Metis Opportunity Fund

Multiple expansion wouldn’t likely dictate superiority in 2015

January 2015 Newsletter

January 20, 2015

It was a manic year for Indian small and mid-caps. Valuation moves were largely indiscriminate for the large part of the year as small and mid-cap indices sharply outpaced the patently stretched large-caps. At last check, midcaps were trading at nearly 40% premium over large-caps. With most of that valuation differential having been driven by multiple expansion over the last year, only superior execution could drive continued outperformance in 2015.

As much as we hate to benchmark ourselves against broad indices, it is inevitable. In poor price discovery markets (defined here as markets where earnings and cash-flows disconnect sharply during periods of euphoria/panic), more often than not, superior performance can be materially attributable to superior up-down capture. Our long-term performance corroborates that nicely. This was our 15th quarter since our strategy inception, and we outpaced *S&P BSE 500* for the 12th time in 4Q14. We have never trailed the benchmark in 34 rolling 12-month periods since our inception and look forward to maintaining that streak in our fifth year. Rise and grind!

In 4Q, more than 2/3rd of our holdings outpaced *BSE 500*, with a fourth of all names reporting double-digit gains while two names (out of 25) registered double-digit declines. For the full year 2014, 90%+ of *Metis*' constituents reported gains, with nearly 3/4th of all positions outpacing *BSE 500*.

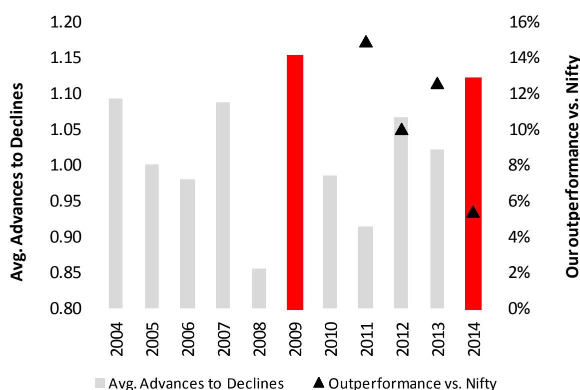
In 4Q14, *Metis Opportunity* was up **+7.8%** (net of all fees; in INR terms), vs. **+4.0%**, **+5.4%**, **+8.8%**, **+3.8%**, and **+6.1%** increases in *Nifty, BSE 500, BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively. *Metis Opportunity* ended 4Q with a net exposure of 81%, vs. 76% at the end of 3Q. We didn't add any new name in 4Q as stretched absolute valuations precluded us from adding new constituents.

In 2014, *Metis Opportunity* was up **+36.8%**. That compared with **+31.4%**, **+37.0%**, **+54.7%**, **+69.2%**, and **+39.1%** increases in *Nifty, BSE 500, BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively. It has been particularly interesting to ride volatility differentials between large-caps and small and mid-caps – For the year, our volatility was **369** bps and **785** bps below that of *BSE Midcap* and *BSE Smallcap* respectively, and **202** bps and **415** bps higher than that of *BSE 500* and *Nifty* respectively.

Over the past 3 years, *Metis Opportunity* was up **+125.0%** vs. **+79.1%**, **+85.5%**, **+102.0%**, **+99.8%**, and **+47.9%** increases in *Nifty*, *BSE 500*, *BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively.

While we outpaced *CNX Nifty* for fourth successive year, our outperformance was considerably less in a year where market-wide advances outnumbered declines by the most since 2009 (see **Exhibit 1**). Incidentally, this was the first time that our differential vs. *Nifty* for a calendar year was a single-digit figure (+5.4%). Two of our core long-time positions (an Entertainment name and a Financials name) took a breather in 2014 but material relative weakness in these names was more than offset elsewhere. For the full year, our exposure averaged just over 80%.

Exhibit 1 – Metis' alpha vs. BSE Advances/Declines



Source: BSE; NSE

In line with prior years, we trailed the broader markets at the beginning of the year but then gradually chipped away at that differential. Admittedly, given post-elections euphoric response, this was a year where we might have excused ourselves for slightly underperforming. That we came out relatively unscathed was largely attributable to the cyclical part of our book.

Absolute valuations are stretched, but don't pass a 'simplistic' relative judgment. While absolute valuations are stretched, the underlying confidence is decidedly positive. While we certainly aren't in the camp that sees ample room in current multiples to ramp up further in the near-term, we don't think that India is as expensive (relatively) as the mainstream media would have you believe. We think it's pertinent to view the advertised 'premium' in the

appropriate context. As always, comparing headline multiples of fairly different set of equity indices is an extremely 'lazy' way of evaluating valuation differentials. We note several structural reasons for India's sticky premium over peers, EMs or otherwise. Growth argument aside, here are a few other key reasons:

1. ***Indian 'operating' financials aren't finessed by '1x' overloads***. More than 2/3rd of all *BSE 500* constituents don't extract '1x' events from reported numbers. Of those that do, more than 1/2 report less than 10% drag/accretion to pre-tax earnings (see *BSE 500*'s F2014 1x items impact distribution in **Exhibit 2**, which shows distribution of those *BSE 500* constituents that reported exceptional items separately). That's a sharp contrast from what we see for say *S&P 500* constituents, where 'operating'[1] earnings are about 8% ahead of 'reported' earnings currently, which is still well below the 20%+ levels that are typical as earnings drop. Accordingly, in comparable terms, *S&P 500* began C2015 at about 19.5x trailing earnings vs. the headline 18x.

