RW ADVISORS

Quarterly Update

August 2017

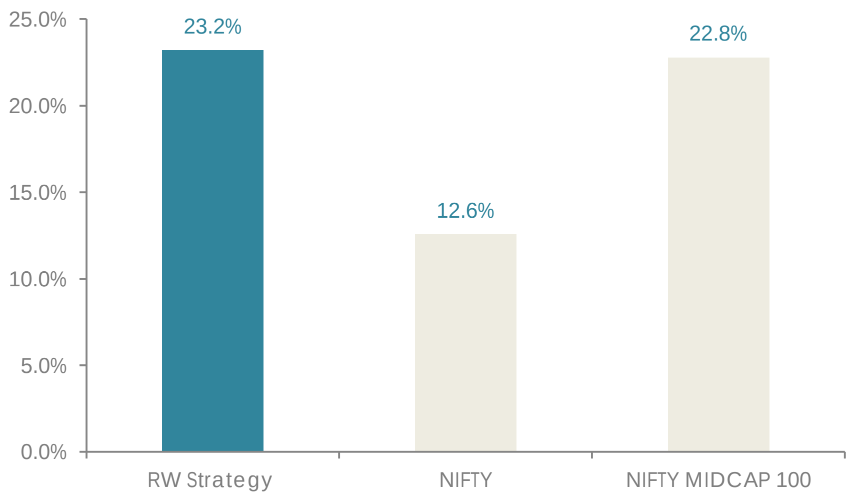
Investment Objective

RW Investment Advisors uses a proprietary framework that combines fundamental and technical factors to identify businesses that can create long term wealth. The guiding philosophy is capital protection and compounding over longer periods.

Holdings

Asset Concentration	Holding
No. of Companies	20
Top 5 Company Holdings	41.6%
Top 10 Company Holdings	69.0%
Highest Exposure	Kotak Bank (11.9%)

RW Strategy Performance (Internal Rate of Return)



Sector Allocation

Sectors	Allocation (%)
Banking & Finance	48.3%
Auto & Auto Ancillaries	11.1%
Media & Entertainment	8.1%
FMCG	7.4%
Pharmaceuticals	6.2%

Market Capitalization

Market Capitalization	Holding (%)
Large Cap	52.1%
Mid Cap	41.8%
Small Cap	6.1%
Avg. Market Cap (Rs.Bn)	1,052

Top Performers

Scrip Name	Purchase Date	Buy Price (Rs.)	CMP (Rs.) as of 31-08-2017	Growth (%)
HDFC Bank	13-Feb-14	634	1,775	180.0%
Kotak Mahindra Bank	22-Jul-14	437	975	123.0%
Maruti Suzuki	7-Apr-16	3,476	7,696	121.4%
Jyothy Labs	17-Jun-14	178	381	114.0%
Indusind Bank	30-Nov-16	1,079	1,655	53.4%

Qualitative Analysis

Parameters	TTM
PAT Growth	18.0%
PE	30.9x
ROE	18.1%

Holding Period

Holding Period	No. Of Scrips
Less than 1 Year	9
Between 1 to 3 Years	8
More than 3 Years	3

Disclaimers and Risk Factors

RW Strategy Inception Date: 17th Dec, 2013, Data as on 31st August, 2017, Data Source: RW Internal Research. RW Strategy results are for an actual Client as on 31st August, 2017. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The stocks forming part of the existing portfolio under RW Strategy may or may not be bought for new client. The Company names mentioned above is only for the purpose of explaining the concept and should not be construed as recommendations from RW Advisors. Strategy returns shown above are including dividends post fees and expenses.

Dear All,

It has been 3.5 years since RW Advisors was incorporated, and I wanted to thank each one of you for being part of the journey. As a practice, we would like to send the performance update once every quarter and qualitative insights once every year or around important market events.

Since the beginning of this year, investing opportunities have continued to dry up barring the events around demonetization and GST last month. Multiples remain high, cost of capital and growth remain relatively lower. Demonetization and GST have not helped earnings growth but have increased the attractiveness of equities as an asset class. In my discussions with potential clients, I no longer parry questions about real estate being a golden asset!

Since inception, the following principles were set out for evaluating portfolio performance.

- "Portfolio should go down lower compared to the Index and should underperform when the Index is moving up. Small positive differences over 5 year window can lead to substantial outperformance"
- "Create a portfolio that can deliver 15% + IRR over longer periods of time"

From the charts above, one can see that performance has been ahead of expectations on both the counts. It is important to add that, average market cap of RW portfolio is half that of NIFTY and six times that of NIFTY MIDCAP100. As an aspiration, having a portfolio that outperforms both NIFTY and NIFTY MIDCAP100 and generates a 15% +IRR will be ideal. RW portfolio experienced lower declines during the last 3 minor market declines (including the pharma decline). Endeavor also is to have more compounders in the portfolio for a longer period of time (3 years or more).

From an earnings standpoint, things should normalize over the next year as effects of GST wane. From the institutional ownership data, promoters and insurance companies are one side in trimming their stakes, while retail, MFs and FIIs have increased their stake during the last quarter. I hope retail is not entering the party late with surveys suggesting a significant spike in investments into direct equities. From a geo-political standpoint, if the North Korea problem flares up, portfolio values will drop significantly. But if history is any guide, such massive drawdowns have been great opportunities to invest more, although they can test your patience.

Personally, I will also continue to invest alongside and in the exact same ideas. Long term investors should not shy away from investing in quality franchises for keeps during large declines.

Meanwhile, these are some of the learnings over the last few years, when the markets have remained expensive:

- Focus on what's in our control without too much dependence on market prognosis
- Stay with quality – You don't rent a hut when you expect a storm, just because its cheap!
  - If there's something to learn from Market Wizards, it is this – "cut your losers and back your winners". In a similar fashion, when markets get over-heated, stay with the best quality companies (despite high valuations), cut the losers/weak franchises out and keep some gunpowder (cash!) dry. It's ok not to take the last puff.
- Invest in what you understand
  - Strive to generate ideas that pass the IRR muster, if they don't, don't sweat.

Please let me know your feedback or questions that you may have.

It would be of immense value if you can introduce us to your friends or colleagues, who are seeking to invest in public equities.

Warm regards,
Chaitanya