IIFL PHOENIX PORTFOLIO

(Portfolio Management Service)

All data are as on February 28, 2023 and denominated in INR

Investment Objective: The investment objective is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities.

The investment strategy is to invest in businesses having long term track record where profitability and growth may have been impacted by short term cycles. The investment manager would target such opportunities which have long-term mean reversion capability and potential for sharp improvement in fundamentals.

Description of types of securities: Listed equity and liquid schemes of mutual funds

Basis of selection of such types of securities as part of the investment approach: A combination of in-depth internal (financial analysis, corporate governance checks, risk reward valuation) and external analysis (conferences, investor presentations, management interaction, primary visits across supply chain)

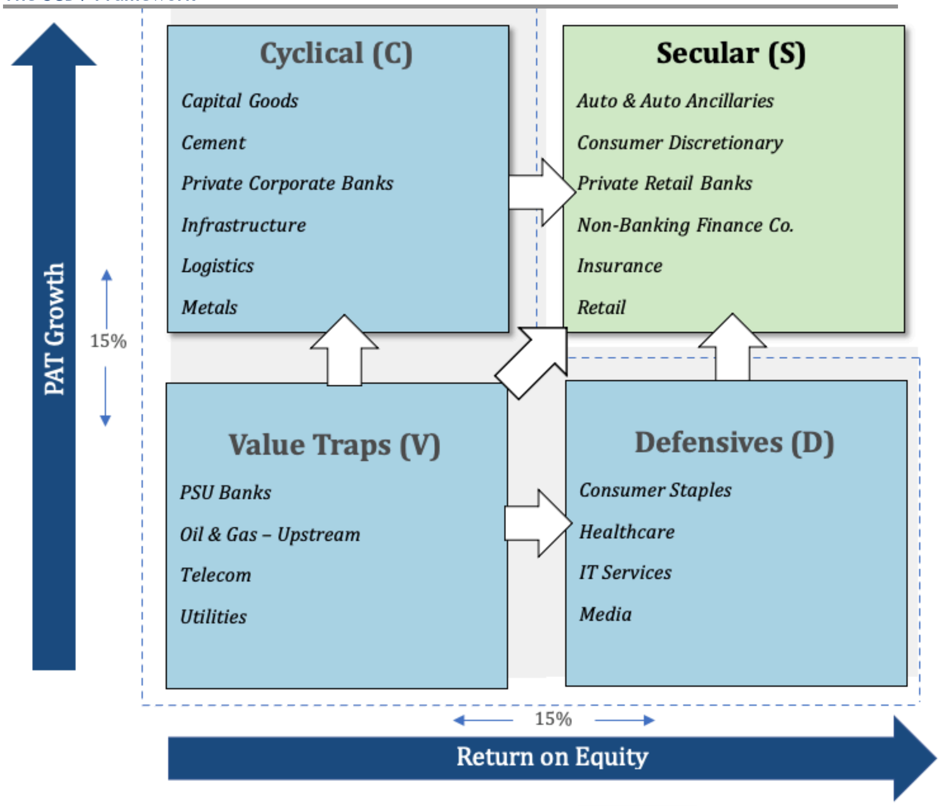
Allocation of portfolio across types of securities:

- Equity Investment - up to 100% of corpus
- Liquid schemes of Mutual funds as per discretion of Portfolio Manager

Benchmark: S&P BSE 200 TR Index is the benchmark of the strategy as it is a broad-based index and its composition broadly represents the strategy's investment universe

Investment Time Horizon: Recommended minimum 36 months

The SCDV Framework



	Portfolio	BSE 200
C + V	53%	46%
S + D	43%	54%

Portfolio companies moving towards higher ROE and higher PAT growth trajectory

The above statements/analysis should not be construed as an investment advice or a research report or a recommendation to buy or sell any security covered under the respective sector/s

- Secular (PAT>15%, ROE >15%) - High growth companies/sectors which show consistent growth across market cycles
- Cyclical (PAT>15%, ROE <15%) - Companies/Sectors that show high growth but are affected by market cycles hence need to be timed for entry and exit
- Defensive (PAT <15%, ROE>15%) - Companies/sectors that show consistent stable growth across market cycles
- Value Trap (PAT <15%, ROE <15%) - Companies/sectors that are at attractive valuation but do not show commensurate growth.

