



AMBIT **365**

Absolute, Consistent, All-Season

Ambit Investment Managers

April 2024

An Open Ended Scheme of Ambit Investment Managers Trust, a trust organized in India and registered with Securities and Exchange Board of India (SEBI) as Category III Alternative Investment Fund and managed by Ambit Investment Managers Private Limited.

WHY LONG SHORT?



India's Upward Journey

INDIA

STRUCTURAL REFORMS

- Manufacturing boost
- Tax reforms
- Improving infra
- Rising FDI

CORPORATE INDIA

- Formalization
- Strong Balance Sheet
- Sectoral Diversity
- Innovation culture

GLOBAL POSITIONING

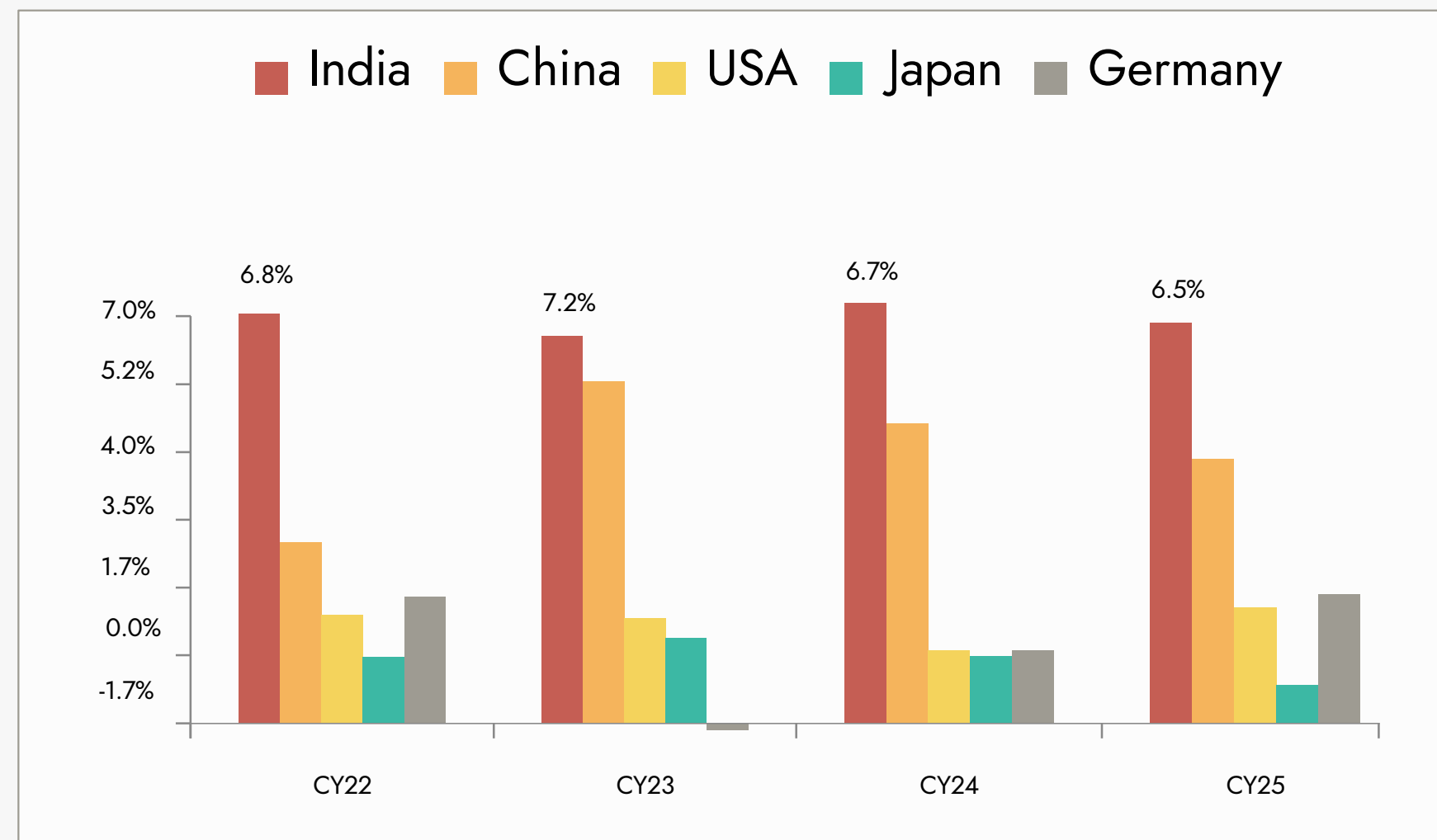
- Fastest GDP growth
- Political Stability
- Rising Export Share
- Demographic Dividend

WEALTH EFFECT

- Rising Financialisation
- Social Spending
- Premiumisation
- Global spenders

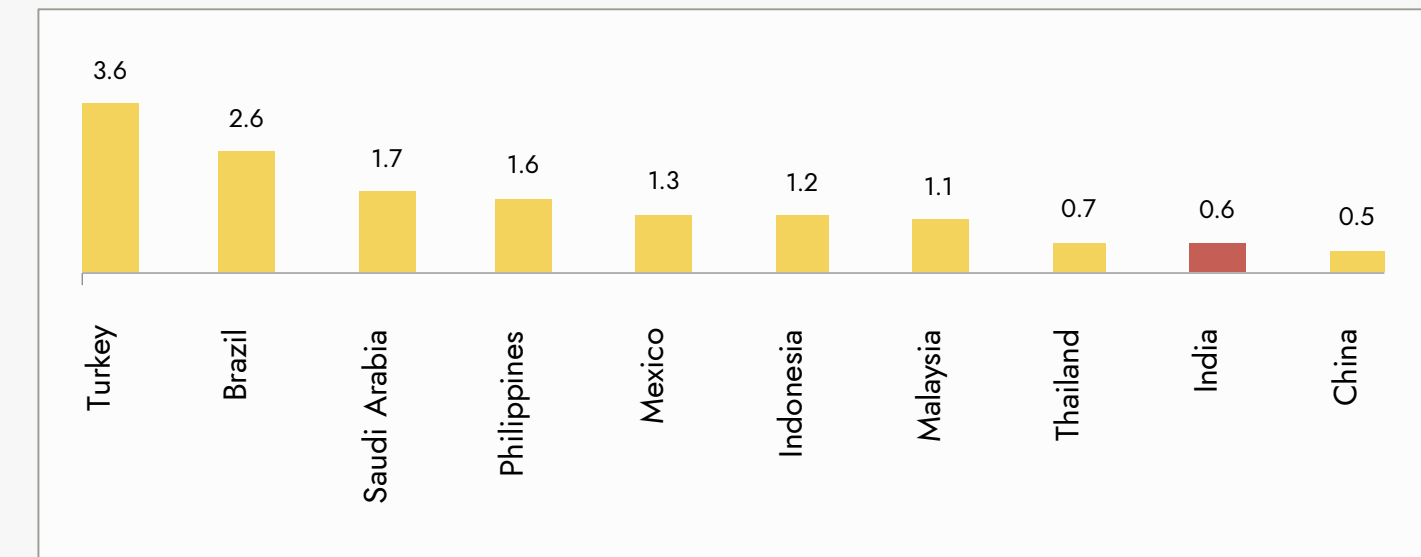
Fastest growing & resilient (emerging) economy....

