

IVY

portfolio management services



SBI FUNDS
MANAGEMENT PVT. LTD.

**SBI GROWTH WITH
VALUES PORTFOLIO**

**PORTFOLIO
STRATEGY**

**SBI FUNDS
MANAGEMENT
ADVANTAGE**

PORTFOLIO CONSTRUCTION PROCESS

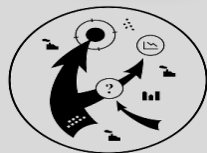
STEP 1



QUALITATIVE FACTORS

- Analysis of business model
- Impact of Macro-economic variables on the business model
- Company analysis based on factors including Porter's Five Factors
- Sell-side research interaction

STEP 2



EXTERNAL ANALYSIS

- Geo-Politics and its impact on business
- Channel checks
- Management Meetings
- Work place / Plant visits

STEP 3



QUANTITATIVE FACTORS

- Derive Quality Score with input of ROE, ROIC, Earnings Risk and Debt repayment capabilities

STEP 4



INVESTMENT THESIS

- Financial analysis of last 5 years
- Building investment thesis
- Valuation model
- Target price
- Strategic fit with other stocks in the portfolio

STEP 5

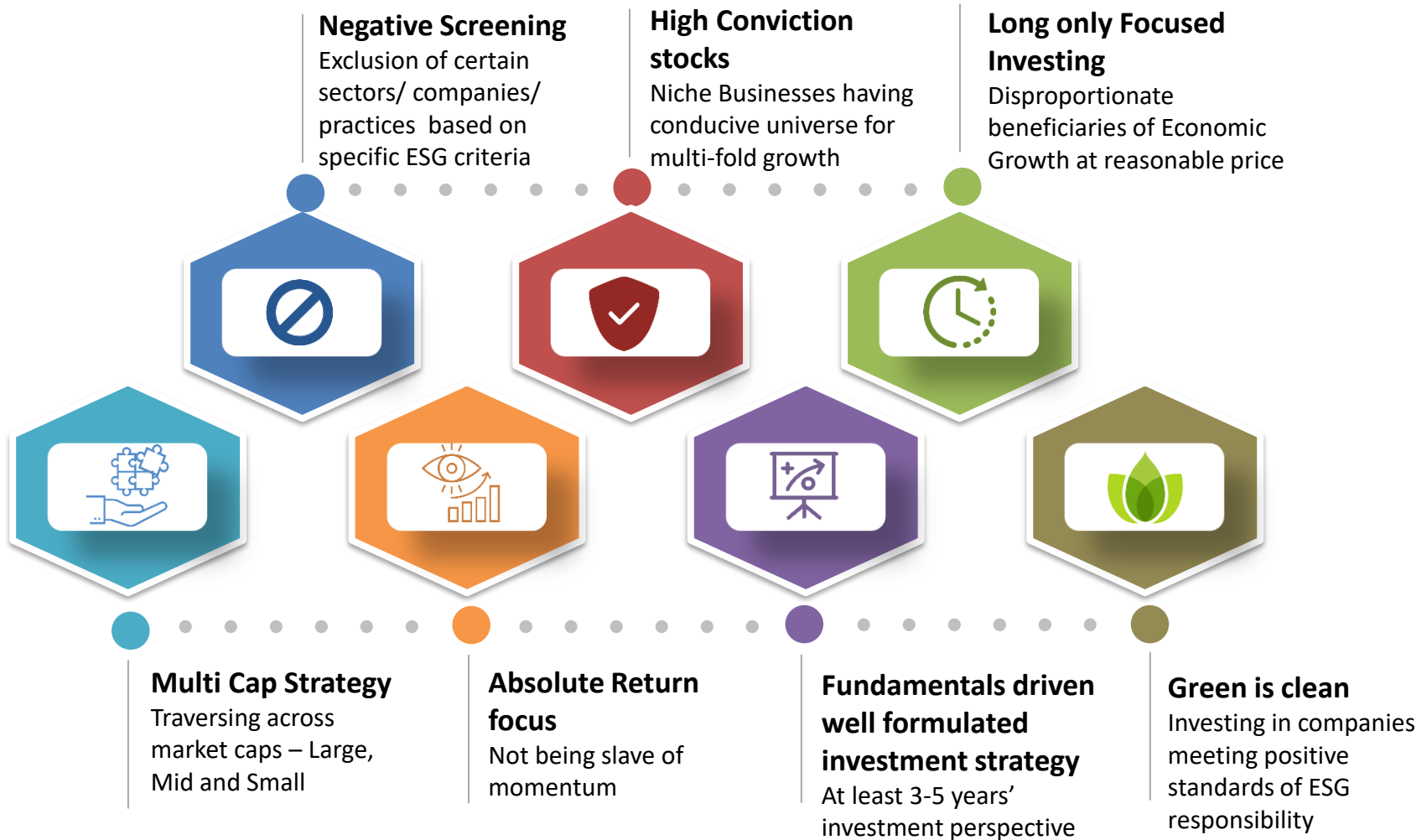


INVESTMENT DECISION

- Financial analysis of last 5 years
- Building investment thesis
- Valuation model
- Target price
- Strategic fit with other stocks in the portfolio

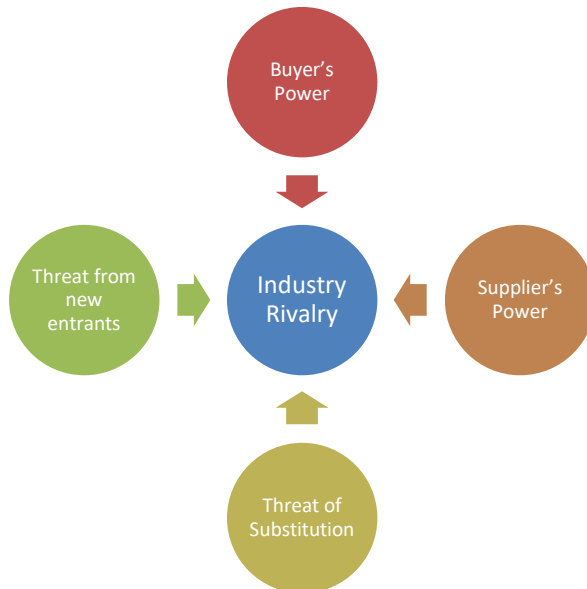
The strategy and the composition mentioned above, of the portfolio is subject to change within the provisions of the disclosure document. The parameters stated above are only for illustration purpose and may or may not be exhaustive. Please refer to the disclosure document for details.

