Multi-Act Equity Consultancy Pvt. Ltd.
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Date: 8th April 2013

Dear Fellow Investors,

Below is the consolidated performance of the PMS portfolios as at the end of March 2013.

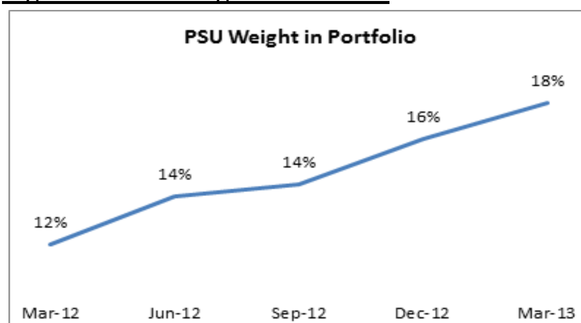
Portfolio Performance	Equity Allocation as on 31.03.2013	Equity Returns	Total Portfolio Returns after Expenses	Benchmark Returns
Since Inception (annualised)	67.3%	14.9%	7.5%	-4.6%
March Quarter		-9.9%	-6.3%	-10.1%
1st April 2012 - 31st March 2013		-0.9%	1.1%	0.8%

- Benchmark returns are based on BSE 500 and BSE Mid Cap in equal weight.
- 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.

This quarter has been quite painful for the markets, especially investors with exposure to the Small and Mid-Cap space, and our portfolios have, unexpectedly to us, matched the indices in this decline. The major concerns have been primarily Macro related and include, amongst others; the lack of execution by the government on major reforms, the poor fiscal deficit, an alarming current account deficit and continuing inflationary worries. Mid-Caps and Small Caps though have been disproportionately affected by the slowdown in the economy and an almost "stag-flationary" environment. Interestingly, FII's continue to be buyers ($10bn in this quarter) though this has been offset by Domestic Institutions who have been aggressive sellers ($6-7bn in the same period). To a certain extent this explains the divergence between the Mid & Small Cap indices and the Large Cap indices, as FII's participation has been mainly in the heavyweight Nifty/Sensex stocks and, from what we understand, primarily through ETF's. Domestic Mutual funds have instead seen tremendous redemption pressure (indirect retail participation) because of which they are forced sellers, at a time when the reward-risk ratio-to us at least- looks quite attractive for the Small and Mid-Cap indices. It seems, therefore that this technical condition of more sellers than buyers at current prices, is a problem more domestic in nature. As per our estimates, we feel current valuations seem to be factoring in most of the negative news and the downside and prospective returns available to investors in the Mid & Small Cap indices are far higher than those being afforded by the Large Cap stocks. As per our mandate we have been using this extreme weakness to deploy additional capital and have started to increase our equity weights in Quality Mid & Small Caps.

Garage Sale! - Amidst all this turmoil going on, one sector of the equity market that is getting cheaper regardless of the Market Cap is the PSU sector. This can be mainly attributed to the fact that the government wanted to bring down the fiscal deficit & meet its disinvestment target for the fiscal. This again is a very technical factor in the market, in that large amounts of stock is being offered for sale at a time when confidence is not particularly high. A similar scenario existed in 2002-2003 when as per our estimates valuations of PSU's were very cheap. We have been increasing our weights in select PSU's where we believe our quality criteria are met for the particular business in question. Figure 1 shows the steady increase in the PSU allocation in our portfolio, as we are finding more attractive estimated prospective returns in this segment.

