

FOCUSED INVESTMENT IDEAS

OCTOBER 2024



Product Category: AIF – Performing Credit

InCred Credit Opportunities Fund II

 Tenure: 5.75 years

- The fund targets to create compelling risk-reward by taking thoughtful secured credit positions in flexible financing transactions to cater to the growth capital requirement of Indian Corporates with a balance between cash flows and strong collateral.
- Indicative 20+ transactions; striving to achieve a granularity of ~5% (single deal exposure)
- Target gross IRR of 16%+ (with monthly payout)
- Weighted average loan tenure will be between 36 to 42 months
- Focuses on regular coupons and principal amortization
- End use of funds will be capital for asset creation, working capital, capex, acquisition financing and other business needs
- Senior secured debt construct with security in the form of fixed assets, Brand IP, Share Pledge, Personal and Corporate Guarantee

Northern Arc Finserv Fund – Debt (CAT II AIF)

 Tenure: 4 years

- CAT II Debt AIF targets higher risk-adjusted returns and regular investor cashflows by investing in a diversified pool of debt securities of financial institutions
- AIF largely targets Agri business financing, Small Business Loans, Vehicle Finance, Microfinance, Consumer Finance, FinTech sub-sectors
- Nature of instruments: Secured & unsecured NCDs, Unsecured bonds, Redeemable preference shares, PTCs, MLDs, Debt funds
- 4 years fund tenure from first close of June 2024. Targeted Gross Yield: 14.50% pa XIRR, Quarterly coupon payment, Bullet principle repayment
- Earlier investment examples: Fusion Microfinance (Microfinance), EarlySalary Services (Consumer finance), Kogta Financial (Vehicle Finance)
- Client profile & suitability: Stable risk profile (₹6 & above)

Product Category: AIF – PE Fund

InCred Growth Partners Fund – I

 Tenure: 6 years

- Conducive investment environment for private equity investment – unlisted universe is large & widespread (~6000 pvt owned cos vs 1500 listed cos) and Investing during consolidation phase improves margin of safety with better potential of alpha generation
- Fund will have a Mix of Growing Stars (Series B/C – high growth companies) and Glowing Stars (Series D+ – established companies)
- Focus on sectors such as Consumer, Financials, Technology, Enterprise/Others
- Fund would focus on companies that (i) have a dominant industry sway, (ii) are profitable atleast at CM3 level, (iii) are available at reasonable valuation multiples
- Vivek brings more than 18 years of investment experience. Joined InCred in June 2023. Demonstrated track record of delivering healthy returns. Few examples – lenskart (MOIC of 3.8x), Dailyhunt (MOIC of 3.2x), SMS Finance / Luminous (MOIC of 2.4x)

Product Category: AIF – PE/VC Fund

Nippon India Digital Innovation Fund IIA (NIDI- II A)

 Tenure: 9 years

- NIDI-II A is a ‘Multi Managers Winners’ Fund which invests in highly curated growth stage technology start-ups (Cat II AIF)
- Fund would invest in 8-12 opportunities with a Large funnel of ~330 startups to select from NIDI Fund I exposure. These opportunities are primarily in Growth stage (Series B & C)
- Portfolio construction plan is to invest 20-30% each in following key sectors: Enterprise SaaS, B2B Models, D2C Brands, ConsumerTech, Fintech
- Fund is managed by Nippon India AIF Management Limited (NIAIF) is a subsidiary of NAM India (NAM India is 75% owned by Nippon Life Insurance Company [NLI Japan]). NLI Japan is the largest private life insurer & one of the largest in the world
- NIDI funds are backed by marquee Japanese institutions & corporates ecosystem for future financing and market access for its portfolio start-ups in India
- Fund Target Size: Rs 500 Cr, Targeted IRR: 32% – 37%, Commitment period: 5 years from first close

