MULTI-ACT EQUITY CONSULTANCY PRIVATE LIMITED

DISCLOSURE DOCUMENT
FOR
PORTFOLIO MANAGEMENT SERVICES

(MARCH 2017)

<u>MULTI-ACT EQUITY CONSULTANCY PRIVATE LIMITED</u>
<u>10TH FLOOR SC, THE RUBY TOWER, 29, SENAPATI BAPAT MARG,</u>
<u>DADAR (WEST), MUMBAI – 400 028</u>

This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.

The purpose of the Disclosure Document is to provide essential information about the portfolio management services in a manner to assist and enable the investor in making informed decision for engaging Multi-Act Equity Consultancy Private Limited as a Portfolio Manager.

This Disclosure Document contains the necessary information about the Portfolio Manager required by an investor before investing.

Investors should carefully read the Disclosure Document prior to making a decision to avail of Portfolio Management Services and are advised to retain this Disclosure Document for future reference.

This Disclosure Document remains effective until a 'material change' occurs. Material changes will be filed with SEBI and notified to the investors, subject to the applicable regulations.

No person has been authorized to give any information or to make any representations not confirmed in this Disclosure Document in connection with the services provided or proposed to be provided by the Portfolio Manager, and any information or representations not contained herein must not be relied upon as having been authorized by the Portfolio Manager, Multi-Act Equity Consultancy Private Limited.

The Principal Officer for Portfolio Management Services is Mr. Sanjeevkumar W. Karkamkar.
Office address: 10th Floor SC, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400028.
Tel No. 022-61408982 / Cell No. 9833831698
Email – sanjay.karkamkar@multi-act.com

This Disclosure Document is dated March 4, 2017.

M. P. Chitale & Co.

Chartered Accountants

1/11, Prabhadevi Ind. Estate, 1st Flr., Opp. Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai - 25 • Tel.: 43474301-03 • Fax : 4347 4304

The Board of Directors,
Multi -Act Equity Consultancy Pvt. Ltd.,
10th Floor SC, The Ruby Tower,
29, Senapati Bapat Marg,
Dadar(West)
Mumbai 400028.

We have examined the attached Disclosure Document dated March 04, 2017 for Portfolio Management prepared in accordance with Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993 by Multi-Act Equity Consultancy Pvt. Ltd. having its office at 10th Floor SC, The Ruby Tower, 29, Senapati Bapat Marg, Dadar(West), Mumbai 400 028.

Based on our examination of attached Disclosure Document, audited annual accounts of Multi-Act Equity Consultancy Pvt. Ltd. and other relevant records and information furnished by Management, we certify that the disclosures made in the attached Disclosure Document for Portfolio Management are true, fair and adequate to enable the investors to make a well informed decision.

We have relied on the representations given by the management about penalties or litigations against the Portfolio Manager mentioned in the Disclosure Document. We are unable to comment on the same.

This certificate has been issued to Multi-Act Equity Consultancy Pvt. Ltd. for submission to the Securities and Exchange Board of India under SEBI (Portfolio Management) Regulations, 1993 and should not be used or referred to for any other purpose without our prior written consent.

For M.P. Chitale & Co.
Chartered Accountants
Firm Reg. No. 101851W

V. V. Barje

Vidya Barje
Partner
Membership No. 104994
Mumbai, March 04, 2017

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1. Disclaimer

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 and it has been filed with SEBI. This document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this document.

2. Definitions

For the purposes of this Disclosure Document, except as otherwise expressly provided or as the context or meaning thereof otherwise requires, the following words and expressions shall have the meanings assigned to them respectively hereinafter:

"Act"	means the Securities and Exchange Board of India Act, 1992 (15 of 1992)
"Client" or "Investor"	means any person/entity who enters into an agreement with the Portfolio Manager for availing the services of portfolio management offered by the Portfolio Manager.
"Client Agreement"	means the agreement executed between the Client and the Portfolio Manager for providing portfolio management services to that Client and stating therein the terms and conditions on which the Portfolio Manager shall provide such services to that Client.
"Disclosure Document"	means this Disclosure Document dated March 4, 2017 for offering portfolio management services.
"Discretionary Portfolio Management Services"	means portfolio management services where the Portfolio Manager exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management of the portfolio of securities or the funds of the Client, as the case may be.
Foreign Account Tax Compliance Act (FATCA)	Foreign Account Tax Compliance Act that seeks to identify U.S. taxpayers having accounts at Foreign Financial Institutions (FFIs) and attempts to enforce reporting of those accounts through withholding.
"Investment Advisory Services"	means services, where the Portfolio Manager advises Clients on investments in general or gives specific advice required by the Clients and agreed upon in the Agreement.
"Non Discretionary Portfolio Management Services"	means the portfolio management services where a Portfolio Manager under a contract relating to portfolio management, acts on the instructions received from the Client with regard to investment or management of the portfolio of securities or the funds of the Client, as the case may be.
"Portfolio"	means the total holdings of securities.

"Portfolio Manager"	means Multi-Act Equity Consultancy Private Limited (MAECL), a private limited company incorporated under the Companies Act, 1956 (CIN: U67120PN1993PTC074692) and registered with SEBI to act as a Portfolio Manager in terms of SEBI (Portfolio Managers) Regulations, 1993 vide registration number INP000002965 renewed effective October 14, 2014 and having its registered office at Trade Centre, 3rd floor, Koregaon Park, North Main Road, Pune – 411 001 and having its address of principal place of business at 10th Floor SC, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028.
"Portfolio Management Services"	means the Discretionary Portfolio Management Services or Non-Discretionary Portfolio Management Services or Investment Advisory Services, as the context may require.
"Regulations"	means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 as amended from time to time.
"Securities"	'Securities' as per the Securities Contracts (Regulation) Act, 1956 as amended from time to time includes: (i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; (ia) derivative; (ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes; (ic) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; (id) units or any other such instrument issued to the investors under any mutual fund scheme; (ie) any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case maybe; (ii) government securities; (iia) such other instruments as may be declared by the Central Government to be securities; and (iii) rights or interest in securities.

The terms that are used herein and not defined herein, except where the context otherwise so requires, shall have the same meanings as are assigned to them under the Act or the Regulations.

3. History, Present Business and Background of the Portfolio Manager

MAECL, a private limited company incorporated under the Companies Act, 1956, has been registered with SEBI as a Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000002965 renewed effective October 14, 2014, to render portfolio management services to high networth clients.

MAECL is a wholly owned subsidiary of Multi-Act Trade & Investments Private Limited.

Apart from this, MAECL has managed its owned corpus of funds since the year of incorporation; the audited track record upto March 31, 2011 is mentioned below:

Objective	**Appreciation Plus focus on "Preservation"**				**Appreciation**			
MAECL PROPRIETARY CAPITAL PERFORMANCE								
			% of Equity Holding in Portfolio				Benchmarks	
Financial Year	Overall Portfolio Return(s) Yearly	Overall Portfolio Returns since inception	Beginning of Period	End of Period	Only Equity Return(s) Yearly#	Only Equity Returns Since Inception #	BSE-500*	BSE-MidCap*
2004 - 05	**27.23%**	**27.23%**	93.36%	95.66%	**29.67%**	**29.67%**	21.89%	47.91%
2005 - 06	**79.14%**	**51.01%**	95.66%	67.14%	**99.07%**	**60.72%**	65.17%	73.60%
2006 - 07	**0.60%**	**31.89%**	67.14%	67.43%	**2.66%**	**38.41%**	9.71%	0.66%
2007 - 08	**11.20%**	**26.36%**	67.43%	75.86%	**11.74%**	**31.18%**	24.25%	19.38%
2008 - 09	**-10.66%**	**17.90%**	75.86%	45.54%	**-14.67%**	**20.37%**	-42.77%	-54.01%
2009 - 10	**49.72%**	**22.69%**	45.54%	37.68%	**145.18%**	**35.53%**	96.38%	130.23%
2010 - 11	**9.73%**	**20.75%**	37.68%	26.86%	**21.75%**	**33.47%**	7.48%	0.99%
Since Inception (From 1 April 2004)**	**NA**	**20.75%**	93.36%	26.86%	**NA**	**33.47%**	18.68%	18.60%
	Compounded Annual Returns for period							
FY 2004-05 to FY 2008-09	**NA**	**17.90%**	93.36%	45.54%	**-**	**20.37%**	9.45%	7.25%
Last 3 years(FY 2008-09 to FY 2010-11)	**NA**	**13.66%**	75.86%	26.86%	**-**	**36.60%**	6.50%	2.26%
Last 5 years(FY 2006-07 to FY 2010-11)	**NA**	**10.43%**	67.14%	26.86%	**-**	**23.92%**	10.49%	5.15%

Source: - Equity closing rate

From April 1, 2004 till August 31, 2009 - Capital Line

From September 1, 2009 till March 31, 2011 – Bilav
Mutual Fund Closing Rate from amfiindia.com

* Benchmark closing has been taken from bseindia.com
@Yearly returns include dividend, profit/loss on sale of investments and appreciation/ depreciation in the value of assets (including equity, debt, cash and cash equivalent) on mark to market basis on balance sheet date.
Cost for the purpose of computing Gain / Loss on sale of investments cost is arrived at by using First-In First-Out (FIFO) method
** Compounded Annual Growth Rate for the period
The historical performance numbers of the owned corpus are disclosed till the financial year 2010-11.

4. Promoters and Directors of the Portfolio Manager and their background

i. Promoters:

Multi-Act Trade & Investments Private Limited, the holding company of Multi-Act Equity Consultancy Private Limited was incorporated on July 21, 1997.

Since inception, the holding company has been engaged in creating a process for stock-selection and valuation in order to help clients construct a portfolio of investments in Indian and foreign markets**.** This process uses tools from fundamental, technical and quantitative analysis, and is set against backdrops of behavioral finance and Austrian economics. The fundamental analysis seeks to separate the universe of stocks into two pools based on the characteristics of the businesses that underlie them. It uses appropriate valuation tools to arrive at an expected business valuation for the stock. This valuation is an interval valuation defining a range within which the "true" value of the business is estimated to reside. Technical analysis uses stock price patterns in an attempt to harness tailwinds in market momentum - and avoid headwinds. All technical analysis is done in the context of the valuation arrived at through fundamental analysis. Quantitative techniques use statistical tools for assessing trends that obtain in certain asset classes. All analysis is done keeping in mind behavioral biases that are attendant to the investment profession. The accent is therefore on a process driven approach that defines entry and exit points as well as position sizing before any investment is made.

The holding company was providing research based investment advisory services to its international institutional clients till the financial year 2007-08.Thereafter, the activities of the holding company were reorganized through its two wholly owned subsidiaries. Currently the holding company provides research services on global equities.

ii. Directors:

Sr. No	Name	Qualification	Experience	Other Directorships
1	Mr. Prashant K. Trivedi *Founder Director (Non-Executive)*	Summa cum laude with a B.Sc (Eco) from the Wharton School, CFA (AIMR)	Overall 31 years of experience in investment management	1. The Indian Card Clothing Co. Ltd. 2. Multi-Act Trade & Investments Pvt. Ltd. 3. Multi-Act Equity Research Services Pvt. Ltd. 4. Multi-Act Construction Pvt. Ltd.
2	Mr. Sanjeevkumar W. Karkamkar *Executive Director*	B.Com	Over 33 years of experience in Finance, Company Law, Taxation, Administration, etc.	1. Multi-Act Equity Research Services Pvt. Ltd. 2. Acre Street (India) Pvt. Ltd. 3. Multi-Act Construction Pvt. Ltd. 4. Multi-Act Realty Enterprises Pvt. Ltd.
3	Mr. Sekar Iyer - *Executive Director*	B.Com, ACS, CA (Inter), Dip.ITM	11 years of experience in Company Law, Legal, Accounts, RBI Regulations and Administration etc.	Multi-Act Equity Research Services Pvt. Ltd.

5. Key entities in the group - top group companies of the Portfolio Manager

Based on audited financial statements for the year ended March 31, 2016, the top group companies of the Portfolio Manager, on turnover basis, are as under:

Sr. No.	Name of the Company
i.	Indian Card Clothing Company Limited
ii.	Multi-Act Trade & Investments Private Limited
iii.	Multi-Act Equity Research Services Private Limited
iv.	Multi-Act Realty Enterprises Private Limited
v.	Multi-Act Construction Private Limited
vi.	Acre Street (India) Private Limited
vii.	Multi-Act Industrial Enterprises Limited
viii.	Sapphire Capital Advisors (Mauritius) Limited
ix.	Multi-Act Financial Enterprises Limited

6. Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority

There have been no instances of penalties imposed by SEBI or directions issued by SEBI under the Act or Rules or Regulations made thereunder nor have any penalties been imposed for any economic offence and/or for violation of any securities laws. There are no pending material litigations /legal proceedings /criminal cases against the Portfolio Manager or its key personnel. No deficiency in the systems and operations has been observed by SEBI or any regulatory authority. There have been no enquiry/adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee under the Act or Rules or Regulations made thereunder.

7. Services offered

The Portfolio Manager offers services under the following categories:

A. Details of services being offered:

I. Discretionary services

Under these services, the Portfolio Manager will accept funds from Clients and would manage the Client's Portfolio at it's complete discretion, for an agreed-upon term and fees. The Portfolio Manager manages each client's portfolio independently in a way:

(a) that the risk tolerance is factored and restrictions, if any, as per mandate issued by client are observed; and
(b) that such personalization of portfolio is not in conflict with the discretionary call of the Portfolio Manager.

Subject to above, the Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per the Portfolio Management Agreement and make such changes in the investments and invest some or all of the amounts in the Client's account in such manner and in such markets as it deems fit. The Portfolio Managers' decision (taken in good faith) in deployment of the Clients' account is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on grounds of malafide intention, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Rules, and Regulations, guidelines and notifications in force from time to time.

Under discretionary services, the Portfolio Manager offers the following broad categories of Portfolio:

i. Moat & Special Situations Portfolio (MSSP):

Investment Objective

Moat is the sustainable competitive advantage that one company has over other companies in the same industry. Moat for a company can come from four sources – Network effect, switching cost, Cost advantage / economies of scale or Intangibles. Generally the first 2 sources of Moat are the strongest and the remaining 2 sources are weak / narrow moats, what we term as limited Moats.

