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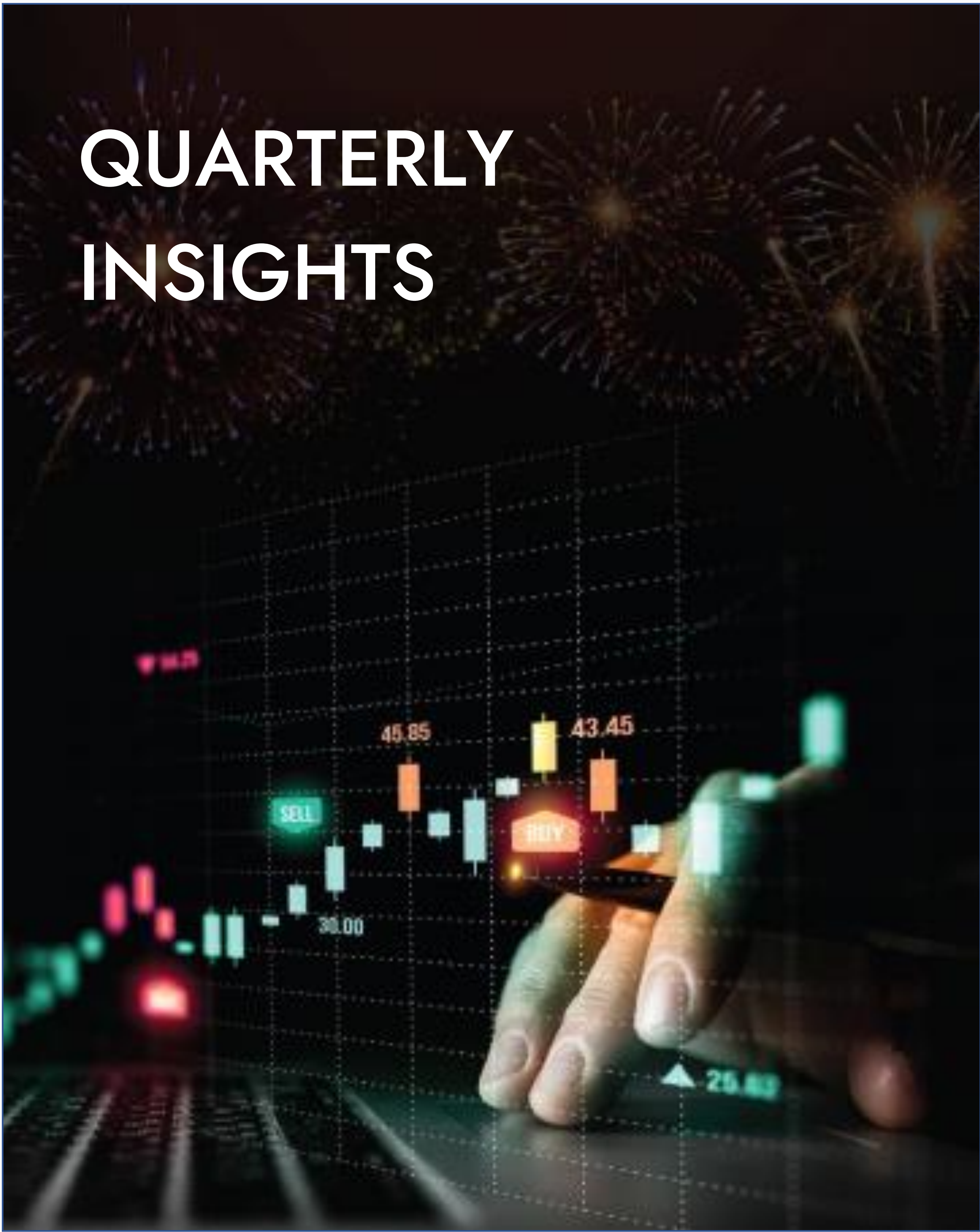
QUARTERLY INSIGHTS



2QFY24 – Green shoots visible

Dear Patron,

In India, Q2FY24 earnings season saw an overall in-line performance, with wide divergences across sectors and companies. Nifty posted strong 20% YoY earnings growth in 2QFY24. The key theme of the quarter was cost deflation in inputs, aiding companies in boosting profitability despite limited year-on-year revenue growth. This benefit from lower commodity costs is mostly exhausted, signalling that future earnings growth will rely on increased sales volumes. Earning growth of our portfolio companies saw healthy double digit growth with most of them outperforming their respective benchmarks. In this newsletter, we take a look at how each of the sectors performed, the winners/laggards in each of them, and what to expect going forward!

