

SUREFIN **INVESTMENTS**

March 11, 2009

From: Amitabh Singhi

To: Investors in Surefin India Value Fund

Subject: December 2008 Quarterly Update

Dear Investor,

Please find the performance update on the website: <http://www.surefin.com/newsletter.htm>

Portfolio Evaluation and Mistakes

Prices fell drastically across the board and in many places the underlying business values also contracted. India realized that companies cannot continue to grow at 20% forever, and that debts need to be either repaid or refinanced.

Our portfolio also fell but less so than the market. Among the stocks that we own, we have made a mistake in one of them (which we wrote about even last quarter) and that company has seen a significant loss in the underlying business value. Our estimate is that the company has lost about 50% of its intrinsic value. Apart from this one instance, the business value erosion in our other companies has not been more than 10% even from the peaks. On the other hand, in many cases while the business value has continued to grow in a few instances, the prices have fallen as much as 70%! We are adding to our positions and also keeping a close eye on the underlying businesses to see how they stand against the test of these tenuous times. We will elaborate more on some of these positions in our annual letter at the end of March.

Few things are more displeasing than buying something that the research says is cheap, and then watching it fall to half its price. But if one is sure about the analysis, it is nothing but a distraction and as long as our investors are long-term greedy, we are totally secure about ignoring the short-term noise. In other words we should be evaluated over not less than a three to five-year period.

We continue to buy cheap companies whose managements were disciplined even during the good times and have thus been able to sustain their operations at the same scale or have even been able to grow them. Intelligent investing necessitates being prepared for times like this through appropriate capital allocation and investing in companies that are equally crisis hedged.

Most of our positions were bought at dirt-cheap valuations in businesses that were not on their cyclical peaks, nor preceding huge expansions. A few of our companies were actually bought at a Net Cash level where we were being paid to hold the company, some of its cash, all of its assets and the future potential.

We are also building positions in new companies whose prices have fallen heavily from their peaks in January 2008. In some cases, institutional sellers are desperately trying to dump large positions at throwaway prices. We for one are not complaining. In other cases, the business has hit a temporary rough patch and given that the market is very cynical, the stocks are clearly mispriced. We will discuss this in greater detail in the annual letter.

We constantly look to deploy funds into special situations. We did two special situation transactions recently, both of which made satisfactory returns on a post-tax, annualized basis. We are currently evaluating some non-equity securities that are distressed and offer very good returns over two to three years.

The number of investment opportunities has multiplied several folds over the last few months. At the cost of sounding sadistic, these are actually exciting times. We have been deploying capital rather sparingly up till now and it seems to have paid off so far. But we must warn you that getting lulled into the security of sitting on un-invested cash in a (rapidly) falling market is one of the most dangerous psychological traps an investor should be wary off. We will be fully invested soon and the next twelve months will be a great time for investors to increase their exposures to the fund.

Quarterly Letter and Annual Letter

As we reported in our last letter, we are going to write one annual letter at the end of March, which will discuss our investments and our thoughts on related issues in greater detail and the others (including this one), are going to be briefer. If you have any questions please do get in touch with us.

Warm regards,

Amitabh Singhi.
Portfolio Manager
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