

Quarterly Newsletter – June, 2019

Dear Investor,

I am writing this quarterly newsletter with a lot of positivity and confidence based on the milestones highlighted in CapGrow's journey so far.

On the macro front, the economic slowdown is clearly visible across various sectors and is also experienced at the ground level. The debt crisis is at its peak and there are new cases coming out of the shell almost on a weekly basis. CapGrow believes that these are all the excesses of the previous years and one-time cleaning of the system along with regulatory changes like NCLT will position India to a long-term structural growth story. The world is showing signs of slowdown and India is no exception. The current NBFC crisis will be resolved and the credit cycle will revive leading to growth across various sectors. We see good opportunities in industries like banking, capital goods and infrastructure accompanied by rising prospects in other related sectors. The rich demographic profile along with the stable government at the centre will boost equity returns in the coming years.

CapGrow continues to invest based on its investment philosophy. Some of our portfolio stocks have given more than 30-40% returns despite weak markets. Stocks like ICICI Bank, Axis Bank, Kalpataru Power, KNR have high visibility with more than 20% potential growth for next 2-3 yrs. Other stocks like Oberoi, Gujarat Gas, L&T have contributed considerably to the portfolio performance. We continue to hold positive views on G.E. Shipping & Navneet despite them being stagnant for last six months. We feel that in the near future, Zee stake sale will happen bringing returns for the equity holders.

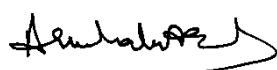
CapGrow's special situation portfolio is a little volatile. However, we remain optimistic towards the opportunities as ever before. As mentioned earlier, this portfolio consists of opportunistic bets that have stocks with corporate action leading to positive impact on shareholder value. We recently identified a very interesting situation in Fortis Healthcare Ltd, where our analysis suggested a favourable risk reward ratio. The near-term catalyst of an open offer at Rs 170.00 is expected to be cleared soon. For this trade in particular, we had several top-ups of significant amounts from our clients and we sincerely appreciate them for reposing faith and confidence in us. Moving on to other holding, Tata Motors continues to trade at its trough valuation while IIFL Holdings got demerged into three entities out of which, we continue to like the IIFL NBFC & IIFL Wealth Management part. We are holding Coffee Day enterprises, more because of the ongoing deleveraging process due to the sale of Mindtree stake & the impending sale of Real Estate business. The talks with Coca-Cola for a potential stake sale or any other restructuring to simplify the corporate structure will be an added bonus. We have lost little money in the Arvind Demerger while IndoStar Capital continues on its growth strategy.

Our growth strategy (as on June 30, 2019) is up 11.74% (vs Nifty 500 - 10.09%). We are very focused on finding great businesses run by excellent Management. The portfolio returns are just a by-product of this sound investment strategy.

"Client is our top priority" a motto that the management, the founders, the employees at CapGrow take very seriously. We re-assure that equity is the best asset class to invest in this age and time and in the long run. The compounding of equity returns is set to bring significant wealth to all of us.

We are always available for a chat. Feel free to pick up the phone or come and drop by at our office in case of any questions. You have been instrumental in building "CapGrow" and we value you!

Best Regards!



Arun Malhotra

(Co-Founder & Chief Investment Officer)