Exhibit 1: Healthy earnings across our portfolios during the quarter

	Net Sales YoY%			EBITDA YoY%			PAT YoY%		
Coffee Can Portfolio	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**
Weighted avg	12%	13%	17%	20%	18%	10%	27%	25%	13%
Median	13%	13%	18%	21%	22%	11%	34%	32%	19%
Good & Clean Portfolio	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**
Weighted avg	14%	14%	46%	30%	17%	31%	35%	0%	14%
Median	14%	17%	21%	14%	16%	24%	25%	14%	22%
Ambit Emerging Giants Portfolio	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**
Weighted avg	9%	17%	28%	14%	28%	22%	10%	26%	27%
Median	11%	11%	28%	13%	20%	18%	12%	23%	18%
Ambit TenX Portfolio	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**	**Q2FY24**	**Q1FY24**	**Q2FY23**
Weighted avg	13%	18%	26%	18%	22%	23%	16%	22%	20%
Median	17%	24%	31%	18%	22%	27%	12%	21%	19%
Nifty	5%	5%	20%	21%	22%	16%	28%	32%	20%
Nifty Midcap 100	14%	23%	17%	16%	27%	11%	20%	23%	14%
BSE smallcap	9%	22%	39%	10%	22%	26%	2%	21%	38%
BSE 400	33%	33%	17%	20%	10%	33%	11%	8%	34%
BSE 500	5%	7%	29%	41%	33%	13%	47%	46%	16%

Source: Bloomberg, Ambit Asset Management

PERFORMANCE OF DIFFERENT SECTORS OF OUR PORTFOLIO FOR THE 2QFY24 QUARTER

Sector	Positives	Negatives	Key Winners	Key Laggards
IT Services	1) Growth outperformance of Tier2/ERD companies (2-3.4% CC QoQ) vs Tier-1 peers (0.1% QoQ) 2) Margin beat across companies despite wage-hike headwinds for some 3)Strong deal wins, declining attrition	1) Sharp revenue miss for Tier-1 led by decline in BFS, CMT and Retail 2) -1% QoQ Median headcount decline across Tier-1 (1Q24: -2% QoQ) 3) Indications of higher than expected furloughs in 3Q	Persistent, LTIMindtree, Mastek	Mphasis, TCS
Healthcare	1) Median GM improvement of +300bps YoY owing to softening RM 2) Improvement in base US Gx portfolio led by stabilizing pricing erosion (mid-single digits) for most players	1) Slowdown in global biotech funding led to guidance D/G by Syngene 2) Soft domestic gr. owing to weak Acute season and NLEM impact 3) Diagnostics volume below pre-COVID growth rates	Syngene	Laurus Labs
Auto	1) Auto volumes across segments saw growth on the premiumization trend and improvement in chip supplies. 2) Softer raw material costs and higher premium mix supported Q2FY24 performance	1) Tractor volumes declined ~4% YoY in 1HFY24 due to festive mismatch, uneven distribution of rainfall, and elimination of subsidies in key states. 2) Recovery in rural demand and exports is awaited.	TVS Motors, Eicher Motors, Balkrishna Industries	Suprajit Engineering
FMCG	1) Easing Inflation across the RM basket has led to both gross & and EBITDA margin improvement. 2) Growth divergence seen across channels - with MT/ E-Commerce growing double-digits for most cos, while GT declined.	1) Volume pick-up saw 2Q seeing a slight QoQ volume slowdown. This was partly attributable to factors such as erratic rains and delayed festive. 2) Competition and media intensity have gone up across categories. Increased competition from smaller and regional players, who had retreated during the peak of inflationary pressures.	Nestle India, ITC Ltd	Amrutanjan Healthcare
Building Materials	1) Margin improvement for most players due to benign RM prices, most companies are at or above their mean margins. 2) Volume growth continues to be robust in Plastic pipes and Laminates.	1) Unseasonal rains along with a weak Q2 have resulted in tepid demand. 2) End-user segments such as Tiles have not seen material demand pickup	Supreme, Astral, Greenlam	Kajaria Ceramics
Chemicals	1) Sequential recovery started seeing in some of end-user segments. 2) Dumping by China of key chemicals are behind	1) Ag-chem, textiles and other chemicals continue to see inventory and pricing pressures. 2) Most chemical companies have shown de-growth on profitability front	PI Industries	

