

Dear Investor,

Making use of a PMS within your overall equity portfolio

We thank the investors and distributors who have expressed happiness about the performance of our PMS in the last year. Some of you have suggested that you propose to redeem from “underperforming” portfolios and add to our PMS. We thought this was an appropriate time to share our thoughts on this subject.

1. There is no single best way to invest in the stock market. There are scores of ways, none more efficient than the others. The important thing for an investor is to choose a selection of a few products that are different from one another because *it is like different cuisines created to satisfy the hunger and the need for gourmet food*. Different investment styles are rewarded at different times. The important thing for any portfolio manager is to stick to the chosen style through a market cycle.
2. No portfolio manager can predict how much returns will be generated by his/her portfolio. By that same logic, no investor can predict which investment product would generate the highest return in the future. All that a portfolio manager or investor can do is to follow a disciplined and logical process, *because the movement of the stock prices is determined by a combination of economic, social, political, geopolitical, and natural factors, and also by how millions of market participants, each with different mandates and different time horizons, respond to each of the factors mentioned above. Attempting to predict these is an exercise in futility for a great majority of people. The sensible thing to do is to clearly define a logical investment process and then stick to it.*
3. A portfolio management service (PMS) is **NOT** a means to earn a superior return compared to other investment products like mutual funds. Anyone who tries to suggest to you a PMS product with that kind of claim, can safely be avoided, *because implicit behind the claim of superior performance are two things (a) a prediction about how that product will perform and (b) a prediction about how others will perform. Both are beyond the control of any portfolio manager.*
4. Buying into any investment product because it has given the highest return in the immediately preceding 12 month-period is probably the WORST reason to buy it, *because there is NO portfolio manager, anywhere in the world, who has consistently remained at the top.*
5. Of course, we will be happy when someone invests in our PMS. However, we really would be happier if investors choose our PMS for the more important reasons like the diversification it offers, and the strength of the businesses the portfolio represents. No portfolio manager remains at the top of the performance chart sustainably because *the reasons that took him/her to the top position will not remain for ever. A new set of circumstances would have a new No.1 portfolio manager.*
6. There will be times when our portfolio will underperform, and then there will be times when we will outperform again. *We are not superior when we outperform, nor are we inferior when we underperform.*
7. Oftentimes, we are asked about our outlook for the “market”. We do not wish to pass off an articulation of our wish list as a market prediction. *The job of a portfolio manager is to allocate capital efficiently – and given the circumstances, choose the best set of options available as per his or her judgement, and in sync with the template of the product being managed.*

8. The returns generated by a stock is inversely proportional to the level of excitement surrounding it at the time of purchase, *because a high level of excitement about a company or its stock indicates a high level of expectation, which means the chances of disappointment are higher.*
9. Too much time is wasted in trying to find out what the **OTHERS** are going to do. As investors, we would be much better off if we are confident about what **WE** are going to do, *because the assessment of risk, the willingness to wait, the tolerance of volatility, these are all highly subjective choices and decisions taken by an individual.*
10. Keeping costs low in an investment program is a non-glamorous but important way to increase longer term returns, *because returns are not just a function of how much we make, they are also a function of how less we lose, both in terms of capital losses and in terms of expenses.* Keeping acquisition costs as low as possible by not buying at exorbitant valuations, keeping taxation costs low by not buying and selling too often, and keeping portfolio costs low by not agreeing on very high levels of fees are ways to keep costs of investing low.

So, what are our suggestions?

We suggest that these points should be considered as key before you decide on a PMS:

- A clearly articulated investment strategy and process
- A process that leads to a qualitative diversification for you, compared to the other equity portfolios that you already hold
- No alarm bells when it comes to the companies in the portfolio
- Consistency of approach followed by the portfolio manager, especially during times when the portfolio has “underperformed.”
- Overall cost of ownership that is not higher than that of the industry’s average

We are confident that a “good” portfolio serves the investors’ interests better than a non-existent “best portfolio.” You would have observed that there have been so many claimants to the “best” position in the last decade or so, and more importantly, none has remained there for long.

The advantage of targeting to have good portfolios is that you can have several good products simultaneously. The disadvantage of aiming to own the “best” product is that you are stuck with one, and the best keeps changing every few months.

Happy Investing.

