

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.



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

- **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 30,000cr 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[^]

[^] 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

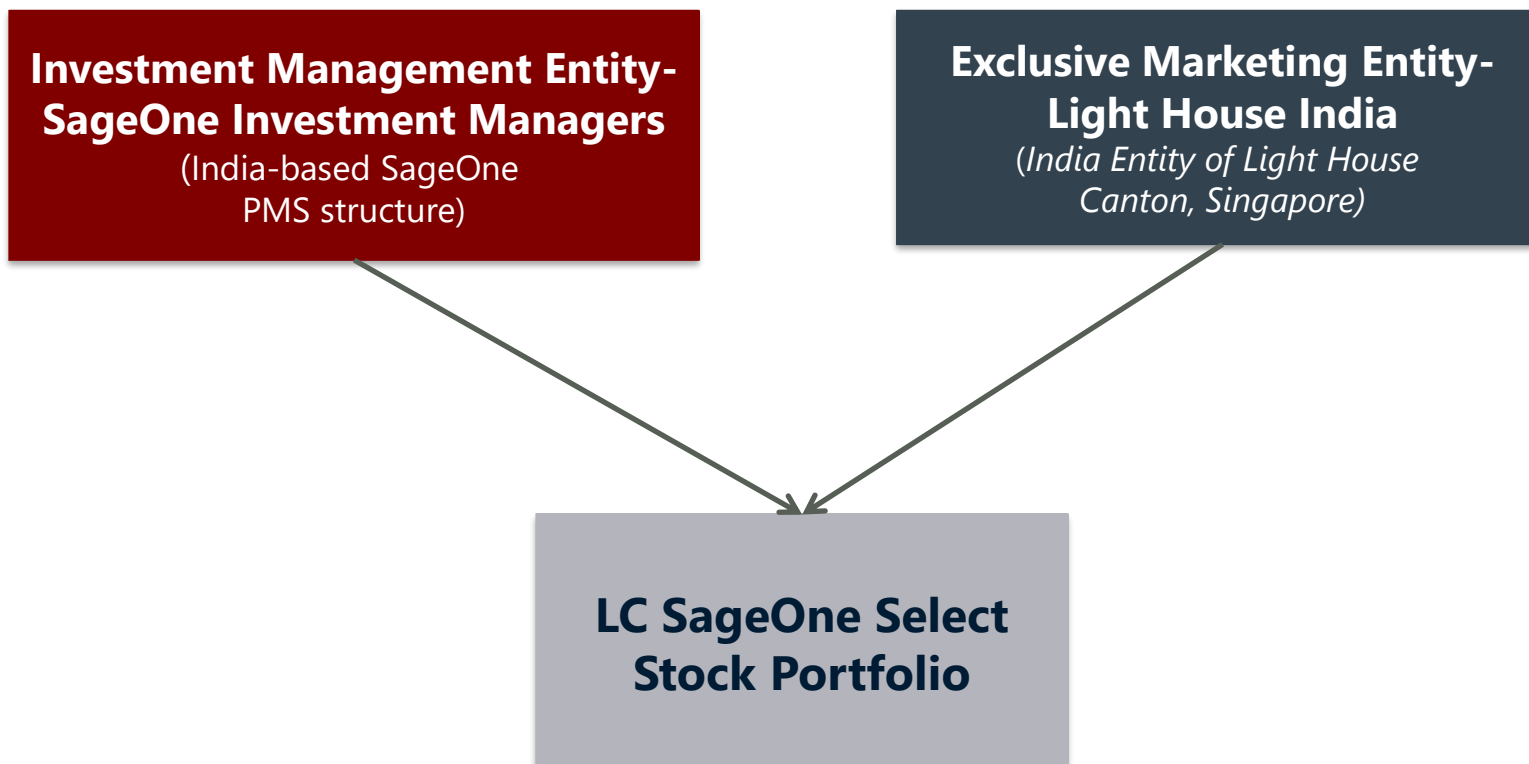


Yog Rajani

Research Associate

*Detailed bio of Investment Team in the Appendix below

Fund : Structure



WHY SAGEONE?

