Metis Opportunity Fund

3-peat!

January 2014 Newsletter

January 10, 2014

In November 2013, as your managers began their fourth year of investing in India, their immediate objective was a four-peat in 2014. We don't know if we'll four-peat but we certainly won't be sleeping well if we don't. We owe you that. In 2013, for the third successive year since our inception, we reported numbers that outpaced India's *Nifty* by a wide double digit margin. While we certainly wouldn't give ourselves a '10' on identifying execution stories just yet, we continue to challenge ourselves to get closer to that mythical mark.

In 4Q13, *Metis Opportunity* strategy was up **+15.6%**. That compared with **+9.9%**, **+11.5%**, **+19.6%**, **+19.8%**, and **+8.9%** increases in *Nifty, BSE 500, BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively.

In 2013, *Metis Opportunity* strategy was up **+19.4%**, vs. **+6.7%** and **+3.3%** increases in *Nifty* and *BSE 500* respectively, and **-5.7%**, **-11.2%**, and **-3.5%** declines in *BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively. Not only did we handily outpace *BSE 500* again in 2013, we did so by outpacing the benchmark in each quarter of the year. In 2013, our volatility was 1.0%, 3.4%, 6.5%, and 7.6% below *Nifty*, *Eurekahedge India*, *BSE Midcap*, and *BSE Smallcap* respectively.

India often reports strong December "catch-up" trades, with investors bidding-up laggards. In fact, in 5 of the last 8 years, *Nifty*'s 5 best constituents in December trailed the benchmark leading in to December. Not surprisingly, having had a lackluster year for the first 9 months, India's small and mid-cap universe found favor in 4Q, as these names sharply led *Nifty* at the end of 2013. That however was not enough to prevent them from closing their second losing year since 2010.

The most accomplished pugilists don't spend a moment admiring their shots. While we are proud to consistently outpace benchmarks and peers, we do realize that history doesn't necessarily shape the future. To that extent, it is critical for us to continue to carefully sift through India's value pockets and maintain our extremely strong up-down capture. Our rigor would count for nothing if it wasn't accompanied by an extremely disciplined approach and your managers promise you more of the same in 2014.

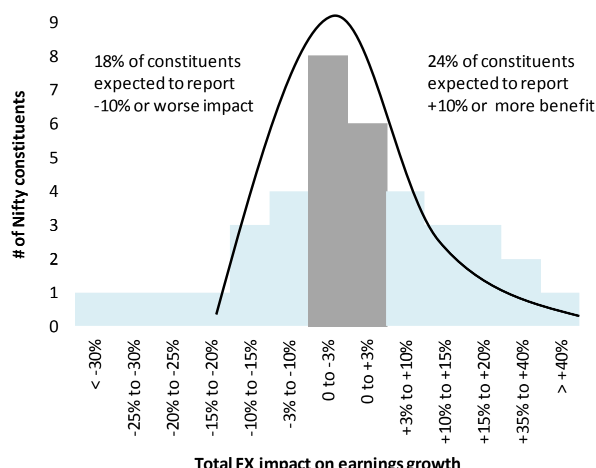
Strong execution stories remain key for us. In 1H of F2014 (Mar), our book grew earnings by 11% (17% excluding a certain bank position which is the only opportunistic deep value position we hold). This obviously came in the backdrop of sub-5% economic growth and about a similar dour pace for *Nifty*'s earnings. F2014 (Mar) YTD, our top 3 earnings leaders have averaged just under 50% earnings growth and account for over a fifth of our exposure. In contrast, our top earnings laggards have seen earnings slashed by 2/3rd YTD, but these names account for only a tenth of our exposure. Further, our uncompromising focus on value ensured that we asymmetrically benefit from solid execution while lack of it doesn't hurt us much - Our earnings leaders saw their valuation surge by an average of 70% in the first three-quarters of the current fiscal, while our earnings laggards have averaged barely a 16% drop over this period.

While our names, like others globally, have clearly benefited from multiple expansion over the past two years, a large part of that has come on the back of solid earnings traction in these names, let alone the fact that their multiples were depressed to begin with (and are still meaningfully below our absolute estimates). Unlike what we have noted in several developed markets and often within India's over-covered large-caps, we don't see 'rerating froth' in our names currently. Over the last two years, our combined book is up **+64%** vs. **+36%** for *Nifty* and *BSE 500*, with a large part of the upside driven by names that we have held through this period (for position-wise benchmarking, see **Exhibit 4d**). Let's look at our sub-strategy specific numbers and disaggregate this upside - Our *India Underserved* sub-strategy constituents at the end of Dec 2011 have, on average, accounted for about 80% weight of our exposure since then (even as exposure has varied). If we focus specifically on names that have been part of our combined book throughout 2012 and 2013, this part of our book is expected to grow earnings at about 40% over this 2-year period (F2012 to F2014E). These names, on average, however have more than doubled over this period. So, while it does appear that multiple expansion has driven most of the upside over this period, this expansion came on the back of meaningful multiple contraction in 2011, when our book didn't really report a decline in earnings while stock prices dropped. Effectively, our 3-year return is still largely driven by clean

fundamentals vs. an overwhelming expectation of vastly improved prospects. The latter characterizes what one saw within most G7 benchmark constituents over the past 3 years.

