

## Daar Ke Agay Jeet Hai

As you are aware, the last one year has not been good for the markets. As is shown in Fig 1 and Fig 2 below, nearly all indices and strategies have given negatively results in the last one year.

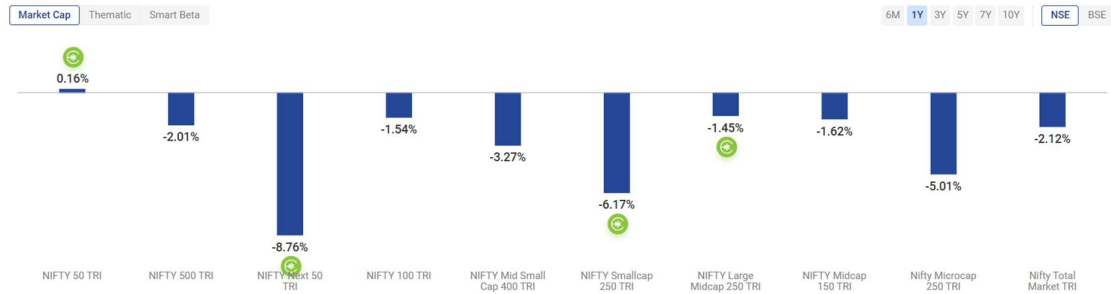


Fig 1: Edelweiss Index Tracker for Market Cap based indices

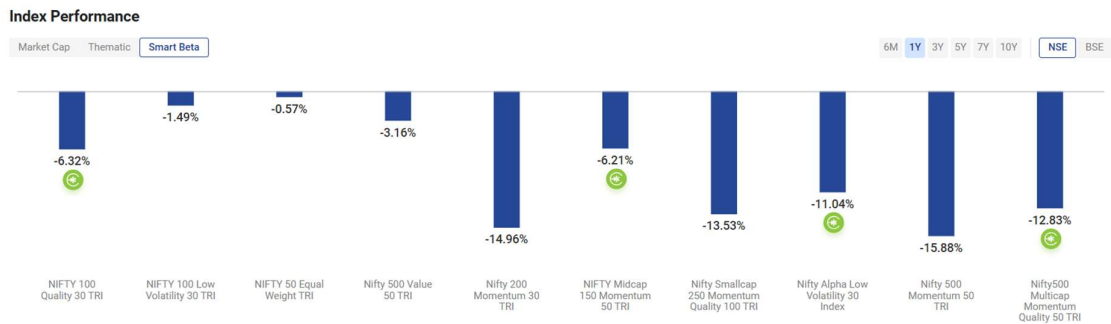


Fig 2: Edelweiss Index Tracker for smart beta strategies

The two funds I manage – Shree Lakshmi and Shree Vriddhi have also had a similar struggle. As I keep saying during good times, that bad times are around the corner. In exactly the same way, now that we have seen nearly a year of struggle, I think that good times are around the corner.

In times when things are not going so well, it is important to look at the bright side to know that we are on the right path. So, after a period of months, **Shree Lakshmi** again makes it to near the top of the performance charts across all PMS funds. I was checking the rankings and had some solace that Shree Lakshmi was ranked **18<sup>th</sup> in the one-month and 15<sup>th</sup> in the three-month performance category** (as per PMS Bazaar rankings).

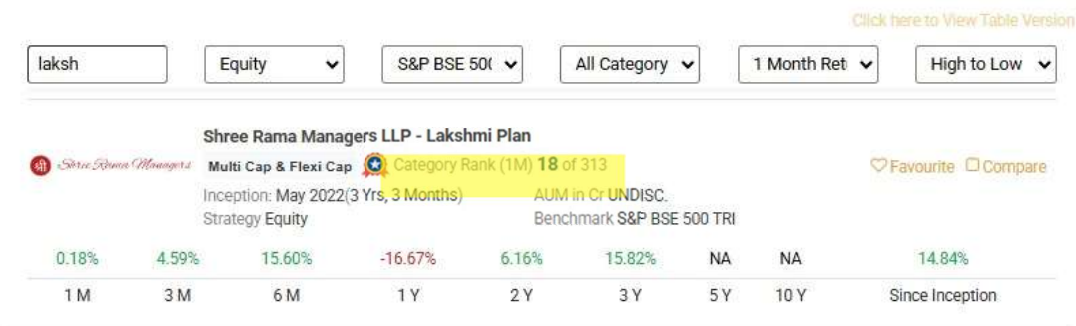


Fig 3: PMS Bazaar ranking for 1-month

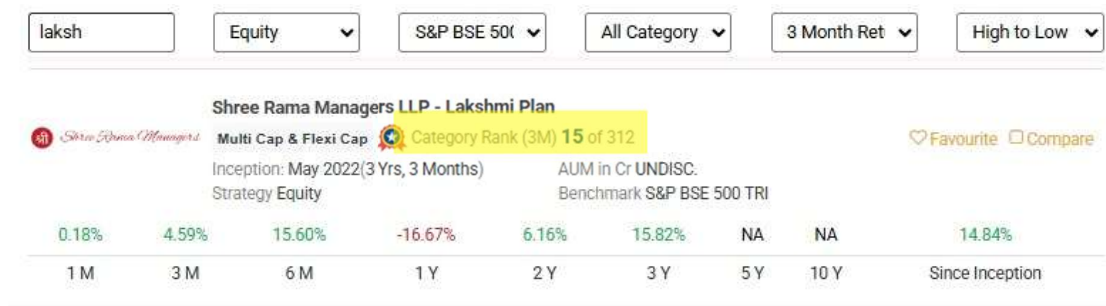


Fig 3: PMS Bazaar ranking for 3-month

Shree Vriddhi, a short-term momentum-oriented fund continues to struggle. The market has continued to be extremely volatile and momentum has been completely missing for over a year. I have made certain changes to the process in Shree Vriddhi to tide over the current period without sacrificing the core philosophy. We now have lower allocations in more stocks instead of the extremely concentrated positions in 10 stocks. This has helped us in being more patient in drawdown management. Additionally, we are now increasingly spreading our buying and selling over days to benefit from market volatility. **For investors, a focused momentum strategy provides the some of the best returns over longer periods of time as I had discussed in my previous letter**, so these trying times are more a test of our own mindset and patience.

There are a few important takeaways from all of this:

- No strategy works all the time and a diversified basket of strategies work well over time
- A combination of Shree Lakshmi and Shree Vriddhi helps in smoothing out the returns
- Cycles are getting shorter. Businesses are performing well for shorter periods of time than before. Gone are the days when a business continues to do extremely well over decades. Consequently, stock performance cycles are also getting shorter.
- Investors today have more and faster access to information than ever before. Everybody is using AI and LLMs to read summaries of concalls and annual reports. What is missing even more than before is the judgement needed for good investing and the core understanding of economy, business, drivers of growth and catalytic events.
- The biggest challenge for an investor today is focus – blocking off the cacophony of the daily breaking news.
- Increasingly adding more of longer-term quantitative analysis to our investing arsenal.
- We continue to keep learning, experimenting and working on our process and strategies to improve the performance of our funds

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  
Co-Founder and Fund Manager  
Shree Rama Managers PMS

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