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

About us

Team

Track Record

Investing  
approach

Right for you?

Company  
selection

Approach to  
Valuation

Portfolio  
construction

Risk Mgmt.

When to  
sell?

Fees and other  
expenses

Testimonials

# ABOUT US

## Our intent

- Build the most trusted and partner centric AMC in India
- Profits with purpose

## Our strategy

- Single product “Prudence”: (Multi Cap, 5 year time horizons, low churn)
- Strong process orientation and culture that encourages first principles based independent thinking
- Endeavour to ensure alignment with partners we sign up
- Offer a great client experience. Hence, minimum 2.5 Cr ticket per family
- Transparency and frequent communication.

## Progress

- ~1400 Cr AUM across ~160 families
- ~8% outperformance over NSE 500 (rolling 5 years)
- Zero disputes/commercial disagreements with partners since inception

# 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	8+ years
Manjeet Buaria	Partner	CA, CFA	10+ years	7+ years
Anirudh Shetty	Sr Principal	CA, CFA	6+ years	6+ years
Naarah Pereira	Partner and Head of Operations	BBA, MCOM	NA	7+ years
Zahid Bhagwan	Analyst	CFA	2+ years	<1 year
Aman Thadani	Analyst	CFA	2+ years	<1 year
Pratik Jain	Analyst	MBA	NA	< 1 year
Prachi Sawant	Office Manager	PGDFM, BCOM	NA	2+ year

# PERFORMANCE HISTORY POST FEES

Aggregate across all partner accounts					
Performance (in TWRR)	1 Year	2 Year	3 Year	5 Year	Since Inception <sup>^</sup>
SOLIDARITY	-1.3%	30.3%	27.6%	21.48%	<b>20.3%</b>
NIFTY	3.7%	24.9%	17.2%	12.36%	<b>13.7%</b>
NIFTY500	5.3%	27.9%	19.5%	12.00%	<b>14.2%</b>

Data as of 31 Aug 2022

<sup>^</sup> From 11 May 2016 -Start date of PMS License

Solidarity performance is net of all fees & expenses

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

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# OUR INVESTMENT STRATEGY

1. We buy well run companies, with secular tail winds supporting growth at a broadly fair price.
2. We optimize for 5-year time horizons. No chasing what is hot in the short term
3. We are comfortable with some “illiquidity” in the portfolio as one needs to hunt in spaces that Large funds are not interested in to create Alpha. Hence, we construct Multi cap portfolio to balance stability with faster growth.
4. We want compounding and hence our bias is let positions compound and we will tolerate some over valuation.
5. We trim/sell when valuations turn euphoric to re-allocate to better opportunities.

# SOME ADDITIONAL ASPECTS OF OUR APPROACH

Think on first principles; no guru worship

Our definition of success

- Outperform the Index by 3% per annum post fees over rolling 5 years
- Transparency to partners on process; no surprises

We believe in the power of compounding/resilience and hence buy Leaders with strong tail winds of growth

- ~50% of the portfolio in Clear Leaders
- ~ 40-50% of the portfolio in Emerging Leaders

However, we avoid rigid ideology as “at the right price, every asset is AAA”

- Max 10% allocation for Special Situations (strong price/value divergence)
- Seldom used as it does not suit our temperament. However, need flexibility

Multi cap approach for portfolio construction to balance stability with quest for Alpha

- Its hard to generate Alpha by following an exclusive Large Cap strategy;
- Small/Mid caps poorly researched. Offer better opportunity for Alpha



# SOME ADDITIONAL 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

No cash calls based on macro events

- Cash calls provide emotional short term relief
- The odds are against you in the long term (taxation, re entry risks, mistaking a correction for a major event)
- We accept draw downs as integral part of compounding process that cannot be wished away

We believe in “good churn”

- We are allocators of capital; not permanent owners of businesses
- Our bias is to let positions compound
- However, successful investing needs to recognize greed
- Hence, we will sell when we encounter behavioural excesses

# SOME ASPECTS OF OUR APPROACH

## Number of positions

- 15-20 positions with ~3% minimum position size

## Position sizing

- Size positions based on maturity of business model and upside possible
- Position sizes can vary between 3% and 15%

## Risk Management

- Buy right – avoid poor governance and excess leverage
- Volatility is not risk (Sharpe ratio is not a useful tool)
- Manage liquidity risk through lower position sizes
- Constant tracking

# ARE WE RIGHT FOR YOU?

What risk return curve are you riding?

What is your trade off between long term performance and short-term Volatility ?

How will you measure success?

“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*

'You have your way. I have my way. As for the right way, the correct way, and the only way, it does not exist”

*Friedrich Wilhelm Nietzsche*

# ARE WE RIGHT FOR YOU?

## The ideal client (partners) for us

Who appreciate process discipline, transparency and not just focus on outcomes

Are patient: minimum 5-year time horizon

Mutual respect – we cannot control the direction of the wind, and can only adjust the sails

