

$\alpha$  Seeking Alpha  $\alpha$

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# Investment Team

## **Ashwin Agarwal, CFA**

### **Portfolio manager**

- ✓ Seven years of experience in equity research & Portfolio Management.
- ✓ Expertise in finding Multi-Baggers.
- ✓ Education:

CFA (Chartered Financial Analyst).

Masters in Finance from Bentley University, USA

Bachelors in Economics from Indiana University, USA.

## **Sangeet Lakkar, CFA, ACA, ACS**

### **Executive Director**

- ✓ 10 years of experience in diverse field allied to finance.
- ✓ Education:

CFA (Chartered Financial Analyst).

Qualified all India rank holder Chartered Accountant, Company Secretary

## **Suraj Saraogi, CTE, LLB, DBA**

### **Director and Promoter**

- ✓ More than 20 years of experience in Capital markets.
- ✓ Responsible for monitoring over all business & Drive business and client relationship.

## **Senthil Manikandan. K**

### **Research Analyst**

- ✓ Two years of experience in equity research.
- ✓ Education:

CFA Level II Candidate.

Post graduate in securities from NISM.

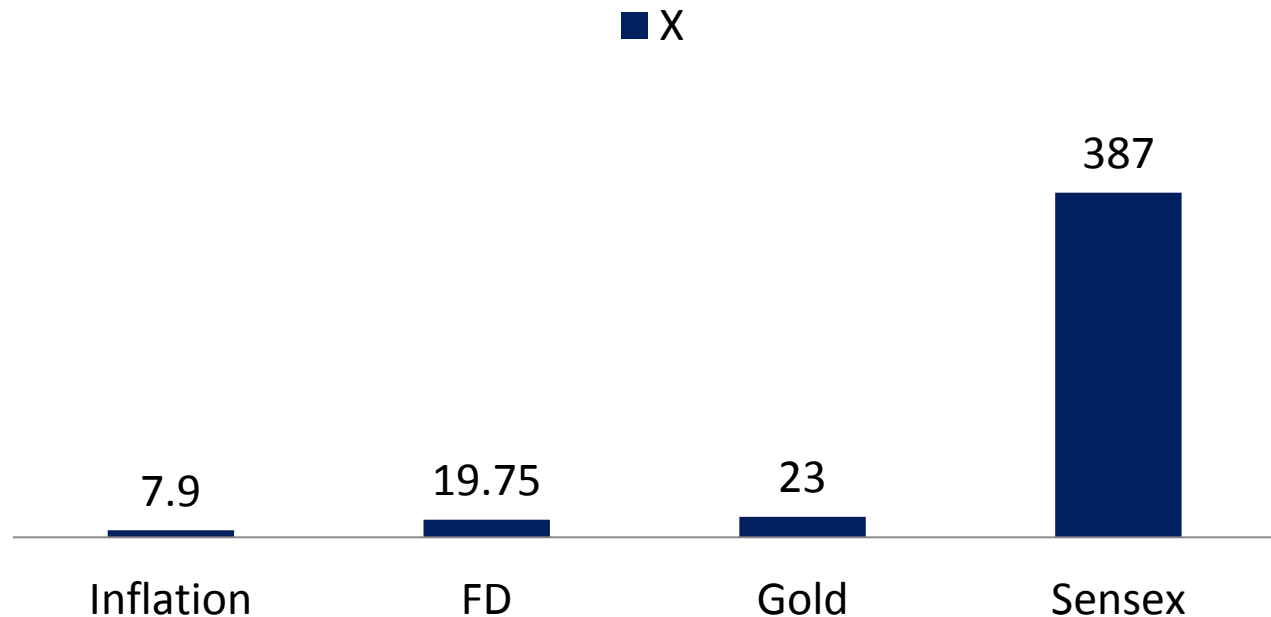
Bachelor of Engineering from College of Engineering, Guindy, Anna University