In a year where investors became increasingly nervous with rupee's successive double-digit drop, our focus was far away on home-focused stories. Our names have almost zero FX linkages and very low second-degree associations. Unlike the names we hold, India's benchmark constituents get materially impacted from sharp FX fluctuations.

Exhibit 1 – FX impact distribution curve for F2014E (Mar)



Note: Debits from net FX impact arising out of exchange differences on settlement/ restatement of all monetary items and mark to market valuation of outstanding forward contracts are included in this work.
Source: Company Reports

In F2014E (Mar), *Nifty*'s constituents (ex-financials) should be about equally split when it comes to FX beneficiaries and the ones that get adversely impacted. That said, we expect *Nifty* earnings (ex-financials) FX impact distribution to be right-tailed with more big beneficiaries than big losers (see **Exhibit 1**). By our estimate, net FX related benefit for *Nifty*'s non-financial constituents should add >300 bps to *Nifty*'s F2014E (Mar) earnings. While we are discussing the FX-related impact, it is important to appreciate the growing use of derivatives by *Nifty* constituents and how it makes it increasingly critical to now look beyond operating revenue and expense translations to fully assess FX impact[1]. To that extent, one needs to appreciate how currency impact on monetary assets and liabilities, including derivative positions, is accounted for in India - Where ever an Indian company enters into a "firm commitment" for future cash-flows, it has the option to either follow AS-30 (testing for "effectiveness" of currency hedges in order to temporarily park the "effective" part of the hedge losses in reserves) or according to the principle of prudence as laid down in AS-11 (provide for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market). Separately, currency impact from non-integral overseas operations continues to get accumulated in FCTR[2], while other positions (those not determined as 'cash-flow hedges') get marked to market normally.

Since majority of Indian companies still follow AS-11 and don't maintain a hedging reserve to account for cash-flow hedges, losses arising from monetary positions in Indian income statements are decidedly more conservative (i.e. are higher). This is because the subjective evaluation of hedge 'effectiveness' isn't required in what is otherwise a straightforward MTM exercise with all movements run through P&L. It's worth sharing that no *Nifty* constituent had reported material gains from 'ineffective' hedging in F2013 (Mar).

While in principle, gains/losses square out over a period of time, the time differential of P&L flow-through (when testing for hedge effectiveness vs. when not) can significantly impact inter-company periodic comparisons. Take *Tata Motors* and *Tata Steel* for instance – By our estimate, if these companies hadn't tested for hedge effectiveness in F2013 (Mar), their reported earnings would have been materially lower. Similarly, names such as *Ranbaxy Labs* and *Bajaj Auto* would have reported earnings that would have been 10%+ higher vs. their reported figures. Interestingly, our adjustments suggest that the choice to not test for hedge effectiveness would have actually been accretive to *Nifty*'s non-financial earnings in F2013 (Mar).

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[1] Simple operating revenues and expense translations would materially over/under state FX impact in several *Nifty* constituents, most of whom happen to be state owned Commodity and Industrials businesses.
[2] FX impact from non-integral foreign operations are accumulated in a foreign currency translation reserve, until the disposal of "net investment" in the foreign entity.

In 4Q13, we grabbed a highly visible piece of India's rapidly growing defense pie, and one whose valuation should get a boost from the ongoing change in its mix towards defense offsets.

This company was started more than two decades ago when 2 scientists at DRDL in Bangalore identified a need within India's fast growing defense requirements. It now provides electronic components that are made to specific requirements, largely for defense applications. For these components, application design changes with frequency assignment. About 80% of revenues are accounted for by procurement by defense agencies and vendors, primarily across 3 applications – Radars, Missiles, and Electronic Warfare.

The key drivers of this investment decision were **1**. Solid visibility within order-book and India's defense spending, **2**. Highly enviable positioning, which makes it extremely difficult for new players to be competitive, and **3**. We anticipated substantial cut back in cash-cycle as client mix changes.

1. ***Capitalizing on strong visibility within India's voracious defense appetite.*** With more than 2/3rd of India's defense equipment being more than 2 decades old, nearly 40% of defense expenditure in recent years has been capital in nature. While more than 60% of India's current defense equipment is Russian, that mix is now undergoing rapid change - The two primary sources of defense contracts for the name we now hold are from France and Israel, since these sources now readily transfer technology required by India. We note that India's defense budget now accounts for about 13% of federal spending, and is highly unlikely to drop from these levels. While our defense contacts confirm rumblings that budgets might tighten in the near-term, the high conviction view is that this would simply be indicative of the broader economy and not a secular shift.