Portfolio Changes during the month

Stock	Action	Rationale
Zensar Technologies Limited	buy	The biggest trigger for Zensar should come up as the top leadership stabilizes, post the exit of Mr Ajay Bhutoria and Mr. Manish Tandon now taking up the role of CEO & MD. Manish has over 25 years of experience in the tech industry, including more than 20 years at Infosys where he led an USD 2 bn+ global business in healthcare, finance, insurance, life sciences, and technology. With most of the key hires now in place, the company is in a good position to focus on its strategy. The management is particularly focused on improving profitability and return on investment in the near term, while also executing on previously laid strategies
Indian Energy Exchange Limited	buy	IEX has seen impact on its volume in FY23 but we are confident of recovery in FY24 led by (1) GNA, which will be implemented by April'23 leading to shift of volume back to DAM (2) Lower coal prices will ensure lower prices of power leading to efficient functioning of exchange (3) Launch of new products like high power DAM and traction of Long duration contract. Further, launch of carbon trading exchange in FY24 will open a new source of revenue. We are positive on IEX as we believe IEX will continue to remain market leader in electricity exchange, which is still at nascent stage in India
Blue Dart Express Limited	Sell	We believe Blue Dart Express would be impacted by fierce competition from traditional service providers in surface express, new competitors in air express (e.g. Movin) and new age logistics service providers for ecommerce logistics across marketplace (Amazon, Flipkart) and D2C, discouraging price hikes. Expect higher contribution from the e- commerce segment and intensely-competitive surface express (1/3rd of revenues in FY22) to impact margins over the medium-term.

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IIFL ASSET MANAGEMENT

Key Terms

Inception Date	January 28, 2021
Bloomberg Ticker	NA
Benchmark	S&P BSE 200 TRI

Strategy Details

- Since Deployment till February 28, 2023

SD returns-IIFL Phoenix Portfolio	14.67%
SD returns-S&P BSE 200 TRI	10.19%
Outperformance/ (Underperformance)	4.48%

During the initial period (Jan 28 – Feb 28, 2021), the strategy had a higher allocation (upto 65%) in liquid instruments, resulting in a variation in performance compared to the benchmark. The portfolio was substantially deployed post Feb 28, 2021, so performance comparison for periods post Feb 2021 reflect a more accurate representation

Schedule of Charges

Management Fee	As per executed term sheet
Exit Load	As per executed term sheet
Minimum Investment Amount	Rs 50 Lakhs

Investment Manager

IIFL Asset Management Limited (IIFL AMC)

Fund Manager Profile

Anup Maheshwari (CIO)

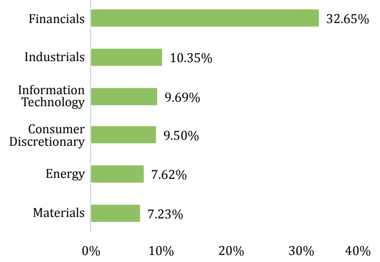
Anup brings with him 27 years of investment experience. He joined IIFL from DSP BlackRock Investment Managers (a joint venture between BlackRock and the DSP Group in India) in August 2018. He was associated with DSP BlackRock since July 1997 and was last designated as the Chief Investment Officer, Equities. Anup managed DSP BlackRock's India funds from May 2001 to June 2018. For a brief period between December 2005 and May 2006, he was the CIO at HSBC Asset Management before returning to DSP BlackRock. Previously he was also associated with Chescor, a British fund management firm managing three offshore India equity funds. Anup is an alumnus of IIM Lucknow

