

We are an independent, partner-centric  
Investment Management firm investing in  
Indian public equities.

# TOPICS

About us	Summary approach	Track record	Right for you?	
Company selection	Approach to valuation	Portfolio construction	Risk Mgmt.	When to sell?
Fees and other expenses	Team			

# ABOUT US

## About us

- Boutique firm, ~1780 Cr AUM, ~200 families
- Private, independent ownership (CIO and close friends)
- Team incentivized as owners - 25% of PBT shared with team
- Zero Voluntary team attrition since inception (2014)

## Desired outcome

- Seeking 15% IRRs post fee every rolling 5 years, under assumption of 11% nominal GDP growth (no guarantees)
- Never risk ruin despite promise of very high upside.

# WHAT APPROACH DO YOU BELIEVE IN?

85

**Buying businesses**

Compounding stories at a fair price which we are willing to hold for long time horizons

15

**Buying VALUE**

At the right price, everything is “AAA”.

Let Asset reach fair value, sell to find next one

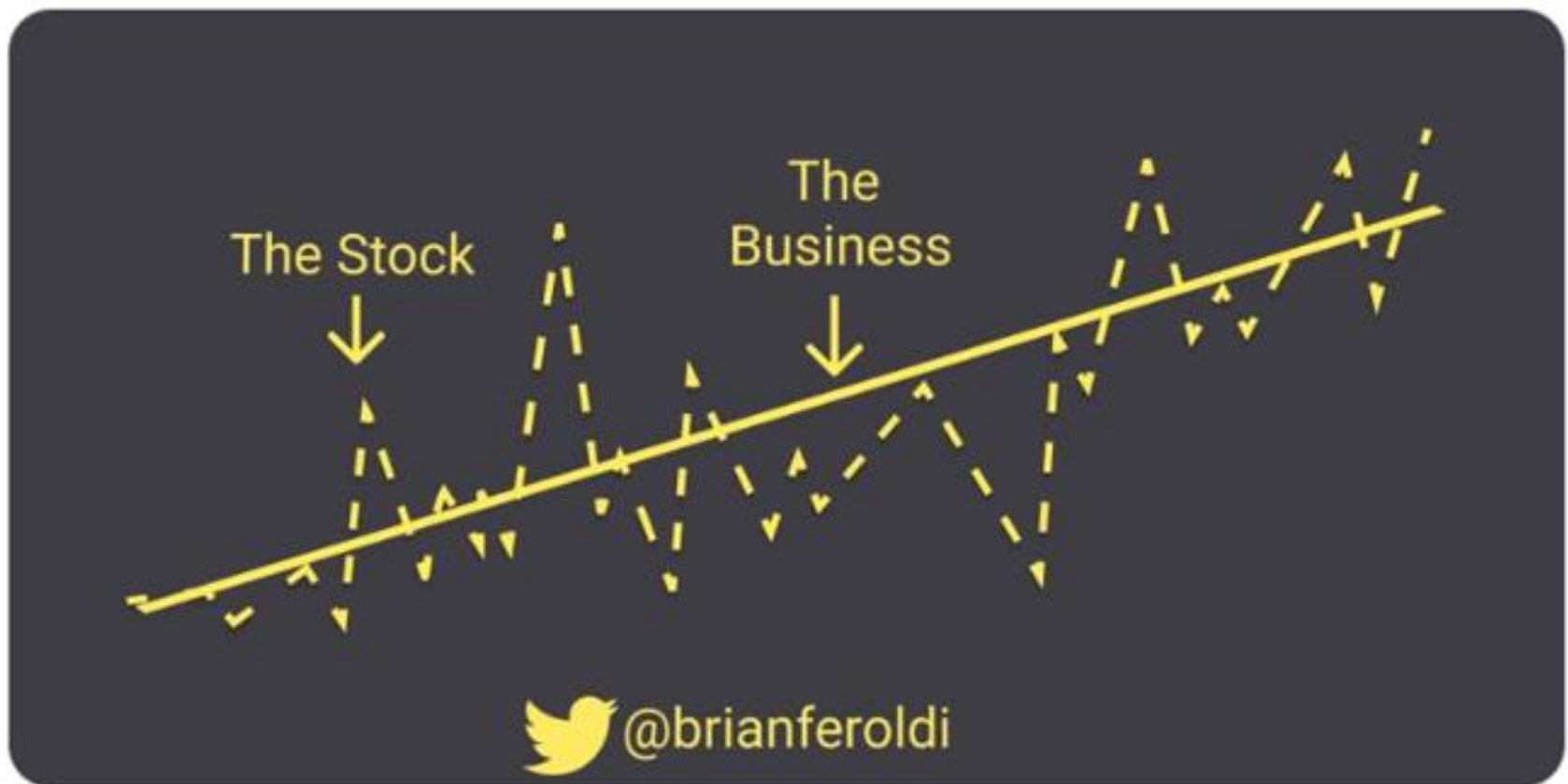
**Trading securities**

Make money via an Algorithm that you have found

Time horizons are opportunistic

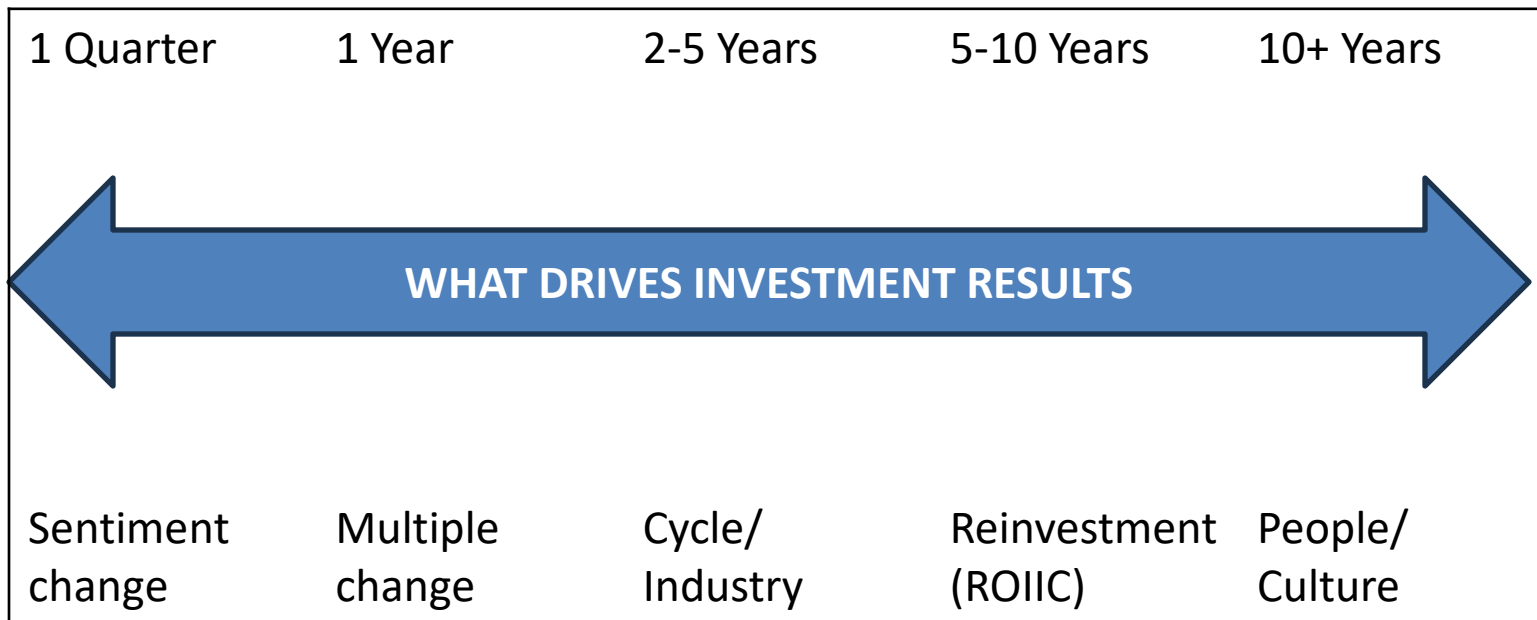
**We believe the best returns long term will come from owning businesses and limiting opportunism.**

