3P INVESTMENT MANAGERS

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The 3P India Equity Fund 1

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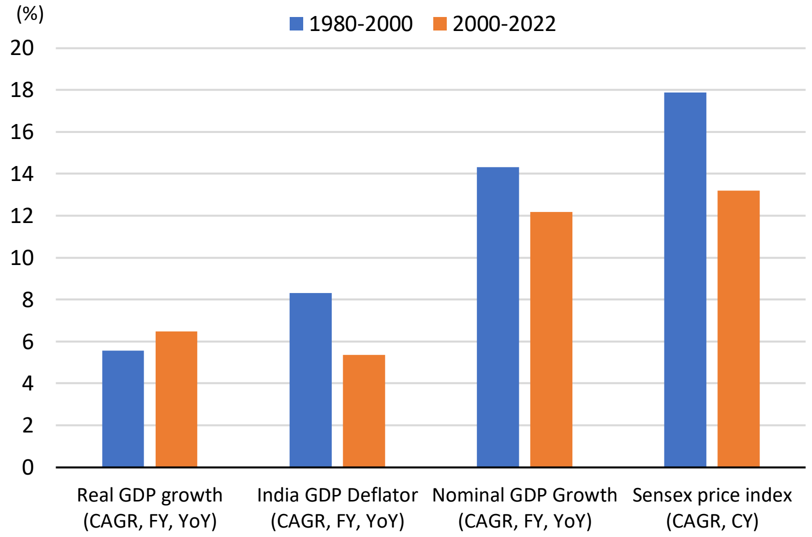
The 3P India Equity Fund 1

- Maiden offering of 3P Investment Managers (3PIM)
- Focused on India growth, Indian equities
- Strong team credentials
- Portfolio Strategy focused on sustainable businesses, reasonable valuations, low churn and effective diversification
- Complete alignment of interest
  - Investment Managers are committed to invest a substantial part of their savings in the Fund
  - Further, under normal conditions, members of the investment team will not purchase direct listed equities in the secondary market
- Open Ended Fund, No lock-in, No exit load, Bi-monthly pricing for ongoing purchases / sales
- For Fund Unit Classes and other details please refer Private Placement Memorandum (PPM)

Indian Economy - Growth and Size

- Indian economy at USD 3.4tn (FY2023E) is now the 5th largest, up from 11th in 2010
- It has grown every year in the last four decades - even through the Asian Crisis in 1997, GFC in 2008 etc. It declined only in year 2020 due to lockdowns
- Post liberalisation and the IT sector attaining a reasonable size, growth improved in India and inflation came down sharply
  - Consequently, both nominal GDP growth and Sensex returns post 2000 have moved lower
- As per IMF, India will be 3rd largest economy in the world by 2027. India's share of World GDP should rise to 4.0% by then

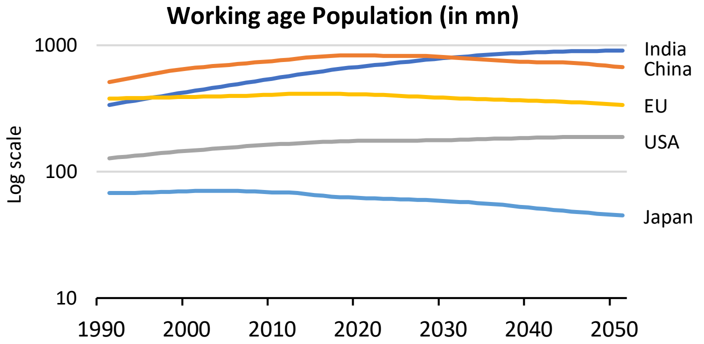
The Two Phases of Indian Economy



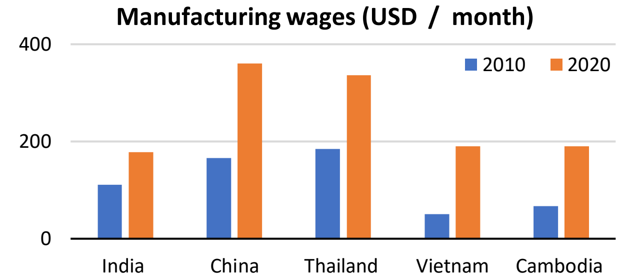
Note: GDP Deflator can be taken as a proxy for Inflation | 2022 GDP = 2023 FY GDP
Nominal GDP growth rate = (1+real GDP growth rate)*(1+Deflator growth rate)
Source: IMF, BSE

India Growth - Set to Accelerate (1)

- Growing working age population in India when US, Europe, China and Japan are not growing and wide acceptance of remote working will open-up large job opportunities across services



- Competitive Indian wages, need of diversification of supply-chain beyond one country and geo-political factors create a sweet spot for manufacturing
  - A mere 0.5% of global manufactured exports is USD110bn (4% of India GDP)
  - This should also be seen in the context of India IT exports of ~USD150bn p.a.



