

June 2019



Asset Management

GOOD & CLEAN
by Ambit

Ambit Good & Clean Midcap Fund

Ambit's Investment Philosophy

Investment offerings focusing on the **Quality**

- Companies with robust capital allocation track record and high quality of financial metrics
- High quality of their accounts and corporate governance.
- While the objective is to generate returns, the even bigger goal is to better manage drawdowns

Process-Driven Approach

- Highly qualified team of MBA's, CA's & CFA's with deep-dive equity research experience & specializations across various sectors.
- 5-member highly experienced & distinguished Investment Committee in place to review all investment decisions.
- Full-fledged support of Ambit Group with over 230+ experienced employees spread across investment banking, institutional equities, equity capital markets, private equity, private wealth, among others.

Multiple products as per the investment horizon of the investor



Good & Clean India Fund

- Investment Horizon: 3-5 years
- Primarily Mid-cap stocks
- Cross cyclical winners with high ROE, high reinvestment companies



Coffee Can PMS

- Investment Horizon: 8-10 years
- Primarily Large-cap stocks
- Great companies with proven track record of high ROE, high reinvestment companies



Ambit Good & Clean Smallcap Fund (Emerging Giants)

- Investment Horizon: 5-6 years
- Primarily Small-cap stocks
- Finding the next Coffee Can companies

What drives success for corporate India?

Our research over the past five years shows that over and above firm-specific competitive advantages, three factors are essential for a company to consistently outperform:



CLEAN ACCOUNTING

The bottom 40% of the BSE500 stocks on accounting quality have underperformed the top 60% by a whopping 12% per annum since Nov 2010



CONSERVATIVE CAPITAL ALLOCATION

Indian companies are amongst the most aggressive capital allocators in the world and that aggression costs their shareholders dear.



GOOD GOVERNANCE & LACK OF POLITICAL CONNECTIVITY

Firms whose central competitive advantage is political connectivity seldom outperform in India.

Ambit's **Good & Clean fund is your solution to identify these traits for sustainable wealth creation through Indian equities.**



1 Consistent Track Record

- Delivers consistent **growth** while maintaining superior **return** ratios
- High **quality** entrepreneur and management team
- Operates in a niche / or high opportunity segment maintaining its competitive advantages



5 Power of compounding

- Concentrated portfolio with 15-20 stocks and intended churn of less than 2-3 stock per year on average
- This allows the portfolio to benefit from Power of Compounding



4 Clean Accounting

- Use our proprietary forensic accounting framework (to filter out firms with suspect financials)



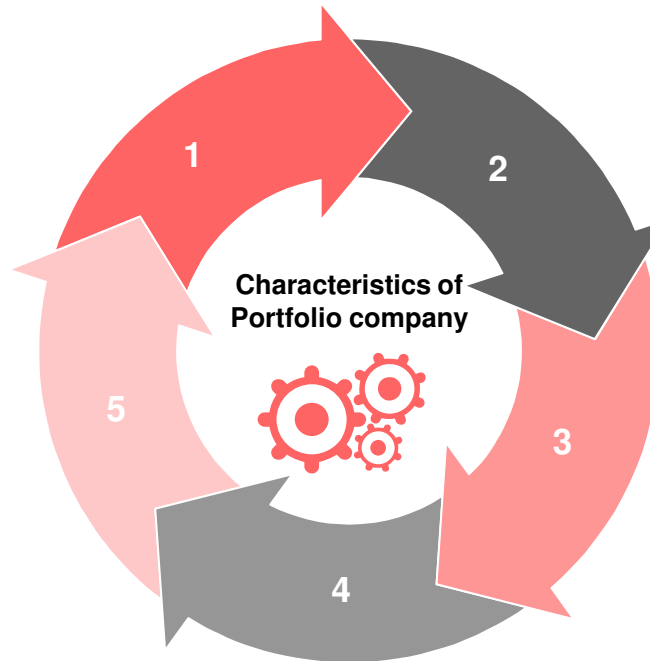
2 Strong Corporate Governance

- Well diversified and respected Board
- Minority friendly
- Dividend Policy
- Timely and robust disclosures on corporate governance issues

