A black and white photograph of a modern interior space. The background features a wall with a brick-like pattern. In the center, there is a white bookshelf with several shelves containing books and decorative items. In the foreground, two armchairs with patterned cushions are positioned. To the right, there are several potted plants. The overall atmosphere is clean and contemporary.

We are an independent, partner-centric  
Investment Management firm investing in  
Indian public equities.

# TOPICS

Principles	Team	Track Record		
Investing beliefs	Investing approach			
Company selection	Approach to Valuation	Portfolio construction	Risk Mgmt.	When to sell?
Fees and other expenses	Testimonials			

# PRINCIPLES

## Our Goal

- Our aspiration is to build the most trusted and partner centric AMC in India
- Aim for about 20-25% per annum franchise AUM growth rate
- By investing for long term outcomes with long term oriented families

## Broad principles being followed to build our franchise

- Investment process: compounding, constant learning, rigour, discipline
- Focus on delivering great customer experience: transparency, accessibility
- Balanced pace of growth: Minimum 2 Cr AUM
- Culture: flat hierarchy, profit sharing with team, derivatives trading banned
- 100% alignment of interests with partners in underlying positions

## Results so far

- ~1200 Cr AUM across 90 families
- Top tier performance with 10% Alpha over NSE 500 since inception
- Zero disputes/commercial disagreements with partners since inception
- Very very low partner attrition. Less than 1% AUM lost to attrition till date

# HOW ARE WE DIFFERENT?

## Portfolio construction

- Single, Multi cap strategy
- Customized portfolios. No model portfolio
- Strong process orientation

## 2 sub strategies basis partner time horizon

- Rolling 5-year views for portfolio construction -> Prudence. Believe in “good churn” for risk management and re-allocation
- 10 year time horizons → Bespoke. Very low churn portfolios

## How we work with partners

- Option of staggered draw downs
- We believe in trust - No exit loads
- Transparency
- Personalized review for >15 Cr AUM


## Skin in the game

- Profit sharing with the team
- 100% alignment of CIO in underlying positions

# OUR TEAM

Member	Title	CV	Investing experience	Time with Solidarity
Manish Gupta	Founder and CIO	MBA IIM Ahmedabad BCG (7 yrs.) Rakesh Jhunjhunwala (8 years)	15+ years	7+ years
Manjeet Buaria	Principal	CA, CFA	7+ years	6+ years
Anirudh Shetty	Principal	CA, CFA	5+ years	~5years
Naarah Pereira	Head of Operations	BBA, MCOM	NA	5+ years
Poonam Chandaliya	Analyst	BBA	2+ years	2+ year
Prasad Heda	Analyst	CA	2+ years	<1 year
Kumanika Chajjer	Analyst	BBA	1 year	1.5 years
Aman Thadani	Analyst	CFA	2+ years	<1 year
Darshit Zaveri	Operations	MCOM	NA	< 1 year
Prachi Sawant	Office Manager	PGDFM, BCOM	NA	2+ year

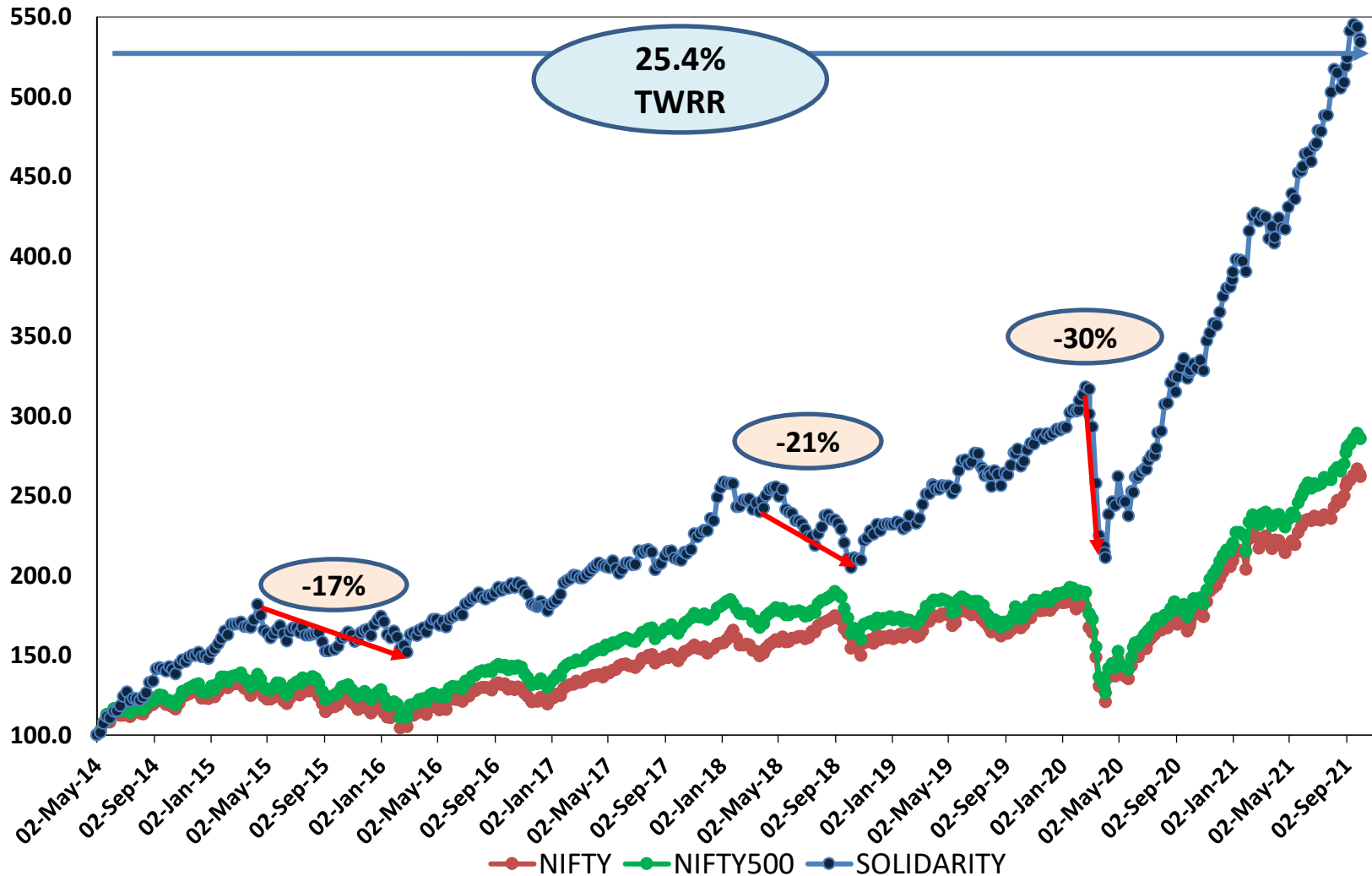
# PERFORMANCE HISTORY POST FEES

As of 30 Sep 2021					
Anchor partner					
Performance (in TWRR)	1 Year	2 Year	3 Year	5 Year	Since Inception
SOLIDARITY	64.0%	38.6%	36.6%	22.8%	25.4%
NIFTY	56.6%	23.9%	17.2%	15.4%	13.9%
NIFTY500	61.1%	26.9%	18.2%	15.3%	15.2%
					
Aggregate across all accounts					
Performance (in TWRR)	1 Year	2 Year	3 Year	5 Year	Since Inception
SOLIDARITY	72.8%	44.3%	40.0%	24.8%	25.3%
NIFTY	56.6%	23.9%	17.2%	15.4%	16.1%
NIFTY500	61.1%	26.9%	18.2%	15.3%	16.5%
Data as of 30 Sep 2021					
We operated with an Investment Advisory license till 11 May 2016 post which we migrated to a PMS License Solidarity performance is net of all fees & expenses					

NOTE : Performance data provided in the above table is not verified by SEBI.

