

# 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

May 2024

“The key to investing is... determining the competitive advantage of any given company and, above all, the durability of that advantage. The products or services that have wide, sustainable moats around them are the ones that deliver rewards to investors.”

- Warren Buffet





## 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.*

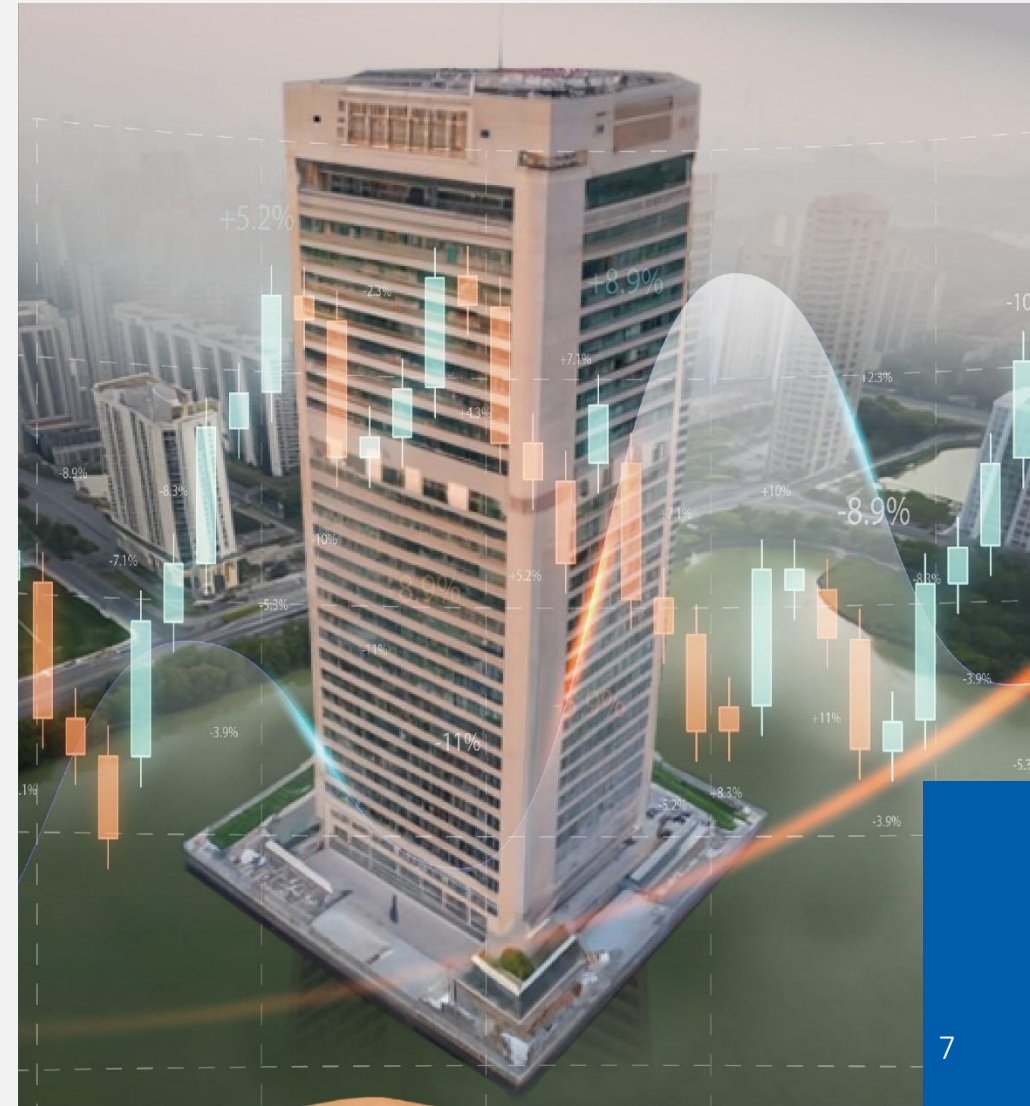
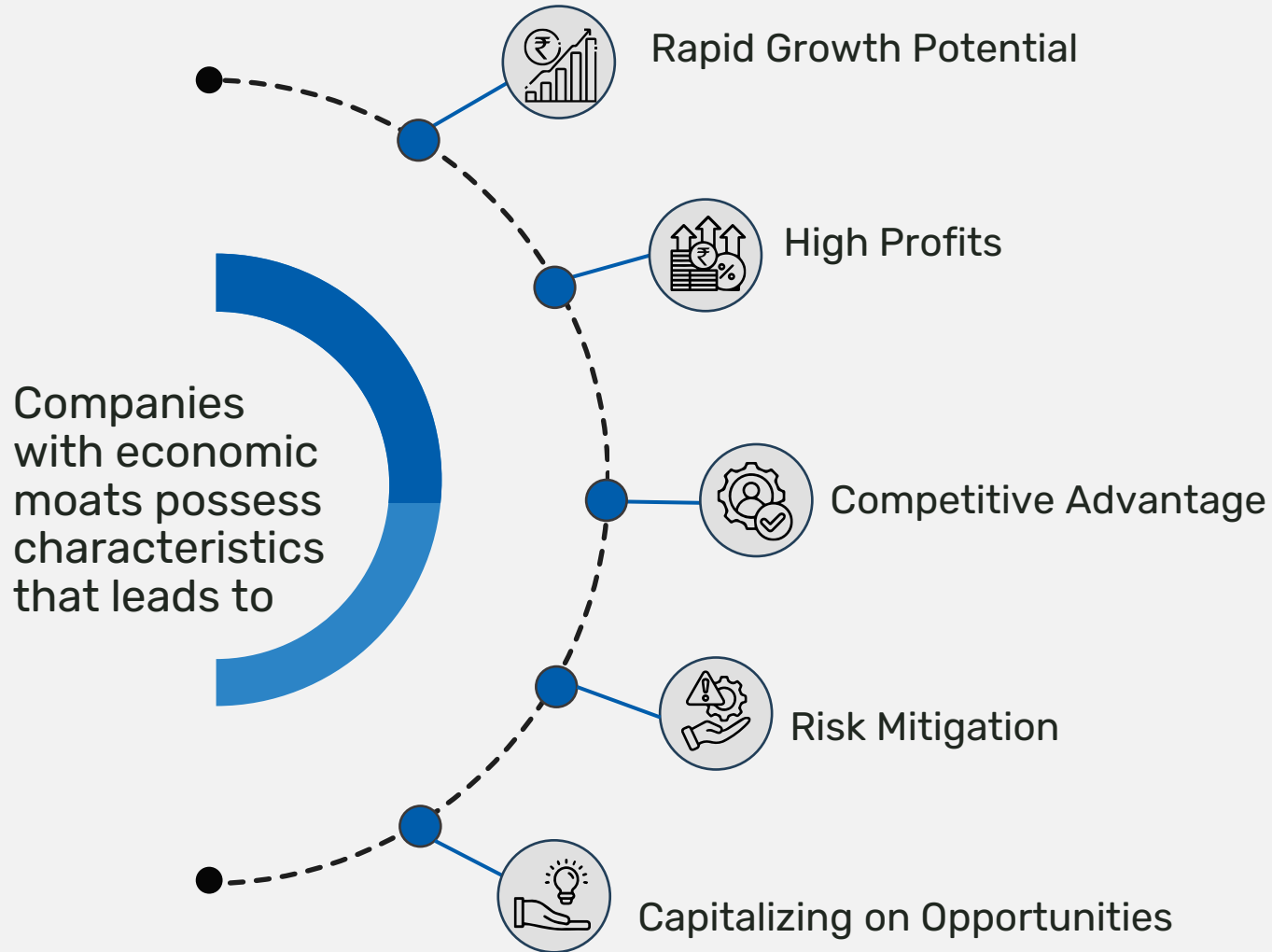


**Unique Business Models**

Example: **IoT**

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

# Why Moat Based Investing?



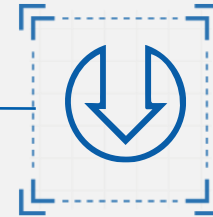
# Economic Moat Identification



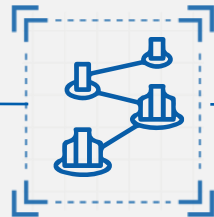
High Return on Capital Employed (ROCE), Return on Assets (RoA) and Return on Equity (RoE)



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



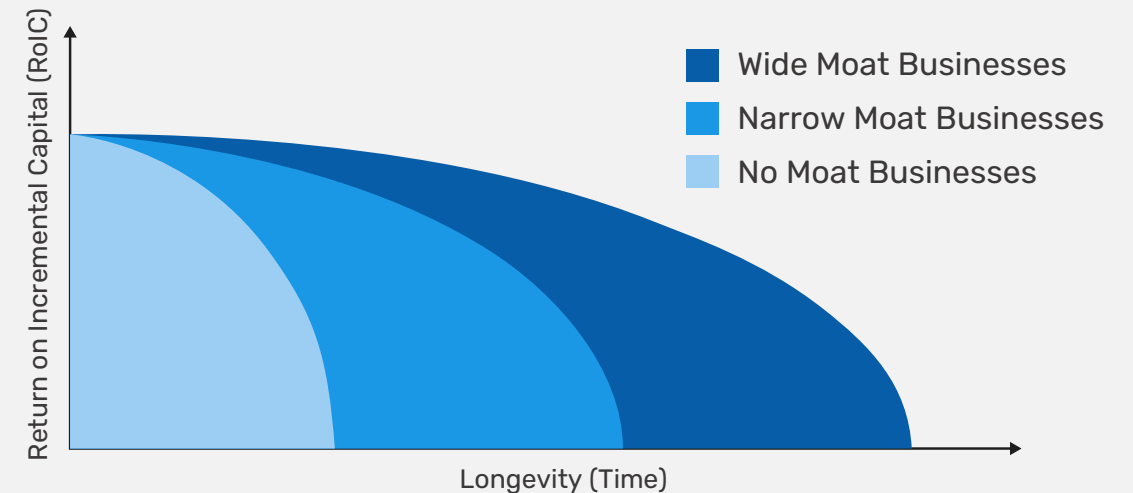
Powerful and enduring competitive advantage leading to dominant brand, unmatched operational scales and/or unique technology.



