMS (Vitamins, Minerals and Supplements) products is a long term structural shift	• Indian IT players geared for billion dollar multi-year deals across verticals • Technology has become a necessity as more and more customers prefer digital to physical • Digital push initiative by the government gives further impetus to this sector

IT and Pharma

PORTFOLIO WEIGHT:

4%	IT	TATA CONSULTANCY SERVICES 	Global increase in cloud adoption and increased digital spends Best organizational culture; low employee attrition; high domain expertise 60%+ RoCE, ~90% dividend payouts, P/E at 21x FY23E EPS
7%	IT	LTI Let's Solve 	Infosys team + L&T platform + Wide client presence + Mindtree acquisition LTI has delivered industry leading growth of 15%+ USD CC over the last 5 years. LTI has all the ingredients to transform itself into a Tier 1 operator
1%	Pharma	GLAND PHARMA LIMITED	Niche sterile injectables contract development and manufacturing company We see biosimilars contract manufacturing and injectables in China as long-term opportunities that can fundamentally shift the growth trajectory ahead Expect ~25% EPS CAGR over FY22-25E; with ~25% RoEs

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IT and Pharma

PORTFOLIO WEIGHT:

6%

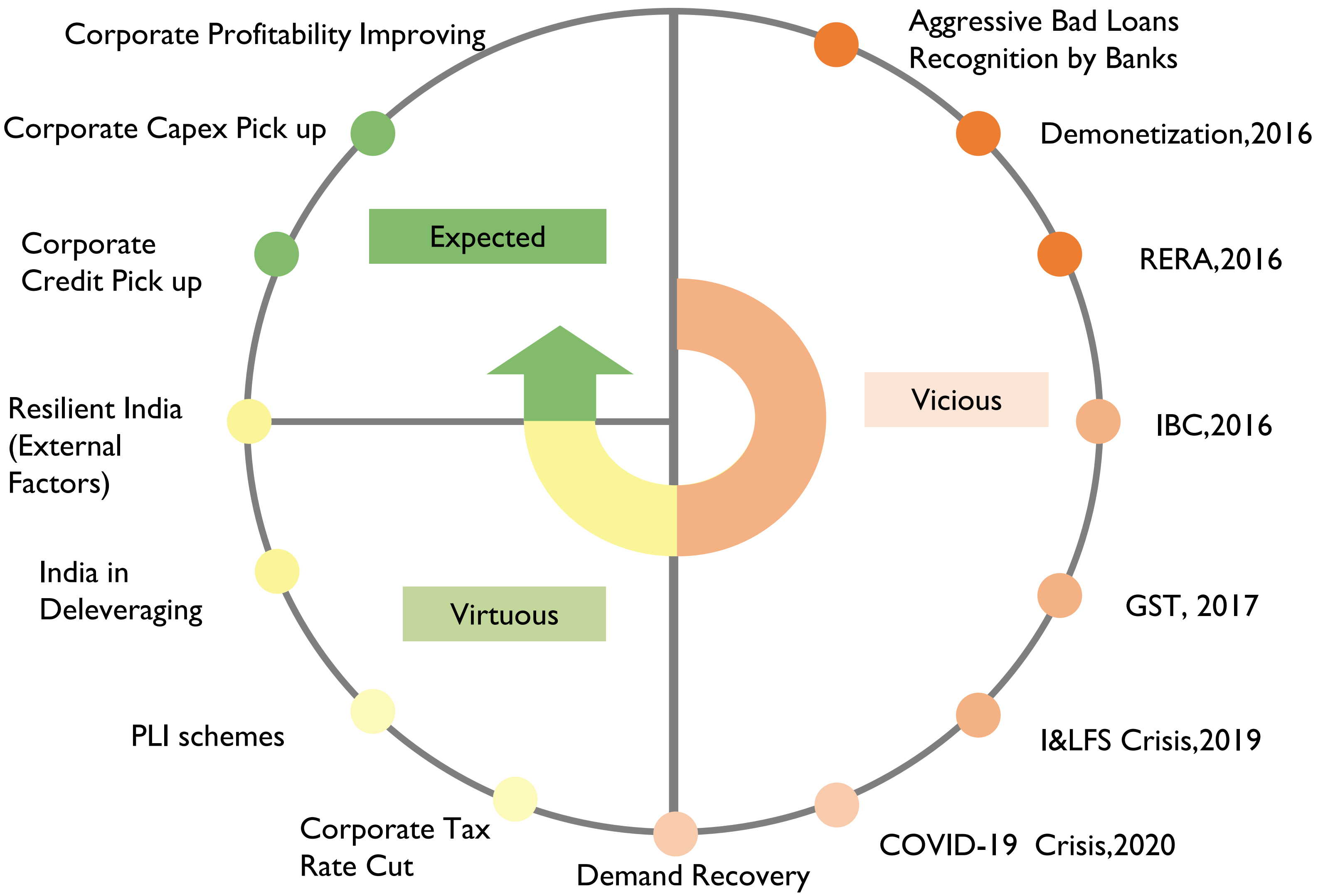
IT

Infosys

- Leading IT players in India catering to BFSI, Retail, Communication, Manufacturing, and hi-tech verticals
- Has been able to crack great business deals that include 6 new $100 million clients & 5 new $200 million clients during the year
- 1,738 active clients across verticals

