

BUY RIGHT SIT TIGHT

Introducing a fund that invests in
emerging wealth creators.

Motilal Oswal MOST Focused Midcap 30 Fund
(An open ended Equity Scheme)




Call: 1800-200-6626 | SMS: FOCUS to 575753
Website: www.motilaloswal.com/asset-management

NFO Opens: 3rd Feb, 2014
Closes: 17th Feb, 2014


Product Labelling


This product is suitable for investors who are seeking*


- Long-term capital growth
- Investment in equity and equity related instruments in a maximum of 30 quality mid-cap companies having long-term competitive advantages and potential for growth
- High risk  (BROWN)

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

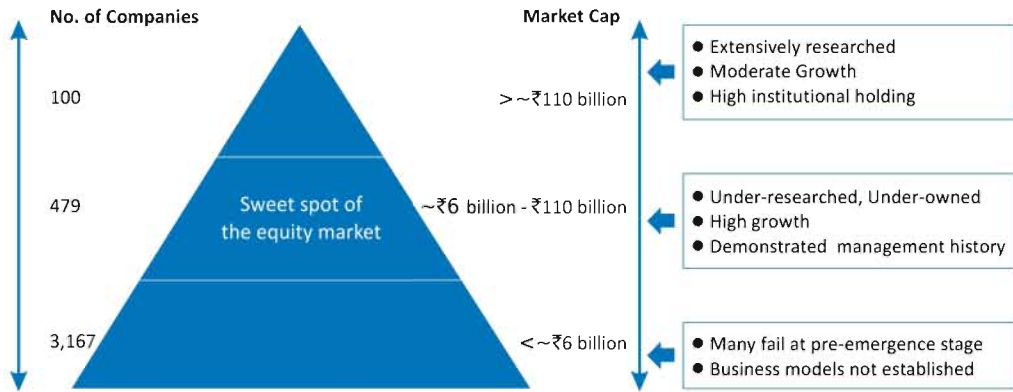
Note: Risk is represented as:

 **(BLUE)** investors understand that their principal will be at low risk

 **(YELLOW)** investors understand that their principal will be at medium risk

 **(BROWN)** investors understand that their principal will be at high risk

MOST Focused Midcap 30 targets an unique and relatively untapped opportunity

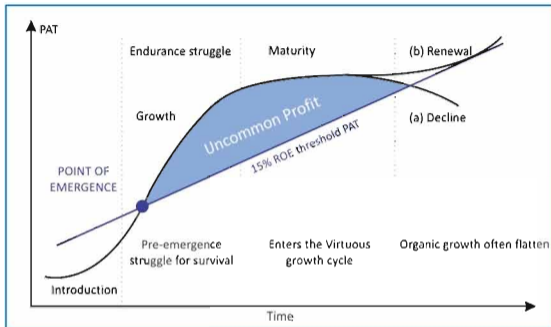


- The sweet spot of the Indian markets is replete with investment ideas in the midcap space
- Midcaps offer excellent balance between strong growth and a demonstrable history of management success

Source: Bloomberg/S&P Capital IQ Internal Analysis, Data as on 17th January, 2014

MOST Focused Midcap 30 aims to capture 'Emergence to Endurance' winners

Mapping Emergence and Endurance to a company's typical lifecycle



- Motilal Oswal 18th Wealth Creation Study (WCS) maps the journey of Emergence* to Endurance
- The study highlights how large investment gains were made by identifying players entering their virtuous growth cycle, a majority of such companies being midcaps

***Emergence:** A company is said to have emerged when it crosses the threshold ROE of 15% for the first time in its history

Source: 18th Motilal Oswal Wealth Creation Study (WCS)

Successful 'Emergence to Endurance' leads to disproportionate wealth creation

	Market Capitalization on inclusion in CNX Midcap Index	→	Current Market Capitalization as part of NIFTY	PAT CAGR (FY06-13)(%)
Axis Bank	July'05 6.0 bn	92x	552 bn	40
Kotak Bank	July'05 50 bn	11x	563 bn	26
Lupin	July'05 30 bn	14x	411 bn	33
Asian Paints	July'05 42 bn	11x	475 bn	26
IndusInd Bank	July'05 21 bn	11x	225 bn	60

- Companies which have successfully transitioned from Midcap to Large cap have created disproportionate wealth (average MCap. CAGR of 52%, over FY05-13 for above companies)
- Outstanding earnings growth tends to be a key feature in this journey of wealth creation (average PAT CAGR of 37%, over FY05-13 for above companies)

Source: Bloomberg & Internal Analysis, 17th January, 2014. Note: Past Performance may or may not be sustained in future.

