

IDBI Focus 20:20 Strategy



PORTFOLIO MANAGEMENT SERVICES

Passion • Integrity • Trust

- ❑ ABOUT IDBI CAPITAL
- ❑ DEMYSTIFYING EQUITY AS AN ASSET CLASS
- ❑ A Case Study
- ❑ CURRENT MARKET ENVIRONMENT
- ❑ IDBI FOCUS 20:20 STRATEGY
- ❑ FEE STRUCTURE

ABOUT IDBI CAPITAL



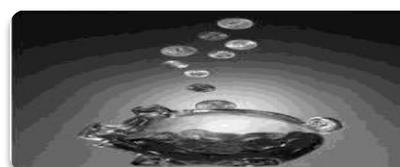
Investment Banking

- Capital Markets
- Private Equity and M&A
- Corporate Advisory



Institutional Dealing & Broking

- Institutional Research team of 8 analysts covering wide range of sectors
- Strong Sales Team
- 90+ Institutional Empanelments



Fund Management

- Management Team for Surplus Fund Management & Advisory
- Portfolio Management Services
- Services are provided to the PSUs/ Banks/ Institutions/ Corporates/ Trusts



Retail Broking

- Pan India presence
- Over 1.9 lakh retail & HNI customers

- Awarded as 'Best Investment Banking & Securities Services Company, 2018' by International Brand Consulting Corporation (IBC), USA
- Fully integrated financial services provider: Corporate, Institutional & Retail clients
- Strong team of over 325 professionals & wide spread branch network
- Handled prestigious & high value government assignments, including as advisors to NIIF



One of the oldest names in Financial Sector

- Strong pedigree and presence across value chain of financial products
- Servicing clients with complete sincerity and dedication for more than 25 years



Equity Research Capabilities

- Strong research team of 8 research analysts with cumulative experience of over 100 years in the industry
- Wide coverage of companies across market capitalization



Client Centric Approach

- Unique need based selling approach
- Provide enhanced customer experience through investment in processes, technology & infrastructures

DEMYSTIFYING EQUITY AS AN ASSET CLASS



Benjamin Graham

“Abnormally good or abnormally bad conditions do not last forever”



Warren Buffett

“Be fearful when others are greedy and greedy when others are fearful”



Opportunity to participate in Real Businesses



Long term Wealth Creation



One of the Most Liquid Asset Class



Tax Efficient

Equity doesn't offer guaranteed return

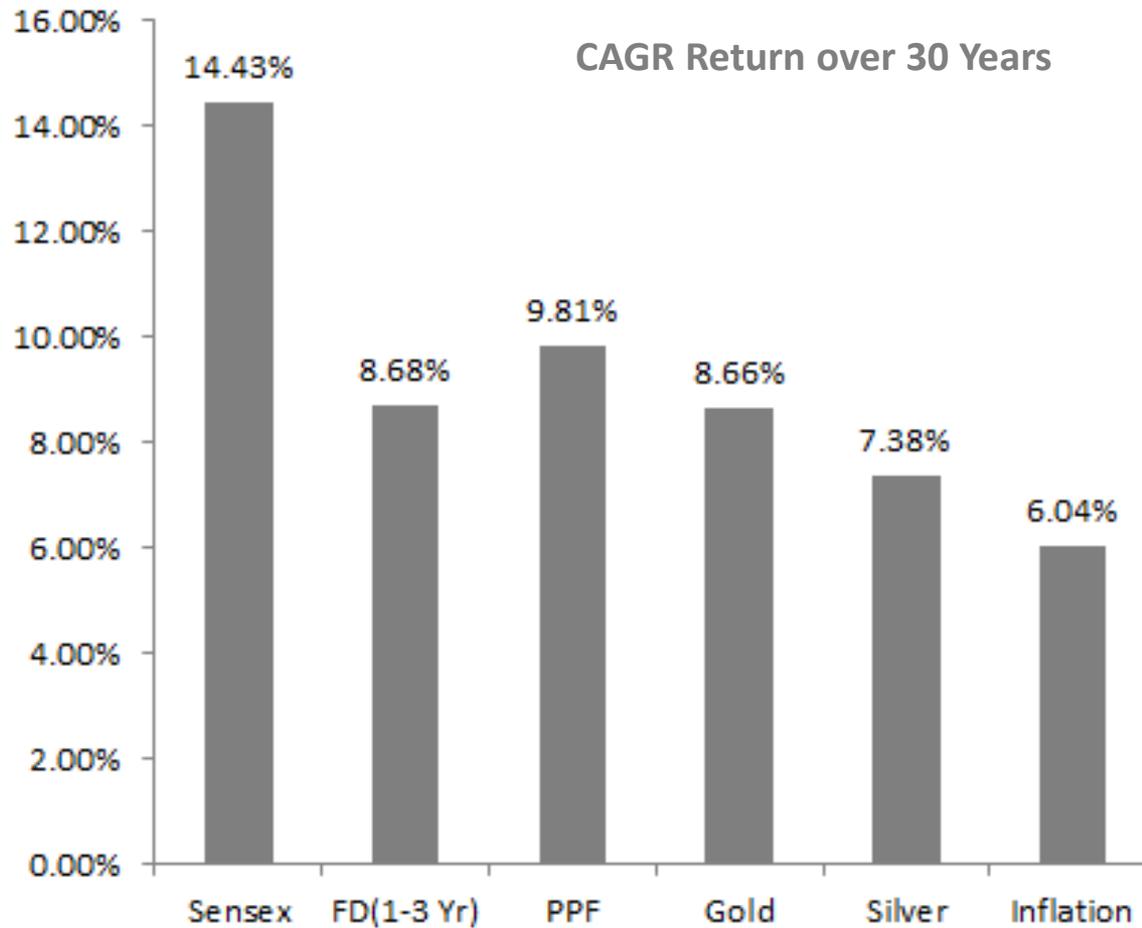
Equity is not a fixed return asset class

