pmsbazaar
MILLION to BILLION

Newsletter

JAN 2024. Issue 64

"INVESTING SHOULD BE MORE LIKE WATCHING PAINT DRY OR WATCHING GRASS GROW"

Exclusive
PMS Coverage

GREEN PORTFOLIO



Economic Outlook & Indian Equity Market Analysis - January 2024	3
About Green Portfolio	4
Fund Management Team & Investment Philosophy	5
Investment Strategy & Process	6
About Green Portfolio Special Fund	7-9
Exclusive Interview with Divam Sharma, CEO, Co-Founder, Green Portfolio	10-12

GREEN PORTFOLIO

pmsbazaar
MILLION to BILLION

WEBINAR INVITATION

You are cordially invited to the Webinar on

"What can go wrong in Small and Midcaps?"

Speakers



Mr. Divam Sharma

CEO, Co-founder
Green Portfolio



Mr. Anuj Jain

CIO, Co-founder
Green Portfolio

FRIDAY
12th JAN 2024

4.30
PM Onwards

REGISTER NOW

www.pmsbazaar.com/webinar

Global Economy:

As 2023 draws close, investors have much to look forward to in 2024. The prospect of interest rates staying higher for longer has faded and bodes well with investors' sentiment. However, geopolitical tensions continue, and some large economies are not out of the woods yet.

That said, reasons for optimism are abound. Concerns about inflation and anxieties around the recession that had an impact on the stock markets in 2023 have largely dissipated for the most part. And, with receding inflationary pressures, the market is expecting rate cuts in 2024. As per data from multiple reports, within the developed markets, Nasdaq has been the best-performing index in the world delivering 44% return in CY2023, followed by Nikkei 225 28.2%, S&P 500 24.4% and DAX 20%. Chinese equity market remained lacklustre with Shanghai and China A50 delivering negative returns of -5.7% and -13.9% respectively.

Heading into 2024, economists and analysts are relatively bullish on the outlooks for the US economy and the stock market. Analysts are forecasting 11.6% earnings growth for S&P 500 constituents in 2024. While the US economy has proven resilient, the European economy is still struggling from the impact of monetary tightening. But economists expect things to improve by the end of the first half of 2024.

On the China front, its economy faces multiple headwinds with the structural slump in its real estate market likely to continue in the near term. However, most analysts expect that China's sluggish economy is expected to keep crude and commodity prices in check. This could improve India's opportunities from a China+1 angle.

Indian Economy:

Amidst geopolitical tensions, and the rise in key policy rates across the economies and volatile commodity prices, the Indian economy was resilient last year. ICICI Securities reports that it was mainly on account of a revival in the private capex cycle, robust infrastructure spending by the Government, record GST collection and most importantly margin expansion led by healthy high double-digit corporate earnings growth.

The incoming data and initial estimates forecast India to be among the fastest-growing large economies in FY2025. Fitch Ratings is the latest agency to project strong economic growth for India, joining S&P Global, Goldman Sachs and the International Monetary Fund.

After two consecutive quarters of growth above 7.5%, the Indian economy is expected to close the financial year at around 7% growth. While the pickup in private capital expenditure has been relatively slow, as per an RBI survey, the planned private capex has risen over the last couple of years. It is widely expected that 2024 could bring political stability and a trend of falling interest rates, thereby pushing private capex from planning to implementation.

As per media reports, if the interest rates are on the expected trajectory, and no new surprises from inflation, rural demand can also be expected to pick up in 2024. This along with Government sops ahead of upcoming elections is likely to push up rural demand. Also, easing raw material costs and supply-chain pressures will aid corporate earnings going forward.

Happy Investing!!

PMS Bazaar Research Team.

GREEN PORTFOLIO

Green Portfolio, established in 2018, embarked on its path with an initial dedication of Rs 5 crore. Over the years, the company has grown and expanded its business with more than 8,000 retail investors in its Smallcase business segment and more than 180+ PMS clients, with an AUM (asset under management) of Rs 440 crores and AUA (asset under advisory) of Rs 210 crores.

The management's skill lies in identifying under-the-radar businesses, the hidden gems –that no one speaks of. At Green Portfolio, the mission is to provide top-notch research to everyone who seeks it, democratizing access to valuable business insights.

