

# **Black Komodo Investments Ltd.**

**May 2024**



# Introducing Komodo Management

- Black Komodo Investments was born from the belief that hedge funds and banks don't cater to clients needs and in most cases over-complicate investment management and have a narrow lens in terms of looking for a short term solution to a long term game of value creation.
- Clients are moving away from the previously conventional method of investing through banks and hedge funds which have layered fees and usually underperform the most basic investment into the S&P 500 or other such indices.
- Komodo Management is the investment management arm of the firm which caters to HNI's needs regarding to investment management focusing on public equity investments with a long term approach to protect and grow capital.



# Active Management Has Failed

- Speculative trading and active management has eroded capital and value the most over the last 5 years.
- The market has changed over that time period and we are entering a new phase of the market. Active management has reached its plateau to gain significant alpha due to their implementation of technology.
- Algorithmic traders make up 50% of the invested market using the formulas which have the same/similar basis from which they are derived. This means all algo high frequency hedge funds will perform similarly and worse than most of the market.
- Seen in 2020 and 2023 with the most ever hedge funds being shuttered in 2020 due to blowing up and with the lackluster performance in 2023, when the market rallied 19% most funds and hedge funds were up 2%-7%. The tradeable market is getting ever less tradeable.



# Simple Investing and Compound Interest

- Compound Interest works with time as it's value generator. We focus on the long term time horizon, with consistent and sustainable growth.
- What we don't look at is unsustainable extremely high growth in the short run, which fizzles out, eroding value and losing you capital.
- We look at firms which have an intrinsic value yet to be realized by the public market over a 3-5 year horizon.
- We have a bottom up fundamental approach to investment management coupled with top down scenarios. Breaking down the market and rebuilding it up to understand it and apply our strategy to perform efficiently in it.



# Comparison Tables

	YTD	3YR	5YR
<b>S&amp;P500</b>	<b>11.45%</b>	<b>26.21%</b>	<b>92.80%</b>
<b>BRK.B</b>	<b>20.74%</b>	<b>90.08%</b>	<b>104.49%</b>

Passively Active Investment Strategies grow value

- Warren Buffet, Peter Lynch and others have used these methods to produce superior long term returns through varying environments which build **value to last**.

	YTD	3YR	5YR
<b>S&amp;P500</b>	11.45%	26.21%	92.80%
<b>Hedge Fund Average</b>	3.21%	15.32%	35.60%
<b>Point 72</b>	8.32%	8.99%	77.39%
<b>Citadel</b>	9.57%	1.85%	39.90%

Actively managed, “sexy” methods don’t beat the market and produce muted results in most environments

They beat their chosen benchmark, the average Hedgefund benchmark and miss that as well, they don’t beat the market in general

To protect and grow your capital you need managers who understand the market and can dynamically shift their approach as well as have the risk stomach to digest downturns, not shy away from them as do hedge fund managers, causing them to lose sight of the long term picture.



# This is where we come in...

- This gives way to **passively active management**. We apply such a strategy. We like to call it the **BVTL** (Building Value to Last) investment strategy.
- Most hedge funds, traders and investors, including the top 5% in the world lose against the market benchmarks over the long run. The few what we call passively active management strategies have proven to beat the market over the long run consistently.
- We take advantage of overreactions in the market being active and opportunistic with events and moments with overreactions both upwards and downwards.
- We are not always invested 100%, to use the cash base to take advantage of those moments.
- And being patient and using time to invest passively with the waves of the market.



