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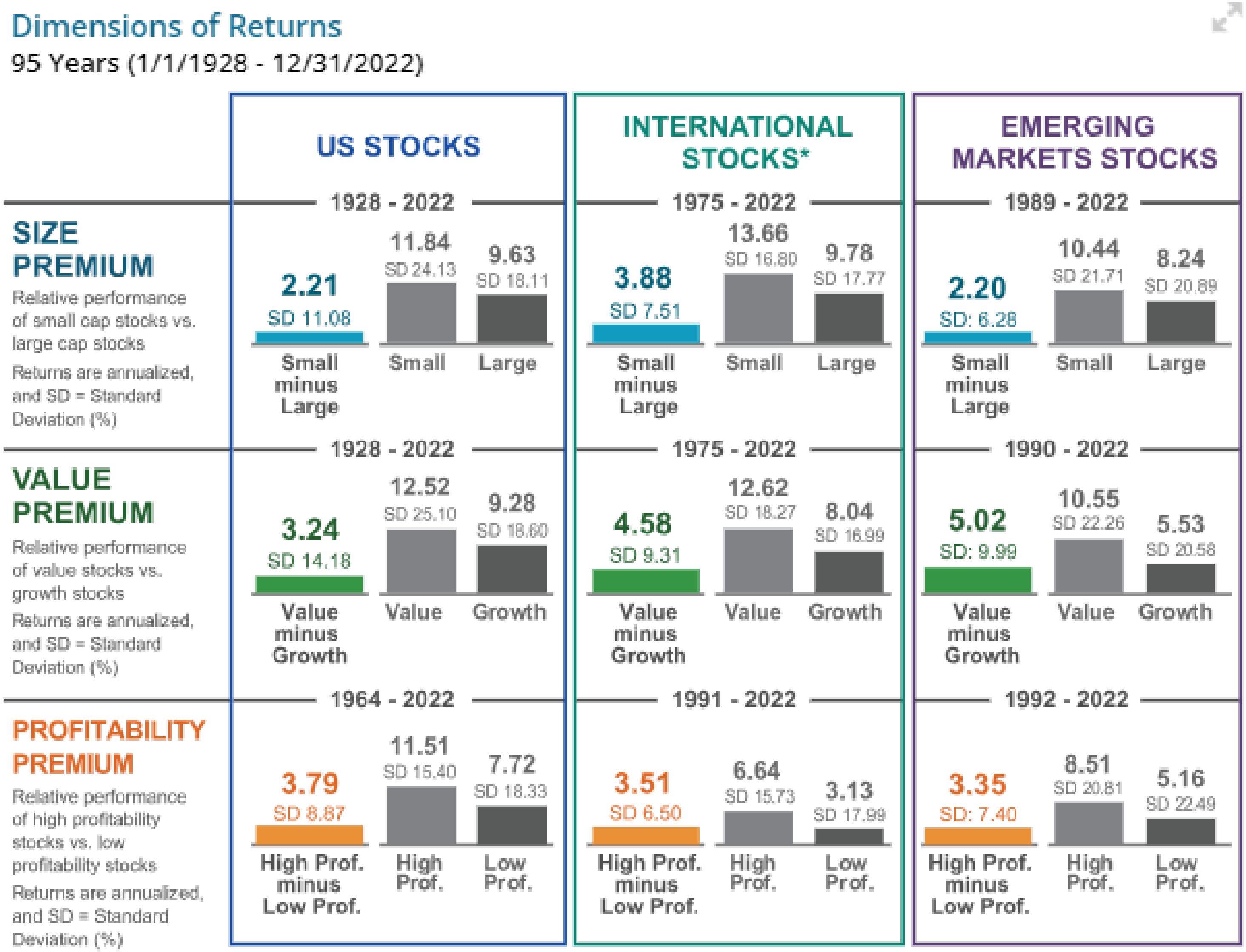
How to Construct Equity Portfolios

Different Investment styles have worked well in the long term across the world – Quality, Value, Size (Mid & Small cap)

Mid & Small caps



Source: Dimensional Fund Advisors via IFA

Global diversification spreads out risk and brings significant long term diversification benefits...

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
USA 21%	India 32%	USA 50%	India 28%	USA 6%	USA 14%	China 45%	USA 4%	USA 34%	China 33%	USA 29%	India -8%
World 13%	China 27%	World 44%	USA 16%	World 4%	World 11%	Asia 34%	World 0%	World 31%	Asia 28%	India 27%	Europe -15%
Europe 6%	Asia 26%	Europe 42%	China 11%	Europe 2%	Asia 8%	India 30%	India 0%	Europe 27%	USA 24%	World 24%	World -18%
Asia -1%	Europe 23%	China 17%	World 8%	India 0%	China 4%	Europe 19%	Asia -6%	China 26%	World 19%	Europe 19%	USA -20%
China -3%	World 20%	Asia 17%	Asia 8%	China -3%	Europe 3%	World 16%	Europe -6%	Asia 21%	India 11%	Asia -3%	Asia -21%
India -20%	USA 19%	India 15%	Europe -4%	Asia -5%	India -1%	USA 15%	China -11%	India 8%	Europe 9%	China -20%	China -22%

Source: Bloomberg, Mirae Asset MF. Based on MSCI country Indices. Asia excludes Japan. Returns in INR terms.

