Metis Opportunity Fund

Earnings expectations gradually drifting towards ‘realizable’ zone but ‘on-sale’ card not out yet

October 2016 Newsletter

October 28, 2016

Happy Diwali everyone!. The biggest opportunities always lie in chaotic obscure situations and the environment has fortunately been such for several quarters now. As consensus has recently drifted lower towards our internal expectations, we have found it increasingly hard to identify stories that will fit our book without the crutches of optimism. Inevitably, improved visibility almost always leads to a temporary build-up in froth and tends to force market practitioners, particularly the top-down kind, to re-engage and bid-up fairly valued assets into a not so fairly valued territory. As we wind-down our 6th year of capital allocation in Indian listed equities, we anticipate a significant shift in enthusiasm within the most unsophisticated investor base and need to ensure that we minimize any broad drawdown impact just as we have done in prior years. While we don't pretend to be harbingers of meltdowns, it is critical that your managers remain true to the philosophy that has seen us materially outpace with consistency.

Metis Opportunity has outpaced *BSE 500* in 17 of the 21 quarters since our inception in April 2011, with all of the prior 4 quarters of underperformance falling in first halves of calendar years. Historically, no quarter has delivered more alpha for us than C3Q (average of **+5.1%** relative outperformance over *BSE 500*). In 3Q16, *Metis Opportunity* was up **+9.6%** (net of all fees; in INR terms), vs **+4.3%**, **+6.5%**, **+12.9%**, **+8.7%**, and **+6.5%** gains in *Nifty TR*[1], *BSE 500 TR, BSE Midcap TR*, *BSE Smallcap TR*, and *Eurekahedge India* respectively. The solid performance was despite 2 of our top-8 names registering quarterly declines. Our net exposure at the end of 3Q was 88% vs. 94% at the end of 2Q. No new exposure was initiated during the quarter. Instead, we fully and partially exited names where valuations seemed to be running well ahead of underlying traction.

Over trailing 12 months, *Metis Opportunity* was up **+21.3%** (net of all fees; in INR terms). That compares with **+9.8%**, **+12.9%**, **+17.0%**, **+23.4%**, and **+12.1%** increases in *Nifty TR, BSE 500 TR, BSE Smallcap TR*, *BSE Midcap TR* and *Eurekahedge India* respectively. Over this period, our volatility was **207 bps** below that of *BSE Smallcap TR*, and **178 bps**, **21 bps**, and **759 bps** ahead of *BSE 500 TR*, *BSE Midcap TR* and *Eurekahedge India* respectively.

Over the past 3 years, *Metis Opportunity* is up **+93.6%** (net of all fees; in INR terms) vs. **+55.6%**, **+73.6%**, **+144.1%**, **+141.1%**, and **+69.8%** increases in *Nifty TR*, *BSE 500 TR*, *BSE Midcap TR, BSE Smallcap TR*, and *Eurekahedge India* respectively.

Since inception in April 2011, *Metis Opportunity* is up **+142.7%** (net of fees; in INR terms) vs. **+58.1%**, **+68.8%**, **+96.2%**, **+57.4%**, and **+34.5%** increases in *Nifty TR*, *BSE 500 TR*, *BSE Midcap TR, BSE Smallcap TR*, and *Eurekahedge India* respectively.

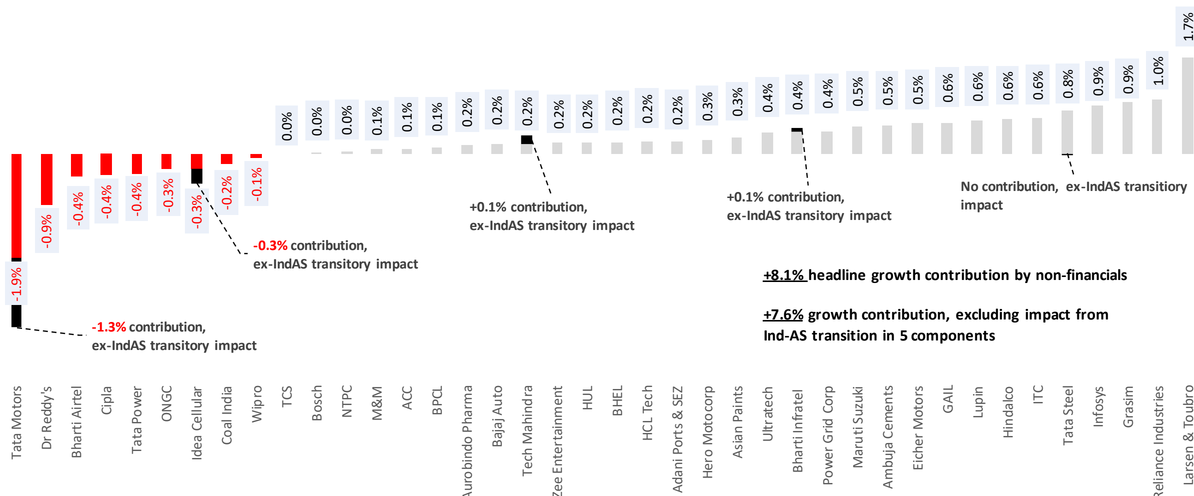
As things stand, 2016 would go down as the 4th year in last 5 when midcaps would outpace the *Nifty*. Interestingly, broader smallcap space hasn't kept pace with midcaps this year. Since our inception in early 2011, we haven't seen such divergence between midcaps and smallcaps – While retail participation is on the rise, it still remains well off of prior highs even as foreign portfolio flows remain near record highs. With benchmark names posting anemic growth, overseas flows have diversified at the margin, taking the broader midcap universe to elevated valuation levels. This September was a case in point when almost a quarter of FPI equity inflows were outside *Nifty 50*.

