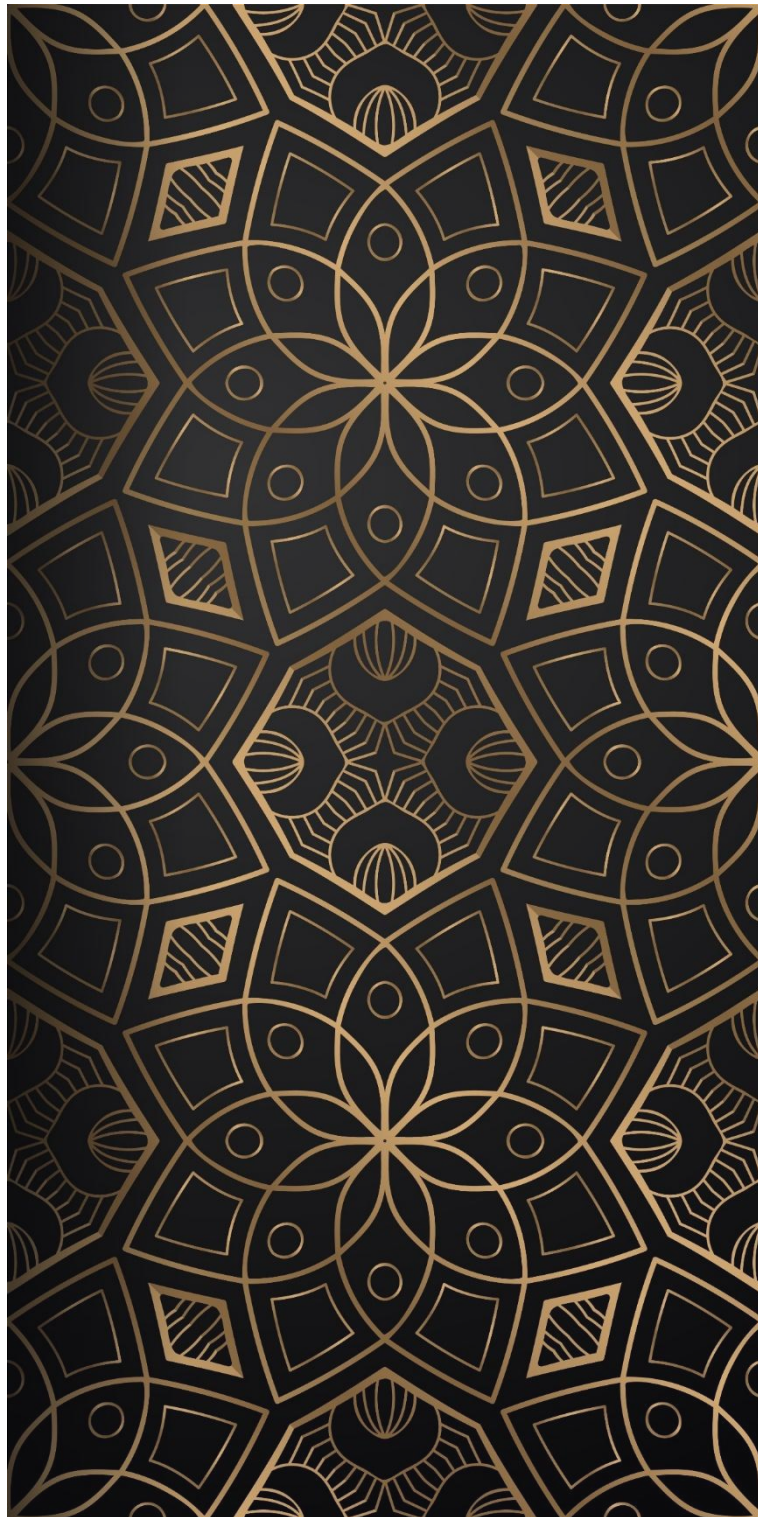




BURMAN
CAPITAL MANAGEMENT



Reflections on a strong first year

Annual Newsletter- Mar 2022

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Summary

We finished our first year (Apr'21-Mar'22) as a SEBI-registered portfolio manager on strong footing with returns of 66.2% compared to 18.3%-36.6% for benchmarks, generating alpha of 2,950-4,780 bps. Consequently, during the fiscal year, we beat all 305 active mutual fund schemes in India, across all strategies, in terms of both absolute and risk-adjusted returns. Moreover, our peak drawdown during the Jan-Feb'22 correction was lower than all benchmark indices highlighting the strength of our risk management processes.

