

February 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 <sup>th</sup> 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	14.5%
Portfolio Turnover	12%

## Portfolio Details

### Top Holding

Scrip	Sector
AIA Engineering	Industrials
TVS Motor	Auto & Auto Components
PI Industries	Agrochemicals
Supreme Industries	Materials
City Union Bank	Financials

Sector Allocation**	Grand Total
Financials	18.4%
Auto & Auto Components	17.8%
Specialty/Agro Chemicals	12.9%
Consumer Discretionary	9.7%
Industrials	8.2%
Materials	6.6%
Consumer Staples	6.1%
Pharmaceuticals	5.9%
Information Technology	5.3%
Logistics	3.2%
Cash	5.8%
<b>Grand Total</b>	<b>100%</b>

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

Returns (%)*	30 Days	90 Days	1 Yr	**Since Inception
G&C PMS	2.25	7.56	34.3	8.88
BSE 500	4.43	9.40	32.3	3.35

\*\* Returns over one year period have been annualized.

Returns (%)*	Sep16	Oct16	Nov16	Dec16	Jan17	Feb17
G&C PMS	-0.78	3.14	-6.20	-1.00	6.26	2.25
BSE 500	-1.13	1.52	-5.76	-1.42	5.65	4.43

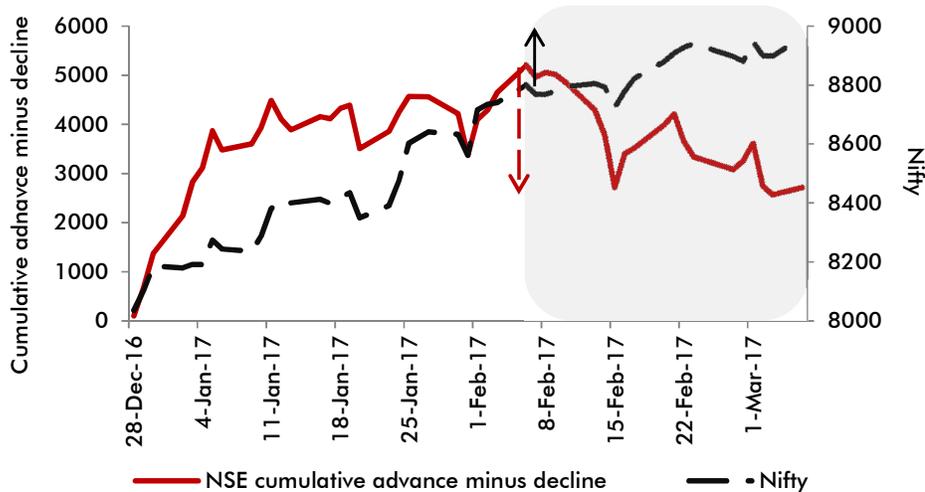
\* Represents time weighted return of the pooled AUM; performance is post brokerage and other statutory charges but before fees.

\*\* Inception date – 12<sup>th</sup> March 2015

## Market commentary

Markets continue to be on a tear and are nearing all-time highs now. While our portfolio has continued to appreciate too, in terms of magnitude it didn't quite keep pace with the market's upmove in Feb. While clearly not pleasing, this isn't really unexpected either. With our focus on quality and downside risk, there are times when the portfolio fails to keep pace with market's unabated uptrend, especially in the short term. With earnings compounding the key driver of such a portfolio, time rather than near term momentum is of essence for performance to come through. We stay confident of the underlying earnings growth of our holding companies which in turn should hold the portfolio in good stead over the medium term.

The other point that needs mention with respect to the market move of the past few weeks, especially since first week of Feb, is that the breadth has considerably narrowed, with select large caps leading to the Nifty's performance even as broader markets struggle to keep pace.



While market timing is least relevant to the way we manage the portfolio, we do note that such divergence (rising indices and deteriorating breadth) doesn't augur too well for the health of the market in the near term.

We, however, continue to be bottom-up in our approach. We added a small to mid-sized consumer discretionary company in the portfolio. This replaces another discretionary play that we had exited in January. While the entrant caters to low ticket, utility based urban demand, the exit catered 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.

We especially like the focus of this company's management on prudent capital allocation with an immense focus on return on incremental capital employed. Furthermore, with clear thinking around long term brand creation, the management has not hesitated to take tough decisions even if they entail near term pain. Finally, the category, we believe, offers continued runway for structural growth.

Overall, while staying with the approach of investing for the long term in Good & Clean businesses and avoiding the temptation to chase short term market trends, we continue to look for opportunities to strengthen the portfolio.

## DISCLAIMER

Ambit Investment Advisors Private Limited ("Ambit") is a registered Portfolio Manager with Securities and Exchange Board of India.

This presentation is strictly for information and illustrative purposes only and should not be considered to be an offer, or solicitation of an offer, to buy or sell any securities or to enter into any Portfolio Management agreements. This presentation / newsletter / report is prepared by Ambit strictly for the specified audience and is not intended for distribution to public and is not to be disseminated or circulated to any other party outside of the intended purpose. This presentation may contain confidential or proprietary information and no part of this presentation may be reproduced in any form without its prior written consent to Ambit. If you receive a copy of this presentation and you are not the intended recipient, you should destroy this immediately. Any dissemination, copying or circulation of this communication in any form is strictly prohibited.

Neither Ambit nor any of their respective affiliates or representatives make any express or implied representation or warranty as to the adequacy or accuracy of the statistical data or factual statement concerning India or its economy or make any representation as to the accuracy, completeness, reasonableness or sufficiency of any of the information contained in the presentation herein, or in the case of projections, as to their attainability or the accuracy or completeness of the assumptions from which they are derived, and it is expected each prospective investor will pursue its own independent due diligence. In preparing this presentation, Ambit has relied upon and assumed, without independent verification, the accuracy and completeness of information available from public sources. Accordingly, neither Ambit nor any of its affiliates, shareholders, directors, employees, agents or advisors shall be liable for any loss or damage (direct or indirect) suffered as a result of reliance upon any statements contained in, or any omission from this presentation and any such liability is expressly disclaimed.

You are expected to take into consideration all the risk factors including financial conditions, Risk-Return profile, tax consequences, etc. You understand that the past performance or name of the portfolio or any similar product do not in any manner indicate surety of performance of such product or portfolio. You further understand that all such products are subject to various Market Risks, Settlement Risks, Economical Risks, Political Risks, Business Risks, Financial Risks etc. You are expected to thoroughly go through the terms of the arrangements / agreements and understand in detail the Risk-Return profile of any security or product of Ambit or any other service provider before making any investment. You should also take professional / legal /tax advice before making any decision of investing or disinvesting. Ambit or Ambit associates may have financial or other business interests that may adversely affect the objectivity of the views contained in this presentation.

Ambit does not guarantee the future performance or any level of performance relating to any products of Ambit or any other third party service provider. Investment in any product including mutual fund or in the product of third party service provider does not provide any assurance or guarantee that the objectives of the product are specifically achieved. Ambit shall not be liable to client for any losses that you may suffer on account of any investment or disinvestment decision based on the communication or information or recommendation received from Ambit on any product. Further Ambit shall not be liable for any loss which may have arisen by wrong or misleading instructions given by you whether orally or in writing.

The product 'Ambit Good & Clean Portfolio' has been migrated from Ambit Capital Private Limited to Ambit Investments Advisors Private Limited. Hence some of the information in this presentation may belong to the period when this product was managed by Ambit Capital Private Limited.