Multi-Act Equity Consultancy Pvt. Ltd.
10th floor, The Ruby Tower 29 Senapati Bapat Marg,
Dadar (W), Mumbai - 400028
Tel: +91 22 61408989
CIN: U67120PN1993PTC074692
www.multi-act.com

Date: 6 Oct 2023

Moats & Special Situations Portfolio

Dear Investors,

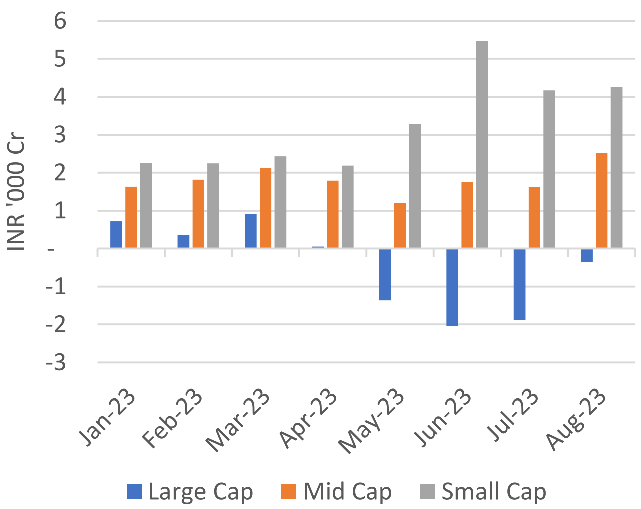
Below is the performance of the Moats & Special Situations Portfolio (M&SSP) as of 30 Sep 2023.

Portfolio Performance [1]	Equity Allocation	Total Portfolio Returns	Benchmark Returns
Since Inception (annualised)	76%	14.5%	12.4%
September 2023 Quarter		2.9%	5.5%
April – September 2023		18.9%	19.4%

Please check relative performance of other portfolio managers by clicking on this link

As discussed in our June Quarter newsletter, global equity markets had been in a "Risk-on" mode, as investors tried to pre-empt an easing interest rate cycle. However, as we approached the end of the September quarter, this sentiment began to shift due to growing concerns about the prospect of higher interest rates persisting for an extended period *("Higher for longer")*. Consequently, Foreign Institutional Investor (FII) flows turned negative in both August and September. Despite this FII pressure, the broader Indian markets demonstrated resilience, largely thanks to domestic fund inflows.

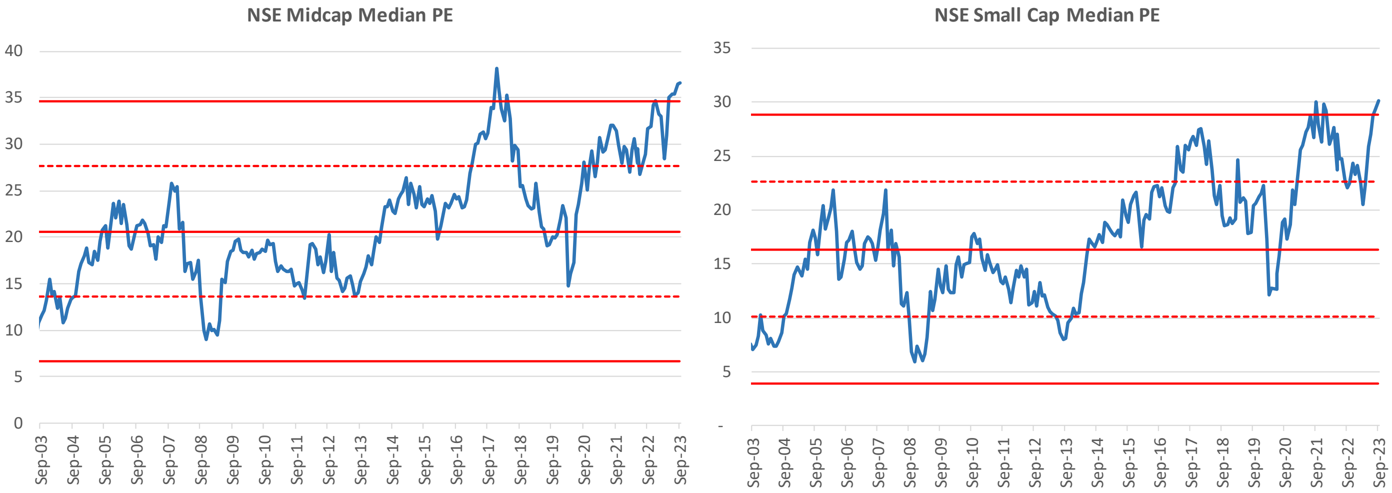
Chart 1: Net Flows in Mutual Fund Schemes



Interestingly, within domestic fund flows, there is a notable divergence. Small-cap funds have attracted substantial inflows, while Large Cap funds have experienced net outflows (refer Chart 1). This divergence suggests an increased appetite for risk among domestic investors. This has resulted in valuation in the mid & small cap space to reach levels that we had seen during 2017-18 period in the Indian market, which turned out subsequently to have been a "bubble" phase for Mid & Small cap space. We have been tracking the valuation in the Mid & Small cap space through median PE of NSE 100 Midcap and Small cap index constituents (Refer Chart 2). We have showcased these charts in our June 2018 and March 2022 newsletters as well. As can be seen from the chart, we have crossed +2 Standard Deviation and are at the earlier peak.