2. ***Indian benchmark estimates are the most reliable among peers***. A common theme among emerging markets such as India, Taiwan, Malaysia etc., which consistently trade at a premium over their EM peers, is relative reliability of their underlying earnings estimates. With less than a third of all earnings announcements diverging 10%+/- from consensus estimates, *Nifty*'s FTM estimates rank among the most reliable among EM peers (see **Exhibit 3**).

Exhibit 2 – F2014 impact distribution of '1x' items

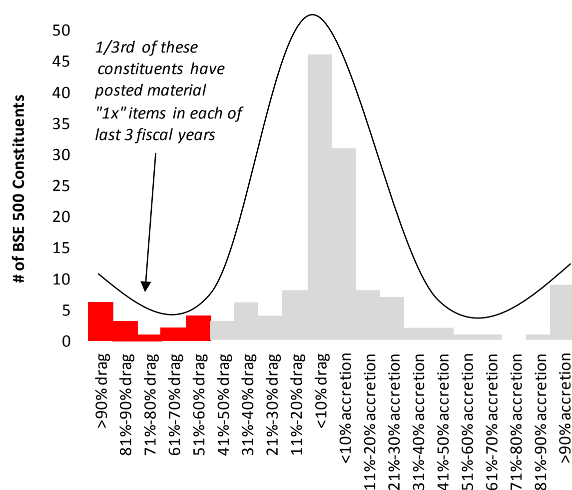
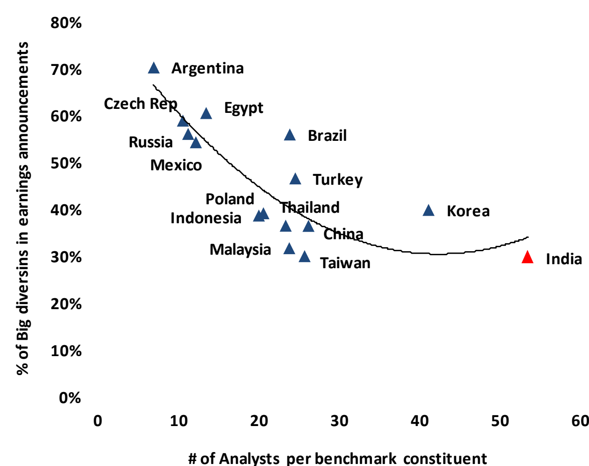


Exhibit 3 – Big earnings delta vs. analyst coverage



Note: '1x' items impact distribution plots distribution of about 2/3rd of BSE 500 constituents that reported exceptional items in F2014 (Mar). Big earnings diversions refer to 10%+/- diversions vs. consensus estimates over a recent 4-year period.
Source: Bloomberg; Thomson Reuters; Company Reports

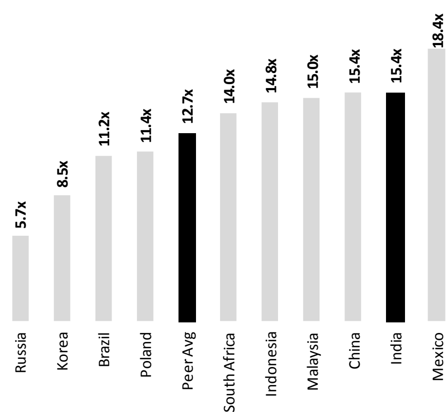
3. ***Indian FX accounting is more conservative when accounting for monetary losses***. In years when the functional currency moves materially, it is critical to appreciate underlying reporting differences across accounting regimes. It is therefore helpful to understand how currency impact on monetary 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,

[1] Operating earnings is not defined under GAAP by FASB. This permits individual companies to interpret what is and what is not 'unusual'. The result is a varied interpretation of items and charges, where same specific type of charge may be included in operating earnings for one company and omitted from another.

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 losses run through P&L in the same period.