Sector	Positives	Negatives	Key Winners	Key Laggards
Consumer Discretionary & Retail	1) Discretionary/Retail excelled in revenue, growth is led by store additions/channel expansion 2) QSR: revenue growth aided by store addition; store expansion/better SSG to drive revenue/profitability	1) Profitability is under pressure. 2) The retail/QSR segments were impacted by the negative operating leverage stemming from muted like-for-like growth, rapid store expansion & higher ad. exp.	Trent ltd., Metro Brands, Titan ltd.	La Opala Rg Ltd.
Consumer Durable	1) Pre-festive sales around Independence Day and Onam were strong 2) Softer commodity costs led to a healthy rise in gross margin by 200-250bps	1) Overall demand continued to remain weak as consumer spending remained low 2)Shift in the festive season to Q3 postponed consumer offtake and impacted YoY growth	KEI, Bluestar	Havells, Hawkins
Banks & Financials	1) Jewellery has done well and expect 20-25% growth in 3Q24. 2) Term deposits growth was encouraging	1) NIM compression on the back of rising funding cost. 2) CASA remained sluggish	1) Axis Bank	

As we transition into the third quarter, we conducted channel checks to evaluate the overall outlook for the festive season. During this period, there was a surge in purchasing across various sectors including consumer goods, electronics, clothing, jewellery, automobiles, and real estate. Retailers offer discounts, promotions, and special deals to attract customers, leading to a considerable rise in sales and revenue for businesses.

Building Material: Volume growth for Paints has been robust and tepid Q2 looks to be offset by a strong Q3. Other categories (Bath ware, Pipes, Tiles, Adhesives) should post stronger numbers in H2 vs H1 owing to stronger demand both due to strong festival and the impact of seasonality.

Consumer Durable: Festive season outlook for large white goods has been strong particularly in premium segment due to K shaped recovery, home and kitchen small appliances continue to remain weak

Consumer staples: Companies are optimistic about better volume trends. They have highlighted a healthy demand for home care products while personal care products remain muted.

Autos: As per FADA, the retail data witnessed 20%/41%/10% growth for 2W/3W/PV respectively.

Consumer discretionary and Retail: Jewellery has done well and expect 20-25% growth in 3Q24. Discretionary sales were a mixed bag this festive. Apparel as a category has witnessed flat growth overall during the festive season. Premium continues to drive demand while mid/mass premium segments has taken a hit.

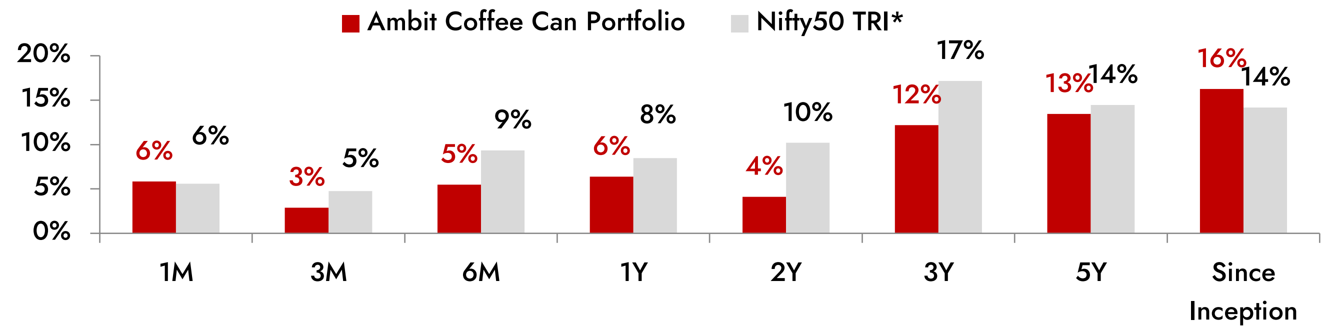
CONCLUSION:

Overall festive season was a mixed bag that stood better for autos, building material, consumer durables while muted for discretionary and retail sector. However in the backdrop of steadily improving Indian macroeconomic indicators, we anticipate that the peaks in inflation and interest rates are on the horizon. Our outlook is optimistic, driven by the government's emphasis on infrastructure development and the recent MSP hike, leading us to anticipate a healthy recovery in the rural economy over the next two quarters.

