

“SPOT TOMORROW’S LEADERS”



July 2023

ITI Midcap Fund

(An open ended equity scheme predominantly investing in mid cap stocks)



MIDCAP – A sweet spot in the Indian equity market

LARGECAP

Top **100** Companies

No. of Stocks: 100

Market Cap Range:
Over 49,686 Cr

MIDCAP

Top **101 to 250**
Companies

No. of Stocks: 150

Market Cap
Range:
**17,409 Cr -
49,686 Cr**

SMALLCAP

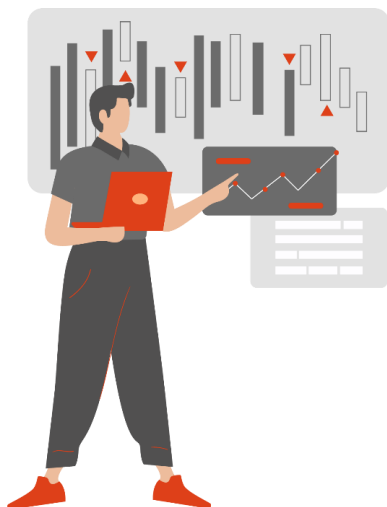
Top **251 & Below**
Companies

No. of Stocks: 1061

Market Cap
Range:
**500 Cr -
17,409 Cr**



What makes Midcaps attractive?



01

Midcap companies provide a universe of stocks having greater chance of mismatch between market price and intrinsic value.

02

Midcaps companies have business models that are evolving i.e. neither in mature nor nascent stage. They are smaller than largecaps and bigger than small caps hence better placed in terms of growth prospects & stability.

03

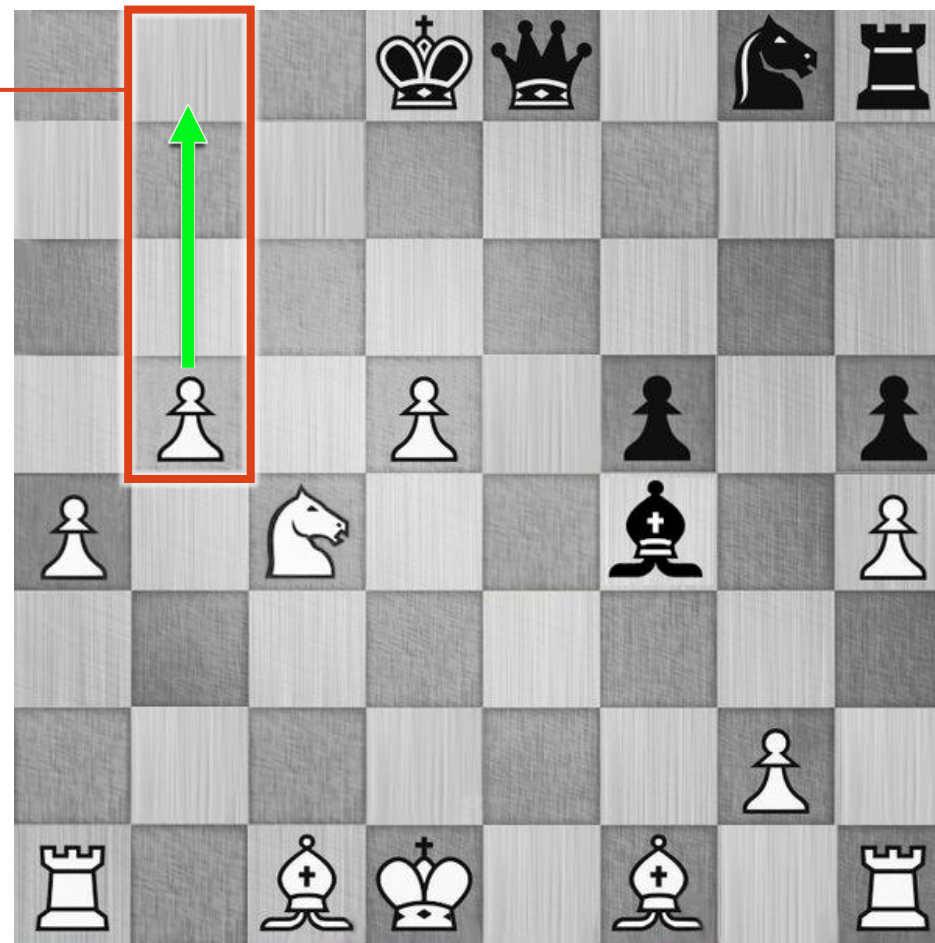
A handpicked midcap portfolio has potential for alpha creation because of stage of growth cycle the midcaps are in.



Why Midcap?

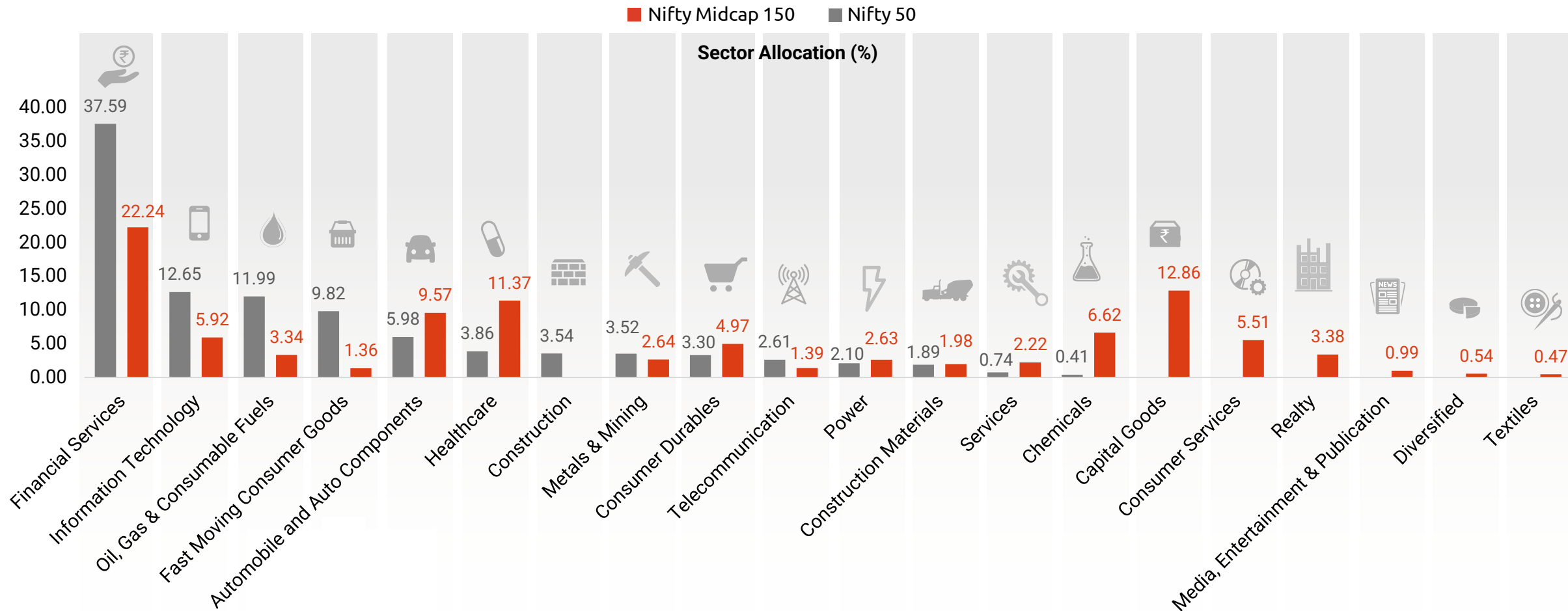
Midcaps are midway in their journey to become Largecaps

- These are evolving businesses in the growth phase.
- Generally, they have a track record of continuous profit creation.
- All set to generate higher wealth by achieving exponential growth.





