



AMBIT **365**

Absolute, Consistent, All-Season

Ambit Investment Managers

May 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

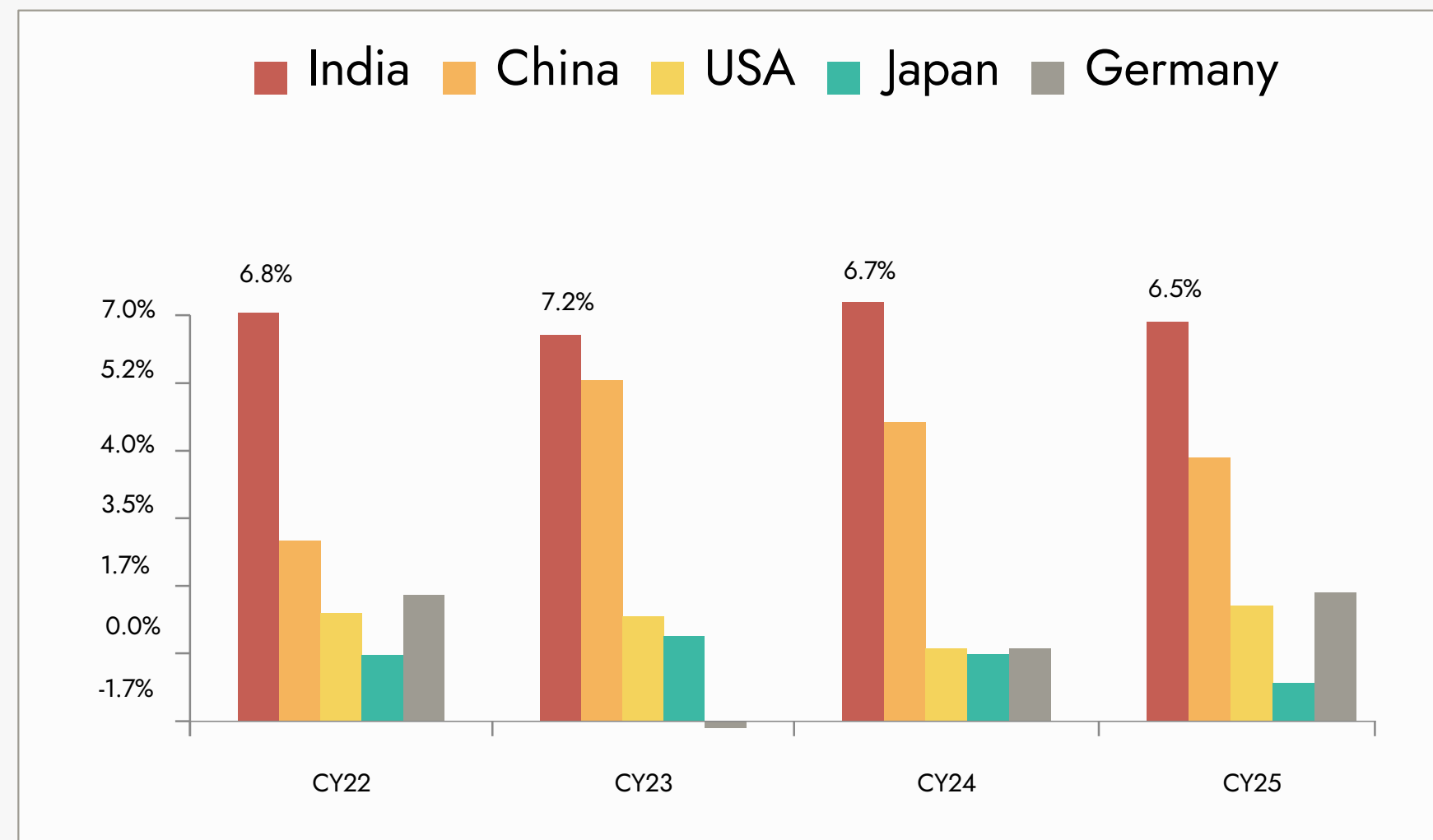
- Fastest GDP growth
- Political Stability
- Rising Export Share
- Demographic Dividend

WEALTH EFFECT

- Rising Financialisation
- Social Spending
- Premiumisation
- Global spenders

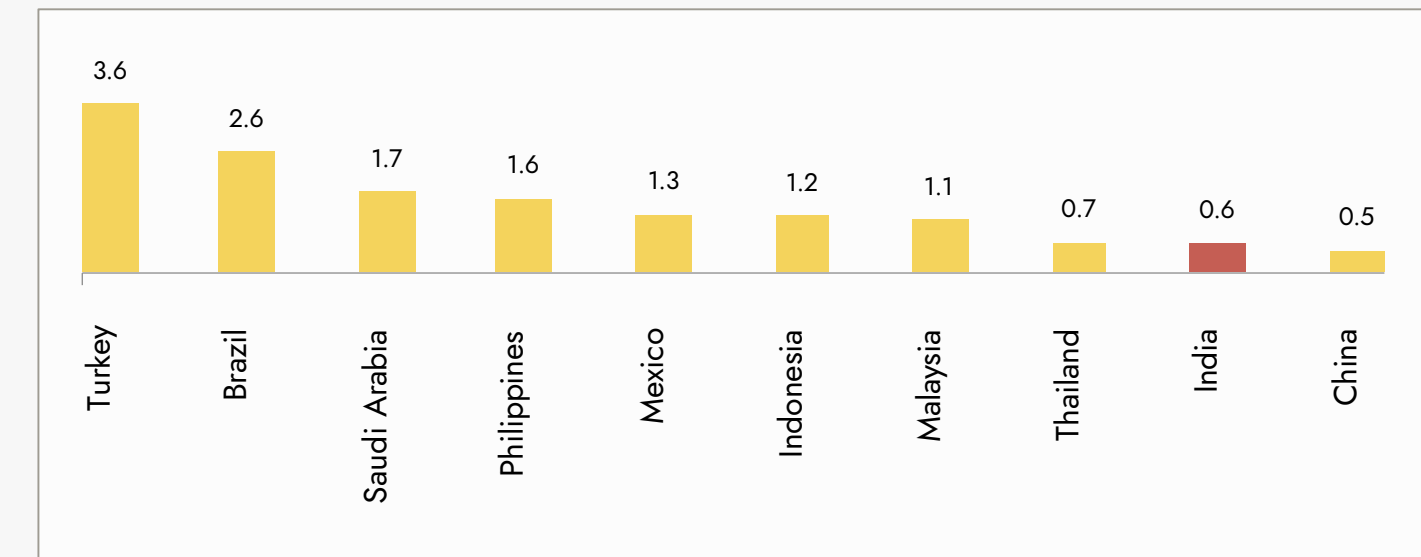
Fastest growing & resilient (emerging) economy....

