EAS Invest o3

o3capital

The futile pursuit of the "best"

Dear Investor,

In this edition of the newsletter, we would like to continue from where we left off in the previous month's newsletter. In the previous newsletter, we had articulated our view about what exactly "value investing" should mean to a client, and that value investing is a means for achieving a qualitative diversification from the mainstream investment products. We had also concluded that it is neither superior, nor inferior, to other methods of equity investment, and that it is in the investor's interest to have a few sound investment products that are different from each other, so that one may achieve optimum diversification.

We had acknowledged that this style (followed by us) is one of the many options available to you and had shared data with you about how different styles of investing perform differently at different points of time. The "best" we said, was strictly a temporary phenomenon. Being disciplined and consistent to one's style and template is what matters.

The question still may remain in your mind about whether "value investing" works at all. Periodically (especially during a sustained favorable market run), these questions keep getting raised.

The two essential ingredients of what we call "value investing" are (a) choices being restricted to highly competitive companies with a good history and superior quality management and (b) purchasing stocks of such companies when they are not exorbitantly expensive.

A stock of a good company is available at a reasonable price **ONLY** when it is not caught up in a bullish hype, or in other words, when most market participants do not expect the stock to rise within the immediately near future. We are happy to buy under such conditions, if and only if we are satisfied that the company behind the stock is of superior quality and can expected to remain competitive for the next many years.

After we purchase the share when it is not exceedingly popular, we wait patiently till it turns very popular before we sell it.

As mentioned earlier, this method is neither superior, nor inferior to the other methods of investment. It is just that this method strikes us as very logical and is coordinated with our philosophy of not paying an extremely high price for any share. The only different aspect in this method is that the time horizon involved may be longer. This style therefore is suitable for any investor who has an investment time horizon of three years or longer.

It is important to recognize that one of the main causes of serious destruction of wealth is to try and be "the best investor" at all points of time. Since the "best" is usually defined as someone who has achieved the highest return in the preceding 12 months, the desire to be no.1 sadly overpowers the need to be mindful of the risks involved in investing. We have seen this repeatedly in different market cycles, and we refuse to fall for this trap. We are convinced that being a "good investor" consistently is a wonderful way to be of service to the client. The good is not the enemy of the best.

Let us take examples from our own portfolio.

Data about our past purchases in the portfolio (does not include data on stocks where we have totally exited)

Company	Avg purchase price	Price (29/10/2021)	% growth	Initial purchase
Asian Paints	2,124	3,108	46.3%	Mar-20
Blue Dart Express	2,388	6,662	179.0%	Dec-19
Bosch	13,238	16,942	28.0%	May-19
CAMS	1,975	3,004	52.1%	Feb-21
Container Corporation	435	657	51.0%	Apr-19
CRISIL	1,636	2,782	70.0%	Oct-19
Cummins India	502	896	78.5%	Apr-19
Housing Development Finance Corp	2,602	2,841	9.2%	Jul-21
Indraprastha Gas	432	475	10.0%	Jun-19
ITC	202	223	10.4%	Apr-19
Larsen & Toubro	1,483	1,776	19.8%	Feb-21
Oracle Financial Services Software	2,891	4,405	52.4%	Apr-19
State Bank of India	243	502	106.6%	Apr-19
Sun Pharmaceuticals	474	796	67.9%	Mar-20
Titan	1,023	2,390	133.6%	Mar-20

As you can observe from the table above, some stocks have done very well indeed, some have done well, and some have underperformed. Some are old holdings, and some are recent entrants. This is the same case with **any** portfolio, value or otherwise. And over a reasonably long-time horizon of over a year or so, our portfolio's performance is not significantly different from what one would expect from any decent investment product.

We have tried to control the factors that are within our control. All the companies chosen are strong competitors, have a decent governance track record, and were purchased when their prices were not exorbitantly expensive. By not trying to be the "best" at all points of time, we avoid the risks usually associated with that endeavour.

We see merit in following this style in a disciplined manner. If we do this, the clients get exactly what they signed up for. Secondly, the client also gets a portfolio that is a natural diversification to their other investment products (given the fact that our portfolio's overlap with mainstream investment products is only about 15%).

