

# LC SageOne Select Stock Portfolio



## A Long-Only Equity Fund

An open-ended fund comprising of 12-20 best-in-class businesses poised for strong, long-term growth.



*Confidential Discussion Document. See important legal information inside.*

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## Executive Summary : **LC SageOne Select Stock Portfolio**

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- **India dedicated long-only** equities strategy launched in June, 2020
- Focus is on companies with a **high structural growth, high profitability & quality management**
- **High conviction portfolio** of 12-20 high growth stocks across multiple sectors
- Derived from SageOne's flagship core and small/micro cap offering (SCP & SSP)
- Multi-cap portfolio with primary focus on **INR 500cr – INR 40,000cr market cap** range
- **Buy & hold** discipline based on multi-year view – repeatable investment process, low turnover
- **Proven track record** of outperformance with lower downside risk<sup>^</sup>

<sup>^</sup> Based on performance of SageOne Core Portfolio since inception in April 2009 versus Nifty Index

# Investment Team : SageOne Investment Managers

FOUNDER & CIO



Samit Vartak, CFA

Samit Vartak is the Founding Partner and Chief Investment Officer of SageOne Investment Advisors LLP. Samit has been investing in the equity markets since 1999 and has experienced and studied many bull and bear cycles over the last two decades. Samit's focus is on building long term wealth for the clients even if it means sacrificing short term money making. He believes in risk management not by seeking extreme diversification or buying sub-par businesses at low multiples, but by building a reasonably diversified portfolio of high quality businesses having long term competitive advantages in attractive and high growth industries.

Samit returned to India in 2006 after spending a decade in the USA working initially in corporate strategy with Gap Inc. and PwC Consulting, and then with Deloitte and Ernst & Young advising companies on business valuation and M&A. This experience forms the backbone that helps him better understand businesses and their fair value. Samit is a CFA® charter holder, an MBA from Olin School of Business, Washington University, US and holds a Bachelor of Engineering degree with Honors from Sardar Patel College of Engineering (SPCE), Mumbai University.

Samit actively shares his knowledge through investor newsletters, lectures at CFA society/industry forums and media interviews.

