

PRESS RELEASE

Samco Mutual Fund introduces “Stress Tested Investing” and proposes to launch truly Active Funds with high active share

- For the first time in India, Samco Asset Management Pvt Ltd (SAMCO AMC) introduces Stress Tested Investing.
- To launch funds and schemes only comprising of companies passing SAMCO’s proprietary HexaShield stress test framework.
- To be the first AMC in India to transparently disclose “Active Share” daily and endeavors to launch truly active funds with high active share.

Mumbai, September 14th, 2021: Samco Mutual Fund Introduces “Stress Tested Investing”. Stress Tested investing is a strategy to put to work money with businesses that can endure and survive in a variety of stressful situations and generate long term risk adjusted returns. Each business is put through a series of six rigorous tests defined by SAMCO’s proprietary HexaShield framework and only businesses that pass the HexaShield test shall form a part of the investable universe.

The premise of Stress Tested Investing lies in 2 core beliefs. Firstly, lives of businesses have gotten shorter over the years due to constant disruptions and businesses need to be truly resilient to survive in the marketplace and create shareholder value. Second, the best businesses are the ones that over an extended period can employ large amounts of incremental capital at very high rates of return. Simply put, can they be true compounding machines generating high RoCE and reinvesting at an incrementally high RoIC.

SAMCO’s HexaShield framework is designed to stress test whether a business can survive across a variety of macro and micro economic pressures and truly be compounding machine.

The six facets of HexaShield framework and some illustrative (not exhaustive) stress tests that each business is put through:

- Reinvestment & Growth Stress Tests
 - Does the business have opportunity to grow and reinvest capital at incrementally high ROIC?
- Corporate Governance and Leadership Stress Tests
 - Is the board truly independent? Is there a key man risk? Is there governance risk due to multiple businesses or pledges?
- Cash Flow Stress Tests
 - The Cash Suffocation test
- Balance Sheet & Debt Stress Tests
 - Can the business survive insolvency stress tests? Or survive mismatches in asset liability schedules?
- Balance Sheet & Debt Stress Tests
 - Can the business survive if it is put through extreme competitive intensity?
- Regulatory Stress Tests
 - Are regulatory pressures going to act as entry barriers or act as impediment to growth?

Most listed companies end up failing the stress test. In fact, only 15 out of NIFTY 50 index constituents pass SAMCO’s stress test framework. Only a limited number of companies that pass the stress test certified via the HexaShield framework will find place in the SAMCO Mutual Fund’s scheme portfolio. These stress tested business have demonstrated capabilities to generate much superior risk adjusted returns.

For the time in India, Samco Asset Management Pvt Ltd (SAMCO AMC) to disclose daily Active Share of its schemes.

One of the primary reasons that active funds underperform their index is that the average equity fund manager owns far too many stocks and in effect tracks the index. So, the result is that investors are getting is in fact an index fund less the manager's fees. This structure makes underperformance against the index inevitable. This phenomenon is referred to as Closet Indexing or Index Hugging.

Active Share measures the fraction of a portfolio (based on position weights) that differs from the benchmark index. The Active Share measure was developed by Martijn Cremers and Antti Petajisto, both Yale professors.

A scheme that has an active share less than 60% is in effect an Index hugger. Most active funds in the world have ended up being closet indexers.

For the first time in India, SAMCO Mutual Fund will transparently disclose daily Active Share to Indian Investors, so they know that when they are paying an active fee, it's certainly for buying something widely different from the Index.

SAMCO's Stress Test framework results in very few companies truly passing the stress test with 70% of the index components failing it. So, we will embrace divergence from the Index and disclose Active Share. In fact, SAMCO's endeavor will be to launch only truly active funds with high active share.

Jimeet Modi, Founder and Director of Samco Asset Management Pvt Ltd said "SAMCO Mutual Fund' promise to investors is to be a truly Active Stress Tested Fund. The world of asset management is going through various disruptions and SAMCO aims to be at the forefront of leading disruptions on the Active segment. We will build funds with high active share so that cost conscious investors get a truly active fund and not a closet index fund when they pay for an active TER and our stress tested investing framework gives the new age investor an authentic and not merely a generic reason to invest with us. Our endeavor would be to generate the highest risk adjusted returns for investors in the long term."

Umeshkumar Mehta, CEO of Samco Asset Management Pvt Ltd said "We are excited to enter the asset management business with a purpose to cater to the subtle needs of an investor - higher returns and lower risk with lower volatility. SAMCO AMC promises to be a truly stress tested AMC and will only launch schemes of portfolios that pass the stress tested framework. As a result, SAMCO AMC shall refrain from launching schemes in every SEBI category and will refrain from launching schemes like Infra Funds, PSU funds, Power and Energy funds, Dividend Yield funds, etc because these categories typically do not make the cut as far as passing the stress tested framework is concerned. We will truly be an asset manager and not asset gatherer."

Samco Asset Management Pvt Ltd <https://www.samcomf.com/> is the asset manager to the Samco Mutual Fund having SEBI registration No MF-077/21/03 having its registered office at 1003-A, 10th Floor, Naman Midtown, Senapati Bapat Marg, Prabhadevi(W), Mumbai 400013. The Board of Directors and Core team are annexed herewith in the Corporate Profile.

Details about the Sponsor, SAMCO Securities Limited, <https://www.samco.in/> is a wealth-tech start-up headquartered in Mumbai, which is one of India's fastest growing companies in the Discount Broking Industry with over 250000 customers.

The company aims to solve problems and at an extremely affordable cost for its customers who actively trade or invest in the Indian capital markets with the use of algorithms, data science and artificial intelligence.

Details about the Trustee Company, Samco Trustee Pvt Ltd is the trustee to Samco Mutual Fund having its registered office at 1003-A, 10th Floor, Naman Midtown, Senapati Bapat Marg, Prabhadevi(W), Mumbai 400013. The Board of Directors and their profile are annexed herewith in the Corporate Profile.

Disclaimer: Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Past performance is not an indicator of future returns.

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