15th January 2025

Dear Investors,

Wish all of you a Happy New Year,

***"People who exit the stock market to avoid a decline are odds-on favourites to miss the next rally." – Peter Lynch, Legendary Investor***

**10 min vs 10 years!**

As we begin 2025, global investing community awaits Mr. Trump to take charge as new US president. "Vibe" around his second presidency is quite dramatic and several neutral observers feel – "He means business this time…" and that he can be disruptive to global economic and political order. This is making investors cautious.

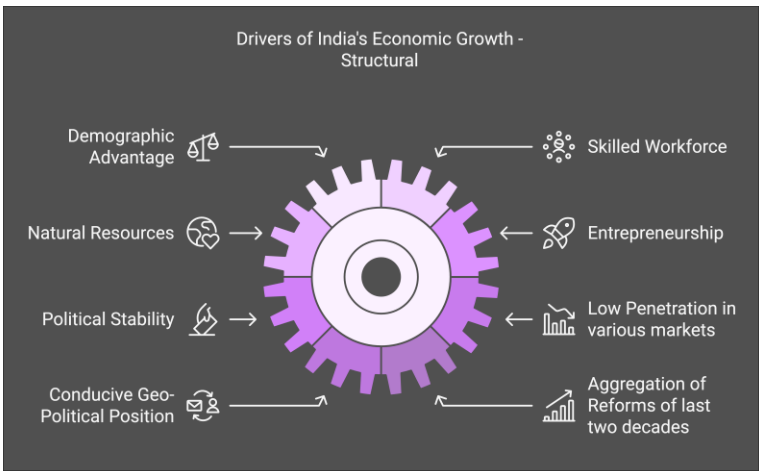
As we have reiterated in our previous letters, macro trends are non-linear and hard to call, especially the second and third order effects. Given the domestically charged composition of Indian economy, which is high on local consumption, low current account deficits, vastly improved relations with the US, possible lower oil price as per clear intent of Mr. Trump and his clear focus to rationalise trade deficit with China; **India should not be at a disadvantage under the Trump administration. In fact, India could be one of biggest beneficiaries of evolving global order.**

Several markets are readjusting in short term in anticipation of changes that Trump brings. Indian equity and currency markets too have been in corrective phase since US election and since beginning of the year we have seen some sharp drawdowns. In times of market turbulence, we are reminded of Warren Buffett's sage advice: "Be fearful when others are greedy, and greedy when others are fearful." **Today's market decline presents not just challenges, but opportunities for the long-term disciplined investors.**

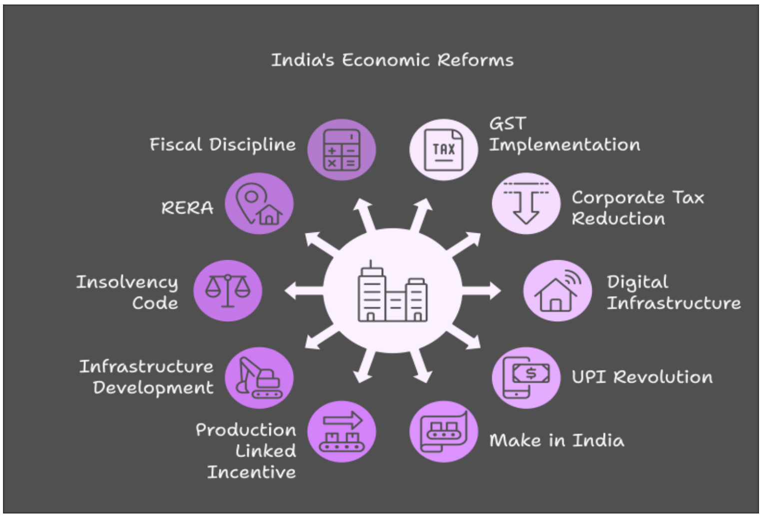
Let's put this moment in perspective. As Benjamin Graham, the father of value investing, taught us: **"The investor's chief problem – and even his worst enemy – is likely to be himself."** Market volatility often triggers our deepest emotional responses, leading us to make decisions based on fear rather than fundamentals.

**The stock market is a device for transferring money from the impatient to the patient. When emotions take over, investors are more concerned about next 10 min and lose focus on what can be achieved in next 10 years. It is hard but that's the key mantra for wealth creation. And long-term picture for India and Indian businesses are in fact getting better not worse.**