Not quite spring yet, but we may be close to seeing the drawn-out end of frost. For the first time in a while, we saw healthy revenue traction in non-commodities names in F1Q17 (Jun). *Nifty* non-financials (excluding Materials and Energy) averaged about 8% growth in F1Q but a 70 bps contraction in operating margins ensured that operating profit expansion averaged <4% (read our views on 'peak-margins' in our Jul 2016 letter). Overall, *Nifty* (ex-financials) components contributed under 7% to *Nifty*'s F1Q (Jun) earnings growth. If we adjust for the transitory impact of moving from *Indian GAAP* to *Ind-AS*[2], these names contributed 8% to *Nifty*'s F1Q earnings growth (see **Exhibit 1** on next page).

[1] 'Total Return' indices are used for comparison

[2] We adjusted headline earnings growth in 5 Nifty components, where either F1Q17 or the prior year quarter was impacted substantially by the new accounting standard. Notably, in such instances, either value of investments was revised materially, associated provisions were reversed, FCTR (Foreign Currency Translation Reserve) accumulation was transferred into P&L etc.

Exhibit 1 – F1Q17 earnings growth contribution from non-financial Nifty constituents



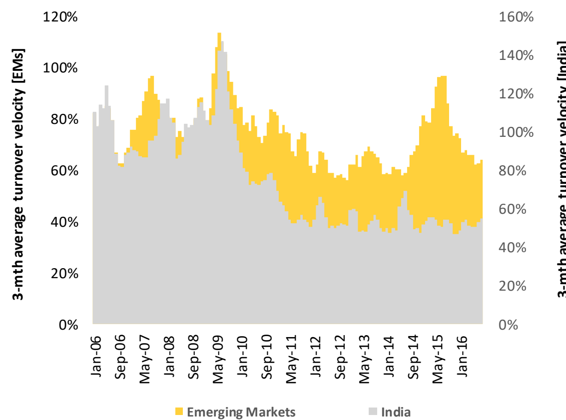
Notes: For Grasim, we took standalone numbers to appropriately reflect Nifty's earnings power since Ultratech is also a Nifty constituent. For similar reason, Bharti Airtel's standalone numbers were considered; We excluded Sun Pharma because its June quarter earnings were replete with distractions, including benefit from 180-day exclusivity on Imatinib, and 1x charges in F1Q16; For Ambuja Cements and ACC, Ind-AS would roll-in from C2017; Across cement names, nearly entire margin expansion in F1Q (Jun) came on account of lower power and fuel costs, with volume growth being largely non-existent.
Source: Company reports

Broad expectations, while still high, continue to inch closer to our own. F2017E earnings expectations for *Nifty* have downsized further in recent months, from high-teens to low-teens now. As things stand, street is expecting *Nifty* Financials to average 20-25% earnings growth this fiscal, or contribute about 4% to *Nifty*'s overall F2017E low-teens earnings growth. The skewness within *Nifty* financials might be enough to pull that off. To put that in perspective, while bank earnings for *Nifty* components in F1Q17 (Jun) only averaged about 6%, *Kotak Mahindra* and *HDFC* alone contributed almost 5% to *Nifty*'s overall earnings growth. Elsewhere, Materials and Energy names within *Nifty* are expected to add ~3.5% to *Nifty*'s F2017E earnings, rightly well short of nearly 5% contribution in F1Q17 (Jun). Earnings remain muted just about everywhere else (roughly 1/2 of *Nifty* components) - This part of the benchmark contributed under 3% to *Nifty*'s EBIT in F1Q and about 3.5% to the bottom-line. Incidentally, consensus calls are for material acceleration here in the second half. While that still appears overly sanguine to us, it does seem increasingly likely now that 1. Financials, Energy, and Materials might match expectations, and 2. The rest of the pack shouldn't miss by as much as it has over the past 4-6 quarters. We therefore expect the extended streak of earnings downside revisions over the last several quarters to end within the new few months. Sustainability however is questionable, with margins (outside Industrials and Commodities) near all-time highs and lack of material incremental growth levers. Furthermore, valuations seemingly already factor earnings stability.

As we write this, F2Q (Sept) earnings are already rolling in. As we have outlined previously, operating margins seem to be contracting again for second successive quarter with earnings growth averaging around a mid-single digit figure.

Market froth is building but is still off of prior highs before sharp drawdowns. In sharp contrast with the broader EM universe, India's turnover velocity came down substantially from mid-2009 onwards with disconnect vs. global EMs becoming increasingly prominent (see **Exhibit 2**). Predictably, over this period, indirect and direct retail

Exhibit 2 – 3-month avg. turnover velocity [EMs vs India]