Appreciate volatility is opportunity, not risk

Minimum 2.5 Cr investment size per family

## What we promise

100% CIO skin in the game – complete alignment of positions

Customized portfolios

No exit loads/no lock in

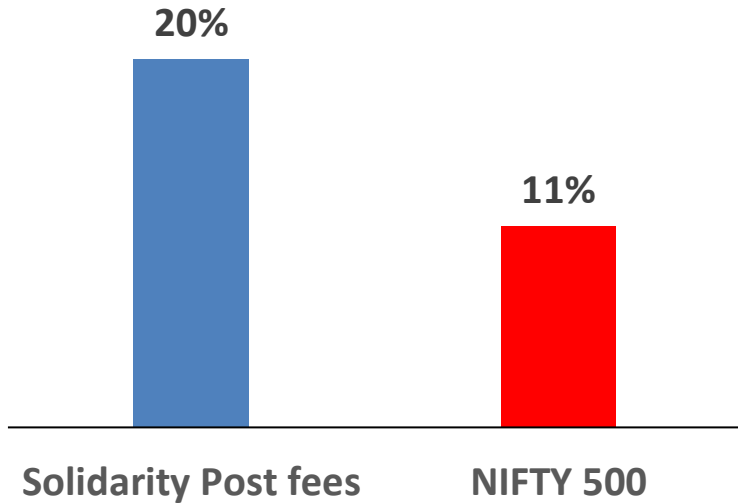
Zero fixed fee pricing option

Transparency

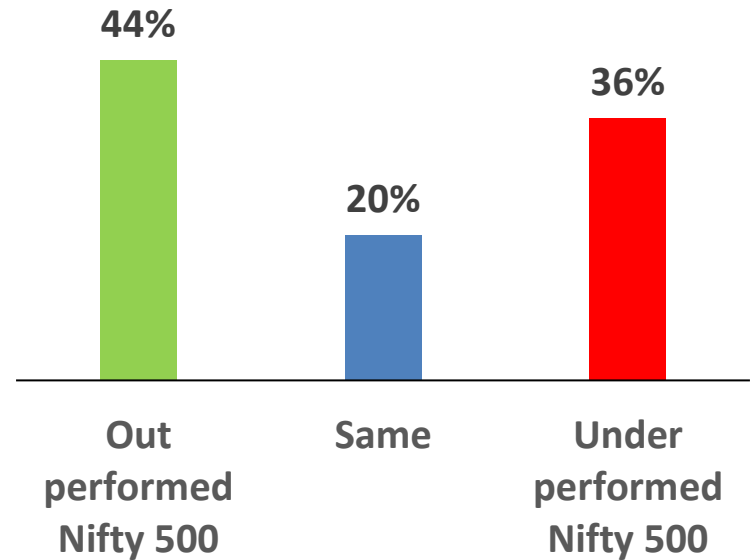
- Detailed Q Letters
- Quarterly review calls (group)
- Personalized review every Quarter (>15 Cr)

# NO PROCESS WILL BE A SUPERIOR IN EVERY TIME HORIZON

**TWRR Last 5 years: SOL VS NIFTY 500**



**Last 25 quarters: SOL vs NIFTY 500**



Data as of 30 Jun 22

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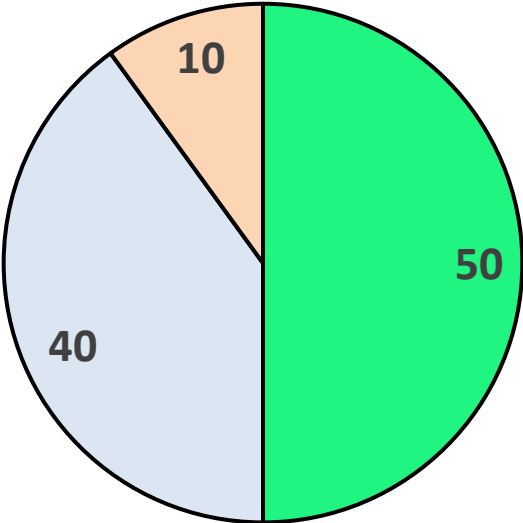
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# OUR APPROACH IS TO BUY GREAT COMPANIES, WITH SOME ROOM FOR EXPERIMENTATION



- Clear Leaders
- Emerging Leaders
- Special Situations

## CLEAR AND EMERGING LEADERS: 90% Allocation

“Great/Good companies at a broadly fair price”

## SPECIAL SITUATIONS: Max 10% Allocation

“At the right price, everything is AAA”

# WHAT CATEGORY WOULD WE LIKE TO OWN IT IN?

## CLEAR LEADERS

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

~50-60% 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

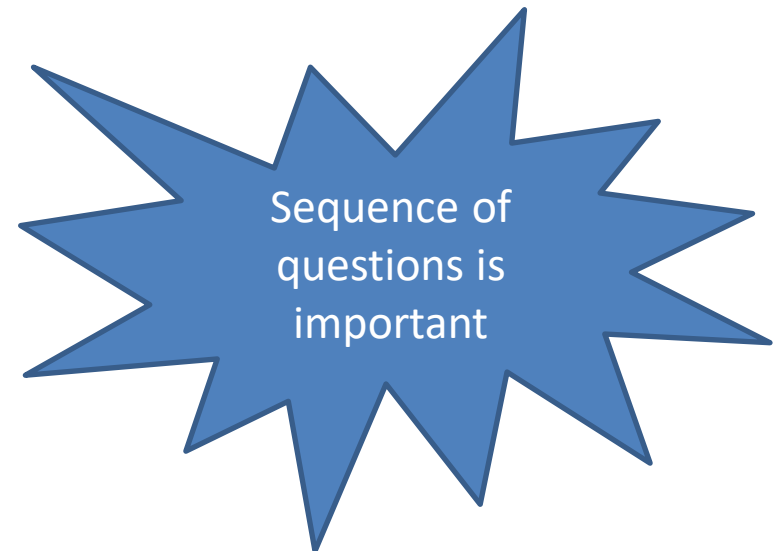
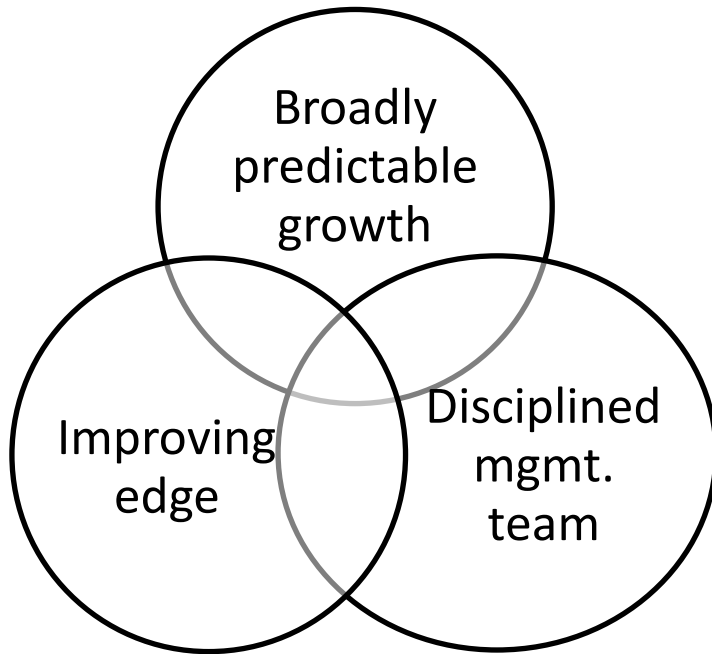
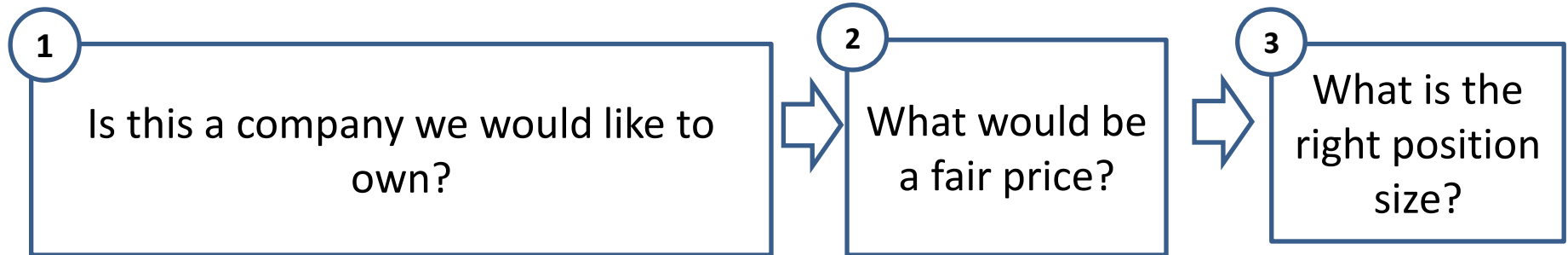
- Business undergoing temporary uncertainty
- Not sure whether it is a compounder at present; but
- High price value divergence
  