CENTRAL THEME OF OUR PORTFOLIO



Companies we look for

- Disproportionate beneficiaries of Economic Growth
- Businesses conducive to take the advantage of size of opportunities
- Porter's 5 Forces - Guiding Principles for evaluation of business
- Business strategies encompassing
 - Market share gain through penetration
 - Market share gain through New Product introduction / Extensions



'Growth' for us

- Market Leadership
- Return on Capital
- Improving OCF / EBIDTA
- Low Leverage

Companies we look for

- Positive Standards of ESG
 - Energy Conservation, Social Impact, Good Governance
- Qualitative factors to match 'Values' expectations
 - Minority Shareholder Interest
 - Best in class governance standards
 - True independence of Board



COMPETITION. Are the products / markets differentiated
Is competition rational not to impact profitability

NEW ENTRANTS. Does business have meaningful entry barrier
Is the potential universe large enough to accommodate new entrants

SUPPLIER'S POWER. Does the company have enough levers
to absorb input inflation

BUYER'S POWER. Can the company price product / services
to protect profitability
Strategies for better product / service offerings

THREAT OF SUBSTITUTION. Low Threat of substitutions
Low threat of business disruption



The Universe

- Active + Passive Coverage
 - ~550+ companies
- Passive Coverage
 - ~220+ companies
- Active Coverage
 - Dynamic list ~330-340 companies