Equity investments could be more volatile than expected

Equity investments take time to deliver optimum returns

Risk assessment is as important as Return assessment

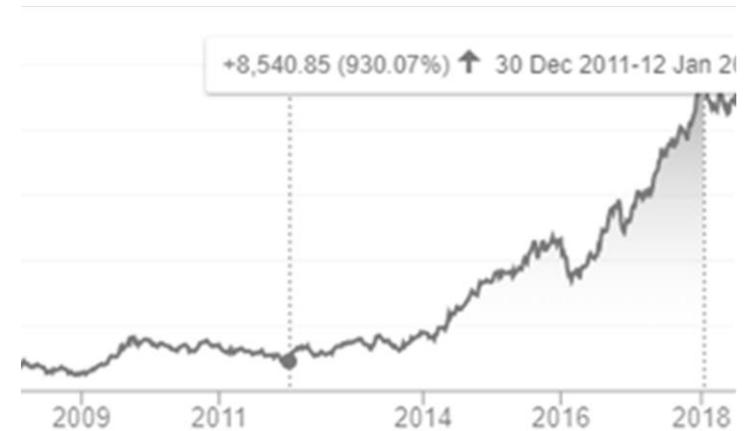
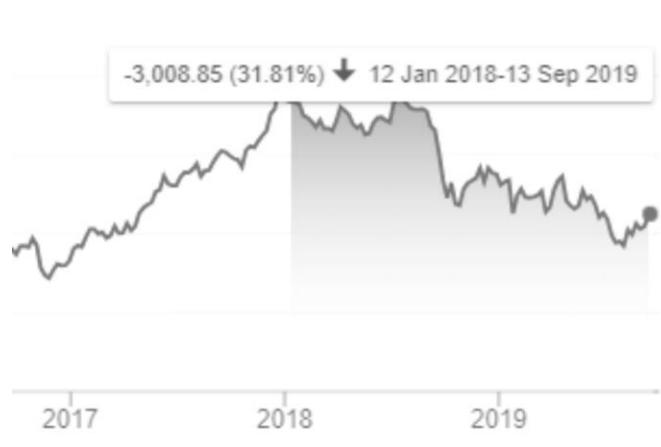
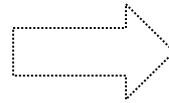
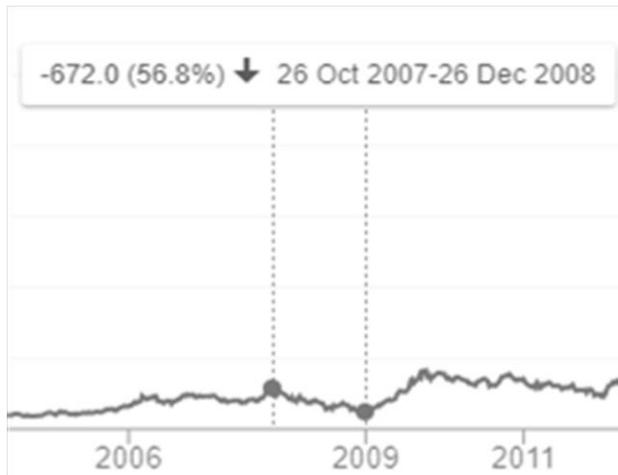




