

# Bajaj Finserv Large and Mid Cap Fund

(An open ended equity scheme investing in both large cap and mid cap stocks)

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## FORTIFYING YOUR WEALTH WITH MOAT BASED INVESTING

December 2024



## The Fort That Could Never Be Conquered

- Lohagarh Fort, located in Bharatpur, Rajasthan, was built in the 18th century.
- The fort's name, "Lohagarh," literally translates to "Iron Fort".
- Lohagarh Fort is renowned for its formidable defensive structures, with a **wide and deep moat**, known as "Gajadhar" encircling its perimeter.
- This **moat** is, an artificial lake ranging from 41 to 72 meters in width, filled with water at a depth of 8 to 10 meters.
- "Gajadhar" played a crucial role in safeguarding the fort from invasions and the fort, with its sturdy walls and the protective moat, withstanding multiple attacks by the Mughals and the British.

# What is a Moat?

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The Moats originate from the medieval periods when large and deep water trenches protected those inside the fortresses and castles and their riches from invaders.





## What is an Economic Moat?

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The Economic moats safeguard businesses by shielding them from competitors, preserving their market share, and ensuring the long-term sustainability of profits.

# Sources of Economic Moats\*



Brand Strength



Cost Leadership



Network Effect



Intellectual Properties



Switching costs



Economies of Scale



Unique Business Model

\*Based on Morningstar's "Why Economic Moats Matter"

# Sources of Economic Moats\* - Some Examples



## Brand Strength

Example: **Baby Food.**

*Unparalleled market recognition, trust, and consumer loyalty.*



## Cost Leadership

Example: **FMCG**

*Strategic efficiency to produce at lower costs than rivals.*



## Network effect

Example: **Food Delivery**

*More people use the product / services because more people use it.*



## Intellectual Properties

Example: **Pharma**

*Ideas and creations that are legally owned and protected.*



## Switching Cost

Example: **Bank**

*Makes it hard for customers to switch, keeping them loyal.*



## Economies of Scale

Example: **Telecom**

*Cost savings when making more, leading to efficiency.*



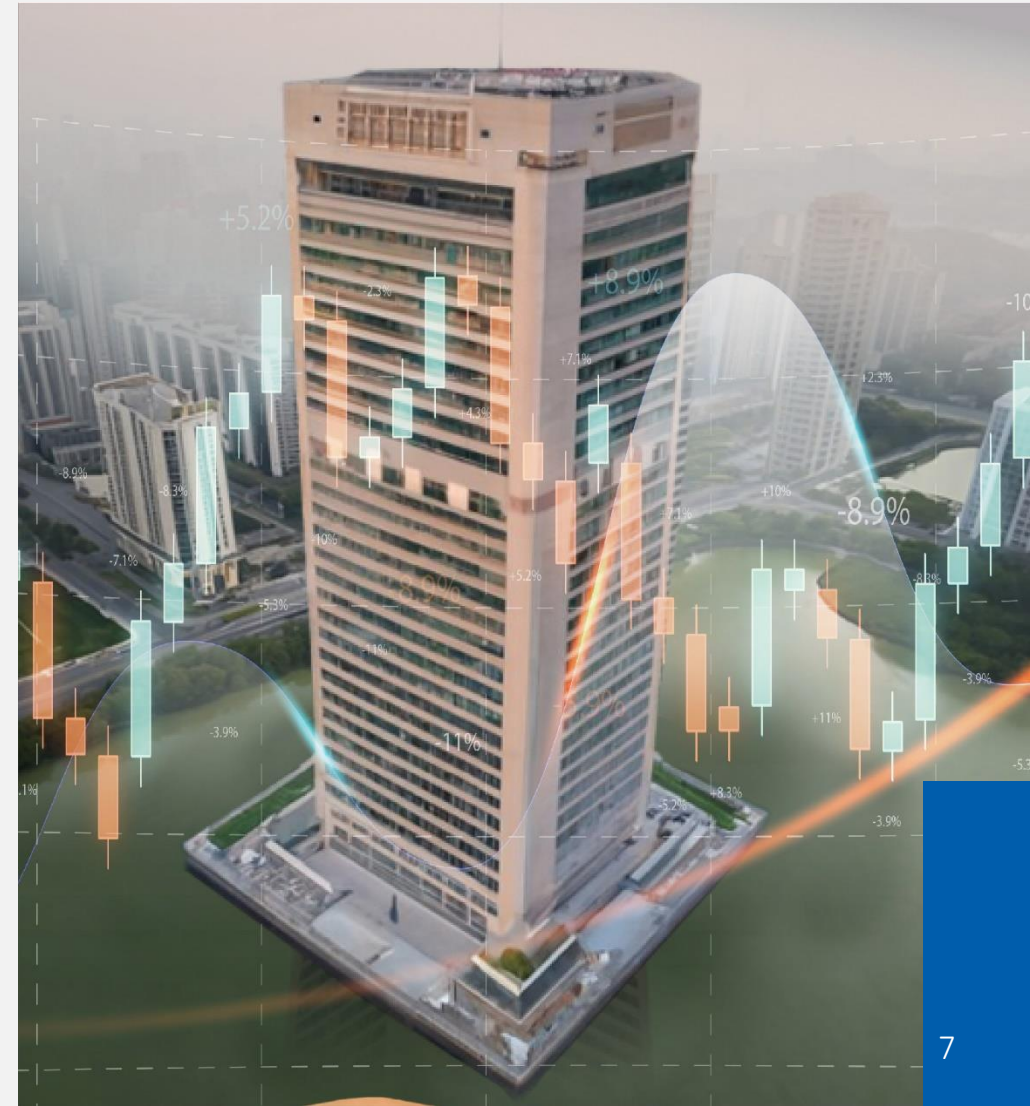
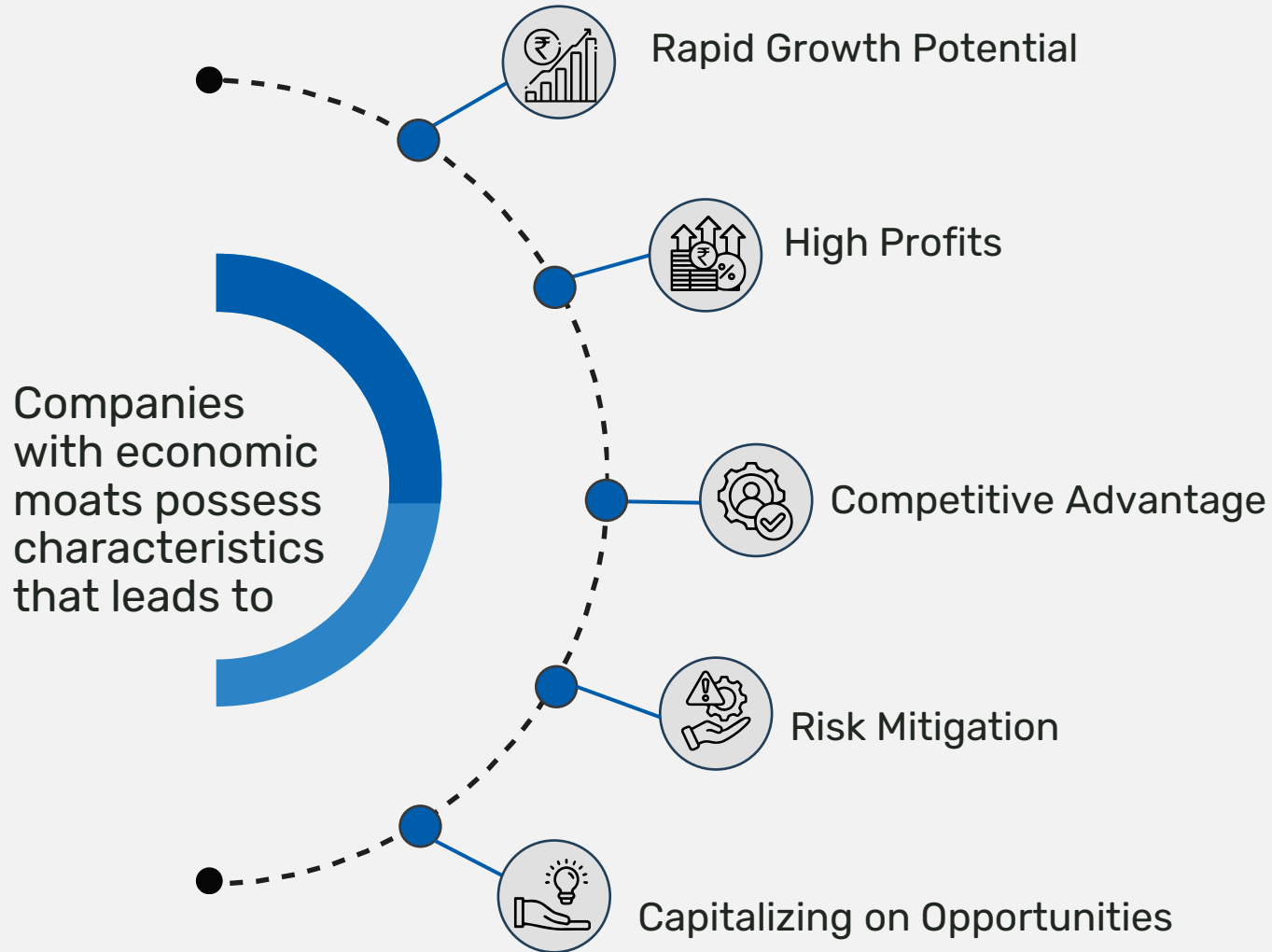
## Unique Business Models

Example: **IoT**

*Special ways companies work and create value for success.*

\*Based on Morningstar's "Why Economic Moats Matter"

# Why Moat Based Investing?



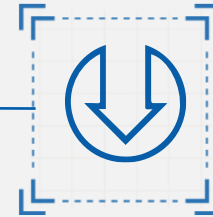
# Economic Moat Identification



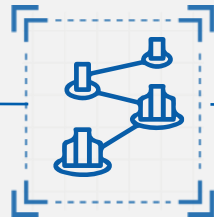
High Return on Capital Employed (ROCE), Return on Assets (RoA) and Return on Equity (RoE)



Efficient Capital Allocation decision



Low requirement of external capital



Scalability



Returns reinvested in business for higher returns



# Characteristics and Implications of Wide Economic Moat Advantage



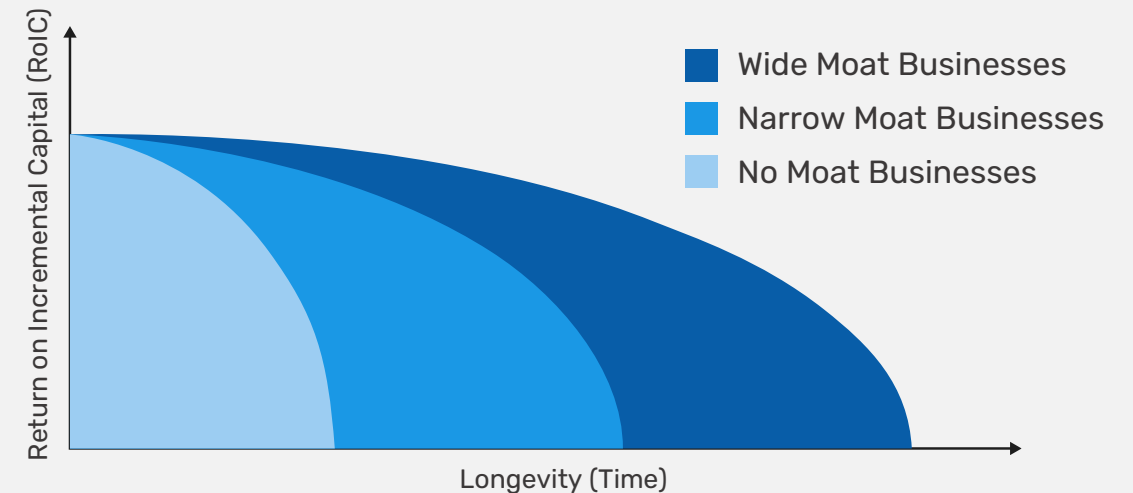
Powerful and enduring competitive advantage leading to dominant brand, unmatched operational scales and/or unique technology.



Robust protective barriers resulting in long term resilience and growth potential.



