

White Oak India Pioneers Equity Portfolio



| Performance ¹⁻⁹ | Q2 2022 | YTD 2022 | 2021 | 2020 | Part 2019 | Inception Cumulative | Inception CAGR |
|----------------------------|---------|----------|-------|-------|-----------|----------------------|----------------|
| Portfolio | -12.8% | -15.7% | 34.4% | 34.9% | 6.7% | 63.3% | 16.4% |
| S&P BSE 500 TRI | -9.5% | -9.8% | 31.6% | 18.4% | 3.5% | 45.6% | 12.3% |
| Outperformance (bps) | -328 | -590 | +281 | +1651 | +320 | +1766 | +405 |

| Other Indices | Q2 2022 | YTD 2022 | 2021 | 2020 | Part 2019 | Inception Cumulative | Inception CAGR |
|----------------------|---------|----------|-------|-------|-----------|----------------------|----------------|
| S&P BSE 100 Largecap | -9.2% | -8.6% | 26.9% | 16.6% | 5.4% | -8.6% | 11.6% |
| S&P BSE 150 Midcap | -9.6% | -12.2% | 48.6% | 26.3% | -0.3% | -12.2% | 16.6% |
| S&P BSE 250 Smallcap | -13.5% | -16.9% | 59.1% | 27.9% | -11.2% | -16.9% | 13.4% |

Note : The format of the performance table is changed w.e.f May 31, 2022, to have a consistency of representation across all the product materials.

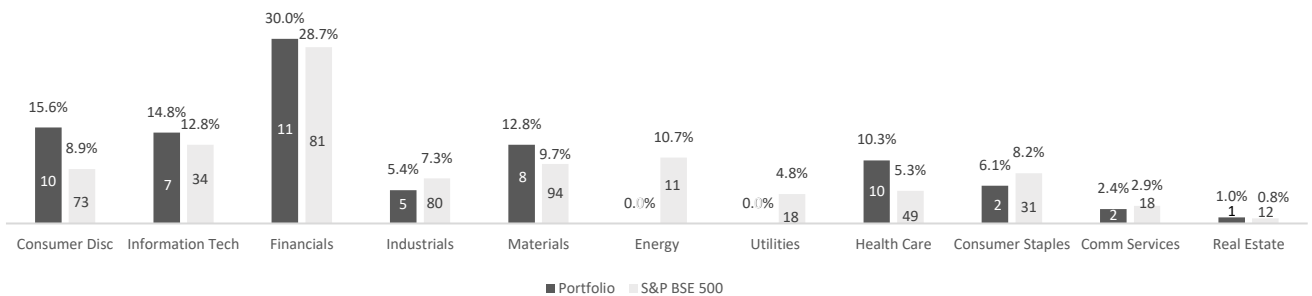
Market Cap Attribution Since Inception (%)¹¹

| | Portfolio | | Benchmark | | Attribution | | |
|----------------|-----------|--------------|-----------|--------------|------------------|-------------------|--------------|
| | Avg Wt | Total Return | Avg Wt | Total Return | Selection Effect | Allocation Effect | Total Return |
| Large Cap | 60.3 | 54.0 | 80.0 | 48.7 | 1.7 | -1.0 | 0.7 |
| Mid Cap | 24.4 | 139.6 | 13.6 | 43.4 | 19.6 | 0.5 | 20.0 |
| Small Cap | 12.7 | 82.0 | 6.4 | 18.0 | 9.2 | -3.7 | 5.5 |
| Cash/Fut/Other | 2.6 | 0.0 | 0.0 | 0.0 | - | - | -4.0 |
| Total | 100.0 | 67.9 | 100.0 | 45.7 | 30.4 | -8.2 | 22.2 |