INVESTMENT TEAM



Parin Gala,  
VP – Research &  
Fund Accounting



Pratik Singhania,  
VP - Research



Neha Agarwal  
VP – Research &  
Business Development



Dushyant Mishra,  
Research Analyst

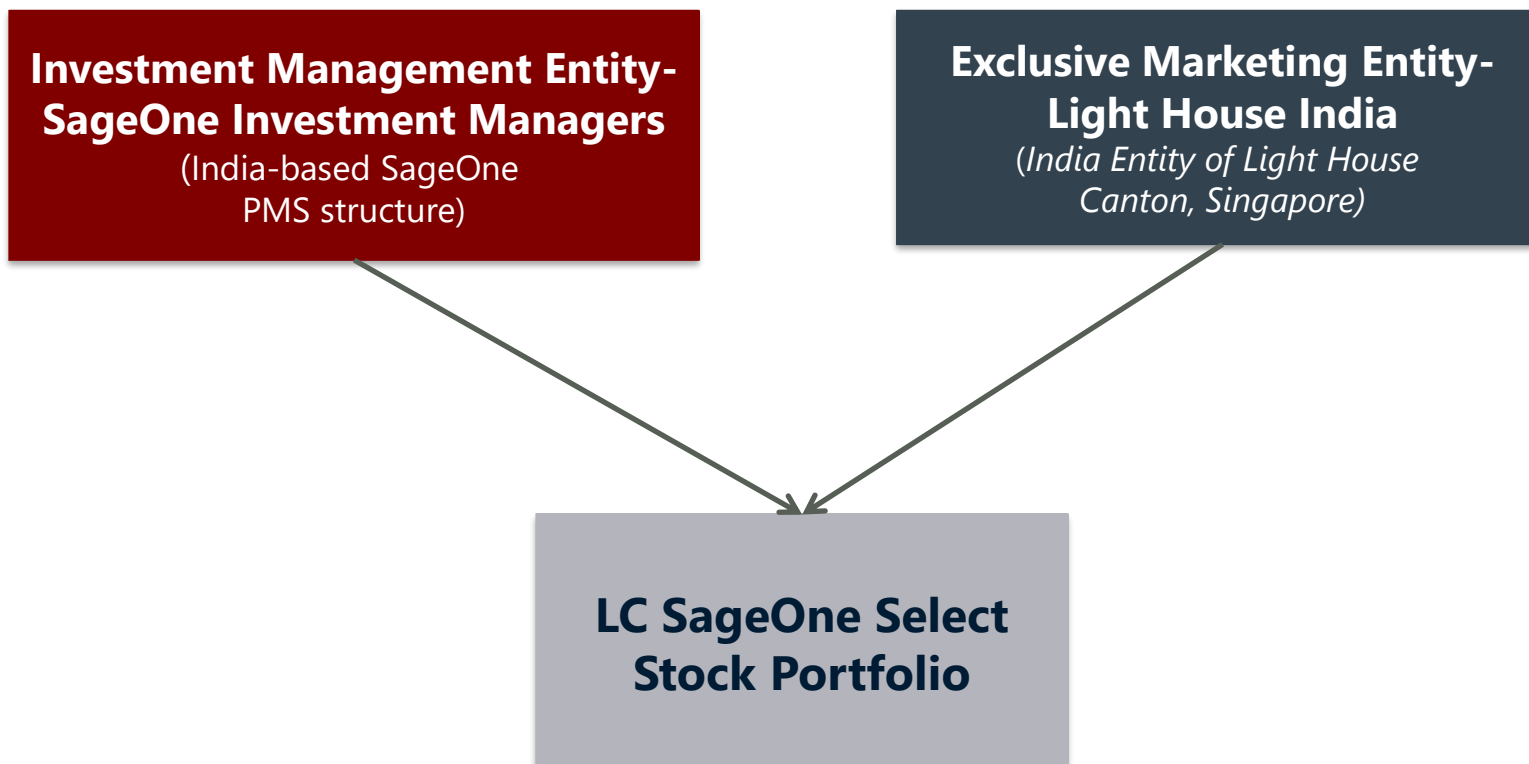


Yog Rajani  
Research Associate

\*Detailed bio of Investment Team in the Appendix below

## Fund : Structure

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# WHY SAGEONE?

## Key Strengths

### Timely Entry

- Proven track record of identifying multi-baggers
  - Bajaj Finance, PI Industries, Maharashtra Scooters, Apl Apollo Tubes, Deepak Nitrite, Godrej Properties, Aarti Industries, Amara Raja, La Opala etc

### Successful Exits

- Successful more often than not at timely exits
  - Kaveri Seeds, Page, SPARC, Amara Raja, Sundaram Finance, Cera, Repco, Exide etc

### In-Depth Understanding

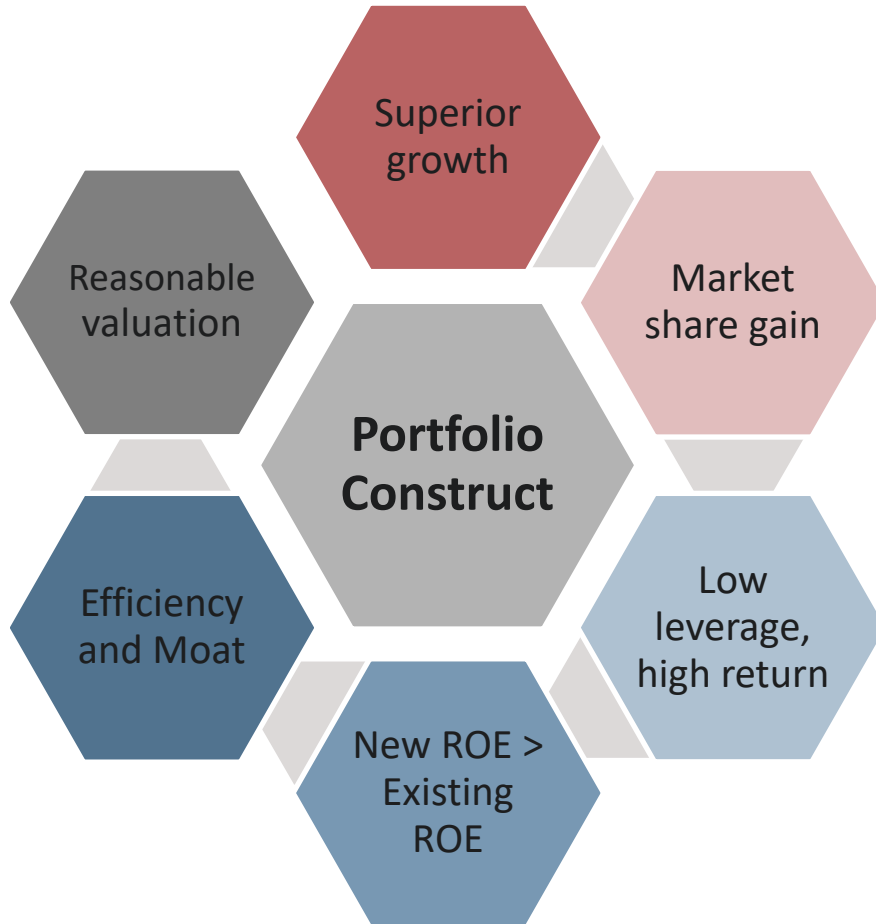
- Understanding of emerging economic trends, businesses and their competitiveness
- Strong network enabling robust ground checks
- Ability to identify companies that grow at significantly higher rate than the industry
  - Last seven year's portfolio weighted average earnings growth of 30% (CAGR)

### Investment Management Team & Process

- Team with collective 50+ years of experience and across several cycles
- Bottoms-up research supported by scientific screening process for shortlisting right sectors & stocks
- Extremely replicable process with proper back-end quantitative & qualitative research

# Investment Philosophy : **Filters for Selection**

**Objective** : Build and maintain a **portfolio in high conviction growth ideas available at prices at or below fair value**



Businesses that offer minimum **20% compounded earnings growth at individual level and 25% at the portfolio level**

Businesses that **gain market share** which contributes significant portion of their **earnings growth**