Figure 1: PSU Weight in Portfolio



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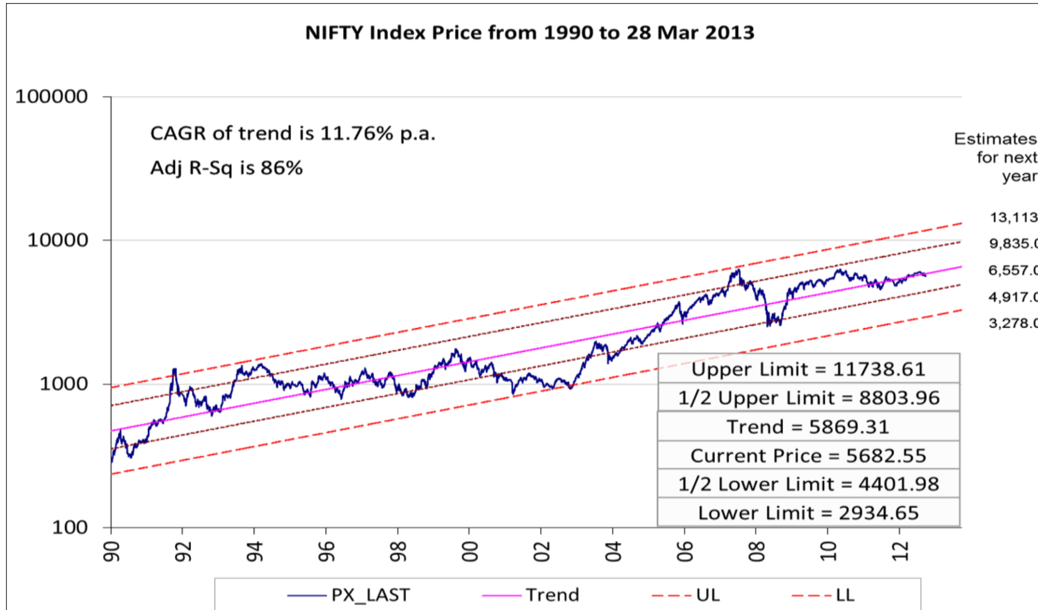
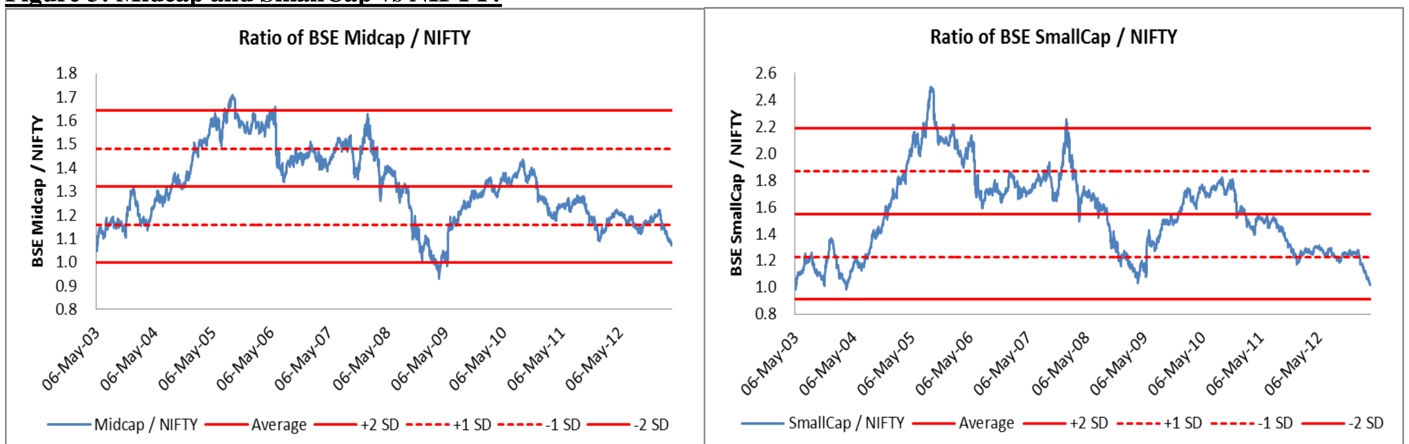
Asset Allocation:

Figure 2: NIFTY Trend



Until now we have been highlighting our NIFTY Trend Analysis (Figure 2) with regard to asset allocation and this currently shows the Index at slightly below trend levels. Figure 3,below, shows the Mid and Small Cap indices as a ratio relative to the Nifty. The sharp decline in the last quarter in the Small & Mid Cap indices have brought their respective ratio's to the Nifty almost back to 2003 & 2009. Bottom Up analysis ,in particular, our valuation estimates, confirms this sharp dichotomy, since we observe selective stocks in our universe close to the low end of our estimated valuations. We feel its unlikely that this very sharp divergence between the valuations of large businesses and valuations of small businesses can persist. We feel therefore that this technical aberration is a fundamental opportunity. We remain confident that a portfolio weighted towards High Quality Mid & Small Caps will outperform the NIFTY trend CAGR of 11.8% p.a.by a very significant margin in the coming 1-3 years.

Figure 3: Midcap and SmallCap vs NIFTY:



Above charts reflect the simple ratio of Midcap Index / NIFTY and BSE Smallcap Index / NIFTY.