4. ***Benchmark headline multiples don't reflect a substantially different industry mix***. As we have previously discussed on several occasions, India's benchmark composition is substantially more diversified vs. what is typical in emerging market peer benchmarks. Therefore, for the purposes of comparing headline multiples for peers, we use *Nifty* weights to arrive at adjusted headline multiples. That said, while the adjustment is material enough, its certainly not large enough to explain the headline premium vs. peers – Effectively, the reported premium of +28% over the peer set in **Exhibit 4** is really +21% (when recalibrated using *Nifty* weights). This is something we have previously discussed several times (read our *October 2012* newsletter). By our estimate (based on bottom-up absolute work across benchmark constituents, and stable macro conditions across the peer set), India deserves about 15% premium over EM peers, which expands further when growth expectations diverge, as is the case right now. Undeniably, disappointments are likely to hurt *Nifty* constituents.

Exhibit 4 – FTM PE for EMs (using Nifty weights)



Source: Bloomberg; Internal estimates

So, while we don't view India's headline multiple as particularly elevated vs. EM peers, we see limited room for further near-term expansion from here. All said, we find it hard to side with investors that are making 'the only way is up' calls. We note that rate cuts by themselves are unlikely to shift the gear up a notch since substantial idle capacity exists across most of the Industrial sector. Accordingly, credit growth should remain muted in the near-term. Elsewhere, wage growth and massive inventory overhang will likely keep retail lending growth in check.

Headline PMI readings conceal a weak labor market. While PMI readings continue to show benign expansion since late-2013, the employment index continues its distinct downward trend since mid-2012, with Dec 2014 reading being the worst in more than 15 months. That said, with sharply lower commodity prices, real cost of credit likely to drift lower, and capacity utilization inching up gradually, it is hard to paint a potentially somber macro environment. That however seems amply factored in at this point.

While it's hard to make a case for an encore in 2015, the case for a material correction from these levels is even weaker. We note that down-side estimates revisions over the past quarter have comfortably outpaced upside revisions to consensus[3]. However, given the pace of revisions (-3.2% over the past 3 months), current headline multiple certainly doesn't appear strikingly expensive. We also note that Indian domestic retail investors remain net sellers in F2015 (Mar) and haven't yet shown the sort of confidence that is typically associated with frothy markets.

[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.

[3] Over the past 3 months, Indian downside earnings revisions have been 40% higher vs. upside revisions

In 4Q, we didn't initiate any new exposure, largely on account of prevalent valuations leaving little buffer for execution missteps. We note that most situations where valuations appeared to have some buffer were cases where recent quarters had structural and/or very significant earnings misses. Consider this situation for instance - We closely looked at a commercial horticulture processing business before recently shelving the idea. This business started in early 90s through cultivation of a certain flower and has since grown to source this flower from 35,000 acres producing 100K MT of flowers. Little over half of this business' revenues come from extracting carotenoids/pigments (for export purposes) from this flower. All supply comes through contract farming and this is a very asset-light business, with marginal returns on incremental capital averaging in the low 20s over recent 3-year rolling periods.

Historically, Indian farmers had always preferred to focus on food-grains because of **1**. Established support prices, **2**. Ease of growing, and **3**. Lack of storage facilities etc. Further, there is an additional challenge of identifying the right climate/soil-type when switching from food-grain crops. With contract farming in higher-return horticulture, those challenges are largely taken care of. Our discussions across farms suggested growing satisfaction among farmers. Overall, contracted farmers were sufficiently diversified[4] with produce pricing fixed pre-sowing.

Our discussions with their largest client, which accounted for 40%+ of their revenues, and holds the largest market share for eye-care nutraceuticals in United States, suggested that this business was largely peerless within India and China. Accordingly, we kept on 'checking our boxes'.

