

Invest in tomorrow's leaders, today!



SUNDARAM EMERGING LEADERSHIP FUND

S. E. L. F.

Portfolio Management Services benchmarking the S&P BSE 500 Index



Table of Contents

01

Structural shifts in the world's leading economies

02

Structural shifts orchestrating India growth story

03

Green shoots visible across 4 themes in India

04

The need for Mid & Small Caps in the portfolio

05

Capitalising on the Mid and Smallcap opportunities

06

Sundaram Alternates - Kings of Mid & Small Caps



SUNDARAM ALTERNATES
UNEARTHING OPPORTUNITIES

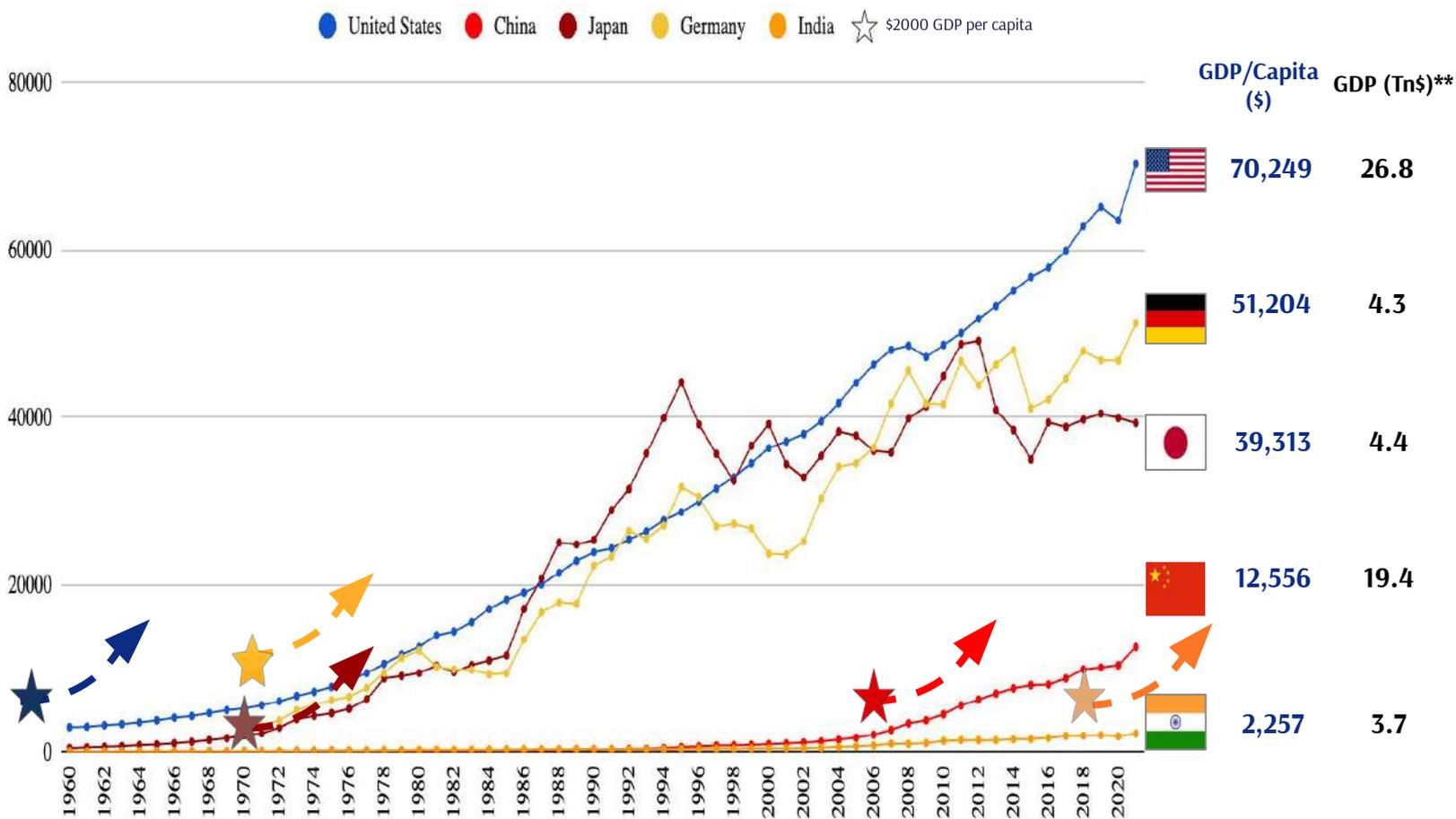
01

Structural shifts in the world's leading economies



How structural changes unfolded in world's leading economies?

Before and after Per capita GDP(\$) cross threshold mark of \$2000 for world's top 5 economies



With GDP per capita at the inflection point, India is set to witness a steep growth runway, similar to the world largest economies.

Source*- World Bank
Source**- IMF Est.

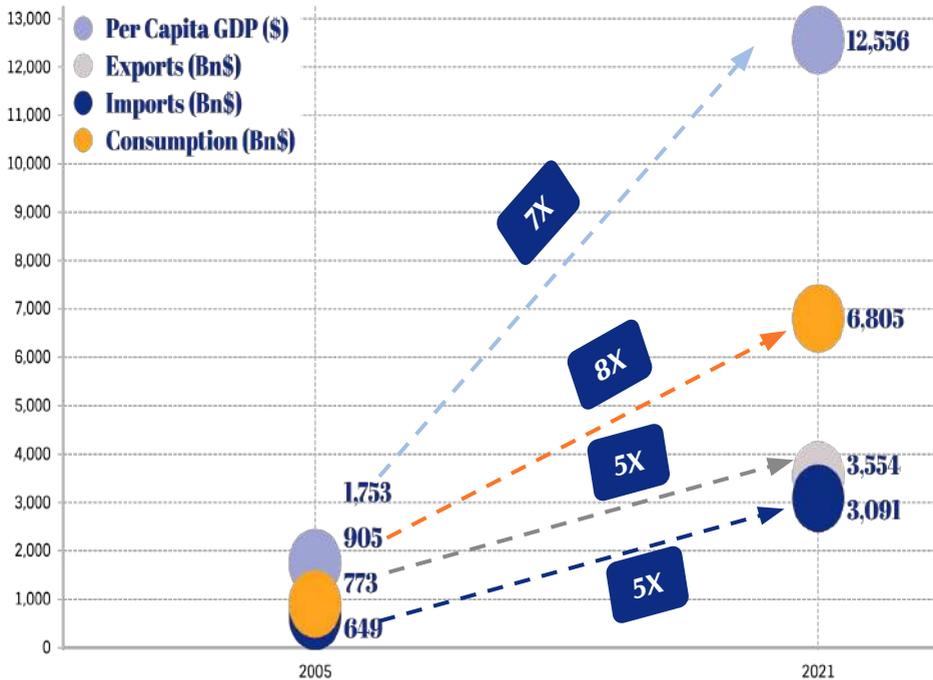
A closer look at what transpired in China & USA

All output parameters indicate a steep curve : Economic supercycle



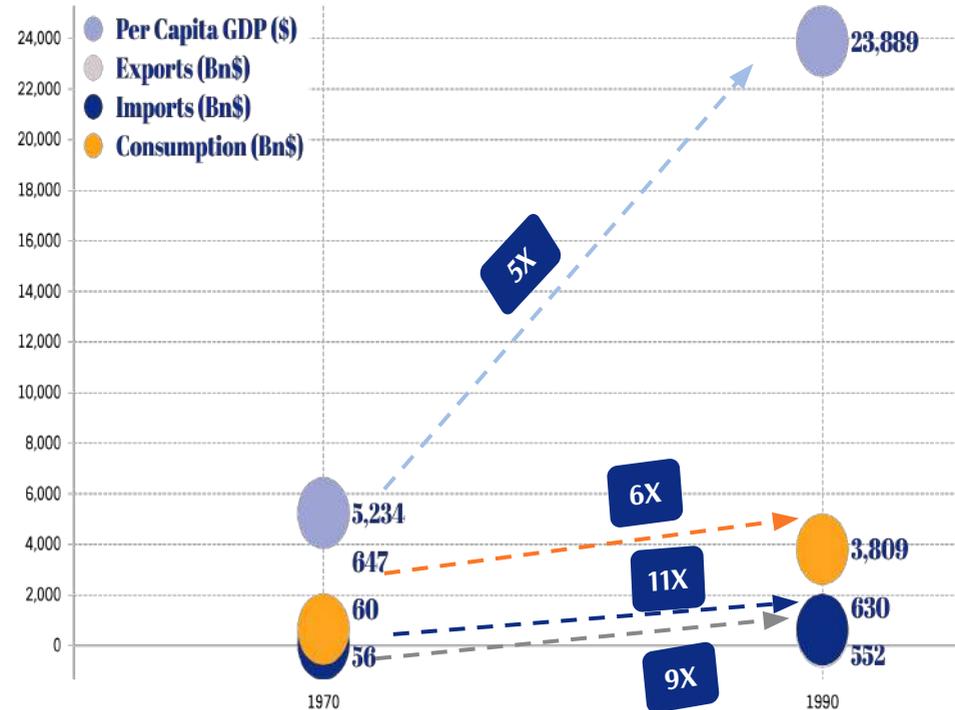
Journey post \$2000/capita GDP: China

China's growth attained its inflection point as soon as it crossed \$2,000 GDP per capita in **2006**.



Journey post \$2000/capita GDP: USA

USA crossed the \$2,000 GDP per capita in **1950s**, but reached the inflection point in **2 decades**



Decades post the threshold GDP is crossed have witnessed sharp uptake in multiple economic indicators



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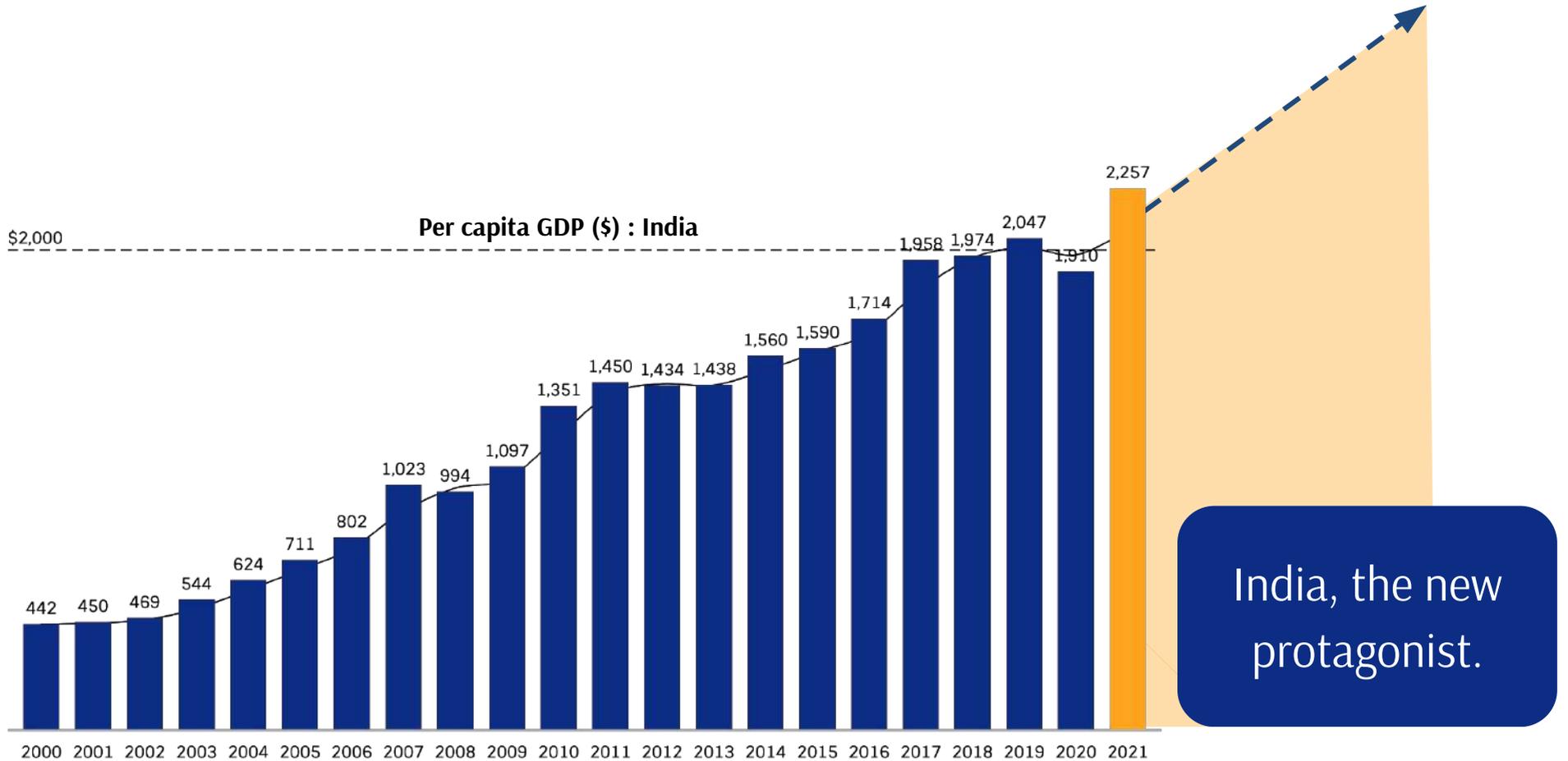
02