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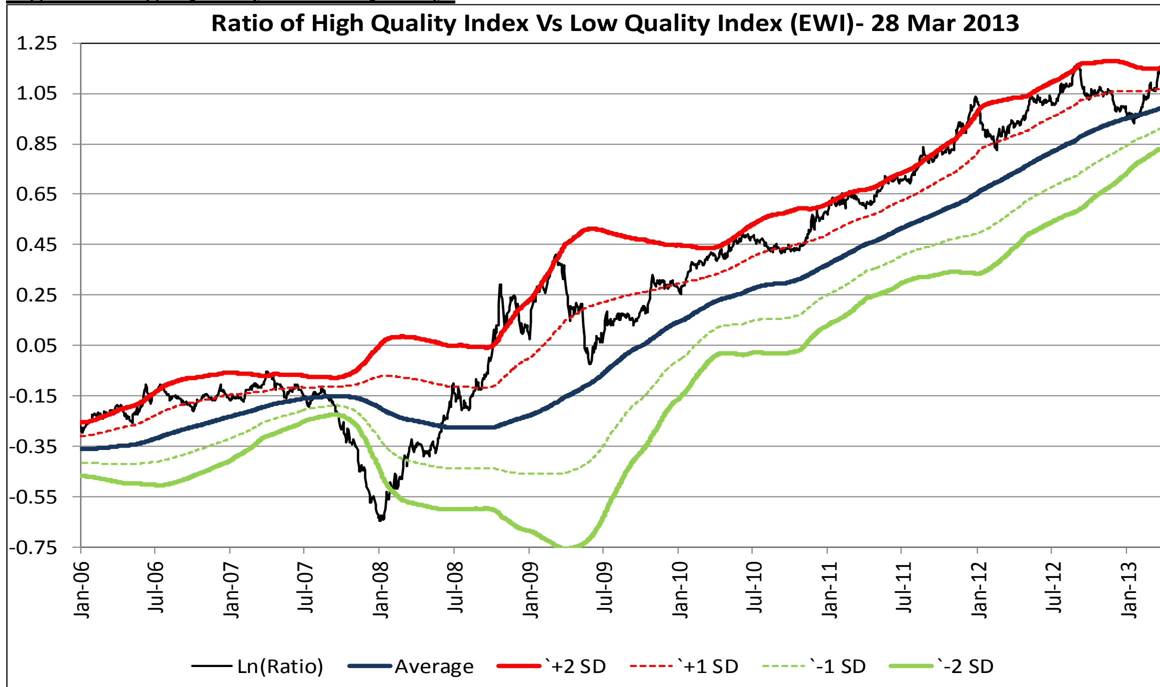
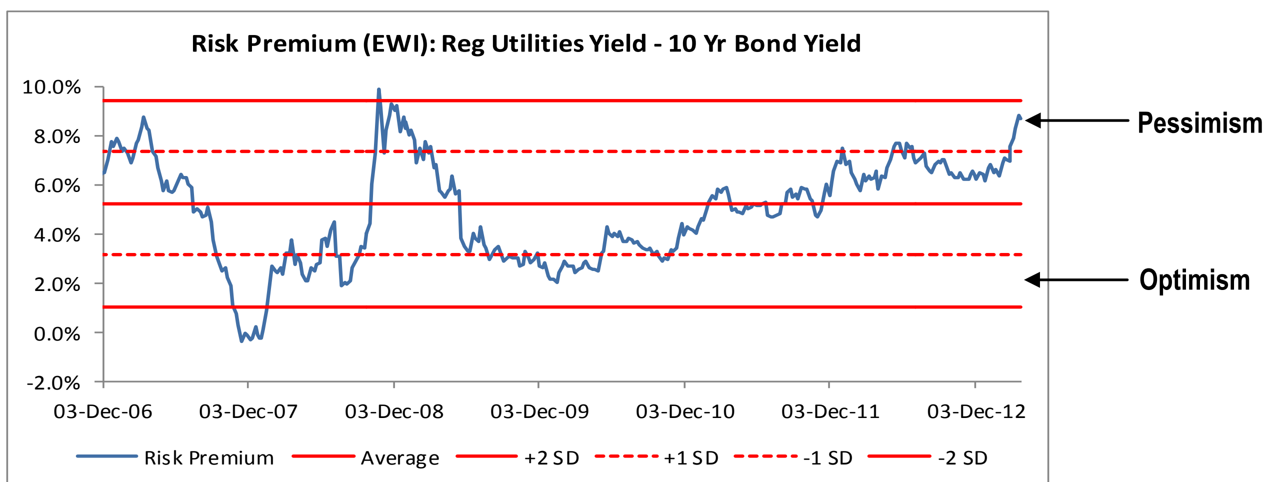
Figure 4: High Quality vs Low Quality:



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 High Quality/Low quality ratio again is highlighting risk aversion with the ratio again touching the level reached in July. This time around though some of the High Quality Mid-Cap cyclical names trade at what seems to us at reasonable valuations.