# WE ARE LOOKING FOR RESILIENT BUSINESSES THAT CAN COMPOUND EARNINGS FOR LONG PERIODS OF TIME



**Stock prices are slaves to earnings over the medium term.**

# WHAT WORKS WELL VARIES BASIS TIME HORIZONS



# OUR APPROACH

- Quality: *Ensures survival. Ensures we don't panic during market dislocations. Better business 5 yrs out vs today.*
- Time. *Think 5-10 years, not 1-3 years*
- Concentration. *15-20 best ideas*
- Valuation. *Price paid matters. However, for companies at inflection points, fair value is hard to determine. Don't be greedy for the first 3% weight.*
- Conviction. *Do not hug the Index*
- Use size to advantage. *Be willing to embrace some illiquidity*
- Discipline. *Stay true to process when things not working. Trust in mean reversion.*
- Exit: *No foolish loyalty, but high bar for churn due to valuations. No ego if we are wrong.*

# CORE INVESTMENT PRINCIPLES

- Buy “Quality”: ~18%+ sustainable ROE, a promoter that thinks long term, willing to re-invest in growth, “win-win” mindset, prioritizes resilience over speed.
- We want to be in businesses that will be better in 5-10 years vs today: benefiting from secular growth, leaders of their industry/dominate niches, with an expanding moat/edge at a broadly fair entry price. This will result in a high probability of long-term uninterrupted earnings
- Our choices may differ considerably from the Index with implications for short-term performance.
- We will be willing to embrace some illiquidity in the portfolio to take advantage of our size and fish where larger firms cannot.
- We will not chase the wrong risks to boost returns irrespective of how attractive valuations are. We will always have 100% alignment in interests.
- High bar for churn, but no foolish consistency



# PORTFOLIO CONSTRUCTION STRATEGY

**GROWTH WITH  
STABILITY**

**GROWTH WITH  
LONGEVITY**

**GROWTH WITH  
POSSIBILITY OF  
ASYMMETRIC  
OUTCOMES**

**PATIENCE**

# STABILITY+ LONGEVITY + ASSYMETRIC UPSIDE + PATIENCE (1)

## Growth with Stability

- Leader, but more mature in growth life cycle
- Strong market position
- Robust business model and Balance Sheet
- Stable earnings growth

- 15% IRRs, high probability

• 35-50% allocation

## Growth with Longevity

- Leader in growing market
- Early in growth life cycle
- Strong prospects for earnings growth

- 18-20% IRRs, long periods of time, medium probability

• 35-50% allocation

## Growth with potential Asymmetric upsides

- Untracked companies with low liquidity
- Large opportunity + great leadership
- Potential for exponential earnings growth

- 25%+IRR, medium probability

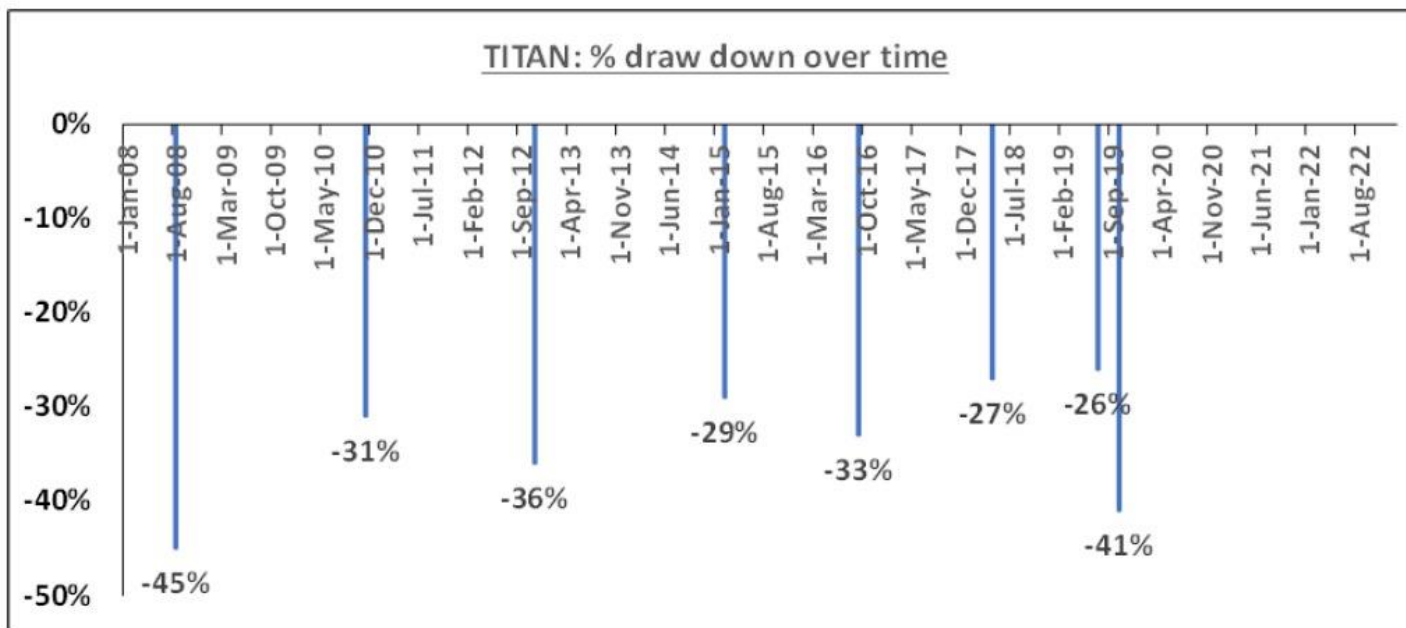
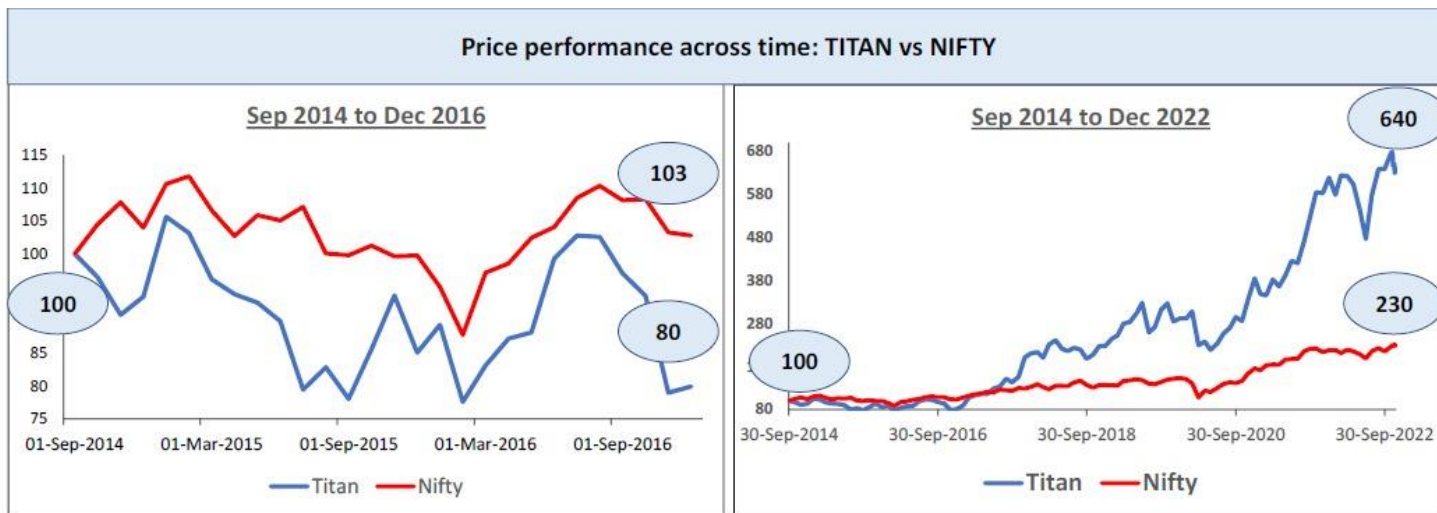
30-40% allocation

