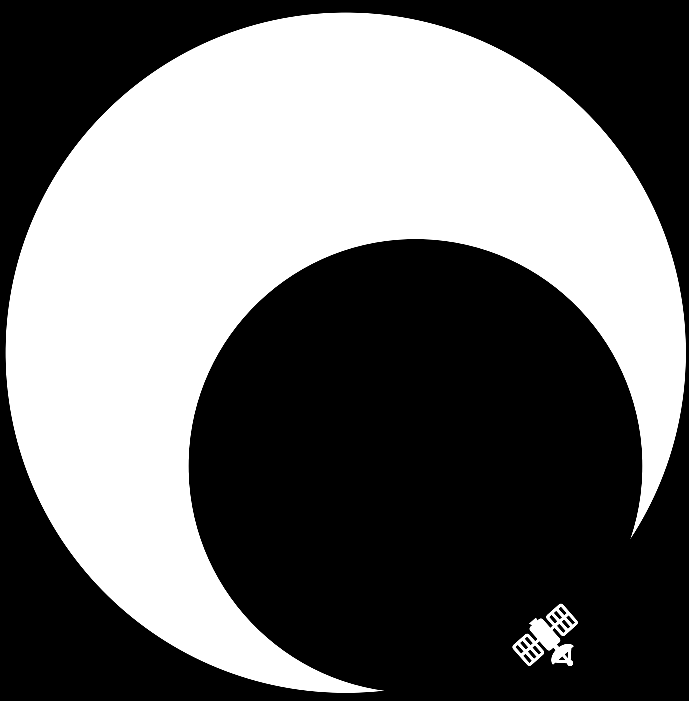
RIGHT HORIZONS
PORTFOLIO MANAGEMENT SERVICES



EXPLORING THE DARK SIDE

SUPERVALUE AGGRESSIVE

SUPERVALUE AGGRESSIVE COMMUNIQUE

SUMMARY

- Core driver of equities to new peaks has remained intact
    - Infra Focus
    - Conducive Government Policies
    - Pursuing FTAs with larger economies to increase exports
    - Buoyant credit cycle
    - De-levered balance sheets of corporates and banks
    - Healthy Earnings Growth
- Corporate earnings have been healthy, Nifty EPS has compounded ~19% during FY20-23 and continued to be strong in 1QFY24
- Though rate cuts are deferred. We believe when rates are eventually cut it will benefit the Mid and small-caps disproportionately.

To the Stakeholders of RH Supervalue Aggressive,

The rationale for launching the strategy was our certitude of the undervaluation of Smallcaps in comparison to both its legacy and the alternative fragments. We are neither speculators of the Macro/the transitory nor are we attentive to the anecdotal. Volatility to us is infrequently analogous to risk which is contrary to the market's perception of synonymous.

"It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts."

\- Arthur Conan Doyle

Our reasonings concerning the investment in small caps was the degree of assurances that it was impractical to see the selective quality businesses available at discounts as detrimental. The asymmetry between incentive and risk that is materially mispriced is what makes it conducive to a satisfactory outcome. The strategy since its inception as of 31st August 2023 is up by nearly 45%. The mild fluctuations in the past few weeks are just noise to us in the context of the strategy's objective of *seeking attractive, risk-adjusted returns and creating wealth over the long term.*

We are affirmative of the plausible that spreads between price and value can widen in periods of discomfort as ripples of shocks are absorbed by the market. Regardless, the lower prices of quality businesses to us are probable opportunities for higher dividends later. While it may be unnerving and disproportionate to investors as the spreads widen, we would draw attention to historical references of drawdowns during the pandemic or the financial crisis and the subsequent bull rallies for comfort. When noises are loud, we accentuate your interests on the broader view that aligns both our interests in creating wealth for you, the stakeholders over the long term.

"To him who is in fear everything rustles."

\- Sophocles

COMMUNIQUE

SUMMARY

- Nifty rallies in the months before the announcement of the results of the General Elections
    - 1996: 36%
    - 2004: 9%
    - 2009: 31%
    - 2014: 19%
    - 2019: 11%
- Threats in the global and macro environment.
    - A slowdown in global growth
    - Crude oil trading near 90$ per Brl
    - Negative shocks from persistent inflation
    - Deferring rate cuts
- We now see opportunities granular in nature with limited opportunities that are available at reasonable valuations and are of the rationale that quality names are better risk-reward investment opportunities.

