

# Monthly Communiqué

September 2013



Dear Investor,

Indian equities had a volatile period in Aug with the benchmark index Nifty losing 4.7% overall to end the month at sub-5500 level. Globally, the Syrian crisis added to the INR's woes as the Brent spiraled up. With the INR continuing to depreciate, the RBI and Government took various measures to support the INR including the opening of forex swap windows to meet \$ requirements for crude oil imports. Meanwhile, the National Spot Exchange (NSE) payment crisis hit markets in early Aug as the commodities exchange suspended trading amidst fears of a default. The quarterly earnings season concluded mid-month with a mixed bag of results. On the macro front, India's 1QFY14 GDP growth recorded a sharp deceleration, coming in at 4.4%. Over the month, two important Bills were passed in the Lower House of the Parliament - the Food Security Bill and the Land Acquisition Bill. The month also saw the appointment of Dr. Raghuram Rajan as RBI Governor from Sep 4. While capital markets reported a lean period in August, the space will be watched in the coming months for the government divestment activities. Sector wise, banking, industrials and telecom were the worst hit while materials and IT were sectors significantly in the green. Flow-wise, August saw significant outflows from FII, who remained net sellers for the third consecutive month while DIIs switched to net buyers. On a positive side, FDI into India increased by 24.2% Y-o-Y to \$3.95 bn in April-May 2013 vs. \$3.18 bn of FDI in April-May 2012 according to data from the Department of Industrial Policy and Promotion (DIPP).

## Macro Corner

- **Growth:** 1QFY14 GDP recorded a sharp deceleration in growth as it came in at 4.4%, below consensus expectation of 4.7%. The slowdown in growth was primarily from Industrial sector, with a growth print of 0.2% while agriculture grew at 2.7% and services at 6.6%. Meanwhile, Jun IIP disappointed again as it fell by 2.2% v/s street expectation of 1.1%.
- **Inflation:** Continuing with the hardening seen in WPI in June, the July print saw a further rise to 5.8% from 4.9% recorded in previous month. Core inflation, though well within RBI's comfort zone, increased marginally to 2.4% from 2.1% in June. As against this, July CPI indicated some easing as it decelerated to 9.6% from 9.9% in the month before but core inflation rose to 8% from 7.7% in June.
- **INR:** The Government announced further measures to support the INR that included a rise in import duty on gold (to 10% from 8%) & silver (10% from 4%) and relaxation of external borrowing norms. The RBI took measures to curb USD demand by lowering limits on company's investments abroad and individual remittances. Despite these, INR continued to weaken, breaching 68/\$ that saw the RBI open forex-swap windows to meet dollar requirements for crude oil importers.
- **Policy:** There was no RBI policy meet in August, with the next one to be held in September. However, over the month RBI announcements indicated a mild reversal in its liquidity stance as it sought to ease some tightening via OMO infusions. August saw the PM approve the appointment of Dr. Raghuram Rajan, currently India's Chief Economic Advisor, as RBI's new Governor. The move was widely anticipated with investors believing the RBI's recent tightening measures was done in consultation with Rajan and hence expect continuity in RBI's stance once he takes over.

## Political Corner

- **Parliament Session:** The Monsoon Session started on 5th Aug, with a total of 44 Bills up for discussion among which was the much talked about National Food Security Bill. After some delays, which saw political parties refusing to support the Bill unless all proposed amendments were incorporated, the Lok Sabha finally passed the Bill on Aug 26. The Land Acquisition Bill was also passed by the Lok Sabha during Aug. While this puts a formal process in place, the Bill stipulations will increase land acquisition cost as well as make the process more time-consuming, given the requirement of consent from 80% of affected families. Meanwhile Parliamentary session was extended by a week to Sep 6 to enable more time to pass Bills.
- **Reforms:** Providing a much needed stimulus to the infrastructure sector, the Cabinet Committee on Investments (CCI) has reportedly asked various govt ministries & state govts to approve 36 core sector projects within 60 days. Meanwhile, the Oil Minister is also reportedly mulling options of raising quantum of monthly diesel price hikes from the 50p/l currently to Re 1/l as well as a one-time price hike of ~Rs5/l to help oil cos. ease some of the under recoveries burden. Over the month, 2 rounds of price hikes resulted in petrol prices up by Rs 3.21/l & diesel prices by Rs 1.06/l.

