



Birla Sun Life
Mutual Fund

**NFO period:
15th – 26th
December '14**


Birla Sun Life Emerging Leaders Fund - Series 5

(A Close ended Equity Scheme)


Birla Sun Life Emerging Leaders Fund – Series 5

- Transformation to Growth Cycle
- Why Mid and Small caps?
- Why to invest in Birla Sun Life Emerging Leaders Fund?
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This product is suitable for investors who are seeking:

- Long term capital growth
- A close ended scheme with investments in equity and equity related securities predominantly in Small & Mid cap companies
- High Risk  (BROWN)

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

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

Mutual Fund investments are subject to market risks, read all Scheme related documents carefully. 2

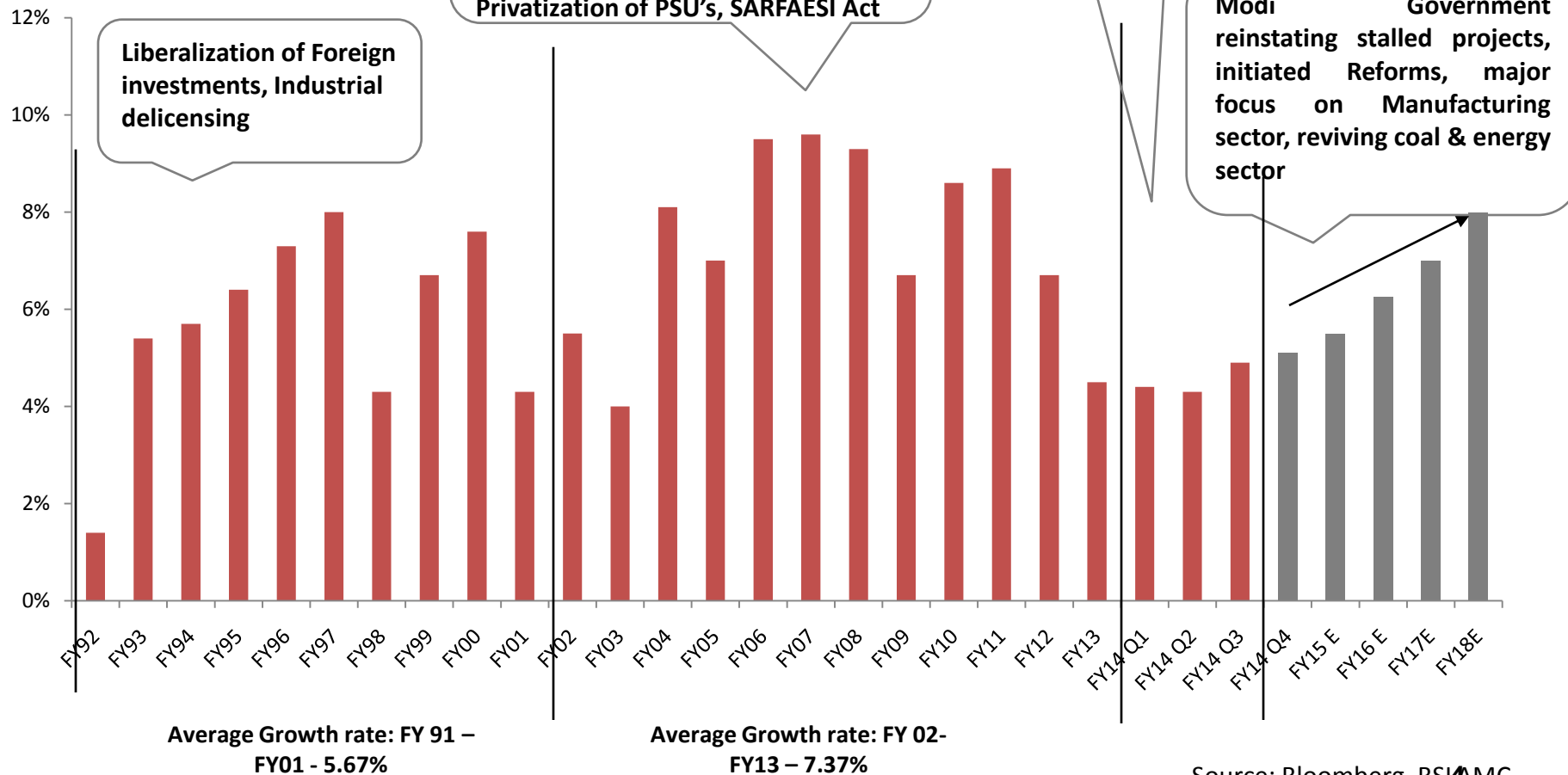
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Leading to a cyclical bottom in growth

