



Ambit Good & Clean Midcap Portfolio

Ambit Asset Management

November 2022



AMBIT
GOOD & CLEAN
PORTFOLIO

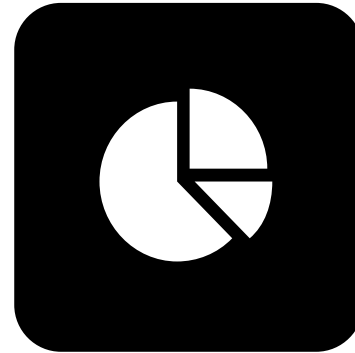
What drives success for corporate India?

Our research over the past few years shows that over and above firm-specific competitive advantages, three factors are essential for a company to consistently outperform



CLEAN ACCOUNTING

The bottom 40% of the BSE500 stocks on accounting quality have underperformed the top 60% by a whopping 12% per annum since Nov 2010



CONSERVATIVE CAPITAL ALLOCATION

Indian companies are amongst the most aggressive capital allocators in the world and that aggression costs their shareholders dear.



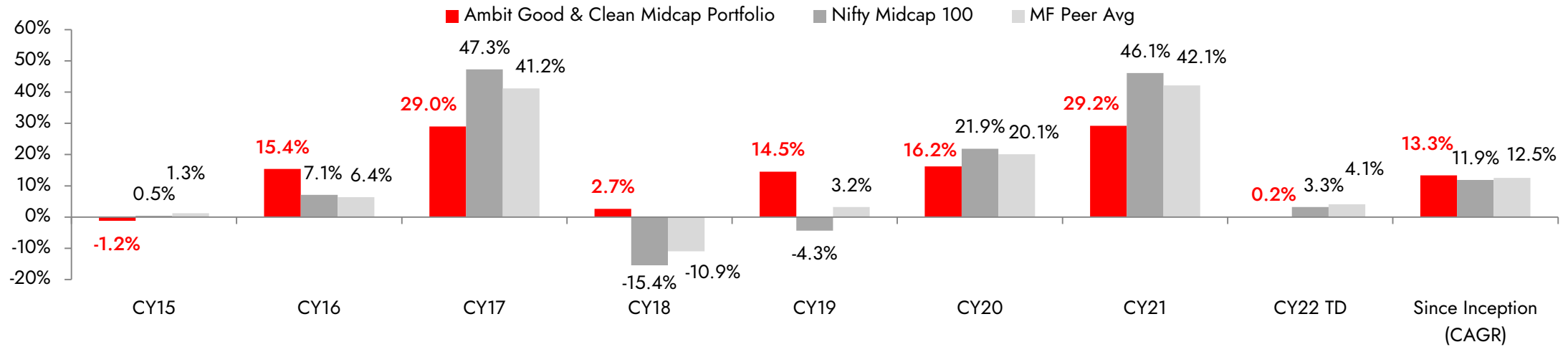
GOOD GOVERNANCE & LACK OF POLITICAL CONNECTIVITY

Firms whose central competitive advantage is political connectivity seldom outperform in India.

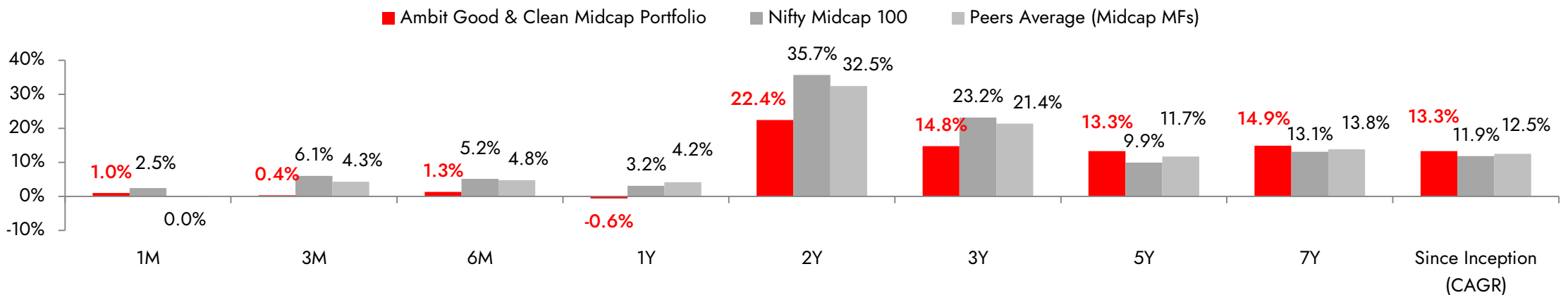
Ambit **Good & Clean Midcap** Portfolio is your solution to identify these traits for sustainable wealth creation through Indian equities

