

• Monthly Update •

Objective: To seek long-term capital appreciation with investments in mid and small cap companies.

Target Investors: Ideal for long-term investors seeking returns through investments predominantly in small and midcap stocks and are comfortable with short-term volatility.

Investment Horizon
Above 3 years

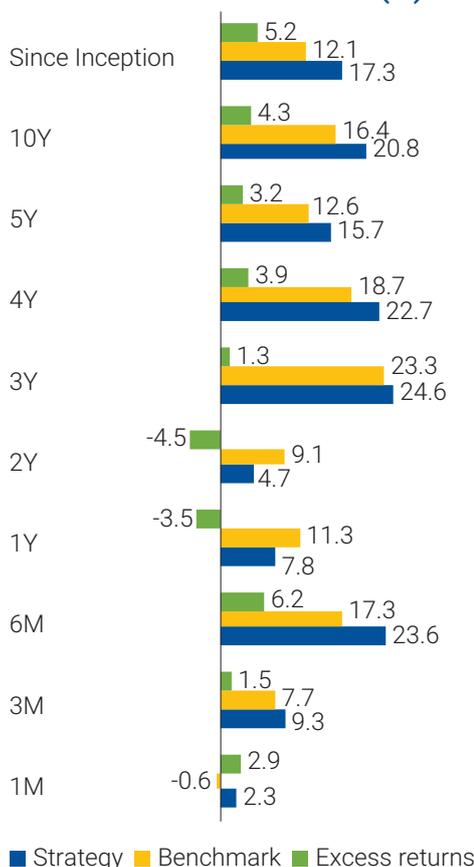
Benchmark
S&P BSE 500

Inception
June 2010

Fund Manager
Mr. Madanagopal Ramu

Assistant Fund Manager
Mr. Prashant N Kutty

SELF vs S&P BSE 500 (%)



The S&P BSE Sensex contracted by 2.5% to 64,831 in Aug'23 vs July'23. Strong domestic macros, a sharp retail inflation surge, a hawkish RBI pause and concerns around monsoons were the key domestic events during the month. Macro data in August continued to remain strong. Both manufacturing and services PMI numbers remain elevated, with various subsegments touching multi-year highs. High frequency indicators like power supplied grew, alongside an increase in coal production, petrol sales, passenger vehicle sales and GST collections, which continued to remain resilient. August saw the RBI deliver a hawkish pause, retain GDP growth, and revise its inflation projections upwards. August has witnessed a disappointing monsoon with cumulative rains well into the deficit region. The immediate concern for the markets is around aggregate and rural demand due to lower than expected rains. With the festive season coming up, the focus would shift towards consumer discretionary. The festive base was healthy last year, and this time it is delayed compared to last year, thus we will have to look at combined growth of Q2 and Q3 to draw any comparisons. The undertone of consumption companies is strong for the upcoming season, which they expect to be a robust festival period.

Into FY24, it is important to remember that we are yet to see the cumulative impact of central bank rate hikes and the recent developments around the global banking system are likely to weigh down on macro activity. As for India, domestic companies' earnings are expected to grow healthily for FY24 as input costs stabilize. India's relatively attractive growth continues to remain a differentiating factor compared to other markets – a reason for flows to find their way to bottom-up opportunities. Indian macros continue to hold up well with external risks also moderating. Finally, despite the easing global growth, India's macro fundamentals would continue to bring focus to the fact that this would remain the fastest growing economy in the world. While there can be a near term consolidation in the markets, the market valuations remain reasonable at 17-18x P/E from an FY25 perspective, which means that investors with a 3Y+ investment horizon should seriously consider investing in equities.

