



AAA IOP PMS
AWARD FOR BEST 10 YEAR PERFORMANCE
 ACROSS CATEGORIES ON RISK-ADJUSTED RETURNS

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 FEB21



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Automation & Innovation: The special sauce of long-term investing

In our September 2020 insights titled “[Key Investment Themes to Capitalize on the Covid-19 Crisis](#)”, we highlighted how companies at the forefront of automation and innovation would be the big beneficiaries of economic growth and recovery, post-pandemic world. This would enable them to gain more market share, a critical component of our unique 3M Investment Approach. Moreover, we believe that automation and innovation will further increase as unprecedented restrictions on travel, physical interactions, and changes in consumer behavior have changed the way companies operate and serve their customers. This has spurred digital transformations in a matter of weeks rather than months or years.

Why Automation and Innovation is vital for the future of Indian businesses?

As per a McKinsey report, automation is transforming the world economy and workforce. 60% of all occupations encompass at least a third of the activities that can be automated. In addition to this, some jobs are only possible with Artificial Intelligence and Machine Learning because of their operational efficiency.

Innovation is not only about new product launches, but it is also about changing profit models like how Netflix transformed the video rental industry by implementing a subscription model. Another example is the innovation in product systems like Nike+ parlayed shoes and devices into a sports lifestyle suite. It can be process innovations such as Zara's fast-fashion strategy, which moves its clothing from sketches to shelves in record time, or opening a new channel like Nespresso locks in customers with its valuable members-only club, et al.

At AAA, Innovation is always one of the essential criteria for stock selection. Accordingly, we took Deloitte's framework of innovation to gauge our portfolio companies' progress on innovation. Upon deep diving into FY21 annual reports of our portfolio companies, it is evident that our holding companies have further accelerated their pedal on automation and innovation in the past year.

Innovation Metrics					
Network	Process	Product Performance	Product Systems	Service	Channel
<i>Connections with others to create value</i>	<i>Superior method of completing a task</i>	<i>Distinguishing features and functionality</i>	<i>Complementary products and services</i>	<i>Support and enhancement with core offerings</i>	<i>How the offerings are delivered to customers</i>
For example, Prince Pipes tied-up with Lubrizol to expand distribution network and brand equity.	For example, TCI Express set up automated sorting centers to reduce turnaround time of vehicle.	For example, Century Plyboard launched fire resistant plyboard “Aag Se Bachaye”, first of its kind in India.	For example, APL Apollo launched products like color coated tubes and tricoat for home improvement segment.	For example, ABB connected software services to its product portfolio and optimized client's process.	For example, Maruti offered online booking of cars and smart financing.

Equity market strategy:

Inflation, interest rates, and Federal Reserve policy will be dominating the discussions for the rest of 2021. In his Jackson Hole speech, Fed's Chair Powell said the Fed may start [paring bond purchases](#) this year, but is in no hurry to raise interest rates and would be guided by data to weigh risks from the delta virus variant, soothing the recent concerns about tapering. Back at home, Nifty is at an all-time high, as India vaccinates half of its adult population with at least one dose. India's structural outlook has improved significantly (PLI, China+1, Formalization of the economy), and it offers one of the fastest growth among major economies. With their thrust on innovation & automation, our portfolio companies will sustain their competitive moats, remain resilient, and emerge as market winners.

Key Risks: Severe Covid third wave, the slower vaccination drive, significant increase in commodity inflation, geopolitical risks.

AAA PMS Performance

Compounded Annual Returns (%)	1 Year	2 Year	3 Years	5 Years	10 Years	AAA IOP SI*	AAA Focus SI^
AAA IOP PMS	57.3%	33.2%	13.6%	15.1%	20.8%	19.86%	NA
AAA FOCUS PMS	51.6%	30.5%	14.4%	15.2%	NA	NA	15.67%
BSE 500 Index	57.4%	29.1%	14.9%	15.8%	15.1%	12.7%	13.1%
BSE Midcap Index	64.4%	34.5%	13.4%	13.7%	15.7%	13.2%	14.2%
BSE Smallcap Index	89.3%	48.0%	17.3%	17.3%	15.5%	12.7%	14.5%
Nifty	52.2%	26.0%	15.0%	15.7%	14.5%	12.2%	12.3%
SENSEX	50.6%	25.5%	15.5%	16.5%	14.7%	12.4%	12.5%

*(23 Nov 2009 – 31 Aug 2021) ^ (7 Dec 2014 – 31 Aug 2021)

Performance is after all expenses and fees from April 2018 onwards. Prior to April 2018, the performance is after all expenses and Fixed Management fees. Index performance is calculated using Total Return Indices, as per SEBI guidelines.

Note: Returns of Individual clients may differ depending on the time of entry in the strategy. Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. Performance related information provided herein is not verified by SEBI.

For further details please contact: investorservices@alfaccurate.com; www.alfaccurate.com

Equity Investments are subject to market risks , read all plan related documents carefully.

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