CONCEPT INVESTWELL
CREATION OF WEALTH

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- Fund Manager

FROM THE DESK OF A FUND MANAGER.

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Dear Sir/Madam,

We are sending our quarterly report on our PMS CONCEPT WEALTH PLUS. In last quarter Equities have corrected. There are multiple factors affecting prices of equity shares in short/medium term. We have enlisted some of the reasons in this letter. Our simple suggestion is to hold and practice patience.

We have seen a big cut in stock prices particularly in the month of September. The run up in the Sensex was since March and mainly due to few companies like Reliance, HDFC, Infosys, Kotak Bank and TCS whereas majority of the companies were in down trend. The pain has been much more as bad sentiment is at play after IL&FS debacle. There are silver linings being seen behind the dark clouds.

As an investor one must look at the positives which are happening currently. I will take you through different parameter which gives us optimism going forward.

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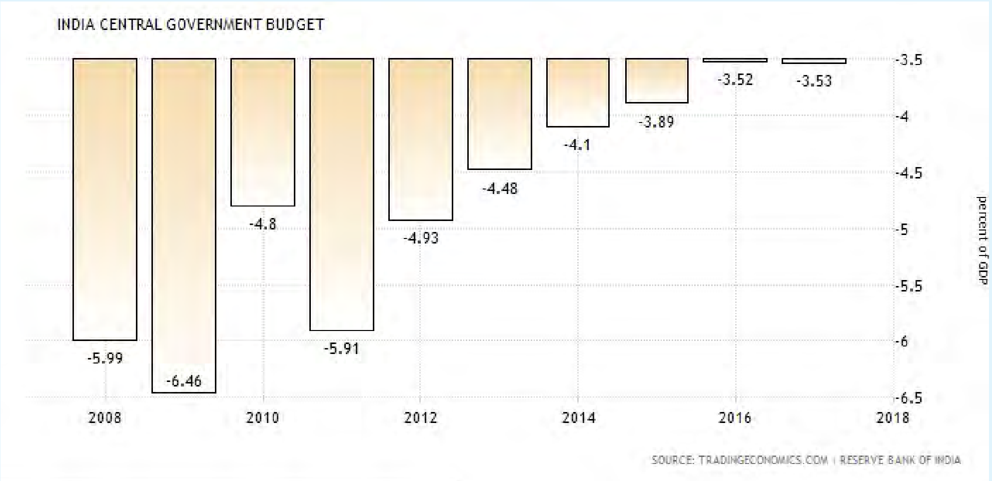
(1) Last quarter GDP growth has come at around 8.2% which is highest in last 8 quarters.

(2) From 2011 till 2013 crude oil was hovering between $90 to $130 and then went down to as low as $30 in 2015. Currently it is at $82 which is not horrible. Actually $30 was not sustainable. If the world grows then every commodity will move up and so steel, copper, aluminum, crude etc. has moved up.

Chart of Crude Oil

(3) Current Account Deficit went up to near 4.8% in 2012 and was best at 0.6% in 2016 and now it is currently at 2.8% which is not daunting for the economy. Additionally, it is always understood that a certain level of CAD is viable for a growing economy which ultimately can be seen through increasing consumption. At the same time government is actively taking steps to reign in the CAD.

(4) Fiscal Deficit was 4.9% of GDP in 2012 and has improved over years and is now at 3.5% of GDP near to the target of 3.3%. Government is proactively trying to reduce its debt and at the same time manage the bond market through interest rate revision every bi monthly.



Some other interesting facts to keep in mind are:

(5) Inflation has been under control. CPI was 12% in Nov 2013 and is currently at 3.7%.

(6) Last quarter Indian Corporate results reported best earnings post demonetization.

(7) Corporate Banks have almost cleaned up their Balance Sheet. They have recognized and provided for most of the NPAs and we feel going forward this will be seen in their financial results. Recent development of players bidding on Essar Steel is positive as finally it may turn up with no haircut to the lenders. It is one of the biggest NPAs to the banks till date.

(8) After this steep correction almost every sector barring consumer discretionary and non-discretionary is either undervalued or fairly valued.