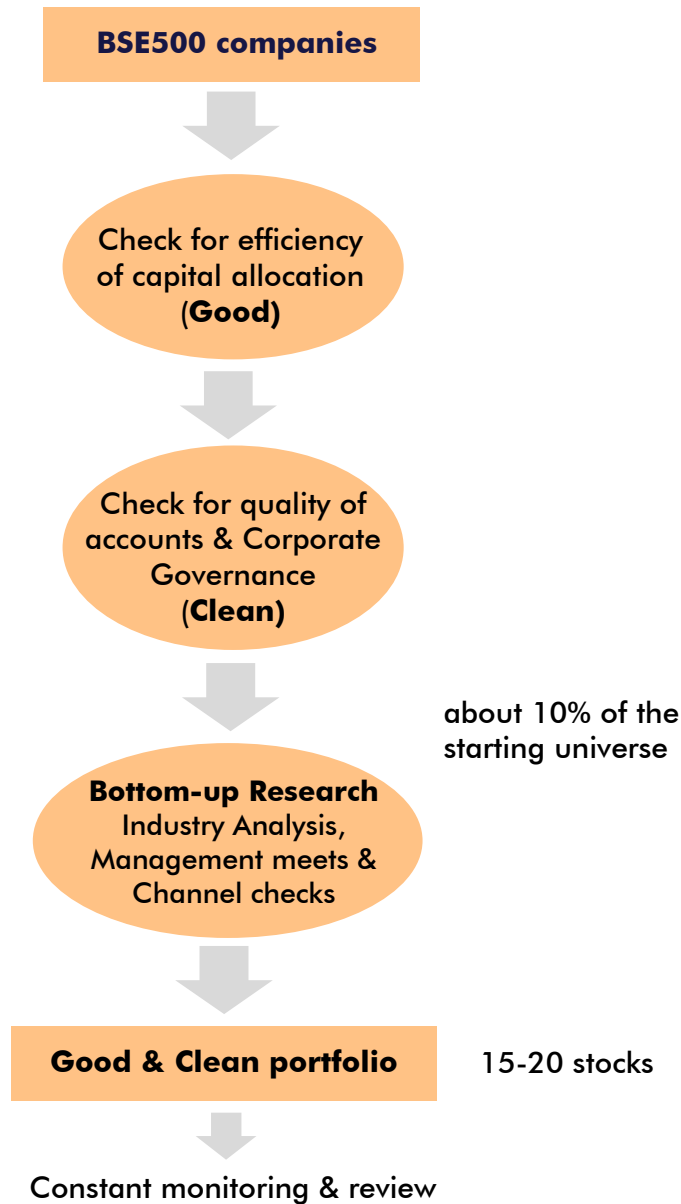


3 Market Leaders

- Most companies in our portfolio companies dominate their market niche/ geographies
- Relentless focus on specific product/ service, allowing them to excel in their circle of competence



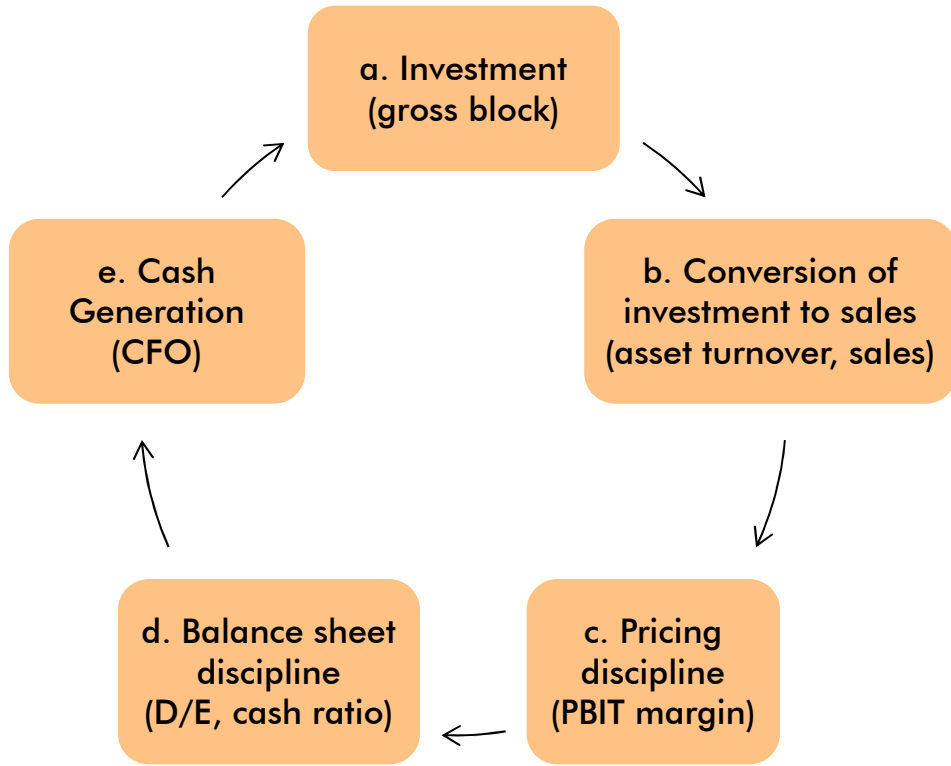
Ambit's Good & Clean - Investment Process



