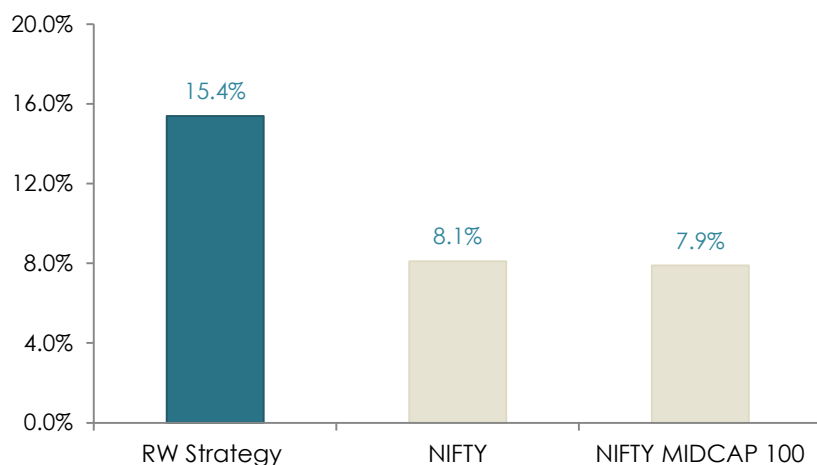


## Investment Objective

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 Net IRR)**



## Top Performers

Scrip Name	Purchase Date	Purchase Price (Rs.)	CMP (Rs.) as of 30-09-2020 )	Growth (%)
Mphasis	01-Apr-20	673	1,389	106%
HDFC Bank	13-Feb-14	552	1,079	96%
Syngene	25-Feb-20	302	553	83%
Asian Paints	01-Sep-17	1,281	1,988	55%
Persistent Systems	28-Jul-20	877	1,337	52%

## Holding Companies

Asset Concentration	Holding
No. of Companies	27
Top 5 Company Holdings	27.9%
Top 10 Company Holdings	49.8%
Highest Exposure	PERSISTENT (6.7%)

## Sector Allocation

Sectors	Allocation (%)
Pharmaceuticals	23.9%
BFSI	22.5%
Technology/Services	18.1%
Paints & Varnishes	9.8%
FMCG	9.6%

## Market Capitalization

Market Capitalization	Holding (%)
Large Cap	70.0%
Mid Cap	23.7%
Small Cap	6.3%
Avg. Market Cap (Rs. Bn)	1,420

## Qualitative Analysis

Parameters	TTM
PAT Growth	35%
PE	47.6x
ROE	20.5%

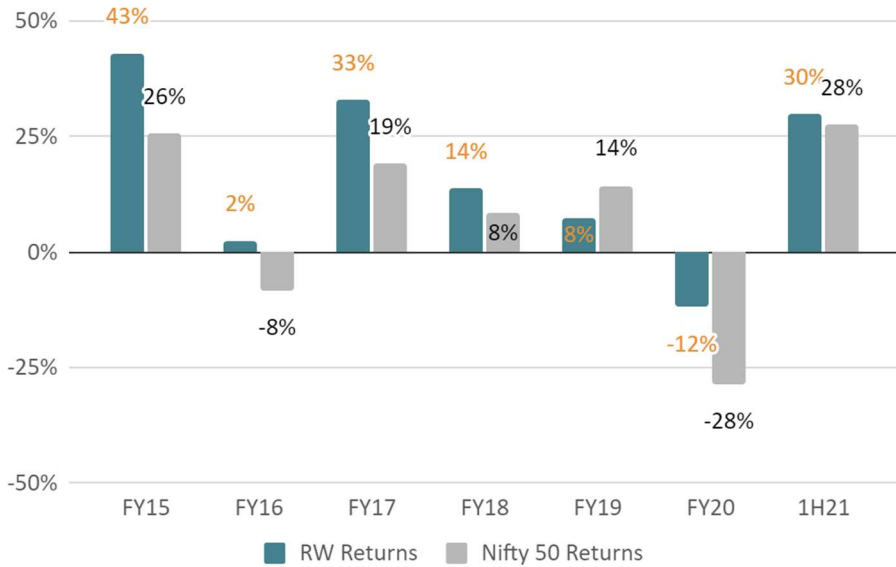
## Holding Period

Holding Period	No. Of Scrips
Less than 1 Year	24
Between 1 to 3 Years	1
More than 3 Years	2

## Disclaimers and Risk Factors

RW Strategy Inception Date: 17<sup>th</sup> December, 2013, Data as on 30<sup>th</sup> September, 2020. Data Source: RW Internal Research. RW Strategy results are for an actual Client as on 30<sup>th</sup> September, 2020. 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.