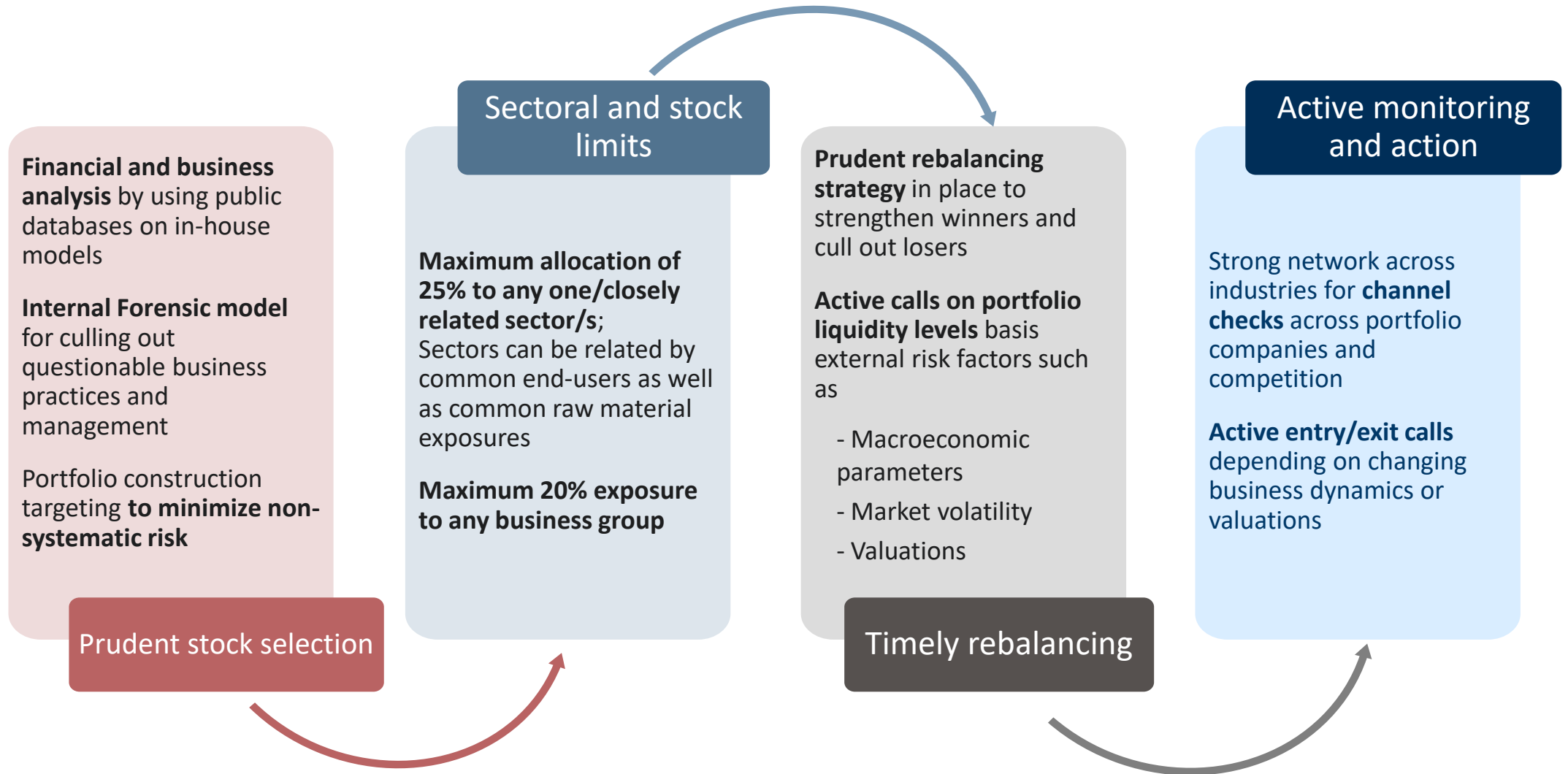
Businesses that are strong and **profitable with ROE > 20%** to fund this growth internally

Businesses with **incremental ROE that is higher than existing ROE** and which generally result in increasing margins and valuation multiples

Most **efficient players in industries we like; leaders** or expected to be **leaders** due to their superior strategy and positioning



# Risk Management Framework



## Proven Track Record : Consistent Outperformance

Period (Apr 1 - Mar 31)	SCP	NIFTY 50 TRI	NSE Midcap 100 TRI	NSE Smallcap 100 TRI	BSE 500	Validation/Review	
FY 2022 (YTD May'21)	13.9%	6.3%	8.9%	14.3%	7.4%	SEBI Filed - PMS	PMS
FY 2021	114.7%	72.5%	103.9%	127.4%	76.6%	SEBI Filed - PMS	
FY 2020	-25.4%	-25.02%	-35.06%	-45.30%	-27.5%	SEBI Filed - PMS	
FY 2019	-9.8%	16.45%	-1.86%	-13.52%	8.3%	SEBI Filed - PMS	
FY 2018	31.2%	11.76%	10.25%	12.52%	11.8%	SEBI Filed - PMS	
FY 2017	28.5%	18.9%	35.5%	43.2%	24.0%	KPMG - IA	Investment Advisory (KPMG Reviewed)
FY 2016	-7.3%	-8.9%	-1.9%	-13.1%	-7.8%	KPMG - IA	
FY 2015	111.0%	26.7%	51.0%	52.3%	33.2%	KPMG - IA	
FY 2014	68.0%	18.0%	16.4%	17.8%	17.1%	KPMG - IA	
FY 2013	26.0%	7.3%	-4.0%	-7.5%	4.8%	KPMG - IA	
FY 2012	11.4%	-9.2%	-4.1%	-5.5%	-9.1%	KPMG - IA	CIO's Personal Portfolio (KPMG Reviewed)
FY 2011	31.4%	11.1%	4.4%	-1.0%	7.5%	KPMG - IA	
FY 2010	175.3%	73.8%	126.1%	129.4%	96.4%	KPMG - IA	
<b>Annualized Returns</b>	<b>37.0%</b>	<b>15.0%</b>	<b>18.5%</b>	<b>16.1%</b>	<b>15.8%</b>		
Cumulative Returns	4523.3%	444.9%	691.0%	513.6%	497.6%		
% Positive Months	66.4%	57.5%	61.6%	61.0%	59.6%		
Annualized Stdev	35.3%	19.7%	24.3%	29.5%	20.7%		
<b>Sharpe (RFR 6%)</b>	<b>0.88</b>	<b>0.46</b>	<b>0.52</b>	<b>0.34</b>	<b>0.47</b>		