(9) Rupee depreciation and interest rate rise actually helps majority of the companies in Nifty. IT and Pharma are export oriented and benefit out of it. Most IT companies have cash reserves and make more money when interest rate rises. Oil & Gas sector benefit out of rupee depreciation because of higher $ GRM (Gross Refining Margin). Banks benefit out of CASA (Current Account Saving Account) as it would not increase with increasing interest rates but their lending rate increases. So their spread would increase. Rupee depreciation leads to higher inflation which in turn will help consumer companies as they would get higher value growth.

(9) Market cap to GDP is also reasonable at around 86%. Remember it was at 146% in 2007.

So in short macros (Indian Economy) have turned reasonable from positive in last two years and micro (Corporate India) is turning positive from reasonable. Corporate Balance sheet has got deleveraged in last few years which will help them going forward.

The mayhem is currently happening in Midcaps and Smallcaps which is due to frenzy which happened for last few years. They outperformed Sensex/Nifty by a big margin from 2014 till 2017 and so reversing in 2018. This was bound to happen at some point of time.

	1/1/2014	31/12/2017
Sensex	21140.48	34056.83
		61.1%
Nifty	6301.65	10530.7
		67.1%
Mid-Cap	6737.16	17822.4
		164.5%
Small-Cap	6649.16	19230.72
		189.2%

(Return over 4 Years)

	1/1/2018	30/9/2018
Sensex	33812.75	36227.14
		7.1%
Nifty	10435.55	10930.45
		4.7%
Mid-Cap	17835.83	14763.2
		-17.2%
Small-Cap	19279.96	14430.68
		-25.2%

(Return over recent 9 months)

Corrections are part and parcel of any equity markets. History has taught us that in every 2 years market can correct upto 15%, every 5 years market can correct upto 25%, once a decade it can correct upto 40% and twice or thrice in our lifetime market can correct 50% or more. Sensex started its journey in 1979 from 100 and currently it is 36500. In between there were many big drawdowns of 10, 15, 25,40 and 50% still it has managed to cross each and every hurdles and make new high. Ultimately what counts is a corporate earning and that is where we need to look at.

CONCEPT WEALTH PLUS (PMS) PERFORMANCE

PMS Funds	Concept Legend (Inception : 28th July, 2009)	BSE 200 Return	Sensex Return	Concept Marvel (Inception : 12th Oct, 2009)	BSE 200 Return	BSE Midcap Return
Return Since Inception	210.20%	145.89%	136.29%	139.79%	120.60%	131.45%
Annualized	13.12%	10.30%	9.82%	10.24%	9.22%	9.80%
Last 5 Year	17.16%	15.21%	13.33%	15.36%	15.21%	21.37%
Last 1 Year	0.45%	8.19%	15.80%	-17.72%	8.19%	-4.36%

* Returns as on 30th September, 2018 and are post expenses.
* Past performance may or may not be sustained in future.

When market falls everything is painted with the same brush and so quality as well as non-quality falls but moving forward Men will be separated from boys. **Our portfolios are well positioned across sectors where we had taken contrarian bets and feel time has come for them to outperform the markets. Our top positions in the portfolio has not made new 52 week low and are showing strength in current market.** I feel that higher valuation is getting corrected along with low corporate governance companies. We have always shied away from companies where we feel there is doubt in management integrity. Some recent examples are Vakrangee, PC Jewellers, Yes Bank, Infibeam, DHFL etc. These are stocks were wealth was created for last many years but within few days it got eroded. We also didn't have any exposure to IL&FS group of companies.

Lastly I would like to re-iterate that the recent correction is a good time to add on your positions if you have a horizon of 3 to 5 years. There would definitely be short term hiccups, where you might get tensed on declining returns. But this is the real time to be patient and control your emotions and stay invested in the market. It's a known fact that in market there are few days that make the impact on our scrip and definitely we don't want to miss it. Finally always remember investing is simple but not easy.

Happy Investing.

Yours Truly,

Siharth.

Siddharth B. Mandalaywala
Fund Manager