

# INVESTMENT ADVISORY PORTFOLIO - EQUITY

September 2024

# ABOUT NARNOLIA

- Narnolia Group was founded in 1997.
- **Investment Advisory Product Manufacturer** with a track record of more than 20 years of research & 14 years of real-time performance, not based on any hypothetical back-tested data.
- Recognized as the **2nd Largest Registered Investment Advisor (RIA) of the Country, 2020-21-** by BSE STAR & Associates.
- **Industry Leading Performance Absolutely, Relatively & Consistently. Narnolia Multi-Cap PMS Strategy Rated 4 Star, by CRISIL for 2020-21 & 2021-22 and Best PMS on 5 year Performance across all Categories: Rank 2 from IIM - Ahmedabad.**
- **Performance by Design, not by Chance.** Research Team, truly process-driven (112 sub-processes), Promoter led, Growth-in-value Philosophy, 360\*5M Research parameters (Risk Management)
- **Industry Leading Network:** > 40 National & Regional brokers, Large and prestigious institutions.
- Not a single complaint lodged against these products of the firm with any of the regulators since inception.

## Prestigious Recognitions



**Most Consistent Portfolio Manager  
of the Country 2018 & 2019**  
by BSE Tefla's



**2nd Largest Registered Investment  
Advisor (RIA) of the Country, 2020-21**  
Awarded by BSE Star & Associates



**Narnolia Multi-Cap PMS Strategy  
Rated 4 Star, 2020-21 & 2021-22**  
by CRISIL



**Best PMS on 5 Year Performance  
Across All Categories - Rank 2  
On Risk Adjusted Rolling Returns**  
By IIM Ahmedabad, 2022

# INVESTMENT PHILOSOPHY

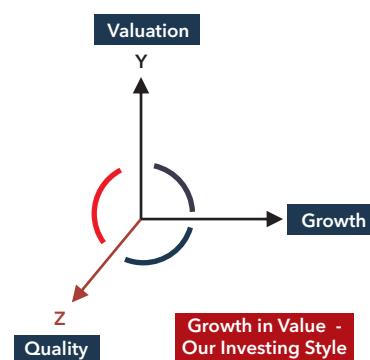
Narnolia follows the 'growth in value' investment philosophy and has demonstrated a successful track record measured in terms of superior risk adjusted return over a long period. Quality always prevails. Along with quality, in a growing economy like India where on every production or consumption parameter upside potential is still humongous. Majority of existing market leaders remain minuscule in the global context. Indian markets over the last thirty years since the great economic reform has oscillated between phases of out-performance by quality companies and phases of out-performance by growing businesses. 'Growth in Value' combines the advantages of these two fundamental parameters and helps create superior performance.

As explained briefly hereunder, this philosophy supported by the principle of linearity, 360 degree 5-M research framework and the risk management framework, one of the most comprehensive techniques, has helped us to generate superior risk adjusted return on an absolute, relative and consistent basis- not just by chance but by design:



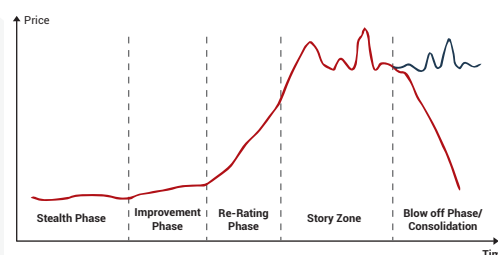
## 1 PRINCIPLE OF GROWTH IN VALUE

We practice 'Growth in Value' investment framework. Here the word 'value' comes from 'being valuable' or 'Quality'. A company that is exhibiting or is expected to exhibit 'growth in value' becomes our investment candidate. This usually happens when due to business situation or management strategy or the inherent moat of the business, a company starts having higher and/or rising RoE, RoCE and the Free Cash flows. This is also accompanied by the company exhibiting higher return ratio than it's peers as well as broader stock universe.



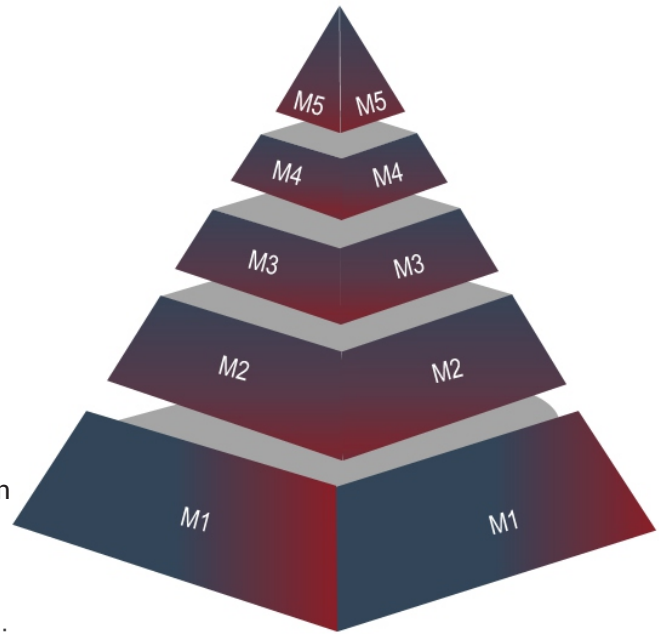
## 2 PRINCIPLE OF LINEARITY

Company with good capital allocation and favorable business regime show rising margins and asset turnover yielding into higher return ratios. These businesses usually undergo valuation re-rating resulting into long term superior wealth creation in the stock market.



