Fact Sheet

March 2017

Ambit Good & Clean PMS

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	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
Gaurav Mehta, CFA

Risk Parameters	Fund
Standard Deviation	11.5%
Portfolio Turnover	12%

Portfolio Details

Top Holding

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

Sector Allocation#	Grand Total
Financials	19.1%
Auto & Auto Components	17.8%
Specialty/Agro Chemicals	12.5%
Consumer Discretionary	11.2%
Industrials	8.4%
Materials	6.8%
Consumer Staples	6.3%
Pharmaceuticals	5.6%
Information Technology	4.7%
Logistics	3.0%
Cash	4.5%
Grand Total	100%

 # Allocation as at end of Mar'17 based on entire pooled AUM

Returns (%)*	30 day	90 day	1 yr	**2 yrs	**since inception
G&C PMS	3.85	12.8	25.2	11.9	10.50
BSE 500	3.74	14.4	24.0	6.9	5.07

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

Returns (%)*	Oct16	Nov16	Dec16	Jan17	Feb17	Mar17
G&C PMS	3.14	-6.20	-1.00	6.26	2.25	3.85
BSE 500	1.52	-5.76	-1.42	5.65	4.43	3.74

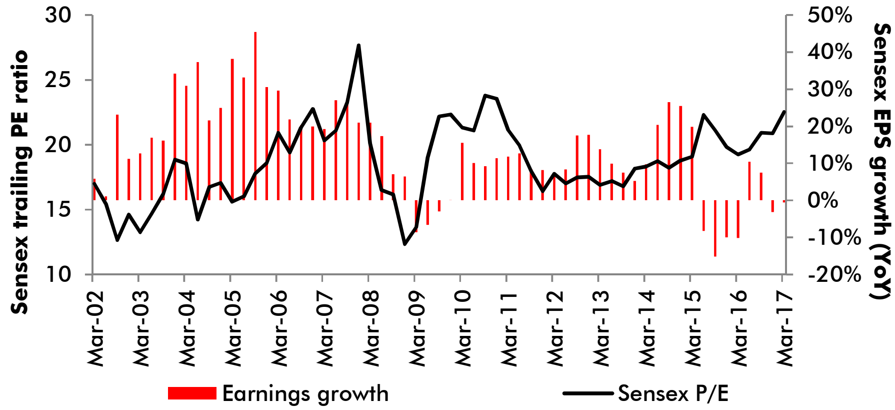
** Represents time weighted return of the pooled AUM; performance is post brokerage and other statutory charges but before fees.*

*** Inception date – 12th March 2015*

Market commentary

Markets continued to surge as the Nifty broke out to all-time highs in March, aided primarily by robust inflows as FPIs continue to pour money into Indian equities- over US $4.5bn in March alone. Strong EM flows in general, landslide victory for the BJP in the state of Uttar Pradesh and passage of the GST bill, have all helped to keep markets buoyant so far. The big missing link however continues to be earnings. Therefore the upcoming earnings season assumes immense significance because there are limits to P/E rerating driving market returns and eventually earnings ought to fall in place for sustained performance.

In that context the following chart, reproduced from one of Ambit Capital's recent research notes sums up the current situation aptly- while trailing P/E on the Sensex is nearing historical highs, earnings are significantly depressed versus historical trends. Therefore while further P/E rerating may be difficult, a reversion in earnings is needed to continue driving market returns. Just to give some context here, Sensex earnings CAGR has been about 7-8% over the last ten years versus a long term trend of close to 13% per annum. In that sense, earnings have a lot of catch-up to do as and when the cycle reverses.



Source: Ambit Capital research- Note titled 'Why does the sell side consistently get it wrong?' published on 03Apr2017

Moving on to Good & Clean, March was a good month for the portfolio, helped by the overall market upmove. In March, we also completed two years on the fund. Looking back, the first year (Mar15-Mar16) was a period of weak absolute performance and yet great relative performance as the portfolio held up well amidst a challenging macro and market environment. In contrast, the second year (Mar16-Mar17) has been a period of good absolute performance but nothing to write home in terms of relative performance as we have broadly kept pace with the BSE500's rise (performance in both years appear much better relative to the Nifty as Nifty has underperformed BSE500 in both).

This outcome however is pretty much on expected lines. With its focus on earnings compounding, quality and downside risk, the Good & Clean is expected to generate alpha over long term by managing downside risk and drawdowns better in challenging times and not necessarily by driving non-linear outperformance on the way up. In that context, the two year outperformance on the portfolio has come about with better risk metrics than the BSE500 index. While standard deviation on the Good & Clean portfolio has been lower at 11.5% versus 15.2% for the BSE500, the maximum drawdown, basis month end values, has been lower as well at 12.9% versus 19.4% for the BSE500. Finally, the churn has stayed low at about 10% per annum, reflecting the long term orientation of the portfolio.

We stay committed to the Good & Clean process and are confident that over time, this approach will continue to deliver superior risk-adjusted returns.

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