



December 06, 2018

Dear Investor,

After a volatile October, the Nifty recovered most of its losses in November. But this recovery in the benchmark indices has been so far deceptive. Market beyond the handful index stocks is yet to recover. Though, it looks due anytime now.

The second quarter results suggest that the domestic consumption trend is solid and the overall economic outlook remains good. The worst seems to be behind. Reasons that were making headlines like crude oil, rupee, trade war etc. have now reversed dramatically - Shows how meaningless it is to predict these macro indicators and how these are not of much help in genuine stock picking. Past election outcomes, also have been of little impact to the market. For long term shareholders, it boils down to earnings and valuations.

As investors who have invested long horizon funds meant for equities, we have nothing to do with our investments in this temporary painful phase. This too shall pass, and I feel the prevailing bearish trend will reverse in 2019, the way it happened in 2009. I see hundreds of stocks including many of the ones we have invested in, more than 100 per cent up by next year.

There is total inactivity in the market except for 15-20 large blue chips and this is not a good time to shuffle investments, though there are many quality stocks attractively available now. Hurried decisions with myopic view taken in fear and panic after such a dramatic fall have been proven wrong time and again in investment history.

Long-term investors with comfortable liquidity should not bother about the elections or wait for its outcome to invest. Every rupee that is invested now is worth more than double of that invested a year ago. And every rupee withdrawn now, history suggests, if left invested would be worth more than double in near future. It is a good opportunity for fresh investments regardless of what the election outcome, global trade war etc. The discount sale won't last for long!

Best regards,

Porinju Veliyath
Portfolio Manager