AMBIT COFFEE CAN PORTFOLIO

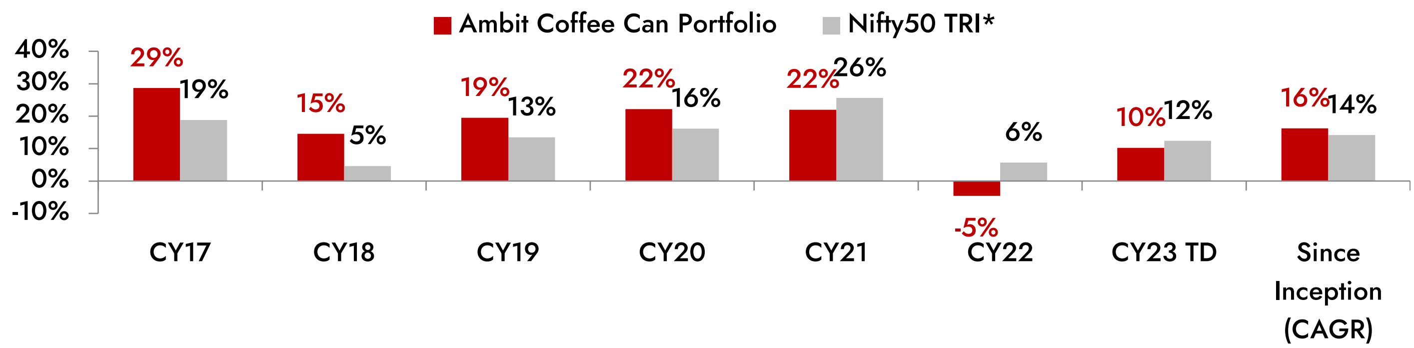
At Coffee Can Portfolio, we do not attempt to time commodity/investment cycles or political outcomes and prefer resilient franchises in the retail and consumption-oriented sectors. The Coffee Can philosophy has an unwavering commitment to companies that have consistently sustained their competitive advantages in core businesses despite being faced with disruptions at regular intervals. As the industry evolves or is faced with disruptions, these competitive advantages enable such companies to grow their market shares and deliver long-term earnings growth.

Exhibit 2: Ambit's Coffee Can Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of November 30th 2023; All returns are post fees and expenses; Returns above 1 year are annualized.
* Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio and the same is reported to SEBI.

Exhibit 3: Ambit's Coffee Can Portfolio calendar year performance



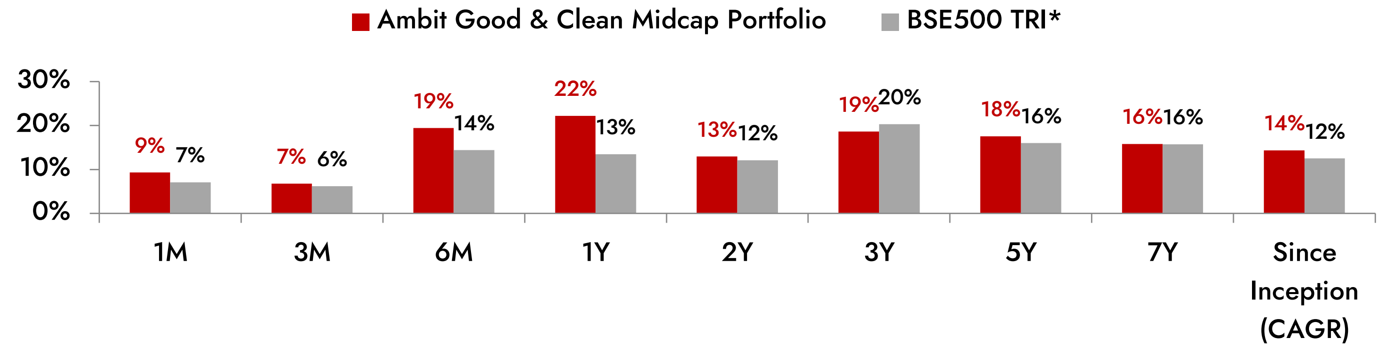
Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of November 30th 2023; All returns are post fees and expenses.
* Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio and the same is reported to SEBI.

