



**Focused and Disciplined**

THE ZEN OF INVESTING

- Why India?
- Value Investing
- Value Strategy
- Performance

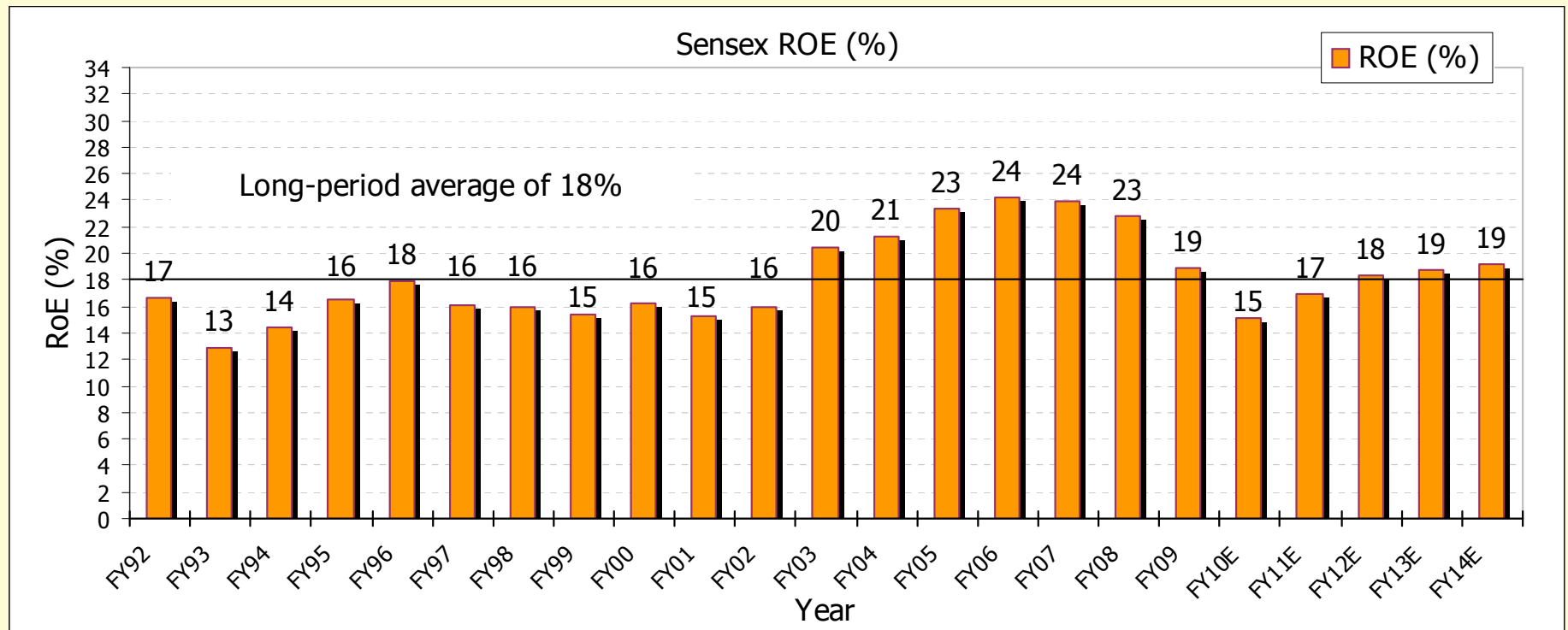
## Why India?

- India commands Premium Valuation
  - India - Growth Unlimited
  - New Cycle of Earnings Growth
- Sector wise PAT CAGR FY10 - FY14

# India commands Premium Valuation

India can remain a preferred destination for global investments. The following factors that favor India in the global market.

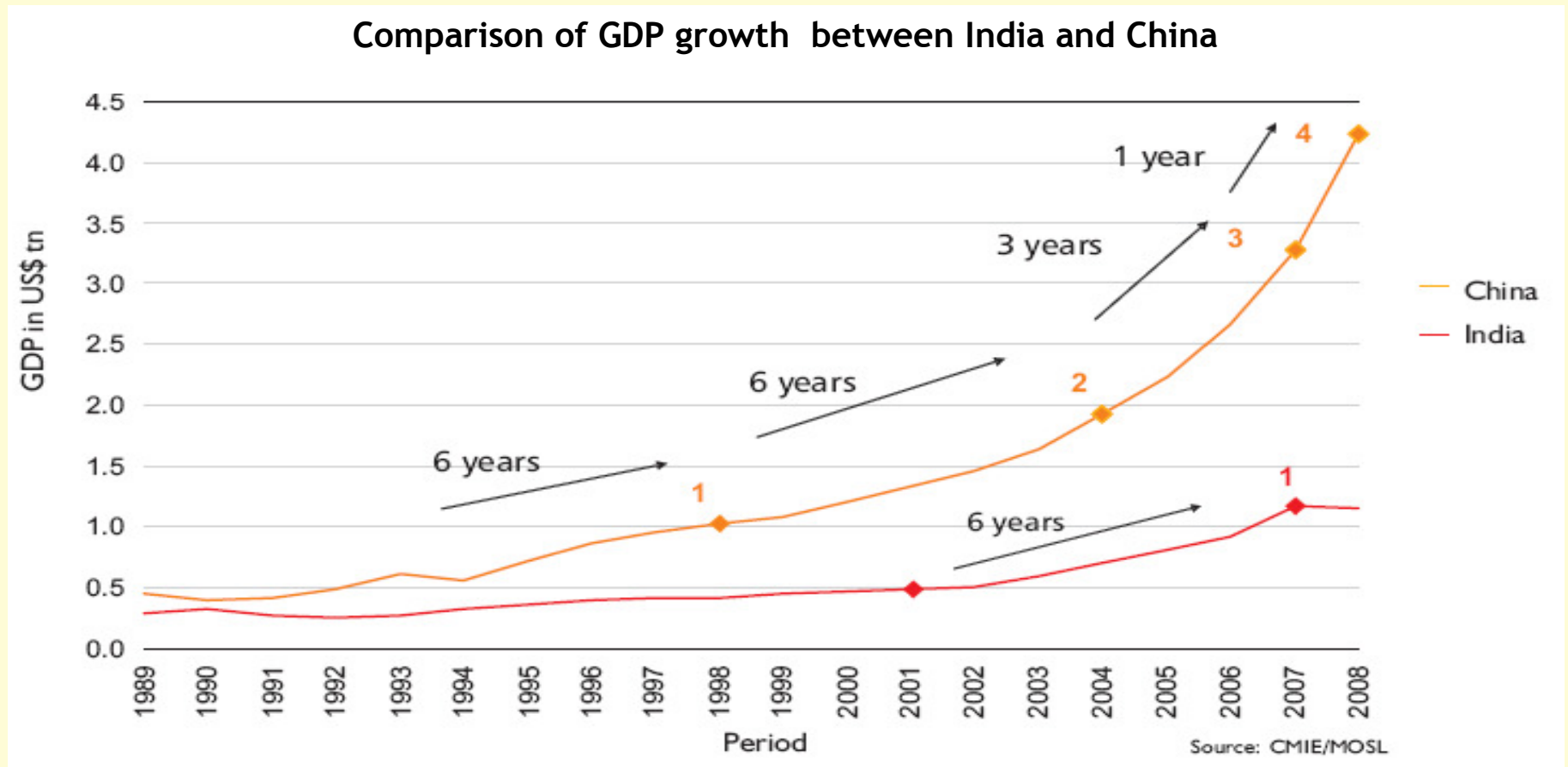
- Strong macroeconomic resilience : Even in the midst of global slowdown in the last two years, India sustained 6.5-7% real GDP growth.
- Stable political regime: The UPA government has been re-elected in 2009 with a comfortable majority, and will hold office for at least another four years.
- Key reforms ahead: These include the Goods & Services Tax, Direct Tax Code, oil sector reforms
- High quality earnings growth: The bottom-up earnings estimates for the Sensex suggest earnings CAGR of 23% over FY10-14, with RoE expanding from 15% in FY10 to 19% by FY14. We expect Sensex RoE to bottom out in FY10 and cross the long period average of 18% by FY12.