- 25%+ IRR ask

~0-10% allocation

When opportunities in the core not available, upside is huge

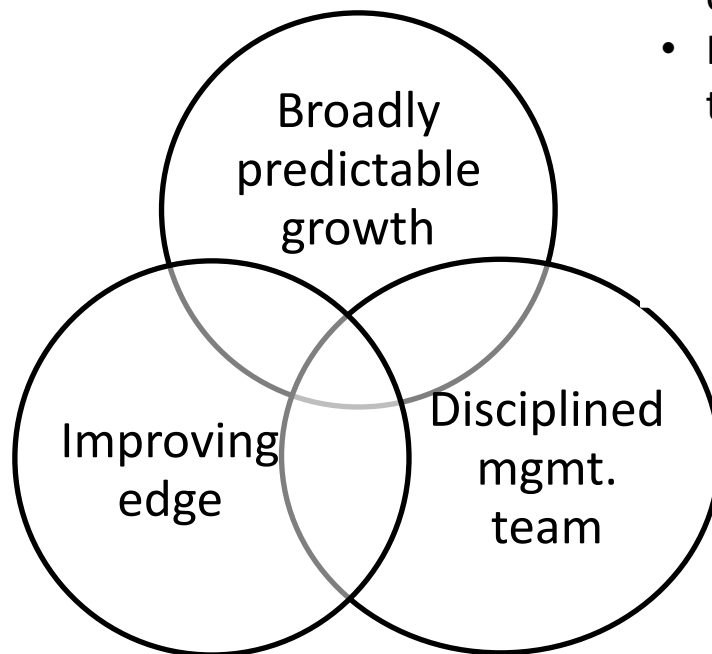


# CORE APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE



# IS THIS A COMPANY WE WOULD LIKE TO OWN?

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



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

- Focus on few business lines
- Disciplined on Capital Allocation
- Prudent use of leverage
- Learning organization

# 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

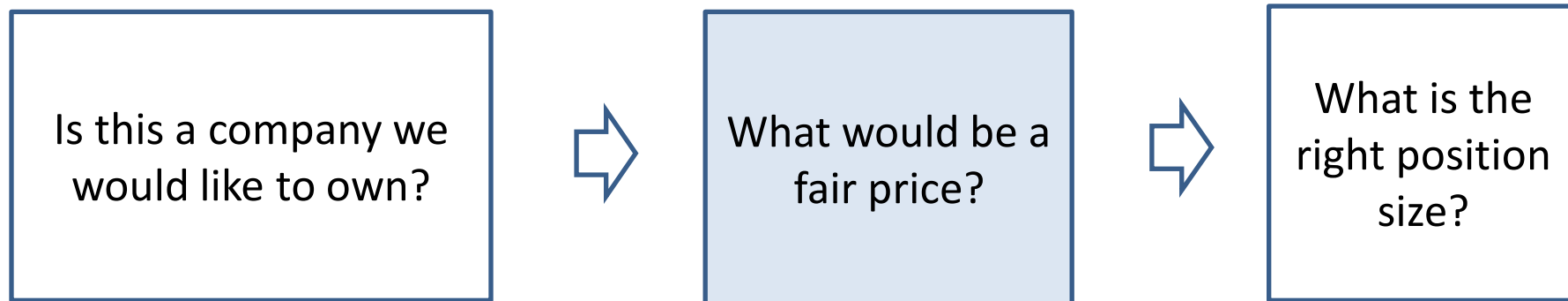
We have ~75 companies at present of interest

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



Valuation is both art and science. We believe in being broadly correct, rather than aim for precision

## Tools used

- Qualitative: where are in the growth life cycle, Optionality/longevity in business model, behavioural cycle?
- Quantitative: DCF– Cost of Capital, Growth, ROE, longevity
- Wisdom of crowds