We Prefer

- Consistency over Cyclicity
- Triple Bottom line

We Avoid

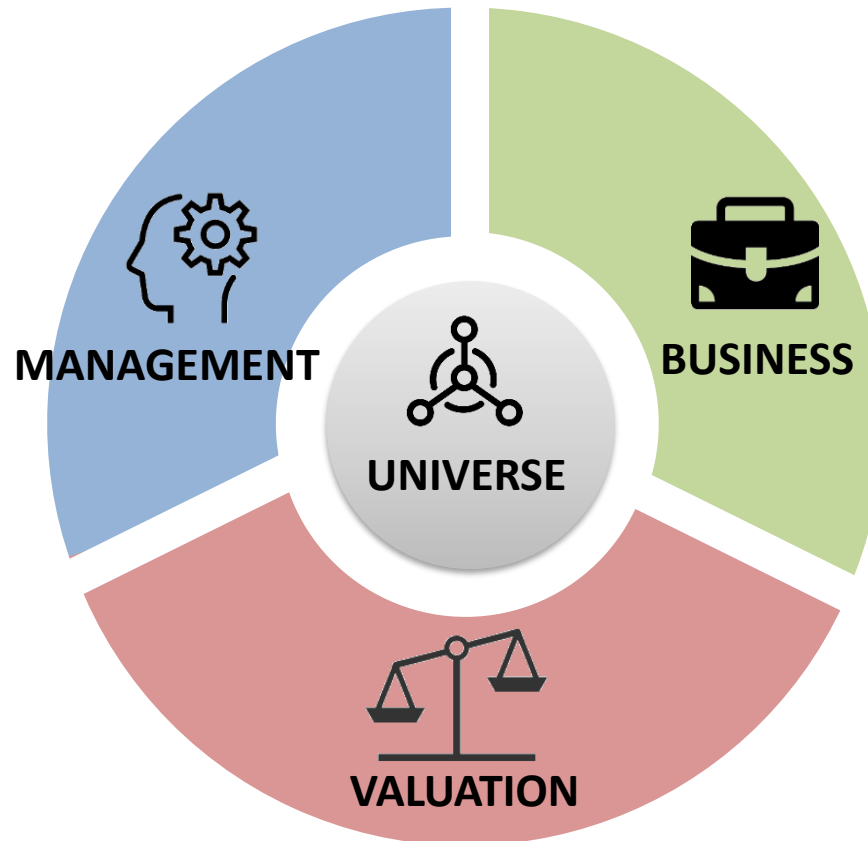
- Companies impacted by excessive leverage

We are Agile

- Because protecting capital is equally important as growing it
- More concentrated with better focus on environment

BUY A GOOD BUSINESS, RUN BY GREAT PEOPLE AT AN ATTRACTIVE PRICE!

- Integrity
- Long-term Vision
- Track record
- Skin in the Game
- Capital Allocation
- Transparency and Accountability



- Size of Opportunity
- Return on Capital
- Pricing Power
- Capital Intensity
- Risk of Disruption

- Discounted Cash Flow
- Relative Valuations

Invest Efficiently

ESG Compliant

Environment (E)

- Climate Change
- Carbon Emission
- Natural Capital
- Water Stress
- Renewable Energy

Social (S)

- Human Capital
- Labour Standard
- Product Liability
- Privacy and Data Security

Governance (G)

- Independent Board
- Pay
- Accounting
- Business Ethics & Minority Shareholder Protection

Engage with Companies
Proxy Voting, Dialogue

Data & Analytics are evolving

Better data, policy nudge combined with better ESG research and analytics capabilities; facilitates systematic, quantitative, objective and financially relevant approaches to ESG key issues.



World is Changing

Flood risk and sea level rise, privacy and data security, demographic shifts, and regulatory pressures - new risk factors for investors. Modern investor may re-valuate traditional investment approaches.



Investors are Changing

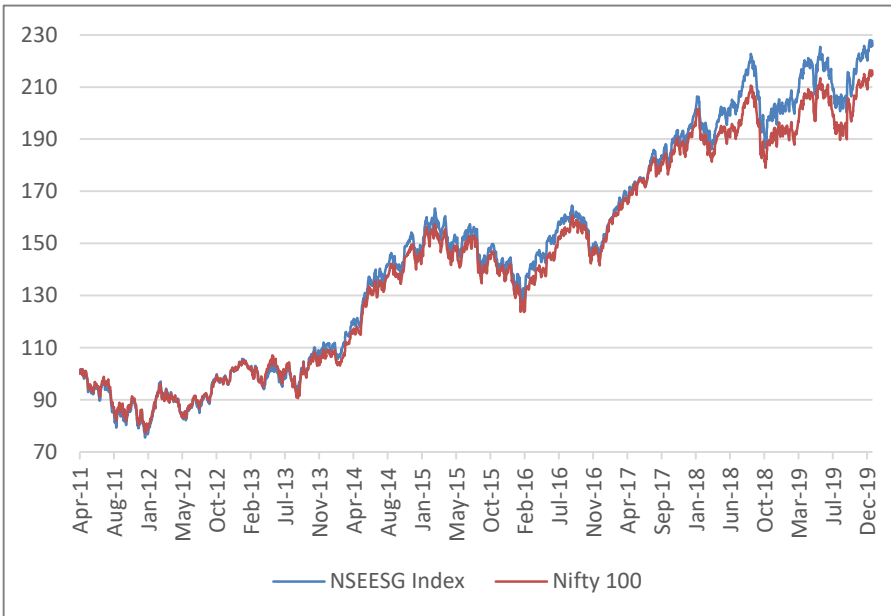
Over the next two to three decades, the millennial generation would look forward for investing in ESG assets across the globe.

