

Fact Sheet

Ambit Good & Clean PMS

July 2016

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.	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	15.2%
Portfolio Turnover	2.5%

Portfolio Details Top Holding

Scrip	Sector
Supreme Industries	Materials
City Union Bank	Financials
PI Industries	Agrochemicals
Axis Bank	Financials
Tata Motors DVR	Auto & Auto Components

Sector Allocation**	Grand Total
Financials	25.2%
Auto & Auto Components	17.7%
Consumer Discretionary	9.4%
Materials	8.1%
Agrochemicals	6.7%
Consumer Staples	6.5%
Industrials	6.1%
Pharmaceuticals	5.9%
Information Technology	5.7%
Logistics	4.2%
Cash	4.7%
Grand Total	100%

** Allocation as on end of July'16 based on entire pooled AUM

Returns (%)*	30 Days	90 Days	1 Yr	**Since Inception
G&C PMS	4.06	8.90	11.0	8.08
BSE 500	5.05	11.3	3.1	1.10

Returns (%)*	Feb16	Mar16	Apr16	May16	Jun16	Jul16
G&C PMS	-8.7	11.0	4.26	3.54	1.07	4.06
BSE 500	-8.1	10.6	2.17	3.51	2.40	5.05

* Represents time weighted return of the pooled AUM; performance is post brokerage and other statutory charges but before fees. Returns over a one year period have been annualized.

** Inception date – 12th March 2015

A good monsoon, passage of the GST constitutional amendment bill, and low yields globally (in turn keeping liquidity easy) are some of the factors that have continued to perk up valuations for Indian equity markets. While a good monsoon will help keep a check on food inflation and hence overall inflation on one hand, a boost to rural consumption should help revive corporate India's topline on the other. Similarly, GST is a long run positive and should help the economy by allowing firms economies of scale and supply chain efficiencies as the whole country unifies into a single market; similarly it should help the fiscal situation by allowing greater tax collections.

However, the key question at this juncture is that to what extent is this all priced in. Bond markets have already moved and so have equities. Valuations are now above historical averages. Moreover, earnings revival is modest at best. We therefore will not be surprised to see markets consolidate, digest their recent gains and wait for earnings to catch up before moving up any further.

In terms of our portfolio's performance, we were up 4% versus BSE500's 5% gain for the month. Overall, while we have kept pace with markets in the sharp run-up of the past few months, our objective is to protect better in market drawdowns. Therefore rather than try and chase outperformance on a tactical basis, our approach has been to focus on quality and franchisee strength and hence sustainability of earnings growth. While thematic preferences may dictate short term portfolio performance, we are confident that eventually earnings and quality of earnings should be the biggest driver of returns and hence our portfolio should be in decent shape over any longer timeframe. Needless to reiterate that staying with Good & Clean companies is the only sustainable way of making money in the long term, in our view.

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