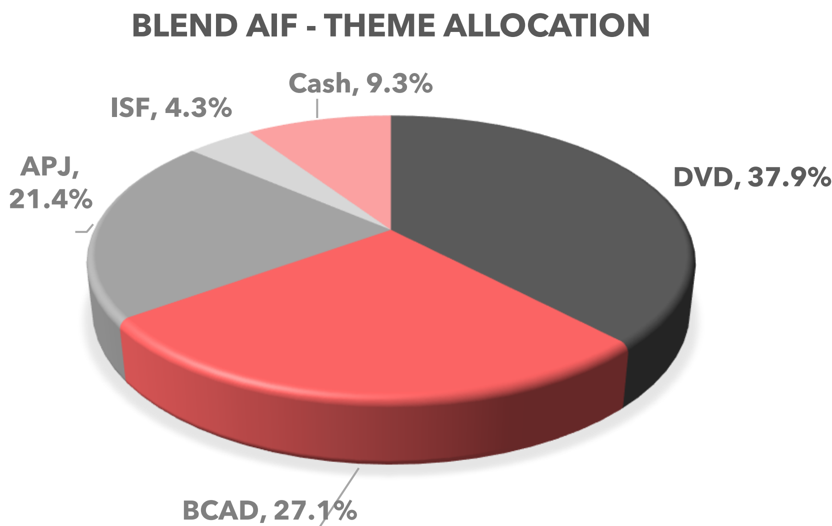
PORTFOLIO FACT SHEET : Q2-FY 2024

UNIFI UMBRELLA AIF - BLEND FUND 2

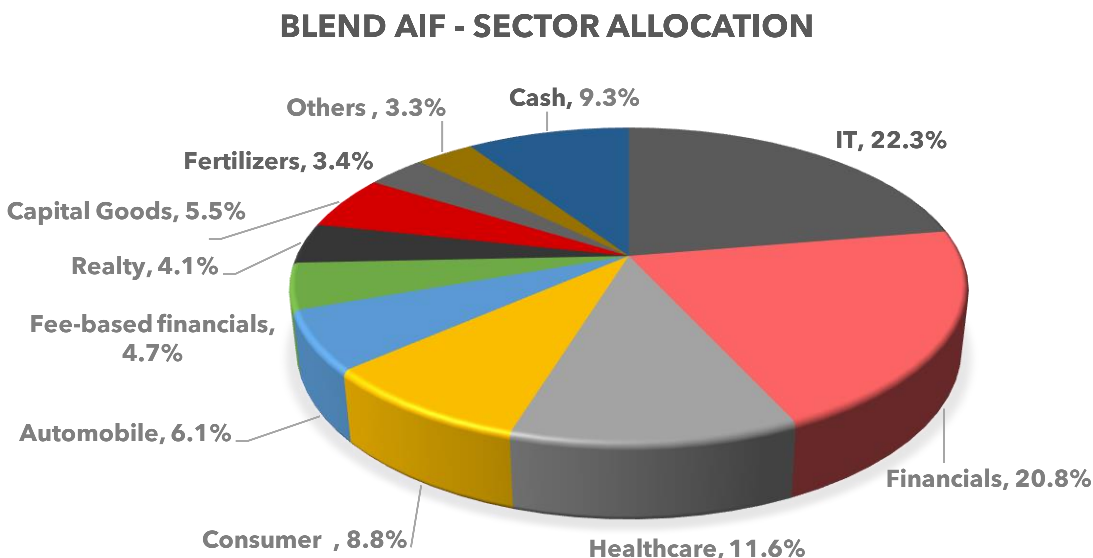
Background

The UNIFI Umbrella BLEND Fund continues to draw from the best opportunities across all of Unifi's investment themes. The fund has the flexibility to invest in stocks across diverse sectors, themes, and market capitalization. The fund's holdings are well diversified and poised to benefit and consolidate their position and deliver industry-leading growth. We have trimmed exposure in a few names that have performed significantly well and redeployed the cash generated in firms that offer a better risk/reward proposition.