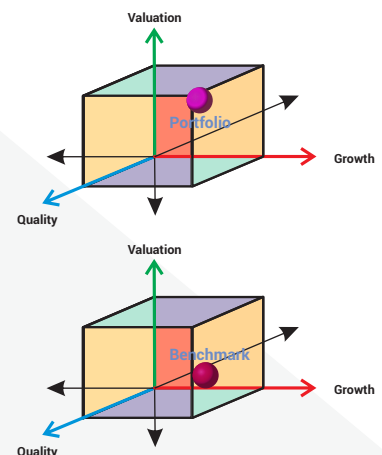
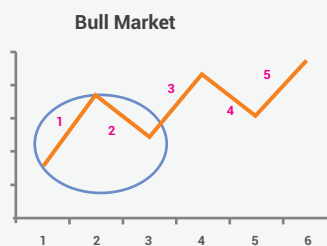
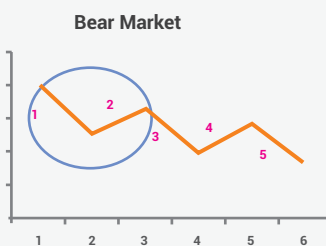
# Investment Decisions: M5 Research Framework that connects Macro seamlessly with Micro

- M5** Multiples  
Valuation Envelop Equation
- M4** Modeled Headline Financial Numbers  
PL, BS, CF, Schedule
- M3** Business & Financial Moat  
Sources of earnings quality
- M2** Management Strategy  
Finance, HR, Product, Pricing, Supply Chain
- M1** Market  
Addressable Market & it's changing dynamics



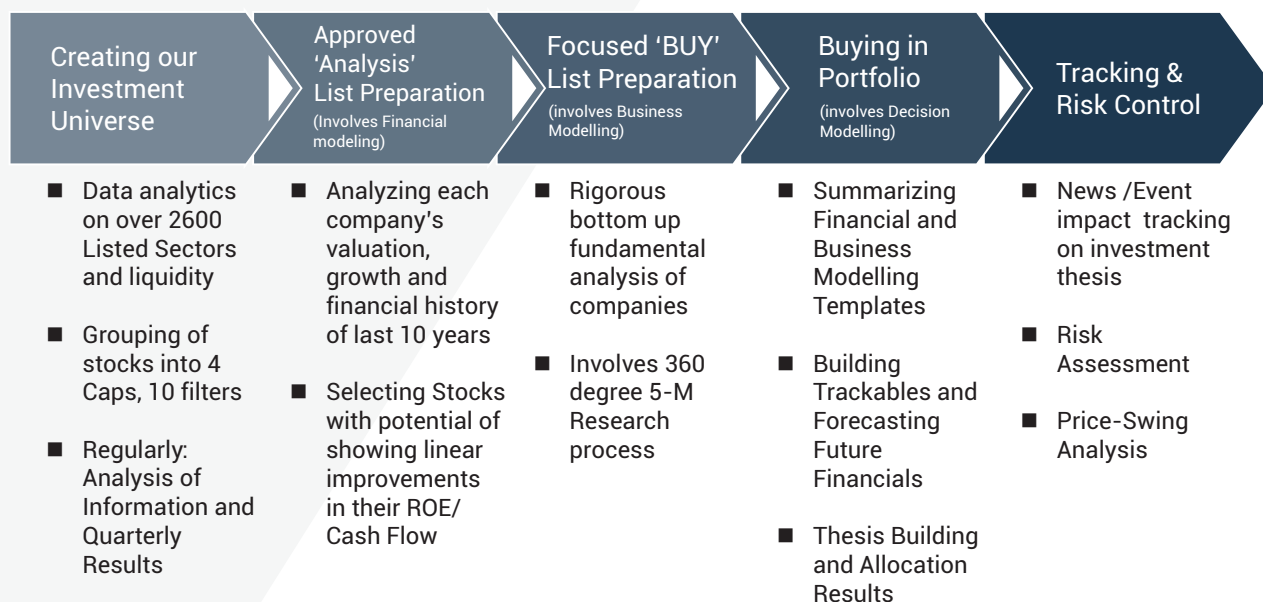
## 4 Pillars of Risk Management Framework

- 01** Stock Limit  
Limits on Maximum weightage on single stock
- 02** Sector Limit  
Limits on Maximum weightage on single sector
- 03** Stock Review  
Under-performance with higher volatility on 2 consecutive market swings. If any of our portfolio stocks under performs for two consecutive swings and exhibits higher volatility, that stock gets marked for Sell/Review
- 04** Fundamental Quadrant – QGV  
Limits on Maximum weightage on single sector