Provide access across varied sectors and industries



% Allocation	Nifty Midcap 150	Nifty 50
Top 5 Sectors	62.66	78.03
Top 10 Sectors	85.78	94.86

Midcaps are breeding grounds for stable innovation and disruptive technology.

Investment in Midcaps inherently come with better diversification and lesser concentration



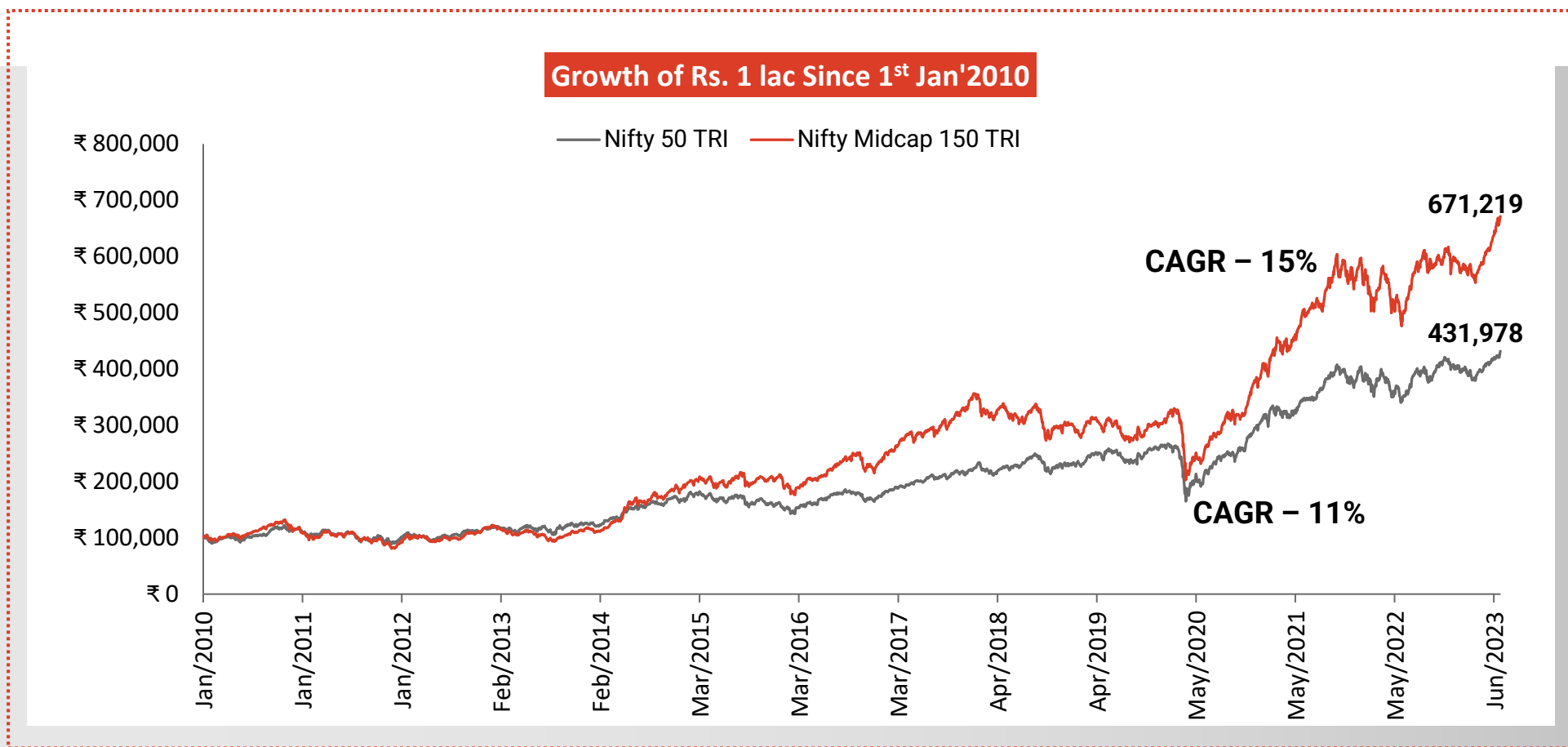
Provide Consistent Outperformance

	5 Year Daily Rolling Period			7 Year Daily Rolling Period		
	Nifty 50 TRI	Nifty Midcap 150 TRI	Alpha Created	Nifty 50 TRI	Nifty Midcap 150 TRI	Alpha Created
No. of Observations	2111	2111		1616	1616	
%times + returns	99.8%	100.0%		100.0%	100.0%	
> 10% Returns	74.4%	88.7%		85.0%	99.9%	
MIN	-1.0%	0.5%	1.5%	5.7%	9.9%	4.1%
MAX	19.0%	29.1%	10.2%	15.9%	21.4%	5.6%
AVERAGE	12.0%	16.2%	4.2%	12.0%	16.4%	4.5%

Over a long term investment horizon, midcaps have a potential, albeit with volatility, to outperform largecaps and create higher wealth.



Better performance for longer investment horizons - Lumpsum



Over a period of 13.6 years midcaps have generated 4% CAGR alpha over the largecaps, value of Rs. 1 lac invested grew by 6.7X in midcaps vs. 4.3X in largecaps.



Better performance for longer investment horizons - SIP

Period	Amount Invested	NIFTY 50 - TRI		NIFTY Midcap 150 - TRI		Alpha Created (%)
		Value of Investment	XIRR (%)	Value of Investment	XIRR (%)	
3 Years	₹ 3,60,000	₹ 4,54,309	15.75	₹ 5,08,562	23.84	8.09
5 Years	₹ 6,00,000	₹ 8,94,635	16.01	₹ 10,61,429	23.04	7.04
7 Years	₹ 8,40,000	₹ 14,19,335	14.74	₹ 16,42,413	18.84	4.10
10 Years	₹ 12,00,000	₹ 24,66,062	13.80	₹ 31,87,980	18.58	4.78

Monthly SIP of Rs. 10,000 in Nifty Midcap 150 TRI has generated a minimum alpha of CAGR 4% across tenors vs. Nifty 50 TRI while maximum alpha of ~8%.