Ambit Good & Clean Midcap Portfolio

Ambit's Good & Clean strategy provides long-only equity exposure to Indian businesses that have an impeccable track record of clean accounting, good governance, and efficient capital allocation. 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 for consistent growth. Our focus has been to deliver superior risk-adjusted returns with as much focus on lower portfolio drawdown as on return generation. Some salient features of the Good & Clean strategy are as follows:

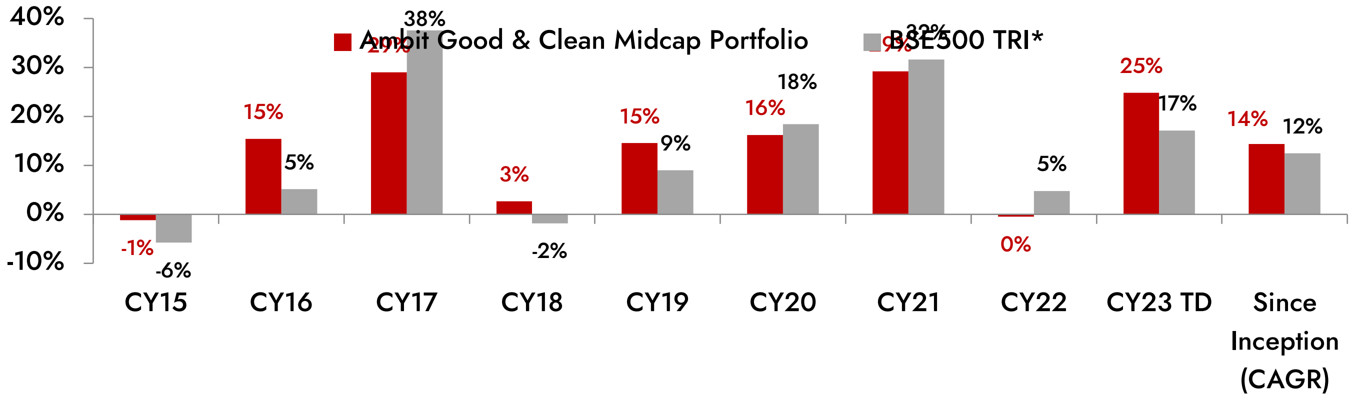
- Process-oriented approach to investing: Typically starting at the largest 500 Indian companies, Ambit's proprietary frameworks for assessing accounting quality and efficacy of capital allocation help narrow down the investible universe to a much smaller subset. This shorter universe is then evaluated on bottom-up fundamentals to create a concentrated portfolio of no more than 20 companies at any time.
- Long-term horizon and low churn: Our holding horizons for investee companies are 3-5 years and even longer with annual churn not exceeding 15-20% in a year. The long-term orientation essentially means investing in companies that have the potential to sustainably compound earnings, with these compounding earnings acting as the primary driver of investment returns over long periods.
- Low drawdowns: The focus on clean accounting and governance, prudent capital allocation, and structural earnings compounding allow participation in long-term return generation while also ensuring low drawdowns in periods of equity market declines.

Exhibit 4: Ambit's Good & Clean Midcap Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of November 30th 2023; All returns above 1 year are annualized. Returns are net of all fees and expenses. *BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap strategy and the same is reported to SEBI.