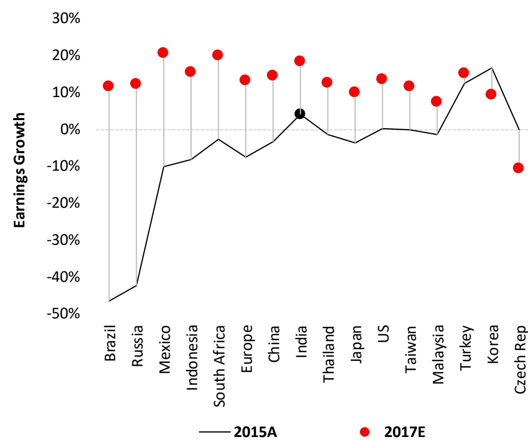


Source: WFE

participation, with the latter often being a fairly good contrarian indicator within Indian listed equities, came off steadily until the 2014 elections as nearly a third of AMC equity-focused accounts closed down. Direct participation came off even more sharply. While retail participation in AMCs has improved substantially since early 2014 (up about 25%), direct retail participation still remains well-off prior highs. We do note however that delivered trades in some highly suspect names are near their 2-3 year highs. Critically, while there is build-up froth, it isn't at levels yet where a sharp draw-down is near inevitable.

While underlying earnings quality continued to gradually improve with slowly building revenue traction, it's now extremely hard to identify quality execution stories that come at valuations where material multiple expansion could be justified. 2016 YTD has unequivocally been a year of multiple expansion, particularly across the mid-cap space and often with limited earnings acceleration shift. Even the biggest of perma-bulls would concede that further multiple expansion without a concomitant earnings acceleration would come with attached warning signs. Increased influx of retail capital and inability to identify a clearly quantifiable and fundamental adverse catalyst will only make this an even harder market to navigate.

Exhibit 3 – Consensus acceleration from 2015 to 2017



Source: Thomson Reuters

While near-term expectations have come down sharply, elevated valuations on elevated 2017E expectations remain worrisome. Around the same time last year, FTM earnings estimates were sharply lower for markets such as Russia, Brazil, and South Africa. Somewhat predictably, 2017E consensus earnings for these markets now suggest the sharpest turnarounds as precious metals and energy prices have rebounded sharply YTD and demand expectations from India and China, somewhat arguably, remain robust. It's worth noting that markets such as India, US, Taiwan, and Thailand stand out on earnings acceleration expectations when one recognizes that this is not expected off of a particularly depressed 2015A base (see **Exhibit 3**). Incidentally, all of these markets have also outpaced *MSCI World* YTD. Even as our expectations for tepid earnings growth have diverted substantially from majority of the street, we have consistently maintained that India's relative positioning for sustainable growth is very strong. Nonetheless, with the benchmark now trading at 40%+ premium over *MSCI Emerging Markets*, it's ludicrous to label India with a blanket 'attractive' tag.

Our paper holding remains one of the strongest beneficiaries of the top of the pyramid distress. BILT's problems are well-documented - It is sitting on ~INR 60 Bil of net debt, with a third of that due in the current fiscal, and immaterial operating cash flows generated over last 2 years. Given that BILT had about 15% of the extremely tight writing and printing paper market, potential of that capacity changing hands, in part or in full, would have very clear repercussions for W&P pricing. With coal price fundamentals unlikely to run too far ahead, our paper holding within our *India Underserved* book is solidly positioned to expand cash flows over the next several quarters.

DELP running ahead of our expectations while SLNP is lagging. When we initiated exposure in a lighting-focused auto parts name within our *Underserved* sub-strategy in 4Q16, we had identified material free optionality in that business' ongoing expansion within the national LED rollout. It was our expectation that by the end of F2017E (Mar), about 150 mil LEDs would have been distributed under DELP (*Domestic Efficient Lighting Programme*), while 3.8 mil street lights would have been installed under SLNP (*Street Light National Programme*). In the first 6 months of this fiscal, cumulative distribution under DELP has already crossed 165 mil while 1.3 mil streetlights have been installed under SLNP. Profitability, so far, remains ahead of our expectations.

Elsewhere, the core parts business within the above-mentioned name continues to deliver ahead of management's expectations. When we had initiated exposure in Dec 2015, projections suggested around 20% unit growth in F2017E (Mar) as its largest OEM client[3] opened its new plant in western India. If F1H16 was any indication, F2017E (Mar) unit growth is likely to be closer to 25%. In sharp contrast with broader markets, a vast majority of the 50%+ YTD upside on this name in our book has come from sustainable growth in earnings power vs. multiple expansion.

We fully exited a 3-year old position in an apparel name. On a few occasions over the past 6 years, a very small portion of our *India Underserved* exposures were initiated within solid executing names with significant valuation disconnects, even if substantial near-term shift in earnings power wasn't particularly visible when these positions were initiated. Our apparel position was one of such exposures. With segment-wide leadership well established and revenue growth largely tracking not so earth-shattering retail footprint growth, we had been evaluating this exit for a while. +160% later, we were unable to align underlying business realities with even our aggressive absolute value estimates. We fully exited this position through a block deal executed in mid-September, following a partial sale in 4Q15.

Partially exited an Industrial Packaging name after a sharp run-up in 3Q. In 3Q16, the driving force for our *India Undervalued* book was to de-risk the portfolio and try and take advantage of market values that in some cases have run up faster than fundamentals warrant. After several years of underperformance (initial stake bought in September 2014), our largest position, primarily a leading Asian/ME industrial packaging company with strong parallel business lines, re-rated after consistently improving financials led to strong FII/local interest. Even though we still see decent upside (undervalued on a relative and absolute basis) on the name as the passionate management deliver on their clear plans, there is distinctly less margin of safety end of quarter vs. start of quarter. A lot of the future upside depends on the company's ability to execute on expanding market demand (primarily Indian OMC's) for their monopoly position (in size) in composite cylinders and other market proven product categories, without losing any focus on the balance sheet/capital allocation. The company has won investor belief that the "sins of past" (overreaching in overseas markets of Eastern Europe/China) will not be repeated and there is a singular focus on execution. Once the name had comfortably breached 20% of the *Undervalued* book we felt it was time to take a few chips off the table as we also saw a lot of retail interest/low delivery volume. To be clear, it is still our number one position as the original thesis of steady improvement in overseas capacity utilization (in core industrial packaging business) improving margins to historical levels is still playing out and the new product lines are distinct catalysts (not fully factored into our valuations).

