6th October 2021

Dear Investors,

Here is what we said in our previous letter:

> ***Value orientation is in our head and heart – Absolute Indices do not distract us from seeking value:*** *Markets have continued to be robust, and our sense is that the bullishness is not subsiding soon.*

Though Indices don't bother us much as we say, the recent rally from Covid-19 low of last year has made common men on streets paranoid. Hence, let us get the Indices returns in historical perspective for all of you and build the right context to evaluate future possibilities.

To our mind, this is a mere catch up towards long term trend…. Markets are non-linear in nature and to make sense of them, it is necessary to get the big picture perspective right. If we see decadal returns of BSE-Sensex from Jan 1980 in rolling ten years; we have following historical performance.

Date	Decade	Sensex	CAGR% for Decade
Jan-80		123	
Dec-89	1	1048	**20.30%**
Dec-99	2	3972	**20.40%**
Dec-09	3	20509	**13.30%**
Dec-19	4	47751	**8.97%**

Current rally is barely a catch-up rally from the perspective of decadal returns of close to 20% that we have seen in the past. Decade post 2008 had been very tepid and we see the current rally as a mere catching up of long-term trends.

Also, analysis shows that Sensex has been up *600 times in over 40 years* but investors who would have missed top 5% trading performance days would not have gotten anywhere near those returns. **Lesson is to remain invested in the markets over extended periods and focus on long term trajectory of returns.** Any attempt to base entry and exit on preceding few quarters or years' performance generally eats into long term compounding. Shallow sceptics focusing on some absolute levels like 10,000 or 20,000 or 40,000 Sensex levels have generally failed to compound wealth.

Broad Business environment dramatically better compared to last decades…. last few years, we have seen the implementation of a bankruptcy code, the implementation of GST creating one national market, the liberalisation of agriculture markets, the formalisation of the real-estate

sector through RERA, the reorganisation of the Indian Railways, historic reforms in Defence procurement, massive push of several critical infrastructure projects, opening up FDI across industries, an unprecedented push to universalise sanitation and electrification, digitalisation in governance, market-driven universal health access programme, efficient use of digital technologies to implement direct benefit transfer & other social welfare programs and significant Production Linked Incentives (PLI) schemes to attract large investment.
Renewed Corporate India health… combined with above listed reforms, we note that corporate balance sheets have been cleaned up and we have never seen them so healthy in the past. Aggregate debt levels of listed companies have sharply come down and a fresh investment cycle has just begun, in our view.

Export & Domestic demand drivers very encouraging… Several fresh initiatives (such as PLI schemes) combined with global supply chain disruptions; export opportunities for Indian businesses are extremely encouraging. Consumer spending in India continues to be very robust & Government spending is now poised to recover in many sectors.

All these are extremely bullish drivers for corporate earnings.

Investors prudent enough to put right historical context to the recent rally (as we discussed) along with very conducive corporate earnings outlook; will conclude that **coming several years would be very rewarding to Investors' betting on Indian businesses. "Stay invested"** is a loud and clear message.

We are very much assured by our current portfolio in terms of margin of safety and quality of returns expectations going forward. EQ PMS continues to outperform Nifty post the pandemic sell-off seen in March 2020. EQ PMS was up 32.49% on average in 1H22 vs 19.93% in Nifty. In FY21 EQ PMS was up 152.9% vs 70.87% in Nifty. Still long way to go, some accounts - those who joined us in 2016-18 continues to lag and we have lot of ground to cover there, albeit we are on the right track.

Here too, we want you to look at the long-term trends and not get swayed by inevitable yearly ups and downs. **Investors who have kept faith with us since our inception have seen Rs 1 lakh become Rs 35 lakhs compared to what would have been Rs 19 lakhs in Sensex.**

> *"The money that has been lost by ill-advised sales of stocks in the great and growing country probably many times exceeds the money lost by unwise purchases."*
>
> ***- Thomas Phelps***

Take care and be safe.

Porinju Veliyath