AMBIT
Acumen at work

AMBIT ASSET MANAGEMENT

February 2021

MONTHLY NEWSLETTER

GOOD & CLEAN by AMBIT

COFFEE CAN PMS

EMERGING GIANTS by AMBIT

Ambit Good & Clean Midcap Portfolio **Ambit Coffee Can Portfolio** **Ambit Emerging Giants Portfolio**

Thank you for staying Invested!

Dear Patron,

It was on January 30 last year that the first Covid-19 case was recorded in India, that of a Kerala student who had returned from Wuhan, China, from where the virus originated.

It has undoubtedly been a year of great personal and economic turmoil for many. Right through the toughest of times since it all started on 30th January, 2020 last year your continued faith in our team and support for our Investment philosophy kept us highly motivated and focused. We were able to take bold calls as required while remaining committed to the Investment philosophy and your investment goals.

We would like to Thankyou for believing in us!

From the horse's mouth: K shaped recovery seen

Tata Consultancy Services

- ***TCS reported the best Q3 sequential growth in past nine years*** and highest operating margin in last five years. TCS's results echoed the performance of other large Tier-1 and Tier-2 IT companies that surpassed expectations.
- ***This beat was on the back of strong demand trends with traction in Cloud adoption.*** Client spends is focused on two areas – (1) Growth and Transformation – Using new technology to develop new products and create new revenue stream; and, (2) cost takeout and productivity improvement.
- ***Ramp-up of potentially large deals*** and continued strength in deal pipeline lends visibility to double-digit growth in FY22.***(K-onsolidation)***

TVS Motor Company

- ***TVS reported highest ever topline***, ***EBITDA margin expanded to 9.5% from an average of 7.8 % over the past 3 years.*** TVS 2W domestic sales grew by 21% YoY compared to industry growth of 13%.2W export sales grew by 31% YoY compared to industry growth of 20%
- ***TVS gave strong guidance and margins are likely to sustain*** due to dual benefit of significant cost reductions and price hikes taken to tackle the commodity price inflation.
- The company has ***become net debt free*** (as on FY 20, net debt position was Rs 13bn) as it has generated a positive FCF of Rs 16bn in 9MFY21

Larsen & Toubro

- ***Order Inflows (OI): Rs 732bn up 76% YoY, highest ever OI*** led by large order wins in Infra & Hydrocarbon segment in the domestic market.
- ***Order book (OB):*** Rs 3.3trn up 8% YoY ***providing strong revenue visibility for the next 2-3 years.*** Of the total Rs2.6trn domestic OB, 12% is from Central Govt., State- 34%, PSU's- 41% and Private-13%
- Labour Availability: Full strength in Q3. ***Management believes Q4 to be stronger than Q3 & expects strong execution momentum to continue***.

Banking Sector Commentary: ***(Ref to Exhibit 1)***

- ***Big becoming bigger:*** Credible banks with a large business base continue to garner market share from weak PSU & NBFCs which can be gauged through advance growth range at 9-16% YoY vs. systemic growth at 5.5-6.5%.
- ***Business Recovery:*** Most of the banks, business recovery has been near to pre-COVID levels & for few segments like Mortgage, Auto Retail it has even surpassed pre-COVID levels.
- ***Asset Quality:*** Quality was expected to deteriorate but numbers have shown positive surprise.
- ***Balance Sheet Strengthening:*** Pandemic has re-architected the balance sheet for banks with tightening of credit policy & provisioning. Most of the banks have now better PCR in range of >70% on proforma GNPA basis, which gives confidence to bankers to absorb any asset quality shocks.
- ***Collection Efficiencies (CE):*** Many Banks have been surpassed >95%

Exhibit 1: Large+Strong players have seen faster recovery and had lower disruptions to business; this will allow them to emerge much stronger in coming times too

Particulars	Advance Growth (% QoQ)		Deposits Growth (% QoQ)		Business Recovery (%)		Proforma GNPA off book (%)		Collection Efficiency (%)		Restructuring of book (%)
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3	Q3FY21
HDFC Bank	*3*	*4*	*3*	*3*	90	*100*	*1.40*	*1.40*	95	97	0.5
Axis Bank	2.7	1.1	1.2	2.9	85	*100*	4.30	4.55	94	98	0.42
AU SFB	*3.7*	*11.2*	0.9	*10.1*	78	96	1.60	3.30	96	97	0.8
KMB	0.4	0.4	0	0	90	*<100*	2.70	3.27	95	96	0.28
BAF	-0.5	5	*7.7*	*9.7*	-	-	1.34	2.8	Below Pre-COVID	Near to pre-COVID	1.4
ICICI Bank	*6.4*	*7.1*	*3.9*	*5*	85-90	*>100*	5.36	5.42	Below Pre-COVID	At par	0.4
CUBK	2.6	-	1	-	85	-	-	-	90	-	1.4
DCB Bank	-1.8	1.7	-5.3	0.3	90	94	2.4	3.9	90	88-94	2.7

Source: Ambit Asset management

Supreme Industries

- **Revival:** Q3FY21 consolidated Revenue/EBITDA/PAT grew by 34%/82%/153% YoY. Consolidated EBITDA margin stood at 21.8% v/s 16.1% same quarter last year (expansion of 570bps) backed by big improvement in pipes margins and sharp revenue growth in pipes (43%). The share of value added product reached to 41% of Revenue (33% YoY growth).
- **Rural market:** The Crop situation in the Country is normal, which has boosted the rural income.The Rabi crop sowing has also been done in a larger area than the previous year.There has been a good demand for Supreme products from rural market and Tier III and Tier IV cities.
- **Housing Market:** In 3Q, the demand also got a fillip from the Housing market thanks to policy assistance. Demand for Company's housing products has revived in Metro cities.

- **Strong Capex announcement:** Along with carried forward investment commitment of Rs. 182 crores, the Company has made a plan to invest around Rs. 400 crores in this year

- **Market share gains:** On FY21TD basis as the PVC industry declined by 20% whereas Supreme's PVC contracted by just 3.7%. Similarly, for the CPVC market, industry declined 13.5% v/s a decline of only 2.9% for Supreme.