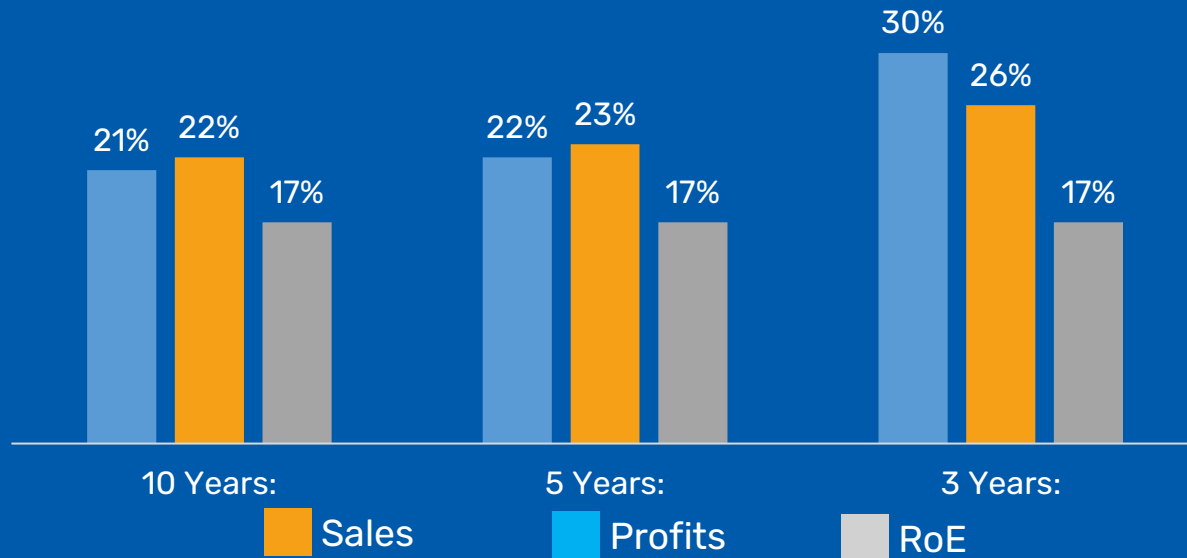
Consistent profits creating long term wealth for the investors and stakeholders.



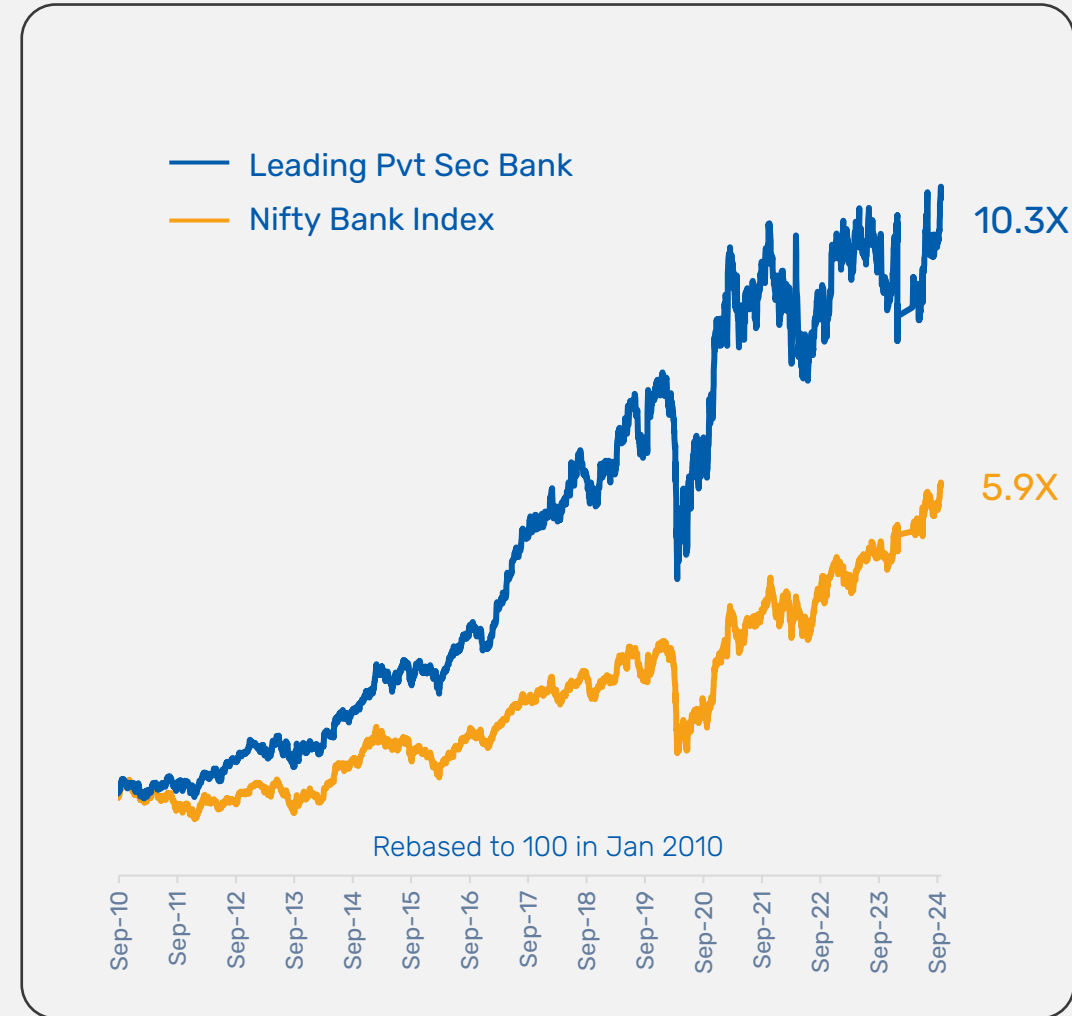
# Case Study 1

This leading private sector bank stands out among its competitors due to its sustained net interest margin, minimal non-performing assets (NPAs), and effective risk management system. Additionally, the bank possesses a robust network, a formidable loan portfolio, and a well-diversified revenue stream.

## Fundamentals



Sales and Profits numbers stated above are compounded annualized. RoE numbers are averaged

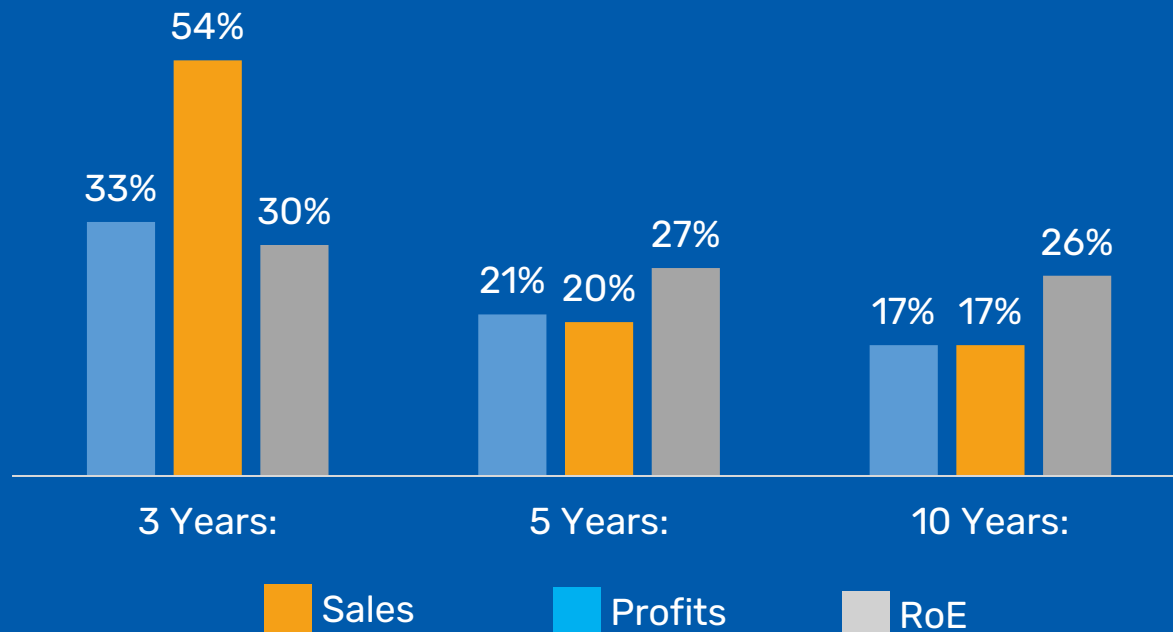


Source: Bloomberg, Internal Research, MFI Explorer; Data as on 30<sup>th</sup> Sep 2024. Past performance may or may not sustain in future.

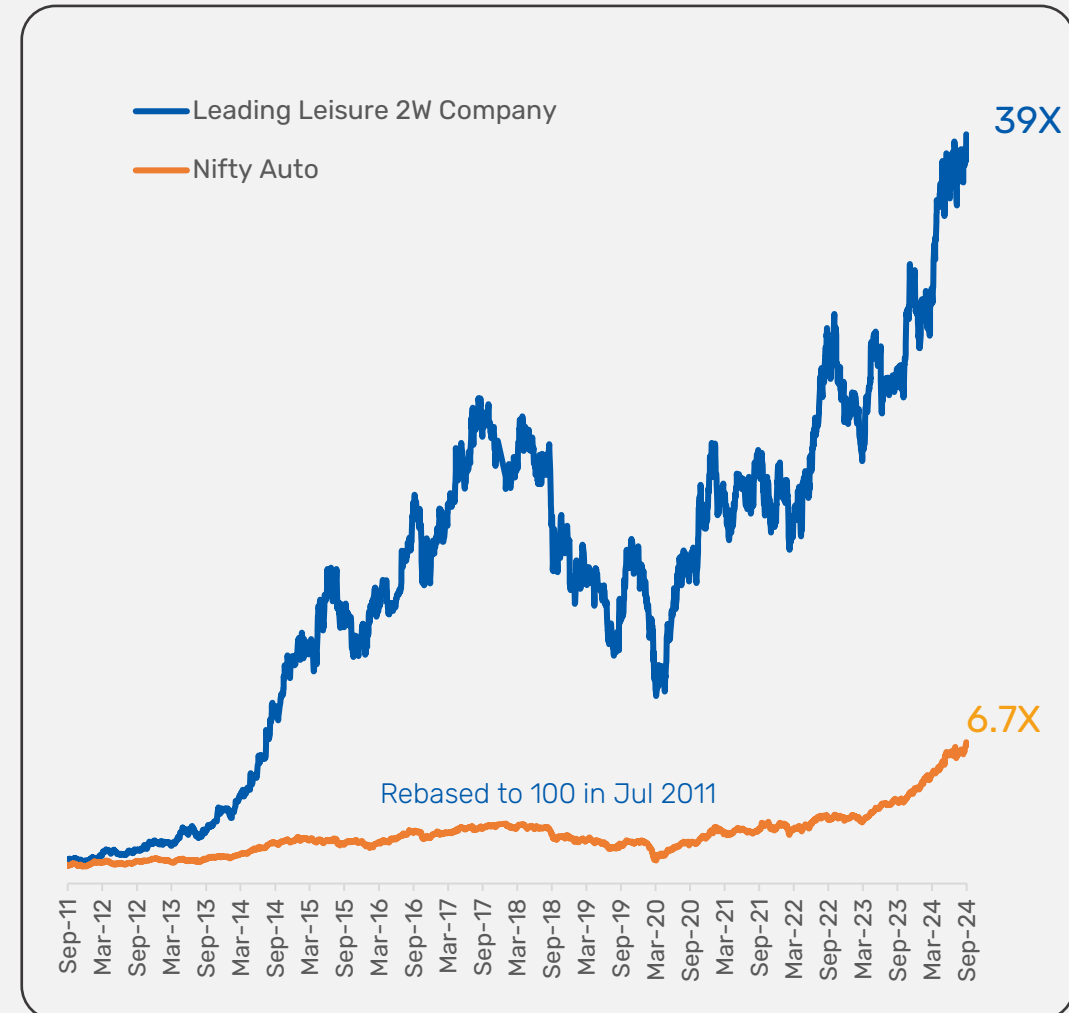
# Case Study 2

This cult 2W brand, boasts a strong economic moat through distinctive products, global recognition, customer loyalty, and efficient manufacturing, securing a lasting competitive advantage in motorcycles. No other 2W manufacturer have successfully entered this space despite their endeavors.