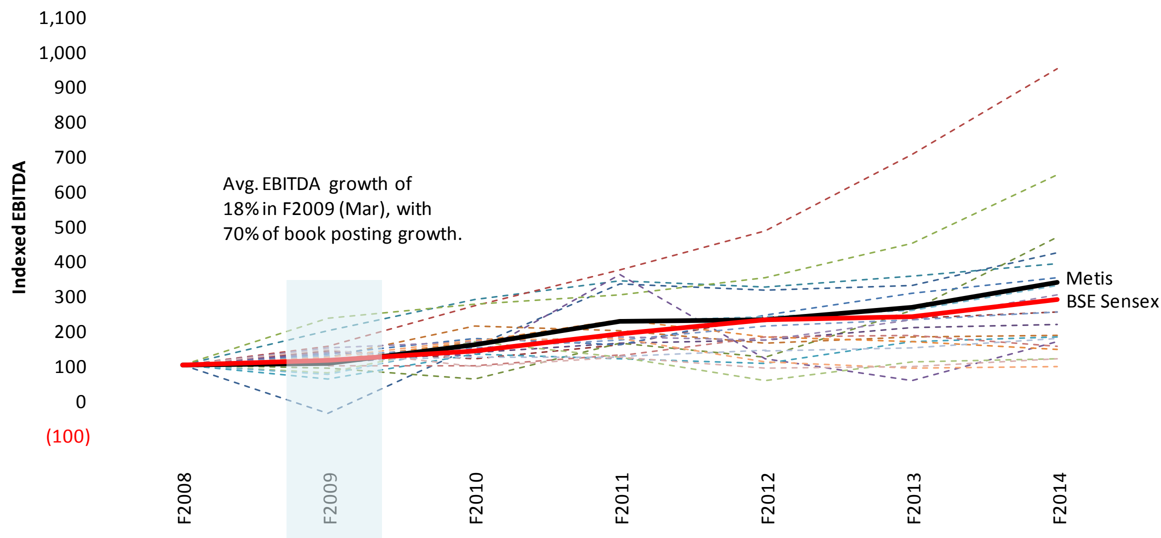
China's flower supply fluctuations precluded us from gaining solid conviction. While we liked the overall positioning of this business, China's dominance in this particular horticultural produce ensured that pricing and demand were determined more by drought conditions in China than demand conditions in the West. India dominates the food-grade extracts market while China has mostly dominated the feed-grade market over the years. In order to counter the Chinese competition, this business opened a Chinese subsidiary a few years ago. That strategy didn't go too well as yuan subsequently appreciated while rupee dropped sharply. Further, this business' depends a lot on manual labor for plucking flowers. Given the sharp wage growth in China and drought-like conditions in recent years, this business was hurt by a triple whammy and ended up folding this subsidiary last year. They are now back to the position where a good bit of their pricing is driven by cultivation conditions in China. Even internally, the team effectively concedes that the earnings of past three years will be a hard comparison, unless one unreasonably extrapolates continued drought-like conditions for the specific flower this business focuses on. Likewise, in nearly all recently-evaluated situations where absolute valuations appeared attractive at first view, underlying business profitability had clearly dropped a gear.

Elsewhere in our book, execution (not multiple-expansion) would likely drive 2015 performance. Elsewhere within our book, we are looking forward to another solid year in C2015. While absolute valuations across nearly the entire market spectrum don't leave ample room for a misstep, we believe that our current book is now valued close to and/or not materially above what we view as conservative cash flow projections.

Since we started deploying capital in India in 4Q10, these are undoubtedly the most stretched absolute valuations we have seen. Admittedly however, our expectations are usually grounded and don't factor in major macro turnarounds. So, while the sharp rally of 2014 largely wiped away a large portion of our's and certainly benchmark's multiple-expansion upside, our current book is well positioned to deliver consistent cash flow growth over the next few years (see **Exhibit 5**) - Since the G7 crisis, our book (ex-financials) has expanded EBITDA at a **23%** annualized pace, materially ahead of the **19%** annualized EBITDA growth reported by *S&P BSE Sensex* (ex-financials). Over this period, 93% of our constituents' EBITDA was converted into operating cash (pre-tax). The comparable average for *Sensex* constituents was 88%. Be it in terms of growth or its 'quality', our current book has demonstrated superior execution vs. India's most widely-followed names. This particular attribute becomes even more critical at a time when near-term broad-based multiple expansion doesn't appear as likely as in the past.

[4] Their typical contract farmer allocates 20-40% of his acreage towards floriculture

Exhibit 5 – Organic EBITDA growth of Metis constituents, aggregate book, and S&P BSE Sensex



Source: Thomson Reuters; Company Reports

Key drivers for our *Underserved* sub-strategy in C2015. As we write this letter, **radio's Phase III auctions** have been cleared by the union cabinet. These would arguably be the most anticipated event for us in C2015. As we have previously mentioned, given poor returns on their Phase II bids and MIB's illogical refusal to budge on reserve prices, we anticipate a muted response from several players, particularly for frequencies outside top-10 markets. Given that bidding within top-10 markets would be a function of current profitability and excess liquidity, these markets would be hands-off for most players. We expect station networking to be widely utilized elsewhere. We also note that a recent MIB release alluded to Phase III bidding happening over an extended 3-year period, suggesting that only frequencies in existing towns would come up for bidding in the first phase of auctions. Excluding accretion from potentially incremental leverage, we anticipate our chosen player's EBITDA to expand between 10-20% post deployment (in new frequencies) of excess cash on book.

Another key event to (potentially) unroll in the next fiscal year would be the **Goods & Services Tax**, even though the timeline is fuzzy at best. It's already been more than 5 years since the UPA government put out its discussion paper on GST. In its inaugural form, the biggest indirect tax contributors to states (energy products and alcohol) would remain outside the purview of GST. Depending on who you ask, the next phase of unified indirect tax is widely expected to do a few things – 1. Hugely simplify the indirect tax structure, and 2. Almost certainly benefit select industries. Take movie exhibition for instance, where taxes on admissions are north of 40% in certain major exhibition markets. The UPA government had previously indicated that movie admissions would be taxed at the new 'services' rate, which would peak at 16%. Subsequent recommendations by state finance ministers in 4Q14 pegged this much higher. So, while this isn't set in stone yet and the eventual decision lies with the proposed GST council, movie exhibition is almost certain to become materially more profitable under GST regime.