Sector-wise Attribution Since Inception (%)¹²

| | Portfolio | | Benchmark | | Attribution | | |
|------------------|-----------|--------------|-----------|--------------|------------------|-------------------|--------------|
| | Avg Wt | Total Return | Avg Wt | Total Return | Selection Effect | Allocation Effect | Total Return |
| Comm Services | 2.3 | 52.2 | 2.8 | 34.3 | -0.3 | -0.6 | -0.9 |
| Cons Disc. | 12.4 | 56.0 | 8.5 | 44.4 | 1.4 | 0.5 | 1.9 |
| Cons Staples | 8.1 | 31.8 | 8.9 | 30.9 | 0.6 | -0.8 | -0.2 |
| Energy | 0.0 | 0.0 | 9.8 | 71.9 | 0.0 | -3.0 | -3.0 |
| Financials | 32.1 | 40.5 | 31.7 | 13.9 | 9.9 | -0.1 | 9.8 |
| Health Care | 11.6 | 117.2 | 5.5 | 59.7 | 6.6 | 7.2 | 13.8 |
| Industrials | 5.3 | 60.0 | 6.8 | 50.5 | -0.4 | -0.3 | -0.7 |
| Information Tech | 17.0 | 130.2 | 12.5 | 91.1 | 7.8 | 1.9 | 9.6 |
| Materials | 7.7 | 99.7 | 9.6 | 69.8 | 0.0 | -0.6 | -0.7 |
| Real Estate | 0.8 | 83.7 | 0.7 | 48.8 | 0.4 | -0.3 | 0.1 |
| Utilities | 0.0 | 0.0 | 3.3 | 142.5 | 0.0 | -3.5 | -3.5 |
| Cash/Fut/Other | 2.6 | 0.0 | 0.0 | 0.0 | - | - | -4.0 |
| Total | 100.0 | 67.9 | 100.0 | 45.7 | 25.9 | -3.6 | 22.2 |

Sector Exposure⁹



Top 20 Holdings & Key Contributors / Detractors

| Scrip Name | Weight (%) | Scrip Name | Weight (%) |
|---------------------|------------|--------------------------|-------------|
| ICICI Bank | 9.4 | Astral | 2.6 |
| HDFC Bank | 7.8 | HDFC Life Insurance | 2.2 |
| Infosys | 5.7 | Ambuja Cements | 2.1 |
| Nestle India | 5.2 | Mphasis | 2.0 |
| Cholamandalam Inv | 4.1 | Garware Technical Fibres | 2.0 |
| Titan Company | 3.6 | Navin Fluorine | 1.9 |
| Maruti Suzuki India | 3.5 | Abbott India | 1.8 |
| Asian Paints | 3.1 | Dixon Technologies India | 1.8 |
| Cipla | 2.7 | Eicher Motors | 1.6 |
| Persistent Systems | 2.6 | Indigo Paints | 1.6 |
| Total | | | 67.2 |

Investment Objective

The objective of the strategy is to achieve long term capital appreciation by primarily investing in 'listed securities' in India.

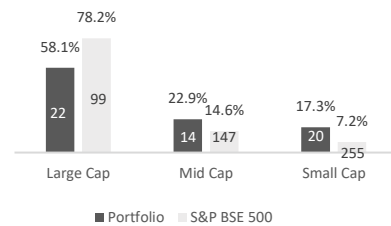
Portfolio Facts

| | |
|-------------------------------|-------------------|
| Structure: | Discretionary PMS |
| Firmwide AUM: | ₹ 38,831 Cr |
| WO India Pioneers Equity AUM: | ₹ 6,945 Cr |
| Minimum Investment: | INR 50 Lakhs |
| Benchmark: | S&P BSE 500 TR |

Portfolio Characteristics¹⁰

| | |
|---------------------------------|---|
| Wt. Av. Market Cap (INR Cr) | 202,226 |
| No. of Holdings | 56 |
| Standard Deviation (SI): | Portfolio : 21.2% / S&P BSE 500 : 21.3% |
| Sharpe Ratio (SI): | Portfolio : 0.51 / S&P BSE 500 : 0.21 |
| Beta (SI): | 0.91 |
| ROE (FY 22): | 19.4% |
| PE (FY 23): | 20.3 |
| Projected Revenues (3 Yr CAGR): | 15.1% |
| Projected Earnings (3 Yr CAGR): | 17.6% |

Market Cap Classification⁹



Classification as per Securities and Exchange Board of India (SEBI) guidelines for Mutual Funds. Additional information on the classification methodology is available upon request.

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Performance Review

The portfolio was down 12.8% in Q2 2022, underperforming the benchmark by -328bps. The key contributors include Maruti Suzuki (+12.0%), Nestle India (+1.0%), and Fine Organic Industries (+19.8%) whereas Persistent Systems (-28.6%), Mphasis (-32.1%), and Titan Company (-23.5%) were the key detractors.

