



# Sundaram Value fund Series IX

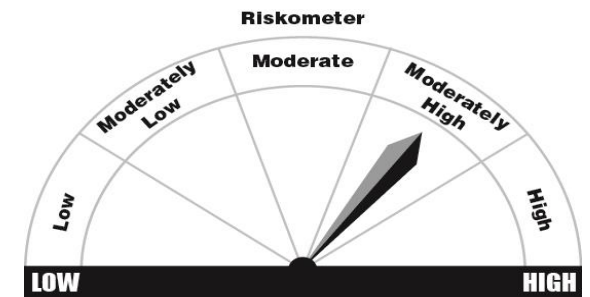
A close-ended equity scheme

NFO Opens: October 23, 2017  
NFO Closes: November 06, 2017

**This product is suitable for investors who are seeking\***

- Long term capital growth
- Investment in a well-diversified portfolio of stocks through fundamental analysis

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



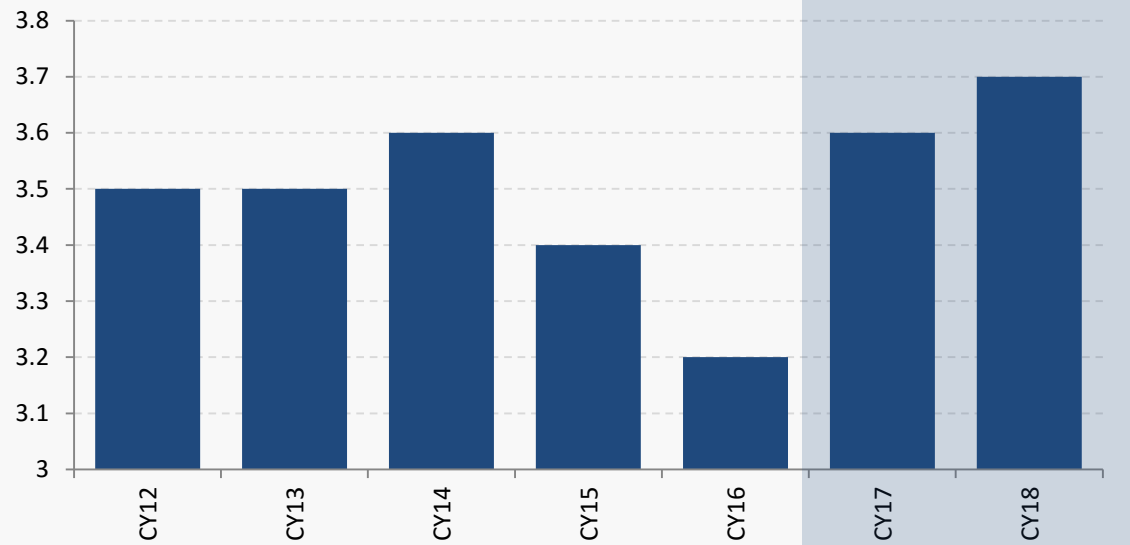
Investors understand that their principal will be at  
**Moderately High Risk**

Value funds are run with a clear emphasis on the tenets of value investing. The focus is on identifying stocks that are currently priced at a discount to their intrinsic value— or at a price that is not reflective of their true worth.

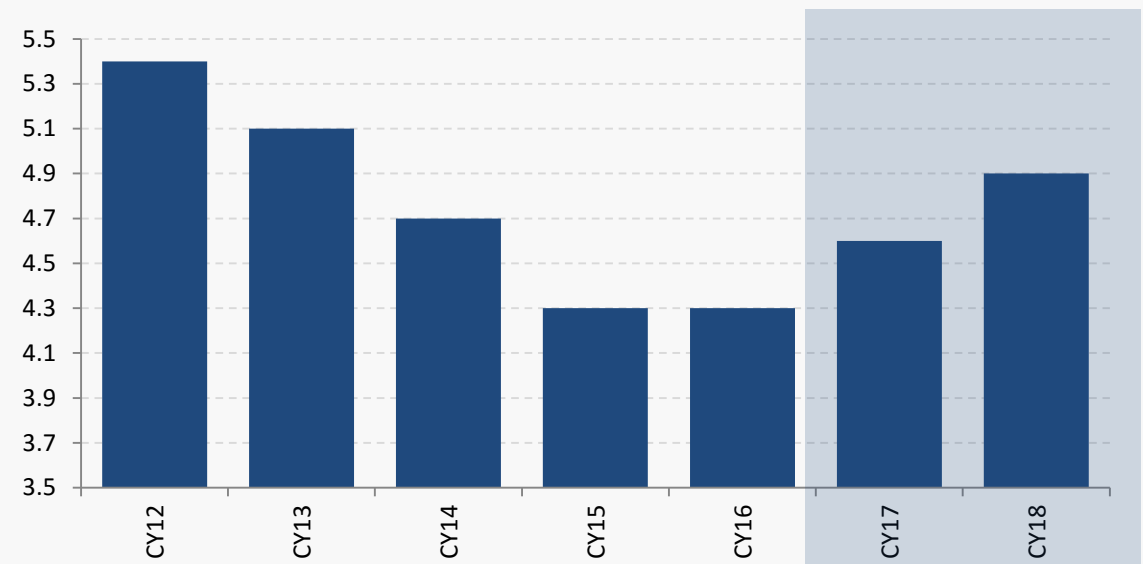
- Investing in stocks that trade at a discount to their intrinsic value.
- Investing at a price lower than what justifies the company's long term fundamentals.
- Value investing is a long-term strategy – it does not provide instant benefit

# Global growth outlook getting better

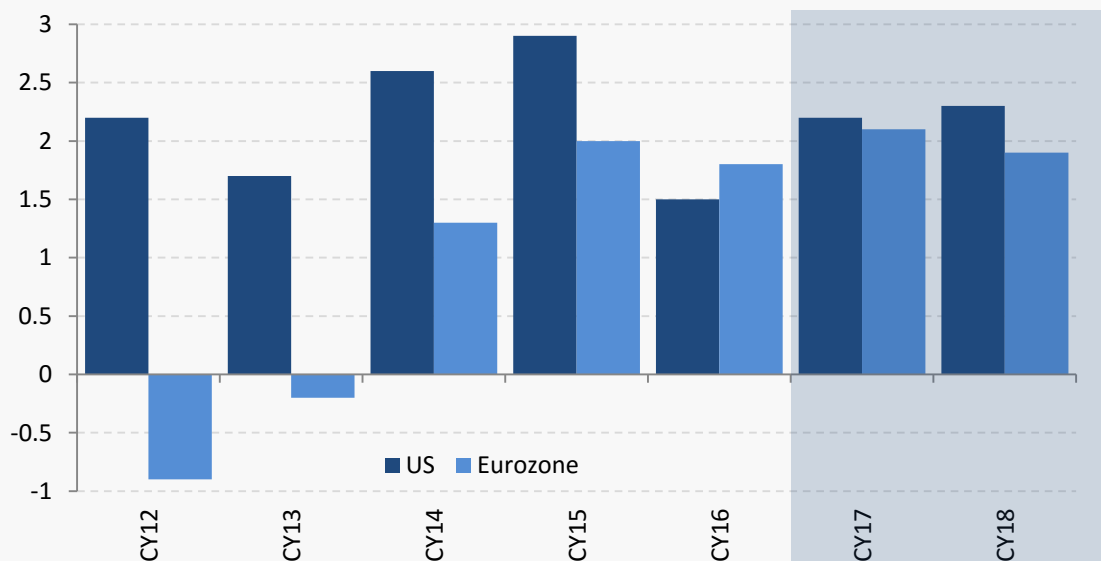
Global Real GDP Growth (%YoY)



Emerging and Developing Economies Real GDP Growth (%YoY)



US and Eurozone Real GDP Growth (%YoY)



Real World Trade (%YoY)



Balance Sheet Movement of Central Banks

QE (USD Bn.)	CY 2017 (3M)	CY 2018
Federal Reserve	-30	-420
European Central Bank	209	835
Bank of Japan	180	721
<b>Total</b>	<b>359</b>	<b>1,136</b>

Note 1: ECB at €60bn. per month and BOJ at ¥80tr. per year

Note 2: Euro assumed at \$1.16 and Dollar at ¥111

- Developed central banks have turned positive on growth outlook and are in the process of normalising policy
- The Fed.'s rate hike and a possible ECB taper must be seen as the central banks' confidence on growth
- The ECB and the BoJ QE's would more than contain any impact of the expected B/S contraction

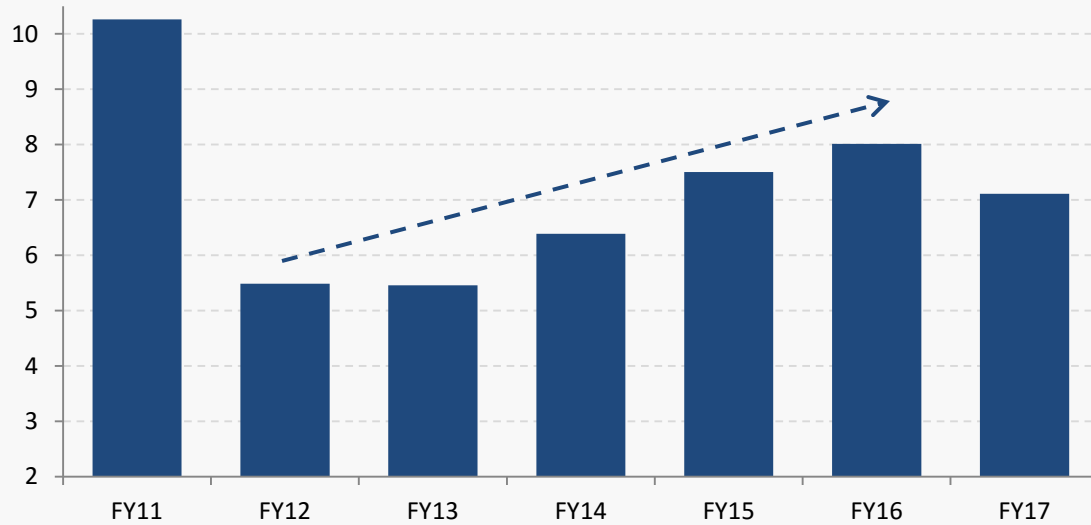
	<b>FY14</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18E</b>
• GDP growth (%)	6.0	7.6	7.1	6.7
• CPI Inflation (%)	10.0	4.9	4.5	3.8
• CAD (% of GDP)	1.7	1.1	1.0	2.0
• Fiscal Deficit (% of GDP)	4.5	3.9	3.5	3.2
• 10-year yield <sup>y/e</sup> (%)	8.8	7.5	6.5	7.0
• Currency rank *	19/24	4/24	8/24	5/24

\* The currency rank relates to Dec. '13, '15, '16, '17 (expected)

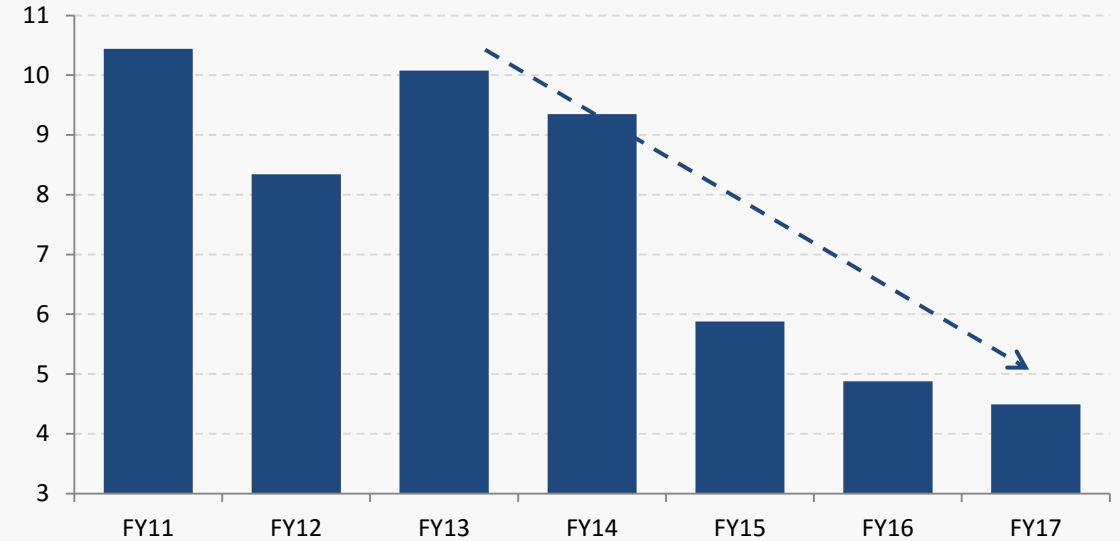
# India macro variables show continued improvement



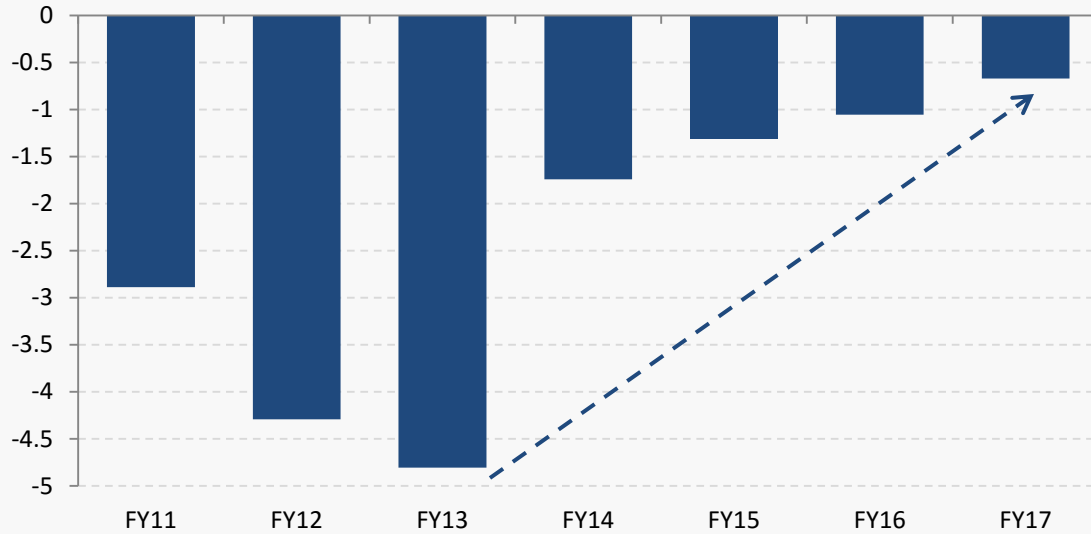
### GDP Growth (%YoY)



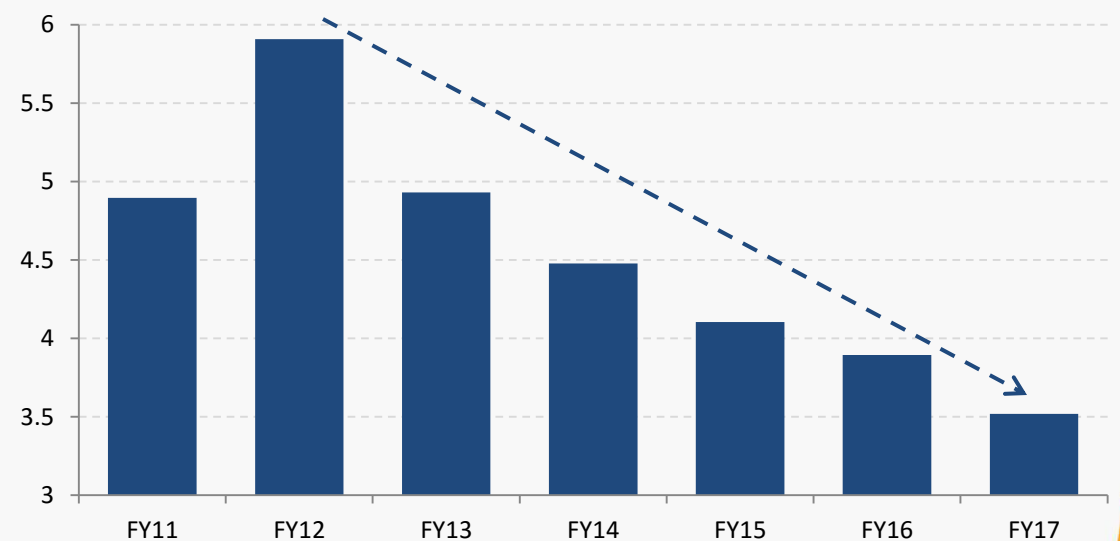
### CPI Inflation (%YoY)



### Current Account Deficit (% GDP)

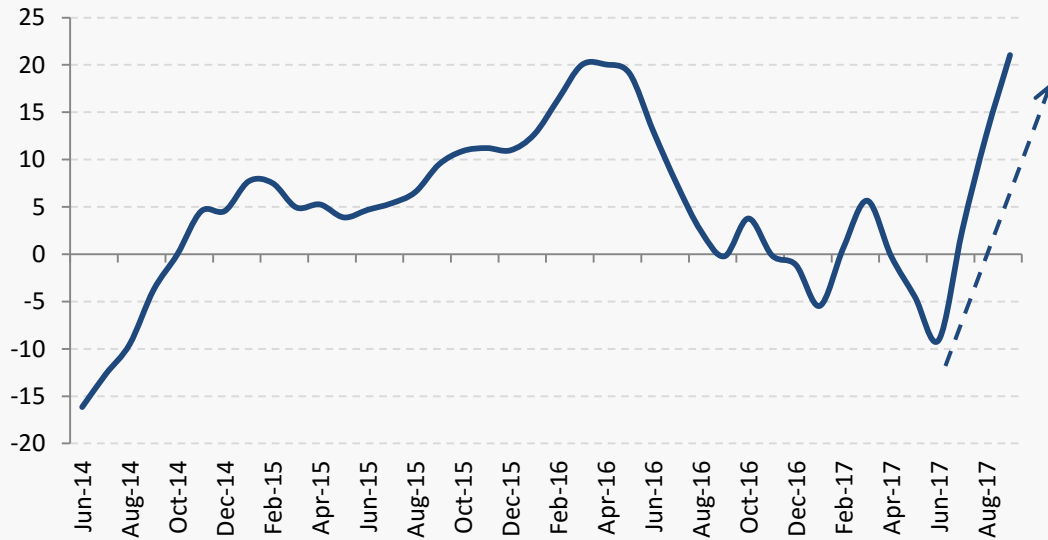


### Fiscal Deficit (% GDP)

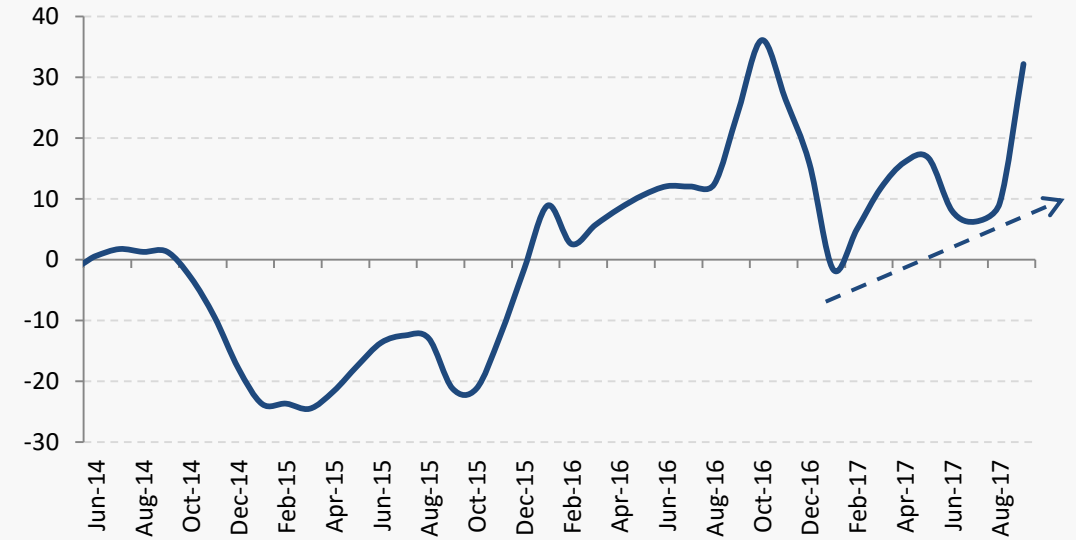


# Short frequency indicators witness a clear uptick in growth

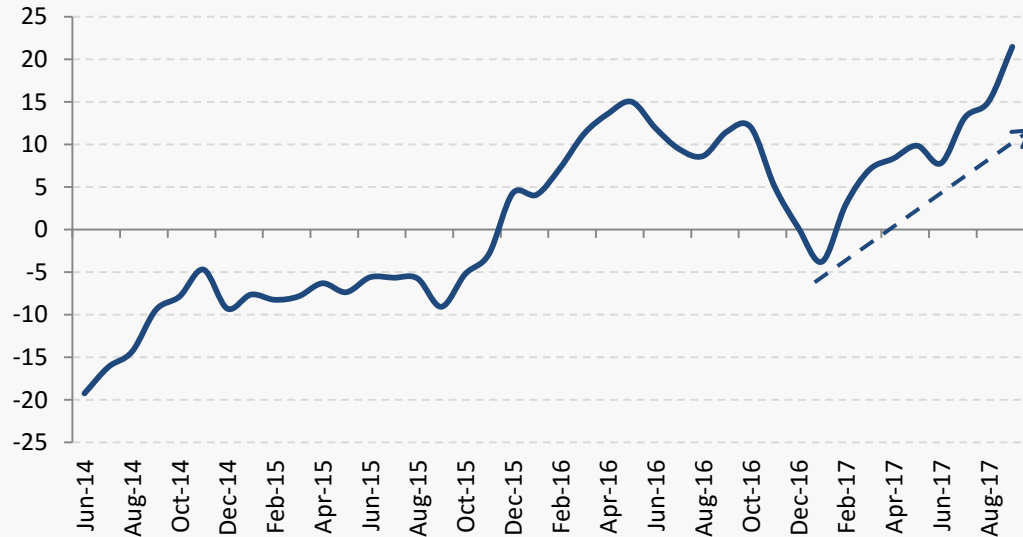
Domestic CV Sales (3MMA %YoY)



