AIKYA

Founding Principles

1. We have an absolute return mindset

Our purpose is to generate healthy long-term returns with strong downside risk protection. Risk for us is the possibility of permanent loss of capital rather than underperforming a benchmark in the short-term. An absolute return mindset allows us to focus on companies with the best quality management teams, without wasting time on the hundreds of other companies in the Emerging Markets universe.

2. We are investment-driven

We are independent, majority controlled by the investment team. We are solely focused on investing and research. Every decision we make is driven by our desire to execute our investment philosophy in the best possible way and deliver the kind of returns our clients expect from us. We have a strong commitment to tight capacity control on our funds, as we believe size and scale are enemies of investment returns.

3. We keep things simple

We are one investment team, based in one location, focused on investing in Emerging Markets. Keeping things simple maximises our focus and improves our performance. We do not want to be the biggest, but we do want to be the best in a few things we do.

4. Stewardship is at the heart of our investment philosophy

While we look at a company's financials and franchise strength in detail, our primary interest is in assessing the quality of people behind the business. We look for long-term stewards who have grown cashflows, navigated a few economic cycles, and demonstrated fairness to all stakeholders. The stewards we back have the qualities to identify sustainable growth opportunities and on occasion turnaround underperforming assets. Such people create shareholder value and drive long-term investment returns.

5. Long time horizon is our primary edge

Long-term prospects of companies are seldom priced perfectly. High-quality stewards whom we back tend to sustain compounding power of their businesses for far longer than most market participants anticipate. Our advantage is our willingness to hold shares in companies we like, for a long time. As a result, we are sober in the good times and retain perspective during difficult periods. We use crises to accumulate shares in our favourite companies.

6. Sustainability is integral to our investment process

The name Aikya means oneness in Sanskrit which reflects our core belief that true stewards align their businesses with the interests of all stakeholders.

Environmental, Social and Governance (ESG) considerations are integral to every investment decision we make, and we firmly believe that the business groups which effectively address ESG risks will be long-term winners. Our mission is to find companies that contribute positively to the development of these emerging economies and stay away from businesses with limited or negative social utility. We are unlikely to invest in industries such as Defence Equipment, Fossil Fuels, Gambling and Tobacco.

7. Active engagement enhances the value of our client portfolios

The work we do assessing ESG related issues helps us two-fold: it allows us to avoid companies with poor sustainability credentials, and it forms the starting point for an active engagement agenda with the companies which make it to our portfolio. Our long holding periods build a sense of partnership with investee companies, which, over time, become increasingly open to engagement. Our relationships allow us to discuss critical sustainability issues with top management; positive engagement on such issues becomes a powerful tool for enhancing the value of our client portfolios.

8. Resilience of growth is more important than high growth

We look for businesses with long-term growth opportunities. Resilience of the growth, and whether a business can preserve its returns while pursuing growth is more important to us than the growth rate itself. We want franchises with strong pricing power and enduring competitive advantages. We stay away from businesses that are vulnerable to disruption.

9. Valuation discipline matters, but not at the risk of compromising quality

We run concentrated portfolios with only 30-35 companies, which allows us to be strict on both quality and valuation. While we will never over-pay for a business, we will also never purchase a low-quality business just because it is inexpensively valued.

10. We don’t try to predict the economy or the stock market

We are primarily focused on company research, and don’t spend time on making macroeconomic forecasts. A portfolio of well-managed high-quality businesses compounds capital irrespective of what happens to the macro economy, as strong businesses usually get stronger with every downturn.

We pay attention to the rule of law, respect for private property rights and the quality of institutions in countries where we invest. We usually struggle to find investment ideas in countries where these critical factors for long-term economic success are missing.