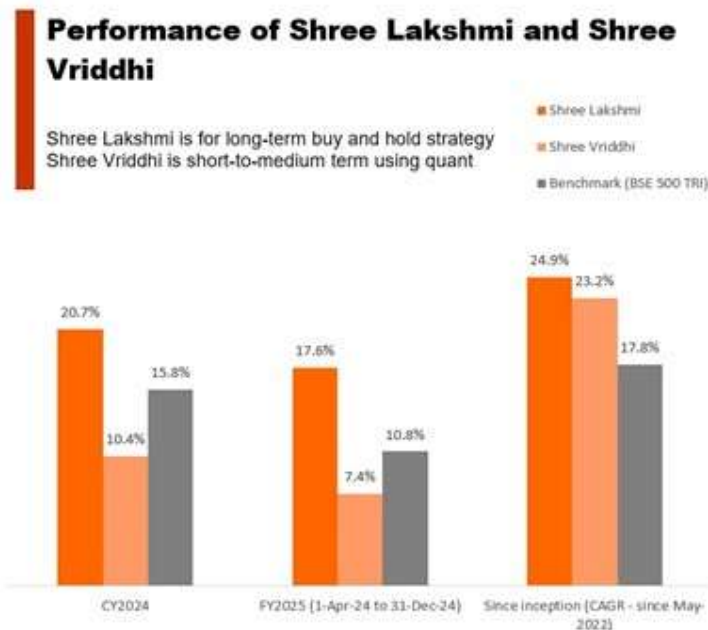


INVESTOR LETTER

Let me take this opportunity to update you on the performance of both Shree Lakshmi and Shree Vriddhi funds for the calendar year 2024.

Second half of 2024 was led by market uncertainty



2024 started on a good note with both Shree Lakshmi and Shree Vriddhi doing well in the first quarter. This was despite the fact that the budget was not investor friendly with a large increase in both short term and long-term capital gains taxes.

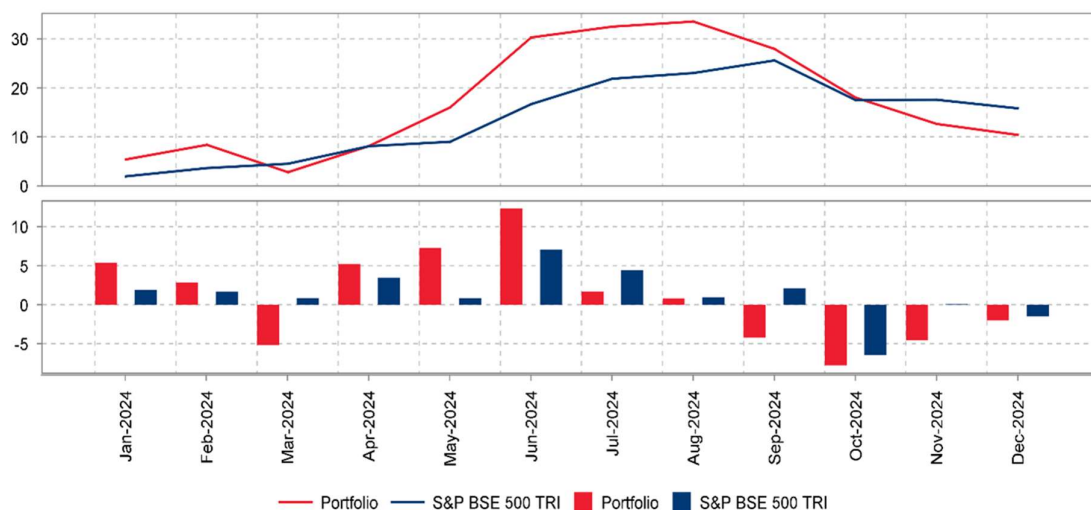
From April onwards, the economy started slowing down as the government and the country got into the election mode. Over the last few years, government capex has been one of the primary drivers of growth in the economy and due to the elections, sanctioning of all new projects or extensions came to an abrupt halt due to kicking in of the code of conduct of the Election Commission. New order flows in major expense heads including railways, defence etc took a backseat.

Nifty and NSE 500 are nearly back to the same levels it was in May 2024. And with the impending swearing-in of the new US president, Donald Trump, a lot of policy and geopolitical uncertainty has cropped up, that has resulted in a very volatile market of late. There are many pushes and pulls in the short term that can go either way from a market perspective:

- Crude oil prices
- Gold prices
- Interest rate in the US. This will have a spillover effect on currency (INR-USD) as well as interest rates globally.
- Balance of payment
- Indian budget – any changes in corporate or personal income taxes or capital gains taxes can enliven or dampen market sentiments

Performance Overview – Shree Vriddhi (SV)

Let me start with SV first as that is where the biggest drawdown and consequently the biggest pain has been. As an investor, I am very concerned when I lose money. Simply because I believe that capital is sacrosanct and we cannot afford to lose a large part of it while investing. And the drawdown in SV makes me very unhappy and uncomfortable.