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

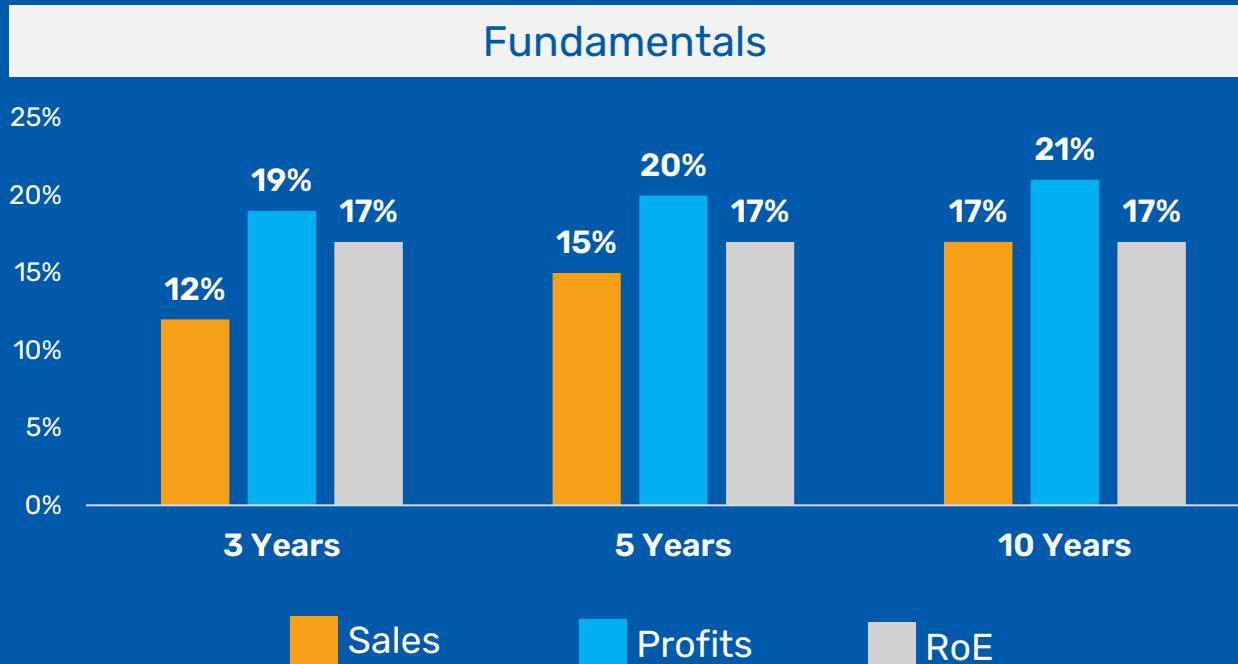


Consistent profits creating long term wealth for the investors and stakeholders.

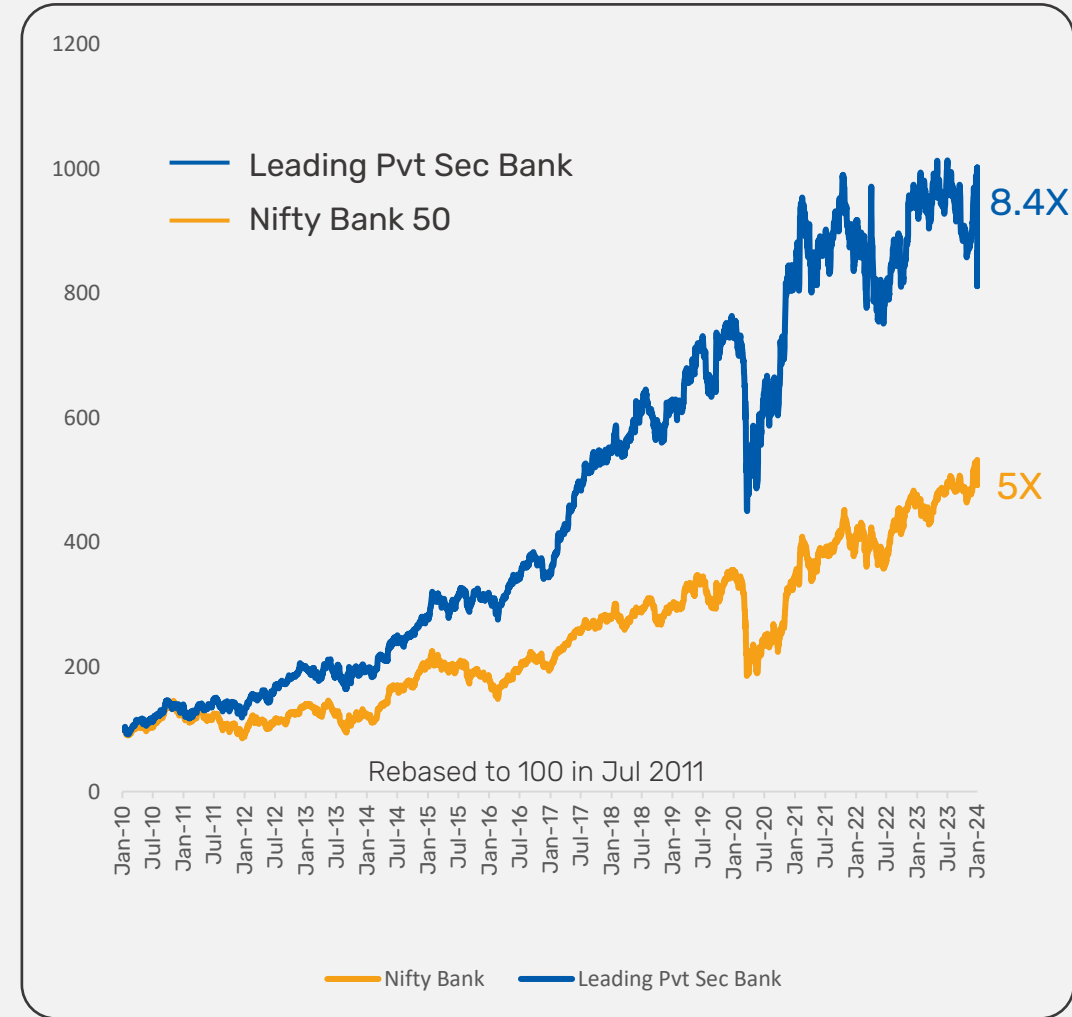


# Case Study 1

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.



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



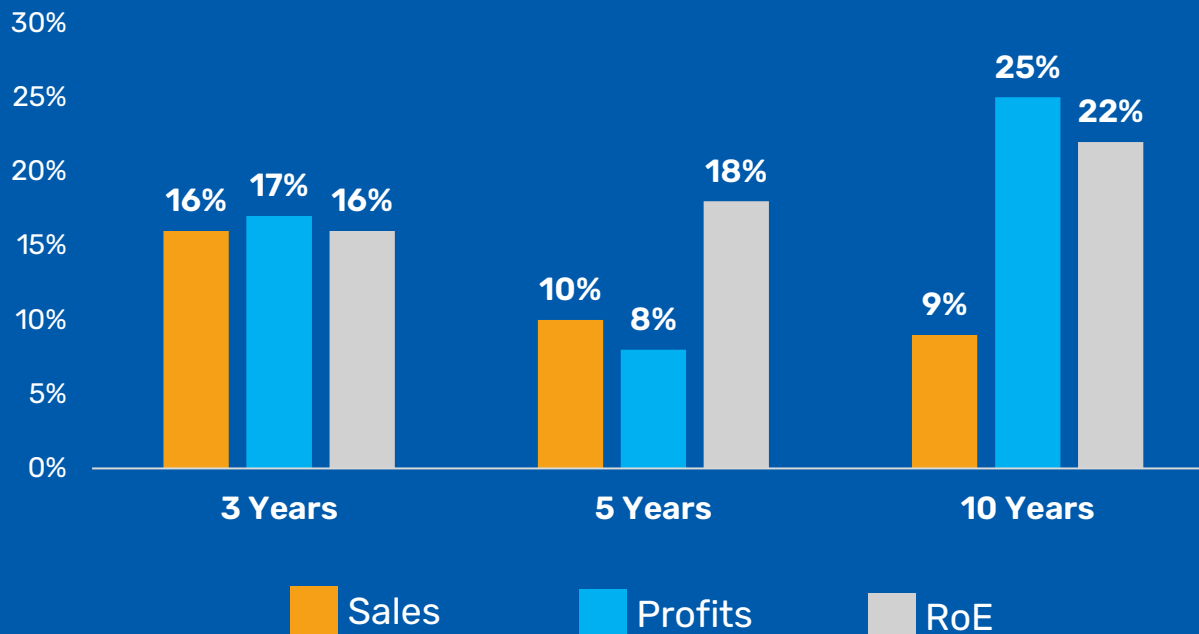
Source: Bloomberg, Internal Research, MFI Explorer; Data as on 28th Mar 2024. Past performance may or may not sustain in future.



