Fact Sheet

Ambit Good & Clean PMS

January 2016

Investment Manager

Ambit Capital Private Limited (ACPL) a subsidiary of Ambit Corporate Finance Pvt. Ltd.

Investment philosophy

To generate long term equity returns by investing in firms which are:

(a) Good- Basis capital allocation track record and quality of improvement in financial metrics; and

(b) Clean- Based on the quality of their accounts and corporate governance.

The focus on 'good' helps generate upside while not compromising on 'clean' reduces downside risk. Essentially, while our 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.

General Information	
Fund Type	**PMS**
Fund Tenure	Open ended
Benchmark	BSE 500
Minimum Investment	INR. 25 lacs
Liquidity	Daily
Inception date	12th March 2015

Fees	Option – I	Option - II
Management Fee	2.5 % p.a.	Nil
Performance Fee	NIL	20% of profits subject to hurdle rate
Exit Load	1% if redeemed before 1 year	2% if redeemed before 1 year 1% if redeemed before 2 years
Hurdle Rate &	NIL	Hurdle Rate of 12% p.a with catch up; high water mark applicable

Portfolio Manager
Pranab Uniyal

Risk Parameters	Fund
Standard Deviation	9.3%
Portfolio Turnover	1.3%

Portfolio Details

Top Holding

Scrip	Sector
TVS Motors	Auto & Auto Components
PI Industries	Agro-chemicals
ITC	Consumer Staples
Lupin	Pharmaceuticals
Supreme Industries	Materials

Sector Allocation**	Grand Total
Auto & Auto Components	21.8%
Financials	19.6%
Materials	9.9%
Consumer Discretionary	9.6%
Agro-chemicals	7.0%
Information Technology	7.0%
Pharmaceuticals	6.9%
Consumer Staples	6.5%
Logistics	5.1%
Industrials	3.8%
Cash	2.7%
Grand Total	100%

*** Allocation as on end of Jan'16 based on entire AUM*

Returns (%)*	30 Days	90 Days	180 Days	**Since Inception
G&C PMS	-3.83	-3.01	-3.87	-3.54
BSE 500	-5.83	-6.16	-10.86	-12.24

Returns (%)*	Aug15	Sep15	Oct15	Nov15	Dec15	Jan16
G&C PMS	-0.9	-1.1	1.1	1.7	-0.8	-3.8
BSE 500	-6.2	-0.4	1.7	-0.9	0.5	-5.8

** Represents time weighted return of the pooled AUM; performance is post brokerage and other statutory charges but before fees. Benchmark returns are calculated on a point to point basis.*

*** Inception date – 12th March 2015*

In January, Indian equities completed a 20% correction from their Mar'15 peaks before making an attempt to stabilize- anything more than 20% is deemed to be a bear market according to conventional heuristics. So while technically we are still in a bull market, negative sentiment is at climactic levels- google searches for the phrase 'bear market' are at the highest since 2008 (http://goo.gl/913Q2d), comparisons between 2016 and 2008 are rampant, our favorite measure for the health of global economy US Bond yields, have plunged to sub-2 indicating increasing fears of recession, back home even good corporate results are being meted with high skepticism (think Axis Bank), and so on. Enticing enough for the contrarian in you?

While it is difficult to call the precise bottom, we are in the valuation region from where investors should be rewarded in the medium term, in our view. Reflecting this view, we have continued to add exposure, with the latest addition in January being a firm with strong moats, good management and a unique position in a duopoly market, AIA Engineering. The stock is available at attractive valuations thanks to the decreased near term visibility owing to the ongoing mayhem in the metals market- in effect, an opportunity to buy a Good & Clean business available at attractive valuations due to near term concerns!

We continue to believe that staying with Good & Clean companies is the only sustainable way of making money. In that context, the single most important positive to draw from January was the way several low quality stocks especially from the small and micro space cracked. The only pocket where frenzy had sustained has given way too. This makes the market healthier while bringing focus back to fundamentals based long term investing. To conclude, we quote from a recent interview by Nassim Taleb in Economic Times (http://goo.gl/bKL7uk):

"That is why volatility is good in financial markets. It makes them realise it is not free money, and it is not a casino. If something goes up all the time it is very bad."