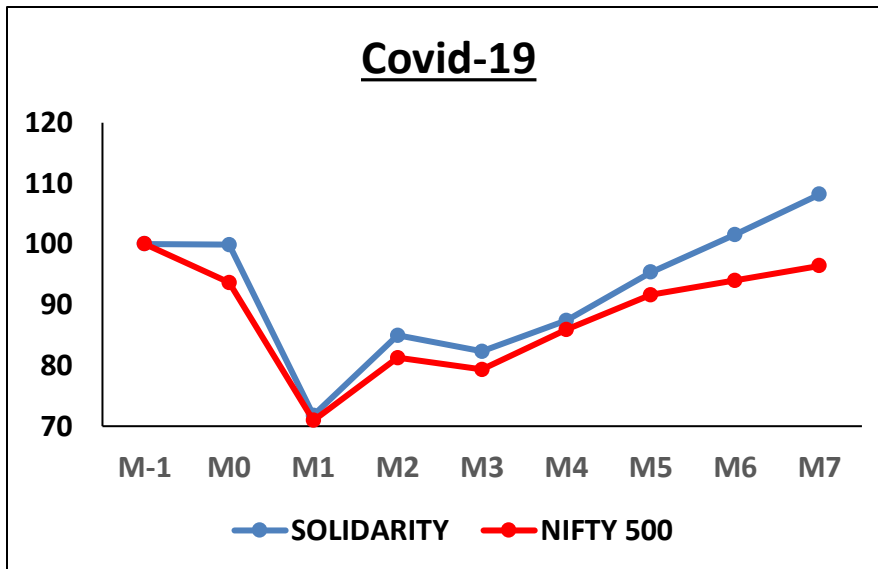
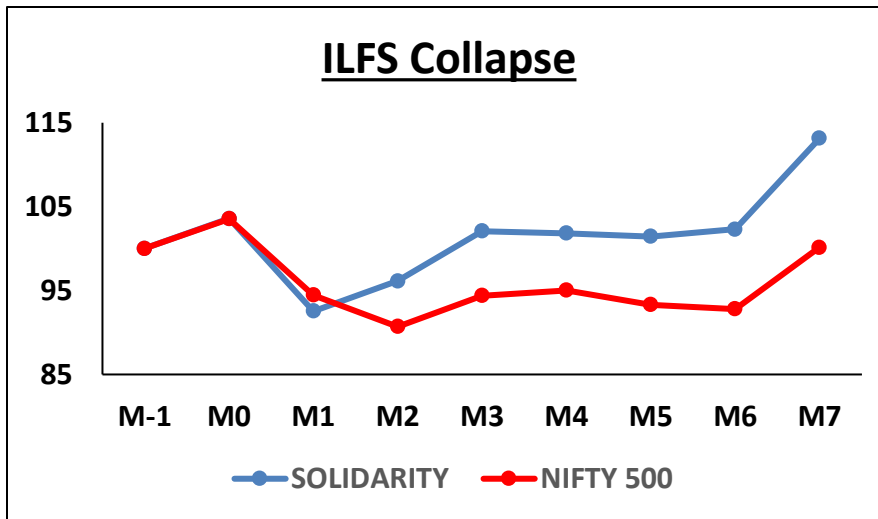
# WE HAVE SEEN THREE DOWN CYCLES

## SOLIDARITY RELATIVE PERFORMANCE VS BENCHMARKS



Data upto 30 Sep 21

# SOLIDARITY PORTFOLIOS HAVE QUICKER RECOVERY POST CRISIS

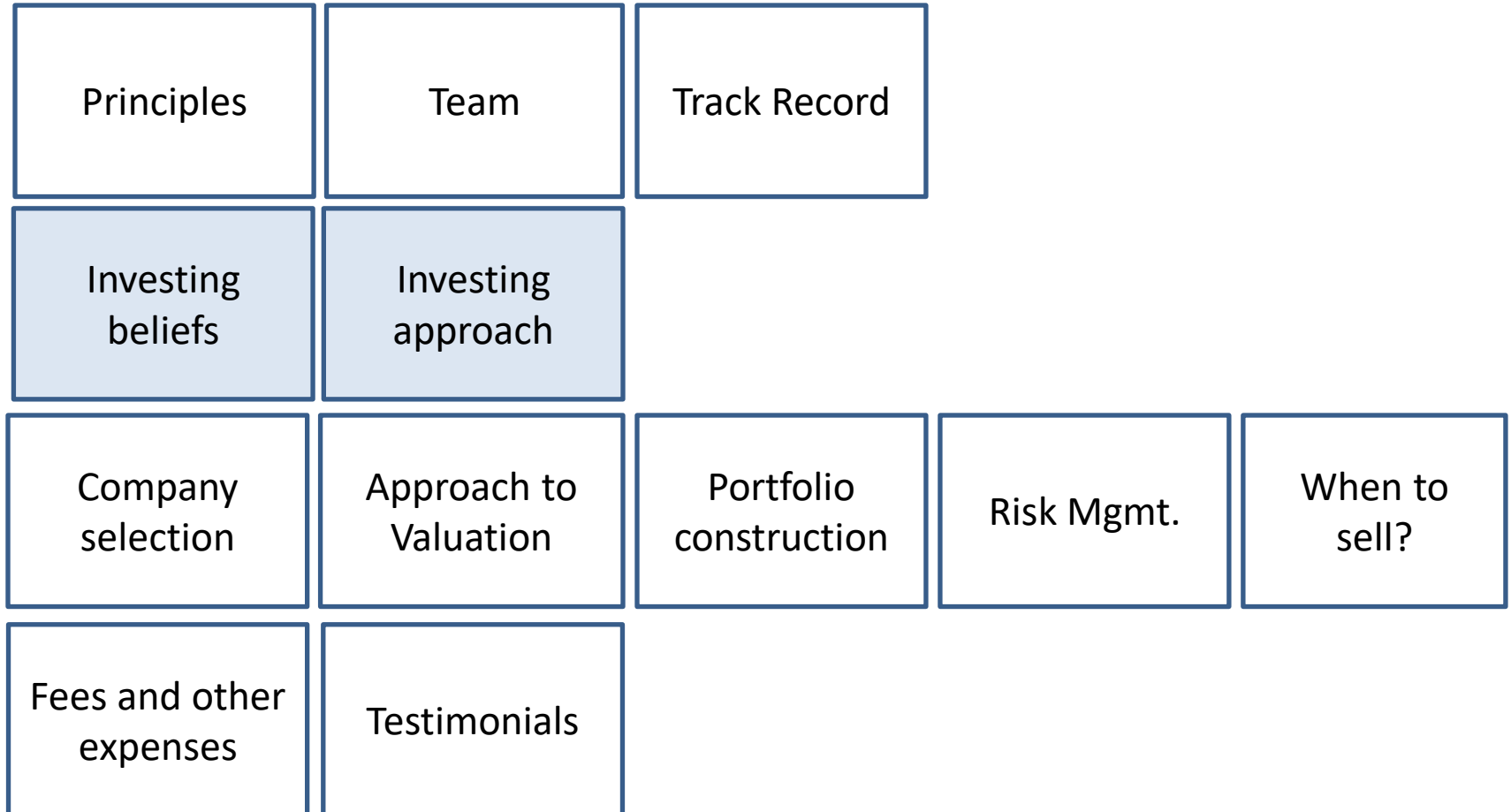


Initial draw down in line with market (due to small/mid cap exposure)

Faster recovery → high quality companies attract buyers on correction



# TOPICS



# GOOD PROCESS WILL RESULT IN GOOD OUTCOMES

		Outcome of process	
		Good	Bad
Process used to make decisions	Good	Deserved success	Bad break
	Bad	Dumb luck	Poetic justice

Adherence to a good process, will over time, lead to superior results

Source: Russo and Shoemaker, Winning decisions

“In life the challenge is not so much to figure out how best to play the game; the challenge is to figure out what game you’re playing.”

- Kwame Anthony Appiah

“...The right way, the correct way, and the only way, it does not exist.”  
— Friedrich Wilhelm Nietzsche

Alignment of goals, process to achieve goals, implications of actions key to long term partnership

# SOME ASPECTS OF OUR APPROACH

We invest based on where we see best odds over rolling 5 yr time horizons

- The way to the long term is through the medium term
- *We offer a 10 yr time horizon strategy for those who want to take a very long term view (Solidarity Bespoke)*

Our definition of success

- Outperform the Index by 3% per annum post fees over rolling 5 years
- We accept draw downs as integral part of compounding process that cannot be wished away
- Transparency to partners on process; no surprises
- We will achieve the above if we get 7/10 calls right

90-95% of our portfolio comprises honest, resilient compounders with leadership

- Life is full of surprises. We prioritize resilience over speed.
- No compromise on poor governance or excessive leverage

Multi cap approach for portfolio construction balancing Small/Mid/Large Caps

- Its hard to generate Alpha by following an exclusive Large Cap strategy;
- Small/Mid caps poorly researched. Offer better opportunity for Alpha
- However, Small/Mid caps have higher chances of errors and volatility

# SOME ASPECTS OF OUR APPROACH

We customize portfolios and don't believe in model portfolios

- Model portfolios imply that current valuations do not matter.
- We invest where the best opportunities are when capital is provided to us.