Exhibit 5: Ambit's Good & Clean Midcap Portfolio calendar year performance

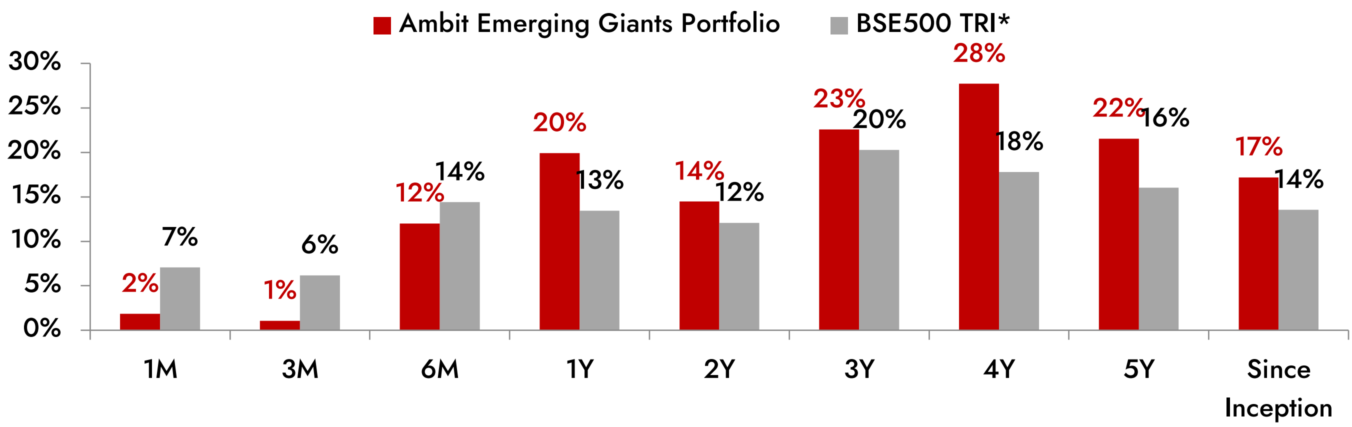


Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of November 30th 2023. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap strategy and the same is reported to SEBI.

Ambit Emerging Giants Portfolio

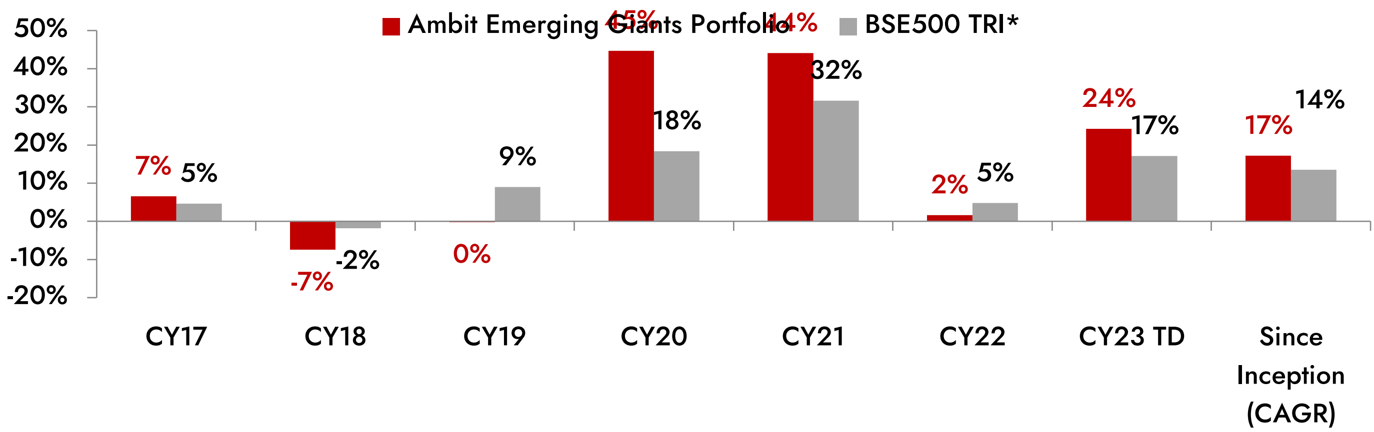
Small caps with secular growth, superior return ratios and no leverage – Ambit's Emerging Giants portfolio aims to invest in small-cap companies with market-dominating franchises and a track record of clean accounting, governance and capital allocation. The fund typically invests in companies with market caps less than Rs4,000cr. These companies have excellent financial track records, superior underlying fundamentals (high RoCE, low debt), and the ability to deliver healthy earnings growth over long periods of time. However, given their smaller sizes, these companies are not well discovered, owing to lower institutional holdings and lower analyst coverage. Rigorous framework-based screening coupled with extensive bottom-up due diligence led us to a concentrated portfolio of 15-16 emerging giants.

Exhibit 6: Ambit Emerging Giants Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of November 30th 2023; All returns above 1 year are annualized. Returns are net of all fees and expenses. *BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants strategy and the same is reported to SEBI.

