STALLION ASSET
CREATING ALPHA

A GROWTH ORIENTED PORTFOLIO MANAGEMENT COMPANY

SEBI REGISTRATION NUMBER– INP000006129

From 2 Trillion to 5 Trillion GDP

- China Took 5 Years to Go from 2 Trillion to 5 Trillion (2004-2009)
- USA Took 11 Years to Go from 2 Trillion to 5 Trillion (1977-1988)
- Japan Took 8.5 Years to go from 2 Trillion to 5 Trillion (1978-1986)
- India became 2 Trillion GDP in 2015, How much time to reach 5 Trillion? **Today we are at 2.5 Trillion**

More Money would be made in the next 8 years than what was made in the last 70 years!

Portfolio Construction

The Portfolio would be Divided in 3 Parts:

A) **Core Portfolio - 60-80% Weight** – These are Normally the Leaders in their Sector with High Expected Growth for next 3-5 Years

B) **Moon Shots – 20% Weight** - These are seemingly Speculative Bets with small weights which have limited downside risk but can become big companies and are backed by proven promoter groups

C) **Special Situations- 10% Weight** - Focus mainly on Demergers, Buy Backs, Spinoff, etc.

Our weight and style would depends on the market cycle, the way we play the Bull Market is very different than how we play the Bear Market. In Bear Market, we would be focused more on the core portfolio i.e. high quality compounders, great free cashflow, leaders, etc. whereas in Bull Market we would ideally increase our portfolio Beta and would like to make it big.

STALLION ASSET
CREATING ALPHA

Stallion Asset Investment Rules

- Buy and rotate strategy beats buy and hold strategy.
- Every bull market has a different leader; we find the leader in every bull market and stick to it.
- There is no bull market without earnings growth; we always buy sectors with high expected sustainable growth of more than 20% for next 3-5 years.
- Winners of previous bull market will not lead the next bull market.
- We would rather buy companies that are making 52 week highs than buying new 52 week lows companies.
- The more market believes in the longevity of growth, the more valuations the stock get; longevity is often the mispriced portion in capital markets.

STALLION ASSET
CREATING ALPHA

Investment Philosophy

- Our investment philosophy is derived from 24 years of empirical research of the biggest wealth creators in any 3 year period in the Indian stock market.
- We use a top down approach for allocation of assets. Historical studies show sector selection contributes 60-80% of portfolio alpha in US mutual funds.
- We screen sectors/stocks using four main screeners a) Growth b) Valuation c) Momentum d) Promoter Quality
- Our proprietary research suggests that capital markets move in 7:3 sector waves format, globally. In a bear market historically we have 3 sectors moving higher (defensives) and 7 sectors moving lower. Our positions are generally concentrated in 3 sectors.
- We rotate our portfolio beta to generate alpha using various relative strength, relative growth and inter-market analysis.

