



Dear Investors,

Q3 results are now behind us

Quarter three result season is now behind us. The results showed strong sales growth but as was expected, the profit growth was muted on margin issues. The quarter had seen large volatility in the form of higher oil prices, sharp currency depreciation followed by the ILFS led NBFC issue which resulted in yields spiking and lesser availability of credit. Lesser availability of credit and end of year model change issues as well as price increase on more stringent regulatory standards impacted auto sales and resulted in sharp drop in prices of the auto sector stocks.

**Mr. Prateek Agrawal**

NBFCs particularly in the housing and infrastructure space also faced NIM and liquidity issues. In this turmoil our portfolios were relatively stable and outperformed in the month of Feb. FIIs turned net buyers and INR was stable. Valuations are near long term average on a one year forward basis

We believe that now the worst of the period is behind us. Indian large cap indices, Nifty and Sensex have been almost flat over the past 12 months while in the same period earnings have expanded. We expect index to deliver a 13-14% growth in earnings in FY19. This has resulted in a correction in valuations and valuations are now closer to mean levels seen over last 10 years. Given the change in index constituents with several high-quality names now forming part of index, the index PE multiples should be higher than long period average.

### **Global scenario**

While Indian markets have delivered negative returns this calendar year, the global markets have had a nice new year rally. Our markets have continued to languish on account of country specific issues like ILFS and Election uncertainty. Over the past few years, because of continued buoyancy in economy in US and China, tax reforms in US, strong performance of internet stocks like Facebook, Google, Amazon, Netflix, Alibaba, etc funds in large markets like US and China have done very well, relative to other markets. This has resulted in an overweight position in these markets just when the economic growth is slowing down. There is a possibility that this is prompting a round of rebalancing of portfolios and resulting in the sea of green that we see around the world.

### **Outlook going forward**

Going forward we believe that the worst quarter of the year in terms of earnings growth is behind us. Q4 earnings growth should be better than Q3 earnings growth. FY20 growth is also expected to be buoyant. Given the fact that our valuations have corrected and markets around the globe have been positive, we expect that Indian markets should also get some bit of green as the local issues get resolved.

We continue to be focused on the high-quality consumption and financiers of consumption plays. It is time to get positive.

**Prateek Agrawal**  
**Business Head and CIO, ASK Investment Managers Ltd**

## Update on Global Markets - February 2019



The rally in global equity markets continued in the month of February with China, the US and Europe leading the way. The S&P500 Index was up 2.97% for the month, while MSCI Europe was up 3.29%. The announcement by President Trump that he would delay the imposition of tariffs past the 01 March 2019 deadline considering the progress in trade talks, provided a big solid boost to the Chinese stock market. They were China was the best performing amongst emerging market equities, gaining 13.9% for the month in USD terms. The rest remainder of the emerging market equities were generally flat for the month. The possibility that Brexit might be delayed also added to the overall positive sentiment.

Index	Currency	February 2019	
		Local Currency (%)	USD (%)
Australia (ASX 200)	AUD	5.19	2.69
S&P 500	USD	2.97	2.97
United Kingdom (FTSE 100 Index)	GBP	1.52	2.63
Germany (DAX Index)	EUR	3.07	2.45
France (CAC 40 Index)	EUR	4.96	4.34
Japan (Nikkei 225 Index)	JPY	2.94	0.62
India (Nifty Index)	INR	-0.36	-0.17
Hong Kong (Hang Seng Index)	HKD	2.47	2.43
China (Shanghai Composite Index)	CNY	13.79	13.90
South Korea (KOSPI Index)	KRW	-0.43	-1.46
Indonesia (Jakarta Composite Index)	IDR	-1.37	-2.98
Brazil (Ibovespa Index)	BRL	-1.86	-4.51
Russia (MOEX Russia Index)	RUB	-1.42	-1.87
MSCI India	INR	-0.09	0.09
MSCI Emerging Markets	USD	0.10	0.10
MSCI Europe	EUR	3.91	3.29
MSCI World	USD	2.83	2.83

