PIPER SERICA PMS DECK

APRIL 2024

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Introduction

Piper Serica is a Mumbai based Asset Management company founded in 2003.

It manages about INR 1000 crores in long-only public and private market funds.

Its senior management team has more than 100 years of cumulative fund management experience across companies like

JP Morgan, Citibank, SBI MF and Reuters.

Piper Serica has license from SEBI to manage PMS for HNIs and family offices.

It also advises Piper Serica Numero Uno India Fund, a FPI based in Mauritius.

It manages Piper Serica Angel Fund that invests in promising start-ups.

Our investors include renowned HNIs and family offices from around the world.

Please refer to www.piperserica.com for more details.

Key Leadership Team

- **Abhay Agarwal,** *CEO & Founder*
- Experience: 30 Years of experience in investment management
- Education: MBA (JBIMS), B.com (Sydenham college)
- Prior Companies: Fund Manager CITI Bank, Director J.P Morgan Chase

- **Rajni Agarwal,** *Director & Head - Research*
- Experience: 30 years of experience in research & developing portfolio strategy
- Education: MBA (JBIMS), B.A in Eco Honours, Master degree in economics
- Prior Companies: Fund Manager, SBI MF

- **Ajay Modi,** *Director, Investments*
- Experience: 10 years of experience in research & portfolio management
- Education: B.Tech, CFA, Investment Management Program, CISI, (UK)
- Prior Companies: Research, Thomson Reuters

Our Historical Returns – Consistent Alpha

Strategy Returns (RIA+PMS)					
	Strategy Inception (Feb-2015)	5Y	3Y	2Y	1Y
Piper Serica Leader Portfolio	**20.4%**	**18.2%**	**16.8%**	**16.2%**	**54.2%**
Nifty 50	10.7%	13.9%	15.0%	13.1%	28.6%
BSE 500	12.0%	15.9%	17.8%	16.3%	38.4%

- Returns on end clients differ on based on their vintage and mandated risk level.
- Past performance is not indicative of future results. We do not guarantee returns.
- All returns are post expense. Returns for 1 year and above are annualized.
- PMS returns are calculated by an independent Fund Accountant and RIA returns are audited by an independent auditor.
- Since inception : Feb-15 to Mar-24 (including returns under RIA).

Alpha from picking Multi-baggers

Consistently. Regularly.

CDSL 10X	Angel One 8X	APL Apollo 10X
CMS Infosystem 2X	Apollo Pipes 2X	Titan 5X
Apollo Hospital 8X	Dixon Technologies 10X	ITC 2X

Investment Strategy

Multi-cap model portfolio

Thematic plays – reduce single stock dependence

Bottom of cycle picks – return is generated through expansion of valuation multiple (easy money) and earnings growth - solid margin of safety.

Sanity checks – corporate governance, liquidity, leverage etc.

Build insights through a long association with a portfolio company and its management

Management meets, network leads, industry interaction

Maintain a high rejection rate

Stay away from BAAP stocks – no information asymmetry – high premium for consensus.

Model Portfolio Strategy

Target net ==annual return of 18-20==% over a 5-year period.

Number of stocks – 18-22

Average cash holding – 5%

Average annual churn – up to 25%

Min – max allocation per stock – 3% - 6%

Portfolio level average forward P/E multiple <25x

Adequate sectoral allocation

==Dynamic profit booking== and redeployment in case particular stock crosses model portfolio allocation

Our Research Process

Primary research – high touchpoint scuttlebutt

Scoring on Michael Porter 5 Forces model to check for competitive strength.

Scanning global markets for trends – demand, inventory, pricing, technology and financials.

Team based approach to research – IC takes final decision.

Portfolio management through continuous management interaction, plant visits and industry events.

Change in allocations on a regular basis through rebalancing.

The 4-stage Investment Process

Identify	Identify high growth industry
Test	Test the players of the industry for sustainable long-term competitive edge
Establish	Establish fair value range
Manage	Active management of portfolio and risk

Testing for Long Term Competitive Edge

- We use Michael Porter's 5-Forces Competitive Edge Model to establish the competitive edge of a company.

- Michael Porter is an American academic known for his theories on economics, business strategy, and social causes. He teaches at Harvard Business School.

- Porter's Five Forces is a model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths.

Piper Serica's 5-Forces model

We have converted the model into a decision-making tool.

We rate each company on 35 sub parameters on a scale of 1 to 10.