We will not take cash calls. They provide emotional short term relief but the odds are against you in the long term (taxation, re entry risks, mistaking a correction for a major event)

We have a core approach; but are not rigid on “style” ideology

- Some flexibility in approach is desirable to adapt to market conditions
- Hence, we have a “Special Situations” bucket

We believe in “good churn” (Prudence)

- We don't see ourselves as permanent owners of businesses but allocators of capital in businesses we would like to own permanently.
- There are cycles and behavioural excesses
- Successful investing needs to recognize greed and fear

# SOME ASPECTS OF OUR APPROACH

## Number of positions

- Concentration generates Wealth. Diversification protects it. Need to find balance.
- 15-20 positions with 3% minimum position size

## Risk Management

- Buy right – avoid poor governance and excess leverage
- Position sizing
- We will not take cash calls, just to sit on cash

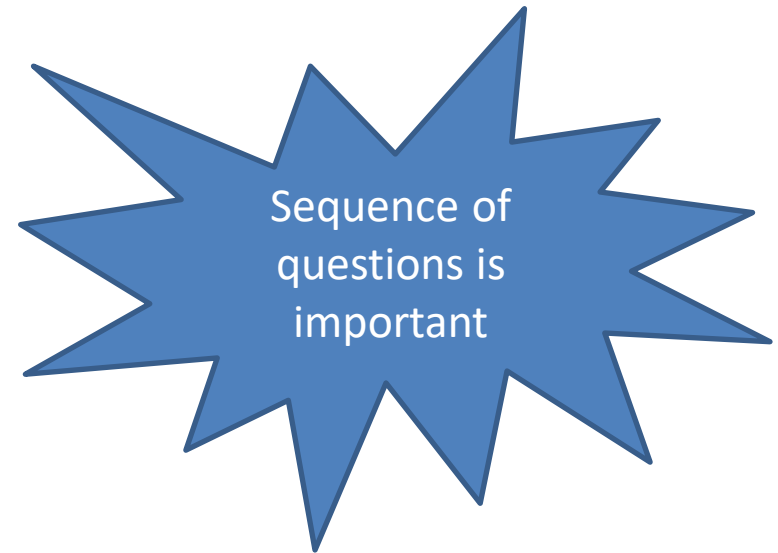
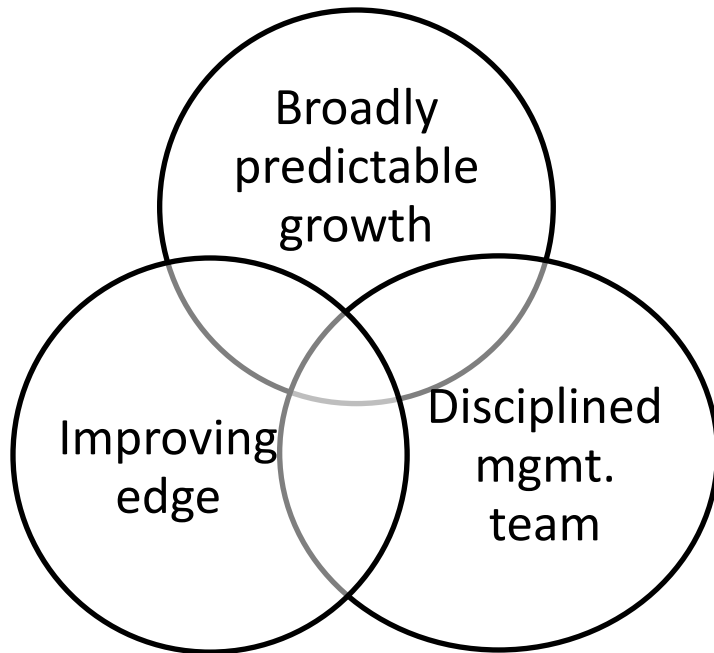
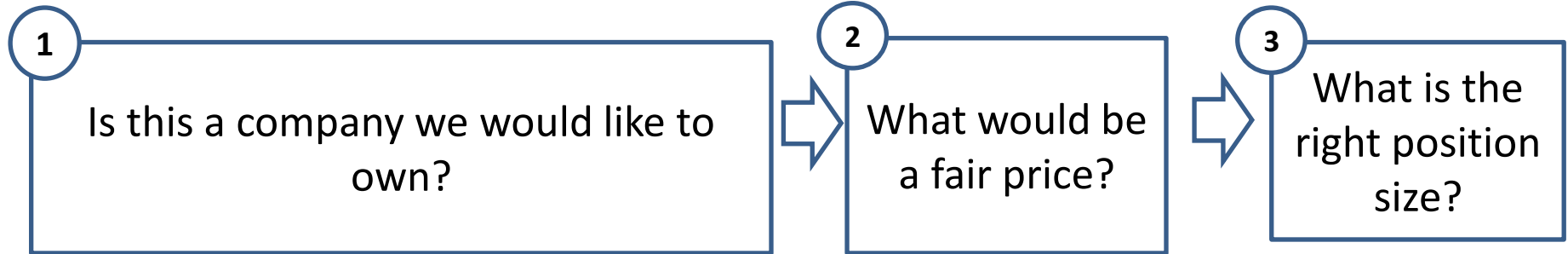
## Position sizing

- Size positions based on maturity of business model and upside possible
- Position sizes can vary between 3% and 15%
- Manage liquidity risk through lower position sizes

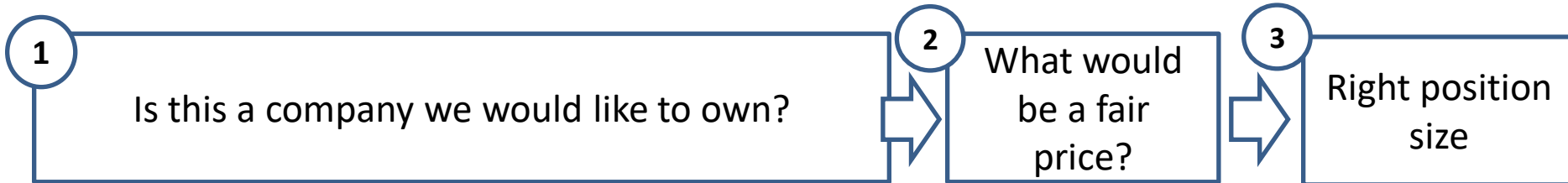
## When do we sell

- When new facts require us to change our mind and we are wrong
- When we believe there is euphoria in valuations and we can reallocate for better returns in some other positions

# APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE



# APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE



**Broadly Predictable Earnings growth**

- Large addressable opportunity
- Industry with structural tail winds of growth

**Improving Edge**

- Sector/niche Leadership
- Edge/competitive differentiation
- Ability to re-invest for growth (ROE > 15%)

**Disciplined Management Team**

- Historical track record
- Disciplined on Capital Allocation
- Prudent use of leverage
- Learning organization

**2**  
What would be a fair price?

- Broadly fair, based on first principles
- Behavioural perspective – role of sentiment
- Wisdom of crowds

**3**  
Right position size

- Clear Leader, Emerging Leader, Special Situations
- Liquidity
- Initial position
- When to add



# HARD TO GENERATE ALPHA WITH LARGE CAP STRATEGY

As on 14 May 2021		
	CAGR	
Scheme Name	5 Years (%)	AUM (Rs. In Cr.)
Canara Rob Bluechip Equity Fund(G)-Direct Plan	17.4	2477
Axis Bluechip Fund(G)-Direct Plan	16.8	25183
Mirae Asset Large Cap Fund(G)-Direct Plan	16.5	23993
ICICI Pru Bluechip Fund(G)-Direct Plan	14.9	26083
Edelweiss Large Cap Fund(G)-Direct Plan	14.6	236
Kotak Bluechip Fund(G)-Direct Plan	14.4	2411
Nippon India Large Cap Fund(G)-Direct Plan	14.1	9828
IDFC Large Cap Fund(G)-Direct Plan	14.0	714
HSBC Large Cap Equity Fund(G)-Direct Plan	14.0	690
HDFC Top 100 Fund(G)-Direct Plan	13.8	18445
PGIM India Large Cap Fund(G)-Direct Plan	13.7	307
BNP Paribas Large Cap Fund(G)-Direct Plan	13.7	1030
Invesco India Largecap Fund(G)-Direct Plan	13.7	295
SBI BlueChip Fund(G)-Direct Plan	13.3	26464
Tata Large Cap Fund(G)-Direct Plan	13.2	896
IDBI India Top 100 Equity Fund(G)-Direct Plan	13.2	426
Aditya Birla SL Frontline Equity Fund(G)-Direct Plan	13.1	19292
LIC MF Large Cap Fund(G)-Direct Plan	13.0	506
L&T India Large Cap Fund(G)-Direct Plan	13.0	626
Indiabulls Blue Chip Fund(G)-Direct Plan	12.8	112
Franklin India Bluechip Fund(G)-Direct Plan	12.7	5911
DSP Top 100 Equity Fund(G)-Direct Plan	12.0	2625
NIFTY 100 - TRI	14.8	
NIFTY 50 - TRI	14.9	
NIFTY 500 - TRI	15.0	
NIFTY NEXT 50 - TRI	14.4	

