Multi-Act Equity Consultancy Pvt. Ltd.
10th floor, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (W),
Mumbai- 400028,
Tel +9122 61408989
www.multi-act.com

Date: 1st April 2016

Dear Investors,

Below is the performance of the Moats & Special Situations Portfolio (MSSP) as of 31st Mar 2016.

Portfolio Performance	Equity Allocation as on 31.03.2016	Total Portfolio Returns After Expenses	Benchmark Returns
Since Inception (annualised)		16.4%	7.0%
March Quarter	~79%	-1.2%	-4.5%
1st April 2015 – 31st March 2016		3.4%	-3.8%

• Benchmark is an average of the BSE 500 and BSE Mid Cap index.
• Equity allocation mentioned above is for older accounts (who have been with us over 1 ½ years). New accounts equity allocation could be lower.
• Returns are after expenses.
• The actual returns of clients may differ from client to client due to different portfolio and timing of investment.
• Past performance is not guarantee for future performance.
• Inception Date is 27th January 2011.

Market indices corrected sharply in the first couple of months of the quarter. Part of the reason was that Indian companies continued to disappoint on announcements of results and that led to further downgrade of earnings estimates through the quarter. NIFTY EPS estimates have been revised sharply lower since last year (revised down ~15%). The 'imminent" economic recovery that the market participants were happy to believe during April –August 2015, seems to be getting postponed time and again.

January and February also witnessed large scale selling by the Sovereign Wealth Funds as they grappled falling oil prices. The likelihood of the cessation of easy money policies by global central banks added to general selling pressure in Emerging Markets in that period. But with soothing comments from Central Bankers and with stocks oversold, March witnessed the highest fund flows into India since Feb 2012 (~24,600cr.).

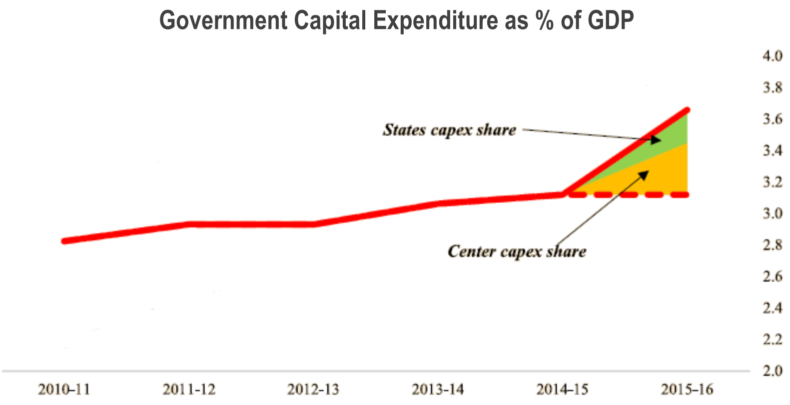
Assessing the collateral damage!

Multi Act's objective has always been to endeavor to achieve superior risk adjusted returns with minimal drawdowns in the "bear phase" of the market with stock picking and a "pro-active" asset allocation. What we mean by a drawdown is the decline from the peak of the portfolio in a given period to its bottom. Below is the table that highlights drawdowns during these "bear" market phases that we have experienced since our inception.

Worst Drawdowns	2011/12	2013/14	2015/16
MSSP	-8.5%	-12.1%	-9.5%
NIFTY	-23.0%	-15.0%	-22.4%
Midcap Index	-30.0%	-29.0%	-18.0%
Small cap Index	-39.0%	-33.0%	-21.0%

We would like to highlight in the above table that in 2013 we were 65% weighted in small/midcaps but our drawdown was lower than the benchmark and in 2015/16 we were 70% weighted in large caps; yet our draw down was lower than both the fall in the large cap index and the mid/small cap indices.

Should you be losing sleep at this point?



