Multi-Act Equity Consultancy Pvt. Ltd.
3rd Floor, KshamalayaBldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate,Mumbai- 400020,
Tel +9122 61408989
www.multi-act.com

Date: 11th July, 2011

Jean- Marie Eveillard, the famed portfolio manager (now Senior Adviser) of the First Eagle Funds told a group of participants at the 2009 Spring Grant's conference; when describing the events of 2008/9 that it was all "top-down" (the macro).

He reminded a rather shell-shocked audience that value managers had been able to get by- post WWII – mainly by paying attention to individual stocks and ignoring the top-down. 2008/9 was the year that such an approach came back to haunt stock pickers and value managers rather badly. As Jim Grant put it in his newsletter in hisinimitable style "the credit crisis snuck up behind them and hit them over the head and stole their wallets".

Jean-Marie managed to side step much of the carnage of 2008/9, by adhering to the Austrian School approach, firstly by being aware of the credit excesses and secondly by paying attention to the credit cycle by eschewing financial stocks in the First Eagle Funds portfolios.

Over the 30 years at the helm of the First Eagle Funds he has built an enviable record by exercising discipline and patience and paying attention to the "macro"- when it counts!

As Jean-Marie admonished adherents of value investing in the Grant's Spring Conference "be bottom-up all that you want but pay attention to the top-down".

Ever since the events of 2008/9, we would argue fund managers today (post 2008/9) ignore the macro at their peril.

The first half of 2011 in India, is a good example of why macro matters. Since the events of 2008/9, Fiscal and Monetary authorities in India (following the play-book of pretty much all the Fiscal & Monetary authorities in Emerging Markets, the world over) were pursuing 3 incompatible objectives:

1) Low (nay negative) "real" interest rates in the name of encouraging "growth"
2) High fiscal deficits including higher consumption (subsidies) and infrastructure spending
3) And a belief that inflation despite 1) and 2) will still remain low and stable

2011 marked the recognition by authorities and market participants that objectives 1) & 2) were clearly incompatible with objective 3) and they were forced to normalize "real" interest rates higher to combat inflation.

"Real" rates are since up from negative 5% to still a negative 1% (for the 10 year Government Bond). To the recent opinions in the Indian media channels that the RBI has done enough "normalizing now, we would argue forcefully, NOT ENOUGH YET.

We feel very strongly that for the right sort of capital formation and to prevent mal-investments, "real" rates on Government Bonds should at least match their long historical record of 3%. Using this metric either rates still need to be raised, or inflation needs to come down very sharply to no more than 5% or

Multi-Act Equity Consultancy Pvt. Ltd.
3rd Floor, KshamalayaBldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate,Mumbai- 400020,
Tel +9122 61408989
www.multi-act.com

5.5% on a sustainable basis. At this stage we do not have very much confidence about the latter happening.

With the RBI embarking on a slightly more aggressively tightening course in 2011, FII's took flight and the interest sensitive sectors that had made hay on the back of negative "real" interest rates suddenly became a lot less attractive as their poor structural returns on capital employed, negative "free cash" flows and continued reliance on the capital markets for their "growth" became apparent.

The result was an all too predictable "flight to safety" to the defensive high quality stocks. Correctly anticipating such a macro environment, we were lucky in terms of our portfolio positioning and if truth be told the environment in the first half of 2011 was just the kind of environment that favors our style and the type of portfolios we like to invest in.

But while these circumstances helped the stocks we had picked in the portfolio, as you will see from the equity only returns, the relentless move in spreads between high quality stocks and the low quality stocks makes it more challenging in our continuing search for bringing newer High Quality names into the portfolio.

Pramod Dangi & Jinal Sheth write more about this challenge but needless to say, no matter how big the challenge, we will endeavor to remain disciplined and patient in the management of your funds.

Prashant Trivedi, CFA
(Chief Mentor and Director)

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.
3rd Floor, KshamalayaBldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate,Mumbai- 400020,
Tel +9122 61408989
www.multi-act.com

Date: 11th July, 2011

Dear Fellow Investors,

Similar to the March quarter, June quarter has also seen decline in markets with Nifty*50* giving a negative return of 3.2%. However this return masks the volatility experienced in the market, wherein the market was down 11% before recovering.This downfall was again triggered by FII outflows till the later part of the quarter, thus highlighting the market's dependence on international fund flows. We have included the review of the Macro-Economic situation by our chief mentor and director Prashant Trivedi in this newsletter, which I am sure you would have found very useful in the present scenario.

