

ASK Investment Managers: Unwavering focus on quality and growth

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Public



Laser sharp focus

The cornerstone of our time and cycle tested investment philosophy is capital preservation and appreciation. We aim to achieve this through an unwavering focus on holding high-quality companies with immense growth potential. Our preferences are crystal clear.

For us, the greater certainty of earnings takes precedence over mere quantum of earnings growth. Similarly, we like companies that have superior and consistent quality of earnings. More importantly, we aim to buy these high-quality companies at a reasonable price, instead of picking up inferior quality companies just because they are trading at a cheap price.

Our portfolio managers look for these traits when selecting stocks: the size of opportunity, superior management quality, strong earnings growth, superior quality of business and favourable valuations. Given our focus on fundamental based investing with long-term compounding focus has helped to deliver superior returns. For instance, since inception in 2010, ASK IEP has delivered 18% CAGR, outperforming BSE 500 (14% CAGR) significantly. Similarly, ASK Growth has delivered 19% CAGR since 2001, compared to 16% of BSE 500 over last 23 years. Note that ASK Growth Portfolio is the only PMS in India which has a track record of 23+ years.

Portfolio Performance	1 Year	Since Inception*
ASK IEP	28%	18%
ASK Growth	33%	19%

**Inception date of ASK IEP: 25 Jan 2010, ASK Growth Portfolio: 29 Jan 2001. Performance as on 30 Sep 2024*

Not only in the long-term, in the shorter-run our flagship portfolios have delivered superior risk-adjusted returns of 28%+ in the last 1 year.

Market Leader

Our laser sharp focus has enabled to grow our assets over the last three decades. We are one of India's largest discretionary equity portfolio managers (listed equities, excluding FPI), details of top 5 managers are highlighted below:

AMC Name	Closing PMS AUM Rs crs (Listed equities)
ASK Investment Managers	22,948
ICICI Prudential Asset Management	20,153
Unifi Capital	19,875
Motilal Oswal Asset Management	14,701
Abakkus Asset Manager LLP	14,159

Source: SEBI, ASK IM, as on Sep 2024

As on Sep 2024, ASK Investment Managers have total equity assets of approximately ₹34,400 crore across different platforms: PMS, AIF, Advisory and Offshore.

Consistent high-quality compounders

We believe in creating robust returns for our clients in the long run. This is why we hold stocks through turbulent times as our invested companies tend to have the resilience to weather market storms. Traits like a strong business model and prudent capital allocation help the companies to tide over the volatility. This is depicted over the last 5 years, as our portfolio businesses have scored better in terms of Sales, ROCE and PAT growth as compared to Nifty50 companies.

	5 Years CAGR as on FY24		
	Sales	ROCE*	PAT
ASK IEP	16%	36%	24%
ASK Growth	15%	34%	25%
Nifty50	14%	N.A.	16%

Source: ASK IM Research, Bloomberg *ROCE for FY24

But this doesn't mean we aren't nimble. We believe that portfolios must be agile and adaptable to take advantage of the ever-changing landscape of the economy and stock markets. This is why we have made some key changes over the last one year to take advantage of fresh opportunities like India's massive infrastructure and manufacturing push. So, ASK Indian Entrepreneur Portfolio's churn ratio over the last 1-year (ending September 2024) is just at 23%, which accounts for 63% of our total PMS AuM.

Cycles are inevitable

It's important to understand that all investment strategies go through different cycles. Such is the nature of the beast. Despite superior earnings, quality and growth stocks have been laggard on a relative basis over the last 18 to 24 months. This resulted in flattish price performance for these companies in spite of growth in their earnings. This has led to relative underperformance of our portfolios. ASK Investment Managers, being seasoned PMS player in the industry, has witnessed more impact on account of large base. During this time, we have been communicating our views by way of communiques, webinars and client calls and reiterating our conviction in quality and growth investment style.

At the same time, other industry managers were focused on mid / small / micro cap / momentum-oriented businesses. It should also be noted that industry has witnessed traction in close-ended AIF in recent years, protected by steep exit loads, thereby making exit challenging for those investors.

Monthly Performance	Nifty 200 Momentum 30	Nifty 50 Value 20	Nifty 100 Low Volatility 30	Nifty 200 Quality 30
Jan-24	6%	3%	1%	0%
Feb-24	4%	3%	4%	1%
Mar-24	3%	-1%	1%	0%
Apr-24	6%	2%	-1%	1%
May-24	5%	-1%	0%	4%
Jun-24	2%	4%	5%	4%
Jul-24	5%	8%	6%	8%
Aug-24	1%	2%	3%	3%
Sep-24	1%	1%	4%	2%

Source: ASK IM Research, Capital Line

Post the election outcome in June 2024, we have witnessed that quality and low volatility stocks have been recovering as the broad-based rally cools off, as evident in the monthly returns of the indices shown in the above table.

Our track record shows that conviction pays off over the long run and this is why we urge our clients to stay the course and enjoy the benefits of compounding (eighth wonder of the world, according to Albert Einstein).

Way Forward

We believe that the conditions are ripe for quality businesses to make a comeback. Globally, economic growth rates are neither robust nor are we in middle of a recession. Keeping in mind the growth rates and inflation numbers, we believe that the monetary conditions could ease, while fiscal conditions will be tight for both global and Indian economy.

In periods of such economic growth, usually companies with a track record of sustained growth and profitability thrive. Hence, quality companies, that typically generate higher returns on capital and have more resilient business models, are attractive during volatile times.

Invariably, we see quality companies outperforming in periods of economic uncertainty, market volatility and a low-interest rate cycle. These companies have strong financial, stable earnings, business moats and lower debt levels, which allow them to navigate challenging economic conditions.

Our core philosophy of investing in quality businesses remains intact. Our portfolios are stacked with quality businesses that are built on the bedrock of capital efficiency and superior quality of earnings. And these businesses have immense potential for growth. Simply put, a combination of robust earnings growth and capital allocation puts ASK IM portfolios in a strong position going forward.

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