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A New Phase: Transitioning to Portfolio Manager

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Since 2011, my father (Sanjay) and I have been solely focused on managing personal and family capital at our family investment office. I like to think that we have been fantastic "absorbers" of wisdom in learning from our success and mistakes; and in establishing and identifying the source code of fantastic investment opportunities among listed equities in India and to a smaller extent, around the world.

We have been able to better identify the limits of our capabilities and have been successful in broadening this circle ever so slightly. Above all, we have come to realize that while we likely possess below-average intelligence, we find strength in our unusually high emotional resilience — a component we view far more critical to sustained success in investing over multi-decade and multi-generational horizons.

The essence of our philosophy in evaluating opportunities and allocating capital has always been best captured by the following Warren Buffet quote from the Owner's Manual: "I've never believed in risking what my family and friends have and need in order to pursue what they don't have and don't need."

From here onward, we intend to replicate our success with personal and family capital to a slightly broader footprint. We have come to appreciate and have been humbled to realize that our deep insights on select opportunities combined with our unusual combination of emotional resilience and rigorous research-backed conviction can be of substantial service to our broader network of family and friends.

While we were entirely content managing our own capital through perpetuity, a combination of factors have nudged us in the direction of setting up a separately managed accounts platform (what is commonly referred to as a portfolio management service or PMS) – and we are enthused by the idea of replicating the underlying qualities of certain investment management companies which we have come to admire in places ranging from Prague to Palo Alto over the past several years.

Importantly, this new structure is an enabling platform through which we can advise foreign institutional entities – an opportunity we will build on gradually and selectively subject to alignment of philosophy and conducive regulations. While the underlying tenets of our approach and philosophy will only get further entrenched, I'd like to highlight a few key differences compared to traditional investment management companies you might be more familiar with:

1. We will only accept capital from people we have known for a meaningful period of time and in some situations from well thought out referrals of people within our ecosystem. To put it bluntly, we want to continue enjoying the intellectual challenge of finding interesting investment opportunities through rigorous research while recognizing that we are in the company of people we trust and admire. We have no interest in building a large, mass-market business. We are far more interested to curate the right kind of relationships with people who fundamentally understand our approach and find our approach to be a meaningful way to grow and preserve capital. In fact, in the early phases of our

operations we will stop initiating new relationships once our investor base reaches 40 individuals/ entities.

2. We have only one investment approach — identifying companies run by honest and capable management teams which are building businesses with exceptional economic characteristics (as measured by long-term returns on capital and sustainability of competitive advantages) which have substantial scalability prospects and which are likely to do well in a wide variety of future scenarios. Upon occasion, such companies can be bought at meaningful discounts which allow for very high rates of capital growth over the long haul — such opportunities are very rare. When such rare opportunities manifest themselves we seek to build meaningful positions as opposed to dipping our feet. This combination of diligent underwriting in terms of security selection and portfolio concentration if done correctly can lead to meaningful outperformance relative to broader indices when measured over decades.

As dad often says, “If a product fails people question your capabilities but if ‘money fails’ people question your integrity.” We will proceed cautiously with his concern in mind. I invite your comments (soumil@dmzpartners.in)