India desperately needs **coal reforms**, but *Coal India* often gives a sense of 'too big to reform'. Despite consistently failing to meet production targets and maintaining its notoriety as an overstaffed and poorly-managed white elephant, governments have found it hard to press for privatization as extended *CIL* strikes can paralyze nation's utilities. Even as only one small position in our book has a material direct impact from coal supplies, the broader multiplier impact is substantial. Nonetheless, we aren't holding our breath on this one.

How 2015 could shape for select *Undervalued* sub-strategy constituents?. For one of *Metis*' key holdings, a pan India logistics service provider, 2014 was another steady year. It was typical solid execution and representative of the "boring but steadily growing" businesses. Consolidated YTD sales till September were up 10% and earnings were up 28% to 1.25 Bil due to strong pricing-power across subs. This business capitalized on strong secondary markets to monetize its stake in a key cold-chain subsidiary while retaining a sizeable stake. With strong showing in its key rail transport business due chiefly to operational efficiencies and strong volume, there is strong possibility of another favorable monetization event for this fast-growing subsidiary in 1st half of 2015. We continue to remain impressed by the management and praise them for their steady hand, financial conservatism, and transparency. Even post the 150% surge in 2014, we feel that the overall risk-return tradeoff is in our favor.

Another important holding, a diversified plastic product manufacturer, also had a solid 2014 with sales till September up 16% and earnings up 20%. Given continued absorption of its capacity in foreign subsidiaries, lower raw material costs improving margins by 1-2%, and fair valuations, we expect a good showing from this business in 2015. It is also run by a passionate management team who are, given all indications, capable and ethical in their business dealings while keeping the long-term vision firmly in view. Post a few more quarters of solid earnings momentum we expect the market to more accurately value the fundamental strengths of this business.

We have owned a leading rating agency business in India and the only pure-play available in the market today. Post the 105% rise in 2014, we are still enthusiastic about the prospects given the firm's high margin business model showing no sign of material erosion and in fact gathering pace in other segments of the ratings business. Furthermore, there was a recent announcement that one of the initial founding firms is looking to offload its stake to a private equity or some other non-strategic player.

After several years of underperformance, one of our early holdings in India's largest automobile battery manufacturer has started to report solid growth with standalone sales up 15% YTD. This business has goodly amount of capacity available for the expanding business, unlike a key competitor, and thus there is a strong case for margin expansion, especially given materially lower material costs. Another additional lever is a 100% owned life insurance subsidiary, a non-synergy business which the firm took a lot of bricks for, but which is now solidly profitable and growing. Post new FII regulations in the insurance sector, there is a good case for scaling this business up with a foreign partner and thus increasing parent's overall shareholder value.

Thus, as the brief points noted above demonstrate, 2015 will be an exciting year of execution across our book of businesses at *Metis*. Happily, for the vast majority of our names, execution on fundamental parameters has not been an issue. If there is good economic/capital cycle recovery our names will get more than their fair share of the incrementally bigger pie since they have a demonstrated history of performance/share capture even in more subdued times.

Performance and Attribution summary

While historically we have under-paced the broader markets in January, we have always more than offset that over the next 11 months. That said, January 2014 was a particularly significant drag for us (**-3.5%** vs. *BSE 500*) and we just about offset that over the course of the year. By the end of it, we ended in line with *S&P BSE 500* in 2014 even though we comfortably outpaced *CNX Nifty* for the fourth successive year.

In 4Q14, little over 2/3rd of our holdings finished higher, with most outpacing *BSE 500*. Our two best performing positions in the quarter were a *Logistics* name (**+37%**) and a *Media* name (**+24%**), which are incidentally among our highest conviction holdings. For the full year, our two best performing positions were a *Medical Devices* name (**+174%**) and a *Synthetic Leather* name (**+152%**). Our two worst positions in 4Q were an *Agriculture* name (**-33%**) and a *Metals* name (**-22%**). Our two worst positions for the year were an *Agriculture* name (**-16%**) and a *Paper* name (**+4%**). For our historical position-wise benchmarking vs. peers and *BSE 500*, please see **Exhibit 6d**.

In 4Q14, *Metis Opportunity* was up **+7.8%** (net of all fees; in INR terms), vs. **+4.0%**, **+5.4%**, **+8.8%**, **+3.8%**, and **+6.1%** increases in *Nifty, BSE 500, BSE Midcap, BSE Smallcap*, and *Eurekahedge India* respectively. Since inception, *Metis Opportunity* is up **+103.3%** vs. **+42.0%**, **+44.2%**, **+50.9%**, **+35.6%**, and **+17.1%** increases in *Nifty*, *BSE 500, BSE Midcap, BSE Smallcap* and *Eurekahedge India* respectively (see **Exhibit 6a**). Over trailing 12 months, our volatility was **369** bps and **785** bps below that of *BSE Midcap* and *BSE Smallcap* respectively, and **202** bps and **415** bps higher than that of *BSE 500* and *Nifty* respectively (see **Exhibit 6b**).

