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Invest
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o3 wealth & asset management

***The power of the ordinary***
***How success in the stock market can be achieved by doing simple things***

Dear Investor,
A casual observer of the stock market, especially a casual observer of the business channels on TV may be excused for believing that in order to a successful investor, it is necessary to achieve extraordinary things – like having superior intelligence, the ability to predict the future, having a handle on all matters economic, technological, and political.

We are working on the supposition that it is highly unlikely that a majority of the individual investors would have either the time, inclination, or the resources to sustainably keep doing extraordinary things.

The moot point is that **it is not necessary to do anything extraordinary in order to achieve a good return.**

The following points, have been our learnings over the years and we think they are very important for all of us to remember:

**(1) Being clear, and consistent about, our time horizon**

Think of a game of cricket where all formats of the game are played at once, and together – Test cricket, 50-over matches and T-20 matches. Something similar happens in the stock market all the time.
What may be a good opportunity for one person with one sort of time horizon may be a rotten egg for another with a different time horizon, and both may be right from their respective points of view.
In this scenario, we as investors have to be consistent about what sort of time horizon we want to assign to our investments. A quarterly earnings estimate miss by a company may at the same time, be a trigger for someone to sell the company's stock, or an opportunity for someone with a longer time horizon to buy the same stock.

*"A lot of financial debates are just people with different time horizons talking over each other" - Morgan Housel*

**(2) Hype is dangerous**

Hype essentially is characterized by extreme levels of optimism, and therefore expectations around a company's (or stock's) future performance. The company may be good, but the good prospects for the company are stretched to such an extent that it becomes dangerous to buy the stock at such prices.

We do not subscribe to the view that any price is good enough to buy provided we can find a buyer who will be willing to buy it from us at a higher price.

Our idea of an ideal purchase opportunity is when a strong company goes through a bad patch which, after reasonably diligent research, we can conclude is strictly a temporary problem. This can happen only when we are clear about our time horizon.

**(3) Being clear about what we know, and don't know.**

We are not fans of complicated derivative structures or leveraged bets. We do not understand cryptocurrencies. And we have no shame in admitting to this fact.

We should be shameful if we committed clients' monies to such assets without knowing what we are letting ourselves in.

There is really no reason for us to know everything. The stock market is very similar to a multiple-choice competitive exam where there are equal marks awarded for easy, as well as for difficult questions.

We as investors can make very good money in simple, everyday businesses. Conversely, we can also lose big money in companies engaged in very promising new technologies.

The choice is ours to make.

*"I don't look to jump over 7-foot bars. I look for 1-foot bars that I can step over."- Warren Buffett*

**(4) Guarding against biases**

Over the last 25 years, we have witnessed strong biases against the following set of companies:

In 1999-2000 (during the Tech boom), there was a bias against the so-called "old-economy companies.

In 2007, there was a bias against the "blue-chip" stocks like Hindustan Unilever, Procter & Gamble, GlaxoSmithkline etc

In 2017, there was a bias against Infosys and Divi's Labs

In 2019 and 2020, there was bias against public sector stocks, including PSU banks

In 2020 and 2021, there was bias against ITC.

The nature of a negative bias is that it makes one blind to the positive points about the company (a positive bias does the reverse).
Extremes on either side harm the portfolio. In other words, being "ordinary" in such situations actually helps.

**(5) There isn't a perfect time to invest that says "go"**

The truth is that the stars will never be fully aligned for us to make a move in the stock market.

There will always be some uncertainty – political, economic, social, natural events, geopolitical events, that would cause anxiety. Waiting for a perfect time to invest means waiting forever.

The most important thing to remember is that the entry price, which is a main determinant of the returns we can make from a stock, is attractive only when there are many other participants who are nervous about the "uncertainties".

We really don't know what is in store in future. We are just better prepared if we just stick to strong businesses and do not overpay for them. If we follow this simple process, we will not panic in the event of a fall, because our companies are

competitive and have been bought at reasonable valuations. Fear and panic come when we do not know what we are doing.
In other words, ours is a “sleep well” way to invest. And all of us understand the importance of an “ordinary” thing like sleeping peacefully and well.

