

Focused Investment Ideas

March 2025



AIF - Special Situations

InCred Special Opportunities Fund – I

 Tenure: 6.5 years

 Risk Score - 6

- InCred Special Opportunities Series I (ISOF I), is Cat II Closed ended Credit Fund focussed on Special Opportunities which targets Market Agnostic returns with fixed Income protection
- **Investment Approach:** Profitable Businesses, Threshold Asset/Security Cover, Deep Value on entry, Potential of revival & debt control
- **Disciplined risk management approach: Investment** (Deep diligence for underwriting, adequate security cover, mutiple exit options) and **Credit Monitoring** (well laid out monitring terms, regular updates, and financials & covenants)
- ISOF I will have around 15-18 investments with indicative allocation in: **25%** (Acquisition Finance, Bridge to monetization, Financing PE Exit, Holdco Financing), **50%**(Reterming of Liabilities, Last Mile Financing, Super Senior Financing), **25%** (Dislocated Secondaries, Liquidity to Existing Lender(s), Cash Flow Mismatches)
- Targeted fund size: INR 1000 cr with a green shoe of additional 500 cr
- Tenure: 6.5 years from first close
- Targeted Gross Returns :~21-23% with Quarterly distributions
- Hurdle rate: 12% IRR, Carry: 15% with 100% catchup (1-25 Cr)

AIF - Performing Credit

InCred Credit Opportunities Fund II

 Tenure: 5.75 years

 Risk Score - 6

- 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

AIF - Credit Fund

Franklin India Credit AIF - Scheme I



Tenure: 4 years



Risk Score - 6

- Financial Services focused Private Credit AIF (Cat II)
- 10-15% Yielding segment -> Develop the credit market for this segment through a disciplined investing approach
- Minimize liquidity drag on investor returns through predictable and time bound capital calls
- Periodic payments through quarterly coupons/amortization
- Participate in India's secular growth trajectory through investing in financial services sector
- Product positioned like a credit FMP. Structure would be like a Credit MF with Quick deployment (under 3 months), regular cashflows (quarterly) and payback on exact maturity (no re-investments)
- Targeted IRR: 12-13%, investments 10-12 opportunities

Nippon India Credit Opportunities (NICO) AIF Scheme – 1



Tenure: 4.5 years



Risk Score - 6

- Close ended Cat II AIF investing in securities of issuers with investment grade ratings with an endeavor to generate extra yield over traditional investment options without significant incremental credit risk
- NICO will typically invest in both listed and unlisted debentures
- Invest in fixed income instruments in a gross yield range of 12.00% - 16.00%. Optimum mix of regular and back ended cashflows. Sweet spot for gross yield 14.5-15%
- Sector agnostic portfolio of 8-12 issuers. Weighted Average Maturity of the fund likely to be between 3-3.5 years
- Indicative constituent of the portfolio would be structures rated in A & BBB scale
- Investment Manager will endeavor to exit all investments in the portfolio within 5.5 years from initial closing date (Oct 2023)
- Commitment period: 12 months from final close (March 2025); extendable by 6 months
- 5 opportunities identified: FMCG Franchise (IRR: 14.5%, Coupon payment : Monthly), Microfinance (IRR: 13.6%, Coupon payment : Quarterly), Pharma (IRR: 13.5%, Coupon payment : Monthly), Airport (IRR: 15.8%, Coupon payment : Annual), Cement (IRR: 14.9%, Coupon payment : Monthly)

Northern Arc Finserv Fund - Debt (CAT II AIF)



Tenure: 4 years



Risk Score - 6

- 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 (RS S 6 & above)

