



Securities Investment Management Pvt. Ltd.

Portfolio Management Service Presentation

June 2017

Flow of the presentation

1. Primer on the SIMPL PMS offering
2. Philosophy
 - *Investment Management*
 - *Clients*
3. Historical Performance
4. Fee Structure
5. Other important matters

1. Primer on the SiMPL PMS offering

A service that seeks to...

“Select stocks to deliver absolute returns over a long period of time rather than focus on relative performance or promise minimum returns”

“Invest for the long term and therefore does not employ any short term strategies”

1. Primer on the SiMPL PMS offering

...and therefore attracts Clients who:

“Look at equity investments as a way to preserving and creating long term capital and NOT as a tool for making quick and easy money”

“Are not anxious to know where the markets will be in the next week/month or year”

1. Primer on the SiMPL PMS offering

SiMPL Deep Value portfolio

- *Minimum ticket size: Rs. 50 lacs**
- *Stock selection based on Value Investing principles*
- *Focus more on Absolute returns, than on relative performance*
- *Core portfolio with not more than 20-25 stocks*
- *Always hold some cash in the portfolios depending upon our outlook on markets, etc.*

* - *There are special categories of investors including employees who may invest smaller amounts subject to SEBI's minimum ticket size of Rs.25 lacs.*

2. Philosophy – Investment Management

Value Investing...

- *Value Investing is a ‘discipline’ of buying securities that are quoting at a significant discount to their underlying values and holding them till most of the value is realized.*
- *But, do we buy anything that is undervalued?*

2. Philosophy – Investment Management

The answer is 'NO'

- Many stocks that seem undervalued are, more often than not, deservedly so.*
- To that extent, stock markets are reasonably efficient.*
- So what kind of stock will form our Core Portfolio?*

2. Philosophy – Investment Management

Important attributes we look for in a company

- *Predictable business*
 - *Attractive business prospects*
 - *Sustainable Competitive Advantage*
 - *Transparent Management with decent track record*
 - *Consistently profitable*
- Of the five criteria mentioned above, the first four have to be met for any company to form our group of focused stocks.*

2. Philosophy – Investment Management

Description – Predictable business?

- The underlying business should be predictable and durable, to the extent that one should be reasonably confident of the company and the industry being in existence 10 years down the line and doing more business than in the past.*
- Some of the industries and companies that have poor existence today include: typewriters, pagers, walkman, transistor radios, film-based cameras, etc.*

2. Philosophy – Investment Management

Description – Attractive business prospects?

- *Low penetration (in case of consumer goods) and / or huge untapped demand (large mismatch in demand- supply situation, e.g. power, medical equipment, training & education among others).*
- *Resultantly, significantly larger headroom for growth for the overall industry and the companies therein.*
- *Profitable on an aggregate basis.*

2. Philosophy – Investment Management

Description – Sustainable competitive advantage?

- *Advantage/s that enables it to maintain its leadership or challenge the existing one.*
- *Cost Advantage: Divi's Laboratories, Tata Steel, Hindalco, IT companies, etc.*
- *Known for Superior production / design skills, service and customer support, e.g. LMW, Shanthi Gears.*
- *Access to technologically high-end products / patents / intellectual property rights, e.g. 3M India, Wabco, Bosch, MNC Pharma, etc.*

2. Philosophy – Investment Management

Description – Management with good track record?

- Forthcoming in Communication to shareholders/analysts*
- Consistent dividend policy*
- Significant share ownership*
- Ability to develop a 2nd tier management team (outside of the key promoter/s)*

2. Philosophy – Investment Management

Description – Consistently profitable?

- Profitable, both at the net level & at the cash level*
- Healthy ROE / ROCE over a period of time*
- Sound liquidity & working capital management*

2. Philosophy – Clients

- ✓ *Client's interest is always first !*
- ✓ *No Soft Dollar Arrangements. All transactions in the clients account therefore have only one purpose: earn absolute returns*
- ✓ *Charge fees for Alpha Generation. Except for the moderate administration fee, our clients pay us only if we perform. Our model is such that unless we earn any significant return for our clients, we don't make any for ourselves.*

2. Philosophy – Clients

Of the many things that Warren Buffet has said, one stands out for us in the way we think of managing money for our Clients:

- ✓ *The first rule of investing is Don't Lose Money*
- ✓ *The second rule is Never forget rule number one*

...we want to preserve your capital & earn absolute returns on it because that's the only way we will stay in business!