[1] The Benchmark of M&SSP Investment Approach has been revised from BSE 500 and BSE Mid Cap index to **S&P BSE 500 TRI** with effect from 01st April 2023 as per SEBI/APMI circulars. Equity allocation mentioned above is for older accounts. The above returns are consolidated for all clients, time weighted and post management and performance expenses. The actual returns of clients may differ from client to client due to different portfolio and timing of investment. Past performance is no guarantee for future performance. Inception Date is 27th January 2011.

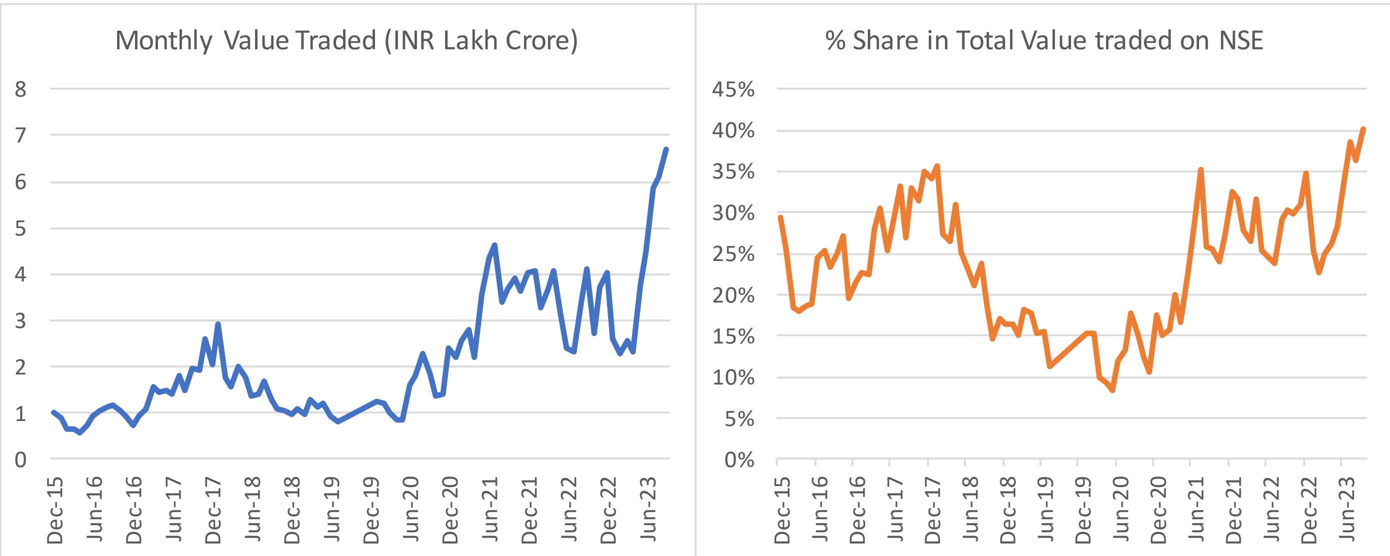
Chart 2: NSE Mid & Small Cap Median PE Valuation



Furthermore, we have observed a significant increase in liquidity within the Mid and Small cap segment of the market. Chart 3 provides data of monthly value of shares traded for all companies listed on the NSE excluding the Top 200 companies. This dataset offers insights into what's happening beyond the large-cap stocks. Notably, the value of shares traded for this set of companies has surged by almost 3x since April 2023 and nearly doubling in comparison to the average value traded since May 2021.

Additionally, the percentage share of this set of companies in the total NSE value traded has reached new highs, surpassing the range seen during 2017-18. This trend is influenced by inflows observed in Small & Midcap mutual funds discussed earlier, as well as the growing interest of retail investors in this segment.

Chart 3: Value traded data for all NSE listed Companies (Excluding NSE Top 200)



Source: NSE

It's important to emphasize that liquidity in the mid and small-cap space follows a cyclical pattern. The most favorable opportunities in mid and small-cap stocks typically arise when liquidity is scarce. Conversely, when liquidity is excessive and valuations are stretched, it serves as a warning sign of potential overheating in this segment warranting caution.

We follow a bottom-up portfolio construction and thus are Market Cap agnostic. Our exposure to the Mid & Small cap companies is around 33% in the portfolio. Although we have conviction in the quality of the businesses in our portfolio and the valuations at which we acquired these companies, we acknowledge the potential for those portfolio of mid and small cap investments to experience a "rub-off" effect and thus lead to mark-to-market losses in the event of a broader market correction.