Performance/Return numbers mentioned are net of fees and costs. For period up to Feb 2017, portfolio returns and benchmark returns are excluding dividends; post Feb 2017, portfolio returns and benchmark returns (TRI - Total Return Index) are including dividends. Performance numbers are based on KPMG's report for financial years ended 31<sup>st</sup> Mar 2010 to 31<sup>st</sup> Mar 2017. Post Mar'17 they are based on SEBI PMS filings calculated using 'Time Weighted Rate of Return' method in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020. Past performance is not an indication or promise of future performance. The performance related data has not been verified by SEBI.; Source: SOIA estimates, ACE Equity.

## From Stock Picking to Disciplined Portfolio (Net Returns in INR)

Period (Apr'12 - May'21)	SCP	Nifty TRI	NSE Midcap 100 TRI	NSE Smallcap 100 TRI	BSE 500
Latest 9 Years 2 months	30.5%	13.2%	14.6%	12.1%	13.2%
Cumulative Returns	1047.1%	210.8%	249.5%	185.9%	211.5%
% Positive Months	67.3%	58.2%	61.8%	60.0%	60.0%
Annualized Stdev	22.3%	16.8%	21.9%	26.9%	17.5%
<b>Sharpe (RFR 6%)</b>	<b>1.10</b>	<b>0.43</b>	<b>0.39</b>	<b>0.23</b>	<b>0.41</b>

**Latest 9 Years 2  
Months  
(Formal funds  
management)**

Period (Apr '09 - Mar '12)	SCP	Nifty	NSE Midcap 100	NSE Small cap 100	BSE 500
First 3 Years	59.1%	20.6%	31.3%	29.0%	24.3%
Cumulative Returns	303.1%	75.3%	126.3%	114.6%	91.8%
% Positive Months	63.9%	55.6%	61.1%	63.9%	58.3%
Annualized Stdev.	59.6%	26.7%	30.6%	36.4%	28.5%
<b>Sharpe (RFR 6.0%)</b>	<b>0.89</b>	<b>0.55</b>	<b>0.83</b>	<b>0.63</b>	<b>0.64</b>

**First 3 Years  
(Proprietary funds  
only)**

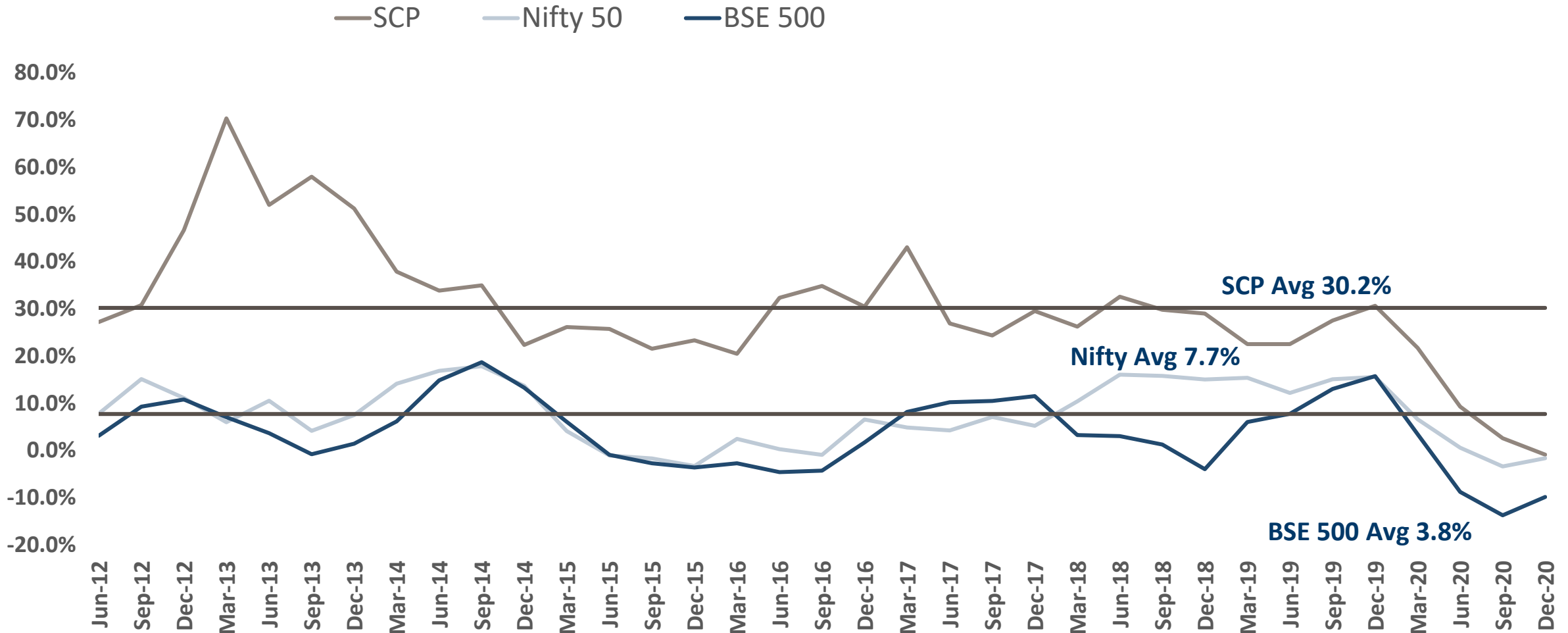
The performance related data has not been verified by SEBI.  
Please refer to the notes on the previous page.