MF - Discretionary PMS

Omni Alpha Multi Manager Equity PMS



Tenure: > 2 years



Risk Score - 6

- Omni Alpha adopts Multi manager Equity PMS approach that intends to fix the problems of conventional mutual fund management
- DPMS adopts a Research based fund selection, Disciplined approach to investment, strong processes, active management and periodic review & rebalance
- Omni Alpha has a holistic approach to portfolio construction, with aim to optimize risk adjusted returns
- Investment Universe: Equity, Hybrid and Other Mutual Funds. Unallocated Cash through liquid/overnight MF
- With investment horizon of atleast 2 years, and min ticket size of 3 Cr, Omni Alpha intends to beat S&P BSE 500 TRI benchmark with strategic and tactical allocations primarily in Mutual Funds

AIF - Long Short

ASK Absolute Returns Fund



Tenure: > 3 years



Risk Score - 5

- ASK Absolute Returns AIF (Cat III) has a fund Objective to deliver absolute returns over medium term with lower degree of volatility compared to broader Indian equity indices
- Targeted Returns: An alpha of 100-150 bps over liquid fixed income alternatives from a 12+ month investment horizon
- Current AUM Size: Rs 1000+ Cr as on January 23, 2025
- Investment are largely done in 3 core buckets: A. Cash Markets B. Derivatives- Futures C. Fixed Income
- Out of total 11 months since its inception(Jan-24), AIF has delivered positive returns in 10 months translating into a hit rate of ~91%
- Out of these 11 months, fund has delivered an alpha over benchmark (NIFTY 50 Arbitrage) in 10 instances, translating into Alpha generating rate of 91%
- AIF has much lower volatility (3.13%) vs 11.32% of NIFTY 50 TRI since Inception and hence risk adjusted returns (Sharpe ratio:4.01) is higher than NIFTY 50 TRI
- On a 6M Rolling Returns basis inception(Jan-24), AIF has delivered annualised returns in the range of 14.6 to 21.1% without a single instance of negative rolling return

Helios India Long Short Fund



Tenure: > 3 years



Risk Score - 5

- Helios India Long-Short AIF (Cat III) has an objective to Outperform India Long-Only benchmark (NIFTY 50 TRI) using a Long/Short strategy
- With Current AUM Size: Rs 450 Cr as on December 2024, Investment are largely done in 3 core buckets: A. Cash Markets B. Derivatives- Futures C. Fixed Income
- Number of longs: 30-50; Number of individual stock shorts: 15-25 and Liquidity restrictions for at least 60% of portfolio
- Out of total 25 months since its inception(Dec-22), AIF has delivered positive returns in 19 months translating into a hit rate of ~76%
- On a 1 yr Rolling Returns basis, out of total 14 months since its inception(Dec-22), AIF has delivered positive returns in 10 months translating into a hit rate of ~71.4%
- AIF has much lower volatility (8.23%) vs 11.35% of NIFTY 50 TRI since Inception and hence risk adjusted returns (Sharpe ratio) is higher than BM (NIFTY 50)

Equity MF - Thematic

Nippon India Banking & Financial Services Fund

 Tenure: > 3 years

 Risk Score - 6

- 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

MF - Multi Asset Allocation

WhiteOak Capital Multi Asset Allocation Fund

 Tenure: > 3 years

 Risk Score - 5

- WhiteOak Multi Asset Allocation Fund (WMAA) offers diversification across various asset classes like different asset classes like domestic equity & related instruments, Gold, Fixed income, Foreign Equity etc.
- Economic Cycles and Markets across the globe are very dynamic and it is not possible to consistently time the winning asset class. However, suitable diversification across major asset classes may aid stable returns over long term investment timeframe
- Fund is managed by Ramesh Mantri (~ 2 decades of experience in India MF industry). WMAA invests in various asset classes using internal Proprietary Model to figure out relative attractiveness of these asset classes
- Portfolio construction of WMAA in major asset classes and range of weights: Domestic Equity (15% to 45%), Foreign Equity (0% to 10%), Gold (0% to 40%), Fixed Income (10% to 55%). One of the few funds in the industry whose Gold/Silver allocation has upper bound of 40%
- With inception date of May 2023, Fund has delivered 9% in 6 months (vs category avg: 6.2%) and 20.3% in 1 years (vs category avg: 20.4%). Fund has broadly performed inline with CRISIL Hybrid Index
- Given its a Multi Asset Allocation Fund (Hybrid MF), LTCG Taxation for holding period of > 2 years is 12.5%, for STCG taxation for holding period of < 2 years is at Marginal Rate

