Multi-Act Equity Consultancy Pvt. Ltd.
3rd Floor, Kshamalaya Bldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate, Mumbai- 400 020,
Tel +91 22 61408989
www.multi-act.com

Date: 15th April, 2011

Dear Fellow Investors,

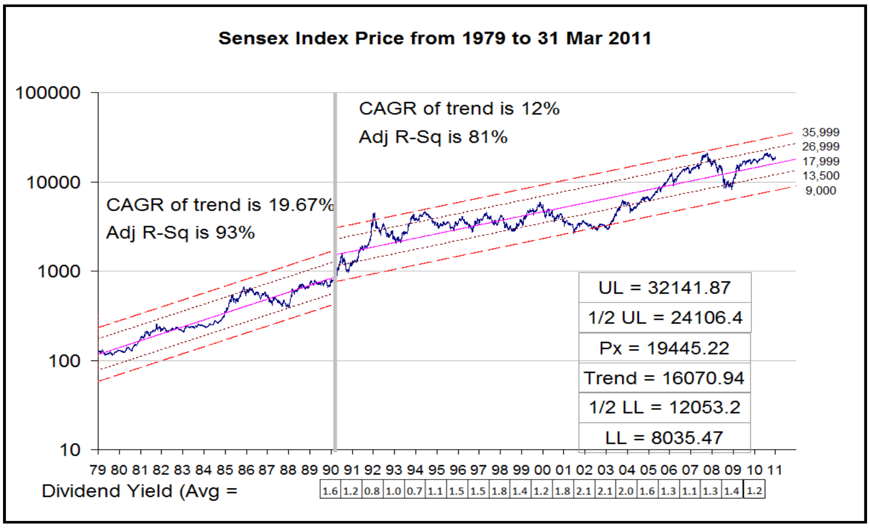
It is my pleasure to write this first newsletter for our PMS Service and welcome all of you to the Multi-Act Family. Since we launched our PMS at the end of January, we have seen a volatile market, mainly driven by FII activity. For the quarter ended March 2011 Nifty*50* gave a negative return of 4.9%. However this return does not reveal the volatility experienced in the market, wherein for the first two months market was down 13.1% with March seeing recovery of 9.4%.

There are three questions we face continuously with our strategy; the first being how much allocation to equities is optimum at the time and second what are the best available investments & finally what should be the optimum weight in each of these stocks.

I would like to touch upon these questions in this newsletter. There are various factors, which may affect the direction of the market including but not limited to, macro-economic developments, liquidity & investor's sentiment. Under our value based rational investment framework; we try to answer this question with one eye on valuations and the second eye on the technical circumstances of the market and its statistical trend analysis, thereby attempting to avoid behavioral traps of joining the crowd at what could be inflection points.

Market Levels and Assets Allocation

We use the market trend and fundamental numbers to judge where the market stands compared to its trend line or average valuations. These combined with our technical indicators and numerous other factors help us to optimize allocation to equity at any given level with a view to Risk Management. However the final allocation depends as much on the availability of individual investment ideas based on their own merits. Thus it is a mix of a Top-down and Bottom-up approach.



The trend line for the Sensex as depicted by chart 1 is near 12%* since 1991 and we have an average dividend yield of around 1.5% for the same period. Thus if one buys the Index at trend and remains invested, over the long run an investor would make nearly 13.5% returns from equity. However if we buy below the trend line, the potential return goes substantially higher. Conversely an investor buying well above the trend line, lowers their prospective return correspondingly.

Chart 1; Source: Multi-Act Research, Bseindia.com
*Precise trend line would be 11.6% for period April 1990- March 2011, which moves slightly with market movements.
We used 12% rounded numbers as long term trend line for consistency.