## Fundamentals



Sales and Profits numbers stated above are compounded annualized. RoE numbers are averaged

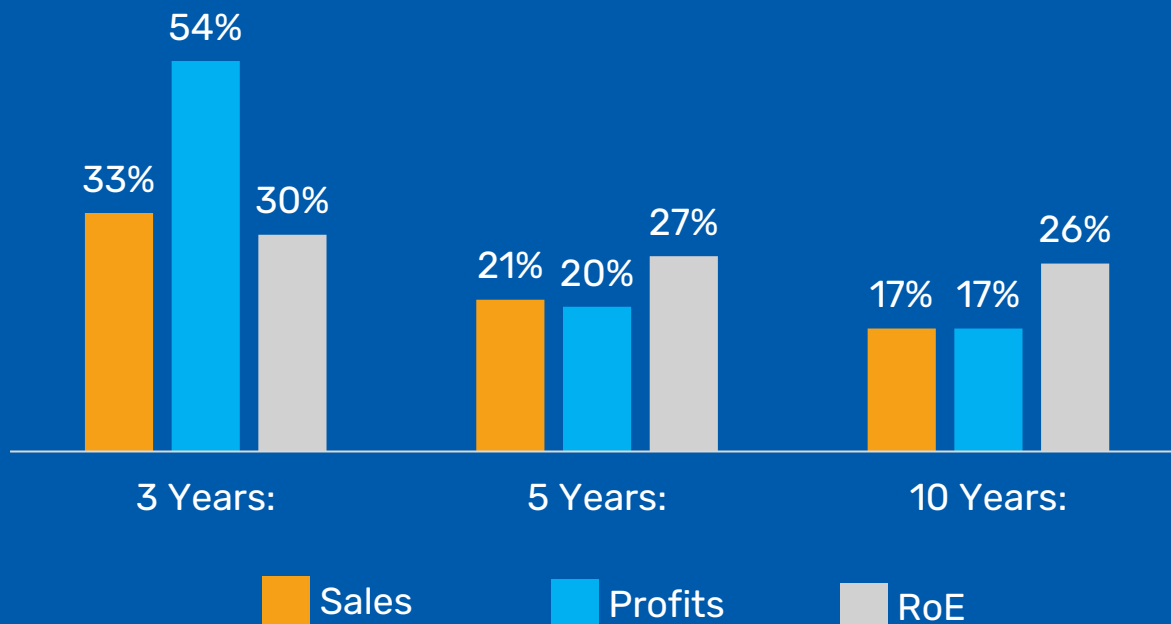


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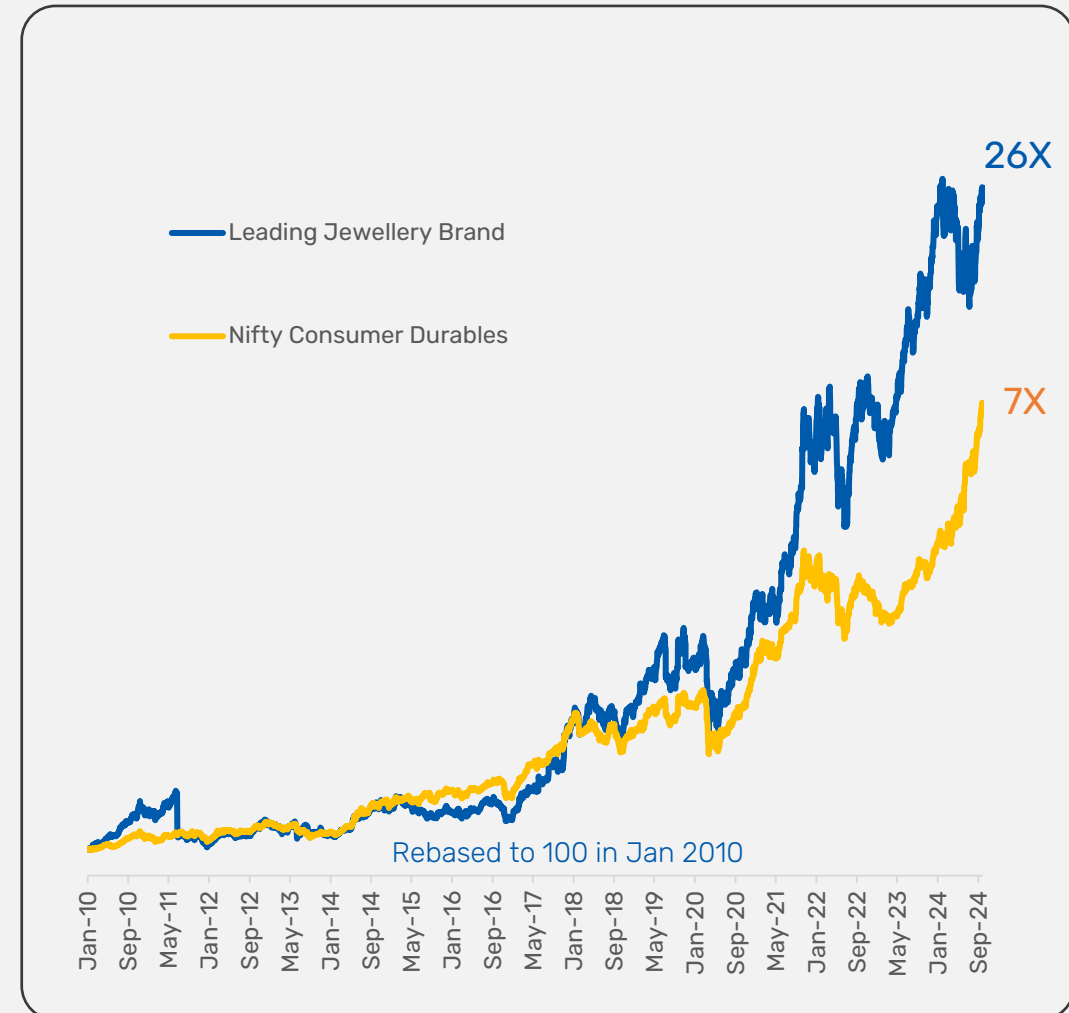
# Case Study 3

The well-established name of the parent company instills trust and quality across various subsidiaries. This leading jewellery business leveraged the parent's reputation for honesty and transparency. In the 90s, this business addressed consumer concerns by investing in machinery at each store to verify jewelry caratage, solidifying its position as a trusted brand in high-value purchases.

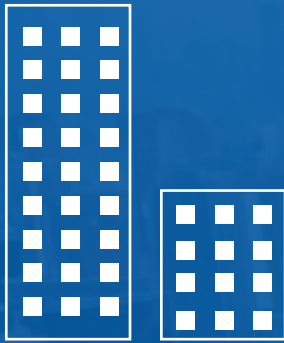
## Fundamentals



Sales and Profits numbers stated above are compounded annualized. RoE numbers are averaged



Source: Bloomberg, Internal Research, MFI Explorer; Data as on 30<sup>th</sup> Sep 2024. Past performance may or may not sustain in future.



# Bajaj Finserv Large and Mid Cap Fund

(An open ended equity scheme investing in both large cap and mid cap stocks)



“My idea of a great business is one that has a shortage of competitors.”

- Peter Lynch

# What is Large and Mid Cap Fund?



Fund Type	Large Cap (Top 100)	Mid Cap (101-250)	Small Cap (Beyond 250)
Large and Mid Cap Fund	35% to 65%	35% to 65%	0% - 30%
Large Cap Fund	More than 80%	Between 0% - 20%	
Mid Cap Fund	0% to 35%	>65%	0% - 35%
Small Cap Fund	0% to 35%		More than 65%

Top 100 Companies by market cap are classified as Large cap, The 101st-250th companies by market cap are classified as Mid cap; 251 and beyond are considered as Small caps.

# Why Large and Mid Cap Fund?



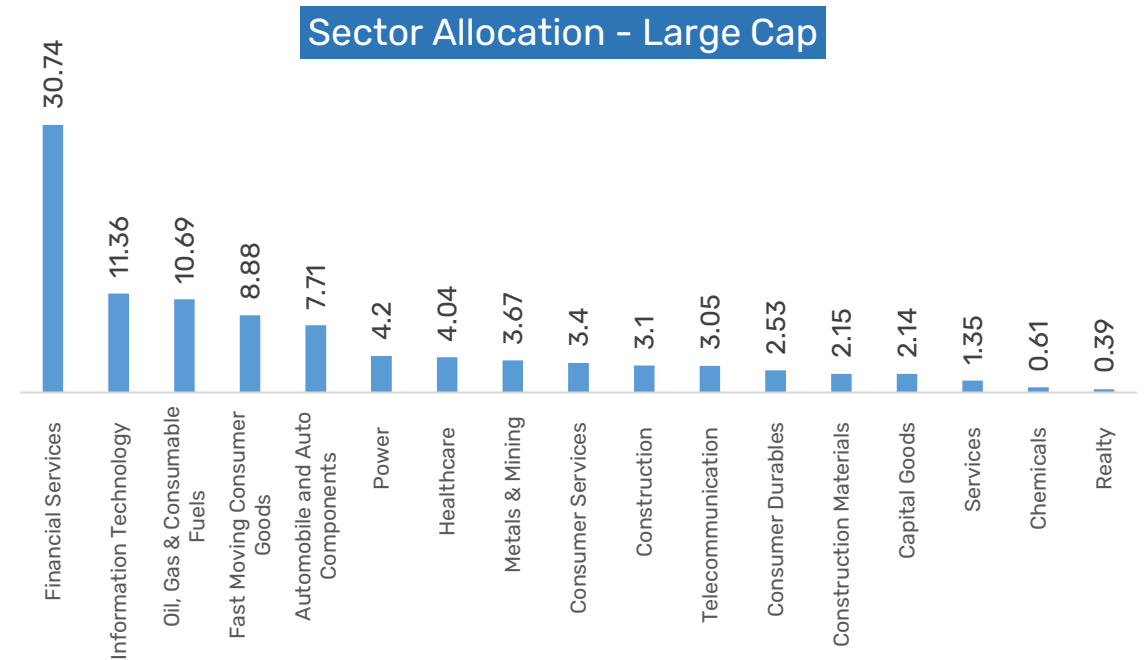
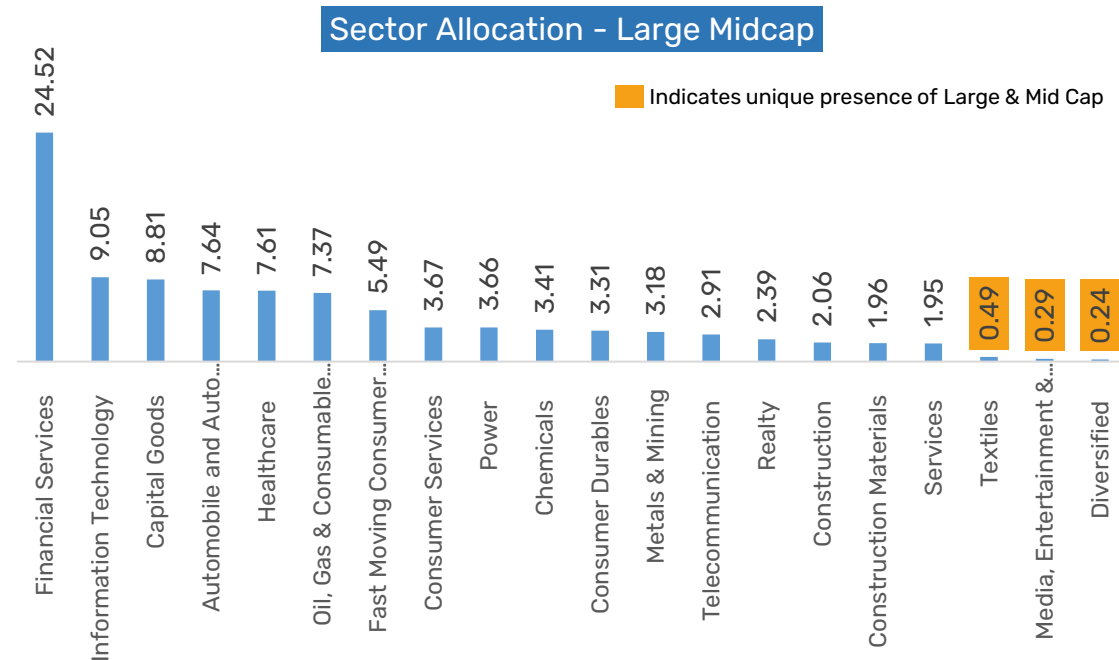
Nifty 50 Index has concentrated exposure to sectors like Financial Services, Oil Gas & Consumable Fuel and IT.