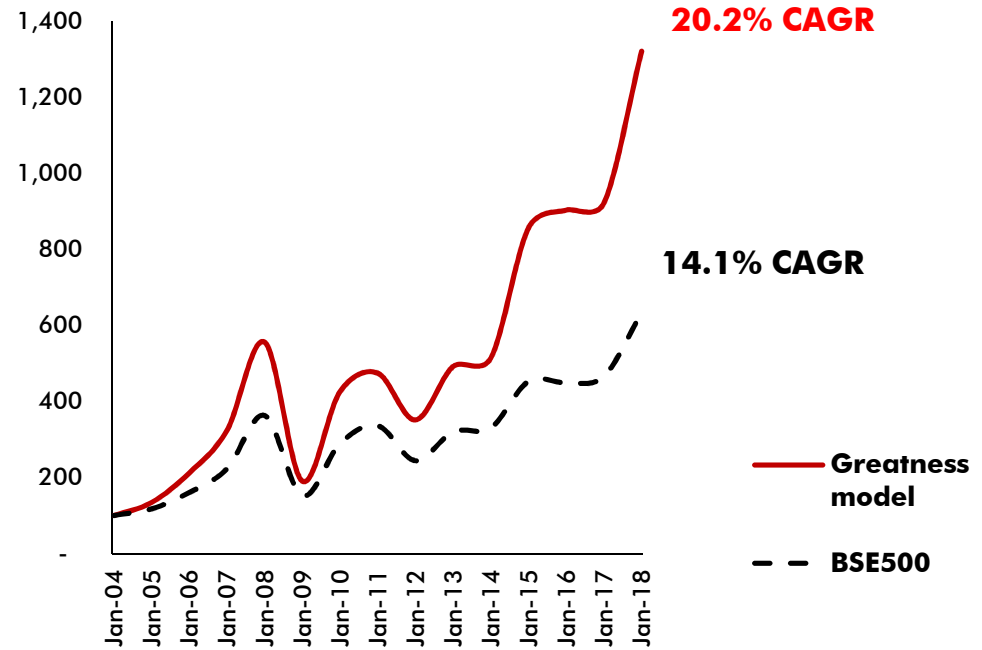
- Invest in firms which are:
 - (a) **Good** - On the basis of capital allocation track record and quality of improvement in financial metrics over the past six years, and
 - (b) **Clean** - Based on the quality of their accounts & corporate governance.
- The focus on 'good' helps **generate upside** while not compromising on 'clean' **reduces downside risk**. Essentially, while the objective is to generate returns, the even bigger goal is to better manage drawdowns because we believe doing the latter successfully is critically vital in achieving the former.
- Ambit's proprietary 'forensic accounting' framework helps weed out firms with poor quality accounts while our proprietary 'greatness' framework helps identify efficient capital allocators with a holistic approach to consistent growth.
- The result is a **concentrated portfolio** of 15-20 stocks that **draws down lesser** than the market in corrections and has **low churn** (not more than 15-20% of portfolio in any year amounting to 2-3 holdings being replaced).

