


Samco Flexi Cap Fund

(An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks)

Invest in efficient companies at an efficient price and maintain efficient portfolio turnover

Inefficient Company 

 Efficient Company



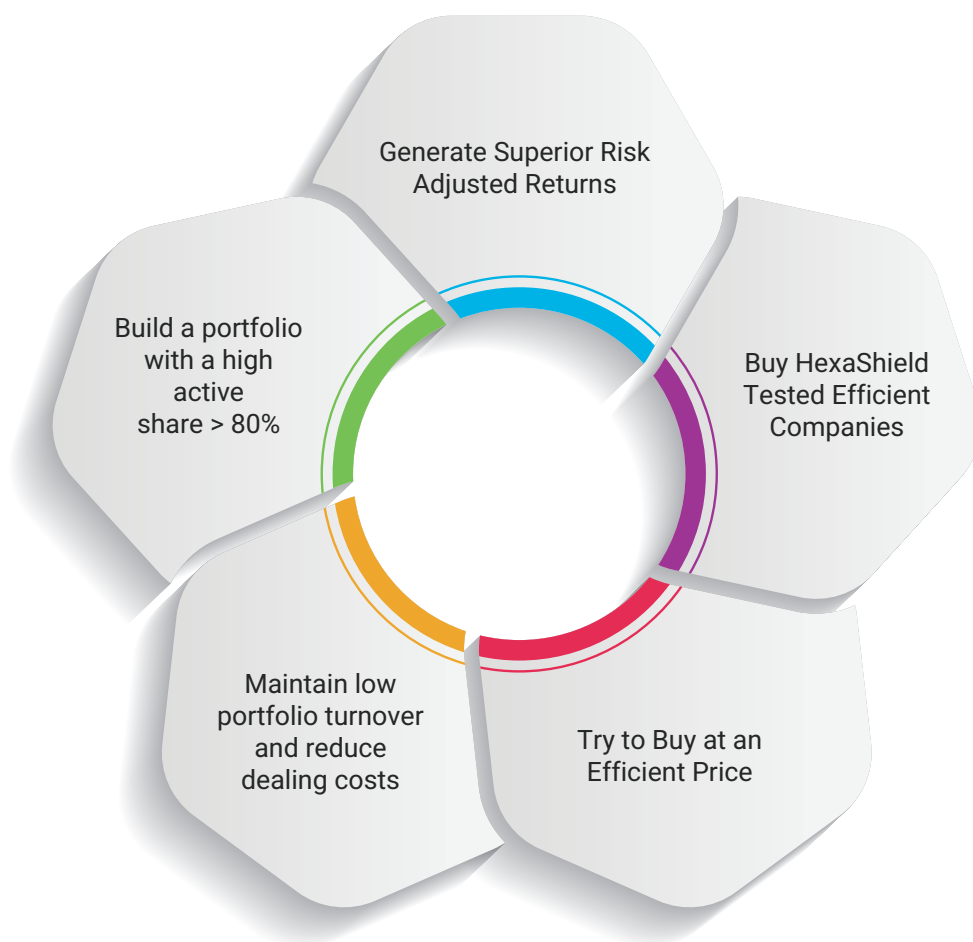
Unitholders Handbook

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Introduction to the Unitholders Handbook

To manage our weight, we need to eat right, eat healthy and stick to a disciplined diet plan. A good diet plan clearly entails what you can do, what you should not and what you definitely cannot do and this discipline ensures that your goals are achieved. Similarly, our vision and aim with the Samco Flexi Cap Fund is to run the best active equity fund in India and by the best we mean, a fund that can generate high consistent risk-adjusted returns for long periods of time. We have designed Samco Flexi Cap Fund's unitholders handbook to clearly outline what we will do, what we won't do and how we will stick to the discipline of a plan to achieve our objective.



Objective of a Unitholders Handbook

We want all our unitholders to have a deep understanding of what we are trying to do. This will make sure that we are truly able to stick to our aim of being a HexaShield tested equity active fund.

We will stick to a diet and hence avoid looking at the sweet drawer

We will only invest in the equity of companies which we believe can compound in value over many years, if not decades, where we can remain a happy owner, safe in the knowledge that in 5 to 10 years' time our investment is likely to be worth significantly more than what we paid for it. We work on the principle that in order to maximise long term profits, you should choose investments with the highest probability of an acceptable profit, rather than those with a small probability of a very high profit (and therefore a much larger probability of a loss). Rick Mears, a three-time Indycar World Series Champion and one of only three men to have won the Indianapolis 500 race four times, put it rather more eloquently: "To finish first, you must first finish".

Our HexaShield testing process ensures that we identify the warning signs in advance and avoid investing in such companies. Most importantly, we only look for investments in industries that we know from experience will create shareholder value over the long term, while avoiding the industries that don't.

There are many fads in investing which come and go: the Dotcom boom; the infra "supercycle" (which turned out to be just a plain old cycle); the credit bubble; and most recently the cryptocurrency craze, yet another example to make money. There are no new ways to make money. It is now a subject over which people have obsessed for centuries and so radical discoveries are unlikely. We need you, our investors, to understand that we would never knowingly take part in fads such as these. Although we may as a result miss out on seemingly high returns in the short term, you can be rest assured that we will be nowhere near the assets in question when the speculative bubble bursts, which it always does.

We need you to understand this, since we wish to concentrate all our efforts on making the fund work for you, and don't want to deal with endless queries about why we are not following a particular investment fad. Just as vitally, we don't want you to withdraw your money from our fund in order to follow the investment fad of the moment. Leaving aside the obvious facts that we earn fees on your funds and that inflows and outflows can be disruptive to our investment strategy, there is also the fact that not being continuously invested for the long haul is likely to significantly reduce your returns.

Who are we?

Samco Mutual Fund - A HexaShield Tested Mutual Fund is a fund managed by Samco Asset Management Private Limited which is sponsored by one of India's leading equity brokerage firm, Samco Securities Limited.

At Samco mutual fund, we aim to execute our vision by pioneering the concept of HexaShield testing and truly active investing in India. In the process we offer a methodology of investing that Indian retail and HNI investors have not been able to access before.

What is HexaShield tested investing?

HexaShield tested investing is a strategy to put money to work with businesses that can endure and survive in a variety of stressful situations and generate superior long term risk-adjusted returns.

It relies on understanding the resilience of companies based on Samco's HexaShield framework which tests and evaluates every company and institution on 6 most important facets of risks and stress. These tests are meant to measure every company's ability to maintain enough buffer to stay afloat under extreme scenarios. The HexaShield tests are also designed to understand if these companies can generate high cash returns on capital employed in a variety of economic conditions including extremely adverse economic conditions. This rigorous scientific and statistical process helps get a deep understanding of risks, reduces room for bias and personal beliefs, inculcates discipline and enhances the probability of success.