Ambit Good & Clean Portfolio: Performance Track Record

CALENDAR YEAR RETURNS

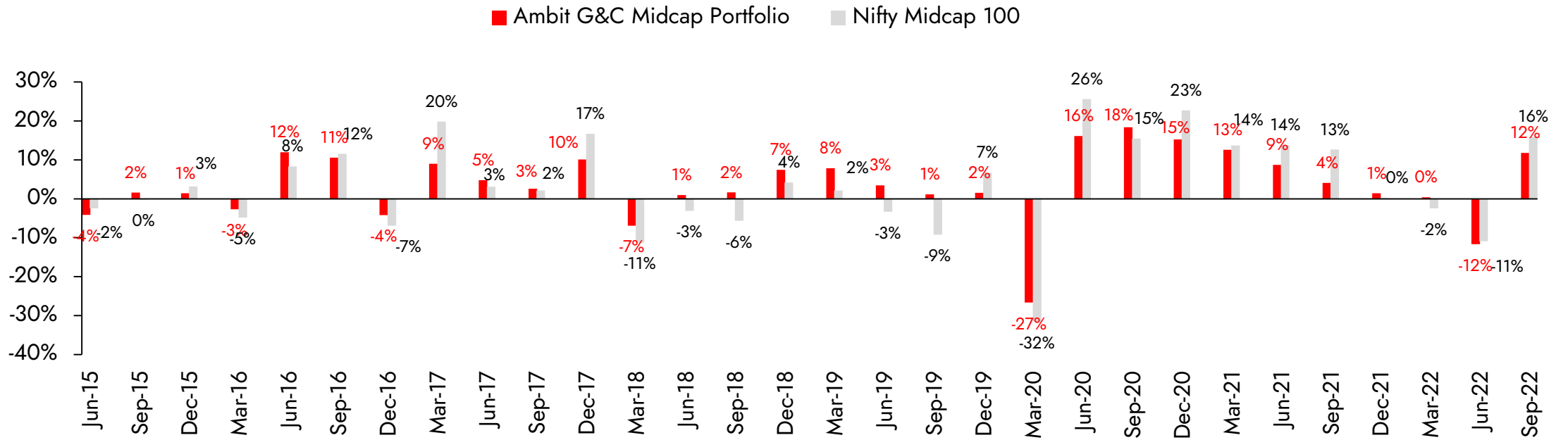


POINT TO POINT RETURNS



Ambit Good and Clean Midcap Portfolio inception date is Mar 12, 2015; Returns as on 31st Oct, 2022