Asian Paints

- One of the best performance quarters in the company's history.***Decorative business delivered*** more than 30% volume growth led by premium and luxury portfolios (3Q domestic decorative segment saw 33% volume growth & 26% value growth)-Some of this is attributable to pent up demand & some to festive demand

- ***Industrial coatings business did well***, particularly in Protective coatings and ***Auto OE businesses which rebounded in a big way*** (double digit)

- ***Strong growth in large projects*** and institutional sales

- ***Market share gains*** through the crisis and the company will focus on widening the industry growth going ahead

- ***4Q outlook is positive***, domestic demand recovery will continue to be broad based with T2/3/4 markets growing well and Metro demand rebounding

Pidilite

- Consolidated Revenues/EBITDA/PAT grew 16%/33%/23% yoy (excluding Huntsman acquisition.) All-time high EBITDA margin of 27.9% were led by consumption of low cost raw material inventory, lower A&P spends and cost saving.

- ***Revenue growth attributable to*** pent up demand, strong recovery in urban demand and continued strength in rural demand.

- Consumer & Bazaar products registered 20% yoy revenue growth ***driven by 22% yoy volume-mix growth***

- ***B2B business witnessed*** 10% yoy sales growth ***with 12% yoy volume-mix growth***

- ***Acquisitions of formidable brand:*** Huntsman acquisition was consolidated starting 3rd Nov 2020 and it reported revenues of Rs642 mn, EBITDA of Rs248 mn (EBITDA margin of 38.7%) and PBT of Rs244 mn

Marico & Dabur:

- **Marico:** Parachute/ VAHO/Saffola grew Volume at 8%/21%/17%. Overall volume growth was at 15%. (Rural market growth was 24% and Urban market grew 10% YoY)

- **Dabur** has shown continuous volume growth ***over the past 2 quarters with 18% growth in 3Q and ~17% in 2Q reflects on execution capability by the company despite unfavorable base***. Volume growth is driven across product segments through market share & penetration gains. ***New launches have become new normal for the company***, across segment & target to accelerate the pedal. 4.5% of sales to be NPD

We took an early view of K-shaped recovery…

Refer to our Publications from September onwards…

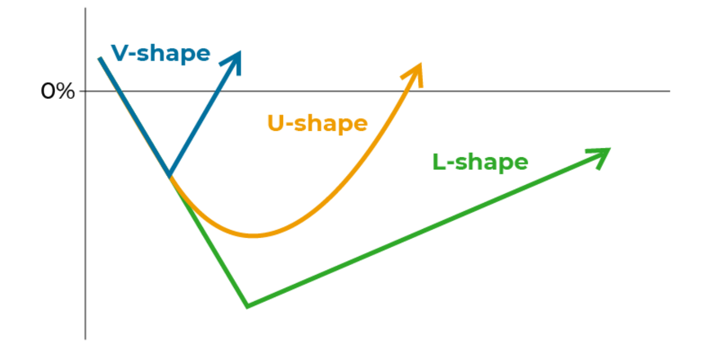
The only certainty through the uncertain time last year has been that a recovery will come about at some point of time. While it was uncertain as to when this might happen, some try and analyze how this might happen. A simplified approach to answering the "How?" certainly had some merit while taking investment decisions.

The "K" shaped recovery concept rests on the idea that while the fortunes of some in the economy have nearly or fully recovered (broadly defined), the fortunes of many are still declining, or at least failing to recover nearly as quickly.

We took a different view then from the consensus and strongly believed that the recovery path would not be the same for all. A divergence between companies with winning traits and losing traits amidst the grave hardship in economic and business environment would become fairly evident going ahead. To that effect we called for a "K" shaped recovery as the most likely outcome. ***(Ref to Exhibit 2 & 3)***

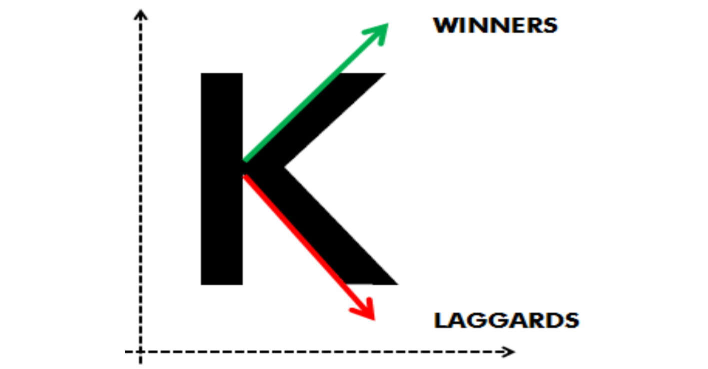
Despite the air of gloom and doom surrounding us we saw the signs of recovery were evident be it during past crises or today. ***(Ref to Exhibit 4 to 8)***

Exhibit 2: Variety of shapes of recovery have been spoken about, popular ones include V, U and L…



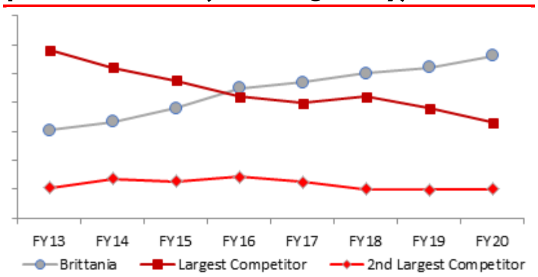
Source: Ambit Asset Management

Exhibit 3: …We have a different and polarizing view, we see the recovery to be more K shaped above all



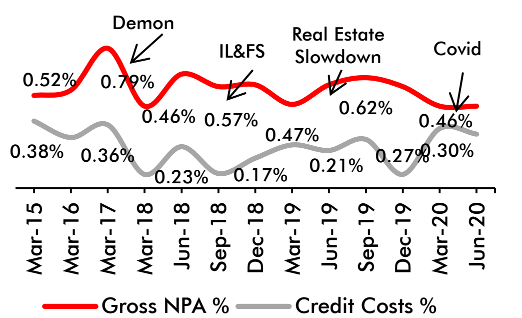
Source: Ambit Asset Management

Exhibit 4: Britannia continued to gain Market share and deliver growth through periods of crisis (including today)