Bounces back quicker than the broader market

Period	Nifty 50 TRI		Nifty Midcap 150 TRI	
	In Fall of Market	In Recovery Period	In Fall of Market	In Recovery Period
Global Financial Crisis (09-01-2008 to 09-03-2009)	- 58%	148%	- 72%	254%
Taper Tantrum (22-05-2013 to 27-08-2013)	- 13%	72%	- 16%	113%
Chinese Stock Market Crash (29-01-2015 to 29-02-2016)	- 21%	28%	- 12%	38%
Covid Pandemic (17-01-2020 to 23-03-2020)	- 38%	147%	- 37%	197%
Russia-Ukraine War (14-01-2022 to 17-06-2022)	- 16%	24%	- 18%	37%

**THE WIN CAN BE YOURS,
IF YOU CHOOSE THE
RIGHT STRATEGY**

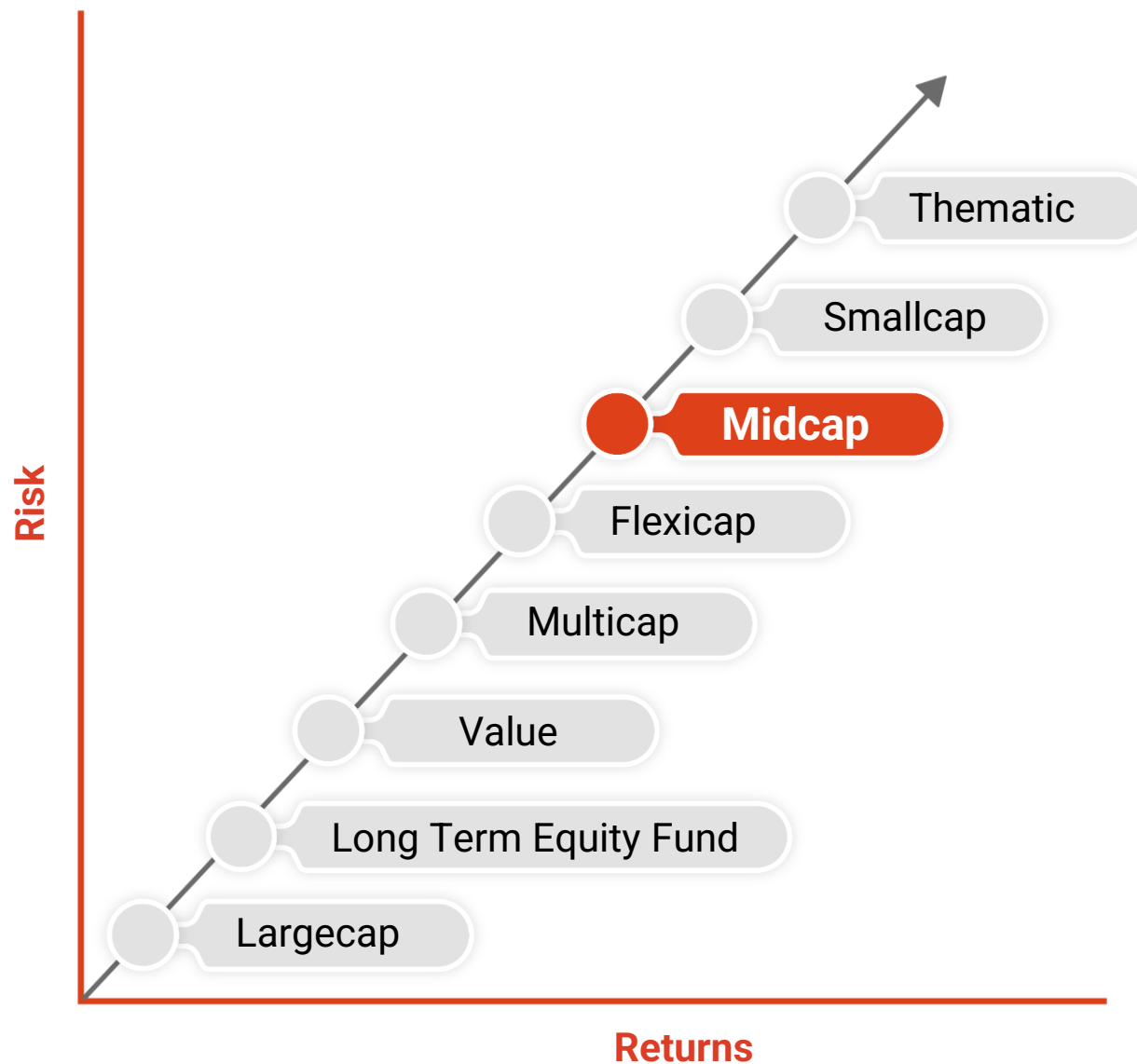
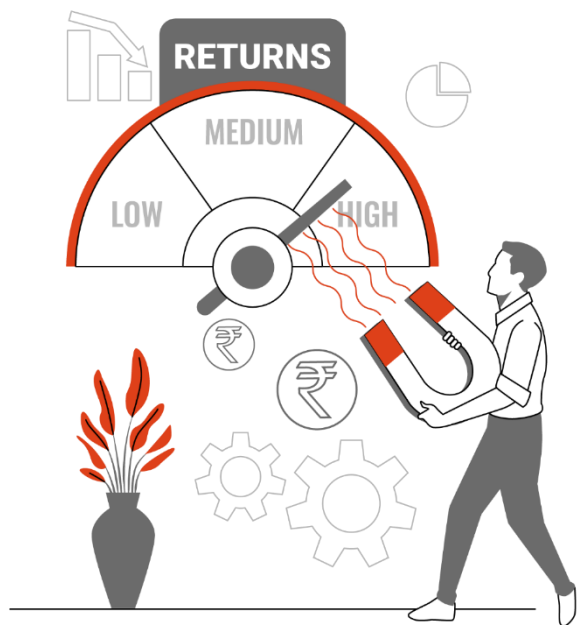


Presenting

ITI Midcap Fund



Fund Positioning





Spot tomorrow's leaders with ITI Midcap Fund

FUND STRATEGY

1

Uses bottom-up stock picking with top down approach for a niche portfolio creation.



2

Handpicks companies with stable businesses & potential for long term growth.



3

Selects companies with scalable business models having attractive return ratios, strong balance sheets & robust cash flows.



4

Only chooses businesses with credible management/promoters having potential to take the business to the next level.



5

Further the fund manager considers historical & current financial condition, value creation opportunities and their impact on earnings growth, capital structure, business prospects, policy environment, responsiveness to business condition, product profile, brand equity, market share, competitive edge, research, technological capabilities & corporate governance.



6

A diversified portfolio construction approach for risk mitigation.





Four Pillars of Portfolio Construction Approach



Business Selection

Growth/Scalability:

Stocks with large market opportunity & good growth runway

Stock Bucket: Diverse nature of Midcap Stocks

Capital Efficiency:

Competitive Advantage, niche moats, Superior ROE



Management

Key principles for selecting the right management:

- Thought Leadership
- Capital Allocation
- Corporate Governance
- Competence



Valuation

Reasonable valuations are a must for portfolio inclusion:

- Aim for margin of safety
- Invest basis GARP (Growth at Reasonable Price)



Tactical Picks

- Chooses from transformational and turnaround candidates that have high growth potential
- Core Portfolio is built using the **top 3 pillars of portfolio selection**



BUSINESS SELECTION

Rigorous Primary Research

- Market Intelligence (Plant Visit, Dealer & Expert Views, Channel checks)
- Results from internal financial models
- Broker Support
- Meetings with Management
- Size liquidity & benchmark

+

MANAGEMENT

Quantitative Screeners

- Earnings Growth Trend
- Quality of Management
- Return on investment
- Capital allocation strategy

+

VALUATION

Analysts Inputs

- Risk Analysis
- Valuation filters
- Growth Projections
- Analyst Recommendation

=

FINAL PORTFOLIO



Nature of Businesses in our portfolio



LEADERS: These companies are flagbearers of the sector they belong to and often continue to grow with the sector. They can be a mix of highly regulated (formalized) & unformalized business nature.