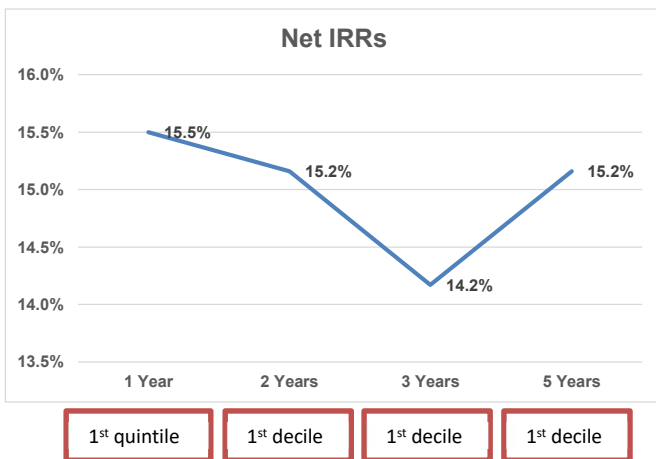
Yearly Performance – RW Strategy since inception



Nifty returns shows up as 28% instead of 30.8% for 1H21 primarily due to cash additions to the portfolio during the quarter

“There are decades where nothing happens; and there are weeks where decades happen”. With unlock 5.0 in fullspeed in the last few weeks, we are back to 15% long-term IRR target and we have started beating the index again this year. It was a good swing from -8% last quarter to +2% this quarter on the index, and **RW is one among the top 5 advisors, who have delivered over 15% return over the last 5 years** (based on September 20 data from pmsbazaar). As Druckenmiller puts it “But it is really really important if you’re a money manager to know when you’re seeing the ball. It’s a huge function of success or failure”. Right now, it does seem like we are seeing the ball right, of course with Mr. Market taking all the boats up. Rest of the year, we are likely to amp up on the trade intensity, as we did in the last quarter, to get the results higher.

**More importantly, we could not have asked for a better set of clients who backed us up by adding funds through this fall.** Our goal is to deliver top decile results for long periods at industry lowest cost structure. Some stats below on relative performance, compared to 150 odd PMS managers published by pmsbazaar.



## So what turned the ship in the last quarter? Picking the right sector with earnings tailwinds saved the day!

In September 2019 newsletter, we took the example of Mr. Damani's investment in Infosys around 1998 to illustrate the power of earnings growth that pretty much made his career. In December 2017, we covered Titan which became a 200 plus bagger for Mr. Rakesh Jhunjhunwala and his gumption to hold it at pretty elevated multiples. **It was our way of absorbing the fact that starting multiples may not matter as much if it's a 'beautiful' company with 'super' earnings.** Dec 2019 newsletter was in many ways, a culmination of our thought process on growth investing. **First get quality of the business right and then chase companies with earnings. The longer the runway, the better it is.**

Let's look at the pharma sector performance over the last 2 quarters, to see this notion in practice.

