

Narnolia®



INVESTMENT ADVISORY PORTFOLIO - EQUITY

November 2024

ABOUT NARNOLIA

- Narnolia Group was founded in 1997.
- **Investment Advisory Product Manufacturer** with a track record of more than 20 years of research & 14 years of real-time performance, not based on any hypothetical back-tested data.
- Recognized as the **2nd Largest Registered Investment Advisor (RIA) of the Country, 2020-21-** by BSE STAR & Associates.
- **Industry Leading Performance Absolutely, Relatively & Consistently. Narnolia Multi-Cap PMS Strategy Rated 4 Star, by CRISIL for 2020-21 & 2021-22 and Best PMS on 5 year Performance across all Categories: Rank 2 from IIM - Ahmedabad.**
- **Performance by Design, not by Chance.** Research Team, truly process-driven (112 sub-processes), Promoter led, Growth-in-value Philosophy, 360*5M Research parameters (Risk Management)
- **Industry Leading Network:** > 40 National & Regional brokers, Large and prestigious institutions.
- Not a single complaint lodged against these products of the firm with any of the regulators since inception.

Prestigious Recognitions



**Most Consistent Portfolio Manager
of the Country 2018 & 2019**
by BSE Tefla's



**2nd Largest Registered Investment
Advisor (RIA) of the Country, 2020-21**
Awarded by BSE Star & Associates



**Narnolia Multi-Cap PMS Strategy
Rated 4 Star, 2020-21 & 2021-22**
by CRISIL

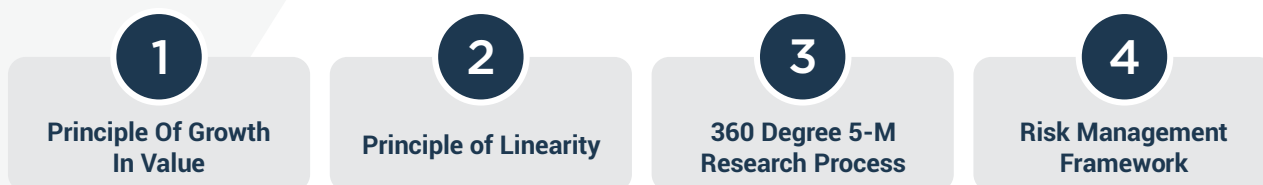


**Best PMS on 5 Year Performance
Across All Categories - Rank 2
On Risk Adjusted Rolling Returns**
By IIM Ahmedabad, 2022

INVESTMENT PHILOSOPHY

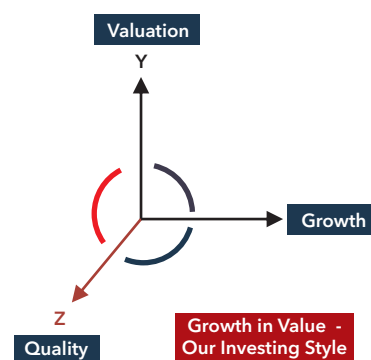
Narnolia follows the 'growth in value' investment philosophy and has demonstrated a successful track record measured in terms of superior risk adjusted return over a long period. Quality always prevails. Along with quality, in a growing economy like India where on every production or consumption parameter upside potential is still humongous. Majority of existing market leaders remain minuscule in the global context. Indian markets over the last thirty years since the great economic reform has oscillated between phases of out-performance by quality companies and phases of out-performance by growing businesses. 'Growth in Value' combines the advantages of these two fundamental parameters and helps create superior performance.

