White Oak India Top 200 PMS

WHITE OAK CAPITAL MANAGEMENT

Portfolio Performance[1-8]	3 Month	6 Month	Inception Absolute
WO India Top 200	11.2%	22.8%	26.5%
S&P BSE 200 TR	12.0%	21.9%	26.4%
Outperformance (bps)	-80	+83	+9
Other Indices			
S&P BSE 100 Largecap	12.0%	21.3%	24.5%
S&P BSE 150 Midcap	11.5%	27.5%	41.6%
S&P BSE 250 Smallcap	11.0%	34.1%	48.4%

Marketcap Attribution Since Inception (%)[11]

	Portfolio		Benchmark		Attribution		
	Avg Wt	Tot Return	Avg Wt	Tot Return	Selection Effect	Allocation Effect	Tot Return
Large Cap	64.7	22.3	87.3	25.5	-2.0	0.2	-1.8
Mid Cap	29.2	55.5	12.7	33.4	5.2	1.2	6.4
Small Cap	0.8	-7.0	0.0	30.0	-0.1	-0.3	-0.3
Cash/Fut/Other	5.3	0.0	0.0	0.0	-	-	-0.6
Total	100.0	30.0	100.0	26.4	3.1	0.5	3.6

Sector-wise Attribution Since Inception (%)[12]

	Portfolio		Benchmark		Attribution		
	Avg Wt	Tot Return	Avg Wt	Tot Return	Selection Effect	Allocation Effect	Tot Return
Comm Services	0.7	29.2	2.7	22.9	0.1	0.1	0.2
Consumer Disc	8.7	30.6	7.6	10.3	1.7	-0.1	1.6
Consumer Stp	7.6	12.8	8.6	19.7	-0.6	0.0	-0.6
Energy	0.0	0.0	9.7	27.0	0.0	0.2	0.2
Financials	37.1	27.1	33.1	21.2	2.0	-1.1	0.9
Health Care	9.7	39.0	5.3	19.5	1.7	-0.4	1.3
Industrials	4.5	49.9	5.9	39.9	0.4	-0.1	0.3
Information Tech	17.6	56.3	13.6	27.3	4.5	-0.6	4.0
Materials	8.1	17.7	9.6	49.9	-2.3	-0.3	-2.5
Real Estate	0.7	30.3	0.5	64.6	-0.2	0.1	-0.1
Utilities	0.0	0.0	3.5	65.6	0.0	-1.1	-1.1
Cash/Fut/Other	5.3	0.0	0.0	0.0	-	-	-0.6
Total	100.0	30.0	100.0	26.4	7.4	-3.8	3.6

Investment Objective

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

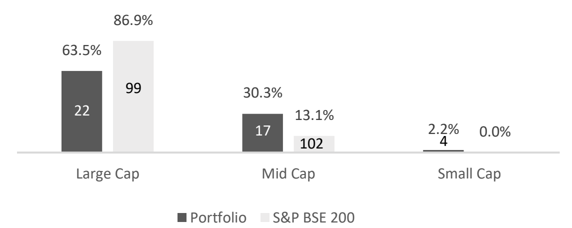
Fund Facts

Structure:	Discretionary PMS
Firmwide AUM:[3,5]	₹ 40,852 Cr
WO India Top 200 AUM:[3]	₹ 257 Cr
Minimum Investment:	INR 50 Lakhs
Exit Load:	Nil
Benchmark:	S&P BSE 200 TR

Portfolio Characteristics[10]

