

# SUREFIN INVESTMENTS

Oct 30, 2009

**From: Amitabh Singhi**

**To: Investors in Surefin India Value Fund**

**Subject: September 2009 Quarterly Update**

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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 India Value Fund (reported in INR) is up 9.7% return in the last quarter and is up 791.9% since inception in May 2001 after fees and other expenses<sup>1</sup>. This fund has grossed a CAGR of 29.8% over the last 8 years after fees and other expenses.

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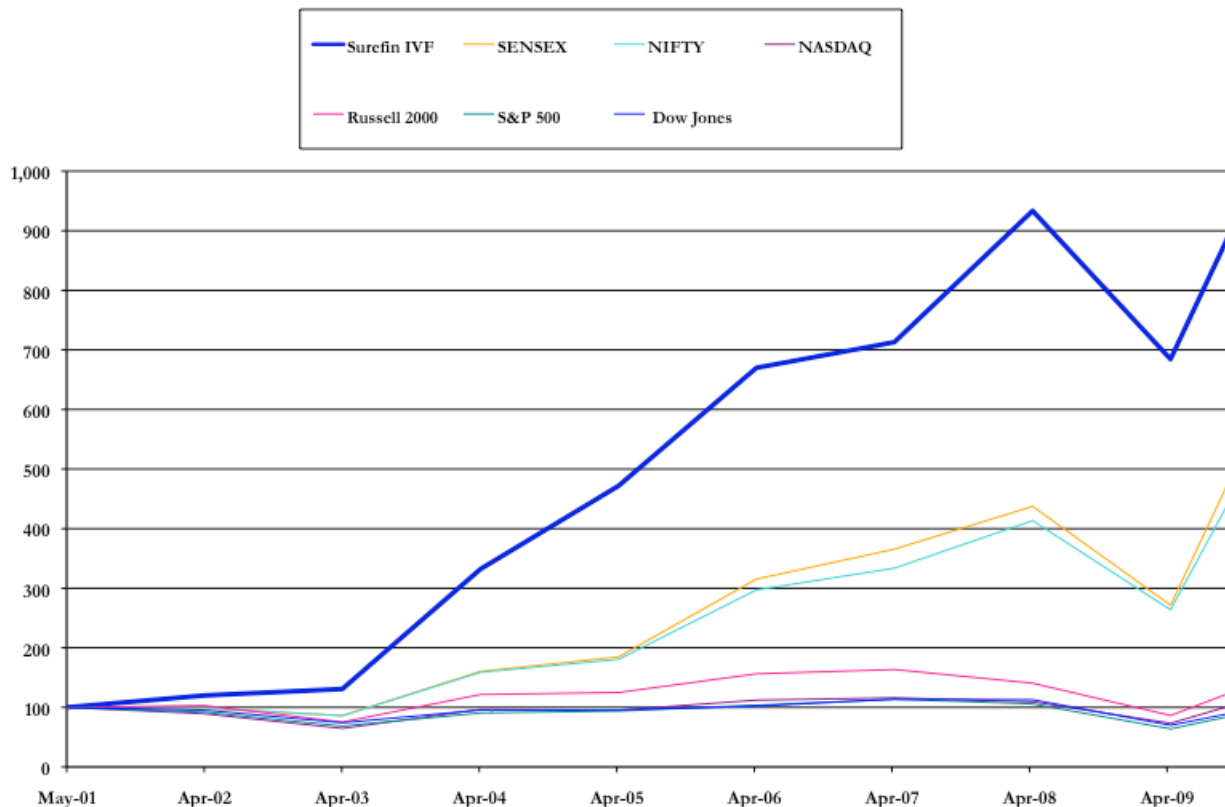
<sup>1</sup> Fees are calculated differently for different clients, depending on when they entered the fund. However, now fees are charged at 0% management fees and 25% carry, over a 5% hurdle rate, with high water marks.

### Comparable Returns

Month-End	Surefin IVF	SENSEX	NIFTY	NASDAQ	Russell 2000	S&P 500	Dow Jones
May 15, 2001	100.0	100.0	100.0	100.0	100.0	100.0	100.0
April-02	120.0	97.9	99.4	89.3	103.0	91.8	95.3
April-03	130.8	86.1	85.9	64.6	75.3	68.7	74.2
April-04	332.2	160.5	158.9	96.6	121.6	90.6	95.4
April-05	471.8	184.7	180.5	95.2	124.9	93.9	95.7
April-06	669.9	315.4	297.1	112.2	156.3	103.6	102.2
April-07	713.0	365.5	333.7	116.1	163.5	113.7	113.6
April-08	933.4	437.4	413.4	109.3	140.5	105.9	112.8
April-09	684.6	271.4	263.8	73.3	86.3	63.9	70.0
September-09	891.9	478.8	443.9	101.8	123.4	84.6	89.3
<b>Percent Change</b>	<b>791.9</b>	<b>378.8</b>	<b>343.9</b>	<b>1.8</b>	<b>23.4</b>	<b>(15.4)</b>	<b>(10.7)</b>
<b>CAGR</b>	<b>29.8%</b>	<b>20.5%</b>	<b>19.5%</b>	<b>0.2%</b>	<b>2.5%</b>	<b>(2.0%)</b>	<b>(1.3%)</b>