GDP Growth Rate

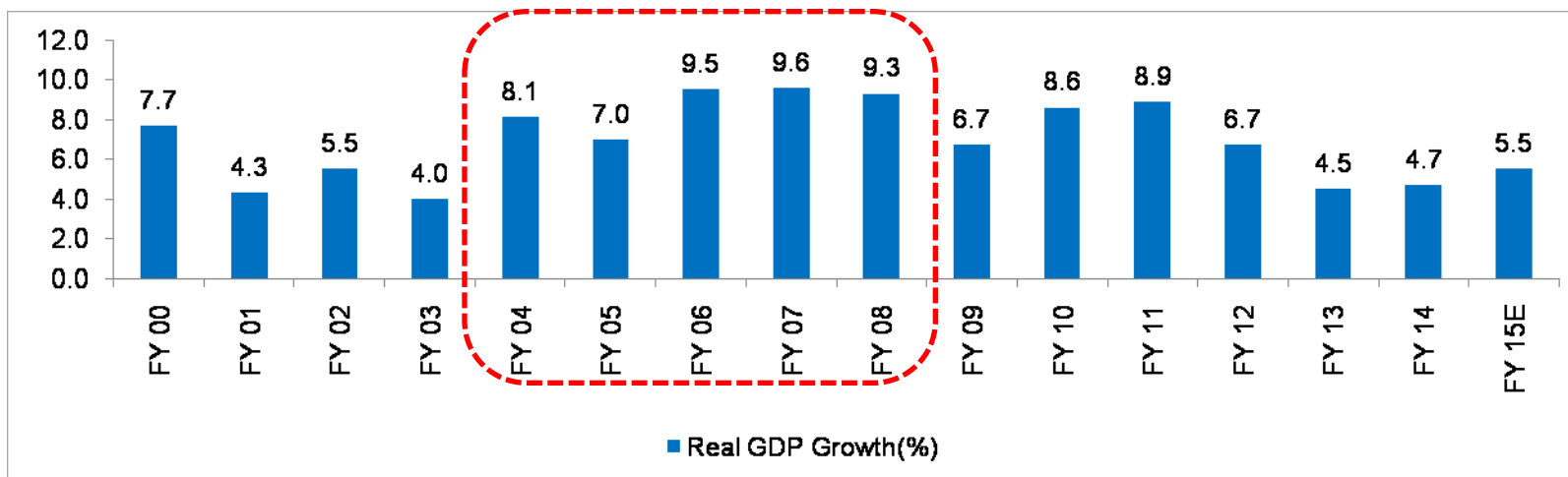


Source: Bloomberg, BSLAMC

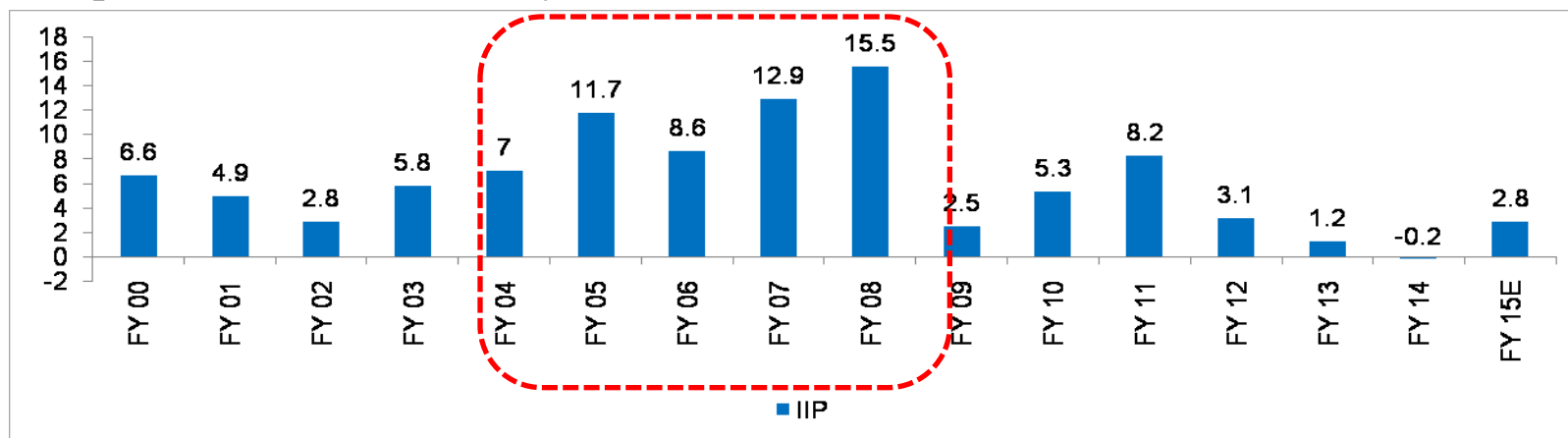
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Improving Macro reminding of the good old 2004-08 period..