Year-to-date, the portfolio was down 15.7%, underperforming the benchmark by -590bps. The key contributors include Cholamandalam Investment (+19.3%), Fine Organic Industries (+29.2%), and Maruti Suzuki (+14.1%) whereas Coforge (-39.5%), Persistent Systems (-30.3%), and Astral (-27.4%) were the key detractors.

Market Review

In Q2 2022, S&P BSE 500 index was down 9.5%, outperforming most global indices. US equities (S&P 500) and MSCI World were down by 16%, and MSCI EM was down 12%.

FIIs were net sellers to the tune of US\$15bn in Q2 2022, while net buying by domestic institutional investors (DIIs) was US\$14bn. For the quarter, the Rupee depreciated by 4.0% while the benchmark 10-year G-Sec yields rose from 6.9% to 7.4%.

Commodities were mixed, with Brent up 12% and the S&P GSCI Industrial Metals Index down by 25%.¹³

For the quarter, Utilities, Energy and Government owned companies outperformed as did Consumer Staples. IT Services, Materials, and Health Care were the key underperforming sectors. On a YTD basis, Utilities and Energy are the best performing sectors while IT services is the worst performing sector.

Q2 2022 Key contributors

Maruti Suzuki (MSIL) is the market leader in the passenger vehicle segment in India with just over 45% market share (by volumes). The company has the most extensive distribution network and commands a strong mind share amongst consumers. While mainly known as a 'Value for Money' brand, MSIL has also gained market share in the premium segment via the NEXA distribution channel. The concerns over the company's product gaps, especially in the SUV (sport utility vehicle) segment has been allayed by the company's announcement that it will launch multiple new models over the next 12-18 months. Moreover, the improving semiconductor supply situation and the recent moderation in commodity costs are also positives for the company. These reasons may have contributed to the outperformance of the stock.

Nestle India is India's largest food products company. With household brands like Maggi, KitKat, Nescafe, Cerelac, and Nan in its portfolio, it is a market leader in most categories that it operates in. Nestle is amongst the best companies in India, across sectors, on operational excellence, in its ability to create and grow categories, on return ratios and free cash flow metrics. The company's brand portfolio enjoys tremendous consumer equity and occupies the sweet spot of 'aspirational yet affordable' positioning that very few brands enjoy. While raw material inflation worries have been weighing on the stock, Nestle has sufficient pricing power to tide over these short-term disruptions. We expect Nestle to deliver strong FCF growth in the coming years on the back of healthy revenue growth and sustained operating/FCF margins. Recent outperformance likely reflects: (a) Nestle's defensive positioning as a consumer staple stock; such names often tend to outperform in weak markets, and (b) early signs of correction in base raw materials, including agri commodities.

Fine Organics Ltd. (FOIL) is the largest manufacturer of oleochemical-based additives in India. These additives are used in various industries like food and beverages, personal products, paints, and other specialty applications. A niche, but expansive product basket, diversified customer base, stringent and lengthy product approvals (creating strong entry barriers), and proprietary technology underpin the company's competitive positioning in the global market. FOIL is expanding its capacity, which provides growth visibility and is also entering higher-margin downstream products like specialty feed nutrition and pre-mix bakery products. The recent fourth-quarter results were ahead of expectations, with the company reporting an 11% improvement in EBITDA margins driven by product innovation, superior mix, and pass-through of high raw material prices.

Q2 2022 Key Detractors

Persistent Systems is a mid-sized IT services company with deep domain expertise in healthcare, life sciences and financial services verticals, and a niche positioning in adjacent areas such as health-tech and fin-tech. The company has forged strong partnerships with leading enterprise software ecosystems such as Salesforce, Appian, and Snowflake. It also has strong capabilities in product engineering services with the likes of IBM, CISCO, Intuit and Dassault Systems as key customers. The business has de-risked its revenue base, lowered client concentration and increased number of large accounts. The company has many levers to drive healthy cash flow growth over the next few years. The stock underperformed along with the IT Services sector as investors are concerned about demand going forward due to expectations of a recessionary environment.