Source : MSCI Report on ESG Investing

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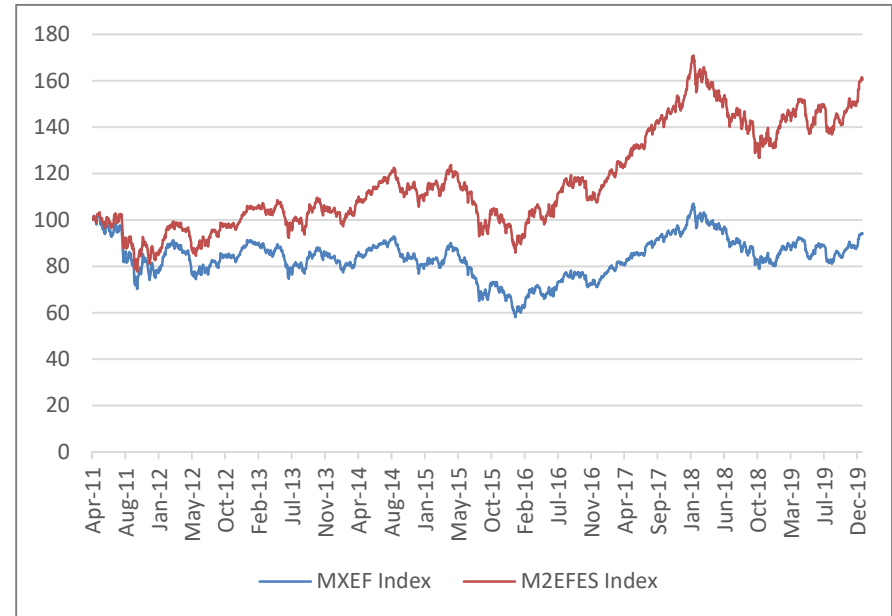
ESG INDEX PERFORMANCE IN DEVELOPED & EMERGING MARKETS

Nifty 100 vs Nifty 100 ESG



Nifty 100 ESG Index outperformed Nifty 100 by 1115 bps (Apr'11-Dec'19)

MSCI EM vs MSCI EM ESG



MSCI EM ESG Index outperformed MSCI EM by 6633 bps (Apr'11-Dec'19)

Source: Bloomberg. Past performance may or may not be sustained in future and is dependent on various economic and social factors. Source: Bloomberg, Data period – 1st Apr 11 to 31st Dec 19. Index values have been rebased to 100. MXEF: MSCI Emerging Market Index. M2EFES: MSCI EM ESG Gross Total Return Index.

- In India more companies are sharing **ESG initiatives through Sustainability Reporting**
 - Improved Information Quality: NVG SEE (National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business) earlier applicable to Top 100 companies is now being extended to Top 500 companies now which will make it easier to assess these companies on their ESG footprints.
 - Listing Obligation and Disclosure Requirement (LODR) – Under Clause 49, Corporate governance practices are mandatory for all listed entities
- Investors are integrating **Quality of Earnings (QoE)** into investment criteria
- SEBI makes it mandatory for mutual funds to disclose their votes every quarter.
- Corporate Governance is **qualitative in nature and backbone for balancing stakeholder interests**
- Supreme Court **ban on sale of BS-III vehicles**¹ from April 1, 2017
- Supreme Court **ban on liquor shops on highway**² (Order came on December 15, 2016)
- Supreme Court asks industrial units to **set up effluent treatment plants**³ within 3 months (Order came on February 22, 2017)
- Coal Mine de-allocation and e-auction