Warm regards

Yours sincerely,

**E A Sundaram**
Chief Investment Officer and Portfolio Manager

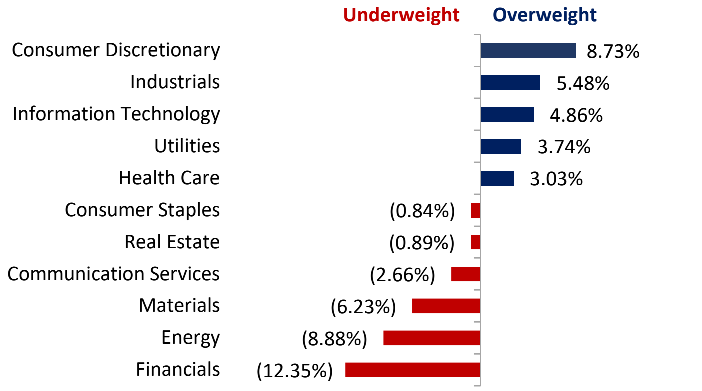
*“Simplicity has a way of improving performance by enabling us to better understand what we are doing.”- Charlie Munger*

**Investment Objective:** The investment objective is to achieves capital appreciation through investment in a diversified portfolio of high-quality companies, purchased at reasonable valuation.

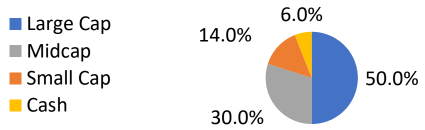
### o3 Core Value Investment Approach

| Name | GICS Sector | Weight |
|---|---|---|
| ITC Ltd | Consumer Staples | 6.05% |
| HDFC Ltd | Financials | 5.09% |
| Indraprastha Gas Ltd | Utilities | 4.54% |
| Bosch Ltd | Consumer Discretionary | 4.13% |
| Divis Laboratories Ltd | Health Care | 4.13% |
| Asian Paints Ltd | Materials | 3.91% |
| Infosys Ltd | Information Technology | 3.90% |
| Titan Company Ltd | Consumer Discretionary | 3.83% |
| Maruti Suzuki India Ltd | Consumer Discretionary | 3.75% |
| Oracle Financial Services Software | Information Technology | 3.44% |
| | | **42.77%** |

### Overweight / Underweight of Model Portfolio Compared to Benchmark



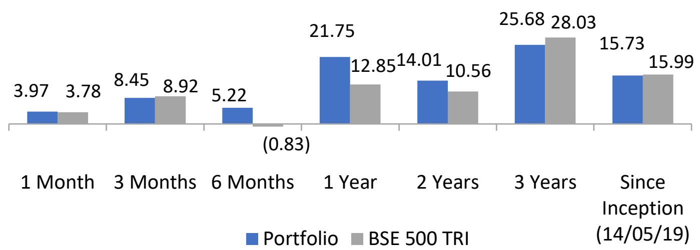

| Performance Description | Regular | Concentrated | BSE 500 TRI |
|---|---|---|---|
| Largest Monthly Gain | 12.51 | 11.41 | 14.63 |
| Largest Monthly Loss | (20.53) | (19.19) | (23.85) |
| Beta of Portfolio | 0.76 | 0.73 | |
| Standard Deviation (Annualised) | 16.06 | 15.69 | |
| Correlation | 0.93 | 0.91 | |



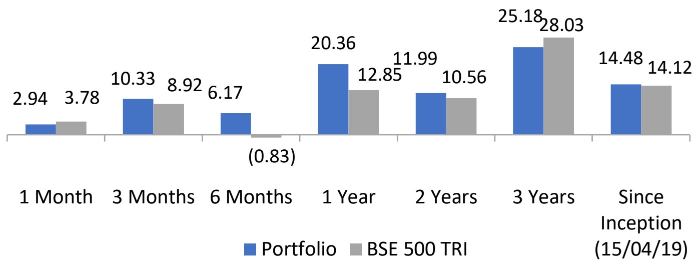

### Regular Model Portfolio Composition

| | |
|---|---|
| Weighted Average ROCE | 24.31% |
| Portfolio PE (1 year forward PE, based on FY25) | 25.81 |
| Portfolio Dividend Yield | 1.48% |
| Average Age of companies | 56 Years |
| Overlap with BSE 500 TRI | 21.04% |
| Total Debt/Equity | 0.47 |
| Debt/Equity (Excluding Financial Stocks) | 0.14 |
| Sales Growth | 18.61% |
| EPS Growth (FY25 over FY23) | 17.13% |

### Consolidated Portfolio Performance of o3 Core Value Investment Approach Regular Option 31st May 2023




### Consolidated Portfolio Performance of o3 Core Value Investment Approach Concentrated Option 31st March 2023




- Benchmark is BSE 500 TRI, the portfolio is spread across different market capitalization, hence BSE 500 TRI is chosen as benchmark.
- Since inception date stated is considered to be the date on which the first active client investment was made under the investment approach
- Industry Classification as recommended by AMFI, all the above data are as of 31st May 2023

**Disclaimer: :** Performance depicted is based on all the client portfolios existing as on such date, using Time Weighted Rate of Return (TWRR) of each client for the overall investment approach. Past performance is no guarantee of future returns. The above portfolio performance is after charging expenses. *The performance related information provided here is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. Beta, Standard Deviation & Correlation are from Since Inception period.*

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