

Marcellus MeritorQ*

The stocks described in the presentation do form the part of Marcellus' portfolio so we as Marcellus, our clients and our immediate relatives do have interest and stakes in the described stocks

*MeritorQ is a strategy of Marcellus capital partners LLP.

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Some timeless principles for successful investing



Buy Good Companies

- *High return on capital*
- *Solid financial condition*
- *Clean accounts*

At prices below intrinsic value

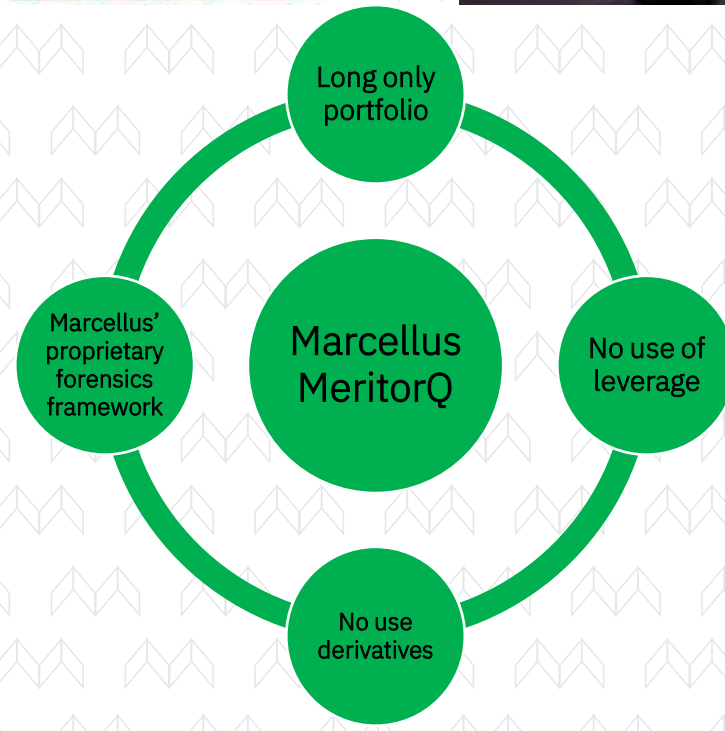
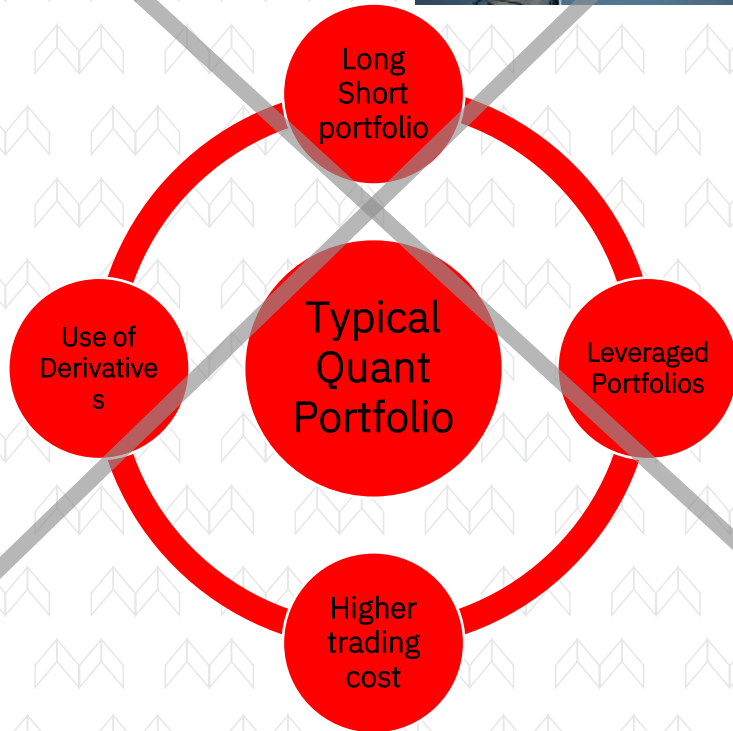
- *Discount to intrinsic value compared to rest of the market*
- *Intrinsic value based on free cash flow*

Mitigate human biases

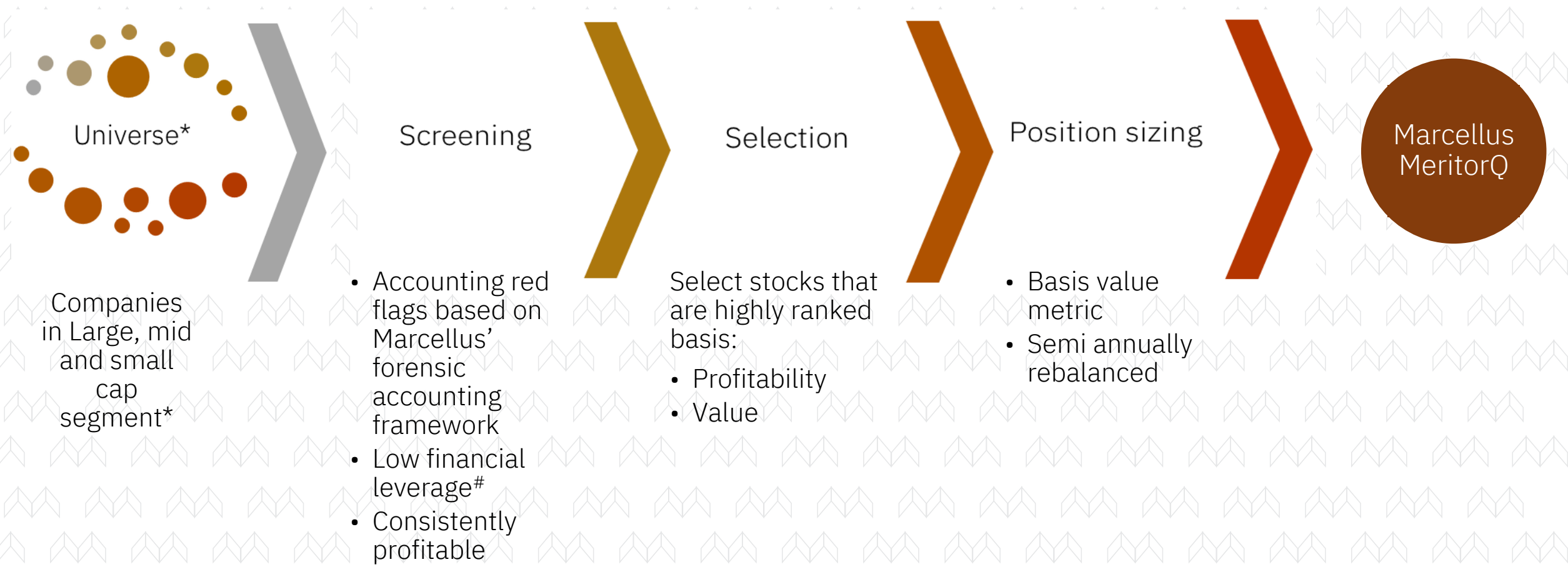
- *Avoid behavioural biases*
- *Process over discretion**

