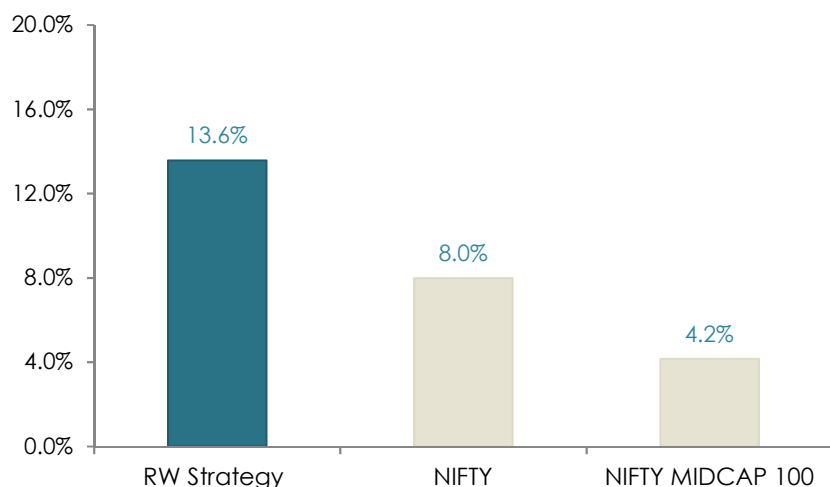


## Investment Objective

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.

**Chart 1: RW Strategy Performance (Actual IRR)**



## Top Performers

Scrip Name	Purchase Date	Purchase Price (Rs.)	CMP (Rs.) as of 31-08-2019	Growth (%)
HDFC Bank	13-Feb-14	634	2,229	252%
Abbott India	17-Mar-17	4,524	9,130	102%
Bajaj Finance	17-Jan-18	1,702	3,335	96%
Nestle India	3-Oct-18	9,418	12,850	36%
Asian Paints	1-Sep-17	1,196	1,615	35%

## Holding Companies

Asset Concentration	Holding
No. of Companies	18
Top 5 Company Holdings	40.5%
Top 10 Company Holdings	68.1%
Highest Exposure	HDFC Bank (11.7%)

## Sector Allocation

Sectors	Allocation (%)
Banking & Finance	28.8%
FMCG	17.0%
Paints & Varnishes	15.9%
IT Services	15.6%
Pharmaceuticals	9.4%

## Market Capitalization

Market Capitalization	Holding (%)
Large Cap	55.4%
Mid Cap	40.9%
Small Cap	3.6%
Avg. Market Cap (Rs. Bn)	1,560

## Qualitative Analysis

Parameters	TTM
PAT Growth	18.2%
PE	39.2x
ROE	24.7%

## Holding Period

Holding Period	No. Of Scrips
Less than 1 Year	10
Between 1 to 3 Years	6
More than 3 Years	2

## Disclaimers and Risk Factors

RW Strategy Inception Date: 17<sup>th</sup> December, 2013, Data as on 31<sup>st</sup> August, 2019, Data Source: RW Internal Research. RW Strategy results are for an actual Client as on 31<sup>st</sup> August, 2019. 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 post fees and expenses.

Consider these Economic Times headlines from the previous bear cycle in 2008...

## Investors dump equity and MFs, bank on good old FDs

*At a time when the banking industry is in a crisis globally, fixed deposits of public sector banks have emerged as the safest haven for badly-hit investors who are frantically liquidating their positions in equity markets and mutual funds.*

TNN | Oct 17, 2008, 10.40 AM IST

Save

## Prophets Of \$200-oil thought short-term trends were here to stay

*As oil prices zoomed toward an unheard of \$147 a barrel this summer, it seemed every analyst prediction that oil would approach \$200 was a self-fulfilling prophecy, until suddenly it was not.*

Agencies | Oct 15, 2008, 02.48 AM IST

Save

## US economy sinks deeper into rut: Fed

*The Fed's new snapshot of business conditions around the nation showed the economy continued to lose traction in the early fall. [Survive credit crisis](#)*

Agencies | Oct 16, 2008, 12.00 AM IST

Save

## Oil ends worst year in Nymex history below \$44

*Oil jumped 14%, capping a year that saw prices soar to unprecedented heights only to give up 4 years of gains in just 5 months. [World's largest refining companies](#)*

Agencies | Jan 01, 2009, 03.20 AM IST

Save

... and consider what the wise were doing:

## Billionaire Warren Buffett says he's buying US stocks

*Buffett, the world's richest man according to Forbes, said he is buying US stocks even though the economy is in a "mess". [Top 10 US bank failures](#) | [2008: Year of crisis](#)*

Agencies | Oct 18, 2008, 12.00 AM IST

Save

## Buffett, Soros continue to buy stake in companies

*Buffett has bought preferred shares worth five billion dollars from Goldman Sachs, which would infuse the much needed capital into the firm. [Modern Moguls](#)*

PTI | Nov 06, 2008, 08.55 PM IST

Save

Cricket: Sachin Tendulkar breaks Brian Lara's record to ... 