Key Strengths

Timely Entry

- Proven track record of identifying multi-baggers
 - Bajaj Finance, PI Industries, Maharashtra Scooters, Apl Apollo Tubes , 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

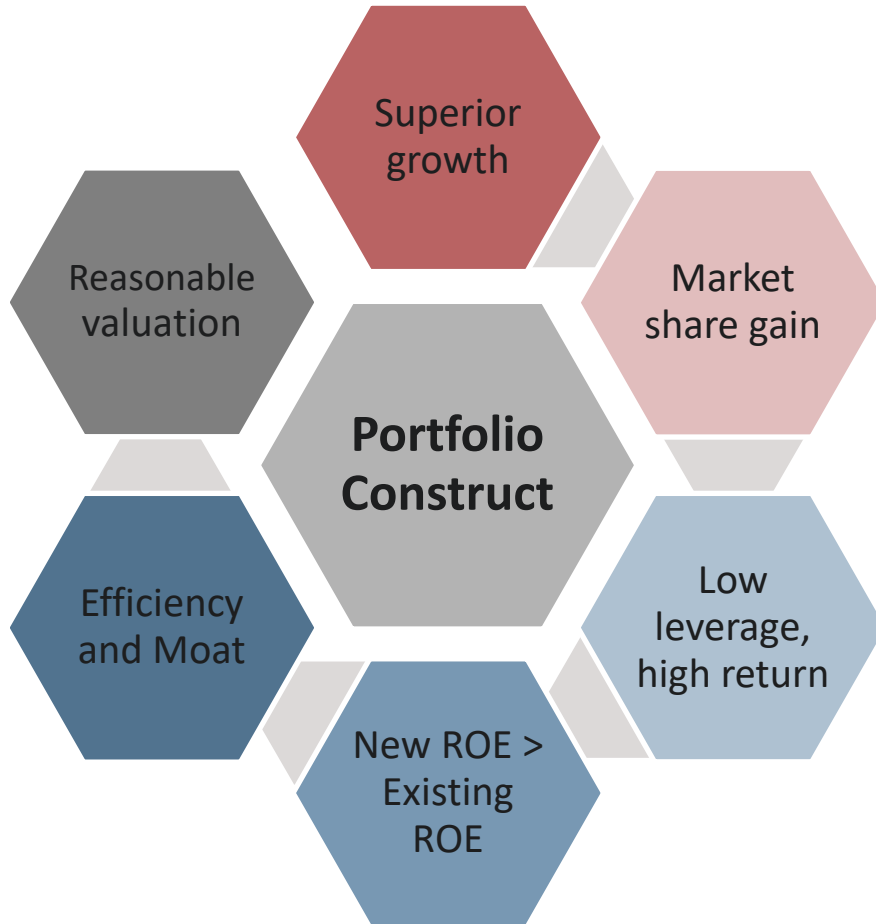
- Understanding of emerging economic trends, businesses and their competitiveness
- Strong network enabling robust ground checks
- Ability to identify companies that grow at significantly higher rate than the industry
 - Last seven year's portfolio weighted average earnings growth of 30% (CAGR)

