

NÂG
ANALYTIX

India Small Cap Champions Fund

January 2024



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NÂG ANALYTIX OVERVIEW

Investment Objective

We aspire to provide investors, a stake, in the journey of Indian small cap companies becoming large cap companies. We focus on finding small Indian businesses that have the scope to scale up revenues dramatically as the India growth story plays out over the next decade. We currently manage an AUM of \$ 210mn.

We believe several Indian small cap companies can deliver 10x returns over the next 10 years and our objective is to benefit from this transition.

Investment Strategy

We primarily buy monopolies, duopolies or companies with a strong dominance in their markets. We look for companies that are growing their cash profits at more than 25% each year and have a clean governance track record.

India is significantly benefitting from the China + 1 strategy and a lot of the Indian companies are receiving capex funding, in exchange for guaranteed supplies from global clients. This is a delightful space for a company to be in, where your growth is being funded by clients. We are accumulating companies like these in our portfolios.

FIRM MANAGEMENT

Sundip Nag

Portfolio Manager

Sundip Nag, is NÂG ANALYTIX's Founder and Portfolio Manager. He holds an M.B.A in Finance from the Zicklin School of Business, New York. He is also a Chartered Accountant from the Institute of Chartered Accountants of India. He has a total investment experience of 14 years.

Prior to founding NÂG ANALYTIX, Sundip was a part of the investment team at the Ashmore Group, Washington D.C. for a period of 9 years and was responsible for managing equity investments across India, Indonesia, Malaysia, Philippines and Thailand. Before this, he was a research analyst on ING's International fund in New York for 4 years. Sundip's portfolio while at Ashmore delivered an average return of 30% per year and was ranked Ashmore's top fund manager in years 2011, 2015 and 2019.

Sundip, is supported by a team of 6 analysts, who focus on finding small cap monopoly / duopoly companies, in certain key niches. The team in India has been generating returns of 30% per year on average since 2021.

NÂG ANALYTIX OVERVIEW

Investment Structure

- Minimum Investment: \$250,000 per client
- Money Always in Your Account: We set up a foreign portfolio investor license in your name in India. Stocks and cash remains in your name at all times.
- Reporting:
 - Quarterly call with Portfolio Manager
- Fees:
 - As an investment advisory fee the firm charges 2% maintenance fee and a profit sharing fee of 20% (post 15% hurdle rate).

Management Fee Only Option:

Assets Under Management (AUM)	Management Fee
\$5 million and above	2%

Performance Fee Option:

	Terms
Minimum Client AUM	\$250,000
Management Fee	2%
Hurdle Rate (Yearly)	15%
Performance Fee	20% of Profits above Hurdle Rate
High Water Mark	Yes

INVESTMENT PHILOSOPHY

WE PREFER TO BUY MONOPOLIES OR DUOPOLIES

- The core of our investment principle is to buy companies that are absolute champions in their sectors. These are companies that take home more than 40% of their industry profits and have in place high barriers to entry.
 - We look for industry champions with a track record of more than 20% growth, high ROIC, and an ability to scale up their existing business.
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IF NOT A MARKET LEADER ALREADY, IT'S ON ITS WAY TO BECOME ONE!

- We are also particularly interested in catching small cap companies who have the potential to become future leaders in their sector.
 - A good example of this is a small cap company called Affle Industries, who we believe has the potential to become a dominant player in the technology sector.
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WE DONT LOVE A CRISIS BUT WE DO WAIT FOR ONE

- We believe the best opportunities arise out of a crisis. Over the last century of stock market analysis, bulk of the market returns have been earned within the first three years coming out of a crisis.
- Our modus operandi is to wait for a crisis, buy up best in class assets as the crisis fades and then ride those investments till the economic cycle peaks.