Figure 5: Regulated Utilities Risk Premium:



Regulated utilities Risk premium is the difference between the IRR based earnings yield of 5 companies and the 10 Year GOI bond yield. This measure tries to capture the risk premium that market participants are associating with these regulated entities which have relatively stable businesses. Thus it highlights the optimism/pessimism amongst market participants. We have shifted this Index from a MCap weighted to an Equal weighted to give better representation to all the companies.

As Figure 5 shows, our estimate of the "Risk Premium" has again entered the pessimism zone and is approaching the spread to Government bonds reached in 2009. As all the companies in our Regulated Utility index are PSUs, we feel this time around, rather than being representative of the market pessimism, the spread is instead highlighting the high level of pessimism with respect to PSU entities.

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Figure 6: Portfolio activities during the Quarter:

Moat/Limited Moat	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Moat	54%	50%	42%	41%	40%	40%	37%	35%	33%
Limited Moat	26%	20%	29%	29%	33%	30%	34%	40%	43%
Moat + Limited Moats	***80%***	***70%***	***71%***	***70%***	***73%***	***70%***	***70%***	***75%***	***76%***
No Moat	11%	20%	21%	22%	18%	21%	22%	21%	20%
Regulated Utility	9%	11%	9%	8%	9%	9%	8%	4%	3%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Sectors	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Auto & Auto Ancs	8%	11%	15%	15%	15%	17%	19%	25%	22%
Capital Goods	10%	9%	11%	15%	24%	18%	17%	17%	17%
Financials & Financial Services	17%	23%	20%	19%	18%	20%	23%	23%	24%
FMCG	14%	9%	5%	2%	2%	-	-	-	-
Information Technology	-	-	2%	-	-	3%	3%	5%	3%
Logistics	3%	-	4%	7%	6%	6%	5%	4%	4%
Materials	3%	-	5%	8%	4%	-	-	-	3%
Industrials/Others	9%	14%	5%	4%	3%	4%	1%	6%	10%
Pharma	15%	13%	17%	16%	13%	16%	19%	13%	12%
Telecom	11%	9%	8%	6%	5%	6%	5%	3%	3%
Utility	10%	13%	9%	8%	10%	9%	8%	4%	3%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

As we have discussed in our initial remarks, we continue to increase weights in the Mid-Cap High Quality Cyclical names along with select financial services where we continue to find companies that to us suggest high prospective returns. We have started reducing weights in Information Technology companies as several companies have run up from our initiation levels and are now close to the higher end of our estimated valuation, thus suggesting sub-par medium term prospective returns.

Stocks additions:

We initiated in a Metal Company as a Special Situation. The company is one of the lowest cost producers in the world. The current price of the metal is not only at -1 Standard Deviation of its historical inflation adjusted price, but it is also currently at a price which is slightly below the global average cost of production. At current price, around $2/3^{rd}$ of the global capacity producing this metal would be making losses and we believe would have to eventually cutback production or shutdown. Thus we believe the downside for the Metal price from current levels is limited. The company, being one of the lowest cost producer in the world, should be able to survive the current difficulties in the industry and we believe will be a beneficiary from an eventual increase in the price of this commodity.

We have initiated in another MNC company which is the no. 2 player globally in the “high end” welding space. “High end” welding as a business requires technical knowhow and would require a company to be on the preferred vendor list of the big construction companies. A company that would be doing fabrication or construction would spend a minimal amount on processes such as welding and yet that welding would have a disproportionate impact were it to be of a poor quality. Larger companies therefore wouldn’t take chances with their welding options and so we believe there is a high “switching” cost element to this industry segment. Hence this industry segment has oligopolistic characteristics with the

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respective companies in the segment having generated returns in excess of Cost of Capital over a full economic cycle in the past. We expect the same to be the case in the future.

Regards,

Jinal Sheth	Rohan Samant
Portfolio Manager	Asst. Portfolio Manager

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

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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.