Currently in India, there are around 2,600 fund managers and investment advisers. This is meagre compared to the 13 crore demat accounts in the country. Essentially, 50,000 investors have access to just 1 fund manager. And Green Portfolio wanted to democratize research and bring affordable top-notch research to all genuine investors.

How is Green Portfolio Different?

1. **Focus on Under-the-Radar Companies:** Specializing in lesser-known firms, with an average portfolio market capitalization of Rs 12,000 crores.
2. **Manufacturing-Oriented Fund:** Prioritizing investments in the manufacturing sector for robust and tangible growth opportunities.
3. **Minimal Exposure to Banking and IT:** Distinctly low to zero investment in banking and IT sectors, setting us apart from conventional index strategies.
4. **Ground-Level, Research-Driven Stock Selection:** Employing in-depth, on-the-ground research to drive our stock selection, ensuring informed and strategic investment choices.
5. **Discretionary Cash Holdings:** Adopting a cautious approach by holding liquid cash in client portfolios when suitable opportunities are scarce, emphasizing capital protection.



Divam Sharma, CEO, Co-founder

Divam brings over a decade and a half of expertise in managing stock market investments, complemented by his MBA from the Indian School of Business, Hyderabad. He is also a member of The Institute of Chartered Accountants of India. Before co-founding Green Portfolio, he gained significant experience working with prominent institutions like Citi Bank and Kotak Mahindra Bank.

Since the company's foundation, Divam has been a key motivator and leader. His responsibilities encompass client management, business development, and research, where he has made significant and influential contributions.



Anuj Jain, CIO, Co-founder

Anuj is the CIO and heads the research team that has been consistently outperforming the outperformers. With over 5 years in Financial Consultancy and 15 years of investing in equity markets, he is also a Member of The Institute of Chartered Accountants of India. He plays a crucial role on the investment committee.

Green Portfolio's philosophy revolves around 6 key principles

1. **Under the Radar:** To invest in unique companies; the companies where maximum wealth creation is possible. These companies tend to be under the radar names doing exceptionally well in their space, and yet having received very little attention from the public.

2. **Risk management:** The company believes daily and monthly stock price fluctuations represent mere market noise, not true risk. According to their philosophy, the real danger lies in investing without fully understanding a company. Therefore, the team prioritizes meticulous due diligence and analyst meetings, digging deep into a business's core to unearth any potential structural vulnerabilities.

3. **Long-term earning prospect:** The immediate performance of a business is not a cause for concern but rather how the company is positioning itself for the next 10-20 years and if they have a tangible plan towards generating solid long-term earnings.

4. **Low Debt and Strong Balance Sheet:** Green Portfolio refrains from investing in companies with more than 1x debt/equity ratio.

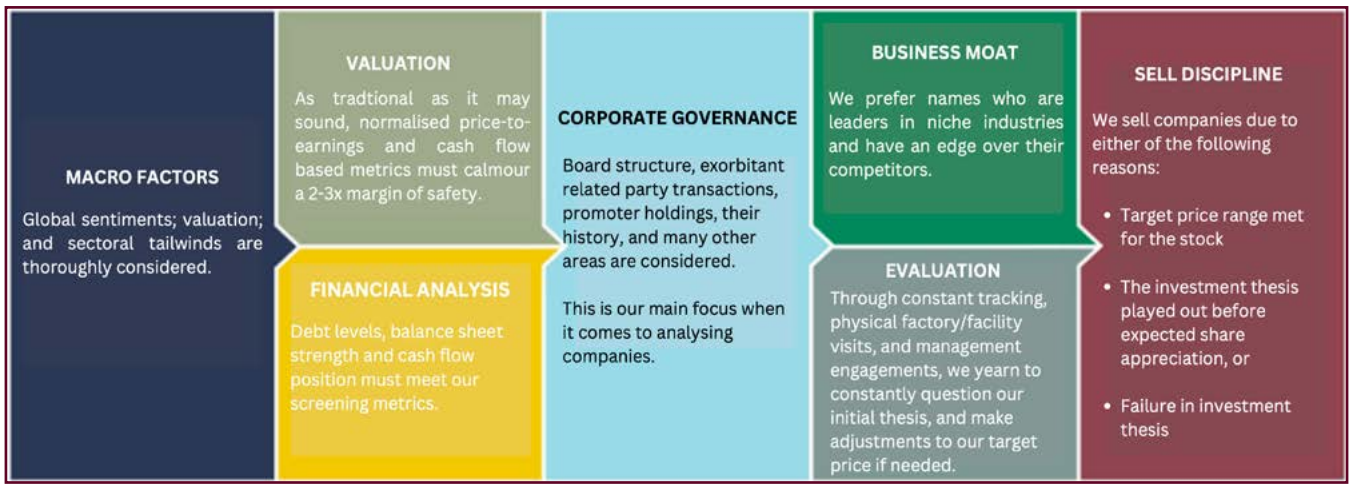
5. **Adaptability:** Always on the lookout for emerging business models and new opportunities where value creation is possible.