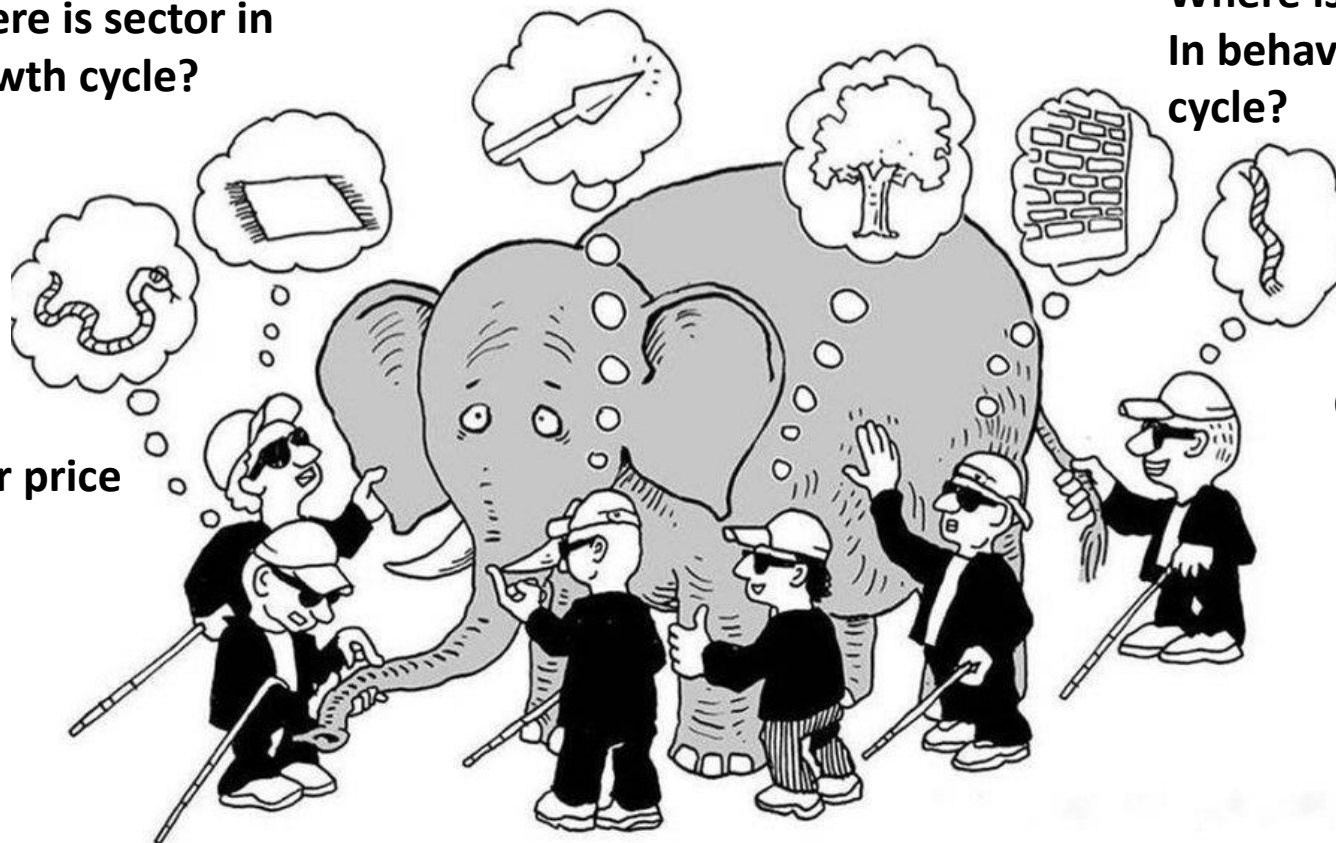
# ONE MUST USE ALL SENSES TO BROADLY ESTIMATE FAIR VALUATIONS

First Principle DCF

Wisdom of crowds

Where is sector in Growth cycle?

Where is company In behavioural cycle?



Quality Cos at broadly fair price

Upside from Optionality?

# WE NEED TO BUY AT PRICES THAT ARE BROADLY FAIR

What we want to own !

HOLY GRAIL

Quality traps

Value trap

Rigged counters

## Fundamentals:

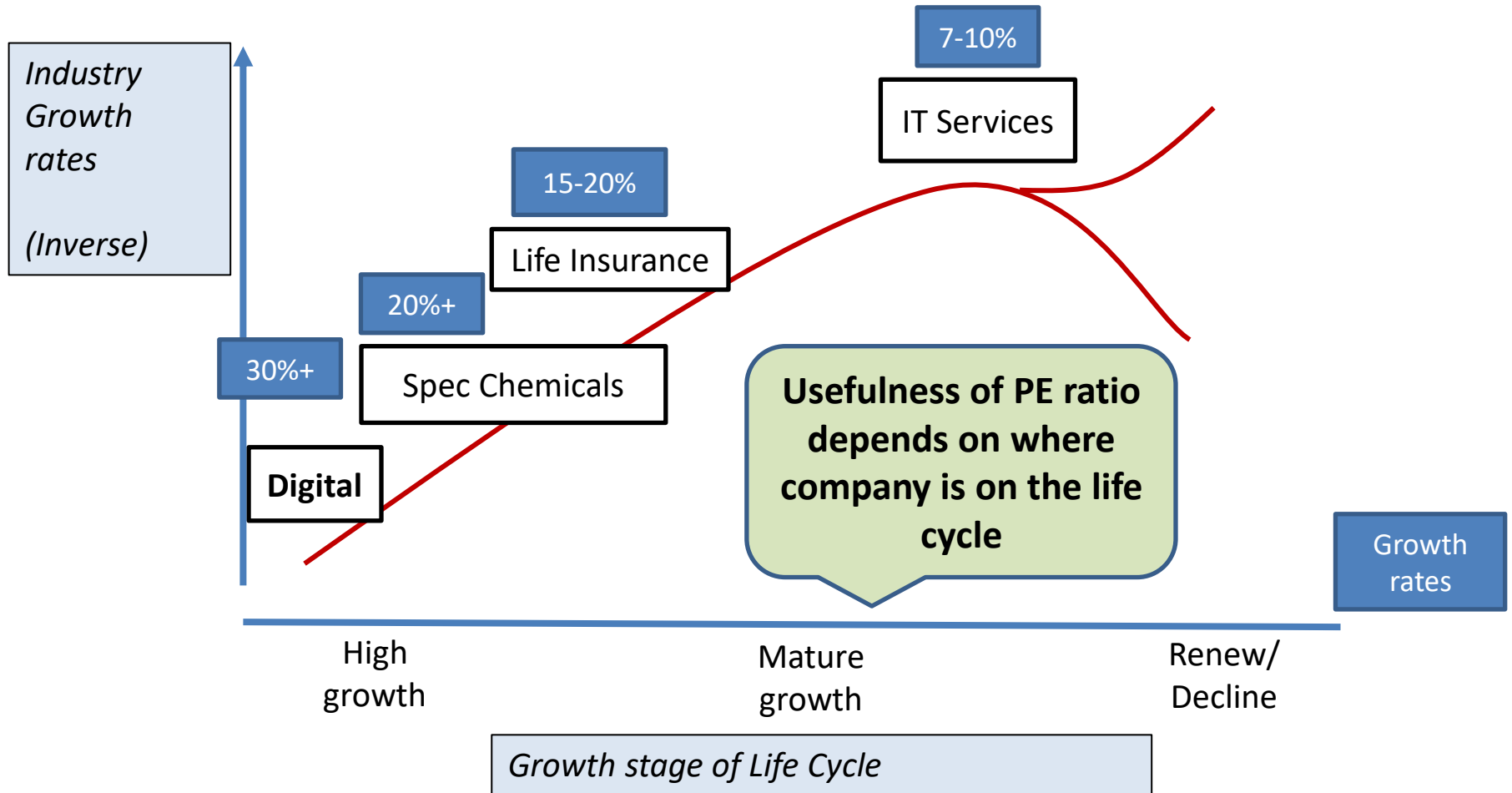
- Expected earnings trajectory
- Quality of franchise