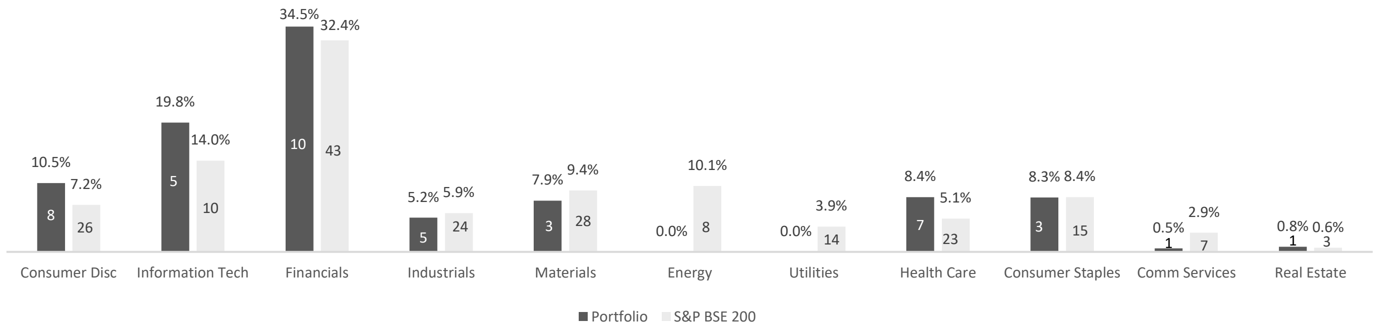
Wt. Av. Market Cap (INR Cr)	262,190
No. of Holdings	43
ROE (FY 21):	17.3%
PE (FY 22):	28.8
Projected Revenues (3 Yr CAGR):	15.8%
Projected Earnings (3 Yr CAGR):	20.5%

Market Cap Classification[9]



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

Sector Exposure[9]



Market Review

In Q3 2021, S&P BSE 200 TR index was up 12.0%. S&P BSE 100 Largecap was up 12.0%, S&P BSE 150 Midcap up 11.5%, and S&P BSE 250 Smallcap up 11.0%

FIIs were net buyers to the tune of US$2.8bn during the quarter. For year to date, India has seen net FPI inflows of US$8.6bn, among the highest in EMs, ex-China. The Rupee was flat, while the benchmark 10-year G-Sec yields rose slightly to 6.2%. The rally in commodities continued with Brent up by 5.1% and the S&P GSCI Industrial Metals Index up by 1.8%, QoQ.[13]

Among sectors, communication services and energy outperformed, whereas health care and consumer discretionary underperformed during the quarter.

Performance Review

In the third quarter, the portfolio was up 11.2%, underperforming the benchmark by -80bps. The key contributors include Coforge (+26.4%), Mphasis (+48.6%) and Bajaj Finserv (+46.9%) whereas, Axis Bank (+2.4%), Navin Fluorine (-1.6%) and Indigo Paints (+1.9%) were the key detractors.

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Top 20 Holdings & Key Contributors / Detractors

Scrip Name	Weight (%)	Scrip Name	Weight (%)
Infosys	8.3	Mphasis	3.1
ICICI Bank	7.9	Crompton Greaves	3.0
HDFC Bank	7.1	Bajaj Finserv	2.8
Nestle India	6.2	Cipla	2.4
Axis Bank	5.2	Astral	2.3
Coforge	4.1	Bajaj Finance	2.3
Titan Company	4.1	Indigo Paints	2.3
Asian Paints	3.8	Ajanta Pharma	1.9
Cholamandalam Inv	3.7	Kotak Mahindra Bank	1.9
Persistent Systems	3.3	Hindustan Unilever	1.8
Total			**77.6**

Q3 2021 Key Contributors	Ending Weight (%)	Total Return (%)	Contribution to Alpha (bps)
Coforge	4.1	+26.4	+60
Mphasis	3.1	+48.6	+57
Bajaj Finserv	2.8	+46.9	+54
L&T Technology Services	1.4	+62.6	+42
Titan Company	4.1	+25.1	+34

Q3 2021 Key Detractors	Ending Weight (%)	Total Return (%)	Contribution to Alpha (bps)
Axis Bank	5.2	+2.4	-29
Navin Fluorine	1.7	-1.6	-23
Indigo Paints	2.3	+1.9	-22
Cipla	2.4	+1.7	-21
Intellect Design Arena	1.0	-1.9	-16

Key Contributors Q3 2021

Mphasis is the 7th largest IT services company in India with approximately $1.5bn in revenues. It has a strong positioning in custom application development and management for the banking & financial services (BFS) industry. Its deep domain expertise within BFS has resulted in a high-quality customer profile wherein it counts six of the top ten US banks as its clients. Its core business, constituting more than 80% of revenues, has delivered industry leading growth over the past two years. We expect the company to continue to do well on the back of continued new client additions, strong total contract value (TCV) of deal wins and mining of existing accounts. The stock outperformed during the quarter due to continued business growth momentum.

