

“The stock market forecasts business in only a limited way. The beginning of a stock market movement usually is caused by the trend of business but in the end the movement is carried too high or too low— by the extreme optimism or despair of human nature.” – Benjamin Roth

The most hated bull market is officially over, and the most awaited bear market is here. The last real bear market that we saw was in 2008. We can join the dots in hindsight and say that it was inevitable given how unsustainable the sub-prime market in US had become. It was a crisis that spilled over from financial markets into the global economy and had socio-economic implications. This time it is the other way around. Covid-19, now officially declared a pandemic by WHO, has caused the **fastest 20% correction in stock market history**. At the beginning of the year, not one outlook report warned us about this. And that is what real Risk is. It is an “unknown unknown”. We cannot predict it, we cannot price it, but we can plan for it. When we started QED Capital in 2015, we had set out with a few key principles

- We have few ideas which are executed ruthlessly
- We may underperform in bull markets and outperform in bear markets
- We will focus on performance over a cycle than monthly, quarterly or annually
- We will focus on downside risk protection

All investors have a process. Discretionary investors have it built in their psyche, while systems driven investors like us have it coded and documented. Even those who have a process, find it hard to execute it in real time. Especially when there is no time to react or think. It is the ability to execute in real time crisis that differentiates one from another. The last few weeks of this calendar year have tested us and our processes. Our performance (approx.) as of today shows that we have been “true to label”.

As of 12 th Mar 2020	AlphaBets	Nifty 50	Nifty MidCap
Since Inception	7.1%	4.9%	1.5%
2019-20	-1.4%	-14.4%	-20.0%
Last Quarter	-2.7%	-18.2%	-15.5%
Max Drawdown	-9.4%	-18.85%	-32.85%
Sharpe Ratio	0.82	0.33	0.07

We are confident that this correction will provide us with opportunities for which we have been waiting patiently. We will write more about this in our annual Investor Letter about how to approach this and would this be a good time to add allocation to our AlphaBets investment approach. We don’t know when this fall will stop or how this will exactly pan out. But like all previous falls and corrections, at some point it will. Right now, it feels like a never ending abyss but this will also have a bottom. Until then, we wanted to thank you for being with us, and hope that we have been worth of the faith that you have reposed in us, by entrusting us with your investments.

Anish Teli

12th March 2020