# SOLIDARITY: PORTFOLIO CONSTRUCTION BUCKETS

## CLEAR LEADERS

- Leader in growing market
- Dominant share of Industry profit pool
- Robust business model and Balance Sheet
  
- 15-18% IRR ask

40-50% allocation

Moderate growth with low volatility

## EMERGING LEADERS

- Companies on the path to become Clear Leaders
- Typically, dominant player in a niche
  
- 18%+ IRR ask

40-50% allocation

Rapid growth but with higher volatility

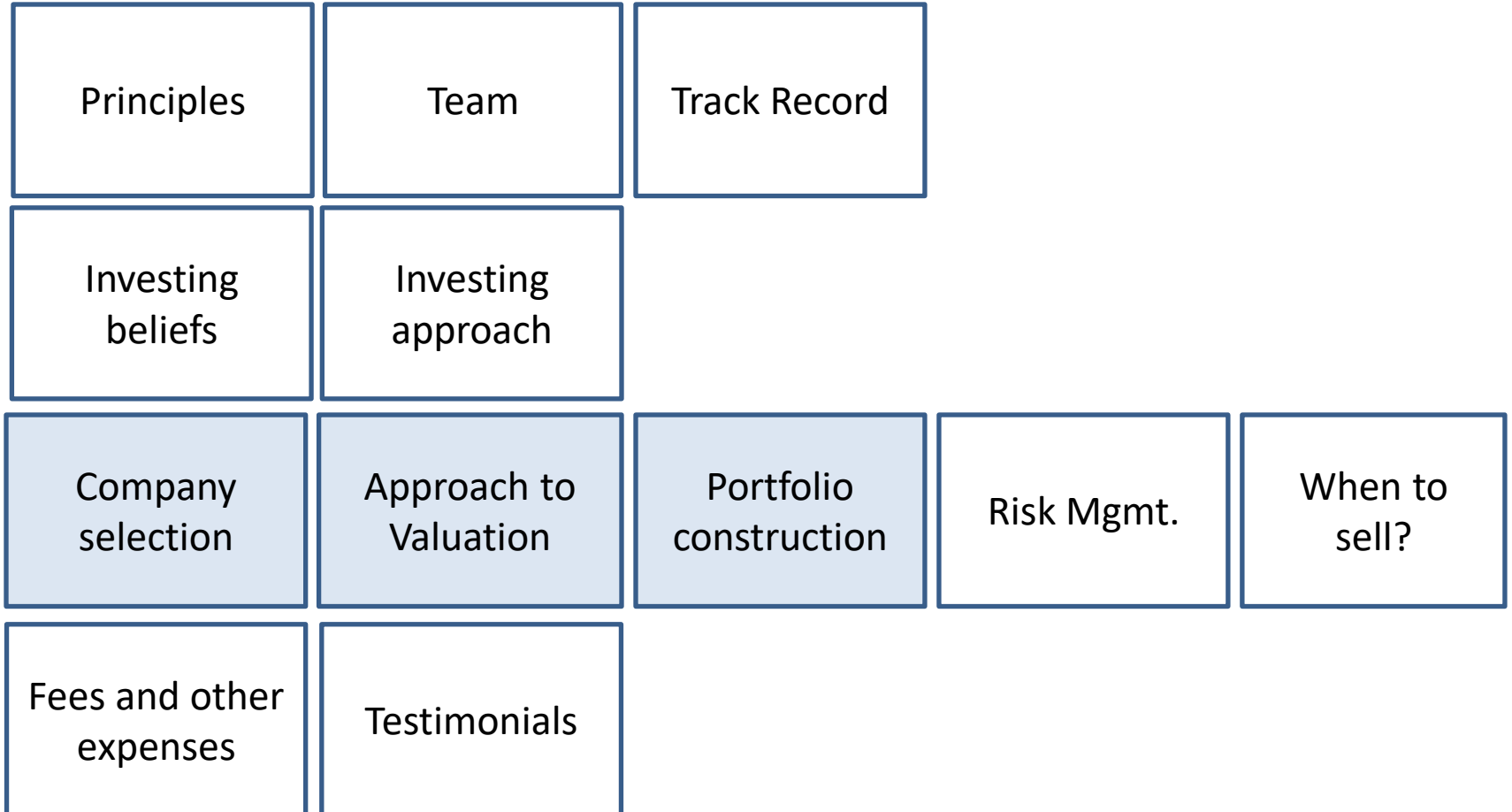
## SPECIAL SITUATIONS

- Good business undergoing temporary uncertainty
- Not sure whether it is a compounder at present; but
- High price value divergence
  
- 25%+ IRR ask

~10% allocation

When opportunities in the core not available, upside is huge

# TOPICS



# APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE

Is this a company we would like to own?



What would be a fair price?



What is the right position size?

# PORTFOLIO CONSTRUCT AROUND DIVERSIFIED SECULAR THEMES, RESILIENT AND HONEST COMPOUNDERS

	Secular Themes of interest to us
1	Opportunity to gain market share in global supply chains: Manufacturing/Services
2	Pvt Sector Banks who will gain market share
3	Life Insurance: trusted brands, strong distribution
4	General Insurance with preference for adoption of Health Insurance
5	Digital Business Models and enablers of Digital
6	Mitigation of inequality
7	Discretionary consumption – “Affordable luxury”
8	Financialisation of Savings
9	Formalization of the economy
10	Thrust on Clean Energy

All our themes have decadal tail winds

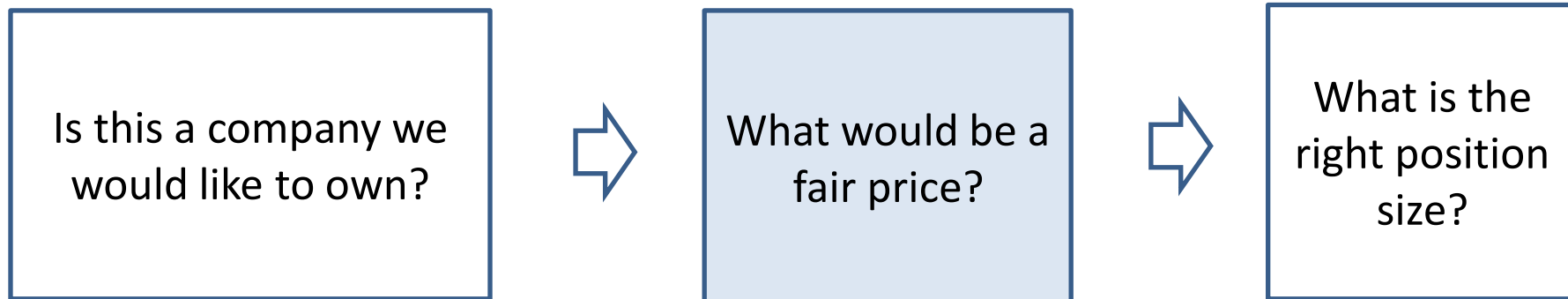
We have ~75 companies at present of interest

We allocate capital to ~15 to 20 positions where we think we can earn the best outcomes over rolling 5 years