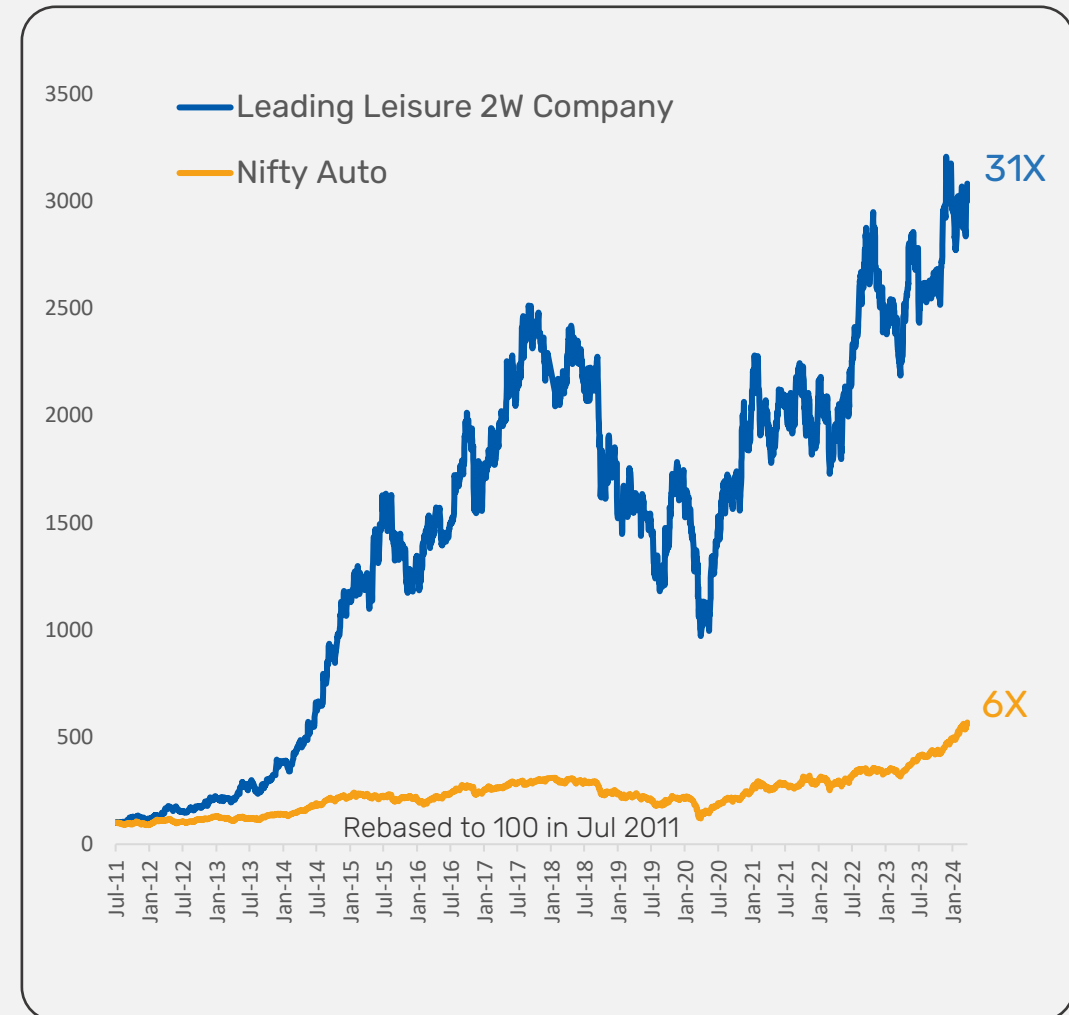
# Case Study 2

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

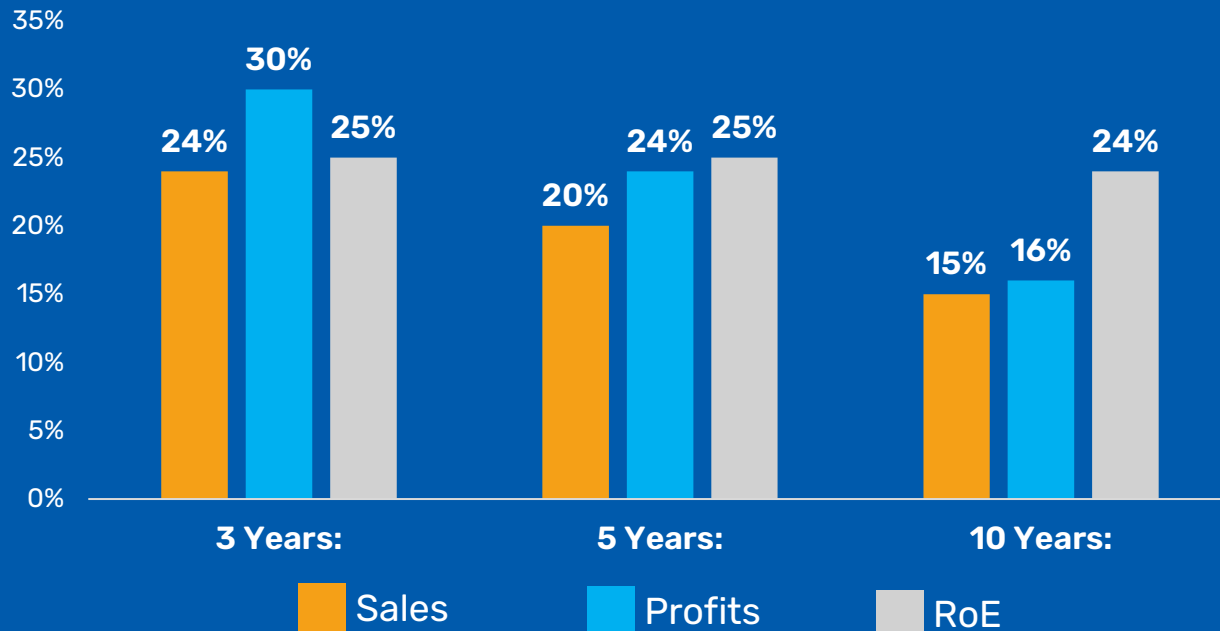


Source: Bloomberg, Internal Research, MFI Explorer; Data as on 28th Mar 2024. Past performance may or may not sustain in future.

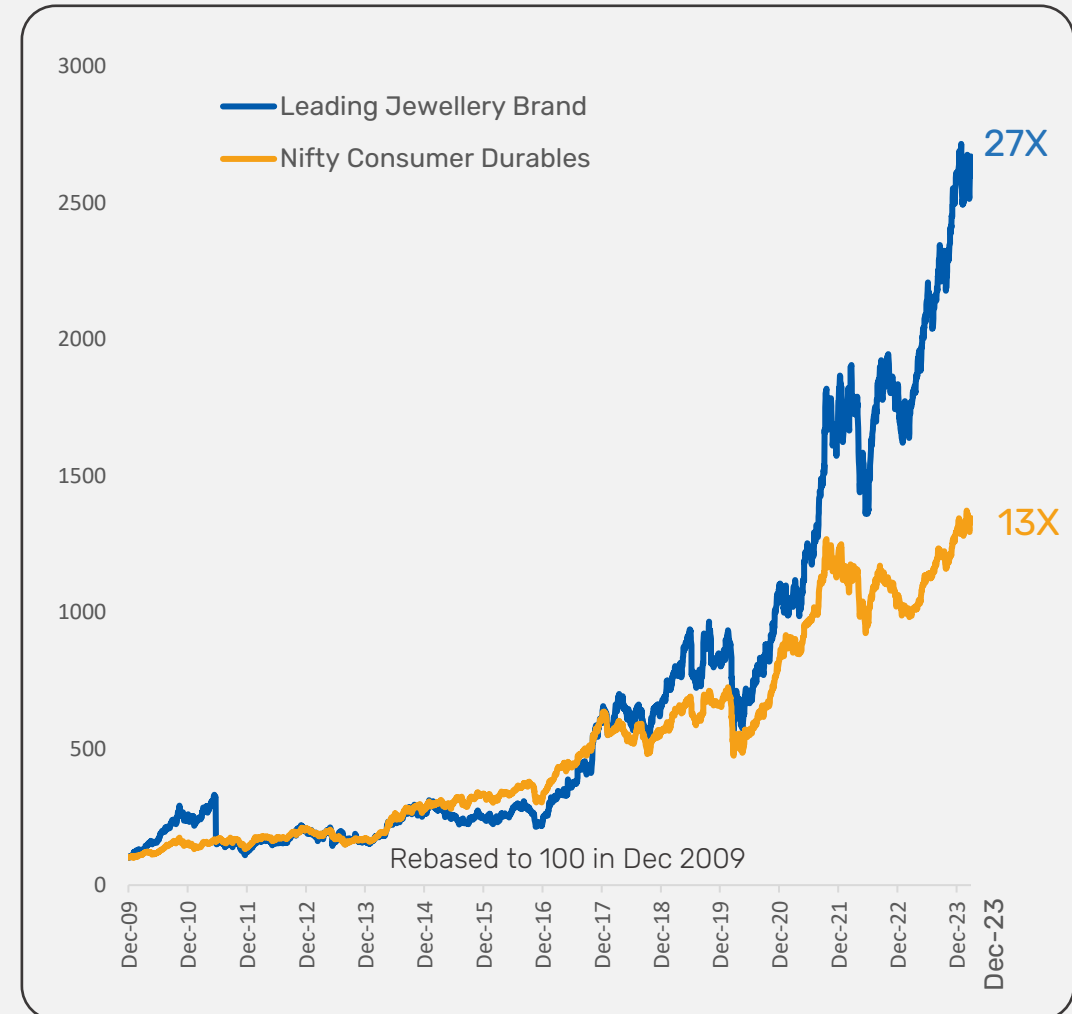
# Case Study 3

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



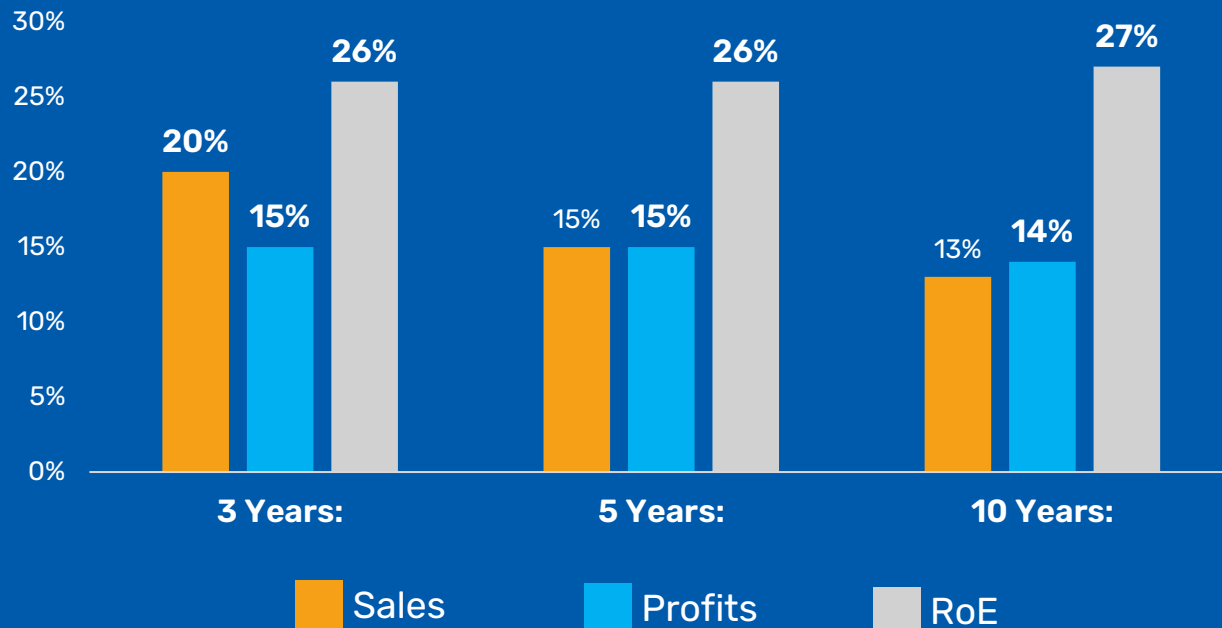
Source: Bloomberg, Internal Research, MFI Explorer; Data as on 28th Mar 2024. Past performance may or may not sustain in future.