INVESTMENT PHILOSOPHY

THE WHOLE WORLD IS A BIG BALL OF LIQUIDITY

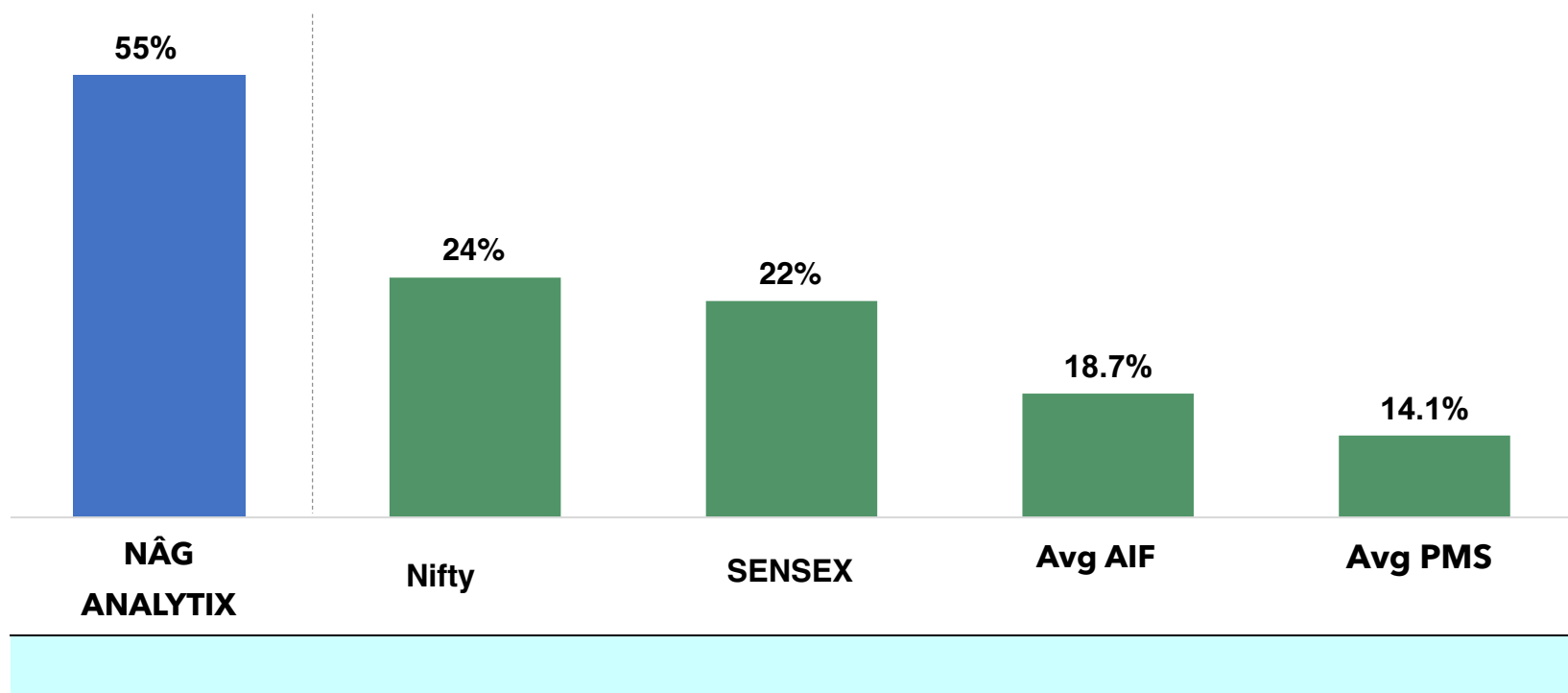
- In our opinion the investment world operates in a giant ball of liquidity and in today's world it is impossible to invest without an understanding of how the Federal Reserve is managing the global liquidity pool.
- More liquidity inflates asset prices and we adapt to global economic policies.

CAPITAL PRESERVATION IS THE FIRST RULE OF INVESTING - WE DONT BUY POOR GOVERNANCE

- We wont buy companies with poor governance no matter how attractive the upside proposition. We believe companies stealing from minority shareholders will always continue to do so in some form or the other.
- A company with an improving governance record can unlock significant shareholder value. On being convinced of a change in management style we will be flexible in our views.

