



**Ujval Investments, LLC**

*We are in the business of investing in excellent businesses*

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At Ujval Investments, LLC we actively search for excellent businesses that had outstanding execution on consistent basis for many years, and have potential to do the same for a foreseeable future. If such business is available at a reasonable, or preferably bargain price, we would like to invest our own money as well as our client's money and be part owner.

For our investment, we look at both strong fundamentals and qualitative aspects of the business. We like the business which could generate healthy cash flow with a limited capital needs; the business that could command high operating margin and have high returns on investor's capital. The business should be earning more than its cost of debt and equity capital. Such business should keep their retained income to productive use, and rest of the income should be returned to investors in the form of dividends and share buybacks.

On the qualitative aspect we look for the business which has sustainable and growing earning pattern. Nature of the business should be such that earnings and cash flow doesn't get severely impacted during economic downturn. We will expect to hold such business for a long time and enjoy compounding effect of superior return. Excellent management is a key requirement to make a good business great and that is especially true when business faces difficulties. We consider CEO and Board of Directors significantly important for the long term success of the business and put extra emphasis to evaluate their vested interest. We like when management and directors have sizable holding in such business – that makes them good partner in long term health of the business.

We believe that market is there to serve us and occasionally offers shares at a price below its true value. If such thing happens to the kind of business we desire, we will be eager to invest in them. However, such businesses are limited in supply, so we are willing to pay reasonable price to be part owner. We look for 'value' in a business which has potential to 'grow' at a healthy rate. Our scope of investment includes only those businesses for which we could reliably predict future earnings and cash flow for the investors. This could be a small-cap or large-cap, domestic or international company. Occasionally there will be time when we have to wait to get such desirable business at reasonable price, however, we will be eagerly trying to put cash to work as soon as possible.

Let me elaborate our portfolio manager's investment approach — In 2007, when most of the securities were overpriced, portfolio manager kept a significant chunk of his portfolio in cash. Later, during 2008-09, when many good businesses were selling at highly depressed prices, he invested heavily in selected few companies that matched above discussed investment criteria. When majority of the investors were running for exit, he increased the portfolio size. He earned handsome capital appreciation and high dividend yields from those investments.

You would be interested to see how our investment philosophy translates in to investment performance. Hence, we are providing you past 6 years performance numbers. Company has been in the business since Y2011 so earlier two years' numbers aren't there. However, we are providing portfolio manager's personal account's performance which follows same investment approach. We would like you to compare our performance against S&P500 Total Return fund [VFINX](#) -- which includes both capital appreciation and dividend yields.

Year	Our company returns (after fees) *	Ujval's personal account returns *	VFINX returns (S&P500 Total Return fund)	DIA (Dow Jones index fund)
2014	14.37%	15.79%	13.51%	9.82%
2013	34.21%	39.52%	32.18%	29.64%
2012	14.31%	15.04%	15.82%	9.94%
2011	-11.18%	-11.42%	1.97%	8.06%
2010	N/A	16.63%	14.91%	14.01%
2009	N/A	82.88%	26.46%	22.50%

(\*) Past performance is no guarantee of the future performance. These numbers aren't independently audited.

We would like to emphasize that we had been proven wrong in few of our judgments in the past. Though such situations can occur in future, we will do our best to be right more often than wrong. If we find very high quality business at a bargain price and expect its price to recover in reasonable time then we may even invest up to 20% of client's fund (as well as our own) in such business. Such investment approach has inherent risks which client needs to understand. We prefer to hold on to good businesses as long as they continue to earn respectable returns for us. You can expect us to have limited trading, especially limited Sell activity in your portfolio. Also, our portfolio will be more concentrated with selected few company stocks, and that could amplify loss as well as gain chances.

We follow above investment philosophy and discipline to invest our own funds and extend the same service to our clients. Whenever we make purchase or sell in clients' accounts, we do the same for our own portfolio so we all will be partner in success and failure of our investments. We have vested interest in your success. If you find our investment approach suitable to your needs, and like us to invest money in your behalf, here are some details about our management fees.