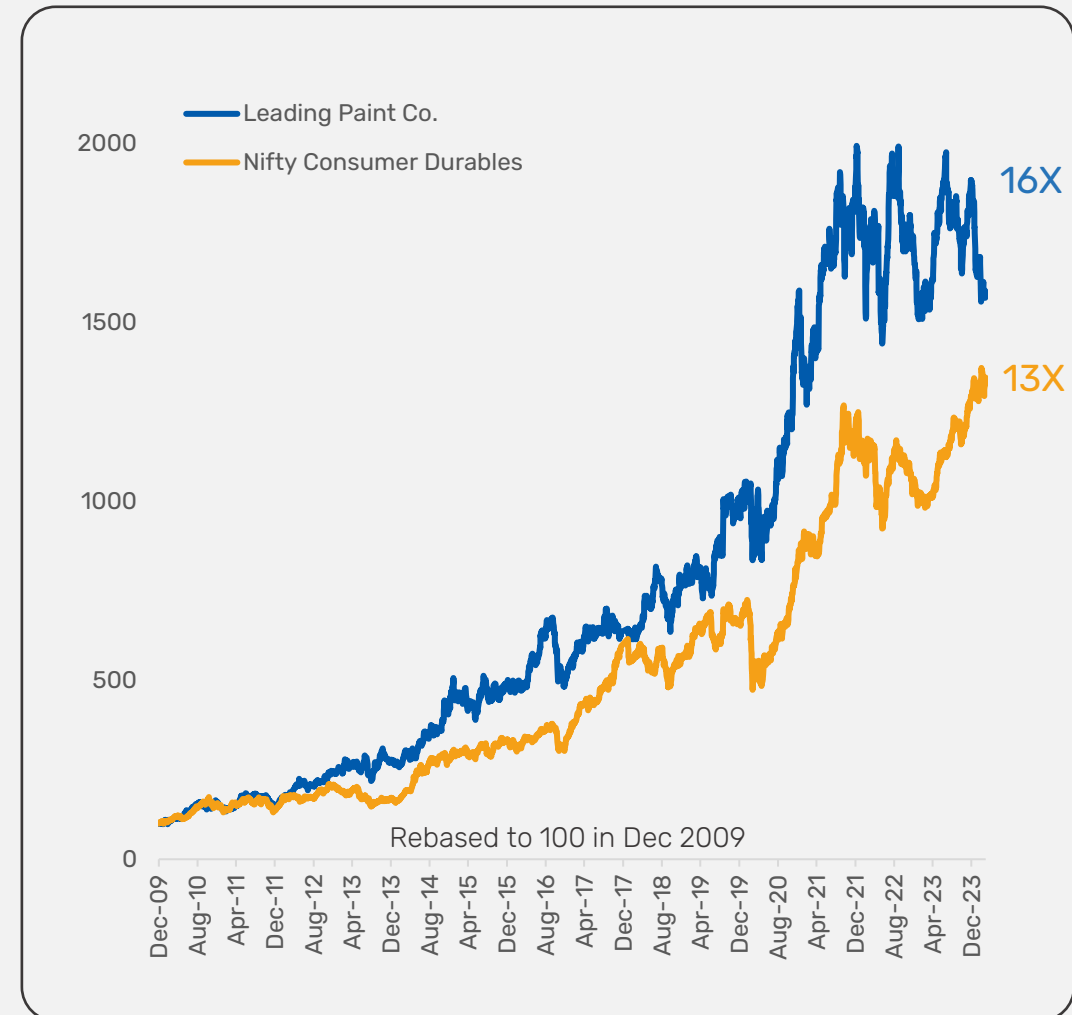
# Case Study 4

This leading paint business has a moat in its strong brand portfolio, widespread distribution network, and customer loyalty. Recognized brands under its umbrella create barriers for competitors. The company's extensive distribution channels and customer trust form a resilient moat, challenging new entrants and safeguarding its market position in the paint industry.

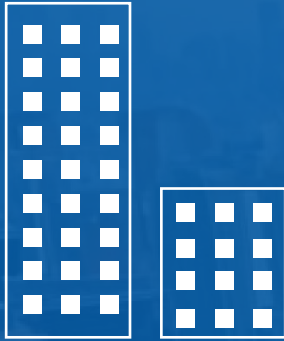
## Fundamentals



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



Source: Bloomberg, Internal Research, MFI Explorer; Data as on 28th Mar 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 and IT.

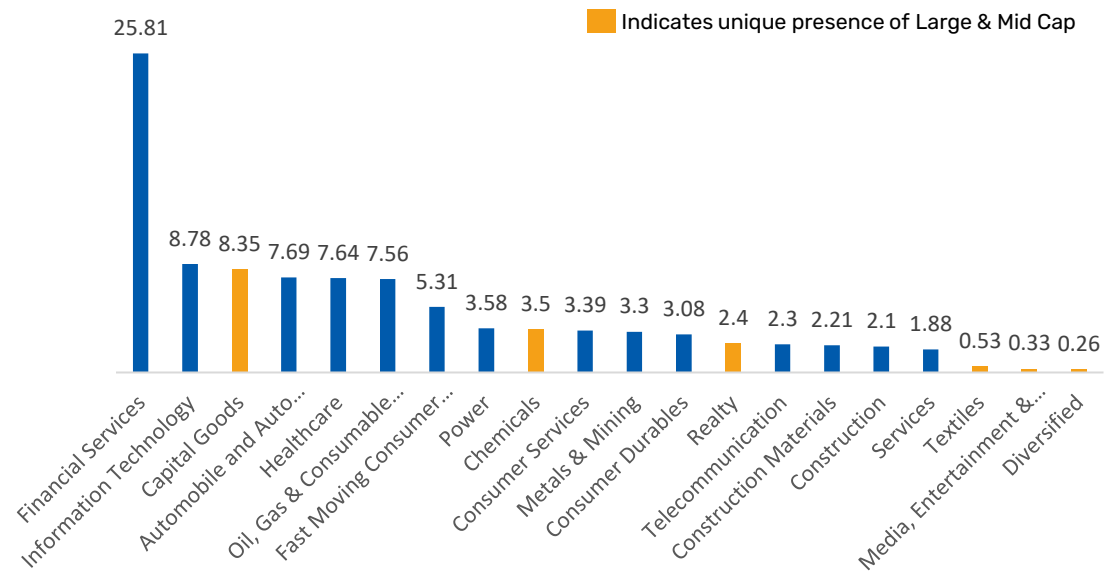


Its exposure to sectors like Capital goods, Consumer services, Realty and Chemicals are low compared to Nifty Large and Midcap 250 Index.

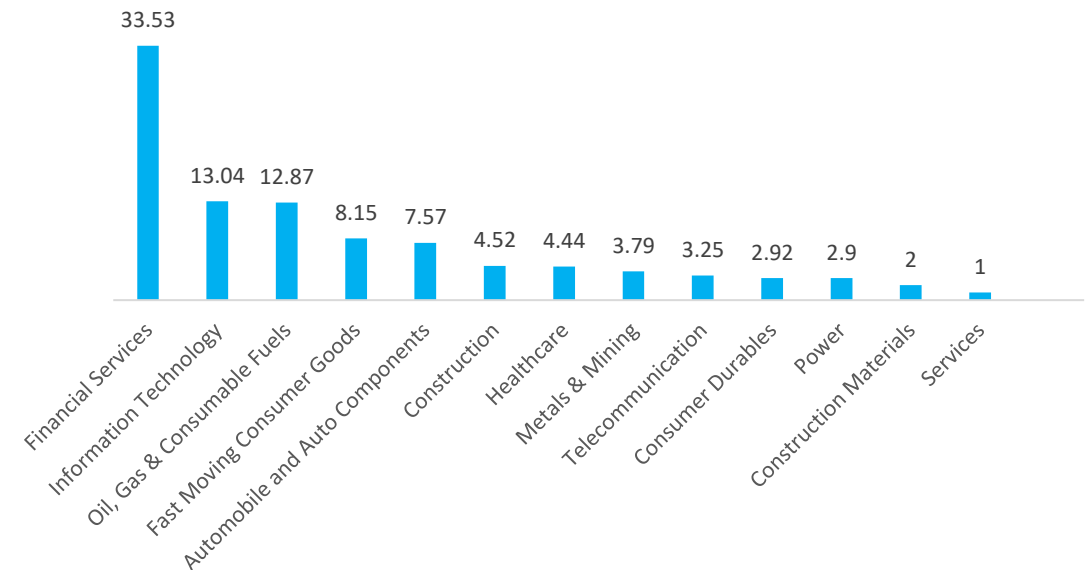


Hence, Large and Mid Caps combined together, offers a diversified investment opportunities.

Sector Allocation - Large Mid Cap



Sector Allocation - Large Caps



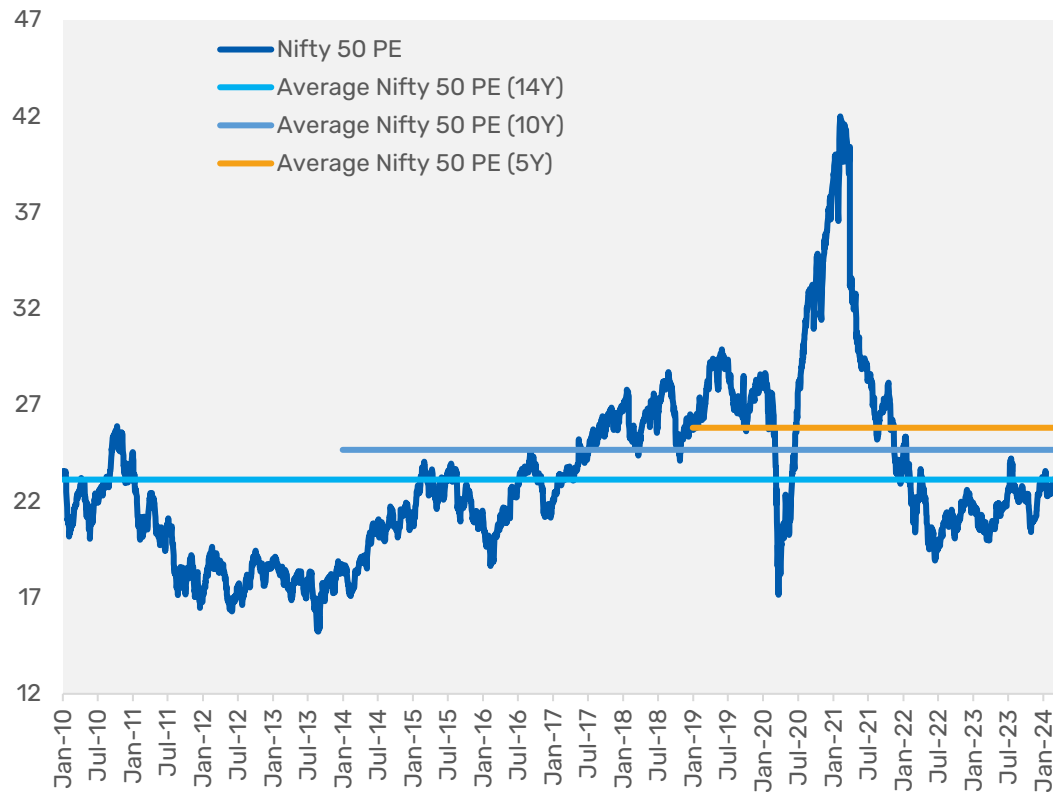
Source: NSE, MFI Explorer, Internal Research; Data as on 28th Mar 2024.



