

## FAQs on AQUA PMS

### 1. What is AQUA PMS?

- AQUA stands for “Adaptive, Quantitative, Unbiased, Alpha”.
- It is India’s first style agnostic and adaptive strategy which uses a dynamic multifactor investment approach to adapt with the changing market regimes and cycles.
- It is built on 5 key pillars of investing in the right asset, right themes, using the right style, with the right factors at the right time.
- The strategy uses a powerful combination of valuations, technical, fundamentals and macros to drive investment decisions.

### 2. What is the investment philosophy of AQUA PMS?

- Taking the example of cricket where a batsman can’t predict his next shot by predicting the bowlers next bowl, he must simply be agile and adaptive enough to face any type of bowl that is bowled towards him.
- Similarly, it is important to always react and adapt to the different market conditions in order to generate maximum possible returns.
- AQUA is built on this investment philosophy, in which it is able to seamlessly align to changing market cycle and investment regimes. It is a true blend of traditional investing wisdom with sophisticated quantitative techniques.
- With its data-driven, systematic, and rule-based framework, Aqua effectively eliminates fund manager bias, and emotional and behavioral biases, ensuring consistent and sustainable alpha generation throughout market cycles.

### 3. What is the investment framework of AQUA PMS?

AQUA PMS has a 6S framework which forms the core investment framework.

- **Sector Rotation:** Portfolio comprises of stocks from promising sectors that can potentially outperform.
- **Style Alignment:** Dynamically construct portfolio as prevailing investment regime based on a style agnostic approach.
- **Superior Fundamentals:** Prefer stocks with robust quality and growth traits
- **Sound Valuations:** Prefer stocks trading at valuations that offer favourable risk reward
- **Strong Technical:** Leverage technical and sentiment analysis to augment returns and manage risk
- **Smart Risk Management:** Invests only in liquid stocks, dynamically adjust portfolio’s beta and asset allocation to manage risk along with dynamic sector, style and stock rotation.

### 4. What is the investment objective of AQUA PMS?

The investment objective of AQUA PMS is systematic alpha generation by design vs chance.

### 5. What is the date of inception of AQUA PMS?

The inception date for AQUA PMS is 12<sup>th</sup> June, 2023.

## 6. What are themes? How are they selected in for AQUA PMS?

- Themes are groups of stocks that are in similar industries or lines of businesses and are affected by common drivers. These stocks usually follow a broader trend while going up or down. Simply, usually they rise and fall together.
- An evaluation of a broad set of data from trend, technicals, demand, supply, momentum, risk, volatility, sharpe, sentiment, valuations amongst other factors to identify themes that are likely to do well and have favorable risk reward.

## 7. What are the risk management measures taken in AQUA PMS?

- **Liquidity of stocks:** This PMS is a flexicap equity PMS. The portfolio comprises only of liquid stocks. In the stock selection process, from an investable universe of 500 stocks, there is a liquidity filter which filters out 100 illiquid stocks. Therefore, the stocks that make it into the portfolio are liquid stocks only. This helps to remove the illiquidity risk.
- **Regular rebalance frequency:** Rebalance is done every 2 months. Sometimes the entire portfolio could be rebalanced, sometimes only 10% of it. The average % is around 50%. AQUA PMS reviews the macro and market conditions and accordingly chooses a style regime and sectors and stocks within those sectors. Plus, the portfolio always comes back to its target weights and there is a timely booking of profits and timely cutting of losses.
- **Diversification:** AQUA PMS is a flexicap PMS which has a diversified portfolio spanning across large, mid, and small cap stocks. The portfolio is made up of 25 stocks which have an equal weightage of 4% for each stock.
- **Dynamic asset allocation:** AQUA PMS is an adaptive PMS where in the model reviews the macro and market conditions and takes care of switching the style, rotating between sectors, and selecting stocks which all together contribute to alpha generation.
- **Beta management:** The model adapts itself to the beta environment. When the market is low volatile, the portfolio shapes itself into a low volatile portfolio and the same is applicable when the market is high volatile.

## 8. What is the strategy to arrive at the portfolio of stocks?

- The portfolio comprises of 25 stocks.
- These stocks are filtered out from a universe of top 500 companies based on their market capitalization.
- The 1<sup>st</sup> filter is applied to illiquid stocks which, a total of 100 illiquid stocks are eliminated.
- The 2<sup>nd</sup> filter is applied to companies who have weak fundamentals and 100 of these companies are further filtered out.
- This leaves us with 300 companies from different market caps.
- Based on the model that is used and the prevailing market cycles the best 25 stocks are selected.

## 9. Why does AQUA have only 25 stocks and not 30-35 stocks in its portfolio? Is there any rationale for the same?

AQUA PMS is a quant based, style agnostic adaptive PMS. Statistically following the model set for this very PMS, 25 stocks with an equal weightage of 4% for each stock worked well for the portfolio. The focus for alpha generation was on the portfolio as a whole and not just one or a few stocks. Having 30-35 stocks in a portfolio could led to over diversification risk, which was avoided by the model itself.