As in 2004-08, Triggers to robust GDP growth looming led by...



...uptick in Industrial activity, which has been subdued since FY 08



Source: Kansai Nerolac Report

Drivers of the next leg of growth...

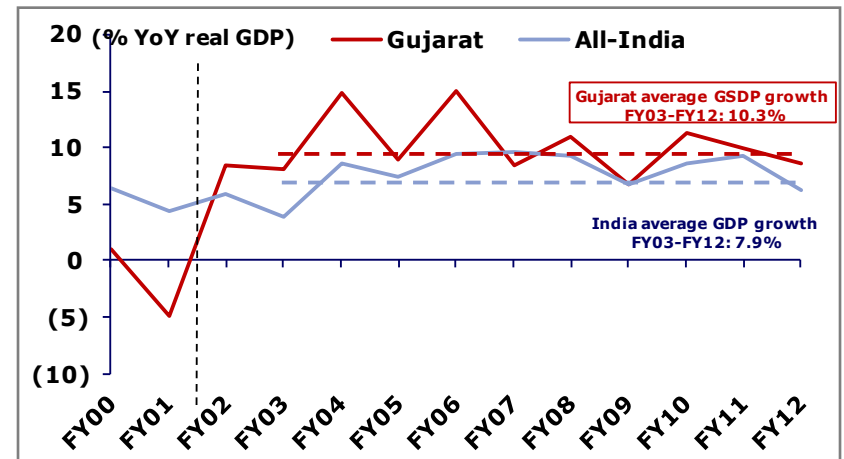
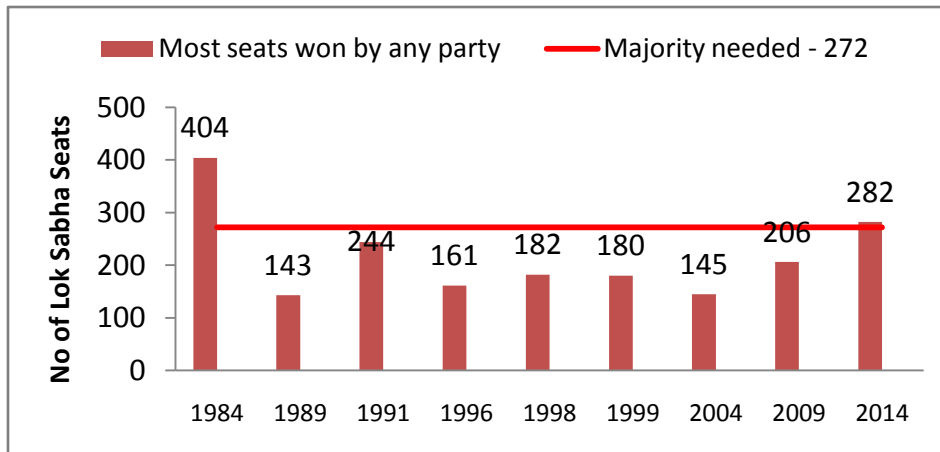
- **Reduce Inflation** - Release food stock, Restructure APMC laws
- **Improve Governance** and decision-making
- **Job creation** by stimulating manufacturing investments - liberalize FDI limits and law, create industrial clusters
- **Reforms** in mining, power sectors and land acquisition
- **PSU reforms** - Holding company structure for Banks
- **Accelerate infrastructure creation**
 - Dedicated Freight Corridor, 100 new cities, River-linking, Road and Rail Diamond Quadrilateral, National Gas Grid, Strengthen Power Grid, High Speed Rail, Alternate Energy

Beginning of a new cycle!!!

