Multi-Act Equity Consultancy Pvt. Ltd.
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Date: 3rd April 2014

Dear Fellow Investors,

Below is the performance of the Moats & Special Situations Portfolio (MSSP) as at 31st March 2014.

Portfolio Performance	Equity Allocation as on 31.03.2014	Equity Returns	Total Portfolio Returns after Expenses	Benchmark Returns
Since Inception (annualised)		19.4%	11.7%	1.6%
March Quarter	70.2%	9.7%	6.9%	5.8%
1st April 2013 - 31st March 2014		29.9%	21.3%	16.2%

• Benchmark returns are based on BSE 500 and BSE Mid Cap in equal weight.
• Above returns do not include the returns of Clients which had brought in Stocks as initial corpus. The total portfolio return including such clients is 12.15% (annualized) since inception vs 11.7% in above table.
• 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.
• Inception Date is 27th January 2011.

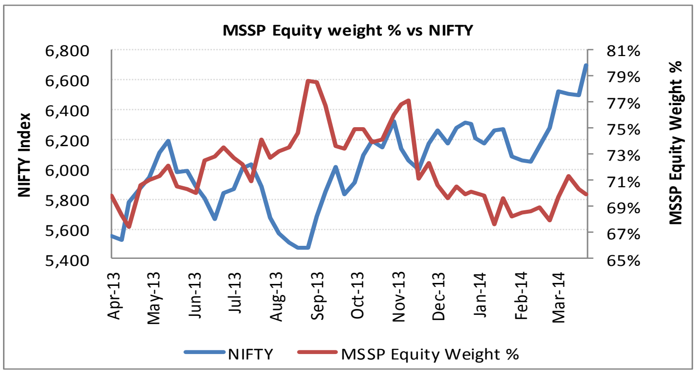
Indian stock markets continued to climb higher in the quarter under review and have turned in a stellar performance for FY14. This can be attributed to various factors; including firstly, the expectation of a change in government that will bring an end to the perceived "policy paralysis"; secondly, a potential turnaround in the economy and finally, FII's positioning for an anticipated post-election rally.

As happens in any rapid upward move based on general sentiment, certain pockets of the markets have run ahead of their business fundamentals in the short to medium term.

If we review the short term reaction of the market to the post-election period and its long term performance, one would conclude that positioning in stocks by trying to predict election outcomes, is a completely futile exercise for the long term investor. Short term perceptions do not always predict longer term movements in the indices. We believe therefore that the anticipated post-election performance may not have any predictive power for the longer term movements of the market indices.

Instances below in the two previous elections illustrate our point:
Post 2004 election results – markets hit lower circuit – a big rally followed over the next 3 years.
Post 2009 election results – markets hit upper circuit – a bear market followed over the next 4 years.

Figure 1: MSSP Equity weights % vs Nifty



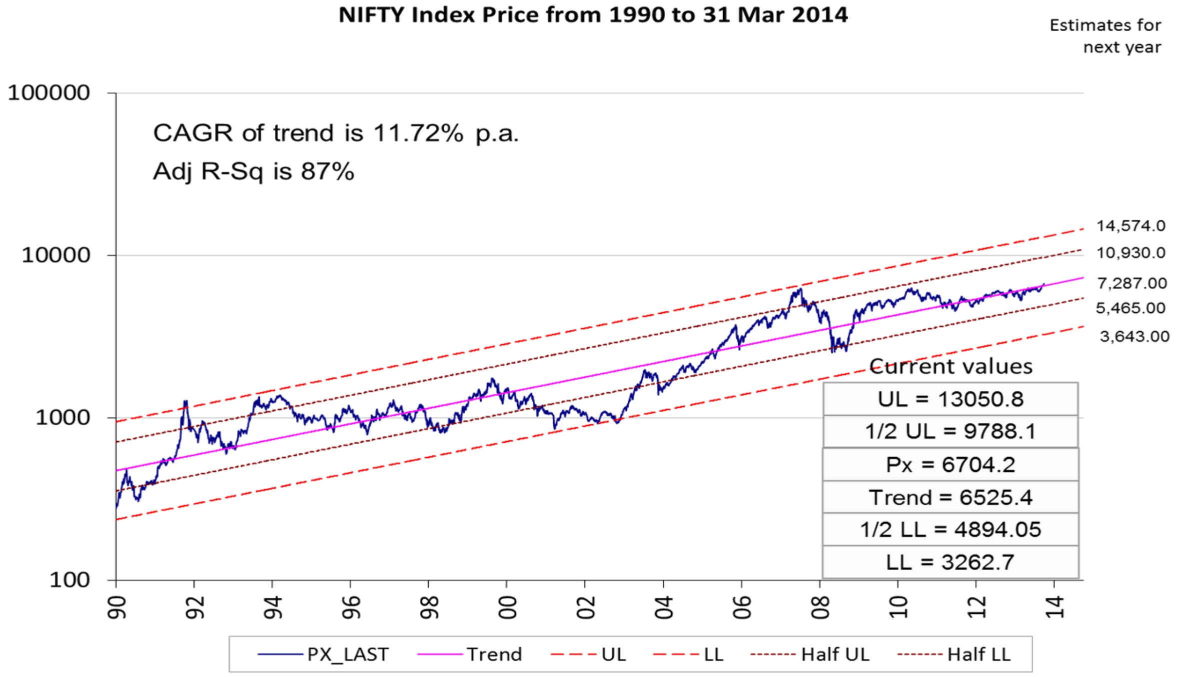
Equity weights could differ client to client.