The strategy wise composition of the Unifi Umbrella Blend AIF fund is as below:



The sector wise composition of the Unifi Umbrella Blend AIF fund is as below



UNIFI Umbrella BLEND AIF Fund
Launch Date 01st June 2021
Scheme Corpus (*As of 31st Oct 2023*) INR 20.49 bn
Firm AUM (*As of 31st Oct 2023*) INR 203.16 bn
Investment Manager Unifi Capital Private Limited
Minimum Investment INR 10 million
Custodian Axis Bank Limited
Auditors M/s. Walker Chandiok & Co LLP
Lawyer IC Universal Legal

The following annexure presents a brief on our top holdings:

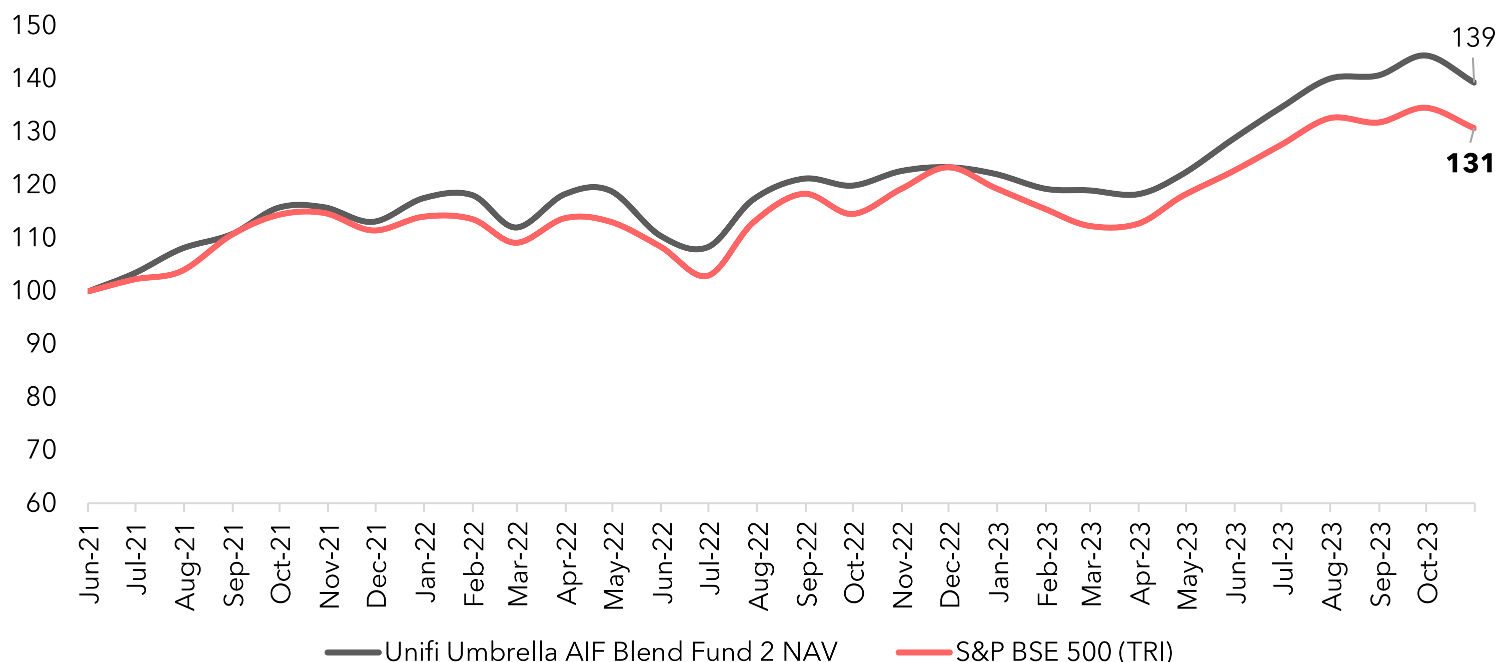
Company	Brief background and Investment rationale
State Bank of India	SBI reported PAT of Rs 14,330crs vs Rs 16,884crs in 1QFY24 and Rs 13,265crs in 2QFY23. SBI reported 3.4% QoQ / 13.3% YoY growth in loan book. Management reiterated its guidance of ~12-14% loan growth led by sustained higher growth in Retail & MSME and double-digit growth in corporate book. Management mentioned that it can grow above 14% in FY24. Margins declined by 1bps QoQ to 3.32%. Majority of term-deposit (TDs) have been repriced and the rest of TDs will be repriced in 3QFY24. Management guided that margins shall moderate by ~3-5bps over the next couple of quarters. Cost to Avg assets ratio increased by ~32bps QoQ to 2.2% led by one-offs in in employee expenses. Employee expenses include one-time expense of Rs3,417crs on account of revision of wages for IBA employees. SBI is accounting for 14% wage revision vs 10% earlier. Gross NPA improved by ~21bp QoQ to 2.55% while Net NPA improved by ~7bps QoQ to 0.64%. Gross slippages improved to 0.5% vs 1% in 1QFY24. Slippages are seasonally higher in 1Q due to higher agri slippages. Agri slippages contributed 30% of total slippages in 1Q. Net slippages stood at Nil vs 0.5% in 1QFY24. The bank has been reporting gross slippages of ~0.4-0.5% over the past 4 quarters. Credit cost was Nil vs 30bps in 1QFY24. Key risks would include lower-than-expected loan growth, deterioration of asset quality leading to higher-than-expected credit costs and higher treasury losses
Infosys	Infosys reported 2.3%/2.5% QoQ/YoY CC revenue growth in Q2 at $ 4.7 bn which was broadly within expectation of 1-2% after a moderate Q1'24. As per company this was in line with their internal growth expectations due to higher-than-expected slowdown in discretionary IT spend, delay in closure, and ramp up of certain large/mega deals. The EBIT margins improved QoQ by 40bps to 21.2% led by cost optimisation benefits. Company reiterated FY24E EBIT margin guidance of 20-22% and is on margin expansion strategy. PAT came at Rs 6,215cr up 4.5% QoQ and up 3% YoY. With that Infosys has downgraded its FY24 revenue growth guidance to 1-2.5% YoY CC (from earlier 4-7%) which implies 1% sequential growth for the rest of FY24. This seems reasonable and unlikely to disappoint. Infosys reported record high TCV of 7.7bn USD and now revival of revenue growth depends much on ramp-up of large deals with increase in IT spending. With overall expectation of recovery in US macros and some uncertainties, Tier-1 IT is a better place to be in. Key risks: Slowdown in the USA and Europe and cuts in discretionary IT spending by enterprise clients.
Narayana Hrudayalaya	Narayana reported strong revenue growth of 14% YoY to Rs. 1,305cr, driven by both India and Cayman operations. India Business ARPOB continued to see an upward trend (9% YoY growth in Q2 FY24 ARPOB) due to changes in the case mix, bed mix and improved productivity. The 3 new hospitals in India made a cumulative EBITDA Margin of 7% and the margin trend here is expected to further improve in the next few quarters. Cayman business also had strong revenue growth of 8% YoY in US$ terms with EBITDA Margin being stable at 40%+. Consolidated EBITDA Margin came in at 23.6% in this quarter vs 21.3% in Q2 FY24. Strong revenue growth coupled with margin expansion resulted in adjusted PAT of Rs. 227cr in this quarter vs Rs. 156cr in Q2 FY24 (growth of 45%). The company has recently commissioned its Oncology block in Cayman, and this is the first