Its exposure to sectors like Capital goods, Consumer services, Realty and Chemicals are low compared to Nifty Large and Midcap 250 Index.



Hence, Large and Mid Caps combined together, offers a diversified investment opportunities.

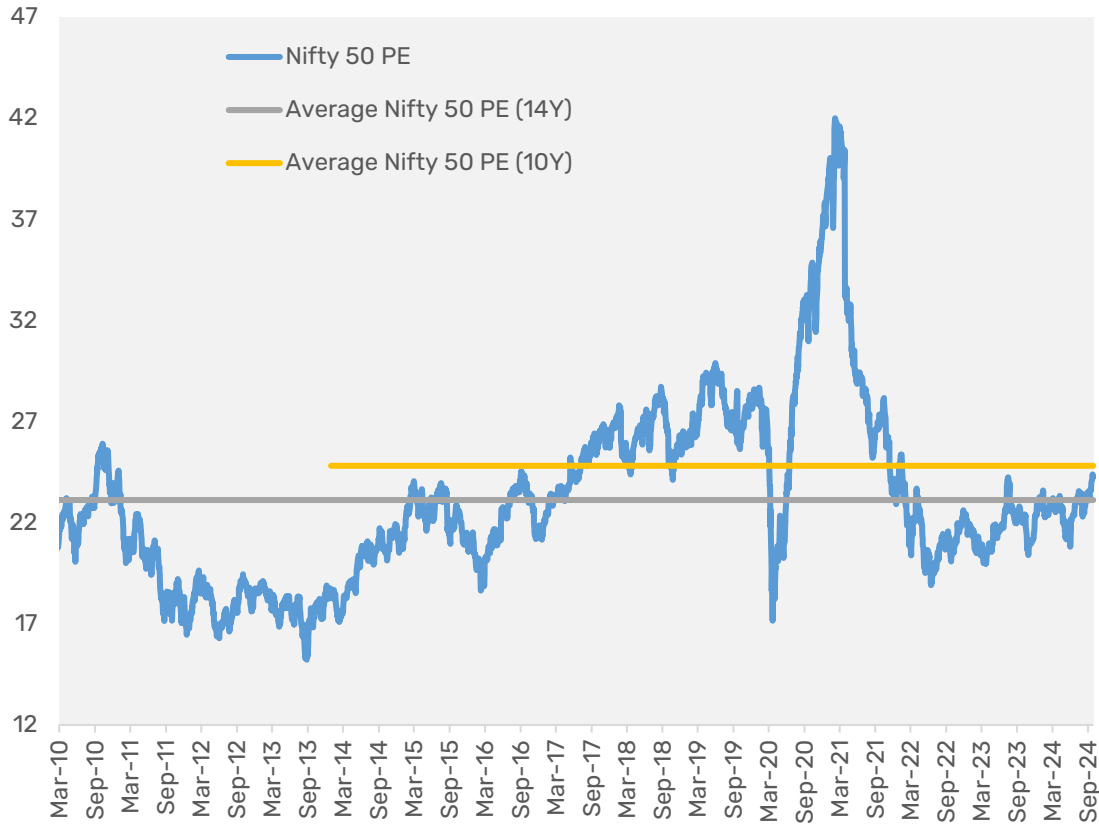


Source: NSE, MFI Explorer, Internal Research; Data as on 30th Sep 2024.

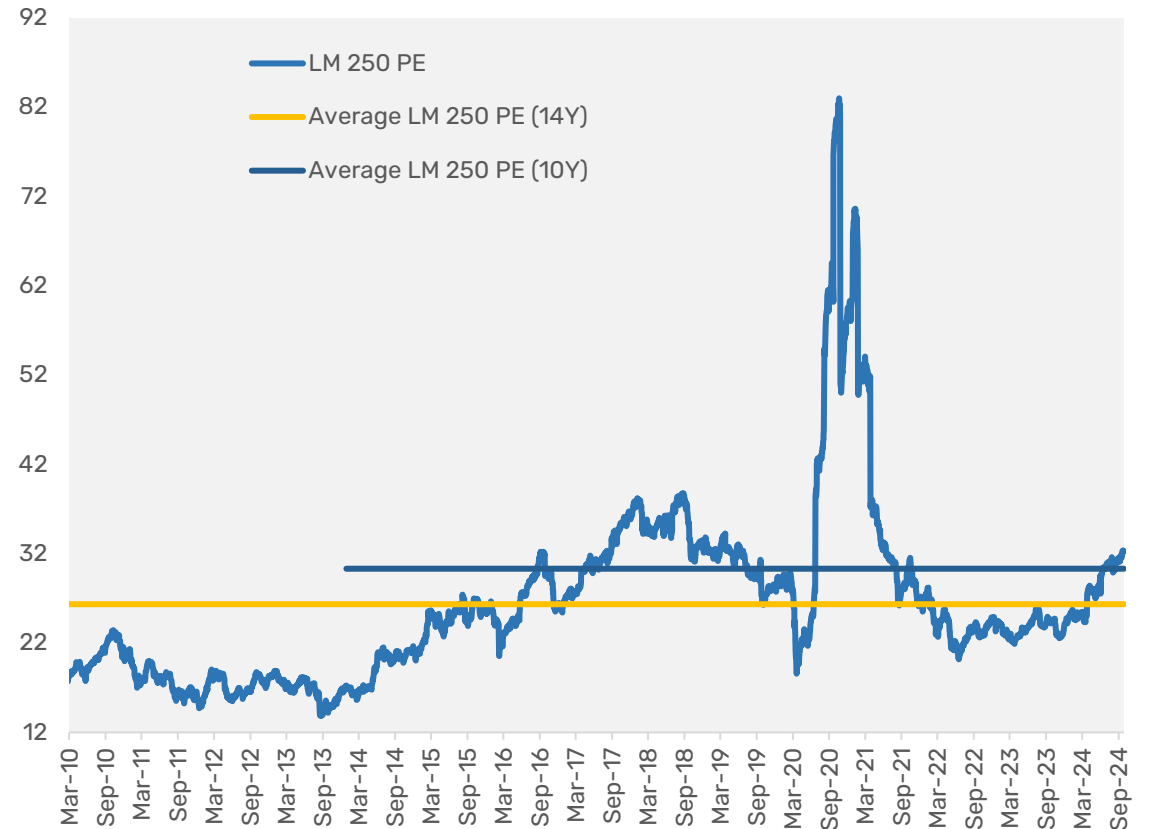
# Why Large and Mid Caps Now?

At current valuation, both, the large caps and combination large and mid cap are below their long term averages.

### Large Cap Valuations



### Large Mid Cap Valuations

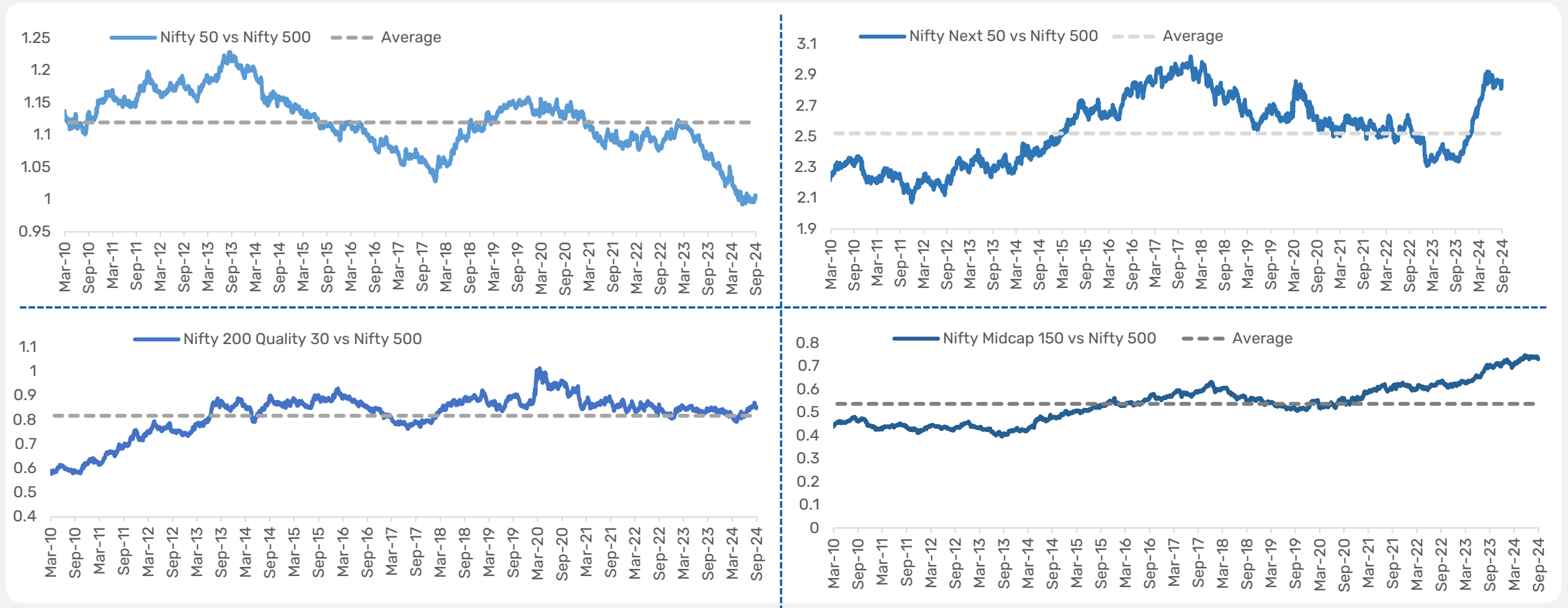


Source: MFI Explorer, Internal Research; Data as on 30th Sep 2024. Past performance may or may not sustain in future.



# Why Large and Mid Caps Now?

Currently, the combination of large cap and quality mid cap index seems to be better placed compared to Nifty 500 index.



The analysis is based on the trend in relative price of the daily index values of the given benchmark.

Source: MFI Explorer, Internal Research; Data as on 30th September 2024. Past performance may or may not sustain in future.

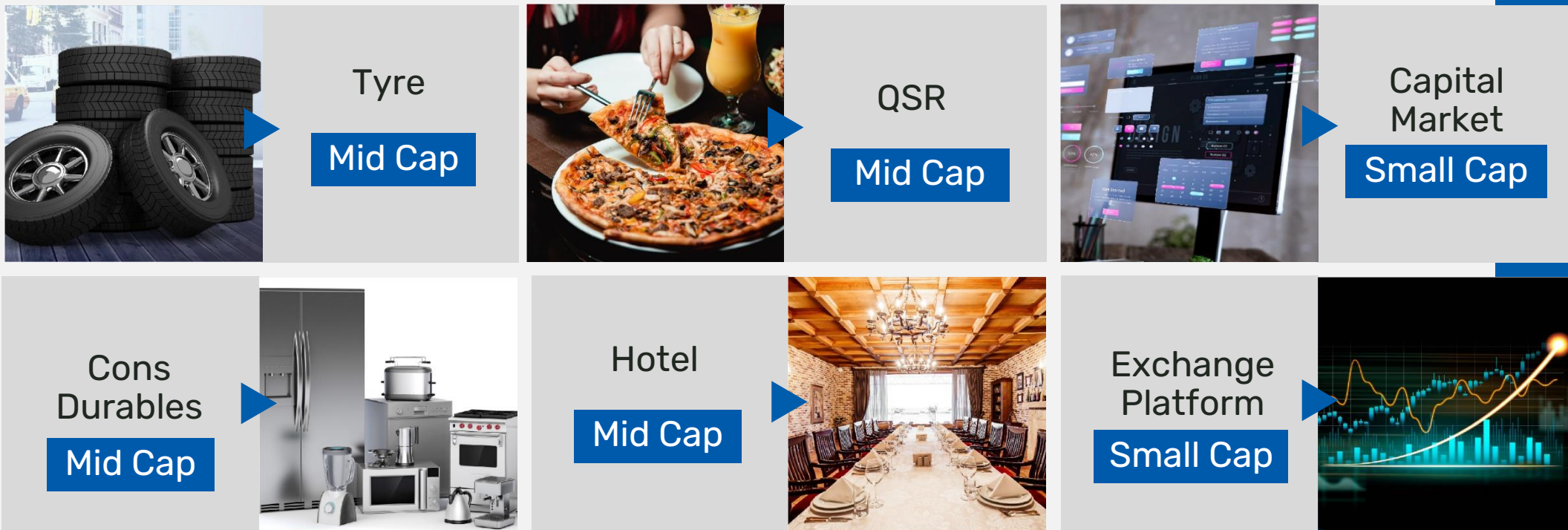
# Why Moat Investing in Large and Mid Caps?