Our portfolio construction process is "bottom-up" and not based on any event such as an election. We don't have the ability to predict an outcome. "Hope" of any particular result is not something that we would like to rely upon. Instead we believe our Rational Analysis & Rational Investing (RARI) framework helps us to ignore the "noise" and instead focus on buying or selling stocks, keeping the estimated prospective return to investors in mind. In the last twelve months, we have either increased or decreased our cash levels based on our Risk – Reward framework and our estimates of prospective returns. For example, we increased weights in August when pessimism was at extreme levels (Figure1).

This has helped us deliver overall returns on the portfolio far better than the benchmark returns.

Asset Allocation:

<u>**Figure 2:**</u>



We continue to trade at around trend levels,although we are now just slightly above trend. Our current equity weights are at ~70%,appropriate we feel given the Risk-Reward at this juncture .

Technically, the market seems to have broken out from an important zone and there is a possibility that the move higher could continue, given the high degree of pessimism that we witnessed in India just as recently as in August 2013.

Global markets have had even sharper increases in 2013. We however, continue to remain cautious (as highlighted in the previous newsletter) about the global macro-economic conditions and the durability of the factors (primarily faith in Central Banks and a belief in QE) that have driven overseas markets.

Since the domestic market continues to be driven by FII inflows, we believe this could come to an abrupt halt, and therefore continue to have slightly higher cash holdings at this juncture.

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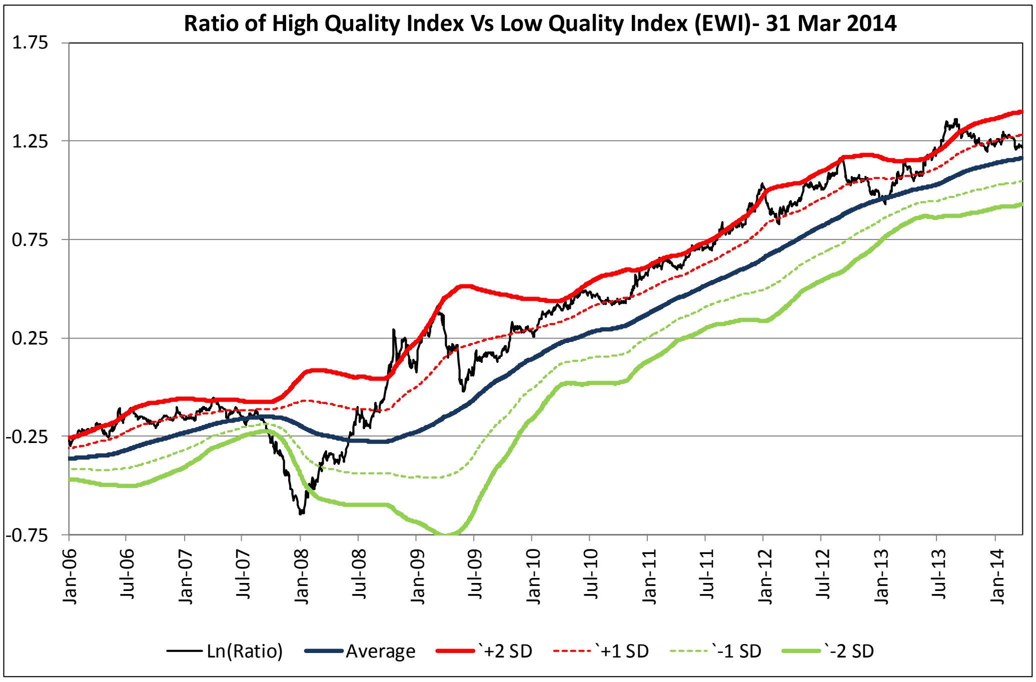
Figure 3: High Quality (HQ) vs Low Quality (LQ):