CHALLENGERS: These are mid size companies having a competitive advantage, operating in large established sectors. They thrive on continuous market share gain & operate differently from the sector leaders. Regulations can have significant influence on their growth.

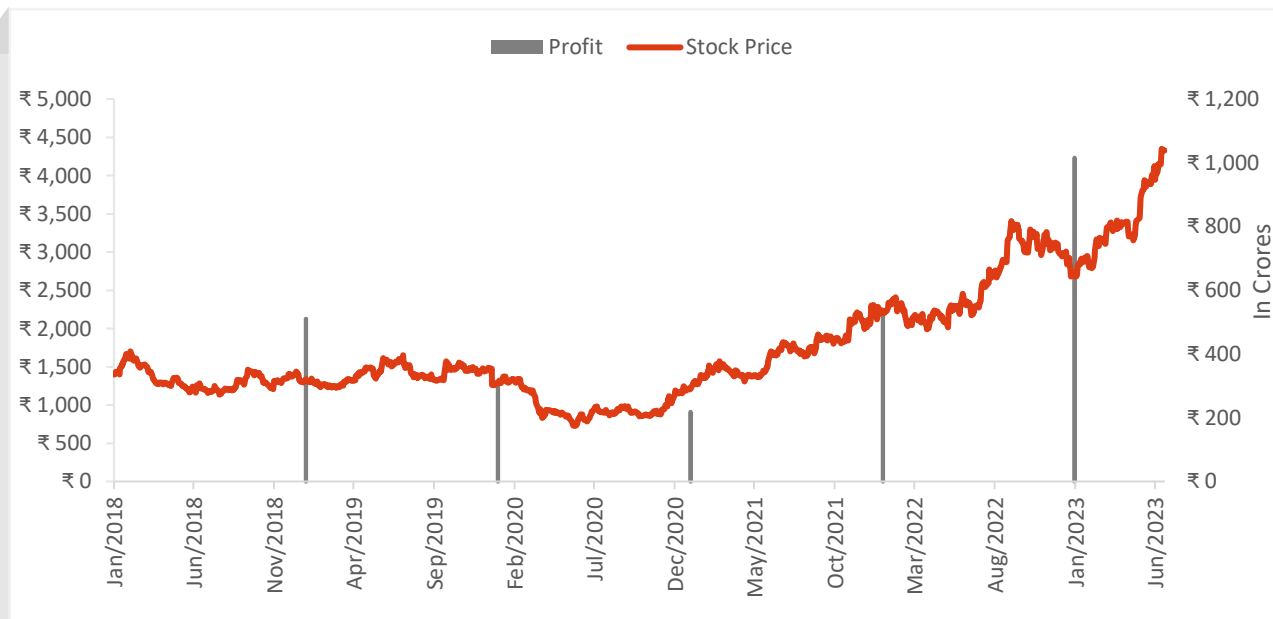
INNOVATORS: These are new and innovative businesses fueled by entrepreneurial spirit. Unique services, internet-based businesses, retail, e-commerce, consumption & payments are the breeding grounds for these businesses at present.

4 pillar framework in action Stock Case Studies





Business Selection



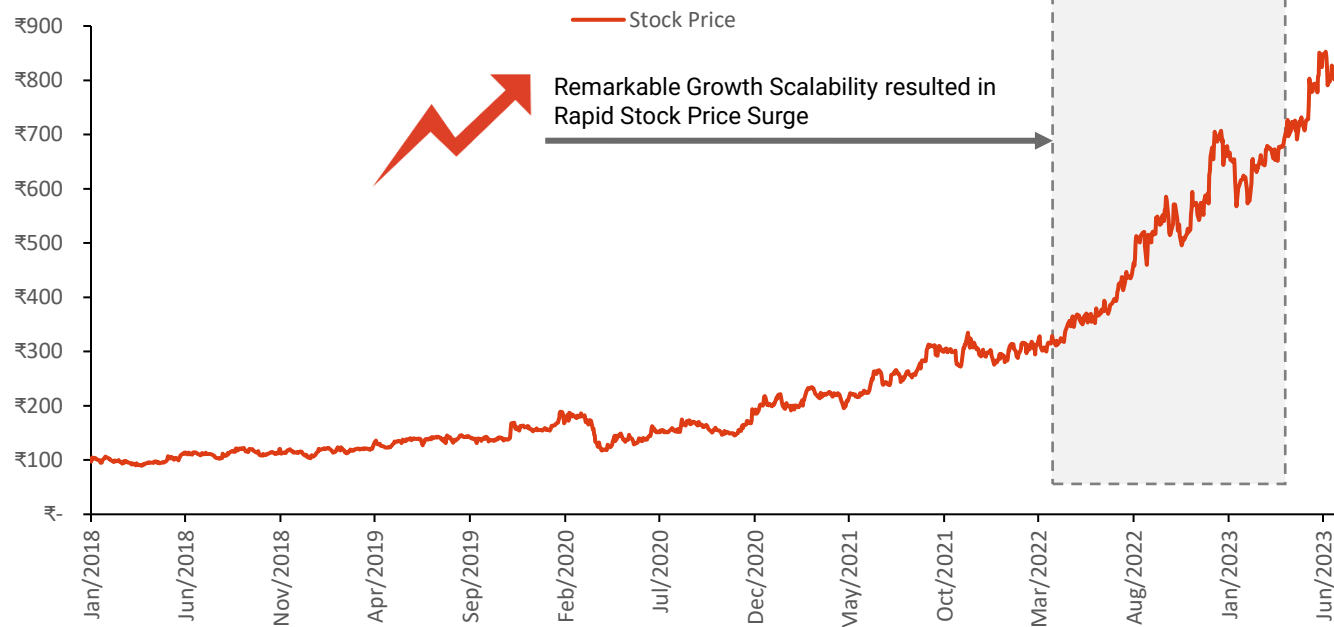
A leading global technology company that energizes the transformation of society and industry to achieve a more productive, sustainable future. By connecting software to its electrification, robotics, automation and motion portfolio, the company has pushed the boundaries of technology to drive performance to new level. Thriving on its core competency the company achieved remarkable sales growth & profit growth

The business would be one of the major beneficiaries of increasing investments in automation, digitization, productivity & efficiency. Owing to its **highly diversified product portfolio**, government's push in renewables, waste water management, infrastructure, logistics, electrical vehicles & transport infrastructure bodes well for future growth.

The company has growing order book from diverse industries, strong balance sheet that would contribute to substantial growth in the coming quarters.



