



12 February 2016

Dear Investors,

Recent panic sell-off has resulted in significant damage to the portfolio value at current prices of securities held. Equity Intelligence has under-performed Nifty during the first six weeks of 2016. We have gone through such brief periods of under-performance couple of times during last 12 years. However long term value investing has proved to be rewarding for our investors, despite such 'air pockets' recurring once in a while!

I feel market sentiment is at its worst currently below 7000 Nifty, can see irrational behavior by traders and investors resulting in widespread mis-pricing! I can't guarantee that market won't go down further, but I am confident that our portfolio of value picks is poised to create impressive wealth going forward in India-specific economic environment. We understand the importance of margin of safety and the need of being conservative and choosy in stock picking. I would love to receive more funds for stock-picking now.

It could be boring to discuss about global slow-down, structural weakness of China, oil crisis in Gulf and Russia, sovereign debt crisis in PIGS and our own banking NPA issues; I am sure you are already aware about these. NPA crisis with PSU banks is real, and that's why Equity Intelligence has never invested in them!

During bad times, general tendency is to ignore positives and exaggerate negatives! India has many economic advantages in the given global environment, especially with regard to low commodity prices. Fastest growing major economy, India is planning to boost Infrastructure, Defence, Railway, etc. with unprecedented number and size of projects. Competitive Federalism with higher allocation to States with responsibilities can go long way in terms of India's economic growth. Government's action plan to clear the mess accumulated in PSU Banks and DISCOMs with innovative schemes looks impressive. Talking about India Growth Story, Consumption boom, Demographic Dividend, Emerging Middle Class and world's Largest Democracy makes more sense today than discussing them during good times 😊

I am very bullish now, on Stock-Picking in world's fastest growing economy!

Best regards,

Porinju Veliyath