Only when the average score of the company is higher than 7, it becomes investible.

We update this score every quarter to assess any change in the competitiveness of our portfolio company.

If the score falls below 7, we remove the company from the portfolio.

Case study – APL Apollo Tubes Ltd.

Overall Average	8.9
Threat Of New Entrants	9.0
Bargaining Power Of Suppliers	8.5
Bargaining Power Of Buyers	9.0
Threat Of Substitutes	8.5
Overall Industry Competitiveness	9.3
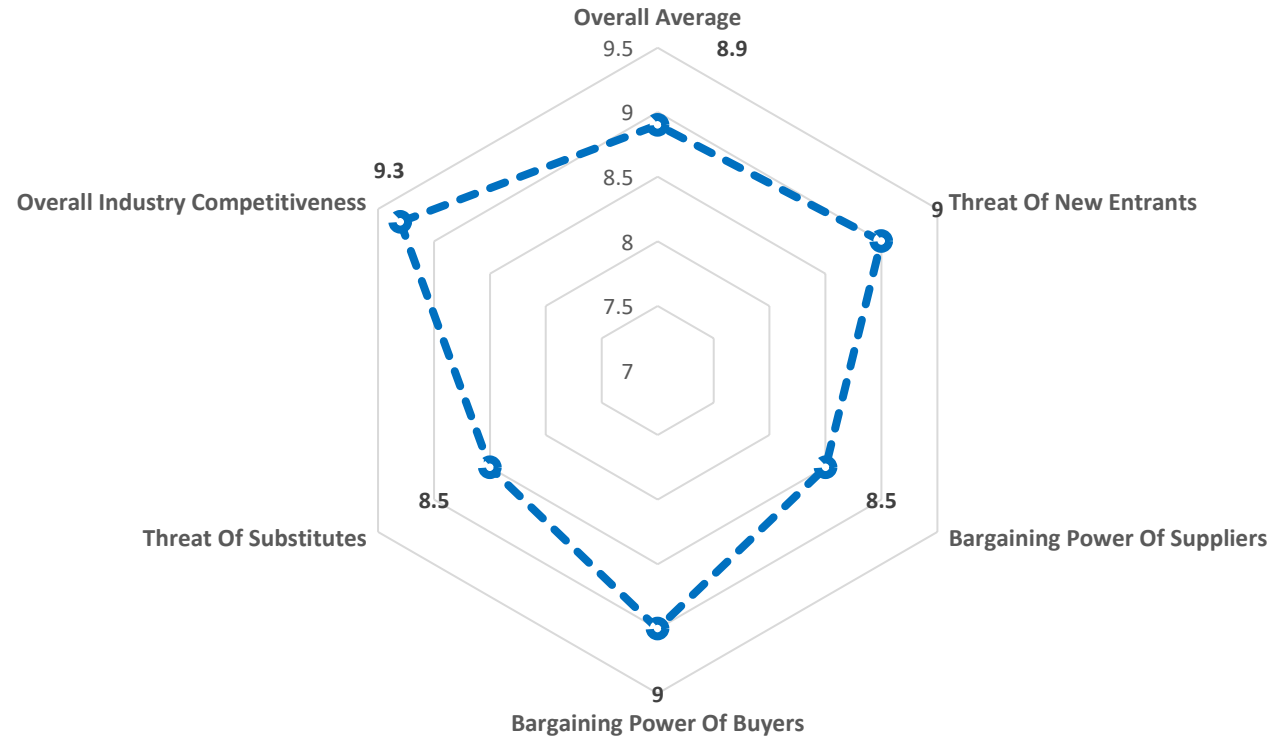
So what's our simple recipe to making money

Look for industries that have a long term growth

Back the right players (not one, sometimes multiple – THEMES)

FOCUS HARD ON FINDING GROWTH PLAY AND VALUE MULTIPLES

Regularly manage allocations – Best way to keep booking profits and putting it back to work

Stay invested in long term trends where earnings are growing. Don't bother about market momentum. It will eventually pay you

