COURSER PARK ADVISORS

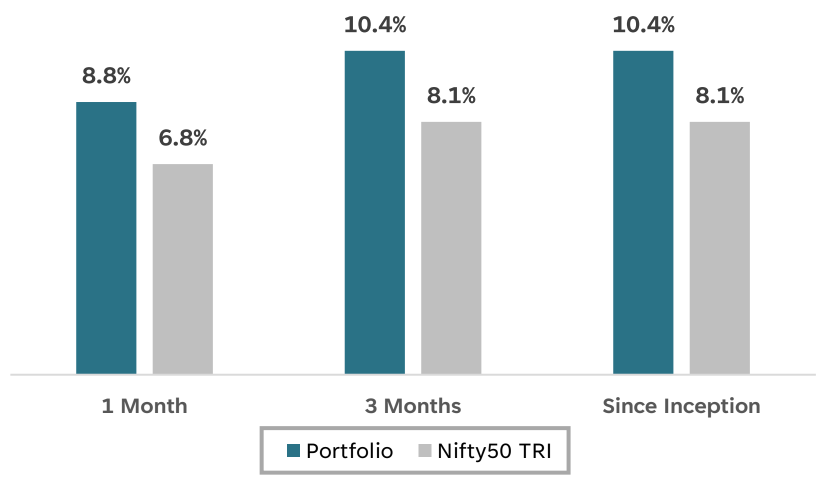
Quarterly Update

June 2024

Investment Objective

Courser Park Advisors ("CPA") uses a proprietary framework that combines fundamental and quantitative factors to identify businesses that can create long term wealth. The guiding philosophy is capital protection and compounding over longer periods by investing in companies with durable business models that can generate higher returns on capital over time. The singular goal and focus – invest only in those companies which have the lowest odds of permanent loss.

Chart 1: Strategy Returns- GARP Scheme



**The above returns are calculated by using the Time-Weighted Rate of Return (TWRR) method across all portfolios. The above return are as on 30-06-2024, post fees and expenses; Note: Returns of individual clients will differ based on the timing of their investments.*

Top Performers

Scrip Name	Purchase Date	Purchase Price (Rs.)	CMP (Rs.) as of 30-06-2024	Return (%)
PG Electroplast	01-Apr-2024	1,662	3555	114%
Crompton Consumer	01-Apr-2024	268	405	52%
Prudent Corporate	01-Apr-2024	1,255	1,899	51%
Schaeffler India	22-Apr-2024	3,276	4,740	45%
CG Power	01-Apr-2024	541	705	30%

Holding Companies

Asset Concentration	Holding
Cash	4.2%
Top 5 Holdings	21.2%
Top 10 Holdings	36.8%
Highest Exposure	RELIANCE (5.5%)

Sector Allocation

Sectors	Allocation (%)
Consumer	20.8%
BFSI	20.7%
Technology/IT Services	17.1%
Healthcare	7.3%
Auto & Others	29.8%

Market Capitalization

Market Capitalization	Holding (%)
Large Cap	50%
Mid Cap	10%
Small Cap	36%
Avg. Market Cap (Rs. Bn)	1,886

Qualitative Analysis

Parameters	TTM
PAT Growth	19.5%
PE	48.0x
ROE	16.7%

Disclaimers and Risk Factors

GARP Strategy Inception Date: 1st April, 2024. Data as on 30th June, 2024. Data Source: CPA Internal Research. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

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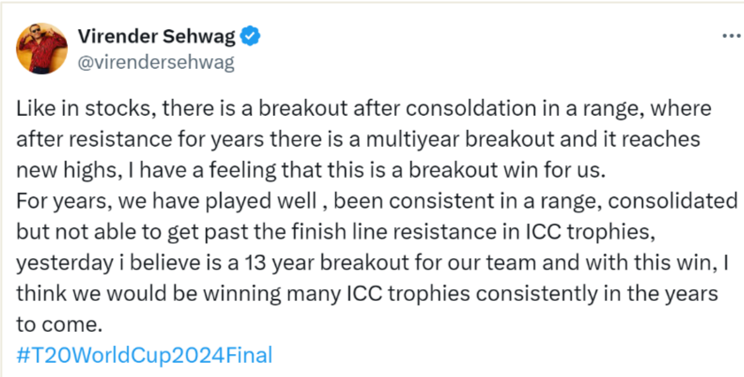


State of markets today

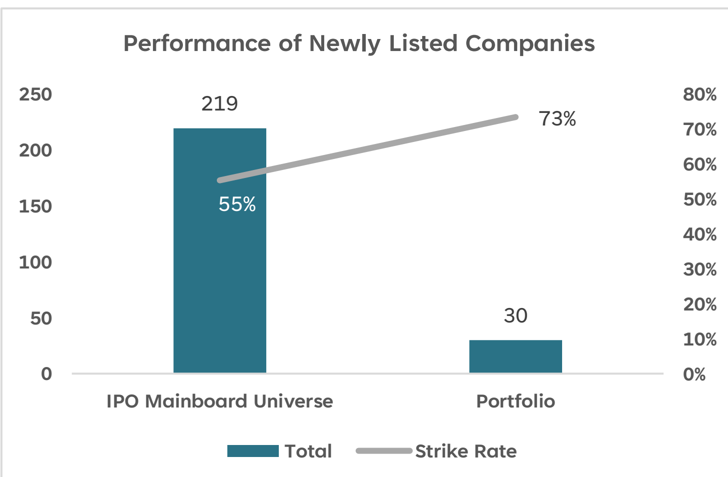
This is the first quarter of reporting under this new structure. Until all the clients transition into the new structure fully, portfolio level performance results may not be fully representative as timing of inflows will distort the performance numbers.