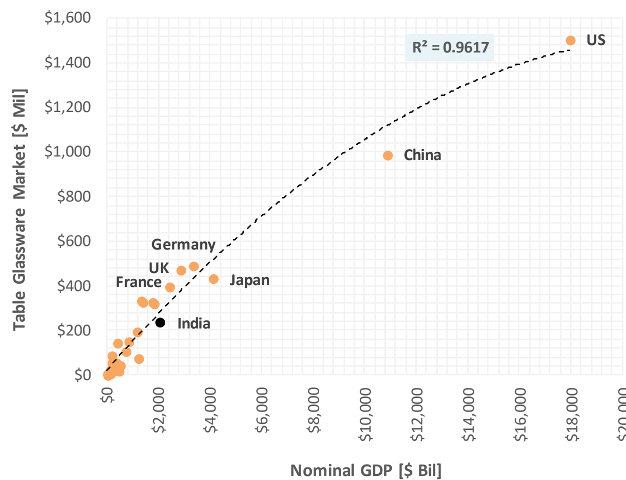
The rest of the businesses in the *Undervalued* book have a good value to price equation to varying degrees - we will take advantage of market on those businesses which are well positioned to deliver improving performance in

[3] This OEM had more than 50% share of a key 2-wheeler category in F2016 (Mar) and has consolidated the position further in F2017E.

2017 and beyond. A key theme in the book is that our businesses were in a strong position to expand capacity even during slightly subdued volume growth the last few years and thus are now sitting on much larger earnings power (without undue burden on balance sheet) as business volumes improve going forward.

We initiated a new exposure in a consumer kitchenware name. This new position was initiated after the quarter ended and essentially replaced our apparel exposure. We had been evaluating this name since 1H16 but given the exclusively retail[4] nature of the product and limited granularity available on the space globally, it took us longer than usual to build conviction and quantify acceleration drivers. Incidentally, over this period the name drifted lower even as the broader midcap space was up nearly 20% over this period. This position would likely evade nearly all traditional value screens because of its elevated headline multiple.

Exhibit 4 – Global Table Glassware market by country

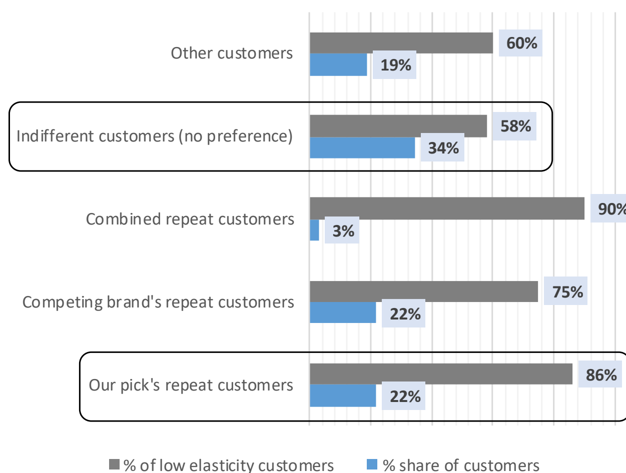


Sources: Internal estimates; Misc

This business was started in mid-80s and previously used recycled glass. The idea to get into semi-translucent glass came from the Far-east a few years later, which was soon followed by 24% lead-crystal manufacturing. For most of its evolution however, all SKUs were handmade and therefore allowed for limited scalability. The most differentiated shift in profitability came when they expanded their manufacturing into another North Indian location, which has a semi-automatic manufacturing process, in late 2000s.

Fits well within the Underserved construct. Table glassware fits in well within our *India Underserved* construct (see **Exhibit 4**) and remains a fairly unorganized market, but one which competes less, relatively speaking, from overseas imports than other non-perishable consumer products. That aesthetics are highly critical in the consumer decision makes this market even more concentrated when it comes to selling into the INR 0.7-2 mil income households, with only a household overseas brand priced ahead of our chosen player. Handful of fringe players and intermittent Chinese imports finish the 'organized' field.

Exhibit 5 – Testing elasticity within table glassware consumers



Source: Internal surveys

Low price elasticity within a concentrated segment. Over the past few months, we engaged consumers within what we identified as the most price conscious part of the table glassware market (part of the sub-1.2 mil income households that buy from traditional retail vs. MBOs). More than 4 out of 5 such consumers of our pick wouldn't switch despite a 15% hypothetical price hike, while 4 out of 10 undecided and other-brand repeat customers will switch when faced with a similar price hike. Almost regardless of SKU type, we observed very strong loyalty within its repeat customer base.

Purchase decisions are highly influenced at the POS. While about half of all respondents in our checks used one of the top two table glassware brands (our pick and the higher-end overseas brand), the largest share

[4] Current revenue breakdown is about 90% retail and 10% institutional

of respondents (about 1/3rd of all respondents) were indifferent to brands. However, faced with limited choices, this group was largely influenced by recommendations at the point of sale. Given that this group mostly fit in within the 'value for money' camp[5], point of sale recommendations to them were almost always our chosen name.