## From Stock Picking to Disciplined Portfolio (Net Returns in INR)

Period (as of May 31, 2021)	Absolute returns			Annualised Returns				
	1 month	3 months	6 months	1-year	2-year	3-year	5-year	Since Inception (Apr 2009)
<b>SageOne Core Portfolio (SCP)</b>	6.7%	17.3%	41.3%	116.2%	32.2%	18.0%	21.4%	37.0%
<b>SageOne Small/Micro Cap Portfolio (SSP)</b>	4.9%	24.1%	45.1%	141.4%	49.2%	NA	NA	45.4% (Apr'19)
<b>NSE Mid-cap 100 TRI</b>	6.6%	11.0%	31.2%	52.1%	21.0%	12.0%	15.2%	18.5%
<b>NSE Small-cap 100 TRI</b>	8.2%	15.2%	41.4%	45.0%	20.3%	7.0%	13.2%	16.1%
<b>BSE 500</b>	6.9%	8.7%	23.9%	37.0%	16.5%	12.6%	14.4%	15.8%

The performance related data has not been verified by SEBI.  
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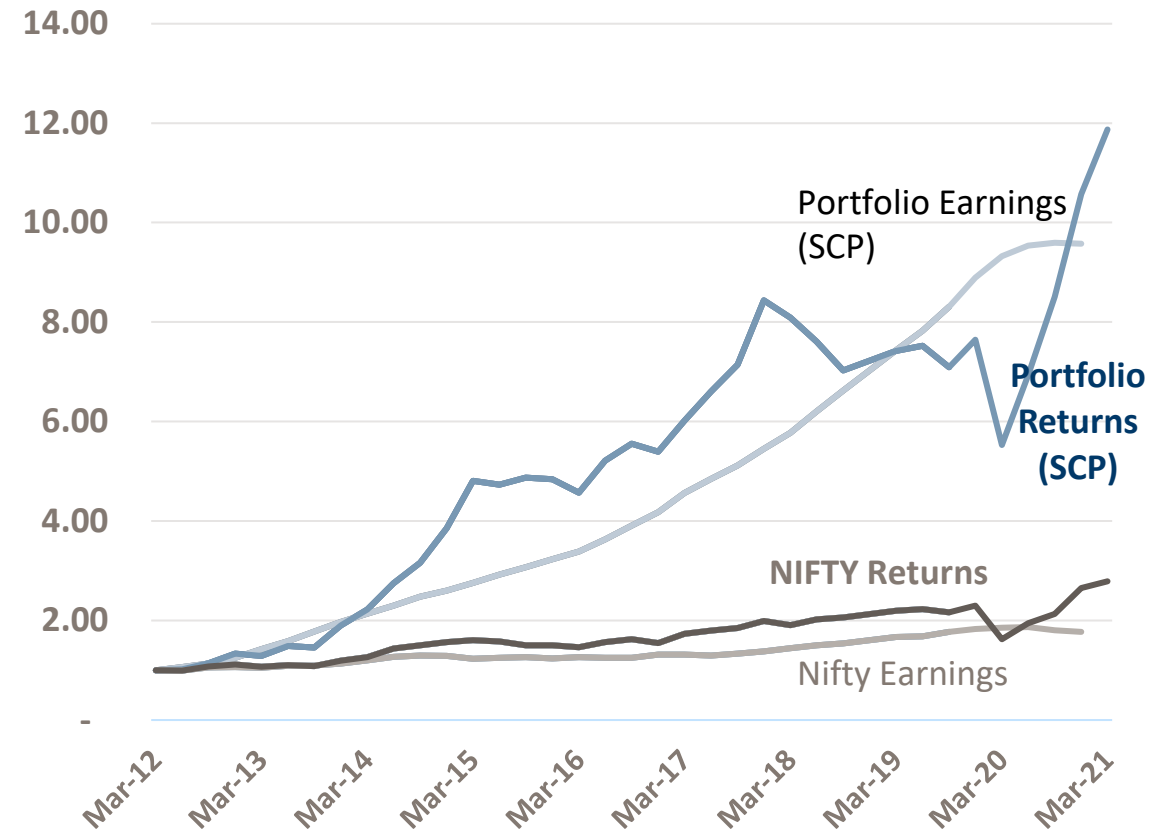
# Quality Portfolio : Consistently High Earnings Growth



Source: SOIA estimates

# Historical Returns Driven by Earnings Growth Unlike the Market

- **SCP returns** have been consistent with the weighted average earnings growth of the portfolio companies
- **Nifty returns** have been well ahead of the earnings growth of the constituents
- Returns driven by valuation rerating (expansion) is very difficult to replicate compared to return driven by earnings growth



Growth in amount invested and earnings over 8 years assuming starting at the same base of 1.0 as of March 31, 2012

