A black and white photograph of a modern interior space. The background features a wall of dark, rectangular tiles. In the center, there is a white, multi-tiered bookshelf with a central white cabinet door. The shelves are filled with books and decorative items. In the foreground, two dark-colored armchairs with cushions are positioned on either side of the bookshelf. To the right, there are several potted plants. The overall atmosphere is clean and professional.

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
- By focusing on long term outcomes with clients who think long term

Our strategy - Win long term

- Work with clients with whom there is alignment in thought process
- Focus on good process
- Be ruthless in recognizing and acting on mistakes
- Build a winning culture - encourage debate, respect dis-agreements, promote from within, share rewards with team like a true partnership

Our offering

- Single product “Prudence”: (Multi Cap, 5 year time horizons, low churn)
- Offer a great client experience. Hence, minimum 2.5 Cr ticket per family
- Transparency and frequent communication.

Progress

- ~1500 Cr AUM across ~170 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 Jhunjunwala (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	6+ years
Dinesh Gianchandani	Manager- Operations	CA	NA	<1 year
Aman Thadani	Analyst	CFA	2+ years	>1 year
Zahid Bagwan	Analyst	CFS	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^
SOLIDARITY	-9.7%	12.8%	18.7%	15.3%	17.5%
NIFTY	1.9%	13.8%	13.9%	9.9%	12.7%
NIFTY500	0.1%	15.0%	14.8%	9.0%	12.9%

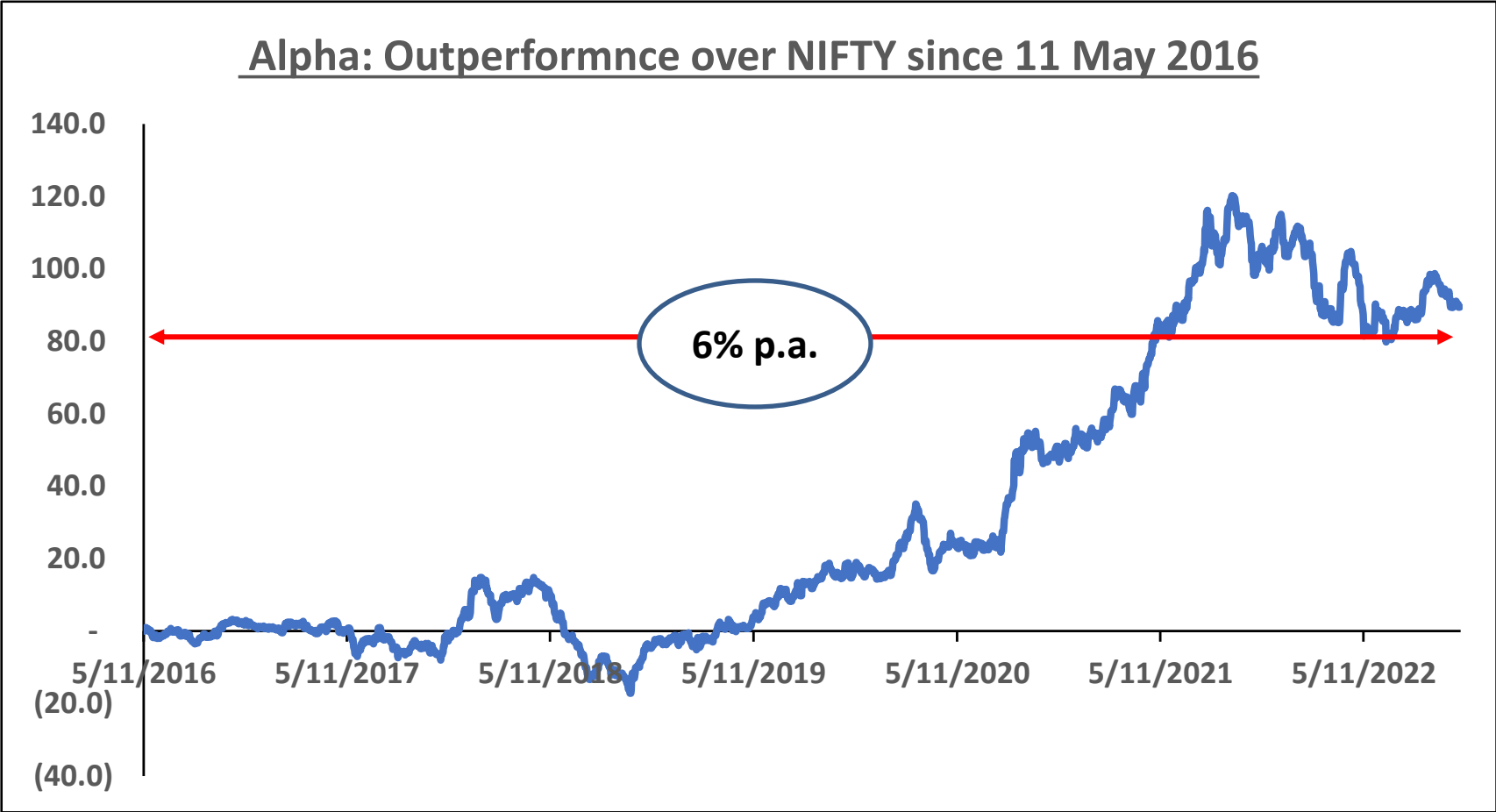
Data as of 31 Jan 2023

^ 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

ALPHA TRAJECTORY POST FEES AND EXPENSES



TOPICS

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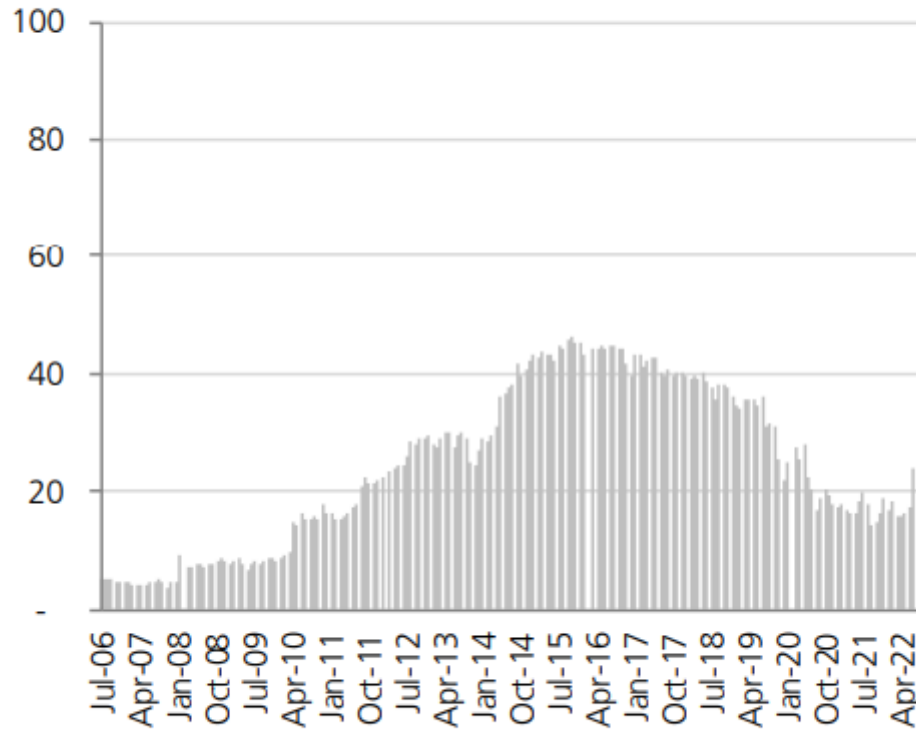
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expenses

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IT IS GETTING HARDER TO CREATE ALPHA

Exhibit 66: Sharp decline in outperforming funds
Percentage of funds outperforming benchmark based on 5Y returns, July 2006-May 2022 (%)



Source: Bloomberg, ACE MF, Kotak Institutional Equities

HOW DOES ONE PUT ODDS IN FAVOUR OF CREATING ALPHA?

Hard factors

Think in Long Time horizons. Be willing to concede the short term.

Ability to fish where others cannot

- Ability to embrace some illiquidity in small/mid caps
- Calibrated pace of growth

Navigating greed and fear

- Mastering the behavioural cycle.
- Being able to spot Optionality in valuing companies

Soft factors

Ability to stay the course when things are not going well

- Clarity of thought/conviction
- Client selection

Firm culture

- Invest basis our beliefs, not what will sell
- Emphasis on process over outcomes
- Remove fear of failure – courage to be anti consensus
- Incentive design

LARGE GAP BETWEEN WHAT PEOPLE SAY AND DO

Most people claim to think long term



Manish Gupta @MGSolidarity · Nov 13

Equities: How would you choose between ideas if you had equal conviction. A is a weak business model and carries re-investment risk. B is a better run company in same industry. 4-6x in 10 yrs is 15-18% IRR.

