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Our Perspective To Some Commonly Asked Questions (Part 1)

4 common questions we have recently been getting

1. Is this still a good time to enter markets?
2. Will you invest all additional capital at present?
3. Will you take some cash calls because markets have run up so quickly?
4. Will you rejig the portfolio as cyclicals may do better short term?

Is this still a good time to enter markets?

- Over a 5 year period, we believe Indian Equities should generate significantly higher return than Bonds. But the return path may not be linear.
- History teaches us that no one can predict short term market direction. Any person who advises on market timing is not playing the long game.
- A better question: "what is the breadth of opportunity you see in the market" at present?
- However, given the pace of run-up, and clear signs of froth in some pockets, a Systematic Investment Approach works best.

Will you invest all additional capital at present?

- Our deployment decisions are linked to the prices of individual securities, not the NIFTY, or replication of a model portfolio.
- Our capital deployment is based on estimates of IRRs we think each position can generate over a rolling 5 year period. When we believe prices of a particular stock reflect good outcomes, we act. Else, we tend to sit on cash/liquid funds.
- For partner accounts we started last week, we see opportunity to deploy ~ 60% of capital at prevailing prices.

Will you take some cash calls because markets have run up so quickly?

- While we believe in "good churn", principally to re-allocate capital to higher IRR **opportunities, and for risk management (position sizing), we do not believe in taking cash** calls as we don't believe in attempting to optimize short and long term simultaneously.
- Hence, we will tolerate mild over valuation in some positions because "compounding should not be interrupted unnecessarily". If circumstances change, we will adapt our approach. One should have principles to navigate but not be rigid on rules.
- Taking an unnecessary cash call not only crystallizes a tax liability but can cause one to miss out on multi-year compounding. Worse, it confuses you on the game you are playing. (You start batting like T20 in a Test format)
- In fact, our conscious attempt is to aim at stock selection which will result in even lower "good churn"

Will you re-jig the portfolio as cyclicals may do better short term?

- Our core approach is to invest in secular themes and leaders which can generate long term, high probability compounding
- We see no reason to change lanes because cars in the next lane may drive a little faster for a while. This is a marathon, not a sprint.

- At the margin, we may overweight some domestic themes a little more in incremental capital deployment