



**WHITEOAK**  
CAPITAL MANAGEMENT

THE ART AND SCIENCE OF INVESTING

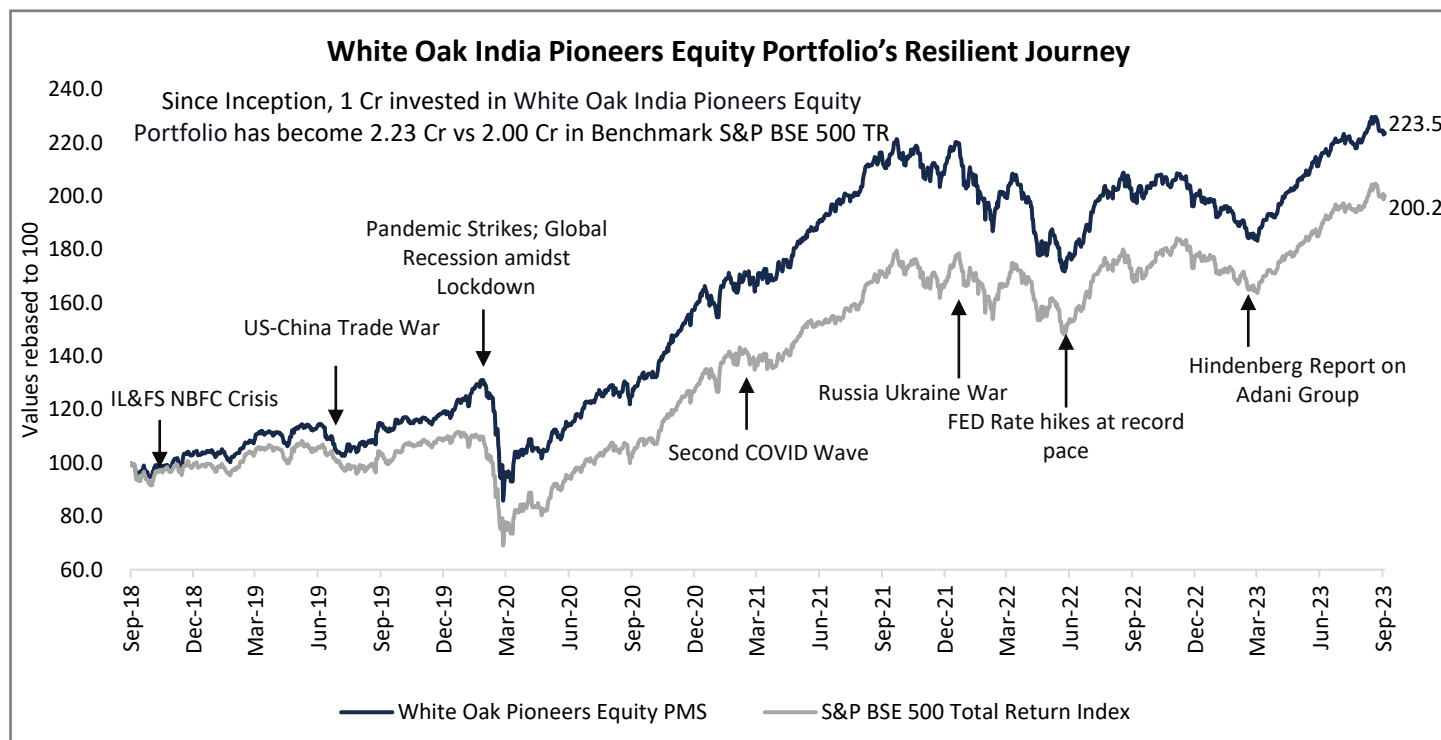
**WHITE OAK INDIA**

*Pioneers*

**EQUITY PORTFOLIO**

**FIVE YEARS OF INVESTMENT EXCELLENCE**





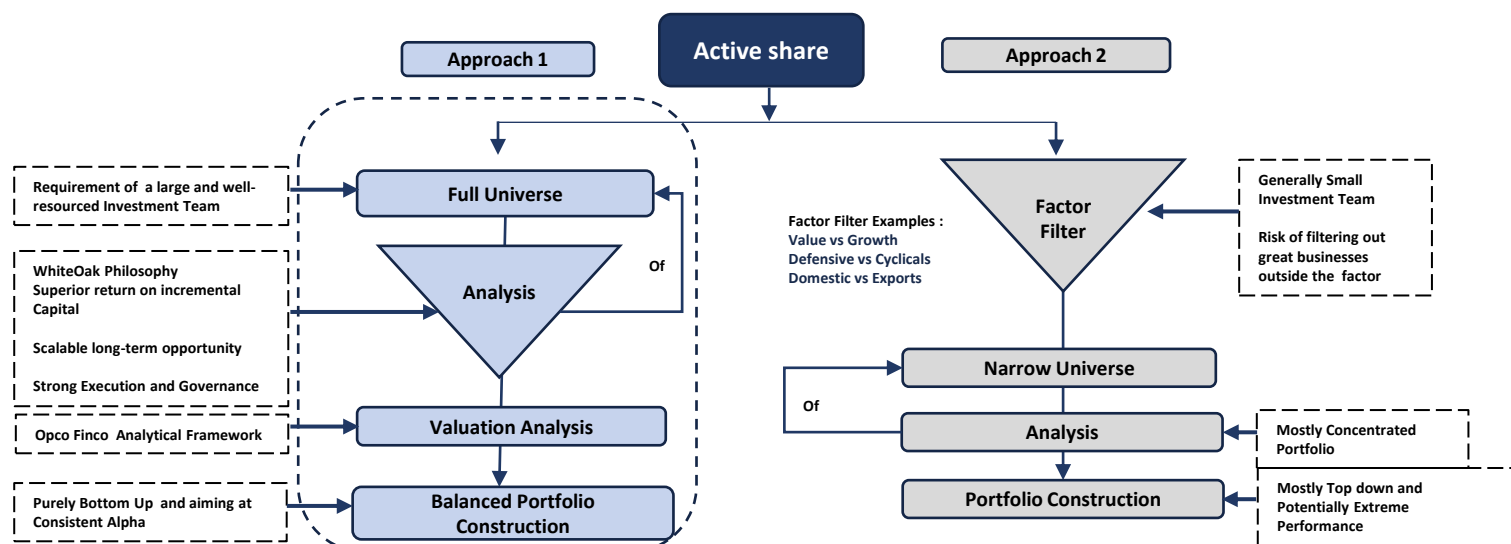
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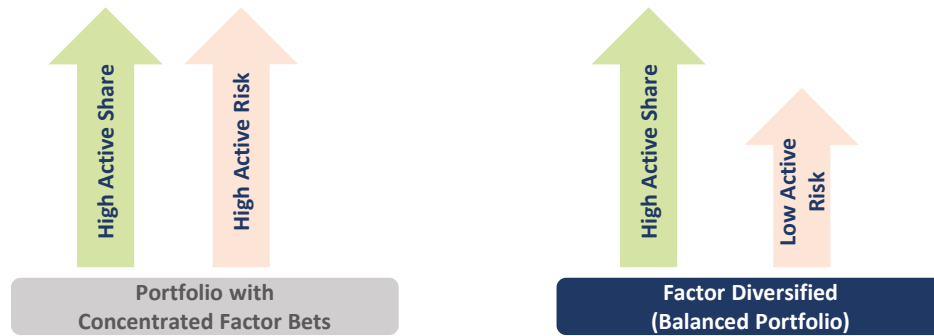
We are pleased to announce that White Oak India Pioneers Equity Portfolio has reached a remarkable milestone – Five Years of Exceptional Performance and Growth. This milestone stands as a testament to our unwavering commitment to delivering results and creating value for our clients.

The White Oak India Pioneers Equity Portfolio looks for investment opportunities that represent powerful combination of business and value while avoiding weaker combinations. These are the two critical pillars of our investment philosophy – **business and valuation**. A great business is one that is well managed, scalable, and generates superior returns on incremental capital. Valuation is attractive when the current market price is at a substantial discount to intrinsic value.