Substantial Outperformance in 2021

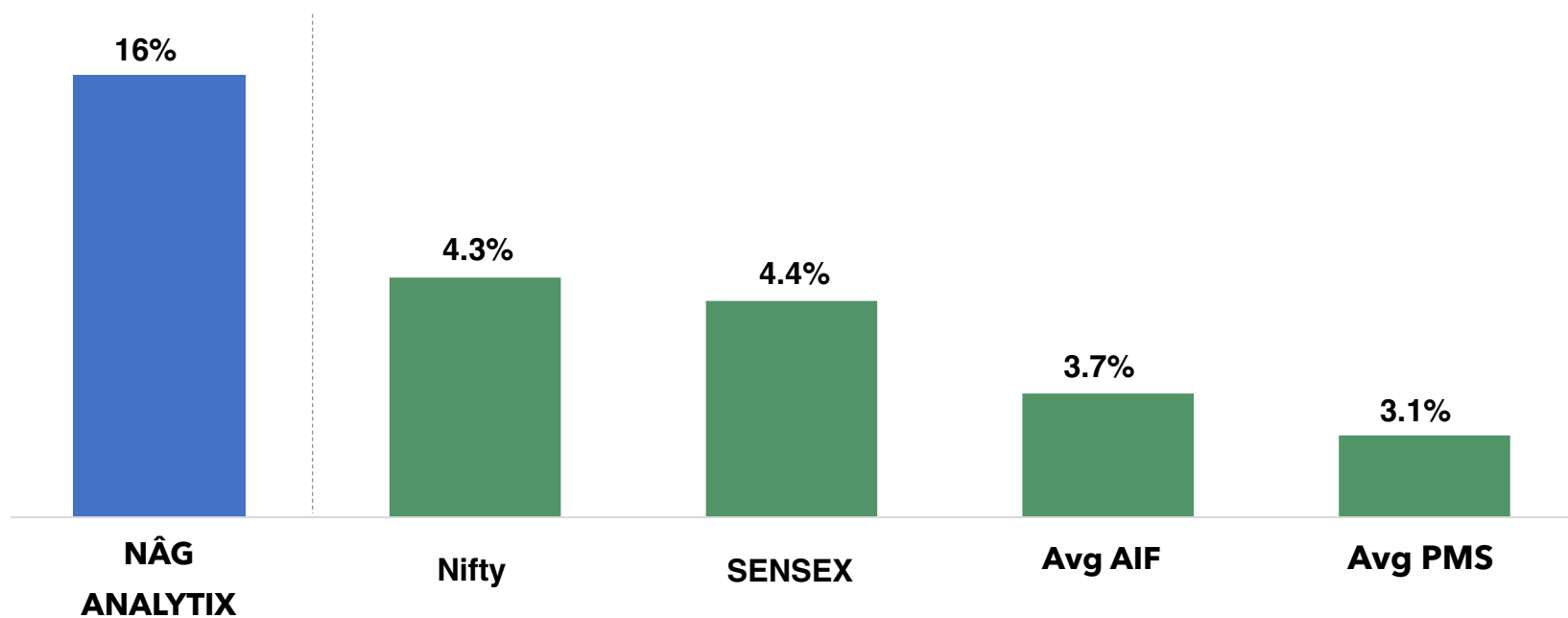
Delivered a return of 55% in our Indian portfolio in the year 2021



Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal.