Returns are net of all fees and expenses;

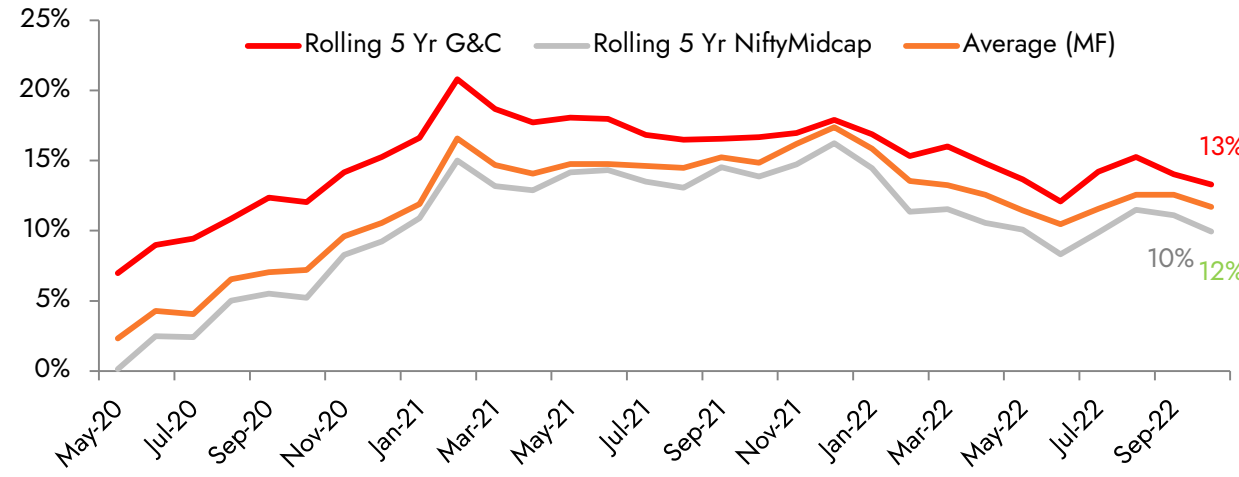
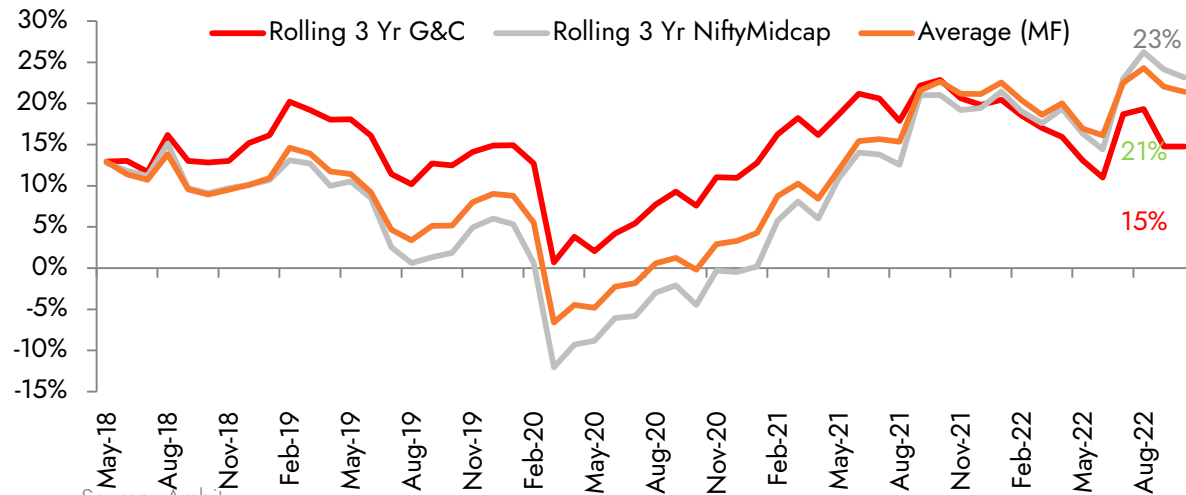
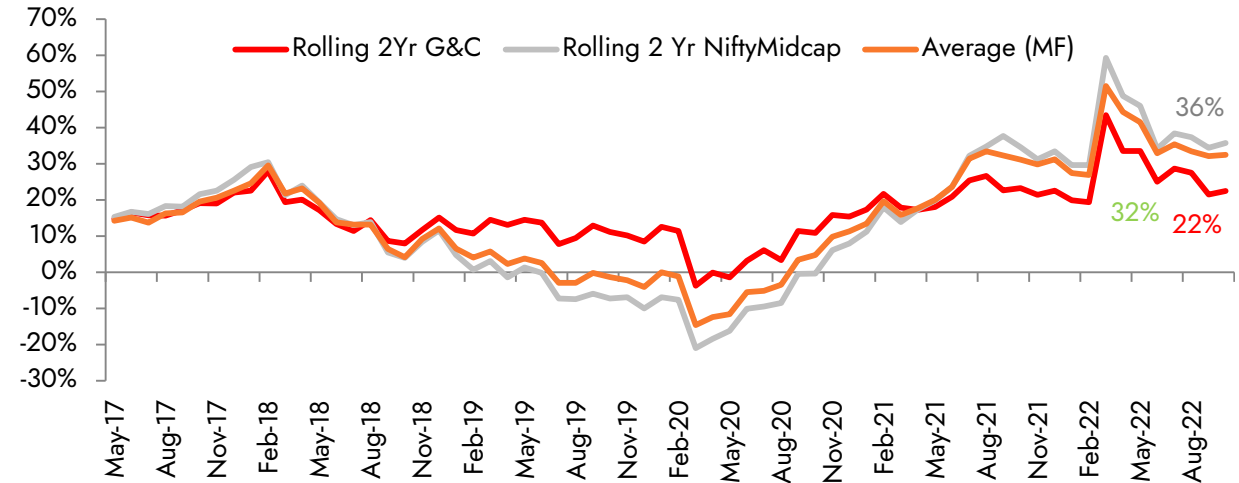
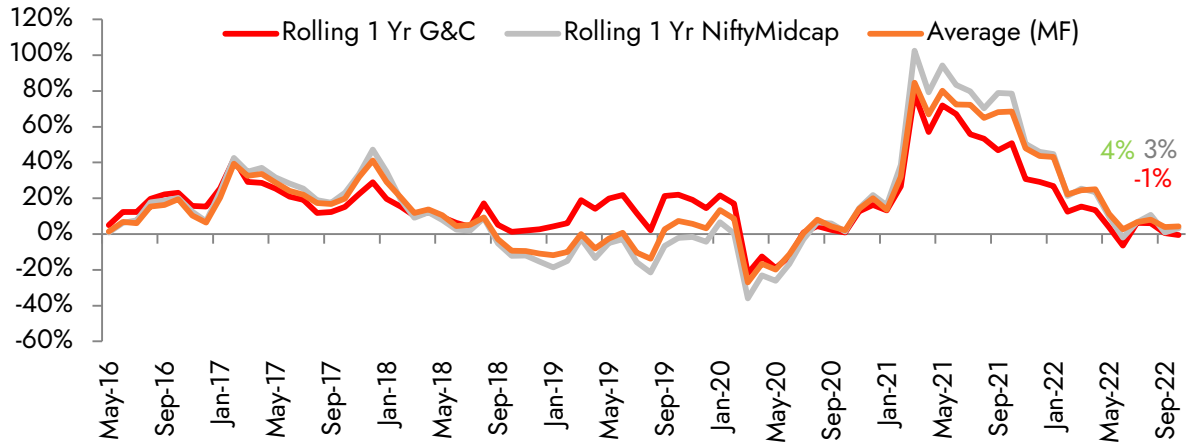
Quarterly Performance – Ambit Good & Clean Portfolio