# STABILITY + LONGEVITY + ASSYMETRIC PAY-OFFS + PATIENCE (2)

Scenario A				Scenario B			
Position	Initial Capital	IRR	Closing Capital	Position	Initial Capital	IRR	Closing Capital
1	100	11%	284	1	100	-2%	82
2	100	11%	284	2	100	-2%	82
3	100	11%	284	3	100	11%	284
4	100	11%	284	4	100	11%	284
5	100	11%	284	5	100	11%	284
6	100	11%	284	6	100	15%	405
7	100	11%	284	7	100	15%	405
8	100	11%	284	8	100	15%	405
9	100	15%	405	9	100	30%	1379
10	100	30%	1379	10	100	30%	1379
			1000				4986
Compounding Time period (yrs)			10	Compounding Time period (yrs)			10
XIRR			15.0%	XIRR			17.4%
Market			11.0%	Market			11.0%
Alpha			4.0%	Alpha			6.4%

The very few investments that deliver Asymmetric outcomes influence results

# STABILITY+ LONGEVITY + ASSYMETRIC UPSIDE + PATIENCE (3)



# PROCESS HAS WORKED LONG TERM ANCHOR PARTNER

Period	Solidarity Anchor client performance %	BSE500TRI performance %	Alpha % over BSE500TRI
FY15*	67.2%	34.1%	33.1%
FY16	0.8%	-6.4%	7.2%
FY17	20.0%	25.5%	-5.6%
FY18	17.1%	13.2%	3.9%
FY19	6.3%	9.7%	-3.4%
FY20	-15.7%	-26.5%	10.7%
FY21	96.5%	78.6%	17.9%
FY22	27.6%	22.3%	5.3%
FY23	-8.6%	-0.9%	-7.7%
FY24	22.2%	40.2%	-18.0%
FY25 YTD	20.7%	20.2%	0.5%
<b>Last 5 years</b>	21.0%	22.4%	-1.4%
<b>Since Inception</b>	20.8%	17.2%	3.6%
* From 2 May 2014- Start date of Anchor client			
Data as of 30 Sep 2024			
Return is in TWRR, net of all fees & expenses			
Performance data provided in the above table is not verified by SEBI			

We do well during times of tough market conditions e.g. FY 20, Covid.

Performance is mean reverting. Strong performance followed by underperformance... as is expected in a low churn approach.

# PERFORMANCE HISTORY

<b>Aggregate across all partner accounts</b>					
<b>Performance (in TWRR)</b>	<b>1 Year</b>	<b>2 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Since Inception<sup>^</sup></b>
SOLIDARITY- PRUDENCE	23.0%	16.7%	8.0%	21.3%	18.8%
BSE500TRI	41.1%	28.7%	18.4%	22.4%	18.2%

Data as of 30 Sep 2024  
<sup>^</sup> From 11 MAY 2016 -Start date of scheme  
Solidarity performance is net of all fees & expenses  
Performance data provided in the above table is not verified by SEBI

<b>Aggregate across all partner accounts</b>					
<b>Performance (in TWRR)</b>	<b>1 Year</b>	<b>2 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Since Inception<sup>^</sup></b>
SOLIDARITY- EMERGING LEADERS	21.0%	0.0%	0.0%	0.0%	25.5%
BSE500TRI	41.1%	0.0%	0.0%	0.0%	41.2%

Data as of 30 Sep 2024  
<sup>^</sup> From 26 APR 2023 -Start date of scheme  
Solidarity performance is net of all fees & expenses  
Performance data provided in the above table is not verified by SEBI

# ARE WE RIGHT FOR YOU ?

Definition of success: 1.5% Alpha over BSE 500 TRI over 5 years. We expect to lag markets in a raging bull market. We will not compromise on governance to chase higher returns.

We think very long term – you must be willing to think 5 years.

We will embrace some illiquidity. If you choose to withdraw prematurely, exit may be at discounted prices.

Minimum 2.5 Cr investment size per family.