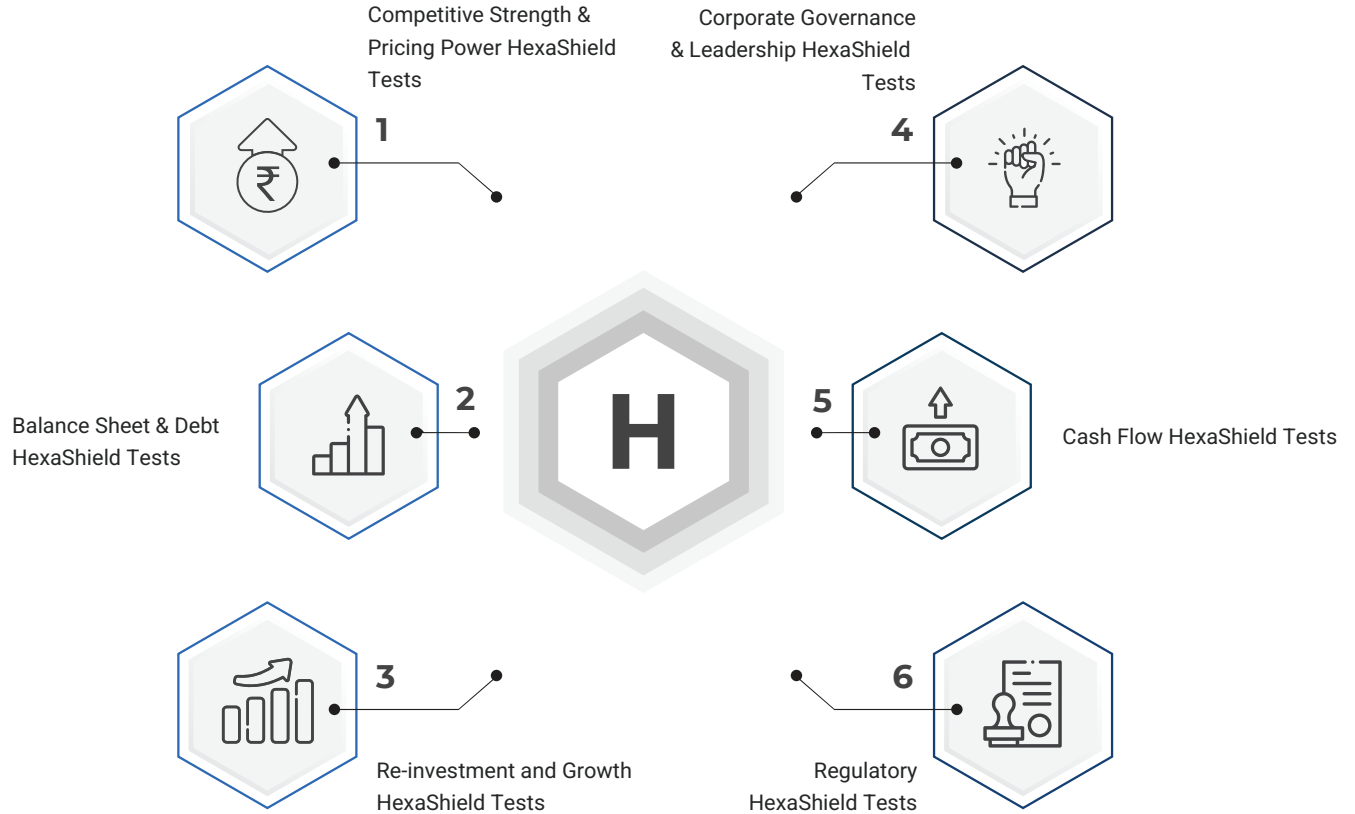
Companies that pass the HexaShield test often exhibit 2 characteristics

- They survive as a going concern during severe economic distress.
- Operate as true compounding machines in normal economic cycles.

HexaShield tested investing is only investing in companies that pass these rigorous HexaShield tests and score highly under the HexaShield Framework.

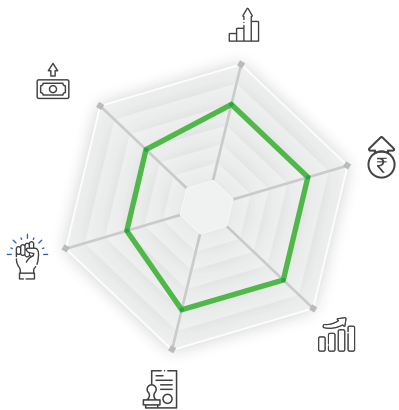
The underlying premise of HexaShield tested investing is that we live in an increasingly disruptive world where the lives of businesses have gotten shorter and that the source of all long term returns is simple - businesses generating high returns on capital and their ability to reinvest at incrementally high rates.

The 6 Facets of the HexaShield Framework:



Like humans, companies also chase excellence in order to be successful therefore being an average player in a competitive landscape rarely enables a business to generate consistent above average returns. The HexaShield tested framework, therefore, puts businesses through extreme pressure scenarios to filter out the businesses that stand tall and emanate excellence despite any adversity. It observes if companies pass the test on various fundamental factors and only the ones that cross the benchmark percentage hurdle in all 6 pillars will be eligible to be a part of our investment universe. The companies which fail to cross the benchmark level on even a single pillar will fail the test.