Source: Ambit

Note: Performance is post all fees and charges; Date of inception of the Good & Clean Midcap Portfolio is 12 Mar'15. Return as of 30th Sep, 2022.

Performance: Rolling basis



Source: Ambit

Note: Performance is post all fees and charges; Date of inception of the Good & Clean Midcap Portfolio is 12 Mar'15. Return as of 31st Oct, 2022.

How did we deliver this?



How did we deliver this?

- Good risk adjusted returns is an **outcome** of **Good Processes** characterized by:

1 Stringent quantitative filters

- Each offering is based on deeply researched and back tested framework to generate the investment universe
- High threshold for performance over long spans of time, greatly minimize chances of poor performers or poor quality companies entering into the investment universe
- High quality of accounts and corporate governance is uncompromised

3 Focus on earnings growth + earnings quality

- Lower obsession with timing when one is investing in a superior calibre of companies
- Companies with a consistent track record and leadership traits are preferred
- Past track record + Future sector potential + Current management capabilities = Comfort on delivering quality earnings

2 Experienced team & deep-dive research

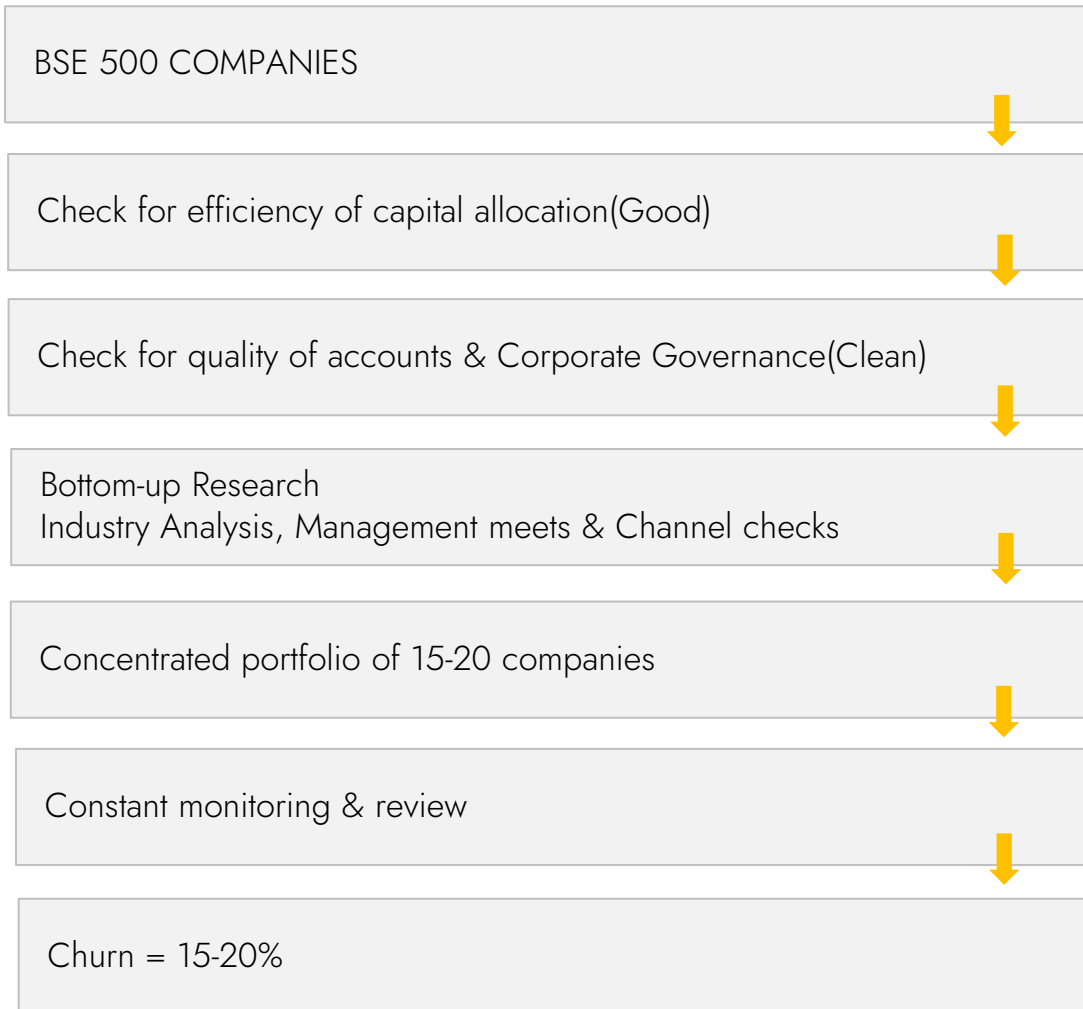
- Dedicated and experienced research team
- Research processes inspired by IE Research
- Investment Committee to approve all investment decisions
- Part of larger Ambit group lends advantages
- Focus on what is knowable and what is important

4 Risk management

- Concentrated Portfolios deliver best returns as returns do not get average out
- Lower drawdowns due to consistent performers in secular sectors
- Long term orientation with low churn realize the power of compounding