Diversification across investment styles…

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5 Finger Framework

FundsIndia's Unique Equity Portfolio Construction Strategy

3. Value/Contrarian Style

ICICI Pru Value Discovery Fund
Bandhan Sterling Value Fund

2. Global Exposure

Motilal Oswal Nasdaq 100 FOF
Motilal Oswal S&P 500 Index Fund

4. Quality Style

UTI Flexi Cap Fund
DSP Quant Fund

1. Growth at Reasonable Price

Parag Parikh Flexi Cap Fund
Kotak Equity Opportunities Fund

5. Mid / Small Cap

DSP Midcap Fund
Kotak Emerging Equity Fund

Split the amount to be invested in Equities equally among these styles

Diversification across investment styles…

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Quality	• This style is based on the thesis that a basket of high quality stocks will outperform the market over the long run. The funds tend to invest in a group of companies with strong fundamentals as measured by balance sheet strength, low debt, consistent cash flows, ROE, ROCE, management quality and robust growth prospects.
Value	• This style is based on the thesis that a basket of undervalued stocks will outperform the market over the long run. Value fund managers usually hold companies with relatively lower valuations in the belief that valuations will mean revert.
GARP	• This style is a blend of Growth and Value. The funds following GARP philosophy tend to invest in companies with potential for good earnings growth and are available at reasonable valuations. These funds will discard very expensive companies with good growth as well as very cheap companies with little to no growth.
Mid/Small	• This is based on the evidence that historically, smaller companies (Mid and Small Cap) tend to give better returns than larger ones in the long run
Global	• This is to provide geographical diversification to your portfolio

Funds Considered for Illustration

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Style	Quality	Value	Growth at Reasonable Price	Mid / Small	Global
'5 Finger' Framework	UTI Flexi Cap Fund	ICICI Prudential Value Discovery Fund	Parag Parikh Flexi Cap Fund	DSP Midcap Fund	Motilal Oswal Nasdaq 100 FoF
Allocation	20%	20%	20%	20%	20%

Note: Axis Focused 25 Fund, Parag Parikh Flexi Cap Fund & Motilal Oswal Nasdaq 100 FoF do not have 10+ year track record. For illustration purpose, the following funds have been used as proxy for the missing period: Axis Long Term Equity Fund (Jan-10 to Jun-12) as proxy for Axis Focused 25 Fund (both managed by the same fund manager), from Apr 2024 Axis focused has been replaced by UTI Flexi Cap Fund, Kotak Flexicap Fund (Jan-10 to Jun-13) as proxy for Parag Parikh Flexi Cap Fund and Nasdaq 100 Index (Jan-10 to Mar-11), Motilal Oswal Nasdaq 100 ETF (Mar-11 to Nov-18) as proxy for Motilal Oswal Nasdaq 100 FoF.

The 5 Finger Portfolio is rebalanced at the end of every year provided the allocation to a style deviates by +/-5%.

Low Portfolio Overlap between Underlying Funds

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	ICICI Prudential Value Discovery Fund	Parag Parikh Flexi Cap Fund	DSP Midcap Fund	Motilal Oswal Nasdaq 100 FoF
UTI Flexi Cap Fund	21%	18%	13%	0%
ICICI Prudential Value Discovery Fund	-	24%	2%	0%
Parag Parikh Flexi Cap Fund		-	3%	14%
DSP Midcap Fund			-	0%

Source: PrimeInvestor.in, FundsIndia Research

Low Portfolio Overlap with Benchmark

	Nifty 500*
UTI Flexi Cap Fund	28%
ICICI Prudential Value Discovery Fund	41%
Parag Parikh Flexi Cap Fund	24%
DSP Midcap Fund	8%

Source: PrimeInvestor.in, FundsIndia Research; *Motilal Oswal Nifty 500 Index fund is taken as proxy for Nifty 500.

Diversification at its best – different styles perform in different periods…

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Color Schema	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Quality	30%	23%	46%	55%	74%	14%	11%	45%	5%	38%	51%	46%	15%	52%
Mid / Small Cap	28%	-14%	45%	15%	71%	9%	8%	40%	1%	15%	32%	39%	-5%	38%
Value	26%	-15%	35%	11%	49%	8%	7%	32%	0%	15%	31%	33%	-7%	37%
GARP	23%	-22%	33%	8%	45%	7%	5%	29%	-2%	14%	24%	28%	-7%	35%
Global	19%	-24%	33%	6%	39%	5%	5%	24%	-4%	9%	23%	28%	-14%	31%
'5 Finger' Framework	14%	-27%	17%	2%	23%	4%	3%	22%	-10%	1%	21%	24%	-26%	17%

Significant Outperformance...

Significant outperformance over the long term…

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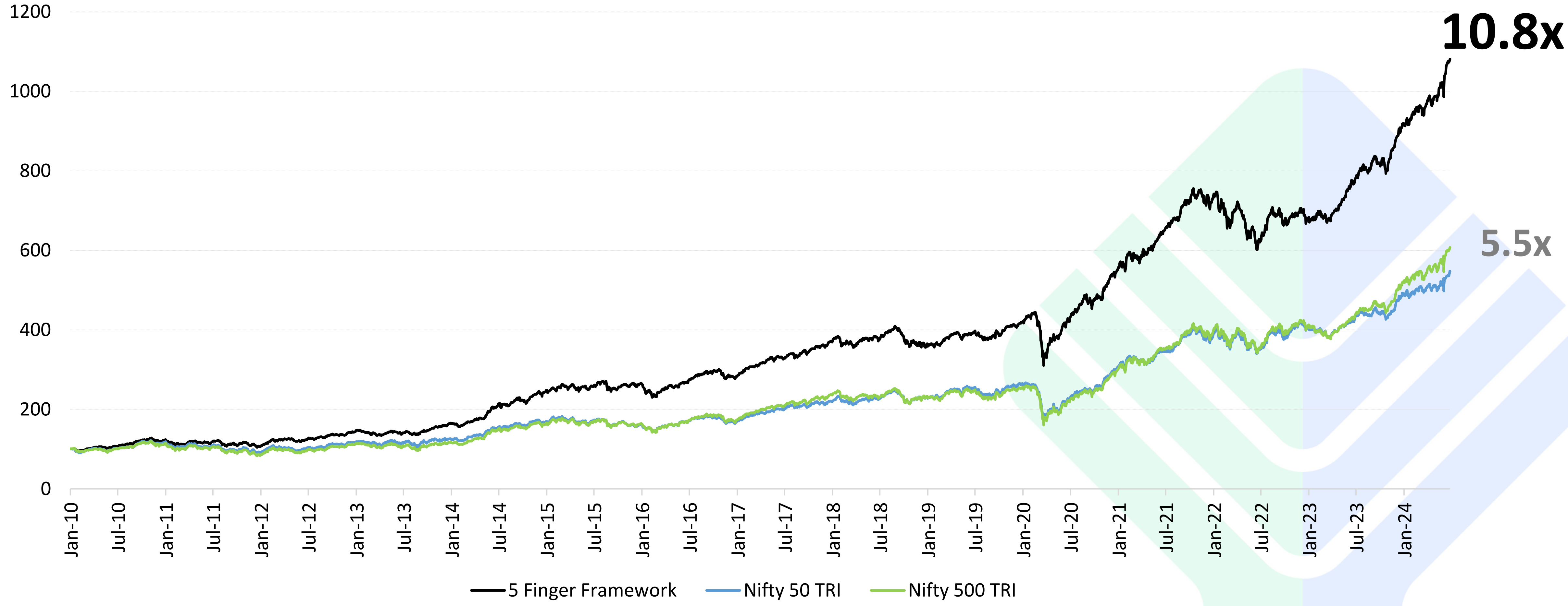