6. **Valuation Cushion:** When a stock is selected, no investments are made unless and until the team foresees a 200-300% appreciation opportunity. Hence, despite it being a High-Quality business, the stock should be available at the Right Price.

Investment Strategy

While selecting a stock, Green Portfolio takes a close look at the following characteristics of a company.

Product innovation and capacity expansions
Return on Equity > 15%
Operating Margins > 15%
Debt/Equity < 100%
Integrity of management, capability and history – most important/no compromise
Growth > 25% annually in revenues which are translatable into profits in the long run
Yield of 200-300% by investing at a very early stage of the business



Investment Process

1. **Staggered Investment Approach:** Green Portfolio makes staggered investments over a period of 3-6 months, depending on the current market situation and forward-looking market analysis. The investments are not made as a single transaction. This approach helps to mitigate risks and capitalize on favourable market conditions.

2. **Tailored Portfolio Holdings:** The company's investment philosophy is client-centric and valuation-sensitive with optimal investment portfolio varying over time. Hence, a one-size-fits-all strategy isn't adopted. Each investor's portfolio is unique, depending on their entry point into the market. The company continually updates its buy list to ensure that at any given time, its clients are investing in stocks with the highest potential for appreciation. This dynamic portfolio management ensures that its clients' investments are always aligned with the best opportunities available.

3. **Strategic Selling in Tranches:** Just as with the buying strategy, the selling approach is phased. When the company decides to exit a stock, it executes the sell-off in 3-4 staggered tranches. This method allows to minimize market disruption and maintain liquidity. It also provides an opportunity to average the selling price, potentially enhancing the overall return on investment. The staggered selling approach is a testament to the commitment to achieving the best possible outcomes for its clients.

ABOUT GREEN PORTFOLIO SPECIAL FUND

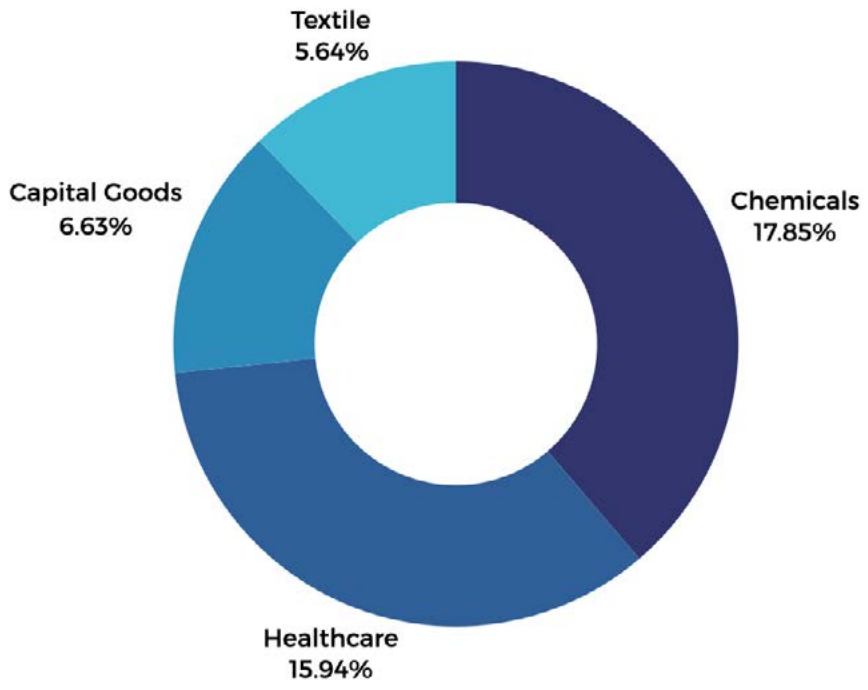
Green Portfolio Special Fund strategy emphasizes Growth at a Reasonable Price, placing utmost importance on corporate governance, growth prospects, industry dynamics, key company fundamentals, valuations, and promoter integrity.