Consumed by fear the market disregards the fundamentals. As irrational defies logic, businesses with sustainable models, healthy balance sheets, secular growth in high-return industries, or durable moats are all discarded unilaterally. This is precisely why we have built a proprietary framework, ***Growth at Reasonable Valuation (GARV)*** that cushions during the fall and is steadfast during the ascension. The underlying nature of the framework is to identify businesses with persistent growth in high-growth landscapes that are available at reasonable valuations, so the margin of safety is adequate to tolerate the irrationality of the market.

Your portfolios are engineered based on a bottoms-up approach meaning each business is picked because they are of high quality from industries that are expanding from structural tailwinds and are in due process to unlock their value. These businesses are ordinarily debt-free or reasonably levered to not succumb to distress in the economy or industry and are opportunistic in gaining market share.

While liquidity is typically a concern when investing in small caps, we have guard rails in place that restrict movements but are not claustrophobic in nature. The risk assessment part of the framework requires a minimum of 25-35 businesses in the portfolio and caps the overall exposure of a business to a maximum of 10% and industry exposure to 35% so the systemic risk is mitigated, and the unsystematic risk is diversified. Simulations are run periodically to evaluate possible outcomes of uncertain events and portfolios are rebalanced accordingly. The GARV framework inclusive of risk assessment gives us the conviction that the probability-weighted risk reward portfolio will generate wealth over the long term.

LANDSCAPE

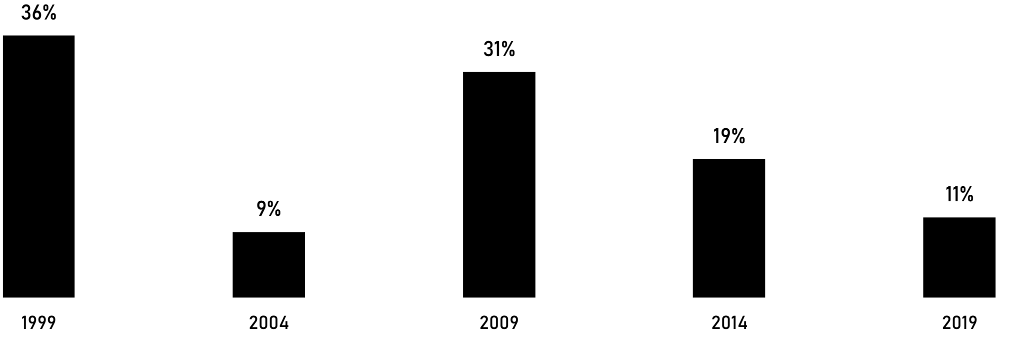
It's hard to miss the threats in the global and macro environment. The slowdown in global growth, Crude oil trading near 90$ per barrel, persistent inflation, deferring rate, and other factors have tested the markets over the past few weeks.

LANDSCAPE

The core driver of equities however has remained intact and that is the reason markets have touched peaks. The mid and small-caps have rallied by a wider margin compared to large-caps. Indian economy is expected to be the fastest growing major economy which is supported by conducive policies, a push for Infra, and pursuit of FTA's with larger economies for increasing exports. The economy is relatively better positioned due to India's buoyant credit cycle, de-levered balance sheets of corporates and banks, and robust domestic demand. Corporate earnings have been healthy, Nifty EPS has compounded ~19% during FY20-23 and continued to be strong in 1QFY24. BFSI continued to be the major contributor to incremental earnings. Excluding BFSI the sequential improvement in profit growth was powered by a recovery in margins as commodity prices cooled.

Generally, as a rule, we do not share our views for the short term. However, if downside volatility is concerning to investors one can take comfort in drawing inferences from historical analysis which points towards Nifty rallying 10-32% in the last five General elections in the months before the announcement of results. General Elections in India are scheduled in March'24 to May'24.