'Emergence to Endurance' winners are products of large or expanding Industry Profit Pools

India Inc's Profit Pool breakdown by sector

India Inc's Profit Pool breakdown by sector			10 lowest profit generating sectors	
Sector	2013 PAT (INR billion)	% share	Sector	2013 PAT (INR billion)
Financials – Banks	842	21	Aviation	-57
Energy – Oil & Gas	400	10	Telecom-Services & Equipmt	-40
IT - Software	347	9	Shipbuilding	-4
Financials – NBFCs	324	8	Sugar	-2
Mining & Mineral products	273	7	Shipping	-2
Energy – Refineries	228	6	Glass & Glass Products	-2
Utilities	223	6	Ceramic Products	-2
Automobile	219	6	Paper	-0.2
Healthcare	165	4	Printing & Stationery	-0.1
Metals – Non-Ferrous	105	3	Electronics	0
Total of above	3,125	79	Total of above	-109
Total Corporate PAT	3,948	100	Total Corporate PAT	3,948

- If an industry has a high profit pool, a company with the right value proposition/strategy can claim a rising share of this pool and emerge a Value Creator over time.

Source: 18th Motilal Oswal Wealth Creation Study (WCS) Data for FY2013. Note: Past performance may or may not be sustained in future .

'Emergence to Endurance' winners are products of large or expanding Industry Profit Pools

5 profit share gain in last 10 years				5 profit share loss in last 10 years			
Sector	Share of PAT (%)		Gain in share (%)	Sector	Share of PAT (%)		Loss in share (%)
	2003	2013			2003	2013	
IT-Software	1	9	8	Refineries	22	6	-16
Finance	1	8	7	Oil & Gas	18	10	-8
Mining & Minerals	1	7	6	Power Gen & Distn	10	6	-5
Automobile	1	6	4	Banks	26	21	-4
Textiles	-1	1	2	Telecom Service	1	-1	-2

- MOST Focused Midcap 30 will endeavor to invest in companies that can assert leadership in industries with large or expanding profit pools

Source: 18th Motilal Oswal Wealth Creation Study (WCS) Data for FY2013. Note: Past performance may or may not be sustained in future.

Midcaps: High on Growth and Speed of Wealth Creation

Over the years, majority of the fastest wealth creators, in 'Motilal Oswal Wealth Creation Study (WCS)' have been Midcaps

Motilal Oswal Wealth Creation Study (Over 2011-2013) Fastest Wealth Creators

2013		2012		2011	
Company	5 Year Price CAGR%	Company	5 Year Price CAGR%	Company	5 Year Price CAGR%
TTK Prestige	95	TTK Prestige	89	Sanwaria Argo	119
Eicher Motors	59	LIC Housing Finance	57	Adani Enterprises	86
Page Industries	51	Coromandel Intl.	54	Bhushan Steel	64
Wockhardt	50	Eicher Motors	52	Jindal Steel	62
Grasim Industries	50	Indusind Bank	50	Sterling Intl.	59
GRUH Finance	47	MMTC	48	Shriram Transport	44
GSK Consumer	47	Jindal Steel	47	Coromandel Intl.	43
Supreme Industries	45	Bata India	41	LIC Housing Finance	43
Lupin	45	Titan Ind	40	Exide Industries	41
Godrej Consumer	44	GSK Consumer	39	Indusind Bank	41