A: Could be +35% in 1 yr 22.6%

B: Could be 4-6x in 10 yr 77.4%

332 votes · Final results

Yet,
Over 50% of MF
Assets are less
than 2 yr vintage !



Manish Gupta @MGSolidarity · Nov 13

What time frame do you use to measure fund manager performance?

1 Yr or less 7.9%

3 years 32.1%

5 years 39.7%

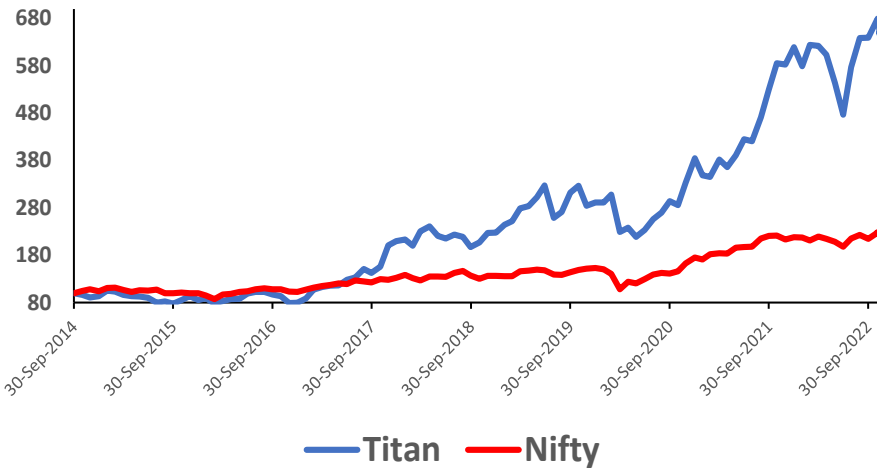
Evaluate process. 10 Yr+ 20.2%

302 votes · Final results

NEED TO STAY IN YOUR LANE WHEN THINGS ARE NOT WORKING FOR YOU

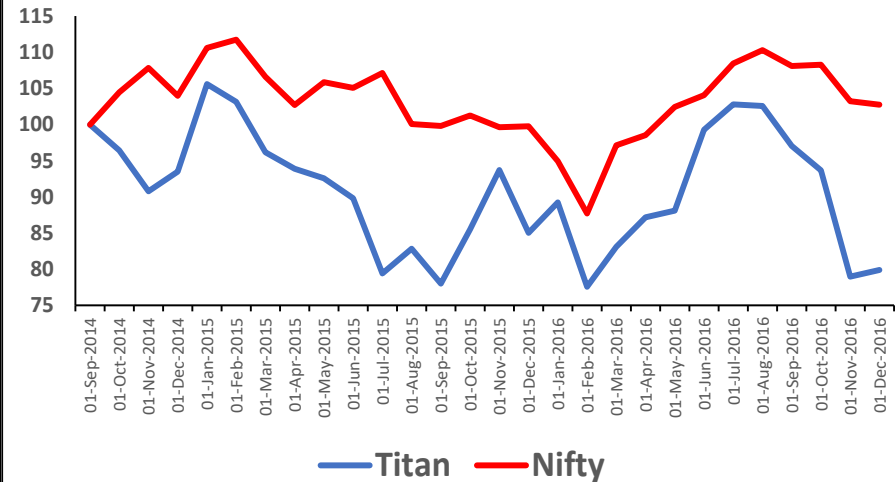
To achieve this ...

TITAN vs NIFTY: Sep 2014 to Dec 2022



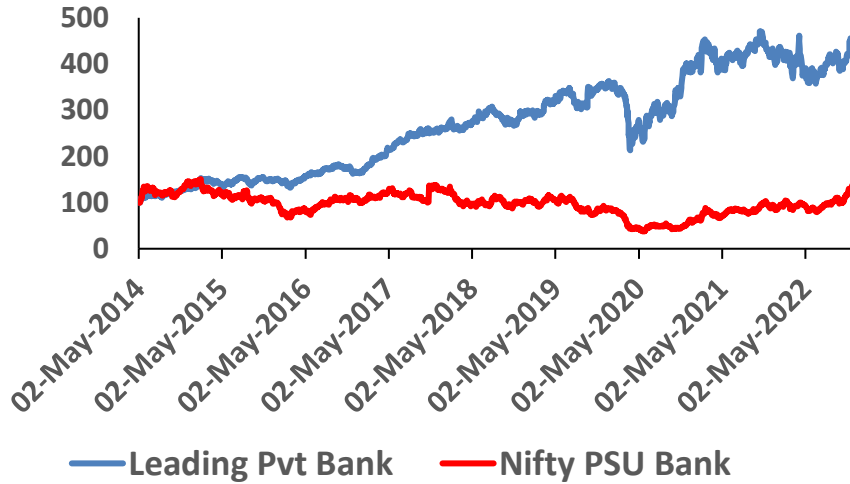
... One needs to tolerate this

TITAN vs NIFTY: Sep 2014 to Dec 2016

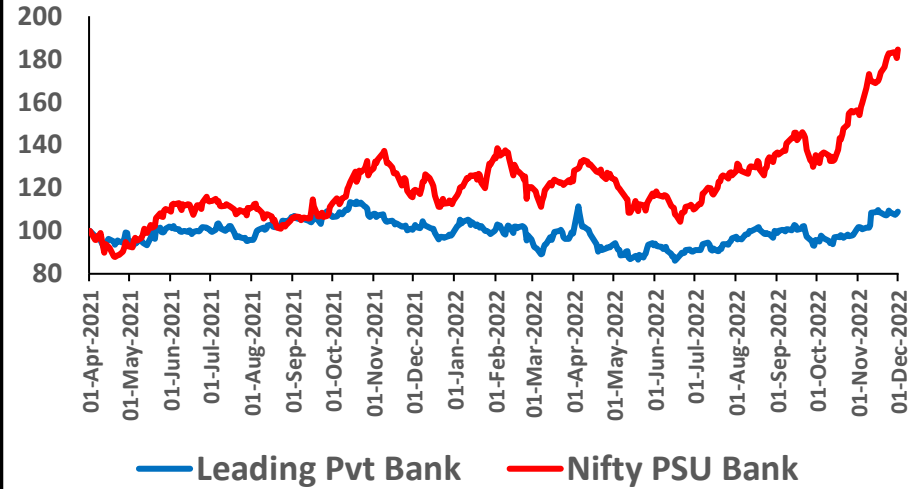


TOUGHEST THING – STAYING WITHIN YOUR FRAMEWORK, RATHER THAN BEING OPPORTUNISTIC

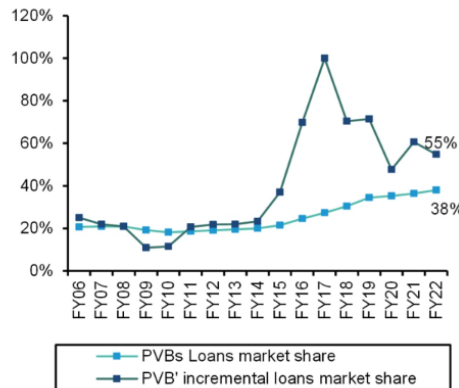
Leading Pvt Bank vs Nifty PSU Bank



Leading Pvt Bank vs NIFTY PSU Bank

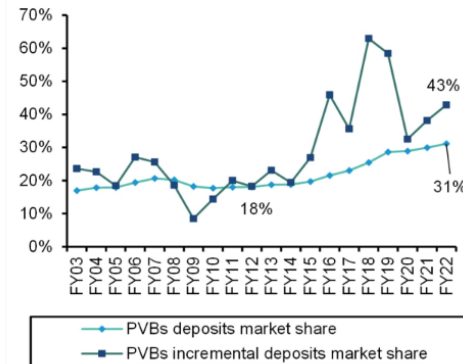


Private sector banks: Loans market share and incremental market share



Source: RBI, SNL, Haver, Bloomberg, Bernstein Analysis

Private sector banks: Deposits market share and incremental market share



Source: RBI, SNL, Haver, Bloomberg, Bernstein Analysis

HENCE, ALIGNMENT ON APPROACH IS KEY TO SUCCESS

- “Investors play different games and those games look irrational to people playing a different game”.
- “A lot of financial debates are just people with different time horizons talking over each other”
- Morgan Housel



- In what time horizons do you measure success?
- What is your tolerance to draw downs?
- How do you react to short term underperformance vs Index?

HOW DO WE INVEST?

We invest primarily with an ownership mindset – Resilience > Speed.

- Allocators of Capital in businesses we would like to own permanently (90%)
- Some allocations for Deep Value. One should avoid ideology.