# India - Growth Unlimited

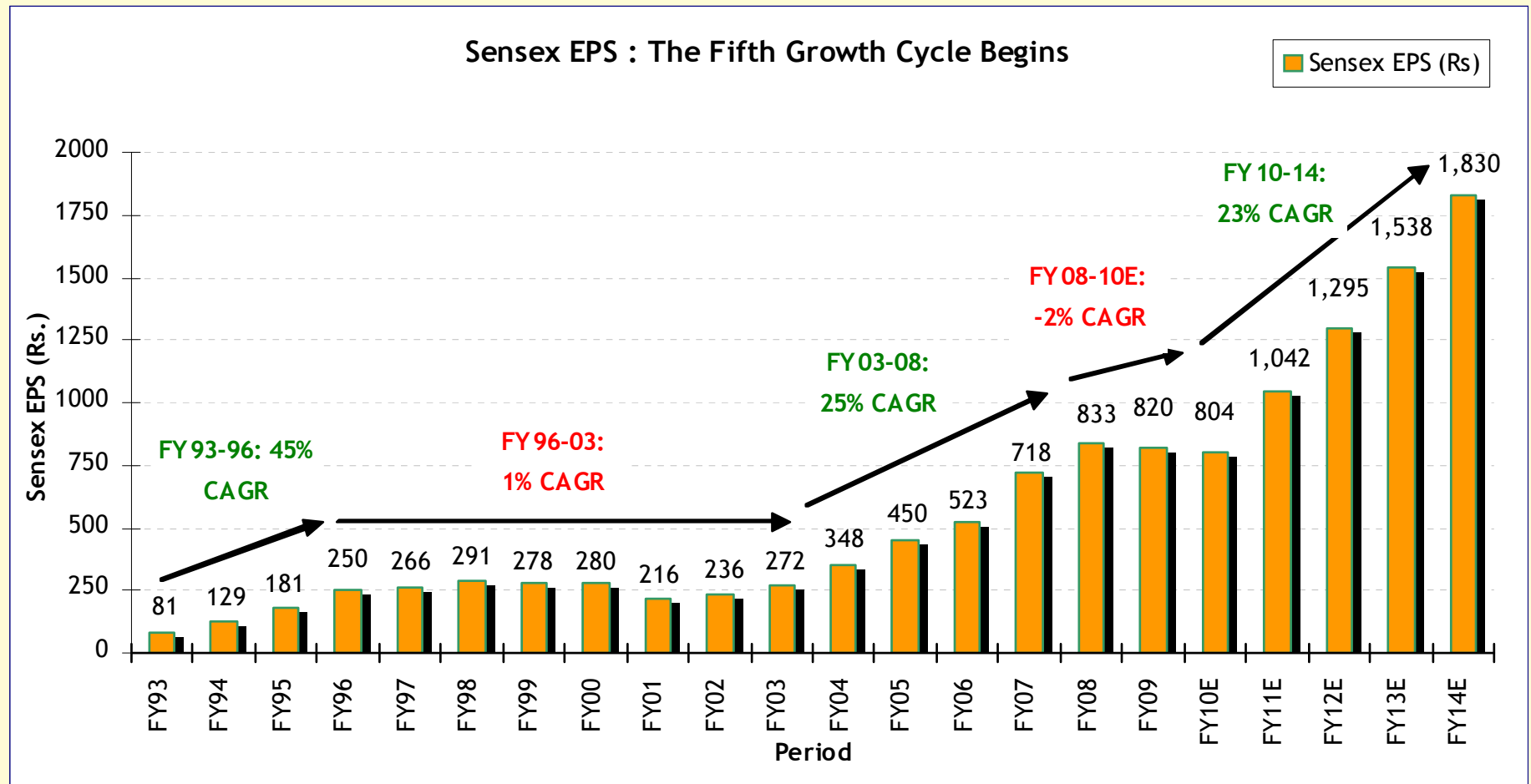
**INDIA** - One of the fastest growing economies today is poised to follow China's growth pattern

- 60 years for first US\$ 1 trillion of GDP
- 6 years to become US\$ 2 trillion GDP



# New Cycle of Earnings Growth

The chart below indicates the expected Earnings Per Share (EPS) growth from FY10 -FY14.



