

Alchemy India Fund Monthly Performance Fact Sheet JULY 2013

NAV: 72.95, AUM: USD 1.95 mn

Bloomberg Ticker: ALINDIA KY <EQUITY>

Fund Objective*

To generate long-term capital appreciation by investing in listed Indian equities.

Investment Strategy

Long-short fund with a long bias. The fund will be principally long and will not run a consistently short position. However, based on market conditions, the investment manager reserves the right to use discretion to take a short position either to hedge the portfolio or profit from opportunistic short calls.

Investment Philosophy

Growth at a Reasonable Price

This approach is rooted in the hypothesis that India is a high-growth economy and that the best way to benefit is to identify and invest in companies that are best equipped to take advantage of the emerging domestic and global opportunities

Invest for the Long Term

The intention is not to trade in and out of investments to capture short-term volatility. However, at appropriate and opportune moments, the Fund may seek to tactically hedge its exposure by taking short positions on NIFTY futures and/or a basket of stocks.

Portfolio Manager Summary

Alchemy India Fund has returned -10.8% for June'13 as against -7.9% for S&P BSE200 in dollar terms.

The most significant development for the month and quarter gone by has been the sharp depreciation of the rupee against the US\$. The rupee has now breached the psychological level of 60 to the US\$, depreciating by 9.8% in the quarter ending June.

A large part of the fall in the rupee can be attributed to a larger trend of depreciation in most EM currencies resulting from expectations of reduced level of bond buying by the US Fed exacerbated by India's own problems with its high CAD. While the weakening currency has created a lot of anxiety amongst investors and policymakers alike, and we particularly have no strong views on which way the currency could move, we would like to consider some brighter sides to this development. For one, the currency weakness has resulted in extreme focus of policymakers to consider measures to stabilize the currency. Given India's Forex reserves at US\$285bn, any significant central bank intervention is ruled out and even uncalled for. The government has already taken various steps to curb gold imports; which with a combination of sharply correcting gold prices – has already started to show results. India's gold imports in the month of June fell to 35 tons compared to 162 tons on May (Current Account Deficit will be lower by approx. US\$4.5bn on account of lower gold imports for the month of June, which is nearly 20% lower MoM). Secondly, the government is taking steps to attract more capital into the country's debt markets. However, the current global macro theme of deleveraging has meant that YTD, FII's have almost redeemed most of their debt inflows via redemptions. We

* The investment objectives are merely a target and there are no assurances that it would be achieved.

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are not great votaries of government directed administrative steps in markets, because markets will any ways do what they have to, eventually.

The only thing that enthuse us is the government's efforts to attract long term FDI into the country. There is serious consideration to lifting FDI caps in various industries (Retail, Defense, Telecom). We are already seeing that the government is willing to relax many conditions that it originally had put when they announced the policy on FDI in retail last year to make it more attractive for foreign retailers to invest in India. These we believe do have long term positive implications - as large and sophisticated players do bring technology and capital and also infuse competition and drive productivity which can drive long term returns. We see considerable interest among large global MNC's to either start or acquire businesses in India given the huge market potential and their largely successful and profitable operations in India. More opening up of the economy if successful can bring in more capital but then conversely also puts in more market driven pressure on policymakers to respect market driven policies!

The other major development was the notification of the ordinance on the Food Security Bill. This is one more of the social security program which entitles two thirds of India's population to subsidized food grain. While it may not have a significant impact in FY14 but various estimates put the impact at between 30 to 40 bps of GDP in FY15, the first full year of implementation. Clearly this move has been motivated by political considerations when the economy can ill afford

any more subsidies on its balance sheet. It is unfortunate but real that just as we gain some collateral benefits in the form of reforms for self preservation we also get to bear the costs of public largesse for self promotion!

On the portfolio front, 3 factors affected portfolio companies to varying degrees;

Sharp depreciation of the INR affected importers or companies with high foreign debt - We have completely exited VIP Industries, a luggage manufacturer where majority of its soft luggage is imported from China. It will be difficult for the company to raise prices to that extent to protect gross margins.