- Rising incomes and low penetration of discretionary consumption create a long runway for growth

India Income Pyramid (% of HH)

HH income* (₹ lac / p.a)	2010	2019	2030
>20	1	3	7
>10	6	12	23
>5	21	33	49
>1.5	67	78	89

Discretionary penetration

Indicator	India	China	USA
Cars (per 1000)	30	160	600
Aircon (% of HH)	6	60	90
Airline Tickets (mn/p.a)	204	660	1010
Urbanisation* (%)	35	63	83

Note: Indicative minimum wages as compiled by 3PIM from multiple sources | India FY 20, China, US CY 20 | *2019 prices, gross income | Source: UN population study, BCG, World Bank, Media sources

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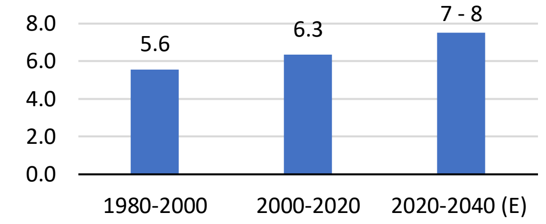
India Growth - Set to Accelerate (2)

- India economic growth improved after 2000 due to opening up of economy and the IT sector attaining a reasonable size. Going forward, broad basing of service exports due to remote working and market share gains in manufactured exports support higher growth

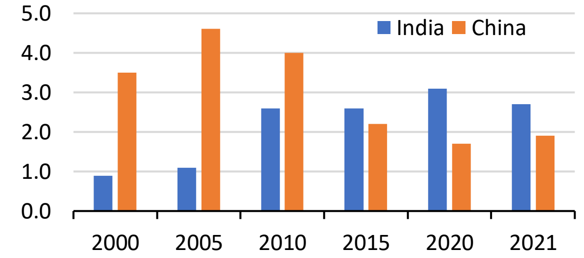
- Large size and strong growth of Indian economy make India an attractive destination for foreign capital. India FDI as % of GDP is now higher than China unlike 10 years back

- Steadily improving business and investments climate

India real GDP growth (%)



FDI as % of GDP



Key reforms of last decade

- GST + Digitisation of payments
- Simplification of laws
- Make in India / PLI
- Corporate tax cut
- RERA and IBC
- Gati Shakti
- Social reforms
- JAM trinity

Source: Bloomberg, RBI, UNCTAD (3rd Party), IMF, 3P estimates

"It's Not India's Decade, It's India's Century"
-Bob Sternfels, Global McKinsey Head, Sep 2022

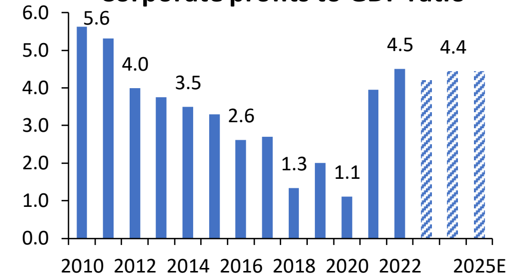
"India will be big export economy"
-Sundar Pichai, CEO, Google, Feb 2023

Indian Equities

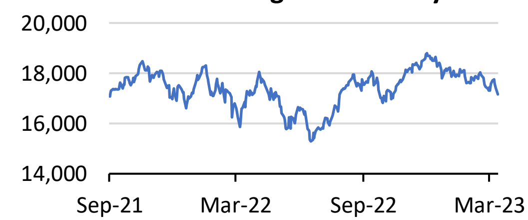
Time and Price correction improve Risk Reward

- Corporate profits as % of GDP fell sharply in the last decade because of weak capex, low commodity prices and high NPAs. These negatives have reversed
  - Profits as % of GDP has recovered and should now stabilise
  - Profit growth should now converge with nominal GDP growth
- 1.5 years of time correction and some price correction have improved the risk reward ratio of Indian equities
  - Market cap to GDP has fallen from 115 in Sep-21 to 94 in Mar-23
  - Risk reward will further improve as market valuations move to Mar-25 in 1-2 quarters. FY 25 PE is 16.4x*
- These markets offer compounding prospects / returns and are thus suitable for the patient investor. Bulk of the future returns should come from profits / nominal GDP growth
  - Interestingly, the journey of Sensex from 100 in 1979 to 60,000 in 2023 (44 years), is one of doubling ~9 times i.e. once every ~5 years (14% CAGR)

