PL Capital | ASSET MANAGEMENT
PRABHUDAS LILLADHER
ESTD 1944

In an era of **Man vs Machine**, experience superior performance driven by a **Man with Machine** Process with

AQUA

Adaptive. Quantitative. Unbiased. Alpha.

A Quantamental Flexicap Strategy,
offering India's Pioneering
Style Agnostic and Style Adaptive Portfolio

AQUA: inspired by the adaptive nature of water, designed for Alpha

Markets operate in regimes and cycles that keep changing.
Traditional strategies focus on only one style on investing – growth, value, quality, momentum, etc. However, data reveals that a single style doesn't consistently succeed across all time periods and market conditions.

Types of Investing Styles

Large	High	High	Cheap	High	High	High	High
Size	**Beta**	**Volatility**	**Value**	**Growth**	**Quality**	**Momentum**	**Dividend**
Small	Low	Low	Expensive	Low	Low	Low	Low

Why is a style adaptive strategy required?

The answer lies in the data below, which shows that different investing styles outperform in different years

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nifty High Beta 50	-20.32%	39.78%	-17.85%	-2.70%	59.48%	-28.39%	-18.52%	9.11%	35.50%	10.43%	49.00%
Nifty Dividend Opportunity	-7.18%	33.57%	-11.32%	9.91%	25.32%	-1.83%	-2.01%	12.62%	30.13%	1.88%	42.14%
Nifty Alpha 50	2.91%	68.00%	14.72%	-10.17%	67.02%	-14.49%	7.22%	51.75%	74.45%	-14.22%	42.52%
Nifty Low Vol	3.43%	43.30%	8.79%	3.65%	30.21%	-0.52%	5.06%	23.96%	22.42%	-0.11%	30.49%
Nifty Growth Sectors 15	31.81%	27.76%	7.81%	0.08%	26.57%	-1.47%	-1.07%	10.18%	8.81%	12.45%	24.82%
Nifty200 Quality 30	17.47%	38.12%	0.88%	-0.57%	27.80%	6.82%	3.91%	24.36%	23.77%	-6.32%	29.88%
Nifty500 Value 50	-16.10%	75.49%	-9.23%	22.58%	42.36%	-28.57%	-15.61%	6.33%	51.74%	18.93%	61.01%
Best	Growth	Value	Momentum	Value	Momentum	Quality	Momentum	Momentum	Momentum	Value	Value
Worst	High Beta	Growth	High Beta	Momentum	Dividend	Value	High Beta	Value	Growth	Momentum	Growth

Different investing styles perform in different years and NOT consistently. They aren't successful acrosss all time periods and market conditions.

AQUA is different.

It breaks free from one – style - fits - all approach. *AQUA follows an adaptive and style - agnostic framework.*

This adaptive framework enables it to seamlessly align to changing macro & market cycles across varying investment risk regimes.

Agile and flexible, it optimizes for style, sector and asset mix *dynamically.*

AQUA solves for this by tilting the portfolio to the prevailing investment style:

Growth
Economic Expansion

Momentum
Liquidity Expansion

Risk On

Value
Rising Inflation & Interest Rates - Weakening Macro + Monetary

Shifting Risk

Quality
Uncertainty of Growth

Low Vol
Economic Contraction

Risk Off

This ensures that your money is in the right place at the right time, maximising returns while managing risks.

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Strategy Overview:

Investment Objective:

Alpha Generation

Fund Structure:

Open ended flexicap long – only equity PMS

Investment Process:

Rules – based and adaptive using a Quantamental* approach

*Quantamental = Fundamental + Technical + Macros combined using quantitative methods

Fund Inception Date:	Benchmark:	Exit Load:	Lock – in Period:	Investment Threshold:
12th June, 2023	**BSE 500 TRI**	**Nil**	**None**	**Minimum Investment: INR 50 lakhs**

