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MASTERY IN INDIAN EQUITIES

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Mastery in Indian Equities: Sunil Singhania

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At Ambit, we continuously look for and research new investment ideas, concepts and frameworks for investing in India's stock markets. As our franchise has grown over the years, we have been fortunate enough to see firsthand the investing styles of a range of highly accomplished investors. These investors have established track records of beating their benchmarks over long periods of time (often in excess of a decade). In the process of delivering exceptional returns, they have shown remarkable skill in identifying high quality companies early, staying invested with resolute conviction, and – where applicable – selling them at the right time.

Watching them invest has stoked our curiosity, triggering questions such as:

- What exactly goes into the making of an expert investor?
- How do such experts learn their trade? Who are their mentors?
- What life experiences shape them?
- What role, if any, do books and academic training play?
- Why is it that these legends are able to learn so much more from their mistakes than the average investor?
- How do these people stay motivated given the daily pressure exerted by the market?
- What differentiates them and helps them stand apart from the crowd?

Using Robert Greene's 'Mastery' framework (see the Appendix for details), we will publish detailed studies of an assortment of investment legends and their varied styles of delivering stellar returns over periods in excess of a decade in the Indian stock market.

Links to previous reports in the 'Mastery in Indian Equities' Series

1. Ashish Dhawan: The pioneer of PIPE – 6th February 2018

2. K.N. Sivasubramanian: Siva – The pioneer of 'Good & Clean' – 8th March 2018

THEMATIC | May 22, 2018

Sunil Singhania – Who dares, wins

Sunil Singhania, founder of Abakkus, was instrumental in Reliance Mutual Fund rising to become one of India's largest fund houses. Under him, Reliance Growth Fund delivered returns of 21% CAGR from 2004 to 2017, outperforming the S&P BSE100's 14% CAGR. A unique appetite for investments with asymmetric payoffs is the foundation of Sunil's track record as evidenced by investing very early in small-midcap stocks like TVS Motors, Eicher Motors and Bajaj Finance. His immense risk appetite, coupled with a hunger for leadership roles in highly ambiguous situations, makes Sunil's success hard to repeat.

From Chartered Accountancy to stock markets

Sunil was brilliant in his studies and is an all-India rank-holding Chartered Accountant (every year only the top 50 accountants in India are given a "rank"). He started his career with his uncle's accountancy firm after which he switched to the stock market to set up a friend's NSE brokerage. He then ramped up the institutional equity research and sales functions at Advani Share Brokers. These career choices reflect Sunil's hunger for leadership in risky situations with uncertain outcomes.

Taking Reliance Mutual Fund (RMF) to new heights

Sunil joined RMF in 2003 at a time when it was at the bottom of the pecking of Indian mutual funds. Sunil, along with Madhusudan Kela, built RMF into one of the largest mutual funds in India. Over 2004 to 2017, Reliance Growth Fund - managed by Sunil - delivered 21% CAGR, beating the S&P BSE100's 14% CAGR by a wide margin. RMF was India's #1 mutual fund for almost four years from 2007 to 2011. Reliance Growth Fund has the unique distinction of being the only Fund in India that returned 100 times in just under 22 years. Alongside excelling in his day job, Sunil was instrumental in setting up the India society of the CFA Institute through the first decade of the new century at a time when this posed major legal challenges.

A unique approach towards risk...

Sunil is a voracious reader of financial statements. Based on his rigorous reading of balance sheets, analyzing valuations, and evaluating promoters, Sunil is able to assess what is the maximum downside risk versus the upside potential in a stock. His clarity in assessing these bets speaks of a highly evolved approach towards risk. This approach helped him spot winners like Bajaj Finance and Eicher Motors early on. In spite of his success, Sunil chooses to continue to live in suburban Mumbai rather than moving to upscale south Mumbai, a move which for many finance professionals is a rite of passage.

...and a unique approach towards life

Sunil is also the only Indian, so far, to have become Chair of the Investment Committee of the CFA Institute. Alongside that, he is also the President of the Goregaon Sports Club. Sunil believes that these leadership roles and the challenges they pose (e.g. having to understand the perspectives of people from a variety of cultural backgrounds) broaden his horizons. Sunil's hunger for and learnings from leadership, coupled with his distinctive career choices and appetite for non-linear risk (i.e. risk which most of us will not be able to quantify readily) make his successful investment career difficult to replicate. Whilst "Good & Clean" investors can question some of Sunil's investments in companies run by less-than-ideal promoters, what is indisputable is that over a very long period of time Sunil has outperformed the Nifty by a wide margin.

Sunil Singhania: Career timeline

Year	Event
1994-1997	Motisons Securities
1997-2003	Advani Share Brokers
2003-2017	Reliance Mutual Fund
2018	Founder - Abakkus Asset Manager LLP

Source: Bloomberg, media sources, Ambit Capital research

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Section 1: Why is Sunil Singhania's career worth studying?

Sunil and Madhusudan Kela were instrumental in Reliance Mutual Fund's ascent from 2003 to 2007

Sunil Singhania, 50, worked at Reliance Mutual Fund from 2003 to 2017. Sunil, and Madhusudan Kela, were instrumental in Reliance Mutual Fund's ascent from being in the bottom of the mutual fund rankings in the early 2000s to becoming one of India's Top 5 mutual funds (ranked by assets under management) – a position it holds even today. For nearly four years (from Sept 2007 to June 2011), RMF maintained the status of India's #1 mutual fund house. Sunil's expertise in fund management was evident in the fact that during his tenure, some of RMF's equity schemes grew to be among India's largest.

Sunil is also a unique leader with a footprint outside of fund management. For example[1]:

- Sunil was the Promoter of The Association of NSE Members of India; a body of stock brokers.
- He is also the first individual from India to be elected as a member of the CFA Institute Board of Governors and currently serves as the Chair of the Investment Committee and as a member of the Nominating Committee.
- Sunil was part of the CFA Institute's Standards of Practice Council for six years, and was the Founder of the Indian Association of Investment Professionals (now CFA Society India) and served as its President for eight years.
- Sunil is also the President of the Goregaon Sports Club, one of the largest sports clubs in the Western suburbs of Mumbai.

At RMF, Sunil handled many equity schemes such as Reliance Equity Fund, Reliance Growth Fund, Reliance Multi-Cap Fund, and Reliance Small-Cap Fund. Of these, Reliance Growth Fund (RGF) was RMF's flagship fund and the only one with assets under management (AUM) of more than US$1bn as on the date of Sunil's departure. Sunil, as CIO-Equities of Reliance Mutual Fund, also oversaw all other equities schemes of the fund house, totaling over $10bn.

RGF gave a return of 20.5% CAGR compared with the S&P BSE100's 14.0%

Sunil managed RGF from December 2004 until his exit in August 2017. During this 13-year period, RGF gave a return of 20.5% on a CAGR basis compared with the S&P BSE100 which gave CAGR returns of 14.0%. Reliance Growth Fund has the unique distinction[2] of being the only Fund in India that returned 100 times in just under 22 years. Thus, Sunil delivered alpha over a period of more than 10-years in a fund whose AUM is more than US$1bn, fulfilling both our conditions (alpha over a decade or more with a large corpus) for inclusion in our series.

