June 17, 2012

March 2012 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://www.surefin.com/newsletter.htm.

Surefin Investments is up 18.4% in the last quarter, registering an 11.6% return since April 1st, 2011 and is up 1077.5% since inception in May 2001 after fees and other expenses[1]. This fund has grossed a CAGR of 25.4% over the last 10 years after fees and other expenses.

Total assets managed by Surefin Investments[2] as of March 31st, 2012 are Rs. 54.95 Cr.

1Fees 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.

Percentage Return

Date	Surefin IVF	SENSEX	NIFTY	NASDAQ	Russell 2000	S&P 500	Dow Jones
May 15, 2001	-	-	-	-	-	-	-
April-02	20.0%	(2.1%)	(0.6%)	(10.7%)	3.0%	(8.2%)	(4.7%)
April-03	9.0%	(12.0%)	(13.6%)	(27.6%)	(26.9%)	(25.1%)	(22.1%)
April-04	154.0%	86.3%	84.9%	49.4%	61.5%	31.9%	28.5%
April-05	42.0%	15.1%	13.6%	(1.5%)	2.7%	3.6%	0.3%
April-06	42.0%	70.8%	64.6%	17.9%	25.1%	10.4%	6.8%
April-07	6.4%	15.9%	12.3%	3.5%	4.6%	9.7%	11.2%
April-08	30.9%	19.7%	23.9%	(5.9%)	(14.1%)	(6.9%)	(0.7%)
April-09	(26.7%)	(37.9%)	(36.2%)	(32.9%)	(38.6%)	(39.7%)	(38.0%)
April-10	36.9%	80.5%	73.8%	56.9%	60.5%	46.6%	42.7%
April-11	12.6%	10.9%	11.1%	16.0%	24.3%	13.4%	13.5%
April-12	11.6%	(10.5%)	(9.2%)	11.2%	(1.6%)	6.2%	7.2%
Percent Change	**1,077.5**	**386.6**	**362.4**	**48.2**	**69.6**	**12.7**	**21.5**

* The returns till 2005 are calculated on an XIRR basis.