While evaluating cash flows of next 3-5 years, we particularly noted the following 3 key shifts that more than offset any headline multiple contraction risk.

1. ***Mix shift is expected to add 80-140 bps to operating margin.*** Start of the new North Indian facility in late 2000s launched the translucent white glassware line. While this sub-segment is more competitive (given bone-china, porcelain etc. alternatives), its semi-automatic assembly makes it far more profitable. The ramp-up has been such that this product line now accounts for about 2/3rd of the business. More importantly, the company recently finished a substantial expansion at this facility (capacity was doubled - added another furnace, a spinning line, and an automatic pressing line to bring more flexibility on the assembly line). As production at this facility ramps up further, the above product line could conservatively account for 75-80% of revenues. We estimate this to be 80-140 bps accretive to operating margin.

2. ***Cash cycle to shorten further within 2 years.*** Transfer paper makes up a fifth of total materials cost but just under 40% of total materials inventory and all of the current requirement is imported. As part of the recent capacity expansion, this company installed an internal decal plant for making transfer paper. Within 2 years, this is expected to fully source all internal transfer paper requirements. Consider the impact of this in-sourcing move on the cash cycle – Currently, this business needs to keep 75 days of inventory of transfer paper. That'll get slashed by at least 40% as inventory days come down to 40-45 days. Besides cost savings, which aren't factored in our numbers, we estimate that at least 2-3 days will come off from the current cash cycle. This will also significantly lower the FX content in imports[6].

3. ***Current resources preclude any incremental land requirement until production ramps up nearly 4x.*** The recent expansion at the North Indian facility took their plant capacity from 8,000 MT to 16,000 MT. Even this could be doubled to 32K MT before any incremental requirement for land acquisition. If we strictly go by our conservative expectations for production ramp-up, there wouldn't be any need for additional land until F2024 (Mar).

Margin expansion and shortened cash cycle more than offset any multiple compression risk. While our as-is conservative absolute value estimate of this business suggested about 5-10% multiple compression risk, the above levers comfortably offset that risk. For a business that has compounded earnings at 30%+ over the past decade and at 35%+ over the past 3 years, this name is available at a valuation where near-term underlying cash flow shift is material enough to manage any risk of multiple compression.

While we haven't baked in benefits from GST in our calculations here, it is evident that tax incidence on this business would come down materially post-GST rollout. As things stand, they pay 27-28% in indirect and direct taxes (2% CSD + 12% excise + 14% average VAT). To put that in context, if only about ½ of the post-GST savings were to accrue to them, that by itself would be 25-30% accretive to value.

Finally, a yet another material unfactored move in our due-diligence is the imminent launch of 2 new collections this Diwali (one of them would be 'squarish' dinnerware while the other is more formal 'porcelain-like' collection). These are top of the line collections and are 20-40% pricier vs. current SKUs. All said, it's very hard to identify visible stories that can expand another 40%+ over the next couple of years. We strongly believe that this exposure of ours would fall within that rapidly shrinking camp.

[5] 58% of such respondents would consider switching to an alternative if their preferred brand hiked prices by 15%

[6] Currently, ~30% of materials are imported and ~40% of spares and spare parts are imported – Borose (from Turkey and US), Acid Fluorspar (from China) are imported because there isn't a domestic alternative for them. Transfer Paper (from Korea, Taiwan, and Indonesia) is imported because of a significant quality differential.

Performance and Attribution summary

Even though our exposures are mostly within the smallcap spectrum, we don't benchmark ourselves with a certain group and instead focus on the best performing index. As midcaps have disconnected from the rest of the pack this year, we have predictably underpaced the broader midcap space. We don't wish to chase the beast here as we expect fatigue to creep in sooner than later.

80% of our names rose in 3Q. Incidentally, 2 of the 4 that lost ground are among our top-5 picks. Our two best performing positions in the quarter were an *Industrial Packaging* (**+63%**) and a *Business Services* name (**+37%**). Our two worst performing positions during the quarter were a *Logistics* name (down **-19%**) and a *Packaging* name (down **-10%**). For our historical position-wise benchmarking vs. peers and *BSE 500*, please see **Exhibit 6d**.

In 3Q16, *Metis Opportunity* was up **+9.6%** (net of all fees; in INR terms), vs **+4.3%**, **+6.5%**, **+12.9%**, **+8.7%**, and **+6.5%** gains in *Nifty TR*, *BSE 500 TR, BSE Midcap TR*, *BSE Smallcap TR*, and *Eurekahedge India* respectively. Since inception in April 2011, *Metis Opportunity* is up **+142.7%** (net of fees; in INR terms) vs. **+58.1%**, **+68.8%**, **+96.2%**, **+57.4%**, and **+34.5%** increases in *Nifty TR*, *BSE 500 TR*, *BSE Midcap TR, BSE Smallcap TR*, and *Eurekahedge India* respectively (see **Exhibit 6a** and **6c**). Over trailing 12 months, our volatility was **207 bps** below that of *BSE Smallcap TR*, and **178 bps**, **21 bps**, and **759 bps** ahead of *BSE 500 TR*, *BSE Midcap TR* and *Eurekahedge India* respectively (see **Exhibit 6b**).