Source: SOIA estimates and Bloomberg

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# CURRENT OPPORTUNITY

# Where are We Finding Attractive Opportunities

- Majority of institutional holding is in the top 100 stocks which are quite fairly priced
- The size of these companies is large and hence **>20% earnings growth on sustainable basis very difficult**
- Given our targeted growth and requirement of attractive valuations, our hunting ground is generally beyond the top 100 cos

## Indian Listed Market Breakup

Cos. by Mcap (As of May 31, 2021)	Mcap Range (INR cr)	Median PEx
Top 100	>40.7K	36.1
101 - 200	18.3K-40.6K	34.0
201 -300	9.9K-18.3K	36.7
301 - 400	5.7K-9.8K	27.4
401 - 500	3.5K-5.7K	25.4
501 - 600	2.3K-3.5K	20.6
601 - 700	1.6K-2.3K	22.5

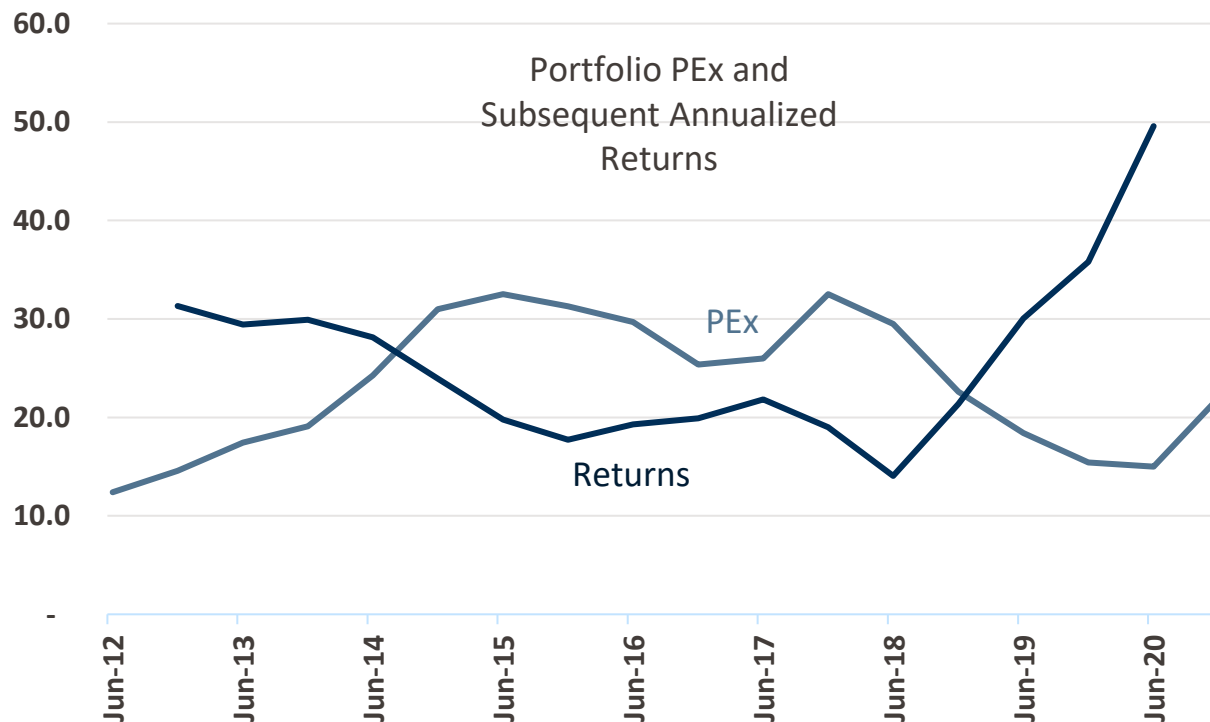
**Our  
Hunting  
Ground at  
Entry**

Source: SOIA, Ace Equity Database



# Quality Portfolio : SCP Valuation across Time Periods

Investments at all times across different valuation levels have delivered reasonable returns over medium to long term



Period	TTM PEx of the Portfolio	Annualised Returns till May, 2021
May-21	30.0	??
Dec-20	22.0	28.0
Jun-20	15.0	95.1
Dec-19	15.4	49.6
Jun-19	18.4	35.8
Dec-18	22.6	30.0
Jun-18	29.5	21.4
Dec-17	32.5	14.0
Jun-17	26.0	19.0
Dec-16	25.4	21.8
Jun-16	29.7	19.9
Dec-15	31.3	19.3
Jun-15	32.5	17.7
Dec-14	31.0	19.8
Jun-14	24.3	23.9
Dec-13	19.1	28.1
Jun-13	17.4	29.9
Dec-12	14.6	29.4
Jun-12	12.4	31.3

PMS Closed for New Subscriptions

Source: SOIA, Ace Equity Database

Source: SOIA estimates and ACE Equity

## Fund Structure & Terms

	Terms
<b>Name</b>	<b>LC SageOne Select Stock Portfolio (LCSP)</b>
<b>Strategy Type</b>	Active long-only strategy in listed Indian equities
<b>Investment Manager</b>	SageOne Investment Managers LLP
<b>Fund Manager</b>	Mr. Samit Vartak, CFA
<b>Minimum Contribution</b>	<b>INR 1 cr</b>
<b>Exit Load</b>	No Exit Load
<b>Benchmark</b>	Avg of NSE Mid cap 100 TRI & NSE Small cap 100 TRI
<b>Custodian</b>	Edelweiss Custodial Services Limited
<b>Taxation</b>	LTCG/STCG at individual level