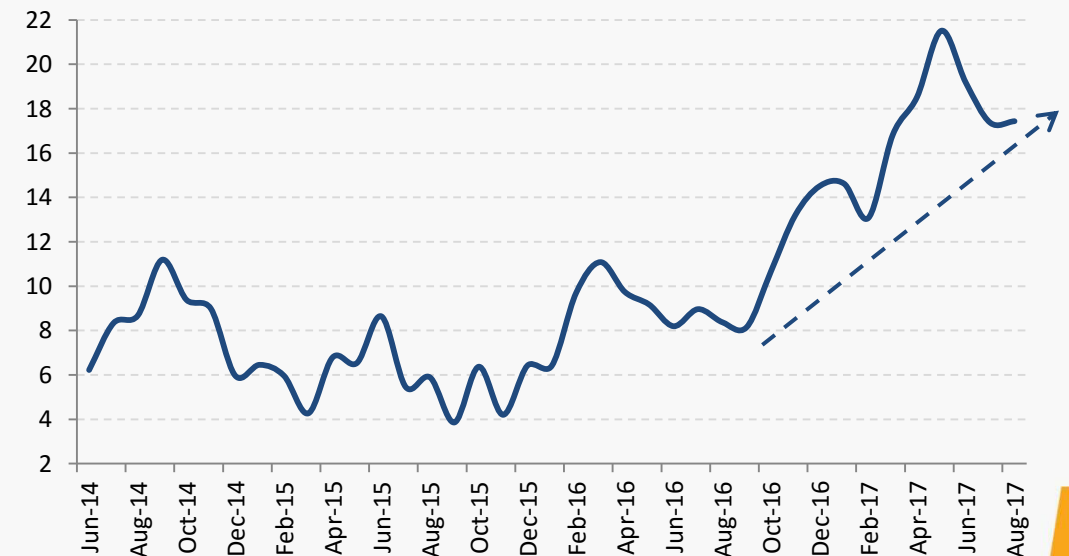
Tractor Sales (3MMA %YoY)



Domestic LCV Sales (3MMA %YoY)

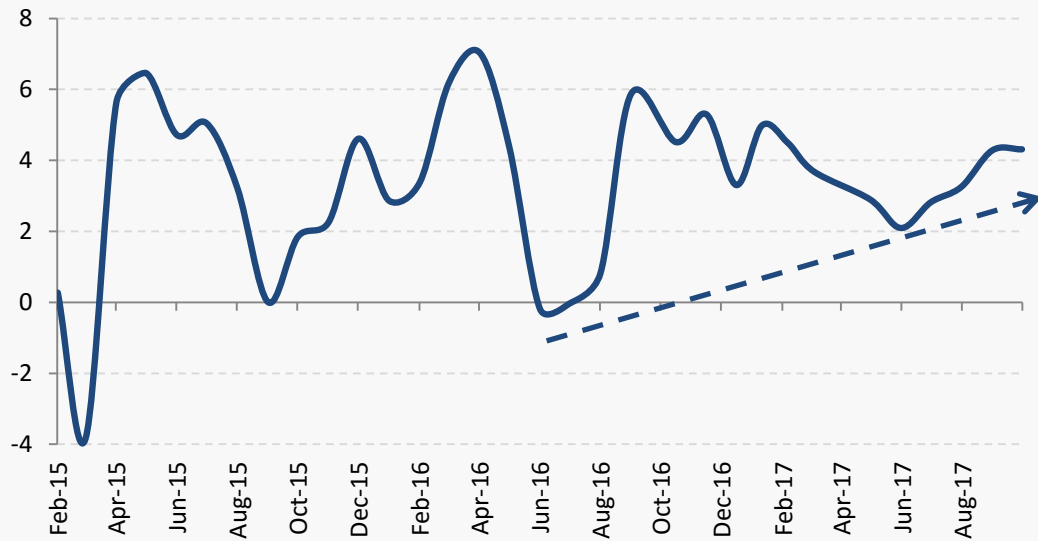


Aviation - International Cargo handled (3MMA %YoY)

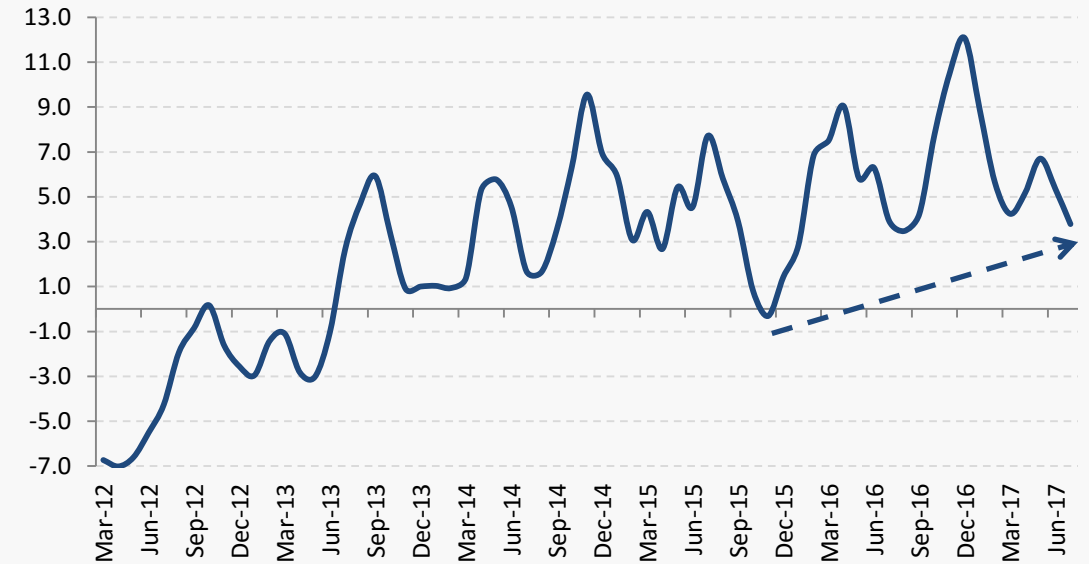


# Short frequency indicators witness a clear uptick in growth

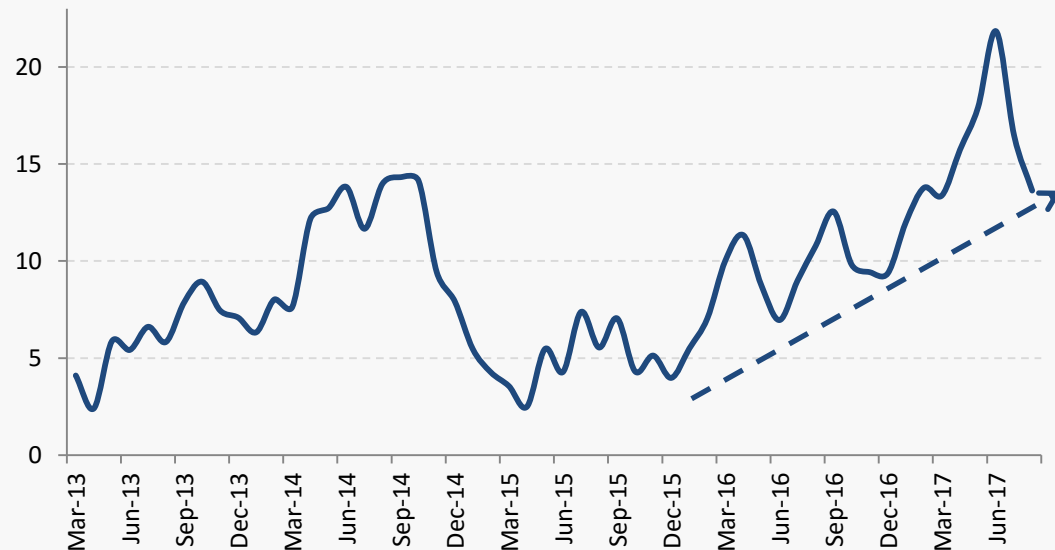
Steel consumption adjusted for inventory change (3MMA %YoY)



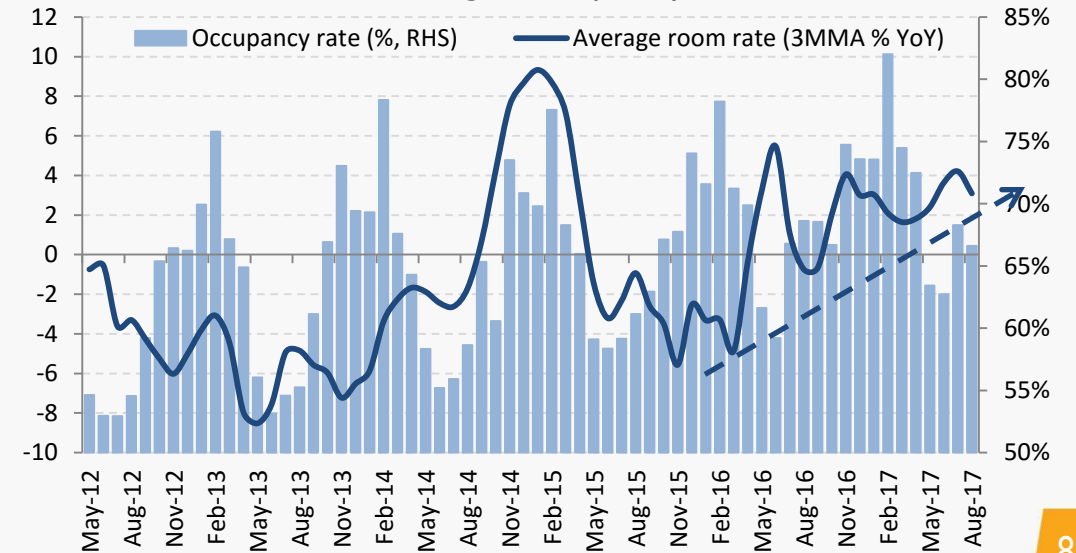
Cargo traffic at major ports (3MMA %YoY)



Tourist arrivals (3MMA %YoY)



Average Occupancy rates and Room rates

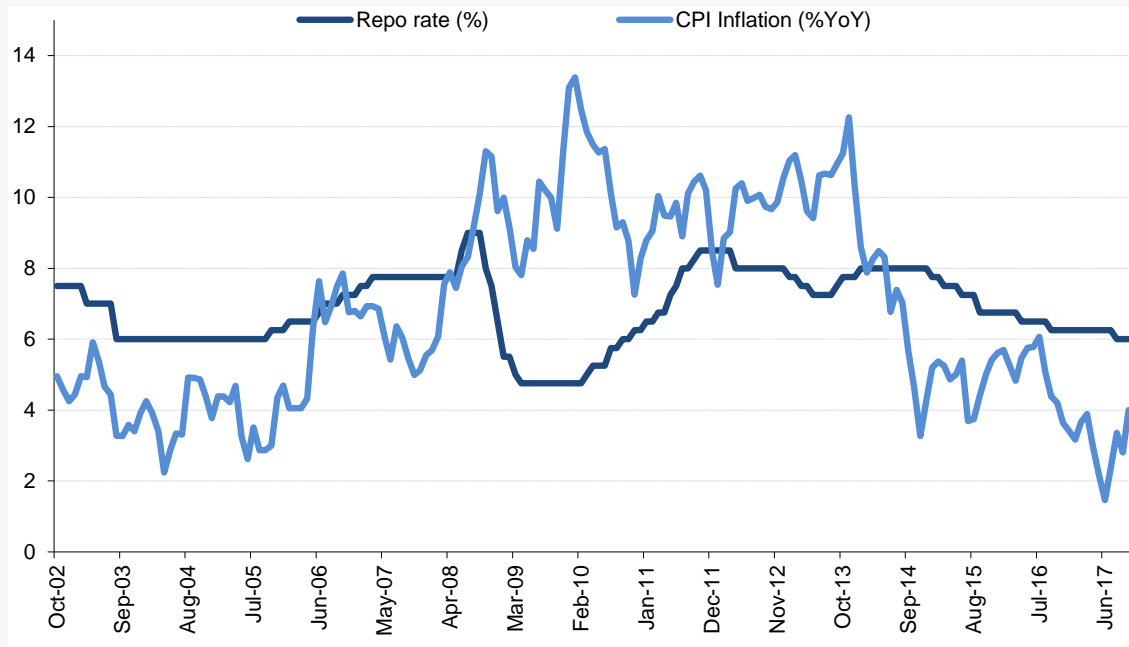




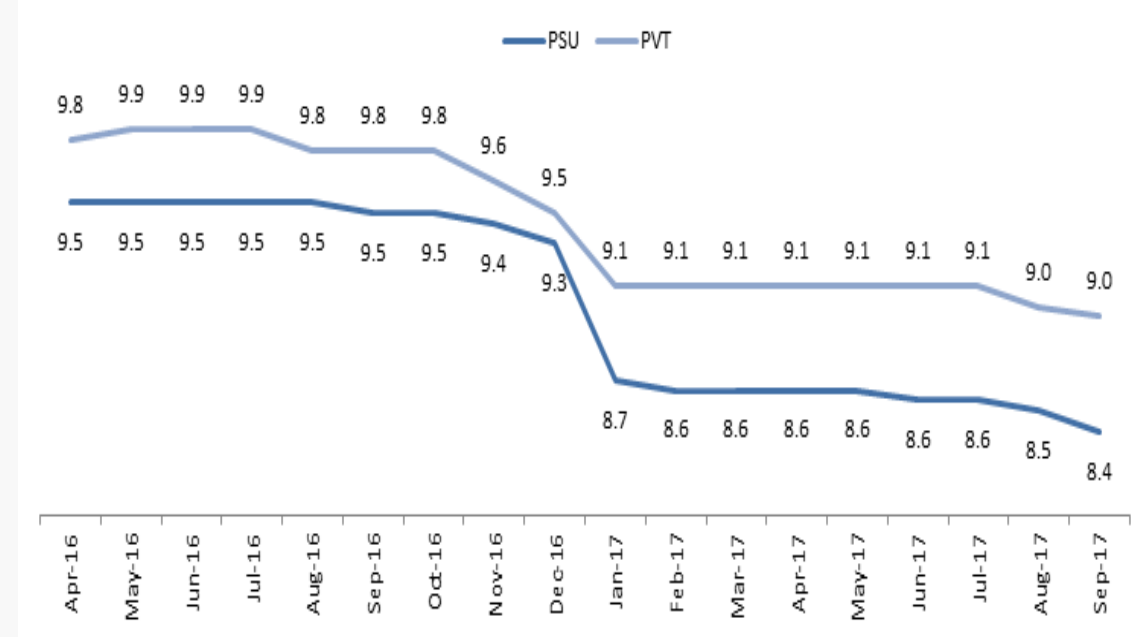
# With rates near their bottom, focus to shift on rate transmission



RBI Repo. Rate and CPI Inflation



Bank MCLR Rate Movement (%)



- Supply side reforms in agriculture and industry would help keep inflation low and stable
- Policy rates are near their bottom and would see an extended pause with focus on rate transmission
- More rate transmission ahead - Banks have cut only 15-25bps in the last 9 months

## **Big financial inclusion push:**

- Banks have opened 286mn. accounts under Jan Dhan, nearly half linked to Aadhar
- 60% of these are in rural areas, helping subsidy disbursement and plugging leakages

## **Better subsidy management:**

- Transfer of LPG subsidy to bank accounts through the Direct Benefit Transfer (DBT) scheme
- Significant saving and eliminating duplicates

## **Improved coal production:**

- Coal India production increased to 6% CAGR (FY15-17) from 2% CAGR (FY11-14)
- This is set to increase utilisation of idle power assets and reduce imports

## **Increasing public investments:**

- Increased investment in roads and railways through smart fiscal management of the oil bonanza
- Project awards in roads and project execution see a surge in growth

## **Easier to do business now:**

- Labour laws, factory act, forest and environmental clearances and many more
- Reduced corporate taxes, bankruptcy code, PSU revitalisation etc...

## **POLICY MAKING NOW RULE BASED**

- Coal spectrum UDAN routes allotted through transparent auctions
- Rules based FDI after dismantling FIPB

## **JAM TRINITY POWERING DBT**

- Reducing leakages
- Weeding out fake beneficiaries
- Cutting out middlemen
- Promote fiscal savings

## **GAME CHANGERS**

- GST
- Demonetisation
- Digital payments

**Formalising economy**

## **FORMALISATION BENEFITS**

- Increase tax collection
- Increases GDP by reducing friction
- Improves credit efficiency

FDI increases to **\$60bn in FY17** from \$36bn. In FY14

**Rs.1.75tr. transferred** through DBT over the last 3 years

Rural road construction **FY17 at 133kmpd** from 69kmpd in 2014

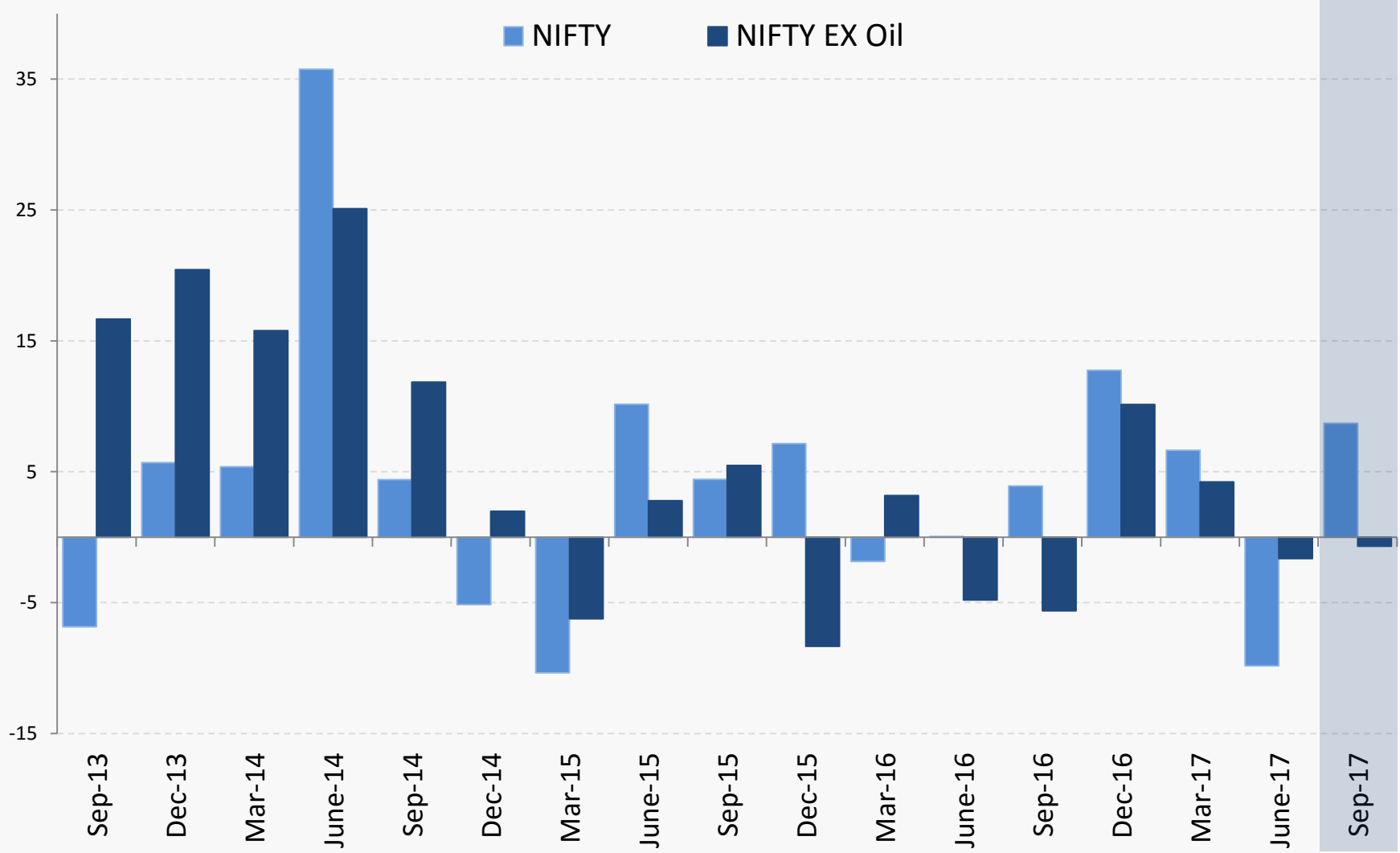
NHA awards **FY17 at 15,948kms** from 3,620 in FY14

New railway lines **953 in FY17** from 360 in FY14

# Nifty Ex-Oil PAT growth sees a marginal contraction



Nifty PAT growth Ex-Oil (% y/y)

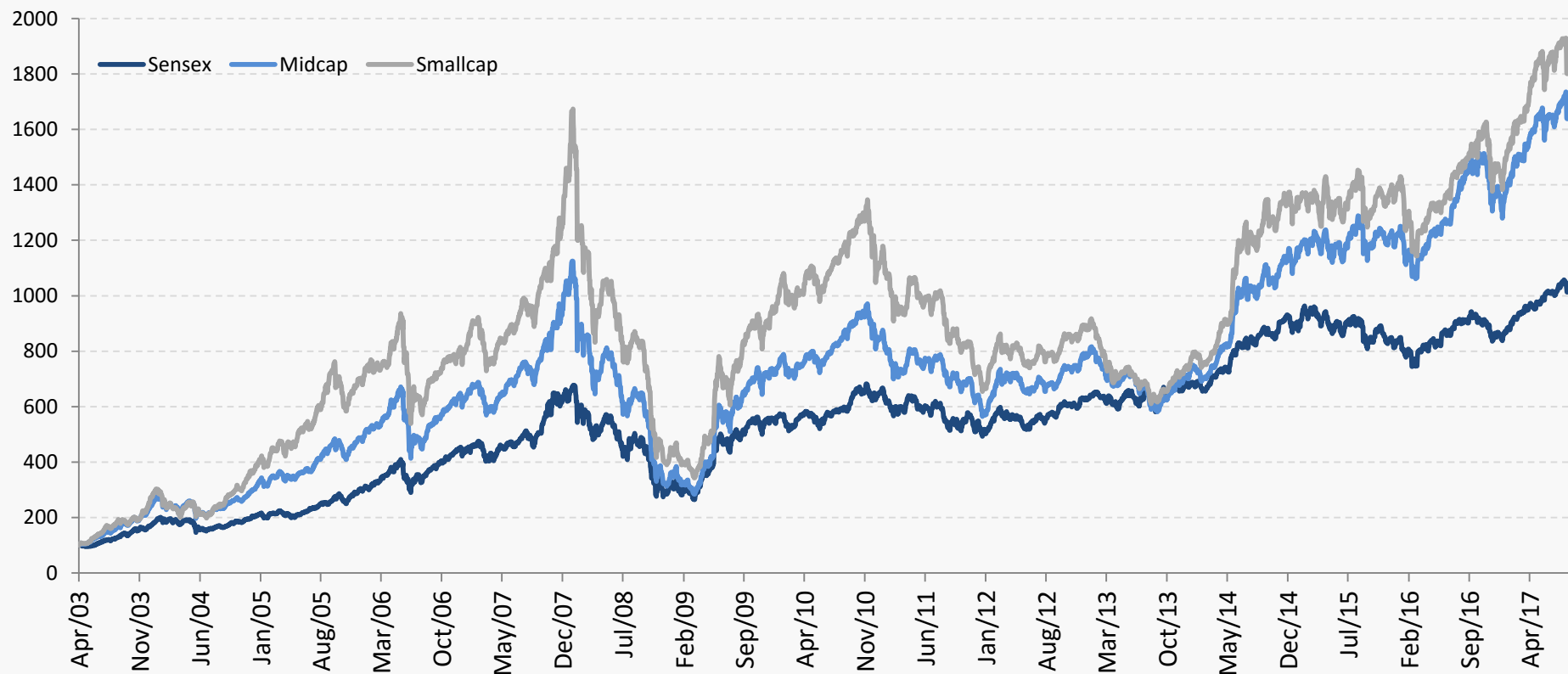


Source : Motilal Oswal, Sundaram Asset Management

# Short term corrections, a buying opportunity - Stay Bullish



BSE Mid-cap and Small-cap movement against the Sensex

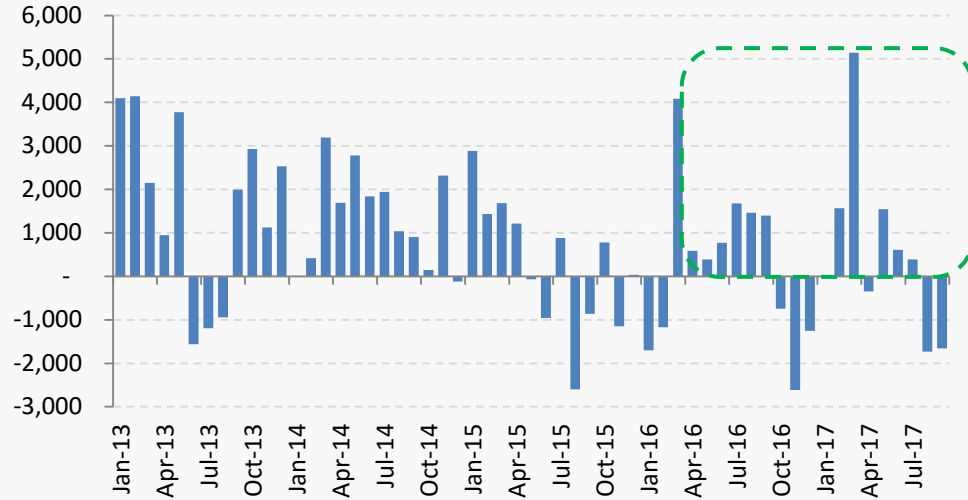


	Phase 1			Phase 2			Phase 3		
	Begin	End	% Returns	Begin	End	% Returns	Begin	End	% Returns
	Apr-03	Jan-08		Jan-08	Oct-13		Oct-13	Oct-17	
BSE Sensex	3,168	20,873	559	20,873	21,165	1	21,165	31,924	51
BSE Midcap Index	950	9,817	933	9,817	6,107	-38	6,107	15,936	161
BSE Small Cap Index	885	13,516	1,427	13,516	5,896	-56	5,896	16,893	187

