



**“Our focus is on building a robust portfolio with mindful stock picking, process discipline and stringent risk management”**

## IN CONVERSATION

### VISHAL GAJWANI

Fund Manager (Equity)

**V**ishal Gajwani brings with him over 16 years of fund management experience, having managed assets both on the PMS side and now mutual funds. Vishal has demonstrated the ability to identify market trends and sectoral opportunities early on, given his academic rigour and depth of research. He is currently managing Aditya Birla Sun Life Small Cap Fund (ABSL Small Cap) and Aditya Birla Sun Life Balanced Advantage Fund (ABSL BAF). The Small-Cap fund completed 16 years on May 31. Vishal started managing the fund about a year ago and is using his

skill of trendspotting to build a strong well-balanced portfolio between cyclical & structural growth stories. Some of its picks in recent months that have aided performance uptick are Triveni Turbine, CCL Products, Rolex Rings, Sundaram Fasteners, and Craftsman Automation.

ABSLAMC Knowledge Centre caught up with him to understand the turnaround strategy he has adopted for the small-cap fund, the tweaks he has made and what investors can expect going ahead.

**Aditya Birla Sun Life Small Cap Fund completed 16 years recently. It has been about a year since you started managing the fund. What can one expect now with you at the helm of it?**

During the last year investors might have felt that the markets were highly volatile, but for stock pickers like us, it was a period of great opportunities. While I will not be able to give any forward guidance, our focus is on building a robust portfolio with mindful stock picking, process discipline, and stringent risk management. We have been picking up stocks

with the potential for sustained long-term business fundamentals and growth potential. If there are entry barriers to the business, we like it even more since there would be low competitive intensity and disruptions are also less likely. It gives us visibility of sustained growth in business and stronger margins, key ingredients for wealth creation.

In the last few months, we have increased weight in sectors like capital goods, financial services, Information technology, and Garments (textiles) where we believe there are pockets of opportunity, while we have reduced weights in FMCG for booking profits and in diagnostics where we believe that competitive intensity is adverse.

**With the recent correction seen in the market, is it a good time to allocate to this category?**

Yes, indeed the small-cap segment continues to provide attractive opportunities. Small-cap stocks were beaten down during the pandemic but gradually the valuation gap between large caps and small caps has

been narrowing, generating better returns. Given the recent correction in the market, one may consider to make some allocation to small caps. In addition, the small cap segment tends to outpace GDP growth in a growing economy. India being a growth story, provides huge room for growth and the emergence of new themes, industries, and companies.

However excessive focus on timing the market is not a good idea for investors. Three-fourths of our holdings are based on buy and hold strategy in stocks with a long-term growth opportunity. We do take advantage of cyclical movements in the market by way of tactical calls on cyclical stocks and sectors. At the same time, we also have an exit strategy in place. So, if a fundamentally good stock reaches exorbitant valuations, we book profit.

**Do you think it is important to assess the fund from its portfolio potential perspective, given that is what gives an indication of the potential upside it can provide? How are you building the portfolio of Aditya Birla**

## Sun Life Small Cap fund keeping this into account?

The reason why a small-cap portfolio has the potential to outperform the broader market is because it consists of less-discovered stocks. As more and more market participants recognise the potential of such stocks, a rerating happens and exponential returns are generated. Hence, it is the underlying portfolio that underpins the future potential and must be considered. The recent tweaks in our portfolio are yielding results and our portfolio changes have been assessed on the basis of their alpha generation capability.

It is important to note that there are niche industries within the small-cap universe. In order to generate better returns we identify the niches with a large addressable market. Then we pick winners who are geared to capture large shares in these rapidly expanding market segments and have the key competitive advantage. We also focus on parameters like higher return on equity with low leverage. The potential winners are the ones with a strong track record, scalable business model, and capable management.