GDP growth

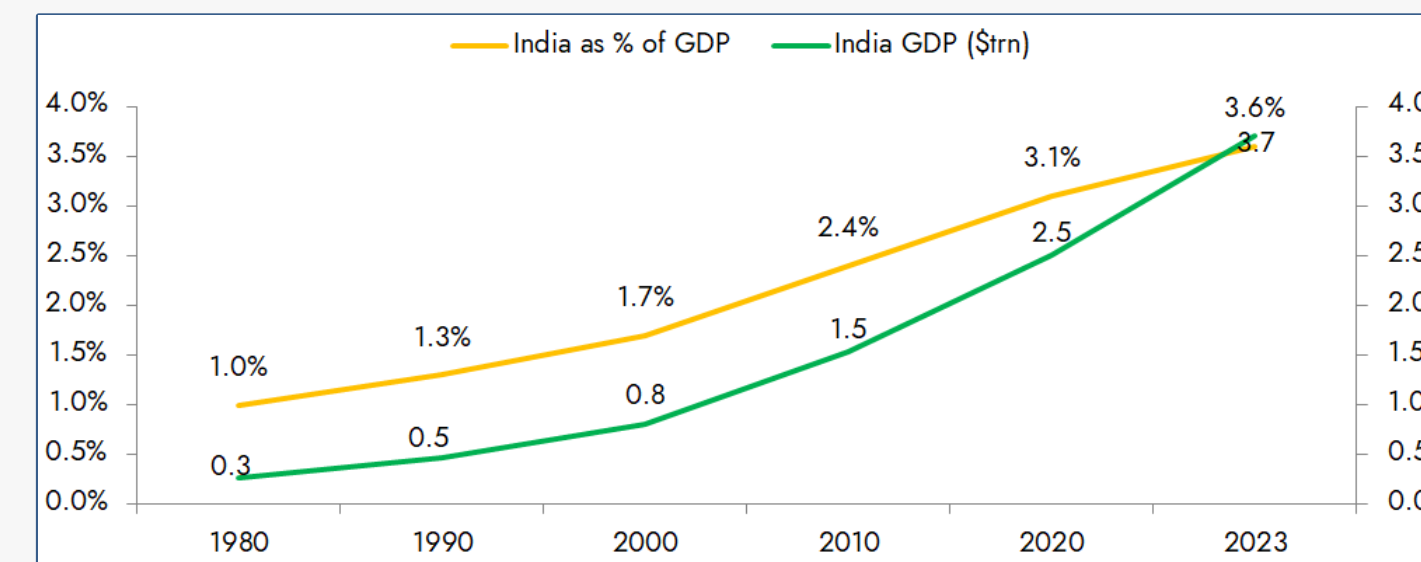


Source: IMF, Statista

CPI volatility during 2015-19

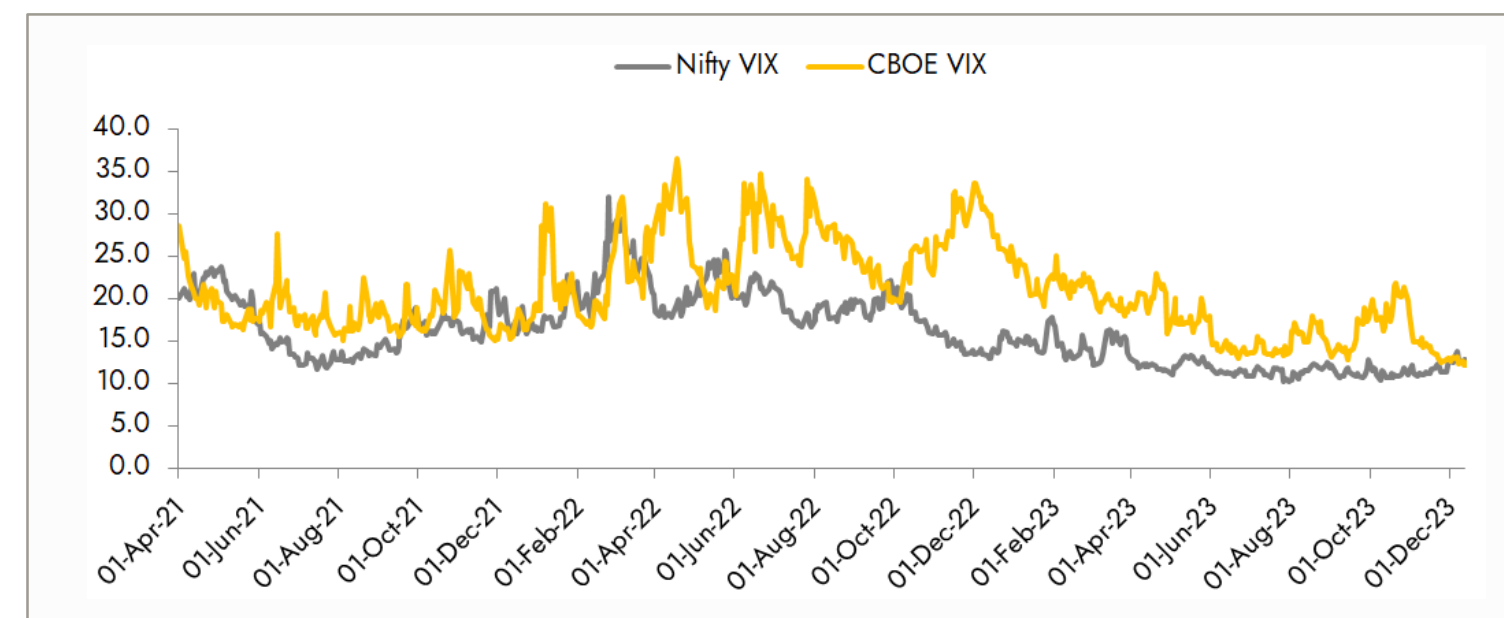
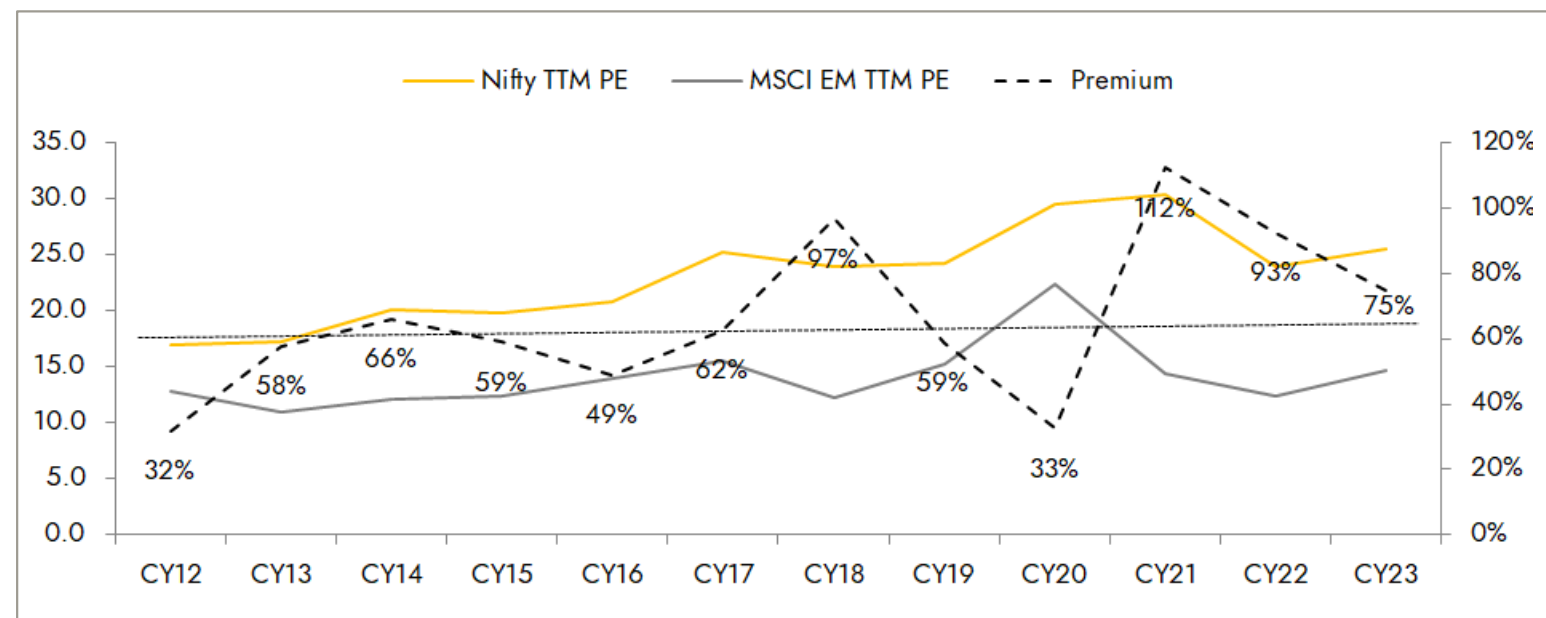
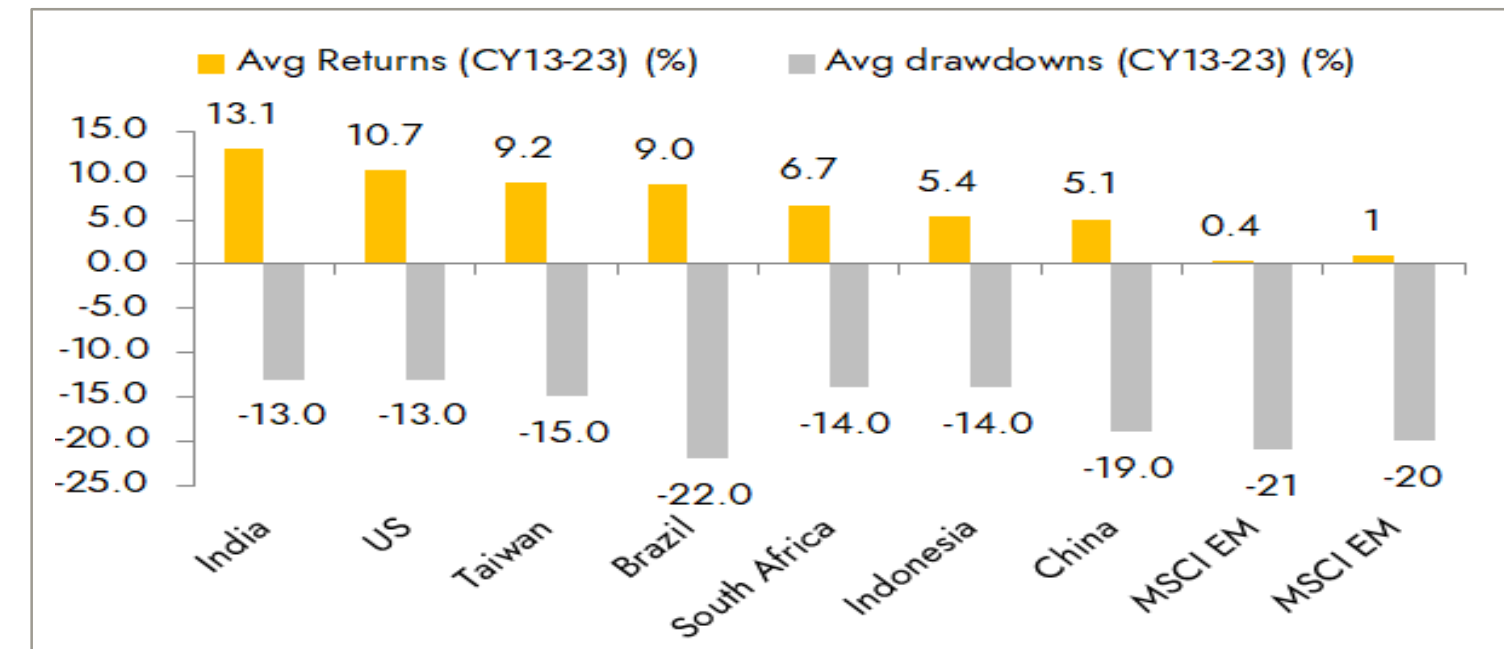
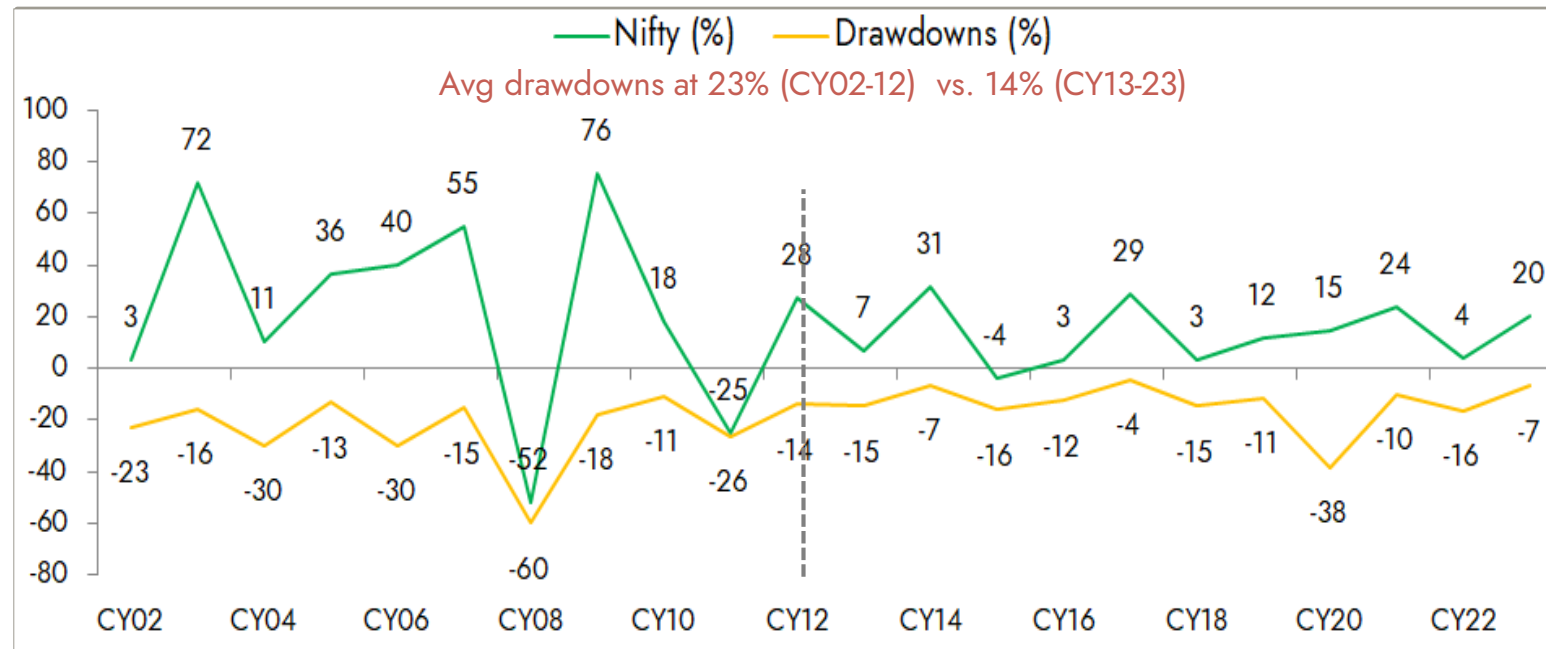


