

2018

# NEWSLETTER

SEPTEMBER 2018

ANKIT KANODIA

SMART SYNC SERVICES | 401, Siddhraj Zori, Sargasan Cross Roads, S.G.  
Highway, Gandhinagar - 382421 Gujarat. India.

## ❖ “I CAN THINK. I CAN WAIT. I CAN FAST.”

You must be wondering why I am dealing with an abstract theme in this newsletter, which seemingly does not have any relevance to investments in stock market. However, I am sure that once you read the next few paragraphs you will get the context, if you have not got it already.

## ❖ “I CAN THINK. I CAN WAIT. I CAN FAST.”

These sentences appeared in Hermann Hess’s 1922 novel “Siddhartha,” which I read in college about ten years ago. “Siddhartha” is about a young man’s quest for enlightenment. While I can go on and on about the book and its various messages, let’s just focus on one passage which is relevant here:

There is a merchant named Kama swami who asks the protagonist, Siddhartha how he can offer anything to the world if he has discarded all of his possessions.

Siddhartha tells the merchant that, "Everyone gives what he has," and the merchant replies, "Very well, and what can you give? What have you learned that you can give?"

## ❖ "I CAN THINK, I CAN WAIT, I CAN FAST," SIDDHARTHA SAYS.

These have stayed with me ever since

It seems to have resonated with the famous author, Tim Ferris as well. In his best-selling book, “Tools of Titans”, Ferris says that after interviewing more than 100 successful people from various fields, he finds that the above

mentioned passage from “Siddhartha” captures the approach every high performer takes. He explains his findings as:

**"I can think”:** Having good rules for decision-making, and having good questions you can ask yourself and others.

**"I can wait”:** Being able to plan long-term, play the long game, and not misallocate your resources.

**"I can fast”:** Being able to withstand difficulties and disaster. Training yourself to be uncommonly resilient and have a high pain tolerance.

## ❖ THE STOCK MARKET NARRATIVE

Isn't that a great way of looking at any new project or task or even life for that matter?

I read that and reflected upon it for days. I found that it is true for any field or profession including investments in stock market. The stock market narrative of the above message would go like this:

**"I can think”:** Having good rules for selecting businesses and managements to own in the portfolio, having a good checklist to filter your investment ideas, have an investment rationale clearly laid down in your investment journal and finally weigh those rationales against the underlying risks by asking relevant questions to yourself and others.

**"I can wait”:** Being able to plan long-term, play the long game, and not misallocate your resources. In effect, remember what Warren Buffett once said, “Be fearful when others are greedy and greedy when others are fearful”. Follow that advice up with having cash reserves during rising stock prices and deploy them efficiently during the fall.

**"I can fast”:** Being able to withstand the pressure and panic of a falling market. Training yourself to be uncommonly resilient and having a high pain

tolerance when everyone is talking only negatively about the companies, the economy and the stock market.

## ❖ THE STOCK MARKET NARRATIVE

Those who can exhibit the above traits will embrace the uncertainties in the stock market and be well-prepared for the tough journey ahead. We do not claim that we, at Smart Sync Services (SSS), exhibit the above mentioned qualities to perfection. However, we do claim that we make all our efforts to drift towards them. You can see that throughout the last year, when the market was rising, we kept extra cash in preparation for times like today. And now, when everyone is panicking, we are slowly deploying the cash back into the market.

We have been repeatedly saying in all our communication that we do not know when the market turns for better or worse. So we spend more time in preparation for that turn rather than predicting the time of that turn.

## **SSS MODEL PORTFOLIO PERFORMANCE**

Let us have a look at the table below to see how our model portfolio has performed as against the major indices.

<b>PERFORMANCE OF SSS AS AGAINST MAJOR INDICES (Starting from 01.08.2017)</b>				
<b>PARTICULARS</b>	<b>31.12.2017</b>	<b>31.03.2018</b>	<b>30.06.2018</b>	<b>30.09.2018</b>
Nifty	4.11%	0.00%	5.88%	8.10%
S&P BSE Midcap	15.29%	3.27%	-0.10%	-4.54%
S&P BSE Smallcap	19.63%	5.72%	-0.26%	-10.21%
<b>SSIAS Model Portfolio</b>	<b>16.71%</b>	<b>9.29%</b>	<b>-0.26%</b>	<b>1.95%</b>

To put the above performance of SSS into perspective, let's have a look at how we have fared in comparison to top PMS Managers of the country in the month of September:

<b>Name of the PMS</b>	<b>Fall in Sep 2018</b>
Motilal Oswal	-12%
ASK Investment Managers	-13%
Old Bridge Capital Managers	-13%
Sundaram Asset Management Company	-11%
Value Quest Investment Advisors	-16%
Basant Maheshwari Wealth Advisors	-22%
2Point2 Capital Advisors	-12%
Equity Intelligence	-20%
<b>SSIAS Model Portfolio</b>	<b>-13%</b>

We can see in the above tables that the return since we started on the 1<sup>st</sup> of August, as on date (30.09.2018) is 1.95% which is higher than small cap and midcap indices by a big margin.

The portfolio returns of the clients who have joined us late will be different from the model portfolio. However in due course, their portfolio's returns will mirror the model portfolio rate of returns as the allocation remains almost the same for them as well.

Even after this volatility in market, we believe we are comfortably positioned compared to most participants. If the market continues to remain volatile, like it has been for the last few months, we still have more than 17 % cash in our model portfolio to take advantage of buying good businesses at bargain values.

In the second table we can see the losses in the month of September for all notable PMS Managers. All the portfolio managers mentioned above have different investing styles and completely different portfolio of stocks. This means the fall in value is not due to the quality of stocks in the portfolio, but due to the *systemic risk* which is prevailing in the current market scenario.

*If we look closely, all these large and looming losses which are occurring on a monthly basis are notional and not actual. We have booked profits of 20% in the 14 months of our operations. So the current portfolio status of 1.95% returns is after deducting the notional losses of around 18% from booked profit of 20%.*

Whenever the market recovers we will see these notional losses getting erased. In the long run, all portfolios reflect the sum total earning power of all the companies in it. Hence, we don't get swayed by the temporary and excessive rise and fall of prices of securities. We have always believed that being detached from the short term movement of prices in the stock market helps us take a better view of the situation which eventually leads in a robust long term performance.

## ❖ SIGNING OFF

As mentioned above, if you really want to detach yourself, mentally, from the times of euphoria and panic in the stock market, you will do well to follow the advice of “Siddhartha”.

## REMEMBER

**“You can think”**



**“You can wait”**



**“You can fast”**



**INVESTMENTS INC.**



**"We're expecting stocks to rally, but we don't know which ones and when."**

**Ankit Kanodia**

**Email:**

[ankit.k@smartsyncservices.com](mailto:ankit.k@smartsyncservices.com)

**Mobile: +91 9978988562**

**SMART SYNC SERVICES**

**401, Siddhraj Zori, Sargasan Cross  
Roads, S.G. Highway, Gandhinagar  
- 382421 Gujarat. India.**

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