Growth engines of today and tomorrow

March 2019

Edelweiss Large and Mid Cap Fund
Large Companies contribute significantly to GDP

Large Companies keep the Engine Moving

Largecap/ GDP (%)
**Merits and Demerits of Largecap Fund**

### Merits

**CONSISTENT:** Historically Largecap in general are more consistent

**LESS DOWDOWN:** Actively managed funds tend to protect downside by taking active bets v/s the benchmark to avoid downside

**LESS VOLATILE:** Funds are low volatile compared Midcap and Smallcap Funds

### Demerits

**Alpha is eroding:** Historically, alpha of Largecap funds over the benchmark is reducing & trend likely to continue further.

**Peak Point of Largecap:** Fund have seen portfolios overlap and have become benchmark huggers.

**Sinking Return Differential among Funds in Category:** In the last 5 years it has shrunk to 2% from 10%.
How to overcome Demerit of Largecap Funds?

Taking measure active weights in Midcap stocks will aid alpha generation

March 2018

Source: Bloomberg
The investment objective of the Scheme is to generate long-term capital appreciation from a diversified portfolio of predominantly Large Cap and Mid Cap equity and equity-related securities.

**Investment Strategy**

- Focus on bottom up stock picking which endeavours to invest in companies with strong growth and earning potentials available at a reasonable valuations.
- The fund takes high active stock positions to generate alpha over the benchmark.

<table>
<thead>
<tr>
<th>Scheme Information</th>
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</thead>
<tbody>
<tr>
<td>Scheme</td>
</tr>
<tr>
<td>Inception Date</td>
</tr>
<tr>
<td>Fund Manager</td>
</tr>
<tr>
<td>Benchmark</td>
</tr>
<tr>
<td>Standard Deviation</td>
</tr>
<tr>
<td>Beta</td>
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</tbody>
</table>

**Source:** ACE MF, Data as on 28th Feb 2019
4 Pillars of Portfolio Allocation Strategy

**Strategic Allocation**
- Buy and hold kind of a Approach.
- Compounding Business
- Proven track record over long periods
- Structural growth story with a high quality business & management.

**Tactical**
- Business in cyclical industry
- Well Levered to the upturn
- Bought and sold depending on the phase of the cycle and valuations

**Option**
- Business offering potentially Large scale-up opportunity
- Typically has a higher degree of risk.
- Have a 1 or 0 kind of a payoff

**Defensive**
- It is a position that is more of a defensive posture
- Protecting from any probable market downside

Data as on 28th Feb 2019
## Portfolio Details

### Top 10 Active Holdings

<table>
<thead>
<tr>
<th>Company</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aditya Birla Fashion and Retail</td>
<td>1.85%</td>
</tr>
<tr>
<td>Bata India</td>
<td>1.65%</td>
</tr>
<tr>
<td>IPCA Laboratories</td>
<td>1.61%</td>
</tr>
<tr>
<td>GlaxoSmithKline Consumer Healthcare</td>
<td>1.60%</td>
</tr>
<tr>
<td>Aarti Industries</td>
<td>1.57%</td>
</tr>
<tr>
<td>AIA Engineering</td>
<td>1.54%</td>
</tr>
<tr>
<td>Apollo Hospitals Enterprise</td>
<td>1.52%</td>
</tr>
<tr>
<td>The Indian Hotels Company</td>
<td>1.51%</td>
</tr>
<tr>
<td>SKF India</td>
<td>1.47%</td>
</tr>
<tr>
<td>Praj Industries</td>
<td>1.42%</td>
</tr>
</tbody>
</table>

### Sector Details

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Over wt</th>
<th>Sector</th>
<th>% Under wt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others *</td>
<td>5.92</td>
<td>Oil &amp; Gas</td>
<td>-6.42</td>
</tr>
<tr>
<td>Industrials/ Infra</td>
<td>5.80</td>
<td>Auto</td>
<td>-4.50</td>
</tr>
<tr>
<td>Pharma</td>
<td>2.18</td>
<td>Metals/ Minerals</td>
<td>-3.37</td>
</tr>
</tbody>
</table>

Data as on 28th Feb 2019, Source Bloomberg and ACE MF. * Includes Chemicals, Fertilisers and Pesticides, Hotels, Paper, Retail, Textiles, Transportation
Current Themes

Hospitality
- Demand-supply mismatch in terms of required room inventory.
- Occupancy across the country has recorded a nine-year high in the financial year ending March 2018, touching over 70%.
- Strong occupancy level is expected to push average room rates higher.
- Rising spending power coupled with the proliferation of low-cost carriers to bolster growth.