# Various asset class returns since 1980

- Since 1980, compounded annual return given by major investment avenues is as follows:

Asset	CAGR since 1980
FD	8.4%
Gold	10.2%
Sensex	18%
Inflation	7.20%

## Comparative Returns – 1980 to 2016

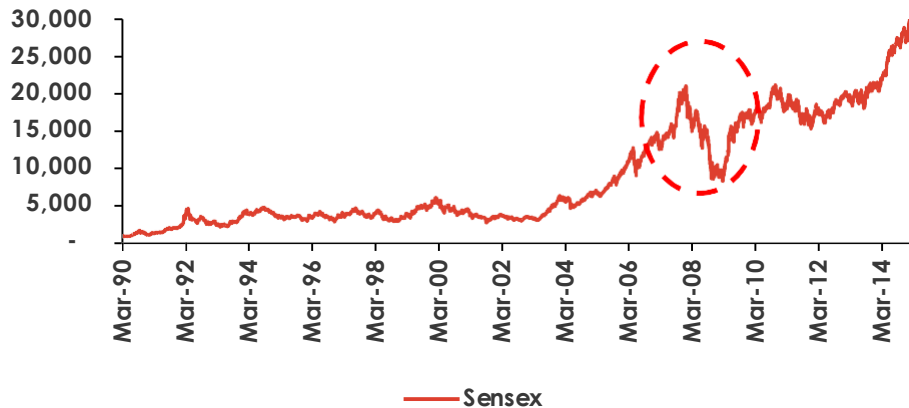


# Rolling Returns

Date	Sensex	1 Year	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years
03-May-02	3381							
02-May-03	2967	-12.25						
03-May-04	5585	88.26						
03-May-05	6217	11.31	22.52					
03-May-06	12311	98.02	60.7					
03-May-07	14078	14.36	36.09	33.02				
02-May-08	17600	25.02	41.47	42.77				
29-Apr-09	11403	-35.21	-2.52	15.35	18.97			
03-May-10	17386	52.47	7.29	22.84	28.74			
03-May-11	18535	6.61	1.74	8.53	18.69			
03-May-12	17151	-7.46	14.57	4.03	15.6	17.63		
03-May-13	19576	14.14	4.03	2.15	6.85	20.77		
02-May-14	22404	14.45	6.52	14.46	6.86	14.9	17.07	
30-Apr-15	27011	20.57	16.35	9.21	6.31	15.82	20.21	
03-May-16	25230	-6.6	8.83	6.36	12.01	7.44	13.39	
03-May-17	29895	18.49	10.09	11.75	8.05	7.82	13.98	15.64
Negative Return Observations		4	1	0	0	0	0	0
Loss Probability		27%	8%	NIL	NIL	NIL	NIL	NIL
Average Return (%)		20	18	15	14	14	16	16
Minimum Return (%)		-35.2	-2.5	2	6	7	13	16

# ...But it's not going to be a smooth ride

- Since Sensex was started there have been manias and panics which drove the market to highs and lows.
- This volatility is due to fluctuations in the business cycle and investor psychology.
- We don't see this volatility as risk, we see it as an opportunity.
- Risk according to us is permanent destruction of capital.



Source: Bloomberg

There are two concepts we can hold to with confidence:

Rule No. 1: Most things will prove to be cyclical.