Source: Economic Survey 2015-16

Post the recent market corrections, market optimism has faded. However, according to us there have been lot of positive intentions and possibly tentative actions by the government with respect to investment in Road, Infrastructure, and other capital expenditures (refer adjoining chart) and the budgeted overall spend on the rural economy. These efforts could have a good chance of bearing fruit in the next 18-24 months. We believe RBI exhorting the PSU banks to clean up the PSU Bank balance sheets is a step in the right direction. Taking the hard decisions and the pain upfront is better than postponing it. Monsoons have failed in the last couple of years impacting rural incomes and subdued consumption spending. This has led to build up we believe of pent up demand. So with the Indian MET department and other global agencies suggesting a probability of normal monsoon based on El Nino weakening there could be a positive surprise. We believe market participants are currently not pricing in a majority of these developments and if any of the above eventuates there could be an upside surprise in the markets. When a market discounts a pessimistic outcome we become sensitive to positive news and vice versa. Why is that?

It's certainly probable

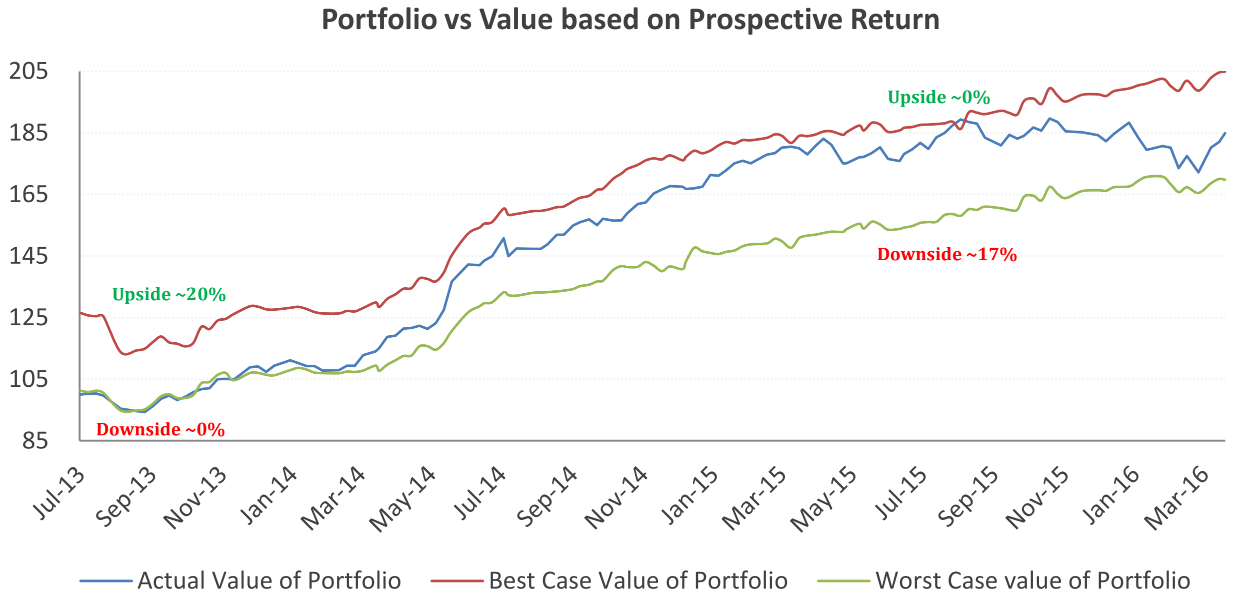
Human behavior in the financial markets is a fascinating subject. And what makes it interesting is its interplay with probabilities. As optimism builds up, negative news gets ignored and every dark cloud is downplayed. Only the clear sky is seen as Greed sets in. Similarly, when the market mood swings the other way, it tramples every bit of good news and the markets move in the grip of Fear.

At market extremes "greed" and "fear" have a significant influence forcing majority of the market participants to focus only on one leg of the probability tree ignoring the fact that any outcome could take multiple paths (almost suggesting events are certain). Ignorance of such multiple probability paths leads to mispricing as either the best case or worst case scenario gets priced in at market extremes. Thus, being sensitive to probabilities that the market is ignoring, provides an opportunity at such points in time.