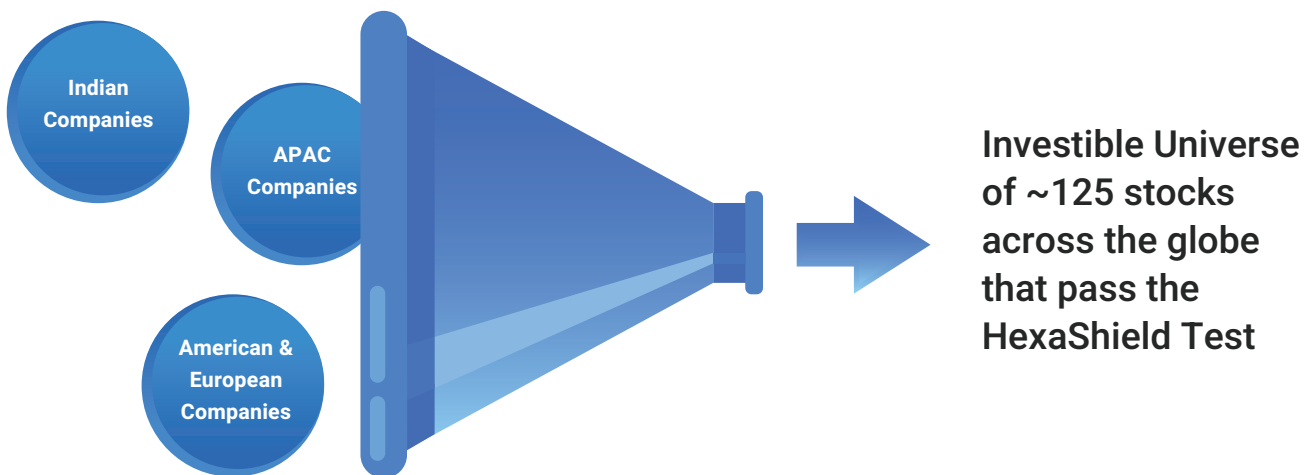
HexaShield Test : **Pass**



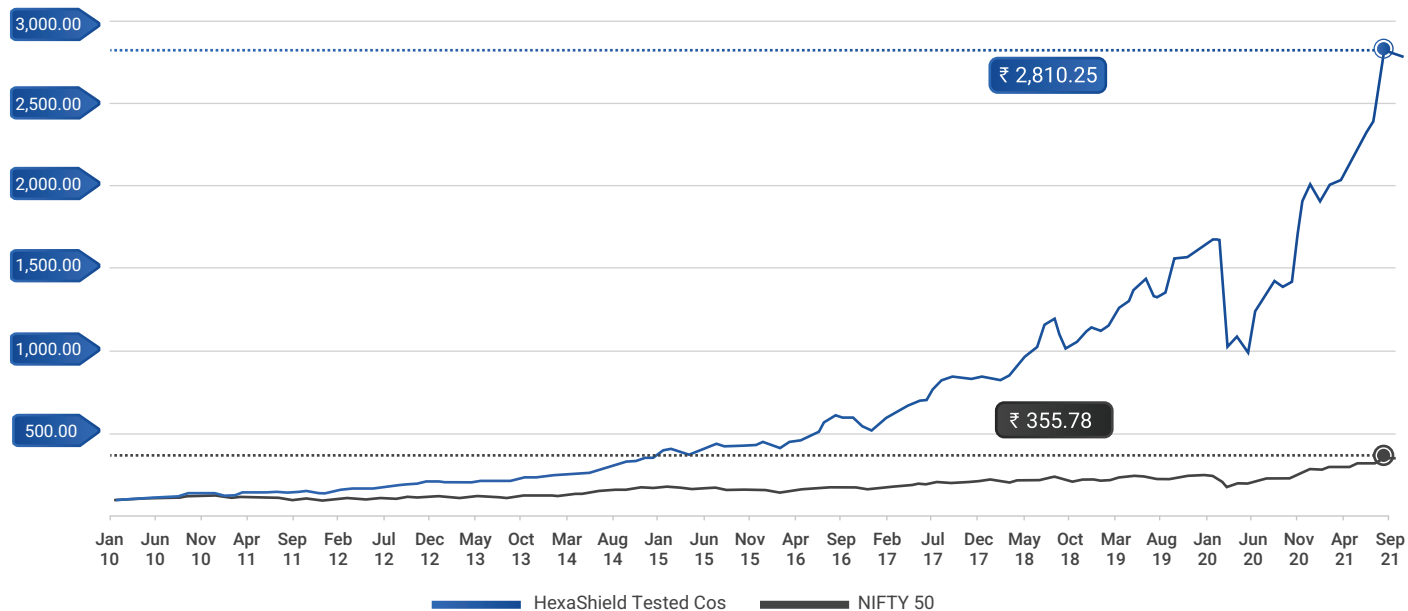
HexaShield Test : **Fail**



Because of the rigorous HexaShield tested process, out of a universe of over 67000+ listed Global and Indian equities, our investible universe is narrowed down to a select group of ~125 companies across the world. In fact, in India, only 15 out of the NIFTY 50 companies pass the HexaShield test for inclusion in the investible universe.

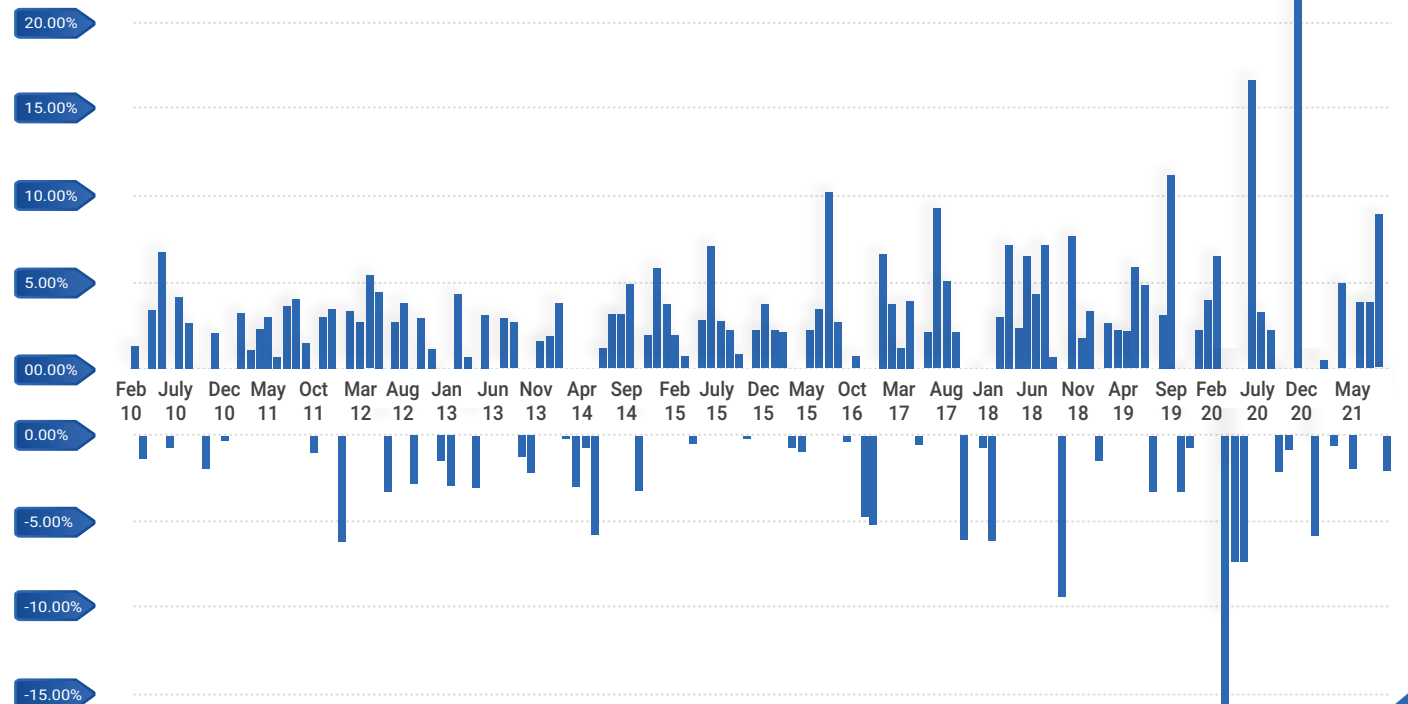


The results of a backtest of the HexaShield tested framework clearly illustrate that HexaShield tested businesses not only reduce risk but significantly generate higher long term risk adjusted return.



Note:

The above graph is for conceptual illustration and explanation only. The above graph tracks an equal-weighted allocation to 15 HexaShield tested companies of the NIFTY that pass Samco's HexaShield test as on 1st Jan 2010. It assumes Rs. 6.67 invested equally in each of the 15 companies and tracks price performance of the same. The 15 HexaShield tested businesses that passed HexaShield test as on 1st Jan 2010 are BAJAJAUTO, WIPRO, HCLTECH, HINDUNILVR, ASIANPAINT, ITC, DIVISLAB, NESTLEIND, INFY, TCS, BAJFINANCE, BAJAJFINSV, HDFCBANK, HDFC, KOTAKBANK. Past hypothetical illustrative back test results are neither an indicator nor a guarantee of future results. Actual results shall vary from analysis. Samco makes no representation or warranty, either expressed or implied regarding future performance. In the preparation of the graph, the AMC has used information that is publicly available, including information developed in-house. However, the AMC does not warrant the accuracy, reasonableness and/ or completeness of any information.