Before we go ahead, I would like to share the consolidated performance of thePMS portfolios.

Portfolio Performance*	Equity Allocation at Cost on 30.06.2011	Equity Returns	Total Portfolio Returns before Expenses	Benchmark Returns
Since Inception 27.01.11	25.3%	17.6%	5.6%	-3.5%
June Quarter		8.1%	3.1%	-1.3%

- PMS portfolios returns are for less than 1 year and not annualized.
- Benchmark returns are based on BSE 500 and BSE Mid Cap in equal weight.
- The benchmark returns are also for a period less than one year and are absolute returns.
- Returns are cash flow adjusted and time (Daily) weighted returns 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.

Optimum allocation and actual selection

As the market continues to remain above the trend line and at lower dividend yield (along with the other factors we consider), we are cautious on our equity allocations at this point of time. Optimally our allocation to equities should be between 25-40%. However our overall allocation to equity ended the quarter at the lower end of the range of what we would have otherwise liked it to be.

As you know, our core strategy is to buy high quality moat businesses at reasonable valuations. We believe that the India growth story can be best played with investments in moat businesses especially in the current scenario of higher inflation, rising interest rates and volatile and uncertain financial conditions across the globe.

As part of our proprietary fundamental analysis, we grade the companies in our coverage list based on the quality of its business between Grade A, B+, B, B- and C. The basic characteristics for a high quality company, which we classify as Grade A/B+, are that it should enjoy some form of a barriers to entry, high free cash flow, high profitability and high returns on investments over a business cycle without needing to take on much leverage.

We believe that these are the only businesses, which can truly enhance the value for all its stake holders through growth.

The B- and C grade, assigned to poor companies are characterized by highly cyclical revenues and earnings, negative or low free cash flow, high leverage and low and volatile profitability amongst others. Majority of these companies have capital intensive businesses without any sustainable barriers to entry. These companies generally destroy shareholder value through growth as the return on investment in a majority of these businesses is lower than the cost of capital over a business cycle. If interest rates have been artificially suppressed and the companies take on excessive leverage when interest rates are low shareholder value destruction becomes even more likely as interest rates normalize.

Multi-Act Equity Consultancy Pvt. Ltd.
3rd Floor, KshamalayaBldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate,Mumbai- 400020,
Tel +9122 61408989
www.multi-act.com

Between these two broad grade categorizations, are companies enjoying normal returns and profitability and may be in cyclical industry but manage to earn a return slightly higher or equal to the cost of capital. Such businesses are classified as grade B.

