

Valentis Advisors

Why Choose Valentis Advisors?

Investment Process and Philosophy

Products

□ Market view



The Man Behind PMS



Mr. Jyotivardhan Jaipuria Founder & Managing Director



- Jyoti has an overall 37 years of experience in the Indian Capital Market including 21 years in DSP Merrill Lynch and 8 years in ICICI.
- He was Head of Research and strategist for India at Bank of America Merrill Lynch. He helped build the research team as the leading research provider in India as well as one of the top institutional brokers in the country.
- As a strategist, he was rated amongst the top strategists in India by leading institutional investors in India.
- Jyoti has also served as a member of the Board of Directors of DSP Merrill Lynch, the Asia Pacific Research Executive Committee and Operating Committee, the India Country Leadership Team (CLT) and other management committees.
- Jyoti graduated in Commerce (B.Com) from Sydenham College and has an MBA from the Indian Institute of Management, Ahmedabad.

Why Valentis?

- Client centric approach
 - Easy access to founders, fund manager and analyst team
- Our skin is in the game
 - The founders would invest in the same fund with you.
- Our interests are aligned with yours
 - Performance fees incentivizes superior performance
- Flexible solutions
 - We are happy to work with you to find customized solutions to your investment needs.
- Strong pedigree and financial market experience
 - The founder has over 30 years experience in the financial industry and has successfully carved a niche for research based, non-consensus views.



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#1: Research, research and more research drives our investment philosophy

Detailed research wins over gut feels and market sentiment

- Process driven research to eliminate market noise blend of science and art
 - Largely scientific process. This involves, screening to identify ideas and then detailed modelling to arrive at fair valuations.
 - Bit of art involved
 - We look at market sentiment and psychology
 - We try to stay away from the herd.

"Buy not on optimism, but on arithmetic." —Benjamin Graham.



#2: What are we looking for?

> We seek large discrepancies in risk:reward

- Stocks trade like a bell curve with a large number of stocks trading at near fair risk:reward
- We focus on stocks at the extreme where returns can be disproportionately high for the risk we take.

The 3 "U"s approach

- 1. Undervalued: risk-reward trade off should provide margin of safety
- 2. Under-owned: we prefer stocks that have low FII, institutional investor interest
- 3. Under-performing or Undiscovered: low expectations on the stock

We are looking for stocks with asymmetrical risk reward



#3: What stocks do we focus on?

We focus on stocks at earnings "inflection point"

- We are looking at companies with high operating leverage.
- This will likely kick in due to higher utilization levels as demand improves.
- We buy stocks early before they are flavor of the market

Stocks we like have following characteristics

- Large size of market and attractive industry dynamics
- Competitive advantage of the company vs competition
- Strong Corporate governance

"Even the intelligent investor is likely to need considerable willpower to keep from following the crowd." — Benjamin Graham

#4: Buy and hold for wealth creation

We believe in buying under-valued stocks and holding them for long term partly like a Private Equity investor

- We buy unloved companies that are either out of favor or are undiscovered and unresearched.
- We are willing to do deep research on the industry dynamics and company positioning.
- We are passionate about being "dispassionate" in our analysis.

When do we sell stocks?

- When the stocks has rallied & is no longer cheap
 - Will I buy the stock at current market price?

> When the reason for buying the stocks has not materialised

e.g. now competition come in or size of market changes.

"The big money is not in the buying and the selling, but in the waiting" — Charlie Munger.



Investment Process – Macro to Micro (MTM)





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Valentis Rising Stars Opportunity Fund

Investment Objectives: The 3 Us

- The objective of the scheme is capital appreciation in the medium term to long term by investing in cherry picked stocks mostly in the Mid and Small cap space.
- The portfolio focuses primarily on a buy and hold strategy at most times.
- We will focus on the 3 Us (Under-owned, under-valued and undiscovered stocks).

	FII holding %	No. of Stocks	Market Cap
	21.31	91	>50000 cr.
	14.27	61	30000 - 50000 cr.
_	11.80	159	10000 - 30000 cr.
Valentis	9.75	151	5000 - 10000 cr.
Focus	6.31	407	1000 - 5000 cr.
stocks	2.84	135	500 - 1000 cr.

Midcaps are under-owned by FIIs...

Investor Profile:

- Ideal for investors with a 3 year or longer investment horizon.