Key Tenets of the AQUA strategy

1. **Adaptive Flexicap**
   Dynamically allocates and adjusts portfolio across large, mid and smallcaps based on market cycles
2. **Optimally Diversified**
   A 25 stock portfolio that avoids over diversification or over concentration
3. **Granularity of Returns**
   Driven by an Equal Weighted Stock Portfolio to eliminate biases
4. **Benchmark Agnostic**
   Unconstrained allocations across sector, size, style, security, independent of benchmark weights
5. **Dynamic Multifactor**
   Objectively ranks stocks using quality, growth, value, risk, sector, style, liquidity, and trend scores
6. **Holisitic MultiDimensional**
   Blends fundamental, technical, risk & macro analytics using quant methods
7. **Alpha by Design**
   3 sources of alpha generation - unbiased elimination, selection and allocation
8. **Relativity builds Robustness**
   Evaluation vs past, peers and broader markets as opposed to absolute thresholds
9. **Responsive not Predictive**
   Rebalances the portfolio's asset, size, sector, style, security and beta mix to adapt to change
10. **Performance powered by Processes**
    Uses an objective rules-based approach for a personality-agnostic strategy, free from key man risks

We try to get it right by integrating

Right Asset

Drives performance by 91 %*

Right asset at right time > holding an asset at all times

Right Factors

Enhances performance by 80%^

Blending multiple factors > choosing single factor

Right Time

Enhances alpha generation & risk management

Timely, systematic and objective review and rebalance > buy & hold driven by biases

Right Theme

Enhances performance by 73%^

Good stock in right theme > Best stock in wrong theme

Right Style

Enhances performance by 69%^

As per changing regimes > preferred or favourite style in all regimes

*Source: ^PL, *Brinson, Hood, Beebower. "Determinants of Portfolio Performance".Financial Analysts Journal. July-August 1986; Brinson, Singer, Beetbower."Determinants of Portfolio Performance II: An Update". Financial Analysts Journal. May-June 1991*

INVESTMENT PROCESS & FRAMEWORK

Step 1 : Elimination & filtering

Top 500 stocks by market cap

- Eliminate 100 illiquid stocks ✗
- Eliminate 100 by fundamental red flags ✗
- **300 stocks out of top 500 with superior liquidity & fundamentals** ✓

A Flexicap strategy that invests in liquid stocks with robust fundamentals, diversified across the marketcap spectrum. The strategy dynamically changes its mix across large, mid & small caps by adjusting their allocations based on macro & market cycles.

Step 2 : Portfolio construction & stock selection process using the 6S framework of relative analysis

Smart Risk Management

An optimally diversified, equal-weighted portfolio of stocks that pass liquidity and red flag filters, is dynamically rebalanced for asset allocation, smart beta management, responsive sector and style rotation to navigate market risks

Sector Rotation

Takes a benchmark agnostic approach to dynamically rotate allocations to sectors with relatively stronger growth outlook, positive or improving investor sentiment, and favourable risk reward, while staying out of weaker counterparts

Sound Valuations

Uses a 360-degree fundamental and technical valuation framework to identify stocks trading at relatively cheaper multiples vs their peers, past and broader markets, thus offering favourable upside with a margin of safety

Style Alignment

A style agnostic and style adaptive portfolio constructed using a dynamic multifactor framework employing style tilts to stay aligned to the evolving market and macro risk regimes

Strong Technicals

Uses proprietary technical indicators quantitatively to identify stocks with favourable technical risk reward by evaluating their demand supply dynamics in terms of trend, volatility, and sentiment analytics

Superior Fundamentals

Evaluates stocks on 75+ proprietary qualites, growth, and red flag metrics against their peers, history, and broader markets to identify stocks with improving or relatively robust fundamental traits

The final portfolio output after applying 6S framework

An equal-weighted portfolio of 25 stocks with maximum 4% allocation at time of entry that aligns with AQUA's benchmark agnostic, unconstrained strategy in terms of style, sector, size & security allocations.

