MONTHLY Communique

April, 2017

Dear Investors and my dear advisor friends,

As I write to you, Nifty is making its 4th attempt in the last 2 years at breaching 9,000. Whenever in recent times Nifty has attempted to cross 9,000 the market has come across unexpected developments like RBI's asset quality review, China's currency devaluation and related collapse of oil, commodity and metals, and then most recently demonetization. I invite you to guess the next possible accident as we are set to breach 9,000 on the back of BJP's unprecedented performance in the 5 state elections held through Feb-Mar 2017.

A lot has been said and written about possible impact of interest rate rises in the USA. From a layman perspective it is important to know that if the economy were to be an automobile, somewhat puzzling yet interest rates are used as brakes as well as accelerators. From 2008 onwards for long period of time in the USA, interest rates were cut because lower interest rates were being used to revive and accelerate economic growth. With some sustenance of US economic growth, now there are reasons to believe that interest rates, now rising, will have to be used as brakes to curtail inflationary trends and avoid the ill-effects of run-away growth on the back of economic boosters. The first few interest rate hikes in the USA will be accompanied by rosier economic growth prospects and one may expect the global growth and equity market performance to attain newer heights. Once we see an extended series of rate hikes, it will be time to worry about the sustainability of the bullish equity markets, not as yet!!!

Closer home, every time markets have risen in anticipation of better economic performance; some or the other development has resulted in debilitating earnings potential. Of course market earnings are composed of earnings from PSU Banks, Oil, Gas and Metals companies, consumer and auto companies and any occurrence that is seen as a setback to their earnings potential would set the market back. Markets by nature look to discount future expectations and to that extent earnings need to catch up and justify what the market has discounted; just as the market "rolls over" and starts discounting a further bite off the future.

To that extent the massive electoral win of the BJP is not an economic event with direct impact on corporate earnings. Then why should the market react to it? The decisions taken by BJP are perceived to be an industry friendly. Their landslide victory in India's largest state along with Government formations in 4 out of the 5 states that went to polls augurs well for continuity of their central government and hence the industry friendly, macro-economically stable and growth oriented policy dispensation. The markets are likely to discount 2019 elections and a possible continuity of current policy dispensation. Having said so markets will watch for earnings trajectory.

Demonetization was the last blow to "visibility" of earnings so far. There's not much by way of data for anyone to decipher the effects of demonetization. While there's no heavily pronounced slowdown visible in the macroeconomic, corporate sales or profitability numbers that have played out thus far; in addition to watching for 4th quarter numbers the market might even take the state election verdict as a positive referendum on demonetization. After all economic policies and political implications do feed into each other and that cannot be denied. The feedback loop between economics and politics cannot be underestimated. If anything, this positive referendum will only embolden the government for further reforms. Reforms like demonetization and eventually GST do have the potential to cause massive disruption and hardships to micro small and medium enterprises (MSME), traders, and large corporate entities as well as the "small guy" alike, but the highly effective direct communication strategy and immense credibility of the current dispensation seems to be focusing the "disrupted" on the long term benefits. On the other hand, large parts of the economy which are unaccounted do get accounted for with steps like demonetization or crackdown on black money or effective implementation of reforms like GST. Business shifts from unorganized to the organized within every sector and thus it may have impetus to economic growth.

(Continued overleaf)

In this scenario where the markets are discounting the future and earnings are hard to come by or to say the least earnings are polarized in favour of few stocks and sectors, one hears huge concerns on valuations namely PE ratios of the indices, stocks and sectors. What is producing earnings and is called “good” is not cheap and what is “cheap” doesn’t seem to be showing light at the end of the “earnings tunnel”. Overall indices themselves don’t seem to be cheap by any stretch of imagination. There are a few thoughts on valuations that I would like to share here. Firstly, when earnings are expected to come off a trough and prices are looking towards the bright possibilities of the not too distant future, PEs are expected to be high – no surprises there and if earnings do play out this situation can find itself getting corrected in no time – while market of course will move on to extrapolating and discounting distant future too. This is normal market behavior and PEs must be seen contextually not in absolute numbers. While everyone is very sensitive to PEs on equities, did you know there is a PE on your bank deposit and your tax free bonds, on the gold, on that house you let out on rent and on that piece of land you bought??? For instance if 10 year tax free bonds are trading at 6% per annum yield it means that for every 100 Rs you pay to buy that bond you stand to earn Rs 6 per year and hence the PE translates to roughly 16 times and odd. So what’s the PE on all your other favored investments which I’ve enlisted above? Can the “E” grow? Can the price you paid appreciate after you bought?

