



EQUITY FUND OWNER'S MANUAL

Welcome to Union AMC. To our existing investors, we thank you for choosing us to help you achieve your financial goals. If you are still deciding on the subject, we thank you for your interest. Irrespective of your position, this manual is designed to help you understand what is it that you own as a unitholder of our equity & hybrid schemes.

The purpose of this manual is simple. Different investors, institutional or retail, have different approaches to investing in equities. Hence, we want to explain to you, how we conduct our investment practice. Our expectation is that by doing so, we align your expectations with our service offerings.

In a way, this manual is a list of 'do's and don'ts' along our investment journey.

- 1 Our motto
- 2 Stock prices track their fair values
- 3 Our unique portfolio construction process
- 4 Who we pride as our ideal investor?
- 5 Who would we end up disappointing?

1 **Our motto: Follow a process-driven approach which is likely to generate repeatable performance.**

We believe in providing an investment practice that is reliable. Hence, we follow an investment process, which is likely to generate consistent performance. Note our emphasis on consistent, not superlative performance.

Our stock selection approach - Fair-Value based Quality stock selection: We buy high quality businesses with above average growth potential, run by a high quality management. We use return on equity (RoE) to judge the quality of a business and we prefer companies that are growing faster within their respective industries. We run a checklist on companies to judge their management quality. This is how we distil our stocks from the investible universe of around 900 companies (>INR 1000cr in market cap). Our research has shown that high-quality businesses have consistently given superior returns and outperformed the broader market over long periods of time.

2 **Stock prices track their fair values:** We believe that stock prices of companies track their fair values over time. Fair Value in turn is dependent on 4 factors: a) Earnings growth, b) Returns on Equity, c) Riskiness of business and d) Risk free rates. Hence, we apply our fair value approach on shortlisted companies to estimate their future fair values to judge their stock return potential. Since businesses environment is dynamic, we constantly reassess these assumptions as time progresses.

3 **Our unique portfolio construction process - "Quantamental approach":** Our portfolio manager's prime objective is to stay true to the product mandate. Fundamental factors like market capitalization, concentration, asset allocation, sector positioning and capitalization are applied to achieve this. After that, quantitative factors including growth, quality and valuation of each stock are taken into consideration to arrive at an optimum portfolio. This is our Quantamental approach to portfolio construction.

4 **Who we pride as our ideal investor?** Patience pays rich rewards. The businesses that we filter out from around 900 listed companies are likely to create wealth over the long term. As we are willing to give them time to realize their potential, so do we expect our investors to give us time to deliver the fruits of our well-defined investment process. It is our hope that you would appreciate the importance of having a process and the painstaking efforts that go in to follow it; day-in and day-out.

5 **Who would we end up disappointing?** Investors seeking category-leading returns over short time periods (anything up to one year) may not be satisfied with our philosophy. We understand that your trust and money is valuable. We invest your money with extreme sense of trust and care. Though you may be looking at short term performance, we believe that what you would truly love is sustainable, long term risk adjusted returns. And we are in the business to deliver just that.

Happy investing!

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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