Structural shifts orchestrating the India Growth Story

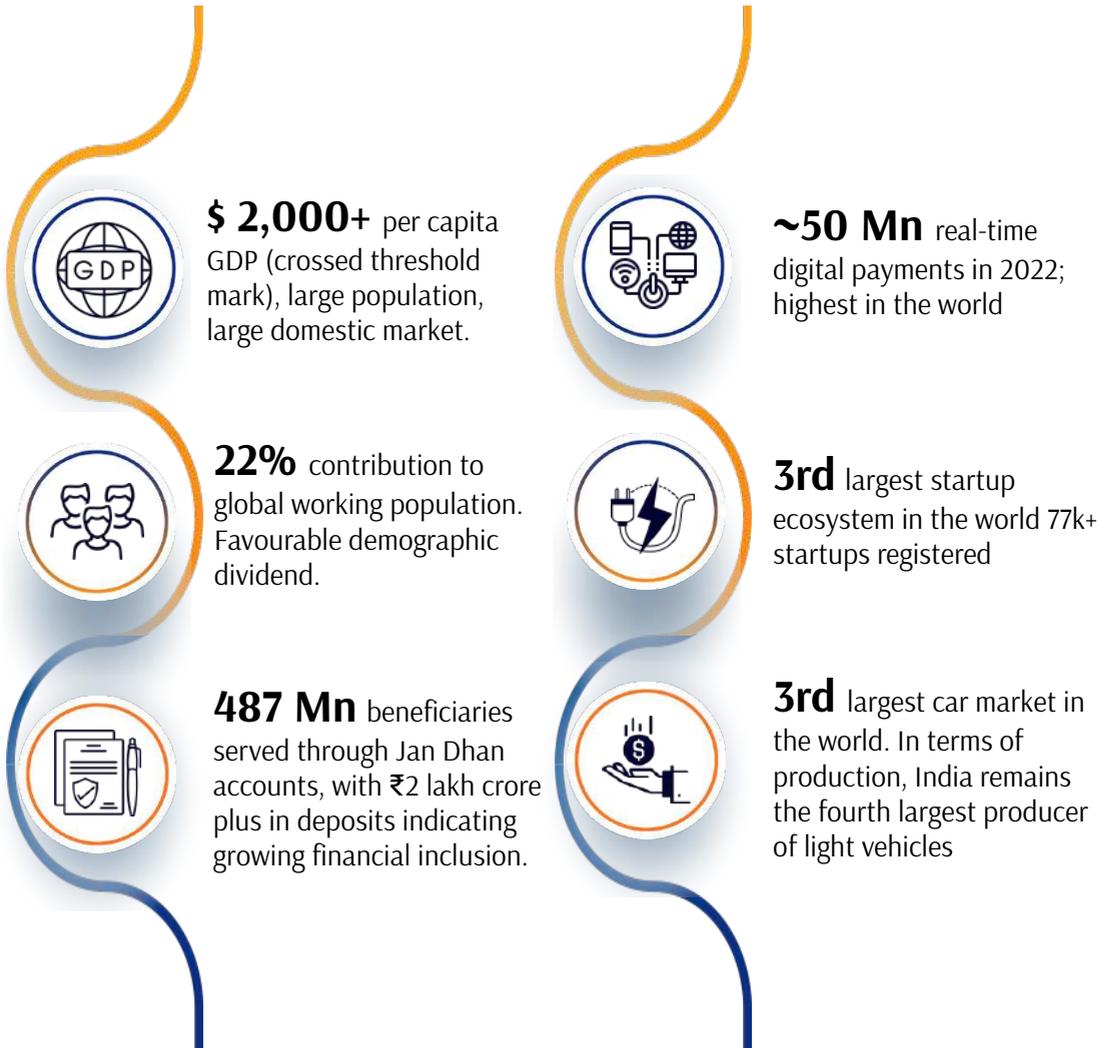


India on the pathway to exponential growth

US & China's transformation story evident in India as well



Structural change in India visible across parameters



Factors enabling the structural change in India (the input parameters)

360 degree shift : internal and external, enabling a precipitous growth in the Indian economy.

A look at few of the factors:



Policy reforms

Production Linked Incentive (PLI) Scheme : Strategic opportunity for India to become a prominent global manufacturing player. Potential to add 4% to GDP per annum in terms of incremental revenues

Progressive tax reforms: GST implementation for fulfilling the 'One nation, One tax, One market' vision.



Govt. initiatives on digitization

UPI : 2,348 transactions/sec and an average of over ₹10 lakh crore /month worth of transactions

Open Network for Digital Commerce (ONDC) completed 4,000 successful transactions as part of beta testing

India's digital infrastructure template is a new model for development around the world



Demographic Advantage

Demographic dividend: CII reported that if the Indian demography is productively employed, India will leapfrog to a \$9 trillion economy by 2030

Growth of aspirational middle class: Elite & Affluent Households will more than double, and Aspirers will increase by 50%+ by 2030



Global tailwinds

China Plus One: Friendshoring approach & China + 1 enabling India to emerge a preferred destination for manufacturing.

Share in Emerging markets (EMs): India's share among the emerging economies has steadily risen to 14.8% in 2022 (2X growth from 2020)



SUNDARAM ALTERNATES
UNEARTHING OPPORTUNITIES

03

**Green shoots
visible across
the 4 multiplier
themes in India**



4X4 Multiplier effect

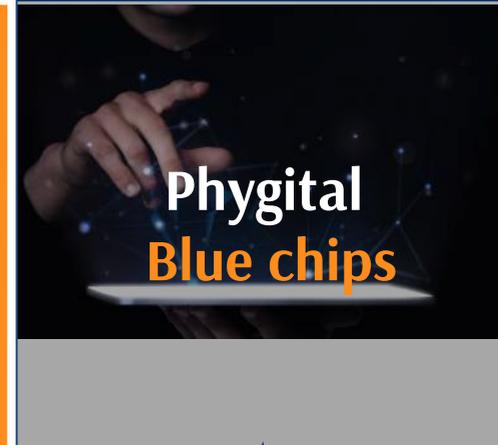
4 key themes aligned to **India : the next economic superpower**

India over the next decade will address the financial inclusiveness story with the help of digitisation, big data and large capital availability. Household debt to GDP will improve to match peers. Lending segments like Affordable housing, MSME, Vehicle finance and unsecured loans will grow multi-fold as customers shift from unorganised lenders to organised.



Consumption Czars

Next decade will define the turnaround of Indian Manufacturing sector. Import substitution driven by PLI, Exports driven by India's cost competitiveness and focused infra spending by Govt. are key building blocks for the growth in manufacturing. Electronics, Chemicals, Auto and Engineered goods will be major beneficiaries. Under infra spending railways and defence to see major shift in spending.



Phyigital Blue chips

Financial Inclusiveness

Growing per capita income, multiplying affluent households, large GenZ population will drive a multi decade growth in organised retail and discretionary spending. Auto, dine-out, travel, entertainment, health, education sectors, consumer electronics etc will benefit from premiumisation trend.

Manufacturing Maestros

UPI, Big data, ONDC, Account aggregator initiatives of the government are likely to redefine the cost of services. With growing young population, affordability, access to cheap data, burgeoning smartphone users is likely to drive significant growth in online penetration across various service segments. Traditional companies embracing technology and tech startups with stable unit economics are opportunities to invest.

Evident Structural Changes

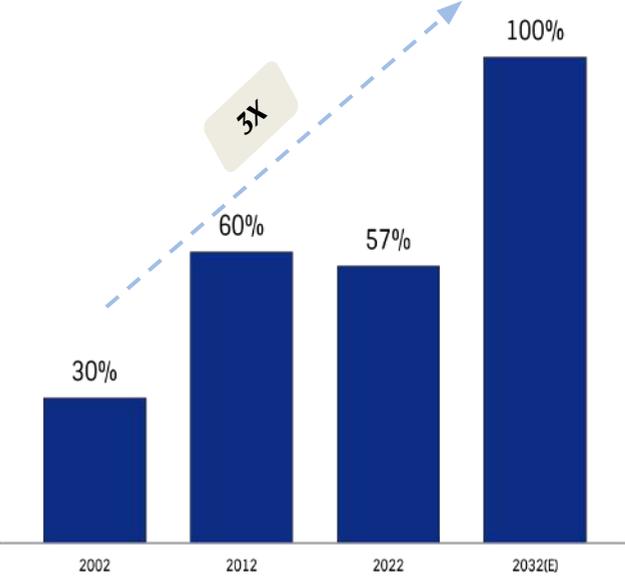
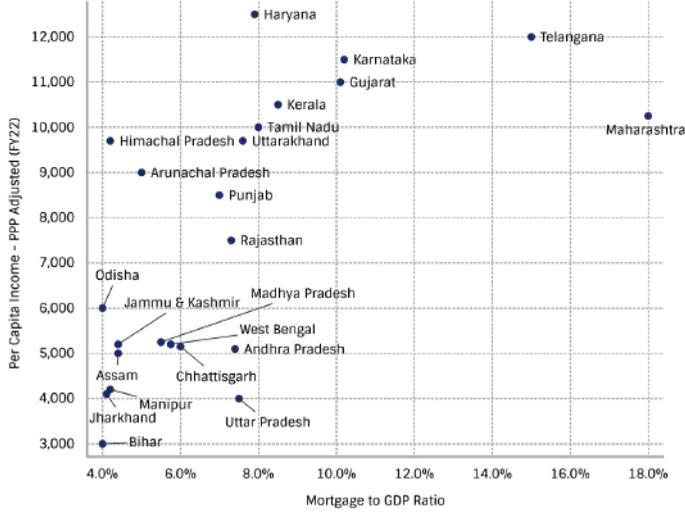
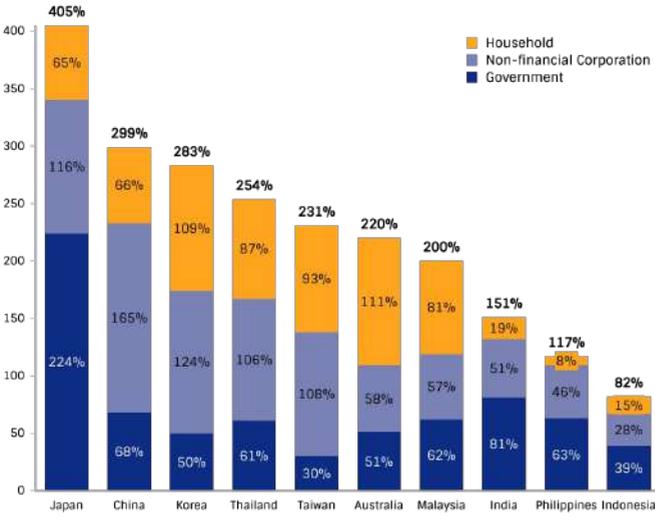
Theme 1 : Financial Inclusiveness

Increasing financial penetration, large population, strong financial markets

Per capita growth to drive household debt to GDP percentage

Mortgage-to-GDP ratio of select states

India: Overall Credit / Nominal GDP



 India's household debt as a percentage of GDP is severely lagging behind many of its peers and benchmarks

 Most Indian states have a mortgage-to-GDP ratio of less than 10%, despite higher per capita income; indicating a huge scope for mortgage credit to grow

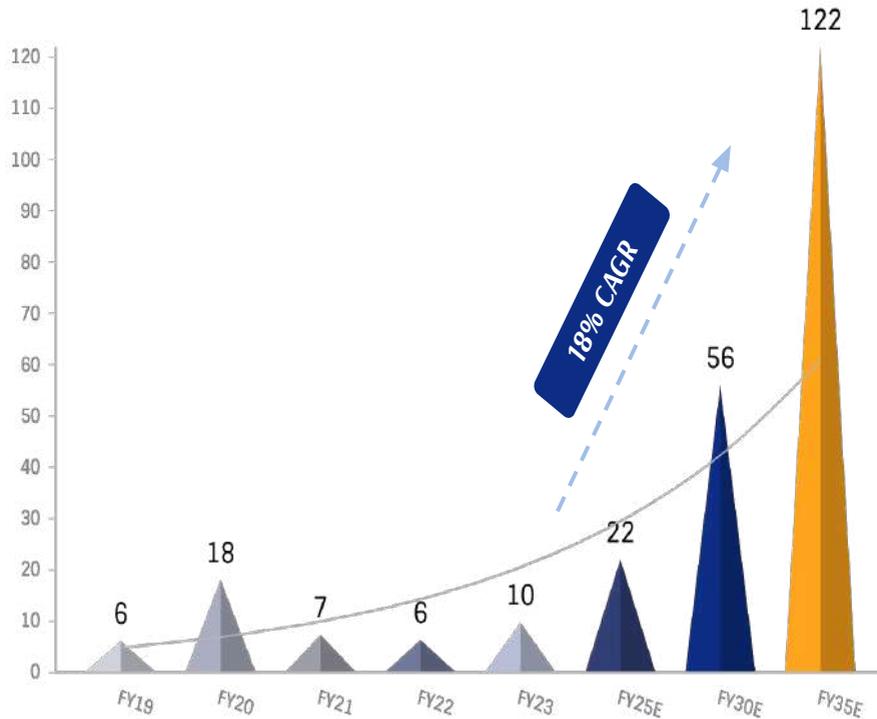
 Revival in capex cycle and strong digital architecture should drive a boom in credit creation. Credit to GDP can increase to 100% In 10 yrs to catch up with peers.