Debt FoF

Bandhan Income Plus Arbitrage FoF

 **Tenure: > 2 years;**

 **Risk Score - 6**

- Bandhan Income Plus Arbitrage Feeder fund invests up-to 60-65% in a dynamically managed debt strategy & would manage portfolio duration by strategically investing in Debt oriented schemes. Debt portfolio will not exceed 65% of the portfolio
- Up-to 35-40% of the portfolio will be allocated to equity arbitrage MF & non - directional Equity exposure
- 35+% allocation in Arbitrage funds has been introduced to improve FoF's tax efficiency. When held for 24M+ duration, LTCG would be taxed at 12.5%, for holding period below 24M, taxation would be at Slab rate
- Current Allocation includes: 1. Bandhan Arbitrage Fund(G)-Direct Plan (36.64%) 2. Bandhan Corp Bond Fund(G)-Direct Plan (62.95%) and Cash & Cash Equivalents (0.41%)
- The product is suitable for investors looking at more tax Efficient returns compared to a pure Debt Strategy amid a comparable risk profile

PMS Multi Cap

InCred Multicap PMS

 **Tenure: > 3 years;**

 **Risk Score - 6**

- 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

Buoyant Capital Opportunities PMS

 **Tenure: > 3 years;**

 **Risk Score - 6**

- Incepted in June 2016, Buoyant Capital AMC (BCA) specialises in 'Investing through Cycles' and generating cross-cycle alpha
- Buoyant Capital Opportunities PMS strategy adopts a sector and segment agnostic Allcap approach
- Sector weight decision is taken on 'Top-Down' basis, Stock selection is on 'Bottom-Up' basis
- BCA believes that stocks and sectors undergo periods of 'Extraordinary returns' and 'Consolidations' and so focuses on Earnings based Early mover advantage to benefit from outsized returns
- BCA actively channelises allocations in outperforming sectors and systematically trims exposures in underperforming segments across phases. BCA believes in Active management and are against 'BUY & HOLD' philosophy

ValueQuest Growth PMS

 **Tenure: > 3 years;**

 **Risk Score - 6**

- ValueQuest invests in fundamentally sound, high-quality companies with proven track record at reasonable valuations. Idea is to ride the growth phase in the company over rolling 3-5 years' time frame
- Incepted in October 2010 and managed by FM Sameer Shah, VQ operates on S.C.A.L.E Framework which helps distil companies which are current or future leaders: 1. Scalable Companies 2. Competitive Advantage 3. Adaptive 4. Long runway 5. Superior Execution
- Strategy has delivered an alpha of 8+% over the Benchmark over long term. Strategy has delivered an alpha in the range of 4-9% over BSE 500 TRI index on 1-5 Yr Rolling Returns basis
- Strategy has delivered an alpha in 9 out of 15 calendar years over BSE 500 TRI benchmark (60% of instances)
- AMC AUM : Rs 19,081 Cr across 2022 clients (as on December 31, 2024) | ValueQuest Growth PMS AUM: INR 2,175 Cr (as on Dec'24)

PMS Mid & Small Cap

InCred Small & Midcap PMS

 **Tenure: > 3 years;**

 **Risk Score - 6**

- 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

PMS Healthcare

InCred Healthcare PMS

 **Tenure: > 3 years;**

 **Risk Score - 6**

- 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

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Registered Office and Corporate Office Address: Unit No 1203, 12th Floor, B Wing, The Capital, C 70, B Block, BKC, Bandra (E), Mumbai 400051; Phone: +91 22 68446100;

website: www.incredwealth.com ; CIN: U67190MH2020PTC350270.