### Pharma Sector Performance – Last 6 months

Company	Sales Growth		PBT Growth		Stock Price		Stock Return
	4QFY20	1QFY21	4QFY20	1QFY21	31-Mar-20	30-Sep-20	
Aarti Drugs Ltd.	16%	53%	41%	246%	126	772	510%
Laurus Labs Ltd.	24%	77%	145%	1040%	65	287	345%
IOL Chemicals & Pharmaceuticals Ltd.	12%	-7%	59%	12%	176	726	312%
Neuland Laboratories Ltd.	14%	13%	160%	169%	283	1148	305%
Marksans Pharma Ltd.	35%	35%	245%	122%	14	50	262%
Dishman Carbogen Amcis Ltd.	-27%	-73%	-94%	-1328%	54	157	192%
Hikal Ltd.	-17%	-13%	-22%	-38%	70	191	173%
Granules India Ltd.	-2%	24%	110%	76%	144	384	167%
Morepen Laboratories Ltd.	-5%	27%	6%	154%	10	25	157%
Solara Active Pharma Science Ltd.	-23%	6%	-32%	60%	443	1076	143%
Glenmark Pharmaceuticals Ltd.	7%	1%	32%	124%	206	482	134%
Advanced Enzyme Technologies Ltd.	0%	0%	-7%	5%	143	330	131%
Shilpa Medicare Ltd.	10%	38%	35%	131%	245	560	129%
Strides Pharma Science Ltd.	0%	14%		172%	323	720	123%
Sequent Scientific Ltd.	7%	12%	12%	70%	78	154	98%
Caplin Point Laboratories Ltd.	15%	25%	7%	7%	282	554	96%
JB Chemicals & Pharmaceuticals Ltd.	6%	17%	0%	71%	508	988	94%
Aurobindo Pharma Ltd.	17%	8%	34%	28%	413	797	93%
Natco Pharma Ltd.	1%	15%	-20%	-14%	506	950	88%
Hester Biosciences Ltd.	-12%	-11%	-65%	-40%	925	1702	84%
Cipla Ltd.	0%	10%	-35%	20%	423	775	83%
FDC Ltd.	23%	-9%	20%	55%	196	356	82%
Astrazeneca Pharma India Ltd.	2%	-5%	58%	-22%	2392	4300	80%
Alembic Pharmaceuticals Ltd.	24%	40%	206%	100%	534	937	76%
Lupin Ltd.	0%	-10%	-10%	-43%	590	1007	71%
Bliss GVS Pharma Ltd.	-8%	-1%	58%	-43%	101	171	69%
Panacea Biotech Ltd.	94%	208%	-103%	-57%	110	184	68%
Dr. Reddys Laboratories Ltd.	8%	30%	50%	96%	3117	5187	66%
Biocon Ltd.	4%	8%	-28%	-21%	271	448	65%
Unichem Laboratories Ltd.	-15%	16%	NA	NA	151	245	62%
Ipca Laboratories Ltd.	21%	42%	-11%	224%	1388	2167	56%
Divis Laboratories Ltd.	10%	50%	14%	80%	1988	3047	53%
Cadila Healthcare Ltd.	0%	4%	-14%	51%	267	395	48%
Eris Lifesciences Ltd.	16%	6%	6%	0%	369	538	46%
Sun Pharmaceutical Industries Ltd.	22%	-5%	18%	-31%	352	501	42%
Torrent Pharmaceuticals Ltd.	5%	2%	15%	44%	1972	2800	42%
Sanofi India Ltd.	9%	-5%	-11%	19%	6242	8640	38%
Procter & Gamble Health Ltd.	-6%	0%	-10%	83%	3644	5003	37%
Piramal Enterprises Ltd.	-2%	-6%	43%	-127%	939	1252	33%
Amrutanjan Health Care Ltd.	-31%	5%	-47%	NA	330	423	28%
Glaxosmithkline Pharmaceuticals Ltd.	3%	-18%	-11%	-15%	1245	1574	26%
Indoco Remedies Ltd.	7%	8%	-17%	112%	209	256	22%
Pfizer Ltd.	-6%	-5%	-28%	-1%	4025	4901	22%
Alkem Laboratories Ltd.	11%	8%	26%	135%	2329	2779	19%
Ajanta Pharma Ltd.	32%	9%	61%	37%	1366	1613	18%
Abbott India Ltd.	6%	7%	-16%	30%	15456	16498	7%

Source: Aceequity

In the table above, I have screened for companies (~50) from the pharma sector based on market cap (higher than INR 1000 crores) and then ranked them based on stock price performance over the last 6 months.

Its crazy to observe that:

- 1) Median return for these companies was 80% in 2 quarters! I would give my flesh and blood to get this kind of return not in 2 quarters, but in 2 years – **Picking the right sector, therefore, is more than half the job done**
  - a. It is also critical to take a look at companies with strong earnings outside our comfort zone – Alkyl Amines was a huge miss in that regard, familiarity bias with BFSI/Consumer/IT kept us away from this name
- 2) We had nearly ~15 companies which delivered over a 100% return in 2 quarters – we have had exposure to only 2 of these companies. I don't regret not owning any of the others, they just did not fit our criteria.
  - a. More than half of these 15 companies had **triple digit earnings growth – Something which Momentum Masters like William o Neil, Minervini, John Boik, David Ryan continue to insist, for generating stellar returns**
- 3) For some of these companies even earnings did not matter, governance did not matter, promoter stripes were forgotten, one-offs did not matter, promoter pledge did not matter anymore, zero institutional ownership forgotten – just the sector momentum was sufficient to pull them up. Markets reveal themselves in strange ways, but that **doesn't mean we let our guard down and start investing in all and sundry**
- 4) Our favorite stock Abbott is at the bottom of the pack – which is both humbling and educating. Storm shelters are precisely those, but when earnings come back it's the catamarans (Aarti Drugs, Laurus Labs, Ipca etc.) that move the fastest. Peter Brandt says strong opinions weakly held is the way of the markets, I could not agree more

Looking at pre-announcements this quarter from companies with over 25% revenue growth, it does look like path labs viz. Dr. Lal, Metropolis and Thyrocare may be in momentum given the one-off opportunities and margin expansion created due to Covid testing. We have a couple of them in the portfolio and will continue to track them closely.