Rule No. 2: Some of the greatest opportunities for gain and loss come when other people forget Rule No. 1

- Howard Marks

# The Need for Professional Management

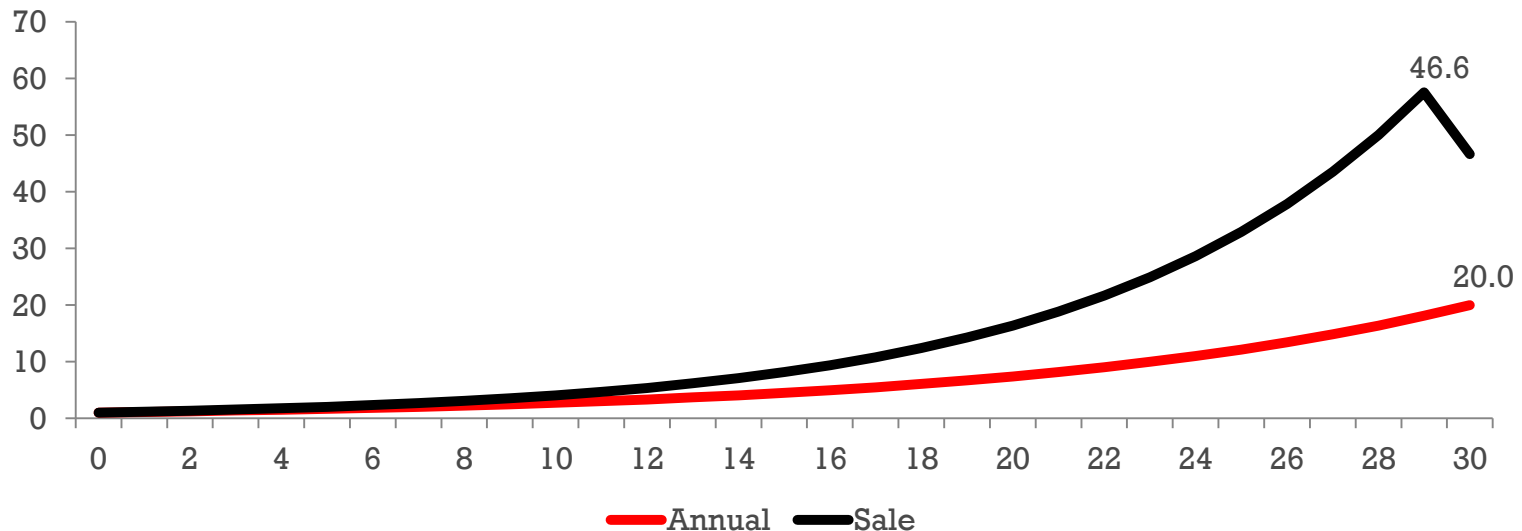
- Reducing or Eliminating risk.
- Finding Growth opportunities before the rest of the market.
- Investing in a manner that minimizes trading costs and taxes.
- Constant Monitoring of the portfolio.

**“There are huge advantages for an individual to get into position where you make a few great investments and just sit back. You’re paying less to brokers. You’re listening to less nonsense. If it works, the governmental tax system gives you an extra one, two, or three percentage points per annum with compound effects”**

**- Charlie Munger**

# Effect of Taxes on your Returns

- Frequency of tax payments has a higher effect on returns than the tax rate.
- Investments that are taxed once are way better than investments that require annual payments.
- Equities are tax free if held for a period of more than One year.
- The chart below shows the difference between the two tax structures. In both cases we assume that INR 1 is invested for a period of 30 years @ 15% and taxed @ 30%.