India is the 5th largest economy in the world



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

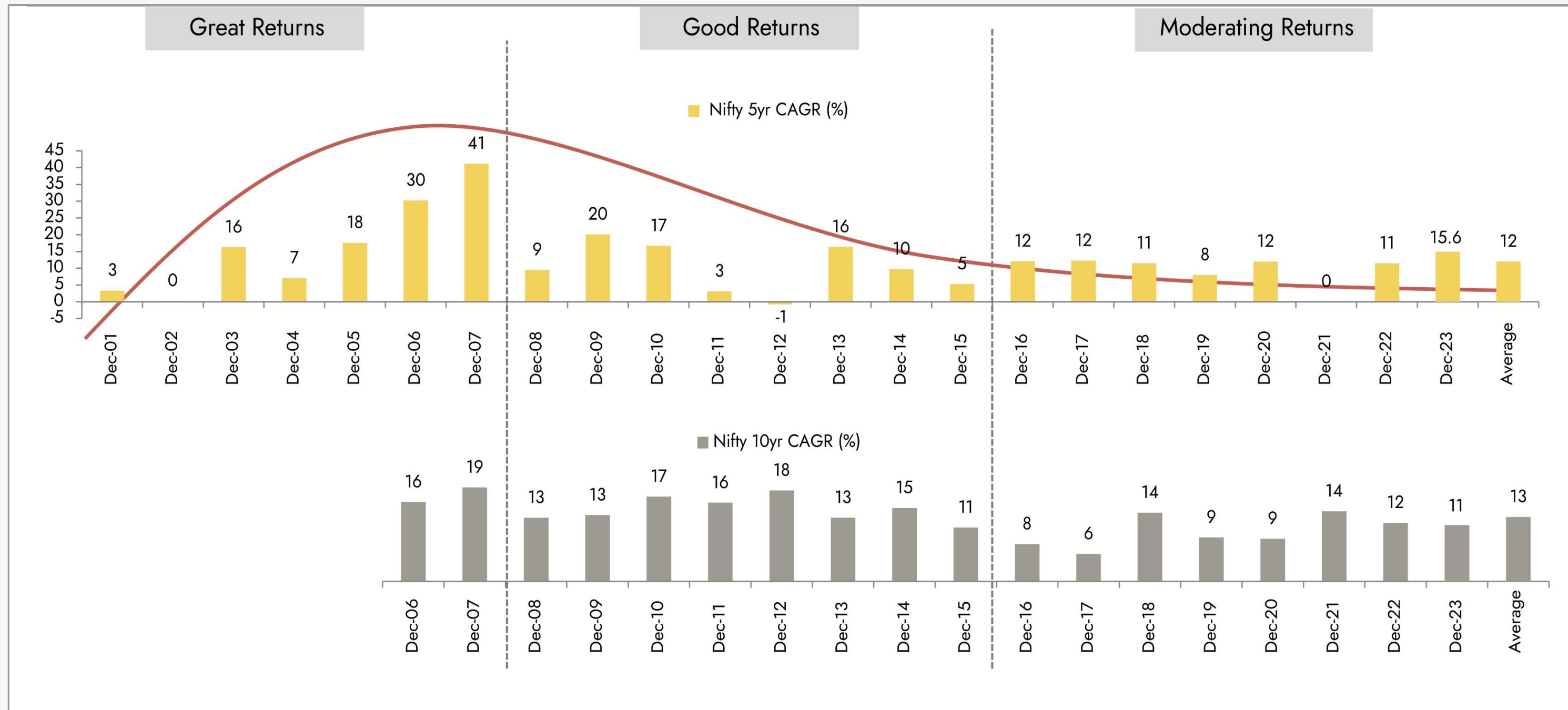
...with developed market characteristics



Source: Bloomberg

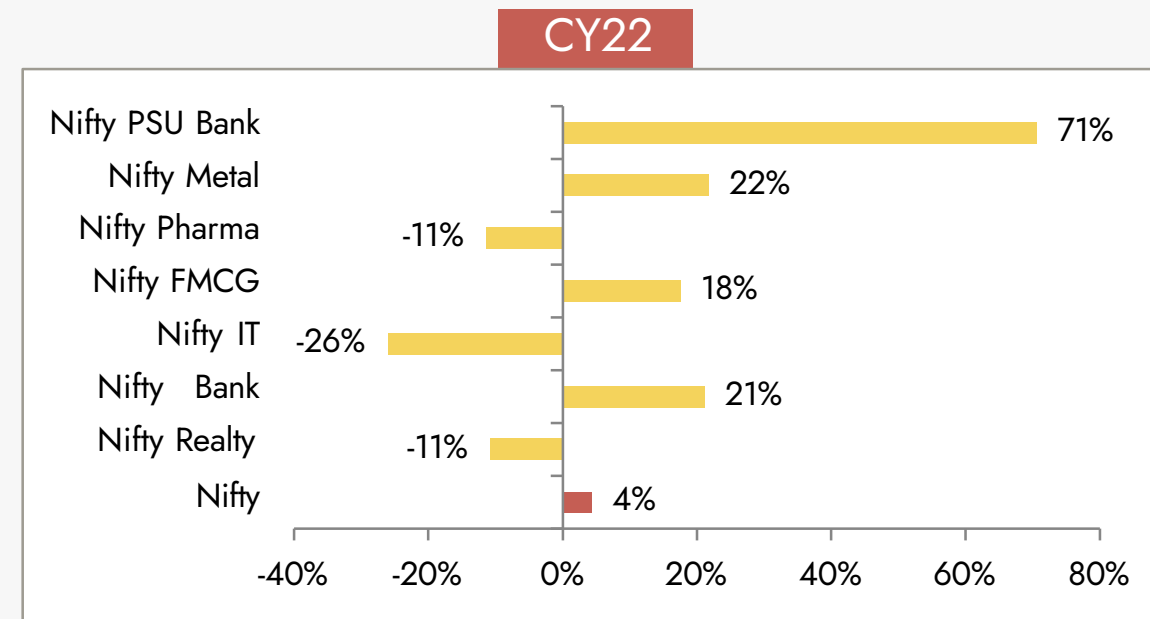
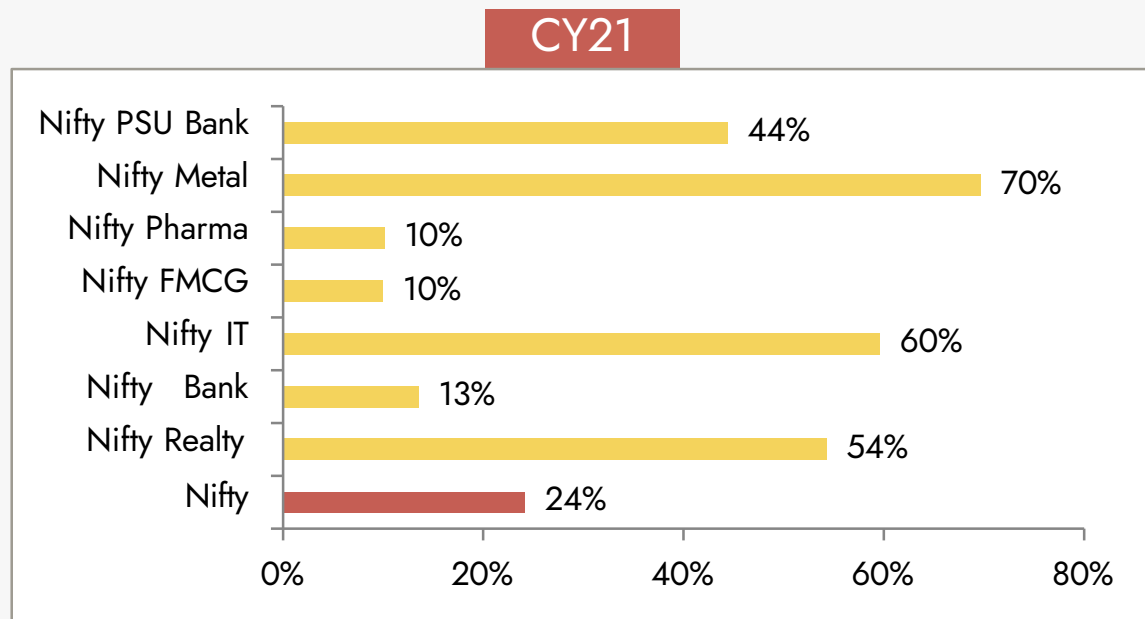
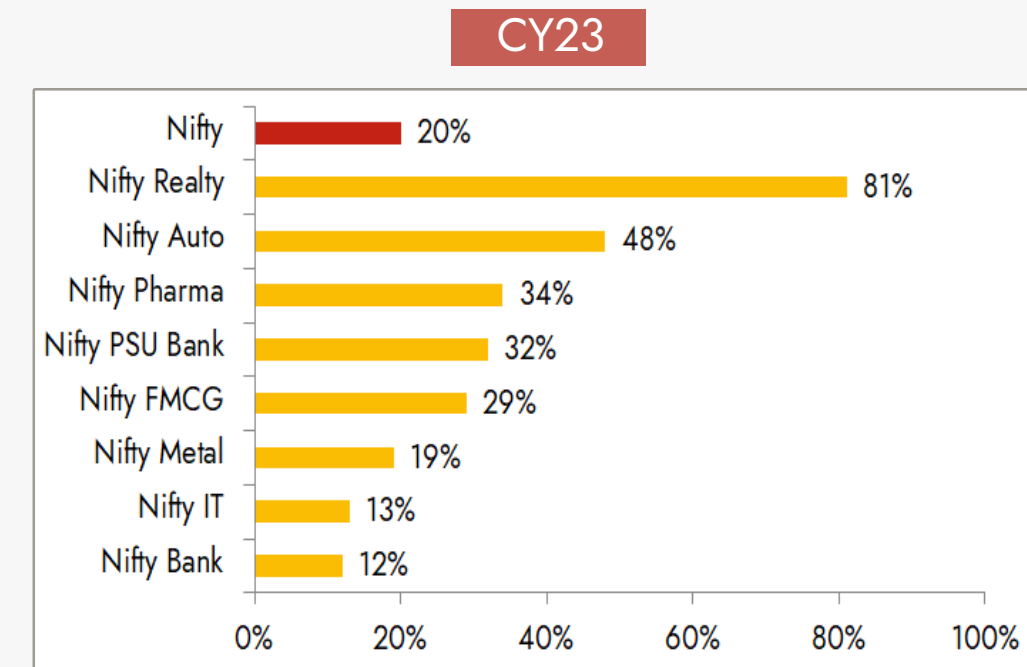
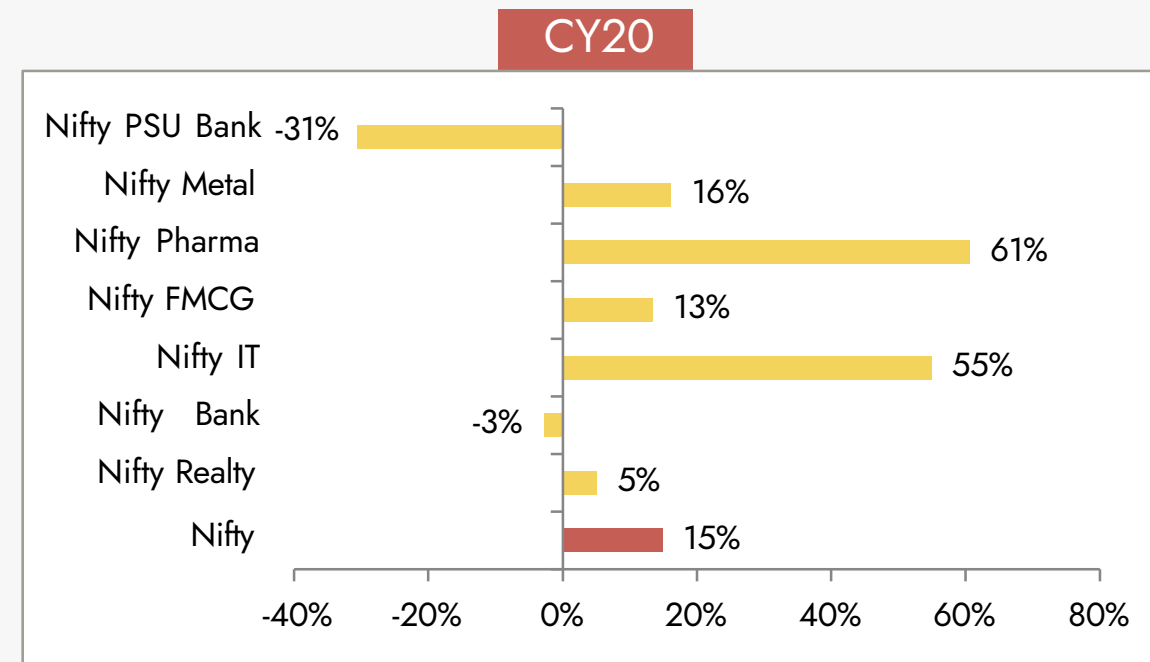
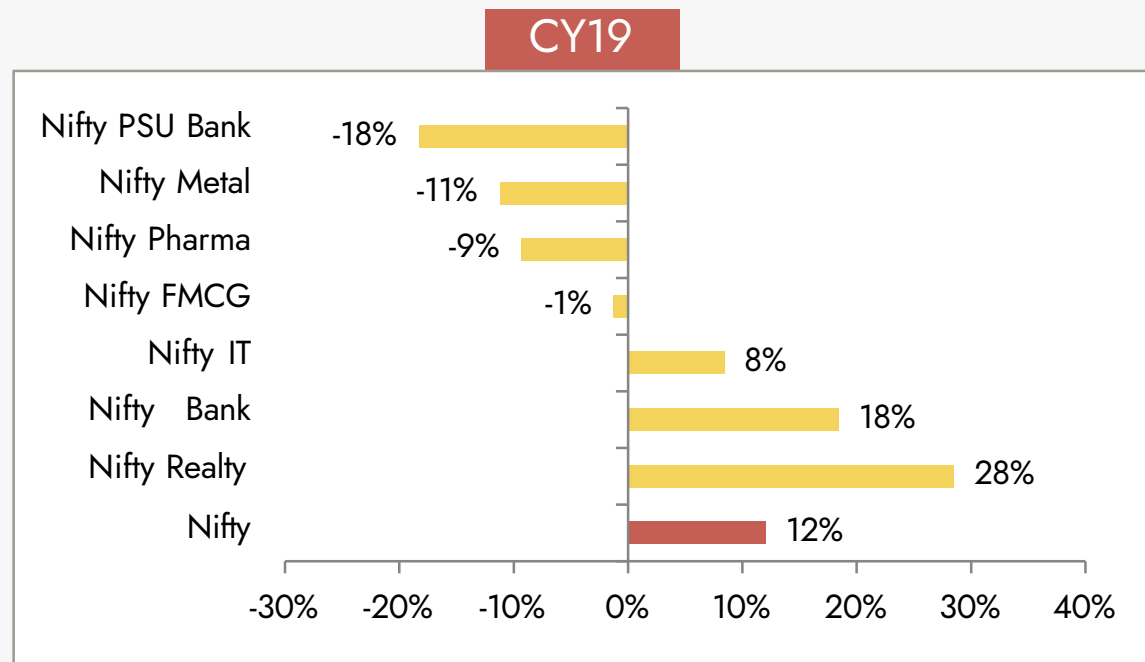
Indian equities deliver better returns with lower draw-downs than most of the Emerging world. Volatility is now lower than NYSE