1

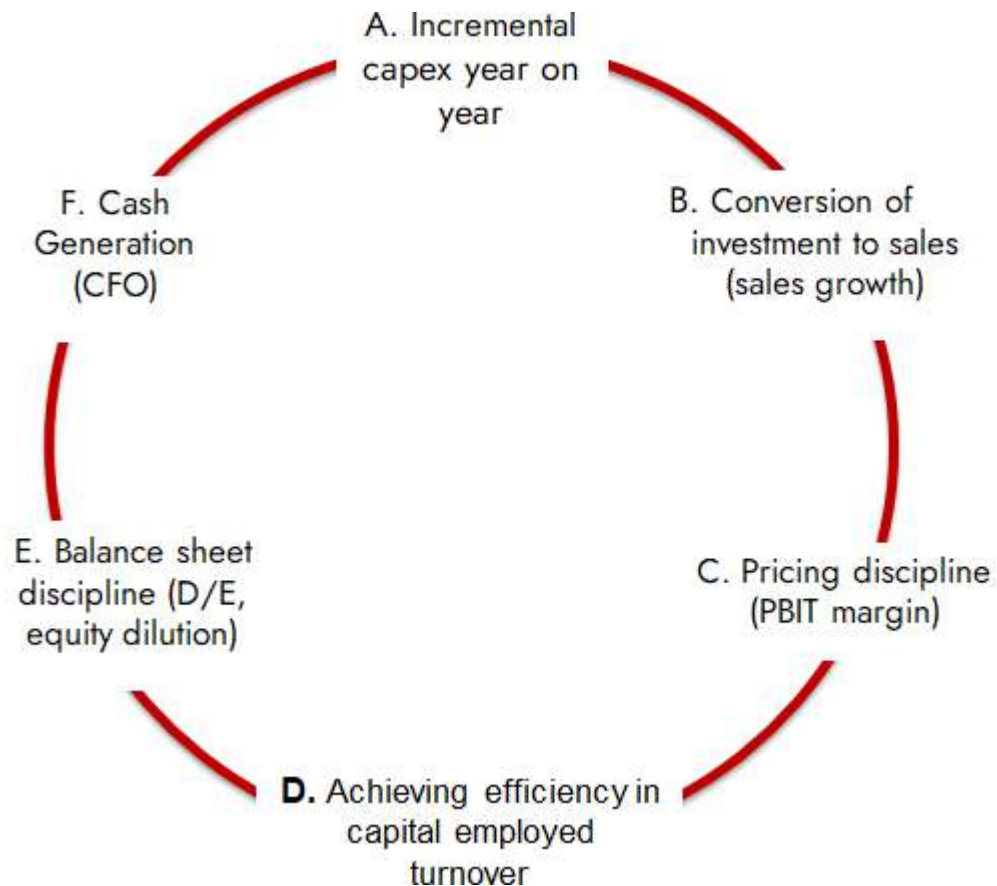
Stringent quantitative filters



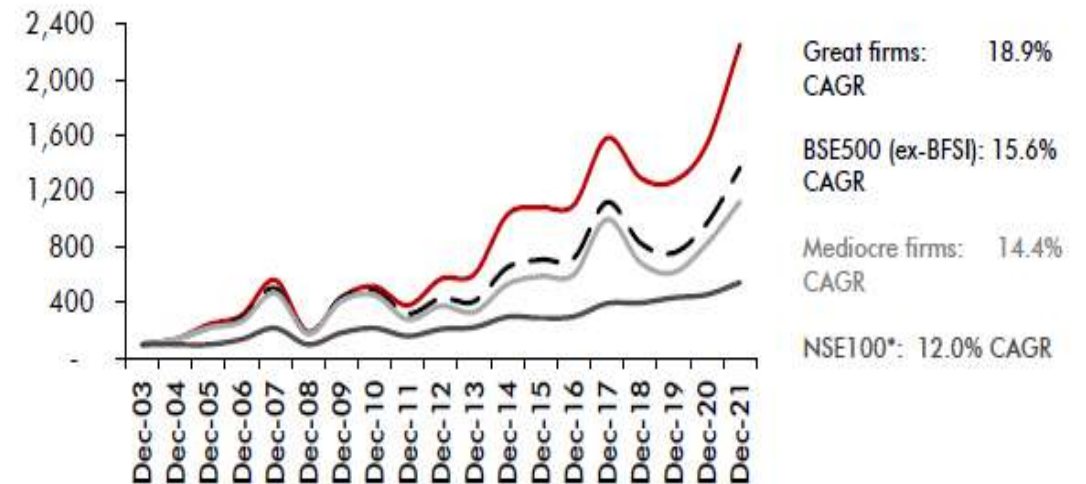
- Invest in firms which are:
 - Good** - On the basis of capital allocation track record and quality of improvement in financial metrics over the past six years, and
 - Clean** - Based on the quality of their accounts & corporate governance.
- The focus on 'good' helps **generate upside** while not compromising on 'clean' **reduces downside risk**. Essentially, while the 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.
- The result is a **concentrated portfolio** of 15-20 stocks that **draws down lesser** than the market in corrections and has **low churn** (not more than 15-20% of portfolio in any year amounting to 2-3 holdings being replaced).

Focus on 'good' helps generate upside

Ambit's 'greatness' framework identifies efficient capital allocators in the country



Greatness model has outperformed BSE500 by a whopping 3.3% annually



Source : Ambit Capital research, Bloomberg; Note: The back-test is based on annual rebalancing with forward-looking returns being calculated from December 31 of year X to December 31 of year X+1; for example, in the exhibit above, for the most recent year, the framework included numbers until FY21 and returns have been calculated from 31 December 2020 to 31 December 2021. (Note: The above exhibit only considers the share price returns and not the total shareholder returns). *NSE100 data is considered from Dec-06

Our greatness framework looks at holistic and consistent growth as the hallmarks of efficient capital allocation- a self sufficient growth engine without the need of tapping external capital frequently is key to long term wealth creation.

Not compromising on 'clean' is critical to managing drawdowns

Ambit's proprietary forensic accounting model helps steer clear firms with questionable accounts

Strong link between accounting quality and stock performance

Accounting checks

P&L Mis-statement

- Abysmally low CFO/EBITDA ratio over a long run
- High volatility in Depreciation Rates
- Boasting earning through lower debtor provisioning

B/S Mis-statement

- Low Cash yield implying balance sheet misstatement
- Writing-off losses directly through balance sheet
- High contingent liability

Pilferage Checks

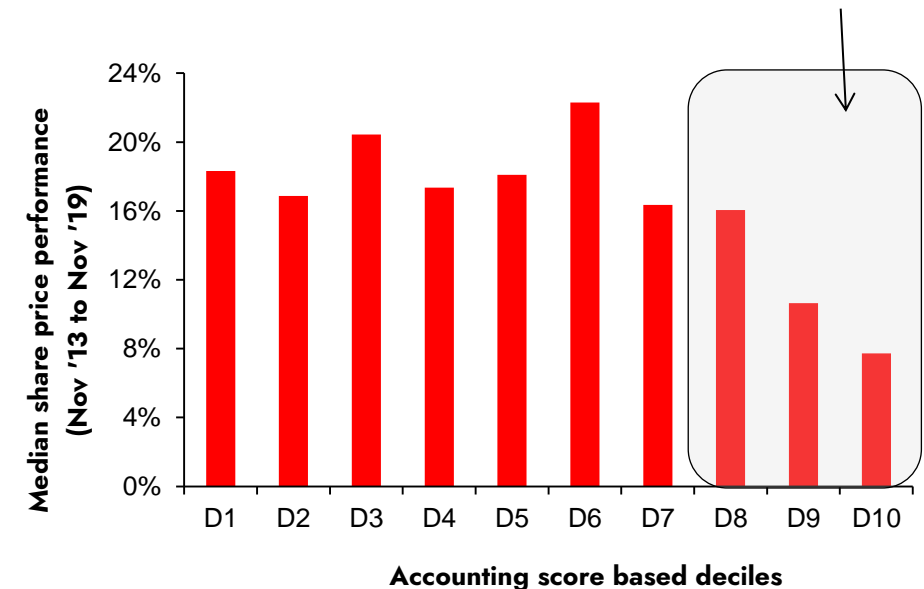
- High Miscellaneous expenses
- Unsubstantiated capex or delay in plant commissioning
- Historically generating negative free cash flows
- Increasing advances to related party