2. Philosophy – Clients

*Our belief is nicely put by Seth Klarman in his book –
Margin of Safety:*

*“Ultimately, nothing should be more important to
investors than the ability to sleep soundly at night”*

...and We aim to do just that for our Clients !

3. Historical Performance

(Audited and net of fees & other expenses)

	FY17#	FY16	FY15	FY14	FY13	FY12	FY11	FY10*
	%	%	%	%	%	%	%	%
SiMPL Portfolio Performance <i>(all portfolios combined)</i>	23.5	-7.9	77.5	40.5	10.0	11.4	9.8	15.4
SiMPL Portfolio Performance <i>(portfolios without meaningful additions /redemptions during the year)</i>	21.6	-8.0	64.4	33.5	12.0	12.1	11.4	33.3
NSE Nifty	18.5	-8.9	26.7	18.0	7.3	-9.2	11.1	13.9
S&P CNX 500	23.9	-7.5	33.6	17.7	5.1	-8.8	7.3	13.8

- Unaudited

* - For period Sept 2009 - March 2010

4. Fee Structure

- Ticket size ~ Rs.50 lacs
- Fixed fees (*Goes towards day-to-day Admin/Support services*)
 - ✓ 0.25% per quarter (equals 1% per annum), to be charged at the end of the quarter on a daily weighted average portfolio value.
- Depository/Custody fees (*Goes to the Service providers*)
 - ✓ Brokerage, STT, turnover charges, stamp duty, transaction charges, DP/Custodian charges, etc.
- Performance Fees (*Primary source of Income for SIMPL*)
 - ✓ Charged @ 20% share of incremental profits generated over and above the hurdle rate of 12%.

**** - All the expenses are deducted from the Clients bank account with us.

4. Fee Structure

- Ticket size ~ Rs.25 to 50 lacs
- Fixed fees (*Goes towards day-to-day Admin/Support services*)
 - ✓ **0.5% per quarter (equals 2% per annum)**, to be charged at the end of the quarter on a daily weighted average portfolio value.
- Depository/Custody fees (*Goes to the Service providers*)
 - ✓ *Brokerage, STT, turnover charges, stamp duty, transaction charges, DP/Custodian charges, etc.*
- Performance Fees (*Primary source of Income for SIMPL*)
 - ✓ *Charged @ 20% share of incremental profits generated over and above the hurdle rate of 12%.*

******** - *All the expenses are deducted from the Clients bank account with us.*

5. Other Important Matters

- *No 'lock-in' is proposed or enforced of funds placed with us in the PMS Schemes but clients are encouraged to view their account as long term investments and it is suggested that only long term, surplus funds be invested in the scheme. Our investment style is best suited for individuals or families who wish to protect long term capital while investing in equities.*
- *Equities as a class may under perform other investments in the form of real estate, bond funds, gold etc and we do not hold out any assurance of outperformance against any other investment class*
- *On account of our emphasis on long term investments acquired at discount to fair value client monies may be retained in interest generating assets such as liquid funds or bank deposits until suitable opportunities arise. This inter alia could lead to underperformance of the overall portfolio against performance of the overall stock market as indicated by various indices such as the BSE Sensitive Index, NSE Nifty 50 Stock Index, NSE CNX 500 etc*
- *We look for value and may find it in illiquid stocks of small companies. A portion of your portfolio will be invested in such stocks which carries with it attendant liquidity risk apart from company specific risk.*

5. Other Important Matters

- *No hedging strategies are adopted to protect against currency depreciation or market fluctuations in either direction*
- *Clients are mailed a Quarterly Statement of Transactions, Holdings and Valuation. Clients can request a copy of their latest Quarterly Reports by filling up and e-mailing us the form provided for this purpose elsewhere on this website*
- *Past performance statistics are available in the Disclosure Document filed with SEBI. The Disclosure Document is available on this website and can be downloaded from there. Past performance is no indication of target returns and should not be relied upon as indicative of achievable returns or target returns for the future.*
- *Investments are often made and held directly by promoters and other key employees in the same stocks in which the portfolio manager invests for clients. Such investments may be made by promoters, directors or by entities controlled by them. In all such cases a pre-clearance procedure is in place and priority is accorded to clients' investments both in the purchase and sale of securities in accordance with internal policies adopted for this purpose. Clients are entitled to receive a copy of the Internal Guidelines on this matter for perusal.*
- *Performance fees are not charged for certain categories of clients like promoters, major shareholders, employees etc*

Thank You