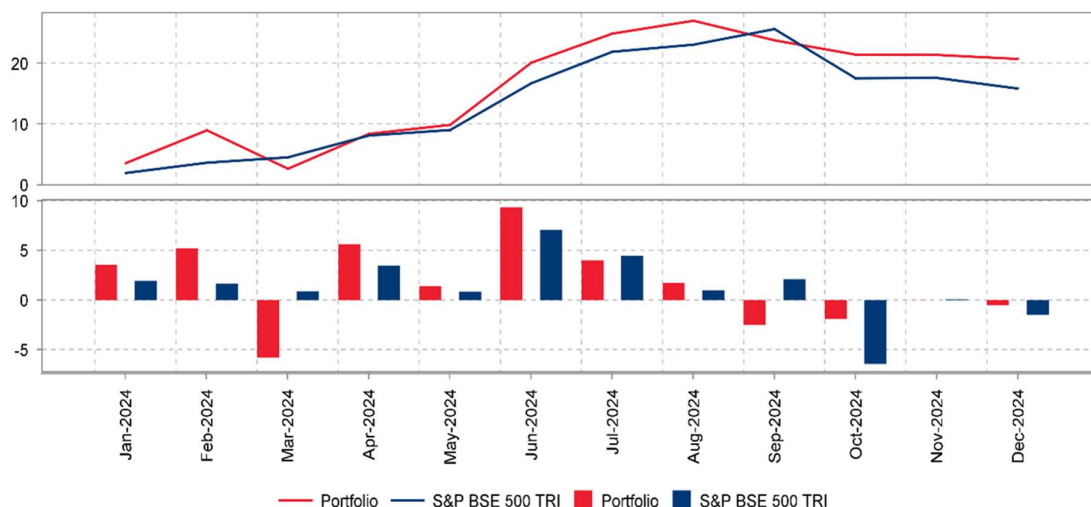


As you can see in the figure above, SV had a brilliant run till late July before the real drawdown started. One of the reasons why this has happened is that SV is primarily a **momentum-oriented trend-following strategy**. This kind of strategy works brilliantly in a trending market and gives very high returns compared to the broader markets, something that we have witnessed in the last two years. In a sideways or corrective market, momentum-oriented strategies tend to suffer. This is because trends or bursts of momentum do not last long enough to benefit from. By the time the stock comes into the system, the momentum is fading and reversing causing stop losses to get triggered. This means during times of consolidation or correction in the broader markets, momentum strategies die by a thousand cuts. This is apparent in the results of all momentum-oriented funds and ETFs.

The important thing to remember however is that momentum is one of the most prominent factors in investing with a history of outperformance over very long periods of time. These are testing times for all momentum strategies, but I am convinced that once we pass through this period, we will get back to strong growth.

Performance Overview – Shree Lakshmi (SL)

In SL, the going has been better. We have taken fresh bets on a number of names in the pharma space, one in a turnaround story in specialty chemicals and one in the emerging geospatial industry during the year. The stocks we hold are all expected to produce good results in the next couple of years and I am hopeful of them giving us good gains for our portfolio.



Future Outlook – 2025

I do not have a crystal ball, but every year, at the beginning I do try to make a few observations. Then I keep updating those as and when new information is available. Here are my observations for 2025:

- First 4-5 months may be fairly volatile due to external news flow related to geopolitics.
- Second half of the year, both GDP and corporate numbers will start showing better growth due to the poor base effect of 2024.
- Markets have been very healthy in the last few years and this year could be a time of consolidation.
- Individual stocks can give decent returns, but the easy-money days are probably over for a while

Investor Strategy

As an investor the best option is to use these periods of market consolidation and correction to bolster our portfolio by sipping into it regularly (monthly is the best, failing which quarterly). The reason this works well is, although the portfolio may be volatile in the short term, the capital infused during this period will be ready to earn handsome rewards when the tide turns.

The second thing is to stop looking at the portfolio regularly. There is significant academic research which tells us that constant checking of the portfolio urges the brain to take action (buy/sell) which may be the least thing one needs to do at the time.

And lastly, like always, let me reiterate the 1-in-4 rule.

The 1-in-4 Rule: Best to remind ourselves frequently

I have this rule that I always keep at the back of my mind. It goes like this.

- 1 in 4 years will be bad where we will lose money.
- 1 in 4 stocks will not play out the way we thought it would.

- 1 in 4 stocks we will get in or out too early or too late.

In addition, once every year, we are likely to see a 10% fall in the markets. Once every 2-3 years, a 20% fall and once every 8-10 years a 30%+ fall.

The problem is we don't really know which of these we are in now. Is this the one year where we will lose money? Or is this the stock in which we are making a mistake on?

Since we don't know if this year will be that bumper year or that bad year, the most rational thing to do, if we have a long-term horizon is to remain invested.

Once we understand this, it is easier to handle the ups and downs. Plan for the occasional speed breaker on the road. It is not that you leave your house only when you know that the road to your destination is all clear with zero traffic. You get out on the road and make the journey. Along the way, sometimes the traffic is slow, sometimes fast and if there are diversions you take them as long as they take you towards the destination.

It is exactly the same here. Just keep in mind the destination in this journey is to compound your capital at a reasonable rate over your investment horizon and not make large capital losses.

Thank you once again for being part of our journey of wealth creation.

Abhishek

Fund Manager

Shree Lakshmi & Shree Vriddhi

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