The primary objective of this Portfolio is to generate capital appreciation by investing in companies that in the opinion of the Portfolio Manager are of high quality Moat or Limited Moat businesses at fair value or discount to fair value OR in Non moat businesses at deep discount to fair value as special situations. Investing in such businesses at discount/deep discount to fair value provides margin of safety to the investor.

The Portfolio Manager expects to offer portfolios for investment that may either be perpetual in nature i.e., always open to subscription by Clients and never expiring. The investor will have to choose his exit date at his convenience. Or, the Portfolio Manager may also offer those portfolios that are 'closed ended' in nature i.e., these portfolios are open to subscription only during a predefined offering period AND have a specific maturity period (as agreed between Investors and Portfolio Manager). In the latter case, the Portfolio Manager could offer a similar investment strategy but with different starting dates of subscription (by investors). Such different start dates will follow a limited offering period. Each such corpus with a different start date but similar strategy as other corpuses will be called a series. Each series will remain closed for any new investment by its Clients or any other Clients for the duration of the series.

Investment Strategy

Portfolio manager believes that there are three types of identifiable investment related risks which could lead to permanent loss of capital – i) Business risk ii) Balance Sheet risk iii) Valuation risk. In order to provide superior risk adjusted returns, the portfolio is invested in those companies which in opinion of the portfolio manager have limited exposure to above risks.

Business risk is essentially the risk that a business would not be able to maintain profitability in the long run on account of competition or any other reason. A Moat business has a strong barrier to entry which allows it to maintain profitability in the long run and generate high returns on capital employed. By investing in Moat businesses the investor mitigates the Business risk.

Balance sheet risk is the risk of high financial leverage on the balance sheet affecting the profitability or in some cases solvency of the business in a adverse business cycle or on account of adverse interest rate cycle. This risk can be mitigated by avoiding companies that have high financial leverage on their balance sheet.

Valuation risk is the risk of buying a company above its intrinsic value. In a risk averse market, valuation of such company could revert back to its intrinsic value or even lower which could lead to loss of capital for the investor. This risk can be mitigated by investing in a company at discount to the intrinsic value which provides margin of safety to the investor.

Keeping these risks in mind, the portfolio manager would construct a portfolio by investing in Moat, Limited moat and special situation businesses which provide the best reward as compared to the risk being taken. The portfolio manager would also try to optimize the timing of his investment decision through technical analysis. The portfolio manager also follows an internal risk control process which puts a cap on weights that can be assigned to a stock based on the quality of business and strength of the Moat.

If the portfolio manager is not able to find opportunities in the market that fit the above bottom up criteria, he would maintain cash in the portfolio. The portfolio manager would also do a top down analysis of the broader market to arrive at an indicative equity allocation. This makes the asset allocation process and investment decisions more proactive rather than being reactive to market conditions.

The portfolio Manager may from time to time use an asset allocation & position sizing policy which could be revised based on market conditions over time.

Cash that is not invested would be deployed in debt and fixed income securities including money market instruments and units of mutual fund schemes (debt-oriented / income, gilt and liquid/ money market mutual fund schemes), liquid funds or arbitrage funds run by well-established and reputed fund houses and deployed in the market as and when opportunities arise.

It is perceived by the Portfolio Manager that it takes at least 39 months for a full cycle between under and over valuation in the Indian market. This term is required to execute the portfolio’s well thought out investment strategy to reach its full return potential while at the same time it discourages the investor to exit the equities in a despaired market environment.

The Portfolio Manager will be scaling out of the positions in the portfolio gradually in order not to disturb the market price. Depending on market conditions, it may decide to scale out of positions well before the upper end of our estimate of fair value has been reached. The Portfolio Manager believes that on average it would take 2 - 3 years for its ideas to reach their price potential. It therefore envisages a turnover of approximately 50% every year. However, it is cautioned that these numbers are indicative only, and actual results may vary significantly from these ‘rules of thumb’ depending on the market conditions prevalent during the tenure of the investment.

Depending on the events in the markets the Portfolio Manager would have the flexibility to alter the above allocations. Consistent with the investment objective and subject to the SEBI Regulations, the Client’s funds may be invested in such securities, capital and money market instruments or in fixed income securities or variable securities of any description, by whatever name called including -

a. Equity and equity related securities, convertible stock and preference shares of Indian companies, warrants;
b. Debentures (convertible and non-convertible), bonds, secured premium notes, corporate debt (of both public and private sector undertakings), securities issued by banks (both public and private sector) and development financial institutions like certificate of deposits (CDs), coupon bearing bonds, zero coupon bonds and tax exempt bonds of Indian companies and corporations;
c. Units of mutual funds (including exchange traded funds (ETFs);

d. Commercial paper, trade bills, treasury bills and certificate of deposit and other similar money market instruments;
e. Securitised debt, pass through certificates and quasi debt instruments and such other eligible modes of investment within the meaning of the SEBI Act / Regulations as amended from time to time.

The investment allocation pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors. It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

ii. Moat & Special Situations Portfolio – EquiPlus (MSSP - EquiPlus):

Investment Objective

Moat is the sustainable competitive advantage that one company has over other companies in the same industry. Moat for a company can come from four sources – Network effect, switching cost, Cost advantage / economies of scale or Intangibles. Generally the first 2 sources of Moat are the strongest and the remaining 2 sources are weak / narrow moats, what we term as limited Moats.

The primary objective of this Portfolio is to generate capital appreciation by investing in companies that in the opinion of the Portfolio Manager are of high quality Moat or Limited Moat businesses at fair value or discount to fair value OR in Non moat businesses at deep discount to fair value as special situations. Investing in such businesses at discount/deep discount to fair value provides margin of safety to the investor. Unlike MSSP, in case of MSSP-EquiPlus, the Portfolio Manager would endeavor to be fully invested without taking substantial cash call. Thus MSSP-EquiPlus is ideal for those clients who are comfortable with the MSSP thought process, but have taken the asset allocation call and who want a substantial equity exposure.

The inherent risk in MSSP-EquiPlus will be higher as compared to MSSP.

The Portfolio Manager expects to offer portfolios for investment that would be perpetual in nature i.e., always open to subscription by Clients and never expiring. The investor will have to choose his exit date at his convenience. The Portfolio Manager could offer a similar investment strategy but with different starting dates of subscription (by investors). Such different start dates will follow a limited offering period. Each such corpus with a different start date but similar strategy as other corpuses will be called a series. Each series will remain closed for any new investment by its Clients or any other Clients for the duration of the series.

Investment Strategy

The Portfolio Manager believes that there are three types of identifiable investment related risks which could lead to permanent loss of capital – i) Business risk ii) Balance Sheet risk iii) Valuation risk. In order to provide superior risk adjusted returns, the portfolio is invested in those companies which in opinion of the Portfolio Manager have limited exposure to above risks.
Business risk is essentially the risk that a business would not be able to maintain profitability in the long run on account of competition or any other reason. A Moat business has a strong barrier to entry which allows it to maintain profitability in the long run and generate high returns on capital employed. By investing in Moat businesses the investor mitigates the Business risk.

Balance sheet risk is the risk of high financial leverage on the balance sheet affecting the profitability or in some cases solvency of the business in an adverse business cycle or on account of adverse interest rate cycle. This risk can be mitigated by avoiding companies that have high financial leverage on their balance sheet.

Valuation risk is the risk of buying a company above its intrinsic value. In a risk averse market, valuation of such company could revert back to its intrinsic value or even lower which could lead to loss of capital for the investor. This risk can be mitigated by investing in a company at discount to the intrinsic value which provides margin of safety to the investor. When the broader market is expensive and any equity exposure is entailing valuation risk, the Portfolio Manager would try to mitigate the same through increased exposure to defensive names to restrict the downside.

Keeping these risks in mind, the Portfolio Manager would construct a portfolio by investing in Moat, Limited moat and special situation businesses which provide the best reward as compared to the risk being taken. The Portfolio Manager would also try to optimize the timing of his investment decision through technical analysis. Keeping in mind the fact that the Portfolio Manager is managing only the equity portion of clients overall portfolio, the Portfolio Manager would not restrict/cap individual weights in stocks as such weights would be subset of a bigger portfolio. The Portfolio Manager would not hold cash in the portfolio in excess of 15% for more than 6 months.

Cash that is not invested would be deployed in debt and fixed income securities including money market instruments and units of mutual fund schemes (debt-oriented / income, gilt and liquid/ money market mutual fund schemes), liquid funds or arbitrage funds run by well-established and reputed fund houses.

The Portfolio Manager will be scaling out of the positions in the portfolio gradually in order not to disturb the market price. Depending on market conditions, it may decide to scale out of positions well before the upper end of our estimate of fair value has been reached.

As the Portfolio Manager would be taking limited cash call at any given point in time, the turnover of the portfolio would be high. Also the client could be subject to higher short term capital gains tax because of the high turnover.

Consistent with the investment objective and subject to the SEBI Regulations, the Client’s funds may be invested in such securities, capital and money market instruments or in fixed income securities or variable securities of any description, by whatever name called including -

a. Equity and equity related securities, convertible stock and preference shares of Indian companies, warrants;
b. Debentures (convertible and non-convertible), bonds, secured premium notes, corporate debt (of both public and private sector undertakings), securities issued by banks (both public and private sector) and development financial institutions like certificate of deposits (CDs), coupon bearing bonds, zero coupon bonds and tax exempt bonds of Indian companies and corporations;
c. Units of mutual funds (including exchange traded funds (ETFs);
d. Commercial paper, trade bills, treasury bills and certificate of deposit and other similar money market instruments;
e. Securitised debt, pass through certificates and quasi debt instruments and such other eligible modes of investment within the meaning of the SEBI Act / Regulations as amended from time to time.

The investment allocation pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors. It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

iii. Mid & Small cap & Special Situations Portfolio (Mid & Small cap):

Investment Objective

The primary objective of this Portfolio is to generate capital appreciation by investing in companies that in the opinion of the Portfolio Manager are of high quality, have high underlying value and may not be widely covered by brokerage houses, foreign institutional investors and domestic financial institutions.

The Portfolio Manager expects to offer portfolios for investment that may either be perpetual in nature i.e., always open to subscription by investors and never expiring. The investor will have to choose his exit date at his convenience. Or, the Portfolio Manager may also offer those portfolios that are 'closed ended' in nature i.e., these portfolios are open to subscription only during a predefined offering period AND have a specific maturity period (as agreed between Investors and Portfolio Manager). In the latter case, the Portfolio Manager could offer a similar investment strategy but with different starting dates of subscription (by investors). Such different start dates will follow a limited offering period. Each such corpus with a different start date but similar strategy as other corpuses will be called a series. Each series will remain closed for any new investment by its Clients or any other Clients for the duration of the series.

Investment Strategy

The Portfolio manager believes that there are three types of identifiable investment related risks which could lead to permanent loss of capital – i) Business risk ii) Balance Sheet risk iii) Valuation risk. In order to provide superior risk adjusted returns, the portfolio is invested in those companies which in opinion of the Portfolio Manager have limited exposure to above risks.

Business risk is essentially the risk that a business would not be able to maintain profitability in the long run on account of competition or any other reason. A Moat business has a strong barrier to entry which allows it to maintain profitability in the long run and generate high returns on capital employed. By investing in Moat businesses the investor mitigates the Business risk.

Balance sheet risk is the risk of high financial leverage on the balance sheet affecting the profitability or in some cases solvency of the business in a adverse business cycle or on account of adverse interest rate cycle. This risk can be mitigated by avoiding companies that have high financial leverage on their balance sheet.

Valuation risk is the risk of buying a company above its intrinsic value. In a risk averse market, valuation of such company could revert back to its intrinsic value or even lower which could lead to loss of capital for the investor. This risk can be mitigated by investing in a company at discount to the intrinsic value which provides margin of safety to the investor.

Keeping these risks in mind, the Portfolio Manager would construct a portfolio by investing majorly in midcap and small cap businesses that are of high quality. The Portfolio Manager may also invest in large cap and special situation businesses which provide the best reward as compared to the risk being taken. The Portfolio Manager would also try to optimize the timing of his investment decision through technical analysis. The Portfolio Manager also follows an internal risk control process which puts a cap on weights that can be assigned to a stock based on the quality of business and strength of the Moat.

If the Portfolio Manager is not able to find opportunities in the market that fit the above bottom up criteria, the Portfolio Manager would consider investing in large cap businesses where valuation criteria is being met and if not then maintain cash in the portfolio. The Portfolio Manager would also do a top down analysis of the broader market to arrive at an indicative equity allocation. This makes the asset allocation process and investment decisions more proactive rather than being reactive to market conditions.

The Portfolio Manager may from time to time use an asset allocation & position sizing policy which could be revised based on market conditions over time.

Cash that is not invested would be deployed in debt and fixed income securities including money market instruments and units of mutual fund schemes (debt-oriented / income, gilt and liquid/ money market mutual fund schemes), liquid funds or arbitrage funds run by well-established and reputed fund houses and deployed in the market as and when opportunities arise.

The Portfolio Manager will be scaling out of the positions in the portfolio gradually in order not to disturb the market price. Depending on market conditions, it may decide to scale out of positions well before the upper end of our estimate of fair value has been reached. The Portfolio Manager believes that on average it would take 2 - 3 years for its ideas to reach their price potential. It therefore envisages a turnover of approximately 30% to 50% every year. However, it is cautioned that these numbers are indicative only, and actual results may vary significantly from these ‘rules of thumb’ depending on the market conditions prevalent during the tenure of the investment.

Depending on the events in the markets the Portfolio Manager would have the flexibility to alter the above allocations. Consistent with the investment objective and subject to the SEBI Regulations, the Client’s funds may be invested in such securities, capital and money market instruments or in fixed income securities or variable securities of any description, by whatever name called including -

a. Equity and equity related securities, convertible stock and preference shares of Indian companies, warrants;
b. Debentures (convertible and non-convertible), bonds, secured premium notes, corporate debt (of both public and private sector undertakings), securities issued by banks (both public and private sector) and development financial institutions like certificate of deposits (CDs), coupon bearing bonds, zero coupon bonds and tax exempt bonds of Indian companies and corporations;
c. Units of mutual funds (including exchange traded funds (ETFs);
d. Commercial paper, trade bills, treasury bills and certificate of deposit and other similar money market instruments;
e. Securitised debt, pass through certificates and quasi debt instruments and such other eligible modes of investment within the meaning of the SEBI Act / Regulations as amended from time to time.