**Value discovery in small caps takes time and it is important to stay invested for a long-time horizon in this category. What should investors consider while investing in this fund?**

Empirical data suggests that Small Cap Index has outperformed over a 7 to 10 years' timeframe. So, what does an investor need to do to get the maximum benefit from investing in a small-cap

fund? First, her risk profile should be well suited for this category and second, she needs to give it time and stay invested for 7 to 10 years. Alternatively, if she can commit only a limited amount for a longer period then only that portion should be invested in this fund, with the remaining diversified as per goals and optimal asset allocation.

From our side, we take all the precautions to mitigate risk. In a small-cap fund liquidity management is key with sector and security level diversification. To diversify, we keep company-level exposure between 3% - 6% and keep the portfolio at more than 60 stocks.

**In which sectors are opportunities emerging? What are some of the differentiated ideas you are pursuing or segments you identified early on?**

We have identified key segments based on strong macro trends and the direction of government policies. Manufacturing in general and capital goods and auto components, in particular, are likely to benefit from both global and local demand. Indian manufacturers are likely to gain a larger share of the global supply chain. Companies linked with the infrastructure and construction segment are also on our radar as they are going to benefit from the country's infrastructure push as well as from a revival of the real estate sector. One can participate in this story by investing in cement, metals, and other building material companies.

Consumption stocks such as Consumer Discretionary, Auto, etc are also going to benefit



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from the long-term trends in discretionary spending backed by rising per capita income that could benefit companies with stronger brands. As consumers shift from unbranded to branded, business and profit will shift from unorganised to organised sector.

We are positive on Technology/Digital with increasing technology intensity across verticals driving strong demand for IT services sector. The rise of the Indian Internet economy with new listings is also opening fresh

opportunities.

The fund is also bullish on Financials and within Financials on - Micro Finance Institutions (MFIs). We are also looking at Ancillary Financial Services since financial products such as Insurance remain highly underpenetrated.

**Some of your top holdings such as JK Cement, Hitachi Energy, and Campus Activewear seem to be taking into account the domestic levers of infra push and consumption potential in the country. Tell us what parameters you are looking at in these stocks you are picking.**

We consider the national focus on infrastructure, housing, growing consumer base, and rural revival, as important drivers for the small-cap universe. JK Cement for example is one of the highest volume growth companies in the mid-sized cement universe. The company is looking to maintain the growth trend by raising capacity in attractive regions of North and Central India. Hitachi Energy derives its edge from a leadership position in power technology and component manufacturing. This serves as a competitive advantage in both local and export markets. Campus activewear is a beneficiary of increased consumer discretionary spending as discussed above and is one of the largest manufacturers of sports and athleisure footwear in India.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

## Scheme Performance Summary

Aditya Birla Sun Life Small Cap Fund - Regular Plan - Growth Option		NAV as on April 30, 2023: ₹52.1569		
Fund Manager: Mr. Vishal Gajwani (since April 1, 2022) and Mr. Dhaval Joshi (since November 21, 2022)				
Particulars	CAGR % Returns			
	Since Inception	5 Year	3 Year	1 Year
Aditya Birla Sun Life Small Cap Fund	10.93%	4.16%	32.07%	1.15%
B: S&P BSE 250 SmallCap TRI	8.61%	8.40%	38.93%	3.29%
AB: Nifty 50 TRI	10.74%	12.31%	23.78%	6.91%
Current Value of Standard Investment of ₹10,000 invested (in ₹)				
Aditya Birla Sun Life Small Cap Fund	52,157	12,259	22,999	10,115
B: S&P BSE 250 SmallCap TRI	37,264	14,961	26,768	10,328
AB: Nifty 50 TRI	50,720	17,865	18,945	10,689
Inception Date: May 31, 2007				

Past performance may or may not be sustained in future. The above performance is of Regular Plan - Growth Option. Kindly note that different plans have different expense structure. Load and Taxes are not considered for computation of returns. When scheme/additional benchmark returns are not available, they have not been shown. Total Schemes Co-Managed by Fund Managers is 1. Total Schemes managed by Mr. Vishal Gajwani is 2. Total Schemes managed by Mr. Dhaval Joshi is 47.