# Our Investment Philosophy

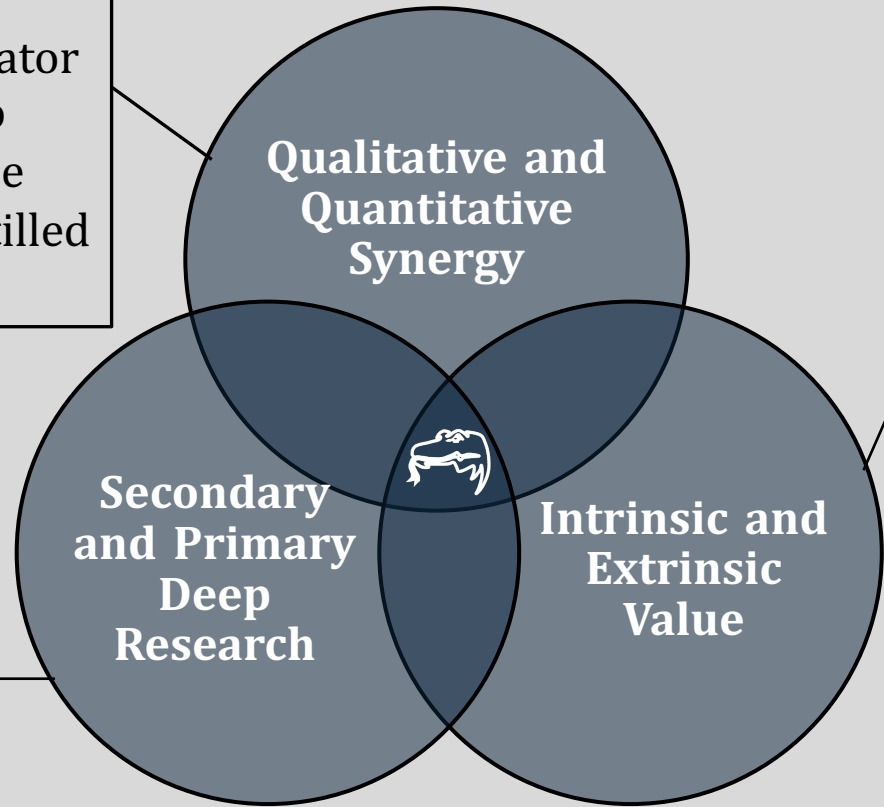
- We believe in finding value in growth and balancing the portfolio using **pareto investing**, to curate an efficient market beating portfolio which synergizes both growth and value investing. We use a concentrated yet diverse portfolio of stocks.
- Our aim is to give you market beating returns when the market does well and lower than market losses when the market goes through pullbacks, to protect your downside.
- We use a **long-only**, equity strategy (can use leverage depending on the client and their needs). Our differentiation is in the weights, selection of companies and how we dynamically change the weights within the portfolio to protect against and take advantage of growth trends.



# Our Research and Idea Generation

We use a qualitative and quantitative approach through our in-house, proprietary efficient portfolio allocator and risk control system, EPARCS to filter down our investment universe and cover all the names in the distilled universe

We then conduct a deep dive fundamental analysis understanding the product lines, revenue streams, customer demographics, business plan and road map to unlock further shareholder value than they already have.



Finally we analyse their financials as well as their technical market based indicators to understand their intrinsic and extrinsic value and if they can back up the qualitative analysis through these financials