[1] Profile partly sourced from Bloomberg.

[2] https://www.thehindubusinessline.com/markets/stock-markets/reliance-growth-fund-nav-touches-rs-1000/article9675292.ece

Section 2: From CA firm to stock markets

Sunil Singhania was born and raised in Mumbai. He went to school at St. Anne's High School located in Malad, a north-western suburb in Mumbai. Sunil did his undergraduate studies at the prestigious Narsee Monjee (NM) College of Commerce and Economics, located in Vile Parle, another western suburb in Mumbai and about 10km south of his school. Sunil is the youngest of five children and his father spent his entire working career in the Birla Group of companies.

Sunil was brilliant in studies and is an all-India rank holding CA

NM College, in the early-to-mid 1980s, like any renowned college in the commerce field, was full of students studying for the Chartered Accountants (CA) course. Sunil was brilliant in studies from his school days and he procured an all-India rank in the CA final examinations. In fact, he had to wait a while to get his CA degree since at that time he was only 20 years old and CAs had to be of 21years of age to qualify to practice as a CA.

The Chartered Accountancy (CA) course

The Institute of Chartered Accountants of India (ICAI) was formed in 1949 by an Act of Parliament. ICAI's many functions include recommending accounting standards that form the framework for financial reporting in India. ICAI controls the profession of Chartered Accountants (CAs) in India. Membership to ICAI is via the CA course which includes examinations and three years of practical training as apprentices (or 'articles') in a CA firm.

The CA course is India's most rigorous examination for students who want to specialize in accounts, audit, and taxation. As per the ICAI's website[3], in May 2017, 34,503 candidates appeared for both groups of the CA Final exam, of which 3,174 (or 9%) candidates passed the exam. In November 2016, this statistic was even lower at 3%. As at 1st April 2017, there were around 270,000 CAs in India.[4]

CAs can set up their own firms and practice in their core areas such as audit, accountancy, and taxation. The Aditya Vikram Birla Family at one time was known for their preference for CAs. With the economic reforms of 1991 deregulating many parts of the Indian economy, sectors such as private banks, investment banks, and other areas of capital markets raised the overall demand for CAs.

CAs are also well suited for the buy-side and sell-side given their training in company accounts which equips them well in analyzing balance sheets. Those CAs who apprenticed during their "articleship" at manufacturing plants, banks, etc. are also well trained in understanding the operational aspects of a business, something that MBA graduates lack when they enter the Indian job market.

Stock markets in the 1980s saw a mania for IPOs

Sunil's interest in the stock markets dates to his days at NM College. The 1980s saw the first wave of deregulation under the then Prime Minister Rajiv Gandhi. This deregulation brought with it a boom bordering on mania in IPOs. Huge oversubscriptions and massive listing-day gains attracted the retail to apply to these IPOs. Recalling those days, Sunil told us, *"I began applying for IPOs when I was 17-18 years old. The first stock I was allotted was Gujarat Godrej Innovative (now part of Godrej Industries) which opened 10x."*

Sunil received his CA degree in 1988. Given his all-India rank (awarded only to the top 50 students of the graduating cohort), Sunil received offers from prestigious firms like L&T, ICICI Bank, as well as from multinationals like Siemens. However, Sunil chose to work at his uncle's CA firm, where he had also trained for his CA course. From his home in Malad, Sunil traveled more than 40kms every day in Mumbai's local trains to his uncle's CA firm at Masjid Bunder, in southeast Mumbai. Sunil grew the CA firm by applying to get the audits of branches of public sector banks like SBI. His audits took him to smaller cities like Bhopal and Gwalior and Sunil soaked up these travels as part of his learning curve.

[3] https://resource.cdn.icai.org/18062key_statistics.pdf
[4] https://resource.cdn.icai.org/30987key-statistics.pdf

Long, daily commutes in Mumbai's densely packed local trains also provide opportunities to meet likeminded people. When we asked Sunil what led him to switch careers from auditing public sector banks to the stock market, he recalls a friend he made during his daily commute. *"I had a friend whose family was in the stock market. When the National Stock Exchange (NSE) was being set up in the early 1990s, his family applied for membership. But they needed someone to pass the NSE exam to become a member. So they approached me"*, he told us.

Sunil worked at NSE brokerage after his uncle's CA firm

The National Stock Exchange (NSE)

In the early 1990s, India's capital markets saw a wave of reforms that ushered in a new era of liberalization, regulation, and development. These reforms included abolishing regulatory bodies such as the Controller of Capital Issues, forming SEBI as the regulator for the stock market, free market pricing of securities, opening mutual funds to private and foreign sector players and - most importantly - formation of the National Stock Exchange (NSE).

The launch of the NSE in 1992 followed by the move from open outcry to electronic trading and dematerialization of shares later in the 1990s, transformed stock markets in India. In the early 2000s, the introduction of derivatives and rolling settlement, took India closer to global norms of stock market operations.

Before the NSE was recognized as a stock exchange in 1993, the Bombay Stock Exchange (BSE) had a monopoly on the stock markets in India. Hence, when the Pherwani committee report (which recommended the formation of the NSE) was released, it was met with resistance. Brokers, used to open outcry, were skeptical of a faceless system where stocks would be bought and sold on a screen. Over time however, brokers accepted the NSE's National Exchange for Automated Trading (NEAT) and the BSE eventually released its own online trading platform - BOLT (BSE Online Trading) – in 1997.

Thus, over the past twenty years, spurred on by multiple scandals involving market manipulators, stock markets in India have significantly improved their systems and the transparency of their operations.

The early 1990s also was also the time when Harshad Mehta[5] had captured the imagination of the youth with his huge success in the stock market. In one year, the Sensex surged 4x, from 1,168 on 31st March 1991 to 4,285 on 31st March 1992. Before the securities scam broke out, Harshad Mehta was on the front page of financial dailies and magazines with his forecasts and predictions. This boom in the markets also caught Sunil's eye and he decided to turn his attention to the stock market. Even though the markets crashed in the wake of the securities scam, Sunil remained serious about his next job. Thus, in 1994, he left his uncle's CA firm and joined Motisons – his local train friend's family's brokerage at the NSE.

Setting up a new NSE brokerage

Just as he had expanded his uncle's CA firm, Sunil worked hard at ramping up Motisons. The NSE took a while in taking off since brokers were used to the BSE's style of functioning and showed reluctance in becoming early adopters of a new technology. Sunil was able to establish an informal arrangement with a few BSE brokers (who were also Chartered Accountants) – he would pass on any BSE client trades that he would receive in exchange for the BSE brokers giving Motisons their NSE trades. Motisons thus started its NSE operations with these few brokerage clients.