Equity returns are moderating



Higher stability and lower risk indicate towards moderating returns

Trends: High Diversity leading to Sector Dispersion



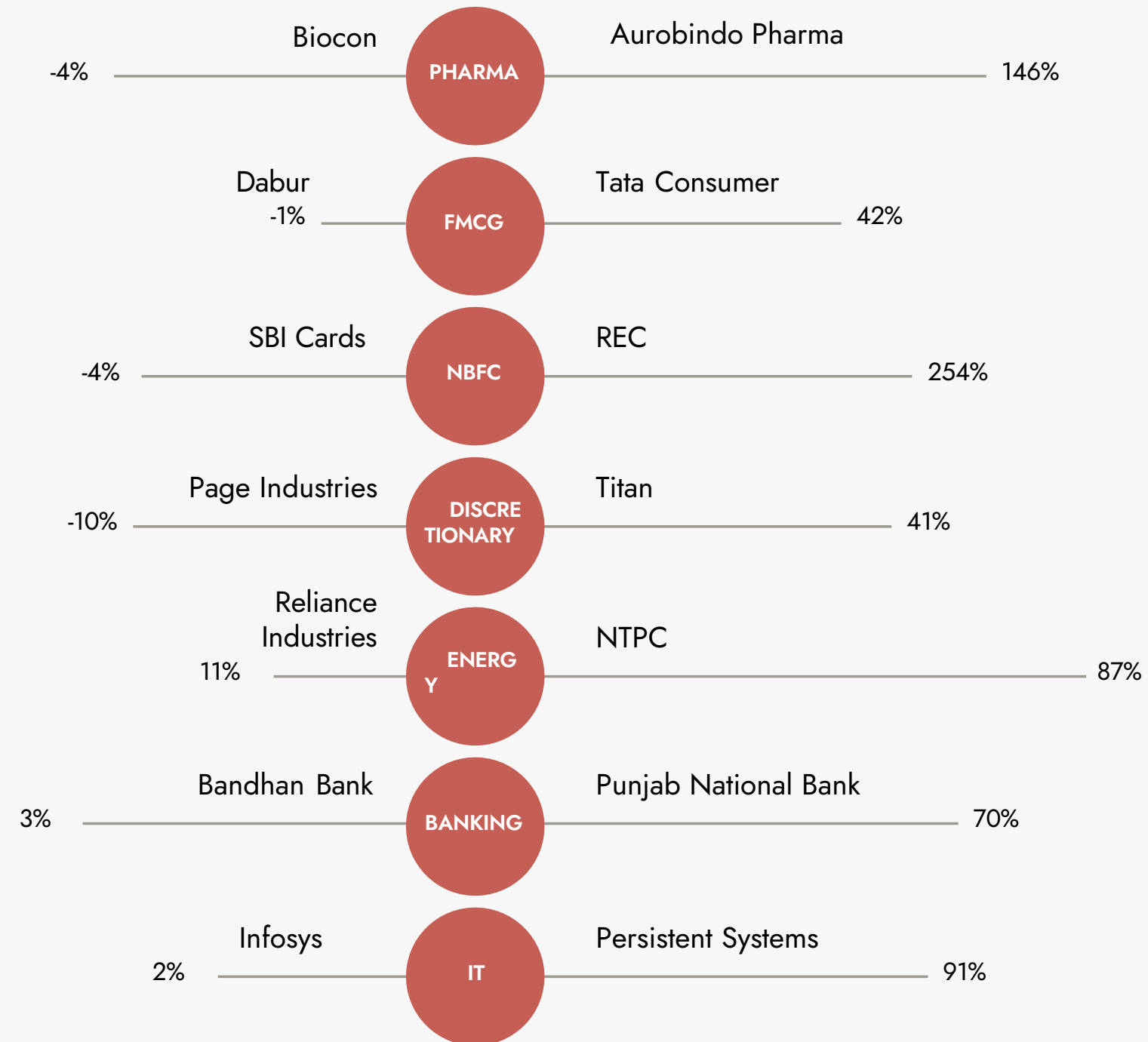
- Macro & Micro Global Variables
- Business Cycles
- Technological Advancements
- Government Policies & Reforms

Source: Bloomberg

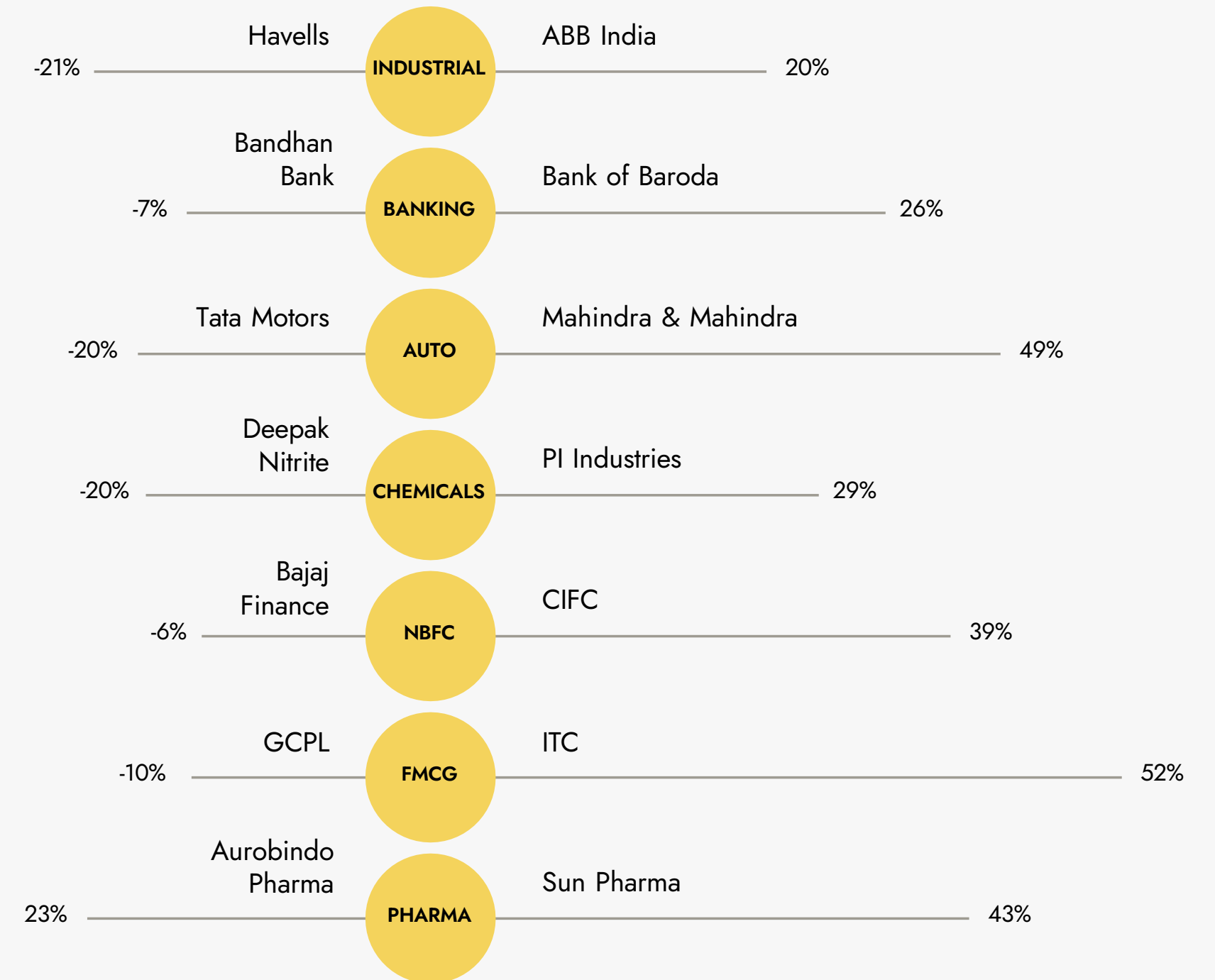
● India's economic diversity is leading to higher sector dispersion: the greatest catalyst for long-short