## Our Fee Structure

Slab	Capital Commitment	Fixed Management Fees*	Variable Management Fees**
1	INR 1 cr to < INR 5 cr	2.50%	Nil
2	INR 5 cr to < INR 10 cr	2.25%	Nil
3	INR 10 cr to < INR 15 cr	2.00%	Nil
4	INR 15 cr and above	1.75%	Nil
1	INR 1 cr to < INR 5 cr	1.00%	15% sharing above 10% hurdle
2	INR 5 cr to < INR 10 cr	0.75%	15% sharing above 10% hurdle
3	INR 10 cr to < INR 15 cr	0.50%	15% sharing above 10% hurdle
4	INR 15 cr and above	0.25%	15% sharing above 10% hurdle

No Catch-up

\* Charged on a quarterly basis; Plus GST and all statutory levies as applicable

\*\* Variable fees for PMS strategies will be charged annually

Higher water-mark applicable

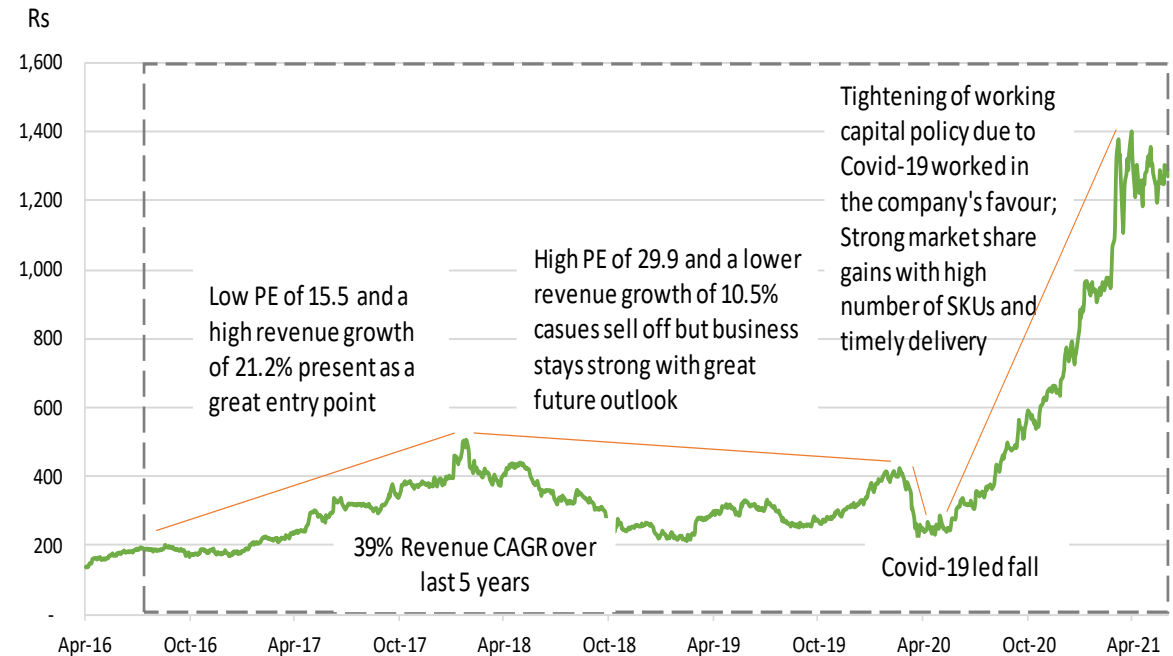
# Case Study: APL Apollo

**Entry:** INR 946 (USD 14) ; Market Cap INR 2,230 cr (USD 330m) in July 2016

## Investment Hypothesis:

- Pan India capacity expansion and improved utilizations
- Focus on brand building and deeper penetration of its distribution network
- Economies of scale providing it with a cost advantage in a highly fragmented market
- Insulation from imports
- Planned capacity expansion in the Middle east to boost exports
- Wide range of product portfolio and new product initiatives