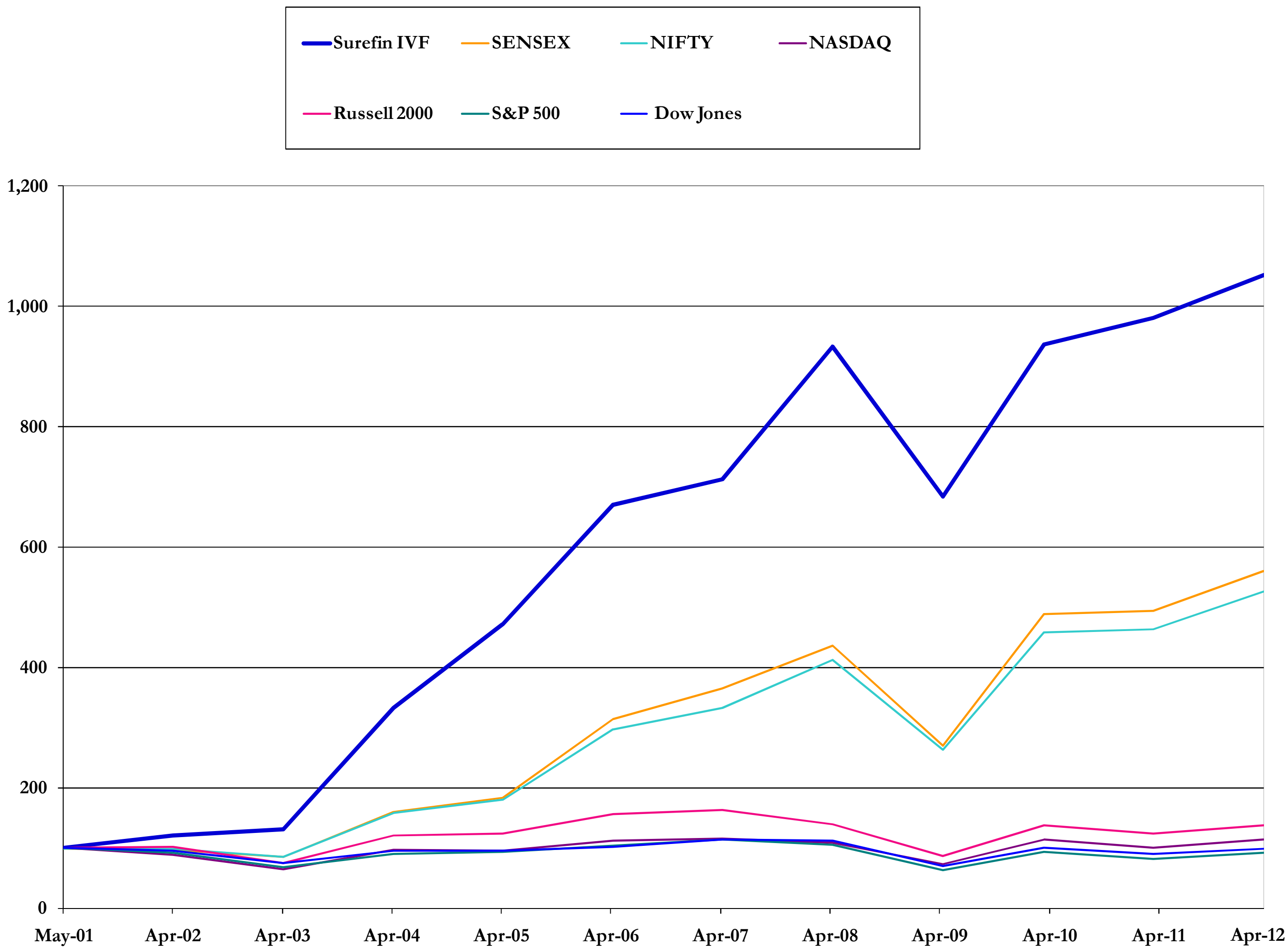
* XIRR is the internal rate of return of an investment that does not necessarily have periodic payments. This function is closely related to the net present value function (NPV). The IRR is the interest rate for a series of cash flows where the net present value is zero.

* FY is from 1st April to 31st March.

Performance Evaluation of Surefin India Value Fund

Index Value

Date	Surefin IVF	SENSEX	NIFTY	NASDAQ	Russell 2000	S&P 500	Dow Jones
May 15, 2001	1,000.0	3,577.0	1,145.3	2,085.6	489.6	1,249.4	10,873.0
April-02	1,200.0	3,500.2	1,139.0	1,862.6	504.5	1,146.5	10,362.7
April-03	1,308.0	3,081.0	984.3	1,348.3	368.7	858.5	8,069.9
April-04	3,322.3	5,740.9	1,819.7	2,015.0	595.3	1,132.2	10,373.3
April-05	4,717.7	6,605.0	2,067.7	1,984.8	611.6	1,172.9	10,404.3
April-06	6,699.1	11,280.0	3,402.6	2,339.8	765.1	1,294.9	11,109.3
April-07	7,129.9	13,072.1	3,821.6	2,421.6	800.7	1,420.9	12,354.4
April-08	9,334.4	15,644.4	4,734.5	2,279.1	688.0	1,322.7	12,262.9
April-09	6,845.5	9,708.5	3,021.0	1,528.6	422.8	797.9	7,608.9
April-10	9,370.1	17,527.8	5,249.1	2,398.0	678.6	1,169.4	10,856.6
April-11	10,548.0	19,445.2	5,833.8	2,781.1	843.6	1,325.8	12,319.7
April-12	11,774.9	17,404.2	5,295.6	3,091.6	830.3	1,408.5	13,212.0
CAGR	**25.4%**	**15.6%**	**15.1%**	**3.7%**	**5.0%**	**1.1%**	**1.8%**



Portfolio Evaluation and Mistakes

The fund has done well for the year as it is up 11.6% when the best of the local indices is down (9.2%). And this was done without buying any portfolio hedges[3]. In comparison, the BSE mid-cap and small-cap indices in India were down (7.7%) and (18.9%) respectively during the same period.