Monthly Excess Return

HexaShield Tested Business

Average Monthly Excess Return	1.62%
Total Number of Months	140
Number of Months of Outperformance	95
% of Months	68%
Average Excess Return in Outperforming months	3.72%
Average Less Return in Underperforming months	-2.80%

Note:

The above table computes monthly returns of investment portfolio of equal weighted allocation to 15 HexaShield tested companies of the NIFTY that pass SAMCO's HexaShield test as on 1st Jan 2010. It assumes Rs. 6.67 invested equally in each of the 15 companies and tracks monthly return data of the constructed portfolio. The above table is for conceptual illustration and explanation only. Past hypothetical illustrative back test results are neither an indicator nor a guarantee of future results. Actual results shall vary from analysis. Samco makes no representation or warranty, either expressed or implied regarding future performance. In the preparation of the graph, the AMC has used information that is publicly available, including information developed in-house. However, the AMC does not warrant the accuracy, reasonableness and/ or completeness of any information.

As an asset manager, Samco is committed to offer products that are truly HexaShield tested and that can generate superior risk-adjusted returns over the long term.

Investment is subject to a lot of fads and cycles. A good example was the Infra mania from 2004-2008 when Infra, power and capital good stocks rose to valuations which could not be supported by any rational analysis. If you weren't invested in these stocks in that period (and we wouldn't have been because they would have failed our HexaShield tests) then you would have underperformed the market. We would be happy to have done so, as we would never own a share in a company that we did not think was both good and at worst fairly valued. We would not own something because it is fashionable and might go up, because eventually, it goes down, usually by a lot.

Pioneering transparency and truly Active Funds

The average equity fund manager owns far too many stocks and in effect tracks the index. The result is that investors are getting an index fund less the manager's fees and costs of dealing, which is also expensive. This structure makes underperformance against the index inevitable.

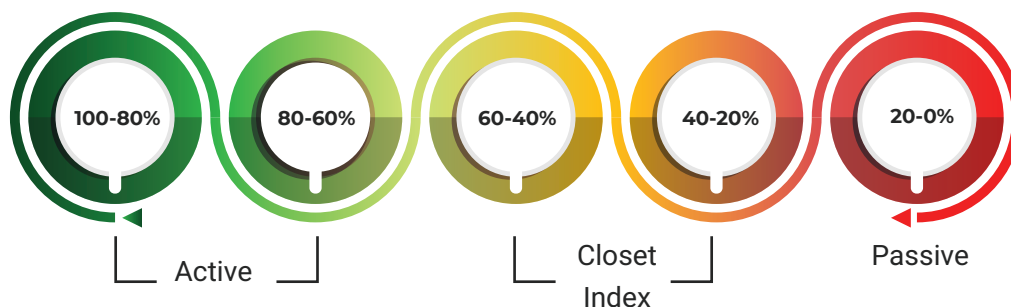
Why do fund managers do this? Because for them the greatest risk is not underperforming the index with investors money, it is stepping out of line with their peers, especially if they fail. Warren Buffett famously said, 'Failing conventionally is the route to go; as a group, lemmings may have a rotten image, but no individual lemming has ever received bad press.

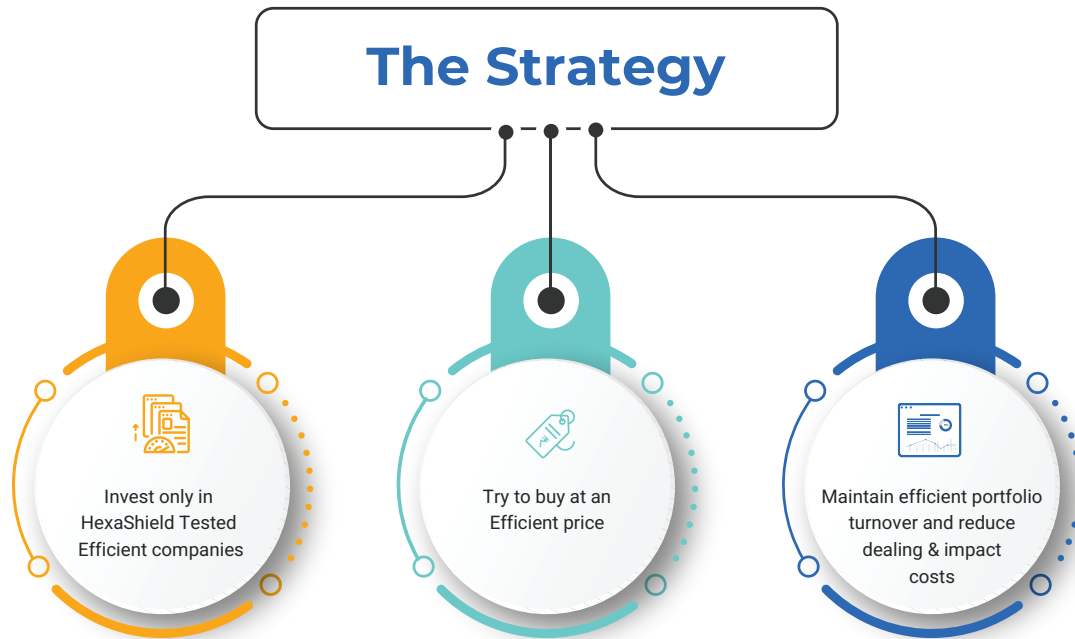
Moving away from the crowd, Samco Mutual Fund will transparently disclose active share to Indian Investors, so they know that when they are paying a fee, it's certainly for buying something widely different from the Index.

Active share measures the fraction of a portfolio (based on position weights) that differs from the benchmark index. The only way that an equity fund manager can outperform a given benchmark is by taking positions that differ from those in the benchmark. Active share will always fall between 0% and 100% where 0% will indicate a truly passive index fund and a higher percentage closer to 100% will show true active management with portfolio stocks diverging from the benchmark. The active share measure was developed by Martijn Cremers and Antti Petajisto, both Yale professors.

A high level of active share demonstrates that we manage a truly distinctive portfolio. Our value offering to our investors is building a sufficiently diversified portfolio while pursuing our goal to outperform our benchmarks over the long-term. To this end, our portfolio will have high conviction investments in 15 to 25 companies that we believe have significant potential and are truly HexaShield tested.

Active Share Levels





HexaShield Invest only in efficient HexaShield tested companies

Our strategy endeavours to invest in only the most efficient HexaShield tested companies. Samco's HexaShield tested framework strictly defines and quantifies the definition of a high-quality business. Our investable universe is restricted to a limited set of ~125 businesses from India and the Globe that pass our stringent HexaShield tests and we will construct a portfolio of 25 stocks from this universe.

What is an efficient HexaShield tested company?

A company that has the ability to sustainably generate a high return on capital in cash adjusted for discretionary growth expenditures. We typically seek businesses that make a 25% + adjusted return on capital.

Let's break this down:



A. We are seeking a high return on capital business that generates its returns in cash and on an un-levered basis

Return on capital employed is the single most important financial metric while evaluating a business. Not EPS, Not ROE, but ROCE.

If you invest in a fixed deposit, you want to know the rate of interest, If you own a bond, you want to know the redemption yield. If you invest in a fund, you want to know what sort of returns it can deliver. The same is applicable while evaluating a company as well where you ought to know what returns it makes on the capital employed.

Additionally, if you own shares for long periods of time, the returns they deliver will move towards the company's return on capital. This is a simple mathematical equation as we will explain in subsequent sections.

Also, it's important for the business to generate most of its return in the form of free cash because if there's no cash, how does one even judge if the return is real or not? Companies can do all sorts of accounting gimmickry to demonstrate an accounting return on capital but unless we see that in cash, it's a pass for us.