	full-fledged oncology department in Cayman. This will lead to higher revenue and improved profitability for the Cayman business. The company is also adding a 50-bed hospital in Cayman which would be operational by Q1FY25. On the domestic front, it is adding a green field hospital in Kolkata and debottlenecking Bangalore Hospital. For Cayman and India, it would be incurring Rs. 1,100cr capex in FY24 and this would give the growth for the mid-term. Key risks include government policies in India and Cayman, and margin contraction in the interim period of high capex.
Eicher Motors	Eicher's Q2FY24 results came slightly ahead of our expectation driven by lower RM costs and impact of price hikes taken in Q1FY24. This led to a sequential improvement in Gross Margins by 350bps QoQ. While the revenues were up just 0.75% QoQ EBIDTA increased by 8.35% QoQ. Margins came in at very strong 27.9% as against 26% in Q1FY24. Since FY20 margins have been in the 24% range (as against 30% previously). So, the trend seems to be reversing despite increased competition. Overall, PAT came in at Rs938cr, an increase of 53% yoy and 3% qoq. In the international market, weak macro environment has been impacting sales but they are also careful enough to not push down the inventory. The company has maintained its market share of 8-9% in the middle weight category in the geographies that it operates. New Launches - The newly launched Himalayan 450 has got good reviews and should help drive growth including in the international market. They have also launched the Meteor 650 in North America which should aid growth in that geography. Overall, it seems quite a few interesting launches, including one in March'24, are in the pipeline that are (sub)category creators. Key Risks - potential slowdown in the 2-W sector, increased slowdown in export markets, delay in new launches and strong traction of competitors' launches in the 250cc and above category.
Dr Reddys	Dr Reddy's Laboratories is India's second-largest pharmaceutical company in terms of revenue. The company started its business as a bulk-drugs player, the company rapidly moved up the value chain to become a major generic formulation company with global operations. Currently, the company generates 45% of its Revenue from the US market, 20% from the Domestic market and the balance from the RoW market. Currently, the US Generics market is witnessing a few significant changes due to supply disruptions after a 7-to-8-year downcycle. In the last 1 year, multiple participants in this market, specifically those based outside India, have exited the US generics market, leading to supply disruption and drug shortages. These exits have come in three forms a) bankruptcy filing, b) selling to a peer, and c) selling to strategic investors/spin-offs. All these disruptions, whether structural or short-term, are leading to drug shortages in the US market. This should benefit India-based U.S. Generic players, who suffered significant price erosion in the last few years. The company reported a 9% YoY growth in Revenue to Rs. 6,880cr in Q2 24. North American business reported growth of 9% cc YoY to USD 383mn driven by market share expansion in the core portfolio and integration of the Mayne acquisition, while the overall business declined 1.5% cc QoQ. Europe business reported growth of 26% YoY and 4% QoQ. Growth was driven by leveraging the existing portfolio, contribution from new products and favourable forex. India's business growth was in the mid-single digit after excluding the impact of NLEM and discontinued products. The reported growth was 3% YoY. Russia and CIS business did not grow due to currency devaluation and in cc terms, the growth stood at 4% YoY and 9% QoQ. EBITDA increased by 5% YoY due to the higher expenses on account of investment in sales-marketing, digitalization, and R&D spending. PAT was up 33% YoY due to higher other income.

