



INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

A. PAST PERFORMANCE:

Period:	Last 3 Months	Last 6 Months	Last 1 Year	Last 2 Years	Last 3 Years	Since Inception Jan-20 to Dec-22
Cumulative Returns						
Portfolio	10.2%	19.0%	16.8%	55.6%	176.8%	176.8%
Sensex	5.9%	14.8%	4.4%	27.4%	47.5%	47.5%
Outperformance	4.3%	4.2%	12.4%	28.1%	129.3%	129.3%
Annualized Returns						
Portfolio		16.8%		24.7%	40.4%	40.4%
Sensex			4.4%	12.9%	13.8%	13.8%
Outperformance			12.4%	11.8%	26.6%	26.6%

We turned 3 years old in Dec-22! We are excited by our track record so far of having returned ~40% CAGR, outperforming the market by ~27%. We benchmarked our performance to that of some of the leading PMS' and AIFs in the market and have shared this analysis with you on the next page. Our performance is better both on a 3 year and 1 year basis than that of most well regarded funds.

We have received 2 questions from investors on performance regularly:

- 1) A lot of funds did well during the Covid period (2020-21), will you be able to follow this up in a more normal environment?

Answer: Our performance of calendar year 2022, a more normal year, has been meaningfully better than both the market and our peers. We returned ~17% in 2022, Sensex returned under 5%, while most of our peers struggled to beat even the market.

- 2) Is your performance replicable as your size grows?

Answer: We strongly believe that we would be able to generate these returns on much larger AUMs. The investment style has been designed to be able to absorb billions of dollars in AUM by limiting exposure to small caps both in aggregate and on a single name basis. We have never had more than 40% in small caps, and this has averaged around 22% of our Portfolio over time. Even within small caps, we have bought larger small caps where minimum market capitalization has been \$200 million (for all but one name). We think we could replicate our Portfolio for \$1 billion AUM fund in a few days of trading.

Key reasons for outperformance in 2022:

- 1) Given our investment strategy (see section labelled "Our Strategy in Action") we had almost 80% in cash at the beginning of 2022 which allowed us to take advantage of cheaper valuations in the middle of 2022 when the markets corrected.
- 2) We have been overweight Financials through 2022 given their low valuations, solid growth in loans, benign credit cost environment and improving RoE profiles. This is the single largest contributor to our 2022 returns.
- 3) We took a contrarian view on commodity prices, expressed by being invested in commodity consumers (FMCG companies, oil marketing companies and gas distribution companies). This has partly played out and provided returns especially in months when the market was weak, reducing the overall risk levels in our Portfolio.

INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

Benchmarking our performance:

The data presented below is sourced from PMS AIF World Newsletter and Finalyca and is as of Dec-22.

Fund House	Fund Strategy	3M	6M	1Y	3Y	Mcap
Guardian Capital	Opportunities Scheme	10.2%	19.0%	16.8%	40.4%	Multi Cap
Sensex		5.9%	14.8%	4.4%	13.8%	
Guardian - Outperformance vs benchmark		4.3%	4.2%	12.4%	26.6%	

Most Popular Funds

Fund House	Fund Strategy	3M	6M	1Y	3Y	Mcap
White Oak	India Pioneers Equity	-0.1%	13.7%	-6.6%	19.2%	Multi Cap
ASK	Indian Entrepreneur Portfolio	-4.3%	11.3%	-8.5%	13.8%	Multi Cap
Marcellus	Consistent Compounds	-3.2%	12.5%	-8.8%	13.7%	Multi Cap
Abakkus	All Cap Approach	8.6%	18.3%	-1.3%	NA	Multi Cap
Peer group average		0.3%	13.9%	-6.3%	15.6%	
Guardian Capital	Opportunities Scheme	10.2%	19.0%	16.8%	40.4%	Multi Cap
Guardian - Outperformance vs peer group avg.		10.0%	5.0%	23.1%	24.8%	