*Deep  
Pessimism*

*Significant  
optimism*

What expectations are being priced in?

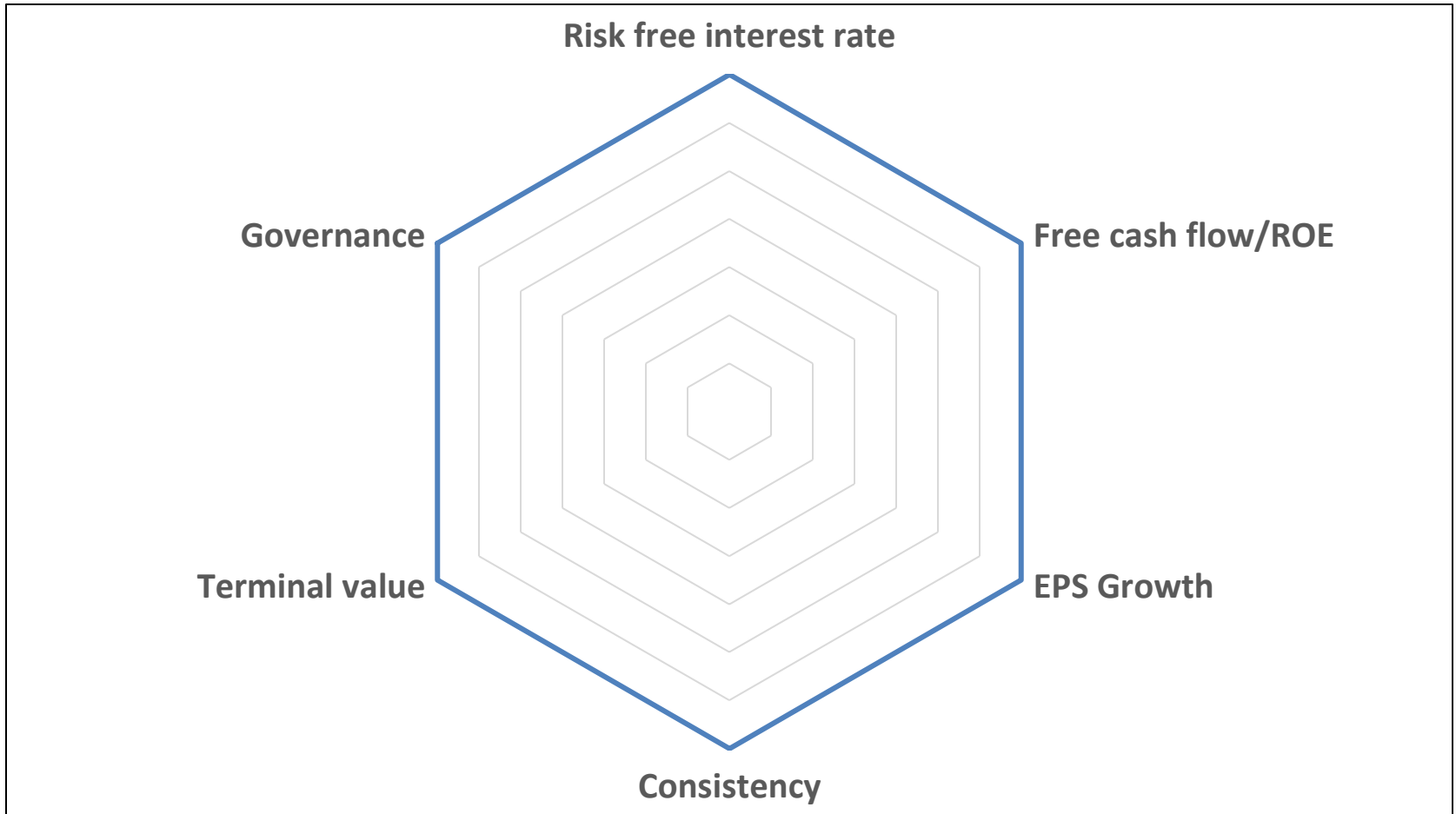
# WHERE IS EACH SECTOR IN THE GROWTH LIFE CYCLE?