## **10. What is the USP of AQUA and how is it different from competition?**

- Every portfolio comes with a style expertise – Growth-oriented, value-oriented, and sector-oriented. AQUA is superior since the model adapts itself according to the prevailing style, chooses the sector and stocks to invest in, it is totally unbiased and therefore is not constrained to the type/style of investing the Fund Manager has an expertise in.
- Every fund manager has a unique way to manage a portfolio and hence if the previous fund manager leaves, then the strategy may change. But investors in AQUA need not worry about fund manager changes affecting the strategy as the model is quant-driven.
- AQUA PMS is also a benchmark-agnostic PMS, which means that the PMS will not try to align itself with the benchmark or follow a trend being followed by the benchmark. The objective is to earn higher than benchmark returns.
- Repeatable investment outcomes due to quant rules-based approach. Following a quant model ensures systematic framework and no human bias being involved in the decision making of the Fund.

## **11. Launching AQUA at all time high equity market - is it good time to invest in such fund?**

To navigate the timing risk, the investor can always communicate to the Fund Manager not to invest the whole investable amount altogether and instead follow the STP path, where a certain percentage of the investable amount will be invested and the rest can be parked in a liquid Fund.

## **12. Who could be a potential client of PL PMS' AQUA?**

A potential client could be either:

- Anyone who seeks to get higher returns than Nifty 500 or capital appreciation over 3-5 years.
- Anyone who wants to ensure their portfolio adapts automatically to market-favored styles, sectors, macro regimes.
- Anyone who understands the limitations of manager-driven portfolios.

And is:

- High Risk Profile investor who is okay to invest in pure Equity/stocks and its volatility.
- Comfortable with an investment horizon of at least 3 to 5 years.
- With a corpus of Rs 50 Lakhs or more.

## **13. Time Horizon for investing in this portfolio and why?**

We suggest that the client should stay invested for minimum 3 to 5 years since our strategy is focused on the Long-Term Investment Horizon.

#### 14. What is the kind of Return a client can expect?

As per the back test from July 2006 till July 2023, the portfolio has provided on a gross basis:

- Annualized Return of ~27.14% since inception

Period	1 Month Live	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception
AQUA	8.17%	34.06%	45.58%	28.02%	31.46%	25.60%	27.94%
BSE 500 TRI	3.95%	17.41%	25.15%	13.50%	15.99%	12.68%	20.30%
Alpha	4.23%	16.65%	20.43%	14.52%	15.47%	12.92%	7.64%

Source: PL | Data till 31<sup>st</sup> July 2023

**Note:** All returns and ratios are net of expenses, fees and associated costs. (Except 1 Month) These are Back-tested results of the inhouse Quant Model & not actual returns. Above returns are only for indicative purposes, which can evolve with the continuous improvement of the model and there is no assurance or guarantee that the objectives of the investment will be achieved as investment in Securities is subject to market risk.

#### 15. What is the kind of Drawdown/Risk/Volatility a client can expect?

As per the backtest from July 2006 till July 2023, the portfolio has had a Maximum Drawdown of -61% in 2008 vs Nifty 500 seeing a drawdown of -64%.

#### 16. What are the fees?

You can choose between any of the 3 Plans:

1. Fixed Fee: 2.50% AUM Fees p.a, invoiced quarterly.
2. Performance only Fee: 25% share for profit above 10%, invoiced annually.
3. Hybrid: 1.50% AUM Fees p.a, invoiced quarterly + 15% share for Profit above 12%, invoiced annually.

#### 17. When does Rebalancing happen?

- The portfolio is regularly reviewed and rebalanced accordingly.
- Rebalances happen 6 times a year, at every 2 months.
- The rebalancing happens in the 3<sup>rd</sup>- 4<sup>th</sup> week of every month.
- The % of rebalance would depend on the macro and market conditions but not on an average, one would see 50% of the portfolio being rebalanced. This also means that some months the portfolio is rebalanced 90% and others only 10%. The back-test starting from July 2006 till July 2023 indicates average total churn value of 300% (2 way: Buy & Sell) per year.

**18. Does frequent stock trading/churning in AQUA PMS lead to gains treated as business income instead of Capital Gains?**