Evident Structural Changes

Theme 1 : Financial Inclusiveness

Opportunity of growth in individual (Credit card) and MSME credit

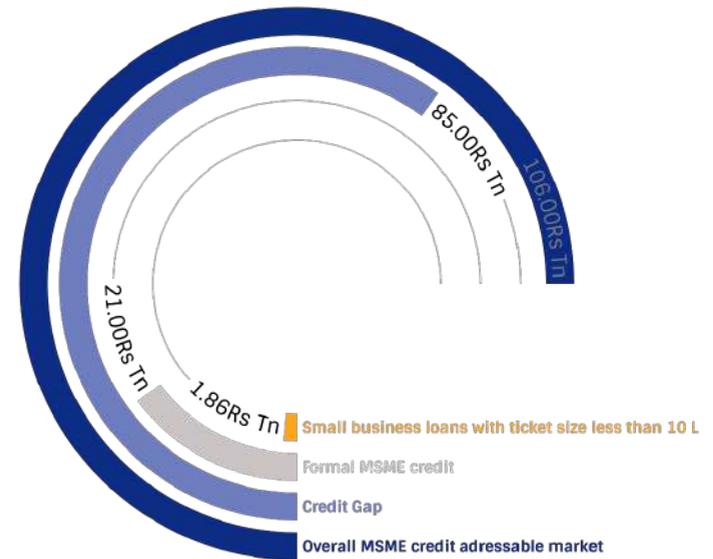
Credit card spends in India



1

Credit card spends set to more than double due to rising consumerism and digitisation of Indian economy. Credit card spends as a percentage of PFCE also has huge scope of growth.

MSME lending in India



2

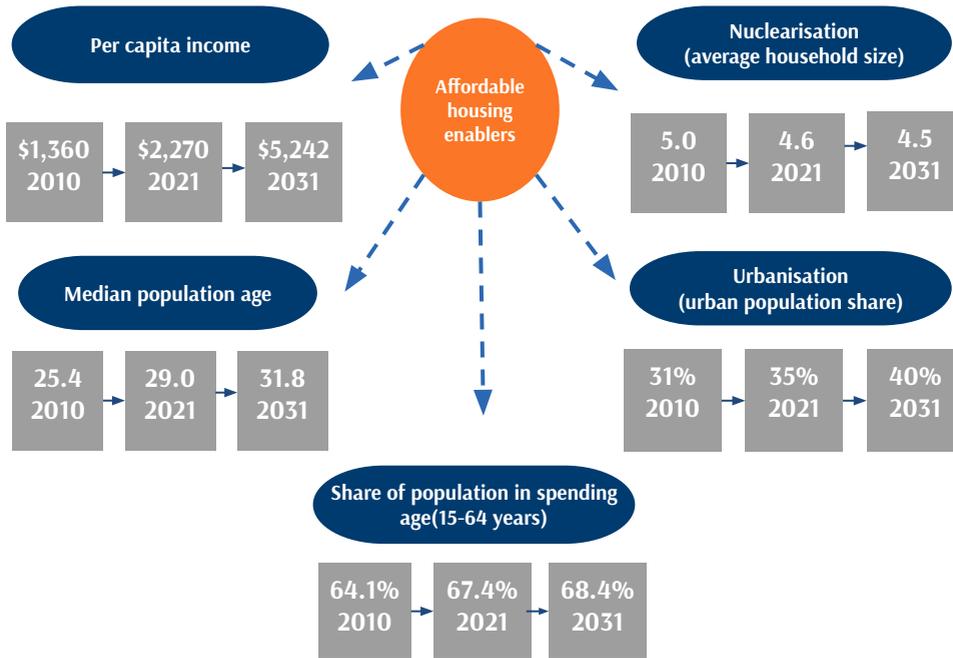
Business loans with ticket size < 1 MnRs account for only 9% of formal MSME credit, indicating a huge opportunity

Evident Structural Changes

Theme 1 : Financial Inclusiveness

Incremental potential of growth in household debt

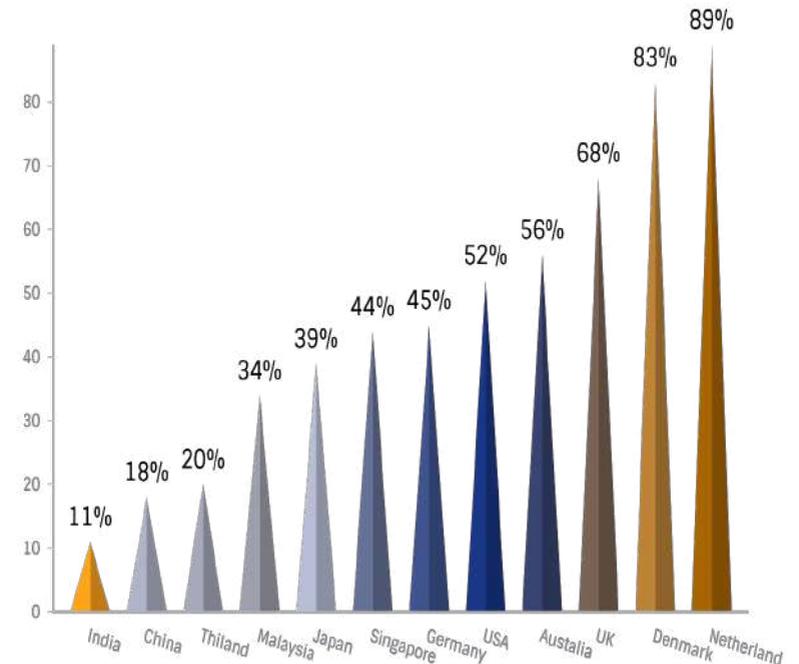
India's Housing growth drivers



1

Strong momentum of growth with indicators across urbanisation, population demographics and income levels.

Mortgage / Nominal GDP in India



2

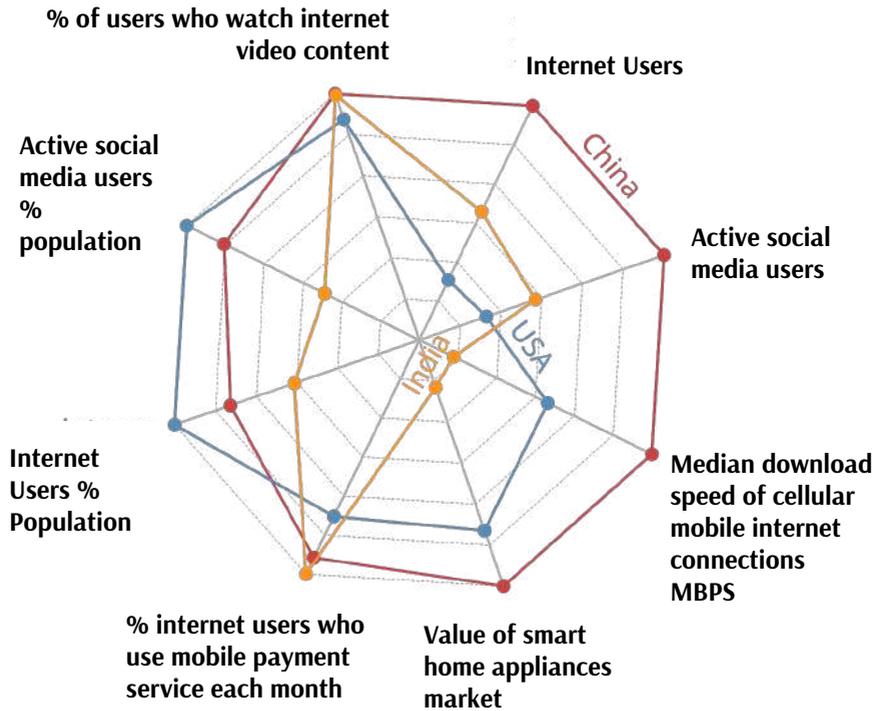
India's Mortgage / Nominal GDP vs other countries has enormous potential of growth. Connecting the property ecosystem will expedite the speed of socio-economic change in the country

Evident Structural Changes

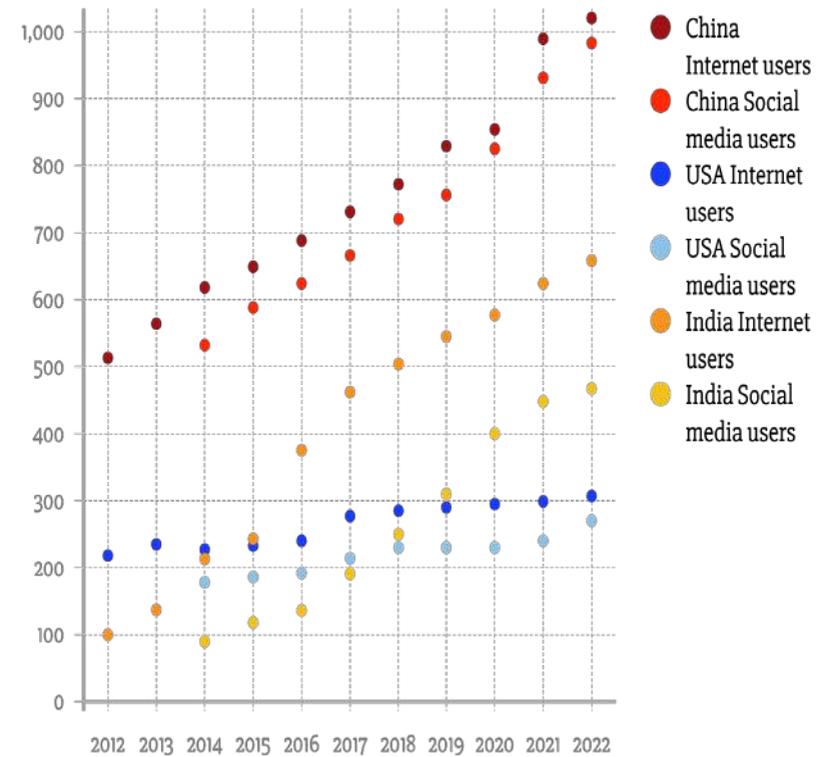
Theme 2 : Phygital Innovation

India a strong contributor to digitisation globally with further potential to grow across parameters

India, China, USA across digital metrics



Internet and social media users India, China, USA



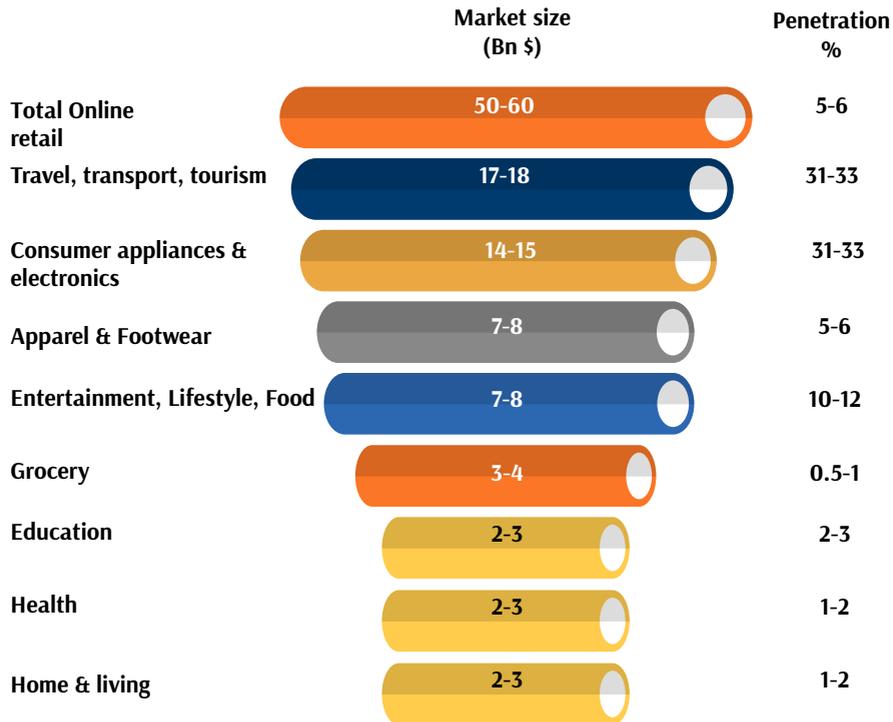
India shows high appetite for digital consumption across domains. Ecommerce penetration in India is expected to be faster than developed nations.

Evident Structural Changes

Theme 2 : Phygital Innovation

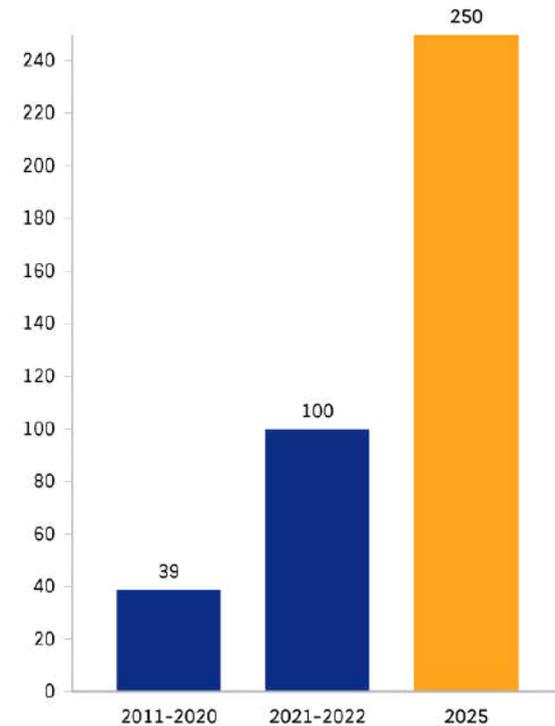
Increasing digitisation and innovation facilitating growth of new and emerging businesses.

Penetration across industries



Huge scope of increase in penetration levels across industries

Number of Unicorns in India



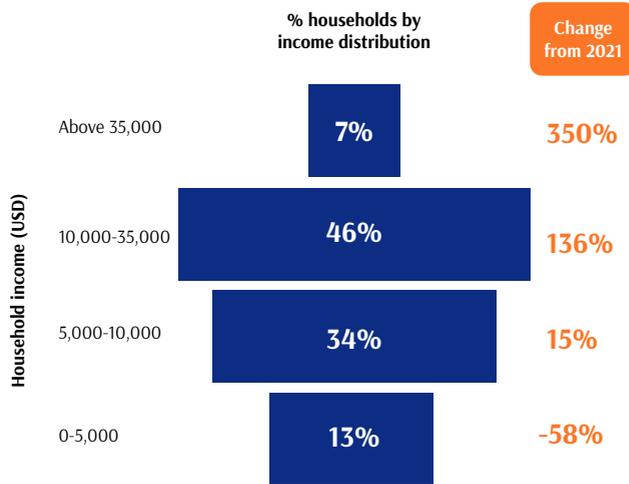
Online beauty, fashion, food, logistics, insurance have potential to grow faster than traditional businesses

Evident Structural Changes

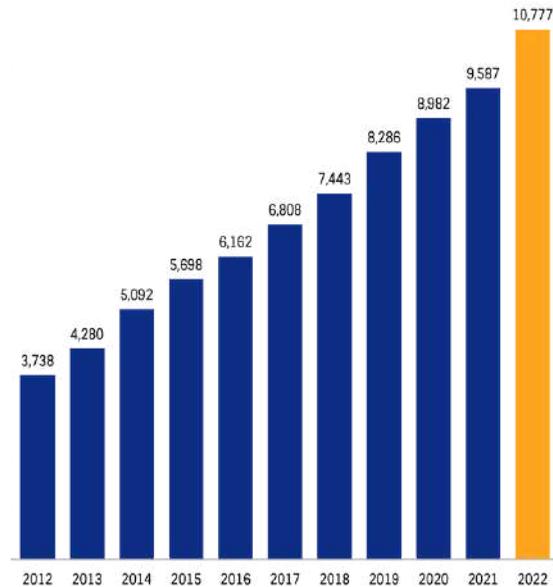
Theme 3 : Consumption Supercycle

When China crosses \$2500 per capita in 2008, it saw a significant boost to discretionary spending for a long period.

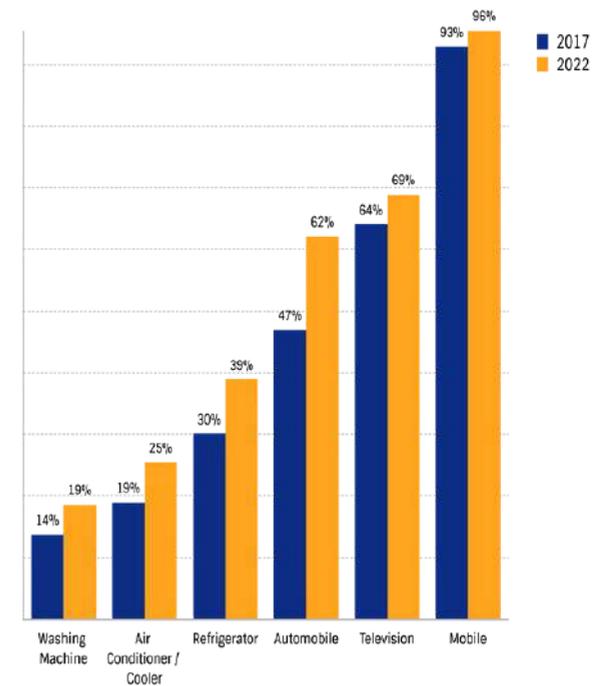
India's income pyramid by 2031



Employee costs of NSE 500 companies (₹ Tn)



Penetration of consumer durables in India



Discretionary consumption is set to rise as India crosses the \$2,000 GDP per capita mark, as witnessed in fast-growing economies



Discretionary spending on recreation, entertainment, transportation, healthcare, retail and luxury set to grow



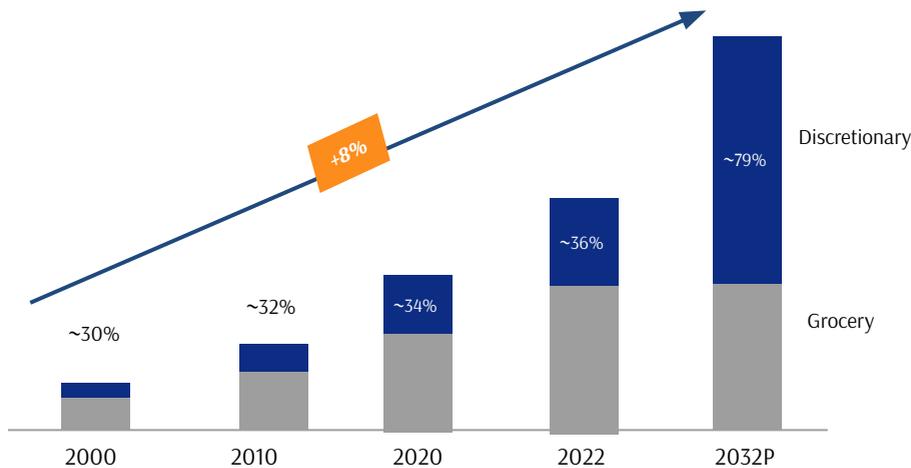
Urban consumption to drive discretionary spending, as affordability reaches a decadal high, coupled with rising incomes and falling EMIs

Evident Structural Changes

Theme 3 : Consumption Supercycle

Online beauty, fashion, food, logistics, insurance have potential to grow ahead of traditional business. Such high growth companies are now available at reasonable valuations vs traditional companies.

India retail market (\$Bn)



Key pointers	Period	India	Period	China	China 2006
GenZ + Millennial population (mn)	FY21	708	2021	648.65	604.27
GDP per capita (current USD)	2021	2,256.60	2022	12,732.55	2,099.23
% of luxury cars over total market	FY22	1.80%	2022	16.90%	lower than 6%
Outbound travelers (mn)	2021	8.6	2022	26-30	34.5
Apparel industry	FY22	59.3	2021	199	69
Pure alcohol market size (bn litres)	2021	2.9	2021	8.08	5.37
Jewellery value (USD bn)	FY22	70.9	2021	52.29	29
KFC stores	FY22	364	2022	8,168	1,822
Pizza Hut stores	FY22	413	2022	2590	254
McD stores	FY22	330	2022	2391	784
Zara store	FY22	21	2022	603	7
H&M stores	FY22	48	2022	445	0



The wealth effect is likely to drive HH to shift focus on discretionary spending like recreation, entertainment, transportation, healthcare and luxury. Potential winners: D-Mart, Trent, Titan, PVR, Rainbow, Sapphire, Westlife



With India at \$2500 mark, some of the segments like organized retail, branded apparels, QSR, health and travel are poised to see robust growth. Growth potential is multifold in majority of discretionary segments compared to staples.

Evident Structural Changes

Theme 4 : Manufacturing Focus

Manufacturing will become a key contributor along with service for growth

3 pillars of manufacturing growth in India



The scheme currently covers 15 sectors with annual investment and sales targets. If all firms deliver as promised, incremental revenues are expected to be more than US\$400bn or over 10% of GDP.



Friendshoring approach & China + 1 enabling India to emerge a preferred destination for manufacturing.



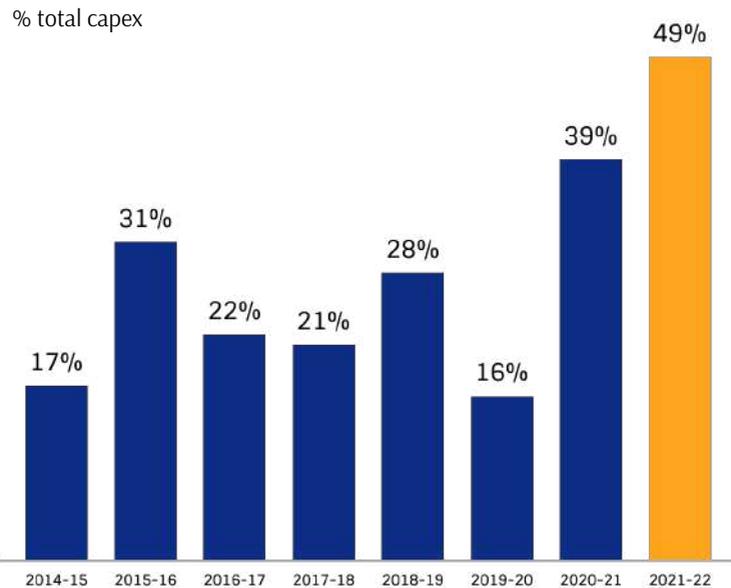
India is the 3rd largest defence spender and the 2nd largest arms importer in the world. Import substitution & localisation of Defence Manufacturing over the next 5 years offers a 5Tn\$ opportunity.

Evident Structural Changes

Theme 4 : Manufacturing Focus

Manufacturing will become a key contributor along with service for growth

India's increasing share of manufacturing in total capex



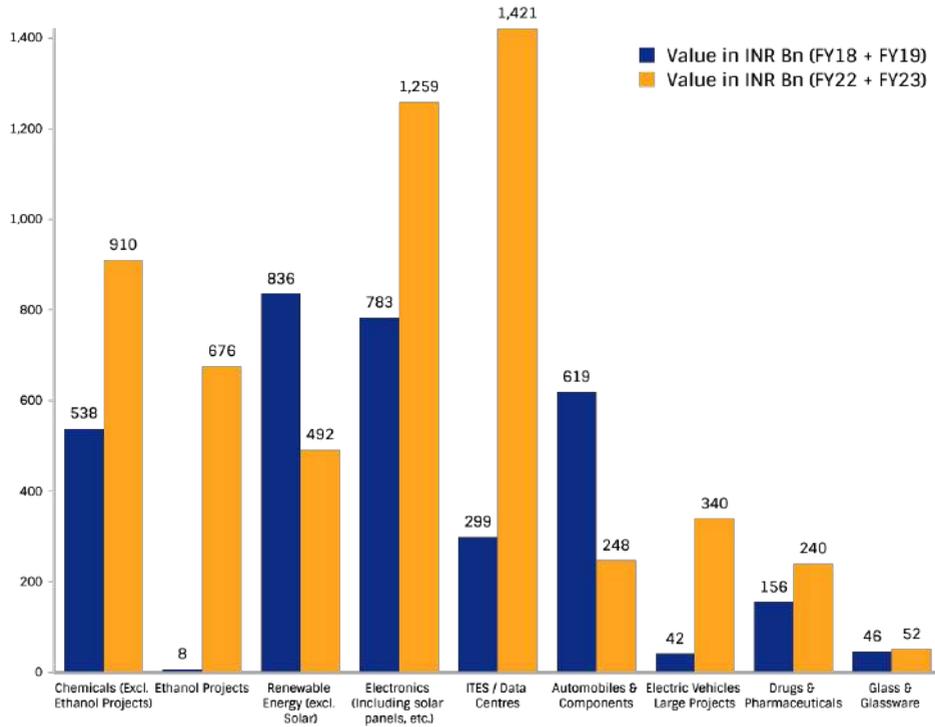
In some specific sectors, India's competitiveness has increased and it has increased share in global exports. PLI scheme has been launched to boost this growth. The manufacturing sector in China is almost 2x that of India.

Industries	Key Insights
<i>Chemicals</i>	China +1 and PLI are drivers - India has potential to become speciality chemical hub
<i>Electronics</i>	Exports by Apple, Samsung, PLI scheme are key drivers Cost advantage over US / Europe
<i>Automotive</i>	Auto component manufacturers are seeing export opportunity as well as import substitution
<i>Railways</i>	Railways seeing a capacity creation post DFC
<i>Defence</i>	Opportunity worth ₹5 Tn due to import substitution & localisation of defence manufacturing over the next 5 years

Evident Structural Changes

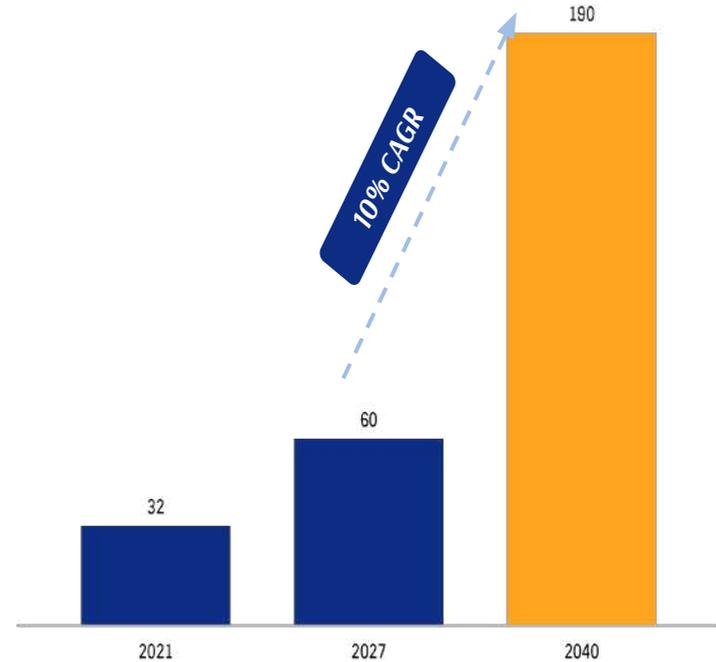
Theme 4 : Manufacturing Focus India to become a global hub for speciality chemicals

Private sector capex has grown at a tremendous pace



Private sector capex has grown exponentially over the last 5 years, especially across Chemicals, Electronics, Electric Vehicles and Pharmaceuticals

India speciality chemicals market, USD Bn



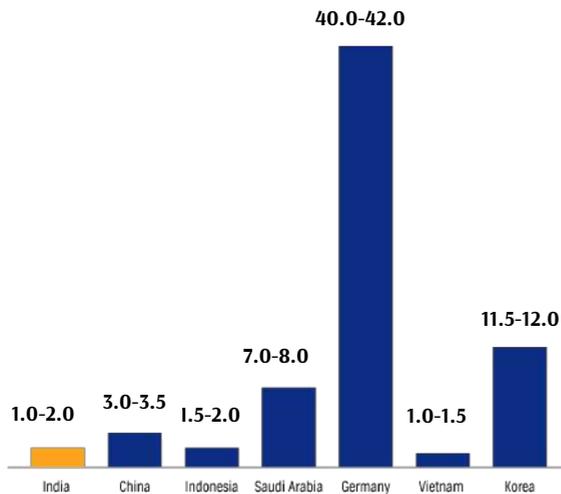
India is expected to become a \$850-1000 Bn chemicals market by 2040, taking 10-12% share of the global chemicals market

Evident Structural Changes

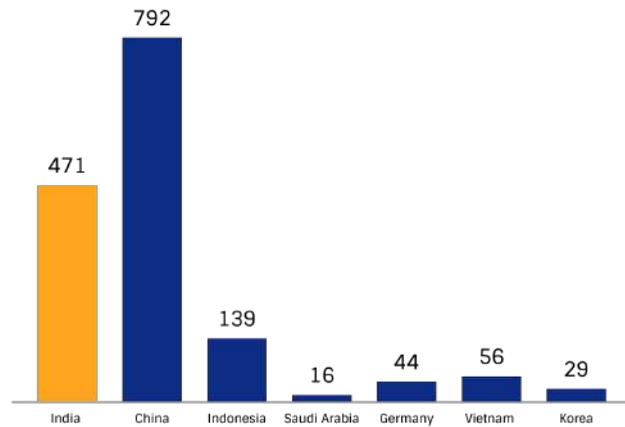
Theme 4 : Manufacturing Focus

India's low labour costs and competitive utility cost make it a promising hub for manufacturing

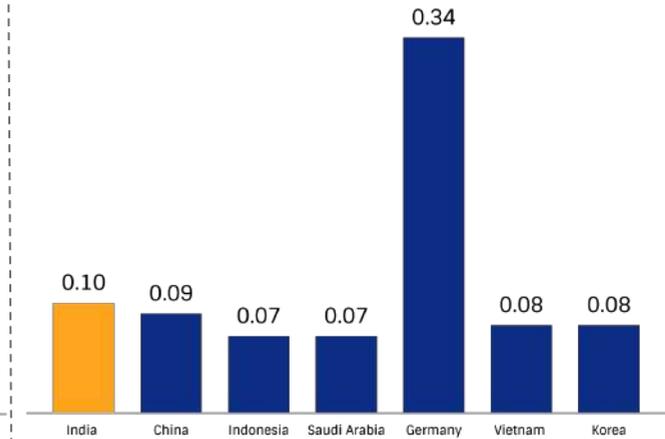
General labour costs
(2020, USD/hr)



Total Manpower
(2021, Mn)



Industrial grid electricity
(2022, USD/kWh)



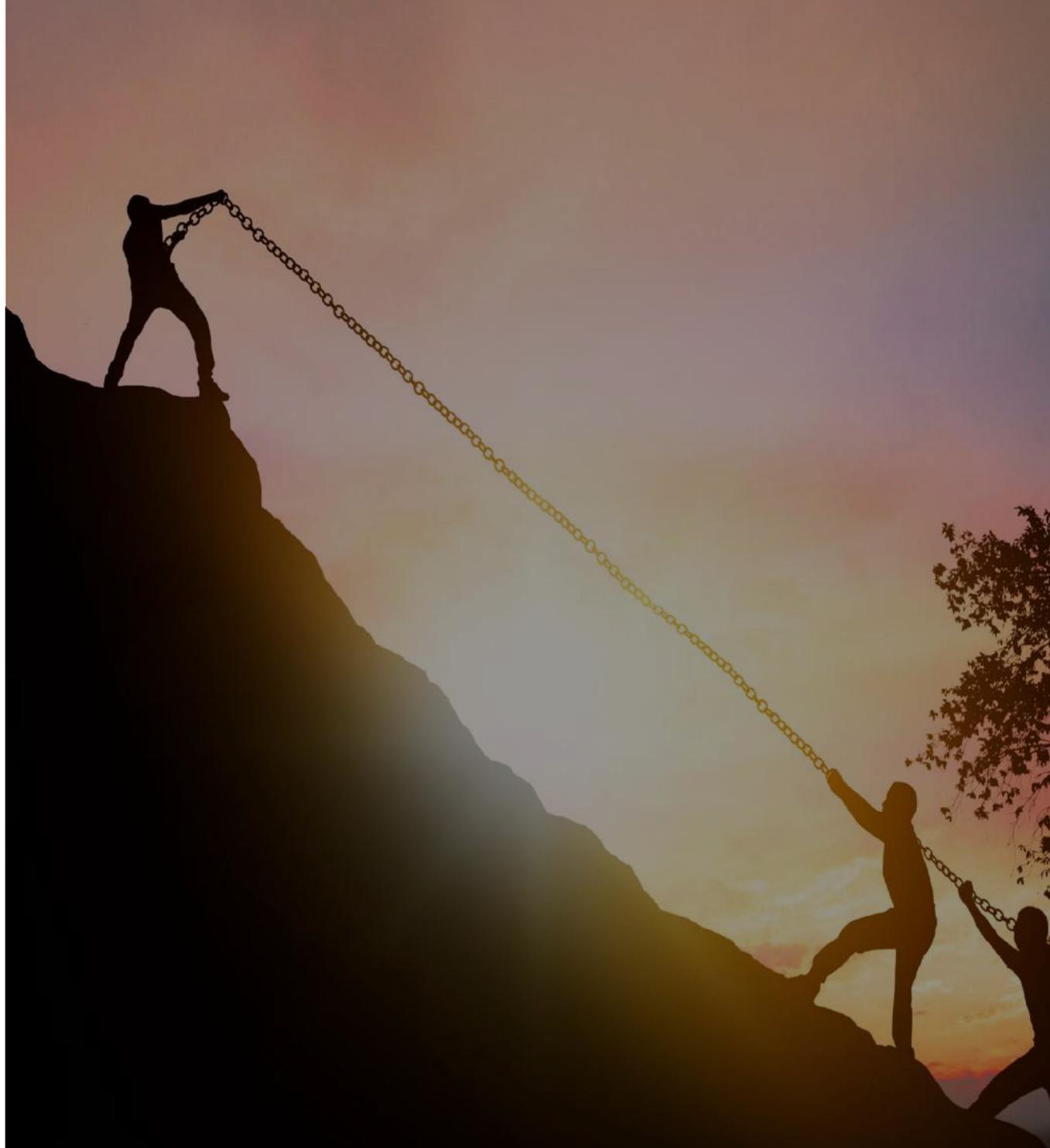
India's infrastructure costs, across construction, material, and machinery, are up to 70 percent lower than other global chemical manufacturing hubs. Similarly, India's material costs are 4.5x lower vs Germany and 3x lower vs Saudi Arabia



