

## Honesty and Integrity Investment (HNI Investment)

### Email for December 2016

Dear Friends,

Here are the details of performance of HNI investment based on the share prices as on 30<sup>th</sup> Dec. 2016.

<b>Annualised Returns (IRR) <sup>(1) (2) (3)</sup></b>	<b>HNI Portfolio</b>	<b>Nifty</b>	<b>Sensex</b>
FY13	-10.6%	-5.3%	-3.7%
FY14	112.2%	21.1%	21.3%
FY15	21.6%	25.0%	23.0%
FY16	86.0%	-7.0%	-7.7%
From Inception till 30 <sup>th</sup> Sep 2016	88.5%	11.5%	10.2%
<b><i>From Inception till 31<sup>st</sup> Dec. 2016</i></b>	<b><i>82.8%</i></b>	<b><i>7.3%</i></b>	<b><i>6.4%</i></b>

(1) For all HNI clients and promoters (2) Inception was in August 2012 (3) Gross IRRs excluding the impact of HNI investment fees

Well, well, well. It's an era of Mr. Modi and Mr. Trump. We might need to "Modify" our thinking by "Trumpifying" it. Lots of changes are happening on ground but the basic principles of stock selection hardly change. You just need discipline and patience to apply them well. It's not as difficult as I portrait it to be. After all, I have to justify my fees 😊. But this year has truly tested our patience. We have not bought anything since last 8 months. But the HNI portfolio has done reasonably well during the quarter in spite of bearish mode of the broader markets.

I would also like to wish you a very happy new year and on this good occasion I will share the results of a thought experiment, I recently did. Too bored with the results of my earlier experiments, my wife and close friends have already refused to hear the results of this one. I have no option but to throw it on you. Fortunately, I do not have to ask you to hear. I suggest you read the rest of what is said ahead, only before going to bed. It will help you sleep well. It might also help you awake well into 2017. It's going to be a deadly combination of science, economics, politics and hollywood 😊. Here it goes with a title.

### The future is not set

There is an interesting concept of parallel universe in the astronomical theory. It suggests that there could be other universes besides our own, where all the choices you made in this life played out in alternate realities. So in my thought experiment, I tried to see the results of all my choices made today, 30 years down the line by shuffling between these parallel universes through a time machine that enables me make such travel. Please be awake with me throughout the tiring journey.

#### **Year 2047, Multi Universe 1:**

I woke up at 7:30 am and as usual started reading various newspapers. There was just one news all around – Inflation, Inflation and Inflation. One of the paper says "Government directs RBI to print more money to pay down country's debt, inflation expected to get worse from 50% to 100%". My daughter suddenly started shouting at me. "It's all because of you papa. You and your government borrowed so much for your own consumption that there is no option left for younger generation like me but to pay for your sins in form of high inflation". My eyes were down. I had no answers. Unable to face the shame, I hit the reset button to land in Multi Universe 2.

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### Year 2047, Multi Universe 2:

The newspapers in this universe were filled with more horrifying news – War, War and War. One of the paper says “India refused to pay its debt to China, China retaliates by announcing a war on India”. My daughter was married to a soldier and he was fighting China near Assam border. My daughter shouts at me again. Now I was used to her shouts so it had relatively little impact on me. But suddenly, all phones started ringing with a landline code from Assam. My daughter looked at me with eyes filled with tears. I cannot gather courage to pick the call. I pressed the reset button to Multi Universe 3.

### Year 2047, Multi Universe 3:

The papers in this universe were delivering only moderately bad news i.e. poor standard of living in spite of multiyear rise in productivity. I thought my daughter will not hold me responsible for that but she shouts again. “It’s all because of you papa. I work harder and more productively, still I cannot raise my standards of living because government levy 80% taxes on my income to pay down the debt taken to finance your consumption sins. How can you be so ruthless to not think of me papa?” Speechless I was. In search of better outcome, I hit the reset button.

### Year 2047, Multi Universe 4:

This universe was good. All was well here. No debt for my consumption sins was carried forward to the next generation through government borrowings because I never demanded anything from the government. I expected my daughter to thank me for this. But she was just enjoying her life. This time I shouted on her “Can’t you see that all this great life you have is all because of me? Thank me”. But she responded “I work harder and more productively. How can it be because of you?” I was stunned. It was a happy realization. She deserved that life. Seeing my daughter living happily, thriving and prospering, I cannot control my happiness (inspite of no thanks!!). I decided to destroy my time machine and be there always.

Can all of us make that choice in 2047!!? Off course not. But we can choose now. We can choose our destiny and that of ours children. We need to raise our voice against government borrowings, against subsidy, against unproductive spending and against populism. We have to because governments will always give us what we want. It’s a trade of votes and power for politicians. They know it what needs to be done. But their problem lies in the famous saying of Jean-Claude Juncker (Ex Prime Minister of Luxembourg)– **“We all know what to do, we just don’t know how to get re-elected after we’ve done it”**. Thus it is only the public that can make that difficult but rational choice. I like a dialogue from the Hollywood science fiction series - Terminator.

**“The future is not set. There is no fate but what we make”**

Sleep well (if you are still awake😊) and wake up to the good future.

Regards

Vaibhav Badjatya