GDP growth

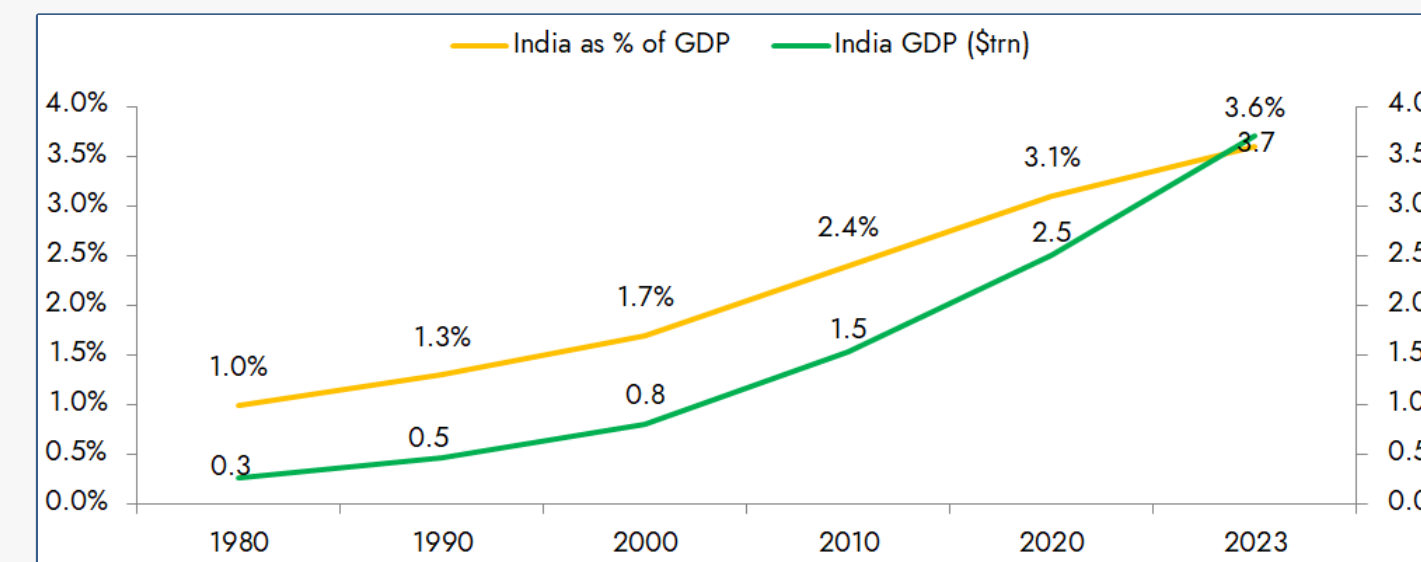


Source: IMF, Statista

CPI volatility during 2015-19

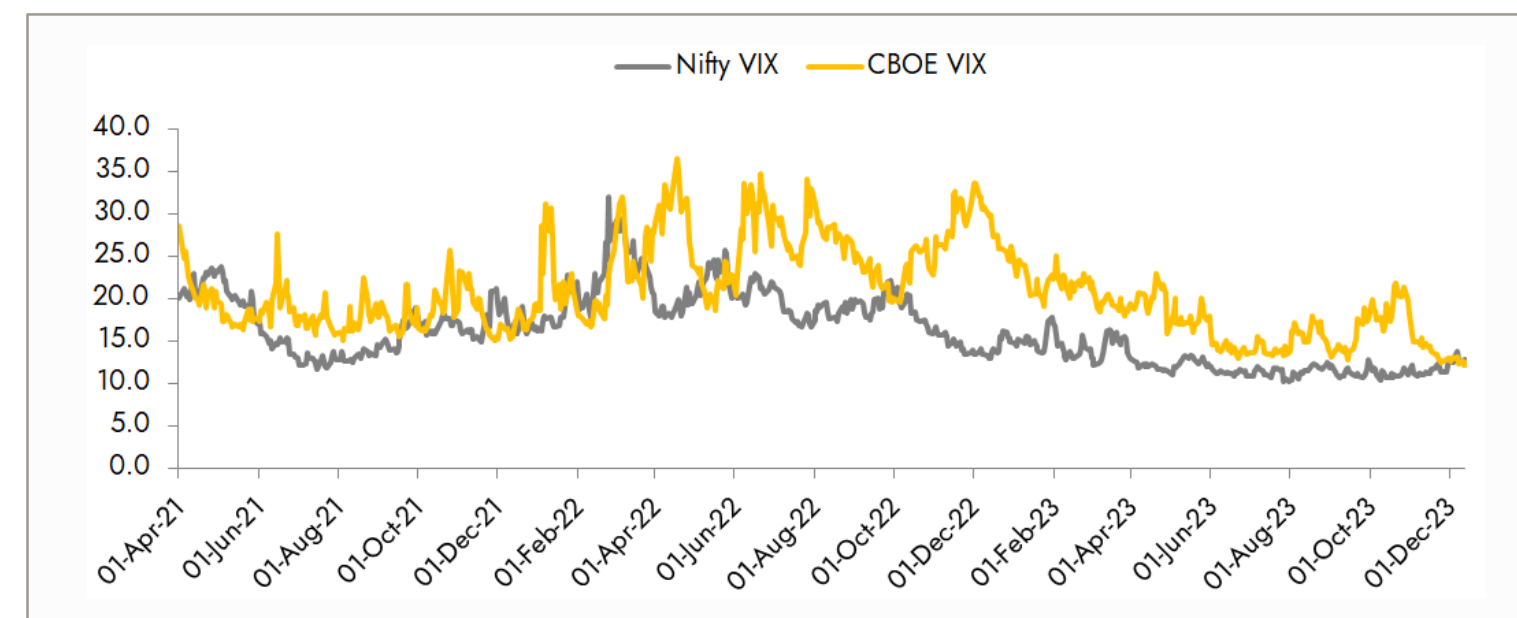
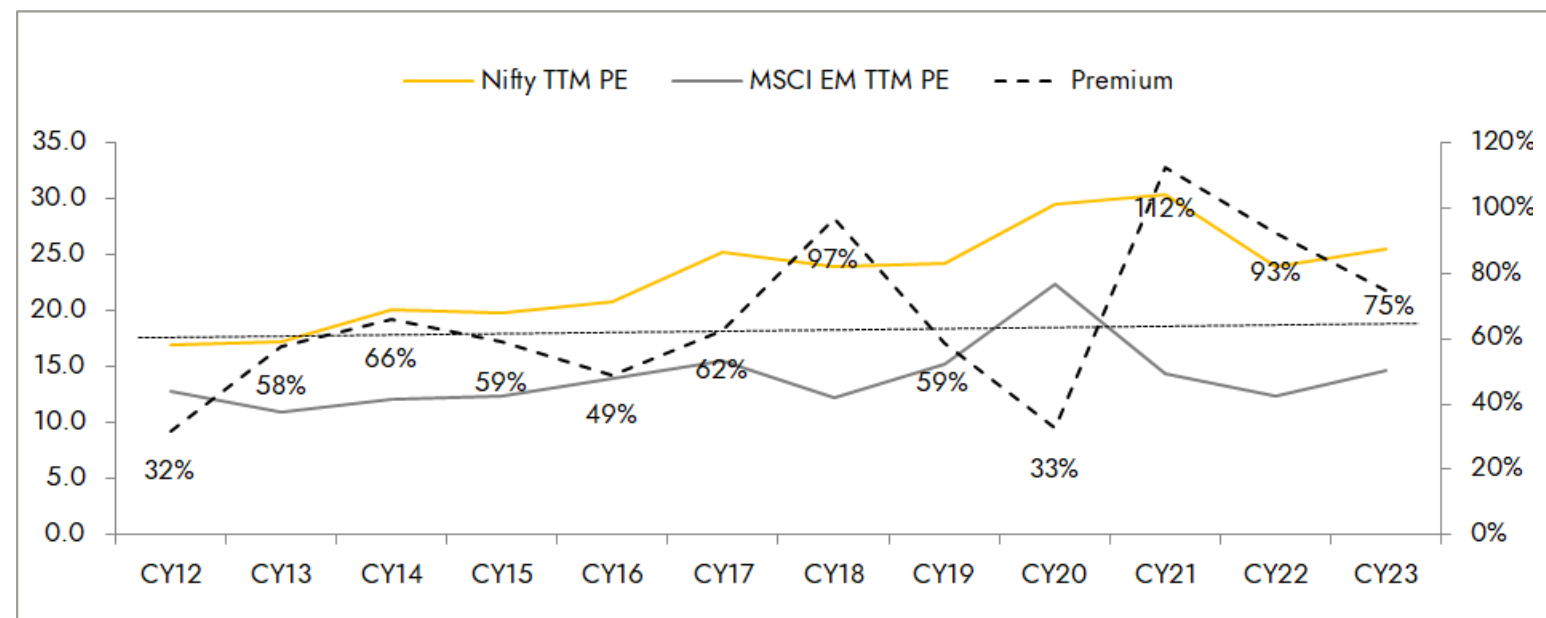
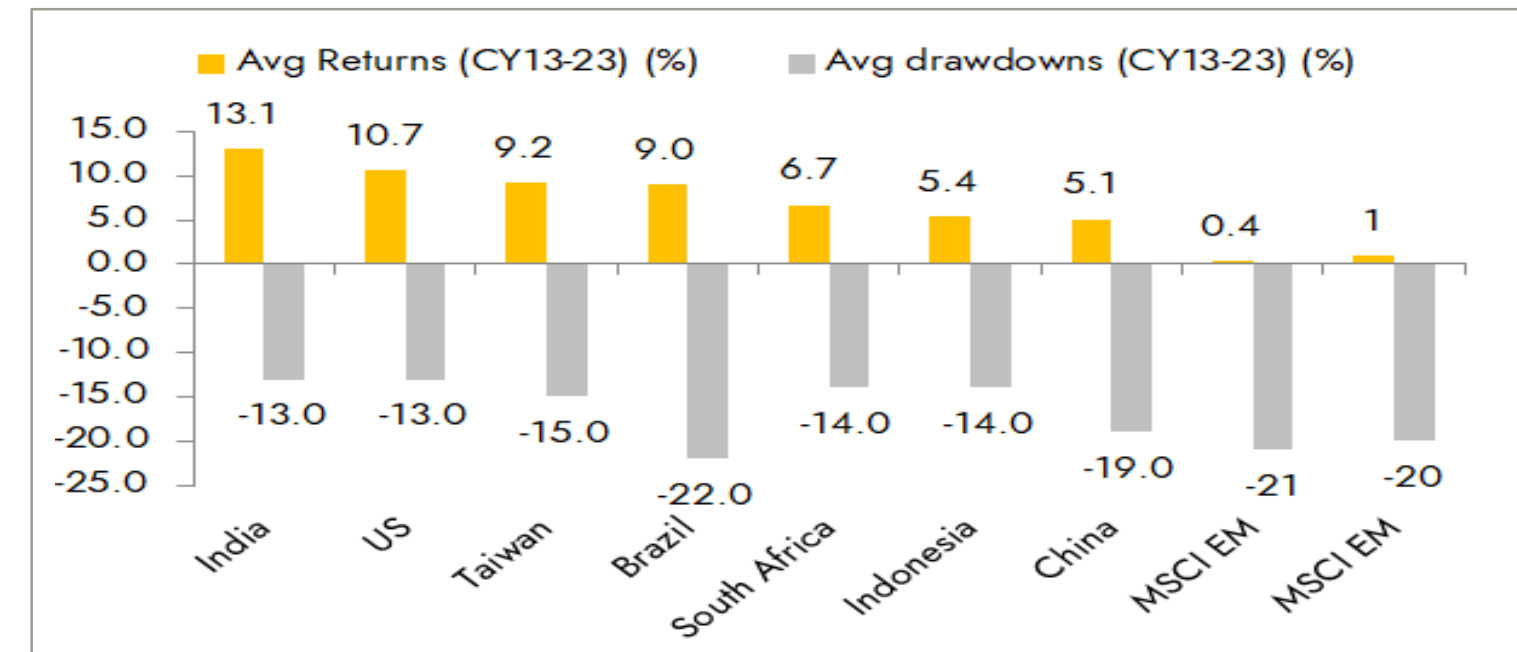
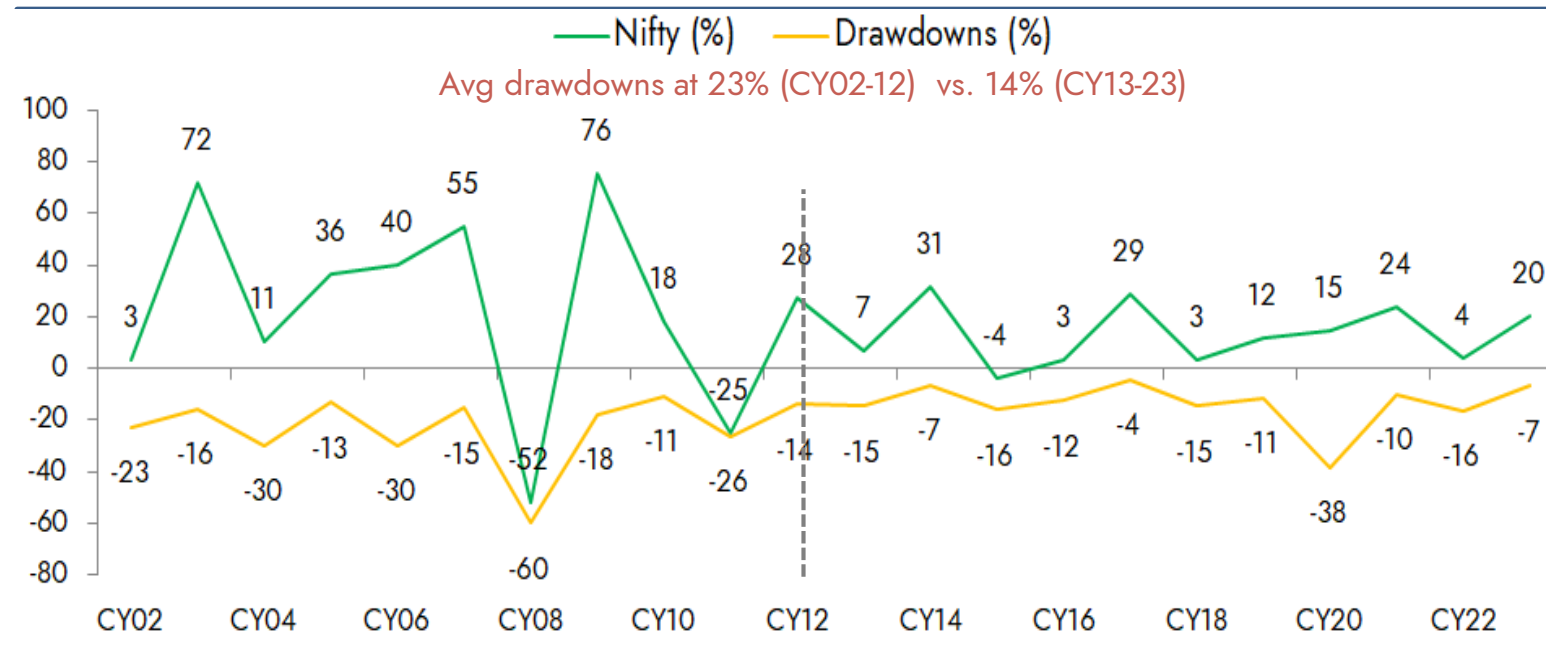


India is the 5th largest economy in the world



● Indian Goldilocks: Managing strong growth with low inflation volatility – even better than the developed world

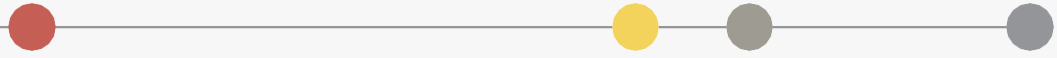
...with developed market characteristics



Source: Bloomberg

● Indian equities deliver better returns with lower draw-downs than most of the Emerging world. Volatility is now lower than NYSE