## Outlook

Now that some of the large populist bills such as the Food Security and Land Acquisition Bill are behind us, September will keenly test the Government's resolve to undertake some hard reforms as well such as a large quantum of diesel hike, pension and insurance bills and speeding up disinvestments. These, we believe, are key to repair the recent market damage and restore some government credibility. In the month, the Fed's meeting will be keenly watched for to provide further light on QE tapering plans even as the market will likely contend with the developments on Syria. The first RBI credit policy meet under the new Governor will also be an event which will be keenly watched for with regards to understanding future policy direction.

We believe that while the current economic environment is challenged, there are certain concerns such as on the Current Account Deficit and Fiscal Deficit seems way overdone and do not warrant such adverse reaction for both the equity and currency markets. Having said that, we continue to advocate taking advantage of current market pessimism to construct/invest in focused portfolios comprising of high-quality stocks with reasonable medium to long term growth potential. Investors should look to increase allocation in our flagship Value and NTDOP strategy with a medium – long term time frame.

Regards,  
**Aashish P Somaiyaa**  
Chief Executive Officer

The above data / news / information already available in public.

# Value Strategy

## Strategy Objective

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation.

## Investment Strategy

- Value based stock selection
- Investment Approach: Buy & Hold
- Investments with Long term perspective
- Maximize post tax return due to Low Churn

## Details

Fund Manager : Manish Sonthalia  
 Strategy Type : Open ended  
 Date of Inception : 24th March 2003  
 Benchmark : CNX Nifty  
 Investment Horizon: 3 Years +  
 Subscription : Daily  
 Redemption : Daily  
 Valuation Point : Daily

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	28.15
Auto & Auto Ancillaries	24.84
Pharmaceuticals	12.46
FMCG	11.32
Infotech	10.02
Oil and Gas	7.68
Cash	1.02

\*Above 5% & Cash

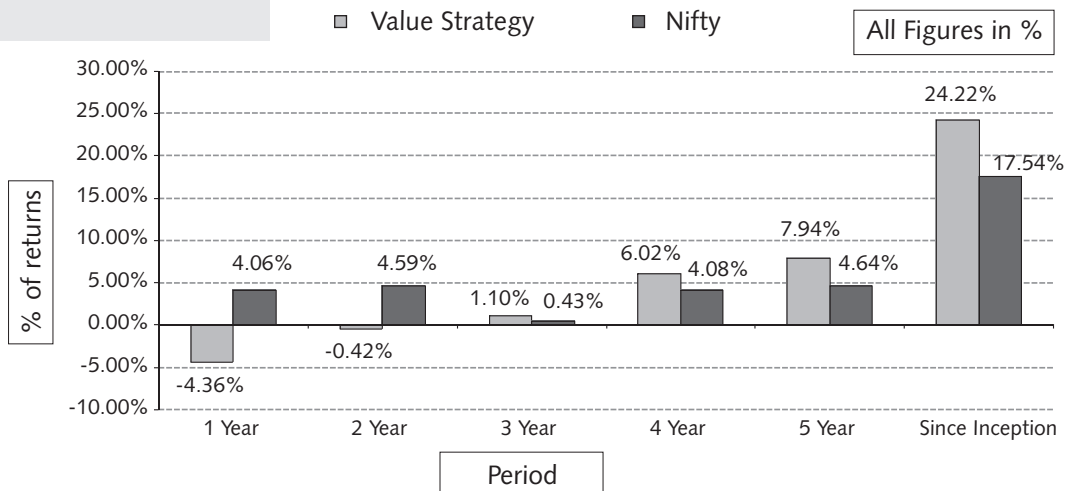
## Top Holdings

Top Holdings	% Allocation*
HDFC Bank	12.86
Nestle India Limited	11.32
Bosch Limited	11.27
Infosys Technologies Limited	10.02
Housing Development Finance Corporation Limited	8.29
GlaxoSmithkline Pharmaceuticals Limited	7.67
Eicher Motors Limited	7.34
State Bank Of India	7.01
Hero Motocorp Limited	6.23
Cairn India Limited	5.11

\*Above 5%

## Key Portfolio Analysis

Performance Data	Value Strategy	Nifty
Standard Deviation (%)	27.88	31.20
Beta	0.81	1.00



The Above strategy returns are of a Model Client. Returns of individual clients may differ depending on factors such as time of entry/exit/ additional inflows in the strategy. The Above returns are calculated on NAV basis and are based on the closing market prices as on 30th August 2013. Past performance may or may not be sustained in future. Returns above 1 year are annualized. Please refer to the disclosure document for further information.