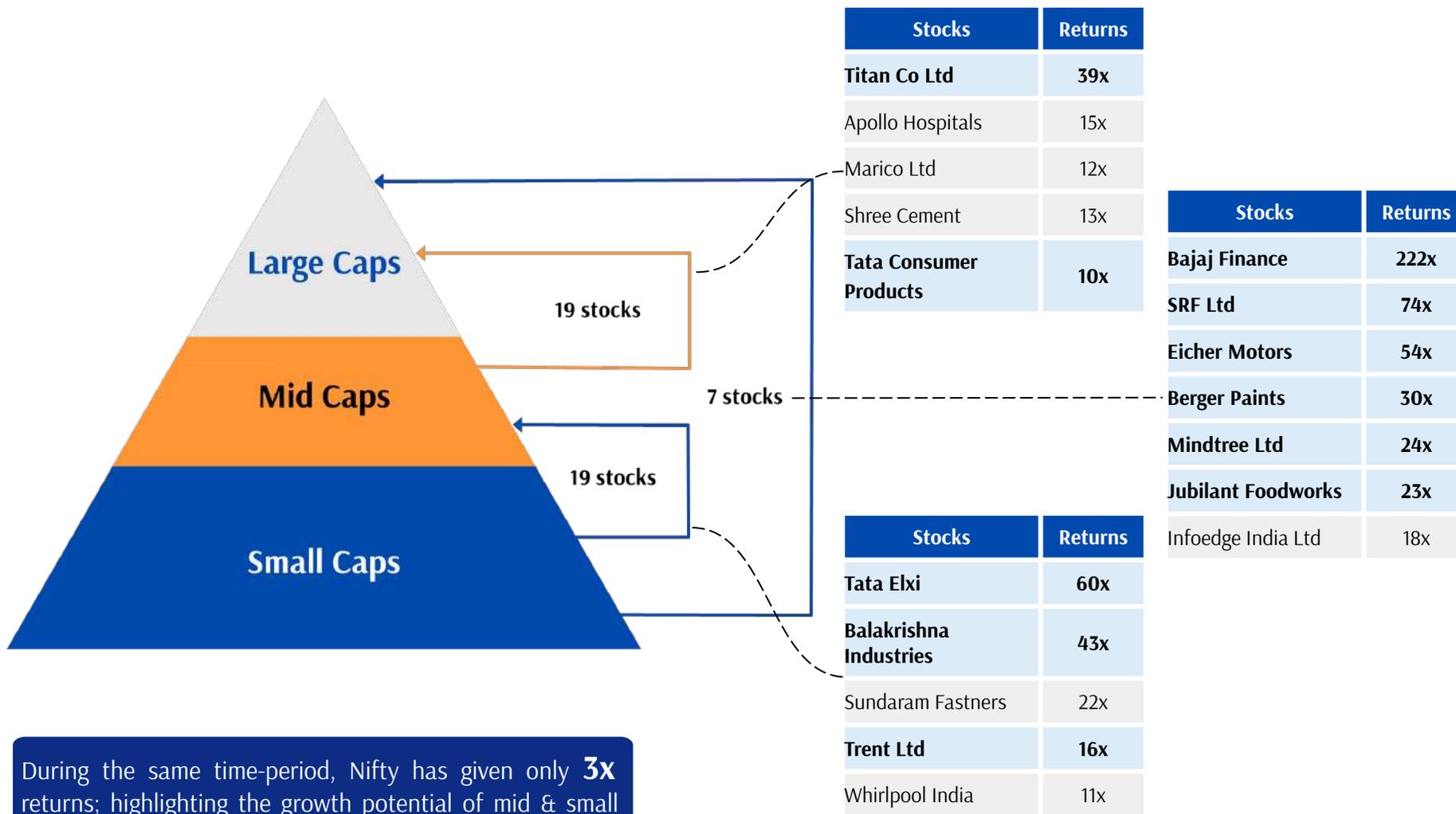
SUNDARAM ALTERNATES
UNEARTHING OPPORTUNITIES

04

The need for Mid & Small Caps in the portfolio



The evolution of Small & Mid Cap stocks from 2010 to 2022

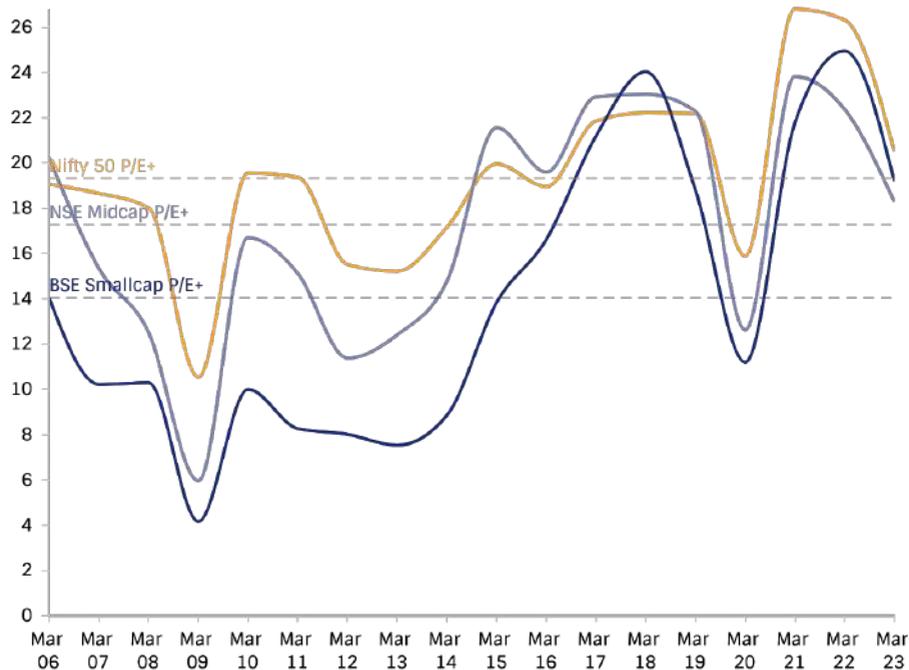


During the same time-period, Nifty has given only **3x** returns; highlighting the growth potential of mid & small caps.

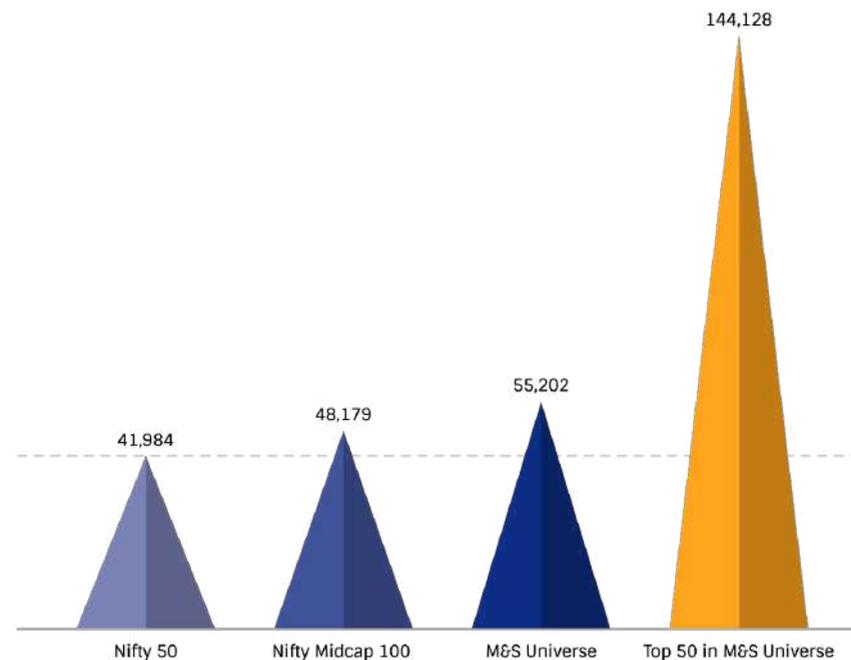
Highlighted stocks are / have been a part of the Sundaram Alternates portfolio

Why Mid & Small caps?

Small & Mid caps are often undervalued



Growth of ₹10,000 between 2010-22



Common threads of success for Small & Mid Caps -



- Being part of the emerging economic and sectoral trends
- Management with focus on both growth and capital efficiency
- Excellent improvement in financial metrics

High standards of corporate governance



Mid & Small Caps shine -

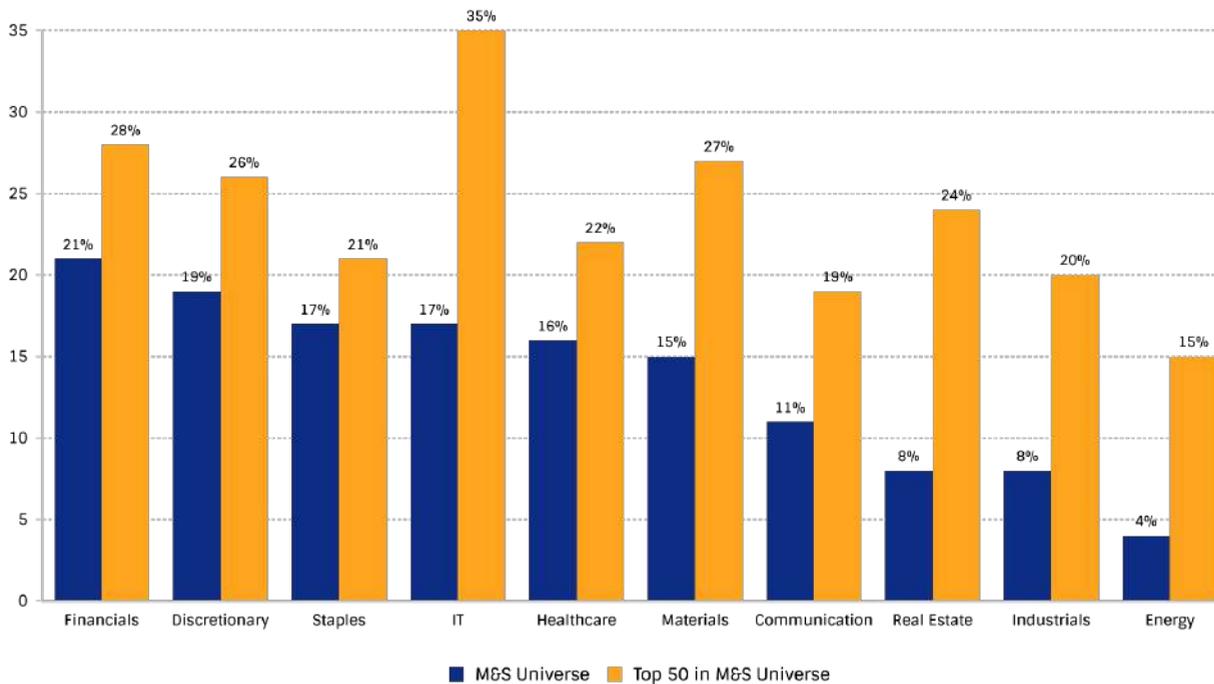
- M&S Universe has provided an alpha of **2.6% over Nifty** between 2010-12
- Of the wealth generated by the M&S Universe, **~77%** was from the **Top 50 stocks**

Note: M&S Universe comprises of BSE 500 Index as on 2010, less delisted stocks, less stocks with market cap greater than ₹10,000 Crore

Source: Bloomberg

Top 50 stocks in the M&S universe

CAGR Growth of sectoral allocations between 2010-22



1

Top 50 stocks have multiplied **11x** between 2010-22

2

Financial, discretionary, and materials were the **top-performing** sectors

3

Factors promoting growth in Top 50 - better ROCE and impressive cash generation and consistency in earnings



SUNDARAM ALTERNATES
UNEARTHING OPPORTUNITIES

05

Capitalising on the Mid and Smallcap opportunities



Long-term value creation



SELF Sundaram Emerging Leadership Fund



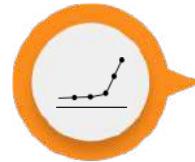
Long track record of performance of over **12 years**, across **3 market cycles**



Disciplined stock selection process through our **3Q selection criteria**



Focus on **alpha generation**, while consistently **beating the benchmark**



Identifying **long term trends and invest early** in them



Concentrated bet on small number of good mid and small cap businesses



Investing in companies whose **management commits to growth**



Leverage our strengths in **identifying quality mid & small cap equities**



Wealth multiplication by growing our **AUM over 8 times since inception**

SELF Highlights

1

Launch: Jun 2010
Performance track record of 12+ years

2

Multi-sector portfolio of 25 stocks,
with market-cap less than ₹500 billion

3

Healthy mix of compounder and
cyclical stocks identified through a
robust selection criteria

3Q selection criteria

Quality of Business

- Scalability – How big is the opportunity?
- Self Sustaining business models – 3Q Financial framework
- Strong differentiating factor in business
 - What is the key competitive advantage:
 - Is it cost competitiveness, a superior brand leading to higher pricing power or pure execution?