We have designed our investment process in such a way that it helps us to objectively evaluate reward vs risk at given point in time.

Let us explain this with a live example. We have been calculating the one year forward prospective return (or expected return) on our portfolio for the last 2 years. This is not a static number but changes every day as new information needs to be incorporated. The chart below shows the portfolio movement and what we believed could have been the increase/decrease in the value of the portfolio one year forward in the best case and the worst case based on the estimated prospective return at that point.

Multi-Act Equity Consultancy Pvt. Ltd.
10th floor, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (W),
Mumbai- 400028,
Tel +9122 61408989
www.multi-act.com



In 2013 when Indian Current account deficit had moved up and the currency had depreciated sharply the market seemed to be factoring in the worst as the downside of the portfolio seemed limited to us even in a pessimistic scenario. The market was ignoring that there could be multiple other probability paths which could have a significant upside instead. Hence at that time, we had increased our allocation to equities sharply.

Similarly post the outcome of the 2014 election the markets turned extremely bullish, anticipating a highly unrealistic and compressed time frame for good tidings from the new government to be translated in to a sharp economic recovery. The possibility of earnings not catching up with expectations was ignored. At this point, we were actively reducing our exposure to equity as we observed that the estimated prospective return priced in a best case scenario ignoring the probability of negative news that could subsequently get incorporated into prices.

Today the reality of earnings not growing as fast, plus the global macro overhang seem to be overriding all other thoughts. Post the sharp correction that we saw in the market up to February 2016, reward vs risk has again turned favorable and we have been increasing our equity exposure. We are thus more sensitive to positive news today than we were a year back, as the probability of it being incorporated into prices today is low.

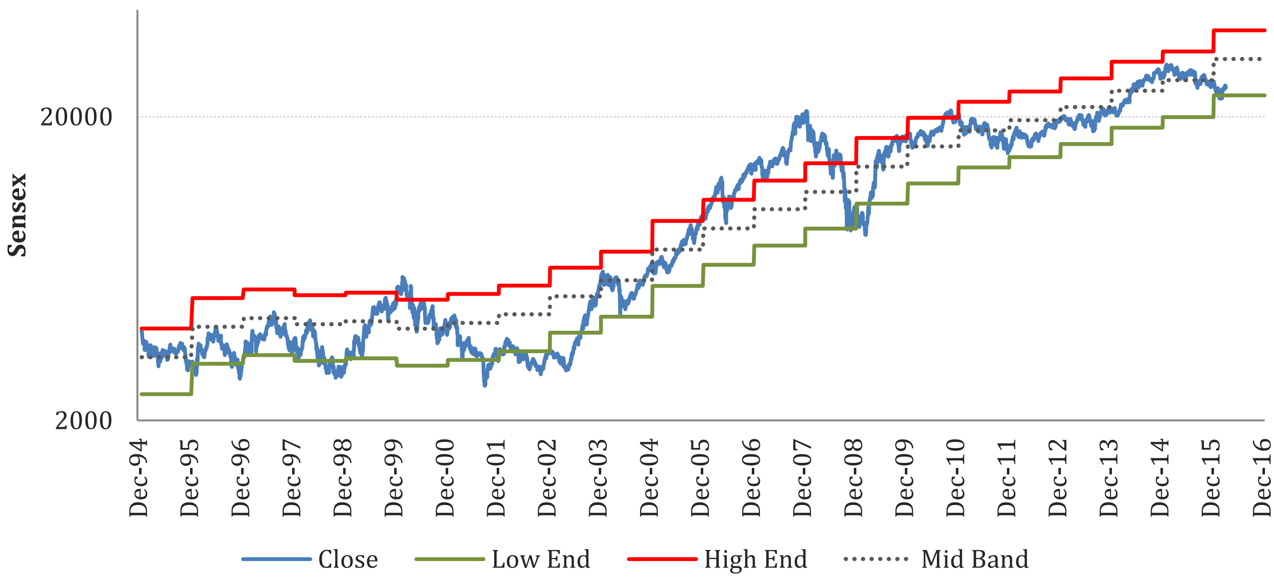
Finally, we believe in any market environment our job as a portfolio manager is to keep on improving the underlying prospective return of the portfolio. We believe our investment process helps us to achieve this objective.