## INVESTMENT PROCESS

WITH WELL DEFINED 5 STAGES & 112 SUB PROCESSES

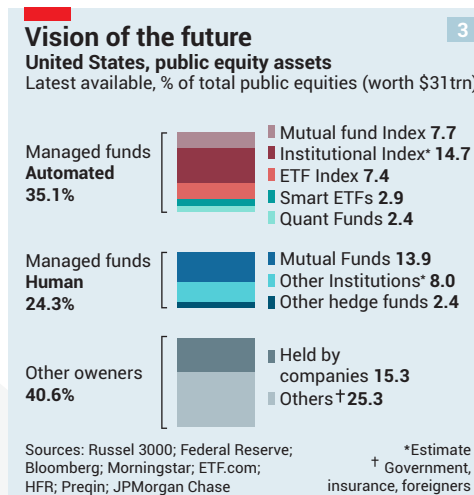


As a result of our wide coverage of 2600 stocks & 112 sub-processes and proprietary data base of businessmen, evolved over the years, we are able to generate superior risk adjusted returns. We use quant for elimination only and not for selection.

## Quant Needs Human Insight to Work

Rapidly growing Investment Advisory Portfolio investments has brought many new entrants, using quant based AI models but will eventually turnout to be an inefficient way for wealth creation

- "If somebody discovers what you've discovered, not only is it worthless, but it becomes over-discounted, and it will produce losses. A machine-learning strategy that does not employ human logic is bound to blow up eventually."
- "So the really big money tends to be made by investors who are right on qualitative decisions but, at least in my opinion, the more sure money tends to be made on the obvious quantitative decisions."
- **Allocation decision and rebalancing decisions** are more important than selection decisions in overall return which requires foundation of qualitative research.
- **Analysis data of business, not of business man**





## NS INDUSTRY LEADERS ADVISORY PORTFOLIO

### Objective

Long term capital appreciation by investing in companies that are the top-3 players of their respective industries.

### Strategy

NS Industry Leaders Theme identifies companies that are leaders of their respective industry and are showing growth in value characteristics with expected higher return ratio

### Process - Fundamental Bottom Up Research

Information mining, financial modeling, investment thesis, active & rigorous tracking for changes in earnings & quality outlook.

### Why NS Industry Leaders Advisory Portfolio?

Companies with a proven track record of industry outperformance, effective leadership & efficient management usually find themselves as the NS Industry Leaders. In an uncertain economic environment these are the best companies to buy as these companies are run by proven management & leadership team than can navigate difficult times.

### Key Features of NN Industry Leaders Advisory Portfolio

#### Investment in the leaders industries

Investment in the industry leader ensures good governance and continuous innovation in the management

#### Cap Risk:

The Investment advisory portfolio will have exposure to leaders of the segment which comprise of mostly large cap stocks

#### Benchmarking:

The Investment advisory portfolio will be benchmarked against the Nifty 100

#### The portfolio:

The portfolio will consist of 12-18 stocks to provide superior returns.

#### Growth in Value Framework:

Companies that have improving/higher return ratio are favored.

#### Bottom Up Analysis:

A rigorous bottom up research of business financials and management strategies is carried out for all portfolio companies.

### Benchmark - Nifty 100 Index



#### No. of Stocks

12-18 Stocks



#### Recommended Min. Time Horizon

3 Years



## NS INDUSTRY LEADERS ADVISORY PORTFOLIO

### Stock Selection Procedure Involving 3 Broad Processes

#### MQC

1

- M - Momentum In Return Ratios The RoE, RoCE or the Free Cash flows of company must be increasing
- Q - Quality Return ratios versus its peer as well as broader stock universe.
- C - Capital Allocation Management strategy on Allocation of funds

2

#### 360 Degree Deductive Logic Framework

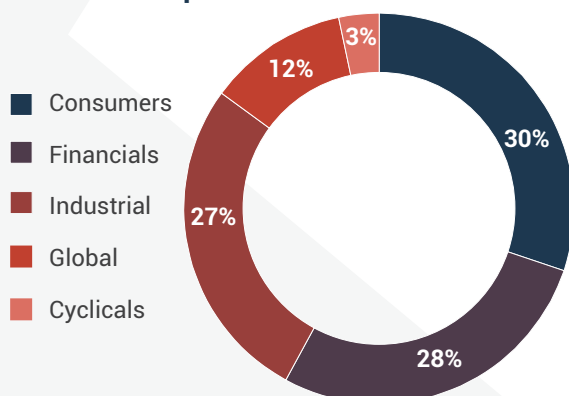
- Sustainable Valuation possible & factors impacting while identifying when market is under-pricing the company
- Outlook on the company Financials-why a company is considered trading below its intrinsic value
- Building a detailed business & financial model to realize the sources of earning & quality delta for the company.
- Management strategy in terms of its finances particularly in terms of source and deployment of capital, marketing strategy in terms of its products, segments, pricing etc.
- State of addressable market & identifying the changing dynamics of that addressable market.