We are in that phase in markets, when cricketers are using stock market analogies😊

In this newsletter, we cover the performance of newly listed companies – as we have a few companies in the portfolio, which we bought within one year of IPO listing; And PG Electroplast, one of the portfolio companies

IPOs (post listing) present a unique opportunity - On one hand, one can participate in new sectors run by new age entrepreneurs with long runways for growth. While on the other, one has to be careful since promoters/insiders are very smart and generally do not leave much on the table. In addition, these companies have limited track record to begin with **- so should you invest in newly listed IPO candidates?**

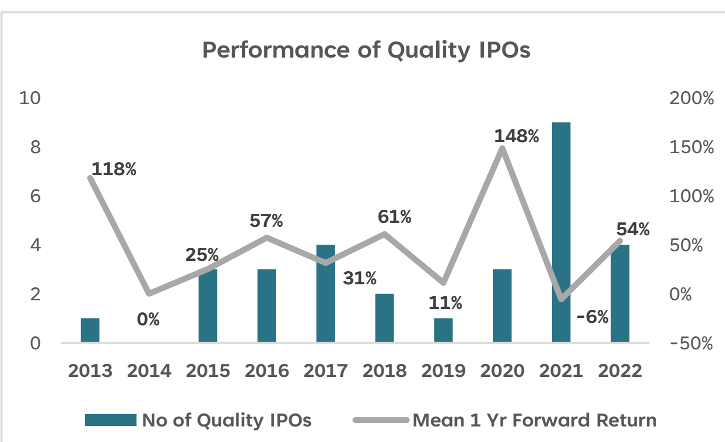
Let's look at last decade (2013 till 2023) of data on listings:



Return = 1 year return from the closing price on the listing day
Strike rate = % of companies delivering positive returns in the next 1 year

An investor participating in each of the IPOs from 2013, would have made money half the time. Average one year return was 19% from the listing price *(closing price on the listing day)* – removing blockbuster years viz. CY2013 and CY2020 from the base data, average return drops to 12% per annum.

Contrary to general expectations, outcomes seem better compared to investing in the broader market - Quality of companies that have listed over the last decade is definitely improving.



Quality IPO implies the company has good cash flow characteristics, ROCEs, promoter pedigree

On the other hand, if we were to cherry pick "quality" stocks from these IPOs - the chance of making money in the next one year improves significantly to 70%+. **On an average you would make 40% plus return per IPO in a year, which is way better than CPA's return expectations**. Even in the stocks that don't perform, the downside seems limited to 15% on an average.

Outperformance is higher in midcap companies compared to the the large caps

There is certainly a scarcity premium attached to sectors/themes that are available first time to public market investors. ICICI Lombard in General Insurance, DMart in modern retail, Just Dial in classifieds, Syngene in CDMO space, CDSL in market intermediaries come to mind from this stand point. They all gave stellar returns post listing. Sectorally, BFSI was the most unloved sector during listings.

We tried dissecting the IPO data based on calendar years, market caps, profit growth and returns over 2 years instead of 1 year - the results aren't significantly different. **I guess when you have a good company, buy a piece of it, doesn't matter if it's just IPOed or not.**

Do ping us in case you want further information on IPO listings.

The Peculiar Ways of the Markets!

We are curious students of human behavior and one of our recent picks is a good example of how exaggerated the trends can get.

PG Electroplast: Unusual Summer, Unusual Return

The company has been a beneficiary of Washing Machine and AC out-sourcing by branded players. While another peer, Amber Enterprises, had been highlighting the trends of rising in-sourcing of ACs, PGEL hinted at this trend only in their February meeting. The result was an immediate 25-30% correction in the stock.

Then came summer and the stock moved from the lows of 1489 to 4000 – almost 3x in a just over a quarter! PGEL is a doubler for us too last quarter, but too much too soon always begs several questions.

How different was the summer this year?

- Due to the heat wave, a lot of ACs were sold in Tier 3,4 cities as well as villages. ACs were even sold in some pin codes for the first time ever.
- There was waiting line for purchases as well as installations across big and small cities.
- December to February, in a typical year, is the time to service South and West markets by the industry. North and East come to focus from March. This year, South and West were being serviced till mid of May itself and industry was short on meeting the demand from North.
- Chinese domestic demand was also high and shipping time to India increased from 18 days to 30-35 days.

Despite the scorching summer, company's commentary on the longer term in-sourcing trend remained intact. But investors had their sunglasses on, and everyone wanted a share of the summer earnings. In the face of strong short term earnings, markets couldn't care less about the in-sourcing trends and the fact that El Nino is not a regular phenomenon. If rural is still in recovery phase, shouldn't ACs being bought there be looked at scepticism rather than as a watershed event? Could election be a factor as well? Is 40% growth sustainable in an industry where the base rate is 15%?

While it is difficult to predict future earnings and behaviour of the crowd, what we can do is focus on underlying nature and trends of this seasonal industry. After all, selection and allocation are all that we have control over. The company is trading at 60% premium to its median historical multiples. But market likes earnings and more importantly, near-term earnings. **Irrespective of narratives, earnings drive stocks. When we have both, stocks go vertical.**

"I don't control the wind. I just study it." **Lord Toranaga**

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