



PRACTITIONERS' INSIGHTS: PORTFOLIO MANAGEMENT WITH MULTICAPS

Atul Bhole

SVP and Fund manager, DSP Investment Managers Pvt. Ltd.

Date: Thursday, 22 October 2020

Time: 5:30 – 6:30 p.m. IST



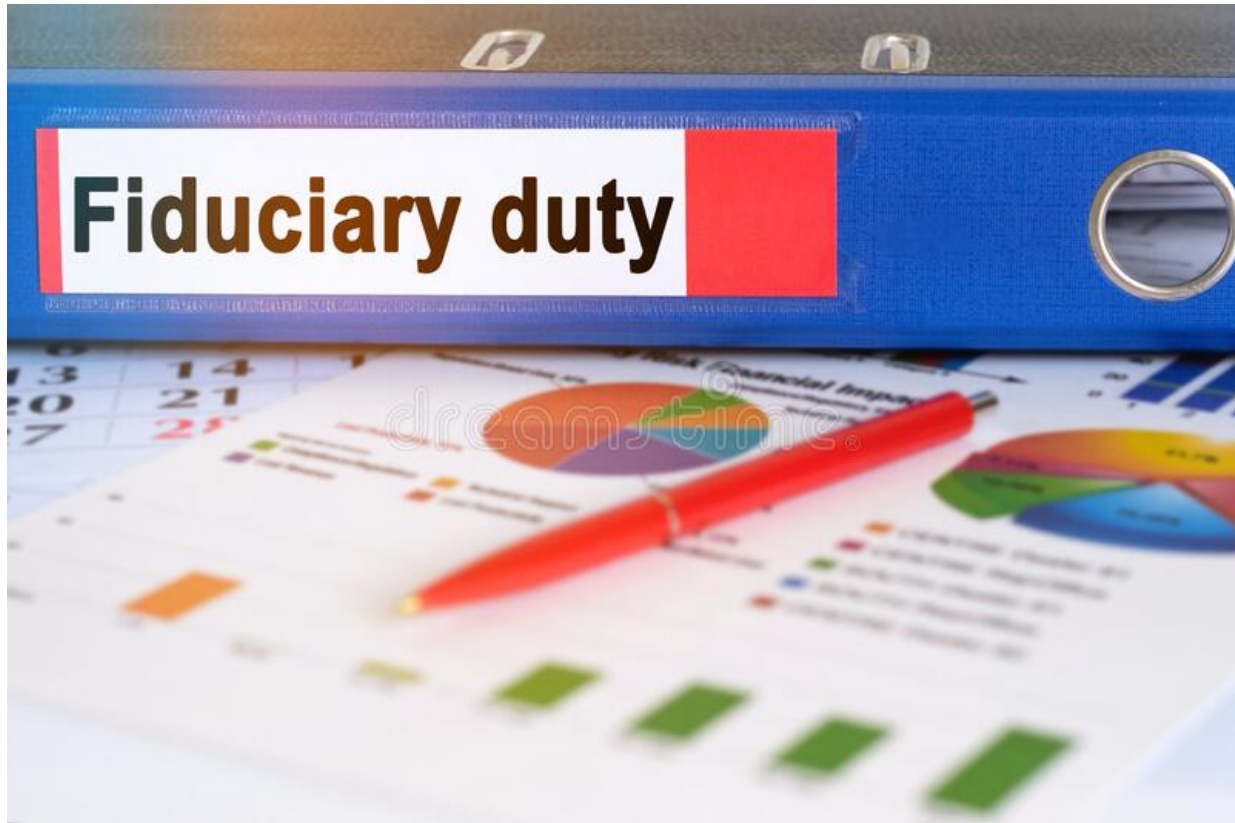
CFA Institute

“Whenever I am confronted with doubts and despair about the current Big Picture, I try to concentrate on the Even Bigger Picture.