Performance (%)*

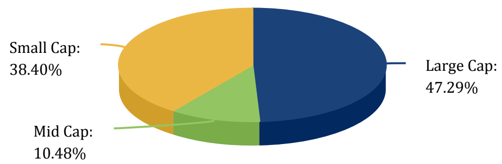
Strategy / Benchmark	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	Since Inception	Since Deployment^
IIFL Phoenix Portfolio	(1.13)	(5.49)	(2.04)	(3.27)	11.31	14.67	14.73	14.67
S&P BSE 200 TRI	(2.79)	(9.26)	(1.86)	(6.19)	2.88	10.19	12.92	10.19

*Returns are calculated on TWRR basis. Past performance may or may not be sustained in future. The performance related information provided herein is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the same. Change in investment approach may impact the performance of client portfolio. During the initial period (Jan 28 – Feb 28, 2021), the strategy had a higher allocation (upto 65%) in liquid instruments, resulting in a variation in performance compared to the benchmark. The portfolio was substantially deployed post Feb 28, 2021, so performance comparison for periods post Feb 2021 reflect a more accurate representation. ^Feb 28, 2021

Sector - Top 6 Holdings



Market Capitalization



Portfolio - Top 10 Holdings (%)

Company	Weightage
AXIS BANK LIMITED	7.55
ICICI BANK LIMITED	5.80
EQUITAS SMALL FINANCE BANK LIMITED	4.29
STATE BANK OF INDIA	3.97
ITC LIMITED	3.56
BHARTI AIRTEL LIMITED	3.17
TATA MOTORS LIMITED	3.11
HDFC BANK LIMITED	2.95
CYIENT LIMITED	2.92
SUN PHARMACEUTICAL INDUSTRIES LIMITED	2.89
CASH AND CASH EQUIVALENTS	3.82

Risk Ratios

Beta	0.62
Sharpe Ratio	0.30
Information Ratio*	0.23
Treynor Ratio	0.07
Volatility**	12.49%

All risk ratios are calculated since deployment

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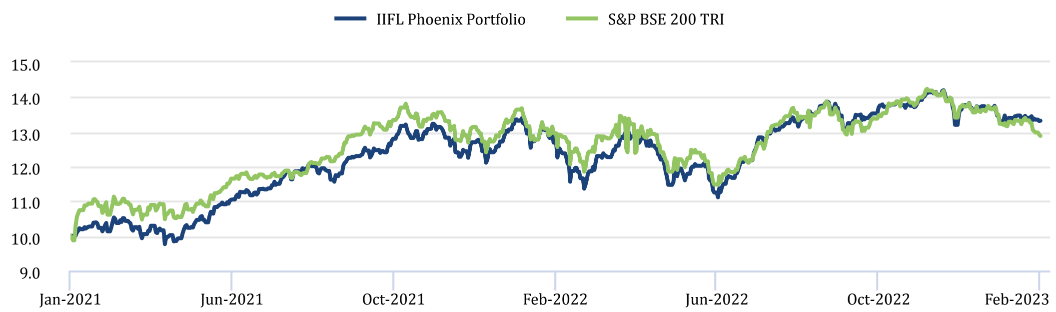
*Information Ratio is a ratio of portfolio returns above the returns of a benchmark index to the volatility of those returns.

**Volatility measures the risk of a security by using the standard deviation of the asset returns.

Top Gainers for last Month	Performance
SYMPHONY LIMITED	21.74%
CYIENT LIMITED	7.33%
ITC LIMITED	6.91%

Top Losers for last Month	Performance
GATI LIMITED	-21.61%
SEQUENT SCIENTIFIC LIMITED	-20.55%
FAIRCHEM ORGANICS LIMITED	-17.42%

NAV Movement



IIFL Asset Management Limited (Portfolio Manager)

Regd Off: 6th Floor, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai -400 013