2. ***We don't place high odds on a new player replicating this success***. Our discussions across different layers in federal agencies made it clear that this business has forged deep relationships within these agencies and is highly respected for consistently delivering and creating an enviable track record of selling and servicing a critical line of components. Focus on indigenization, quality requirements, and cost considerations comfortably leave our chosen player as the preferred choice for government agencies. 90% or more of the requirements of agencies such as BEL and DRDO are sourced from this player (for components that this company designs and manufactures).

   The ability to customize further strongly positions it as the leading provider of choice – Let's say that BEL requires a certain amplifier with a certain power rating. Often, the power rating available for "standardized" products at several foreign OEMs may not suit agency's requirements, prompting it to instead focus on our chosen player.

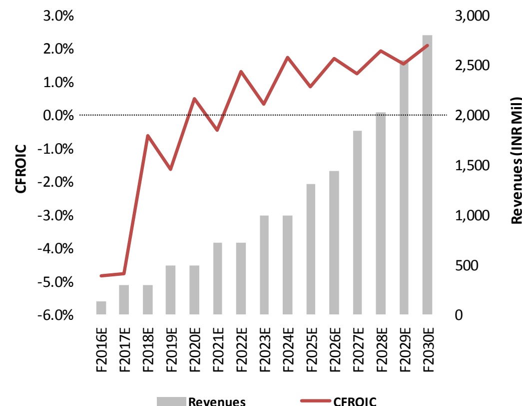
   We believe that should a new player aspire to grow within this space, its best bet would be to focus on the cost conscious defense contractors outside India i.e. the offset business. What made the positioning of our chosen name even more attractive to us was lack of competition in so far as servicing the offset demand is concerned (for the set of components that they deliver) - Given that the value-added in the offset business is substantially lower for this name vs. its legacy business of servicing government defense agencies, we estimate that substantial scale is required in order to make the offset business profitable for any new player.

   Even assuming bare-bone R&D investment, the capital-intensive nature of the business and already lower-margins within offset contracts ensure that CFROIC for a new entrant would hardly get past a low single digit level (see **Exhibit 2** on next page). Even that assumes highly unrealistic leverage levels. Effectively, in the absence of substantial scale within the same line of business locally, it would be extremely hard for a new entrant to capitalize on the much required operating leverage to succeed in supplying for offset defense contracts.

Economics is just one facet of the positioning here. Our work across the supply chain points to a fairly formidable set of challenges for new players, small or large alike. Two of the biggest challenges we noted are 1. Risk of leaking technological know-how, and 2. Lack of specialized labor resources.

Our discussions with some very prominent recruiters in southern India that had previously handled mandates for this company made the challenge fairly evident – There were cases, when these very well established recruiters just weren't able to identify a single skilled candidate with the required supervisory experience that this company had asked for. We weren't surprised when we realized how low their attrition rate was. Their R&D headcount is 300+ (including technicians) and averages 10+ years of experience. By our estimate, a third of this team will find it very hard to locally leverage its skills.

Exhibit 2 – Simulating new entrant's aggressive growth



Notes: Starting avg. contract size assumed to be 135 mil; Working capital assumed at 10% of revenues; No realistic constraint was put on debt-raising ability.
Source: Company reports; Internal estimates

3. ***Mix shift towards offsets substantially cuts the cash cycle***. We notice a remarkable cut back in working capital as client mix shifts away from federal agencies towards external vendors. While margin on the offsets business is less than half of government agency business, offset working capital requirements are under a fourth of requirements for the legacy government business. It is a norm for external vendors to pay up about a third of the project cost upfront. Further, with confirmed specifications and little to no intermittent design changes, this business doesn't need to keep more than 30-45 days of inventory for servicing offset projects vs. >4 months that they end up stocking for servicing government requirements.

Globally, offsets are supposed to serve the goal of improving local defense capabilities. It is nonetheless rare to yet see foreign defense vendors utilizing an Indian partner for work unrelated to Indian projects. We are already noticing a bit of this taking place at this business.

We think it's fair to suggest that, given the age of the current fleet, India's defense spending requirements are more necessary than discretionary. We have also established that this company has created a solid niche for itself when it comes to servicing Radar, Missile, or EW projects. We added this name to our book at a time when we had solid visibility on the order book. The composition of this book (offsets will now account for majority of revenues) ensured that we, conservatively speaking, will likely see more free cash being generated within the next 5 years than what we saw in the past 15.