As explained briefly hereunder, this philosophy supported by the principle of linearity, 360 degree 5-M research framework and the risk management framework, one of the most comprehensive techniques, has helped us to generate superior risk adjusted return on an absolute, relative and consistent basis- not just by chance but by design:



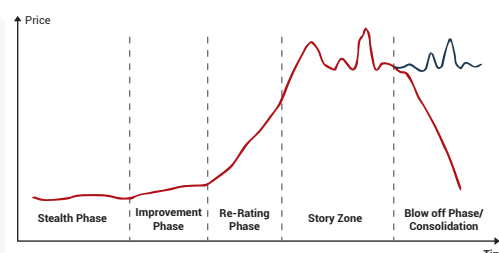
1 PRINCIPLE OF GROWTH IN VALUE

We practice 'Growth in Value' investment framework. Here the word 'value' comes from 'being valuable' or 'Quality'. A company that is exhibiting or is expected to exhibit 'growth in value' becomes our investment candidate. This usually happens when due to business situation or management strategy or the inherent moat of the business, a company starts having higher and/or rising RoE, RoCE and the Free Cash flows. This is also accompanied by the company exhibiting higher return ratio than it's peers as well as broader stock universe.



2 PRINCIPLE OF LINEARITY

Company with good capital allocation and favorable business regime show rising margins and asset turnover yielding into higher return ratios. These businesses usually undergo valuation re-rating resulting into long term superior wealth creation in the stock market.



Investment Decisions:

M5 Research Framework that connects Macro seamlessly with Micro

M5

Multiples
Valuation Envelop Equation

M4

Modeled Headline Financial Numbers
PL, BS, CF, Schedule

M3

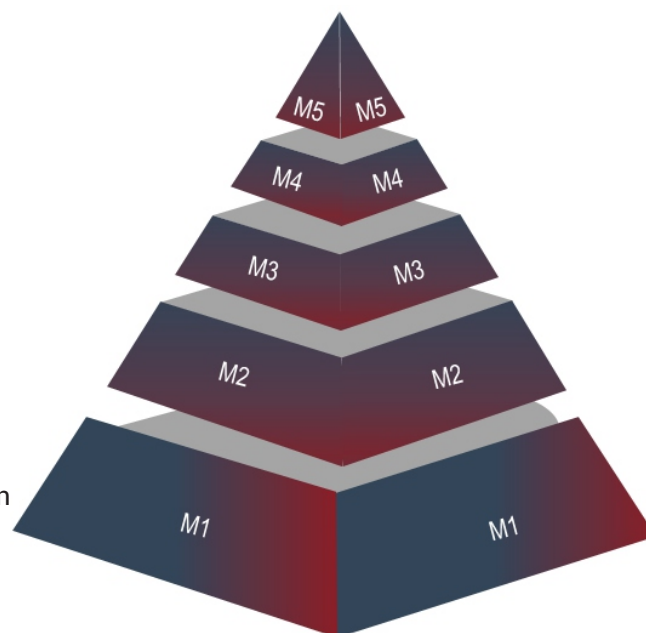
Business & Financial Moat
Sources of earnings quality

M2

Management Strategy
Finance, HR, Product, Pricing, Supply Chain

M1

Market
Addressable Market & it's changing dynamics



4 Pillars of Risk Management Framework

01

Stock Limit
Limits on Maximum weightage on single stock

02

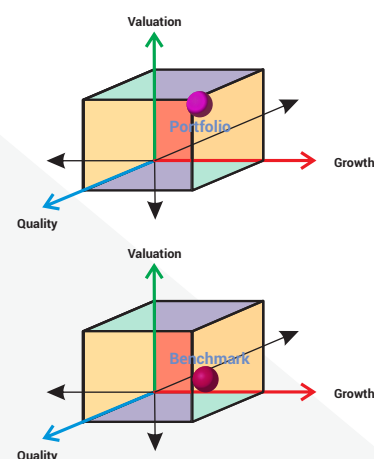
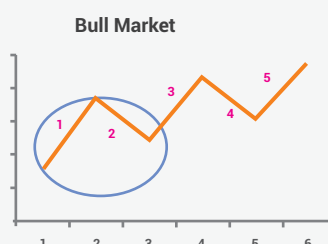
Sector Limit
Limits on Maximum weightage on single sector

03

Stock Review
Under-performance with higher volatility on 2 consecutive market swings. If any of our portfolio stocks under performs for two consecutive swings and exhibits higher volatility, that stock gets marked for Sell/Review