Bajaj Finserv is a leading diversified financial services firm with three key business units: (1) Bajaj Finance, (2) Bajaj Allianz General Insurance (BAGIC), and (3) Bajaj Allianz Life Insurance (BALIC). Bajaj Finance 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 the most profitable private general insurance companies in India. It has a long runway for profitable growth driven by increasing penetration, new product introductions and market share gains. BALIC, the group's life insurance company, continues to see strong growth and improving profitability and has the potential to scale up multifold over time. Over the last year, Bajaj Finserv has also forayed into an e-Commerce and financial services market place and a digital health platform. Additionally, it has also received SEBI approval for setting up an Asset Management Company.

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) continues to expand aggressively in smaller Indian cities and (b) strengthens its positioning in the large wedding jewellery segment. The stock's recent outperformance reflects – (a) expectations of revival in business momentum as Covid restrictions are relaxed and retail stores gradually reopen, (b) stable gold prices and continued strong store expansion, and (c) expectations of organized players like Titan benefitting from the implementation of jewellery hallmarking regulations.

Key detractors Q3 2021

Cipla is a leading pharmaceuticals company and one of the largest in the domestic formulations market, which accounts for ~40% of its total revenue. Its products are distributed in more than 180 countries worldwide. The company is witnessing strong growth in the domestic formulations market with double digit growth in the branded generics segment. Cipla is expected to outperform the sector on the back of focused investments in the domestic business through in-licensing and improved bargaining power with distributors. Cipla has also recalibrated its investments into its US business by increasing focus on the respiratory portfolio and reducing investments in commoditized generics.

Intellect Design Arena is a financial services software company and regarded as one of the leading solutions in transaction banking software, which accounts for ~45% of its revenue. It has also made significant inroads in other product suites including payments, retail banking, digital banking and insurance. Intellect has cumulatively invested over $200 million in product R&D over the last decade and has built a strong referenceability in developed and emerging markets on the back of a marquee client list which includes JP Morgan, HSBC and Barclays. Its profitability has improved significantly over the past few years from single digit operating margins to c25% led by focus on sales and operational efficiencies. The stock underperformed during the quarter post a strong rally in the preceding quarters.

Indigo Paints is one of the fastest growing players in the decorative paints industry with strong position in certain niche product segments. Its revenue has grown by 39% CAGR over the last decade as the company has expanded its distribution and tinting machines network during this period.

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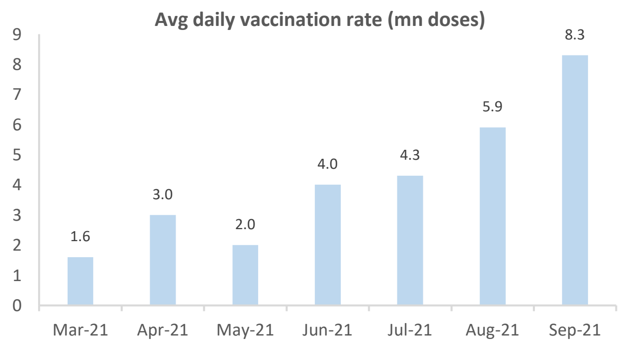
Quarterly update

In the following paragraphs, we discuss progress of vaccination, recovery in high frequency indicators, and update on few of the key policy measures such as privatization, Production Linked Incentive (PLI) scheme and infrastructure spending.

Vaccination progressing well

India's vaccination roll-out has been the largest globally with over 900 million doses administered at the end of September 2021. Approximately 47% of the total population has received at least one dose. The more important metric to look at is the vaccination progress within the adult population where almost 70% have received at least one dose. In large urban centres, which are the big drivers of economic activity, the adult vaccination rate is even higher, with at least 90% receiving their first dose. The pace of vaccination was ramped up to 8.3 million doses per day by September, and at this rate the entire adult population would likely be vaccinated by March 2022.