Leading Funds With 10+ Years Existence

Fund House	Fund Strategy	3M	6M	1Y	3Y	Mcap
Accuracap	Picopower	-1.0%	10.3%	-10.4%	32.9%	Small Cap
ValueQuest	Growth Scheme	-2.8%	8.1%	-5.0%	29.1%	Multi Cap
Sundaram	SELF	-3.2%	10.9%	-6.8%	21.5%	Mid & Small Cap
Alfaccurate	IOP	0.7%	14.3%	0.8%	19.1%	Multi Cap
Girik Capital	MultiCap	-1.8%	10.3%	-8.1%	18.8%	Multi Cap
Sundaram	SISOP	-1.2%	12.1%	-6.9%	16.7%	Multi Cap
Quest	Flagship	0.2%	12.5%	-6.5%	16.5%	Multi Cap
Kotak	India Focus- Series I	0.7%	11.1%	-3.0%	15.6%	Multi Cap
ASK	Indian Entrepreneur Portfolio	-4.3%	11.3%	-8.5%	13.8%	Multi Cap
Alchemy	High Growth Select Stock	-4.5%	8.3%	-4.8%	12.8%	Multi Cap
Peer group average		-1.7%	10.9%	-5.9%	19.7%	
Guardian Capital	Opportunities Scheme	10.2%	19.0%	16.8%	40.4%	Multi Cap
Guardian - Outperformance vs peer group avg.		11.9%	8.0%	22.7%	20.7%	

Leading Funds With 5+ Years Existence

Fund House	Fund Strategy	3M	6M	1Y	3Y	Mcap
Valentis	Rising Star Opportunity	8.5%	20.4%	7.4%	41.2%	Small Cap
UNIFI	Blended - Rangoli	2.1%	13.7%	-0.2%	36.4%	Mid & Small Cap
Negen Capital	Special Situations	-4.2%	9.7%	-1.1%	36.0%	Multi Cap
Nine Rivers	Aurum Small Cap Opp	-1.4%	13.5%	-0.6%	35.2%	Small Cap
ValueQuest	Platinum Scheme	-1.1%	7.9%	2.4%	34.0%	Multi Cap
Sameeksha	Equity	5.6%	15.4%	-2.0%	28.2%	Multi Cap
Avestha	Growth	1.3%	18.8%	13.9%	25.4%	Multi Cap
Buoyant	Opportunities Multicap	5.5%	19.7%	3.1%	24.8%	Multi Cap
SBI	ESG Portfolio	-3.1%	11.3%	6.3%	24.3%	Multi Cap
Sage One	Core	-5.1%	2.6%	-18.7%	21.2%	Mid & Small Cap
Peer group average		0.8%	13.3%	1.1%	30.7%	
Guardian Capital	Opportunities Scheme	10.2%	19.0%	16.8%	40.4%	Multi Cap
Guardian - Outperformance vs peer group avg.		9.4%	5.7%	15.8%	9.7%	

Leading Funds With 3+ Years Existence

Fund House	Fund Strategy	3M	6M	1Y	3Y	Mcap
Sage One	Small Cap	-2.4%	11.6%	-9.6%	38.3%	Small Cap
Green	Special	-3.2%	13.8%	4.1%	31.0%	Multi Cap
ICICI	PIPE	4.2%	21.4%	20.3%	29.3%	Small Cap
Wize Market Analytics	Capital Mind-Momentum	1.0%	11.3%	-4.2%	29.0%	Multi Cap
ICICI	Contra	11.1%	31.2%	20.0%	24.3%	Multi Cap
Stallion	Core Fund	-1.7%	15.5%	-10.3%	20.9%	Multi Cap
Aditya Birla	India Special Opportunity	2.6%	14.4%	5.7%	19.8%	Multi Cap
Valentis	Multi Cap	5.3%	15.4%	4.2%	17.7%	Multi Cap
Turtle Wealth	Wealth Mantra	3.5%	25.3%	9.0%	16.7%	Multi Cap
TATA	ACT	0.2%	16.0%	2.2%	16.0%	Multi Cap
Peer group average		2.1%	17.6%	4.1%	24.3%	
Guardian Capital	Opportunities Scheme	10.2%	19.0%	16.8%	40.4%	Multi Cap
Guardian - Outperformance vs peer group avg.		8.2%	1.4%	12.7%	16.1%	

Notes:

- 1) Performance details for Guardian Capital are before expenses and tax to make it comparable to Sensex
- 2) AIF license received in Q3 C21. Assets have been transferred into AIF as of 01/11/2021. Returns from Nov-21 onwards are for assets in the AIF
- 3) Before Nov-11 returns are for capital invested through the Sponsors' personal account, with HDFC Bank as Custodian providing performance statements

INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

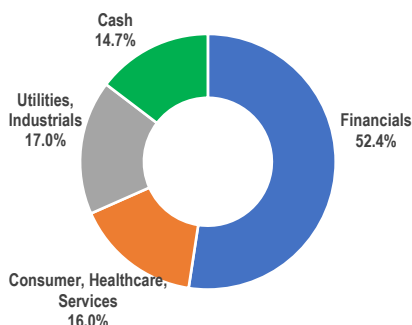
Changes to the Portfolio in the last quarter:

- 1) Sold ITC: Valuations have now normalized as our thesis that cigarette volumes will come back strongly post COVID has played out. ITC was a strong contributor to our returns in 2022.
- 2) Sold Coal India: Valuations have now normalized as our thesis that coal fired power plants will continue to be the backbone of the Indian power sector and Coal India will be the key beneficiary has played out. Coal India, too, was a strong contributor to our returns in 2022.
- 3) Sold smaller Financials positions: We have been consolidating our positions to minimize small positions. With this in mind, we exited Aditya Birla Capital, Mahindra & Mahindra Finance, and LIC Housing Finance. We continue to have exposure to the underlying sub-sectors through other names in our Portfolio.
- 4) Bought Cash Management Services sub-sector: We have been conducting private equity style research on the cash management services sub-sector for many months. We had differentiated access to senior people in the sector, which facilitated an in depth view on the sector and the quality of the promoters of the key companies. The investment can be categorized as Growth at the Right Price (GARP) where multiples are reasonable, and both regulation and underlying demand will drive volume growth for many years to come. We bought CMS Info Systems and AGS Transact, the 2 key companies in the sub-sector.
- 5) Scaled our position in PNB Housing: The recent quarterly result and the induction of a new CEO gives us further confidence that the clean-up of legacy issues is largely completed, and the business is on a stronger footing to build for the future.

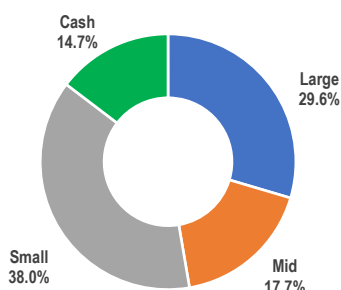
Portfolio characteristics:

	P/E FY 23e	EPS Growth FY 23e (consensus)	PEG Ratio
Portfolio	15.1x	18.3%	0.8x
Sensex	22.2x	10.6%	2.1x

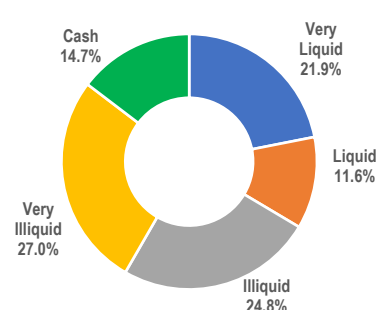
Portfolio: Sectoral Mix



Portfolio: Size Mix



Portfolio: Liquidity Mix



Top 10 positions:

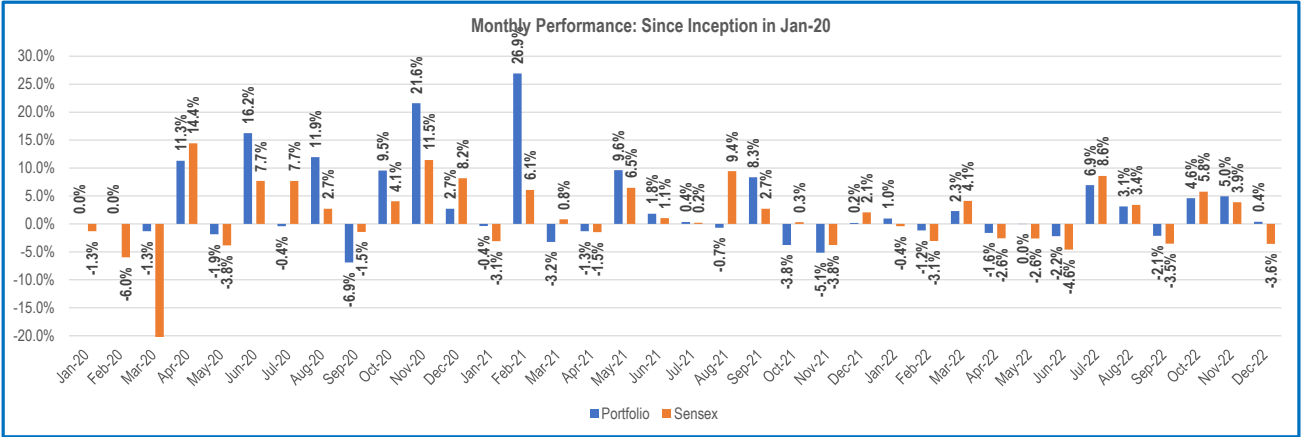
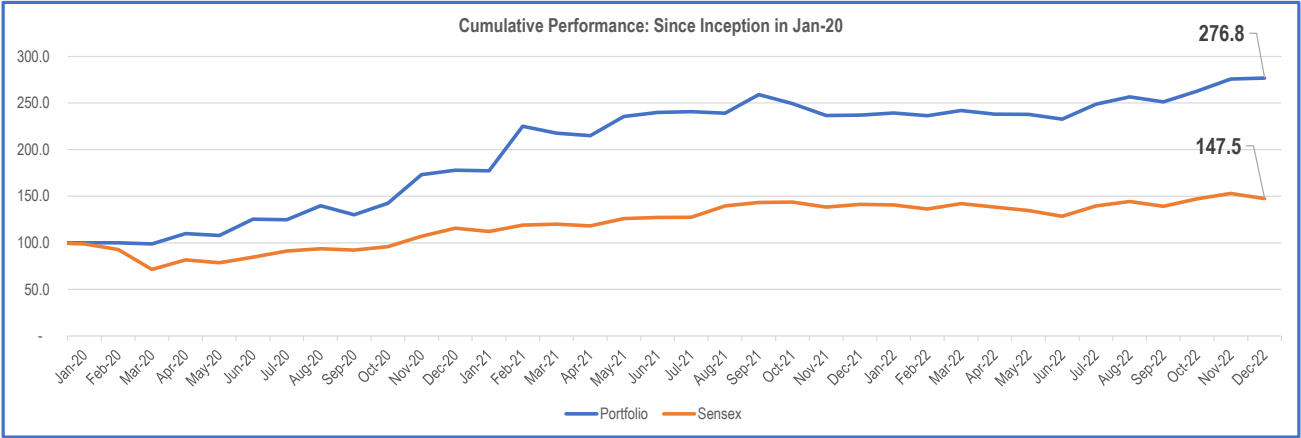
HDFC Bank	Shriram Finance	PNB Housing	Manapurram	IOC Ltd
HDFC	Axis Bank	Equitas Holdings	Aster DM	Castrol

Notes:

- 1) Market Cap Definitions: Large = largest 100 market cap companies, Mid = Between 101 and 250, Small = 251st and smaller. The smallest company in the Portfolio has a market cap of \$250 mn+
- 2) Liquidity Definitions: ADTV = Average Daily Traded Volume over last 90 days, Very Liquid = ADTV > \$10 mn, Liquid = ADTV > \$2 mn, Illiquid = ADTV > \$0.5 mn, Very Illiquid = ADTV < \$0.5 mn

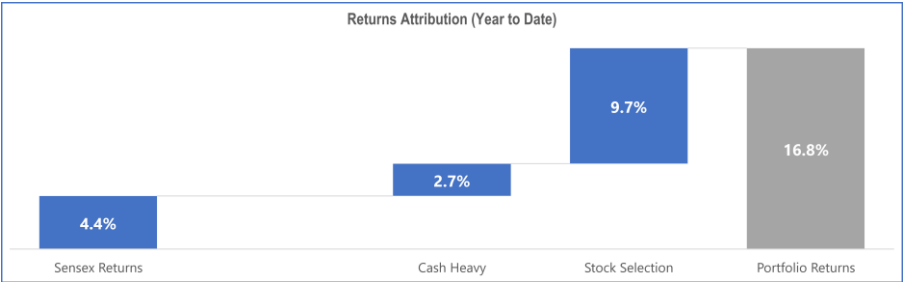
INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

Detailed performance charts:

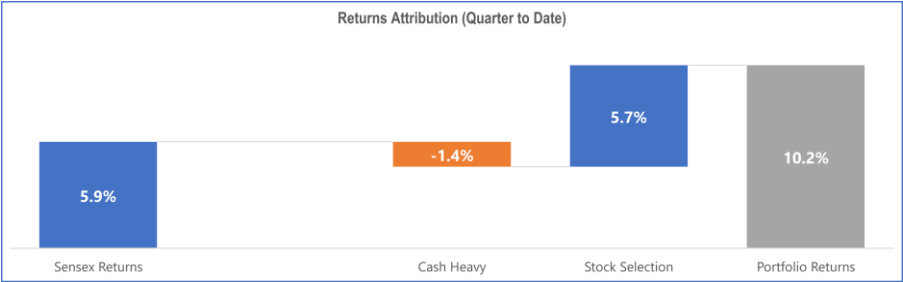


Returns attribution:

Outperformance
For Last Year:
+12.4%



Outperformance
For Last Quarter:
+4.3%



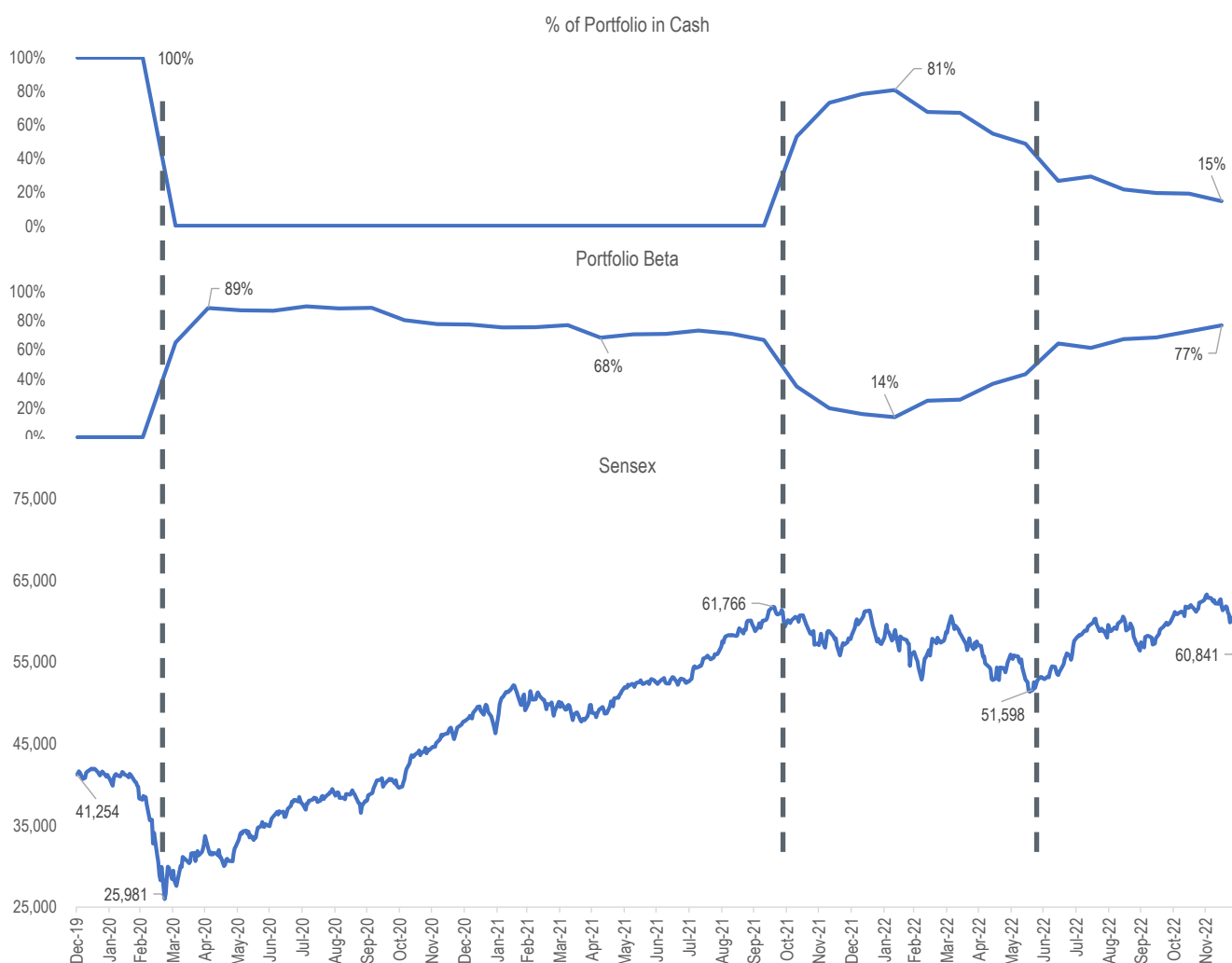
Notes:
1) Performance details for the Portfolio are before expenses and tax to make it comparable to Sensex
2) AIF license received in Q3 C21. Assets have been transferred into AIF as of 01/11/2021. Returns from Nov-21 onwards are for assets in the AIF
3) Before Nov-11 returns are for capital invested through the Sponsors' personal account, with HDFC Bank as Custodian providing performance statements

INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

Our strategy in action:

Our strategy is to buy good companies if they are cheap, and ONLY if they are cheap. If they are not cheap we stay on the side-lines in cash for periods. Especially for large cap companies we buy them when they trade at discounts to their long term average valuations and exit them when they start trading above long term average valuations without waiting for peak valuations.

