



Handling the maelstrom of information

Dear Investor,

Just look back at the kind of information overload that we investors have had to face in the last month:

- We started the month of September with pessimism about the state of the economy, slowing auto sales, job losses, FII's pulling out money from India, etc
- On September 14, the world had an additional worry because of the drone attacks on the Saudi oil refinery. Various political analysts interpreted this as a sign of escalation of tensions in the Gulf region, and there were fears of an oil price spike. Indeed, Brent crude prices rose sharply by nearly US \$ 7 per barrel within a day of these strikes.
- The Nifty index had fallen to 10704 by September 19th, with analysts predicting a washout September quarterly results.
- On September 20th, the finance minister announced a sharp cut in corporate tax rates, with special tax rates for new companies engaged in manufacturing.
- The Nifty 50 rose by more than 8.3% over the next 2 days, to 11600.20.
- All of a sudden, there was talk of "animal spirits" being unleashed, and all seemed well.
- The rupee-dollar rate that had weakened to 72.47 per dollar rose to 70.8 after the finance minister's announcements.
- Over the next two days, when doubts about the fiscal situation re-emerged, the Nifty again fell to 11440.
- In the meanwhile, Brent crude prices had fallen, and had almost reached the level they were at before the Saudi drone attacks.
- In addition, there was news about the move to impeach the US president, continued news about the simmering tension between India and its immediate neighbour, trade wars between US and China, the UK court ruling that the suspension of parliament was illegal (and its implications on British polity), FIIs pulling out (or pushing in, as the case may be), and about whether domestic institutions have the strength to withstand continued FII pull-outs....

This is just a small part of the information of last month. And more keeps coming every month. How does an investor cope with all this information? Is the investor supposed to predict how the rupee-dollar will move, how the US and UK political scenario will develop, how the gulf tensions will shape up, how commodity prices would move, how FII's will behave, how DII's will behave, exactly when India's slowdown will be arrested and take a turn for the better, how corporate profitability will pan out, besides having a view on hundreds of other factors that keep driving the market up and down every day?

If we believe that we can clearly navigate all this maelstrom of information and arrive at a clear conclusion of how the world is going to shape up, we are living in cuckoo land. There are simply too many variables at play that govern everyday price movements in the stock market, and it is impossible for anyone, even professional investors, to correctly synthesize all these bits of information and predict the future.

Anyone watching the business channels may be pardoned if they begin to feel daunted by the sheer volume of analysis that seems to be provided by these channels. It is enough to make anyone feel inadequate about their own abilities to predict the future.

Now, the good news – it is not necessary to predict the future.

Of the thousands of variables that govern the movement of the stock market every day, only four really matter in the long run. That's right, only 4.

1. An assessment of how competitive the concerned company is, and the sustainability of this competitiveness;
2. An assessment of the capabilities for growth in this company's revenues and profits – and here it is sufficient if we have a reasonable idea. A prediction with millimetric accuracy is not needed.
3. An assessment of the kind of people who are running the company, and a comfort that such people are both competent enough to run the company successfully, and willing enough to share the profits with minority shareholders like ourselves, and
4. A comfort that the price that we are paying to enter this share is not exorbitant.

These are the only 4 variables that really matter to an investor, and these are things that are within each investor's reach. In addition, there are some behavioural traits that have to be provided by each of us:

- A willingness to be patient (the stock market is not obliged to take up the price of our share immediately after we have bought it)
- A willingness to overlook how much money someone else has made (most of us are less bothered about how much we make or lose, but find it intolerable when someone else even claims that they made more money)
- A willingness to be disciplined about following a carefully-chosen investment path. And here it is important to take the suggestions of a good investment advisor.

These factors are mostly internal, and do not need any supernatural intelligence or clairvoyance. These are within the reach of all of us. Like all important things in life, they are simple, and for this very reason, they are ignored by a great majority of people!

On behalf of o3, I wish you and your family a very Happy Dusshera and a very Happy Diwali.