Sunil worked hard at ramping up Motisons, the NSE brokerage

NSE was looking to expand across India and placed an advertisement for brokers to apply for VSATs (very small aperture terminals – which were required to operate an NSE terminal) which cost Rs0.5m/VSAT – an expensive proposition in those days. However, NSE sweetened the deal by not asking for any money upfront on application. *"I applied for 100 VSATs. That shocked NSE too, but they gave us 3 VSATs and that enabled us to open our branches in Delhi, Jaipur, and Bangalore. Motisons*

[5] The stock broker instrumental in the securities scam that involved individual brokers manipulating the 'Banking Receipts' system prevalent in those days to divert money into rigging stock prices. He was eventually arrested and spent the rest of his life in jail.

was the first NSE broker in Jaipur", Sunil told us. Sunil thus spearheaded the expansion of Motisons across cities.

Researching hidden gems

Sunil co-founded ANMI, where he also met Pashupati Advani

As NSE terminals began gaining acceptance across India, Sunil became part of a broader movement to form an association of trading members across all stock exchanges. Thus, Sunil co-founded the Association of National Exchanges Members of India (ANMI) in the late-1990s. During the formation of ANMI, Sunil met Pashupati Advani, who ran Advani Share Brokers (ASB). Pashupati had previously worked with Goldman Sachs and Bear Sterns in New York and hence knew a few foreign institutional investors (FIIs). As the Indian markets were opening up, Advani was well placed to service a few FIIs who showed interest in India.

After setting up a small brokerage from scratch, Sunil decided it was time to move to a larger firm to service institutional clients. In 1997, after working and setting up Motisons, Sunil joined ASB.

Equity research in India was still in its infancy in the late-1990s at a time when research reports were faxed and hand-delivered in hard copy by brokers to clients. Foreign brokerages were focused on research and trading in large and liquid index-based stocks whilst the domestic brokerages were focused on simple execution of client trades, rather than providing research and recommendations to clients. The concept of researching underpriced stocks and selling them to clients was unknown. Sunil began the process of meticulously building up both research and sales at ASB. He bought a large printer for printing reports every Saturday so that they could be on clients' desks every Monday morning.

Sunil meticulously built up both institutional equity research and sales at ASB

"We only did two-page research reports. If you can't convince someone in two pages, you won't be able to convince them in 200 pages. We wrote on Kotak Mahindra when it was Rs94/share and had not yet got a banking license. We wrote on Maharashtra Scooters as a deep value stock and on Maharashtra Seamless which was then trading at half times cash profits (Rs40 cash EPS versus Rs20 EPS)", Sunil told us.

There were two key events at ASB that underscore Sunil's academic brilliance and his initiative in venturing into unknown areas:

- First, he ventured into studying equity derivatives when they were newly introduced in Indian stock exchanges in the early 2000s. As one would expect, Sunil easily passed the derivatives examination required by the Bombay Stock Exchange (BSE) to start trading in derivatives. He was so good at this that he even started teaching this subject at the BSE!
- Second, he successfully cleared the Chartered Financial Analyst (CFA) exams in 2001 when the CFA Institute (then known as the AIMR, or Association of Investment Management and Research) came to India in the early 2000s. While a CFA degree today is seen as necessary for a career in the financial markets, back then it was unheard of and considered an expensive degree with unproven benefits.

Moving on to the buy-side

Small/midcap stocks were out of the radar for many investors in 2003

Despite his efforts, ASB's push into undervalued stocks was not living up to Sunil's expectations. Domestic institutional investors (DIIs) were happy to discuss small/midcap stocks with Sunil. But in the early 2000s, DII's did not have the risk appetite to invest in small/midcap stocks because these stocks were too small (in terms of their market cap and their average daily volume) and therefore these DII's funds could not give ASB any trades to execute.

And if small/midcap stocks were too small for the DIIs, they were not even on the radar of the FIIs. It didn't take long for Sunil to figure that small/midcap research was then looking like a dead-end. After all, the Sensex itself was in the midst of its 'lost decade[6]' and interest in stocks beyond the Sensex/Nifty was non-existent. Sunil knew that if he had to pursue his passion of picking stocks, he had to move from the sell-side to the buy-side.

As luck would have it, Reliance Mutual Fund (RMF which was formed in 1995 with Reliance Capital as its trustee and sponsor) was among the clients of ASB. Sunil met Madhusudan (Madhu) Kela and Amitabh Jhunjhunwala (the heads of Reliance Capital back in the late 1990s and early 2000s, before the Reliance Group was split between Mukesh and Anil Ambani). *"It was a five-minute interview and I didn't even have my resume"*, Sunil told us recalling his decision to move to RMF.

"It was a five-minute interview and I didn't even have my resume" – Sunil on joining Reliance MF

An early appetite for risk

Sunil's decision to shift to the buy-side reflected his unconventional career decisions – this is not a man who spends too much time worrying about what everyone else is doing. At a time when he could have got a job with the best Indian companies, Sunil chose to work at his uncle's CA firm. From there, he ventured into setting up an NSE brokerage when no broker wanted to try an untested, faceless technology. From Motisons, Sunil then changed tracks to doing research in small/midcap stocks – an area that no institutional investor wanted to touch with a bargepole. Finally, he shifted to a mutual fund that was then at the bottom of the rankings. You can read as many books on investing as you want but if you don't have this sort of appetite for non-linear risks, it is difficult to become a Sunil Singhania.

At each turn in the first ten years of his career, Sunil showed an immense appetite for untested, risky ventures which could easily go wrong – and yet, his hard work and rigor drove the expansion of all three of his employers (his uncle's CA firm, Motisons, and ASB). In the next section, we will see how Sunil dedicated his energies into transforming RMF into one of India's top 5 mutual funds – a position which it holds to date.

[6] Between 31st March 1993 and 31st March 2003, the Sensex rose at a measly CAGR of 2.4% which is why this ten year period is called the "lost decade" in Indian equities.

Section 3: Building Reliance Mutual Fund

The Indian mutual fund industry had opened up to private (and foreign) sector participation in 1993, when the first private mutual fund equity schemes (Kothari Pioneer Bluechip and Prima) were launched. Large business houses such as the Tata Group, AV Birla Group, and Reliance Industries received permission to launch their mutual fund products during this period. The exports (IT and pharma) driven boom in the late-1990s was the first major instance of private sector equity mutual funds attracting retail investors in droves. For instance, Alliance Mutual Fund (acquired by Birla Sun Life in 2004), Kothari Pioneer Mutual Fund (acquired by Franklin Templeton in 2003), and Birla Sun Life Mutual Fund successfully launched IT-specific funds during this period.