Data as on 31st December 2022

Domestic Real Economy – Vicious to Virtuous cycle



Domestic Real Economy – Vicious to Virtuous cycle

PORTFOLIO WEIGHT:

2%	**Power**	NTPC	Unique advantage to leverage its thermal plants to blend-in renewables Ready access to human and financial capital (at low cost) Valuations are attractive at ~7x FY25E EPS; ~1x price to book for ~13% RoEs
2%	**Gas Distributor**	GUJARAT GAS	Gujarat Gas (GGL) is India's largest city gas distribution company with ~1.5x volumes vs second largest competitor Competitiveness and stricter regulations will drive the shift to gas from alternates Valuations are attractive at ~16x FY25E EPS; ~25% RoEs, expect ~22% EPS CAGR over FY22-25E
1%	**Cement**	UltraTech CEMENT The Engineer's Choice	UltraTech will be the beneficiary of expected recovery in demand Pan India presence enables it to benefit from the price hikes across different regions The stock trades at ~15x FY25E EPS; with RoEs at ~15%; and a net cash balance sheet

Data as on 31st December 2022

Domestic Real Economy – Vicious to Virtuous cycle

PORTFOLIO WEIGHT:

2%

Infrastructure

G R I L
G R INFRAPROJECTS LTD.

- Led by a strong leadership and management team, we believe GR should continue to benefit from govt's thrust on road construction
- Successful diversification into new segments can add additional growth avenues resulting in shareholder value creation
- Valuations are attractive at ~10x FY25E EPS; ~20% RoEs, expect ~20% EPS CAGR over FY22-25E

Data as on 31st December 2022

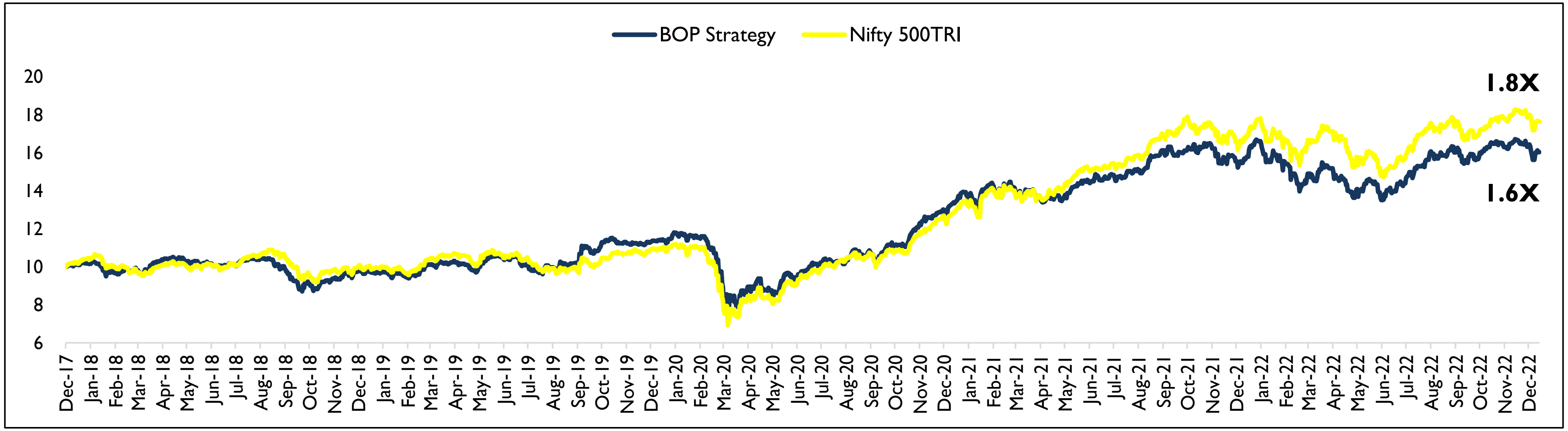
Q2FY23 Earnings Update: 43% YoY increase in earnings growth

