ALCHEMY
INVESTMENT MANAGEMENT

Alchemy India Long-Term Fund Monthly Performance

Fact Sheet October 2014

NAV: 196.33, AUM: USD 51.74mn *Bloomberg Ticker: ALCINDA KY <EQUITY>*

Fund Objective*

To generate long-term capital appreciation by investing in (i) listed Indian equities, (ii) PIPES on listed Indian equities and (iii) IPO and pre-IPO opportunities.

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 Long Term Fund returned 2.5% for September 2014 as against -1.1% for S&P BSE500 in dollar terms.

Indian equity markets have performed reasonably well in September despite the increased volatility in several pockets of global markets; equities, bonds, currencies and commodities. A key reason for India's recent outperformance is that it is a big beneficiary of the fall in global commodity prices, especially crude oil which has fallen by almost 15.0% (US$17.7/barrel) in Q3.

India consumes 3.7m barrels of oil a day, of which 80% is imported and the fall has big positive impact on Current Account Deficit, Inflation & Fiscal Deficit. For every US$10 fall in crude prices

- Current Account Deficit would fall by 40-50bps
- Wholesale Inflation would fall by 80-100bps
- Oil Subsidy and thus Fiscal Deficit would be lower by 20bps in FY15.

The fall in Gold & Coal prices also bode positively as their imports account for about 2% of GDP.

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

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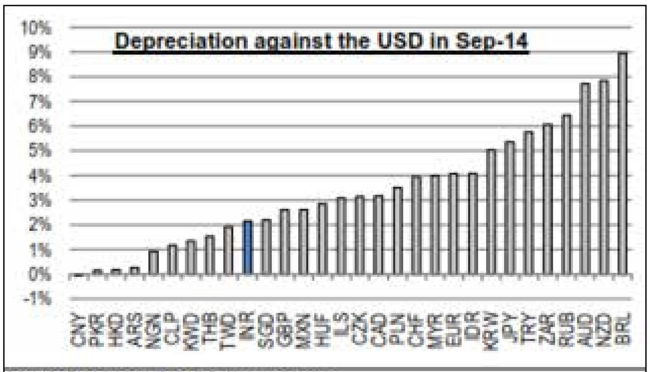
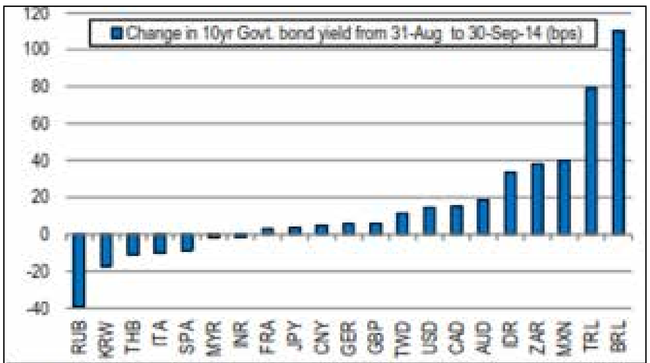
Hence it is no surprise that not only equities but Indian Bonds and Currency have held up well in September as seen from the tables below. In fact our Singapore fixed income desk tells us that earlier in the month of September there has been some large scale buying of Indian Government Bonds by foreigners without hedging the underlying currency, that seems like a first in a long time.

Chart1: INR depreciated about 2%



Source: Bloomberg, Credit Suisse estimates.

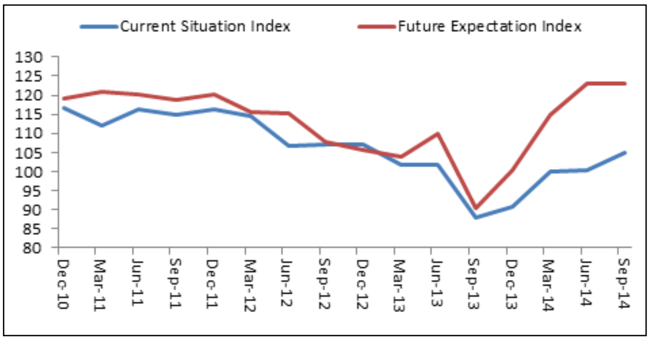
Chart 2: Yields see minor decline



Source: Bloomberg, Credit Suisse estimates.