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**

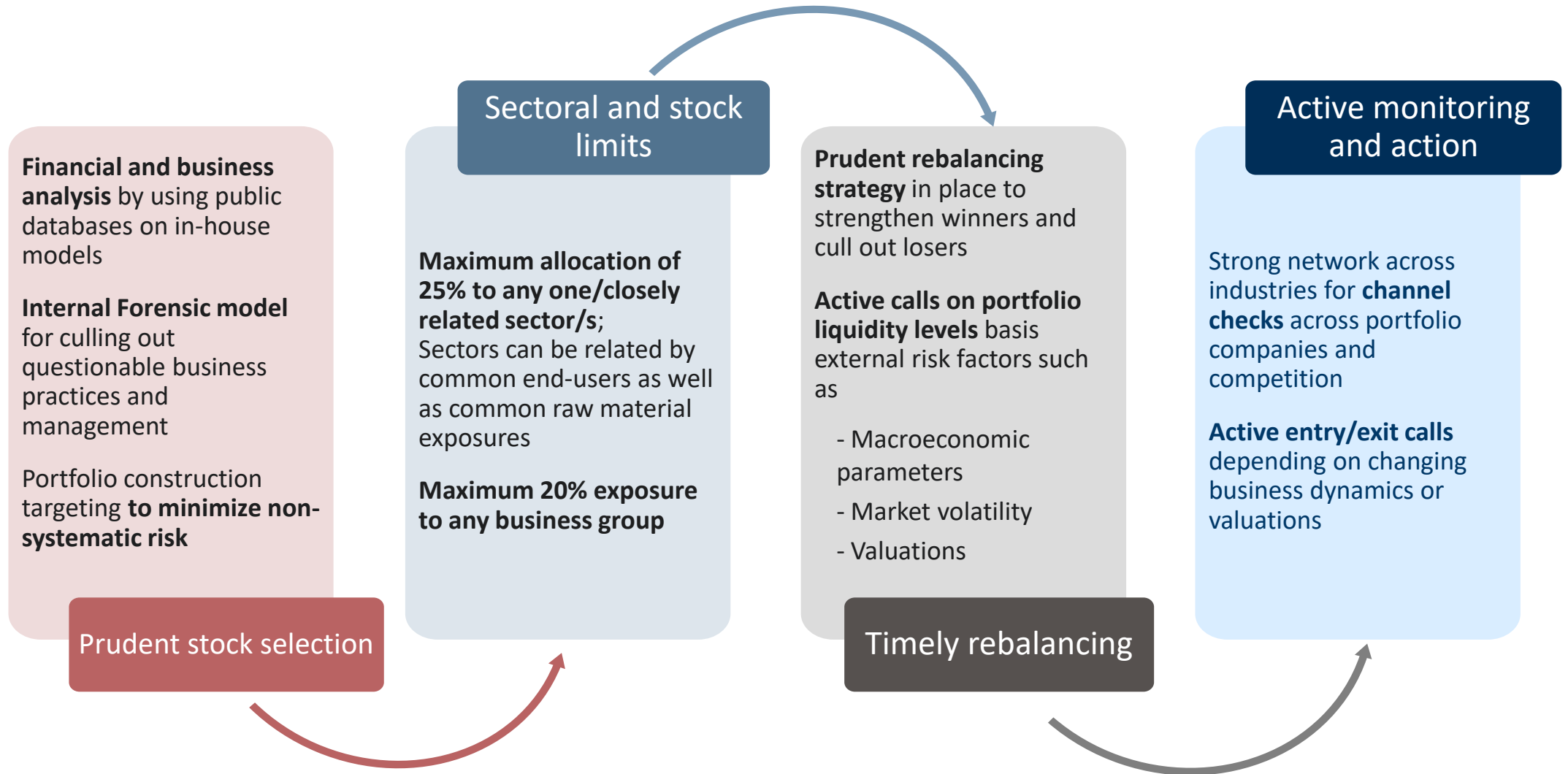
Businesses that **gain market share** which contributes significant portion of their **earnings growth**

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 April'21)	6.8%	-0.4%	2.2%	5.6%	0.4%	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	
Annualized Returns	36.6%	14.4%	18.0%	15.4%	15.3%		
Cummulative Returns	4233.8%	410.7%	642.3%	467.0%	458.8%		
% Positive Months	66.2%	57.2%	61.4%	60.7%	59.3%		
Annualized Stdev	35.4%	19.7%	24.3%	29.5%	20.7%		
Sharpe (RFR 6%)	0.86	0.43	0.50	0.32	0.45		

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 31st Mar 2010 to 31st 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 – Apr'21)	SCP	Nifty 50 TRI	NSE Midcap 100 TRI	NSE Smallcap 100 TRI	BSE 500
Latest 9 Years 1 month	29.9%	12.5%	14.0%	11.3%	12.5%
Cumulative Returns	975.3%	191.3%	228.0%	164.2%	191.3%
% Positive Months	67.0%	57.8%	61.5%	59.6%	59.6%
Annualized Stdev	22.4%	16.8%	21.9%	27.0%	17.5%
Sharpe (RFR 6.0%)	1.07	0.39	0.36	0.20	0.37

**Latest 9 Years 1 Month
(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%
Sharpe (RFR 6.0%)	0.89	0.55	0.83	0.63	0.64