Source: Media and newspapers. ¹<http://www.thehindu.com/news/national/sc-orders-freeze-on-sale-registration-of-bs-iii-vehicles-from-april-1/article17728104.ece> ²<https://economictimes.indiatimes.com/news/politics-and-nation/highway-liquor-ban-sc-clarifies-order-says-no-ban-within-city-limits/articleshow/60195764.cms>. ³<https://www.livemint.com/Politics/fjsozkwko78VzQKorjddKO/SC-asks-industrial-units-to-set-up-effluent-treatment-plants.html>



Sensitivity to ESG

- Adequacy of Data on ESG footprint
- Sensitivity towards environmental and social impact



Environmental Factors

- Progressive reduction in energy consumption
- Progressive reduction in water consumption CO₂ and other toxic gas emissions
- Renewable Energy



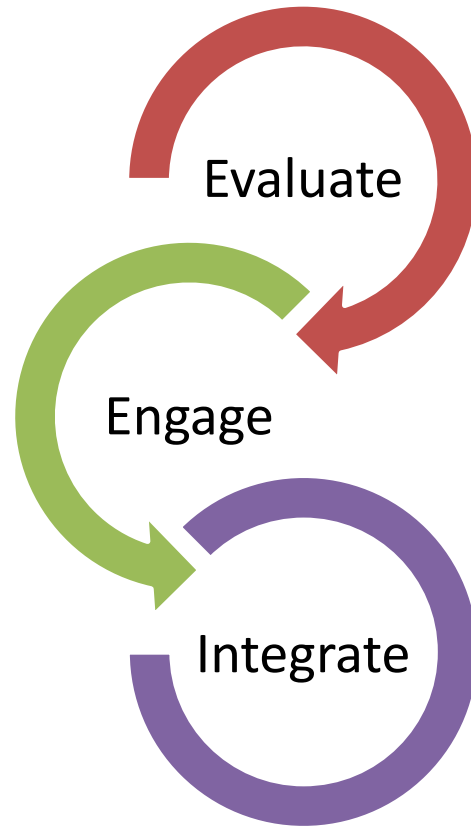
Social Factors

- Transparency to Government, local bodies and affected communities regarding consent, Rehabilitation & Resettlement during land acquisition & clearance
- Cordial Industrial Relations
- Training & skill development



Governance Factors

- Competence & diversity of Board of Directors
- Independence of the board and rotation of independent directors
- Independence of Audit & Remuneration Committee
- Evidence of tax evasion
- Transparency in the related party transactions
- Minority Shareholder protection