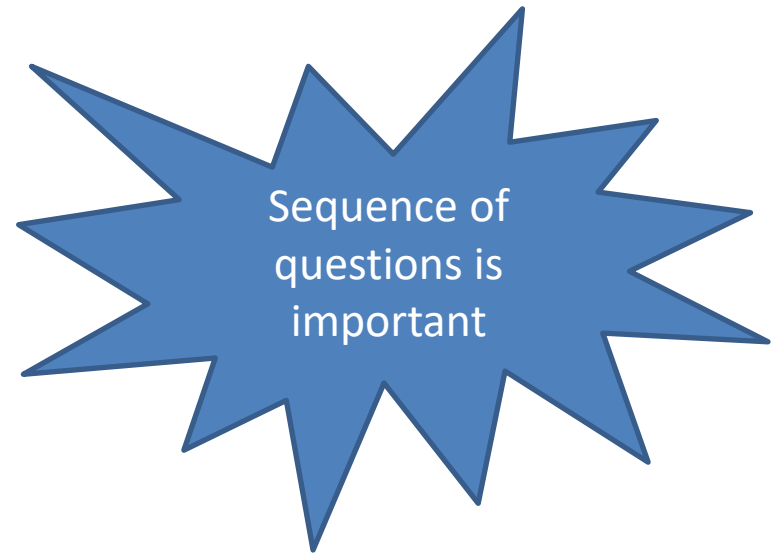
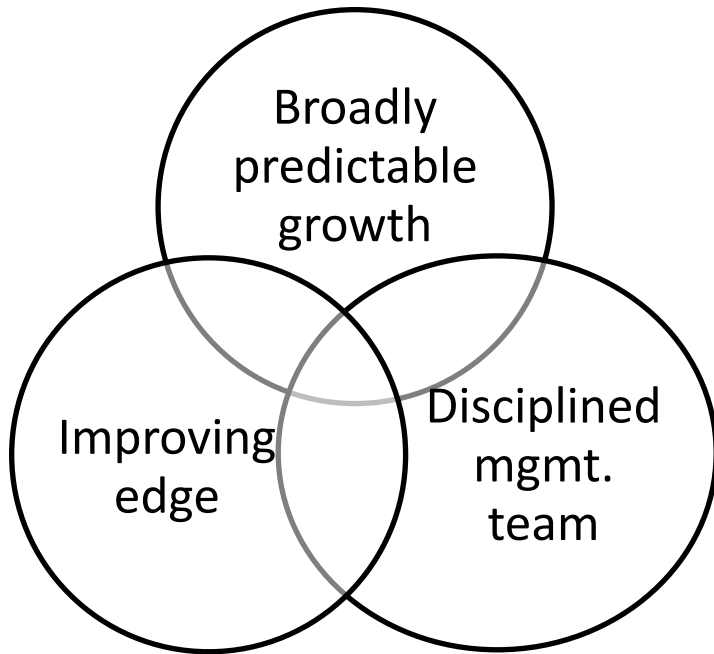
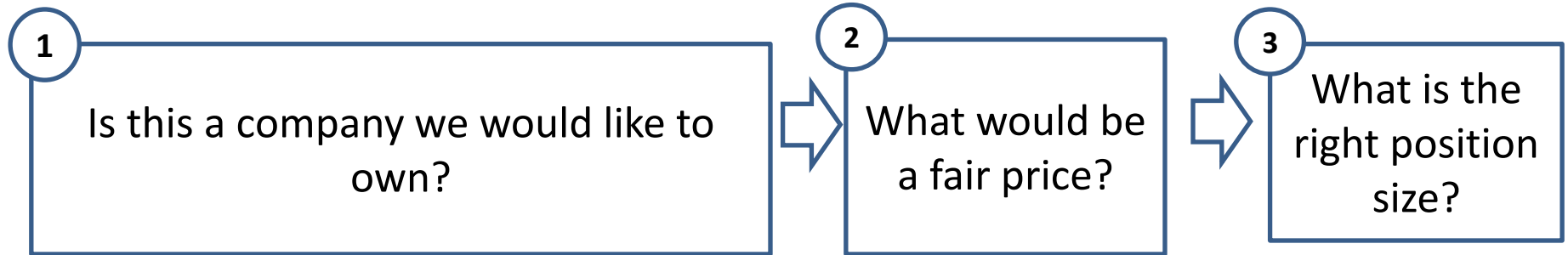
A PMS has “time value of money” tax disadvantages over a MF. It has advantages of smaller size, customization, less stress during times of market turmoil.

**We are right for you if you are looking for consistent, stable returns over long periods of time**

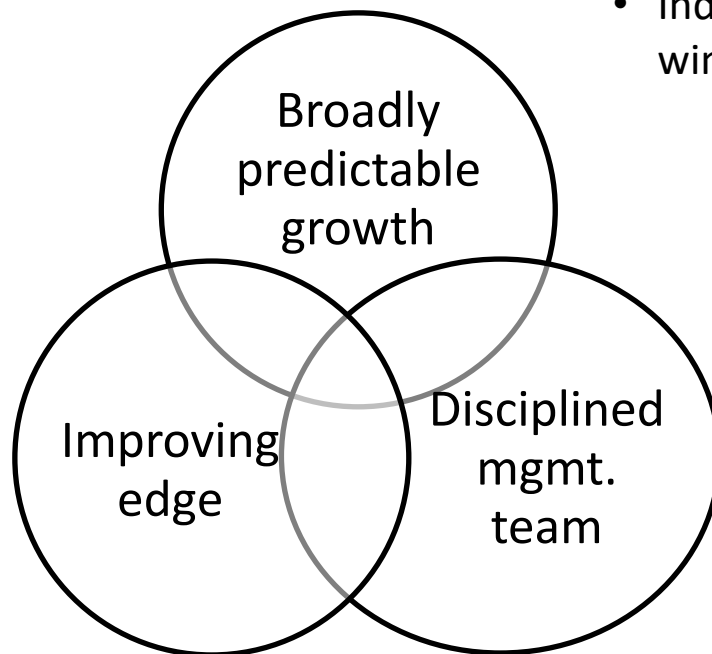
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# OUR PROCESS (1)



# IS THIS A COMPANY WE WOULD LIKE TO OWN ?



- Favourable industry structure
- Sector/niche Leadership
- Edge/competitive differentiation
- Ability to re-invest for growth (ROE > 15%)

- Large addressable opportunity
- Industry with structural tail winds of growth

- Vision backed with granularity in thinking and “feet on the ground”
- Team depth beyond promoter
- Focus on few business lines
- Disciplined on Capital Allocation
- Prudent use of leverage

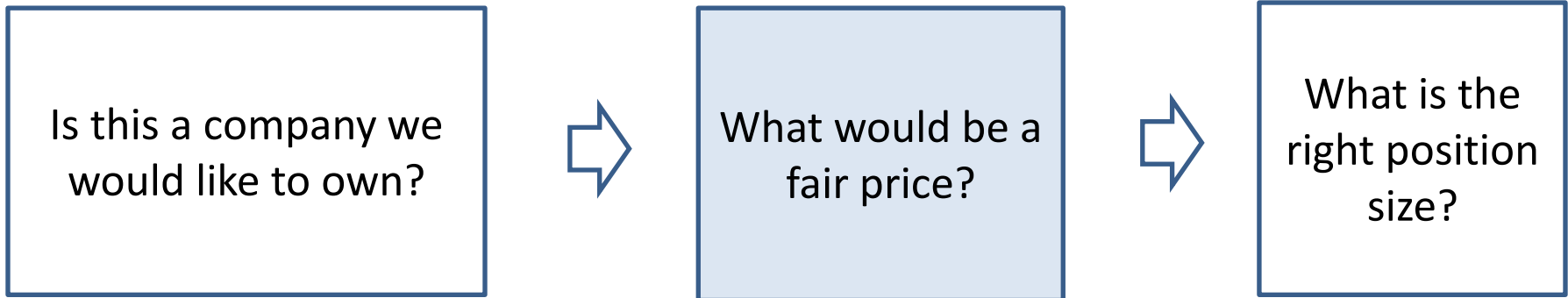
# COMPOUNDING REQUIRES A LARGE AND GROWING OPPORTUNITY

	<b>Secular Themes of interest to us</b>
1	Opportunity to gain market share in global supply chains: Manufacturing/Services
2	Pvt Sector Banks who will gain market share
3	Life Insurance: trusted brands, strong distribution
4	General Insurance with preference for adoption of Health Insurance
5	Digital Business Models and enablers of Digital
6	Mitigation of inequality
7	Discretionary consumption – “Affordable luxury”
8	Financialisation of Savings
9	Formalization of the economy
10	Thrust on Clean Energy