Core Portfolio – 60% - 80%

FINANCIALS

1) High ROCE/ROE
2) Growth
3) Strong Cash Flow

OPPORTUNITY & LEADERSHIP

1) Sector Can Grow 3x-7x-10x
2) Company is Market Leader
3) Bargaining Power

MOAT/MANAGEMENT

1) Sustainable Competitive Advantage
2) High Quality Management

WHAT WE AVOID

1) High Debt
2) Government Companies
3) Bad on Charts

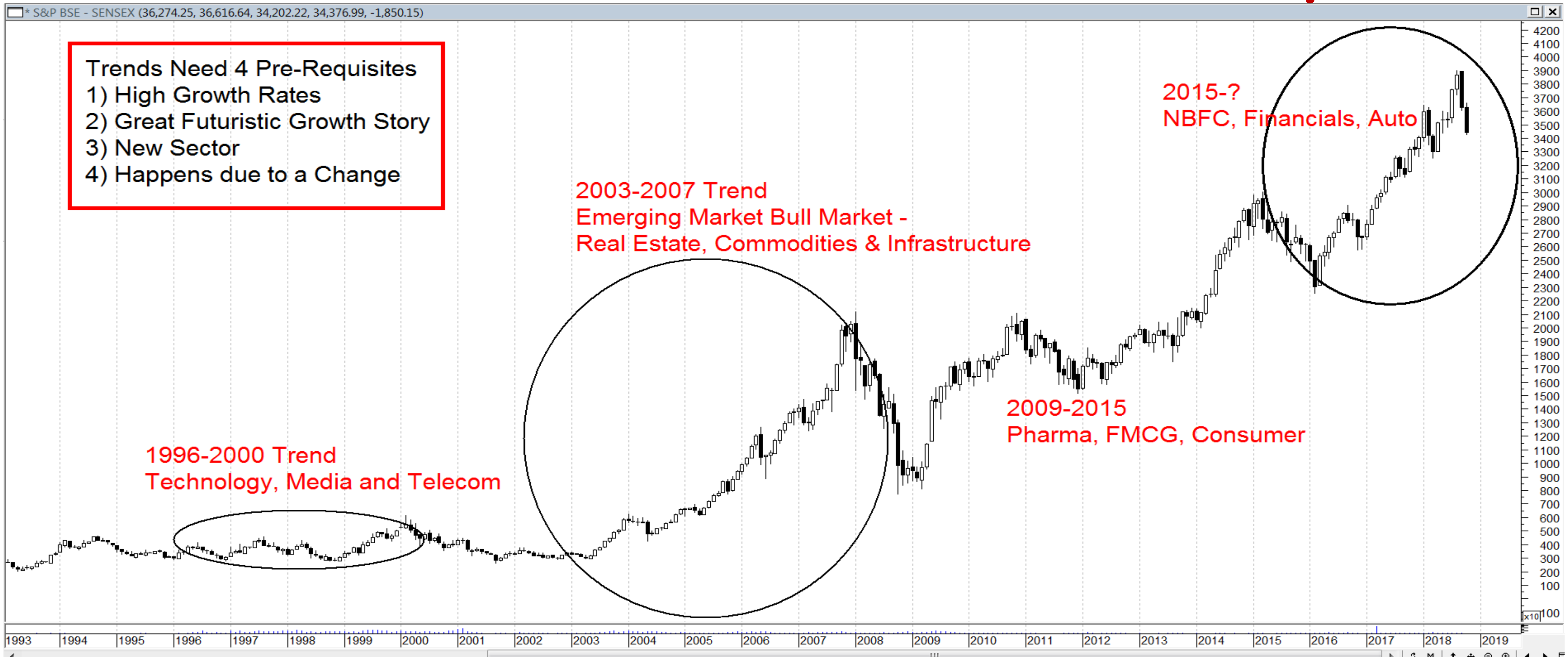
Moon Shots – 20%

- These are speculative investments in small caps companies which are backed by a trustable promoter group. Here we bet on the person more than the PE ratio
- Downside risk limited (mostly protected by cash or open offer)
- Upside expectation of 5-10x in 5 years
- We slowly build our positions here, as the story gets clearer
- These mostly include technology startups, companies where heavy capex cycle is finished, demand supply mismatch in companies/industries.
- We are open to buy into listed SME companies also, where in most cases we will take a board position. If we buy into a SME company, we would mostly only buy a fast growth 50-60%, B2C company, taking a 5-10% stake

Special Situations - 10%

- We are heavily influenced by Joel Greenbelt model of demergers.
- We may buy pre-demerger or post-demerger depending upon the play book.
- This can also include change in management, change of products, buy backs, etc.
- We wouldn’t like to discuss more on this topic for proprietary reasons.

Trend in Indian Stock Market - History



Risk Mitigation

Risk Mitigation can happen in 4 forms, we will use all 4 of them depending on the market cycle.

1) Margin of Safety
2) Price Pattern (Stop Loss)
3) Pre-Determined Exits on Fundamental Parameters
4) Diversification

STALLION ASSET
CREATING ALPHA

Fees

1) Fixed Fees – 1.5% p.a. (charged every quarter)
2) Performance Fees – 15% over 10% Hurdle Rate

STALLION ASSET

CREATING ALPHA

THANK YOU

pms@stallionasset.com +91-9326771445 www.stallionassetpms.com