3

#### Earnings & Quality: Both should be evolving in linear manner

There are three moving parts in terms of fundamental- stock price relation. These are changes in earnings, quality and valuation. Every company in its evolution passes through various stage of its progress. We prefer buying where linearity or a consistent positive delta is expected in earnings profile and the quality profile of the company. A stock before selection for portfolio should be first identified into what stage it is into.

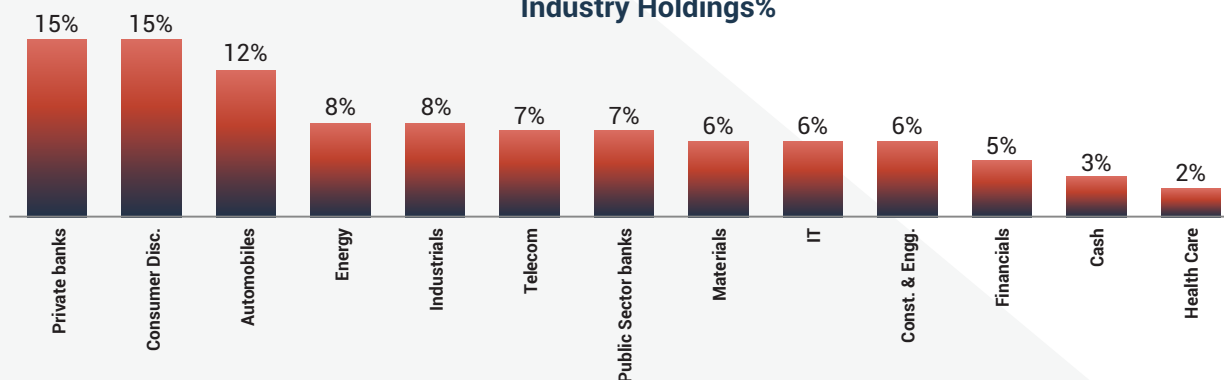
### Portfolio Composition



### Top 5 Portfolio Holdings

| COMPANY   | %  | COMPANY    | %  |
|-----------|----|------------|----|
| M&M       | 8% | BHARTIARTL | 7% |
| HDFCBANK  | 8% | SBIN       | 7% |
| ICICIBANK | 7% |            |    |

### Industry Holdings%



Please Note: Data as on 31st August, 2024. The securities quoted are for illustration only & are not recommendatory. The actual portfolio may differ from the above illustration



## NS MID & SMALL CAP ADVISORY PORTFOLIO

### Objective

Long-term capital growth by investing in smaller but growing companies of India

### Strategy

Active investing in NS Mid & Small Cap investment universe by identifying companies with improving fundamentals. Tactical weight allocation under the sub-classes to achieve positive return along with managing the risk.

### Process - Fundamental Bottom Up Research

Information mining, financial modeling, investment thesis, active & rigorous tracking for changes in earnings & quality outlook.

### Benchmark - Nifty Mid & Small 400



**No. of Stocks**

20-30 Stocks



**Recommended Min. Time Horizon**

7 Years

### Why NS Mid & Small Cap Advisory Portfolio?

Most of the multi bagger stock today were NS Mid & Small Cap few years back. Over the last 2 years, NS Mid & Small Cap stocks have seen sharp fall owing to credit squeeze, demand slowdown and over ownership during 2017. NS Mid & Small Cap theme portfolio is not meant as core portfolio for an investor but some tactical allocation by investors in NS Mid & Small Cap theme can be highly valuable.

NS Mid & Small Cap Companies perform well in up cycles. The continuous rate cuts by the RBI will create base for next bull market to start.



#### Large Cap Companies

- Large Cap Companies: The Top 100 companies by market capitalization fall into the category of Large Cap Companies.
- These companies are the most liquid in nature. They have their Beta closest to 1 and run in sync with the overall market.



#### Mid Cap Companies

- Mid Cap Companies: The ones who fall in 101st to 250th company by Market Capitalization.
- These stocks tend to be riskier than the large cap stocks & less risky than Small Cap stocks. They however offer more great potential than the large cap stocks



#### Small Cap Companies

- The 251st onward companies as per full market capitalization can be called as small cap stocks
- These stocks are the most volatile in nature. They become inconsistent during recessionary phases, however they outperform Large & mid cap companies in Bull periods.

Please Note: The securities quoted are for illustration only and are not recommendatory.





## NS MID & SMALL CAP ADVISORY PORTFOLIO

### Key Features of Ns Mid & Small Cap Advisory Portfolio

#### Investment in high risk but high gain

Mid & Small Cap stocks are usually high risk high gain opportunities

#### Cap Risk:

The Investment advisory portfolio carries cap risk as it is exposed primarily to the Mid & Small capitalization stocks.

#### Benchmarking:

The Investment advisory portfolio will be benchmarked against the Nifty Mid & Small Cap 400 Index.