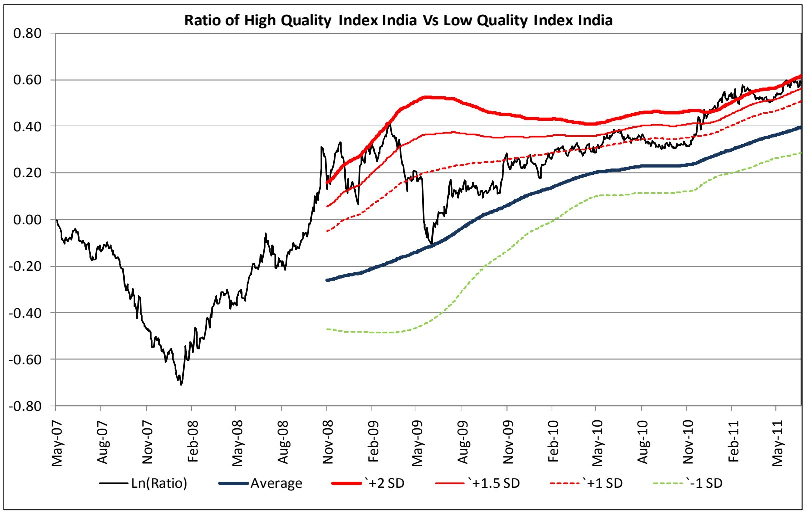

Chart 1, Source: Multi-Act Research

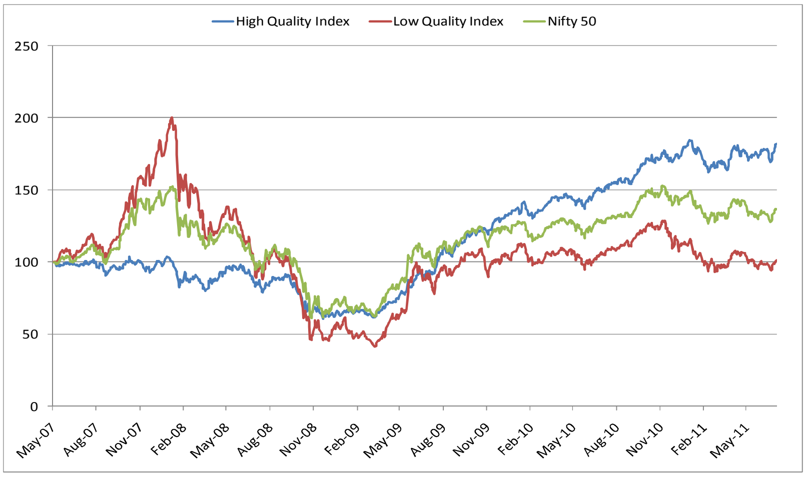

Chart 2, Source: Multi-Act Research

Based on the companies so classified in our coverage list, we maintain Index of High Quality (HQ) vs Low Quality (LQ) businesses, which give us the relative performance of high quality businesses. Chart 1 represents that index here with Standard Deviation analysis and ranges. As shown in Chart 2, since the peak of the market after the mad race of 2007, and subsequent periods of free fall and recovery, these high quality companies have performed very well, mainly as market participants adjusted to the new normal after burning their hands.

These charts also show that the last leg of market gains in 2007 was actually more concentrated in poor quality companies and thus we have seen that the fall after that was equally devastating for investors in such businesses who lost as much as 80% of their valuation from the peak. In fact poor quality companies as shown in the index have lost four years of compounding for investors and are now trading at a similar aggregate value as in early 2007.

Thus with this massive outperformance of HQ stocks in past two years, what we find is that while many of the poor quality companies are hitting new yearly lows, and the Nifty50 is not an extreme by any means, it is none the less challenging to find high quality companies at reasonable prices. In spite of this environment, our strategy has played out well since inception, thanks to hard work and continuous research efforts by Jinal and Rohan, who get the credit to identify potential investments.

I now turn over the letter to Jinal to talk about some of the portfolio actions taken during the quarter.

Happy Investing,

Pramod Dangi, CA, CFA

Portfolio Manager

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

Fund Activities during the Quarter:

We are seeing a "flight to safety" and hence we are seeing high quality stocks outperforming low quality stocks. Since our focus is mainly on quality it has been a difficult time for bringing new names into the portfolio. Although there have been some selective opportunities in the market which we have been able to take advantage of. Below are some of those:

During the quarter, we invested in a well known Auto Ancillary company, which is a leader in India and globally for braking products for the Commercial Vehicle (CV) segment. The industry is a duopoly in India and globally as well. This is a technologically advanced product and since no player globally has been able to enter this space that easily, we believe the company has a strong moat, although it is a cyclical industry. The company intends to introduce more of its high realization products in India from its global basket. The content per vehicle in India is very low compared to the global standards. Hence we believe as the content per vehicle keeps increasing along with a sourcing shift to India, this company should be able to continue to outperform the industry growth. Although the CV cycle has recovered quite sharply in the last couple of years, we believe this company is well poised for growth in India since the penetration levels of ABS (anti braking system) is around 10-15% within CV's. We believe that ABS should become mandatory across CV's. It has already become mandatory in certain types of CV's. Since more and more highways are being constructed, it's quite natural for speeds of trucks to increase and hence the need for safer products, such as ABS.