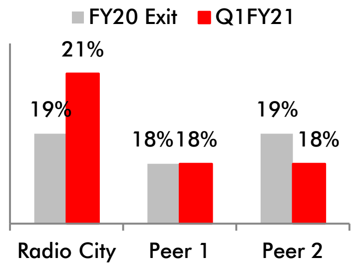
Source: Ambit Asset Management

Exhibit 5: Aavas kept tight control on credit costs ahead of peers through RERA, Demon, IL&FS and economic slowdown providing growth (MS gains)+safety



Source: Ambit Asset Management

Exhibit 6: Music Broadcast- gaining volume market share in tough times



Source: Ambit Asset Management

Exhibit 7: Over long periods of time Market leaders (HDFCB, KMB) tend to prosper vs. the system…

	FY10-FY20 CAGR	Growth v System
HDFC Bank	**21.30%**	**1.7x**
KMB	**25.40%**	**2x**
Axis Bank	17.60%	1.4x
ICICI Bank	11.70%	0.9x
SBI	14.10%	1.1x
System	**12.80%**	**1x**

Source: Ambit Asset Management

Exhibit 8: … but especially during crises Market leaders (HDFCB, KMB) outshine and gain at the cost of peers

	COVID		Pre-COVID		
Advance Growth YoY	**Q1FY21**	**Q4FY20**	**Q3FY20**	**Q2FY20**	**Q1FY20**
HDFC Bank	**21%**	**21%**	20%	20%	17%
KMB	**20%**	**15%**	10%	10%	16%
Axis Bank	13%	16%	16%	14%	13%
ICICI Bank	15%	10%	13%	13%	15%
SBI	8%	6%	7%	10%	14%

Source: Ambit Asset Management

Flashback: But how did we get here...

1. We learnt how adversity can be an opportunity...

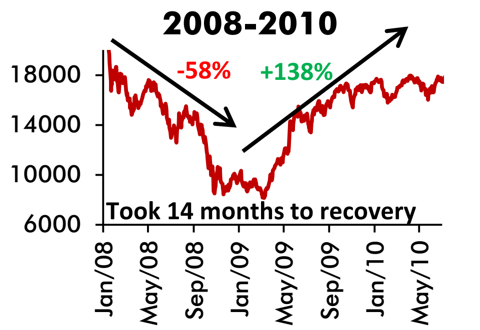
Refer to our Newsletter for [March-2020]

Post the stock market crash since Covid hit we saw a sharp decline in the indices and the broader markets in India and globally. We took respite from the trajectory of the crashes in the past which were always followed by sharp recovery in the years to come. We saw this as an opportunity to Invest!

Exhibit 9: Post Dot com bust reversion

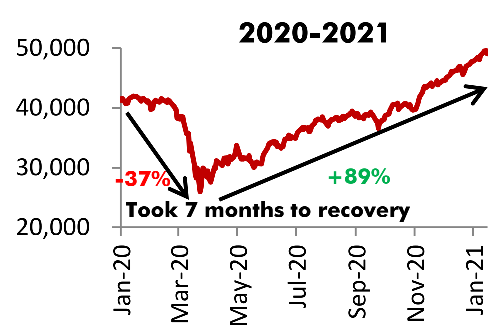
Source: Ambit GPC

Exhibit 10: Post Global financial crisis reversion



Source: Ambit GPC

Exhibit 11: Post Covid reversion in longer term...



Source: Ambit Asset management

2. We understood risk comes from not knowing your investments

Refer to our Newsletters for [April-2020] & [May-2020]

Risk is not necessarily a function of volatility - as it is popularly defined - but rather comes from not knowing what to do. In light of the new information we had and the unexpected occurrence of Covid 19, we looked to gain better insights into our portfolio company's ability to withstand pain and come out on top fighting over the long run. We understood better the ability of our companies to Survive and subsequently Thrive.

We Stress tested our portfolios through our Survive & Thrive frameworks:

Exhibit 12: Ambit Coffee can PMS

	SURVIVE		THRIVE	
	Risk	Stocks	Likely to capitalize on opportunity	Stocks
GREEN	Low	13	Very well placed	13
AMBER	Average	0	Reasonably placed	0
RED	Above average	0	Slower recovery	0
	LOW	13	GREEN	13

Source: Ambit Asset management, Note: Survive code assesses risk and ability to withstand headwinds for 6 months, Thrive code assesses ability of the business to perform over the coming 2-3 quarters. This exercise was carried out in April & May 2020

Exhibit 13: Ambit G&C midcap PMS

	SURVIVE		THRIVE	
	Risk	Stocks	Likely to capitalize on opportunity	Stocks
GREEN	Low	14	Very well placed	15
AMBER	Average	4	Reasonably placed	2
RED	Above average	1	Slower recovery	2
	LOW/AVG	19	GREEN	19

Source: Ambit Asset management, Note: Survive code assesses risk and ability to withstand headwinds for 6 months, Thrive code assesses ability of the business to perform over the coming 2-3 quarters. This exercise was carried out in April & May 2020

Exhibit 14: Ambit EG PMS

	SURVIVE		THRIVE	
	Risk	Stocks	Likely to capitalize on opportunity	Stocks
GREEN	Low	10	Very well placed	8
AMBER	Average	5	Reasonably placed	7
RED	Above average	1	Slower recovery	1
	AVG	16	GREEN	16

Source: Ambit Asset management, Note: Survive code assesses risk and ability to withstand headwinds for 6 months, Thrive code assesses ability of the business to perform over the coming 2-3 quarters. This exercise was carried out in April & May 2020

3. We held on to companies with a Right to Win

Refer to our Newsletters for [October-2020]

We were firm believers in Investments in companies with a "Right to win". A precondition to pinpoint and include such companies in our portfolios includes clear identification of characteristics of such companies. ***(Ref to Exhibit 15).***

Having invested in such High quality companies which we believe have characteristics in-line with our Investment approach, we go on to segregate these companies based on **Positioning** (formidable challenger, segmental/regional leader or an Industry leader) and **Peer dynamics** (Monopoly, Duopoly, Oligopoly and Fragmented Industry) ***(Ref to Exhibit 16-18).*** This helps us have a better grasp on picking companies with winning traits so as to create portfolios which deliver superior risk adjusted returns.