Source: Bloomberg

Performance till 28 February 2019

This general positivity was also reflected in the commodity prices and currency movements. Oil prices continued to climb gaining 6.69% for the month taking the year till date rally to nearly 23%. However, President Trump's tweet to OPEC citing high oil prices not being good for the "fragile world economy" put somewhat of a lid on the rally, at least for the time being, as prices fell more than 3% in a day. The Japanese Yen, often viewed as an indicator of global risk appetite, depreciated 2.30% against the USD in line with the "risk-on" sentiment. The Australian dollar continued to suffer depreciating by 2.55% against the USD despite the Chinese economy seeming to stabilise. The slowdown in the Australian economy and news that Chinese ports might restrict coal imports from Australia led to the weakness in the AUD. Upcoming elections and the uncertainty around that is also putting pressure on the Australian economy and currency.

(USD, %)	February 2019
Brent Crude	6.69
Steel (Hot-Rolled Coil)	2.88
Copper	5.53
Aluminium	-0.13
Zinc	2.45
Gold	-0.60
Silver	-3.29
Indian Rupee	0.48
EURO	-0.66
British Pound	1.15
Japanese Yen	-2.30
Chinese Renminbi	0.09
Indonesian Rupiah	-0.69
Australian Dollar	-2.55

Source: Bloomberg

Performance till 28 February 2019. Currency performance against USD. Negative number for Currency denotes depreciation against USD

Despite the progress in trade talks between the US and China, the unexpected early end to the US-North Korea summit and news such as the halt of Australian coal show how easily these things can turn in different directions. The Chinese Purchasing Managers Index (PMI) is still weak while data from Japan indicates a slowdown in growth. While Though many markets have had a very strong start to the year, the next few months are likely to witness an increase in volatility across asset classes.

**Gaurav Sharma**  
Portfolio Manager, ASK Capital Management Pte Ltd.

# ASK Indian Entrepreneur Portfolio – February 2019



**Investment Objective:** ASK Indian Entrepreneur Portfolio (IEP) invests in entrepreneurially driven and/or family owned businesses; listed on the Indian stock markets, for compounding gains over the medium to long term.

**Portfolio Update :** The month of February saw some stability in markets. However, the continued volatility due to geo-political concerns, elections, commodity prices, trade wars etc may keep the market participants on edge. Overall, for the month, the benchmark Index BSE 500 closed down 0.6%. Indian Entrepreneur Portfolios outperformed its benchmark during the month.

Sectorally, after the sharp drop in Auto Index, we saw the index bouncing back a bit. Among portfolio companies, Motherson and Minda Industries in particular rose 15%+ each during the month.

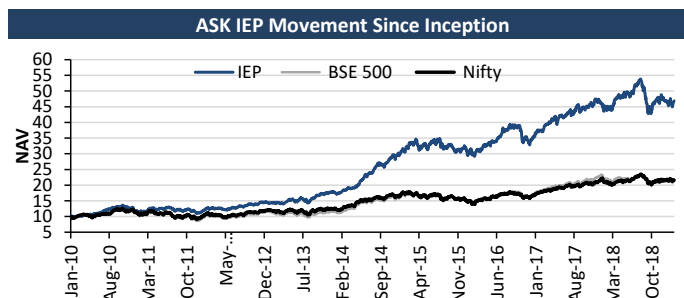
The results for the quarter gone by has been in line or higher than estimates. Overall portfolio companies revenues and profits increased 22.7% and 17.5% respectively during the quarter. Auto companies showed muted performance due to impact on volumes, while consumer companies saw some pressure on margins. Auto companies are seeing lower volumes, which we believe should be temporary. Also, margin impact on consumer companies should be recouped over period.