Warm regards

Yours sincerely,

E A Sundaram

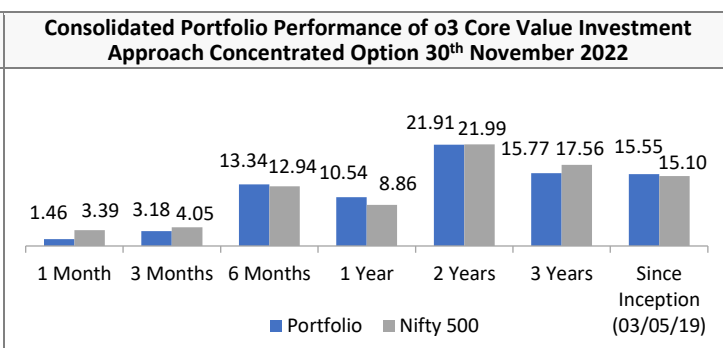
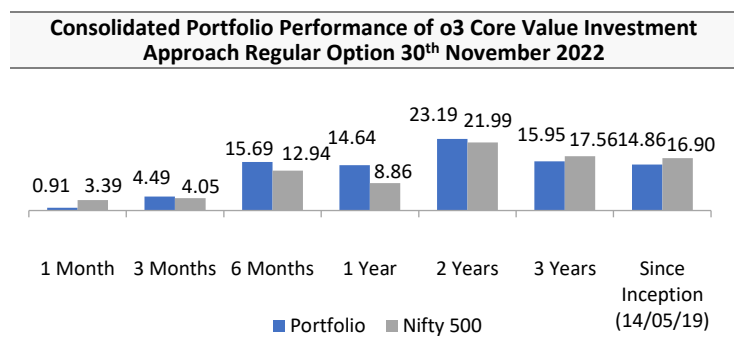
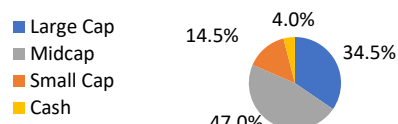
Chief Investment Officer and Portfolio Manager

“Investment returns are not a direct function of how long or hard you work or how much you wish to earn... An investor cannot decide to think harder or put in overtime in order to achieve a higher return. All that an investor can do is follow a consistently disciplined and rigorous approach; over time, the returns will come.” - Seth Klarman

Investment Objective: The investment objective is to achieve capital appreciation through investment in a diversified portfolio of high-quality companies, purchased at reasonable valuation.

o3 Core Value Investment Approach			Regular Model Portfolio Data	
Name	GICS Sector	Weight	Underweight	Overweight
ITC	Consumer Staples	6.65%		10.40%
HDFC Ltd	Financials	5.51%		8.85%
Indraprastha Gas Ltd	Utilities	5.47%		6.09%
Bosch Ltd	Consumer Discretionary	4.36%		3.12%
Asian Paints Ltd	Materials	4.23%		1.54%
Titan Company Ltd	Consumer Discretionary	4.09%		0.48%
Larsen & Toubro Ltd	Industrials	3.79%		
Sun Pharmaceutical	Health Care	3.64%		
Cummins India	Industrials	3.46%		
Honeywell Automation India Ltd	Information Technology	3.44%		
44.64%			Real Estate	(0.79%)
			Communication Services	(2.83%)
			Materials	(6.22%)
			Energy	(9.34%)
			Financials	(15.31%)

Performance Description	Regular	Concentrated	Nifty 500	Regular Model Portfolio Composition	
Largest Monthly Gain	12.51	11.41	14.52	Weighted Average ROCE	24.15%
Largest Monthly Loss	(20.53)	(19.19)	(24.25)	Portfolio PE (1 year forward PE, based on FY24)	28.87
Beta of Portfolio	0.76	0.74		Portfolio Dividend Yield	1.87%
Standard Deviation (Annualised)	16.88	16.46		Average Age of companies	54 Years
Correlation	0.93	0.92		Overlap with Nifty 500	17.64%
				Total Debt/Equity	0.37
				Debt/Equity (Excluding Financial Stocks)	0.10
				Sales Growth	19.72%
				EPS Growth (FY24 over FY22)	22.31%



- Benchmark is Nifty 500, the portfolio is spread across different market capitalization, hence Nifty 500 is chosen as benchmark
- Since inception date stated is considered to be the date on which the first active client investment was made under the investment approach
- Industry Classification as recommended by AMFI, all the above data are as of 30th November 2022

Disclaimer: Performance depicted is based on all the client portfolios existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing arithmetic average for the overall investment approach. Past performance is no guarantee of future returns. The above portfolio performance is after charging of expenses. The performance related information provided here is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. Beta, Standard Deviation & Correlation are from Since Inception period.

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