

January 2017

Investment Manager

Ambit Investment Advisors Private Limited (AIAPL) is a joint venture entity between Ambit Corporate Finance Pvt. Ltd. and Nikko Asset Management Co., Ltd. AIAPL is registered with SEBI as portfolio manager.

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	12 th March 2015

Fees	Option – I	Option - II
	Management Fee	2.5 % p.a.
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
Gaurav Mehta, CFA

Risk Parameters	Fund
Standard Deviation	14.8%
Portfolio Turnover	12%

Portfolio Details

Top Holding

Scrip	Sector
AIA Engineering	Industrials
PI Industries	Agrochemicals
TVS Motor	Auto & Auto Components
City Union Bank	Financials
Tata Motors DVR	Auto & Auto Components

Sector Allocation**	Grand Total
Financials	18.6%
Auto & Auto Components	18.5%
Specialty/Agro Chemicals	13.4%
Industrials	7.8%
Consumer Discretionary	6.6%
Materials	6.3%
Consumer Staples	6.1%
Pharmaceuticals	6.0%
Information Technology	5.0%
Logistics	3.2%
Cash	8.5%
Grand Total	100%

** Allocation as at end of Jan'17 based on entire pooled AUM

Returns (%)*	30 Days	90 Days	1 Yr	**Since Inception
G&C PMS	6.26	-1.33	19.9	7.98
BSE 500	5.65	-1.84	16.4	1.15

** Returns over one year period have been annualized.

Returns (%)*	Aug16	Sep16	Oct16	Nov16	Dec16	Jan17
G&C PMS	2.81	-0.78	3.14	-6.20	-1.00	6.26
BSE 500	2.15	-1.13	1.52	-5.76	-1.42	5.65

* Represents time weighted return of the pooled AUM; performance is post brokerage and other statutory charges but before fees.

** Inception date – 12th March 2015

Market commentary

"In the financial markets, hindsight is forever 20/20, but foresight is legally blind. And thus, for most investors, market timing is a practical and emotional impossibility."

- Benjamin Graham

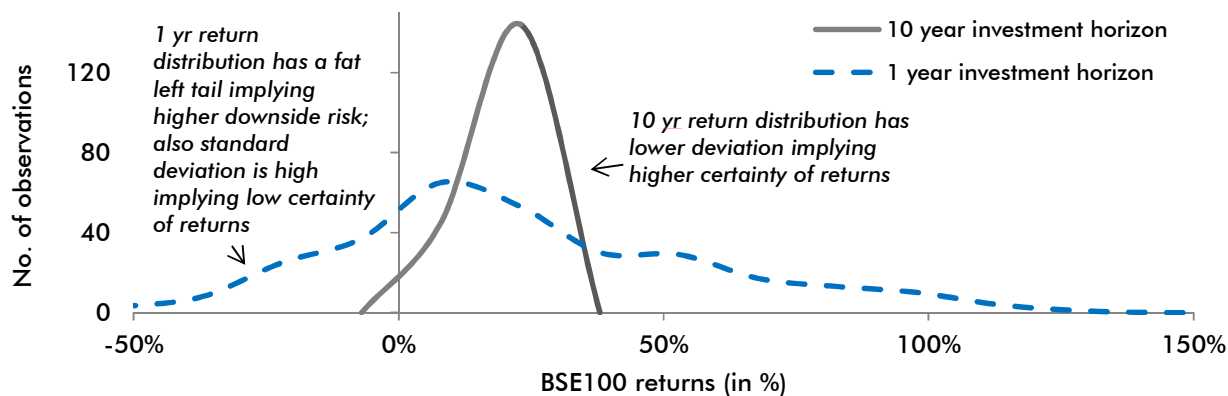
Markets continue to confound experts, as always. Post the sharp upmove of the past few weeks, the all-pervasive gloom that had existed till December end now looks like a thing in the distant past. And what changed? Practically nothing! The budget was decent and so have been corporate earnings so far, but nothing outstanding. But given how downbeat the expectations were to begin with, the street has taken them positively.

Attention will soon shift to what Trump does, what happens to the emerging market rally given that the US dollar is strengthening, and so on. Over the medium term, the important theme year is likely to be how GST and the accompanying formalization of the economy benefits listed companies on one hand, while creating unemployment in the informal sector on the other (in turn dampening demand). Similarly while global economic reflation should be a positive external tailwind this year on one hand, protectionist policies may provide headwinds on the other.

We, however, continue to be bottom-up in our approach. We are adding a mid to small sized consumer discretionary company in the portfolio. This replaces another consumer discretionary play that we exited in January. The difference between the two is that while the entrant caters to non-luxury, utility based urban demand, the exit caters to relatively high ticket, luxury purchases. Between these two categories of consumption, we believe the former enjoys supportive forces structurally with a natural support to demand on the downside, and hence the change.

Overall, while staying with the approach of investing for the long term in Good & Clean businesses, we continue to look for opportunities to strengthen the portfolio.

Finally, at the cost of repetition, we reproduce from the last letter, this interesting chart which suggests how a long term view is a must for success in equity investing!



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