Exhibit 6a – Perf. since inception

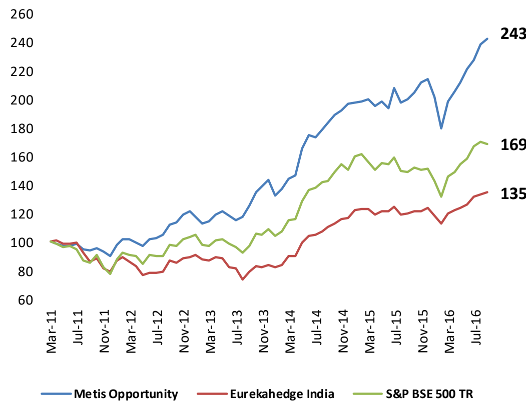


Exhibit 6b – TTM volatility

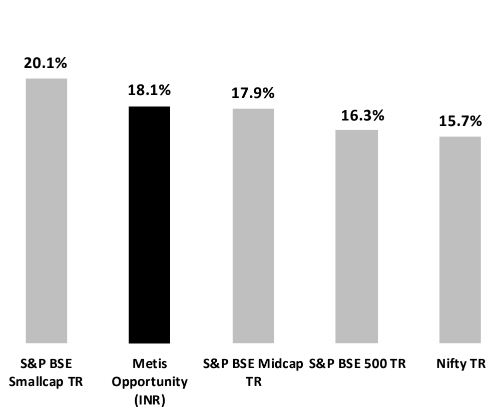


Exhibit 6c – Calendar year benchmarking

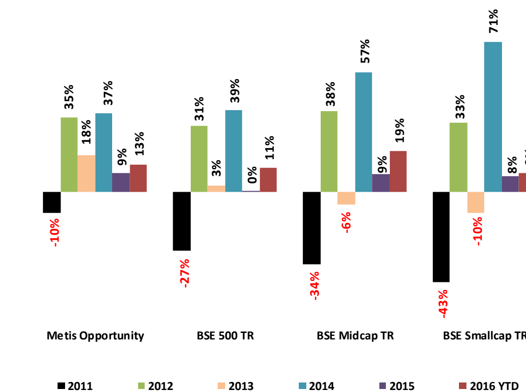


Exhibit 6d – Industry-wise benchmarking for positions

Note: Metis Opportunity went live on Mar 11th 2014; Industry-wise benchmarking compares position-wise performance (relative to BSE 500 and Industry-peers) from initial cost basis (NOT average cost basis) to present/exit.
Source: Internal Sources; NSE, BSE, Eurekahedge

Exhibit 7a – Relative rolling 12-mth returns

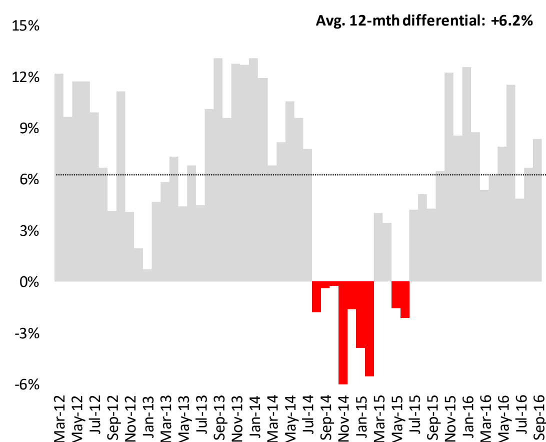
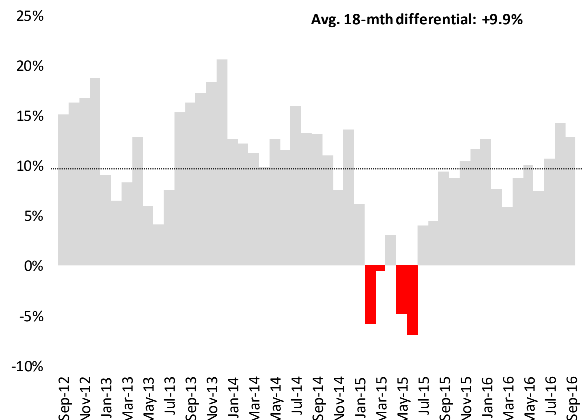


Exhibit 7b – Relative rolling 18-mth returns



Note: Relative return differentials are in INR terms and are calculated vs. BSE 500 Total Return index
Source: Internal Sources

Exhibit 8 – Time window analysis for our sub-strategies

	India Underserved		*India Undervalued*	
	3 Month	*12 Month*	*3 Month*	*12 Month*
Number of periods	34	25	34	25
Average period return	**6.6%**	**25.9%**	**5.7%**	**19.6%**
Number of profitable periods	29	25	23	19
% profitable periods	**85%**	**100%**	**68%**	**76%**
Best period	24%	47%	26%	66%
Gain Standard Deviation	6.2%	12.7%	7.6%	23.1%
Sharpe Ratio @10%	0.56	1.25	0.32	0.38
Sharpe Ratio @5%	0.72	1.65	0.44	0.57
Sharpe Ratio @0%	0.89	2.04	0.55	0.77
Loss Standard Deviation	4.3%	0.4%	5.5%	7.0%
Downside Deviation @10%	2.9%	1.4%	5.3%	9.6%
Downside Deviation @5%	2.5%	0.9%	4.7%	6.9%
Downside Deviation @0%	2.1%	0.2%	4.2%	4.7%
Sortino Ratio @10%	1.43	9.97	0.63	1.00
Sortino Ratio @5%	2.15	35.30	0.95	2.12
Sortino Ratio @0%	3.11	132.91	1.37	4.14
Average Gain/Loss	2.1	28.6	2.1	3.9
Profit/Loss Ratio	12.4	700.8	4.4	12.2