Auditor Quality

- High auditor remuneration

Zone of Darkness

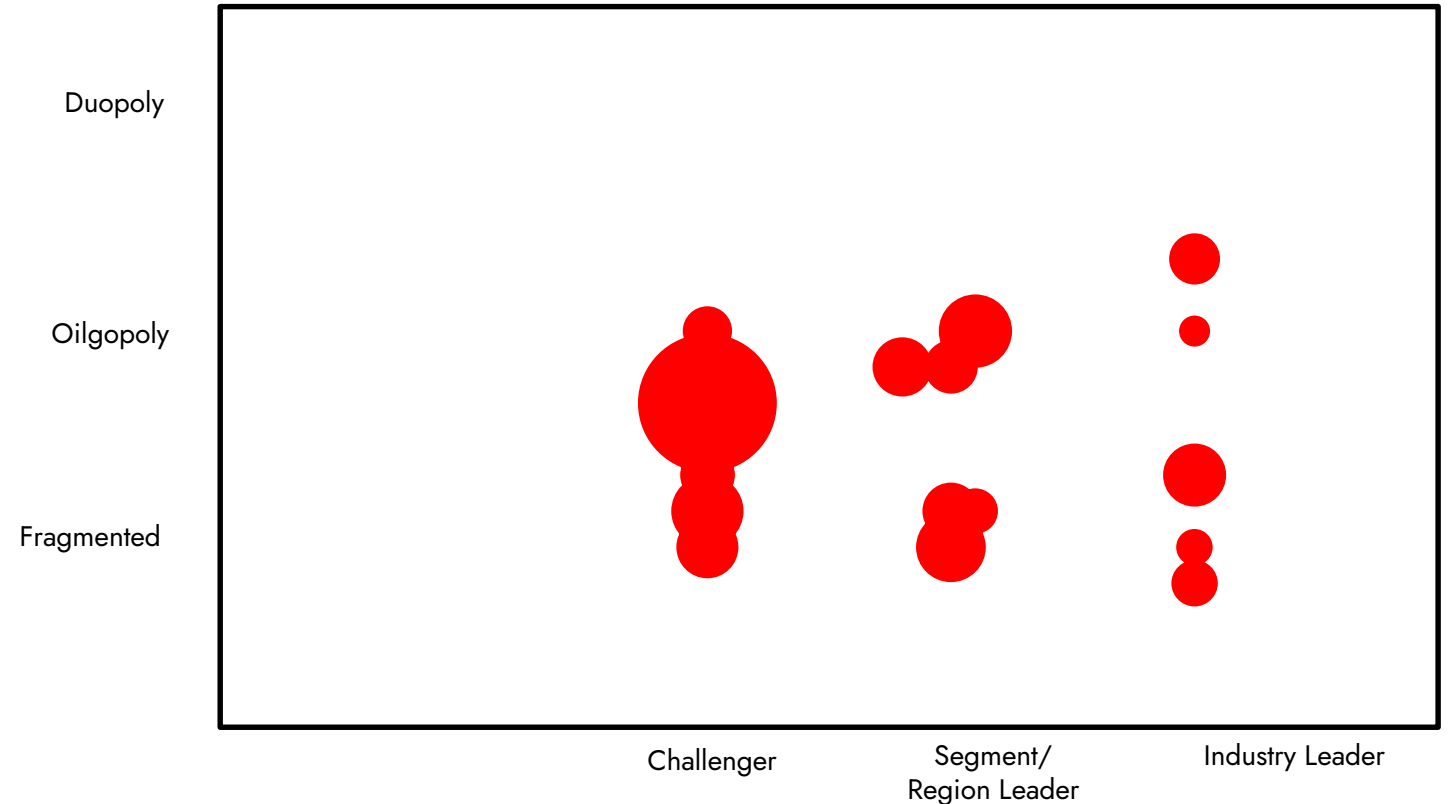
The bottom three deciles i.e. the worst quality stocks on accounting quality, have underperformed



Source: Ace Equity, Capitaline, Ambit Capital research; Note: Accounting score is based on annual financials over FY12-18; stock price performance is from Nov'12 to Nov'18 on a CAGR basis. Universe for this exhibit is BSE500 (ex-BFSI)

Portfolio Composition & Characteristics

- Stellar track records of capital allocation reflecting high RoE.
- Strong corporate governance & fairness of accounts.
- Strong pedigree of management with high competency and integrity.
- Negligible leverage at portfolio level.
- Growth potential above the comparable index. Median market cap of the portfolio is ~Rs29,892 cr.
- Reasonable valuation for quality stocks



Bubbles refer to individual companies in Good & Clean Portfolio;
Size of the bubble indicates Market Cap size