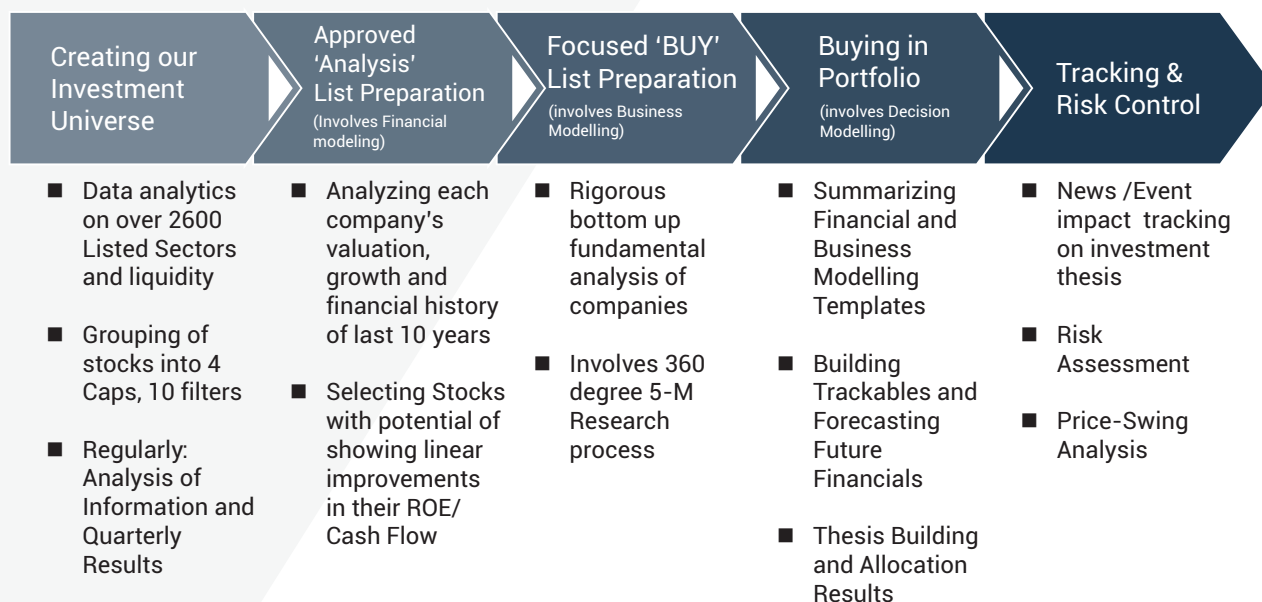
04

Fundamental Quadrant – QGV
Limits on Maximum weightage on single sector



INVESTMENT PROCESS

WITH WELL DEFINED 5 STAGES & 112 SUB PROCESSES

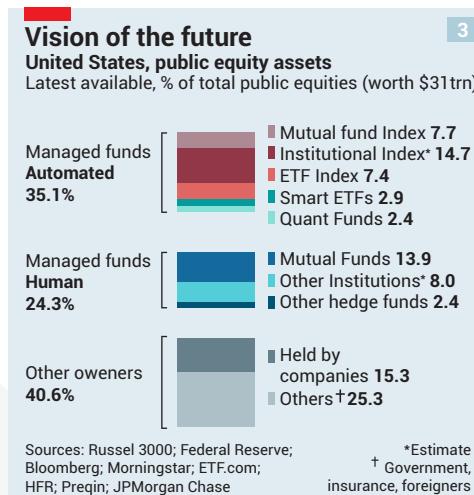


As a result of our wide coverage of 2600 stocks & 112 sub-processes and proprietary data base of businessmen, evolved over the years, we are able to generate superior risk adjusted returns. We use quant for elimination only and not for selection.

