

September 14<sup>th</sup>, 2018

**Dear Investors,**

**Lopsided market trend!**

The Indian benchmark Indices over the past one year has delivered a lopsided performance; with only handful of stocks performing. Only 7 of the BSE 30 stocks and 17 of Nifty-50 stocks have outperformed in the past one year. Three stocks namely Reliance, Infosys and TCS have contributed 50% of the performance in the benchmark in the past 12 months. Also, most of the other indices representing mid and small cap stocks have significantly underperformed. Breadth in mid and small indices too has been extremely narrow.

| <b><u>Abs. Perf.</u></b> | <b><u>2018 YTD</u></b> |
|--------------------------|------------------------|
| Nifty                    | 8.2%                   |
| Sensex                   | 10.7%                  |
| BSE Midcap               | -10.3%                 |
| BSE Smallcap             | -14.5%                 |

This phase has been particularly challenging for the kind of stocks that we tend to build portfolios from; as they seem optically far worse in comparison to the headline indices. However, we encourage investors to see the current under performance in the light of the strong out performance in previous few years. As we have learnt over years “everything is cyclical” including portfolio performance.

| <b><u>Abs Perf.</u></b> | <b><u>2013-17 (5yrs)</u></b> |
|-------------------------|------------------------------|
| EQ PMS                  | 541.8%                       |
| Nifty                   | 78.3%                        |
| Sensex                  | 75.3%                        |
| BSE Midcap              | 150.6%                       |
| BSE Smallcap            | 160.6%                       |

**We believe in sticking to our knitting!**

When we started our journey back in 2003 we were driven by the passion for “Value Investing”. And as a tactic we chose to focus on seeking value primarily in companies that didn’t comprise the Top 200 companies. Back then we saw hardly anyone focusing in this segment and hence decided to cut our teeth operating in that portion of the market. The journey has been rewarding and we believe our long & focused experience gives us an edge going forward too. We put little energy in figuring out next market swing or for that matter swing in any macro parameters. Our complete energy and focus are on seeking value opportunities by looking at businesses in the chosen area of the market place.

## **Going forward**

We thank all our investors for entrusting faith in our team. Our team is passionately driven to create wealth through focused bottom up stock picking. When “price” goes down we tend to revisit our initial hypothesis of “value”. In case we find our original hypothesis altered for some reason; we may initiate some portfolio changes. But in cases where our original thesis stands; we are not bothered by short term decline in prices. In case lower prices persist, we are encouraged to buy more. We view continued volatility in the market in the back drop of a “young India” with progressive government reforms and low equity allocation in savings. These augur well for serious long-term investors.

Best regards,

Porinju Veliyath  
Portfolio Manager

**"It is the long-term investor, who will in practice come in for the most criticism. For it is the essence of his behaviour that he should be eccentric, unconventional, and rash in the eyes of average opinion"**

**~ John Maynard Keynes**