

April 2, 2019.

**Sub: 1. Segregation of Non-secondary Market services of CONCEPT. 2. Integration of Secondary Market Business of CONCEPT with R. Wadiwala. 3. Review of 1<sup>st</sup> Quarter of 2019.**

Dear Sir/Madam,

It gives me an immense pleasure in wishing you a very prosperous New Financial Year 2019-20. Indications are all positive.

We have informed you early this year that we have segregated non-secondary market business of CONCEPT into a new company CONCEPT INVESTWELL PRIVATE LIMITED. This service of Portfolio Management and Advisory is offered by CONCEPT INVESTWELL PRIVATE LIMITED. There is no change as far as people and place is concerned, it is just a change of title for the futuristic reasons. Services of Portfolio Management, Advisory, Mutual Fund, Bonds etc. are offered from this company Investwell. **I and my research team along with Jenish Rana (Head of Business Development - PMS) will be a part of this company.** If you need to know more about this new arrangement, kindly call any of us.

Similarly, you would learned that Secondary Market business activity company **CONCEPT SECURITIES PRIVATE LIMITED has entered into an agreement with R. WADIWALA SECURITIES PRIVATE LIMITED for merger of our broking and DP arm with them.** It is a consolidation exercise and is creating a win-win situation for promoters, employees, stakeholders and clients.

**We have just come out of a painful yet interesting FY2019. NIFTY/SENSEX was not showing the real picture because of few stocks performing extremely well as compared to broader markets.** To give you a perspective SENSEX gave 16.3 % return in last financial year as compared to BSE Midcap of (negative 4.4%) and BSE small cap of (negative 13.6%). In last 10 years there have been only 2 years when there was a big divergence between SENSEX and broader market which made life tough for investors. The other two I can recall is Year 2001 and 2008. **FII's were a big seller in Calendar Year 2018 to the tune of Rs. 53,020 crore while DIIs supported the market with Rs. 1.09,000 crore. Good news is that FII's have turned net buyers in the month of February with inflow of Rs. 13,205 crore and Rs. 36,927 crore in March.**

**SENSEX which was launched on 1<sup>st</sup> April 1979 has reached to 39000 delivering CAGR return of approx. 17.4%. Time and again it has been proved that Equity is the best asset class for return on investment.**

**Even as Market is at a new high we feel that it is reasonably valued.** For instance Market Cap to GDP is at 81% which was around 149% at the peak in 2008. Corporate profits to GDP is at 3% as compared to 8% in 2008. Price to Book Value is at 3.7 Vs 6.3 in 2008. Capacity utilization is at 74.8% Vs 91.7% in 2008. All of these metrics show that Market is reasonably valued although Price Earning (PE) multiple is high on depressed earnings. **We have kept a mix of both high quality expensive stocks as well as reasonable quality cheap stocks.**

**The big event coming in is Lok Sabha General Elections.** We feel that the bold steps taken by present government in last 5 years will pave way to prosperity in years to come. Steps like GST, IBC, RERA and Demonetization etc have been a game changer. **We also feel that smart money has started anticipating that present government is again coming back with full majority. What is important to note that Market has always delivered positive returns in the immediate financial year post elections.** Even next 3 year returns have been positive after each election. As per our experience we are not going to time the market as it is very difficult to gauge the outcome as well as market reaction after that. So, **we will go in the election fully invested in high conviction companies.**

Yours Truly,  
(Siddharth B. Mandalaywala)  
Fund Manager