Outperformance of 4% vs Nifty 50 TRI over the long run…

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Period	Last 1 Y	Last 2 Y	Last 3 Y	Last 5 Y	Last 7 Y	Last 10 Y	Since Jan-10	Since Jan-20
5 Finger Framework	**39%**	**32%**	**18%**	**22%**	**19%**	**18%**	**18%**	**23%**
Nifty 50 TRI	27%	25%	17%	17%	16%	14%	12%	18%
Nifty 500 TRI	39%	31%	20%	20%	17%	15%	13%	21%
Outperformance of '5 Finger' Framework								
vs Nifty 50 TRI	12%	7%	2%	6%	3%	**4%**	5%	6%
vs Nifty 500 TRI	0%	1%	-2%	3%	2%	**3%**	5%	2%

'5 Finger' Framework has outperformed benchmark 99% of the times on a 5Y rolling return basis…

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Jan-10 to Jun-24	1 Y RR	3 Y RR	5 Y RR
'5 Finger' Framework vs Nifty 50 TRI	75%	85%	**99%**
'5 Finger' Framework vs Nifty 500 TRI	71%	83%	**100%**

'5 Finger' Framework has outperformed Nifty 50 TRI by more than 3%, 72% of the times on a 5Y rolling return basis!

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Jan-10 to Jun-24	1 Y RR		3 Y RR		5 Y RR	
% of Outperformance	'5 Finger' Framework vs Nifty 50 TRI	'5 Finger' Framework vs Nifty 500 TRI	'5 Finger' Framework vs Nifty 50 TRI	'5 Finger' Framework vs Nifty 500 TRI	'5 Finger' Framework vs Nifty 50 TRI	'5 Finger' Framework vs Nifty 500 TRI
> 5%	48%	46%	52%	52%	44%	32%
> 4%	53%	50%	62%	57%	59%	47%
> 3%	59%	54%	69%	64%	**72%**	**64%**
> 2%	64%	60%	77%	70%	88%	93%
> 0%	75%	71%	85%	83%	99%	100%

~6 out of 10 times, the strategy has outperformed Nifty 50 TRI by more than 4%!

More than 12% returns on a 3 year basis – 3 out of 4 times; No instance of negative returns

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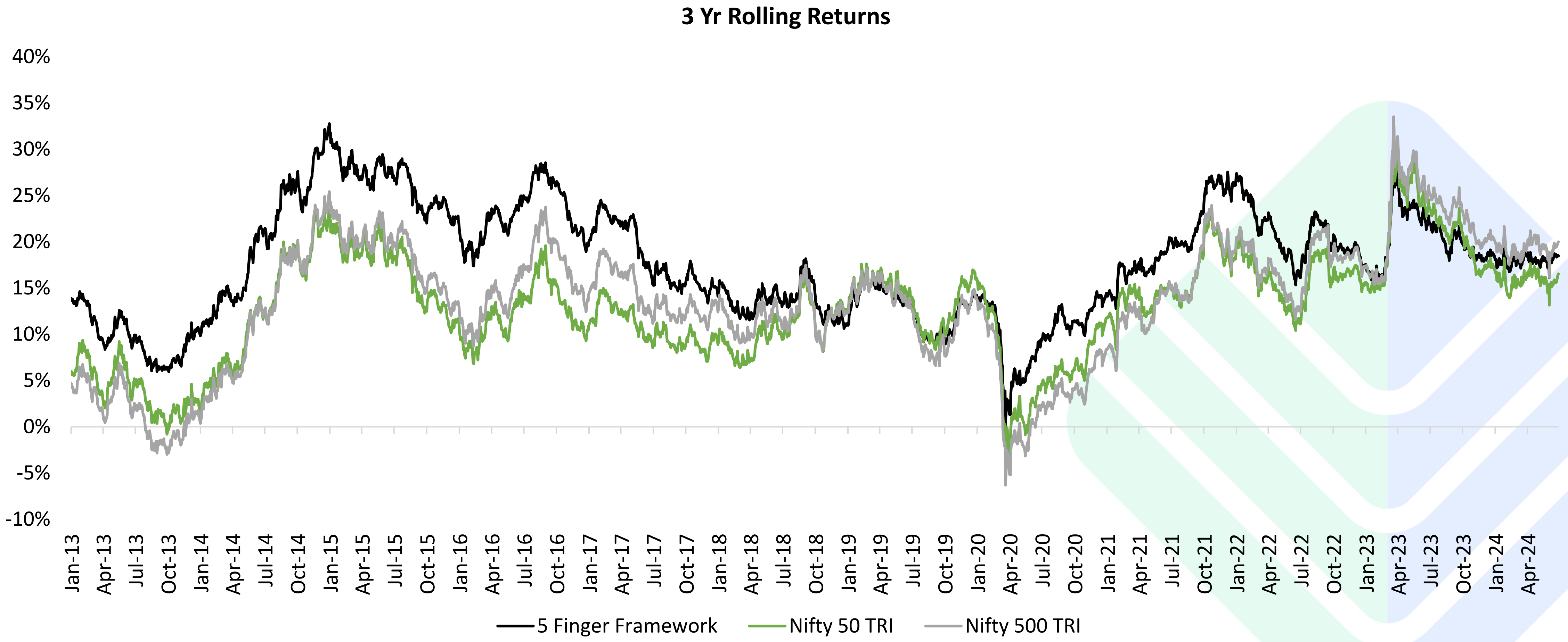
3 Y Rolling Returns			
Jan-10 to Jun-24	5 Finger Framework	Nifty 50 TRI	Nifty 500 TRI
Max	33%	32%	34%
Min	0%	-4%	-6%
Average	18%	13%	14%
>20%	36%	9%	16%
>15%	63%	37%	44%
>12%	**82%**	58%	66%
>10%	90%	71%	75%
>0%	100%	99%	95%
<0%	**0%**	1%	5%

