



# Thematic Alphamatter

ALPHANITI WHITE PAPER

## Thematic Alphamatters

### Strategy Description:

Thematic alphamatters have been launched in order to allow new investors to experience the benefits of adopting a portfolio based approach towards investing in direct equities. All thematic alphamatters are typically based on secular themes that have a long investment lifespan and enjoy the benefits of active management by the Investment Team at Alphaniti.

### Key Product Features:

Product Style	Thematic
Sector Focus	Agnostic
Risk Profile	AGGRESSIVE
Market Cap Focus	Multi-Cap Approach
Number of Stocks	10
Relevant Benchmark	Nifty 500
Rebalancing Periodicity	Quarterly
Weights	
- Cap	15%
- Floor	5%
Liquidity Criteria	Avg Daily Turnover Last 6 Months
- Large Caps	=>INR 100mn
- Mid Caps	=>INR 30mn
- Small Caps	=>INR 10mn

### Product Creation Process:

- Head – Investments and the investment team are responsible for management of baskets on a daily basis
- Once a broad thematic basket is finalized by Head – Investments under advice from Investment Committee members, subsequent stock identification selection process is based on running a proprietary stock scoring system that scores each candidate for its Fundamentals, Technical structure, Valuation and Shareholding Holding Structure.
- Companies that receive a high score are selected for further due diligence by the investment team:
  - Fundamental analysis of financial statements, perusing of company annual reports, analyst presentations, quarterly con-call transcripts etc
  - Through quantitative analysis using combination of widely used technical parameters such as Price Volume Analysis, Shareholding Analysis, moving averages, RSI, relative strength etc

- Given liquidity and circuit filter constraints, the inherent bias of the Investment team is towards selection of Mega Cap, Large Cap and Large Midcap stocks with adequate daily liquidity in the counter.
- Head – Investments presents likely candidates to the Investment Committee post which a thorough discussion is done on inclusions and exclusions in the basket
- Post the discussion, Head – Investments populates the final basket structure for approval from the Investment Committee team
- Based on majority voting process (3 out of 5 minimum votes), the basket is then approved for deployment on the platform

### **Product Maintenance & Periodical Rebalancing Process:**

- Each Basket is rebalanced post the completion of the earnings seasons, viz., within 10 days from 28<sup>th</sup> Feb, 31<sup>st</sup> May, 15<sup>th</sup> August and 15<sup>th</sup> November
- The Investment Team runs its proprietary stock scoring system on the entire universe including the current holdings across all thematic alphamatters.
- Based on the scores arrived at, the team will then look at probable exits or reduction in weightages and replacement candidates for the same from within the Alphaniti universe
- Each stock in the Alphaniti Basket Universe (Current candidates as well as replacement candidates) undergo detailed due diligence which includes reviewing quarterly financial performance, collation of key business highlights from quarterly analyst presentations and earnings calls and decrypting price volume behaviour since the last rebalancing date
- Head – Investments will propose possible rebalancing options for each basket which will be thoroughly deliberated by the Investment Committee team
- Upon receiving majority votes (3 out of 5 minimum votes), the rebalancing proposals are finalized and given to the engineering team for deployment on the platform
- The weight of each stock is then realigned as per the fresh weightages assigned by the Investment Committee team which shall result in periodical profit booking of certain stocks that have shown significant outperformance and averaging down on high conviction candidates that continue to be a part of the portfolio despite underperformance for that particular period.
- Post deployment, email reminders / alerts are sent to every investor who holds that particular basket with a link which directs him/her to the rebalancing page

### **How are exceptions Handled outside of Fixed Rebalancing Dates?**

- If there is any overnight material / adverse corporate event, the Head – Investments shall call for an urgent IC meeting
- Possible course of action / potential replacement candidates will be discussed with the IC and only upon receiving majority votes (4 out of 5 minimum votes), the stock replacement is communicated to the engineering team
- Overnight alerts will be sent to every investor who holds the particular stock in any basket and is prompted to replace the stock with replacement candidate

- Stock replacement rationale in brief shall be shared with all impacted investors in this case

## General Disclaimer and Risk Factors

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