Quant Needs Human Insight to Work

Rapidly growing Investment Advisory Portfolio investments has brought many new entrants, using quant based AI models but will eventually turnout to be an inefficient way for wealth creation

- "If somebody discovers what you've discovered, not only is it worthless, but it becomes over-discounted, and it will produce losses. A machine-learning strategy that does not employ human logic is bound to blow up eventually."
- "So the really big money tends to be made by investors who are right on qualitative decisions but, at least in my opinion, the more sure money tends to be made on the obvious quantitative decisions."
- **Allocation decision and rebalancing decisions** are more important than selection decisions in overall return which requires foundation of qualitative research.
- **Analysis data of business, not of business man**





LARGE & MID CAP STOCK BUCKET ADVISORY PORTFOLIO

Objective

Long term capital appreciation by investing in companies that are the top-3 players of their respective industries.

Strategy

Large & Mid Cap Stock Bucket Theme identifies companies that are leaders of their respective industry & are showing growth in value characteristics with expected higher return ratio.

Process - Fundamental Bottom Up Research

Information mining, financial modeling, investment thesis, active and rigorous tracking for changes in earnings and quality outlook.

Benchmark - Nifty 100 Index



No. of Stocks

12-18 Stocks



Recommended Min. Time Horizon

3 Years

Why Large & Mid Cap Stock Bucket Advisory Portfolio?

Companies with a proven track record of industry outperformance, effective leadership & efficient management usually find themselves as the Large & Mid Cap Stock Bucket. In an uncertain economic environment these are the best companies to buy as these companies are run by proven management & leadership team than can navigate difficult times.

Key Features of Large & Mid Cap Stock Bucket Advisory Portfolio

Investment in the leaders industries

Investment in the industry leader ensures good governance and continuous innovation in the management.

Cap Risk:

The Investment advisory portfolio will have exposure to leaders of the segment which comprise of mostly large cap stocks.

Benchmarking:

The Investment advisory portfolio will be benchmarked against the Nifty Large Mid 250.

The portfolio:

The portfolio will consist of 12-18 stocks to provide superior returns.

Growth in Value Framework:

Companies that have improving/higher return ratio are favored.

Bottom Up Analysis:

A rigorous bottom up research of business financials and management strategies is carried out for all portfolio companies.



LARGE & MID CAP STOCK BUCKET ADVISORY PORTFOLIO

Stock Selection Procedure Involving 3 Broad Processes

MQC

1

- M - Momentum In Return Ratios The RoE, RoCE or the Free Cash flows of company must be increasing
- Q - Quality Return ratios versus its peer as well as broader stock universe.
- C - Capital Allocation Management strategy on Allocation of funds

2

360 Degree Deductive Logic Framework

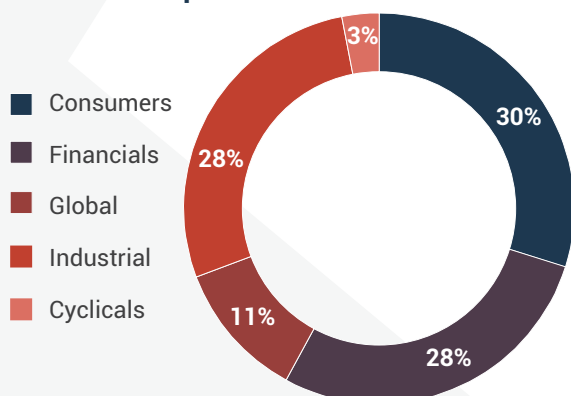
- Sustainable Valuation possible & factors impacting while identifying when market is under-pricing the company
- Outlook on the company Financials-why a company is considered trading below its intrinsic value
- Building a detailed business & financial model to realize the sources of earning & quality delta for the company.
- Management strategy in terms of its finances particularly in terms of source and deployment of capital, marketing strategy in terms of its products, segments, pricing etc.
- State of addressable market & identifying the changing dynamics of that addressable market.

3

Earnings & Quality: Both should be evolving in linear manner

There are three moving parts in terms of fundamental- stock price relation. These are changes in earnings, quality and valuation. Every company in its evolution passes through various stage of its progress. We prefer buying where linearity or a consistent positive delta is expected in earnings profile and the quality profile of the company. A stock before selection for portfolio should be first identified into what stage it is into.

