



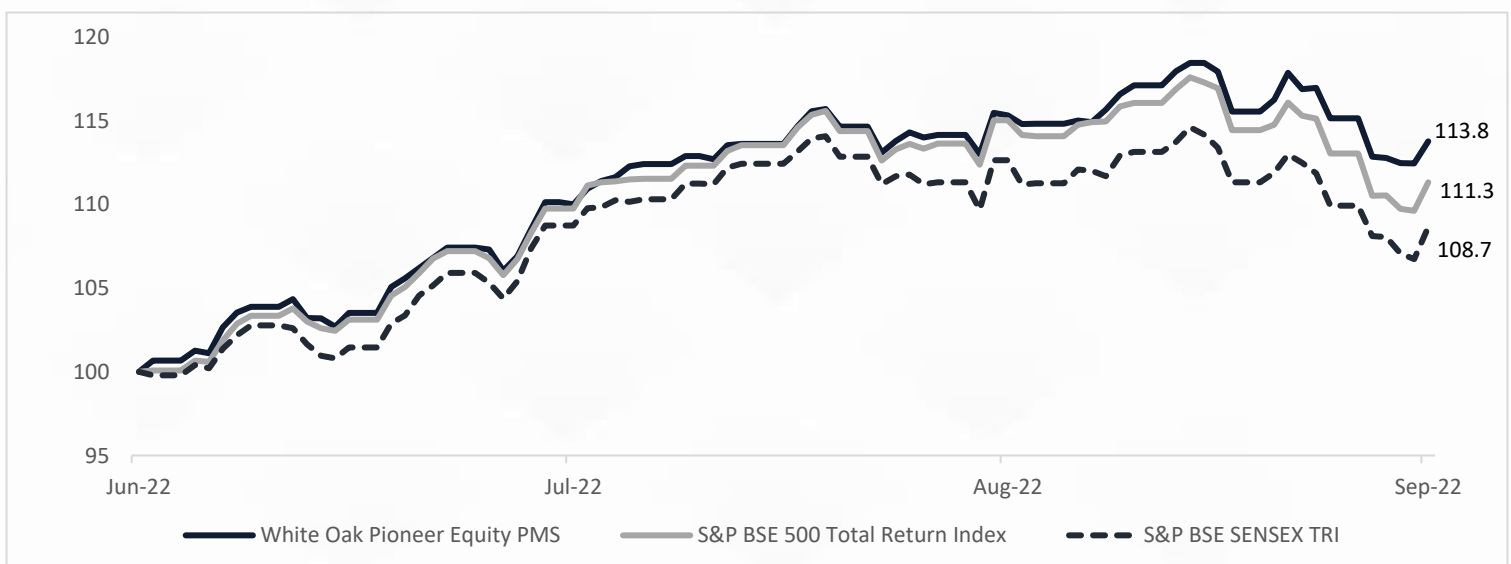
Quarterly Update – Q3 2022

Four Important Pillars of WhiteOak Investment Process:

- 1) Team:** A deep bench of seasoned professionals with multiple people having 15-25 years of experience; a team within team approach with two or more team members covering each sector to enable depth of coverage and width of perspectives for a large universe and a wealth of global investing experience which provides pattern recognition abilities that are especially empowering for investing in an emerging market like India.
- 2) Bottom-up Stock Selection** – Identifying ‘Great Businesses’ with superior returns on incremental capital, scalable long term opportunity, and led by management teams that have strong track record of execution and who demonstrate the highest standards of corporate governance.
- 3) Balanced Portfolio Construction** – WhiteOak follows a balanced portfolio construction approach with no top-down allocation bias of growth, value, contra cyclical etc.; no thematic biases like domestic vs. exports, defensive vs. cyclical or market cap biases like large cap or SMID (small and midcap) focus. Following any of such narrow strategy may result in exaggerated cycles of outperformance and underperformance. This is why it is commonly said that “*Winners Rotate*” and the strategies that perform keep changing every year or two only to be replaced by some other strategy.
- 4) Proprietary Valuation Framework – OpcoFinco™ Framework** that values invested capital separately and the operating businesses separately. Value of the operating business is the present value of excess returns in free cash flow terms produced over and above cost of capital, thus providing an insight into economic cash flow generation characteristics and the intrinsic value of a business.

White Oak India Pioneers Equity Portfolio – Q3 2022 Performance Update

Performance (%)	Q3 2022	YTD 2022	2021	2020	Part 2019	Inception	
						Absolute	CAGR
Portfolio	13.8	-6.5	34.4	34.9	6.7	81.0	18.6
S&P BSE 500 TRI	11.3	0.4	31.6	18.4	3.5	62.1	14.9
Outperformance (bps)	+244	-696	+281	+1651	+320	+1891	+370



Source: WhiteOak. Inception Date: 09 April 2019. All indices are Net Total Return in INR. Performance is net of all fees and expenses (including taxes). Performance shown since 9 April 2019 as client monies were managed from this date. Performance related information provided herein is not verified by SEBI. Past performance is not a reliable indicator of future results.

In Q3 2022, S&P BSE 500 is up by 11.3% while White Oak India Pioneers Equity Portfolio is up by 13.8%, thus **outperforming the benchmark by 244 bps**. The outperformance was led by strong selection effect in Consumer Discretionary and Materials sectors. The stock wise key contributors include Ambuja Cements (+42.0%), Titan (+34.8%), and Astral (+35.0%).