Note: Metis Opportunity is a direct blend of above two sub-strategies
Source: HedgeAlytix

Exhibit 9 – Long-book snapshot

Top position as % of book	11%
Smallest position as % of book	1.0%
Top 5 positions as % of book	45%
Avg. weighted market cap of book (mil)	$782
Avg. weighted free float of book	48%
Net Exposure	88%
# of positions	19

Source: Internal Sources

Exhibit 10 – Historical Monthly Performance

	Metis Opportunity (INR)	*Nifty TR*	*S&P BSE 500 TR*	*S&P BSE Midcap TR*	*S&P BSE Smallcap TR*	*Eurekahedge India*	*India-focused CE Funds**
Apr-11	-1.3%	-1.5%	-1.5%	-1.3%	-0.6%	1.4%	-3.0%
May-11	-1.4%	-3.1%	-2.5%	-2.6%	-5.5%	-2.6%	-2.5%
Jun-11	-0.3%	2.0%	0.8%	-0.8%	-0.8%	0.2%	-0.4%
Jul-11	1.6%	-2.8%	-1.9%	0.9%	2.3%	0.7%	-2.7%
Aug-11	-3.8%	-8.7%	-8.6%	-9.3%	-13.8%	-7.4%	-7.1%
Sep-11	-0.7%	-1.1%	-1.4%	-2.3%	-3.2%	-6.3%	-5.5%
Oct-11	1.9%	7.8%	6.0%	2.7%	1.4%	2.1%	5.7%
Nov-11	-2.9%	-9.3%	-9.5%	-10.6%	-12.5%	-7.9%	-5.7%
Dec-11	-3.4%	-4.3%	-5.5%	-8.8%	-8.9%	-2.7%	-8.6%
Jan-12	9.1%	12.5%	13.5%	14.3%	16.5%	9.5%	10.4%
Feb-12	3.8%	3.6%	4.7%	8.8%	6.2%	3.3%	3.5%
Mar-12	-0.2%	-1.6%	-1.3%	-0.6%	-3.3%	-4.1%	0.8%
Apr-12	-1.9%	-0.9%	-0.9%	-0.4%	2.1%	-3.4%	-1.6%
May-12	-2.6%	-5.9%	-6.0%	-6.4%	-7.3%	-7.9%	-4.6%
Jun-12	4.9%	7.6%	6.8%	4.4%	4.5%	2.8%	7.8%
Jul-12	0.8%	-0.8%	-0.9%	-1.8%	-1.0%	0.0%	-1.7%
Aug-12	1.9%	0.7%	0.6%	0.1%	-0.6%	0.4%	1.8%
Sep-12	6.7%	8.5%	8.8%	10.1%	10.1%	10.2%	6.7%
Oct-12	1.3%	-1.4%	-1.2%	-0.6%	-0.4%	-2.1%	0.1%
Nov-12	5.5%	4.7%	5.1%	5.3%	4.2%	4.0%	3.5%
Dec-12	1.9%	0.5%	1.5%	3.1%	1.5%	0.6%	-0.5%
Jan-13	-3.6%	2.2%	1.1%	-2.0%	-4.1%	2.2%	0.0%
Feb-13	-3.8%	-5.6%	-6.5%	-9.5%	-12.2%	-3.9%	-4.4%
Mar-13	1.2%	-0.1%	-1.0%	-2.5%	-6.4%	-0.9%	1.1%
Apr-13	4.2%	4.4%	4.3%	3.3%	3.8%	3.0%	3.1%
May-13	2.0%	1.3%	1.1%	0.8%	-1.2%	-1.0%	0.3%
Jun-13	-2.9%	-2.2%	-3.5%	-6.3%	-4.9%	-7.4%	-3.9%
Jul-13	-2.5%	-1.5%	-2.2%	-6.6%	-5.4%	-0.6%	0.8%
Aug-13	2.3%	-4.6%	-4.3%	-4.1%	-1.9%	-9.1%	-5.0%
Sep-13	6.5%	4.9%	5.3%	5.9%	5.7%	7.1%	4.8%
Oct-13	7.5%	9.9%	9.2%	9.0%	7.9%	5.1%	8.7%
Nov-13	2.9%	-1.9%	-0.7%	3.6%	3.6%	-0.9%	-1.0%
Dec-13	3.3%	2.1%	3.1%	6.0%	7.4%	2.0%	1.7%
Jan-14	-7.7%	-3.3%	-4.1%	-5.7%	-4.4%	-2.4%	-4.0%
Feb-14	3.7%	3.1%	2.9%	3.2%	3.0%	2.1%	5.8%
Mar-14	5.0%	6.9%	7.7%	9.0%	9.7%	7.1%	8.0%
Apr-14	1.8%	-0.1%	0.6%	3.4%	5.9%	0.6%	-0.9%
May-14	12.8%	8.1%	10.5%	15.7%	20.4%	10.5%	9.2%
Jun-14	5.8%	5.6%	6.7%	10.9%	13.2%	4.6%	6.6%
Jul-14	-0.9%	1.7%	0.8%	-1.7%	-1.8%	0.4%	1.4%
Aug-14	3.0%	3.1%	2.9%	1.4%	3.0%	2.4%	4.6%
Sep-14	2.9%	0.2%	0.9%	2.7%	4.3%	2.8%	4.3%
Oct-14	2.7%	4.6%	4.2%	3.2%	2.3%	2.5%	3.1%
Nov-14	1.9%	3.2%	3.4%	4.5%	3.2%	2.9%	5.5%
Dec-14	2.2%	-3.5%	-2.1%	1.0%	-1.6%	0.2%	-2.5%
Jan-15	0.5%	6.4%	5.8%	3.6%	2.2%	4.8%	6.2%
Feb-15	0.6%	1.1%	1.0%	0.7%	-0.5%	0.6%	2.4%
Mar-15	0.7%	-4.4%	-3.4%	-2.0%	-3.3%	-0.1%	-2.1%
Apr-15	-2.3%	-3.6%	-3.2%	-1.7%	0.5%	-3.2%	-5.6%
May-15	1.3%	3.2%	3.2%	3.0%	3.1%	2.1%	4.7%
Jun-15	-2.2%	-0.4%	-0.8%	-0.2%	-1.7%	-0.1%	-0.6%
Jul-15	7.3%	2.2%	3.3%	6.0%	7.1%	3.0%	3.3%
Aug-15	-4.8%	-6.5%	-6.1%	-4.7%	-7.1%	-4.4%	-6.4%
Sep-15	1.1%	-0.2%	-0.2%	0.8%	0.6%	0.4%	0.6%
Oct-15	2.5%	1.6%	1.7%	1.6%	2.7%	1.5%	0.2%
Nov-15	3.4%	-1.6%	-0.8%	0.2%	2.9%	-0.4%	-1.9%
Dec-15	1.2%	0.1%	0.5%	1.4%	1.7%	1.8%	-1.5%
Jan-16	-6.0%	-4.8%	-5.8%	-6.5%	-8.2%	-3.9%	-4.0%
Feb-16	-11.0%	-7.6%	-8.0%	-7.9%	-12.1%	-5.2%	-6.8%
Mar-16	10.5%	11.0%	10.9%	11.2%	10.7%	6.6%	9.5%
Apr-16	3.7%	1.4%	2.2%	4.0%	4.6%	2.2%	1.6%
May-16	3.2%	4.1%	3.5%	3.0%	1.1%	1.0%	5.0%
Jun-16	4.4%	2.0%	2.8%	3.1%	6.0%	2.0%	2.6%
Jul-16	2.8%	4.4%	5.2%	8.3%	4.5%	4.2%	4.3%
Aug-16	4.9%	1.8%	2.3%	4.6%	2.9%	1.2%	2.2%
Sep-16	1.7%	-1.9%	-1.1%	-0.3%	1.2%	0.9%	-2.6%
Trailing 1 year	21%	10%	13%	23%	17%	12%	8%
Trailing 2 years	32%	11%	18%	41%	22%	22%	17%
Trailing 3 years	94%	56%	74%	144%	141%	70%	79%
Since inception	**143%**	**58%**	**69%**	**96%**	**57%**	**35%**	**62%**
2016 YTD	13%	10%	11%	19%	9%	9%	11%
2015	9%	-3%	0%	9%	8%	6%	-1%
2014	37%	33%	39%	57%	71%	39%	49%
2013	18%	8%	3%	-6%	-10%	-6%	6%
2012	35%	28%	31%	38%	33%	14%	28%
2011	-10%	-25%	-27%	-34%	-43%	-25%	-31%
TTM Volatility	18%	16%	16%	18%	20%	10%	15%
Sharpe Ratio	1.00	0.41	0.48	0.57	0.34	0.24	0.44
Calmar Ratio (3-yr/3%)	1.14	0.43	0.59	1.26	1.07	0.57	0.70