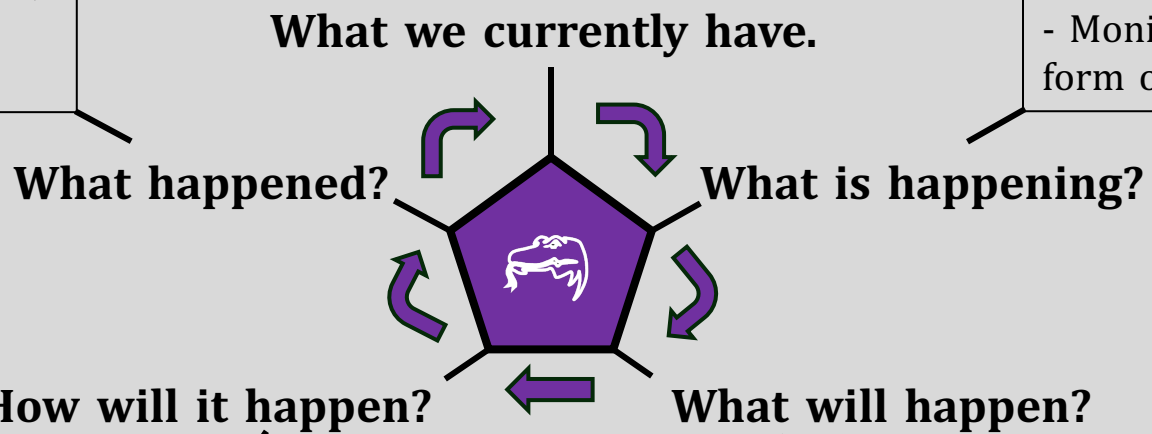


# Risk Management – The Pentagon Mapping

- Consulting history for each position as well as the market environment, sector, portfolio and economy.  
 - Why we reached here, how we reached here and have we had similar moments in the history of that security, the sector, the market environment and the economy.

- What are our positions at the moment.  
 - What decisions led us here and why we made those decisions.

- Distilling the most pertinent facts from the current market environment, sector, positions and the economy to understand the reasons behind the movements in the markets  
 - Monitoring the underlying currents to form our Market Pulse Indicator



- Detailing the road map of methods through which base, worst and best case can take place  
 – Policies used, potential catalysts for the events to occur in sectors, individual securities and the economy as a whole

Scenario Mapping (Used in Stress Testing) (Quarter, 6 month and Year outcomes for positions, sectors, portfolio and economy as well as market outlook)  
 - Base Case Scenario  
 - Worst Case Scenario  
 - Best Case Scenario



# Stress Testing and Position Sizing

- Using our **E.P.A.R.C.S** (Efficient Portfolio Allocator and Risk Control System) system to simulate worst case scenarios and provide potential mitigation portfolio movements to manage the possible risk which may occur. Repeat that for base case and best case.
- Use history to simulate the tail risk events in the portfolio and model methods to manage the risk.
- Use these methods to correctly calculate the capital at risk and the statistical probability of the most likely scenario to occur and the risk associated with it.
- Position the portfolio security sizes according to their individual risk metrics, sectorial risk potential, intra-portfolio correlation to manage the risk through the year and the potential scenarios which may occur



# Investment Universe Filtration

Known Universe: 7000  
companies on the NYSE  
5000 companies on the  
NSE/BSE

Only 10%  
investable for the  
long-term horizon:  
700 and 500  
respectively

50-100 on  
our research  
shelf

10-20 in  
each  
portfolio

Using our rigorous research and proprietary valuation methods and  
applying a fusion of fundamental and technical valuation



# Investment Universe Filtration Contd.

- We manage accounts with a concentrated portfolio of investable firms for the long term 3–5-year time horizon.
- We differentiate ourselves by finding the most investable firms with a growth and value synergic view within given sectors and choose sectors based on a long-term view.



# Founder Profile



Samridh Seth, Founder  
Principle Portfolio Architect

**Education:** Boston University

**Studied:** Psychology and Physics

**Specialization:** Behavioral analysis and cognitive psychology,

**Concentrations:** Particle physics and Calculus.

**Industry experiences:** Aviation, management, investment management, chemicals, energy, footwear/retail and startups.

**Experience:** Worked at various firms in these industries, including, Reliance Industries, Emirates Airlines, UBS, Apax Partners, Laburnham Capital, Beyond Life, FAS and more.

He has an industry agnostic experience and has been involved in the investment management world for over 5 years.

Experience in private equity due diligence and valuation research, public equity research for long term portfolio strategy setting, single equity name research, derivative strategy and derivative idea generation, tech and energy focused research desk formation and consumer trend analysis. Additionally researched funds, ETFs, structured products and bond strategies.





# Black Komodo Investments Limited.

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