- 1** Enduring Advantage 
- 2** Stability Amid Fluctuations 
- 3** Potential Profitability 
- 4** Long-Term Growth 
- 5** Quality Over Size 



# Segment Leaderships Across Market Cap

Economic Moats are not confined only to Large businesses



# Favourable Risk Reward in High Quality Large and Mid Caps

Returns

Year	Nifty 50 TRI	Nifty Mid Cap 100 TRI	Nifty 500 TRI	NIFTY Large Mid Cap 250 TRI	Nifty 200 Quality 30 Index TRI
CY2010	19%	20%	15%	17%	28%
CY2011	-24%	-30%	-26%	-28%	-10%
CY2012	29%	41%	33%	39%	31%
CY2013	8%	-4%	5%	3%	20%
CY2014	33%	58%	39%	48%	40%
CY2015	-3%	8%	0%	4%	2%
CY2016	4%	8%	5%	6%	1%
CY2017	30%	49%	38%	44%	30%
CY2018	5%	-15%	-2%	-5%	9%
CY2019	13%	-3%	9%	6%	6%
CY2020	16%	23%	18%	21%	26%
CY2021	26%	48%	32%	37%	26%
CY2022	6%	5%	4%	4%	-4%
CY2023	21%	48%	27%	33%	32%

■ Highest Return     ■ Lowest Return

Standard Deviation

Nifty 50 TRI	Nifty Mid Cap 100 TRI	Nifty 500 TRI	NIFTY Large Mid Cap 250 TRI	Nifty 200 Quality 30 Index TRI
16%	16%	15%	16%	12%
21%	18%	19%	19%	15%
15%	16%	15%	15%	12%
18%	18%	17%	16%	14%
13%	18%	13%	14%	11%
16%	18%	16%	16%	14%
15%	18%	15%	16%	14%
9%	13%	10%	10%	9%
13%	18%	13%	14%	13%
14%	16%	14%	14%	13%
31%	29%	29%	28%	25%
16%	18%	15%	15%	13%
17%	21%	17%	18%	16%
10%	12%	10%	10%	9%

■ Lowest Risk (Standard Deviation)     ■ Highest Risk (Standard Deviation)

# Favourable Risk Reward in High Quality Large and Mid Caps

**Trailing Returns (CAGR)**

	Large Caps	Broad Markets	Large and Midcaps	Midcaps	Quality Large and Midcaps
1 Year	32.80%	41.27%	43.26%	38.59%	44.32%
3 Years	14.92%	18.42%	21.05%	15.93%	17.56%
5 Years	18.95%	22.25%	25.50%	19.57%	21.09%
7 Years	16.23%	17.20%	18.70%	16.26%	18.57%
10 Years	13.83%	15.47%	17.57%	14.37%	14.94%

**Trailing Risk (Annualized Standard deviation)**

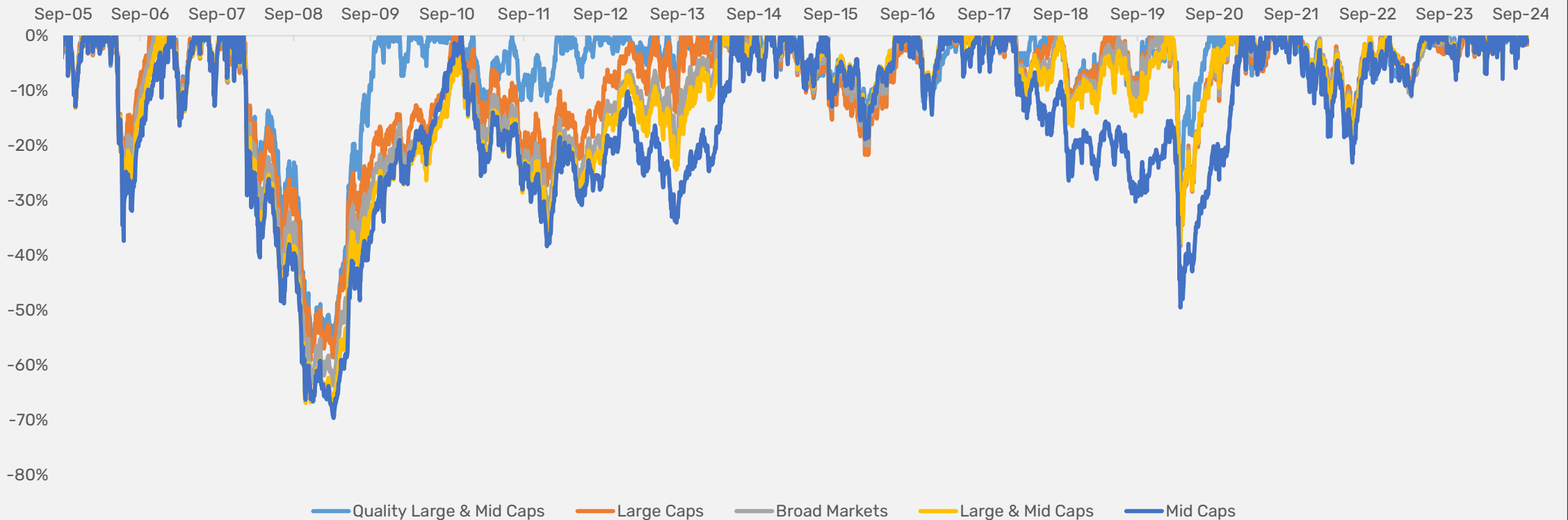
Risk	Large Caps	Broad Markets	Large and Midcaps	Midcaps	Quality Large and Midcaps
1Y	24%	26%	29%	34%	27%
3Y	11%	12%	9%	14%	8%
5Y	9%	11%	6%	9%	5%
7Y	6%	7%	3%	6%	4%
10Y	4%	4%	3%	4%	3%

Large Caps – Nifty 50 TRI; Midcaps – Nifty Midcap 100 TRI; Broad Market – Nifty 500 TRI; Large and Midcap – Nifty Large and Midcap 250 TRI; Quality Large and Midcaps – Nifty 200 Quality 30 Index TRI

Source: MFI Explorer, Internal Research. Data as on 30<sup>th</sup> Sep 2024. Past performance may or may not sustain in future.

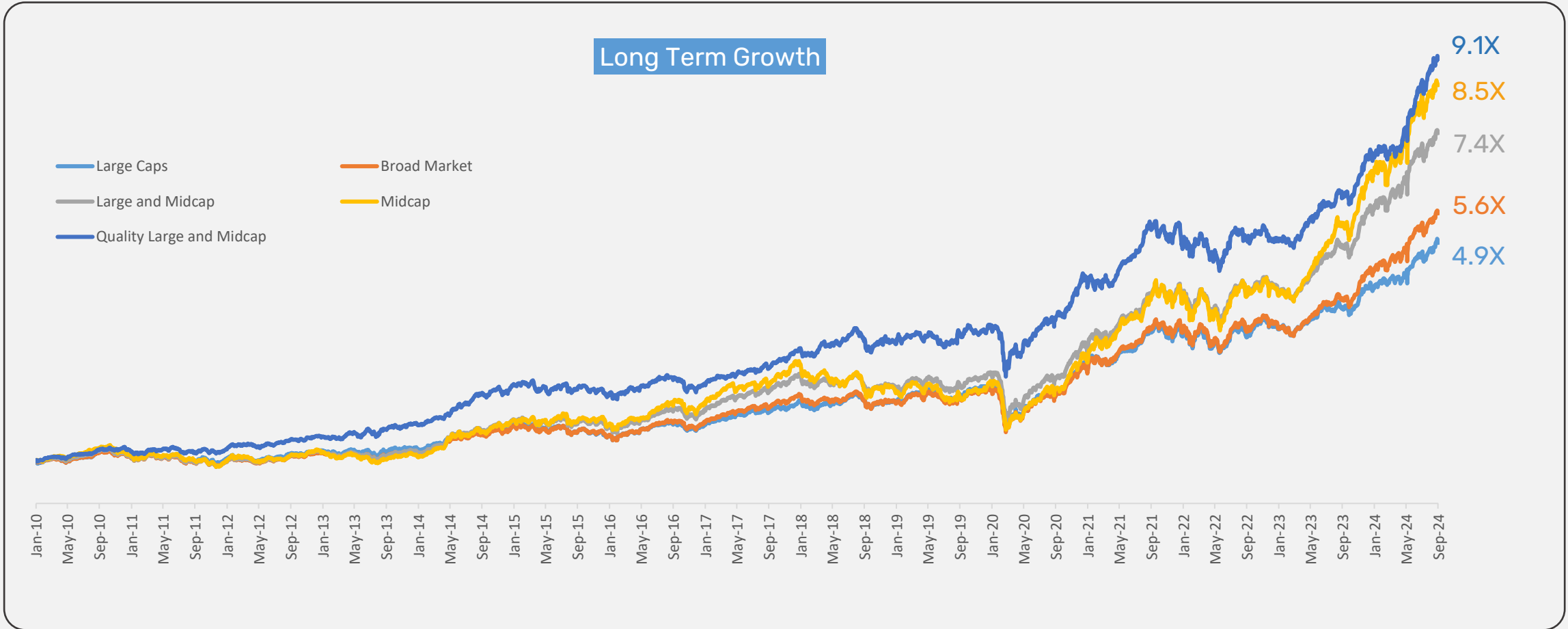
# Large Caps And Quality Mid Caps Have More Resilience To The Market Downfalls

### Drawdown Analysis



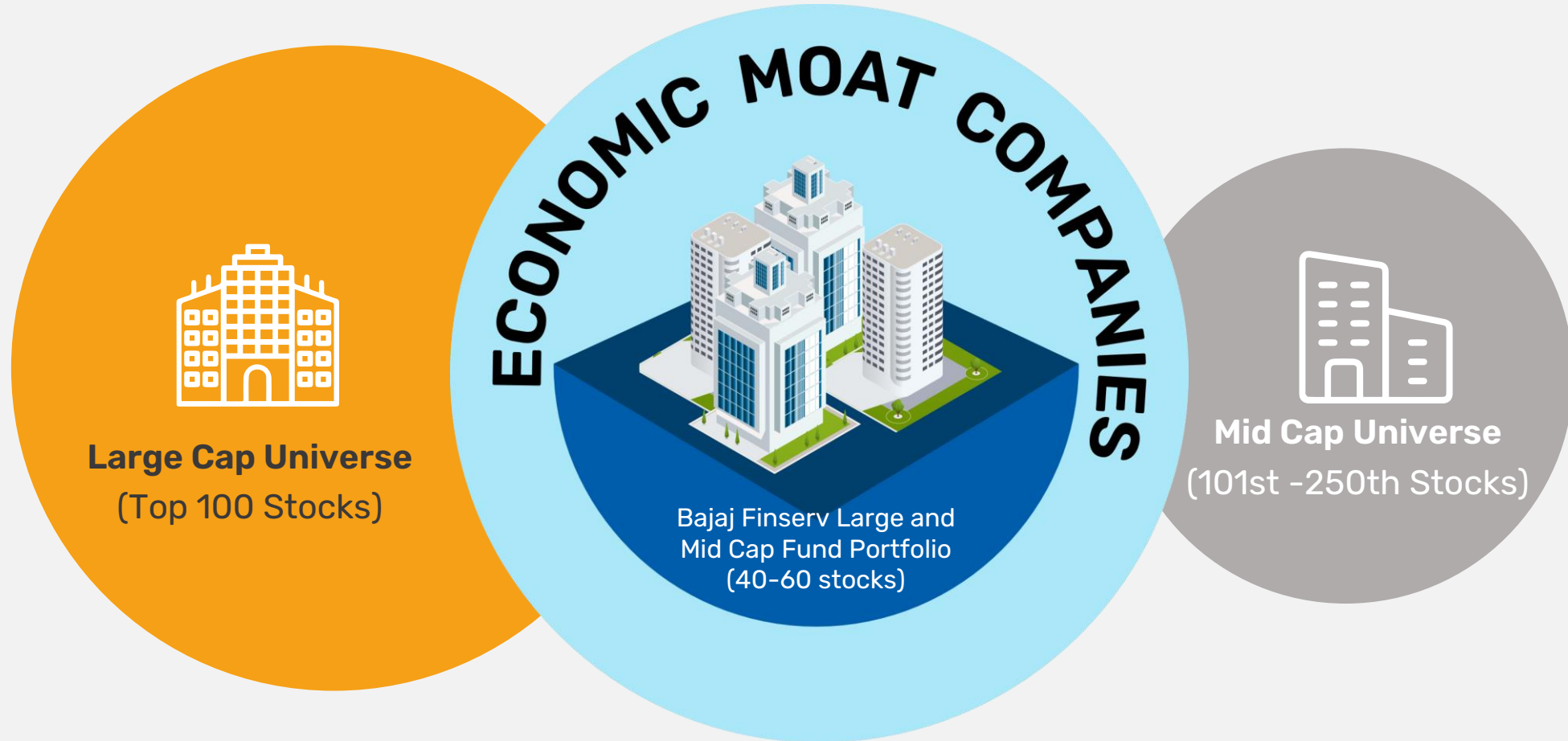
Large Caps – Nifty 50 TRI; Midcaps – Nifty Midcap 100 TRI; Broad Market – Nifty 500 TRI; Large and Midcap – Nifty Large and Midcap 250 TRI; Quality Large and Midcaps – Nifty 200 Quality 30 Index TRI. Source: MFI Explorer, Internal Research. Data as on 30th Sep 2024. Past performance may or may not sustain in future.