*Note: Metis Opportunity's INR track record is a live blend of our running onshore strategies; Fund went live on March 11, 2014 and reports net of all fees; *Close-ended funds in US, with USD returns converted into INR.*
Source: Internal Sources; NSE; BSE; Bloomberg; Eurekahedge

Investment Managers

Piyush Sharma, is the co-investment manager of Metis Opportunity Fund. Having spent time with Citigroup and Bombay Stock Exchange in India, he moved to United States in 2002, where he covered stocks within Business Services, Autos, Consumer Products and Financials with Sanford Bernstein, Longbow Research, and Avondale Partners, working in teams that received accolades by leading institutional research arbiters, including Institutional Investor (II) and Greenwich Associates. Piyush received an MBA from University of North Carolina at Chapel Hill, MS from MNNIT, and BS in Accounting from University of Allahabad.

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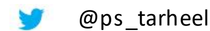
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Gaurav Aggarwal, CFA, CPA, CIPM is the co-investment manager of Metis Opportunity Fund. He was a senior analyst with portfolio management duties over $50 million in fund of fund assets at a leading regional investment bank (Global Investment House) in the Middle East. Prior to this, he was with Bay Harbour Management, a $1.2 billion distressed debt and equity hedge fund in New York City. He has also served as an analyst with Polen Capital Management, a $2 billion long-only value money manager in Florida. He received an M.S. in Accounting (specializing in Finance) and B.S. in Business Administration from the University of North Carolina at Chapel Hill. He is a Chartered Financial Analyst and a Certified Public Accountant.

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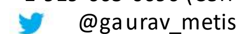
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