# LEADERSHIP OFTEN LEADS TO A VIRTUOUS CYCLE THAT RESULTS IN A SUSTAINABLE EDGE



## OUR PROCESS (2)

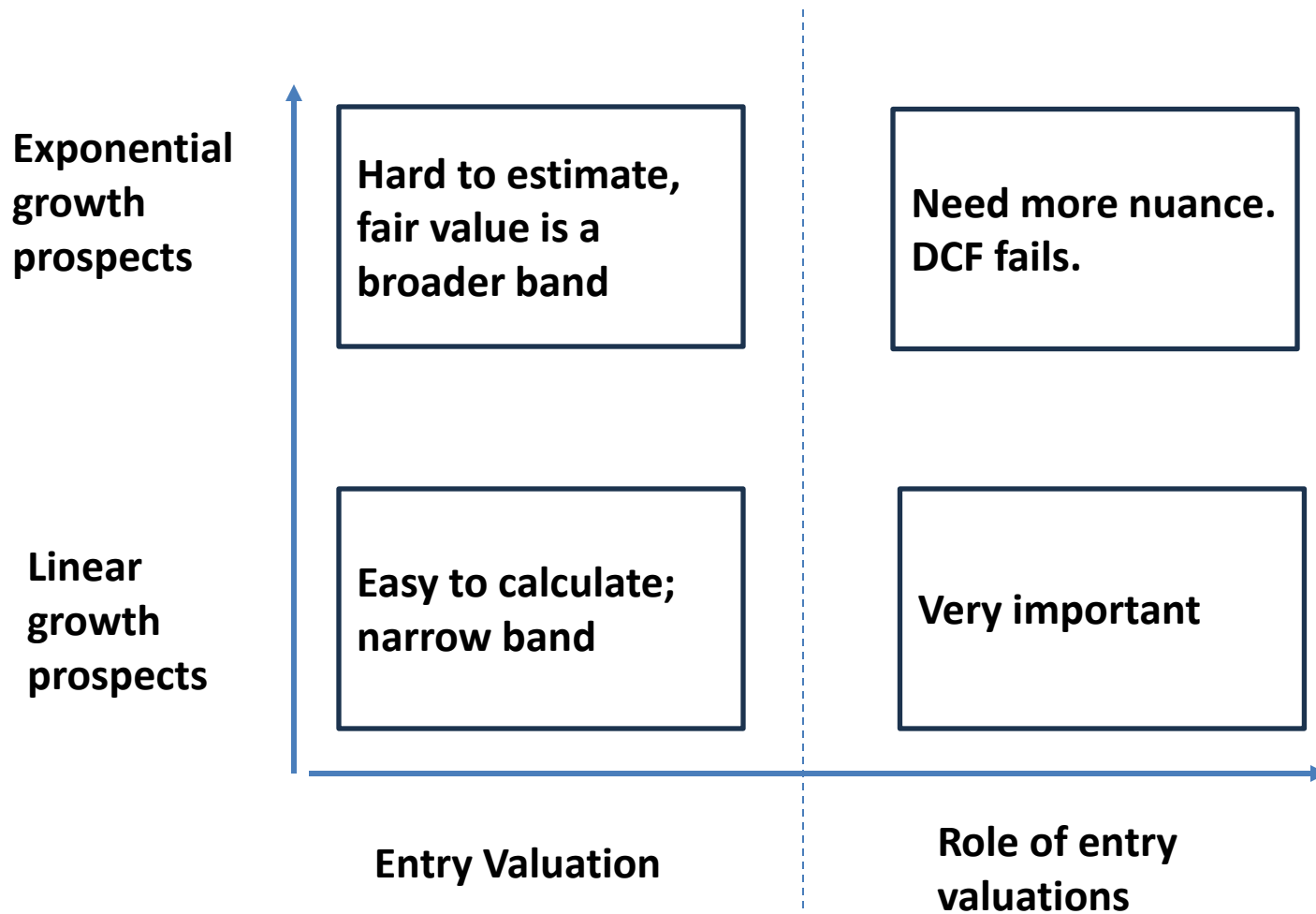


Valuation is both art and science. We believe in being broadly correct, rather than aim for precision