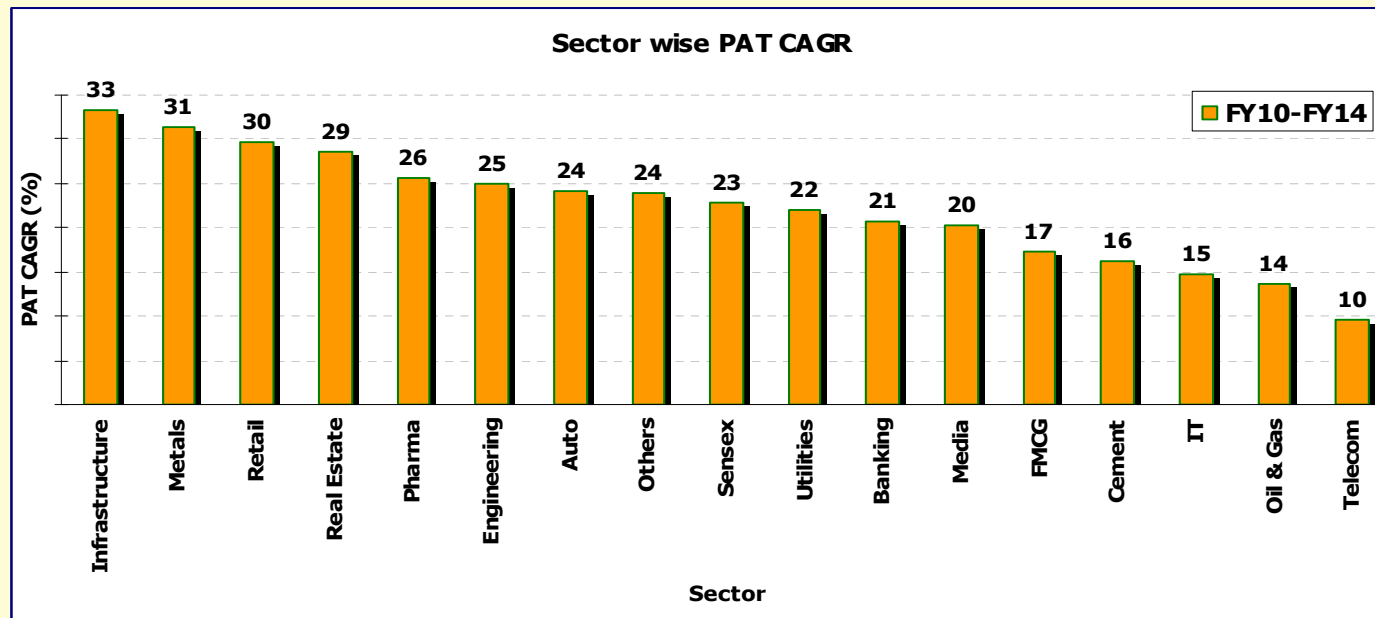
Source: MOSL

## Sector wise PAT CAGR

Sensex earnings is expected to grow at 23% CAGR over FY10-14. Some examples of key stimulants across sectors that would fuel such high growth have been given below.

- Infrastructure - Planned investment in key sectors like Power, Roads, Telecom, Railways, Irrigation (cumulatively account for 85% of target investment in 11th plan) are higher by 100-200%, v/s the 10th plan.
- IT- India's IT industry is staring at a potential offshore opportunity of US\$500b as against current IT exports of US\$47b.
- Auto - In Autos, strong volume growth is likely to continue in both two-wheelers and passenger cars
- Pharma - Increasing affordability, health awareness, increasing insurance penetration and higher incidence of life-style diseases will be the key growth driver for the healthcare industry in India.

The chart below illustrates the sector - wise Profit After Tax (PAT) compounded annual growth rate (CAGR) from FY10-FY14



Source: MOSL

# Value Investing

- Wealth Creator- Value Investing
  - Buy & Hold Philosophy
  - Value Philosophy



# Wealth Creator- Value Investing



- A business is prudently picked for investment after a thorough study of its underlying hidden long-term potential.
- Value investment, in simple terms, means buying a stock, or indeed a business, at less than its intrinsic value.
- Value Investment involves determining the Intrinsic value of a stock, and investing in it if the difference between the value and the stock price provides a sufficient Margin of Safety.