#### The portfolio:

The portfolio will consist of 20-30 stocks to provide superior returns.

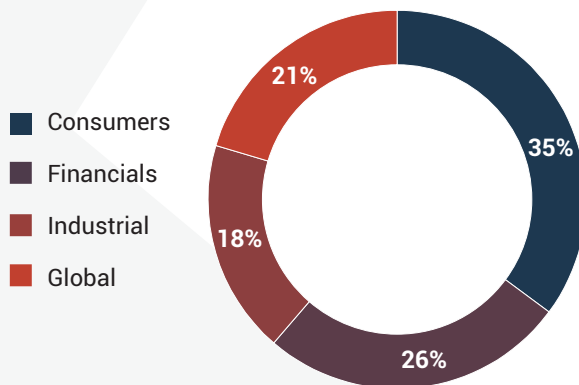
#### Growth in Value Framework

Companies that have improving/higher return ratio are favored.

#### Bottom Up Analysis:

A rigorous bottom up research of business financials & management strategies is carried out for all portfolio companies.

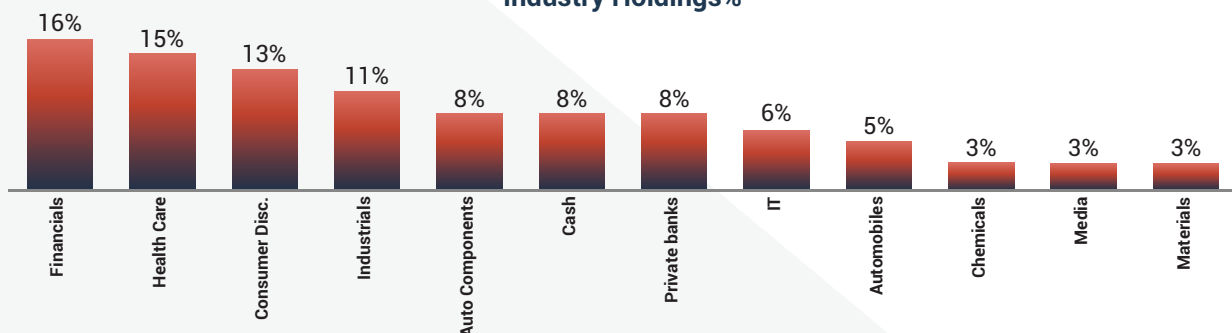
### Portfolio Composition



### Top 5 Portfolio Holdings

| COMPANY    | %  | COMPANY   | %  |
|------------|----|-----------|----|
| NH         | 6% | MCX       | 5% |
| TVSMOTOR   | 5% | VSTILLERS | 4% |
| AUROPHARMA | 5% |           |    |

### Industry Holdings%



Please Note: Data as on 31st July, 2024. The securities quoted are for illustration only & are not recommendatory. The actual portfolio may differ from the above illustration



## NS MULTI CAP ADVISORY PORTFOLIO

### Objective

To participate in the India growth story through investing in the Indian equity markets by building a diversified portfolio across various sectors and caps.

### Strategy

Multicap Portfolio prefers stocks which fall under the 'Growth in Value' theme and passes through the '360-degree Deductive Reasoning Framework'.

### Process - Fundamental Bottom Up Research

Information Mining-> Financial Modeling-> Investment Thesis-> Active & Rigorous tracking for changes in Earnings & Quality outlook.

### Benchmark - Nifty 500 Index



#### No. of Stocks

20-30 Stocks



#### Recommended Min. Time Horizon

5 Years

### Why NS Multi Cap Advisory Portfolio?

NS Multi Cap opportunity Model is meant to be a core buy and hold portfolio for investors who aim to capitalize the wealth creation opportunity in the Indian economy. This Investment advisory portfolio comprises of flexible and judicious mix of large, mid and small cap companies to have the right kind of stability to sail through tough times as well as has the right force to outperform in the long term.

The stock selection for this Investment advisory portfolio is the unique feature as it backed by rigorous bottom up research blended with the Top down Approach of understanding the changes and opportunities in the addressable market of the company.

### Key Features of NS Multi Cap Advisory Portfolio

#### Investment in the Fastest growing companies of the country

India is set to become a 5 trillion dollar economy by 2025 and will create opportunities for wealth creation across investment theme- investment, consumption, credit.

#### Cap Risk:

Nifty 500 universe consists of stocks from all three cap: large, mid and small

#### Benchmarking:

The Investment advisory portfolio is benchmarked against the Nifty 500 Index

#### The portfolio:

The portfolio will consist of 20-30 stocks to provide superior risk adjusted returns.

#### Growth in Value Framework:

Companies that have improving/higher return ratio are favored.

**Bottom Up Analysis:** A rigorous bottom up research of business financials and management strategies is carried out for all portfolio companies.