Factor Risks in a Balanced Portfolio

While we have a balanced portfolio that is more broad-based, representative as well as amenable to capturing wider market opportunities, there are still two factor risks that we willingly tolerate in the interest of long-term sustainability of performance:

1. Relatively higher exposure to small and mid-caps (SMID caps) compared to large caps.
2. We are substantially underweight or even absent in sectors like energy, utilities, global commodities and by and large avoid government-owned companies (or PSUs).

The reason we have higher exposure to SMIDs is that they form a relatively lesser researched segment of the market and hence they have the highest alpha generating potential within the market. So, if one has well-resourced research capabilities as we do, it is possible to create sizeable alpha in this segment. Large Caps also have alpha generating potential but present to a lesser degree when compared to SMIDs.

Further, specific sectors like consumer staples and discretionary, private sector banks, healthcare, chemicals, IT Services, etc., tend to have heterogeneous business models and provide more opportunities for alpha generation. On the other hand, companies in sectors like energy, utilities, global commodities, and PSUs, to an extent, tend to have homogenous business models or a standard set of drivers grounded in macros and hence do not lend themselves to alpha generation from a stock selection perspective. The fate of such companies is thus decided mainly by externalities, and it is impossible to predict those macros consistently. It is like a batsman claiming to score many centuries but only provided when the pitch is flat, the opponent is weak, and the boundaries are shorter.

Hence, with this background, these are the scenarios where White Oak India Pioneers Equity Portfolio may underperform in the short term despite a balanced portfolio and long-term solid track record. When these happen together, there is a phase of muted performance, but it is a one to two quarter phenomenon. Eventually, we remain confident that stock selection can overpower the headwinds caused by these two minor allocational biases. At the same time, it is worth noting that SMID cap underperforming large cap and low governance companies outperforming good governance companies is mean-reverting or cyclical and is unlikely to sustain.

Some Historical References

White Oak Pioneers Equity Portfolio has a history of outperforming the benchmark in each of the calendar years (Part 2019, 2020 and 2021), but there were intermittent short periods where it did underperform. Whenever this has occurred, over the next 12 months, the strategy outperformed the benchmark by a wide margin basis, as can be inferred from the above explanation. The same is shown in the below table:

Time period	Relative Performance	Duration (days)	Full CY alpha	12 month Outperformance post worst drawdown
14 Aug 2018 – 1 Oct 2018**	-5.5%	48	3.0%	8.6%
17 Mar 2020 – 06 Jul 2020	-8.15%	111	16.5%	8.9%
30 Dec 2021 – 07 June 2022	-9.1%	159		2.9%*

*Worst drawdown in this cycle observed on 7th June 2022, outperformance post worst drawdown is 287 bps between June 7, 2022 and Sep 30, 2022; Data for strategy performance is net of fees Average ex of latest drawdown period

**2018 data is for AIF - White Oak India Equity Fund I (WOIEF-I), 2019 April onwards data for Pioneers PMS

Valuation Discount During Recent Volatility

There are myriad reasons for the market to fall. However, it is primarily due to the anticipated deterioration of fundamental value due to factors directly or indirectly impacting the underlying asset class.

Usually, most investors focus on the discounts created by price correction and may miss the bigger picture – “The Valuation.”

What if, along with price correction, there is a higher decline in the underlying asset value? In that case, the Asset has become even more expensive.

And consider the opposite. What if, along with price correction, there is a rise in the underlying Asset’s Fundamental Value? As a result, the discount can be even more significant than it appears by merely looking at the price correction.

So what has happened this time? Value addition or reduction?

		From October 31, 2021 to September 30, 2022
Price Correction	Change in White Oak Pioneers Equity Portfolio	-5%
Growth in Underlying Cashflow	Growth in White Oak Pioneers Equity Portfolio OpcoFinco™ FCF	30%

Total Valuation Discount			
	October 31, 2021	September 30, 2022	Valuation Discount
FY 23 OpcoFinco™ P/FCF : Sensex	51.2	38.3	25%
FY 23 OpcoFinco™ P/FCF : Portfolio	46.7	34.1	27%

Source: WhiteOak. Past performance is not a reliable indicator of future results.

The Portfolio is still cheaper than S&P BSE Sensex by 11.0%

Long Term Performance Track Record of Alpha Generation

Rolling returns are a stronger indicator to show consistency of performance over a long period of time.

White Oak India Pioneers Equity Portfolio has **outperformed the Benchmark 100% of the times on a 3-Years CAGR basis**, measured daily, since inception.

Rolling Return Period	3 Years	
Rolling Frequency	Daily	
Period in Consideration	8-April-2019 to 30-Sep-2022	
First Observation Date	08-Apr-22	
Total Observations	176	
Portfolio / Index Name --->	White Oak India Pioneers Equity Portfolio	S&P BSE 500 TRI
Minimum Return (% CAGR)	15.1	12.0
Maximum Return (% CAGR)	24.5	22.1
Median Return (% CAGR)	21.0	17.0
Average Return (% CAGR)	20.4	17.2
Less than 10% return observations	0	0
10 to 15% return observations	0	55
15 to 20% return observations	74	68
Above 20% return observations	102	53
	100%	69%

Source: WhiteOak. Above numbers are rounded-off to nearest decimal. Returns are in % CAGR. Source: MFIE and Internal Research. PMS returns are estimates and net of fees and expenses. Returns for PMS have been calculated using Time Weighted Rate of Return (TWRR) method as prescribed by SEBI. Individual client performance (in PMS) may differ. Past performance is not indicative of future results. Performance related information provided herein is not verified by SEBI. 3 Years % CAGR is on any observable date during the above mentioned period.

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