*We are all looking for the perfect opportunity, but oftentimes an opportunity is an opportunity because the conditions aren't perfect yet" -Ian Cassel*

Dear Investor,

It is highly likely that you have observed the following things:.

| Time period | Reactions | Nifty 50 Index valuations |
|---|---|---|
| March – April 2020 | Oh, the world is gripped by severe uncertainty. The pandemic will wipe out all of us. | 18.6 |
| January 2022 | Small cap has outperformed large cap. The future is small cap. Also, Bitcoin and Ethereum, after this correction, are great buys | 25.3 |
| June 2022 | FPIs are constantly selling. Inflation is high, RBI is raising rates again. Crude is ruling high. Stocks are dangerous now. Wait and watch. Buy when there is less uncertainty | 18.9 |

This newsletter is partly in response to those who are "waiting for things to clear up" before buying stocks again. My submissions are the following points:

(1) It is perfectly OK to have the need to be confident and comfortable before committing your hard-earned money to buy stocks. At the same time, the buyer's comfort should not be guided only by the general opinion of the others in the market but also by an assessment of how competitive the concerned company continues to be, and the valuation level of its stock. In all other forms of economic activity, buying at a lower price is considered prudent. There is no reason why stock purchases should be any different.

(2) If we are happy buying anything else when its price is less than what it was before, logically we should be happy when the price of a strong company falls and becomes cheaper than before. The ONLY reason stocks are treated differently is that in most of the other purchases, the purchases and their utility is understood. In many cases, stocks are purchased simply because someone else recommended the purchase.

(3) The future is NEVER certain. Only the confidence level of several participants changes depending upon the state of the stock prices.

(4) We agree that FPIs have been selling stocks continuously for the last several months. Between January and June 2022, the net equity sales of FPIs in India has been Rs.217000 crores (approximately US$ 28 billion). Just to put things in perspective, the value of FPI holdings in October 2021 was estimated to be more than US $ 680 billion. Even accounting for a 15% fall in India's stock market, it is reasonable to assume that the holding now of FPIs in India would be more than US $ 550 billion.

(5) There are data that provide both positive and negative news. On the negative side, there is data about crude rising, Central Banks tightening the screws on interest rates. The 10-year Government of India Bond yield is hovering around 7.4, after touching 7.6 in June. At the same time, tax collections have been robust, corporate profitability as proportion of GDP is at its highest level in 11 years.

(6) Earnings of certain sectors continue to be depressed, like materials, cement, and healthcare. However, we are seeing good traction in sectors like auto, consumer discretionary, Real estate and capital goods.

(7) While discussing the stock market, there is a tendency to focus too much on the Index. We have repeatedly made this point – the Index is not a monolithic entity, and there are individual stocks and/or sectors that move in a different trajectory compared to that of the Index. For instance, the Index had a peak in late 2007/early 2008 and reached that level again only in 2014. However, while some sectors like infrastructure, real estate and power did quite badly during this period, others like autos, healthcare and consumer products did quite well.

(8) The Core Value portfolio's premise is that we buy strong businesses when they are not very popular, and this provides the investor with an opportunity to diversify beyond the index. We buy when stocks are not too popular, and the index consists essentially of popular names, and therefore the trajectory of returns will be different in the short term. We believe that if there is no change in the competitive position of the companies purchased, but when a subdued market brings down the prices, it is an opportunity to increase the holdings in the same stocks.

Dear Investor, all that we are suggesting is that there is never going to be perfect visibility about what is going to happen in future. While it is normal for us to seek more data and information that would help us in making better decisions, the fact also is that investing is about making decisions with incomplete information. If the three or four principal factors are in our favour (like quality of business, people running the company, price at which it is available, and assessment of the continued competitiveness of the company), we must make an investment decision with the available information.

When we choose a strong business at a not-so-exorbitant price, the odds are in our favour.