The investment allocation pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors. It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

iv. <u>Beta Portfolio</u>:

Investment Objective

The Beta Portfolio is created by the Portfolio Manager to generate capital appreciation by remaining fully invested in equities. It will serve those investors who have made their asset allocation decision by themselves and want an "all equity" exposure through this portfolio on the following assumptions:

a. That equity markets cannot be timed in the short/intermediate term

b. That the investor's time horizon of return measurement is short term

c. That they are willing to tolerate absolute losses for short periods of time for the prospect of uncertain gains.

For all such Clients, the Portfolio Manager proposes a Beta portfolio which seeks to be invested in equities all the time i.e the portfolio will strive to be 100% fully invested. However, if in the opinion of the Portfolio Manager, the reward to risk ratio is extremely unfavourable for certain lengths of time, the Portfolio Manager may raise significant cash in the Portfolio by reducing the equity exposure.

The portfolio of stocks will obviously differ in different market conditions.
The Portfolio Manager expects to offer this portfolio for investment as a perpetual investment opportunity i.e. always open to subscription by investors and never expiring. The investor will have to choose his exit date at his convenience.

Investment Strategy

The portfolio manager believes that superior risk adjusted returns can be generated by investing in high quality businesses at or discount to fair value and in average businesses at deep discount to fair value. Thus portfolio manager would construct a portfolio with stocks that provide the best reward of upside when compared to the risk of downside. The portfolio manager would also try to optimize the timing of the decision by using technical analysis. The portfolio manager also follows an internal risk control process which puts a cap on weights that can be assigned to a stock based on the quality of business.

In addition to the stocks selected through the bottom up process as discussed above, the portfolio manager would also select stocks from the Benchmark (i.e. NIFTY) that meet the portfolio managers' requirement of quality. The portfolio manager would either go underweight, equal weight or over weight on such stocks based on reward to risk and estimated prospective return that these stocks might provide.

Thus with a combination of bottom up stock selection and relative stock selection from Benchmark, the portfolio manager would try to have maximum allocation to equity at all times unless the reward to risk is extremely unfavorable. As reward compared to risk starts diminishing, the portfolio manager would select more defensive names in the portfolio.

The objective of this Portfolio will be to outperform a leading market benchmark viz. Nifty over the same period of review. Needless to say, that since the asset allocation decision would assume to be made by the investors, the exit call on the portfolio will have to be made by investors based on their own needs.

MAECL will bring 3 different aspects of its investing expertise in such a situation:

a. MAECL will endeavour to ensure that the universe of stocks it chooses will be “good companies” i.e good exhibiting good balance sheet strength and good Quality of Earnings characteristics as determined by its proprietary analysis of the stocks using the Rational Investments Framework.

b. MAECL will endeavour to ensure that when prospective returns are low the stocks selected in the Portfolio are defensive, large cap and liquid. Usually these are the very stocks that are shunned at such times. Again in such instances, MAECL believes that it is advisable to keep a portfolio concentrated with moat stocks and eschew no-moats and cyclicals. Usually when prospective returns are low, MAECL in its experience has observed that market participants tend to overweight speculative & “story” stocks.

c. MAECL will use its proprietary margin of safety index value to try to ensure that the stocks selected and the weighting of the stocks is skewed such that the Portfolio comprises of “cheapest” stocks in their acceptable universes – cheapest being stocks that in the opinion of the Portfolio Manager offer the least risk to reward ratio.

In order to stay with appropriate stocks for each market cycle, the turnover in this portfolio will tend to be somewhat high. Depending on the events in the markets the portfolio manager would have the flexibility to alter the above allocations. The cash holding if any would be temporarily placed in liquid schemes of mutual funds.

Consistent with the investment objective and subject to the SEBI Regulations, the Client’s funds may be invested in such securities, capital and money market instruments or in fixed income securities or variable securities of any description, by whatever name called including -

a. Equity and equity related securities, convertible stock and preference shares of Indian companies, warrants;
b. Debentures (convertible and non-convertible), bonds, secured premium notes, corporate debt (of both public and private sector undertakings), securities issued by banks (both public and private sector) and development financial institutions like certificate of deposits (CDs), coupon bearing bonds, zero coupon bonds and tax exempt bonds of Indian companies and corporations;
c. Units of mutual funds (including exchange traded funds (ETFs);
d. Commercial paper, trade bills, treasury bills and certificate of deposit and other similar money market instruments;
e. Securitised debt, pass through certificates and quasi debt instruments and such other eligible modes of investment within the meaning of the SEBI Act / Regulations as amended from time to time.

The investment allocation pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors. It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

v. <u>All Seasons Portfolio</u>:

Investment Objective

The key risks facing a portfolio include, but are not limited to price inflation, price deflation, credit inflation, credit deflation, and more recently a global or emerging market contagion that could stem from a reversal of the global “carry trade”.

The portfolio manager believes that the best form of offense in investment is good defence and the All Seasons Portfolio (ASP) has been designed with that objective in mind; the ability to maintain the purchasing power of a portfolio through any economic and investment environment with minimal drawdowns and no “permanent loss” of capital at the portfolio level. The key attribute of the ASP is its ability to protect the purchasing power of a corpus, keep drawdowns low, and grow the corpus at reasonable inflation-adjusted growth rates, over the long-term.

Investment Philosophy

To achieve the objective discussed above, the portfolio will allocate money to assets that represent claims on real assets (gold/commodity equities/ high quality growth stocks) and assets that represent claims on financial assets (fixed income/cash/stocks) that often behave counter cyclically during different economic environments.

The Portfolio Manager believes that a portfolio that allocates its corpus amongst these three assets classes; namely equities, fixed income, cash (including gold Exchange Traded Funds), will effectively mitigate the risks discussed above and will deliver satisfactory returns per unit of risk taken.

The portfolio will be constructed by following a simple asset allocation strategy of – 1/3rd Equity, 1/3rd Cash, Gold ETFs (& equity of natural resource extraction companies), and 1/3rd in fixed income & equivalents (including the equity of regulated utility companies). The portfolio will be re-balanced over the medium term to reflect the relatively fixed proportions in the three asset classes as above.

Equity provides “real” capital appreciation along with protecting against inflation in the long run. But there could be bouts of short to medium term drawdown on the corpus on account of stock specific, domestic factors or global factors that affect the indices and therefore the asset class.

Gold & equivalents as an asset class has been found to protect the purchasing power of money in the long term and provides a true hedge against price inflation. Secondly, gold protects the purchasing power from a global perspective as well and not only in terms of domestic currency. The portfolio manager believes that Gold may also serve as an ideal asset class in a severe credit deflation (as a form of money) as it does not carry any counterparty financial risk. But gold as an asset does not generate “income” per se in the long run and only derives value from the depreciation of the currency unit in which it is measured against.

Fixed income securities & such equivalents protect capital from any serious drawdown from the other two asset classes mentioned above and generate nominal returns over the holding period of the fixed income instrument. But fixed income instruments & equivalents don’t protect the purchasing power of money in the long run, especially in a high price inflation country such as India and often carry negative real rates of interest.

Thus a combination of all three asset classes which counterbalances the negatives of the others, would serve the objective of constructing a defensive portfolio that would be well suited to protect the portfolio in any unanticipated market turmoil in the long run and protect the purchasing power of the investor along with providing a reasonable and satisfactory risk adjusted return.

The Portfolio Manager would broadly maintain the suggested asset allocation over the medium term (defined as 18 to 24 months) through periodic rebalancing at the discretion of the manager. The Portfolio Manager, will however, regularly monitor and evaluate the portfolio and may consider rebalancing at a period shorter than the defined medium term.

At no point in time will the portfolio be invested more than 67% in equities, including Regulated Utility companies under fixed income allocation and Natural Resources Extraction/Mining companies under cash/gold allocation.
No more than 15% in gold related instruments, gold bonds, etc., (presently SEBI authorizes investment in gold through gold ETFs only).
And no more than 33% of the portfolio would be invested in long-term bonds.

Investment strategy

Equity Investment Strategy

The Portfolio manager believes that there are three types of identifiable equity investment related risks which could lead to a "permanent loss" of capital – i) Business risk ii) Balance Sheet risk iii) Valuation risk. In order to provide superior risk adjusted returns, the portfolio would be invested in those companies which in the opinion of the portfolio manager have limited exposure to the above risks.

Business risk is the risk that a business would not be able to maintain profitability in the long run on account of competition or any other reason. The portfolio manager limits this risk by primarily investing in businesses that in the opinion of the portfolio manager possess sustainable competitive advantages (business with moat).
Balance sheet risk refers to the solvency risk related to the financial strength of the balance sheet. The portfolio manager limits this risk by avoiding companies that have high financial leverage on their balance sheet.
Valuation risk emanates from the possibility of paying more than the "intrinsic" value of the business. The portfolio manager manages this risk by avoiding investments in businesses at prices that do not offer a reasonable expected rate of return.

Keeping these risks in mind, the portfolio manager would construct a portfolio by investing in Moat & Limited moat businesses which provide the best reward as compared to the risk being taken. The portfolio manager would also try to optimize the timing of his investment decision through technical analysis. The portfolio manager also follows an internal risk control process which puts a cap on weights that can be assigned to a stock based on the quality of business and strength of the Moat.

If the portfolio manager is not able to find opportunities in the market that fit the above bottom up criteria in a situation where markets are expensive, the Portfolio Manager would endeavor to add primarily high quality, low beta defensive stocks such as FMCG, Pharmaceutical to the equity portion of the portfolio in order to minimize the drawdown.

Gold, Cash & Commodity stocks Investment Strategy

The portfolio manager believes that as far as gold and other commodities are concerned, there are two ways of investing in them: i) through physical ownership of the commodity or through the ownership of financial instruments (ETFs, Futures, etc) that represent "direct" claims on such commodities; and ii) through the ownership of equity of businesses that are engaged in mining/production of such commodities broaden.

Presently, regulations allow the Portfolio Manager to invest in gold through Gold ETFs only. Whenever the regulations permit investment in other gold related securities, the Portfolio Manager will consider widening its gold allocation in such allowable securities.

The portfolio manager has access to long term historical inflation adjusted price of commodities, based on which the Portfolio manager tries to arrive at the statistical long term mean of the commodity. The portfolio manager would look at investing in equity of a commodity company at prices where the valuation of the company is factoring the long term historical mean of the underlying commodity or lower. By doing this, the portfolio manager is essentially indirectly buying the underlying commodity at or below the long term historical mean of the commodity price which the portfolio manager believes would hold in the long term.

The portfolio manager believes that the investment processes followed allows him to add value by ownership of the equity of businesses engaged in mining/production of the commodity.

The cash component could be represented by short-term bank deposits, ownership of short-term government paper, or ownership of liquid funds.

Fixed Income & Equivalents Investment Strategy

The portfolio manager will directly invest in fixed income securities and/or in funds that invest in long-duration fixed income securities. The portfolio manager could also invest in equity of regulated utilities as a proxy for fixed income instruments.

The portfolio manager believes that regulated utilities, considering the nature of their business have very stable business models, profitability and cash flows along with reasonable predictability of their future returns. Thus profits that a regulated utility earns, can be equated/ likened to a fixed stream of coupons that one gets over a long duration fixed income instrument. Thus if the earnings yield that these stocks quote at, reasonably compensates for the equity risk premium, one could invest in these securities as a proxy of long duration fixed income instrument. The portfolio manager would assign an equity risk premium over and above the risk free rate that he is comfortable with, to assess whether a particular equity of a regulated utility is worth investing in as a proxy of fixed income instrument.

Investments in Gold, commodities and Fixed income instruments for Non-resident Indians and Foreign Portfolio Investors will be subject to applicable laws, regulations, rules and statutes applicable for each such category of investor.

vi. Emerging Corporates India Portfolio:

Investment Objective

The primary objective of this Portfolio is to generate capital appreciation by investing in "Advantage Period Companies". "Advantage Period Companies" connotes those Companies which in the opinion of the Portfolio Manager:

1. are enjoying a "competitive advantage period" that is likely to last for at-least 5 years
2. are benefiting or are likely to benefit from an opportunity landscape that allows these Companies to grow at a good pace over its "competitive advantage period"
3. are run by managements that **a.** do not have a corporate governance red flag; **b.** are focused on growth and **c.** have shown discipline for capital allocation
4. are available at a valuation that offers margin of safety

It should be noted that though the primary objective of the Portfolio Manager under the "Emerging Corporates India Portfolio" is to invest in "Advantage Period Companies" as defined above, it should not be construed that all equity allocation would be to only these

Companies, irrespective of the market environment. If in the assessment of the Portfolio Manager, there aren't opportunities to allocate significantly to "Advantage Period Companies", the Portfolio Manager would partly allocate to "Moats and Special Situation" Companies which would include Companies, that in its opinion are of High Quality Moat or Limited Moat businesses at fair value or discount to fair value or in Non-moat businesses at deep discount to fair value as special situations. Thus, at any given time, the Portfolio would have a combination of "Advantage Period Companies" and "Moats and Special Situation Companies" but the endeavor would be to tilt the allocation in favor of "Advantage Period Companies" as and when such opportunities are presented by the market. Further, it should be noted that this strategy is a cap agnostic strategy. It may have any combination of small-caps, mid-caps and large-caps.

The Portfolio Manager expects to offer portfolios for investment that may either be perpetual in nature i.e., always open to subscription by Clients and never expiring. The investor will have to choose his exit date at his convenience. Or, the Portfolio Manager may also offer those portfolios that are 'closed ended' in nature i.e., these portfolios are open to subscription only during a predefined offering period AND have a specific maturity period (as agreed between Investors and Portfolio Manager). In the latter case, the Portfolio Manager could offer a similar investment strategy but with different starting dates of subscription (by investors). Such different start dates will follow a limited offering period. Each such corpus with a different start date but similar strategy as other corpuses will be called a series. Each series will remain closed for any new investment by its Clients or any other Clients for the duration of the series.