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

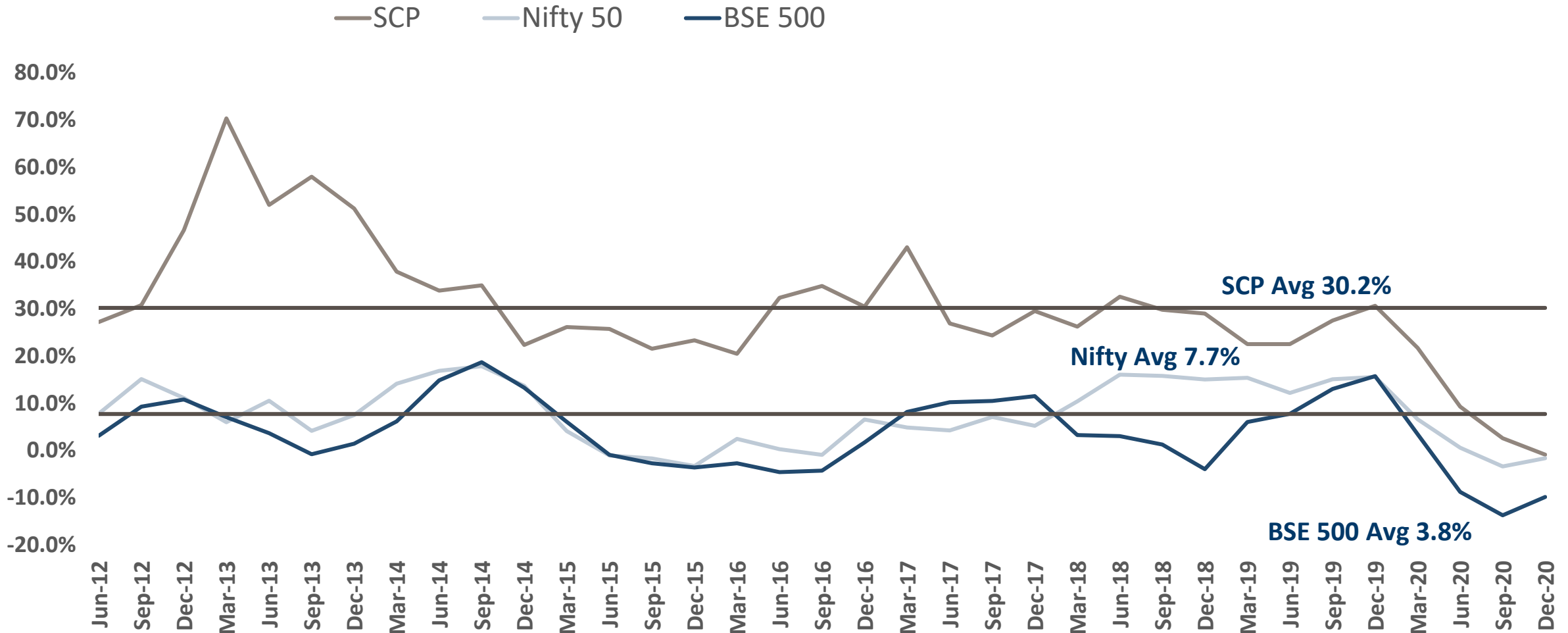
The performance related data has not been verified by SEBI.
Please refer to the notes on the previous page.

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

Period (as of April 30, 2021)	Absolute returns			Annualised Returns				
	1 month	3 months	6 months	1-year	2-year	3-year	5-year	Since Inception (Apr 1, 2009)
SageOne Core Port (SCP)	6.8%	21.0%	49.6%	100.7%	32.3%	12.6%	19.8%	36.6%
SageOne Small/Micro Cap Portfolio (SSP)	12.7%	28.4%	54.4%	126.6%	47.8%	NA	NA	44.3% (Apr'19)
NSE Mid-cap 100 TRI	2.2%	16.0%	42.3%	52.1%	18.6%	7.1%	13.9%	18.0%
NSE Small-cap 100 TRI	5.6%	19.6%	47.8%	45.0%	16.4%	1.8%	11.5%	15.4%
BSE 500	0.4%	9.5%	29.4%	37.0%	13.5%	9.4%	13.6%	15.3%