	The net cash on books as of Q2 24 is Rs. 5900cr. The company is open for small as well as large deals and the key criteria will be to buy an asset with the products/capabilities which Dr Reddys does not have. Key risks: In case the price erosion improvement cycle is not sustainable in the medium term, the margins and growth in US business will be at risk. Product contraction towards Revlimid. Any earnings dilutive or non-core acquisition.
Redington	Redington' reported revenue growth of 17% YoY. Revenues for 2Q24 were Rs.22,220cr. The growth number is noteworthy, given the context of the global slowdown reflecting market share gains and Redington's execution capabilities across geographies. Standalone business in India grew 16% YoY, while the global business grew 17% YoY. There has been a slowdown in consumer spending, while enterprise demand and government spending remain strong. There is a sequential improvement in numbers. Gross and EBITDA margins improved by 20bps sequentially to 5.8% and 2.2%. The EBITDA improvement came in despite higher opex outgo which captures the factoring cost in Turkey. Factoring cost for the quarter was 87cr, higher by 27cr over the previous quarter number of 60cr. Redington under the previous CEO [Rajiv Srivastava] had seen a higher than ramp up in costs which had led to margin reduction. He subsequently resigned and the CFO took over in the interim. The numbers for the quarter reflect the course correction adopted. Working capital intensity decreased to 35 days from 40 days. We expect the company to deliver better balance between profitability and growth going forward. From a capital allocation standpoint, the company's return ratio is healthy, and the company continues to pay out 40% of PAT as dividends which results into a dividend yield of c.4%. We like Redington given that they are amongst the top 2 ICT distributors across markets it operates in. The company's dominant positioning and financial muscle give it significant competitive advantage in a business that has high barriers to entry. Redington has created a strong services business - both on 3rd party logistics business and the high-margin cloud business. Redington's broad portfolio and relationships with vendors across segments allows for balanced growth and reduces vendor concentration. Redington has demonstrated robust risk management practises over cycles that help better manage credit, inventory, and currency risks. A significant shift in consumer and enterprise behaviour has led to higher need for higher computing > leading to shorter product life cycles > and acceptance of premiumization. This tailwind benefits Redington. Key risks are higher interest rate regime environment, delayed recovery in margins and slowdown/delays in the high margin enterprise business..
ITC	ITC reported revenue degrowth of 3% YoY to Rs. 17,774cr. This degrowth is due to decline in the revenues of paper and agri segments. The core segments for ITC (Cigarettes and FMCG) continues to do well. Cigarettes reported revenue growth of 8.5% YoY and EBIT growth of 8% YoY. The EBIT growth for cigarettes lagged revenue growth due to sharp cost escalation in leaf tobacco. After years of decline, this segment continues to do well on backdrop of stable tax regime and government curbing illegal cigarettes. The company delivered 8.5% YoY revenue growth and 36% YoY EBIT growth in FMCG segment. The growth in FMCG is driven by Atta, spices, personal wash and agarbatti. Company continues to deliver on margin expansion for FMCG. Hotels segment delivered 21% YoY revenue growth and 53% YoY EBIT growth on the backdrop of strong industry tailwinds. The two segments that dragged profitability for ITC in this quarter are: Paper; Agri. The EBIT of paper segment declined by 50% YoY due to drop in realisations and weak exports. The EBIT for agri segment remained flat as government banned rice and wheat exports. The consol PAT registered 6% YoY growth to Rs. 4,964cr. The core categories for ITC continue to deliver healthy growth in profitability. Agri and Paper which together account for 10% of EBIT had dragged profitability (Agri and Paper). H2 is the season for consumer and hotel businesses, and we expect company to deliver better numbers.