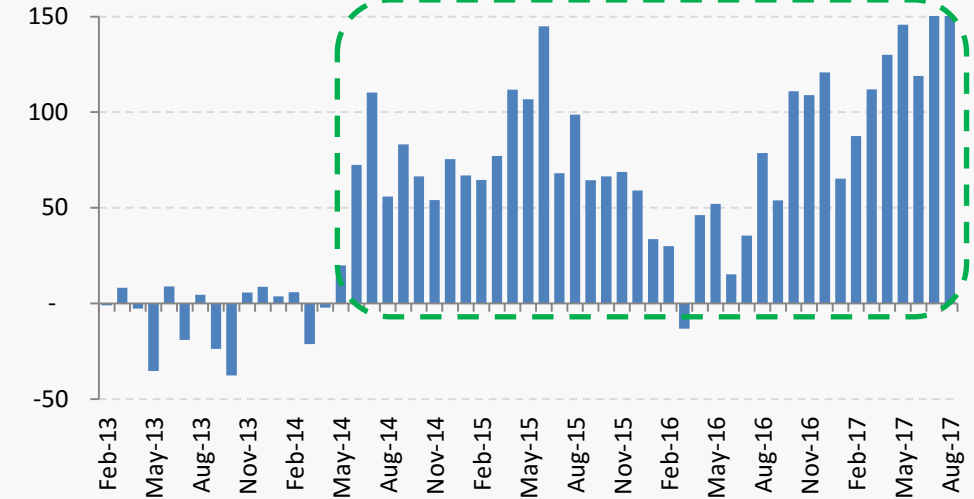
# MF Industry is maturing with stable SIPs and rising financial savings



Net FII inflows (USD bn.)



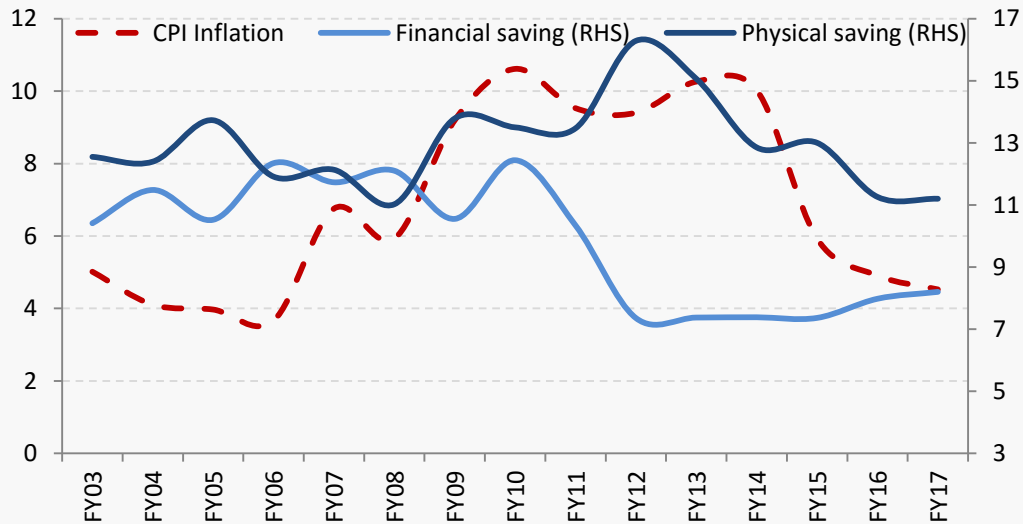
Flows into Domestic Mutual Funds (Rs.Bn.)



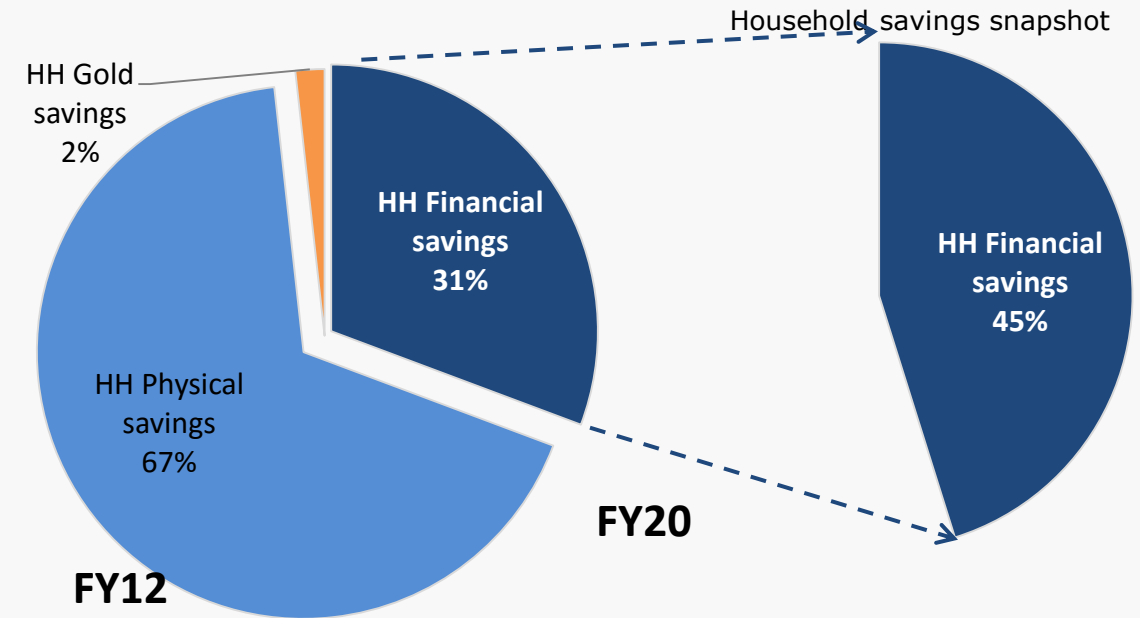
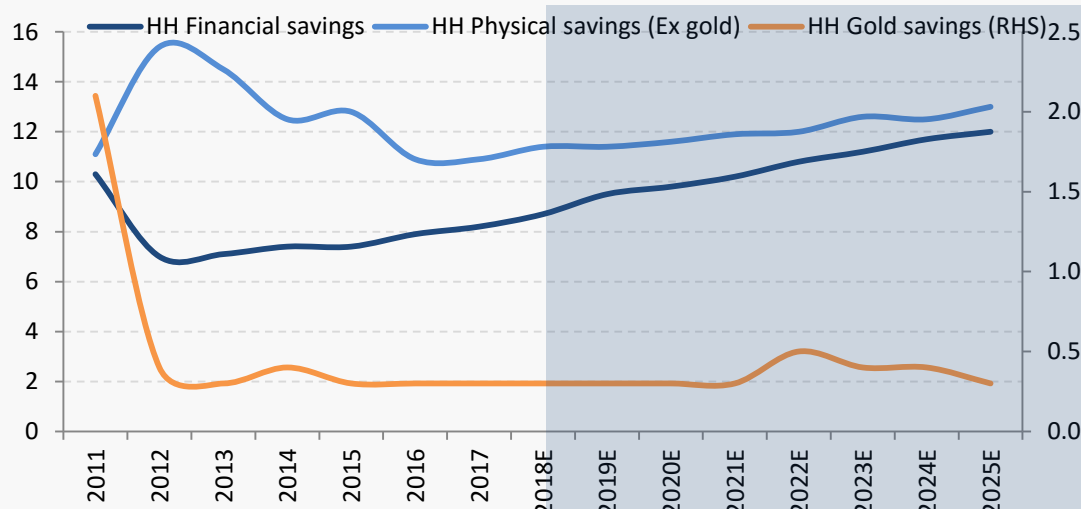
From May'14, MF has seen Rs.3.3tr. Inflows, >2x of that seen in the decade before

# Inflation the main culprit behind physical savings accumulation

Financial and Physical savings (% of GDP) and CPI inflation (LHS)

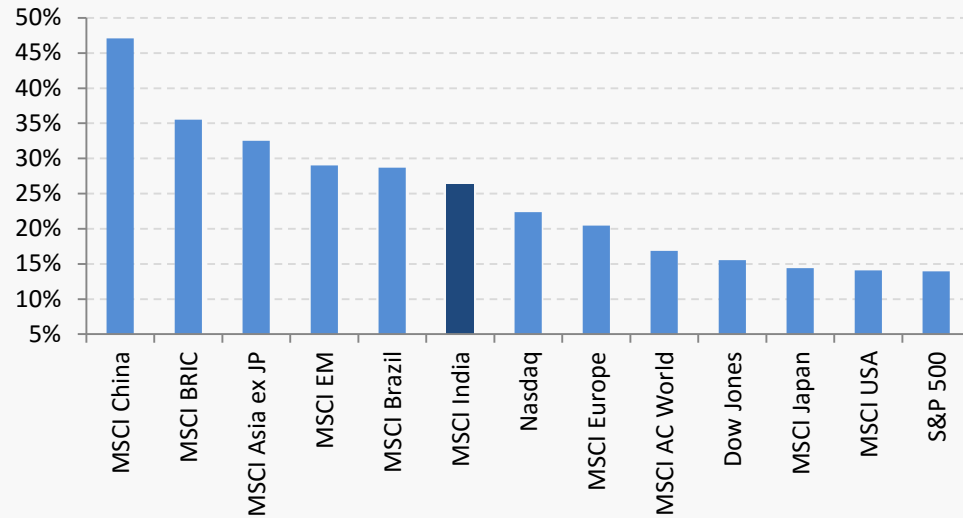


Financial Savings Growth trajectory (%GDP)

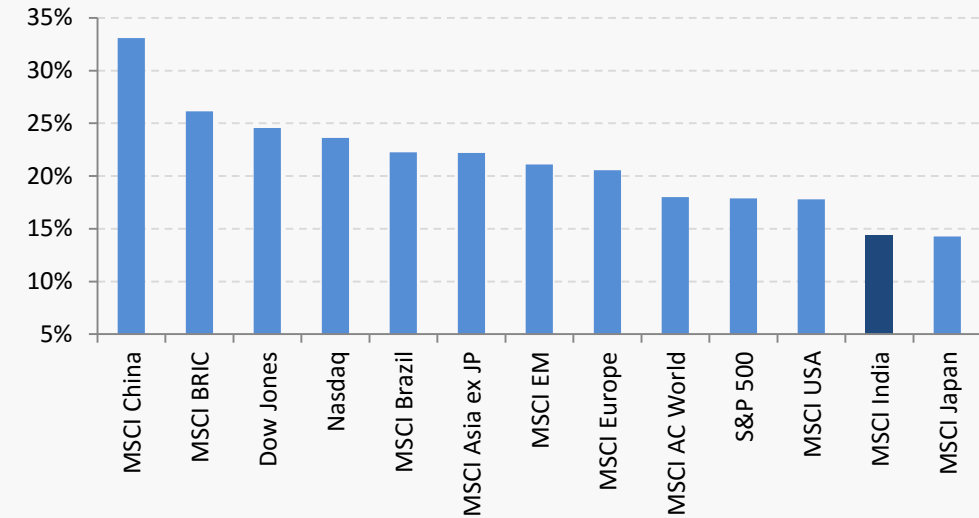


- A sustained drop in inflation is set to improve households savings rate
- Positive real interest rates and attractive equity returns help move domestic money to financial savings
- **The weak property outlook on demonetisation and Benami transactions act brightens the scope for financial savings**
- Going forward, financial savings would see a continued and sustained rise in growth
- From a low of 7% of GDP (31%) in FY12, this moved to 8.2% GDP in FY17 and set to touch 9.8% GDP in FY20 (45%)

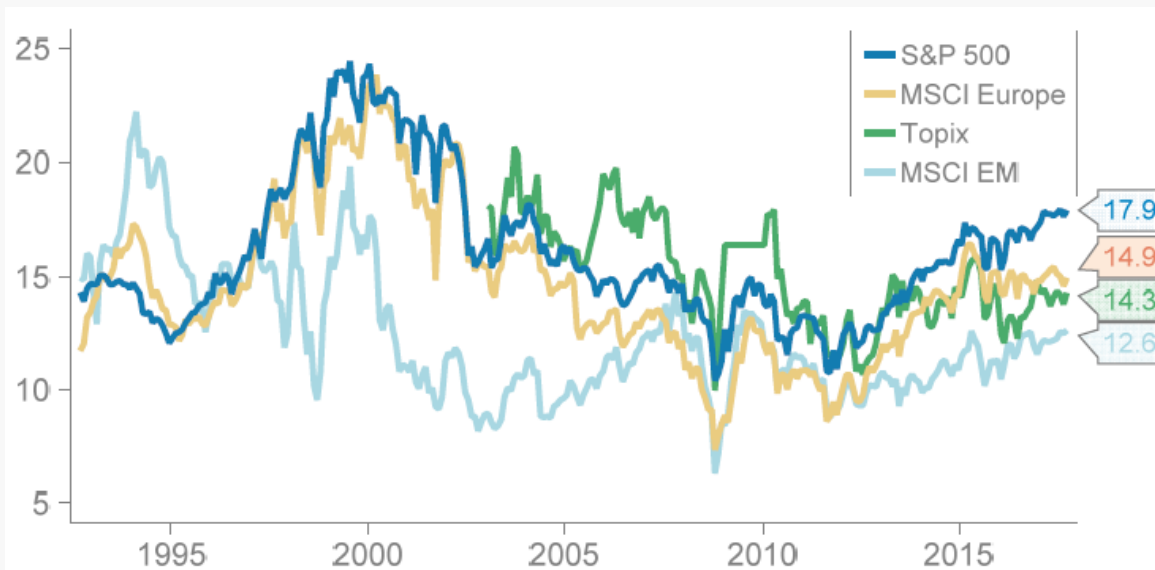
Key market returns YTD (% Change)



Key markets' returns (% YoY)



Key markets (1 yr. Fwd. P/E)



- Emerging markets as an asset class has outperformed – not just India
- India an underperformer within EMs
- Globally Equity valuations have moved up not just India

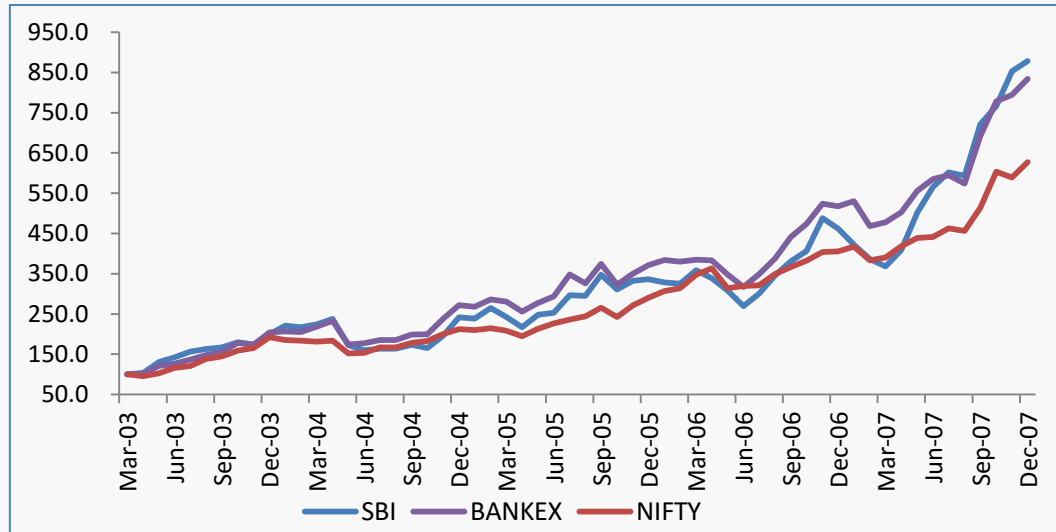


# SUNDARAM VALUE FUND SERIES IX

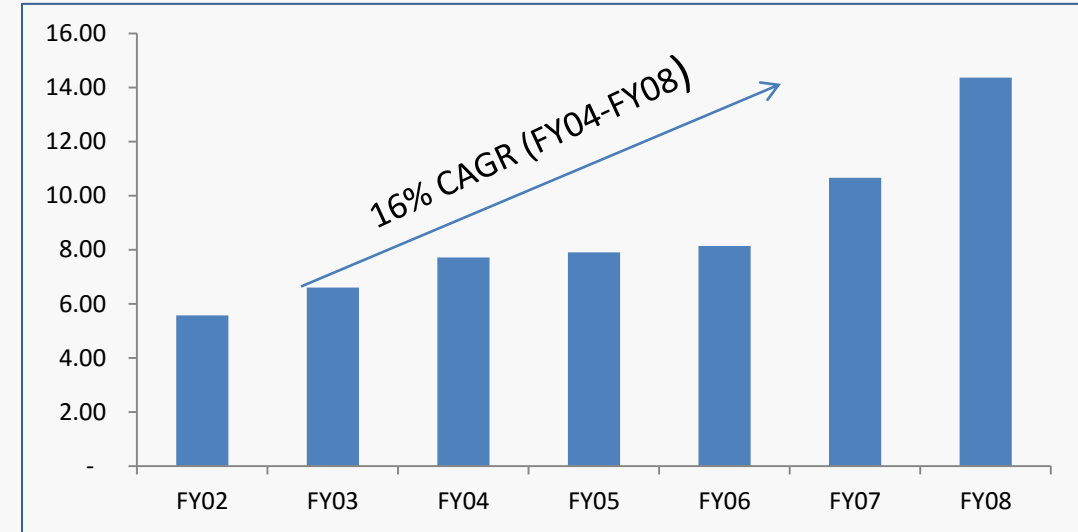
- Diversified Multi-Cap portfolio of about 40 stocks
- Portfolio split largely equally between Large caps and Mid & Small caps - Multi cap portfolio offering investment opportunity across the cap curve.
- Sector / Stock Selection driven by value philosophy: Businesses that are undervalued in relation to its historic / market multiples
- Use of Valuation metrics like PE ratio, P/BV, EV/EBIDTA as relevant
- Periodical dividend pay outs between NAV of Rs.12 to Rs.14
- Hedge Portfolio through Put Options - Fund Manager at his discretion can buy put options

# VALIDATION: VALUE INVESTING

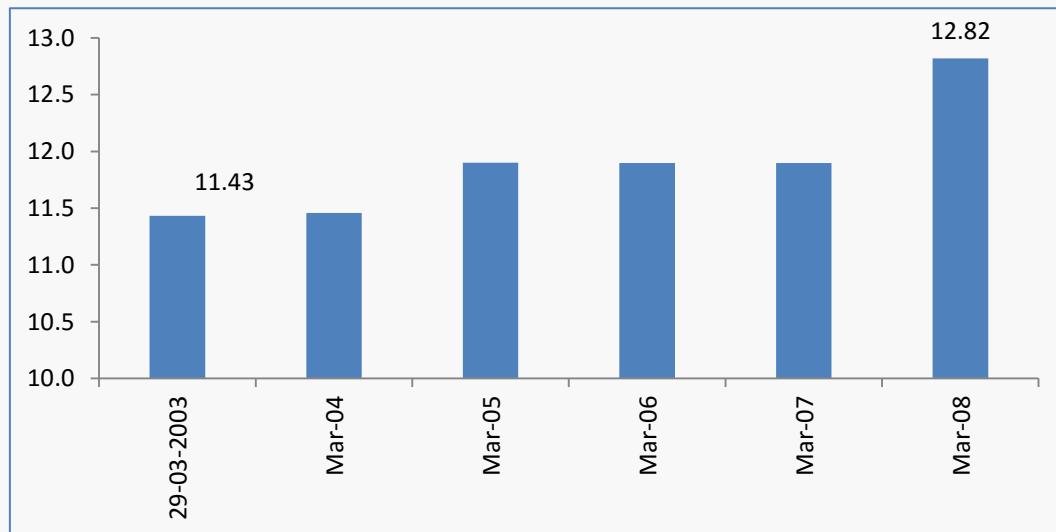
SBI vs Bankex, Nifty



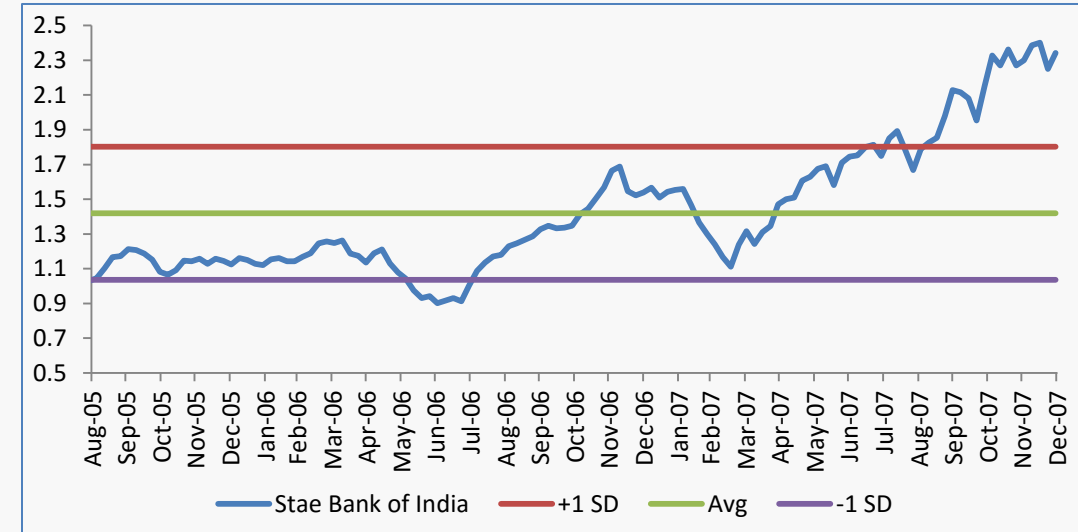
EPS (FY02 – FY08)