Evaluate investee companies on ESG factors

Voting Practices

Communicating with investee companies before and after the AGM

Integrate **active management practices** into investment decisions

**SBI GROWTH WITH
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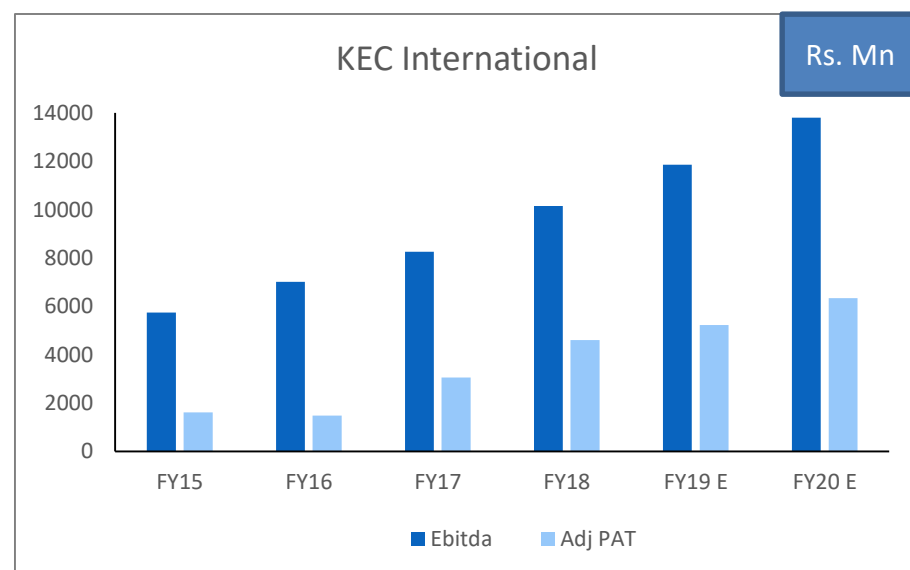
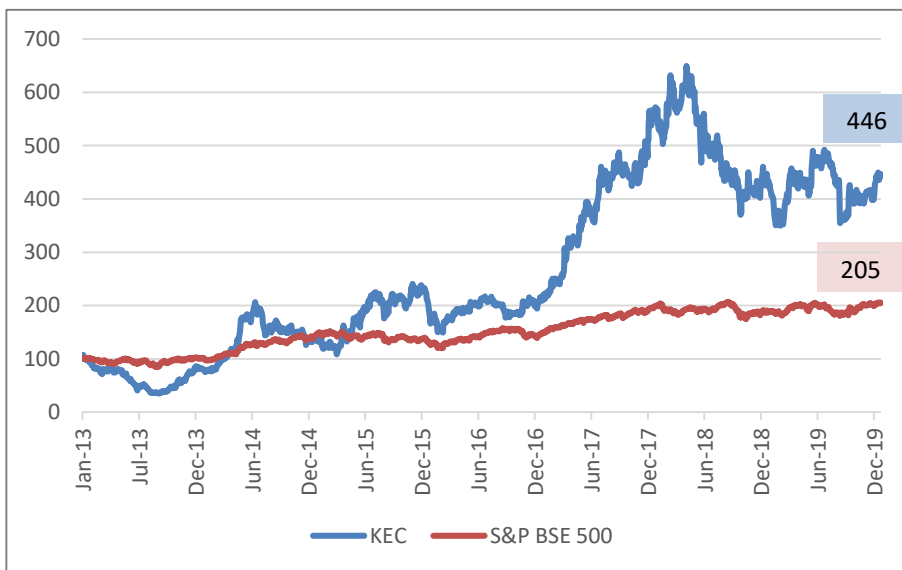
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Based on parameters of what constitutes value, we have identified certain stock ideas for better clarity. This is based on the information available.

The list is provided only for illustration purposes. These sector(s)/stock(s) mentioned above do not constitute any recommendation of the same and SBI Funds Management Private Limited, Portfolio Manager and may or may not have any future position in these sector(s)/stock(s).

ILLUSTRATION 1: KEC INTERNATIONAL



Date as of 31st Dec 2019

Important Participant : EPC major with global presence engaged in the business of designing & manufacturing power transmission towers & telecom infrastructure.

Entry Barriers and competitive edge: Extensive experience, strong execution capabilities

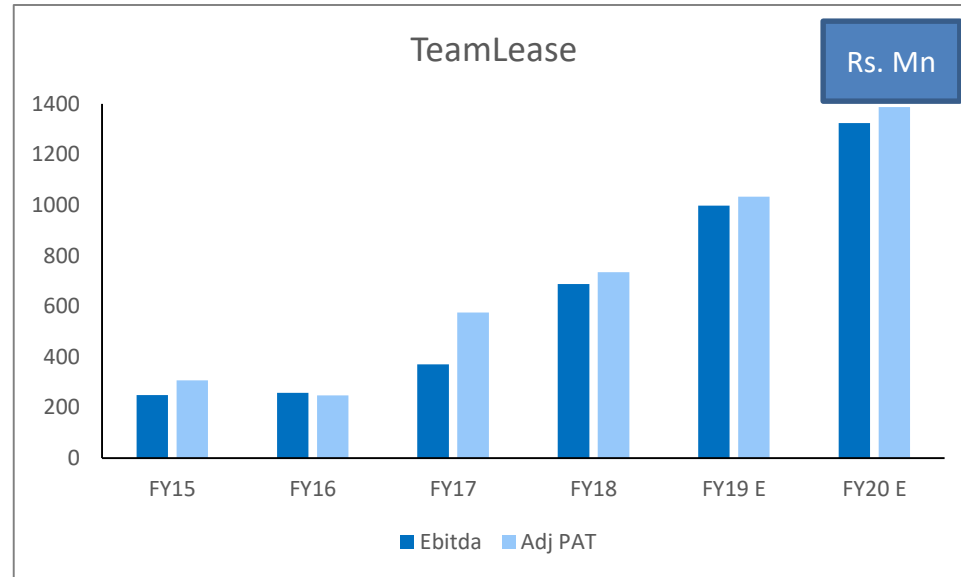
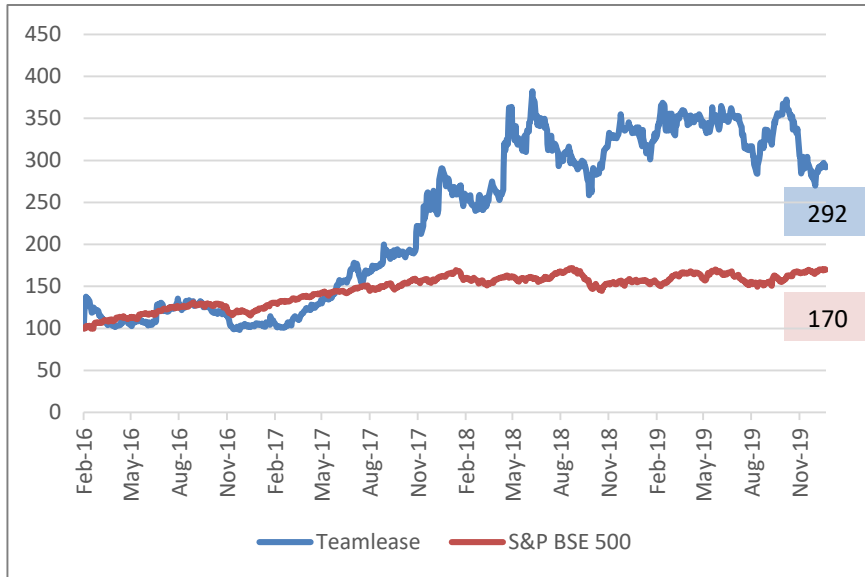
Strong Earning Growth : Strong order book and improving margins lead to earnings growth in excess of 20-22% for next 3 years.

