Multi-Act Equity Consultancy Pvt. Ltd.
10th floor, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (W),
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www.multi-act.com
CIN: U67120PN1993PTC074692

Date: 5 Jul 2019

Dear Investors,

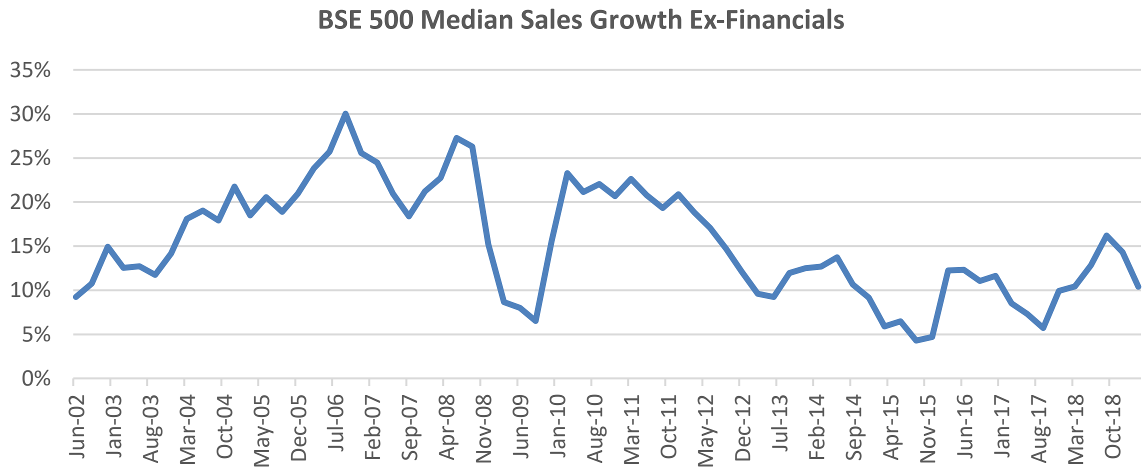
Below is the performance of the Moats & Special Situations Portfolio (M&SSP) as of 30th Jun 2019.

Portfolio Performance	Equity Allocation as on 30.06.2019	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)		15.1%	10.4%
June 2019 Quarter	~78%	0.4%	-2.0%

• Benchmark is an average of the BSE 500 and BSE Mid Cap index. Benchmark Performance is calculated using Total Return Indices.
• Equity allocation mentioned above is for older accounts.
• The above returns are consolidated for all clients, time weighted and post management and performance expenses.
• The actual returns of clients may differ from client to client due to different portfolio and timing of investment.
• Past performance is no guarantee for future performance.
• Inception Date is 27th January 2011.

The major uncertainty related to the General elections is now behind us. The ruling party came back to power with a much bigger mandate as compared to 2014. Most pre-election opinion polls and even the post-election exit polls had suggested a high probability of the ruling party coming back to power. But such a strong mandate was not expected. Thus, it was a positive surprise for the Equity market.

With uncertainty related to general elections behind us, the focus shifts back to fundamentals. In the March newsletter we discussed about the possibility of green shoots turning negative. That fear has materialized over the last quarter. Corporate earnings along with commentary has turned soft over the last quarter.



Post 2010, private Capex had slowed down due to lower utilization levels. But consumption linked sectors continued to grow over this entire period. For the first time we are seeing signs of the consumption engine slowing down, with weakness across the Auto sector and lower visibility for FMCG companies. The true reason for the sudden slowdown is not entirely clear. The NBFC Crisis coupled with a slowdown in the rural economy seems to have reduced momentum in the real economy.