The portfolio **avoids businesses with weaker characteristics such as poor corporate governance, weak returns on incremental capital, and businesses that face substitution or obsolescence risk**. We seek to maintain a balanced portfolio with an aim to ensure that performance is a function of stock selection capabilities of the team rather than being driven by non-stock specific macro factors such as market timing, sector, currency or other such factor exposures. This pursuit necessitates a high level of active share.

### How WhiteOak's approach to create Active Share is different?





A **Factor Diversified Balanced Portfolio** adds a *Lower Active Risk* compared to the Concentrated Portfolio for same degree of *Active Share*.

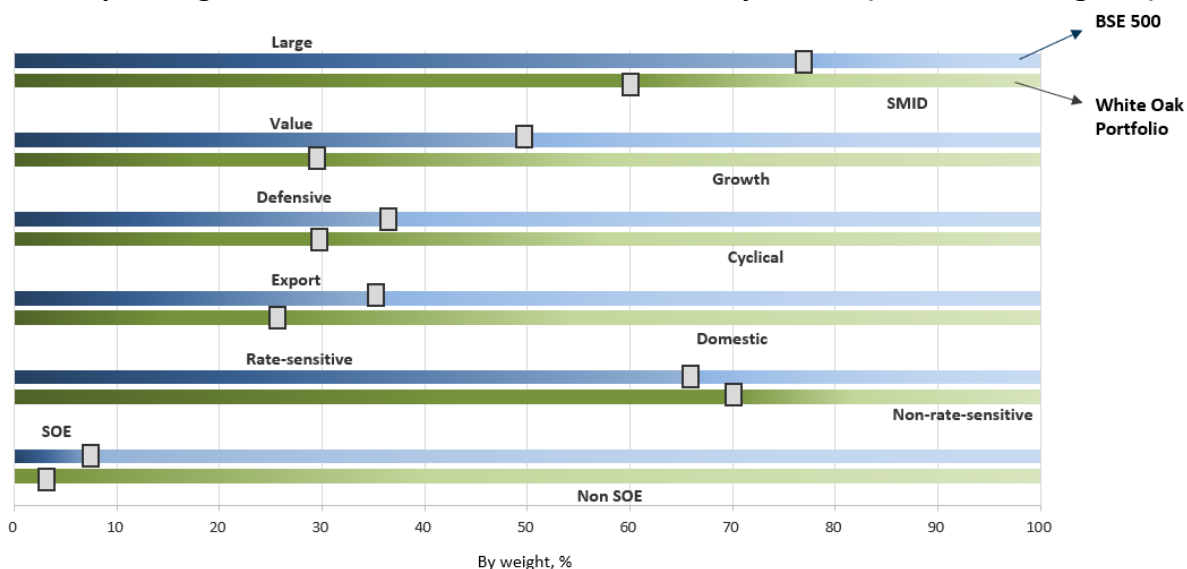
Active Share is the measure of the percentage of security holdings in a manager's portfolio that differs from the benchmark. A **low Active Share** score indicates that a portfolio manager is **closely replicating** the Benchmark and engaging in a **passive investment strategy**. A **high Active Share** score suggests that a portfolio's holdings diverge from the Benchmark, and the portfolio manager actively manages the portfolio. As a result, managers with reasonably high Active Share have a higher potential to **outperform the benchmark**.

The active share of White Oak India Pioneers Equity Portfolio stands at 65.2 as of September 30, 2023.

We **refrain from implementing any filters or screeners at the initial stage apart from Corporate Governance**. Instead, we commence with the entire spectrum of investment options and subsequently strive to attain an equilibrium within the portfolio concerning style, sector, and market capitalization. Within this framework, we identify the most promising stocks for investment, forming the basis of our portfolio construction strategy. We intend to cultivate comprehensive portfolios that minimize market fluctuations and ensure greater consistency of alpha.

Our endeavor is to **construct a balanced portfolio in relation to the S&P BSE 500 index**. This involves incorporating certain aspects of the S&P BSE 500 while primarily emphasizing superior stock selection. Although our portfolio may consist of ~70-80 stocks, **our primary goal is to outperform the benchmark**.