Investment Strategy

The Portfolio Manager believes that only a very small percentage of Indian listed companies (not more than 15% of the listed universe) do make average returns on capital employed that are above the cost of capital over a business cycle. This bucket is termed by the Portfolio Manager as "Excess Returns" bucket. The "Excess Returns" bucket is further broken down into:

a. "Companies that in the opinion of the Portfolio Manager, have a sustainable competitive advantage over the long-run or **Moats**"
b. "Companies that in the opinion of the Portfolio Manager, have an advantage period that should last for at-least 5 years or **Advantage Period Companies Class A**" and
c. the rest whose excess returns, in the opinion of the Portfolio Manager, are either on account of factors that are very temporary / short term (less than 3-5 years) or the variables that determine the length of the "Advantage Period" are complex or unknowable.

The Portfolio Manager shall cover companies that fall under **a.** and **b.** above, subject to other conditions as explained below.

In addition to **"Advantage Period Class A Companies"** defined above, the Portfolio Manager shall make a subjective call of including a certain Company in its universe if the emerging opportunity landscape, in the opinion of the Portfolio Manager, can allow a Company to have excess returns in the future though the same might not have been generated in the past. These Companies can be termed as **"Advantage Period Class B Companies"**.

Thus, the universe of the Portfolio Manager shall include, at any given point of time "Moats", "Advantage Period Companies (Class A and Class B)" and "Special Situation opportunities".

The Portfolio Manager would then assess the opportunity landscape or the addressable market size presented to the universe of companies as identified in the universe above.

The Portfolio Manager would further filter the universe to cover companies that have, in its opinion:

a. a huge addressable market

AND/ OR

b. an opportunity to grow revenue/ profits at a good pace over the next 3-5 years (period during which the likelihood of "Advantage Period" lasting are high) owing to:

i. the size of the market is itself growing at a good pace OR
ii. the industry composition visibly changing to the Company's advantage (value migrating either from informal to formal sector or PSU to Private sector or on-shore to off-shore, etcetera) OR
iii. the Company having a presence (albeit a small part of its business currently) in a product or a service in an industry which the Portfolio Manager believes is at a nascent stage and an informed analysis suggests a high growth potential for the industry going forward
iv. A special situation specific to the Company under consideration like an acquisition made by the Company, the Company being acquired by another, management change, etcetera.

The Portfolio Manager would then assess the management ability. The Portfolio Manager is of the view that with regards to the "Advantage Period Companies", the management strategy and execution capability can determine whether the "Advantage Period" is elongated or shortened and also, the ultimate conversion of growth potential into actual results. In view thereof, the Portfolio Manager will further try to filter companies that it believes are run by managements that have shown discipline with regards to capital allocation, are generally focused on growing profitably, are willing to take a medium to long-term view rather than a short-term view while taking important business decisions, have shown a sense of fairness towards treating the minority shareholders in their past dealings, have skin in the game in terms of significant promoter shareholding in the Company and those that generally avoid frequent capital raising and do not have a corporate governance red flag.

Thereafter, the Portfolio Manager would perform a valuation exercise using a range of valuation models applied on a case-to-case basis. The Portfolio Manager, while performing the valuation exercise, would give equal importance to the assessment of the downside as the upside. This exercise, would at all times, give the Portfolio Manager a Valuation dashboard and a resultant Reward to Risk ratio at a Company level based on the current prices of the companies in the universe.

The weights allocated in the Portfolio shall not be decided by the Portfolio Manager purely on Reward to Risk ratio as calculated above. The Portfolio Manager will add a layer of momentum to the value piece. The basic objective of this piece, in the opinion of the Portfolio Manager, is to time entry and exit and size the positions. For this piece, the Portfolio Manager will use a combination of earnings momentum based on reported quarterly financial statements and technical momentum based on chart patterns that signify the emergence, continuation or break-down of a trend.

Portfolio Manager believes that there are three types of identifiable investment related risks which could lead to permanent loss of capital – i) Business risk ii) Balance Sheet risk iii) Valuation risk. With the objective of capital appreciation, the Portfolio Manager could take some of these risks at a Company specific level. However, the Portfolio Manager will endeavor to have limited exposure to the above risks when looked at a portfolio in aggregate.

Business risk is essentially the risk that a business would not be able to maintain profitability in the long run on account of competition or any other reason. The Portfolio Manager believes that the selection criteria (focus on business and management quality) for the universe of companies as explained above should mitigate this risk when looked at the portfolio in aggregate.

Balance sheet risk is the risk of high financial leverage on the balance sheet affecting the profitability or in some cases solvency of the business in an adverse business cycle or on account of adverse interest rate cycle. The Portfolio Manager believes that this risk can be mitigated by avoiding companies that have high financial leverage on their balance sheet.

Valuation risk is the risk of buying a company above its intrinsic value. In a risk averse market, valuation of such a Company could revert back to its intrinsic value or even lower which could lead to loss of capital for the investor. The Portfolio Manager believes that as this strategy is focused on companies that are addressing a growth opportunity, a significant amount of intrinsic value as calculated by the Portfolio Manager is dependent on value of the growth. Companies could lose their competitive advantage sooner or growth could take much longer to materialize than envisaged by the Portfolio Manager resulting in an over-estimation of the intrinsic value. The Portfolio Manager would endeavor to ensure that assumptions made regarding growth estimates ex ante to arrive at the valuation band are reasonable to indicate upside and conservative to indicate downside. The Portfolio Manager believes that the method of construction of valuation bands and the method of portfolio construction should mitigate the valuation risk over a 3-5 year holding period when looked at the portfolio in aggregate.

Further, under this strategy, the Portfolio Manager would also invest in companies that may be illiquid as long as the Portfolio Manager believes that there is enough compensation to take the illiquidity risk. In case of a redemption request, selling these positions might require some time as compared to the highly liquid stocks or could lead to pulling the price downwards. The Portfolio Manager shall restrict the exposure to names that are considered as illiquid ex ante as per the internal risk control process.

The Portfolio Manager also follows an internal risk control process which puts a cap on weights that can be assigned to a stock based on the assessment of business quality, management quality and growth opportunity.

If the Portfolio Manager is not able to find opportunities in the market that fit the above bottom up criteria, it would maintain cash in the portfolio.

The Portfolio Manager may from time to time use an asset allocation & position sizing policy which could be revised based on market conditions over time.

Cash that is not invested would be deployed in debt and fixed income securities including money market instruments and units of mutual fund schemes (debt-oriented / income, gilt and liquid/ money market mutual fund schemes), liquid funds or arbitrage funds run by well-established and reputed fund houses and deployed in the market as and when opportunities arise.

The Portfolio Manager believes that it would take anywhere between 3 years to 5 years for an investment thesis of a Company considered under this strategy to play out. This term is required to execute the portfolio’s well thought out investment strategy to reach its full return potential.

The Portfolio Manager will be scaling out of the positions in the portfolio gradually in order not to disturb the market price. Depending on market conditions, it may decide to scale out of positions well before the upper end of our estimate of fair value has been reached. The Portfolio Manager believes that on average it would take 3 – 5 years for its ideas to reach their price potential. It therefore envisages a turnover of approximately 25% every year. However, it is cautioned that these numbers are indicative only, and actual results may vary significantly from these 'rules of thumb' depending on the market conditions prevalent during the tenure of the investment.

Depending on the events in the markets the Portfolio Manager would have the flexibility to alter the above allocations. Consistent with the investment objective and subject to the SEBI Regulations, the Client's funds may be invested in such securities, capital and money market instruments or in fixed income securities or variable securities of any description, by whatever name called including -

a. Equity and equity related securities, convertible stock and preference shares of Indian companies, warrants;
b. Debentures (convertible and non-convertible), bonds, secured premium notes, corporate debt (of both public and private sector undertakings), securities issued by banks (both public and private sector) and development financial institutions like certificate of deposits (CDs), coupon bearing bonds, zero coupon bonds and tax exempt bonds of Indian companies and corporations;
c. Units of mutual funds (including exchange traded funds (ETFs);
d. Commercial paper, trade bills, treasury bills and certificate of deposit and other similar money market instruments;
e. Securitised debt, pass through certificates and quasi debt instruments and such other eligible modes of investment within the meaning of the SEBI Act / Regulations as amended from time to time.

The investment allocation pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors. It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

II. Non - Discretionary Services

Under these services, the Portfolio Manager shall manage the funds in accordance with the directions of the Client. The Portfolio Manager's role would include but not be limited to providing research, structuring of clients portfolios, investment advice, and guidance and trade execution at the Client's request. The Portfolio Manager shall execute orders as per the mandate received from Client. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the Act, Rules and/or Regulations, guidelines and notifications in force from time to time.

III. Investment Advisory Services

Under these services/offerings, the Portfolio Manager offers advisory and research services on investment portfolios and other securities. The Portfolio Manager advises Clients on portfolio strategy, investment and divestment of securities and any specific advice required by the Clients and agreed upon in the Agreement. The services rendered are purely advisory and non-binding in nature and the Client shall exercise their independent judgement for decision making. For such services, the Portfolio Manager charges the Client a fee for services rendered as spelt out in the Agreement. The advice may either be general or specific in nature and will be provided to various categories of eligible Clients including but not limited to Foreign Institutional Investors (FII) , sub-account of FIIs, NRIs, Foreign Portfolio Investors (FPI), etc.

The terms of engagement, services to be rendered and fees to be charged are set forth in the advisory services Agreement.

The Portfolio Manager generally offers following services under its coverage of advisory services:

(i) Overall Asset Allocation views, discussions and guidelines.
(ii) Listed Equity Research/Review, Investing ideas and other related analytics.
(iii) Review of other asset classes/securities to the extent it falls within the competency set of Multi-Act, and based on relevance, requirement and as per mutual agreement.
(iv) Presentations and Sessions covering Macro/Market Advisory.
(v) Sharing of Investment Insights by way of modules for enhancement and incisiveness of thinking related to stocks and/or markets'.

An inclusive list of deliverables, not limited to the following, is offered by the Portfolio Manager:

(a) Portfolio Diagnostic Report (PDR) : PDR is diagnosis of an existing portfolio using Multi-Act analytics;
(b) Whiteboards/ Stock Filter and Analytics: Bird's eye view of key MA analytics on equity securities using its 'GRAF' approach. This can be done on companies under coverage of Multi-Act and/or companies covered for clients.
(c) Client Track List / Holdings Analytics: The Portfolio Manager will track stocks listed by Clients using MA Research analytics.
(d) Company Notes: This gives a birds' eye view of how the Portfolio Manager would see a stock idea. They answer 3 key questions in a measurable manner (i) How good is the quality of the company and business; (ii) How good is the valuation; and (iii) How good is the time to enter or exit.
(e) Company Presentations: Presentations done on select companies are given when it is required to understand the business and valuation within the Multi-Act's framework in greater detail.
(f) Company Screens and Valuation Models: These are detailed spreadsheets encompassing financial statements and business models on companies and their valuations. This is the source, based on which some of the other deliverables are prepared. The Client may be taken through the data analysis and conclusions in detail in respect of selected companies.
(g) Initiating New Company Ideas/Research: This is for companies beyond the regular active coverage of Multi-Act, based on Client's specific request and can be in the form of a Company Screen, Note or a Presentation or a Snapshot.
(h) Investment Decision Tables: This takes form of a summary presentation covering investment thesis/rationale on a particular security using Multi-Act's investment philosophy.
(i) MF Research: This covers detailed research reports and related analytics, primarily on Indian Equity Mutual Funds.
(j) Sectoral Presentations: Presentations on sectors, in which the framework is relevant for aiding decision-making on sectoral basis, such as some capital cycle related sectors or banks etc.
(k) Market View and Macro Indicators: A macro presentation covering how the Portfolio Manager reads markets and macro/economic enviroment (top-down) and that can be taken as the basis for asset allocation decisions, including stock specific ideas as per Rational Analysis/Rational Investing (RA/RI) framework in that context.
(l) Newsletters/In-house articles, etc are provided to the Client.
(m) Power Modules: These are insights with theoretical and practical underpinnings, which the Portfolio Manager has gained/developed over its developmental period. They are designed to widen and deepen a Client's

knowledge and perspectives which will enable Clients to achieve objectives of their investment program.

(n) Others: Any other document prepared in the course of providing investment related analytics to the clients.

The Portfolio Manager also offers a 'premium priced' service whereby, in addition to above, Clients are offered services in:

(a) Active role in Portfolio Formation and Construction;
(b) Monitoring and Review of Portfolio;
(c) Co-ordination/interaction with the service provider, as and when mandated by the Client.

B. Investment Philosophy and Investment Process for Equity Investments

The cornerstone of the Portfolio Manager's investment philosophy is risk control. To that end the primary goal is that of capital preservation. The belief of the Portfolio Manager is that the 'compounding engine' works most efficiently when there are no large 'draw downs' in the value of the portfolio – and no permanent impairments or 'permanent losses of capital' in any of the portfolio constituents.

The risk control measures focus on approaching the investment process from different perspectives – fundamental, technical, quantitative and behavioral – a process named 'rational investing'. These perspectives complement each other and shed light on different aspects of the investment and valuation process.

Fundamental analysis is the bedrock of the Portfolio Manager's analytical process. The process is valuation driven – and hence contemplates investments only when a numerical range of values can be assigned within which the Portfolio Manager believes the 'estimated business value' of the stock resides. The framework hinges on the experience and belief of the Portfolio Manager that 'one size' does not fit all. Hence, the use of one analytical methodology to value all stocks is fraught with danger.

The Portfolio Manager will follow a 'two bucket' approach to investment and valuation – with a view to placing all 'investable' stocks in either one or the other buckets. If a stock cannot be placed in either one or the other category, the Portfolio Manager would simply pass up the opportunity of investing in that stock at that point in time.