**Except where Marcellus has concerns over governance issues in selected stocks.*

MeritorQ sticks to good investing principles



Marcellus' forensic framework combined with rules based approach



*Life insurance companies not considered

#For debt-equity screening - Financials (Lenders & Non-lenders are considered separately)

Portfolio Characteristics



Sector Name	Sector Weight#
Consumer Staples	21.2%
Consumer Discretionary	18.4%
Materials	18.2%
Information Technology	17.2%
Health Care	8.9%
Industrials	6.5%
Communication Services	5.1%
Financials	2.7%
Utilities	1.2%
Others	0.6%
Total	100%



35-45 Stocks*



20-30% Weightage in Top 5 stocks

Small-Midcaps constitute 40-62%*



~50% Average Turnover*

Source: Ace Equity, Marcellus Capital Partners LLP.

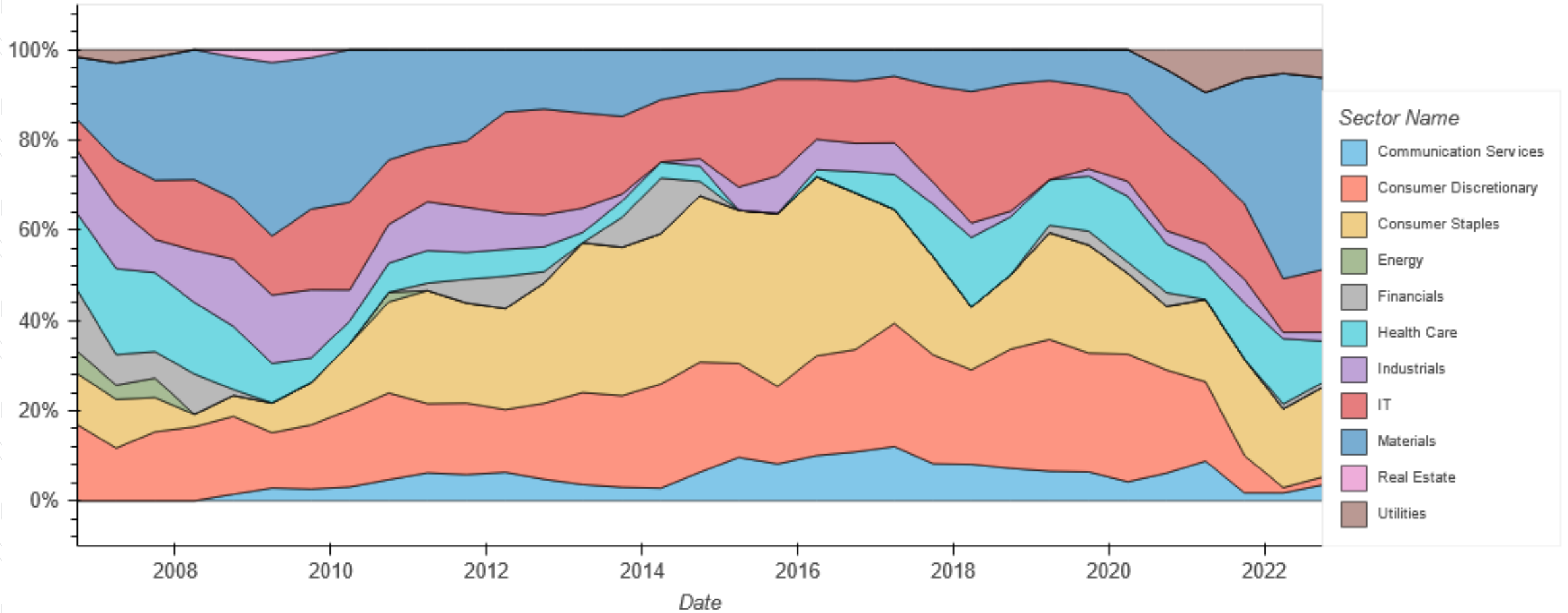
*Based on backtested results from July-2006 to September-2022

This represents the average sector weight over the backtested period.