Steady ramp-up in vaccination rates



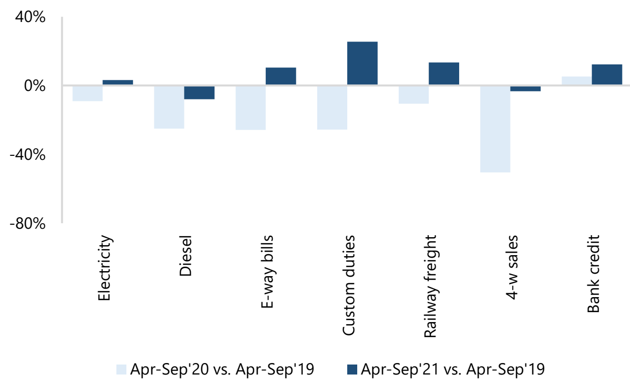
Source: White Oak, Bloomberg

Recovery gathering pace

Most high frequency indicators continued to witness positive momentum in the July-September quarter and are at or above their pre-Covid levels. Rising indirect tax receipts, E-way bill and railway freight data point to steady recovery in economic activity. Overall, most of the mobility indicators are at or above their pre-Covid levels.

Economic normalization is likely to gather further pace heading into the busy festive season as most states have announced relaxations for schools, private offices, local transportation, and festival gatherings. In general, the pace of recovery has been faster in urban than in rural India. This is reflected in recent corporate commentary as well as indicators such as near-record residential real-estate sales in large metropolitan cities. A potential third wave is a risk, although most estimates suggest a much milder wave with vaccinations and widespread existence of antibodies from previous infections acting as possible mitigating factors.

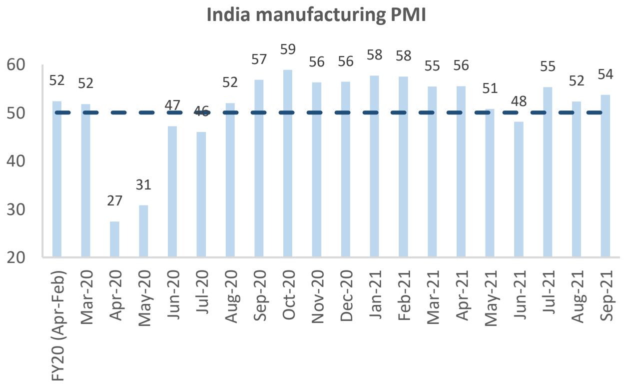
Steady improvement in high frequency indicators



Source: White Oak, Bloomberg

India Manufacturing PMI continued to improve with the September quarter average at 53.8 vs June quarter average of 51.4. As per IHS Markit, the PMI readings for new orders and output expanded for all the sectors with improvement in consumer goods being the highest. Underlying demand in sectors such as autos is strong, even though semiconductor shortages is a risk to production in the near-term. New export orders also continue to witness strong momentum. While cost pressures seem to have intensified, larger companies across diverse sectors such as autos, durables, consumer staples, building materials, and paints have undertaken price hikes. Strengthening demand environment is enabling businesses to pass on commodity inflation.

September Manufacturing PMI improves



Source: White Oak, Bloomberg

Privatization: Newsflow improving

There is encouraging progress on the privatization program with media reports indicating that a ministerial panel is likely to approve the winning bid for Air India very soon. Investors would keenly await the successful execution of the deal which was first proposed in 2014 and was inherently complex, further accentuated by the impact of Covid on the airlines sector.

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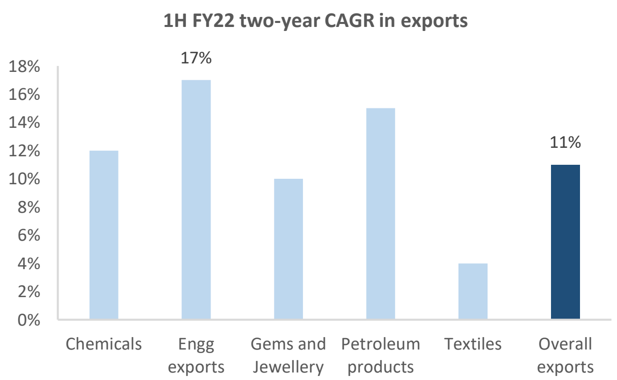
When completed it will act as an important signpost for the privatization of other SOEs. Apart from Air India, the government has also decided to privatize BPCL, Concor and Shipping Corporation of India. In the February 2021 budget, it was also proposed to privatize two SOE banks and one general insurance company. The privatization process has picked up pace after the second Covid wave and due diligence is being conducted by potential bidders in many SOEs.