Intra Sector Dispersion

CY23



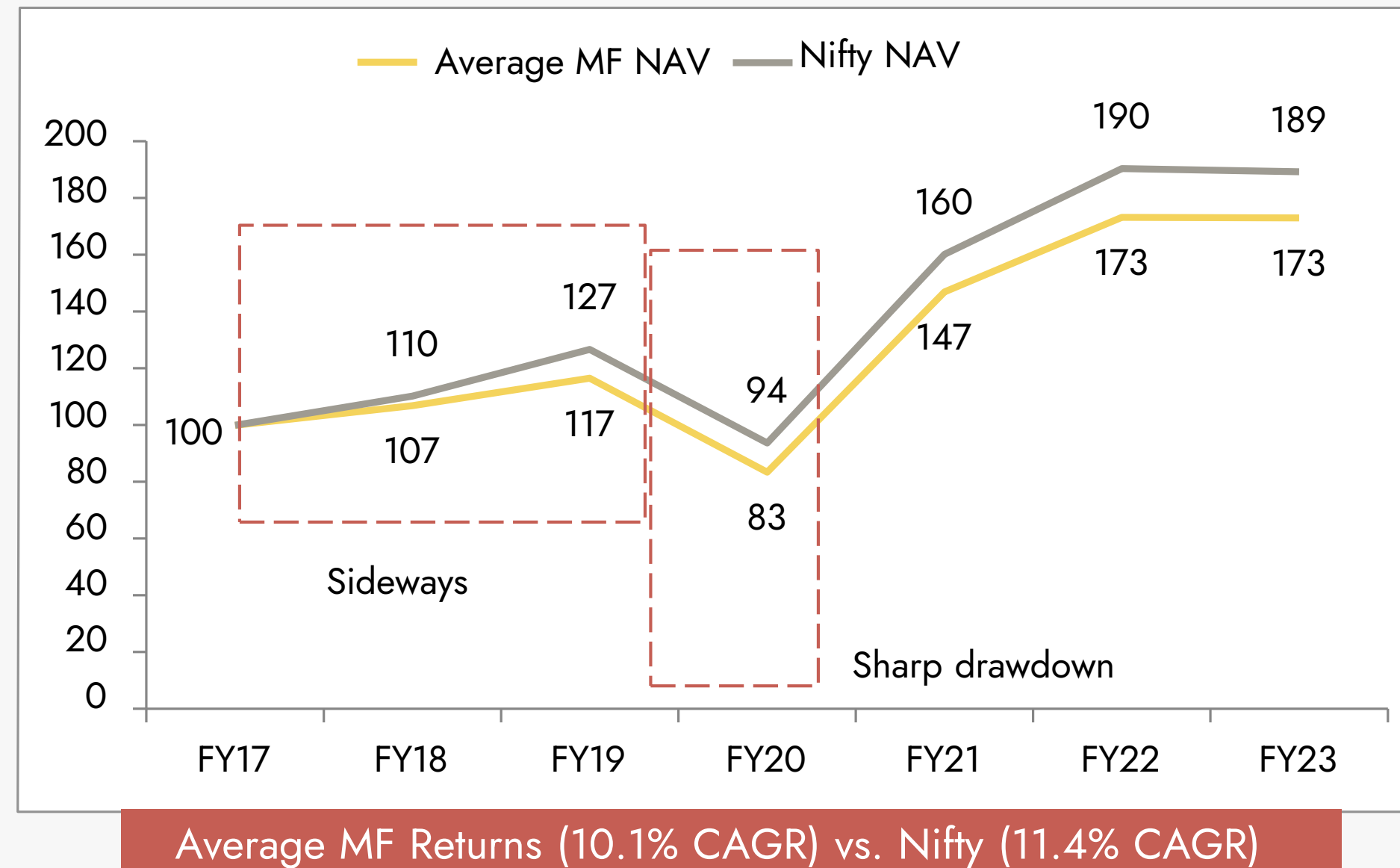
CY22



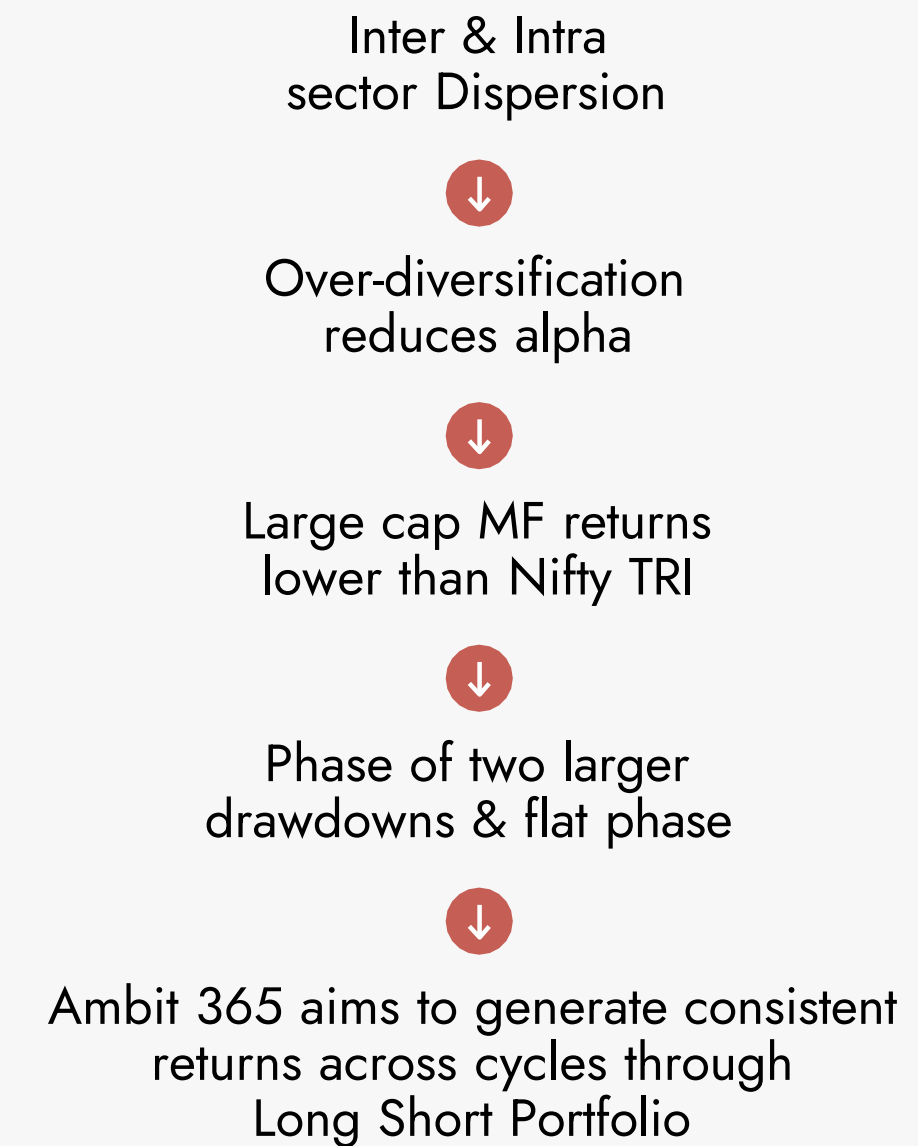
Source: Bloomberg

● 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

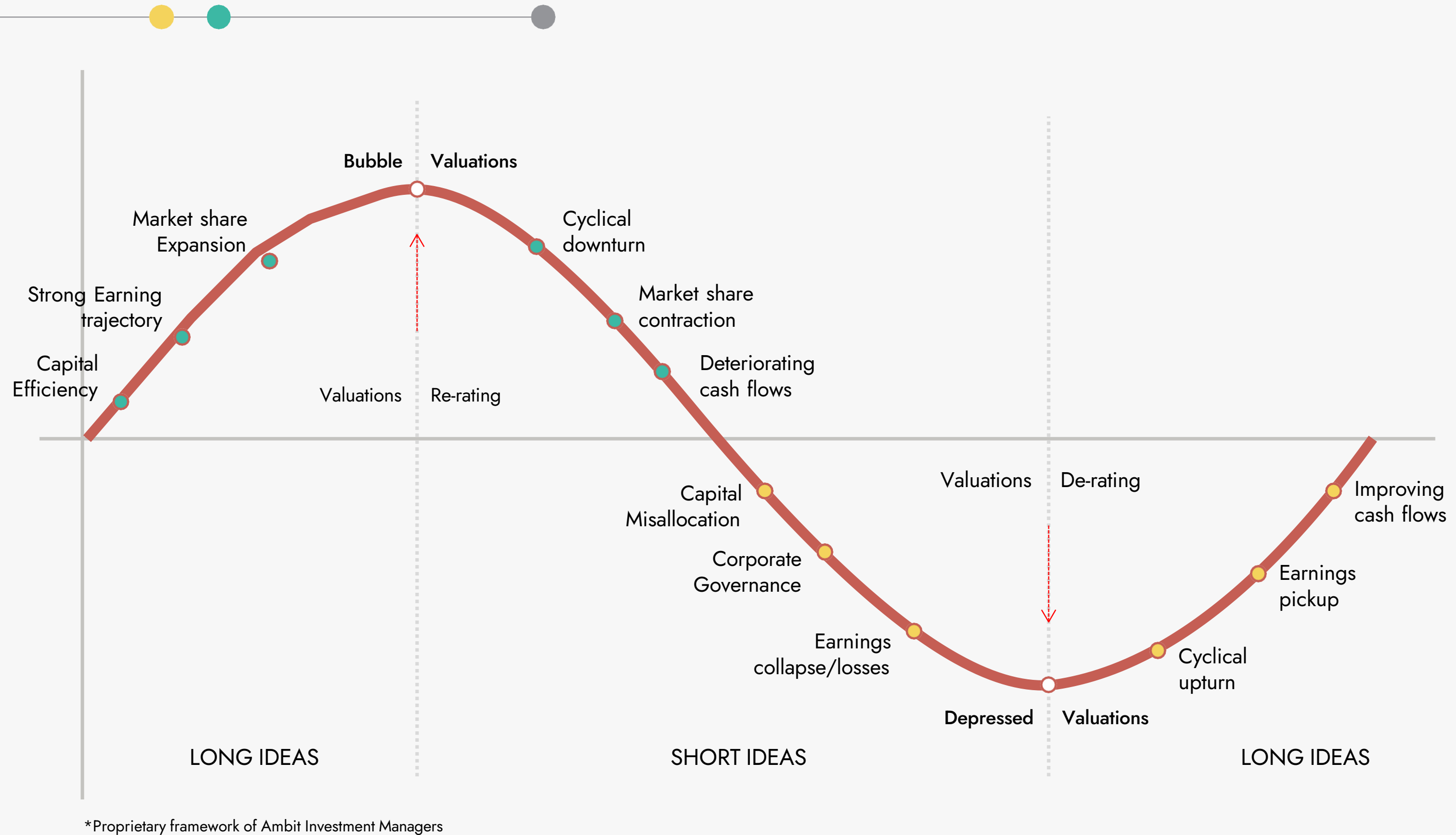
- Aims to generate consistent returns, irrespective of market direction and lower drawdowns

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

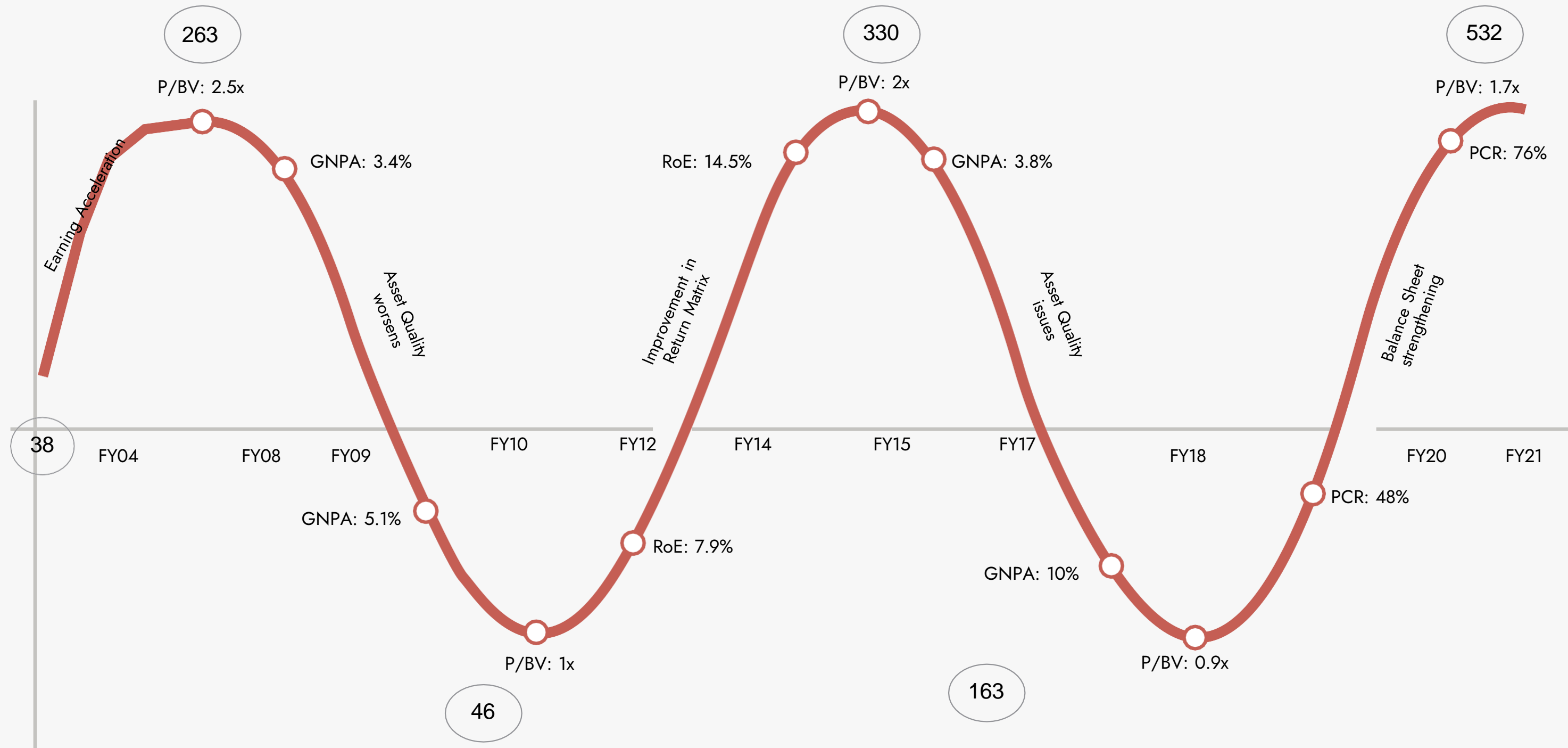
- Ambit 365 is a directional LS strategy focused on absolute returns, irrespective of market direction