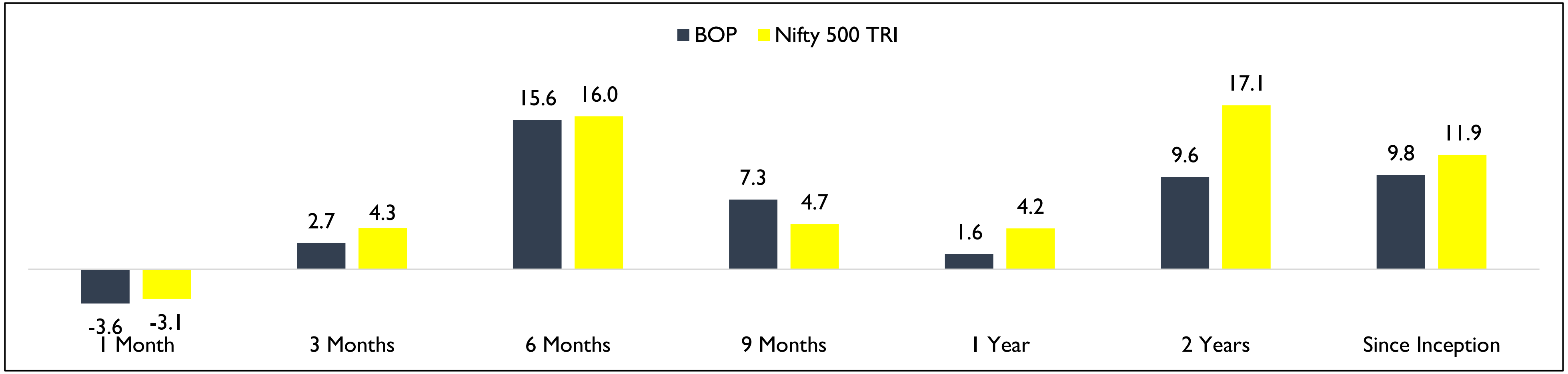
S.No.	Script Names	2Q FY23	TTM
		EPS YoY	EPS YoY
1	ICICI Bank Limited	32%	39%
2	HDFC Bank Limited	22%	24%
3	Max Financial Services Limited	30%	-4%
4	The Phoenix Mills Limited	201%	549%
5	Axis Bank Limited	65%	83%
6	LTIMindtree Limited	23%	21%
7	Infosys Limited	12%	16%
8	Eicher Motors Limited	76%	40%
9	Maruti Suzuki India Limited	113%	6%
10	Blue Star Limited	35%	67%

Portfolio Aggregate	**43%**	**42%**

Data as on 30th November 2022

Portfolio Performance





One lac invested in the strategy on 18th Dec 2017 would have grown to Rs. ~1.6 lacs today against ~1.8lacs invested in Benchmark

BOP Strategy Inception Date: 18th Dec 2017; Data as on 31st December 2022; Data Source: MOAMC Internal Research Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Investment Philosophy

Q.G.L.P in a nutshell

Our well documented Investment Philosophy

Q

Quality of business x Quality of management

- Stable business, preferably consumer facing
- Huge business opportunity
- Sustainable competitive advantage
- Competent management team
- Healthy financials & ratios

G

Growth in earnings

- Volume growth
- Price growth
- Mix change
- Operating leverage
- Financial leverage

L

Longevity – of both Q & G

- Long-term relevance of business
- Extending competitive advantage period
- Sustenance of growth momentum

P

Price

- Reasonable valuation, relative to quality & growth prospects
- High margin of safety

Chairman – Investment Committee

Raamdeo Agrawal
Chairman, MOFSL

- Raamdeo Agrawal is the Co-Founder of Motilal Oswal Financial Services Limited (MOFSL).
- As Chairman of Motilal Oswal Asset Management Company, he has been instrumental in evolving the investment management philosophy and framework.
- He is on the National Committee on Capital Markets of the Confederation of Indian Industry (CII), and is the recipient of "Rashtriya Samman Patra" awarded by the Government of India.
- He has also featured on 'Wizards of Dalal Street' on CNBC. Research and stock-picking are his passions which are reflected in the book "Corporate Numbers Game" that he co-authored in 1986 along with Ram K Piparia.
- He has also authored the Art of Wealth Creation, that compiles insights from 26 years of his Annual 'Wealth Creation Studies'.
- Raamdeo Agrawal is an Associate of Institute of Chartered Accountants of India.

Fund Management Team

Fund Manager

Manish Sonthalia

- Manish has been managing the Strategy since inception and also serves as the Director of the Motilal Oswal India Fund, Mauritius.
- He has over 25 years of experience in equity research and fund management, with over 14 years with Motilal Oswal PMS.
- He has been the guiding pillar in the PMS investment process and has been managing various PMS strategies and AIFs at MOAMC.
- Manish holds various post graduate degrees including an MBA in Finance, FCA, Company Secretaryship (CS) and Cost & Works Accountancy (CWA).

Fund Manager

Atul Mehra, CFA

- Atul has over 12 years of experience in equity research and fund management specializing in mid and small cap space, with over 7 years with Motilal Oswal Group.
- Before joining Motilal Oswal, he was associated with Edelweiss Capital.
- Atul is a Chartered Financial Analyst (CFA) from CFA Institute, USA and a Masters in Commerce.

Thank you

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