

UpperCrust

WEALTH CONCLAVE '23



MOATS UNLEASHED

Unlocking the Secrets of Successful Investing

12.12.23

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100 CRORE AUM

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By Durgesh Pandya
Chairman, UpperCrust Wealth

The Great Indian Moat

When COVID struck, the Indian markets erased more than four years of gains in less than four weeks.

Most of the world (and many of us) had built a thesis around how India would crumble in a pandemic, because of the sheer difficulty in managing things at a scale of 140 crore people.

In hindsight, we all know how that ended. But the one takeaway from that event, which repeated itself multiple times over is that - there is a de-linkage between size and speed in India's case.

We not only administered vaccines to the most people in record time, but, we also overhauled an entire tax system, had the highest number of digital payments, and also built the most toilets, houses and water connections in the world, faster than ever before.

And if an entire country is moving that fast, imagine the pace smaller parts can take. It's time we start readjusting our perception of pace, and the time to start doing that is now!

We had our very own experience with the Moat UpperCrust PMS, which, in a span of just 1 year grew by 2.5x, with us recently touching Rs. 100 crore in AUM.



Yes, we made it to our first Rs. 100 crore in AUM, and given what's happening around us, we sure see each incremental Rs. 100 crore taking lesser time than the previous one.

What India is going through right now provides the perfect mix for sustained long-term growth. The way we look at it, we're sitting on a once-in-a-lifetime opportunity. Especially, because what India is doing here is creating a strong moat!

moat [moht] *noun*

A term popularised by Warren Buffet, it refers to a business's ability to maintain competitive advantages to protect its long-term profits and market share.

Just like a medieval castle, the moat serves to protect those inside the fortress and their riches from outsiders.

Lets put this into perspective - (i) India's got the perfect demographics with the youngest population in the world, (ii) we've got political stability like never before, (iii) the government is operating at the perfect confluence of setting ambitious goals and being impeccable at execution, and (iv) we're doing this at better and faster than any other country in the world.

The best part? We're just getting started. Whatever has been achieved so far has been a big feat. But, there's so much more left on both physical and digital infrastructure.

Wait till we get real on increasing the average speed of trains to 160-200 kmph, building everything in India, and automating the entire power grid of the country. Or even digitising health records, implementing ONDC and the Account Aggregator ecosystem, and launching the Digital Rupee.

The outcome of this moat creation is a large scale uptick in demand, and a renewed capex cycle, which will drive economic and corporate growth to levels higher than any other country can achieve. No wonder India has become the most preferred investment destination in the world, making valuations sticky at higher levels, and forming up the perfect recipe for a sustained and longstanding bull market.

While we're chuffed about getting to Rs. 100 crore in AUM, the great Indian moat makes us confident of our approach and path to multiplying our AUM.

Join us in this remarkable journey already!



By Manish Shah
Executive Director, UpperCrust Wealth

Making the Most of Moats

In a bull market, chances are, whatever you randomly buy will make money. But making money is not the true test of a good investment. Are you beating the market? And if you are beating the market, how far behind is your portfolio leaving the market?

Simply (although it's not), you'd be able to beat the markets sustainably by doing just two things:

1. Choosing businesses that earn higher than others consistently, and
2. By paying a good price to pick up stake in those businesses

The latter usually gets taken care of as long as there is value on the table. But the former - that's the tougher one. And that's where our core philosophy comes into play - MOAT!

If you invest in businesses with impregnable moats, chances are the business will outperform, and fetch high valuations - the only two things you need for a stock to turn into a multibagger.

Our success of not just getting to an AUM of Rs. 100 crore, but also picking stocks that help us consistently outperform the markets stems from our core philosophy. Here's a little glimpse of some of our best picks over the last year.

Owned by the government, lends to the government, has NPAs of <1%

The current government has been high on spending and innovative financing, thereby boosting business for players like PFC

Gets money at low rates by virtue of being a government entity, engages in low-risk lending, and earns a steady and healthy spread



PFC

+1.6x in the last year

Largest infrastructure financier in India

Moats - Government owned, low cost of financing, deep pockets, experience in infrastructure lending, the only lender with that scale and size for power projects

HAL

+1.8x in the last year



The only aircraft and helicopter maker in India

Moats - Manufacturing expertise, availability of resources, government ownership in a sensitive sector, R&D capabilities

Has been making aircrafts under license agreements from foreign players and accumulating experience for decades

Benefiting from indigenisation initiatives since it is the only Indian aircraft manufacturer

Has orders worth more than Rs. 2 lakh crore, which amounts to > xx of annual revenue

Highly differentiated offerings of AI and IP-led digital assurance and digital engineering services

Digital-first positioning is perfectly in-line with market and technological trends

Aims to grow 5x in revenue by leveraging leadership position and top-tier customers



CIGNITI

+2.1x in the last year

Niche tech player in Digital Engineering & Assurance

Moats - Owns Intellectual Property, 2nd largest software testing company in the world, >60 Fortune 500 clients



By Yash Joshi
Director - Private Wealth, UpperCrust Wealth

Our Moat, At Moat

'Move fast and break things. Unless you are breaking stuff, you are not moving fast enough.', said Mark Zuckerberg.