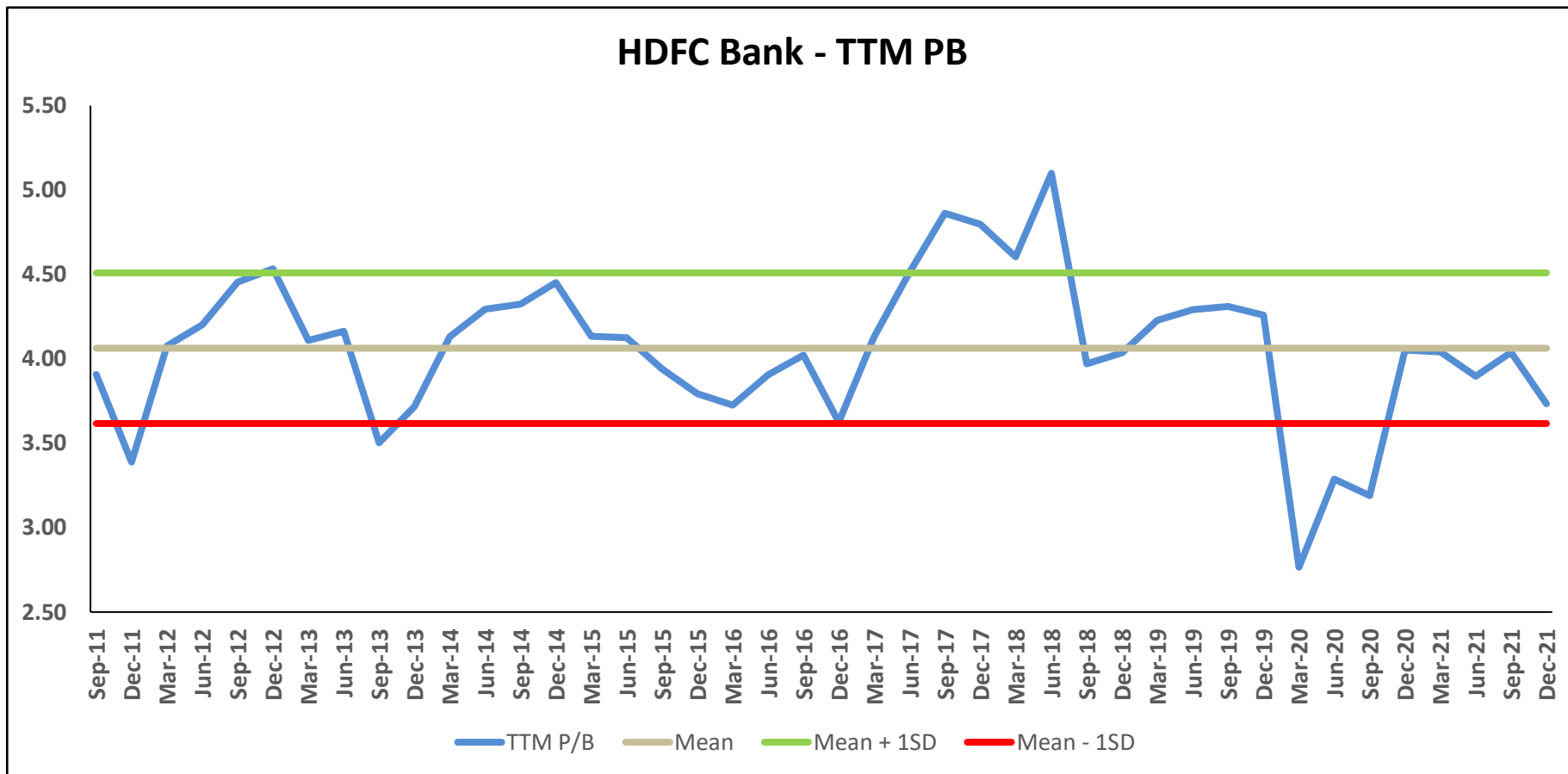


# FAIR VALUATIONS: FIRST PRINCIPLES

## Analytical Construct

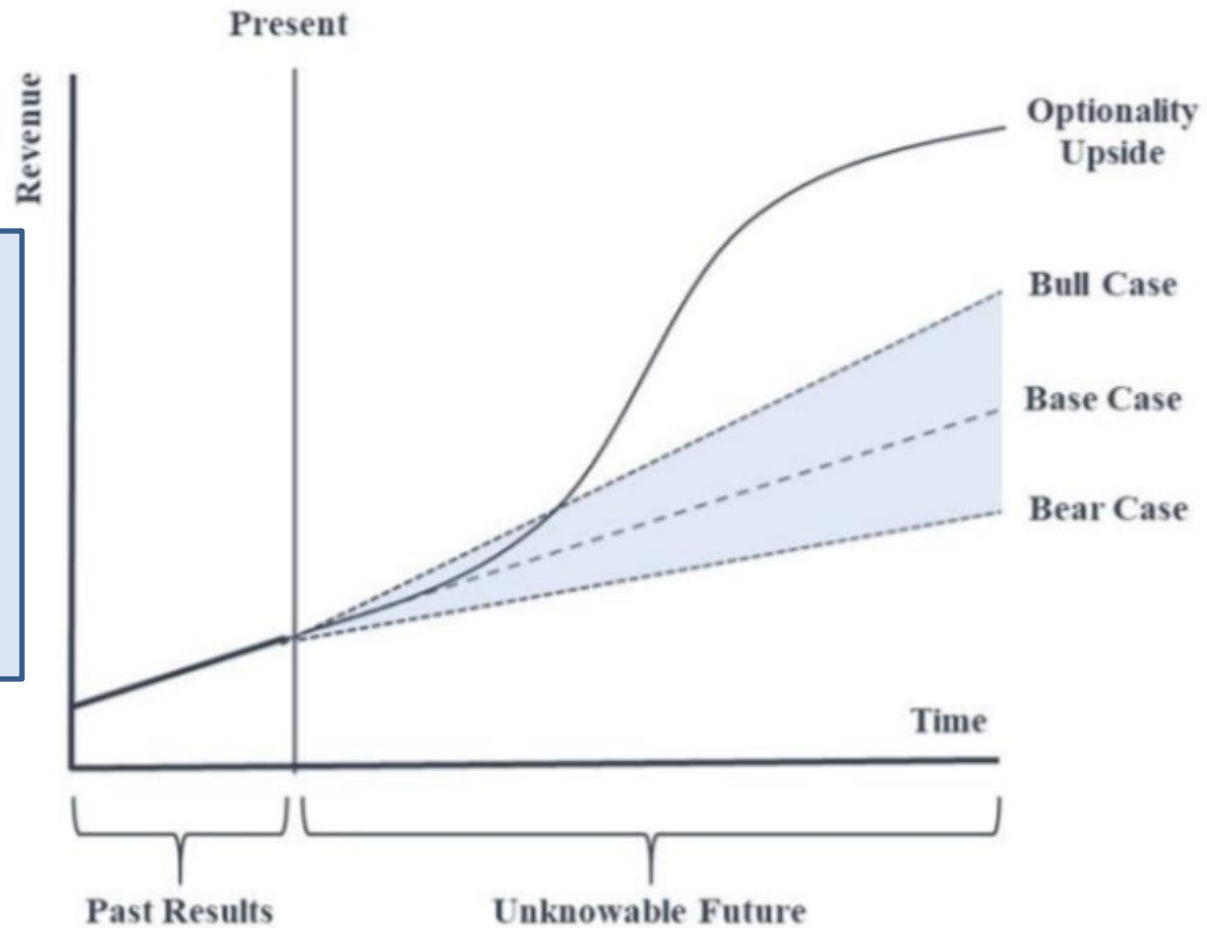


# WE BELIEVE IN MEAN REVERSION OF VALUATION MULTIPLES TO FAIR VALUE OVER TIME



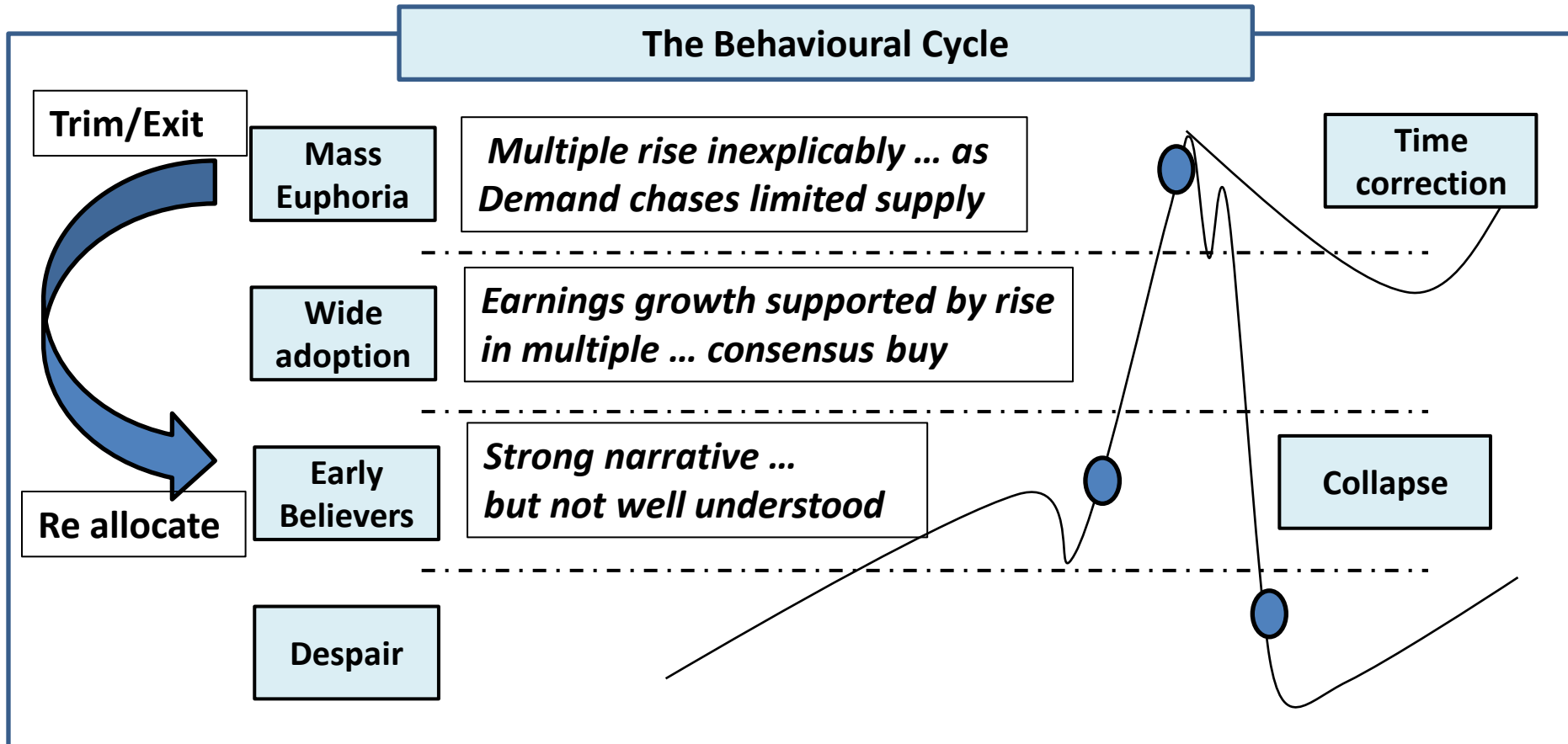
# DOES THE COMPANY HAVE OPTION VALUE?

**DCF has limitations**



Source: ShawSpring Partners

# WHERE IS THE COMPANY IN THE BEHAVIOURAL CYCLE ?



# APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE

Is this a company we would like to own?



