

Honesty and Integrity Investment (HNI Investment)

Email for Mar 2022

Dear Friends,

Here are the details of performance of Honesty and Integrity Investment based on the share prices as on 31st Mar 2023:

Annualised Returns (IRR) ⁽¹⁾ (2) (3) (4)(5)	HNI Portfolio	Nifty	Sensex	Annualised Returns (IRR) ⁽¹⁾ (2) (3) (4)(5)	HNI Portfolio	Nifty	Sensex
FY13	-10.6%	-5.3%	-3.7%	FY21	104.7%	71.1%	68.2%
FY14	112.2%	21.1%	21.3%	FY22	15.6%	21.7%	20.7%
FY15	21.6%	25.0%	23.0%	FY23	25.0%	0.9%	1.9%
FY16	86.0%	-7.0%	-7.7%	Q4FY23- IRR	-15.8%	-16.6%	-12.7%
FY17	168.3%	21.9%	20.1%	Q4FY23- Absolute Change	-4.1%	-4.3%	-3.3%
FY18	66.4%	17.0%	18.8%	Inception till 31st Mar 2023	26.2%	14.7%	14.8%
FY19	-19.2%	16.9%	18.3%				
FY20	-45.8%	-28.6%	-26.9%				

(1) For all HNI clients and promoters (2) Inception was in August 2012 (3) Gross IRRs excluding the impact of HNI investment fees (4) Return during the quarter is reported only when it's adverse i.e. negative or lower than Sensex/Nifty. Quarterly IRRs looks overblown due to compounding effects of short periods (5) Absolute change is calculated based on IRR numbers for the quarter

As seen from the numbers above, we have done reasonably well for the year. In spite of good performance for the year, we have recouped only a part of underperformance of last few years. Since the peak of Sep 2021, markets are more or less flat but our portfolio has delivered an IRR of 18.2% p.a. The outperformance of our portfolio during flat/bear market has happened in earlier cycles as well. But we never seek to outperform/underperform in any kind of market. The stocks are always bought, when we think they are available at a price substantially lower than the intrinsic value so that we can generate good returns over long term. In the interim, whatever happens is something that is beyond our control and largely a function of luck!

We have also completed sale of one of our stocks at a decent IRR of 10.4% over a period of 7 years. This was a very small position in an illiquid stock. I do not see any major role of luck in the return generated on this stock. Now there are just 2 stocks in the portfolio and we are completely fine with having just 2 stocks. We are actively looking for more.

As I have mentioned in my earlier updates, I need to become little less conservative in stock selection to improve on our overall results. I have made that change and revised the prices, I am willing to pay for businesses I understand well. After the change, there are few (only few) stocks which are trading slightly higher than the upper side of my feasible buying range. I hope soon enough, either the price comes down or long term business fundamentals improve to increase the feasible price range. I am ready to act on them as soon it happens. I am willing to wait little longer. I am still conservative but only less so and it is better to be that way!!

That's it for the quarter from my side. Happy to answer any questions that you might have...