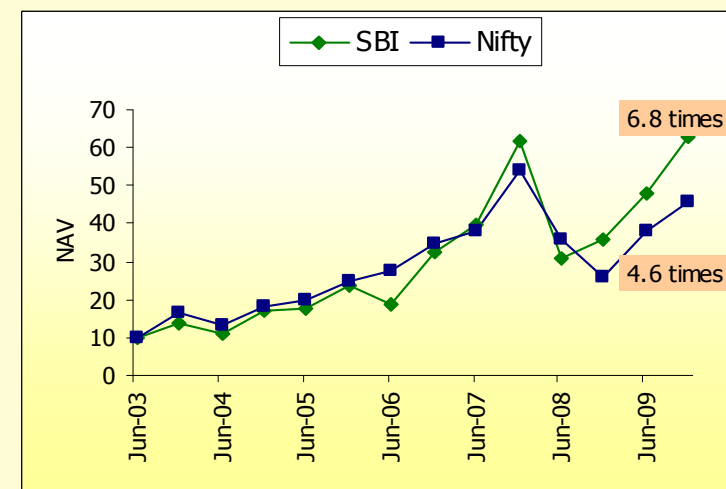
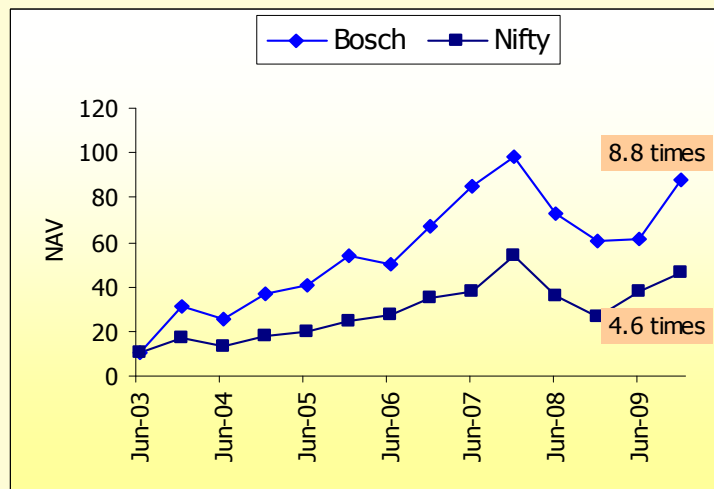
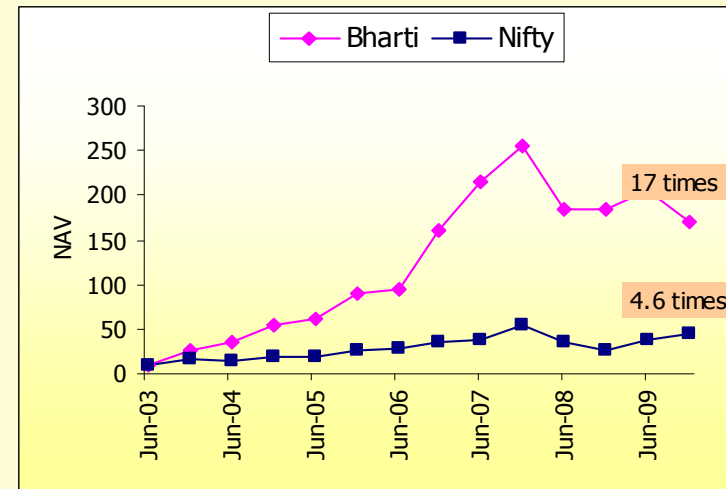
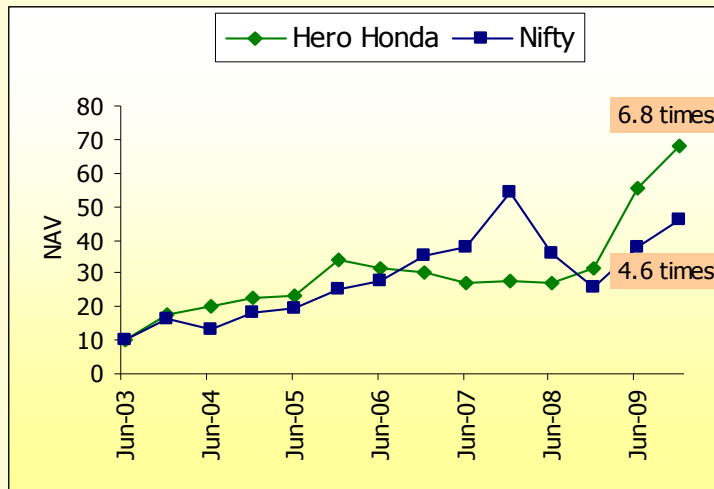
Stock	Purchase Date	Adjusted Purchase Price *	Current Market Price	%Growth
			30-Apr-10	
Bharti Limited	Jul-03	19.59	298.55	1424%
Bosch Limited	Jun-03	497.00	4867.40	879%
State Bank Of India	Jun-03	360.00	2300.00	539%
Glaxo Smithkline Pharmaceutical Limited	Oct-04	440.00	1912.95	335%
Hero Honda Limited	Jun-03	253.65	1915.40	655%

Source: MOSL

Please Note: These stocks are a part of Value PMS strategy as on 30<sup>th</sup> April 2010. These Stocks may or may not be bought for new clients. Past performance may or may not be sustained in future. The strategy may or may not have any present or future position in these stocks. The companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOSL. \* Prices adjusted after bonus / splits.

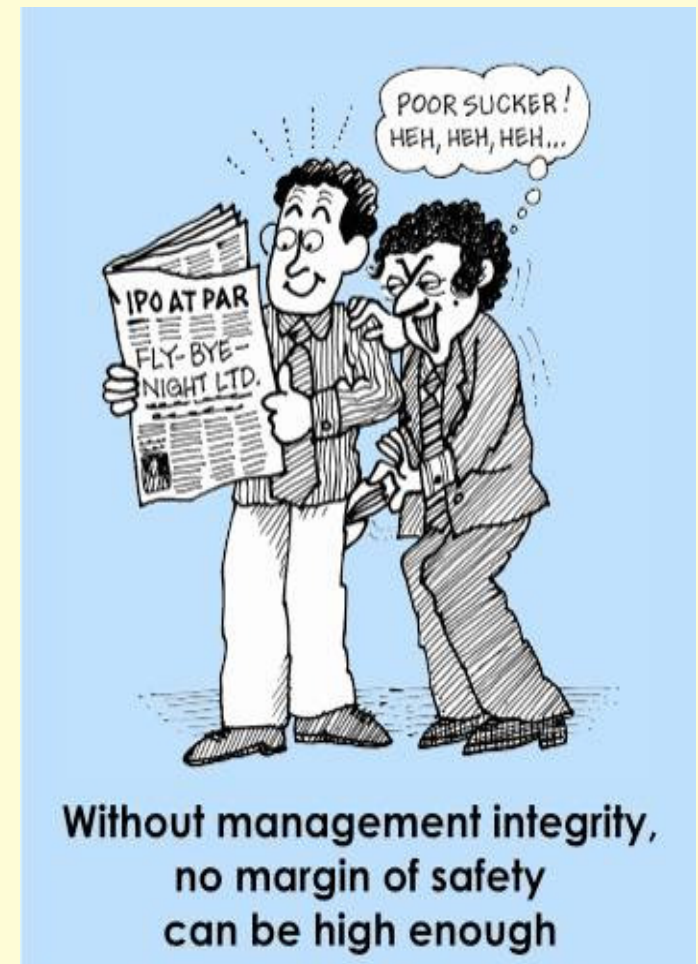
# Buy & Hold Philosophy

- BUY & HOLD strategy, leading to very low churn, lower costs and enhanced returns