	Cigarettes continue to benefit from stable taxation regime and company continues to execute well on FMCG front. ITC should deliver 10-12% PAT CAGR for the next couple of years. Key risks: government taxation on cigarettes, demand slowdown and raw material inflation.
Axis Bank	Axis Bank reported PAT of Rs 5,864crs vs Rs 5,797crs in 1QFY24 and Rs 5,330crs in 2QFY23. Axis Bank reported 4.5% QoQ / 22.8% YoY growth in loan book (YoY growth includes Citi Acquisition). Margins improved by 1bps QoQ to 4.11% led by the deployment of excess liquidity. Yields on Funds improved by 14bps QoQ offsetting ~14bps increase in the cost of funds of 14bps. Management guided that the marginal cost of funds has stabilized and the pace of increase in deposit cost will moderate in H2FY24. Cost to Assets increased by ~13bps QoQ to 2.64%. Management indicated that higher margins and lower credit cost trajectory are giving them the opportunity to invest in the business. They have guided earlier that they can pull back the cost if need be. Management remains committed to achieve a cost-to-asset ratio of around 2.1% in the medium-term including CITI bank integration costs. Asset quality continues to improve led by moderation in GNPAs & NNPAs. The bank has now one of the lowest net-NPAs across all major banks. Gross slippages further improved to ~1.5% vs ~1.9-2% for the past 5 quarters. Net slippages stood at 0.4% vs 0.5% in 1QFY23 led by higher recoveries. Credit cost came at merely 37bps vs 49bps in Q1FY24. Axis Bank carries unutilised provisions of ~56bps of loan book. Key risks would include a deterioration in asset quality leading to higher-than-expected credit costs and lower-than-expected loan growth.
Sonata Software	Sonata's IT Services came in at US$80.9Mn, up 4.7%/40% QoQ/YoY, led by both M&A and organic growth. The segment's EBITDA margins at 24.6% were up 9.6%/38% QoQ/YoY. Their domestic business came in flat QoQ after several years. This will likely move back to growth territory beginning 3Q 24. Domestic business EBITDA came in at 56cr up 20% YoY. PAT growth was limited due to a combination of cash and non-cash charges related to M&A. Sonata's focused on the newer areas of tech spends AI & Data, which has reduced their exposure to "traditional" IT Services. They have taken market share in the BFSI, which is led by data privacy & consumer facing applications. Tailwinds are synergies from Quant M&A and large deal pipelines. Key Risks - Slowdown in the USA and Europe and cuts in discretionary IT spending by enterprise clients.
KVB	KVB reported PAT of Rs 378crs vs Rs 359crs in 1QFY24 and Rs 250crs in 2QFY23. Loan book grew by 5.4% QoQ / 15.5% YoY. Loan growth was led by Agri, commercial and Retail segments while corporate book declined sequentially by 1.8% QoQ. The bank has reported loan growth of ~10% on YTD basis (Apr-Sep'23) vs its loan growth guidance of ~14-15% for FY24. Margins declined by 12bps QoQ to 4.07% led by a 20bps increase in cost of deposits. Management stated that the cost of deposit is expected to increase by ~20bps in 3QFY23 while yields on loans are expected to improve by 15bps over the next two qtrs. Management reiterated its guidance of 4% margin for FY24. The cost to income ratio increased to 49% vs 47% in 1QFY23. KVB added ~25branches in 2QFY24 (3% of branches). The bank will add another 15 branches in 3Q as a part of FY24 branch expansion strategy. As per management, cost ratios shall moderate after 2-3 quarters. Asset quality improved sequentially as GNPA declined by ~25bps QoQ to 1.73%. Net NPA declined by 12bps QoQ to 0.47%. PCR improved to 74% vs 71% in 1QFY24. Gross slippages improved by ~10bps to 0.9% while Net slippages stood stable at ~0.2% sequentially. Management intends to keep gross slippages below 1% during FY24. Credit cost improved to 75bps vs 100bps in 1QFY24. Excl floating provision of Rs 25crs in 1Q&2Q FY24, credit cost improved to 60bps vs 85bps in 1QFY24. Management indicated that they may further create floating provision over the next two qtr.