Diversify – Not too much, not too less

The common thread between all the companies where we made multi fold returns

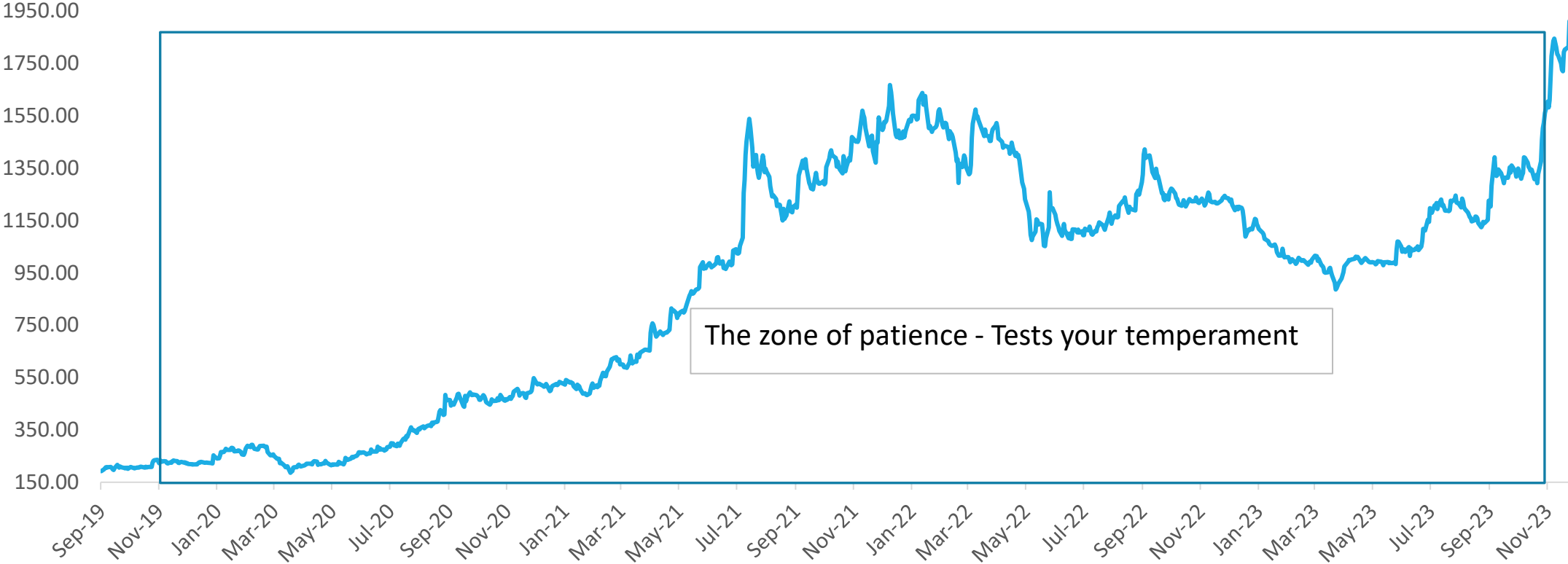Companies with growth & tailwinds

A visionary founder/leader at the top

A very strong CXO team with sharp focus on execution

Steady economic conditions
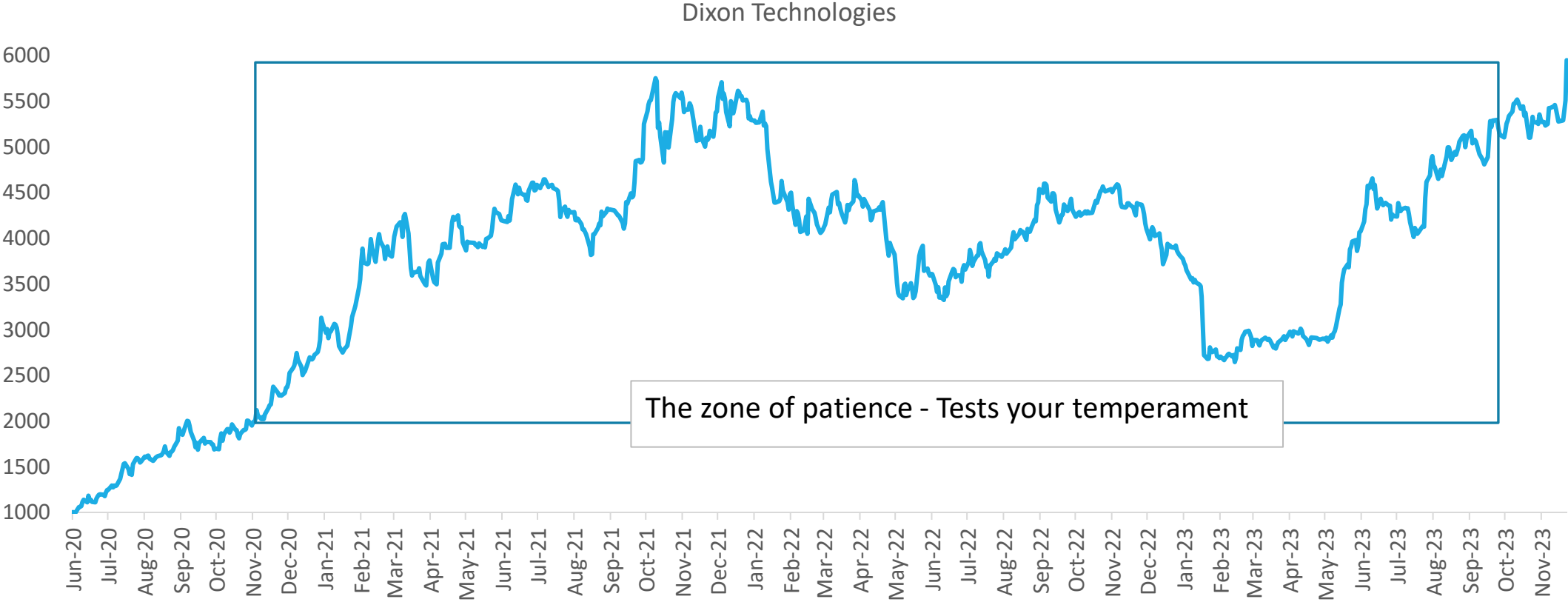
Great Valuation

Hold on – The name of the game