NIFTY RALLY
(6 MONTHS PRIOR TO ELECTION RESULTS ANNOUNCEMENT)



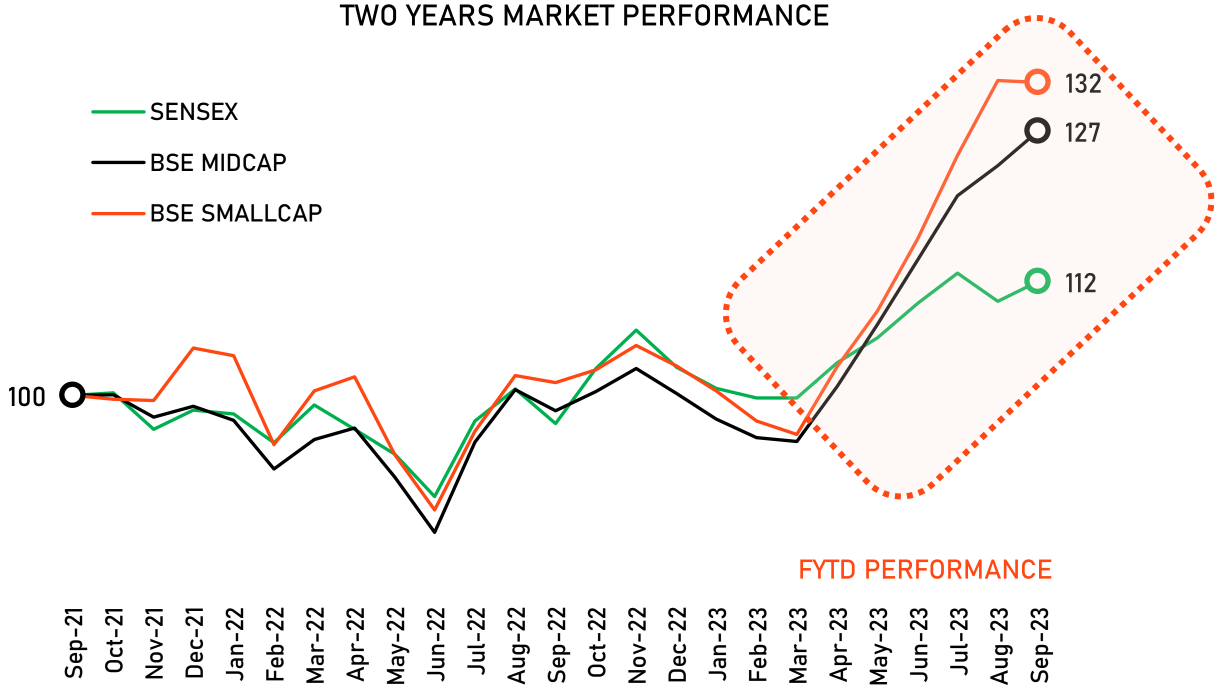
VALUATIONS

Valuation from an intrinsic perspective at times can look either expensive or economical but it would be ignorant of us to disregard other practices. The thesis behind relative pricing is that at any given point markets can be either Fairly, Over, or Undervalued relatively.

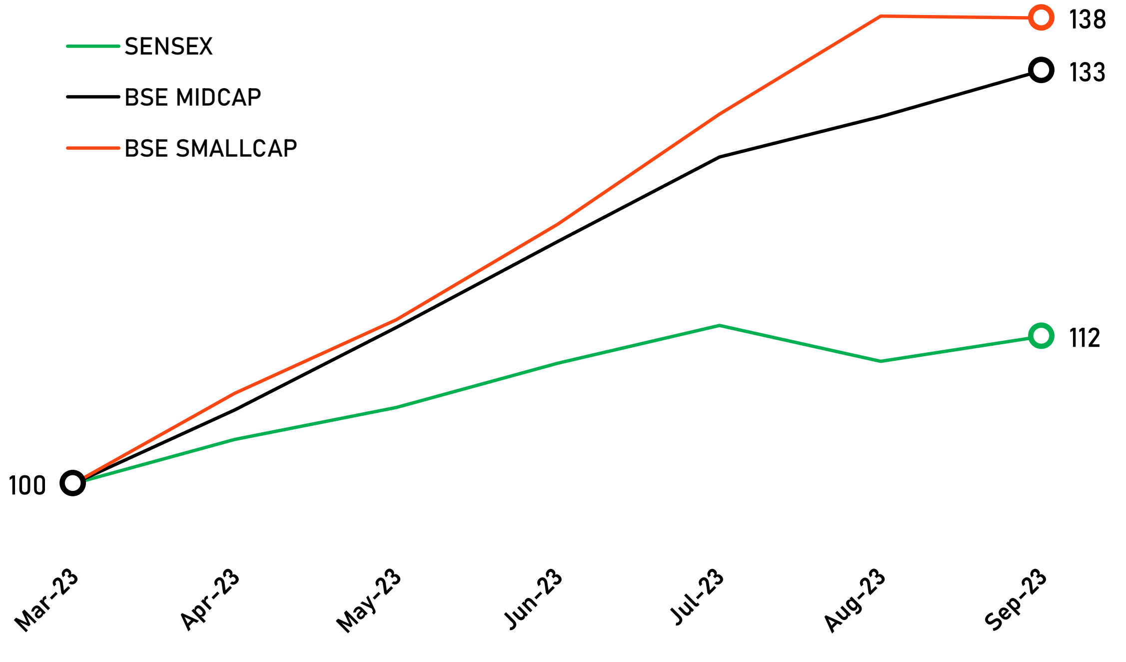
Price in comparison to value across market capitalization from an absolute sense falls near the SD+1 frame of the distribution but relative to earnings growth the markets have underperformed and have sufficient headroom to grow.