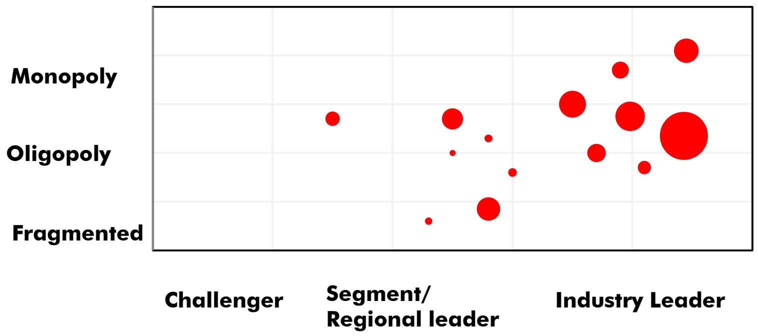
The 'K' shape in practice: We take the view that market leaders are likely to be beneficiaries of the prolonged pain in the economy as there exists, a flight to safety, preference for strong balance sheet companies and fondness for those with competitive moats in consolidating industries. ***These Leaders are present across the equity investing universe and not limited to large caps but also extend to mid and small caps.***

Exhibit 15: Characteristics we identify of companies with winning traits

Winners	Losers
Strong balance sheet	Weak balance sheet
Low D/E	High debt
Strong brand equity	Limited ability to raise funds
Strong distribution	Low scale and limited reach
Leadership position will help garner market share	Unorganised segment
Adaptability to changes	Low competitive advantage

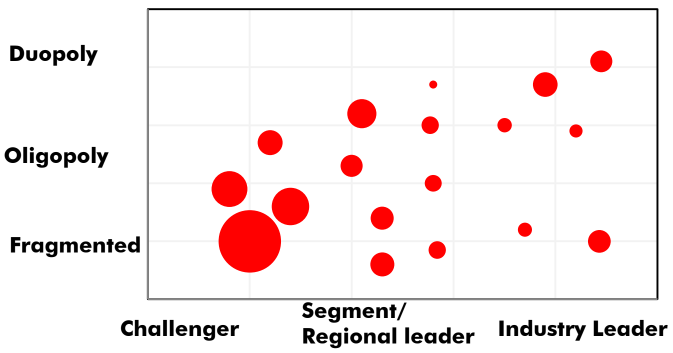
Source: Ambit Asset Management

Exhibit 16: Coffee Can portfolio Right to Win Positioning +Peer dynamics



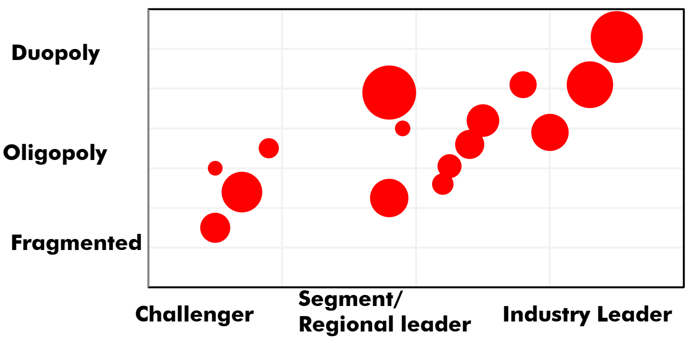
Source: Ambit Asset Management, Note: Size of Bubble=Market cap

Exhibit 17: G&C Right to Win Positioning+Peer dynamic



Source: Ambit Asset Management, Note: Size of Bubble=Market cap

Exhibit 18: EG Right to Win Positioning +Peer dynamics



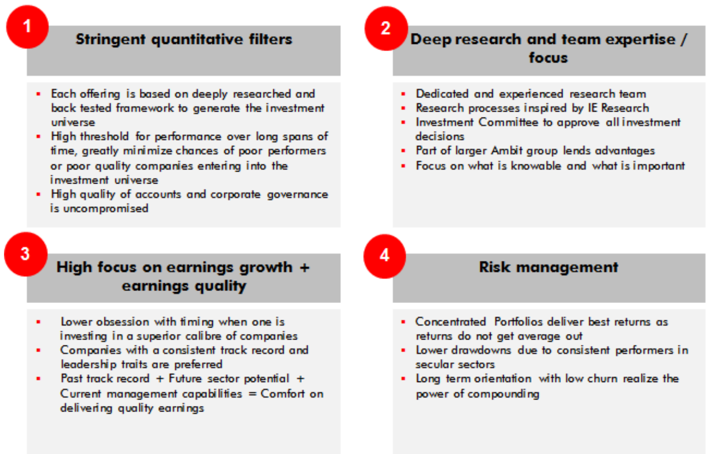
Source: Ambit Asset Management, Note: Size of Bubble=Market cap

4. We focused more on the *Process,* as performance is merely an outcome…

Refer to our Newsletters for [July-2020]

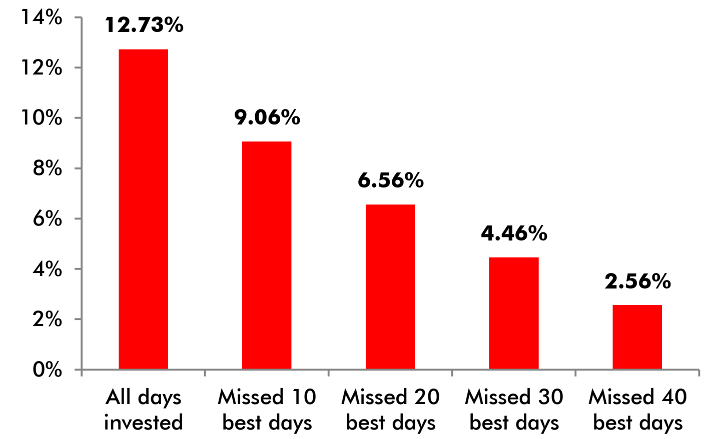
We have never claimed to be experts in timing the market and we have always believed that ***performance over longer periods of time is an outcome of superior processes, high quality of earnings (predictability) and consistent earnings growth (longevity).*** We stayed true to our outlined strategy for investing your hard earned money knowing well it is an approach we believe works well through peaks and troughs alike.