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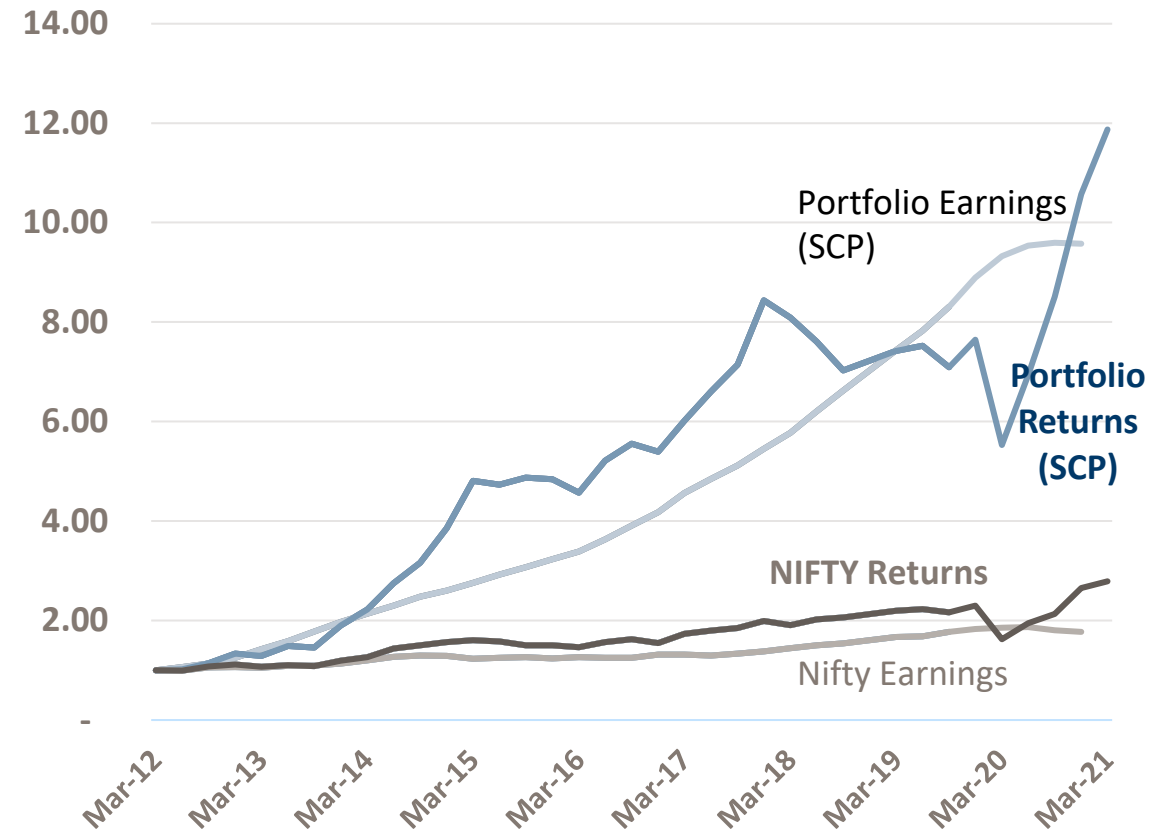
Quality Portfolio : Consistently High Earnings Growth



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

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 Apr 30, 2021)	Mcap Range (INR cr)	Median PEx
Top 100	>38.1K	39.6
101 - 200	17.3K-36.9K	34.7
201 - 300	8.9K-17.3K	38.1
301 - 400	5.2K-8.9K	23.7
401 - 500	3.1K-5.1K	21.9
501 - 600	2.1K-3.1K	23.4
601 - 700	1.4K-2.1K	19.9