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Source: Bloomberg,

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ILLUSTRATION 2: TEAMLEASE SERVICES



Date as of 31st Dec 2019

Leadership position : Flexi staffing as part of total workforce globally is 1.6% while India is at 0.5%. We feel convergence to global average itself would triple the industry size.

GST and other labour reforms hastens the shift to organised players : By transparency in dealings, full regulatory compliance, organised players would gain market share

Strong Earning Growth : High double digit revenue growth and earnings growth higher than revenue growth due to scale of economies for next 3-4 years.

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Source: Bloomberg,
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Portfolio	<ul style="list-style-type: none">• High conviction ideas
Market Cap	<ul style="list-style-type: none">• Market Cap Agnostic – Multi-cap strategy
Sector Position	<ul style="list-style-type: none">• Sector Agnostic – outcome of Bottom Up approach
Stock Weight	<ul style="list-style-type: none">• “Highest Conviction First Methodology”,
Key Decisive factors	<ul style="list-style-type: none">• Sales Growth ahead of Real GDP Growth, Profitable Growth, Focus on capital efficiency
Business Universe	<ul style="list-style-type: none">• Conducive for company’s multi-fold long term sustainable growth
Capital Efficiency	<ul style="list-style-type: none">• Improving trend in return ratios like ROE, ROCE, and ROE higher than Cost of Capital
ESG focus	<ul style="list-style-type: none">• Meeting positive standards of Environmental, Social and Governance responsibility
Earnings Risk	<ul style="list-style-type: none">• Targeted Lower than benchmark at portfolio level

Fund Manager: Aparna Shanker

Inception Date: July 8, 2016

Benchmark: S&P BSE 500 Index

Risk Parameters:

- Sector **active weight** based on market dynamics and our long term view
- Risk managed through investing **across market cap curve**
- **Cash call and small cap allocation** will be quality of the business

Please refer to disclosure document for risk factors and details about the portfolio before investing.

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PROFESSIONAL INVESTMENT MANAGER

SBI Funds Management Private Ltd. has been managing pooled investments over 2 decades. Besides, domestic mutual funds, SBIFMPL also manages PMS/ advisory mandates and offshore investments

INVESTMENT TEAM

We have a dedicated fund manager to manage the scheme along with strength of in-depth research support of SBIFMPL

ROBUST AND METICULOUS INVESTMENT PROCESS

We have meticulous and robust investment process, which helps us identify stocks that are on the cusp of improving trajectory, thereby tends to give us a significant early mover advantage

AT YOUR SERVICE

We have an exclusive set-up to cater to all clients need. We have also appointed professional service providers who will assist us to provide high quality service, seamlessly

DISCLAIMER

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