Substantial Outperformance in 2022

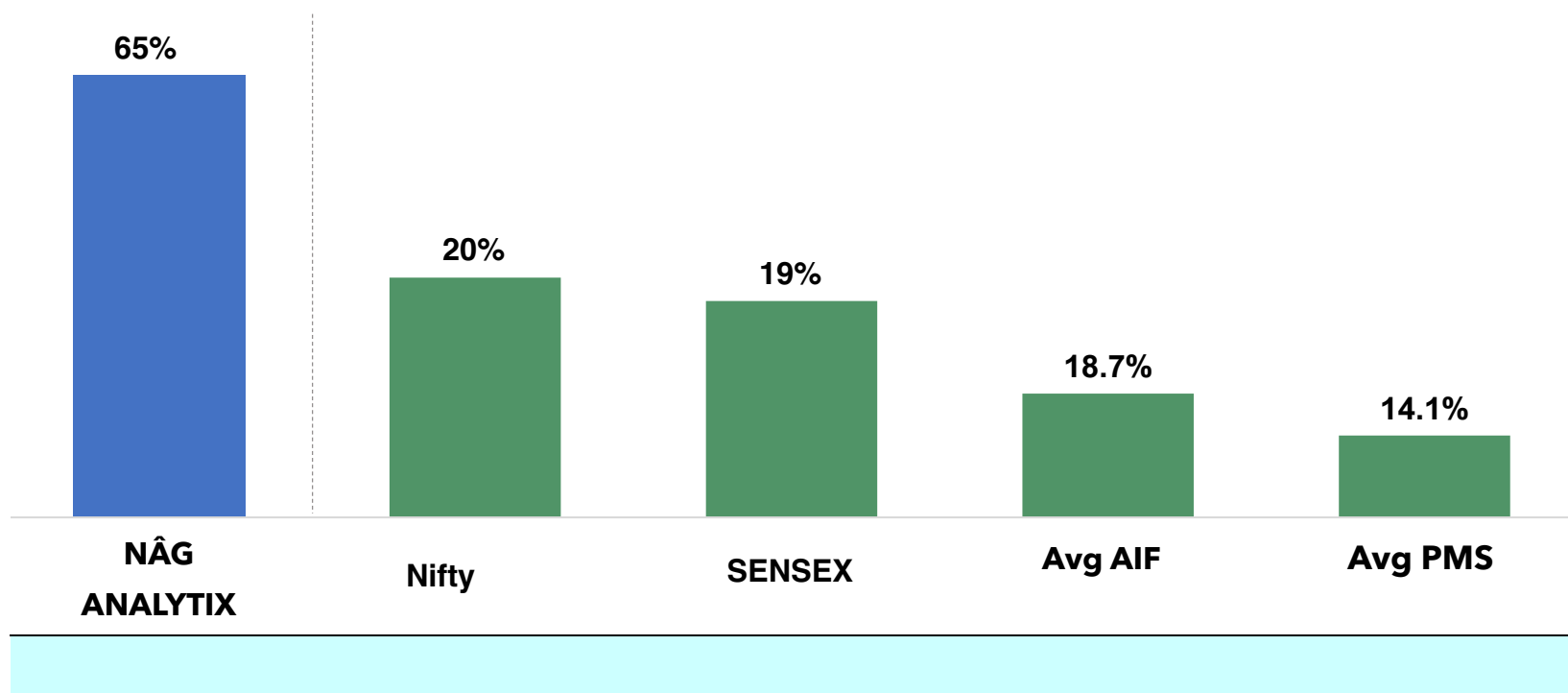
Delivered a return of 16% in our Indian portfolio in the year 2022



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Substantial Outperformance in 2023

Delivered a return of 65% in our India portfolio in the year 2023



Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal.

WHERE WE DIFFER

FOCUS ON BUSINESS QUALITY & VALUE CREATION:

At NÂG ANALYTIX, we focus on Earnings Growth (a proxy for value creation).

The two components to forecast future earnings growth are:

Return on Invested Capital x Reinvestment Rate.

Return on Invested Capital (“ROIC”):

“How much is the business able to earn on new projects / incremental capital reinvested into the business?”

Reinvestment Rate:

“What percent of earnings is the company putting back into their business?”