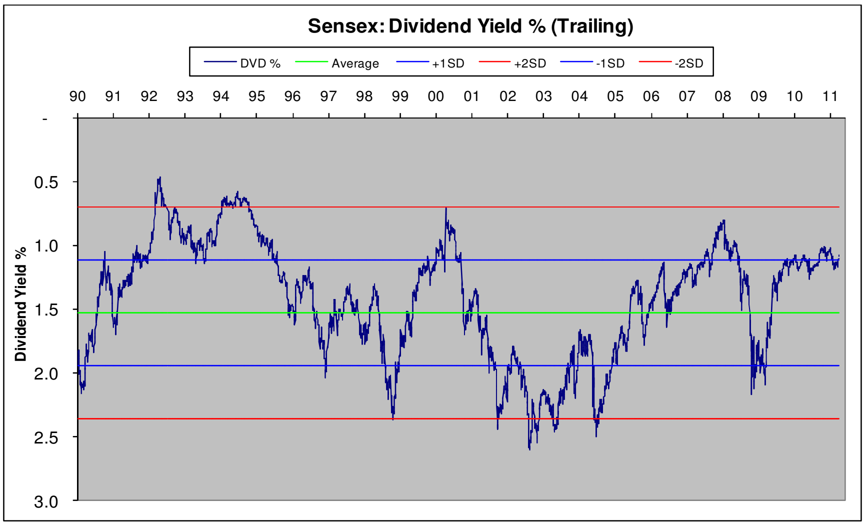
Multi-Act Equity Consultancy Pvt. Ltd.
3rd Floor, Kshamalaya Bldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate, Mumbai- 400 020,
Tel +91 22 61408989
www.multi-act.com

Thus we generally look for ~50% allocation at trend with higher allocation at lower levels. As the market continues to trade higher, we would cut back our allocation to equities as the prospective return becomes lower.

Arithmetically there are three main drivers of returns in equities for any given period

1) Earnings Growth, 2) Dividend Yield and 3) Change in market multiple.

As the earnings growth may be affected by many external factors like industry or commodity cycle, credit cycles among others, this first part is not in our control and most of the time not even in any company management's control. However we can try to control the second part by investing at higher dividend yield (i.e. lower multiples). Over longer periods the change in multiple tends to have minimum impact, but in a short period of boom and bust, that's what accounts for a large proportion of returns. When we buy something at a lower multiple, we automatically use the third part i.e. potential re-rating in market multiples, to our advantage; but when we buy something at a higher multiple we put our funds at a disadvantage.



Thus under our various asset allocation parameters, we also look at fundamental valuation matrix of Index. One of these parameters is dividend yield for Sensex. Chart 2 represents the dividend yield for Sensex since 1990 and standard deviation analysis since 1995.

Chart 2 illustrate the cycles in market multiples and provides a useful tool to ascertain the current status of the market. Clearly the best time to allocate higher proportion in equity is when the index is near 2% yield and to minimize allocation when yield is below 1%.

Chart 2; Source: Multi-Act Research, Bseindia.com

This and other fundamental tools (which we will be explaining in future newsletters) combined with our technical analysis allows us to optimize the equity allocation at any given point of time and position our investments to take advantage of the market cycle, in protecting capital and trying to ensure that investors enjoy compensated returns.

As the market continues to trade well above trend line and at lower dividend yield, we are cautious on our equity allocations at this point of time. However the ultimate allocation depends also on individual opportunity in stocks. Just as valuation matters for the market as a whole for equity allocation, similarly we tried to screen stocks with three main parameters. What is the quality of business, what is the best way to value this business and does the current price offer a better reward risk ratio for it to be a part of the portfolio given the trend in the industry.

Multi-Act Equity Consultancy Pvt. Ltd.
3rd Floor, Kshamalaya Bldg, 37 New Marine Lines,
Opp. SNDT College, Churchgate, Mumbai- 400 020,
Tel +91 22 61408989
www.multi-act.com

Fact Sheet of Portfolio & Return Analysis

Name of the Client	Client ---		
Portfolio Date	31/03/2011		
Return Analysis Period	---		
	% Allocation	Investment Returns*	Benchmark Returns**
Equity Investment	-	-	-
Debt Securities	-	-	-
Cash and Bank Balance	-	-	-
Overall Portfolio	-	-	-

*Time weighted - Daily valuation method is used for rate of return calculation. Periodic returns are geometrically linked.
** Benchmark Indices: BSE 500 and BSE Midcap in equal weight

Some Fund Activities:

Being in first quarter of our portfolio, we were mainly in portfolio construction activity and tried to invest in few stocks as and when Mr. Market provided us with the opportunity as per our framework.