CDSL – 10 bagger for Piper Serica

The zone of patience - Tests your temperament

Hold on – The name of the game

Dixon Technologies

The zone of patience - Tests your temperament

How we reacted

Dixon Technologies

Reduce allocation

Increased allocation

The zone of patience - Tests your temperament
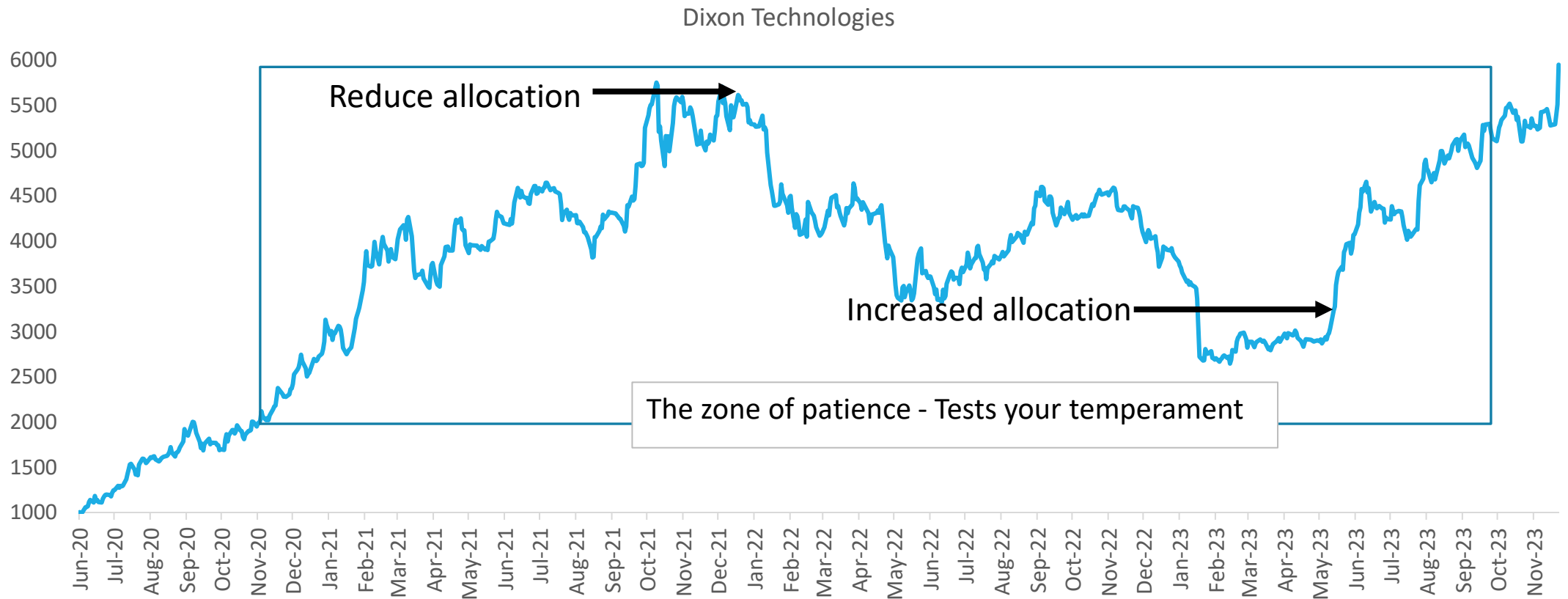
AS OF TODAY DIXON TECHNOLOGIES HAS BECOME A 6 BAGGER FOR US