China liquidity related issues – Our holding in Tata Motors DVR fell by 20%+ during the quarter as investors speculated it would hurt sales of Jaguar and Land Rover models in China which account for 20% of overall volumes. However, June sales in China seem to be relatively unaffected growing in lower teens and currency depreciation and lower commodity prices should add to profitability. We continue to hold the stock.

Margin Funding Related Issues. Falling stock prices created margin funding related issues for certain class of investors which saw brokers dump their stocks in the open market. Our largest position in the portfolio, United Spirits (6.4% of the fund) fell 10% during the month on similar issues. However, the stock has subsequently risen 20% making new highs as Diageo completed the takeover of 25%+ in the company.

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Alchemy India Fund Performance (%)

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	CY
2013													
AIF	-2.4	-11.7	-4.0	5.3	-3.1	-10.8							-24.7
S&P BSE 200*	4.2	-8.1	-0.9	5.2	-4.0	-7.9							-11.7
2012													
AIF	15.3	3.9	-0.0	-1.8	-10.7	5.7	2.0	2.9	15.3	-4.1	5.8	2.2	39.4
S&P BSE 200*	22.4	5.1	-5.7	-0.3	-15.4	7.7	-0.5	0.2	15.0	-3.9	4.1	1.0	27.7
2011													
AIF	-5.8	-2.1	3.7	2.6	-1.3	0.6	0.4	-11.8	-6.4	5.4	-13.1	-7.2	-31.4
S&P BSE 200*	-12.7	-2.2	10.4	-0.01	-4.3	1.4	-1.4	-12.4	-7.3	6.7	-15.6	-7.0	-38.7
2010													
AIF		-0.6	2.4	1.7	-4.2	3.1	1.1	-2.8	6.6	1.4	-8.2	1.6	1.4
S&P BSE 200*		-0.9	8.4	3.1	-7.4	4.1	1.7	-0.1	15.0	1.4	-6.7	6.3	25.3

*USD-adjusted performance of the benchmark S&P BSE 200 index (S&P DOLLEX 200). Note: Fund commenced on 18th February 2010.

Performance Since Inception (%)

AIF	-27.0%
BSE 200*	-13.3%

*USD-adjusted performance of the benchmark BSE200 index (DOLLEX). Past performance is not the indicative of the future performance.

Weight by Market Cap as of 30Th June'13 (%)

Less than USD100mm	7.1
Between USD100mm and USD1bn	30.2
Greater than USD1bn	57.4
Total	94.7

Sectoral Break-up as of 30Th June '13 (%)

Financials	28.6
Consumer Discretionary	21.9
Health Care	15.4
Consumer Staples	14.9
Utilities	6.1
Materials	4.2
Industrials	3.6
Total	94.7

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Key Fund Facts	
Master Fund	Alchemy India Fund Ltd (Mauritius)
Manager	Alchemy Investment Management Pte. Ltd (Singapore)
Launch Date	Feb 18, 2010
Strategy	Long Only
Benchmark	S&P Dollex 200 (S&P BSE 200 stated in US\$ terms)
Face Value	USD100
Management Fee	Regular plan: 1.5% p.a. of the NAV (Payable Weekly) Institutional plan: 1.0% p.a. of the NAV (Payable Weekly)
Performance Fee	Nil
Minimum Initial Investment	Regular plan: USD 0.25 mn, Institutional Plan: USD 2 mn
Minimum Subsequent Investment	Regular plan: USD 0.05 mn, Institutional Plan: USD 0.10 mn
Subscription Period	Last working day of the week
Subscription Charge (Discretionary)	Up to 3%
NAV	Weekly (As of last business day of each week)
Redemption	Weekly with a weeks' notice
Exit Load	Not Applicable
Fund Administrators	Master Fund: Deutsche International Trust Corporation (Mauritius) Ltd
Auditors	KPMG

These are not the complete terms; please refer the PPM for complete details.

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General Risk factors

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