

September Quarter' 2018**Adviser Clientele Communique**

Dear Sir / Madam,

We acknowledge your commitment with us in what many are calling the worst bear market in recent history. While our only objective is as clear as always viz.~ To earn an optimal amount of return for every unit of risk taken.

Unlike most mutual funds who offered and promised supreme returns last year, our portfolio has managed to remain on the green. We may be hurt on a profits year on year basis but our conviction on our holdings have never been stronger.

Our portfolio has the same companies with higher reinvestments in the same companies. While many may view this as monotony, we strongly believe it's already hard enough to find great businesses to invest in. Having already found great ideas we have decided to continue adding on to them. We have maintained our stance on staying away from the finance, aviation and shipping industries and added recently Public Sector Undertakings to the same list. As you may notice the portfolio is heavily skewed towards the automobiles and auto component industry. Another heavy chunk has been invested in arbitrage strategies. Luckily, we ever able to cash in on the buybacks of TCS, HCL TECH earlier than the stipulated time owing to the falling rupee. While, most of our companies have taken a hit due to the massive sell off attributable to the finance sector we don't see any cause of worry across our portfolio companies. While being heavily exposed to the auto industry, we do not believe our holdings will be impacted by the rising crude and the depreciating Rupee any more than it already has been. Our portfolio consists of stocks which are not exactly cyclical in nature. We are in a time when automobiles are no longer looked at as a luxury, rather more of a necessity. India has a low penetration in the auto industry with merely one vehicle for every 30,000 Indians. Lowest among emerging market peers. While we find it difficult to assess which Automobile manufacturer will be able to yield the highest returns, we instead chose to invest in companies that deliver to the industry in near monopoly environments. Our portfolio follows the investment principles strongly inclined towards great market positioned companies operating in Niche sectors with great margins. However, often we have to pay a humble valuation premium to get exposure to such portfolios. Given the current market scenario the same stocks have reached valuation discounts.

While a bull market often overestimates growth and hypes prices in optimism the bear market discounts the same in pessimism. If the recent comparison of the fall with that of 2007-08 were to be believed. Then, we might be looking at discounts which will never be seen in 10 years.

For example in the case of Ashok Leyland.

We initiated our buy coverage on the stock at Rs. 90/per share last year when it had crossed an inflection point situation ~ (growth in Market Share, Higher Sales and margin while reducing their Debt Burden and interest cost). Since then the market share has grown and last year in a bull market the market chose to pay higher premiums for persistent growth taking the prices to as high as Rs. 165/per share.

Even though the company has consistently outperformed ever since, with sales as high as 27% since then, the market has massively discounted the company forcing it to trade at Rs. 120/ per share.

We strongly believe the current factors if marginally affect consumer auto growth they would barely dent the replacement markets. We continue to have strong faith and conviction on our companies and the business they expose us to. Irrespective of the current and eventual scenario that the market pose at us today we strongly believe our companies won't lose any revenues nor the earnings, instead most of our companies have reduced debt thus reducing interest cost. Our investment team has not made any macro economic speculation amidst the massive amounts of volatility and global scenarios.

The current market has made our portfolio extremely value friendly for fresh investments.

As at the end of trading day 28th September' 2018

Company	Weightage	Return¹
<i>Balkrishna Industries</i>	15%	41.67 %
<i>Nocil</i>	15%	47.99 %
<i>Minda Industries</i>	15%	88.3 %
<i>Mphasis</i>	10%	39.95 %
<i>Ashok Leyland</i>	10%	15.94 %
<i>Bajaj Electricals</i>	5%	25.02 %
<i>Larsen & Toubro</i>	2.5%	3.29 %
<i>JK Paper</i>	10%	8.5%
<i>Heidelberg Cements</i>	10%	23.46%
<i>LT Foods (Daawat)</i>	7.5%	-4.39%

Industry	Weightage
<i>Auto Ancillary</i>	45%
<i>Consumption</i>	22.5%
<i>Construction & Infra</i>	12.5%
<i>IT (KPO)</i>	10%
<i>Automobiles</i>	10%

¹ Annualised and since date of entry if held less than year.

Current Portfolio standing as a whole

For presentation purposes we have decided to calculate various stock metrics of the portfolio as a whole.

Valuation	PE (Price to Earning)	PB (Price to Book Value)
Market	18.2 Times	1.2 Times
Portfolio	25.2 Times	4.4 Times

Growth	Earnings Growth	Revenue Growth
Market	17.4%	11.4%
Portfolio Past	34%	9.3%
Portfolio Estimated Future	19.3%	15.1%

Past Return	ROE (Return on Equity)	ROA (Return on Assets)
Market	9.3%	6.3%
Portfolio	18%	10%

Business Exposure

Our Automobiles and Auto Components business exposures include exposure to:

1. Rubber Chemicals (>40% Market Share)
 1. Catering to all major tyre makers, placing us in position to gain irrespective of which tyre sells.
2. Auto Lamps
 1. LED Lamps while good looking and compact are also a high margin niche market.
3. Auto Switches
 1. The modern cars have been using switches extensively.
4. Vehicle Horns
5. Safety solutions ~ Seat Belts, ABS, Air Bags
 1. Given the current norms of better car safety the applications of ABS and Air Bags have become mandatory.
6. India's 2nd Largest CV Maker
7. India's Largest luxury Bus Maker
8. Off Highway and ATR Tyre Maker (>6% Global Market Share)
9. Tyre OEM for Heavy and Earth Moving Vehicles

Other business exposures that our portfolio has :

1. Paper ~ Copier paper, Paper Board and other high margin variants.
2. Consumer Discretionary
 1. >30% Market Share in Indian Rice Market
 2. One of India's Largest Consumer Electronics Company
3. A major cement player of north India.
4. An International IT player majoring in automation and BFSI.

Portfolio Modifications

Additions

We have added to our holdings in NOCIL, BALKRISHNA INDUSTRIES, DAAWAT and MINDA INDUSTRIES.

Sell offs

After major considerations we have sold off our investments in FIEM Industries since they lost a part of their market share to Minda Industries owned RINDER GROUP.

Value hunting can be a tough task especially in times when volatility is higher than ever. Thus, our dedicated team does exactly that so you have time for things that actually matter and let us worry about returns on your capital.

Please get in touch for more information.

Disclaimer:

The portfolio in focus represents that of Mayank Mehra and related party till the commencement of the advisory services in March' 2018 after which clients with eligible risk / return characteristics were advised to invest in the **Legacy 10 Portfolio**.

However not all clients of the advisory have the same portfolio due to each risk / return rationale. This communique has been issued only with regard to our focused **Legacy 10 Portfolio**.

If you are reading this via the newsletter or on the blog please view this as marketing material for our focussed portfolio.