MARKET PERFORMANCE

TWO YEARS MARKET PERFORMANCE

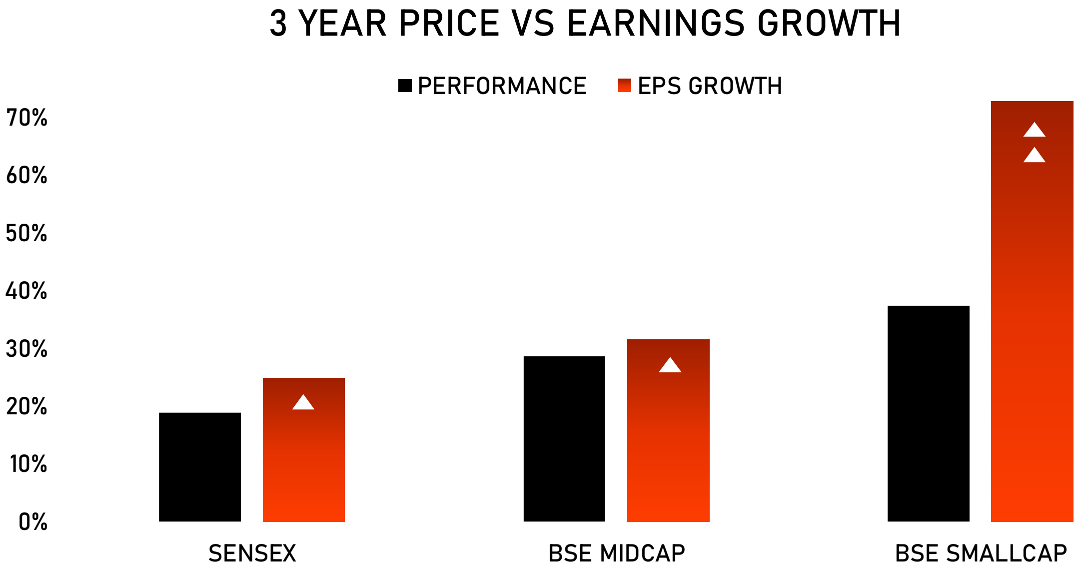


FYTD MARKET PERFORMANCE



*Data as of 25th Sep'23

VALUATIONS



*Data as of 31st Aug'23

**Annualised

***Earnings for Smallcaps have been normalised

HEAVYWEIGHTS IN THE PORTFOLIO

POLYCAB

Polycab India Limited stands as India's largest integrated manufacturer of wires and cables and holds a prominent position in the Fast-Moving Electrical Goods (FMEG) industry. The company has introduced Project LEAP, a multi-year transformative initiative aimed at establishing the necessary foundations to attain substantial growth. Over the last decade, Polycab has invested in aluminum rod plants and PVC compound manufacturing facilities to ensure backward integration into its operations. Remarkably, 95% of its products are produced in-house, ensuring a high standard of quality. The company's competitive edge is reinforced by its reliable distribution network and connections, providing access to numerous retail outlets (distributors and dealers contributed to 83% of revenue in FY23). Polycab has streamlined its supply chain, enabling nationwide delivery within 24 hours, and reducing the need for dealers and distributors to maintain large inventories.

In the organized Cables and Wires (C&W) segment, Polycab has consistently maintained a leadership position, boasting a market share of approximately 22-24%. With a robust distribution network and strong brand recognition, the company continues to capture additional market share in both the Wires & Cables and FMEG segments. The Wires & Cables segment shows promising demand, driven by the ongoing recovery in the real estate sector and increased capital expenditure. The company's international operations are also experiencing healthy growth, and the implementation of a distribution-led model is anticipated to boost exports. Polycab aims to achieve a revenue of Rs 200 billion by FY26, compared to FY23's revenue of Rs 141 billion.