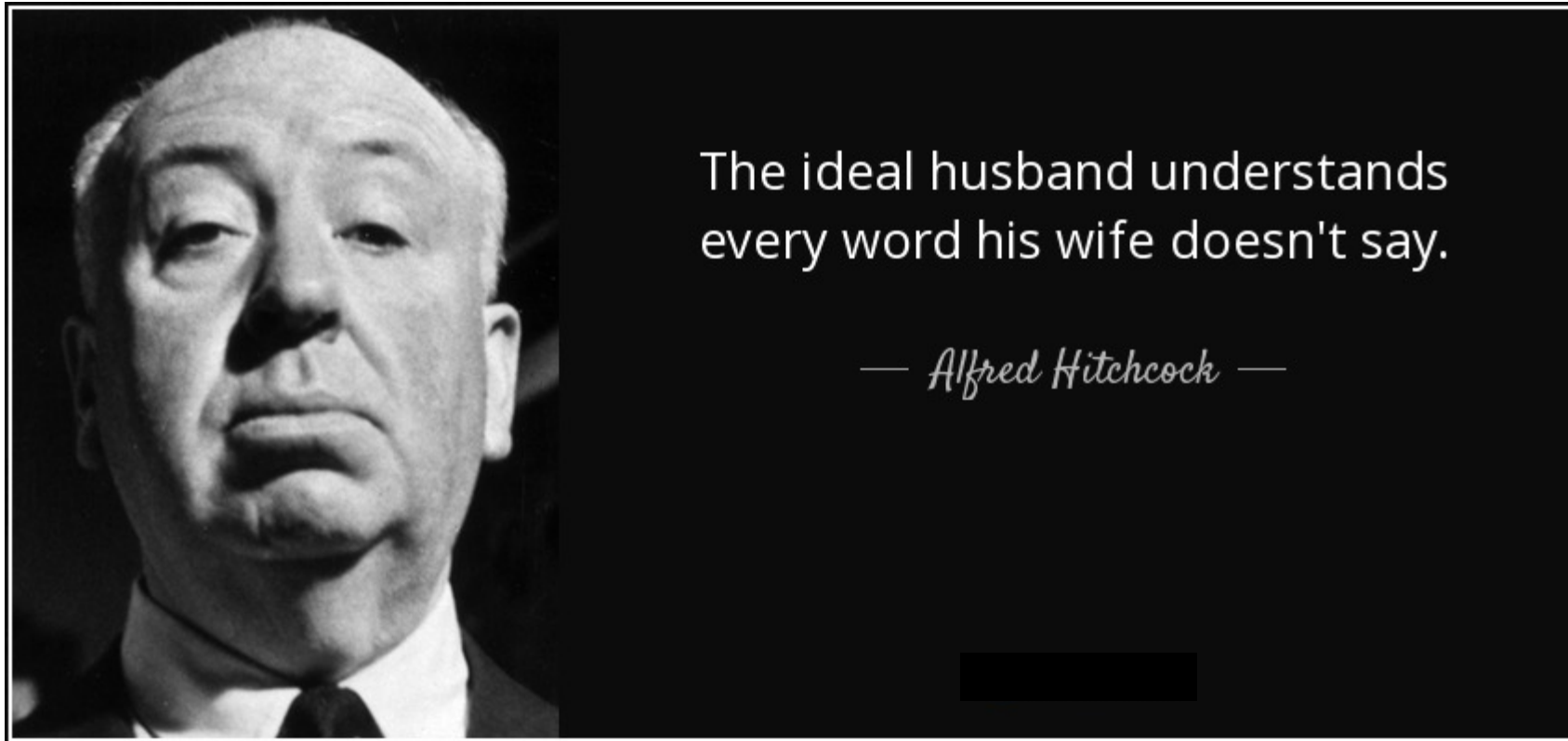
The Even Bigger Picture is the one that’s worth knowing about, if you expect to be able to keep the faith in stocks”

-- Peter Lynch, Beating the Street





Responsibility
with
Challenges & JOY



Practitioners' Insights : Portfolio Management with Multicaps

Multicap Funds

Staple diet of large caps
Salad of midcaps
Sweets of small cap

Inclusive mandate

Maneuverability

Suitability for most investors' portfolio

One-stop solution for equity exposure



“Big companies have small moves, small companies have big moves.” (Peter Lynch – One Up On Wall Street)

Practitioners' Insights : Portfolio Management with Multicaps

Multicap Funds

Other categories' restrictive mandates does job of elimination

Mix of bottom-up & top-down approach

Economic & market cycles for weight allocation

Varying degrees of research depth

Execution efforts

Discipline & Agility





Keeping track of things ...