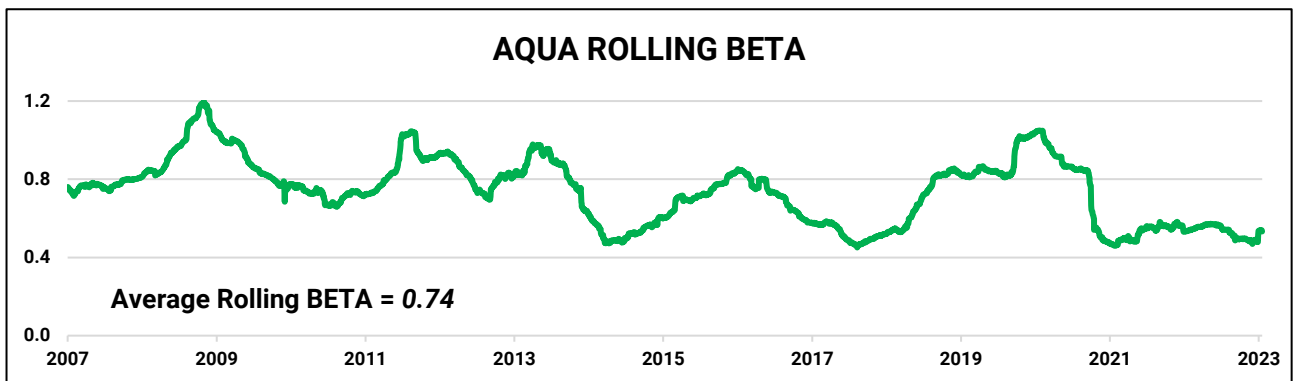
- There are no F&O transactions in AQUA PMS and there is no intraday trading in AQUA PMS hence the returns earned by the individual investor, would not classify as business income. (speculative business income)
- For a corporate entity, before investing, the intent of the investment is stated in the board resolution/memorandum and accordingly the returns/earnings fall under either business income or capital gains.

**19. Is there any Entry Load?**

No, you can enter any time. Upfront fees are not charged.

**20. What is the historic beta?**

The historic beta is as shown below:

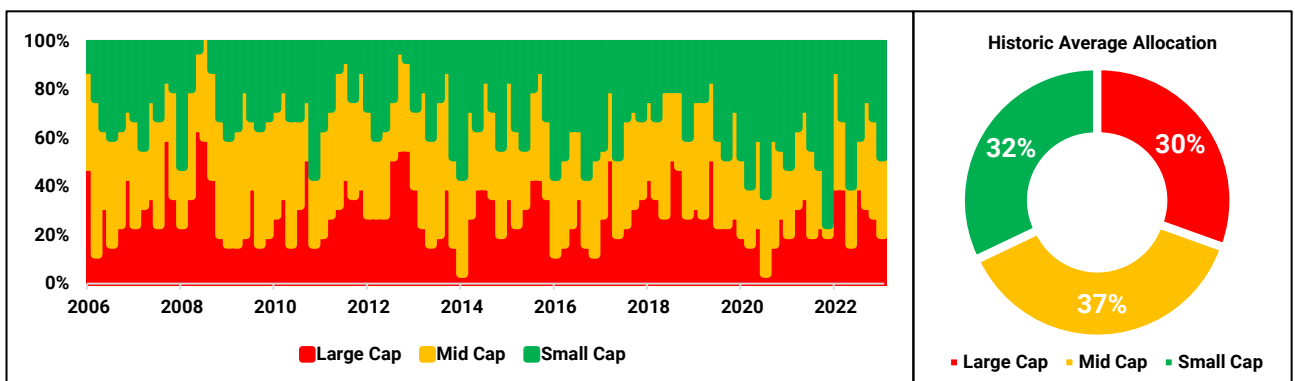


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Source: PL | Data till 11th July 2023.

**21. What is the historic asset allocation?**

The historic asset allocation chart is shown below:



## **22. Is there any Exit Load and Lock in period?**

- No, you can exit any time. We shall not charge any early exit fees. However, we suggest that the client should stay invested for minimum 3 years since our strategy is focused on Medium Term Investment Horizon.
- There is no lock in period, which means that investors do not need to hold their investments for any specified time period.

## **23. Fund Manager Experience?**

Our Fund Manager, Mr. Siddharth Vora is a SEBI registered research analyst and investment advisor with an experience of 5+ years in funds management activities. His qualifications include a CA, CFA, and an M.Sc. Management in Business Excellence from University of Warwick, UK.

## PMS Related Questions

### 1. What is the Minimum investment amount to avail PMS?

As per SEBI regulations, ₹ 50 Lakhs is the minimum investment amount to be eligible for PMS services. Alternatively, you are also eligible for PMS services if you provide securities having a minimum worth of ₹ 50 Lakhs.

### 2. Can the client withdraw any amount?

Surely you can. As per SEBI regulations, the value of investment in the portfolio after such withdrawal shall not be less than the applicable minimum investment amount of ₹ 50 Lakhs

### 3. How can the client Top-Up / Invest More?

Top-up in PMS is possible maintaining minimum prescribed investment value as per SEBI regulations. Top-up can be in SIP or Lump Sum. SIP can be in the multiples of ₹ 5, 00,000.

### 4. Will the securities be in the Client's A/c?

Yes. In PMS, a Demat A/c is opened in the name of PMS holder which could be an individual, corporate or HUF. POA of Demat A/c is with Portfolio Manager. Custodian is responsible for ensuring that trades are settled with exchange.

### 5. How would the client be taxed if he/she invests in this?

All stocks are taken in the Demat A/c of the client. Clients are taxed as if they directly bought/sold stocks.

### 6. Where can the client see the performance and other relevant details?

PL PMS would provide login to each investor where one can track performance and other relevant details via <https://pms.plindia.com/PortalLive/Clientlogin.aspx> . Plus, a monthly statement will also be sent via email to each client