The first of the two buckets embraces stocks that have 'moats' which protect their earnings; and are therefore stocks of companies which exercise 'earnings power'. The Portfolio Manager's analytical process therefore commences with a historical view on the profitability and market shares of companies. Companies which exhibit consistent track records of high profitability and stable market shares are shortlisted for the next phase of analysis. This is the qualitative assessment of the nature of the 'moat' or competitive advantage which preserves the profitability of the company from being eroded away through competitive pressures in the business environment (barriers to entry). The Portfolio Manager will primarily contemplate investment in those companies whose moats it can identify, and are strong enough to preserve competitive threats. These companies ('moat companies') are valued through earnings based valuation models. Investments shall mainly be made in those companies with a margin of safety, i.e., whose market price is at or below the lower end of the Portfolio Manager's expected business value range.

The second bucket would embrace stocks which the Portfolio Manager considers as being cheap on an asset value basis. The Portfolio Manager will have two different categories of stocks in this bucket. The first is commodity producers. These stocks will be valued on the basis of the replacement cost of assets. The Portfolio Manager believes that commodity producers in general earn cost of capital in the long run, and therefore tend to gravitate to their replacement cost valuation over time. Again, while investing in these stocks, the Portfolio Manager will attempt to create a margin of safety by buying at significant discounts to the replacement cost of assets. In addition, since it is impossible to determine cycle lengths in prior, the Portfolio Manager only contemplates investments in those companies that have efficient cost structure, have low leverage and hence the capacity to withstand significant downturns both in terms of intensity and duration.

The Portfolio Manager believes that the second category of asset cheap stocks are stocks which are cheap on some pre-defined measures that use balance sheet data; for example where the market capitalization of the company is less than net current assets of the company less all outstanding debt. These are likely to be stocks of companies that have fallen upon bad times or of stocks where low liquidity has inhibited the price discovery process.

While valuation of stocks in the first bucket is driven off the income statement, in the second bucket, valuation is driven off the balance sheet. After completing the valuation exercise, investments would however be only made when the market price offers a reasonable margin of safety to the values obtained. This would be true of stocks in either of the two buckets.

Since the Portfolio Manager’s return objective incorporates an element of time, technical analysis is used with the limited objective of determining whether the stock is facing ‘headwinds’ or is aligned with ‘tailwinds’ in terms of collective market participant action at that point in time. It would be the Portfolio Manger’s attempt to align the Portfolio to tail winds to reduce the duration of time between its purchase and the point in time when the market bridges the gap between its perception of value and the market price. The Portfolio Manager does not propose to use technical analysis for stock selection – except as stated above.

The Portfolio Manager will use quantitative tools such as statistical analysis in its study of asset classes; to determine which asset class is cheap vis-à-vis its historical price data. It will also use this type of analysis to determine inflection points in commodity prices (or other trends) which have deviated far above or below what their historical data suggest.

The Portfolio Manager’s behavioral analysis would make an attempt to recognize the human element, and play of emotions in the investment business. The objective would be to avoid falling prey to emotional decision making by choosing to be process driven, and have every investment supported by an Investment Thesis which would spell out at the time of investment, the likely price at which exit will be contemplated.

C. Policy for investments in and availing services of group/associate companies

(i) The Portfolio Manager may utilize the services of the promoter, group companies and / or any other subsidiary or associate company of the promoter established or to be established at a later date, in case such a company is in a position to provide requisite services to the Portfolio Manager. Such services may include distribution services, research and investment advisory services rendered by the associate / group companies to the Portfolio Manager. The Portfolio Manager will conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arm’s length basis and at mutually agreed terms and conditions and to the extent permitted under SEBI Regulations after evaluation of the competitiveness of the pricing offered and the services to be provided by them.

(ii) The Portfolio Manager shall not invest any part of the Client's Portfolio in securities of its associates / group companies.

D. Availing of investment advice from outside service provider/s /associate companies

The Portfolio Manager may act upon any advice of or information or research material obtained from any investment adviser, bankers, accountants, brokers, professionals, agents. For this purpose, the Portfolio Manager may utilize the services of its associates or group companies and / or any other subsidiary or associate company established or to be established at a later date.

E. Exemption from registration under SEBI (Investment Advisers) Regulations, 2013

In January 2013, SEBI introduced Investment Advisers Regulations for the registration and governing of Investment Advisers. As per regulation 4(g) of the Investment Advisers Regulations, a SEBI registered Portfolio Manager is exempt from registration as an Investment Adviser and is required to comply with the general obligations and responsibilities specified under Chapter III of the said regulations. MAECL by virtue of its existing registration under SEBI (Portfolio Managers) Regulations, 1993 is thereby exempt from seeking a registration under the Investment Advisers Regulations.

8. Risk Factors

General risk factors

a. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved.
b. The Portfolio Manager has commenced its portfolio management activities with effect from January 2011. However, past performance of the Portfolio Manager or its affiliates does not indicate its future performance.
c. Investors are not being offered any guaranteed or assured returns i.e either of principal or appreciation on the Portfolio.
d. As with any investment in securities, value of the Client's Portfolio can go up or down depending on the factors and forces affecting the capital market.
e. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.
f. The investments made are subject to external risks such as war, natural calamities, and policy changes of local / international markets which affect stock markets.

Specific risk factors

The portfolios offered by the Portfolio Manager are subject to the following risk factors:

a. The Client's investment with the Portfolio Manager shall be subject to the terms and conditions mentioned in the Agreement. Liquidity would be restricted in case of fixed term portfolios.
b. Investors may note that the Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.
c. The liquidity of the Portfolio's investments is inherently restricted by trading volumes in the securities in which it invests, settlement periods and transfer procedures in the equity and debt markets. Different segments of the financial markets have different settlement periods and such periods may be extended significantly due to unforeseen circumstances. The inability of a Portfolio to make intended securities purchase due to settlement problems could cause the Portfolio to miss certain investment opportunities.

Similarly, the inability to sell securities held in the portfolio due to absence of a well developed and liquid secondary market would at times result in potential losses in the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.

d. Investments in equity and equity related securities involve high degree of risks and the Clients should not place funds with the Portfolio Manager to invest unless they can afford to take the risk of losing their investment.
e. The Portfolio is also vulnerable to movements in the prices of securities invested in, which again could have a material bearing on the overall returns from the portfolio.
f. The valuation of the Portfolio's investments may be affected generally by factors affecting the securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any other appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the value of the Portfolio may fluctuate and can go up or down.
g. While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume in the stock exchanges. Debt and money market securities, while fairly liquid lack well-developed secondary market, which may restrict the selling ability of the Portfolio(s) and may lead to the investment(s) incurring losses till the security is finally sold.
h. The performance of the Client's portfolio may be adversely affected by the individual company's changes in the market place and industry specific and macro economic factors.
i. Risk arising from the investment objective, investment strategy and asset allocation: Each portfolio will be exposed to various risks depending on the investment objective, investment strategy and the asset allocation, market risk, political and geopolitical risk and risk arising from changing business dynamics, which may affect portfolio returns. The investment objective, investment strategy and the asset allocation may differ from client to client. However, generally, highly concentrated portfolios with lesser number of stocks will be more volatile than a portfolio with a larger number of stocks. Portfolios with higher allocation to equities will be subject to higher volatility than portfolios with low allocation to equities.
j. Risk arising out of non-diversification - diversified portfolios (allocated across companies and broad sectors) generally tends to be less volatile than non-diversified portfolios.
k. At times, portfolios of individual Clients may be concentrated in certain companies/industries. The performance of the portfolios would depend on the performance of such companies / industries / sectors of the economy.
l. Any policy change / technology change / obsolescence of technology would affect the investments made in a particular industry.
m. Unrated / lower rated securities: The Portfolio Manager may invest in lower rated / unrated securities offering higher yields. This may increase the risk of the Portfolio. Such investments will be subject to the scope of investments as laid down in the Agreement.
n. Risk due to participation in securities lending: The Portfolio Manager may subject to the authorization given by the Client in writing, participate in securities lending. In the case of stock lending, risks relate to the defaults from counterparties with regard to securities lent and the corporate benefits accruing thereon, inadequacy of the collateral and settlement risks.
o. Debt and fixed income securities: Given below are some of the common risks associated with investments in fixed income and money market securities. These risks include but are not restricted to: Interest rate risk: As with all debt securities, changes in interest rates will affect the valuation of the Portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer-term securities generally fluctuate more in response to interest

rate changes than do shorter-term securities. Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the valuation of Portfolios. Liquidity or marketability risk: This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Credit risk: Credit risk or default risk refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. will be unable to make timely principal and interest payments on the security). Because of this risk debentures are sold at a yield spread above those offered on Treasury securities, which are sovereign obligations and generally considered to be free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the actual changes in the perceived level of credit risk as well as the actual event of default. Reinvestment Risk: This risk refers to the interest rate levels at which cash flows received from the securities under a particular Portfolio are reinvested. The additional income from reinvestment is the “interest on interest” component. The risk refers to the fall in the rate for reinvestment of interim cashflows.

p. Risks associated with investment in securitised instruments: As with any other debt instrument, the following risk factors have to be taken into consideration while investing in pass through certificate (PTCs): a. Credit risk: Since most of the PTCs are drawn from a cherry picked pool of underlying assets, the risk of delay / default due to poor credit quality is low. Furthermore most of the PTCs enjoy additional cashflow coverage in terms of subordination by another lower class of PTCs or in terms of excess cash collateralisation. b. Liquidity risk: Since the maturity of the PTCs will be in line with the maturity of the Portfolio, the risk arising from low secondary market liquidity of such instruments is low. c. Price risk / interest rate risk: The price risk of these instruments shall be in line with the maturity / duration of such instruments. However given the fact that these instruments will have a maturity profile up to 2 years, the duration risk is relatively less. d. Domestic securitised debt can have different underlying assets and these assets have different risk characteristics. These may be as given in the following example: Security 1 -Backed by receivables of personal loans originated by XYZ Bank. Specific risk factors: Loss due to default and/or payment delay on receivables, premature termination of facility agreements, limited loss cover, delinquency and credit risk, limited liquidity and price risk, originator/collection agent risk, bankruptcy of the originator, co-mingling of funds. Security 2 - senior series pass through certificates backed by commercial vehicles and two-wheeler loan and loan receivables from ABC Bank Limited.
q. Different types of securities in which the Client’s funds would be invested carry different levels and types of risks. Accordingly, the portfolio’s risk may increase or decrease depending upon its investment pattern; e.g. corporate bonds carry a higher amount of risk than government securities. Further, even among corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated.
r. Mutual fund risk: This risk arises from investing in units of mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, off-shore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.
s. The Clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of

tax on the Clients. The Client may incur a higher rate of TDS/ dividend distribution tax in case the investments are aggregated.

t. In case of investments in mutual fund units, the Client shall bear the recurring expenses of the portfolio management services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.

u. After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.

Additional Risks specific to All Seasons Portfolio:

v. **The Portfolio Manager has no previous experience / track record of investments in fixed income instruments and of investments in gold as an asset class.**

w. Risks associated with investment in Gold ETF: The portfolio manager may invest in instruments which have gold as an underlying, under the "All Seasons Portfolio". Gold being an international commodity is affected by both the international price movement of gold and foreign exchange volatility. The domestic gold ETF price is also affected by government tax levies (customs).

x. Investment in equity of Regulated utilities as a proxy for fixed income may not generate returns in line with fixed income instruments in the short to medium term as market would price such securities as equity instruments with fluctuating equity risk premiums. Thus there could be a deviation which could impact the short to medium term performance of the All Seasons Portfolio.

y. In case of All Seasons Portfolio as the investments would be in different asset classes, the taxability of each asset class could be different. Any change in the tax structure could have an impact on the post-tax returns of the Client.

9. Client representation

Category of Clients	**No. of Clients**				**Funds Managed (Rs. Cr)**				**Discretionary/ Non-Discretionary (if available)**
	As on 28.02.2017	**As on 31.03.2016**	**As on 31.03.2015**	**As on 31.03.2014**	**As on 28.02.2017**	**As on 31.03.2016**	**As on 31.03.2015**	**As on 31.03.2014**	
Associates/ Group Companies	**1**	**1**	**2**	**2**	**10.49**	**9.79**	**18.34**	**15.14**	Discretionary
Directors / Relatives of Directors	**1**	**1**	**3**	**1**	**2.31**	**2.60**	**4.59**	**2.36**	Discretionary
Others	**150**	**96**	**50**	**39**	**363.71**	**257.04**	**195.55**	**128.04**	Discretionary
Total	**152**	**98**	**55**	**42**	**376.51**	**269.43**	**218.48**	**145.54**	

Notes:
(i) There are no clients availing non-discretionary portfolio management services as on the date of this document.
(ii) As on February 28, 2017, the Company provides Investment Advisory services to *7 clients.*

10. Disclosure in respect of transactions with related parties as per standards specified by the Institute of Chartered Accountants of India:

a. Parties where control exists

Associate, Group entities and holding company:

i. Multi-Act Trade and Investments Private Limited (holding company)
ii. Multi-Act Equity Research Services Private Limited (fellow subsidiary company)
iii. Multi-Act Realty Enterprises Private Limited (Group Company with common Directorship)
iv. Sapphire Capital Advisors (Mauritius) Limited (Enterprise over which Key Management Personnel exercises significant influence)

Key Management Personnel:

i. Mr. Prashant K. Trivedi – Non-Executive Director
ii. Mr. Sanjeevkumar W. Karkamkar – Executive Director & Principal Officer
iii. Mr. Sekar Iyer – Executive Director (appointed w.e.f. September 22, 2015)
iv. Mr. Ashutosh Bishnoi – Director (resigned w.e.f. October 9, 2015)