### **Fees and Compensation**

We have two different fee choices:- 1) Flat fee for the assets under management, and 2) Performance-based fee. SEC regulation restricts us on whom we could offer "performance-based fee". Let me walk through these two choices.

### **Assets Under Mgmt (AUM) fee**

Under this fee option, we will be billing you annual fee of 1.39% on the total portfolio value on 31<sup>st</sup> Dec of the year. If the fund is added during the middle of the year, fee will be prorated using 30/360 (days in month/year) formula. When deposits will be for \$50K or larger, fees will be waived for first 3 months (90 days) and then there will be 1.39% fee.

For example: Consider following hypothetical scenario with 10% up side and down side with different portfolio size.

	AUM beginning value	AUM year end value	Fees for first 90 days?	Annual prorated fees
Situation-1	\$100,000	\$90,000	0% fees	\$938 (90K * 1.39% * 270/360)
Situation-2	\$100,000	\$110,000	0% fees	\$1147 (\$110K * 1.39% * 270/360)
Situation-3	\$50,000	\$55,000	0% fees	\$573 (\$55K * 1.39% * 270/360)
Situation-4	\$45,000	\$49,500	1.39% fees	\$688 (\$49.5K * 1.39% * 360/360)

To qualify for this option, we expect your account to have at least \$30,000 fund at beginning of our contract. If we get client's fund during the middle of the year, fee will be prorated. Client is free to deposit or withdraw fund as it pleases him.

We do not withdraw any fees from your account directly. Instead, after the calendar year we send the annual letter along with invoice. In the annual letter we discuss portfolio performance, economic situation, our rationale behind investments and our plans going forward. Beside annual letter you could expect brief quarterly email/letter three times a year.

### **Performance based fee**

As I mentioned earlier, SEC regulation requires that we allow performance based fee only to "qualified client". For you to qualify for performance based fee, you need to either have,

- a) at least \$1 million under the management of Ujval Investments, LLC, or
- b) at least \$2 million net worth. As per regulations, primary residence couldn't be included in this net worth assessment.

Under this fee option, we collect fee only when our investments in your account outperform the benchmark index. The [VFINX](#) index fund tracks "S&P 500 Total Return" performance and we use that as a benchmark. We will NOT bill you either,

- i) if your portfolio gives negative performance for the year or,
- ii) if your portfolio performance does not beat the benchmark by at least 2% for the year.

We measure account performance after 31<sup>st</sup> Dec. When your account performance surpasses both of these criteria you will be billed 20% only on the gain for the year. For example:

	Beginning acc. value	Year End Total Return	VFINX's Return	Portfolio mgmt fee
Case-1	\$200,000	-3%	-10%	Zero
Case-2	\$200,000	+11% (so \$22K)	+10%	Zero
Case-3	\$200,000	+12% (so \$24K)	+10%	20% of 24K = \$4,800

For the performance based fee option, we expect your account to have at least \$100,000 fund at the beginning of our contract. Any deposit made in the middle of the year will have prorated fee based on 30/360 formula.

We can manage your fund in your regular brokerage account, IRAs, Coverdell accounts. We work with any brokerage firm where we can get "limited trading authorization" on your accounts. Such authorization gives limited authority to place BUY and SELL orders in your behalf but won't allow any fund transfer. Client will keep the custody of the account and will have complete transparency on where we allocate your money. We encourage the client to have long term perspective when evaluating the portfolio performance. We also encourage the client to avoid using the fund in this portfolio for short term needs.

We encourage you to read more details about our services and qualification by visiting our brochure at Texas State Securities Board (TSSB) website. Direct [link](#) is available on our homepage. We will be more than happy to meet one on one and answer any questions that you may have. We look forward to earn your business. We appreciate the trust and confidence you may put in our ability to manage your money, and we will try our best to live up to your expectations.

Yours Sincerely,  
Ujjval Dave  
Portfolio Manager