What often goes unmentioned is how Facebook recognised that to effectively move quickly, it required appropriate systems and processes that could facilitate its desire for accelerated speed.

Unquestionably, if you don't do things right, chances are that you will end up breaking yourself. And that's the last thing you want in our business, where we are entrusted with the responsibility of our customers' hard-earned money.

Needless to say, while we operate in an environment where India itself is moving fast and breaking things, we must be doubly careful of how we operate and scale.

A lot of our prudence gets taken care of by our central philosophy of finding moats. The implication is that we find businesses that are fundamentally strong, have long-term prospects, are very tough to break by outside forces, and are likely to yield serious wealth creation over the long run.

This strategy itself ensures we operate with strength and cap our downsides, while still exposing ourselves to exponential upside.

While we actively identify moats, we take a more comprehensive approach and also ensure some other checks are in place in our quest for better performance.

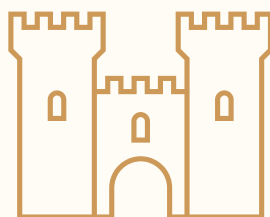


Take the last one year for instance - we've seen two major global conflicts spur up, inflation being sticky, a regressive monetary policy at a global level, and constant fears of macros tanking the economy.

But despite these pressures, we've been steady at our objective of generating healthy returns. Healthy being the operative word. We don't just focus on generating excess returns, but doing so while minimising risk.



Excellent Capital Allocators



Sustainable Strong Moats



Portfolio Construction & Risk Management

We've been able to achieve a Sharpe Ratio of 0.8, thanks to our sustainable strong moats, and excellent capital allocation.

Other than having a 75% exposure to wide moat companies, we're diversified across sectors and market caps, with 50% of the portfolio at a PE of <20x, 70% of the portfolio with ROEs of >15% and 90% of the portfolio having a credit rating of A and above.

Of course it doesn't stop there. Managing a portfolio is a deal bigger than building one, and our team brings in the expertise to do just that consistently.

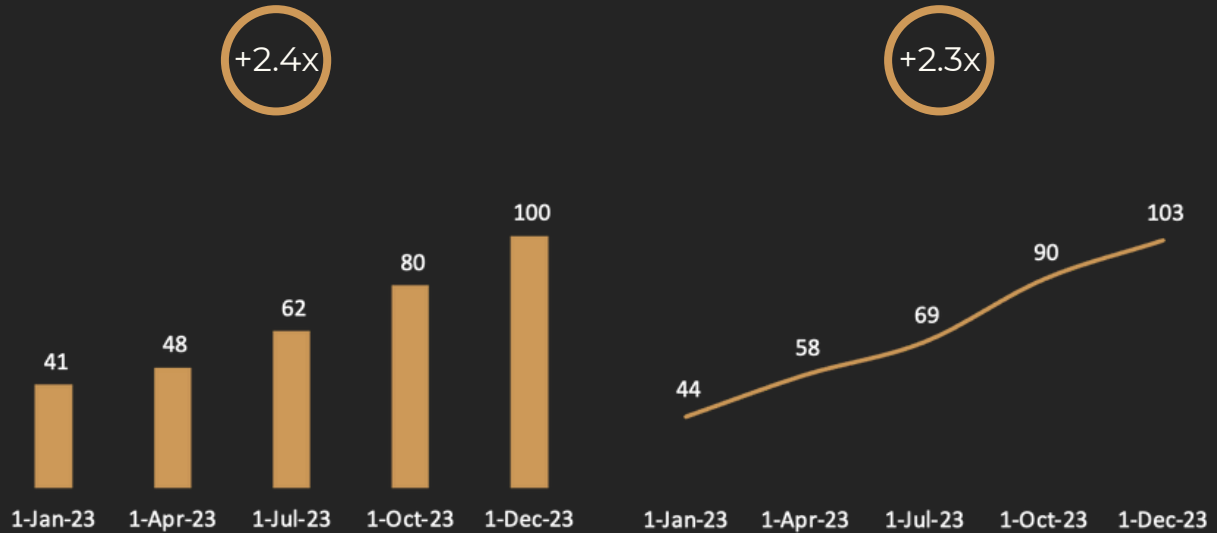
And that's where our moat is!