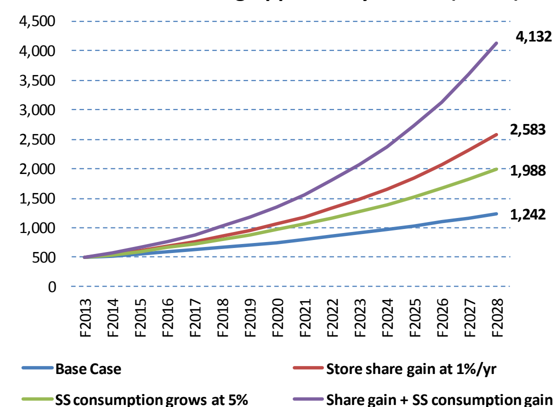
We expect this position to at least double within 24-36 months. Over the past 7 years, revenues for this business have grown 5x, while earnings and operating cash flows have more than tripled. Over this period, stock has lost a third of its value, considerably underperforming a 60%+ increase in BSE 500, with valuations rightly adjusting downwards to account for long cash cycles and lumpy growth. While we don't bother ourselves too much with the latter, we note that valuations are now at levels where a potential substantial shortening in cash cycle is likely to lead to a material upward adjustment in valuation.

While not surprising in a liquidity "influenced" world, it is worth noting how its global peers have performed while this stock shed a third of its value - The two most relevant peers are up +133% ($350 mil+ name, listed on NASDAQ) and +37% (£3 bil+ name, listed on LSE) over the past 5 years, despite immaterial improvement in fundamentals. Our absolute estimates on this name suggest that this position has every shot of doubling within 2-3 years.

Allocated 1.5% towards a food commodity producer. Late in 4Q, we also initiated a small exposure in a food commodity producer. Exports now account for 2/3rd of the standalone business (primarily to Eastern Europe and elsewhere) for this company. In fact, 70% of India's production of this commodity is exported. This business' primary export is a processed 'instant' variety, with a very strong position in the Russian market. Procurement for 'Instant' variety is not a challenge since quality of the end product depends on the manufacturing procedure. Since 'instant' variety's quality is derived from its process, usually low quality raw material is used for its manufacture. 'Instant' variety business of this company sources to third parties as private label and also operates under 4 brands that are sold in India, Russia, and other CIS countries[3]. What however appealed the most to us was the nearly free material optionality we see in pan-Asia sourcing of this food commodity under a new partnership with a global food retail leader. This company also owns just over half of a US R&G coffee supplier, whose products you'll typically locate towards the middle and bottom shelves within super-markets and grocery stores. While the US sub has accounted for above 2/3rd of consolidated revenues, its share in consolidated operating cash flows is considerably lower (~40% in last 3 years) - Working capital cycles are already pretty curtailed (~9% of sub's revenues) and unlike the parent there is little room to further cut the cash cycle. By our estimate, this sub accounts for a third of consolidated value.

Why expansion of a certain food retail store in Asia might just be the catalyst for our pick?. There is no strong argument to believe that the food retailer which has chosen this supplier for sourcing to its Indian stores (and subsequently expanding that relationship to supplying to its stores elsewhere in Asia) cannot replicate *Yum Brands'* success on the continent. We note that over the past decade, this store chain has expanded its Asia (ex-Japan) network at 18% (12% over the past 5 years). As much as one tries to make a case for highly visible traction in domestic consumption, this latest bet of ours is in equal part positioned to capitalize on growth elsewhere within Asia-Pacific (of this particular commodity) as this vendor remains among only a handful of Asian players that can fulfill burgeoning demand. The only two other Asian countries that can compete for supplying this commodity are Indonesia, and to a much lesser degree, Vietnam.

Exhibit 3 – Est. sourcing opportunity in Asia (in MT)



Notes: Organized stores' share is assumed at 1% of demand; Asia (ex-Japan) current per store consumption is estimated at 800 kgs/yr; Indian variety is assumed to be used as a 50% blend. Source: Misc. sources; Internal estimates

We note that currently under 6% of India's exports of this commodity are destined for Asia (ex-Japan). This is despite the fact that Asia (ex-Japan) accounts for 15% of this commodity's global consumption and more than a quarter of all growth over the past 5 years.

Our discussions with several tasters within this commodity's supply chain pointed us towards the conclusion that while a certain Indian version of this commodity is very competitive when it comes to use as a base within a certain line of beverages, this same version is in no position to compete in taste with the competing high-elevation varieties of Central America. Even assuming that the Indian version is simply used as a 50% blend in a certain line of beverages at this store, our 4,000 MT sourcing opportunity estimate (vs. 1,500 MT of this variety that the company currently sources) might end up being conservative (see **Exhibit 3**).

With the company re-processing most of its imports for external markets, FX linkages are immaterial (in line with the rest of our book). Even excluding the material optionality discussed above, we anticipate nearly 50% absolute upside on this position within the next 24 months.

[3] We note that consumption of this commodity is moving away from the 'instant' variety in several markets – In markets such as Korea, where OOH consumption has grown extremely fast, 'instant' variety makes about 40% of the market vs. nearly 60% a decade ago. Similarly 'instant' variety's share of Russian market has dropped sharply from nearly 80% in 2005 to about 2/3rd of the market now. Despite that, 'Instant' version of commodity for this business has maintained share of about half of the standalone business for this company.