It's also important that companies earn a high return on their capital on an unleveraged basis. Companies that need a disproportionate amount of debt to generate returns, usually end up having stressed balance sheets with no room for error and consequently, extremely high risk. Companies that form a part of our portfolios survive our HexaShield tests with excellent score. These businesses can function without debt as well and are likely to have no impact even if lines of credit were withdrawn at any time. Companies such as Microsoft, Hindustan Unilever or Nestle have excellent balance sheet strength and will remain solvent even in extremely stressful situations. On the other hand, a lot of companies in the telecom, utilities, textiles, metals, aviation space amongst others have balance sheets that are barely solvent and any exogenous shock puts them on the brink of bankruptcy.

B. We are seeking businesses that make investments for growth and therefore we look at the adjusted return on capital employed

Traditional accounting return on capital employed ignores one important aspect. Very often, a lot of revenue expenditures that are made through the P&L are actually of a capital expenditure nature. These usually are R&D expenses, discretionary advertising and promotional expenses and even salaries paid to technology teams like developers. Usually these expenses are incurred and debited to the P&L Income statement, however, these outflows are made for building intangible assets. Now, we wouldn't want to penalise companies for investing in R&D and building their brand right?

Let's take an example. In recently reported annual earnings, Facebook (now Meta platforms) reported a net income of \$ 29.14 billion. However, it also incurred R&D expenses of \$ 18.44 billion dollars in the same period. These R&D expenses were incurred for building long term intangible assets and solidifying Facebook's dominant position. Now we wouldn't want to penalise Facebook for building these assets right? We, therefore, rely on a metric we call the adjusted return on capital employed.

We estimate the amount of these expenses that are essential of capital nature, we notionally capitalise them, apply an amortisation factor and adjust earnings to derive the adjusted return on capital employed.

So, even while companies may appear to be losing money basis traditional accounting methodology, it's core business generates a ton of free cash flow which is re-invested for R&D or brand building. These kinds of businesses do pass our HexaShield tests and form a part of our investible universe.

Our process clearly implies and demonstrates that we are looking for companies with growth potential.

We firmly believe that the holy grail in investing is companies not only being able to generate a high return on capital but also have a high re-investment rate at an incrementally similar or higher ROCE. What this means is, while we are happy that our companies may generate Rs. 25 on every Rs. 100 invested, we also want our companies to retain a large part of these earnings (ideally 100% of 25) and generate a 25% return in the following year on a invested capital base at Rs. 125 i.e. generate Rs. 31.25 in earnings the next year. Over time, this should compound shareholders' wealth by generating more than a rupee of stock market value for each rupee reinvested.

It's pretty obvious from the above, unlike most investors, we absolutely hate it when our companies declare dividends instead of reinvesting earnings back into the business.

This does not mean growth at any cost. The growth must be profitable of course, generating high returns on the additional capital invested into the business to enable this growth.

The growth that we look for is achieved through either increases in volume or increases in price. We prefer a mixture of both. The ability to increase product prices above the rate of inflation is the most profitable way to grow and communicates to us that the company has a healthy competitive position selling products or services which are strongly desired by their customers. However, growth through price increases alone can result in undesired competition for weaker players or the unorganised sector as well.

On the other hand, growth through additional unit volumes almost always requires more cost, in manufacturing capacity, the volume of materials used to produce the products, as well as distribution to customers. But increasing scale in this way will eventually make your market position more difficult to compete against, unlike growing through price alone, with further benefit that volume growth can sometimes continue almost indefinitely. Several companies operating in the consumer space such as Colgate, Castrol have high returns on capital but usually fail growth and re-investment HexaShield tests due to their inability to grow volumes in already well-penetrated markets.

Usually the source of growth and large re-investment opportunities that we seek come from playing out trends/themes such as - new product & category development, globalisation of local products or services, under penetrated consumption of essential goods/services, Ageing population, Urbanisation of rural markets, shift to premiumization, etc.



Disclaimer: The above mentioned stocks are not recommendations in any form, Image is for illustration purposes only.

C. We are looking for businesses that can sustain their returns on capital across cycles

It is important to note that we are not just looking for a high rate of return on capital. We are seeking a sustainably high rate of return which means we would like our businesses to sustain these returns across cycles and time periods.

What contributes to the sustainability of these high returns?

i. Repeat purchases from consumers

An important contributor to sustainable returns is repeated business from consumers. A company that sells many small items each day is better able to earn more consistent returns over the years than a company whose business is cyclical, like a steel manufacturer, or “lumpy”, as a property developer.

Even business services companies may have a source of consistent repeat business, and some capital goods companies like elevator manufacturers (Eg. Kone, etc) earn much of their revenue, and sometimes more than all their profits, from the provision of servicing and spare parts to their installed base of equipment. These companies very well clear our HexaShield tests.

ii. Essential nature of products or services

The source of high sustainable returns is the fact that consumers feel the need to consume products or services even in tough times due to their essential nature. This is why we don't prefer companies with products/services that have a life that can be extended. When consumers hit hard times, they can defer replacing their cars, houses and appliances, but not food and toiletries. You could always defer buying a car from Maruti or buying a home from Godrej Properties, but if you need to take a blood test, you cannot defer the same and would have to go to a Dr Lal Pathlabs or a Metropolis without much choice.

This rules out most businesses that do not sell directly to consumers or which make goods that are not consumed at short and regular intervals. Capital goods companies sell to businesses; business buyers are able to defer purchases of such products when the business cycle turns down. Moreover, business buyers employ staff whose sole reason is to drive down the cost of purchase and lengthen their payment terms.

However, not all companies which sell capital goods or which sell to businesses are outside our investible universe as we discussed cases of services companies or capital goods companies with installed bases as above.

iii. Intangible Asset base

There are 2 types of businesses in the world. One where returns on capital are subject to the law of mean reversion and the other where they are not. The law of mean reversion states that returns must revert to the average as new capital is attracted to business activities earning super-normal returns.

Companies that have sustainably high returns can do this because their most important assets are Intangible assets which can be very difficult to replicate, no matter how much capital a competitor is willing to spend. These companies do not over-rely on physical assets, which can be replicated by anyone with access to capital. Moreover, it's hard for companies to replicate these intangible assets using borrowed funds, as banks tend to favour businesses with tangible assets. This means that the business does not suffer from economically irrational (or at least innumerate) competitors when credit is freely available.

The kind of intangible assets we seek are brand names* (Asian Paints & Pidilite in consumer durables), dominant market share (alphabet in search advertising), patents, distribution networks (Bajaj Finserv/ Bajaj Finance), installed bases (Kone) and client relationships (Workday, Microsoft, TCS, etc). Some combination of such intangibles defines a company's franchise.

iv. Management with long runway

One of the most important sources of long term sustainable returns is management having the ability and freedom to operate for long periods of time. We are often amused when CEO contracts/terms run out at the end of 3 years or 5 years. How do you expect a CEO with a mere 3-5 year vision to make long term decisions that will impact the outcome of the company in 10-15-20 years from now?

This approach rules out most organisations where leadership appointments are made not based on merit but based on some random bureaucratic process.