On the ground, the consumer demand is witnessing a nascent recovery. Consumer discretionary categories like Two-Wheelers, Passenger Cars and White & Brown Goods are showing good growth though there is some amount of channel push given upcoming festival season. Our recent company meetings with Titan, amongst others, confirmed that consumers are back and they are witnessing good demand for premium watches and jewellery. The RBI quarterly Consumer Confidence Survey too points to similar improving trend in consumer confidence over the last 4 quarters.

Chart 3: RBI Quarterly Consumer Confidence Survey



The one thing most investors are focused on is the revival in investment demand which is a key to medium to long term sustainable growth. While the government has taken the right steps in easing environment clearances and settling disputes to de-clog existing stalled projects, the impact of which will be seen in the next 12-18 months, on ground feedback from Industrial companies is still not very encouraging and there is more hope than actual movement on the ground.

The recent decision by the Supreme Court to cancel 214 out of 218 coal block licenses issued since 1993 terming the issuance arbitrary and non-transparent because it granted licenses without competitive bidding is also a setback to investment revival. However, it does provide the new government with six months to put a transparent policy in place and enrich its coffers by about US$15bn when it auctions these mines which can be used to invest in future projects.

We got an opportunity to meet several senior bureaucrats in Delhi a couple of weeks ago from some important ministries and we came away with a feeling that the bureaucracy is extremely energized to work and deliver. There was new found enthusiasm in them and they felt empowered and were keen to be part of the change to turnaround the economy. Being a closed door interaction some of them were quite forthright with their views and one of the senior bureaucrats mentioned that *"Modiji has told us that we should take (quick) decisions and that if they are within the laid down rules and bonafide, I will back you to the hilt".* So we came away with the feeling that the immediate focus is to improve the speed of decisions, improve co-ordination and get the stuck projects off the ground and to bring in large amounts of transparency in the process by going digital. On asked about initiatives on hard structural reforms (land acquisition, labour reforms) – most felt that the government was seized of the issues but they would want to do it more tactfully and after some level of consensus emerged giving the impression that this government is still cautious about spending its new found political capital to resolve contentious issues and that other than GST, which was a clear priority, the rest would happen in a more calibrated fashion.

The upcoming 2QFY15 results should provide a lot of commentary for developments in various sectors / companies but the important event for markets is the upcoming state elections in Maharashtra & Haryana. Both are important industrial states and winning these elections is important as:-

1) All new legislation in India has to be approved by both houses of parliament. However, BJP and its allies only control 62 / 250 seats in the Rajya Sabha (Upper House). Hence passing the bills in the upper house is a challenge. The members of the Rajya Sabha are elected by

members of legislative assembly of each state; hence the only way to increase the tally in the upper house is to win state elections.

2) India is a federal state where under the constitution states have significant powers of legislation on key economic issues (states have exclusive authority to legislate on several key economic matters including water and joint authority on land labour and electricity). For contentious reforms like labour and land where national consensus is difficult to arrive at present some BJP governed states like Rajasthan & Madhya Pradesh are taking the lead in reforming at the state level and are positioning to attract big investments. The BJP currently governs only 7 out of the 29 states in the country and Maharashtra & Haryana would be welcome additions here.

Early indications for the 15th October state polls are that the BJP would be the single largest party in both states but would fall short of absolute majority. Markets would take it positively as long as BJP is the senior partner in the coalition running the state government.

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Alchemy India Long Term Fund Performance (%)

