

TURTLE STAR - Equity Outlook (March 2019)

Howz the Josh?

The current situation on the border clearly indicates that the Josh is high on both sides. Its was a sad tragic loss for the Indian Army and for Nation as a whole (on 14 Feb, 2019) - a targeted retaliation was clearly the need of the hour. Howz the Josh ? – clearly a real strategist in war would like to strike when the josh is low at the enemy end and keep the fire of josh burning within ones own self. This is exactly was happened. There is a learning in the markets from every aspect in life. We are tempted to ask this same question for markets as well. Infact, we should be asking this question at all times and act exactly like a war strategist. In simple terms we should sell when the josh is high of majority of the market participants and buy when the josh is low.

Now that we have the learning mentioned above – let us ask the same question and gauge the josh of the markets in current context and try to visualize in days to come how will the josh be? Whether animal spirits will get ignited or put all the market participants in a deep slumber.

Clearly the josh was low until recently, how do we gauge it. At the peak of markets Josh is high and any paper offered in the markets is gobbled up ridiculous premium. In bull runs there is a hurry for IPOs, every sizeable promoters makes a beeline for QIPs, activity in rooms of investment bankers is high and private placement hits newspaper headlines. The traditional valuation matrix is buried deep in the sea by Private Equity investors to justify their investment bets and so on and so forth. However when the josh is low, none of above happens and what really happens is buy backs by quality companies, creeping acquisition by promoters who know the value of their businesses. The smart investor who understands that the markets move in cycles and that the cycles change is busy accumulating quality worth a dollar that is available for a dime. As Sir Howard Marks put it **“In bear markets shares move to the rightful owners”**.

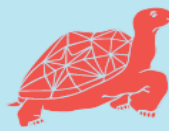
The Josh in the markets was low – In January 2018, when the josh was at its peak – the mid and small cap index was valued at 80% and 110% premium over Sensex on a normalized line graph starting from October 2013. Post the cooling off of the josh both mid and small cap index have corrected significantly and were trading at mere 20% premium a week back. Shares too have moved to the rightful owners. We always believe that apart from Fundamental and Technical – the behavioral aspect of market participants also plays an important role in the markets over a short period of time say a year or two.

Last and most important – we are not seeing any client withdrawal or redemption, we are seeing top ups from client, we are seeing new client additions and the most important we are seeing client referrals. Let us look at why all of this is happening. We did not follow a model portfolio approach and did not invest client money from day 1. We tried to understand the market cycle from Jan 2018 and went very very slow in investing our client money through whole of 2018. We could gauge that what happened in 2017 will not repeat in 2018 and infact we were more worried in second half of 2018 as we had stated in our newsletter of January 2018. As we speak we have liquidity ranging between 30% to even 100% in many client portfolios.

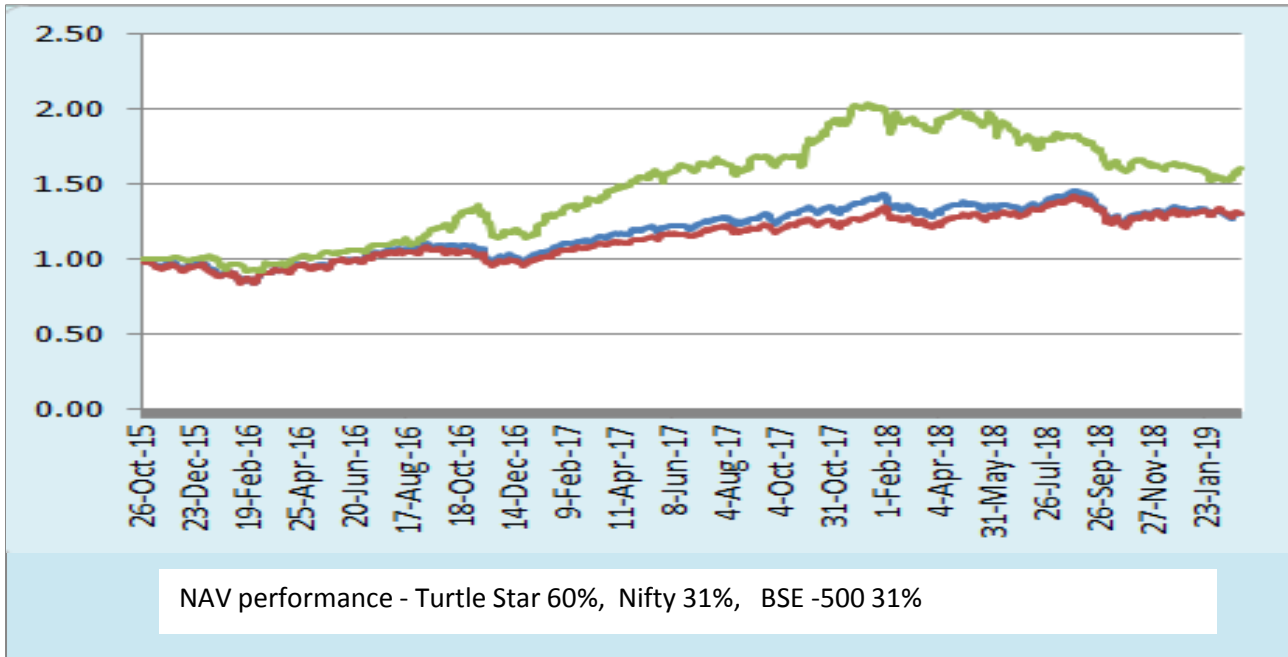
Going forward as we come closer to elections we see the josh coming back. We believe valuations are now much better and price corrections has been sharp, this calls for action from our side to deploy the liquidity we have in the stocks and businesses we like, we intend to do the same in days to come. Happy Investing with us.

Sunil Shah

Portfolio Manager, Turtle Star.



TURTLE STAR



Disclaimer:

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and A C Choksi Share Brokers Private Limited and its Associate or Group Company is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

The information and views presented in this report are prepared by A C Choksi Share Brokers Private Limited. The information contained herein is based on study of available charts, statistical data and their interpretation of the same, our analysis and upon sources that we consider reliable. Accordingly the views and opinions expressed in the report may or may not match or may be contrary at the times with views, estimates, ratings, target price etc. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither A C Choksi Share Brokers Private Limited nor any person connected with any associated companies of A C Choksi Share Brokers Private Limited accepts any liability arising from the utilization of information and views mentioned in the report. The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflects the research analyst's personal views about all of the subject issuers and/or securities, that the analyst have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report. The Research Analyst certifies that he /she or his / her family members does not own the stock(s) covered in this research report.

Caution:

Risk of loss in trading can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.