The fund focuses on companies that directly benefit from the China +1 and Atmanirbhar initiatives. Although these themes have been relevant for the last three years, tangible results are yet to materialize. The fund finds opportunities in the pharmaceuticals, 5G, textiles, and chemicals sectors.

Top Portfolio Buys

Name	Weightage
Jubilant Ingrevia Ltd	6.67%
Rain Industries Ltd	6.67%
Sanofi India Ltd	6.67%
Elin Electronics Ltd	6.67%
Glenmark Life Sciences Ltd	6.67%

Top Sectors



ABOUT GREEN PORTFOLIO SPECIAL FUND

Risk Metrics

Key Metrics	Special Fund	BSE 500 TRI
CAGR*	27.51%	15.62%
Standard Deviation	6.99%	5.51%
Sharpe Ratio	2.93x	1.57x
Price-to-earnings	15.24	25.79
Price-to-book	3.04	4.01
Dividend Yield	0.86%	1.11%

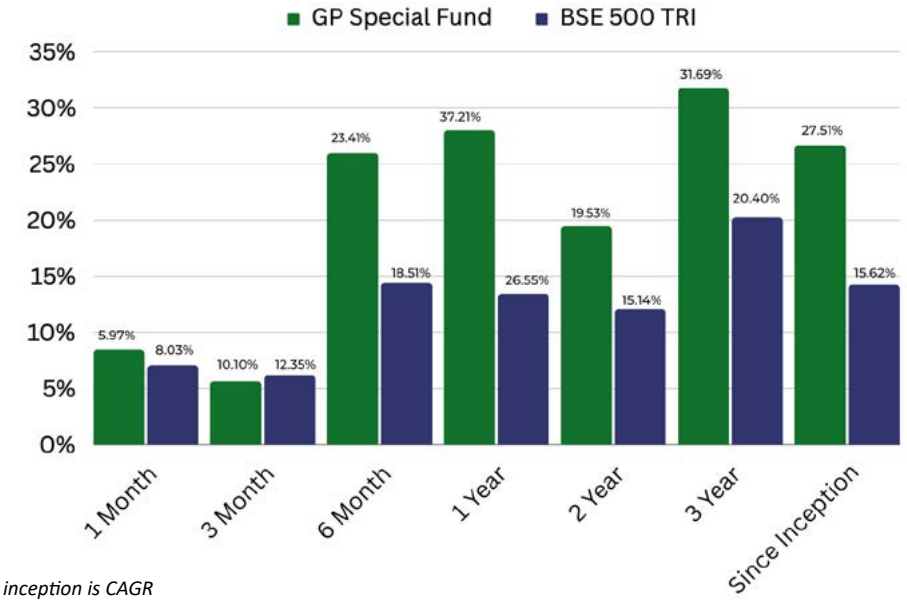
** Since Inception: July 2018*

Special Fund Returns

Performance Returns (TWRR)	1 Month	3 Months	6 Months	1 Year	2 Years (CAGR)	3 Years (CAGR)	5 Years (CAGR)	Since Incep. (CAGR)
Strategy Returns	5.97%	10.10%	23.41%	37.21%	19.53%	31.69%	27.75%	27.51%
BSE 500 TRI	8.03%	12.35%	18.51%	26.55%	15.14%	20.40%	17.63%	15.62%