As on 31<sup>st</sup> March 2010 Source: MOSL

- Focus on Return on Net Worth
  - Companies which are likely to earn 20-25 % on its net worth going forward.
- Margin of safety
  - To purchase a piece of great business at a fraction of its true value.
- Balance between growth and value
  - The focus is on buying undervalued companies
  - Buying stable earnings / cash flows in reasonably priced assets



## ● Long-term investment View

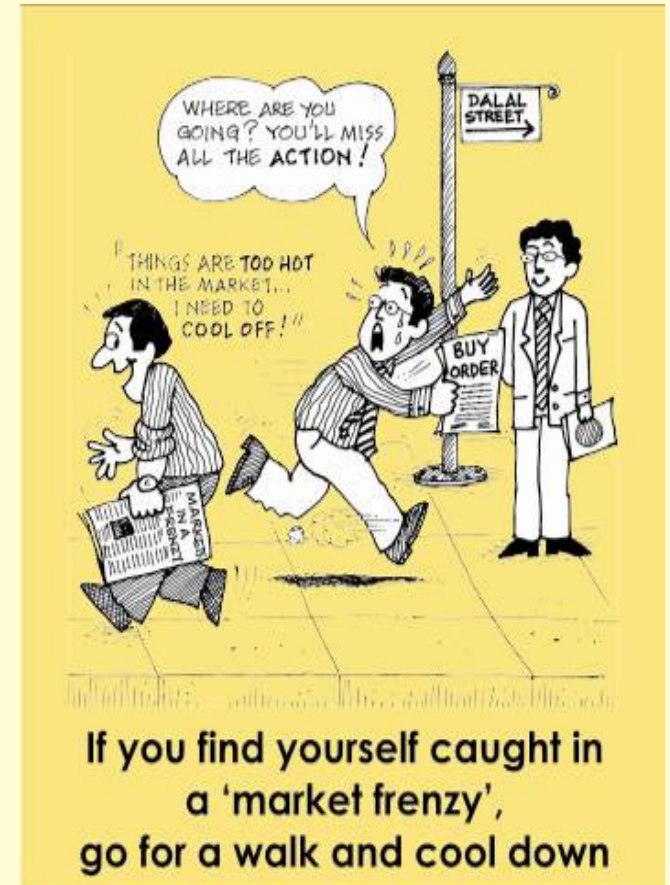
- Strongly believe that “Money is made by investing for the long term”

## ● Bottom Up Approach

- To identify potential long-term wealth creators by focusing on individual companies and their management bandwidth.

## ● Focused Strategy Construct

- The strategy should not consist of more than 15-20 stocks



# Value Strategy

- Strategy Objective
  - Investment Style & Timing
  - Maximum Buy Price Discipline
  - Risk-Return Matrix
- Strategy Construct
  - Model Holding
    - Key Risks
    - Key Profiles
  - Fund Structure





- The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation

# Investment Style & Timing

- Buy undervalued stock and sell overvalued stock, irrespective of Index movements.
- The below mentioned table gives the performance of the Value Strategy after exiting from the certain stocks

Scrip Name	Buy Date	Buy Price	Sell Date	Sell Price	Current Market Price*	Scrip Returns post selling	Value Returns post selling	Nifty Returns post selling
Balkrishna Industries	14-Jan-04	182.10	31-Aug-05	846.60	611.80	-6.54%	19%	18%
BHEL	23-Jun-03	273.98	26-Mar-07	2,243.11	2,492.25	3.46%	17%	11%
Siemens	17-Nov-03	133.53	24-Nov-06	1,188.91	711.90	-13.63%	13%	8%
Ranbaxy	06-Nov-07	442.02	11-Jun-08	570.65	443.30	-20.51%	28%	14%
DLF	06-Jul-07	576.18	10-Jul-08	458.55	310.70	-18.52%	20%	13%

\* as on 30th April 2010

Source: MOSL

Please Note: These stocks are a part of Value PMS strategy as on 30<sup>th</sup> April 2010. These Stocks may or may not be bought for new clients. Past performance may or may not be sustained in future. The strategy may or may not have any present or future position in these stocks. The companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOSL..

# Maximum Buying Price (MBP) Discipline

Snapshot of the Account Performance Statement of a Client who has invested in the Value Strategy at peak market levels

The tables show that the client's investment in Value Strategy at the peak (i.e. 21000) index levels has generated a positive return of 3.08% vs a negative return of -13.87% for Nifty. This is a result of following the strict discipline of Stock MBP without market timing.

Account Performance Statement From 10-Jan-08 To 30-Apr-10		
Strategy Name: Value Strategy		
Corpus Detail		
Activation Date		10-Jan-08
Initial Investment		2,900,000.00
Additions		100,000.00
Withdrawals		0.00
Net		3,000,000.00
Current Strategy Value		3,092,401.00
Total Gain		92,401.00
Asset Allocation		
Asset Class	Market Value	%
Equity	3,025,166.00	97.83
Debt	0.00	0.00
Mutual Funds	0.00	0.00
Derivatives	0.00	0.00
Cash & Cash Equivalent	67,235.00	2.17
Total	3,092,401.00	100.00

Performance Analysis				
Returns %	Above Period	Last 1 Year	Since Inception	
	Weighted	Weighted	Weighted	Annualised
Strategy	3.08	58.54	3.08	1.33
BSE Sensex	-14.35	54.02	-14.35	-6.50
S&P CNX Nifty	-13.87	51.97	-13.87	-6.28