Note: Data is for the period FY1988 to FY2018

A CASE STUDY

Equity – A Case Study



Maruti Suzuki India Limited



Despite all the ups and downs, the stock still delivered a strong return of **~15% CAGR in the last 12 years**

Does Stock Picking Really Matter?

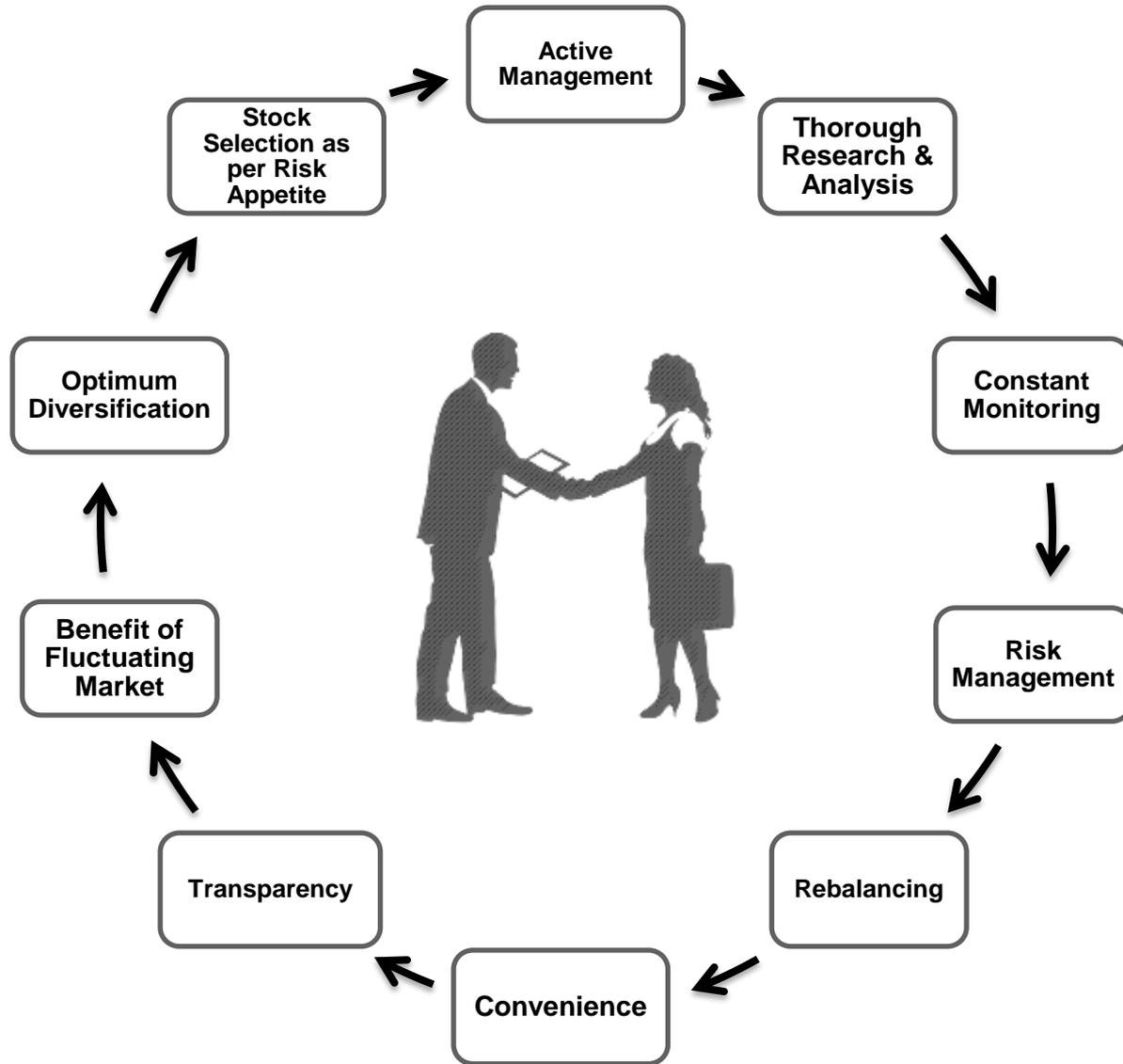
10 Year CAGR



In the long-term, good stock selection ensures strong return (beating the benchmark) even if bought at cyclical highs

Eventually, Right Stock Selection is only what matters!

Why Professional Equity Management?



CURRENT MARKET ENVIRONMENT

India is projected to be the 3rd largest contributor in terms of adding the highest number of wealthy individuals in Asia after China and Japan.



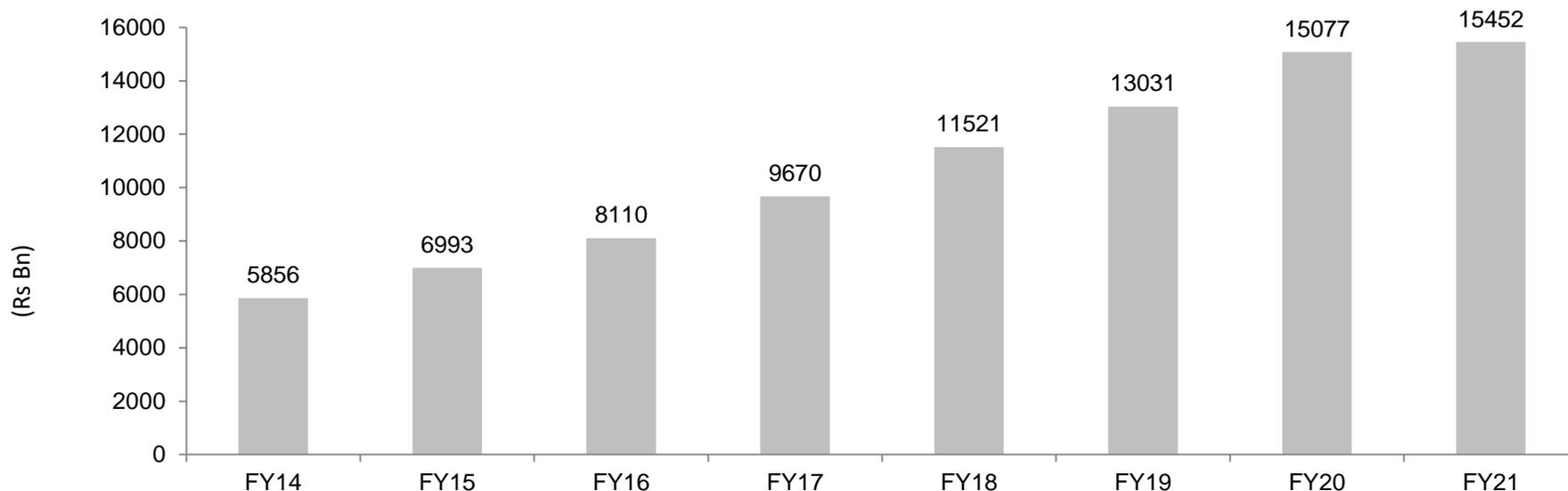
India has witnessed 54% growth in UHNI population in the past 5 years and is expected to grow by 71% over the next 5 years.



Ultra High Net-worth Households (UHNH) have grown to 160,600 in CY2017, CAGR of 12% over five years. Expected to double by CY2022.



Total net-worth of Indian UHNHs is about Rs. 153 trillion in CY2017. Expected to rise to Rs. 352 trillion by CY2022.