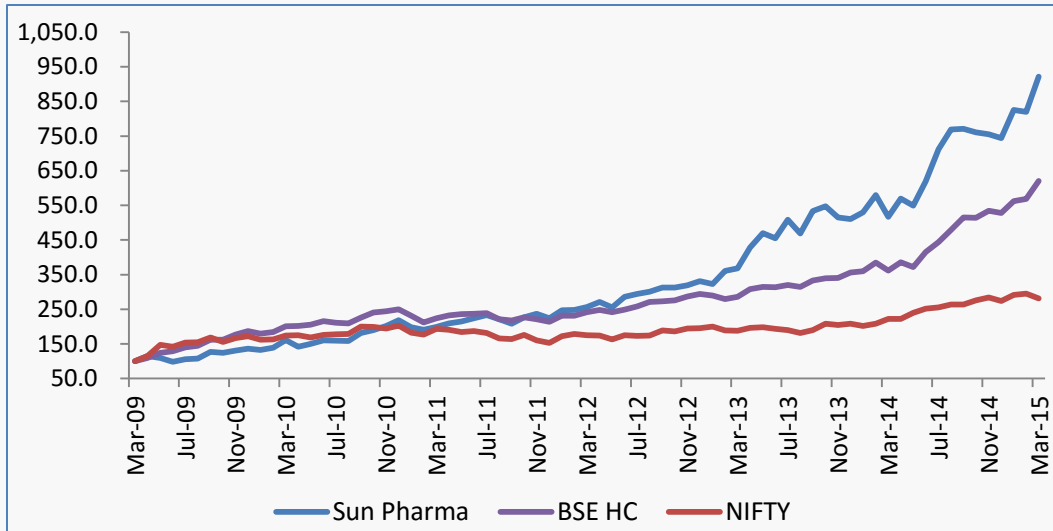
SBI FII Holding



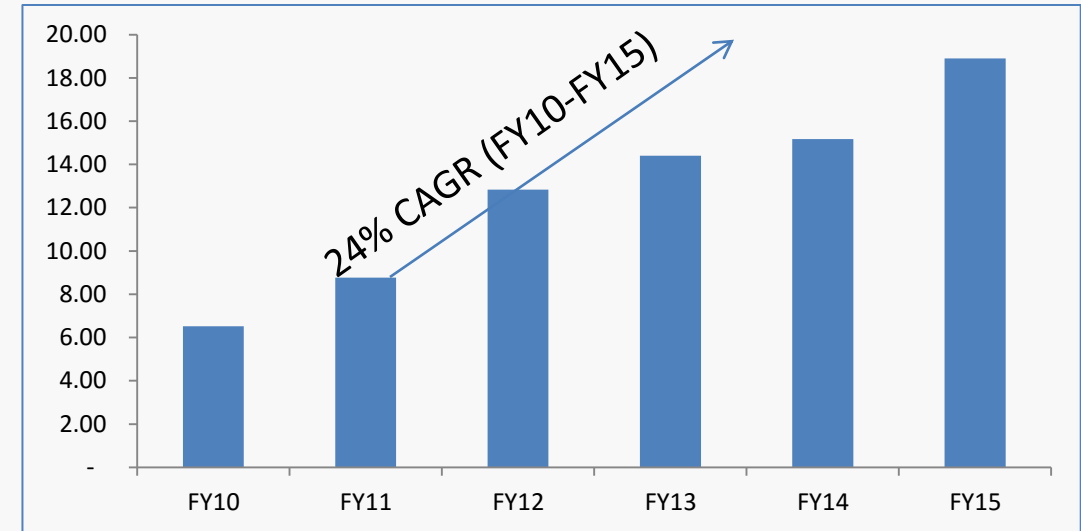
SBI PB (x)



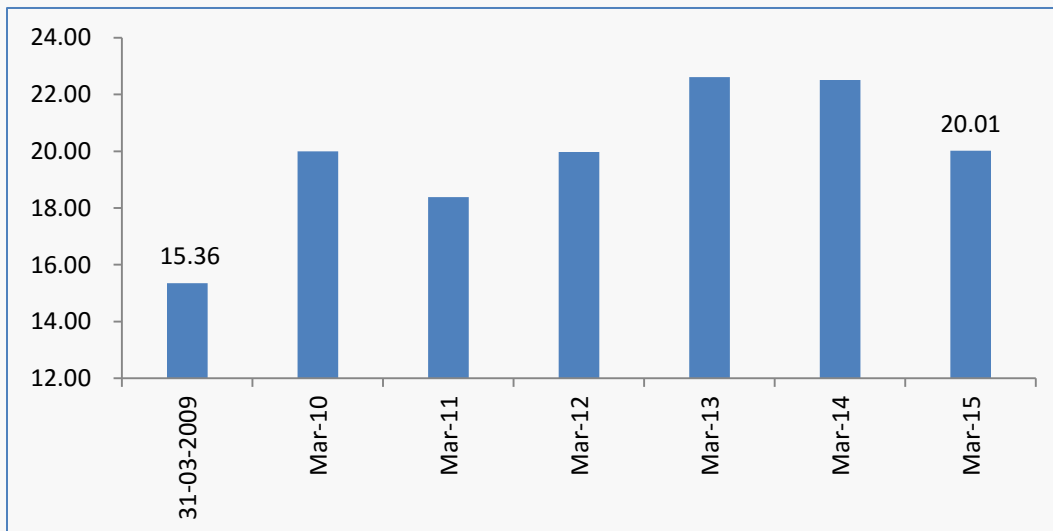
Sun Pharma vs BSE Healthcare, Nifty



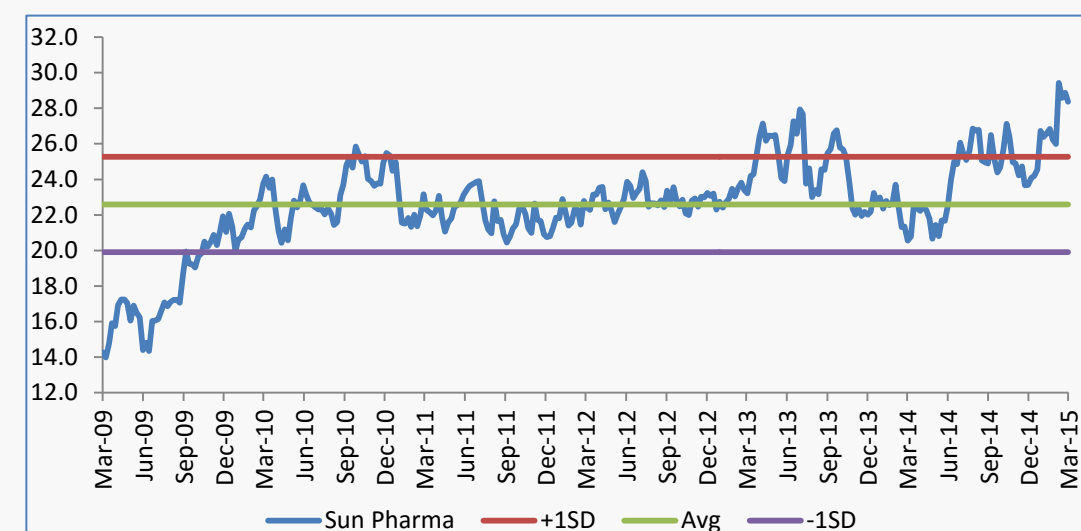
EPS (FY10 – FY14)



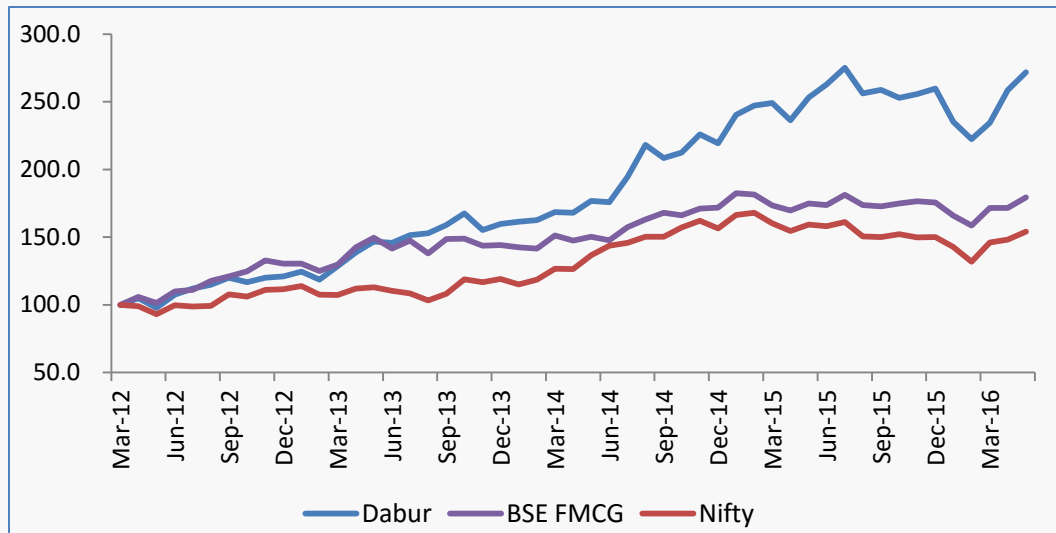
Sun Pharma FII Holding



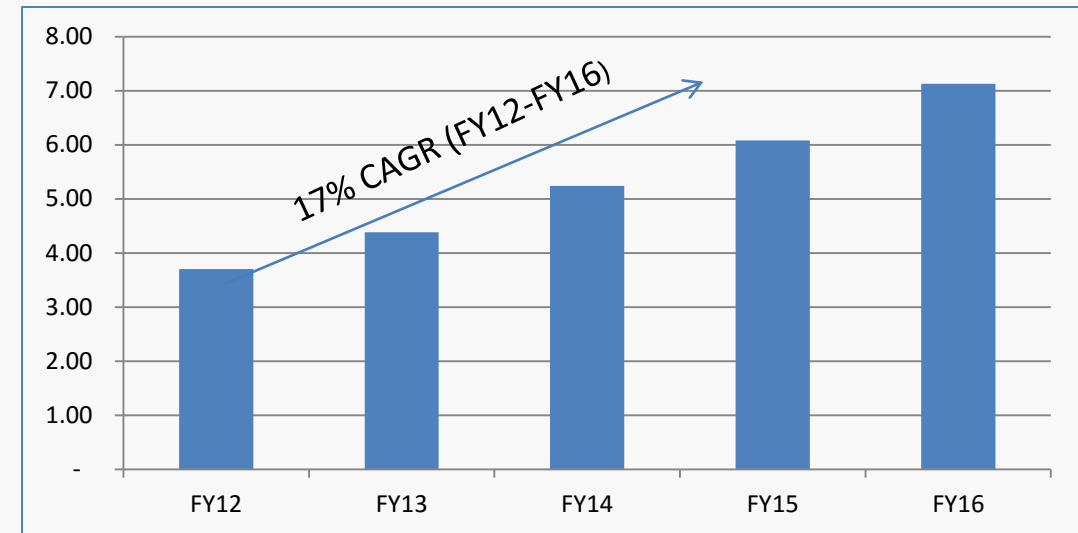
Sun Pharma PE (x)



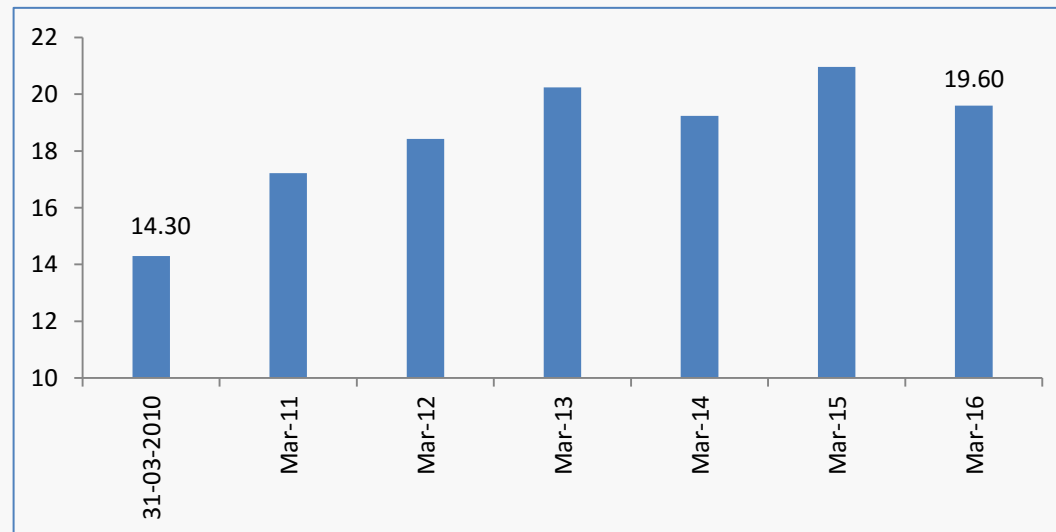
Dabur vs BSE FMCG, Nifty



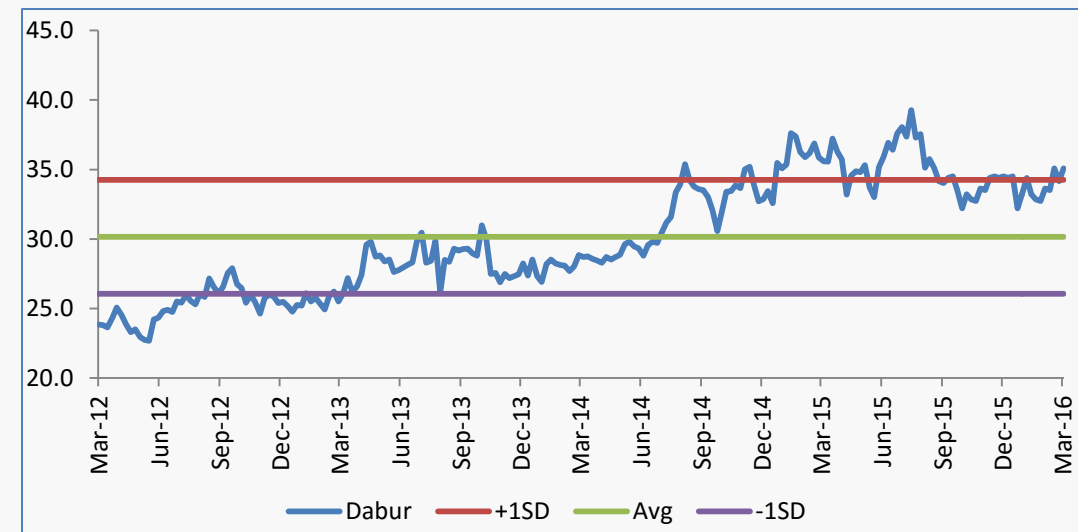
EPS (FY12 - FY16)



Dabur FII Holding



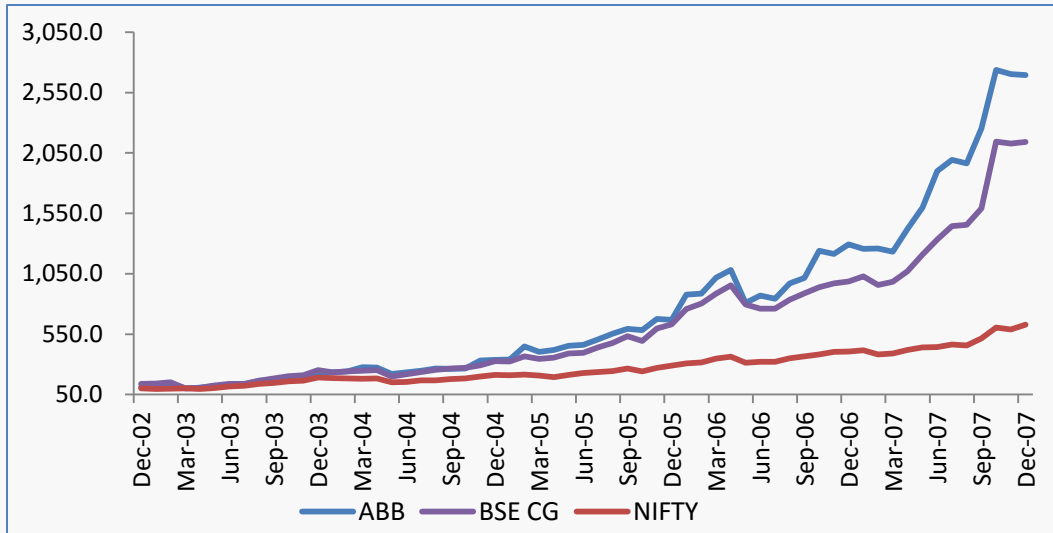
Dabur PE (x)



# Capital Goods in 2004-07 : ABB



ABB vs BSE Capital Goods, Nifty



EPS (CY02 - CY07)

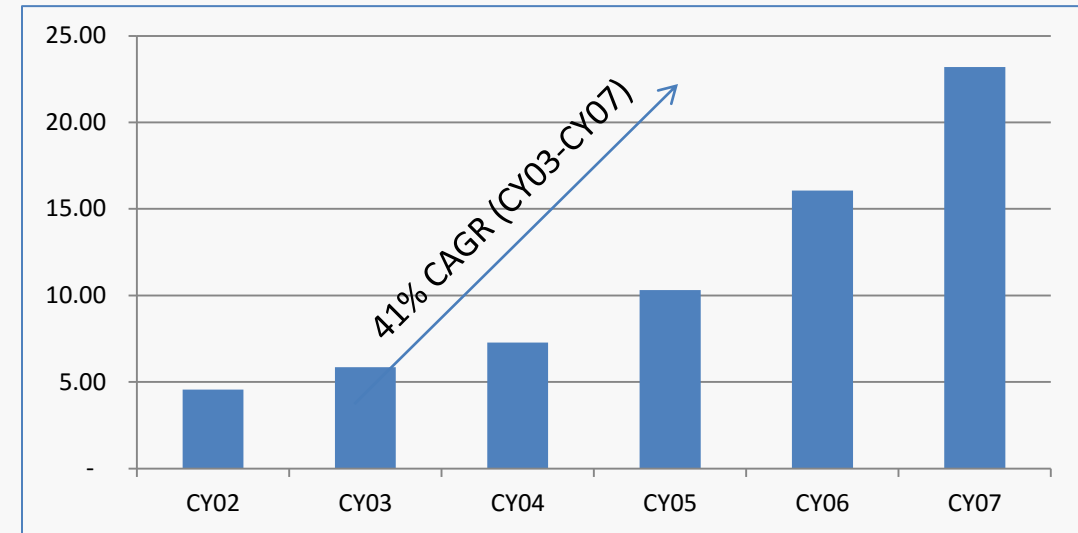


ABB FII Holding

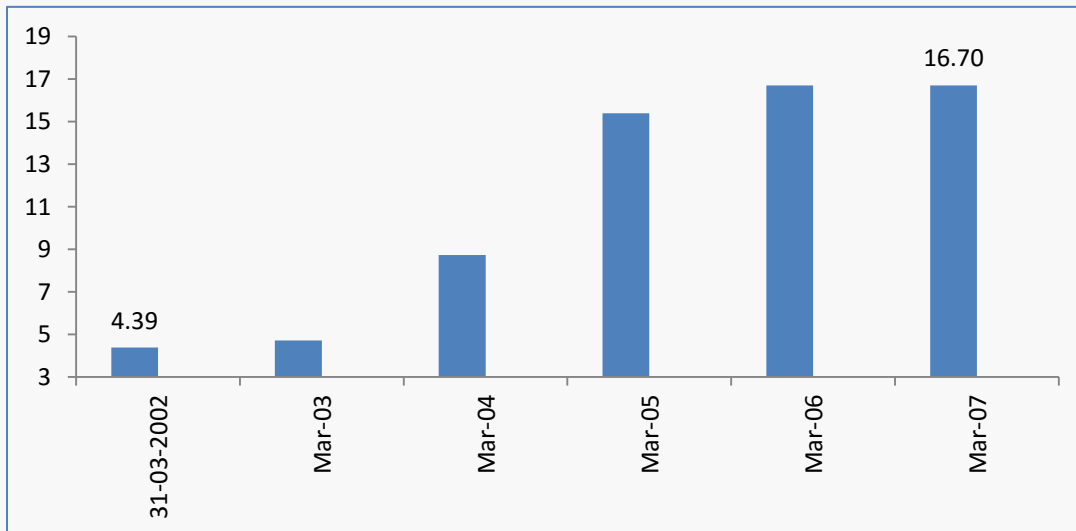
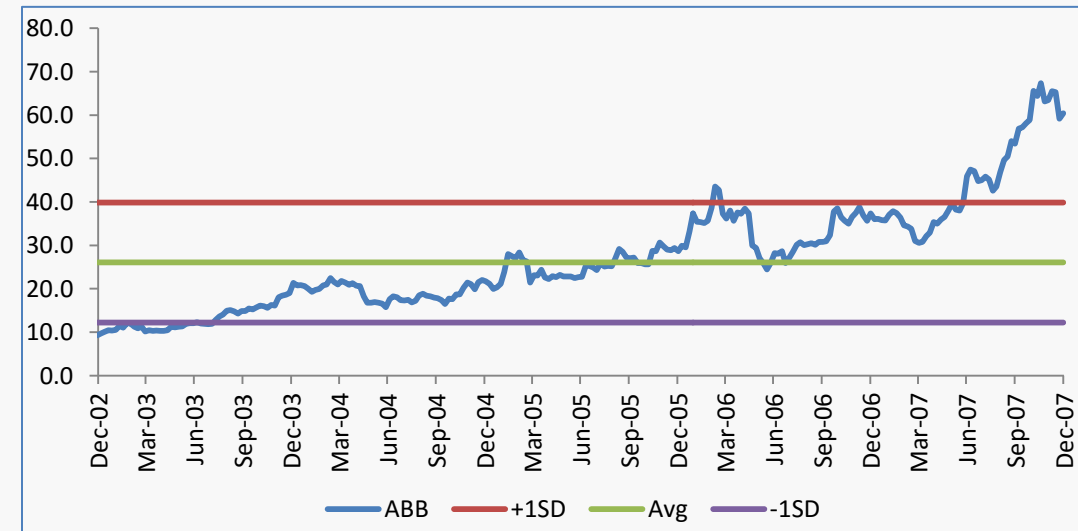