Equity returns are moderating



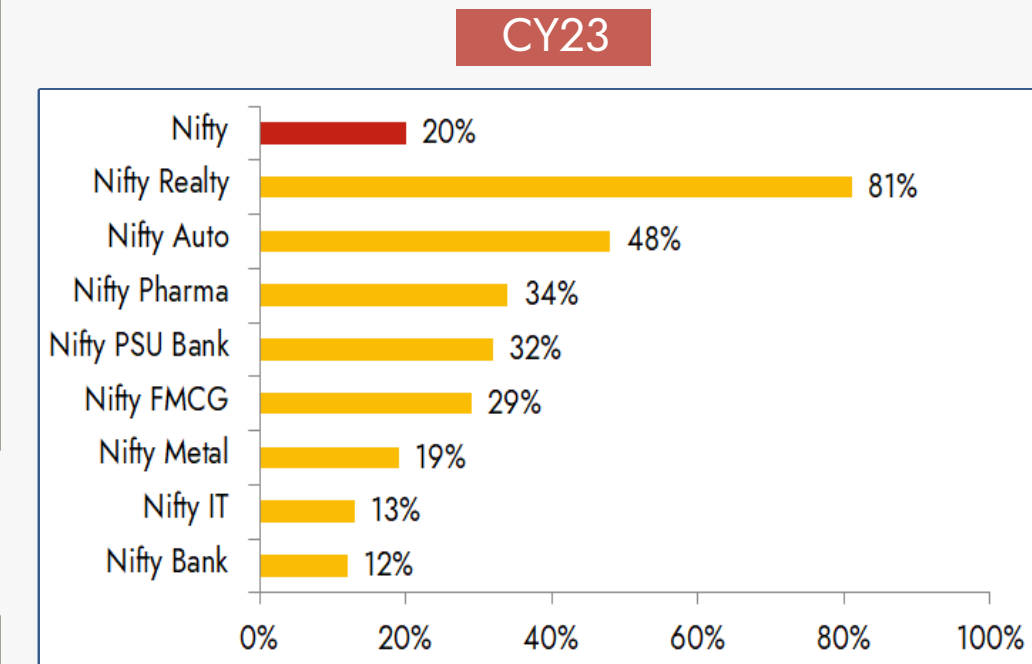
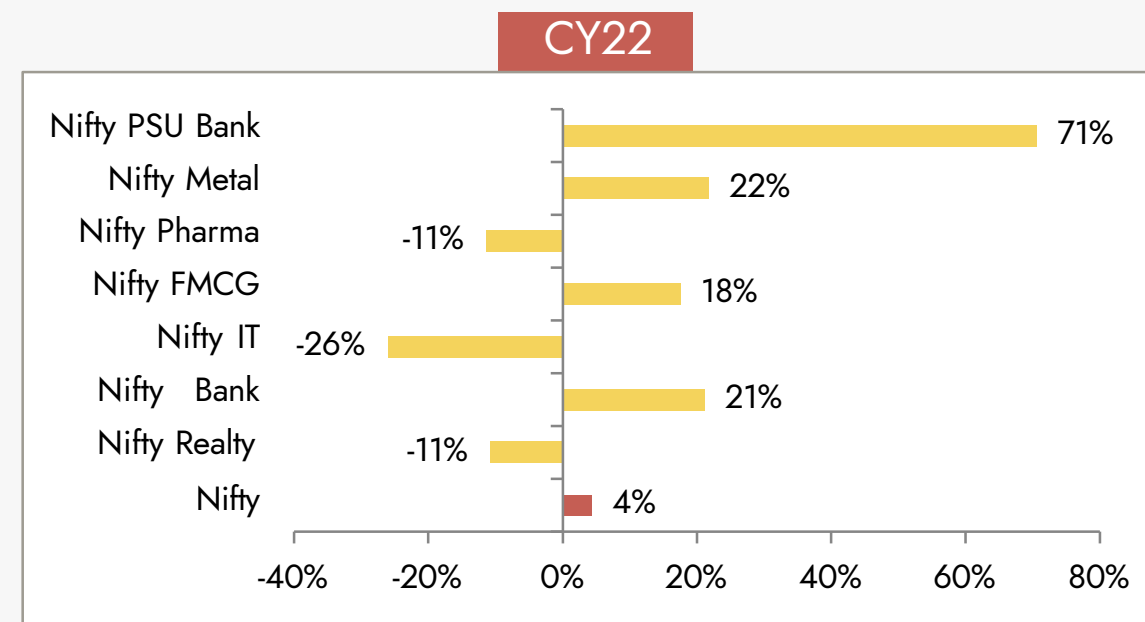
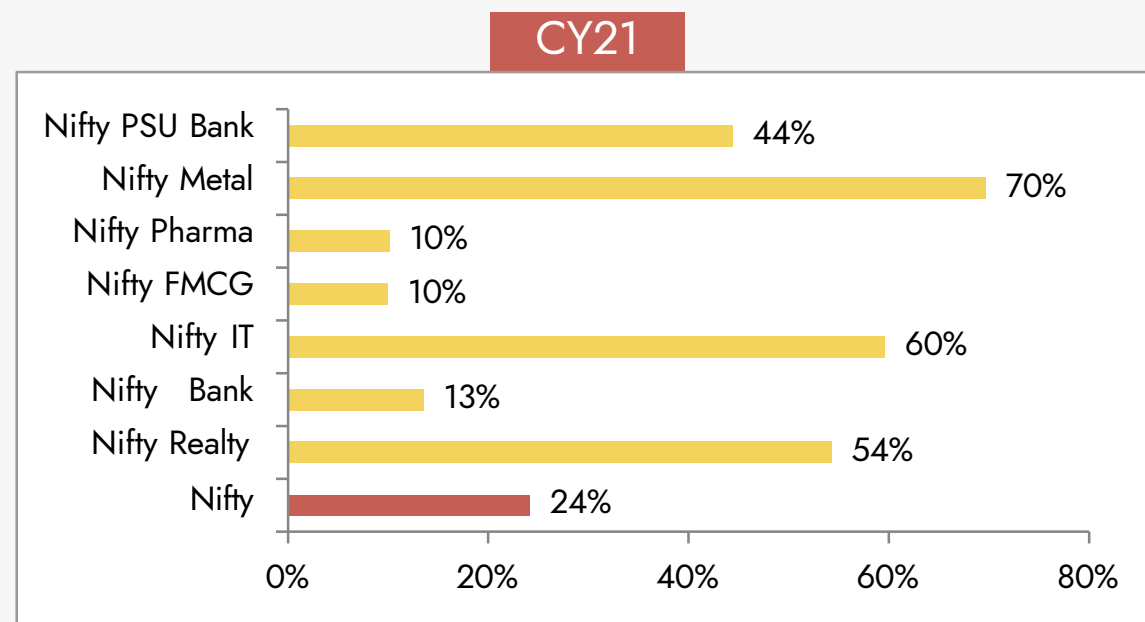
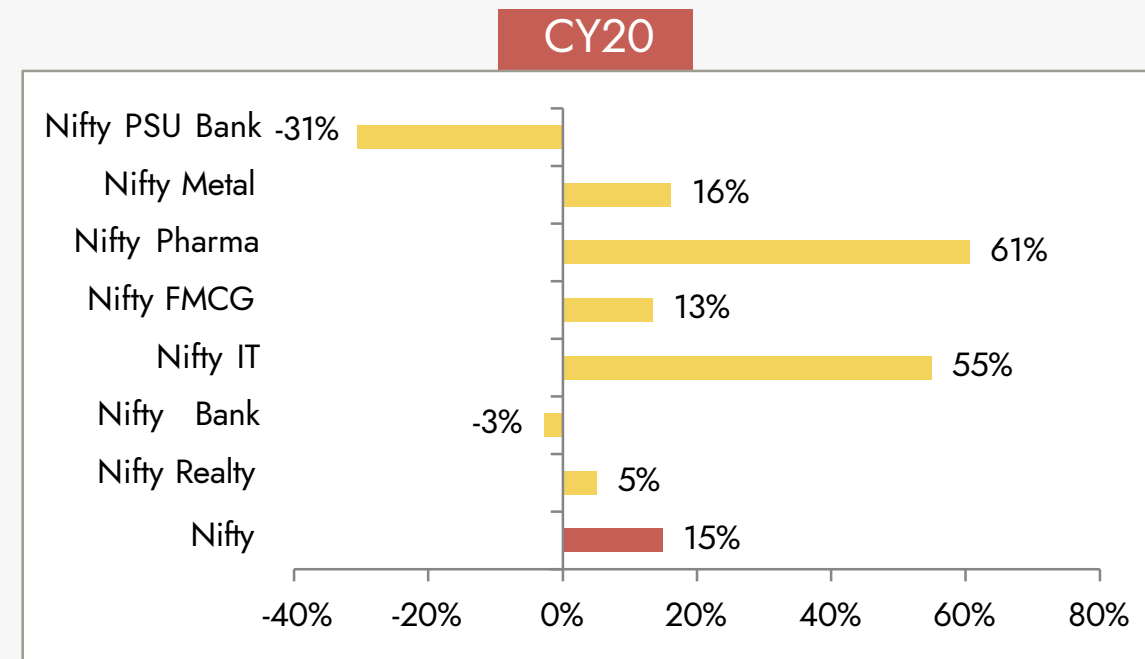
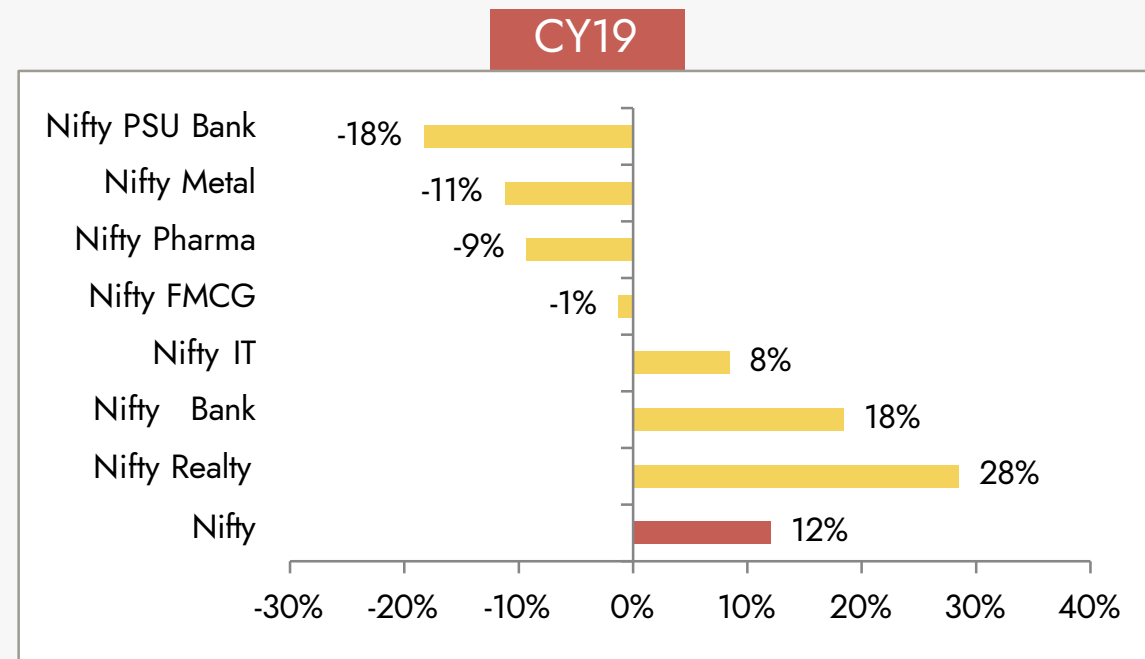
Insert the following data

Dec-23: 15.6
Average: 12.1

Dec-23: 11
Average: 13

• Higher stability and lower risk also means returns are moderating

Trends: High Diversity leading to Sector Dispersion



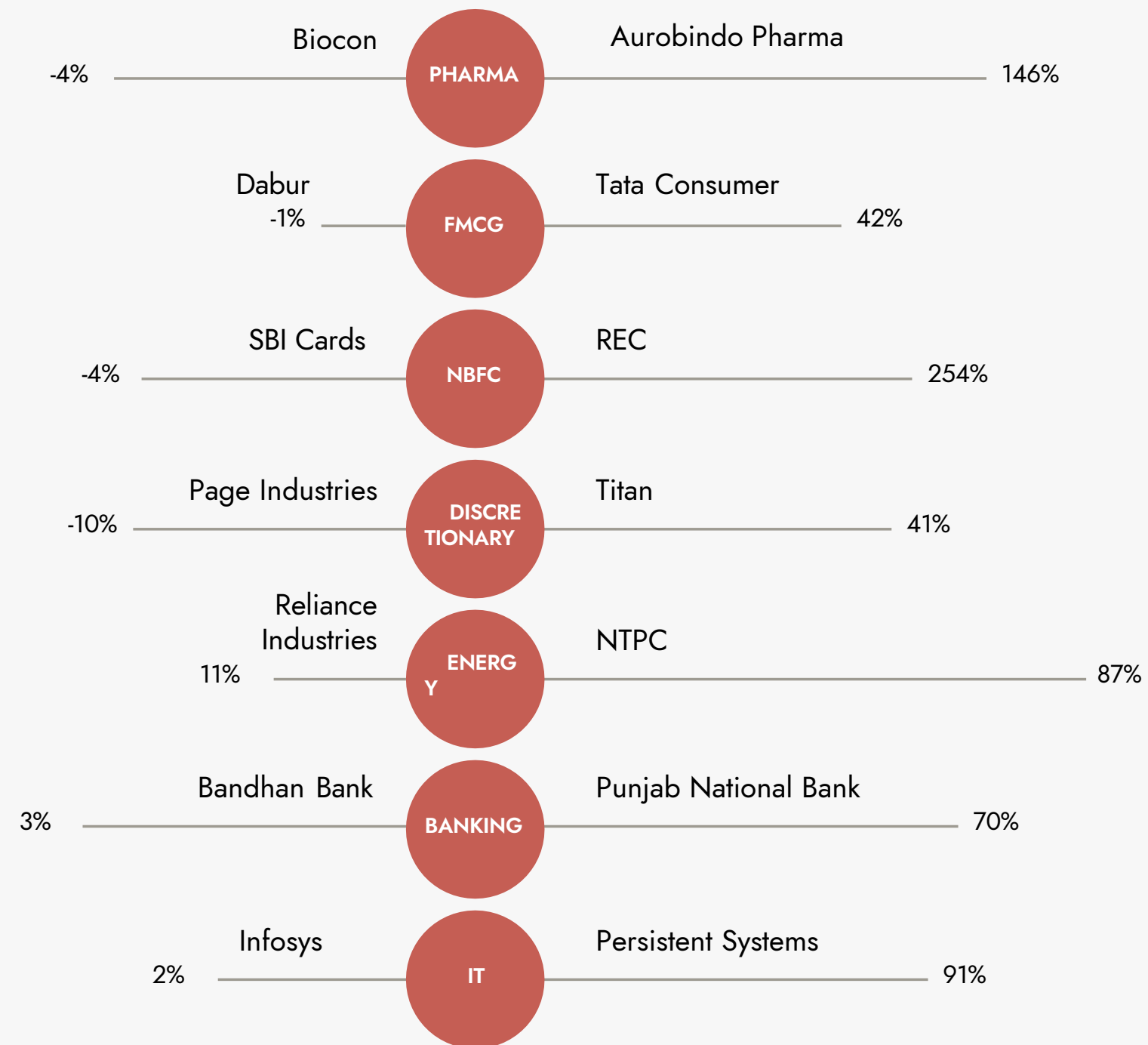
- Macro & Micro Global Variables
- Business Cycles
- Technological Advancements
- Government Policies & Reforms

