July 25, 2015

Whilst your individual returns are with you, I would like to share how we think about on performance on the portfolios managed by me at Jeetay.

1) We look at a "representative" portfolio. Most of the older portfolios usually have in the past had performance numbers clinging around the numbers of the "representative" portfolio. Newer portfolios take time to build up and usually mask true performance and may even distort it. This "representative" portfolio is that of our oldest client.

2) We benchmark our returns against the Sensex. We are size agnostic but usually find values in the mid-cap space. However we carry fairly large amounts of cash and so a mid-cap index may not be the right benchmark. We have chosen the Sensex to give you a sense of the "opportunity cost" of not being in the market and not as some sort of a competitor with whom we are in a quarterly rat race.

3) Short-term underperformance does not bother us and short-term outperformance does not excite us. What should count are long-term figures. Our idea of the long-term is <u>very</u> long. We will be honest – we do not have performance figures for our definition of the long-term. So we have sliced the performance figures into various shorter-term horizons, to suit <u>your</u> perspective of what should be a sensible investment horizon.

4) We usually measure the cheapness of our portfolio in relation to each security's historical valuations and not against the current market valuation i.e. we would like to have some sort of absolute cheapness and not relative cheapness.

5) The figures cited are before taxes and fees. This is because the taxes are paid by you and vary depending on whether you have short-term capital losses and the quantum of short term gains. The fee structure varies due to 1) different plans 2) different entry points (high watermarks). These should shrink the magnitude of outperformance, although not eliminate it.

6) We do not only look at returns, but at risk-adjusted returns. We do not measure risk by simple volatility, but by downside volatility, drawdowns and portfolio cheapness. On a risk-adjusted basis, our returns, even after taxes and fees, should compare well with the Sensex. Since we believe that markets are unforecastable, we usually hedge our positions by carrying fairly large amounts of cash.

7) We continue to use the "representative" account methodology so as to be consistent (Tables 1, 2 and 3).

8) We have found that the "representative" account, which has been that of our oldest account, now has a different portfolio composition from newer accounts and even some of the older accounts. It may thus in the future not properly track overall performance. We have included Table 4 in which four sets of figures are shown:

a) The "representative" portfolio returns.

b) The weighted average returns of all the discretionary portfolios managed under the Jeetay Value Plan and allied Plans in the Jeetay PMS.

c) The weighted average returns of those portfolios with over 60% equity at any point since inception. These may be generically thought to be the "older" portfolios since "newer" portfolios take some time to build up and may not be representative of portfolio performance. They are of course included in the weighted average returns of all the portfolios.

d) The Sensex returns.

9) We will therefore be reporting "weighted average" returns along with those of the "representative" portfolio.

10) Should you find all these numbers too intimidating but want to focus only on a few, just look at the second and fourth columns of Table 4. That summarizes the overall performance of portfolios managed by me at Jeetay and the Sensex.

Table 1

Since Inception				
Period	**Portfolio Returns (%)**	**Sensex Returns (%)**	**% in cash**	
June 07, 2003 to June 07, 2004	80.80%	48.00%	Almost fully invested	Audited
July 05, 2004 to June 30, 2005	31.45%	42.10%	Around 65%	Audited
July 01, 2005 to March 31, 2006	30.32%	56.80%	Around 40%	Audited
April 01, 2006 to March 31, 2007	33.73%	15.62%	Around 20%	Audited
April 01, 2007 to March 31, 2008	7.41%	18.60%	Around 30%	Audited
April 01, 2008 to March 31, 2009	-22.26%	-37.94%	Around 35%	Audited
*April 01, 2009 to March 31, 2010	85.16%	80.50%	Around 30%	Audited
April 01, 2010 to March 31, 2011	29.09%	10.93%	Around 27%	Audited
April 01, 2011 to March 31, 2012	9.03%	-10.50%	Around 10%	Audited
April 01, 2012 to March 31, 2013	-8.23%	8.23%	Around 9%	Audited
April 01, 2013 to March 31, 2014	18.22%	18.85%	Around 15%	Audited
April 01, 2014 to March 31, 2015	73.63%	24.89%	Around 9%	Audited
April 01, 2015 to June 30, 2015	7.06%	-0.63%	Around 2%	Audited
Cumulative Return	**1717.68%**	**702.81%**		