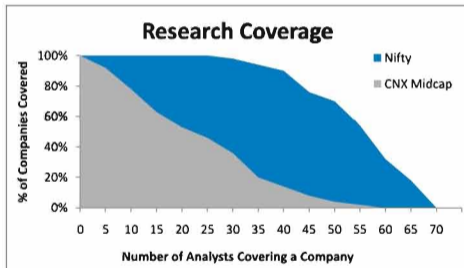
Midcaps have typically grown higher than large caps over 5 and 7-year periods

	5-Yr CAGR(%)		7-Yr CAGR(%)	
	NIFTY INDEX	MIDCAP INDEX	NIFTY INDEX	MIDCAP INDEX
Revenue	15.0	19.0	15.8	20.9
EBITDA	11.4	20.4	14.1	20.0
EPS	6.4	8.6	10.1	16.1
Dividend	12.0	11.2	10.3	13.8

Source: Bloomberg & Internal Analysis, 18th Motilal Oswal Wealth Creation Study, Data as on 30th September, 2013, Calendar Years

Midcaps: Under-Researched and Under-Owned

Under Researched:
Fewer analysts cover midcap companies



Source: Bloomberg & Internal Analysis, Data as on 31st December, 2013

Under owned:
FII and MF ownership levels in midcaps are significantly lower than those in large caps

Ownership	CNX Nifty Index	CNX Midcap Index
Promoters	48%	63%
FII & FDI	22%	14%
Public	1%	1%
Insurance & MF	11%	6%
Others	7%	8%
FI & Banks	10%	7%
Total	100%	100%

Source: Capitaline and internal analysis, Data as on 30th September, 2013

Midcaps: Geared to the Indian Economy

Midcaps

Only 20% revenues of all companies and 30% revenues of non-financial sector companies are international or influenced by international factors

Large Caps

38% revenues of all companies and 50% revenues of non financial sector companies are international or influenced by international factors

CNX Nifty Index		
Company Name	Weight in Index (%)	International Exposure (%)
Infosys	8.03	98
Reliance Industries	6.95	67
TCS	5.07	90
Sun Pharma.Inds.	2.13	57
Dr Reddy's Labs	1.56	84
Wipro	1.52	79
HCL Technologies	1.43	95
Tata Steel	1.32	74
Sesa Goa	1.12	83
Cipla	0.98	55

CNX Midcap Index		
Company Name	Weight in Index (%)	International Exposure (%)
Divi'S Laboratories	2.03	72
Oracle Fin.Serv.	1.81	76
Tata Global Beverages	1.66	70
Motherson Sumi	1.59	61
United Phosp.	1.46	53
Cadila Healthcare	1.05	51
Bharat Forge	1.03	69
Biocon	0.82	63
Mphasis	0.81	59
Suzlon Energy	0.26	63

Source: Bloomberg & Internal Analysis, Data as on 31st December, 2013

Midcaps trade at attractive valuations on a risk-adjusted basis



Particulars	CNX Nifty Index	CNX MIDCAP Index
Value (1 January 2003)	1,100	1,000
Value (31 December 2013)	6,304	8,071
Annualized Returns	17.2%	20.9%
Annualized Standard Deviation	25.3%	24.2%
Sharpe Ratio	0.33	0.50
Beta (Nifty)		0.82
Correlation (Nifty)		0.86

In reality, midcaps have delivered better risk-adjusted returns v/s large caps

Source: Bloomberg & Internal Analysis, Data as on 31st December, 2013. Note: Past performance may or may not be sustained in future

**Motilal Oswal MOST Focused Midcap 30 Fund
(MOST Focused Midcap 30)**

MOST Focused Midcap 30 - Key Features

Quality, Growth and Longevity (QGL)

- Will invest in companies with:
 - Enduring economic moats that ensure quality and longevity
 - High growth potential

'Buy and Hold' Strategy

- Long term growth over economic cycles
- Enables compounding of growth
- Low Churn: Cost Efficient
- Portfolio churn driven by fundamentals over valuations