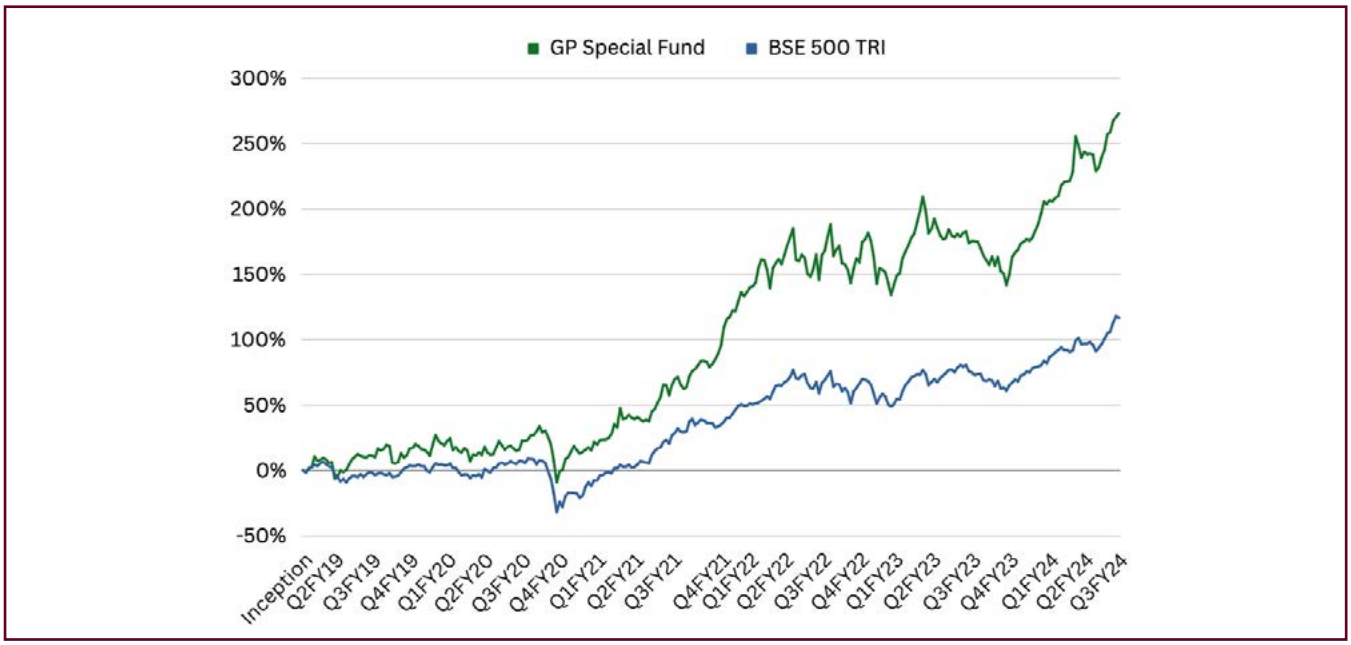
Inception: July 2018

Periodic Performance



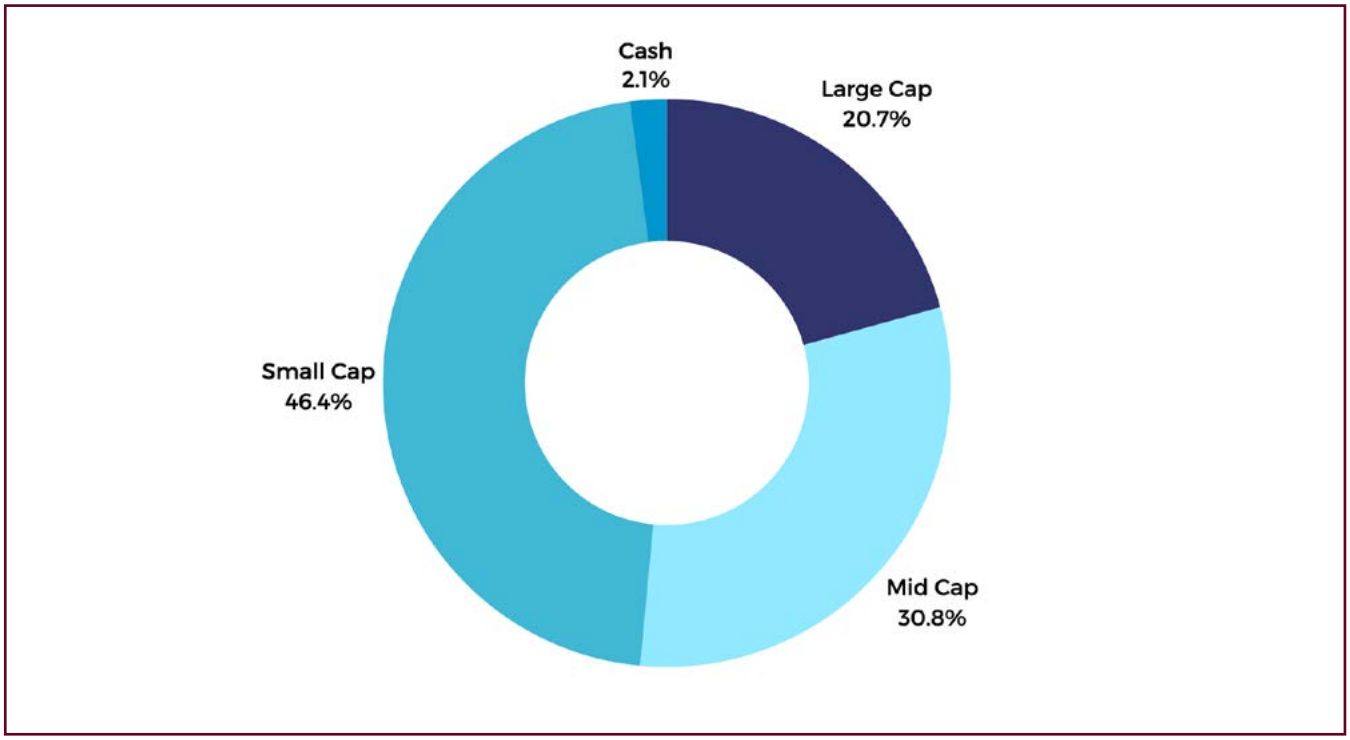
** Data for since inception is CAGR*
Inception: July 2018

Cumulative Performance



Inception: July 2018

Cap - wise Allocation



Disclaimer: The data contained in the factsheet is based on the information until the 31st of December 2023. We are not responsible for any transactions or investments conducted privately by the recipient, based on the above data. All investment decisions must be conducted with due diligence and after seeking advice. The performance reported above is not verified by SEBI.

Exclusive
Interview



DIVAM SHARMA
CEO, Co-founder
Green Portfolio

> "With the current state of markets where the valuations appear to be foggy, investors have to cherry-pick to make their investments profitable"

Excerpts from the interview:

What are your views on the market for the next decade?

A decade is quite a long time horizon to say how markets will exactly be, however, one thing is certain - the Indian economy and the equity markets will reach new milestones. We know that India is currently the fastest-growing large economy and within the next decade, we might be one of the top three. India's growth story is robust, we are growing at rates surpassing all expectations and it's going to reflect in how markets look a decade down the lane.

With the current socio-economic and political environment businesses have right now, combined with the government's policies and spending, the coming years are going to be big for the economy. Indian equity markets are already shining, attracting global investors, and the next few years are going to be the time for our economy to become the brightest.