Focus on 'good' helps generate upside

Ambit's 'greatness' framework identifies efficient capital allocators in the country

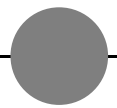


Greatness model has outperformed BSE500 by a whopping 600bps annually



Our greatness framework looks at holistic and consistent growth as the hallmarks of efficient capital allocation- a self sufficient growth engine without the need of tapping external capital frequently is key to long term wealth creation.

Not compromising on 'clean' is critical to managing drawdowns



Ambit's forensic accounting model helps steer clear firms with questionable accounts

Accounting checks

P&L Mis-statement

- Abysmally low CFO/EBITDA ratio over a long run
- High volatility in Depreciation Rates
- Boasting earning through lower debtor provisioning

B/S Mis-statement

- Low Cash yield implying balance sheet misstatement
- Writing-off losses directly through balance sheet
- High contingent liability

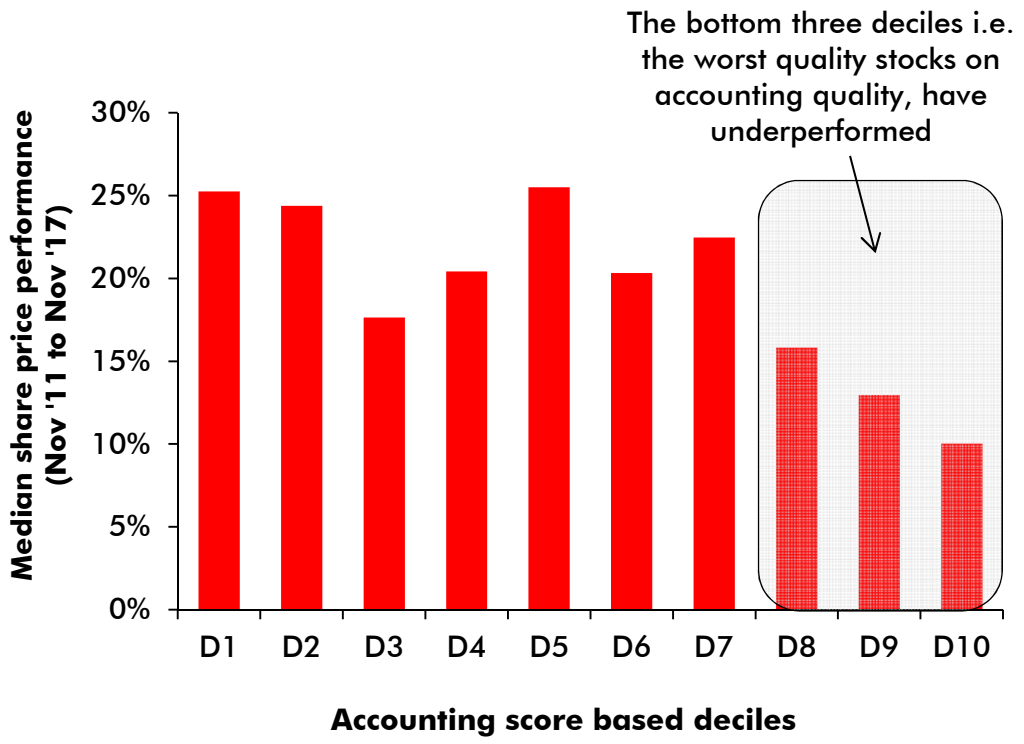
Pilferage Checks

- High Miscellaneous expenses
- Unsubstantiated capex or delay in plant commissioning
- Historically generating negative free cash flows
- Increasing advances to related party

Auditor Quality

- High auditor remuneration

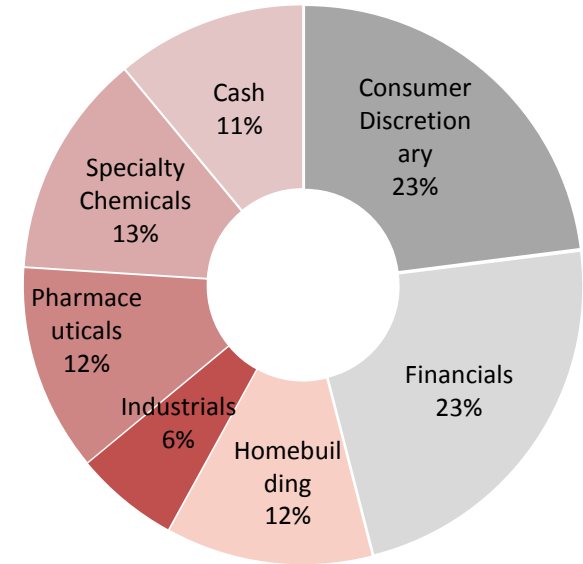
Strong link between accounting quality and stock performance