Exhibit 7: Ambit Emerging Giants Portfolio calendar year performance



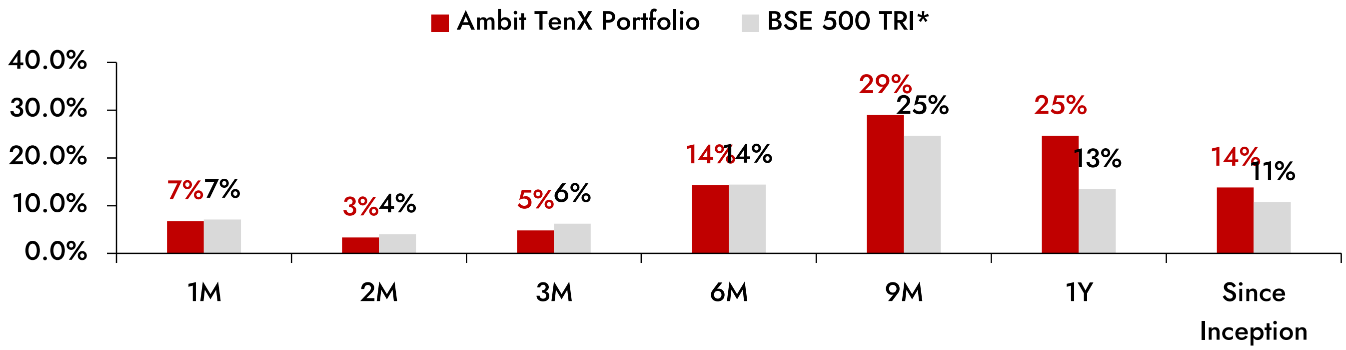
Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of November 30th 2023. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants strategy and the same is reported to SEBI.

Ambit TenX Portfolio

Ambit TenX Portfolio gives investors an opportunity to participate in the India growth story as the Indian GDP heads towards a US$10tn mark over the next 12-15 years. Mid and Small corporates are expected to be the key beneficiaries of this growth. The portfolio intends to capitalize on this opportunity by identifying and investing in primarily mid & small cap companies that can grow their earnings 10x over the same period implying 18-21% CAGR. Key features of this portfolio would be as follows:

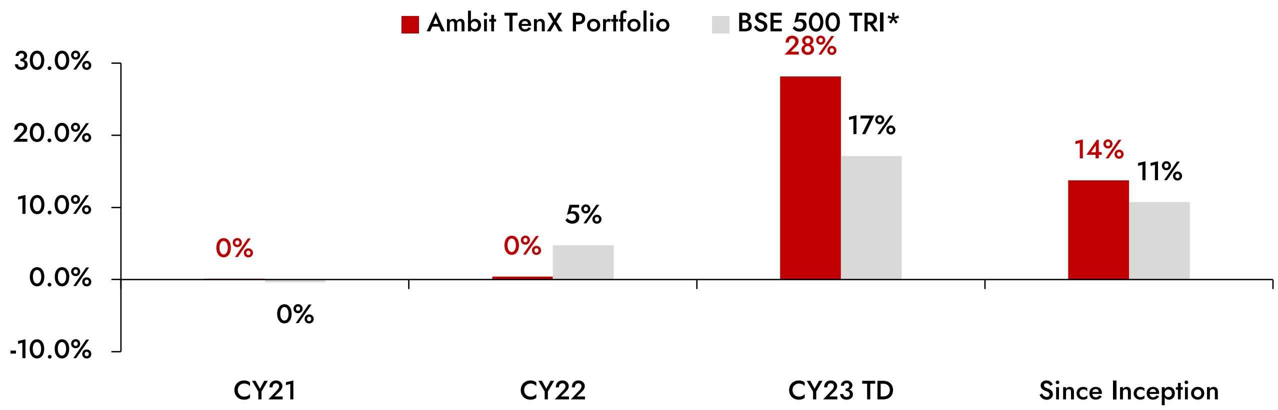
- Longer-term approach with a concentrated portfolio: Ideal investment duration of >5 years with 15-20 stocks.
- Key driving factors: Low penetration, strong leadership, light balance sheet
- Forward-looking approach: Relying less on historical performance and more on future potential while not deviating away from the Good & Clean philosophy.
- No Key-man risk: Process is the Fund Manager

Exhibit 8: Ambit TenX Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of November 30th 2023; Returns are net of all fees and expenses
*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio and the same is reported to SEBI.

Exhibit 9: Ambit TenX Portfolio calendar year performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of November 30th 2023. Returns are net of all fees and expenses
*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio and the same is reported to SEBI.

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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

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