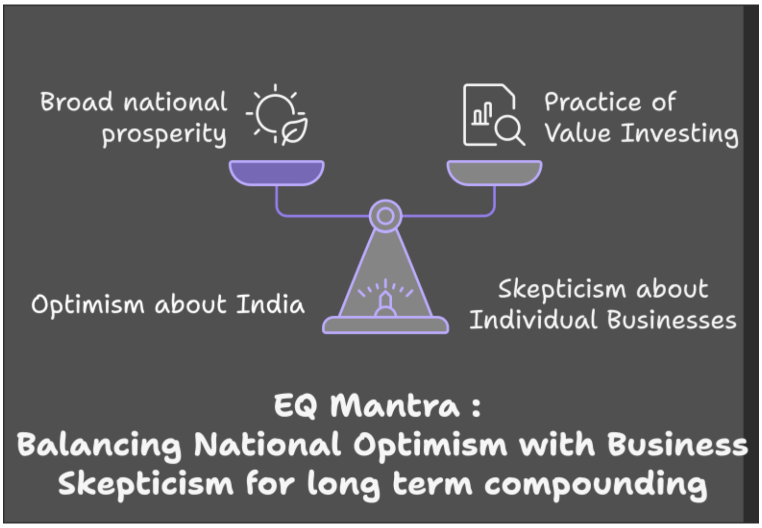
**Accept Macros. Do Micro.**




**We find conviction in long term drivers of Indian economy rather than fretting over immediate outlooks.** And long-term outlook is very encouraging. There are several structural engines that we find are at play for coming times and in general economy which has grown around 6% average in last 10 years, would continue to grow in 6%-8% range for several years ahead. India has undergone significant structural reforms between 2014-2024, transforming its economic landscape. We see accumulated benefits of them continue to vitalise businesses.




**We have broad attitude of "Optimism" about India as a country and its eventual economic destination of being a prosperous nation. However, we also hold a classic sceptical and rational attitude of a value investor in assessing prospects of individual companies.** Hence, we take broad macro views but specific micro calls. This has been the general mindset of most successful value investors across time and place. And so, for us the beginning of year is not about forecasting coming years GDP numbers but making a list of businesses our team would spend time understanding so that we can benefit when "Value" emerges with adequate "Margin of safety" for us to act.

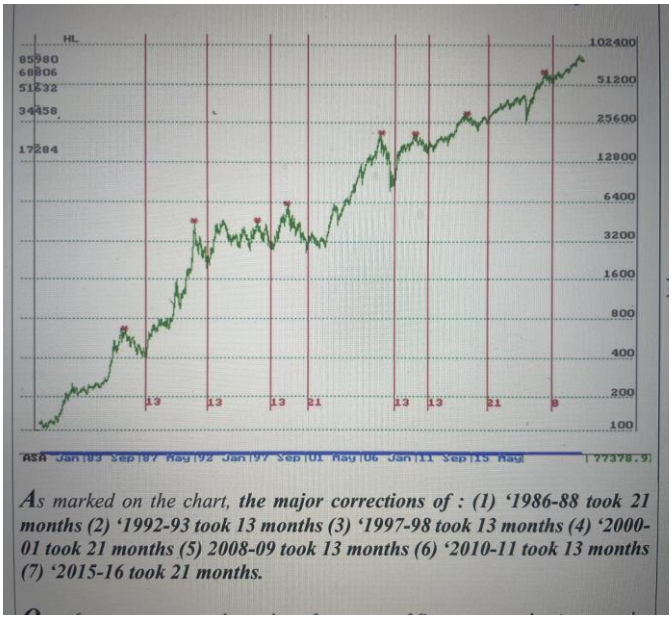



## Demystifying cycles

We think all serious investors need to internalise few points about market cycles.

- **First, if you're in the market, you must know there's going to be declines.**
    - *Think seasons coming and going. Springs are followed by Summer followed by Autum and Winter and vice versa*.
- **Second, it's futile to predict them.** People spend all this time trying to figure out When is the next fall?" And it's such a waste of time as no one knows or can claim to know.
    - *Think weather prediction. You may know it is monsoon but may not know if it rains tomorrow.*

- **Third, market corrections are mostly healthy.** They are healthy because it helps to weed out mistakes and to help markets move ahead more at aggregate level in future. Hence, they are often opportunity and not problems.
    - *Climate rhythms make planet survive and grow.*
- **Fourth, you can only prepare for declines but not predict. And preparing means not to take extreme positions.** Go all Cash. Go big on Leverage. Go single asset class etc.
    - *Just because summer has lasted long, don't throw away winter clothes. Balance attitude is wise.*
- **Fifth and most important, Cycles are additive!** Perhaps the most overlooked insight – each cycle adds up over time and **overall picture is "progress".** Look at following history of BSE Sensex since past 40 years. Red lines are large drawdown – 8 of them! Or see green graph through the ups and downs – compounding at 12-14% for 40 years!




*Source: ASA, Vivek Patil*

## Grow with Growing India

All reverses are great opportunity to climb on to the structural growth opportunity of Indian businesses.

Here is what we said in our previous letter:

*"Any market at any point in time would have potential compounding opportunities to invest long, offer some cyclical turnarounds or landmines which could evaporate our capital. Investors' responsibility is to keep looking for opportunities and keep away from landmines.* ***Ratio of opportunities to landmines may differ but both exist all the time.*** *We continue to find opportunities in current markets."*

**Any meaningful correction only should increase the ratio in favor of more opportunities and less landmines. It is wise to save and invest consistently in coming decade in India. More wealth will be created in future than what was done in the past. Best days for Indian businesses lie ahead! We partner with some of them at reasonable valuations and endure the cycles.**

Regards,

Porinju Veliyath