Source: Bloomberg, Ace Equity, Capitaline, Ambit Capital research; Note: Accounting score is based on annual financials over FY11-17; stock price performance is from Nov '11 to Nov '17 on a CAGR basis. Universe for this exhibit is BSE500 (ex-BFSI)

Portfolio Composition & Characteristics

- ❑ Stellar track records of capital allocation in terms of RoE
- ❑ Low debt with the median portfolio company cash positive
- ❑ Average market cap of the portfolio is ~Rs14,000 cr.
- ❑ Growth potential above the comparable index
- ❑ Reasonable valuations for quality stocks

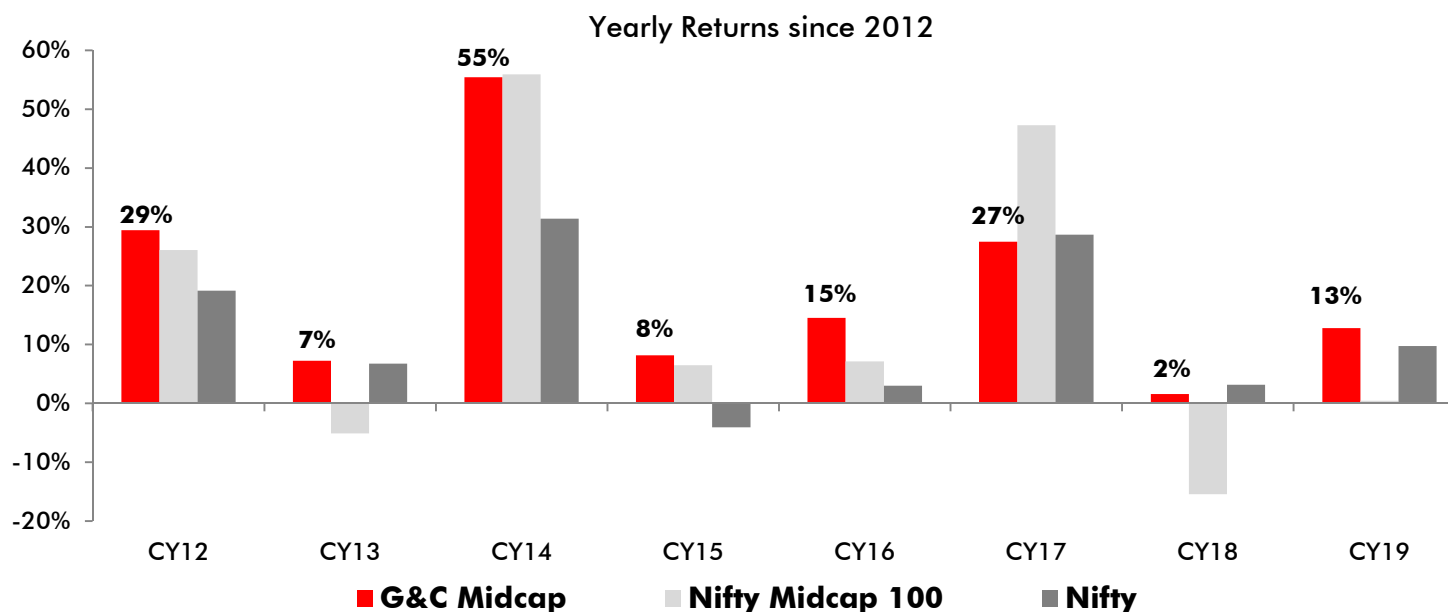


Comparison with Indexes	Net Debt/Equity	P/E		Past 3Y Growth		RoE
	FY18	FY19	FY20E	Revenue	PAT	FY18
G&C Midcap	(-0.1x)	36x	28x	14%	23%	20%
Nifty Midcap Index	1.9x	20x	16x	5%	6%	7%
Nifty Index	1.2x	23x	18x	8%	5%	12%

