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Dear Fellow Investors,

We seem to be passing through testing & volatile times keeping investors away from equity markets. High interest rates, high inflation, an increasing fiscal deficit, shortcomings on reforms, global leverage issues, a declining currency are just a few of the problems cited for what ails the Indian equity markets. A far cry indeed from the sentiment that prevailed in November 2010.But opportunities in the stock market which is a *pari-matuel* system, present themselves when there is a general hand wringing and hence we tend to rely on certain valuation & measurable sentiment tools which help us in our asset allocation and we take this opportunity to elaborate upon them in this newsletter.

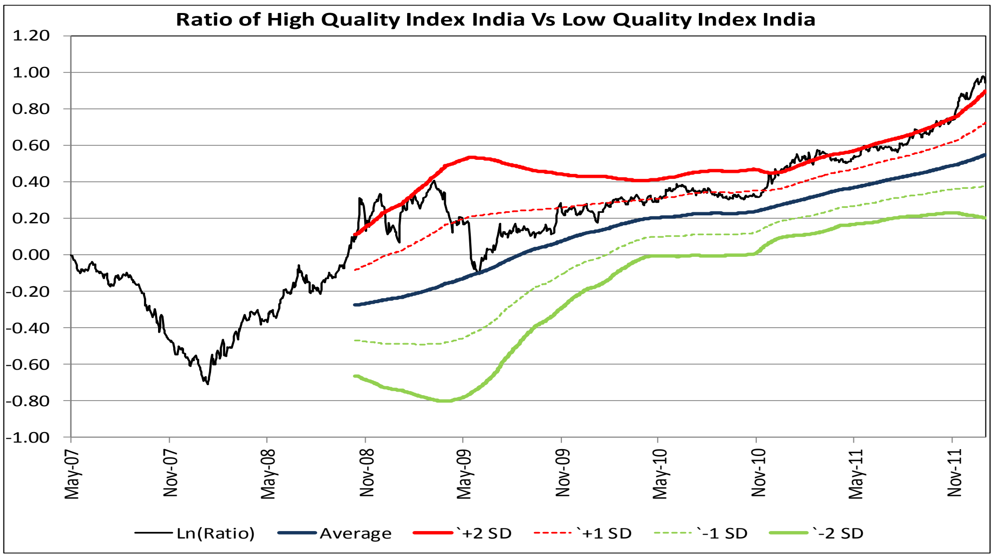
Below is the consolidated performance of the PMS portfolios at the end of December 2011.

Portfolio Performance	Equity Allocation as on 31.12.2011	Equity Returns	Total Portfolio Returns before Expenses	Benchmark Returns
Since Inception 27.01.11	52.8%	8.5%	2.8%	-25.4%
December Quarter		-9.3%	-3.9%	-12.9%

- PMS portfolios returns are for less than 1 year and not annualized.
- Benchmark returns are based on BSE 500 and BSE Mid Cap in equal weight.
- The benchmark returns are also for a period less than one year and are absolute returns.
- Returns are cash flow adjusted and time (Daily) weighted returns after expenses.
- The actual returns of clients may differ from client to client due to different portfolio and timing of investment.
- Past performance is not guarantee for future performance.

Understanding Mr. Market:
At Multi-Act we strive to assemble measurable and quantifiable data.

In our July Newsletter we had discussed the High Quality versus Low Quality ratio and how High Quality had significantly outperformed Low quality. The preference for high quality indicates risk aversion among market participants. This measure just recently hit an extreme since May 2007. As Warren Buffet put it simply – “be greedy when others are fearful”.