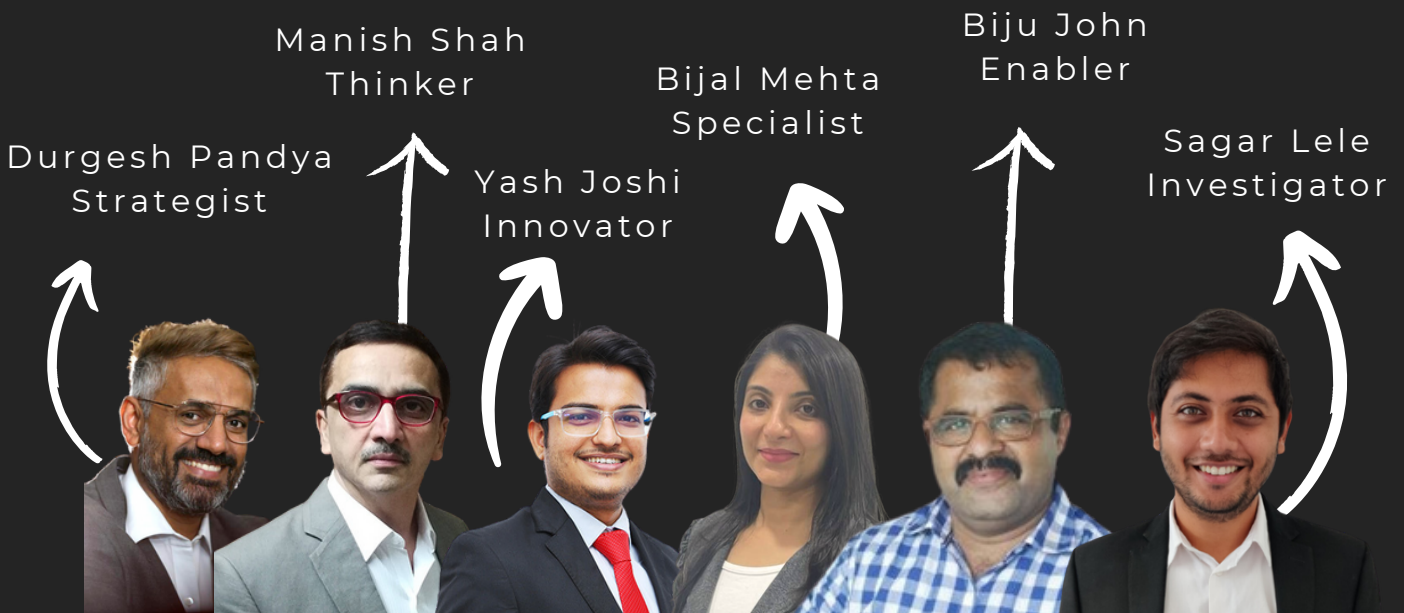
Moat UpperCrust Performance

Moat UpperCrust PMS AUM

Moat UpperCrust PMS Clients



The UCW Investment Committee





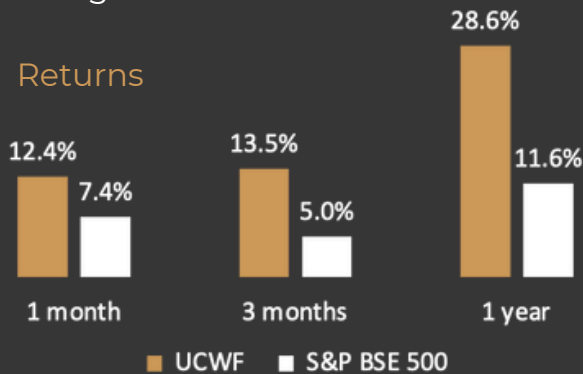
Moat UpperCrust Funds



UpperCrust Wealth Fund

A portfolio made of high-quality stocks, with strong moats, meant to compound over the long-term and generate wealth

Returns



Portfolio Name: UpperCrust Wealth Fund

Co-Portfolio Manager: Manish Shah

Inception Date: January 20, 2022

Benchmark: S&P BSE 500 TRI

Investment Style: Core and Satellite (Value-Growth Fund)

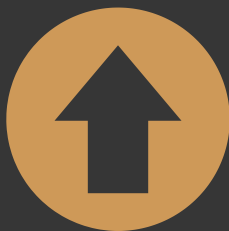
Custodian: Orbis

Banker: IndusInd Bank

AMC Name: Moat Financial Services

SEBI Reg. No.: INP000004482

Total no. of subscribers: 103



UpperCrust Growth Fund

Diversified multi-asset portfolio investing in stocks, MFs, ETFs, and bonds to generate long-term capital appreciation and constant risk-adjusted returns



UpperCrust One Fund

A non-discretionary fund, custom built to suit your needs. Made by you and our team of experts, so you see your money grow first hand

MY NATION, MY PRIDE



INVEST IN BHARAT

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