

When fishermen cannot go to sea, they repair nets.

This is a metaphor that conveys the importance of being prepared and adaptable, even when things are difficult. It can also be used as a reminder to look to sharpen the saw, when things get tough. Be it life, markets or Investments, be a continual learner.

Adaptability:

Fishermen who can't go to sea can still be productive by repairing their nets and sharpening their tools. There will be periods of negative and no returns, which one should be prepared for.

Resilience:

Fishermen can use setbacks to strengthen themselves and refine their skills. Comebacks more often are stronger than setbacks.

Preparation:

Fishermen can prepare for future trips by fixing their nets, which can lead to a bountiful catch when the storm passes. *Focus on controllable.*

Continuous improvement:

Fishermen can keep improving their skills and strategies to be ready for the next opportunity. While retaining conviction is important but being adamant to not learn, unlearn & relearn is not acceptable.

When fishermen cannot go to sea, they repair nets.

When the sea is too rough to sail, the smart ones don't wait— they get to work. They mend their nets, sharpen their tools, and prepare for the moment the storm breaks. Because even in stillness, there's progress. It's not about sitting idle; it's about building what's next.

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This is something which portfolio managers, advisors and smart investors do when they know things are not under our control and hence the phrase “Focus on Controllable”.

It appears philosophical but often, responding to every move in the market by unduly churning the portfolio might prove counterproductive. So, what must be the right approach to adapt and how are we going about it.



We are revisiting the 3 T's

1. Our Theory of wealth creation through long term investments
2. Our Thesis of concentration, sizing & pyramiding
3. Our Themes which have opportunity size, huge market share and provide stress adjusted returns

While going through the portfolios, the most crucial thing to observe is whether the business still makes sense, is the management walking the talk and whether the business still holds promise albeit a bit of delayed gratification but on merit and not on bias.

Most of the businesses in the portfolio were able to pass this litmus test. A very few which failed to convince us, were acted upon.

However the irony this time around is

Nifty50 is near an all-time high, but portfolios aren't reflecting it. That's because the broader market is telling a very different story : market breadth is weak.

From a universe of 1,519 listed companies with Market capitalization >1000 Cr, here's what the drawdown picture looks like:

- 82% of stocks are down more than 10% from their 52-week highs
- 60% are down more than 20%
- 47% are down more than 25%
- 35% are down more than 30%
- 16% are down more than 40%

Median Drawdown: ~24%, **This tells you the truth, the index hides.**

Index is not representing the true story, but this is likely to change soon. As the rally continues and sentiment improves along with expected strong earnings growth, mid and small cap businesses will likely comeback stronger over the next couple of years. A lot of themes still don't have their representation in the key benchmark indices and someone who keeps the faith and conviction here and holds these businesses in the portfolio, will surely get rewarded in the medium to long term.

Markets have been extremely choppy and unpredictable over the last one year on the back of multiple headwinds like geopolitical tensions across multiple regions like Russia - Ukraine, Iran - Israel, India - Pak and most importantly dealing with the uncertainties since the election of President Trump in US. The narratives and tariff tantrums induced fair share of uncertainty to the proceedings and the correction was much sharper than anticipated. However, the last couple of months we have seen sharp recovery across indices at least.

India's market volatility over the past year—defined by time correction and underperformance versus global peers—may finally be bottoming out. While global markets rallied, MSCI India underperformed by 23–24%, largely due to persistent headwinds, tariff uncertainty and muted earnings. The markets have seen a time correction of almost one year. While all global markets have rallied, India has drastically underperformed developed and many emerging markets. The FPI's have also been sellers for most of this period.

India's economy got a lift from the festive season, though it's too early to gauge how lasting the impact will be. Festive spending and GST cuts have given a short-term boost and we now have enough evidence to show that firms have cut prices. Stronger data points have emerged across indicators like auto sales and bank credit to manufacturing activity.

If this demand continues beyond October and into the subsequent quarters, it is highly likely that some of the more conservative estimates might also see further upward adjustments, or at least solidify the current elevated forecasts.

Multiple factors, including declining global commodity prices, beneficial weather conditions supporting agricultural output, weakening domestic demand pressures and limited wage growth despite tighter labour markets, will ensure that inflation remains well within the RBI's target.

Given the outlook for growth and inflation, there appears to be adequate space for a 25 bps rate cut. Also, with the US cutting rates, participants expect RBI to also move in the same direction. combination of government-led capital expenditure, improving liquidity conditions, and steady corporate balance sheets is setting the stage for a multi-year growth runway.

Sentiment towards equity as a wealth creation tool has been a big positive change across class of domestic investors be it HNI's, family offices or retail.

Some consolidation can't be ruled out but most importantly, the next rally will see companies with strong earnings growth and cash flows, create wealth for investors

- The Q2 FY25 Nifty 50 results have been mixed and largely in line with moderated expectations, with overall earnings growth remaining in the single digits. Many companies emphasized their focus on operational efficiencies, cost control measures, and strategic initiatives to navigate the challenging environment.
- EPS estimates for FY25 and FY26 have seen some modest downgrades, primarily due to the underperformance of some heavy weights in the key indices. Corporates are confident that second half of FY26 will be stronger primarily driven by the festive & wedding season, lower inflation and interest rates, revival in rural demand and a low base effect from the previous year. Probability of growth estimates in a lot of domestic oriented companies seeing upgrades, with good macros being catalysts, is quite high.
- It seems that there is a concerted effort from the government and the Reserve Bank of India (RBI) working in tandem to boost liquidity, consumption, and capital expenditure, which should aid growth and make India a compelling story for foreign and domestic investors.
- Sectors poised for significant growth and potential investment opportunities include capex-oriented themes like power automation, HVDC, Engineering, Cryogenic conditions, Renewable Energy, FinTech, financial intermediaries, depositories, Niche Healthcare & select discretionary consumption including autos and components.