Relatives of Key Management Personnel:

i. Mrs. Devyani K. Trivedi
ii. Mrs. Rama A. Bishnoi (related to the outgoing Director, Mr. Ashutosh Bishnoi, who resigned w.e.f. October 9, 2015)

b. Transactions with related parties

Particulars	2015-16 Rs.	2014-15 Rs.	2013-14 Rs.
(i) Associate, Group entities and holding company:			
Reimbursement made to M/s Multi-Act Trade and Investments Private Limited (holding company)	76,950	102,363	94,381
Reimbursement received from M/s Multi-Act Trade and Investments Private Limited (holding company)	17,410	-	-
Received portfolio management fees from the M/s Multi-Act Trade and Investments Private Limited (holding Company) in terms of Discretionary Portfolio Management Agreement (Excluding Service Tax)	1,110,710	6,008,418	86,035
Reimbursement made to M/s Multi-Act Equity Research Services Private Limited (fellow subsidiary company)	11,170	88,368	-
Reimbursement received from M/s Multi-Act Equity Research Services Private Limited (fellow subsidiary company)	45,900	-	-
Research fees paid to M/s Multi-Act Equity Research Services Private Limited (fellow subsidiary company) (Excluding Service Tax)	2,500,000	2,500,000	2,500,000
(ii) Key Management Personnel:			
Remuneration to Directors:			
Mr. Sanjeevkumar Karkamkar	3,307,002	2,607,000	300,000
Mr. Sekar Iyer	988,770	-	-
Mr. Ashutosh S Bishnoi (Consultancy fees excluding Service tax)	1,250,004	2,500,008	2,375,331
(iii) Related party:			
Received portfolio management fees from Mrs. Devyani K Trivedi (Relative of Director) in terms of Discretionary Portfolio Management Agreement (Excluding Service Tax)	795,593	609,669	130,301
Received portfolio management fees from M/s. Multi-Act Realty Enterprises Pvt. Ltd. (Common Director) in terms of Discretionary Portfolio Management Agreement (Excluding Service Tax)	911,151	1,258,501	305,608
Received portfolio management fees from Mr. Ashutosh Bishnoi (Director) and Mrs. Rama A. Bishnoi (Relative of Director) in terms of Discretionary Portfolio Management Agreement (Excluding Service Tax)	235,223	128,656	-
Received sub-advisory fees from Sapphire Capital Advisors (Mauritius) Limited in terms of Sub-Advisory Service Agreement	6,797,869	7,794,060	7,854,248
Received & Repaid loan from Holding Company in the ordinary course of business	-	4,850,000	4,400,000

11. Financial performance of the Portfolio Manager

Balance Sheet as at	March 31, 2016 Rs.	March 31, 2015 Rs.	March 31, 2014 Rs.
SOURCE OF FUNDS			
Shareholders' funds			
Share capital	25,251,750	25,251,750	25,251,750
Reserves & Surplus	77,768,582	81,095,311	63,476,563
Total	**103,020,332**	**106,347,061**	**88,728,313**
APPLICATION OF FUNDS			
Fixed assets			
Gross block	11,259,654	10,115,817	9,133,385
Less: Accumulated depreciation	6,371,699	5,523,604	(4,522,016)
Net block	**4,887,955**	**4,592,213**	**4,611,369**
Investments	**89,587,261**	**82,630,992**	**75,599,695**
Current assets, loans and advances			
Sundry debtors	3,531,219	3,504,501	2,404,683
Cash and bank balances	791,614	3,457,312	833,849
Loans and advances	7,728,409	5,207,889	4,044,767
Other current assets	4,242,435	9,628,009	2,678,503
Total Current assets, loans and advances	**16,293,677**	**21,797,711**	**9,961,802**
Less: Current liabilities and provisions			
Current liabilities	660,864	476,988	44,101
Provisions	7,087,697	2,196,867	1,400,452
Total current liabilities and provisions	**7,748,561**	**2,673,855**	**1,444,553**
Net current assets	**8,545,116**	**19,123,856**	**8,517,249**
Total	**103,020,332**	**106,347,061**	**88,728,313**
Profit and Loss account for year ended	**March 31, 2016 Rs.**	**March 31, 2015 Rs.**	**March 31, 2014 Rs.**
INCOME			
Investment activities	3,807,093	42,590,847	2,657,160
PMS Management & Performance Fees	66,120,274	27,094,189	4,574,469
Advisory/ Research Fees	8,683,334	12,769,060	9,754,248
Total	**78,610,701**	**82,454,096**	**16,985,877**
EXPENDITURE			
Employee costs	41,600,929	29,450,440	16,592,554
Administration and other expenses	39,232,091	33,276,532	18,393,703
Depreciation & Amortization expenses	1,104,410	1,061,451	919,524
Total	**81,937,430**	**63,788,423**	**35,905,781**
Profit/ (Loss) Before Tax	**(3,326,729)**	**18,665,673**	**(18,919,904)**
Provision for current tax (including pertaining to earlier years and MAT Credit)	-	(986,832)	88,978
Profit / (Loss) After Tax	**(3,326,729)**	**17,678,841**	**(18,830,926)**

Previous year's figures are regrouped/reclassified, wherever necessary, to make them comparable with current year.

12. Portfolio Management Performance

(all performance data in %)

Strategies	Current Period 01.04.2016 to 28.02.2017	Financial Year Ended 31.03.2016	Financial Year Ended 31.03.2015	Financial Year Ended 31.03.2014	Date of Inception
(1) Moat and Special Situations Portfolio (MSSP)	**12.14**	**3.34**	**47.54**	**22.02**	January 27, 2011
Benchmark Performance (Average of BSE 500 + BSE Midcap)	**23.59**	**-3.78**	**41.37**	**16.20**	
(2) MSSP - EquiPlus	**12.05**	**4.91**	**NA**	**NA**	January 18, 2016
Benchmark Performance (Average of BSE 500 + BSE Midcap)	**23.59**	**2.78**	**NA**	**NA**	
(3) Mid & Small cap & Special Situations Portfolio	**18.48**	**4.96**	**NA**	**NA**	May 21, 2015
Benchmark Performance (Average of BSE Midcap & BSE Small cap)	**28.75**	**-3.12**	**NA**	**NA**	
(4) Beta Portfolio	**11.06**	**0.29**	**44.85**	**17.69**	September 28, 2012
Benchmark Performance (Nifty)	**14.75**	**-8.86**	**26.65**	**17.98**	
(5) All Seasons Portfolio	**12.0**	**4.19**	**NA**	**NA**	July 1, 2015
Benchmark Performance (Average of NIFTY, CRISIL Composite Bond Fund Index, MCX Gold Price)	**8.73**	**3.46**	**NA**	**NA**	

Notes:

1. Past performance of the Portfolio Manager does not indicate its future performance.
2. Returns for Current Period and FY 2013-14 are cash flow adjusted and time (Daily) weighted returns after all expenses.
3. Returns for FY 2014-15 & for 2015-16 are cash flow adjusted and time (Daily) weighted returns after expenses but before charging performance fees.
4. The actual returns of clients may differ from client to client due to different timing of investment.
5. MSSP performance numbers displayed above also include performance of those portfolios/securities inward, which the client has given as corpus. These may not be strictly as per Moat and Special Situations process. Hence, below is additional performance display since inception – Client portfolio with 'only cash contribution' and Client portfolio with 'cash & securities contribution'; returns are annualized:

MSSP Performance	Clients with cash and Securities Portfolio	Clients with cash-only Portfolio	Benchmark (Average of BSE 500 & BSE Midcap)
As on 28.02.2017	16.0%	15.7%	9.7%

13. Nature of expenses

The following are indicative types of costs and expenses for Clients availing the portfolio management services. Clients may note that the fees/expenses mentioned below are indicative. The same will vary depending upon the nature of services which would be provided to the Client. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement in respect of each of the services provided –

a. Management fees: The management fee may be a fixed administrative charge relating to the day-to-day management of the Client's Portfolio including but not limited to charges relating to payment of insurance premium, infrastructure, MIS reports etc. or a percentage of the quantum of funds managed or linked to portfolio returns achieved as agreed by the Client in the PMS Agreement.
Performance/ Variable fee - Profit /performance shall be computed on the basis of high water mark principle over the life of the investment, for charging of performance profit sharing fee and the exact terms will be decided as per the Client Agreement.
High Water Mark Principle: High Water Mark shall be the highest value that the portfolio has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when the performance fees are charged. The Portfolio Manager shall charge performance based fee only on increase in the portfolio value in excess of the previously achieved high water mark.
Fixed Fee: In the event of it being a fixed charge or a percentage of the quantum of funds managed, it shall not exceed 4% p.a. of the Client's portfolio corpus.

b. Sales & marketing fees, if any.

c. Exit fees, if any, on early termination of the Portfolio.

d. Custodian/depository fees
The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts.

e. Registration and transfer agents' fees
Fees payable in connection with effecting transfer of any or all the securities and bonds including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges.

f. Brokerage, transaction costs and other services
The brokerage charges and other charges like stamp duty, transaction cost and statutory levies such as service tax, securities transaction tax, turnover fees and such other levies as may be imposed from time to time and exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other securities.

g. Professional fees and certification charges
Professional fees for services like audit, accounting, taxation, legal and certifications, attestations, notarizations etc required by bankers or regulatory authorities.

h. Securities lending and borrowing charges
The charges pertaining to the lending of securities, costs of borrowing including Interest, and costs associated with transfers of securities connected with the lending and borrowing transfer operations.

i. Investment advisory and research fees
The Portfolio Manager may avail advisory and research services from its associate companies and/or outside service provider however, such charges will not be recovered from the clients.

j. Investment Advisory fees
Clients availing Investment Advisory services of the Portfolio Manager shall be charged an advisory fee based on mutually agreed terms of the Investment Advisory Services Agreement.

k. Other expenses which may be incurred specifically with respect to the Client's individual Portfolio.

l. Any other incidental and ancillary charges
Any other incidental costs and expenses not specifically covered above arising out of or in the course of managing or operating the Portfolio.

14. Taxation

Tax rates reflected in the Disclosure Document are for the Financial Year 2016-17

It may be noted that the information given hereinafter is only for general information purposes and is based on the advice received by the Portfolio Manager regarding the law and practice currently in force in India and the Investors should be aware that the relevant fiscal rules or their interpretation may change or it may not be acceptable to the tax authorities. As is the case with any interpretation of any law, there can be no assurance that the tax position or the proposed tax position prevailing at the time of an investment in the PMS will be accepted by the tax authorities or will continue to be accepted by them indefinitely.

Further statements with regard to tax benefits mentioned herein below are mere expressions of opinion and are not representations of the Portfolio Manager to induce any investor to invest whether directly from the Portfolio Manager or indirectly from any other persons by the secondary market operations. In view of the above, and since the individual nature of tax consequences may differ in each case on its merits and facts, each Investor is advised to consult his / her or its own professional tax advisor with respect to the specific tax implications arising out of its participation in the PMS as an investor.

In view of the above, it is advised that the investors appropriately consult their investment / tax advisors in this regard.

1.1 Tax implications

1.1.1 Income arising from purchase and sale of securities under Portfolio Management Services can give rise to business income or capital gains in the hands of the Client. The issue of characterization of income is relevant as the tax computation and rates differ in either of the two situations.

The said issue is essentially a question of fact and depends on whether the shares are held as business/trading assets or on capital account. Based on judicial decisions, the following factors need to be considered while determining the nature of assets as above:

a. Motive for the purchase of securities
b. Frequency of transactions

c. Length of period of holding of the securities
d. Treatment of the securities and profit or loss on their sale in the accounts of the assessee and disclosure in notes thereto
e. Source of funds out of which the securities were acquired – borrowed or own.
f. Existence of an objects clause permitting trading in securities - relevant only in the case of corporate.
g. Circumstances responsible for the sale of securities.
h. Acquisition of the securities – from primary market or secondary market.
i. Infrastructure and set – up employed for undertaking the securities transactions by the client.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously.

Investors may refer to CBDT instruction no. 1827 dated August 31, 1989 read with CBDT Circular no. 4 dated June 15, 2007 for further guidance on the matter.

1.1.2 In the following paragraphs, we have considered the broad implications under the Income Tax Act, 1961 ("IT Act") arising in the hands of the Clients (resident as well as the non-resident) under both the scenarios, viz:

a. Securities in the Portfolio held as business asset; and
b. Securities in the Portfolio held on capital account.

Additionally, non-residents (including FIIs) are entitled to be governed by the applicable Double Tax Avoidance Agreement ("DTAA"), which India has entered into with the country of residence of the non-resident, if that is more beneficial. The same would have to be considered on a case-to-case basis depending upon the applicable DTAA. Ordinarily, capital gains and interest income are taxable in India in the manner and at the rates prescribed under the relevant DTAA or the relevant rates applicable in India, whichever is beneficial to the assessee. Further, business income is normally not taxable in India if there is no permanent establishment of the non-resident in India.

1.2 Securities Transaction Tax ('STT')

STT is applicable to certain specified transactions which are tabulated below:

Sr. No.	Nature of Transaction	Rate of STT	'Value' on which STT is payable
1.	Delivery based purchase/ sale transaction in equity shares or units of business trust on a recognized stock exchange	Both buyer & seller to pay 0.1%	Price at which shares or units are purchased / sold
2.	Delivery based sale of units of equity oriented fund entered into on a recognized stock exchange	Seller to pay 0.001%	Price at which units are sold
3.	Sale of units of an equity oriented fund to a mutual fund	Seller to pay 0.001%	Price at which units are sold
4.	Non-delivery based transaction in equity shares / units of equity oriented fund in a recognized stock exchange	Seller to pay 0.025%	Price at which shares / units are sold
5.	Derivatives: Futures	Seller to pay 0.01%	Futures: Price at which futures are traded

6.	Derivatives: Options	Seller to pay 0.05%	Payable on Option Premium
		Where Option is exercised – Buyer to pay 0.125%	Payable on Settlement Price
7.	Sale of unlisted equity shares under an offer for sale to the public included in an initial public offer and subsequently listed on a recognized stock exchange	Seller to pay 0.2%	Price at which shares are sold
8.	Sale of unlisted units of a business trust under an initial public offer (with effect from 1 June 2015 – amended by the Finance Act, 2015)	Seller to pay 0.2%	Price at which the units are sold

The above STT is payable, irrespective of whether the securities are characterized as business assets or as capital assets.

1.3 Tax Implications where securities are business assets
Profits and Gains of Business or Profession

1.3.1 The following are the various income streams that can arise from securities held in the Portfolio:

a. Gains on sale of securities;
b. Dividend income on shares / Income-distribution on units; and
c. Interest income on debt securities.

1.3.2 If the securities in the Portfolio are regarded as a business/trading asset, then any gain / loss arising from sale of such securities would be taxed under the head "Profits and gains of business or profession" under section 28 of the IT Act. The gain / loss is to be computed under the head "Profits and gains of business or profession" after allowing normal business expenses (inclusive of the expenses incurred on transfer).