- ❖ The PMS industry[#] has shown significant growth of more than 160% since FY14 and has increased the AUM from Rs. 5,856 bn in FY14 to Rs. 15,452 bn (\$210 bn) as at June 2020. AUM of discretionary PMS products, excluding PF money, was about Rs 1,442 bn (\$20 bn).
- ❖ **Discretionary Equity PMS AUM has grown at a much faster pace, estimated at over Rs 1,000 bn (c.7% of total), a growth of more than 5x in the same period.**
- ❖ HNI investors' appetite towards PMS has increased significantly as the total number of clients increased by more than 3x in a span of past 5-6 years.
- ❖ Total number clients under PMS zoomed from 43k to approx. 155k during this period.

Domestic factors

1. Significant economic impact from COVID-19
2. Troubled financial sector hit by COVID-19 consequences
3. Weak consumer sentiments
4. Lower private sector investments
5. Poor corporate earnings growth outlook for FY2021

Global factors

1. GDP contraction in most major economies triggered by COVID-19
2. Resumption of US-China face off in the backdrop of COVID-19
3. Technology onslaught
4. Fragile Middle East environment
5. Sharp volatility in crude oil prices

- ❖ **Consumer sentiments** have been fine tuned for a very weak economic outlook.
- ❖ **Corporate investments** have almost dried-up; street expectations unlikely to get significantly worst from here.
- ❖ **Equity Valuations** look fairly attractive but with exceptions.
- ❖ **FEAR** in equity investors; **Euphoria** has faded.
- ❖ **Fundamental** growth story of India still intact -
 - World's youngest population
 - World's largest consuming population
 - Low retail product penetration
 - Multi-year infrastructure demand
 - Rising shift towards financial assets
 - Equity culture has a long runway, etc.

IDBI FOCUS 20:20 STRATEGY



- Based on **principle of buying high quality companies** at reasonable valuations.



- Investment decisions based on **determining value in relation to price**, not price alone, thereby assuring high margin of safety.



- Focus on **consistently achieving good returns** (outperforming the benchmark) while protecting the downside risk and not on achieving extraordinary gains with higher risk of capital erosion.