Case Study – Large private bank

	Stock Price	Book Value	Price to Book
Dec-19	1700	302	5.6
Dec-23	1700	564	3.1
	0.0%	86.8%	

- Stock returned 0% in 4 years even when the business doubled. Because, 4 years back, the valuations were high.
- **Today, valuations are appealing.**
- Even in a market which is at peak, there are opportunities for investors to create wealth
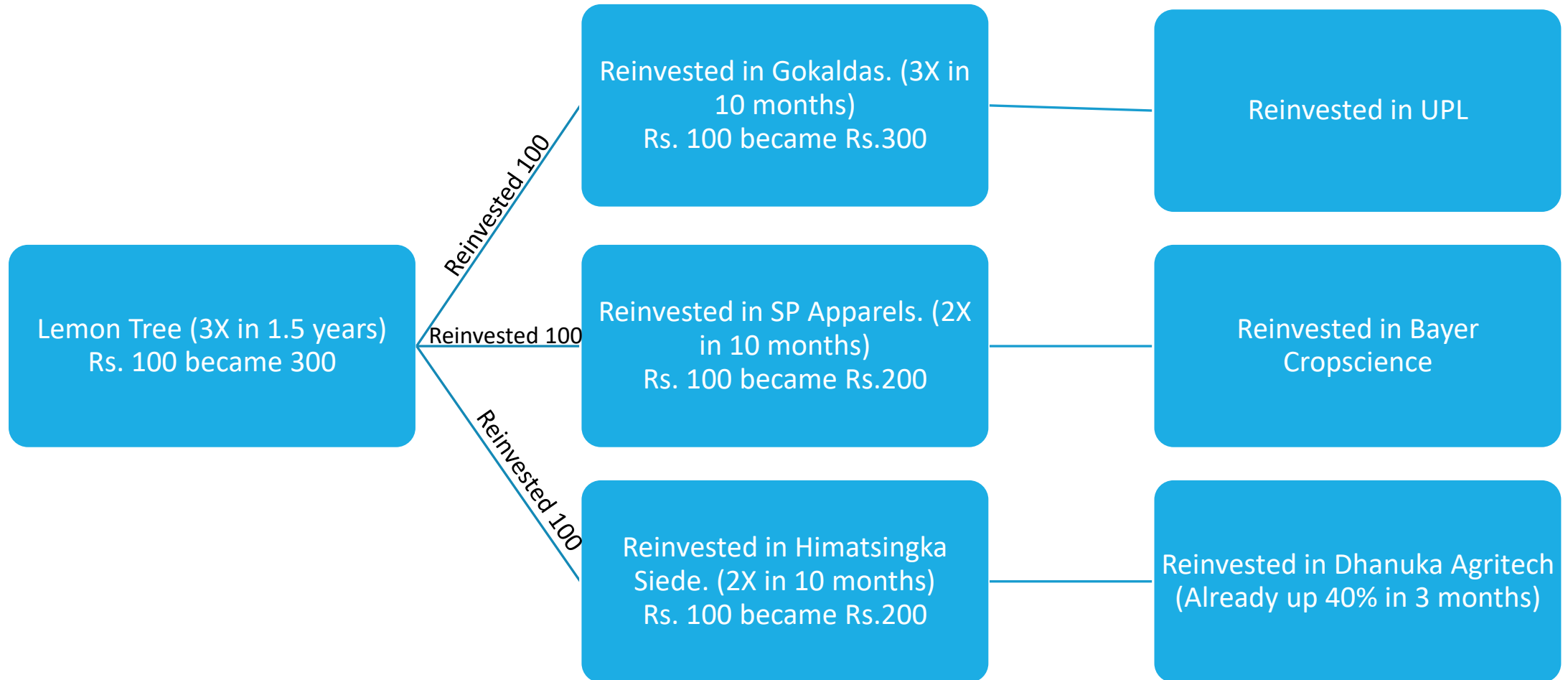
Piper Serica Strategy

Active Management and generating Alpha

o Timing in the market is important for portfolio to generate returns.

o But when buying stocks what is important?