# High Quality Large And Mid Caps Offers Better Potential For Long Term Wealth Creation



Large Caps – Nifty 50 TRI; Broad Market – Nifty 500 TRI; Large and Midcap – Nifty Large and Midcap 250 TRI; Quality Large and Midcaps – Nifty 200 Quality 30 Index TRI. Source: MFI Explorer, Internal Research. Data as on 30<sup>th</sup> Sep 2024. Past performance may or may not sustain in future.

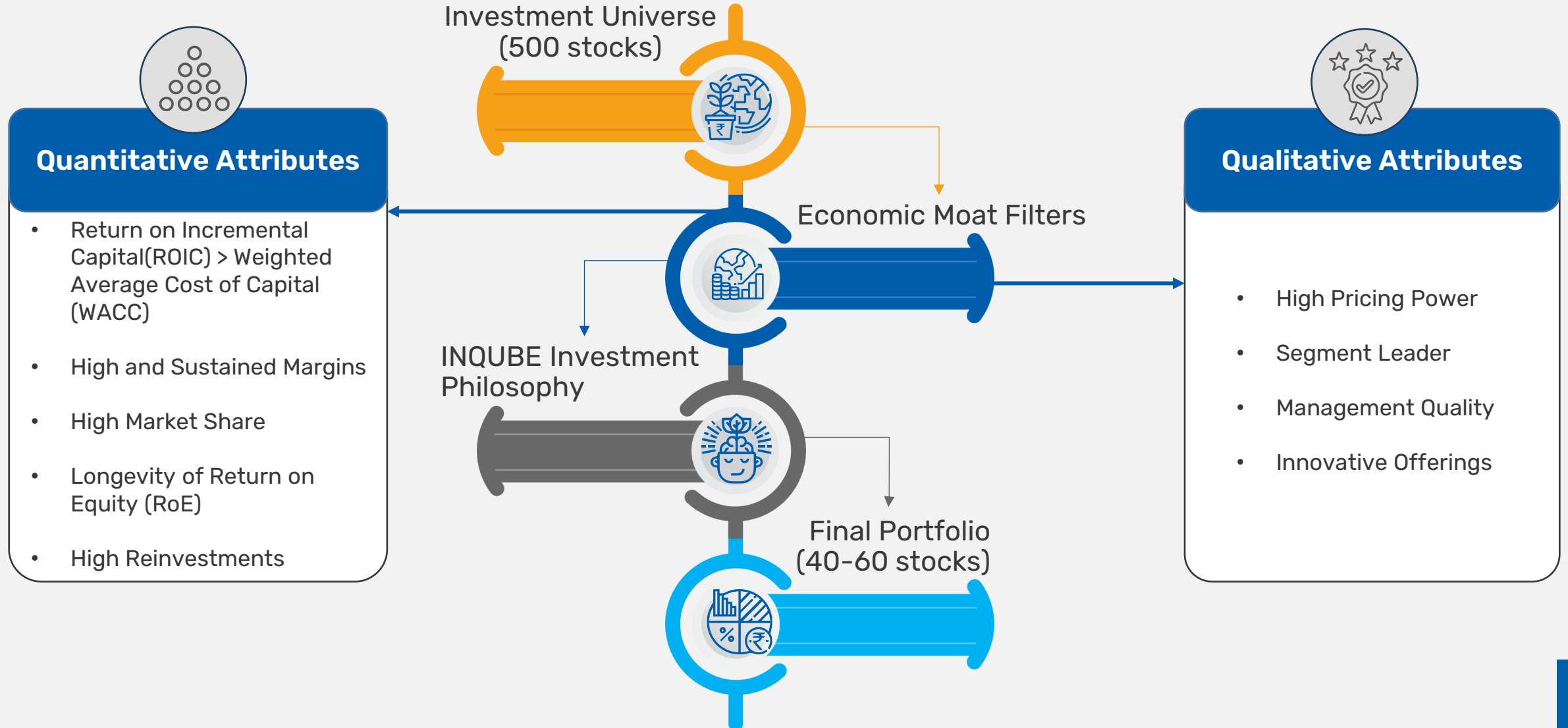
# How Moat Investing Works with Bajaj Finserv Large and Mid Cap Fund?



The count of stocks mentioned is indicative and actual count will be subject to market conditions and opportunities available at the time of investment.



# Investment Process





# INQUUBE

## INFORMATION EDGE

- Outperform the market on superior information collection

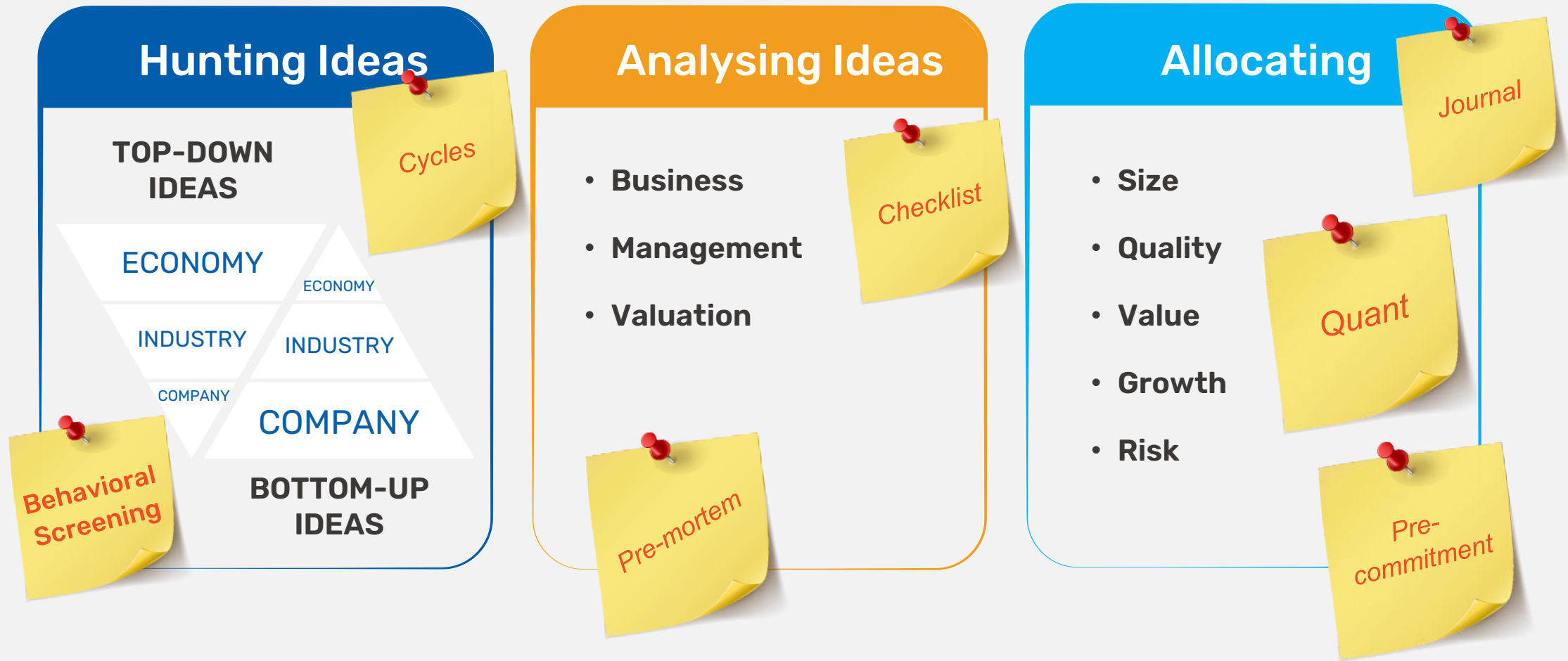
## QUANTITATIVE EDGE

- Outperform the market on processing information better
- Quant models, Analytical models

## BEHAVIORAL EDGE

- Outperform the market by better decision making
- Take advantage of crowd over-reaction and underreaction
- Reduces one's own behavioral pitfalls

# Our Investment Philosophy



# Bajaj Finserv Large and Mid Cap Fund

## Key Characteristics:



Stock selection based on Moat investing resulting into:



Bottom up stock selection



Diversified portfolio



Growth oriented



High active share



Low turnover portfolio



Quality Oriented Portfolio



Long Term Value Creation



Robust Businesses across sectors

Fortifying your wealth with moat based investing

# Bajaj Finserv

## Large and Mid Cap Fund

(An open ended equity scheme investing in both large cap and mid cap stocks)

The Economic Moats safeguard businesses by shielding them from competitors, preserving their market share, and ensuring the long-term sustainability of profits.