1.3.3 However, dividend on shares (referred to in section 115-O of the IT Act) and income distributed by mutual funds are exempt under the Act. In terms of section 14A of the IT Act, the Assessing officer has been given the power to make disallowances of expenses relating to earning exempt income.

1.3.4 Interest income arising on securities may be categorized as 'Business income' or 'Income from other sources'. Any expenses incurred to earn such interest (such as interest expense) would be available as deduction.

1.3.5 STT paid on securities held on business account is allowable deduction in computing business income.

1.3.6 Business income is chargeable to tax at the following rates:

Assessee	% of Income tax
Individuals (including NRI's), HUF, Association of Persons, Body of Individuals	Applicable slab rates
Partnership firms (including LLP) & Indian Corporate/ Non Resident (other than Individual and Foreign Company)	30%
Foreign company	40%

1.3.7 The tax rates applicable to different categories of tax payers for the financial year ending March 31, 2017 are as follows:

Individuals (including NRIs)/ HUFs/ Association of Persons/ Body of Individuals

Where total income for a tax year (April to March) is less than or equal to Rs. 250,000 (the basic exemption limit)	Nil
Where such total income is more than Rs.250,000 but is less than or equal to Rs.500,000	10 per cent of the amount by which the total income exceeds Rs.250,000
Where such total income is more than Rs. 500,000 but is less than or equal to Rs.1,000,000	Rs. 25,000 plus 20 per cent of the amount by which the total income exceeds Rs. 500,000
Where such total income is more than Rs.1,000,000	Rs. 125,000 plus 30 per cent of the amount by which the total income exceeds Rs. 1,000,000

In case of a resident senior citizen with age of sixty years or more but less than eighty years at any time during the previous year are taxable on progressive basis, as given below:

Where total income for a tax year (April to March) is less than or equal to Rs. 3,00,000 (the basic exemption limit)	Nil
Where such total income is more than Rs.300,000 but is less than or equal to Rs. 500,000	10 per cent of the amount by which the total income exceeds Rs.300,000
Where such total income is more than Rs. 500,000 but is less than or equal to Rs. 1,000,000	Rs. 20,000 plus 20 per cent of the amount by which the total income exceeds Rs. 500,000
Where such total income is more than Rs. 1,000,000	Rs. 120,000 plus 30 per cent of the amount by which the total income exceeds Rs. 1,000,000

In case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year are taxable on progressive basis, as given below:

Where total income for a tax year (April to March) is less than or equal to Rs. 5,00,000 (the basic exemption limit)	Nil
Where such total income is more than Rs.500,000 but is less than or equal to Rs. 1,000,000	20 per cent of the amount by which the total income exceeds Rs.500,000
Where such total income is more than Rs. 1,000,000	Rs. 100,000 plus 30 per cent of the amount by which the total income exceeds Rs. 1,000,000

Further, a tax rebate of up to Rs 5,000 per annum from the amount of income-tax would be available for resident individuals with total income uptoRs 500,000 per annum

1.3.8 The income tax rates specified above and elsewhere in this Disclosure Document are exclusive of the applicable Surcharge & Cess.

For the financial year 2016-17, the applicable rates for surcharge are given below:

Assessee	% of Income Tax		
	If income less than Rs.1 crore	If income exceeds Rs.1 crore but less than Rs.10 crores	If income exceeds Rs.10 crores
Individual (including non-resident individuals, QFI individuals), HUF, AOP & BOI	NIL	15%	
Partnership Firms (including LLP)	NIL	12%	
Domestic Company	NIL	7%	12%
Foreign Company/ FII/ QFI (corporate)	NIL	2%	5%
FII and QFI (non-corporate)	NIL	12%	

Additionally, Education Cess is leviable @ 2% on the income tax and Higher and Secondary Education Cess @ 1% on the income tax as computed above.

However marginal relief is available from surcharge in such a manner that in the case of a person having a net income of exceeding Rs. 1 crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

However marginal relief is available from surcharge in such a manner that in the case of a domestic company and foreign company having a net income of exceeding Rs. 1 crore but does not exceed 10 crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds 1 crore.

In case of a domestic company and foreign company whose net income exceeds Rs. 10 crore, marginal relief is available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax and surcharge on total income of Rs. 10 crore by more than the amount of income that exceeds Rs. 10 crore.

Losses under the head Profits and gains of business or profession

1.3.9 In the case of loss under the head 'Profits and gains of business or profession' (other than speculative loss), it can be set off against the income from any other source under the same head or income under any other head (except certain exceptions) in the same assessment year. If such loss cannot be set off against any other head in the same assessment year, then it will be carried forward and shall be set off against the profits and gains of the business (other than speculative loss), within the period of 8 subsequent assessment years.

In case the loss is in the nature of speculation loss, set-off would be available in the same assessment year only against speculation gain. In terms of explanation to section 73, in case of a company, other than a company whose gross total income consists mainly of income which is chargeable under the heads “Interest on securities”, “Income from house property”, “Capital gains” and “Income from other sources”, or a company the principal business of which is the business of banking or the granting of loans and advances, loss on sale of shares forming part of the business of the company (even if delivery based) is considered as speculation loss. Such loss can be carried forward for set-off against speculative gains within a period of 4 subsequent assessment years.

The IT Act has been amended to exclude derivatives transactions traded on a stock exchange from being treated as a speculative transaction. The gain/loss from derivatives transaction would be treated as income from business.

1.4 Tax implications where securities are capital assets

1.4.1 The following are the various income streams that can arise from securities forming part of the portfolio:

a. Gains on sale of securities;
b. Dividend income on shares / Income-distribution on units; and
c. Interest income on debt securities.

1.4.2 Dividend on shares (referred to in section 115-O of the Act) and income distributed by mutual funds continue to be exempt under the IT Act. In terms of section 14A of the IT Act, the Assessing officer has been given the power to make disallowances of expenses relating to earning exempt income.

1.4.3 Interest income arising on securities would be categorized as ‘Income from other sources’. Any expenses incurred wholly and exclusively for the earning of such (such as interest expense) would be available as deduction subject to the provisions of the Act.

1.4.4 Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding.

Securities (other than units) listed on a recognized stock exchange in India or units of an equity oriented fund (as referred to in section 115T of the Act), units of UTI, Zero Coupon Bonds are considered as long-term capital assets if they are held for a period exceeding 12 months immediately preceding the date of transfer. Other securities would be considered as long-term capital assets if held for a period exceeding 36 months.

1.4.5 The mode of computation of capital gains would be as follows:

Sale consideration	xxx
Less: Expenses on transfer (Note 2)	(xx)
Net consideration	xxx
Less:Cost of acquisition (Note 1)	(xxx)
Capital gains (Note 3)	xxx

Note 1: In case of the computation of long-term capital gains, option of indexation of cost is available on all securities (other than bonds and debentures). Indexation benefits are generally not available to non-residents from transfer of shares or debentures of an Indian company.

Note 2: This would include only expenses relating to transfer of securities such as brokerage, stamp duty, etc. Normal business expenses would not be allowable. Further, STT is not allowable as a deduction in computing taxable capital gains.

Note 3: In case of non-residents (other than FIIs), capital gains from sale of shares or debentures acquired in foreign currency, will be computed in foreign exchange by converting the sale consideration, cost of acquisition & expenses on transfer into foreign currency at the rates (average of telegraphic transfer buying and selling rates prevailing on the date of purchase / sale, as the case may be) and re-converting such gains into Indian currency (at telegraphic transfer buying rate on date of transfer).

The provisions of the Act, in relation to taxation of long term and short-term capital gains are provided in the following paragraphs.

Long term capital gains

Long-term capital gains are taxable in the hands of different categories of assesses as under:

1.4.6 Resident individuals (including proprietorships) / HUF / partnership firms (including LLP) & Indian companies:

Long-term capital gains arising on transfer of equity shares on recognized stock exchanges or units of an equity oriented fund on which STT is paid are exempt from tax under section 10(38) of the Act.

Long-term capital gains would, however, be taken into account in computing the book profits for computation of Minimum Alternate Tax under section 115JB of the Act, irrespective of whether or not it is exempt under section 10(38) of the Act). The Finance Act, 2011 has increased in the rate under section 115JB from 18% to 18.5%.

Long-term capital gains (other than those exempt) earned in respect of a long-term capital asset are chargeable to tax under section 112 of the IT Act at the rate of 20% plus surcharge as applicable and education cess. Capital gains are computed after taking into account the cost of acquisition as adjusted by the cost inflation index notified by the Central Government (indexed cost) and expenditure incurred wholly and exclusively in connection with such transfer. However, in the case of capital assets being bonds or debentures (other than capital indexed bonds issued by the Government), the benefit of indexed cost is not available.

In the case of listed securities (other than a unit) or zero coupon bond (as defined under the IT Act), a tax payer has an option to apply the concessional rate of 10% plus surcharge as applicable and education cess, provided the long-term capital gains are computed without substituting the indexed cost in place of the cost of acquisition.

Further, in case of individuals and HUFs, where taxable income as reduced by long-term capital gains is below the maximum amount not chargeable to tax, the long-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance long-term capital gains will be charged at the flat rate of 20% or 10% plus surcharge as applicable and education cess.

1.4.7 Non Resident and Non-resident Indians

Long-term capital gains arising on transfer of equity shares or units of an equity-oriented fund on which STT is paid, are exempt from tax under Section 10 (38) of the Act.

Non-resident investor shall be entitled to be governed by provisions of the applicable Tax Treaty which India has entered into with the country of residence of the non-resident investor, if it is more beneficial than the provisions of the Act. Under section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a TRC of being a resident of his home country. Further, under section 90(5), a non-resident is also required to provide other information in the prescribed Form No. 10F.

Long-term capital gains in the case of non-residents would be taxable at the rate of 10% plus surcharge as applicable and education cess on the transfer of capital assets, being unlisted securities, computed without giving effect to the first and the second proviso to section 48 i.e. without taking the benefit of foreign currency fluctuation and indexation benefit. Under the provisions of section 112 of the Act, long-term capital gains (other than those exempt as above) would be taxed at the rate of 20% plus surcharge as applicable and education cess.

Non-resident Indians are permitted to be governed by the general provisions of the Act (which are the same as above except for indexation) or the special provisions contained in section 115E of the Act. Under section 115E of the Act for non-resident Indians, income by way of long-term capital gains in respect of specified assets purchased in foreign currency as defined under section 115C (which includes shares, debentures, deposits in an Indian Company and security issued by central government) is chargeable at the rate of 10% (plus the applicable surcharge and cess as mentioned in Para 1.3.8). Such long-term capital gains would be calculated without considering the indexed cost of acquisition.

1.4.8 Foreign Institutional Investors

Long-term capital gains arising on transfer of equity shares or units of an equity-oriented fund on which STT is paid, are exempt from tax under Section 10 (38) of the IT Act.

Under Section 115AD of the IT Act, long-term capital gains (other than those exempt as above) arising from transfer of securities, shall be taxable at the rate of 10% plus surcharge as applicable and education cess. With effect from June 1, 2013, interest earned on a) rupee denominated bond of an Indian Company and b) Government Security is chargeable to tax @ 5 % (plus applicable surcharge and cess as mentioned in Para 1.3.8).Such capital gains would be computed without giving effect of indexation and foreign currency conversion

1.4.9 Deductions from long-term capital gains

	Section 54 EC	Section 54 F	Section 115 F
Assessee	Any person	Individuals / HUF	Non-Resident Indian
Sale of which security	Any	Any (not being residential house)	Foreign exchange asset **
Asset to be purchased -to claim exemption	Specified bonds of NHAI and REC notified by the Central Government in the official gazette (cap of Rs. fifty Lakhs in a financial year)	A residential house property	Specified assets
Time-limit for purchase from the date of sale of security	6 months	Purchase: 1 year back / 2 years forward & construction: 3 years forward	6 months
Amount exempt	Investment in the new asset or capital gain whichever is lower	Capital Gains proportionate to the investment made from sale proceeds (subject to other conditions of owning / purchasing residential house mentioned in the section)	Capital Gains proportionate to the investment made from sale proceeds
Lock-in period	3 years	3 years	3 years

** Foreign exchange asset, which the assessee has acquired or purchased with, or subscribed to in convertible foreign exchange, means a specified asset. A specified asset includes any of the following assets:-

I. shares in an Indian company;
II. debentures issued by an Indian company which is not a private company as defined in the Companies Act, 1956 (1 of 1956);
III. deposits with an Indian company which is not a private company as defined in the Companies Act, 1956 (1 of 1956);
IV. any security of the Central Government as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944);
V. Any other assets the Central Government may specify in this behalf by notification in the Official Gazette.

The above deductions are available subject to other provisions / conditions contained in the Act.

Short term capital gains

1.4.10 Under Section 111A of the IT Act, income from short term capital gains arising from transfer of equity shares in a company or a unit of equity oriented fund (on which STT is paid) are taxable @ 15 % (plus applicable surcharge and cess as mentioned in para 1.3.8).

1.4.11 The tax rates applicable to different categories of assesses on short term capital gains (other than those referred above) would be the normal slab rates as provided in para 1.3.6 and para 1.3.7 above) except for FIIs who would be taxable on short term capital gains @ 30% plus applicable surcharge and cess as mentioned in para 1.3.8) under Section 115AD of the IT Act.

1.4.12 The foreign currency fluctuation mechanism is also available to the non-resident for computing the short-term capital gains arising from the transfer of shares or debentures

Capital Loss

1.4.12 Losses under the head capital gains cannot be set off against income under any other head. Furthermore, within the head capital gains, losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long-term or a short-term capital asset.

Under section 10(38) of the Act, long-term capital gains on the sale of equity shares /units of an equity oriented fund are exempt from income tax subject to certain conditions. Hence, losses arising from this type of transaction of equity shares /sale of units of an equity oriented fund would not be eligible for set off against taxable capital gains.

Unabsorbed long-term capital loss (other than the losses relating to the sale of equity share/ units of equity oriented fund as stated above) can be carried forward and set off against the long-term capital gains arising in any of the subsequent eight assessment years. Unabsorbed short-term capital loss can be carried forward and set off against the income under the head capital gains in any of the subsequent eight assessment years.