Asset Allocation:

As discussed in the earlier section our weights have been inching up in this correction and would continue to move up with any further weakness in the market. As per our SENSEX Valuation for Dec 2016 as shown in the chart below (also refer Sensex Outlook), the market had marginally breached the lower end of the valuation range in February.

Multi-Act Equity Consultancy Pvt. Ltd.
10th floor, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (W),
Mumbai- 400028,
Tel +9122 61408989
www.multi-act.com

Sensex and Valuation Range



The valuation range does not signify that the market cannot breach the range either on the upside or the downside. But it highlights the reward vs risk that the market is pricing at a given point. We believe large cap stocks are providing a good reward vs risk opportunity and our portfolios are positioned accordingly. Our equity weights have inched up close to 80%. As highlighted in our earlier newsletters, we are not finding much value in the mid and small cap sector and thus our exposure to that segment of the market continues to be subdued on a relative basis.

Portfolio Activity:

Business Model and Sector Allocation:

Moat/Limited Moat	Jun-15	Sep-15	Dec-15	Mar-16
Moat	49%	44%	39%	35%
Limited Moat	27%	30%	30%	36%
Moat + Limited Moats	***76%***	***73%***	***69%***	***71%***
Special Situations	12%	14%	17%	18%
Regulated Utility	11%	12%	14%	12%
Grand Total	**100%**	**100%**	**100%**	**100%**

Sectors	Jun-15	Sep-15	Dec-15	Mar-16
FMCG	27%	22%	21%	22%
Financials & Financial Services	17%	16%	18%	20%
Auto & Auto Ancs	20%	18%	17%	17%
Information Technology	9%	13%	14%	16%
Utility	11%	12%	14%	12%
Pharma	8%	9%	6%	5%
Materials	1%	5%	5%	5%
Industrials	2%	2%	2%	3%
Telecom	5%	4%	3%	-
Grand Total	**100%**	**100%**	**100%**	**100%**

Regd. Office: 3rd Floor, Trade Centre, North Main Road, Koregaon Park, Pune – 411001, Tel. +91 20 66033141/2, www.multi-act.com

Multi-Act Equity Consultancy Pvt. Ltd.
10th floor, The Ruby Tower, 29 Senapati Bapat Marg, Dadar (W),
Mumbai- 400028,
Tel +9122 61408989
www.multi-act.com

In the telecom space we feel there are two immediate headwinds that our investee company was facing – one being the government budgeting a significant inflow from telecom auctions this year would mean another year of cash burn for the sector. Secondly, there is an expected aggressive launch of Reliance Jio telecom services in the current year. Even though there are significant barriers to entry in this space, there are equally high barriers to exit which could lead to heightened competitive intensity. We felt a lot of this risk was not getting priced in currently and hence we decided to exit the stock.

Due to the RBI guidelines on recognition of NPA's by March 2017 many PSU banks were available at steep discount to our estimate of their "adjusted "book value. We were able to increase weights in one of the largest PSU banks in this sector, one that we believe has considerable "franchise" value that was being ignored by the market participants.

We have taken an initial weight in a consumer company which is in the Quick Service Restaurant space. In the QSR space only companies with strong processes and supply chain can be scalable. The company is the leader in its space and has strong proven track record of execution and profitability. The stock had corrected sharply as the company has been showing low same store sales. We believe this is a temporary slowdown which is also being witnessed by its peers. There is also some fear in the market that new startups funded by PEs could be affecting their business. But we are of the opinion that sustainability of the business models of these startups need to be tested in a normal monetary environment. Further we believe the QSR space is big enough to accommodate competition as the industry has a huge growth opportunity considering their small size in India as of now compared to both the developing and developed economies.

Regards,

Jinal Sheth	Rohan Samant
Portfolio Manager	Asst. Portfolio Manager
Associate Director	

Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited