September 4, 2015

March 2015 Annual Update on the Surefin India Value Fund

Dear Investor,

Please find below the performance of the fund. This is the performance of the master series. Each of you will receive your individual performances separately. Please find the performance update also on the website at http://surefin.com/newsite/?page_id=178.

Returns Table and Other Important Data

Surefin Investments is down (0.5%) in the last quarter, registering a 56.1% returns for the year (since April 1st, 2014) and is up 2151.8% since inception in May 2001 after fees and other expenses[1].

This fund has grossed a CAGR of 25.1% over the last 14 years after fees and other expenses.

Total assets managed by Surefin Investments in Public Equity investments (including Surefin India Value Fund)[2] as of March 31st, 2015 are Rs. 79.5 Crores.

[1] Fees are calculated differently for different clients, depending on when they entered the fund. However, now fees are charged at 0% management fees and 25% carry, over a 5% hurdle rate, with high water marks.

[2] As per Indian Portfolio Management Scheme (PMS) regulations. Includes capital outside the Surefin India Value Fund. Surefin has also made a private investment into a real estate company on behalf of some clients. Including that investment the AUM currently stands at Rs. 125.2 Crores.

Percentage Return

Date	Surefin IVF	SENSEX	NIFTY	NASDAQ (In INR)	Russell 2000 (In INR)	S&P 500 (In INR)	Dow Jones (In INR)
May 15, 2001	-	-	-	-	-	-	-
April-02	20.0%	(2.1%)	(0.6%)	(7.2%)	7.1%	(4.6%)	(1.0%)
April-03	9.0%	(12.0%)	(13.6%)	(29.6%)	(29.0%)	(27.2%)	(24.3%)
April-04	154.0%	86.3%	84.9%	36.7%	47.6%	20.6%	17.5%
April-05	42.0%	15.1%	13.6%	(0.7%)	3.6%	4.5%	1.1%
April-06	42.0%	70.8%	64.6%	20.1%	27.5%	12.5%	8.8%
April-07	6.4%	15.9%	12.3%	1.0%	2.1%	7.0%	8.5%
April-08	30.9%	19.7%	23.9%	(13.2%)	(20.7%)	(14.1%)	(8.4%)
April-09	(26.7%)	(37.9%)	(36.2%)	(15.1%)	(22.2%)	(23.6%)	(21.4%)
April-10	36.9%	80.5%	73.8%	39.1%	42.3%	29.9%	26.5%
April-11	12.6%	10.9%	11.1%	16.4%	24.7%	13.7%	13.8%
April-12	11.6%	(10.5%)	(9.2%)	26.1%	11.7%	20.6%	21.7%
April-13	12.1%	8.2%	7.3%	12.2%	21.7%	18.3%	17.2%
April-14	9.3%	18.8%	18.0%	41.6%	35.8%	31.5%	24.4%
April-15	56.1%	24.9%	26.7%	21.7%	11.3%	15.1%	12.6%
Percent Change	**2,151.8**	**681.6**	**641.4**	**212.7**	**240.5**	**120.3**	**117.6**

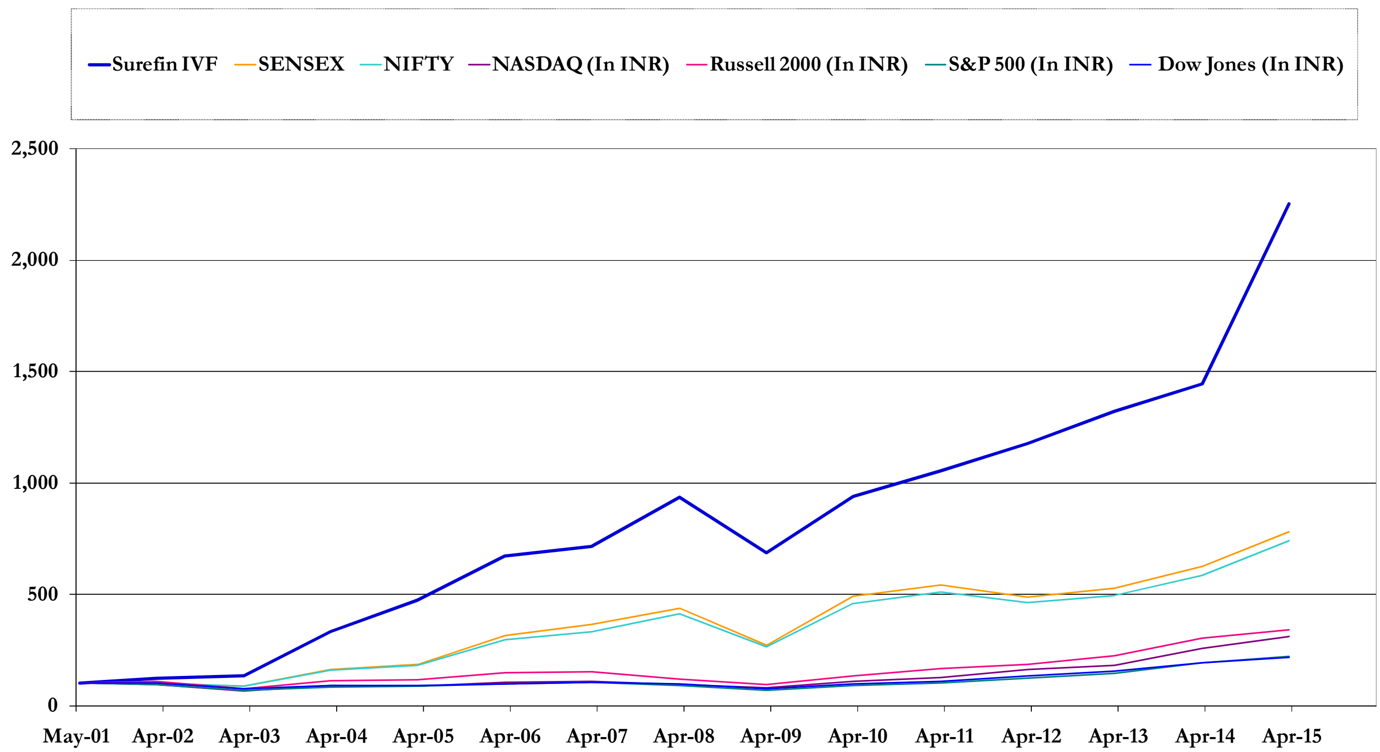
Comparable Returns
Performance Evaluation of Surefin India Value Fund

Month-End	Surefin IVF	SENSEX	NIFTY	NASDAQ (In INR)	Russell 2000 (In INR)	S&P 500 (In INR)	Dow Jones (In INR)
May-01	100.0	100.0	100.0	100.0	100.0	100.0	100.0
April-02	120.0	97.9	99.4	92.8	107.1	95.4	99.0
April-03	130.8	86.1	85.9	65.3	76.1	69.4	75.0
April-04	332.2	160.5	158.9	89.3	112.3	83.7	88.1
April-05	471.8	184.7	180.5	88.6	116.3	87.4	89.1
April-06	669.9	315.4	297.1	106.5	148.3	98.3	97.0
April-07	713.0	365.5	333.7	107.5	151.4	105.3	105.2
April-08	933.4	437.4	413.4	93.3	120.0	90.4	96.3
April-09	684.6	271.4	263.8	79.2	93.4	69.0	75.7
April-10	937.0	490.0	458.3	110.2	132.9	89.7	95.7
April-11	1,054.8	543.6	509.4	128.2	165.7	102.1	109.0
April-12	1,177.5	486.6	462.4	161.8	185.1	123.0	132.6
April-13	1,320.1	526.6	496.2	181.6	225.2	145.6	155.4
April-14	1,442.8	625.8	585.4	257.1	305.9	191.3	193.3
April-15	2,251.8	781.6	741.4	312.7	340.5	220.3	217.6
CAGR	**25.1%**	**16.0%**	**15.5%**	**8.6%**	**9.2%**	**5.9%**	**5.8%**

Note:

The returns till 2005 are calculated on an XIRR basis. XIRR is the internal rate of return of an investment that does not necessarily have periodic payments. This function is closely related to the net present value function (NPV). The IRR is the interest rate for a series of cash flows where the net present value is zero. FY is from 1st April to 31st March.

During the early part of the year 2009, SEBI had changed the way that PMS providers operated the accounts. SEBI mandated that each provider open separate Demat Accounts for every client and till a Demat Account had not been opened for every client, the PMS provider could not buy securities on behalf of any of the clients. Given the new laws in opening Demat Accounts and the tedious KYC norms by the NSDL and various custodians, it was impossible to meet the deadlines set by SEBI and our buying was in effect frozen for a good part of May 2009. Most stocks rallied soon after and it was painful to sit with cash (that we had hoarded so painstakingly for a period like 2009) and not be able to buy anything due to this back-end and regulatory glitch. We estimate that we lost a potential 40% return in addition to the existing return due to this. The substantially lower returns in FY 2010 have lowered our overall return substantially (from a 5-year perspective). We have spruced up our back-end operations and team since then to make sure that this does not repeat itself.



Performance Evaluation and Mistakes

The year gone by was obviously very good when measured on returns. The fund is up 56.1% compared with the best of the main indices which is up 26.7% for the year. In comparison, the BSE mid-cap and small-cap indices in India are up 49.5% and 54.0% respectively during the same period. These indices represent smaller companies. Given that we held substantial cash and also that we had some large companies in our portfolio, I think we did quite well. We have converted all the international indices to INR for a more relevant comparison. A comparison with USD prices is given in the appendix.

We remained un-invested for newer clients in the fund as prices were not where we wanted them exactly. Some of the prices of existing holdings have gone up further in price and these clients have been left out. This may seem like a mistake but we do not think so. Buying at the right price is one of the most important things in this business and we will stick to our knitting in that matter. Over time the returns for all investors will converge.

Portfolio Transactions

We sold five positions during the year. The details of the positions sold are given below:

Industry / Product	Bought	Sold	Average Months Held	Absolute Return[1]
Holding Company	June, 2009 - Sep, 2011	April, 2014 - May, 2014	43	133%
Transport Company	Feb, 2011 - April, 2013	May, 2014	32	74%
NBFC	May, 2014	October, 2014	5	161%
Simulation and Defence Company	Nov, 2009 - Feb, 2011	December, 2014	41	123%
Software Solutions Company	Nov, 2013	January, 2015	14	141%

[1] Including dividends.

We bought five new positions in the fund this year. But all in small quantities.

The companies we bought were all very small positions. In one case we wanted to build a substantial position but the stock went up substantially before we could do that (the story of our lives!). This was probably a mistake and it looks like it has cost us a lot of money. We wanted to buy 10% of the company and started buying. The price moved up a little (a few Rupees) and we stopped. The stock ran up hugely while we waited. Expect a rant on this one in the next year's annual letter! Such mistakes are the ones that we need to rub our noses in. I am reluctant to talk more about this in this letter as we were still holding the position at the end of the year.

The other four positions were kept small on purpose as we lacked absolute conviction in the company and / or their managements or their respective industries. However, we think we will do okay on the positions and are happy with their current sizing. Our lack of substantial buying activity during the year is an indication of what we think about the recent prices.

We bought and sold a position in a Non Banking Finance Company (NBFC) during the year. The company was small and was trading very cheap. It moved up soon after we built our position in it and so we sold quickly.

The Holding Company position we sold gave a decent return. Although ideally we would have liked to sell this position a little sooner than we did.

The position in the Transport Company was something we built-up when there was a serious (but we thought temporary) dislocation in the ownership and operating structure of the company. There was a lot of uncertainty about the company's future and for the overall brand of its products for a few months. The stock price fell sharply and we got a chance to buy into a great company. We sold because we thought the industry structure was changing and the price reflected what the company could earn reasonably over the next five years. The returns over the near future did not look attractive. Obviously the stock went up another 40% after we sold but is now back below our selling price.

The position in the Simulation and Defence Company that we held for 41 months is something we got very lucky on. At a point in time we were down 60% from our buying price. We felt that the business was undervalued but did not build more in it as the business had deteriorated somewhat. But ultimately our original buying thesis played out and the stock went up six times from the low in a short period of time and we got over a 2x on our buying price. Sometimes luck favours the dumb.

Portfolio Allocation

We reaped the benefits of attractive valuations in 2013. In fact we wrote the following in our annual letter from last year:

"Prices did get attractive in the middle of 2013 and we added to our positions and bought a few new things then. The additions to the existing positions have been decently profitable for us. We love it when the prices for the things we own fall as it gives us a chance to buy even more of it at even lower prices. This only happens in the public markets!"

Our largest position did well through the year. Each of the businesses did well and one of the loss making units that we had factored a negative value in was shut down and partly sold-off. This was as was promised by the management and that losses have been stemmed.

Unfortunately, our largest position has moved up substantially in price. The price of the stock has caught up more to the value than when we bought it. This makes our job a little harder. However, the underlying business seems to be doing quite well and will need a few more years to get established in the new industries and sub-industries. If the company succeeds it will have huge and growing businesses under its fold. So far so good!

The business has been divided into three verticals.

The first vertical has four sub-verticals within it. Each of the businesses in the first vertical is growing well and most of the sub-verticals are high margin businesses. This is a vertical which may see a spin-off or two in the future and the remaining businesses will continue to scale. Each sub-vertical has a dedicated professional management team with specific targets and it looks like they are growing their businesses prudently. The capital expenditures are low and the money is being well spent.

The second vertical is in a business where huge capital will get deployed over the next five years. This vertical should have the fastest growth and will be very valuable over a long period of time. The excess capital in the company will largely get used for this vertical. This vertical acts like an umbrella with many types of lines of business within. They also keep finding interesting ways to keep raising more and more capital in this vertical. This is going to be a sizeable vertical in the years to come and will operate at huge scale. We think this will be extremely valuable for us.

The third vertical is a niche business that will grow through acquisitions. This is a business that is in the research and consulting industry with very high margins. The attempt will be to make this a global business with more value-added products and services in a very focused manner over the next five years.

Another distinct advantage in this business is that the principle promoter and the person who runs the company is essentially a capital allocator at heart. As a result it is in the DNA of the company to be opportunistic and so one never knows what may happen over the next five years.

This is what we said about our top holding last year:

We are happy with our current top holdings. Our largest position has gone up considerably in price since our buying price but we are still comfortable holding it. The top management at this company continues to execute well but there is a lack of understanding on the part of the equity research community about the projected financials of the company and the management's reluctance to define a detailed business roadmap. The equity research community continues to remain flummoxed with the numbers and has continued to keep coverage suspended. How splendid for us!

The next three years are going to be crucial for the company. Each of the verticals are being invested into and are growing and one will have to wait to see how they turn out. The company has become large and complex. Apart from the three main verticals, it has many smaller sub-verticals and side investments.

In summary the business continues to do well and we continue to learn more about what the future holds.

Our other large positions have gone up in price as well. One of the companies had a spin-off and the valuation on the remaining business (which is the underlying businesses) is fully priced. The underlying business has a lot of growth in the future and the current price factors some of it. The stock sizing within the portfolio is still manageable and we may be buyers if the stock falls 30% from the current price.

The entity that has been spun-off has been listed on the exchanges and is richly valued. The company has launched a new product that is a forward integration of its core product in addition to expanding its current capacity. If the growth in the business does not pan out as planned, there is a chance that the entity that was spun-off falls 50% in price and stays there for some time. Alternatively there is a chance that the stock may give a zero return over the next three years. However the underlying business and the industry dynamics are turning out in such a way that the company may turn out to be a leader in a duopoly market with good economics. It is unchartered territory for us and we are learning more about such high growth, high valuation situations.

Our position in a small-cap stock that we have held for many years had a volatile year. It went up almost 4x from a low in the beginning of the year and then fell just under 50% from the high. We stayed put. The company is going to face some headwinds over the next few years but the cheapness in the stock price compensates for such a scenario.

We want to repeat something that we wrote about it in the last letter as it is equally (if not more) pertinent today:

One truth about India that is important to keep in mind from an investing standpoint is that India will disappoint in the short-term but will pleasantly surprise in the long-term. The current hype around the new government has led to a sharp rally in prices. The rising tide has lifted all boats, especially the dinkies. The small-cap index (the entire index of 500 stocks) is up 57% in INR for the Calendar year[3]. Cyclical stocks, fractured utilities, leveraged crooks, companies with unsustainable moats with temporary high ROEs are all having their time in the sun (along with the other more deserving candidates).

We are not complaining as our boats have also risen. However, prices of many of the companies today are unsustainable. Although we have been saying that small caps were cheap for the last many years, some of the stocks have gone up too much and have only one way to go in the future – down.

However, there are also many pockets where the businesses have not grown over the last 7 years, the fat is gone and the belts have been tightened. The business demand is recovering, albeit slowly, and the supply is constrained. Those are rich hunting grounds and if we can get one that we can size into, we are ready to pounce.

In fact some of our new positions are similar to the opportunities we had described in last year's letter. We have bought into situations where the companies and the industries are ignored by almost everyone – the investor community, the research houses, the banks and most other funds. In some cases cash flows are constrained and in some others the underlying business is not as great as it used to be. However, we think that prices are so compelling that we will still get a satisfactory return on our positions. In a few cases the businesses may even have some pleasant surprises over the next few years.

Portfolio Concentration – Important

Our largest positions did well. We are happy that we concentrated on our best ideas. Our returns would have been materially worse had we not concentrated.

We are repeating something we have mentioned in our previous annual letters to you because it is going to be important for us going ahead:

Mr. Buffett in his 1965 year letter has an excellent section labeled <u>Diversification</u>. He wrote *"We are obviously following a policy regarding diversification which differs markedly from that of practically all public investment operations. … We have to work extremely hard to find just a very few attractive investment situations. … We probably have had only five or six situations in the nine-year history of the*

[3] From 1 January 2014 to 30 June 2014.

Partnership where we have exceeded 25% [in a single investment]. … We presently have two situations in the over 25% category – one a controlled company, and the other a large company where we will never take an active part. It is worth pointing out that our performance in 1965 was overwhelmingly the product of five investments. … If you should take the overall performance of our five smallest general investments in 1965, the results are lackluster (I chose a very charitable adjective)."

Mr. Buffett said that he had invested more than 25% of the fund in a single investment only five or six times in the last nine years! How many fund managers can say that for themselves today?

As on 31 March 2015 we were holding 15 positions that made up about 77% of the fund. The balance was held in cash, money market mutual funds and other current assets. Here is a break-up of the industries we were holding companies in:

Allocation (March 2015)	**# of Cos.**	**% Allocation**
Real Estate Linked	5	35%
Holding Company (Many Industries)	2	23%
Special Situation	1	9%
Agriculture Linked	2	6%
Media	1	2%
Other	2	1%
Financials	2	1%
Cash, Money Market (including Margin Money)		23%
Total	**15**	**100%**

Our cash position in the fund remained almost the same during the year. The cash portion of the fund is now mostly invested in risk-free, money market debt funds in India yielding just over 5% annual post tax returns. As promised earlier, we plan to get more and more invested in the fund and that will improve returns over the long-run (though will make them lumpy as well).

Our top five and top eight positions make up 84% and 93% of the non-cash portion of the fund; and 64% and 71% of the total fund, respectively.

There really was no meaningful activity in the fund for the year. We did not buy much and did not sell much. Investing is a lot about waiting, reading, learning, preparing and much less about acting.

In lean times when we are running low on new ideas, one is tempted to look towards conventional methods and avenues, reach out to the Street and maybe attend conferences where the latest companies who want to raise money are presenting. We have stayed away from meeting managements constantly and interacting with the brokerage community. We do not attend conferences in India where companies come and present themselves and we are not on the invitation list of companies looking to raise capital. We are mostly out of the Mumbai brokerage circuit. This is because we believe investing is about cutting through the noise. Most of the coverage, conferences and investment ideas touted by brokerages are noise and clutter. There is no short-cut to patiently turning every stone and doing hard research that leads you to know a particular prospect inside out. The foremost filter your new idea must go through is how it stands against your second best position. If it is not at least comparable, it is better to add to existing positions than venturing into a company you don't know enough about. And if nothing works then it is best to sit on cash.

Macro Mumbo Jumbo and the Study of Collective Stupidity

India remains severely under-invested in equities. The historic trauma of deep volatility and unchecked speculation has left many people born in the 1960s and who were old enough to take care of their finances in the 1990s, permanently biased against equities. What made the bias worse was how well their real-estate investments did during the last decade. But there is a current movement by the government to "squeeze" investors into equities. Long-term bond yields post-tax are under inflation or close to zero. Real estate industry had bubble prices that are finally deflating now. The multi-year metal commodities boom seems to be bursting. Savers in India will be (rightly) forced to invest into long-term equities. The tax treatment of long-term equity investors with 0% capital gains taxes for listed equities and equity Mutual Funds is superb in India. It seems obvious that the only way for investors to make over 10% post-tax return in large quantities is to be invested in equities in India over the next many years.

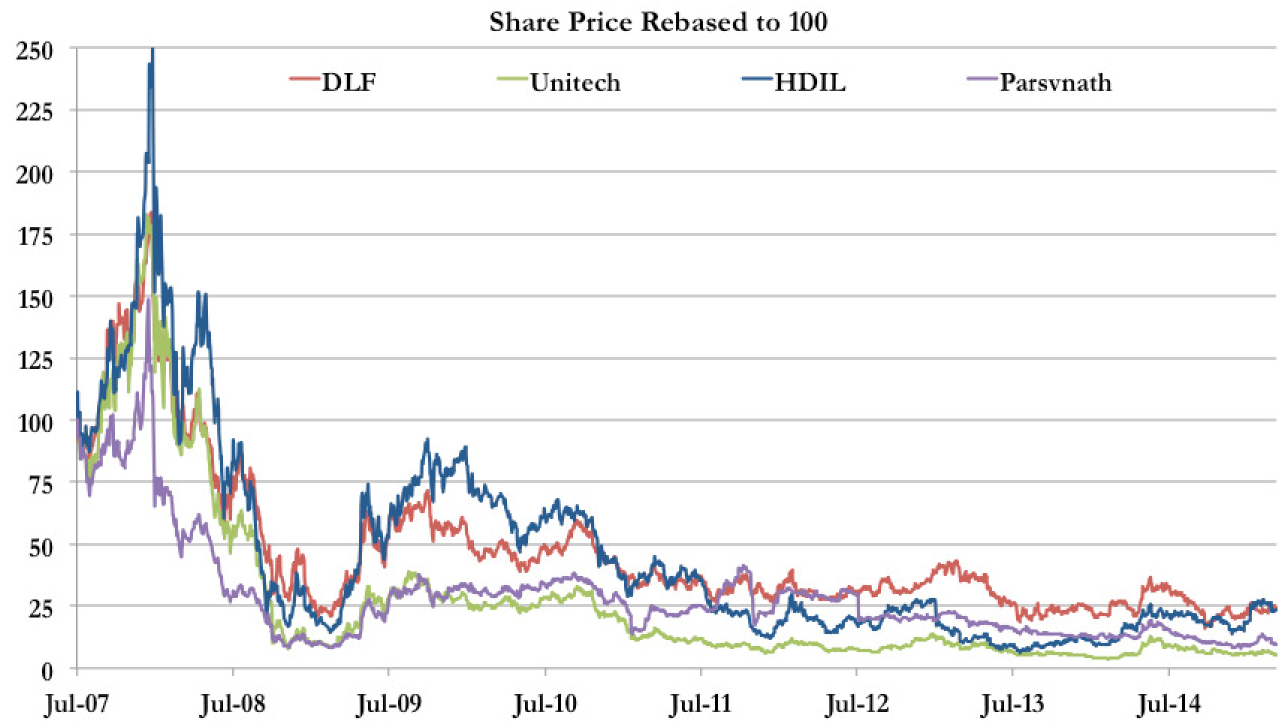
At the same time it is important to stay away from the folly that exists in markets. There are many instances of collective stupidity in the Indian markets. There are times when the entire market goes nuts about a certain type of companies. We have pointed to a few over the years. For example we had written the following to Surefin investors in our September 2007 letter:

Reflexivity and Real Estate

George Soros talked about the concept of Reflexivity. In simple terms it is an unbreakable inter-dependency of price and value (at least in the current context). According to the conventional investment philosophy the price of an asset is driven by its underlying value and not vice-versa. Reflexivity turns that on its head and claims that there are in fact situations where the price of the asset starts to affect the value.

Reflexivity is dominating the Indian markets right now in many places. High valuations are giving Indian companies capital to undertake bigger projects, some of which if successful will lead to even higher valuations for those companies. Also, in the case of real estate the reflexivity has taken the form of an enormous bubble, as big as the US tech bubble in certain cases. High real estate prices have led to irrationally high valuations for some real estate companies and based on those valuations, those and other companies and funds have raised a huge amount of capital to buy more real estate and bid up prices in tenders to dizzying heights.

DLF and Unitech were the two largest real estate companies in India in 2007. Investors, the press and the research community could not have been more excited about their prospects. The valuations of real estate companies are down significantly since then. Below is a graphic to highlight the point. This shows prices from July 2007 (when HDIL went public). Unitech is *down* 94% from then. (And this is in INR – imagine the plight in USD which has appreciated another 50% since then).



It is very important in investing to not focus on where the puck is currently but to focus on where it is going to be. Capitalism exerts a ruthless force on all companies and industries, often destroying any chance any one company or industry may have of making above average returns on equity over long periods of time. Therefore it is imperative to buy at an attractive price no matter how rosy the prospects.

One bubble like situation is currently brewing in the new crop of Indian dot-coms, which is unlikely to end well. There will be some big winners but they will not be the current ones operating in mass e-retailing, e-taxi services and many of the real estate listing sites. Unfortunately, most of the money raised by these companies is being spent on discounting and high-cost advertising campaigns. The valuations on these companies make $50 million advertisement budgets look like chump change. In sheer desperation to succeed, there are few cases where the business models are encouraging fraudulent practices in the supply chain. The whole thing smells funny and will likely end badly. Of course, many new business models and companies will get created that will actually do a lot of good (and there are a few that look promising) and will have real underlying businesses models but not before the current set of investors in this dot.com wave lose their shirts. We have no way of assessing which one will win among the good start-ups today and hence we will stay away from this space.

To us, however, the more dangerous types of situations are the ones that are not propped up by a few venture capital firms investing in each other's deals to make themselves look good. There are yet another type of companies in India which are overvalued because they have had some temporary success in a small niche business with limited competition and where its only a matter of time before proper competition emerges to truly test them.

There are many companies today whose stocks have done very well over the last three to four years. Many have gone up by as much as twenty times and are trading now at all time high multiples on all time high earnings. Many of these companies do not have long operating histories and others do not have profitable operating histories. This lack of good operating histories in companies is one of the most frustrating things about investing in India. For us a company making, say, a 20% RoE over a 10 to 15 year period across the industry cycle, is way better than a company that had a sudden change in fortunes from being a loss making entity to one that made a 35% RoE over a three year period. Many of these companies are in industries that by chance have had no competition for a precious few years due to peculiar circumstances. Unfortunately, managements that have not gone through the fire of competition have no idea how to sustain RoEs, keep teams and scale their businesses when the competition does come. That is one of our filters before we invest in a company.

For instance, an air-cooler company in India whose primary appeal lies in aspiring middle class India (for whom air-conditioners are too expensive an indulgence), trades at 60x earnings and 25x book value. Clearly, the Street believes that the business can survive and thrive on the basis of the aspirational positioning of its brand. This may even be true in the short run. However, what is often forgotten is that in the last serious business downtrend in 2001 to 2004, the same company went bankrupt. The company had negative reserves till 2007. Also, while ceiling fan and air-conditioner industries have developed healthy competitive environments with at least ten real competitors each, this company has enjoyed a mostly competition-free run. Since 2007, given that it has remained untested in an adequately competitive environment, we would be very wary of paying 60x earnings for it.

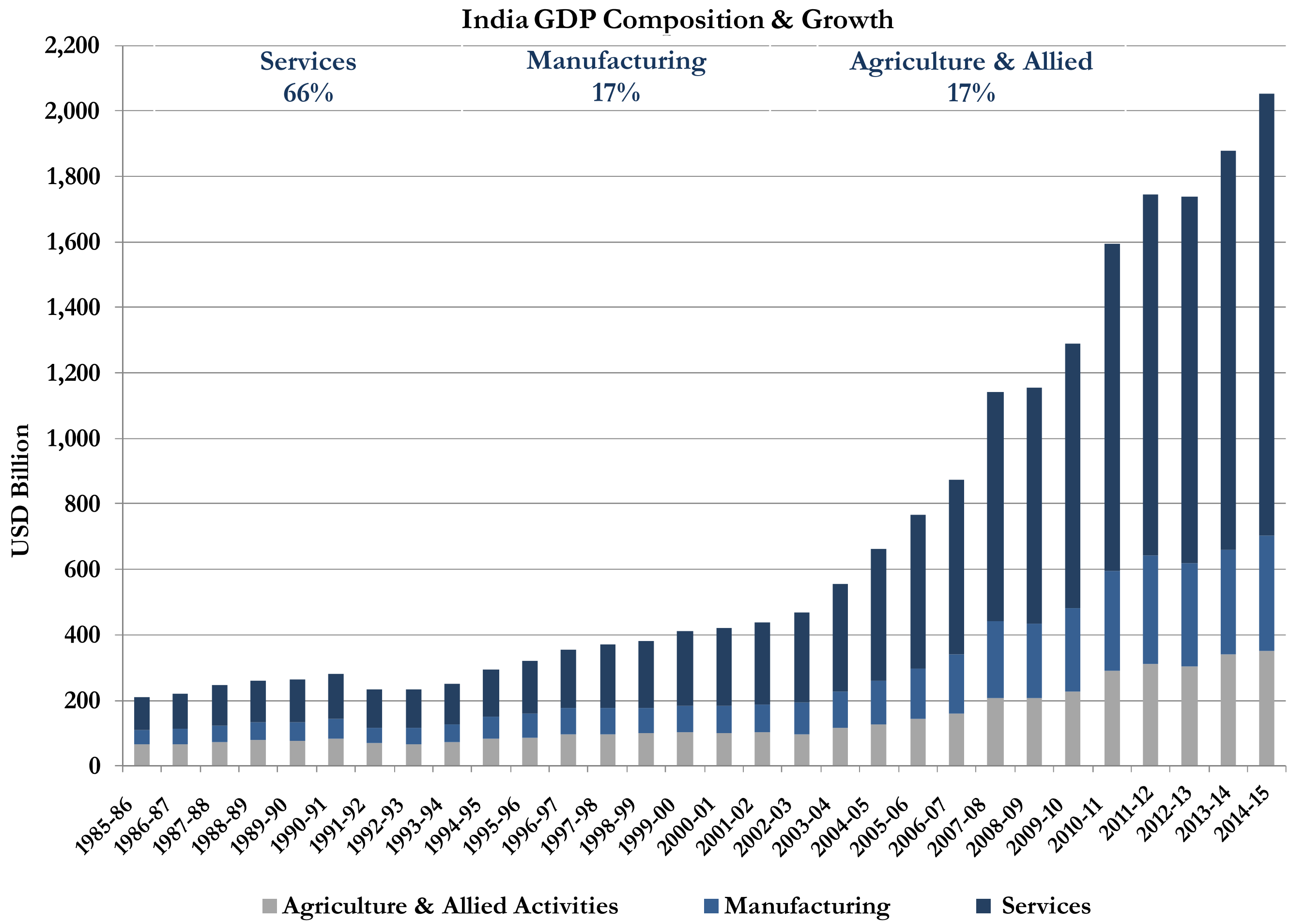
Clearly the reason investors must be paying 25x book value is because they believe that the company will not need capital to grow (because the operating ROE is currently over 100%) and most of the extra cash will be returned to shareholders (because the payout ratio is 50%). Well, the current market capitalization is just over $1 billion (that's a *billion* with a "b") and the cumulative dividend the company has paid during its entire existence is about $15 million. The last year's record dividend payout was $7 million.

We have no interest in putting someone down. The management has worked extremely hard over the years and has built a wonderful business with excellent economics. But we feel the market is overpaying heavily for it. These types of situations are a spectator sport for us and we hope that is all they will be for you too.

While these highflyers enjoy their time in the sun, we have old media companies trading at multi-year lows, and high end real estate stocks are reeling under subdued cash-flows and trading at discounts to book (which under Indian accounting are undervalued themselves). It is in such tempting grounds that we'd rather fish whilst the spotlight is elsewhere.

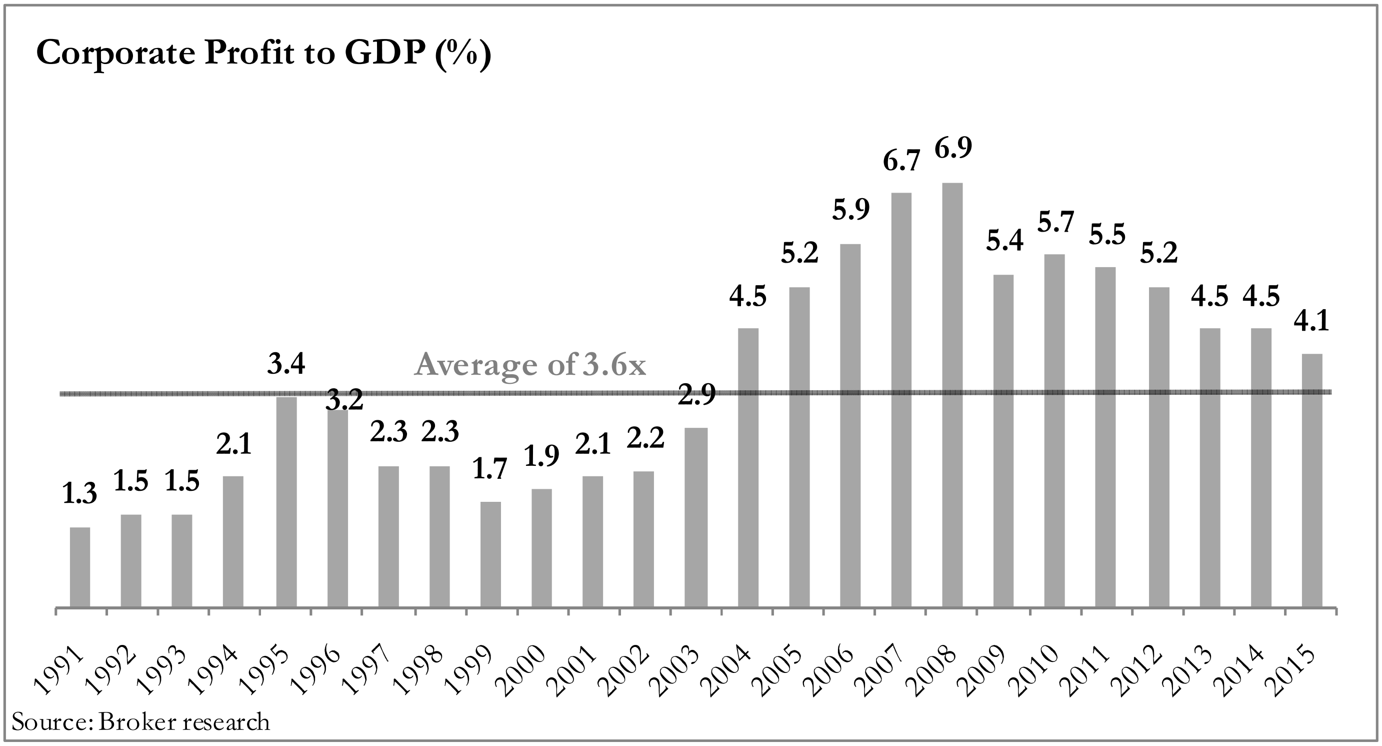
Another area for concern is in the debt markets. Short-term loans (under 6 months duration) for some companies are priced all wrong today. Mutual funds are going crazy buying paper ranked "A1+" or "AA" from one of the few rating agencies. There is an emerging lot of companies that has figured out that borrowing 6-month money in the form of a revolver loan and placing that amount with a rotating set of mutual funds is a great way to reduce interest costs. Because the duration is short, mutual funds do not seem to care about charging an appropriate yield. It is astonishing for us to see that some of these companies are being able to borrow funds at the same rate as super good credits (or maybe only 50 basis points higher). Interestingly many of these loans keep rotating for years. Even though the amount of loans from "bad" companies is still low, it is going to be interesting to see how this party ends. The next time you get pitched the "best performing" short-term debt fund, make sure to check its holdings. If there are companies you would not trust with your money (as equity or as debt), do not invest. Credit ratings be damned.

Now to the less depressing stuff. India should grow a lot over the next few decades. It is imperative for us to align the portfolio to this growth and we are very focused on that. Look at the GDP growth rate over the last few decades below:



As India adds trillions of dollars to its wealth, many companies will benefit. We need to find companies with economic characteristics that allow them to earn a higher than average return on their equity consistently. We want to find companies that allocate capital within an industry that will have sensible competitive forces over the next decade. Our job is to find a few of these companies and let them be in our portfolio for a long time. And then shut-up about it. If we can find an emerging leader in a duopoly market that is growing with good economics, our job would be done. However most of the obvious situations are already picked by their suitors and the prices preclude us from going to bed with them. Therefore it may compel us to pick from sectors that are out of favour or pick companies that have some temporary trouble. But we only need a few ideas in addition to the ones we already have to end up with decent returns.

The corporate profit to GDP ratio is at a very low level and as a result current valuations across the board look high. Also, India is the only large country with high inflation and therefore moderately high interest rates around the world. The combination of high interest rates and low profitability is an interesting starting point from an investing standpoint.



Returns History, Expectation and Miscellaneous

It is crucial that we maintain an operating environment that lets us make contrarian bets when required. Many things go into creating an ideal environment. The right fee structure is crucial. Managers are often incentivized to increase assets and forget about returns. That is why we have zero management fees. We make nothing if the returns are not good year after year. Having investors with the right expectations with regard to time horizon and returns is the most important thing for a fund manager. Always staying in an optimistic mood, and being rational is key and the office should offer good inspiration on that count. Keeping certain conversations at bay is necessary too. The ability to learn new things and unlearn things that may be hiding behind luck is equally essential to continue to have decent returns. Basically an office where one can read a lot and avoid unnecessary meetings are some of the things that comprise an ideal operating environment for the kind of investing we do.

We have been very lucky for having just the right kind of investors over the years; they all think like businessmen, love discount prices, do not panic when others do and most importantly trust us patiently with their capital. We cannot overemphasize the importance of having such a wonderful set of investors.

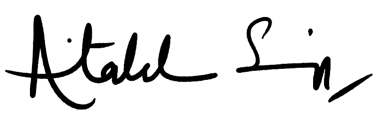
We in turn do our best to perform consistently and outperform the market as much as possible. Our incentive through the fee structure is therefore completely aligned with yours, as it should for any long-term partnership to work. All of the fund's earnings are ploughed back into the fund after removing the administrative expenses. We do not invest in anything for our investors that we wouldn't be comfortable investing for ourselves. In fact, a substantial portion of the fund is proprietary since we like to eat our own cooking! We do not charge a management fee unlike the rest of the fund community and make a performance fee only if and after we cross the 5% hurdle rate (that applies to the High Water Mark each year as well). As Mr. Charlie Munger aptly puts it "*In human affairs, what determines the behaviour are incentives for the decision maker*".

With our incentives and value system completely aligned, investors can be rest assured that we will invest your money like we invest our own. We will invest in things we understand completely, steer clear of trying to predict where the market or a particular stock is headed and instead focus on picking stocks by valuing individual companies and looking for bargains/deep discounts. Our returns may therefore be lumpy at times and perhaps even fare badly in the short run but over a time frame of five years or so we believe this is the only strategy that works for us and therefore for you as investors.

We had some new investors who entered the PMS during 2014 and we could not find enough investments since then. Therefore the returns for some of these investors are lower than for the others for the year. We think the returns will take some time but will converge to the mean and become the same for all investors.

We deeply appreciate your faith in us. If you have any questions or thoughts please feel free to get in touch with us.

Warm regards,



Amitabh Singhi.

Portfolio Manager
Surefin Investments
www.surefin.com

Appendix

Performance Evaluation of Surefin India Value Fund

	Index Value										
Date	**Surefin IVF**	**SENSEX**	**NIFTY**	**NASDAQ**	**NASDAQ (In INR)**	**Russell 2000**	**Russell 2000 (In INR)**	**S&P 500**	**S&P 500 (In INR)**	**Dow Jones**	**Dow Jones (In INR)**
May 15, 2001	1,000.0	3,577.0	1,145.3	2,085.6	97,813.7	489.6	22,963.6	1,249.4	58,598.7	10,873.0	509,942.3
April-02	1,200.0	3,500.2	1,139.0	1,862.6	90,784.1	504.5	24,589.3	1,146.5	55,882.4	10,362.7	505,078.0
April-03	1,308.0	3,081.0	984.3	1,348.3	63,882.5	368.7	17,468.5	858.5	40,674.8	8,069.9	382,350.0
April-04	3,322.3	5,740.9	1,819.7	2,015.0	87,300.3	595.3	25,792.2	1,132.2	49,051.3	10,373.3	449,424.5
April-05	4,717.7	6,605.0	2,067.7	1,984.8	86,702.5	611.6	26,714.3	1,172.9	51,236.7	10,404.3	454,491.0
April-06	6,699.1	11,280.0	3,402.6	2,339.8	104,132.8	765.1	34,052.7	1,294.9	57,628.4	11,109.3	494,422.5
April-07	7,129.9	13,072.1	3,821.6	2,421.6	105,142.0	800.7	34,765.0	1,420.9	61,690.5	12,354.4	536,397.5
April-08	9,334.4	15,644.4	4,734.5	2,279.1	91,281.6	688.0	27,554.3	1,322.7	52,976.3	12,262.9	491,148.4
April-09	6,845.5	9,708.5	3,021.0	1,528.6	77,514.6	422.8	21,437.6	797.9	40,459.9	7,608.9	385,847.6
April-10	9,370.1	17,527.8	5,249.1	2,398.0	107,810.4	678.6	30,511.1	1,169.4	52,576.6	10,856.6	488,105.4
April-11	10,548.0	19,445.2	5,833.8	2,781.1	125,440.4	843.6	38,048.4	1,325.8	59,801.7	12,319.7	555,682.7
April-12	11,774.9	17,404.2	5,295.6	3,091.6	158,242.0	830.3	42,498.9	1,408.5	72,092.5	13,212.0	676,258.3
April-13	13,200.8	18,835.8	5,682.6	3,267.5	177,606.0	951.5	51,721.0	1,569.2	85,293.3	14,578.5	792,416.5
April-14	14,428.5	22,386.3	6,704.2	4,199.0	251,447.3	1,173.0	70,244.9	1,872.3	112,121.0	16,457.7	985,530.8
April-15	22,518.3	27,957.5	8,491.0	4,900.9	305,909.5	1,252.8	78,197.0	2,067.9	129,076.2	17,776.1	1,109,573.0
Percent Change	**2,151.8**	**681.6**	**641.4**	**135.0**	**212.7**	**155.9**	**240.5**	**65.5**	**120.3**	**63.5**	**117.6**
CAGR	**25.1%**	**16.0%**	**15.5%**	**6.3%**	**8.6%**	**7.0%**	**9.2%**	**3.7%**	**5.9%**	**3.6%**	**5.8%**