# Next Trillion Dollar Opportunity Strategy

## Strategy Objective

The strategy aims to deliver superior returns by investing in focused themes which are part of the next Trillion Dollar GDP growth opportunity. It aims to predominantly invest in Small & Mid Cap stocks with a focus on Identifying Emerging Stocks/Sectors.

## Investment Strategy

- Stocks with Reasonable Valuation
- Concentration on Emerging Themes
- Buy & Hold Strategy

## Details

Fund Manager : Manish Sonthalia  
 Strategy Type : Open ended  
 Date of Inception : 11th Dec. 2007  
 Benchmark : CNX MIDCAP  
 Investment Horizon: 3 Years +  
 Subscription : Daily  
 Redemption : Daily  
 Valuation Point : Daily

## Top Sectors

Sector Allocation	% Allocation*
FMCG	28.84
Banking & Finance	20.40
Auto & Auto Ancillaries	18.27
Engineering & Electricals	6.97
Diversified	6.68
Pharmaceuticals	5.09
Chemicals	5.09

\*Above 5% & Cash

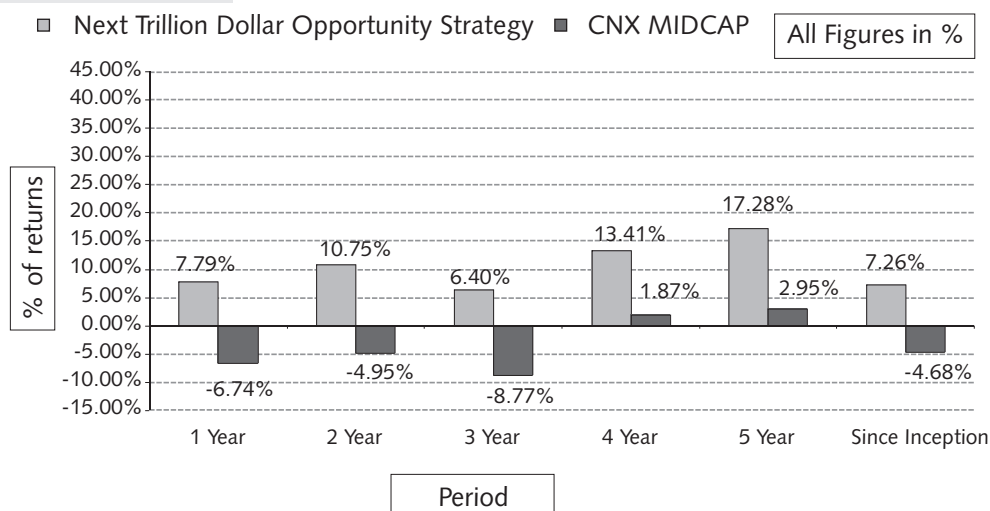
## Top Holdings

Top Holdings	% Allocation*
Page Industries Limited	16.03
Eicher Motors Limited	9.96
GlaxoSmithkline Consumer Healthcare Limited	8.94
Bosch Limited	8.31
J&k Bank	7.04
Cummins India Limited	5.26
Ipca Lab Limited	5.09
Pidilite Industries Limited	5.09
Bajaj Finance Limited	5.07

\*Above 5%

## Key Portfolio Analysis

Performance Data	NTDOP	CNX MIDCAP
Standard Deviation (%)	23.58	33.12
Beta	0.58	1.00



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# Invest India Strategy

## Strategy Objective

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices.

## Investment Strategy

- Buy Growth Stocks across Market capitalization which have the potential to grow at 1.5 times the nominal GDP for next 5-7 years.
- BUY & HOLD strategy, leading to low to medium churn thereby enhancing post-tax returns

## Details

Fund Manager	: Kunal Jadhvani
Strategy Type	: Open ended
Date of Inception	: 11th Feb. 2010
Benchmark	: BSE 200
Investment Horizon:	3 Years +
Subscription	: Daily
Redemption	: Daily
Valuation Point	: Daily

## Top Sectors

Sector Allocation	% Allocation*
FMCG	29.38
Banking & Finance	25.81
Auto & Auto Ancillaries	12.55
Chemicals	8.23
Retail	6.97
Cash	1.36