Good & Clean philosophy delivers

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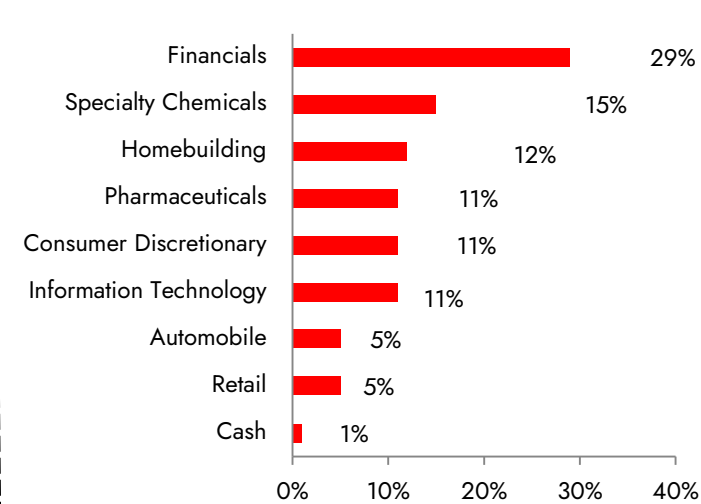
Risk Management

MODEL PORTFOLIO MARKETCAP ALLOCATION

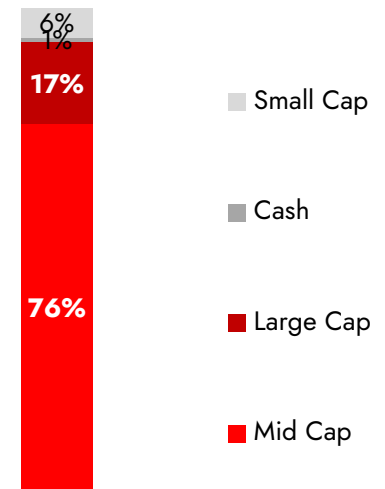
| Comparison with Indices | | G&C Midcap | Nifty Midcap Index |
|-------------------------|-------|------------|--------------------|
| P/E (x) | FY22 | 40.7 | 17.9 |
| | FY23E | 28.2 | 20.3 |
| Past 3Y Growth (%) | PAT | 27.4 | NA |
| Net Debt/Equity | FY22 | -0.17 | NA |
| RoE (%) | FY22 | 20.2 | 10.9 |
| | FY23E | 21.7 | 16.9 |

All Portfolio statistics are on Median basis

MODEL PORTFOLIO SECTOR ALLOCATION



MARKETCAP



SUPERIOR RISK ADJUSTED RETURNS AND DRAWDOWN TRACK RECORD

| Performance (since inception) | Net Returns (CAGR) | Standard Deviation | Sharpe Ratio | Beta | Maximum Drawdown |
|-------------------------------------|--------------------|--------------------|--------------|------|------------------|
| Ambit Good & Clean Midcap Portfolio | 13.3% | 18.7% | 0.3 | 0.8 | -29.8% |
| Nifty Midcap 100 | 11.9% | 22.1% | 0.2 | 1 | -44.6% |

Source: Ambit

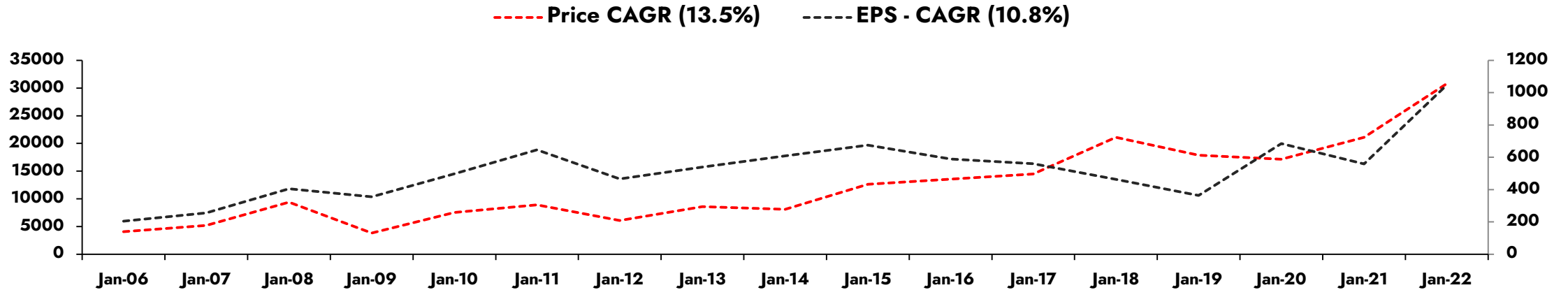
Note: Performance is post all fees and charges; Date of inception of the Good & Clean Midcap Portfolios is 12 Mar'15. Return as of 31st Oct, 2022.

**Earnings growth is the only
driver of share prices...**



Earnings growth is the only driver of share prices...

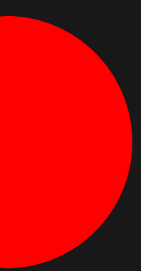
3 Focus on earnings growth + earnings quality



Source: BSE, Ambit Capital
Sensex Price and EPS are based to 100 on Jan 2006

| Page Industries | Market Cap (Rs cr) | Trailing EPS | Trailing P/E (x) |
|-----------------|--------------------|--------------|------------------|
| Mar-11 | 1,823 | 43 | 38 |
| Mar-21 | 33,956 | 305 | 100 |
| CAGR | 34% | 22% | 10% |

Source: Ambit Capital



Asset Management Team



Ambit Asset Management Team



MANISH JAIN
FUND MANAGER

Manish Jain has over 18 years of experience in Investment and Equity Research.



AISHVARYA DADHEECH
FUND MANAGER

Aishvarya has over 15 years of experience in Investment and Equity Research.



TRILOK AGARWAL
FUND MANAGER

Trilok has over 16 years of experience in Investment Research.



SUSHANT BHANSALI
CEO

Over 20 years of experience. Before Asset Management, he led Ambit's Principal Investment business, where he cut his teeth investing in listed equities from Ambit's Balance Sheet.