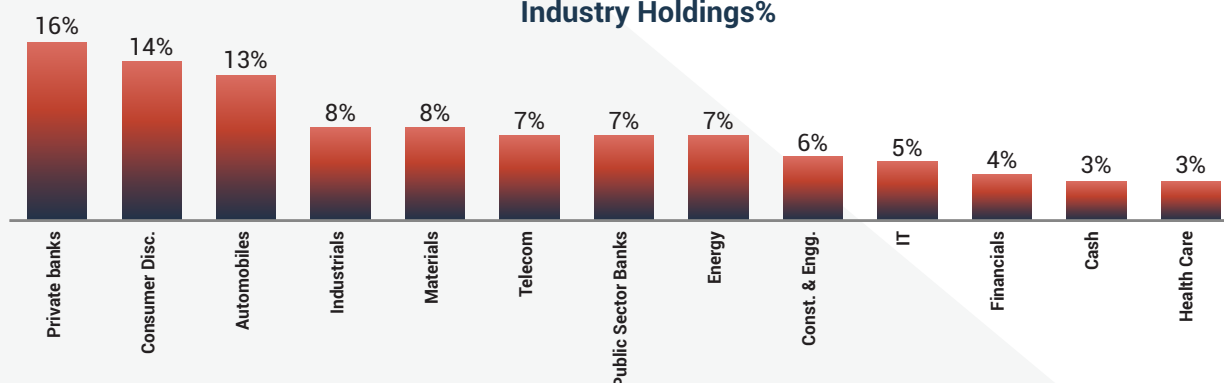
Portfolio Composition



Top 5 Portfolio Holdings

COMPANY	%	COMPANY	%
M&M	8%	BHARTIARTL	7%
HDFCBANK	8%	SBIN	7%
ICICIBANK	8%		

Industry Holdings%



Please Note: Data as on 31st Oct., 2024. The securities quoted are for illustration only & are not recommendatory. The actual portfolio may differ from the above illustration



MID & SMALL CAP STOCK BUCKET ADVISORY PORTFOLIO

Objective

Long-term capital growth by investing in smaller but growing companies of India

Strategy

Active investing in Mid & Small Cap Stock Bucket investment universe by identifying companies with improving fundamentals. Tactical weight allocation under the sub-classes to achieve positive return along with managing the risk.

Process - Fundamental Bottom Up Research

Information mining, financial modeling, investment thesis, active & rigorous tracking for changes in earnings & quality outlook.

Benchmark - Nifty Mid & Small 400



No. of Stocks

20-30 Stocks



Recommended Min. Time Horizon

7 Years

Why Mid & Small Cap Stock Bucket Advisory Portfolio?

Most of the multi bagger stock today were Mid & Small Cap Stock Bucket few years back. Over the last 2 years, Mid & Small Cap stocks have seen sharp fall owing to credit squeeze, demand slowdown and over ownership during 2017. Mid & Small Cap Stock Bucket theme portfolio is not meant as core portfolio for an investor but some tactical allocation by investors in Mid & Small Cap Stock Bucket theme can be highly valuable.

Mid & Small Cap Stock Bucket Companies perform well in up cycles. The continuous rate cuts by the RBI will create base for next bull market to start.



Large Cap Companies

- Large Cap Companies: The Top 100 companies by market capitalization fall into the category of Large Cap Companies.
- These companies are the most liquid in nature. They have their Beta closest to 1 and run in sync with the overall market.



Mid Cap Companies

- Mid Cap Companies: The ones who fall in 101st to 250th company by Market Capitalization.
- These stocks tend to be riskier than the large cap stocks & less risky than Small Cap stocks. They however offer more great potential than the large cap stocks



Small Cap Companies

- The 251st onward companies as per full market capitalization can be called as small cap stocks
- These stocks are the most volatile in nature. They become inconsistent during recessionary phases, however they outperform Large & mid cap companies in Bull periods.