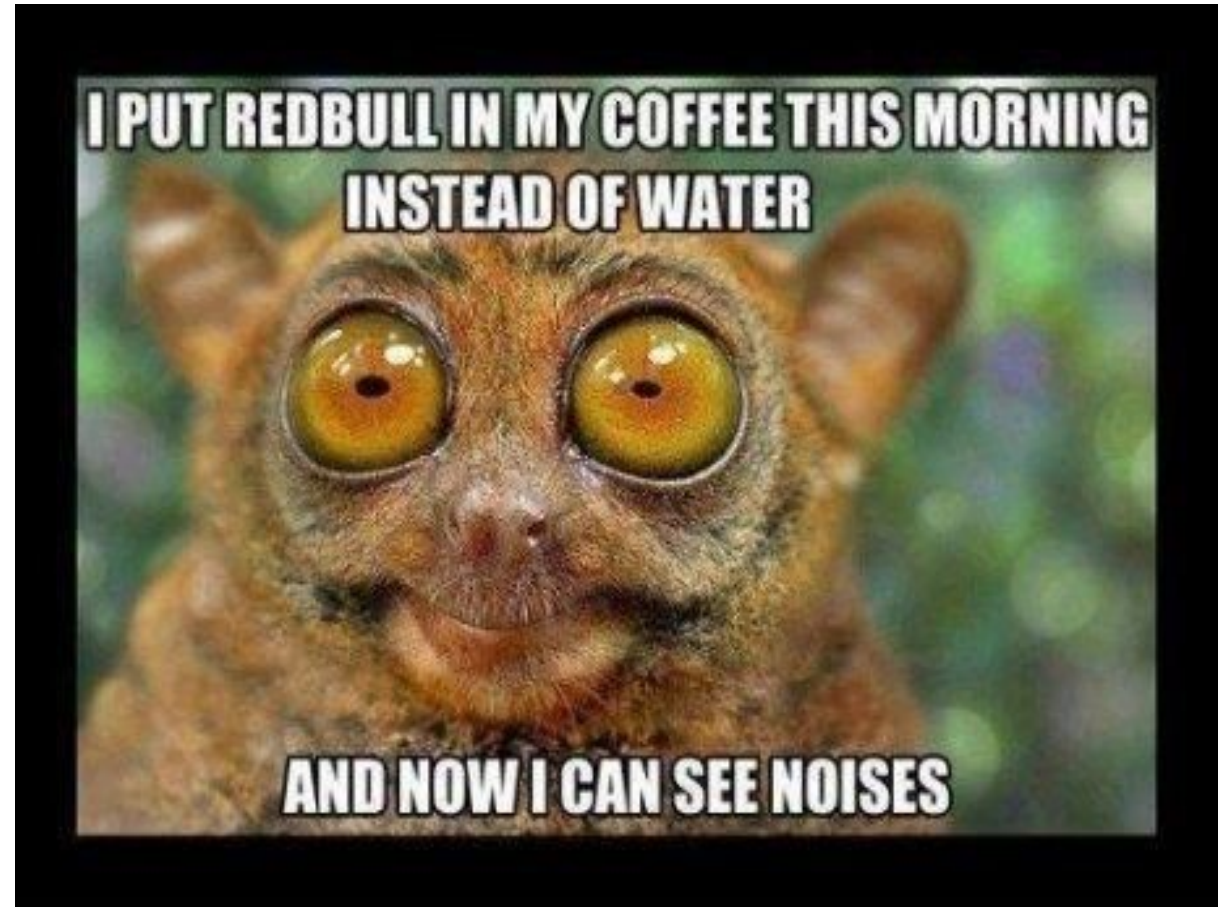
... marry discipline & agility

Practitioners' Insights : Portfolio Management with Multicaps



Time Correction

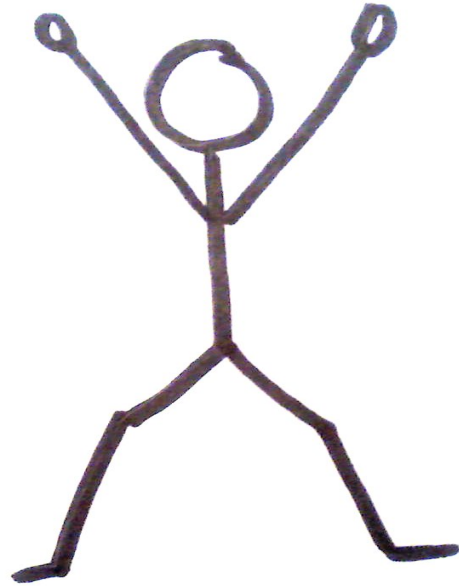
Information Overload