Once again, we seem to be in a phase where the opportunity set within our investable universe has shrunk significantly (excluding large Cap Financial & Financial Services space). In periods such as this as value investors, we must either sacrifice quality or pursue companies that may be mispriced due to known near-term challenges. As a policy we won't compromise the quality of the portfolio, especially with elevated valuations in the broader markets. The Second basket, where we are pursuing a contrarian approach, we remain mindful of restricting the exposure to such companies in our portfolio, as they may drag performance in the near term beyond the tolerance of our investors. We had experienced this phenomenon during 2021-22. Today we find that even in this basket, mispricing of securities in context of uncertainties/overhangs is not attractive enough. We believe therefore that the probability of making a mistake while allocating fresh capital to a new idea is high. Instead, we would rather increase our allocation to existing ideas where we have higher conviction, and we believe our investment thesis is playing out.

Asset Allocation

Our equity weight in the older accounts is ~76%. For new accounts our initial weight is ~37%.

Portfolio Activity

Business Model Allocation	Dec-22	Mar-23	Jun-23	Sep-23
Moat	19%	14%	11%	11%
Limited Moat	60%	59%	61%	63%
Moat + Limited Moats	***79%***	***73%***	***72%***	***74%***
Special Situations	21%	27%	28%	26%
Regulated Utility	-	-	-	-
Grand Total	**100%**	**100%**	**100%**	**100%**

Sector Allocation	Dec-22	Mar-23	Jun-23	Sep-23
Financials	29%	38%	36%	31%
Financial Services	28%	14%	19%	24%
Consumer	11%	14%	13%	14%
Information Technology	4%	10%	9%	8%
Pharma	6%	8%	6%	7%
Auto & Auto Ancillaries	11%	7%	5%	6%
Materials	3%	1%	5%	4%
Capital Goods	3%	4%	4%	4%
Real Estate & Infrastructure	5%	5%	5%	3%
Grand Total	**100%**	**100%**	**100%**	**100%**

We have increased allocation in the Financial Services space and Auto & Auto Ancillaries.

Regards,

Rohan Samant	Rohan Advant	Akshat Hariya
CIO	**Sr. PM & Associate Director**	**Assistant Portfolio Manager**

Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited (**Registration No. INP000002965)**

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. This Document and the Information do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities or any other investment products/strategies mentioned in this Document or an attempt to influence the opinion or behaviour of the Investors/Recipients.

The statements made herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The Stocks mentioned herein forming part of the existing PMS Strategy may or may not be bought for new client. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. MAECL does not provide any guarantee/ assurance of any minimum or maximum returns. Investment in Securities is subject to market and other risks and there is no assurance or guarantee that the objectives of any of the Strategies of Portfolio Management Services will be achieved.

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, understanding of intended recipient and is not meant to serve as a professional guide and/or the same should not at any point of time be construed to be an invitation for subscribing to Moats & Special Situations Portfolio – Investment Approach. The client may or may not be holding the Stocks 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 based on the Investment approach selected by the 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.

Note:

1. All cash holdings and investments in liquid funds, is considered for calculating the performance.
2. All performance data are reported net of all fees and all expenses (including taxes).
3. The above performance numbers are not verified by the SEBI.

Disclosure as per Global Investment Performance Standards (GIPS®) –

Multi-Act Equity Consultancy Pvt. Ltd. claims compliance with the Global Investment Performance Standards (GIPS®). You can refer to the GIPS Compliant performance presentation here. Multi-Act Equity Consultancy Pvt. Ltd. has been independently verified by M/s. M. P. Chitale & Co., Chartered Accountants for the periods April 1, 2011 through March 31, 2019. The verification is available upon request. MAECL has claimed GIPS compliance for the Financial Year 2023 and such performance numbers shall be made available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The Composite representing the Moats and Special Situations portfolio was created on 27th January 2011. Performance has been compared with benchmark S&P BSE 500 TRI. The Gross Return is before all expenses (except Brokerage). Net Return is after all actual expenses. A complete list of composite descriptions, policies for valuing portfolios and calculating performance fees are available on request.

Multi-Act Equity Consultancy Pvt. Ltd. is an independent SEBI registered Portfolio Manager. The firm maintains a complete list and description of composites, which is available upon request. This MSSP Composite includes all discretionary fee-paying portfolios that are being managed with the objective of generating capital appreciation by investing in companies that in the opinion of the Portfolio Manager are of high-quality Moat or Limited Moat businesses at fair value or discount to fair value OR in Non-Moat businesses at deep discount to fair value as special situations. The portfolio manager has also the discretion of not being fully invested if he is not able to find ideas that meet the above criteria along with valuation criteria, thus, indirectly taking an asset allocation call between Equity and Cash (& Cash Equivalents).

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

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 December 04, 2020 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.

(**Registered Office:** Katariya Capital, A-19, Vidyut Nagar Society, Lane 5, Koregaon Park, Pune – 411 001
Telefax: +91 22 2615 3738 | CIN: U67120PN1993PTC074692)