\*Above 5% & Cash

## Top Holdings

Top Holdings	% Allocation*
Page Industries Limited	12.81
HDFC Bank	11.16
Pidilite Industries Limited	8.23
ITC Limited	7.03
Bata India Limited	6.97
Maruti Suzuki India Limited	6.49
Hero Motocorp Limited	6.06
Nestle India Limited	5.23

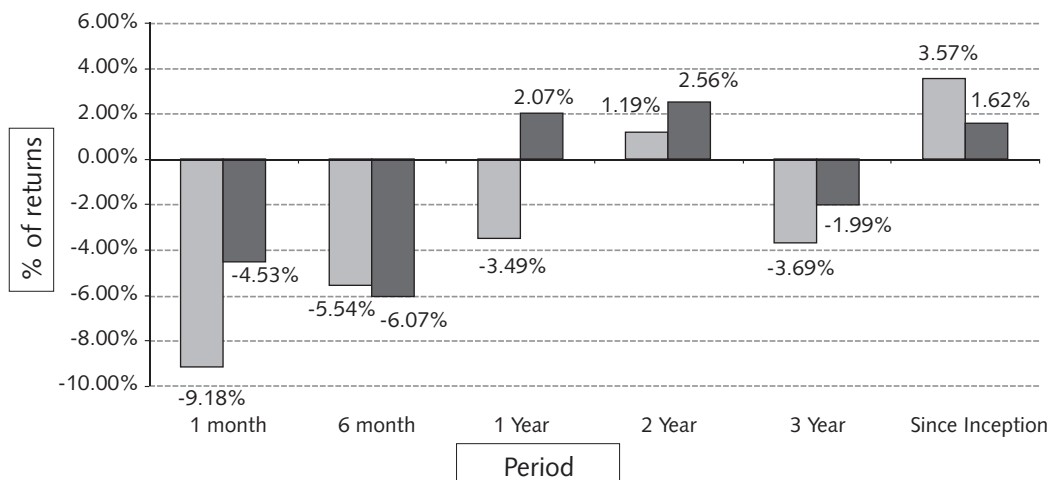
\*Above 5%

## Key Portfolio Analysis

Performance Data	IIS	BSE 200
Standard Deviation (%)	18.33	21.08
Beta	0.76	1.00

■ Invest India Strategy ■ BSE 200

All Figures in %



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# Focused Series IV - Flexi Cap Strategy

## Strategy Objective

The Strategy aims to generate superior returns over a medium to long term by investing in only 8-10 companies across market capitalization. The Fund Manager will take active asset allocation calls between cash & equity. The strategy will also take active equity allocation calls between investments in large caps & mid caps & it will follow a policy of profit booking with predefined price targets.

## Investment Strategy

- Active Equity Allocation between Mid caps & Large caps
- Active Asset Allocation calls between Cash and Equity
- Strategy will follow a policy of profit booking with predefined price targets
- When the Client's AUM appreciates by 15%, the appreciation amount will be automatically paid-out.

## Details

Portfolio Manager : Kunal Jadhvani  
Date of Inception : 07th Dec. 2009  
Benchmark : BSE 200  
Investment Horizon: 12 – 18 Months  
Subscription : No  
Redemption : Daily  
Valuation Point : Daily

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	25.12
Auto & Auto Ancillaries	20.68
FMCG	16.85
Infotech	12.56
Pharmaceuticals	9.62
Chemicals	8.59
Engineering & Electricals	5.18
Cash	1.40