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	**Dec**	**CY**
2014													
AILTF	-5.3	3.5	15.8	0.7	13.5	7.7	4.0	4.3	**2.5**				**55.2**
S&P BSE 500*	-5.1	3.5	11.1	0.2	12.8	4.5	0.2	2.3	**-1.1**				**30.6**
2013													
AILTF	-2.5	-10.0	-5.3	6.6	-2.0	-10.3	-3.6	-13.7	13.1	10.2	0.8	6.0	-13.7
S&P BSE 500*	3.9	-7.4	-2.2	4.6	-3.3	-8.9	-4.8	-12.3	11.5	11.5	-2.3	3.9	-8.6
2012													
AILTF	20.5	5.4	-4.1	-1.0	-10.1	4.8	-0.5	2.1	15.7	-3.1	9.0	0.9	42.5
S&P BSE 500*	21.5	6.3	-5.7	-3.5	-12.7	6.6	-0.3	0.6	14.9	-3.8	4.2	1.0	27.6
2011													
AILTF	-13.3	-5.8	13.9	6.7	-0.8	1.5	6.4	-11.7	-4.7	2.8	-16.5	-10.6	-31.3
S&P BSE 500*	-12.7	-2.3	9.9	0.5	-4.0	1.1	-0.9	-12.5	-7.4	6.1	-15.4	-7.5	-38.9
2010													
AILTF	-0.1	1.2	6.5	7.0	-10.2	5.4	4.8	4.0	11.6	-0.4	-7.1	3.4	27.0
S&P BSE 500*	-4.3	0.5	8.7	3.4	-7.9	4.2	1.9	-0.2	14.8	1.5	-7.0	5.9	21.2
2009													
AILTF	-8.3	-7.1	2.5	11.1	43.5	-0.03	7.7	5.6	3.9	-3.2	4.3	5.3	74.6
S&P BSE 500*	-5.8	-8.9	8.5	19.2	41.6	-1.7	7.5	0.3	10.3	-4.1	8.3	3.5	97.4
2008													
AILTF						-1.7	4.3	-0.2	-11.8	-24.4	-10.0	10.0	-32.4
S&P BSE 500*						-11.2	7.1	-1.1	-18.9	-30.5	-8.8	12.3	-45.7

Note: Fund commenced on 11th June 2008.
USD-adjusted performance of the benchmark S&P BSE500 index. Past performance is not the indicative of the future performance.

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Performance Since Inception In USD (%)

	Absolute	CAGR
AILTF	96.3%	11.3%
S&P BSE 500*	20.8%	3.0%

*USD-adjusted performance of the benchmark S&P BSE 500 index.

Performance Since Inception In INR (%)

	Absolute	CAGR
AILTF	182.0%	17.9%
S&P BSE 500*	73.5%	9.1%

Performance of the benchmark S&P BSE 500 index.

Weight by Market Cap as of 30th Sep 14 (%)

Less than USD200mm	23.3
Between USD200mm and USD2bn	32.6
Greater than USD2bn	40.0
Total	**95.9**

Net/Gross Exposure (%)

Net Exposure	95.9
Gross Long	95.9
Gross Short	0.0
Gross Exposure	**95.9**

Sectoral Breakup as of 30th Sep 14 (%)

Consumer Discretionary	29.4
Industrial	28.7
Financials	15.9
Materials	10.5
Health Care	9.1
Telecommunication	2.3
Total	**95.9**

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Key Fund Facts	
Master Fund	Alchemy India Long-Term Fund Ltd (Mauritius)
Feeder Fund	Alchemy India Fund (Cayman) Partners, LP
Manager	Alchemy Investment Management Pte. Ltd (Singapore)
Launch Date	June 11, 2008
Strategy	Long Short with Long bias
Benchmark	S&P BSE 500
Face Value	USD100
Management Fee	1.5% p.a (Payable Monthly)
Performance Fee	15% of profits (Payable Yearly, High Water-Mark Applicable)
Minimum Initial Investment	USD 1.0 mn
Minimum Subsequent Investment	USD 1.0 mn
Subscription Period	Last working day of the month
Subscription Charge (Discretionary)	Up to 1%
NAV	Monthly
Redemption	1 year lock in. 45 days notice.
Exit Load	2% exit fee at the end of the 1st year.
1% exit fee at the end of the 2nd year	**Master Fund:** Deutsche International Trust Corporation (Mauritius) Ltd. **Feeder Fund:** Custom House Global Fund Services Limited, Malta
Fund Administrators	Master Fund: Deutsche International Trust Corporation (Mauritius) Ltd.
Feeder Fund: Custom House Global Fund Services Limited, Malta	KPMG
Auditors	KPMG
1 Providers	KPMG

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

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General Risk factors

- All investment products attract various kinds of risks.
- Please read the relevant Private Placement Memorandum / Investment Agreement and other documents carefully before investing.
- The client is expected to understand the risk factors associated with investment & act on the information solely on his/her/its own risk. As a condition for providing this information, the client agrees that Alchemy Investment Management Pte. Ltd., its Group or affiliates makes no representation and shall have no liability in any way arising to them or any other entity for any loss or damage, direct or indirect, arising from the use of this information.

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