Exhibit 18: Following a stringent and tested process helps us stay focused, reduce biases and deliver returns…



Source: Ambit Asset management

Exhibit 19: …Staying invested allows us to maximize return + minimize risk post stock selection



Source: Ambit Asset management, Note: Sensex Returns from January 1st, 1990- March 31st, 2020

5. We kept our biases in check

Refer to our Newsletters for [August-2020] & [January-2021]

Wise investors do not get drawn into whirlpool of influence. They ignore the views of others and use their own minds. A useful way to avoid biases is to trick your mind into accepting a philosophy that you believe in, one that is designed to combat the urge to do too much or too little. *We understand that to err is human and so **we approach investing with discipline and in a way that removes most biases which might have a negative impact on your portfolio allocation, returns and risk profile.***

Exhibit 20: We revisited some of our core principles that we stick to while investing…

Some principles	Working through Biases
Never Buy the stock: Try partnering with the business and do your due diligence. **Buy a business**; assess that business on its strengths and weaknesses, not its stock price	• Helps you to avoid being reactive over time.
Invest in Quality: Companies with superior Corporate Governance practices that are run by a fairly competent management, which have a proven track record of delivering through time frame **Invest for the Long term:** Allows you to compound your money over long periods of time and also to stay focused and disciplined	• This ensures you reduce the time required to monitor your holding use that time to think through your investment decisions rationally. • Helps you avoid Anchoring, Timing the market, doing too much
Invest with a purpose or goal: One must invest with a purpose in mind and not just a return	• Investing with a goal in mind, eg. for retirement, allows us to avoid reacting to biases and focus on that goal • Avoid anchoring to a price and continue your SIP's as that money may not be utilized elsewhere till retirement • Avoid Recency bias and invest based on merits and demerits rather than stock price fixation • Avoid herding towards hot ideas in isolation without thinking of the purpose or goal the shares were bought in the first place

Source: Ambit Asset management

Exhibit 21: We kept misconceptions people have about stocks fresh in our mind so we could address our own biases and look beyond being reactive

	Statements we have all heard this year	Rational thoughts around these statements
1	"It has already fallen so much; it won't go any lower"	▪ You can never know the lowest point of stock like you can never know its pinnacle. People who think they can are foolish.
2	"You can tell when a share hits rock-bottom"	▪ Only because a stock has fallen to enormous levels, doesn't imply it will not drop any further. There could always be more downside.
3	"If the stock is this high, then it won't go any higher"	▪ No artificial limit decides how high a stock may go.
4	"It is just $3 per share; how much can I lose?"	▪ The clear answer is $3 per share. Such a mindset is not right. A loss, regardless of its size, is a loss. Prevent them. You do not want to invest in losers.
5	"They will come back ultimately"	▪ Some firms never return
6	"The time before the dawn is always the darkest"	▪ You require more solid grounds because things can get much darker.
7	"When it gets back to $10, I'll sell".	▪ You should try to sell immediately. Setting artificial targets like this can be detrimental to wealth in case the stock is unable ever regain those levels. ▪ You may end up with under-performers for a long time.
8	"I don't worry. Conservative stocks do not swing much".	▪ It is possible for anything to swing these days. There are no guarantees. Don't be content about your portfolio.
9	"It's been so long, but nothing has happened"	▪ Be patient. The day after you are fed up with waiting and sell is going to be the day the prices soar.
10	"Look how much I've lost: I should have bought it earlier!"	▪ You'll not lose money if you postpone buying. If you think like this, you're likely to turn desperate and err. ▪
11	"I should not have missed it. I'll try to get the next one."	▪ If you miss it, let it go
12	"The stock's high, so my predictions are right."	▪ Don't ever decide on swings. Only because a stock changes, doesn't imply your predictions were right or wrong. Only time can tell this.

Source: Ambit Asset management, Learning's from Peter Lynch, Cover copy. One up on Wall Street, by peter Lynch with John Rothchild, Simon & Schuster

6. If this was not enough: We learnt from the Best (Investing + Non Investing legends)

Refer to our Newsletters for January-2021, & September-2020

A. Lessons from Warren Buffet, Philip Fisher & Peter Lynch

Genuine Sell decisions are usually when:

- The purchase has turned out to be significantly less attractive than originally anticipated
- The investment objectives are not being met any more
- There is a better investment opportunity

*The power of Compounding is precisely the reason that even Warren Buffet has made more than **99%** of his wealth post the age of **52.***

His investments kept compounding!

How should one invest (now or at any time):

- Pick companies with a performance Track record+ Do your research
- Look for outstanding companies + Look for outstanding companies with temporary problems
- Invest to lock in a good return
- Invest for the long term, avoid timing and allow investments to compound

B. Lessons from John Templeton

Some Key Takeaways:

- History may not repeat itself but it sure Rhymes.
- Return on Fixed Income instruments is low and consequently, there is strong pressure for investors to put their idle cash into common stock.
- While April 2020 was a great time to invest for the long term. As time went by and prices rose ahead of expectations it was still prudent to be an investor in stocks for the long term.
- Today as well it isn't wise to be completely out of stocks; but it is not wise to be completely in stocks as well. Like Templeton said in 1954- We are now near the middle-ground. Investors should now have close to his/her "normal"(***30-40% of your wealth***) proportion in common stocks - certainly no more and in most cases no less.

Exhibit 22: John Templeton famously said in a 1954 communication that stocks may not necessarily always reflect reality in the economy but equity allocation remains are integral to wealth creation in falling interest rate environment (no different from today)

WHY HAVE STOCK PRICES RISEN?

"Several investors with whom I have talked seem to be baffled by the fact that stock prices have been going in the opposite direction from the trend of general business conditions. General business conditions as measured by the Index of Industrial Production declined from 137 in July of last year to 123 of April of this year. Many businessmen correctly foresaw this decline in general business conditions; and then assumed without much thought or study that this trend would also cause a decline in stock prices. Actually, as we all know, stock prices increased from a low of 257 on the Dow-Jones Industrial Average on September 17^{th}, 1951 to a current level of 343 on the Index."