The making of a Blue-chip



Stock today up 372 times: CAGR of 23.7%

Rising Stars Opportunity Fund Portfolio Performance



- Portfolio Performance as on 31st July 2023
- From 1st April 2023, the benchmark Index considered is S&P BSE500(TRI) as per the SEBI circular.
- Return of portfolio shown above is after deducting performance and management fees.
- Portfolio inception date is September 30, 2016.
- Returns of individual clients may differ depending on time of entry in the Strategy.
- Returns above 1 year are CAGR



Rising Stars Opportunity Fund Portfolio Performance



- Portfolio Performance as on 31st March 2023
- Nifty SmallCap 100 was the benchmark index till 31st March 2023.
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Snapshot of market return

	1M	6M	1Y	2Y	ЗY	5Y	6Υ	Since Inception
Nifty 50	2.94%	11.84%	15.13%	11.95%	21.30%	11.71%	11.87%	12.92%
BSE SENSEX 30	2.80%	11.72%	15.56%	12.49%	20.96%	12.09%	12.68%	13.59%
BSE 500 TRI (Benchmark)*	3.95%	14.82%	17.41%	13.05%	25.17%	13.50%	13.17%	14.49%
Nifty Midcap 100	5.50%	22.97%	27.29%	16.47%	34.62%	14.85%	12.60%	14.00%
Nifty Smallcap 100	7.99%	23.17%	27.60%	5.47%	32.70%	9.41%	7.00%	9.91%
Valentis Rising Stars Opportunity Fund	5.51%	21.77%	38.13%	17.27%	49.43%	19.85%	20.61%	20.04%

*Until 31st March 2023, the benchmark was Nifty Smallcap 100, but is now switched to BSE 500 TRI from 1st April 2023 onwards as per Indian regulator SEBI's circular.

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Valentis Rising Stars Opportunity Wins "BEST PMS Award" for 5 years performance



Valentis Rising Stars Opportunity 2nd best performing scheme in 2021

Aided by mid-, small-cap rally, 80% of PMS schemes beat Nifty in 2021

They generated average returns of 40%, against the Nifty's 24%



TOP PERFORMING PMS SCHEMES IN 2021

AMC	Strategy	Category	One-year returns (%)
Green Portfolio	Super 30	Thematic	115.5
Valentis Advisors	Rising Star Opportunity	Small & Midcap	96.4
Right Horizons	Minerva India Under-Served	Small Cap	92.2
Roha Asset Managers	Emerging Champions	Small & Midcap	91,2
Green Lantern Capital LIp	Growth Fund	Small & Midcap	89.1
Negen Capital	Special Situations & Technology Fund	Multi Cap	82,7
Sageone	Small & Microcap	Small Cap	81,3
Abakkus Asset Managers	Abakkus Emerging Opportunities Fund	Small & Midcap	80.7
Carnelian Asset Advisors	Shift Strategy	Multi Cap	79.2
Right Horizons	Super Value	Mid Cap	78.7
All performance as on December 3	1, 2021; returns computed as per TWRR method		Source: PMS Bazaal

driven by re-rating due to easy liquidity and low interest rates. Both are likely to reverse, which is why this year is likely to be the year of de-rating and modest earnings growth. Interest rates are bound to increase and market volatility will be higher. This will put companies' earnings growth back into focus.

"Whenever such an environment is created, markets are volatile and alpha creation becomes difficult." Carnelian said.

"Last year, the earnings didn't increase so much, but PE multiples expanded. We are not going to see so much of that from here on. The PE multiples will decelerate and as the weighted average cost of capital rises, equities will give relatively lesser returns in 2022," said Rastogi.

According to him, investors should book profits in businesses that are cyclical and where PE multiples have expanded irrationally.

PMS schemes managed ₹22.7 trillion under the discretionary portfolio, ₹1.44 trillion under the non-discretionary portfolio, and ₹2.23 trillion under advisory, latest regulatory data showed.

The PMS segment invests money on behalf of well-off individuals. The minimum investment that regulations allow is ₹50 lakh.

ASHLEY COUTINHO
Mumbai, 14 January

our out of every five portfolio management services (PMS) schemes beat the Nifty50 in calendar year 2021 (CY21) amid a sustained rally in mid- and small-cap firms.

Eighty per cent, or 200 of the 249 PMS schemes, beat the 24.1 per cent returns generated by the benchmark. Seventy schemes us was that we were able to genreturned over 50 per cent during the year. The 249 schemes collectively delivered average returns of 40 per cent, higher than the 30.2 per cent delivered by the

benchmark Nifty 500, but lower a note put out by Carnelian Asset than the Nifty Midcap 100 (46.1 per cent) and NSE Smallcap 100 Strategy is among the top 10 PMS (59.3 per cent).