We have initiated positions in the financial sector, mainly within the power sector financing as we believe there have been too many negatives lately surrounding the Power sector& financing related to the same, which in some cases might be overdone. Both these companies, in which we have initiated positions, enjoy low NPA levels even though majority of their funding is towards the **SEBs**. This is mainly because of the escrow account mechanism introduced in October 2005 where-in the SEBs have to deposit a portion of their collection in an escrow account. So if the SEBs defaults on its cash flows, the finance company has the right to recover the money from the escrow account. We believe the finance sector seems to be facing headwinds due to higher costs which should impact financials but these two companies have very low NPA's and the ability to pass on any higher financing costs.

We have also invested in a Toll Bridge company. The company has a monopoly over the immediate catchment area for 10 years, until and unless someone is ready to travel via a longer route through other available bridges. We believe at current prices the market is valuing the company with a decent margin of safety from its intrinsic value. No doubt since the government is involved here, there are risks associated with a change in policy, but in our view the price we are paying today compensates for that risk .

We have also added a company which was earlier in the pharmaceutical business but recently sold off their business at extremely rich valuations. This investment has been made on our view on the promoter deploying the cash for its future ventures in a profitable way for himself and the minority shareholders. So far, they have been able to generate far superior returns from their business ventures by making good capital allocation decisions. We entered at a price where we felt we were getting the company at a 35 - 40% discount to value of its cash or future receivables. The company has generated a Return on Equity of around 20%+ over the past decade, which shows their efficiency in making capital allocation decisions. At current prices an investor is not paying anything for their current operating businesses, getting the cash at a discount, and ignoring the acumen of the management for the value they have generated over the last 23 years by making sensible business decisions.

On the exit side, we have reduced our exposure in one of the largest courier companies in India and completely exited one of the large FMCG Company mainly on valuation concerns and our technical indicators.

Jinal Sheth

Portfolio Manager

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

Disclaimer

This is an Internal Document and not meant for unlimited public circulation. This document has been solely prepared for the PMS Clients of Multi-Act Equity Consultancy Private Limited (MAECL) and is not meant for circulation to any third party. The information contained herein does not constitute any guidelines or recommendations on any course of action to be followed by the Client.

The information is prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. MAECL does not solicit any course of action based on the information provided by it and the investor is advised to exercise independent judgment and act upon the same based on its/his/her sole discretion based on their own investigations and risk-reward preferences.

The information is meant for general reading purpose and is not meant to serve as a professional guide. Hence the client may or may not be holding the Company mentioned in the newsletter in its/his/her PMS portfolio as the portfolio will vary from client to client depending upon the investment strategy followed by the Portfolio Manager for each client.

MAECL, its associates or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information and consequently are not liable for any decisions taken based on the same. This information is not intended to be an offer or solicitation for the purchase or sale of any security or financial product. The investor shall at all times keep such information / data and material provided by MAECL strictly confidential and will not use, share or disclose such information to any third party.

It is stated that, as permitted by SEBI Regulations and the Company's Employee Dealing Policy, MAECL and/or its associates, affiliates and/or individuals thereof may have positions in securities referred to in the information provided by it and may make purchases or sale thereof while the information is in circulation. MAECL is not responsible for any error or inaccuracy or any losses suffered on account of any information contained in this document. Neither MAECL nor any of its associates, directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information provided by it.

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 obtained SEBI PMS registration effective October 14, 2008 and has no previous experience / track record in providing Portfolio Management Services. However the Portfolio Manager has more than 10 years of experience in managing its own funds invested in the domestic market.

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

a. The Moat & Special Situations Portfolio will primarily invest in companies which by and large are not well followed by brokerage houses, foreign institutional investors and domestic institutions. Hence liquidity may be relatively less as compared to companies which fall in the population of stocks from which most brokerage houses draw up their coverage list for investments. Market pricing of such securities is also relatively inefficient. Further information flow on these companies is restricted as they lack attention.

b. The Client's investment with the Portfolio Manager could be subject to a lock-in period as per terms and conditions mentioned in the Agreement and to that extent liquidity would be restricted.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. Risk arising out of non-diversification - diversified portfolios (allocated across companies and broad sectors) generally tends to be less volatile than non-diversified portfolios.

l. 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.

m. Any policy change / technology change / obsolescence of technology would affect the investments made in a particular industry.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. 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.

u. 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.

v. 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.