Consistent Outperformance in 3 Yr Rolling Returns



More than 12% returns on a 5 year basis - 90% of the times; Lowest return is 4%

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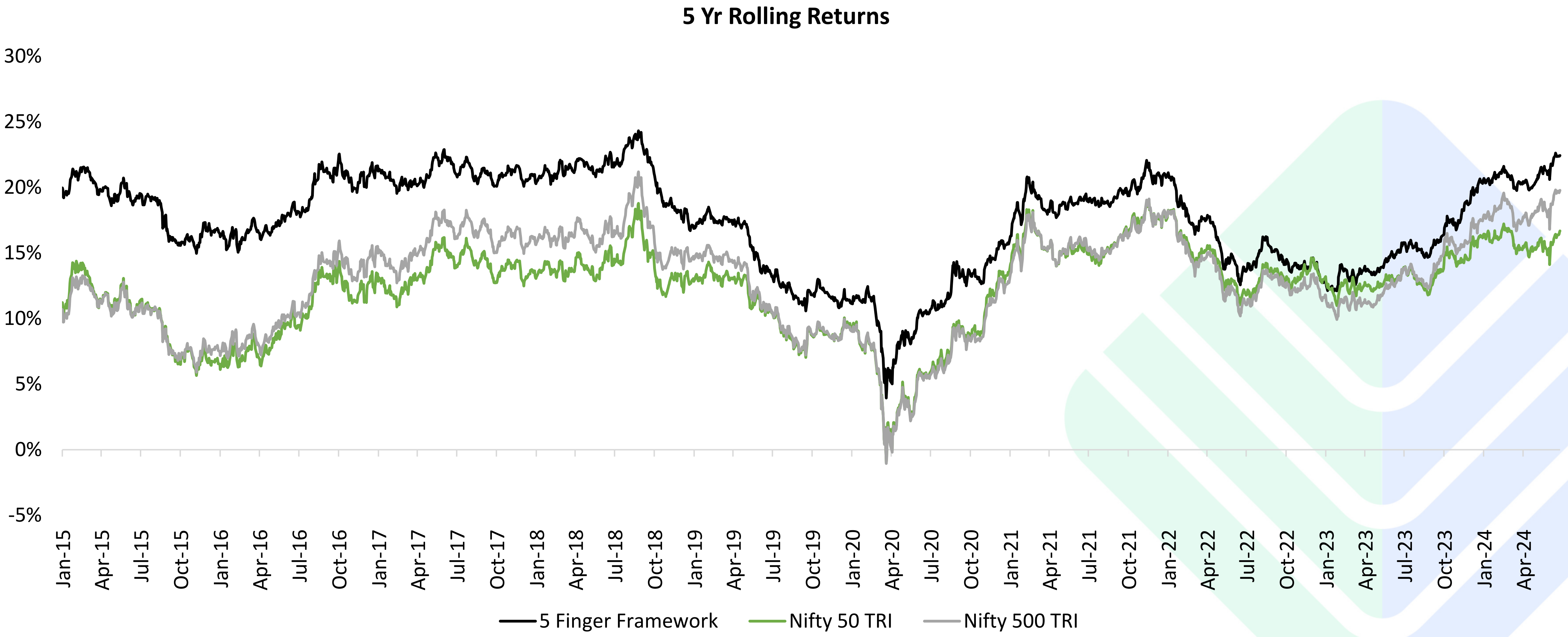
5 Y Rolling Returns			
Jan-10 to Jun-24	5 Finger Framework	Nifty 50 TRI	Nifty 500 TRI
Max	24%	19%	21%
Min	**4%**	-1%	-1%
Average	17%	12%	13%
>20%	33%	0%	1%
>15%	73%	21%	36%
>12%	**90%**	65%	62%
>10%	97%	77%	78%
>0%	100%	100%	100%
<0%	0%	0%	0%

Consistent Outperformance in 5 Yr Rolling Returns



Lumpsum Performance Matrix

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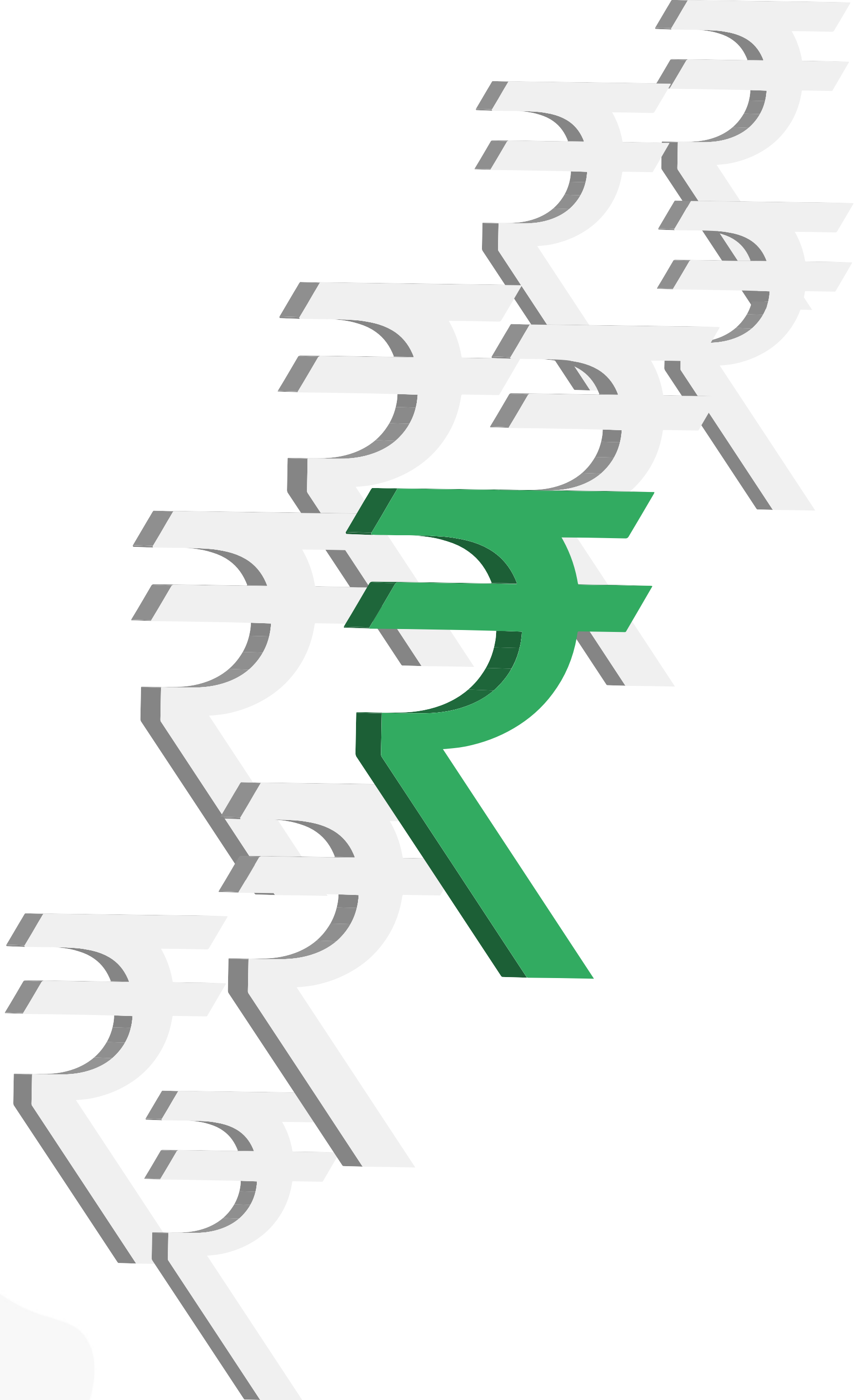
Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Average	17%	17%	18%	18%	17%	17%	17%	17%	17%	18%	18%	17%	16%	17%
Max	77%	46%	32%	26%	24%	23%	20%	22%	21%	21%	18%	20%	17%	17%
Min	-14%	-4%	2%	7%	5%	12%	13%	13%	12%	12%	16%	15%	15%	17%
Jan-10	23%	3%	13%	13%	20%	18%	16%	18%	15%	15%	17%	18%	16%	17%
Jul-10	12%	9%	10%	19%	19%	17%	17%	17%	16%	15%	18%	16%	17%	
Jan-11	-14%	9%	10%	19%	17%	15%	17%	15%	15%	16%	18%	15%	17%	
Jul-11	6%	9%	21%	21%	18%	18%	18%	16%	15%	19%	16%	17%		
Jan-12	37%	25%	32%	26%	22%	23%	19%	19%	20%	21%	18%	20%		
Jul-12	12%	30%	27%	22%	21%	20%	18%	16%	20%	17%	18%			
Jan-13	14%	30%	22%	18%	21%	17%	16%	18%	20%	17%	18%			
Jul-13	50%	35%	25%	23%	22%	19%	17%	21%	18%	19%				
Jan-14	49%	27%	20%	22%	17%	17%	19%	20%	17%	19%				
Jul-14	23%	14%	16%	15%	13%	12%	17%	14%	16%					
Jan-15	8%	7%	15%	10%	11%	14%	17%	14%	16%					
Jul-15	6%	12%	13%	11%	10%	17%	13%	15%						
Jan-16	6%	18%	11%	12%	16%	18%	14%	17%						
Jul-16	20%	17%	13%	12%	19%	15%	16%							
Jan-17	31%	14%	14%	18%	21%	16%	18%							
Jul-17	15%	10%	9%	19%	14%	16%								
Jan-18	-1%	6%	14%	19%	13%	16%								
Jul-18	5%	6%	20%	13%	16%									
Jan-19	15%	23%	26%	17%	20%									
Jul-19	7%	28%	16%	18%										
Jan-20	32%	32%	17%	22%										
Jul-20	53%	21%	22%											
Jan-21	32%	11%	18%											
Jul-21	-5%	9%												
Jan-22	-7%	12%												
Jul-22	25%													
Jan-23	35%													

SIP Performance Matrix

FundsIndia

Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Average	18%	18%	18%	18%	18%	17%	17%	17%	17%	17%	18%	17%	17%	18%
Max	68%	45%	35%	30%	26%	23%	21%	21%	21%	21%	21%	19%	18%	18%
Min	-29%	-14%	-7%	-2%	1%	4%	7%	9%	10%	11%	16%	16%	16%	18%
Jan-10	27%	-5%	15%	15%	25%	20%	17%	20%	16%	16%	18%	19%	16%	18%
Jul-10	3%	7%	9%	25%	24%	19%	19%	18%	16%	14%	19%	16%	17%	
Jan-11	-15%	19%	18%	29%	22%	18%	21%	16%	16%	18%	20%	16%	18%	
Jul-11	14%	11%	31%	28%	20%	20%	19%	16%	15%	20%	16%	17%		
Jan-12	31%	22%	35%	24%	18%	21%	16%	15%	18%	20%	16%	18%		
Jul-12	6%	40%	30%	20%	20%	18%	15%	14%	20%	16%	17%			
Jan-13	29%	44%	24%	17%	21%	14%	15%	18%	20%	16%	18%			
Jul-13	68%	33%	19%	19%	17%	14%	13%	20%	15%	17%				
Jan-14	53%	19%	12%	19%	12%	13%	17%	20%	15%	18%				
Jul-14	17%	10%	15%	15%	12%	11%	19%	14%	16%					
Jan-15	7%	7%	19%	10%	12%	17%	20%	14%	18%					
Jul-15	12%	17%	15%	11%	10%	21%	14%	16%						
Jan-16	9%	23%	9%	12%	19%	22%	15%	19%						
Jul-16	19%	15%	10%	9%	22%	14%	16%							
Jan-17	26%	4%	10%	20%	23%	14%	19%							
Jul-17	9%	7%	8%	24%	14%	17%								
Jan-18	-6%	9%	23%	26%	15%	20%								
Jul-18	8%	9%	30%	14%	18%									
Jan-19	17%	33%	32%	15%	21%									
Jul-19	15%	40%	13%	18%										
Jan-20	57%	38%	13%	22%										
Jul-20	49%	4%	15%											
Jan-21	29%	3%	20%											
Jul-21	-20%	12%												
Jan-22	-2%	26%												
Jul-22	26%													
Jan-23	43%													



Lowers risk as indicated by lower declines...

CY-wise Drawdown Analysis

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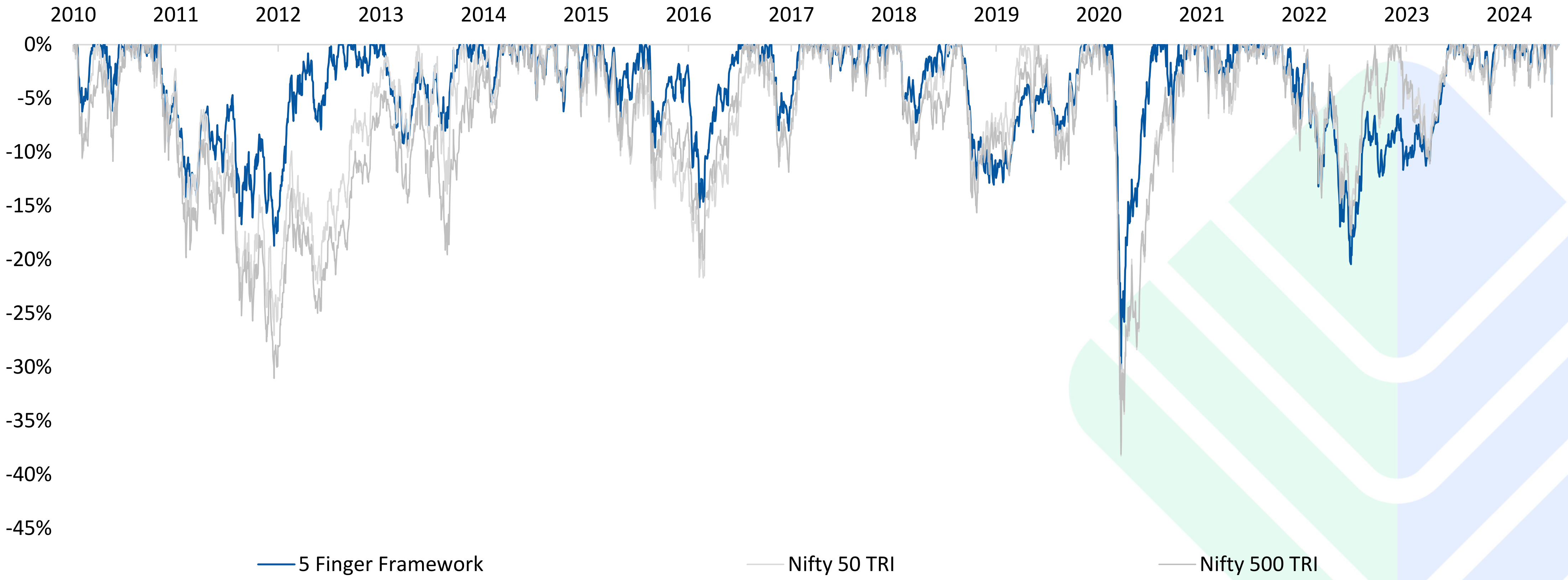
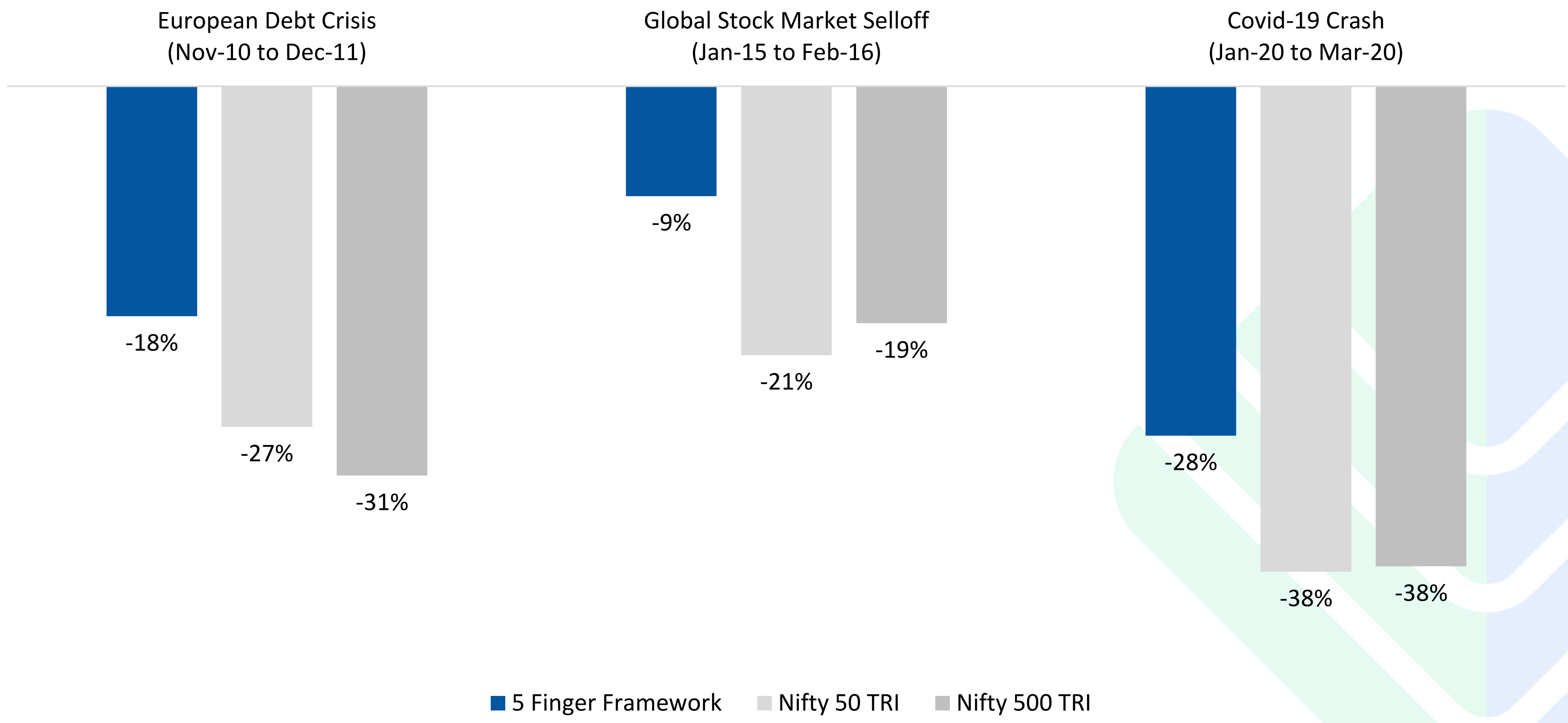
Calendar Year	Max Drawdown		CY Performance	
	5 Finger Framework	Nifty 50 TRI	5 Finger Framework	Nifty 50 TRI
CY 10	-9%	-11%	23%	19%
CY 11	-16%	-25%	-14%	-24%
CY 12	-7%	-14%	35%	29%
CY 13	-9%	-14%	15%	8%
CY 14	-6%	-6%	49%	33%
CY 15	-10%	-15%	8%	-3%
CY 16	-13%	-12%	7%	4%
CY 17	-4%	-4%	32%	30%
CY 18	-13%	-14%	-2%	5%
CY 19	-6%	-11%	15%	13%
CY 20	-30%	-38%	31%	16%
CY 21	-7%	-10%	33%	26%
CY 22	-20%	-16%	-7%	6%
CY 23	-5%	-7%	35%	21%
2024 YTD	-4%	-6%	18%	11%

