



Built by Investors for Investors



Preservation



Growth

## About Us:

Multi-Act was founded in 1997 by two Wharton graduates, to develop an Equity Research capability for their own investments. After having successfully managed proprietary investments for 12 years, a few select families requested us to manage their funds as well. In 2009, we ventured into providing equity advisory services selectively to outside investors.

Today we have evolved into an unbiased International Research and Investment House catering to UHNIs, Large Business Families, Hedge Funds, Investment Managers and Intermediaries around the globe. Our Research and Quant team comprises of 30 Investment Professionals of which all research associates are Chartered Accountants and several of them hold CFA charter as well. We cover close to 150 Indian stocks and 350 global stocks of the leading equity markets of USA, Europe, Japan and Hong Kong, amongst others.

Multi-Act has been designed to address the major issues that are faced while preserving and growing wealth. We believe the major issues today are:

- Structuring the portfolio in the current challenging and adverse macro environment.
- Avoiding Investment strategies that are devised on focussing on untenable high short term performance as against long term investment goals and objectives.
- Developing relationships with genuine fiduciaries instead of dealing with agents where “caveat emptor” is more likely to be the guiding principle.



**Prashant K Trivedi, CFA -**

**Chairman, of ‘Multi-Act Trade and Investments Private Ltd’ and ‘The Indian Card Clothing Company Ltd’.**

Mr. Prashant K Trivedi, CFA holds a B.Sc. (Econ.) from The Wharton School (W82). He worked with SG Warburg & Co (1983 to 1991) in Japan, UK and Singapore. Presently he is the CEO & CIO of his family office. Prashant is a strong believer in the Austrian School of Economics and has been responsible for constructing portfolios invested in global equities, global fixed income, and real estate for the family office based on a multi-disciplinary framework. He credits this framework in protecting the family office’s investors from the market crashes in 2000-02 and 2008-09. He founded Multi-Act in 1997 with a goal to develop an independent center of excellence in equity research and investments, keeping in mind the flaws & challenges he saw in the advisory eco-system. Today, Multi-Act is engaged in Independent investment research, and provides Advisory and Portfolio Management Services. It employs 50 people (30 research professionals) and operates from Mumbai and Pune.



## Investment Philosophy - 'Global Rational Analysis Framework':

Multi-Act believes that many equity research firms base their investment decisions on flawed financial models. They tend to be pro-cyclical and end up churning their portfolios more often than needed. This approach, while convenient, is detrimental to investors in the long run.

This led Multi-Act to develop an investing framework that has helped to achieve good market returns without hyping return expectations. Years of investing proprietary funds and fine-tuning research led to the evolution of Multi-Act's own investing systems and philosophy called '**Global Rational Analysis Framework**', or '**GRAF**'.

- GRAF combines four distinct valuation approaches into one holistic framework - Fundamental, Technical, Quantitative and Behaviour analysis led by a robust process orientation in place.
- Within fundamentals, we specialize in a rigorous and systematic assessment of a company over various market cycles in the area of:
  - a. The Degree of Quality and Sustainability of a Business (Moat).
  - b. Quality of Earnings of a Company versus Reported Earnings.
  - c. Refined Valuation bands within which the value of a stock would reside in good and badtimes, evading decision making based on the market noises.
- GRAF is very unique and effective in meeting our twin objectives of Capital Preservation and Capital Growth. We believe that the '**compounding engine**' works most efficiently when there are no large '**draw downs**' in the value of the portfolio and no permanent impairments in any of the portfolio constituents.

## Our Products and Services

Our interest is to make a lasting impact on the capital market ecosystem and thus our products & service offerings are designed to cater to the special needs of the three key segments of this ecosystem.

1. The Direct Investors - Family Offices, Large Families, & UHNIs.
2. The Intermediaries - Wealth Managers, Advisors, & IFAs.
3. The Investment Managers - Mutual Funds, PMS Managers, FPIs

## For The Direct Investor - Family Offices, Large Business Families, & UHNIs

### EquiSense - The Core Investment Program for Families

- **“Give a man a fish and you feed him for a day”:** Largely this is what has been delivered so far but has not worked too well.
- **“Teach a man to fish and you feed him for a lifetime”:** In a modern world of super specialization and time constraints this is maybe too impractical to achieve.
- **“Become a trusted fishing partner”:** Is our discovery of what works best and hence Multi-Act proposes to be a trusted and competent Capital Market Partner & Resource for families through its Family Investment Program.

Our Investment Program is a Flat fee based program which helps us in avoiding conflict of interests. Our main motive is to design a core investment portfolio for your family, with a focus on high quality securities at appropriate margin of safety which in return safeguards the portfolio against capital market turbulence and catastrophe. We believe, as a rational Investment manager **“You can control the risk you take in the market but not the returns”**.