While the past year's performance was robust driven by strong stock selection and optimum allocation, we made mistakes including falling into short-term temptations and not identifying blind spots in time. Learning from these experiences we have made substantial progress in solidifying our investment process, developing stringent risk management practices, and strengthening our core investment team. We are firm believers in the India opportunity and target to generate superior risk-adjusted returns for our clients over the long-term.

Portfolio performance update

Post fee, our portfolio delivered 66.2% absolute returns over Apr'21-Mar'22 post fee. Since inception on Mar 23, 2021, our portfolio is up 65.3% annualized. Detailed comparison with benchmarks below

Performance Snapshot

Monthly performance (Absolute returns %)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2021-22	6.5	5.7	(0.5)	7.7	3.9	4.3	4.2	7.1	9.6	0.2	(7.0)	11.7

	Returns since inception (Annualized returns %)	Returns during Apr'21-Mar'22 (Absolute returns %)	Sortino Ratio	Sharpe Ratio
Burman Capital Management	65.3	66.2	3.9	2.4
BSE SENSEX	17.2	18.3	1.1	0.7
BSE Midcap	18.6	19.5	1.0	0.7
BSE Smallcap	35.8	36.6	2.0	1.4

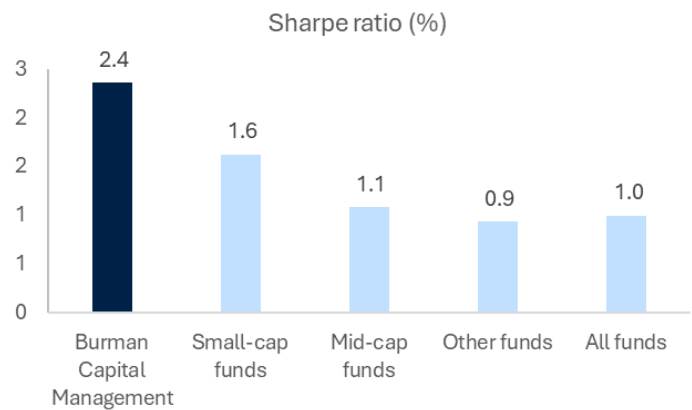
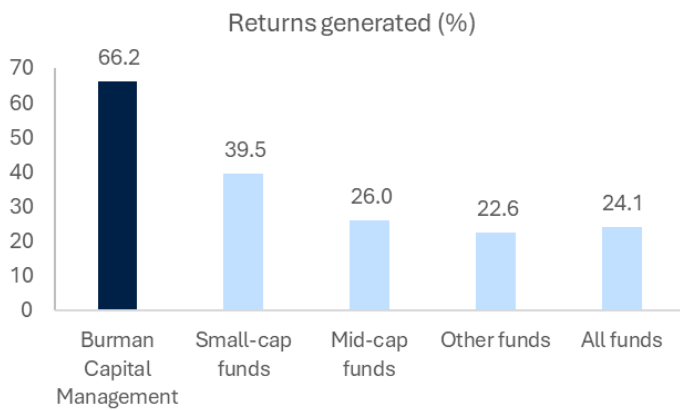
Notes:

- Portfolio inception date is Mar 23, 2021
- Sharpe and Sortino Ratios are since inception

Our performance in perspective

To assess our relative performance, we compared our results with mutual fund data which is publicly available on the AMFI website (Association of Mutual Funds in India). Key insights below

- Our returns beat all the 305 mutual fund schemes (across all categories), the best-performing mutual fund delivered 540 bps lower returns than ours
- On a risk-adjusted returns basis also, we beat all schemes. Our Sharpe ratio was 2.4 and Sortino ratio was 3.9 which was higher than the best performing mutual fund's 2.3 and 3.5
- Our peak drawdown at 14.4% during Jan-Feb'22 was lower than the average drawdown for mutual funds which stood between 15.3-16.3% on an average



