Our Philosophy

Since this version of reflection is the first of many, we would like to take this opportunity to reiterate the philosophy of Bespoke Investment Ideas. At our core, we truly believe that success in investing comes from holding onto great business for a long time. While we understand the nuances of fast-changing dynamics, our endeavour is always to find companies that can do extremely well in good times and have the wherewithal to sail through the worst of situations created by both internal and external environments.

Just to draw an analogy, in an interesting research paper, Michael Bar-Eli et al. analyzed 286 penalty kicks in top soccer leagues and championships worldwide. In a penalty kick, the ball takes approximately 0.2 seconds to reach the goal, leaving no time for the goalkeeper to clearly see the direction the ball is kicked at. He must decide whether to jump to one of the sides or to stay in the centre at about the same time as the kicker chooses where to direct the ball. About 80% of penalty kicks resulted in a goal being scored, which emphasizes the importance of a penalty kick in determining the outcome of a game.

Interestingly, the data revealed that the optimal strategy for the goalkeeper is to stay in the centre of the goal. However, almost always he jumped left or right. In short, goalkeepers choose action (jumping to one of the sides) rather than inaction (staying in the centre). If the goalkeeper stays in the centre and a goal is scored, it looks as if he did not do anything to stop the ball. The goalkeeper clearly feels less regret and less risk to his career if he jumps on either side, even though it may result in a goal being scored.

Just like the goalkeeper, investors too feel compelled to play every trade that is out there in the market. In most cases, either the event is already priced in, or it just does not play out in line with popular belief. Despite data proving that frequent trading might be counterproductive, the norm is always to act. Action seems to always triumph over inaction. So, the next time you feel compelled to place a trade in the market, remember that sitting around and doing nothing may just be a better option.

Our Endeavour

At BI^2, our constant endeavour is to keep our clients' interests first by providing a unique, customized investment portfolio that matches their expectations and profile. We are always on the lookout for the next theme, sector, or company that will help us sharpen our investor portfolio further. Our wide coverage of companies allows us to provide relevant solutions and a higher level of engagement to our investors.

Our motto of wealth creation, preservation, and multiplication clearly focuses on ballooning the portfolio rather than churning, trading, or broking it. Our 4P model stands for profile, partnership, process, and performance. We firmly believe that there are great opportunities in the form of emerging franchisees available across the market cap spectrum, be it large cap, mid cap, small cap, or micro-cap.

The three pillars of investing are the size of the opportunity or industry, the dominant market share of the franchise, and stress-adjusted returns with a good night's sleep. A rear view and wind shield approach gives us the conviction to look out for businesses not only based on a host of relevant fundamental parameters in earlier cycles but also checking on the growth matrix for the next 5 years. We take pride in calling ourselves completely market-cap and sector-agnostic. The best wealth creation opportunities find their way in client portfolios rather than getting driven by sector weights and marquee names.

Macros and Markets

In the months gone by, there has been an increasing concern amongst the investor community about the increasing valuation of the market. And there is no question that the current valuation of the markets is above its 10-year median. But valuations are one of the many parameters to look at when considering an investment option. One can argue that the valuation improvements are due to improving the balance sheet, cash flows, and ROE. India, with all its strong macro parameters, be they growth indicators or fiscal prudence, remains an attractive investment destination.

Macros and Markets (Cont'd)

India's economy showed impressive growth in the last quarter of FY25, with a real GDP growth rate of 6.7% year-over-year (YoY), slightly lower than the market expectations of 6.8%. Despite this slowdown, the underlying data presents a positive outlook, with a notable increase in private consumption and a modest improvement in investment activity. The lower growth rate can be attributed to a high base effect, adverse weather conditions, and restrictions on government activities due to the code of conduct during the general elections. global economic challenges, India maintained its status as the fastest-growing large economy in the world.

High-frequency indicators suggest that this economic momentum will continue into the current fiscal year. The above normal monsoon received by most part of the country combined with steady urban demand, should boost rural demand and enhance overall private consumption. Investment activities are also anticipated to strengthen further, supported by robust government capital expenditure and healthy balance sheets in the corporate and banking sectors, fostering a favorable environment for private capital expenditure revival.

Sentiment and Liquidity

Lots of important events and so-called party spoilers are out of the way. Our General elections, the all-important Union Budget, the earnings season and the most awaited US rate decision & direction. With strong retail and HNI flows, be it mutual fund SIPs or direct equities, we are seeing a wave of financialization of savings and equity culture on the rise. India's dependence on FPI's has slowly but surely reduced. Post US rate cuts, it's only a matter of time before FPIs start allocating decent flows to the market and economy, which are hubs of strong and continual growth.

We have positioned our portfolios strongly towards companies where we expect great earnings growth, both in the medium and long term. In our view, the best way to create, preserve, and multiply wealth is by investing in companies where the certainty of earnings growth and cash flows is very high, and valuations are reasonable. Investors have limited control over market levels, which often exhibit significant volatility across different cycles.

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