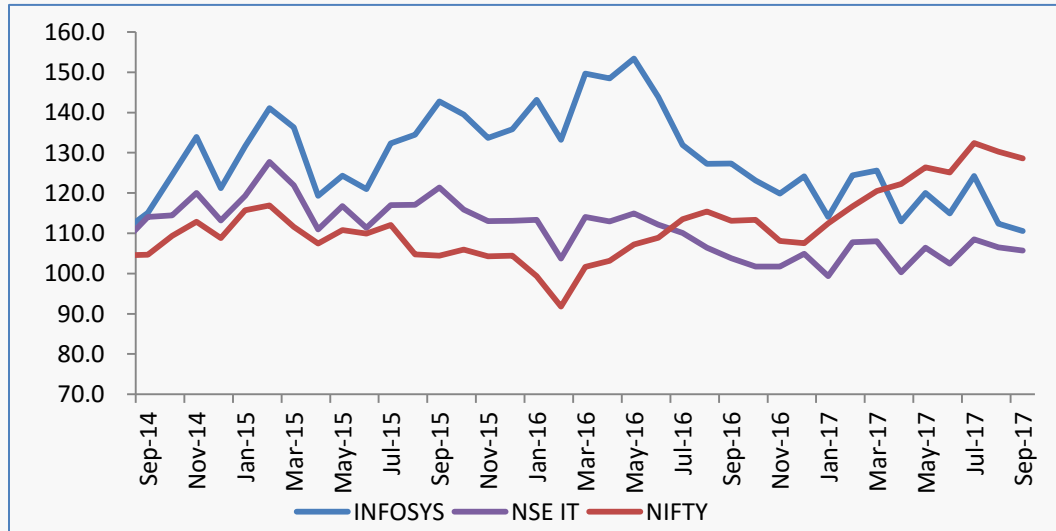
ABB PE (x)



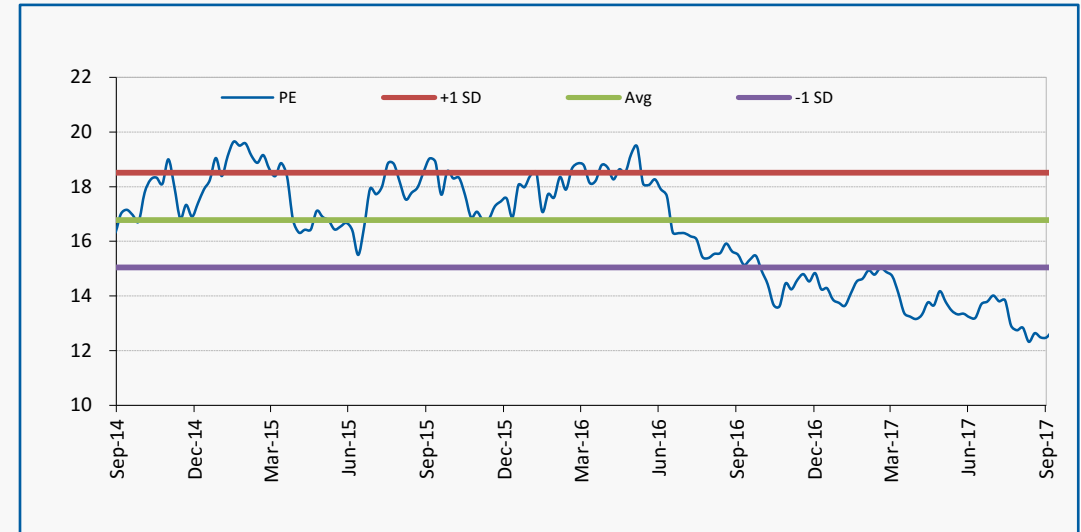
**VALUE TODAY!!!**



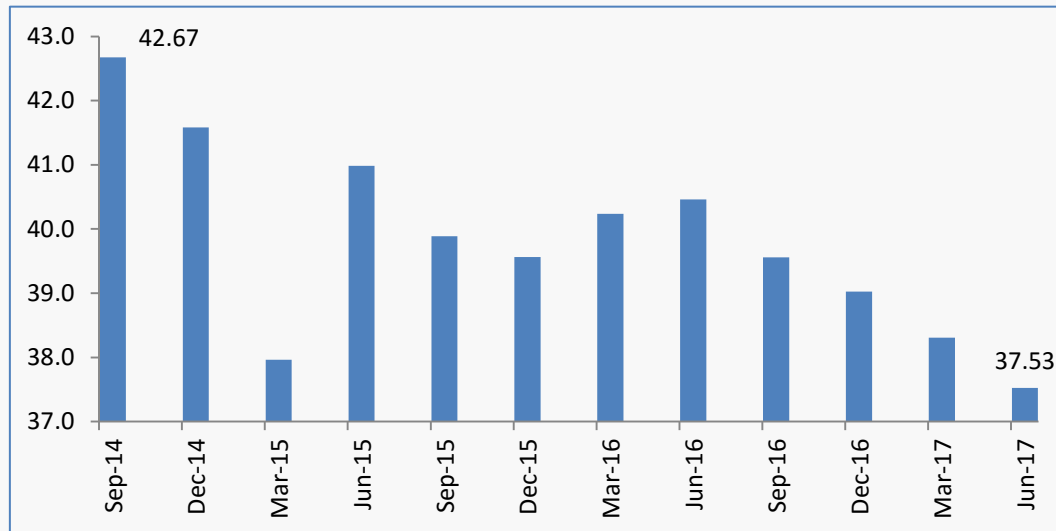
Infosys v/s BSE IT, Nifty



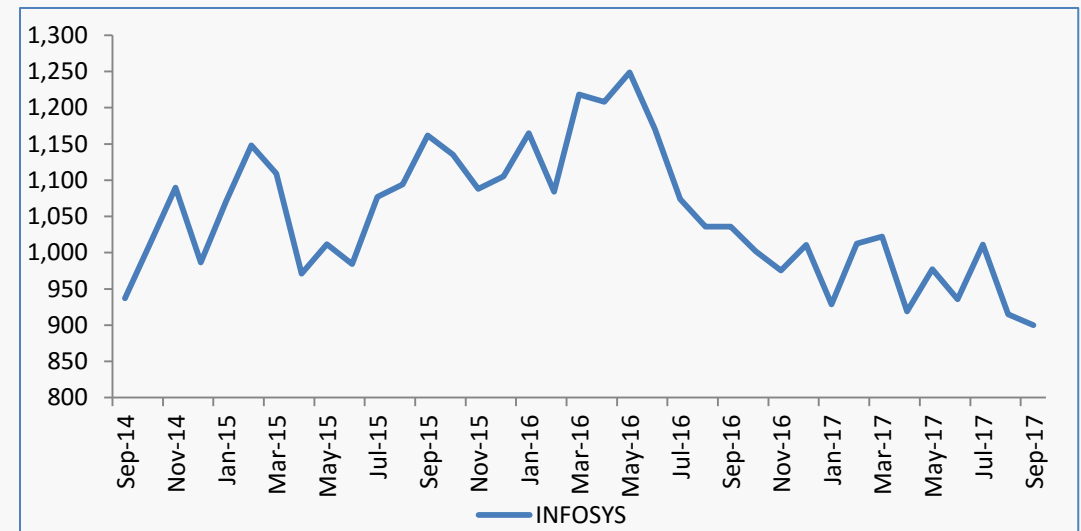
Infosys Fwd PE (x)



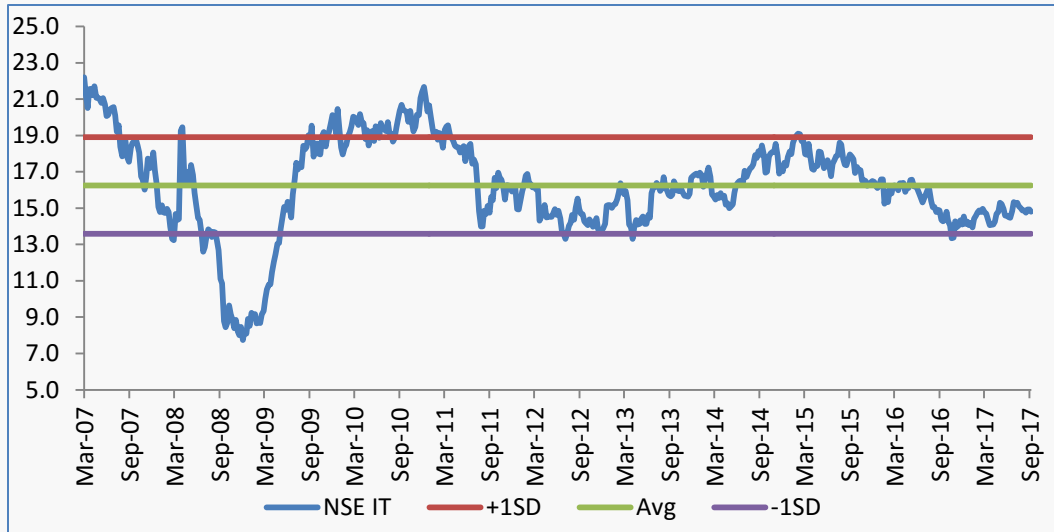
Infosys FII Holding



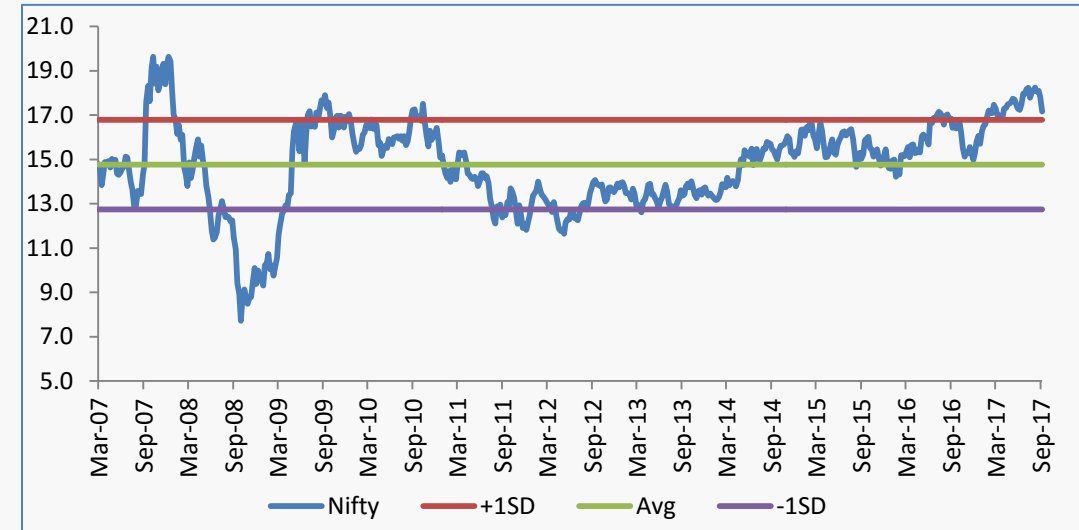
Infosys Price Chart



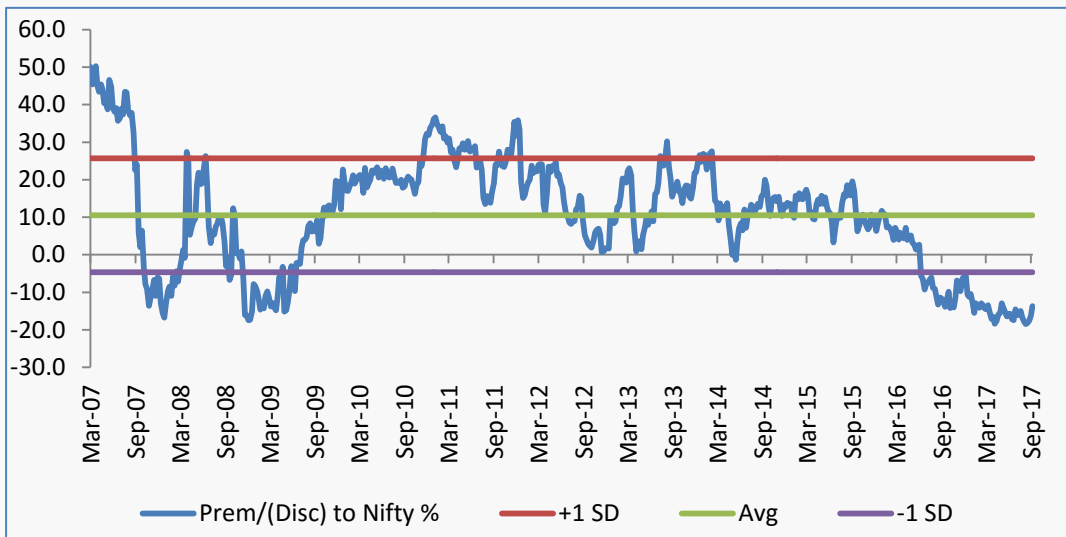
NSE IT Fwd PE(x)



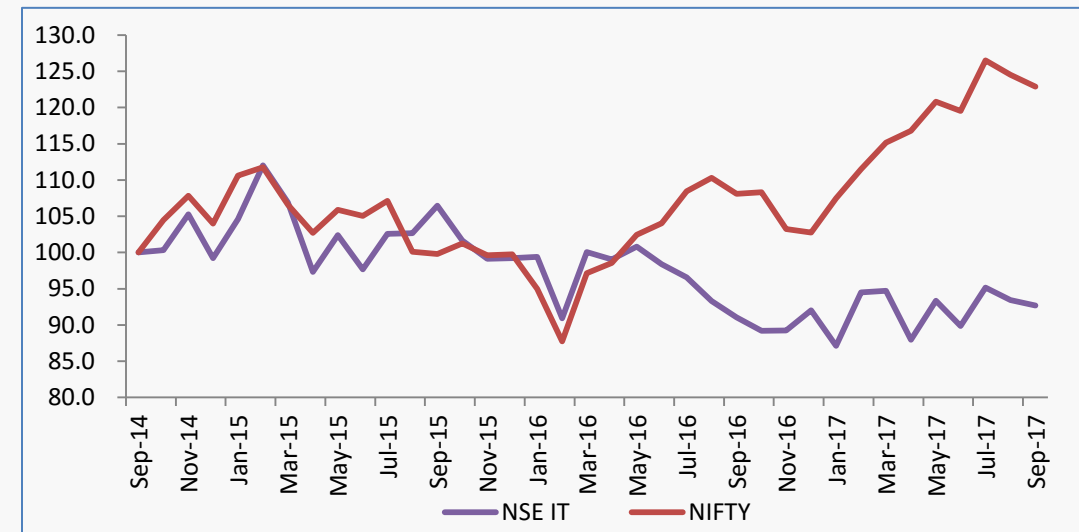
Nifty Fwd PE (x)



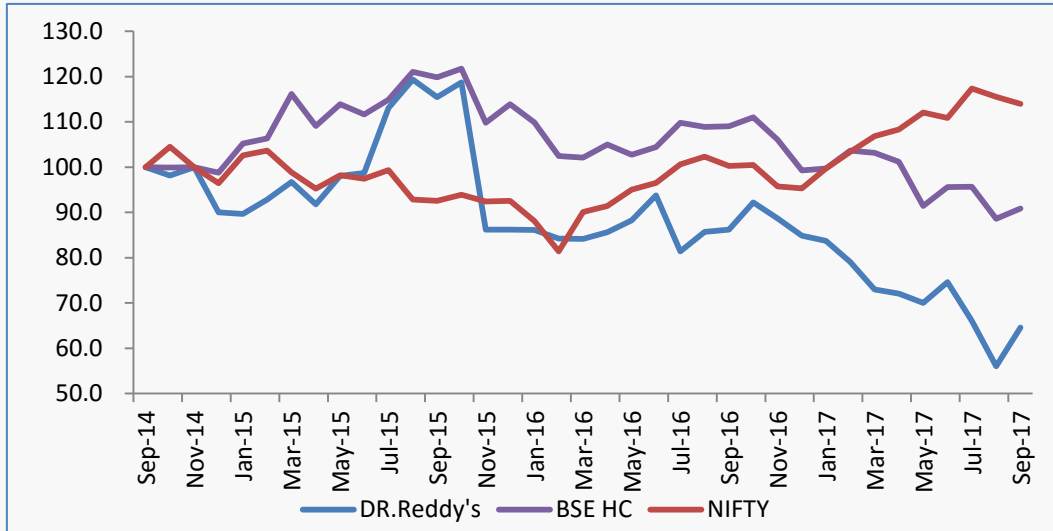
NSE IT Fwd PE (x) Prem (Disc) to Nifty%



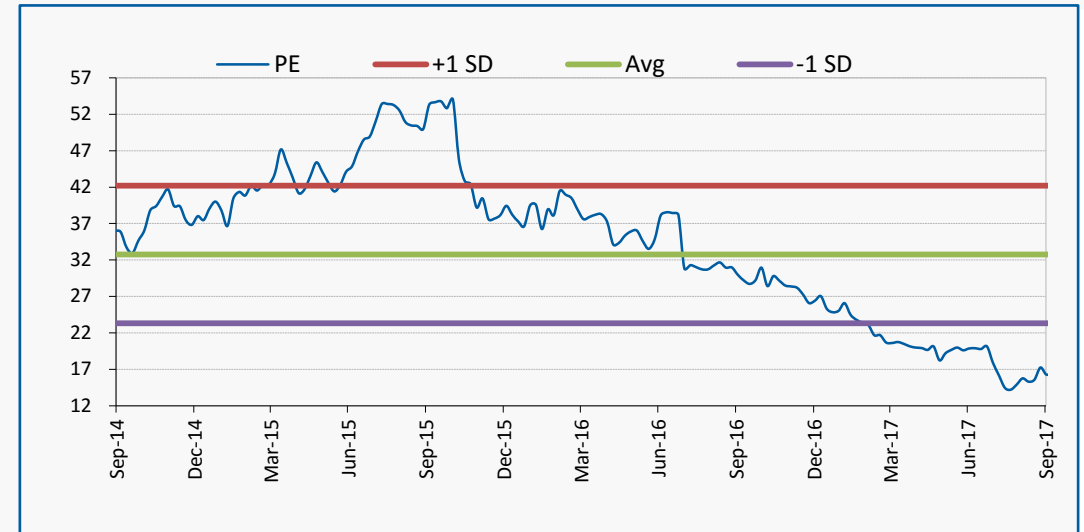
Performance of NSE IT vs Nifty Index



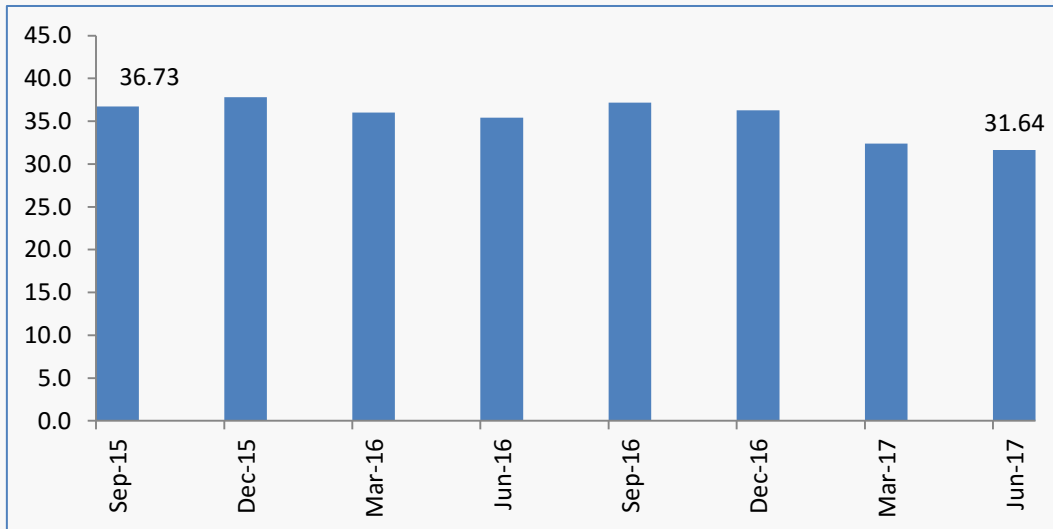
Dr.Reddy's v/s BSE Healthcare, Nifty



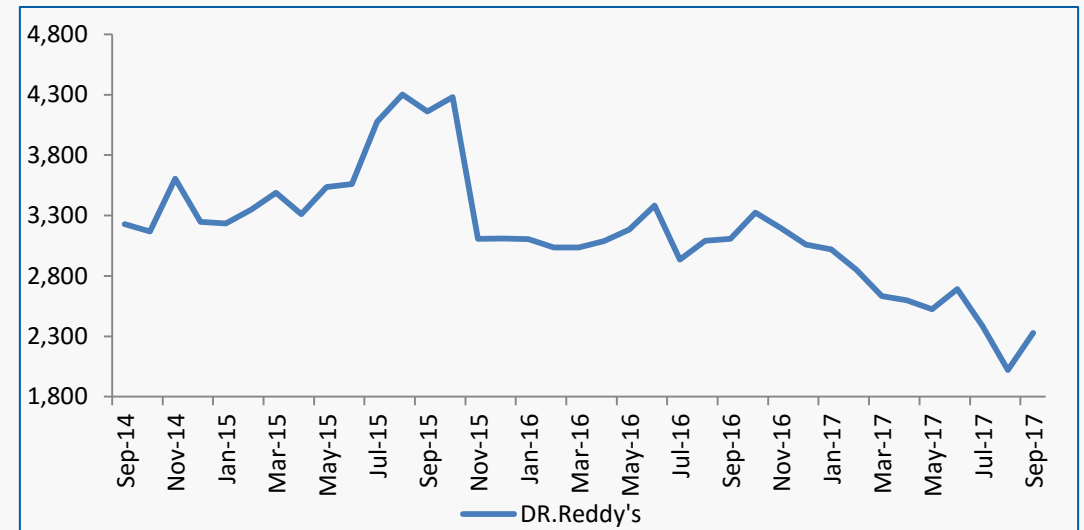
Dr.Reddy's Fwd PE (x)



