

## **Monday Chronicles: Safeguarding Your Wealth with Prudence and Discipline**

**Dear Investors,**

The markets today feel like a crowded room where everyone's cheering loudly. But when our indicators signal that the music is too loud, we believe it's time to step aside—not out of fear, but out of discipline and foresight.

At **INVasset PMS**, we don't make decisions to please the moment; we make them to secure your future. That is why we've chosen to **move to cash**—a decision rooted in experience, data, and the long-term protection of your wealth.

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### **Why Move to Cash?**

Our **Value-Growth-Quality-Safety (VGQS)** framework and **Greed and Fear Matrix**—the tools we trust to guide us—are signaling an **exuberant zone** in the market. Historically, such phases come with stretched valuations and an unfavorable risk-to-reward ratio.

We are currently observing significant risks in the markets, particularly in **smallcaps**, where we expect a correction of around **20%**, and in **Nifty 50**, where a correction of around **10%** is likely. We expect a bull market correction only and not a bear market. While it is impossible to predict the exact timing or magnitude of market movements, historical patterns and valuation metrics indicate that prudence is the best approach in the current environment.

This is not a new phenomenon. Over the past 35 years, our indicators have identified critical market moments when stepping aside proved to be the right decision:

- **September 2021 to February 2022**
- **August 2015 to February 2016**
- **March 2011 to December 2011**
- **April 2006 to June 2006**
- **April 2004 to May 2004**
- **September 1994 to February 1995**

In each of these instances, stepping aside protected capital and allowed us to reinvest at more attractive valuations, ultimately delivering **superior long-term returns** for our investors.

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### **Mistakes Happen, but Learning Never Stops**

Earlier this year, a managerial error occurred. While our **Greed and Fear Matrix** clearly signaled that we should transition from **Growth to Quality**, we delayed the decision. This delay was caused by **greed**, a natural but avoidable emotion that crept into our decision-making process.

We take full accountability for this lapse. While we cannot reverse past decisions, we have reinforced our commitment to follow our framework with utmost discipline in the future. Mistakes like these reinforce the importance of having a robust system in place and, more importantly, adhering to it without hesitation.

Mistakes are an inevitable part of investing, but what defines us is how we respond to them. At **INVasset**, we have learned from this experience and will continue to prioritize data-driven and disciplined decision-making for your benefit.

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### **Preserving Gains, Preparing for Opportunities**

In the last two years, we've more than **doubled investor wealth**. However, markets are cyclical, and overstaying in an overheated environment can erode hard-earned gains. Moving to cash today is not an exit—it's a **strategic pause**.

We are now shifting to the **Safety Stage**, moving to **100% cash**. During this period, we aim to generate **interest income** for you by allocating funds into mutual funds, debt instruments, or liquid assets. Importantly, at **INVasset**, we do not charge any performance fees while your funds are invested in these instruments.

**Only a very prudent fund manager can make this decision, as at this time, only the investor makes money—not the fund.** However, we believe in making decisions that are right for our investors, even if it means foregoing earnings for the fund itself.

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### **View Ahead: What Happens Next?**

When and if the markets fall, our **Greed and Fear Matrix** will enable our **VGQS framework** to identify the **Value Stage**. At that point, we will actively buy those stocks that are sold indiscriminately during periods of market capitulation caused by leverage, over-concentration, or lack of vision—factors that inevitably lead to fear.

**Historically, once the Value Stage is enabled, it signals the start of a new market cycle.** At that stage, we will work toward the goal of **doubling investor wealth over the next two years**.

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### **We Are a Performance-Based Fund**

I want to reassure you that this decision reflects **discipline and foresight**, not hesitation or inaction. As a **performance-based fund**, our approach is always driven by our commitment to deliver superior returns over the long term.

With over **30 years of experience**, we've learned that acting decisively and aligning with what the data and frameworks indicate is critical to safeguarding investor wealth. This shift to cash is a proactive measure, ensuring we are well-prepared to seize opportunities when valuations become favorable again.

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## Setting the Right Expectations

I have one request for every investor:

**"Invest with INVasset for at least three years.** Invest an amount you are comfortable with, even if faced with a **20% drawdown**, and expect returns of **1.5 to 2 times the benchmark**. Otherwise, this journey may not yield the full benefit.

Exiting during challenging times—whether with us or any fund manager—can significantly impact your long-term returns. Patience and discipline are critical to achieving meaningful wealth creation."

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## Closing Thoughts

At **INVasset**, our mission is to safeguard your wealth and create meaningful long-term value. Moving to cash today reflects our commitment to protecting the alpha we've generated and positioning for future opportunities when valuations align with our framework.

Thank you for your trust and understanding as we navigate these market cycles with discipline and care.

Warm regards,

**Anirudh Garg**

Fund Manager, INVasset PMS

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## Disclaimers:

- The risk-reward goals and objectives mentioned in this communication are **internal guidelines** set by our team and should not be construed as guarantees of future performance.
- The statement regarding "doubling wealth over two years" is an **aim** based on historical data and expected opportunities in post-correction environments. It is **not a guarantee**, as no SEBI-registered fund manager is permitted to provide guarantees.
- All investment strategies carry risks, and investors should remain prepared for potential drawdowns. Past performance is not indicative of future results.