## NS MULTI CAP ADVISORY PORTFOLIO

### Stock Selection Procedure Involving 3 Broad Processes

#### MQC

1

- M - Momentum In Return Ratios The RoE, RoCE or the Free Cash flows of company must be increasing
- Q - Quality Return ratios versus its peer as well as broader stock universe.
- C - Capital Allocation Management strategy on Allocation of funds

2

#### 360 Degree Deductive Logic Framework

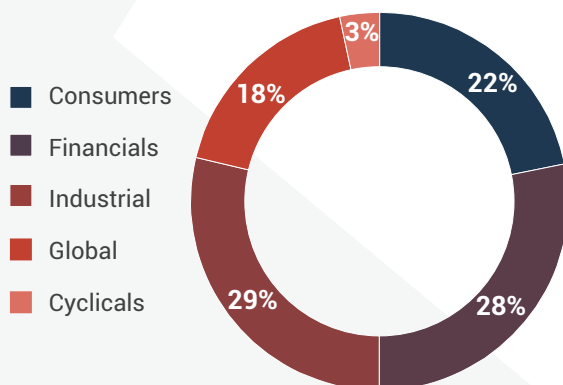
- Sustainable Valuation possible & factors impacting while identifying when market is under-pricing the company
- Outlook on the company Financials-why a company is considered trading below its intrinsic value
- Building a detailed business & financial model to realize the sources of earning & quality delta for the company.
- Management strategy in terms of its finances particularly in terms of source & deployment of capital, marketing strategy in terms of its products, segments, pricing etc.
- State of addressable market & identifying the changing dynamics of that addressable market.

3

#### Earnings & Quality: Both should be evolving in linear manner

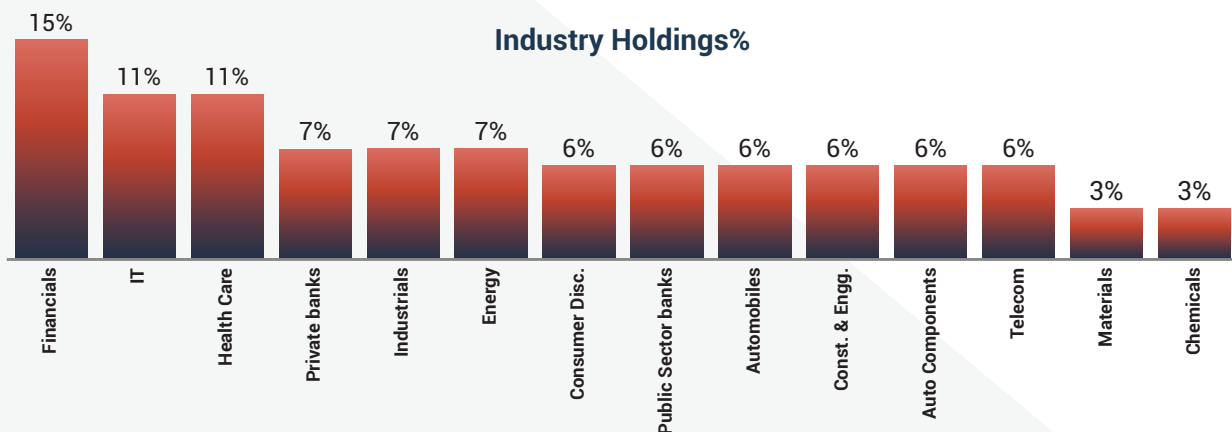
There are three moving parts in terms of fundamental- stock price relation. These are changes in earnings, quality and valuation. Every company in its evolution passes through various stage of its progress. We prefer buying where linearity or a consistent positive delta is expected in earnings profile and the quality profile of the company. A stock before selection for portfolio should be first identified into what stage it is into.

### Portfolio Composition



#### Top 5 Portfolio Holdings

| COMPANY  | %  | COMPANY | %  |
|----------|----|---------|----|
| HDFCBANK | 7% | M&M     | 6% |
| RELIANCE | 7% | LT      | 6% |
| SBIN     | 6% |         |    |



Please Note: Data as on 31st August, 2024. The securities quoted are for illustration only & are not recommendatory. The actual portfolio may differ from the above illustration



## NS 5TX5T THEMATIC ADVISORY PORTFOLIO

### Objective

This portfolio provides a unique theme-based investing opportunity in the Indian market. As India approaches towards becoming a 5 trillion economy by GDP, the total Market Cap of Indian companies will also set to increase by 11-12% CAGR. Some of the market cap gains will come from new listings but a large part of the gains will come from select themes. This strategy focuses on themes that should form part of India's next growth engine.

### Strategy

The portfolio will consist of 15-20 stocks to provide superior returns. 2-6 stocks from each of the chosen 4-6 Selected Themes. Maximum Weight on any stock will be 10% while maintaining sector diversity

### Process - Fundamental Bottom Up Research

Information Mining-> Financial Modeling-> Investment Thesis-> Active & Rigorous tracking for changes in Earnings & Quality outlook.

### Benchmark - Nifty 500 Index



#### No. of Stocks

15-20 Stocks



#### Recommended Min. Time Horizon

3 Years

### Key Features of NS 5Tx5T Thematic Advisory Portfolio

#### Investment in NS 5TX5T Thematic Advisory Portfolio

This fund would invest in sub-sets of 4-6 Themes out of multiple themes underlying the economic buoyancy. Stocks would be from all the three namely- large, mid & small cap segments of the market.