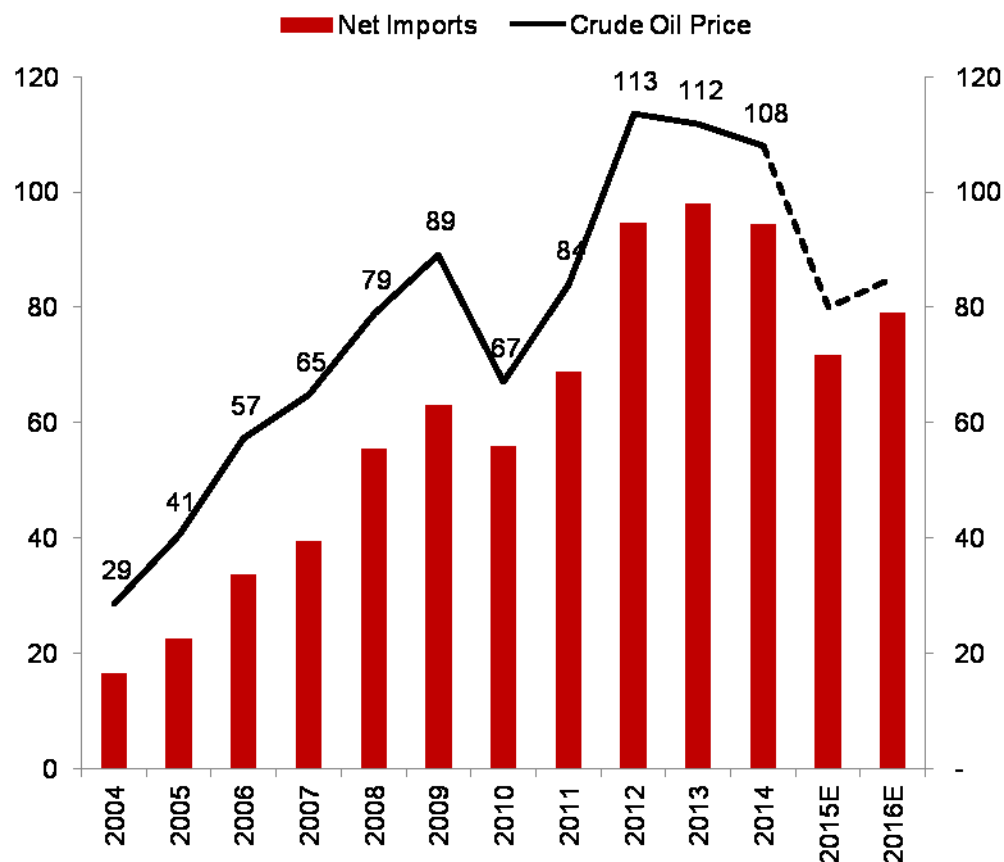
Key drivers:

1. Stable, strong Government, after 30 years
2. Focus on Development and governance
3. Investment cycle: policy push + cyclical upswing
4. Inflation and interest rates to moderate

A decisive mandate after 30 years has injected hopes that the new PM will be able to replicate the successful Gujarat model on a nationwide scale



Drop in Crude Oil Price – Significant Benefit to Indian Economy



Oil price down by \$40 per barrel

For every \$10 per barrel drop in the price:

- ✓ GDP growth by 30bps
- ✓ Inflation falls by 20-50 bps (depending on price Index)
- ✓ CAD narrow down by \$9-10 Bn
- ✓ Fiscal Deficit improve by 1% of GDP

