

White Oak India Pioneers Equity Portfolio


WHITE OAK
CAPITAL MANAGEMENT

Cumulative Performance ¹⁻⁸	3 Month	6 Month	1 Year	2 Year CAGR	Inception CAGR
WO India Pioneers Equity	13.3%	27.1%	66.0%	38.8%	30.1%
S&P BSE 500 TR	10.5%	20.4%	57.4%	29.1%	20.5%
Outperformance (bps)	+279	+664	+864	+975	+953
Other Indices					
S&P BSE 100 Largecap	10.2%	19.2%	53.2%	26.4%	19.4%
S&P BSE 150 Midcap	11.6%	24.0%	71.9%	40.8%	26.6%
S&P BSE 250 Smallcap	11.4%	27.4%	82.9%	40.4%	22.8%

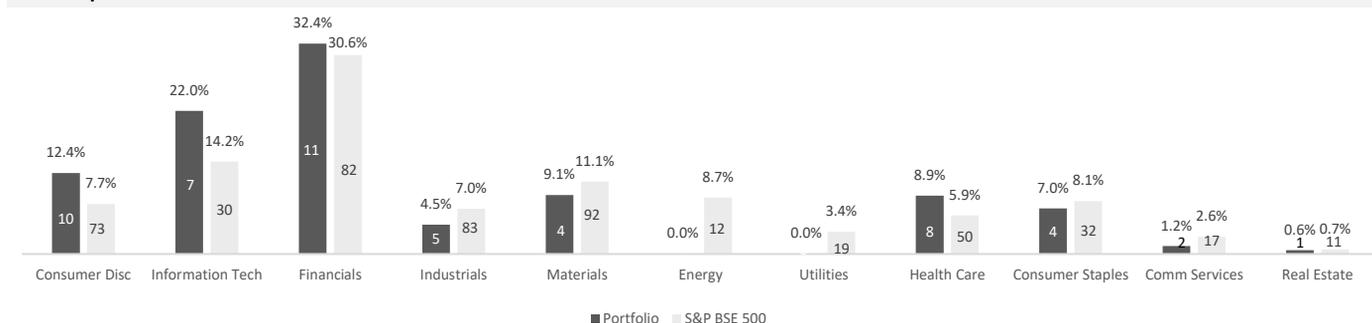
Market Cap Attribution Since Inception (%)¹¹

	Portfolio		Benchmark		Attribution		
	Avg Wt	Tot Return	Avg Wt	Tot Return	Selection Effect	Allocation Effect	Tot Return
Large Cap	61.6	78.6	80.8	58.0	10.8	-0.4	10.4
Mid Cap	23.4	186.3	13.3	57.2	23.9	0.8	24.7
Small Cap	12.1	116.8	5.9	36.3	12.7	-3.5	9.2
Cash/Fut/Other	2.9	0.0	0.0	0.0	-	-	-4.3
Total	100.0	96.5	100.0	56.5	47.4	-7.4	40.0

Sector-wise Attribution Since Inception (%)¹²

	Portfolio		Benchmark		Attribution		
	Avg Wt	Tot Return	Avg Wt	Tot Return	Selection Effect	Allocation Effect	Tot Return
Comm Services	2.6	103.6	2.7	40.6	0.9	-0.3	0.7
Cons Disc.	11.9	67.8	8.6	33.5	4.2	-0.5	3.7
Cons Staples	8.7	48.5	9.4	37.0	2.6	-0.5	2.1
Energy	0.0	0.0	9.9	50.7	0.0	-1.9	-1.9
Financials	32.8	61.0	32.4	32.0	10.4	0.5	10.9
Health Care	12.5	181.7	5.5	95.6	8.2	9.0	17.2
Industrials	5.1	96.1	6.7	51.0	1.8	0.6	2.3
Information Tech	16.0	177.3	12.0	125.7	5.3	2.1	7.4
Materials	6.6	151.1	9.2	105.8	2.0	0.4	2.4
Real Estate	0.9	33.8	0.6	45.9	0.3	-0.1	0.1
Utilities	0.0	0.0	3.0	82.5	0.0	-0.3	-0.3
Cash/Fut/Other	2.9	0.0	0.0	0.0	-	-	-4.7
Total	100.0	96.5	100.0	56.5	35.7	4.3	40.0

Sector Exposure⁹



Market Review

In August 2021, S&P BSE 500 TR index was up 6.6%. S&P BSE 100 Largecap was up 8.4%, S&P BSE 150 Midcap up 1.9%, and S&P BSE 250 Smallcap down by 2.8%

In August, FIIs turned net buyers, to the tune of US\$1.2bn. For year to date, India has seen net FPI inflows of US\$7.2bn, among the highest in EMs, ex-China. The Rupee appreciated by 1.7%, while the benchmark 10-year G-Sec yields was steady at 6.2%. The rally in commodities took a breather with Brent down by 3.2% and the S&P GSCI Industrial Metals Index down by 2.5%, MoM.¹³

Among sectors, utilities and information technology outperformed, whereas consumer discretionary and materials underperformed during the month.