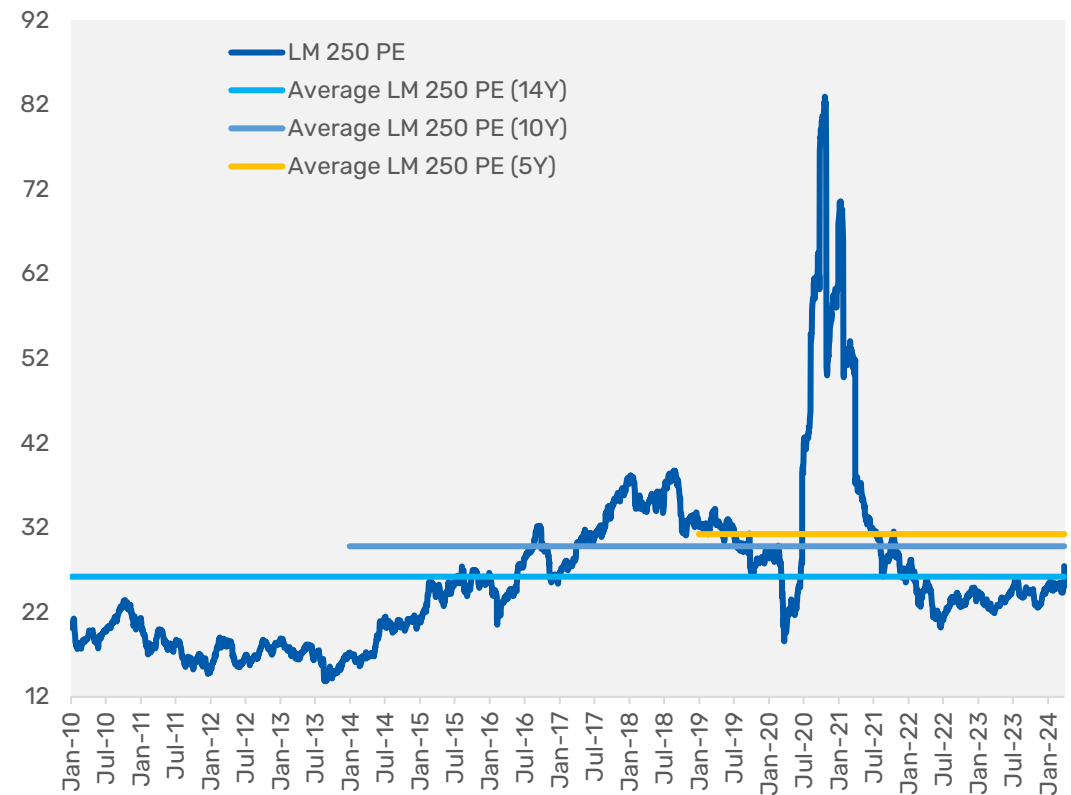
# Why Large and Mid Caps Now?

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

## Large Cap Valuations



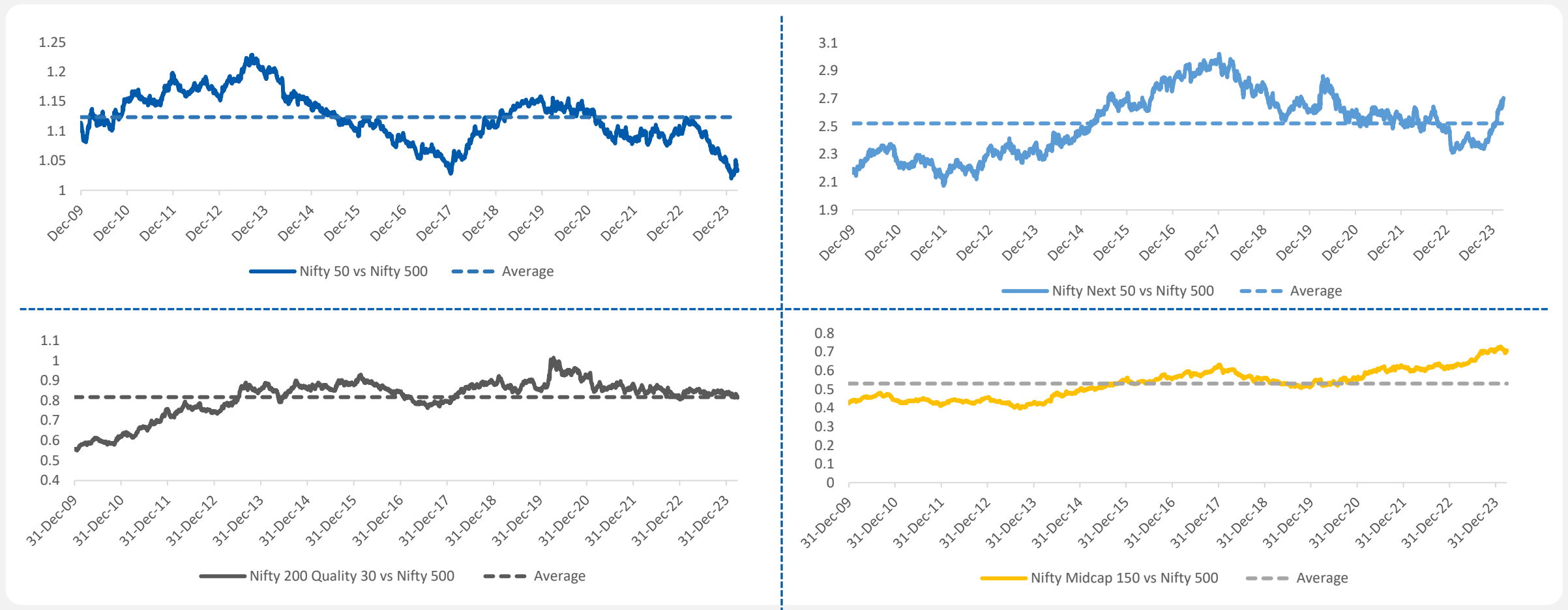
## Large Mid Cap Valuations



Source: MFI Explorer, Internal Research; Data as on 28th Mar 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 28th Mar 2024. Past performance may or may not sustain in future.

# Why Moat Investing in Large and Mid Caps?

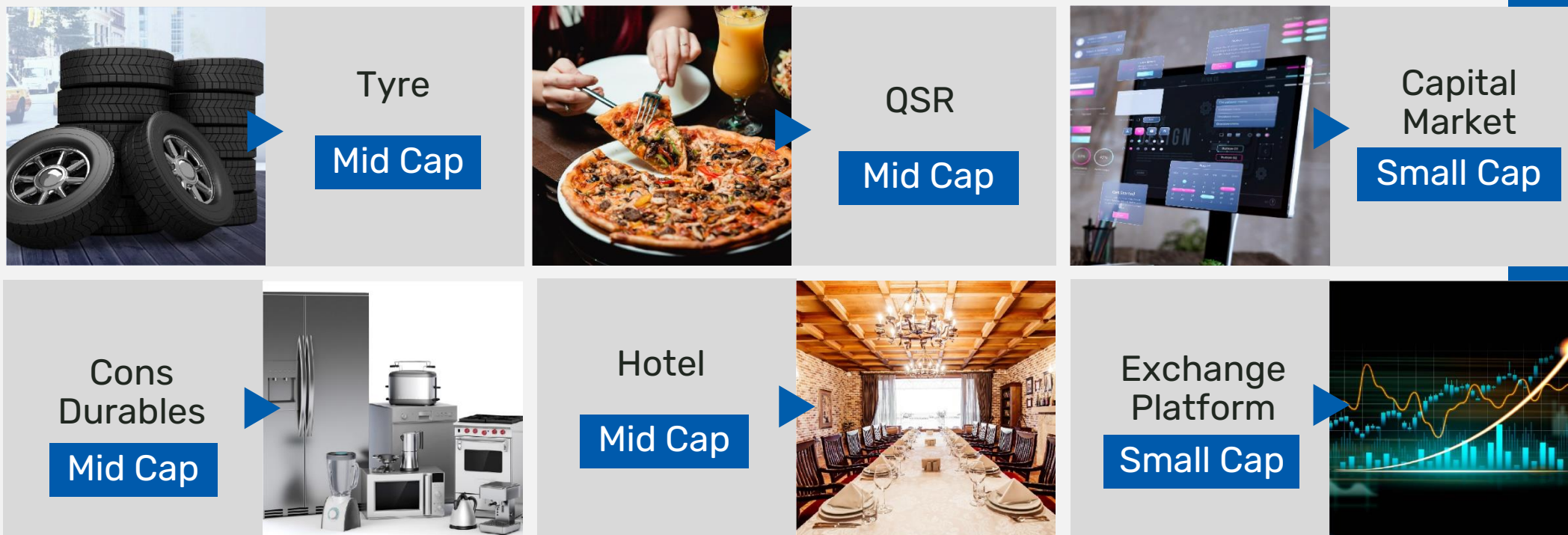
- 1** Enduring Advantage 
- 2** Stability Amid Fluctuations 
- 3** Potential Profitability 
- 4** Long-Term Growth 
- 5** Quality Over Size 





# 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

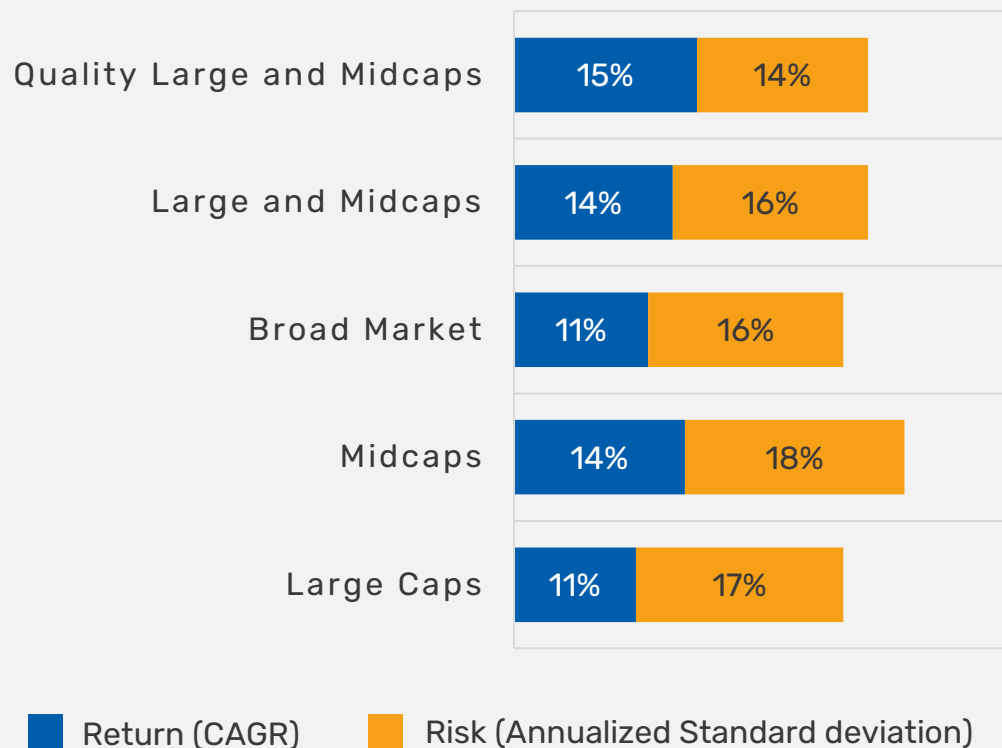
Standard Deviation

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

## LONG TERM RISK RETURN (2010-2024)



## Trailing Returns (CAGR)

	Large Caps	Mid Caps	Broad Market	Large and Midcaps	Quality Large and Midcaps
1Y	30%	61%	40%	46%	35%
3Y	16%	28%	19%	22%	16%
5Y	15%	22%	17%	19%	16%
7Y	15%	17%	15%	17%	16%
10Y	14%	20%	16%	18%	15%