We primarily look for well run companies that can compound Earnings 15-18%+ for long periods of time at 15%+ minimum sustainable ROE (preference for 18%+)

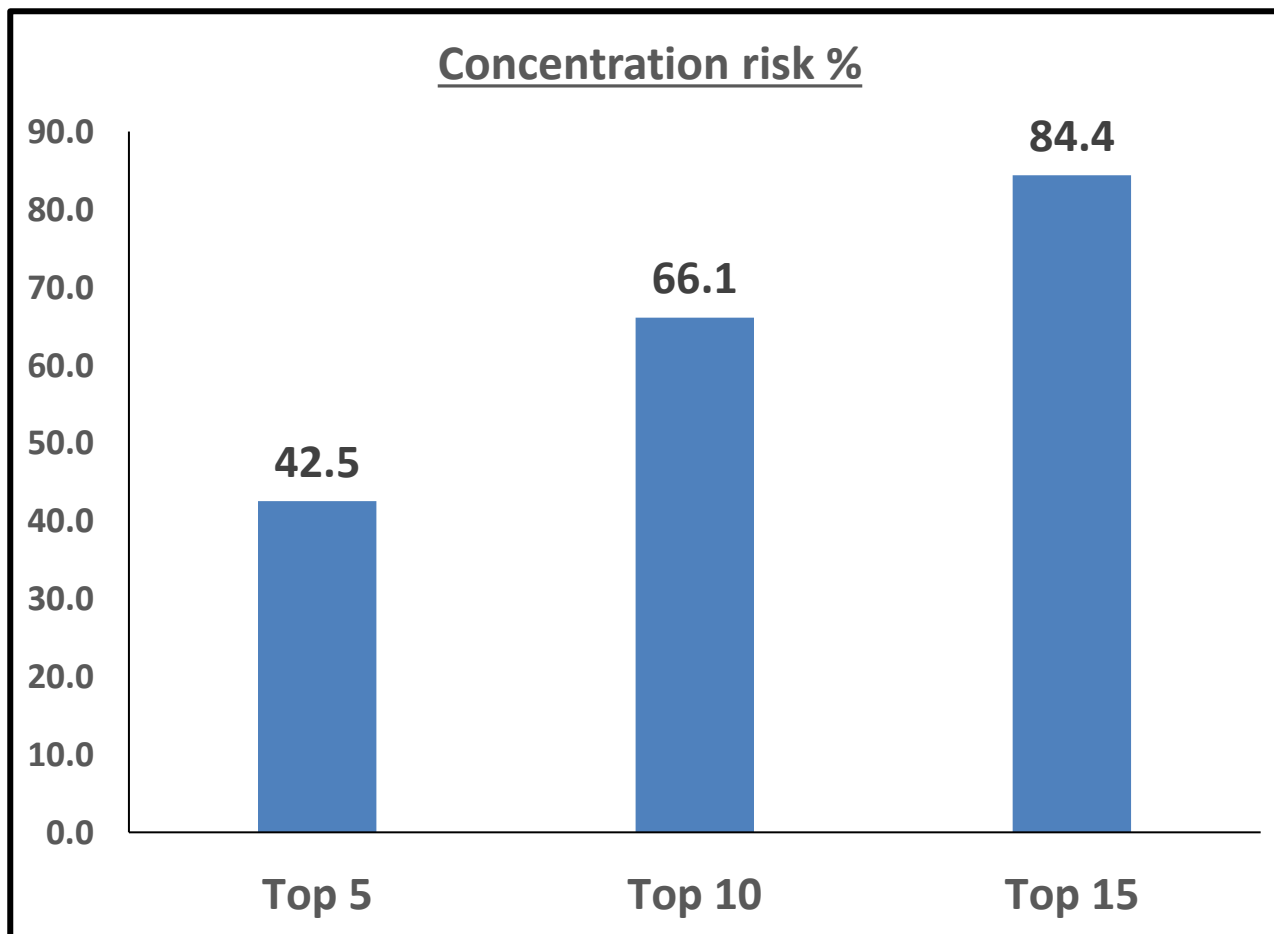
- Riding a secular trend, low risk of disruption
- Market leadership or niche domination
- Management team: Trust + Capital allocation discipline
- We are comfortable with some “illiquidity” in the portfolio.

We optimize for 5-year time horizons.

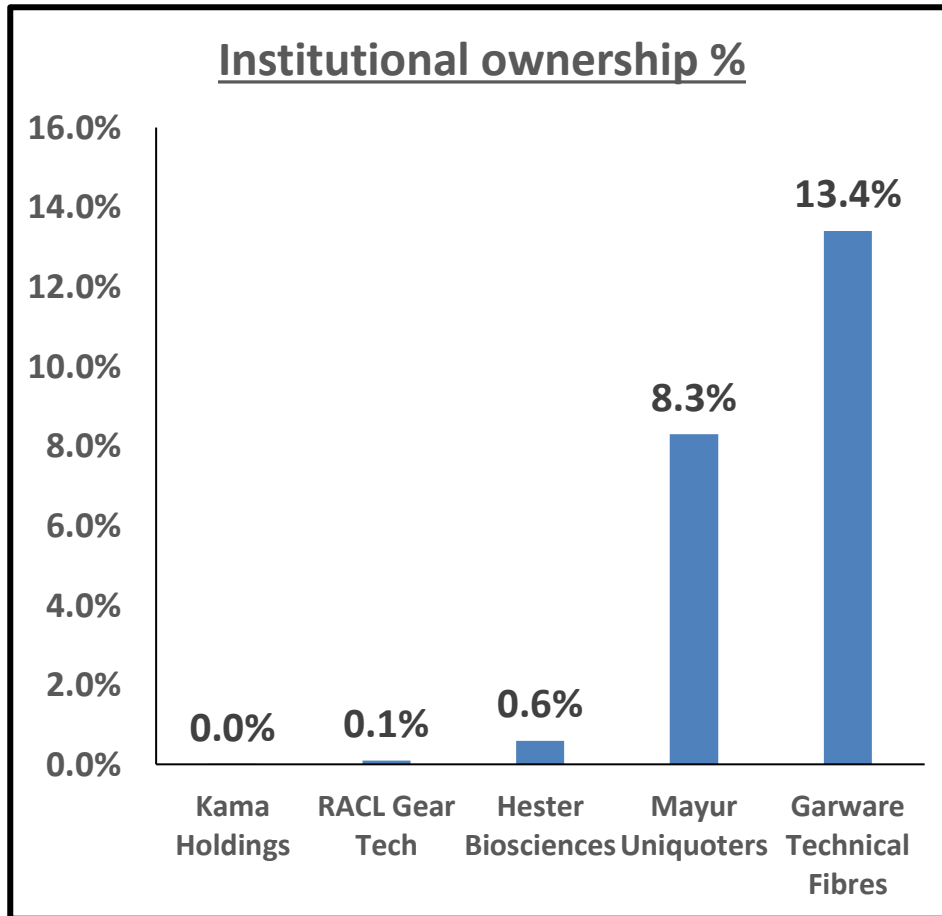
- The road to the long term, is through the medium term
- No chasing what is hot in the short term

Valuations matter. Our bias is to let positions compound. But we will exit if valuations are euphoric and if we can re-allocate elsewhere.