# LEADERSHIP IS KEY FOR A SUSTAINABLE EDGE



# APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE



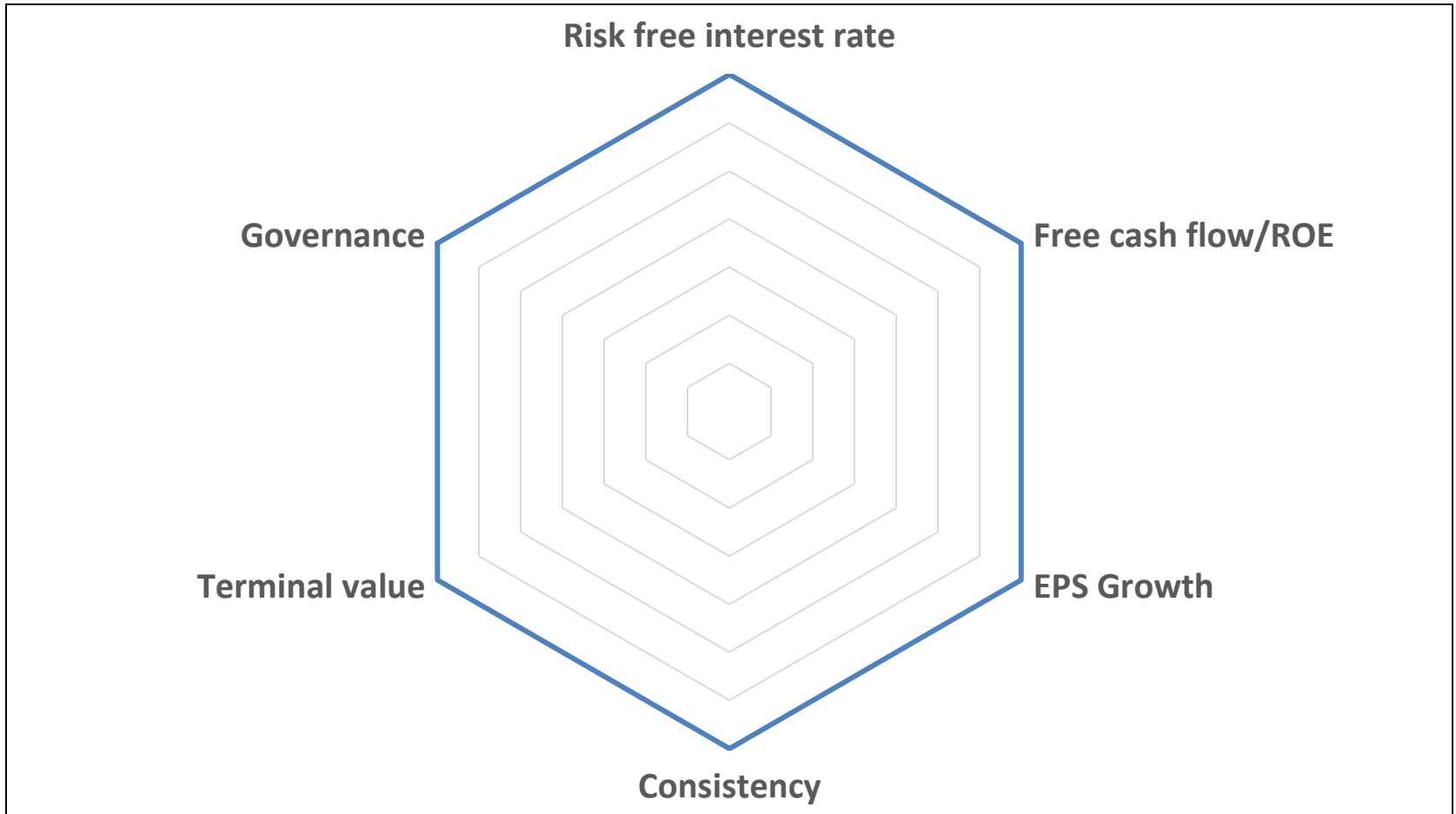
# OUR PROCESS FOR DETERMINING FAIR VALUATIONS

1. First Principles – Cost of Capital, Growth, ROE, longevity, governance
2. Wisdom of crowds
3. Understanding where we are in the growth and behavioural cycle for valuations for each company

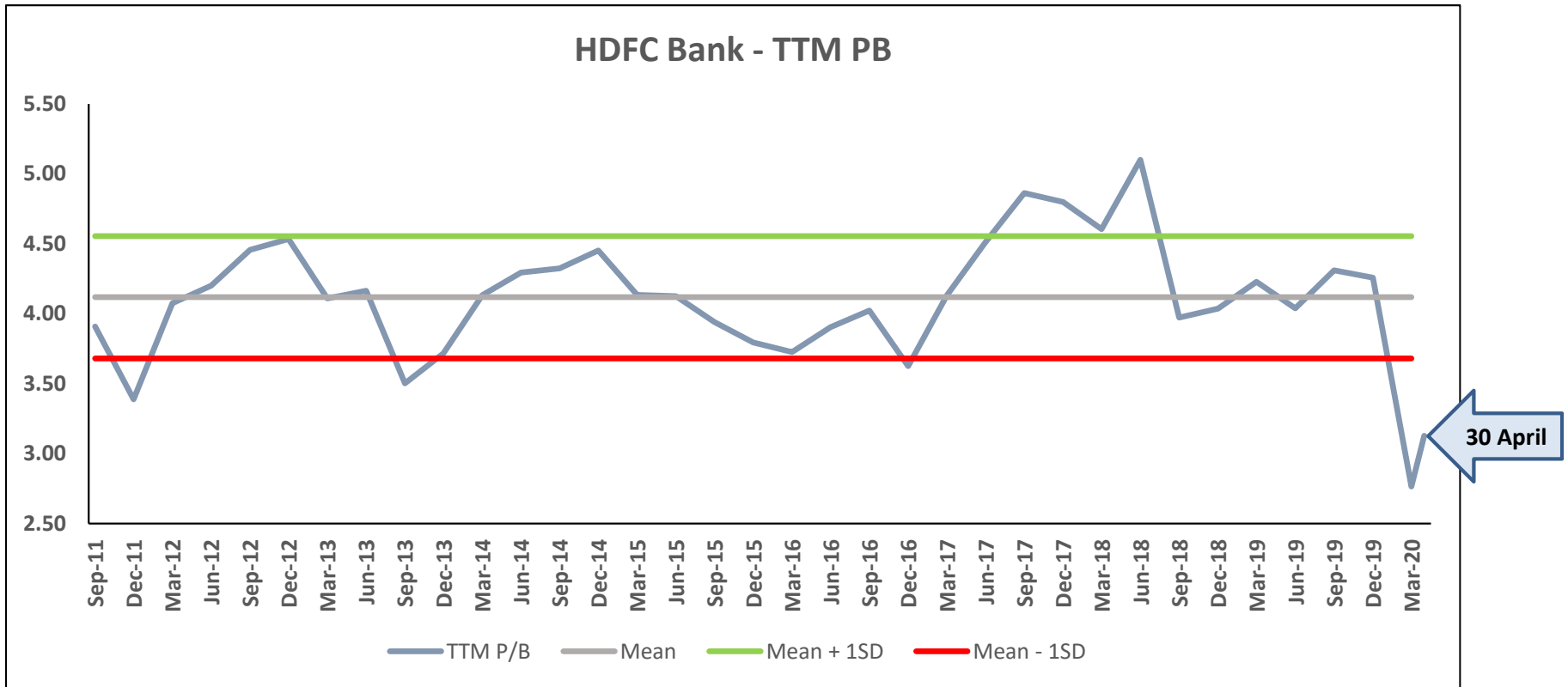


# FAIR VALUATIONS: FIRST PRINCIPLES

## Analytical Construct



# WISDOM OF CROWDS: EMPIRICAL EVIDENCE OVER LONG PERIODS OF TIME, WHERE RELEVANT



# APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE

Is this a company we would like to own?

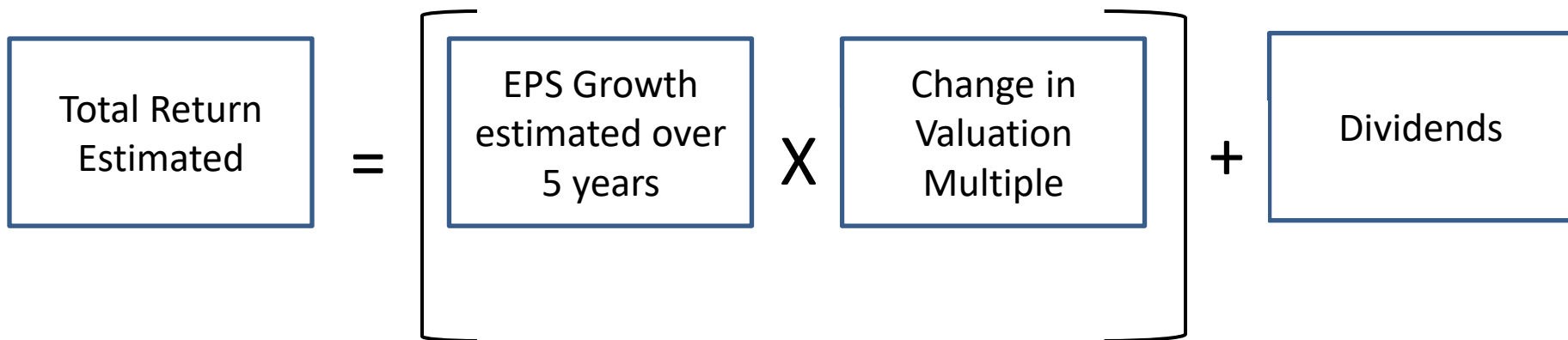


What would be a fair price?