SIDDHARTHA RASTOGI
COO & HEAD OF SALES

Siddhartha has been with Ambit for over 13 Years. Before joining Ambit, Siddhartha was one of the cofounded members for IIFL Private wealth and set up the mutual fund and structured product distribution business at IIFL. He has also worked with Citibank, HSBC Bank and UTI Bank where he played a key role in setting up Wealth management and merchant banking roles.

FUND MANAGEMENT

TOTAL TEAM MEMBERS
11

CUMULATIVE EXPERIENCE
76 YEARS

SALES

TOTAL TEAM MEMBERS
12

CUMULATIVE EXPERIENCE
127 YEARS

SERVICE & OPERATIONS

TOTAL TEAM MEMBERS
20

CUMULATIVE EXPERIENCE
49 YEARS

OUR OFFICES

DELHI

MUMBAI

CHANDIGARH

JAIPUR

BANGALORE

HYDERABAD

BHOPAL

Key terms

| | |
|-----------------------------|---|
| Fund Type | SEBI Registered PMS |
| Fund Tenure | Open Ended |
| Structure | Discretionary PMS |
| Minimum investment | INR 50 lacs |
| Stock selection | Investible universe is stocks that perform well on the framework noted earlier. A further subjective assessment then leads to a more concentrated stock portfolio |
| Number of stocks | 15 – 20 |
| | 25% per sector (except BFSI), 10% per stock |
| | All cap with 'Nifty Midcap 100' as the benchmark |
| Time horizon and turnover | The investment horizon is 3-5 years and longer; turnover therefore low |
| Cash calls | Not to take aggressive cash calls; this is keeping in mind the longer term investment horizon of the fund and is suitable from a taxation standpoint |
| Custodian & Fund Accountant | ICICI Bank Limited. |
| Brokers | Ambit Capital, Motilal Oswal, Kotak Securities, HDFC Securities, Spark Capital |
| Depository Participant | Ambit Capital (Central Depository Services Limited) |

Our presence



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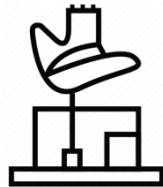
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Ambit Asset Management Overview





AMBIT COFFEE CAN PORTFOLIO

Since March 2017

Aims to deliver steady returns with minimal risk to create wealth over long term

Large-cap oriented portfolio

Great companies with a long proven track record of consistent growth and high RoE

AMBIT GOOD & CLEAN PORTFOLIO

Since March 2015

Focuses to deliver superior risk adjusted returns by identifying the large caps of tomorrow

Mid-cap oriented portfolio

Proven track record of efficient capital allocation and sustainable growth

AMBIT TenX PORTFOLIO

Since December 2021

Targets to compound wealth by investing in businesses with potential to multiply earnings by ten times

Flexi cap portfolio with mid & small cap orientation

Companies leveraging technology and innovation in under-penetrated categories

AMBIT EMERGING GIANTS PORTFOLIO

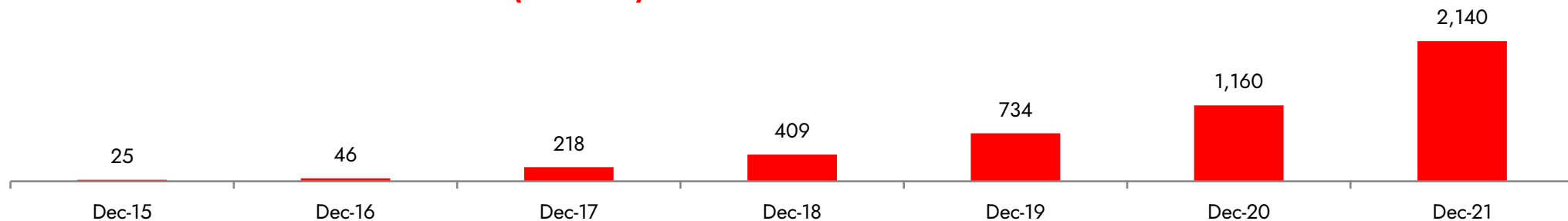
Since December 2017

Seeks to create wealth over a long period of time by investing early in undiscovered businesses

Small-cap oriented portfolio

Low leveraged, well governed, high growth niche segments

AUM (INR Crs.)



Ambit Overview

The Ambit Group: key highlights



Pre-eminent full-service India focused Investment Bank

- Innovative solutions that reduce complexity
- Deep understanding of prevalent regulatory framework
- Broad range of tailor-made solutions for Business Owners, Corporates, Institutional Investors, Family Offices and High Net Worth Individuals (HNWIs)



Successful Partnerships

- Strategic partnership with QInvest, Qatar
- Strategic business alliance with Daiwa, Japan for M&A



Experienced and Professional pan-India Team

- Team of 800+



Proven Track Record

- Closed over 100+ M&A/PE and 50+ ECM transactions in the last decade
- Consistently ranked amongst the top 10 M&A advisory firms
- Manages wealth of 2500+ HNI families

Risk Disclosure and Disclaimer

- The performance of the Portfolio Manager has not been approved or recommended by SEBI nor SEBI certifies the accuracy or adequacy of the performance related information contained therein.
- Ambit Investment Advisors Private Limited ("Ambit"), is a registered Portfolio Manager with Securities and Exchange Board of India vide registration number INP000005059.
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- The product 'Ambit Coffee Can 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.
- You may contact your Relationship Manager for any queries.
- The performance data for coffee can product between 6th march 2017 - 19th June 2017 represents model portfolio returns. First client was onboarded on 20th June 2017. The performance data for G&C product between 1st June 2016 to 1st April 2018 also includes returns for funds managed for an advisory offshore client. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020



Thank you