### 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%)
September-09	30.3%	76.4%	68.3%	38.8%	42.9%	32.5%	27.6%

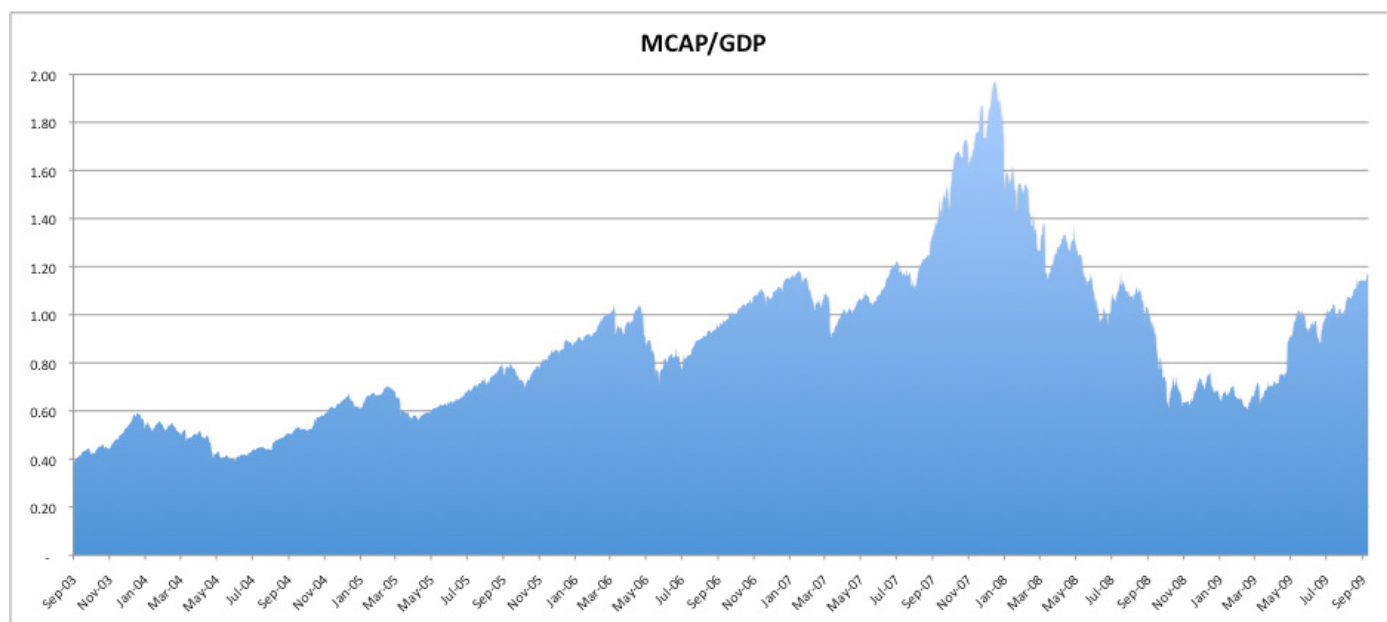


## Portfolio Evaluation and Mistakes

We bought 10 stocks this quarter and sold 3. Our returns on the sold stocks were 51% (bought between November and December of 2008) on one stock, 151% (bought in April of 2009) on the second stock and 6% on the third stock (bought in September of 2009). The reason we are highlighting the sales is to exhibit how quickly sometimes value unlocks. Other times one is required to wait for years (6 of our stocks have been held for between one-two years and we are comfortable holding them for a few more years). There has been a lot of action in the Indian markets in the last 12 months and we are better off for it. We have always maintained that volatility will be much higher in India than in the western world and that we can greatly benefit from this volatility. Some of the things we had bought earlier this year unlocked partially in value, and we are still holding them.

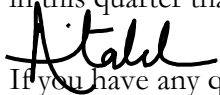
We are still finding value in smaller companies and we will continue to invest in them irrespective of valuations of the indices. However, given that everything else is turning expensive we will make our purchases gradually to average out the buying price over time.

The spread in valuations between the larger SENSEX companies and a few of their smaller cousins has been widening increasingly over the last five years. Maybe it is because people trust the larger companies to be cleaner or maybe they believe that a large company can fare much better through a downturn than a small company can. However, we disagree with such a presumption. We believe that crooks come in all sizes – with an equal distribution (after all it would take ten \$100 million companies to blow-up to equal one Satyam). As far as business sustenance is concerned, it depends on the competitive dynamics of the industry and each company's immediate ecosystem. Most of the smaller companies that we buy have strong niche businesses that have maintained market share over decades but have remained small because they have not been able to or have not wanted to grow out of their states / regions.



In any case, the overall SENSEX does seem a little stretched. The Mcap / GDP is about 1.2 which is above the recent average.

But who knows what will happen – we have never wasted time guessing what will happen to the overall market. It is nevertheless instructive to know what the valuations are so that one can move the portfolio to greater cash positions and allocate to individual positions slightly slower (unless it is an absolute no-brainer – then we will buy as much as quickly as possible). We are happy to say that we have not made any mistakes in this quarter that we know of yet.



If you have any questions, concerns, doubts or thoughts please feel free to get in touch with us. We appreciate your support and interest in the fund.

Warm regards,

Amitabh Singhi.

Portfolio Manager

Surefin Investments

[www.surefin.com](http://www.surefin.com)