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Commentary

Indian Equity Markets: Month Gone by

Indian equity markets closed the month of February'23 in red, its third consecutive month of decline, with S&P BSE Sensex and Nifty-50 registering monthly losses of ~1.0% and ~2.0% respectively. Investors' concerns navigated around hawkish policy stance by central banks, resurgent geopolitical tensions, and volatile move in Adani Group stocks. FPIs sold $0.65 bn worth of Indian equities while DIIs bought $2.3 bn in-line with the previous month's trend. The indices down the capitalization curve underperformed the key benchmark indices. S&P BSE Mid-cap index and S&P BSE Small cap index registered monthly losses of ~2.0% & ~3.1% respectively. Amongst sectoral indices FMCG, Capital Goods and Industrials were among the top performers registering monthly gains of 0.3%, 0.2% and -0.7% respectively while Utilities, Power and Metal were among the bottom three performers registering monthly losses of 15.6%, 10.2% and 9% respectively.

Other key developments in the month: (1) In the FY2024 Union Budget, the government (a) prioritized fiscal consolidation and (b) focused on capital expenditure to achieve higher medium-term GDP growth, (2) Adani Enterprises called off its FPO of Rs200 bn, (3) the US FOMC, in line with expectations, hiked the target range for the federal funds rate by 25 bps, (4) the RBI MPC hiked the repo rate by 25 bps and remained concerned about elevated inflation, especially core inflation, while being optimistic about growth, (5) Russia to cut oil production by 500,000 bpd in March, (6) meteorologists have suggested increasing risks of El Nino in 2023, (7) minutes of the recent meetings of the RBI and the US Fed suggest that banks are willing to increase the interest rates further as inflation remains a concern.

The Manufacturing PMI almost remained flat in the month of february'23. February'23 PMI came in at 55.3 as against 55.4 in January'23. The manufacturing industry sustained robust growth of output and new orders halfway through the final fiscal quarter but there was a slowdown in the growth rate of international sales expansion. Companies were confident on the resiliency of demand and continued to add to their inventories by purchasing additional inputs. Meanwhile, the gross GST revenue collected in February'23 was up ~12%YoY and stood at INR 1.5 trillion. This is the 12th straight month in a row that the total GST collections have crossed INR 1.4 trillion mark and hence are likely to provide more headroom on the fiscal front. Along with normalization in economic activities and the impact of high inflation that have boosted collections, the government has also made various efforts to increase the tax base and improve compliance.

Outlook

Recent data in the US indicates stubborn inflation and healthy economic activity, prompting the Fed to adopt a more hawkish stance. As a result, the rate cycle is expected to be longer than previously anticipated. Back home, interest rate differentials between India and the US are narrowing, while inflation worries are similar. The RBI may be forced to take a slightly more hawkish stance. Rising risks of El Nino adds on to the food inflation worries. This could lead to more tightening by the RBI in the short term, which may negatively impact the equity market.

However, from a medium-term perspective, the investment cycle is in the early stages of recovery. System credit growth continues to be strong, and the government has reaffirmed its focus on infrastructure development with a target of around 25% growth in central capital expenditure next year. Domestic demand in industrial and automobile sectors remains stable, while exports have weakened.

Given the uncertainty in the global macro environment, we would stick to a bottom-up investment approach. In terms of sectors, domestic-facing sectors are viewed more positively than global-facing sectors. We are positive on the Investment cycle and therefore the domestic cyclicals like Financials, Auto and industrials are well placed in this environment. After a decade of muted growth in capital expenditure, the cycle appears to be picking up, with corporate balance sheets improving and increased lending appetite by banks driving a rebound in demand despite inflationary pressures. Given the disruptions in the global supply chain, large players are increasingly turning towards Indian manufacturing companies. India is set to become a hub for manufactured exports with supportive policies and cost competitiveness.

Note: Mr. Anup Maheshwari is the fund manager for IIFL Phoenix Portfolio with effect from 26-Nov-2021. Also, with effect from 19-May-2022, Mr. Nishant Vass will be co-strategy manager for IIFL Phoenix Portfolio.

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