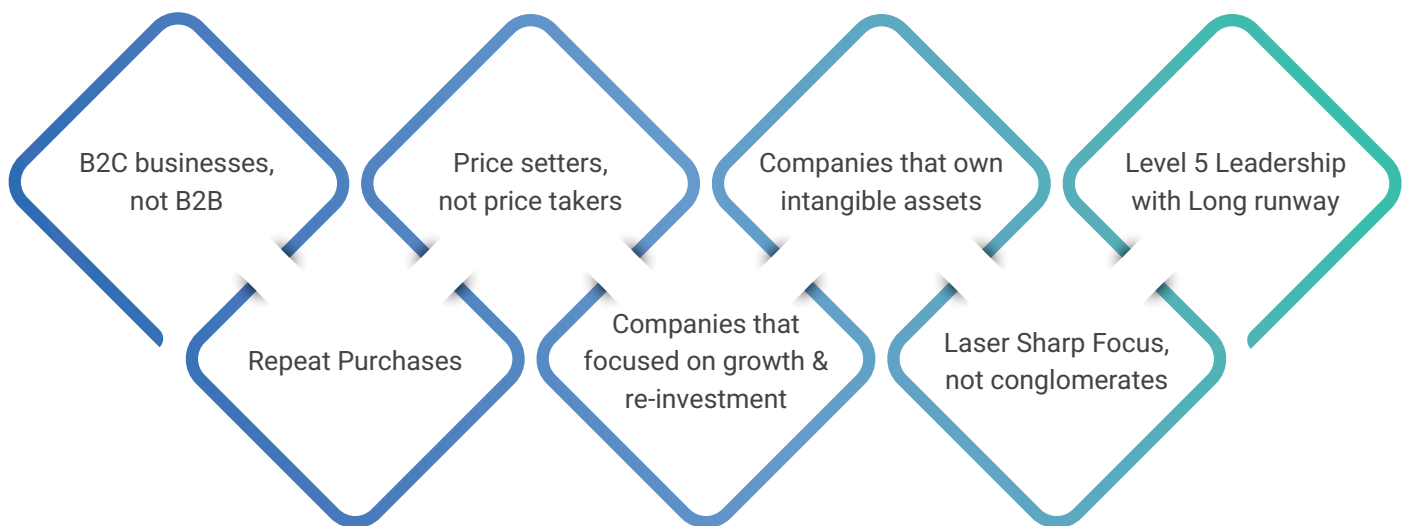
** Disclaimer: The views expressed herein are subject to change based on market and other conditions.*

v. Laser-sharp focus & no conglomerate structures

It's important for the businesses that we invest in to be laser sharp focused on the products and services that they build and the business segments that they operate in.

It is important that the organisations not only know what they can be best in the world at but also know what they cannot be best in the world at. The idea is to find the competency at which you can truly be the best in the world and then discard any other competencies. There are only a few things that businesses can be best at and we prefer our companies to stick to their core business competency. Only when the companies indulge in things that they are best at and really passionate about, can they produce results that exceed expectations that we set.

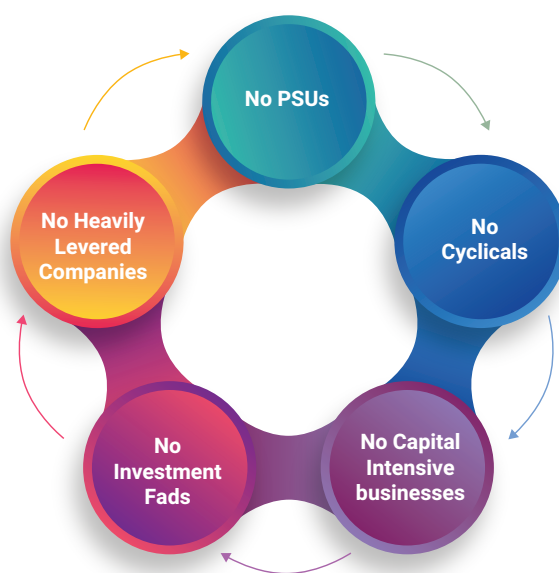
Natural extensions to product segments are fine but we definitely are not fans of unrelated diversification. This rules out conglomerates engaged in every business. How often can you be the best at and passionate if you are in the steel, cement, oil & gas, telecom and retail business at the same time?



What will not form a part of the portfolio?

As a result of our stringent investible universe, a lot of sectors/themes/stories may not form a part of our portfolio. These may include PSU companies, cyclical businesses, short term investment fads relying on the greater fool theory, capital intensive social sectors like power, etc.

What will not form a part of the portfolio?



One of the most fundamental reasons why we will avoid these are due to what we call the 50/80 rule. The 50/80 rule implies that there is a 50% chance that stock prices of these companies will fall by 80% and there is an 80% chance that stock prices will fall 50%. We typically are trying to avoid such businesses with such deep drawdowns for the simple reason, that the deeper the drawdown, the harder is the road to recovery.

Try to buy at an efficient price

Even for the highest quality companies, there will be a valuation at which they are no longer attractive investments which is why it's important that we don't end up paying inefficient prices for our wonderful HexaShield tested efficient businesses. We understand that our universe of companies will always be more expensive than the rest of the market and we are willing to pay that premium for the quality but we constantly remind ourselves of trying to avoid paying too large a premium. This is important because we want our companies to invest for growth and not refrain from making growth expenditures.

We try to value companies based on a metric we refer to as the adjusted free cash flow yield. The adjusted free cash flow yield is derived by computing the free cash flow to equity shareholders but after adding Capex like revenue expenditures (like R&D, advertising, technology costs) and capital expenditures which are not needed to maintain the business.

We compare this adjusted free cash flow yield (the free cash flow as a percentage of the company's market value) across the universe of listed peers in local/global markets and also to other asset classes like bonds and we will only buy when we believe that the relative yield is reasonable vis-a-vis the rest of the comparative universe.



Maintain efficient portfolio turnover and reduce dealing & impact costs

Many investors are unaware of precisely how much they are being charged for their investment activity, so let's have a look at the costs the average investor might incur.

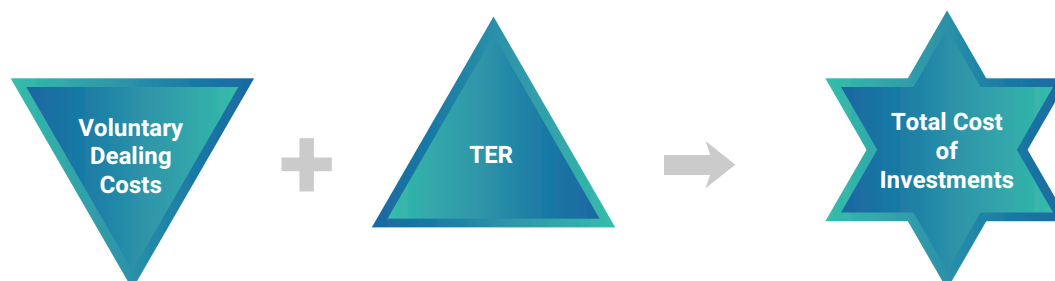
Investors believe that the total expense ratio is the only cost that is incurred by them as a part of their investments. But there is also a hidden cost that is not disclosed in any of these figures: the cost of dealing within the fund. When a scheme or an investor deals in stocks, he or she pays brokerage commissions, securities transaction tax at 0.1 per cent, exchange transaction charges, stamp duty, turnover fees and the difference between the broker's bid and offer prices (the spread) often referred to as the impact cost.

Our internal research suggests that hyperactive fund managers who run portfolio turnovers exceeding 100%, end up incurring these additional undisclosed costs of up to 1.4 per cent each year on top of the "total" expense ratio.