Source: Bloomberg, Axis Cap

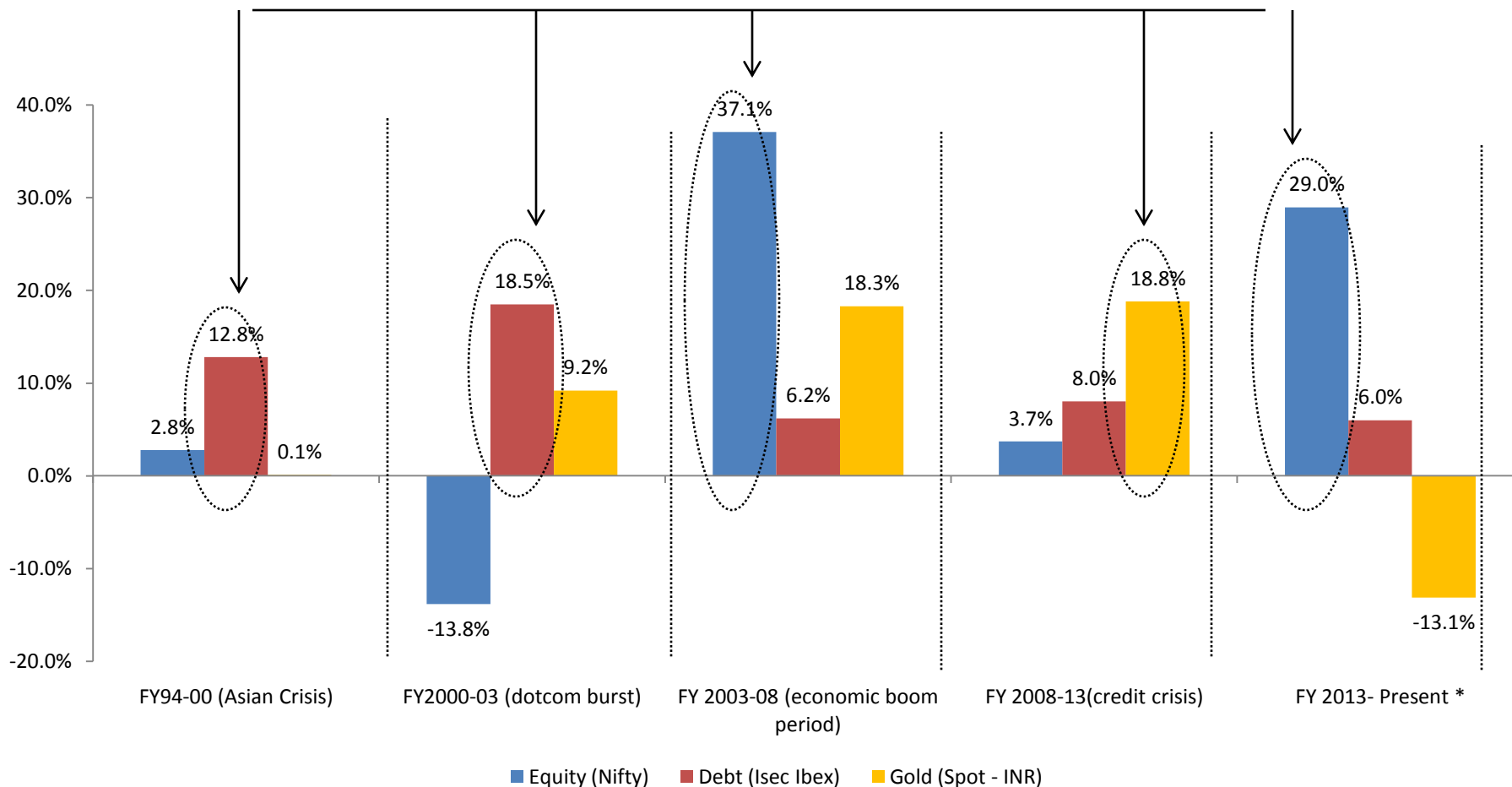
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Asset Allocation is key to long-term wealth creation