<https://www.theguardian.com/sport/2008/oct/sachin-tendulkar-test-r...>

Oct 17, 2008 - **Sachin Tendulkar** has become the highest run-scorer in the history of Test cricket after passing Brian Lara's record. ... Tendulkar breaks Lara's record to become highest Test run scorer. This article is more than .... **18 Oct 2008**.

## The Bull is a Lonely, Contrary Beast

by late Mr.Parag Parikh, value investor

**T**HEN there is the saliency heuristic. Consider this. Two planes crashed into the World Trade Center in 2001. Has it happened again? It was a salient event, but the world curtailed flying for a few months, thanks to the saliency heuristic, whereby people overreact to a one-off event. A dip in the profits of a company, the current slowdown at home, and the global meltdown is extrapolated too much into the future. A few months back, oil was \$140 a barrel and there was fear it would reach \$200. Did that happen? On the contrary, it's down to \$40. Similarly, the current recession will end one day and things will improve. The way the markets are going down, the indices should go to zero with a couple of months! Now, is that possible?

Now, let's see why you lost money? You were trapped, thanks to following mental shortcuts. The trick is to understand these heuristics and use them to your advantage. All the available information on stocks is negative, so everyone is selling, making stocks cheaper by the day. Buy stocks when no one is buying. You get the advantage of value-picking, plus the opportunity to buy them cheap. In the last three years, you followed the herd and lost. Now, the herd is selling stocks. Do not follow the herd. Buy stocks.

Investing is about having a long-term approach. So if you are investing in the current pessimistic times, you must do that with at least a two- or three-year view. I am sure you will not regret it, provided the choice of stocks has been good. Go to the right professionals, not the most advertised and sales-oriented organisations. One last thing: You don't buy life insurance and reassure yourself every day that you are still alive. Similarly, when you buy stocks, it's important you don't keep checking their prices every day. ■

*(The author is chairman, Parag Parikh Financial Advisory Services and author of Stock to Riches)*

The story seems all too familiar in the current context of complete gloom and doom in India, but I guess, the wise have always acted contrarian in times like these, including Late Mr. Parag Parikh in the past and Mr. Sankaran Naren now, who is best known for his read on asset allocation and market cycles. Most recently, Naren has been vocal about investing in small and midcaps given the attractive valuations now.

“Well, how the heck does it matter what the billionaire boys were doing – They can waste themselves for all I care”, is one of the possibilities some of you might be rightfully thinking. The following table might be chicken soup for the soul for all you feverish blokes:

Two-year performance of top performers in the portfolio from **October 2008 lows**:

Scrip	10/30/2008	10/29/2010	Return
Asian Paints Ltd.	95.48	268.77	180%
Bajaj Finance Ltd.	7.08	75.24	96%
HDFC Bank Ltd.	204.52	455.98	120%
Nestle India	1450	3490	140%
Abbott India	412	1171.4	180%

We are not suggesting that prices have become as attractive in this cycle as they were in October 2008 but the key takeaway for investors is: don't wait for the robin or spring will be over – one of the wise cracks from the oracle of Omaha that needs to dot every newsletter. In simple words, invest more in this downfall.

I can already hear - "Alrighty, I will invest through the downfall, but which companies to invest in?" – we have a ready recipe for it, although, occasionally we haven't cooked it as well as it should be. This is what saved us from the small cap booby traps in 2017 and value traps from December 2016. The cook book is as follows:

- Invest in market leaders in fast growing sectors
- No debt on balance sheet, cash generation is a must, ROCE upwards of 20%
- Put atleast 4% in each of the companies
- Cut losers quickly – we have done this 82% of the time, but the two losers Emami and Eicher are stand-out losers – my sincere apologies
- Generally, such companies are run by able managements – anyway look out for wrong doings
- Price reaction is important as fundamentals – patience interlaced with impatience
- Respect the 200 **weekly** moving average – i.e. sell below 200W moving average

If you like the defensiveness of our strategy and the approach towards investing, we would sincerely appreciate if you can refer your friends to RW.

Sincerely,  
Chaitanya