

TURTLE STAR

Bimal – Welcome to all of you for our concall on the markets. I Bimal Choksi along with my partners Sunil Shah and Ashish Shah welcome you for the concall of Turtle Star Portfolio Managers, We are a part of A C Choksi Share and Stock Brokers, We have been in existence since 1984 and also have our Portfolio Management license. In our PMS – we have generated a return of 60% since inception v/s benchmark returns of 26%, these are returns from actual portfolio. We could sense the current on-going price correction and in our client portfolio we are now anywhere between 30% to even 100% in cash, We have not been buying shares for almost few months now. Many of mid and small cap stocks have corrected by almost 20% to 50% since September and the pressure continues. I shall now hand over the call to my partner Sunil who shall share the views of Turtle Star on the markets and our portfolio strategy at this point in time. So over to Sunil.

Sunil – Thanks Bimal. The market is in a situation where most of the market participants are fearful. We think one has to look at the markets from short term, medium term and long term. In the very short term the sentiments of masses have an impact on the stock prices. In last couple of months we have seen issues of NBFCs & Banks like ILFS, DHFL, Yes Bank, Bandhan, AU finance etc dominate news and create panic in the markets. Markets are never rational and they have started to create multiplier effect on the entire NBFC, HFC and banking sector. We have always kept away in our client portfolio from the entire sector of borrowing and lending, we at Turtle Star believe that the profits or the spread that these companies enjoy by borrowing from one person and lending to another ranges from 2% to 5% but the risk of NPA, i.e. money not coming back is between 2% to even 15%, barring companies with patronage of HDFC, we have kept away from the entire sector from day 1.

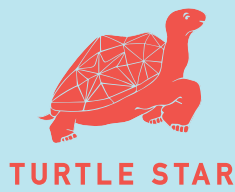
What is even more worrisome what the weightage this sector enjoyed in the broader indices of over 30% and in our client portfolio we were not even 1% in this sector, this clearly indicates that we are here to not beat a benchmark but focus on pure wealth creation for our clients.

In the short term – markets panic or react due to various factors but the ones who can differentiate between the price of the stock and value of the company are the ones who can benefit from such mispriced opportunities in the markets.

Coming to Medium term – like in short term where sentiments play a big role, in the medium term – liquidity and cyclical factors play a role. Whenever we want to predict the future, we should know the past and learn from the past and then only we can make a more prudent assessment of the future. In the markets, we saw markets rise in the last five years from FY14 onwards.

For markets to rise lot of factors play a role and it is the combination of these various factors that take the markets upwards. Let us look at the factors that played such role in the last five years. First was the change in leadership at the helm in terms of Prime Minister coming to power, it was also accompanied by correction in crude prices globally and that lead to improved macro factors of Current Account and Fiscal Account Deficit. Other factors were of excess liquidity getting printed in the world and that liquidity finding its way to growth economies like India. Also on November 8, 2016 one of the biggest landmark day in History of India demonetization was announced, this resulted in cash finding its way into Banks and from Banks it got legitimate entry in stock markets. That resulted in stock markets going up and that boosted confidence of people in tier 2 cities to look at SIP as a form of investment. Interest rates were soft, Real Estate prices were crumbling and gold was showing negative returns all of these factors put together on a compounded and a cumulative basis resulted in a rally in the stock markets.

As we are speaking most of the factors listed above are turning around, that has resulted in sharp correction in the stock prices, there is a uncertainty about PM Modi coming back to power in 2019, and this uncertainty is rising with every day. The interest rates are rising in both global markets and even the domestic markets. Global liquidity is on a deleveraging path. The indirect impact of demonetization i.e. money coming to stock markets is also behind us. Both the Current Account deficit and Fiscal Deficit is widening, FIIs are moving back to US and hence INR too is depreciating. Crude price too was inching up. All this factors put together on a compounded and a cumulative basis is resulting in a correction in the stock markets.