Sine Curve* framework for stock selection



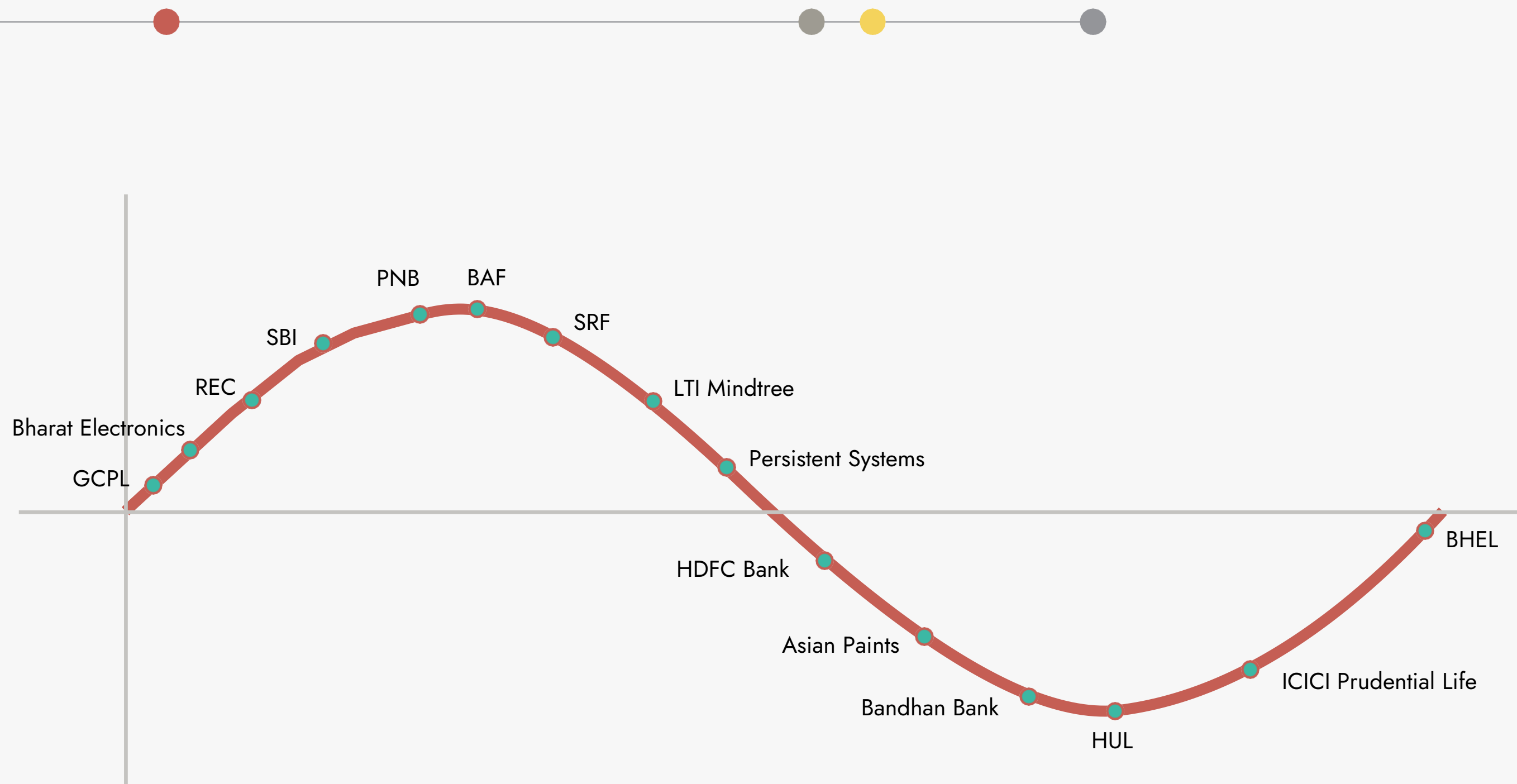
● Everything is a cycle, on some time horizon

Sine Curve Illustration: ICICI Bank



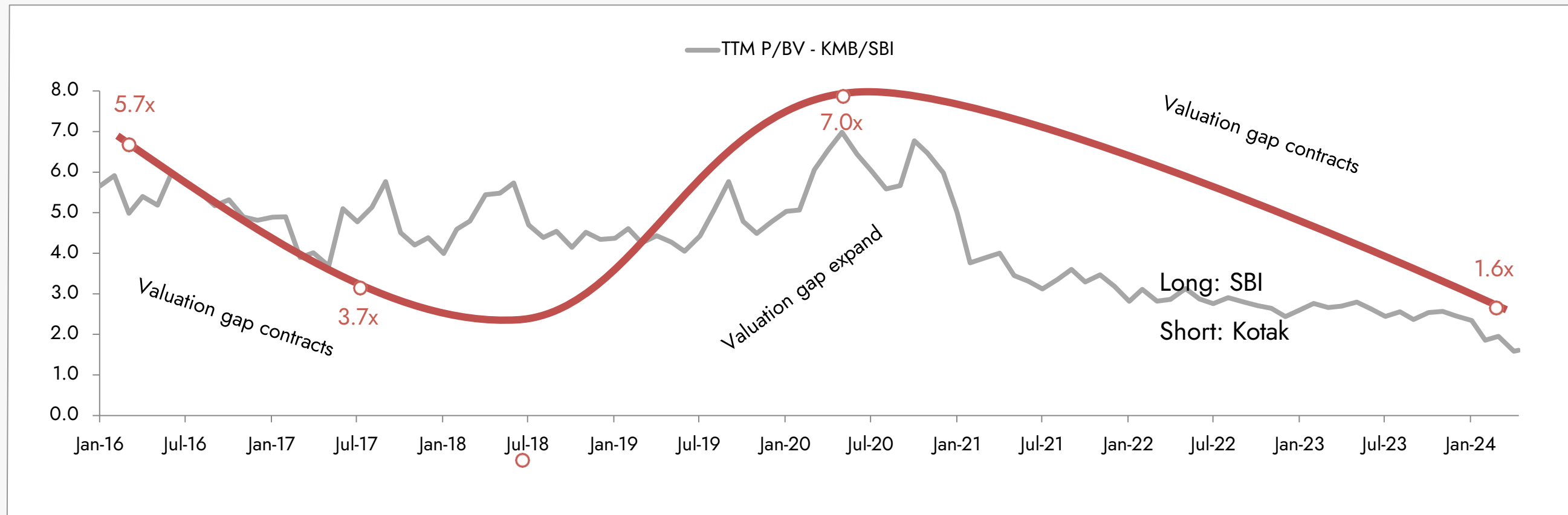
● Last 3 decades ICICI has seen 2 down-cycles and 3 up-cycles- a perfect Sine Curve

Sine Curve: Stocks Positioning



- **IPRU:** ICICI Bank channel mix rising with recovery towards RWP growth
- **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%
- **SBI:** RoE at +17% & loan growth at +16%, narrowed the gap with PVBs & P/BV gap +30%
- **BAF:** Decelerating earnings growth with higher proportion towards unsecured lending mix at 20%+
- **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
- **Asian Paints:** Value growth (4-5%) vs. Volume growth (10-12%) with weak earnings CAGR at 6% over FY24-26E
- **Bandhan Bank:** Slippages > Recoveries & upgrades

Long idea - SBI: Balance Sheet Valuation Convergence

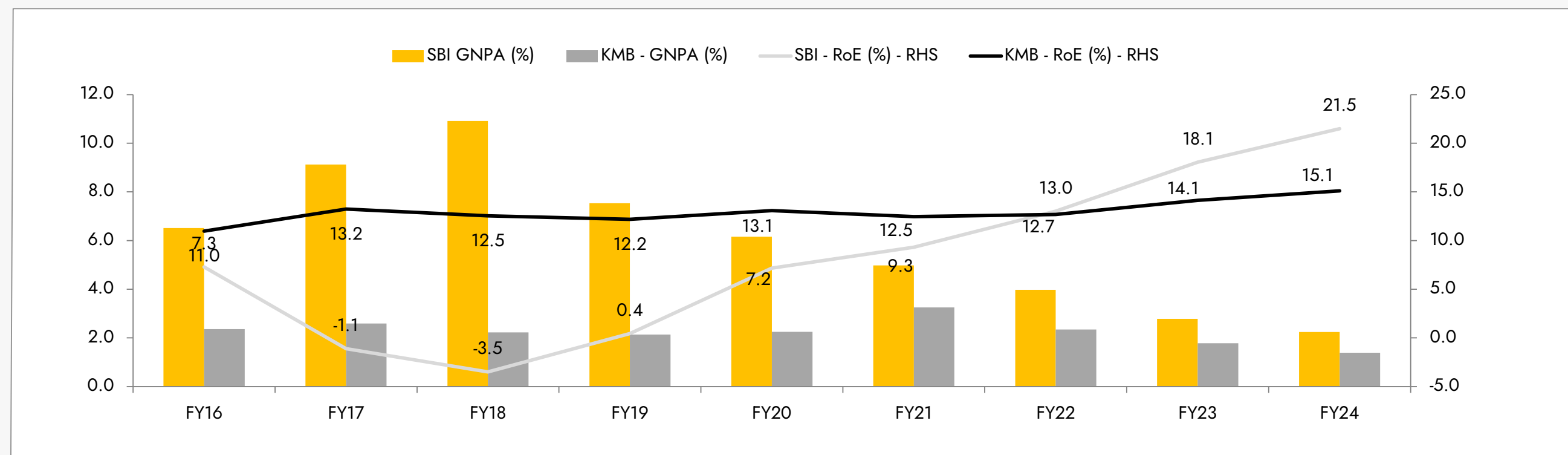


CONVERGENCE FACTORS:

