

SUREFIN INVESTMENTS

August 2, 2007

From: Amitabh Singhi
To: Investors in Surefin India Value Fund
Subject: June 2007 Quarterly Update

Dear Investor,

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

Investing performance should only be studied over a long period of time. The performance for a month, quarter or even a year is not enough to truly assess the ability of the fund manager. Nevertheless we are happy to have met our targets of investing in good companies at very cheap prices. Most of the fund's positions have not un-locked in value and are trading very cheap. We are not in a position to predict when and by how much they will appreciate. In the past most of our positions have unlocked in very short and lumpy periods of time with lots of time in between where there is no activity.

The fund held a concentrated portfolio holding eight positions in industries such as fertilizer, granite, financial services and investment holding companies, among others. We feel that sustainable money in the long-run will be made in companies that have a long enough history of performing through down cycles in their particular industry. Also, most of our positions have return on equities north of 20% emanating out of a durable competitive advantage in their core businesses. More importantly we have bought them at very low prices which should augur well for us in the future.

The Indian markets have been going through an interesting period for the last three years. Cheap international money with a higher risk appetite has flooded the market (just as in other emerging markets). This has led to many large companies getting very high valuations. In many cases, old wolves have come out in new clothes. Management with mediocre performance histories are again getting backed by investors.

Larger companies have significantly outperformed smaller companies and all are growing profits at astounding rates.

All looks hunky dory. As a result of which stock market valuations of these companies have gone sky high. The BSE Sensex (the broad market index) has gone up 5 times in 4 years!

The only thing that no one seems to be worrying about is sustainability. Can large companies continue to grow at 30%? Can monopoly situations be maintained forever? Can consumers and businesses keep borrowing at higher interest rates? I am not willing to hazard a guess and I am definitely not willing to bet my money on it.

A good place to invest according to me is in companies that are pygmies today. I am not talking about ten guys in a garage with a business plan looking to change the world or some super-aggressive marketers who are riding on other people's moneys looking to luckily 'cash out' on a euphoric market.

These are smaller companies that are systematically laying the foundations to become much larger in the years ahead. Many of them are family run and have a history of making shrewd investment and business decisions. They have businesses that have been around for a long time (as long as thirty years in some cases) and have a very good performance record.

They are trading very cheap either because no research covers them or they are not in 'hot' sectors or they are too small for institutional investors to participate in. Whatever the reason may be, we are happy accumulating these companies at such fantastic prices.

Please do not hesitate to contact us for any questions, concerns or thoughts you may have. I look forward to hearing from you.

Warm regards,



Amitabh Singhi.

Portfolio Manager

Surefin Investments

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