\*Above 5% & Cash

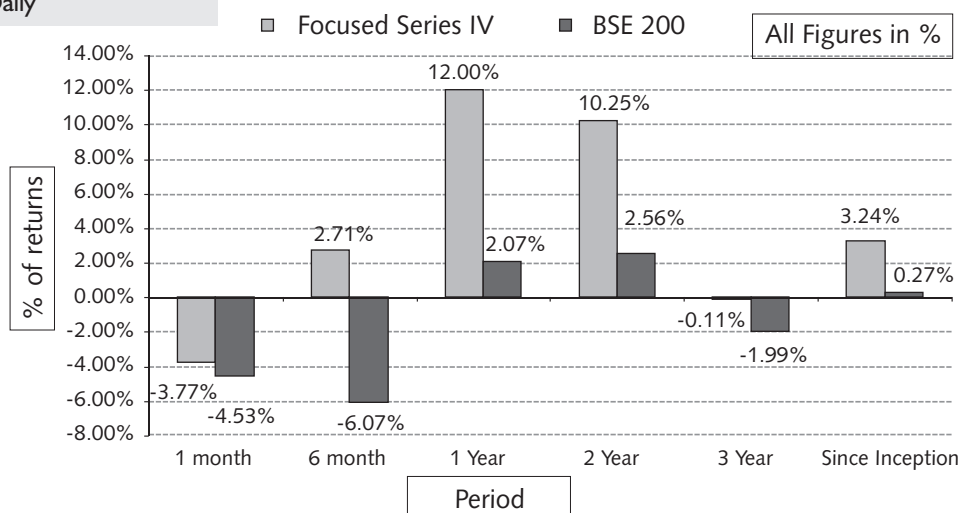
## Top Holdings

Top Holdings	% Allocation*
Bosch Limited	14.03
Kotak Bank	12.75
Tech Mahindra Limited	12.56
HDFC Bank	12.37
Ipca Lab Limited	9.62
Pidilite Industries Limited	8.59
Page Industries Limited	6.79
Tata Motor Dvr	6.65
Cummins India Limited	5.18
ITC Limited	5.18

\*Above 5%

## Key Portfolio Analysis

Performance Data	Focused Series - IV	BSE 200
Standard Deviation (%)	18.88	21.54
Beta	0.71	1.00



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# Focused Series V - A Contra Strategy

## Strategy Objective

The strategy aims to invest in fundamentally sound companies that can benefit from changes in a company's valuation which reflects a significant change in the markets view of the company over a horizon of three years. The Strategy focuses on investing in stocks that can benefit from growth in earnings, re-rating of business or higher valuation of assets. Objective is to increase return rather than reduce risk for Investors.

## Investment Strategy

- Buy and hold philosophy – low portfolio churn
- For Investors who seek for high returns

## Details

Fund Manager : Manish Sonthalia  
 Date of Inception : 27th Sept. 2010  
 Benchmark : BSE 200  
 Investment Horizon: 2 to 3 Years  
 Subscription : Daily  
 Redemption : Daily  
 Valuation Point : Daily

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	27.64
Oil and Gas	17.25
Auto & Auto Ancillaries	13.00
Textiles	11.38
Diversified	11.07
Engineering & Electricals	6.38
Pharmaceuticals	5.26
Cash	1.61

\*Above 5% & Cash

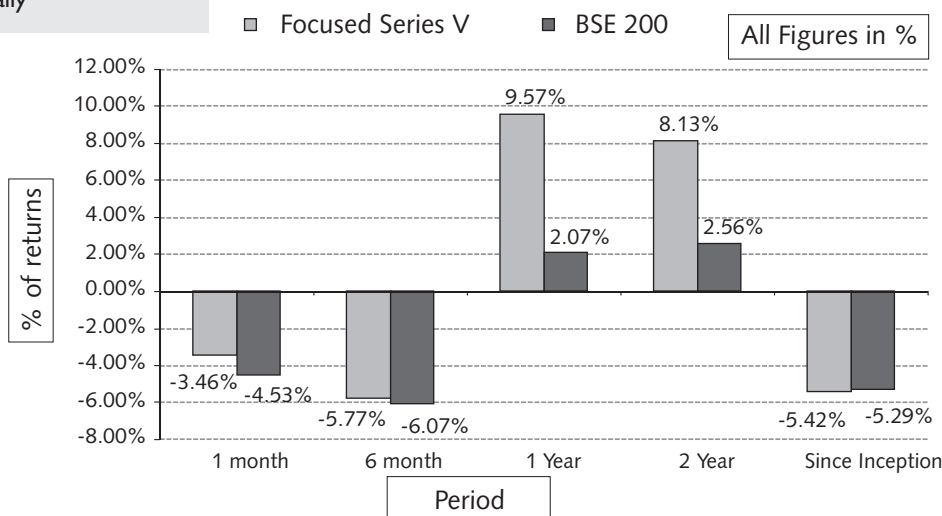
## Top Holdings

Top Holdings	% Allocation*
J&k Bank	16.57
Eicher Motors Limited	13.00
Vardhman Textiles Limited	11.38
Ing Vysya Bank Limited	11.08
Godrej Indus	11.07
Petronet LNG Limited	9.95
Reliance Industries Limited	7.29
Triveni Turbine Limited	6.38
Divis Laboratories Limited	5.26

\*Above 5%

## Key Portfolio Analysis

Performance Data	Focused Series - V	BSE 200
Standard Deviation (%)	25.95	21.57
Beta	0.96	1.00



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# Bulls Eye Strategy

## Strategy Objective

The Strategy aims to deliver returns in the short to medium term by investing in fundamentally sound stocks coupled with active profit booking.