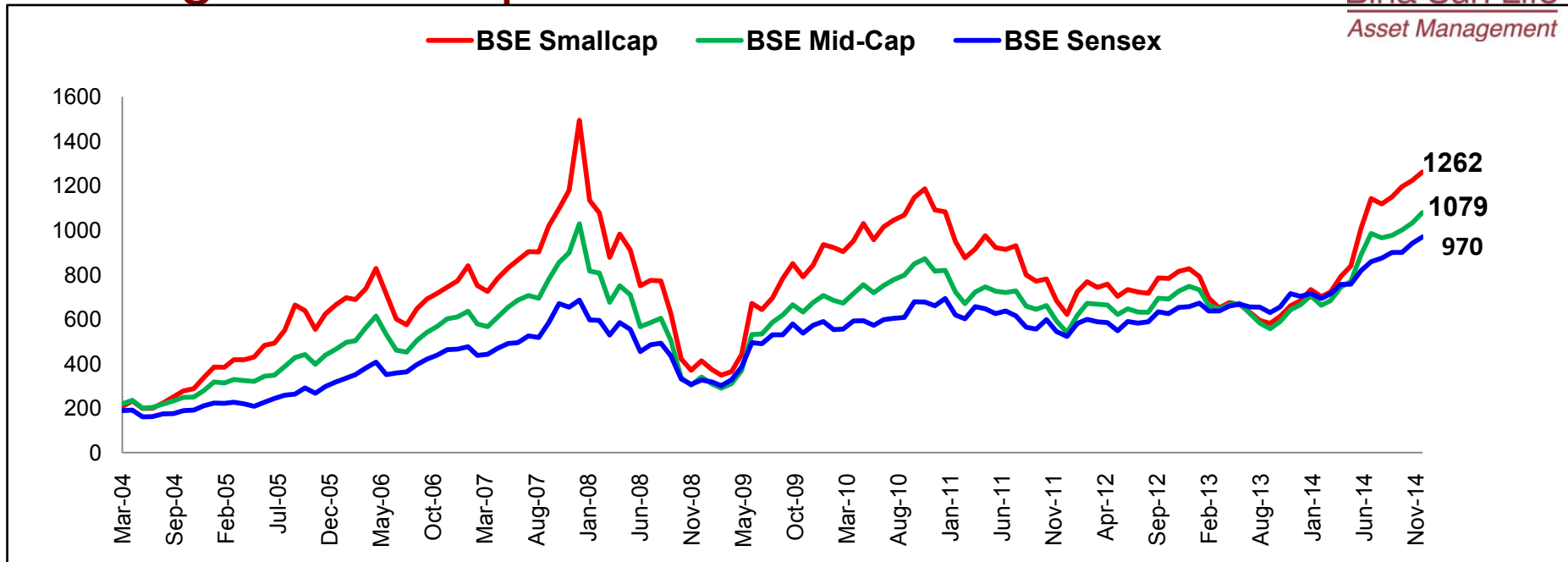
Best Performing Asset Classes



Source : Bloomberg, Value Express.

* Data available from Aug'94. All returns are compounded.

Long Term Outperformance



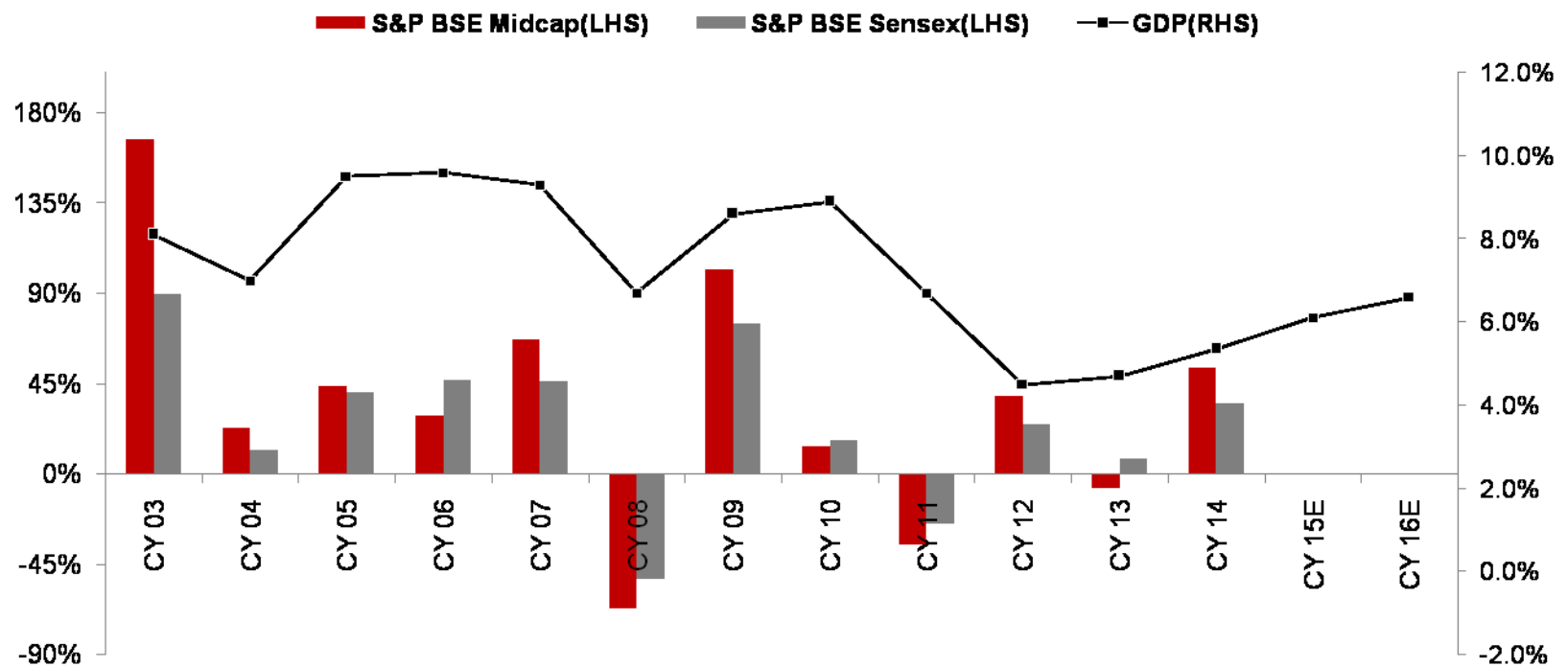
Index	3 years*		Last 5 years*		Boom Period*	Crisis Period*
	CAGR %	Value of Rs 1 lakh	CAGR %	Value of Rs 1 lakh	May 2004-Nov 2007	Nov 2008-Aug 2013
BSE Sensex	21.18	1,77,964	11.13	1,69,524	49%	15%
BSE Midcap	22.20	1,82,479	9.87	1,60,091	54%	12%
BSE Small-Cap	22.73	1,84,850	8.42	1,49,818	66%	9%

Source: MFI Explorer, Bloomberg

*Returns as on 30 Nov 14

Midcaps tend to outperform during high/rising growth periods

- Midcaps have typically outperformed Large caps during periods of rising economic growth
- Small & Midcap performance for last few years have been relatively muted
- Midcaps could make a comeback in the next few years with expected recovery in Earnings growth



Source: RBI , Bloomberg & Citibank research estimates Data for 2003 is from inception of the S&P BSE Midcap index on 1st Apr-03.