Small and midcaps defined as companies falling in bottom 300 in terms of market capitalisation within BSE 500 index

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Sector distribution



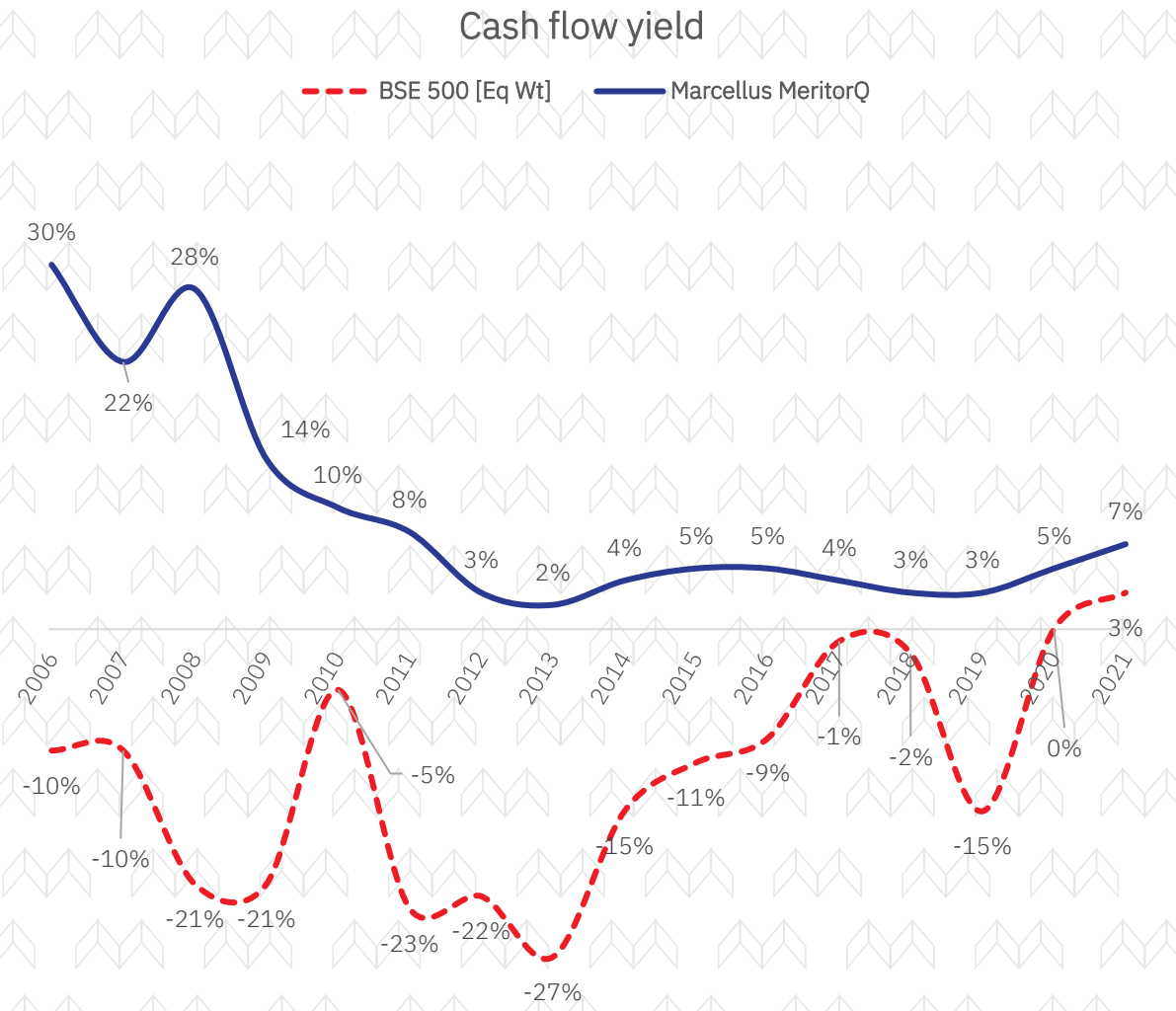
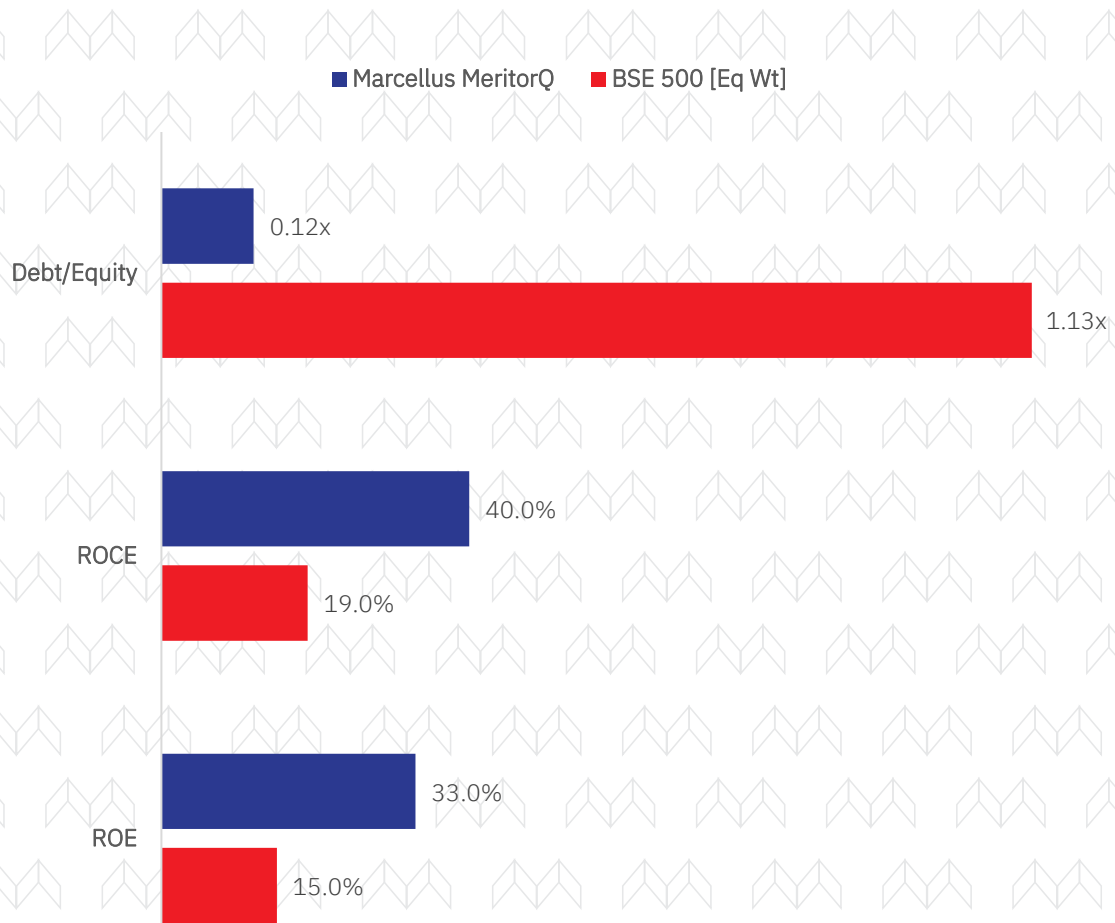
Source: Ace Equity. Based on backtested results from July-2006 to September-2022, gross of transaction cost, tax, brokerage & expenses.