**Expressing S&P BSE 500 and White Oak Portfolio by Factors (In terms of weight %)**



Factors as per MSCI Barra Risk Model; Factor disaggregation for illustration purposes only. These factors may not be mutually exclusive. Past performance may or may not sustain in future. White Oak Portfolio : White Oak India Pioneers Equity Portfolio as of June 30, 2023

Over time, the macroeconomic landscape undergoes changes. Different macroeconomic conditions exert varied impacts on distinct sectors and companies. Consequently, **any chosen style, sector, or market capitalization strategy will be subject to alteration as macros evolve**.

As may have been noticed by anyone engaged in PMS, MF, AIF or any other managed equity products analysis, **it is normal for winners to rotate, i.e. the best-performing fund, fund manager and fund house changes every 18-24 months**. This happens because most portfolios demonstrate varying levels of bias or preference for styles, sectors and/or market capitalization buckets.

Depending on the level of bias in the portfolio and the prevailing macroeconomic environment, a combination of macro environment and prevailing portfolio biases produce headwinds or tailwinds for the portfolio, thereby exaggerating the alpha much beyond the contribution from stock selection or suppressing the alpha below the inherent contribution from stock selection.

WhiteOak portfolios, as can be noticed at first glance, are unlike most PMS or AIF because we construct diversified and granular portfolios so that we can minimize biases and hence headwinds and tailwinds.

Such a portfolio construction strategy is expected to lend relatively more consistency and a significant part of alpha attributable to stock selection. **To be sure, we do have biases, but those are only to the extent of investing in companies with good corporate governance and ensuring reasonable allocation to the quality small and midcap segments of the market**, which occasionally makes outlier environments like 2022 challenging. Still, in the long journey, these will turn out to be blips in an otherwise consistent track record.

### 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 Philosophy** – 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 Performance

The Portfolio has **outperformed the benchmark by 2.6% CAGR** as of September 30, 2023 since its inception.

Performance (%)	1 Year	3 Year	5 Year	CYTD 2023	CY 2022	CY 2021	CY 2020	CY 2019	Since Inception	
									CAGR	Absolute
Portfolio	11.5	20.5	17.7	11.6	-6.6	34.4	34.9	13.3	17.4	123.5
S&P BSE 500 TRI	17.5	24.3	15.1	12.6	4.8	31.6	18.4	9.0	14.9	100.2
<b>Excess Returns (%)</b>	-6.0	-3.75	+2.54	-1.05	-11.4	+2.8	+16.5	+4.3	<b>+2.55</b>	<b>+23.30</b>

Data as of September 30, 2023. Source: WhiteOak Capital. Inception Date: 27 September 2018. All indices are Net Total Return in INR. Performance is net of all fees and expenses. Performance related information provided herein is not verified by SEBI. Past performance is not a reliable indicator of future results. Returns less than one Year are Absolute Return and more than one year are CAGR. Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints. Performance relative to other Portfolio Managers within the selected Strategy : [Click Here](#)

## Spotting Early Investment Opportunities – Top Alpha Contributors in the Portfolio

Top Contributors	Ending Weight (%)	Total Return (%)	Contribution to Alpha (bps)	First Entry	Description
Coforge	2.4	+381.7	+719	Apr 2019	A global digital services and solutions provider, that leverages emerging technologies and deep domain expertise
Navin Fluorine International	1.2	+335.9	+521	Nov 2019	One of the largest and the most respected Indian manufacturers of speciality fluorochemicals
Bajaj Finance	1.2	+227.4	+460	Apr 2019	A deposit taking NBFC with presence across consumer financing, SME financing, Commercial & Rural Lending
Abbott India	2.1	+170.1	+372	Sep 2019	Products across therapeutic areas such as women's health, gastroenterology, metabolic, multi-specialty, vaccines etc.
Cholamandalam Inv	4.0	+262.6	+323	Nov 2020	NBFC primarily operating in Vehicle Finance (including CVs, PVs, 2W and 3Ws), Home Equity, and Affordable Home Loans.
Nestle India	4.7	+151.6	+282	Apr 2019	World's largest food and beverage company. Products include baby food, cereals, coffee, tea, confectionery, dairy, snacks, etc.
Info Edge India	2.0	+182.4	+275	May 2019	Dominant internet classifieds company. Owns naukri.com, 99acres.com, Zomato, Jeevensathi, Sikhsa and Policybazaar