Product Category: AIF – Long Short

InCred DEAR Fund

 Tenure: > 3 years

- InCred Dynamic Equity Asymmetric Returns (DEAR) Fund – Cat III AIF which targets consistent Alpha over benchmark amid superior risk-returns profile
- AIF seeks to beat the benchmark consistently on a 2-years Rolling basis with much superior risk-adjusted returns compared to the benchmark amid similar volatility
- DEAR fund has the flexibility to capture higher upside in an up-trending market and aims to half index losses during downturns. This helps in avoiding psychological biases and deliver consistent alpha irrespective of market conditions
- On back-tested data, DEAR fund has delivered a CAGR of 27.24% over 13 years investment period vs 12.7% CAGR of BSE 100 TRI index amid much better risk adjusted returns
- Other Salient Features include Open ended nature of AIF, Twice a month subscriptions and monthly redemptions

Product Category: Equity MF

Bandhan Core Equity Fund

 Tenure: > 3 years

Bandhan Core Equity Fund (BCEF), a Large and Midcap focused fund with Large Cap bias, appreciating investor's long term capital with a proven track record

- BCEF Philosophy centered around 3 legs: Dynamism, Anti-fragility and Macro-trend
- Portfolio construct focused on 3 specific buckets : 1. Quality Investing 2. Thematic opportunities 3. Value picks
- Star fund manager, Mr Manish Gunwani has taken over the management of the fund in the last ~1 year during which fund has consistently ranked in Top 1 quartile based on the performance metrics
- BCEF has much superior Risk>Returns metrics against other popular funds in Large & Midcap space
- BCEF also has greater Up-Capture Ratios (rallied more than the Benchmark) and one of the lower Downcapture Ratios

Nippon India Banking & Financial Services Fund

 Tenure: > 3 years

Fund provides Sectoral/Thematic opportunity in Banking & Financial Services sector

- Key drivers for positive outlook on BFSI Sector: 1. Improvement in Asset Quality 2. Resurgence in profits and 3. Monetary policy easing cycle to favor upgrades
- Currently, asset are allocate to the following sub-sectors: Banks (66%), Finance (16%), Insurance (9.9%), Capital Markets (5.7%), Fintech (1%)
- Top 5 holdings include: HDFC Bank: 20.6%, ICICI Bank: 15.8%, Axis Bank: 8.3%, IndusInd Bank: 4.8%, KMB: 4.8%
- Segment Allocation: Largecap: 73.2%, Midcap: 11.4%, Smallcap: 13.6%, Cash : 1.8%
- Allocation in BFSI Sector can be ~5-8% of overall equity allocation in clients' portfolios with an investment timeframe of 2-3 years. While the overall BFSI sector might see bouts of volatility and near term consolidation(around 6 months or so) inline Monetary Policy Easing cycle by major central banks, we believe the risk-reward currently favours relatively undervalued BFSI segment

Axis Greater China Equity FoF (Overseas FoF)

 Tenure: > 1 years

Fund of Fund provides a tactical opportunity to take exposure in Greater China .

- With underlying fund as 'Schroder International Selection Fund Greater China Fund', fund primarily invests in Mega & Large-caps of Peoples Republic of China, Taiwan and Hong Kong companies
- Fund Size: \$ 2.5 Bn | Underlying benchmark: MSCI Golden Dragon | Fund management: Schroder Investment Management (Europe)
- Top 10 Holdings: Tencent,Taiwan Semicon, Alibaba, AIA Group, MediaTek, Shenzhou, Meituan, Hong Kong Exchanges
- Geographical exposure: China 61%, Taiwan 25%, Hong Kong: 11%, Cash: 1.4%, Australia: 14%
- Sectoral exposure: IT: 26.6%, Consumer Discretionary: 21.3%, Communication Serv: 12.7%, Financials: 9.1%, Industrials: 7.9%
- Regional exposure: Emerging market :85%, Pacific:10.2%, Americas: 1.4%, Europe:0.6%, Cash: 1.8%, Others: 0.9%
- Tactical allocation: ~5-8% of overall equity allocation in an already well diversified clients' portfolios

