

## Focused Investment Ideas



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 ( RS S 6 & above)

AIF - Private Credit

Franklin India Credit AIF - Scheme I

 Tenure: 4 years

- 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

AIF - Credit Fund

Nippon India Credit Opportunities (NICO) AIF Scheme - 1

 Tenure: 4.5 years

- 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)

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
- Fund Manager, Vivek Singla 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)

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

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

Equity MF

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 year

- 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

Hybrid MF

WhiteOak Capital Multi Asset Allocation Fund

 Tenure: > 3 years

- 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

## 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

## 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

## 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

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**Thank you**