



From the Desk of Fund Manager

01st January, 2019.

Dear Sir/Madam,

First of all let me take this opportunity to **wish you all a very happy, healthy and prosperous New Year 2019.** The year gone by has not been a great year from the point of your Equity shares returns. Market was quiet narrow with few stocks (with higher weightage) performing well. To give you a gist of what has happened **in last 1 year is that Nifty is up 4% whereas BSE Midcap is down 13.4% and Small cap is down 23.7%. I have not seen such divergence in my career of 12 years.** So **portfolios having exposures to midcap and small cap have not done well in this year.** Accordingly, **we have also not done well in Marvel as this plan is exposed to mid and small companies.** FII's have been a big seller this year, highest since last 2008 but market is well supported by DIIs mainly due to retail SIP at around Rs.7800 crore per month.

Although we are not satisfied with our performance of 2018 as it has been a year of learning with no earning. But I can say one thing for sure that we have worked hard as a research team. To give you a brief **we have researched 81 companies, 10 sectors and 24 IPOs** along with existing companies of PMS. This research pool helps us to add on new companies in the portfolio. **We have attended approximately 50 companies (mostly PMS companies) conference calls every quarter of last year.** Even we have read Annual Reports of all PMS companies along with new companies in our radar. **Personally I must have watched more than 1000 videos this year** covering various aspects related to investing with an average of 3 per day (Sunday included). I also attended many seminars of good fund managers to gain insights.

We focus on process which is a key to outcome. Since we have set right processes in place, we should be able to do well going forward. We have also improved a lot in investment philosophy and stock picking. We have built the finest Research Team with CAs, CFAs and MBAs.

We do not churn portfolio frequently unless it is needed. This helps you save transaction cost.

Last quarter main highlights were 5 state elections along with the resignation of RBI governor. Mandate to these states was not in favor of ruling party but it was a close fight with very less difference in vote share. **We feel that we should not extrapolate state election result with that of national elections. In year 2003 NDA won all 3 states (Rajasthan, Madhya Pradesh and Chhattisgarh) but lost out in national election of 2004.** To our interaction with many investors it seems that they are worried about National election outcome this year. **To give you some past data of, 10 national elections since 1980, SENSEX has always delivered positive returns in the immediate Financial Year. Even first 30 months returns post election have been positive except 1999.**

Let me now give you my take for year 2019. **Macro picture of India has changed dramatically in last 3 months since my last letter to you. Brent Crude is down from \$85 to \$55.** This is BIG and benefits India immensely. **This has led to some recovery in rupee. Inflation has been under super control** and is at just 2.5%. Going forward **this can pave way for lower interest rates. Generally midcap and small cap does well when macros turn in our favor.** Last year this segment got impacted because of worsening macros and euphoric valuations. **Other**

CONCEPT INVESTWELL PVT LTD

10/A, Union Heights, Maharana Pratap Road, Rahul Ral Mall Lane,

Near Lalbhai Contractor Stadium, Dumas Road, SURAT – 395007, Gujarat, INDIA

Contact No. : - +91-0261-220600 | Email: concept@conceptinvestwell.com | www.conceptinvestwell.com

probable thing which we need to focus on this year is returning of earnings growth which has been muted since last many years. The biggest turnaround which we can see is in corporate banks. Contribution of corporate banks to BSE 200 PAT has fallen from around 14% to (-6%) – a swing of 20%. We feel they will turnaround this year. There is a material sequential improvement in the slippage/asset quality of these banks in last quarter results. Even RBI recently said that **worst seems to be over for NPAs**. You know that we have taken a big bet on corporate banks like ICICI, SBI and Axis Bank. We feel they can drive returns this year.

In the history of our PMS since last 9.5 years, we have never done that badly especially in Marvel Plan. In fact we have outperformed 8 times in last 10 years. We are confident that we will bounce back this year. Most of the companies we hold in both the plans have high ROCE > 15%. Only thing missing is growth which we feel is round the corner as credit growth for Banks is back to 14% and capacity utilization has improved to 76%. Please do refer to the returns below.

| CONCEPT WEALTH PLUS (PMS) PERFORMANCE – LEGEND | | | |
|--|---|-------------------|------------|
| Year | Concept Legend (Inception : 28th July, 2009) | BSE 200 Return | Difference |
| Return Since Inception | 223.25% | 147.06% | 76.19% |
| Annualized | 13.24% | 10.06% | 3.18% |
| Last 5 Year | 14.78% | 12.96% | 1.82% |
| CY 2009 | 13.07% | 15.75% | (2.68%) |
| CY 2010 | 35.24% | 16.22% | 19.02% |
| CY 2011 | (26.43%) | (26.95%) | 0.52% |
| CY 2012 | 29.75% | 30.98% | (1.23%) |
| CY 2013 | 9.20% | 3.45% | 5.75% |
| CY 2014 | 54.34% | 35.39% | 18.95% |
| CY 2015 | 10.56% | (1.62%) | 12.18% |
| CY 2016 | (4.63%) | 3.54% | (8.17%) |
| CY 2017 | 35.09% | 33.26% | 1.83% |
| CY 2018 | (10.09%) | 0.02% | (10.11%) |

CONCEPT INVESTWELL PVT LTD

10/A, Union Heights, Maharana Pratap Road, Rahul Ral Mall Lane,

Near Lalbhai Contractor Stadium, Dumas Road, SURAT – 395007, Gujarat, INDIA

Contact No. : - +91-0261-220600 | Email: concept@conceptinvestwell.com | www.conceptinvestwell.com

| CONCEPT WEALTH PLUS (PMS) PERFORMANCE – MARVEL | | | |
|---|--|---------------------------|-------------------|
| Year | Concept Marvel (Inception : 12th October, 2009) | BSE 200 Return | Difference |
| Return Since Inception | 147.76% | 121.66% | 25.80% |
| Annualized | 10.32% | 9.01% | 1.31% |
| Last 5 Years | 13.00% | 12.96% | 0.04% |
| CY 2009 | 6.34% | 3.85% | 2.49% |
| CY 2010 | 18.89% | 16.22% | 2.67% |
| CY 2011 | (29.66%) | (26.95%) | (2.71%) |
| CY 2012 | 40.21% | 30.98% | 9.23% |
| CY 2013 | 6.23% | 3.45% | 2.78% |
| CY 2014 | 53.00% | 35.39% | 17.61% |
| CY 2015 | 8.33% | (1.62)% | 9.95% |
| CY 2016 | 3.97% | 3.54% | 0.43% |
| CY 2017 | 48.34% | 33.26% | 15.08% |
| CY 2018 | (28.41%) | 0.02% | (28.43%) |

- * Returns calculated are post expenses
- * Past performance may or may not be sustained in future

Out of 10 years, 2 years of underperformance including the last one; should be excused. We are focused, improving consistently and confident to do better job.

Yours Truly,

Siddharth B. Mandalaywala
Fund Manager