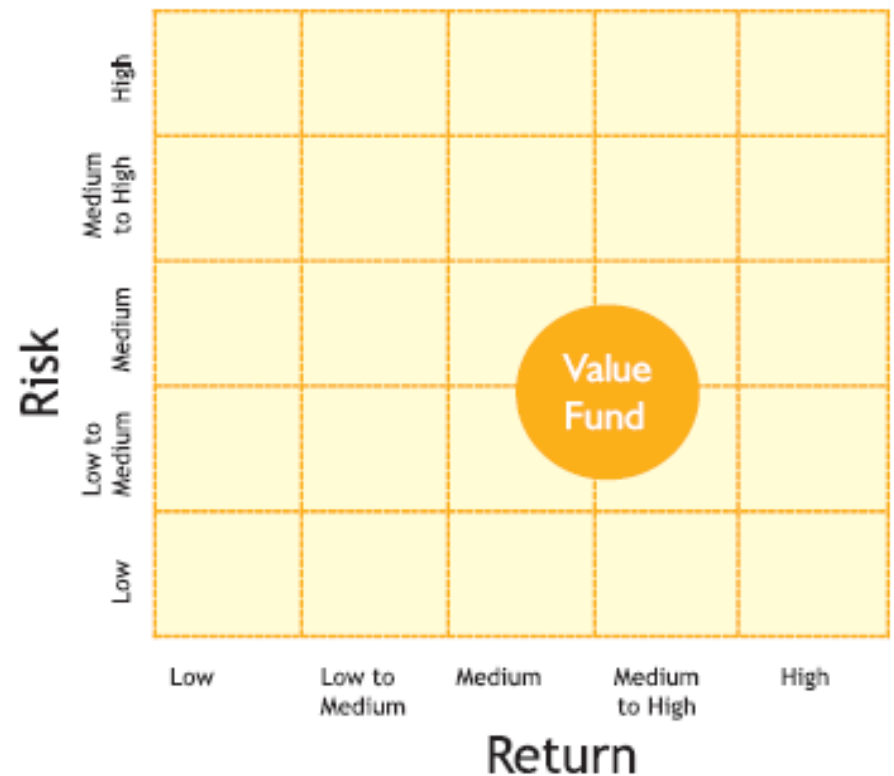
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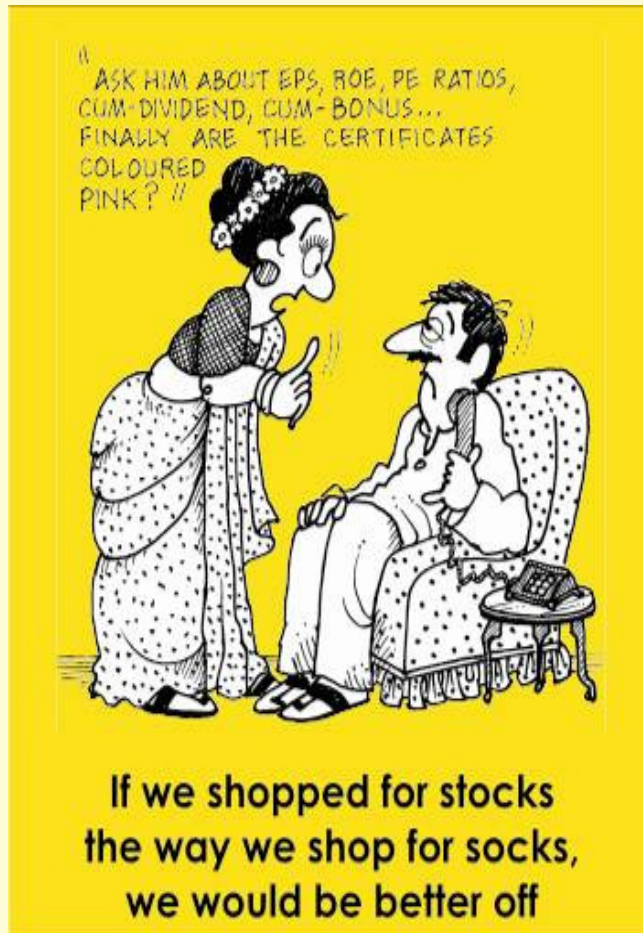
Source: MOSL-PMS



# Risk-Return Matrix

- Investment Horizon:
  - Medium to Long Term
  - (3 Years +)
- For Whom:
  - Investors who like to invest with a Long-term wealth creation view.





- Allocations - Market capitalization
  - Large Caps : 65 % - 100%
  - Mid Caps: 0% - 35%
- No. of Stock
  - 15-20 stocks for a portfolio
- Scrip Allocation
  - Not more than 10% -12% in a single stock
- Sector Allocation Limit
  - 25-30% in a sector

## Top Sector

Sector Allocation	% Allocation ^
Banking & Finance	23.11
Auto & Auto Ancillaries	15.55
Engineering & Electricals	15.43
Technology	10.92
Oil and Gas	9.93
FMCG	7.65
Pharmaceuticals	6.11
Telecom	5.35

## Top Holdings

Scrip Name	% Allocation ^
Hero Honda Motors Ltd.	12.12
Infosys Technologies Ltd.	10.92
State Bank Of India	9.48
HDFC Bank Ltd.	9.16
Nestle India Ltd.	7.65
Bharat Electronics Ltd.	6.82
GlaxoSmithkline Pharmaceuticals Ltd.	6.11
Indian Oil Corporation Ltd.	5.65
Bharti Airtel Ltd.	5.35
Larsen & Toubro Ltd.	5.31

