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**Date:** 16th Jan 2025

# Emerging Corporates India Portfolio (ECIP)

Dear Investors,

Below is the performance of the Emerging Corporates India Portfolio (ECIP) as of 31st Dec 2024.

| Portfolio Performance | Total Portfolio Returns | Benchmark |
|---|---|---|
| CAGR since Inception *(Annualised)* | 14.4% | 15.3% |
| FY25 YTD | 24.7% | 10.8% |
| FY24 | 17.6% | 40.2% |
| FY23 | -8.9% | -0.9% |
| FY22 | 8.6% | 22.3% |
| FY21 | 79.2% | 78.6% |
| FY20 | -13.2% | -26.5% |
| FY19 | 13.3% | 9.7% |
| FY18 *(Since Inception - April 28, 2017)* | 9.7% | 10.0% |
| | | |
| Q3FY25 | -2.9% | -7.8% |
| Q2FY25 | 16.8% | 7.7% |
| Q1FY25 | 9.9% | 11.7% |

- *Please check relative performance of other portfolio managers by clicking on this link*
- *The Benchmark has been revised from average of the BSE Smallcap Index, BSE Midcap Index and Nifty to S&P BSE 500 TRI with effect from 1st April 2023 as per SEBI/APMI circulars*
- *Returns are time weighted and after management and performance expenses*
- *Management and performance fees are deducted as and when due*
- *The actual returns of clients may differ from client to client due to different portfolio and timing of investment*
- *Past performance is no guarantee for future performance*
- *Benchmark calculations reflect total returns (including dividends)*
- *Returns for less than 1 year are not annualised*
- *Inception Date is 28th April 2017*

This was the first negative return quarter for the market after six back-to-back strong quarters since March 2023. However, amidst the correction, our portfolio has held up reasonably well. Earnings performance continued to be satisfactory with most of the portfolio companies reporting good earnings in the 2nd quarter.

We have explained our strategy and the implications it has on our performance evaluation in past newsletters. Our approach focusses on what is termed the “growth” style (we prefer to use the term fundamental momentum) of investing and therefore has a significant style bias. Additionally, we manage a concentrated portfolio which leads to a magnified impact of company specific idiosyncrasies on our short-term performance. Since our intention is to capture the underlying earnings compounding of the businesses we own, our orientation is long term. We make investment decisions with a 3-5 year time horizon and believe that a similar period is more suitable for performance evaluation. In the interim periods, owing to our style bias and portfolio concentration, our performance is likely to be volatile and significantly diverge compared to the benchmark. Unlike last year where we had a material negative divergence, so far this year we have had a material positive divergence. Our low correlation with the broader market highlights our differentiated positioning.

**Portfolio Actions:**

**Additions:**

- We have not had any new additions during the quarter.

**Exits:**

- We exited our investment in an auto ancillary company that had a fast growing electric two wheeler (E2W) component business. We had invested in this company in Feb 2023. Our core thesis here was that the company had a well-diversified legacy business that provided stable cash flows while they were seeding an EV component business which provided growth opportunities. When we invested in the company, they had already secured orders in the new business by one of the first mover OEMs in the E2W industry. Subsequently, the OEM customer did exceptionally well and along with it the EV component business scaled up rapidly. Since our investment in the company, both revenues and profits have grown at ~20% CAGR and the share of EV business increased from ~23% of revenues in FY23 to ~40% of revenues.

  However, owing to the success of the customer, the company has developed a very high customer concentration. With competition in the E2W industry increasing, its customer's high market share has started normalizing. Since the company has not been onboarded as a supplier by any other significant OEM, we believe the risk of growth disruption is high and therefore decided to exit. We held the company for <2 years and made ~35% IRR on our investment.

As discussed earlier, our orientation is long term (which we define as 3-5 years). Whenever we commit capital to a new opportunity, we try to visualise the possibilities over a 3-5 year period. Once we make the investment, our bias is towards inaction. We don't believe that every set back is a reason to sell. However, despite that mindset, we are neither compulsive long-term holders. Businesses are dynamic. They are ever evolving in the context of changing competition, evolving regulations and emerging risks and opportunities. Competitive advantages except for a few truly long-lived moats are not static, they are either expanding or shrinking. Therefore, it is necessary for us to evaluate our investments on a continuous basis. Whenever we believe that emerging risks outweigh the potential rewards; we give up our bias of inaction and decide to act.

We think temporary drawdowns are unavoidable in any long-term strategy. Therefore, our intention is not to be tactical and attempt to avoid every potential 20-30% drawdown but to act only when there are structural risks developing and the longer-term risk-reward asymmetry is not in our favour. These are judgement calls that we make and based on how things pan out, we take feedback from the market. We hope over time we can improve our pattern recognition and exercise better judgement.

Wish everyone a fulfilling New Year 2025.

Thanks for reading.

Rahul Picha CA, CFA
Portfolio Manager

***Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited (*Registration No. INP000002965)**

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**Note**:
1. All cash holdings and investments in liquid funds, is considered for calculating the performance.
2. All performance data are reported net of all fees and all expenses (including taxes).
3. The above performance numbers are not verified by the SEBI.

**Disclosure as per Global Investment Performance Standards (GIPS®) –**

Multi-Act Equity Consultancy Pvt. Ltd. claims compliance with the Global Investment Performance Standards (GIPS®). You can refer to the GIPS Compliant performance presentation here. Multi-Act Equity Consultancy Pvt. Ltd. has been independently verified by M/s. M. P. Chitale & Co., Chartered Accountants for the periods April 1, 2011 through March 31, 2019. The verification is available upon request. MAECL has claimed GIPS compliance for the Financial Year 2024 and such performance numbers shall be made available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Composite representing the Emerging Corporates India Portfolio was created on 28th April 2017. Performance has been compared with S&P BSE 500 TRI. The Gross Return (wherever mentioned) is before all expenses (except Brokerage). Net Return is after all actual expenses. A complete list of composite descriptions, policies for valuing portfolios and calculating performance fees are available on request.

Multi-Act Equity Consultancy Pvt. Ltd. is an independent SEBI registered Portfolio Manager. The firm maintains a complete list and description of composites, which is available upon request. This ECIP Composite includes all discretionary fee-paying portfolios that are being managed with the objective of generating capital appreciation by investing in companies that in the opinion of the Portfolio Manager are “Advantage Period Companies” which are enjoying a “competitive advantage period” that is likely to last for at-least 5 years and are available at a valuation that offers margin of safety relative to the growth opportunity landscape. The portfolio manager has also the discretion of not being fully invested if he is not able to find ideas that meet the above criteria along with valuation criteria, thus, indirectly taking an asset allocation call between Equity and Cash (& Cash Equivalents).

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composite’s entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

**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 December 05, 2023 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.

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