Having said so, we believe the worst in earnings is behind us and we are likely to see a sustained improvement in corporate earnings from here on. This coupled with consistent domestic inflows on the back of relatively low PEs of stock markets (compared to other asset classes) and revival in global economic prospects indicates that the Indian equities may be ready to bat on solid wickets.

Happy Investing,

Yours Sincerely,
Aashish P Somaiyaa
Managing Director and CEO

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
Co-fund Manager	:	Kunal Jadhwani
Strategy Type	:	Open ended
Date of Inception	:	24th March 2003
Benchmark	:	Nifty 50 Index
Investment Horizon	:	3 Years +
Subscription	:	Daily
Redemption	:	Daily
Valuation Point	:	Daily

Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	29.30
Auto & Auto Ancillaries	26.56
Oil & Gas	8.77
Pharmaceuticals	7.48
FMCG	7.10
Infotech	5.47
Airlines	5.42
Cash	0.01

Data as on 31st March 2017 *Above 5% & Cash

Top 10 Holdings

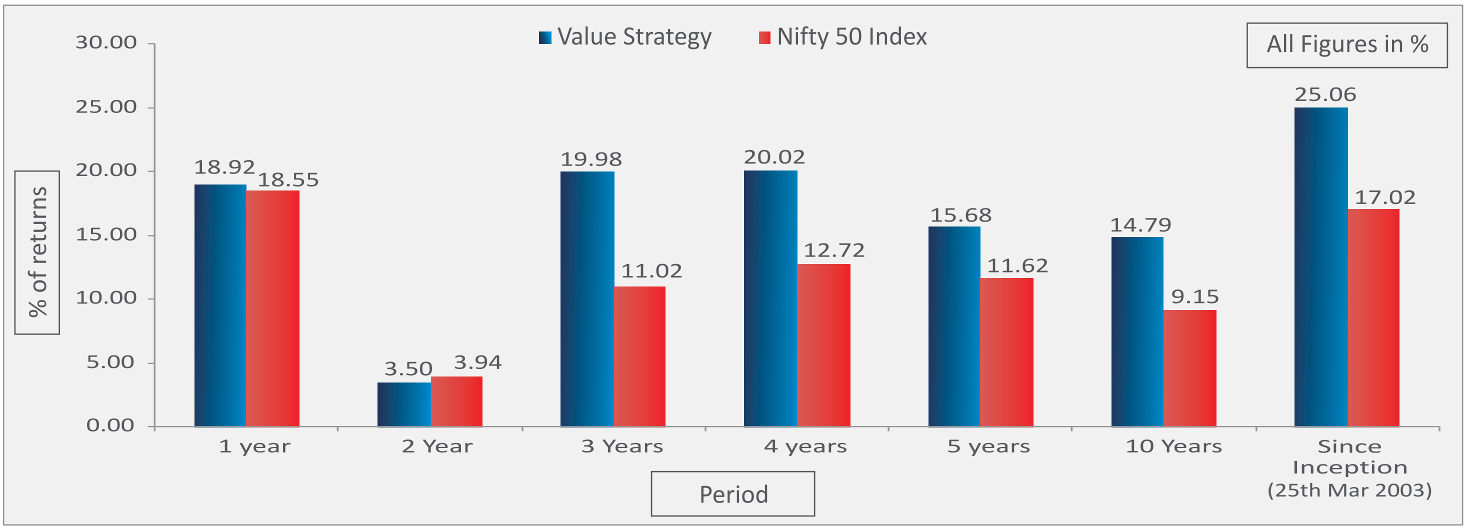
Particulars	% Allocation
HDFC Bank Ltd.	9.14
Bharat Petroleum Corporation Ltd.	8.77
Bosch Ltd.	8.66
Kotak Mahindra Bank Ltd.	8.30
Eicher Motors Ltd.	7.97
Sun Pharmaceuticals Ltd.	7.48
Asian Paints Ltd.	7.10
State Bank Of India	6.50
Tata Consultancy Services Ltd.	5.47
Interglobe Aviation Ltd.	5.42

Data as on 31st March 2017

Key Portfolio Analysis

Performance Data	Value Strategy	Nifty 50
Standard Deviation (%)	21.24%	23.56%
Beta	0.82	1.00

Data as on 31st March 2017



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 31st March 2017. 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 stocks from sectors that can benefit from the Next Trillion Dollar GDP growth.