Source: Bloomberg, Company, Ambit Capital Research; Index statistics as per Bloomberg; All Portfolio statistics are weighted average except for Debt/equity; Blended forwards are based on Ambit estimates, while Index estimates are based on Bloom estimates;

Good & Clean philosophy delivers

Consistent performance - in both advisory and fund constructs



In 10 years, Rs. 1cr invested with G&C portfolio would have become 3.5cr vs. 2.1cr with NIFTY

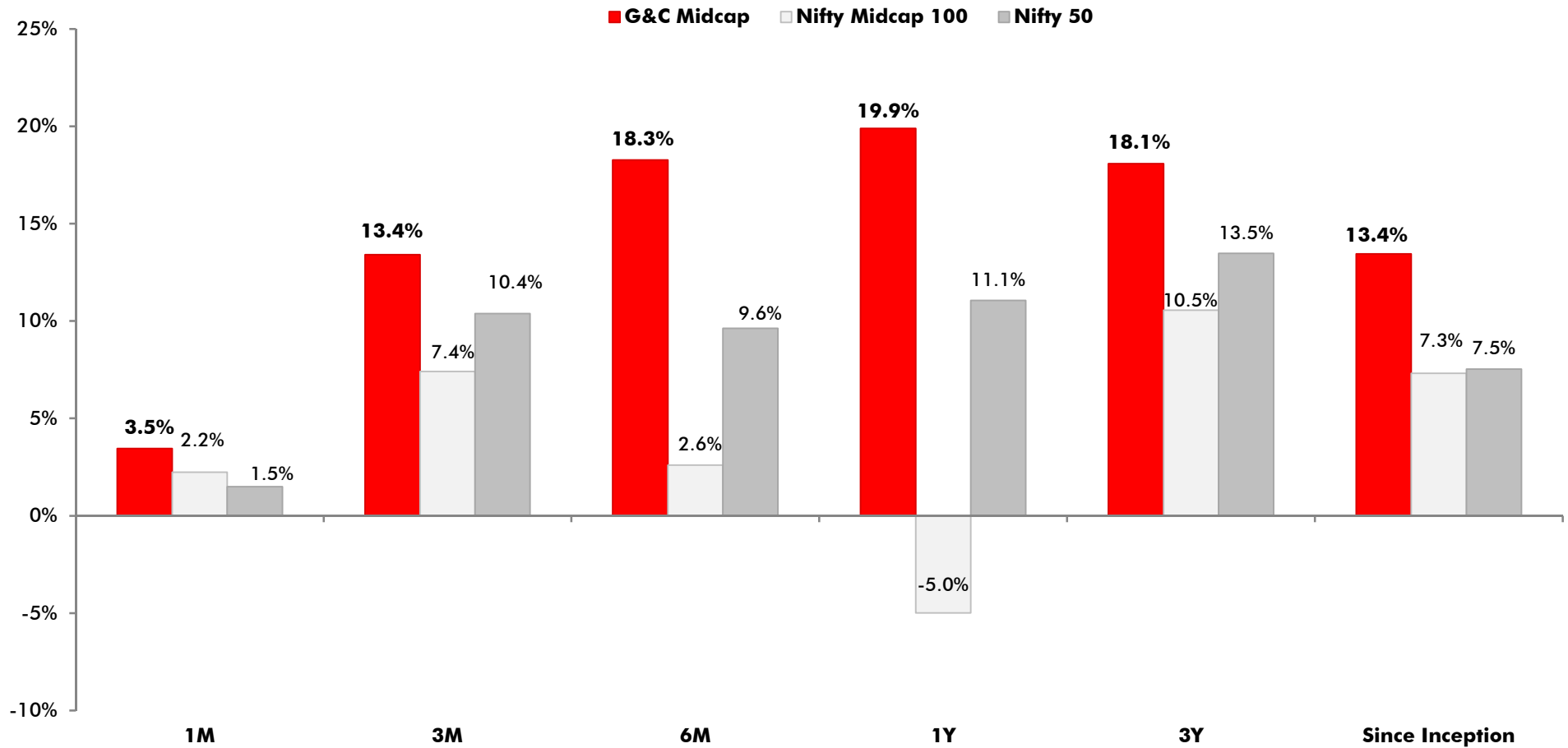
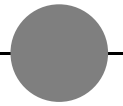
Superior risk adjusted returns and drawdown track record