During the quarter we invested for few accounts in a listed subsidiary of a well known MNC engineering company, which is a global leader in the field of heat transfer, separation and fluid handling. The products and systems of these technologies are widely used in a variety of applications in various industrial processes.

Despite the fact that Indian market is price sensitive for the product it sells, the company is believed to have a high market share in many of its customer segments given the technical advancement and support service the company offers, which in our belief constitutes a moat for this company. The best part about the company is that this is one of the best proxies for industrial expansion in the country. Company is not dependent on any particular industry and its products are used in majority of industry expansions ranging from Oil Exploration and Refinery, Bio Fuel, Biotech and Pharmaceuticals, Beverages & Food, Power, Paper, Wastewater Treatment and many others.

On the fundamental side the company has had a 15% CAGR in revenue for past 8 years. This was achieved with a fabulous 73% average FCF/EPS ratio for same period, most of which was distributed to shareholders as dividends. This highlights the fact that this growth was achieved without much need to retain capital for reinvestment.

The Parent company has made two open offers in the past four years and increased its shareholding to 88.8% and we believe they may try to increase the shareholding further and take it private. For the first public offer, the final offer price was above the +2SD Price/No Growth Value. When we bought the stock in the company around INR 1200, it was quoting near -1SD range of Price / No Growth Value based on our analysis. Interestingly the stock moved swiftly afterwards and by 31st March was up by 28% and more than 40% by the time we are writing this letter.

We also like the MNC pharmaceutical companies in India. As we all know, since 1973, MNC pharmaceuticals continued to lose market share to domestic companies due to the process patent era. However we believe that this trend is poised to reverse itself in the near future as India has already accepted and implemented product patents a few years back. There are still a few questions unanswered about the new patent era; nevertheless we are in one. There is another issue: the lack of any significant new drug launches in the world over the past few years. However we are already in the fifth year of the product patent era and as time passes and as the existing lot of generic drugs gets replaced with newer patented drugs, these MNC pharmaceutical companies will be best placed to ride the new growth wave. The confidence of these companies is reflected in their investment in increasing the strength of sales force, which makes the backbone of growth in this industry. In fact one of the reputed pharmaceutical companies has already introduced 2 patented products in this year. We believe that currently the market is still skeptical of the impact of the patent era and thus a few of these MNC pharmaceuticals companies may be available at reasonable valuations.

Finally we also like some companies in the telecom sector as the market feared and priced in the increased competition and price war after allotment of new 2G licenses. In our opinion Telecom companies went through the "perfect storm" last year as in addition to increased competition, they had to pay a high cost for 3G licenses, faced mobile number portability (MNP) and overseas M & A by few industry participants. However as time passes; we see minuscule impact of MNP and competition from the newer entrants on the subscriber base of efficient market leaders. Out of 6 new telecom players, only one could achieve a significant subscriber base and some have not even started operating in many of the circles even after 3 years of obtaining a license. Similarly MNP has not affected the incumbents as was widely feared; in fact a few of the large companies were net gainers of subscribers.

Why did this happen? We believe there was an undue fear by market participants which triggered a massive price war for call rates, benefiting the consumers. The reduced revenues actually resulted in moving the breakeven point for new entrant's further out in time and increasing their subscriber acquisition costs. Also enough ink has been wasted writing about the intention of few new entrants to enter the market for quick capital gain and a few of them are under regulatory investigation.

Overall the fear of losing subscriber base and losses being made by even the efficient companies with market leadership position turned out to be incorrect. Thus while the market was ready to pay more than INR 40,000 per subscriber a few years back, which according to us was ridiculously high and thus resulted in massive loss of wealth for investors; come 2009-10 the market was just as happy to sell the same company at INR 10,000 per subscriber or less.

