Fact Sheet

Ambit Good & Clean PMS

November 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	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	14.9%
Portfolio Turnover	8%

Portfolio Details

Top Holding

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

Sector Allocation**	Grand Total
Financials	19.6%
Auto & Auto Components	18.7%
Specialty/Agro Chemicals	11.9%
Industrials	8.0%
Materials	6.8%
Consumer Discretionary	6.5%
Consumer Staples	6.0%
Pharmaceuticals	5.4%
Information Technology	5.3%
Logistics	3.7%
Cash	8.1%
Grand Total	100%

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

Returns (%)*	30 Days	90 Days	1 Yr	**Since Inception
G&C PMS	-6.20	-4.01	8.75	5.65
BSE 500	-5.76	-5.41	5.80	-1.10

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

Returns (%)*	Jun16	Jul16	Aug16	Sep16	Oct16	Nov16
G&C PMS	1.07	4.06	2.81	-0.78	3.14	-6.20
BSE 500	2.40	5.05	2.15	-1.13	1.52	-5.76

** 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

Having stayed range bound for the past few months, markets finally broke down from that range last month. A confluence of factors led to this sharp down move, in our view:

1. Demonetization, leading to fears of a revenue shock for corporate India
2. Commodity prices flared up (on hopes of reflation post Trump's victory), implying margin pressure for India Inc. going forward
3. Rise in US bond yields (again reflecting hopes of reflation post Trump win), challenging lofty equity valuations worldwide

While jury is still out on how long would the immediate impact of these factors last, from a structural standpoint each of these is a significant positive.

1. The fight against black money should lead to an improvement in macro numbers for the country as more and more informal activity gets recorded in the formal growth numbers while putting downward pressure on inflation and cost of capital at the same time. At the micro level, this along with GST should mean a move away from unorganized to the organized sector implying better revenues for listed companies.

2. Similarly, as commodities and US bond yields rise in anticipation of reflation of the US economy, revival of growth in the world's largest economy should clearly have a positive rub-off on growth globally.

3. Valuations, that had stayed lofty in the context of only a modest actual earnings revival, have corrected and are back to long term averages now.

Therefore, while markets may stay volatile in the near term, we think these dips should be used as opportunities to buy. There are pockets, however, where the impact could be more long lasting. High ticket consumption (most notably real estate), mid and small enterprises in the unorganized sector (that may become unviable after factoring in taxation and compliance costs) and lenders to these two segments may continue to stay depressed for a longer time. Of these three categories, lenders, with a double impact on both growth and asset quality, are especially leveraged to such a disruption and hence may continue to be hit the hardest.

In terms of portfolio strategy, reflecting this view, we have reduced exposure to lenders (banks and financial services) by 400-500 bps, while allocating this weight to specialty chemicals. Specifically, we have added a mid to small sized specialty chemicals company to the portfolio. What we especially like in the company is the management's track record at prudently allocating capital to niche chemicals that have synergy with existing products, and through a technology that is superior to existing ones and involves clean and green manufacturing process. We continue to look for other opportunities that may present themselves in this correction, while sticking to the overall philosophy of staying Good & Clean with a long term investment horizon.