Warm regards

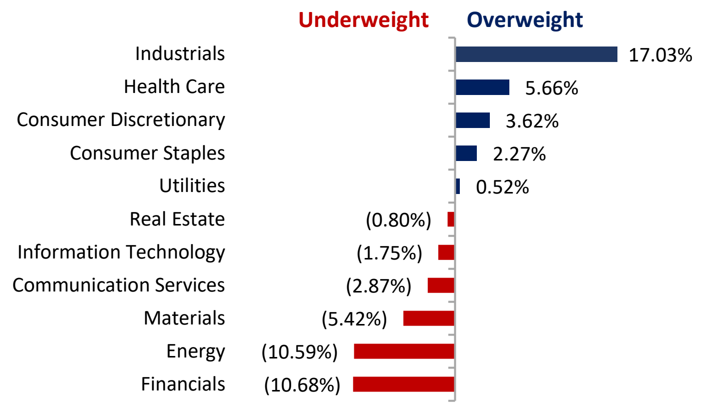
Yours sincerely,

**E A Sundaram**
Chief Investment Officer and Portfolio Manager.

*"Investors frequently benefit from making decisions with less than perfect knowledge and are well rewarded for bearing the risk of uncertainty. The time other investors spend delving into the last unanswered detail may cost them the chance to buy into situations at prices so low they offer a margin of safety despite the incomplete information"* *-Seth Klarman*

| Top 10 Holding of o3 Core Value Investment Approach - Regular Option as on 30th June 2022 | | |
|---|---|---|
| **Name** | **GICS Sector** | **Weight** |
| ITC | Consumer Staples | 6.95% |
| HDFC Ltd | Financials | 5.16% |
| Bosch Ltd | Consumer Discretionary | 4.82% |
| Cummins India | Industrials | 4.50% |
| Blue Dart Express Ltd | Industrials | 4.36% |
| Indraprastha Gas Ltd | Utilities | 4.29% |
| Asian Paints Ltd | Materials | 4.16% |
| Sanofi India | Health Care | 4.04% |
| Thermax Ltd | Industrials | 3.86% |
| HDFC Bank | Financials | 3.65% |
| | | **45.79%** |

**Overweight / Underweight of Regular Model Portfolio Compared to Nifty 500 as on 30th June 2022**




**Investment Objective:** The investment objective is to achieves capital appreciation through investment in a diversified portfolio of strong businesses, purchased at reasonable valuation.

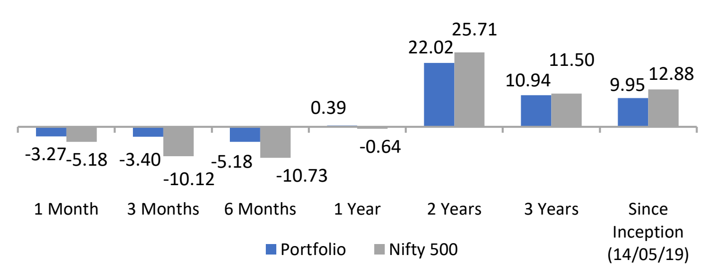
| Regular Model Portfolio Details as on 30th June 2022 | | Regular Model Portfolio Composition as on 30th June 2022 | |
|---|---|---|---|
| Weighted Average ROCE | 21.08% | Large Cap | 47.00% |
| Portfolio PE (1 year forward PE, based on FY24) | 24.47 | Midcap | 40.00% |
| Portfolio Dividend Yield | 1.90% | Small Cap | 10.00% |
| Average Age of companies | 60 Years | Cash | 3.00% |

- Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on *30th June 2022*
- Midcap: Market cap below 100th company to the market cap of the 250th company in the Nifty 500 (sorted by market cap in descending order) as on *30th June 2022*
- Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on *30th June 2022*

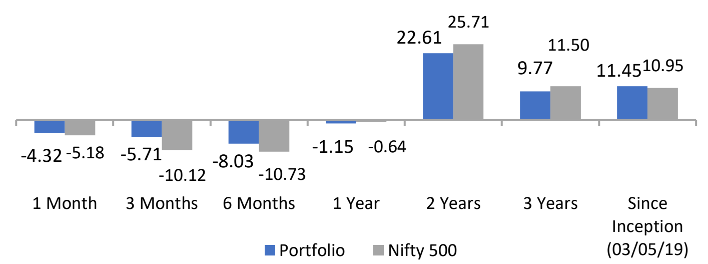
| Regular Model Portfolio Composition as on 30th June 2022 | | | |
|---|---|---|---|
| Model Portfolio Overlap with Nifty 500 | 24.63% | Model Portfolio Overlap with Nifty 50 | 28.99% |

| Ratio | Regular Option | Concentrated Option | Nifty 500 |
|---|---|---|---|
| Maximum Drawdown (1 Year as on 30th June 2022, downloaded from Bloomberg) | (15.26) | (16.42) | (17.77) |

**Consolidated Portfolio Performance of o3 Core Value Investment Approach Regular Option 30th June 2022**




**Consolidated Portfolio Performance of o3 Core Value Investment Approach Concentrated Option 30th June 2022**




- 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

**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(Custody Fee adjustment is pending, the performance may change to it for some basis points). *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.*