What is the 6S Framework

01 A holistic multidimensional quantamental investment framework

02 An adaptive & responsive method for portfolio rebalancing

03 An unbiased & tech-enabled investment process, driven by objective data analytics

04 An approach to evaluate a security on a relative basis vs its past, peers, & broader markets using Einstein's principles of relativity

Step 3 : Dynamic risk management using periodic rebalancing

Dynamically changes the portfolios construct across one or more of the 6 dimensions in order to mitigate risk

AQUA Strategy live performance:

Period	AQUA	BSE 500 TRI	Alpha
1 month	8.26%	1.92%	6.35%
2 month	13.71%	10.11%	3.61%
3 month	30.58%	17.88%	12.70%
4 month	29.90%	14.51%	15.40%
5 month	36.85%	16.92%	19.94%
6 month	45.92%	16.20%	29.72%
7 month	57.85%	20.79%	37.06%
Since Inception	**57.16%**	**25.04%**	**32.12%**
1st Rebalance	11.59%	4.73%	6.86%
2nd Rebalance	9.48%	2.48%	7.00%
3rd Rebalance	16.75%	10.68%	6.06%
4th Rebalance	10.00%	3.33%	6.67%

Source: PL | Data as on 31st January 2024
Inception Date : 12th June, 2023 | 1st Rebalance: 19th June - 21st August, 2023 | 2nd Rebalance: 22nd August, 2023 - 18th October, 2023 | 3rd Rebalance: 19th October, 2023 - 18th December 2023 | 4th Rebalance: 19th December 2023 - till date | Note: Actual returns net of expenses, fees and associated costs.

AQUA Strategy back – tested performance:

Period	AQUA	BSE 500 TRI	Alpha
1 year	33.83%	25.44%	8.39%
2 year	20.18%	11.11%	9.07%
3 year	47.32%	25.99%	21.33%
5 year	26.82%	13.29%	13.53%
7 year	29.96%	14.57%	15.39%
10 year	32.50%	14.98%	17.52%
15 year	27.49%	11.73%	15.76%
Since Inception	**29.36%**	**13.09%**	**16.27%**
Sharpe*	**1.31**	**0.32**	**4.1x**
Standard Deviation*	**0.21**	**0.19**	**1.1x**
Sortino*	**1.80**	**0.43**	**4.2x**

*Source: PL | Data from 19th June 2006 till 19th June 2023 | *3 year rolling Risk - reward ratios*
Note: All returns and ratios are net of expenses, fees and associated costs. These are back-tested results of the inhouse Quant Model & not actual returns. Above returns are only for indicative purposes, which can evovle with the continuous improvement of the model and there is no assurance or guarantee that the objectives of the investment will be achieved as investment in securities is subject to market risk.

Top Performing Stocks in AQUA Portfolio

Stock Ticker	Returns	Stock Ticker	Returns	Stock Ticker	Returns
BSE	225.60%	MAHABANK	43.69%	BPCL	29.77%
COCHINSHIP	176.21%	MOTILALOFS	43.01%	BEML	29.62%
IRCON	174.39%	WELCORP	40.26%	TATAPOWER	29.29%
PFC	123.78%	COALINDIA	39.64%	ZENSARTECH	27.63%
MAHSEAMLES	93.20%	BRIGADE	35.97%	GESHIP	26.96%
GMDCLTD	92.72%	PCBL	35.37%	DLF	23.04%
RECLTD	75.08%	CESC	34.78%	ENGINERSIN	22.69%
NBCC	74.02%	PNB	34.77%	BANKBARODA	20.98%
APARINDS	72.88%	TATAMOTORS	34.22%	POLYMED	20.68%
SCHNEIDER	70.00%	IOC	32.72%	NAM-INDIA	20.66%
ADANIPOWER	60.74%	MAZDOCK	32.50%	ELECON	20.40%
JSL	60.65%	NTPC	32.35%	THERMAX	19.99%
DBREALTY	53.39%	UJJIVANSFB	31.83%	NMDC	19.76%
GMRINFRA	51.18%	HAL	31.63%	BAJAJ-AUTO	19.46%
GRSE	44.73%	FINCABLES	29.95%	BSOFT	18.38%

A Total Portfolio Approach to Sustainable Alpha

AQUA's outperformance can't be replicated by individual stocks.