Source: Bloomberg

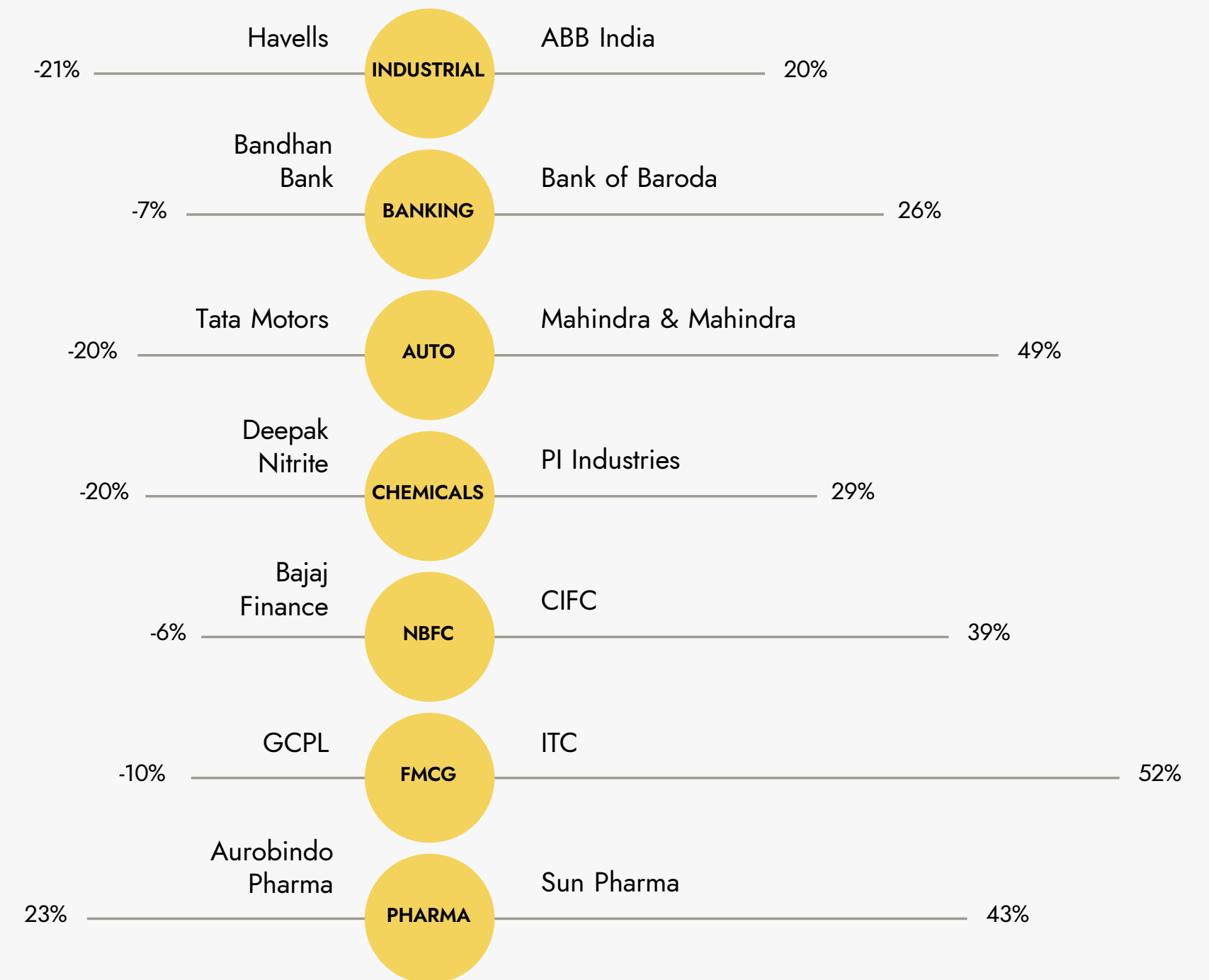
● India's economic diversity is leading to higher sector dispersion: the greatest catalyst for long-short

Intra Sector Dispersion

CY23



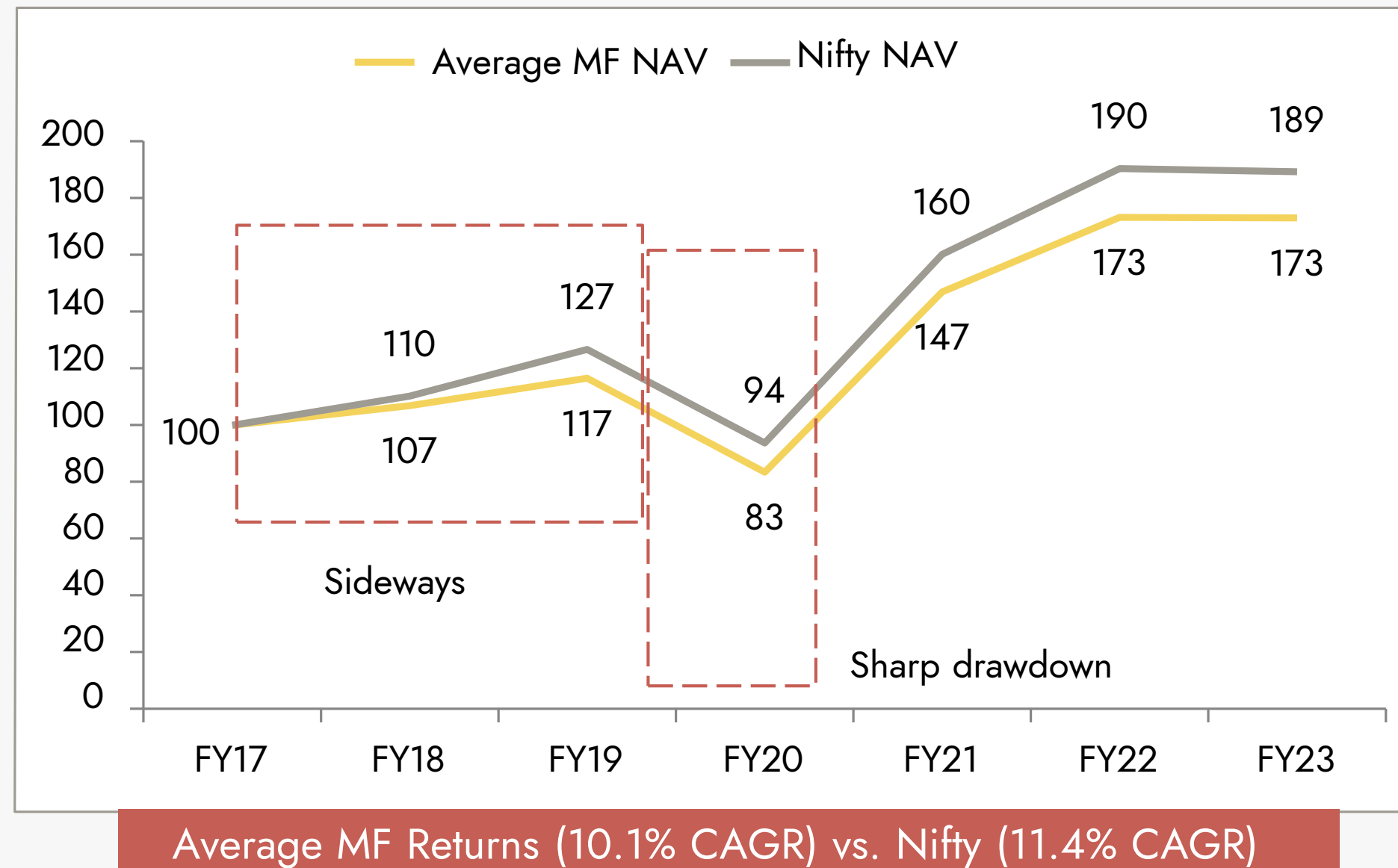
CY22



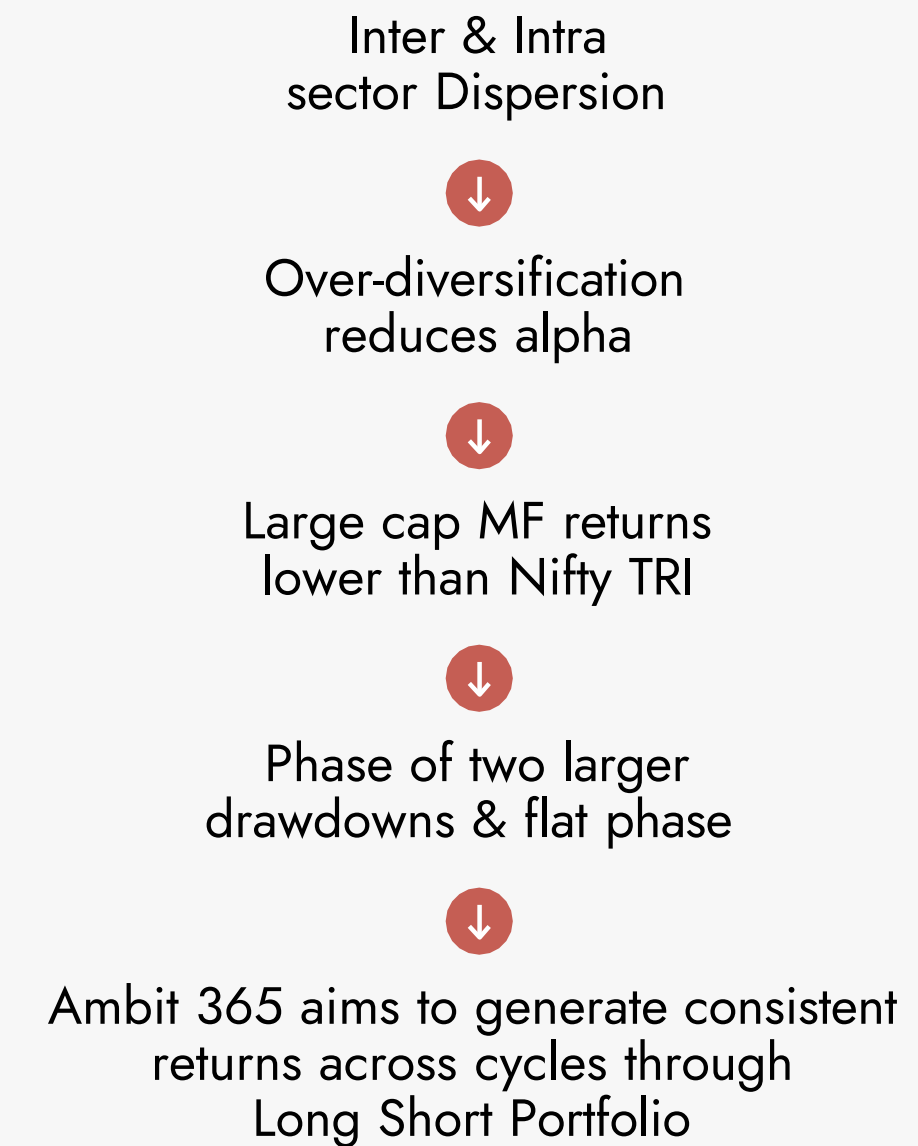
Source: Bloomberg

● Sophisticated, professional investors-driven market = high polarity in stock performance

Consistent absolute returns – timing agnostic



Source: Equal weighted MF NAV considered for calculating MF NAV
 Aditya Birla Sun Life Focused Equity Fund (Growth), Franklin India Bluechip Fund (Growth), HDFC Growth Opportunities Fund (Growth), ICICI Prudential Focused Equity Fund (Growth), Nippon India Large Cap Fund (Growth), SBI BLUE CHIP FUND (Growth)



● Mutual funds lag Nifty; timing errors can drag it lower. Solution: Consistent Returns

AMBIT 365



STRATEGY & INVESTMENT FRAMEWORK

Ambit 365: Directional Long Short Strategy

EQUITY

- **Advantage:** Potentially Higher return
- **Disadvantage:** Volatility, Timing Risk

DEBT

- **Advantage:** Capital protection
- **Disadvantage:** Lower returns, rate risk

AMBIT 365

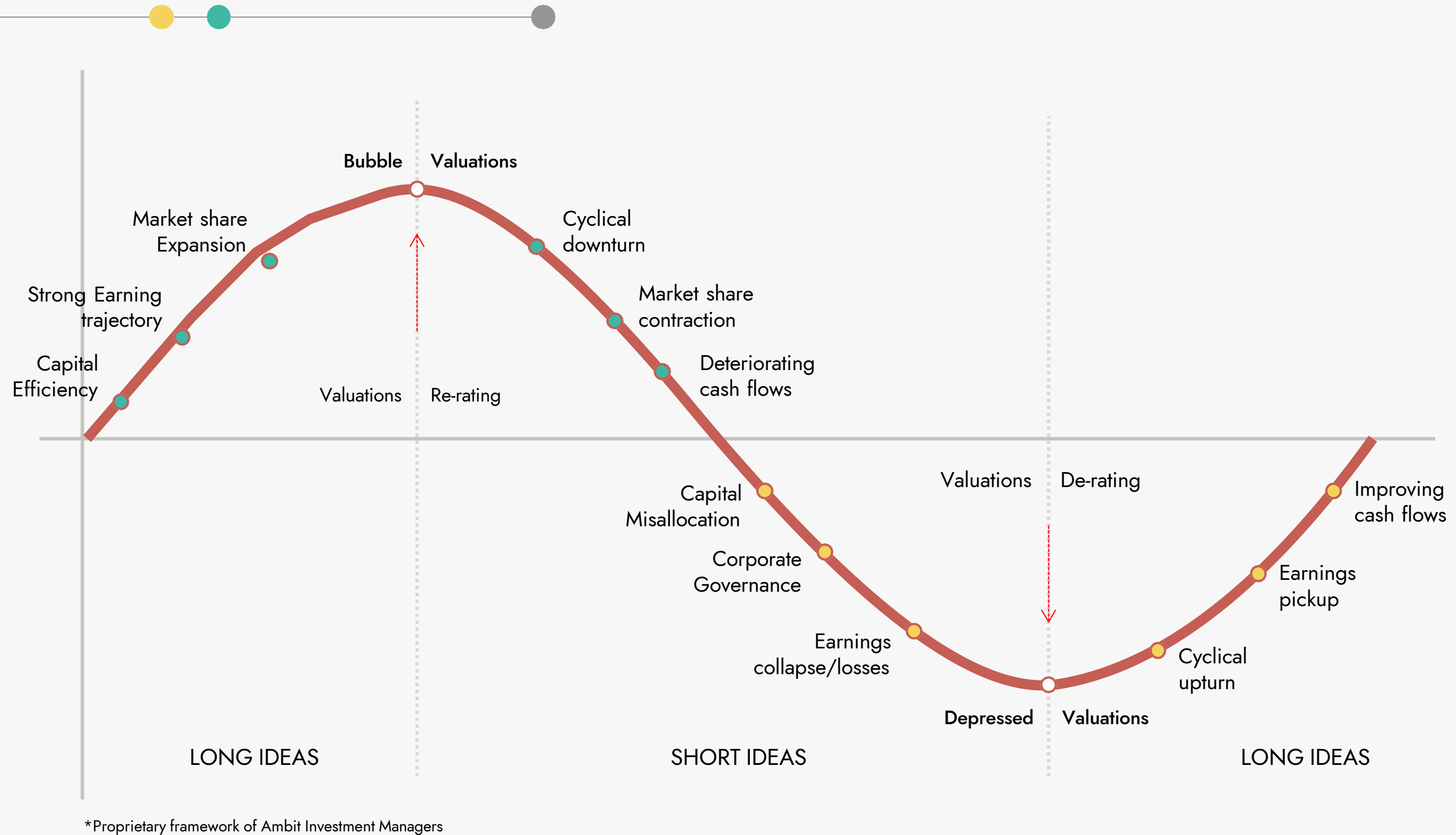
- Aims to generate consistent returns, irrespective of market direction and lower drawdowns