Bajaj Finserv is a leading diversified financial services firm with three key business units: (1) Bajaj Finance (BAF), (2) Bajaj Allianz General Insurance (BAGIC), and (3) Bajaj Allianz Life Insurance (BALIC). BAF is India's leading consumer lending franchise. Leveraging its industry-leading technology deployment, it straddles across consumer, SME, commercial, rural and mortgage segments with an enviable track record of prudent risk management. BAGIC, the group's multiline general insurance business, is the second-largest and among India's most profitable private general insurance companies. BALIC, the group's life insurance company, continues to see strong growth and improving profitability and has the potential to scale up multi-fold over time. In its Q4FY22 results, BAF guided for continued investments in technology and elevated opex vs expectations. BAGIC also witnessed a 450bps surge in loss ratio to 68.6% as compared to Q4FY21, on account of increased severity of non-Covid health claims and higher crop claims in Kharif season. These could have further put pressure on the stock, in our view.

Titan is India's leading jewellery retailer. The industry is dominated by unorganized players, which account for 70% of the market share, thereby presenting a long runway for growth for organized players like Titan. The company has consistently gained market share on the back of strong execution by the management. We expect the company to continue to do well as it (a) expands aggressively in smaller Indian cities and (b) strengthens its positioning in the large wedding jewellery segment. Recent underperformance is likely on account of worries that (a) high inflation could weigh on discretionary spending, and (b) there could be a repeat of the 2013-15 regulatory-headwind phase wherein authorities had imposed a series of restrictions on gold imports. We believe Titan is in a much stronger position to navigate any such headwind now as the gold sourcing mix has changed materially since then.

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Quarterly macro update

In the following paragraphs, we discuss some key topics, including recent developments on the macro-economic front and important highlights from the 4QFY22 earnings season.

Most high-frequency activity indicators, such as credit growth, power consumption, E-way bills generation, railway freight, auto sales, and property registration, point to a steady revival in the economy. This is also reflected in tax collections which is ahead of the usual run rate and likely to support higher government spending. Industrial growth also remains buoyant, with IIP up by 7% YoY and the core sector growing at 14% YoY for FY23td. Latest RBI survey indicates improving utilisation levels, which along with accelerating end demand, is leading to higher capacity additions across sectors.

Despite recent challenges around global growth and disruptions in supply chain, India’s merchandise exports have gained market share, growing by 9% CAGR between FY19-22. The overall exports mix has also been improving with growing contribution from value-added items such as Engineering Goods, Specialty Chemicals, and Electronics.

The bulk of the recent concerns originates from high energy prices, which is not unique to India alone but attracts much attention given the higher dependence on imports (India imports 85% of its crude oil requirements). But, at least, there is little evidence to suggest that India is disproportionately affected by rising oil prices – the sensitivities of macro variables to oil prices is in-line with what is observed for most other EMs. Further, an underappreciated aspect is that the vulnerability of macro variables such as CAD due to a higher oil import bill has reduced materially over the years due to faster economic growth and exports compared to the oil consumption. Also, an adequate level of Fx reserves (US\$600bn, 10 months’ import cover) provides policy levers to navigate the prevailing macro environment.

Oil price sensitivities

| Economy | Impact of 10% rise in global crude oil prices | |
|--------------------|---|-----------------------|
| | Current Account (% GDP change) | Inflation (pp change) |
| Brazil | 0.07 | 0.67 |
| Chile | -0.36 | 0.83 |
| China | -0.14 | 0.18 |
| India ¹ | -0.40 | 0.35 |
| Indonesia | -0.30 | 0.10 |
| Korea | -0.81 | 0.20 |
| Malaysia | 0.16 | 0.30 |
| Mexico | -0.16 | 0.61 |
| Philippines | -0.60 | 0.40 |
| Poland | -0.19 | 0.21 |
| Saudi Arabia | 2.07 | |
| South Africa | -0.30 | 0.25 |
| Taiwan | -0.26 | 0.15 |
| Thailand | -1.33 | 0.40 |
| Turkey | -0.54 | 0.18 |
| Vietnam | -0.50 | 0.10 |

Source: HSBC Global Research, White Oak

Estimates based on net crude oil trade

¹ For India numbers reflect US\$10/bbl increase in oil prices

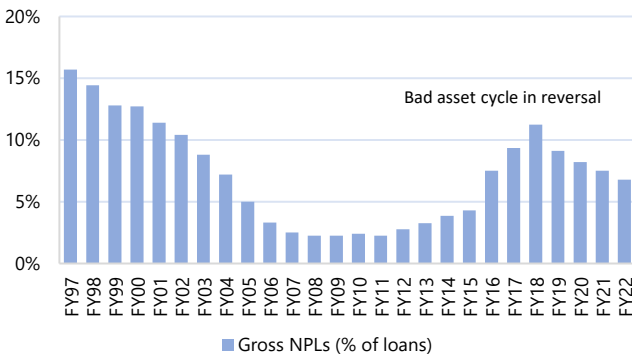
The recent uptick in inflation (7.8% in April and 7.0% in May) prompted the RBI to hike the repo rate by 40bps in an off-cycle policy meeting in May, followed by a 50bps increase in the June monetary policy meeting. To reduce the pass-through of elevated global prices into domestic inflation, the government announced measures such as lowering excise duties on diesel and petrol, restricting agri exports, and increasing fertilizer subsidies.