Source: Marcellus Capital Partners LLP



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Portfolio Characteristics (Contd.)

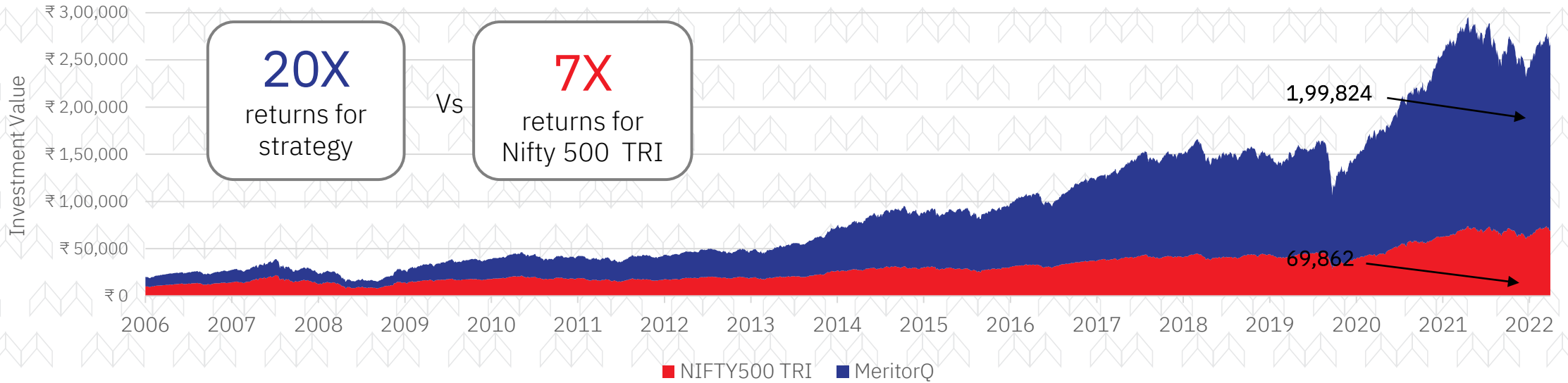


Source: Ace Equity. Only non-financials are considered for above calculation. Based on backtested results from July-2006 to September-2022, gross of transaction cost, tax, brokerage & expenses. The performance shows price returns for the stock and not Total Returns

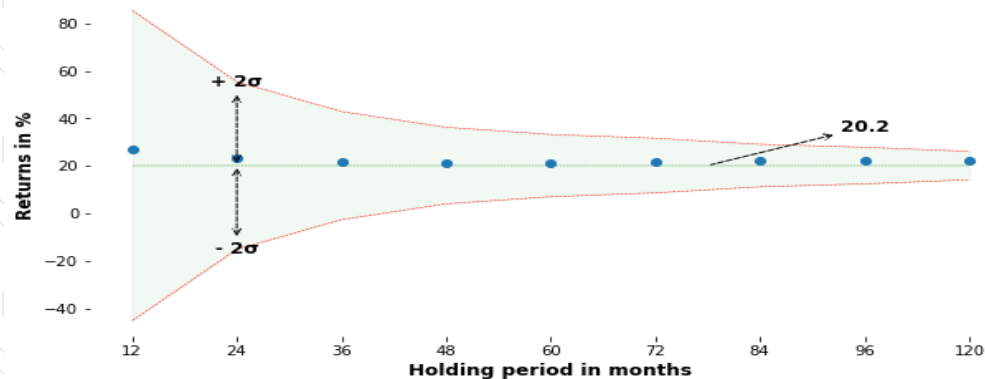
Backtested performance*



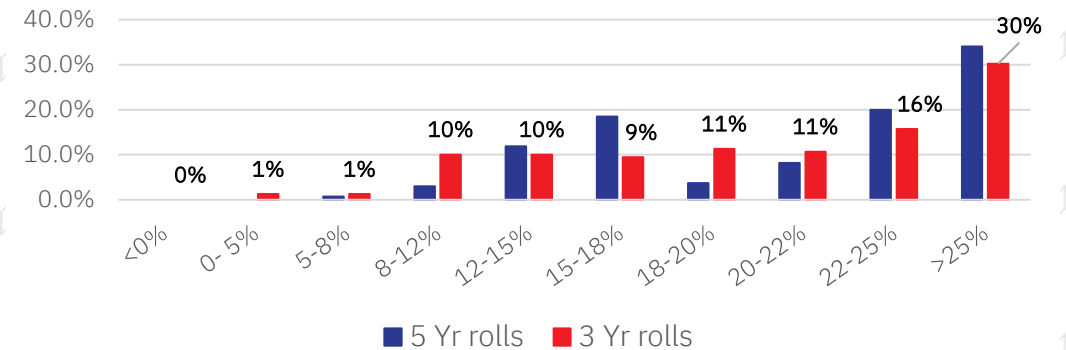
Growth of ₹10,000



Distribution of portfolio rolling returns with holding period



Distribution of rolling returns



Source: Ace Equity, Vidal, Marcellus Capital Partners LLP.