SOLIDARITY: WILLINGNESS TO TAKE CONCENTRATION RISK

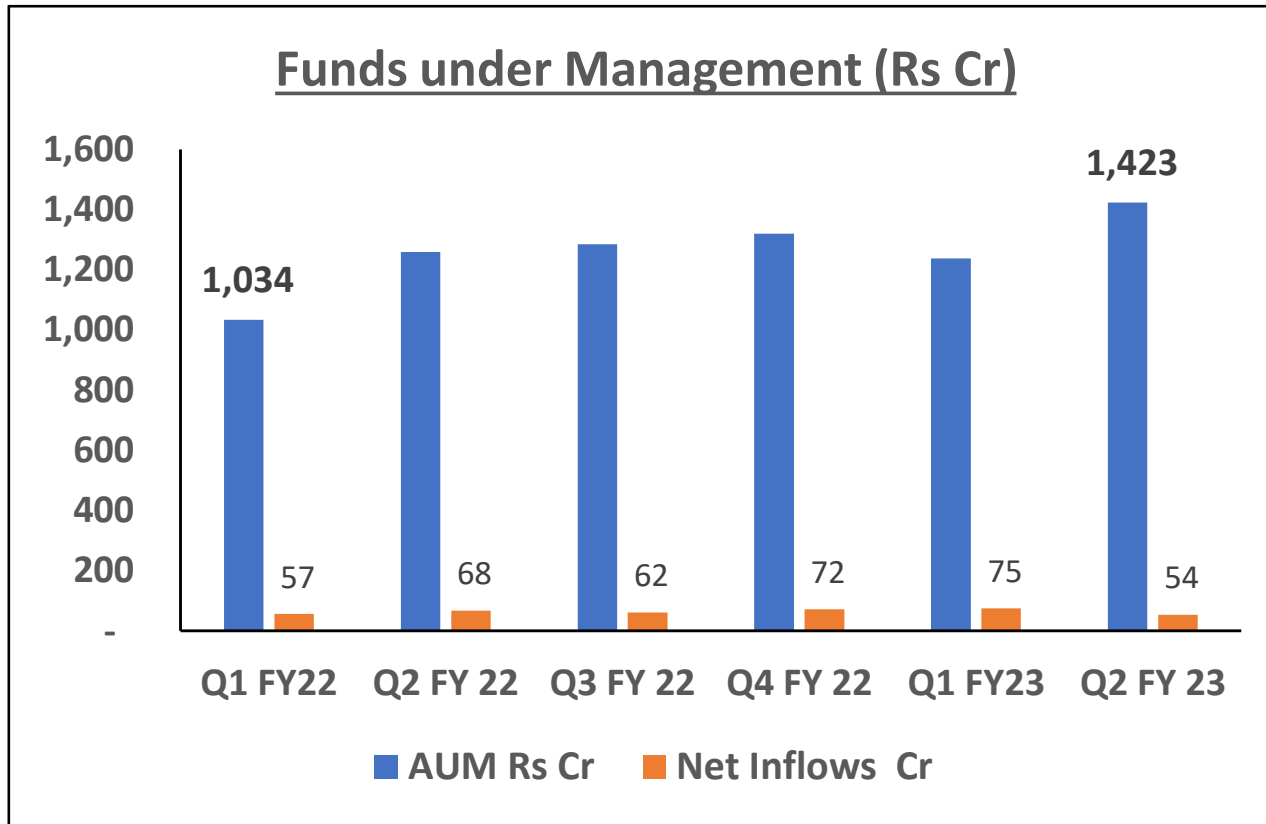


SOLIDARITY: WE FISH WHERE OTHERS MAY NOT VENTURE



Clients should therefore be willing to embrace some illiquidity

SOLIDARITY: CONTROLLED PACE OF GROWTH



Controlled pace of growth allows us to deploy in Small and Mid caps without moving up the price ourselves

SOME ADDITIONAL ASPECTS OF OUR APPROACH

Our definition of success

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

Multi cap approach; Focus on leadership

- ~45-50% of the portfolio in Clear Leaders (Large caps)
- ~ 45-50% of the portfolio in Emerging Leaders (Small and Mid Caps)

We avoid rigid ideology

- ~10% allocation for Special Situations (strong price/value divergence)

SOME ADDITIONAL ASPECTS OF OUR APPROACH

We customize 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

Concentrated portfolios

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

Position sizing

- We size positions based on maturity of business model and upside possible
- Position sizes can vary between 3% and 12%

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?

The ideal client (partners) for us

Minimum 5-year time horizon

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

Appreciate that embracing some illiquidity will be key to Alpha Generation and could cause volatility

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

Transparency

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

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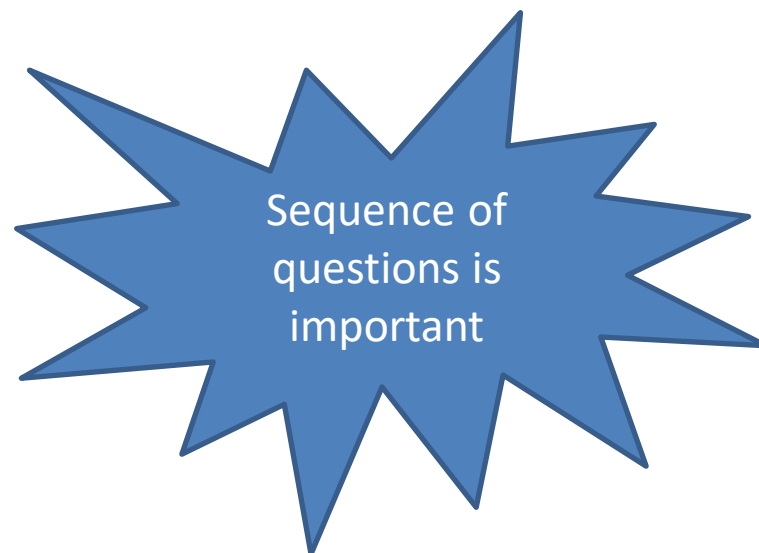
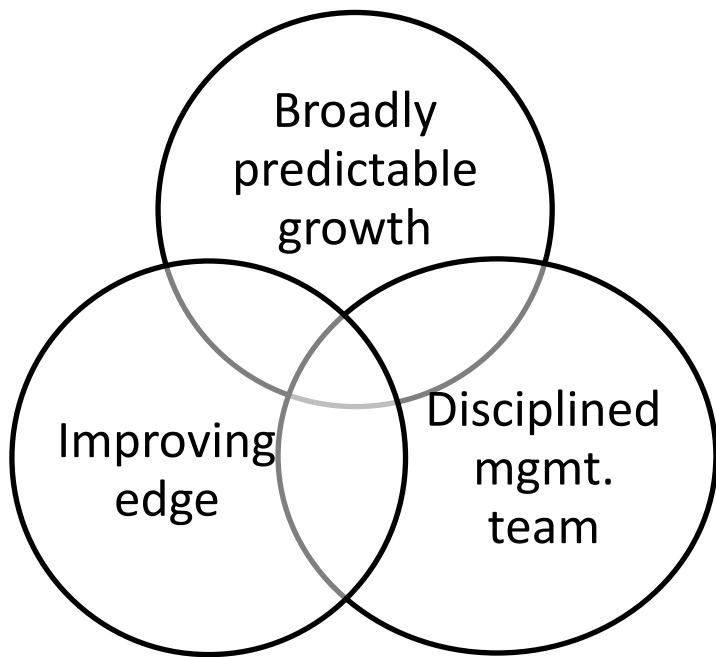
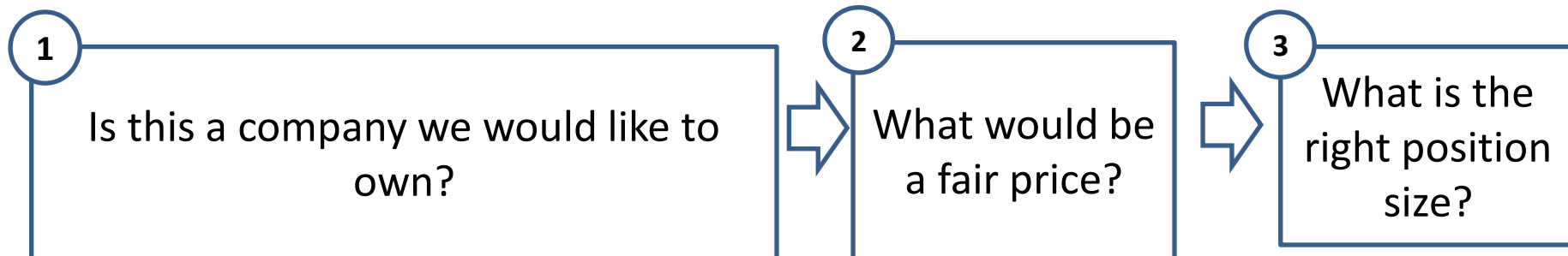
Risk Mgmt.

When to
sell?

