

2014

Happy New Year

Portfolio Management Services
Monthly Newsletter - January 2014

Dear Investor,

On behalf of Pramerica, we wish you and your family good health and happiness for 2014 and beyond.

At the beginning of every year, it is customary for fund managers to draft a "market outlook"; a forecast of sorts about the stock markets in general and sectors in specific. Apart from acting as a guide to investors, this forecast is meant to showcase a portfolio manager's expertise in reading the future. Fortunately or unfortunately, depending on one's perspective, the Pramerica Deep Value Strategy's focus on the present leaves no room for such conjecture.

All stock market investors have broadly the same objective - that of profiting from stock price movements. For a long-only strategy, this essentially means buying stocks which are undervalued and selling them when they are overvalued. One way to do so is to shortlist stocks which seem undervalued based on the possibilities that lie ahead for them. This approach exposes itself to two elements of significant uncertainty. First, will the possibilities fructify and be reflected in the stock price and second, when will this come to pass?

The other way is to look for high-quality stocks which are undervalued on the basis of their own past record, buy them when they are unpopular and wait for them to become popular once again. Following this approach reduces the first element of uncertainty.

The market consists of all kinds of stocks. At all points of time, some are expensive while others, not so much. However, merely buying inexpensive stocks is not sufficient in itself. Some stocks are inexpensive for very good reason and will, in all probability, remain so. The most important element is the quality of the business and management that one buys when investing in a stock. Buying high quality businesses at valuations well below

their long-term averages gives a higher degree of confidence in future stock price gains.

This leaves us with the other element of uncertainty, the timing of these gains. When buying these businesses at a time when they are ignored, we not only get them at reasonable prices, we face lower competition in buying them and can buy our desired quantities without facing a runaway increase in prices. However, these advantages are accompanied by uncertainty as to when the wider market will rekindle its excitement with these businesses. As a result, while this style of investing gives more confidence about the ultimate accrual of gains, one may need more patience to capture them.

In the short term, stock price movements are driven by variables beyond the control of any single investor. But over a period of time, it is the fundamentals of the company, and the price at which the stock was purchased that determines returns. We intend to focus on these two variables, regardless of the short term outlook for the markets. In return, we only ask for your patience.

Once again, our very best wishes for a great 2014 and we look forward to accompanying you on your investment journey through this year and thereafter.

Consolidated Portfolio Performance as on 31st Dec 2013

| Period | Pramerica Deep Value Strategy | CNX Nifty |
|---------------------------------|-------------------------------|-----------|
| 1 Month | 3.98% | 2.07% |
| 3 Months | 13.08% | 9.92% |
| Since inception date 03/07/2013 | 17.63% | 7.62% |
| | Pramerica Deep Value Strategy | CNX Nifty |
| Daily Volatility | 0.62% | 1.31% |
| Beta | 0.38 | |

Performance depicted above, as at Dec 31, 2013, is based on all the client portfolios under the strategy existing as on such date, using time weighted average methodology. Past performance is no guarantee of future returns. The above portfolio performances are before charging of any expenses. Please read the complete text on the disclosure in this document.

Important Disclosures regarding the consolidated portfolio performance

Performance depicted above as at Dec 31, 2013, is based on all the client portfolios under the strategy existing as on such date, using time weighted average methodology. Past performance is no guarantee of future returns. The above portfolio performances are before charging of any expenses. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client mandate, specific portfolio construction characteristics or other structural parameters. These factors may have impact on client portfolio performance and hence may vary significantly from the performance data depicted above.

Neither the Portfolio Manager, nor its directors or employees shall in any way be liable for any variation noticed in the returns of individual client portfolios. The Portfolio Manager does not make any representation that any investor will or is likely to achieve profits or losses similar to those depicted in this document. Return for period upto 1 year is absolute. Since inception date stated is considered to be the date on which the first client investment was made under the strategy.

Disclaimers and risk factors

Pramerica Asset Managers Private Limited is registered with SEBI as Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993.

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