

October 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.
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	14.2%
Portfolio Turnover	3.5%

Portfolio Details

Top Holding

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

Sector Allocation**	Grand Total
Financials	25.4%
Auto & Auto Components	19.6%
Industrials	7.3%
Consumer Discretionary	7.3%
Agrochemicals	7.1%
Materials	6.8%
Consumer Staples	5.4%
Information Technology	5.3%
Pharmaceuticals	5.1%
Logistics	3.8%
Cash	7.0%
Grand Total	100%

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

Returns (%)*	30 Days	90 Days	1 Yr	**Since Inception
G&C PMS	3.14	5.22	17.86	10.16
BSE 500	1.52	2.53	11.31	2.48

** Returns over one year period have been annualized.

Returns (%)*	May16	Jun16	Jul16	Aug16	Sep16	Oct16
G&C PMS	3.54	1.07	4.06	2.81	-0.78	3.14
BSE 500	3.51	2.40	5.05	2.15	-1.13	1.52

* 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 have stayed ranged for the past few months as they await for the improvement in the macro to result in an improvement in the micro, by the way of earnings recovery. The debate on valuations is wide open- while measures like price to earnings do suggest limited room for further expansion, measures such as market cap to GDP suggest we are reasonably valued at just about the historical averages. The missing link therefore is the gap between GDP growth and earnings growth, and for sustained equity gains, earnings will need to catch up.

And, we do believe, as we have highlighted time and again, that things are falling in place for a longer term earnings recovery including supportive legislative action (GST being the most prominent one), good monsoons, and fiscal support (including the recent pay commission recommendations). This coupled with continued decline in cost of capital (led partly by government's crackdown on black money and partly by falling inflation) augurs well for an earnings revival.

In fact, results season so far has been decent with Nifty companies showing double digit earnings growth on aggregate- the most encouraging part is that sales growth is contributing now, even as input cost benefits have started abating.

Finally, while global events like the US presidential outcomes and the Fed's next policy decision may bring about near term volatility, we do not see these as game changers for Indian equities.

In terms of portfolio strategy, we believe that after the indiscriminate rally of the past few months, markets have become increasingly focused on earnings delivery, as is evident from the sharp earnings reactions of late. And in that respect, we continue to stay Good & Clean, with franchise strength and good governance providing the ability to whether any near term spike in volatility, and earnings sustainability allowing participation in upsides.

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