Practitioners' Insights : Portfolio Management with Multicaps



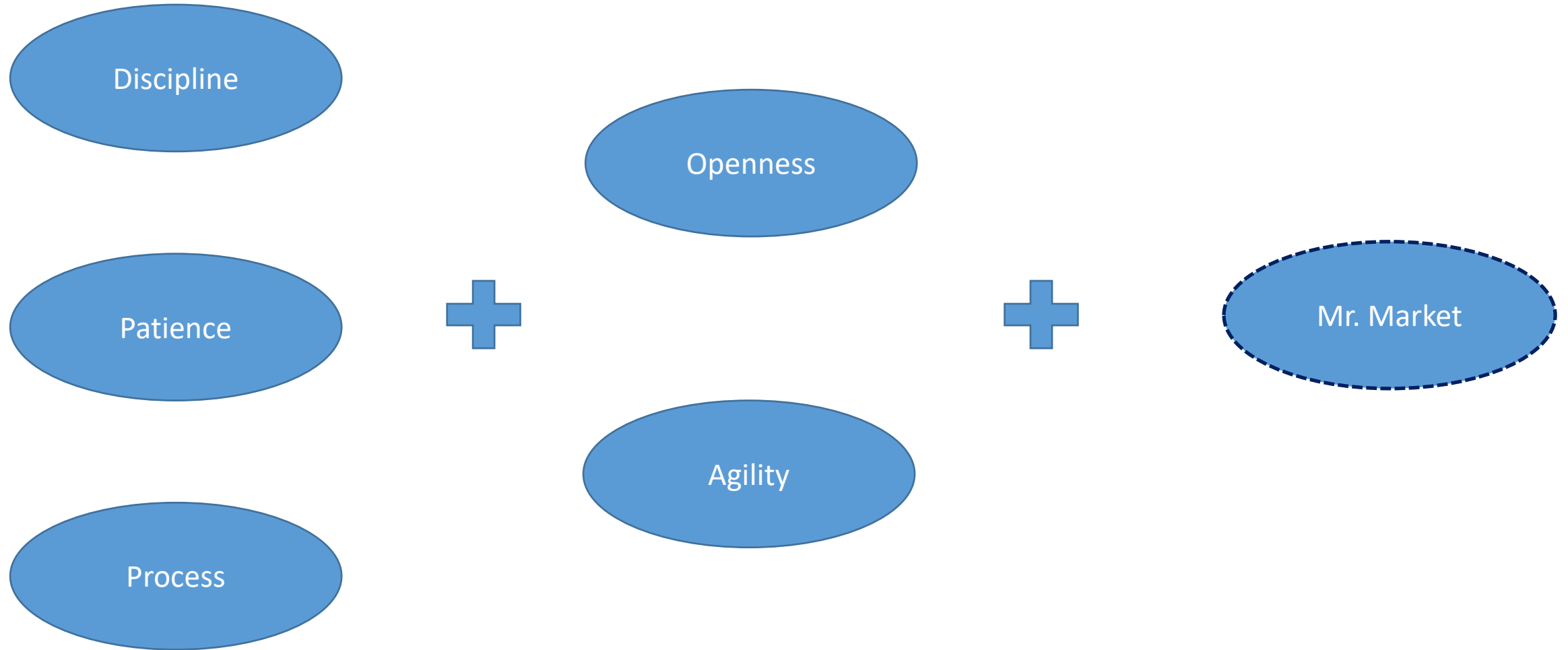
Jumping



Jacks

High Churn

Practitioners' Insights : Portfolio Management with Multicaps



Practitioners' Insights : Portfolio Management with Multicaps

Large Co.

Good Co.