KEY FEATURES OF AMBIT 365

- **Long and Short Stocks for Alpha:** Concentrated portfolio of long and short stocks; Stock selection is driven by our Sine Curve framework
- **Nifty - Hedge and Beta:** Rule-based approach to use Nifty as a hedge
- **Risk Management:** Selection and allocation framework is uncorrelated
- **Timing agnostic:** Consistent returns target to avoid timing bias

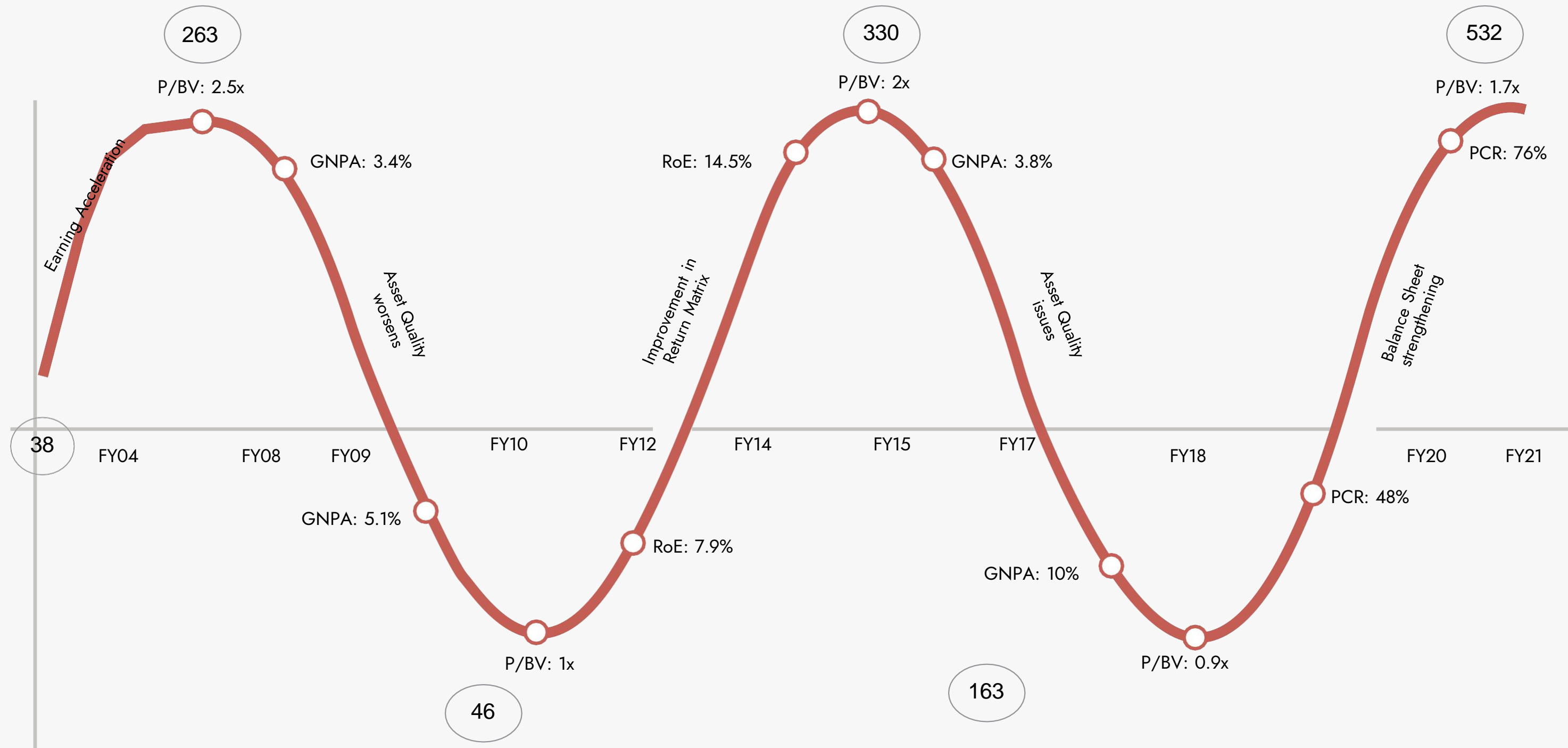
- Ambit 365 is a directional LS strategy focused on absolute returns, irrespective of market direction

Sine Curve* framework for stock selection



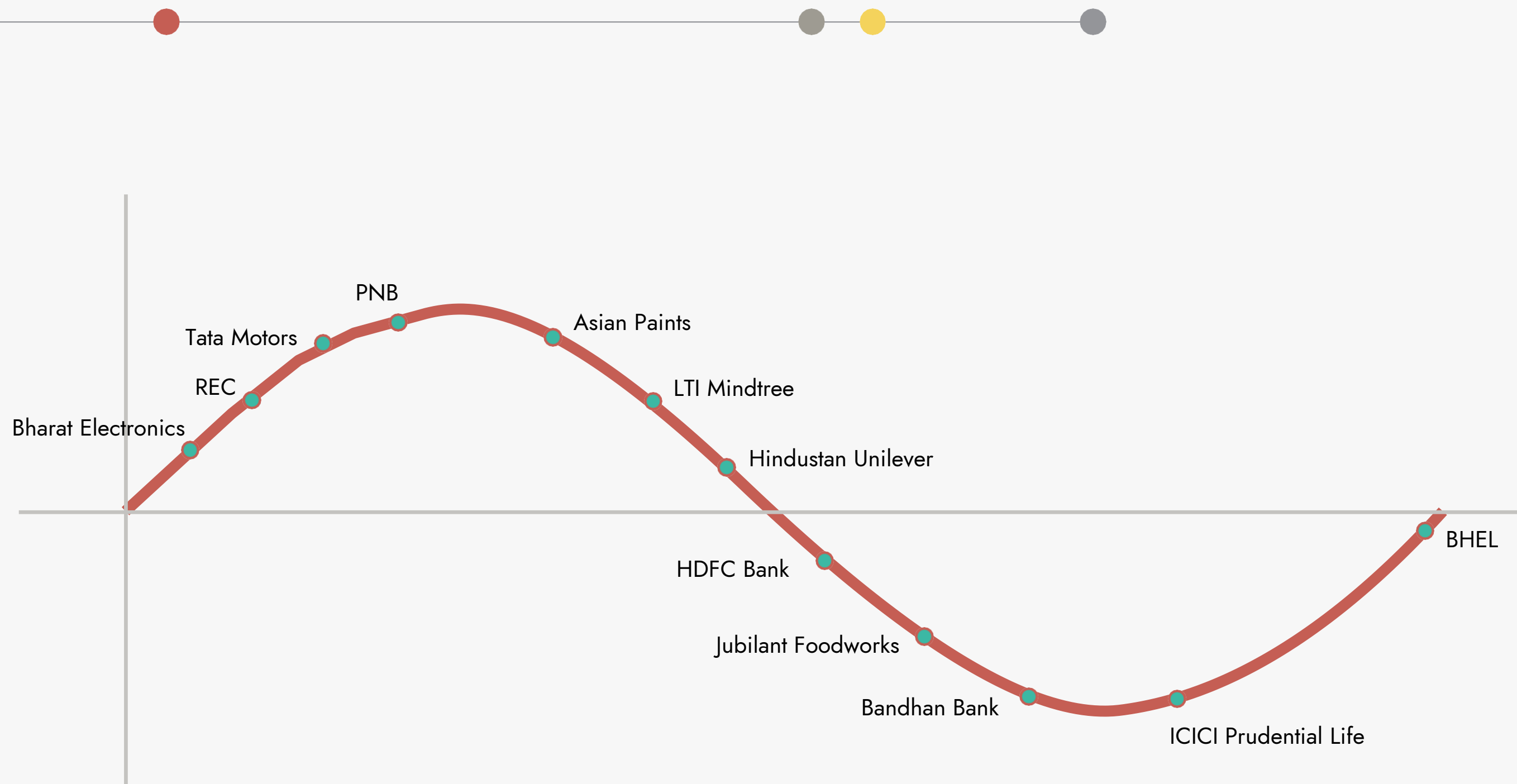
● Everything is a cycle, on some time horizon

Sine Curve Illustration: ICICI Bank



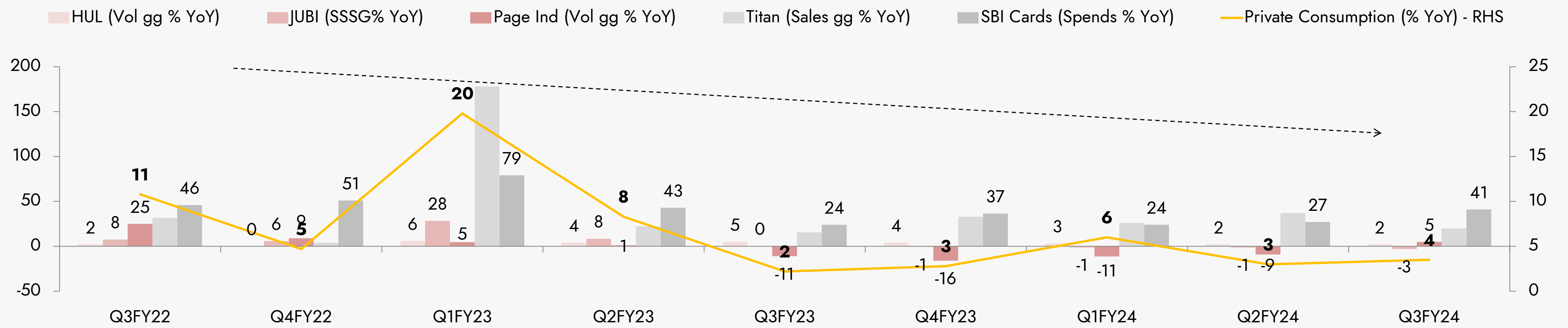
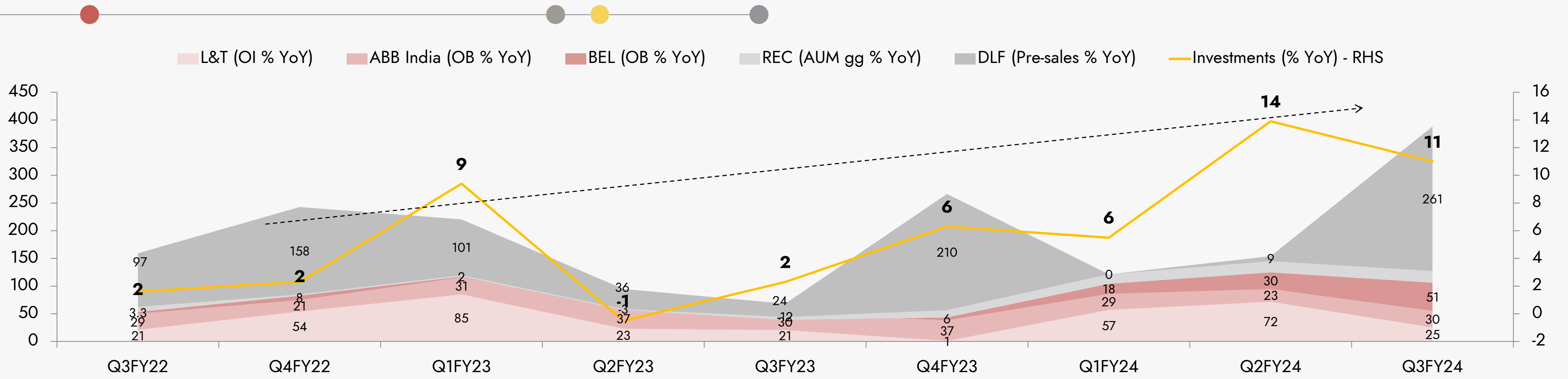
● Last 3 decades ICICI has seen 2 down-cycles and 3 up-cycles- a perfect Sine Curve