We at Turtle star believe that we have to look at stock market from a satellite, like from a satellite we can get a glimpse of what is happening on the ground i.e. have a short term understanding, also from a satellite we can see what is at a height of 39000 feet i.e. a medium term picture but like in a satellite wherein we can see data that is changing in terms of wind movements or pressure etc and understand when the big storm is coming, we should have a long term view. In the end it is the long term view that matters.

So over to the long term view - So over long term – the only factor that drives stock prices is the profits of the companies that are invested in. The reforms that have been done in the last 2-3 years are one of the most important ever in the history of independence. Rolling out of GST is bringing the majority of the business community in the tax net. It is an extremely positive step from the standpoint of the country. These GST is structural in nature – that means it is irreversible, no matter any change in government, GST cannot be reversed.

Second factor that was plaguing the economy was Bad loans in the banking sector. IBC and NCLT have cornered promoters who were making merry on the borrowings from the banking sector. Now Banks have more teeth and they can acquire and sell the asset as well, this is bringing the promoter on the table to resolve the NPA issue of the bank, again this is a structural reform and will help to improve the health of the economy. The entire NPA issue will be behind us in the next 18-24 months and economy will roar again.

There is also a leadership change at the key posts in our country in terms of RBI Governor, Chief Justice of India and also Chief at CBI. All these results into improvement in law and order in both country and the financial world also. A data suggests that in case of Demonetization there were over 1,81,000 accounts where over Rs 75 Lakhs of cash were deposited and the average deposit in these 1,81,000 account was Rs 3.05 crore – so cumulatively Rs 5 lakh 50,000 crore were deposited in these 1,81,000 account. Now assuming a few 100 or 1000s of these account were illegal, they will be brought to justice and this could be a triumph card in the sleeves of Mr. Modi before the elections,

Second triumph card could be the verdict on Ram Mandir by Supreme Court. The current government will leave no stone unturned to expedite the project of mandir and that in turn will please the masses in the state of UP – UP accounts for 82 of the 544 Lok Sabha seats.

Third – to gain popularity and show that the Government is pro poor and will not spare the guilty they will get

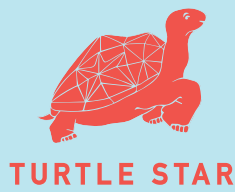
at least one of the defaulters either Mallya or Modi or Choksi back in India.

Fourth – there are 9 crore Muslim females in this country – there will be aggressive marketing of the law on Triple Talaq.

Fifth and this could be final nail in coffin is to bring Petroleum products in the regime of GST – the petrol price will overnight correct from Rs 90 a litre to Rs 50 a litre.

Sixth – there are nine crore first time voters in the country and they are all glued to social media – Mr. Modi will ensure that his popularity remains on the top in social media.

Over long term India story is one of growth and this growth is an outcome of young demography, our country is the only one that has average of population of 25 years. Given the Direct benefit transfer of subsidy directly in the bank account of 32 crore Jan-Dhan account holders, we believe lot of spending will come from rural india in coming days.



From a portfolio standpoint we will be investing our liquidity in quality large cap companies as even they offer value at this point in time, once we see the markets stabilizing, the large cap will rise first and then once the same happens we shall switch over to mid and small cap companies where we can look at higher returns over a period of time. So overall we have near and medium term headwinds and these headwinds is a time to be more greedy than be fearful. I shall now hand over the call to Ashish Shah for his thoughts.

Ashish Shah – As was stated by Sunil and Bimal the market are facing headwinds, but I would tell our investors that this is time to look long term. In the markets there are factors and there have been factors that have been worse than the ones currently prevailing in the markets, however over a long term given that India is a growth market and Indian companies post higher profits, the stock markets then goes up, likewise this time is no different.