## Trailing Risk (Annualized Standard deviation)

	Large Caps	Midcaps	Broad Market	Large and Midcaps	Quality Large and Midcaps
1Y	10%	10%	11%	14%	11%
3Y	14%	14%	14%	17%	13%
5Y	19%	18%	18%	20%	16%
7Y	17%	17%	17%	19%	15%
10Y	16%	16%	16%	19%	14%

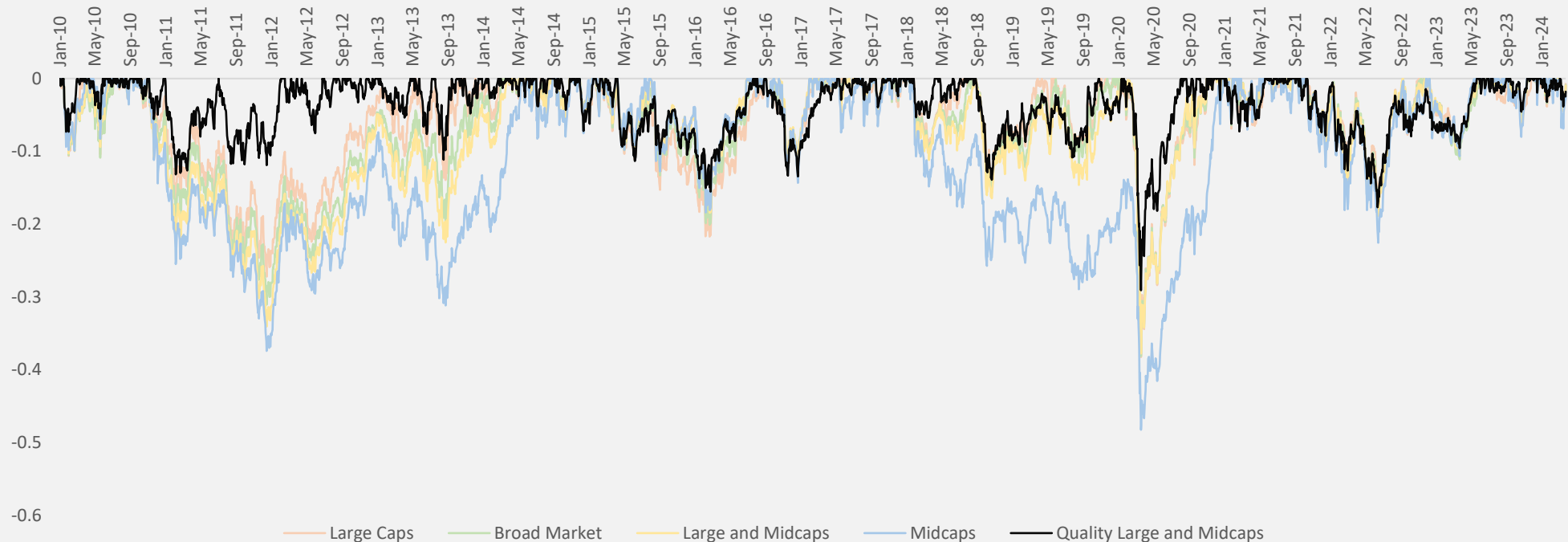
Large Caps – Nifty 50 TRI; Midcaps – Nifty Midcap 100 TRI; Broad Market – Nifty 500 TRI; Large and Midcap – Nifty Large and Midcap 250 TRI; Quality Large and Midcaps – Nifty 200 Quality 30 Index TRI

Source: MFI Explorer, Internal Research. Data as on 28<sup>th</sup> Mar 2024. Past performance may or may not sustain in future.



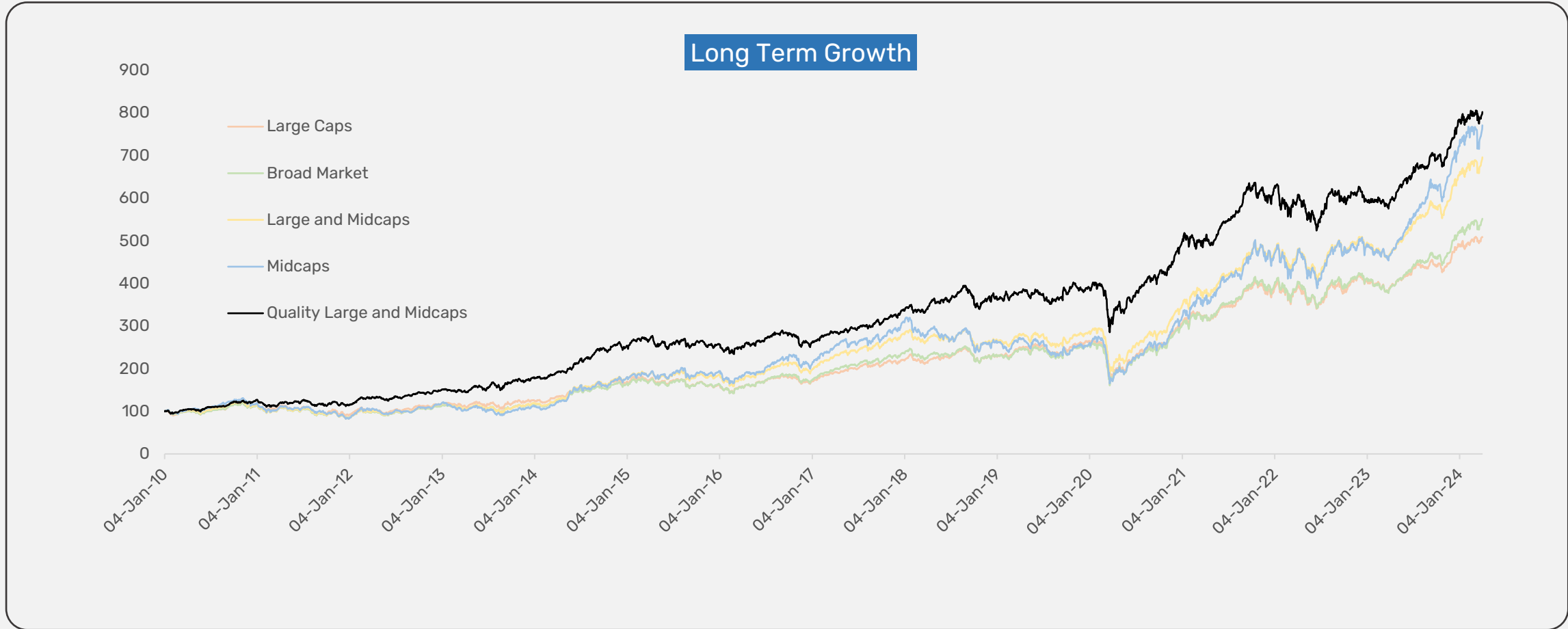
# Large Caps And Quality Mid Caps Have More Resilience To The Market Downfalls

## Drawdown Analysis



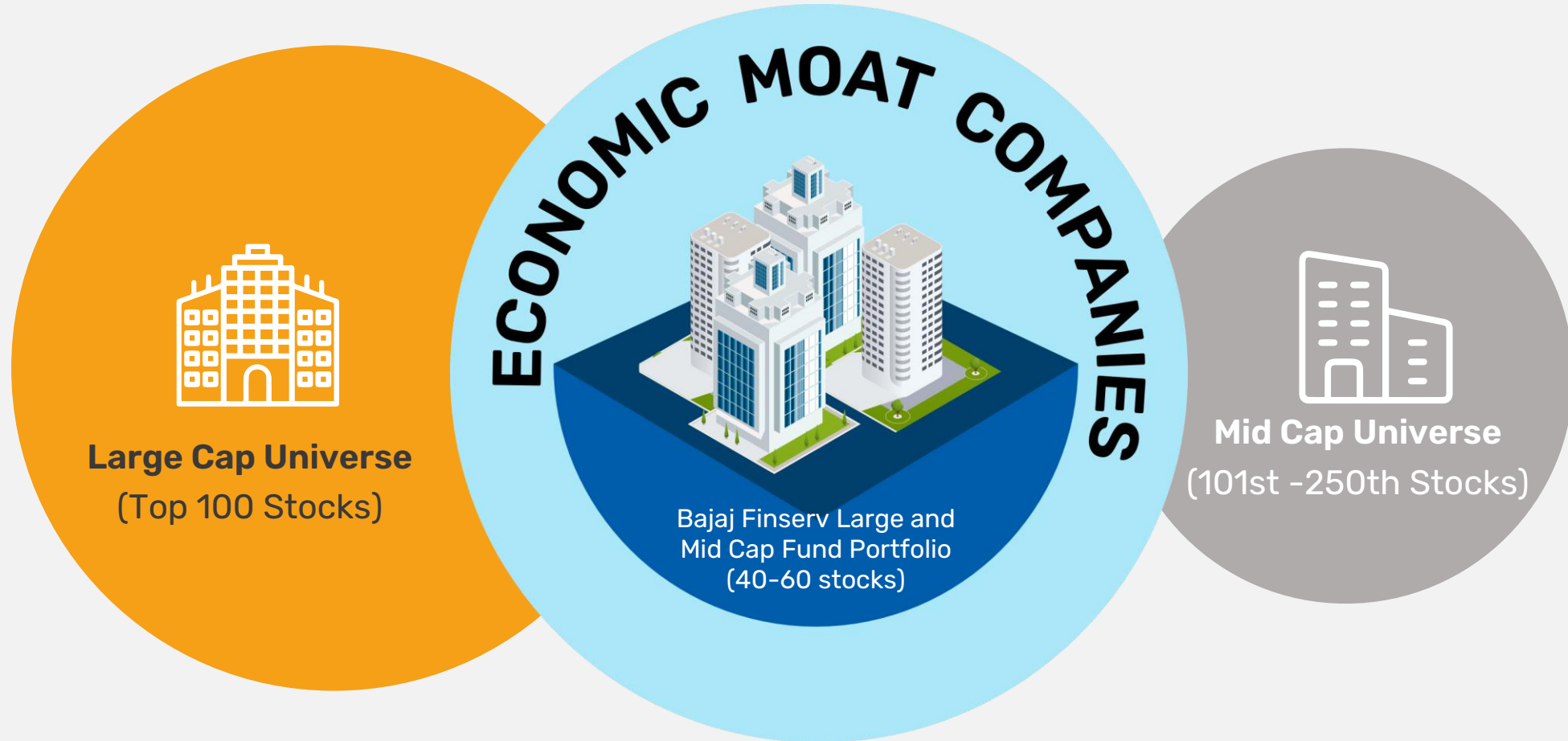
Large Caps – Nifty 50 TRI; Midcaps – Nifty Midcap 100 TRI; Broad Market – Nifty 500 TRI; Large and Midcap – Nifty Large and Midcap 250 TRI; Quality Large and Midcaps – Nifty 200 Quality 30 Index TRI. Source: MFI Explorer, Internal Research. Data as on 29th Dec 2023. Past performance may or may not sustain in future.