Dr.Reddy's FII Holding



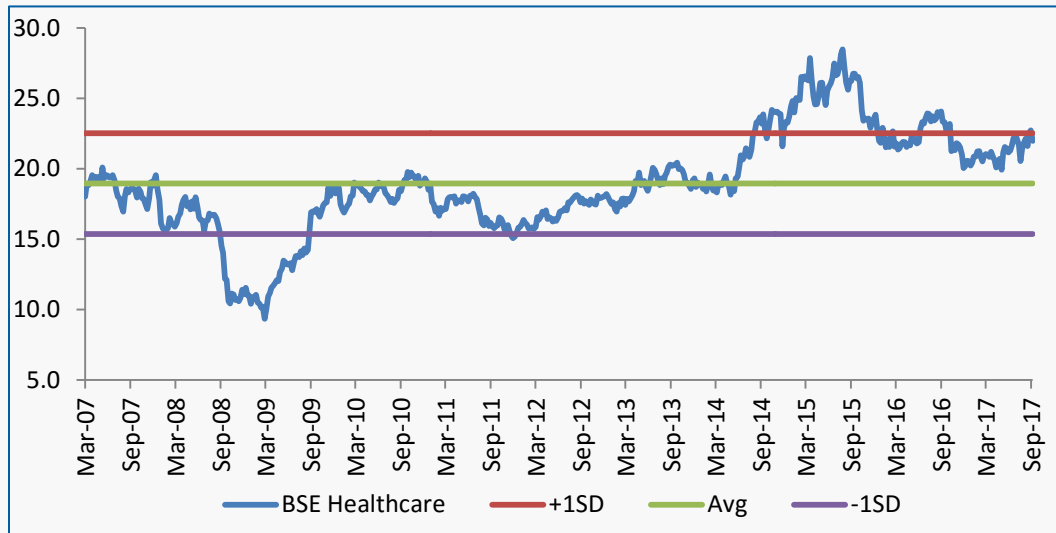
Dr.Reddy's Price Chart



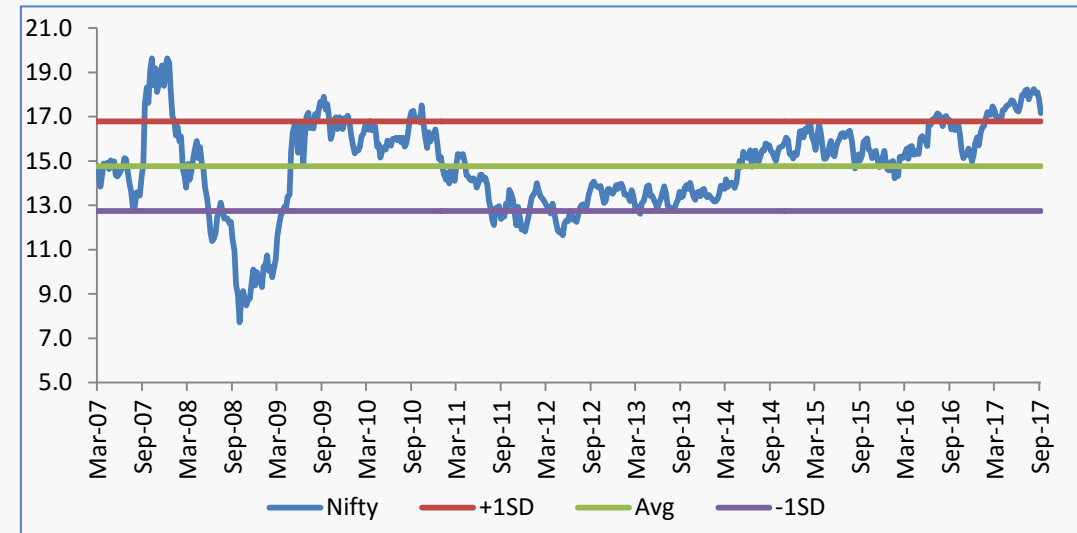
# Available at attractive valuations



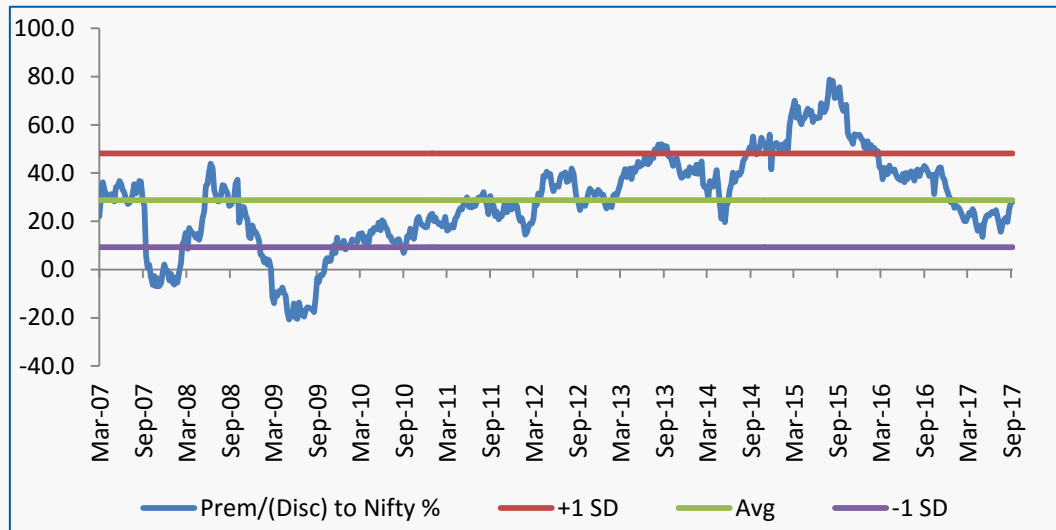
BSE Healthcare Fwd PE(x)



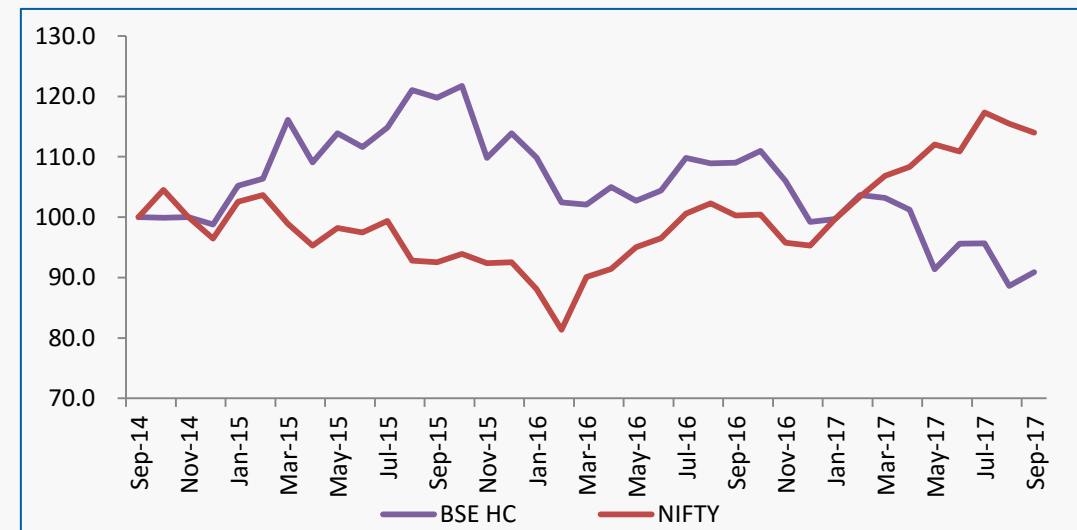
Nifty Fwd PE (x)



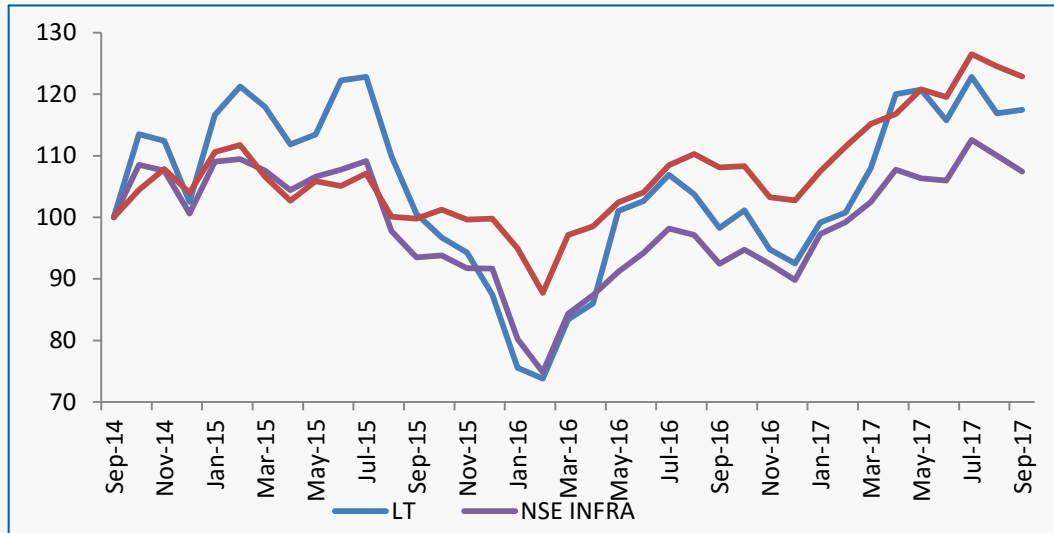
BSE HC Fwd PE(x) Prem(Disc) to Nifty%



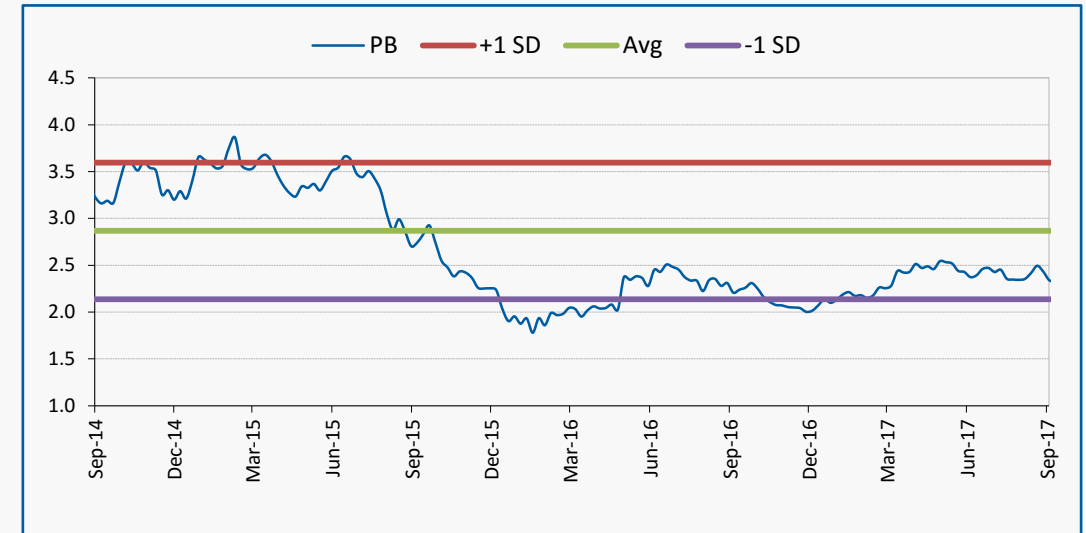
Performance of BSE Healthcare vs Nifty Index



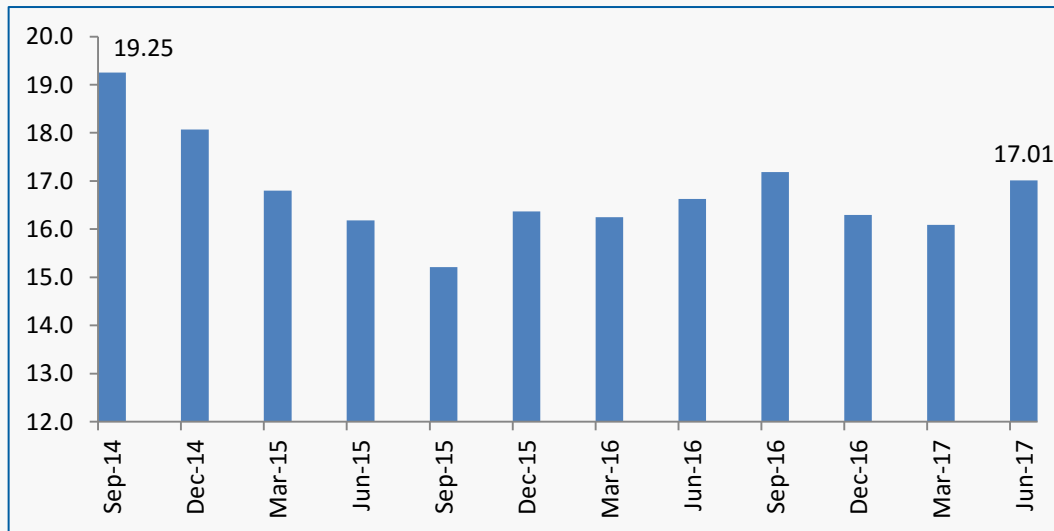
L&T v/s NSE Infra, Nifty



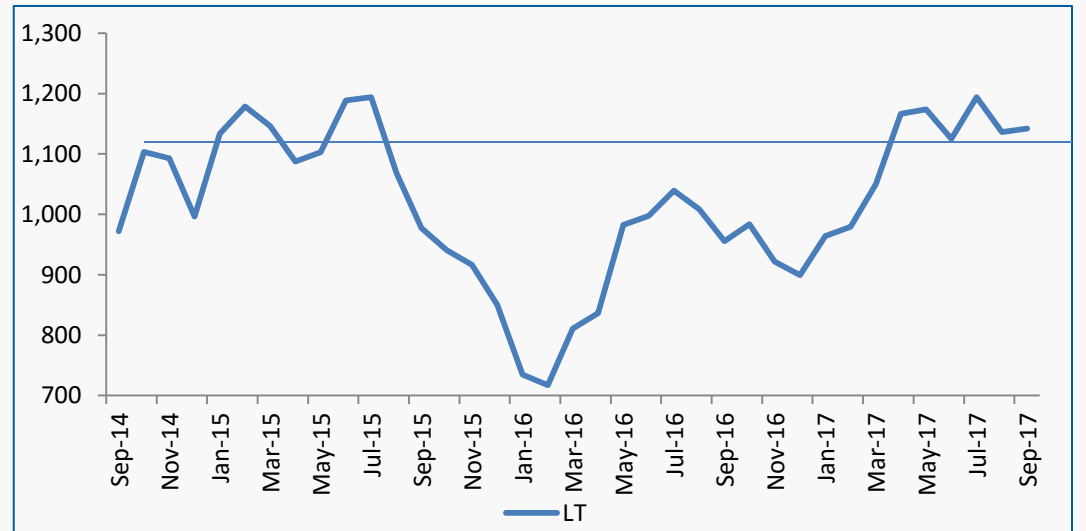
L&T Fwd PB (x)



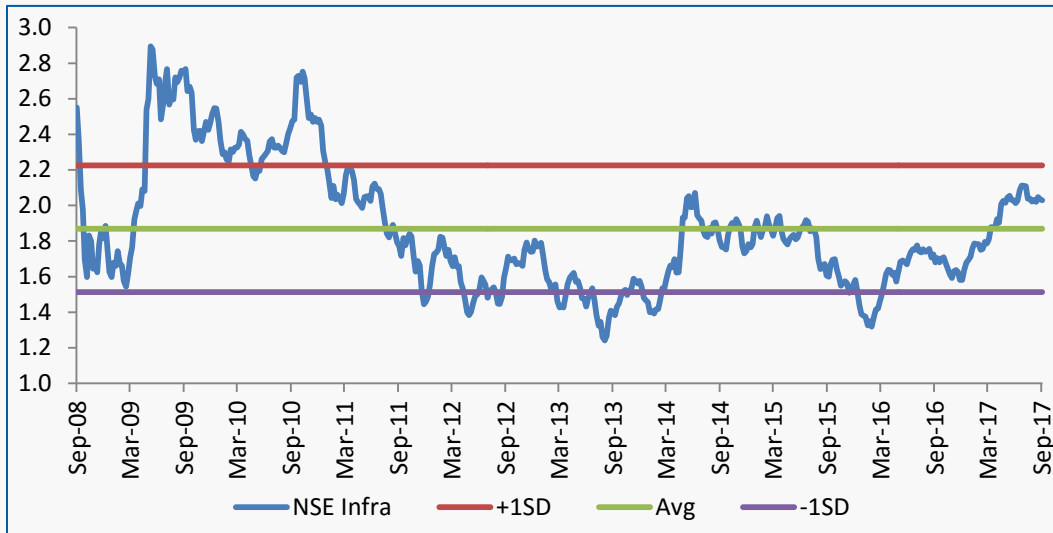
L&T FII Holding



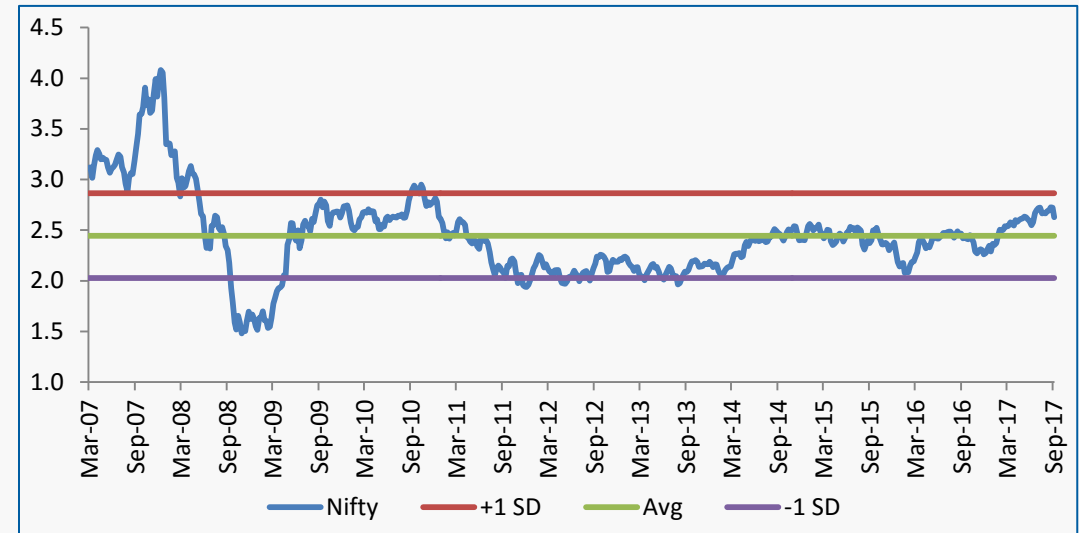
L&T Price Chart



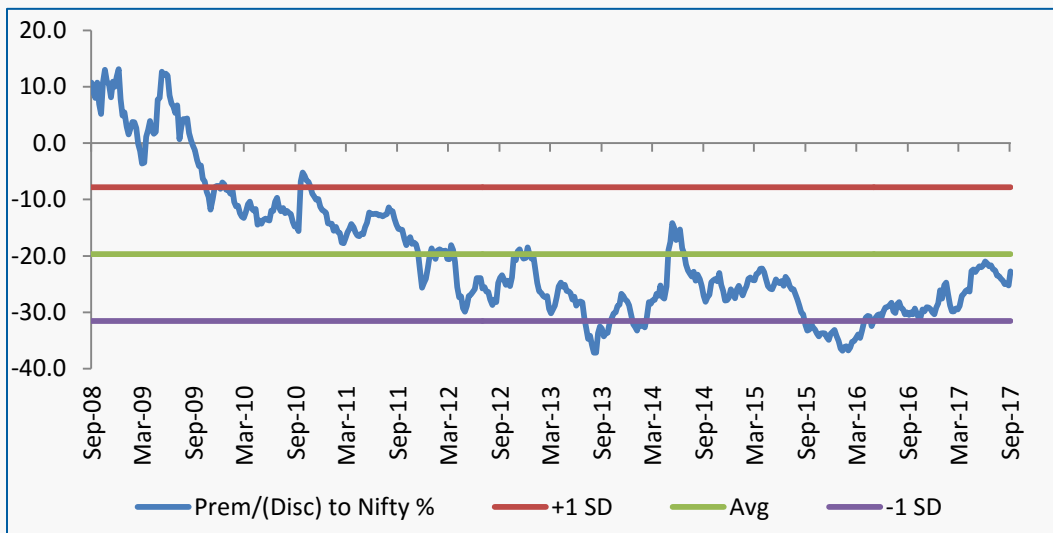
NSE Infra Fwd PB(x)



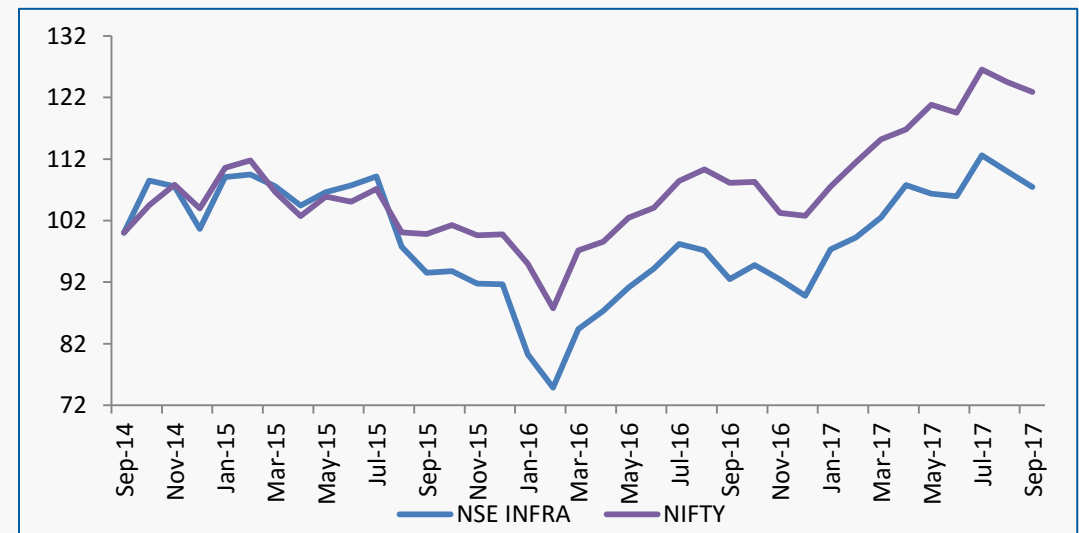
Nifty Fwd PB (x)