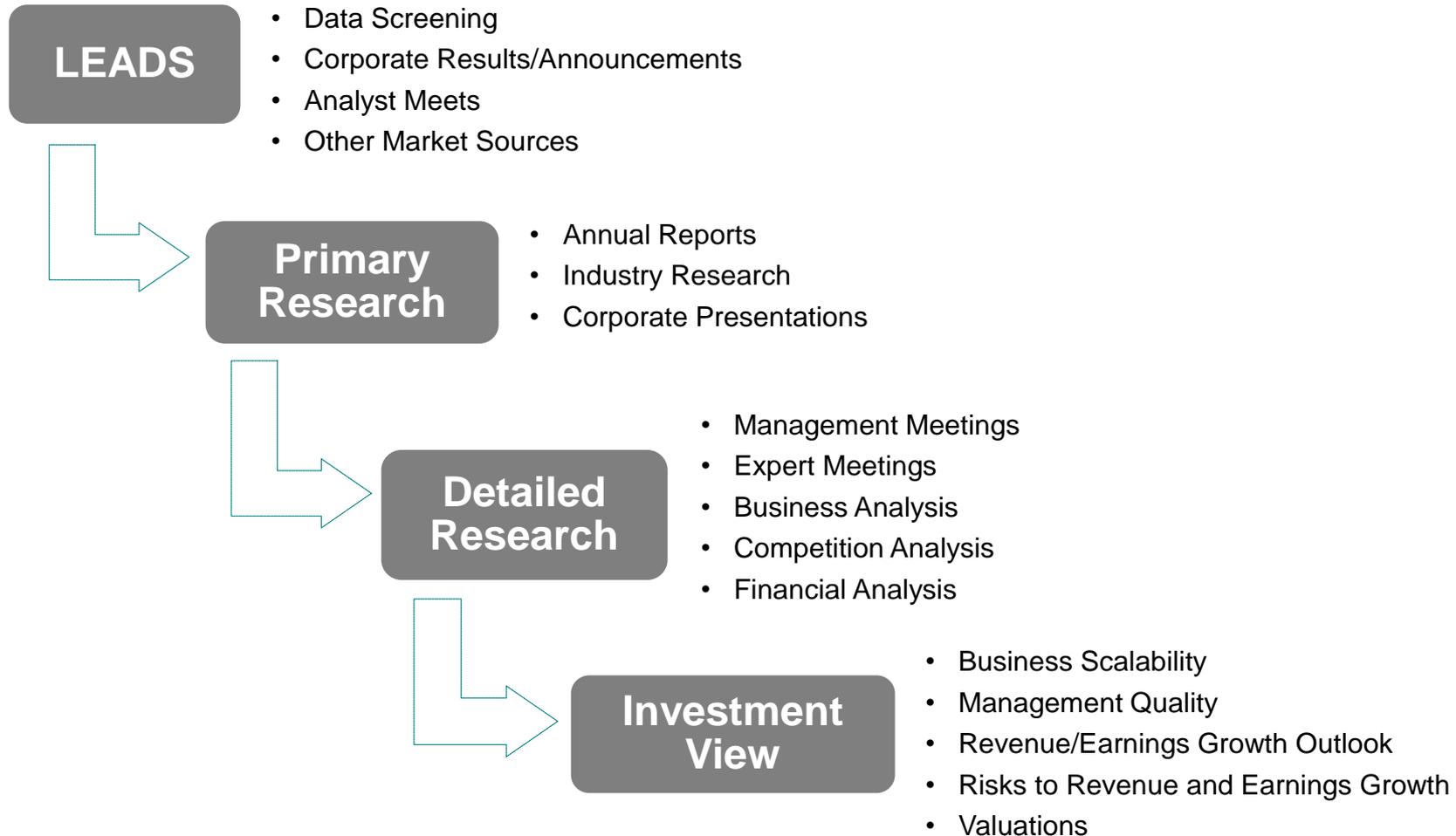


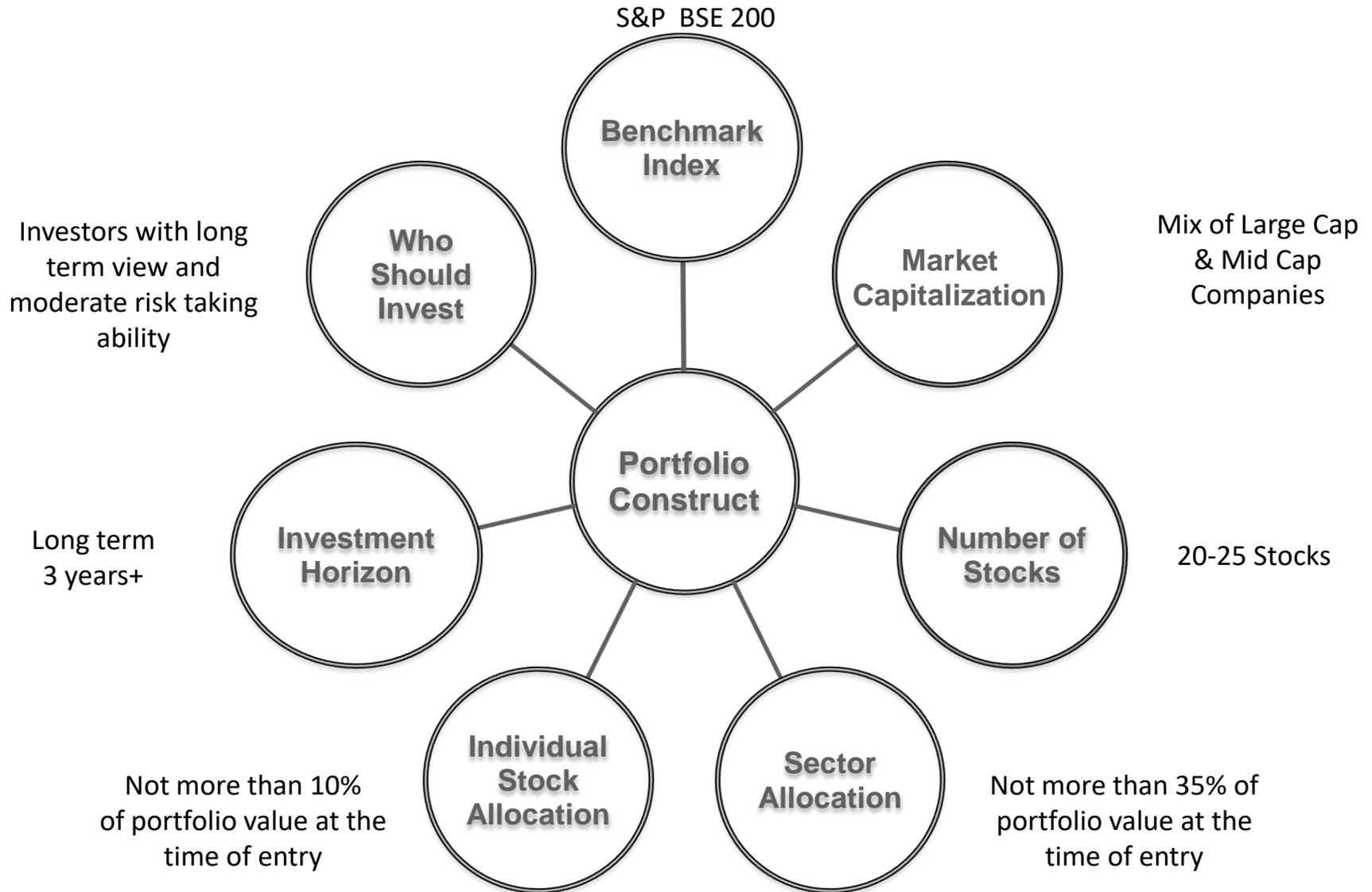
- Follow **bottom-up sector agnostic framework of stock selection** with a strong belief that different sectors offer opportunities across different stages of business cycles. Prefer avoiding commodity businesses.