Quality of Financials

- Ability to double earnings in 4-5 years
- Growth = Reinvested Cash x RoIC
- Businesses with min. ROIC of 15%
- Higher cash generation leads to higher reinvestment: $OCF / EBITDA > 50\%$
- Debt to Equity: $< 0.5x$ – low debt helps navigate business tough times

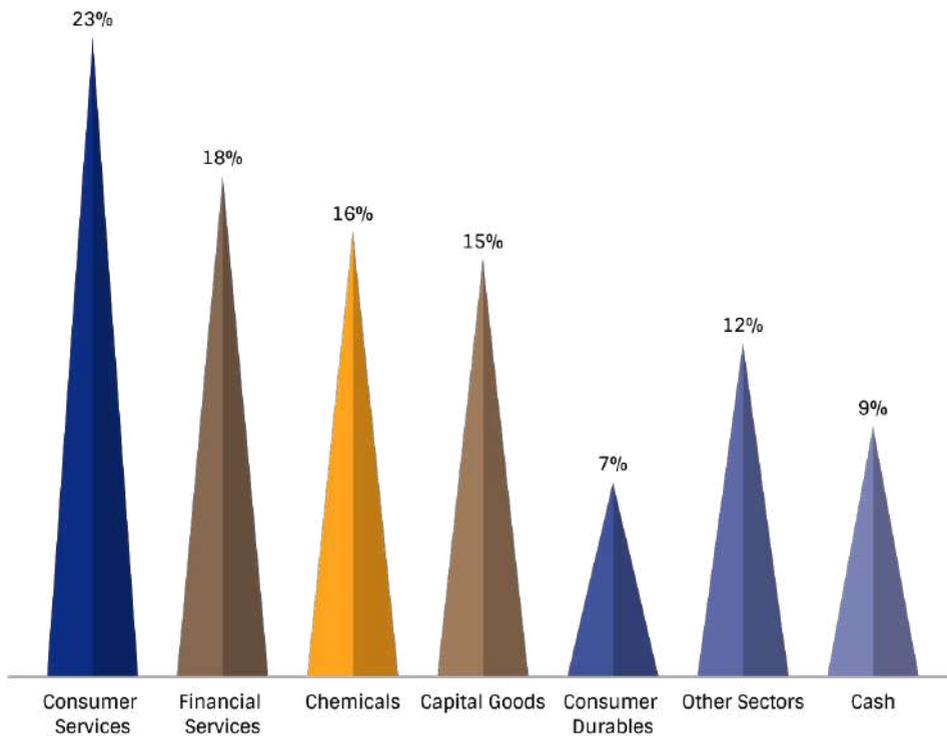
Quality of Management

- Past execution track record
- Vision of management
- High sustainable growth
- Past record of identifying and investing in profitable opportunities
- Good corporate governance track record

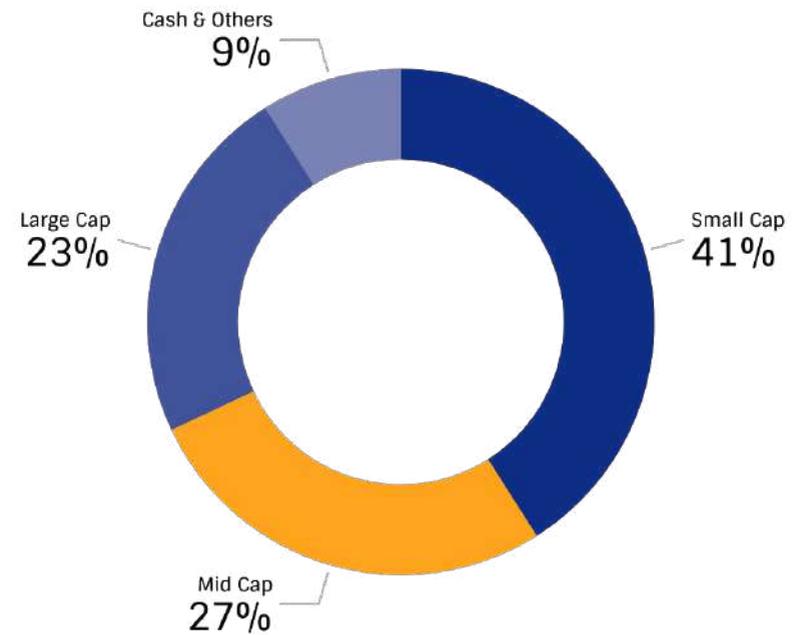


Capital allocation undertaken by the fund

Sectoral allocation of the fund



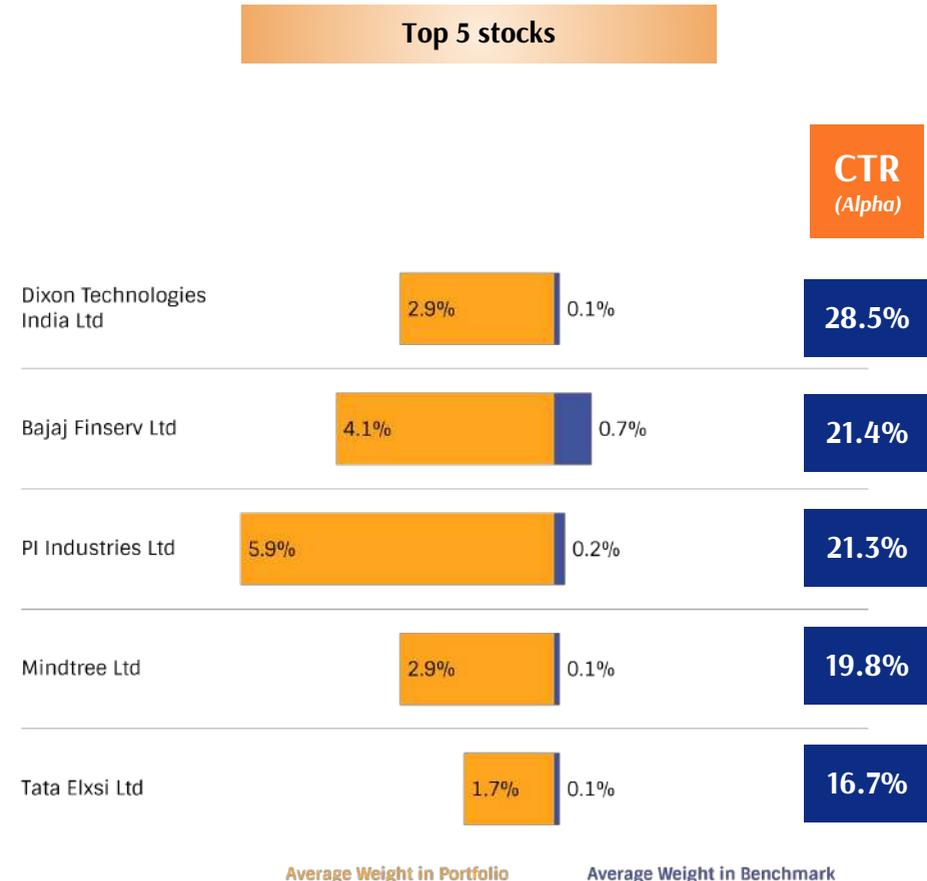
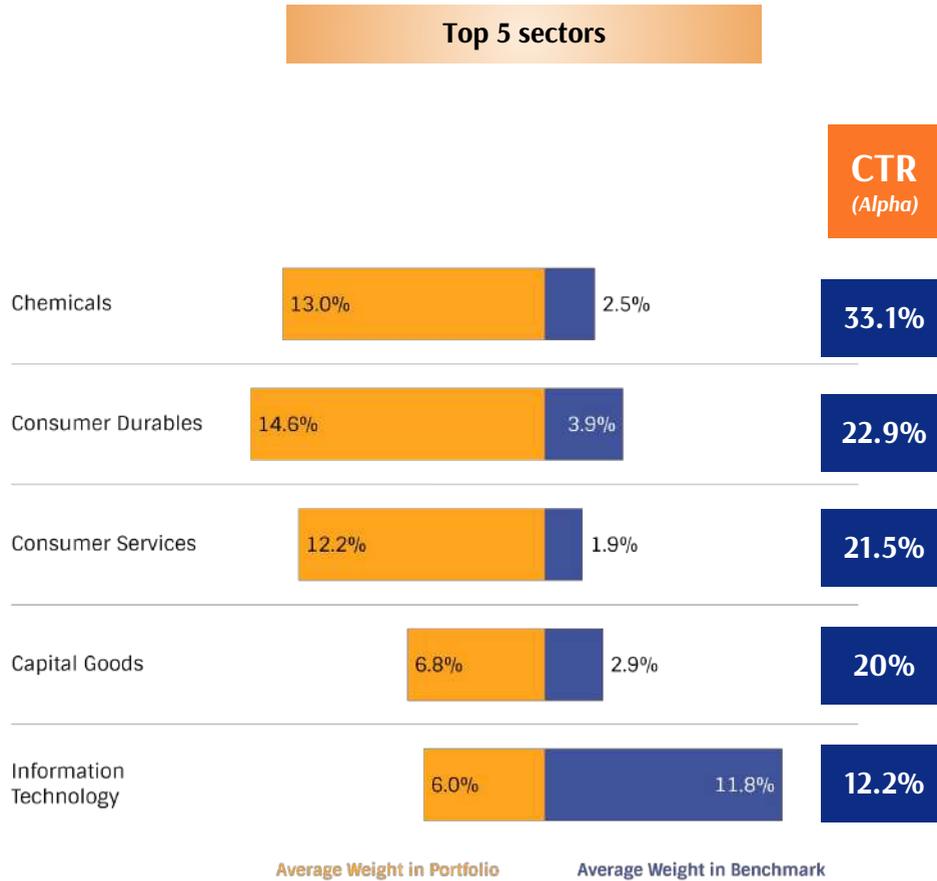
Cap curve mix of the fund



Source : In-house analysis & Bloomberg

Data as on Aug 31, 2023. Portfolio information (i.e. market cap, sector allocation etc.) is at a model client's level.

5-year Contribution to Return (CTR)



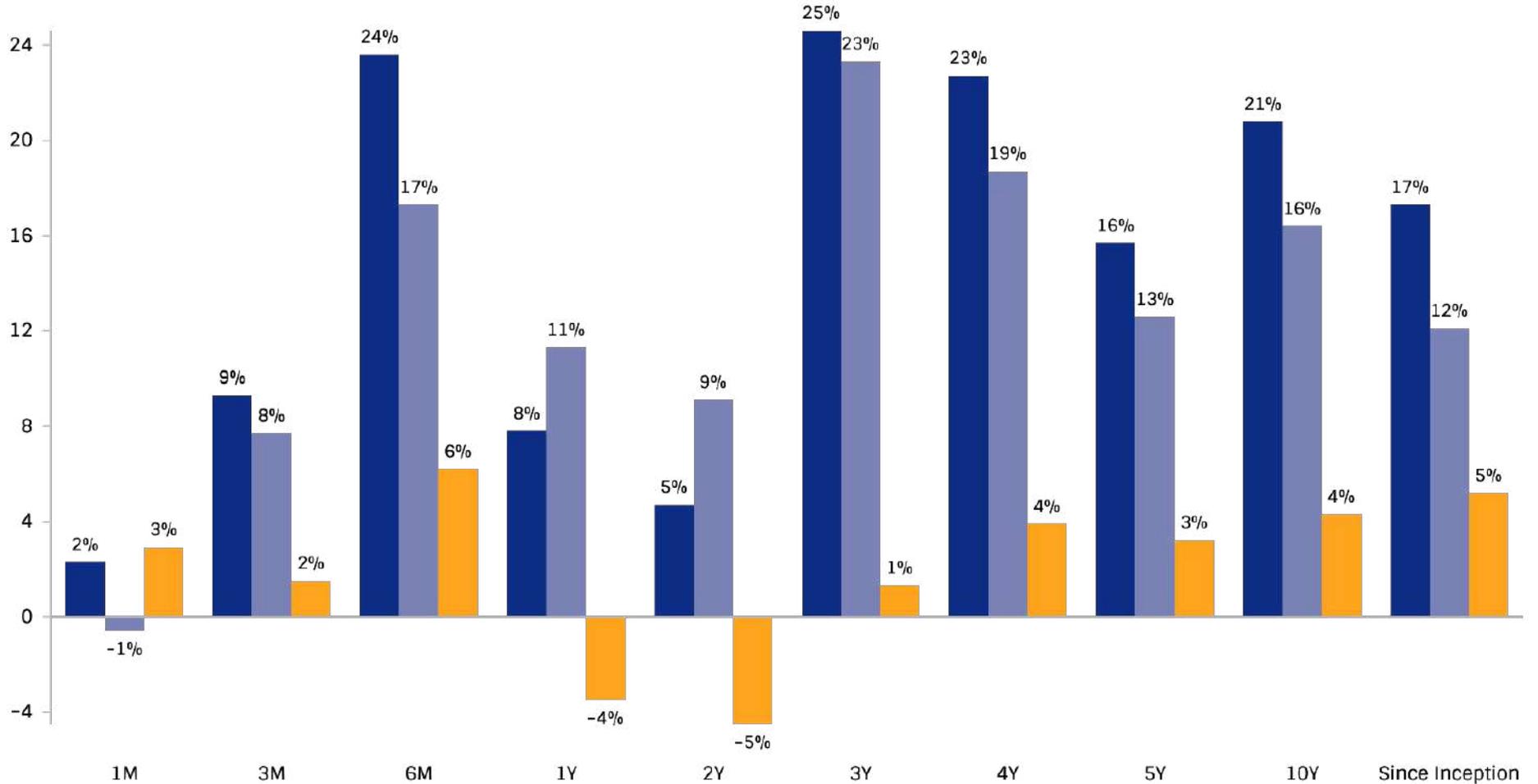
Performance as of Aug 31, 2023. . Portfolio information is at model client's level. Past Performance may or may not be sustained in future.