Fees and other
expenses

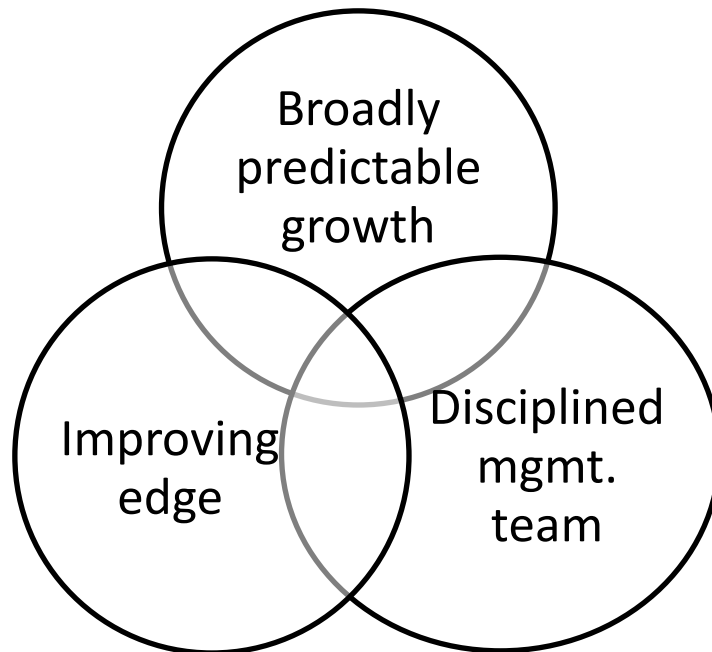
Testimonials

CORE: 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

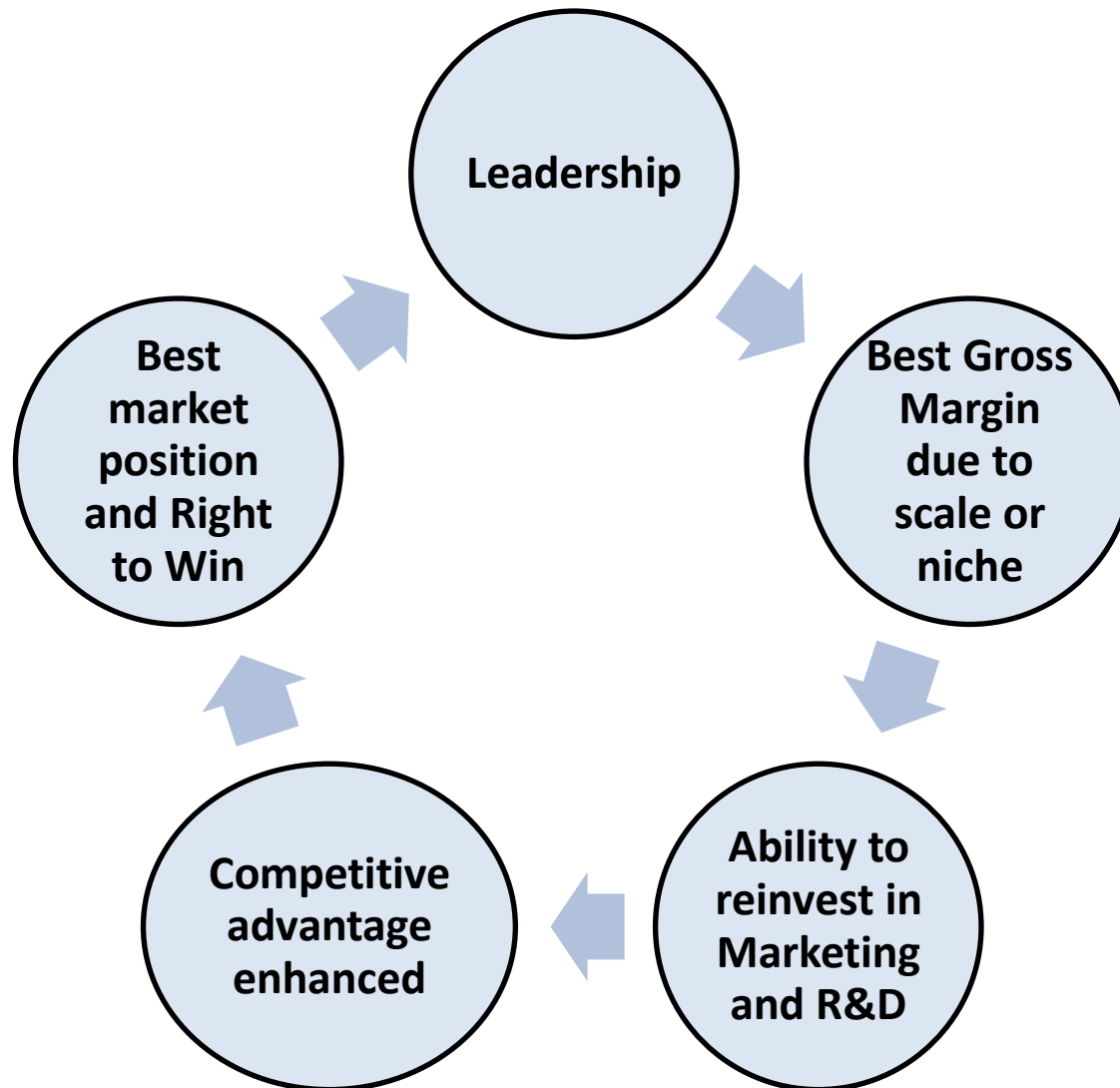
Secular Themes of interest to us	
1	Opportunity to gain market share in global supply chains: Manufacturing/Services
2	Pvt Sector Banks who will gain market share
3	Life Insurance: trusted brands, strong distribution
4	General Insurance with preference for adoption of Health Insurance
5	Digital Business 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



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

35-50% 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

10-15% allocation

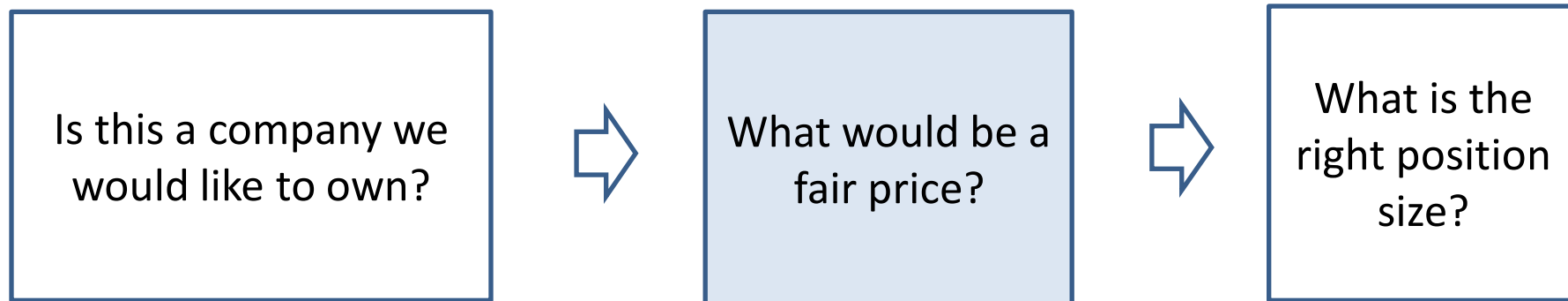
When opportunities in the core not available, upside is huge

WHAT STAGE OF ITS EVOLUTION IS THE COMPANY IN ?

We Want Over 85% of the Portfolio in Phase 3/4

	Phase 1	Phase 2	Phase 3	Phase 4
Stage of company evolution	Company gets a lucky break. However, no clear edge	Deepening foundations Widening the moat	De-risking model and exploring adjacencies Building depth in leadership team	Flywheel starts spinning.
Clear Leaders			<ul style="list-style-type: none"> • Syngene • Axis Bank • ICICI Pru Life • India Mart 	<ul style="list-style-type: none"> • ICICI Bank • Bharti Airtel • SBI Life • SRF
Emerging Leaders		<ul style="list-style-type: none"> • Shaily Engg. • Privi Specialty 	<ul style="list-style-type: none"> • Neogen Chemicals • RACL Gear Tech 	<ul style="list-style-type: none"> • Garware Tech Fibre • Kama Holding
Special Situations	<ul style="list-style-type: none"> • MAN Indus. 			

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

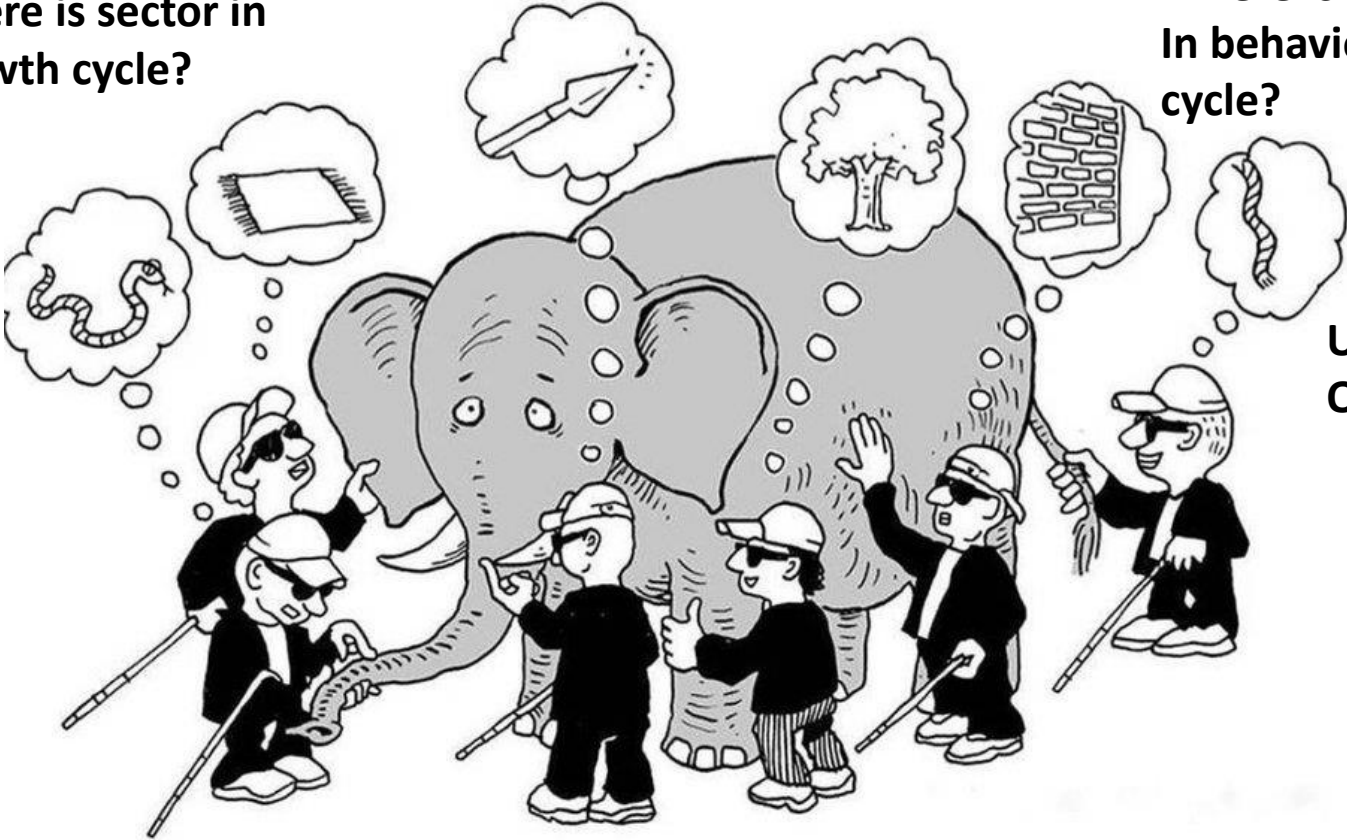
ONE MUST USE ALL SENSES TO BROADLY ESTIMATE FAIR VALUATIONS

First Principle DCF

Wisdom of crowds

Where is sector in Growth cycle?