We did not make any mistake in the fund this year. This does not mean that we do not have marked-to-market losses in our portfolio. But we do not consider the losses to be mistakes. You will be the first to know if we ever think any of them are mistakes.

[3] Apart from a short position against one of our positions which is explained later in the letter.

With the exception of 2009, our largest positions today are probably the cheapest they have ever been on a *risk-adjusted* basis. By risk-adjusted we mean that we have some no-brainers as large positions in the portfolio. For example, our two largest positions are naturally hedged against any huge fall-out in the markets because of Europe etc. If fact, one of the positions may actually benefit from the ensuing volatility.

We did not make any new mistakes in the fund for the year. We did sell one stock at a loss but that was not a mistake. We bought the company because it had a lot of cash and we thought the underlying business would revive from its lows and we would make a decent return. But we knew going in that there was a risk that the business may not do well and hence we sized the position accordingly. The business turned out to do worse than we had expected and the management did not show any interest in treating the excess cash in a way that would increase shareholder value. Hence we sold the stock.

Returns Expected

Although a few years is a very short period, most investors who entered the fund in 2010 and beyond have had mediocre returns in the fund so far.

Our returns take at least five years to play out since any period less than that lends itself too much to the starting point. Therefore investors must assess us on rolling five year periods after they have invested with us. Please look at the 5-year returns below (so the year starting would be 5 years before the year in the first column):

5-Year Rolling Returns	Surefin IVF	SENSEX	NIFTY	Difference Over Best Index
April-05	372%	85%	81%	287%
April-06	458%	222%	199%	236%
April-07	445%	324%	288%	121%
April-08	181%	173%	160%	8%
April-09	45%	47%	46%	-2%
April-10	40%	55%	54%	-16%
April-11	57%	72%	71%	-15%
April-12	65%	33%	39%	27%

The last column is what is most instructive. The two 5-year rolling periods ending April 1, 2010 and 2011 is where we look the worst. The main reason for those two years is something that tied our hands from investing in the most important period in the life of the fund.

During the year 2009 to 2010, 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 every client had not opened their Demat Accounts, no client could buy securities. Given the new laws in opening Demat Accounts 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.

We seemed to have gotten back on track by April 1, 2012 and we think we will do even better going forward. The substantially lower returns in 2009 to 2010 are a large reason for our relatively muted performance over two 5-year rolling periods. Since then we have spruced up our back-end operations and team.

This outperformance over the index will add up to huge numbers over the next few decades. Although we have beaten all the indices, with a lot of cash in our hands, the returns so far have not been fabulous in our view. Our stated expectation is to outperform the indices by over 5% per year. We have just about achieved our objectives there. We have done this while avoiding huge losses, though.

Portfolio Transactions and Allocation

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

Industry / Product /Company	Bought	Sold	Months Held	Absolute Return	Comment
Chemicals	Oct, 2009	Apr, 2011	18	52%	Sold shares remaining from year before.
Auto Related	Sep, 2010	Feb, 2012	17	26%	
Media	Jan, 2009 to Dec, 2009	Feb, 2012 to Mar, 2012	27 to 37	(11%)	
Gujarat Fluorochemicals Ltd	Jan, 2010 to Nov, 2010	Apr, 2011	5 to 15	106%	Spoke about at length in last year's annual letter.
Healthcare	Sep, 2011 to Nov, 2011	Dec, 2011	3	3%	Special Situation where we got securities in another company (main reason for the purchase) and sold the stub.
Auto Related	Jan, 2011 to Feb, 2011	Feb, 2012	12	67%	Partly sold.

Holding Company	Sep, 2007	Dec, 2011 to Feb, 2012	51 to 54	53%	This was a substitute to holding fixed income securities. We also earned dividends on this over the years in addition to the return.

We bought two new positions and added to two existing positions in the fund this year. One of the positions is now almost 20% of the fund. More details on this one are ahead in the letter so read on!

We also initiated a position which is a spread trade, where we have gone long one security in a company and gone short another security in the same company. This is a special situation where we have bet on a spread converging. Although there is no "catalyst" in this investment, we think, the discount is decent and should bridge. The company is a multi-billion dollar company owned by a reputed business group. We do not know by when or why exactly the spread will converge and so far it has not happened. We plan to wait patiently as the spread is significant. We have shorted a futures contract in this trade as a result of which we have a monthly roll-over cost of the futures which is a frictional cost we have to live with. This is in line with our fund's mandate since it is not a "naked" short.

Our "expansion bucket" has performed well so far. Only two stocks have not done well, and the businesses seem to be fractured. They are very small position, which we stopped buying after a very small purchase initially. But overall we have made money on a marked-to-market basis and an intrinsic value basis.

One of the companies that we have held for a long time (in substantial quantities) is now in this bucket for us. The revenues of the business has grown over the years, although its profitability ratios have been affected negatively by the soft real estate market in the US and Europe. The market capitalization has fallen considerably over the years to a point where, from now on, any hardening in the US real estate market and / or any growth in capacity of the company will lead to benefits going forward. Hence we are putting it into this bucket from now on.

The other companies seem to be executing well individually. For more information on our "expansion buckets" please see our last year's annual letter: http://www.surefin.com/pdf/Annual_Letter_to_Surefin_Investors_March2011.pdf

Falling prices are the best thing that can happen to us. We are most excited when there is panic and prices are falling, sharply and fast! Alternatively, overall rising markets are bad for us. Towards the end of the year, particularly end November and end December we found the prices attractive and we bought. We were also selling one position in February and March 2012 as prices rose sharply.

One of the most rewarding things about investing in India is that panic sets in much more often than in more mature markets. Increased volatility, with investors with short term holding durations is the best environment for us. We have benefited enormously because of periods like that. And we think we will continue to benefit for a long time to come.

All this would not be possible without our fantastic group of investors who all think like businessmen, love discount prices, do not panic when others do and most importantly trust us patiently. So thank you for your support.

We reduced the cash position in the fund throughout the year. We were sitting on 39% cash at the beginning of the year and 20% at the end of the March 2012 quarter. We will continue to look for good investment opportunities and when we cannot find them, we will sit patiently on large amounts of "firepower". The ability to sit on cash for long periods of time is a huge strength.

We wrote last year, *"We think we will outperform the local indices in the future. One of the main bases of this conviction comes from our intention to get more invested in the fund."*

Although a few years is a very short period to measure performance, the fund has outperformed the indices in India and it has done so sitting with a lot of cash and much lower volatility. It has also handedly beaten the global and US indices since the inception of the fund.

Concentration of the Portfolio and Asset Allocation - Important

As we wrote in our last letter to you, we are getting more and more concentrated in the fund. One of the positions we initiated this year is currently almost 20% of the total portfolio and we may take it to 25%. The investment has all the traits that we love – the company is run by a guy we admire, is very cheap, has high uncertainty but low risk and should get better with time. It is also a large company (over $1 billion in market capitalization). The stars seem aligned and we have swung at the fat pitch.

The pay-off of the situation can work out where in three years it may double with a very low chance of losing money. The best case scenario is that the position may triple in value over five to six years. Institutional interest has completely dried up because the "industry" within which the company operated in has changed due to a sale of a large portion of the underlying business. Research houses have suspended coverage, sector funds have been forced to sell, capital deployment is uncertain, and everyone seems to be waiting for the clouds to clear to see where the horizon is. We love that. High uncertainty, low risk is a no-brainer in our mind and we have gone "all-in". It is a bet on one person, who runs the company and we hope were are correct on him.

Also this company will do *better* if there is increased volatility in the markets because of some exogenous factor like problems in the Euro zone etc. It may act as a natural hedge over the next few years.

We are repeating something we had mentioned in our last annual letter 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 Diversification. 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 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)."*

He said that the fund had invested more than 25% *only* five or six times in the last nine years! How many fund managers can say that for themselves today?

As on 31 March 2012 we were holding 13 positions that made up about 74% 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 2012)	**# of Cos.**	**% Allocation**
Cash, Money Market (including Margin Money)		20%
Holding Company (Many Industries)	3	27%
Real Estate Linked	2	16%
Automobiles Linked	2	13%
Special Situation	1	11%
Agriculture Linked	2	10%
Other	4	3%
Total	**14**	**100%**

The "Expansion Bucket" is now a sizeable portion of the fund consisting of five positions totaling about 30% of the portfolio.

Our top five and top eight positions make up 72% and 92% of the non-cash portion of the fund; and 58% and 73% of the total fund, respectively. The cash portion of the fund is now mostly invested in risk-free, money market debt funds in India yielding about 7% annual returns.

Pace of Activity

It was not easy to find new things to buy or things to sell from our portfolio last year. I guess the year gone by was, with a small exception during the last two weeks in December, a *normal* year.

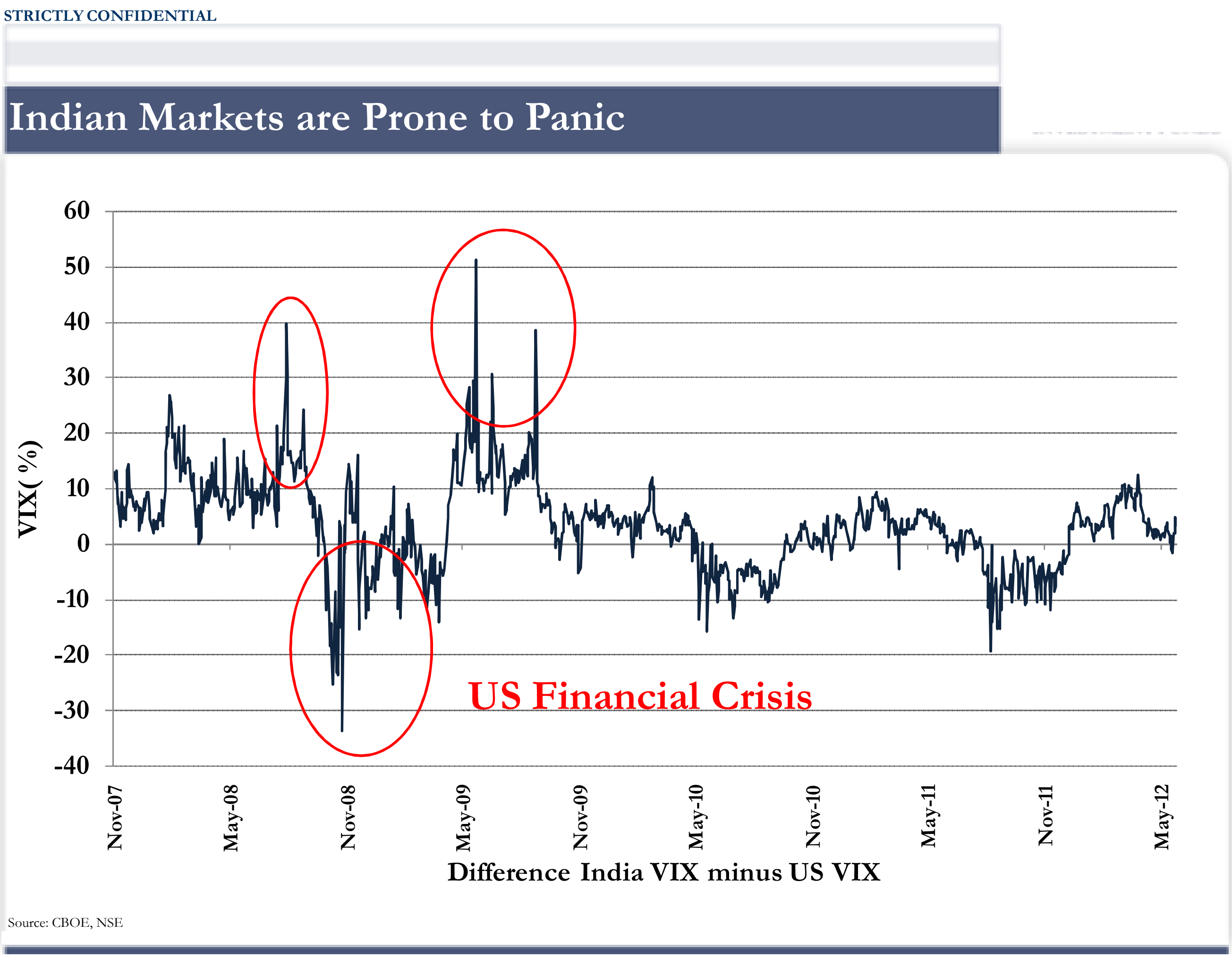
We have come to realize that a year where we find seven new investments is a good year. And a year where we find over ten new ideas is a fantastic year (and probably a horrible year for the markets and most other participants). Alas, a *normal* year, one which has the highest probability of repeating again, is one where we find up to five new things to buy with not much going on.

Investors must expect this level of activity from us. And if we can allocate correctly within these ideas, we should do reasonably well.

Overall Market Environment and Opportunity

As most of you already know India is a large, growing and diverse country where there will be a tremendous increase trade and wealth creation going forward. For the uninitiated, please see the GDP growth over the years.

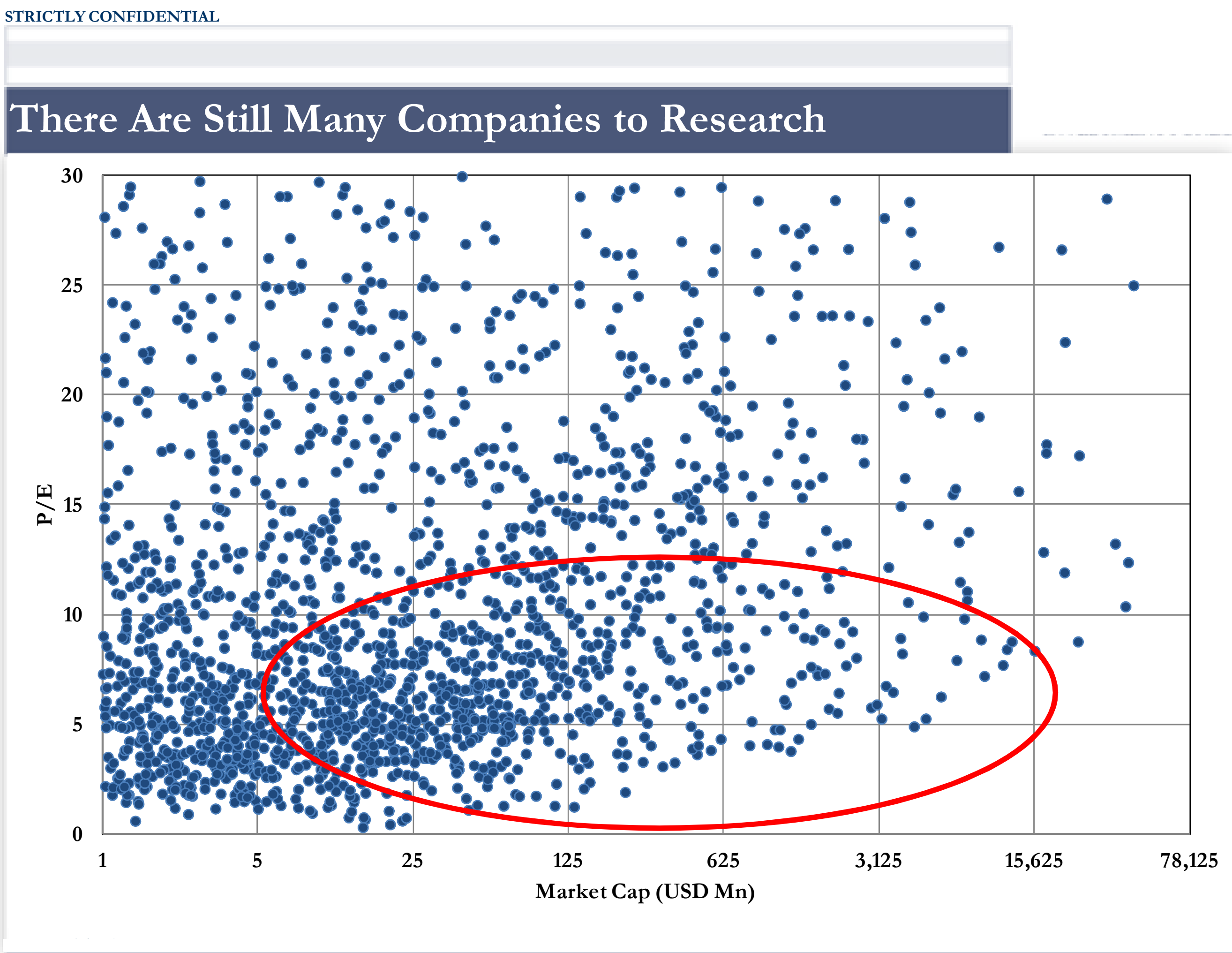
The Indian market has mood swings that are worse than those of more mature countries. For example, the chart below indicates the *difference* between the US Volatility Index (VIX) and the Indian VIX. To de-jargonize the technical mumbo-jumbo: each upward spike means that India was a lot more volatile than the US at that time.