Source : White Oak, Factset. Ending weight is as of September 30, 2023. Total Return is absolute return since the stocks entry date till September 30, 2023

## White Oak India Pioneers Equity Portfolio “Quants”

From valuation point of view, at WhiteOak, we employ the OpcoFinco™ multiple as our analytical framework. Our **cash flow centric analytical framework provides us a distinct analytical advantage against the typical fascination for earnings-based frameworks** that exists in the marketplace. All efforts of the team are objectively directed at understanding ability of the business to generate incremental free cash flows.

As can be seen from the table below, our portfolio fundamentals are superior to the benchmark and on a Price to Free Cashflow basis, the portfolio is ~22% discount to the Sensex on FY24 P/FCF.

	Portfolio	Sensex
FY23 ROE	17.7%	14.3%
FY24 OpcoFinco™ P/FCF	35.8x	43.8x
FY25 OpcoFinco™ P/FCF	29.7x	33.9x
FY24 P/E	24.9x	22.4x
FY25 P/E	21.0x	18.8x
Projected Revenue 3 year CAGR	14.3%	11.2%
Projected Earnings 3 year CAGR	17.0%	15.7%

Source : WhiteOak Research, Bloomberg

## White Oak India Pioneers Equity Portfolio Peer Group Leading Performance

Name of the PMS Strategy	AUM (in Rs. Crore)	Part 2018	CY 19	CY 20	CY 21	CY22	CYTD 23	5 Years
White Oak India Pioneers Equity Portfolio	7,645	4.34	13.30	34.90	34.40	-6.60	11.60	<b>17.66</b>
S&P BSE 500 TRI (Benchmark)		-0.12	9.00	18.40	31.60	4.80	12.60	<b>15.13</b>
Average Flexi Cap PMS		0.61	12.74	18.99	34.17	-5.55	12.48	<b>13.96</b>

Part 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023 TD
White Oak	Portfolio 2	White Oak	Portfolio 9	Portfolio 8	Portfolio 8
Portfolio 5	Portfolio 10	Portfolio 2	Portfolio 5	Portfolio 4	Portfolio 5
Portfolio 6	Portfolio 4	Portfolio 9	Portfolio 8	Portfolio 10	Portfolio 4
Portfolio 4	Portfolio 6	Portfolio 10	White Oak	Portfolio 5	Portfolio 9
Portfolio 8	White Oak	Portfolio 4	Portfolio 1	Portfolio 7	Portfolio 3
Portfolio 1	Portfolio 7	Portfolio 1	Portfolio 3	White Oak	Portfolio 1
Portfolio 7	Portfolio 1	Portfolio 8	Portfolio 4	Portfolio 6	White Oak
Portfolio 3	Portfolio 8	Portfolio 7	Portfolio 7	Portfolio 1	Portfolio 6
Portfolio 9	Portfolio 3	Portfolio 6	Portfolio 6	Portfolio 2	Portfolio 2
Portfolio 10	Portfolio 9	Portfolio 3	Portfolio 10	Portfolio 3	Portfolio 10
	Portfolio 5	Portfolio 5	Portfolio 2	Portfolio 9	Portfolio 7

Source : PMS Bazaar Finalyca, MFI Explorer, White Oak. The color coded heat map represents PMS Peers and White Oak India Pioneers Equity Portfolio . For Flexi Cap PMS : PMS with Large Caps higher than 50% from PMS Bazaar Finalyca sorted by AUM as of September 30, 2023. White Oak : White Oak India Pioneers Equity Portfolio . ♦ : S&P BSE 500 TR. Part 2018 : From September 27, 2018 till December 31, 2018. 5 Years : As of September 30, 2023

White Oak Portfolio is meant to be a long-term core allocation in clients' portfolios with an aim to outperform the broader market represented by S&P BSE 500 **without participating in the violent "Winner Rotation" phenomenon**. The color-coded chart clearly shows that in our best years, we are amongst the top, but in our worst years, we are average or above compared to PMS peers.