Performance and Attribution summary

In 4Q, we outpaced *BSE 500* for the fifth time in last six quarters. In absolute terms, this was also our best quarter since inception, outpacing our 1Q12 performance. 4Q13 also marked the best quarter (since our inception) for India's beaten down small cap names. However, despite the 20% surge in small caps in 4Q, *BSE Smallcap* is still down nearly 40% since our inception, while *BSE Midcap* still needs to gain about a fifth of its value before it gets to where it was when we began investing in India.

Except for an auto-parts position, all of our holdings were up in 4Q13. Our two best performing positions in 4Q were an *Internet* name (+46%) and a *Textiles* name (+41%). Our two worst performing positions were an *Auto Parts* name (-5%) and an *Infrastructure SPV* (+7%). *Metis Opportunity* strategy ended 4Q13 with net exposure of 76%, vs. under 70% at the beginning of the year.

In 4Q13, *Metis Opportunity strategy* was up **+15.6%**, vs. **+9.9%**, **+11.5%**, **+19.6%**, **+19.8%**, and **+8.9%** increases in *Nifty, BSE 500, BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively. Since inception, *Metis Opportunity* strategy is up **+36.8%** vs. **+4.8%** increase in *Nifty*, and **-1.5%**, **-15.3%**, **-38%**, and **-19.7%** declines for *BSE 500, BSE Midcap, BSE Smallcap,* and *Eurekahedge India* respectively (see **Exhibit 4a**). In 2013, our volatility was 1.0%, 3.4%, 6.5%, and 7.6% below *Nifty*, *Eurekahedge India*, *BSE Midcap*, and *BSE Smallcap* respectively (see **Exhibit 4b**).

Exhibit 4a – Perf. since inception

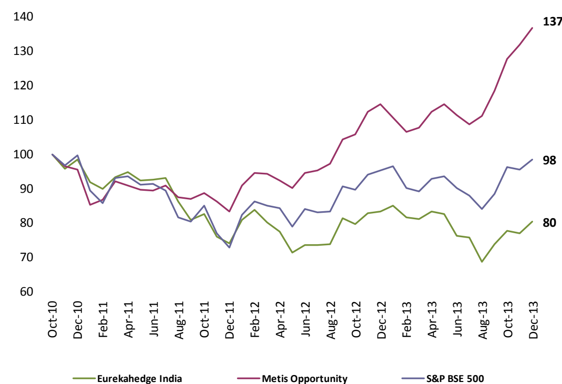


Exhibit 4b – TTM volatility

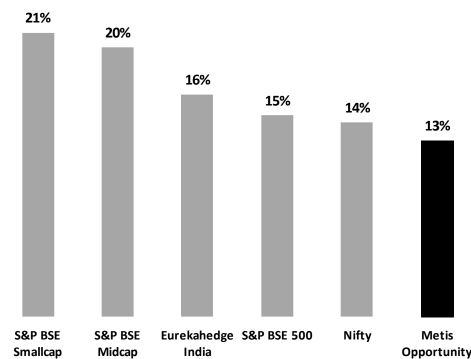


Exhibit 4c – Annual and average –ve monthly returns

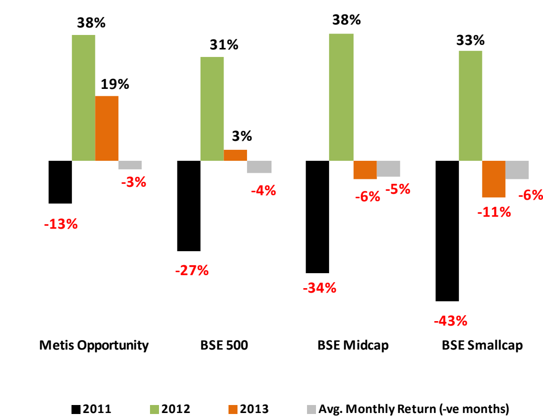
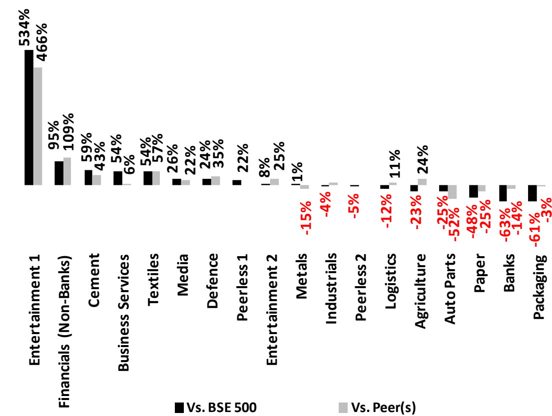