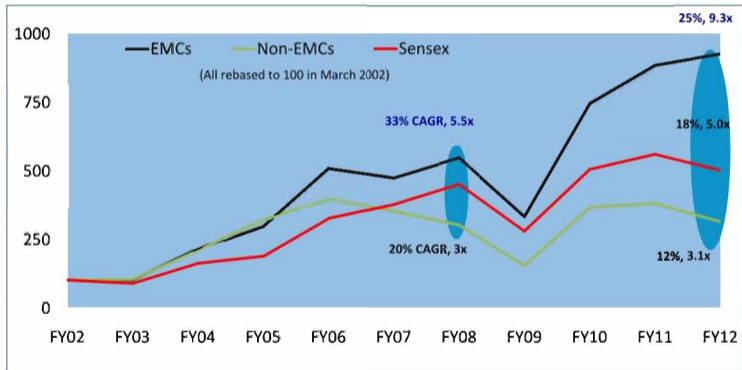
Focused, High Conviction Portfolio Construct

- Maximum 30 stocks
- Bottom-up stock picking
- Optimal Diversification

Why Quality?

Quality companies are those which have enduring economic moats (EMC's)

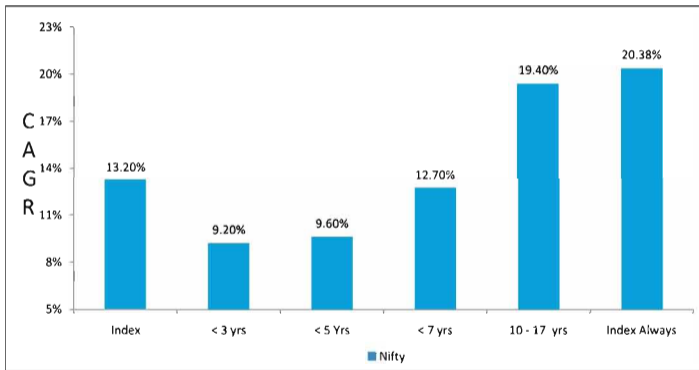
Payoff profile of EMCs, Non-EMCs and Sensex



Source: 17th Motilal Oswal Wealth Creation Study (WCS) Data upto FY2012

Why “Buy and Hold”?

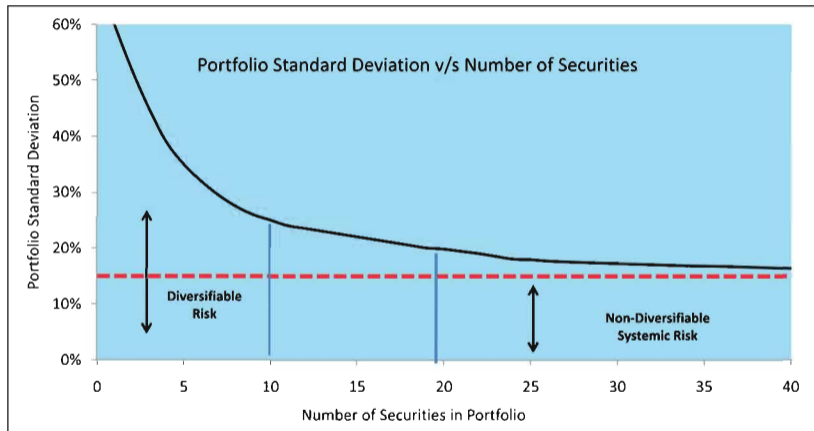
Improved Quality companies held for longer duration



Source: MOAMC internal analysis, Data as on 31st December, 2013

Note: Past performance may or may not be sustained in future. The above graph is only for illustration purpose and should not be construed as recommendation.