Sine Curve: Stocks Positioning

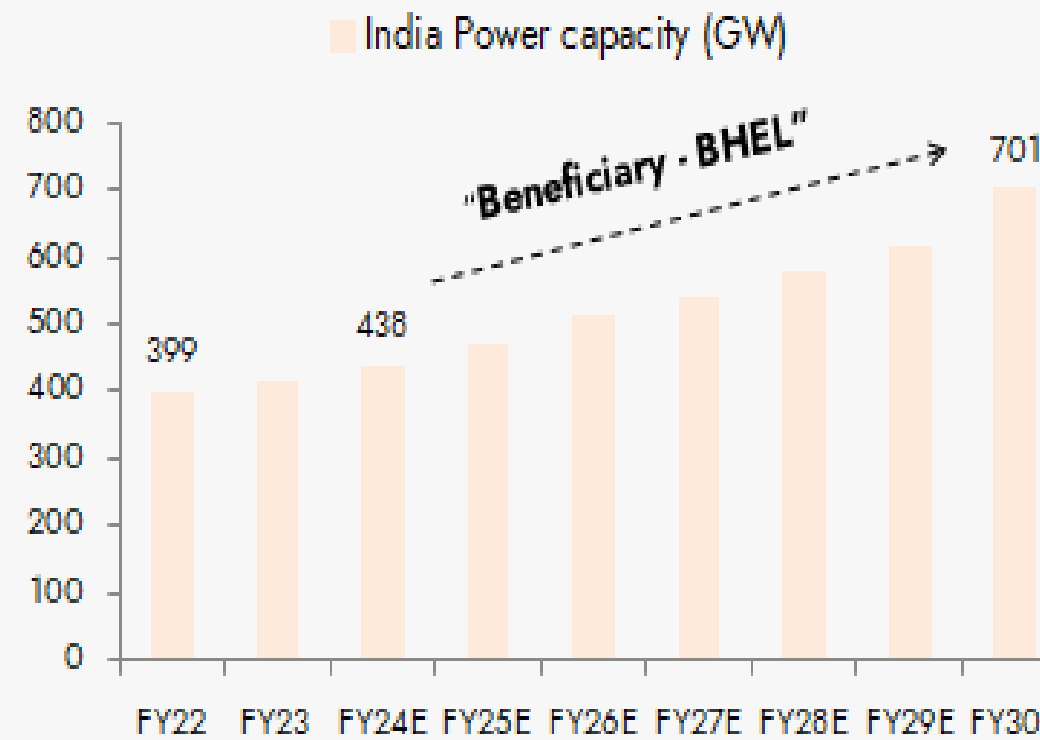
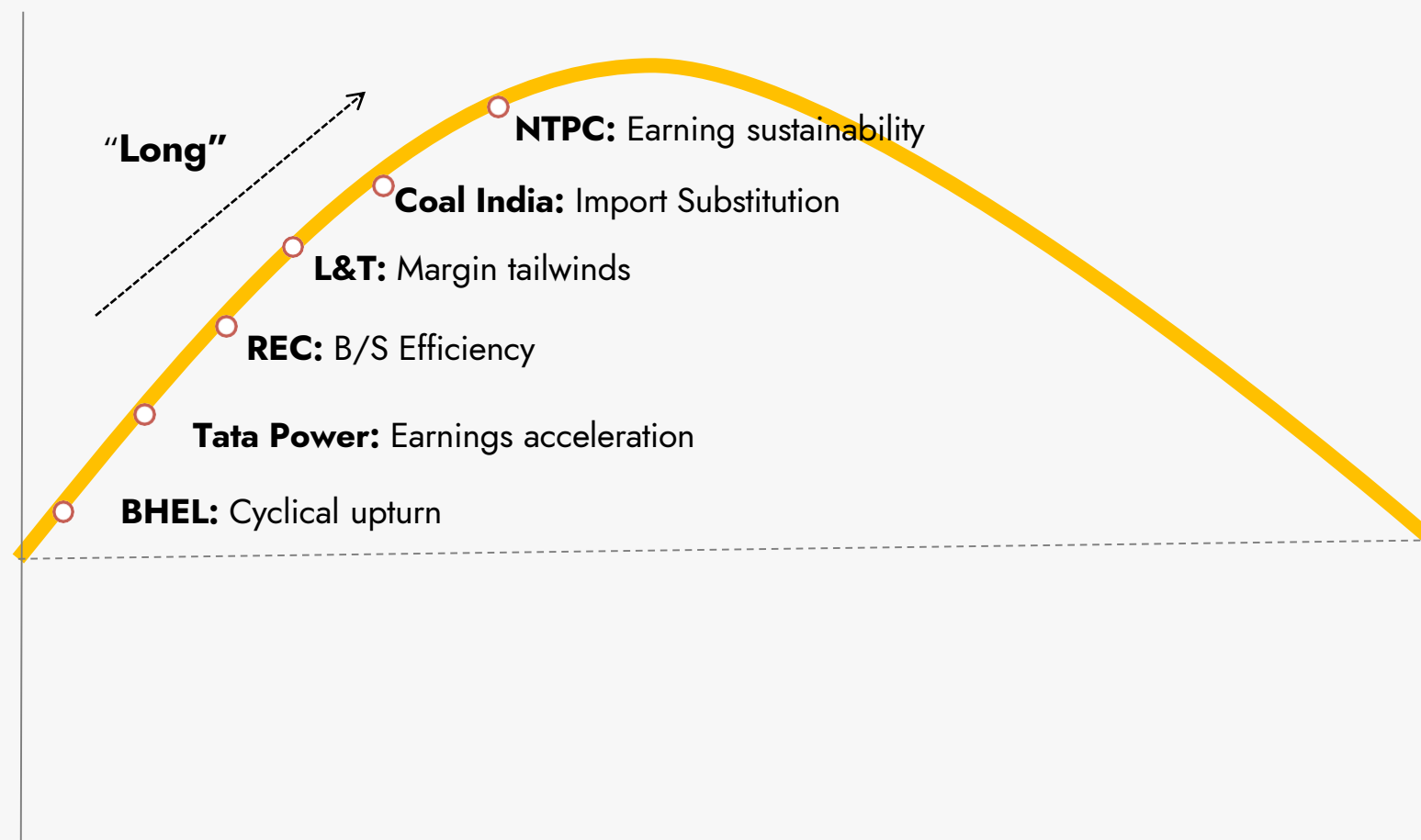
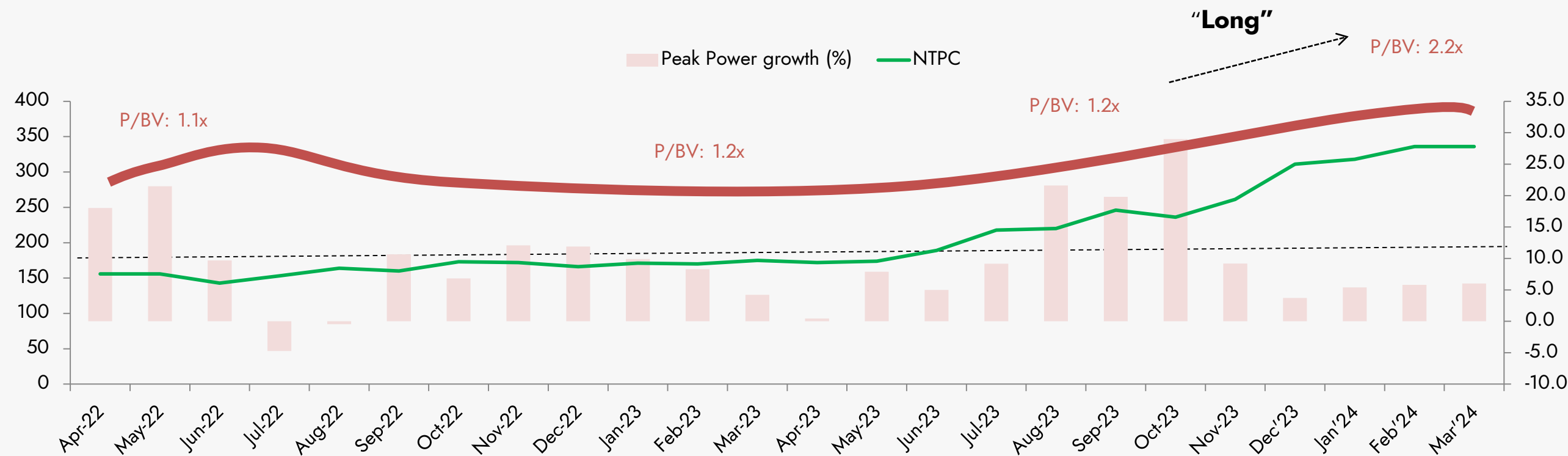


- **BHEL** : Order inflow at Rs600bn i.e. 2x of long-term average & 90GW Thermal capacity opportunity
- **Bharat Electronics**: Book to Bill ratio at 3.9x with Earnings CAGR at +20%
- **REC**: Power & Non-power credit demand opportunity at Rs50trn with AUM gg at 15-20%
- **Tata Motors**: Automotive FCF in FY24 with JLR to turn net cash in FY25.
- **PNB**: Recovery to Slippage ratio at +3x driving profitability.
- **Asian Paints**: Value growth (4-5%) vs. Volume growth (10-12%) with weak earnings CAGR at 6% over FY24-26E
- **LTI Mind tree**: Revenue growth deceleration from high mid-teens to mid-single digit.
- **HUL**: Volume gg subdued (1-2%) with higher regional competitiveness, resulting into earnings cut.
- **HDFC Bank**: Growth moderation from 20% to 14-15% with LDR & LCR at 110%; return matrix to moderate
- **Jubilant Foodworks**: Revenue 4-yr CAGR for Q3 at 3% & LFL growth trend from positive to negative.
- **Bandhan Bank**: Slippages > Recoveries & upgrades

Divergence: Investment vs. Consumption



Energy: Structural



Reforms: Revamped Distribution Sector Scheme to reinvigorate DISCOMS & Late Payment Surcharge aiding financial discipline

High capex phase: Biggest beneficiary of 80GW new thermal pipeline by FY32; Thermal capacity addition from 2.5GW to 9GW p.a. & Power Capex CAGR 9% - BHEL & NTPC Beneficiary

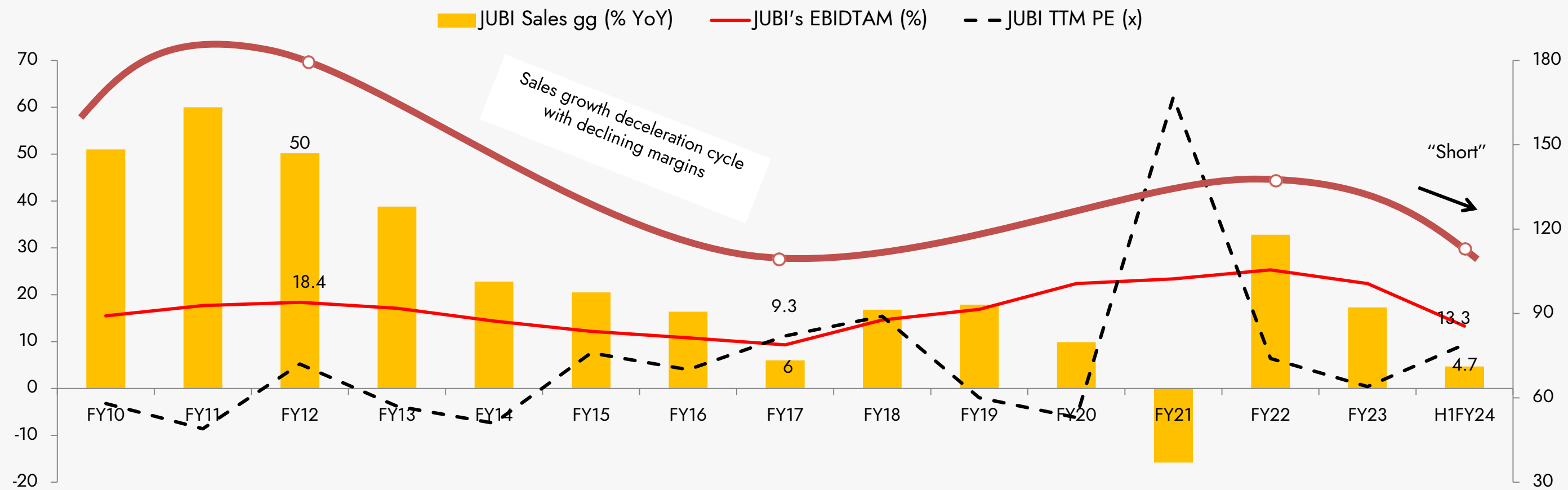
Energy Transition: Renewable Mix to improve from 26% in FY23 to 50% in FY30 – NTPC, Tata Power beneficiary

Financier: Driver for heavy capex & Energy transition & reforms leading to Rs10trn demand & lower slippages - REC/PFC beneficiary

Diversification: Coal mining, Hydrogen-based energy, pump-storage, Mobility, Chemical manufacturing (Ammonia & Methanol)

Financials: Companies PAT CAGR to improve from single-digit over FY13-23 to high double-digit over FY23-27E