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



Large Caps – Nifty 50 TRI; 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 29th Dec 2023. Past performance may or may not sustain in future.

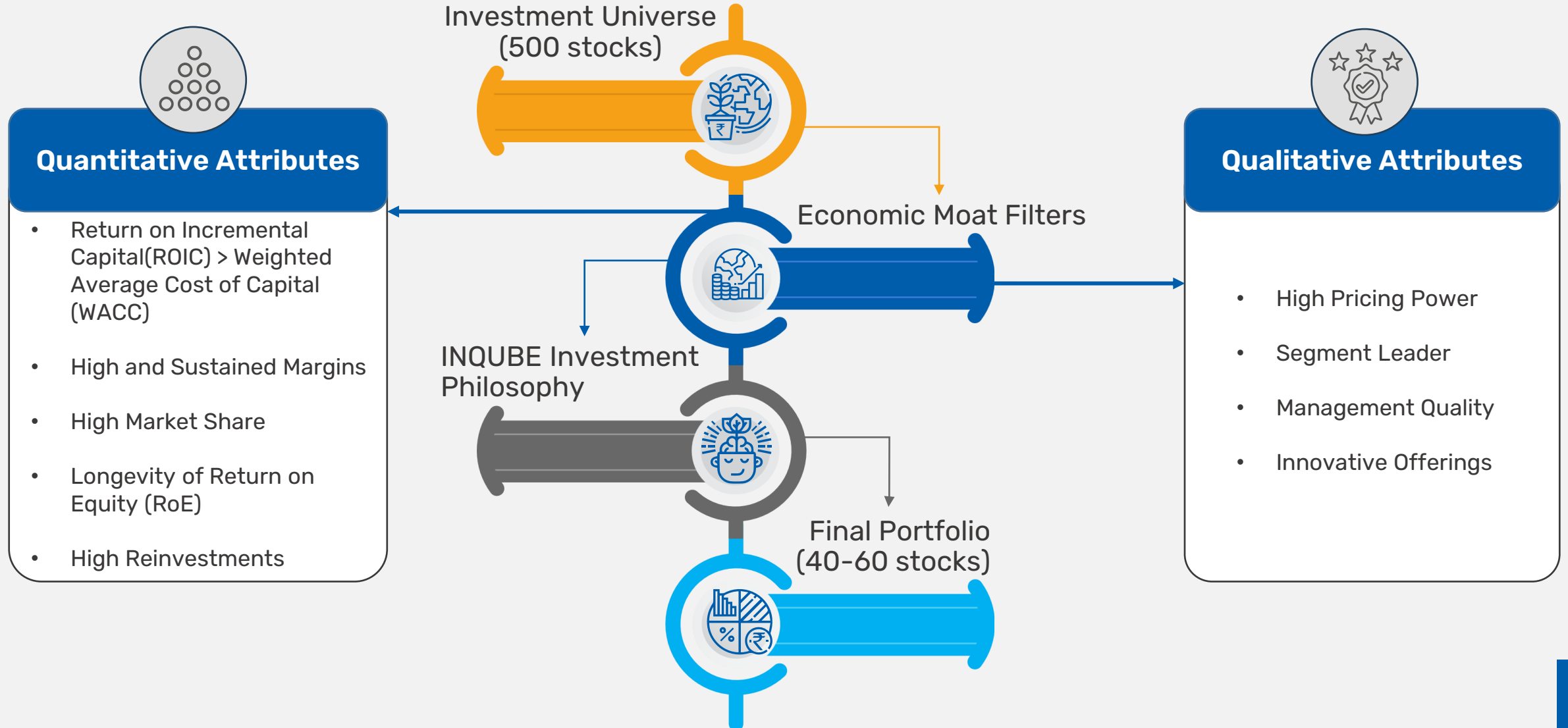
# How Moat Investing Works with Bajaj Finserv Large and Mid Cap Fund?