Where is company In behavioural cycle?



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:

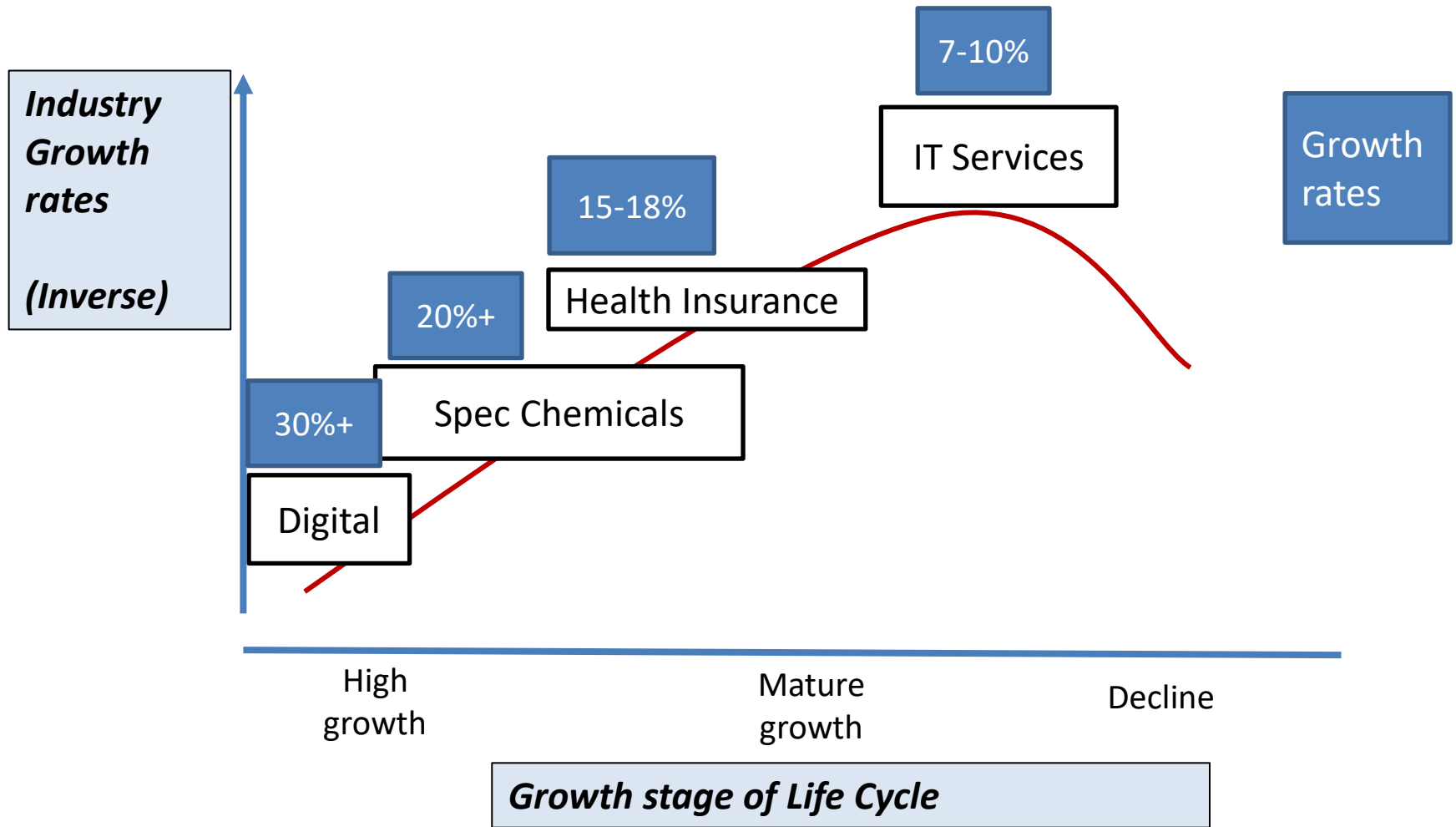
- Expected earnings trajectory
- Quality of franchise

*Deep
Pessimism*

*Significant
optimism*

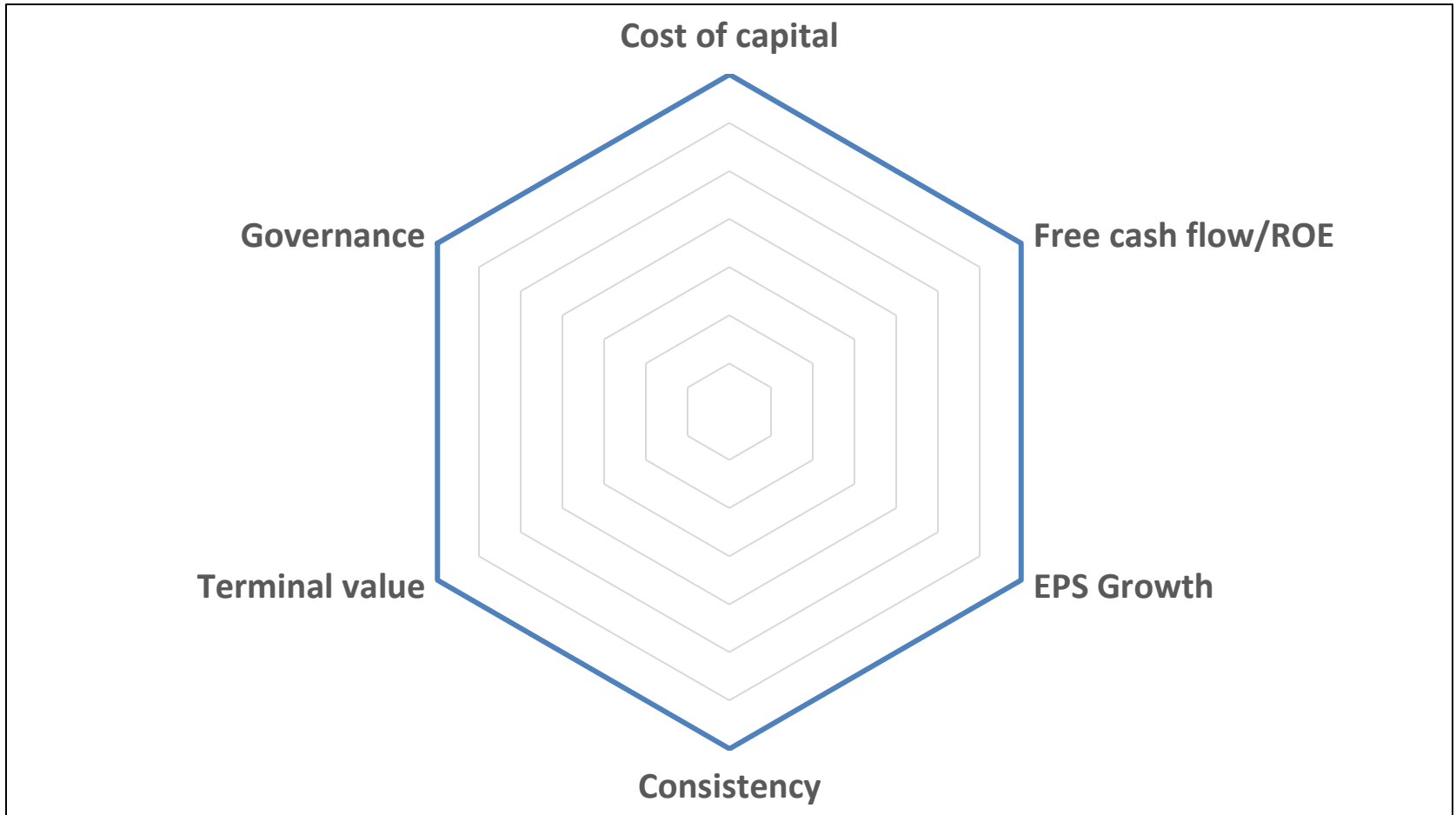
What expectations are being priced in?

WHERE IS THE SECTOR IN THE GROWTH LIFE CYCLE?