Source: MOSL

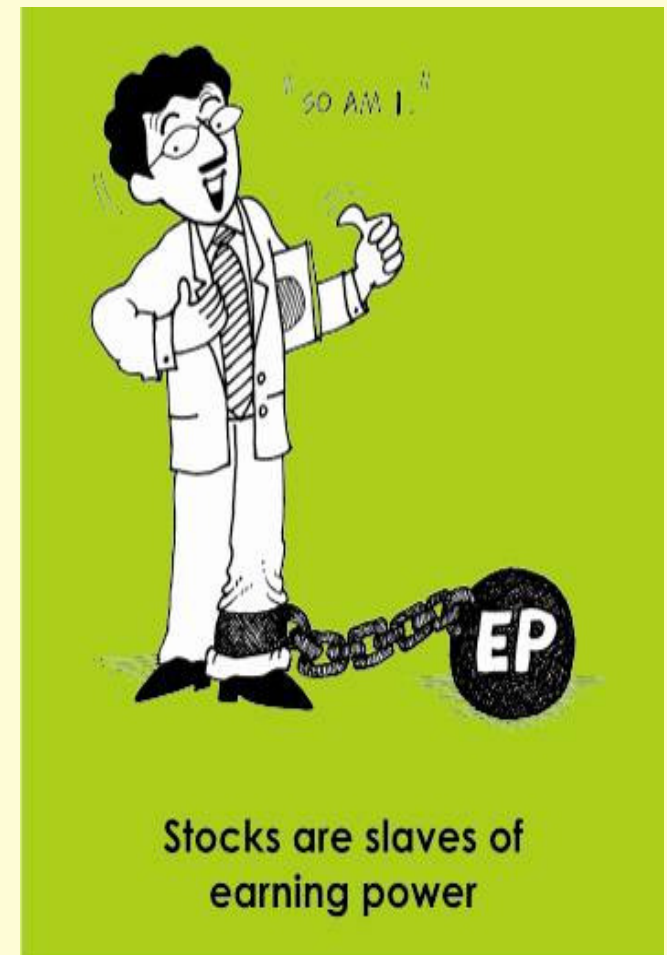
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- Purchase price discipline could lead to the portfolio not being fully invested
- Short- term underperformance
  - The buy and hold approach involves being patient with a stock based on its fundamentals and ignoring short term news flow. This could cause short term underperformance as the market very often overreacts to such news flow.

## Mr. Manish Sonthalia

- 15 Years Experience in Equity Research, Fund Management & Equity Sales.
- Qualifications - FCA, ICWAI, CS, MBA
- He has been Sr. Vice President - Equity Strategy for Motilal Oswal Securities Ltd

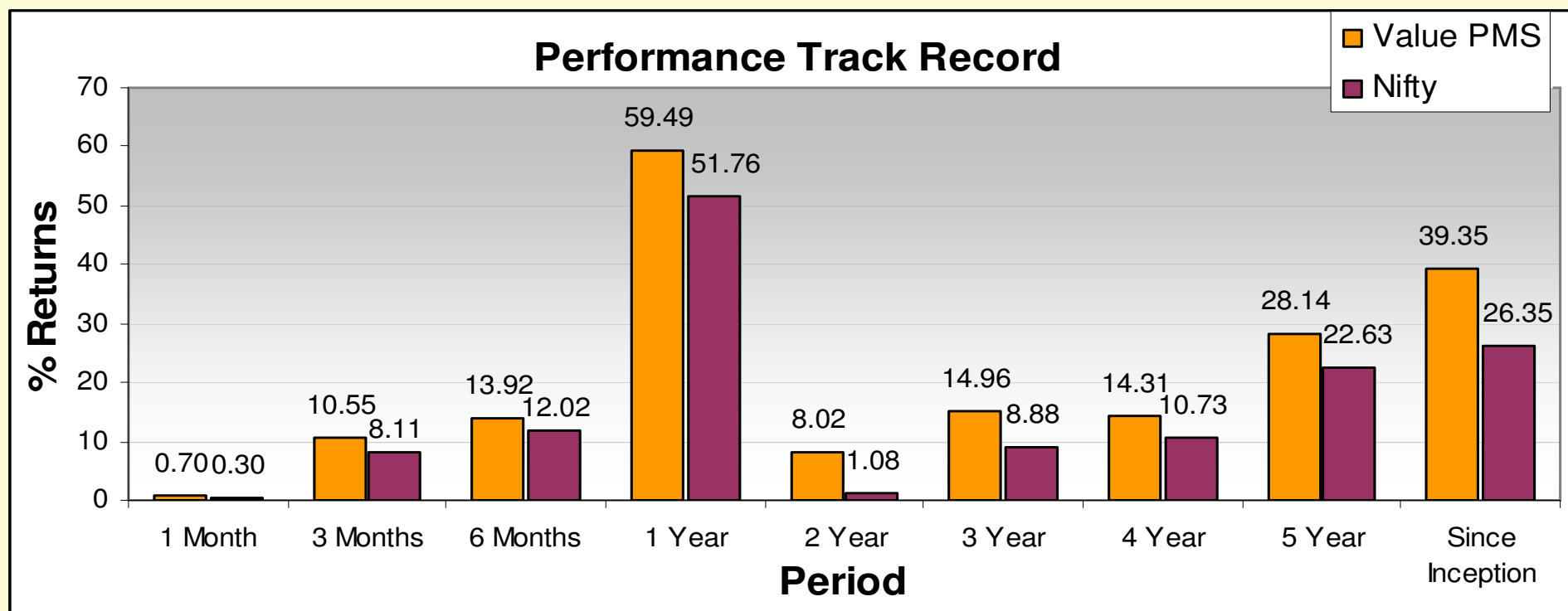


Mode of payment	By Fund Transfer/Cheque and/or Stock Transfer
Investment Horizon	Medium to Long Term (3 Years +)
Benchmark	S&P CNX Nifty Index
Account Activation	Next business day of Clearance of funds
Portfolio Valuation	Closing NSE market prices of the previous day
Operations	<ul style="list-style-type: none"> <li>• Investments managed on individual basis</li> <li>• Third party Custodian for funds and securities</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• Monthly Performance Statement</li> <li>• Transaction, Holding &amp; Corporate Action Reports</li> <li>• Annual CA certified statement of the Account</li> </ul>
Servicing	<ul style="list-style-type: none"> <li>• Dedicated Relationship Manager</li> <li>• Web access for portfolio tracking</li> </ul>

# Performance

- Performance Track Record
- NAV Performance Since Inception

# Performance Track Record



Portfolio Analysis					
Std Dev Portfolio (Ann)	31.23%	Beta with Nifty	81.33%	Jensen Alfa	572.00%
Std Dev Nifty	35.22%	Sharp ratio	1.22	Downside Deviation	1.10%
		Treynor Ratio	1.5	Sortino Ratio	89

Strategy Inception Date: 10/06/2003.