Investment Objective

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

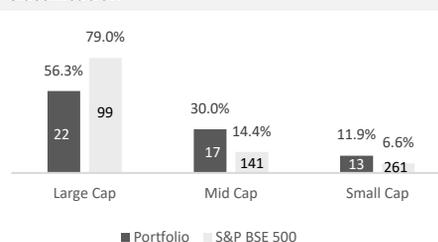
Fund Facts

Structure:	Discretionary PMS
Firmwide AUM: ^{3,5}	₹ 39,000 Cr
WO India Pioneers Equity AUM: ³	₹ 4,581 Cr
Minimum Investment:	INR 50 Lakhs
Benchmark:	S&P BSE 500 TR

Portfolio Characteristics¹⁰

Wt. Av. Market Cap (INR Cr)	234,710
No. of Holdings	52
Standard Deviation (SI):	Portfolio : 21.9% / S&P BSE 500 : 22.2%
Sharpe Ratio (SI):	Portfolio : 1.26 / S&P BSE 500 : 0.57
Beta (SI):	0.91
ROE (FY 21):	17.4%
PE (FY 22):	27.8
Projected Revenues (3 Yr CAGR):	16.0%
Projected Earnings (3 Yr CAGR):	21.5%

Market Cap Classification⁹



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

Performance Review

The Fund was up 5.2% in August, underperforming the benchmark by -136bps. The key contributors include Bajaj Finserv (+20.6%), Cholamandalam Inv (+16.5%) and Nestle India (+10.0%) whereas Intellect Design (-12.9%), Sequent Scientific (-21.9%), and Garware Technical Fibres (-9.3%) were the key detractors.

Year-to-date, the fund is up 30.5%, outperforming the benchmark by +280bps. The key contributors include Coforge (+93.8%), Intellect Design (+106.8%), and Bajaj Finserv (+92.6%), while key detractors were Nestle India (+6.4%), Indigo Paints (-3.9%), and Multi Commodity Exchange (-10.7%)

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Top 20 Holdings & Contributors / Detractors

Scrip Name	Weight (%)	Scrip Name	Weight (%)
Infosys	7.8	Persistent Systems	2.9
ICICI Bank	7.6	Mphasis	2.7
HDFC Bank	6.2	Crompton Greaves Cons	2.5
Axis Bank	4.9	Indigo Paints	2.4
Coforge	4.7	Cipla	2.2
Nestle India	4.7	Navin Fluorine Int	2.2
Asian Paints	3.6	Bajaj Finance	2.0
Bajaj Finserv	3.2	Astral	2.0
Cholamandalam Inv	3.2	Abbott India	1.8
Titan Company	3.0		

August 2021 Top Contributors	Ending Weight (%)	Total Return (%)	Contribution to Alpha (bps)
Bajaj Finserv	3.2	+20.6	+27
Cholamandalam Inv	3.2	+16.5	+25
Nestle India	4.7	+10.0	+13
Axis Bank	4.9	+10.9	+12
Computer Age Mgmt.	1.8	+14.5	+11

August 2021 Top Detractors	Ending Weight (%)	Total Return (%)	Contribution to Alpha (bps)
Intellect Design Arena	1.7	-12.9	-38
Sequent Scientific	0.9	-21.9	-33
Garware Technical Fibres	1.7	-9.3	-31
Dixon Technologies	1.8	-3.3	-24
Crompton Greaves Cons	2.5	-2.8	-23

In this month's newsletter, we focus on the key takeaways from the recently concluded 1QFY22 corporate earnings season.

Nifty earnings growth continues to remain strong

Nifty earnings for Jun'21 1QFY22 quarter registered a second consecutive 100% YoY growth, due to favourable base effects.

Base effect aside, the underlying trends are reassuring as per corporate commentary. Despite April and May being affected by the second Covid wave, the 2-yr CAGR sales and earnings growth for Nifty (ex-commodities) has been 6% and 12% respectively with most companies reporting growth from Jun'2019 levels.

The proportion of companies within the Nifty Index beating earnings expectations continues to remain high and above the recent averages.

Robust growth expectations for FY22

In a year when India's GDP declined by 7.5%, the worst in the last 74 years since Independence, Nifty earnings grew by 14%, a rare feat in the emerging markets.