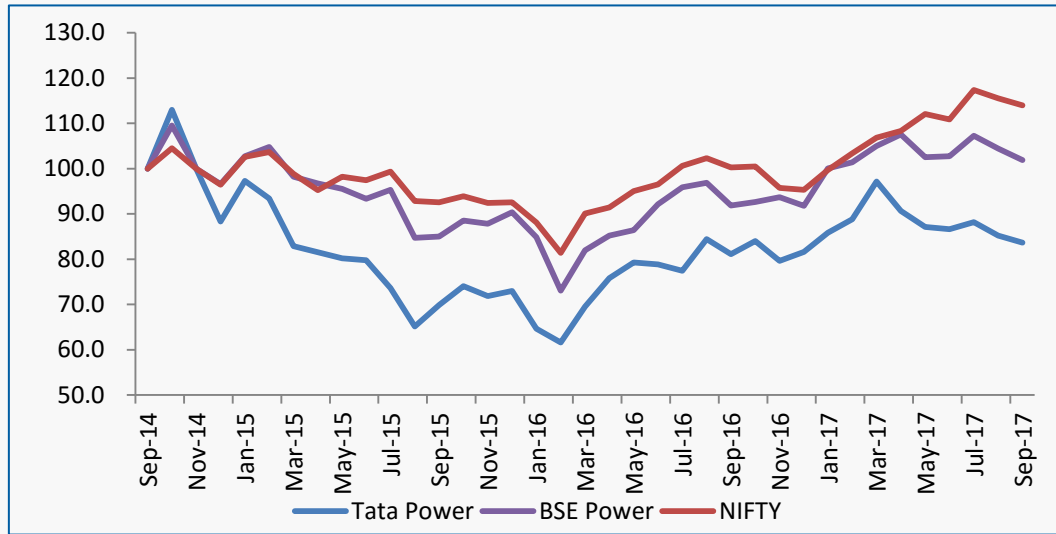
NSE Infra Fwd PB(x) Prem(Disc) to Nifty%



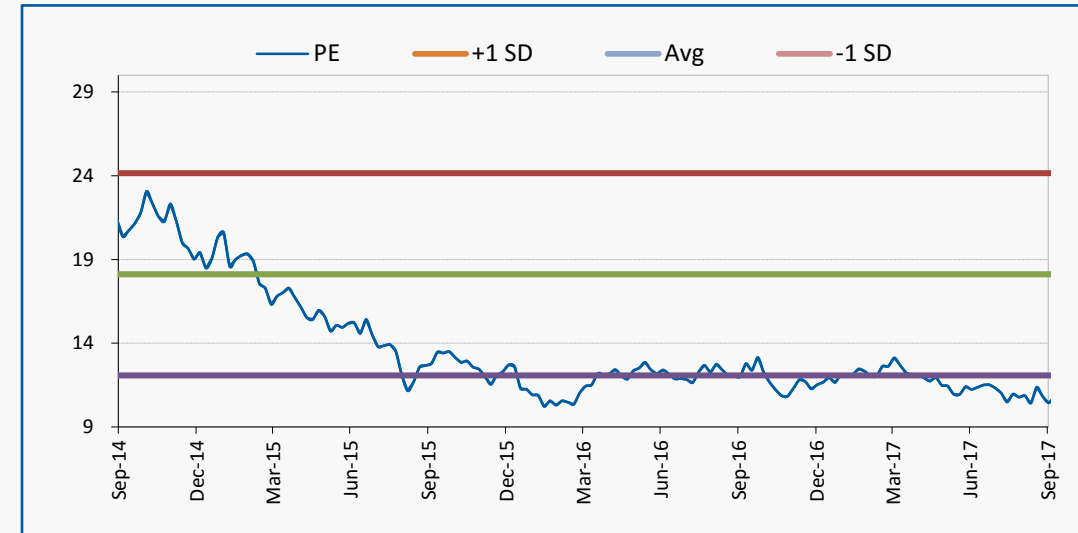
Performance of NSE Infra vs Nifty Index



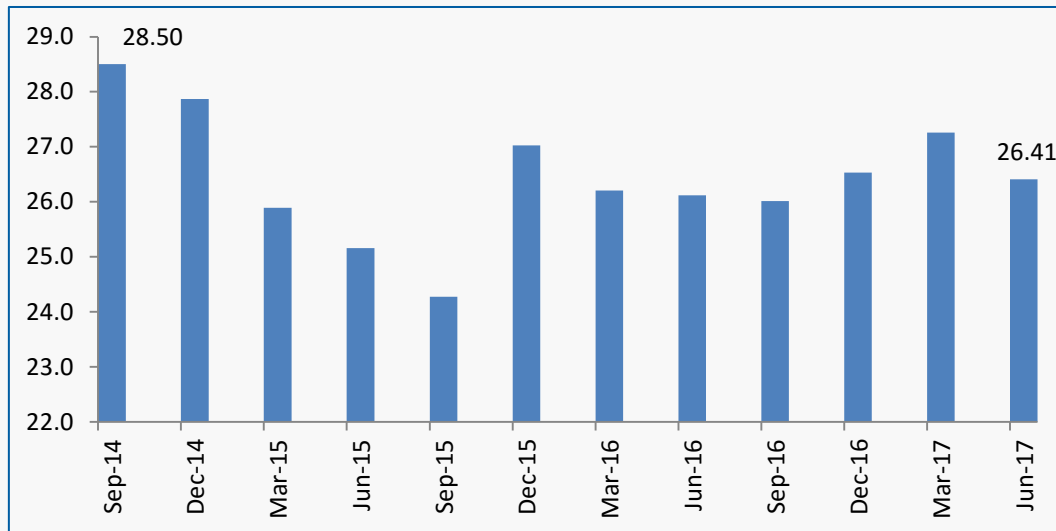
Tata Power v/s BSE Power, Nifty



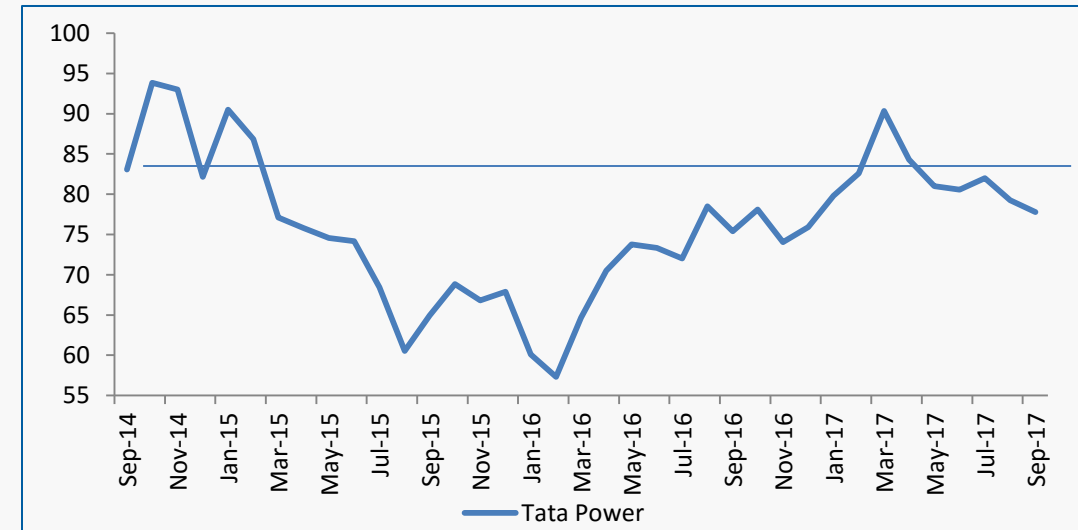
Tata Power Fwd PE (x)



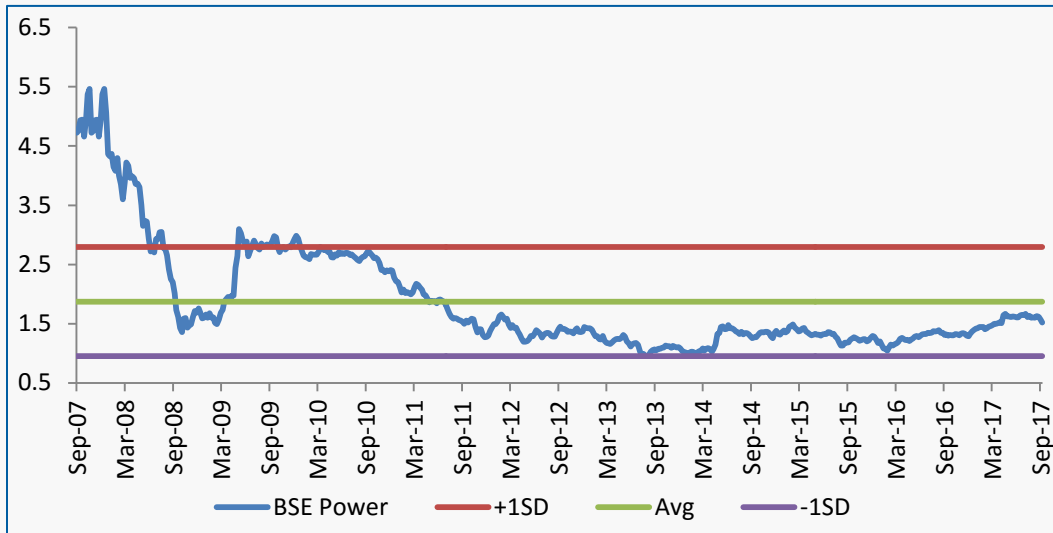
Tata Power FII Holding



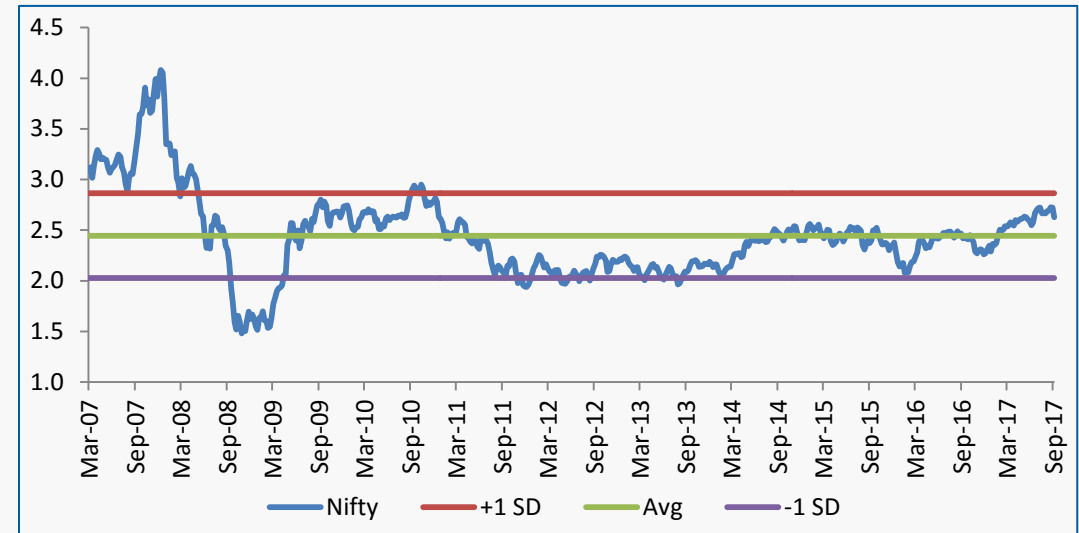
Tata Power Price Chart



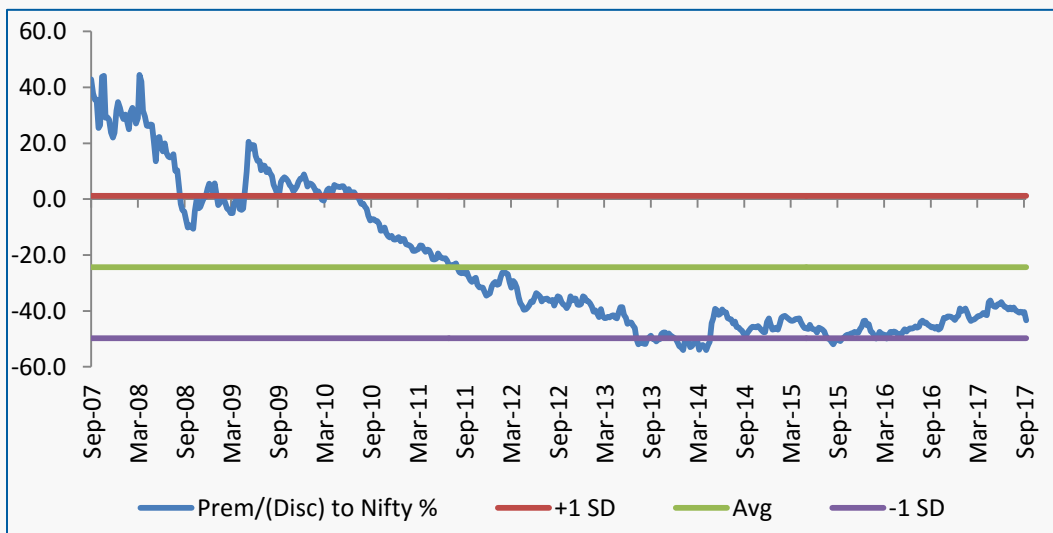
BSE Power Fwd PB(x)



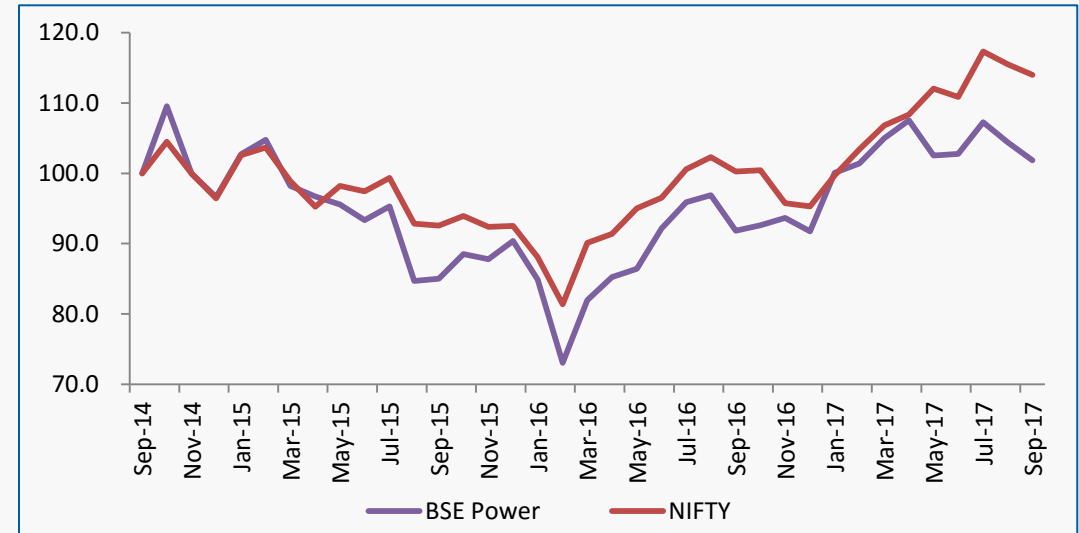
Nifty Fwd PB (x)



BSE Power Fwd PB(x) Prem(Disc) to Nifty%

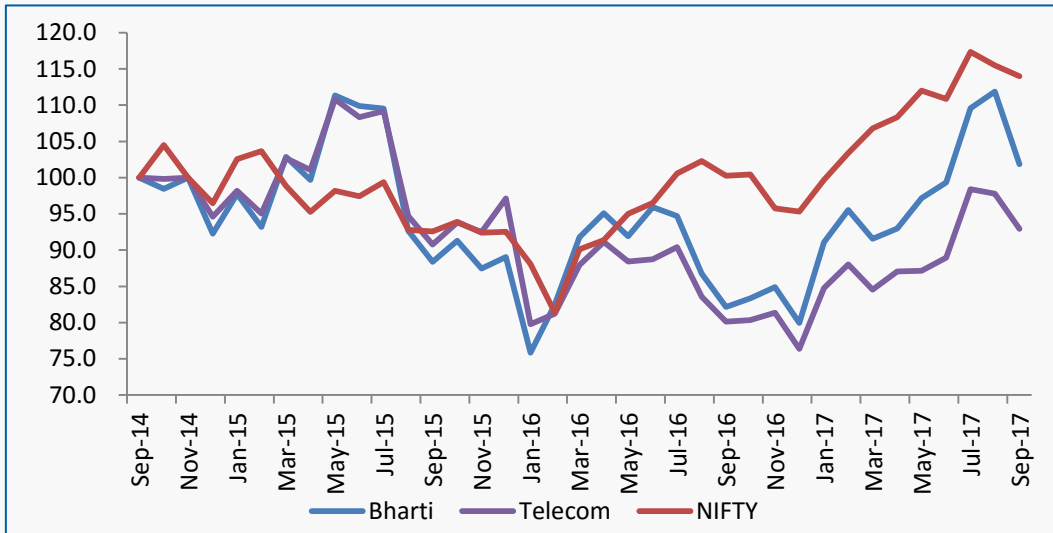


Performance of BSE Power vs Nifty Index

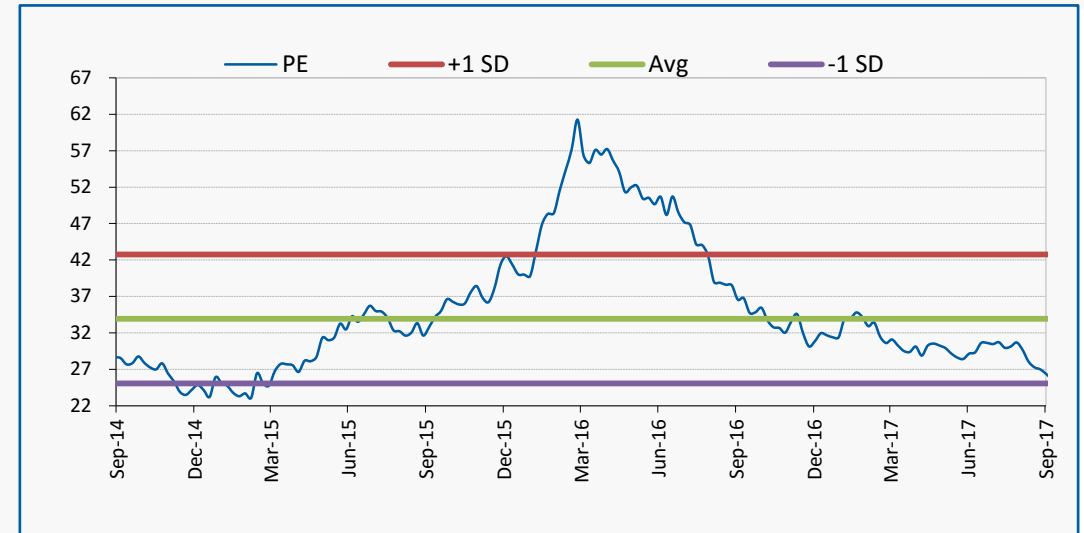




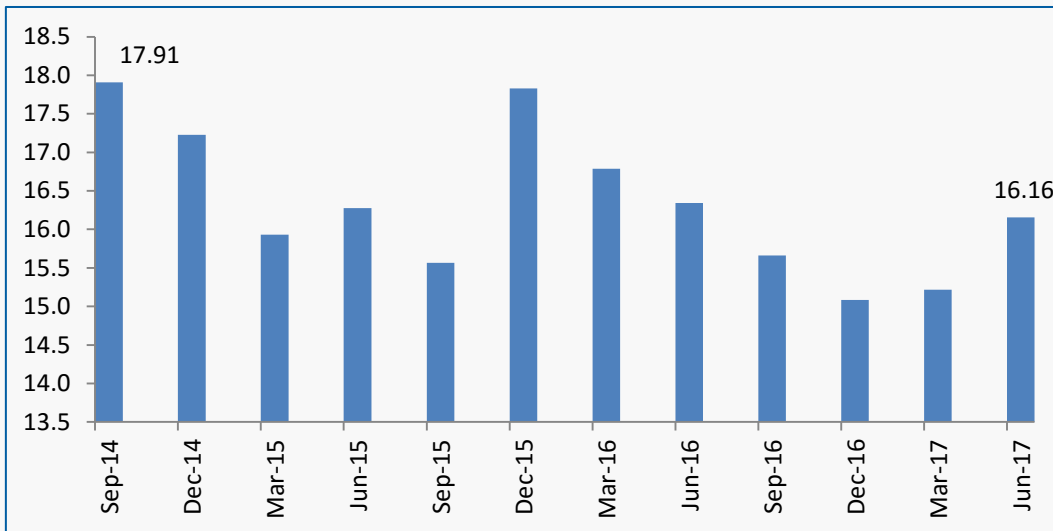
Bharti Airtel v/s BSE Telecom, Nifty



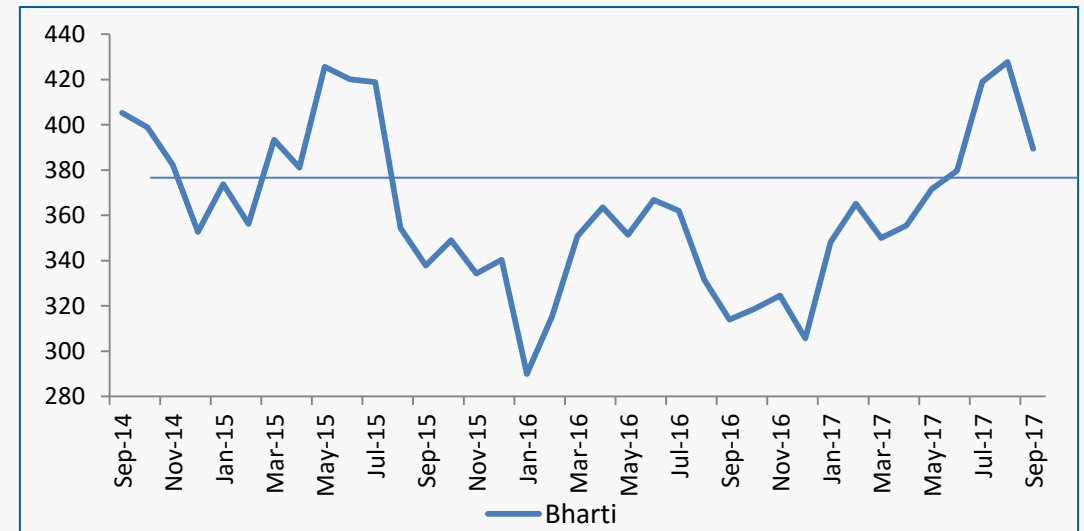
Bharti Airtel Fwd PE(x)