Performance (since inception)	Net Returns (CAGR)	Standard Deviation	Sharpe Ratio	Maximum Drawdown
G&C Midcap	20.3%	14%	0.98	-13%
Nifty Midcap 100	14.2%	18%	0.39	-23%

Source: Bloomberg, Ambit

Note: **Performance is post all fees and charges**; Date of inception of the Good & Clean model portfolios is 19 Jan' 12, while that of the domestic fund is 12 Mar' 15. Hence performance till 12Mar' 15 is that of the model portfolio, and from 12Mar' 15 is that of the live fund. Return as of May 31, 2019.

Live track record – Ambit Good & Clean MidCap Fund



Portfolio inception date is March 12, 2015; Returns as of May31, 2019; Returns above one year is annualized; **Performance is post all fees and charges**

Fund Manager

Aishvarya Dadheech, CFA

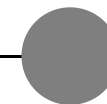
With over 12 years of experience in Indian equities, Aishvarya has been managing Ambit Group's proprietary book for the last 2 years. He has a rich experience of fund management under Good & Clean Framework.

Prior to that he was with Reliance Life Insurance as Equity Fund manager managing their investments for almost 7 years. Being in Insurance his outlook was always long term and embedded with quality. There he had consistently outperformed the benchmark index and achieved internal targets. Prior to that he was with Crisil as a Equity and Credit Research Analyst for over 3 years.

Professional Qualification: He is a qualified Chartered Accountant (India, 2009) and MBA Finance. Aishvarya is also a CFA charter holder from CFA Institute, USA. He holds a bachelor degree in Accounting (Honors) from St. Xavier's College, Kolkata.



Construct & structure for Indian high net worth investors



Construct & Structure

Fund Type	SEBI Registered PMS
Fund Tenure	Open Ended
Structure	Discretionary PMS
Minimum investment	INR 25 lacs
Stock selection	Investible universe is stocks that perform well on the two frameworks noted earlier. A further subjective assessment then leads to a more concentrated stock portfolio
Number of stocks	<20
	25% per sector, 10% per stock
	All cap with 'Nifty Midcap 100' as the benchmark
Time horizon and turnover	The investment horizon is 1-3 years and longer; turnover therefore should not exceed 30-35% in a year
Cash calls	Not to take aggressive cash calls; this is keeping in mind the longer term investment horizon of the fund and is suitable from a taxation standpoint

Overview

- Founded in 1997 as a boutique M&A Advisory firm, added various offerings over two decades to become a full service India focused Investment Bank
- Deep coverage of large and mid-cap Indian Corporates and key India focused Global Corporates
- Strong corporate governance with clear demarcation between ownership, governance and management. Owned largely by employees
- Stable experienced team of 450+ employees
- Statutory Auditors: Deloitte Haskins & Sells
- Global presence with offices in Mumbai, Delhi, Bangalore, London, New York and Singapore

Global Partnerships



Strategic business alliance for mergers and acquisitions advisory services in Indo-Japan corridor



Strategic partnership with QInvest offers a broad range of expertise to deliver high value service, seamlessly covering client needs across Middle East, Turkey, South and South East Asia, and Africa

Business Verticals

ASSET MANAGEMENT

- Portfolio Management Services

CORPORATE FINANCE

- Mergers & Acquisitions (M&A) and Divestures
- Alternative Capital Raising
- Equity Capital Markets (ECM)

INSTITUTIONAL EQUITIES

- Differentiated research/Bespoke strategies
- Derivatives and Technical analysis
- Block Trading

PRINCIPAL INVESTMENT

- Investing in high potential value discovery stories
- Small-Cap and Mid-Cap Public Companies

PRIVATE WEALTH

- Proprietary Investment Products
- Open Architecture Model
- Asset Allocation, Tax and Estate Planning

SME FINANCE

- Small Business Loans
- Loans against Properties

STRUCTURED FINANCE

- Lending Solutions
- Loan Syndication

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