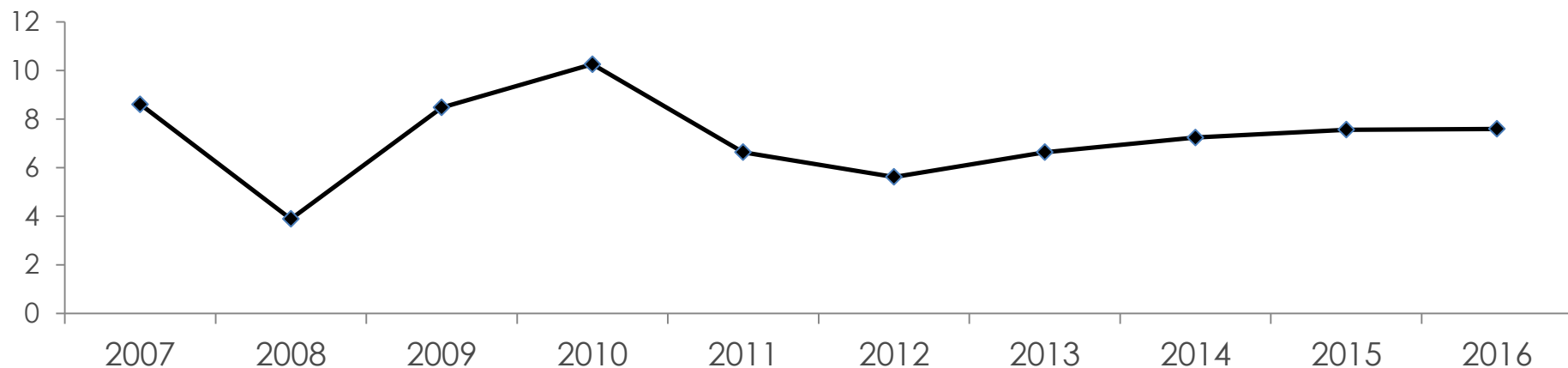




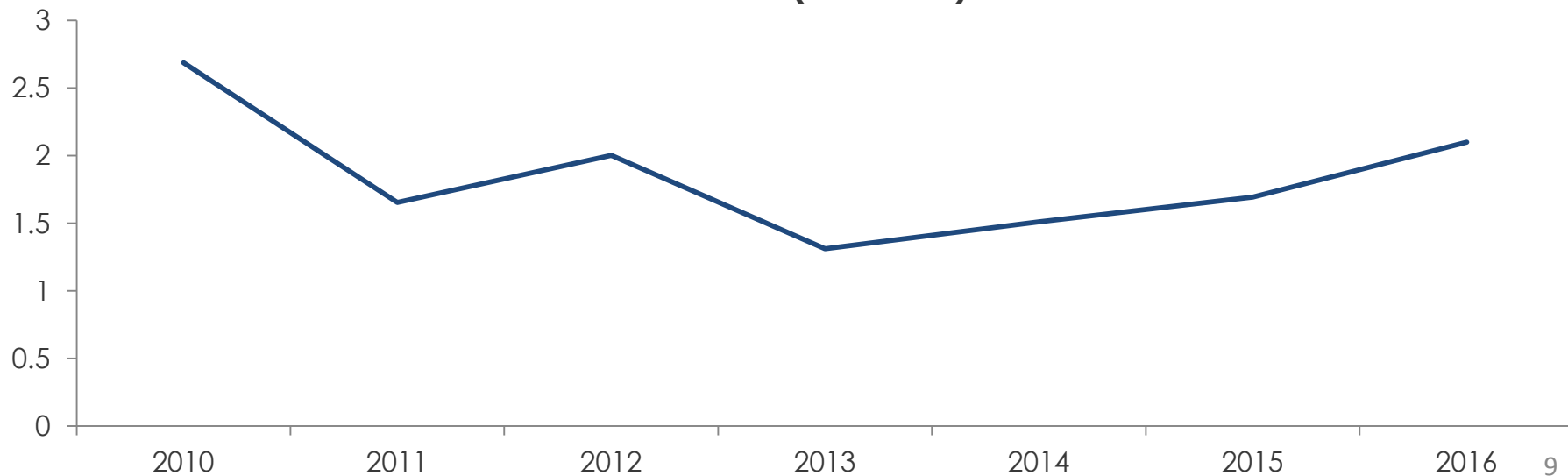
# Indian Economy is Better Positioned

## Transformation in Progress:

Fast and steady rate of growth (Projected to grow at 7.6% in FY18 – World Bank)



### FDI Inflow (% of GDP)



# Demographic Advantage:

- Throughout history, demographics have remained the best predictor of growth in an economy.