Reflections on the year gone by

While we delivered a robust performance during the year, we also made mistakes. Our endeavor would be to not repeat the ones we have already made while also pre-empting similar mistakes to minimize their drag on our performance

What worked

- Broad-based performance:** six out of twelve investments made by us in FY2021-22 delivered IRRs of over 50% showcasing that the hit-rate was high, and that portfolio performance was not driven by one or two lucky investments
- Right allocation to the best ideas:** the six investments described above were allocated 60% of the portfolio (in terms of cost)
- Avoiding hot IPOs and tech stocks:** We did not invest in a single 'tech' firm or 'hot IPOs.' Most of these were quickly eliminated by our stringent filtering process.
- Quick to correct mistakes:** While we made mistakes, we acted swiftly in correcting the same thereby minimizing losses

What did not work

1. Temptation to make a quick buck

- We invested in a clean-energy company that appeared to be a strong opportunity as the market, in our view, was not factoring in the impending scale-up of company's profits in the near-term.
- While we were skeptical that the business involved dealing with government entities where cash transactions were prevalent, the seduction of strong short-term returns lured us in.
- The risk played out within a couple of weeks as an IT raid suggested over-reporting of expenses – we quickly exited the position with a loss of about 7.5%.
- We have thus sharpened our filtering process to ensure such mistakes are eliminated.

2. Missed identification of a key blind spot

- We invested in a 3PL company after three months of intense diligence. We felt that the company had everything working for it in terms of long-term opportunity, short-term earnings momentum and was available at reasonable valuation.
- However, couple of quarters into the investment, our (and sell-side) estimates proved to be incorrect not only from a quantum perspective but also directionally. Market participants had mis-interpreted a certain material aspect of the company's economic model.
- In hindsight, our diligence could have been deeper, wider, and more comprehensive to pre-empt our/market participants' blind spots.
- As a result, we have deepened our research process to get multiple perspectives from stakeholders across a company's value-chain before finalizing our view.

Gearing-up for the future

We believe there are three core aspects that an organization like ours requires to generate consistently superior risk-adjusted returns for clients over the long-term

- Right investment strategy and investment process
- Stable and motivated team
- Stringent internal controls from a risk, operations, and compliance perspective

Over the past year, we have made substantial progress on all these aspects and believe that we are better prepared to face challenges in the future.

While our investment strategy is well-tested, our investment process has evolved at a rapid pace, and we have a robust set of over fifty ideas that we track actively which have the potential to enter the core portfolio. In addition, we have stepped-up our presence in the ecosystem through a deep network of businesses, sell-side relationships, and buy-side relationships.

We have expanded our investment team over the past twelve months. The new analysts who joined the team are from top Indian Business schools and have solid experience in the investment industry with successful and respected firms. We will continue to build our team and hire talented individuals who are passionate about investing.

In terms of internal controls, we have adopted best-in-class policies with respect to risk management. Our processes are designed to pre-empt risks across both our investments and infrastructure within the firm.

We are also slowly diversifying our dependency on partners from an operations perspective and putting in place strong agreements to ensure business continuity and a smooth experience for clients.

We are excited about our journey of building an ethical and results-driven high-quality investment firm which can stand the test of unknown challenges and time.

If you would like to know more about our journey and how we are building our strategy, please reach out to us at info@burmancapital.com.

About Burman Capital Management

Burman Capital Management is a part of Burman Family Holdings, the strategic investment platform of the Burman Family, which over the last twenty years has invested over US \$500 million in various businesses primarily in India and have partnered and joint ventured with many of the leading Fortune 100 companies from around the world. The Burman family are the control shareholders of the Dabur Group. Dabur was founded in 1884 by Dr. S.K. Burman and is today one of the largest Indian Fast Moving Consumer Good Company in India with over US\$1 billion in revenue and a market capitalization of over US\$14 billion.

At Burman Capital Management, we are long-term investors with deep passion for identifying and investing in exceptional businesses early. We are fundamentals-driven bottom-up investors and run concentrated portfolios focusing on small to mid-size companies. We are a SEBI-registered Portfolio Manager with registration number INP100007091.

To know more about how we approach investing, please visit www.burmancapital.com or write to us at info@burmancapital.com.

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