## Investment Strategy

- Active management
- Multi Cap Strategy
- Regular Profit Booking

## Details

Portfolio Manager : Kunal Jadhvani  
 Strategy Type : Open ended  
 Date of Inception : 15th Dec. 2003  
 Benchmark : BSE 200  
 Investment Horizon: 12 Months +  
 Subscription : Daily  
 Redemption : Daily  
 Valuation Point : Daily

## Top Sectors

Sector Allocation	% Allocation
Banking & Finance	22.95
Auto & Auto Ancillaries	20.99
Infotech	11.95
Engineering & Electricals	11.71
Pharmaceuticals	8.11
FMCG	7.41
Education	6.77
Cash	1.46

\*Above 5% & Cash

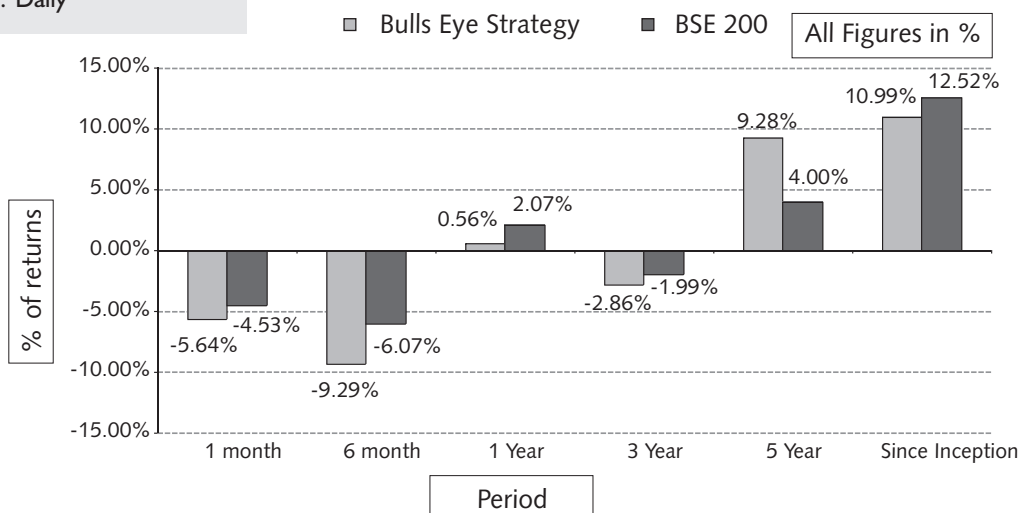
## Top Holdings

Top Holdings	% Allocation*
HDFC Bank	9.86
Tata Motor Dvr	9.32
Ipca Lab Limited	8.11
Tech Mahindra Limited	7.52
ITC Limited	7.41
Maruti Suzuki India Limited	7.28
Cummins India Limited	6.76
Tree House Education & Accessories Limited	5.11

\*Above 5%

## Key Portfolio Analysis

Performance Data	Bulls Eye	BSE 200
Standard Deviation (%)	28.43	31.90
Beta	0.75	1.00



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# Optima Strategy

## Strategy Objective

The Strategy aims to generate superior returns over the long period by investing in companies with growth potential and which are available at reasonable market price.

## Investment Strategy

- Growth At Reasonable Price (GARP)
- Investment Horizon of 2 years +
- Active Portfolio Rebalancing
- Market Timing
- Situation based Multi Cap approach

## Details

Portfolio Manager : Kunal Jadhvani  
 Strategy Type : Open ended  
 Date of Inception : 30th Dec 2008  
 Benchmark : BSE 200  
 Investment Horizon: 2 Years +  
 Subscription : Daily  
 Redemption : Daily  
 Valuation Point : Daily

## Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	23.82
Auto & Auto Ancillaries	19.90
Infotech	12.79
Engineering & Electricals	11.78
FMCG	7.42
Pharmaceuticals	7.10
Education	6.80
Chemicals	5.38
Cash	1.36