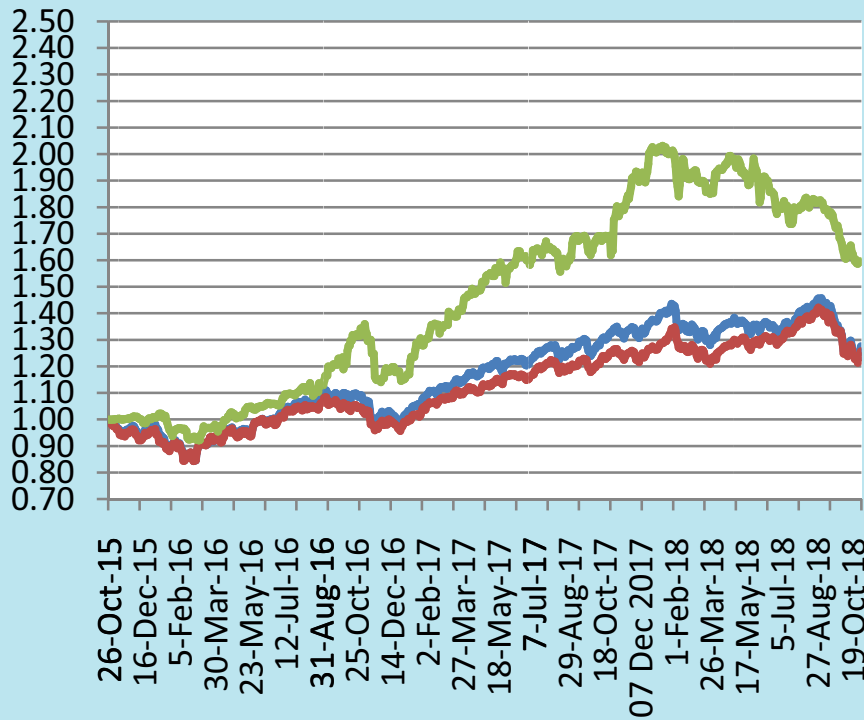
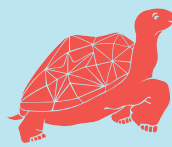
Always we realize in hindsight if our action was right or wrong, but one thing is clear that when pessimism is at peak and our investors have invested with us over last 25 years, they have eventually ended up making money and whenever investors have listened to the noise in the markets and panicked and sold they have lost in the stock market and gone back blaming the stock markets.

In fact we at Turtle Star would urge our investors to not only hold on to their portfolio but also do a top up in their portfolios aggressively, we have been prudent and we have never invested client money on day 1 – we have waited for such opportunity that markets always provide and invested at such times. The top up funds from your side will help you to generate better and bigger returns now than historically ever but let us all at Turtle Star portfolio managers be clear that returns will be generated over next three years and not in one year. If the client has the tendency to look at returns in short term or next one year, we would urge the client do not give us money but also keep away from stock market in general.

Stock market has the nature of being volatile, in fact it is only when the prices are going up the tendency of the investor is give more money and then end up making less returns it is times like this that should be used as an opportunity not to be missed. I shall hand over the call to Bimal Choksi.

Bimal Choksi- So we shared our thoughts on the markets from short, medium and long term perspective. We have our interests aligned with our investors from day 1, at turtle star we have build our PMS on grounds of trust, talent and transparency . In our PMS we make money only and only if our client makes money. We as portfolio managers at Turtle star shall strive to generate the optimal returns for us in the given circumstances at all times. If there is any clarification needed feel free to call anyone of us at anyone on this number – Bimal Choksi 9867623170, Sunil Shah –9820054037 and Ashish Shah – 9324247413. We are there to build wealth jointly for all of us. Thank you...

Bimal Choksi
Portfolio Manager
Scheme- Money Multiplier
A C Choksi Share Brokers Pvt. Ltd.



— BSE 500
 — Nifty 50
 — A C Choksi PMS

Returns

Nifty 50 - 28%
 BSE 500 - 26%
 AC Choksi PMS - 60%

* as on 31.10.2018.

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