Exhibit 4d – Industry-wise benchmarking for positions



Source: Internal Sources

Exhibit 5a – Relative rolling 12-mth returns

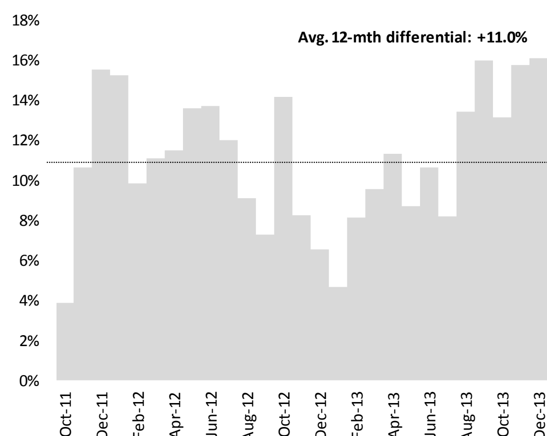
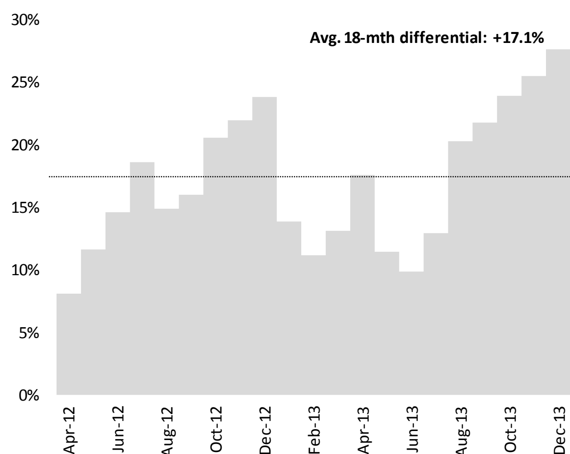


Exhibit 5b – Relative rolling 18-mth returns



Note: Relative strategy return differentials are calculated vs. BSE 500
Source: Internal Sources

Exhibit 6 – Time window analysis for our onshore strategies

	India Underserved		*India Undervalued*	
	3 Month	*12 Month*	*3 Month*	*12 Month*
Number of periods	31	22	36	27
Average period return	4.1%	15.8%	2.8%	12.7%
Number of profitable periods	19	20	21	24
% profitable periods	61%	91%	58%	89%
Best period	22%	39%	16%	37%
Gain Standard Deviation	6.6%	9.3%	4.9%	8.4%
Sharpe Ratio @10%	0.21	0.56	0.05	0.24
Sharpe Ratio @5%	0.35	1.04	0.21	0.67
Sharpe Ratio @0%	0.50	1.53	0.38	1.10
Loss Standard Deviation	1.9%	0.4%	3.7%	0.9%
Downside Deviation @10%	4.0%	4.3%	4.8%	7.3%
Downside Deviation @5%	3.3%	2.1%	4.1%	5.3%
Downside Deviation @0%	2.6%	0.3%	3.5%	3.6%
Sortino Ratio @10%	0.43	1.36	0.08	0.37
Sortino Ratio @5%	0.89	5.27	0.38	1.46
Sortino Ratio @0%	1.61	58.88	0.80	3.52
Average Gain/Loss	2.5	20.5	1.9	1.4
Profit/Loss Ratio	3.9	204.6	2.6	11.6

Note: Metis Opportunity is a direct blend of above two onshore strategies
Source: CogentHedge

Exhibit 7 – Long-book snapshot

Characteristic	*Metis Opportunity*
Top position as % of book	14%
Smallest position as % of book	0.7%
Top 5 positions as % of book	51%
Avg. weighted market cap of book (mil)	$949
Avg. weighted free float of book	46%
Net Exposure	76%
# of positions	20

Source: Internal Sources

Don't bother speculating on India's cabinet control. While it's evident that in post-liberalization era, India's economic growth has outpaced that of its Asian emerging peers in every election year (see **Exhibit 8a**), equity outperformance hasn't followed in each of those years. In fact, except for 2009, in no other election year (since liberalization) have Indian benchmarks materially outperformed their emerging Asian peers.

While empirical evidence suggests that Congress does maintain an edge when it comes to executing in the first two years of parliament control, that fact by itself has little predictability in a country where more than 2/3rd of the population is functionally illiterate. Indian election results can often be driven by real performance. However, it's almost as likely that they simply end up reflecting the electorate desire to uproot the 'entitled'. May we suggest, don't bother speculating on cabinet control if your objective is to identify solid businesses at great valuations.

Expectedly, retail behavior is highly focused on near-term performance, with often blatant disregard for effectively identifying causality. Since the early days of AB Vajpayee's second term, India had grown used to outpacing its Asian peers. Until recently, that is. With that backdrop, it's critical to appreciate that a substantial part of India's electorate today wasn't even of voting age the last time Vajpayee was in charge of PMO – More than a fifth of all votes cast in May 2014 will likely be from first-time voters. Little wonder then that the ruling Congress remains extremely worried about their recent performance as it gears for parliament elections.