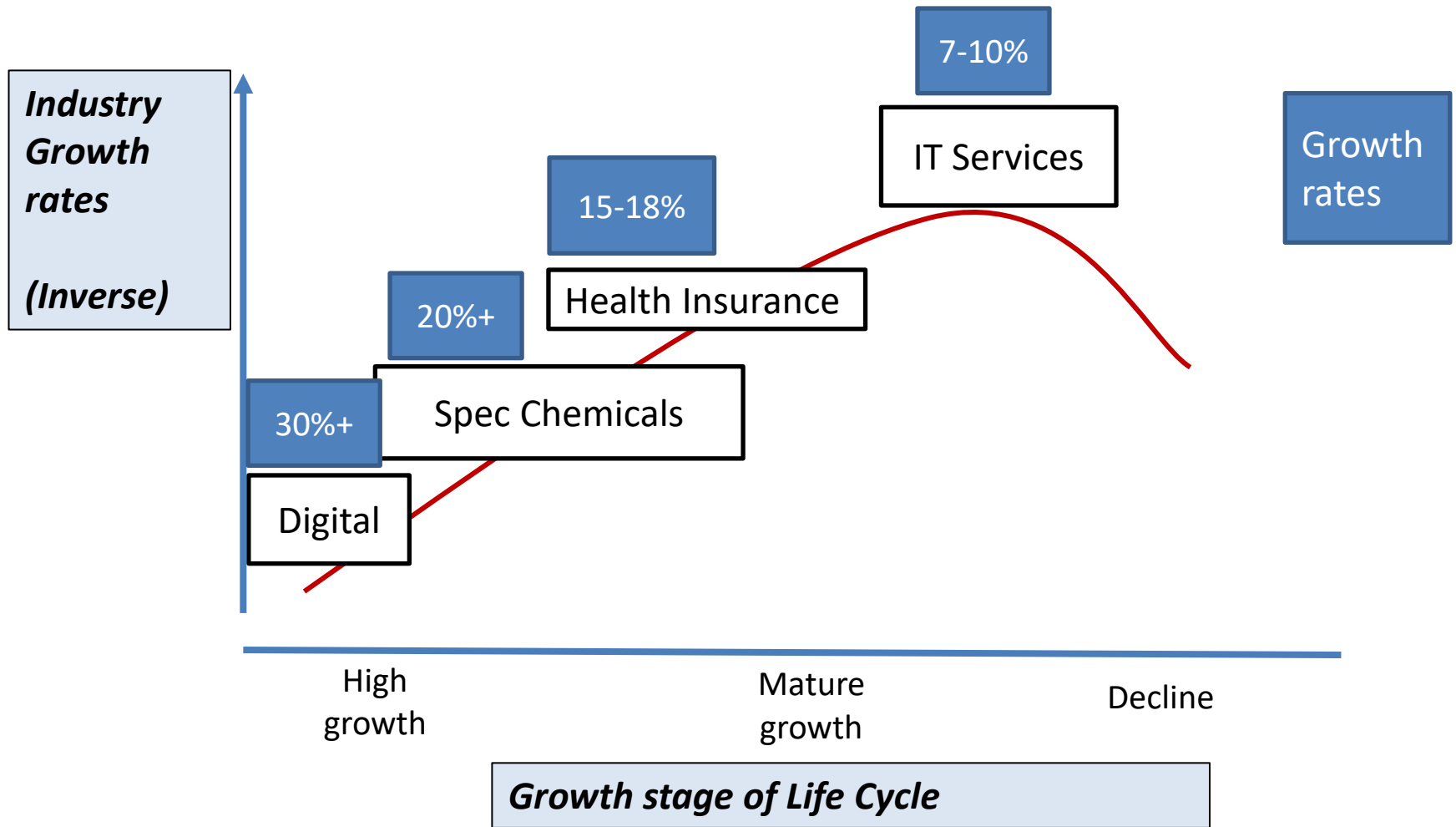
### Tools used

- Qualitative: where are in the growth life cycle, Optionality/longevity in business model, behavioural cycle?
- Quantitative: DCF– Cost of Capital, Growth, ROE, longevity
- Wisdom of crowds

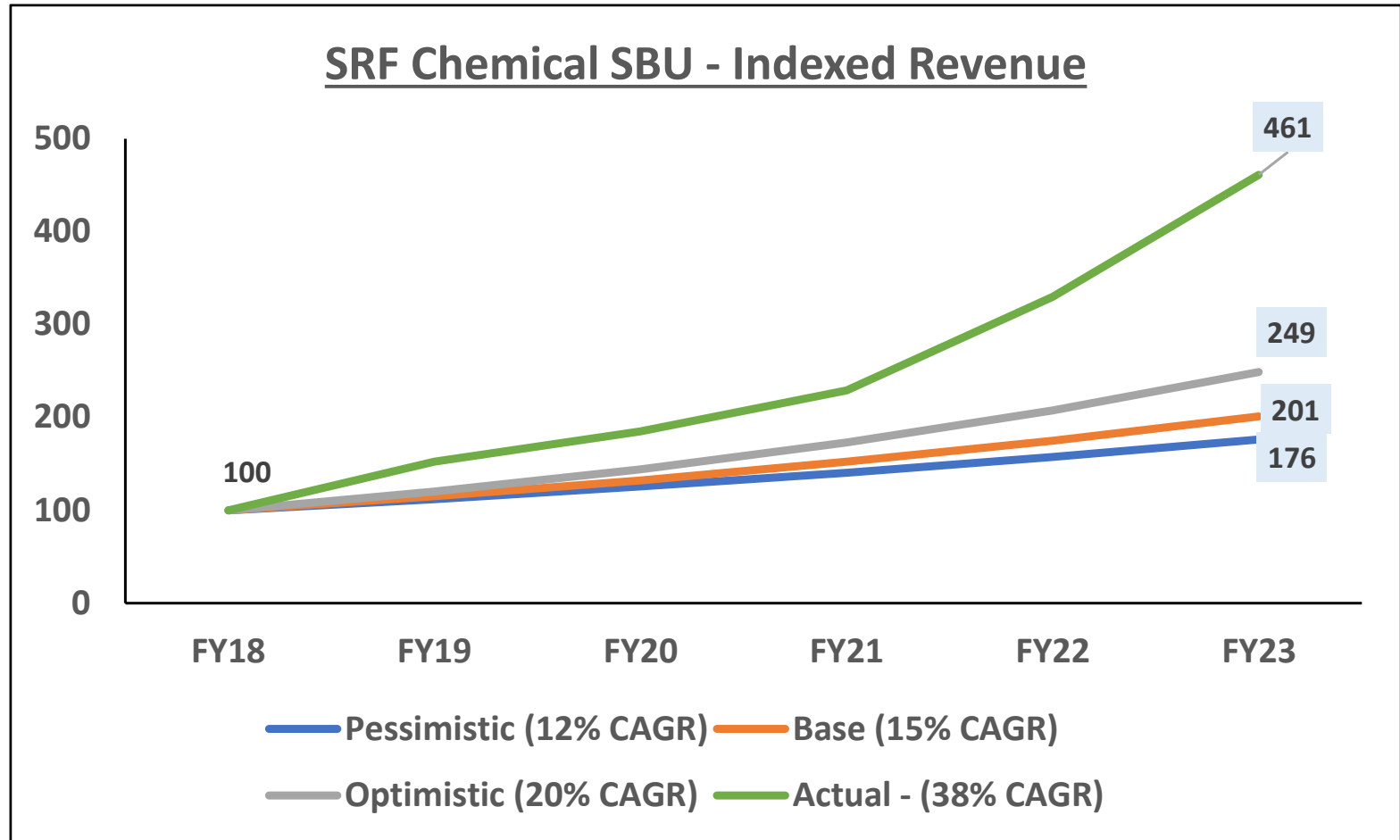
# FAIR VALUE IS VERY CONTEXTUAL



# VALUATIONS VERY SENSITIVE TO WHERE IS THE SECTOR IN THE GROWTH LIFE CYCLE?



# EXPONENTIAL GROWTH PROSPECTS NEED MORE LEE WAY IN VALUATION BANDS





## OUR PROCESS (3)

Is this a company we would like to own?



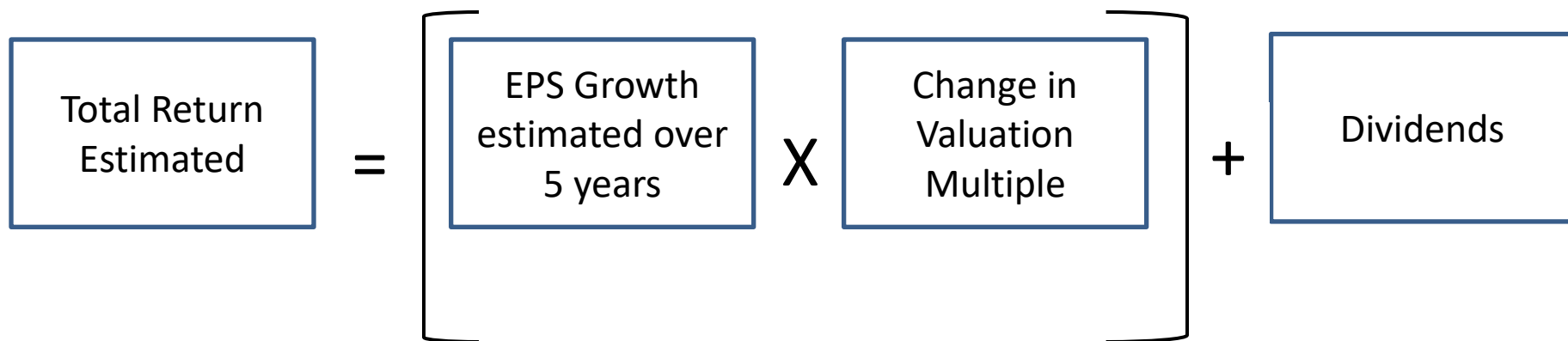
What would be a fair price?