Please Note: The securities quoted are for illustration only and are not recommendatory.



MID & SMALL CAP STOCK BUCKET ADVISORY PORTFOLIO

Key Features of Mid & Small Cap Stock Bucket Advisory Portfolio

Investment in high risk but high gain

Mid & Small Cap stocks are usually high risk high gain opportunities

Cap Risk:

The Investment advisory portfolio carries cap risk as it is exposed primarily to the Mid & Small capitalization stocks.

Benchmarking:

The Investment advisory portfolio will be benchmarked against the Mid Small 400 Index.

The portfolio:

The portfolio will consist of 20-30 stocks to provide superior returns.

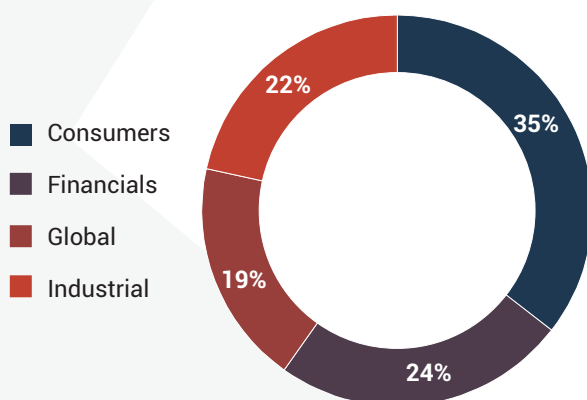
Growth in Value Framework

Companies that have improving/higher return ratio are favored.

Bottom Up Analysis:

A rigorous bottom up research of business financials & management strategies is carried out for all portfolio companies.

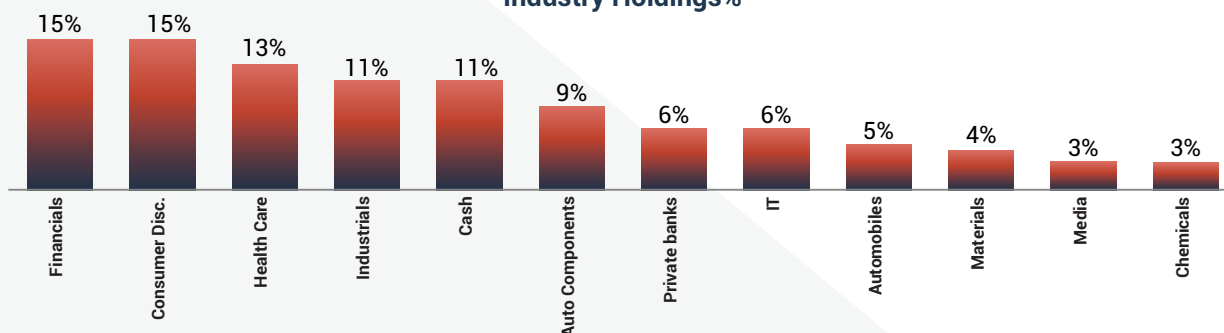
Portfolio Composition



Top 5 Portfolio Holdings

COMPANY	%	COMPANY	%
MCX	6%	AUROPHARMA	5%
NH	5%	VSTILLERS	5%
TVSMOTOR	5%		

Industry Holdings%



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MULTI CAP STOCK BUCKET ADVISORY PORTFOLIO

Objective

To participate in the India growth story through investing in the Indian equity markets by building a diversified portfolio across various sectors and caps.

Strategy

Multicap Portfolio prefers stocks which fall under the 'Growth in Value' theme and passes through the '360-degree Deductive Reasoning Framework'.

Process - Fundamental Bottom Up Research

Information Mining-> Financial Modeling-> Investment Thesis-> Active & Rigorous tracking for changes in Earnings & Quality outlook.

Benchmark - Nifty 500 Index



No. of Stocks

20-30 Stocks



Recommended Min. Time Horizon

5 Years

Why Multi Cap Stock Bucket Advisory Portfolio?