Growth Scalability

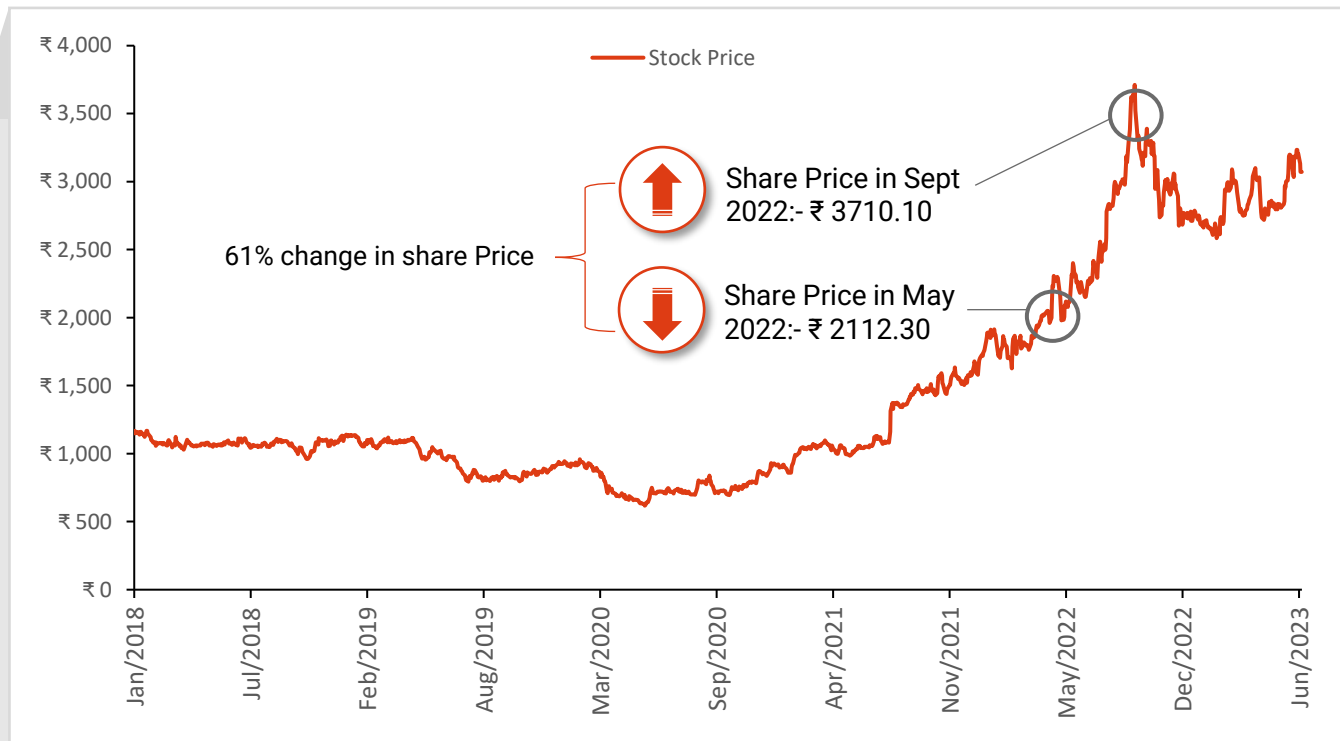


An India based beverages company which produces and distributes a range of carbonated soft drinks and large selection of non-carbonated beverages is set to expand its business and scale.

The company that was operating at ~70% capacity utilization a few years ago is running at ~90% capacity utilization. This has been achieved through massive capex investments ~Rs.1800 Cr in CY 2022 and plans of another Rs.1500 Cr in the current year.

Company experienced robust growth and profitability, despite the heavy capex of Rs.3,300 Cr, the free cash flow in CY22+23 will be a positive Rs.630 Cr.

Transformation



An India-based automotive and industrial component supplier that primarily manufactures ball and roller bearings used in automotive and several other industries saw a remarkable surge in its share price. This comes with a successful introduction of multiple new electric axles to the market.

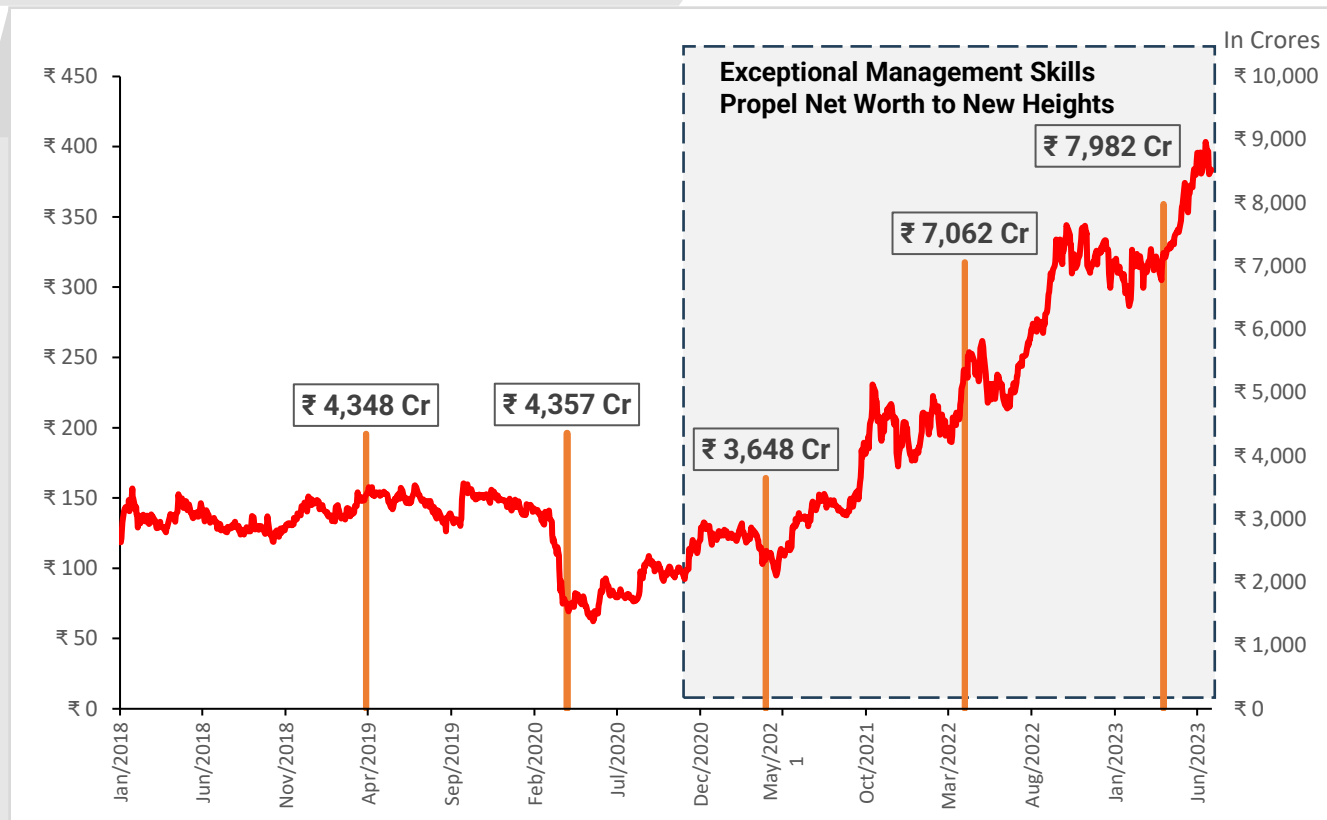
With changing technology, the demand for differential industrial components is rising and this business is well poised to turn the tide with market.