John M. Templeton
July 29, 1954

Source: John Templeton

C. Lessons from Captain Cool's career: Mahendra Singh Dhoni

Exhibit 23: Lessons we learnt from Mahendra Singh Dhoni's illustrious cricket career and his personality

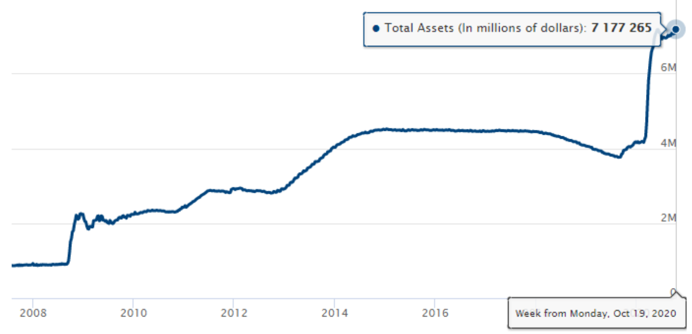
Lessons for Investing	Examples from Dhoni's career in practice	From Investing stand point
Those who lead well always stay calm	▪ Dhoni is named as Captain Cool because he controls his emotions better than others. He is able to handle stress and take decisions with a cool and calm mind.	▪ A Calm mind and a clear head allow for well thought out decisions based on logic and reason rather than emotional and reactive decisions triggered by fear and greed.
Detail oriented & flexible	▪ During the World Cup 2011, when India lost 3 wickets early on, Dhoni who usually comes in at 5th or 6th down decided to change up the batting order. He accounted for the new and existing information and took a call	▪ In investing too it is important to focus on the details (knowable and important) ▪ Account for new information delivered (fundamental or otherwise). A fixed approach does not work every time in investing or in cricket.
Identify and Invest into Quality, Returns will follow:	▪ Dhoni invested time to nurture talent. Few of the bright young stars he nurtured included the likes of Virat Kohli, Suresh Raina, R. Ashwin, Ravindra Jadeja, Rohit Sharma and Bhuvneshwar Kumar.	▪ Stock picking follows a similar process of looking for the right business through hard work, research and continuous tracking and involves patiently investing the time to see your investments grow. ▪ If stock picking is done diligently from a choice of quality companies with strong differentiating characteristics, the returns will follow.
Hone your skills, build expertise and focus on your circle of competence	▪ Dhoni was passionate about cricket since childhood and spent every waking hour either playing or improving his game. ▪ He went on to become Captain of the Indian Cricket team in 2007. ▪ Won many awards including the Padma Shri and of course went down in history when India bagged the World Cup under his leadership (2011).	▪ As an investor it is important to identify your circle of competence. ▪ It allows you to believe whole heartedly in your investments, work hard on understanding their "right to win" and to keep your investment arguments razor sharp allowing you to withstand periods of negative return or low return to win big.
Getting the right mix	▪ M.S. brought in the right mix of players, eased out some senior (older) players and looked for a winning mix rather than a winning player. ▪ All the matches that India won under Mahi were won as a team!	▪ Similarly the approach that works best while investing is a well-diversified portfolio approach. If you invest all your hard earned money in a single stock, and if it fails, you will be in trouble. ▪ If you identify 1-2 multi-baggers but lose money in all your remaining stocks too you will be in trouble. It is your overall portfolio returns (team performance) that makes a big difference eventually.

Source: Ambit Asset management

7. Besides company specific merits, we had reinforcements too…

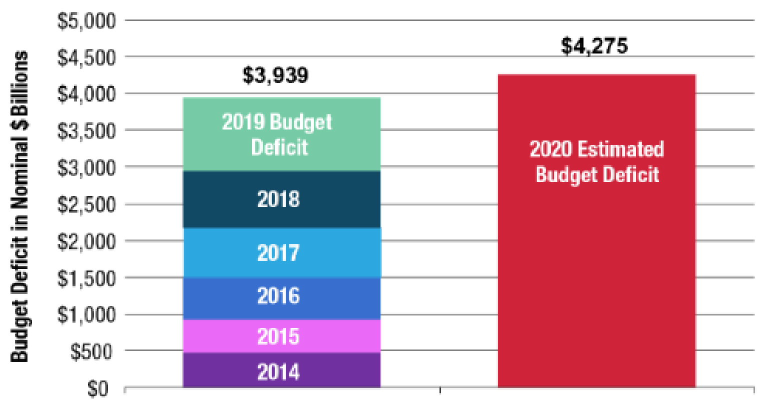
Buoyed by huge equity inflows, lower interest rates and falling covid cases + vaccine launches

Exhibit 24: A liquidity response given over 4 years during GFC in 2008 was given over 6 months this time, expansion of USD3tn in 6 months



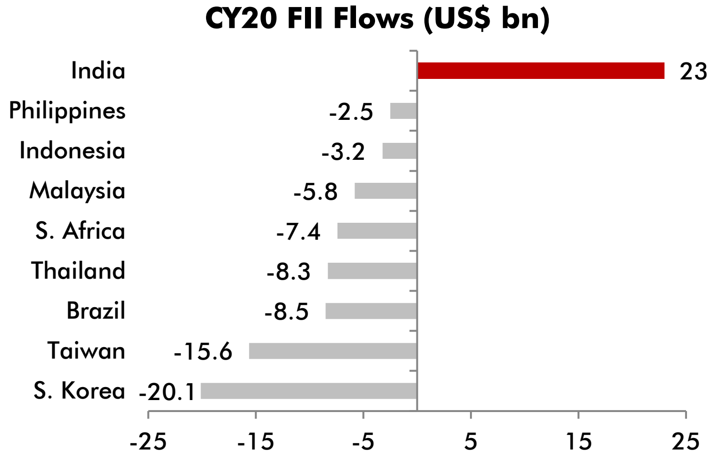
Source: Ambit Asset Management, Source, Period shown is July 30th, 2007 to October 20th, 2020

Exhibit 25: no holding back on government spending in US is fuelling excess liquidity and investments world over (incl India)



