



**Tapasya**

SEPTEMBER 10, 2022

**TAPASYA INVESTMENT FUND I**

# **WELCOME LETTER**

# WELCOME

Welcome to Tapasya Investment Partners. This is my first of a series of letters to you but firstly I would like to thank you for instilling your confidence in me. These letters I plan to write once every 6 months outside of the current one. The goal is to detail out our performance during that period and through inception and any other data cuts that would be helpful.

One of the other goals I have through these letters is to provide enough information to you as partners, in the same manner as I would have liked it had our roles been reversed. To accomplish this I also plan to add a new document "Global Investment Review" where I would detail out the investment thesis of each of the companies we have invested in. Each of these letters will detail out about 1-2 investments at a time for ease of reading and also would be less taxing on your fund manager (me!)

## THE DESTINATION

The goal of the fund is to beat the S&P index over the long term. But that's not necessarily the destination. The destination for me is to turn every \$1 invested in the fund to \$16 in about 20 years. That said, assuming I can turn \$1 to \$16 the question that arises is whether it matters reaching the destination in 18 or 22 years? There is a difference in the annual compound rate of about 3% per annum (don't want to make light of that!), but securing the destination is also very important. Traveling comfortably dominates most peoples thinking when they should be thinking about the destination.

The reason I am stating this here, the ride or journey could be bumpy especially with the fact that the portfolio would be concentrated on our best ideas. What good habits and techniques ensure, is that the destination is secure, even if the ride is bumpy and that the \$16 will be realized.

This comes from the comparative advantages or edges as an investor we may have, which has been well articulated in a speech made by Bill Miller. I have made an attempt to summarize the same here. There are **3 edges** for an investor, **informational** (*I know meaningful facts that no one else knows*), **analytical** (*my ability to cut up public information to arrive at a superior conclusion*) and **psychological** (*or basically behavioral*). The enduring advantage is the psychological advantage.

Our advantage is going to lie in the fund manager's analytical ability and making few but key investment decisions (behavioral) along with the long term view of our partners (you). Money can be made sitting on ones Assets!! We will revisit this in a few years to see if that was accurate or not.

In future letters I will describe some of the most largest, common psychological causes of investor mis-judgement

## PERFORMANCE

The fund started mid-august; this is a very short period to track performance to claim success or otherwise. That said, in every letter I send we will detail the performance against the benchmark (S&P 500). I may at times also include the MSCI World Index since we are a global fund and that would give us another reference point. At the end, the focus is on the absolute returns and the destination as I don't expect S&P 500 to be very hard hurdle to beat over the long term. While writing the previous sentence I have had to think hard since this could come to bite me on my behind; but will hopefully also keep me accountable on the journey we have embarked on collectively.

### **THE NUMBERS**

Date/Timeframe	Tapasya Investment (TIFI)	S&P 500	MSCI World Index
<b>Inception to 31st Aug</b> (net of fees)	<b>-1.7%</b>	<b>-6.5%</b>	<b>-7.5%</b>

We have beaten the S&P over this short period, I would say that's a combination of luck and our portfolio. The portfolio of stocks performed at -1.8% vs. -6.5% (S&P 500) during this time. The rest of the improvement came from what I would say is luck since the cash was not deployed.






The cash would be deployed in the next 4-6 weeks. Some of the cash is held in GBP and EUR for ease of transacting in the UK and Europe. The portfolio at most times will be fully invested and the cash positions generally will be kept at a minimal (approx. 5%-15%).

### **PORTFOLIO CHARACTERISTICS**

- We have thus far invested approx. 48% of the capital in 9 companies across telecommunication services, technology, consumer cyclicals and non-cyclicals

- Companies headquartered across US, China, UK and South Africa (stock is listed in Netherlands).

**Country Allocation** (includes cash positions)

COUNTRY	LONG (%)
 United States	84.99
 China	9.03
 United Kingdom	3.23
 Netherlands	2.46
 Eurozone	0.28
<b>Total</b>	<b>100.00</b>

**Sector Allocation** (includes cash positions)

Sector	Long (%)
Cash	51.22
Telecommunications Services	20.05
Technology	17.26
Consumer Cyclicals	7.48
Consumer Non-Cyclicals	3.98
Unclassified	0.01
<b>Total</b>	<b>100.00</b>

Based on the recent corrections in the market, there continue to be great deals available to take advantage of. In a few years, I am sure we will look back and wonder how some of these companies (hopefully all .. but that's never the case in investing) were available this cheap.

A small excerpt from some advice that Fred Schwed gives us in the book 'Where are the customers yachts?' recommended for those who have a healthy disdain for Wall Street.

*"When depression or panic becomes a national catastrophe, sell out bonds [perhaps at a loss] and buy back stocks. No doubt the stocks will go lower still. Again, pay no attention. Wait for the next boom"*

### **Core Tenets**

- Perform in-depth bottom-up analysis to selectively purchase under-valued or fairly valued businesses with great management teams
- Deploy capital with high portfolio concentration on our highest conviction ideas
- Employ low portfolio turnover strategy, holding positions for years
- Avoid use of leverage and rare use of margin
- Focus on minimizing taxes and expenses

## **PARTNER COMMUNICATION**

You can expect an interim and an annual letter about every 6 months. You would also get the Global Investment Review about 6 times a year. We will discuss our investment thoughts or thesis in this document.

NAV Consulting is our fund administrator. I am working with NAV to give access to the partners to the portal so that they could view their respective accounts and performance. Over time performance for each partner could vary due to time of entry into TIFI (Tapasya Investment Fund I) and addition of new capital , etc. Either in September, or the following month we will initiate a monthly or quarterly account statement delivered to you via email by NAV.

Also, considering an annual meeting/open day once a year for all partners to meet (any feedback on whether this is a good idea will help). You could always reach out to me via phone, email or letter.

Given the orientation of the fund is genuinely long term, and reporting more regularly like daily, weekly and in my view even monthly feels counterproductive to me.

## **OPERATIONS & INCENTIVE STRUCTURE**

Our unique fee structure is based on the original Buffett partnership, placing incentives on performance to align interests. This is why my family is the largest partner in the fund and your capital is invested alongside our own.

- Zero Management Fee
- Annual Hurdle Rate of 6%
- Performance incentive of 25% earned only on profits after the hurdle rate
- High Water-mark (incentive provision only after reaching new all-time highs)



## **FUTURE COMMITMENTS**

Our minimum commitment is \$50K and as little as \$10K can be added to existing accounts.

- Accepting capital from new and existing partners monthly (next closing Sept 30th)
- Subscription document and capital required prior to close date

## **APPENDIX & APPRECIATION**

In this section I will describe those some of the sources I used to assist me with the letter here. I claim no originality. But firstly would like to Thank, Arun Singh who has assisted me in creating my website and also helped review the document here.

### **Sources of information:**

#### 1) Nomad Investment Partners Investment Letters

- As you may already know I am highly influenced by the investing style and achievements of Nick Sleep and Qais Zakaria. The letters they wrote to their partners are in the link below. I have read it a few times now and would encourage you to read it if time permits.
- Link: [Nomad Investment Partners - Letters](#)

#### 2) Other Investors

- Investors like Mohnish Pabrai, Matt Peterson, Guy Spiers and Howard Marks. I am sure there are portions of this document that they have said or mentioned in their communication in the past



## CONCLUSION

As mentioned earlier, you can expect a 'Global Investment Review' document in the month of October where I would detail a few investments.

Thank you for your confidence, value your support and welcome any questions.

Yours sincerely,

Pratik Kodial