PERFORMANCE OF OTHER OPEN ENDED SCHEME MANAGED BY MR. DHAVAL JOSHI						
Fund Manager: Mr. Dhaval Joshi						
Scheme Names	CAGR % Returns					
	5 Year		3 Year		1 Year	
	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Aditya Birla Sun Life Dividend Yield Fund	9.50%	11.14%	26.69%	25.17%	12.08%	4.05%
Aditya Birla Sun Life Digital India Fund	17.81%	14.07%	32.40%	22.63%	-8.01%	-10.92%
Aditya Birla Sun Life Bal Bhavishya Yojna	NA	NA	12.46%	25.17%	1.37%	4.05%
Aditya Birla Sun Life Focused Equity Fund	9.58%	11.14%	20.53%	25.17%	3.32%	4.05%
Aditya Birla Sun Life MNC Fund	2.91%	7.57%	8.59%	18.23%	-5.49%	8.60%
Aditya Birla Sun Life Equity Hybrid '95 Fund	6.61%	10.82%	18.30%	17.89%	-1.10%	5.31%

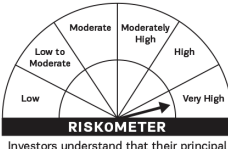

Note: a. Mr. Dhaval Joshi manages 47 open-ended schemes of Aditya Birla Sun Life Mutual Fund. b. Different plans shall have a different expense structure. The performance details provided herein are Regular Plan - Growth Option.

PERFORMANCE OF OTHER OPEN ENDED SCHEME MANAGED BY MR. VISHAL GAJWANI						
Fund Manager: Mr. Vishal Gajwani						
Scheme Names	CAGR % Returns					
	5 Year		3 Year		1 Year	
	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Aditya Birla Sun Life Balanced Advantage Fund	8.60%	10.31%	15.13%	15.01%	6.67%	5.58%

Note: a. Mr. Vishal Gajwani manages 2 open-ended schemes of Aditya Birla Sun Life Mutual Fund. b. Different plans shall have a different expense structure. The performance details provided herein are Regular Plan - Growth Option.

SIP PERFORMANCE - REGULAR PLAN - GROWTH (ASSUMING SIP OF ₹10,000 PER MONTH)				
Fund Managers: Mr. Vishal Gajwani and Mr. Dhaval Joshi				
Particulars	Since Inception	5 Year	3 Year	1 Year
Total Amount Invested (in ₹)	19,20,000	6,00,000	3,60,000	1,20,000
Market Value of amount Invested	61,32,512	8,34,583	4,50,516	1,23,012
Scheme Returns (CAGR)	13.27%	13.21%	15.22%	4.77%
B: S&P BSE 250 SmallCap TRI Returns (CAGR)	11.65%	18.83%	21.52%	10.27%
AB: Nifty 50 TRI Returns (CAGR)	12.19%	14.18%	14.40%	8.49%

Date of First Installment: June 01, 2007 & Scheme Inception Date: May 31, 2007. Past Performance may or may not be sustained in future. For SIP returns, monthly investment of equal amounts invested on the 1st day of every month has been considered.

PRODUCT LABEL			
Name of Scheme	This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer S&P BSE 250 SmallCap TRI
<b>Aditya Birla Sun Life Small Cap Fund</b> (An open ended equity scheme predominantly investing in small cap stocks)	<ul style="list-style-type: none"> <li>long term capital growth</li> <li>investments primarily in small cap companies</li> </ul> <p><small>*Investors should consult their financial advisors if in doubt whether the product is suitable for them.</small></p>	 <p style="text-align: center; font-size: small;">RISKOMETER Investors understand that their principal will be at <b>Very High</b> risk</p>	 <p style="text-align: center; font-size: small;">RISKOMETER Benchmark Riskometer is at <b>Very High</b> risk</p>

Data as on April 30, 2023 | B: Benchmark | AB: Additional Benchmark

Contact your financial advisor for further details OR Visit - [www.mutualfund.adityabirlacapital.com](http://www.mutualfund.adityabirlacapital.com)

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**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.**