## Long Term Track Record of the Portfolio

When a portfolio's 1-year/ 3-year/ 5-year returns look better (or worse) than others, it doesn't tell if the portfolio has always been better. One year can drag down entire past outperformance and even pull up the past underperformance, if any. Since rolling returns look at returns over a period, they are better able to capture trends in performance and average out the swings in returns.

Rolling Return Period	3 Years	
Rolling Frequency	Daily	
Period in Consideration	27-Sep-2018 to 30-Sep-2023	
First Observation Date	27-Sep-21	
Total Observations	734	
Portfolio / Index Name --->	White Oak India Pioneers Equity Portfolio	S&P BSE 500 TRI
Minimum Return (% CAGR)	13.3	12.0
Maximum Return (% CAGR)	32.1	33.9
Median Return (% CAGR)	22.3	19.8
Average Return (% CAGR)	22.4	20.6
Less than 10% return observations	0	0
10 to 15% return observations	19	55
15 to 20% return observations	153	324 93%
Above 20% return observations	562	355

Source: WhiteOak Capital. 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.

### PMS Products at WhiteOak

Particulars	White Oak India Pioneers Equity Portfolio	WhiteOak India Business Leaders PMS	White Oak India Digital Leaders Portfolio	White Oak India Pioneers Equity ESG Portfolio	White Oak India Select Equity Portfolio	S&P BSE 500 TRI
Description	Flexicap portfolio investing in Top 500 companies by market cap	Flexicap portfolio investing in Top 200 companies by market cap	Invests in companies that are emerging as leaders in digital era by being at forefront of innovation and technology implementation in their respective sectors	Investment approach which integrates Environment, Social and Governance (ESG) factors in decision making process	A long only bottom-up stock selection Portfolio Approach which typically consists of 10-15 stocks	A broad representation of the Indian market. Consisting of the top 500 companies listed at BSE Ltd
Benchmark	S&P BSE 500 TRI	S&P BSE 500 TRI	S&P BSE 500 TRI	S&P BSE 500 TRI	S&P BSE 500 TRI	N/A
Inception Date	27-Sep-18	22-Jan-21	05-Jan-22	01-Sep-21	10-Nov-2017	N/A
<b>Market Cap Weights</b>						
Large Cap	56.6%	67.4%	43.2%	53.4%	48.6%	74.2%
Mid Cap	23.3%	25.5%	31.8%	26.6%	28.7%	17.1%
Small Cap	18.6%	5.6%	23.8%	18.2%	14.2%	8.7%
<b>GICS Sector Weights</b>						
Consumer Discretionary	15.0%	15.3%	19.0%	11.7%	17.4%	10.3%
Information Technology	9.4%	8.9%	19.1%	11.3%	10.3%	10.4%
Financials	31.7%	36.1%	25.5%	36.1%	28.9%	30.4%
Industrials	14.4%	13.4%	12.0%	6.9%	6.1%	9.9%
Materials	6.8%	4.7%	0.0%	3.2%	0.0%	9.7%
Energy	0.0%	0.0%	0.0%	0.0%	0.0%	7.9%
Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%
Health Care	11.2%	9.4%	4.6%	13.2%	9.3%	5.4%
Consumer Staples	5.7%	6.6%	7.0%	9.8%	10.8%	8.6%
Communication Services	3.2%	2.7%	11.5%	4.7%	8.6%	2.8%
Real Estate	1.0%	1.3%	0.0%	1.5%	0.0%	1.0%
<b>Asset Allocation</b>						
Equity	98.5%	98.4%	98.7%	98.2%	97.7%	100.0%
<b>Diversification and Active Share</b>						
Top 10 Stocks Weight	40.7%	50.9%	57.4%	46.3%	80.9%	37.7%
Top 20 Stocks Weight	57.5%	71.0%	84.0%	65.3%	100%	49.2%
Active Share v/s Benchmark	65.2%	67.7%	82.6%	69.4%	83.6%	N/A

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