In 2003, RMF was near the bottom of the equity AUM tables

As at March 2003, as per the mutual fund industry's trade body, AMFI[7], India's mutual fund industry had AUMs of Rs795bn (US$17bn, at then prevailing INR48/USD). When Sunil joined RMF in 2003, RMF's total AUM at Rs25bn (US$0.5bn) made it a small player. To put things in perspective, RMF's equity AUMs were around Rs1bn (US$0.02bn) in 2003 when Franklin Templeton Bluechip fund became India's first open-ended, diversified, private sector equity scheme to cross Rs10bn (US$0.2bn) in AUMs.

From 2003, Madhu Kela and Sunil Singhania set out to build RMF. What went in their favor was that early 2003 the Indian stock market was bottoming out, with the Sensex around 3,000 levels. In fact, 2003 was the last year of the "lost decade" in Indian equities. Sunil recalls 10th April 2003 vividly because that was the day[8] that Infosys announced poor results causing its stock price to fall 25% and triggering a massive correction for other IT stocks – Mastek, for example, fell 50%.

In small/midcap stocks, Sunil saw the opportunity of a lifetime. He began investing in them, putting his work experience at ASB to use. *"I focused only on the balance sheet. I hardly met any sell-side analysts; sell-side research at that time lacked depth"*, he told us, referring to the time when analysts tracked only large-cap stocks since they were large and liquid enough to pay commissions. In a bear market, sell-side brokerages tend to focus on large clients, which – at that time –invested mainly in large-caps. Small/midcap stocks simply did not justify the time and effort of formal coverage.

In two years, RGF's AUMs went from Rs2m to Rs10bn.

When Sunil joined RMF, RMF had only three equity schemes – Reliance Growth Fund, Reliance Vision Fund (both launched in 1995), and Reliance Banking Fund. Sunil worked in Reliance Growth Fund (RGF). Sunil's bets worked and RGF boomed; in two years (March 2003 to March 2005), RGF's AUMs went from Rs200m to Rs10bn (US$0.2bn). This was exponentially higher than the rise in the BSE Midcap Index (36% CAGR in the same period) and BSE SmallCap Index (56% CAGR).

Reliance Equity Fund set a record of funds raised in an NFO – Rs58bn – in 2006

While Sunil worked at beating benchmarks, Madhu Kela and Amitabh Chaturvedi (who also joined in 2003) worked at marketing and selling RMF's products. From 2004 to 2007, RMF aggressively launched new equity mutual fund schemes and these were met with overwhelming response. Reliance Equity Fund (now part of Reliance Focused Equity Fund) launched in 2006 raised[9] Rs58bn – at that time the highest ever money raised by a mutual fund in a new fund offer (NFO). In 2007, RMF became India's No 1 fund house in a short span of 5 years from being 34th out of 34 fund houses in 2002. RMF maintained the status of India's #1 mutual fund house from Sept 2007 to June 2011, a position it ceded to HDFC AMC in September 2011.

[7] https://www.amfiindia.com/research-information/mf-history
[8] https://www.thehindubusinessline.com/2003/04/26/stories/2003042602611300.htm
[9] https://www.livemint.com/Money/fwN827wsJb9SGC1rzr1nBM/Will-Reliance-AMC-win-back-investors.html

Exhibit 1: RMF's new equity fund launches between 2004 and 2007

Fund	Launch
Reliance Power & Infra Fund	08-May-04
Reliance Pharma Fund	05-Jun-04
Reliance Consumption Fund	30-Sep-04
Reliance Balanced Advantage Fund	15-Nov-04
Reliance Quant Fund - Retail Plan	02-Feb-05
Reliance Multi Cap Fund	28-Mar-05
Reliance Value Fund	08-Jun-05
Reliance Tax Saver (ELSS) Fund	21-Sep-05
Reliance Focused Equity Fund	26-Dec-06
Reliance Large Cap Fund - Retail Plan	08-Aug-07

Source: valueresearchonline.com, Ambit Capital research

India's NFO boom of the late-2000s

The surge in global liquidity and India's upswing in GDP growth propelled a boom in the Indian stock market from 2003 to 2008, during which the Sensex went up 7x (from 3,049 on 31st March 2003 to 20,873 on 8th Jan 2008). Thus, unlike the dot.com boom of the late 1990s/2000s, the 2003-2008 stretch was a much longer bull market.

Domestic mutual fund inflows boomed as asset management companies launched new fund offers (NFO) around the various sectors and themes that were then the key beneficiaries of India's economic expansion. New schemes were sold aggressively via distributors during an era where entry loads still existed and were as high as 2.25% (they were done away with in 2009).

Between 2004 and 2007, India's mutual fund industry launched[9] 351 equity-oriented and hybrid schemes which collected a massive Rs1.23tn these were met with overwhelming response. Reliance Equity Fund (now part of Reliance Focused Equity Fund) launched in 2006 raised[9] Rs58bn (US$1.3bn) – at that time the highest ever money raised by a mutual fund in a new fund offer (NFO). RMF maintained the status of India's #1 mutual fund house from Sept 2007 to June 2011, a position it finally ceded to HDFC AMC in September 2011.

Half of the Rs1.23tn collected by the Indian mutual fund industry between 2004 and 2007 came in 2006 and 2007 alone. In 2006[10], 45 new equity schemes raised Rs380bn and in 2007, 53 new equity schemes raised Rs292bn. At the peak of this frenzy, an Economic Times article[11] in December 2007 reported on how major fund houses were targeting NFO collections of Rs50-100bn, compared to tamer targets of Rs15-20bn earlier.

Speaking to us on the key factors driving the success of RMF in those days, Sunil told us *"RMF was a great platform. Even though we started with a small corpus, the Reliance name was huge and it gave us the ability to meet anyone."* Sunil also credits Madhu Kela and Amitabh Chaturvedi with the success of RMF schemes, *"Madhu was very good at public relations and he was well connected with domestic investors. Amitabh joining as CEO helped us since he focused on pushing sales."*

As RMF grew, Sunil ramped up the investment management team, hiring Ashwani Kumar (who currently manages Reliance Tax Saver Fund and Reliance Vision Fund) and Sailesh Raj Bhan (Deputy CIO, managing Reliance Consumption Fund, Reliance Pharma Fund, Reliance Large Cap Fund, and Reliance Multi-cap Fund).

[10] https://economictimes.indiatimes.com/analysis/five-years-after-nfo-mania-of-2006-investors-counting-their-losses/articleshow/10468328.cms

[11] https://economictimes.indiatimes.com/mf/analysis/big-is-beautiful-for-mutual-funds/articleshow/2626884.cms

The relationship between Madhu (who is also a renowned investor with a legendary appetite for risk taking) and Sunil played out well in the investment decision making process. *"Madhu and my traits were different. He was the risk taker, while I would focus on research. He would say that if I was 80-90% convinced about the investment idea, I should go ahead and buy 50-60% of the quantity. I ensured that by and large, we avoided any balance-sheet related mistakes"*, he told us.