What is the right position size?

# PORTFOLIO CONSTRUCTION: EXECUTING THE IDEA



Can we see, with reasonable confidence, a path to our desired return over 5 years ?

# POSITION SIZING: FUNCTION OF CONVICTION, UPSIDE/DOWN SIDE RISK, MATURITY OF COMPANY, LIQUIDITY

Position sizing approach		IRR est. (5 year rolling time horizons)			
Categorisation	Example	15%	18-22%+	25%+	30%+
Clear leader	Divis Labs	3-5%	5-10%	10-12%	12-15%
Clear leader - Lending business	Kotak Bank	3-5%	5-10%	10%	10%
Emerging leader- good liquidity	India Mart		3-4%	4-6%	6-8%
Emerging leader- poor liquidity	Neogen Chemicals		3-4%	4-5%	5-6%
Special Situations	Max Financial			3-5%	5%

“What you don’t know never kills you. Its what you think you know, for sure, that just ain’t so” - Mark Twain

# WE WILL ACT WHEN PRICES ARE IN FAVOUR: FUTILE TO FORECAST SHORT TERM MARKET DIRECTION

## What they said in 2020

23 Apr 2020

*Many equity bulls think it is inevitable that massive central bank liquidity will boost equity prices. This strikes me as ludicrous. The collapse in profits is highly likely to fatally undermine the argument that equities can look through the valley.*

**Albert Edwards**

31 Mar 2020

*The low we hit in the middle of March.... I bet that will get taken out... Take out the low of March and then we will get a more enduring low.*

**Jeff Gundlach**

4 Mar 2020

*The stock market is heading not only for another 50% correction (1600 on the S&P 500) but also a long L-shaped bottom rather than a quick V-shaped rebound which occurred after 2009.*

**David Stockman**

26 Mar 2020

*I continue to expect the S&P 500 to lose about 2/3 of its value over the coming years.*

**John Hussman**

24 Mar 2020

*With the Covid-19 pandemic still spiralling out of control, the best economic outcome that anyone can hope for is a recession deeper than that following the 2008 financial crisis. The risk of a new Great Depression, worse than the original, is rising day by the day.*

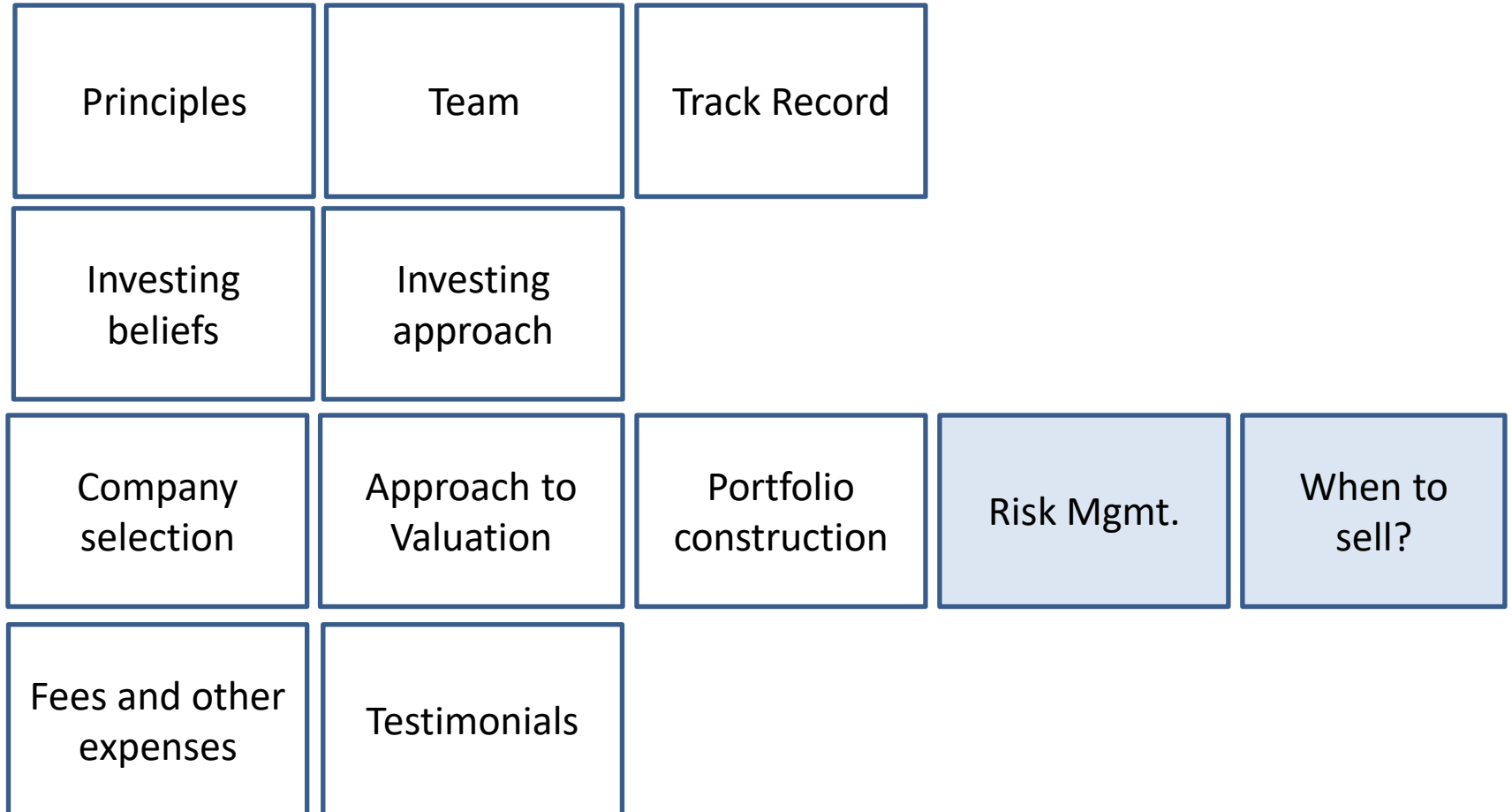
**Nouriel Roubini**

01 Apr 2020

*We're going to have the worst bear market in my lifetime!*

**George Soros**

# TOPICS



# OUR INVESTING PRINCIPLES AND BELIEFS

## Risk Management

### Buying Right

- Don't invest in what we don't understand
- Avoid complexity and poor governance
- Use check lists
- Position sizing - Increase size of bet with conviction and liquidity

### Constant vigil

- Track progress of Financial and Operating variables
- Track Capital allocation decisions of surplus cash flow
- Track valuations

### Selling Right

- When facts change that requires us to change our views
- When we encounter evidence that our analysis is wrong
- Exit/trim during euphoria – price at least 30% above our estimate of fair value
- Ability to re-allocate capital to a significantly better opportunity