All your strategies (Special, Dividend Yield, MNC Advantage, Super 30 Dynamic, the impact ESG fund) have significantly outperformed their respective benchmark. What has helped in the Alpha creation?

By staying furthest away from the index. It's not that we are deliberately deviating from the index, but we find true value elsewhere. For instance, our exposure to IT is zero and towards banking is maybe 4-6%.

We have an investment philosophy that we strictly adhere to. It helps us manage risk effectively while scouting for underdogs. We ensure we invest in unique, under-the-radar companies doing exceptionally well in their space, and yet having received very little attention from the public. We are always on the lookout for emerging business models and new opportunities where value creation is possible. Another important aspect is to see our investments are not debt-ridden and have good profit margins. So, there's not one or two reasons why we've been consistently able to perform well, it's because of our holistic approach and great research team.

The CY 2023 was an extraordinary year for small-cap stocks with Nifty Small-Cap Index having doubled. Do you think the rally would continue for CY24 as well? If so, what should an investor consider investing in small-caps?

There definitely has been an amazing rally for small-cap this year, particularly towards the second half of this year but we shouldn't attribute all of it to companies. We have seen multiple bull runs this year, but many of those have been on the back of India's macro and political conditions like the recent state elections. These conditions gave new highs to not just the small and mid-cap universe but our large-cap indices too.