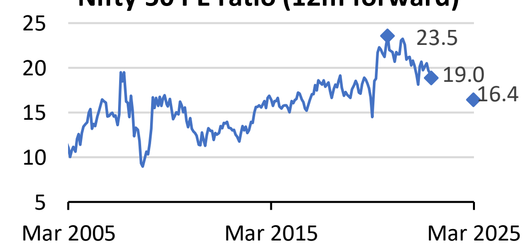
Corporate profits to GDP ratio



18 months of rangebound Nifty 50



Nifty 50 PE ratio (12m forward)



> "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it"
> *- Albert Einstein*

Notes: FY 23, 24 and 25 earnings growth based on consensus estimates and are 3PIM calculations. (a) 2022 data is not available for all companies; it is subject to revision. (b) Corporate profit is for listed and unlisted companies data as of February 2023 | "FY" data is at of March 31 | * Kotak Institutional Equities estimates | Source: CMIE, Bloomberg, Kotak Institutional Equities, IMF

Risks

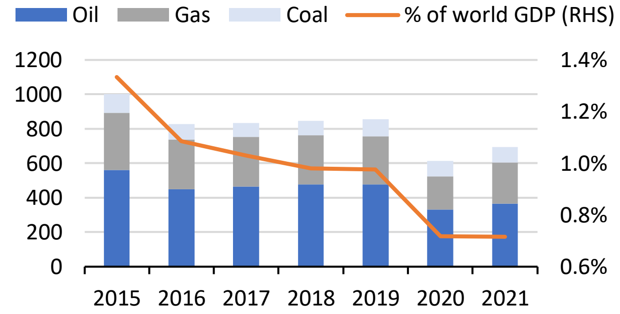
- In the last 15 years, Central Bank Balance Sheets, fiscal deficits and government debt have increased sharply. Fiscal and monetary conditions are now tightening and cost of capital is normalizing
  - For additional insights on this subject read [Sea Change] by Howard Marks

Debt indicators in US

% of GDP	2005	2010	2015	2020	2022
Central Bank Assets	5.7	6.8	13.5	22.4	32.9
Fiscal deficit	-2.4	-8.6	-2.4	-14.9	-5.4
Government debt	61	92	103	128	120

- Investments in conventional energy have seen a decline in recent years given the likely shift towards renewables. Should the supply of conventional fuels fall faster than demand, it could result in high prices
  - For additional insights on energy underinvestment's read International Energy Forum [article]

World Energy Investment 2021 (USD Bn)



Source: World bank, IEA, OMB; St. Louis Fed

> "At its root, risk is about mystery. It focuses on the unknown, for there would be no such thing as risk if everything were known"
>
> *- Peter Bernstein*

The 3P way - Simple but not Easy

1P

Prudence of creating a portfolio of sustainable and reasonably valued businesses.

2P

Patience with businesses and markets. Risk in equities reduces as investment horizon increases.

3P

Performance is the outcome.

- Avoiding weak businesses and excessive valuations lowers the risk of permanent loss of capital / returns
- Effective diversification across key economic and business variables reduces portfolio risk
- Low churn lowers costs
- The key is to do this consistently, repeatedly and to stay the course

"We are what we repeatedly do. Excellence, then, is not an act, but a habit"
- Aristotle

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Portfolio Strategy

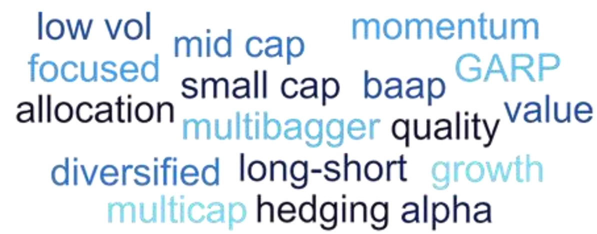
- Growth vs value, large vs small caps, focused vs diversified strategies are keenly debated. These debates miss the real issue
  - 3P Portfolio Strategy is focused around companies with strong fundamentals and reasonable valuations relative to growth
  - Portfolio Composition between large - small, growth - value and focus - diversified is simply the outcome

- Lower cost of capital and sharp increase in direct retail participation led to outperformance by mid-caps in the last 2 years
  - In view of this, it is prudent to follow a predominantly large cap strategy^ at this juncture, especially given the rising cost of capital
  - 3P Fund will look to increase exposure to small / mid caps meaningfully during sharp market downturns