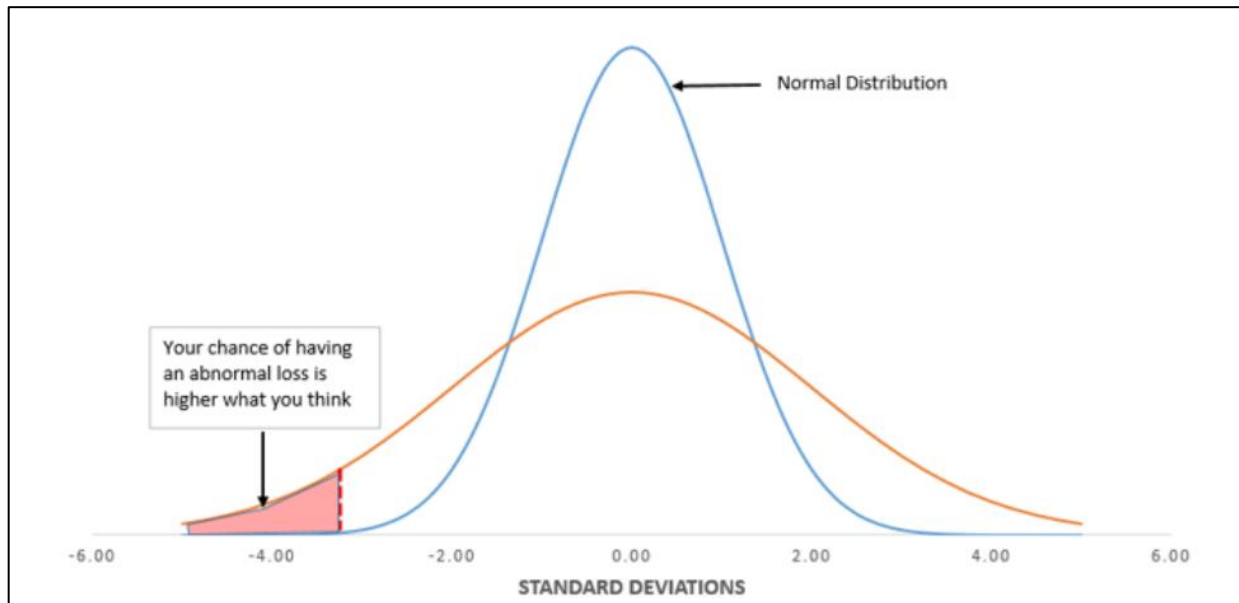


# RISK MANAGEMENT: INVESTMENT CHECK LIST

<b>GROWTH</b>	<ul style="list-style-type: none"> <li>• Large and growing opportunity + Benefitting from Secular tailwinds</li> <li>• No threat from disruption</li> </ul>			
<b>EDGE</b>	<ul style="list-style-type: none"> <li>• Favourable industry structure and eco system.</li> <li>• Right to win. Leadership or domination of a niche. Relative market share</li> <li>• Scarcity, permanence, dependability</li> <li>• <u>R</u>eflected in high ROCE.</li> <li>• High OCF generation – Capital light or can self finance growth</li> </ul>			
<b>MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• Long term orientation on a focused business definition</li> <li>• Capital allocation discipline. Balance sheet discipline</li> <li>• Past governance record + Direction of travel</li> </ul>			
<b>VALUATION</b>	<ul style="list-style-type: none"> <li>• Growth + Exit multiple = targeted IRRs. Time to close gap</li> <li>• Longevity of growth; durability of franchise, predictability of growth</li> </ul>			
<b>RISK MGMT.</b>	<ul style="list-style-type: none"> <li>• Understand sources of Fragility</li> <li>• Invest in what we understand + Position sizing</li> </ul>			
<b>EXIT STRATEGY</b>	<ul style="list-style-type: none"> <li>• Hold through corrections, Exit during euphoria</li> </ul>			
Desk research	Field visits	Mentorship from domain experts	Management meetings	Big Data

# WE CANNOT PROTECT YOU FROM TAIL RISKS

## Long Term Hedges Not Available, Short Term Too Expensive



### How to manage tail risks

- Diversification into to uncorrelated assets eg Venture Capital, Gold
- Cash in Liquid funds, so Equities don't need to be sold in distress
- Cash to take advantage of once in a decadal valuations eg Covid 19

# TAKING CASH CALLS IS FUTILE WHEN EVALUATED OVER LONG TERM

Taking cash calls is futile

- Even if perfectly right on entry and exit, low incremental impact on returns vs staying invested
- Only work if one is very early

Done regularly, will impact longer term returns

- Over long term, low odds of calling every down turn right without panicking at every tremor
- High possibility of confusing yourself and developing a trading mind set
- Risk of higher re entry prices, taxes etc.

However, no rigid ideologies ! We will modify our approach based on conditions.

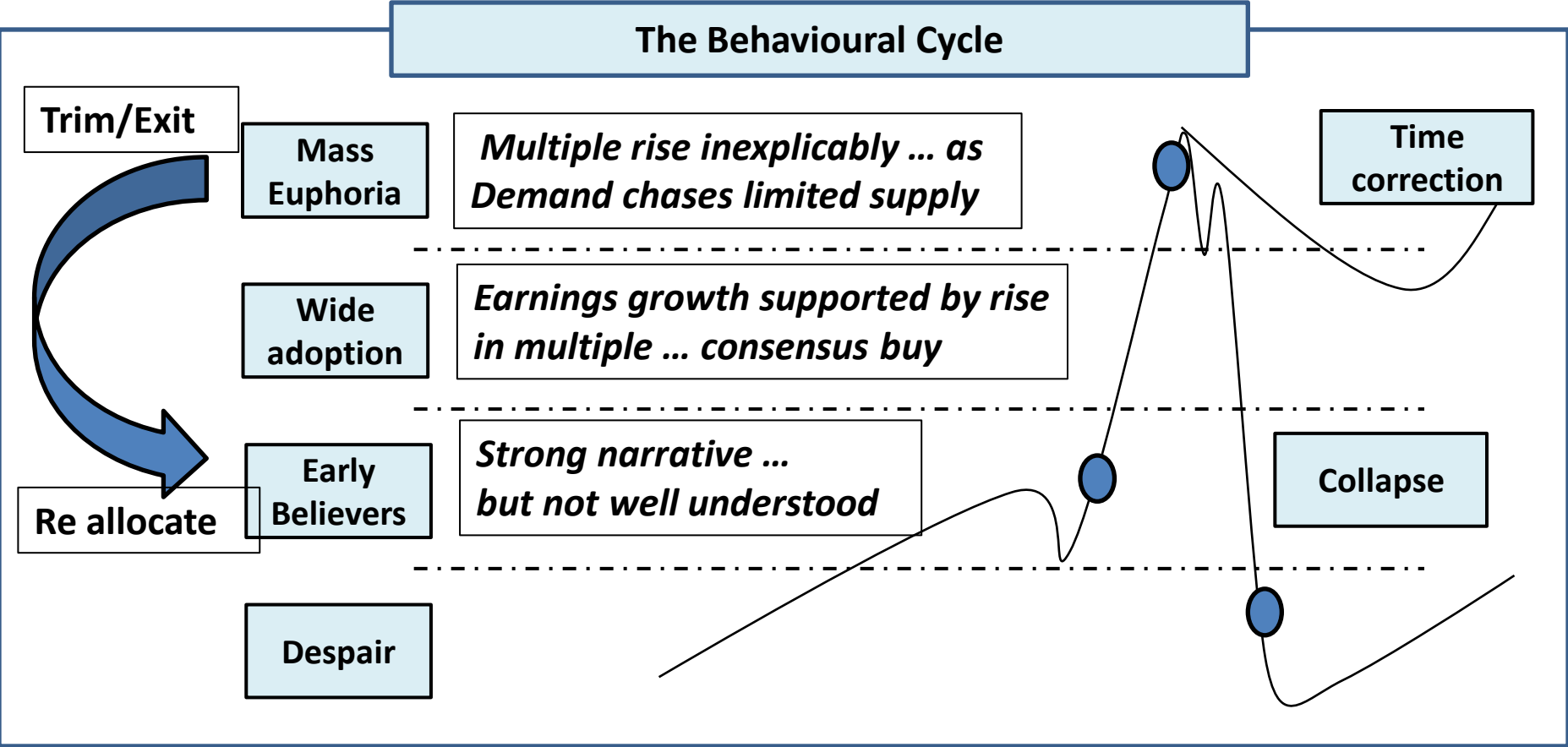
Scenario: 30% cash call and a 30% market draw down	
Starting Corpus	100
NAV per unit	10
Units	10
Cash call	30%
Cash generated	30
Cost of acquisition	15
Units sold	3
Units post Cash call	7
LTCG	11.96%
Tax	1.8
Effective Cash	28.2
Market draw down	-30%
Re entry - NAV	7.0
Re entry - New Units	4.0
Total units post re entry	11.0
<b>Status post 5 years</b>	
<b>No cash call</b>	<b>With cash call</b>
NAV at end	20
Units at end	10
Starting Capital	100
End Capital	200
<b>No cash call - total IRR</b>	<b>14.9%</b>
NAV at end	20
Units at end	11
Starting Capital	100
End Capital	221
<b>With cash call - total IRR</b>	<b>17.1%</b>