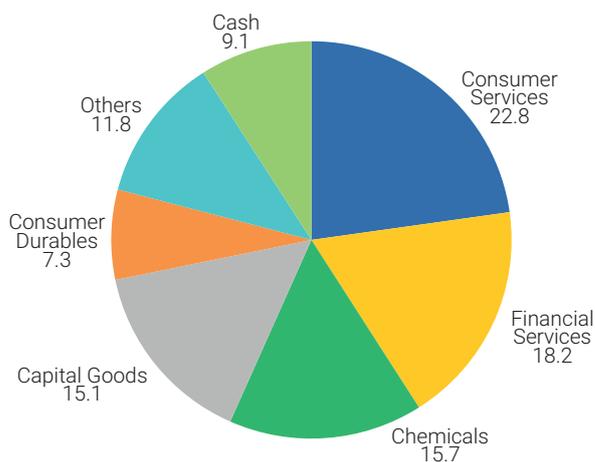
India's per capita income over the next 7-8 years will double from \$2200 per annum to ~\$5000 by 2030. We will see decadal opportunity in a few sectors like retail lending and urban consumption spending. We play these through our 1. Financial inclusiveness and 2. Consumer discretionary themes. Globally, most MNCs are looking to diversify risk by shifting focus towards India from China, for additional capacities as well as outsourcing low-cost technology services. The Government in India, through many policy reforms is attracting private capex in electronics, chemical and auto ancillaries. We are playing this opportunity through our third theme "Manufacturing". India has been a major player in technology services outsourcing. With AI being the new trend, we expect companies across the world to invest in technology outsourcing and AI, which will strengthen the case of online business models. We play this trend through our fourth theme "Phygital" either by investing into technology outsourcing companies or ecommerce companies which benefit from the machine learning and data analytics technology concepts of AI.

Over the last 6 months, most of our portfolios have participated well in the upmarket cycle, with our 1/6-month portfolio returns beating the benchmarks and 1-year returns catching up to the benchmark. Valuations for our portfolio continue to look attractive compared to the mid and small cap space. Last 2 years have been a liquidity driven market with focus toward value driven stocks. We believe there has been major a consolidation in high earnings growth quality stocks in the last couple of years. We believe that the focus will shift to earnings and quality of growth, and we expect growth stocks to be back in action in the second half of FY24 and FY25.

Peer performance is available under the following link of Association of Portfolio Managers in India (APMI): <https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu>

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SECTOR ALLOCATION (%)

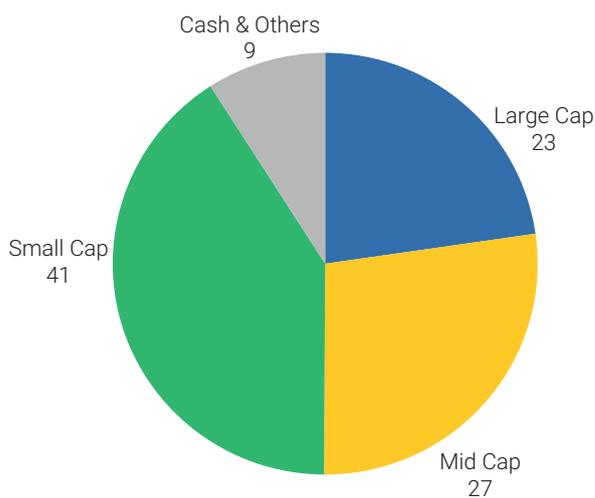


Note: Numbers may not add up due to rounding

WEIGHTED AVERAGE MARKET CAP

₹ 53,318 Cr

MARKET CAPITALIZATION (%)



Note: Numbers may not add up due to rounding

PERFORMANCE MEASURES – SINCE INCEPTION

Instruments	Strategy	Benchmark
Arithmetic Mean	17.1	12.8
Annualised Standard Deviation	15.0	16.3
Beta	0.8	-
Sharpe Ratio	0.7	0.3
Correlation	0.8	-
Alpha	5.7	-
Tracking Error	9.4	-
Up capture Ratio	103.4	-
Down capture Ratio	79.5	-

Performance Benchmarking

SEBI vide circular dated 16th December 2022 mentioned that Association of Portfolio Managers in India (APMI) shall prescribe a maximum of three benchmarks for each Strategy. Effective from 1st April 2023, the Portfolio Manager shall select one benchmark from those prescribed for that Strategy to enable the investor to evaluate relative performance of the Portfolio Managers. APMI vide communication dated 31st March 2023 prescribed the following benchmarks:

Strategy	Benchmark 1	Benchmark 2	Benchmark 3
Equity	Nifty 50	S&P BSE 500	MSEI SX 40

Among the options given, we had selected S&P BSE 500 which is a broad-based benchmark to our PMS strategies.