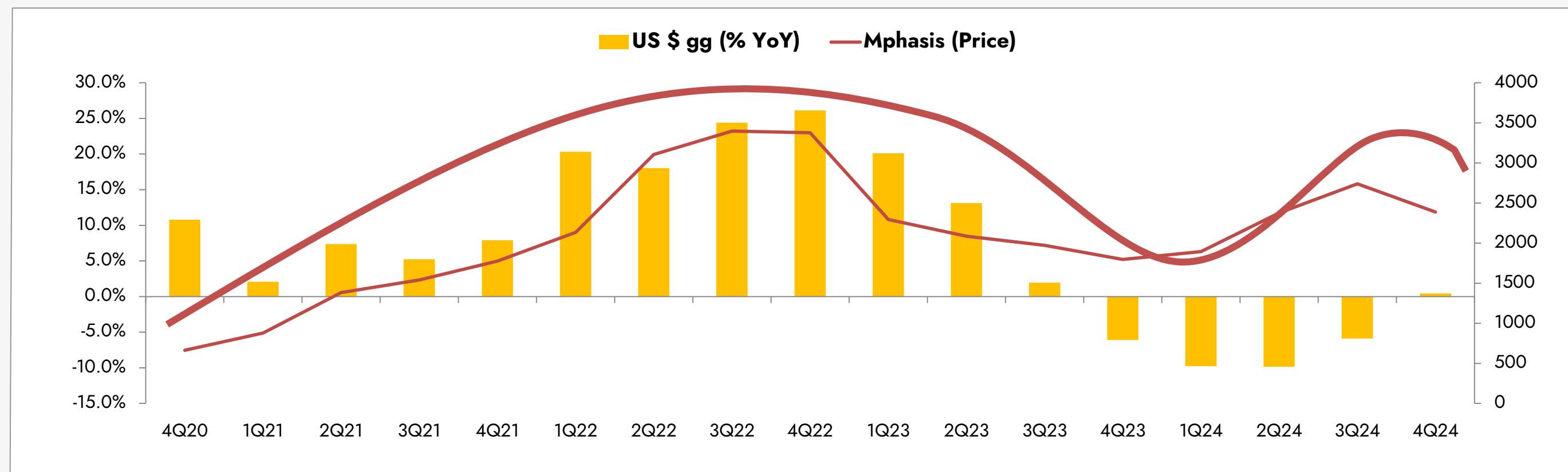
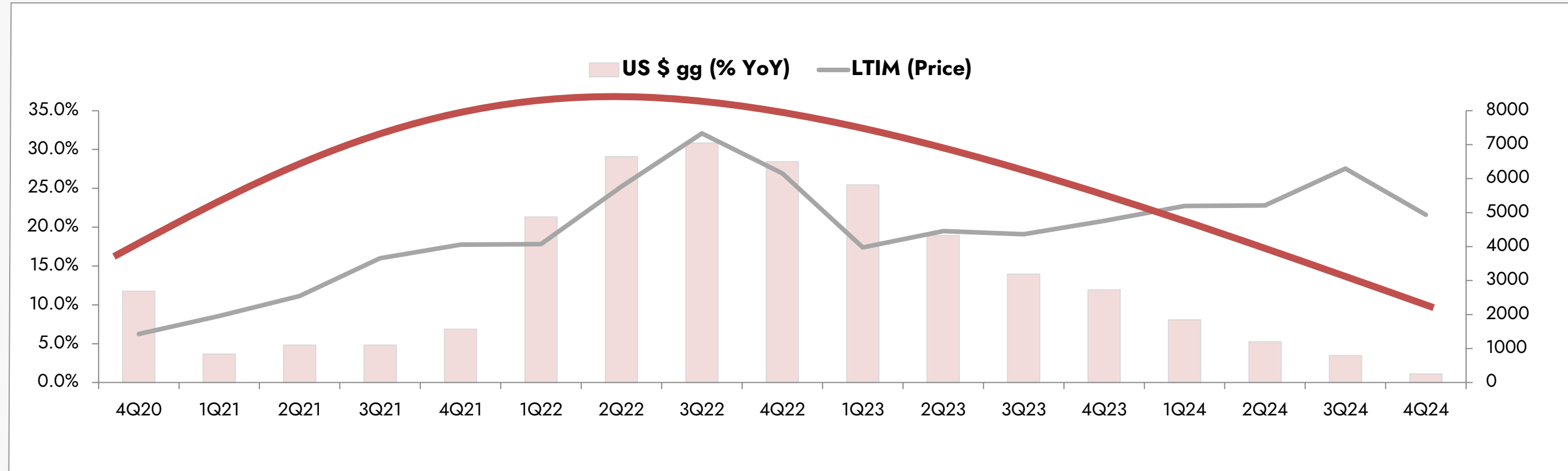
Balance Sheet: 3-yr CAGR advance for SBI (13%) & KMB (14%).

Asset Quality: SBI's PCR at 75% vs. KMB at 76%. Slippage rate for SBI (0.5%) vs. KMB (1.5%) for FY24.

Profitability: 5-yr CAGR for SBI (43%) vs. KMB (23%)



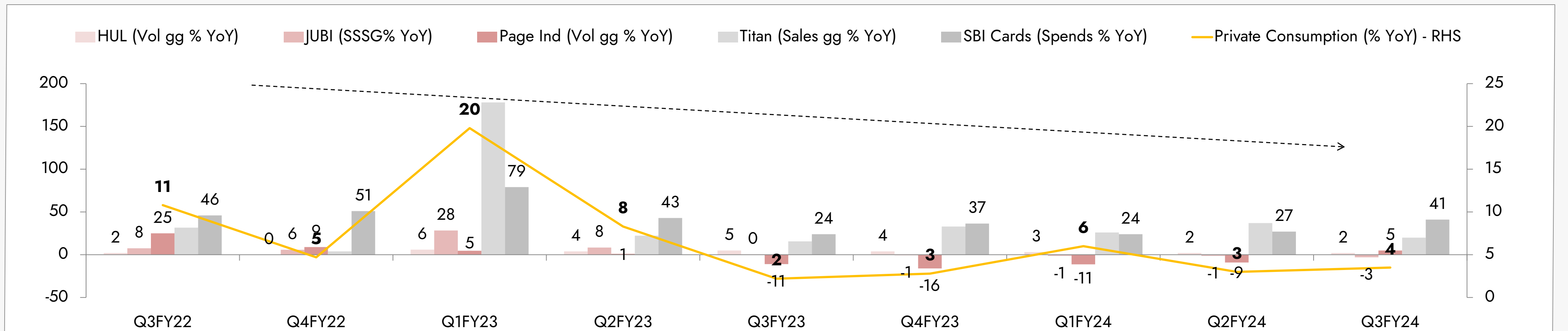
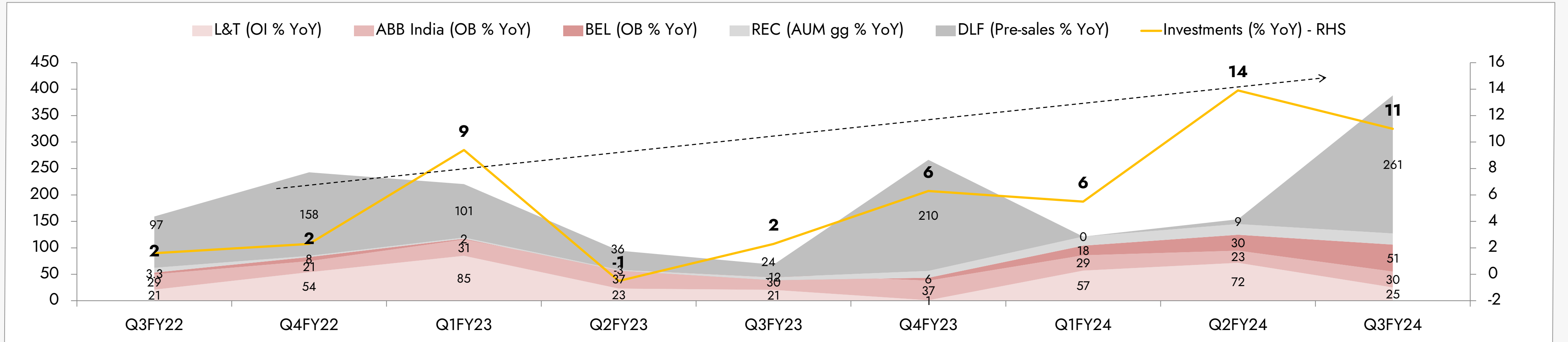
Short idea – IT: Growth deceleration



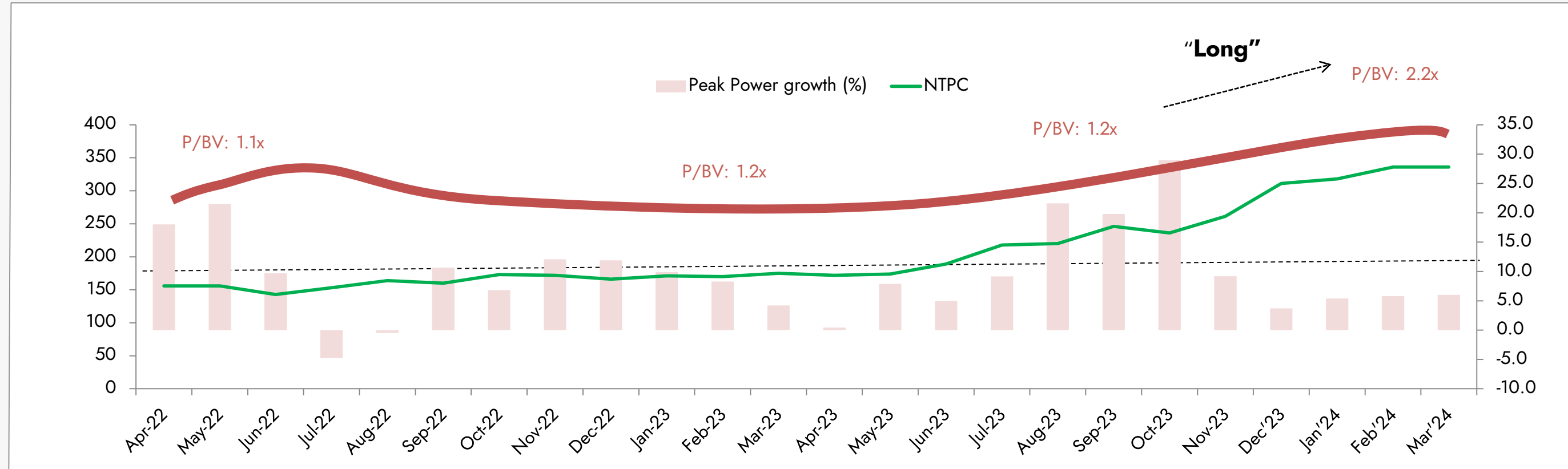
NEGATIVE CATALYST:

- LTI Mindtree:** Senior Executive churn, Merger-related synergies delayed and risks from top banking client consolidation
- Mphasis:** High exposure to troubled BFSI sector / top-clients, loss of wallet share in top accounts and delay in conversion of TCV to revenue