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

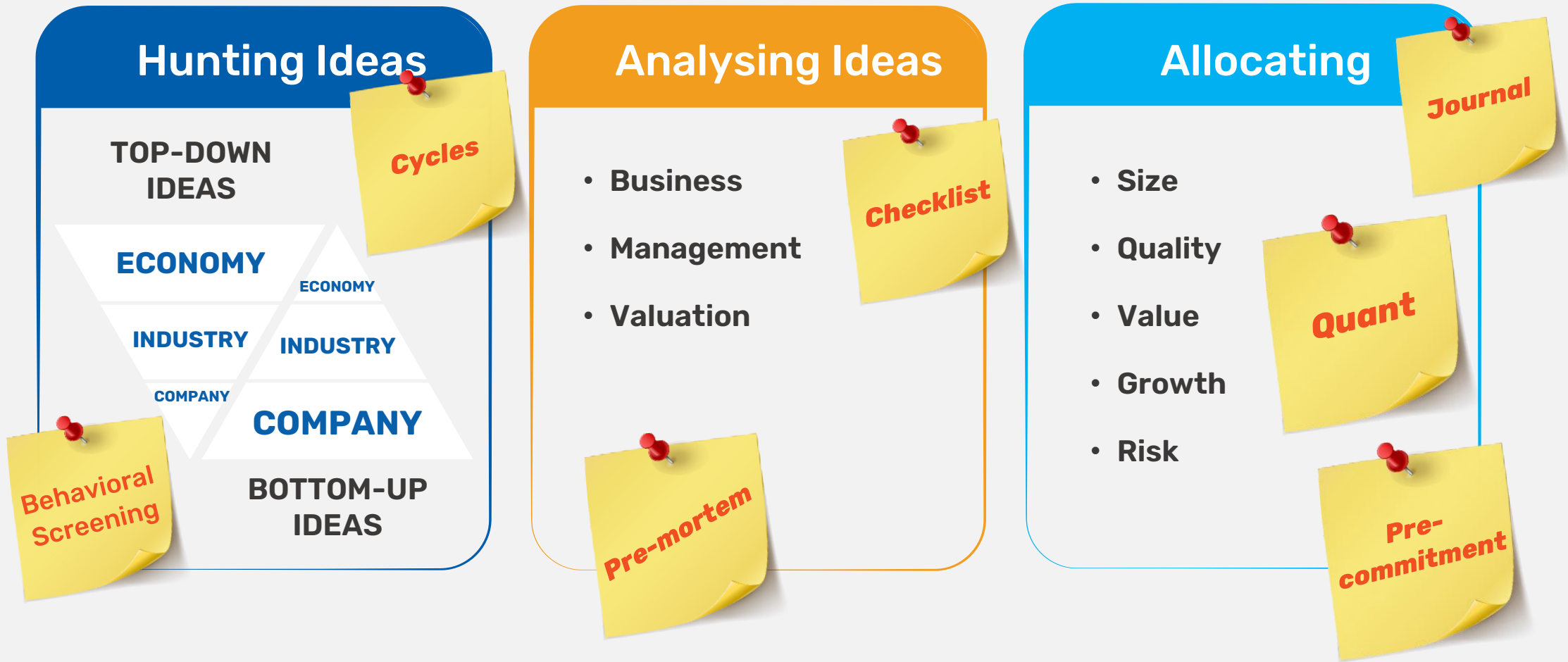
## QUANTITATIVE EDGE

- 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



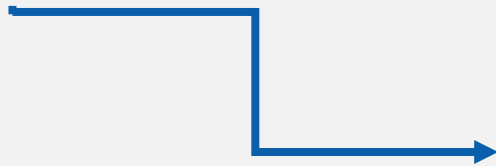
Growth oriented



High active share



Low turnover portfolio



Quality Oriented Portfolio



Long Term Value Creation



Robust Businesses across sectors

Fortifying your wealth with moat based investing

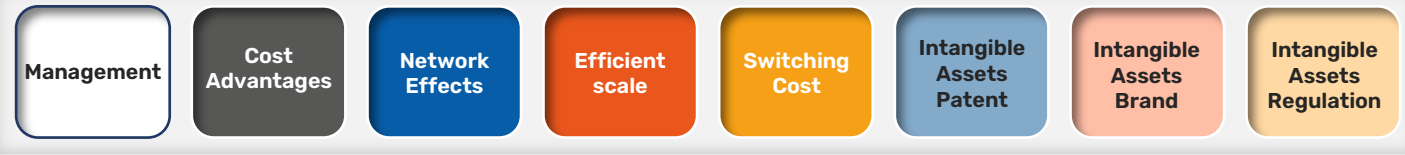
# Bajaj Finserv

## 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

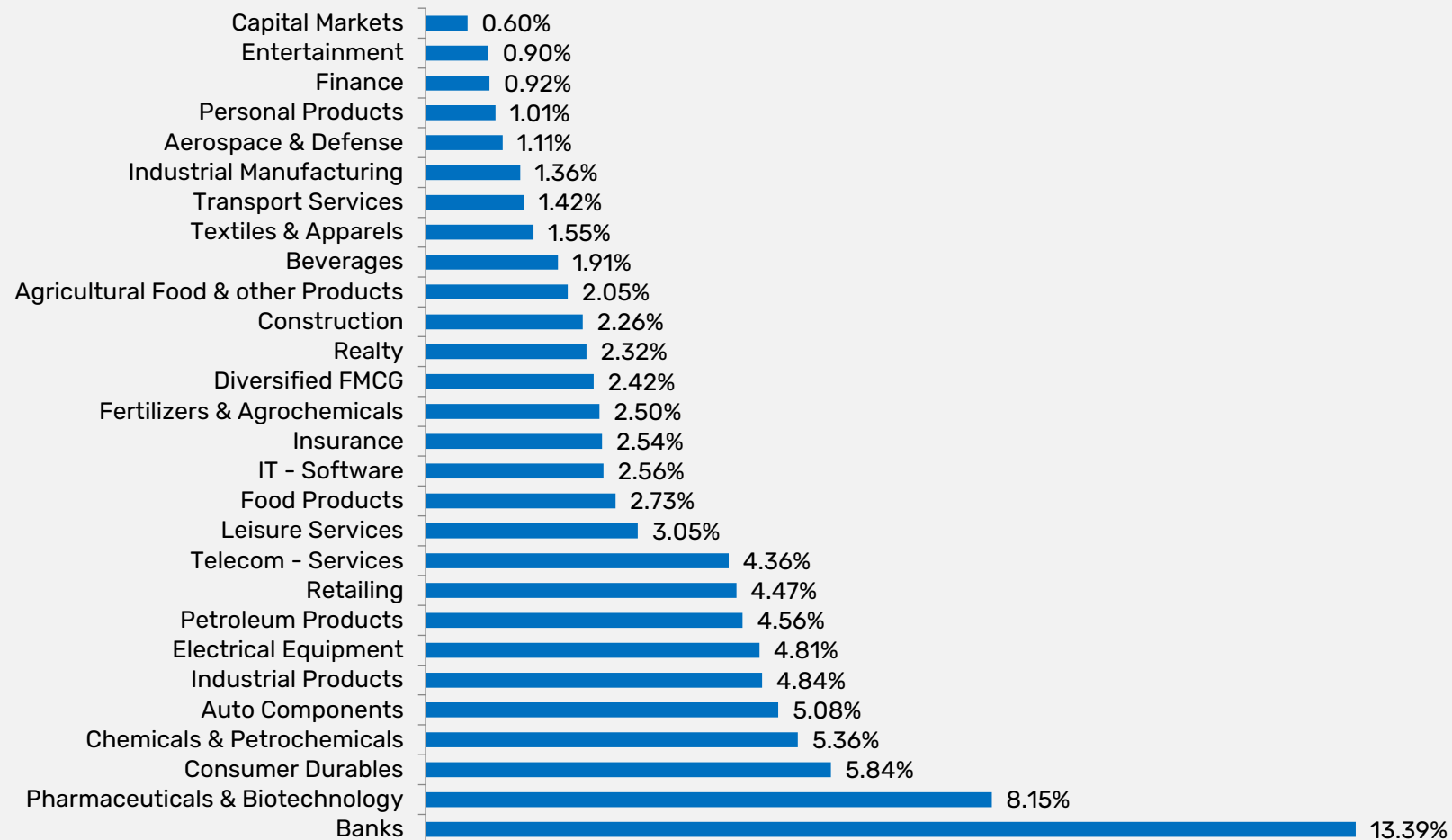


Company Name	Moat	% of NAV	Company Name	Moat	% of NAV
HDFC Bank Limited	[Efficient scale]	5.44%	The Phoenix Mills Limited	[Intangible Assets Brand]	1.43%
ICICI Bank Limited	[Efficient scale]	4.64%	The Great Eastern Shipping Company Limited	[Management]	1.42%
Reliance Industries Limited	[Network Effects], [Efficient scale], [Intangible Assets Brand]	4.56%	Vedant Fashions Limited	[Intangible Assets Brand]	1.42%
State Bank of India	[Efficient scale], [Intangible Assets Regulation]	3.30%	Linde India Limited	[Management], [Intangible Assets Brand]	1.41%
Bharti Airtel Limited	[Efficient scale], [Intangible Assets Regulation]	3.07%	The Indian Hotels Company Limited	[Intangible Assets Brand]	1.37%
Deepak Nitrite Limited	[Efficient scale]	3.00%	Honeywell Automation India Limited	[Switching Cost], [Intangible Assets Patent]	1.36%
Nestle India Limited	[Intangible Assets Regulation]	2.73%	Glenmark Pharmaceuticals Limited	[Intangible Assets Patent], [Intangible Assets Brand]	1.30%
Tata Consultancy Services Limited	[Cost Advantages], [Efficient scale]	2.56%	Tata Communications Limited	[Network Effects], [Intangible Assets Patent]	1.30%
PI Industries Limited	[Cost Advantages], [Efficient scale]	2.50%	Havells India Limited	[Management], [Intangible Assets Brand]	1.29%
Sun Pharmaceutical Industries Limited	[Intangible Assets Patent], [Intangible Assets Brand]	2.41%	Trent Limited	[Management], [Intangible Assets Brand]	1.14%
Divi's Laboratories Limited	[Cost Advantages], [Efficient scale]	2.33%	Abbott India Limited	[Intangible Assets Patent], [Intangible Assets Brand]	1.12%
Voltas Limited	[Cost Advantages], [Intangible Assets Brand]	2.31%	Hindustan Aeronautics Limited	[Intangible Assets Regulation]	1.11%
ABB India Limited	[Management], [Efficient scale], [Intangible Assets Patent]	2.28%	Emami Limited	[Intangible Assets Brand]	1.01%
Larsen & Toubro Limited	[Cost Advantages], [Efficient scale]	2.26%	Sanofi India Limited	[Intangible Assets Patent], [Intangible Assets Brand]	1.01%
Titan Company Limited	[Intangible Assets Brand]	2.23%	ZF Commercial Vehicle Control Systems India Limited	[Intangible Assets Patent]	0.94%
UNO Minda Limited	[Efficient scale]	2.09%	Shriram Finance Limited	[Management], [Intangible Assets Brand]	0.92%
Tata Consumer Products Limited	[Intangible Assets Brand]	2.05%	ICICI Lombard General Insurance Company Limited	[Management]	0.91%
Siemens Limited	[Management], [Efficient scale], [Intangible Assets Patent]	1.93%	PVR INOX Limited	[Efficient scale]	0.90%
Info Edge (India) Limited	[Network Effects]	1.91%	Oberoi Realty Limited	[Intangible Assets Brand]	0.89%
United Breweries Limited	[Intangible Assets Brand]	1.91%	Hindustan Unilever Limited	[Intangible Assets Brand]	0.80%
Jubilant Foodworks Limited	[Efficient scale], [Intangible Assets Brand]	1.69%	Multi Commodity Exchange of India Limited	[Network Effects]	0.60%
AIA Engineering Limited	[Efficient scale]	1.66%	Schneider Electric Infrastructure Limited	[Switching Cost], [Intangible Assets Patent]	0.60%
Timken India Limited	[Efficient scale], [Intangible Assets Brand]	1.64%	Motherson Sumi Wiring India Limited	[Cost Advantages], [Efficient scale]	0.56%
SBI Life Insurance Company Limited	[Efficient scale], [Intangible Assets Brand]	1.63%	Solar Industries India Limited	[Cost Advantages]	0.47%
ITC Limited	[Intangible Assets Brand]	1.62%	Vinati Organics Limited	[Cost Advantages]	0.47%
Page Industries Limited	[Intangible Assets Brand]	1.55%			
Grindwell Norton Limited	[Efficient scale], [Intangible Assets Patent]	1.54%			
Balkrishna Industries Limited	[Cost Advantages]	1.48%			



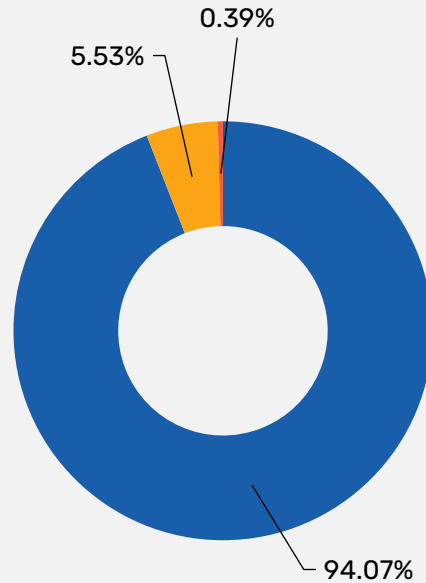
These 8 color boxes represent each Moat and the boxes after each company's name represent it's presence in that particular Moat wherever applicable. We have also shown % to Net Assets for each company. Data as on 30<sup>th</sup> April 2024

## Industry Allocation



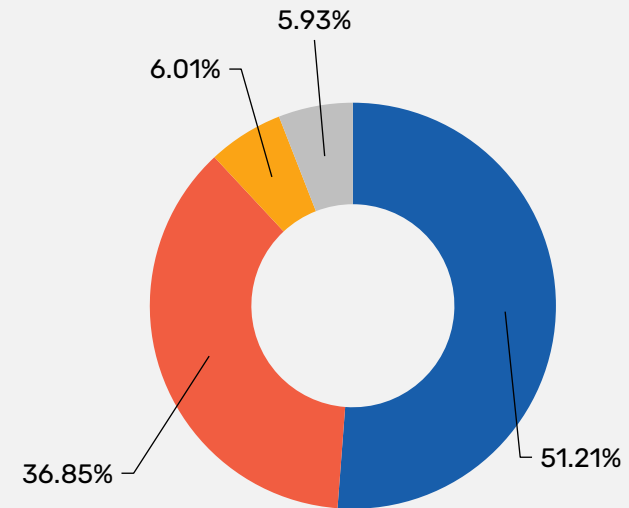
Data as on 30<sup>th</sup> April 2024

## Asset Allocation



■ Equities ■ Reverse Repo / TREPS & Net Current Assets ■ Units of InvITs

## Market Cap Allocation



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash & Others

Data as on 30<sup>th</sup> April 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>	10% of units up to six months from allotment - Nil
	Above 10% of units within six months from the allotment - 1% of applicable NAV
	More than six months from the allotment - Nil
<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)

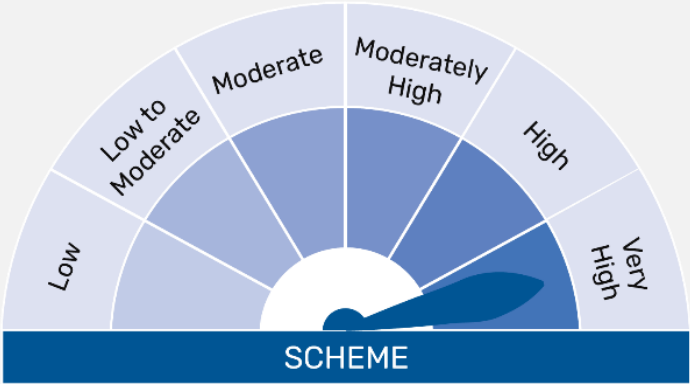
This product is suitable for investors who are seeking\*:

- 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

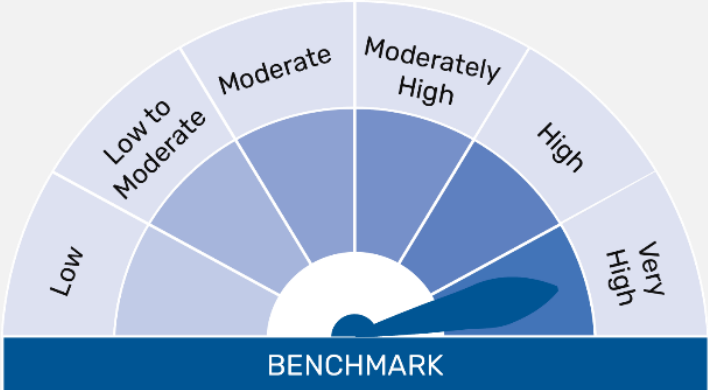
### Riskometer

#### Scheme



Investors understand that their principal will be at Very High risk

#### Benchmark



Nifty Large Midcap 250 TRI

# Disclaimer

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