The company is expanding into high growth areas **1. Ball bearings & 2. Electric axles** as the market for both these products is expected to expand massively in the coming years given the utilization of bearings in motors & the demand for automotive electrification.

Government initiatives to drive the manufacturing sector, and further higher use of bearings in energy-efficient cars shall help propel the demand forward.



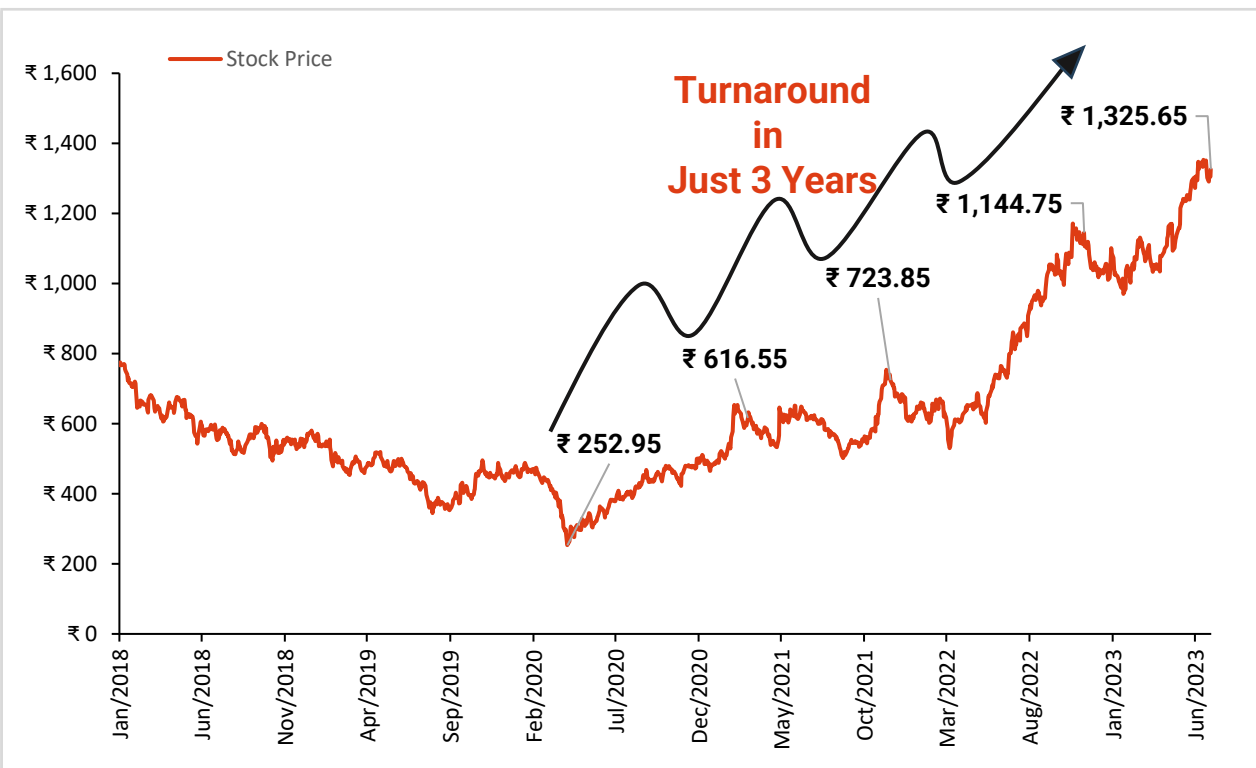
Management



- A large hotel chain witnessed change in business area with change in management philosophy.
- With new chairperson joining in the 2017, the company's management style changed, and they transitioned from hotel business to hospitality ecosystem by engaging in restaurants and mobile food service activities.
- 2018 to 2023 has been a remarkable period since the change in strategy and the same is apparent in the significant increase of Net Worth.
- Management is committed to take company to new highs as they are moving away from a 'Branded House' strategy to a 'House of brands' strategy. The CEO believes that addition of 36 new hotels and the opening of 16 hotels is just a beginning and more properties would be added in the coming years. The company has already made a global mark in defining luxury, and this new leg of growth could be attributed to a more broad-based strategy.



Turnaround Candidate



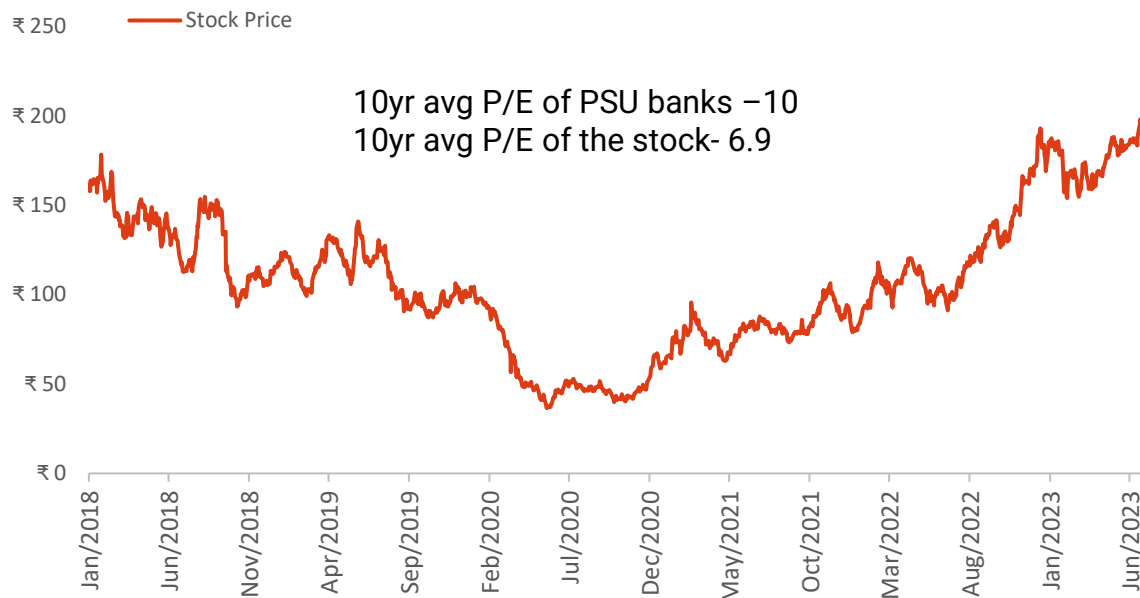
A challenger two wheeler company no 3 player in the segment with sub par profits has turned its business around by engaging in strategic partnerships and expanding into the EVs. This is one of India's largest two-wheeler manufacturers and among the top 10 in the world.

Despite flat volume growth, revenue grew on the back of superior product mix. This was largely driven by the growth in the urban commuters and strong product mix in the 125cc category.

