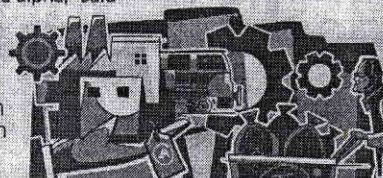


GOOD ENTRY POINT GIVEN REASONABLE VALUATIONS AND MARGIN OF SAFETY

# Auto, Pharma and Tech: Three Themes that Can Drive Alpha for Your Portfolio

As markets trade close to their all-time highs, fund managers believe investors should position their portfolios towards sectors and themes where valuations are reasonable and there is a margin of safety. "While headline valuations are still expensive, investors can look at sectors like automobiles, healthcare and technology and use a bottom-up stock picking strategy to generate alpha," said Mrinal Singh, CEO and CIO at InCred Asset Management. Automobiles have been slow to pick up post-Covid due to lower rural incomes and higher commodity prices while technology stocks have been weak due to expectations of a recession in the US, making valuations reasonable given the bullish future outlook. Healthcare stocks are showing signs of an uptick as Indian pharma companies get approvals from the US FDA. Fund managers believe investors can use a combination of lumpsum and SIPs to invest in these sectors over the next six months. Here are a few schemes in the pharma, technology and healthcare spaces which can generate alpha: —Prashant Mahesh



Sector	Scheme	AUM (₹cr)	3-Year Return (%)	Fund Manager	Top 3 Holdings
Pharma and Healthcare	DSP Healthcare	1,370	20.59	Chirag Dagli and Jay Kothari	Sun Pharma, Cipla, Apollo Hospitals
Investment Rationale	This scheme invests in companies in the pharmaceutical & healthcare space in India and overseas, with the option to have a 25% allocation to global stocks with the idea to provide access to sectors less developed or available in India. It buys into stocks across the healthcare spectrum – including pharmaceuticals, hospitals and diagnostics. The fund house believes healthcare is a structural theme. It is of the view that there are early signs of a turnaround in the base business pricing for US generics with the resumption of physical inspections by the US FDA leading to new approvals and growth opportunities.				
Pharma and Healthcare	SBI Healthcare	1,843	20.44	Tanmaya Desai and Mohit Jain	Sun Pharma, Aether Industries, Cipla
Investment Rationale	The scheme invests in a mix of companies engaged in pharmaceuticals, hospitals, medical equipment, healthcare service providers and biotechnology. Currently, it has a higher tilt towards hospitals with stocks like KIMS, Rainbow, Max Healthcare, Fortis, Global Health and Narayana Hrudayalaya. The scheme currently runs a concentrated portfolio of 22 stocks with the top five stocks accounting for 46% of the portfolio.				
Technology	ICICI Prudential Technology	10,642	29.75	Vaibhav Dusad	Infosys, TCS, Bharti Airtel
Investment Rationale	The fund manager invests in a mix of technology and companies that depend on it, keeping a strict eye on valuations. The portfolio is concentrated with the top five stocks accounting for 66% of the portfolio, but has a long tail with a total of 49 stocks in the portfolio. Wealth managers believe long-term investors could start accumulating this fund, as the near-term pain in the sector may be limited to a mild expected slowdown in the US, after which the demand outlook too may improve.				
Technology	ABSL Digital	3,643	25.03	Kunal Sangoi and Dhaval Joshi	Infosys, TCS, HCL Tech
Investment Rationale	The fund managers use a blend of value and growth and identify companies with a robust business model and a strong competitive position, and run by quality management, following a bottom-up approach to stock selection. The portfolio invests across tech and technology-dependent companies such as hardware, software, e-commerce, telecom, media and gaming.				
Automobiles	UTI Transportation and Logistics	2,293	31.67	Sachin Trivedi	M&M, Maruti, Tata Motors
Investment Rationale	The fund manager runs a concentrated portfolio of 30-35 stocks with the top five stocks accounting for 53% of the portfolio. The portfolio consists of stocks in the design, manufacture, distribution or sale of transportation components and services. Strong growth is expected in the sector on the back of favourable demographics coupled with low penetration levels and rising incomes – strong triggers for long-term investors. Logistics is at the cusp of transformation where GST, DFC and e-commerce are expected to provide significant growth drivers.				
Automobiles	Bandhan Transportation and Logistics	299	NA	Daylynn Pinto and Nishita Doshi	Tata Motors, Maruti, M&M
Investment Rationale	The fund manager follows a multi-cap approach and uses CME (Competitive Positioning, Management Quality, and Earnings Trajectory) approach to stock selection. He believes that post-Covid, the sector is at the beginning of a multi-year recovery aided by several factors such as rising income levels, increasing penetration and technological advancement.				