Source: Bloomberg and in-house analysis

Bloomberg Attribution Analysis IISL Classification. Performance is gross of fees, taxes and expenses.

Consistent performance since inception

■ Strategy ■ Benchmark (S&P BSE 500 TRI) ■ Excess returns

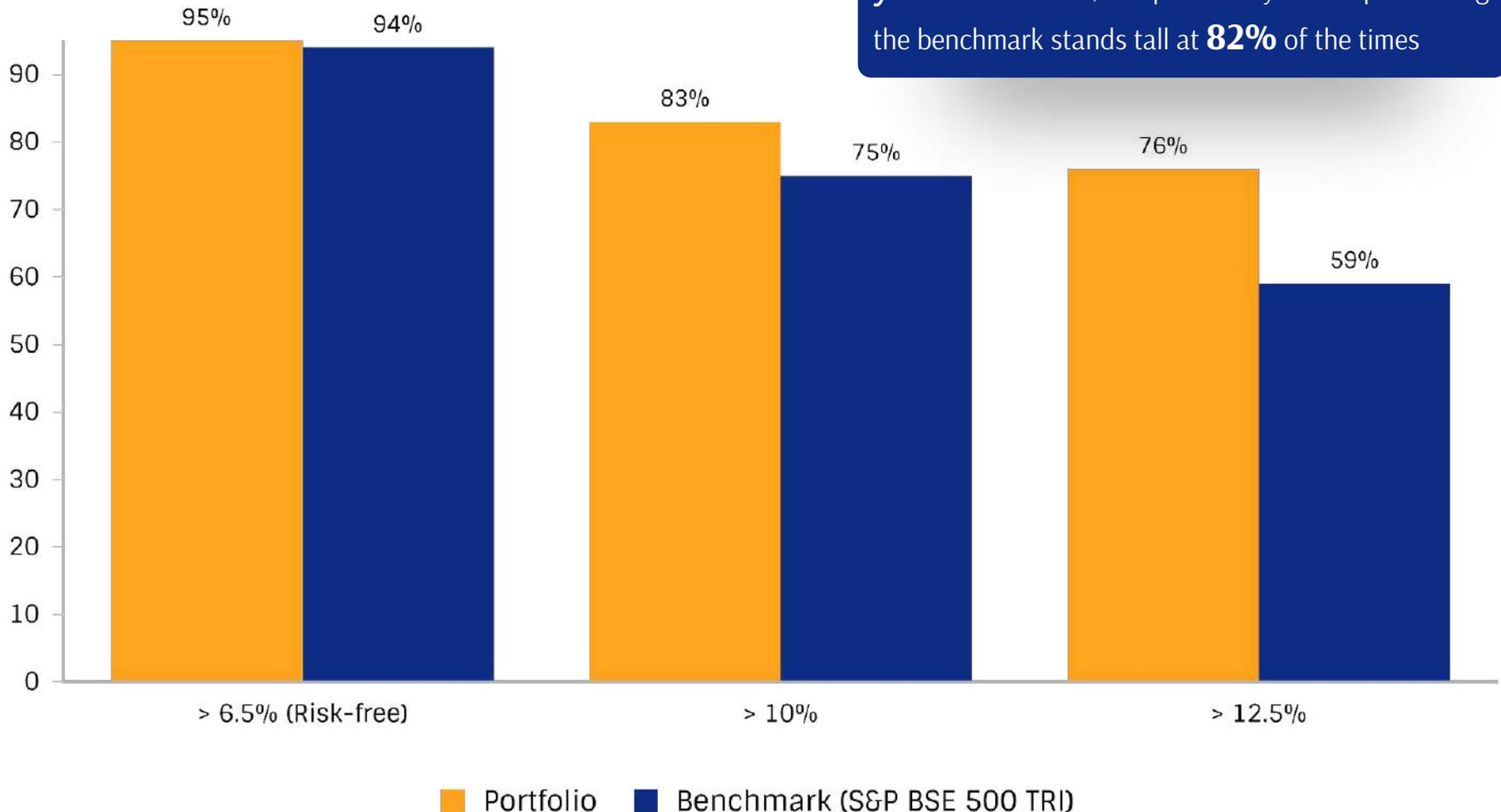


Peer performance is available under the following link of Association of Portfolio Managers in India (APMI): <https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu>
Performance as of August 31, 2023. Returns for time period less than 1 year are absolute. Performance is at aggregate portfolio level on TWRR basis. Past performance may or may not be sustained in future.

Source : In-house analysis

5-year Rolling CAGR (Since inception)

If an investor had invested with us and stayed for **5 years or more**, the probability of outperforming the benchmark stands tall at **82%** of the times



Performance as of Aug 31, 2023. . Portfolio information is at model client's level. Past Performance may or may not be sustained in future.

Source: Bloomberg and in-house analysis

Bloomberg Attribution Analysis IISL Classification. Performance is gross of fees, taxes and expenses.



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06

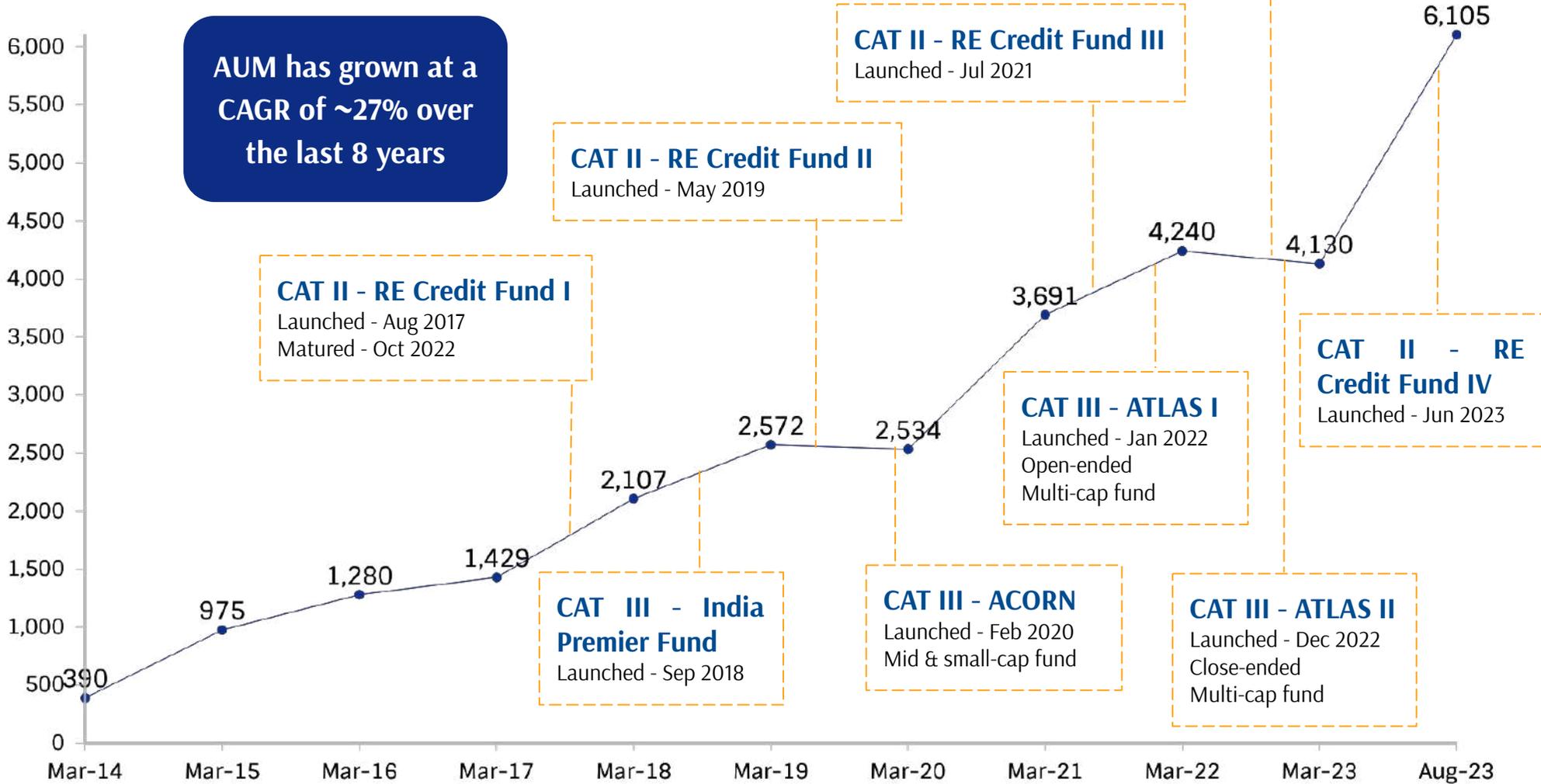
Sundaram Alternates - Kings of Mid & Small Caps





**Sundaram Alternates AUM growth
(INR crore)**

**AUM has grown at a
CAGR of ~27% over
the last 8 years**



Source - Sundaram Alternates
Data as on Aug 31, 2023. Past performance may or may not be sustained in the future.

Fund Management



VIKAAS M SACHDEVA

Managing Director

- Vikaas M Sachdeva Managing Director, Sundaram Alternates Vikaas is an industry veteran with over three decades of experience.
- In the course of his career, he has held several influential and senior management positions across marquee financial service organizations viz. Edelweiss Asset Management, Enam Asset Management, Birla Sun Life AMC Ltd., and ING Investment Management.
- He has a broad range of interests across functions like sales, distribution, marketing, Investment banking, product, and customer service.
- Vikaas was erstwhile member of the Mutual Fund Advisory Committee (MFAC) and Association of Mutual Funds of India (AMFI). He's a jury member for the India Fintech Forum



MADANAGOPAL RAMU

Fund Manager & Head, Equity

- Comes with rich 16-year capital market stint from an analyst to head of research to fund manager & Head of Equity for last 6 years.
- Astute business understanding across sectors, strong affinity for number crunching, qualified cost accountant and management degree from BIM Trichy.
- Sundaram Emerging Leadership Fund (S.E.L.F.) ranked 2nd among Best Funds in the Mid and Small cap space at the India's Smart Money Manager Awards 2021.
- SISOP and PACE earned 4 and 3 stars respectively in the Multi Cap category, and S.E.L.F. received 3 stars in Small & Mid Cap category in PMS Bazaar's PMS Rankings FY 20-21, powered by CRISIL.



PRASHANT N KUTTY

Assistant Fund Manager

- Over 15 years equity research experience and actively managing funds for last 1 year.
- Worked with top tier capital market companies like HDFC Securities, Standard chartered securities and Emkay securities before 6-year current stint in Sundaram Mutual Fund.
- Closely tracked Consumption sector for over 10 years; has special affinity in identifying mid and small cap stocks.
- Astute business acumen understanding across sectors & likes playing with numbers, he holds an MBA from BVIMSR, Mumbai University.



SUNDARAM ALTERNATES - VOYAGER

Awarded



PMSBAZAAR CATEGORY - MULTI CAP FUNDS



SUNDARAM ALTERNATES - SELF

Awarded



PMSBAZAAR CATEGORY - SMALL AND MIDCAP FUNDS



SUNDARAM ALTERNATES - SISOP

Awarded



PMSBAZAAR CATEGORY - MULTI CAP FUNDS



SUNDARAM ALTERNATES - RISING STARS

Awarded



PMSBAZAAR CATEGORY - SMALL AND MIDCAP FUNDS

Disclaimer

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UNEARTHING OPPORTUNITIES

THANK YOU

**We look forward to scaling
new peaks with you**