1.4.13 Receipt of shares at less than fair market value

As per section 56(2)(viia) of the Act, if the consideration paid for the acquisition of shares (of a closely held company) is lower than the fair market valueof the shares, the difference between such consideration and the fair market value shall be treated as the income of the recipient(being firm or company) of the shares.

1.5 Minimum Alternate Tax/Alternate Minimum Tax

The income on the transfer of equity shares /units of Mutual Fund by a company would be taken into account in computing the book profits and Minimum Alternate Tax, if any, under section 115JB of the Act (irrespective of whether or not it is exempt under section 10(38) of the Act).

The taxable income on the transfer of equity shares /units of a Mutual Fund would be taken into account in computing the Adjusted Total Income and Alternate Minimum Tax, if any, under section 115JC1 of the Act.

1.6 Additional income-tax on buy-back of shares by unlisted companies

Under section 115QA (inserted by the Finance Act, 2013), an additional income-tax is levied in the hands of unlisted companies at the rate of 20%(plus surcharge @ 12% and cess as mentioned in Para 1.3.8) on distributions by such companies made to its shareholders in the form of buy-back of shares. The corresponding income in the hands of the shareholders would be exempt from tax.

1.7 Shares subscribed at premium

If the shares of a closely-held Indian investee company are subscribed to at a premium, as per the provisions of section 56(2)(viib) of the Act, the difference between the consideration for subscription and the fair market value of such shares would be considered as income, and would be subject to tax in the hands of the investee Company.

1.8 Explanation of credits in the financial statements

As per the provisions of section 68 of the Act, if the investee company is unable to explain to the tax authorities the nature and source of share application, share capital, share premium, etc., such amounts may be taxed as its income. In this regard, the investee Company may require certain details from its shareholders.

Dividend Stripping

Under section 94(7) of the Act, loss arising on sale of securities or units, which are bought within three months of the record date and sold within nine months the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Securities / Units.

Record date means the date as may be fixed by—

(i) a company for the purposes of entitlement of the holder of the securities to receive dividend; or
(ii) a Mutual Fund or the Administrator of the specified undertaking or the specified company as referred to in the Explanation to clause (35) of section 10, for the purposes of entitlement of the holder of the units to receive income, or additional unit without any consideration, as the case may be.

Bonus Stripping

Under section 94(8) of the Act, for units purchased within a period of three months prior to the record date of entitlement of bonus and sold within a period of nine months after this date the loss arising on the transfer of the original units (while continuing to hold the additional bonus units) shall be ignored for the purpose of computing the income chargeable to tax.

The amount of loss so ignored shall be deemed to be the cost of purchase / acquisition of the additional units as are held by the Assessee on the date of such sale or transfer.

1.9 Default in providing the Permanent Account Number ('PAN')

Section 206AA of the Act inserted by the Finance (No.2) Act, 2009, effective from 1 April, 2010, states that the deductee is required to provide his PAN to the deductor failing which the deductor shall deduct tax at source at the higher of the following rates:

1. The rate prescribed in the Act;
2. The rate in force; or
3. The rate of 20%.

Service Tax

The fees & entry/exit load (including costs and reimbursements) relating to portfolio management and advisory services would attract service tax (including applicable cess and surcharge) under the taxable category of "Banking and other financial services".

Gift Tax

The Gift -tax Act, 1958 has been repealed since 1 October, 1998. A gift of Mutual Fund units would be subject to income tax in the hands of the donee. Under section 56(2)(vii), receipts of shares and securities, the fair market value of which exceeds fifty thousand rupees, without consideration or without adequate consideration are taxable as income in the hands of individuals / HUFs.

Furthermore the above provision of section 56(2)(vii) shall not apply to any shares and securities received by the donee:
(a) From any relative; or
(b) On the occasion of the marriage of the individual; or
(c) Under a will or by way of inheritance; or
(d) In contemplation of the death of the payer or donor, as the case may be; or
(e) From any local authority as defined in the Explanation to clause (20) of section 10 of the Act; or
(f) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10 of the Act; or
(g) From any trust or institution registered under section 12AA of the Act.

The definition of 'relative' has been amended vide the Finance Act, 2012, with retrospective effect from October 1, 2009. The term 'relative' shall mean:

A] In the case of an Individual -
(i) The spouse of the individual
(ii) The brother or sister of the individual
(iii) The brother or sister of the spouse of the individual
(iv) The brother or sister of either of the parents of the individual
(v) Any lineal ascendant or descendant of the individual
(vi) Any lineal ascendant or descendant of the spouse of the individual
(vii) The spouse of the person referred to in clauses (ii) to (vi), and

B] In the case of a HUF, any member thereof.

Foreign Account Tax Compliance Act (FATCA)

The FATCA provisions enacted by the United States of America (USA), requires financial institutions to report information about certain accounts held by US persons. The Government of India and the Government of the USA have entered into an Inter-Governmental Agreement (IGA) to improve international tax compliance and to implement FATCA. As per the IGA, Indian Financial Institutions will be required to report tax information about US account holders/tax payers directly to the Indian Government which will, in turn, relay this information to the US Internal Revenue Service.

The Government of India has notified amendments to the Income Tax Rules vide Notification no. 62/2015 dated August 7, 2015 to enable registration of financial institutions, due diligence and maintenance of information relating to reportable accounts.

The amended Income-Tax Rules identifies investment entities that are considered financial institutions because it renders investment advice to/ manages portfolios for/ executes trades for and acts on behalf of a customer as 'non-reporting financial institutions'. Further, the IGA qualifies such investment entities as deemed-compliant financial institutions.

The Portfolio Manager will comply with all SEBI circulars issued in this regard, latest being issued on August 26, 2015 as well as all laws enacted, circulars/notifications issued and rules made that apply to the Portfolio Manager and require reporting of client information. To meet with the legislative requirements, the Company will perform due diligence procedures to identify tax residence/status of the clients including gathering of additional related information and report the same to the Income-tax Department as per the said Income-Tax Rules.

15. Accounting Policies and Basis of Valuation

Accounting:

The Portfolio Manager shall follow the following accounting policies in respect of the portfolio investment of the Clients:

a. The Portfolio Manager shall keep and maintain proper books of accounts, records and documents for each Client so as to explain transactions for each Client and to disclose at any point of the Portfolio holding of each Client and in particular give a true and fair view of the performance of Portfolio for each Client. The books of accounts for the clients are maintained on historical cost basis.

b. Transactions for purchase or sale of investments shall be recognized as of the trade date.

c. The cost of investments acquired or purchased will include brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered will be reduced from the cost of the investment.

d. Dividend income is recognized post dividend declaration date. For the investments, which are not quoted on the stock exchange, dividend income will be recognized on the date of receipt of dividend from the company.

e. Determining the holding cost of investments and the gains or loss on sale of Investments, the "First in First out (FIFO)" method will be followed.

f. Bonus shares/units to which the security/scrip in the portfolio becomes entitled will be recognized only when the original share/scrip on which bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, right entitlements will be recognized only when the original shares/security on which the right entitlement accrues is traded on the stock exchange on the ex-right basis.

g. In respect of interest bearing investments, income would be recognized on accrual basis.

Basis of Valuation:

a. Investments in listed equity and debt securities ("traded securities") shall be valued on the basis of closing market rates on the National Stock Exchange ("NSE") as on the relevant valuation date. If the security is not listed on the NSE, latest available quote within a period of thirty days prior to the valuation date on the Mumbai Stock Exchange or any other major stock exchange where the security may be listed would be considered. In the event of this date being a holiday at the exchange, the rates as on the immediately preceding trading day shall be adopted. If no such quote is available, the security may be considered as non-traded.

b. For derivatives and futures and options, unrealised gains and losses will be calculated by marking to market the open positions.

c. Mutual fund units are valued at latest available net asset value (NAV) of the particular scheme on the valuation date.

d. Debentures and Bonds will be valued at their Last Traded Price (LTP) as quoted on the National Stock Exchange/Bombay Stock Exchange provided the value traded is at least Rs. 1 crore.

   However in case of each of the Bonds, when on the last trading day of such month where LTP is not available, the Portfolio Manager will source the valuation of such bonds from CRISIL.

   Exception - When in the opinion of the Portfolio Manager, the debentures and bonds, apparently, do not reflect their fair/realizable value, the Portfolio Manager shall deviate from CRISIL based valuation and such instruments shall be valued using principles of fair valuation.
   Necessary documentation justifying each such deviation and the computation of fair price shall be recorded by the Portfolio Manager.

e. Unlisted, non-traded and all other securities where a value cannot be ascertained shall be valued as determined in good faith by the Portfolio Manager.

f. The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or for accounting the same, as may be mutually agreed between them on a case to case basis.

g. The securities received towards corpus and added to the portfolio are valued and accounted at the closing rate of NSE on the date of addition to the portfolio. The securities withdrawn as corpus are valued and accounted at the closing rate of NSE on the date of withdrawal.

h. Mutual fund units received towards corpus are valued and accounted at the latest available NAV on the date of addition to the portfolio. Mutual fund units withdrawn are valued and accounted at the latest available NAV on the date of on the date of withdrawal.

i. Securities transaction tax levied on purchase/sale of securities and derivatives during the financial year is recognized as an expense in the books of accounts.

j. Tax deducted at source on sale of shares / mutual funds, interest or any other income on which tax is liable to be deducted is adjusted against corpus on a yearly basis at the end of the financial year since such amounts are not available to the Portfolio Manager for investment purposes.

16. Prevention of Money Laundering Act (PMLA) & Know Your Customer (KYC) Requirements:

The Government of India has put a policy framework to combat money laundering through the Prevention of Money Laundering Act, 2002 (PMLA 2002). PMLA 2002 and the Rules notified there under (PMLA Rules) came into effect from July 1, 2005. Consequently, SEBI has mandated all registered intermediaries to formulate and implement a comprehensive policy framework on anti-money laundering and to adopt 'Know Your Customer' (KYC) norms.

Accordingly, the investors should ensure that the amount invested by them is through legitimate sources only and does not contravene any Act, Rules, Regulations, Notifications or Directions of the provisions of Income Tax Act, Prevention of Money Laundering Act, Anti-Corruption Act and or any other applicable laws enacted by the Government of India from time to time.

Investors are requested to note that KYC is mandatory for all investors. In order to bring about uniformity in the securities market, SEBI has developed a mechanism for centralization of the KYC records in the securities market. Accordingly, KYC registration is being centralised through KYC Registration Agencies (KRA) registered with SEBI. Thus each investor has to undergo a uniform KYC process only once in the securities market and the details would be shared with other intermediaries by the KRA.

The Portfolio Manager is adhering to the requirements of SEBI circular No. CIR/MIRSD/66 /2016 dated July 21, 2016 and circular No. CIR/MIRSD/120/2016 dated November 10, 2016 on operationalization of Central KYC Records Registry (CKYCR).

17. Investor Services & SCORES

Service levels and Reports

The Portfolio Manager shall furnish to the Client reports/statements/documents atleast once in six months and as and when required by the Client with a reasonable frequency. Such reports/statements/documents shall contain the following details namely,

a. Report on the composition and value of the portfolio, description of securities, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the portfolio on the date of the report;

b. Report on the transaction undertaken during the period of report including date of transaction and details of purchase and sales;

c. Report on beneficial interest received during that period in respect of interest, dividend, bonus shares, rights shares and debentures;

d. Report on expenses incurred in managing the portfolio;

e. Details of risk foreseen by the Portfolio Manager and the risk relating to the securities recommended by the Portfolio Manager for investment or disinvestments.

The Portfolio Manager shall on a best effort basis endeavor to provide reports to the Client within below mentioned timelines after receipt of request from the Client:

Sr. No.	Report	Timeline for providing the report after receipt of the request
1	Portfolio holding statement	3 working days
2.	Transaction statement	7 working days
3.	Capital gains register	7 working days
4.	Performance report	7 working days

Contact information

Investor queries and complaints can be addressed to the Principal Officer -

Name : Sanjeevkumar Karkamkar
Address: Multi-Act Equity Consultancy Private Limited
10th Floor SC, The Ruby Tower,
29, Senapati Bapat Marg,
Dadar (West), Mumbai – 400 028.
Tel: 022- 022-61408982 / Cell: 9833831698
Email: sanjay.karkamkar@multi-act.com

SEBI SCORES Platform

SEBI has introduced an online registration of complaints whereby investors can lodge their grievances on the SEBI Complaints Redress System i.e., the SCORES portal http://scores.gov.in

SCORES enables online tracking of status of a complaint. Investors who are unable to access the online platform continue to have the option to register their complaints in physical form.

Grievance Redressal and Dispute Settlement Mechanism

The Portfolio Manager will endeavour to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. All disputes, differences, claims and questions arising between the Client and Portfolio Manager will be attempted to be resolved amicably. In case the disputes remain unsettled the same shall be settled in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996, or any statutory requirement, modification or re-enactment thereof. Such arbitration proceedings shall be held at Mumbai.

sd/-
Sanjeevkumar Karkamkar
Executive Director
Principal Officer

sd/-
Sekar Iyer
Executive Director

Date: March 4, 2017
Place: Mumbai

FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA
(PORTFOLIO MANAGERS) REGULATIONS 1993
(Regulation 14)

Multi-Act Equity Consultancy Private Limited
10th Floor, The Ruby Tower,
29, Senapati Bapat Marg,
Mumbai-400028
Tel No.:022-61408982 /Fax: 022-61408980
sanjay.karkamkar@multi-act.com

We confirm that:

i) the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the Board from time to time;

ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us ***/*** investment in the Portfolio Management;

iii) the Disclosure Document has been duly verified by an independent chartered accountant, M. P. Chitale & Co., Chartered Accountants 1/11, 1st Floor, Prabhadevi Industrial Estate, Veer Savarkar Marg, Opposite Siddhi Vinayak Temple, Prabhadevi, Mumbai- 400 025, bearing registration no.101851W dated January 1, 1956, on March 4, 2017. (Certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision is enclosed).

For **Multi-Act Equity Consultancy Private Limited**

sd/-

Sanjeevkumar Karkamkar
Executive Director
Principal Officer

Date: March 4, 2017