Although the last two years have been relatively stable in India relative to the US, India's markets swing maniacally once every three to five years. In such times, if the US Mr. Market acts like a psychotic drunk, then the Indian Mr. Market is his moody twin.

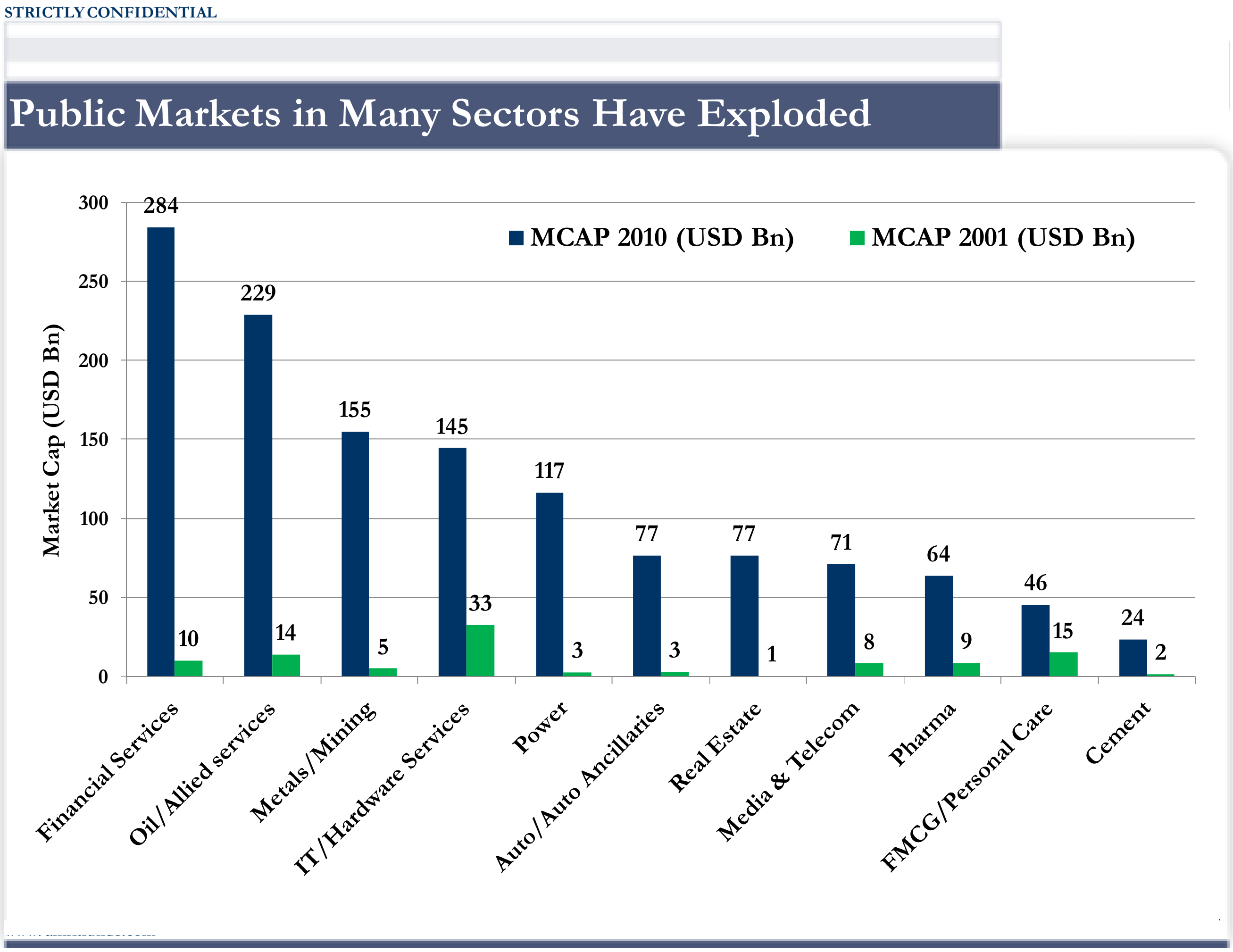
We believe that money will be made in positioning ourselves to benefit from every such mood swing in the market. Given that India has almost 5,000 companies listed on the exchange, and many are small, under-researched and volatile in price means that over time one can do better than the overall growth rate in the underlying business, which in many cases is itself very high.

Please see the chart below to see a scatter plot of most of the listed companies in India – it's a rich fishing ground, from which we need to only find five companies that make sense to buy.



Our fund is probably the best suited to find and invest in many such companies. For instance, we currently own equity in a company that has a Rs. 150 Crores market capitalization (we invested at a Rs. 100 Crores market capitalization). It has Rs 125 Crores in cash and investments (mostly in money market instruments but some equity holdings as well) and the underlying operating business makes Rs 15 to Rs 30 Crores in profits after taxes The business has never lost money and the cash has been accumulated over time from the business and not an equity dilution or a one-time asset sale. There is also a growing dividend pay-out. The liquidation value is probably Rs. 225 Crores. This business is selling at a considerably lower price than it would if it were to be sold to a private owner today.

In fact there has never been a better time for public equity investors as more and more companies are getting listed. If you look at the explosion of listed companies (in the chart below) in various industries, the expansion of the investable universe for public investors in certain industries is huge - from $1 BN to $77 BN in Real Estate and from $10 BN to $284 BN in Financial Services!



This combined with high volatility in prices exacerbated by the heavy dependence on foreign capital and low float, which in turn sets prices in the short-term makes it ideal for investors like us sitting with patient capital.

Important Change and General Updates

A take away from the recent trip to the Berkshire Hathaway's AGM has been that our aim is to create an ecosystem where there is a heightened sense of positivity all the time. Seeing Mr. Buffett and Mr. Munger dancing to work at ages 81 and 88 respectively, is a huge inspiration. A major contributing factor to the positivity is to collect an excellent group of people around oneself. We hope to have our first annual meeting in the near future and hope you will be our guests. Invites will follow.

If you have any questions or thoughts please feel free to get in touch with me. I appreciate your support and interest in us.

Warm regards,

[AL to Insert Signature]

Amitabh Singhi.

Portfolio Manager

Surefin Investments

www.surefin.com