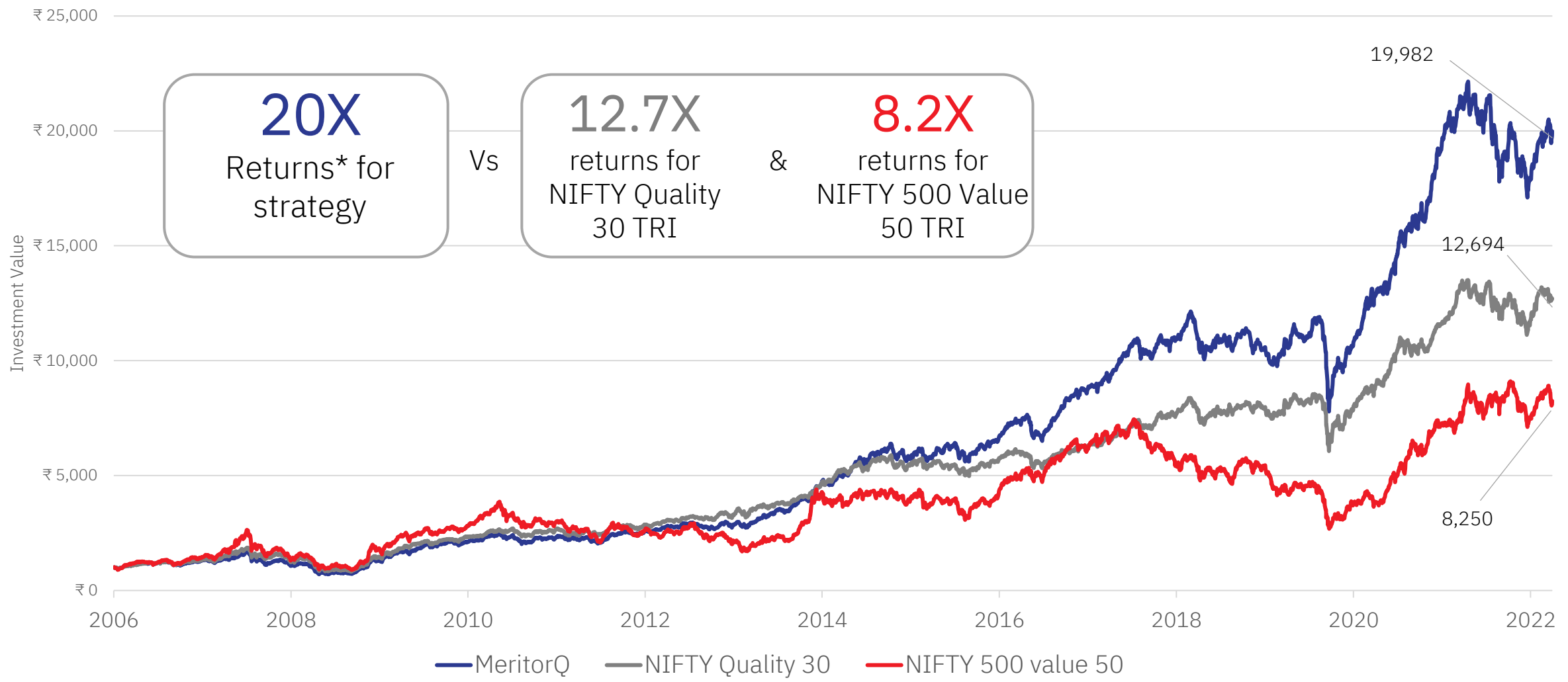
*Based on backtested results from July-2006 to September-2022, gross of transaction cost, tax, brokerage & expenses. The performance shows price returns for the stock and not Total Returns

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Comparison with factor indices



Source: Ace Equity, Vidal.

Note: Factor Indices NIFTY 200 Quality 30 TRI and NIFTY 500 Value TRI are used to merely represent the model portfolios' performance synergies to Quality and value representation

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Source: Marcellus Capital Partners LLP