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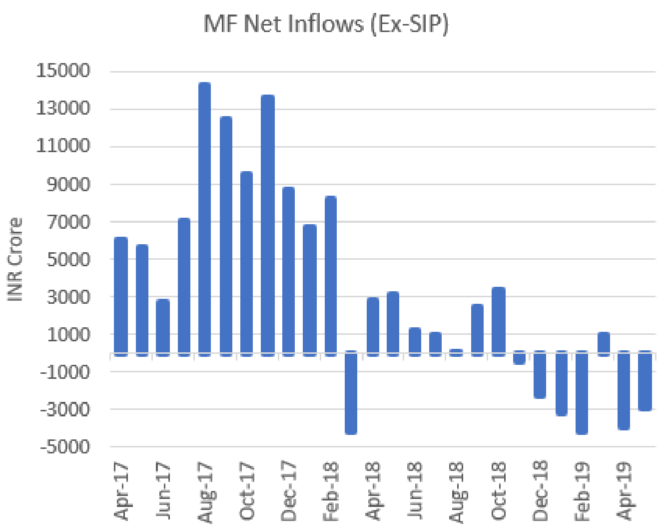
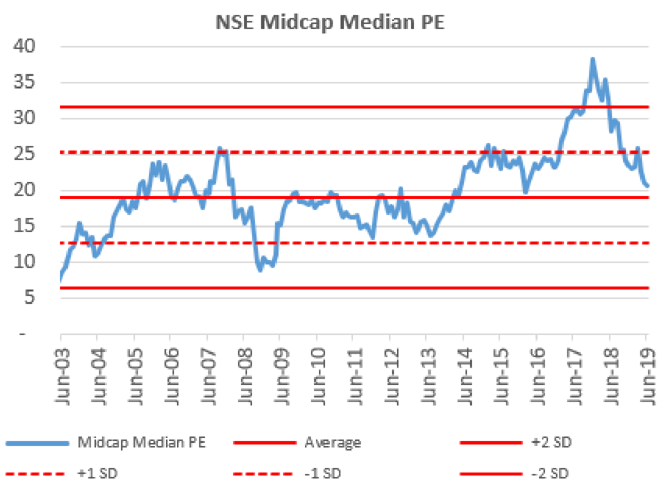
Expectations & Liquidity

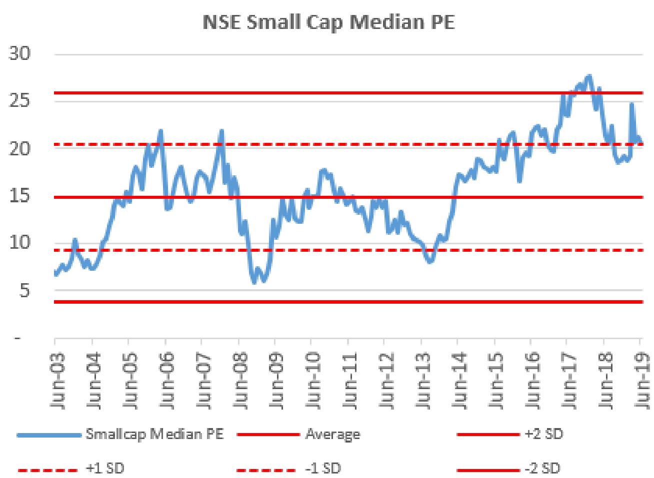
The stock market is "forward looking", wherein the movement in either direction is largely driven by expectations. An efficient market would ideally readjust expectations to feedback received over time from the real economy and corporate earnings. But liquidity affects the functioning of this mechanism. We have witnessed the result of that over the last few years. Post 2014, markets moved up on "hope" of earnings recovery with strong reform focused government coming to power. The much-anticipated recovery remained elusive. While this should have ideally led to correction in the valuations, the strong fund flows into mutual funds continued to support the elevated valuations.

Fund flows in Equity Mutual Funds continue to be positive even today, supported by SIPs. But in the last few months net inflows in Equity MFs excluding SIPs have turned negative. It is too early to say whether this reversal in sentiment is temporary. So far, monthly SIP numbers have remained stable. But if the monthly SIP numbers start reducing, that would be a sign of shift in sentiment. FII Flows were very strong in February and March, but have cooled off in the last couple of months. Thus, we believe the overall liquidity environment may not support elevated valuations that are not backed by improvement in corporate earnings, going forward.



In the last one year we have started to see moderation in valuation especially in the Mid and Small cap space. Within that space, Low Quality companies that have either corporate governance issues, levered balance sheets or cash flow issues have corrected sharply. High Quality companies that have delivered reasonable earnings growth remain super expensive. But we have started to see pockets of value emerging within our quality universe in the mid and small cap space. Most of these companies have poor earnings visibility or some short-term issue. Thus, rather than put on a full weight, we would prefer to gradually accumulate these stocks when they come within our buy zone.