**Our
Hunting
Ground at
Entry**

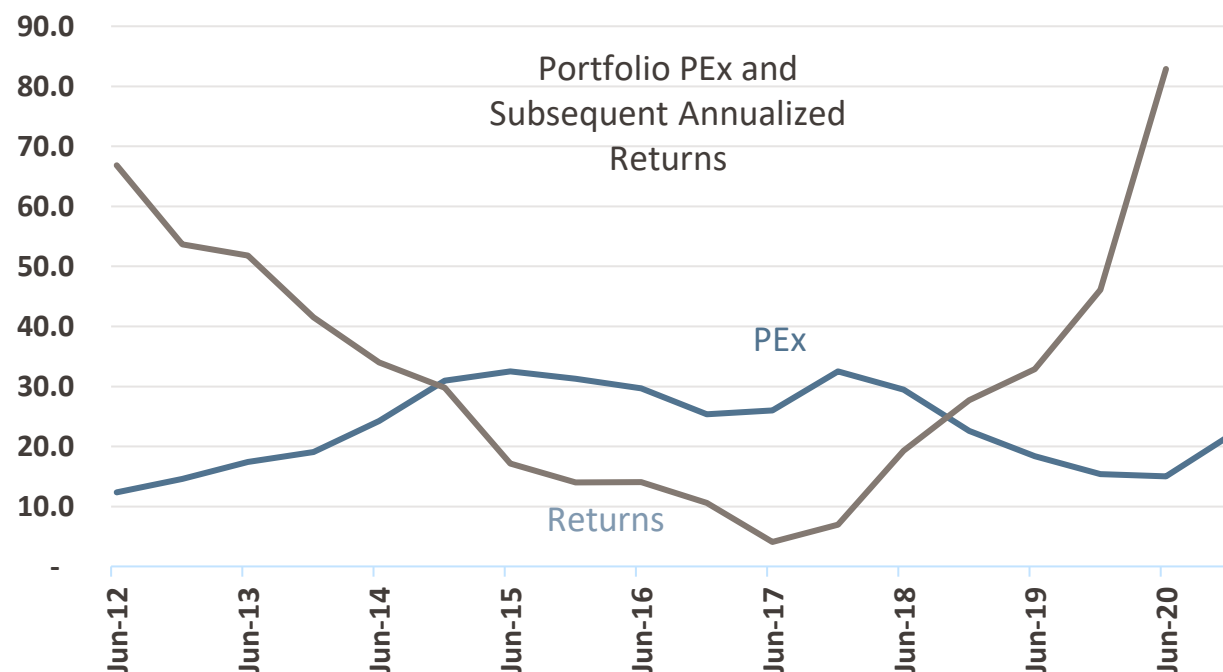
Source: SOIA, Ace Equity Database

Quality Portfolio : Portfolio P/E Multiple at Median Levels

Current valuation is on the lower band of 7 years

Historically these valuation levels have delivered healthy outperformance as well as absolute returns

P/E multiple and Returns have been inversely correlated



Source: SOIA, Ace Equity Database

Period	TTM PEx of the Portfolio	Subsequent Annualized Returns* (%)
Dec-20	22.0	??
Jun-20	15.0	82.9
Dec-19	15.4	46.1
Jun-19	18.4	32.9
Dec-18	22.6	27.7
Jun-18	29.5	19.3
Dec-17	32.5	7.0
Jun-17	26.0	4.1
Dec-16	25.4	10.6
Jun-16	29.7	14.1
Dec-15	31.3	14.0
Jun-15	32.5	17.2
Dec-14	31.0	29.8
Jun-14	24.3	34.0
Dec-13	19.1	41.5
Jun-13	17.4	51.8
Dec-12	14.6	53.7
Jun-12	12.4	66.8

PMS Closed for New Subscriptions

Very limited fund raise

*Returns until Dec'17 are for 3 years annualized. Beyond that are annualized for the subsequent period until Nov'20; Source: SOIA estimates and ACE Equity

