Investment Horizon

Let's look at the same story from two different perspectives

Perspective 1

Cumulative returns for the period ended December 31st, 2013

To December 31st, 2013:	Nomad Investment Partnership	MSCI World Index (net) US$
Trailing:	%	%
One year	62.2	26.7
Two years	126.8	46.7
Three years	104.3	38.6
Four years	194.0	54.9
Five years	404.1	101.3
Six years	176.6	19.4
Seven years	235.3	30.2
Eight years	280.9	56.3
Nine years	316.5	71.1
Ten years	409.8	96.3
Eleven years	815.5	161.3
Twelve years	827.4	109.3
Since inception (September 10th, 2001)	921.1	116.9
Annualized since inception:	%	%
Before performance fees	20.8	6.5
After performance fees	18.4	

Perspective 2

To December 31st:	Nomad Investment Partnership	MSCI World Index (net) US$
Calendar Year Results:	%	%
2013	62.2	26.7
2012	39.8	15.8
2011	-9.9	-5.5
2010	43.9	11.8
2009	71.5	30.0
2008	-45.3	-40.7
2007	21.2	9.0

4/13 ~ 30% OF THE TIMES UNDERPERFORMING THE MARKETS BUT ON A overall scale your out performance more than compensates for the under performance

2007	21.2	9.0
2006	13.6	20.1
2005	9.2	9.5
2004	22.1	14.7
2003	79.6	33.1
2002	1.3	-19.9
2001 (inception September 10th)	10.1	3.6

Now just think over it for a moment; for **more than 1/4 i.e 30%** of the time the same fund has under performed the market; while over the **long term** the same fund has handsomely beaten the market.

The only difference that came in was due to the **Orientation(Time Horizon)** of the Investors.

Nomad. As a guide, we have also detailed the net-of-all-fees results from one point in time, in this case since inception. An index is used in the table to crudely place our results in context with a broad swathe of share prices from around the world. One of the reasons that Nomad is Nomad is that Zak and I spend almost no time thinking about stock market indices. We do not feel strongly about the merits, or otherwise, of this particular index, indeed its continued inclusion here may have more to do with continuity than relevance, and we would encourage partners to employ another benchmark if they feel it is more helpful to them. Whatever the yardstick, we ask only that Nomad be compared over the very long-term. Below, the same pre-fee results are presented in discrete annual increments. In our opinion, it is probably the upper table that is most useful in assessing long-term investment performance.

Only what you can control

We have seen the necessary compounding effect kick in almost 4 years late of initial investment at an average even when a security bought at a 52wk high in a year has its 52 wk low price the same after 4 years on an average in the kind of compounders we

Let us take some examples from Indian Investing context

ABBOTT

Scrip Code / CMP	13	2014		2015		2016		2017		2018		2019		2020	
Avg. Variance	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
Years	7	6		5		4		3		2		1		0	
14,997	1337	3794	1638	6012	3780	5048	4612	5509	4161	8347	5449	13073	7300	17667	12488
DELTA	8%	56.8%		37.1%		8.6%		24.5%		34.7%		44.2%		29.3%	
Prev High to Next Low	0%	0.4%		23.3%		17.6%		1.1%		12.5%		4.5%			
CAGR TO CMP	41.2%	25.7%	44.6%	20.1%	31.7%	31.3%	34.3%	39.6%	53.3%	34.0%	65.9%	14.7%	105.4%	-15.1%	20.1%

If you would have gotten into a compounder such as Abbott at 52wk high of '2015' i.e at '6012' it would have taken you at least 4 long years when your purchase price would have been more than a 52 wk low for Abbott (marked in red)

The annual losses you would have faced were (assuming you bought on rollover basis every year at 52 wk

The annual losses you would have faced were (assuming you bought on rollover basis every year at 52 wk high) were

Year	Notional Loss(bought at 52 wk High) rollover basis	Actual Gain w.r.t CMP (if held through) - CAGR
2015	-37%	20.1%
2016	-9%	31.3%
2017	-25%	39.6%
2018	-35%	34%
2019	-44%	14.7%

So, the same holding if you just switch the perspective to a longer terms (you held it to date) would have given you a handsome returns .

Buying wonderful business even at their 52 wk highs and holding them through unless the fundamentals deteriorates ignoring all the other noise (take that noise reciprocation (NR) level to ZERO- train your mind{ never easy}) as we saw in example of Abbott as per the rightmost column delivers handsomely v/s benchmark Nifty CAGR of avg.~10% over last 10 years.