- o **Timing**

- o **Position Sizing**

- o **Regular Profit Booking**

- o **Exiting quickly in case of red flags**

o Good companies – Ones which have steady growth, decent cash flow generation, clean balance sheet, professional management team with strong experience, strong distribution/sales network.

o Good investment – Good companies + Great valuation

o **Good returns – Good companies + Great Valuation + Regular Profit booking + Appropriate Exit**

Compounding at work. Turning Rs. 100 to Rs. 700 in 2.5 years.

How regular profit booking and timely exit can make multi-fold return.

Lemon Tree (3X in 1.5 years)
Rs. 100 became 300

Reinvested 100

Reinvested in Gokaldas. (3X in 10 months)
Rs. 100 became Rs.300

Reinvested in UPL

Reinvested 100

Reinvested in SP Apparels. (2X in 10 months)
Rs. 100 became Rs.200

Reinvested in Bayer Cropscience

Reinvested 100

Reinvested in Himatsingka Siede. (2X in 10 months)
Rs. 100 became Rs.200

Reinvested in Dhanuka Agritech (Already up 40% in 3 months)

Piper Serica's approach to valuation

- Valuation is not the starting point of research process for us.

- We look at valuation only of companies that score more than 7 in our Porter model analysis.

- We prefer to establish a valuation range rather than a specific fair value number because valuation is as much of an art as science.

- Our valuation model is a mix of traditional models.

- We believe that low entry valuation leads to alpha generation. We want to invest in good quality companies but at valuations that do not price in 'consensus'.

90% of our research is from Primary sources

- Full 360-degree research to cover all stakeholders of a company:
  - Suppliers and vendors
  - Distributors and retailers
  - Customers
  - Current and ex-employees
  - Management interviews
  - Factory and site visits
  - Competitors
  - Bankers, lenders and auditors
  - Market research agencies

Active Portfolio Management

- Model portfolio has at least 75% of stocks that are <u>not</u> part of the benchmark Nifty.
- No closet benchmark-hugging.
- Optimal allocation in small-cap, mid-cap and large-cap stocks.
- Portfolio weights are rebalanced at least once a quarter.
- We are not traders but not averse to benefitting from opportunities presented by sharp market swings.

Risk Management

- Concentration risk: optimally diversified portfolios. Maximum single company weight of 6% of the total portfolio.
- Liquidity Risk: Entire portfolio can be liquidated within a week without any impact cost.
- Valuation Risk: strict adherence to valuation ranges – book profit or add to position as soon as any stock hits upper or lower end of pre-established valuation range.

Management commitment

We have full skin in the game. The fund manager and family have invested Rs. 35 cr in the PMS and this is their only investment vehicle.

Fund management is our only business. We have no other conflicting businesses.

We follow the code of conduct laid out by US CFA.

Our investor reporting and communication is one of the best in the industry.

We have best of service partners like Kotak Bank and Nuvama.

Fee Options

	Fixed Fee	Hurdle Rate	Profit Share	Exit Load 1st Year
Option 1	2.5%	-	-	-
Option 2	1.5%	10.0%	15.0%	0.5%
Option 3	0.0%	5.0%	20.0%	1.5%

Profile of Management Team

	Abhay Agarwal – Fund Manager	Rajni Agarwal - Director	Ajay Modi – Director, Investments
Age (years)	52	54	31
Years of Experience	30	30	9
Education	- MBA, JBIMS - B.Com, Sydenham College	- MBA, JBIMS - MA (Eco), Delhi School of Economics - BA (Eco), Hindu College	- B.Tech, Pune Univ. - CFA (L3) - Investment Management Program, CISI, (UK).
Last job	Director, JP Morgan Private Equity, Singapore	Fund Manager, SBI MF	Research, Thomson Reuters

Team Piper Serica: 15 Members
Investment Committee: 3 Members
Research Team: 5 Members
Relationship Manager: 2 Members
Investor Relations: 2 Members
Operations & Accounts: 3 Members

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