There are companies facing problems not doubt due to inefficient operations or an inappropriate capital structure, but we believe that efficient companies would come out as winners in long term. A company that enjoys the moat of economy of scale and efficient operations resulting in lowest cost per minute could be a good investment at the right price.

I also take this opportunity to thank other team members, especially Jinal and Rohan, whose hard work and continuous research efforts helped us to identify potential investments. Truly it's the teamwork which makes the task of following rational investment framework much simpler.

We wish you all a very happy new financial year.

Happy Investing,

Pramod Dangi, CA, CFA

Portfolio Manager

Disclaimer

This is an Internal Document and not meant for unlimited public circulation. This document has been solely prepared for the PMS Clients of Multi-Act Equity Consultancy Private Limited (MAECL) and is not meant for circulation to any third party. The information contained herein does not constitute any guidelines or recommendations on any course of action to be followed by the Client.

The information is prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. MAECL does not solicit any course of action based on the information provided by it and the investor is advised to exercise independent judgment and act upon the same based on its/his/her sole discretion based on their own investigations and risk-reward preferences.

The information is meant for general reading purpose and is not meant to serve as a professional guide. Hence the client may or may not be holding the Company mentioned in the newsletter in its/his/her PMS portfolio as the portfolio will vary from client to client depending upon the investment strategy followed by the Portfolio Manager for each client.

MAECL, its associates or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information and consequently are not liable for any decisions taken based on the same. This information is not intended to be an offer or solicitation for the purchase or sale of any security or financial product. The investor shall at all times keep such information / data and material provided by MAECL strictly confidential and will not use, share or disclose such information to any third party.

It is stated that, as permitted by SEBI Regulations and the Company's Employee Dealing Policy, MAECL and/or its associates, affiliates and/or individuals thereof may have positions in securities referred to in the information provided by it and may make purchases or sale thereof while the information is in circulation. MAECL is not responsible for any error or inaccuracy or any losses suffered on account of any information contained in this document. Neither MAECL nor any of its associates, directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information provided by it.

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 obtained SEBI PMS registration effective October 14, 2008 and has no previous experience / track record in providing Portfolio Management Services. However the Portfolio Manager has more than 10 years of experience in managing its own funds invested in the domestic market.

Specific risk factors
The product portfolios offered by the Portfolio Manager are subject to the following risk factors:

a. The Moat & Special Situations Portfolio will primarily invest in companies which by and large are not well followed by brokerage houses, foreign institutional investors and domestic institutions. Hence liquidity may be relatively less as compared to companies which fall in the population of stocks from which most brokerage houses draw up their coverage list for investments. Market pricing of such securities is also relatively inefficient. Further information flow on these companies is restricted as they lack attention.

b. The Client's investment with the Portfolio Manager could be subject to a lock-in period as per terms and conditions mentioned in the Agreement and to that extent liquidity would be restricted.

c. Investors may note that the Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

d. The liquidity of the Portfolio's investments is inherently restricted by trading volumes in the securities in which it invests, settlement periods and transfer procedures in the equity and debt markets. Different segments of the financial markets have different settlement periods and such periods may be extended significantly due to unforeseen circumstances. The inability of a Portfolio to make intended securities purchase due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the portfolio due to absence of a well developed and liquid secondary market would at times result in potential losses in the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.

e. Investments in equity and equity related securities involve high degree of risks and the Clients should not place funds with the Portfolio Manager to invest unless they can afford to take the risk of losing their investment.

f. The Portfolio is also vulnerable to movements in the prices of securities invested in, which again could have a material bearing on the overall returns from the portfolio.

g. The valuation of the Portfolio's investments may be affected generally by factors affecting the securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any other appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the value of the Portfolio may fluctuate and can go up or down.

h. While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume in the stock exchanges. Debt and money market securities, while fairly liquid lack well-developed secondary market, which may restrict the selling ability of the Portfolio(s) and may lead to the investment(s) incurring losses till the security is finally sold.

i. The performance of the Client's portfolio may be adversely affected by the individual company's changes in the market place and industry specific and macro economic factors.

