

10-Jul-23

Dear Investors,

At the very outset, I wish to extend my heartfelt gratitude to you from the entire MoneyGrow team for choosing us in your investment journey. We fully realize it is a very big responsibility to manage your savings and we assure you that we will strive to do our best. We also wish to place on record our thanks to our esteemed regulator SEBI.

### About our service offering:

We have the following offerings for our clients:

- **MoneyGrow Flexicap:** This is our flagship offering in a discretionary PMS format. We plan to have around 20-25 stocks, around 4-5 different themes and our best high-conviction picks will be part of the portfolio.
- **MoneyGrow Bespoke:** This is our second offering in a discretionary PMS format. In this scheme, we have the flexibility to create bespoke portfolio. Certain examples include:
  - If a client is too much exposed to one sector e.g. has lots of ESOPs by virtue of being a senior management in a bank or IT company, we can create a bespoke portfolio that excludes those sectors.
  - If a client has lots of restrictions in buying individual stocks, we can create an ETF portfolio.
- **MoneyGrow NDPMS:** This is our non-discretionary PMS offering. This is meant for clients that may have several conflicts of interest e.g. investment bankers etc. In this offering, we take their consent before buying/selling anything for them.

### About our investment approach:

Since this is our first communication to you since our launch, I would like to use this opportunity to outline our investment approach. We have a long-term approach towards investing. Our basic objective is to invest in such a way that there is safety of capital and adequate return. We have structured our portfolio into core investments and special situations.

Our core investments are in fundamentally sound, cash flow generating, well-run and growing businesses. We follow a 4P framework:

- **P1 (Promoter):** The management/promoter should have a healthy track record of leading the business through good and bad times. We value good corporate governance with transparency, accountability, and integrity. Also, it is very important that the management team must have a growth-oriented mindset.
- **P2 (Product):** By “Product”, we imply the industry prospects. Scale of opportunity should be enormous and competitive situation should be that there should be adequate profit pool for all industry participants. Also, it should be a growing industry.
- **P3 (Profitability):** We look for fundamentally sound companies with optimum margins, healthy debt/EBITDA profile, robust cash flows and return ratios. The business should offer high

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potential for earnings growth through reinvestment of cash flows. Also, it will be a cherry on the cake if there is a possibility of improvement of profitability going forward.

- **P4 (Price):** By “Price”, we imply valuation – both relative and absolute. We will stay away from extremely richly valued stocks where investor frenzy is usually very high.

Our special situations portfolio includes businesses that may not be performing as per their true potential at the moment, but are likely to reach that potential in 2-3 years and match up to the standards of the core investments once their true potential is achieved. Often, such businesses are undergoing a management change, restructuring of a part/entire business, sale of a part or the entire business, merger of holding company with operating company, sudden negative sentiment towards a stock due to rumors/perception change, regulatory change or completion of a large capex program.

At the moment, our Flexicap portfolio has around 76% large-caps, 15% mid-caps and 9% small-caps. In terms of sector allocation, our biggest allocations are in banks, IT, insurance, NBFCs, autos and telecom.

**About our progress:**

Our PMS Registration was approved on 14-Mar-2023 and we were able to invest for our first client on 11-Apr-2023. As on 30-Jun-2023, we have 14 clients with a total AUM of INR 73.74 crores. Our performance is as follows:

	1 month	Since Inception	AUM (INR Cr)
MoneyGrow Flexicap	5.08%	11.03%	47.57
MoneyGrow Bespoke	5.28%	15.19%	25.50
MoneyGrow NDPMS	4.70%	7.53%	0.67
BSE 500 TRI	4.28%	11.39%	
Total AUM			73.74

**Our outlook:**

The most important question that is discussed in our conversation with clients is whether it is the right time to invest when markets are near all-time highs. While everyone is very much entitled to their own opinions and they may be right or wrong depending on the time horizon, my submission on this hotly debated topic is as follows:

- I started my professional journey in Asia’s #1 equities firm CLSA on 4-Jul-2001 with Nifty that day being 1068. We have had almost a 19x jump in last 22 years. And, if I look back, all kinds of crisis came and went e.g. 9/11, Great Recession of 2008, European Debt crisis, COVID and what not. Equities is all about long-term. When some of the finest and most experienced gurus state that it is difficult to time short-term, they really mean it. The biggest money is made by those who are patient and can sit through the drawdowns and continue to remain invested.
- Yes, Nifty is near at all-time high, but it is important to realize that markets have been range-bound for almost 18-20 months. It is not that we have gone up a lot in the past 2 years.
- India is witnessing strong macros: healthy GDP growth of 7% in FY23, benign inflation, peaking out of interest rates (RBI has already paused).

- Corporate earnings are also strong. With benign inflation, a lot of manufacturing firms e.g. autos etc are enjoying a breather in the commodity price inflation and hence a recovery in their earnings.
- Strong political leadership, heavy focus of Government on investing in infrastructure, GST reforms, China+1 opportunity, PLI schemes, revival in capital investment cycle etc have ensured that the growth engine in India keeps moving from strength to strength.
- Even in the last 2 years, whatever corrections have happened, they've been a result of global issues. Now, that things are becoming a bit stable globally, FII flows have returned and have fuelled the rally further. Of course, if something goes wrong materially in the world on economic or political situation (e.g. US-China, or US/Ukraine-Russia etc.), India can potentially suffer as FIIs may again pull back. However, that may be yet another opportunity by DIIs to accumulate stocks.
- Valuations today are relatively more reasonable than the Oct-21 peak. Nifty is trading at a forward P/E of 19x, while the earnings are up 34%/11% in FY22/FY23 respectively.
- The frenzy of CY21 IPO market when a lot of loss-making companies were getting crazy valuations on so-called "Adjusted EBITDA" has also got a reality check. I am personally in awe of many of these companies and their managements, but just that such high investor exuberance despite lack of profitability was perplexing.
- Overall, I feel on a bottom-up basis, there are quite a few stocks where the EPS growth is expected to be 15-25% and valuations are reasonable.
- The earnings season for the Q1 is just ahead. We expect the same to be good as most pre-earnings release also suggest good momentum and benign commodity prices should imply margin expansion. We do recognize that part of it is already priced in the market too.
- Overall, for those with a long-term approach, we feel very constructive to remain invested and add further allocation to equities.

Once again, many thanks for your support. We would be more than happy to have a discussion with you on the portfolio and stocks anytime as per your convenience.

Warm regards,

Manish Gupta & entire MoneyGrow team

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