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Some reasons to invest in Small & Midcap companies

- **Under Researched**

- ✓ Limited research coverage for this segment

- **Under Owned**

- ✓ Institutional ownership is relatively lower in Small & Midcap Stocks

- **Under Valued**

- ✓ Price tends to be lower than the intrinsic value; creating valuation arbitrage

Index	Market Segment	Mkt Cap (INR Cr)	No of stocks	Research coverage*	1Y Forward PE Ratio
BSE Sensex	Large-cap	47,12,289	30	100	21.8
BSE Mid-Cap Index	Mid-cap	16,63,860	267	66%	19.4
BSE Small Cap	Small-cap	5,29,885	470	10%	18.0

Under Researched

Relatively Low PE Ratio

Potential to generate multi bagger returns through unlocking intrinsic value is generally higher in Small & Mid caps, albeit with more volatility in the short term

Source: Bloomberg, BSEIndia.com , Computation internal

*Researched stocks indicate coverage of more than 5 broking houses

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Investment Process

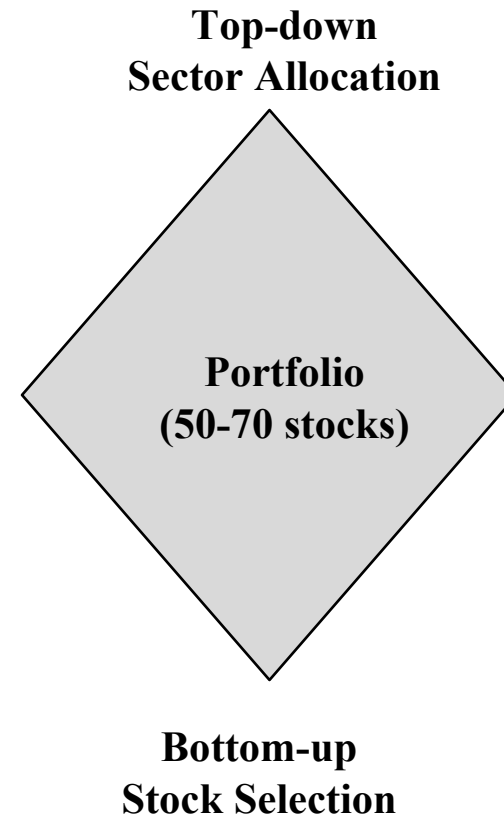
Integration of top-down sector allocation with bottom-up stock selection

Top-Down Sector Allocation

- Global Macro Analysis
- Economic Analysis
- Sector Analysis and Allocation

Bottom-up Stock Selection

- Investible Universe
- Closely followed companies
- Stock Selection



- ✓ Build a portfolio of 50-70 stocks with adequate sector diversity with respect to benchmark
- ✓ Combine Top-Down sector/sub-sector allocation with bottom-up stock picking
- ✓ Focus on buying stocks of companies:
 - Scalable and sustainable business model at reasonable valuations
 - With above average RoE
 - Generating positive Cash Flow from Operations
 - Low capex intensity to growth
- ✓ Avoid companies with poor corporate governance
- ✓ Exclude leveraged companies with high capex intensity to growth

Sectors

Drive Investments



Railways

Diamond Quadrilateral project of High Speed Train network (bullet train); expedite dedicated freight corridors and national highways development; roads and rail to the hinterland



Defence

Composite cap on FDI in defense sector increased to 49% v/s 24% earlier under FIPB route. Ownership control to be retained with India entity; Defense capex allocation increased to Rs94.6bn, up by Rs50bn over interim budget target



Media

Comprehensive 'National Energy Policy', e-auction of precious natural resources, expedite oil and gas explorations; set up small-hydro power generation projects



Agriculture

Growth rate of 6-7% over the long term; rising income in the hands of people encourage to spend on discretionary items like media ; demographic profile of India favours higher spend on media & entertainment

Mutual Fund investments are subject to market risks, read all Scheme related documents carefully.