j. Risk arising from the investment objective, investment strategy and asset allocation: Each portfolio will be exposed to various risks depending on the investment objective, investment strategy and the asset allocation, market risk, political and geopolitical risk and risk arising from changing business dynamics, which may affect portfolio returns. The investment objective, investment strategy and the asset allocation may differ from client to client. However, generally, highly concentrated portfolios with lesser number of stocks will be more volatile than a portfolio with a larger number of stocks. Portfolios with higher allocation to equities will be subject to higher volatility than portfolios with low allocation to equities.

k. Risk arising out of non-diversification - diversified portfolios (allocated across companies and broad sectors) generally tends to be less volatile than non-diversified portfolios.

l. At times, portfolios of individual Clients may be concentrated in certain companies/industries. The performance of the portfolios would depend on the performance of such companies / industries / sectors of the economy.

m. Any policy change / technology change / obsolescence of technology would affect the investments made in a particular industry.

n. Unrated / lower rated securities: The Portfolio Manager may invest in lower rated / unrated securities offering higher yields. This may increase the risk of the Portfolio. Such investments will be subject to the scope of investments as laid down in the Agreement.

o. Risk due to participation in securities lending: The Portfolio Manager may subject to the authorization given by the Client in writing, participate in securities lending. In the case of stock lending, risks relate to the defaults from counterparties with regard to securities lent and the corporate benefits accruing thereon, inadequacy of the collateral and settlement risks.

p. Debt and fixed income securities: Given below are some of the common risks associated with investments in fixed income and money market securities. These risks include but are not restricted to: Interest rate risk: As with all debt securities, changes in interest rates will affect the valuation of the Portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do shorter-term securities. Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the valuation of Portfolios. Liquidity or marketability risk: This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Credit risk: Credit risk or default risk refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. will be unable to make timely principal and interest payments on the security). Because of this risk debentures are sold at a yield spread above those offered on Treasury securities, which are sovereign obligations and generally considered to be free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the actual changes in the perceived level of credit risk as well as the actual event of default. Reinvestment Risk: This risk refers to the interest rate levels at which cash flows received from the securities under a particular Portfolio are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk refers to the fall in the rate for reinvestment of interim cashflows.

q. Risks associated with investment in securitised instruments: As with any other debt instrument, the following risk factors have to be taken into consideration while investing in pass through certificate (PTCs): a. Credit risk: Since most of the PTCs are drawn from a cherry picked pool of underlying assets, the risk of delay / default due to poor credit quality is low. Furthermore most of the PTCs enjoy additional cashflow coverage in terms of subordination by another lower class of PTCs or in terms of excess cash collateralisation. b. Liquidity risk: Since the maturity of the PTCs will be in line with the maturity of the Portfolio, the risk arising from low secondary market liquidity of such instruments is low. c. Price risk / interest rate risk: The price risk of these instruments shall be in line with the maturity / duration of such instruments. However given the fact that these instruments will have a maturity profile up to 2 years, the duration risk is relatively less. d. Domestic securitised debt can have different underlying assets and these assets have different risk characteristics. These may be as given in the following example: Security 1 -Backed by receivables of personal loans originated by XYZ Bank. Specific risk factors: Loss due to default and/or payment delay on receivables, premature termination of facility agreements, limited loss cover, delinquency and credit risk, limited liquidity and price risk, originator/collection agent risk, bankruptcy of the originator, co-mingling of funds. Security 2 - senior series pass through certificates backed by commercial vehicles and two-wheeler loan and loan receivables from ABC Bank Limited.

r. Different types of securities in which the Client's funds would be invested carry different levels and types of risks. Accordingly, the portfolio's risk may increase or decrease depending upon its investment pattern; e.g. corporate bonds carry a higher amount of risk than government securities. Further, even among corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated.

s. Mutual fund risk: This risk arises from investing in units of mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, off-shore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.

t. The Clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Clients. The Client may incur a higher rate of TDS/ dividend distribution tax in case the investments are aggregated.

u. In case of investments in mutual fund units, the Client shall bear the recurring expenses of the portfolio management services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.

v. After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.