"Madhu was the risk taker, while I would focus on research" – Sunil on the team that built RMF

Madhu and Sunil's success has been well documented in the media. We reproduce the following extract from a Mint article[9] in 2012:

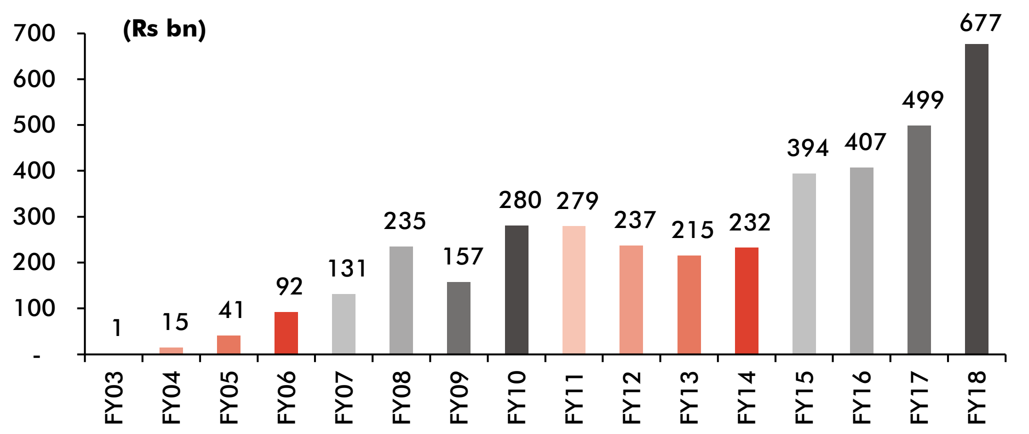
- *The team specialized in picking up small companies ahead of the market. They picked up Jindal Steel and Power in 2003 when its market capitalization was just Rs3bn (at present it is Rs447bn), Divis Laboratories Ltd when its market capitalization was Rs2bn-2.5bn (at present it is Rs110bn), Siemens when its market capitalization was Rs 5bn (at present it is Rs265bn) and Eicher Motors Ltd when its market capitalization was Rs3bn-4bn crore (at present it is Rs59bn), among many other small companies.*
- *"I could never reconcile at that time given the state of equity markets and economy that we should be happy just outperforming the benchmark index. I saw screaming opportunities in the market that could give us much, much higher returns," says Kela. Between 2003 and 2007, RGF was the best performing actively managed equity scheme. Kela and his team made their names as being one of the best mid-cap fund managers in the industry.*

The 2003-2008 bull market peaked in January 2008 with the Sensex at around 21,000. Following the global financial crisis, the Sensex crashed to just above 8,000 in March 2009. This crash, coupled with SEBI removing entry-loads on mutual funds in 2009 impacted flows to equity mutual funds in general and RMF in particular. By 2011, RMF lost its #1 position to HDFC Mutual Fund. *"By late 2007/early 2008, we were 25% in cash. But we did not convert that cash quickly in 2009. For a couple of years, we had challenges"*, Sunil admitted to us.

Inflows into RMF equity schemes were impacted after the 2008 crash in the markets

From April 2003 to Jan 2008, RMF's equity AUMs grew at a blistering 221% CAGR, assisted by the tailwinds from the rising Sensex. Then, as the Sensex remained stagnant from April 2008 to September 2013, RMF's equity AUM declined at a modest 3% CAGR. From there, until Sunil's departure in August 2017, RMF's equity AUMs resumed their rise, growing at 30% CAGR (from Sept 2013 until August 2017), compared to the Sensex's 13% CAGR. The exhibit below shows the growth of equity AUMs at RMF, during Sunil Singhania's tenure.

Exhibit 2: The growth of RMF's equity AUMs under Sunil Singhania



Source: ICRA Online, Ambit Capital research

Moving on to new challenges

After leaving RMF, Sunil set up his own fund – Abakkus – in 2018

In August 2017, after spending 14 years at RMF and after the firm had itself gone public in a high profile IPO, Sunil decided it was time for him to move on to new challenges. In 2018, he founded Abakkus Asset Manager LLP, an India focused asset management company. *"I am 50 years old and have around 15years ahead of me…I am in good health, physically and mentally. I believe that we are at the cusp of massive growth in non-fund based financial services (such as asset management, wealth management, insurance, etc.). Mutual funds were about deploying capital; I want to go back to stock picking"*, he told us.

Section 4: Why is it so hard to be Sunil Singhania?

Sunil possesses a rare risk-taking capability that stems from character-specific traits

Sunil Singhania's track record of delivering alpha while at RMF is testimony to a range of skills only some of which can be acquired by extensive study & training. While Sunil's core strengths lay in assiduously reading balance sheets, meeting and gauging promoters, and identifying undervalued small/midcap stocks, these skills only facilitated his success. Beyond this hard work, Sunil possessed a rare risk-taking capability that stems from character-specific traits. After all, if all of us could read balance sheets and meet promoters, we would easily be able to repeat Sunil's success. But these are merely necessary, not sufficient, conditions in delivering outperformance over long periods of time.

We believe that Sunil possesses a rare bent of mind that is a result of many character traits. These character traits make replication of Sunil's success difficult. Melding of these very unique and specific traits with the core strength of identifying and investing in winning stocks is a process of Mastery as outlined in Appendix 1. We discuss each of these unique traits:

Sunil has a penchant for jumping into situations that demand a leader

1. Hunger for leadership: Sunil has a unique penchant for jumping into unknown situations which cry out for leadership. And in each of these situations he seems to have succeeded as a leader in delivering outstanding results. This is above and beyond his academic brilliance – as seen in his all-India Chartered Accountancy Rank, passing the NSE and BSE exams, attaining the CFA charter and sitting on the global Board of the CFA Institute.

At their time, the NSE in the 1993, derivatives in the BSE in 2000, and the CFA exam in 2001 – were all propositions with uncertain outcomes. And yet, Sunil not only jumped head-on into these situations but went on to lead them and build institutions around them. He was founder of ANMI, he taught derivatives at the BSE, set up the CFA India society and to date he is the only Indian to become the Chairman of the Investment Committee at the CFA Institute.

At a time when markets were taking off in 2003, Sunil could have chosen to become an analyst at a high-paying multinational brokerage. And yet, he chose to go with RMF, which whilst having a great brand name was at the bottom of the rankings. Over time, he went on to become the CIO at RMF.

At each turning point of his career, Sunil could have taken conventional, safe decisions. And yet, Sunil showed unusual initiative and enterprise in all these situations. Not many of us would have the boldness and resolve – that too early in our career – to take risky decisions with uncertain outcomes.

And as if all this isn't enough, Sunil is also the President of the Goregaon Sports Club – one of the largest sports clubs in the western suburbs of Mumbai. He takes pride in this position, since it involves dealing with diverse set of people (staff, committees, families, etc.) and very different situations compared to the investment management profession.