**700,000,000**

Rural consumers



Shampoo, toothpaste  
Some electronic products  
Food and beverages

Equivalent to almost half  
the size of the Chinese  
population (1.3 billion  
people)

**500,000,000**

Young consumers



Two-wheelers  
Mobile phones  
Apparel and accessories

Larger than  
the combined  
populations of Brazil,  
Russia, Germany and the  
UK (484 million)



**350,000,000**

Middle-class consumers



Apparel  
Consumer electronics  
Personal care



More than the size  
of the US population  
(315.5 million)

**126,700\***

US\$ millionaires



Luxury cars  
Luxury products  
Homes and apartments

- 20% of the world's working age population will live in India by 2025.

# Portfolio Strategy

## - *Seeking Alpha*

# Understanding Alpha

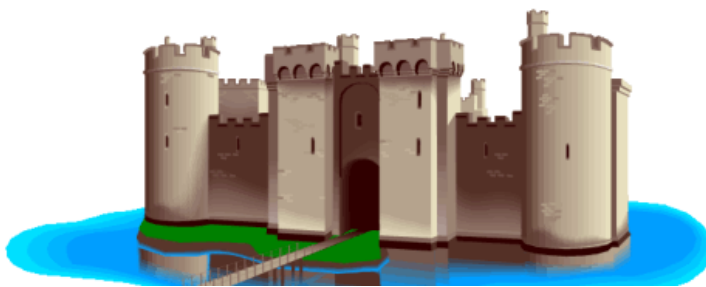
- Alpha means earning superior risk-adjusted returns, i.e. generating high returns without taking high risks.
- Generating Alpha:
  - ☐ Patience
  - ☐ Superior Analysis
  - ☐ Rational thinking
  - ☐ Avoiding Herd Mentality
  - ☐ Mastering emotions
- “In the short run, the market is a voting machine but in the long run, it is a weighing machine.” – Benjamin Graham

# Wealth Creators

Are businesses which exhibit/has:

- Market leadership in core products or services offered.
- Management with integrity, proven history of efficient capital allocation and investor friendly.
- High returns on Capital.
- Ability to sustain pricing power via strong brand/process
- Have deep MOAT

**Castle** = A highly attractive business built upon a winning strategy and strategic brand  
**Moat** = Barriers to competitor imitation and entry



Most of the time, great businesses are not great investments as they trade at high valuations. We prefer to wait at these times.

**“You do things when the opportunities come along. I’ve had periods in my life when I’ve had a bundle of ideas come along, and I’ve had long dry spells. If I get an idea next week, I’ll do something. If not, I won’t do a damn thing.”**

**– Warren Buffett**

# Wealth Destroyers

Businesses which are/have

- Cyclical
- No pricing power
- Negative cash flow
- Low returns on capital
- Lacks scalability
- Highly leveraged
- No business MOAT
- Volatile margin




# New Berry Capital “Seeking Alpha”

## Defining characteristics:

- ❑ Quality Bias
- ❑ Focused
- ❑ Multi-Cap
- ❑ Risk Management
- ❑ Reference Index: BSE200

- ❑ **Our Fees will be based on performance only.**
- ❑ Mutual Funds charge fixed fees and are judged by short term performance.
- ❑ They are also constrained by social proof and subject to various restrictions on investing activities.
- ❑ We believe that the out-performance comes from taking decisions which have to be contrary and also right.
- ❑ Our objective is to outperform the market significantly over the long term.

# Salient Features

- No fixed fees or management fees.
- Fees will be based on performance only. We will charge 20% of the returns generated as fees.
- Fund accountant & Custodian:  **AXIS BANK**
- High water mark principle is applicable as per SEBI regulations.
- Minimum investment should be 25 Lakhs.
- Brokerage to be charged at the rate of 0.1%.
- Dividends and interest will be reinvested.
- Transaction, holding and corporate action reports.
- *Investors will get personal online access to check their holdings.*



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