HEAVYWEIGHTS IN THE PORTFOLIO

KEI

KEI has positioned itself as a prominent manufacturer of wires and cables (W&C), boasting a strong presence in both domestic and international markets. KEI is currently the second largest C&W player in the domestic market with a market share of 8%. The company's growth is driven by a diversified business model encompassing various products, customer segments, and geographical regions. The company caters to retail and institutional customers, serving both public and private entities.

In FY23, KEI operated at a capacity utilization rate of 91% for cables, 79% for house wire, and 87% for stainless steel wire. To support its expanding operations, KEI is making substantial investments of approximately Rs 1,000 Crore in a state-of-the-art manufacturing facility in Gujarat, slated for commissioning by 4QFY25. Additionally, the company has initiated a brownfield investment of Rs 40-50 Cr to increase the capacity of its existing facilities. KEI has strengthened its relationships with existing dealers and distributors and has added 105 new channel partners, increasing its distribution strength to 1,910. The company is focused on increasing revenue per dealer and is likely to expand as its network by 100-150 dealers each year. The company is expected to double its revenue over the next five years as it capitalizes on the capex upcycle and increasing touchpoints in a robust demand environment.

SIRCA

India's newfound wealth has sparked a desire for the finer things in life, prompting Indians to turn their homes into sophisticated retreats that mirror their refined tastes and ambitions. Sirca offers an impressive range of owned or exclusively licensed Italian brands, such as Sirca, Unico, Oikos, and DuranteVivan. Sirca is an exclusive Licensee of the globally established 'Sirca' brand in India, Nepal, Bangladesh and Sri Lanka.

It stands amongst the top three premium wood coatings brands in India, particularly in North India. The company aims to establish itself as a leader in the Indian paints and coating solutions industry, with aspirations for a global presence. It intends to reinforce its manufacturing capabilities, expand a robust distribution network, and reach new heights in the Indian paint and coatings market, as well as other home improvement segments. The company's expansion strategy involves diversifying its sales channels, introducing fresh product lines, strengthening its physical infrastructure, and transitioning the production of Italian products to India. Additionally, Sirca plans to extend its presence in neighboring markets like Nepal, Bangladesh, and Sri Lanka. This strategic approach, coupled with the promising prospects in the Indian market, positions Sirca to establish a market for its products and seize the substantial opportunities on the horizon.

INFERENCE

CONCLUSION

We now see opportunities granular in nature within distinct subsets as the broader narrative of the mid and small-cap places it near reasonable valuations. The narration in view of SMID was supported rightfully considering the structural shifts were steering toward the multi-decadal growth outlook of the economy favoring the SMIDs. Though rate cuts are expected to be deferred we believe that rate cuts will eventually benefit the Mid and small-caps disproportionately. We see limited opportunities available at reasonable valuations and are of the rationale that quality names are better risk-reward investment opportunities.

The businesses in the portfolio are hand-picked because quality names have been inefficiently priced by the market, and the earnings of these businesses are expected to double over the next four to five years which will be the catalyst to metamorphosize multiple expansions thereby unlocking value in due course.

THANK YOU

We wanted to take a moment to express our sincere gratitude for your trust and support as investors in RH Supervalue Aggressive.

After careful consideration and a thorough analysis of market conditions, we have made the difficult decision to close the fund for subscription. This decision was made because the prevailing valuations in the market were not aligning with our investment strategy, and the future return opportunities for incoming investors were not as promising as we would like them to be.

At RHPMS, our top priority has always been to safeguard the interests of our valued investors. We believe that this decision to close the fund for further subscription to investors is in the best interest of all our stakeholders. We understand the importance of preserving the capital and ensuring the best possible returns for our existing investors. We would like to extend our heartfelt appreciation to you for entrusting us with your investments. Your confidence in our team and our investment approach is truly appreciated, and we are committed to continuing our efforts to deliver market-beating returns for you. Rest assured that we will remain vigilant in monitoring market conditions and will explore new investment ideas that align with our investment philosophy.

Once again, thank you for your unwavering support. We look forward to continuing this journey together and delivering on our commitment to you, our valued investors.

Thank you for being a part of the RH SV (AG)

-SUPERVALUE AGGRESSIVE FUND MANAGEMENT TEAM

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