We asked him what drove this hunger for leadership that made him leap into situations most of us would avoid. Sunil said he loves the thrill of the driver's seat and narrated an incident from his childhood that shows his enthusiasm for risk. *"I always believed in speaking my mind. In school, we had a feared principal - Father Dias. He was nicknamed Tiger because he roamed with a cane in his hand and evoked fear in everyone. When he caned a student, we could hear it for many floors above. In each Independence Day Elocution Competition, the school would showcase their best Standard X students. I went into Father Dias's cabin and demanded to take part in the elocution competition. Somehow, he agreed. I won that competition, and I was in Standard VII then"*, he told us.

Sunil is highly entrepreneurial in nature

Sunil is highly entrepreneurial in nature. He treats every job as his own company and runs it as an owner would. He held no notions of power and status and did whatever it took to get things done. From physically printing research reports at ASB to drafting and filing prospectuses at RMF, Sunil held no inhibitions in doing tasks that others would deem fit for juniors. He took pride in doing them like they were for his own venture. *"These things gave me a thrill and I really enjoyed them"*, he told us. He didn't choose jobs on the basis of the firm being a domestic of an MNC, as long as he knew that he had the visibility of reaching the driver's seat.

2. Learning through leadership: Sunil has not only established his leadership in many areas outside of investing, but he has used learnings from leaderships to supplement his investment acumen.

The CFA Institute is a big influence on Sunil's career

The CFA Institute has been, and remains, a big influence on Sunil's career. Sunil was among the first few CFA charterholders in India (2001) and the founder of the CFA India Society. While both the CFA Institute and CFA Society are well established in India today, the formative years were rocky as Sunil saw on the ground. The CFA Institute (USA) was involved in a protracted legal battle with the Indian CFA Institute (ICFAI) over the 'CFA' trademark. Recalling this battle, Sunil told us *"There was a time when police in uniform would come to our office to serve us legal notices."* Both parties (the CFA Institute and ICFAI) eventually settled[12] out-of-court.

Setting up the CFA Society was also not easy. In the early 2000s, the CFA Institute mandated a minimum of 15 charter holders to form a CFA Society. *"There were barely 15-17 students in India at that time giving the exam. By the time we got to 15 charter holders, the CFA Institute changed the rule to 50"*, Sunil told us. The CFA Society in India was finally formed in 2005. Sunil was the President of the Society for eight years. In fact, Sunil even helped write a few editions of the Code of Ethics and Standards of Professional Conduct of the CFA Institute.

The time and effort spend by Sunil on the CFA Institute has paid off rich dividends. *"The CFA Society invited me to many conferences abroad and kept me motivated. If not for the CFA, I would not have met many global investment professionals. This helped me broaden my horizons"*, he told us. At a time in the early 2000s, when sell-side research in India was still evolving (especially in small/midcaps), Sunil's travels abroad with the CFA Institute helped him develop his investment philosophies. *"I met a foreign investor in Denver in 2005 and he made a phenomenal presentation on the Indian two-wheeler industry and how it would develop in the decades ahead. Analysts here would be talking quarter-to-quarter whereas the thinking of investor's I used to meet abroad was very different"*, he told us.

His role as President of the Goregaon Sports Club, for example, requires him to deal with 120-150 staff, nearly 10,000 families, and many committees. Sunil enjoys this role too. *"It balances my brain,"* he told us.

Sunil learns a lot from real life incidents as well. He recalled how he was hunting for a Hepatitis B vaccine, when his first child was born in 1997. *"I went to the chemist and at that time I had only Rs200-500 in my wallet. The chemist told me the vaccine cost Rs10,000. While I got the money later to buy the vaccine, I noted the name of the manufacturer – Eskayef Pharma. Eventually that firm was merged into Glaxo Pharma. The gains made from investing in Eskayef paid for the hospital bills"*. While all of us can study about stocks while we are working, not many can be sharp enough to spot opportunities in real life.

"When you are a passionate investor, whenever you are awake, you are only thinking about stocks" – Sunil

"When you are a passionate investor, whenever you are awake, you are only thinking about stocks. A lot of interesting and satisfying investments, might not be the most profitable ones but are those from common sense", he told us. This is why Sunil does not believe in confining yourself to office to think about stocks. *"At RMF, I'd encourage everyone to leave work after 6pm; let them go out and think. After all, they didn't have to write any research report for their clients the next day,"* he told us.

Rather than books, Sunil has learnt from his various leadership roles

By his own admission, Sunil is not a voracious reader, beyond the many annual reports that he has read. The one book that pops up in media reports about Sunil is *'A Zebra in Lion Country'* by Ralph Wanger, the one-time head of the Acorn Fund. Sunil says it was gifted to him by a fund manager in Chicago. Apart from books, Sunil

[12] http://www.business-standard.com/article/management/icfai-stops-admissions-to-cfa-course-112071900061_1.html

has learnt from his various leadership roles which have helped him to go beyond short-termism and focus on how things can change over the longer term and – therefore – discover ideas and stocks that the market has not yet thought about.

Among the many people whose company he enjoys, Sunil mentions his respect for his ex-bosses, Madhu Kela and Amitabh Jhunjhunwala. Besides them, he mentions Arjun Divecha (of GMO), Nemish Shah (co-founder, Enam), and Rakesh Jhunjhunwala (domestic billionaire investor).

Arjun Divecha and GMO

Arjun Divecha is the Head of Emerging Markets Equity Team and Chairman of Grantham, Mayo, Van Otterloo & Co. (GMO). Arjun is an MBA in Finance from the Cornell University and a Bachelor of Technology in Aeronautical Engineering from the Indian Institute of Technology, Bombay. Arjun is a renowned and highly respected investor in general and an emerging markets investor in particular.

As per Barron's magazine, Divecha is also one of the managers of the GMO Emerging Markets II fund, which has $5 billion in assets, and is geared to institutional investors willing to dedicate a minimum of $10 million to the fund. In a 2017 interview[13] to Barron's, Arjun believed that getting the country right is the most important thing in emerging markets, saying "*One of my basic theories is, developed markets have institutions that can survive long periods of bad governments. In emerging markets, that is not the case – you are very dependent on the government of the day getting it right.*"

GMO is also known for its co-founder, the legendary Jeremy Grantham who created the approach of analyzing asset valuation trends over the entire history of the market and using that to determine fair value. Grantham is known for correctly identifying major speculative stock market bubbles and shaping his investments accordingly.

3. Immense appetite for risk: Sunil has a unique appetite for and approach towards risk. In a stock that is available cheap, Sunil is easily able to make an assessment of what is the maximum downside risk versus the upside potential. His clarity in assessing these situations speaks of a highly evolved approach towards risk. In a 2015 interview[14], he explained his rationale for United Spirits (USL) and Divi's Laboratories as explained below.