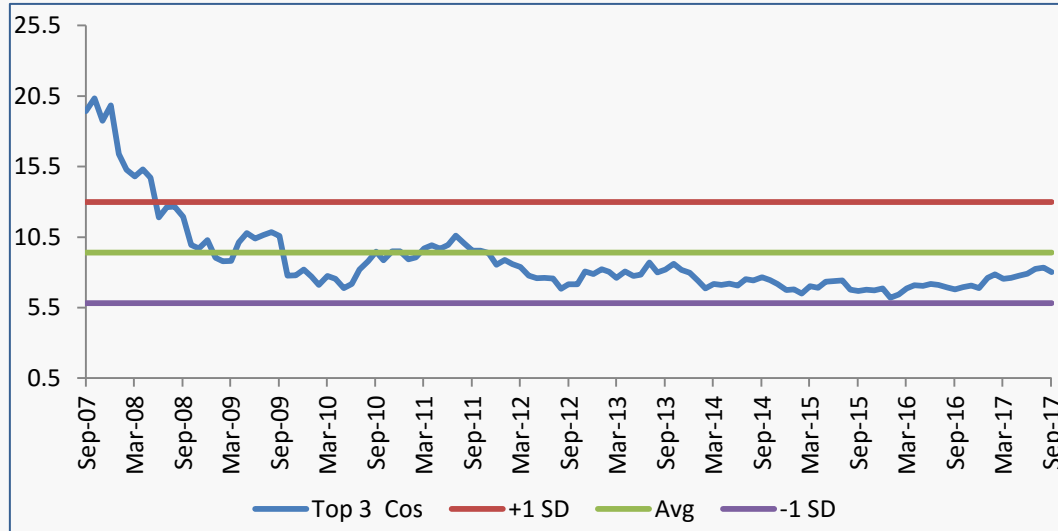
Bharti Airtel FII Holding



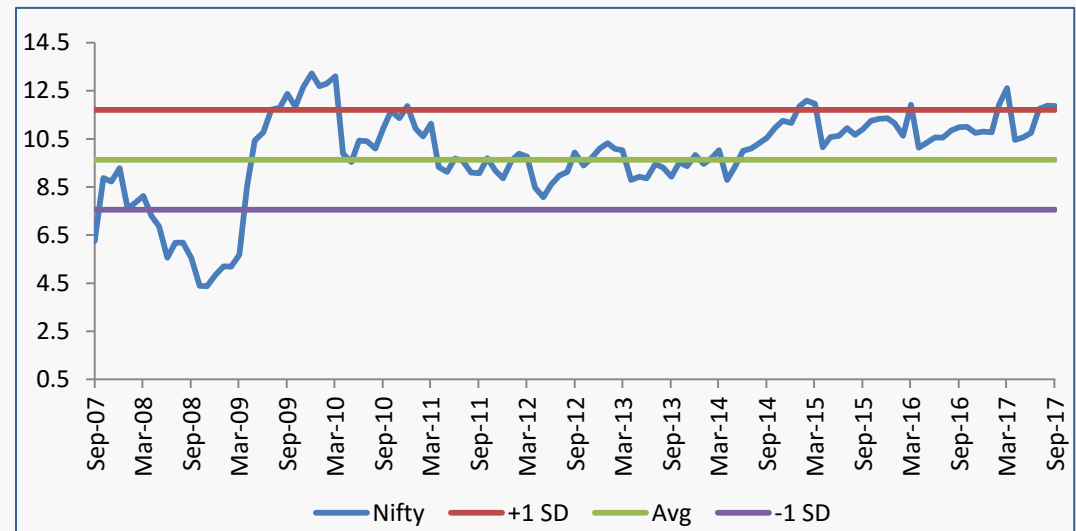
Bharti Airtel Price Chart



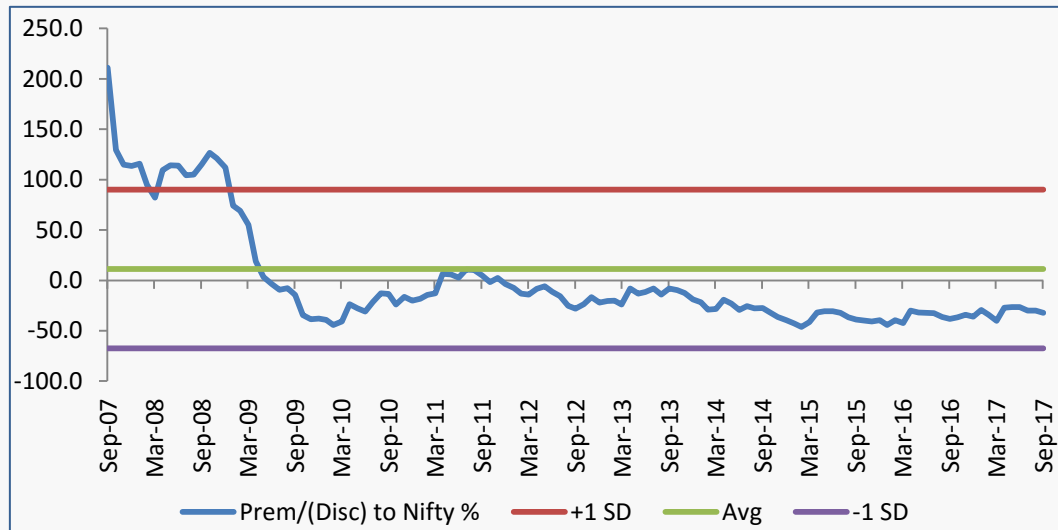
Top 3 Companies Fwd EV/EBITDA(x)



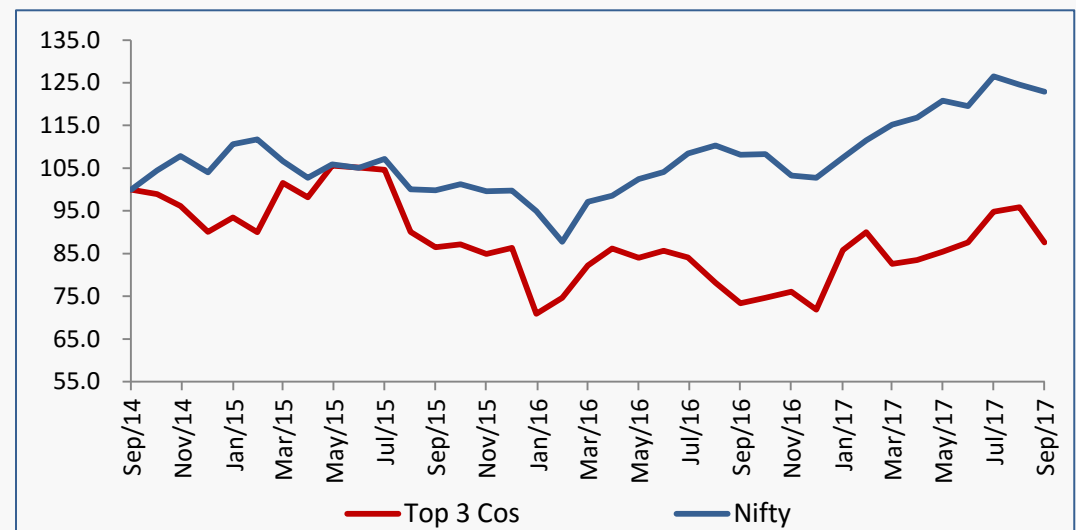
Nifty Fwd EV/EBITDA (x)



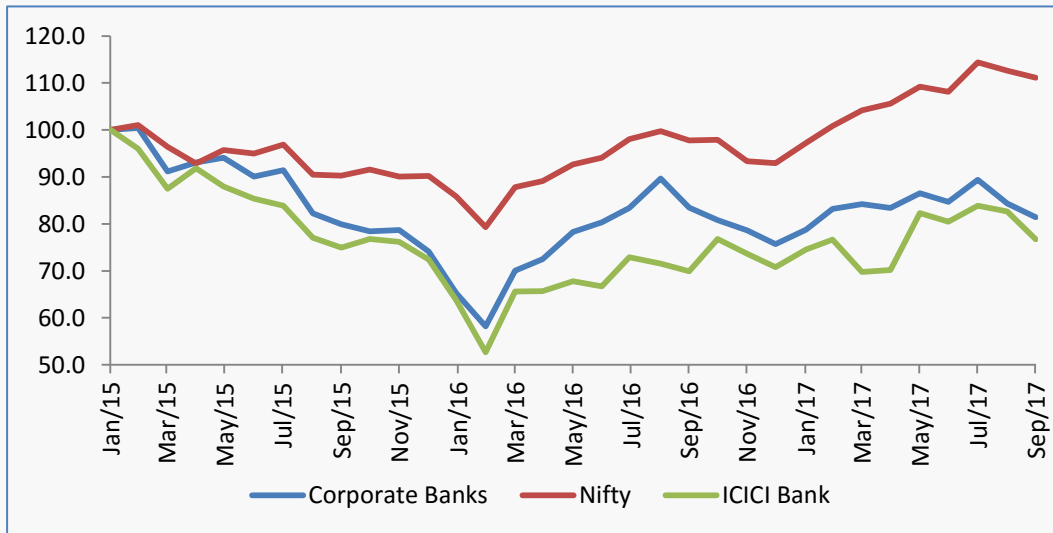
Top 3 Cos Fwd EV/EBITDA(x) Prem(Disc) to Nifty%



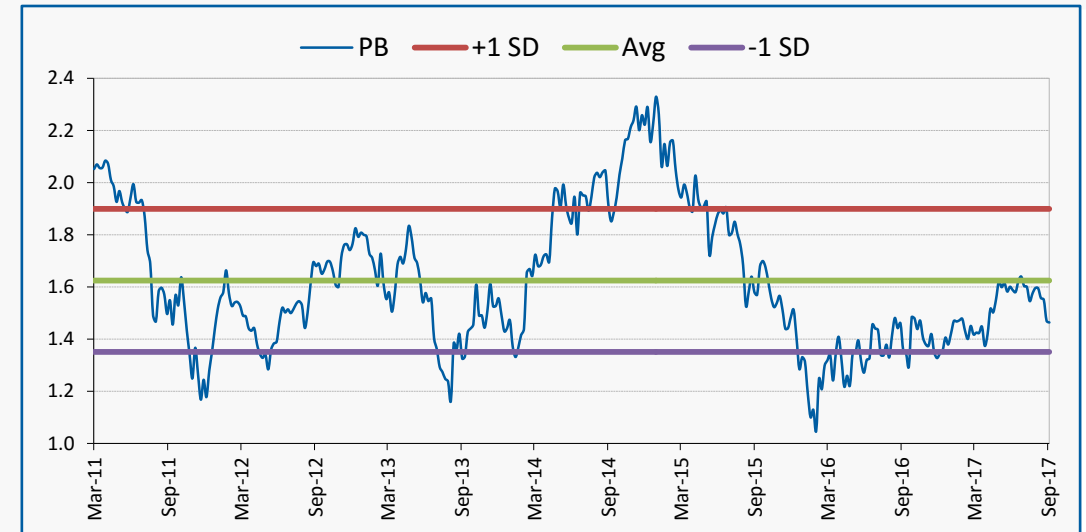
Performance of Top 3 Cos vs Nifty Index



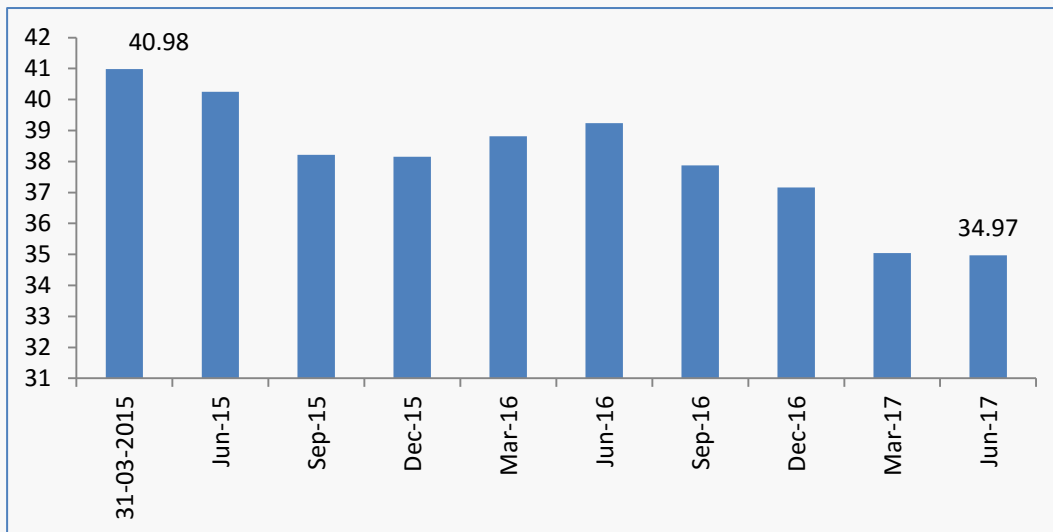
ICICI Bank v/s Corporate Banks, Nifty



ICICI Bank Fwd PB (x)



ICICI Bank FII Holding

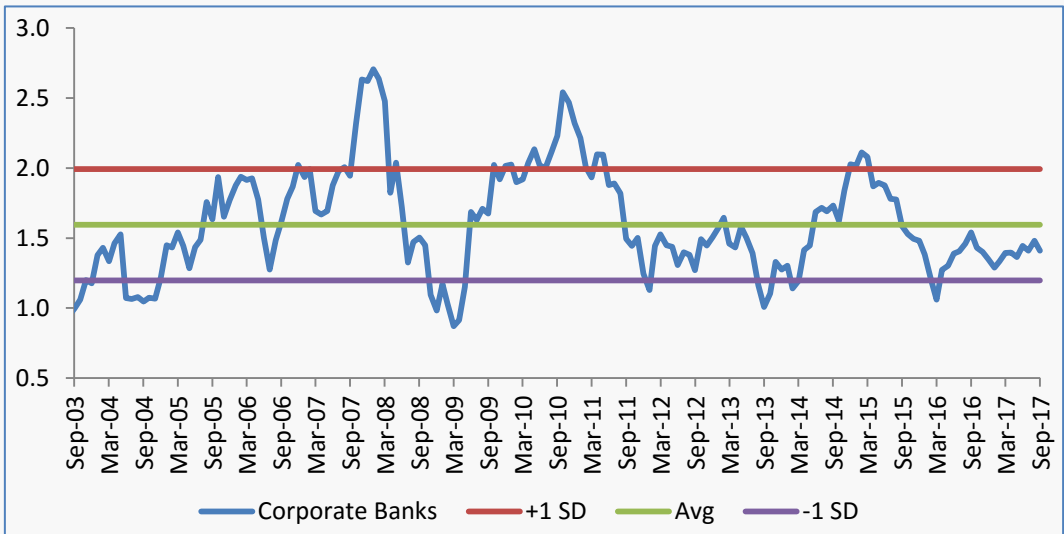


ICICI Bank Price Chart

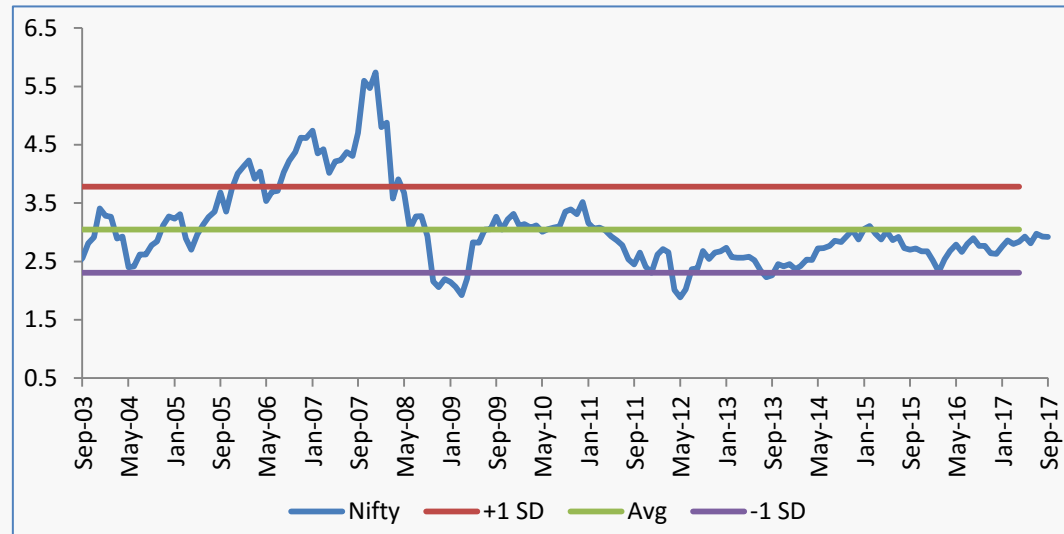


# Available at attractive valuations

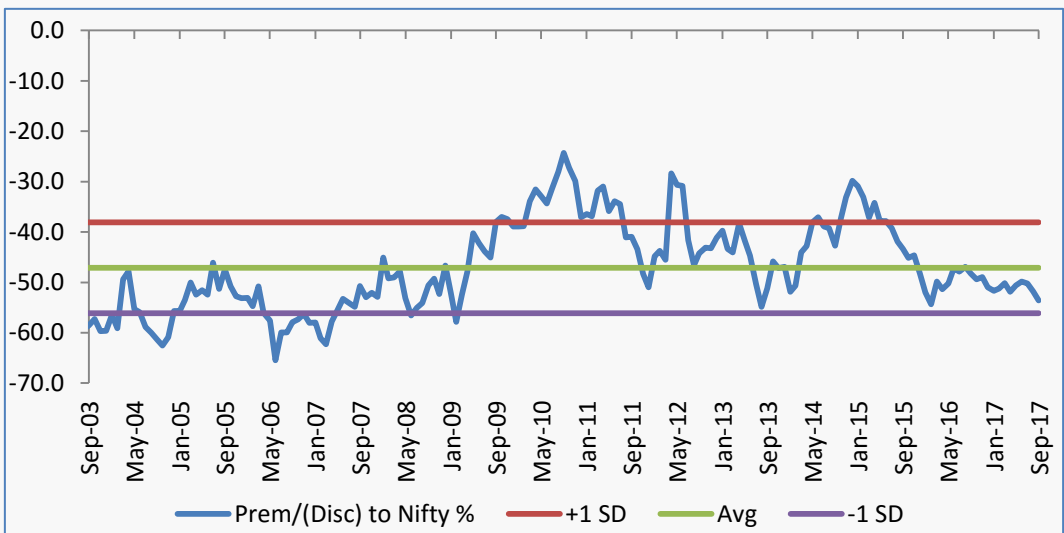
Corporate Banks Fwd PB(x)



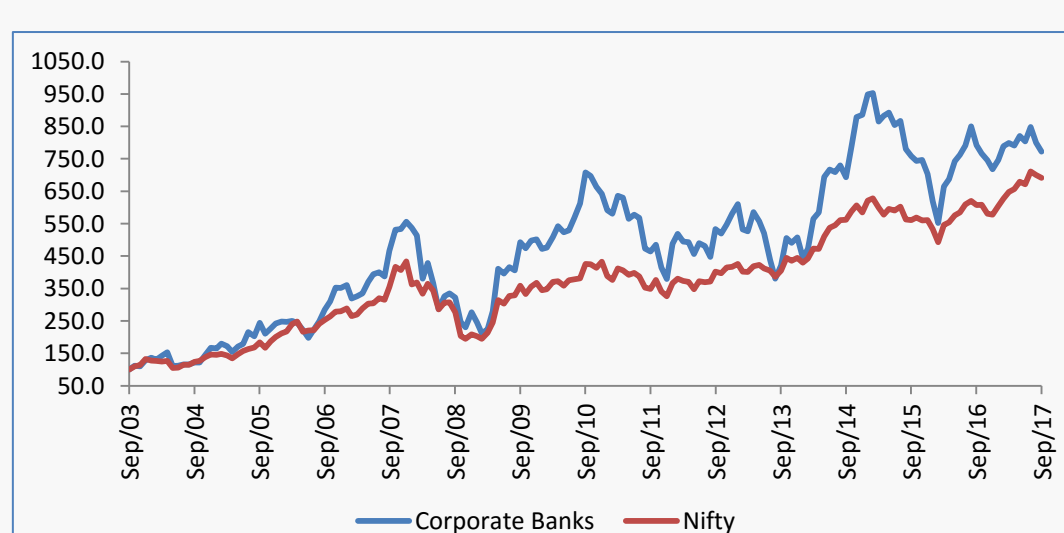
Nifty Fwd PB (x)



Corporate Banks Fwd PB (x) Prem(Disc) to Nifty%



Performance of Corporate Banks vs Nifty Index



Source :Sundaram Asset Management, Bloomberg, Corporate Banks includes SBI, ICICI, AXIS, PNB

- 4 years close-ended equity scheme (Scheme opens on 23 Oct 2017; Closes on 6 Nov 2017)
- Diversified multi cap portfolio of around 40 stocks
- Bottom-up approach based on stocks that are undervalued
- Buy and hold strategy
- Benchmark – S&P BSE 500
- Fund Manager – S Krishnakumar
- Co-Fund Manager – Madanagopal Ramu

**General Disclaimer:** This document is issued by **Sundaram Asset Management** for your exclusive and confidential reference. This document is produced for information purposes only. It does not constitute a prospectus or offer document or an offer or solicitation to buy any securities or other investment. Information and opinion contained in this document are published for the assistance of the recipient only; they are not to be relied upon as authoritative or taken as a substitution for exercise of judgment by any recipient. They are subject to change without any notice and not intended to provide the sole basis of any evaluation of the instrument discussed or offer to buy. It is neither a solicitation to sell nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or be taken as investment advice. The information and opinions contained in this communication have been obtained from sources that Sundaram Asset Management believes to be reliable; no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Sundaram Asset Management neither guarantees its accuracy and/or completeness nor does it guarantee to update the information from time to time. This communication is for private circulation only and for the exclusive and confidential use of the intended recipient(s). Any other distribution, use or reproduction of this communication in its entirety or any part thereof is unauthorized and strictly prohibited. By accepting this document you agree to be bound by the foregoing limitations. This communication is for general information only without regard to specific objectives, financial situations and needs of any particular person who may receive it and Sundaram Asset Management is not soliciting any action based on this document. In the discharge of its functions, Sundaram Asset Management may use any of the data presented in this document for its decision-making purpose and is not bound to disclose the same. For details about fund management services and performance, please refer to the Disclosure Documents available at the offices of the AMC.

**Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of portfolios will be achieved.** As with any securities investment, the value of a portfolio can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Fund Manager or AMC may not be indicative of the performance in the future. Sundaram Asset Management is not responsible or liable for losses resulting from the operations of any portfolio. The value of any portfolio illustrated in this document may be affected by changes in the general market conditions, factors and forces affecting capital markets in particular, level of interest rates, various market related factors and trading volumes, settlement periods and transfer procedures. The liquidity of investments are inherently restricted by trading volumes in the securities in which it invests. Investors in portfolios are not offered any guaranteed returns.