#### Cap Risk:

The Investment advisory portfolio will consists of stocks from all three cap: large, mid & small.

#### Benchmarking:

The model portfolio will be benchmarked against the Nifty 500

#### The portfolio:

The portfolio consist of 15-20 stocks to provide superior risk adjusted returns.

#### Growth in Value Framework:

Companies that have improving/higher return ratio are favored.

#### Bottom Up Analysis:

A rigorous bottom up research of business financials & management strategies is carried out for all portfolio companies.



## NS 5TX5T THEMATIC ADVISORY PORTFOLIO

### Stock Selection Procedure Involving 3 Broad Processes

#### 1 MQC

1

- M - Momentum In Return Ratios The RoE, RoCE or the Free Cash flows of company must be increasing
- Q - Quality Return ratios versus its peer as well as broader stock universe.
- C - Capital Allocation Management strategy on Allocation of funds

2

#### 360 Degree Deductive Logic Framework

- Sustainable Valuation possible & factors impacting while identifying when market is under-pricing the company
- Outlook on the company Financials-why a company is considered trading below its intrinsic value
- Building a detailed business & financial model to realize the sources of earning & quality delta for the company.
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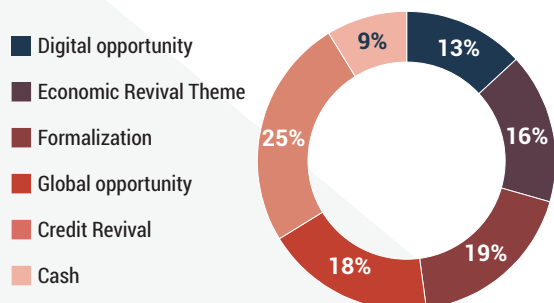
3

#### Earnings & Quality: Both should be evolving in linear manner

There are three moving parts in terms of fundamental- stock price relation. These are changes in earnings, quality and valuation. Every company in its evolution passes through various stage of its progress. We prefer buying where linearity or a consistent positive delta is expected in earnings profile and the quality profile of the company. A stock before selection for portfolio should be first identified into what stage it is into.

### Portfolio Composition

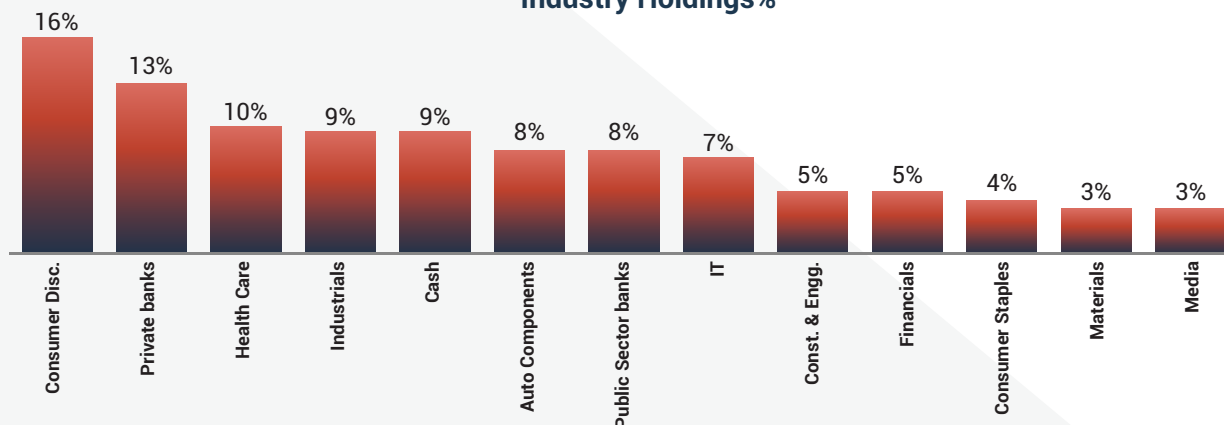
#### Selected Themes for NS 5TX5T



#### Top 5 Portfolio Holdings

| COMPANY  | %  | COMPANY   | %  |
|----------|----|-----------|----|
| SBIN     | 8% | ICICIBANK | 6% |
| HDFCBANK | 7% | NH        | 5% |
| DMART    | 6% |           |    |

#### Industry Holdings%



Please Note: Data as on 31st August, 2024. The securities quoted are for illustration only & are not recommendatory. The actual portfolio may differ from the above illustration



## NS ETHICAL S1 ADVISORY PORTFOLIO

### INVESTMENT OBJECTIVE

The portfolio provides a unique theme-based investing opportunity in the Indian market. As India approaches to become \$ 7 trillion economy by GDP, the total Market Cap of Indian companies will also set to increase by 11-12% CAGR. The portfolio is designed to extract the best of the opportunity from Indian growth Story. This portfolio invests in those companies which conducts business in socio-responsible ways. This portfolio refrains from investing in those companies which may be against moral, social, religious or environmental beliefs of investors. Hence, the portfolio does restrictive investing while maintaining competitive returns. Benchmark for NS Ethical Advisory Portfolio is S&P BSE 500 Shariah Index.