The Program is consultative in nature wherein it focuses on key aspects such as asset allocation, equity portfolio strategy, stock selection, and policy directions on other asset classes such as currencies, fixed income, and commodities, amongst others.

The advisory program is delivered by our highly qualified (CAs & CFAs) investment professionals with equity research experience of minimum 5 years and not just by relationship managers. Further, it is regularly monitored by the CIO.

The program lays strong foundations by way of sharing the investment knowledge and techniques that we have meticulously extracted over the years. This helps families to a) refine their own thought processes on managing their investments b) enables better due diligence of the advice provided by their service providers c) more confident decision making.

In addition, other tools like **'Portfolio Diagnostic Report'**, **'Stock Selection - Whiteboard'**, **'Mutual Fund Analytics'** enhances our service basket of the Family Investment Program.

### Portfolio Management Services:

After having witnessed the debacle of tech bubble in 2002 and global financial crisis of 2008-09, we recognized the need of delivering an investment strategy which focuses on providing returns with low volatility and manages investment risks while striving to capture the high growth of the Indian equity markets.



Moat & Special Situations Portfolio (“MSSP”) was launched with an objective to generate capital appreciation by investing in companies that are Moats or Limited Moat businesses or in Non-Moat businesses as special situations. A portfolio with high exposure to such Moat companies is likely to exhibit lower drawdowns when the market is exhibiting high downward volatility.

The strategy strongly focuses on controlling risks by avoiding investments in companies which have high exposure to three types of risks – i) Business risk ii) Balance Sheet risk iii) Valuation risk. In order to provide superior risk adjusted returns, the portfolio is invested in those companies which provide high prospective returns over the estimated cost of equity.

## **For the Investment Managers - Mutual Funds, PMS Managers, FPIs**

With a vision to impact the capital market ecosystem, we started to provide the techniques of our Research Framework – GRAF, to Investment Managers around the globe and domestic wealth managers.

### **Independent Equity Research:**

We believe our independent research helps to fill in some major behavioural gaps in the research output of both sell side & buy side. This leads to a strong unbiased foundation on which Investment Managers can build their investment arguments and portfolios with a higher degree of confidence.

GRAF has fundamental analysis as its bedrock, and is complemented with quantitative, technical and behavioural analysis. The financial statements of the company are systematically studied across the market cycles based on data as far back as available (typically 15 years or more). The key elements which we closely evaluate are:

- a. Quality of Earnings vs. Reported Earnings & Corporate Governance.
- b. Quality of Business through a methodical grading process using 23 objective criteria and assessment of strength of Moat.
- c. Holistic valuation bands designed to assess the reward to risk inherent in the price.

### **Quality of Earnings:**

A vigilant analysis of financial statements over the last 10-15 years with a strong focus to arrive at economic earnings and throw light on possible abuse between accounting and economic earnings. Helps to assess the quality of numbers reported by the company and hence establish the sustainability of profits and returns over the long term. This avoids investing in potential land mines.

## For the Intermediaries - Wealth Managers, Advisors, & IFAs

In addition to above, for wealth managers we have designed the following customised tools and solutions which act as a support system for them to provide advice on their client's investment portfolios.

### Portfolio Diagnostic Report ('PDR'):

PDR is similar to the reports that are produced by a medical laboratory for testing the health of a human body. It serves to throw light on some very relevant aspects of the stock portfolio, like:

- a. Assessment of **Quality of Businesses** of the companies held in an individual's investment portfolio.
- b. Potential Reward to Risk ratio inherent in the stock portfolio based on current valuations.
- c. Is there earnings momentum in the fund's stocks?
- d. Is there any positive momentum in the price pattern of the stock indicating interest in the market?

The reason why many individuals have an ineffective and inefficient portfolio of stocks is that they have picked stocks & built portfolios on many "INCORRECT INDICATORS" for achieving the goal of capital appreciation. PDR strives to resolve this flaw in investment decision making process.

### Mutual Fund Analytics:

Mutual Fund Analytics is an extension of PDR for mutual funds held by investors. We realised there is plethora of mutual fund research being done by independent agencies and internal teams based on past performance, expense ratio, turnover, comparative analysis but no one seems to have structured an incisive method of assessing the portfolio of stocks held by mutual funds. Through our Mutual Fund Analytics, we strive to evaluate the following factors:

- a. Assessment of quality of businesses, earnings and price momentum, potential reward to risk ratio inherent in the stocks held by the fund.
- b. Provides an understanding of the prospective return a fund can deliver over one year and the potential risks inherited in a fund based on our internal Investment Framework.
- c. What is the relative ranking of funds based on the above criteria and consistency of returns?

As a known fact, disclaimers of mutual funds clearly state that "Past Performance is no guarantee of future performance" and "Mutual Fund investments are subject to market risk". Our offering to a large extent helps to go beyond past performance and get a better understanding of the "market risk".



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