The future growth prospects of the company are promising due to proactive launching of EVs & strategic engagement with last mile delivery platforms. The company is now the largest EV two-wheeler player amongst the incumbents.



Valuation



A traditional banker has transformed into a new age digital banking revolutionizer.

Since 2020, the bank has steadily reduced no. of branches as well as no. of employees, yet the business growth has been robust. During this period the total retail business grew by 26% and total overall business grew by 24%.

The subsidiaries of this company have also demonstrated steady growth and added to the overall profits. Yet, the P/E multiple remains at discount compared to the 10yr avg P/E of PSU banks



Current Fund Stats

Past Performance of ITI Midcap –Regular-Growth

Returns (%)				Value of Investment of 10,000		
Period	Fund Returns (%)	Benchmark Returns (%)	Additional Benchmark Returns (%)	Fund (Rs)	Benchmark (Rs)	Additional Benchmark (Rs)
Last 1 Year	27.83%	34.40%	22.91%	12,783	13,440	12,291
Since Inception	11.01%	19.15%	12.78%	12,742	15,016	13,220



Past performance may or may not be sustained in future. Different Plans i.e. Regular Plan and Direct Plan under the scheme have different expense structure. Benchmark: Nifty Midcap 150 TRI Additional Benchmark: Nifty 50 TRI. Fund Managers: Mr. Rohan Korde (Managing since 29 April 2022) and Mr. Dhiman Shah (Managing since 01 October 2022). Inception date of the scheme (05-Mar-2021). Face Value per unit: Rs. 10. For performance of other schemes managed by the Fund Managers, refer attached link. https://itiamc.com/admin/pdf/ITI_Midcap_Top_3_Bottom_3.xlsx





Current Fund Stats

Top 10 Securities

Company Name

%NAV

Shriram Finance Limited	2.86
ABB India Limited	2.49
Max Financial Services Limited	2.19
Solar Industries India Limited	2.16
The Federal Bank Limited	2.12
Aditya Birla Fashion and Retail Limited	2.09
Max Healthcare Institute Limited	2.06
Schaeffler India Limited	2.03
Power Finance Corporation Limited	2.00
Indian Bank	2.00



Fund Strategy

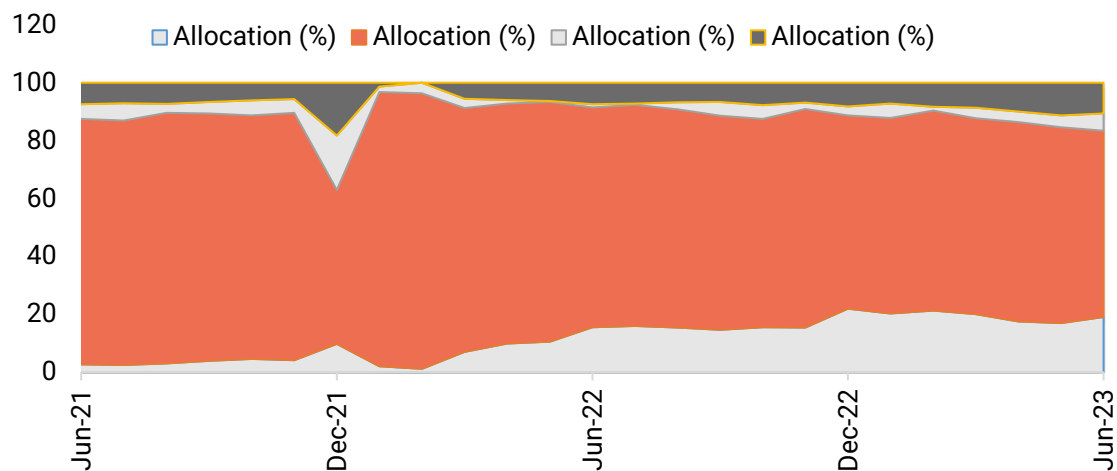
- **Bottom up stock selection** - Invest in mid cap stocks that are domestic oriented & less vulnerable to global conditions
- Invest in sound mid cap names which have **value** and **earnings visibility** focusing more on the Indian economy.
- At least **80%** of the portfolio will be of **core stocks** & **tactical bets** will not be more than **20%**
- The stock range envisaged is **45-75 stocks**



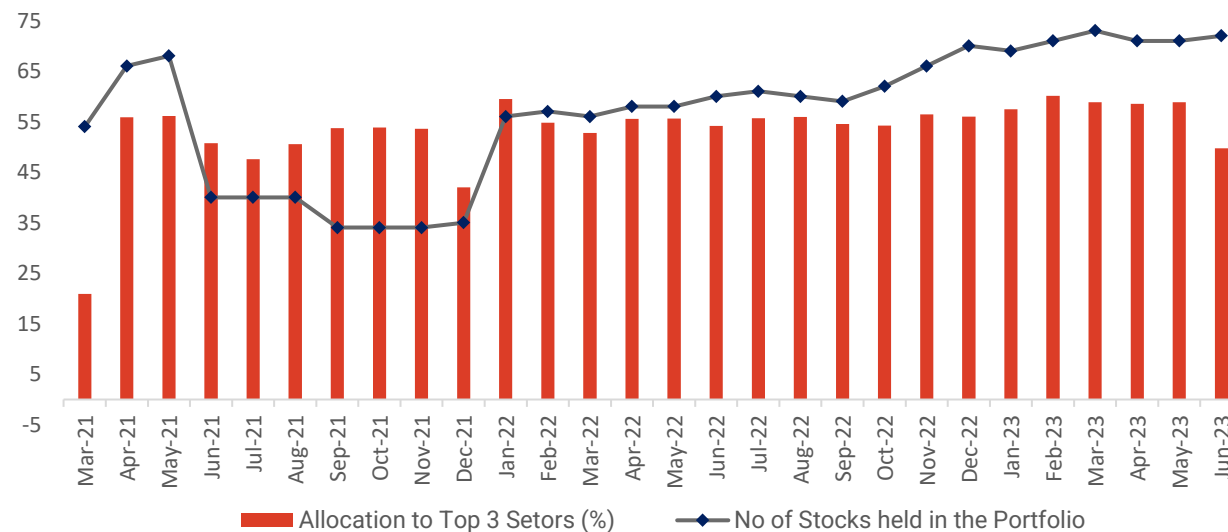
True to label fund management

The diversified nature of sectors and stock concentration aid in downside protection & sustainable performance

Mkt cap Allocation since inception (%)



Since the inception in 2021,
Average Allocation to Top 3 Sectors -53%
Average No. of stocks in the portfolio - 57





True to label fund management

Sector	Fund exposure	Benchmark exposure	OW/UW
Automobile and Auto Components	8.75	9.57	-0.82
Capital Goods	18.26	12.86	5.40
Chemicals	6.34	6.61	-0.27
Construction Materials	2.05	1.98	0.07
Consumer Durables	4.13	4.97	-0.84
Consumer Services	4.17	5.51	-1.34
Diversified	0.00	0.38	-0.38
Fast Moving Consumer Goods	3.21	1.52	1.69
Financial Services	22.69	22.25	0.44
Healthcare	6.20	11.36	-5.16
Information Technology	3.93	5.93	-2.00
Media, Entertainment & Publication	1.38	0.99	0.39
Metals & Mining	3.52	2.64	0.88
Oil Gas & Consumable Fuels	0.93	3.34	-2.41
NCA	4.94	0.00	4.94
Power	1.75	2.63	-0.88
Realty	3.02	3.38	-0.36
Services	1.84	2.22	-0.38
Telecommunication	1.04	1.39	-0.35
Textiles	1.85	0.47	1.38
Grand Total	100.00	100.00	