Jubilant Food works: Earnings deceleration

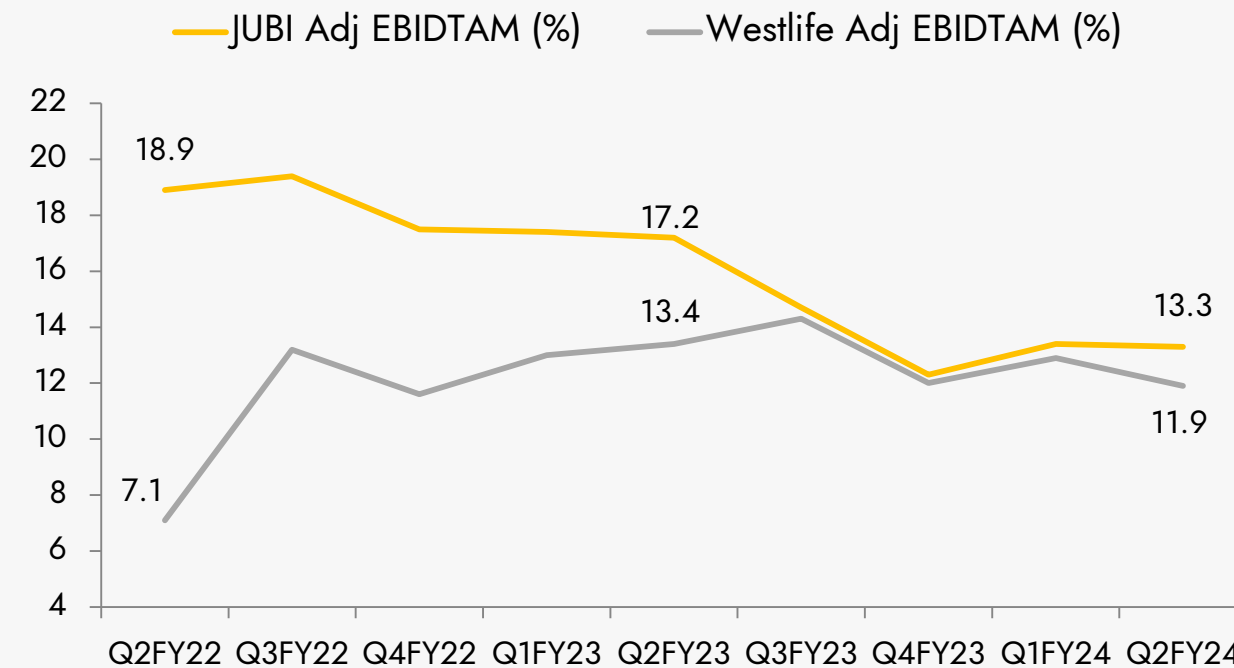
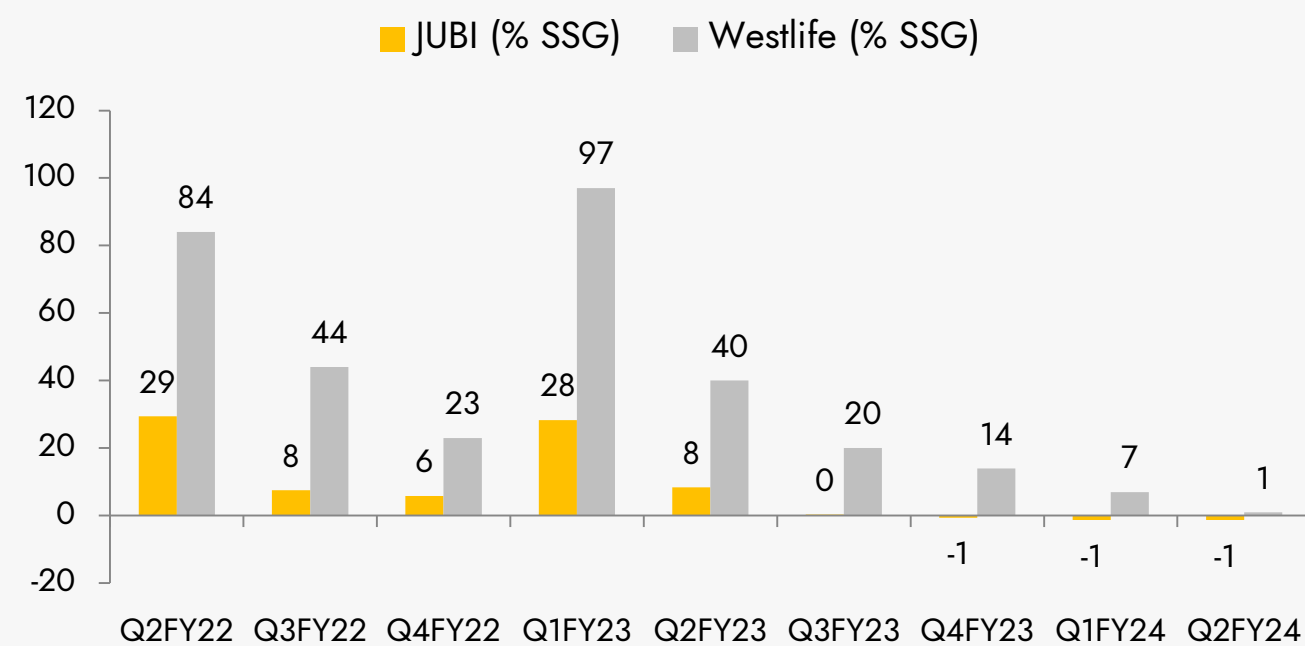


NEGATIVE CATALYST:

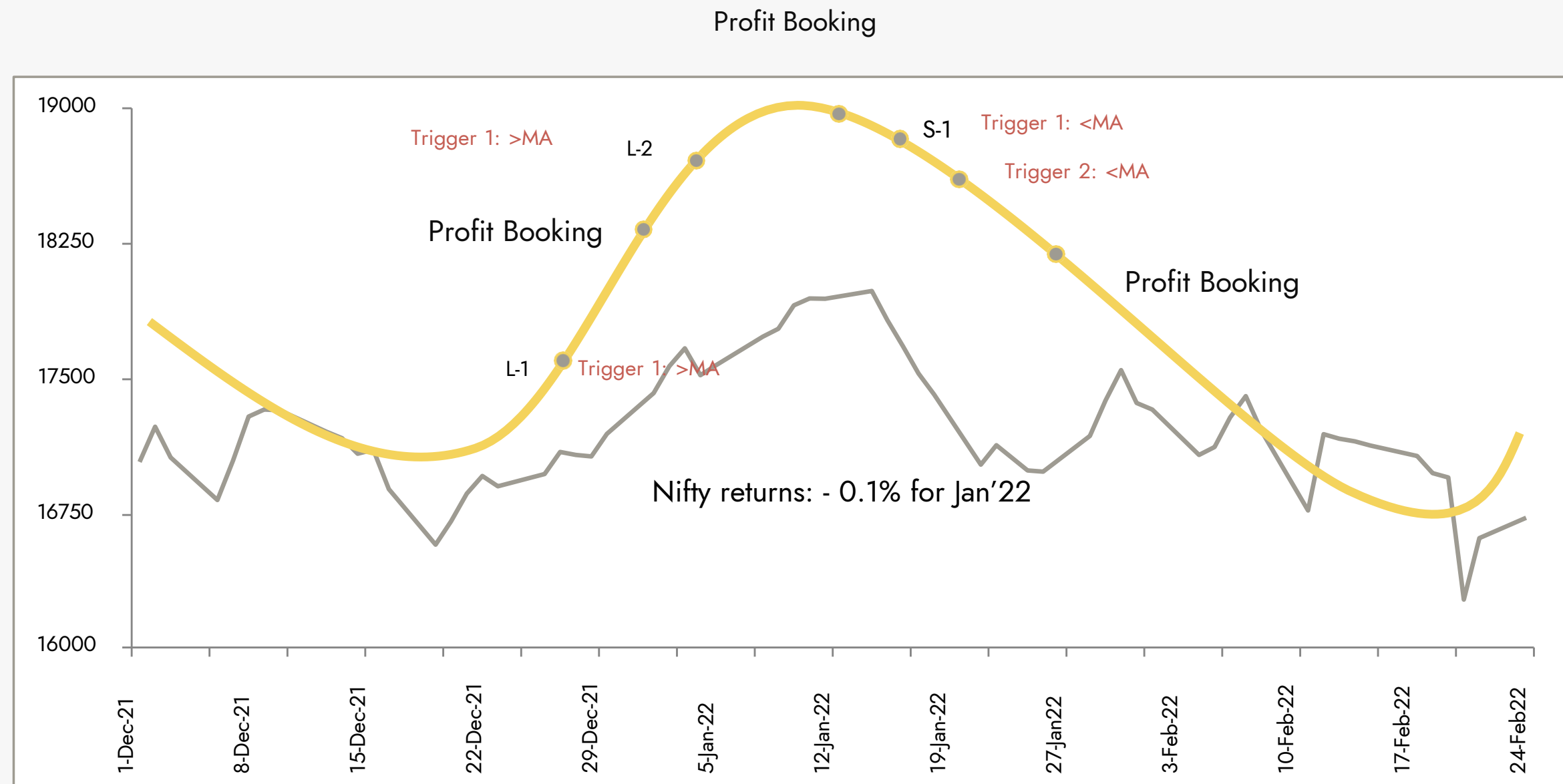
Growth Moderation: JUBI is witnessing sales growth moderation & margins pressures seen similar over FY12-17

Valuations: JUBI's value has seen 13% CAGR over FY12-23 driven only through earnings & no PE expansion

Competitive Disadvantage: QSRs have increased the store expansion (higher options) & higher penetration of Food Aggregators (better convenience) is making JUBI's losing on its moat



Nifty Rule based framework, key allocation driver



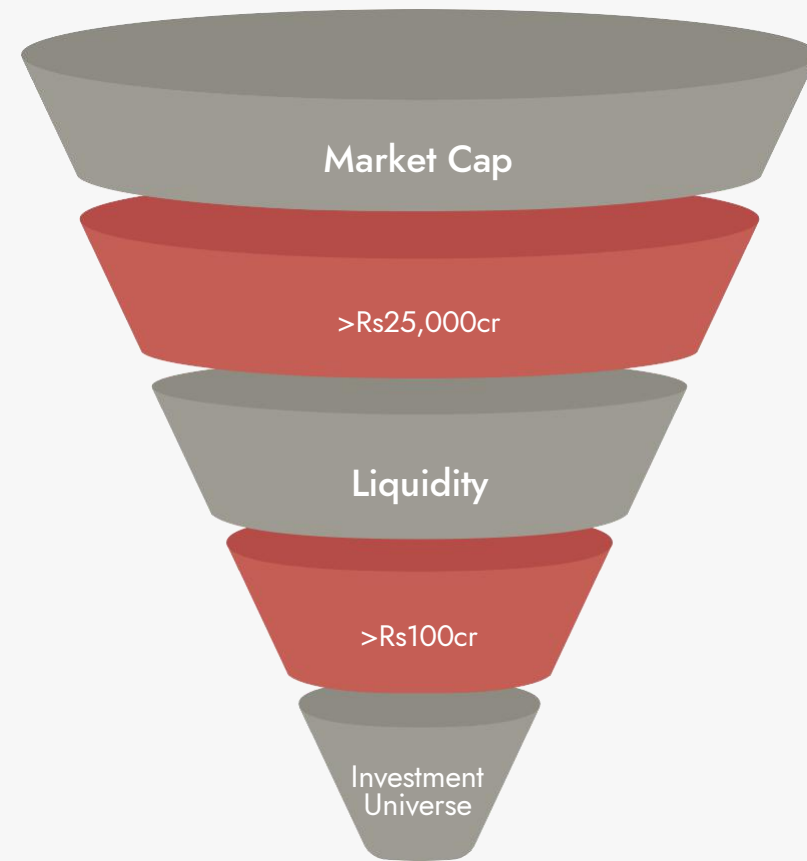
L- Long (120bps attribution) for Jan'22
 S-Short (280bps attribution) for Jan'22

- Hedging Tool:** Nifty can be long or short. Protects downside, and generates beta during uptrends
- Approach:** Position building is rule based, developed around Proprietary & technical factors like Moving Averages, RSI, Trendlines.
- Pyramid approach:** Sizing in 2 or 3 instalments; and position is ramped only when previous position is fully protected.
- Allocation driver:** While maximum stock book exposure is +30 to -30, Nifty is used to drive portfolio allocation to higher ranges (cap of 100%)

AMBIT 365

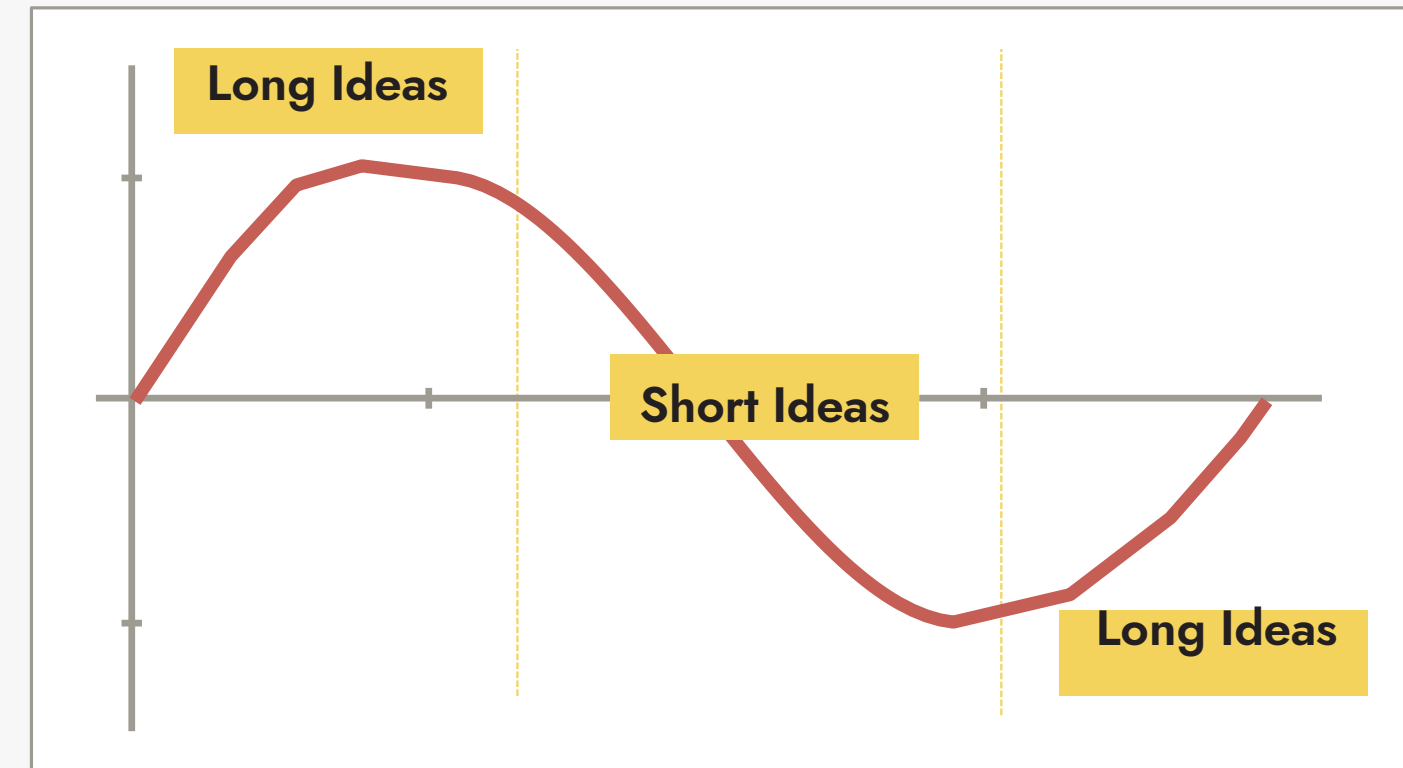


Stock Universe & Portfolio Exposure



IDENTIFICATION:

- **Universe:** Large and Liquid universe make Nifty a near perfect hedge.
- **Long and Short Buckets:** Universe is further divided onto Long ideas and short idea buckets, based on our Sine Curve framework.
- **Behavioral approach:** Near term catalysts and technical indicators are used to select ideas.



