

## Honesty and Integrity Investment (HNI Investment)

### Email for March 2017

Dear Friends,

Here are the details of performance of HNI investment based on the share prices as on 31<sup>st</sup> March. 2017.

<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%
<b>FY17</b>	<b>168.3%</b>	<b>21.9%</b>	<b>20.1%</b>
From Inception till 31 <sup>st</sup> Dec. 2016	82.8%	7.3%	6.4%
<b>From Inception till 31<sup>st</sup> March 2017</b>	<b>85.6%</b>	<b>12.0%</b>	<b>10.8%</b>

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

HNI Portfolio performed really well during the year. However I will not count the year gone by as a success simply because we have not been able to deploy funds in the equity markets. We just purchased one stock last year and sold two. In fact promoter's exposure to equities continues to be pathetically low at around 30-35%. We have not bought anything since last 10 months!!

As per my view, the opportunities that offer capital protection in real terms from a 3-5 year perspective are really limited. But that assessment is obviously based on my capabilities and as usual, I need to work on my capabilities. There is no doubt about the fact that I am missing out on some opportunities that can be pursued.

Fortunately (and intentionally) we have structured HNI in a way that the lack of my capability to deploy funds does not hurt financial well-being of the clients. That is a big advantage to have both physiologically and financially. I do not force myself to "make sense" of an opportunity because if I will, it will for sure "make sense". You always see what you wish for irrespective of whether it's there or not there. The only solution to this problem is to have no wish list.

On that note, I will now indulge myself into a complicated topic of GDP growth. It's going to be a long and lengthy discussion. If you wish you can opt out of the readings ahead.

### Way to Grow

All of us want to grow but the question we should ask ourselves is how all of us can grow because the hell we can!! There are many popular ways to grow but only one to grow the world as a whole sustainably over decades and centuries. It's productivity growth.

Productivity is truly the Holy Grail of growth. It's the only way for an individual and for a nation and for the world to grow sustainably without hurting the future generations, year after year and centuries after centuries. But what is productivity growth and how it can be created?

Some say productivity is nothing but creating a unit of output with minimum amount of resources. But *almost all* of the resources are unlimited over centuries and if one resource is exhausted other can be used or invented e.g. whenever oil reserves of the world will be exhausted, other forms of

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energy will be used and if all forms are fully exhausted, new forms will be created. Truly speaking *almost all* of the material resource is not scarce over centuries and hence not to be worried about.

But yes. You read it right. It's ALMOST ALL and not, ALL. There is one which can never be created, can never be replaced and can never be found. Moreover all of the resources are ultimately made by application of this resource. **It's Time.**

Time is the true measure of productivity growth. Lesser the total time invested to produce/consume same level of output, higher is the true productivity. It's only by saving time all of us can move forward. Because whenever some time is saved, additional capacity is created to consume and produce goods. If you finish all your daily work is 30 minutes less time, you will have more 30 minutes to produce or consume something. Even if you decide to do nothing but sleep, you will be depreciating your bed faster than you would be otherwise and hence creating more demand for those goods. Whatever time is saved it will be spent upon something whether you wish it or not. It will pass on its own. How can it be otherwise? You cannot stop the clock ticking.

Saving time truly brings your future to present without letting your future worse off. Scientists still try to create time machine but it's already invented many times over with the invention of everything that saves time. Internet, mobile phones and infrastructure you name it. Robotics, automated driving you will name them. Look around your daily life, try to save time and you will grow, your nation will grow and the world will grow. It is actually as simple as it sounds. **Individual, governments and the world should just focus on directing all energy and resources (time) to launch projects/innovations that save time over their lifetimes more than the time invested to create them.** That will bring truly sustainable long term growth to everyone.

In the famous Hollywood movie – 2012 – when world was coming to an end and President Thomas Wilson (Danny Glover) needed some time to pray, Carl Anheuser (Oilver Platt) said – “Sir we do not have time”. President responded with anger – “Make Time”. Carl quietly went out of the church. I hope he will return one day and says to all of us - Yes I did it. I made an hour. But till the time human beings cannot create a machine to create time, we will have to create it by saving it. There is no other alternative. And whenever he returns with his magical machine, the next quest will still be same as it is now - **To create more time by investing less time – to be more productive.**

You might now say, Oh my god, when will it be over. If I live my life this way, when will I have time to waste - to enjoy my life, to be happy? Well as said whenever you waste time you will create some GDP. The only question is how much? You might opt to do something that creates maximum GDP but that does not necessarily mean to grow happiness. Be clear what you wish for. Make your own choice. Visit the happiest place in Asia – Bhutan ☺ - Only country which measures its progress by Gross National Happiness (GNH) not by the famous matrix- GDP.

That's it from my side. As usual please feel free to get in touch with me if you need any clarification on investment performance.