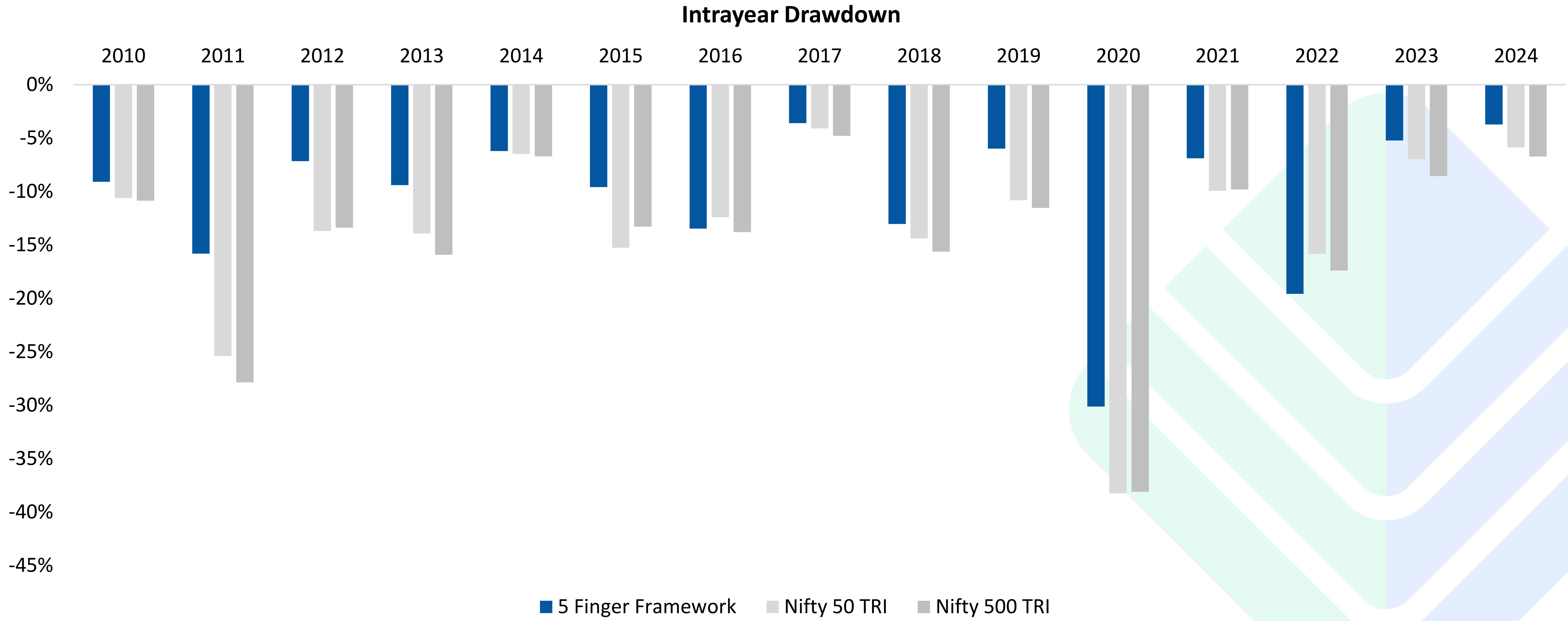
Lower drawdowns in falling markets versus large cap index