Product Category: Hybrid MF

ICICI Pru Balanced Advantage Fund

 Tenure: >3 years

- ICICI Pru Balanced Advantage Fund is open ended Dynamic Asset Allocation Fund
- Fund is managed by Sankaran Naren (managing since 2017) and Manish Banthia (managing since 2009)
- Scheme uses an in-house asset allocation model to maintain an effective equity investment level closely linked to market valuations. Balance investment is in Debt, REITs/InvITS & cash equivalents
- Strategy is suited to current market phase wherein equities trade at all-time highs amid rising risks on global stage such as geo-political tensions, impending Fed rate cut cycle and national elections in major economies
- Fund is suitable for investors seeking to benefit out of market volatility (with a relatively conservative approach) while maintaining fair equity allocation levels based on market phases
- As on May 31, 2024, the net equity exposure of the scheme stands at ~41%. The scheme is overweight to the Auto and Retailing sectors due to positive outlook
- Fund has outperformed benchmark (CRISIL Hybrid 50:50 Index -Moderate) over medium to long term. Delivered 19.69% returns in 1 year, 12.45% CAGR in 2 years and 11.36% CAGR since inception

Mirae Asset Multi Asset Allocation Fund

 Tenure: > 3 years

- Mirae Asset Multi Asset Allocation Fund invests in a portfolio of multiple asset classes such as Equity & related securities, Debt & Money Market instruments, Gold/Silver and Commodity derivatives, REITs/INVITs to provide long term capital appreciation
- Broad range for investments across asset classes includes: Equity & Equity related instruments (65–80%), Debt (10–25%), Gold & Silver ETFs/Commodities (10–25%), REITs/INVITs (0–10%), Foreign Equities (0–15%)
- Net equity allocations are in the range of 40–75% based on valuations parameters such as Price to Book and Bond Yield and Earnings yield spread. Follows counter cyclical approach to investing (when PB is high, decreases equity exposure; when Yield Spread is high (Bond yield higher than equity yield), decreases equity allocation)
- Currently, scheme has 67% allocation in Equity and Arbitrage (-16.9%) [Net Equity 50.05%], Debt 19.62%, Gold/Silver/Copper 13.43%, REITs/INVITs: 0.47%

Product Category: PMS Multi Cap

InCred Multicap PMS

 Tenure: > 3 years

- InCred Multicap strategy, managed by Mr. Aditya Sood, adopts a balance across Large Cap, Mid Cap and Small Cap
- Benchmark agnostic bottom-up stock picking, High conviction portfolio of around 30 stocks
- Investment Framework: Buy 'Great' businesses at fair value, Buy 'Good' businesses at a discount and Avoid 'Bad' businesses

Product Category: PMS Mid & Small Cap

InCred Small & Midcap PMS



Tenure: > 3 years

- InCred Mid & Smallcap strategy, managed by Mr Aditya Sood, adopts a midcap and small cap centric approach with Growth oriented focus
- Benchmark agnostic bottom-up stock picking, High conviction portfolio of around 30 stocks
- Investment Framework: Buy 'Great' businesses at fair value, Buy 'Good' businesses at a discount and Avoid 'Bad' businesses

Product Category: PMS Healthcare

InCred Healthcare PMS



Tenure: > 3 years

- InCred Healthcare strategy, managed by Mr Aditya Khemka, will invest at least 65% in healthcare segment including pharmaceuticals, hospitals, diagnostic, insurance etc.
- Multicap strategy is balanced across Large cap, Midcap and Small cap
- Benchmark agnostic bottom-up stock picking, High conviction portfolio of around 15 stocks
- Investment Framework: Buy 'Great' businesses at fair value, Buy 'Good' businesses at a discount and Avoid 'Bad' businesses

Disclaimer:

Incred Wealth and Investment Services Private Ltd. (InCred Wealth) is an AMFI registered Mutual Fund Distributor. InCred Wealth also acts in the capacity of distributor of various Financial Products InCred Wealth does NOT provide investment advisory services in any manner or form. Above is not to be deemed to constitute as distribution, an offer to buy or sell or the solicitation of any offer to buy or sell any securities or financial instruments in any jurisdiction in which such distribution or offer is not authorised to any person

Please contact your InCred Wealth representative for further information on solutions that best suit your needs.