Regardless of who ends up controlling the PMO, we remain focused on our core work of identifying select quality assets at attractive valuations. As always, these would be managed by teams whose decisions are determined by opportunities and their desire to add value vs. broader market perceptions around the Indian political theater.

Exhibit 8a – Relative GDP growth (election year + 1)

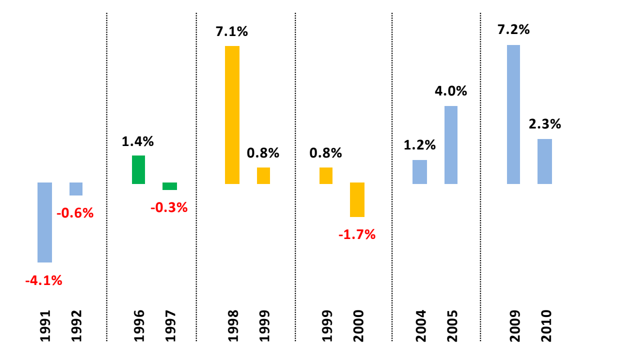


Exhibit 8b – Relative GDCF growth (election year + 1)

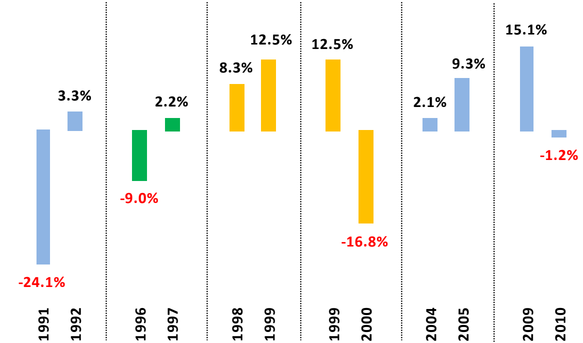


Exhibit 8c – Relative Govt. spending growth (election year +1)

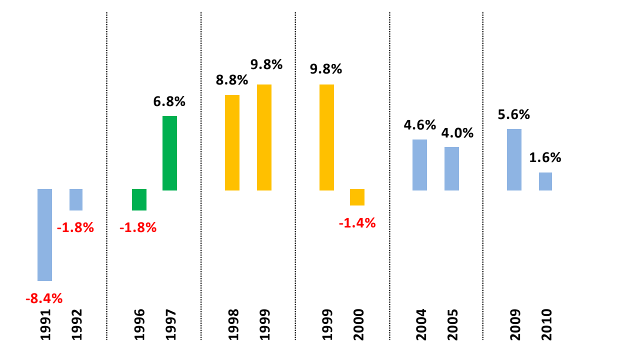
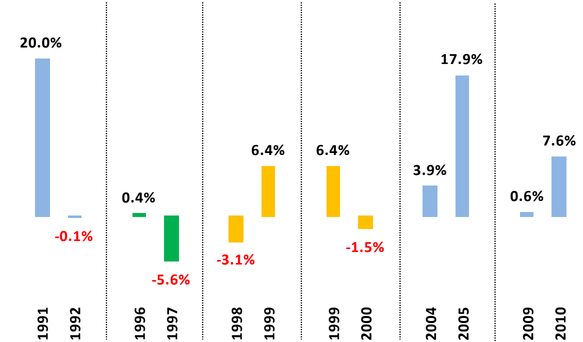


Exhibit 8d – Relative Export growth (election year + 1)



Congress *BJP* *Other*

Notes: Peers include markets within East, South, and South-East Asia, and Frontier economies of Central and West Asia; Developed markets in Pacific and elsewhere were excluded; India's manufacturing index base changed in 1999.
Source: ADB, Election Commission of India, Bloomberg