The third pillar of our strategy is aimed at reducing these hidden costs and consequently improving performance. After managing to buy good companies at reasonable prices (or better) we hope that we need to take no further action. This will then facilitate the compounding of our investments over time as the companies continue to reinvest their cash flows. This also minimises the frictional cost of trading.

Samco Mutual fund is the first mutual fund in India that will transparently disclose all voluntary dealing costs. Voluntary dealing costs are all costs incurred by the fund manager for purchases and sales excluding the costs incurred for involuntary transactions such as fund inflows/outflows. This shall be computed as a percentage of the AUM. This will help investors compute the total cost of investments which is a sum of the TER and voluntary dealing costs.

Samco AMC to be India's first AMC to disclose Voluntary Dealing Costs



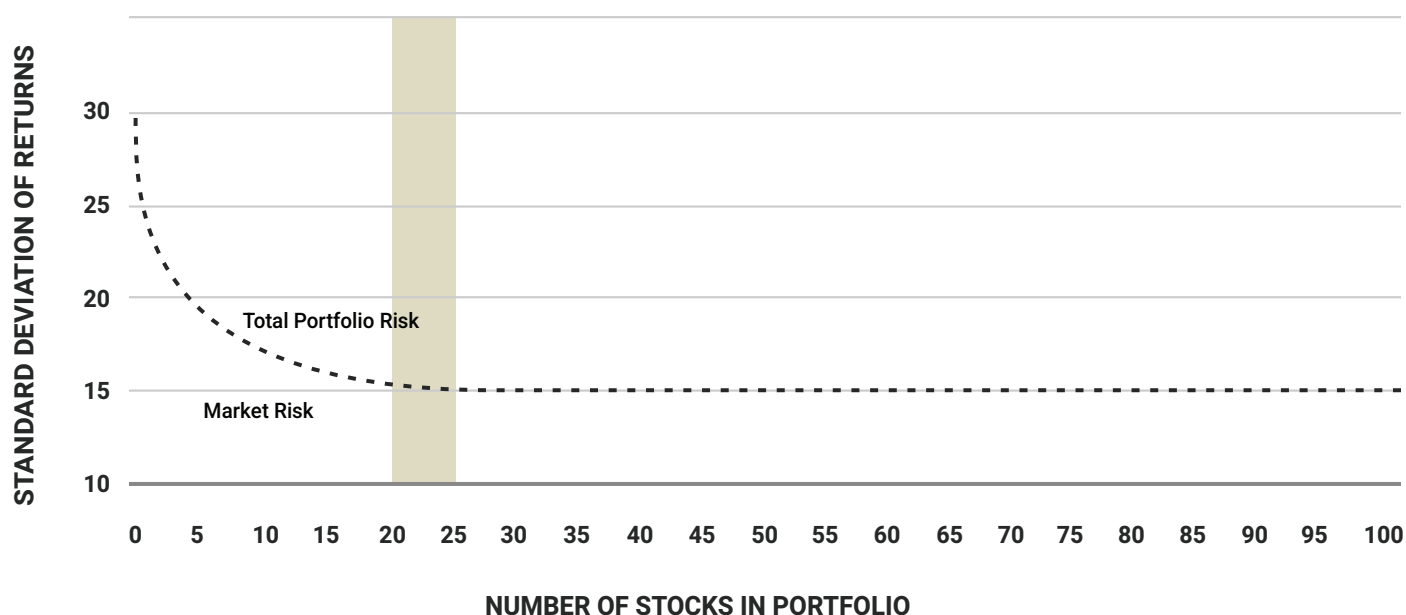
Portfolio Construction

25 Portfolio of 25 stocks

We aim to build a portfolio of 25 HexaShield tested efficient businesses. While some may argue that this may be a concentrated portfolio, we respectfully disagree with the same.

Burton Malkiel, a strong proponent of diversification, says in *A Random Walk Down Wall Street* :

“By the time the portfolio contains close to 20 equal-sized and well-diversified issues, the total risk (standard deviation of returns) of the portfolio is reduced by 70%. Further increase in the number of holdings does not produce any significant further risk reduction.”



Research has clearly shown that you can achieve close to optimal diversity with 20 stocks and we feel extremely comfortable with a 25 stock portfolio which is a great balance of diversification and concentration at the same time.



We seek high growth businesses in India and globally

We firmly believe that some of the best investment opportunities come from across the world. We also firmly believe that Indian investors should not restrict their investment opportunities to the boundaries of the country. One major advantage of investing with a global perspective is the ability to contrast and compare growth rates and valuations of companies from all geographies.

While we would love to have no restrictions on weightings, our portfolio will operate with a weighting structure of 65% in Indian Equities and 35% in Global Equities. This will ensure that Indian investors can continue to enjoy the benefits of equity long term capital gains taxation under the existing Indian Income-tax laws.



No derivatives, no hedging

We often hear mutual fund disclaimers with statements such as “read all scheme related documents carefully.” But the average scheme information document runs across hundreds of pages (average of over 150+ pages) mostly because fund managers desire to have the flexibility to invest in every asset class such as bonds, NCDs, derivatives, commercial paper, etc albeit in an equity fund.

Samco's Scheme Information document is the simplest in the Industry with equity exposure. We only have 3 permissible assets - Indian Equities, Global Equities and TREPS Instruments (Cash equivalent).

Our policy is not to hedge either our stock holdings via complex derivative strategies or currency derivatives. We will also not hedge our global currency exposure. The simple reason is that we cannot know what any individual company's currency exposure is without knowing what hedging if any, it has conducted in its own treasury operations. Further, we don't know which currencies will depreciate and which will appreciate and the cost of hedging sometimes doesn't justify the benefits thereof. If at all investors feel the need to hedge, they can always do so at an individual level for the global exposure of the portfolio.



A well-defined exit framework

A lot of emphasis in the investment process is laid on what are the kind of stocks that should be bought or when should a stock be bought, but very little is said or written about when you should exit a stock. At Samco, we follow a strict and well-defined exit framework and will only exit when one of the following exit criteria is met.

- **A company that subsequently fails the HexaShield test as a part of our ongoing evaluations**
While we follow a buy and hold strategy, we definitely do not follow a buy and forget strategy. There will be plenty of action in terms of continually testing our HexaShield tests results against new information we discover while constantly reviewing the news and results concerning the companies we invest in. If as a part of our ongoing evaluations, a company that had passed the HexaShield test earlier subsequently fails the HexaShield test, we will exit the same irrespective of what weight it may carry as a part of our portfolios.
- **We end up finding an extremely compelling opportunity outside our 25 stock portfolio from our ~125 stock investible universe** : Our endeavour is to run a portfolio of 25 names to strike a balance between concentration and diversification. At the same time, we will remain invested at all times. This means that if at all, we do end up finding an extremely compelling opportunity from our investible universe, we will exit our weakest lowest-ranked stock to make space for a new stock.
- **Our winners hit the prescribed 10% ceiling** : Our fund strategy relies on the framework of letting our winners run. However, if there is a soft breach where our winners exceed 10% of the assets of the fund, as prescribed by SEBI, we will trim our exposure to comply and bring our holdings back to permissible levels.

- **Valuation becomes indefensible** : There may be times when as a part of market cycles, valuations and prices of our businesses hit skyrocket levels. While we do not intend to book profits and let our winners run, however, if we see evidence of short term impatient capital buying out longer-term patient capital as a part of market behaviour, we may define such price levels as indefensible and exit such stocks.