Overall, we have focused on businesses that have relative pricing power. In this highly volatile environment such businesses should help the portfolio to remain in good stead. Well managed businesses have a better chance to show improved business performance going forward. We have focused on businesses that have ability to increase market share across varied business environment along with superior capital efficiency.

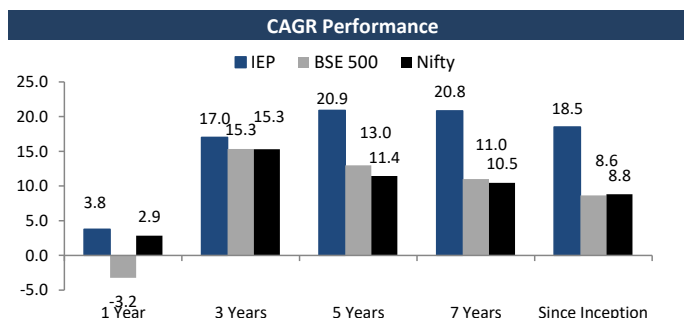
Top 10 Holdings (%)	
Britannia Industries Ltd	7.3
Bajaj Finserv Ltd	7.2
Bajaj Finance Ltd	7.2
Havells India Ltd	6.7
Asian Paints Ltd	5.9
IndusInd Bank Ltd	5.8
Page Industries Ltd	5.7
Cholamandalam Investment and F	5.5
PI Industries Ltd	5.5
Astral Polytechnik Ltd	5.4

Top Sector Weights (%)	
NBFC	12.7
Banks	11.0
Building Products	10.7
FMCG	7.3
Insurance	7.2
Consumer durables	6.7
Cement	6.5
Home Decor	5.9

Portfolio Metrics	
Total Assets under Management & Advisory in Rs. Crs.	7,084
Weighted Average Market Cap in Rs. Crs.	67,570
Median Market Cap in Rs. Crs.	51,348
Beta (since inception)	0.76



**Rs. 1 Cr invested in IEP in Jan 2010 is now worth Rs. 4.68 Cr v/s Rs. 2.12 Cr in BSE 500**



Inception Date of ASK IEP is 25-Jan-2010. Information as on 28-Feb-2019

**Note:** Performance figures are net of all fees and expenses. The above returns are composite returns of all Integrated Clients. Returns for individual client may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments. Returns for 1 year or less time period are absolute returns, while more than 1 year are CAGR

**Disclaimers:** The securities investments are subject to market risk and there is no assurance that the objectives of the Portfolio concepts / products will be achieved. Investors are not being offered any guaranteed or assured return on the Portfolio. The past performance does not in any manner indicate the future performance of the Portfolio. The companies / sectors referred to in this document are only for the purpose of explaining the concept of the above portfolio and should not be construed as recommendations from ASK Investment Managers. The readers should exercise due caution and / or seek independent professional advice before making any investment decision or entering into any financial obligation based on information, statement or opinion which is expressed herein. All opinions, figures, charts / graphs, estimates and data included in this note are subject to change without notice. The data used in this material are obtained by the Portfolio Manager from sources which it considers reliable. While utmost care has been exercised while preparing this document, ASK Investment Managers does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information.

**Important Disclosure :** ASK Investment Managers Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India. The DRHP is available on the website of the SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) as well as on the websites of the Book Running Lead Managers, JM Financial Limited, Axis Capital Limited, Citigroup Global Markets India Private Limited and Nomura Financial Advisory and Securities (India) Private Limited at [www.jmfl.com](http://www.jmfl.com), [www.axiscapital.co.in](http://www.axiscapital.co.in), [www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm](http://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm) and [www.nomuraholdings.com/company/group/asia/india/index.html](http://www.nomuraholdings.com/company/group/asia/india/index.html), respectively. Potential investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see the section "Risk Factors" of the Red Herring Prospectus. Potential investors should not rely on the DRHP or any other offer document for any investment decision. These materials are only for the intended recipient and should may not be copied or disseminated, in whole or in part, and in any manner