It aims to predominantly invest in Small and Mid Cap stocks with a focus on identifying potential winners that would participate in successive phases of GDP growth.

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 December 2007
Benchmark : Nifty Free Float Midcap 100 Index
Investment Horizon : 3 Years +
Subscription : Daily
Redemption : Daily
Valuation Point : Daily

Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	26.47
Oil & Gas	18.31
Auto & Auto Ancillaries	16.45
FMCG	14.86
Diversified	9.74
Pharmaceuticals	5.42
Cash	0.11

Data as on 31st March 2017 *Above 5% & Cash

Top 10 Holdings

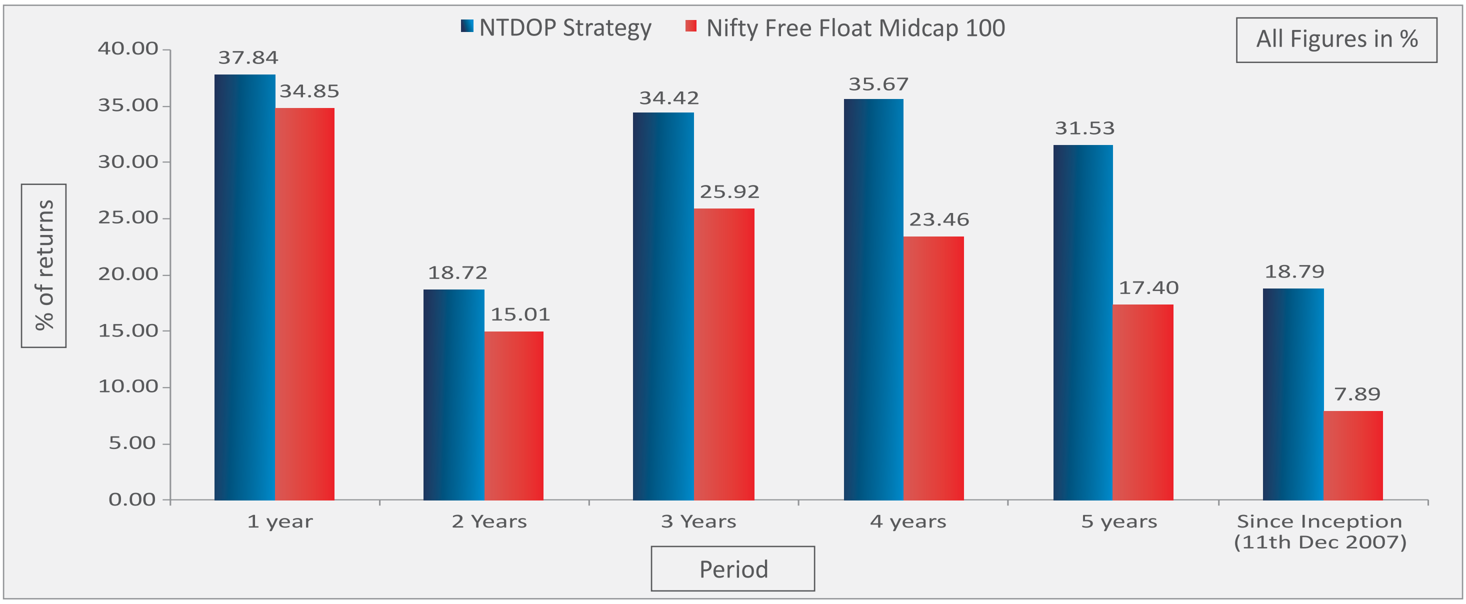
Particulars	% Allocation
Hindustan Petroleum Corporation Ltd.	15.88
Kotak Mahindra Bank Ltd.	8.38
Voltas Ltd.	7.59
Eicher Motors Ltd.	6.85
Page Industries Ltd.	6.75
Bajaj Finance Ltd.	6.74
Bosch Ltd.	6.25
Max Financial Services Ltd.	5.90
City Union Bank Ltd.	4.12
Emami Ltd.	3.67

Data as on 31st March 2017

Key Portfolio Analysis

Performance Data	NTDOP	Nifty Free Float Midcap 100
Standard Deviation (%)	18.47%	22.51%
Beta	0.71	1.00