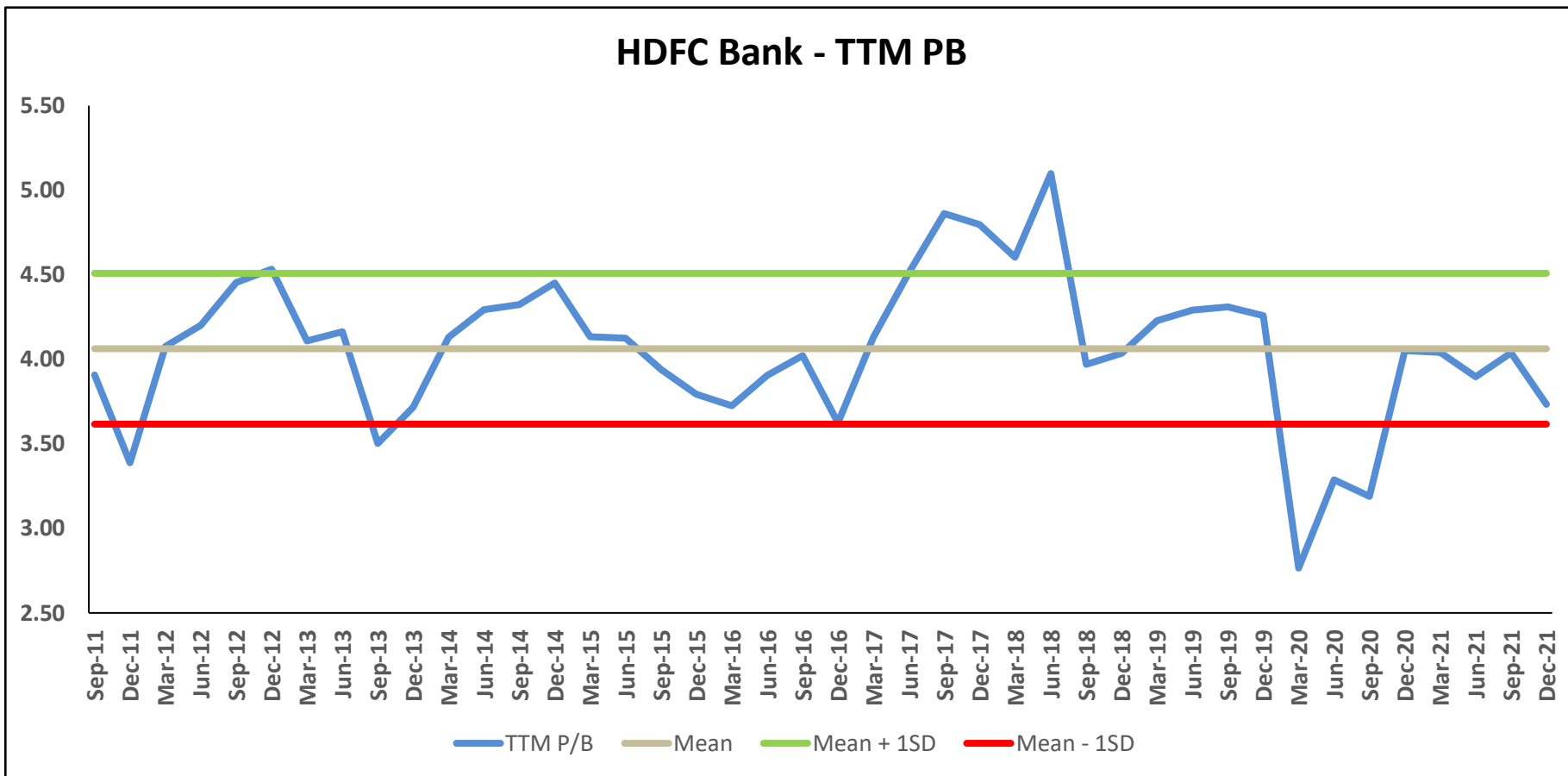


FAIR VALUATIONS: FIRST PRINCIPLES

Analytical Construct

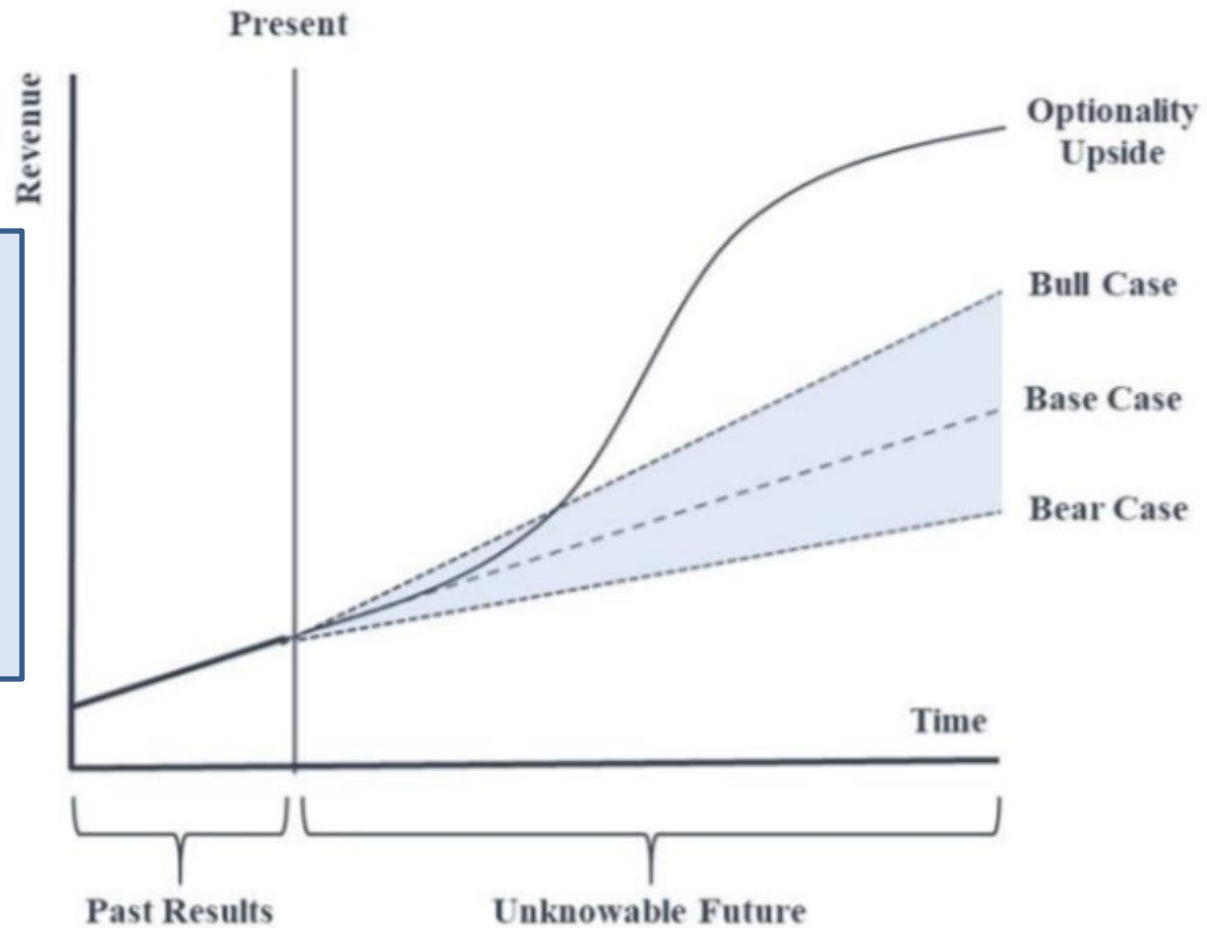


WE BELIEVE IN MEAN REVERSION OF VALUATION MULTIPLES TO FAIR VALUE OVER TIME



DOES THE COMPANY HAVE OPTION VALUE?

DCF has limitations



Source: ShawSpring Partners

APPROACH: BUY GOOD COMPANIES AT AN ACCEPTABLE PRICE

Is this a company we would like to own?



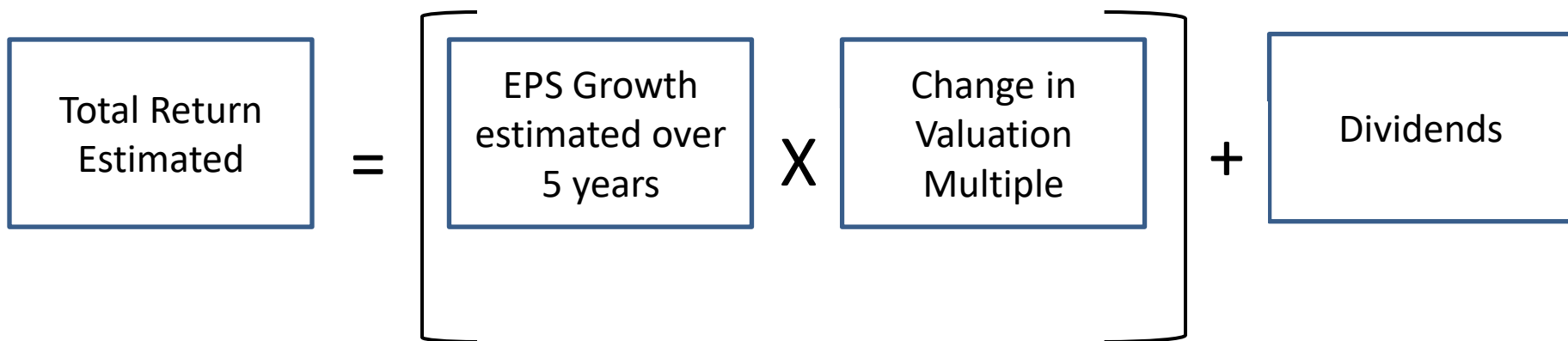
What would be a fair price?