PORTFOLIO & STOCK PERFORMANCE

The portfolio has created an alpha of 2.9% over the benchmark (BSE 500 TRI) in the month of August 2023. The top contributors to the alpha are Chemplast up 17%, Trent up 16.6% & Zomato up 16%. Trent continued to surprise the street with strong store additions in Zudio, which is well ahead of their guidance. Zomato saw renewed interest after a strong Q1 guidance on growth, food delivery posting positive EBITDA and guidance on path to profitability for Blinkit business. Chemplast was in flavour as PVC prices continued to move up and the spreads are likely to look better in coming quarters and speciality chemicals business targets are healthy for FY25. Stocks that dragged the performance are Cummins down 13% post a muted Q1 result and expectations that pent up demand of Q1 will moderate in the next couple of quarters. City Union Bank was down 7.5% and Nykaa down 7%, largely on the back of not-so-great results. There have been no new stocks added to the portfolio or stocks exited in the month of August.

KEY FEATURES

- Bet on Sundaram's strength in the mid & small cap space; a **differentiated** yet **concentrated portfolio** positioned attractively along the cap curve.
- Multi-sector portfolio.
- Stocks with market cap less than Rs. 500 billion.
- "EASE" portfolio
 - Emerging leaders – clean and high quality promoters / management.
 - Asset light & High ROCE businesses are preferred.
 - Scalable companies: mid cap to large cap, small cap to mid cap transitioning companies.
 - Excellent cash conversion from operations.
- Identify stocks that are in early stages of their business cycle and could emerge as tomorrow's large caps.
- India 2025 - Themes
 - Financial inclusiveness
 - Phygital Bluechips
 - Consumption Czars
 - Export Voyagers

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TOP HOLDINGS

Berger Paints I Ltd
Navin Fluorine International Ltd
Zomato Limited
Astral Limited
AU Small Finance Bank Ltd

KEY CONTRIBUTORS

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain/Loss (%)
Westlife Development Ltd	418	938	125
AU Small Finance Bank Ltd	342	724	111
Zomato Limited	54	98	81

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



CALENDAR YEAR PERFORMANCE (%)

	Strategy	Benchmark	Excess return
2010	9.2	13.9	-4.7
2011	-2.9	-26.4	23.6
2012	28.7	33.4	-4.7
2013	18.3	4.9	13.4
2014	69.9	38.9	31.0
2015	3.4	0.4	3.0
2016	6.1	5.2	1.0
2017	41.8	37.6	4.2
2018	-11.6	-1.8	-9.8
2019	6.5	9.0	-2.4
2020	31.4	18.4	13.0
2021	46.3	31.6	14.7
2022	-6.8	4.8	-11.6
2023 YTD	14.0	10.3	3.7

Source: Inhouse computation

Calendar Year Performance Since Inception June 2010

VALUE OF ₹ 1 CRORE INVESTED AT LAUNCH



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WHY SUNDARAM PMS

- Strong Track Record
- Low Churn
- Time Tested Stock Selection Process
- Reach Across Country
- Transparency
- Strict Adherence to Risk Guidelines
- Shared Research Capabilities

CUSTOMER SERVICES

Reporting Statements and Servicing: Monthly performance Statements Transactions, Holding & Corporate action reports, Annual CA certified Statement of the account & Online access



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DISCLAIMER

General Disclaimer: Performance and data is as August 31, 2023. Returns are on time weighted rate of return basis. Returns for a time period less than 1 year are absolute. All returns are in percentage. Performance disclosure is at aggregate portfolio level and the portfolio information (i.e. market cap, sector allocations, etc.) is at model client's level. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved. Past performance of the portfolio manager does not indicate its future performance. Performance related information provided herein is not verified by SEBI.

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3Q QUALITY APPROACH TO STOCK SELECTION

– Quality Business

Scalable, Growing, Reinvestment opportunities, Strong Moat

– Quality Financials

High ROIC, Excellent Cash Flows, Low DE

– Quality Management

Visionary, Problem solving

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