

Portfolios managed under the Value Trek Plan and allied plans  
as on 30.09.2016

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At the outset we wish to thank you for the faith reposed in us by investing in our Plans.

We will communicate with you every quarter; in part to inform you about the quarterly performance, but also to elaborate on some aspect of our investment philosophy or process. Over the course of time you will observe that we emphasize as much, if not more on the latter as on the former. This is borne out of our belief that a sound investment philosophy executed through a process that is unfailingly adhered to, will over the long term, inevitably lead to satisfactory investment returns.

We would like to caution you against laying too much emphasis on the quarterly performance numbers. In compiling our quarterly scorecard we are obliged to measure our performance against the market. You will observe that there will be months where our performance will be superior to the market (as reflected by the 'Sensex') as well as months when our performance lags the market. This should come as no surprise. Short term movements of the market are capricious reflecting the unpredictable and often exaggerated sentiments of the sum total of market participants as they react to the sum total of developments in the political and economic fields. This by nature is a combination of an (un)healthy dose of impulse together with reason. Our struggle is to tune out precisely this 'noise' emanating from the market place, whilst we attempt to assay the intrinsic worth of individual securities. Quarterly performances vis-à-vis the market are therefore more a measure of how 'in sync' we are with the prevalent moods of Mr. Market – a goal that we have no particular skill or desire to pursue.

Good capital allocation is vital to long term wealth creation, but improvements in capital allocation are an important element in the re-rating of a company's stock. Many large Indian companies are moving in that direction, where the emphasis seems to be on improving returns on capital employed and restructuring assets and liabilities, rather than on assets and sales growth. If executed well, significant potential for re-rating and wealth creation is possible.

How important is growth to wealth creation? A lot has been written on the subject, but much has been misunderstood. There is nothing better than a business that can grow profitably and fast with minimal capital. Such businesses are rare. But slow growers can also be great wealth creators if they distribute all their surplus free cash flows and these are re-invested well by investors. Obviously purchase price matters, but dividend yields and dividend payout policies matter more. Value investors should never forget that the speculative component of the purchase price increases with the component paid for growth.

The durability of a business model is another seductive mantra. The history of innovation is a story of David v/s Goliath and the assumption of long durability based on existing entry barriers is another way of rationalising a huge speculative component in the purchase price of an investment. The concept of durability is an exercise in imagination, not in anything that is empirical. Probably induction at its worst!

I would like to wish you all the best in the festive season ahead.

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Whilst your individual returns are with you, we have given the weighted average results of all portfolios in the Value Trek Plan and affiliated plan for September quarter (before our management fees but inclusive of all other expenses and charges). We would once again urge you to interpret quarter by quarter returns of any fund manager with some caution.

	September 2016 Quarter
Benchmark (Sensex) returns	3.21%
Weighted average Portfolio Returns of plans under the Value Trek Plan and affiliated plan	6.08%
Proportion of cash held at the beginning of period	15.94%
Proportion of cash held at end of Period	15.72%

- ❖ Benchmark return is absolute change between start of the period to end of the period without any adjustment for fund flows during period.
- ❖ Portfolio return is based on weighted average returns of portfolio compounded monthly.
- ❖ The actual returns of clients may differ from client to client due to differences in composition of the portfolio and timing of investment/divestment.
- ❖ Past performance is not a guarantee for future performance.

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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

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- ii). Past performance does not guarantee future performance.
- iii). Investors are not being offered any guaranteed or assured returns i.e either of principal or appreciation on the Portfolio.
- iv). The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.