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: UPSIDE/MATURITY OF COMPANY, LIQUIDITY

		IRR est. (5 year rolling time horizons)			
Categorisation	Example	15-18%	18-22%	22-25%	25%+
Clear leader	HDFC Bank	4-6%	6-8%	8-12%+	
Emerging leader showing clear signs of progression to CL	Neogen chemicals	N/A	3-4%	5-6%	7-8%
Emerging leader	Shaily	N/A	N/A	3-4%	4%
Special Situations	MAN Industries	N/A	N/A	N/A	3%

“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 – Bull case IRR falls below NIFTY returns estimate
- 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

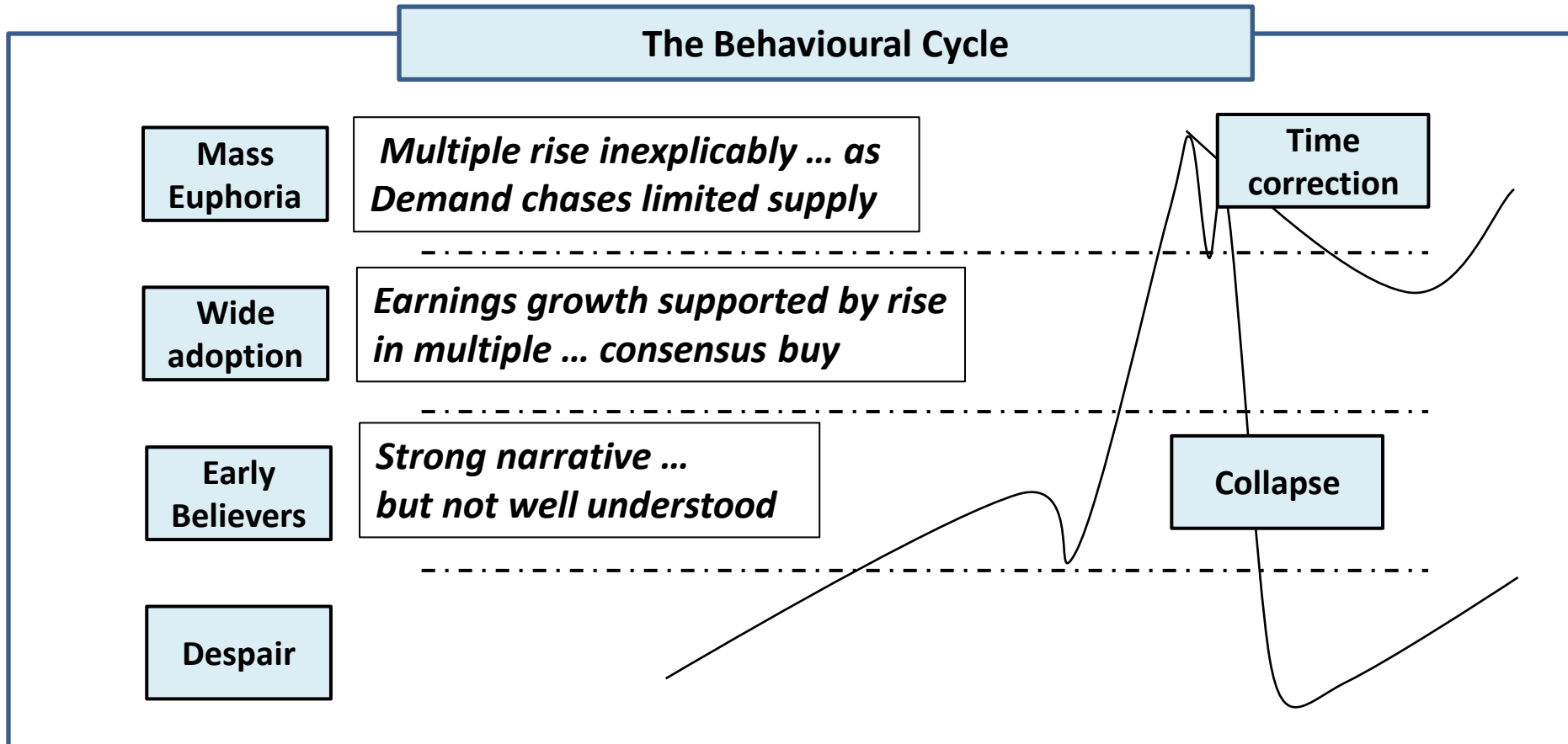
Desk research

Field visits

Mentorship from
domain experts

Management
meetings

STOCKS TOO HAVE EMOTIONS



A disciplined approach could underperform in short term if one does not participate in euphoria

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 after 3 yrs)	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

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Naarah Pereira

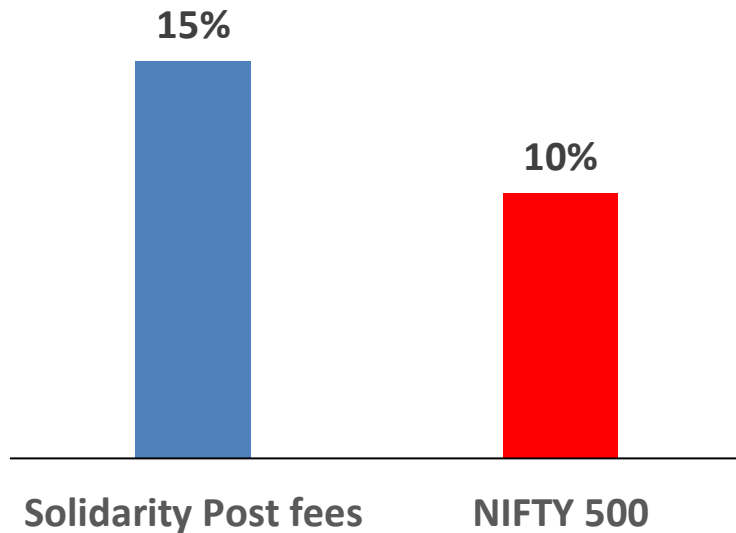
Partner & Head of Operations

M: +91 9920890191

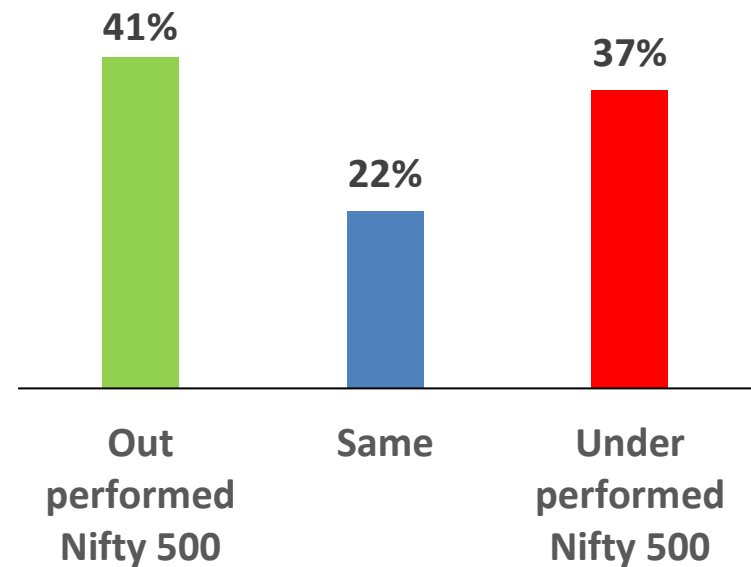
np@solidarity.in

NO PROCESS WILL BE A SUPERIOR IN EVERY TIME HORIZON

TWRR Last 5 years: SOL VS NIFTY 500



Last 26 quarters: SOL vs NIFTY 500



Data as of 31 Dec 22

OVER 90% OF LARGE CAP MF UNDERPERFORM THE INDEX

5 Year Rolling Returns		
Large Cap Funds	As of 28 Feb 2022 AUM (Rs. Crore)	
Axis Bluechip Fund Gr	16.98	34,069.34
Canara Robeco Bluechip Equity Reg Gr	15.89	6,141.93
IISL Nifty 50 TR INR	15.03	
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

How does one create Alpha?

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