HQ vs LQ ratio is the ratio of HQ index / LQ Index. HQ and LQ indices are equal weighted indices with 30 companies each. The HQ and LQ stocks have been selected based on Multi-Act grading criteria. The Ratio is used as an indicator to identify risk aversion.

The HQ-LQ ratio has been declining in the most recent rally and this indicates increasing risk appetite among market participants, though the ratio remains far from a level which would suggest caution to us. The FMCG sector which has high weight in the HQ index has turned technically weak along with sector specific valuations remaining stretched. We feel the HQ index is most likely to underperform in the short term. From a medium term perspective the HQ-LQ ratio would be driven by the movement of the LQ stocks.

Figure 4: Business Model and Sector Allocation:

Moat/Limited Moat	Mar-12	Mar-13	Mar-14
Moat	40%	33%	33%
Limited Moat	33%	43%	45%
Moat + Limited Moats	***73%***	***76%***	***78%***
No Moat	18%	20%	12%
Regulated Utility	9%	3%	11%
Grand Total	**100%**	**100%**	**100%**

Sectors	Mar-12	Mar-13	Mar-14
Auto & Auto Ancs	15%	22%	24%
Capital Goods	24%	17%	9%
Financials & Financial Services	18%	24%	21%
FMCG	2%	-	5%
Logistics	6%	4%	6%
Industrials	3%	10%	20%
Pharma	13%	12%	-
Telecom	5%	3%	4%
Utility	10%	3%	11%
Other	-	-	2%
Grand Total	**100%**	**100%**	**100%**

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In the financial year just completed, there was some reshuffling in weights across sectors. We had increased our weights in the HQ Industrials (Cyclical) where we were seeing signs of improvement in earnings. On the other hand we have lightened up on certain Capital Goods stocks where valuations were running ahead of fundamentals with no real improvement in business outlook. We reduced our pharmaceutical exposure due to corporate events that impacted favourably on the price of our holdings, details of which we explained in the previous newsletter.

Portfolio Activity during the quarter:

We have trimmed weights across holdings, where we believe prospective returns have come down sharply below the required return.

We initiated a buy in another bearing company. Both companies now in the portfolio are strong players in the industrial bearings space (combined market share of more than 90% in Industrial bearings) and have already shown signs of revenue bottoming out. The company we have initiated this quarter has completed a significant capex program and is thus well placed to take advantage of the turnaround in industrial activity (when it takes place).

We initiated an investment in one of the leading two-wheeler OEMs in the country. Our rationale for the investment at this juncture is that the current leader's distribution network remains the largest in the country and we believe difficult to replicate in 2-3 years. The MNC competitor will therefore find it difficult to make the market share gains that as per our estimates are currently being priced in by the market

This quarter the Global rating agency Moody's made an open offer to ICRA shareholders to increase its stake from the current 28% to 55%. We had long anticipated the possibility for such an action. Once Moody's becomes a majority shareholder in the company one should also expect a more rewarding business strategy as has been seen in CRISIL, post S&P increasing their stake in Crisil.

Regards,

Jinal Sheth	Rohan Samant
Portfolio Manager	Asst. Portfolio Manager

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

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 renewed SEBI PMS registration effective October 14, 2011 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.