	Floating provision is created largely to provide for any gaps in shifting to ECL based provisioning. Management reiterated their guidance of ~75bps of credit cost for FY24 excluding floating provisions. Key risks would include lower-than-expected loan growth, deterioration of asset quality leading to higher-than-expected credit costs and higher treasury losses.
Oberoi Realty	The residential real estate market is divided into 3 segments: a) Affordable Housing (Real estate players make 10-15% EBITDA Margin); Mid segment (20-25% margin); Premium (>40% margin). Oberoi is present only in the premium segment and makes a 40-50% EBITDA Margin (highest in the industry). Till now the company is present only in the MMR region and has key projects in Goregaon, Mulund, Borivali and Worli. Oberoi reported area sales of Rs. 965cr in this quarter i.e., a decline of 17% YoY and 100%+ QoQ. The company didn't have any new launches in H2FY23 and H1 FY24 and this has impacted the sales numbers. The strong sequential uptick is primarily due to company selling 4 units in the Three Sixty West project with a cumulative sale value of Rs. 317cr. The collections remained strong at 1,100cr in this quarter resulting in a net debt to equity of 0.18x. The Kholset project is launched in November and there will be 5 towers. The company will be launching a few towers in the first phase and all these houses would be 3BHK. Pokhran project will be launched in Q4. Given these launches, H2 will be much better than H1 for Oberoi. The reported revenue was up 77% YoY at Rs. 1,217cr in Q2 FY24 with EBITDA margins of 52% vs 45% YoY. PAT was up Rs. 457cr vs 318cr YoY, up 44%. The way Oberoi operates is it identifies micro markets in MMR and buys huge land parcels (given their balance sheet strength). The company would be releasing inventory into the market gradually by launching a few towers in each phase. Oberoi has 2 land parcels in Thane. At Rs. 25,000/sqft realisation, both these projects can contribute to sales of Rs. 42,000cr over the next 15 years for Oberoi. Key risks: Delayed projects launches, slowdown in the demand.
RBL Bank	RBL reported a PAT of Rs 294crs vs Rs 288crs in 1QFY24 and Rs 202crs in 2QFY23. Loan book grew by 4.4% QoQ / 22% YoY led by retail book which grew by 8% QoQ / 35% YoY. Wholesale book declined by 2% QoQ and grew by 7% YoY. Retail mix improved to 58% vs 55% in 1QFY24. Management has guided for retail loan mix of 60-65% by FY26. Management guided loan growth of ~20-22% led by retail portfolio which will continue to grow at 7-8% sequentially. During the quarter, margins improved by 5bps QoQ to 4.89%, as per old accounting policy. As per the new accounting policy, NIMs improved by 1bps QoQ to 5.54%. Management reiterated its guidance of 5-5.1% margins by 4QFY24. This translates to ~5.7% as per the new accounting policy. As per the old accounting policy, the Cost to Income ratio has declined to 63.6% vs 66.5%. As per the new policy, cost to income declined to 66.5% vs 69.3% earlier. Management indicated that the cost ratio shall decline by ~1-1.5% over the next two quarters. Improvement in cost ratios shall be led by improvement of internal sourcing and operating leverage in new lines of business. Asset quality improved sequentially with gradual improvement in GNPA & NNPA. GNPA declined to 3.1% vs 3.2% in 1QFY24. NNPA declined to 0.78% vs 1% in 1QFY24. Gross slippages declined to 3.1% vs 3.2% in 1QFY24. Net slippages increased to 2.1% vs 1.7% in 1QFY24. During the quarter, the bank had tax write-back of Rs 223crs on post tax basis and Rs 292crs on pre-tax basis owing to income tax orders. The bank has used this write-back to create contingency provision of Rs 252crs against Cards and MFI book (1.4% of Cards & MFI). The bank has modified its provisioning policy on credit cards. Now the bank will write-off credit cards NPA in 120days vs 180days earlier. This has resulted in an additional one-time credit cost of Rs 48crs. Excluding the above provisions, credit cost would have been at 1.8% vs 1.5% in 1QFY24. The bank reiterated its guidance of 1.5-2% credit cost for FY24 excluding above one-time provisions. Key risks would include lower-than-expected loan growth, deterioration of asset quality leading to higher-than-expected credit costs and higher treasury losses.