Green Portfolio's Super 30 was the top performer with returns of 115.5 per cent, followed by Valentis Advisors' Rising Star Opportunity (96.4 per cent) and Right Horizons' Minerva India Under-Served (92.2 per cent).

"The most satisfying part for erate significant outperformance by keeping beta way lower than the index. It means we took less risk and delivered more returns while maintaining liquidity," said

Advisors, whose multi-cap Shift schemes, with one-year returns of over 79 per cent.

while taking aggressive calls on the IT and manufacturing (China +1) theme way back in September 2020 and positioned our portfolio accordingly. This contributed very well to our performance this year." the note added.

Many PMS schemes lean towards mid- and small-caps in trated portfolios of 15-20 stocks, vear." Rastogi said, Such portfolios increase the

potential of higher returns, but are also prone to steep falls during corrections.

Companies that have low leverage, strong fundamentals, and "We were in the minority high corporate governance did not necessarily do too well last year, according to Siddhartha Rastogi, COO & head of sales, Ambit Asset Management. Rather, cyclical businesses with a high debt-toequity ratio outperformed, he said. "Most of the PMS schemes

chase momentum instead of consistency and those that were their portfolios and run concen- heavy on cyclicals did well last

According to experts, 2021 was

Valentis Multi-Cap Fund

Investment Objectives:

- Between 20-40% exposure to large cap (top 100) companies.
- Will enable portfolio to be a dynamic mix of well established, liquid names and mid-caps that may be greater beneficiaries of a cyclical rebound.
- The fund aims for an ideal mix of lower volatility in the large cap names accompanied by the higher return potential in the mid cap names.
- The core strategy remains buy and hold.

•Investor Profile:

- Ideal for investors with a 3 year or longer investment horizon.



Multi-Cap Fund Portfolio Performance



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Multi-Cap Fund Portfolio Performance



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BSE 500 TRI (Benchmark)*	3.95%	14.82%	17.41%	13.04%	25.15%	16.69%
Nifty Midcap 100	5.50%	22.97%	27.29%	16.45%	34.59%	19.42%
Nifty Smallcap 100	7.99%	23.17%	27.60%	5.46%	32.68%	15.82%
Valentis Multi-Cap Fund	4.04%	18.01%	26.97%	15.08%	30.88%	22.01%

*Until 31st March 2023, the benchmark was BSE 500, but is now switched to BSE 500 TRI from 1st April 2023 onwards as per Indian regulator SEBI's circular.

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Fee Structure

Fund Type	SEBI Registered PMS						
Fund Tenure	Open Ended						
Structure	Discretionary PMS						
Hybrid Fees Structure							
Fees							
Fixed Management Fee:	1.5% p.a. charged Quarterly basis						
Performance Fee	15% of return Above 10% Hurdle Rate charged annually						
	(subject to High Water Mark level)						
	Fixed Fees Structure						
Fees							
Fixed Management Fee:	2.5% p.a. charged Quarterly basis						
Performance Fee:	Not applicable						
	Exit Load						
	3% - before 12 months						
	2% - between 12 to 24 months						
	1% - between 24 to 36 months						

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2023 – a year of consolidation?

Chart 1: Sharp outperformance to global markets past 6 months



Chart 2: Total no. of consecutive CY of positive return on SENSEX



Global markets: ready for a rally?



Chart 3: S&P 500 1 Yr Return after Falling 20% from Record Highs

Source: investing.com, Valentis Research



Jun\-06

6 Months 1 Year

12%

4%

-1%

May\-00

20%

22%

14%

Dec\-18

40%

Chart 4: Dow Jones return post pause in fed hikes

37%

15%

Feb\-95

-19%

-23%

Sep\-87

Is a lot of bad news in the price in USA?

Chart 5: S&P 500 Return in the Full Year after Q1 has given return >7%



Source: Investing.com, Valentis Research



A 10% correction is normal



Chart 6: Maximum Drawdown of SENSEX

Source: BSE, ACE Equity, Valentis Research

"Far more money has been lost trying to anticipate corrections, than in corrections themselves." – Peter Lynch





Chart 7: Commodity Prices are falling from the peak

Table 1: Prices of Some Key Commodities have seen significant fall

Name of Commodity	СМР	Drop from the Peak	YoY %
Crude Oil (bbl)	75.7	-43.48%	-34.21%
Palm Oil (MT)	798.5	-58.56%	-30.76%
Coal	99.6	-78.35%	-70.85%
Aluminium (MT)	2110.5	-45.57%	-13.00%
Copper (MT)	8322.1	-22.24%	0.82%
Nickel (MT)	20394.0	-57.70%	-9.96%
Wheat (Bu)	651.0	-47.54%	-28.91%
Sugar (Ibs)	22.9	-15.19%	21.56%
Natural Gas (mmbtu)	2.8	-71.10%	-48.41%

Source: MOSL, Valentis Research

Source: MOSL, Valentis Research



Fed rate hikes coming to an end



Source: Fed Fund Futures Apr23-Jan25, Bloomberg, Valentis Research

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India too nearly end of hiking cycle







Chart 13: India 10 year bond yield

Source: Investing.com, Valentis Research

Chart 15: India CPI Inflation trend



Source: MOSPI. Valentis Research

#2: US economy recession will be bigger worry



Source: MOSL. Valentis Research

Economies will slow – do we get a recession?