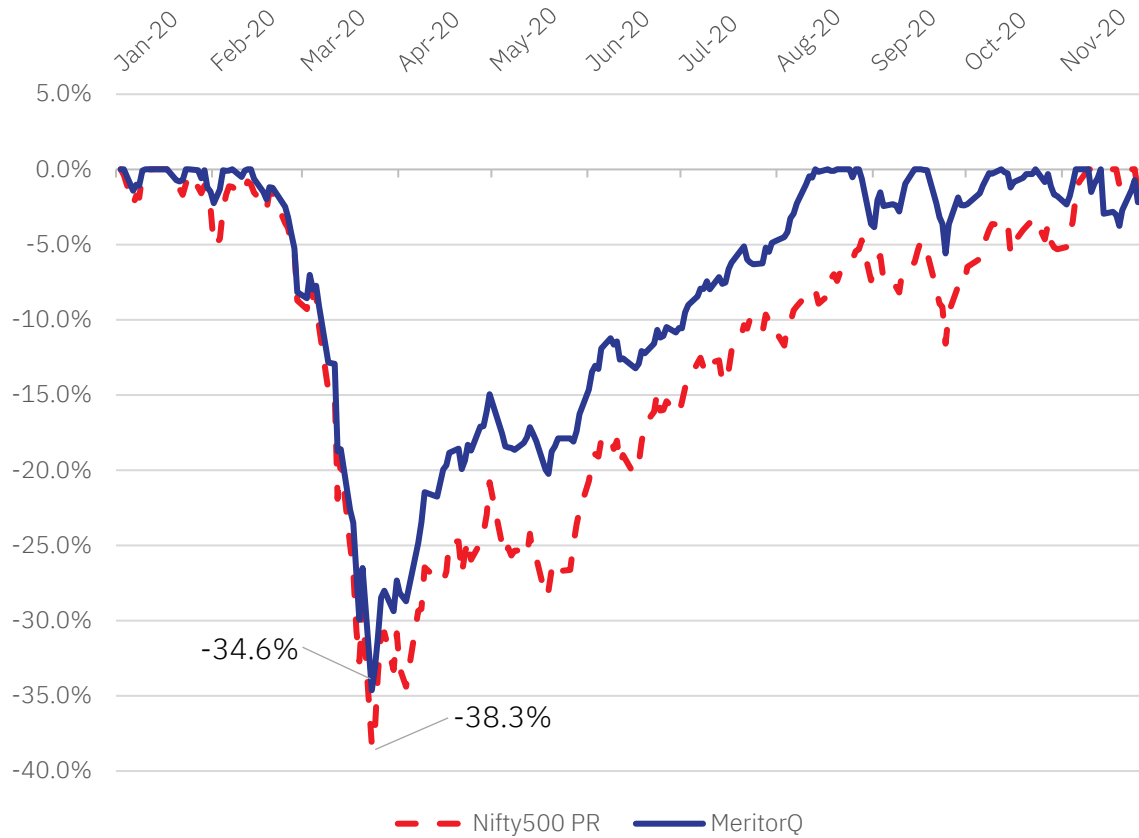


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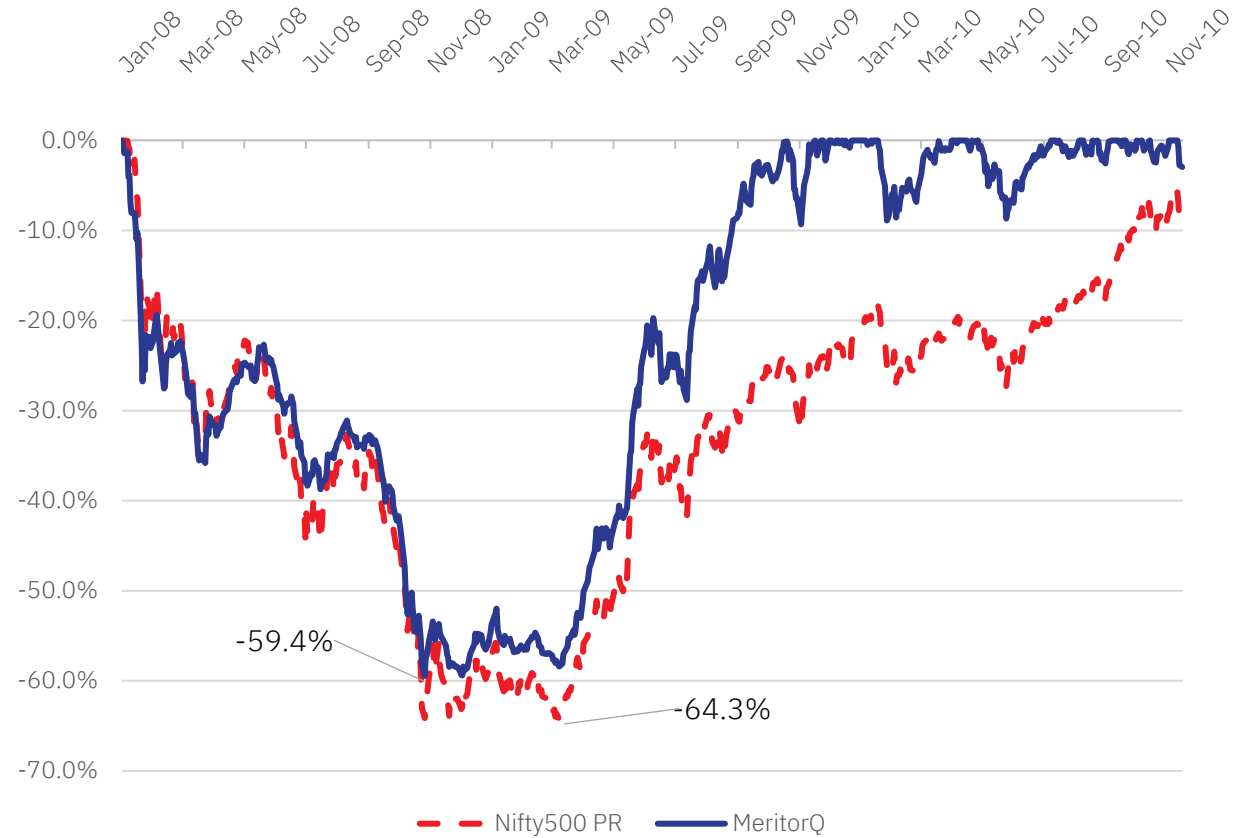
MeritorQ had lower drawdowns and recovered faster during both Global financial crisis (GFC) and Covid Crisis



Corona crisis – March 2020



GFC



Source: Ace Equity, Vidal

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Model Back tested performance: Annual Returns



Year	Nifty 500 PR	Marcellus MeritorQ*
2007	62.5	42.3
2008	-57.1	-53.5
2009	88.6	144.4
2010	14.1	24.2
2011	-27.2	-12.4
2012	31.8	38.6
2013	3.6	21.5
2014	37.8	59.5
2015	-0.7	14.2
2016	3.8	5.6
2017	35.9	58.5
2018	-3.4	2.0
2019	7.7	1.1
2020	16.7	32.4
2021	30.2	44.1
2022 -YTD	-1.1	-5.3
CAGR (July-2006 to September-2022)	11.4	20.2