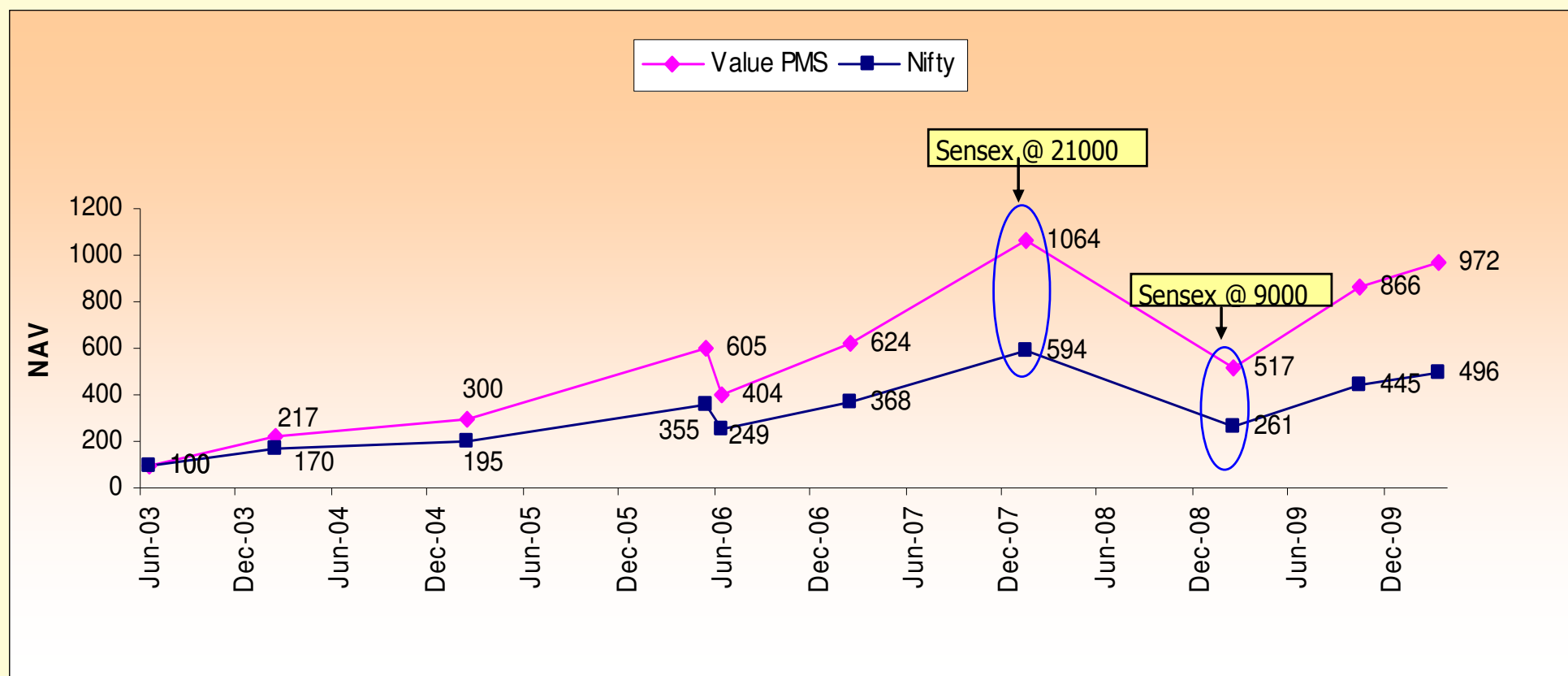
As on 30th April 2010

Please Note: The Above strategy returns are of a Model Client who is a part of existing Value Strategy. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized.



# Performance Since Inception

The chart below illustrates 1 crore invested in Value PMS in June 2003 is worth 9.72 crores as on 31<sup>st</sup> March 2010. For the same period 1 crore invested in Nifty is now worth 4.96 crores.



Strategy Inception Date: 10/06/2003.

Please Note: The Above strategy returns are of a Model Client who is a part of existing Value Strategy. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized.

# Performance Snapshot

From	To	Value PMS	Nifty	Outperformance over Nifty
09-Jun-2003	31-Mar-2004	106.79	68.42	38.37
01-Apr-2004	31-Mar-2005	39.71	11.87	27.84
01-Apr-2005	31-Mar-2006	96.59	64.56	32.03
01-Apr-2006	31-Mar-2007	5.15	12.31	-7.16
01-Apr-2007	31-Mar-2008	28.90	23.89	5.01
01-Apr-2008	31-Mar-2009	-29.94	-36.26	6.32
01-Apr-2009	31-Mar-2010	80.31	71.52	8.79

Strategy Inception Date: 10/06/2003.

Source: MOSL

Please Note: The Above strategy returns are of a Model Client who is a part of existing Value Strategy. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized.

Service Providers	
Custodian	IL&FS Securities Services Ltd
Fund Administrator	IL&FS Securities Services Ltd
Auditor	M/s. Aneel Lasod And Associates
Depository	Central Depository Services Ltd

Portfolio Manager Details	
Portfolio Manager	Motilal Oswal Securities Limited
SEBI Registration No. as Portfolio Manager	INP 000000670
Registered Office:	Motilal Oswal Securities Ltd. Palmspring Centre, 2 <sup>nd</sup> Floor, New Link Road, Malad (West), Mumbai - 400 064

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