Fund Structure & Terms

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

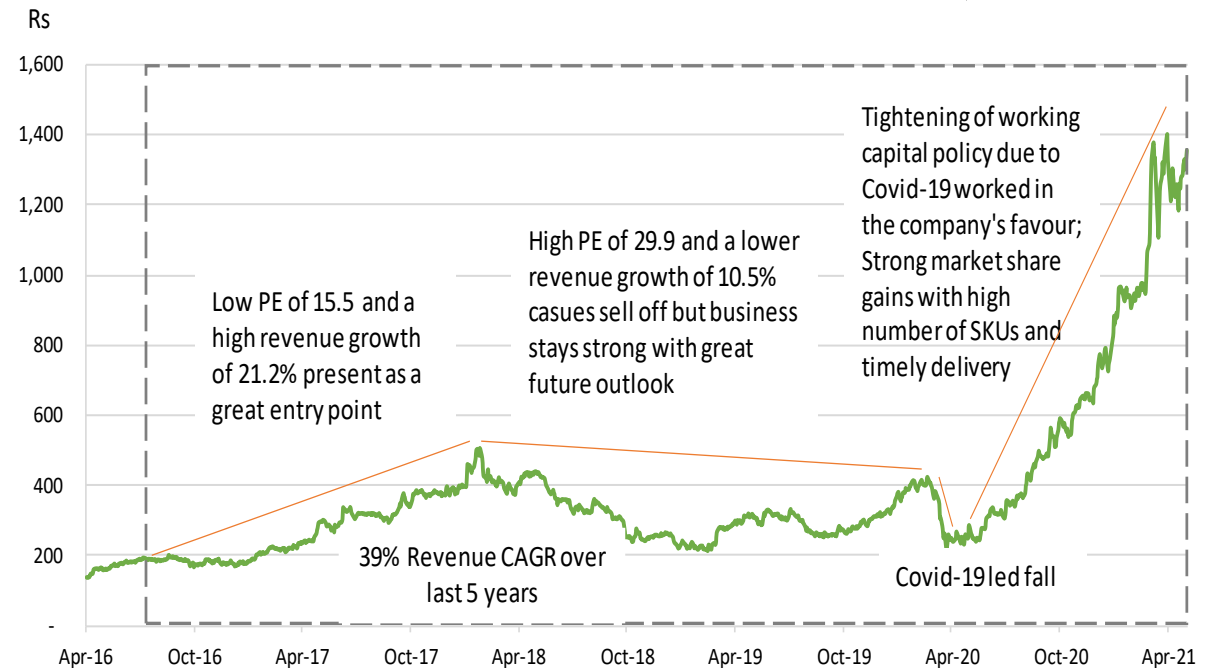
Case Study: **APL Apollo**

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

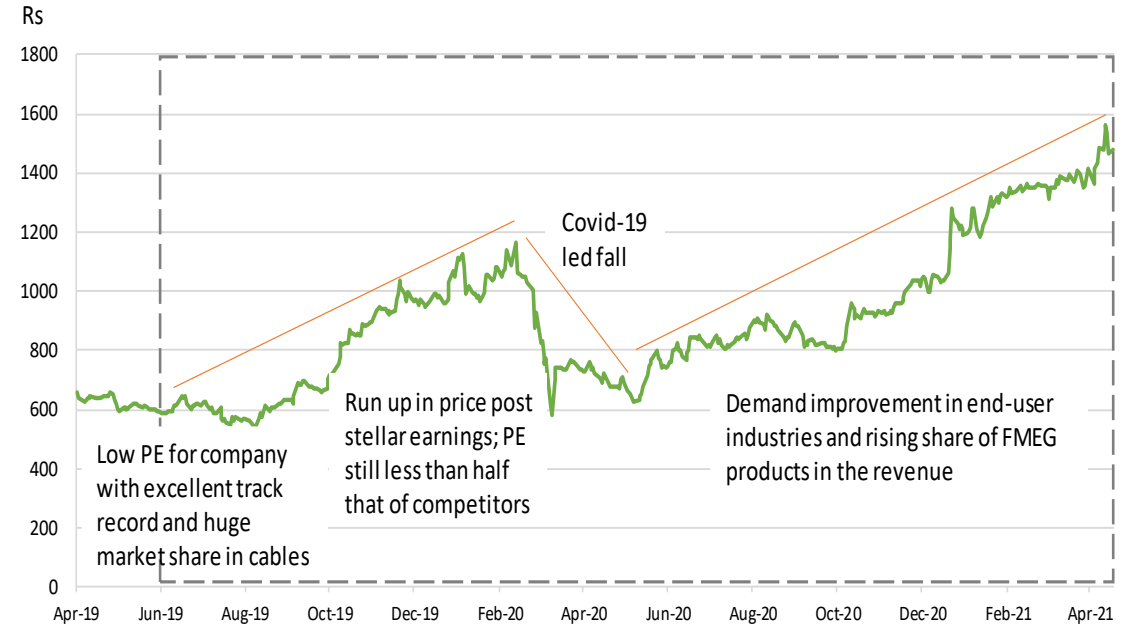
Case Study: Polycab India

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.