## APL APOLLO TUBES LIMITED - SHARE PRICE MOVEMENT



indicates holding period

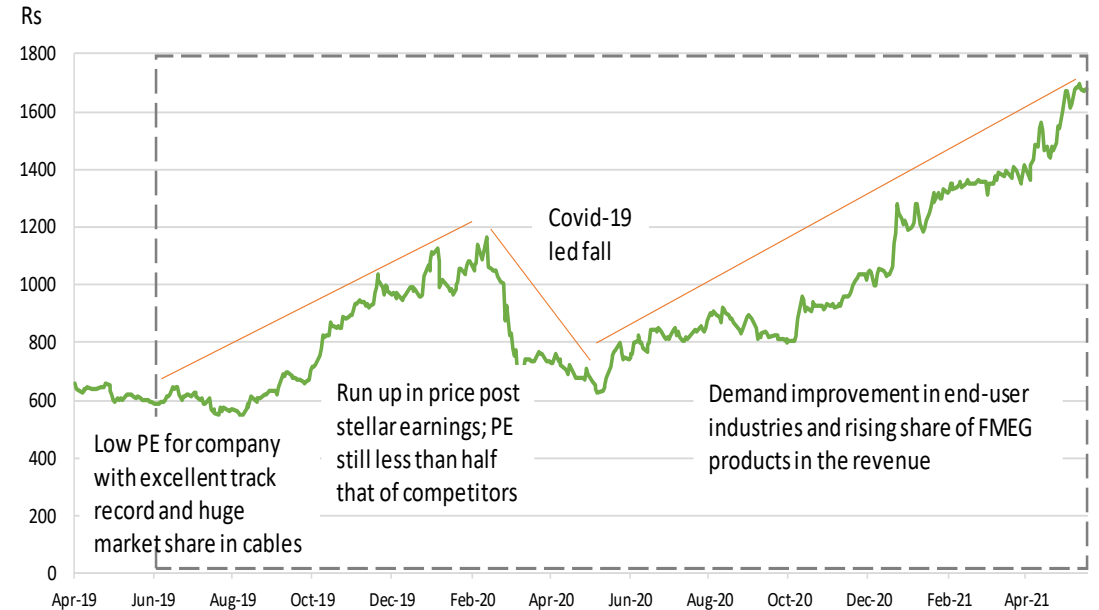
# Case Study: Polycab India

**Entry:** INR 615 (USD 9) ; Market Cap INR 10,500 cr (USD 1.5bn) in June 2019

## Investment Hypothesis:

- 18% market share in the organized cable and wire and 12% overall, which is significantly higher than any other player.
- Strong distribution model with 3100 authorized dealers delivering to 100,000 retail outlets.
- Sectoral tailwinds like Housing for All scheme and rural electrification present as opportunities for expansion in the market share.

## POLYCAB INDIA-SHARE PRICE MOVEMENT

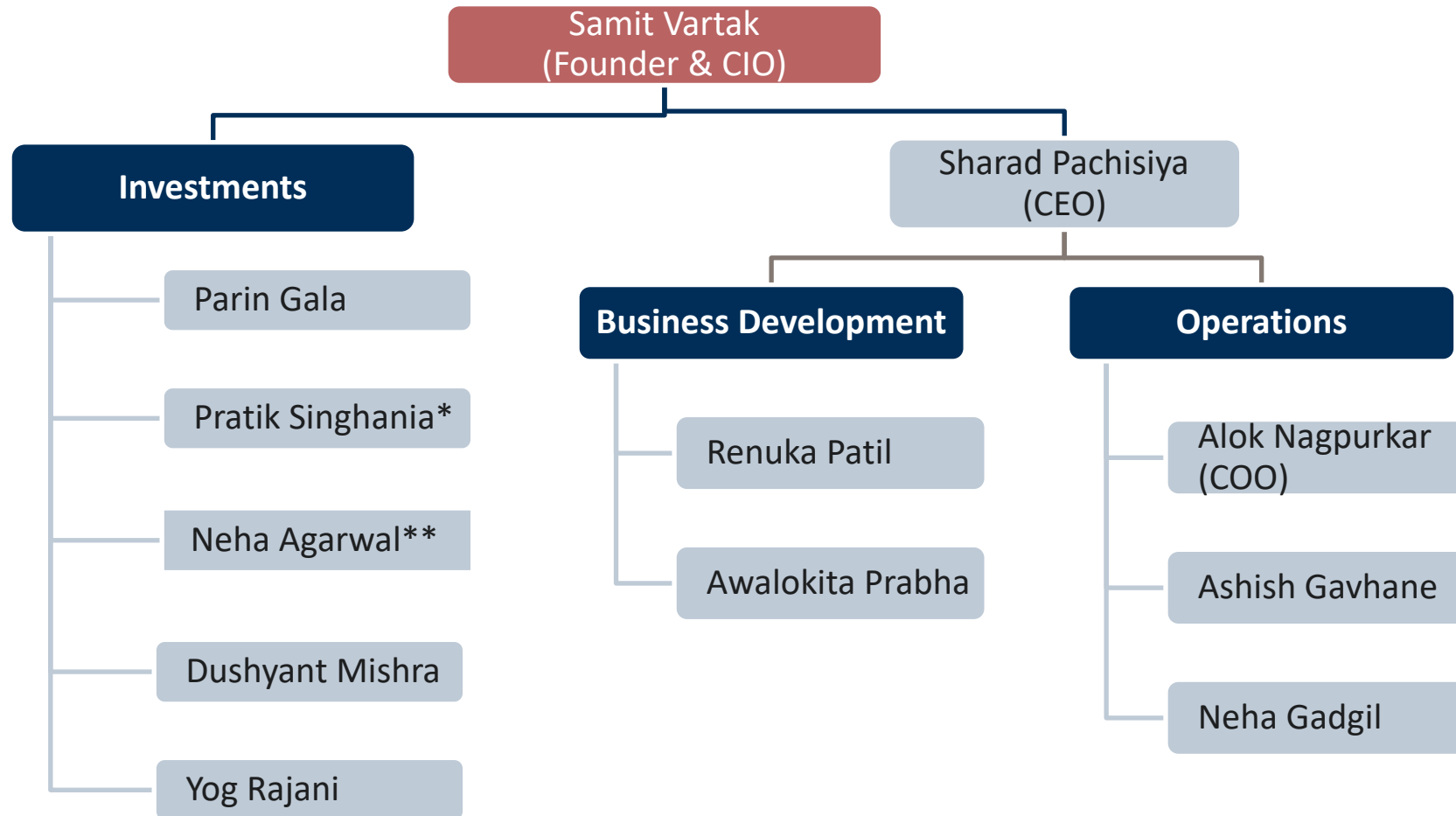


indicates holding period

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# APPENDIX

# SageOne Investment Advisors – Organisational Chart



\* Pratik devotes some time to taxation planning and structuring for the organisation;

\*\* Neha spends some time on BD reporting to the CEO

## Contact Details



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