Exhibit 6a – Perf. since inception

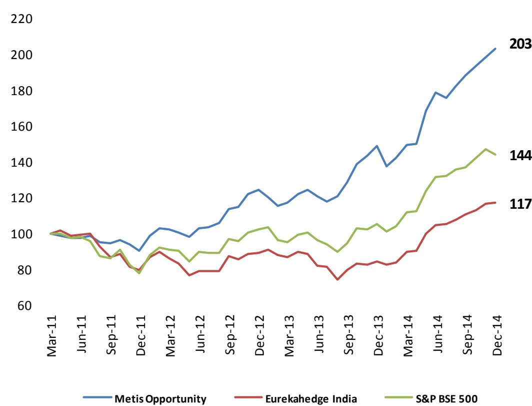


Exhibit 6b – TTM volatility

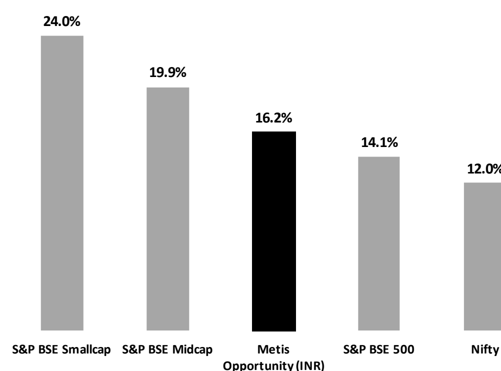


Exhibit 6c – Annual and average –ve monthly returns

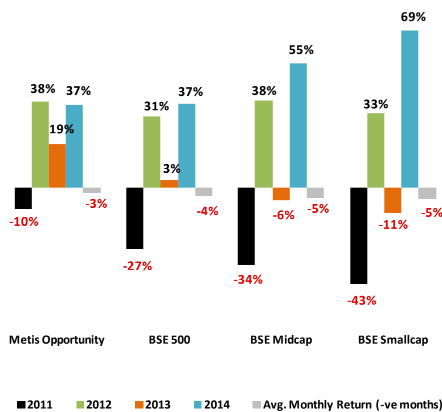
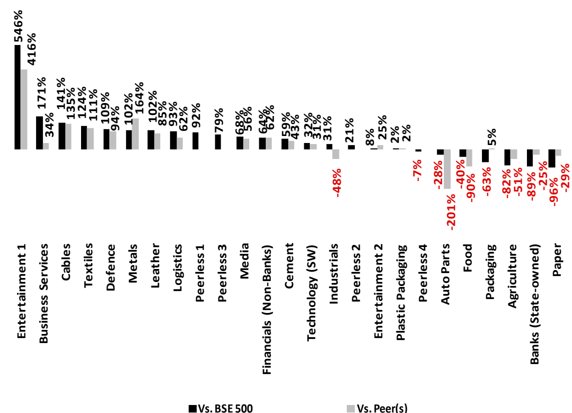


Exhibit 6d – Industry-wise benchmarking for positions



Note: Metis Opportunity went live on Mar 11th 2014; Industry-wise benchmarking compares performance from initial cost basis to present/exit.
Source: Internal Sources; NSE, BSE, Eurekahedge

Exhibit 7a – Relative rolling 12-mth returns

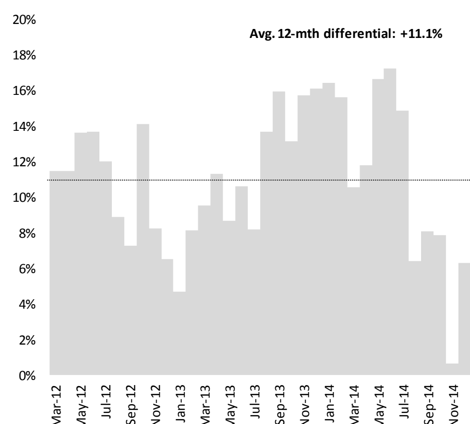
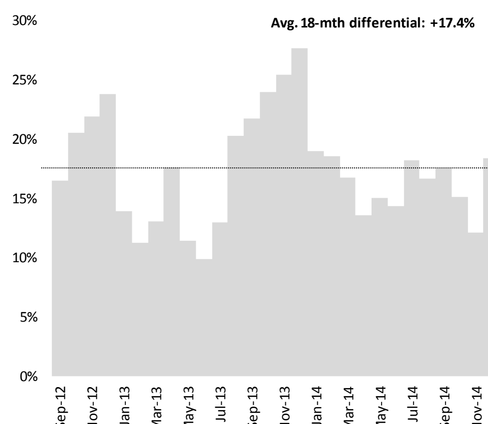