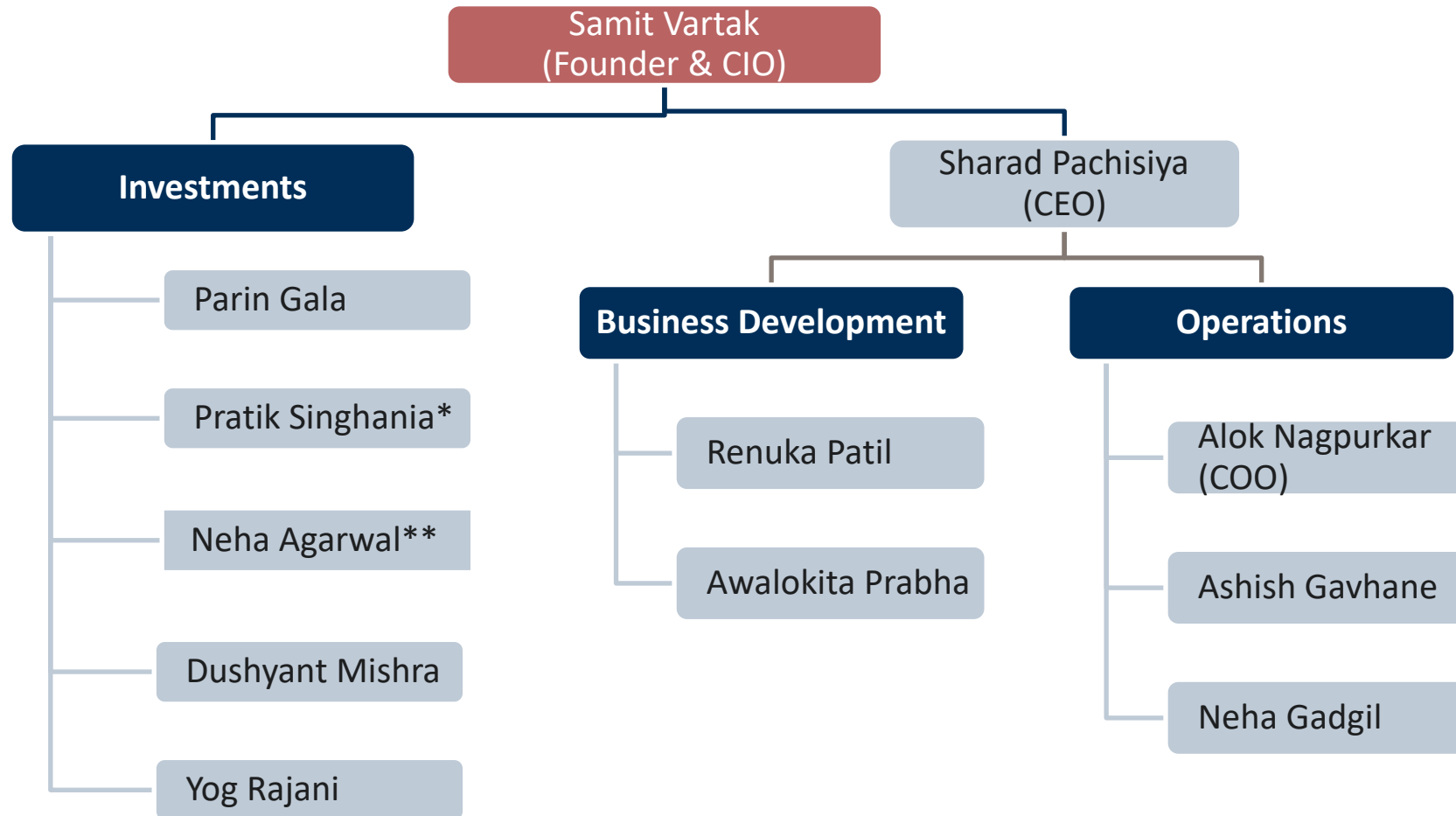
POLYCAB INDIA-SHARE PRICE MOVEMENT



indicates holding period

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



ADDRESS

LC Capital India Pvt Ltd.
Ground floor, Cowrks,
Worldmark 1,
Aerocity,
New Delhi 110037

EMAIL

clientsupport@lighthouse-canton.in

TELEPHONE

Office: +919650473961

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LC Capital India Private Limited

CIN: U74999TG2020PTC139228

Regd off: Building 9000, Plot No 7, SY No 542, MN Park, Phase-II, Hyderabad, 500078, Telangana (India)

Corp. Off: Ground Floor, Co-works, Worldmark 1, Aerocity, New Delhi, 1100037, Delhi (India)

Email: service@lighthouse-canton.in Website: www.lighthouse-canton.in