Source: Ace Equity, Vidal. *Based on backtested results from July-2006 to September-2022, gross of transaction cost, tax, brokerage & expenses. The performance shows price returns for the stock and not Total Returns

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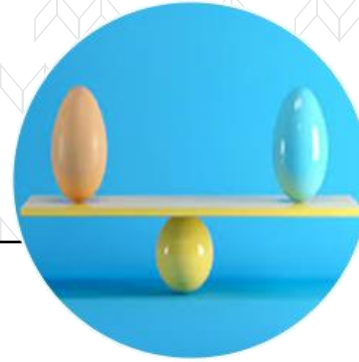
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Closing thoughts



Diversification

- Diversified exposure to uncorrelated factors like value and quality
- Possibility to capture performance from smaller companies. No market cap bias



Periodic Rebalancing

- Semi annual portfolio rebalancing and review according to rules
- Ensures portfolio is aligned to investment objectives
- Balance between portfolio churn and picking up undervalued stocks regularly



Rules based

- Method and portfolio construction tested across ~16 years of history
- Investment process over discretion*
- No portfolio manager risk
- Final portfolio and rules are actively monitored to ensure alignment with investment objectives

**Except where Marcellus has concerns over governance issues in selected stocks.*

Fee Structure



Fixed Fee: 5,000* per quarter irrespective of the amount of investment.

Recommended Minimum investment: INR 10 lacs. However, you have the option to start with minimum investment of Rs 2 lacs.

SIP option available

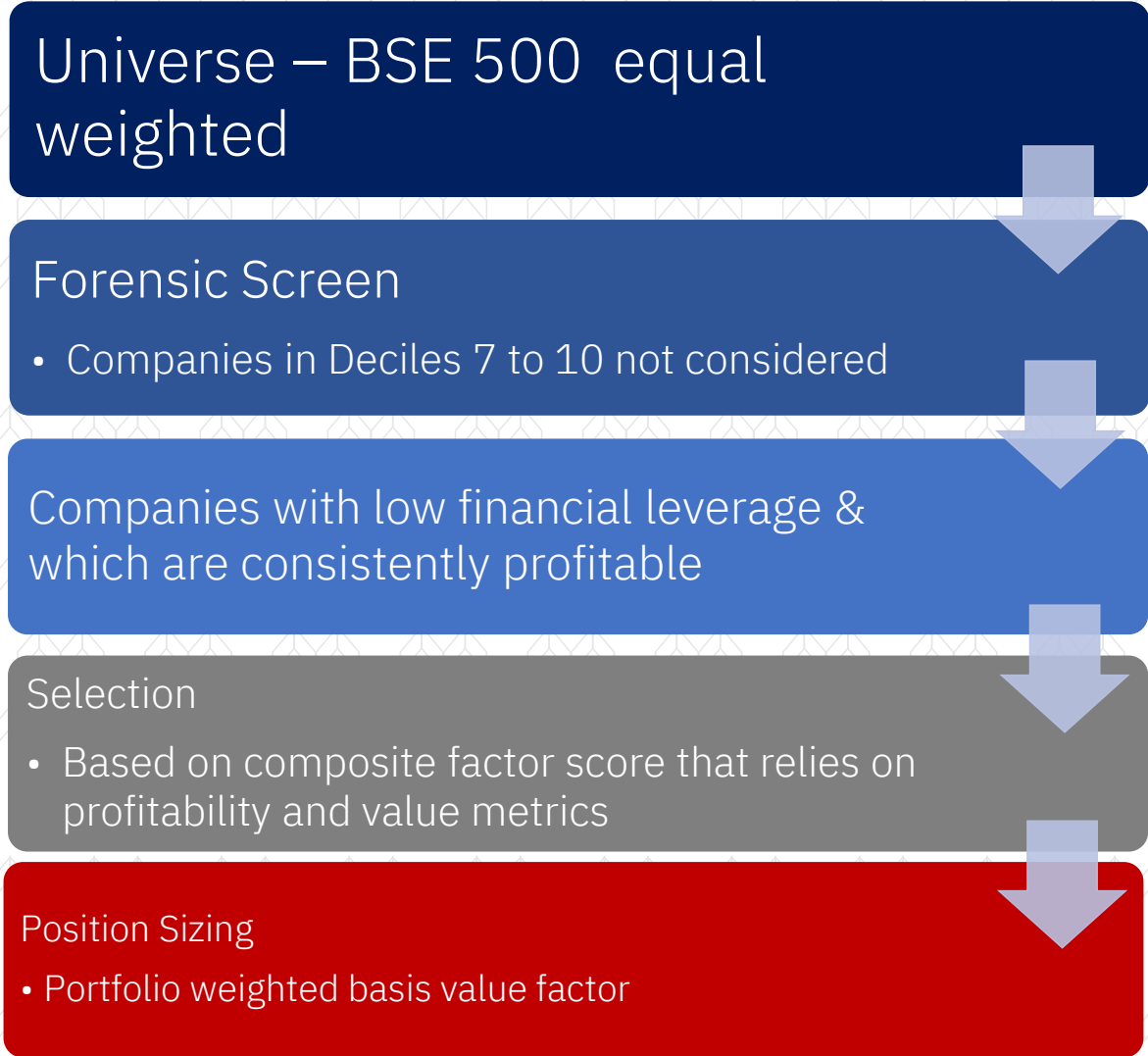
For more information on the product visit: <https://marcellus.smallcase.com/>