Warm regards,

Yours sincerely,

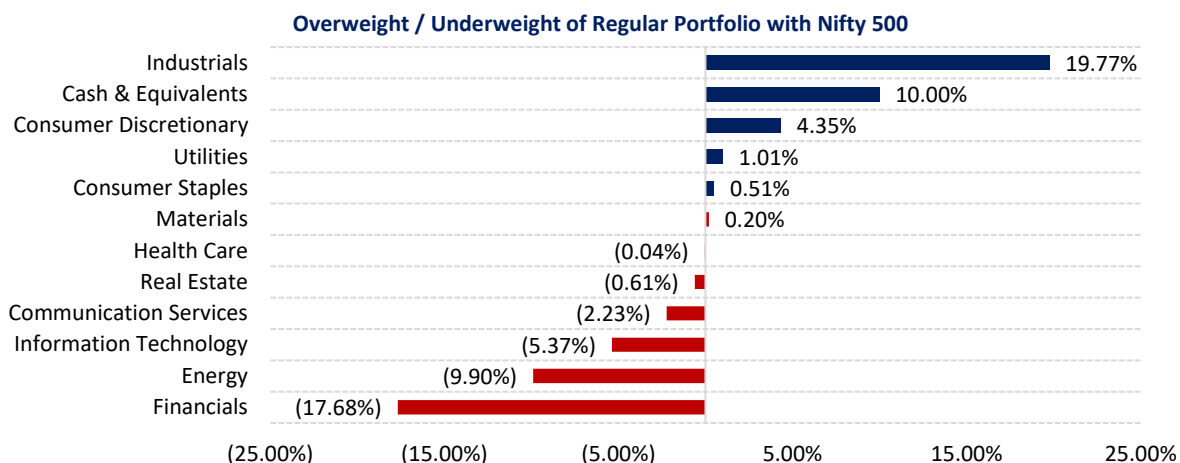
(E A Sundaram)

Chief Investment Officer and Portfolio Manager

"To achieve satisfactory investment results is easier than most people realize; to achieve superior results is harder than it looks"

Benjamin Graham

Over/Under Weight of Model Portfolio Compared to Nifty 500 as on 30th September 2019



Model Portfolio Details as on 30 th September 2019		Model Portfolio Composition as on 30 th September 2019	
Weighted Average ROCE	29.68%	Large Cap	52.5%
Portfolio PE (1 year forward PE, Based on FY20)	21.65	Midcap	26.0%
Portfolio Dividend Yield	1.31%	Small Cap	11.5%
Average Age of companies	58 Years	Cash	10.0%

- Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on 30th September 2019
- Midcap: Market cap below 100th company to the market cap of the 250th company in the Nifty 500 (sorted by market cap in descending order) as on 30th September 2019
- Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on 30th September 2019

Model Portfolio Composition as on 30th September 2019

Model Portfolio Overlap with Nifty 500	14.20%
Model Portfolio Overlap with Nifty 50	14.83%

Consolidated Portfolio Performance of Core Value Concentrated Strategy			Consolidated Portfolio Performance of Core Value Regular Strategy		
Period	30 th September 2019		Period	30 th September 2019	
	Portfolio	Nifty 500		Portfolio	Nifty 500
1 Months	5.19	4.05	1 Months	6.17	4.05
3 Months	1.24	(3.28)	3 Months	2.56	(3.28)
Since Inception (15/04/2019)	2.15	(3.45)	Since Inception (14/05/2019)	3.90	1.98

- Since inception date stated is considered to be the date on which the first client investment was made under the strategy

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 and then computing *arithmetic* average for the overall strategy. Past performance is no guarantee of future returns. The above portfolio performance is after charging of expenses.

Disclaimers and risk factors: o3 Securities Private Limited is registered with SEBI as Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993. This Document is for information purpose only. None of the material on this document and/or on website is intended to be a recommendation to buy or sell any financial product including distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities/ schemes or any other financial products/investment products (collectively "Products"). None of the material on this document and/or on website is intended to be tax advice.

Any use of the information contained herein for investment related decisions by the Investors/ Recipients is at their sole discretion & risk. Please read the Disclosure Document and the agreement along with the related documents carefully before investing.

Investments in Products are subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee/ warranty that the objectives of any of the Products will be achieved. The investments may not be suited to all categories of Investors/ Recipients. Investors/ Recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. While o3 Securities Private Limited shall endeavour to update on a reasonable basis the information disclosed here, o3 Securities Private Limited does not undertake to update such information to reflect the impact of circumstances or events, including regulatory or compliance changes that arise after the date of these disclosures. Past Performance is not indicative of future returns.

This document is strictly confidential and meant for private & restricted circulation only and should not at any point of time be construed to be an invitation for subscribing to o3 Securities Core Value Concentrated Strategy and/or Core Value Regular Strategy. This document may not be reproduced or redistributed to any other person. The document is solely for the understanding of intended recipient and if you are not the intended recipient, you are hereby notified that any use, distribution, reproduction or any action taken or omitted to be taken in reliance upon the same is prohibited and may be unlawful. This document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. This document is not for public distribution.