The probability of AQUA getting it right as per back tested results:

Generating Alpha on	Monthly Basis	Quarterly Basis	1 Year Basis	3 Year Basis	5 Year Basis
Right (outperformance)	>65%	>77%	>88%	>96%	100%
Wrong(underperformance)	<35%	<23%	<12%	<4%	0%
Outperforming or positive	>83%	>85%	>96%	100%	100%
Underperforming and negative	<17%	<15%	<4%	0%	0%

Win Hit Ratio:

Rebalance	% of portfolio stocks beating benchmark	% of stocks positive
1	68%	64%
2	72%	64%
3	96%	84%
4	64%	64%

AQUA packs the power of:

80 years of PL's research expertise

20+ team members

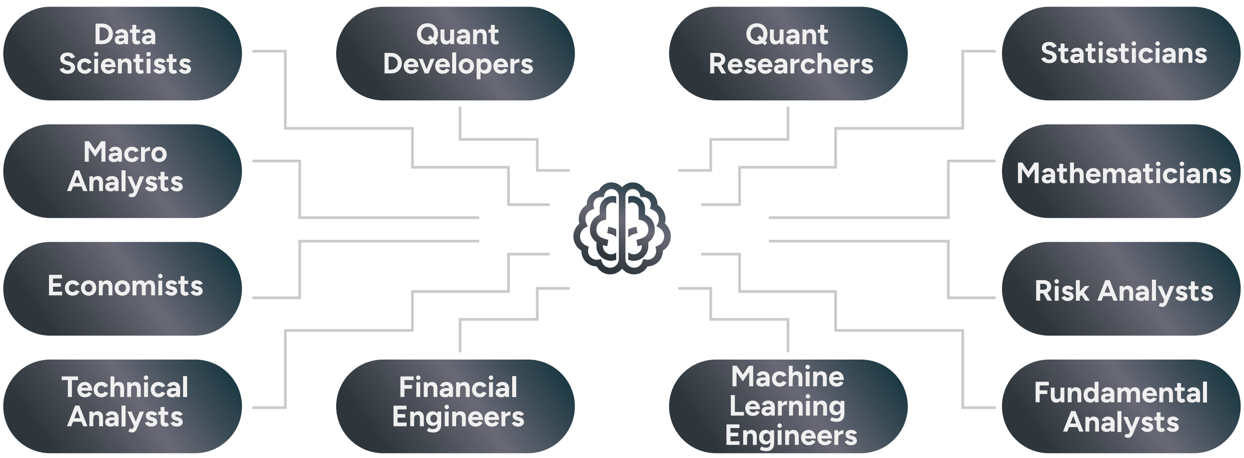
25+ proprietary factors

1000+ market indicators

7500+ strategies tested to build AQUA

Creators of AQUA

AQUA is the convergence of a multidisciplinary team in one strategy:



About the Fund Manager:

"what Google Maps did to Navigation, Quant holds the potential to do to investing".

Siddharth was one of the first to recognize the potential of quant and how technology and data can play a major role in the investment landscape of India.

Hence, Siddharth spearheaded PL's foray into the Quantitative Asset Management space.

He is one of India's youngest and most innovative fund managers, having introduced two path – breaking investment strategies – MADP and AQUA.

Multi – Asset Dynamic Portfolio (MADP) is one of India's 1st multi – asset PMS that deploys quantitative technology for asset allocation and AQUA, (Adaptive; Quantitative; Unbiased; Alpha) is one of India's 1st style agnostic and style adaptive investment strategy.

He is one of the most definitive voices on quant investing in India today.

He is a SEBI-registered Research Analyst, Investment Advisor and Portfolio Manager.

Siddharth Vora

Fund Manager, Principal Officer & Head of Investment Strategy , PL Asset Management

Executive Director, PL Capital Group
CA, CFA, MSc

80 years of experience.
We've done our homework.

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PRABHUDAS LILLADHER

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Invest for ALPHA, Invest in AQUA

Join the Quant revolution with our AQUA PMS

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