This allows us to capture up market moves (High Up Capture Ratio), reduce our risk positions when markets are expensive, and wait in cash for opportunities when markets become cheap. We have been able to remain in cash for 2 down markets because of this strategy: i) before Covid, and ii) From Oct-21 onwards. And this ensures that in down market moves our Portfolio falls less than the market (Low Down Capture Ratio). A high Up Capture Ratio and a low Down Capture Ratio combine to provide our Portfolio with meaningfully higher returns than the market and a high Sharpe Ratio.



Pre-Covid (Jan-20 to Mar-20)	100% in cash before Covid Down Capture Ratio = 0% = Fall in Portfolio / Fall in Sensex = 0% / -29%
Market Bounce Back (Mar-20 to Oct-21)	100% in equity, with Portfolio beta gradually reduced as the markets rallied Up Capture Ratio = 151% = Rise in Portfolio / Rise in Sensex = 153% / 101%
Market Correction (Oct-21 to Jun-22)	Up to 80% in cash Down Capture Ratio = 63% = Fall in Portfolio / Fall in Sensex = -6.7% / -10.6%
Market Bounce Back (Jun-22 to Dec-22)	26% in cash on average Up Capture Ratio = 128% = Rise in Portfolio / Rise in Sensex = 19.0% / 14.8%

INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

B. OUTLOOK:

We start 2023 with Sensex at 60-61k, marginally higher than where we started 2022. The good news is that with above normal EPS growth through the last year Sensex is less expensive, but it still remains more expensive than its long term average. Forward P/E of Sensex is ~20x as against 17-18x long term average. The bad news is that India is more expensive than most emerging markets and even the US market.

We saw in 2022 that starting the year at an expensive valuation meant low returns, with the market struggling to eek out ~5% returns, all of which happened in the last quarter. Similarly, we think that 2023 could also be another year with below normal equity returns for the market.

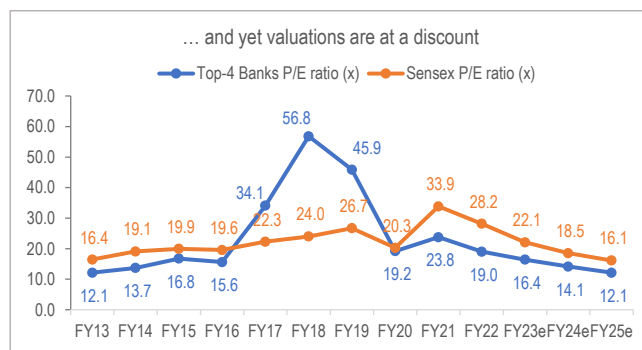
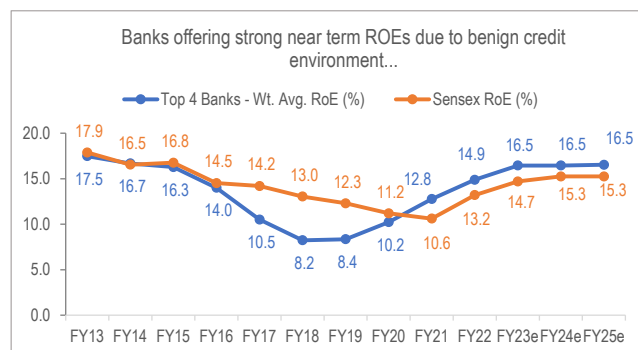
Some of the macroeconomic headwinds remain:

- 1) The debate on US peak rates, near-term US inflation outlook, and near-term recession outlook continues to create a volatile environment for global equities.
- 2) The war in Ukraine continues, and though some of its inflationary impact on commodities have been absorbed, geopolitical risks remain elevated.
- 3) Loosening of Covid restrictions in China could also create patches of commodity / goods inflation through 2023.