# MOATS

December 2024



Management

Cost Advantages

Network Effects

Efficient scale

Switching Cost

Intangible Assets Patent

Intangible Assets Brand

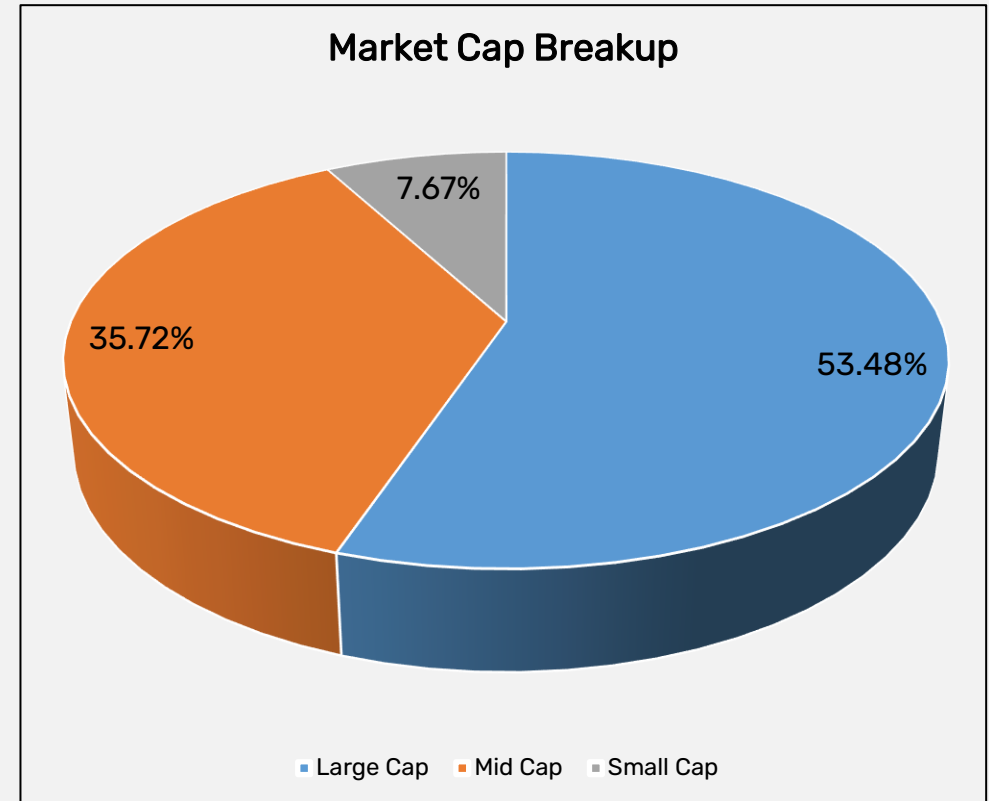
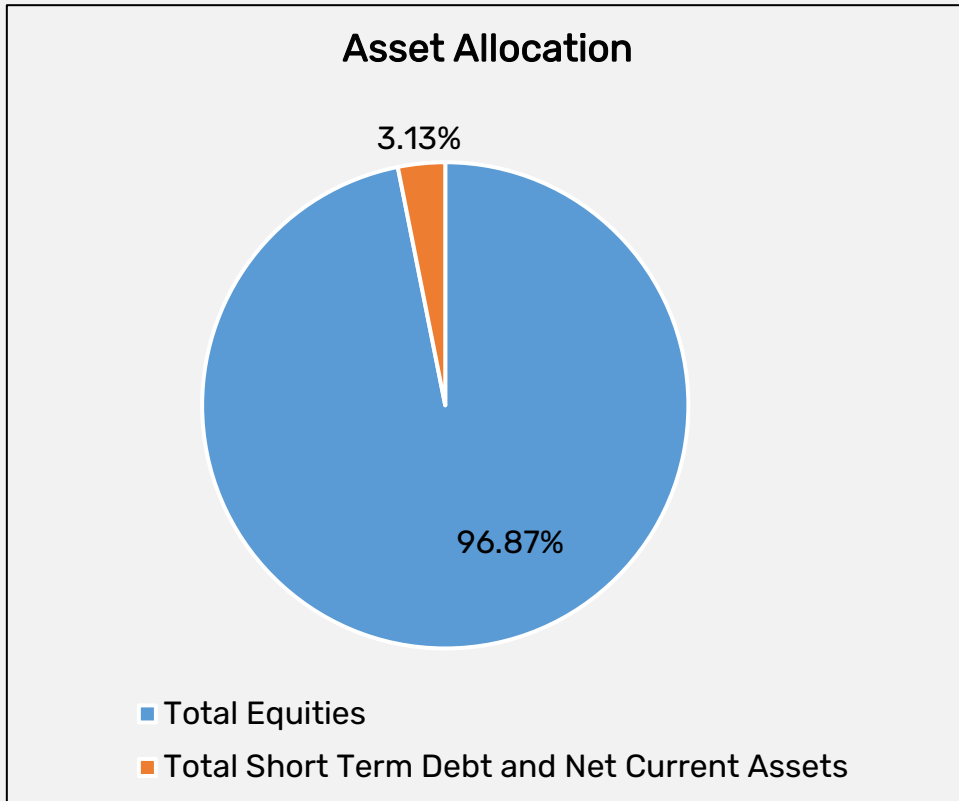
Intangible Assets Regulation

Company Name	Moat	% of NAV	Company Name	Moat	% of NAV
HDFC Bank Limited	■	7.16%	Coal India Limited	■	1.09%
Tata Consultancy Services Limited	■ ■	3.99%	Emami Limited	■ ■ ■	1.07%
Divi's Laboratories Limited	■ ■ ■	3.80%	Balkrishna Industries Limited	■ ■ ■ ■	1.04%
Cipla Limited	■ ■ ■ ■	3.44%	Siemens Limited	■ ■ ■ ■ ■	1.02%
Hindustan Unilever Limited	■ ■ ■ ■ ■	3.00%	ABB India Limited	■ ■ ■ ■ ■ ■	0.94%
Infosys Limited	■ ■ ■ ■ ■ ■	2.97%	VIP Industries Limited	■ ■ ■ ■ ■ ■ ■	0.90%
Bharti Airtel Limited	■ ■ ■ ■ ■ ■ ■	2.55%	ICICI Lombard General Insurance Company Limited	■ ■ ■ ■ ■ ■ ■ ■	0.89%
ITC Limited	■ ■ ■ ■ ■ ■ ■ ■	2.51%	Berger Paints (I) Limited	■ ■ ■ ■ ■ ■ ■ ■ ■	0.88%
State Bank of India	■ ■ ■ ■ ■ ■ ■ ■ ■	2.50%	GlaxoSmithKline Pharmaceuticals Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.83%
Biocon Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	2.27%	Tata Communications Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.72%
Muthoot Finance Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	2.23%	AIA Engineering Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.69%
Larsen & Toubro Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	2.02%	The Federal Bank Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.69%
CRISIL Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	2.01%	Deepak Nitrite Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.63%
Jubilant Foodworks Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	2.01%	Emcure Pharmaceuticals Ltd	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.62%
Oberoi Realty Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	2.00%	National Aluminium Company Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.58%
ICICI Bank Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	1.99%	The Ramco Cements Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.56%
Reliance Industries Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	1.95%	The Phoenix Mills Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.55%
UNO Minda Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	1.93%	Timken India Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.54%
Page Industries Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	1.87%	The Great Eastern Shipping Company Limited	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	0.53%
UltraTech Cement Limited	■ ■	1.83%	Linde India Limited	■ ■	0.51%
Info Edge (India) Limited	■ ■	1.70%	Jio Financial Services Limited	■ ■	0.50%
Alkem Laboratories Limited	■ ■	1.63%	JSW Infrastructure Ltd	■ ■	0.47%
PI Industries Limited	■ ■	1.62%	PVR INOX Limited	■ ■	0.45%
Voltas Limited	■ ■	1.62%	Motherson Sumi Wiring India Limited	■ ■	0.43%
Havells India Limited	■ ■	1.60%	Sanofi Consumer Healthcare India Limited	■ ■	0.43%
Sun Pharmaceutical Industries Limited	■ ■	1.59%	Schneider Electric Infrastructure Limited	■ ■	0.40%
Tata Steel Limited	■ ■	1.50%	Akzo Nobel India Limited	■ ■	0.39%
United Breweries Limited	■ ■	1.46%	Trent Limited	■ ■	0.35%
InterGlobe Aviation Limited	■ ■	1.45%	ZF Commercial Vehicle Control Systems India Limited	■ ■	0.33%
The Indian Hotels Company Limited	■ ■	1.44%	Vedant Fashions Limited	■ ■	0.32%
Abbott India Limited	■ ■	1.37%	Vinati Organics Limited	■ ■	0.31%
Tata Consumer Products Limited	■ ■	1.32%	Hitachi Energy India Limited	■ ■	0.26%
Bajaj Finserv Limited	■ ■	1.26%	Titan Company Limited	■ ■	0.11%
Multi Commodity Exchange of India Limited	■ ■	1.18%			
SBI Life Insurance Company Limited	■ ■	1.17%			
Glenmark Pharmaceuticals Limited	■ ■	1.13%			

Management Cost Advantages Network Effects Efficient Scale Switching Cost Intangible Assets Patent Intangible Assets Brand Intangible Assets Regulation

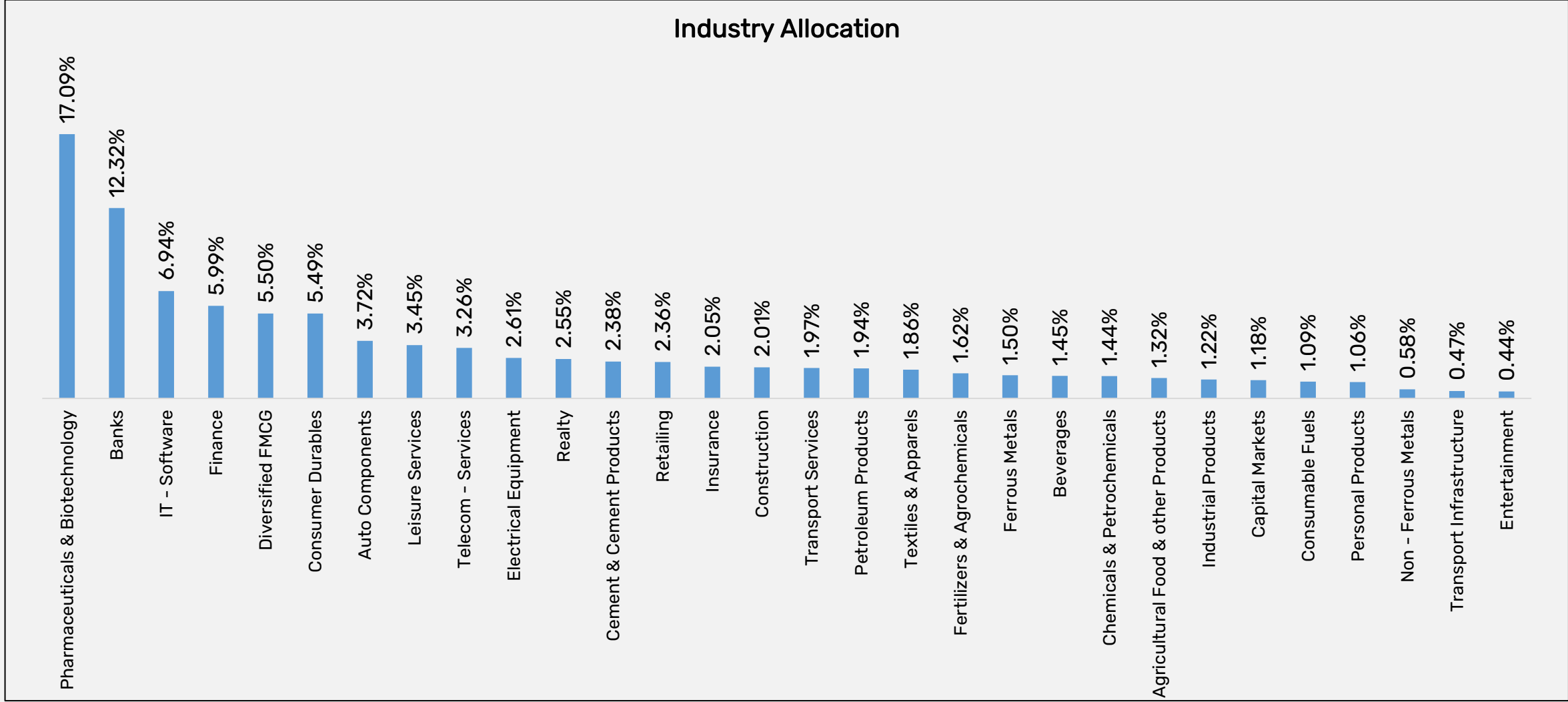
These 8 color boxes represent each Moat and the boxes after each company's name represent it's presence in that particular Moat wherever applicable. We have also shown % to Net Assets for each company. Data as on 30<sup>th</sup> November 2024.

# Fund Allocation



Data as on 30<sup>th</sup> November 2024.

