Dear,

At the outset we wish to thank you for the faith reposed in us by investing in our Plans.

We will communicate with you every quarter; in part to inform you about the quarterly performance, but also to elaborate on some aspect of our investment philosophy or process. Over the course of time you will observe that we emphasise as much, if not more on the latter as on the former. This is borne out of our belief that a sound investment philosophy executed through a process that is unfailingly adhered to, will over the long term, inevitably lead to satisfactory investment returns.

We would like to caution you against laying too much emphasis on the quarterly performance numbers. In compiling our quarterly scorecard we are obliged to measure our performance against the market. You will observe that there will be months where our performance will be superior to the market (as reflected by the 'Sensex') as well as months when our performance lags the market. This should come as no surprise. Short term movements of the market are capricious reflecting the unpredictable and often exaggerated sentiments of the sum total of market participants as they react to the sum total of developments in the political and economic fields. This by nature is a combination of an (un)healthy dose of impulse together with reason. Our struggle is to tune out precisely this 'noise' emanating from the market place, whilst we attempt to assay the intrinsic worth of individual securities. Quarterly performances vis-à-vis the market are therefore more a measure of how ' in sync' we are with the prevalent moods of Mr Market – a goal that we have no particular skill or desire to pursue.

In some of the past quarterly letters we have dwelt at length on our investment process. At the risk of repeating myself, I wish to dwell once again on the importance of 'process' based investing. By its very nature the investment activity deals with uncertainty and is therefore intrinsically risky. Any sensible investment process is aimed at reducing the risk attendant to this activity as well as providing an abbreviated check-list that minimises errors in execution.

Risk control is the all-important cornerstone of any investment process for a very simple reason. The investing activity is nothing but an attempt to harness the efficiency of a compounding engine. And this engine works most efficiently in the absence of permanent losses of capital. An imprecise though intuitive reasoning for this suggestion can be had from the following example. Imagine starting with an initial investment of Rs 100, (imprudently, but to simplify exposition) invested in a single stock. Imagine that this investment declines in value by 50% to Rs 50. In order to come back to the initial capital of Rs 100, you would need a 100% return. So in order to overcome a 50% dimunition in value, you need a 100% appreciation. The arithmetic of the compounding engine is therefore stacked against losses (we are talking about permanent losses of capital and not the everyday volatility of the stock market); hence the accent on, and primacy of risk control.

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Our plans follow a well-defined process that starts from selecting a universe of stocks of companies with superior fundamentals. These stocks are then put through a valuation engine that gives an estimated valuation range within which we believe the business value of the company to reside. Companies that provide a superior reward to risk ratio at their current market prices are then selected for further in-depth study/updation. Any action contemplated with respect to purchase of the stock after this analysis follows a detailed investment thesis, which spells out entry and exit prices with the corresponding position sizing at those price points (typically, entry and exits are scaled into and out of, as opposed to taking place at a single price point).

Risk control is therefore exercised at various points in this activity. In the pre selection of companies that have superior fundamentals, in the detailed analysis made on conservative assumptions, and in the scaling in and out of positions to allow for the fact that valuation is an inexact science (if it can be called a science at all).

Apart from all this, an Investment Thesis also acts as an abbreviated check list to make investment actions comply with what is contemplated during analysis of any specific stock. Confronted by the volatility in the market place and the 24X7 news flow, it is not uncommon to 'double count' bad news or good news. Low prices often reflect poor business conditions and high prices often reflect superior business conditions. To recognise stock prices as low and then be inhibited from investing in stocks, or any particular stock, is tantamount to double counting bad news. Likewise to recognise stock prices as being high and then be inhibited from divesting stocks, or any particular stock, is tantamount to double counting good news. I have found that most errors that I have made are when I have not followed the investment thesis but second guessed it, or in other words subverted the process I have set up!

Whilst your individual returns are with you, we have given the weighted average results of all portfolios in the plan for March quarter (before our management fees but inclusive of all other expenses and charges). We would once again urge you to interpret quarter by quarter returns of any fund manager with some caution.

	Mar-14 Quarter
Benchmark (Sensex) returns	5.74%
Weighted average Portfolio Returns of plans run by V Parikh	7.63%
Proportion of cash held at the beginning of period	33.88%
Proportion of cash held at end of Period	37.32%

- Weighted average portfolio return is for less than 1 year and is not annualized.
- The benchmark return is also for a period less than one year and is also not annualized. Benchmark return is absolute change between start of the period to end of the period without any adjustment for fund flows during period.
- Portfolio return is based on weighted average returns of portfolio compounded monthly.
- The actual returns of clients may differ from client to client due to differences in composition of the portfolio and timing of investment/divestment.
- Past performance is not a guarantee for future performance.

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It is not uncommon for out of favour sectors (which is why they are cheap) to experience marked downside volatility and become cheaper. We have examined our holdings and are satisfied that none of the diminution in value represents permanent destruction of capital.

Please do contact us for any further clarification.

Regards

Vinay Parikh
(Portfolio Manager)

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General risk factors

i). Securities investments are subject to market risks and bear no assurance or guarantee that the objective of the investments will be achieved.

ii). Past performance does not guarantee future performance.

iii). Investors are not being offered any guaranteed or assured returns i.e either of principal or appreciation on the Portfolio.

iv). The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.