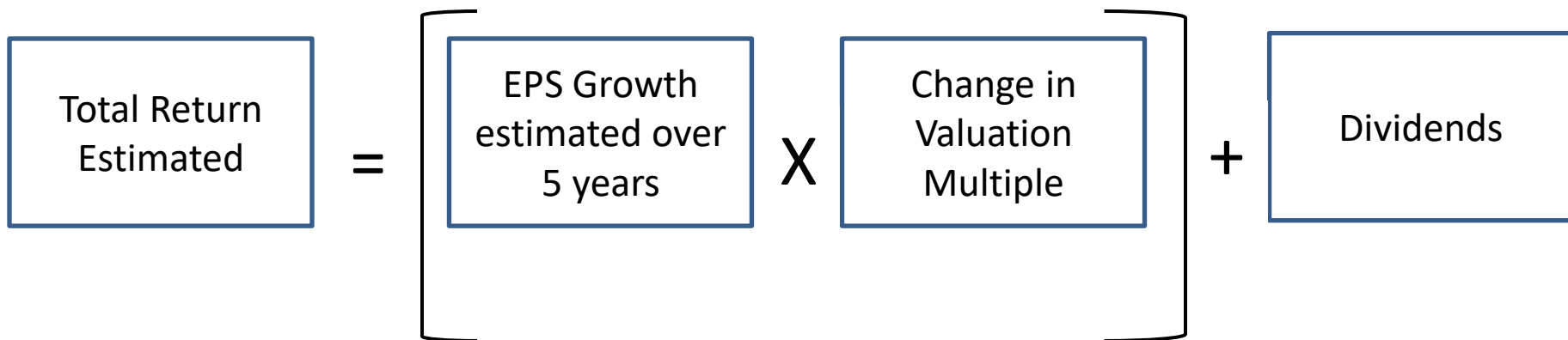
What would be a fair price?



What is the right position size?

- What bucket?
  - Clear Leader
  - Emerging Leader
  - Special Situations
- Liquidity
- Initial position size
- When to add

# 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)			
		12-15%	15-18%+	18-25%	25%+
<b>Categorisation</b>	<b>Example</b>				
Pristine clear leaders	Divis Labs	3-4%	5-8%	8-10%	10-15%
Clear leader	Bharti Airtel	N/A	3-5%	5-10%	10-15%
Clear leader - Lending business	ICICI bank	N/A	3-5%	5-8%	8-10%
Emerging leader-good liquidity	Neogen chemicals	N/A	N/A	3-5%	6-8%
Emerging leader-poor liquidity	Mayur Uniquoters	N/A	N/A	3-5%	5-6%
Special situations	ITC	N/A	N/A	3-5%	

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

# 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

## GROWTH

- Large and growing opportunity + Benefitting from Secular tailwinds
- No threat from disruption

## EDGE

- Favourable industry structure and eco system.
- Right to win. Leadership or domination of a niche. Relative market share
- Scarcity, permanence, dependability
- Reflected in high ROCE.
- High OCF generation – Capital light or can self finance growth

## MANAGEMENT

- Long term orientation on a focused business definition
- Capital allocation discipline. Balance sheet discipline
- Past governance record + Direction of travel

## VALUATION

- Growth + Exit multiple = targeted IRRs. Time to close gap
- Longevity of growth; durability of franchise, predictability of growth

## RISK MGMT.

- Understand sources of Fragility
- Invest in what we understand + Position sizing

## EXIT STRATEGY

- Hold through corrections, Exit during euphoria

Desk research

Field visits

Mentorship from  
domain experts

Management  
meetings

# RISK MANAGEMENT: ONE SHOULD EXIT ON VALUATION EXCESSES



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## OUR FEE OPTIONS

Principal infused		2.5 to 5 Cr	5 to 10 Cr	10 to 25 Cr	25 to 50 Cr
Fixed	On NAV	2%	1.75%	1.5%	1.25%
Semi Variable (profit share drawn after 3 yrs)	Fixed fee on NAV	1%	1%	1%	1%
	Hurdle rate pre tax	12%	12%	12%	12%
	Profit share above hurdle rate	20%	17.5%	15%	12%
Variable (profit share drawn every yr)	Fixed fee	0%	0%	0%	0%
	Hurdle rate pre tax	8%	8%	8%	8%
	Profit share above hurdle rate	20%	20%	20%	17%

Brokerage/GST at actuals. Additional 2bps for Custody & 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**

Partner

M: +91 9833014949

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

**Anirudh Shetty**

Senior Principal

M: +91 9930003966

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

**Naarah Pereira**

Partner & Head of Operations

M: +91 9920890191

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

<b>5 Year Rolling Returns</b>		
<b>Large Cap Funds</b>	<b>As of 28 Feb 2022 AUM (Rs. Crore)</b>	
Axis Bluechip Fund Gr	16.98	34,069.34
Canara Robeco Bluechip Equity Reg Gr	15.89	6,141.93
<b>IISL Nifty 50 TR INR</b>	<b>15.03</b>	
Mirae Asset Large Cap Reg Gr	14.26	30,348.97
UTI Mastershare Unit Reg Gr	13.89	9,371.44
Edelweiss Large Cap Gr	13.74	308.93
Baroda BNP P Large Cap Gr	13.70	1,213.09
ICICI Pru Bluechip Gr	13.70	30,387.79
Invesco India largecap Gr	13.54	523.40
Kotak Bluechip Reg Gr	13.26	3,761.73
IDFC Large Cap Gr	13.15	976.15
LIC MF Large Cap Gr	12.88	637.58
IDBI India Top 100 Equity Gr	12.76	554.48
Nippon India Large Cap Gr	12.52	10,654.36
SBI Bluechip Reg Gr	12.51	30,679.47
HSBC Large Cap Equity Gr	12.32	765.62
Tata Large Cap Gr	12.28	1,108.73
L&T India Large Cap Fund Gr	12.03	695.33
Aditya BSL Frontline Equity Gr	11.98	21,004.00
HDFC Top 100 Gr	11.42	20,456.50
Navi Large Cap Equity Gr	10.90	100.81
Franklin India Bluechip Gr	10.80	6,322.75
PGIM India Large Cap Gr	10.68	343.79
JM Large Cap Gr	10.49	48.34
Indiabulls Blue Chip Gr	10.31	94.90
DSP Top 100 Equity Reg Gr	9.31	2,583.43
Taurus Largecap Equity Gr	8.26	31.74