Key Portfolio Metrics

It is important to note that each investment in the fund has been made on its own merit and the portfolio characteristics are merely a by-product of the process. In sync with Unifi's philosophy, the aggregate portfolio has low leverage, demonstrates potential for strong earnings growth, and has reasonable valuations.

Valuation Parameters* (As on 29th Nov 2023)	FY2023	FY2024E
P/E Ratio	25.2	21.5
Earnings Growth	31.8%	14.3%
Debt Equity Ratio	0.07	0.06
ROE %	22.9%	23.1%
PE/ Growth Ratio	1.1	

**Adjusted for one-off to make figures representative.*

We are continually monitoring the environment for any opportunities that have potential to materially improve the portfolio composition. We will be writing to you again post the 3rd quarter results.

In closing, we encourage you to write to us, or your relationship manager, for a detailed review of the portfolio and understanding of our proposition in greater granularity.

Annexures:

Financial Details of Top Portfolio Companies

Unifi Umbrella BLEND AIF	Market Cap (Rs. cr)	PBT (Rs.cr)		YoY (%)	PAT (Rs. Cr)		P/E	ROE	Portfolio Weight
Company	23rd Nov 2023	Q2 FY23	Q2 FY24		FY23	FY24e	FY24e	FY24e	23rd Nov 2023
SBI	2,82,916	18,081	19,301	7%	50,232	54,848	5.2	18%	7.4%
Infosys	6,03,070	8,391	8,768	4%	24,111	24,537	24.6	32%	7.2%
Narayana	25,177	211	248	18%	591	804	31.3	32%	6.6%
Eicher	1,06,362	880	1,307	49%	2,599	3,178	33.5	24%	6.1%
Dr Reddys	94,155	1,614	1,917	19%	4,507	5,249	17.9	22%	5.0%
Redington	12,378	471	408	-13%	1,391	1,250	9.9	16%	5.0%
ITC	5,49,866	6,239	6,656	7%	19,117	21,271	25.9	30%	4.8%
Axis Bank	3,08,820	7,166	7,817	9%	22,066	23,696	13.0	18%	4.8%
Sonata	17,936	148	167	13%	547	656	27.3	38%	4.5%
KVB	12,247	345	512	48%	1,106	1,505	8.1	16%	4.5%
Oberoi Realty	51,164	388	599	54%	1,903	1,960	26.1	15%	4.4%
RBL Bank	14,277	271	91	-66%	883	1,238	11.5	24%	4.2%