The silver lining is that more sectors are easing back towards and below their long-term fair values giving us more opportunities in 2023 than in 2022. And our private equity style work on some small caps continues where we will typically add a few names every year.

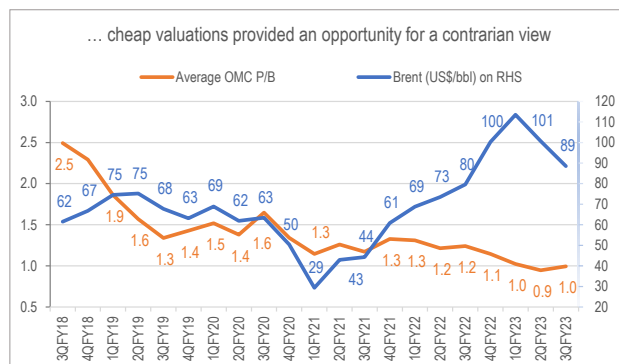
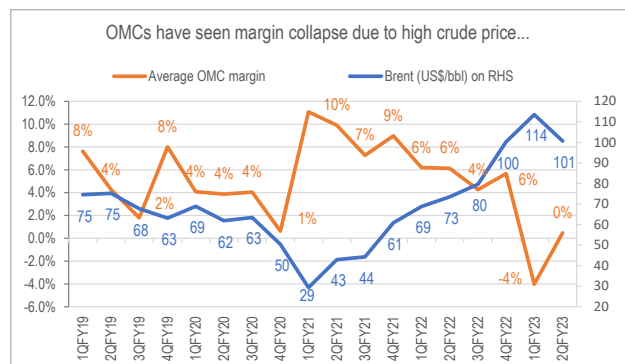
Portfolio positioning for 2023:

- 1) Continue to be long Financials: Despite strong returns in 2022 we think there is a long way to go on many names in the sector. You will see below that the credit cost environment in the near term is benign, keeping risks low in the sector. And given our investment style, we believe that the risk adjusted return profile of our Financials names is still very attractive.

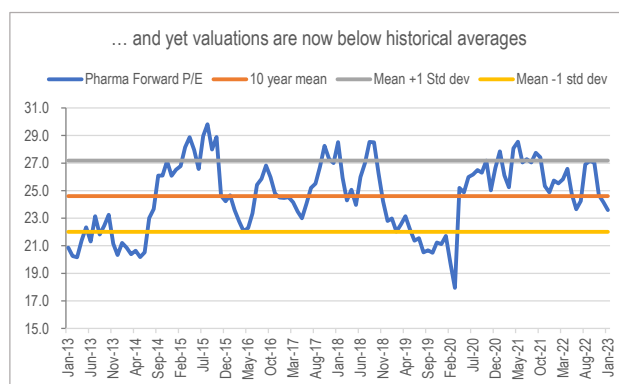
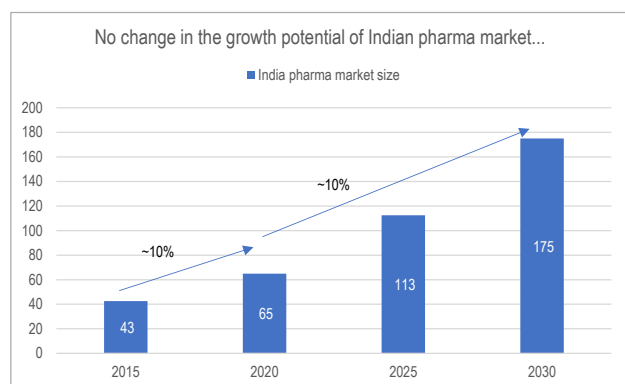


INVESTOR NEWSLETTER – QUARTER ENDED DECEMBER 2022

- 2) Continue to be long commodity consumers: While commodities have corrected across the board, there is further room for this to normalize. The passthrough to the ultimate consumers takes many quarters and we believe the equity markets will reward these companies when they see this positive impact on earnings over the next few quarters. There is some risk on these names with China opening up and potentially pressuring commodity prices. But we think that this will likely be a transitory effect.



- 3) We are actively studying the Pharma sector: valuations are now below long term averages for some of the players and growth prospects remain robust over the foreseeable future.



- 4) We are beginning our work on the IT Services sector: We think that the recessionary environment in the Western markets could lead to a further correction in the IT Services sector, making it potentially attractive to us in the later stages of this year.