This robust earnings performance in face of economic challenges, reflects revival in corporate profitability due to consolidation in market share in favour of organized players. The current expectations for earnings growth for the Nifty companies are 32% YoY growth for FY22 and 16% for FY23. Even with a somewhat lower earnings trajectory compared to consensus expectations, it would still mark the best three-year stretch of earnings growth since FY08.

A read through from management commentary of our portfolio companies

At a headline level, unlike the first wave, the impact of the second wave on the economy was far less damaging, given that lockdowns were more localized and less stringent. Most manufacturing and construction activity was allowed, albeit with some restrictions, and most corporates were better prepared to deal with the disruptions compared to last year.

Management commentary suggests that while the second wave severely impacted demand during mid-April to mid-June, the recovery across sectors has been sharp from late June onwards.

Within the consumption basket, discretionary players (in sectors such as home improvement, consumer durables, and jewellery) were more upbeat while indicating a quicker pace of recovery in urban than in rural India. As per Asian Paints, India's largest paints company, growth in Tier I and II cities are 25-30% higher than that in semi-urban and rural India.

Higher vaccination rates in urban centres partly support the stronger urban recovery. India's vaccination roll-out has been the largest globally and 660 million doses have been administered, with more than 150 million doses in August alone. Approximately 38% of the total population has received at least one dose. More importantly, within the adult population, at least 55% have received at least one dose. In large urban centres, which are the big hubs of economic activity, the adult vaccination rate is even higher, with more than 70% receiving their first dose. The pace of vaccination has ramped up further in the last week of August to as high as 10 million doses per day, and at this rate, the entire adult population would likely be vaccinated by early 2022.

Market share consolidation in favour of stronger, larger players has been a steady phenomenon during Covid. Post the initial lockdowns last year, there was an accelerated shift in market share from the unorganized to the organized sector, given the inability of the unorganized segment to deal with the significant supply chain disruptions. Companies continued to focus on enhancing the distribution reach particularly in rural areas, and through e-commerce investments. There is significant traction in e-commerce channel adoption by the large established incumbents to build a more direct relationship with their customers.

The commodity and input costs pressures have become more prominent over the last two quarters. With the demand outlook becoming clearer post the easing of the second wave, many companies have undertaken price hikes across diverse sectors such as autos, durables, consumer staples, building materials, and paints.

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CAPITAL MANAGEMENT

Strengthening demand environment is enabling businesses to pass on commodity inflation.

Apart from pricing actions, companies are employing multiple levers such as product mix improvement, use of technology and cost savings programs to protect margins. As a result, on a sequential basis, even as gross margins are down by 100bps, overall EBITDA margins continued to remain flat, despite earlier expectations of margin contraction.

Commentary on exports and progress on the Production Linked Incentive (PLI) scheme was positive. Despite the overhang of logistical challenges (in terms of container availability, etc), companies in sectors like chemicals and electronics continue to report healthy export order books.

Under the domestic PLI track, electronics manufacturers are already seeing significant traction in smartphone sales, while being positive on the prospects in IT Hardware, Air Conditioning, and LED lighting with additional capex being planned in these sectors.

As we have noted earlier, the companies in our portfolio have shown immense resilience in dealing with the impact of the pandemic due to their industry leadership, strong execution capabilities backed by robust balance sheets. We expect them to emerge even stronger as the economic recovery gathers pace.

Notes:

(1) Performance is calculated basis time weighted rate of return method net of all fees and expenses; Individual client performance may differ. Past performance is not indicative of future results. Performance shown since April 9, 2019, as client monies were managed from this date. Performance related information provided herein is not verified by SEBI. Returns have been calculated using Time Weighted Rate of Return (TWRR) method as prescribed by SEBI (2) S&P BSE 500 Total Returns Index. (3) All data is as of 31 August 2021. (4) All returns and % changes are in INR terms unless otherwise stated. (5) Refers to aggregate assets under management or advisory for White Oak Capital Management Consultants LLP. (6) Source: Bloomberg, Factset. Further details are available upon request (7) Inception Date : April 9, 2019 (8) Returns for 1 year and less than 1 year are absolute returns, while more than 1 year are CAGR. (9) The number inside the bars denote the number of companies in each classification. (10) SI : Since Inception (11) FactSet's Attribution Analysis. Performance is gross of fees, taxes and expenses. Market Cap Classification as per Securities and Exchange Board of India (SEBI) guidelines for Mutual Funds. Performance related information provided herein is not verified by SEBI. (12) Factset's Attribution Analysis: GICS Classification. Performance is gross of fees, taxes and expenses. Performance related information provided herein is not verified by SEBI. (13) Source: Bloomberg, further details are available upon request.

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

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