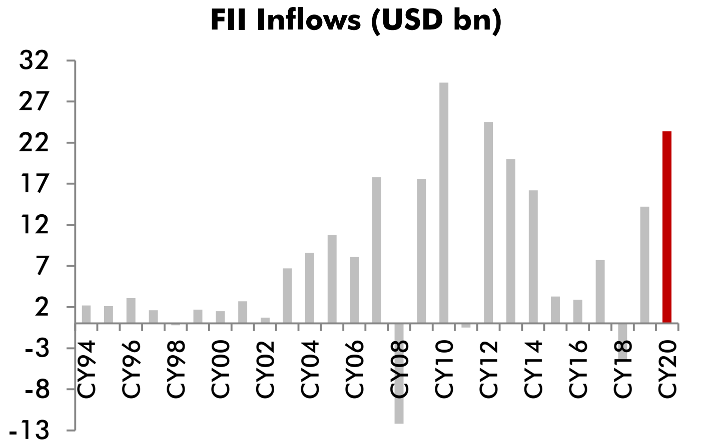
Source: Ambit Asset Management

Exhibit 26: India a key beneficiary of FII EM fund flows



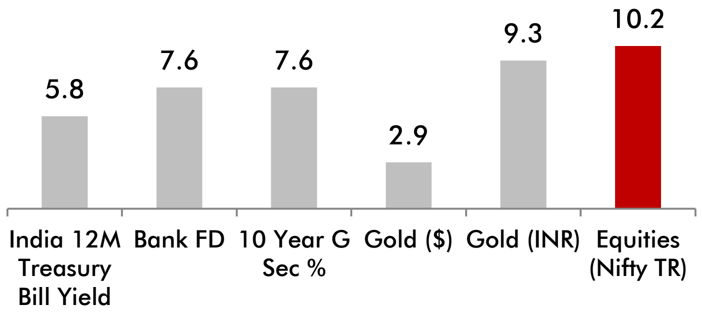
Source: Ambit Asset Management, Research Reports

Exhibit 27: ~70% of the CY20 flows took place in Nov, Dec



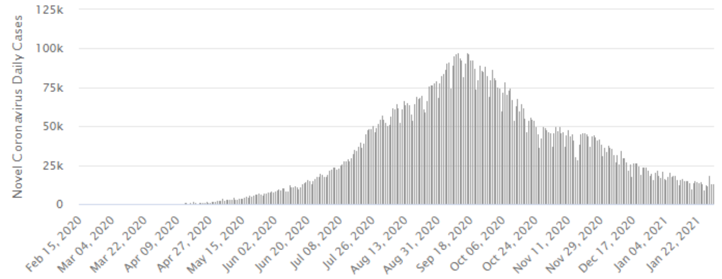
Source: Ambit Asset Management, MOSL

Exhibit 28: CY10-20 returns for various asset classes (%, CAGR)



Source: Ambit Asset Management, MOSL

Exhibit 29: Falling Covid infections across India and atleast 2 viable vaccine suppliers (Serum Institute, Bharat Biotech)



Source: Ambit Asset Management, source

Thank you our investors-You made it possible!

Exhibit 30: Summary table of the year gone by

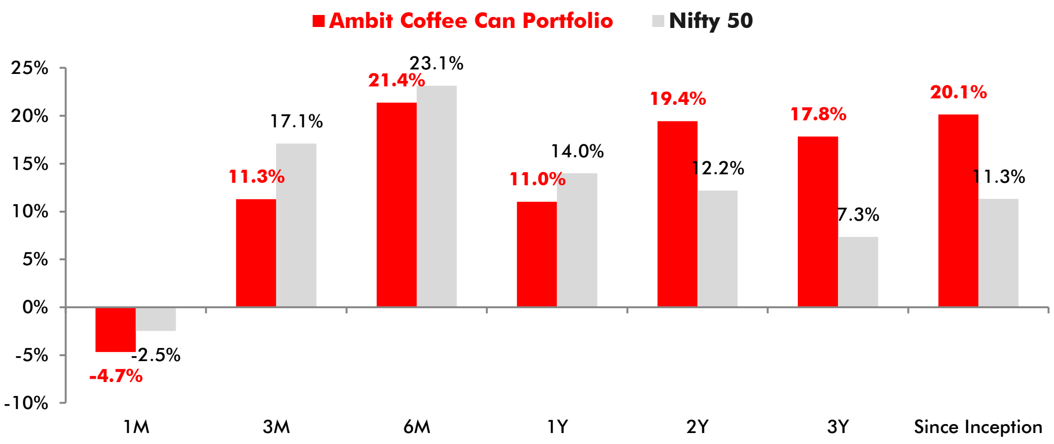
Main headings	Particulars	Reference
Early identification of K-Shaped Recovery	Leaders / Winners will see a quicker recovery than Laggards, with the divergence only increasing.	Refer to Our FMD note on K-Shaped recovery
Opportunity in Adversity	Steep correction in March-2020 provided an opportunity to invest	Refer to Our March-2020 newsletter
Identifying Risk	Stress testing our portfolio to ascertain their ability to ***Survive*** & ***Thrive***	Refer to our Newsletters for April-2020 & May-2020
Right-To-Win	Holding on to companies that will be the eventual beneficiary of K-Shaped recovery	Refer to our Newsletters for October-2020
Process precedes Performance	Following stringent investment processes with emphasis on Time-In-The-Market rather than timing the market	Refer to our Newsletters for July-2020
Avoiding Behavioural Biases	Revisited some core principles that we stick to while investing	Refer to our Newsletters for August-2020 & January-2021
Learnings from the Best	Lessons from the likes of Warren Buffett, John Templeton, Peter Lynch, Philip Fisher & ***Captain Cool***	Refer to our Newsletters for January-2021, & September-2020
Little external help	Falling interest rates, US Fiscal Stimulus and Equity inflows	*Research Reports*, source

Source: Ambit Asset management

Ambit Coffee Can Portfolio

At Coffee Can Portfolio, we do not attempt to time commodity/investment cycles or political outcomes and prefer resilient franchises in the retail & consumption oriented sectors. The Coffee Can philosophy has unwavering commitment to companies that have consistently sustained their competitive advantages in core businesses despite being faced by disruptions at regular intervals. As the industry evolves or is faced by disruptions, these competitive advantages enable such companies to grow their market shares and deliver long-term earnings growth.