Multi Cap Stock opportunity Model is meant to be a core buy and hold portfolio for investors who aim to capitalize the wealth creation opportunity in the Indian economy. This Investment advisory portfolio comprises of flexible and judicious mix of large, mid and small cap companies to have the right kind of stability to sail through tough times as well as has the right force to outperform in the long term.

The stock selection for this Investment advisory portfolio is the unique feature as it backed by rigorous bottom up research blended with the Top down Approach of understanding the changes and opportunities in the addressable market of the company.

Key Features of Multi Cap Stock Bucket Advisory Portfolio

Investment in the Fastest growing companies of the country

India is set to become a 5 trillion dollar economy by 2025 and will create opportunities for wealth creation across investment theme- investment, consumption, credit.

Cap Risk:

Nifty 500 universe consists of stocks from all three cap: large, mid and small.

Benchmarking:

The Investment advisory portfolio is benchmarked against the Nifty 500.

The portfolio:

The portfolio will consist of 20-30 stocks to provide superior risk adjusted returns.

Growth in Value Framework:

Companies that have improving/higher return ratio are favored.

Bottom Up Analysis: A rigorous bottom up research of business financials and management strategies is carried out for all portfolio companies.



MULTI CAP STOCK BUCKET ADVISORY PORTFOLIO

Stock Selection Procedure Involving 3 Broad Processes

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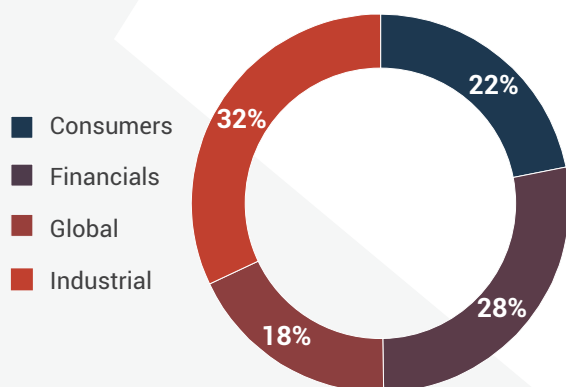
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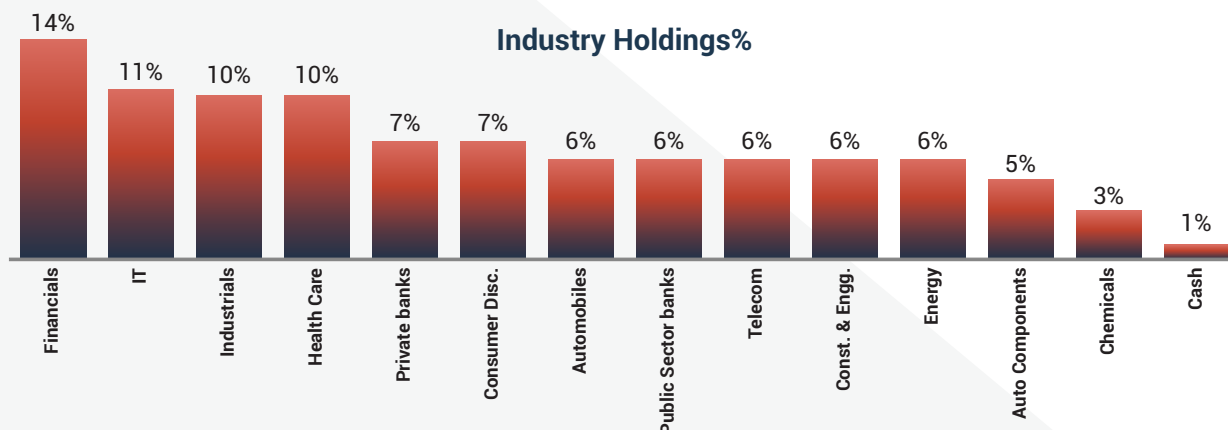
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Portfolio Composition



Top 5 Portfolio Holdings

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M&M	7%	LT	6%
SBIN	6%		



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