

Ashmayu

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Stories Explain Anomalies

By Harini Dedhia

Dear Investor,

Last week I was on a vacation in Slovenia. While wandering the streets of Ljubljana (the capital city), and learning more about its history, one thing that stood out to me was that the entire national pride and identity of the Slovenes could be linked to a single factor- language. Slovenia had been under foreign rule for the past 1000 years. First under the Roman Empire, followed by the Austrian Hapsburg Empire, and finally a part of Yugoslavia- the Slovenes got their independence only in 1991. Despite a millennia of being occupied they managed to retain a strong sense of national identity. The only reason for that was- common language. This is not true just for Slovenia but for most of the successful/ prosperous/ stable countries in the world- single, common language.

“Of the national identity attributes included in the Pew Research Center survey, language far and away is seen as the most critical to national identity. Majorities in each of the 14 countries polled say it is very important to speak the native language to be considered a true member of the nation.

Roughly eight-in-ten or more Dutch, British, Hungarians and Germans believe the ability to converse in their country’s language is very important to nationality.”

- Pew Research Center, February 1st 2017.

It is a strong sense of national identity and pride that allows for a collective effort towards prosperity. A question that immediately pops into our mind then is, what explains the sense of pride we all feel in identifying as Indian?

How will we be successful in creating a path to prosperity and sustaining on it with 22 official languages?

The Anomalies

There is only one other template that could perhaps help us understand this phenomenon- USA. USA at its inception was a nation that made no sense. A bunch of outcasts and profiteers from various European countries settling in a foreign land that was sparsely occupied by the Red Indian (Native American) population. A nation that at the start did not identify with a single language alone. Immigrants from different nationalities, linguistic history shedding their past to create a wealthy, powerful state: had no precedent in the world.

There was however a stronger form of communication that just common linguistic heritage that tied them together- storytelling. A story that continues to be peddled by so many of our college friends/ relatives/ neighbors- American Dream! This story was incorporated in the nation's declaration of Independence itself where it proclaimed that 'All men are created equal' with the right to pursue "life, liberty and pursuit of happiness". The notion that no matter who you are, this country will provide you with an equal chance to succeed should you be willing to put in the work, have the smarts and a dash of luck- is what the American Dream propagated. It perhaps remains till date one of the most successful, self fulfilling stories ever told.

The Indian Story

The American template has shown us that a powerful story can mobilize beyond the boundaries of language. In India, especially 1991 onwards, we have had our own version of this storytelling being created. While our GDP has grown 10x since then (7.8% CAGR), Sensex has gone up 56x (14.2% CAGR)- a celebration of opportunity for private enterprise to succeed, for freedom to operate but most importantly a celebration of our constitution that allows this fairytale to thrive. Nothing else explains why people from a country that has a GDP per capita of only \$2,277 have taken such a center stage in the world.

GDP per Capita		Billionaires List				Indian Origin CEOs	
Country	Most Recent Value	Rank	Name	Company	Country	Name	Company
Ireland	99,152.1	1	Elon Musk	\$265.6 B	US	Sundar Pichai	Google and Alphabet
Singapore	72,794.0	2	Bernard Arnault & Family	\$159.7 B	France	Satya Nadella	Microsoft
Netherlands	58,061.0	3	Gautam Adani & Family	\$150.9 B	India	Laxman Narasimhan	Starbucks
Australia	59,934.1	4	Jeff Bezos	\$150.2 B	US	Parag Agrawal	Twitter
Canada	52,051.4	5	Bill Gates	\$106.5 B	US	Leena Nair	Chanel
Israel	51,430.1	6	Larry Ellison	\$104.0 B	US	Amrapali 'Ami' Gan	OnlyFans
Spain	30,115.7	7	Warren Buffett	\$96.9 B	US	Shantanu Narayan	Adobe Inc.
Brazil	7,518.8	8	Mukesh Ambani	\$94.9 B	India	Sanjay Mehrotra	Micron
India	2,277.4	9	Larry Page	\$90.1 B	US	Sanjay Jha	GlobalFoundries and Motorola
		10	Sergey Brin	\$86.4 B	US	Rajeev Suri	Nokia

Not only do our economic neighbors in terms of GDP per capita have no citizens in the above list but neither do some of the more developed countries in the world. The above lists are typically dominated by citizens of only two nations- USA and India

It is a powerful story that explains this anomaly. .

Storytelling and Anomalies

A question and an anomaly that most are searching answers for today is the valuations in Indian equity markets.

Yes, we are expensive		But, our macros are stable		And our growth best in class!	
Country	Valuation	Country	CPI Inflation (%)	Country	Annual growth (%)
Brazil	6.6	China	2.5	India	8.9
China	12.7	Japan	3.0	China	8.1
Japan	13.2	Australia	6.1	UK	7.4
UK	14.4	India	7.0	USA	5.7
Germany	15.9	Germany	7.9	Brazil	4.6
USA	18.1	USA	8.3	Germany	2.9
India	22.0	UK	8.6	Japan	1.6
Australia	24.6	Brazil	8.7	Australia	1.5

Right or wrong is upon individual judgment, but the above graphic lays plain the powerful rhetoric around Indian markets. Stable macros augmented by a stable regime with one of the last bastions of growth remains a powerful narrative coupled with the Indian version of the American Dream story.

A recent blog by Collaborative fund said it best, humans are 'storytellers not calculators'. Narrative drives numbers in investing. The more powerful and self fulfilling the narrative, the less likely is the ability to shake its effect. We are in no way saying that the story is enough, but a powerful story gets many to action in its favor. A simple example is the narrative in the above graphic coupled with improving ease of doing business have convinced Indian and global companies alike that it is time to build capacity in India. New capacities, new employment, new demand, higher revenue and higher cash flows which are then reinvested- self fulfilling prophecy.



A good story (simple yet powerful) can explain away many anomalies in numbers.

As always, we thank you for your continued support and faith in letting us be a part of your wealth creation journey. We wish you a very happy and a prosperous festive season ahead.

P.S. I personally believe that Ramayana and Mahabharata (to which we owe this festive season) are the best stories I have come across.

Happy Investing!

**Best,
Harini Dedhia
Head of Research and Portfolio Manager**





Tamohara Investment Managers
1402 Peninsula Park,
Off Veera Desai Road, Andheri (W)
Mumbai - 400053
#022-6131 9505
www.tamohara.net

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