When we switch it to a more longer perspective say 10 years (too much for patience and inactivity...... : But it rewards handsomely - SITTING ON YOUR ASS and DOING NOTHING)

Scrip Code	Avg. Variance	CMP	2010		2011		2012		2013		2014	
			HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
		Years	10		9		8		7		6	
		14,997	1245	730	1474	1208	1647	1405	1689	1337	3794	1638
		DELTA	41.4%		18.0%		14.7%		20.8%		56.8%	
		Prev High to Next Low	3.0%		4.7%		18.8%		3.0%		0.4%	
ABBOTT	**30.0%**	**CAGR TO CMP**	**28.3%**	**35.3%**	**29.4%**	**32.3%**	**31.8%**	**34.4%**	**36.6%**	**41.2%**	**25.7%**	**44.6%**

We can clearly see that the returns are very very rewarding; much more than any active activity can generate and just look at the peace of mind when you just buy these wonderful business and just let them compound. Moreover these returns are

- excluding dividends (WOW)
- WE can see the Gap between returns when bought at 52wk High or low keeps on shrinking as the time horizon increases on a rollover basis
- The optical LOOSES during the initial years is something that needs to be IGNORED. That is all a good business demands from an investor.

Taking another Example of a fast grower from Indian Investing context

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Scrip Code	Avg. Variance	CMP	13	2014		2015		2016		2017		2018		2019		2020	
			LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
		Years	7	6		5		4		3		2		1		0	
BAJFINANCE	48.0%	4950	97	354	146	604	340	1184	535	1985	842	2994	1511	4281	2355	5372	4237
		DELTA	4%	58.8%		43.7%		54.8%		57.6%		49.5%		45.0%		21.1%	
		Prev High to Next Low	3%	4.0%		11.4%		28.9%		23.9%		21.3%		1.0%			
		CAGR TO CMP	75.4%	55.2%	79.9%	52.3%	70.9%	43.0%	74.4%	35.6%	80.5%	28.6%	81.0%	15.6%	110.2%	-7.9%	16.8%

Look at the Deltas(Notional losses) every year an investor would have to face if bought in at 52wk highs and compare it to the CAGR Cumulative returns

Year	Notional Loss(bought at 52 wk High) rollover basis	Actual Gain w.r.t CMP (if held through) - CAGR
2015	-44%	52.3%
2016	-55%	43%
2017	-57%	35%
2018	-50%	28%
2019	-45%	16%

Again as the horizon expands ; the gap between being bought at 52wk high/Low decreases

Scrip Code	Avg. Variance	CMP	2010		2011		2012		2013		2014		2015		2016		2017	
			HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	
		Years	10		9		8		7		6		5		4		3	
BAJFINANCE	48.0%	4950	81	27	76	52	141	57	160	97	354	146	604	340	1184	535	1985	
		DELTA	66.7%		31.6%		59.6%		39.4%		58.8%		43.7%		54.8%		57.6%	
		Prev High to Next Low	35.8%		25.0%		31.2%		8.8%		4.0%		11.4%		28.9%		23.9%	
		CAGR TO CMP	50.9%	68.4%	59.0%	65.9%	56.0%	74.7%	63.3%	75.4%	55.2%	79.9%	52.3%	70.9%	43.0%	74.4%	35.6%	8
		SIP Price(Quarterly)	51		61		98		130		250		480		844		1495	
		SIP Returns(Quarterly)	58.0%		63.0%		63.3%		83.4%		81.7%		59.5%		55.6%		49.0%	
		SIP Price (Monthly)	49		63		93		127		230		469		831		1421	
		SIP Returns(Monthly)	58.7%		62.4%		64.3%		68.8%		66.8%		60.2%		56.2%		51.6%	
		SIP Outperformance to 52wk High	7.1%		3.9%		7.3%		20.1%		26.5%		7.2%		12.6%		13.4%	
		Delta SIP Month vs Qtr	0.6%		-0.6%		1.1%		-14.7%		-14.9%		0.7%		0.6%		2.5%	

What we also see here, is as a retail investor if we just set an SIP in such wonderful business, there is a higher probability of capturing the maximum returns in a stock; though the absolute returns might suffer (you invest a lower sum upfront for a longer time) ; but at the same time the volatility induced would also decrease; but nonetheless staying with such wonderful business by adopting a simple SIP strategy and ignoring all the noise pays handsomely.

You also need a handful of such business to really create wealth over time.

Small advantages COMPOUNDED over a longer term

around six and a half percent per annum. This fourteen percent or so annual advantage, multiplied out over many years, means that a dollar invested in Nomad all the way through has now grown to be worth just over ten dollars, whilst a dollar invested in the index over the same period would now be worth just over two dollars.