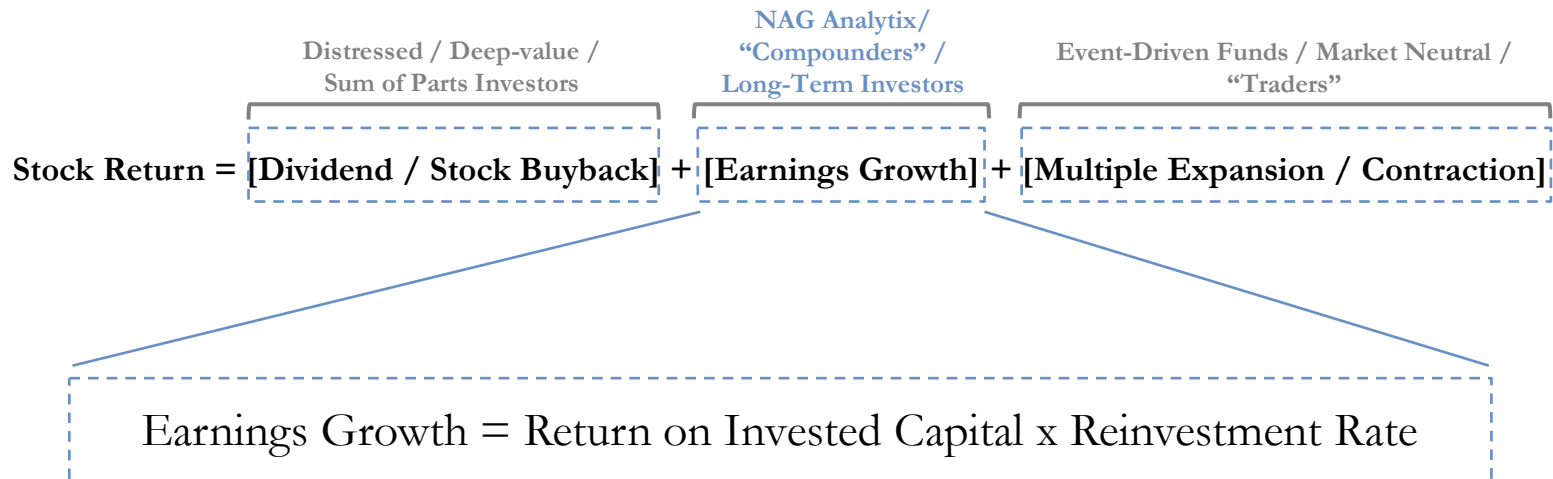
The higher the incremental ROIC, the more money the management team should reinvest in their business.

WHERE WE DIFFER

Other investment managers rely on multiple expansion for returns (i.e. betting other investors will pay more for the same asset in the future).

Their time horizons are too short to benefit from fundamental changes in the company itself, so they seek to benefit from changes in perception of a company's stock instead.

Our focus is on investing in companies that have a monopoly on more than a billion people and we bet on their ability to continuously deliver superior earnings growth.



WHERE WE DIFFER

CONCENTRATED

We are concentrated in only our best ideas. Portfolios typically comprise of 6 – 15 holdings.

- When our ideas are correct, they will have a meaningful impact on the portfolio values.
- At the same time, we know our companies better than the average investor, as we are focused on only a few stocks at a time.

ABILITY TO HOLD CASH

Being able to hold large amounts of cash allows us to be patient.

- We can wait for opportunities in exceptional businesses, rather than being forced to invest in mediocre ones.
- Cash also allows us to protect capital in a downturn, while having purchasing power at a market bottom.
- This differs from many mutual funds, where mandates limit their cash positions to 5%.
- Many funds don't have this luxury and advantage that we do. At times, we may hold up to 30% of the strategy in cash.

INVESTMENT CRITERIA AND PROCESS

Our success is dependent upon exercising patience and discipline to only invest in situations that meet our criteria:

