

Dear Investors,

We are very pleased to have you as a part of our CapGrow Family.

CapGrow is driven by its strong values that drives the vision of preserving and creating wealth for all its stakeholders. We, at Capgrow are having an exciting start to our portfolio, not only we have grown in leaps and bounds, but also have been able to successfully win the confidence and trust of our esteemed clients. We have received a high number of top-ups from our existing clients as well as through new referrals. Nothing can give us more pride in our work, than the satisfaction and exceeded expectations of our clients. Consistency in business from existing clients and growing number of new introductions is a true reflection of our dedicated service and performance. We thank each one of you for reposing faith in us and we assure you to stand by it.

Both of our equity strategies have done considerably well, outperforming the benchmark indices. **Growth Portfolio is up 10.2%** (not annualized) **on an absolute basis since inception, 5 months ago, while the special situation strategy is up 8.5%** (not annualized) **on an absolute basis**. This performance is further cherished by the fact that our portfolio construct consists of excellent businesses with clear visibility of earnings along with honest & shareholder friendly managements.

The last financial year was quite challenging for the equity markets. However, we are happy that we could sail through comfortably despite the IL&FS crisis and across the board thrashing of small and mid-caps. As we head into Elections in the next 60 days, there does exist some level of uncertainty. We believe our quality stocks will override this turbulence and will continue on their earnings growth path. We are strong believers in “Economics overrules Politics” in the medium to long term. However, we are a little perturbed by the irrational sops thrown by various political parties to woo the voters. This trend could be very dangerous to the fiscal prudence and stability. Even as we write to you, the latest announced merger between a bank that is in dire straits, with a housing finance NBFC promoted by aggressive promoters having interest in real estate and other ventures is a dangerous signal and enhances the systematic risk. Nevertheless, we are certain that this will not muster the RBI approval. We strongly believe that barring few hiccups, the structural changes and infrastructure capex are showing positive signs. GST collections are improving and the recent rate cuts along with other measures like introduction of IBC and PSU recapitalization will propel the economy faster. At CapGrow, we continue to evaluate opportunities across the board and are confident of the Indian equity markets doing well in the future.

As a significant investor in our strategy, I continue to love all our stock holdings. We at times grapple with the Quality vs Valuation trade-off but our endeavor is to hold the businesses in eternity. CapGrow Research process and investment portfolio will never compromise on the quality of earnings and an ethical management.

To provide more transparency and faster access to the clients’ portfolios, we have provided an online access to the portfolios on the Kotak Banking platform. This will ensure all clients are updated at all times of any changes in their holdings as well as the portfolio performance. In the end, we want to reiterate our commitment to service our clients 24x7 and invest in great businesses for long term wealth creation.

Arun Malhotra
Founder & Managing Partner