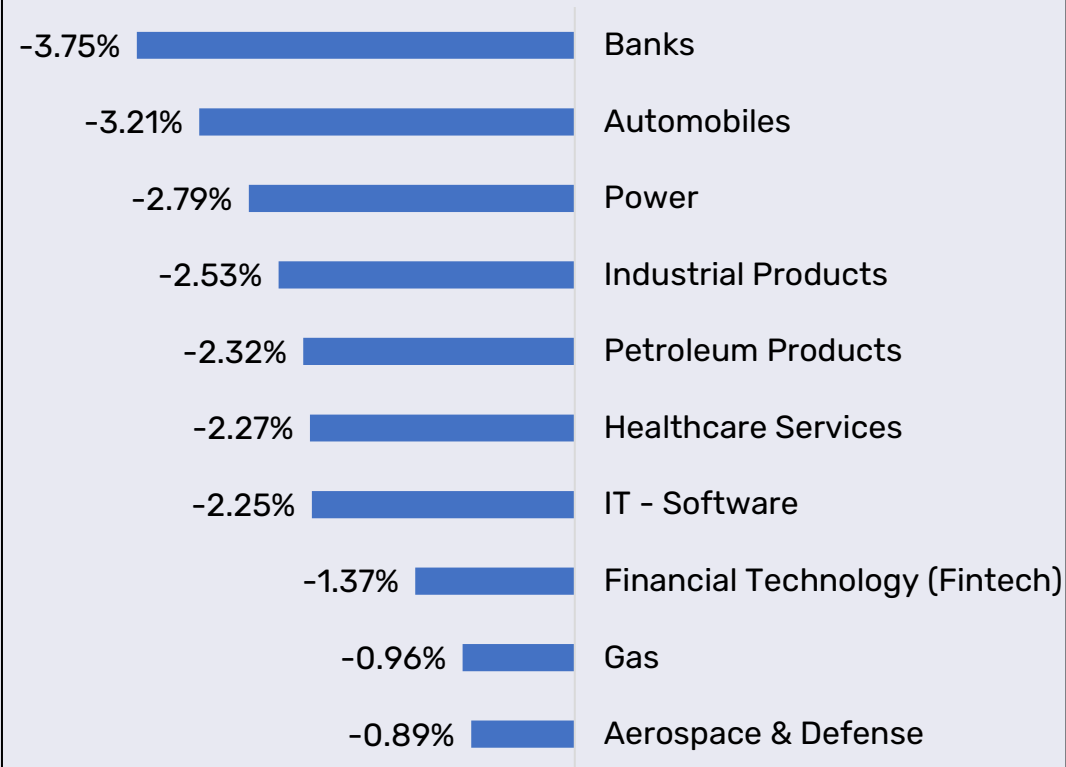
# Fund Allocation



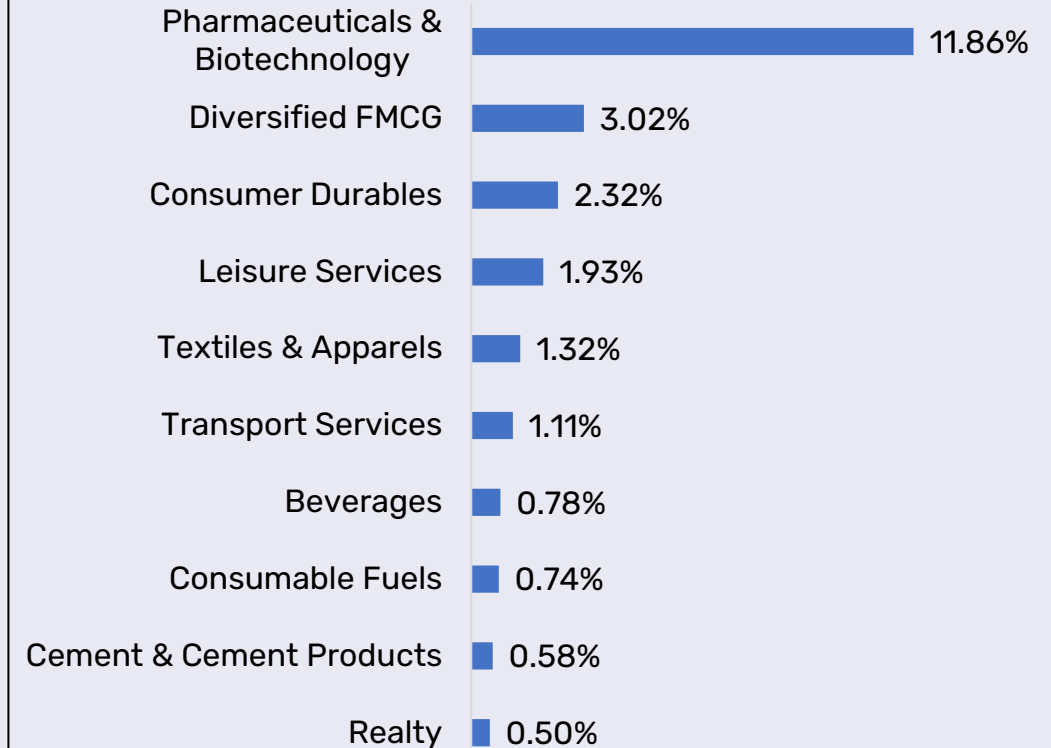
Data as on 30<sup>th</sup> November 2024.

# RELATIVE WEIGHTAGE ALLOCATION

## Top 10 Underweight Industries



## Top 10 Overweight Industries

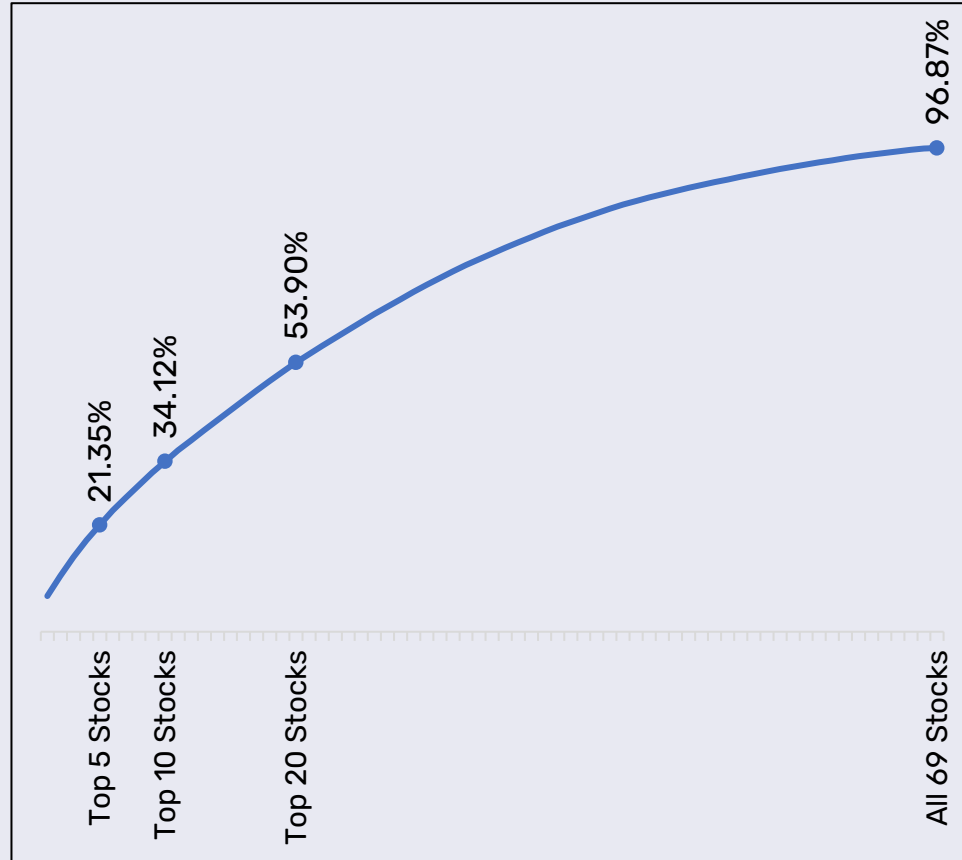


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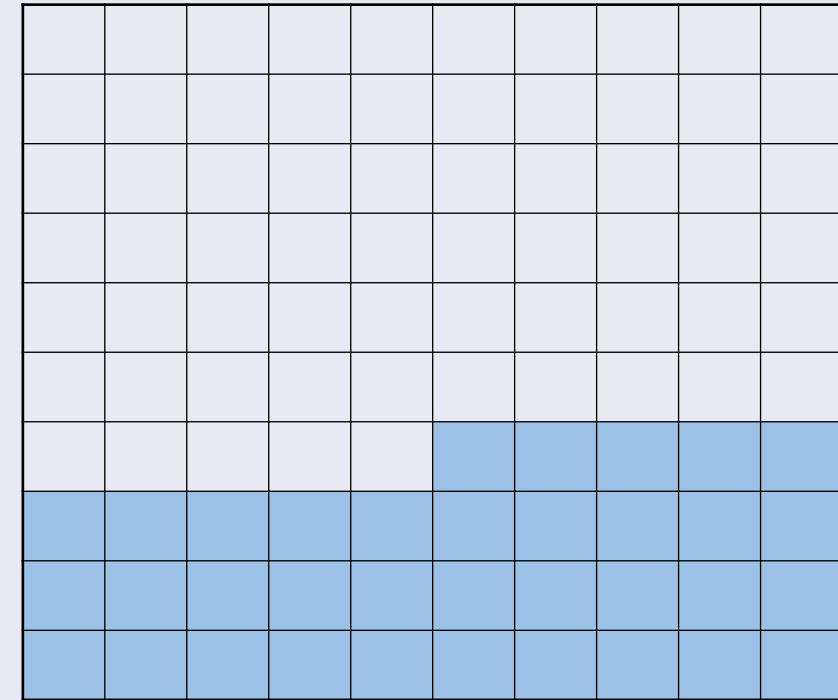


# Portfolio Concentration & Active Share

## Portfolio Concentration



## Active Share



Active Share (65%)

Portfolio overlap (35%)

Data as on 30<sup>th</sup> November 2024.

# Scheme Features

<b>Type of Scheme</b>	An open ended equity scheme investing in both large cap and mid cap stocks
<b>Plans</b>	Bajaj Finserv Large and Mid Cap Fund – Direct Plan
	Bajaj Finserv Large and Mid Cap Fund – Regular Plan
<b>Option</b>	Growth & IDCW
<b>Minimum Application Amount</b>	Rs. 500 (Plus multiples of Re.1)
<b>Minimum Additional Application</b>	Rs. 100 (Plus multiples of Re.1)
<b>Entry Load</b>	Not Applicable
<b>Exit Load</b>	if units are redeemed / switched out within 6 months from the date of allotment: <ul style="list-style-type: none"> <li>- if upto 10% of units allotted are redeemed/switched out – Nil</li> <li>- any redemption / switch-out of units in excess of 10% of units allotted - 1% of applicable NAV.</li> </ul>
	if units are redeemed/switched out after 6 months from the date of allotment, no exit load is payable.
<b>Fund Manager</b>	Mr. Nimesh Chandan and Mr. Sorbh Gupta (Equity Portion)
	Mr. Siddharth Chaudhary (Debt Portion)
<b>Benchmark Index</b>	Nifty Large Midcap 250 TRI
<b>SIP / SWP / STP</b>	Available

# Product Label

## Bajaj Finserv Large and Mid Cap Fund

(An open ended equity scheme investing in both large cap and mid cap stocks)

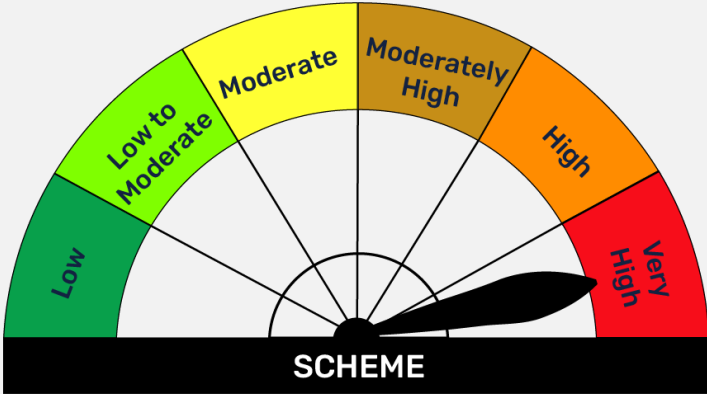
This product is suitable for investors who are seeking\*:

- Wealth creation over long term
- Open ended equity scheme investing in both large cap and mid cap stocks

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

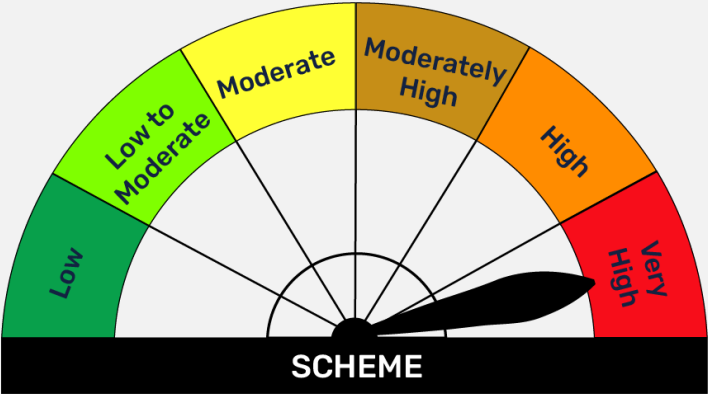
### Riskometer

**Scheme**



The risk of the scheme is very high

**Benchmark**



The risk of the benchmark i.e. Nifty Large Midcap 250 TRI is very high

# Disclaimer

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**THANK YOU**