EXPOSURE:

- **Maximum Stock exposure:** Long stocks and Short stocks- 50% of assets
- **Minimum stock exposure:** Long stocks 20%; Short stocks 20% of assets
- **Net Stock exposure:** Maximum net stock exposure of 30% long or short
- **Portfolio:** Maximum 15 Long stocks and 15 Short stocks
- **Sector Cap:** Maximum net sector exposure of 25%
- **Maximum single stock exposure:** 10% at cost
- **Maximum Nifty Exposure:** 80% long or short

Risk Management Framework

Liquidity Risk

- **Large & Liquid Stock Book:**
Market cap: >Rs25,000cr
ADV: >Rs100cr
- **Nifty:** Effective Hedging tool.
- **Sizing:** >5% position in the stock only when the initial position is in the money.
- **Stop-loss approach:** Hard stop loss of 10% from the cost for stocks.
- **Blackout period:** Stop-loss triggered, cool off period for 3 days.

Exposure Risk

- **Gross exposure:** 180% of the book.
- **Stock Book Gross exposure:** 100% of the book.
- **Maximum net stock exposure:** 30% net long or net short.
- **Stock Book Minimum exposure:** 20% on both side Long & Short.
- **Sector exposure:** Maximum 25% of the net book.
- **Concentration:** Maximum stock exposure of 10% at cost.

Market Risk

- **Maximum Nifty exposure:** 80% of the book.
- **Stop-loss approach:** Hard stop loss of not more than 2% from cost.
- **Pyramiding:** >50% of Nifty trigger original position is protected.
- **Rule based approach:** This removes the selection bias from nifty, and nifty becomes the primary exposure allocation tool.

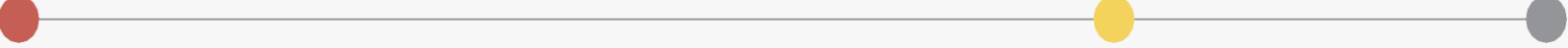
Event Risk

- **Major Events:** Nil or very small (20%) Nifty position, ahead of major events (e.g. National Elections, Budget etc.)
- **Minor Events:** Maximum position 40%, ahead of minor events like RBI policy meet, Federal Reserve meet, state elections.

FUND MANAGEMENT TEAM TRACK RECORD



Ambit 365 - Track Record

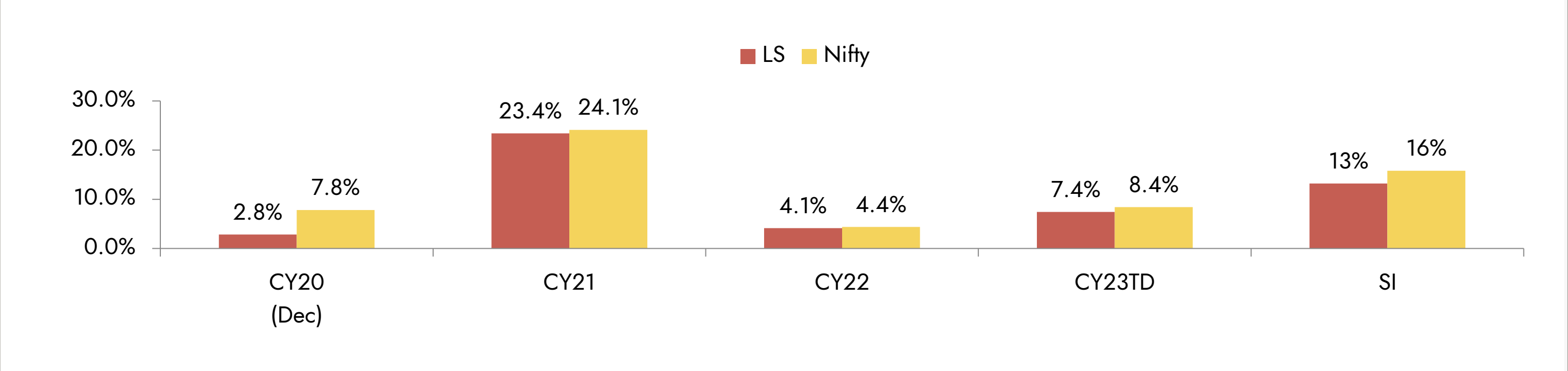


Returns as on 31 st Jan'24	YTD	1M	3M	6M	1Y	2Y	Since Inception*
Ambit 365	5.0%	0.1%	5.0%	NA	NA	NA	9.1%

*Start date 6th Oct'2023

Gross return, pre-fees & pre-tax

Proprietary Funds Performance Track Record



	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	July-23	Aug-23	Sep-23
Long Short	8.1	-4.8	-1.0	1.9	-0.3	0.4	1.5	4.0	7.0	-1.9	-0.3	6.2	-2.4	2.3	-0.4	3.3	-0.8	1.4	-2.8	1.9	-2.7	-0.4	-0.9	1.4	1.4	0.2	1.3	0.4	1.3	0.4	-0.6	3.7
Nifty	6.6	1.1	-0.4	6.5	0.9	0.3	8.7	2.8	0.3	-3.9	2.2	-0.1	3.1	4.0	-2.1	3.0	-4.8	8.7	3.5	3.7	5.4	4.1	3.4	-2.5	-2.0	0.3	4.1	2.6	4.1	2.6	-2.5	2.0

● The Fund Management team’s track record refers to the performance of the proprietary fund of Ambit starting for the period Dec 2020 to Sep 2023

Performance during Cycles

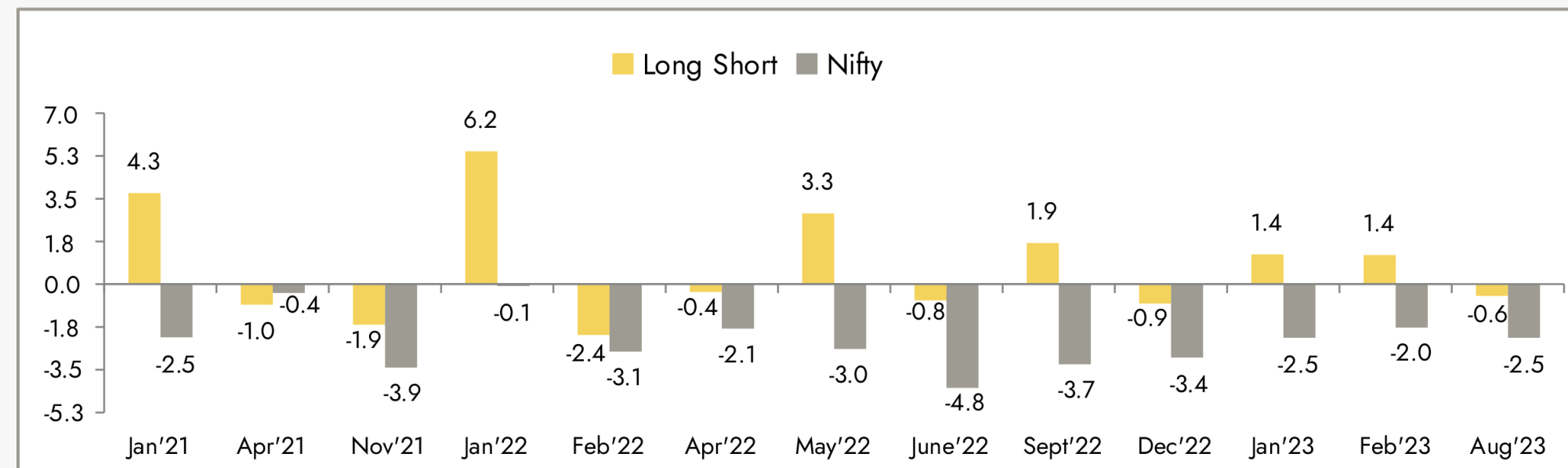
Period	Direction	Long Short	Nifty
Dec'20 to Oct'21	Rising	29.7%	36.3%
Jul'22 to Dec'22	Rising	-3.8%	14.8%
Jan'23 to Sep'23	Rising	7.4%	8.4%
Nov'21 to Jun'22	Falling	5.9%	-10.7%

Model Robustness: Our long short strategy have the potential to play across cycle –Rising, Falling & Sideways.

Performance: Out of 4 cycles, we have captured 3 cycles well & missed one rising cycle during Jul'22 to Dec'22 as Nifty entered into choppy zone where our model kept stopping out, since then we have refined our exit criteria especially on long.

Performance during Nifty drawdowns: 50% of the time the strategy have generated positive returns in the range of 1.4-6.2%. Also, out of 12 months of Nifty drawdowns, only one month the strategy underperformed.

Long Short performance during market drawdowns (%)



Key fund terms



Fund Ambit 365

Nature of the fund Category III AIF, Open Ended fund

Investment Manager Ambit Investment Managers Private Limited

Sponsor Ambit Wealth Private Ltd

Trustee Orbis Trusteeship Services Private Ltd

Sponsor Commitment 5% of the corpus or Rs 10crore, whichever is lower

Minimum Investment 1 cr for all contributors

Setup Fee Upto 2% (two percent) on their respective Capital Commitments

Operating Expenses Upto 2% (two percent) p.a. of the respective NAV of the Contributors

Redemption Frequency Units issued to Contributors during the Initial Offer Period or thereafter shall be locked in till the expiry of 3 (three) months from the date of allotment of Units to such Contributor

Team



DHIRAJ AGARWAL

Dhiraj Agarwal is the Managing Director of Ambit Investment Managers Private Limited. He was previously a co-head of the Institutional Equities business at Ambit Capital. He has over +25 years of experience in the financial markets. Before joining Ambit, Dhiraj was head of sales at Standard Chartered India. He also worked with firms like SSKI Securities where he started his career in Equity Research, and CLSA. Dhiraj has also spent four years on the buy-side with Boyer Allan Investment Management Ltd., a UK-based hedge fund. While Dhiraj was at SSKI, he founded and also led Sharekhan. He holds an MBA from the Indian Institute of Management Bangalore and is a graduate from Shri Ram College of Commerce, Delhi.



RAHUL MAHESHWARY

Rahul has +8 years of experience in the equity markets (buy-side). At Ambit, he is responsible for managing Long short strategy & equity research. Before joining Ambit Asset Management (PMS) in 2020, he worked at TCG Asset Management (AIF) & IDBI Asset Management (Mutual Fund) where he was responsible for extensive equity research towards various sectors such as BFSI, FMCG, Consumer Discretionary, Pharmaceuticals & Telecom. Rahul is Chartered accountant and is a graduate from K. J. Somaiya Institute of Management, Mumbai.

About Ambit

PRE-EMINENT FULL-SERVICE INDIA FOCUSED INVESTMENT BANK

- Innovative solutions that reduce complexity
- Deep understanding of prevalent regulatory framework
- Broad range of tailor-made solutions for Business Owners, Corporates, Institutional Investors, Family Offices and High Net Worth Individuals (HNWIs)

PROVEN TRACK RECORD

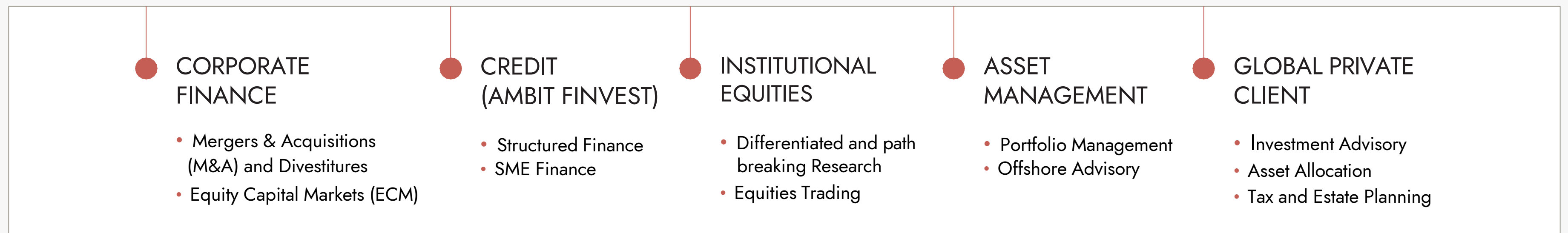
- Consistently ranked among the top 5 Investment Banks (M&A and PE) by Indian & Global League tables
- Consistently awarded Best for Ultra High Networth in India by Asiamoney

EXPERIENCED AND PROFESSIONAL PAN-INDIA TEAM

- Team of 2000+

SUCCESSFUL PARTNERSHIPS

- In partnership with Daiwa, over 120 years of excellence



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THANK YOU



Risks Disclosure & Disclaimer

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