However, whenever we look at securities, we look at them as individual stocks focusing on their fundamentals and long-term outlook in relation to their respective sectors rather than the small-cap or large-cap universe as a whole. That's only how you can identify good companies that can outperform the bull runs and bear.

Do you see a gap between value (fundamentals) and price (sentiments) in 2023? And going into 2024, do you see this gap widening?

There is some gap between the real value and the prices and that's why you have to look at individual companies while investing because the fishnet approach is not going to work. Equity markets have always been the picker's market. Irrespective of bull and bear runs, or even economic crises, there are always some companies that are worth investing in. It's the difference between a stock's real value and price that decides whether it'll be profitable or not. With the current state of markets where the valuations appear to be foggy, investors have to cherry-pick to make their investments profitable.

What are your sectoral picks in 2024 and why?

We're following telecom, infra and related sectors very closely. India is currently lagging behind in terms of 5G infrastructure which means there's a good scope for development in 5G and proxy sectors. We've always been bullish on ESG and this year we even relaunched our ESG small case, seeing that the awareness and development, both are increasing in the sector. Then there's pharma and chemicals, two sectors that haven't performed very well this year, but as challenges from the US and China are now easing, these sectors should see an upside soon.

When do you churn your portfolio? What are the most important factors that go into this?

The churn rate differs for each fund. The churn rate for our Super 30 fund which has a good chunk of small companies is slightly high because of the volatile nature of small and micro-caps. Contrastingly, the Special fund has companies that are fundamentally highly robust and comparatively less volatile, so there our churn rate is lesser and our exit strategy is strictly rule-based. That said, we like to book profits at fair valuations and do not wait for momentum to end.

How do you position your exit strategy in each of your funds?

Our selling approach is phased. When we decide to exit a stock, we execute the sell-off in staggered tranches – 3 to 4 tranches. This method allows us to minimize market disruption and maintain liquidity. It also provides an opportunity to average the selling price, potentially enhancing the overall return on investment. We follow our valuations strictly, and will exit the moment said levels are hit, unless a business change indicates the need to re-evaluate the business valuations on the higher side. Our selling approach is a testament to our commitment to achieving the best possible outcomes for our clients

How do you summarize 2023? Any learnings that you can share with the audience?

2023 has shown us all sides of the coin. We have seen both the bad times, around March and then great times, in the second half of this year for equity markets. Our takeaway from that is to stay patient when it comes to investments. Building a good portfolio requires a lot of effort and great patience, but sadly, investors are often short-sighted in their approach and end up scared away from equity markets. We firmly believe in value investing, believing in the companies even during their and the market's tough times. However, to truly create wealth, investors need to be more resilient and have a long-term vision.

Disclaimer: Any information contained in this material shall not be construed as an advice, solicitation or an inducement to invest in any portfolio/strategy of the Portfolio Manager. The names of the funds/ portfolios/strategies do not, in any manner, indicate their prospects or returns. There is no assurance or guarantee that the objective of the portfolios / strategies will be achieved.Past performance is not necessarily a guide to future performance and no way guarantee the future performance. Investment in securities market is subject to market risks, you are requested to read all the related documents carefully before investing. Investors are responsible for their investment decisions and are responsible to validate all the information used to make the investment decision. No content of this material including the performance related information is verified by SEBI nor has SEBI Certified the accuracy or adequacy of the same. Investors must read the detailed PMS Disclosure Document including the Risk Factors and consult your Financial Advisor before making any investment decision/contribution to PMS.

Direct On-Boarding of Clients: Client has an option for direct on-boarding without intermediation of persons engaged in distribution services. In this mode, client will be charged management fees and portfolio operating expenses. No other charges will be levied.

For Detailed Disclaimer of Green Portfolio

Please visit their website https://greenportfolio.co/

PMS Fintech Pvt Ltd

Old No 24/New No 53, 2nd Floor, 1B
Wellingdon Estates, Ethiraj Salai, Egmore, Chennai - 600008.
Ph: +91 44 4857 0888 | Email: info@pmsbazaar.com

pmsbazaar®
MILLION to BILLION

Best Financial Services Award 2018
200+ Portfolio Managers
55000+ Subscribers
365+ PMS Approaches
85+ AIF Schemes

www.pmsbazaar.com