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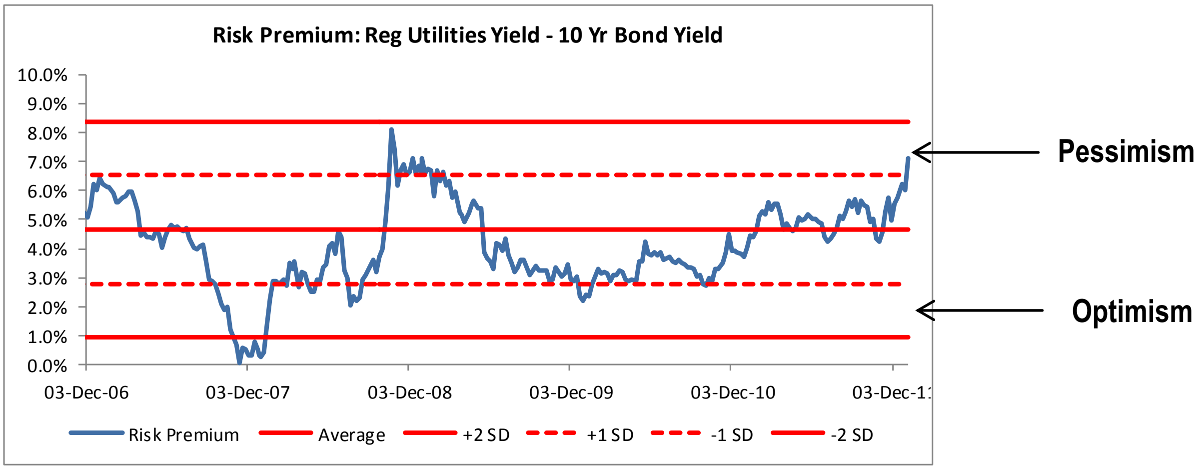
High Quality Index and Low quality Index are Market Cap weighted indices of 40 High quality and 148 Low Quality stocks. Above chart is the ratio of HQ/LQ.

So is there an objective way to measure Mr. Market's mood swings?

In addition to the High Quality vs Low Quality ratio, we have devised an index of regulated utilities which helps us to quantify the risk premiums in the market. We have identified 5 regulated utilities in India which are allowed a fixed regulated return on their equity. Thus these companies have certainty regarding their current as well as future earnings. Such companies should "ideally" be more fairly priced on average than the general market. Any movement beyond their fair value should thus indicate "optimism/pessimism" among market participants.



Above chart can be interpreted as the risk premium demanded by market participants. At the peak of the market in December 2007, regulated utilities were being valued on par with government bonds (i.e. "Zero" risk premium), which clearly indicated excessive optimism among market participants. At the bottom of the market in 2008/9, the risk premium was as high as 8%. On an average risk premium is just under 5%. This index could therefore be used as a barometer to measure the "optimism & pessimism" and would help us to judge Mr Market's mood swings.

Today, as we look at both the indicators, we have reached a point where market participants are relatively pessimistic, though clearly not as pessimistic as 2008/9 and displaying risk aversion allowing us to be confident about our assessment of opportunities for the long term with favourable reward to risk ratio's.

Portfolio activities during the Quarter:

This quarter witnessed some steep correction amongst equity markets in India and some of our equity positions did participate on the downside, although our asset allocation and exposure to good quality companies helped us outperform the benchmark indices. We increased our equity weight from ~41% to ~53% in the qtr.

In a bear market the likelihood of draw down's in certain stocks is certainly high. We intend to buy pieces of a business at a discount to fair price and hoping that the fair price or premium to fair price is achieved over a 3 – 5 year period.

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In light of these we would have purchased certain companies whose stock prices could go down further in the short to medium term. In the interests of being balanced and not just highlighting our "winners", this time we have taken the opportunity to highlight few of our laggards –

A high end German pump & valve manufacturer, has seen a price erosion of 30%. This is partly, we think, by virtue of it being in the wrong sector (capital goods) but also due to the over- capacity issues faced by pump manufacturers across the globe. We believe this co. is one of the efficient pump manufacturers in the world. They are also one of the stronger contenders for supplying pumps for nuclear facilities in India a field where competition is scarce. Further, the requirement for power efficiency in this country is going to become more acute and with that comes requirements of higher efficiency pumps which are being provided mainly by the MNC's. This company would be able to take advantage of their wide network and expertise and capitalize on these prospects.

One highly efficient south based PSU bank's stock has also seen erosion of 30% in its price. It has one of the lower CASA ratio's vis-à-vis other banks and in a high interest rate scenario that would work against them which has been one of the major reasons for the stock price being under pressure along with a cyclical downturn in the industry. The bank has managed its loan book quite well though over a period of time and their Gross NPA's are much lower than the industry average. We believe the stock is under valued and trading below its historical lows in regards to its book value and over a 2-3 year period should do well.

Our objective is to continue to follow the RA-RI framework i.e. finding good quality companies at attractive prices and by doing so,work to preserve capital for our clients during tough times and earn an above average return over an entire cycle.

Regards,

Jinal Sheth
Portfolio Manager

Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited

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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 October 14, 2011 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.