

Investment Philosophy

In the spirit of transparency and accountability, we have documented our investment philosophy. These principles guide our internal decision-making and reflect our commitment to our investors. They serve as a clear roadmap for how we manage your assets.

General Thoughts on Investments

- Investing should be simple, but not easy. Common sense must prevail.
- One should be able to explain the business to an undergraduate in under 10 minutes.
- The first secret to long-term investing success is compounding; the second is allocation.
- Pareto's 80/20 rule applies equally to investing decisions. Jeff Bezos echoed this in the context of business decisions.
- It is critical to protect the compounding engine. **DO NOT DISTURB COMPOUNDING UNNECESSARILY.** As Munger said, "The first rule of compounding is to never interrupt it unnecessarily."

On Market Timing

- Market timing is a futile exercise. We believe in staying invested at all times.
- Cash should be seen as an option value—to seize attractive opportunities offered by Mr. Market from time to time.

On Management

- Management quality is crucial. There can be no compromise on governance.
- Integrity and managerial ability are distinct skill sets and should not be conflated.
- Capital allocation is among the most important—and rare—managerial skills.

On Allocation

- Allocation stems from conviction, which in turn is rooted in a deep understanding of the business—akin to how a promoter views it.
- Allocation should not be mechanically capped.

On Circle of Competence

- A fund manager must be a master of one when it comes to managing money, but a jack of all in understanding businesses.
- A specialist with generalist capabilities.

On Research & Fundamental Analysis

- Our approach: Combine top-down macro understanding with bottom-up stock picking.
- Be sector- and market-cap agnostic.
- Focus on companies with potential for re-rating, especially those not widely tracked by the investor community.
- Hold investments as long as companies broadly deliver on promises and valuations remain reasonable.
- Evaluation Framework: Growth, Business Competitiveness, Management, Valuation, Balance Sheet Strength

On Risk

- "Risk means more things can happen than will happen."
- It is the residue of what remains after all planning.
- Assess downside risks from current price levels.
- Above all, avoid permanent loss of capital.
- Knowing "what not to do" is often more important than knowing "what to do".

On Margin of Safety

- Must always be embedded in the valuation—either through:
- Conservative assumptions, or
- Valuation discounts to base-case expectations.

On Process vs Outcome

- Processes should be automated wherever possible to minimize human bias.
- Judgment and nuanced analysis should remain with humans.
- Good processes, followed diligently, tend to lead to good outcomes over time.
- Focus on "whether we will be right", not "when we will be right"—the former is within our control.

On Long-Term Thinking

- In a world fixated on quarterly performance, long-term thinking is rare and rewarding.
- The ability to look 5–10 years ahead—and tolerate interim price volatility—is a significant edge.
- We aim to outperform in flat or falling markets, and accept underperformance in euphoric markets.

On Mistakes

- Mistakes are inevitable and necessary for growth. Making them early is a blessing.
- Learn from your own and others' mistakes. Books, blogs, and podcasts are valuable tools.
- Acknowledge and rectify mistakes promptly. Most importantly, leave ego aside when doing so.
- Common recurring mistakes: compromising quality, premature entries, holding overpriced stocks, etc.

On Decision-Making

- Better to make decisions faster than slower—mistakes can be corrected quickly.
- Follow a defined process unless exceptional circumstances warrant otherwise.
- Make decisions without waiting for perfect data—but avoid gut-feel bets.
- Apply Pareto's 80/20 rule rigorously.

On Regret

- Regret is part of every decision. Learn. Move on. Don't dwell.

On Portfolio Construction

- The portfolio must reflect the fund manager's philosophy while staying responsive to emerging opportunities.
- Construct with the mindset that we are helping clients own great businesses and build long-term wealth.
- Treat every decision as if managing our personal capital, regardless of AUM size.
- Avoid diversification for its own sake; avoid activity without purpose.



On When to Sell

- A mistake was made in the original thesis.
- New information makes the business less attractive than initially believed.
- Decline in competitiveness, governance, or management quality.
- A better reinvestment opportunity arises (post tax).
- When the thesis is 'well discussed' on social media (pun intended).

On Client Communication

- Be fair and transparent—always.
- Mistakes are inevitable; we will share our learnings honestly.
- Analytical edge is ephemeral, but behavioral discipline provides a lasting edge.
- Clients are partners. Our incentives are aligned with their outcomes.

**Yours sincerely,
RBSA Investment Managers**