What is the right position size?

- What bucket?
  - Clear Leader
  - Emerging Leader
  - Special Situations
- Liquidity
- Initial position size
- When to add

# PORTFOLIO CONSTRUCTION: EXECUTING THE IDEA



Can we see, with reasonable confidence, a path to our desired return over 5 years ?

What is the variance perception we have over the market? What do we see that the market does not? What are we willing to do that the market is not?

# POSITION SIZING: WHERE IS THE COMPANY ON ITS EVOLUTION ?

Exponential growth/Kicker

Longevity/Stability

	Phase 1	Phase 2	Phase 3	Phase 4
Clear Leaders:				
Emerging Leaders:				
Special Situations				
Stage of company evolution	Distressed valuations However, no clear edge	Deepening foundations Widening the moat	De-risked business model Depth in leadership Resilience	Flywheel starts spinning.
Position sizing	<10%	15-20%	40-50%	35-40%
Good liquidity	5%	5%	6-8%	10-12%
Poor liquidity	3%	3%	4-5%	8%

# RISK MANAGEMENT

## Buying Right

- Don't invest in what we don't understand
- Avoid complexity and poor governance
- Use check lists
- Position sizing - Increase size of bet with conviction and liquidity

## Constant Vigil

- Track progress of Financial and Operating variables
- Track capital allocation decisions of surplus cash flow
- Track valuations

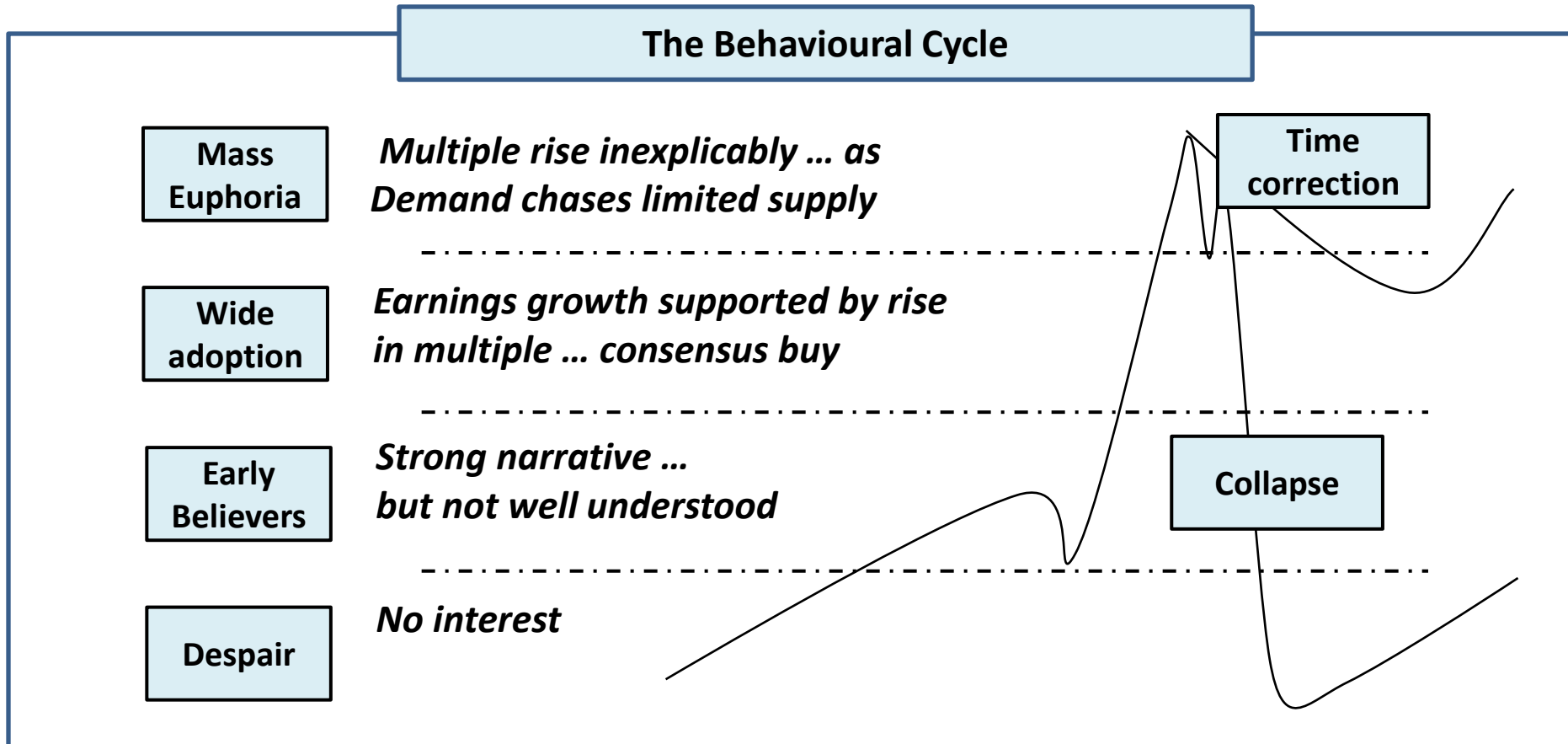
## Selling Right

- When facts change that requires us to change our views
- When we encounter evidence that our analysis is wrong
- Exit/trim during euphoria – Bull case IRR falls below NIFTY returns estimate
- Ability to re-allocate capital to a significantly better opportunity