Ability To Understand The Business

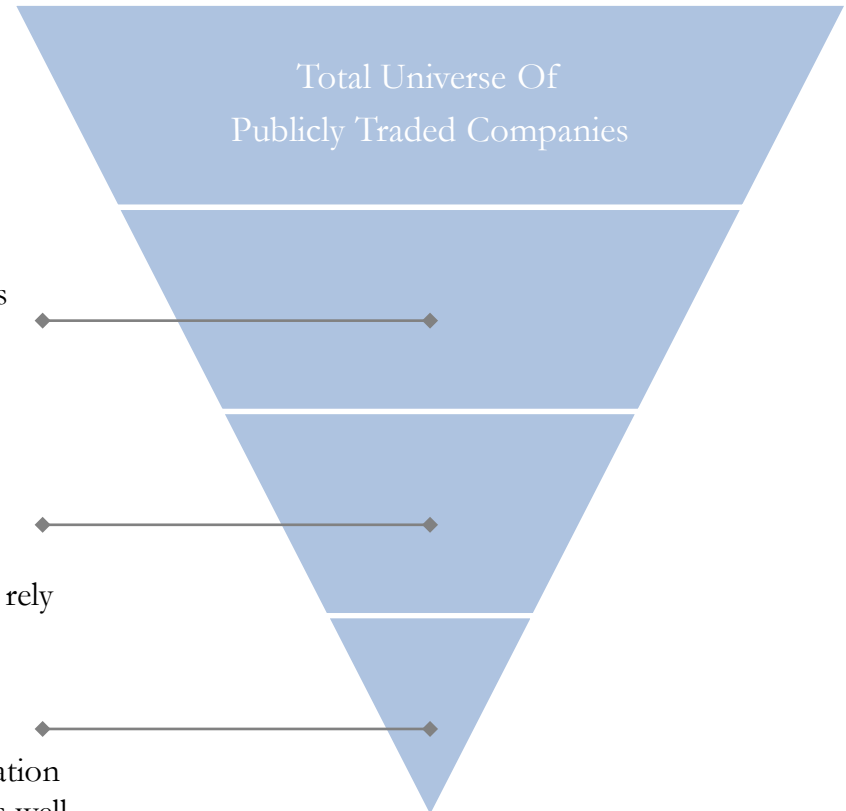
We focus on businesses that we thoroughly understand. We tend to avoid complex situations and avoid businesses where we don't understand the flow of cash through the financial statements.

High-Quality Businesses

We look for market leaders with durable competitive advantages, that will continue to grow in value. We seek companies with owner-oriented management, and do not rely upon leverage for growth.

Attractive Price

We only invest when the price is at a discount to our valuation of the business. This provides both a margin of safety, as well as favorable potential returns.



RISK MANAGEMENT

At NÂG ANALYTIX , we are aware of various risks that may be inherent in our portfolio and operations. However, it is important to note that we don't view portfolio or securities mark-to- market volatility as risk.

Instead, our approach to risk management focuses around minimizing unforeseen investment risk, and any factors that may impede our ability to operate NÂG ANALYTIX functionally on behalf of our partners. The following risk guidelines are designed with this intention in mind:

In-Depth Research Process

Before deploying capital into a new investment, we will undergo a thorough research process on the potential company, which often entails 100+ hours / months of work. The goal of this extensive work is to ensure we have all the relevant, “knowable” information which may be pertinent to such an investment.

- This may take the form of reading through historical filings, public interviews, calls and meetings with current & potential employees / customers / suppliers, expert network calls with industry experts, background checks on key personnel, management meetings, online employee databases, customer surveys, and more.

RISK MANAGEMENT

Operational Service Providers

We outsource many of our operational responsibilities to world-class service providers. This ensures our ability to service our clients at a high-standard, and minimizes our operational risk.

- Prime Broker: ICICI Bank
ICICI Bank gives us the ability to service our clients around the world 24/7.
- Company Secretary Anjali Bansal & Co
- Tax & Accounting: Chandni Merwani & Co

Separately Managed Accounts Structure

We manage partner assets via separately managed accounts (SMAs).

- This reduces the operational risk, since we don't hold custody of our partners' assets and the funds are never co-mingled with each other.
- This ensures that each partner has real-time transparency into their individual portfolios 24/7, in addition to having real-time performance updates, NAVs, tax documents, reporting, etc.

RISK MANAGEMENT

Leverage

We employ manageable leverage in our portfolio. Additionally, at a company-level, we seek to invest in high quality businesses, who only use leverage in a strategic or thoughtful manner, if at all.

Max Position Size

We will generally invest no more than 20% at cost into a new position. This ensures that the risk of deployed capital is minimized against unforeseen events.

Ability To Hedge

The vast majority of time we aim to be fully invested. However, we maintain the ability to hedge the portfolio for our partners, when we deem market risks to be excessive, with the aim to protect the portfolio during market drawdowns.

Contact Us

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