## Top Holdings

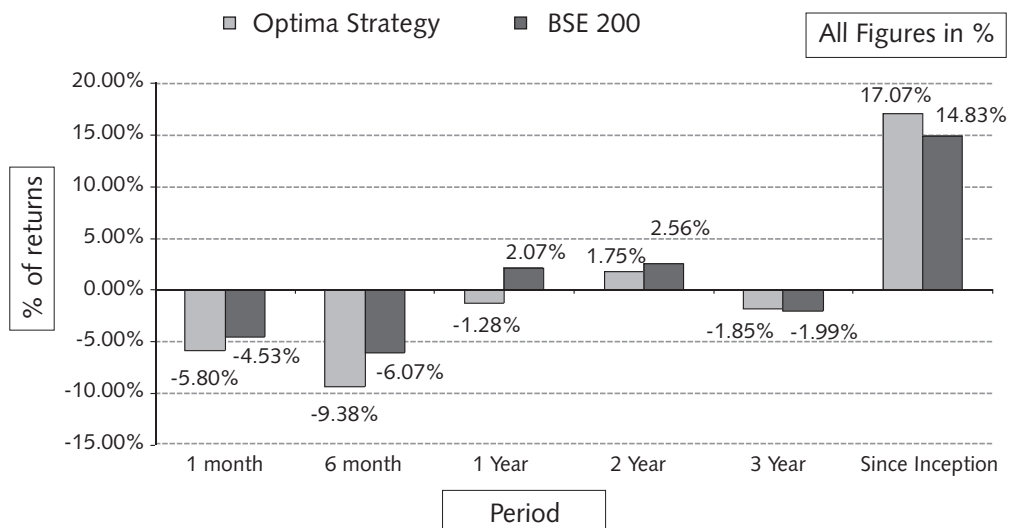
\*Above 5% & Cash

Top Holdings	% Allocation*
HDFC Bank	9.86
Tata Motor Dvr	9.38
ITC Limited	7.42
Ipca Lab Limited	7.10
Cummins India Limited	6.84
Tech Mahindra Limited	6.49
Maruti Suzuki India Limited	6.41
Wipro Limited	6.30
Pidilite Industries Limited	5.38
Tree House Education & Accessories Limited	5.11

\*Above 5%

## Key Portfolio Analysis

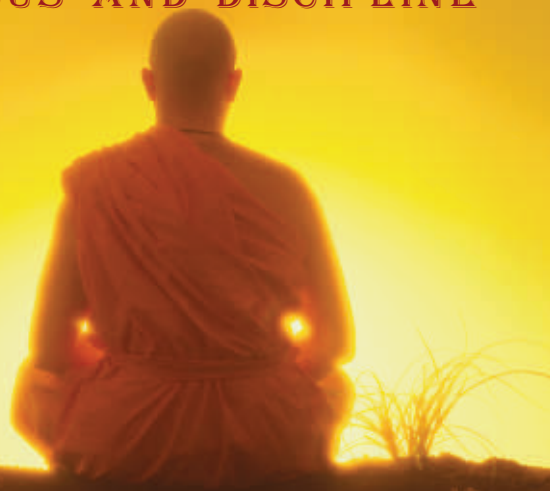
Performance Data	Optima	BSE 200
Standard Deviation (%)	19.80	26.99
Beta	0.62	1.00



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— Celebrating 10 years of —  
**FOCUS AND DISCIPLINE**



Discovering an original investment idea involves deep and meticulous analysis to discover the hidden true values. With Value Strategy, we have been focusing on finding the true value through study of underlying long-term growth potential of companies for last 10 years. The strategy looks to make long term investments with a “Buy and Hold” approach in around 15 companies that are marked by Q-G-L signifying Quality, Growth and Longevity.

Particular	3 Years	5 Years	Since Inception 24th March, 2003
Value Strategy	1.10%	7.94%	24.22%
NIFTY	0.43%	4.64%	17.54%

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Celebrating  
**5** years of

**FOCUS ON OPPORTUNITY**



For the last 5 years, the Next Trillion Dollar Opportunity Strategy (NTDOP) has been focused to invest in opportunities amongst Emerging Stocks/Sectors. The strategy invests in themes /stocks in the small and mid cap segment which are available at reasonable valuations and expected to be a part of the “NEXT TRILLION DOLLAR GDP GROWTH”. Invest now and make the most of the growth opportunity

Particular	3 Years	5 Years	Since Inception 11th December, 2007
NTDOP	6.40%	17.28%	7.26%
CNX Midcap Index	-8.77%	2.95%	-4.68%

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