Divergence: Investment vs. Consumption



Energy: Structural



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

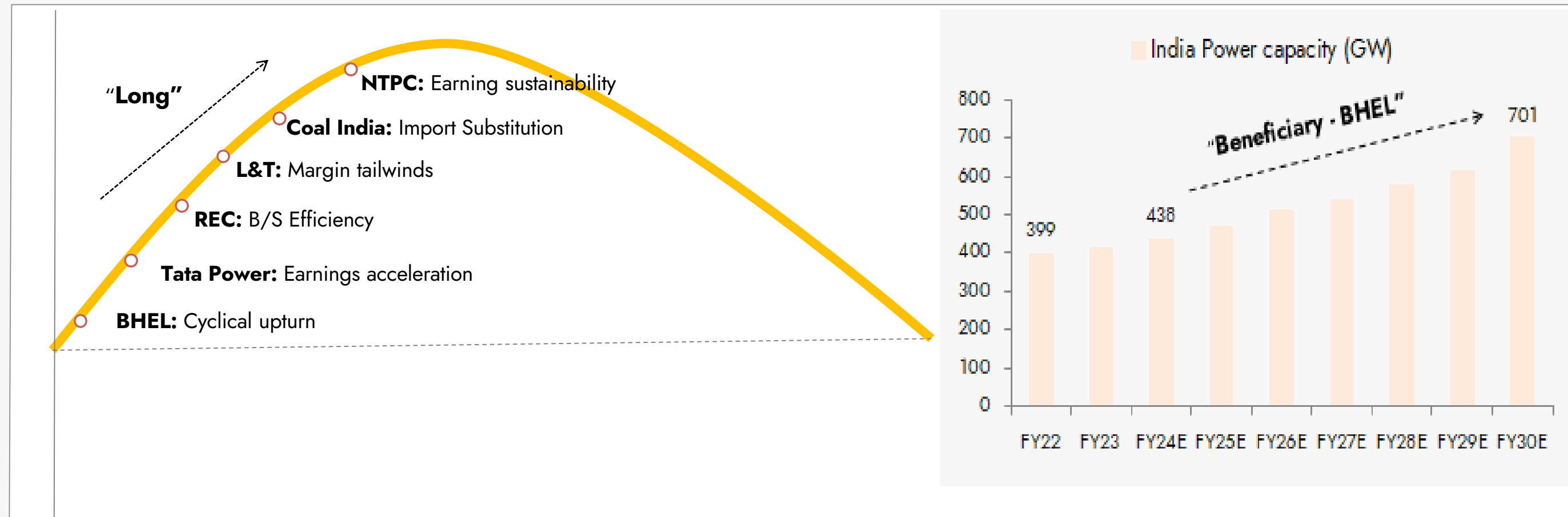
High capex phase: Biggest beneficiary of 80GW new thermal pipeline by FY32; Thermal capacity addition from 2.5GW to 9GW p.a. & Power Capex CAGR 9% - BHEL & NTPC Beneficiary

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

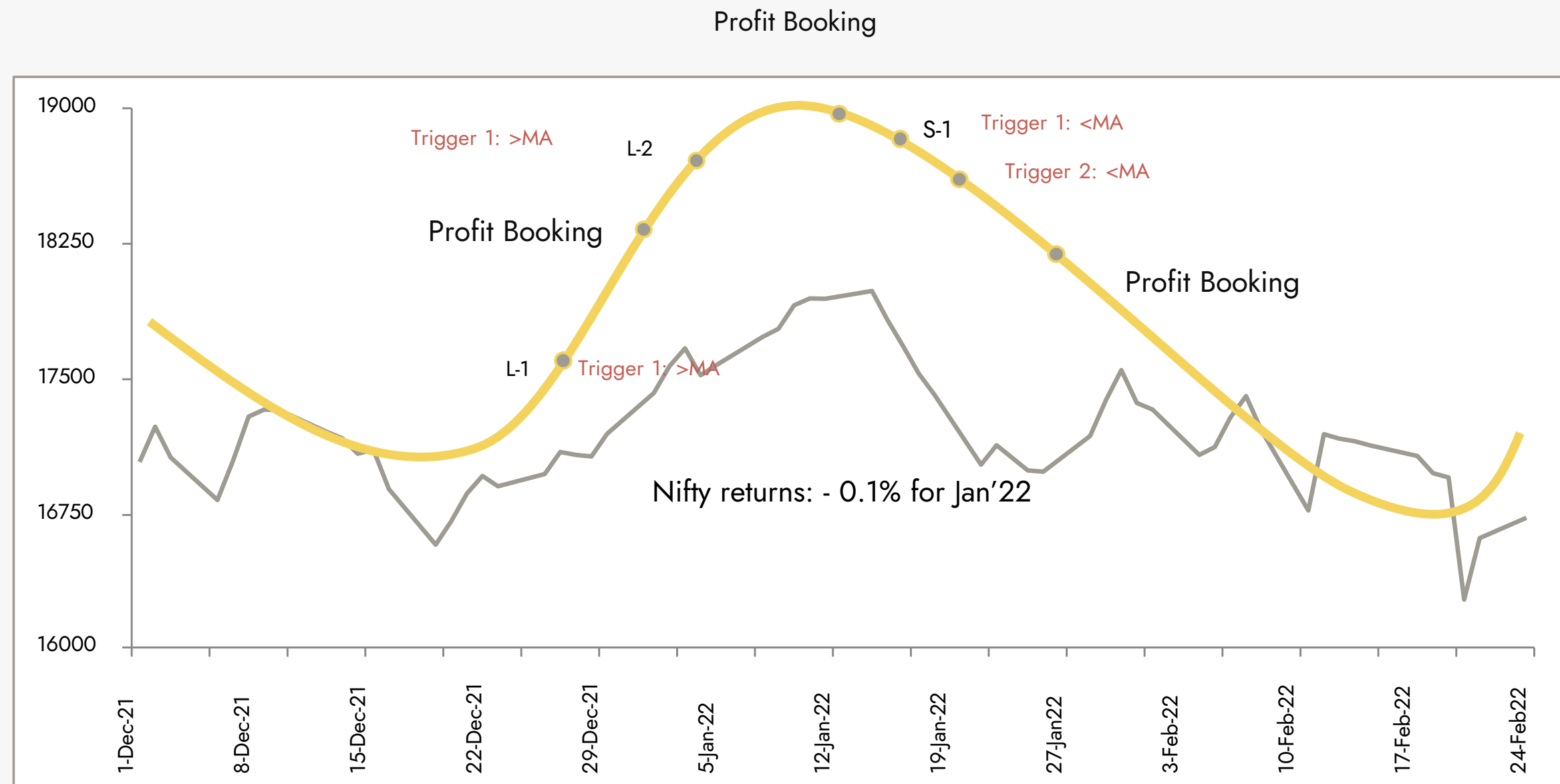
Financier: Driver for heavy capex & Energy transition & reforms leading to Rs10trn demand & lower slippages - REC/PFC beneficiary

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



Nifty Rule based framework, key allocation driver



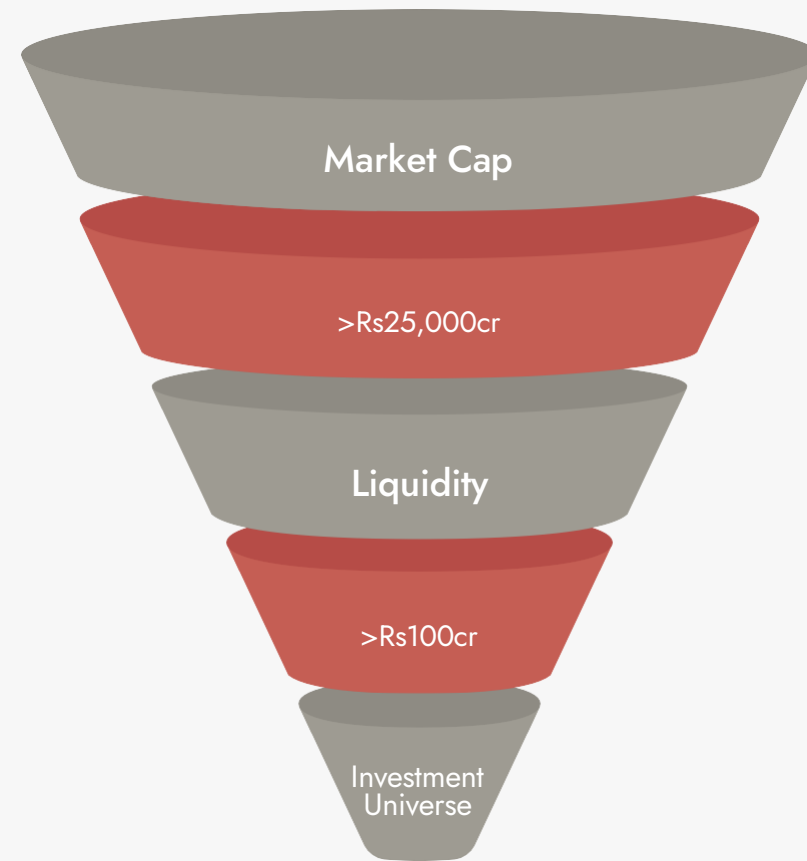
L- Long (120bps attribution) for Jan'22
 S-Short (280bps attribution) for Jan'22

- 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

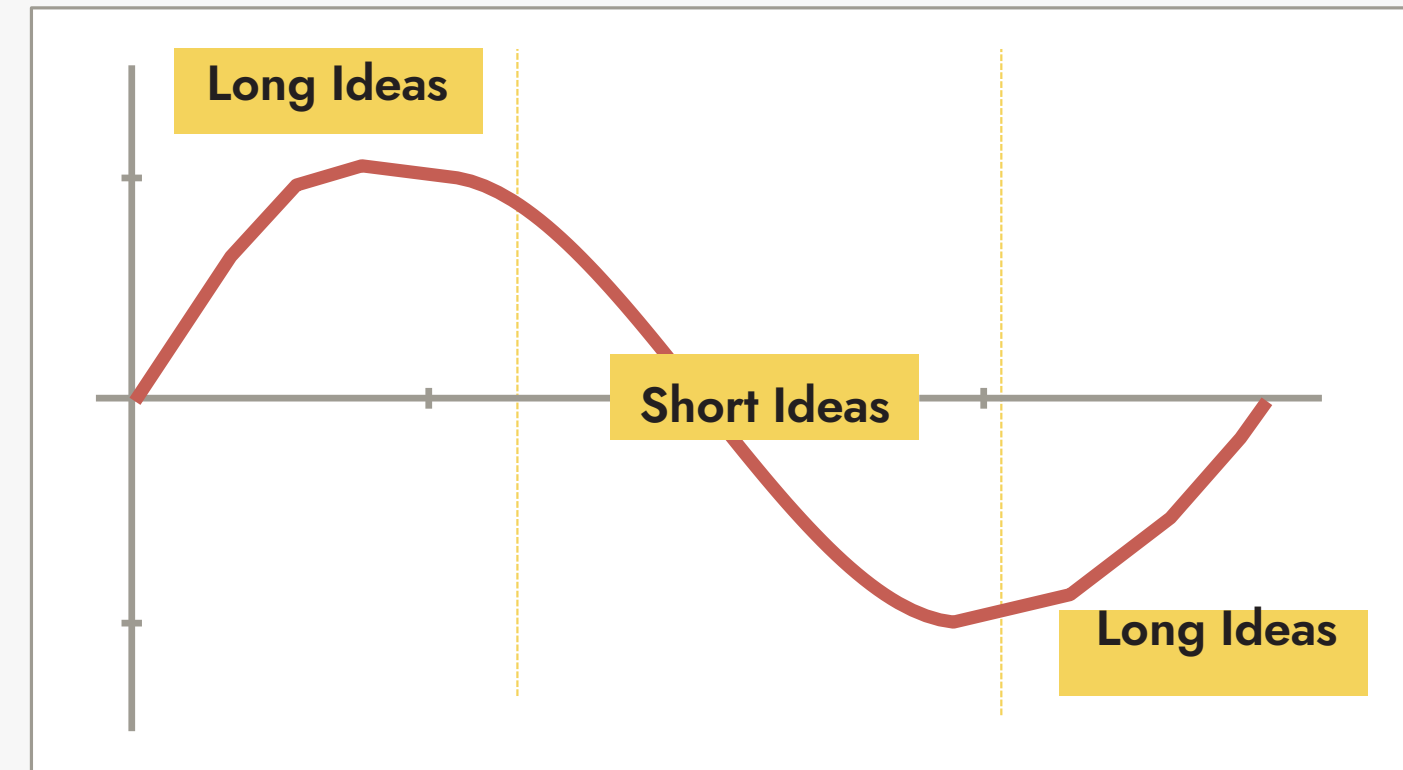


Stock Universe & Portfolio Exposure



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 30 th Apr'24	YTD	1M	3M	6M	1Y	2Y	Since Inception*
Ambit 365	7.6%	2.5%	4.9%	11.6%	NA	NA	11.8%

*Start date 6th Oct'2023

Gross return, pre-fees & pre-tax

Particulars	Std Deviation	Beta	Sharpe ratio	Max monthly drawdown
Ambit 365	5.4%	0.16	2.4	-0.1%

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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