### Benchmark - S&P BSE 500 Shariah



#### No. of Stocks

15-25 Stocks



#### Recommended Min. Time Horizon

5 Years

### FUNDAMENTAL CHARACTERISTICS

#### Universe Selection

Based on S&P BSE 500 Shariah Constituents as it is one of the Ethical Universe in Indian Equity Market.

#### Portfolio Contour

Stocks would be from all the three caps namely-large, mid and small cap segments of the market.

#### Stock Selection

Based on our Investment Framework of 'Growth in Value' and 'Principle of Linearity' and rigorous research on 5Ms parameter

#### Stock Strategy

The portfolio will consist of 15-25 stocks with Maximum Weight on any one stock will be 15%

#### Return Expectations

Margin of safety for higher than GDP growth over the next 5 years

#### Risk Management

Stock Limits, Sector Limits, Tracking Price and Fundamental Performance



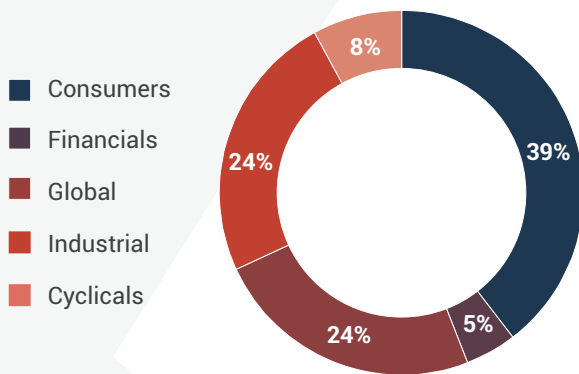
## NS ETHICAL S1 ADVISORY PORTFOLIO

### CONTOURS OF NS ETHICAL S1 ADVISORY PORTFOLIO

#### Investment universe Creation

The investment universe for the NS Ethical Advisory Portfolio is S&P BSE 500 Shariah Index which is updated by BSE each month. Out of 500 companies in BSE500, S&P BSE 500 Shariah Index comprises of 307 stocks. These constitute the universe for creation of the portfolio. NS Ethical Advisory Portfolio is also benchmarked to S&P BSE 500 Shariah Index. If a portfolio constituent has been removed by the Index, exit in the portfolio is done with in 60 days.

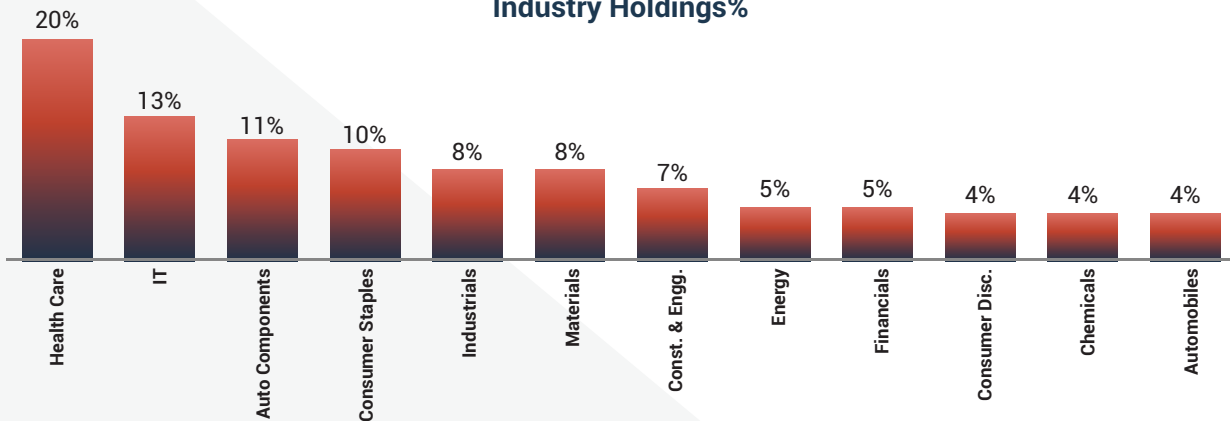
### PORTFOLIO COMPOSITION



#### Top 5 Portfolio Holdings

| COMPANY    | SECTOR    | %  |
|------------|-----------|----|
| TCS        | Global    | 6% |
| UNOMINDA   | Consumers | 6% |
| HINDUNILVR | Consumers | 6% |
| LUPIN      | Global    | 6% |
| ARE&M      | Consumers | 5% |

#### Industry Holdings%



Please Note: Data as on 31st August, 2024. The above portfolio allocation will be assessed every month to ascertain sector and scrip reshuffling. Kindly contact your RM for the latest allocation. The securities quoted are for illustration only & are not recommendatory. The actual portfolio may differ from the above illustration

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