Data as on 31st March 2017



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India Opportunity Portfolio 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	: Mr. Manish Sonthalia
Co-Fund Manager	: Ms. Mythili Balakrishnan
Strategy Type	: Open ended
Date of Inception	: 11th Feb. 2010
Benchmark	: Nifty Free Float Midcap 100
Investment Horizon	: 3 Years +
Subscription	: Daily
Redemption	: Daily
Valuation Point	: Daily

Top Sectors

Sector Allocation	% Allocation*
Banking & Finance	24.03
Oil & Gas	15.63
Cement & Infrastructure	14.62
Pharmaceuticals	13.37
Consumer Durable	11.25
Auto & Auto Ancillaries	9.08
Services	6.24
Cash	2.26

Data as on 31st March 2017 *Above 5% & Cash

Top 10 Holdings

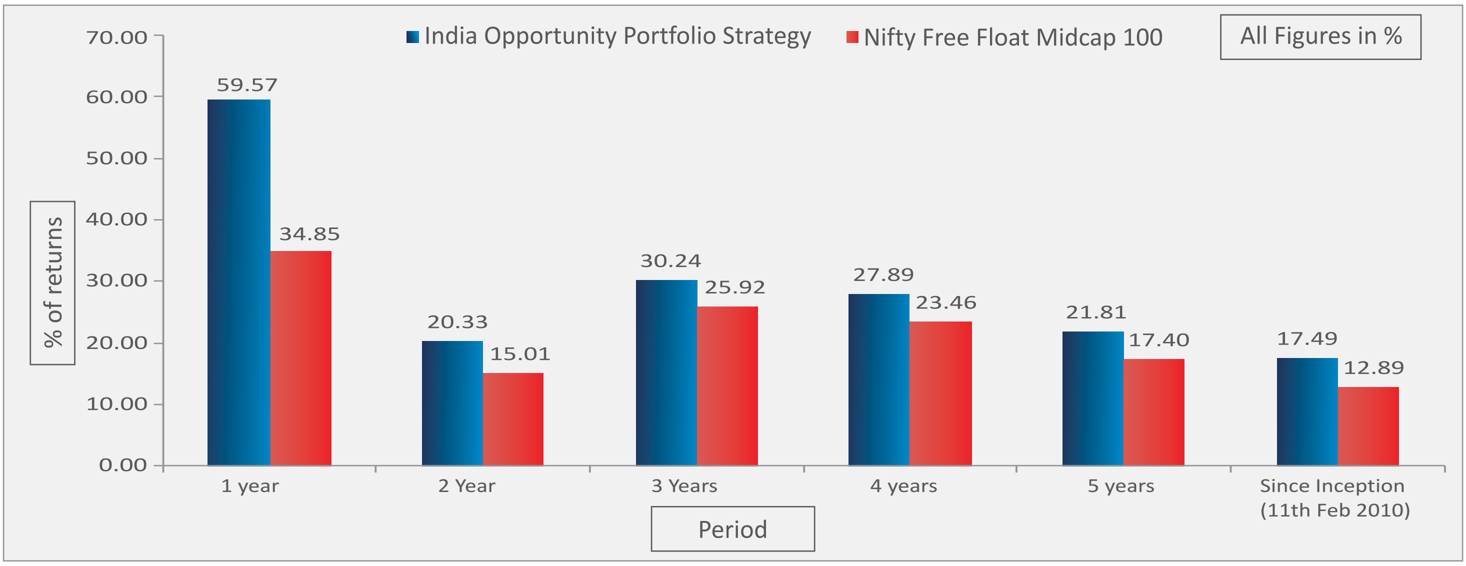
Particulars	% Allocation
Development Credit Bank Ltd.	13.73
Birla Corporation Ltd.	10.95
Aegis Logistics Ltd.	10.40
Quess Corporation Ltd.	6.24
TTK Prestige Ltd.	6.22
Gabriel India Ltd.	5.83
Alkem Lab Ltd.	5.59
Canfin Home Ltd.	5.55
Mahanagar Gas Ltd.	5.23
Kajaria Ceramics Ltd.	5.03

Data as on 31st March 2017

Key Portfolio Analysis

Performance Data	IOPS	BSE 200
Standard Deviation (%)	15.49%	17.19%
Beta	0.75	1.00

Data as on 31st March 2017



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Risk Disclosure And Disclaimer

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