On USL, Sunil spoke of the relative valuation between cigarette companies and spirit companies globally and, therefore, between ITC and USL in India:

- "*We passively track 2,600 companies in 20 countries. We found out that in each of the countries, the market capitalization of cigarette companies was significantly lower than the spirits company in each country. We thought if the company solved its problems, we would double our money. USL had 50 percent market share in India, which has 15 percent market share in the world. So you had 7.5 percent market share of the world!*"

On Divi's, Sunil spoke of his respect for promoters that don't raise equity capital indiscriminately:

- "*This is a company which has never raised equity at all. In fact the Initial Public Offering (IPO) was also offer for sale (OFS) because of a very early stage dilution they had done to a private equity guy. After that the company has never ever diluted money. If you see the amount of dividends they have paid they have paid almost Rs 10bn of dividend since start of their life. [...] Very high ROE, very high quality management, very high quality company.*"

[13] https://www.barrons.com/articles/q-a-how-gmo-allocates-5-billion-in-emerging-markets-1490396263
[14] https://www.moneycontrol.com/news/business/markets/sunil-singhanias-investing-approach-believenumbers-1297609.html

While that decision might have been made in the throes of a bull market, Sunil – in general – has no inhibitions in dealing with risky situations betting on an uncertain turnaround. Some of Sunil's early picks – such as Eicher Motors (in 2008/2009 during the Volvo tie-up and much before the motorcycle success), Bajaj Finance (when it financed Bajaj Auto products and before it transformed into a consumer NBFC), and Jindal Steel & Power in (the early-2000s near the bottom of the-then steel cycle) – were stocks available at compelling valuations and waiting for a turnaround for an asymmetric payoff.

In general, Sunil has no inhibitions in dealing with risky situations

For an investor focused strictly on financials like ROE, ROCE, etc., these stocks would not have been attractive at all. But Sunil believes that rock-bottom valuations are worth the risk, when you can place a reasonable amount of confidence on the turnaround; eventually it was a question of when, not if, this turnaround came through. He recalled TVS when it was #3 player in a three-player market (after Hero Moto and Bajaj Auto) and was available at 0.15x sales in 2012. *"It was a branded business in a three-player, you just have to wait for the margins to rise"*, he told us.

Thus, valuations and balance sheet remain the most critical factors in an investment decision for Sunil. He emphasized, *"The most important document for me is the balance sheet. Every debit has a credit. If the profit is a result of padding up intangibles, or pumping up debtors and receivables, then it's of no use to me."*

"The most important document for me is the balance sheet" - Sunil

What role does the promoter have to play then? *"A balance sheet gives away 90% of the story. Whether a promoter will be fair towards minority shareholders, you will know only when you meet him. There are two aspects of his track record. The first is raising equity. Now, raising equity isn't bad, but there has to be a logical reason for that. The second is his history and what has he done in the past 10-15 years"*, he told us.

Sunil gave us the example of how he spotted JSPL. Around 2002/2003, JSPL had a market cap of Rs2.5bn-3bn and was making Rs750m cash profits and Rs350m net profit. It was deploying its cash profit to ramping up capacity at a time when steel prices were in a decline. But JSPL was making their own iron ore and they used waste to generate fuel and power. He told us, *"They were the last man standing at a time when anyone would collapse if they made steel below JSPL's cost*

This is when Sunil met Naveen Jindal, Chairman of JSPL, and returned impressed. Aside from Mr. Jindal's leadership capabilities and business acumen, Sunil noted another thing. "*He was a sportsman and, in my books, a company promoter who is also a sportsman gets an extra tick because he plays fair"*, Sunil told us. (Note Sunil's willingness to praise a promoter whose company and stock price has gone through ups and downs over the past five years.)

This earthy wisdom might seem a little eccentric to some readers, but many investors have thumb-rules around promoters. A popular theory is to give more brownie points to promoters who can't speak English as well as their native language since this shows that they are spending more time on their business than on looking and sounding better.

In this day and age of fast-changing technology and flashy entrepreneurs with dazzling vision, how does Sunil gauge entrepreneurs like, say, Elon Musk? *"Musk is a binary event. Out of 100 entrepreneurs, 1 is a hit and we make him God. But we don't know what happened to the remaining 99. An entrepreneur's risk-taking appetite should match his loss-making ability. Vision with a base is fine, but vision without anything and only a vague idea or a theme is very risky."*

"An entrepreneur's risk-taking appetite should match his loss-making ability" – Sunil

Thus, Sunil's investment philosophy is shaped around valuations, balance sheets, and promoters. On the specific issue of risk-taking, Sunil sums up his philosophy as follows, *"You should be aware of your own risk-taking ability. You can buy, say, a Coffee Can Portfolio and compound at 20-25%. Or, say, you take extra risk today because you are convinced that you will be proved right five years down the line. But what people tend to do is that they get in with low risk and high return expectation - therefore they don't take well to losing money"*. Sunil also recalls

Sunil is also practical and doesn't believe in dogma in investing. As an investor, there are times when you have to adapt. *"Philosophy evolves, it cannot be constant. You may go to the bottom of the balance sheet, but even there you have to let go. Companies which are expanding might not always have great free cashflows. Construction companies don't have the best of balance sheets. If you stick to one philosophy, you will miss opportunities,"* he told us.

Sunil is also practical and doesn't believe in dogma in investing

In our conversations so far, we have covered Sunil's philosophy in buying a stock. However, when it comes to selling, Sunil rues a few decisions. *"The biggest regret for me is selling Bajaj Finance and Eicher Motors very early",* he told us. Thus, while Sunil is conscious of his strengths, he is also aware of his weaknesses. Sunil believes that his risk-taking appetite has reduced over the years, as he has grown and matured. He recalls his early days and tells us, *"When a man has nothing to lose, a man will risk anything."*

4. Unique choices in life: Sunil's trajectory in life is typical of a hard working middle class India. Born and raised in the suburbs, a BCom from a prestigious college, a CA-ranker, and a CFA charter holder, could be the career graph of many hard-working city-dwelling, middle-class youth who enter the stock market. However, Sunil's decisions deviate significantly from there.

Indeed, in the Finance profession, one usually encounters young professionals who rent apartments in North (or West) Mumbai, travel to their offices in central (or South) Mumbai. One (or two) bull markets later (depending on how big their bonuses have been), they leave their rented apartments and purchase a house in in Central Mumbai (Lower Parel, Prabhadevi, Mahalaxmi) which is significantly bigger than the homes where they are born and raised in. Then, as they progress upwards in their careers, they shift to a global money centre like Singapore where the quality of life is significantly better than in Mumbai.

Sunil has refused to follow this path. After his CA degree, he got offers from multinationals and yet chose to join his uncle's CA firm in Masjid. He was born in Kandivali, moved to Malad, and only recently moved to Goregaon – all in the far-flung Western suburbs. When asset management companies were taking off in India, he chose Reliance (even though he was part of the CFA Institute and knew the power of foreign institutional investors) instead of any of the larger multinationals.

