



SLUMDOG BILLIONAIRE

Last Saturday I went to see the Oscar nominated film “Slumdog Millionaire”.

One of the early scenes shows a game of cricket taking place on an airport runway and it reminded me of the only time I was in India.

Back in 1990 I was due to take a direct flight from Hong Kong to London but there were technical difficulties with the plane and we were put on a flight that had to refuel in Bombay (Mumbai). We were not allowed to get off the plane and so all I could do was look out the window at all the people sitting around on the grass next to the runway. This was an unusual sight because in every other airport I had landed at, I never saw ordinary people inside the perimeter fence. It was therefore not a surprise for me to see that early scene in the film. I had personally witnessed the poverty of some of Bombay’s inhabitants.



I had hoped in 1990 that at some future date I would get back to India to visit some companies and come to a view about their long term economic prospects but unfortunately it has not happened as of yet.

In my time as a technology analyst I was aware of the emergence of a number of Indian outsourcing companies. I heard about Infosys and Wipro but to be honest I did not pay them much attention because I felt that it was a business model based on low labour costs and they would find it difficult to create barriers to entry. In my mind there were so many other really exciting companies to look at that I did not use the emergence of these high growth Indian companies as an opportunity to visit the country. I concentrated on visiting Silicon Valley where I felt the really high tech stuff was taking place.

I cannot even remember if any of these Indian companies presented at any of the conferences I attended because if they did I chose to listen to other companies that were presenting at the same time.

In other words my knowledge of India is minimal and I have no specialist knowledge.

In recent years all I saw was an Indian economy that was growing rapidly and a stock market that was also growing rapidly (see chart below) but I did not have direct exposure to it.



While I was watching “Slumdog Millionaire” it occurred to me that it was pretty ironic that this film had come to Ireland just a couple of weeks after the Satyam story broke.

Before January 7th I had not heard of Ramalinga Raju and did not know that he was Indian entrepreneur of the year in 2007. I did not know the story of how he had grown Satyam Computer Services into the fourth biggest Indian technology company. I did not know the controversy that had already surrounded the company last December when shareholders rebelled against a proposed acquisition of construction companies connected to his brother.

After Enron, Worldcom, Barings, Rusnak, Kervial, Madoff and Anglo Irish Bank I should be immune to being surprised by fraud and shady practice but I have to admit that I was once again dismayed to hear of another major fraud. How Raju was able to tell his auditors that Satyam had a billion dollars in cash when the billion was not there (or only temporarily there) and get away with it is another one of those mysteries. It turns out that Raju would have fitted in to the corrupt world portrayed in the film and that is why I have called this piece “Slumdog Billionaire”!

The Satyam fraud has damaged India and it has made investors wonder how widespread fraud is there. The damage done will take time to heal.

I am unlikely to ever get to know India as well as I got to know Japan and therefore this is probably the only time you will find me writing an opinion piece on India. In fact now that I think about it this is probably the first opinion piece that I have written that has not really had much of an informed opinion! I am just stating the obvious that India looks like an exciting place to invest and it has been damaged by the Satyam affair. (and the film is worth seeing!)

PERFORMANCE 2008

In 2008 my fund fell 41.2% (this is my estimate of performance and is not a fully audited number). The world index fell 39.7%.

In the long term it is my target to generate positive returns and also to do better than the world index so this first year of performance has been an awful start. I will soldier on and keep you informed of progress! (Warren Buffett has nothing to fear from my performance so far!)

My fund was and is positioned for a world that grows. I had not positioned it for such a major recession. Hopefully in a few years time when we get back on a growth path I will have a happier story to tell. (Hopefully Warren will have a long and healthy life so that I can eventually give him a run for his money!)

My fund is best described as a global equity fund and I thought that it might also be useful to look at it relative to a list of other global equity funds managed here.

Global Equity	1 Month	3 Months	YTD	12 Months
AIBIM	-4.2	-24.1	-45.5	-45.5
BIAM	-3.9	-21.8	-39.7	-39.7
Eagle Star	-4.7	-19.3	-36.2	-36.2
Hibernian Life	-5.6	-23.0	-45.0	-45.0
Merrion (formerly Oppenheim)	-3.9	-20.6	-41.3	-41.3
New Ireland	-4.0	-22.5	-42.1	-42.1
Setanta	-4.3	-21.2	-36.5	-36.5
Global Equity - Multimanager Funds	1 Month	3 Months	YTD	12 Months
Irish Life	-2.6	-20.7	-38.2	-38.2
KBCAM	-4.7	-21.0	-39.3	-39.3
Standard Life	-5.2	-18.9	-41.5	-41.