Sectors

Drive Investments



Manufacturing

Develop industrial regions; single window clearance with time bound environment clearance; address issues of labour, logistics and power



E-Commerce

Fastest growing sector of the Indian Digital economy on back of fast growing internet-connected population and improvement in related infrastructure like payment and delivery systems



Auto Ancillaries

Increased public spending, Interest rate cut in the near term, general improvement in per capita income points towards higher demand for auto sector which in turn is positive for auto ancillary manufacturers



Construction

Construction sector, a major employment driver powered by large spends on housing, road, ports, water supply; Proposed increased allocation in the twelfth five-year plan(2012-2017) health for construction companies

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Efficient Risk Management – Key to Midcap portfolio Management

Limit portfolio risk via portfolio diversification, limits on relative position sizes and liquidity management:

- ✓ Avoid stock sector specific concentration
- ✓ Maximum 10% per company (based on initial purchase)
- ✓ Number of stocks: 50-70
- ✓ Regular review of risk and risk adjusted performance metrics including standard deviation of absolute return, tracking error, beta, Sharpe and information Ratios
- ✓ Monitoring of relative position sizes through daily and weekly reports

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- A 3-year closed ended equity fund with objective to generate long term capital appreciation
- Invests in equity and equity-related securities of small and mid cap companies
- The endeavour will be to pick companies which could become potential leaders in their respective fields in the future
- The investment emphasis would be on identifying companies with sound corporate managements and good prospects of future growth
- The Scheme will be primarily investing in equity and equity related securities of the companies in the small and midcap segment that have a potential to appreciate in the long run

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Where will the scheme invest?

- The Fund will select stocks from within the investment universe based on following criteria
 - Visionary & Trustworthy management with established track record
 - Significant Business presence in the area of their operations
 - Prospects for future growth and scalability
 - Financial discipline and returns as measured by ratios like Return on Investment (ROI) and Return on Equity (ROE)

Asset Allocation Pattern of the Scheme

	Risk Profile	Normal Allocation (% of total Assets)
Equity and Equity related securities Of which... Small Caps and Mid caps : 60 – 100% Other than Small &Midcaps: 0 – 40%	High	80-100%
Cash, Money Market & Debt instruments	Low	0-20%

Scheme features

Name of the Scheme	Birla Sun Life Emerging Leaders Fund – Series 5
Structure	A Close Ended Equity Scheme
Benchmark	S&P BSE Midcap Index
Fund Manager	Mr. Jayesh Gandhi
Investment Objective	The primary objective of the scheme is to generate long-term capital appreciation by investing predominantly in equity and equity related securities of small & Mid cap companies.
Liquidity	The scheme will have duration of 3 years from and including the date of allotment. The units offered under the Scheme will be listed on NSE within 5 (five) Business days from the date of allotment.
Load Structure	Entry Load: Nil Exit Load: Nil, No redemption/repurchase of units shall be allowed prior to the maturity of the scheme. Investors wishing to exit may do so through stock exchange mode
Plans/ Options	The Scheme will have Regular Plan and Direct Plan** with a common portfolio and separate NAVs. Each of the above (Regular and Direct) Plan under the scheme will have the following Options: (1) Growth Option and (2) Dividend Option with Payout Facility
Minimum Application Amt	Minimum of Rs. 5,000/- and in multiples of Rs. 10/- thereafter during the New Fund Offer period.

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Scheme specific risk factors & Risk Control Strategies

Risk Factors: Small & Mid cap stocks may be more volatile & less liquid than large cap companies. Investors therefore should assume that illiquidity risks are higher in this Scheme than in a normally diversified equity fund. Thus, relative to larger, more liquid stocks, investing in small & mid cap stocks, involves potentially greater volatility and risk.

Risk Control Strategies: Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. The risk control process involves reducing risks through portfolio diversification, taking care however not to dilute returns in the process. The AMC believes that this diversification would help achieve the desired level of consistency in returns. The AMC may also implement certain internal control procedures / risk & exposure limits etc., which may be varied from time to time.

The AMC aims to identify securities, which offer superior levels of yield at lower levels of risks. With the aim of controlling risks, rigorous in-depth credit evaluation of the securities proposed to be invested in will be carried out by the investment team of the AMC.

While these measures are expected to mitigate the above risks to a large extent, there can be no assurance that these risks would be completely eliminated.

Disclaimers



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Mutual Fund: Birla Sun Life Mutual Fund

Asset Management Company/ Investment Manager: Birla Sun Life Asset Management Company Limited

Registered Office: One India Bulls Centre, Tower - 1, 17th Floor Jupiter Mill Compound, 841, SB Marg, Elphinstone Road, Mumbai 400013 **CIN: U65991MH1994PLC080811**

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THANK YOU