NBFC
- Positive on select Housing and Asset Financing Companies.
- Multiple drivers for Commercial Vehicle Growth - macro revival, pick up in infra/construction before 2019 elections, stricter enforcement of overloading norms etc.
- Play on Affordable Housing.

Industrials/Infra
- Play on Roads – Bharatmala Program which would benefit almost all established players.
- Play on Railways – Electrification, modernizing infra etc.
- Fruition of private capex cycle on the horizon.
True-to-Label – Bill Board

Buy & hold approach

Average Stock Holding
Period – 27 Months

Well Diversified

56 Stocks
22 Sectors

Active Management

47% of the Holdings is away from the benchmark

Data as on 28th Feb 2019
**Performance**

<table>
<thead>
<tr>
<th>Period</th>
<th>Scheme</th>
<th>Benchmark S&amp;P BSE 200 TR Index</th>
<th>Additional Benchmark Nifty 50 TR Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Returns*</td>
<td>Value of Rs. 10000 Invested</td>
<td>Returns*</td>
</tr>
<tr>
<td>1 Year</td>
<td>-4.03%</td>
<td>9,597</td>
<td>0.67%</td>
</tr>
<tr>
<td>3 Year</td>
<td>14.43%</td>
<td>14,986</td>
<td>17.23%</td>
</tr>
<tr>
<td>5 Year</td>
<td>14.25%</td>
<td>19,471</td>
<td>14.35%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>9.56%</td>
<td>29,165</td>
<td>10.11%</td>
</tr>
</tbody>
</table>

*Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.*

* CAGR Return.

- Different plans shall have different expense structure. The performance details provided herein are of Regular Plan of Edelweiss Large & Mid Cap Fund. Returns are for Growth Option only. Since Inception returns are calculated on Rs. 10/- invested at inception of the scheme. In case the start/end date is non business day, the NAV of previous day is used for computation.
- The scheme is currently managed by Harshad Patwardhan (managing this fund from June 14, 2007).

Data Source: Ace MF, Data as on 28th Feb 2019. In case the start/end date is non business day, the NAV of previous day is used for computation. Please click on [http://edelweissmf.com/Download/factsheet.aspx](http://edelweissmf.com/Download/factsheet.aspx) for performance of other funds managed by fund manager.
Process Oriented Investment Approach

- Independent Stock position
- Sizing the bets
- Risk assessment
- Focused portfolios
- Understanding sources of returns
- Resizing the bets
- Incorporating new information & stock ideas
- Focus on total sectoral active exposure & diversification

- Earnings progression | Valuation changes | Dividend
- Expected return
- Classification: Strategic | Tactical | Defensive | Option
- Scoring: Business | Management | Growth | Valuations | Circumstances
- Liquidity

Selectivity, scrutiny, high conviction

Classification:
- Strategic
- Tactical
- Defensive
- Option

Scoring:
- Business
- Management
- Growth
- Valuations
- Circumstances

Liquidity
Research Process

Corporate Interactions/Annual Reports/Sell side Research/others

- Conviction building
- Due diligence, interaction with competitors, customer, suppliers, dealers etc.
- Financials: Dividend policy, ROE & growth
- Understanding business economics
- Assessing management
- Reinvestment opportunity-growth prospects
- Valuations- absolute & relative; understanding sources of return

Select stock ideas for portfolios

Strategic  Tactical  Option

Number of stocks under coverage
200 stocks

Average experience of investment team
15 years
Harshad Patwardhan, CIO Equities

With education from IIT/IIM, CFA charter and 25 years of industry experience, meet our CIO Equities – Mr. Harshad Patwardhan.

Harshad was the CIO Equities at JPMorgan Asset Management for over a decade and continued as the CIO Equities of Edelweiss Asset Management after the schemes changed hands in the year 2016. He’s responsible for long only equity mutual funds at Edelweiss Asset Management Limited. When not occupied with work, he loves to swim or read about a wide range of topics. His resilience to come out of difficult times has been an inspiration to many.

He has worked for 12 years on the sell side with various MNC brokerage firms and has been a rated research analyst by several large & prominent FIIs. He believes that the first-hand experience of covering stocks/sectors and interacting with experienced fund managers has been extremely valuable for his investment management career.
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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.