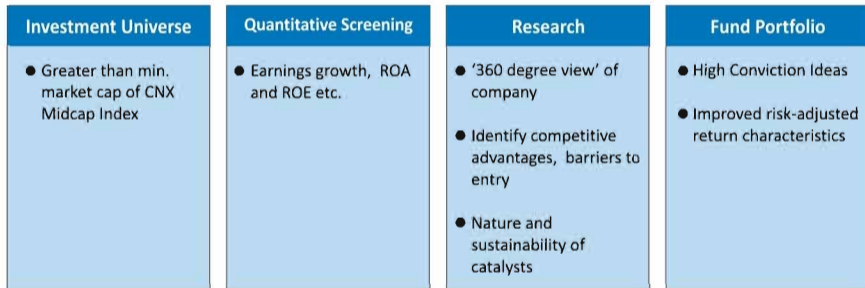
Focus: Seeking Optimal Diversification



Source: An Introduction to Risk and Return Concepts and Evidence by Franco Modigliani and Gerald A. Pogue

Investment Process - Stock Screening

Top down analysis market views, thematic drivers, winner categories and categories winners



Eg. ~500 Stocks → 100-150 Stocks → 75-100 Stocks → Max 30 Stocks

Investment Process (contd...) – Stock Evaluation

A business we
understand

Favorable long
term economics

Able and
trustworthy
management

Margin
of Safety

Portfolio Construct

For Whom

Investors who like to invest with a Long-term wealth creation view and believe that wealth is created by 'BUY RIGHT SIT TIGHT' i.e. buying quality companies and riding their growth cycle .

Investment Horizon

Medium to Long Term

Number of Stocks

Maximum 30 Stocks

Allocation

- Minimum 65%: between Top 101st and 200th listed companies by market capitalization
- Maximum 25%: beyond the Top 200th listed company and with market capitalization not lower than the smallest company in the CNX Midcap Index
- Maximum 10% : Debt, Money Market Instruments, G-Sec, Bonds, Cash and cash equivalents, etc.
 - * subject to maximum of 30 companies

NFO Details

NFO Opens: 3rd February 2014

- **Type of Scheme:** An open ended equity scheme
- **Investment Objective:** The investment objective of the Scheme is to achieve long term capital appreciation by investing in a maximum of 30 quality mid-cap companies having long-term competitive advantages and potential for growth. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.
- **Benchmark:** CNX Midcap Index
- **Entry Load:** Nil
- **Exit Load:** 2% if redeemed/switched-out on or before 1 year from date of allotment, Nil, if redeemed/switched-out after 1 year from the date of allotment
- **Plans:** Regular Plan and Direct Plan

NFO Closes: 17th February 2014

- **Options (Under each plan):** Dividend (Payout and Reinvestment) and Growth
- **Minimum Application Amount During NFO:** Rs. 5,000/- and in multiples of Re. 1/- thereafter.
- **Additional Application Amount:** Rs. 1,000/- and in multiples of Re. 1/- thereafter.
- **Systematic Investment Plan (SIP):** Minimum installment amount - Rs. 1,000/- (weekly / fortnightly/monthly) and Rs. 2,000/- (quarterly) and in multiples of Re. 1/- thereafter with minimum of 6 installments for weekly /fortnightly/monthly frequency and minimum 3 installments for quarterly frequency. The dates for Auto Debit Facility shall be on the 1st, 7th, 14th, 21st or 28th of every month.
- **Minimum Redemption Amount:** Rs. 1,000/- and in multiples of Re. 1/- thereafter.

Fund Manager Details



Mr. Taher Badshah Senior Vice-President & Head of Equities

Taher Badshah is the Fund Manager of this Scheme and is responsible for managing investments in equity and equity related instruments of the Scheme. Mr. Badshah is a B.E. in Electronics from the University of Mumbai and has followed it up with a Masters in Management Studies (Finance) from the SP Jain Institute of Management, Mumbai.

Taher Badshah brings with him 19 years of rich experience in fund management and investment research. He started his career as an automobiles analyst with Motilal Oswal and has been well-regarded in the industry for his work in this sector. He has also worked in different capacities with organizations like Kotak Investment Advisors, Alliance Capital Asset Management Pvt. Ltd., Kotak Institutional Equities Ltd., and Prudential ICICI Asset Management Company Ltd. He has spent the first 10 years of his career doing sell-side equity research and the past 9 years in active fund management. He is also Fund Manager of Motilal Oswal MOST Focused 25 Fund.

Note: For Equity Component only

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