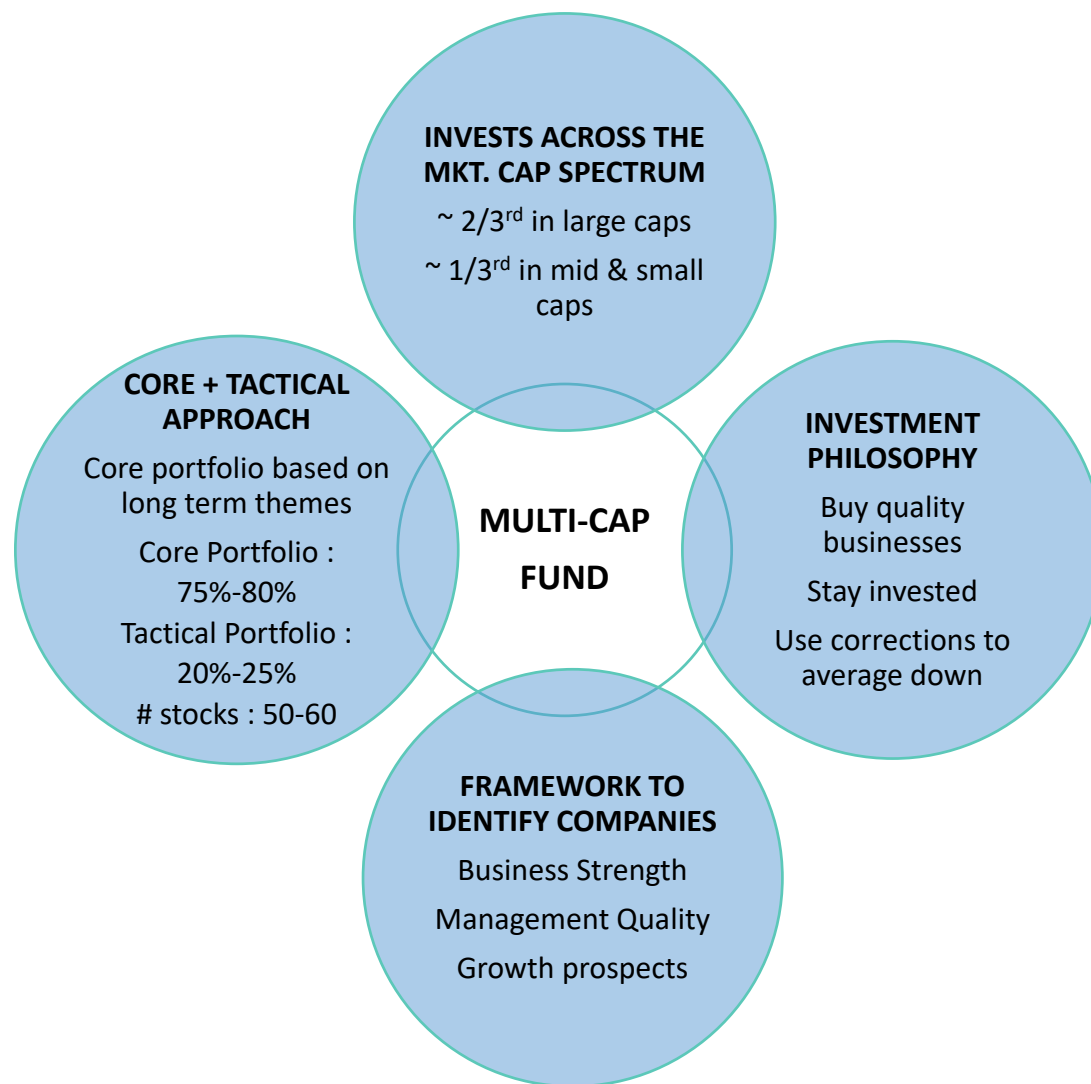
Midsized Co.

Small Co.

Subpar Co.



Practitioners' Insights : Portfolio Management with Multicaps



Practitioners' Insights : Portfolio Management with Multicaps

Stock Selection Approach

Business	Management	Growth
<ul style="list-style-type: none">• <i>Large opportunity set</i>• <i>Market share dominance or gains</i>• <i>Pricing power</i>• <i>Less capital intensity</i>• <i>High cash conversion</i>• <i>Little government intervention</i>	<ul style="list-style-type: none">• <i>Judicious capital allocation</i>• <i>Focus on core business vertical</i>• <i>Averse to capital dilution</i>• <i>Relentless execution</i>	<ul style="list-style-type: none">• <i>Superior and Sustainable margins</i>• <i>Improving market share</i>• <i>Economies of scale</i>

“Can take valuation risk - Don't want to take business / management risk”

Stock Selection Approach

Execution is the real moat

Cumulative knowledge of investing community is backing good execution

Terminal Value = Management & Co DNA

Practitioners' Insights : Portfolio Management with Multicaps

Valuation perspective



Business Risk Vs. Valuation Risk

Value Or Cheap

Volatility

ESG

Relative Positioning

Liquidity

Interest Rates

Portfolio Construction Approach

No big cash calls

Diversification across Sectors & Stocks

Mix of all sizes

Practitioners' Insights : Portfolio Management with Multicaps

Risk Management

First level defense: "Know what you are buying"

Diversification

Conviction Vs. Bias

Weight allocation

Greed & Fear

Discipline Process Openness Agility

Permabull Vs. Permabear

Thanks