CLASSIFICATION OF MARKET CAP

Segment	Basis	%
Large Cap	> Rs. 49,500cr	54.7%
Mid Cap	> Rs. 19,500 cr < Rs. 49,500 cr	8.7%
Small Cap	< Rs. 19,500 cr	27.3%
Cash		9.3%
Total		100.0%

LIQUIDITY ANALYSIS

Segment	% of portfolio
1 day	39.0%
Between 1 & 3 days	13.2%
Between 3 & 7 days	13.9%
Greater than 7 days	24.6%
Total	90.7%

CRISIL CAT III AIF BENCHMARKS DATA [as of 31st March 2023]

Index	1 Year (%)
Blend Fund 2 (Scheme of Unifi Umbrella AIF)	-0.72%
CRISIL AIF Index – Long Only Equity Funds (open ended) (INR)	-0.31%

Values as on March 31, 2023

Schemes that have completed at least one year since their first close as on March 31, 2023, have been considered for the benchmark. In all, 41 schemes have been considered for the above analysis.

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

Risk Management

While the environment is buoyant for India in the longer term, in the shorter to medium term, the aftereffects of unforeseen economic linkages from a recessionary West may be a risk. While India remains a largely domestic consumption-oriented economy, a rapid worsening of the economies in the West may affect their balance of trade with the World [including India] in the immediate to medium term. India's Current Account Deficit and foreign exchange reserves may be under pressure if energy prices remain elevated and rise. The recent softening of energy and commodity prices will assist India's macroeconomic case, but there remains the prospect of second or third-order impact from global macroeconomic and geo-political shocks.

Risk	Level	Mitigants
Concentration Risk	Fund	At the portfolio level, such risks are minimized by limiting the aggregate exposure of the portfolio to such investments to less than 10% of the value at the time of investment.
Foreign Exchange Risk	Fund	Fund has invested in only Indian Listed companies and hence the fund's investments do not face any foreign exchange risk at the Fund level.
Leverage Risk	Investee Company/Fund	Fund has not taken any leverage at the Fund level. Except for financial companies, most of the investee companies in the strategies carry nil to moderate debt on their balance sheets with a track record of having managed leverage well in the past. Their leverage is monitored regularly.
Realization Risk	Investee Company/Fund	High Impact cost, due to thin trading at the time of buying or selling is endemic to small & mid-caps. We plan our investment decisions, the size of the investment and trading strategies to minimize the realization risk.
Strategy Risk	Investee Company	Investments are evaluated from a bottom-up and top-down perspective. The fund investments align with the segments of the economy that are emerging and companies that have characteristics which make them the dominant participants in their industry. The investments are assessed through a detailed financial model that captures historical performance and forward estimates based on publicly disclosed documents. The investment team rigorously undertakes quarterly diligence for any change in the investment thesis.
Reputation Risk	Investee Company	Company selection starts with rigorous fundamental analysis and a historical performance review supported by a detailed financial model constructed internally. We have an internally designed governance framework vetted over many years. This governance framework helps us in evaluating companies that meet our internal guidelines. We evaluate the investee companies both at an absolute and relative level. Periodic maintenance diligence of management/ financials has been done for Investee companies.

Extra Financial Risk	Investee Company/Fund	We avoid investing in companies with a known history of corporate governance issues. If such an issue arises in an existing investment, we stop additional purchases and start optimally exiting the investment. Our governance framework helps us in identifying any lapses in corporate governance. We actively monitor all publicly disclosed documents regarding ESG [Environmental, social, and corporate governance]. Any reported misconduct is evaluated by the investment committee for further action.
Geopolitical risks	Investee Company	Geopolitical tensions globally can disrupt the supply chain in the region. This might have a non-linear impact on business .
Raw material inflation	Investee Company	India continues to be dependent on the supply of feedstock whose pricing is global in nature. Key categories would be crude, metals, minerals, and natural commodities. Sharp movement in their underlying prices will have a short-term financial impact on the companies. The situation in China [political] has the potential to disrupt the supply chain of a few of our investee companies.
Key Man Risk	Investee Company	Small and mid-caps are frequently managed by a key promoter/person on whom the business is completely reliant and without whom the business would be materially inferior. We generally avoid such names and in cases where we make any exceptions, the aggregate exposure of the portfolio to such investments is limited to less than 10% by value.