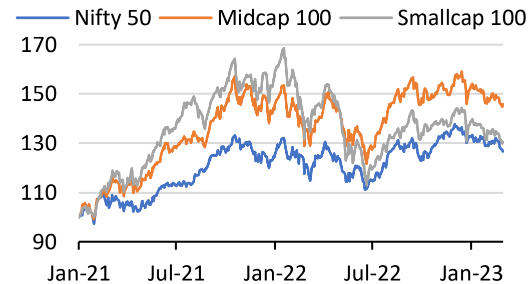
- The dispersion in valuations across sectors has fallen sharply. In view of this, it is prudent to run a well diversified portfolio for now

> "Simplicity is the ultimate sophistication"
> — *Leonardo da Vinci*

^The current investment strategy is subject to change depending on the market conditions



Index performance



Valuation dispersion*

*Defined as standard deviation of sector PE (ex financials) at a point in time | Data Source: Bloomberg, NSE, Kotak Institutional Equities

3P Credentials

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Set up by professionals with strong credentials. We are a young company with decades of experience

19 member team is a healthy blend of experienced leaders from large organisations and juniors to provide a younger perspective

Best in class service providers (Deutsche Bank, Deloitte, Ernst and Young, Vistra ITCL (India), KFin Technologies)

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3P Investments Team

Fund Managers

Prashant Jain

Investment Experience: 32 years
Last role: CIO, HDFC AMC, 19 years

Prashant Jain has 32 years of experience in Indian equities, all of it with mutual funds. He is a BTech from IIT-Kanpur and PGDM from IIM-Bangalore. He started his career with SBI Mutual Fund (1991-1993). He then moved to set up 20th Century Mutual Fund that became Zurich India Mutual Fund which was finally acquired by HDFC Mutual Fund in 2003. He thus has an unbroken track record of managing the same fund for over 28 years. This fund, HDFC Balanced Advantage Fund, delivered a CAGR of ~17.9% vs Sensex CAGR of ~9.6% from Jan 1994 - July 2022

SAAR

His key winning themes over these three decades were technology in 90's, old economy from early 2000 to pre-Lehman, consumer and pharma from pre-Lehman to mid-2010's and corporate banks, energy, defense, utilities etc. in the last phase. He also successfully called the tech bubble and avoided the excesses of pre-Lehman in infra, power and more recently in new age tech stocks. Attached note "SAAR" chronicles his three-decade journey

Ashwani Kumar

Investment Experience: 27 years
Last role: Senior Fund Manager, Nippon India, 17 years

Ashwani Kumar started managing Reliance Vision Fund in 2003. He was one of the key members of the team at Reliance Mutual Fund that scaled up the assets from ₹200 crores in June 2003 to ~ ₹90,000 crores in Feb 2020

Analysts Team

Amey Chalke

Investment Experience: 10 years
Last role: Haitong
Pharma / Healthcare

Aseem Madan

Investment Experience: 7 years
Last role: Bobcaps
Equity Strategy / Logistics

Basant Joshi

Investment Experience: 5 years
Last role: Axis Capital
Metals / Cement

Divyesh Mehta

Investment Experience: 4 years
Last role: Investec
Information Technology

Premal Kamdar

Investment Experience: 11 years
Last role: PICO Capital
FMCG / Retail

Sachin Maniar

Investment experience: 14 years
Last role: InCred Capital
Capital Goods

Suraj Chheda

Investment Experience: 8 years
Last Role: IIFL
Autos / Aviation

Vishtaspa N. Rana (Dealer)

Investment Experience: 18 years
Last Role: Tata Asset Management

Operations and Risk Management

Chief Compliance Officer

Sharad S. Mohnot

Experience: 18 years
Last role: Chief Risk Officer, HDFC AMC

Support functions

- 8 member team including 2CA's and 1CS
- Service providers with proven track record
  - Deutsche Bank: Fund Accounting and Custody
  - Deloitte Haskins & Sells LLP: Audit
  - Ernst and Young: Tax Consultant
  - IC Universal Legal: Legal Consultant for PPM
  - KFin Technologies: Registrar
  - Vistara ICTL India ltd: Trustee
- Best in Class dealing room practises
- Internal shadow NAV accounting

Risk Management Framework

- Portfolio analysis for diversification, liquidity and concentration risk
- Pre trade check for compliance with regulatory and internal guidelines
- Personal dealing is discouraged in individual stocks
- Best in class dealing room checks and controls

Summary

- Investments team with strong credentials
- India Growth is set to accelerate
- Proven Investment Philosophy and Portfolio Strategy
- Full alignment of interest
- Strong operations and risk management framework

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