



### Case Study- Assisting a Family Office in meeting their long term objectives

In evaluating the role that Multi-Act can play for a Family Office it would be useful to go back in history and understand the genesis of Multi-Act.

The late 1990s is a period now well known for the Tech Bubble, several accounting scandals and egregious valuations for unproven business models on the basis of dubious metrics.

Dissatisfied with the investment advice he was then getting from marquee Investment Banks; Prashant K Trivedi, Multi-Act's founder-chairman, decided to start an independent research team for obtaining unbiased and independent research with a clear emphasis on Quality and Margin of Safety and only with the investors interest in mind.

These 2 principles still remain as the time-tested cornerstone of our advisory services for our investing partners and we credit these principles for protecting the family office's investors from the market crashes in 2000-02 and 2008-09.

Multi-Act's journey towards investment excellence has many individual stories of satisfactory outcomes that we have been able to deliver to our clients; either in form of:

- a) providing unbiased research and advisory services to our institutional clients
- b) providing consistent and attractive 'risk adjusted returns' to our PMS clients
- c) providing navigational help to family offices or UHNWI's for achieving their investment objectives

One specific example of how Multi-Act (MA) acts as an unbiased capital market support to a well-entrenched family office is worth sharing.

#### Client 'PF' Family Office

Our initial brief was to give an independent assessment on their portfolio and its various constituents. This acted like a 'cross check' on their portfolio activities as advised by various agencies responsible for executing portfolio strategies.

We began with advising them on following areas on a regular basis (monthly):

- a) Indian Equity MF Portfolio- Assisting in streamlining the exposure from more than 15 line items at one point of time to a manageable 5 or so.
- b) Give them, our perspective on Indian stocks held by their existing PMS agency.
- c) Give them our views on securities held in their overseas portfolio managed by an overseas agency.

This was also followed up with a meeting with the family members every quarter to apprise them of our Global and Indian Macro view and our specific suggestions and recommendations.

This was done keeping a keen focus on Risk and Capital Preservation along with Absolute Value Growth of the portfolio. Crucially 'Risk', not as defined by standard deviation or volatility etc. but objectively defined in the form of:

- ✓ Business Risk (Quality)
- ✓ Balance Sheet Risk (Leverage- Corporate Governance) and
- ✓ Valuation Risk (Margin of Safety)

As we exchanged points of view on the capital markets and understood the family's capital market objectives better; specifically their own long term orientation, we both agreed that there was no need for their agencies to take undue risk in order to enhance the short term "mark to market" performance on a arbitrarily defined short horizon at the cost of capital preservation and long term returns.



As we began to engage at a deeper level, the role of the advisory relationship started evolving. The Family Office developed a high degree of trust in our endeavor at providing an objective and balanced perspective and in turn they felt comfortable in cross checking with Multi-Act on more of their investment decisions. The very professional set-up of the Family Office, and a vastly experienced CIO who has been through several market cycles and favored looking at things in a very objective and process oriented manner helped this process of deeper engagement tremendously.

Over a period of time MA has been able to add value to the family office's activities and portfolio construction in the following areas:

- 1) High Quality Orientation: One of the core themes has been to focus on the highest quality securities in each of the asset classes. Over a period of time this has resulted into much of their portfolio tilted towards the highest quality spectrum in each asset class. They felt comfortable enough about the basic rationale behind this thought process so that other agencies received a similar the message as well.
- 2) Long Horizon Portfolio (LHP- India): Upon meeting the family members regularly we mooted the idea of having a part of the equity portfolio to be deployed directly in equities with a longer term orientation. This was agreed and we were assigned responsibility for the portfolio construction. For this "carve out" portfolio, investments have been only in the strongest 'moat' businesses at reasonable Margin of Safety. This portfolio has generated a return of ~16.6% or so on the invested portion of the LHP over the last 4 years or so against Nifty returns of 12.8% during the same period.
- 3) Asset Allocation Program: Over the years the Family Office has seen merit in our "Austrian School" approach in evaluating Global macro conditions. We have been actively helping them on the overall asset allocation program which includes strategic target ranges and often tactical allocations and tilts to the "cheaper" assets/securities.
- 4) Gold as Portfolio Insurance: Having understood our views on the macro challenges of current times, and the potential systemic monetary risks emanating thereof, the family office was convinced on building a meaningful exposure to Gold in the portfolio. The key difference is not to treat the Gold allocation as a return yielding asset class but as an insurance against 'Black Swan' extreme monetary events.
- 5) Special Mandate Portfolios: Having seen our approach they were comfortable to allocate a reasonable amount of their overall equity allocation for pursuing a specific mandate to the PMS team of Multi-Act.
- 6) Overseas Portfolio: We have also been providing them with actionable advisory on their overseas portfolio

Noteworthy in the context of all of the above services is a 'flat fee' structure whereby MA has advised what is 'required' for the portfolio without any conflict of interest.

Also noteworthy is the 'bespoke' nature of our advisory services where specific mandates are taken into account for each advisory and not a 'one size fits all' approach.

Being a firm with a motto of 'Built by Investors for Investors', it gives us immense satisfaction to have performed our fiduciary roles with utmost sincerity and integrity for our clients.

Multi-Act continues to look for opportunities to service like-minded investors to assist them in their capital market activities in what we believe are potentially very challenging Macro times for Long Horizon investors.



**Statutory Details: -**

**Multi-Act Equity Consultancy Private Limited**

(SEBI Registered Portfolio Manager - Registration No. INP000002965)

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**Risk factors**

**General risk factors**

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- c. The information on investments is subject to external risks such as war, natural calamities, and policy changes of local / international markets which affect stock markets.*
- d. MAECL has renewed its SEBI PMS registration effective October 14, 2014 and has commenced its portfolio management activities with effect from January 2011. However MAECL has more than 10 years of experience in managing its own funds invested in the domestic market.*