# RISK MANAGEMENT: INVESTMENT CHECK LIST

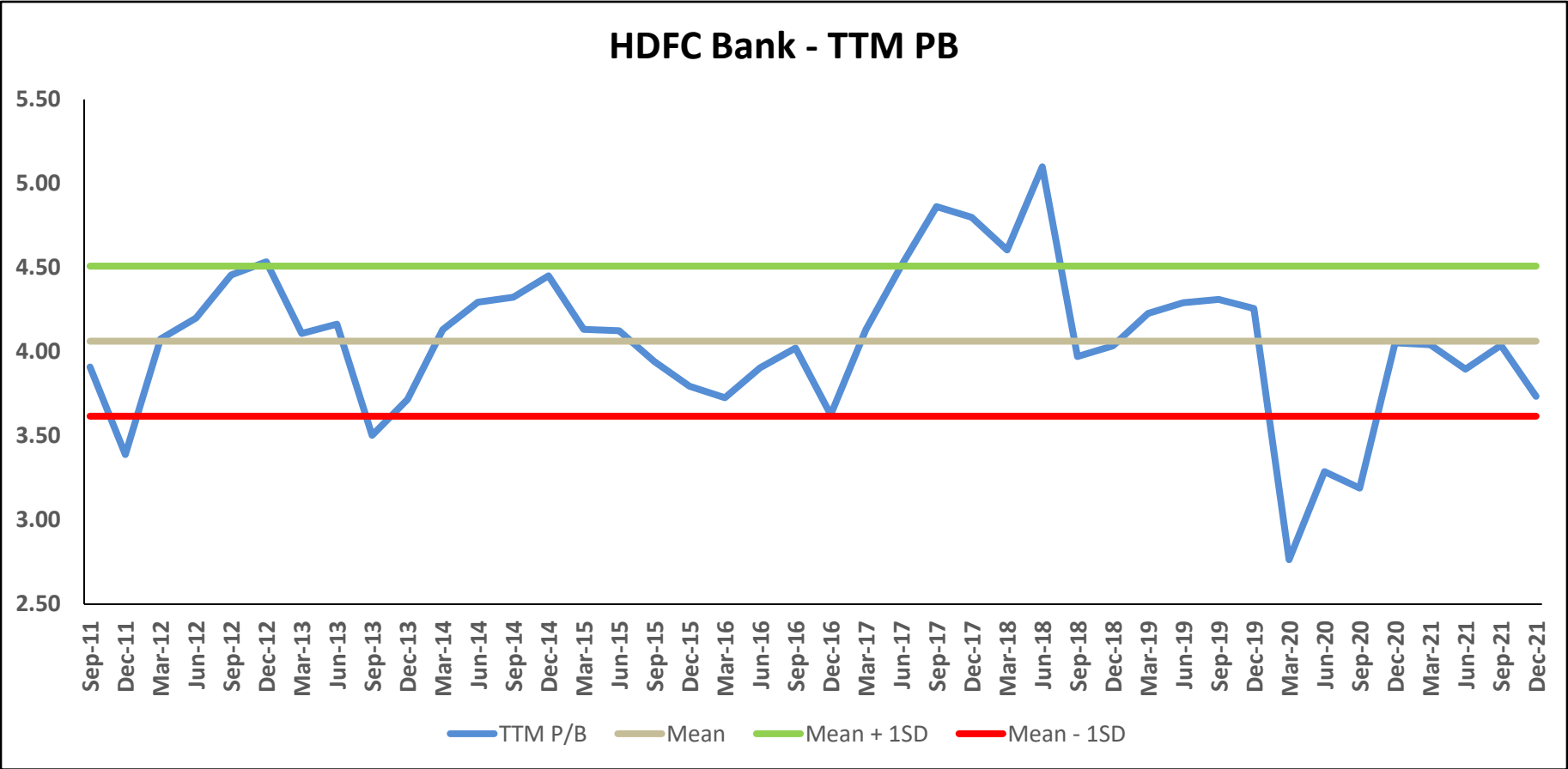
<b>GROWTH</b>	<ul style="list-style-type: none"> <li>• Large and growing opportunity + Benefitting from secular tailwinds</li> <li>• No threat from disruption</li> </ul>		
<b>EDGE</b>	<ul style="list-style-type: none"> <li>• Favourable industry structure and eco system</li> <li>• Right to win. Leadership or domination of a niche. Relative market share</li> <li>• Scarcity, permanence, dependability</li> <li>• Reflected in high ROCE</li> <li>• High OCF generation – Capital light or can self finance growth</li> </ul>		
<b>MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• Long term orientation on a focused business definition</li> <li>• Capital allocation discipline. Balance sheet discipline</li> <li>• Past governance record + Direction of travel</li> </ul>		
<b>VALUATION</b>	<ul style="list-style-type: none"> <li>• Growth + Exit multiple = targeted IRRs. Time to close gap</li> <li>• Longevity of growth; durability of franchise, predictability of growth</li> </ul>		
<b>RISK MGMT.</b>	<ul style="list-style-type: none"> <li>• Understand sources of fragility</li> <li>• Invest in what we understand + Position sizing</li> </ul>		
<b>EXIT STRATEGY</b>	<ul style="list-style-type: none"> <li>• Hold through corrections, Exit during euphoria</li> </ul>		
Desk research	Field visits	Mentorship from domain experts	Management meetings

# ENTRY AND EXIT DECISIONS MUST LOOK AT WHERE COMPANIES ARE IN THE BEHAVIOURAL CYCLE



**A disciplined approach could underperform in short term if one does not participate in euphoria**

# MEAN REVERSION OF VALUATION MULTIPLES A REALITY



# RISK MANAGEMENT: ONE SHOULD EXIT ON VALUATION EXCESSES





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## FEE OPTIONS- PRUDENCE SCHEME

Principal infused		2.5 to 5 Cr	5 to 10 Cr	10 to 25 Cr	25 to 50 Cr
Fixed	On NAV	2%	1.75%	1.5%	1.25%
Semi Variable (profit share drawn after 3 yrs.)	Fixed fee on NAV	1%	1%	1%	1%
	Hurdle rate pre tax	12%	12%	12%	12%
	Profit share above hurdle rate	20%	17.5%	15%	12%
Variable (profit share drawn after 3 yrs.)	Fixed fee	0%	0%	0%	0%
	Hurdle rate pre-tax	8%	8%	8%	8%
	Profit share above hurdle rate	20%	20%	20%	17%
Brokerage/GST at actuals. Additional 2bps for Custody & Fund accounting					

# WE HAVE TWO SCHEMES WITH SAME STRATEGY THAT DIFFER ON LIQUIDITY AND CONCENTRATION RISK

Market Cap (In crs)	Prudence (as of today)	Market Cap (In crs)	Emerging Leaders (new launch)
>100000	42%	>100000	
25000-100000	12%	25000-100000	
10000-25000	9%	10000-25000	
5000-10000	12%	5000-10000	20%
2500-5000	7%	2500-5000	80%
<2500	17%	<2500	
	100%		100%

Only for existing partners (closed at present for new inflows)

# OUR PROMISE TO PARTNERS

Prudent risk taking + Ruthless long-term thinking.

Controlled pace of Solidarity growth to not lose focus on existing clients and start deploying capital at any price.

100% CIO skin in the game – complete alignment of positions

Customized portfolios for prices at time we accept capital.

Transparency

- Detailed Q Letters
- Blogs on relevant topics
- Quarterly review calls (group)

# FEE OPTION- EMERGING LEADERS SCHEME

Principal infused		2 Cr & above
Semi Variable (profit share drawn after 5 yrs)	Fixed fee on NAV	1%
	Hurdle rate pre tax	12.5%
	Profit share above hurdle rate	20%
Brokerage/GST at actuals. Additional 2bps for Custody & Fund accounting		

# OUR TEAM

Member	Title	CV	Investing experience	Time with Solidarity
Manish Gupta	Founder and CIO	MBA IIM Ahmedabad BCG (7 years) Rakesh Jhunhunwala (8 years)	15+ years	9+ years
Manjeet Buaria	Partner	CA, CFA	10+ years	9+ years
Anirudh Shetty	Sr Principal	CA, CFA	6+ years	7+ years
Naarah Pereira	Partner and Head of Operations	BBA, MCOM	NA	9+ years
Aman Thadani	Analyst	CFA	4+ years	2+ years
Pratik Jain	Analyst	MBA	NA	2+ years
Dinesh Gianchandani	Manager - Operations	CA	NA	2+ years
Prachi Sawant	Office Manager	PGDFM, BCOM	NA	4+ years

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