Despite the near-term spike, India’s CPI is not much above the upper end of RBI’s tolerance band (2%-6%). Besides, India’s core services inflation is at a reasonably contained level of approximately 4%.

Nifty earnings grew by 20% YoY in 4QFY22, in line with consensus expectations. Generally, companies in consumer-facing sectors reported steep input cost inflation, although some of it has already been passed through price hikes. As has been the case in the previous quarters, companies in our portfolio tend to be market leaders and have been better positioned to navigate through an inflationary environment and continue to report market share gain from the weaker peers. Historically, in our observation commodity price fluctuations get passed through the food chain and absorbed by consumers, with hardly any lasting effect on business economics or value.

Among other sectors, banks reported strong YoY earnings growth as asset quality trends were healthy and system loan growth hit double digits. Fresh slippages were controlled while balance sheets strengthened with improving provision coverage ratios. In fact, the improvement in earnings trajectory over the last two years has been characterized by improving fundamentals with corporate India’s leverage at a decade low.

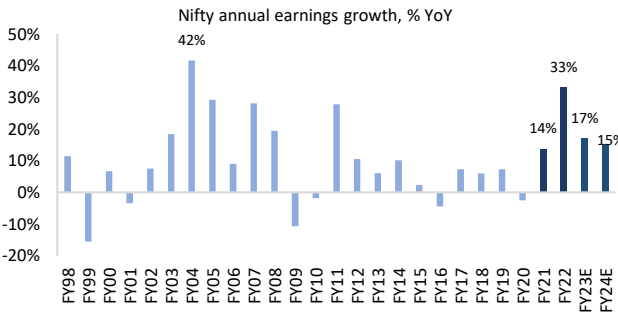
Improved asset quality for India’s banking sector



Source: Bloomberg, Jefferies, White Oak

At a headline level, Nifty earnings for FY22 grew by 33% YoY, at its highest pace since FY04. Despite the mild downgrades of 1-2% over the quarter, per consensus estimates, earnings are projected to grow by 16% CAGR for the next two years. In the context of rising concerns about global growth, it is worth re-iterating what we highlighted in the 2021 Newsletter (The India Premium, [click here](#)), that given its well-diversified corporate mix, India’s earnings have generally been more resilient than EM peers during previous downcycles.

FY22 earnings growth the best since FY04



Source: Bloomberg, White Oak

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Notes:

(1) Performance is calculated basis time weighted rate of return method net of all fees and expenses; Individual client performance may differ. Past performance is not indicative of future results. Performance shown since April 9, 2019, as client monies were managed from this date. Performance related information provided herein is not verified by SEBI. Returns have been calculated using Time Weighted Rate of Return (TWRR) method as prescribed by SEBI (2) S&P BSE 500 Total Returns Index. CAGR : Compound Annual Growth Rate (3) All data is as of 30 June 2022. Part 2019 : From April 9, 2019 till December 31, 2019 (4) All returns and % changes are in INR terms unless otherwise stated. (5) Refers to aggregate assets under management or advisory for White Oak Capital Management Consultants LLP. (6) Source: Bloomberg, Factset. Further details are available upon request (7) Inception Date : April 9, 2019 (8) Returns for 1 year and less than 1 year are absolute returns, while more than 1 year are CAGR. (9) The number inside the bars denote the number of companies in each classification. (10) SI : Since Inception (11) FactSet's Attribution Analysis. Performance is gross of fees, taxes and expenses. Market Cap Classification as per Securities and Exchange Board of India (SEBI) guidelines for Mutual Funds. Performance related information provided herein is not verified by SEBI. (12) Factset's Attribution Analysis: GICS Classification. (13) Source: Bloomberg, further details are available upon request. Performance is gross of fees, taxes and expenses. Performance related information provided herein is not verified by SEBI.

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