

26th April 2019

Dear Investors,

A tough year in which we underperformed the benchmark significantly has passed. Though equity investing, especially in the small and midcap space where we have invested do witness such periods of underperformance, seeing through such turbulent times over the past fifteen months would have been emotionally challenging for most of our investors. Thanks for your trust and patience.

Things are moving in the right direction. Though still far from comfort, as on date we are on average up by around 10-15% (outperforming Nifty) from the lows hit in the 2nd half of February 2019. This gives us confidence that finally worst is behind us. Broader market sentiment, after a period of lull, is turning positive backed by renewed FII interest and huge foreign fund flows.

Small and midcap space including most of our stocks with attractive risk-reward ratio is seeing green shoots of capital flows though yet to perform. Entry of investors waiting for election to get over could be an inflection point here. Irrespective of whichever party/coalition forms the government, I personally believe the present regime would continue in centre, end of the election process on 23rd May 2019 is likely to be a turning point for the broader markets.

We are regularly reviewing the developments in the invested companies and are making changes which we feel necessary and optimal; We might weed out few investments which are not up to expectations and switch to better ideas, going ahead.

We have a challenge ahead, to outperform and gain lost ground going ahead. Good thing, however, is that the stock market history and our own experience says that such years of underperformance are immediately followed up by periods of revival. We feel that this time wouldn't be any different. Forbearance of the year gone by seeing through tough times, shall not go in vain.

Porinju Veliyath