Sunil has refused to follow the typical middle-class path upwards in life

When we asked him if he ever considered relocating overseas, he told us bluntly, *"All my life I was clear that I wanted to stay in India, going out was never an option."* It's no surprise then that when Sunil decided to start his own firm (Abakkus) he chose Bandra-Kurla Complex and not in an offshore money center like, say, Singapore (the favorite of many Indian fund managers). Sunil consciously rejected the template of, say, an IIT-IIM-Yale professional's aspirations to an elite life in south Mumbai. While Sunil could have easily walked into the prestigious clubs of South Mumbai, he chose to join the Goregaon Sports Club.

Sunil chose to start Abakkus in Bandra-Kurla Complex and not Singapore

We believe that this rejection of the conventional is part of Sunil's ability to stay away from the herd. Sunil seems to follow the 'Zebra in Lion Country' model in real life as well. In the ascent in his professional career, Sunil has not followed societal norms, thus reflecting his unique mindset. He is able to assert his identity, which is a sign of an extremely confident individual. We believe that this unique personality is likely genetic and cannot be replicated easily. You can read as many books on investing as you can find on Amazon but you are either a consensus-hugger by instinct, or you are not!

Any of us can read tome after tome of investment books. All of us can probably even identify multi-bagger stocks. But the ability to take huge risks and large bets based purely on valuations, balance-sheets, and some amount of faith in the promoter is beyond reading and academic learning. Thus, we believe Sunil's personality is distinct and enables him to achieve mastery in Indian equities.

Appendix: Robert Greene's Mastery framework

Robert Greene is the American author of five best-selling books namely, The 48 Laws of Power, The Art of Seduction, The 33 Strategies of War, The 50th Law, and Mastery. Written in 2012, Mastery was the result of Greene's study into historical figures in his previous books. He countered the popular notion of success being the result of talent and genius, proposing instead that mastery is a latent power among all of us. In his blog[15], he called it *"a power that we awaken through a process that can be described and followed. It is not a power reserved for the intellectually superior, but a level of intelligence almost all of us can attain, if we understand where it comes from and work at it. The key lies within our own willpower and the intensity of our desire."*

Mastery was the result of Greene's study into historical figures in his previous books

Mastery was based on work from Greene's previous books where he saw a pattern to the paths of great people. As he wrote in his blog, *"This realization of a common pattern or path to power set me to thinking. We normally imagine those who achieve great things in the world as somehow possessing a larger brain or some innate talent, giving them the raw materials out of which they can transform themselves into geniuses and Masters. Based on my research and thinking this did not seem to be the case at all. Many of the figures I had studied were mediocre students; they often came from poverty or broken homes; their parents or siblings did not display any kind of exceptional ability. Their powers did not appear in their early years, but were clearly the fruits of intense labor. Although genetics might play role, it seemed to be a minor one."*

Greene postulates that there exists a form of power and intelligence that represents the high point of human potential. This power is the source of the greatest achievements and discoveries in history. He calls this mastery – the feeling that we have a greater command of reality, of other people, and of ourselves.

Greene postulates that there exists a form of power and intelligence that represents the high point of human potential

In his book, over six sections, Greene describes six steps to achieve mastery. Each section has keys to mastery, a strategy to achieve that step, and reversal (or how to regain the path in each step in case we get lost). Each section has numerous examples to demonstrate how historical figures have followed each step in the path to achieve mastery.

1. Discover your calling: The life's task. Greene believes that all of us are born with an inner force that guides us toward what we are meant to accomplish (Life's Task) in our lives. This force was clear to us in our childhood because it directed us toward activities we enjoy. But this force fades away as we listen to parents and peers and as day-to-day anxieties wear us out. Greene believes that the first step to mastery is always inward by reconnecting with who we are. Mastery starts with reconnecting with this inner force. We return to our origins, occupy our niches, avoid the false path, and let go of our past to find our way back. Greene provides examples from Einstein to Mozart to show how the greats found their life's task. Greene believes that it is never too late to start this process.

Our life's task directed us toward activities we enjoy in our childhood

2. Submit to reality: The ideal apprenticeship. This phase starts after formal education and involves seeking the right apprenticeship. Greene calls it a second, practical education known as The Apprenticeship. In this step, we learn lessons from the greatest masters; these lessons are not specific to our task but transcend all fields. The apprenticeship will provide us skills, discipline our minds, and transform ourselves into independent thinkers that are prepared for the creative challenge on the way to mastery. Greene calls this phase the first transformation since we become independent thinkers for the first time. Strategies to complete the apprenticeship include valuing learning over money, continuing to expand our horizons, advancing through trial and error, etc.

The apprenticeship phase starts after formal education and involves seeking the right apprenticeship

[15] http://powerseductionandwar.com/hidden-powers-my-next-book-mastery-part-1/

3. Absorb the master's power: The mentor dynamic. Greene believes that without a great mentor, we waste time finding knowledge and practice from various sources. Instead, we must find a great mentor who best fits our need and connects to our life's task. Once we have trained under and learnt from them, we must move on and never remain in their shadow. We must surpass our masters in mastery and brilliance. Strategies to deepen the mentor relationship include transfiguring the mentor's idea, creating a back-and-forth dynamic, etc.

We must find a great mentor who best fits our need and connects to our life's task

4. See people as they are: Social intelligence. People around us don't always believe in our life's task. Thus, we become emotionally drained while dealing with the resistance and manipulations of people around us. This experience is the greatest obstacle to the pursuit of mastery. Misunderstanding and misreading the intention of people causes confusion and conflict. The ability to see people in a realistic way is called 'social intelligence'. Thus, once we are able to deal better with people, we can focus on acquiring skills. Greene believes that success without social intelligence is not true mastery, and will not last. Strategies to acquire social intelligence include speaking through our work and seeing ourselves as others see us.

The ability to see people in a realistic way is called 'social intelligence'

5. Awaken the dimensional mind: The creative-active. As we learn skills, our minds become more active. However, if we restrict the active mind to our field, we run the risk of becoming complacent with what we know. Thus, we must use this active mind to expand our knowledge, and give the mind new areas for making associations between different ideas. In the process, we will turn against all the rules we internalized, and then shape and reform them to suit our spirit. This originality propels us to heights of power. The activation of the creative mind becomes the second transformation. Greene believes there are three steps in this process: finding a creative task, developing creative strategies, and the final step - the creative breakthrough. Greene also warns of pitfalls such as complacency, conservatism, dependency, impatience, grandiosity and inflexibility.

We must use this active mind to expand our knowledge,

6. Fuse the intuitive with the rational: Mastery. In the final stage, we have access to a higher form of intelligence that allows us to see more of the world, anticipate trends, and respond with speed and accuracy to any circumstance. We must deeply immerse ourselves in our fields of study, staying true to our inclinations, irrespective of how unconventional our approach seems to others. Greene believes that our brains were designed to attain this power, and if we follow our inclinations to the ultimate end, we will naturally be led to this type of intelligence. The acquisition of this intelligence becomes the third and final transformation. Strategies to achieve this step include connecting to our environment, playing to our strengths, and synthesizing all forms of knowledge.

We must deeply immerse ourselves in our fields of study, staying true to our inclinations

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