17th July 2020

Dear Investor,

Hope all of you are safe and sound. Past few months have been challenging for all of us – looks like the pandemic is here to stay; we have to accept it and live with it. Stock markets seem to have moved on – most of the business operations are back to pre-covid levels, barring few highly impacted ones. I feel, in the absence of any new accidents in the economy, the current bullish trend in the market would continue.

There are multiple themes in play and a lot of global capital is headed to India – both as FDI and FPI. From the portfolio perspective - most of our current investments looks promising and hopefully we should see some good results in the coming quarters that can compensate for the drawdown seen in the last two years.

We have almost completely exited from the failed "turnaround theme" investments that we made in FY17-18 – It has been a bitter experience and I am sure the learnings from these would come in handy to us in our future stock selection. We continue to hold some investments where we feel the opportunity cost is in favour of holding than switching.

I believe, we are seeing light at the end of the tunnel. The apathy towards small/midcaps have ended and recognition for value in the broader markets is increasing. Merit in some of our investments are seeing appreciation from the investment community. This is likely to gain momentum, after all, most of our investments are in market leaders in their respective segments and are being overlooked for temporary reasons.

As you know, the last two years have been really tough for us. Once again, I thank you for your patience and trust during these extraordinary times. Also, special thanks to those of you who responded to my suggestion in the last letter to add capital and used the post-covid opportunity very well. While nobody can time the market, investing in times of distress has always been rewarding in our experience.

Good times would be back soon.

Take care and stay safe.

Porinju Veliyath
Portfolio Manager