* Taxes as applicable



ANNEXURES

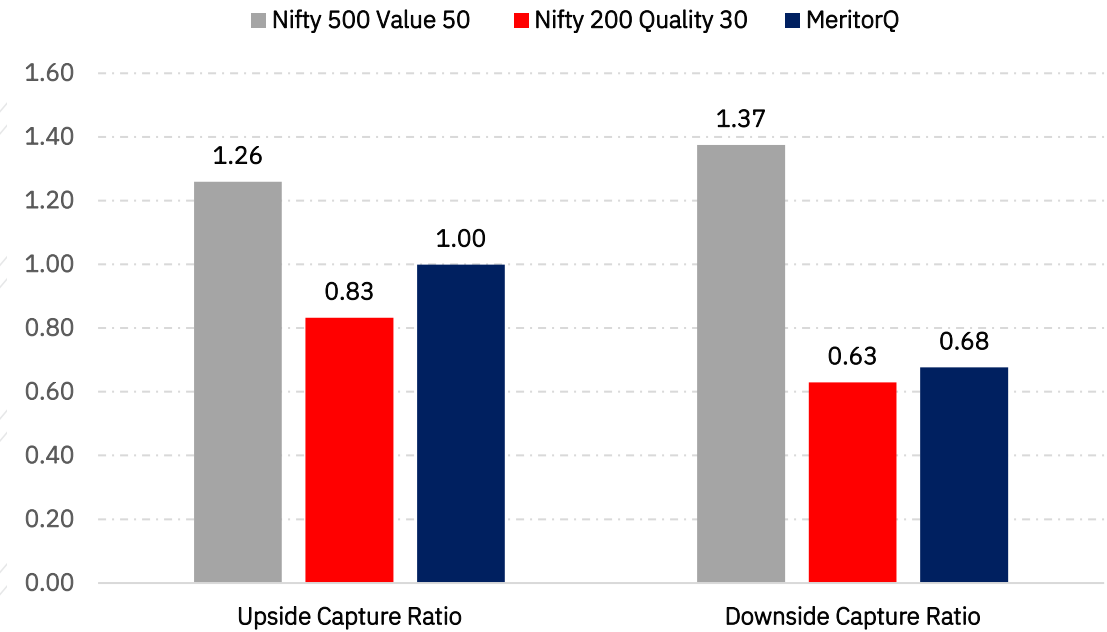
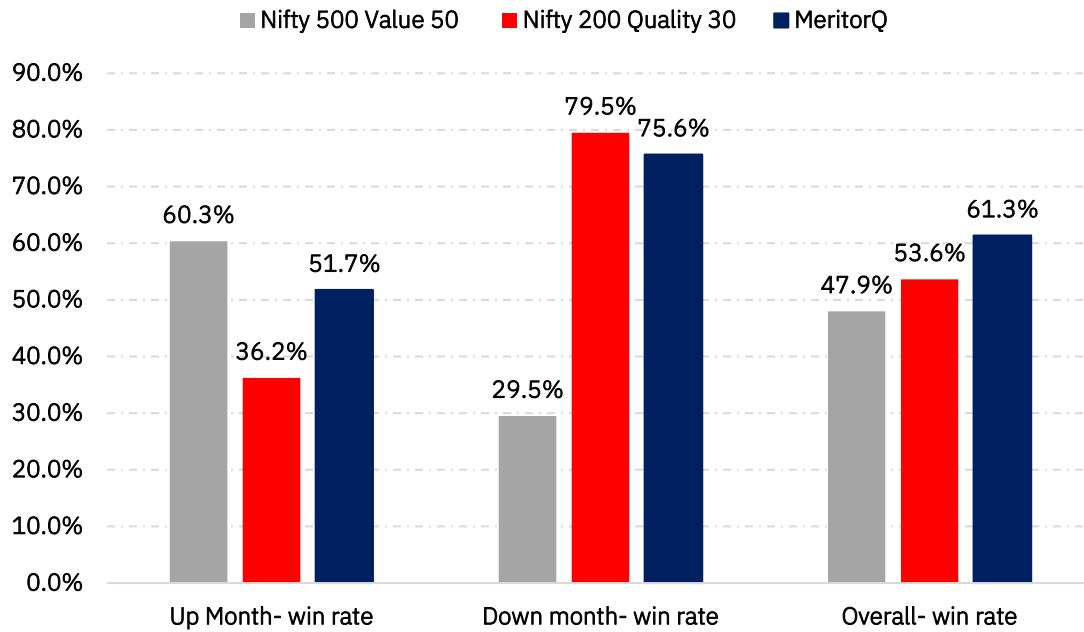
Stepwise Attribution to overall returns



Avg, 3Y rolling returns	3Y rolling Risk-adjusted returns	Number of stocks
7.9%	0.33	~500
12.8%	0.58	~270-300
17.8%	0.96	~80-100
21.4%	1.21	~30-50
22.0%	1.22	~30-50

Source: Ace Equity, Vidal, Based on backtested results from July-2006 to September-2022, gross of transaction cost, tax, brokerage & expenses. The performance shows price returns for the stock and not Total Returns
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MeritorQ's Ability to Combine Best of Both Worlds



Source: Ace Equity, Vidal, Marcellus Capital Partners LLP. Based on backtested results from July-2006 to September-2022
 All measures are calculated on price returns gross of transaction cost, tax, brokerage & expenses.
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MERITORQ

Thank You!

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Investment Advisor



Krishnan V R, CFA



Krishnan has roughly 10 years of experience spanning both equity and fixed income research. Before joining Marcellus, he was involved with the New Indexes Development team at Morningstar where he used to create quantitative rules-based equity and multi-asset investment products. Prior to Morningstar, he was an equity analyst with D.E. Shaw & Co. and a credit analyst at Goldman Sachs Asset Management (GSAM) EM Corporate Debt Team. Krishnan has a Masters in Financial Engineering from Worldquant University and a PGDM from IIM, Kozhikode.

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