Table 2: USA Recession history – how do markets behave?

Sr. No	Stort	End	Duration	6M Return	Return	1 Yr Return
51. 110.	Start	End	Duration	Pre	During	Post
1	Aug\29	Mar\33	3 yrs 7 months	20%	-85%	81%
2	May\37	Jun\38	1 yr 1 month	-5%	-23%	-2%
3	Feb\45	Oct\45	8 months	9%	16%	-9%
4	Nov\48	Oct\49	11 months	-10%	11%	19%
5	Jul\53	May\54	10 months	-5%	19%	30%
6	Aug\57	Apr\58	8 months	4%	-6%	37%
7	Apr\60	Feb\61	10 months	-7%	10%	7%
8	Dec\69	Nov\70	11 months	-8%	-1%	5%
9	Nov\73	Mar\75	1 yr 4 months	-9%	-7%	30%
10	Jan\80	Nov\82	2 yrs 11 months	4%	19%	23%
11	Jul\90	Mar\91	8 months	12%	0%	11%
12	Mar\01	Nov\01	8 months	-7%	0%	-10%
13	Dec\07	Jun\09	1 yr 6 months	-1%	-36%	16%
14	Jan\20	Jun\20	6 months	5%	-9%	34%
-		-	Avg duration	Avg Return	Avg Return	Avg Return
		All	15	0.1%	-7%	19%
		ex 29-33	12.5	-1.4%	-1%	15%
		ex 29-33, 09	12.0	-1.4%	2%	14%



Source: investopedia.com, investing.com, Valentis Research

India will slow but fastest growing economy



Source: MOSPI, RBI, Valentis Research









Source: India Budget, Valentis Research Note: RE – Revised Estimates, BE – Budget estimates Chart 23: New CapEx announcements picking up (Rs. Bn)



Source: India Budget, Valentis Research Note: RE – Revised Estimates, BE – Budget estimates

Source: PL India Strategy report, Valentis Research

Bigger concern is on the external account



Source: RBI, Valentis Research

Source: RBI, Valentis Research



#3: Earnings seeing some weakness – but can double in 5 years



SSource: Kotak Institutional Equities estimates, NSE, Valentis Researc

Chart 28: Earnings growth trend: Cusp of earnings recovery?



Chart 27: Nifty EPS estimates upgrades seeing a pause



Source: Kotak Institutional Equities estimates, NSE, Valentis Research

Chart 29: Corporate profit to GDP (%)



Source: MOSL India, Valentis Research

#4: Valuations – in expensive zone



#5: Dollar peaking good for EM



Source: investing.com, Valentis Research

Chart 34: Dollar Index Vs MSCI EM Index – has the \$ index peaked?

Table 3: India's weightage in MSCI EM Index on the Rise

Top 15 Countries	30\Nov\ 22	31\Mar\ 22	31\Mar\ 21	31\Mar\ 20
China	30.4	27.5	35.5	36.1
India	14.8	12.8	9.6	7.7
Taiwan	14.4	15.5	13.7	12.1
South Korea	11.9	12.3	13.3	11.7
Brazil	5.4	5.7	4.5	4.8
Saudi Arabia	4.1	4.1	2.8	2.5
South Africa	3.8	3.9	3.7	3.6
Russia	-	1.8	3.0	3.2
Mexico	2.4	2.3	1.7	1.9
Indonesia	2.0	1.7	1.2	1.5
Thailand	2.1	1.8	1.9	2.2
Hon Kong	-	1.9	2.3	4.0
Malaysia	1.5	1.5	1.4	1.9
UAE	1.3	1.4	0.6	0.5
Qatar	1.1	0.9	0.7	0.9