Lower falls during major market declines



Lower Intra-year declines…



Except for 2 out of the last 15 calendar years (2016 & 2022), in all the other years intra-year declines for 5 Finger strategy was lower than Nifty 50 TRI

13 out of the last 15 years (except 2018 & 2022), '5 Finger' Framework has outperformed Nifty 50 TRI

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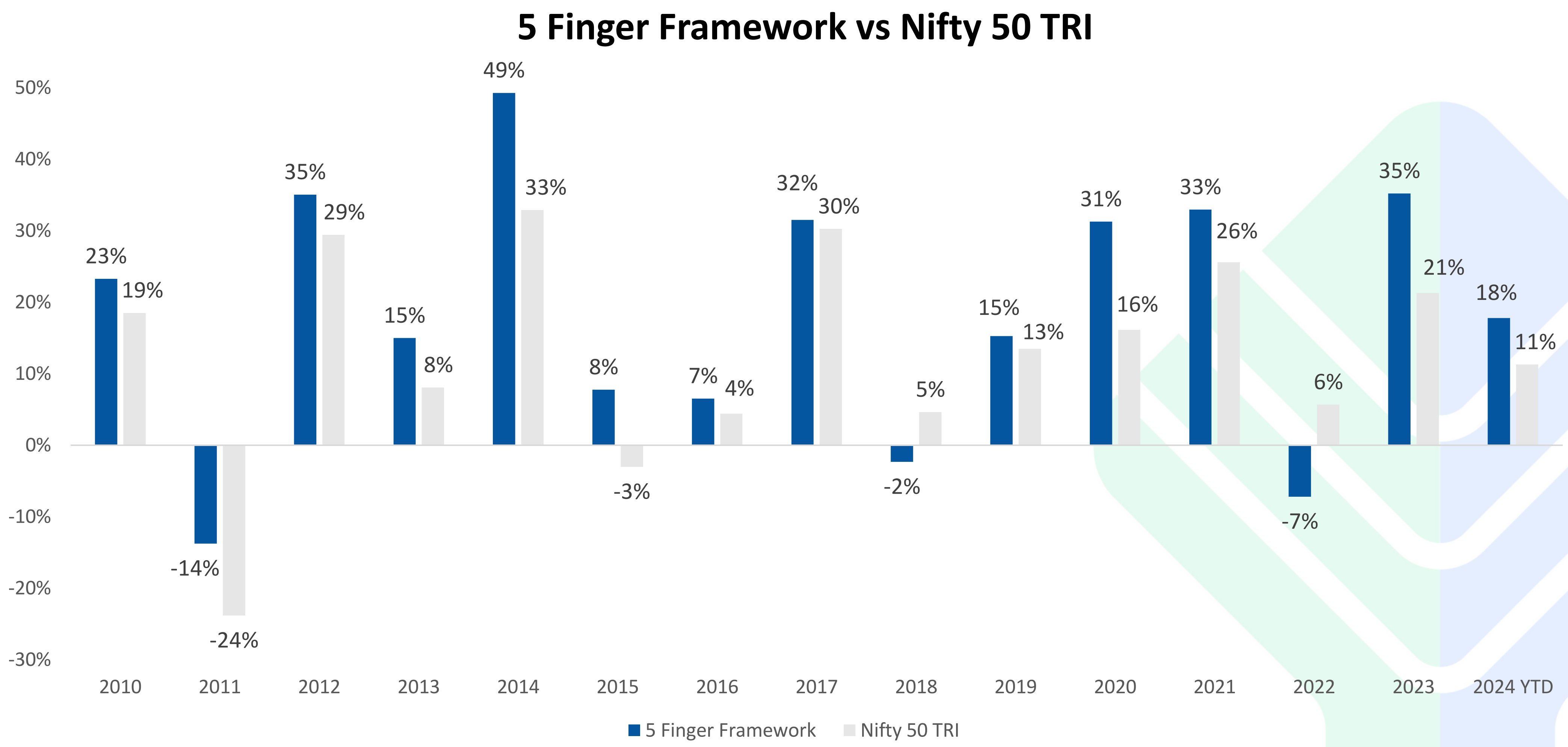

Captures majority of the upside, much less of the downside…

Last 10 Y	'5 Finger' Framework vs Nifty 50 TRI	'5 Finger' Framework vs Nifty 500 TRI
Upside Capture Ratio	92%	88%
Downside Capture Ratio	**61%**	62%

Summing it up

Five Finger Strategy provides significant improvement in long term equity returns with far lower risk…

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Diversification across 5 investment styles

- **Proven** to work **across countries** and **long-time frames**
- **Equal allocation** to **Quality, Value, Growth at Reasonable Price, Mid & Small Cap** and **Global**

Significant and Consistent Outperformance

- **4% outperformance** vs Nifty 50 TRI over the last 10 years
- **>3% outperformance** vs Nifty 50 TRI, **72% of the times - 5Y rolling return basis**
- **>12% returns**, **90% of the times** on a **5 year rolling return basis**

Lower Risk reflected in lower falls

- **No negative returns over 3+ year periods**
- **Lower declines** compared to benchmark during **all major falls**
- Downside capture ratio of **61%** vs Nifty 50 TRI

Annexure

FundsIndia Select Equity Funds – 5 Finger Framework

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Equity Funds

1. Quality

UTI Flexi Cap Fund
DSP Quant Fund

2. Value / Contra

ICICI Prudential Value Discovery Fund
Bandhan Sterling Value Fund

3. Growth at Reasonable Price

Parag Parikh Flexi Cap Fund
Mirae Asset Large & Midcap Fund
Kotak Equity Opportunities Fund
HDFC Flexi Cap Fund
Canara Robeco Emerging Equities

4. Mid / Small Cap

Mid Cap
DSP Midcap Fund
Kotak Emerging Equity Fund
Franklin India Prima Fund
Axis Midcap Fund

Small Cap
Kotak Small Cap Fund

5. Global Exposure

ABSL Nasdaq 100 FoF
Motilal Oswal S&P 500 Index Fund
Edelweiss Emerging Markets Opportunities Equity Offshore Fund
PGIM India Emerging Markets Equity Fund

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