Table 2

Since 2008				
Period	**Portfolio Returns (%)**	**Sensex Returns (%)**	**% in cash**	
April 01, 2008 to March 31, 2009	-22.26%	-37.94%	Around 35%	Audited
*April 01, 2009 to March 31, 2010	85.16%	80.50%	Around 30%	Audited
April 01, 2010 to March 31, 2011	29.09%	10.93%	Around 27%	Audited
April 01, 2011 to March 31, 2012	9.03%	-10.50%	Around 10%	Audited
April 01, 2012 to March 31, 2013	-8.23%	8.23%	Around 9%	Audited
April 01, 2013 to March 31, 2014	18.22%	18.85%	Around 15%	Audited
April 01, 2014 to March 31, 2015	73.63%	24.89%	Around 9%	Audited
April 01, 2015 to June 30, 2015	7.06%	-0.63%	Around 2%	Audited
Cumulative Return	**308.58%**	**77.54%**		

Table 3

Since 2013				
Period	**Portfolio Returns (%)**	**Sensex Returns (%)**	**% in cash**	
April 01, 2013 to March 31, 2014	18.22%	18.85%	Around 15%	Audited
April 01, 2014 to March 31, 2015	73.63%	24.89%	Around 9%	Audited
April 01, 2015 to June 30, 2015	7.06%	-0.63%	Around 2%	Audited
Cumulative Return	**119.76%**	**47.50%**		

Table 4

Jeetay Returns** (Portfolios managed under the Jeetay Value Plan and Allied Plans)

	"Representative" portfolio	**Weighted average returns of all discretionary portfolios**	**Weighted average returns of "older" portfolios**	**Sensex Returns**
2006-2007	33.73%	**28.66%**	30.11%	**15.62%**
2007-2008	7.41%	**7.12%**	8.68%	**18.60%**
2008-2009	-22.26%	**-23.85%**	-23.85%	**-37.94%**
2009-2010	85.16%	**78.40%**	79.00%	**80.50%**
2010-2011	29.09%	**18.57%**	18.40%	**10.93%**
2011-2012	9.03%	**3.32%**	3.07%	**-10.50%**
2012-2013	-8.23%	**-2.12%**	-2.77%	**8.23%**
2013-2014	18.22%	**18.20%**	18.30%	**18.85%**
2014-2015	73.63%	**66.43%**	66.97%	**24.89%**
April 01, 2015 - June 30, 2015	7.06%	**0.74%**	0.75%	**-0.63%**

**Returns are before fees but after all other expenses

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I would urge all of you to read "Sapiens - a brief history of humankind" by Yuval Noah Harari. One line struck me - the author wrote: "Both scientist and conqueror began by admitting ignorance." Napoleon took 165 scholars with him when he invaded Egypt in 1798 and an entirely new discipline, Egyptology, was founded and important contributions were made to the study of religion, linguistics and botany. Another example; in 1831, the Royal Navy sent the ship HMS Beagle to map the coasts of South America, the Falkland Islands and the Galápagos Islands in order to be better prepared in the event of war. The ship's captain, who was an amateur scientist, decided to add a geologist to the expedition to study geological formations. The place went to Charles Darwin, who formulated insights on the voyage that became the theory of evolution. Notice also the importance that institutions in the past gave to interdisciplinary thinking.

Some more. Many ancient cultures drew maps before the modern age but unfamiliar areas were simply left out with no empty spaces on the maps. Europeans began drawing maps in the fifteenth and sixteenth centuries with lots of empty spaces - an admission of ignorance and an important psychological milestone in the voyage of discovery.

Closer to home - "When the Muslims conquered India, they did not bring along archaeologists to systematically study Indian history, anthropologists to study Indian culture, geologists to study Indian soil, or zoologists to study Indian fauna. When the British conquered India, they did all those things."

Let me make a categorical statement: Jeetay knows a lot less than what many think it does, but is willing to learn a lot more than what many think it can. We are willing to say that we don't know very often.

Another recent book, "Move up - why some cultures advance whilst others don't" by Clotaire Rapaille and Andrés Roemer highlighted the importance of culture in a country's development. The same thing can be said about companies. Culture is an important "moat", not usually underscored when trying to understand competitive advantage. A line from the book: "The bottom of the ocean is the foundation of what you see on the top." Berkshire Hathaway's culture or 3M's culture, I think, are important "moats" that probably can only be weakened internally and not by competition.

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We continue to remain nervous of "patchwork economics" being practiced by world leaders and economic policy makers. We put a high probability to a great economic disruption caused by heroic but unwise attempts to keep unsustainable policies afloat by various means. This risk should always be borne in mind in current portfolio construction.

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Should there be any queries, I'm always available. Please do not hesitate to contact me or members of the Jeetay team who look after the administration at the office – Divya, Rashmi or Prem!

Warm Regards,

Vinay Parikh