Exhibit 7b – Relative rolling 18-mth returns



Note: Relative strategy return differentials are calculated vs. BSE 500
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	43	34	48	39
Average period return	**5.3%**	**23.9%**	**5.0%**	**21.8%**
Number of profitable periods	29	32	31	36
% profitable periods	**67%**	**94%**	**65%**	**92%**
Best period	24%	55%	26%	63%
Gain Standard Deviation	6.9%	14.6%	6.7%	17.5%
Sharpe Ratio @10%	0.35	0.90	0.29	0.61
Sharpe Ratio @5%	0.49	1.22	0.43	0.87
Sharpe Ratio @0%	0.64	1.54	0.57	1.13
Loss Standard Deviation	2.0%	0.4%	3.5%	0.9%
Downside Deviation @10%	3.5%	3.5%	4.2%	6.1%
Downside Deviation @5%	2.8%	1.7%	3.6%	4.4%
Downside Deviation @0%	2.2%	0.2%	3.1%	3.0%
Sortino Ratio @10%	0.84	4.03	0.60	1.94
Sortino Ratio @5%	1.47	11.42	1.03	3.80
Sortino Ratio @0%	2.46	110.50	1.62	7.23
Average Gain/Loss	2.9	29.7	2.6	2.3
Profit/Loss Ratio	6.0	47.6	4.7	27.1

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

Exhibit 9 – Long-book snapshot

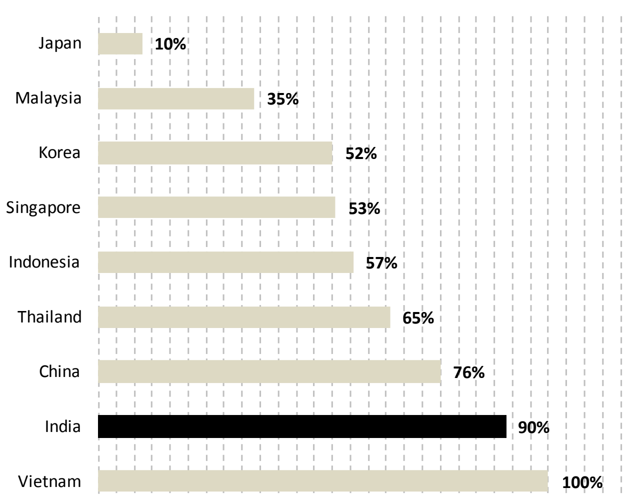
Top position as % of book	11%
Smallest position as % of book	0.4%
Top 5 positions as % of book	41%
Avg. weighted market cap of book (mil)	$873
Avg. weighted free float of book	46%
Net Exposure	81%
# of positions	25

Source: Internal Sources

As is well known, India has gone from being a notorious member of "Fragile 5" to becoming an economic and stock market darling in less than 18 months. The multi-faceted drivers of this rapid metamorphosis have been widely documented so we at *Metis*, per our traditional investing discipline, are far more focused on positioning the fund for the medium to long term. Suffice to say, we feel that 2015 will be a critical year for India where the market friendly intentions of the new government must overcome majority of political and business detractors (many with legitimate economic concerns) to drive tangible performance across sectors. This government has repeatedly made a lot of promises to domestic and foreign stakeholders and all are keenly watching if the level of execution is able to pass the high hurdle rate of expectations. The external environment is mixed and therefore India's large growing domestic market (Global Connectedness Index shows India at 126th out of 140 countries) and noted financial resilience should help keep India on path of recovery.

India's forced reliance on productivity led growth needs a shift. Unless India wants to follow the unenviable path to unequal growth, besides continuing to pull well below its potential, it is imperative that factor input growth begins to meaningfully contribute towards broader economic growth.

Exhibit 10 – Productivity's contribution during high-growth decades



Note: Contribution numbers exclude capital deepening
Source: APO; World Bank

We note that expansion of factor inputs, as opposed to real factor productivity growth, characterized high growth decades (late 80s to SE Asian financial crisis in 1998) in economies such as Malaysia and Singapore. These economies were significantly driven by a massive expansion of labor force, as immigration flourished from mid-80s onwards. Japan had a sort of similar trajectory in the 60s, except that the period was characterized by labor shortage and accordingly capital deepening drove headline labor productivity growth. In all three cases, expansion of factor inputs contributed about a third of elevated growth. Law of diminishing returns however always catches up with growth that is influenced by expansion of factor inputs.