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Asset Allocation:

Our overall equity weights stand at around 78% for older accounts. The reduction is on account of exit from couple of stocks which we have discussed in the later section. For new accounts our weights have increased to 45%.

Portfolio Activity:

Business Model and Sector Allocation:

Moat/Limited Moat	Sep-18	Dec-18	Mar-19	Jun-19
Moat	34%	35%	27%	23%
Limited Moat	41%	39%	45%	46%
Moat + Limited Moats	***75%***	***74%***	***72%***	***69%***
Special Situations	22%	26%	25%	27%
Regulated Utility	3%	-	3%	4%
Grand Total	**100%**	**100%**	**100%**	**100%**

Sectors	Sep-18	Dec-18	Mar-19	Jun-19
Information Technology	25%	22%	19%	18%
Pharma	20%	17%	19%	17%
Financials & Financial Services	15%	17%	14%	15%
Materials	8%	7%	10%	12%
FMCG	11%	13%	12%	10%
Capital Goods	7%	7%	9%	9%
Auto & Auto Ancillaries	7%	11%	8%	8%
Logistics & Transport	-	3%	3%	4%
Media	3%	3%	3%	3%
Utility	3%	-	3%	4%
Grand Total	**100%**	**100%**	**100%**	**100%**

Portfolio Activity during the quarter:

We exited Nestle and Info Edge during the quarter. We continue to like both the companies. The exit decision was taken purely from a valuation perspective, we believe both of their valuations were extremely stretched and factored most of the positives.

We took an initial weight in a Pharma company. The Company has two business segments – Contract Research & Manufacturing Services (CRAMs) and New Chemical Entity (NCE) business. Under CRAMs business, the company supplies intermediates to global innovator companies for their R&D pipeline and also for the final drug when it is commercialized. This is very high margin and high ROCE business. Under the NCE business, the company is developing new molecules as an innovator. Currently, the NCE business does not have any revenue. Almost half of the profits of the CRAMs business is being used to fund the R&D for the NCE business. Thus, NCE business has been a drag on the overall profitability of the company. The company has recently announced demerger and separate listing of the two segments. We believe the value of the CRAMs business alone is much higher than the combined value being assigned by

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the market today. Thus, the demerger is expected to unlock value. One of the molecules in the NCE segment has just completed Phase 2 trial in the US, the result of which would be out in the current month. If there is a positive outcome, there is an additional upside which is not currently factored in the valuation.

Regards,

Rohan Samant	Rohan Advant
Sr. Portfolio Manager	Sr. Portfolio Manager

Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited (Registration No. INP000002965)

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Disclosure as per Global Investment Performance Standards (GIPS®) –

Multi-Act Equity Consultancy Pvt. Ltd. claims compliance with the Global Investment Performance Standards (GIPS®). You can refer to the GIPS Compliant performance presentation here. Multi-Act Equity Consultancy Pvt. Ltd. has been independently verified by M/s. M. P. Chitale & Co., Chartered Accountants for the periods April 1, 2011 through March 31, 2019. The verification is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Composite representing the Moats and Special Situations portfolio was created on 27th January 2011. Performance has been compared with Total Return of the Index. For Moats & Special Situations Composite, blended benchmark of BSE 500 (50% weight) and BSE Mid Cap Index (50% weight) has been used. The Gross Return is before all expenses (except Brokerage). Net Return is after all actual expenses. A complete list of composite descriptions, policies for valuing portfolios and calculating performance fees are available on request.

Multi-Act Equity Consultancy Pvt. Ltd. is an independent SEBI registered Portfolio Manager. The firm maintains a complete list and description of composites, which is available upon request. This MSSP Composite includes all discretionary fee paying portfolios that are being managed with the objective of generating 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. The portfolio manager has also the discretion of not being fully invested if he is not able to find ideas that meet the above criteria along with valuation criteria, thus, indirectly taking an asset allocation call between Equity and Cash (& Cash Equivalents).

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

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. 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.

g. The Portfolio Manager has renewed SEBI PMS registration effective October 14, 2014 and has commenced its portfolio management activities with effect from January 2011. However, the Portfolio Manager has more than 10 years of experience in managing its own funds invested in the domestic market.