



## Electrum Laureate Portfolio - February 2023

### Objective

Our scheme is focussed on compounding returns over medium to long term by investing in small and midcap companies. Our Strategy is designed to look for value mispricing opportunities in high quality business franchise managed by a strong and agile management team with good corporate governance record.

- Active Management
- Concentrated portfolio
- Bottom-up stock picking
- High equity risk profile
- Mid and Small-Cap Oriented Strategy

### Market Summary

BSE400 MidSmall Cap index was down 2.1% in Feb 2023 while BSE Sensex down nearly 1%. February was an eventful month for the Indian equity markets on account of Budget as well as Adani fiasco. This kept stock market participants on their heels as we saw lower quality stocks also moving down swiftly in last 1-2 months. Of 950 stocks in BSE smallcap index nearly 60% are down by atleast 25% from their 52 week high.

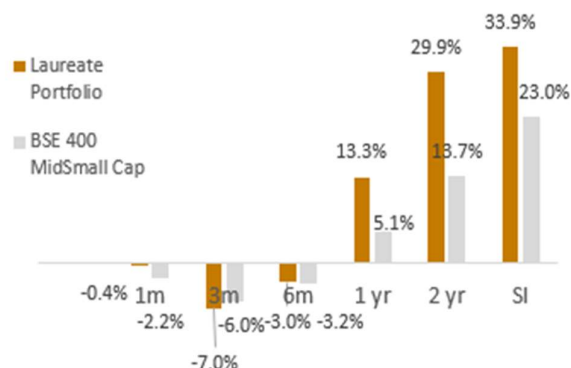
Globally falling inflation ignited hopes of an imminent end to the global monetary tightening cycle. However, continued resilient economic data in Feb led to a higher move in bond yields and a decline in equity markets. With economic data indicating that a recession may not be imminent, investors reassessed their expectations for both the peak interest rates and the subsequent pace of rate cuts, as the road back to target inflation could be longer than previously hoped. The ECB, BOE and FED all announced rate hikes at the start of the month, in line with expectations. Recent Fed commentary is still pretty hawkish, and they are determined to increase the pace and size of rate hikes, if need be, which may impact global equity markets in short term.

China's reopening story is quite visible in its PMI rebound (52.9 in Feb, best in last 11 months). Reopening is expected to raise the global GDP by ~1% by the end of 2023. Though geopolitical tensions between China and the US (air balloon episode); this may deflate the China reopening trade. With risks of a deep recession decreasing significantly, Europe has been among the best performing equity markets, with MSCI Europe ex-UK up 9.3% YTD and European banks having rallied by over 40% since the lows of Oct 2022. Feb 2023 has seen nearly 11,000 cr outflows by FII (Cash) from Indian equities, vs 41,000 Cr in Jan 2023. This outflow is led by higher interest rates and relative valuation premium in Indian markets.

We are seeing strong uptick in Auto sector, railways, defence, electronics manufacturing, renewables. Capex cycle is also progressing well amid global challenges. Rural recovery could boost the growth ahead, but the El-Nino effect may cool down this excitement in short run. The recent rounds of correction in Indian markets have reduced their valuation premium. Although, current YTD has seen a reversal, with most global indices in the green, our market has seen sustained pressure. Even Though, we believe India will be the fastest growing economy for next few decades, and India markets will catch up while attracting strong flows "Money will chase where returns are to be made".

On the portfolio side we are largely invested towards companies which are niche, or market leading, have some pricing power and are also focussed on domestic growth to a large extent. We are continuously reviewing the portfolio and booking profits wherever valuations are high. Equity markets are never linear and bullish and bearish cycles are part and parcel of market. Volatility will throw opportunities to accumulate strong businesses at reasonable valuations and without such opportunities wealth creation is not easy. Thus, timing the market is a useless exercise and we continue to look at newer ideas with strong growth opportunities, balance sheets and good managements on a continuous basis.

### Electrum Laureate Performance



| Returns              | 1m    | 3m    | 6m    | 1 Yr  | 2 Yr  | SI* Annualised |
|----------------------|-------|-------|-------|-------|-------|----------------|
| Laureate Portfolio   | -0.4% | -7.0% | -3.0% | 13.3% | 29.9% | 33.9%          |
| BSE 400 MidSmall Cap | -2.2% | -6.0% | -3.2% | 5.1%  | 13.7% | 23.0%          |

\*Since Inception Date - 23/11/2020

### Key terms

**Scheme:** Electrum Laureate  
**Benchmark:** BSE 400 MidSmall cap Index  
**Min. Investment:** Rs 50 lakhs  
**Strategy type:** Open ended

### Top Sectors

| Sector              | (%)   |
|---------------------|-------|
| Specialty Chemicals | 18.5% |
| Capital Goods       | 17.1% |
| Auto Ancillaries    | 12.3% |
| Consumer Durables   | 11.2% |
| Financials          | 8.3%  |

### Top 5 Holdings

| Company                  | (%)  |
|--------------------------|------|
| Ion Exchange India Ltd   | 8.5% |
| Craftsman Automation Ltd | 6.6% |
| La Opala RG Limited      | 6.2% |
| Jubilant Ingrevia Ltd    | 5.2% |
| Gufic Biosciences Ltd    | 4.8% |

| Portfolio attributes | FY 23 | FY24  |
|----------------------|-------|-------|
| P/E (x)              | 22    | 18    |
| D/E (x)**            | 0.22  | 0.17  |
| ROE (%)              | 19.3% | 19.8% |

\*\*Excluding financials

\*Formerly known as Aриhant Asset Management, SEBI reg No. INP000007544

**Disclaimer:** Returns are calculated based on Time weighted rate of return and are after expenses. Returns more than 1 year are annualized. Individual client performances may differ based on entry and exit in the portfolio. Past performance should not be construed as a guarantee of future performance. Equity investments are subject to market risks. The performance related information is not verified by SEBI.