In sharp contrast, the past high growth decade in countries such as China and India was driven more by real factor productivity growth vs. factor expansion (see **Exhibit 10**). India's case, in particular, is fairly unique since capital deepening accounted for less than half of labor productivity growth over a period when overall economic growth averaged 7.5%. That of course was less a function of real productivity growth within manufacturing and more a function of mix shifting away from the labor intensive sector. This is about as unsustainable as the factor expansion led growth in Malaysia and Singapore. It's time that India's labor participation stalls its long-term downward trend and its young resources are effectively deployed.

We appreciate your engagement with us. Please let us know if you have any questions. Your fund managers are available 24/7 to address your questions/concerns.

Exhibit 11 – Historical Monthly Performance

	Metis Opportunity (INR)	*Nifty*	*S&P BSE 500*	*S&P BSE Midcap*	*S&P BSE Smallcap*	*Eurekahedge India*	*India-focused CE Funds**
Apr-11	-1.3%	-1.4%	-0.1%	3.2%	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%	0.4%	-0.2%	-0.8%	0.4%	1.9%
Sep-12	7.4%	8.5%	8.7%	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%	2.2%	0.6%
Feb-13	-3.8%	-5.7%	-6.5%	-9.6%	-12.3%	-3.9%	-3.2%
Mar-13	1.3%	-0.2%	-1.1%	-2.6%	-6.5%	-0.9%	0.0%
Apr-13	4.2%	3.9%	4.2%	3.3%	3.7%	3.0%	2.4%
May-13	2.0%	1.4%	0.8%	0.7%	-1.3%	-1.0%	1.1%
Jun-13	-2.8%	-2.4%	-3.7%	-6.7%	-5.0%	-7.4%	-4.0%
Jul-13	-2.5%	-1.7%	-2.5%	-7.1%	-5.9%	-0.6%	0.9%
Aug-13	2.3%	-4.7%	-4.5%	-4.4%	-2.3%	-9.1%	-5.5%
Sep-13	6.5%	4.8%	5.2%	5.8%	5.3%	7.1%	5.9%
Oct-13	7.9%	9.8%	9.1%	8.9%	7.9%	5.1%	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%	2.0%	1.3%
Jan-14	-7.7%	-3.4%	-4.2%	-5.9%	-4.4%	-2.4%	-3.6%
Feb-14	3.8%	3.1%	2.8%	3.1%	2.9%	2.1%	5.2%
Mar-14	5.0%	6.8%	7.6%	9.0%	9.7%	7.1%	8.5%
Apr-14	0.5%	-0.1%	0.6%	3.4%	5.9%	0.6%	-0.6%
May-14	12.2%	8.0%	10.4%	15.6%	20.4%	10.5%	9.3%
Jun-14	5.9%	5.3%	6.4%	10.8%	13.2%	4.6%	7.0%
Jul-14	-1.5%	1.4%	0.4%	-2.0%	-2.1%	0.4%	1.7%
Aug-14	3.5%	3.0%	2.7%	1.2%	2.8%	2.4%	4.2%
Sep-14	3.5%	0.1%	0.8%	2.5%	4.1%	2.8%	4.2%
Oct-14	2.6%	4.5%	4.1%	3.2%	2.3%	2.5%	2.9%
Nov-14	2.5%	1.9%	3.4%	4.4%	3.1%	3.2%	5.8%
Dec-14	2.5%	-2.3%	-2.1%	1.0%	-1.6%	0.3%	-2.7%
Trailing 12 months	37%	31%	37%	55%	69%	39%	49%
Trailing 24 months	63%	40%	41%	46%	50%	31%	60%
Trailing 36 months	125%	79%	86%	102%	100%	48%	107%
Since inception	**103%**	**42%**	**44%**	**51%**	**36%**	**17%**	**55%**
2014	37%	31%	37%	55%	69%	39%	49%
2013	19%	7%	3%	-6%	-11%	-6%	7%
2012	38%	28%	31%	38%	33%	14%	29%
2011	-10%	-25%	-27%	-34%	-43%	-25%	-29%
Avg. Return (+ve months)	4%	5%	4%	5%	6%	3%	5%
Avg. Return (-ve months)	-3%	-3%	-4%	-5%	-5%	-4%	-3%
Annualized Volatility (TTM)	16%	12%	14%	20%	24%	12%	14%
Sharpe Ratio	1.24	0.47	0.48	0.48	0.33	0.15	0.62
Calmar Ratio (3-yr/3%)	6.00	2.15	2.36	0.92	0.77	0.58	2.87

*Note: Metis Opportunity Fund's INR track record was a live blend of our running onshore strategies till March 31, 2014; 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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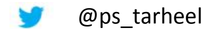
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Gaurav Aggarwal, CFA, CPA, is the co-investment manager of Metis Opportunity Fund. He was a senior analyst with portfolio management duties over $50 million in fund of fund assets at a leading regional investment bank (Global Investment House) in the 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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