Exhibit 9 – Historical Monthly Performance

	Metis Opportunity	Nifty	S&P BSE 500	S&P BSE Midcap	S&P BSE Smallcap	Eurekahedge India	India-focused CE Funds*
Nov-10	-3.5%	-2.6%	-3.3%	-6.1%	-7.8%	-4.3%	-2.6%
Dec-10	-1.0%	4.6%	3.1%	0.5%	-0.8%	2.8%	-2.5%
Jan-11	-10.7%	-10.2%	-10.5%	-12.0%	-12.3%	-6.7%	-9.8%
Feb-11	1.8%	-3.1%	-3.9%	-7.2%	-7.8%	-2.2%	-3.6%
Mar-11	6.0%	9.4%	8.6%	7.8%	4.6%	4.0%	8.6%
Apr-11	-1.3%	-1.4%	0.3%	7.7%	6.6%	1.4%	-2.4%
May-11	-1.3%	-3.3%	-2.6%	-2.6%	-5.5%	-2.6%	-2.2%
Jun-11	-0.3%	1.6%	0.4%	-0.8%	-1.0%	0.2%	-0.6%
Jul-11	1.6%	-2.9%	-2.1%	0.9%	1.8%	0.7%	-2.8%
Aug-11	-3.7%	-8.8%	-8.8%	-9.3%	-14.1%	-7.4%	-6.9%
Sep-11	-0.7%	-1.2%	-1.6%	-2.3%	-3.5%	-6.3%	-4.2%
Oct-11	2.0%	7.8%	5.9%	2.7%	1.4%	2.1%	4.8%
Nov-11	-2.8%	-9.3%	-9.6%	-10.6%	-12.6%	-7.9%	-5.3%
Dec-11	-3.4%	-4.3%	-5.5%	-8.8%	-9.0%	-2.7%	-8.4%
Jan-12	9.2%	12.4%	13.3%	14.3%	16.5%	9.5%	10.9%
Feb-12	4.0%	3.6%	4.7%	8.8%	6.1%	3.3%	4.1%
Mar-12	-0.3%	-1.7%	-1.4%	-0.6%	-3.4%	-4.1%	-0.1%
Apr-12	-1.9%	-0.9%	-0.9%	-0.5%	2.0%	-3.4%	-0.6%
May-12	-2.5%	-6.2%	-6.2%	-6.8%	-7.3%	-7.9%	-4.8%
Jun-12	4.9%	7.2%	6.4%	4.5%	4.3%	2.8%	6.8%
Jul-12	0.9%	-0.9%	-1.1%	-2.3%	-1.5%	0.0%	-0.8%
Aug-12	2.0%	0.6%	0.2%	-0.2%	-0.8%	0.4%	1.9%
Sep-12	7.4%	8.5%	8.9%	10.1%	9.7%	10.2%	7.8%
Oct-12	1.4%	-1.5%	-1.2%	-0.6%	-0.4%	-2.1%	-0.4%
Nov-12	6.1%	4.6%	5.0%	5.1%	4.1%	4.0%	3.2%
Dec-12	2.0%	0.4%	1.5%	3.1%	1.4%	0.6%	-0.9%
Jan-13	-3.5%	2.2%	1.1%	-2.0%	-4.1%	2.1%	0.6%
Feb-13	-3.8%	-5.7%	-6.5%	-9.6%	-12.3%	-4.0%	-3.2%
Mar-13	1.3%	-0.2%	-1.1%	-2.6%	-6.5%	-0.7%	0.0%
Apr-13	4.2%	3.9%	4.2%	3.3%	3.7%	2.9%	2.4%
May-13	2.0%	1.4%	0.8%	0.7%	-1.3%	-1.1%	1.1%
Jun-13	-2.8%	-2.4%	-3.7%	-6.7%	-5.0%	-7.5%	-4.0%
Jul-13	-2.5%	-1.7%	-2.5%	-7.1%	-5.9%	-0.8%	0.9%
Aug-13	2.3%	-4.7%	-4.5%	-4.4%	-2.3%	-9.2%	-5.5%
Sep-13	6.5%	4.8%	5.2%	5.8%	5.3%	7.3%	5.9%
Oct-13	7.9%	9.8%	9.1%	8.9%	7.9%	5.3%	9.2%
Nov-13	3.3%	-2.0%	-0.8%	3.6%	3.4%	-0.9%	-0.7%
Dec-13	3.7%	2.1%	3.0%	6.0%	7.4%	4.3%	1.3%
Trailing 12 months	**19%**	**7%**	**3%**	**-6%**	**-11%**	**-4%**	**7%**
Trailing 24 months	**64%**	**36%**	**36%**	**30%**	**18%**	**9%**	**39%**
2013	**19%**	**7%**	**3%**	**-6%**	**-11%**	**-4%**	**7%**
2012	**38%**	**28%**	**31%**	**38%**	**33%**	**14%**	**29%**
2011	**-13%**	**-25%**	**-27%**	**-34%**	**-43%**	**-25%**	**-29%**
Avg. Return (+ve months)	**4%**	**5%**	**5%**	**6%**	**5%**	**3%**	**5%**
Avg. Return (-ve months)	**-3%**	**-4%**	**-4%**	**-5%**	**-6%**	**-4%**	**-3%**
Annualized Volatility (TTM)	**13%**	**14%**	**15%**	**20%**	**21%**	**16%**	**13%**
Sharpe Ratio	**0.56**	**0.01**	**-0.10**	**-0.26**	**-0.64**	**-0.51**	**-0.23**

Note: Our performance is reported in INR and after all execution charges and management fees, but before performance fees.
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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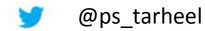
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Gaurav Aggarwal, CFA, CPA, is the co-investment manager of Metis Opportunity Fund. He was a senior analyst with portfolio management duties over $50 million in fund of fund assets at a leading regional investment bank (Global Investment House) in the 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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