

April 28, 2014

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 very 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 your 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 by Mr. Chetan Parikh 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%	-10.5%	Around 10%	Audited
April 01, 2012 to March 31, 2013	-8.23%	8.23%	Around 9%	Audited
April 01, 2013 to June 30, 2013	-1.12%	2.97%	Around 13%	Audited
July 01, 2013 to September 30, 2013	-1.06%	-0.08%	Around 15%	Audited
October 01, 2013 to December 31, 2013	12.58%	9.24%	Around 17%	Audited
January 01, 2014 to March 31, 2014	7.34%	5.74%	Around 15%	Audited
Cumulative Return	877.86%	546.86%		

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%	-10.5%	Around 10%	Audited
April 01, 2012 to March 31, 2013	-8.23%	8.23%	Around 9%	Audited
April 01, 2013 to June 30, 2013	-1.12%	2.97%	Around 13%	Audited
July 01, 2013 to September 30, 2013	-1.06%	-0.08%	Around 15%	Audited
October 01, 2013 to December 31, 2013	12.58%	9.24%	Around 17%	Audited
January 01, 2014 to March 31, 2014	7.34%	5.74%	Around 15%	Audited
Cumulative Return	199.80%	43.05%		

Table 3

Since 2012				
Period	Portfolio Returns (%)	Sensex Returns (%)	% in cash	
April 01, 2012 to March 31, 2013	-8.23%	8.23%	Around 9%	Audited
April 01, 2013 to June 30, 2013	-1.12%	2.97%	Around 13%	Audited
July 01, 2013 to September 2013	-1.06%	-0.08%	Around 15%	Audited
October 01, 2013 to December 01, 2013	12.58%	9.24%	Around 17%	Audited
January 01, 2014 to March 31, 2014	7.34%	5.74%	Around 15%	Audited
Cumulative Return	8.49%	28.63%		

Table 4**Jeetay Returns**** (Portfolios managed by Mr. Chetan Parikh)

	"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%

**Returns are before fees but after all other expenses

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Whilst the recent performance may be viewed as satisfactory (at best), there are many mistakes that I made which I need to acknowledge and hopefully correct:

1. Diversification: There were some companies selected in many portfolios which were based on Graham's "enterprising" investing approach. These were cyclical companies, out-of-favor large companies and neglected secondary companies. High diversification is necessary for Grahamian "net-nets", but not for enterprising investing. Sufficiently aggressive bets were not taken and whilst position sizes should not have been as large as in "moat" companies available at reasonable valuations, the level of diversification was way too high.
2. Contrary thinking: I could have averaged down more boldly when some drawdowns happened. I shot a lot from a distance, but hesitated to pull the trigger of a loaded gun when the target had come so much closer.
3. Circle of competence: High diversification makes it difficult to draw the boundaries of a circle of competence. The boundaries are more important than the area. I did my homework, but was this enough? Having too many industries to track is akin to "multitasking." What is important is focus.

These are the ones that come to my mind, although there must be more. I hope that I don't make a further mistake of not having the discipline to correct them.

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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,

Chetan Parikh