Exhibit 30: Ambit's Coffee Can Portfolio performance update



Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of 31st Jan, 2021; All returns are post fees and expenses; Returns above 1 year are annualized; ***Note:*** *Returns prior to Apr'19 are returns of all the Po\ol accounts excluding non-aligned portfolio, and returns post Apr'19 is based on TWRR returns of all the pool accounts.*

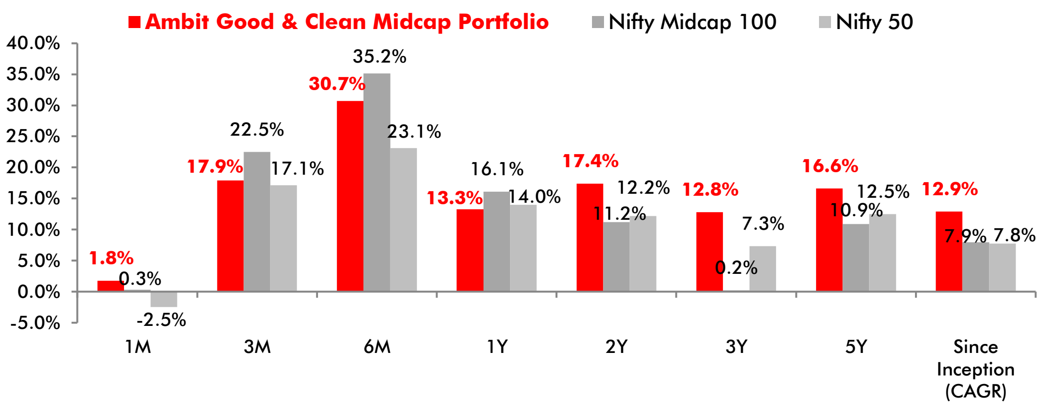
Ambit Good & Clean Midcap Portfolio

GOOD & CLEAN by AMBIT

Ambit's Good & Clean strategy provides long-only equity exposure to Indian businesses that have an impeccable track record of clean accounting, good governance, and efficient capital allocation. Ambit's proprietary 'forensic accounting' framework helps weed out firms with poor quality accounts, while our proprietary 'greatness' framework helps identify efficient capital allocators with a holistic approach for consistent growth. Our focus has been to deliver superior risk-adjusted returns with as much focus on lower portfolio drawdown as on return generation. Some salient features of the Good & Clean strategy are as follows:

- **Process-oriented approach to investing**: Typically starting at the largest 500 Indian companies, Ambit's proprietary frameworks for assessing accounting quality and efficacy of capital allocation help narrow down the investible universe to a much smaller subset. This shorter universe is then evaluated on bottom-up fundamentals to create a concentrated portfolio of no more than 20 companies at any time.
- **Long-term horizon and low churn**: Our holding horizons for investee companies are 3-5 years and even longer with annual churn not exceeding 15-20% in a year. The long-term orientation essentially means investing in companies that have the potential to sustainably compound earnings, with this compounding earnings acting as the primary driver of investment returns over long periods.
- **Low drawdowns**: The focus on clean accounting and governance, prudent capital allocation, and structural earnings compounding allow participation in long-term return generation while also ensuring low drawdowns in periods of equity market declines.

Exhibit 31: Ambit's Good & Clean Midcap Portfolio performance update



Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of 31st Jan, 2021; All returns above 1 year are annualized. ***Returns are net of all fees and expenses***

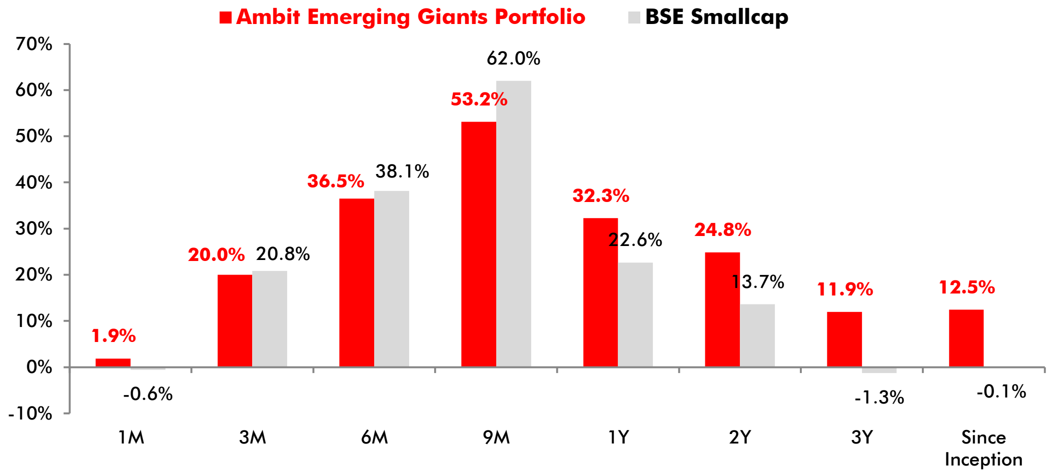
Ambit Emerging Giants

EMERGING GIANTS by AMBIT

Smallcaps with secular growth, superior return ratios and no leverage

Ambit's Emerging Giants portfolio aims to invest in small-cap companies with market-dominating franchises and a track record of clean accounting, governance and capital allocation. The fund typically invests in companies with market caps less than Rs. 4,000cr. These companies have excellent financial track records, superior underlying fundamentals (high RoCE, low debt) and ability to deliver healthy earnings growth over long periods of time. However, given their smaller sizes these companies are not well discovered, owing to lower institutional holdings and lower analyst coverage. Rigorous framework-based screening coupled with extensive bottom-up due diligence lead us to a concentrated portfolio of 15-16 emerging giants.

Exhibit 32: Ambit Emerging Giants performance update



Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of 31st Jan, 2021; All returns above 1 year are annualized. ***Returns are net of all fees and expenses***

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