We would like to wish you and your family a Happy Diwali and New Year. We pray that the coming year provides good health and safety for all.

With Warm Regards,

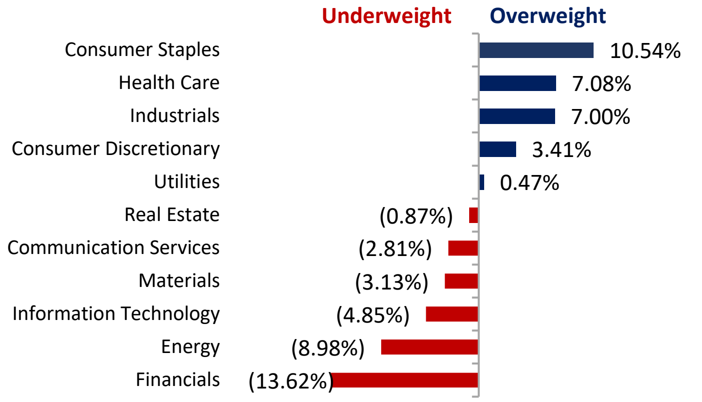
Yours sincerely,

(E A Sundaram)
Chief Investment Officer and Portfolio Manager

Top 10 Holding of o3 Core Value Investment Approach - Regular Option as on 31st October 2021

Name	GICS Sector	Weight
ITC	Consumer Staples	6.84%
Oracle Financial Services Software	Information Tech	5.44%
Sanofi India	Health Care	5.07%
Asian Paints Ltd	Materials	4.46%
HDFC Ltd	Financials	4.36%
Indraprastha Gas Ltd	Utilities	4.11%
Colgate-Palmolive (India)	Consumer Staples	3.93%
Bosch Ltd	Consumer Discretionary	3.86%
Larsen & Toubro Ltd	Industrials	3.71%
HDFC Bank	Financials	3.65%
		45.43%

Overweight / Underweight of Regular Model Portfolio Compared to Nifty 500 as on 31st October 2021



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

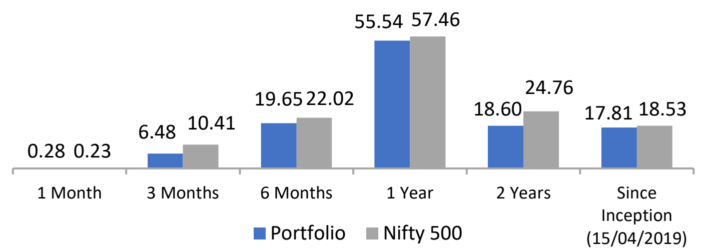
Regular Model Portfolio Details as on 31st Oct 2021		Regular Model Portfolio Composition as on 31st Oct 2021	
Weighted Average ROCE	26.79%	Large Cap	37.50%
Portfolio PE (1 year forward PE, Based on FY23)	27.87	Midcap	35.75%
Portfolio Dividend Yield	1.85%	Small Cap	21.00%
Average Age of companies	62 Years	Cash	5.75%

- Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order)*
- 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)*
- Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order)*

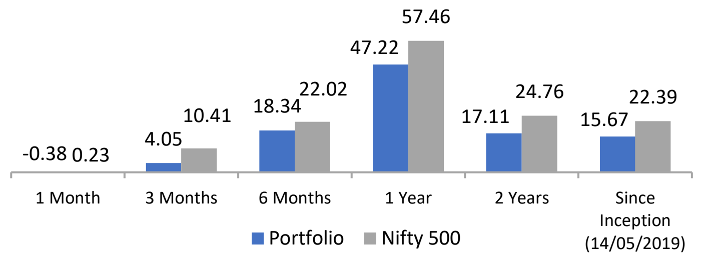
**As on last working day i.e. 29th October 2021*

Regular Model Portfolio Composition as on 31st October 2021			
Model Portfolio Overlap with Nifty 500	16.58%	Model Portfolio Overlap with Nifty 50	19.11%

Consolidated Portfolio Performance of o3 Core Value Investment Approach Concentrated Option 31st October 2021



Consolidated Portfolio Performance of o3 Core Value Investment Approach Regular Option 31st October 2021



- 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 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 strategy. 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.*

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