**Net Impact --> Assuming perfect entry and exit over 5 years** **2.3%**

# SOME CHURN IS DESIRABLE: SECTORS IN FAVOUR KEEP EVOLVING

	2009/10	2014/15	2016/17	2018/19	2020
<i>Euphoria</i>		Pharma		Consumer	Consumer
				NBFC	Spec Chem
<i>Wide Adoption</i>			Consumer	Spec Chem	Life Insurance
			NBFC		Pharma
<i>Early believer</i>	Pharma	Consumer	Spec Chem		
		NBFC		Life Insurance	
<i>Despair</i>	Consumer	Spec Chem	Utilities	Utilities	Utilities
				Pharma	
<i>Collapse</i>	Utilities		Pharma		NBFC

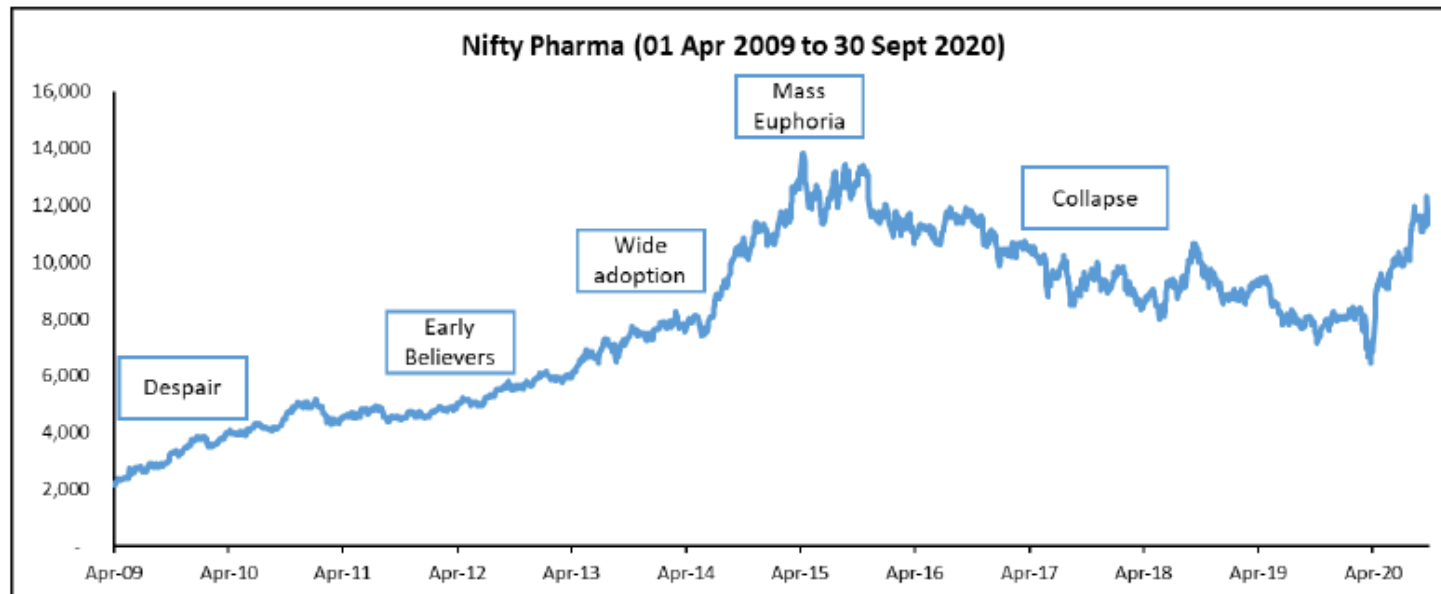
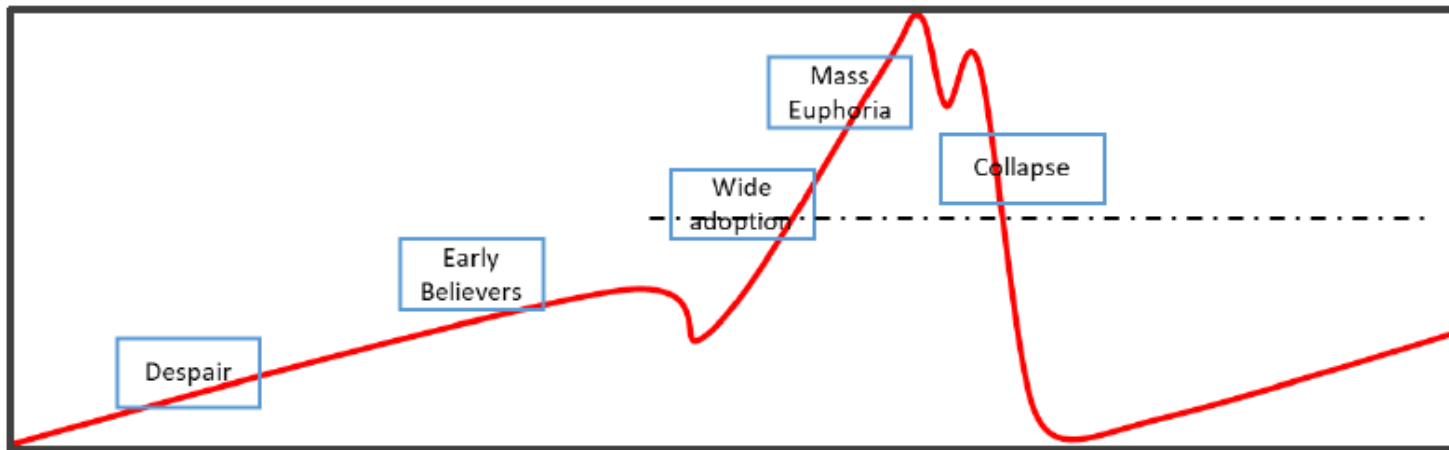
# WHERE IS THE COMPANY IN THE BEHAVIOURAL CYCLE



# RISK MANAGEMENT: ONE SHOULD EXIT ON VALUATION EXCESSES



# RISK MANAGEMENT: ONE SHOULD EXIT ON VALUATION EXCESSES



# TOPICS





# OUR FEE OPTIONS

AUM Invested with us		2 to 5 Cr	5 to 10 Cr	10 to 20 Cr
Fixed		2%	1.50%	1.50%
Semi Variable	Fixed fee	1%	1%	1%
	Hurdle rate	12%	12%	12%
	Profit share above hurdle	20%	20%	15%
Variable	Fixed fee	0%	0%	0%
	Hurdle rate	8%	8%	8%
	Profit share above hurdle	20%	20%	20%
Brokerage/GST; Additional 4 bps to Kotak for custody and fund accounting				

# TESTIMONIALS

"I have known Manish for over 15 years now. His firm, Solidarity, have been my Investment Advisers for over six years now, and they have done a superb job. Solidarity is a value investor and their returns have been outstanding. Even more importantly, I admire their focus on following the right process. They do not churn the portfolio, and they ensure our interests are aligned. They are transparent and I trust Manish completely. I like the way he is willing to teach me, and I have learned a lot from him and his team !"

*Dr Aniruddha Malpani*

"My base criteria for selecting an advisor are trust, fairness & customer centricity. In my experience, so far, with Solidarity is that they come of tops on these. This is why I am continuing to trust them with more money"

*Mr Pravin Gandhi, Founder Seedfund*

I have known Manish for over 10 years, from the time he was with Rare enterprises. We were on the Board of a company for a few years. I had found his stand very focussed on the issue and always looking at what would be in the best interest of the Company and not get swayed by pressures of promoters or other vested interest. He was always analytical and logical in his approach and presented his view in a coherent manner. My family has entrusted its investment after detailed discussions with Manish. His logical approach, based on fundamentals of the company is what impressed us the most. This with the transparent and customer focussed way of dealing with us, was what convinced us that we were dealing with the right person. The recent webinar also demonstrated to us that he has a team that is aligned with him in terms of values, approach and clarity of thought. Solidarity is also candid to admit any error of judgement, which to our family is a huge comfort factor. We are committed to increase our funds to deployed by Solidarity

*Mr Shyam Sunder Suri*

# CONTACT

**Manish Gupta**

Chief Investment Officer

M: +91 9819517614

[mg@solidarity.in](mailto:mg@solidarity.in)

**Manjeet Buaria**

Principal

M: +91 9833014949

[mb@solidarity.in](mailto:mb@solidarity.in)

**Anirudh Shetty**

Principal

M: +91 9930003966

[as@solidarity.in](mailto:as@solidarity.in)

**Naarah Pereira**

Head of Operations

M: +91 9920890191

[np@solidarity.in](mailto:np@solidarity.in)