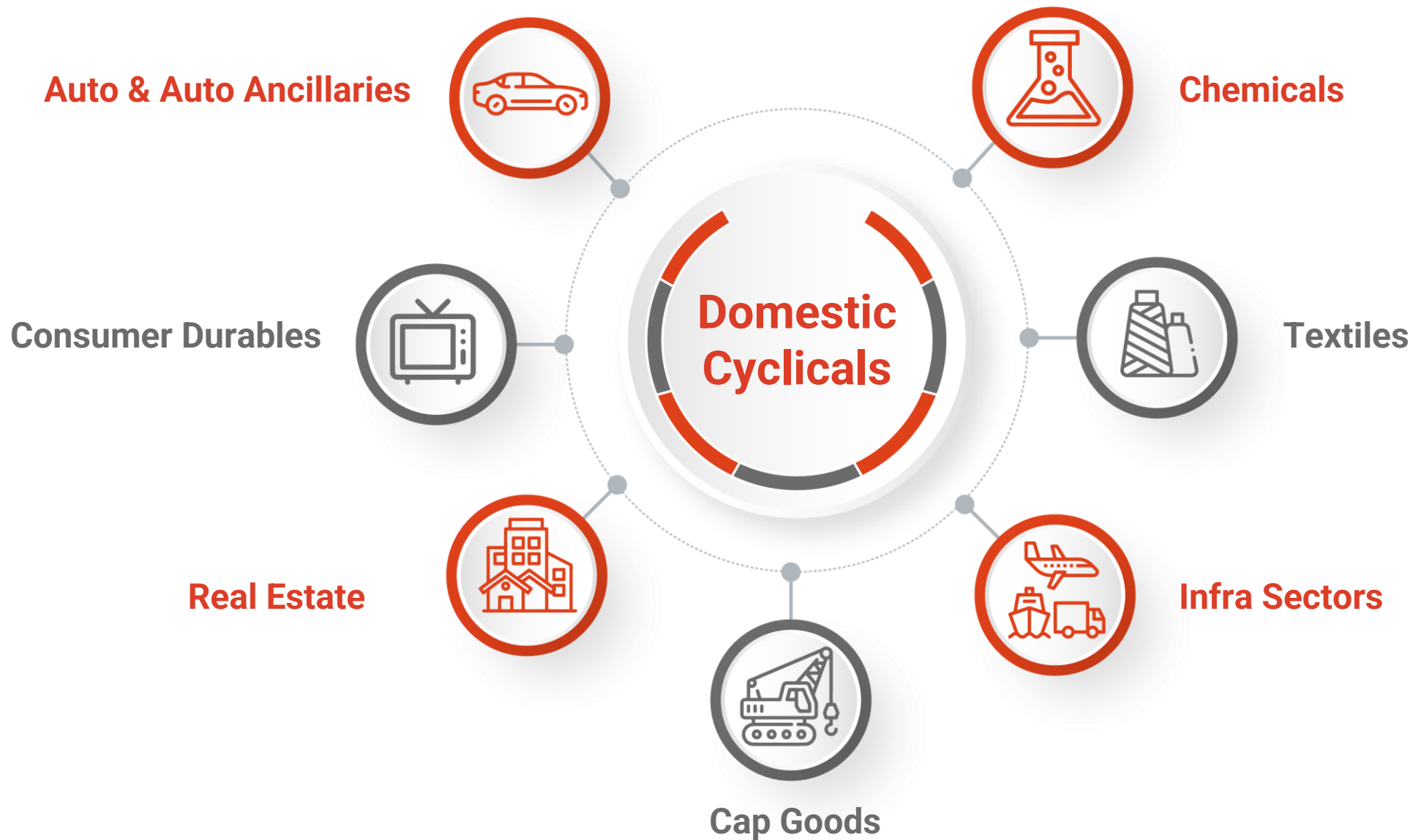
How do we avoid the checkmate?



- Avoid companies with questionable promoter integrity & capital misallocation.
- Poor cash flow through business cycles reduces our comfort.
- Focus on companies that follow the SQL (Safety-Quality-Low Leverage) framework



Current Investment Themes





Key Features of the Fund



- Aims to build a portfolio with higher profitability, lower leverage & lower valuations.
- Handpicks companies with high ROE.
- Focused on in-depth fundamental analysis before the stock inclusion.
- Extensive stock selection and stock exclusion parameters together ensure high levels of risk mitigation.
- Built-in agility to switch stance as per the changing market scenarios.



Who should invest?



- Investors looking for midcap allocation for higher wealth creation.
- Young investors with long term investment horizon.
- Savvy investors seeking to build an aggressive equity portfolio.
- Investors comfortable with market volatility.



Key Specs of ITI Mid Cap Fund

Scheme Name	ITI Mid Cap Fund
Benchmark	Nifty Midcap 150 TRI
Investment Objective	The investment objective of the Scheme is to seek to generate long term capital appreciation by predominantly investing in equity and equity related securities of Mid Cap stocks. However, there can be no assurance that the investment objective of the scheme would be achieved.
Date of Inception	5 th Mar 2021
Fund Managers	Mr. Rohan Korde & Mr. Dhimant Shah
Minimum Investment Amount	Rs. 5,000/- and in multiples of Re. 1/- thereafter
Plans & Options	Plans - Direct & Regular Plan. Options – Growth & IDCW
Exit Load	If units are redeemed /switched out within 12 months - 1%. Nil thereafter



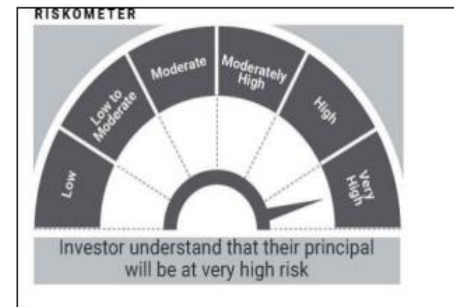
ITI Mid Cap Fund

(An open ended equity scheme predominantly investing in mid cap stocks)

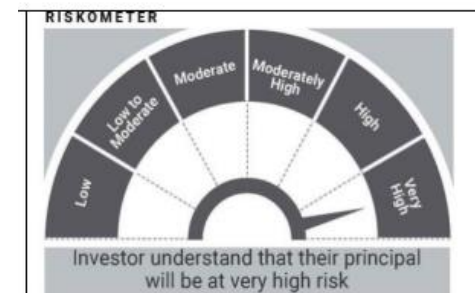
This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- Investments in portfolio predominantly consisting of equity and equity related instruments of mid cap companies

Scheme Riskometer



Benchmark Riskometer Nifty Midcap 150 TRI



*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



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**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

THANK YOU