- **Concentrated portfolio** of 20-25 high quality stocks, aiming to achieve strong wealth creation for our clients over medium-to-long term.



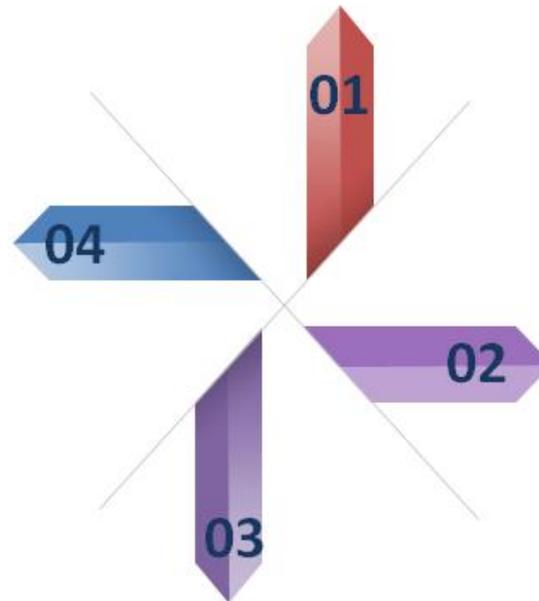




Note: Portfolio companies may or may not fulfill all the above conditions every time.

Strong brand with **pan India branch network**, catering to client's investment needs for more than 23 years.

Experienced in-house Research team assisting in providing valuable research inputs.



Focused and disciplined investment approach to generate superior returns over medium-long term by investing in high quality companies, attractive valuations and high margin of safety.

Experienced and Dynamic team of investment professionals.

FEE STRUCTURE

	Fixed Fee Option	Performance based Fee Option
Fixed Management Fee	2.5% p.a. of the daily average of portfolio value (payable quarterly)	1.5% p.a. of the daily average of portfolio value (payable quarterly)
Hurdle Rate	Nil	10%
Performance Fee	Nil	<ul style="list-style-type: none"> For returns upto 10% (p.a.)-Nil For returns above 10% (p.a.)-20% of profit above hurdle rate of 10% p.a.
Brokerage	20 bps for the trade value of every buy and sell transaction	20 bps for the trade value of every buy and sell transaction
Custodian Fee	0.019% p.a. for the asset value	0.019% p.a. for the asset value
Statutory Fees	As applicable	As applicable
Exit Load	<ul style="list-style-type: none"> Withdrawal before 1st year- 2% Withdrawal after completion of 1 year but before completion 2 years- 1% Withdrawal after completion of 2 years-Nil 	<ul style="list-style-type: none"> Withdrawal before 1st year- 2% Withdrawal after completion of 1 year but before completion 2 years- 1% Withdrawal after completion of 2 years-Nil

**Fixed Management Fee: Payable quarterly on average of opening and closing AUM of previous quarter.*

**Performance Fee: Payable annually on AUM considering high watermarking principle.*



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