Samco Trustee Private Limited Board of Directors



Ghyanendra Nath Bajpai

Independent Director

G N Bajpai is a distinguished leader in Indian business and is on the Board of Advisors of Indian Army Group Insurance Fund and a Member of Governing Board of National Insurance Academy. Previously he was the Chairman of the Securities and Exchange Board of India (SEBI) and Chairman of the Life Insurance Corporation of India (LIC). He was also the Non-Executive Chairman at National Stock Exchange, Stock Holding Corporation of India, LIC Housing Finance Ltd, LIC International EC Bahrain, and LIC Nepal Ltd. Mr. Bajpai was also the Chairman of Indian's National Pension Trust Board and has served as the Governing Board of Indian Institute of Management, Lucknow.

Prabhat Kumar

Independent Director

Prabhat Kumar is a retired Civil Servant. An Indian Administrative Service (IAS) of 1963 batch, Uttar Pradesh Cadre. He served as the Cabinet Secretary between 1998 and 2000. He was the first Governor of the newly created State of Jharkhand in November 2000.

Mr. Kumar has also served as secretary to the Ministry of Textiles before his appointment as the cabinet secretary.





Shailesh Ramji Ghedia

Independent Director

Shailesh Ghedia has over 35 years of experience in managing in the field of Direct and Indirect Taxes, Bank Audits, Project Finance and Management Consultancy. For the past 26 years, he has been associated with Investors' Grievance Forum (IGF) a SEBI registered NGO working in the field of investors' protection as founder general secretary.

Vipul Jayantilal Modi

Associate Director

Vipul Modi has over 30 years of experience in managing group of businesses of Corporate and Transaction advisory, Broking and Real Estate with expertise in the field of Corporate Laws, Taxation and Finance. He was also associated as an erstwhile member of (1) SEBI constituted Group on review of Issue Process 2007 (GRIP). (2) SEBI constituted – Primary Market Advisory Committee. (3) SEBI constituted – Committee of delisting which inter alia suggested reverse book building for delisting.



Samco Asset Management Private Limited

Board of Directors



Jimeet Vipul Modi

Associate Director

Jimeet Vipul Modi is a Rank Holder Chartered Accountant and Founder & CEO of the Samco Group. Under his leadership, Samco operates under a wide range of financial service businesses including equity and commodity broking, depository services, equity research, mutual fund research and distribution. He has a career spanning over 15 years with rich experience in equity research, investment analysis and technology.

Ashok Kacker

Independent Director

Ashok Kacker has more than 3 decades of experience working in the Government as an Indian Revenue Service (IRS – Income Tax) Officer. After seeking voluntary retirement from the Government in 2007 (while working as a Chief Commissioner of Income Tax), he is currently involved in providing Financial Consultancy Services. During his long years with the Government, he has held important senior positions both in Executive Capacities and Policy formulation roles. He was also former ED at SEBI.





Kanu H Doshi

Associate Director

Kanu H Doshi is a senior Chartered Accountant &, at present, Professor Emeritus - Finance, at Welingkar Institute Of Management (now WeSchool Matunga, Mumbai). He teaches Corporate Tax Planning, Investment Banking, and allied subjects in Business Management Courses. Till recently, he was Dean-Finance at WeSchool, having been appointed in the year 2002. He has been an Independent Director for several years on the Boards of many companies. Until recently, he was Independent Director with Reliance Nippon Life Asset Management Limited, Edelweiss Asset Management Ltd, and Motilal Oswal Asset Management Ltd.

Ishwar Naik

Independent Director

Ishwar Naik is practicing as a Chartered Accountant since 1984, practising in the field of Statutory Audit, Internal Audit, Income Tax, Company Law, FEMA, Mergers & Acquisitions. As a consultant, he is actively involved with various group of Companies having a diversified business interests in varied industries as a consultant.



Governance Structure & Management Team

All investment decisions of the SAMCO FlexiCap fund are governed by an Investment Committee comprising of Samco AMC's leadership team.



Jimeet Modi

Associate Director

Mr. Modi is a rank holder Chartered Accountant (All India Rank - 9) and Founder & CEO of the Samco Group. Under his leadership, SAMCO operates under a wide range of financial services business including equity and commodity broking, depository services, equity research, mutual fund research and distribution. He has a career spanning over 15+ years with rich experience in equity research, investment analysis and technology.

Umesh Kumar Mehta

Chief Executive Officer

Umesh Kumar Mehta has over 20 years of experience in the financial services industry. Prior to Samco AMC, he headed Samco Group Research Team and managed Public Relations through regular interaction in Business Channels and Print Media. He has extensive experience in analysing Business Models, assessing Balance Sheets, Profit and Loss accounts and has rated and ranked almost all companies listed on the National Stock Exchange. He has been associated with the group for the last fifteen years in various capacities.



Nirali Bhansali

Fund Manager

Nirali Bhansali (B.E., MBA-Finance) has 7+ years of experience in capital markets and investment research. She has cleared 2 levels of CFA and was a key member in developing Samco's stock rating matrix. Her active involvement in creating StockBaskets has enabled the baskets to outperform benchmarks. She has appeared as a market expert on many media & business news platforms such as Bloomberg Quint, Money9 Live, CNBC TV18. Her deep understanding of fundamentals has enabled her to provide cutting edge insights.

Dhawal Dhanani

Dedicated Fund Manager - Overseas

Dhawal Dhanani is a Chartered Accountant from the Institute of Chartered Accountants of India. He is an expert at reviewing company reports and analysing financial statements. He has developed comprehensive understanding of Fortune 500 companies across industries.



Paras Matalia

Head of Equity Research

Paras Matalia (B.Com, C.A.) has a rich experience of 6+ years in capital markets and auditing large MNCs. He started his career as an equity research analyst for creating StockBasket and went on to be a key member in creating the stock rating matrix and MosDex with Samco. He also assisted with the creation of the proprietary HexaShield framework. He has a good understanding of fundamental analysis and is a focused long-term oriented person.

C. Balasubramanian

Company Secretary & Compliance Officer

Balasubramanian has over 11 years of experience in the Mutual Fund industry in the fields of Compliance, Secretarial and Legal. He is a qualified Company Secretary and holds degree in Law and Commerce. Prior to the current assignment, he was associated with ITI Asset Management Limited as Head - Compliance, Secretarial & Legal. He has also been associated with Union Mutual Fund, Nippon Life Mutual Fund and Sundaram Mutual Fund.



Dictionary

Search for a word



efficient

/i'fɪʃ(ə)nt/

adjective

1. Buying efficient companies at efficient prices maintaining efficient cost
"Samco Flexi Cap Fund"

2. Samco Flexi Cap Fund
Visit www.samcomf.com to invest

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Samco Flexi Cap Fund

(An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks)

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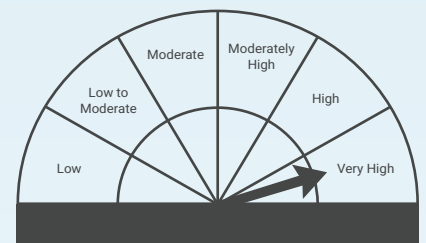
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This product is suitable for investors who are seeking *:

- To generate long-term capital growth;
- Investment in Indian & foreign equity instruments across market capitalization;

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Risk-o-meter



Investors understand that their principal will be at very high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.