The government also announced the US$80bn National Monetisation Pipeline (NMP) program. Through the NMP, the government expects to monetise operational infra-assets to not only secure funding for the US$1.9 trillion National Infrastructure Pipeline (NIP) but also free up public sector balance sheet for greenfield infrastructure creation. As with privatization, progress on the NMP will be tracked keenly by investors.

Early signs of China +1 gains materializing

India's exports continue to remain a bright spot with YTD growth at 57.6% YoY and 11.4% on two-year CAGR basis. In 1HFY22, exports have touched US$200bn, which is the highest ever for a half yearly period. Engineering goods is a key contributor, growing at 16.9% over the last two years. Global supply bottlenecks seem to be a near term headwind and there is evidence of India benefiting from disruptions in China, especially in sectors such as electronics and chemicals. Chemicals exports is up by 12% over the last two years. India's global market share in chemicals industry is still small (~4%) but even a 1-2% incremental market share gain from China can result in high-teens growth rates from hereon.

On a two-year CAGR basis, exports showing healthy momentum



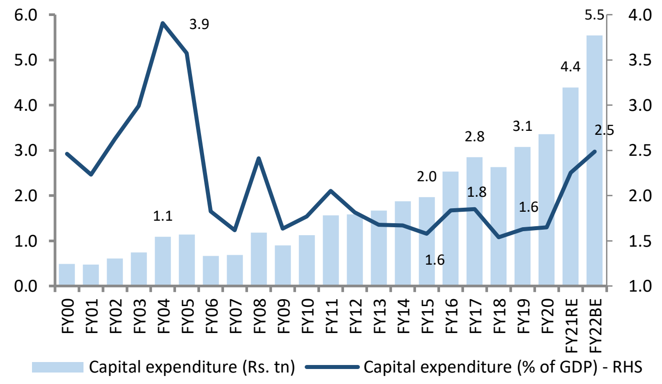
Source: White Oak, Bloomberg, CMIE

Implementation of the US$27bn Production Linked Incentive (PLI) Scheme aimed at developing manufacturing hubs in India for various industries is also expected to drive revival in exports. The scheme for smartphone manufacturing which was the first to be implemented has seen meaningful progress. Simultaneously there is an increased push towards relocating the component ecosystem. In this regard, India is also working on a deal with Taiwan to facilitate 'Make in India' in semiconductors.

In the July-Sep quarter, the following sectoral PLI schemes received Cabinet approval: Specialty steel, Automobiles, and Textiles. Among these, the PLI for autos is sizeable (US$3.5 bn) and is targeted towards advanced automotive technologies. Along with the PLI scheme for Advanced Chemistry Cell and Battery Storage (US$2.4 bn), it is expected to help India emerge as a key player in the global EV supply chain.

Infrastructure spending in sectors like roads, railways and water and sanitation has been a focus area for the government. Capex spending has been strong with a two-year CAGR of 29% for FY22 till date. As a proportion of GDP, capital expenditure is edging closer to the highs seen during 2003-06.

Capex to GDP rising



Source: White Oak, Bloomberg, CMIE

In summary, with Covid infections receding and vaccinations progressing well, further relaxations in trade, travel, transportation and tourism is likely to lead to a more broad-based economic normalization heading into the busy festival season. Progress on important reforms such as privatization and implementation of the PLI schemes are the key monitorables. Corporate commentary in the upcoming 2QFY22 earnings season will also be tracked to validate the sustainability of the key trends observed in the previous quarters: consolidation of market share, improvement in corporate India's balance sheet, and gains from operational efficiency.

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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 January 22, 2021, 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. (3) All data is as of 30 September 2021. (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 : January 22, 2021 (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. Performance is gross of fees, taxes and expenses. Performance related information provided herein is not verified by SEBI. (13) Source: Bloomberg, further details are available upon request.

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For availing Portfolio Management Services you can reach us directly without any third-party intermediation by emailing us at contact@whiteoakindia.com or by calling us on +91-22- 62308100.

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