



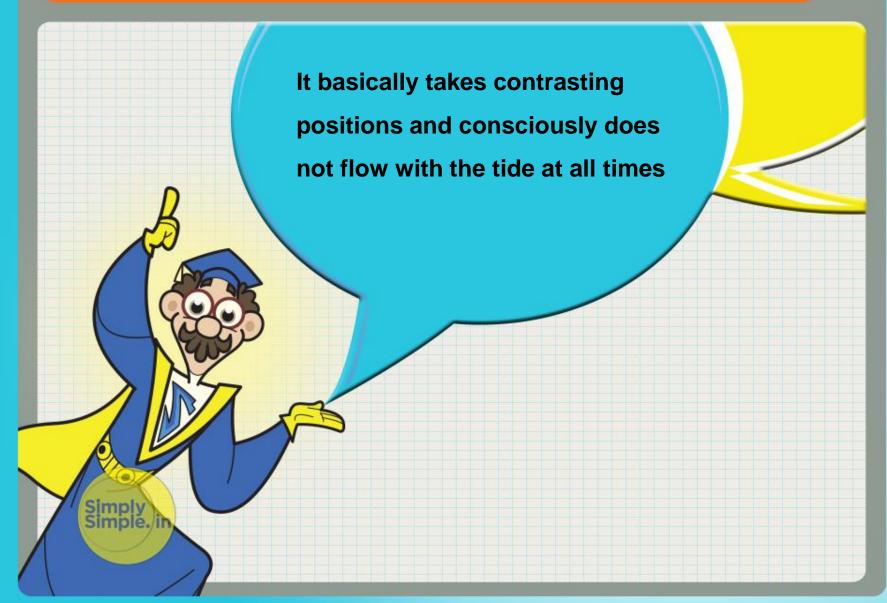
Understanding the concept of "Contra" fund

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Contra fund has its genesis in the popular saying, "when others zig you zag".



Let me tell you a story.

There was a boy Raju travelling with his family. They met with an accident in which he lost all his family members. He became orphaned. His relatives turned away from him.



Raman a friend of Raju's father who knew the family was very fond of Raju.

He liked him because he was cultured, well mannered, very studious and always a topper in his class.

He knew Raju had the talent to become a very successful person.



He therefore without any hesitation took Raju under his shelter.

He nurtured and educated him sparing no effort.

As expected Raju grew up into a very smart, intelligent and successful person.



When Raman started aging and becoming weak it was Raju

who stood by him as his shield. He ensured that Raman had

all the comforts that he needed.



From a "contra" perspective one can say that the bet Raman took on Raju was a contra bet. He backed him at a time when others were avoiding him. He did it because he had a clearer understanding of the intrinsic qualities of the boy. He always knew it would be worth his while to help Raju in the long term



Similarly a "Contra" fund manager looks for bad news and searches for opportunities within the bad news. He identifies companies being shunned by investors due to overall mood and picks them into his "contra" basket



And as we saw in the case of Raju, such companies also may take

some time to bounce back. Therefore as an investor one needs to

have patience when investing in a contra theme.



The tale of Raju pictorially is



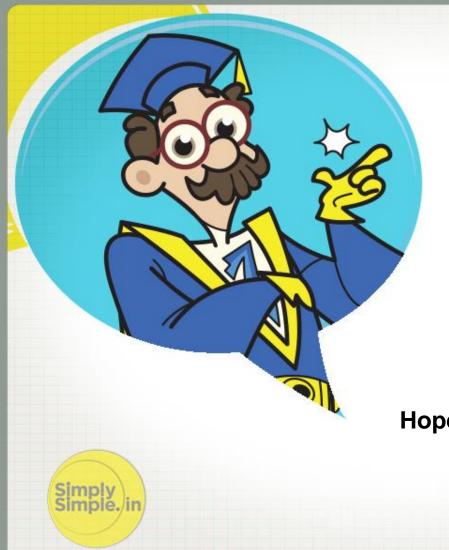
Helpless Raju after the accident





Successful Raju once grown up





Hope you now understand the

"contra" theme

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