Source: brokerage reports, Valentis Research



FII Vs Domestic flow

Table 4: FII Outflows analysis

					FIIs Ou		
Start Date	End Date	Event Tag	FII Outflows (\$ Bn)	FII Market Cap As % of utflows at Start of India As % of FII (\$ Bn) Outflows Market Holdings (\$ Tn) Cap		Nifty Return (%)	
Jan\08	Mar\09	GFC	-15	1.8	0.9%	5.2%	-57%
Jun\13	Sep\13	Taper Tantrum	-4	1.2	0.4%	2.0%	-9%
Apr\15	Feb\16	Asset Quality Review guidelines by RBI	-8	1.6	0.5%	2.5%	-17%
Oct\16	Jan\17	Fed Hikes/Demonetization	-5	1.7	0.3%	1.6%	-3%
Feb\18	Nov\18	IL&FS Crisis	-9	2.4	0.4%	1.9%	-2%
Feb\20	May\20	Covid-19	-9	2.1	0.4%	2.0%	-23%
Oct\21	Jun\22	Current	-28	3.4	0.8%	4.2%	-7%

Source: MOSL, SEBI, ACE Equity, Valentis Research



#6: Small-Cap will outperform large-cap



Chart 35: Nifty 50, Midcap 100 & SmallCap 100 Indices return

Chart 36: Smallcap Vs Nifty PE Prem/(Disc)





Source: ACE Equity, Valentis Research

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Midcaps outperformed 13 out of 22 years...

Year	Nifty Index	MidCap Index	Difference
CY01	-16%	-30%	-15%
CY02	4%	25%	21%
CY03	74%	143%	70%
CY04	11%	25%	15%
CY05	34%	33%	-1%
CY06	41%	28%	-14%
CY07	53%	78%	25%
CY08	-51%	-59%	-8%
CY09	72%	97%	25%
CY10	18%	18%	1%
CY11	-25%	-32%	-7%
CY12	28%	41%	13%
CY13	6%	-6%	-12%
CY14	31%	56%	24%
CY15	-4%	7%	11%
CY16	3%	6%	3%
CY17	29%	47%	19%
CY18	3%	-15%	-19%
CY19	12%	-4%	-16%
CY20	15%	22%	7%
CY21	24%	46%	22%
CY22	4%	4%	-1%
Rs. 10cr. Invested in Jan 2001 will become	144.4 cr.	274.5 cr.	90%



The top 10 stocks by market cap seldom make it to the end of the next decade									
19	980		1990		2000	2010 202		2020	
USA	IBM	Japan	NTT	USA	Microsoft	USA	Exxon Mobil	USA	Apple Inc.
USA	AT&T	Japan	Bank of Tokyo- Mitsubishi	USA	General Electric	China	PetroChina	S. Arabia	Saudi Aramco
USA	Exxon	Japan	Industrial Bank of Japan	Japan	NTT DoCoMo	USA	Apple Inc.	USA	Microsoft
USA	Standard Oil	Japan	Sumitomo Mitsui Banking	USA	Cisco Systems	Australia	BHP Billiton	USA	Amazon
USA	Schlumberger	Japan	Toyota Motor	USA	Wal-Mart	USA	Microsoft	USA	Alphabet (Google)
Netherlands	Royal Dutch	Japan	Fuji Bank	USA	Intel	China	ICBC	USA	Facebook
USA	Mobil	Japan	Dai-lchi Kangyo Bank	Japan	NTT	Brazil	Petrobras	China	Tencent
USA	Atlantic Richfield	USA	IBM	USA	Exxon Mobil	China	China Construction Bank	USA	Tesla
USA	General Electric	Japan	UFJ Bank	USA	Lucent Technologies	Netherlands	Royal Dutch Shell	China	Alibaba
USA	Eastman Kodak	USA	Exxon	Germany	Deutsche Telekom	Switzerland	Nestle	USA	Berkshire Hathaway

"Change is the only constant."



Chart 37: Sectoral indices return during different bull runs(%)



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Source: BSE, ACE Equity, Valentis Research

Big drops lead to major sectoral shifts



Chart 38: Will EM come back in favor?

Source: Investing.com, Valentis Research



Chart 39: Value vs. Growth - What does history tell us ?

MSCI World Value Index as proportion of MSCI World Growth Index

Source: Investing.com, MSCI, Valentis Research



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Disclaimer

- Valentis advisors Pvt Ltd. (Valentis) is a registered Portfolio Manager with Securities and Exchange Board of India.
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 decision in the Valentis PMS or based on the information or recommendation received from Valentis advisors on
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- Investments in the Valentis PMS, as in any other equity product, may go up or down due to various factors
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 should take into consideration all their risk factors and their risk profile before investing. Clients should also take
 professional legal and tax advice before making any decision of investing.
- Our past track record is no guarantee of our future performance



THANK YOU

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